CLERK'S COPY.

P.V

792

748458
Sup. Ct.

INDEX VOLUME
TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. I

INDEX

	Original	Print
Record from D. C. U. S., Northern District of New York	1	1
Petition of plaintiffs, States of New York, Delaware, et al., in Civil No. 2311	2	1
Exhibit 1—Order of Commission instituting proceeding in Docket No. 28,300	56	55
Exhibit 2—Order of Commission instituting proceeding in Docket No. 28,310	58	57

Judd & Detweiler (Inc.), Printers, Washington, D. C., Oct. 24, 1946.

—7298

Record from D. C. U. S., Northern District of New York—Continued

Petition of plaintiffs, States of New York, Delaware, et al., in Civil No. 2311—Continued	Original	Print
Exhibit 3—Order of Commission modifying order of investigation in Docket No. 28,300	59	59
Exhibit 4—Order of Commission modifying order of investigation in Docket No. 28,310	61	60
Exhibit 5—Report of Commission, May 15, 1945	63	62
Exhibit 6—Order of Commission in Docket No. 28,300, May 15, 1945	385	383
Exhibit 7—Petition of State of New York, et al. for reconsideration, reargument, etc.	389	387
Exhibit 8—Petition of State of Ohio to reopen order, rehear and reconsider, etc.	418	416
Exhibit 9—Petition of Public Service Commission of Wisconsin for reconsideration and reargument	427	425
Exhibit 10—Amended order of Commission, July 25, 1945	431	429
Exhibit 11—Order of Commission postponing effective date of order of May 15, 1945, as amended	433	431
Exhibit 12—First supplemental report of Commission, Oct. 30, 1945	434	432
Exhibit 13—Order of Commission further amending order of May 15, 1945, as amended	481	479
Order calling assistance to constitute a special court	486	487
Order to show cause	487	487
Order granting Chicago and North Western Railway Company, et al., leave to intervene in Civil No. 2311	489	489
Amended petition of Chicago and North Western Railway Company, et al., for leave to intervene in Civil No. 2311	492	490
Petition of States of Kansas, Oklahoma, et al., for leave to intervene in Civil No. 2311	516	505
Acknowledgment by Interstate Commerce Commission of service of order to show cause	519	507
Motion and application of States of Alabama, Georgia, et al., and of Southern Governors' Committee for leave to intervene in Civil No. 2311	520	508
Intervention of Interstate Commerce Commission in Civil No. 2311	525	511
Petition of New England Governors for leave to intervene in Civil No. 2311	526	512
Affidavit of Floyd Chalfont	586	554
Gerrish Gassaway	587	555
Walter W. Bacon	590	557
George Mace	593	559
Mark A. Daly	595	560
M. P. Catherwood	597	561
Thomas E. Dewey	600	563

Record from D. C. U. S., Northern District of New York
Continued

Affidavit of—Continued	Original	Print
Charles E. Bell	606	567
Parker McCollester	623	577
H. C. Barron	652	598
Ford K. Edwards	819	753
Harvey P. Schneiber	821	754
Glenn F. Vivian	830	760
Raymond E. Baldwin	843	767
C. H. Bartels	846	769
Ora M. Enyart	848	770
William L. Fogleson	851	771
Maurice D. Collins	854	773
Elliott S. Moore	857	775
Cooper C. Clifton	860	777
O. F. Heslar	862	778
Affidavits on behalf of State of New Jersey	864	780
Affidavit of J. W. Barton	886	799
Robert L. Moulton	887	800
Maurice T. Otto	888	801
Andrew H. Brown	889	802
Acknowledgment by United States of service of order to show cause	890	804

VOL. II

	Original	Print
Interlocutory injunction granted in Civil No. 2311, with findings of fact and conclusions of law	891	805
Stipulation of plaintiffs in Civil No. 2311 for payment of costs	900	810
Answer of Interstate Commerce Commission in Civil No. 2311	902	811
Answer of States of Alabama, Florida, Georgia, et al., and of Southern Governors' Conference, in Civil No. 2311	911	818
Petition of State of Minnesota for leave to intervene in Civil No. 2311	914	820
Answer of United States in Civil No. 2311	919	823
Answer of States of Arkansas, Kansas, et al., in Civil No. 2311	924	826
Answer of State of Minnesota in Civil No. 2311	927	828
Petition of Southeastern Association of Railroad and Utilities Commissioners for leave to intervene in Civil No. 2311	930	830
Answer of Southeastern Association of Railroad and Utilities Commissioners in Civil No. 2311	933	832
Petition of The Atchison, Topeka and Santa Fe Railway Company, et al., plaintiffs in Civil No. 2337	934	833
Exhibits 1 and 2—Order of Commission instituting proceeding in Docket No. 28300, and modification thereof (copies) (omitted in printing)	968	

Record from D. C. U. S., Northern District of New York—Continued

Petition of The Atchison, Topeka and Santa Fe Railway Company, et al., plaintiffs in Civil No. 2337—Continued

	Original	Print
Exhibit 3—Report of Commission, May 15, 1945 (copy) .... (omitted in printing) ..	971	
Exhibit 4—Order of Commission in Docket No. 28,300, May 15, 1945 (copy) (omitted in printing)	1292	
Exhibit 5—First supplemental report and order of Commission, Oct. 30, 1945 (copy) (omitted in printing)	1295	
Exhibit 6—Amended order of Commission, July 25, 1945 (copy) .... (omitted in printing) ..	1325	
Exhibit 7—Order of Commission postponing effective date of order of May 15, 1945, as amended (copy) .... (omitted in printing) ..	1327	
Exhibit 8—Order of Commission, No. 27,460, Dec. 27, 1945	1328	860
Order establishing special court in Civil No. 2337	1330	862
Order allowing oral motion of The Atchison, Topeka and Santa Fe Railway Company, et al., to amend petition in Civil No. 2337	1331	863
Petition of the States of New York and Ohio for leave to intervene in Civil No. 2337	1333	864
Order granting States of New York and Ohio leave to intervene in Civil No. 2337	1336	865
Petition of New England Governors for leave to intervene in Civil No. 2337	1338	866
Order granting New England Governors leave to intervene in Civil No. 2337	1341	868
Intervention of Interstate Commerce Commission in Civil No. 2337	1342	869
Petition of State of Kansas, et al., for leave to intervene in Civil No. 2337	1343	869
Answer of United States to petition in Civil No. 2337 ..	1346	871
Answer of States of Alabama, Florida, Georgia, et al., and Southern Governors Conference to petition in Civil No. 2337	1349	873
Answer of Interstate Commerce Commission to petition in Civil No. 2337	1353	876
Answer of States of Kansas, Arkansas, et al., to petition in Civil No. 2337	1354	877
Petition of Southeastern Association of Railroad and Utilities Commissioners for leave to intervene in Civil No. 2337	1357	878
Answer of Southeastern Association of Railroad and Utilities Commissioners to petition in Civil No. 2337 .	1360	880
Order consolidating Civil No. 2311 and Civil No. 2337 .	1361	881
Stenographic minutes of hearing before three-judge court, February 18 to 21, inc., containing motions, rulings and stipulations	1363	881

Record from D. C. U. S., Northern District of New York
Continued

Statement of evidence before three-judge court

	Original	Print
Testimony of Lawrence R. Capron	1387	894
Glenn F. Vivian	1427	916
Exhibit 1—Statement of items in Consolidated Freight Classification No. 16 and supplements thereto rated Fourth Class (column 55) less carload in Western Classification on which no commodity or exception ratings apply	1461	938
Exhibit 2—Statement showing items in C. F. C. No. 16 and supplements thereto rated 3d class (column 70) in Western Classification Territory, etc	1526	981
Exhibit 3—Comparison of Edwards' Less Carload Costs in Western District with Fourth Class (55%) rates prescribed by Commission	1624	1049
Exhibit 4—Copies of railroad tariffs, etc	1627	1052
Statement re exhibit 5	1988	1408
Exhibit - —Statement showing ratio of Out-of-Pocket plus Solely Related Expenses to Revenues on Less-Carload Class Rate Traffic	1981	1403
Extract from minutes of hearing	1986	1407
Opinion of Court	1991	1411
Notice and motion of United States and Interstate Commerce Commission to dissolve interlocutory injunction	2025	1439
Notice and motion of States of New York, Delaware, et al., in the consolidated causes, for continuance of interlocutory injunction	2029	1441
Notice and motion of New England Governors in the consolidated causes, for continuance of interlocutory injunction	2036	1445
Notice and motion of The Atchison, Topeka and Santa Fe Railway Company, et al., in the consolidated causes, for continuance of interlocutory injunction	2041	1449
Final decree and order of the Court	2043	1450
Petition for allowance of appeal by the States of New York, Delaware, et al. in both causes	2048	1453
Assignment of Errors, by the States of New York, Delaware, et al	2052	1455
Order of the Court allowing the States of New York, Delaware, et al. to take an appeal	2065	1465
Citation dated and filed June 25, 1946, in re appeal of the States of New York, Delaware, et al. (omitted in printing)	2067	
Cost Bond by the States of New York, Delaware, et al. (omitted in printing)	2069	
Petition for allowance of appeal by the New England Governors in both causes	2176	1466
Assignment of Errors filed by the New England Governors	2178	1468
Order allowing the New England Governors to appeal	2185	1474

Record from D. C. U. S., Northern District of New York Continued	Original	Print
Citation dated and filed June 25, 1946, in re appeal of the New England Governors (omitted in printing)	2187	
Cost Bond by the New England Governors (omitted in printing)	2189	
Petition for allowance of appeal by The Atchison, Topeka and Santa Fe Railway Company, et al., in both causes	2269	1475
Assignment of Errors by The Atchison, Topeka and Santa Fe Railway Company, et al	2273	1477
Order allowing The Atchison, Topeka and Santa Fe Railway Company, et al., to appeal	2281	1483
Citation dated and filed June 25, 1946, in re appeal of The Atchison, Topeka and Santa Fe Railway Company, et al. (omitted in printing)	2284	
Cost Bond by The Atchison, Topeka and Santa Fe Railway Company, et al. (omitted in printing)	2287	
Joint praecipe filed by appellants, the States of New York, Delaware, et al., the New England Governors and The Atchison, Topeka and Santa Fe Railway Company, et al.	2712	1485
Acknowledgments of service of praecipe by appellees (omitted in printing)	2722	
Certificate of Service upon appellees of the praecipe	2736	1492
Affidavit of Service and Order to transmit original record	2739	1494
Order to transmit original record	2747	1499
Docket Entries—Civil No. 2311	2749	1500
Docket Entries—Civil No. 2337	2755	1510
Clerk's Certificate (omitted in printing)	2759	
Statement of points to be relied upon by States of New York, Delaware, et al. in Case No. 343 and States of New York and Ohio in Case No. 345, and designation of record	2760	1517
Statement of points to be relied upon and designation of record in Case No. 344	2767	1521
Statement of points to be relied upon by A. T. & S. F. Ry. Co., et al. in Case No. 345, and designation of record	2771	1523
Order noting probable jurisdiction	2778	1527

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310	1	1528
Caption and appearances—Hearing at St. Louis, Missouri	1	1528
Testimony of William H. S. Stevens	27	1544
Ford K. Edwards	39	1553

VOL. III

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
Ernest S. Hobbs	187	1647
Ford K. Edwards (recalled)	203	1657
Ernest S. Hobbs (recalled)	215	1665
C. G. Jensen	218	1667
Caption and appearances—Hearing at Indianapolis, Indiana	299	1719
Testimony of Ford K. Edwards (recalled)	315	1728
Beatrice Aitchison	319	1731
Ford K. Edwards (resumed)	330	1738
Ben F. Morris	351	1750
J. G. Kerr	357	1753
L. V. Crane	464	1816
William F. Kennedy	481	1827
J. S. Tassin	528	1855
J. S. Tassin (resumed)	537	1860
Lewis F. Ormond	555	1871
R. E. Boyle, Jr.	589	1891
John N. Steadwell	647	1926
N. W. Hawkes	667	1938
E. A. Hodkinson	705	1961
W. T. Tannehill	749	1987
W. S. Flint	768	1999
W. E. Emblidge	795	2015
Kenneth A. Moore	797	2016
B. H. Stanage	809	2023
B. H. Stanage (resumed)	849	2047
J. A. Brown	849	2048
L. R. Capron	878	2065
Frank W. Robinson	905	2081
J. L. Heywood	945	2106
N. W. Hawkes (recalled)	973	2123
B. H. Stanage (recalled)	995	2136
E. A. Tharp	1028	2157
James G. Morrison	1072	2184
Glenn F. Vivian	1132	2218
R. C. Fyfe	1135	2220
C. L. Hinnant	1240	2285
E. H. Thornton	1266	2299
W. S. Creighton	1300	2321

VOL. IV

	Original	Print
C. A. Mitchell	1322	2335
Exhibit 71—Table of short line distance factors to be used in constructing first class rates under formulas proposed by Witness C. G. Jensen	1355-A	2356a
Exhibit 72—Statement showing comparison of present published first class rates in effect prior to ex parte 148 increases of March 18, 1942, etc.	1355-B	2356m

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Exhibit 73—Statement showing comparison of present published first class rates in effect prior to ex parte 148 increases of March 18, 1942, etc.	1355-C	2356dd
Exhibit 74—Analysis of L. C. L. Traffic—Period of September 8-14, 1939	1355-D	2356kk
Exhibit 75—Statement of distances and present first class rates from Memphis, Tenn., to representative points in states located in official territory, etc.	1355-E	2356oo
Testimony of A. D. Spotswood	1358	2357
Prentice Cooper	1476	2429
J. R. Bachman	1499	2443
Simon Chilewich	1517	2455
R. G. LeTourneau	1528	2462
Charles F. Cates	1533	2465
F. V. Fonville	1540	2469
J. A. Little	1546	2473
J. A. Little (resumed)	1563	2483
E. G. Plowman	1582	2495
O. G. Edwards	1602	2507
R. T. Settles	1614	2515
Lane Mitchell	1620	2518
Henry J. Saunders	1626	2522
Spessard L. Holland	1653	2539
E. L. Hart	1670	2549
J. O. Hendley	1754	2601
Eric Morrell	1773	2612
T. C. Maurer	1791	2624
Joseph H. Donnell	1861	2666
Thomas E. Grady	1903	2691
Roland B. Eutsler	1926	2706
J. C. Murray	1968	2731
J. C. Murray (resumed)	2019	2762
P. A. Frye	2021	2764
C. C. Dehne	2027	2768
H. K. Thatcher	2039	2776
L. A. Henry	2048	2782
E. R. Tanner	2054	2785
Ed. P. Byars	2066	2793
A. J. Scrivner	2083	2803
John H. Frederick	2095	2811
Thomas S. Wood	2124	2830
C. A. Carr	2128	2833
R. B. Willard	2143	2842
John M. Agrey	2154	2848
Caption and appearances—Hearing at Columbus, Ohio	2176	2862
Testimony of Ford K. Edwards (recalled)	2184	2866
J. E. Marks	2228	2892
L. F. Orr	2240	2900
Walter M. Whorton	2247	2905

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued	Original	Print
J. D. Hughett	2256	2910
R. F. Sanford	2265	2916
J. F. Stevick	2269	2918
E. B. Dade	2273	2921
John C. Frye	2285	2928
L. F. Duff	2288	2931
R. K. Keas	2300	2938
H. Clyde Filley	2307	2943
Leo N. Christianson	2325	2954
R. K. Keas (recalled)	2342	2963
James P. Haynes	2346	2966
C. F. Real	2352	2970
C. E. Schreiber	2392	2994

VOL. V

Harold H. McCarty	2415	3009
Harry F. Sundberg	2426	3016
George M. Cummins	2443	3027
C. R. Smith	2451	3032
L. R. Bitney	2457	3036
O. A. Radke	2489	3056
E. F. Malaney	2520	3075
Edmund A. Nightingale	2522	3076
Homer M. Adkins	2542	3087
Clarence Ford, Jr.	2568	3104
Frank B. Townsend	2594	3120
John R. Davy	2628	3140
Ivan A. Sherman	2638	3147
C. E. Schreiber (recalled)	2652	3156
R. J. Laubenstein	2699	3185
J. C. Huntting	2713	3194
M. D. Perry	2718	3198
R. F. Bohman	2723	3201
R. F. Bohman (resumed)	2734	3207
W. M. Dyer	2746	3214
Charles K. Umbarger	2779	3235
C. F. Jackson	2795	3246
Dabney T. Waring	2845	3276
Charles K. Umbarger (recalled)	2950	3342
G. F. Tally	2952	3343
Charles Gilsten	2960	3348
O. L. Doud	2974	3357
Robert H. Smith	2985	3364
E. L. Hart	2989	3366
Charles V. Hanlon	2991	3368
A. J. Ribe	3024	3389
L. A. Gossage	3082	3424
A. J. Ribe (recalled)	3089	3028

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
C. E. Widell	3105	3438
William W. Glenn	3148	3464
Joseph M. Wells	3153	3468
N. W. Ford	3164	3475
A. H. Ferguson	3171	3479
William J. Russell	3190	3491
George E. Mace	3201	3499
Samuel H. Williams	3207	3503
Ford K. Edwards (recalled)	3209	3505
Ford K. Edwards (recalled)	3235	3520
George B. Robinson	3253	3531
T. W. Van Meter	3287	3552

VOL. VI

	Original	Print
Milton P. Bauman	3345	3589
William S. Hamill	3379	3610
Frederick W. Burton	3383	3612
Charles E. Bell	3396	3620
D. O. Moore	3434	3643
H. A. Hollopeter	3451	3654
R. A. Ellison	3479	3671
J. V. McMahon	3523	3697
Andrew H. Brown	3528	3700
Leslie La Croix	3532	3703
Charles E. Bell (resumed)	3554	3717
Leonard F. Mongeon	3683	3795
C. S. Duncan	3688	3798
C. S. Duncan (resumed)	3775	3851
E. R. Oliver	3802	3868
J. E. Tilford	3875	3912
R. J. Doss	3928	3945
R. E. Boyle, Jr. (recalled)	3966	3967
L. V. Crane (recalled)	3973	3971
Ben F. Morris (recalled)	4007	3991
W. F. Kennedy (recalled)	4061	4024
J. S. Tassin (recalled)	4111	4055
B. H. Stanage (recalled)	4175	4095
George C. Smith	4251	4141
M. L. Austin	4284	4162
R. C. Griffith	4289	4165
O. M. Anderson	4291	4167
R. C. Fyfe (recalled)	4302	4174
R. C. Fyfe (recalled)	4326	4188
Glenn F. Vivian (recalled)	4351	4203

VOL. VII

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
Clarence E. Day	4431	4255
J. P. McDonald	4533	4318
Clarence E. Day (recalled)	4567	4339
Caption and appearances—Hearing at Washington, D. C.	4572	4341
Testimony of Beatrice Aitchison	4579	4345
Ford K. Edwards	4584	4348
William A. Weeks	4657	4395
A. J. Ribe	4661	4398
M. P. Catherwood	4669	4403
C. L. Hinnant	4683	4412
W. W. Wolford	4748	4451
C. C. Wimmer	4791	4478
Lewis F. Ormond	4813	4491
R. K. Parsons	4835	4505
J. S. Yager	4851	4515
T. W. Roby	4866	4524
W. W. Wolford	4887	4538
William B. Hill	4893	4541
W. T. Tannehill	4895	4543
J. L. Heywood	4921	4560
Fred Carpi	4930	4565
Dr. C. S. Duncan	4941	4572
L. S. Hamilton	4988	4601
George B. Robinson	5004	4611
T. M. Henderson	5009	4614
O. H. Weaver	5072	4653
J. L. Heywood	5076	4656
Statement by Wilbur La Roe, Jr.	5085	4661
Testimony of George N. Beamer	5086	4661
T. C. Maurer	5099	4670
Walter R. McDonald	5106	4674
E. L. Hart	5135	4693
W. M. Dyer	5275	4776
E. L. Hart	5281	4778
J. T. Ryan	5339	4815
J. C. Murray	5368	4833
H. N. Roberts	5370	4834
Dr. Ford K. Edwards	5400	4853
C. E. Widell	5406	4857
Charles E. Bell	5421	4866
Dr. B. Aitchison (recalled)	5476	4900
Ben F. Morris	5480	4903

VOL. VIII

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

EXHIBITS

	Original	Print
1—Distribution of The Natural Resources of the United States by Freight Rate Territories	5491	4911
2—Railroad Freight Service Costs in the Various Freight Territories, 1939. (Textual or explanatory material)	5787	5141
3—Railroad Freight Service Costs in the Various Freight Territories, 1939. (Cost Scales by Territories and classes of equipment)	5913	5139
4—Railway Service Costs for the Year 1939	6070	5423
5—Progression in Freight Rate Mileage Scales	6110	5463
6—Corrected Table, including New England Zone A and Zone B, Michigan Zone C, Southern, Western Trunk Line Zone I and Zone II, Southwestern Zone III and Zone IV	6168	5521

VOL. IX

	Original	Print
7—Some suggestions for Improvements in Railroad Class Rates	6169	5523
8—C. G. Jensen's letter of June 13, 1941, addressed to Mr. C. E. Widell, T. D., Tennessee Manufacturers Ass'n., Nashville, Tenn	6315	5621
9—A statistical summary of selected data on the economic development of the United States by Freight Rate Territories	6318	5625
10—Interterritorial Interest of Class I Steam Railways	6345	5652
11—Relative Territorial Costs 1939 and 1941; Analyses of Switching Costs and other data	6371	5678
12—Territorial Rail Costs based on a separation of out-of-pocket and constant expenses, 1939	6437	5744
13—Territorial Unit Costs for Railroad Freight Service, 1939	6603	5910
14—Territorial Movement of carload freight on May 27, 1942	6667	5974
15—A description of the freight rate structure within, from and to Southern Territory and an outline of the conditions which led to the establishment of the present intraterritorial and interterritorial rates, also Appendices A to F, which are statements of rates	6730	6037
16—Freight and Passenger Service Statistics, Railways of Class I, calendar year 1939	7873	6179
Percentage Distribution of Total Tons and Revenue by Commodity Groups Railways of Class I, calendar year 1939	7874	6180

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Freight Traffic and Freight Revenue, calendar year 1939	7875	6181
Graphs showing distribution of Tons and Revenues Southern Region versus Eastern District, year 1939	7876	6182
Statement of Selected Traffic Averages, 1939 L&N Ry.	7879	6185
Statement showing the revenue effect on Southern Region roads of re-distributing revenue on general groups of commodities on basis of average revenues per ton of Eastern District roads as plussed to reflect greater average haul (All Freight) of Southern Roads 1939	7880	6186
17—Testimony and statements dealing with Witness Jensen's Exhibit No. 7 entitled "Some Suggestions for Improvement in Railroad Class Rates"	7881	6187
18—Territorial separation of Freight Service Expenses of Rail Systems operating in more than one territory	7918	6215
Cost formula, designated Rail-Form A, developed by Dr. Edwards	7923	6220
Studies and estimates which were either furnished to Dr. Edwards by others or made by him to develop factors for use in the Formula	7927	6224
Territorial summaries and cost scales	7927	6224

VOL. X

	Original	Print
19—General statements which bear the same relation to the other exhibits that the head notes in the Commission's report has to the text	7944	6241
20—Comparative participation in Freight Railway Operating Expenses, Taxes and Rents and in Revenue derived from the several classes of traffic	7952	6249
21—The cost of railroad living is higher in Southern than in Official Territory	7971	6267
22—Fact and Extent of Revenue Need Average for and Typical of Twenty-One Year Period, 1921-41	8003	6298
23—Analysis and Criticism of Cost Scales by Territories and Classes of Equipment prepared under the direction of Ford K. Edwards	8023	6318
24—Rise and fall of expenditures in comparison with volume of traffic	8047	6342
25—Analysis of less than carload freight traffic, period September 8-14, 1939	8053	6348
26—Analysis of less than carload freight traffic, period October 1-7, 1939	8180	6476

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
27—Comments on I.C.C. Bureau of Statistics summary of replies to questionnaires directed by the I.C.C. (Division 1) to all class I Steam Railways at request of senate sub-committee covering less-than-carload freight traffic and freight forwarder carload traffic during week ending October 7, 1939	8268	6563
28—Theory and practice of Bureau of Valuation of the I.C.C. in matters other than land, together with certain incongruities in the application thereof	8307	6603
29—Incompleteness and inadequacy of land appraisals made by the Bureau of Valuation of the I.C.C.	8348	6648
30—Separation of expenses common to Freight and Passenger Services under rules prescribed by the I.C.C. is not adequate for cost finding purposes	8367	6667
31—(a) 10 pages consisting of correspondence between officers of A.C.L. R.R. and the Bureau of Valuation of I.C.C.	8382	6683
(b) 2 pages headed "Detailed data drawn from valuation docket No. 930 (38) Valuation Report 503, as of June 30, 1917."	8392	6692
(c) 1 page headed "Summary of data drawn from valuation docket No. 930 (38 Val. Rep. 503) and comparisons based thereon (as of June 30, 1917)"	8394	6693
(d) 2 pages headed "Changes in property owned and used July 1, 1917 to December 31, 1939"	8395	6697
(e) 1 page headed "Application of data furnished with Bureau of Valuation letter of 11-8-1941	8397	6699
(f) 1 page headed "Summary of valuation data furnished with Bureau of Valuation letter of 11-8-1941 and comparisons based thereon"	8398	6700
(g) 1 page headed "Some characteristics of railroad plant compared—1917 vs. 1939"	8399	6701
(h) 1 page headed "Some indices of railroad performance compared—1917, 1939, 1942"	8400	6702
(i) 1 page headed "Excerpt from I.C.C. Val. Dkt. No. 930 (38 Val. Rep. 552-553)"	8401	6703
32—Comparison of present Southern and Official Class Rate Scales with scales suggested by C. G. Jensen (Ex. No. 7)	8402	6704
33—Statement of present rates and revenue on articles presently taking 3rd class rates, compared with rates and revenue suggested by witness Jensen (Ex. No. 7) on assumed total movement of 10,000 tons moving within Southern Territory for the distances shown	8405	6707

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
34—Exhibit designed to show that witness Jensen's proposed class rate revision and reclassification will destroy classification uniformity and will require a much higher classification in Southern Territory than in Official Territory	8414	6716
35—Statement of present and proposed rates and revenue on stoves and related articles	8415	6717
36—List of articles on which changes were made in Consolidated Classification during year 1941, showing the applicable minimum weight, the average weight per cubic foot and the weight if loaded to cubic capacity of 36 ft. and 40 ft. box cars	8427	6729
37—Statement showing average loading weights of commodities listed in exhibit	8439	6741
38—List of Questions 1, 2, 3 and 4 submitted to the Classification Committees by the I.C.C. under date of July 2, 1940 and answers for account of the Southern Classification Committee	8442	6745
39—Comparison of ratings class for class published in O.C. 53; S.C. 52; W.C. 64, incorporated in Consolidated Freight Classification 169, effective November 25, 1934	8451	6753
40—Comparison of ratings class for class published in O.C. 57; S.C. 56; W.C. 68, incorporated in Consolidated Freight Classification No. 13, effective 6-5-39	8455	6757
41—Comparison of ratings class for class published in O.C. 58; S.C. 57; W.C. 69, incorporated in Con. Class. No. 14 and Supp. 1, Eff. 12-31-40	8459	6761
42—Comparison of ratings class for class published in O.C. 59; S.C. 58, W.C. 70, incorporated in Con. Class. No. 15, Eff. 3-17-42	8463	6765
43—Comparative statement of the number of ratings in percentages of first-class, published in Sou. Class. 58, not including supplements thereto lower than 3rd (70%) Class, L.C.L. and the number of ratings of the same class (percentage) A.Q., L.C.L. and C.L. as noted, published in O.C. 59 and W.C. 70. All carload ratings included	8467	6769
44—Statement of changes made in the ratings published in the Official, Southern and Western Classifications, including new items on and subsequent to June 1, 1940	8469	6771
45—Notes for Testimony in connection with Consolidated Classification I.C.C. Dkt. 28310	8506	6809
46—(a) Revenue freight originated in United States for the year of 1941	8519	6819

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
(b) Analysis of L.C.L. traffic, period Sept. 8 to 14, 1939, intraterritorial within Official Classification Territory	8520	6820
(c) Statement of Class 1 Motor Carriers	8521	6821
(d) Statement showing per car charges on cars stopped in transit for partial loading or unloading under basis proposed, with and without observing the discount theory applied to present rates as compared with charges obtained under present rates and rules	8522	6822
47—Map outlining the boundaries of Zones 100 and 105 as described by witness Jensen	8523	6823
48—Table of first-class rates and line haul elements for distances named in Zones 100, 105, 110 and 115, based on the Jensen formula	8524	6823
49—Statement showing present rates and percentages of Jensen's first class rate necessary to produce equivalents of present rates, consisting of 7 Sections (191 pages)	8565	6864
50—Comparison of present first-class rates and the first-class rates proposed by Mr. Jensen between representative points in Official Territory	8757	7055
51—Statement showing the present first and fifth-class rates between New York, N. Y. and Chicago, Ill., and other representative points in Official Territory	8759	7057
52—Revenue study on C.L. shipments of Glass Containers, subject to Col. 27½ per exceptions to Official Classification	8778	7076
53—Revenue study on C.L. shipments of paper and paper articles, subject to Col. 27½ J rating, per exception to O.C.	8797	7095
54—Ratios of commodity group totals to grand total of tons carried for the years 1937 to 1941	8832	7130
55—Ratios of commodity group totals to grand total freight revenue (1937 to 1941)	8836	7134
56—Tons of C.L. freight originated and terminated by commodity groups and by states, for Class I steam railroads, for year 1940	8840	7138
57—Tons originated and freight revenue by groups of commodities and districts for the calendar years 1931 to 1941	8844	7142
58—Study of all movement of Soda Potash from three C.F.A. origins in Ohio and Michigan to destinations in Official Territory, showing the present adjustment, and the effect of the Jensen suggested basis upon this movement	8848	7146

VOL. XI

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
59—Reply of respondent carriers in Official Territory to Questions 1, 2, 3 and 4 of the I.C.C.	8894	7193
60—800 changes in ratings in Official, Southern and Western Classifications made immediately prior to June 1, 1940	8900	7198
61—Section 1—Analysis of C.L. ratings in Official Classification 59, Eff. 3-17-42	8936	7234
Section 2—Statement showing effect of Jensen's proposed minimum per car charge of 70 times 1st class as contrasted with the minimum per car charges based on present C.L. ratings	8937	7235
Section 3—Statement showing effect of Jensen's discount theory applied to present 1st class	8938	7236
Section 4—List of commodities I.C.C. has prescribed or found not unreasonable C.L. ratings	8947	7245
Section 5—Statement illustrating effect Jensen's discount plan applied to average loaded weight of various commodities drawn from decisions of I.C.C.	8948	7246
62—Section 1—Excerpts from decisions of the I.C.C.	8949	7247
Section 2—Class rates established pursuant to orders in I.C.C. Dkt. 13535, et al., compared with former class rates—interterritorial	8953	7251
Section 3—Class rates established pursuant to orders in ICC Dkt. 13535, et al., compared with former rates intraterritorial	8994	7292
63—Data relative to class and commodity rates from, to and between points in Southwestern Territory	9017	7315
64—Pages 1 to 20—Statement of 1st and 5th class rates between points in WTL in effect 12-2-31, 12-3-31 and present rates	9170	7468
Pages 21 to 62—Statement of 1st and 5th class rates between points in Official Territory in effect 12-2-31, 12-3-31 and present rates	9191	7489
Pages 63 to 71—Statement of 1st and 5th class rates between points in Southern Territory and WTL Territory in effect 6-6-39 and present rates which became effective 6-7-39 as a result of Commission's decision in ICC Dkt. 26510	9233	7531
Pages 72 to 94—Statement showing comparison of various mileage scales prescribed in ICC Dkts. 15879 and 17000-2	9242	7540
Pages 95 to 100—Statement showing representative examples of 1st Class Key Rates between Eastern Points and points in Bridge Scale Territory in W.T.L. Zone I	9265	7563

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Page 101—Specific 1st class Key Rates prescribed by I.C.C. in Sixth Supplemental Report in ICC Dkt. 17000-2 from eastern points, compared with rates from same points constructed on Scale and Formula	9271	7569
Page 102—Statement showing the progression by 100 mile blocks of the distance scales shown on pages 72 to 94	9272	7570
Pages 103 to 108—Statement showing articles on which reduced column ratings have been established on LCL and CL traffic within WTL Territory to meet motor truck competition compared with ratings within Official Territory	9273	7571
Page 109—Statement showing comparison of rates in WTL Territory with rates in Eastern Territory on various commodities	9279	7577
65—Map showing line of the Nor. Pac. Ry. and Grt. Nor. Ry. in Minnesota, North Dakota and South Dakota	9280	7578
66—Section I—Contrasts in composition of traffic	9281	7579
Section II—General Railway Statistics	9312	7610
Section III—Comparison of rate levels	9329	7627
Section IV—Comparative economic data—east, west, and south	9340	7637

VOL. XII

	Original	Print
67—Statement and Testimony	9376	7673
68—800 changes in the classification, made, starting December of 1930 and ranging back to June 1928	9410	7694
69—Reference to decisions dealing with classification elements	9455	7739
70—Pages 2 to 5—Statement showing for calendar years of 1920, through 1939 mileage operated (exclusive of yard tracks) by Class I railroads in the State of Florida, together with increases and decreases in mileages over or under, as the case may be, the preceding year and mileages of Class I railroads in receivership for years shown	9461	7945
Pages 7 to 10—Statement showing for account of A.C.L.R.R. for each of the six States through which it operates for the years 1925 through 1940, certain statistics of operation	9467	7951
Page 11—Statement displaying a somewhat similar showing as on pages 7 to 10, in terms of percentages, for account of A.C.L.R.R.	9471	7955

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Pages 12 and 13—Statement displaying somewhat similar showing as on pages 7 to 10 for account of S.A.L. Ry. except that State of Florida is compared with S.A.L. Ry. Sys. as a whole	9472	7956
Pages 14 to 16—Statement for years ended Dec. 31, 1938 to 1940, of the loaded and empty mileage of cars moving over A.C.L.R.R., F.E.C. Ry., and S.A.L. Ry., showing separately the (a) mileage within the State of Florida and over the entire systems (excluding Florida) together with the percentage relationship of the empty to loaded mileage and (b) the empty and loaded mileage of refrigerator cars and other cars (excluding refrigerator cars) over the entire systems together with the percentage relationship of the empty to loaded mileage	9474	7958
71—Table of short line distance factors to be used in constructing first class rates under formulas proposed by Witness Jensen, in his Exhibit No. 7	1355-A	2356a
72—Statement comparing present published first class rates with resulting first class rates constructed under the formula presented by Witness Jensen in his Exhibit No. 7	1355-B	2356m
73—Statement comparing present first class rates via New Orleans, Galveston and Houston with resulting first class rates constructed under the formula presented by Witness Jensen in his Exhibit 7	1355-C	2356dd
74—Analysis of L.C.L. traffic	1355-D	2356kk
75—Pages 1 to 3—Statement of distances and present first class rates from Memphis, Tenn. to representative points in Official Territory	1355-E	2356oo
Pages 4 to 8—Comparison of rates on Macaroni, Noodles, and Spaghetti, L.C.L.	1355-E	2356rr
76—37 pages of charts, tables and appendices	9478	7962
77—Comparative statement of rates on Leather, green and dry hides	9519	8003
78—Page 2—Statement showing rates on various commodities used by Chas. F. Cates & Sons, compared with rates applicable on same commodity within Official Territory for hauls of equal distance	9523	8007
Page 3—Statement showing approximate annual requirements, origins, mode of transporation and terms of purchase of the principal materials and supplies used by Chas. F. Cates & Sons in the manufacture of pickles	9525	8009

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Pages 4 and 5—Statement showing outbound carload movements of Brine Stock during Jan. 1941 through March, 1922	9526	8010
Pages 6 to 8—Statement showing rate situation with respect to outbound rates on C.L. and L.C.L. shipments of Pickles (finished goods) from Faison, N. C. to representative points in destination area served by Chas. F. Cates & Sons	9528	8012
79—Statement showing comparison of freight rates and charges actually paid with those which would have been assessed if the rates charged had been constructed on the basis applicable generally within Official Territory	9531	8015
80—Analysis of Classification uniformity in the Western, Official and Southern Classifications as to L.C.L. shipments; Comparison of Classification ratings in and between such territories with the exception ratings on important groups of commodities; Comparison of typical existing class rates between Nebraska and points in Official, Southern and Western territories with the Eastern class rate scale and also shows the effect of Classification exception ratings on the relative level of actual freight charges paid for equal hauls in and between various class rate territories or rate making Zones	9535	8019
81—History of the demand for uniform Classification of freight and relation of class rate investigation to the problems of uniform freight classification	9581	8065
82—Exhibit A—Map showing the boundaries of the Denver, Colo., trade territory	9602	8086
Exhibit B—Map showing boundaries of the Pueblo, Colo. steel market area and short line railroad distances	9604	8088
Exhibit C—Comparison of actual and basic 5th class rates from Pueblo, Colo., Chicago, Ill., and Birmingham, Ala.	9605	8089
Exhibit D—Example showing rates on shell body forgings from Pueblo, Colo. and Pittsburgh, Pa.	9608	8092
Exhibit E—Example showing the effect of percentage increases on first class rates from Pueblo, Colo. and Chicago, Ill. to a typical midway point	9609	8093
83—Statement of rates on furniture L.C.L. from Chicago, Ill. to points in North Carolina, compared with rates based on the Southern territory level	9610	8094

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
84—Comparison of rates on furniture, viz: Bed Ends and Mattresses, from Birmingham, Ala. and Chicago, Ill. to destinations in Official territory also rates which would result by applying the Official territory level from Birmingham	9611	8095
85—Comparison of C.L. rates on Glass Bottles less than one quart capacity, from Chattanooga, Tenn. and Streator, Ill. to representative points in Official territory	9612	8096
86—Territorial comparison of unit costs of service and an analysis of Dr. Edwards' Exhibits 2, 3 and 4	9613	8097
87—Statement of operating revenues, expenses, taxes, rents, income and return on property value, 1937–1941	9640	8124

VOL. XIII

	Original	Print
88—Section I—Territory boundaries as defined by I.C.C. for rate making purposes	9642	8126
Section II—Incongruities of the present classrate structure in the section of the U. S. east of Miss. River	9649	8133
Section III—The pattern of the class rate structure in and between Southern and Official territories	9670	8154
Section IV—Relating to Witness Jensen's proposal (General)	9746	8230
Section V—Relating to Witness Jensen's Index 100 first class rates	9785	8269
89—Corrections in Exhibit No. 88	9789	8273
90—Statement of Testimony	9791	8274

VOL. XIV

	Original	Print
91—Pages 1 to 3—Reproduction of pages 62, 63 and and 64 of Witness Jensen's Exhibit No. 7	9434	8315
Page 4—Population trend and comparison Tennessee vs. Kentucky	9838	8319
Pages 5 to 18—Statements of rates, statistics, etc.	9839	8320
92—Pages 1 to 3—Short line distances between points in Florida and Southern Territory	9853	8334
Pages 4 to 33—Statement of class rates between points in Florida and Southern Territory	9859	8340
Pages 34 to 36—Florida arbitraries (L-2) and same increased 10%	9889	8370
Pages 37 to 41—Comparison of Eastern scale and Southern scale	9892	8373
Pages 42 to 71—Statement of Classes 1 to 6	9897	8378
Pages 72 to 76—Ton-mile revenue	9927	8408

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Page 77—Comparison of percentage relationships of other classes to Class I in Southern and Official territories	9932	8413
Pages 78 to 99—Comparisons of classification ratings and exceptions	9933	8414
Pages 100 to 103—Comparison of first class rates	9955	8486
Pages 104 to 112—Statements of commodity rates	9959	8440
93—Page 1—Maximum grades on S.A.L. Ry.	9965	8446
Page 2—Number of employees per mile operated—Florida compared with 38 other States	9970	8451
Page 3—Railway Tax Accruals per mile of line owned—Florida compared with 45 other States	9971	8452
Pages 4 to 16—Various comparisons of tons of carload freight originated and terminated	9972	8453
94—Pages 1 to 6—Truck and Trailer License Tags sold in Florida	9985	8466
Pages 7 and 8—Comparison of population—Florida and other States	9992	8473
Page 9—Revenue carload freight tonnage originated and terminated in six Southern States, classified by principal commodity groups	9994	8475
Page 10—Phosphate Rock from the Florida Pebble Rock District to Tampa for export	9995	8476
95—Pages 1 and 2—Coastline distances	9996	8477
Pages 3 to 6—Population of Florida located on navigable streams	10000	8481
Pages 7 to 15—Total Foreign, Domestic and Internal Waterborne Commerce of 12 major Deepwater Ports 1934–1940	10004	8485
Pages 16 to 35—Foreign Commerce	10013	8494
Pages 36 to 38—Domestic Water-borne Commerce	10033	8514
Pages 39 to 47—Water Carrier services	10036	8517
96—Statements of class rates to, from and within Official, Southern, Southwestern and W.T.L. Territories	10045	8526
Class rates and classification exceptions applicable to certain Arkansas, Louisiana and Oklahoma traffic	10045	8526
Statement showing percentages of first class prescribed by I.C.C. applicable to Southwestern and Official Territories	10045	8526
Rates on specific commodities within southwest from Southwest to Official and within Official Territory	10045	8526
Freight revenue comparison—Eastern District versus Southwestern Region 1939	10045	8526
97—Dealing with Livestock (Rejected)	10092	8573

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
98—Comparative statement of rates on Fresh Meats and Packing House Products and Hides	10098	8579
99—Comparative statement of rates on Synthetic Rubber, C.L., from Southwest to Southern and Official Territories	10099	8580
100—Page 2—Map showing location of rice milling points also approximate location of rough rice producing territories	10100	8581
Page 3—Estimated rice consumption by States	10102	8582
Page 4—Comparison of Official, Southern, Southwestern, first class rates and related percentages thereof for equal distance	10103	8584
Pages 5 to 7—Comparison of distances—first class rates, normal rates and depressed rates on Clean Rice, with per car mile and per ton mile earnings—Southwest, Southern and Official territories	10104	8585
Page 8—Comparison of Col. 26 S.W. Scale. Col. 27½ V or 27½ J Sou. scale with Col. 27½ K off. scale for equal distance	10107	8588
Page 9—Map showing comparison of rates on Clean Rice for equal distance, from Southwest points to Official Points	10108	8589
101—Section A—Comparative statements on Cotton Piece Goods	10109	8590
Section B—Comparative statements on Sulphur	10115	8596
Section C—Comparative statements on Cement	10119	8600
Section D—Comparative statements on Citrus Fruits and Juices	10121	8602
102—Comparative statement of commodity rates of the following: 1. Gas Black 2. Butter, Eggs & Dressed Poultry 3. Oil well Supplies 4. Cottonseed and its Products 5. Shelled Peanuts	10125	8606
103—Pages 1 and 2—Commodities subject to classification exceptions ratings in C.F.A. Territory, which are also subject to classification exceptions ratings on Texas Intrastate Traffic	10134	8615
Pages 3 and 4—Commodities subject to classification exceptions in C.F.A. which are subject to commodity rates (Mileage Scale) on Texas Intrastate Traffic	10137	8618
Pages 5 to 9—Commodities subject to classification exceptions in C.F.A. which are subject to classification ratings on Texas Intrastate Traffic	10139	8620

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Pages 10 and 11—Commodities subject to classification exceptions or to commodity rates on Texas Intrastate Traffic which are not subject to classification exceptions in C.F.A. Territory	10144	8625
Page 12—Statement showing commodities upon which specific point to point rates have been established on Texas Intrastate Traffic which are lower than rates established for general application	10146	8627
104—Section A—Industry Studies	10148	8629
Section B—Census of Manufacturers	10155	8636
105—Pages 1 to 3—Map showing Territory Groupings, etc.	10162	8643
Pages 4 to 10—Statements and graphs showing rail movement of freight to and from South Dakota	10166	8647
Pages 11 to 20—Relating to level of rates in W.T.L. and other territory	10173	8654
Pages 21 to 30—Motor vehicle rates and related matters	10183	8664
Pages 31 to 35—Valuation and statistics relating to South Dakota rail carriers versus other States	10193	8674
106—Statements and Tables showing analyses of Population, Manufacturing, Wholesale Trade, Employment, Industry, and Natural Resources	10198	8679
107—Page 2—Public Service Commissioners Map of North Dakota	10238	8719
Page 3—Statement showing Official Scale prescribed in Eastern Class Rate Investigation, 164, I.C.C. 314	10241	8722
Pages 4 to 15—Statements showing Distances and Comparing Present First Class Rates Prescribed, with Rates made by use of Official Scale, between representative W.T.L., Official Southern and Southwestern Points on the one hand, and North Dakota Points on the other	10242	8723
Pages 16 to 22—Statements showing distances and present first and fifth class rates from W.T.L., Official, Southern and Southwestern Origins to Minneapolis-St. Paul, Minn. and representative Nor. Dak. destinations	10254	8735
Pages 23 and 24—Explanation of Route References shown on pages 4 to 15, inclusive	10261	8742
Pages 25 and 26—Statement showing present 1, 2, 3 and 4 class rates between Chicago, Ill. and Milwaukee, Wis. on the one hand, and representative North Dakota stations on the other, compared with present LCL truck competitive rates between the same points	10263	8744

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Pages 27 to 29—List of Exception Ratings applicable in connection with rates shown on pages 25 and 26 compared with ratings in Western Class'fn	10265	8746
Page 30—Statement relating to carload rates on Iron and Steel articles from Chicago, Ill. to the Twin Cities, Minn. and representative North Dakota destinations	10268	8749
Page 31—Statement showing comparison of the North Dakota intrastate single line distributing scale with scales of rates prescribed in Dkt. 17000, Part 2,204 ICC 314, plus subsequent Blanket Increases	10269	8750
Pages 32 and 33—Statement showing Exceptions to Classification within North Dakota compared with ratings on the same commodities in Western Class'fn. and W.T.L. Exceptions Tariff 25—Series	10270	8752
Page 34—Comparison of present LCL truck competitive commodity rates with prescribed class rates applicable between Twin Cities, Minn., Fargo and Grand Forks, N. D. on the one hand, and Montana points on the other	10272	8754
Page 35—List of Exceptions to Western Class'fn. applicable in connection with LCL commodity rates shown on page 34, compared with ratings provided in Western Classification	10273	8755
Pages 36 and 37—Statement comparing present LCL truck competitive rates with prescribed Class Rate Basis from Western Nor. Dakota to Montana	10274	8756
Pages 38 to 43—Statements showing List of Articles taking Groups "J" and "M" basis of rates shown on Page Nos. 36 and 37; also ratings provided in Western Classification	10276	8758
Page 44—Map showing Motor Truck Routes in Minnesota, North and South Dakota as of July 1, 1936	10282	8764
Pages 45 and 46—Maps showing Truck Routes within North Dakota	10283	8765
Page 47—Statement showing Classification of Motor Carriers in North Dakota	10285	8767
Pages 48 to 56—List of Motor Truck and Bus Operators authorized by North Dakota Public Service Commission as of August 1, 1942	10286	8768
Page 57—Statement showing Total Carloads and Tons of Freight originating on all rail carriers in North Dakota	10295	8777
Page 58—Statement showing Total Carloads and Tons of Freight terminating on all rail carriers in North Dakota	10296	8778

VOL. XV

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
108—Sheet 1—Map showing portion of Ky. and adjacent states in O.C. Terr.	10298	8780
Sheet 2—Statement showing area and population of Ky. in O.C. Terr.	10300	8782
Sheets 3 to 6—Comparison of First Class rates	10301	8783
Sheet 7—Kentucky Intrastate First Class rates compared with Eastern Scale	10305	8790
SECTION A		
09—Sheet 1—Carload revenue freight originated and terminated in Kentucky by Classes of Commodities—1940	10306	8792
Sheet 1-A—Revenue freight carried in Kentucky by classes of commodities—1939 and 1940	10308	8796
Sheet 2—Ton-miles of revenue freight per mile of road in Kentucky as compared with Southern and Eastern districts—1939 and 1940	10309	8798
SECTION B		
Sheets 1 and 2—Miles of R.R. by States and territories—Dec. 31, 1940	10310	8800
SECTION C		
Sheets 1 to 8—Commodity loadings of box and refrigerator car equipment as compared with potential capacity—First Quarter 1942	10312	8804
110—Pages 1 and 2—Comparison of costs on L.C.L. traffic in various districts	10320	8814
Pages 3 and 4—Comparison of costs on C.L. traffic in various districts	10323	8817
Page 5—Comparison of first class rates under Eastern and W.T.L. Zones 1, 2 and 3 Scales with costs on L.C.L. traffic	10325	8819
Pages 6 to 8—Comparison of costs on C.L. and L.C.L. traffic from New York, N. Y., Philadelphia, Pa. and Cleveland, Ohio to Omaha, Lincoln, Grand Island and North Platte, Neb., with class rates from and to same points	10326	8820
SECTIONS I AND II		
111—Comparison of present rates on grocery mixture and hardware mixture in southwest for distances of 50, 100, 150 and 200 miles with Jensen scale for same distances at classification basis	10329	8823

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

SECTION III

	Original	Print
Comparison of grocery and hardware mixture, present southwestern class, and Jensen scales for distances of 50, 100, 150 and 200 miles	10339	8833
112—Comparative statements of first class rates, Machinery, Noibn, various Iron and Steel Articles, between representative points in Kansas and points in Official, Southern, W.T.L. and Southwest territories	10340	8834
113—Operating statistics of railroads in Kansas, North and South Missouri (54 pages)	10347	8841
114—Description of Kansas mineral resources, and of the basic procedures involved in their production and processing, and the uses to which such minerals and their products are now being or could be put	10409	8903
115—Comparative statements of various mileage scales, class rates and specific commodity rates on Iron and Steel	10442	8925
116—Tables showing average production of corn, wheat, oats, barley, grain sorghums, sugar beets, alfalfa and wild hay in Nebraska for five year periods, 1901-1940 and annually after 1940	10448	8931
117—Section I—Present and Topeka's proposed boundary of Zone I	10494	8977
Section II—Climatic Comparisons	10506	8989
Section III—Altitude	10509	8992
Section IV—Maps of Kansas, Missouri, Iowa, showing counties, principal cities and rivers	10513	8996
Section V—Farm statistics	10517	9000
Section VI—Retailing, wholesaling, manufacturing, employment and payroll statistics	10543	9026
Section VII—Related indicator of consumers purchasing power	10551	9034
Section VIII—Tractor statistics	10560	9043
Section IX—Population statistics	10565	9048
Section X—Traffic density statistics	10575	9058
Section XI—Distances and rates	10601	9084
Section XI-A—Comparison of rate scales	10624	9107
118—Sheet 1—Topographic Map of Eastern Kansas	10635	9118
Sheet 2—Topographic map of Northern Missouri	10637	9120
Sheet 3—Topographic map of Iowa	10638	9121
Sheet 4—Map of United States	10639	9122
119—Statistics of Railroad Traffic, of Manufacture, and of General Economics	10640	9123
120—Economic Data, viz:		
Population.		
Effective buying income, 1940.		
Farm income, from all sources, 1939.		
Income from Livestock, Dairy Prod., Poultry and Eggs and Farm Crops, 1939.		

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Wholesale Trade, 1939. Manufacturing, value of products, 1939. Types of Manufacturing, by states. Trend of Manufacturing, 1925–1939..........	10710	9194

SECTION 1

	Original	Print
121—First class interritorial rates between Iowa and Illinois points and Official and Southern territories compared with first class rates under the basic distance scale prescribed in I.C.C. Dkt. 15879..............................	10726	9210

SECTION 2

	Original	Print
Census of manufacturers, 1939 and 1937, Iowa...	10737	9221
122—Traffic densities, years 1927, 1939, 1940 and 1941, Class I rail carriers serving the state of Illinois..	10745	9232
123—Pages 2 to 7—List of industries located at Cedar Falls, Waterloo, Dunkerton, Gilbertville, Hudson and La Porte City, Iowa..............	10749	9240
Pages 8 to 10—Statistics of Waterloo, Ia.......	10756	9247
Pages 11 to 15—Survey of competition, industries located at Cedar Falls and Waterloo, Ia......	10759	9250
124—Statements showing income, rates of return, operating statistics, freight and passenger traffic densities, etc..............................	10764	9255
125—Statement showing net railway operating income derived from freight and allied service operations..............................	10771	9262
126—Page 1—Railroads operating in Minn..........	10772	9263
Page 2—Minnesota C.L. and L.C.L. rate scales..	10774	9264
Page 3—Ia., Minn., Mo., Wis. rate scales........	10775	9265
Pages 5 and 6—Chronological statement of rates between Chicago, Ill., St. Louis, Mo. and Twin Cities..............................	10777	9267
Page 7—Present rates between Chicago, Ill. and points in Minn..............................	10779	9269
Page 8—Minn. Railroad laws..............	10780	9270
Page 9—Map..............................	10782	9272
127—Comparative statements of rates, classification ratings on sewer pipe, etc..............	10783	9273
128—Minnesota resources and their utilization......	10794	9284

VOL. XVI

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
129—Map showing principal competition comes from the Chicago area	10848	9338
130—Page 1—Comparisons of rates and distances from Chicago, Ill. and Columbus, Ga. to Southwest	10849	9339
Pages 2 to 7—Detail of shipments from Columbus, Ga. to Official and Southern territories compared with what would accrue under the Official territory rate level	10851	9342
131—Pages 1 and 2—Statement of class rates	10858	9349
Page 3—Comparison of all rail class rates in I.C.C. Dkt. 17000-2 with I.C.C. Dkt. 15879	10861	9352
Pages 4 to 7—List of goods manufactured in St. Paul and Minneapolis, Minn	10862	9353
Pages 8 to 28—Comparative statements of Rail and Lake or Rail-Lake and Rail class rates versus all rail class rates	10866	9357

SECTION I

	Original	Print
132—General statistics	10887	9378

SECTION II

	Original	Print
Historical Rate Statements	10933	9424
133—Statements of Class Rates via Rail or Barge, Rail-Barge, Rail or Barge, also commodity rates, etc.	10978	9469
134—Pages 2 to 17—Statements showing comparison of distances and present first class rates with distances and first class rates proposed by Mr. Jensen computed via routes thru Chicago, Ill	11032	9539
Pages 18 to 23—Statements showing comparison of present first class rates with first class rates obtained by applying Mr. Jensen's Formula to short line distances (including cross-lake and Canadian routes)	11050	9557
135—Statistics of railroad traffic of manufactures, and of general economics with relation to Wisconsin and analysis of application of cost rates to class rate traffic	11057	9564
136—Page 1—Water-Borne Commerce Green Bay Harbor, Wis., 1940	11090	9596
Pages 2 and 3—List of principal products manufactured at Green Bay and De Pere, Wis. and shipped in Interstate Commerce	11092	9598
Page 4—Statement showing first and fifth class rates	11094	9600
137—Statements showing the freight classification ratings on articles produced and shipped by members of the Chain Institute, Inc	11095	9601

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
138—Statements showing the freight classification ratings and exceptions on articles produced and shipped by members of the American Institute of Bolt, Nut and Rivet Manufacturers	11106	9612
139—Sheet 1—Number of Furniture establishments in the Country, by States, 1937	11123	9645
Sheet 2—Population of the U. S. A. by States: 1940 census	11125	9647
Sheets 3, 4 and 5—Wood Household Furniture. Production by principal classes, by value, for States, 1939	11126	9648
Sheets 6 and 7—Furniture ratings C.L. and L.C.L. in effect 11-1-42	11129	9651
Sheet 8—Tariff reference for Furniture ratings	11131	9653
Sheet 9—Comparison of Railroads' carload revenue on Furniture, 1932 vs. 1941	11132	9654
140—Comparison of various distance scales prescribed in I.C.C. Dkt. 17000-2 and I.C.C. Dkt. 15879 and percentages scales bear to each other	11133	9655
141—Business activity statistics, outline maps, railroad, operating statistics and routing data	11150	9672
142—(a) List of competitor manufacturers of stoves and furnaces	11225	9754
(b) C.L. movement of stoves and furnaces	11226	9755
(c) C.L. rate adjustment Wichita, Kan. vs competing points to representative destinations in official territory	11229	9758
143—Natural resources in the State of South Dakota	11230	9759
144—Statistical and analytical data indicating the nature and extent of use of the National Motor Freight Classification and comparisons indicating extent of uniformity between National Motor Freight Classification and Consolidated Freight Classification	11235	9763
145—Part I—Proposed Classification Formula	11281	9825
Part II—Classes (or Columns) now included in class rate tables published in tariffs of rail carriers	11284	[illegible]8
Part III—Illustrations of ratings on basis of proposed classification formula including comparison with present ratings	11290	9834
146—Rates on Wine, C.L., compared with first class rates and rates based on Official Territory Basic Scale	11295	9839
147—Traffic analysis by commodities, by mileage blocks, by weight groups of 100 pounds, by territorial movements, less truckload and truckload	11297	9841
148—Pages 2 and 3—Statement showing population of all cities in N.D., Minn. and Wis. 1930 and 1940 compared with Duluth-Superior	11435	9979

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Pages 4 to 19—Duluth's industries, wholesale trade, census of manufacturers, Harbor data, principal ports and statistical report of Marine commerce	11438	9982
Pages 20 to 22—Relationship of Rail-Lake or Rail-Lake-Rail rates from New York, N. Y. to Duluth, Minn., Chicago, Ill., Minneapolis and St. Paul, Minn. from 1913 to present time and comparison of All-Rail with Rail-Lake or Rail-Lake-Rail rates	11454	10006
149—Corrections and Clarifications of certain items of Exhibits Nos. 88 and 90 of E. L. Hart	11457	10009
150—Supplementing Maurer's Exhibit No. 92, correction of Page 1797 of transcript	11461	10011
151—Sheet 1—Map showing geographical location of East Tennessee border points	11463	10015
Sheet 2—Map showing principal routes to East Tennessee border points	11465	10017
Sheet 3—Schedule of American Airlines, Inc., showing Bristol, Johnson City and Kingsport referred to as the "Tri-Cities"	11466	10018
Sheet 4—Map showing various territories under the proposed Jensen formula	11467	10019
152—Statements showing statistics and rates on various commodities, also the qualifications of the witness (64 pages)	11468	10020
153—Traffic balances Southern Region—Years 1940 and 1941 according to I.C.C. Freight Commodity Statistics (4 pages)	11533	10085
154—Statements showing population; trends in manufacturing; retail and wholesale trade; principal industries in southern states; traffic study of C.L. and L.C.L. interterritorial shipments between South and North; traffic analysis of L.C.L. shipments; analysis of tonnage and revenue by specified classes; an optimum manufacturing economy for the southeast; regional distribution of economic opportunity—National Resources Committee	11537	10089
155—Page 1—Map showing location of member potteries U. S. Potters Ass'n	11608	10179
Page 2—Map showing origins of principal raw materials used in the pottery industry	11609	10180
Pages 3 to 5—C.L. rates on Clay, ground feldspar and Sand (ground or pulverized) from principal sources to representative pottery manufacturing plants	11610	10181

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Original Print
156—Section I—Functions of the New York State Division of Commerce 11613 10185
Section II—New York State purchases of commodities in southern markets 11618 10189
Section III—Examples of competition 11620 10190
Section IV—Survey of Furniture Industry 11631 10199
157—List of articles manufactured within southern classification territory and sold at retail by a leading department store in New York, N. Y 11634 10201
158—Statement showing some commodities regularly transported by railroad from southern manufacturing points to Philadelphia, Pa. for sale by four retail establishments 11637 10204
159—General Statistics, viz.: Manufacturing wages and wage earners; population; unemployment; income payments; industrial building construction; retail and wholesale sales; business failures, etc. 11645 10211
160—Progressive development of the southern States; southern industrial plants; southern industry and defense; abundant resources for development and national defense; southern agriculture. 11727 10293

SECTION A

161—(a) The diversification of New Jersey's products. (b) The geographically-adjacent vast consuming markets. (c) Access to coastwise intercoastal and foreign steamship service 11745 10311

SECTION B

Factors determinative in selection of manufacturing sites 11767 10333

SECTION C

Revenue traffic originating in the southern region and eastern district prior and subsequent to the establishment of rates prescribed by the Commission in 100 I.C.C. 513; 164 I.C.C. 314 and 235 I.C.C. 255 .... 11773 10339

SECTION D

Formula prescribed by I.C.C, in 213 I.C.C. 259, 297 and 214 I.C.C. 316 to the rates and distances between points in the south having 20,000 population and over, on the one hand, and representative points in Trunk Line territory, on the other 11786 10352

VOL. XVII

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Original Print

162—Statement showing articles received by representative wholesale and retail establishments in Baltimore, Md. from southern states 11797 10363
163—Statement showing list of some of the articles produced in the south and southwest, received by department and food stores at Rochester, N. Y. and offered for sale in such stores 11807 10373
164—Comparison of rates in Official and southern territories on raw materials and low grade commodities moving in volume, also comparisons of tonnage originated, tonnage handled and freight revenues in 1939. (18 pages) 11813 10379
165—Distribution of the transportation burden by railroads in 1939 between the various regions and territories of the U. S. viz: Tonnage originated, tonnage terminated and tonnage handled, also the freight revenues. (55 pages) 11832 10398
166—Statements showing freight operating expenses in Official and southern territories. (14 pages) .. 11888 10454
167—Analysis of the classification ratings shown in Consolidated Freight Classification No. 15. (149 pages) 11903 10469

VOL. XVIII

168—Statement showing effect of application of Official classification ratings and rates on rtaffic subject to southern and western classifications and vice versa. (2 pages) 12059 10616
169—Statement of cases in which I.C.C. has prescribed or recognized the principal of special rate treatment for the Norfolk Southern Ry 12061 12619
170—Position of Pittsburgh Chamber of Commerce; Pittsburgh industrial area; Pennsylvania's share of manufacturing in U. S., population; comparisons of present rates and witness Jensen's proposed first class rates between Pittsburgh, Pa. and points in C.F.A. territory 12064 10622
171—Pages 1 to 40—Analysis of mileage scales 12081 10636
Pages 41 to 56—Statistics 12122 10678
172—Statement showing comparison of present first class rate with first class rates made by use of various formula from Chicago, Ill. to points on the most direct route from Evansville, Ind. to Jacksonville, Fla 12138 10694
173—Statements showing ratings on various commodities in Southern and Official territories with rates based on K-2 scale and I.C.C. Dkt. 15879 basic scale 12141 10697

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
174—Statement showing number of articles on which the rating is lower in the Illinois Classification than in the Official Classification	12161	10717
175—Statement showing number of articles on which the rating is higher in the Illinois Classification than in the Official Classification	12196	10751
176—Comparison of the first class rates applicable in Illinois Territory, W.T.L. Zone I, and C.F.A. Territory	12200	10755
177—Sheet 2—Summary table from Stevens' exhibit No. 1, "Distribution of Natural Resources"	12201	10756
Sheet 3—Wage earners in manufacturing establishments by freight rate territories, years 1899, 1919, 1929 and 1939	12204	10759
Sheet 4—Population, workers, and value of products, by freight rate territories, summarized from Stevens' exhibit No. 9	12205	10760
Sheet 5—Average annual earnings of workers covered by state unemployment compensation laws—1940	12206	10761
Sheet 6—Urban and rural population 1940 census, by freight rate territories	12207	10762
Sheet 7—Chart—per capita income and ratio rural to total population, by states and freight rate territories, year 1940	12208	10763
Sheet 8—Railroad purchases, number of employees, total payroll, and state and local taxes—Railways in the southern, southwestern and Western Trunk Line Territory—calendar year 1940	12209	10764
178—(a) Excerpts from original and Supplemental reports in I.C.C. Dkt. 13494	12210	10765
(b) Traffic study for April 1924 in Southern Class Rate Investigation	12215	10770
(c) First class scale rates	12214	10769
(d) Statement of first class rates	12223	10778
(e) Tons handled and freight revenue of Southern Carriers, 1921–1941	12224	10779
179—Statement showing the tons of freight traffic originated and terminated on Class I Railroads in Southern Region in 1939, via individual classes of commodities; showing also the excess of the originated tonnage over the terminated tonnage, or the terminated tonnage over the originated tonnage	12225	10780

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

SECTION 1

	Original	Print
180—Examples of the effect of the application of the class rates prescribed in I.C.C. Dkt. 15879, within, from and to Southern territory upon the CL commodity rates, published in the form of "Exceptions to the Classification" or "Column Rates" now applicable within Southern territory and between that territory and Official, Southwestern and W.T.L. territories	12229	10784

SECTIONS 2 AND 3

Number of industrial establishments, amount of wages, value of products, etc.	12264	10820

SECTION 4

Comparison of the present inter-territorial first class rates between Official territory and points in Kentucky of 1000 population or more with rates on basis of the class rate scale prescribed in I.C.C. Dkt. 15879	12283	10839

SECTION 5

Manufacturing establishments in Southern and Official territories classified by value of products, 1939	12290	10846

SECTION 6

Material from the Blue Book of Southern Progress	12292	10848

SECTION 7

Territorial relationship of railroad rates on raw materials and manufactured products	12310	10866
181—Results of studies in difference between the procedure followed by Dr. Edwards in his Exhibits Nos. 2 and 3 and that followed in his Exhibits Nos. 12 and 13	12320	10876
182—Comparison of Southern Region density of traffic and costs per revenue ton-mile with similar data for the Eastern District and Eastern District (Including Pocahontas Region) 1928 to 1939	12337	10894
183—(a) The problem of placing a floor under costs. (Supplementing Exhibit No. 24)	12338	10895
(b) Fact finding requirements of Sec. 19a of I.C.C. Act with respect to lands. (Supplementing Exhibit No. 29)	12344	10901
(c) Audit protection written into Sec. 19a of I.C.C. Act. (Supplementing Exhibits Nos. 28 and 29)	12349	10906
(d) Interterritorial interest of Class I steam railways	12354	10911

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
184—(a) Fact and extent of revenue need	12355	10912
(b) The market for new railroad capital	12367	10924
(c) Railroad mileage in the hands of receivers or trustees	12372	10930
(d) Separation of expenses, common to freight and passenger services	12374	10932
(e) Computation of a living wage for the railroads	12378	10936
(f) Concept of an out-of-pocket cost level	12391	10949
(g) The cost of railroad living is higher in Southern than in Official territory	12392	10950
(h) The issue of valuation	12411	10969
185—Statements showing data relative to rates on representative commodities established to assist industries in Southwestern Territory applicable within, to and from southwest	12455	11013
186—Statements showing list of industries established in Southwestern territory during decade 1932 to 1941 inclusive	12468	11029

VOL. XIX

	Original	Print
187—Statement showing correction of errors in witness Stanage Exhibit No. 62	12481	11039
188—Industrial statistics pertaining to Southwestern Territory	12482	11040
189 and 189 (Corrected)—Statement of present first class rates from various points in W.T.L., Official and Southern territories to representative points in Minn. and N. D. compared with rates based on Eastern Class rate scale	12489	11047
190—Rebuttal testimony of R. C. Fyfe for Western territory	12558	11117

SECTION I

	Original	Print
191—Comparative economic data—U. S.	12580	11135

SECTION II

	Original	Print
General Railway Statistics	12597	11152

SECTION III

	Original	Print
Chart of Dr. Edwards Rail Formula "A"	12628	11183
192—Sheet 1—Statement of revenue needs, from various C.L. shipments required according to Exhibit No. 3 to cover costs included at cost level	12636	11191
Sheet 2—Division of fixed overhead charges made in Exhibit No. 3 between that associated with equipment and that with payroll	12637	11192
Sheet 3—Shipments of Trans-Continental traffic—Comparing through rate and costs as computed on Exhibits 3 and 13	12638	11193

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Sheets 4 to 7—Examples illustrating effects, viz: (a) Consist of lower-grade commodities upon cost comparison of highest grade commodities when consideration is given to deficiencies of the former. (b) Difference in the volume of the movement of one class of traffic upon the cost comparison of high-grade traffic when consideration is given to deficiencies of another class of traffic. (c) The rate level of one class of traffic upon cost comparison of high grade commodities when consideration is given to deficiencies of low grade commodities. (d) The composition of class rates upon the general level to produce a given result	12639	11194
Sheet 8—Comparison of the allocations of nonvariable charges in territory 12, included level V-a, made to particular shipments in Exhibit No. 3 with those made in Exhibit 13	12643	11198
Sheet 9—Example of percent of Trainman's wages variable with gross ton miles year 1940	12644	11199
Sheet 10—Example demonstrating the inaccuracy of the formula used in Exhibit No. 12 to divide expenses percentagewise between constant expenses and expenses variable with units of traffic	12645	11200
193—Comparative costs per thousand gross ton miles for selected divisions of the A.T. & S.F. Ry. System having different proportions of Branch line, helper service and way train operation based on year 1939	12646	11201
194—Territorial movement of carload freight on May 27 and September 23, 1942	12648	11202
195—Unit costs for the Eastern territory including and excluding Pocahontas territory and the State of Kentucky, unit costs for the Southern territory including and excluding the State of Kentucky and other data	12703	11257
196—Statement of Ford K. Edwards in reply to the criticisms of exhibits introduced by him	12823	11367
197—Selected operating data of Class I railroads having operations in the States of Kansas and Missouri in rebuttal of witness E. B. Dade's Exhibit No. 113 offered at the Hearing in Columbus, Ohio November 16, 1942	12872	11406
198—Traffic Balances, Southern Region—1941 versus 1929 according to I.C.C. Freight Commodity Statistics Carload Traffic	12909	11447

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
199—Raw materials originating and terminating in the South—Year 1929 and 1941 according to I.C.C. Freight Commodity Statistics	12915	11453
200—Reissue of rate study shown on Page G-18 of Exhibit 152 adding origin points Milwaukee, Wis.: Birmingham, Ala., Atlanta, Ga. and Chattanooga, Tenn.	12917	11455
201—Deep South. The situation to using same destinations as used by witness E. L. Hart in Section IV-B, Sheets 2 to 10, of his Exhibit 88, excluding those in Tennessee, North Carolina and South Carolina	12920	11458
202—Rebuttal testimony and additional statements of various rate data	12921	11460
203—Statement showing the total amount of revenue annually derived from carload traffic; also from L.C.L. traffic, and the percentage relationship of the less carload revenue to the total carload and L.C.L. revenue	12953	11492
204—Statements showing various data directed to rebuttal of the evidence of Witness Maurer, as contained in his Exhibit 92, and Witness Morrell and is additionally intended as rebuttal to the evidence of other witnesses whose evidence was similar to that of these two	12954	11493
205—Pages 1 to 4—Statistics of freight train operations showing disabilities of operation on the North and South Florida operating divisions when compared with operations on the balance of the system	12964	11503
205—Pages 5 and 6—Property investment, cash and material and supplies, condensed net Railway Operating Income account and rate of return, Principal Class 1 roads operating in Florida Peninsula, Class 1 roads in Southern Region and class 1 roads in Eastern District, including Pocahontas region, years 1923, 1925, 1929 1931, 1932, 1939, 1940 and 1941	12969	11508
206—Statements containing various statistical data in rebuttal to witness Saunders' Exhibit 87	12971	11510
207—Statements showing operating statistics	12975	11514
208—Statements showing price levels used by Bureau of Valuation of the I.C.C. in estimating reproduction cost as of Dec. 31, 1939 for Seaboard Air Line Ry. System, compared with the Bureau's yearly price levels for the Southern Region	12997	11536

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
209—Statement of rates and charges on Washboards from Raleigh, N. C. and Columbus, Ohio to the South	13014	11553
210—Comparative statement of rates on Glass Bottles from Chattanooga, Tenn., Streator, Ill. and Charleston, W. Va. to destinations in Southern territory having population of 25,000 or more	13015	11554
211—Comparative statements of rates on Bedroom Furniture and Mattresses, L.C.L. from Birmingham, Ala., Muncie, Ind., Indianapolis, Ind., etc. to points in Southern territory	13018	11557
212—Position of Bangor and Aroostook R.R. in I.C.C. Dkts. 28300 and 28310	13024	11563
213—Rebuttal Exhibits of Official Classification Carriers	13031	11568
214—Corrected page 43, Section B-2 of Rebuttal Exhibit 213 of Official Classification Carriers	13084	11621
215—Statements and graphs showing a comparison of class rate scales in Official territory with L.C.L. costs based on Dr. Edwards' Exhibits	13085	11622
216—Corrections in transcription of J. L. Heywood's testimony on 9-25-42 at Indianapolis, Ind.	13095	11639
217—Page 1—Statement showing comparative distribution of L.C.L. revenue by class rate groupings for test periods in 1925 and 1939	13096	11640
Page 2—Historical statement of class rates from New York, N. Y. to Chicago, Ill.	13097	11641
218—Pages 1 and 2—Population and Value of Manufactures, Selected Cities, C.F.A. Territory and W.T.L. territory	13098	11642
Page 3—Comparison of selected data for certain portions of C.F.A and W.T.L. Territories	13101	11645
Pages 4 and 5—Summary of Population for certain portions of W.T.L. and C.F.A. Territories segregated to states or part of a state; also area in square miles and density, and value of manufactures, for	13102	11646
Page 6—Statement of total population, years 1940 and 1930, and value of manufactures 1939 and 1933 with value of manufactures per 1000 population by states and per mile of railroad in C.F.A. and W.T.L. Territories	13104	11648
Page 7—Value of manufactures 1939 and 1933 in comparison with 1929 for portions of C.F,A. and W.T.L. Territories	13105	11649
Pages 8 to 28—Statement of area and population by counties, year 1940, compared with 1930; also value of manufactured products, years 1939 and 1933 for states in W.T.L. as shown on pages 8 to 28	13106	11650

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Page 29—Description of boundary lines of Zones I, II, and III, W.T.L. Territory	13127	11671
Pages 30 to 33—Maps of Zone Boundaries by States as shown on pages 30 to 33	13128	11672
219—Pages 1 to 3—The South's new records of production	13132	11676
Page 4—Diversified manufacturing in the South	13136	11680
Pages 5 to 7—Principal industries of the South	13137	11681
Page 8—Cigarette paper now made in the South	13140	11684
Page 9—Comparable Economic Summary—The South	13141	11685
Pages 10 to 13—Economic Summary by States—1941	13142	11686
Page 14—Excerpt from Manufacturers Record	13146	11690
220—Sheet 1—Comparison of Mileage Scales on Logs, C.L., applicable in certain sections of Southern and Official Classification Territories	13147	11691
Sheet 2—Comparison of Mileage Scales applicable on Lumber C.L. (Table "A"), and Scrap Iron, C.L. (Table "B") for selected distances in Southern and Official Territories	13149	11693
Sheet 3—Comparison of rates on Lumber, C.L., between specific points in Southern Territory	13150	11694
Sheet 4—Comparison of present rates on Machinery, C.L., from Southern origins to representative destinations in Official Territory, with rates resulting from application of the Official Territory level	13151	11695
Sheet 5—Comparison of present general rate levels intraterritorially in Southern and Official Territories and interterritorially between these territories on selected commodities manufactured in Atlanta, Ga	13152	11696
221—Answer of Witness Murray to Exhibit 213 introduced by Witness Tannehill	13153	11697
222-223—Statements of rate comparisons covering a large volume of commodities which originate and move between points in Texas, showing the Texas rates for representative distances compared with the rates in C.F.A. territory for similar distances	13157	11701
224—Corrected page 18 of Exhibit 164	13284	11828

VOL. XX

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
225—Costs for the Eastern Territory, the operations of the C.&O. Ry. and N.&W. Ry. traversing C.F.A. Territory, etc.	13285	11829
226—Statement showing tons of C.L. Traffic (other than Coal and Coke) originated and handled per mile of road operated in Freight Service for year 1939	13287	11831
227—Part 1—Railroads in Sou. Region and in Central Eastern and Great Lakes Regions, which originate and transport Coal and Coke in heavy volume	13288	11832
Part 2—Revenue tons of Bituminous Coal originated and terminated in Southeastern States	13286	11830
228—Class rate, exceptions, and commodity rate traffic, September 23, 1942	13290	11834
229—Statement showing number of cars of each general I.C.C. classification moving via L. & N. R.R. from Southern to Official territory through Cincinnati, Ohio and Louisville, Ky., September, 1940	13292	11836
230—Letter, C. C. Wimmer to W. J. Koebel, April 3, 1943	13297	11841
231—Rebuttal evidence of L. V. Crane	13298	11842
232—Letter from A. J. Ribe enclosing correction of exhibit 198	13318	11855
233—Exhibit of The Kansas State Corporation Commission and The Kansas Industrial Development Commission	13324	11861

Appendix to petition of April 19, 1940, of Class I railroads for modification of order of January 9, 1940	13386	11922
Excerpts from proceedings of April 1, 1943 and June 22, 1944, at Washington, D. C.	13517	12051
Publications issued by Interstate Commerce Commission:		
Statement No. 4114—year 1940	13523	12054
Statement No. 4220—year 1941	13528	12059
Statement No. 4323—year 1942	13533	12064
Statement No. 4419—year 1943	13538	12069
Statement No. 4518—year 1944	13543	12074
Statement No. M-500—months of January and February, 1945	13548	12079
Statement No. Q-550—years 1940, 1941 and 1942	13574	12105
Statement No. M-550—years 1943 and 1944, and month of January, 1945	13613	12143

VOL. XXI

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Publications issued by Interstate Commerce Commission—Continued

	Original	Print
Statement No. M-100—December, 1940, 1941, 1942, 1943, and 1944; and January to October, 1945, inclusive	13652	12182
Statement No. M-125—December, 1940, 1941, 1942, 1943, and 1944; and January to October, 1945, inclusive	13681	12211
Statement No. M-211—December, 1940, 1941, 1942, 1943, and 1944; and January to October, 1945, inclusive	13718	12248
Statement No. M-215—December, 1940, 1941, 1942, 1943, and 1944; and January to October, 1945, inclusive	13747	12277
Statement No. M-220—December, 1940, 1941, 1942, 1943, and 1944; and January to October, 1945, inclusive	13762	12292
Statistics of Railways in the United States—years 1939, 1940, 1941, 1942, and 1943 (omitted in printing)	13794-A	
Preliminary Abstract of Railway Statistics—years 1940, 1941, 1942, 1943, and 1944	13795	12323
Petition of respondents in the Western District for postponement of effective date of order for reopening reargument and reconsideration	14082	12605

Vol. I

TRANSCRIPT OF RECORD

(Pages 1 to 804)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. I

INDEX

	Original	Print
Record from D. C. U. S., Northern District of New York	1	1
Petition of plaintiffs, States of New York, Delaware, et al., in Civil No. 2311	2	1
Exhibit 1—Order of Commission instituting proceeding in Docket No. 28,300	56	55
Exhibit 2—Order of Commission instituting proceeding in Docket No. 28,310	58	57

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCT. 24, 1946.

—7298

Record from D. C. U. S., Northern District of New York Continued

Petition of plaintiffs, States of New York, Delaware, et al., in Civil No. 2311—Continued

	Original	Print
Exhibit 3—Order of Commission modifying order of investigation in Docket No. 28,300	59	59
Exhibit 4—Order of Commission modifying order of investigation in Docket No. 28,310	61	60
Exhibit 5—Report of Commission, May 15, 1945	63	62
Exhibit 6—Order of Commission in Docket No. 28,300, May 15, 1945	385	383
Exhibit 7—Petition of State of New York, et al. for reconsideration, reargument, etc.	389	387
Exhibit 8—Petition of State of Ohio to reopen order, rehear and reconsider, etc.	418	416
Exhibit 9—Petition of Public Service Commission of Wisconsin for reconsideration and reargument	427	425
Exhibit 10—Amended order of Commission, July 25, 1945	431	429
Exhibit 11—Order of Commission postponing effective date of order of May 15, 1945, as amended	433	431
Exhibit 12—First supplemental report of Commission, Oct. 30, 1945	434	432
Exhibit 13—Order of Commission further amending order of May 15, 1945, as amended	481	479
Order calling assistance to constitute a special court	486	487
Order to show cause	487	487
Order granting Chicago and North Western Railway Company, et al., leave to intervene in Civil No. 2311	489	489
Amended petition of Chicago and North Western Railway Company, et al., for leave to intervene in Civil No. 2311	492	490
Petition of States of Kansas, Oklahoma, et al., for leave to intervene in Civil No. 2311	516	505
Acknowledgment by Interstate Commerce Commission of service of order to show cause	519	507
Motion and application of States of Alabama, Georgia, et al., and of Southern Governors' Committee for leave to intervene in Civil No. 2311	520	508
Intervention of Interstate Commerce Commission in Civil No. 2311	525	511
Petition of New England Governors for leave to intervene in Civil No. 2311	526	512
Affidavit of Floyd Chalfont	586	554
Gerrish Gassaway	587	555
Walter W. Bacon	590	557
George Mace	593	559
Mark A. Daly	595	560
M. P. Catherwood	597	561
Thomas E. Dewey	600	563

Record from D. C. U. S., Northern District of New York
Continued

Affidavit of—Continued

	Original	Print
Charles E. Bell	606	567
Parker McCollester	623	577
H. C. Barron	652	598
Ford K. Edwards	819	753
Harvey P. Schneiber	821	754
Glenn F. Vivian	830	760
Raymond E. Baldwin	843	767
C. H. Bartels	846	769
Ora M. Enyart	848	770
William L. Fogleson	851	771
Maurice D. Collins	854	773
Elliott S. Moore	857	775
Cooper C. Clifton	860	777
O. F. Heslar	862	778
Affidavits on behalf of State of New Jersey	864	780
Affidavit of J. W. Barton	886	799
Robert L. Moulton	887	800
Maurice T. Otto	888	801
Andrew H. Brown	889	802
Acknowledgment by United States of service of order to show cause	890	804

[File endorsement omitted]

IN THE

District Court of the United States

FOR THE NORTHERN DISTRICT OF NEW YORK.

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN AND THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiffs,

against

THE UNITED STATES OF AMERICA,

Defendant.

PETITION—Filed November 29, 1945

TO THE HONORABLE THE JUDGES OF THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK:

Now come The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey Ohio, Wisconsin, and the Commonwealth of Pennsylvania, by their several Attorneys General and Assistant or Deputy Attorneys General, and present this their petition, and for their cause of action respectfully show:

I. Plaintiffs seek an order of this Court enjoining, setting aside and forever annulling a certain report and order of the Interstate Commerce Commission (hereinafter generally referred to as the Commission), dated May 15, 1945, as amended, and a supplemental report and order, dated October 30, 1945, in a proceeding which embraced two investigations instituted by the Commission and combined for hearing and decision, entitled, respectively, *Class Rate Investigation, 1939* and *Consolidated Freight Classification*, Docket Nos. 28300 and 28310 on the Commission's docket. Copies of the report and order of May 15, 1945 are annexed hereto and made parts of this petition as Exhibits 5 and 6. Copies of the supplemental report and order are annexed hereto as Exhibits 12 and 13 and are likewise made parts hereof.

II. Plaintiffs are sovereign states and bodies politic. They bring this action in their sovereign capacities on behalf of their citizens and communities and also as themselves shippers and receivers of freight transported by railroad upon which so-called class rates affected by the orders sought to be enjoined are charged.

III. Defendant is The United States of America.

IV. This action is brought under, and the jurisdiction of this Court rests upon the provisions of Acts of Congress approved June 18, 1910 (36 Stat. 539), March 3, 1911 (36 Stat. 1148), and October 22, 1913 (38 Stat. 219), Title 28, U. S. Code, Sections 41 and 43 to 48, inclusive, and also the general equity jurisdiction of this Court. The amount in controversy exceeds the sum of Three Thousand Dollars, exclusive of interest and costs.

V. The venue of this action is in this Court, pursuant to the statutes above referred to, because the orders of the Interstate Commerce Commission sought to be enjoined, set aside and annulled were made in a proceeding instituted by the Commission on its own motion and not upon the petition of any party, because the orders relate to and would affect rates and charges for transportation performed or to be performed by railroad within the territorial jurisdiction of this Court as well as elsewhere, because plaintiff The State of New York was a party to the proceeding before the Commission, and because said plaintiff has its capital, and therefore its principal office, at Albany, New York, within the territorial jurisdiction of this Court.

VI. The proceeding in which the Commission made the reports and orders sought to be enjoined was instituted by it by two orders of investigation, dated July 29, 1939, copies of which are attached hereto as Exhibits 1 and 2, which were thereafter amended by two orders dated August 1, 1940, copies of which are attached hereto as Exhibits 3 and 4, all of which exhibits are made parts of this petition. Substantially all of the railroads of the country, including railroads engaged in transportation within the jurisdiction of this Court, were made respondents in said investigation.

VII. In the course of the development of railroad systems and railroad transportation, the country, for the purposes of railroad freight rates and certain other matters, has come to be divided into sections or so-called rate or classification "territories". The boundaries of these territories conform generally, but with exceptions, with the termini of the major railroad systems, so that each territory embraces the railroads which are chiefly competitive each with the other and are affected by common physical and other conditions. Official or Official Classification Territory, so-called, is roughly that portion of the United States north of the Ohio and Potomac Rivers and east of the western shore of Lake Michigan and extending diagonally to the western bank of the Mississippi River opposite Illinois; Southern or Southern Classification Territory is that section of the country roughly south of the Ohio and Potomac Rivers and east of the Mississippi; and Western Classification or Western Territory includes the part of the country west of the Mississippi River and also part of Wisconsin. There are various subdivisions or sub-territories which are not important here. Plaintiffs are located in Official Territory, except that plaintiffs The States of Michigan and Wisconsin are partly in Official and partly in Western Territory.

VIII. Corresponding with the foregoing divisions of the country, the railroads of the country publish and maintain in tariff schedules filed with the Commission three major freight classifications, so-called, known respectively as the Official, Southern and Western Classifications. In these classifications many thousands of articles of freight are listed and are assigned to classes—for example, first class, second class, etc.—for the purpose of determining the freight rates to be charged for transportation by railroad. Then by other tariff schedules filed with the Commission the several railroads publish and maintain freight rates to be charged for the transportation of freight of each of the several classes between various points. These rates are known as the class rates. The Official Classification and the Official Territory class rates are published and maintained by and determine the charges of the railroads for the transportation of classified or class rate freight within Official Territory, as above described, in which plaintiffs are located. The Southern and Western Classifications and class rates, as their names indicate, determine charges for the transportation of class rate freight within Southern and Western Classification Territories. For purposes of publication, all three classifications are combined in one volume, called the Consolidated Freight Classification, with uniform rules, regulations and definitions of the various articles listed. However, the classifications or ratings to which many of the articles are assigned, are not uniform in the several classifications. For example, an article may be classified third class in the Official, fourth class in the Southern, and fifth class in the Western Classifications. There is a greater degree of uniformity in the classifications of articles in the higher ratings than of articles in the lower ratings.

IX. In addition to the classifications and class rates, the various railroads in the several sections or rate territories publish, file and maintain tariff schedules providing numerous exceptions to the classifications. They also have filed and published a large number of tariff schedules naming rates for the transportation of specific or individual commodities between various points, which rates are commonly referred to as "commodity rates". As a general rule for transportation for which exception and commodity rates are published they supersede the class rates so that the classifications and class rates determine the charges for transportation only as to freight and for movements for which no exception or commodity rates are in effect.

X. Due to various factors, such as the characteristics and volumes of freight to be transported, the varying competitive conditions encountered and the influences and orders of different governmental authorities, the railroads in the several classification and class rate territories—Official, Southern and Western—have adopted and followed different theories and practices in establishing and maintaining their various rates. In Official Territory the transportation of a larger proportion of the total freight moving by railroad is made subject to class rates, as distinguished from exception and commodity rates, than is the case in Southern and Western territories. The class rates are charged principally for the transportation of manufactured articles. Many commodity rates, for the transportation of low-grade freight and raw materials, are higher mile for mile in Official Territory than the corresponding rates in Southern and Western territories, while the freight rates for the transportation of manufactured articles, including the class rates, are generally lower mile for mile in Official than in Southern and Western territories. For the transportation of many articles for which the railroads in Official Territory charge class rates, the railroads in the South and West charge exception rates or commodity rates which are lower than the class rates in those territories and in some instances are as low as or lower than the class rates charged in Official Territory for the same distances. For transportation from one territory to another the railroads' tariffs specify which classifications control the ratings and the rates are in some instances computed to reflect the rate levels in each territory and in other instances are established independently and governed by competitive and other conditions affecting the through transportation.

XI. The class rates for the transportation of class rate freight within and between the several territories were prescribed as maximum reasonable rates by the Commission in various proceedings after extended investigations, and the present rates are the results of orders of the Commission.

XII. The orders of the Commission sought to be enjoined relate only to class rates and the classifications. By its orders in Docket No. 28300, Exhibits 1 and 3, the Commission instituted an investigation into the lawfulness of the present class rates for transportation between all points within that portion of the United States east of the Rocky Mountains, and the Commission indicated that the principal matters to be investigated pursuant to that order were whether or not there should be a uniform scale of class rates to be charged for transportation throughout the portion of the country described, or whether there should be several scales of class rates in different sections of the country and, if so, the relationships which should exist between them. By its orders in Docket No. 28310, Exhibits 2 and 4, the Commission instituted an investigation into the lawfulness of the freight classifications in effect throughout the entire United States and indicated that the principal issues to be investigated were whether or not there should be a single uniform classification, or whether there should be different classifications and, in either event, what the different classifications and the ratings therein should be.

XIII. Prior to the entry of these orders of investigation, no complaint had been made to the Commission that the class rates for the transportation of class rate freight between points in Official Territory were unremunerative or unduly or unreasonably low or in violation of any provision of the Interstate Commerce Act. The governors of the states in Southern Territory several years prior thereto had formed a committee for the promotion of industrial development in the South and had conducted a vigorous and extensive campaign seeking to induce industries to locate in the South and to persuade manufacturing establishments located in Official Territory to move to the South. As one phase of this campaign, public addresses had been made and articles written, in which it had been asserted that the higher level of the class rates in Southern Territory and from the South to the North than in Official Territory was an obstacle to the industrial development of the South and to the efforts of the South to persuade industries to locate in Southern Territory rather than Official Territory. These articles generally failed to refer to the fact that the commodity rates and the rates for the transportation of inbound raw materials were generally lower in Southern Territory than in Official Territory. Several bills had been introduced into the Congress by representatives of the southern states, which bills, if enacted, would deprive the Commission of jurisdiction to prescribe class rates on the basis of evidence and would require that class rates be established on a uniform level regardless of the facts affecting the transportation involved and the charges therefor, and regardless of the relative levels of the freight rates for the transportation of raw materials and other freight. It was indicated that these bills would be pressed for enactment if the Commission failed to take action. The atmosphere so created was described by the late Commissioner Eastman in his dissenting opinion in a companion proceeding brought by the governors of the southern states, *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255, as follows (p. 333):

> "The Commission is called upon to decide this case, on the record, after it has in effect been decided, in advance and without regard to the record, by many men in public life, of high and low degree, who have freely proclaimed their views on what they conceive to be the basic issues. Their thesis has been that the section of our country generally known as the South is our 'Economic Problem No. 1', because, among other things, it is low in industrial development, and that a major reason for this condition has been and is an unfair adjustment of freight rates which has favored the producers of the North and burdened those of the South. It has become a political issue. While, however, the South gave birth to the issue, public representatives of the West now cry out against like supposed oppression, and public representatives of the North or East, as it is variously called, have risen in defense of their section.
>
> "Under such conditions, it is not easy to decide the case without being influenced by emotional reactions, one way or the other, which should play no part in the decision."

It was in this atmosphere that the Commission entered its orders of investigation, conducted its investigation and issued its reports and orders involved in this suit.

XIV. Following the entry of the orders described in subdivisions VI and XII, Exhibits 1, 2, 3, and 4, a pretrial conference was held at Chicago, and thereafter public hearings were held by the Commission at St. Louis, Mo., Indianapolis, Ind., Columbus, O., and Washington, D. C., for the purpose of taking the testimony of interested parties. At these hearings the Commission was represented by counsel and statistical evidence of members of the Commission's staff was presented. The railroad respondents were represented and offered evidence. Plaintiffs and other states, public bodies, chambers of commerce and industries became parties to the investigation, as provided by the Commission's Rules of Procedure and the Interstate Commerce Act, appeared by their respective attorneys general, counsel or other representatives, and offered evidence. In all, some 5490 pages of testimony were taken and 233 statistical exhibits were offered and received in evidence. Except for the contention of certain motor truck interests that the charges of the railroads generally throughout the country for transporting freight in less-than-carload quantities were too low to enable the motor carriers to compete profitably with the railroads, there was not a single claim made by anyone and no evidence was offered to support a claim that the class rates for transportation in Official Territory were unremunerative, or unlawful because too low, or that they should be increased, or that even if a uniform level of class rates should be desirable, the public interest would be served if uniformity were accomplished by increasing the Official Territory rates.

XV. After the conclusion of the hearings, briefs were filed by the parties and oral argument was had before the Commission. For plaintiffs herein it was argued that because of the different conditions in the several classification territories, the different kinds and volumes of freight transported in each of the territories, and the different theories and practices of the carriers in the establishment of their freight rates, with relatively lower freight rates in Southern Territory than in Official Territory for the transportation of raw materials and low-grade products, it could not fairly be concluded that the class rates were unlawful merely because not on a uniform level throughout the country; that there was no evidence to support a finding that the existence of different levels of class rates in the South and West and between the South and West and Official Territory and within Official Territory had prevented the free movement of freight, or had impeded or prevented the industrial development of the South or the location of industry in the South, or had caused substantial injury to the South or to southern or western shippers and receivers of freight; that computations offered in evidence on behalf of the Commission with respect to the average costs of transportation were made to indicate as great average costs for the transportation of all freight over railroads in Official Territory as over railroads in Southern Territory only if there were improperly excluded from Official Territory average the statistics of certain railroads in that territory commonly called the Pocahontas Lines; and that even if the average costs of transportation of all freight were approximately the same in Official Territory and in the South, still this did not constitute evidence that a difference in the levels of the class rates was unlawful so long as there were differences in the levels of commodity and exception rates in the two territories. And it was contended further on behalf of plaintiffs that since most of the evidence related to transportation and transportation conditions in 1939 with some figures and attempted adjustments designed to reflect conditions during the early war years, and since the termination of the war was certain to create entirely different conditions as to transportation costs, kinds and volumes of traffic, channels of movement and industrial and competitive factors than had previously existed, the evidence as a whole was obsolete and insufficient to support an order requiring a change in the class rates for the future. Neither in briefs nor in argument, was any contention made by any party (except for the claim of certain motor truck interests addressed to the less-than-carload class rates of the railroads throughout the country) that the class rates for transportation between points in Official Territory were unreasonable or unlawful because too low. Even those, including the spokesmen for the southern governors and the southwestern states, who contended that there should be a uniform level of class rates, made no contention that uniformity should be brought about by increasing the class rates in Official Territory and, in fact, opposed such a suggestion.

Contrary to its usual procedure in investigations of the magnitude and importance of this, the Commission did not cause its examiners to prepare and submit a proposed report and recommended findings and conclusions with regard to the lawfulness of the existing rate levels, to which findings and conclusions the parties might file exceptions, but, instead, after hearing oral argument the Commission took the proceeding under advisement forthwith.

XVI. Thereafter, on or about May 15, 1944, the Commission issued its report and order (Exhibits 5 and 6), with Commissioners Mahaffie and Patterson concurring only in part, and Commissioners Porter and Barnard filing dissenting opinions.

XVII. On the central issue whether the difference in levels of the class rates in the several territories injured the shippers or industries in the South, or impeded the development of industries in the South, or restricted the free movement of freight, the Commission, at pages 615 to 619, found and summarized the evidence as follows (Italics added):

> "The testimony of shippers called on behalf of the Southern Governors' Conference respecting the payment of class rates may be summarized as follows:
>
> "*A manufacturer of washboards at Raleigh, N. C.,* ships washboards in less than carloads on class rates. In September 1941, a representative month, he made 42 less-than-carload shipments to official territory on which he paid total charges of $184.06. Charges on the official territory level would have been $15.14 less. One shipment was made to Dallas, Tex., on which he would have saved 77 cents at the official territory level. Twenty-five shipments were made to points in southern territory. Charges on the official territory level would have been $45.77 less than actually paid. The principal competitors are at Columbus, Ohio, and Saginaw, Mich., the latter with a branch factory at Memphis, Tenn. If the official territory level had applied not only from Raleigh, but also from Columbus to the South, the charges from Columbus would be reduced by greater amounts than from Raleigh. Application of the official territory level of rates on the September shipments to the North would have reduced his freight charges by 8 percent. Twenty-five percent of the shipments to the North were to Detroit, Mich., a short distance from Saginaw, where one of his chief competitors is located. *The business of the manufacturer who gave this testimony however, has increased substantially.*
>
> "*The operator of a tanning plant at Andrews, N. C.,* testified that he had recently taken over the tannery at that point, which had been out of operation for several years, and in May 1942, began tanning operations. *As of the date of the hearing, September 28, 1942, the company was beginning to make out-bound shipments of leather to some of the*

20 principal points to which leather moves, most of which are in official territory. While *most of the shipments will be in car-loads, on which both class and commodity rates apply,* some less-than-carload shipments are anticipated, on which the class rates will apply. Between May 22, 1942, and June 18, 1942, he shipped 9 carloads of green salted hides, 6 from New York, N. Y., 2 from Harrison, N. J., and 1 from Detroit, Mich., and 5 carloads of dry hides, 3 from New York, 1 from Brooklyn, N. Y., and 1 from Waverly, N. J., on which class rates applied. The total charges at the applicable class rates were $6,063.45, whereas the total charges at the official territory level would have been $4,504.63. Leather is usually sold f. o. b. tannery or warehouse. This company has experienced difficulty in selling and quoting prices competitive with tanneries able to ship at lower freight rates.

"Imported hides now move from the New York area to Andrews. Under present war conditions most steamers discharge at New York, but, in peacetime, cargoes of hides could be discharged at Norfolk or New Orleans, and this company might obtain imported hides through those ports. This company will also use domestic hides which will be obtained principally in Chicago, Ill., Detroit, Mich., and St. Louis, Mo. There are very few hides produced in the South. However, in *Schoen Bros., Inc.*, v. *Erie R. Co.*, 255 I. C. C. 501, 258 I. C. C. 161, we prescribed reasonable rates on green salted hides from certain points in Alabama, Georgia, and Florida, to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass. The four principal markets for finished leather are New York, St. Louis, Chicago, and Philadelphia.

"Quebracho extract, used in tanning, is imported. The differences in freight rates on this commodity are said to be more drastic than on hides and leather, but no exhibit was introduced showing these rates. *Chestnut extract, also used in tanning, is produced in the South and the freight rate is a very small cost factor.*

"*A shipper of wine at Atlanta* complained of the rates on wine from that point to official territory.

The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which are exception rates from Atlanta to border points. His principal competition comes from New York City, but he also operates a winery at Brooklyn, N. Y. His product is nationally advertised and he does a nationwide business. *A larger plant has recently been constructed at Atlanta indicating that the business has made substantial progress at that point.*

"Testimony for a *manufacturer of macaroni products at Memphis, Tenn.,* was offered by the manager of the Memphis Freight Bureau. For example, from Memphis to Evansville, Ind., 301 miles, the rate on macaroni and noodles and spaghetti, in less than carloads, is 68 cents, whereas from Chicago, 284 miles, the rate is 48 cents, a difference in favor of Chicago of 20 cents. If both rates were made 50 percent of the eastern first-class scale they would be 49 cents and 48 cents, respectively, and the rate advantage of 20 cents which Chicago has would be reduced to 1 cent. *This shipper has never complained to the railroads about his rates, which are fourth class* (50 percent of first class) *in official territory* and, by exception, *class 50 in the South,* in less than carloads. In *Macaroni & Noodle Mfrs. of America* v. *Alabama G. S. R. Co.,* 50 I. C. C. 289, the fourth-class rating was found not shown to be unreasonable or unduly prejudicial for all territories. In the South, fourth class is 55 percent of first class. This shipper has competitors at Louisville, Ky., and New Orleans, La., and distributes his products throughout the South and to Kentucky and some Ohio River points.

"*Five other shippers who testified on behalf of the Southern Governors' Conference do not ship their products on class rates.* They testified with respect to furniture from Birmingham, Ala., glass bottles from Chattanooga, Tenn., cucumber pickles from Faison, N. C., peanut products from Columbus, Ga., and grading machinery from Taccoa, Ga., and Vicksburg, Miss.

"Present rates on *glass bottles from Chattanooga* to official territory are on a combination basis, using a commodity rate to Cincinnati, plus exception rates beyond. *Approximately 25 percent of the production of the shipper* who testified *is shipped to the North,* although he has only a 'limited amount of tonnage' to offer in that territory. His sales have also been extended to the West.

"The *pickle manufacturer* ships 25 per cent of his output of salt stock and brine pickles to the North, and the finished product to the North and South. *The applicable rates are truck-competitive rates and are lower than the normal official territory level of rates.* The witness's chief concern is that his present rates might be increased.

"*The shipper of peanut products ships them to all parts of the country,* except New England, *on rates lower than class rates.* The company purchases a million dollars' worth of peanuts annually and has annual sales of 5 million dollars.

"*The manufacturer of grading machinery ships his products all over the world.* His first plant in the East was at Peoria, Ill. *Later he established plants at Taccoa and Vicksburg. He made no complaint about his rates and testified that the plants were established in the South because of the many advantages in that territory.*

"Testimony with respect to shipper dissatisfaction with southern class rates was given by the secretary and manager of the Atlanta Freight Bureau, appearing for the southern governors, and by the commissioner of the Nashville Freight Bureau. The former introduced in evidence *an exhibit listing 14 groups of commodities,* the rates on which were claimed to have been detrimental to southern shippers. *Only 6 of the 14 move on class rates.* These are calendars, electric appliances, lead products, iron or steel tanks, cloths, and rags. The evidence shows that although *the calendar manufacturer* lost a contract to supply calendars to an oil refinery in 1943 he *obtained a 1944 contract from the same company.* In *State of Alabama* v. *New York Central R. Co., supra,* we declined to disturb the existing basis of rates on certain electrical appliances, i. e., conduit outlet boxes, junction boxes, switch boxes, and outlet plates, and stated that the purchaser's familiarity with the manufacturer and with its products is generally controlling. It appears that *the rates on cloth and rags about which complaint was made were not class rates. The shipper of lead* at Atlanta ships his entire output to the South and *has never asked the southern railroads for competitive rates to the North. The same is true* with respect to *the shipper of iron and steel tanks. To the Ohio River* crossings, the Virginia cities, Chicago and Peoria, Ill., commodity *rates on iron and steel tanks substantially lower than the class rates apply.*

"The witness for the Nashville Freight Bureau criticized respondents' failure to reduce rates on steel automobile *truck bodies from Nashville* to Metuchen, N. J., but admitted that the Nashville shipper obtained *a contract for such truck bodies which provided for their purchase f. o. b. Nashville.* His other criticism on behalf of a particular shipper was of the failure of the railroads to reduce the rates on shell boxes from Nashville to all points in official territory. He stated that rates on the basis sought had been established to 13 destinations. This shipper had not obtained a contract for the boxes and does not produce them. There is one actual manufacturer of shell boxes at Nashville who is engaged in shipping the boxes."

XVIII. On the question whether the existing rates and the differences between the levels of the class rates in Official Territory and in Southern Territory have prevented the industrial development of the South and have caused injury to the South sufficient to sustain a finding of undue prejudice and preference in violation of Section 3 of the Act, the Commission found further, as follows (pp. 621-622):

Petition.

"In order to determine if the South is or is not growing industrially, statistics over a period of years must be examined. Unless otherwise stated, the years used are 1929 and 1939. The following facts are derived from the statistics examined:

"For the 10-year period, 1929 to 1939, the number of wage earners in manufacturing industries in the country as a whole decreased 11 percent; in official territory, 12 percent; and in New York State, 13 percent. There was an increase of 5 percent in the South.

"There was a 22-percent decrease in manufacturing wages for the entire country, 23-percent decrease in official territory, and 3-percent decrease in the South. Some southern States had an increase.

"The values of manufactured products for the entire country decreased 21 percent; in official territory, 25 percent; in New York State, 29 percent; and there was a 1-percent increase in the South. North Carolina had an increase of 8 percent.

"Value added by manufacture, for the United States as a whole, decreased 23 percent, 24 percent in official territory, 12 percent in the South, and in New York State, 33 percent. North Carolina had an increase of 7 percent.

"From 1930 to 1940, there was a greater decrease in agricultural employment in southern than in official territory; but manufacturing employment increased in the South and decreased in the North.

"In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

"From 1930 to 1940, the number of gainfully occupied workers in manufacturing in official territory decreased from 70.5 percent to 69.4 percent of the country's total, but in the South, increased from 10 percent to 11.9 percent.

"During the period from 1929 to 1939, the number of wage earners in the canned fruit and vegetable industry in the South increased 68 percent, as compared with an increase of 28 percent in official territory.

"The number of wage earners in the cotton industry in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States.

"Value of cotton products decreased 55 percent in the northern States and 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South.

"Manufacture of heating and cooking apparatus, except electric, during the 10-year period, increased in the South and decreased [the record erroneously reads 'increased'] in the North. There was an increase of 39 percent in the number of wage earners in the South, and a decrease of 21 percent in the North. Value added by manufacture increased 8 percent in the South and decreased 32 percent in the North.

"The number of wage earners in the furniture industry increased 18 percent in 6 southern States and decreased 33 percent in 12 northern States. Value added by manufacture decreased 43 percent in the northern States and less than 0.5 of one percent in the southern States.

"There are other branches of manufacturing that have progressed more rapidly in the South than in the North, but there are some in which, during the 10-year period, the industrial trend was not as favorable in the South as in the North. These include the manufacture of morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products.

"No specific instance was proved where an industry was not established in the South because of the class-rate level. However, in the nature of things this fact would be difficult to prove because of the many factors entering into the location of an industry.

"A witness for the southern interests was the editor of an industrial publication devoted to the cause of industrial development of the South and Southwest. Excerpts from copies of this publication in 1940, contain a statement by the southern governors that, 'In two years the volume of the South's manufactured products has increased approximately 35 percent and is now 2½ times the value of its agriculture output; during the same period the number of manufacturing plants in the South increased by 803 as contrasted to a decline in the rest of the United States of 3190.' The publication contains many pages listing new industries that have located in the South, some of which are the largest in the country. They include plants manufacturing cigarettes, textiles, footwear, household furniture, paints, stoves, ranges, water heaters, tin cans, clothing, vegetables, drugs and medicines, flour, optical goods, and fluorescent lamps."

XIX. During the course of the hearings there were received in evidence testimony of and exhibits prepared and identified by witnesses for the Commission, the railroads, plaintiffs and others with regard to costs of transportation. There was no evidence as to the cost of transporting class rate freight in any territory or between any particular points. All of the testimony and exhibits related to attempted computations of average costs of transporting all freight, and did not indicate the costs of transporting any particular commodity or class of freight and disregarded the rates charged for their transportation. The Commission's witness, Dr. Ford K. Edwards, testified in part as follows, at page 3236 of the stenographic minutes:

> "Q. (By Mr. McCollester) Now, if it should so happen, Dr. Edwards, that of freight having that average haul and that average loading per car in Eastern territory, some freight should produce revenue less than 11.8 cents per hundred pounds and other freight should produce revenue in excess of 11.8 cents per hundred pounds, the railroads would earn their costs, under cost level No. 2, if the average came out to be 11.8 cents per hundred pounds; is that correct?
>
> A. Yes.
>
> Q. Therefore, would you not agree, Doctor, that if it should appear that the average costs so computed for that length of haul and that loading in one section of the country were the same as in another, and

> that some freight in one territory yielded lower revenue than in another territory, while other freight yielded a higher revenue, the fact that the costs were equal would not indicate that all of the rates would have to be equalized, on all classes of traffic, in order to yield cost, would it?
>
> A. That is right. There might be a different distribution of the transportation burden, as between different commodities in different territories.
>
> Q. And that is in effect what you mean, is it not, when you say, in a somewhat different connection, I believe on page 3 of your Exhibit No. 2, that if some service pays less, other service must pay more?
>
> A. Yes."

Other evidence in the record, which was uncontradicted, showed that there is a wide variation in the kinds of freight transported in the several territories and that there are great differences in the rate structures and so-called distribution of the traffic burden in the several territories. All of the cost computations in evidence, although differing in theory and in the final figures produced thereby, were in agreement on one point: that the average cost of transportation over the railroads of Official Territory, including the so-called Pocahontas Lines, are less per unit of freight and distance than the average costs of transportation in Southern and Western territories, and it was only by excluding figures of the Pocahontas Lines in computing averages for Official Territory and by including figures for transportation in Kentucky in computing the average for Southern Territory that figures were produced for the cost of transportation in Official Territory as high as the figures for Southern Territory. In its report the Commission found in part, as follows (p. 591). (Italics added):

> "*Summary.*—The various comparisons of territorial costs reviewed hereinabove show that there is

> little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding Pocahontas territory. The figures both for the year 1939 and the period 1930-39 indicate that, taken as a whole, the costs in the South are equal to or a little lower than those in the East. If the period 1937-41 is used, the costs in the South are substantially lower than those in the East.
>
> "*If the Pocahontas territory is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East. This differential would be increased to something between 6 and 8 percent if the years 1930-1939 were used,* a period, including years of depression traffic. On the other hand, this differential would be eliminated if the 5-year period, 1937-41, were used. The unit costs of rendering transportation service in the South increase more rapidly with declining traffic volume and decrease more rapidly with increased traffic volume than is true for the East. On the basis of the 1939 figures, the costs for the East, including New England but excluding Pocahontas, are approximately the same as the costs for the South, excluding the State of Kentucky.
>
> "*Comparisons based on the year 1939 and the period 1930-39 show the over-all cost of rendering transportation service in the western territory to be between 5 and 10 per cent higher than in the East, excluding the Pocahontas territory.* If the year 1941 were used, this difference would be reduced to 5 percent or less. *A comparison based on the ~~inclusion~~ of the Pocahontas territory with the eastern roads for the period 1930-39 shows a difference of 18 percent.* Based on the year 1939 the difference shrinks to approximately 15 percent. Based on the year 1941 it would be reduced to something in the neighborhood of 10 percent."

The so-called Pocahontas Lines are railroads in Official Territory for the purposes of class rates, and the Commission's orders herein would apply to the class rates to be charged by them. To a considerable extent, transportation in Kentucky is subject to Official rather than Southern Territory rates.

XX. By its report, Exhibit 5, the Commission concluded that there should be a uniform classification based upon the Official classification, for application and use by all railroads in the country and it directed the railroads to advise the Commission within 90 days whether they would undertake to make and tender such a classification based upon the Commission's findings. With respect to the class rates, despite the foregoing findings and notwithstanding the complete absence of evidence of any substantial injury caused to the South or West or to shippers or communities therein by the differences in levels of the class rates, and notwithstanding overwhelming proof that the nature and volumes of the traffic handled in the several territories and interterritorially differ greatly and that the class rates are the result of the different causes and conditions affecting the transportation in the several territories, and notwithstanding the absence of any requirement in the Interstate Commerce Act that class rates shall be uniform in the several territories, nevertheless the Commission found, in effect, that the class rates in all territories were unlawful because not upon the same level mile for mile. It determined that because of this lack of uniformity and despite the fact that the several class rate scales had been prescribed by the Commission itself, the railroads were violating Sections 1(4) and (5)(a) of the Interstate Commerce Act in charging the existing class rates and that the differences in the levels of the class rates in the several territories unduly preferred Official Territory and shippers therein and subjected and would subject the Southern, Southwestern and Western territories as a whole to unreasonable prejudice and disadvantage in violation of Section 3(1) of said Act. It prescribed a scale of class rates in accordance with which the railroads in the several territories were directed to establish uniform class rates to become effective when the uniform classification directed by the Commission should become effective, which scale of class rates would bring about an increase of approximately 15 per cent in the class rates for the transportation of class rate freight between points in Official Territory. Finally, notwithstanding the complete absence of any complaint that the class rates for transportation within Official Territory are too low, or of any substantial evidence that such rates are unremunerative or impair the ability of the railroads in Official Territory to provide adequate service, the Commission ordered as an *ad interim* adjustment for the purpose of accomplishing a greater approach to uniformity, that the railroads publish and file tariff schedules to become effective not later than August 30, 1945, increasing by 10 per cent the class rates for transportation within Official Territory and reducing by 10 per cent the class rates for transportation within Southern and Western territories and between the several territories.

XXI. Commissioners Porter and Barnard filed vigorous dissenting reports which are reproduced in Exhibit 5. Commissioner Porter concluded:

> "In my opinion, the record falls far short of supporting the finding that to be just and reasonable, and free from undue prejudice and preference, the class rates throughout the area east of the Rocky Mountains must be placed in the strait-jacket of a uniform distance scale."

Commissioner Barnard in his report said at pages 725 and 728:

> "I am of the opinion that the record in this proceeding does not support or warrant the findings and conclusions reached by the majority and, therefore, I dissent."

. . . . . .

> "I am unable to find in this record sufficient evidence to support the claim of the Southern Governors' Conference that the class rate structures within the South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country. Furthermore, the evidence fails to convince me that the products of the South cannot compete with the products of official territory in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates."

Commissioners Mahaffie and Patterson concurred with the majority only in part. Commissioner Mahaffie said (p. 708):

> "With that portion of the report which requires a permanent readjustment of class rates I do not agree. As to what I consider its defects I am in accord, in the main, with COMMISSIONER PORTER's comments in his dissent herein. In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the

> effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly."

Commissioner Patterson agreed "with much of what COMMISSIONER PORTER has to say in criticism of the majority report" He expressed the view (p. 708):

> "that there should be an '*ad interim* class rate revision' in connection with which an increase in official territory class rates, as contemplated by the majority report, should be tentatively approved, subject to protest and suspension, but that such increase may not be required. I find no justification for the action of the majority in entering a minimum-rate order."

He said further (p. 709):

> "I do not subscribe to the 'Ultimate Findings' of the majority. In my opinion any attempt to prescribe the rates to apply in connection with a uniform classification which is not yet in existence is premature."

XXII. Thereafter, in July 1945, and within the period allowed therefor by the Commission's Rules of Procedure, petitions for reconsideration were filed with the Commission on behalf of plaintiffs, of various chambers of commerce and commercial organizations, of various groups of shippers, and of various railroads. Illustrative of such petitions are those annexed hereto as Exhibits 7, 8 and 9. In some of these petitions it was alleged that greatly changed conditions, both as to transportation and as to industrial production, had been brought about by the war and thereafter by reconversion, and that because of these circumstances the evidence, relating as it did almost entirely to conditions in 1939 or the early war years, was stale and, apart from all other considerations, would not for this reason support an order prescribing rates for the future. It was alleged that the war conditions had prevented many interested parties from presenting evidence and that it would be unjust to subject them to changed rates unless and until a complete record could be made. It was alleged also that even if evidence relating primarily to conditions in 1939 might support an order to take effect in November 1945 prescribing rates to be charged thereafter, nevertheless the evidence before the Commission did not support its report and order, which were contrary to and wholly without support in the evidence, were based upon unsound principles of law, were the result of influences not properly to be considered by the Commission, and were beyond the Commission's authority. It was also alleged that there was no evidence to support the conclusion that the class rates in the several territories were unlawful because not identical mile for mile; that there was no evidence that the class rates for transportation within so-called Official Territory were unremunerative or less than minimum reasonable rates; and that the Commission's order, in so far as it would require a 10 per cent increase in such rates, was entirely arbitrary. The Commission was asked to reconsider its decision and to hear oral argument in aid of such reconsideration, and to set aside its order until a complete record of current conditions could be made, and it was pointed out that because of the failure of the Commission to follow its usual procedure of causing a proposed report to be prepared and served upon the parties prior to argument, the parties had not had the opportunity usual in proceedings of such magnitude and far-reaching importance to consider and present arguments to the Commission with regard to particular proposed findings and conclusions.

XXIII. By order dated July 25, 1945, copy of which is attached hereto as Exhibit 10 and made a part hereof, the Commission modified its order of May 15, 1945 in certain respects and required that the respondent railroads should establish and make effective the changed rates prescribed thereby on November 30, 1945 upon not less than thirty days' notice, instead of upon August 30, 1945. Thereafter by further order, dated October 26, 1945, copy of which is attached hereto as Exhibit 11 and made a part hereof, the Commission further amended its order of May 15, 1945 to require that the changed rates prescribed therein be made effective on January 1, 1946 upon not less than thirty days' notice.

XXIV. On or about November 1, 1945, the Commission issued its supplemental report, dated October 30, 1945, and its order pursuant thereto of the same date, copies of which marked Exhibits 12 and 13 are attached hereto and made a part hereof. The Commission in this supplemental report found that certain changes should be made in its original report and order, but it denied the petitions for reconsideration filed on behalf of plaintiffs and others, refused to grant reconsideration or further hearing for the receipt of evidence as to conditions at the present time, and affirmed its previous decision and interim order that as an interim adjustment the class rates within Official Territory should be increased 10 per cent. Without any further evidence before it, it made certain additional findings of fact, some of which are more particularly referred to hereafter. Again Commissioners Porter and Barnard dissented.

XXV. Under compulsion of the Commission's orders and to avoid risk of penalties for violation thereof, the respondent railroads in Official Classification Territory will, unless the Commission's orders as amended are annulled and set aside or their enforcement is stayed, be required to file with the Commission tariff schedules to become effective on January 1, 1946, upon not less than thirty days' notice, increasing by 10 per cent their class rates for the transportation of class rate freight between points in Official Territory and thereafter will be required to charge, and shippers and receivers of class rate freight in Official Classification Territory will thereafter be required to pay, such increased rates for the transportation of such freight. Similarly, the railroads in Southern and Western classification territories will be required to file tariff schedules, to become effective on January 1, 1946, reducing by 10 per cent their class rates for the transportation of class rate freight between points in those territories. And the carriers in all territories will be required to file tariff schedules providing changes in the class rates for transportation between territories in accordance with the Commission's order.

XXVI. The Commission erred and acted arbitrarily, capriciously, unlawfully and contrary to the evidence in concluding that the existing classifications are unlawful because not uniform, and in making the so-called ultimate findings set out at pages 509 to 512 of its original report, Exhibit 5, including the following:

> "Upon the record, therefore, we find:
>
> "1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are, and for the future will be unjust and unreasonable, in violation of section 1(4) and (6) of the act.
>
> "2. That the several classifications named in finding 1, insofar as the ratings therein are concerned, as a whole, because of the substantial number of dif-

ferences in such ratings that now exist, result, and will result in the future, in undue and unreasonable preference, advantage, prejudice, and disadvantage as between shippers and receivers of freight in interstate commerce and as between classification territories, in violation of section 3 (1) of the act.

• • • • • • •

"5. That it is entirely feasible for the respondents to establish, observe, and enforce classifications of property for transportation, with reference to which their class rates are or may be made or prescribed, which shall be uniform throughout the territory served by the several respondents. That the establishment, observance, and enforcement of such a uniform classification of property for transportation, with reference to which the class rates of the respondents are or may be made or prescribed, will be just and reasonable, and that to the extent the classifications established, observed, and enforced by them with reference to which their class rates are or may be made or prescribed, are different and nonuniform, to that extent their existing classifications of property for transportation, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable and in violation of section 1(4) and (6) of the Interstate Commerce Act.

• • • • • • •

"7. That upon the basis of the present record, the classification pattern prescribed for application in connection with class rates in eastern territory, known as the official classification, comports better with the requirements of the statute that the classification should be just and reasonable than do either of the remaining classifications embraced in the Consolidated Freight Classification. The general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by the respondents, and should be so established by them within a reasonable time.

"8. That it is just, fair, and reasonable that a uniform classification should be established which should contain (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation,* 164 I. C. C. 314, 373; 171 I. C. C. 481, 499; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes for commodities which should take lower ratings than the lowest class in the official classification. And that these classes in the uniform classification should be as follows: Classes 400, 300, 250, 200, 175, 150, 125, 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, and 13."

* * * * * * *

XXVII. The Commission erred, acted arbitrarily, capriciously, unlawfully and contrary to and without support in the evidence and without support in necessary preliminary findings in making the so-called ultimate findings set forth on pages 700 to 702, inclusive, of its original report, Exhibit 5 hereto attached, said ultimate findings being as follows:

"Upon the record, therefore, we ultimately find:

"1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short or weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1(4) and (5) (a) of the act.

"2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1(4) and (5) (a) of the act.

"3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3(1) of the act.

"4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

"(*a*) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

"(*b*) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

"(*c*) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates*, 164 I. C. C. 1, 282, contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by dropping those less than one-half and by increasing those of one-half cent or more to the next whole cent.

"(*d*) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rate revisions.

"(*e*) That such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

"(*f*) That such revised uniform class rates and classification ratings shall be made applicable simultaneously."

XXVIII. The Commission erred and acted arbitrarily, capriciously, unlawfully, and contrary to and without support in necessary preliminary findings or in the evidence in making the following findings and determinations, set out at pages 703 to 706, inclusive, of its report, Exhibit 5:

"We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

"We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunkline territories as those territories have heretofore been described in this report, and interterritorially between those territories, and also between those territories and official territory, as hereinbefore described, will be unjust and unreasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding.

* * * * * * *

"We find and determine that simultaneously as a part of the adjustment hereinbefore outlined, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maximum scales, superseding the intraterritorial official class-rate scale heretofore prescribed or authorized by us, subject to the qualifications hereinafter indicated, and that as so increased those scales will be just and reasonable as maxima. The increase of maximum class rates applicable within official territory is to be made by using the present current applicable class 1 rates as a base, and increasing them 10 percent. The rates on the other classes should be correspondingly increased by observing the same percentage relations to the maximum class 1 rates as thus increased that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. The same provision with respect to disposition of fractions of a cent, as to groupings, and as to the ascertainment of distance hereinbefore stated with respect to the reductions within and between other territories and between those territories and official territory, shall in like manner apply to the increases in the maximum class-rate scales within official territory herein found to be just and reasonable. This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described.

"The respondents maintain flat minimum charges for each less-than-carload shipment which may be and sometimes are stated and embodied in a rule of the governing freight classifications, and in other instances in varying measure are published in freight tariffs of the respondents or in exceptions to the classifications. The minimum charge provided by the various classifications is uniformly 55 cents. While this proceeding of investigation does not extend to rules of the classification, the minimum charge stated therein is in the nature of a rate, and is so published as a matter of convenience. We therefore find and determine that the minimum charge upon class-rate shipments in the territory included in No. 28300 is within the scope of this investigation.

"From the record we find and determine that in many instances when commodities transported take class rates, the respondents have extended the service of picking up and delivering shipments and perform such service under the applicable class-rate charge without additional charge therefor. We also find and determine that such pick-up and delivery service has been extended in scope largely since our findings and orders in the various proceedings hereinbefore recited which prescribed or approved the class rates in issue in this proceeding. We find and determine from the evidence of record in this proceeding, that when such service is performed the applicable class rate with the existing minimum charge as stated does not yield the out-of-pocket costs incident to the transportation service which it purports to cover. We further find that to the extent the minimum charge per shipment is less than 75 cents, it is below a just and reasonable minimum rate and charge. Upon the record as it stands, and predicated upon the adjustments for the interim period hereinbefore found to be just and reasonable, we determine and find that the minimum charge per shipment, whether pick-up and delivery service is afforded or not, whenever such charge is below 75 cents, is below the minimum of a just and reasonable rate and charge and that 75 cents is and will be a just and reasonable minimum charge to be made."

XXIX. The Commission erred as a matter of law and acted arbitrarily, capriciously, unlawfully and contrary to and without support in the evidence in making the following additional findings or statements of conclusion in its supplemental report, dated October 30, 1945 (sheets 19-21):

> "It is not necessary again to review the evidence as to the unreasonableness of the class rates brought in issue in these proceedings, or as to the undue preference and undue prejudice caused by and resulting from such rates, which we have found to exist. Having made the findings of unlawfulness, we have authority under section 15(1) of the Act and under section 5(b) of the Transportation Act of 1940, to prescribe the method for removing such unlawful-

ness, and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method.

"In support of the contention that an alternative method of removing undue preference and undue prejudice must be provided, petitioners refer to *Texas & Pacific Ry. Co.* v. *United States,* 289 U. S. 627, in which the Court stated that 'where an order is made under section 3, an alternative must be afforded'. In a footnote to that statement, however, the Court said: 'This is not true of an order pursuant to Sec. 15 (1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not entered under that section'. See also *Youngstown Co.* v. *United States,* 295 U. S. 476.

"In requiring an increase in rates to remove unlawfulness we are not required first to find that existing rates, or proposed reduced rates initiated by carriers, are not compensatory.

• • • • • • • •

"In the instant proceeding, in dealing with the interim adjustment, pages 702-706 of the report, we stated that our general findings and conclusions emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures closer together in level and more upon the same pattern or scheme. We also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The differences in such rates and the effect upon the welfare of carriers, producers, shippers, consumers, and upon the welfare of localities, districts, regions, and territories were fully discussed in the report. The costs of service were considered, together with the consist of traffic, the distribution of the general rate burden, rate and revenue comparisons, and other matters. Our conclusions were that the intraterritorial class rates within official and Illinois territories, as well as within the other territories dealt with, were unjust and unreasonable and that the relation between the interterritorial class rates from such other territories to official and Illinois territories, on the one hand, and the intraterritorial rates within the latter territories, on the other, gives and causes, and will continue to give and cause, an undue and unreasonable preference and advantage to official and Illinois territories as a whole and shippers and receivers of freight located therein, and subjects, and for the future will subject, the other territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage.

"Our general power under section 15(1) of the act to order the removal of any unlawfulness in rates found to exist after full hearing has been supplemented and reinforced, insofar as this particular investigation is concerned, by section 5(b) of the Transportation Act of 1940. After authorizing and directing us to institute an investigation of rates between points in one classification territory and points in another such territory, or within a territory, we are specifically empowered by that provision 'to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist.' In reaching our conclusions as to the necessity for increases in official and Illinois territories, and reductions in the other territories and interterritorially, we gave consideration not only to the factors previously mentioned, but also to the rates of return of the carriers in the respective territories and to their ability to render efficient service. The interim adjustment, as previously explained, was the initial step in the ultimate revision of the class rate structures found to be unlawful.

"We are convinced from the evidence in these proceedings that the present class rates within official and Illinois territories are below a just and reasonable level and should be increased as a part of the adjustment, to remove the unlawfulness in such rates, in respect of both their unreasonably low level and their unduly preferential character. We are of the opinion that our findings as to those rates are sufficiently stated in the prior report, but to remove any doubt, we find that the class rates within official and Illinois territories are less than just and reasonable rates, with the exceptions as stated in the prior report and in this report, and therefore unlawful, as well as unlawful because of their unduly preferential character, as more fully stated in the prior report."

XXX. The Commission's reports and orders, Exhibits 5, 6, 12 and 13, are unlawful, beyond the power of the Commission, based upon erroneous conclusions of law, without support in necessary findings of fact, contrary to and without support in the evidence, arbitrary, biased and capricious.

XXXI. Without limiting the scope of the foregoing, the reports and orders of the Commission, Exhibits 5, 6, 12 and 13, are unlawful, beyond the Commission's power, arbitrary and capricious in the following respects and for the following reasons, among others:

(1) The reports as a whole contain incorrect discussions and conclusions of law, incorrect and unjustified preliminary findings of fact and analyses of the evidence and reflect bias and prejudgment in their approach to the issues.

(2) In so far as the reports assume to find and the orders are based on findings that the railroads violate the Interstate Commerce Act in charging and collecting the existing class rates and that the class rates are unreasonable and unlawful in violation of Section 1 of the Interstate Commerce Act because not on a uniform level, mile for mile, throughout the country, they are contrary to and without support in the evidence or the law, in that:

(a) There is no substantial evidence that the class rates are unreasonable or unlawful in violation of Section 1 of the Interstate Commerce Act because the levels thereof are not uniform in the several rate territories.

(b) There is no evidence sufficient to support a finding that the differences in the levels of the class rates in the several rate territories and interterritorially will interfere with or restrict the free movement of traffic or that they have heretofore done so, and the evidence and the findings set out in subdivisions XVII and XVIII hereof are to the contrary.

(c) There is no evidence sufficient to support a finding that the differences in the levels of the class rates in the several rate territories and interterritorially have prevented or limited the industrial and economic growth of the South and Southwest, and the evidence and the findings set out in subdivisions XVII and XVIII hereof are to the contrary.

(d) There is no evidence sufficient to support a finding that the costs of transporting class rate traffic in Official Territory are as high as the costs of transporting class rate traffic in Southern and Western territories.

(e) The Interstate Commerce Act contains no requirement that class rates must be uniform in all territories, and the long administrative history of the Act constitutes recognition that different levels of rates in different sections of the country are permitted.

(f) Any evidence deemed to support a finding that there should be a uniform level of class rates equally requires findings that exception and commodity rates should likewise be uniform; and so long as no requirement is made that exception and commodity rates should be made uniform in all territories, as for example where there now are lower rates for the transportation of raw materials in the South than in Official Territory, it is arbitrary and discriminatory to find that the class rates are unlawful because not uniform, or to require that they shall be made uniform.

(g) The existing class rates and the differences in the levels in the class rates in the several territories were prescribed by and are the result of orders of the Interstate Commerce Commission after thorough and extended investigations, and there is no evidence of changed conditions since those orders to support a finding that the rates are now unlawful because they reflect the differences caused by compliance with the orders.

(3) In so far as the reports assume to find and the orders are based on findings that the differences in the levels of the class rates in the several territories are the cause of undue or unreasonable prejudice or disadvantage to the South or West or to shippers or localities therein or of undue and unreasonable preference or advantage to Official Territory or shippers or localities in that territory in violation of Section 3 of the Interstate Commerce Act, they are contrary to and without support in the evidence or in law, in that:

(a) There is no evidence sufficient to support a finding essential to an ultimate finding of a violation of Section 3 that the differences in the levels of the class rates have caused or will cause injury to the South and West or to shippers located therein or have been or will be the source of undue advantage to Official Territory or shippers located therein, and the evidence and the findings and facts set out in subdivisions XVII and XVIII hereof are to the contrary.

(b) The prohibition of undue prejudice and preference in Section 3 of the Interstate Commerce Act does not require that the class rates or any other rates shall be uniform throughout the country.

(c) The Commission erred as a matter of law in concluding that authority to find undue preference and prejudice in the circumstances here and to order their removal are afforded by the amendment of Section 3 (1) of the Interstate Commerce Act by the Transportation Act, 1940 and in its discussion thereof at pages 688 to 692 of its original report.

(d) There is no evidence sufficient to support a finding that the circumstances and conditions affecting the class rates or affecting the carriers in the transportation of class rate traffic in the several territories are so substantially similar as to require that the levels of the class rates must be the same in the several territories, and the evidence is to the contrary and shows that the carriers in establishing class rates in the several territories are and have been controlled by entirely different circumstances and conditions as to the nature of the traffic to be moved, including greatly differing rate structures on all freight, differing distributions of the so-called transportation burden, different volumes and kinds of freight to be transported, and different competitive and physical conditions.

(e) The evidence shows that the differences in the levels of the class rates in the several territories are the result of orders of the Commission prescribing the class rates in each territory and interterritorially in the light of the differing condiditions found in the several territories as shown by the evidence in the proceedings in which such orders were made, and there is no evidence that conditions have so changed since those proceedings as to support a conclusion that the rates therein prescribed as just, reasonable and non-discriminatory have become unduly preferential and prejudicial.

(f) There is no evidence sufficient to support a finding that the costs of transporting class rate traffic in Official Territory are as high as the costs of transporting class rate traffic in Southern and Western territories.

(g) The evidence shows that the lower class rates in Official Territory are the result of or are offset by rates for the transportation of raw materials and low-grade freight which are higher in Official Territory than the corresponding rates in Southern Territory.

(h) There is no evidence sufficient to support a finding that the same carriers or groups of carriers control the levels of the class rates in the several territories and are therefore responsible for the differences in such levels.

(4) In so far as the requirement that the class rates for transportation between points in Official Territory should be increased purports to be based upon a finding of undue prejudice and preference in violation of Section 3 of the Interstate Commerce Act, the orders are invalid and beyond the Commission's authority in

failing to leave to the railroads, as required by law, the alternative of removing said undue prejudice and preference, if it were lawfully found to exist, entirely by reducing the class rates for transportation in the South and West.

(5) In so far as the reports are based on a finding or assumption that there are no substantial differences in the costs of performing transportation in the several rate territories, they are without support in the evidence and contrary to other findings for the reasons that:

(a) There is no evidence in the record as to the costs of transporting class rate traffic.

(b) Such cost computations as are in evidence are computations of average costs based upon statistics as to all freight, and in view of the greatly differing kinds and volumes of freight and different lengths of haul in the several territories, it cannot be assumed that such averages reflect the relative costs of transporting class rate traffic in the several territories, nor do they purport to do so.

(c) Even on the evidence of the Commission's witness and the Commission's own findings, the average cost of transporting all freight in Official Territory is made to appear approximately the same as the average for Southern Territory only by arbitrarily and erroneously excluding statistics of the so-called Pocahontas Lines, which are railroads in Official Territory, in computing the average for that territory, and by including statistics for transportation actually in Official Territory in computing the average for Southern Territory.

(d) The Commission itself found that the average cost of transporting all freight on the railroads in Official Territory, including the Pocahontas Lines, is from 10 to 18 per cent less than the average cost of transporting freight in Western Territory.

(6) In so far as the orders require an increase in the class rates for transportation between points in Official Territory, they are without support in necessary findings, are contrary to and without support in the evidence, and are based upon erroneous and unsound legal concepts, for the further reasons that:

(a) There is no evidence sufficient to support a finding that such rates are less than minimum reasonable rates in violation of Section 1 of the Interstate Commerce Act, or sufficient to sustain the exercise by the Commission of authority provided by Section 15 of said Act to prescribe minimum rates for the future.

(b) There is no evidence sufficient to support a finding of changed conditions since the class rates in Official Territory were prescribed by the Commission as maximum reasonable rates, which now cause these rates to be less than minimum reasonable rates.

(c) The fact that the class rates for transportation in Southern and Western territories are higher than the class rates for transportation in Official Territory does not render the latter unreasonable or less than minimum reasonable rates.

(d) There is no evidence sufficient to support a finding that the present class rates for transportation between points in Official Territory are unremunerative or less than adequate compensation for the services to which they relate, or that they throw a burden on other traffic, or are otherwise

45

unreasonably low in violation of Section 1 of the Interstate Commerce Act.

(e) There is no evidence sufficient to support a finding that under the present class rates the transportation of class rate traffic by the railroads between points in Official Territory does not bear its full and proper share of the total transportation burden.

(f) The requirement that the class rates for transportation in Official Territory be increased is not justified or supported by the Commission's finding that the average so-called rates of return of the railroads in Official Territory have in certain years been less than the average rates of return of the carriers in Southern and Western territories, because said rates of return have, in each instance, been computed on the basis of the book values of the railroad properties, which do not represent their actual values or the values upon which, under the law, rates should be prescribed; because the Commission in other proceedings has consistently refused to recognize rates of return on book values as a basis for prescribing maximum or minimum rates; because there is no finding and no evidence to support a finding that the relationships of the rates of return have been due to the levels of the class rates or to any inadequacy of the class rates for transportation in Official Territory rather than to other rates or other causes; and because rates of return are referred to by the Commission here only in an arbitrary attempt to create an impression of factual support for a minimum rate order, for which the evidence provides no justification.

(g) There is no evidence sufficient to support a finding, such as suggested on sheet 21 of the supplemental report, that an increase in the class rates for transportation in Official Territory is necessary to enable the railroads in Official Territory "to render efficient service", and there is no evidence whatever in the record that the railroads in Official Territory are not now rendering and are not able to render adequate and efficient service under their existing class rates.

(h) The Commission's orders violate Section 15a (2) of the Interstate Commerce Act, requiring that "In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration * * * to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost, consistent with the furnishing of such service", in that there is no finding and no evidence to support a finding that the present class rates for transportation in Official Territory are not consistent with the furnishing of adequate and efficient railway transportation, or that the increased rates prescribed will be the lowest rates consistent therewith.

(i) The requirement that the class rates for transportation in Official Territory be increased and the findings in the reports are inconsistent with the findings and order of the Commission in another contemporaneous proceeding, Ex Parte 148, *Increased Railway Rates, Fares, and Charges, 1942,* in which the Commission, by order dated October 30, 1945 has denied the application of the railroads in Official Territory and those in other territories to increase their freight rates at once in order to obtain additional revenues.

47

(j) The requirement that the class rates for transportation between points in Official Territory be increased proceeds from or rests upon the Commission's conclusion that there should be a uniform basis of class rates throughout the country east of the Rocky Mountains, and rests further upon the fact or the conclusion implicit in the reports that to bring about uniformity by reducing the class rates for transportation between points in Southern and Western territories to the level of the class rates in Official Territory would unduly deplete the revenues of the carriers in the South and West. Hence, the effect of the order would be arbitrarily to require shippers in Official Territory to pay higher rates than would be warranted by costs, service or other factors properly affecting the rates for transportation in that territory, in order to protect the revenues and rates of the carriers in other territories, for the transportation of other freight. There is no authority in law for such a requirement.

(k) The Commission's finding (p. 696) that in Southern and Western territories "numerous lower exception and commodity rates which move the great preponderance of the traffic and produce the great preponderance of the revenues in those territories, have been established" renders inconsistent its conclusion that the the differences in the levels of the class rates have interfered with the free movement of freight or caused undue prejudice or preference and makes arbitrary its orders requiring an increase in the class rates for transportation in Official Territory.

(l) The orders, while requiring an increase in the class rates for transportation in Official Territory, would leave in effect the present commodity rates in Official Territory, which are higher than corresponding commodity rates in the South, and in consideration of which the present class rates have been established and maintained.

(m) In the so-called *Southern Governors Case, State of Alabama* v. *New York Central R. Co.,* Docket No. 27746, 235 I. C. C. 255, the Commission prescribed reduced rates for the transportation of certain commodities from the South to the North for the purpose of accomplishing parity, mile for mile, between the rates for the transportation of such commodities from southern manufacturing points and the rates for transportation from manufacturing points in Official Territory to common destination markets in the latter territory. The reduced rates so established for transportation from the southern producing points are commodity or exception rates. The rates for transportation from producing points in Official Territory are, in large part, class rates. Such are the facts with regard to the transportation of such commodities as stoves, fire hydrants, and brass pipe fittings, which are manufactured in New York State and elsewhere in Official Territory and are sold in competition with the same articles manufactured in the South. The order of the Commission herein requiring an increase in the rates for the transportation of these articles from producing points in Official Territory, while either reducing or leaving undisturbed the rates for the transportation of the same commodities from southern producing points, would subject manufacturers and shippers in Official Territory to higher rates, mile for mile, for transportation to destinations in their own territory than the rates which would be charged to their competitors in Southern Territory in violation of the basis of said decision.

(7) The findings in the reports and the orders would arbitrarily discriminate against plaintiffs, and shippers and communities in Official Territory in that

(a) While professing to be based upon accomplishing uniformity of class rates, the orders would produce differences in rates adverse to plaintiffs and shippers in Official Territory by requiring an increase in the class rates for transportation in Official Territory, while leaving undisturbed lower or equal exception or commodity rates charged for the transportation of the same freight for competing shippers in the South and West.

(b) The orders, while requiring an increase in the class rates for transportation of manufactured articles in Official Territory would require shippers and receivers in Official Territory to continue to pay higher freight charges, distance considered, for the transportation of their raw materials and low grade freight than the freight charges paid by their southern competitors.

(c) The orders would require a 10 percent increase in rates for the transportation of class rate traffic in Official Territory, which according to findings in the report constitutes 5.8 percent of the total freight transported in that territory under the guise of accomplishing uniformity with the freight rates on class rate traffic, which, according to the same findings, constitutes only 1.8 percent of a much smaller total volume of freight transported in Southern Territory and .6 percent of a smaller total volume of traffic in Western Territory.

(8) The Commission erred as a matter of law in so far as its decision and orders rest upon a conclusion that they are authorized by or find support in Section 5 (b) of the Transportation Act, 1940.

50

(9) The orders are invalid in that they do not represent a lawful exercise of regulatory authority based upon evidence and necessary findings supported by evidence that the present classifications and class rates are unlawful, but instead constitute an arbitrary and unsupported attempt to interfere with the managerial discretion of the railroads as to rate-making policy.

(10) The orders are invalid in that, instead of being based upon findings required by an impartial weighing of the evidence, they reflect the influence of various bills which had been introduced into Congress and of political and other factors which the Commission could not properly consider, and their enforcement would therefore be a denial of the fair hearing required by the Interstate Commerce Act.

(11) The orders in prescribing class rates for the future are arbitrary and without support in the findings or in the evidence since the evidence all related to transportation, industrial and commercial conditions in 1939 and during the early war years, and the findings, especially the important findings as to costs, revenues and traffic, purported to relate to the early war years, whereas, as the findings themselves indicate and as the Court should judicially recognize, conditions after the war are likely to be greatly different, so that there is no evidence as to what conditions will be when the order, by its terms, is to take effect.

XXXII. The Commission erred as a matter of law and acted arbitrarily and capriciously in entering its order dated October 30, 1945 denying the various petitions for further hearing and in refusing to reopen the proceeding for the receipt of evidence as to changed conditions affecting transportation and the lawful measures of the class rates of the railroads since the conditions to which the evidence of record and the findings relate.

XXXIII. The Commission's orders being unlawful, arbitrary and capricious, contrary to and without support in the evidence and based upon unsound and invalid legal principles, the enforcement of so much of said orders as would require the railroads in Official Territory to increase their class rates 10 per cent would result in taking from shippers and receivers in Official Territory, citizens of plaintiffs, their property without just compensation and without due process of law in violation of the Fifth Amendment to the Constitution of the United States.

XXXIV. If the orders of the Commission are invalid and unlawful, as herein alleged, and if they are not stayed pending final determination of this action and are not then annulled and their enforcement permanently enjoined, and if, under the compulsion of said orders, the railroads in Official Territory, including the railroads engaged in transportation within the jurisdiction of this Court, are permitted or required to or do increase their class rates for interstate transportation 10 per cent, plaintiffs, as shippers, will suffer great and irreparable injury by reason of the additional freight charges which they will unlawfully be required to pay for transportation of freight shipped or received by them; and the citizens and communities on whose behalf plaintiffs, in their representative capacities, bring this action, will be discriminated against and will suffer great and irreparable injury in that, among other things, (1) the cost of doing business in Official Territory will be increased, (2) the increased cost of manufacturing and distributing goods in Official Territory will tend to restrict the free flow of such goods, to stimulate unemployment, and destroy property values in Official Territory, (3) shippers in Official Territory will be required to pay increased class rates for the transportation of manufactured articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West, while at the same time they will be required to continue to pay substantially higher transportation charges for the transportation of their raw materials and other low-grade freight than the transportation charges paid by their southern competitors, and (4) shippers and receivers of freight in Official Territory will be required to pay higher freight charges than heretofore demanded by the railroads in that territory or than justified by their transportation costs or other pertinent considerations in order that the class rates for transportation in the South and West may not be reduced more than 10 per cent, all of which will subject plaintiffs, their citizens and communities, to damage running into many millions of dollars, for which they will have no means of relief or recoupment.

XXXV. Plaintiffs are without adequate remedy at law.

Wherefore, plaintiffs pray

1. That, pursuant to the statutes referred to in paragraph IV hereof, there be constituted to hear this case a special court of three judges, one of whom shall be a Circuit Judge.

2. That process issue against the United States of America.

3. That the Court, on hearing, after not less than three days' notice to the Interstate Commerce Commission and the Attorney General of the United States, by order allow a temporary stay or suspension of the operation of the orders of the Interstate Commerce Commission, Exhibits 6 and 13 herein, for not more than sixty days from the date of said order pending hearing and determination of plaintiffs' application for an interlocutory injunction,

which order shall contain a specific finding that irreparable injury would otherwise result to plaintiffs, their citizens and communities.

4. That on hearing, after not less than five days' notice to the Attorney General of the United States and to the Interstate Commerce Commission, the Court, by interlocutory injunction, enjoin and restrain the enforcement of said orders of the Interstate Commerce Commission pending final hearing and determination of this suit.

5. That upon final hearing and submission herein the Court adjudge that the reports and orders of the Interstate Commerce Commission, Exhibits 5, 6, 12 and 13, are unlawful, beyond the power of the Commission, arbitrary, capricious, unsupported by essential findings, contrary to and without support in the evidence, and that the Court by order annul and set them aside and forever enjoin enforcement thereof.

6. That plaintiffs have such other and further relief as in the premises may be proper.

Respectfully submitted,
Nathaniel L. Goldstein
NATHANIEL L. GOLDSTEIN,
Attorney General
Albany, New York
PARKER MCCOLLESTER,
FRANK J. CLARK,
Special Assistant Attorneys General
25 Broadway,
New York 4, N. Y.
For plaintiff The State of New York
Clair John Killoran
CLAIR JOHN KILLORAN,
Attorney General
Wilmington, Delaware
For plaintiff The State of Delaware

James A. Emmert
JAMES A. EMMERT,
Attorney General
Indianapolis, Indiana
For plaintiff The State of Indiana

William Curran
WILLIAM CURRAN,
Attorney General
Paul Hammond
PAUL HAMMOND,
Deputy Attorney General
Baltimore, Maryland
For plaintiff The State of Maryland

John R. Dethmers
JOHN R. DETHMERS,
Attorney General
James W. Williams
JAMES W. WILLIAMS,
Assistant Attorney General
Lansing, Michigan
For plaintiff The State of Michigan

Walter D. Van Riper
WALTER D. VAN RIPER,
Attorney General
ROBERT PEACOCK,
Deputy Attorney General
Trenton, New Jersey
For plaintiff The State of New Jersey

Hugh S. Jenkins
HUGH S. JENKINS,
Attorney General
Kenneth L. Sater
KENNETH L. SATER,
Special Counsel
Columbus, Ohio
For plaintiff The State of Ohio

John Martin
JOHN MARTIN,
Attorney General
HUGH T. FERGUSON,
Assistant Attorney General
Madison, Wisconsin
For plaintiff The State of Wisconsin

James H. Duff
JAMES H. DUFF,
Attorney General
E. A. Delaney
E. A. DELANEY,
Deputy Attorney General
Harrisburg, Pennsylvania
For plaintiff The Commonwealth of Pennsylvania

Duly sworn to by M. P. Catherwood; jurat omitted in printing.

Exhibit 1.

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 29th day of July, A. D. 1939

No. 28300

CLASS RATE INVESTIGATION, 1939

The Commission having under consideration the matter of interstate class rates (both intraterritorial and interterritorial) in official, southern, southwestern, and western trunk-line territories, and good cause appearing therefor:

It is ordered, That a proceeding of investigation and inquiry be, and it is hereby, instituted by the Commission on its own motion into and concerning the interstate class rates under the respectively designated classes, as follows:

estern classes	1	2	3	4	A	5	B	C	D	E		
rcentages	100	85	70	55	45	37.5	32.5	30	22.5	17.5		
icial classes	1	2	3-R25	R26	4	5	6					
rcentages	100	85	70	55	50	35	27.5					
ıthern classes	1	2	3	4	5	6	7	8	9	10	11	12
rcentages	100	85	70	55	45	40	35	30	25	22.5	20	17.5

applicable to the transportation in interstate or foreign commerce of property by common carriers by railroad, or by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States lying on and generally eastward of the following line: The western boundaries of the States of North Dakota, South Dakota, and Nebraska south to the main

Exhibit 1.

line of the Union Pacific Railroad Company, thence along such railway west to Cheyenne, Wyo., thence south on the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo, and Trinidad, Colo., to the border of the State of New Mexico, thence successively east, south, and west along the latter border to the Rio Grande River (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico, with a view to determining whether said rates and charges, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and to making such findings and order or orders as may be proper in the premises.

It is further ordered, That all common carriers by railroad, or by water, subject to said Act, and participating in said transportation be, and they are hereby, made respondents to this proceeding; that a copy of this order be served upon each of said respondents; and that notice of this proceeding be given to the general public by depositing a copy of this order in the office of the Secretary of the Commission at Washington, D. C.

And it is further ordered, That this proceeding be assigned for hearing at such times and places as the Commission may hereafter direct.

By the Commission.

W. P. Bartel,
Secretary.

(SEAL)

Exhibit 2.

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 29th day of July, A. D. 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

The Commission having under consideration the matter of the consolidated freight classification containing the description of articles, carload minimum weights, and ratings on such articles, in official, southern, and western classifications, and applicable to the transportation of property in interstate or foreign commerce, by common carriers by railroad, or water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and good cause appearing therefor:

It is ordered, That a proceeding of inquiry and investigation be, and it is hereby, instituted by the Commission on its own motion into and concerning the descriptions, minima, and ratings provided in said consolidated freight classification, with a view to determining whether they, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and to making such findings and order or orders as may be proper in the premises.

It is further ordered, That all common carriers by railroad, or by water, engaged in the transportation of property in interstate and foreign commerce, subject to said act and participating in tariffs of rates or charges

Exhibit 2.

governed by said classifications, be, and they are hereby, made respondents to this proceeding; that a copy of this order be served upon each of said respondents; and that notice of this proceeding be given to the general public by depositing a copy of this order in the office of the Secretary of the Commission at Washington, D. C.

And it is further ordered, That this proceeding be assigned for hearing at such times and places as the Commission may hereafter direct.

By the Commission.

(SEAL)

W. P. BARTEL,
Secretary.

Exhibit 3.

INTERSTATE COMMERCE COMMISSION

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 1st day of August, A. D. 1940

No. 28300

CLASS RATE INVESTIGATION, 1939

It appearing, That the Commission on July 29, 1939, made and entered its order in the above-entitled proceeding, instituting an investigation and inquiry into and concerning the interstate rates under the classes therein designated and applicable between all points in the territory described; and good cause appearing therefor:

It is ordered, That said order of July 29, 1939, be, and it is hereby, modified so that the scope of the investigation shall include all rates determined by ratings in the classification proper, irrespective of whether said ratings are stated as the regular numbered or lettered classes or as percentages of first class, but none other.

It is further ordered, That said order of July 29, 1939, be, and it is hereby, further modified by including the rates subject to ratings described in the next-preceding paragraph and provided in the Illinois classification, as well as rates subject to ratings in official, southern, and western classifications.

By the Commission.

W. P. BARTEL,
Secretary.

(SEAL)

Exhibit 4.

INTERSTATE COMMERCE COMMISSION

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 1st day of August, A. D. 1940

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

It appearing, That the Commission on July 29, 1939, made and entered its order in the above-entitled proceeding, instituting an investigation into and concerning the descriptions of articles, carload minimum weghts, and ratings, provided in official, southern, and western classifications as published in the consolidated freight classification; and good cause appearing therefor:

It is ordered, That said order of July 29, 1939, be, and it is hereby, modified to include the descriptions, minima, and ratings provided in Illinois classification and likewise published in said consolidated freight classification.

By the Commission.

W. P. BARTEL,
Secretary.

(SEAL)

Exhibit 5.

Original Report May 15, 1945

(See opposite ☞)

'24573

INTERSTATE COMMERCE COMMISSION

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Submitted July 17, 1944. Decided May 15, 1945

PART I

Upon investigation in No. 28310 into descriptions of articles, carload minimum weights, and ratings in official, Illinois, southern, and western classifications applicable to transportation of property throughout the United States, in interstate or foreign commerce, by railroad, by water, or partly by railroad and partly by water, found:

1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are and for the future will be unjust and unreasonable, in violation of section 1 (4) and (6) of the Interstate Commerce Act.
2. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, because of the substantial number of differences in such ratings, result and will result in undue and unreasonable preference and advantage and in undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.
3. That to make the classification fair and reasonable it is essential that the grouping of analagous articles and those with similar transportation characteristics, shall be made according to accepted and recognized principles of classification, and that scales of class rates be maintained providing different rates for the several classes of property, which shall bear a just and reasonable relation each with the others.
4. That it is impossible, without a basic unity in classification ratings throughout the country, to maintain a just and reasonable relation between the class rates on commodities moving in carload and less-than-carload lots, or as between competing commodities moving at class rates.
5. That the establishment of a uniform classification of property for transportation, with reference to which class rates of respondents are or may be made or prescribed, will be just and reasonable; and to the extent the classifications established by respondents are different and nonuniform, to that extent their existing classifications, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable in violation of section 1 (4) and (6) of the act.
6. That the findings as to uniformity are not intended to prevent establishment of exceptional classification ratings provided they are justified individually upon their own merits, do not violate the act, are not inconsistent with the national transportation policy, and do not tend to impair the general requirement of uniformity of classification.

7. That the general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by respondents and should be established by them within a reasonable time.
8. That is it just and reasonable that a uniform classification should be established containing (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation*, 164 I. C. C. 314, 373; 171 I. C. C. 481, 490; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes lower than the lowest class in the official classification. And that these classes in the uniform classification should be 30 in number ranging from class 400 to class 13.
9. That substantial uniformity exists in the present classifications as to descriptions of articles and carload minimum weights.
10. Respondents are given reasonable opportunity to initiate a lawful uniform classification before the Commission undertakes the task; respondents are expected to advise the Commission within 90 days from the service of this report whether they will undertake to make and tender a uniform classification based upon the findings herein. Jurisdiction retained to make such further order in the premises as may be proper, in the event respondents decline to make and tender a uniform classification or omit to respond within the time specified.
11. That the uniform classification must be closely connected with the class scale or class scales of rates to be applied, to insure proper preservation of revenue for the carriers, and that the rates shall be just and reasonable and otherwise in conformity with the act.

PART II

Upon investigation in No. 28300 into lawfulness of interstate class rates, determined by ratings in official, Illinois, southern, and western classifications, applicable to transportation in interstate or foreign commerce of property by common carriers by railroad, by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States except those in mountain-Pacific territory, found:

1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects, and for the future will subject, southern, southwestern, and

western trunk-line territories, as a whole, and the shippers and receivers of freight located therein, to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(*a*) The application, as a maximum for class 1, of the scale of rates shown in appendix 10.

(*b*) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(*c*) Class-rate scales, other than class 1, shall bear percentage relations to the class 1 rates, as found to be just, fair, and reasonable in part I hereof. Rule prescribed for the disposition of fractions.

(*d*) Key point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class-rate revisions.

(*e*) Such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

(*f*) Such revised uniform class rates and classification ratings shall be made applicable simultaneously.

PART III

Pending establishment of the rate revisions and classification unification contemplated by the findings in part I and part II hereof, certain readjustments in the existing basis of class rates are required which will be just and reasonable and will bring to the minimum the preferences and prejudices found to be unlawful, as completely as it is practicable now to eliminate such violations. It is found that, on and after the effective date of the order to be entered in this proceeding:

1. The existing interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories and interterritorially between those territories, and also between those territories and official territory, will be unjust and unreasonable unless reduced 10 percent, subject to specified distance rates as minima; but no changes in existing exception rates or column rates, or in groupings in connection with the present class rates, are contemplated by this finding.

2. Simultaneously as part of the adjustment, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maxima, in the manner specified in the report, and as so increased the class-rate scales will be just and reasonable; this finding is based in part upon the finding that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to class-rate traffic of the carriers in the other territories described.

3. The present minimum charge per shipment on less-than-carload shipments moving at class rates in the territory included in No. 28300, is less than a just and reasonable minimum charge to the extent that it is less than

75 cents; and 75 cents is a just and reasonable minimum charge on such shipments.

T. P. Healy, J. F. Eshelman, H. L. Walker, W. L. Grubbs, Charles Clark, F. W. Gwathmey, E. J. Zoll, Jr., W. T. Hughes, J. P. Plunkett, J. R. Bell, D. T. Smith, H. C. Barron, C. T. Abeles, B. F. Batts, J. G. Blaine, H. E. Boe, R. E. Boyle, Jr., H. D. Boynton, R. D. Brooks, W. M. Crandall, J. P. Canny, Henry Christianson, J. Cibulka, P. H. Daniel, A. J. Dixon, A. P. Donadio, E. H. Dulaney, C. S. Edmonds, A. B. Enoch, C. L. Ewing, J. A. Fisher, J. E. Flansburg, W. S. Flint, R. C. Fyfe, J. P. Ganly, P. F. Gault, J. A. Gillen, L. J. Gosney, H. L. Hanes, J. P. Harrington, H. J. Hart, N. W. Hawkes, J. W. Hewitt, E. A. Hodkinson, G. W. Holmes, E. J. Hyett, George Jeck, Denver Jordan, W. J. Kelly, C. B. Kerr, J. G. Kerr, L. E. Kipp, W. F. Knobeloch, H. H. Larimore, D. R. Lincoln, J. R. MacAnanny, J. C. McGohan, H. H. McLean, T. H. Maguire, E. M. Martin, Richard Musenbrock, L. S. Nichols, W. A. Northcutt, L. R. Nowotny, Conrad Olson, Guernsey Orcutt, A. E. Pfaff, C. P. Reynolds, V. A. Roane, M. G. Roberts, G. A. Ryser, D. T. Smith, E. A. Smith, William Spaulding, H. E. Spencer, B. H. Stanage, R. S. Stephenson, C. L. Taylor, Robert Thompson, L. A. Veroneau, G. L. Vivian, H. W. Ward, C. H. Ware, W. W. Wolford, and *D. L. Younger* for respondent class I railroads.

C. A. Miller for respondent members of American Short Line Railroad Association.

N. D. Belnap and *F. W. Sullivan* for certain respondent water carriers.

O. L. Huntsman for Office of Price Administration and Director of Economic Stabilization; *G. L. Wilson* and *W. C. Parks* for Office of Price Administration; *C. R. Nutting* for War Food Administrator; *J. K. Knudson* and *Fletcher Quillian* for United States Department of Agriculture; and *W. C. Fitts, Jr., C. J. McCarthy, R. H. Marquis, R. H. Sheppard,* and *A. D. Spottswood* for Tennessee Valley Authority.

H. E. Foley for Governors of all New England States; *W. R. McDonald, Hugh White, J. W. Carter, W. O. Martin, Greek Rice, Stanley Winborne, J. W. Wolfe, H. A. Manning,* and *Porter Dunlap* for Southeastern Association of Railroad and Utilities Commissioners; *Prentice Cooper, J. M. Broughton, J. V. Norman* and *W. H. Wagner* for Southern Governors' Freight Rate Conference, representing States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee; and *J. C. Murray, C. B. Bee, B. M. Gray, C. C. Cammack, P. A. Frye, R. D. Moorhead, A. J. Scrivener,* and *E. R. Tanner* for Steering Committee of Southwestern States and Kansas.

Tom Stewart, United States Senator from Tennessee.

Hugh White for Alabama Public Service Commission; *A. A. Betts*, *H. G. Freas*, *William Peterson*, *L. G. Reif*, and *W. T. Wright* for Arizona Corporation Commission; *H. A. Adkins* for State of Arkansas; *J. C. Murray* and *T. E. Wood* for Arkansas Corporation Commission; *E. S. Reed* for Arkansas Agricultural and Industrial Commission; *L. R. Wood* for Arkansas State Highway Commission; *R. L. Riley* and *H. G. Freas* for California State Railroad Commission; *H. S. Sherman* and *T. S. Wood* for Colorado Public Utilities Commission; *S. L. Holland*, *F. C. Hillyer*, *J. W. Carter*, *T. C. Maurer*, *T. T. Turnbull*, and *I. T. Williams* for State of Florida and Florida Railroad Commission; *F. E. Harrison, Jr.*, for Governor of Florida and Florida State Road Department; *Fred Pettijohn* for Florida Railroad Commission; *W. R. McDonald* for Georgia Public Service Commission; *H. A. Hollopeter* for Governor of Indiana; *Walter Condran* and *J. A. Lucas* for State of Iowa and Iowa State Commerce Commission; *H. E. Davidson*, *C. W. Reed*, *C. B. Ellis*, and *W. A. McClintock* for Iowa State Commerce Commission.

B. M. Gray for Kansas Corporation Commission and Kansas Industrial Development Commission; *C. S. Hunter* for Kansas Corporation Commission; *E. S. Dummit*, *Hubert Meredith*, *M. B. Holifield*, and *L. F. Orr* for Commonwealth of Kentucky, *F. L. McCarthy*, *J. E. Fisher*, *Mrs. J. W. Langley*, *C. M. Bishop*, *J. E. Marks*, and *R. E. Webb* for Kentucky Railroad Commission; *P. A. Frey* and *L. F. Sherer* for State of Louisiana and Louisiana Public Service Commission; *W. O. Martin* for Louisiana Public Service Commission; *W. C. Walsh* for State of Maryland; *A. O. Graves* for Michigan Public Service Commission; *L. R. Bitney* and *O. A. Radke* for State of Minnesota and Minnesota Railroad and Warehouse Commission; *P. R. Moore*, *E. A. Nightingale*, and *R. E. Wilson* for Minnesota Resources Commission; *Greek Rice* for Mississippi Public Service Commission; *B. R. Gillespie*, *H. F. Cholet*, *J. D. James*, and *W. A. Weeks* for Missouri Public Service Commission.

H. E. Kokjer, *Edwin Vail*, *F. A. Good*, *J. A. Little*, *D. T. Swanson*, *W. R. Johnson*, and *H. C. King* for Nebraska State Railway Commission; *C. B. Sexton* for Nevada Public Service Commission; *D. T. Wilentz*, *Robert Peacock*, and *C. V. Hanlon* for State of New Jersey; *Robert Peacock* for Governor of New Jersey and New Jersey Board of Commerce and Navigation; *Parker McCollester*, *C. E. Bell*, *J. J. Bennett, Jr.*, *F. J. Clark*, *Timothy Cohan*, and *N. L. Goldstein* for State of New York; *L. J. Dorr* for New York State Department of Agriculture and Markets; *Stanley Winborne* and *H. M. Nicholson* for North Carolina Utilities Commission; *N. E. Williams* and *A. C. Strutz* for State of North Dakota; *B. C. Larkin*, *S. S. McDonald*, *C. W. McDonnell, J. M. Agrey,* and *C. F. Kelsch* for North Dakota Public Service Commission.

T. J. Herbert and *K. L. Sater* for State of Ohio; *C. B. Bee* and *Bennett Bond* for Oklahoma Corporation Commission; *Edward Martin, E. A. DeLaney,* and *J. H. Duff* for Commonwealth of Pennsylvania; *J. W. Wolfe* for South Carolina Public Service Commission; *H. A. Manning* for South Carolina State Ports Authority; *William Williamson* and *C. A. Carr* for South Dakota Public Utilities Commission; *Porter Dunlap* and *J. O. Hendley* for Tennessee Railroad and Public Utilities Commission; *Grover Sellers, R. D. Moorhead, G. C. Mann,* and *C. C. Cammack* for State of Texas; *B. H. Jester, Olin Culberson, E. O. Thompson,* and *A. J. Scrivner* for Texas Railroad Commission; *C. A. Root* for Utah Public Service Commission; *H. E. Ketner* for Virginia State Corporation Commission; *P. H. Porter, C. E. Schreiber,* and *I. A. Sherman* for Wisconsin Public Service Commission; and *N. F. Bahrenburg* for Wyoming Public Service Commission.

D. H. Berry for city and port of Beaumont, Tex.; *H. W. Wagner* for Norfolk, Va., Port Traffic Commission; *Herman Mueller* for St. Paul, Minn., Port Authority; and *T. J. McGinn* for Savannah, Ga., Port Authority.

P. H. Porter, G. M. Cummings, J. R. Davy, Allen Dean, F. A. Doebber, R. A. Ellison, Carl Giessow, A. O. Graves, H. A. Hollopeter, J. A. Jacobson, J. V. McMahon, H. B. McNeely, K. A. Moore, D. D. Moore, W. H. Ott, H. J. Schroeder, and *A. H. Schwietert* for Central Territory Rate Conference; *A. H. Schwietert* for Illinois Territory Traffic League; *W. H. Day, A. H. Ferguson,* and *H. E. Foley* for New England Traffic League; and *W. S. Creighton, J. H. Donnell, T. M. Henderson,* and *E. D. Wood* for Southern Traffic League.

M. S. Allison, T. R. Atchison, F. P. Aughnay, E. J. Bachman, C. G. Baker, D. A. Bandeen, G. W. Baxter, C. S. Belsterling, I. G. Bentley, E. H. Berg, D. H. Berry, A. E. Bocher, R. F. Bohman, Isaac Born, G. P. Boyle, Freeman Bradford, H. R. Brashear, A. H. Brown, J. E. Bryan, W. C. Bulette, J. S. Burchmore, W. G. Burnette, F. W. Burton, E. P. Byars, F. A. Cameron, K. S. Carberry, C. E. Childe, C. A. Clymp, G. C. Cochran, H. J. Conley, C. S. Connolly, G. D. Cook, A. B. Costello, W. S. Creighton, G. M. Cummings, C. R. Cunningham, G. H. Cunningham, E. P. Daspit, L. F. Daspit, J. M. Davison, J. R. Davy, W. H. Day, Allen Dean, F. L. DeGroat, C. L. Dick, Jr., E. S. DePass, M. L. Dickerson, F. A. Doebber, Charles Donley, J. H. Donnell, J. F. Dougherty, T. A. Durrant, W. M. Dyer, H. C. Earle, C. J. Edelmann, C. E. Elerick, R. A. Ellison, M. M. Emmert, H. R. Fritz, C. L. Fenstermaker, A. H. Ferguson, H. J.

Fernandez, R. L. Flynn, H. E. Foley, S. L. Foote, N. W. Ford, C. E. Fowler, A. W. Fox, H. M. Frazer, W. E. Gayle, H. W. Gehrke, Carl Giessow, Earl Girard, W. W. Glenn, L. A. Gossage, T. E. Grady, William Graf, A. O. Graves, H. A. Gray, P. F. Guerke, W. A. Gunn, G. E. Griffith, G. O. Griffith, J. R. Hafstrom, J. J. Hailey, H. V. Haley, H. M. Hancock, C. V. Hanlon, C. A. Hansen, C. J. Harriss, E. L. Hart, E. T. Hayes, J. P. Haynes, E. D. Hedstrom, C. O. Heinley, R. J. Henderson, T. M. Henderson, W. H. Hendling, C. C. Hibbard, J. K. Hiltner, E. M. Hinkle, J. J. Hoban, H. A. Hollopeter, L. A. Howe, A. E. Huenergyager, H. G. Huhn, H. Ignatius, J. C. Iselin, P. T. Jackson, J. A. Jacobson, C. E. Jones, Elmer Jones, J. B. Jones, W. R. Johnson, F. F. Kator, H. G. Kazanjean, R. K. Keas, F. A. Keiser, F. W. Kemp, W. H. Kimball, L. O. Kimberly, Jr., H. C. King, Donald Kirkpatrick, W. W. Klingensmith, H. F. Klocker, H. E. Kokjer, H. L. Krogman, Leslie LaCroix, Wilbur LaRoe, Jr., R. J. Laubenstein, C. D. Larlin, E. F. Ledvidge, G. M. Leedom, H. D. Lorance, J. W. Lowry, L. E. Luth, T. F. Lynch, R. A. McCaffrey, Parker McCollester, B. J. McHugh, E. B. McKinney, J. V. McMahon, M. J. McMahon, H. B. McNeely, G. E. Mace, T. W. Mackey, J. C. Magness, H. E. Manghum, J. G. Mann, H. A. Manning, G. E. Martin, T. C. Maurer, Ralph Merriam, R. I. Miles, C. A. Mitchell, E. A. Momberger, L. F. Mongeon, A. G. T. Moore, K. A. Moore, D. O. Moore, F. G. Moore, W. A. Moore, R. A. Morin, R. L. Murphy, H. D. Musick, P. J. Naughton, C. A. New, G. A. Nimmo, J. H. Noble, F. E. Norton, O. W. O'Berg, L. M. O'Leary, M. J. O'Mahoney, G. W. Orewiler, L. F. Orr, W. H. Ott, Jr., W. A. Palmen, F. L. Partridge, G. A. Pendleton, M. D. Perry, W. J. Petersen, M. L. Pieper, C. G. Plowman, P. H. Porter, R. A. Potter, F. E. Potts, A. B. Pratt, I. W. Praetorius, J. H. Ranney, A. A. Raphael, H. T. Ratliff, C. F. Real, B. E. Reed, F. M. Renshaw, A. J. Ribe, W. E. Rosenbaum, W. W. Rouse, F. L. Ruland, J. C. Ryan, R. D. Rynder, V. Schaffenburg, H. J. Schroeder, R. L. Schulz, Ted Schwachhofer, L. A. Schwartz, A. H. Schwietert, W. R. Scott, C. R. Seal, G. H. Shafer, O. J. Shafer, L. M. Shepardson, B. C. ~~Sheron, T. J.~~ Slattery, C. R. Smith, R. H. Smith, G. M. Springer, Jr., E. F. Stecher, H. G. Stern, H. F. Sundberg, G. F. Talley, E. R. Tanner, J. H. Tedrow, C. B. Tefft, R. H. Thompson, E. H. Thornton, T. W. Titsworth, F. B. Townsend, W. A. Vahle, Edwin Vail, Harry Van Antwerp, A. E. Versen, H. F. C. Wade, W. H. Wagner, S. T. Watkins, O. H. Weaver, W. M. Wharton, C. E. Widell, R. B. Willard, N. E. Williams, S. H. Williams, W. A. Williamson, E. B. Wilson, E. D. Wood, and *W. M. Wood* for other shipper interests.

J. R. Turney, A. L. Reed, C. E. Cotterill, C. H. Anderson, F. P. Aughnay, C. E. Bellew, Ferdinand Born, G. M. Brewer, J. A. Con-

nors, K. G. Foster, Jr., L. E. Golden, J. D. Hughett, C. F. Jackson, B. W. LaTourette, Donald MacLeay, C. G. Moore, C. R. Morrow, G. D. Rives, H. M. Sell, F. F. Shields, George Shuler, Jr., W. R. Staggs, D. C. Stone, D. T. Waring, and *Edgar Watkins, Jr.,* for motor carriers and their associations.

B. L. Smelker for Interstate Commerce Commission.

REPORT OF THE COMMISSION

BY THE COMMISSION:

We have had the benefit of oral argument. Statements of matters of fact in this report are to be considered as findings by us, except when it is clear that we are merely reciting issues raised or contentions made by the parties, or are summarizing evidence adduced.

Two proceedings, allied, and heard and submitted together, are embraced in this report. Both are investigations on our own motion instituted by our orders of July 29, 1939, as modified August 1, 1940. No. 28310 is an investigation of the lawfulness of the description of articles, carload minimum weights, and ratings provided in the consolidated freight classification, containing the ratings on articles so described in official, Illinois, southern, and western classifications, applicable to the transportation of property in interstate or foreign commerce by common carriers by railroad or water, or partly by railroad and partly by water, subject to the Interstate Commerce Act. Its territorial scope is the entire United States. All common carriers engaged in the transportation described above were made respondents.

Docket No. 28300, Class Rate Investigation, 1939, concerns the lawfulness of interstate class rates,[1] all-rail, all-water, and rail-and-water, applicable in the United States generally, except in mountain-Pacific territory and between that territory and the remainder of the country. As modified by order of August 1, 1940, it includes all rates determined by ratings in the four classifications named above, irrespective of whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class, but none other. It does not embrace exceptions to the classifications.

The two complementary related investigations were heard simultaneously before division 2 of the Commission, to which the proceedings were assigned for administrative handling, at St. Louis, Mo., on July 10 and 11, 1941, Indianapolis, Ind., September 22 to October 1, 1942, Columbus, Ohio, November 16 to 27, 1942, and Washington, D. C., March 29 to April 1, 1943. All the States were notified of the pendency of the proceeding. In accordance with section 13 (3) of the act, we sought the cooperation of the State commissions. Their committee, consisting of Commissioners McConnaughey of Ohio, Scott of South Carolina, and Murphy of South Dakota, sat with division 2 througout the St. Louis, Indianapolis, and Columbus hearings, and the two commissioners first named with Commissioner Doherty of South Dakota sat with the division at the Washington hearing and with us at the oral argument, which was held at Washington, June 14 to 23, inclusive, 1944. A very large number of briefs were submitted. A proposed report in No. 28310 was served upon the parties. Numerous exceptions and replies filed have been considered. No proposed report was served in No. 28300.

---

[1] Rates are stated in this report in cents per 100 pounds.

Because of the magnitude and complexity of the issues in these proceedings, certain steps preliminary to the commencement of hearings were taken by division 2. On January 9, 1940, a notice was issued to the parties and to the public, stating the broad objectives of the investigations, listing some, but not all, subjects to be explored, and suggesting the assembling and compiling of data pertinent to the issues. Among the subjects named for consideration was whether the establishment throughout the United States of a rail and water freight classification, simplified and uniform, or more nearly uniform when compared with the existing classifications, would be lawful and practicable. The notice was accompanied by an order in both proceedings requiring respondents to compile and furnish information concerning traffic moved on specified days in 1939, and an order in docket No. 28310 requiring respondents to compile and furnish specified information relating to the classification of freight. These orders were subsequently vacated, the latter because respondents agreed to furnish the information required without an order, and the former because of the difficulty under conditions then existing owing to the national emergency, and the expense and delay in obtaining and compiling the information sought. The public was informed that certain studies to be prepared by our staff would be offered in evidence at subsequent hearings by qualified witnesses.

A prehearing conference, attended by upwards of 400 persons, was held in Chicago, Ill., on October 28 and 29, 1940. The purpose thereof was to develop more clearly the matters in issue, the particular phases of the general subjects designated in the orders of investigation to be first explored, and to give direction to the studies and research of the interested parties. All persons attending were afforded an opportunity to be heard and to discuss the matters considered. The general opinion of the conference was that the order requiring the compilation of traffic data should be rescinded, and, as stated, that was done by order of November 25, 1940.

Certain studies prepared by our staff were made available to the parties and the public prior to and during the course of the hearings, and were received in evidence.

Numerous petitions were filed by respondents and other interests seeking the discontinuance or indefinite postponement of these proceedings until after the emergency caused by the war. They were all denied. The State of Ohio moved that those petitions be reconsidered and sustained; and the Wisconsin commission and Wisconsin Manufacturers' Association referred to their concurrence in the petitions and reiterated their opinion that the investigations should be discontinued or postponed until after the war. The motion is overruled.

We will report first upon the issues raised with respect to classification in No. 28310, although it is impossible to consider such issues as wholly distinct from intermingled issues raised in the related class rate proceeding, No. 28300. The following, therefore, will constitute Part I of the general report in both proceedings.

PART I

CLASSIFICATION OF FREIGHT

Each of the three major classifications, official, southern, and western, has both intraterritorial and interterritorial application. They contain rules and other provisions relevant to traffic generally, and set forth the ratings for ascertainment of class rates, wherever such traffic and rates are made subject to the respective classifications by specific reference thereto in the rate tariffs. Usually the tariffs are subject also to publications, entitled exceptions to a particular classification, which contain rules, provisions, and ratings more liberal to shippers than, and take precedence over, the classification. Many of them apply throughout an entire classification territory. In addition, there are often commodity rates that take precedence over both the classifications and exceptions as to particular articles.

Illinois classification is used in the border area between official and western classification territories. It has rather limited interstate application and none as to interterritorial traffic. At present it governs, besides Illinois intrastate traffic, the class rates between Illinois and points in the Indiana portion of the Chicago switching district, and traffic between Illinois points traversing routes partly in Indiana on which it authorizes charges over intrastate routes between the same Illinois points lower than what the corresponding charges would be at interstate rates governed by official classification.

Intraterritorial application.—The boundaries of the territories within which the respective classifications have intraterritorial application are roughly sketched on the map of the United States, appendix 1 to this report.

Official classification applies between all points in the part of the country known as official territory, which may be described as lying generally east of the following line: Lake Michigan, including west-bank car-ferry ports on official-territory traffic, south to Milwaukee, Wis., thence the line of the Chicago, Milwaukee, St. Paul & Pacific Railway (the Milwaukee) to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul & Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee through Watertown to Madison, Wis., thence the line of the Chicago & North Western Railway to Dodgeville, Wis., thence the line of the Illinois Central Railroad to the Illinois State line and west along the latter to the Mississippi River, thence south along that river, including west-bank crossing points on official-territory traffic, to the Ohio River; and lying generally north of the following line: The Ohio River east from its mouth, including south-bank crossing points on official-territory traffic, to Cincinnati, Ohio, thence east on the line of the Chesapeake & Ohio Railway to Kenova, W. Va., thence on the main line of the Norfolk & Western Railway to its crossing with the line of the Virginian Railway west of Roanoke, Va., thence on the Virginian Railway to Suffolk, Va., thence on the main line of the Norfolk & Western to Norfolk, Va., including also all lines of the Chesapeake & Ohio Railway in Kentucky and all lines of the Norfolk & Western Railway except those extending south from Roanoke, Va., to Winston-Salem, N. C., and from Brookneal, Va., to Durham, N. C. This territory, sometimes referred to as official-Illinois territories, embraces New England, trunk-line, central, and Illinois traffic territories, and comprises roughly 14 percent of the land area of continental United States, excluding Alaska, which may for brevity be termed "the country."

Southern classification applies between all points in the part of the United States, called southern territory, which contains about 13 percent of the country's land area, lying south of official territory and east of the Mississippi River, including north-bank Ohio River and west-bank Mississippi River crossing points on southern territory traffic.

Western classification applies between all points in the part of the United States, termed western territory, lying west of official and southern territories, including east-bank Mississippi River points on western territory traffic. It encompasses western trunk-line, southwestern, and mountain-Pacific rate territories, and approximately 73 percent of the land area of the country.

Interterritorial application.—In the several comprehensive class-rate investigations made over a number of years, we have prescribed which of the classifications should govern the interterritorial rates required between the rate territories lying roughly east of the Rocky Mountains, and, on complaints, to some extent from west thereof. However, long before those proceedings the carriers of necessity had subjected to one or the other classification the many interterritorial single-factor rates they had voluntarily established. Without attempting the detailing of extraordinary situations, the present interterritorial applications of the classifications are in general as follows, which applications are graphically portrayed on appendix 1 to this report:

Official classification governs class rates from western trunk-line territory, including the Northwest,[2] Wyoming, Utah common points, and intermediate Utah stations east of those points, to official territory east of Illinois; from official territory east of Illinois to the Northwest; and between official territory and certain points on the Chesapeake & Ohio and Norfolk & Western railways in northeastern Kentucky and southwestern Virginia.

Southern classification governs class rates between official territory, including west-bank Lake Michigan ports, and southern territory, except as to the Kentucky and Virginia points noted above in connection with official classification; and from western trunk-line territory, including the Northwest and southern Missouri, to southern territory.

Western classification governs all through class rates between mountain-Pacific territory, including transcontinental traffic, and official and southern territories, except from Wyoming and Utah as stated above in discussing official classification; from official territory to western trunk-line territory, except the Northwest; between southern Missouri and official territory; from southern territory to western trunk-line territory, including the Northwest and southern Missouri; from western trunk-line territory to Illinois territory, which comprises Illinois and southeastern Wisconsin embraced in official territory; and between southwestern territory and official and southern territories.

Owing to the differences, often substantial, measured by relations to corresponding first-class rates in the particular territories, caused by the varying ratings in the respective classifications, difficult situations occur from subjecting interterritorial class rates to a classification other than that applicable within one of the territories involved. Sometimes a classification determines the rates applying over direct routes passing through all three classification territories, adding to the difficulties. Where a classification has been prescribed on the destination-territory principle later described, different rates result in opposite directions between the same points, and over the same routes, on classes that do not bear like percentage relations to the corresponding first-class rates in the two territories concerned.

---

[2] The term "Northwest" is the designation used herein for that part of western trunk-line territory on and east of the Northern Pacific Railway from Duluth to Hinckley, Minn., thence the Great Northern Railway to Twin Cities, Minn., thence east of the Mississippi River but including west-bank crossing points. It thus includes a narrow strip of Minnesota, Wisconsin except a part in Illinois territory, and the Upper Peninsula of Michigan.

EFFORTS TO PROMOTE UNIFICATION OF CLASSIFICATIONS

Beginning with the year 1887, and continuing to the present time, we have endeavored to promote the unification of freight classifications throughout the United States. Efforts during the first 25 years are narrated in some detail in *Western Classification Case* (1912), 25 I. C. C. 442, 459. In that report we spoke of the multiplicity of varying classifications then prevailing, and condemned them as a public evil that caused confusion and constant embarrassment in the interchange of freight between railroads. As there stated, we, in our first annual report (1887) to the Congress, commended the work of the railroads in reducing the great number of classifications then in effect,[3] characterizing it to be "extremely important and useful," but emphasized the necessity of a single classification for the entire country. The importance and practical necessity of uniformity were reiterated in succeeding annual reports. The desirability of a uniform classification has been urged repeatedly by State railroad commissioners at their annual conventions, by shippers' organizations, and by some railroad officials. Always we have been concerned with the just complaints from shippers against disadvantages they suffered because of inconsistencies and divergencies in classifications.

Although we insistently pressed and encouraged unification in every way possible, and made suggestions toward that end, throughout the years reviewed in the above report (25 I. C. C. 442), we adhered to the opinion that the actual work of unification could be undertaken best by the carriers themselves. We recognized fully the great difficulties to be overcome, but declared that they are not insurmountable to carriers' specialists of long experience in work of this sort, and that unification is practicable. Cognizance was taken of the obvious fact that the merging of ratings would necessitate mutual concessions from shippers and carriers, in that the effect must be to lower the ratings on some articles of commerce, and to increase them upon others. Opposition was expected from interests that would be unfavorably affected.

Continuing in *Western Classification Case, supra*, we said that during the years prior to 1888 "the movement toward uniformity seemed to give promise for the establishment of a single classification for the entire country"; but that in the fifth annual report (1891) we recorded the failure of the carriers to adopt the uniform classification proposed by their committee in 1890, and recommended to the Congress the passage of an act "requiring the adoption within one year from the date of its passage of a uniform classification of freight by the carriers subject to the act."[1] Much additional history was recited, embracing pertinent quotations from a number of annual reports, detailing our persistent endeavor to promote uniformity.

---

[3] Individual railroads would have two or more classifications in effect: One for local traffic in one direction, one for through traffic in one direction and another for that in the opposite direction, and a fourth, perhaps, for traffic from or to a particular section of the country. One railroad had nine different classifications in effect in 1883 for traffic originating on its line.

Until the *Consolidated Classification Case* (1919), 54 I. C. C. 1, official, southern, and western classifications were published as separate issues, each with its individual set of rules, descriptions of articles, and ratings. In that report we again adverted to our annual reports to the Congress mentioning our efforts to stimulate the work in the direction of greater uniformity in freight classifications. In view of the progress made, it had been apparent early in 1918 that a complete unification of the rules and descriptions of articles in the three major classifications was possible at a not distant date, and we "inquired of the carriers why they could not by January 1, 1919, or sooner, effect a consolidation of the three general classifications into one volume containing one set of uniform commodity descriptions with three rating columns, one for each territory, subtended, and with one set of rules."

This occurred during World War I and the period of Federal control of the principal railroad lines of the country by the United States Railroad Administration, whose director of traffic appointed a small committee, of which our classification agent became a member, to carry out the work. That committee submitted a "Proposed Consolidated Freight Classification No. 1" in one volume, which accomplished the consolidation and uniformity to the extent suggested by us, and in addition contained many proposed changes in the ratings. Upon request of the Director General of Railroads for recommendations as to the advisability of adopting the proposed classification for application by the carriers under Federal control, *Consolidated Classification Case, supra*, was instituted to inquire into the reasonableness and propriety of that classification, and all carriers subject to the act, not under Federal control, were made respondents.

We said in the report last cited, on page 3:

> The consolidated classification is the result of effort toward uniformity extending over a long term of years, and since uniform rules and descriptions are necessary before uniformity in ratings is possible, it marks an important step toward a uniform classification.

---

[1] That recommendation, repeated in subsequent annual reports, was not adopted. Amendments of the act, sections 1 and 15, June 18, 1910, first inserted in terms a requirement for the maintenance of lawful classifications of freight by the carriers.

With regard to the ratings in the proposed classification, we said, page 4:

> There was no concerted effort [by the carriers' committee] to make the ratings uniform, but the desirability of uniformity seems to have been kept in mind. * * *

At page 9 we stated:

> The fact that a uniform classification would be a convenience is a consideration of relatively minor importance; we have advocated uniformity because it is an essential part of the general scheme which contemplates greater consistency in rate making and elimination of discriminations and inequalities. * * * In large part different ratings in the three territories are not due to actual or substantial differences in circumstances and conditions, but are the result of mere differences of opinion and the natural inclination of traffic officials to give expression to their respective theories of classification.

Although no recommendation was made regarding ratings, we tentatively suggested a 10 class (for first class and lower) classification for the entire country, and the percentage relations for the 10 numbered classes in rate scales.[5] The opinion was expressed, at page 11, that "an absolutely uniform classification could be prepared and proposed only in connection with a universal system of rate scales having a uniform number of classes."

The general conclusions reached in that proceeding, page 71, were that:

> So far as rules, descriptions, packing, specifications, and [carload] minimum and estimated weights are concerned, and subject to the modifications thereof indicated in this report, we recommend the adoption of the consolidated classification for application in lieu of the present official, southern, and western classifications by carriers under federal control. We do not recommend any changed ratings except as the establishment of new items may indirectly effect changes, and such as may be a reasonably necessary part of the establishment of uniform descriptions, specifications, or minimum weights.
>
> The same rules, descriptions, packing specifications, and minimum and estimated weights subject to the same modifications and limitations are, tentatively, and without prejudice, found just and reasonable for carriers not under federal control.

The new consolidated classification, conforming generally to our recommendations, was published by the carriers and became effective December 30, 1919.

Uniformity was also recommended by us to the Director General of Railroads, responsive to his request for advice, in *Illinois Classification* (1919), 55 I. C. C. 290, as to the rules, and items of description of articles, packing specifications, and carload minimum and estimated

---

[5] The classes and percentages tentatively suggested were as follows:

Classes	1	2	3	4	5	6	7	8	9	10
Percentages	100	85	70	60	45	35	30	25	22½	20

weights, of the Illinois classification[6] to correspond with those approved, as modified, in *Consolidated Classification Case, supra.* After conferences between the shippers and carriers, in which we and the Public Utilities Commission of Illinois participated, the separately published Illinois classification was revised, not only as to the rules and article descriptive items along the line of the consolidated classification, but also as to ratings. In most instances, the same ratings as in official classification were established, except when the competition encountered by the Illinois shippers came from western territory, in which event the western classification rating was adopted. (Thirty-fourth annual report of the Commission, 1920, page 40.) The Illinois classification was merged in the consolidated classification, effective November 15, 1933.

In annual reports to the Congress subsequent to the establishment of the consolidated classification we frequently commented upon the matter of uniformity, sometimes commending the carriers for the progress made, often giving the number of changes and occasionally specifying the degree of uniformity accomplished[7] and sometimes remarking that the progress has been slow, but always indicating our desire for completion of the task within a reasonable time. The showing of official, southern, and western classification ratings in parallel columns of the consolidated classification was noted as serving in striking fashion to bring inconsistencies to the attention of shippers and carriers, and as being a strong influence toward uniformity.

Once we suggested to carriers the advisability of proceeding more slowly just at that time with respect to unifying ratings that would cause large rate increases, because of the coinciding general increase of 1920 in rate levels by substantial percentages, but said that any changes made should be toward uniformity. Carriers heeded the suggestion. After the general rate reduction of 1922, we remarked upon the accelerated pace in unifying ratings, even though some changes meant only the merging of ratings as to two of the classifications. Also in the 1923 annual report we spoke approvingly of the establishment of less-than-carload and carload ratings in lieu of any-quantity ratings, especially in southern classification, which was characterized as having been an any-quantity classification in the past.

---

[6] The Illinois classification governed tariffs making reference thereto, and at that time applied generally to traffic between points in Illinois, and between Illinois and points on west bank of the Mississippi River in Iowa and Missouri, in southeastern Wisconsin, and in Indiana on interstate routes between Illinois stations.

[7] Unification achieved of any-quantity and less-than-carload ratings combined in the three classifications, beginning with the establishment of the consolidated classification in 1919, was given in the fifty-first annual report (1937) as follows: Year 1919, 31.3 percent; 1922, 39.01 percent; 1927, 42.0 percent; 1932, 59.13 percent; and 1937, 86.0 percent. Nonuniformity of such ratings as to all three classifications was 14.7, 12.05, 11.0, 6.17, and 2.2 percent, respectively. The percentage last stated represented only 204 of the 9,251 ratings.

Reference was made in the thirty-ninth annual report (1925) to the prescription for the first time of uniform percentage relations for the former 10 classes, and the 2 additional classes created by us, in *Southern Class Rate Investigation* (1925), 100 I. C. C. 513, for class rates applicable throughout southern territory and between that and official territory. In the forty-first annual report (1927) reference was made to the fact that similar action had been taken in *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203, as to the usual 10 classes, governed by western classification, prescribed for application throughout southwestern territory and between that and the territories north and east thereof extending to the entire Atlantic seaboard. The percentages prescribed for the upper classes in the latter proceeding were the same as those in the former, permitting unification of ratings in western and southern classifications, particularly for less than carloads, and correction of numerous cases of undue prejudice and preference on traffic between the South and Southwest or in either of the competitive channels on the east and west banks of the Mississippi River, which divides those territories; but the issues in the latter proceeding, and the difference in the number of classes, prevented uniform percentage relations for the lower classes.

In our forty-third annual report (1929) we mentioned pending complaints from North Carolina and Kentucky as to interterritorial rates, due to the location of those States immediately south of official territory where a classification prevailed differing radically from that in southern territory. The opinion was expressed that the comprehensive class-rate revisions in various parts of the country in process then and in the preceding few years would improve the situation, "but eventually it may be necessary to give it further attention and to consider even the advisability of bringing about substantially complete uniformity in classification throughout the country."

The filing of tariffs, effective December 3, 1931, pursuant to *Western Trunk Line Class Rates*, 164 I. C. C. 1, and *Eastern Class Rate Investigation*, 164 I. C. C. 314, was recorded in the forty-fifth annual report (1931). The former decision prescribed class rates within western trunk-line territory and between that and official territory, and the latter between all points within official territory including Illinois. It was stated in the annual report, page 66, that the rates prescribed for the various classes in official territory would, for the first time, bear a fixed relation to each other. It was further stated, at page 67, that:

> Further study of the subject of classification uniformity and the experience which we have gained in recent years in fixing class rates make it increasingly apparent that, while complete unification and merger of the Southern and Western Classifications is possible, such unification cannot be fully extended to embrace

> the Official Classification unless and until there is a closer alignment of the basic rate structures, as between official territory and the other sections of the country, than it has so far been found practicable to accomplish, although revisions heretofore required by us have been in that direction.

In many reports we have reiterated our stand for unification of ratings in the diverse classifications. Illustrative are decisions requiring revisions of class rates throughout extensive classification territories, adjoining others with greatly varying ratings, as well as class rates for interterritorial application, usually for the first time displacing former combinations containing, as factors, territorial rates subject to different classifications. In each proceeding it was necessary, of course, to decide upon a single classification to govern interterritorial through rates. This presented a difficult problem arising from the fact that whichever classification was prescribed would conflict sharply, or in some measure, with the classification applicable in one of the territories affected.

In one of these reports, *Southern Class Rate Investigation, supra,* after discussing difficulties in determining interterritorial rates, especially to and from border zones embracing North Carolina and Kentucky, it was stated, at page 667, that:

> until materially greater progress has been made towards harmonizing the radically different rates and classifications applied within official and southern territories, respectively, complications in the interterritorial adjustments will be inevitable.

In *Consolidated Southwestern Cases, supra,* where western classification was decided upon to govern class rates between the Southwest and western trunk-line, southern, and official territories, we said, at page 398:

> For years we have endeavored to promote uniformity in classifications. Except for unification of rules and commodity descriptions, the progress in that direction has not been encouraging * * * So long as vital differences in classification exist it is impossible to bring about uniform class percentages throughout the country, but, on the other hand, until the class percentages are made more nearly uniform, progress toward uniform classification is impeded. We believe that in every such general proceeding as the present, such progress toward uniformity in this direction should be made as is possible.

In another proceeding of this character, *Western Trunk Line Class Rates, supra,* it was declared, at page 217, that:

> This record further demonstrates the need for uniform classification ratings throughout the country. One of the beneficial results of these extensive investigations, in which joint interterritorial class rates governed by one classification are prescribed between major rate territories within each of which different classifications exist, should be the hastening of the much desired uniformity of rating.

Western classification had been prescribed in the original report in *Western Trunk Line Class Rates*, *supra*, to govern interterritorial class rates in both directions between western trunk-line and official territories. In the sixth supplemental report in that proceeding (1934), 204 I. C. C. 595, for the first time we found necessary the prescription of the governing classification according to the classification applicable in the destination territory, in order to remove relative unreasonableness and undue prejudice as to the east-bound rates generally, which thus became subject to official classification. It had been found that "Unquestionably the ratings in official are on the whole more favorable from the shippers' viewpoint than those in western." (See page 671.)

On reconsideration of the original report in *Western-Southern Class Rates* (1938), 226 I. C. C. 497, in which the destination-territory classification principle was adhered to for governing class rates between western trunk-line, including southern Missouri, and southern territories, we held in the second supplemental report (1939), 232 I. C. C. 81, that "Difficulties and inconsistencies in applying this finding such as respondents adduce will inhere in any interterritorial class-rate structure so long as the classification ratings are not uniform in the different territories."

Our efforts to bring about unification were instrumental in obtaining the unification of the rules and description of articles. In later years the necessary prescription of single classifications to govern the interterritorial through class rates, required in the comprehensive proceedings cited above, has been a compelling force in bringing about the present comparatively high degree of uniformity of ratings in the three classifications, or at least merging in two of the three.

ANALYSIS OF CONSOLIDATED CLASSIFICATION

The consolidated freight classification comprises official, Illinois, southern, and western classifications, which govern tariffs making reference to them. It contains descriptions of all articles of commerce, including kind of shipping container or nature of packages contemplated by the ratings, and rules and packing descriptions, that are uniform in all the classifications. Opposite the descriptions of articles are shown in three parallel columns the less-than-carload ratings, carload minimum weights or indication of any-quantity, and carload ratings, respectively. Where specified as "AQ", or any quantity, the rating is duplicated in the two rating columns. Where the rating is uniform in all classifications, a single figure appears in the respective rating column; otherwise three ratings are set forth for official, including Illinois, southern, and western classifications, respectively, unless the Illinois classification rating differs from that in official, in which instance four ratings are stated, of which the second is for Illinois classification and the third and fourth for southern and western.[8] Numbers in rating columns higher than 12 (except R26, meaning rule 26, and rates stated in cents per car-mile on railway cars) represent percentages of class 100,[9] published in the class-rate tariffs.

Ratings often vary on a given article for certain reasons, such as the manner of packing or whether the article is set up or knocked down. Many articles have more than one carload rating, depending upon different minimum weights. Numerous carload minima are subject to a rule (rule 34) requiring the computation of freight charges on a higher minimum when the car used exceeds the length specified for the minimum appearing opposite the article descriptive item. Practically all articles have both less-than-carload and carload ratings. In comparatively rare instances, one or all classifications will not provide ratings on articles, but will show that they are subject to the rates of individual carriers, or are not taken, or the rating is stated for one or two classifications only. As to one small category, railway cars moving on their own wheels, the classifications name rates in cents per car-mile instead of giving ratings.

Illinois classification ratings are the same as official on the bulk of the items. The remaining ratings are mostly the same as western, but sometimes the same as southern, and occasionally they are higher or lower than in either of the three major classifications. It is said that the rating on a given article published in Illinois classification is adopted from the classification applicable in the territory from which Illinois shippers encounter their principal competition. Discussion of Illinois classification in the same detail as regarding the other classifications seems unnecessary, inasmuch as the former now governs comparatively little interstate traffic, and whatever is said or done with respect to the others apparently will be pertinent to and dispose of this classification.

While each classification contains numerous ratings which are set forth in percentages of class 100, many being the same as those prescribed by us for so-called regular classes, the classifications do not specify any percentage relations for the regular numbered and lettered classes, but many tariffs do publish them. Such percentages were prescribed by us in the eastern revision for rates governed by official classification; in the southern revision for rates governed by southern classification, in the western trunk-line and southwestern revisions for rates governed by western classification, except in mountain-Pacific territory and on transcontinental traffic. As to mountain-Pacific territory, although there are important exceptions, the percentages generally reflected in the class rates are those which appeared as the relations in the rates required in *Portland Chamber of Commerce* v. *Oregon R. & Nav. Co.* (1911), 21 I. C. C. 640. They were followed in subsequent reports involving rates in all parts of that territory, including *Utah Shippers Traffic Assn.* v. *Atchison, T. & S. F. Ry. Co.* (1931), 172 I. C. C. 306, 311, in which the class-rate scale was extended to 1,500 miles. No consistency exists in the relations between class rates applicable on transcontinental traffic, which are subject to western classification. Class rates governed by Illinois classification have percentage relations not prescribed by us.

---

[8] These single figures, or the figures for the respective classification where the ratings are different, will be sometimes termed "sets" in this report.

[9] Class 100 is the term generally used in this report for first class, as explained later.

Articles are classified in official, Illinois, southern, and western classifications, respectively, into 7, 12 (or 11 since classes 6 and C are same percentage of first class), 12, and 10 regular numbered or lettered classes. In addition, there are 7 classes, namely, 1¼, 1½, 1¾, 2, 2½, 3 and 4 times class 100 rates. The regular class designations and their percentage relations to class 100 reflected in the rates in tariffs applicable in the respective rate territories are stated in the following table:

Percent of class 100	Regular class designation				
	Official	Illinois	Southern	Western: Western trunk line and Southwestern territories	Western: Mountain-Pacific territory
100	1	1	1	1	1
85	2	2	2	2	2
70	[1] 3	3	3	3	3
60					4
55	R26	R26	4	4	
50	4	4			5, A
45			5	A	
40		A	6		B
37½				5	
35	5	5	7		
32½		B		B	
30			8	C	C
27½	6	6, C			
25			9		D
22½		D	10	D	
20		E	11		E
17½			12	E	

[1] Formerly official classification provided rule 25 ratings, for which 70 percent of class 100 was prescribed in the eastern revision. It has been replaced by class 3 in the classification, although it may still appear in some tariffs.

Besides the classes described above, there are in official, southern, and western classifications, respectively, 16, 14, and 12 classes that are stated in percentages of class 100, of which 3, 5, and 3 classes are the same equivalents of class 100 rates as are certain regular classes in the particular classification. Only one of them, 110 percent, which provides a rating on one article descriptive item in less than carloads, is above class 100 in each classification and those below range from 77½ to 20 percent.

The total of all classes, namely, those above class 100, regular (numbered and lettered), and percentage, in official, southern, and western classifications, are 27, 28, and 26, respectively, counting as one equivalent regular and percentage classes; and the full range of all classes in each classification is from 17½ to 400, except that in official the lowest is class 20.

In order to avoid possible confusion and misunderstanding, all classes, however stated in the classifications, will be denoted generally in this report by percentages of class 100, and class 100 may be taken as equivalent to class 1 or first class, as those terms are used in the current classification. Unless otherwise indicated, the official, southern, and western class-rate percentages hereinafter mentioned will be understood to mean those prescribed in the eastern, southern, and western revisions, respectively.

The following facts are found from study of an exhaustive analysis in the record of the consolidated classification as in effect on August 3, 1942.

The sets of ratings on article descriptive items and subitems on which all, or at least one, of the three major classifications provide ratings aggregated 20,915, of which 83 were any-quantity (counting duplicate ratings in less than carloads and carload columns in the classification as one), 10,151 less-than-carload ratings, and 10,682 carload ratings (including 273 tank-car ratings). Of the aggregate, 4,077 ratings were stated as percentages of class 100 rates. The number of different kinds of combinations of ratings found in these sets, consisting of regular class and class-and-percentage ratings, both uniform and nonuniform, and appearing in the three classifications, is 16 for any quantity, 80 for less than carloads, and 288 for carloads including tank-car ratings. In addition, there were 11 items of railway cars moving on their own wheels on which rates were named in cents per car-mile instead of ratings. Appendix 4 to this report sets forth the any-quantity and less-than-carload ratings as distributed among the classes in the respective classifications, and appendix 5 the carload ratings (including the tank-car ratings).

As would be expected, ratings in excess of class 100 are used almost entirely for any quantity and less than carloads. They account for approximately 16 percent of the former, somewhat less than 10 percent of the latter, and only about 0.23 percent of the carload ratings.

Omitting the article items and subitems on which any one of the three major classifications fails to provide a rating, the following table shows the degree of uniformity existing in ratings, and the extent to which the ratings in two classifications are alike, or unlike in any two:

	Any quantity		Less than carloads		Carloads		Grand totals	
	Number of ratings	Percent	Number of ratings	Percent	Number of ratings	Percent	Number of ratings	Percent
Totals	80	100.00	10,134	100.00	10,664	100.00	20,878	100.00
Uniform in the 3 classifications	64	80.00	8,622	85.08	3,[illegible]	36.27	12,554	60.13
Alike in—								
Official and southern	67	83.75	9,343	92.18	5,114	47.96	14,524	69.57
Official and western	76	95.00	8,876	87.50	4,522	42.40	13,474	64.53
Southern and western	64	80.00	8,822	87.05	6,320	59.27	15,206	72.83
Unlike in any 2 classifications	1	1.25	337	3.32	2,444	22.92	2,782	13.33

Uniformity is greatest in the less-than-carload ratings, and least in the carload ratings. The percentages of unlikeness are extremely small, except as to carloads. A slight retrogression occurred in the combined any-quantity and less-than-carload ratings since 1937, at which time our annual report stated the uniformity as 86 percent, whereas it is now 85 percent; and a progression of unlikeness from 2.2 percent to 3.3 percent. That report does not contain corresponding figures for carload ratings, which are now only 36 percent uniform and 23 percent unlike in any two classifications.

On article descriptive items provided in each classification with ratings, any-quantity ratings in the 3 classifications range from classes 50 to 300, less-than-carloads from classes 30 to 400, and carloads from classes 17½ to 200. Although these ranges embrace quite a number of classes, including regular and percentage, the bulk of the article items are concentrated in comparatively few. The less-than-carload ratings in official and southern are distributed among 16 classes each, but 89.65 and 85.96 percent, respectively, of the items are in 5 classes (100, 85, 70, 55, and 50); while in western they are found in 12 classes, but 90.13 percent are in 4 classes (100, 85, 70, and 55). Carload ratings are more widely scattered, in official among 21 classes, but 72.32 percent of the items are in 5 classes (70, 55, 40, and 35), and 98.23 percent are in 10 classes (additions, 100, 85, 45, 37½, and 27½); in southern, among 23 classes, but 74.34 percent of the items are in 4 classes (70, 55, 45, and 40), and 91.45 percent are in 8 classes (additions, 100, 85, 35, and 30); and in western among 21 classes, but 81.52 percent of the items are in 4 classes (70, 55, 45, and 37½), and 95.45 percent are in 8 classes (additions, 100, 85, 32½, and 30).

Despite the relatively high degree of uniformity in any-quantity and less-than-carload ratings, substantial disparities exist on individual article items as indicated in appendix 4 to this report. Thus, on certain items, on which the ratings are stated for any quantity, southern classification is never higher than either official or western, but has one rating of class 55 for which the two others name class 100, whereas official and western are alike in all but one such rating. As to less-than-carload, on items rated class 50 in official the ratings in southern range from classes 30 to 70, and in western from classes 55 to 85; on items rated class 70 in southern the ratings range from classes 50 to 100 in official, and from classes 55 to 85 in western; and on items rated class 55 in western the ratings range from classes 40 to 100 in official, and from classes 30 to 100 in southern.

Still greater variations, relatively, are presented in the carload ratings, set out in appendix 5, of which the following are examples: on items rated class 35 in official, the ratings in southern and western both range from classes 17½ to 55; on items rated class 40 in southern, the ratings in official range from classes 27½ to 70, and in western, from classes 17½ to 40; and on items rated class 45 in western, the ratings in official range from classes 27½ to 85, and in southern, from classes 30 to 55.

All proponents of a change from one classification to another advocated adoption of the official classification as the basis. That classification, from the shippers' standpoint, is regarded as more favorable than the two others on traffic that is moving under class rates. Mathematically, there is little difference on the whole, in that the weighted general averages of the percentage relations to class 100 of all ratings in the respective classifications fall within less than one percentage point, being 67.91, 67.82, and 68.70 percent for official, southern, and western. Broken down by character of ratings, official, southern, and western average percentages of class 100 are, respectively: Any quantity, 112.81, 108.69, and 112.81; less-than-carloads, 87.02, 85.95, and 87.21; and carloads, 49.40, 50.26, and 50.75.

The following table shows total ratings, grouped according to percentages in official classification, and the extent to which the corresponding ratings in southern and western classifications are like, or higher or lower than, those in official, as in effect August 3, 1942. As stated, distribution according to percentages of class 100 in southern and western classifications is shown in appendixes 4 and 5 to this report.

Official classification			Corresponding ratings in—					
Percentage of class 100	Ratings		Southern			Western		
	Kind [1]	Number	Alike	Higher	Lower	Alike	Higher	Lower
400	l. c. l	2	2	0	0	2	0	0
300	aq	6	6	0	0	6	0	0
	l. c. l	16	16	0	0	16	0	0
250	aq	1	1	0	0	1	0	0
	l. c. l	21	21	0	0	21	0	0
	aq	4	4	0	0	4	0	0
200	l. c. l	356	356	0	0	356	0	0
	c. l	5	3	0	2	3	0	2
175	l. c. l	13	13	0	0	13	0	0
	aq	2	2	0	0	2	0	0
150	l. c. l	482	482	0	0	482	0	0
	c. l	3	1	0	2	1	0	2
125	l. c. l	99	99	0	0	99	0	0
	c. l	19	18	0	1	18	0	1
110	l. c. l	1	1	0	0	1	0	0
	aq	34	31	0	3	33	0	1
100	l. c. l	2,092	2,075	0	17	2,076	0	16
	c. l	213	199	0	14	202	0	11
	aq	15	13	0	2	15	0	0
85	l. c. l	2,672	2,600	0	72	2,625	0	47
	c. l	766	575	1	190	587	1	178
75	c. l	2	2	0	0	2	0	0
	aq	15	7	0	8	15	0	0
70	l. c. l	2,716	2,390	0	326	2,571	0	145
	c. l	1,433	1,330	1	102	1,381	1	51
65	c. l	6	0	0	6	0	5	1
60	l. c. l	14	0	2	12	0	4	10
	c. l	3	1	0	2	1	0	2
57	l. c. l	1	0	0	1	0	0	1
55	l. c. l	616	565	3	48	613	3	0
	c. l	1,270	1,183	19	68	1,198	19	53
	aq	3	3	0	0	0	3	0
50	l. c. l	995	682	13	300	0	995	0
	c. l	1,185	93	812	280	57	999	129
45	c. l	335	315	8	12	323	8	4
40	l. c. l	33	33	0	0	0	33	0
	c. l	1,105	809	292	4	32	990	83
37½	c. l	766	90	664	12	644	118	4
35	c. l	2,709	380	1,928	401	3	2,660	46
32½	c. l	7	5	0	2	6	0	1
30	c. l	89	72	13	4	50	33	6
27½	c. l	677	16	418	243	0	463	214
25	c. l	34	8	1	25	0	9	25
22½	c. l	20	14	0	6	14	0	6
20	c. l	1	1	0	0	0	1	0
Totals	a. q	80	67	0	13	76	3	1
	l. c. l	[2] 10,129	9,335	18	776	8,875	1,035	219
	c. l	[2] 10,648	5,115	4,157	1,376	4,522	5,107	1,019
Percentages	a. q	100.00	83.75	0.00	16.25	95.00	3.75	1.25
	l. c. l	100.00	92.16	0.18	7.66	87.62	10.22	2.16
	c. l	100.00	48.04	39.04	12.92	42.47	47.96	9.57

[1] Abbreviations: aq., any quantity; l. c. l., less than carload; c. l., carload.

[2] Here the total number of less-than-carload and carload ratings are 5 and 16, respectively, less than stated in the preceding table. Both tables were compiled from the same exhibit, but from different parts thereof.

Compared with official classification, no any-quantity rating in southern is higher, and in western only 3 are in higher; and those lower are 13 and 1, respectively. A similar situation exists as to less-than-carloads, where out of 10,129 ratings only 18 in southern, but 1,035 in western, are higher than in official, whereas 776 and 219, respectively, are lower. As to carloads, it is different in this regard, in that out of 10,648 ratings, 4,157 in southern and 5,107 in western are higher than in official, and 1,376 and 1,019, respectively, are lower.

Many incongruities apear among the ratings. Thus, out of more than 10,000 sets of less-than-carload ratings, 1 item is rated in the 3 classifications class 110, which is not a regular class; 13 items are rated in official class 60, not a regular class, but are assigned to either regular classes 70 or 55 in southern and western; and a single item is rated class 57 in official, which is not a regular class and only 2 percentage points above class 55 wherein it is placed in southern and western. As to carloads, many item ratings in each classification are not regular. For example, official has 2 in class 75, 6 in class 65, 3 in class 60, 7 in class 32½, and 1 in class 20; southern has 24 in class 77½, 4 in class 75, 11 in class 65, and 6 in class 60; and western has 24 in class 77½, 2 in class 75, 11 in class 65, 1 in class 60, 1 in class 42½, and 8 in class 35. Few of the more than 10,000 carload items are assigned in southern classification to regular classes 25, 20, and 17½,[10] or 48, 37, and 86 ratings, respectively.

There is no consistency in the assignment of ratings on the same article as between less-than-carloads and carloads. A few examples of the inconsistencies are: On an article descriptive item one classification will provide the same rating for less-than-carloads as for carloads, but in the others the rating for the former is higher than the latter; the same uniform rating in the three classifications will be shown for both less-than-carloads and carloads, and a carload minimum weight will be specified which, in effect, results in any-quantity ratings, but the ratings are not listed as any quantity; and a uniform carload rating and minimum weight will be stated for a number of items, indicating to some extent similar transportation characteristics of the articles embraced, but the variations in less-than-carload ratings are, for example, from class 55 to class 100, and from class 70 to class 250. Although the less-than-carload and carload ratings are the same on many items, on the great majority of them the former are higher than the latter, and often extremely wide spreads occur, counting regular ratings. For example, in southern and western classifications the spreads are from class 17½ to class 100, or of 14 and 9 classes, respectively, meaning that the less-than-carload ratings are 471 percent higher than carload ratings. If grouped according to number of classes represented by the spreads, probably the largest group would be that of spreads of 2 regular classes.

6

RATE EFFECT OF CLASSIFICATION DIFFERENCES

In our report in *Eastern Class-Rate Investigation, supra*, at pages 372–373, we undertook as a part of the comprehensive revision of class rates there made, to "introduce a proper degree of flexibility into the structure" of the class-rate tariffs. After discussing efforts to obtain this result in other proceedings, and the utility of a greater number of percentage columns related to first-class rates (and thereby automatically related to all the classification ratings) we made a finding as to the percentage relations of the columns of rates to the first-class rates. As amended in our supplemental report in that proceeding, 171 I. C. C. 481, 499, the finding reads as follows:

---

[10] In the southern revision we prescribed these for regular classes 9, 11, and 12, respectively.

> 1. We find that for the future the class rate tariffs in official territory should contain columns of rates bearing the following percentage relations to the first class rates prescribed in this proceeding: 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, 13.

Examination of the comparative table which appears above shows that only to a slight extent have these percentages (other than those used for the so-called regular classes) been carried into the several classifications before use for the purpose of providing classification ratings additional to those of the regular classes. Flexibility, when considered necessary, has all but invariably been accomplished by making an exception to the classification and thus removing the commodity from the classification, rather than by giving it a rating stated in percentage of first class. This is so, although the feasibility of making use of such intermediate percentages is evident from the fact that they have been so used, but not enough to avoid the whittling away of the classification by the process of making exceptions thereto. The table shows that some of the percentage relations have not been used in the official classification at all; if those percentages are used for the statement of rates, it is by the device of removing the commodity *pro tanto* from the classification and assigning it a rate in a special tariff.

Although the proceeding in No. 28310 brings in issue only the classifications, discussion of the differences as between them in ratings would be purely academic without indicating in some degree the effect they have upon the rates in the various territories. A rating must be complemented by a class rate, and vice versa, in order to give substance to either. Therefore, for the purpose of conveying some idea of the effect that the classification differences have upon rates prescribed in territories embraced in docket No. 28300, appendixes 2 and 3 to this report have been compiled, in which the rates for a single distance are stated. The appendixes do not purport to show the average territorial rate levels, because the progressions with distance in the scales in official, southern, and western territories differ to some extent one from another, producing relations between the territories varying with distance; and rate levels in certain parts of the territories, such as in New England and the Florida peninsula, are higher than in the major portions of the territories.

Appendixes 2 and 3, respectively, cover less than carload and carload ratings and rates, and each contains tables numbered I, II, and III, which deal with official versus southern, official versus western, and southern versus western classification ratings and intraterritorial rates. The ratings are those in effect August 3, 1942, except that southern versus western ratings as effective March 17, 1942, are used because August 3 data therefor are lacking.

Inasmuch as a high degree of uniformity already exists in the ratings above class 100, the comparisons in appendixes 2 and 3 are with class 100 and below, confined to the classes representing a substantial number of ratings. Article descriptive items covered are those proprovide with less-than-carload or carload ratings in each of the three classifications.

The class rates appearing in these appendixes are taken from the distance scales prescribed in the eastern, southern, and western revisions, subjected to the 10-percent general increase of 1938. Rates for 200 miles, the approximate average haul of revenue freight by class I railroads per line of railroad are used, although the average haul per shipment is longer, especially if heavy moving short-haul traffic that moves on commodity or exception rates is excluded. As representative of western territory, the rates for western trunk-line zone I are shown. The corresponding rates for zones II and III are higher by averages of about 14 and 25 percent, respectively. The latter scale was prescribed also for southwestern territory.

As will be observed from appendixes 2 and 3, the article ratings of a particular class in a given classification are found for the most part in the same class, or fairly close thereto, in the other classifications, and the remainder are distributed or scattered widely among other classes. But even where the ratings are the same, the rate effect differs substantially because of the variances in territorial rate levels.

Thus, the 616 articles rated class 55 in less than carloads in official classification, which move at a rate of 44 cents for 200 miles in official territory, are rated from classes 40 to 85 in southern classification on which the rates for 200 miles are from 45 to 95 cents in southern territory; 565 of the articles are, however, in class 55 in southern classification with rate of 62 cents. The same articles are rated from classes 55 to 85 in western classification, on which the rates for 200 miles in western trunk-line zone I range from 53 to 82 cents; 613 of the articles are, however, in class 55, with a rate of 53 cents for 200 miles.

The most important carload class in official territory is class 35, comprising 2,709 article ratings, on which the rate for 200 miles is 28 cents. Those articles are rated from classes 17½ to 55 in southern classification, and the rates thereon vary from 20 to 62 cents in southern territory, but 1,646 ratings are in class 40 with a 45-cent rate. In western classification, the carload ratings on such articles extend from classes 17½ to 55, on which rates in zone I range from 17 to 53 cents, with 2,115 of the ratings in class 37½, rate 36 cents.

Comparisons of mountain-Pacific with official and southern territories, of the same nature as those in appendixes 2 and 3, would have little significance because the territories are not contiguous. A better one is with the bordering western trunk-line zone III and southwestern territory, in both of which zone III scale applies, and which bears relations to the rates in zone I which are stated in appendixes 2 and 3. While one classification governs in these western territories and between them, as stated the relations of the rates to class 100 of the regular 10 classes in mountain-Pacific territory are not the same as in the others on classes below class 70.

Because the progression with distance of the maximum rates in the scale prescribed in several proceedings from and to points in virtually every part of mountain-Pacific territory differs materially from the progressions in scales prescribed in the eastern, southern, and western revisions, and the percentage relations between the regular classes also differ (but ratings stated in percentages in western classification are the same in all western rate territories), rate comparisons for a single distance might tend to mislead. Therefore, in order to present some comparison, rates are set forth in the following tables that were prescribed in the territories and zones named for distances of 50, 100, 200 (employed in appendixes 2 and 3), 400, and 800 miles, subjected to the 10-percent general increase of 1938. The first table shows the 10 classes in mountain-Pacific territory, their percentage relations to first class as prescribed, and rates for the specified distances.[11] The second table shows the rates in the other territories and zones on percentages corresponding to those prescribed for regular classes in mountain-Pacific territory:

Mountain-Pacific territory

Classes	1	2	3	4	5	A	B	C	D	E
Percentages	100	85	70	60	50	50	40	30	25	20
Rates:										
50 miles	50	42	35	30	25	25	20	15	12	10
100 miles	77	66	54	46	39	39	31	23	20	15
200 miles	111	94	78	67	56	56	44	33	28	22
400 miles	171	145	120	103	86	86	68	51	43	34
800 miles	281	238	197	169	141	141	112	84	70	56

---

[11] At present in mountain-Pacific territory many class rates are lower than prescribed; and class 5 is often a lower percentage of class 100 than is class A, for both of which rates reflecting 50 percent of first class were fixed.

Other territories and zones

Percentages	100	85	70	60	50	50	40	30	25	20
Western trunk-line zone III and southwestern territory										
50 miles	65	55	46	39	33	33	26	20	16	13
100 miles	90	77	63	54	45	45	36	27	23	18
200 miles	123	105	86	74	62	62	49	37	31	25
400 miles	172	146	120	103	86	86	69	52	43	34
800 miles	263	224	184	158	132	132	105	79	66	53
Western trunk-line zone										
50 miles	53	45	37	32	27	27	21	16	13	11
100 miles	73	62	51	44	37	37	29	22	18	15
200 miles	97	[illegible]	68	58	49	49	39	29	24	19
400 miles	136	[illegible]	95	82	68	68	54	41	34	27
800 miles	210	179	147	126	105	105	84	63	53	42
Official territory										
50 miles	47	40	33	28	24	24	19	14	12	9
100 miles	62	53	43	37	31	31	25	19	16	12
200 miles	80	68	56	48	40	40	32	24	20	16
400 miles	109	93	76	65	55	55	44	33	27	22
800 miles	160	136	112	96	80	80	64	48	40	32
Southern territory										
50 miles	62	53	43	37	31	31	25	19	15	12
100 miles	84	71	59	50	42	42	34	25	21	17
200 miles	112	95	78	67	56	56	45	34	28	22
400 miles	156	133	109	94	78	78	62	47	39	31
800 miles	222	189	155	133	111	111	89	67	56	44

Comparisons of similar character for interterritorial rates governed by the different classifications are not practicable because such rates vary greatly in amounts for like distances depending upon the proportions thereof in the respective territories through which the rate-making routes are computed. Interterritorial rates usually represent a blend of, or lamination derived from, the rate levels within the territories or zones concerned.

EXCEPTIONS TO CLASSIFICATIONS

In recent years the importance of the classifications as factors in the determination of freight charges by rail has lessened. This situation has been brought about by the establishment of innumerable exceptions which take precedence over the classifications, and by the use of commodity rates. Normally the effect of the establishment of a commodity rate is to exclude the application of the classification and class rates which otherwise would apply and govern the computation of the charge. The level of ratings in exceptions and of commodity rates, as distinguished from the level of ratings in the classifications, which is made by the respective classification committees, is determined by individual carriers or groups of carriers, and is fixed upon consideration of principles usually different from those accorded weight in the determination of classification ratings. Some of the reasons for the establishment of exceptions to the classifications are the following: To meet motortruck and other competition; convenience and expedition in publication; to accomplish a more restricted application of particular rates; to remove or reduce the amount of differences between class rates and between less-than-carload and carload rates; and to provide a quicker and less burdensome method of complying with section 4 of the act. Many exceptions to the classifications are stated as percentages of first class, and they usually result in rates lower than would apply by the use of classification ratings.

The complete extent to which exceptions to the classifications have been established is not shown in the record. While in all territories, except the South, the greater part of less-than-carload tonnage moves subject to ratings in the classifications, it is generally conceded that as to carload traffic the exceptions have superseded the classifications in large degree. In comparison with other rate territories, the degree in mountain-Pacific territory is smaller. The volume of traffic in all territories which moves under rates subject to exception ratings greatly surpasses that subject to the classification ratings.

In southern territory, rates published as exceptions, or as "column" rates[12] both bearing definite relation to the first-class rates, apply to 644 articles; between southern and central territories, to 582 articles; between southern and Illinois territories, to 606 articles; between southern and trunk-line and New England territories, to 581 articles; between southern and southwestern territories, to 379 articles; and between southern and western trunk-line territories, to 222 articles when moving north-bound, and to 255 articles when moving south-bound. Many of the lower-grade, heavily loading commodities move in southern territory under commodity rates, which are not governed by classification ratings. During 1941, 38 percent of the total originated tonnage of class I railroads in the southern region was transported under such rates. It consisted of brick, cast-iron pipe, cement, lime, road aggregates, livestock, fertilizer, sulphuric acid, cotton, petroleum, iron and steel articles, scrap iron, lumber, and pulpwood.

On September 1, 1940, less-than-carload ratings on approximately 3,500 article descriptive items were established in exceptions to the southern classification that were lower than the classification ratings on such items, ostensibly to meet motortruck competition. On more than 200 of the items carload ratings of 1 regular class below that on less than carloads were published. The territorial application of the exceptions are coextensive with southern classification, or generally throughout southern territory, between southern and official territories, and from western trunk-line territory, including southern Missouri, to southern territory. These exceptions were to be incorporated in the southern classification as soon as practicable, but this had not been done when the hearings closed.

---

[12] In recent years, certain rates in the tariffs of the railroads have been designated therein as "column" rates, as for example, column 20. They are specific percentages of 100. In the example shown, column 20 means 20 percent of the first class rate, which is 100 percent.

It is estimated that in Texas 50 percent of less-than-carload traffic and less than 10 percent of carload traffic move on classification ratings and class rates. Shippers in that State and in the Southwest are said to have little use for the classification ratings, and this seems to be so particularly as to carload traffic. Exceptions to the western classification applicable in the Southwest are published in a tariff which contains 86 columns of rates, including the 10 regular classes, ranging from 110 to 8.5 percent of first class. Exceptions in the form of 26 different percentage columns apply to 279 descriptions of less-than-carload traffic, and 70 different percentage columns apply to 919 descriptions of carload traffic. The exceptions also contain less-than-carload ratings lower than those determined by the classification on large groups of articles designated as mixtures, such as drugs and chemicals, hardware, and groceries, each mixture subject to a single rate.

The tariffs provide 86 columns of rates lower than first class for application in western trunk-line territory. Between that territory and central territory, in instances where the rates are governed by official classification and exceptions thereto, they provide 122 columns of rates lower than first class, and where the rates are governed by western classification and exceptions thereto, they provide 110 such columns of rates; on traffic between western trunk-line and southern territories, there are 98 columns of rates lower than first class south-bound and 66 columns of such rates north-bound.

An examination of 4 typical rate tariffs shows that 102 percentage columns of rates apply in official territory, 130 in southern territory, 89 in western trunk-line territory, and 85 in southwestern territory. The great number of columns is necessitated by the numerous different ratings in classification exceptions and by commodity rates. In some instances they were published to provide for the lesser percentage of increase authorized in general increases on certain traffic, such as agricultural products, irrespective of whether moving under class or commodity rates. Appropriate columns in the tariffs described above are used also for the numbered and lettered regular classes, of which 7, 12, and 10 have been prescribed for application in official, southern, and western territories, respectively, and for the percentage ratings in the classifications.

The evidence does not show the extent to which exceptions apply in official territory, but there are general statements to the effect that they are numerous and have extensive application, although less numerous than in other territories, and that they have been established principally to meet motortruck competition.

A study of the carload freight traffic of the railroads transported on 1 day was made and testified to by a member of our staff. The basis of the study was a tabulation of the waybills for September 23, 1942, showing the number of carloads of each commodity moved by rail on that day. The tabulation did not reveal the nature of the rate at which the commodity constituting a particular carload moved, and to supply this deficiency, the kind of rate, that is, whether class, exception or commodity, was supplied by our Bureau of Traffic according to the most probable rate charged. This study, while possessing many infirmities because of the lack of basic data, is the only evidence which purports to indicate the proportions of carload traffic moving on class, exception and commodity rates, respectively. It has not been successfully challenged as a reasonable approximation of the facts stated in detail.

The following table, compiled from the study, gives the distribution of carload traffic on September 23, 1942, for each of the major rate territories and interterritorially:

Territories (within, or from one to another)	Class rates	Exception rates	Commodity rates
	Percent	*Percent*	*Percent*
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	0.6	0.2	99.2
Southwestern	2.4	4.4	93.2
Mountain-Pacific	1.7	(1)	98.3
Official to southern	12.6	36.3	51.1
Southern to official	0.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Official to mountain-Pacific	11.3	(1)	88.7
Mountain-Pacific to official	0.7		99.3
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Southern to mountain-Pacific	4.1	4.9	91.0
Mountain-Pacific to southern	1.5	0	98.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0
Western trunk-line to mountain-Pacific	2.6	0	97.4
Mountain-Pacific to western trunk-line	0.7	0	99.3
Southwestern to mountain-Pacific	3.9	0	96.1
Mountain-Pacific to southwestern	2.1	0	97.9
All territories to official	4.8	14.4	80.8
Official to all territories	6.7	19.4	73.9
All territories to southern	4.1	11.9	84.0
Southern to all territories	2.1	6.2	91.7
All territories to western trunk-line	2.3	5.4	92.3
Western trunk-line to all territories	1.7	0.6	97.7
All territories to southwestern	5.6	10.6	83.8
Southwestern to all territories	2.0	3.9	94.1
All territories to mountain-Pacific	3.3	0.2	96.5
Mountain-Pacific to all territories	1.5	(1)	98.5
All territories to all territories	4.1	10.	85.2

---

(1) Less than 0.05 percent.

SUGGESTIONS BY MEMBER OF OUR STAFF

Included in the evidence in this proceeding is a study made by a member of our staff, the assistant to the director of the Bureau of Traffic, entitled "Some Suggestions for Improvements in Railroad Class Rates." It contains principally suggestions for revision of the boundaries of the major freight-rate territories, and for reductions in the levels of the intraterritorial and interterritorial rates. The witness expressed the opinion that revision of the classification should not be attempted until revision of the class rates has been completed. As he proposes that the levels of the class rates should be reduced, the resulting loss of revenue must, in his opinion, be recouped by increases in the classification ratings. He suggests that the initiative of readjustments of the classifications be left to the railroads, and that in the selection of appropriate ratings the existing machinery for consulting interested shippers and the classification and rate committees be used. In order to permit the work to go forward in an orderly manner, the transfer from the old to the new scales of rates should be effected gradually by groups of commodities, and complete cancelation of the present class-rate scales should be deferred until the process has been finished.

It is his view that in reality the exceptions to the classification in all territories constitute the classifications, and that the truly exceptional traffic is that which moves at ratings in the classifications; hence in the revision he would substitute the exceptions for the classification ratings, subject to whatever adjustment might be necessary to preserve revenue.

Referring to the efforts to unify the several classifications, the witness stated that, considering classification in its narrow sense, much progress in that direction has been made, but the unification in fact has been largely factitious and the chief results has been to multiply classification exceptions in the South and West. He expresses the view that a closer approach to real uniformity will result if ratings are readjusted to move the traffic and the readjusted ratings are readjusted to move the traffic and the readjusted ratings published in the classifications rather than in the exceptions.

In his opinion a preliminary reform, which could and should be effected now, is to require all ratings in all classifications to be uniformly stated as that percentage of first class which they actually represent, and to eliminate the many ratings that are designated by a "confusing array of numbers, letters and other meaningless symbols."

RESPONDENTS' POSITION

The position of respondents is that complete classification uniformity is impracticable; that the existing classifications perform useful and necessary functions, and there has been no such departure from or disregard of the principles of freight classification generally recognized or observed in the past as to make the existing classifications obsolete, or to warrant a new revised classification. They point out that the descriptions of articles, packing requirements and rules are now uniform, that substantial uniformity exists as to the ratings class 70 and higher, and that the principal remaining differences are with respect to carload ratings. These differences are regarded as fundamental, and respondents oppose changing the ratings solely to achieve uniformity. They contend that commercial conditions would be disturbed by precipitate changes, their revenues would be seriously affected, and attainment of uniformity would cause demands for an even greater number of exceptions to the classification and of commodity rates than now exists. In their opinion, a uniform classification is not in the best interests of the carriers or of the shipping public.

Even if complete uniformity were practicable and desirable, respondents contend it could not be prescribed in this proceeding because of the lack of evidence as to the lawfulness of any particular rating. In this connection they direct attention to the fact that there is no attack upon, and no evidence was introduced that would enable us to determine the lawfulness of, any given rating, but that the discussion in the record centered on the question whether it is desirable to have a uniform classification in all territories. They insist that the issue is whether the present classification ratings are unlawful in any respect, and not the desirability of a uniform classification. In their brief, respondents in official territory argue that the only question before us is: "Does this lack of uniformity mean that the ratings which are not uniform are, *per se*, unlawful, and if so, which of the ratings are unlawful, the high or the low, or both."

Evidence was introduced on behalf of respondents by members of their classification committees. Responding to our request, the principles according to which articles at present are assigned to the respective classes in the classifications were stated. These are: Weight per cubic foot of the article as packed, liability to damage, liability to damage to other goods with which loaded, the value per pound in comparison with analogous articles of light weight and value, comparison with competitive articles, possible movement in carloads, character of the article and of the packing to determine extent to which the capacity of cars can be used, commercial conditions and units of sales, trade conditions, and value of the service.

All these elements are considered, by the several classification committees in the rating of an article, but the weight accorded particular elements has changed in recent years. Formerly, when the railroads had practically a monopoly of transportation, the principle given the greatest consideration was value of service, described as the ability to bear a particular rating with profit to the shipper or manufacturer and the railroads. Less weight was accorded the cost of service element. Development of competitive transportation agencies with flexible service, and a disregard of the element of value by the competitive agencies in the determination of their charges, have reacted upon the policies of the classification committees with the result that generally weight density is now the dominant consideration in determining classification ratings. This does not mean that value and other principles of classification are completely eliminated from consideration; but it does mean that the value of an article does not control the rating to the extent it formerly did. An illustration of this change is the action of respondents in southern territory in reducing about 3,500 less-than-carload ratings on September 1, 1940, by the publication of exceptions to the classification in that territory. In the examination of the ratings included in the revision it had been noted that value to the exclusion of everything else originally had determined the higher rating in those instances where there were different ratings on the same article in different types of packages. The policy adopted in that revision was to assign the lower rating to the article packed in all kinds of acceptable containers, thus giving less weight to value.

During the past 20 years the western classification committee has endeavored to meet our desire for uniformity. It is claimed that while greater uniformity now exists than ever before, the result has been serious loss of revenue to the railroads, and that further uniformity can be accomplished only by additional losses which must be made up by increases on commodities produced in the West. Acting under instructions from the executive committees representing the railroads in official, southern, and western territories, in December 1936 the classification committees brought about substantial uniformity of ratings in class 70 and higher. This action caused more than 700 reductions in the West. But in September 1940 the publication by exceptions to southern classification of the 3,500 less-than-carload ratings on moving traffic in the South had the effect of destroying in large measure the high degree of actual uniformity in less-than-carload ratings that previously had been attained, even though apparent uniformity of the classifications in the same degree continued. It was declared that shippers want uniformity only when the revision is downward and oppose it when accomplished by increases.

Classes 55, 45, and 37½, regular classes 4, A, and 5, respectively, are described as important classes in western classification. Class 55 contains numerous less-than-carload and carload ratings, but the two others comprise carload ratings only. A witness gave the number of article descriptive items in these classes that are rated the same in official classification, the numbers thereof that are higher and lower, and the distribution of the items among ratings in official classification. Similar data are discussed in the chapter herein entitled "Analysis of Consolidated Classification," and the distribution is shown in appendixes 4 and 5 to this report. Class 45 is important largely because under it moves machinery of all kinds, as for example contractors' outfits and electrical machinery. This traffic, in official territory, moves mostly under class 40 or lower. Efforts to increase the ratings in official territory have been unsuccessful because of strong pressure exerted by manufacturers.

The comparisons indicated were made in order to illustrate the effect upon the carriers' revenues or upon the charges paid by the shipper which would result from a uniform classification. The chairman of the Western Classification Committee testified that, if there is to be uniformity, the ratings in western classification must be revised upward "unless you give the railroads away."

Requests for changes in classification are placed on the public dockets of the classification committees, and all interested persons are heard before a change is made. The rail carriers denied that changes suggested by the classification committee of one territory can not be made unless the committees of other territories agree to them. Sometimes a change is docketed that would seriously affect western territory, perhaps not on the particular article, but on competing articles. In such circumstances the western committee states its objections and suggests to the other committees that the change be published as an exception to the classification. Continuance of this procedure is advocated.

In 1907, at our insistence, a committee of 15 railroad representatives, with an equal number from official, southern, and western territories, was appointed to explore the matter of a uniform classification and to make recommendation. In April 1908, the committee reported to the executives of the railroads that it was feasible and desirable to make uniform rules, uniform descriptions, uniform packing regulations, and uniform minimum weights, but that uniformity of ratings was impossible. The committee met in cities throughout the country with national associations of shippers, received their recommendations and formulated uniform descriptions, rules, packing regulations, and minimum carload weights. Toward the end of Federal control the railroads, which began during World War I, the chairmen of the three major classification committees were called to Washington and were instructed to prepare a more simplified and consolidated classification. In that work, an effort was made to iron out some of the low and high spots, and after hearings, the proposed revision, with some modifications, was recommended by the Commission to the Director General of Railroads. *Consolidated Classification Case, supra.*

As an appendix to the report in that proceeding, a tentative classification was prepared by our staff which suggested it as a possible basis for bringing about uniformity in the classifications in the major territories. The proposal as such never became effective. The chairman of the western classification committee analyzed the ratings for article descriptive items whose initial letters were A to F, inclusive, in that proposal and found that the suggested changes in less-than-carload and carload ratings would have resulted in the following: Increases, 661 in official, 614 in southern and 496 in western; reductions, 700 in official, 623 in southern and 921 in western; total increases 1,771, total reductions 2,244. There are 329 additional pages in the tentative classification, and the witness estimated that a complete check would disclose that more than 10,000 changes in ratings were suggested. The analysis was made for the purpose of illustrating the serious effects upon shippers and carriers whenever a uniform classification is established.

In reply to a proposal that "the exceptions [to the classification] indicate a classification level which is appropriate to the present position of the rail carriers in the competitive field," the witness stated that the bulk of exceptions were made to meet motor competition, without consideration of the usual elements of classification, were inconsistent with one another, and could not serve as standards for a permanent and consistent classification, because every factor entering into the construction of a classification has been ignored in making the exceptions. Another serious question to be considered is the reduction in the differences between less-than-carload and carload ratings, if there should be reductions in the former. Such a situation would create demands for restoration of the former differences between less-than-carload and carload ratings.

If the application of official classification were extended to the Missouri River, the many exceptions to western classification would no longer apply in that portion of western territory, and, although there would be reductions in the ratings on numerous items in the classification, there also would be a sufficient number of increases to give the western ~~shippers concern.~~ Exceptions which would no longer apply are: Burlap, gunny, and jute bags, class 70 in official and class 55 in western territory; old wooden barrels, class 30, minimum 20,000 pounds, in western territory, and in official by exceptions, class 40, minimum 18,000 pounds, and class 45, minimum 14,000 pounds. All-freight rates in the West are classes 75 and 60, minimum 12,000 and 25,000 pounds, respectively. No corresponding exceptions were found in official territory, but it is understood that an all-freight rate of class

70, minimum 30,000 pounds, applies between certain points in that territory.

In determining ratings, the southern classification committee has been guided by principles stated from time to time in our decisions. Prior to the adoption of Consolidated Freight Classification No. 1, which combined in one book the official, southern and western classifications, effective December 30, 1919, the southern committee conducted its classification work entirely independant of the official and western classification committees. No formal record of data developed at periodic meetings with shippers was made. During that time the southern committee kept in touch with the ratings listed on the public dockets of the other committees, but those ratings were not controlling in the determination of ratings by the southern committee. For the reasons stated, the earlier records of the southern committee are lacking in the details of the transportation characteristics of articles classified, except in a few instances.

After December 30, 1919, the system previously observed by the southern committee was radically changed. Public dockets were made up and public hearings were held jointly by the southern, official, and western committees, and applications on approved forms for changes in ratings were demanded. Shippers were required to furnish information regarding the transportation characteristics of the articles. With the new procedure, which included a stenographic record of proceedings before the joint committee, data were obtained on which to base conclusions as to the propriety of changes requested.

The principal factor in determining southern classification ratings after 1919 and until recent years, except on unusually light and bulky articles, was value of service, described as "another term for the value of the commodity." The principles underlying the assignment of classification ratings have remained the same, but there has been a change in recent years in the influence of the controlling factors. The policies of the classification committees have been affected by competition between agencies of transportation, so that shipping weight density is now the dominant consideration in determining southern classification ratings. Value is of diminishing importance, and in certain instances as between like articles has disappeared altogether as a factor. The same is true also in the abandonment, to an extent, of differentiation and graduation of the ratings according to the methods or forms of packing.

The classification committees have no proposal or plan in contemplation for completely unifying the ratings in the classifications. There is, however, a definite trend in the direction of greater uniformity as indicated by the action in 1936, by which the ratings on virtually all articles in official, southern, and western classifications in class 70 or higher were made uniform. As additions and new items are given ratings an effort is made, particularly in the merchandise category, to establish uniform ratings. Section 4 of the act has had an important part in the revision of southern classification in that many hundreds of ratings have been reduced so as not to exceed, by percentage of first class, those in western classification. The policy generally of the southern committee is to make ratings no higher by percentage of first class than those on the same articles in official classification. In carrying out the policy many southern ratings would become lower than in western classification, requiring reductions in the latter in order to achieve uniformity.

The following illustration of the number of changes which would have to be made to bring about uniformity of ratings on articles in class 55 in southern classification was given, 297 less-than-carload and 843 carload ratings in official, and 897 less-than-carload and 157 carload ratings in western classification.

The contentions of respondents as summarized in their briefs are as follows:

1. Great headway has been made towards unifying the three major classifications.

2. Classification items are established largely with the aid and advice of shippers, and after public hearings held by the consolidated classification committee; and many have been prescribed by us.

3. The classification being not a unit but a multiplicity of individual items, we are not warranted even in the interest of uniformity in requiring changes except upon proper representations and information from those directly affected by such changes, and such representations and information were not submitted, despite our invitation to the public to appear.

4. Because of the manifest indifference of the shipping public, we have received no adequate evidence upon which we can conclude that any of the thousands of classification items are unlawful, especially in view of the facts that governed their origin.

5. Classification exceptions arose under circumstances which do not warrant their adoption as standards for classifying freight, or a requirement that they be established permanently as classification ratings.

6. We are not aided in reaching conclusions by the mere expression of an individual's preferences or desires without the support of competent and relevant evidence.

7. There has been no such departure from or disregard of the principles of freight classification, generally recognized and observed in the past, as either to make the classification obsolete or to warrant us in prescribing any new or revised classification.

8. For many years there has been no general desire or sentiment on the part of those who use the classifications for nation-wide uniformity in classification ratings.

Trends in classification changes.—To ascertain, if possible, what had influenced the assignment of articles of freight to particular classes, or the trends reflected in such assignments, we requested respondents to furnish specified information pertaining to changes in ratings and newly established ratings published in the past. The information sought and supplied covers the 800 of those actions as to each of the 3 major classifications that occurred immediately prior to January 1, 1931, and June 1, 1940, respectively, and also all after the latter date and until shortly before the hearing. It contains the name of the article rated or rerated; the former rating, if any, and the new rating; whether the rating was for any quantity, less-than-carloads, or carloads; and the weight per cubic foot and value per pound taken into account. Excluded from the request were indirect changes in ratings resulting from modification in packing or loading requirements, or reductions in ratings made without obtaining the prevailing value and weight density of the article, such as reductions made primarily to promote uniformity among the classifications or to remove departures from the provisions of section 4 of the act. The consequent periods are: First, from June 30, 1928, to December 31, 1930; second, from December 24, 1936, to May 31, 1940; and third, from June 1, 1940, to September 30, 1942. The third period embraces 804 changes or new items in official classification, 771 in southern, and 684 in western.

The following analysis is made from the information obtained:

Average weights per cubic foot and values per pound for classes which present sufficient items to obtain significant averages during the three periods for the three classifications, and for less-than-carload (or any quantity) and carload ratings, are compiled in appendix 6 to this report. The averages show the expected inverse relation between weight per cubic foot and value per pound, i. e., for a class containing items of low average weight per cubic foot the average value per pound is high, and vice versa. This relation is largely illusory, due to the wide range of weights and values about their averages within a class. There is no suggestive correlation between weight and value when the separate items are considered. Articles of high value may be accorded a comparatively high rating regardless of heavy or light weight, while light, bulky articles may be assigned a high rating despite low value per pound. In other words, while a high value combined with a low weight density usually yields a high rating, and a low value combined with high weight density a low rating, the in-between cases of high value with high weight, and low value with low weight are subject to the exigencies of the particular situation.

For less-than-carload ratings in the three classifications the average weights per cubic foot increase, and the average values per pound decrease, as the percent of first class becomes smaller, for each of the three periods under consideration. This comports with the theories that light and bulky goods should be rated at a higher level than heavy articles, and that valuable goods are better able to carry a high rating than less costly articles.

As between the three periods, in all classifications there occurred a marked decrease in the average weight per cubic foot of articles assigned to any one class between the first and second periods. This is an indication that bulkiness has lost part of its importance as a reason for assignment of relatively high ratings. Articles which would have been rated in a given class in the first period are now rated, on the average, in lower classes. Most of the change in this respect occurred between these two periods, there being little difference in average weights per cubic foot for any given class between the second and third periods.

The principal change in average value per pound for any given class came between the second and third periods. For the third period the average value per pound is considerably higher than was the case previously, indicating that goods which once would have been given a high rating because of high value are now being rated for other reasons at lesser percents of first class.

Carload ratings in the three classifications exhibit generally the same characteristics as to average weight per cubic foot and average value per pound as the less-than-carload ratings. The tendency of the average weight per cubic foot for any one class to diminish has not been as marked as in the case of less-than-carload ratings. The greater part of such change as has taken place occurred between the first and second periods. Average weight densities in the lower-rated classes in official and southern classifications have not changed significantly as between the first and third periods.

Average values per pound for articles in the various carload classes have tended to drop slightly between the first and second periods. However, between the second and third periods there was a marked increase in the average value of the goods assigned to any one class, indicating that goods of a given value are now being assigned to lower-rated classes than previously.

Some of the apparent changes in average values per pound are undoubtedly due to changes in the general price level. However, this cause is not sufficient to account for the variation in the value figures.

Between 1930 and June 1940, the Bureau of Labor Statistics index of wholesale prices of all commodities, except farm products, decreased 7 percent. The average value per pound for each of the various classes either increased somewhat in this interval, or decreased less than the general decrease in the price level, except in the cases of articles assigned for carload ratings to class 35 in official classification and to class 70 in southern and western classifications, indicating a net increase in average value per pound in all classes, except these, between the first and third periods.

The wholesale price index increased about 14 percent between 1930 and September 1942, the last month included in the third period. The average value per pound for each of the classes increased much more than 14 percent, except in the case of class 35 carload ratings in official classification, again indicating a true increase in the value of goods assigned to any one class.

As between June 1940 and September 1942, the third period, except for class 40 carload ratings in official classification and class 30 carload ratings in southern classification, the percentage increases in average values per pound assigned to the various classes greatly exceed a 22-percent increase in the wholesale price index.

In general, it will be observed that bulky goods are now being assigned to classes at a lower percentage of first class than prior to 1931, and that the average weight per cubic foot of the articles placed in any class is now lower than at that time. Likewise, articles of high value are now given ratings lower than those in the first period, the average value per pound of the items rated in any particular class being higher than in that period. Although not directly measurable, competition in any form is reflected in the attitude toward weight and value, which are measurable.

If the items appearing in the information furnished by respondents are examined with respect to the average[13] of the ratings assigned for various ranges of weight per cubic foot and value per pound, the observations heretofore made still hold. For this study, appendix 7 to this report was compiled to show by weight and value groupings the average ratings, in percentages of first class, assigned to article descriptive items that were rated or newly rated during the three periods, respectively, separately for less than carloads and carloads, in each of the three classifications. Weights per cubic foot of 70 pounds or more and values per pound of 60 cents or more are omitted, since items falling in these groupings are not sufficiently numerous to provide representative averages for significant weight and value intervals.

---

[13] The geometric average is used, since percentages are being averaged.

In the second period the tendency was to assign items of given weight densities to lower-rated classes than in the first period, about 10 years before. This tendency has been reversed for the lightest, bulkiest articles in the third period for both less-than-carload and carload ratings. In the latter category the heavier articles have continued to be assigned to lower-rated classes than in the first period. It will be noted that in the first period there was little difference in the average ratings for goods weighing between 20 and 70 pounds. In the third period the spread between the ratings for the intervals within this range has increased.

Generally speaking, the average ratings assigned to items of various values per pound increase with increased value. There are some exceptions, particularly in the carload ratings in the second period. The spread between the average ratings for articles value at less than 10 cents and those valued between 50 and 60 cents per pound has decreased considerably in the third period from what it was in the first period. This reduction is largely accounted for by the relatively greater decrease in ratings between the first and third periods for the higher-valued articles. This tends to verify the statement that in determining a rating, value as such is given less consideration than weight at the present time.

The information herein discussed was requested in the hope that it would enable the translation of the classification elements of weight density and value, along with others, into a formula or rule for the determination of lawful classification ratings. The analysis thereof produced interesting and instructive results. It developed that articles varying greatly in value and weight density are placed in the same class. Even the average percentage relations to first class of all articles in the respective classes are sometimes higher for the greater densities and lower values than for the lesser densities and greater values. These facts demonstrate that practically the classification committees have acted on their opinion that the importance of value and density in the classification of articles is not and cannot be determined by any fixed rule, but is dependent in large measure upon the exercise of judgment. Evolvement of the desired formula is therefore impossible. Although these elements must be taken into account in assigning an article to the proper class, they cannot be controlling or displace the sound judgment of experts in this field, who must appraise and evaluate these and other well-recognized classification elements and principles. The foregoing represents a fair summarization of the position taken by the respondents, as stated in their testimony and arguments.

SHIPPER INTERESTS OPPOSING UNIFORMITY

Public bodies in certain States,[14] and associations of shippers located in official territory, including New England, oppose the prescription of a uniform classification throughout the country. Generally, they take the position that the evidence does not warrant such prescription, and that a uniform classification, although it may be desirable, is not practicable because of the effects upon the revenues of the carriers, upon relations between shippers, and because transportation conditions in the different territories are not the same. Separate briefs were filed by interests in trunk-line, central, and New England territories and by the State of Ohio.

The trunk-line interests assert that, regardless of the desirability of a uniform classification, there is no basis in the present record for prescribing one. It is their view that before we can properly proceed with any unification of the present classification ratings in whole or in part, and before there can be intelligent consultation between the interested parties, having as an objective unification of the classification ratings, the following information must be developed:

1. The extent that the ratings on the various articles are the same or different in the three major classifications.

2. The extent that exception and column ratings are accorded the various articles in the same or different territories and interterritorially; also the percentage relation of each exception to first class.

3. The extent that exception and column ratings in each territory and interterritorially differ from: (*a*) The regular ratings published in the governing major classification, and (*b*) corresponding exception and column ratings in other territories, and for interritorial application.

4. The extent that exception and column ratings in each territory and interterritorially were established: (*a*) To meet actual needs and requirements of the respective articles by reason of their inherent nature and transportation characteristics, and (*b*) to meet motor-carrier competition or competition from other forms of transportation.

5. A list of commodities for which there is no need for a classification rating.

The relative weight or consideration that should be accorded to each of the foregoing items of information, claimed to be essential in order to determine the lawful rating on a particular article, is not elucidated.

These interests are concerned as to the effect upon freight charges to be paid by shippers, if unification should be accomplished by some kind of leveling or averaging process, because of the greater volume of traffic that moves on class rates in official territory than in other territories. If uniformity, for example, should be brought about by increasing fifth class (35 percent) in official territory to 40 percent, and reducing fifth class (45 percent) in southern territory to 40 percent, using 100 and 138 cents[15] as the first-class rates in official and southern territories, the fifth-class rate in official territory would be increased from 35 cents to 40 cents, and the fifth-class rate in southern territory reduced from 62 cents to 55 cents. Similarly, if sixth class (27.5 percent) in official territory is increased to 34 percent and sixth class (40 percent) in southern territory is reduced to 34 percent, the sixth-class rate in official territory would be increased from 28 cents to 34 cents, and the sixth-class rate in southern territory reduced from 55 cents to 47 cents.

---

[14] Connecticut, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Rhode Island, Vermont, and Wisconsin

Some simplification of the classifications is possible without actually changing relations or the substance of the ratings. This can be done if, in instances in which ratings in the 3 major classifications on a particular article differ in nomenclature but bear the same percentage relation to first class, the same term for the same percentage is adopted in all classifications. For example, rule 26 in official classification is 55 percent of first class, and fourth class in southern and western classifications is also 55 percent. In the 3 classifications there are also a number of ratings which are stated as 55 percent of first class. If the same term were used in the 3 classifications for all such ratings, there would be both apparent and actual uniformity of 565 less-than-carload and 1,708 carload ratings, where at present there are apparent but not actual differences. Such simplification would reduce by a substantial number the variations which appear to exist between the several classifications.

The central territory interests also oppose the making of an order requiring uniformity of classification ratings. They object to any required uniformity, upon the grounds, among others, that the several classification committees should continue to have freedom of action to classify articles in their own territories in the light of prevailing transportation and traffic conditions, commercial demands and necessities, and competition, with which they are familiar. There are two reforms that they do favor. One is for a uniform nomenclature for the classes in the different classifications, and the other is a uniform relation between the several classes.

In support of their proposals for a uniform nomenclature in the several classifications and uniform percentage relations between the classes, they emphasize the fact that the greatest degree of uniformity has been attained in those ratings where the class designation and the class percentage are uniform. When there is a deviation, either as to the name of the class or as to the class percentage, there is a marked decrease in the percentage of uniformity. In instances where there is neither a corresponding class by name or percentage, there is practically no uniformity. In those situations there is a tendency to distribute ratings over a much wider range of classes, They assert that these obstacles can be overcome in only one practical way, and that is by setting up a standard set of classes to be adopted by all the classification committees. As to the number of classes, they have no definite opinion, but suggest that this report include a tentative proposal for a specific number of classes for discussion and argument.

---

[15] Intended to represent the average of the first-class rates for all distance blocks in the 1,500-mile basic scales prescribed in the eastern and southern revisions.

The New England interests urge that the evidence shows that the existing classifications are lawful, and refer to the absence of any complaints from shippers; that the mere fact of a difference in ratings does not prove that one or the other rating is unreasonable or otherwise unlawful; and that factors which determine the rating to be accorded a particular article bear with varying importance in different regions. Even if a uniform classification were desirable and could be properly ordered, they contend that there is no basis for the prescription of such classification because data with respect to the relative importance by territories of the various factors which enter into and affect the classification of freight are not of record. It is claimed that the absence of these data precludes us from ordering a revision of the classifications, and that the evidence clearly shows that uniformity of classification ratings is not warranted.

The State of Ohio requests that, if we should find that a uniform classification is necessary and desirable, respondents should be allowed sufficient time properly to prepare such classification, based upon principles heretofore prescribed or recognized by us in arriving at proper ratings, and that conferences between shippers and carriers be permitted prior to its submission as an exhibit in this proceeding; further, that before ordering the formal filing of a revised classification, hearings should be held to receive evidence thereon; and that we should require a traffic study, based upon any proposed revised ratings, in order to determine their effect on the revenues and movement of freight traffic.

Opposition to any general revision of southern classification or of the southern class-rate structures was expressed by witnesses representing Southern States Industrial Council, a voluntary, nonprofit organization composed of important manufacturing interests located in 13 southern States, certain shippers in Tennessee, and of 60 individual shippers in the South whose operations are small or only moderately large. Their evidence was directed principally to the effect upon southern industry of uniform class rates, and related only incidentally to classification; but they declared that no evidence was introduced to aid us in formulating a new classification, and therefore it is neither possible nor practicable to proceed with its preparation. Representatives of Louisville, Ky., Board of Trade and Cincinnati Chamber of Commerce oppose revision of the existing class-rate structures, and refer to the fact that they were made after exhaustive and painstaking investigations.

PROPONENTS OF UNIFORM CLASSIFICATION, OR EXTENSION OF OFFICIAL CLASSIFICATION

The major classifications have been compared and analyzed, and the diversity of the ratings has been shown. Proponents either of a uniform classification or of the extension of official classification to other sections of the country introduced voluminous evidence, showing the effect of the lack of uniformity upon shippers in their territories, and the extent to which the classifications have been rendered useless by the establishment of exceptions and commodity rates. It is impracticable and unnecessary to state the substance of the evidence of each witness. Much of it has been discussed earlier herein, and all has been carefully considered. It is appropriate to set forth the positions of these proponents of classification changes, and to refer to such additional evidence as tends to support their respective positions.

The Southern Governors' Conference, appearing on behalf of the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee is of the view that the present class-rate structure, including the classifications, within the South, and between the South and other territories, no longer meets the needs of commerce and is unreasonable and unduly prejudicial. It advocates a uniform classification throughout the country, but until such a classification is worked out, it suggests the extension of official classification for application throughout the territory east of the Mississippi River. Similar positions were taken by the Southeastern Association of Railroad and Utilities Commissioners, the State of Florida separately, and the Southern Traffic League.

The regulatory bodies of the Southwestern States and of the western trunk-line States of North Dakota, South Dakota, and Nebraska, Tennessee Valley Authority, American Farm Bureau Federation, motor-carrier interests, and associations of shippers in southern, southwestern, and western trunk-line States advocate a uniform classification throughout the country. In its brief, the Tennessee Valley Authority suggests a plan of uniform classification with class 100 as an index, and intervals, between classes, of 5 percentage points from 100 to 35 percent, 2½ percentage points between classes below 35 percent, and 25 percentage points between classes higher than class 100.

It has been shown that a large number of articles are rated in one classification differently from those in another, which generally results in different charges on the same article in the various territories. Even when an article is rated lower in one territory than in another, the shipper with the lower rating may be at a disadvantage as compared with the shipper with the higher rating, because of higher territorial rate levels and the less favorable percentage relations between the classes in the territories. In some instances, the disadvantage is overcome because the advantage in the ratings is sufficient to wipe out the differences in rate levels and in relations between the classes. But in many instances, the existence of ratings in one territory lower than in another does not result in lower charges in the former because the difference in ratings is not sufficient to neutralize the rate disadvantage caused by the variations between class-rate levels and relations between the classes. The rate effect of such differences is indicated in appendixes 2 and 3 to this report.

Kentucky State authorities do not question the desirability of a uniform classification throughout the country, but are chiefly interested in obtaining for the entire State of Kentucky a classification which does not differ from that applicable in official territory. At present the official-territory rate structure applies in the northeastern part of that State.

State authorities, shippers and manufacturers in Iowa, Minnesota, and Wisconsin seek the extension of official classification to govern traffic within these States and between them and official territory. The Minnesota commission also advocates the cancelation of all exception ratings and their transfer to the classification; and Green Bay, Wis., asks that, if Wisconsin's request is not granted in its entirety, official classification be extended at least to that community and nearby points.

Some interests ask that, if a uniform classification is not required, the classification applicable within the territory of destination be prescribed to govern interterritorial rates.

Evidence was introduced by some of the interests named under this subheading relating to economic, traffic, and transportation conditions in the territories or communities they represent, as compared with corresponding data for other territories or communities where different classifications and rate levels apply. The purpose of these data is to prove that such conditions are sufficiently alike to warrant a common level of class rates and the same classification. Most of the evidence deals with the class-rate situation and is not directed specifically to the matter of classification. Such evidence will be discussed in part II of this report.

MOTOR CARRIERS' SUGGESTED FORMULA FOR RATINGS

Certain motor carrier interests, consisting of a national association of carriers by motor vehicle and a number of their territorial rate bureaus or conferences, urge the prescription of a nation-wide, stable freight classification to be applied uniformly by all freight carriers subject to the act. However, only all-rail and rail-and-water ratings are in issue. These interests further urge that such classification be based upon defined principles of value, density, utility, and risk. In this proceeding they are concerned chiefly with package freight in less than carloads and carloads, which is competitive between rail and motor carriers, leaving to the railroads the classification of the kind of freight that moves predominantly by railroad, particularly that handled in open-top equipment. This is apparent from the scale of ratings they advocate, the lowest of which is class 50 (denominated class 15 in their formula), whereas the lowest rating contained in the present railroad classifications is class 17½.

These interests suggest that before a revised classification is promulgated, a comprehensive traffic test be made to develop the following information, regarded by them as a prerequisite to the establishment of a just and reasonable revised classification and class-rate system:

1. Normal movement in cars, tons, and ton-miles of articles covered by the individual items of the revised classification.

2. Normal intraterritorial and interterritorial movement in cars, tons, and ton-miles under each classification item.

3. The volume in cars, tons, and ton-miles of traffic moving under the revised classification which would fall within each of the classes in such classification, segregated territorially.

4. The revenues and volume in cars, tons, and ton-miles of traffic moving under commodity or other special rates not subject to the classification, segregated territorially.

As the information described is not kept currently by respondents it can be developed only by a detailed waybill analysis, and the rerating of a sufficient volume to present a typical picture. Because of war conditions, either the waybills of a prewar period must be selected, collected, and analyzed, an expensive undertaking, or the test must be deferred until after the war, when it can be made much more economically upon a current basis, and would be typical of conditions in the postwar period.

The view of these motor carrier interests is that after a uniform nation-wide classification has been established, changes therein should be permitted only upon an affirmative showing of a necessity therefor; that no exceptions should be allowed upon a territorial basis; and that the burden of proof as to need and propriety of a specific exception should be affirmatively placed upon the proponent.

Pending the establishment of such a classification, made according to the principles and upon the basis of a formula advanced by them, the motor carriers suggest the extension of official classification to include southern territory. They contend that, from the standpoint of an industrial region such as official territory now is and southern territory is rapidly becoming, the official classification is better designed than the southern, said to be the outgrowth of a classification for a territory that originally was predominantly agricultural.

In an endeavor to arrive at a formula which would provide a simple means for classifying all articles of commerce, a survey of traffic handled by motor carriers was made. It covered 24 class I motor carriers operating in various parts of the country with operating revenues in 1940 of over $50,000,000. Ten of them were in the East, 9 in the South, and 5 in the West. The results were analyzed and a formula was presented to be used in the classification of articles. The controlling principle is said to be a proper and nondiscriminatory evaluation of the chief transportation characteristics that affect the movement of traffic, namely (1) value of the service, (2) cubic weight density of the freight, and (3) the risk involved. The formula about to be described is suggested as something not immutable, but one which the rail carriers might be required to use as a general basis in revising and simplifying the classifications and class-rate structures.

The element of value to be used is the weighted average of domestic articles at point of manufacture and of imported articles at port of entry, but it is admitted that much must be left to judgment in this respect. Nine groups of value are suggested, stated in cents per pound over the lower but not over the higher amount, as follows: 0 to 5 (base group), 5 to 10, 10 to 15, 15 to 25, 25 to 50, 50 to 100, 100 to 200, 200 to 400, and over 400 (maximum group). It is conceded that the formula would have to be adjusted in the event of a substantial rise or fall in general values.

Weight density determines to a certain extent the relative efficiency of the utilization of equipment, because there is a direct relation between the cubical loading capacity and the maximum load which a vehicle can carry. The formula uses as a base for this factor 22½ pounds per cubic foot as a maximum density, although the density of commodities handled in railroad boxcars ranges up to 180 pounds and over per cubic foot. The six groups suggested to take care of the element of weight density in classifying articles are, 22½-pound group to include freight weighing 20 pounds and over; 17½-pound group, 15 pounds but under 20; 12½-pound group, 9.25 pounds but under 15; 7½-pound group, 6.75 pounds but under 9.25; 5-pound group, 4.25 pounds but under 6.75; and 2½-pound group, under 4.25 pounds.

Theoretically, a car of a given cubic capacity will carry approximately 28 percent greater load of a commodity having a density of 22½ than of one with a density of 17½ pounds, 80 percent more than one of a density of 12½ pounds, 200 percent more than one with a density of 7½ pounds, 350 percent more than one of a density of 5 pounds, and 800 percent more than one with a density of 2½ pounds. It is claimed that actually relative efficiency in the utilization of cubic space increases as the density diminishes. The weight of 22½ pounds is described as the optimum or most favorable density in handling traffic as respects transportation costs, and it is stated that package freight having greater density has little or no advantage over the optimum in respect to transportation economy. For the reasons given, the motor carriers propose the following relations of other densities to the base of 22½ pounds; 17½ pounds, 125 percent; 12½ pounds, 175 percent; 7½ pounds, 250 percent; 5 pounds, 350 percent; and 2½ pounds, 600 percent. These relations are said to be predicated, to a large extent, on what the traffic will bear, and are the result of experimentation with various percentages.

Value is one of the elements to be considered in the classification of articles. The motor carriers suggest that in determining this element the intrinsic value of a given article and its economic essentiality and utility must be considered and evaluated for classification purposes. The necessity therefor is the failure of some traffic, highly essential but of low value, to meet fully the transportation burden. To offset this failure, articles of higher value and less economic utility must be rated above the average cost of the service; otherwise it would not be possible to maintain the transportation system. In the formula the lowest-valued articles, those in the 5 cents per pound group, are given a base rating factor of 100 percent. Rating factors suggested for the other per-pound value groups are as follows: Between 5 and 10 cents, 105 percent; between 10 and 15 cents, 115 percent; between 15 and 25 cents, 125 percent; between 25 and 50 cents, 140 percent; between 50 and 100 cents, 160 percent; between 100 and 200 cents, 180 percent; between 200 and 400 cents, 200 percent; and over 400 cents, 225 percent. The manner in which these percentages were determined was not explained.

Rating factors, determined as described, are shown in what is called a "Value-Density Table," reproduced below:

Value in cents per pound	Percentage	Density per cubic foot, in pounds					
	Base	22½ (base)	17½ (125 percent)	12½ (175 percent)	7½ (250 percent)	5 (350 percent)	2½ (600 percent)
Over 0 and not over 5	Base	50	62½	82½	125	175	300
Over 5 and not over 10	105	52½	65½	92	130	180	310
Over 10 and not over 15	115	57½	72	100	135	190	335
Over 15 and not over 25	125	62½	78	107	145	200	360
Over 25 and not over 50	140	70	86	117½	162½	215	385
Over 50 and not over 100	160	80	99	135	187½	235	410
Over 100 and not over 200	180	90	110	150	210	250	425
Over 200 and not over 400	200	100	122½	165	235	275	435
Over 400	225	112½	135	180	250	300	450

In the foregoing table, the density rating factors for the various density groups are obtained by applying the percentages shown horizontally to the base (the figure 50); and the value rating factors are determined by applying the percentages shown vertically to the base (the figure 50). For example, the rating factor of 62½ in the 17½ pound group is 125 percent of the rating factor of 50 in the 22½ pound group. If the article is in the value group of over 5 and not over 10 cents per pound, the density-value rating factor becomes 65½ which is 105 percent of 62½.

The rating factors as shown in the table are converted into 23 percentage groups, and to each group is assigned a percentage, which in some instances is the average of the rating factors in the group. These groups are then converted into 15 numbered and 8 lettered classes, the former ranging from class 1 (100 percent) to class 15 (50 percent), the lowest class proposed, and the latter from class A (450 percent) to class H (110 percent). The relation between the numbered classes is such that beginning with class 15 and proceeding upward to class 1 each class is not less than 95 percent of the next higher class, but differences proposed between the lettered classes are greater. The following table shows the range of the rating factors, the mean rating factor, and the classes into which articles would be placed by the use of the mean rating factors:

First and lower classes

Rating factor range	Mean rating factor	Class	Rating factor range	Mean rating factor	Class
98 to 105	100	1	65½ to 68	67	9
93 to 97	95	2	62½ to 65	64	10
89 to 92	90	3	60 to 62	61	11
85 to 88	86	4	57 to 59	58	12
80 to 84	82	5	54 to 56	55	13
77 to 79	78	6	52 to 53	52½	14
73 to 76	74	7	50 to 51	50	15
69 to 72	70	8			

Classes higher than first class

Rating factor range	Mean rating factor	Class	Rating factor range	Mean rating factor	Class
416 and up	450	A	171 to 212	189	E
333 to 415	366	B	136 to 170	151	F
266 to 332	[illegible]	C	116 to 135	121	G
213 to 265	236	D	106 to 115	110	H

The ratings in the value-density formula would be readjusted or modified according to the utility of the article. Basic necessaries would take 100 percent of the rating shown in the foregoing table, and the following groups of commodities would be related to the basic-necessaries group by the following percentages: Basic raw materials and unprocessed farm products, 85 percent; processed farm products, 90 percent; industrial materials, 95 percent; partial necessaries, 105 percent; industrial equipment, 110 percent; luxuries and accessories, 115 percent. The 85, 90, and 95 percent groups would be subject to class 15 as minimum for less-than-carload traffic. These figures represent the judgment of proponents and are not derived from any test.

The ratings determined by the value-density formula, as modified by the utility percentages, would be further modified to reflect the inherent qualities of the particular article in respect of susceptibility to theft or damage, its contaminating or perishable character, its stowage possibilities, size, weight and shape of package, and the care or attention necessary in transporting it. The consideration to be given these elements must be a matter of judgment based on transportation experience.

It is proposed that the same classification be used for less-than-carload and carload freight, except that in the case of low-grade raw materials and unprocessed farm products which move exclusively, or almost exclusively, in carloads, special carload classes should be set up. The nature of these special classes or the manner in which they should be determined are not elaborated. It is also suggested that there should be dual scales of class rates for less-than-carload and carload traffic, and that such scales, if properly constructed, would remove any necessity for carload ratings different from less-than-carload ratings on most articles.

In presenting the formula, the motor carriers admitted that in the classification of articles necessarily judgment must be exercised, in marked degree, and stated that the particular rating factors which they suggest are put forth merely to illustrate what they think might be done. The principles of classificaion might be appraised in a different and equally satisfactory manner by others. The important thing, in their opinion, is not so much what particular rating factors are finally prescribed, but that a clear-cut, precise, and uniform definition of principles be made and the weight to be uniformly accorded them be defined.

Respondents challenge the so-called formula as not a formula at all, but only a beginning for the exercise, as always, of judgment by classification experts respecting the proper classification of particular articles. Several comparisons of existing ratings with those obtained by use of the formula were submitted. They are:

	Present less-than-carload ratings (percent of first class)	Formula rating (percent of first class)
Mattresses	150	189
Cigarettes	85	121
Hats and caps	200	450
Ice-cream cones	100	226
Bakery goods	70	100
Rock-wool batts	85	258

The observations made in respect to the analysis of the information furnished by respondents regarding the classification elements of weight density and value are applicable here. In other words, we think that a formula such as is here suggested by the motor carriers is not practicable for use by the rail carriers universally. As stated, it is designed for package freight only, but does not distinguish between the containers used or the manner of packing, and makes no real provision for articles of great weight density or high value, nor, of course, for bulk freight.

CONCLUSIONS AND FINDINGS AS TO CLASSIFICATION OF FREIGHT

These investigations afford the first opportunity for us to pass upon ratings as a whole in all classifications governing class rates on interstate and foreign traffic between all points throughout the United States. No recommendation regarding ratings was made in *Consolidated Classification Case, supra*, for reasons stated in that report.

Section 1 (4) of part I of the act provides that it shall be the duty of every common carrier subject to that part to furnish transportation upon reasonable request therefor, and to establish just and reasonable classifications applicable to freight rates and charges; and section 1 (6) prohibits every unjust and unreasonable classification. Section 3 (1) declares that it shall be unlawful for any common carrier subject to part I to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever. Section 15 (1) of the act requires us to find and prescribe what will be the just, fair, and reasonable classification to be thereafter followed. Under the provisions of the act, we are empowered and directed to determine whether the present classifications of freight are unlawful in any respect, and, if they are unlawful, to require the establishment of a lawful classification.

The notice of January 9, 1940, to the parties and the public stated that one of the matters to be considered in this investigation was whether the establishment throughout the country of a rail and water classification, simplified and uniform, or more nearly uniform when compared with the present consolidated freight classification, would be lawful and practicable. They were informed that in the earlier stages of the hearings evidence would not be received pertaining to the classification descriptions, minima and ratings on individual articles, save to the extent necessary to develop and illustrate facts relevant and material to the general aspects of the matters in issue.

At the hearing the evidence produced relating to the classification of freight consisted chiefly of comparisons of the ratings in the three major classifications, the effect of the ratings upon the charges paid by shippers in the principal freight-rate territories, and the extent to which the classifications have been departed from by the establishment of exception ratings and commodity rates. There is no evidence which would enable us to determine whether any particular classification rating, description, or carload minimum is unreasonable. Nor was any specific formula proposed for use in the construction of a revised classification, except that advanced by certain motor-carrier interests.

The evidence and arguments of most proponents of changes in the classification were directed to the propositions that there should be a uniform classification throughout the United States, that the application of the official classification should be extended to embrace the entire country, or the South and large sections of the West, and that the percentage relations between the classes should be uniform in all rate territories. There was a suggestion by some that the ratings in the exceptions should be substituted for those in the classifications, but such exception ratings are probably more diverse than the ratings in the classifications. A plan proposed for simplification of the classifications contemplates stating the classes in percentages of 100 with uniform relations between the classes.

Uniformity in classification has been an objective since the passage of the act in 1887. Progress in that direction has been made, and there is now substantial uniformity in classification rules and descriptions, and in the ratings of class 70 and higher. Much of the present uniformity in ratings is theoretical rather than actual, in that while its exists as to the classifications proper, exceptions to the respective classifications provide literally thousands of lower ratings on the same articles. The exceptions may apply in one territory and not in another, or they may apply in parts of but not all the same territory. In recent years exception ratings have increased in number, principally as the result of competitive forces, and apply to a greater volume of traffic than is transported under ratings in the classification.

There is less uniformity in the carload than in less-than-carload ratings, except in the South where the 3,500 less-than-carload exception ratings were established in 1940. This is owing partly to the fact that the relations between classes lower than class 70, which embrace most of the carload ratings, are different in the three major classifications, because the number of regular classes in the classifications varies, and because of the absence in a particular classification of a class whose percentage relation to first class is the same as that of a class in another classification. In addition, differences in ratings on the same article in the three major classifications have been influenced by revenue needs of the carriers in the respective territories, by variations in rate levels, by competition between carriers, by pressure of shippers, and by the diverse judgments of the members of the several classification committees.

Few question the desirability of classification uniformity, but those who oppose uniformity contend that it is not practicable. This contention is based primarily upon the apprehension that in any unification many ratings will be reduced, thereby affecting the revenues of the carriers, and that established relations between shippers and between articles will be altered by any changes. Dissimilar conditions in the different territories and their effect upon the movement of traffic also are advanced as justifying varying ratings in the several classifications. The present classifications are said to reflect the needs of shippers and carriers, and the methods employed in the classification of articles are claimed to be duly responsive to changes in conditions as they occur. It is asserted that these results would not be possible under a uniform classification, except by the establishment of exception ratings and commodity rates; and if they are established in large number to meet the needs of commerce, there would be only theoretical uniformity, and the actual situation would remain the same.

From a practical standpoint, unification of ratings would remove serious complications, encountered in border areas where classification territories adjoin, in connection with through interterritorial rates governed by one of the classifications. So long as there were no such rates, particularly class rates, as was predominantly the situation before 1928, differences between the classifications presented comparatively few tariff problems, because the through rates were made by combining rate factors to and from the territorial gateways, and the application of a rating to one factor different from that governing the other caused little difficulty. But the advent of interterritorial class rates, governed by a single classification, created complicated tariff problems, numerous instances of undue prejudice and preference, departures from the long-and-short-haul and aggregate-of-intermediates provisions of section 4 of the act, and rates different in opposite directions between the same points.

The situation gave rise to many complaints, required the granting of relief from section 4, called for the prescription of the rates in effect in one of the territories, as the minimum basis, and necessitated the resort to supplementary distance scales of rates in order to avoid excessive differences between intraterritorial rates to border points and interterritorial rates to points just beyond the border.

The situation created by the diversity of ratings and classes in the several classifications, the lack of uniformity in percentage relations between the classes, and the designation of classes in the classifications by different numbers or letters, have combined to compel the establishment of countless exceptions which have shorn the ratings in the classifications of much of their usefulness and proper function. This is shown by the fact that the volume of traffic, particularly in carloads, moved at class rates subject to ratings in the classifications is relatively small both intraterritorially and interterritorially, and is considerably less than that moved at rates under exceptions. It is clear that the existing classifications are outmoded and should be revised.

Although classification is not an exact science, no convincing reason appears why the same principles of classification should not be applied in every territory, to the same article of commerce, or why substantially the same weight should not be accorded to those principles, in determining the rating of the article for movement anywhere in the country.

The alleged differences in conditions in various portions of the country, referred to by those opposing a uniform classification, and considered by them as insurmountable obstacles to uniformity, are principally competition, variations in territorial rate levels, and differences in the composition of traffic. Competition may exist between dissimilar articles used for the same purpose, between shippers in different territories, and between transportation agencies. None of these forms justifies diverse ratings in different territories. Exceptions to the classification may be essential in order that competition between shippers or with other forms of transportation may continue, but in the process of providing classification ratings, it is improper to give such competition any weight.

Variations in the territorial class-rate levels have been responsible to a degree for some of the differences in ratings in the several classifications. Where the level of rates in one territory was higher than in another, ratings in the former were sometimes made lower in order to offset, wholly or partly, the rate disadvantage of the shipper in the higher-rated territory. This disadvantage is usually removed or lessened by the publication of exceptions or commodity rates. Classifications are not the correct media for remedying inequalities in territorial class-rate levels, which should be accomplished by modifying the rates themselves. Where adequate justification exists for lower charges in a portion of a territory, or from and to particular points, the proper remedy is the establishment of lawful exceptions to the classification, or commodity rates. The situation described does not justify exceptions that have territory-wide application and afford relatively lower rates than in the immediately adjoining or adjacent territory.

While exceptions to classifications are not in issue in this proceeding, it is difficult to understand how a particular rating on a given article or description of traffic is justified for application throughout an entire present classification territory, but is not extended to an adjoining territory. It would be unusual if the justifying conditions ended abruptly at the territorial boundaries.

Differences in classification ratings are defended upon the ground that they are justified by differences in the composition of traffic in the several territories. Thus in one territory, there may be a large movement of low-grade commodities on which the ratings are relatively low and a small movement of manufactured articles on which the ratings are relatively high, and in another territory the reverse may be true. The contention is that in order to obtain the necessary revenue, it is proper to make the ratings higher in one territory than in another. This presupposes that in the determination of a reasonable rating consideration and weight must be given to the volume of the traffic in the respective territories.

We believe that the assignment to the same article of commerce of a rating which is different (in terms of percentage relation between class rates governed thereby) throughout one territory from the rating in another, because the article moves in large volume in the one as a whole and in small volume in the other, causes undue preference and prejudice between the shippers in the two territories, as well as between the traffic and between the territories. A heavy movement between particular points might be so great and regular as to justify commodity rates between such points lower than the corresponding rates under classification ratings, and heavy movements between many points in a broader, though localized, area might justify exceptions to the classification restricted to such area; but neither situation would warrant classification, or exception, ratings throughout one of the present extensive classification territories, different from those in the adjoining territory.

Probably the principal objection of respondents to a uniform classification is their apprehension that its achievement may adversely affect their revenues. Sufficient revenues to maintain and operate the carriers are of course essential, but their needs should not be satisfied by practicing undue preferences and prejudices in ratings such as are shown by the evidence. The revenues required should be provided by rate levels high enough to produce funds for their needs, and not by resort to increases in classification ratings that cause unlawfulness. The aim for uniformity is not merely for the sake of uniformity, but to remove the resulting unjust differences in rates.

From the standpoint of classification of freight for the ascertainment of class rates that are themselves on a lawful basis, no sound reason has been adduced by respondents or other opponents why there should not be complete unification of the ratings throughout the country. The fact that uniformity has progressed to the present degree is proof that it should be practicable as to all articles.

Respondents and shipper interests, mostly in official territory, plead that the railroads' classification committees be permitted the continued freedom of action to determine the classification ratings according to their fully informed judgment of conditions prevailing in their respective territories. They imply thereby that the committee members do not possess adequate knowledge, or can not obtain information, concerning adjoining territories. This plea ignores the significant fact that each of the three major classifications has extensive interterritorial application, and the committee members must of necessity comprehend the conditions in other territories. Thus, official classification governs class rates from Norfolk, Va. to Duluth, Minn., and from Salt Lake City, Utah, to New York, N. Y.; southern classification, from New Orleans, La., to Eastport, Maine, and from Minot, N. Dak., to Miami, Fla.; and western classification, from Brownsville, Tex., to Bay City, Mich., and from Charleston, S. C., to Cheyenne, Wyo., as well as transcontinental traffic between the Pacific coast and the Atlantic seaboard.

Long before our decisions prescribing interterritorial class rates, the carriers subjected to a single classification the interterritorial rates which they had voluntarily established. Of the latter character may be mentioned transcontinental rates, governed by western classification; joint rates between central territory east of Illinois and Duluth and Twin Cities, Minn., and the intermediate area in Minnesota and Wisconsin, and from trunk-line territory to the latter points and area, governed by official classification; and through rates between the Southwest and official territory, and from parts of western trunk-line territory to Mississippi Valley, governed by western classification.

Moreover, conditions are not the same throughout the respective territories within which official, southern, and western classifications govern, and which embrace roughly 14, 13, and 73 percent of the nearly 3 million square miles of land area of the country. There are marked contrasts in conditions between northern Maine and southern Illinois in official territory, Florida and Kentucky in southern territory, and North Dakota and southern California in western territory, yet the classification committees have determined upon one rating for a given article throughout each territory. Despite the fact that conditions are not shown to vary in homogeneous regions, like the Mississippi and Ohio River Valleys and southern West Virginia and Virginia, through which pass the present territorial dividing lines consisting only of rivers or railroads, the committees have developed classifications in neighboring sections on either side of such lines that are different, and ratings on many articles vastly different.

It is apparent from the record that members of the classification committees, who have expert knowledge of transportation, economic, production, commercial, and industrial conditions sufficient to determine ratings within these extensive classification territories and between them, acting as one committee, if willing, could initially decide upon uniform ratings for the entire country throughout which they now determine the ratings, with close approximation to the standards of justness and reasonableness laid down in the act. They have done so, but only in part.

The preponderance of the testimony is that of the various classifications now in force, or which have been suggested upon the record, the pattern of the official classification is the one which best comports with the requirements of the statute that the individual and joint classifications shall be just, fair, and reasonable, for application uniformly throughout the country. This, however, does not carry the implication that the official classification as it stands is suitable for general application. The existence of the numerous exception ratings which have been required by the exigencies of commerce, and the almost total omission to make use of the intermediate columns prescribed in *Eastern Class Rate Investigation, supra*, except by withdrawing the commodities from the classification, are most persuasive that a rerating of the official classification itself is necessary so that the individual ratings therein shall be reasonable, fair, and just. To this end it will be necessary to examine the various exceptions upon their merits, and as far as possible to weave them into the going classification. Only when this is done can any classification be said to be fair, just, and reasonable. Nevertheless, there must be a pattern, and the pattern which seems to us to comport best with the standards of the act is that of the official classification, with the added classes set forth as percentage columns in Finding 1 of the report in *Eastern Class Rate Investigation, supra.*

Respondents and certain others assert that on this record we cannot require a change in any of the classification ratings because no evidence was received concerning individual articles. We think they are in error. Abundant evidence has been received showing that the differences in classification ratings compel shippers, in each of the classification territories, to pay on certain articles transportation rates that are relatively higher than the rates paid on the same articles by shippers in one or both of the other territories, considering present class-rate levels in the respective rate territories. In fact, on many articles a shipper in a lower-rated territory must pay higher rates than one in a higher-rated territory, owing to differences in classification ratings. The showing made is typical of the entire situation at present, and would continue so with whatever rate level or levels we may find lawful in docket No. 28300 or in any other proceeding. The duty is not imposed upon us in a proceeding of this character to receive and consider evidence as to each of the more than 20,000 less-than-carload and carload ratings in the classifications, and to find as to each of them whether the rating is lawful. General findings may be made as to classifications and territories as a whole. No adequate justification has been offered for the wholesale advantages and disadvantages resulting from the classification differences.

The primary purpose of a freight classification is to assign each article, or a group of articles, to a class according to well-known classification principles or elements which recognize distinctions from a transportation standpoint, along fairly broad lines, in order to meet the needs of commerce. None of the principles or elements should be controlling, but all that are relevant should be considered. Among them are: Weight per cubic foot and value per pound as packed for shipment; liability to loss, damage, waste, or theft in transit; likelihood of injury to other freight with which it may come in contact; risks due to hazards of carriage; kind of container or package as bearing upon the matter of liability or risk; expense of, and care in, handling; ratings on analogous articles; fair relation of ratings as between all articles; competition between articles of different description but largely used for similar purposes; commercial conditions and units of sales; trade conditions; value of service; volume of movement for the entire country in either less than carloads or carloads; adaptability to movement in carloads; and carload minimum weights fair to carriers and shippers. These transportation characteristics would be substantially similar on most articles irrespective of the territory in which the movement occurs.

Classification of freight has long been recognized as an important phase of rate making. Section 1 (4) and (6) of the act, already referred to, read in connection with section 15 (1), make it the specific duty of all common carriers by railroad to establish, observe, and enforce just, fair, and reasonable classifications of property for transportation. The basic considerations which should determine the classification of an article, as previously explained herein, are generally the same in all territories. That being true, it follows that wherever differences in transportation conditions from a geographic standpoint are sufficient to require recognition in the rate structure, the situation should be met in the levels of the rates themselves, supplemented, wherever desirable, by the employment of a limited number of exception ratings in connection with the established rates, rather than in the basic freight classification itself. The use of classifications to accomplish such purposes inevitably leads to inequitable and indefensible results. Without reiterating the defenses urged for the large number of disparities that now exist in classification ratings in the several territories, it is clear that they are not now reasonable and are unjustified. Furthermore, the departures from the standard classification ratings brought about by the employment of an ever increasing number of exception ratings furnish ample proof, in addition to the other facts of record which point to the same conclusion, that the three primary classifications and the Illinois classification maintained and observed in the several territories are not presently meeting the requirements of the law and will not *do so* for the future.

ULTIMATE FINDINGS

Upon the record, therefore, we find:

1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are, and for the future will be unjust and unreasonable, in violation of section 1 (4) and (6) of the act.

2. That the several classifications named in finding 1, insofar as the ratings therein are concerned, as a whole, because of the substantial number of differences in such ratings that now exist, result, and will result in the future in undue and unreasonable preference, advantage, prejudice, and disadvantage as between shippers and receivers

of freight in interstate commerce and as between classification territories, in violation of section 3 (1) of the act.

3. That in the assignment of commodities to various classes in the classification, in order that the classification may be just, fair, and reasonable, it is essential not only that the grouping of analogous articles and those possessing similar transportation characteristics, according to the accepted principles of classification recognized by us, shall be observed, but it is essential that there be maintained scales of class rates, providing different rates for the several classes of property, which shall bear a just and reasonable relation for the various classes each with the others. That, as stated in the report, the respondents have fixed 100 percent for first class, and 85 and 70 percent thereof as proper relations for classes 2 and 3, to be applied when using class rates for commodities falling within those three classes. Such percentages have also been found by us to be just and reasonable for such application of class rates to commodities classified as falling within class 1, class 2, and class 3, in each of the classifications embraced in the Consolidated Freight Classifications, and also generally throughout the country. The remaining percentage relations, except those above 100, in the various classifications, however, differ in their percentage relation to the classes as to which uniformity is observed, as stated in the report, and therefore the apparent uniformity denoted by the use of identical class descriptions is in point of fact inharmonious with reference to the classifications considered as a whole, because of the varying relations of other classes to each other and to classes 1, 2, and 3 in the different territories, and because differing classification ratings have been assigned to other commodities in the several territorial classifications.

4. That it is impossible, without a basic unity in classification ratings throughout the country, to maintain a just and reasonable relation between the class rates on commodities moving in carload and less-than-carload lots, or as between competing commodities moving at class rates.

5. That it is entirely feasible for the respondents to establish, observe, and enforce classifications of property for transportation, with reference to which their class rates are or may be made or prescribed, which shall be uniform throughout the territory served by the several respondents. That the establishment, observance, and enforcement of such a uniform classification of property for transportation, with reference to which the class rates of the respondents are or may be made or prescribed, will be just and reasonable, and that to the extent the classifications established, observed, and enforced by them with reference to which their class rates are or may be made or prescribed, are different and nonuniform, to that extent their existing classifications

of property for transportation, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable and in violation of section 1 (4) and (6) of the Interstate Commerce Act.

6. That it is not intended that the foregoing findings with respect to uniformity shall prevent the making of exceptional classification ratings when required either by the provisions of the Interstate Commerce Act or for commercial or competitive reasons, provided such exceptional ratings may be justified individually upon their own merits, and shall not have the effect of creating a violation of some provision of the Interstate Commerce Act or of being inconsistent with the national transportation policy, and shall not tend to impair the general requirement of uniformity of classification hereby found to be just and reasonable.

7. That upon the basis of the present record, the classification pattern prescribed for application in connection with class rates in eastern territory, known as the official classification, comports better with the requirements of the statute that the classification should be just and reasonable than do either of the remaining classifications embraced in the Consolidated Freight Classification. The general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by the respondents, and should be so established by them within a reasonable time.

8. That it is just, fair, and reasonable that a uniform classification should be established which should contain (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation*, 164 I. C. C. 314, 373; 171 I. C. C. 481, 499; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes for commodities which should take lower ratings than the lowest class in the official classification. And that these classes in the uniform classification should be as follows: Classes 400, 300, 250, 200, 175, 150, 125, 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, and 13.

9. That substantial uniformity exists in classifications as to descriptions of articles and carload minimum weights.

Respondents are hereby given reasonable opportunity to initiate such uniform classification by their own collective action before we undertake the task, and they will be expected within 90 days from the service of this report to advise us whether they will undertake to make and tender to us a classification based upon the findings herein made. If the respondents shall decline so to undertake to make and tender a classification or shall omit to respond within the time specified, we retain jurisdiction to make such further order in the premises as may be proper.

The uniform classification which we find will be necessary to comply with the statute must be closely connected with the class scale or class scales which are to be applied, both to insure proper preservation of revenue for the carriers and that the rates shall be just and reasonable as respects the shipper, and otherwise in conformity with the act. The question as to whether the existing class scales are just and reasonable, as required by section 1 (4) and (5), and as to whether they give any undue preference or advantage which is forbidden by section 3 (1) of the act, are considered in the following part of this report. In that part we will determine and state the rate basis applicable to a uniform classification which the present record appears to justify.

PART II

HISTORY OF PROCEEDING AND ISSUES

Docket No. 28300, is an investigation into and concerning the lawfulness of interstate class rates, determined by ratings in official, Illinois, southern, and western classifications. The ratings include those in the classifications stated under the regular numbered or lettered classes or as percentages of first class, but none other. The class rates included were those applicable to the transportation in interstate or foreign commerce of property by common carriers by railroad, or by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States lying on and generally eastward of the following line: The western boundaries of the States of North Dakota, South Dakota, and Nebraska south to the main line of the Union Pacific Railroad Company, thence along that railway west to Cheyenne, Wyo., thence south on the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo, and Trinidad, Colo., to the border of the State of New Mexico, thence successively east, south, and west along the latter border to the Rio Grande (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico. All common carriers subject to the Interstate Commerce Act engaged in the transportation described above were made respondents. The investigation does not embrace rates between points in what is known as mountain-Pacific territory or those between that territory and the remainder of the United States; or rates between points within the territorial scope of the proceeding which are determined by exceptions to the classifications or commodity rates.

Section 5 (b) of the Transportation Act of 1940 authorized and directed us to institute an investigation into the rates on manufactured products, agricultural commodities and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect. In our annual report, 1940, we said at page 30:

> The extensive class-rate and classification investigations above discussed may, we think, very properly be regarded as a highly important first step in this general investigation which Congress has directed us to institute.

The purpose of the investigation is to determine whether the rates and charges in issue, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and to make such findings and order or orders as may be proper.

Although rates applicable to the transportation of foreign commerce also are in issue, no evidence was offered pertaining to specific import and export rates, or as to the structure of export and import rates. In view of the record, the discussion herein will be understood to concern only the interstate rates.

All-water and rail-and-water rates.[16]—Included among the rates in issue are lake-rail rates by way of the Great Lakes, all-barge and barge-rail rates applicable on the inland waterways, and all-ocean and ocean-rail rates subject to our jurisdiction on July 29, 1939, the date of the order of investigation. Upon request of parties in Docket No. 26712, Rail and Barge Joint Rates, for the exclusion at the initial hearings, of evidence pertaining to the joint barge-rail class rates applicable partly on the Mississippi and Warrior Rivers and their tributaries and the differentials below all-rail rates used in the determination of such rates, because of the pendency of Docket No. 26712, evidence respecting the lawfulness of such rates and differentials was not received at the hearings.

Although the water carriers publishing or participating in the lake-rail, all-barge, all-ocean and ocean-rail rates in issue were made respondents to this investigation, none of them introduced any evidence and only a few disclosed their position at the hearings. Likewise there was no evidence with respect to any of these rates by the rail respondents or shipper interests, except by representatives of New Orleans (La.) Joint Traffic Bureau, Minneapolis (Minn.) Traffic Association, St. Paul (Minn.) Association of Commerce, Duluth

---

[16] Water-rail denotes that the rates apply over, or that the routes include, the lines of both water and rail carriers, irrespective of whether the actual sequence is water-and-rail, rail-and-water, or rail-water-and-rail. Similarly ocean-rail, barge-rail, lake-rail, and canal-rail indicate more specifically that the rates or routes contemplate transportation on the Atlantic Ocean or Gulf of Mexico, on barges on inland waterways, on boats on the Great Lakes, and on barges on canals, respectively.

(Minn.) Chamber of Commerce, and the North Dakota commission.

The representative of Great Lakes Transit Corporation stated that if the general levels of all-rail class rates are fixed so as closely to approximate the present levels, that corporation will be satisfied with the maintenance of the present differential relations between lake-rail and all-rail rates; but if radical changes are made in the all-rail rates so that the maintenance of the existing differentials would work hardships, it would be compelled to ask for relief. He was unable to discuss definitely the measure of the differentials because of uncertainty as to the level of the all-rail rates that may result from this investigation, but stated that in any event the lake-rail rates of Great Lakes Transit Corporation should be governed by the same classification and exceptions thereto as govern the all-rail rates.

The position of the other water carriers[17] is that it would be wholly impracticable to offer evidence in this record as to the amounts of the differentials between all-rail and rail-water rates that should reasonably be fixed if a change in the level of the all-rail rates should be brought about as a result of this proceeding. The reasons therefor are; (1) Because of the scope of the proceeding, it would hardly be practicable to go into the question at any length without unduly burdening the record; (2) the steamship companies (except to a very limited extent) are not operating their coastwise services, their vessels having been taken over by the Government; (3) there is no way of forecasting what, if any, new all-rail rates will be prescribed; and (4) the traffic departments of these companies have been so drastically curtailed that they are not adequately equipped to prepare and offer evidence. The water carriers do not advocate any change in the all-rail rates, but if such rates are readjusted, they ask that provisions be made for differentials no lower than those now observed.

The territories covered by the differential rates in which the water carriers are interested are, briefly, as follows: Between trunk-line and New England territories and southern territories; from trunk-line and New England territories to trunk-line, central, western trunk-line territories and extended areas thereof and certain portions of southwestern territory, from trunk-line and central territories to north Atlantic ports; between New England territory and New York, N. Y., and its environs.

Only meager evidence was introduced by the Minneapolis, St. Paul, and Duluth interests concerning lake-rail rates, but they stated their general positions with respect thereto. The Twin Cities advocate greater differentials between lake-rail and standard all-rail rates between the Twin Cities and eastern lake-rail rate areas A, B, and C as described in the lake-rail revision [18] between standard rail-lake and differential lake-rail rates from New York and New England to the Twin Cities, and between canal-lake-rail and standard lake-rail rates from New York to the Twin Cities. Canal-lake-rail rates are not in issue, and we are not empowered to prescribe specific through rates for the future over differential lake-rail routes, part of which are in Canada, because our jurisdiction is limited. Duluth's position is that if no marked changes are made in the all-rail rates from trunk-line and New England territories to western trunk-line territory, the present differentials between lake-rail and all-rail rates to Duluth should be continued. If decided changes in the levels of all-rail rates are prescribed, the carriers should be required to establish lake-rail rates lower than all-rail rates, giving consideration to the value of the service and the economy of water transportation, but lake-rail rates made on the equated mileage theory are opposed.

---

[17] Agwilines, Inc. (Clyde-Mallory Lines), Baltimore Steam Packet Company, Bull Steamship Line, Eastern Steamship Lines, Inc., Merchants and Miners Transportation Company, Philadelphia and Norfolk Steamship Company, and Ocean Steamship Company of Savannah.

The New Orleans Joint Traffic Bureau neither supports nor opposes the efforts to readjust the class rates and is not asking for a revision of those rates. Its main interest is the continuance of class rates over the coastwise water routes through the gulf ports differentially lower than class rates that may be required to be established over all-rail routes between trunk-line and New England territories and points in the Southwest and Mississippi Valley, Memphis, Tenn., and south. If all-rail rates from and to the above territories are ordered reduced, we are urged to require reductions in the class rates over coastwise routes through the gulf ports which will preserve the existing differences between all-rail and coastwise rates.

Owing to the war, practically all water carriers which have participated in joint rates with the railroads have suspended operations because their vessels have been taken over by the Government for war purposes. The lack of evidence respecting such rates is doubtless due to this fact. As the present record is inadequate upon which to prescribe reasonable and otherwise lawful all-water or rail-water rates, no findings will be made with respect thereto, and they will not be discussed further in this report.

Subsequent to the close of the hearings, certain public authorities, shippers, and associations of shippers were permitted to intervene and to participate in future proceedings in both investigations.

HISTORICAL BACKGROUND AND GENERAL BASES OF PRESENT INTERSTATE ALL-RAIL CLASS RATES

The section of the United States embraced in Docket No. 28300 comprises all of official and southern classification territories, and about the eastern half of western classification territory. The boundaries of those territories are defined in part I of this report, and are sketched in appendix 1. Intraterritorial class rates between points within each classification territory are governed by the classification that bears the same name as the territory. Interterritorial rates are subject to the classifications as stated in part I of the report and as graphically portrayed in appendix 1.

---

[18] *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101, 198.

Official territory encompasses New England, trunk-line, central, and Illinois territories;[19] southern territory lies south of official territory and east of the Mississippi River, and includes the Florida peninsula;[20] and the eastern half of western territory contains western trunk-line and southwestern territories, and southern Missouri.[21] Although ordinarily not considered a part of any rate territory, southern Missouri from a rate standpoint has been treated sometimes with either western trunk-line or southwestern territory. It will be discussed in this report under the headings of the former territory.

The description herein of the general bases of interstate maximum class rates and their history will set forth details sufficient only to present the principal aspects of the general rate structures. No attempt will be made to cover relatively minor variations in them, or departures therefrom in comparatively small sections of States or territories made by railroads for competitive reasons usually.

Present class rates within and between the rate territories embraced in this proceeding are founded upon distance scales of rates, or key rates in specific amounts between named points in the determination of which the scales were used as a guide, applicable to both single and joint-line movements, prescribed by us in several extensive investigations,[22] and subjected to the general increase of 1938.[23] The first of these investigations was the southern revision originally decided in 1925, followed by the southwestern in 1927, and the eastern and western trunk-line revisions decided at approximately the same time in 1930. In 1934 the western trunk-line revision and the southwestern revision were modified as to the measure of the rate scales. In 1935 the lake-rail revision was required, and in 1938 the western-southern revision.

---

[19] Description of the territories composing official territory are: New England, lying east of the eastern State-line of New York, but including points in New York State served directly by New England railroads and certain others, which takes in practically all points east of the Hudson River; trunk-line territory, extending westwardly from New England and the Atlantic Ocean to a line drawn through Buffalo and Salamanca, N. Y., Warren, Oil City, Pittsburgh, and Washington, Pa., Wheeling, Parkersburg, Charleston, and Gauley, W. Va., and central-Illinois territories, which are west of that line.

[20] The Florida peninsula is all that part of the State south of the Seaboard Air Line Railway extending from Jacksonville to River Junction, Fla.

[21] The boundaries of western trunk-line and southwestern territories and southern Missouri are depicted in appendix 1 hereto. To the extent affected, the western boundaries of these territories are the western limits of the territorial scope of this proceeding, and the eastern boundaries are the same as the eastern boundary of western classification territory. The southern boundary of western trunk-line territory west of the Mississippi River is as follows: On and north of the St. Louis-San Francisco Railway from St. Louis to Pacific, Mo., thence the Missouri Pacific Railway to Labadie, Mo., thence the Chicago, Rock Island & Pacific Railway to Kansas City, Mo., thence south along the eastern State line of Kansas, thence west along the southern State line of Kansas, thence west along the southern State line of Colorado to a point south of Trinidad, Colo. That is also the northern boundary of southwestern territory, except that east of Kansas it is Missouri's State line south and east of Kansas to the Mississippi River. The part of Missouri lying between those boundaries is termed southern Missouri in this report.

Broadly speaking, in those revisions all-rail class rates on a distance basis were required to be established intraterritorially within New England, trunk-line and central territories and southern, western trunk-line, and southwestern territories, respectively, and between the territories named for relatively moderate distances; key rates mostly were prescribed interterritorially between points farther apart, except largely between official and southern territories, and as to all rates between western trunk-line and southern territories. A substantial grouping with the base points taking distance rates, and with the key points taking key rates, of all other points in the territories concerned was authorized and established. Water-rail rates prescribed in the revisions were made in relation to, but lower than, the all-rail rates.

Computation of distance rates over all-rail routes between territories or zones accorded different rate levels, except between official and southern territories, contemplated the addition of differentials or arbitraries for distances in specified areas, called the western trunk-line or laminated formula[24] where the differentials are imposed on an underlying rate scale which is applied through for the entire distance. In the exception noted, differentials for distances in official territory are added to rate factors in the South. Distances used in all the revisions were those figured over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading, except where longer routes traversing territories or zones of lower rate levels produced rates appreciably lower than over the shortest route; but the resulting rates apply over one or more reasonably direct routes.

---

[22] They will be termed "revisions" in this report, called by the following names, which revisions were prescribed in the proceedings cited: Eastern, *Eastern Class Rate Investigation* (1930), 164 I. C. C. 314, and supplemental reports, 171 I. C. C. 481, 177 I. C. C. 156, and 203 I. C. C. 357; southern, *Southern Class Rate Investigation* (1925), 100 I. C. C. 513, and supplemental reports 109 I. C. C. 300, 113 I. C. C. 200, and 128 I. C. C. 567; western trunk-line, *Western Trunk Line Class Rates* (1930), 164 I. C. C. 1, and several supplemental reports of which the sixth (1934), 204 I. C. C. 595, contains the principal bases for present rates; southwestern, *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203, and a number of supplemental reports of which the twenty-first (1934), 205 I. C. C. 601, contains the principal bases for present all-rail class rates; western-southern, *Western-Southern Class Rates* (1938), 226 I. C. C. 497, and supplemental reports 231 I. C. C. 315, 232 I. C. C. 81, 238 I. C. C. 681, and 246 I. C. C. 149; and lake-rail *Lake and Rail Class and Commodity Rates* (1935), 201 I. C. C. 101, and supplemental report 214 I. C. C. 93.

[23] The rates described were subject also to the emergency general increase of 1942 during the period it was in effect, namely, March 18, 1942, to May 14, 1943, both inclusive.

[24] The formula was devised in the original report in the western trunk-line revision in order properly to reflect, in the interzone and interterritorial rates prescribed, the varying rate levels in the different rate zones and territories traversed. It requires the application of an underlying scale of rates, being the scale prescribed for the lower or lowest-rated zone or territory affected, to the entire distance over such route, plus the differential or differentials for the remainder or successive remainders of the distance in the higher-rated zone or zones; provided, that whenever the route enters the same zone or territory more than once the distances are aggregated before applying the appropriate underlying scale of rates or zone differentials; and, provided further, that where the route passes directly from one zone or territory to another which adjoins but which is not on the next-higher rate level, the differential for the zone or zones of intermediate rate level not entered is nevertheless

Key rates apply between so-called key points, for which were selected substantially all the larger centers of population and industry, supplemented by a sufficient number of less-important places in order to furnish an adequate framework for complete and workable rate structures. In determining the measure of the individual rates, the initial guides were amounts produced by the distance method, including appropriate differentials, modified by the weight accorded relevant practical considerations. Such considerations contemplated the grouping of other points with the key points under the same rates, the blanketing of key rates back over intermediate points to the next less-distant key point, observance of the long-and-short-haul provision of section 4 of the act, long-established custom, and well-recognized rate relations between particular points and ports. The influence of lower ocean and ocean-rail rates on all-rail rates between points in the Atlantic seaboard area, or points reasonably related thereto, also was given consideration. Points other than key points in areas of the respective territories accorded key rates are embraced with congruous key points so as to compose logical and natural groupings.

Distance rates are subject to key rates as maxima. All interterritorial rates are subject also to rates within one or the other territory as minima. Special provisions to fit unusual situations prevail; for example, as to rates to and from the environs of New York, N. Y., and rates for short and financially weak railroads. The maxima for all rates are the lowest aggregates of intermediate rates subject to the act.

Nearly all of the distance and key rates prescribed in the revisions referred to above were those on class 1, which is also referred to as class 100, because other columns of rates are percentages of such class rates. Percentages of class 100, depending upon the classification

---

added for a distance equal ot that remaining in the higher-rated zone or zones, which distance is aggregated with any otherwise used in the same zone. The resulting rate is applicable in either direction between the two points.

It may be explained that the differentials for a particular zone represent the amounts that the scale rates for that zone are above those in the next lower-rated zone for the corresponding distance blocks. For that reason the formula contemplates the addition of the differential for an intermediate zone, even though it is not entered, equivalent to the aggregate distance remaining in the higher-rated zone or zones in order to build up to the rate level in the zones actually entered.

that governed, were prescribed for the lower regular classes. In addition, five of the revisions required that the class-rate tariffs affected should contain a number of columns of rates bearing certain percentage relations to class 100, four of which specified identical columns. All such percentages are listed in the following table, with indication of the particular percentage columns named in a given revision, and which of them were fixed for the regular classes. Percentages for classes under the Illinois classification are denoted also, although they were not prescribed by us, and that classification governs little interstate traffic.[25]

Percentage relations of regular classes prescribed, and columns required to be published in class-rate tariffs

Rate column (percent)	Revisions						Under Illinois classification
	Eastern[1]	Southern[2]	Western-trunk-line[3]	Southwestern[4]	Western Southern[5]	Lakerail[6]	
	Class	*Class*	*Class*	*Class*			*Class*
100	•1	1	•1	•1	•	•	1
92.5	•		•		•	•	
85	•2	2	•2	•2	•	•	2
77.5	•		•		•	•	
70	•3	3	•3	•3	•	•	3
65	•		•	•	•	•	
60	•		•	•	•	•	
55	•R25	4	•4	•4	•	•	R25
50	•4		•	•	•	•	4
45	•	5	•A	•A	•	•	
42.5				•			
40	•	6	•	•	•	•	A
38				•			
37.5	•		•5	•5	•	•	5
35	•5	7	•	•	•	•	
32.5	•		•B	•B	•	•	B
30	•	8	•C	•C	•	•	
27.5	•6		•	•	•	•	6, C
25	•	9	•	•	•	•	
22.5	•	10	•D	•D	•	•	D
20	•	11	•	•	•	•	E
17.5	•	12	•E	•E	•	•	
16	•		•	•	•	•	
15				•			
14.5	•		•		•	•	
13.5				•			
13	•		•		•	•	
12.5				•			
12				•			
8.5				•			

[1] Rates are governed by official classification. At time of original report in the eastern revision, official classification still published R25, or rule 25, rating on certain article descriptive items, for which 70 percent was fixed, or the same as for class 3. The classification no longer contains rating R25.

[2] Rates, both intraterritorially and interterritorially, are governed by southern classification.

[3] Rate percentages shown are those for rates governed by western classification; where interterritorial rates are governed by official classification, they are the same as in the eastern revision.

[4] Rates, both intraterritorially and interterritorially, are governed by western classification.

[5] All rates apply interterritorially, and class rates are the same percentages as in the southern and western trunk-line revisions, according to whether governed by southern or western classification, respectively.

[6] Class rates are the same percentages as prescribed in the eastern and western trunk-line revisions, according to whether governed by official or western classification, respectively.

• Indicates the percentage column required to be published in class-rate tariffs.

---

[25] The interstate application of Illinois classification is now confined to class rates between Illinois and points in the Indiana portion of the Chicago switching district, and to traffic between Illinois points traversing routes partly in Indiana on which the Illinois classification authorizes charges over intrastate routes between the same Illinois points lower than what the corresponding charges would be at interstate rates governed by official classification.

Removal of the unlawfulness found in these revisions resulted in the application of uniform percentage relations between the classes throughout official territory, southern territory, and the eastern half of western territory, respectively, and interterritorially when the rates are governed by the same classification. It also established harmony among rate levels, even though different levels were prescribed for defined parts of the same territory, in place of the great variations that had existed.

Intraterritorial rates.—The principal scales of class 100 rates prescribed in the important class-rate revisions for the respective territories, and for certain parts of those territories, including the general increase of 1938, are set forth in appendix 8.

Within official territory.—The bases for present rates in this territory were prescribed in the eastern revision. The rate history appears at pages 323–335 and elsewhere in the report therein (164 I. C. C. 314). For the purposes of that proceeding, official territory included the west-bank Mississippi River crossings in Missouri and Iowa, west-bank Lake Michigan ports in Wisconsin and in the Upper Peninsula of Michigan, the lines of the Chesapeake & Ohio Railway in Kentucky, and those of the Norfolk & Western Railway to Norton, Va., and Bristol, Va.-Tenn. It did not include rates to and from local points on the Southern, Atlantic Coast Line, and Seaboard Air Line railways in Virginia.

These rates are grounded upon the so-called eastern scale, shown in appendix 8. Neither the measure nor progression of that scale was modeled after any other, but the average of the class 100 rates for all distance blocks through 1,500 miles is 73.1 percent of the southern scale, 77.9 percent of the western trunk-line zone I scale, and about 62.3 percent of the southwestern (or zone III) scale.

The eastern scale was prescribed or employed for making rates over standard class I railroad lines, including all electric lines, engaged in the general transportation of freight, and all switching and terminal carriers. It determines the rates within trunk-line and central-Illinois territories, with differentials or arbitraries added in certain parts, and was used in constructing key rates between trunk-line-New England and central-Illinois territories. It fixes the distance rates between trunk-line territory and New England zones A and B,[28] being applied to and from zone A, with the addition of differentials that represent about 8.8 percent of the eastern scale for the distances in zone B.

Within New England, the scale in zone A is 105 percent of the eastern scale, and the scale in zone B is 110 percent of the zone A scale, or 115.5

---

[28] New England zones roughly are divided by a line drawn through Windsor, Vt., Concord, N. H., and Portland, Maine, the portion south of that line being designated zone A, and north thereof as zone B.

percent of the eastern scale. Between these zones the zone A scale applies, plus differentials for distances in zone B the same as those used in making rates between zone B and trunk-line territory, which average about 8.8 percent of the eastern scale. Between zone B and other parts of official territory, no arbitraries are added.

Between points in zone C in Lower Michigan,[27] as well as the west-bank Lake Michigan car-ferry ports,[28] and between them and other points in central territory, the basis prescribed for interstate rates is the eastern scale plus differentials for distances in zone C, which average 8.8 percent of the eastern scale.

Special arbitraries, in distance or in cents per 100 pounds, are added to the distances or rates in applying the eastern scale to and from New York City and its environs, including provision for lighterage and floatage deliveries, from and to defined long-and-short-haul areas in trunk-line territory; and also in the rates from and to New England under the New England zone scales. From and to points on Long Island outside New York City, the rates include arbitraries over New York City. Distance arbitraries are represented in rates applicable over routes involving interchange movements across New York Harbor entirely or partly by car float, and where the rate-making distance is computed over routes of the New York, New Haven & Hartford and New York Central railroads.

Between designated Philadelphia, Pa., and Baltimore, Md., groups and trunk-line and New England territories, rates reflect distance arbitraries added to the actual distances to particular stations in those groups; and at Philadelphia a constructive distance is allowed where routes of less than 80 miles require crossing the Delaware River.[29]

In order to make rates to and from points on specified lines or branches of certain railroads in northeastern New York State, Virginia, West Virginia, and Kentucky, for distances on such lines or branches, carriers were authorized to add to the rate to the main-line junctions differentials representing 10 percent of the eastern scale in some instances, and, in others, arbitraries on a higher scale. The record does not indicate the extent, if any, to which the carriers have availed themselves of that authority.[30] These rate situations are not sufficiently important to develop at length in a statement of the general bases over nearly two-thirds of the United States.

---

[27] Zone C includes that portion of Lower Michigan north of a line drawn eastwardly from Muskegon through Greenville, Edmore, Alma, Midland, and Bay City, excluding the "thumb" of Michigan.

[28] Subsequently the carriers voluntarily reduced the rates between the west bank Lake Michigan ports and trunk-line New England territories.

[29] As indicated, between these Atlantic port areas and central Illinois territories specific key rates apply, which include the additional amounts for port areas.

[30] For example, the Norfolk & Western Railway elected to publish rates to and from its Bristol and Norton lines in southwestern Virginia on the standard line eastern scale, without arbitraries. They were found justified in *Rates on Bristol and Norton Lines of Norfolk & W. Ry.* (1933), 192 I. C. C. 315.

Certain New England short lines were exempted from the requirement to establish joint class rates where none had been published previously.

Within southern territory.—Rates in this territory, founded upon the southern revision, were established January 15, 1928, and later modified. The preceding history is reviewed in the original report in that revision (100 I. C. C. 513) at pages 520 to 530.

A scale, known as the southern or K–2 scale, extending through 1,500 miles, was prescribed for general application in southern territory and is set forth in appendix 8 to this report. For distances in the Florida peninsula a scale of differentials, representing about 15 percent of the southern scale, was added.[31]

Modification of the application of the southern scale between points in Virginia on and south of the Virginian Railway and points in North Carolina was required by us and became effective October 27, 1936. It is termed the "border area" scale in appendix 8. It consists of a scale through 600 miles, in which the rates are the same as in the southern scale for distances between 200 and 400 miles and somewhat lower and higher than in that scale for shorter and longer distances, respectively.[32]

For distances through 190 miles, the carriers, on July 7, 1941, voluntarily reduced to the basis of the border area scale all rates throughout southern territory that previously had been constructed on the southern scale.[33] No corresponding change was made in the differentials imposed for distances in the Florida peninsula.

Arbitraries were authorized for short and financially weak lines.

Within western trunk-line territory.—The history of the class rates within this territory, interstate and intrastate, for upwards of 50 years preceding the decision in 1930, is recited in the original report in the western trunk-line revision (164 I. C. C. 1) at pages 23–36. It describes the numerous and varying rate bases, with widely differing percentage relations of the respective lower classes to class 100, evolved piecemeal by the carriers since the early railroad development of the West, by us upon many formal complaints against interstate rates, and as to intrastate rates, by the regulatory commissions of every State in the territory.

---

[31] The southern scale of rates and the Florida scale of differentials were prescribed in the second and third supplemental reports on reconsideration in the southern revision (1926 and 1927), 113 I. C. C. 200, and 128 I. C. C. 567, respectively.

[32] This scale was first prescribed in *North Carolina Corp. Comm. v. Akron, C. & Y. Ry. Co.* (1935), 213 I. C. C. 259.

[33] This action came after the prescription of the scale referred to for determining lawful intrastate rates in North Carolina in *Class Rates Within the State of North Carolina* (1940), 238 I. C. C. 225.

In that report related distance bases of maximum reasonable interstate rates were prescribed. Western trunk-line territory, which for the purposes of the proceeding included no part of Illinois, was divided into three principal rate zones; and eastern and southeastern Wisconsin were accorded separate rate treatment.[34] Boundaries between zones are not on State lines. Scales of rates were provided for application between all points in each of the rate zones, the measure or level of the scale for zone I being the lowest. The scales for zones II and III were higher than the scale for zone I by approximately 12 and 20 percent, respectively.[35] For the eastern and southeastern portions of Wisconsin, the interstate bases prescribed were those fixed in the eastern revision for zone C in Michigan and for Illinois, respectively. Between these portions and the western trunk-line zones, the basis prescribed was the same distance basis hereinafter described in connection with interterritorial rates between those zones and Michigan zone C and Illinois territory.

In the western trunk-line rate structure that had been evolved up to the western trunk-line revision there were 10 classes, with no uniformity in percentage relations between them, governed by western classification and exceptions thereto. The prescription of official classification within eastern and southeastern Wisconsin was the only change made in the governing classifications and exceptions. The number and designation of classes, where they were to be governed by western classification, remained the same, but uniform percentage relations between them were provided. Rates published in purported compliance with the original report, as modified,[36] became effective December 3, 1931.

Rates within western trunk-line territory were subsequently required to be changed,[37] and the revision became effective August 20,

---

[34] These rate zones are as follows: Zone I, Upper Michigan, Wisconsin except the eastern and southeastern portions, the eastern and southeastern portions of Minnesota, Iowa, and the northern half of Missouri; zone II, the remainder of Minnesota, the eastern thirds of North and South Dakota, the eastern half of Nebraska, and the eastern third of Kansas except the southeastern corner; and zone III, the remainder of North and South Dakota, Nebraska, and Kansas, Colorado on and east of the common-point line extending through Denver, Colorado Springs, and Trinidad, and the small southeastern or Cheyenne corner of Wyoming. The portions of Wisconsin not embraced in zone I were treated as two rate areas, one being the part in Illinois territory, and the other the part that lies north thereof and on and east of a line from Madison to Green Bay and termed extended zone C in Wisconsin. These zones and separately treated portions are sketched on appendix G to the original report in the western trunk-line revision. Carriers later voluntarily projected extended zone C northward along the west bank of Green Bay to embrace Marinette, Wis., and Menominee, Mich.

[35] The original scale for zone I extended through 1,500 miles (as did those for zones II and III), and the rates therein for representative distances were 5 miles 32 cents, 50 miles 49 cents, 100 miles 68 cents, 200 miles 92 cents, 400 miles 126 cents, 600 miles 155 cents, 1,000 miles 210 cents, and 1,500 miles 270 cents.

[36] In supplemental and second supplemental reports (1931), 173 I. C. C. 637, and 178 I. C. C. 619, respectively.

[37] Sixth supplemental report (1934) in the western trunk-line revision.

1935. No change was made in the rates within the parts of eastern and southeastern Wisconsin previously defined. The plan of the original report for constructing rates was adhered to, but the zone scales were modified mainly by increasing the rate of progression and measure for the relatively longer distances, although many of the rates for the shorter distances in zone I scale were reduced somewhat. Zone differentials were modified accordingly. The approximate average percentage relations to zone I of rate levels in zones II and III were increased to 114 and 125 percent, respectively.[38] Rates in the revised zone I scale for all distance blocks through 1,500 miles average 128.4 percent of the eastern scale, 93.9 percent of the southern scale, and 80.0 percent of the revised southwestern (or zone III scale). No change was made in the zone boundaries, laminated formula for interzone rates, number and percentage relations of the classes, or in the governing classification and exceptions, save that rates within extended zone C in Wisconsin were required to be governed by western classification.

Southern Missouri's earlier class-rate history is recited in *Interstate Rates in Missouri* (1932), 181 I. C. C. 259, at pages 264–266. In that proceeding southern Missouri was denominated zone II, except the strip along the Arkansas border which was named zone III. Pursuant thereto the bases for present interstate rates are those fixed in the western trunk-line revision for zones II and III, respectively. For rates between these zones, as well as between them and northern Missouri (zone I), application of the laminated formula was prescribed. No change was made in the governing (western) classification and exceptions. Rates in compliance with the findings in that proceeding became effective July 17, 1932.

Within southwestern territory.—The rate structure in this territory as it existed in 1927 is described, and a brief history thereof is given, at page 217 and elsewhere in the original report in the southwestern revision (123 I. C. C. 203). In that report, distance rates were prescribed throughout the territory on the southwestern scale,[39] with the addition of differentials, representing 20 percent of the southwestern scale, for any distance in Texas-Oklahoma differential territory.[40] For the crossing of the Mississippi River, the carriers were authorized to add arbitararies of 4 cents at Thebes, Ill., and Memphis, Tenn., and 6 cents at crossings south thereof. As modified prior to the establishment of the rates on July 14, 1928, the percentage relations of the classes to class 100 prescribed were:

---

[38] The scales of rates in the three zones appear in appendix 8.

[39] The original scale in the southwestern revision for the distance rates established July 14, 1928, extended through 1,500 miles. For representative distances the rates were, 5 miles 38 cents; 50 miles 58 cents; 100 miles 79 cents; 200 miles 109 cents; 400 miles 157 cents; 600 miles 192 cents; 1,000 miles 263 cents; and 1,500 miles 318 cents.

[40] Roughly, Texas-Oklahoma differential territory lies generally west of a line in Texas drawn north from Corpus Christi through San Antonio, San Angelo, Midland, Lubbock, and Amarillo, thence northeastward and north so as to include the Panhandle section of Oklahoma west of the 100° meridian.

Classes	1	2	3	4	A	5	B	C	D	E
Percentages	100	85	70	55	45	40	32½	30	22½	17½

Shortly after the original decision in the western trunk-line revision, the southwestern proceeding was reopened for further hearing in recognition of the differences between the rates that had been prescribed in the original reports in these two revisions, and to integrate the two rate adjustments as much as possible. In supplemental reports in the reopened proceeding, the twenty-first as modified by the twenty-second supplemental report (1934 and 1935), Texas-Oklahoma differential territory was designated as zone IV, and the Southwest[41] as zone III. The scale fixed for zone III was the same as had been provided in the sixth supplemental report in western trunk-line revision for zone III, and, for zone IV, a scale 15 percent higher.[42] Rates between zones III and IV were required to be constructed on the laminated formula.

Addition of arbitraries for Mississippi River crossings was no longer permitted in rates to and from east-bank river points. Houston, Galveston, and Texas City, Tex., were grouped generally as to rates between those cities and points more than 200 miles, later made 150 miles, from Houston by adding 15 miles to the distance to and from Houston.[43]

The percentage relation of class 5 was reduced from 40 percent to 37½ percent of class 100, thus unifying the percentage relations between all classes where the rates are governed by western classification in the southwestern and western trunk-line revisions. Rates in accordance with the modifications described were published effective April 9, 1937, and the class rates which had been established pursuant to the original report, as modified, were canceled.

The reduction from 120 percent to 115 percent in the rate level for Texas-Oklahoma differential territory (later designated zone IV) had been earlier required in the nineteenth supplemental report[44] (1933) in the southwestern revision.

---

[41] The Southwest is all of southwestern territory lying east of Texas-Oklahoma differential territory.

[42] Southwestern zone III scale is set forth in appendix 8 to this report. The scale for zone IV is not shown there because the carriers no longer avail themselves of its level above zone III.

[43] Twenty-second and twenty-ninth supplemental reports (1935 and 1943) in the southwestern revision, 211 I. C. C. 575, and 256 I. C. C. 636. The reports cited provide that in instances in which the short-line distances from Houston approximate or exceed the corresponding distances from Galveston the scales shall be applied to the Houston distance.

[44] 196 I. C. C. 507.

Effective August 16, 1941, the carriers voluntarily reduced the rate level in zone IV to the basis of the zone III rate scale, and eliminated the zone IV differentials in the rates between zones III and IV.

Interterritorial rates.—There is no scale that alone determines the class rates between any two of the principal rate territories. As indicated, for the most part key rates have been prescribed; and, where distance scales are used, differentials for the higher-rated territories or zones are added to the underlying rate scale, or the intraterritorial scales are used as rate factors and differentials for the other territory are added. In the circumstances, the setting forth in full of any such scales would serve no useful purpose.

Between official and southern territories.—The early history of these rates generally is set forth in the original report in the southern revision (100 I. C. C. 513) at pages 550 to 566, and in supplemental reports in that revision. As to southern Virginia, North Carolina, Kentucky, and northeastern Tennessee, being the area in southern territory contiguous to official territory, it is further reviewed in reports in the so-called "border cases."[45]

The present adjustment generally consists of joint rates. Rates are on either a key or distance basis, maintained for the most part in accordance with the southern revision, and as to the area[46] bordering on official territory they are made pursuant to the subsequent border cases. Exceptions to the adjustment are the rates between Maine north of the extensive Portland group and southern territory below the border area, which are made on combinations.

Key rates apply to the extent prescribed in the southern revision between selected key points, and other places grouped therewith by the carriers, in trunk-line territory or New England and southern territory (not including the southern border area). We outlined the grouping of southern territory, including the Florida peninsula. The all-rail key rates were designed to reflect the influence of the more economical water transportation afforded by all-ocean or ocean-rail rates, which becomes less and finally disappears as the locations of the points are farther and farther inland.[47] For that reason, part of

---

[45] *North Carolina Corp. Comm. v. Akron, C. & Y. Ry. Co.* (1935), 213 I. C. C. 259, *Commonwealth of Kentucky v. Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, and *East Tennessee Border Traffic Assn. v. Akron, C. & Y. Ry. Co.* (1936), 214 I. C. C. 316; and all three proceedings are embraced in the following supplemental reports: 218 I. C. C. 521, 229 I. C. C. 20, and 231 I. C. C. 453.

[46] This border area comprises southern Virginia, being that part of the State lying south of the Norfolk & Western Railway between Norfolk and Bristol, and south of the Virginian Railway between Norfolk and Roanoke; the States of North Carolina and Kentucky; and northeastern Tennessee, which embraces Johnson City, Kingsport, Elizabethton, Bluff City, Wautauga, Piney Flats, and Bemberg.

[47] Key rates over ocean-rail routes were prescribed in the southern revision, between a majority of the eastern key points and southern groups, in varying amounts lower than the all rail key rates.

Tennessee was excluded from the southern territory groups accorded key rates, and was placed on the interterritorial distance basis.

The rates between official and southern territories, except key rates, are on the distance-basis formula prescribed in the southern revision, save that to and from the southern border area the rates are nearly all on the distance formula prescribed in the border cases. The formula combines the intraterritorial rate factors south of the Ohio River gateways for all distances, or south of Virginia gateways for southern points beyond the border area over direct routes, with the appropriate differentials for distances in official territory north of the gateways. Four scales of differentials are used dependent upon the varying distances in southern territory. As the distances in the South lengthen the differentials become relatively less. To and from points in the Florida peninsula the differentials previously described for distances in the peninsula are added.

Rates between official territory and the southern border area, except northeastern Tennessee, are on a distance formula like the one prescribed interterritorially to and from most of southern territory, but the factors south of the Ohio River and Virginia gateways, and the official territory differentials north thereof, are lower, and the distance spreads in the South that determine the use of the particular scale of such differentials are different. To and from the Tennessee points the rates are made by adding an arbitrary of 48 cents to the official territory differentials, with a slight modification in certain instances as to one of the points.

Differentials for distances in zone B in New England similar to those authorized in the eastern revision, are not included in the interterritorial rates between zone B in New England and southern territory. Differentials were authorized to and from points in Michigan, *Southern Class Rate Investigations*, 128 I. C. C. 567, 601, similar to those which are applied in determining first-class rates within central territory, and apparently zone C arbitraries are added in constructing class rates between zone C and southern territory.

Although certain points on the Chesapeake & Ohio Railway in Kentucky, and on the Norfolk & Western Railway in Virginia, are within the boundaries of southern territory, rates between them and official territory are discussed under this title of the report dealing with rates within the latter, because in the eastern revision they were treated with rates in official territory; and they are subject to official classification.

Between official and western trunk-line territories.—Rates, as then in effect, are described in the original report in the western trunk-line revision (164 I. C. C. 1), along with some history, at pages 36–42.

While the rates were mostly combinations of separately published factors, governed by either official or western classification, there were many important exceptions.

The bases prescribed in that original report for all-rail rates to and from the three western trunk-line rate zones previously described consisted of distance rates and key rates, depending upon the location in official territory of a given point respectively east or west of a line extending south across the southeastern corner of Michigan, thence the western boundary of Ohio. Interterritorial rates in both directions were required to be governed by western classification, but classification exceptions were not prescribed. Key rates were fixed in specific amounts, while the distance rates were prescribed according to the laminated formula employed for interzone rates within western trunk-line territory, but using as the underlying through scale the so-called basic scale.[48] The latter applied only in conjunction with the zone differentials. It was the same as the eastern scale through 85 miles, but, beyond, became higher gradually, and for all distance blocks through 1,500 miles was 106.4 percent of the eastern scale; and approximated 84 percent of the scale for western trunk-line zone I.

In order to avoid excessive "humps" in the interterritorial rates to and from points in the eastern portion of zone I, a reasonable grading into the interterritorial rates published on the normal basis was achieved by subjecting them as maxima to rates obtained by adding to the class 100 rates prescribed in the eastern revision east of those gateways a so-called bridge scale of arbitraries for distances through 170 miles. Through rates so arrived at for class 100, to which the lower classes were related by the same percentages as fixed within western trunk-line territory, were also governed by western classification.

Between the eastern and southeastern parts of Wisconsin outside zone I and official-Illinois territories the rates were prescribed on either the distance or key-point plan on the same bases as used in the eastern revision to and from the corresponding areas in zone C in Michigan and Illinois, respectively.

A general modification of the interterritorial rates, mostly upward, was required in the sixth supplemental report in the western trunk-line revision, and became effective August 20, 1935, simultaneously with the modified rates within western trunk-line territory. Included were the rates between the western trunk-line zones and the parts of eastern and southeastern Wisconsin previously described, but the rates between these parts of Wisconsin and official-Illinois territories were not altered. No change occurred in the dividing line between the areas in official territory to and from which key and distance rates were provided; but the revised interterritorial rates reflected modifications in the underlying basic scale relatively the same as were effected in the sixth supplemental report respecting the western trunk-line zone scales, as well as from changes in the zone differentials used according to the laminated formula. The revised basic scale to and including 85 miles remained unaltered and the same as the eastern scale, but for greater distances became relatively higher than the latter.[49] The aggregate of the class 100 rates for all distance blocks in the basic scale through 1,500 miles is 112.6 percent of the aggregate of the class 100 rates in eastern scale; and, correspondingly, 87.7 percent of the zone I scale.

---

[48] The original basic scale extended through 2,200 miles, and the rates (prescribed prior to the general increase of 1938) for representative distances were, 5 miles 30 cents; 50 miles 43 cents; 100 miles 57 cents; 200 miles 78 cents; 400 miles 106 cents; 600 miles 134 cents; 1,000 miles 117 cents; 1,500 miles 228 cents; and 2,200 miles 298 cents.

Important features of the general revision effective August 20, 1935, were the changes required in the classifications and exceptions governing the interterritorial class rates, which were determined mainly by applying the destination-territory classification. Classification exceptions had not been embraced in the findings in the original report.[50] Rates made by the use of the bridge scale of arbitraries also were affected materially by these changes.

The specific-bridge-scale arbitraries published separately between the eastern gateways of zone I and points within 170 miles thereof in that zone, for use in constructing alternate maximum through interterritorial rates, are governed by western classification and exceptions; and the same treatment is accorded points within 170 miles of the western boundary of the Northwest.[51] The rate factor applicable east of the gateway or boundary on a given shipment, to which the arbitrary is added, remains subject to official classification if a class rate. In contrast, the original report had provided such alternate maxima by addition of the class 100 arbitraries to the class 100 rate factors east of the gateways, which total was published in single amounts governed through by western classification; and the lower classes were related thereto by the western percentages.

Between official territory and southern Missouri.—Formerly combination rates based on the Mississippi River applied generally to and from official territory. In consequence of successive readjustments in interterritorial rates applying over routes through Missouri on traffic between official territory and points in Arkansas, Oklahoma, and Kansas, necessitated by compliance with findings in the southwestern and western trunk-line revisions, and of expiration of relief from section 4 of the act which had permitted temporarily the maintenance of higher rates to and from intermediate points in Missouri, the carriers established joint rates between official territory east of Illinois and southern Missouri. They are constructed approximately on the bases employed in the southwestern revision, except that to and from points near the Kansas border and north of Cornell, Kans., the rates conform to the western trunk-line revision. Only a small part of this adjustment was protested upon publication, but was found justified by division 2 in *Class Rates Between Missouri and Official Territory* (1940), 237 I. C. C. 451.

---

[49] The revised basic scale extended through 2,400 miles, and the class 100 rates therein for representative distances were, 5 miles 30 cents; 50 miles 43 cents; 100 miles 57 cents; 200 miles 78 cents; 400 miles 109 cents; 600 miles 140 cents; 1,000 miles 191 cents; 1,500 miles 251 cents; and 2,400 miles 359 cents.

[50] The finding as to classification exceptions was rescinded in report on further hearing in *Western Trunk Line Class Rates* (1941), 246 I. C. C. 119.

[51] That boundary is formed by the Northern Pacific Railway from Duluth to Hinckley, Minn., thence the Great Northern Railway to Twin Cities, Minn., thence the Mississippi River to the northern State line of Illinois. The "Northwest" here contemplated embraces Minnesota east of the boundary described, Upper Michigan, and Wisconsin except the portions in extended zone C and Illinois territory. As stated in part I of this report, official classification governs class rates between the Northwest and official territory east of Illinois.

Between official and southwestern territories.—All-rail rates, as they existed in 1927, between so-called "defined territories" and other areas on the one hand, and southwestern territory on the other, are discussed at page 218 and elsewhere in the original report in the southwestern revision (123 I. C. C. 203).

Except Illinois, most of which was then included in western defined territories, official territory consisted of eastern defined territories extending from Illinois through the Buffalo-Pittsburgh line, and trunk-line-New England territories east thereof. The outlines of the defined territories varied greatly, depending upon the parts of southwestern territory to and from which the rates applied. From eastern defined territories to southwestern territory generally rates were made differentially over St. Louis, Mo., while in the opposite direction combinations on southwestern gateways[52] applied. Groups often of large size obtained at both ends in connection with these rates, Texas common-point territory[53] generally having the same destination rates. Wide disparities prevailed between the rates from defined territories. Between trunk-line-New England and southwestern territories rates were generally combinations of flat rates, or flat rates and proportional rates, on southwestern gateways or Chicago, Ill.

The pattern of the rate bases above described to and from the eastern defined territories was followed largely in the bases for interterritorial rates in both directions prescribed in the original report in the southwestern revision, as modified prior to the establishment of rates pursuant thereto. Rate factors were provided between base points in official territory and the southwestern gateways, to which were added the factors fixed between the gateways and extensive groups that

---

[52] The southwestern gateways are: St. Louis, Cairo, Ill., Memphis, Vicksburg, Miss., and New Orleans, La.

[53] Texas common-point territory comprised all of Texas east of Texas differential territory.

together comprised all of southwestern territory. These groups represented segments of roughly circular bands extending between two lines which were approximately indicated distances from a given gateway. Factors between such groups and gateways were made according to the measure of the rates prescribed in the southwestern revision within and between southwestern and Kansas-Missouri territories. Official territory points, other than those particularly named in the original report in that revision, were required to be either grouped with the base points or established as additional base points with which other points could be grouped, and to be supplied with rates in harmony with those prescribed for the base points named. The official territory rate factors reflected in some degree the differentials for that territory set forth in appendix Q to the original report in the southern revision. Joint rates on the bases prescribed became effective July 14, 1928.

These interterritorial rates were governed by western classification, and the percentage relations between the classes prescribed were the same as stated herein for the rates within southwestern territory resulting from the original report, as modified, in the southwestern revision.

In the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision, the rate pattern was changed as a result of the reopening of that revision for the purpose of interrelating the adjustment therein with that in the western trunk-line revision. Key rates were prescribed between key points in southwestern territory and key points in official territory, except the parts of Illinois and Indiana south of a line from St. Louis to Cincinnati, Ohio. To and from these excepted parts rates on distance bases were ordered, which were constructed on the laminated formula by using the basic rate scale for the entire distances and adding appropriate mileage differentials for distances within the zones in western trunk-line and southwestern territories.

All these readjusted interterritorial rates were required to be governed by western classification, and the percentage relations fixed between the classes were the same as those in the contemporaneous readjustment of rates within southwestern territory. They became effective April 9, 1937.

The rates described to and from points in zone IV were voluntarily reduced by the carriers on August 16, 1941, in amounts equal to the appropriate zone IV differentials, contemporaneously with like action within southwestern territory.

Between southern and western trunk-line territories.—A brief history of the rates between western trunk-line and southern territories prior to 1930 appears in the original report in the western trunk-line revision (164 I. C. C. 1) at pages 42 and 43. The rate adjustment existing in 1938 between this western territory, including southern Missouri, and the South is described in the original report in the western-southern revision (226 I. C. C. 497) at pages 501 and 502. With important exceptions, the rates were then generally made by combinations of rate factors, usually on the Ohio and Mississippi River crossings, Virginia cities, or Chicago or other interior points in Illinois. For example, rates between most of Kansas-Missouri territory[54] and the South, which were approved in the original report, as modified, in the southwestern revision, were through one-factor rates, having become effective April 9, 1937.

On June 7, 1939, through one-figure rates were established between western and southern territories on the basis of the full line of key rates prescribed in the western-southern revision. Because the two territories are not closely contiguous over railroad routes, the finer grading afforded by distance scales was not deemed necessary, and no scale was prescribed; but we suggested that carriers themselves provide reasonable grading near the gateways where essential in order to avoid rate bumps.

As in the case of key rates fixed in other proceedings, the initial guides were the amounts produced by the distance method applied according to the laminated formula. The scales of rates and differentials used therefor were the same as prescribed in the other class-rate revisions for the respective territories and zones traversed, the rate level employed for the South being the same as that for western trunk-line zone II.

From western trunk-line territory to the South rates were required to be governed by southern classification, and by western classification in the opposite direction.

Between southern and southwestern territories.—The rate structure in existence in 1927 is outlined in the original report in the southwestern revision as one of the several interterritorial adjustments. Reference thereto has been made in the portion of this report dealing with history of the rates between official and southwestern territories. Explanations there made of a general nature as to the adjustments, particularly those regarding rates from defined territories, are pertinent here. The South was then contained in the southeastern defined territories. Rates from the latter to southwestern territory usually were made differentially over St. Louis, but sometimes over Mississippi River crossings south thereof. East-bound, combinations of rates on that river applied.

---

[54] Kansas-Missouri territory was described in the southwestern revision as comprising all of Kansas, and Missouri south of the Missouri River, except St. Louis and Kansas City.

In the original report, as modified, in the southwestern revision, the method of constructing these interterritorial rates was like that employed for rates to and from official territory, previously described herein, including the same percentage relations between the classes, all governed by western classification. The same groups and rate factors were used between southwestern territory and the gateways of Memphis, Vicksburg, Miss., and New Orleans, La., to which were added the factors named between the gateways and specified base points throughout southern territory, except the Florida peninsula, to and from which no joint rates were provided. Effective July 14, 1928, joint rates in accordance with this outline were established.

The rates described in the next-preceding paragraph were superseded on April 9, 1937, by joint rates prescribed in the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision. We followed a plan similar to that employed in the same reports respecting rates between southwestern and official territories. Key rates were prescribed between named key points in southwestern territory and in southern territory on and east of an irregular line drawn southwardly through Louisville and Bowling Green, Ky., Nashville, Tenn., Decatur, Birmingham, Montgomery, and Dothan, Ala., and Tallahassee, Fla. To and from points west of that line the carriers were required to compute rates on the distance basis according to the laminated formula, using the same scales of rates and differentials as had been prescribed within southwestern territory, and treating the southern-territory area as on the same rate level as western trunk-line zone II. Western classification continued to govern these interterritorial rates. Percentage relations between the classes were the same as required for the contemporaneous readjustments of rates within southwestern territory. Again no rates were fixed to and from the Florida peninsula.

As in the case of other rates resulting from the southwestern revision, the zone IV differentials were removed on August 16, 1941.

Between western trunk-line and southwestern territories.—The Dakotas, eastern Colorado, and the Cheyenne corner of Wyoming were not within the interterritorial scope of the southwestern revision. They will be discussed apart from the portion of western trunk-line territory affected by that revision, which did include southern Missouri as to interterritorial rates.

Between western trunk-line territory affected by the southwestern revision and southwestern territory the rates in 1927 were on various bases, as described at page 217 and elsewhere in the original report in that revision. The principal bases were: To and from western defined territories[55] (the affected area north of Kansas-Missouri territory, except the portions of Nebraska and Minnesota outside of defined territories) the rates were extensively grouped and usually constructed differentially over St. Louis, but rates to and from Texas common-point territory[56] (which generally was blanketed under the same rates) were mostly joint rates; to and from the lower Missouri River cities (Kansas City to St. Joseph, Mo., inclusive) specific rates applied that roughly increased with distance, but here common-point territory was divided into two groups of which the Dallas-Fort Worth group comprised northeast Texas; and Texas-Oklahoma differential territory rates were made by adding differentials to the common-point rates. Between southwestern and Kansas-Missouri territories the rates were made generally on certain distance scales that were widely divergent.

To and from the portions of Nebraska and Minnesota not embraced in western defined territories, rates were combinations made over Missouri River cities or other points within those territories, among the most important being the Twin Cities, Minn., and Sioux City, Iowa.

The rates described above (except those covered in the next preceding paragraph) were displaced on July 14, 1928, by rates on bases prescribed in the original report in the southwestern revision, as modified. They were: Between southwestern and Kansas-Missouri territories, rates computed point to point on the original southwestern scale, plus the 20 percent differentials for any distances in Texas-Oklahoma differential territory; and to and from the remainder[57] of affected western trunk-line territory, rates constructed by adding to specified rate factors between the southwestern groups[58] and the gateways of Kansas City or St. Louis the rate factors named between the gateways and base points north thereof. Factors south of the gateways reflected the increments for Texas-Oklahoma differential territory. The aggregated factors were published at joint rates, and were governed by western classification. Percentage relations between the classes were the same as stated in the part herein dealing with rates within the southwestern territory.

---

[55] Western defined territories embraced southeastern Nebraska and southern and southeastern Minnesota, including the Twin Cities, but not that part of western trunk-line territory north and west thereof.

[56] All of Texas east of Texas differential territory.

[57] This remainder included points on, east, and south of a line commencing at Duluth, Minn., and extending roughly through Hinckley, St. Cloud, and Pipestone, Minn.; Sioux Falls, S. Dak., Sioux City, and Emerson, Oakland, Fremont, Grand Island, and Lester, Nebr., to the Nebraska-Kansas State line on which it continued to the Missouri River, thence to the Mississippi River.

[58] These groups were devised in the original report in the southwestern revision and are described herein in connection with the interterritorial rates between official and southwestern territories.

Although rates to and from the parts of Nebraska and Minnesota outside of western defined territories were also in issue, no bases therefor were prescribed in the original report in the southwestern revision, and carriers did not undertake to establish joint rates coincidently with the rates made effective July 14, 1928. However, they did extend joint rates on July 15, 1932, to and from Nebraska on the original southwestern scale on a point to point basis; and on November 20, 1933, they extended joint rates to and from northern Minnesota, but on bases somewhat higher than that scale, and the points were grouped.

Like other interterritorial rates to and from southwestern territory, the rates from and to affected western trunk-line territory, including all of Nebraska and Minnesota, were changed effective April 9, 1937, to conform to the pattern prescribed in the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision. Key rates were provided throughout, including the Missouri River cities and St. Louis, but excepting Kansas-Missouri territory. To and from Kansas-Missouri territory, except the Kansas points on the Missouri River, distance rates were required to be constructed according to the laminated formula applied to the scales of rates and differentials prescribed for the respective zones.[59] Such distance rates applied from point to point, except that to and from zone II, for distances greater than 200 miles, the points were grouped and specified rates were required. The latter method was extended to all points beyond 200 miles in zone III of Kansas-Missouri territory on June 7, 1939. Percentage relations fixed between the classes were the same as herein stated for rates within southwestern territory that were established April 9, 1937.

The zone IV differentials were eliminated from these rates on August 16, 1941.

Coming to the part of western trunk-line territory beyond the interterritorial scope of the southwestern revision: Prior to November 20, 1933, combination rates applied between southwestern territory and the Dakotas, made generally over the Twin Cities, Sioux City, or Sioux Falls, S. Dak. On that date the carriers established joint rates to and from grouped points which, as to South Dakota, were made on about the original southwestern scale, but, as to North Dakota, were made somewhat higher than the scale.

Between most Colorado stations on and east of the Colorado common-point line, including Cheyenne, Wyo., and southwestern territory, joint rates were applicable for some years prior to July 1, 1934, the basis for which does not appear. They were then replaced, by action of the carriers, by joint rates on approximately the original southwestern scale.

---

[59] All zones in these territories were described in the twenty-first supplemental report in the southwestern revision.

Effective April 9, 1937, to and from the Dakotas, and May 31, 1937, to and from eastern Colorado and Wyoming described above, the rates were changed to reflect bases similar to those that had been prescribed for affected western trunk-line territory in the twenty-first and twenty-second supplemental reports in the southwestern revision.

The rates were governed by western classification. Percentage relations between the classes were made to correspond with the original and modified adjustments in the southwestern revision, respectively. On August 16, 1941, the zone IV differentials were removed from the rates to and from that zone.

DISTRIBUTION OF NATURAL RESOURCES AND ECONOMIC DEVELOPMENT OF THE FIVE PRINCIPAL FREIGHT RATE TERRITORIES

Irrespective of whether freight rates are or have been responsible for differences in the growth and development of the different freight-rate territories, it seems reasonable to assume that both freight rates and the material prosperity of the population of these rate areas have been associated in some degree with the natural resources within their boundaries. We will therefore examine the distribution of the natural resources of the five principal freight-rate territories (official, southern, western trunk-line, southwestern, and mountain-Pacific).

Minerals.—The distribution of available iron ore reserves is shown by the following table:

Iron ore reserves of the United States by freight-rate territories, 1935 (approximate)

Territory	Amount in millions of tons of 2,240 pounds	Percent of United States
Official	147	3.7
Southern	2,120	53.2
Western trunk-line	1,450	36.3
Southwestern	200	5.0
Mountain-Pacific	71	1.8
United States	3,988	100.0

The distribution of copper reserves is shown by the following table:

Reserves of metallic copper, by freight-rate territories, 1936

Territory	Tons	Percent of United States
Official		
Southern	120,000	0.5
Western trunk-line, including Michigan	335,000	1.3
Southwestern		
Mountain-Pacific	24,884,000	98.2
	[1] 25,339,000	100.0

[1] Does not include 800,000 tons of copper in mines whose location is not shown in the table.

The distribution of lead and zinc reserves is shown by the following table:

Lead and zinc reserves, by freight-rate territories, 1936

Territory	Lead	Zinc
	Short tons	*Short tons*
Official	85,000	2,940,000
Southern	90,000	510,000
Western trunk-line	1,696,000	1,516,800
Southwestern	193,560	4,483,200
Mountain Pacific	1,237,158	2,713,580
Total	3,302,158	12,163,580
	Percent of total	*Percent of total*
Official	2.57	24.17
Southern	2.73	4.19
Western trunk-line	51.37	12.47
Southwestern	5.86	36.86
Mountain Pacific	37.47	22.31
Total	100.00	100.00

Reserves of metallic minerals, however, are not confined to the existing ore reserves. The processes of production have built up large reserves of these metals in the various finished products into which they enter. This is particularly true with respect to iron and steel, copper, lead, and to a lesser extent, with respect to zinc.

In 1936, reserves of iron and steel represented in products in use aggregated in excess of 1 billion tons. No estimates of secondary reserves for the other metals are available. For the period 1914 through 1939, however, the average ratio of secondary production to primary production for copper was 58.24 percent; for lead, 41.01 percent; and for zinc from 1914 through 1934, 29.45 percent.

Official territory greatly outranks all other territories in the proportion of semidurable and durable commodities which constitute the more important sources of the secondary metal supply. Depending on whether Michigan and Virginia are excluded or included, official territory is estimated to contain between 60 and 62 percent of the manufacturing establishments, between 44 and 46 percent of the hotel rooms, 59 and 61 percent of the office, trade, and other business structures, 50 and 52 percent of the dwelling units, 48 and 50 percent of the motor vehicles, 56 and 58 percent of the miles of wire in cable, and 64 and 66 percent of the miles of all wire of telephone companies. This territory is somewhat less important relatively in its secondary metal reserves represented by railway plant and equipment, which is one of the most important sources of secondary metal. Although this territory had between 28 and 31 percent of the miles of road, it does not greatly outrank the western trunk-line territory in this respect, although very much above all three of the other rate territories. However, class I railroads of the eastern district, which roughly coincides with official territory, owned between 41 and 46 percent of steam locomotives and a majority of the steel or steel underframe passenger-train cars in 1938. These roads also owned more than half of the steel and steel underframe freight-train cars if the Pocahontas region is included with the eastern district, and nearly 47 percent if it is excluded.

The following table shows the value of the products of all mineral industries for 10-year periods 1902 to 1939:

All mineral industries: Value of products by freight-rate territories, 1902–39

Period	Territory										United States	
	Official		Southern		Western trunk line		South-western		Mountain-Pacific			
	1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*	
Year 1902	454, 223		50, 866		128, 229		14, 609		148, 899		796, 826	
Year 1909	623, 457		72, 101		203, 351		47, 358		262, 825		1, 209, 092	
Year 1919	1, 526, 902		228, 096		394, 179		479, 702		493, 680		3, 122, 559	
Year 1929	1, 385, 854		261, 221		405, 722		1, 179, 270		1, 010, 350		4, 244, 932	
Year 1939	1, 074, 824		214, 126		291, 685		897, 017		725, 238		3, 220, 929	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1902		57.0		6.4		16.1		1.8		18.7		100.0
Year 1909	37.3	51.6	41.7	6.0	58.6	16.8	224.2	3.9	76.5	21.7	51.7	100.0
Year 1919	144.9	48.9	216.4	7.3	93.8	12.6	912.9	15.4	87.8	15.8	158.3	100.0
Year 1929	[1] 9.2	32.6	14.5	6.1	2.9	9.6	145.8	27.8	104.7	23.8	35.9	100.0
Year 1939	[1] 22.4	33.4	[1] 18.0	6.6	[1] 28.1	9.1	[1] 23.9	27.8	[1] 28.2	22.5	[1] 24.1	100.0

[1] Decrease.

Energy.—The term "energy resources" as ordinarily used refers to water power, a replenishable source of energy, and to the minerals from which energy is usually derived, coal, petroleum, and natural gas, or presumably nonreplenishable sources.

The decline in the coal industry in recent years (prior to World War II) has been due in part to the extensive substitution of other forms of energy generation for coal, but also to the amazing strides that have been made in increasing the efficiency of coal utilization. Coal has been losing ground relatively since the early part of this century, though the actual quantities mined continued to increase until 1918. At the peak of consumption which occurred in that year (under the stimulus of World War I) coal supplied 82 percent of the total energy derived from minerals and water power. By 1929 the proportion was down to 63 percent, and by 1937, to 54 percent. Since 1923 and until World War II the industry had been in a state of almost continuous depression. Despite this fact, coal remains the principal energy source, petroleum, natural gas, and water power following in the order named.

In 1937 the Bureau of Mines placed the supply of energy derived from coal at 12,977 trillion b. t. u. as against 7,666 trillion from domestic petroleum and 2,526 trillion for natural gas, or a total of 10,357 trillion for the latter two. It is apparent, therefore, that in this fairly active industrial year, energy derived from coal exceeded the combined total from petroleum and natural gas by substantially 2,500 trillion units or more than 25 percent. So far as reserves are concerned, coal represents practically 99 percent of the total heat value of the nonreplenishable mineral sources of energy.

Water power represents only a small fraction of the total energy supply. The Bureau of Mines estimates that our total use of energy in 1937 was equivalent to 24,183 trillion b. t. u.; water power, included in terms of prevailing use of fuels in generating power at central electric stations, is estimated to have supplied 849 trillion, or 3.51 percent of the total.

For the nonreplenishable energy resources, coal, oil, and gas, estimates of the total reserves have frequently been made and the data are in such form that approximate geographical distributions of these reserves can be made by freight rate territories. Because of the location of the fields, all of the Virginia reserves have been included in southern territory, although more than half of the area of that State lies in official territory. The total production of Colorado has been included in mountain-Pacific territory. The distribution of coal reserves as of January 1, 1937, is shown by the following table:

Distribution of reserves of coal, by freight-rate territories, Jan. 1, 1937

Territory	Bituminous and semibituminous	Subbituminous	Lignite	Anthracite
	Quantity (tons of 2,000 pounds)			
Official	602,389,369,000			14,589,460,000
Southern	235,092,383,000			488,976,000
Western trunk-line	142,027,579,000		600,965,153,000	
Southwestern	64,033,017,000		23,018,747,000	222,695,000
Mountain-Pacific	364,265,943,000	818,083,894,[illegible]	315,473,443,000	114,471,000
United States	1,407,808,291,000	818,083,894,000	939,457,443,000	15,415,602,000
	Pescent distribution			
Official	43.79			94.64
Southern	16.70			3.17
Western trunk-line	10.09		63.97	
Southwestern	4.55		2.45	1.45
Mountain-Pacific	25.87	100.00	33.58	.74
United States	100.00	100.00	100.00	100.00

The foregoing table shows very clearly the heavy preponderance of the total reserves of bituminous and semibituminous coal in official territory, this area possessing between 40 and 45 percent of the total for the United States or approximately as much as southern and mountain-Pacific territories combined. Also, official territory possesses a practical monoply of the anthracite reserves.

The following table contains estimates of petroleum reserves for selected years by freight-rate territories:

Selected estimates of proven reserves of petroleum, 1925–39

Territory	1925	1934	1935	1937	1938	1939
	Thousands of barrels of 42 gallons					
Official	393,500	415,000	601,000	531,241	432,471	583,403
Southern	78,974	30,000	50,000	38,846	38,366	37,545
Western trunk-line	314,501	194,000	390,000	590,000	607,017	613,230
Southwestern	2,027,153	6,894,000	8,494,000	10,470,915	12,222,422	11,838,636
Mountain-Pacific	2,507,[illegible]	5,825,500	4,097,000	4,225,188	4,450,563	4,275,332
Total	5,321,427	13,338,500	13,632,000	15,856,190	17,750,839	17,348,146
	Percent of United States totals					
Official	7.4	3.1	4.4	3.4	2.4	3.4
Southern	1.5	.2	.4	.2	.2	.2
Western trunk-line	5.9	1.5	2.9	3.7	3.4	3.5
Southwestern	38.1	51.6	62.3	66.0	68.9	68.2
Mountain-Pacific	47.1	43.6	30.0	26.7	25.1	24.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Outside southwestern and mountain-Pacific territories the petroleum reserves are relatively small. Southwestern territory, with 68 percent of the total in 1939, is outstanding in its possession of proven petroleum reserves, and this territory together with the mountain-Pacific territory had 92.9 percent of the total, in 1939. None of the foregoing estimates include any allowances for oil production from oil shales or from coal.

6

Approximately one-half of the natural-gas reserves of the United States shows practically the same geographical distribution as the petroleum reserves. This is because approximately one-half of the natural gas is produced with oil, the gas being the soure of energy which brings the oil to the surface. Natural gas, however, is also found in many areas which do not produce petroleum, and larger volumes of gas are also being found with petroleum oil discovered and produced from progressively greater depths. The approximate distribution of natural gas reserves by freight-rate territories is as follows:

Territory	Trillion cubic feet
Official	6
Southern	3
Western trunk-line	11
Southwestern	41
Mountain-Pacific	39
	100

The distribution of total energy of mineral fuel resources is shown by the following table:

Distribution of total energy of mineral fuel resources by freight-rate territories, Jan. 1, 1937 (in trillions of B. t. u.)

Territory	All coal	Petroleum	Natural gas	All minerals: Total	All minerals: Percent of United States
Official	16,136,942	3,187	6,450	16,146,579	25.1
Southern	6,171,296	233	3,225	6,174,754	9.6
Western trunk-line	11,422,143	3,540	11,825	11,437,508	17.8
Southwestern	1,978,046	62,825	44,075	2,084,946	3.2
Mountain-Pacific	28,451,354	25,351	41,925	28,518,630	44.3
United States	64,159,781	95,136	107,500	64,362,417	100.00

The following table shows the water-power resources both actual and potential:

Water-power resources and energy production, by freight-rate territories

Territory	Potential water power, 1936[1]: Available 90 percent of the time	Potential water power, 1936[1]: Available 50 percent of the time	Capacity of installed water wheels, 1937[2]	Production of electric energy, 1937[3]: Hydro	Production of electric energy, 1937[3]: Fuel	Production of electric energy, 1937[3]: Total
	Horsepower, thousands			Thousands of kilowatt-hours		
Official[4]	7,686	10,741	5,966	15,283,700	56,757,208	72,040,917
Southern[5]	4,328	6,094	3,888	8,261,194	3,376,746	11,637,940
Western trunk-line[6]	1,466	2,391	1,356	2,543,981	7,602,062	10,446,043
Southwestern[7]	764	967	149	261,215	6,126,569	6,387,784
Mountain-Pacific[8]	28,509	36,991	5,761	17,051,901	3,485,045	20,536,946
Total	42,753	57,184	17,120	43,702,000	77,347,630	121,049,630
	Percent of United States totals					
Official[4]	17.98	18.78	34.85	34.97	73.38	59.51
Southern[5]	10.12	10.66	22.71	18.90	4.37	9.61
Western trunk-line[6]	3.43	4.18	7.92	6.51	9.83	8.63
Southwestern[7]	1.79	1.69	.87	.60	7.92	5.28
Mountain-Pacific[8]	66.68	64.69	33.65	39.02	4.50	16.97
Total	100.00	100.00	100.00	100.00	100.00	100.00

[1] Potential water power in the United States, U. S. Department of the Interior (mimeographed), Aug. 20, 1936.

[2] U. S. Department of the Interior, Geological Survey. For plants having 100 horsepower or more.

[3] Federal Power Commission, Electric Power Statistics, 1937. Production for strictly private use not included, but electric railways, electrified sections of steam railways, and miscellaneous Federal and other plants serving Government or public are included.

[4] Including Michigan and Virginia and excluding Wisconsin. The exclusion of the highly industrialized eastern portion of Wisconsin from official territory somewhat underestimates the importance of this territory.

[5] Excluding Virginia and Louisiana.

[6] Including Wisonsin and excluding Colorado.

[7] Including Louisiana.

[8] Including Colorado.

Mountain-Pacific and official territories are outstanding in the production of hydro electric energy and also in the horsepower of installed water wheels. Together they account for over 70 percent of the hydroelectric energy and around two-thirds of the capacity of installed water wheels. Southern territory ranks third in hydroelectric production and capacity of installed water wheels.

Agriculture.—The following table shows the gross farm income from crops and livestock in 1939:

Gross farm income from crops and livestock, by freight-rate territories, 1939

Territory	Crops	Livestock and livestock products	Total
	1,000 dollars		
Official	945,954	1,814,350	2,760,304
Southern	933,632	574,475	1,508,107
Western trunk-line	615,896	1,762,524	2,378,420
Southwestern	510,388	513,965	1,024,353
Mountain-Pacific	656,395	634,306	1,290,701
United States	3,662,265	5,299,620	8,961,885
	Percent of territory totals		
Official	[illegible].27	65.73	100.00
Southern	61.91	38.09	100.00
Western trunk-line	25.90	74.10	100.00
Southwestern	49.83	50.17	100.00
Mountain-Pacific	50.86	49.14	100.00
United States	40.86	59.14	100.00
	Percent of United States totals		
Official	25.83	34.23	30.80
Southern	25.49	10.84	16.83
Western trunk-line	16.82	33.26	26.54
Southwestern	13.94	9.70	11.43
Mountain-Pacific	17.92	11.97	14.40
	100.00	100.00	100.00

The highly industrialized character of official territory should not obscure the fact that it is at the same time an important agricultural area. For example, in 1939 the gross farm income of the United States aggregated 8.96 billion dollars, of which official territory produced 2.76 billion, or approximately 31 percent. Western trunk-line territory was a close second, accounting for 2.38 billion, or approximately 27 percent of the total, and was followed by the southern, mountain-Pacific, and southwestern rate areas in the order named. No one of these last three areas, however, produced as much as 17 percent of the United States total.

Agricultural resources as measured by the quality of the land is shown by a grading of all the land of the United States according to its productivity for crop production. The method used attempts to take into consideration all the principal physiographical conditions influencing productivity such as soil type, topography, rainfall, and temperature.

Land area classified according to its productivity,[1] *by freight-rate territories, 1934*

[Percent of United States totals (1,000 acres)]

Grade	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Grouping A[2]						
Excellent	27.13	2.65	63.78	5.97	0.47	100.00
Good	25.37	10.61	41.91	20.47	1.64	100.00
Fair	20.64	21.50	23.68	25.10	9.08	100.00
Excellent to fair	23.15	15.12	35.68	20.68	5.37	100.00
Poor	18.24	21.23	18.91	17.79	23.83	100.00
Incapable of tillage	6.24	6.99	6.69	8.47	71.61	100.00
All grades	14.38	12.51	19.05	14.47	39.59	100.00
Grouping B[2]						
Excellent	24.90	3.93	66.00	4.70	.47	100.00
Good	19.39	13.75	46.30	19.06	1.50	100.00
Fair	16.40	26.31	27.27	22.98	7.04	100.00
Excellent to fair	18.67	18.85	39.32	18.91	4.25	100.00
Poor	14.23	26.68	24.69	14.36	20.04	100.00
Incapable of tillage	4.13	8.17	13.33	7.90	66.47	100.00
All grades	11.08	15.30	24.48	12.94	36.11	100.00

[1] Graded according to ability to produce without irrigation, or without additional drainage.

[2] The variation between grouping A and grouping B is due to a difference in the allocation of States divided by freight-rate territory boundaries as follows:

State	*Grouping A*	*Grouping B*
Michigan	Official	Western trunk-line.
Wisconsin	Western trunk-line	Western trunk-line.
Virginia	Official	Southern.
Louisiana	Southwestern	Southern.
Colorado	Mountain-Pacific	Western trunk-line.

The total land area and its uses in agriculture is shown by the following table:

Land area, by uses and freight-rate territories,[1] *1940*

[Percent of United States totals (acres)]

Item	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Cropland in farms	19.76	14.30	40.18	15.32	10.44	100.00
Plowable pasture in farms	21.20	15.77	34.39	15.53	13.11	100.00
Potential cropland	20.11	14.67	38.75	15.37	11.10	100.00
Other land in farms	10.69	12.98	21.04	22.22	33.07	100.00
Total land in farms	15.40	13.82	29.90	18.79	22.09	100.00
Other land	11.16	12.54	9.56	8.45	58.29	100.00
Total land area[2]	13.52	13.25	20.89	14.22	38.12	100.00

[1] Data for States divided by freight-rate territories were apportioned on the basis of county figures as shown in the Census reports of 1930. At the time this table was prepared, county figures were not released for the Census of 1940.

[2] Total land area as of 1930.

The total land in farms shown in the foregoing table does not represent all the land devoted to agricultural uses because there is an enormous proportion of the total land area of the United States outside of land in farms which is used for pasture. This acreage aggregates 31 percent of the total land area of the United States and is located for the most part, as of 1930, in the three western freight-rate territories, more particularly in the mountain-Pacific territory. The acreages of these pasture lands for the western freight-rate territories, as of 1930, are as follows

Territory	Pasture not in farms (1,000 acres)	Land area (1,000 acres)	Percent of land area
Western trunk-line	15, 637	397, 619	3. 93
Southwestern	56, 427	270, 528	20. 86
Mountain-Pacific	358, 530	725, 480	49. 42
Total	430, 594	1, 393, 627	30. 90

The following table shows the production of livestock, poultry, and related products on farms:

Livestock and poultry—production on farms, by freight-rate territories, 1939

[Percent of United States totals]

Item	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Cattle and calves	21. 83	8. 04	39. 51	15. 54	15. 08	100. 00
Sheep and lambs	14. 99	4. 75	25. 17	10. 69	44. 40	100. 00
Hogs	29. 35	12. 62	46. 92	7. 85	3. 26	100. 00
Milk and milk products	36. 18	9. 62	35. 76	7. 87	10. 37	100. 00
Wool	12. 56	2. 39	15. 35	21. 30	48. 40	100. 00
Mohair			1. 06	85. 31	13. 63	100. 00
Chickens	34. 99	17. 47	29. 71	10. 65	7. 18	100. 00
Chicken eggs	37. 87	11. 93	29. 99	10. 27	9. 94	100. 00
Turkeys	20. 08	6. 45	33. 54	17. 03	22. 90	100. 00

The following table shows the value of all farm products by freight-rate territories at 10-year periods 1899 to 1939, with the percents of increase and the percents of the United States totals:

Value of all farm products by freight-rate territories, 1899–1939

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1899	1,304,671	685,523	1,067,915	402,137	261,883	3,742,129
Year 1909	2,021,885	1,150,725	2,148,291	683,840	495,259	6,506,000
Year 1919	4,760,839	3,159,729	5,342,134	2,194,303	1,539,921	16,996,926
Year 1929	3,161,325	2,117,559	3,569,744	1,465,208	1,605,119	11,923,801
Year 1939	2,657,625	1,622,740	2,464,479	1,068,602	1,307,164	9,120,610

Period	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		United States	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1899	------	34.9	------	18.3	------	29.1	------	10.7	------	7.0	------	100.0
Year 1909	54.9	31.1	69.2	17.8	97.5	33.0	69.9	10.5	89.1	7.6	73.[illegible]	100.0
Year 1919	135.5	28.0	172.5	18.6	148.7	31.4	221.1	12.9	210.9	9.1	161.[illegible]	[illegible].0
Year 1929	¹33.6	26.5	¹33.0	17.8	¹33.2	29.9	¹33.2	12.3	4.2	13.5	¹29.[illegible]	[illegible].0
Year 1939	¹15.9	29.2	¹23.4	17.8	¹31.0	27.0	¹27.1	11.7	¹18.6	14.3	¹23.5	[illegible].0

[1] Decrease.

Timber.—The distribution of forest resources between freight rate territories is shown by numerous tables, the most significant of which is the following:

Stand of saw timber on commercial forest land by character of growth and by freight-rate territories, 1938

[Percent of United States totals (million board feet)]

Materials	Territory					United States total
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
GROUPING A ¹						
Softwoods:						
Old growth	2.54	3.30	0.59	1.16	92.41	100.00
Second growth	9.92	32.07	2.37	12.72	42.92	100.00
Total softwoods	4.20	9.79	.99	3.78	81.24	100.00
Hardwoods:						
Old growth	28.24	40.70	6.90	24.16	------	100.00
Second growth	36.95	32.83	9.16	17.96	3.10	100.00
Total hardwoods	33.38	36.06	8.23	20.50	1.83	100.00
Total saw timber	8.68	13.82	2.10	6.34	69.06	100.00
GROUPING B ¹						
Softwoods:						
Old growth	1.71	3.90	1.20	0.78	92.41	100.00
Second growth	6.68	38.25	3.11	9.04	42.92	100.00
Total softwoods	2.83	11.65	1.63	2.65	81.24	100.00
Hardwoods:						
Old growth	12.46	56.93	19.00	11.61	------	100.00
Second growth	29.03	44.61	12.63	10.63	3.10	100.00
Total hardwoods	22.23	49.66	15.25	11.[illegible]	1.83	100.00
Total saw timber	5.81	17.48	3.72	3.93	69.06	100.00

[1] The variation between Grouping A and B is due to a difference in the allocation of States divided by freight-rate territory boundaries as follows:

State	*Grouping A*	*Grouping B*
Michigan	Official	Western trunk line.
Wisconsin	Western trunk line	Western trunk line.
Virginia	Official	Southern.
Louisiana	Southwestern	Southern.
Colorado	Mountain-Pacific	Mountain-Pacific.

Manufacturing.—The economic development of the United States by freight-rate territories is indicated by the following table showing the value of products of all manufacturing industries.

All manufacturing industries: Value of products by freight rate territories, 1899–1939

[For all establishments, including hand and neighborhood industries, having products valued at $500 or more in year 1899. For all establishments, excluding hand and neighborhood industries, having products valued at $500 or more in 1909, and $5,000 or more in later years]

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1899	9,725,850	812,790	1,613,949	298,771	550,789	13,000,149
Year 1909	14,988,970	1,455,927	2,524,248	625,443	1,077,464	20,672,052
Year 1919	44,508,154	4,517,728	7,309,672	2,277,861	3,804,664	62,418,079
Year 1929	49,135,105	5,413,010	7,840,136	2,802,092	5,244,520	70,434,863
Year 1939	38,550,160	5,685,323	5,641,327	2,567,821	4,398,394	56,843,025

Period	Official Increase	Official United States total	Southern Increase	Southern United States total	Western trunk line Increase	Western trunk line United States total	Southwestern Increase	Southwestern United States total	Mountain-Pacific Increase	Mountain-Pacific United States total	United States Increase	United States United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1899	------	74.8	------	6.3	------	12.4	------	2.3	------	4.2	------	100.0
Year 1909	54.1	72.5	79.1	7.1	56.4	12.2	110.7	3.0	95.6	5.2	59.0	100.0
Year 1919	196.9	71.3	210.3	7.2	189.6	11.7	264.2	3.7	253.1	6.1	201.9	100.0
Year 1929	10.4	69.8	19.8	7.7	7.3	11.1	23.0	4.0	37.8	7.4	12.8	100.0
Year 1939	[1] 21.5	67.8	5.0	10.0	[1] 28.0	9.9	[1] 8.4	4.5	[1] 16.1	7.8	[1] 19.3	100.0

[1] Decrease.

The following table shows the value added by manufacture of all manufacturing industries:

All manufacturing industries: Value added by manufacture, by freight-rate territories, 1899–1939

[For all establishments, including hand and neighborhood industries, having products valued at $500 or more in year 1899. For all establishments, excluding hand and neighborhood industries, having products valued at $500 or more in 1909 and $5,000 or more in later years]

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1899	4,346,034	364,490	603,515	116,728	225,754	5,656,521
Year 1909	6,331,947	662,871	855,546	243,312	435,585	8,529,261
Year 1919	18,701,077	1,880,300	2,229,401	729,867	1,501,053	25,041,698
Year 1929	23,235,038	2,587,614	2,942,164	950,462	2,170,606	31,885,284
Year 1939	17,616,297	2,325,207	2,140,544	823,700	1,777,370	24,682,918

Period	Official Increase	Official United States total	Southern Increase	Southern United States total	Western trunk line Increase	Western trunk line United States total	Southwestern Increase	Southwestern United States total	Mountain-Pacific Increase	Mountain-Pacific United States total	United States Increase	United States United States total
	Pct.	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*
Year 1899	------	76.8	------	6.4	------	10.7	------	2.1	------	4.0	------	100.0
Year 1909	45.7	74.2	81.9	7.8	41.8	10.0	108.4	2.9	92.9	5.1	50.8	100.0
Year 1919	195.3	74.7	183.7	7.5	160.6	8.9	200.0	2.9	244.6	6.0	193.6	100.0
Year 1929	24.2	72.9	37.6	8.1	32.0	9.2	30.2	3.0	44.6	6.8	27.3	100.0
Year 1939	[1] 24.2	71.4	[1] 10.1	9.4	[1] 27.3	8.7	[1] 13.3	3.3	[1] 18.1	7.2	[1] 22.6	100.0

[1] Decrease.

Population and gainful workers.—The economic development of the freight-rate territories is further shown by the following tables showing total population and the total gainful workers:

Total population of the United States by freight-rate territories, 1900–1940

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
Year 1900	37,573,531	15,380,940	12,956,165	6,532,290	3,551,649	75,994,575
Year 1910	44,835,190	17,554,940	14,770,805	8,784,534	6,026,797	91,972,266
Year 1920	52,079,465	19,309,643	16,115,945	10,242,224	7,963,343	105,710,620
Year 1930	60,871,250	21,594,823	17,271,712	12,176,830	10,860,431	122,775,046
Year 1940	64,118,346	23,948,562	17,777,873	13,064,525	12,759,969	131,669,275

Period	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		United States	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1900	......	49.4	......	20.2	......	17.1	......	8.6	......	4.7	......	100.0
Year 1910	19.3	48.7	14.1	19.1	14.0	16.1	34.5	9.5	69.7	6.6	21.0	100.0
Year 1920	16.2	49.3	10.0	18.3	9.1	15.2	16.6	9.7	32.1	7.5	14.9	100.0
Year 1930	16.9	49.6	11.8	17.6	7.2	14.1	18.9	9.9	36.4	8.8	16.1	100.0
Year 1940	5.3	48.7	10.9	18.2	2.9	13.5	7.3	9.9	17.5	9.7	7.2	100.0

Total gainful workers of the United States by freight-rate territories, 1900–1930

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
Year 1900	14,718,464	5,904,622	4,643,977	2,321,326	1,484,844	29,073,233
Year 1910	18,722,588	7,553,942	5,680,179	3,507,081	2,703,546	38,167,336
Year 1920	21,416,753	7,228,998	5,960,002	3,716,248	3,302,247	41,614,248
Year 1930	24,952,861	8,206,697	6,585,165	4,518,232	4,566,965	48,829,920

Period	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		United States	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1900	......	50.6	......	20.3	......	16.0	......	8.0	......	5.1	......	100.0
Year 1910	27.2	49.0	27.9	19.8	22.3	14.9	51.1	9.2	82.1	7.1	31.3	100.0
Year 1920	14.4	51.5	[1] 4.3	17.4	4.8	14.3	6.0	8.9	22.1	7.9	9.0	100.0
Year 1930	16.5	51.1	13.5	16.8	10.7	13.5	21.6	9.3	38.3	9.3	17.3	100.0

[1] Decrease.

Railway mileage.—The following table shows the distribution of railway mileage between the freight-rate territories:

Railway mileage of the United States by freight-rate territories, 1900–1940

Year ended Dec. 31—	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
	Miles	*Miles*	*Miles*	*Miles*	*Miles*	*Miles*
1900	66,687	32,722	54,106	18,221	21,610	193,346
1910	72,755	41,472	62,736	31,121	32,355	240,439
1920	73,387	44,333	65,254	32,972	36,899	252,845
1930	71,681	43,246	63,660	33,227	37,238	249,052
1940	67,022	40,126	59,484	31,497	35,541	233,670

Year ended Dec. 31—	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		United States	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1900		34.5		16.9		28.0		9.4		11.2		100.0
1910	9.1	30.3	26.7	17.2	16.0	26.1	70.8	12.9	49.7	13.5	24.4	100.0
1920	9	29.0	6.9	17.5	4.0	25.8	5.9	13.1	14.0	14.6	5.2	100.0
1930	[1] 2.3	28.8	[1] 2.5	17.4	[1] 2.4	25.6	.8	13.3	.9	14.9	[1] 1.5	100.0
1940	[1] 6.5	28.7	[1] 7.2	17.2	[1] 6.6	25.4	[1] 5.2	13.5	[1] 4.6	15.2	[1] 6.2	100.0

[1] Decrease.

DEPARTURES FROM MAXIMUM INTERSTATE LEVELS OF CLASS RATES SUBJECT TO CLASSIFICATIONS

The freedom with which traffic moves on the full measure of the rates in issue, i. e., class rates subject to ratings in the major classifications, is one of the matters to be considered in the determination of their lawfulness. The record does not disclose the tonnages transported under such rates, but it does indicate that the number of carloads so moving between all points in the United States represents only 4.1 percent of the total, and produces 6.3 percent of the total carload revenue. Of the respective territorial carload totals, the percentage in official territory exceeds somewhat, and in others is lower than the national average.

Aside from the weight to be accorded those results, it is clear from the record that for a long time the proportions of all traffic that have been moving under rates of the kind in issue have been steadily diminishing. In order to meet motor-truck competition, the railroads have published more and more exceptions providing ratings lower than those in the classifications, including exceptions on less-than-carloads and less-than-carload mixtures of long lists of articles; and have established class rates that are below, often greatly below, the interstate maximum bases prescribed. This has been particularly true of intrastate rates in a number of States, which rates the railroads were required by the State commissions to establish, or had published for competitive reasons on bases that State commissions had ordered for motor carriers.

Exceptions to the classification.—In discussing generally the matter of reduced ratings by exceptions applicable on interstate traffic it is shown in part I of this report that many exceptions are published in every territory embraced in Docket No. 28300, and in some, especially in southern, more extensively than in others. Exceptions are published also interterritorially. Those that have broad application throughout a given territory or between territories are issued by tariff publishing agents acting for many railroads, and authorize the charges on the principal movement of the traffic that is subject to exceptions. There are also exceptions of less extensive application that are published by individual railroads.

Exception ratings cover hundreds of articles of which there is an appreciable movement. They are for the most part lower than the ratings that would otherwise apply on the same articles in the classification, not only in carloads but also in less-than-carloads. For example, substantially throughout western trunk-line and southwestern territories exception ratings are available on straight or mixed less-than-carload lots of important specified articles.[60]

In instances where the actual exception ratings referred to in the next-preceding paragraph are the same as, or higher than, the corresponding classification ratings they are, nevertheless, generally more favorable to the shipper from the standpoint of packaging, mixing, or otherwise. The ratings on particular articles are restricted sometimes by special provisions, as, for example, that they apply or do not apply on intrastate traffic in the States specified.

Exception ratings are applicable in many instances in other territories and interterritorially on various articles, individually and mixed, falling within groupings similar to those indicated.

Another type of exceptions provides column ratings designated 1, 2, 3, and 4, and by certain numerals ranging from 110 to 27½, which are published in a tariff that states it contains rates on "Commodities, L. C. L." Those ratings, embraced in some 40 items covering several hundred individual articles of wide variety,[61] apply between certain important points and stations in northwestern territory extending from Lake Michigan to the western part of North Dakota. The tariff is governed also by less-than-carload ratings in western classification, over which the exception ratings in the tariff take precedence. In effect, the ratings in that tariff on "columns" 1, 2, 3, and 4 are purely regular classes so numbered, and other numeral ratings merely represent the percentages of column or class 1. These exception ratings are from one to several classes below the less-than-carload ratings in western classification on the same articles, on some amounting to less than one-half of the classification ratings, figured in percentage relations to class 1. The ratings, originally published in order to meet motortruck competition, were successively noted to expire at the end of each following year, but a few years ago the expiration date was eliminated.

---

[60] Of such individual articles, which also may be mixed with others in the respective groups, the following groupings may be mentioned: Agricultural implements, rated in exceptions class 70, whereas in western classification the ratings range from classes 70 to 150; confectionery, exceptions class 57, classification classes 70 to 100; drugs, medicines, chemicals, and toilet preparations, exceptions class 70 on small quantities, and classes 68, 65, and 55 on minima of 5,000, 10,000, and 15,000 pounds, respectively, classification classes 55 to 200; named articles of furniture, and of games and toys, variously rated in exceptions ranging down to one-half of the ratings in the classification: groceries and grocery or general-store supplies, exceptions usually class 55, classification classes 55 to 100 but mostly classes 55 and 70; hardware and hardware-store supplies, with which may be included automobile parts, exceptions class 70 on small quantities, and classes 66 and 63 on minima of 5,000 and 10,000 pounds, respectively, classification classes 55 to 150 and on one article class 200; automobile parts, exceptions class 70 (in southwestern territory also classes 66 and 63 on minima of 5,000 and 10,000 pounds, respectively) classification classes 50 to 100 and on a few articles to class 200; iron and steel articles, exceptions class 50, classification classes 55 to 100; and paper and paper articles, exceptions class 55 on small quantities, and classes 50, 47, and 37½ on minima of 7,000, 10,000, and 15,000 pounds, respectively, classification classes 55 to 85 and on one article class 100. The class 37½ rating named in connection with the last-mentioned group is the same rating as published in western classification on many kinds of paper and paper articles, in carloads, minimum 30,000 pounds.

Intrastate class rates.—It appears that such rates between points in the States or parts of States embraced in official territory are the same as the interstate rates previously described herein, with only a few variations.[62]

Except in Kentucky and the Florida peninsula, the intrastate class rates within every State or portion of a State comprising southern territory seem to be the same as the corresponding interstate rates. Kentucky intrastate rates are governed by official classification and are on the eastern scale, except that for distances exceeding 150 miles the rates are progressively higher than that scale, the differences on class 100 being 3 cents at 200 miles, 5 cents at 300 miles, and 12 cents at 400 miles.[63] Departures from this higher basis occur in rates between points on the Chesapeake & Ohio Railway, between all points on the Ohio River, and between such railway and river points, which are on the eastern scale. The average of the rates through 300 miles in the scale progressed as described is 101.3 percent of the eastern scale.

In the Florida peninsula the Florida arbitraries no longer are included in intrastate rates on classes 1 to 7 (classes 100 to 35). They were eliminated by the railroads after the Florida commission had allowed their removal from motortruck rates:

---

[61] The variety of articles is indicated by the following: Agricultural implements, bags and bagging, bakery goods, building woodwork, canned goods, cotton clothing, drugs and medicines, cottonpiece goods, electrical appliances, automobile engines, food preparations, furniture, groceries, hardware, iron and steel articles, paints, paper articles, petroleum and products, stoves and ranges, surgical supplies, manufactured tobacco, typewriters, and wheels for farm tractors.

[62] For instance, in New Jersey the variations are due to a different grouping of certain points under the intrastate rates from that under interstate rates, found not in violation of section 13 of the act in *Intrastate Class Rates in New Jersey* (1934), 203 I. C. C. 357.

[63] The Kentucky intrastate class rates were found not shown to be in violation of section 13 of the act in *Intrastate Class and Commodity Rates in Kentucky* (1937), 223 I. C. C. 109.

States throughout western trunk-line and southwestern territories have scales of intrastate class rates, either prescribed by State commissions or published to meet motortruck competition, that are lower than the interstate maximum bases. Such rates have the benefit generally of the many exception ratings heretofore discussed; and those on less-than-carload traffic usually include pick-up and delivery services, or allowances to shippers in lieu thereof, to the same extent as under the corresponding interstate rates. A review of these intrastate rates follows:

Wisconsin, lying mostly in western trunk-line zone I,[64] has a 440-mile scale in which the rates are the same as the eastern scale through 150 miles, but beyond that distance they progress more rapidly than the eastern and finally grade into the zone I scale. Class 100 rates for these greater distances under the Wisconsin, eastern, and zone I scales, respectively, are: For 150 miles, 73, 73, and 86 cents; for 200 miles, 84, 80, and 97 cents; for 300 miles, 106, 96, and 117 cents; and for 400 miles, 128, 109, and 136 cents. All Wisconsin intrastate rates are governed by official classification, whereas zone I rates are subject to the western. Hauls in Wisconsin average less than 150 miles, which includes about 75 percent of the class-rate traffic. On most of the remainder the hauls are less than 200 miles, so that the intrastate traffic moves under virtually the official territory level of rates and classification. Rates still lower than those in the State scale described are available on less-than-carload traffic within Wisconsin for distances through 65 miles, which on class 100 range lower than the eastern scale by 8 cents at 5 miles to 1 cent at 65 miles. Wisconsin's less-than-carload scale, as a whole, averages about 103 percent of the eastern scale.

Intrastate rates in Iowa, which is entirely in zone I, have never been on the zone I level. They are on class 100 somewhat higher than the Wisconsin scale through 70 miles, and the same as that scale for greater distances, but are governed by western classification. The percentage on class 4 is 50, whereas it is 55 interstate. Through 500 miles, the extent of Iowa's scale, the class 100 rates average 108 percent of the eastern scale. For hauls of average length the Iowa rates are approximately the same as the eastern scale.

Missouri has an intrastate scale, for distances through 360 miles, on less-than-carload traffic that is lower than the eastern scale through

---

[64] The remainder of Wisconsin is in either Illinois territory or extended zone C, in the former of which the rate level is the eastern scale, and in the latter about 110 percent of that scale.

190 miles, beyond which it is the same as, or 1 cent above or below, the latter scale. As a whole, it averages 96 percent of such scale. The motor-competitive class 100 rate on interstate and intrastate traffic from St. Louis to Kansas City, 272 miles, is 92 cents, or the same as the eastern scale, whereas the prescribed interstate maximum rate is 113 cents. On interstate traffic the northern part of Missouri is in zone I, and the southern part in zone II, save that the comparatively narrow strip bordering on Arkansas is in zone III.

Subsequently to the western trunk-line revision, which placed less than one-fourth of Minnesota in zone I and the remainder in zone II, the Minnesota commission prescribed the zone I scale for the entire State on intrastate traffic.[65] That basis has been continued on carloads. The railroads did not seek State authority to increase less-than-carload rates at the time of the general increase of 1938, because of motortruck competition. The less-than-carload rates through the 600-mile maximum are 110 percent of the eastern scale. On less than carloads, minimum 6,000 pounds, the railroads sought and obtained permission from the Minnesota commission to publish volume rates reflecting 80 percent of the normal rates on the first four classes, respectively, the same as the motortruck rates.[66] All these rates are governed by western classification and by practically all exceptions thereto maintained by western trunk-line railroads on interstate traffic.

Not more than one-third, the eastern part, of North Dakota is in zone II, and the remainder is in zone III. The North Dakota commission has prescribed from and to jobbing points throughout the State a single-line, distributing scale of rates extending through 500 miles, subject to western classification and a small number of intrastate exceptions.[67] That scale on class 100 is lower than the zone II scale by 20 cents at 5 miles, 19 cents at 70 miles, 25 cents at 150 miles, 20 cents at 300 miles, and 10 cents at 500 miles. It averages 82.8 percent of the zone II scale. At no distance does it equal the zone III scale. Moreover, while regular class 2 in the North Dakota scale is 85 percent of first class, the percentages for classes 3 and 4 are 66 and 51, respectively, whereas interstate they are 70 and 55. Compared with the eastern scale, the North Dakota scale on class 100 is lower for all distances through 145 miles, is the same for 150 and 155 miles, and is higher beyond. For all distances it averages 115.7 percent of the eastern scale.[68] Probably the majority of affected shipments move at rates about the same as, or lower than, the eastern scale, although the record is silent on this point. On the light traffic from and to stations other than jobbing points an intrastate scale applies that is somewhat higher than the one described above.

---

[65] This basis of Minnesota intrastate rates, which by petitions of Watertown, S. Dak., and Superior, Wis., shippers had been assailed as in violation of section 13 of the act, was found not unlawful in the fifth supplemental report (1933), on further hearing, in the western trunk-line revision (197 I. C. C. 57).

[66] The railroads also published these less-than-carload and volume rates to apply interstate between Minnesota and border points in Wisconsin, North Dakota, and South Dakota.

[67] Rates according to the North Dakota distributing scale have been voluntarily extended interstate to the border points of Moorhead and East Grand Forks, Minn., on traffic from and to North Dakota stations on the Great Northern Railway generally, and a limited number of stations on the Northern Pacific Railway.

Approximately the eastern one-third of South Dakota is in zone II and the balance in zone III, which includes a part of the State east of the Missouri River. For competitive reasons the railroads adopted for less-than-carload traffic the rate scales, extending through 600 miles, that the South Dakota commission had prescribed for motortrucks on the first four regular classes, which classes are related to one another by the usual western percentages. One scale applies east of the Missouri River, another west, and an average of the two intersectionally. The scale east of the river, compared with the zone II scale, is lower on class 100 by 11 cents at 10 miles, 21 cents at 70 miles, 24 cents at 150 miles, 18 cents at 300 miles, and 18 cents at 600 miles. Through 120 miles it is lower than the eastern scale. The scale west of the river is 15 percent higher than the one east, and throughout is lower than the zone III scale.

No specific evidence was offered as to the intrastate class rates in Nebraska.[69] More than one-third of the State, the eastern part, lies in zone II and the remainder in zone III.

As to the rates within Kansas, only those for the representative distances set forth in the table next following are shown of record. Zone II embraces about the eastern one-third and zone III the rest of this State.

In eastern Colorado, which lies in zone III, the railroads have adopted for intrastate rates on the first four classes scales representing 107 percent of the zone I scale.[70] The Colorado commission had prescribed those rates on motortruck traffic in small lots, and about 76 and 53 percent of such rates on shipments of 5,000 and 10,000 pounds, respectively. These volume rates also were adopted by the railroads, but the tariff naming them contains a notice of protest to the effect that they are deemed extremely low and not compensatory. Nevertheless they have been in effect since 1935.

---

[68] Cognizance should be taken of the manner of applying the distance scales, i. e., North Dakota to the single-line distances, and eastern to the shortest possible distances.

[69] It appears from the oral argument, that railroad class rates in Nebraska are lower than in South Dakota, and that they are made on a scale which is applied to the air-line distances between points.

[70] As stated, for all distance blocks through 1,500 miles the interstate zone III scale is 125 percent of the zone I scale. Through 300 miles it is 124.2 percent.

Arkansas is entirely within zone III. Railroads publish for application in that State an intrastate scale of rates on less-than-carload traffic moving under the first four classes that is approximately 70 percent of the zone III scale through 150 miles, beyond which it grades up rapidly and reaches the zone III basis at 210 miles.[71] This scale is lower than the eastern scale for all distances through 100 miles.

Oklahoma, whose interestate rate basis is now zone III throughout, has intrastate less-than-carload rates on the first four classes that, compared with the zone III scale, are 75 percent at 5 miles and gradually ascend to about 93 percent at 500 miles, beyond which the rates are the same as scale III.[72]

Since 1941, when the railroads voluntarily eliminated the southwestern zone IV rate level, interstate rates throughout Texas have been on the zone III basis. Intrastate rates, published through 900 miles, are for most distance blocks somewhat lower than interstate, and average about 97 percent of the zone III scale.

For ready comparison there are set forth in the following table the less-than-carload rates, for representative distances, on classes 1 and 4 (which are not stated as percentage classes, because the class 4 rates are not in all States 55 percent of first class) published for intrastate application in the western trunk-line and southwestern-territory States listed, and the corresponding rates in the interstate scales for western zones I, II, and III, and in the eastern scale. Application of the particular zone scales in such western States has been heretofore indicated.

---

[71] The same scale is in effect on interstate traffic between Arkansas and contiguous points in Missouri, Oklahoma, Louisiana, and Texas, as well as between Arkansas and Memphis, Tenn., for limited application.

In *Less Carload Class Rates, Arkansas and Louisiana*, 256 I. C. C. 656, division 2 on January 14, 1944, found a proposal of the rail carriers and common carrier motor carriers, operating between northern Louisiana and southern Arkansas to cancel their less-than-carload and less-than-truckload class rates leaving in effect the normal class rates, would result in increased rates not shown to be reasonable. In a report on reconsideration, 258 I. C. C. 525, May 8, 1944, we found that the proposed rates, insofar as they would apply from points in Arkansas to destinations in Louisiana, were just and reasonable and not otherwise unlawful; and that the proposed rates, insofar as they would apply from points in Louisiana to destinations in Arkansas, were reasonable, but would be unduly prejudicial to Louisiana shippers and unduly preferential of Arkansas and Memphis shippers to the extent of their excess over the rates concurrently maintained for corresponding distances within Arkansas and from Memphis

[72] These rates are published also interstate between Oklahoma and contiguous points in Missouri and Arkansas for limited application.

Intrastate rates in Western States on classes 1 and 4, for representative distances, compared with rates in interstate scales

Scales	20 miles		40 miles		60 miles		80 miles		100 miles		130 miles		160 mil	
	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4
	Cts.	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*
Wisconsin	30	15	39	20	50	25	57	29	62	31	68	34	75	38
Iowa	40	20	48	24	53	27	57	28	62	31	68	34	75	38
Missouri	32	18	39	21	46	25	53	29	59	32	66	36	72	40
Minnesota	36	20	44	24	52	29	60	33	66	36	74	41	80	44
North Dakota	22	11	37	19	48	25	54	27	59	30	67	35	75	39
South Dakota (E)[1]	34	19	40	22	46	25	52	29	59	32	68	37	78	43
South Dakota (W)[1]	39	21	46	25	53	29	60	33	68	37	78	43	90	49
Kansas	36	20	45	25	54	30	63	34	72	40	85	46	97	53
Colorado (Eastern)	42	23	51	28	61	33	69	39	76	42	86	47	93	51
Arkansas	33	18	41	23	48	26	55	30	61	34	69	38	83	46
Oklahoma	36	20	45	25	54	30	63	35	72	40	85	47	97	53
Texas	47	26	58	32	69	38	79	43	87	48	99	54	109	60
Zone I	40	22	48	26	57	31	66	36	73	40	81	45	88	48
Zone II	44	24	55	30	65	36	75	41	83	46	92	51	100	55
Zone III	47	26	59	32	70	39	81	45	90	50	100	55	110	61
Eastern	37	19	44	22	51	26	57	29	62	31	68	35	74	37

[1] South Dakota (E) and (W) mean east and west of the Missouri River; between east and west of the river an average of the 2 scales applies.

Except for upper Michigan, Nebraska, Wyoming's Cheyenne corner, and Louisiana west of the Mississippi River, the States listed in the foregoing table constitute all of western trunk-line and southwestern territories. Intrastate class rates within the excepted States, or portions, apparently are also lower than the interstate bases. Although the record is lacking in that respect, some indication of the relations between intrastate and interstate rate levels may be obtained by aggregating the class 1 rates in the table for these western States lying wholly or partly within a particular interstate zone,[73] and dividing the aggregate by the number of such States for an average. In like manner the average for all western States may be determined for comparison with the eastern scale.[74] Computations by this rather rough and imperfect method produce the following mathematical averages of class 1 rate levels, intrastate or interstate, limited to the representative distances shown in the foregoing table: In zone I, 86.1 percent, in zone II, 76.2 percent, and in zone III, 77.7 percent. The average intrastate levels in the respective zones are 99.5, 99.7, and 110.2 percent of the corresponding class 1 rates in the eastern scale, and the average for all the western States listed in the table is 107.4 percent of that scale.

Among interstate rates that are lower than the maximum bases prescribed are less-than-carload rates, published to meet motortruck competition, that are really regular class rates or percentages thereof but are termed less-than-carload commodity rates in the tariff. They are governed by less-than-carload ratings in western classification, over which the exceptions in the tariff take precedence. The latter have been referred to in discussing the classification exceptions in this portion of the report. As there explained, they are simply the rates on regular classes 1, 2, 3, and 4, and on certain percentages from 110 to 27½ of class 1. The rates apply between Chicago and Peoria, Ill., and Milwaukee, Wis., on the one hand, and Wisconsin, upper Michigan, Minnesota, and North Dakota, on the other; and between Twin Cities, Duluth, Minn., and Superior, Wis., on the one hand, and Wisconsin and upper Michigan, on the other. Volume rates are provided on shipments of 5,000, 10,000, and 16,000 pounds of 95, 90, and 85 percent, respectively, of such class rates, and of the percentage rates that range from 90 to 57. The rate of 116 cents (106.4 percent of the corresponding eastern scale rate) on column or class 1 between Chicago and Twin Cities (400 miles) is blanketed back over a large group, and is 23 cents lower at Twin Cities than the prescribed maximum class 1 rate also published between Chicago and Twin Cities. Rate differences between Chicago and other points in the States named, similarly computed, are generally less than at Twin Cities. Thus, in the class 1 rate of 187 cents between Chicago and Fargo, N. Dak., the difference is 11 cents, and to and from other points in North Dakota the differences are smaller by varying amounts. In some instances there are no differences. Differences in corresponding rates to and from Milwaukee are less than those in the rates to and from Chicago. The so-called commodity rates on classes 2, 3, and 4 reflect percentage relations to class 1 that in most instances are about the same as the western interstate relations.

---

[73] A State with parts in more than one interstate zone was counted in each zone, except that as to South Dakota, whose two parts have different scales, the eastern part was treated as in zone II and the western part as in zone III.

[74] Here the rates for eastern and western South Dakota were averaged in figuring the level for the State.

Changing conditions over the years in the field of transportation, especially intensified motortruck competition, indicate that the interstate maximum class-rate levels in territories other than official no longer move freely business that formerly was regarded as of class-rate type, particularly in less than carloads. In the higher-rated territories, notably in the West and Southwest, extremely small proportions of all traffic move subject to classification ratings and at class-rate bases.

As stated, competition with motor carriers has induced the railroads to establish numerous exceptions to the classifications, and to adopt the rates of their competitors on much intrastate class-rate traffic and to some extent on interstate traffic. Prevalence of such competition has dissuaded the railroads from petitioning us for relief under section 13 of the act where commissions of certain western States have ordered rail rates lower than the interstate bases, because of apprehension that restoration of those bases would divert traffic to competitors and would reduce railroad revenue. Even in this proceeding respondents make no point of, much less assail as unlawful, the existence of intrastate rates substantially lower than the contemporaneous interstate rates; nor do shipper interests raise that question.

POSITIONS OF PARTIES

Rail respondents generally take the position that the present intraterritorial and interterritorial class rates were prescribed by us, that such rates are the result of many years of thorough investigations and earnest efforts by this Comission, the shippers, and railroads, directed to adjusting rates to meet the needs of commerce, and that the present rates adequately meet those needs, and are in many instances below the maximum level prescribed or approved. They contend that the full measure of proof of unlawfulness of the present rates must include proof of changed conditions of reasonable permanency, and that the record is devoid of such proof; that actually the changes in conditions that have occurred are those brought about by the country's entrance into war, and that they are not conditions upon which any permanent freight rate adjustment can be built judiciously or with confidence.

In addition to a denial of the unlawfulness of the rates in issue generally, official territory respondents also deny that the rates within official terriotry, or to and from that territory, are in excess of maximum reasonable rates or otherwise unlawful; but if we should find that reasonable and nonprejudicial class rates within other territories should be equal to those in official territory, they would not oppose joining in the establishment of interterritorial class rates on the official territory level if appropriate conditions are observed. The conditions would provide that class rates be made subject to uniform classification ratings, apply in both directions, and be subject, in their division, to equal bases of divisional prorating factors for the groups of carriers in the different territories.

If revisions are required in the present class rates over standard railroad lines, Bangor and Aroostook Railroad Company and Canadian Pacific Lines, which operate in northern Maine, and Norfolk Southern Railway Company, whose lines are in Virginia and North Carolina, seek special treament in the form of arbitraries for the hauls over their lines similar to that accorded in previous proceedings.

Class I respondents do not consider that the question of a rate basis for earnings to which they may be entitled is presented for consideration in this investigation. They wish to make clear that by refraining from making a valuation presentation herein, they do not agree to or accept the valuation in the cost studies prepared by our staff, and that they do not concede that such values are the true and actual values of their railroad properties, or that they were reached through the application of correct principles or methods.

The advocates of changes in the existing class rates may be grouped as follows: Those seeking (1) a single and uniform level of class rates throughout the territory included in the investigation; (2) a single and uniform level of class rates in the territory east of the Mississippi River; and (3) the extension to certain States or areas of an existing lower level of class rates.

In the first group are public bodies and associations of shippers in the States of Arkansas, Kansas, Louisiana (west of the Mississippi River), Nebraska, North Dakota, Oklahoma, South Dakota, and Texas, American Farm Bureau Federation, and Tennessee Valley Authority. Generally, they allege that the intraterritorial and interterritorial class rates in and between the territories embraced in the investigation are unreasonable and unduly prejudicial and preferential, and they propose the extension of the official territory level of class rates to the remainder of the considered territory. If the latter cannot be found justified, a few of the parties in western trunk-line territory suggest as an alternative substantial reductions in the differences between the rate levels in the territories or zones.

The second group comprises Southern Governors' Conference, representing the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, Southeastern Association of Railroad and Utilities Commissioners, appearing on behalf of the regulatory authorities of the eight southern States above named, the State of Florida and other Florida interests appearing separately, South Carolina State Ports Authority, Southern Traffic League, and the East Tennessee Border Traffic Association. This group seeks the establishment of the official territory level of class rates throughout the area east of the Mississippi River, and the elimination of the Florida arbitraries. The motor-carrier interveners advocate the same level of class rates east of the Mississippi River, but they contend that the official territory class rates are too low, particularly as applied to less-than-carload traffic.

As part of a permanent adjustment of class rates, the motor carriers propose dual scales of class rates for carloads and less than carloads, with restrictions as to the minimum rates which may be established voluntarily to meet competition. They suggest, however, that a comprehensive traffic test is a prerequisite to the establishment of a rate system on the basis proposed, and appear to favor deferring the test until after the war when it would reflect conditions prevailing in the postwar period and could be made at less cost. All parties, except the motor carriers and those representing Omaha, Nebr., and

Wichita, Kans., opposed dual scales of class rates for carload and less-than-carload traffic, and, as stated, the motor-carrier interests do not propose their establishment at this time.

The proposals made by the motor carriers will be discussed further in this report.

In the third group are State authorities and associations of shippers in Iowa, Kansas, Kentucky, and Minnesota, Topeka Chamber of Commerce, Topeka Traffic Association, Wichita Chamber of Commerce, and two steel manufacturers in the St. Louis district. The States of Iowa, Kentucky, and Minnesota suggest the establishment of the official territory level of class rates in and between those States and official territory and, in the case of Kentucky, between Kentucky and other territories. Twin Cities and Duluth ask such extension to those cities and all of zone I. Topeka advocates that northeastern Kansas be placed in that same zone or territory as northern Missouri or southern Iowa for rate-making and classification purposes. Wichita favors a uniform level of class rates throughout the territory involved in this proceeding. If that is not done, it asks that a single level be prescribed between all points in western trunk-line territory, provided that the level between Wichita and all points included in the investigation be made no higher than that now in effect, or that which may be prescribed within, and to and from points in, western trunk-line zone I. It asks also that it be relieved of the undue preference finding (No. 27) made in the southwestern revision. The Colorado commission does not advocate a single level of class rates throughout the considered territory, but suggests that the class-rate levels in the western trunk-line zones, and the differences between them be substantially reduced. A steel manufacturer at Pueblo, Colo., suggests the extension of the zone II rate level to all of zone III, including the Southwest.

St. Louis manufacturers of iron and steel articles seek rates on those commodities in southwestern and western trunk-line territories properly related to those in southern and official territories. The rates referred to are not the class rates in issue in this proceeding.

Typical of the positions of those parties who seek either a uniform level of class rates throughout the territory involved, or in the territory east of the Mississippi River, is that of the Southern Governors' Conference. It states on brief: "We think that our position is summed up in the one word 'parity'. By 'parity' we mean the uniform application of class rates and classification ratings throughout the territory east of the Mississippi River with a uniformity of class rates and ratings between all of such latter territory and all other territories. * * * So the South here says that if you will let it write the word 'parity', it is willing to leave to the Commission the methods and manner of bringing about parity." In addition to allegations of violations of sections 1 and 3 of the act, the members of the conference emphasize the contention that the present class-rate structure discriminates against the South and retards its industrial development.

Opposed to a general revision of the class-rate structures are the Governors or public authorities, shippers, and associations of shippers in the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont, comprising New England territory; New York, New Jersey, Pennsylvania, Maryland, and Delaware in trunk-line territory; Ohio, Indiana, Illinois, and Michigan in central territory, Wisconsin, partly in western trunk-line and partly in official territory; and groups of shippers in southern territory. In general, their position is that we prescribed the present class rates after comprehensive proceedings extending over a period of years to fit conditions in the respective territories, that there is no evidence of changes in conditions that would warrant findings that the class-rate structures are now unlawful, and that it would be unwise to attempt to devise class-rate structures to apply under conditions that will exist in the postwar period, the nature of which no one can now foresee.

The official territory interests stress the facts that there is no complaint by shippers in official territory that the class rates therein are unlawful, and no contention by official territory respondents that such rates are below maximum reasonable levels. They contend, therefore, there is no basis in the record for increases in the class rates in that territory. They insist that even if the evidence shows that a change in the class-rate structure is necessary to make possible and to stimulate the industrial development of the South and Southwest, which they deny, we are without power to require a revision of the class rates for such a purpose; and that, even if rates could be prescribed for the purpose of influencing the location of manufacturing industries, we should not ignore the effects upon the communities and population of the North that may result from a shift of industry from the North to the South.

The State of Ohio, Public Service Commission of Wisconsin, and Wisconsin Manufacturers Association are opposed to a general revision of the class-rate structure, and, as stated, have sought to have the investigation discontinued or deferred for the period of the emergency caused by the war. If, however, there is a general revision of the class-rate structures, the Wisconsin interests seek the application of the eastern scale of class rates between all of Wisconsin or, at least, the lower half of the State and official territory, except as key rates in harmony therewith shall be provided, and class rates between Wisconsin and other territories based on the principles of the so-called cottonseed formula.[75] If the official territory level of class rates should not be extended to the entire State of Wisconsin, Green Bay Association of Commerce asks for its extension to Green Bay and nearby points, and the elimination of the zone C differentials.

The Missouri Public Service Commission and commercial interests at St. Louis, Kansas City, St. Joseph, and Springfield, Mo., oppose a revolutionary turnover of the rate structure; but if revisions are made, they urge that the adjustment of rates to be prescribed for Missouri should be brought closer to that which may be provided for central territory.

Representatives of certain southern industrial interests and shippers located in the southern States oppose a general revision of the southern class-rate structure or of the class rates between southern and official territories. Their position is that the present class rates considered as a whole are lawful and are well suited to southern economy, do not retard the development of manufacturing in the South, and that mile-for-mile uniformity of southern class rates with those in official territory would so affect the revenues of southern carriers as to require an upward revision of commodity rates within and from the South, with disastrous effects upon southern industry. Certain southern interests on oral argument strongly opposed any action herein which might result in increases in the levels of exception or commodity rates within or to and from southern territory.

The Southern States Industrial Council, a voluntary, nonprofit organization, composed of the major manufacturing interests in 13 southern States, expressed the view that rate inequalities should be adjusted through recognized channels without involving the entire basic rate structure of the country. It does not favor widespread changes that will affect adversely the South's present industrial economy, the growth and development of which is said to have been fostered by the basic commodity rate structure in southern territory.

On argument, the Southeast Shippers' Conference, a voluntary organization of manufacturers, shippers, commercial organizations, and receivers of freight located in the South, stated that the prevailing system in the South of distributing the prices of transportation among articles of commerce is responsive to the South's development and has proved generally satisfactory. It opposes the uniformity sought.

The New Orleans Joint Traffic Bureau on argument expressed the opposition of its members to uniformity of class rates.

A large meat packer requests us to provide in our report that no order entered in this proceeding shall be taken as authority for, or shall effect a change in, the rates now charged for the transportation of packing-house products. In several proceedings, relations between the rates on such products from competing origins have been prescribed. Some of these rates were originally class rates, but they have been removed from that category as a result of general increases. This packer's position is that any readjustment which would affect the closely integrated structure of rates on packing-house products should be made only in a proceeding in which all of the facts peculiar to the transportation of those commodities are considered.

---

[75] The cottonseed formula was prescribed by the Commission in *Cottonseed, Its Products, and Related Articles* (1932), 188 I. C. C. 605, 657; but it was rescinded in the supplemental report in that proceeding (1934), 203 I. C. C. 117.

GENERAL CHARACTERISTICS OF RATE STRUCTURES

Freight-rate structures are composed of class rates, governed either by the ratings in a standard freight classification or by exceptions to the classification;[78] column rates, which apply to specific commodities or groups of commodities and thus assume the nature of commodity rates, but follow the contour of class-rate scales by fixed percentages of the first-class rates; and commodity rates, which are published to apply on particular commodities, but are not related by definite percentages to the first-class rates. Exception rates and column rates which, in some instances, apply throughout a particular territory and, in others, to limited portions of the territory or between particular points, are usually designed to fit the special conditions relating to the transportation of a single commodity or group of commodities. The principal reasons usually assigned for relating rates to first-class rates by definite percentages are: Simplicity of publication and the advantage of relief from the provisions of section 4 of the act already granted in connection with the class rates.

The interstate class rates under investigation in this proceeding are, generally speaking, those prescribed by us in the general class rate revisions previously described. These distance scales of class rates when prescribed, and as subsequently changed, were subject to various modifications, such as the employment of formulas for making certain interterritorial rates, the superimposition of subterritorial and zone arbitraries, the employment of key rates, and moderate groupings of stations.

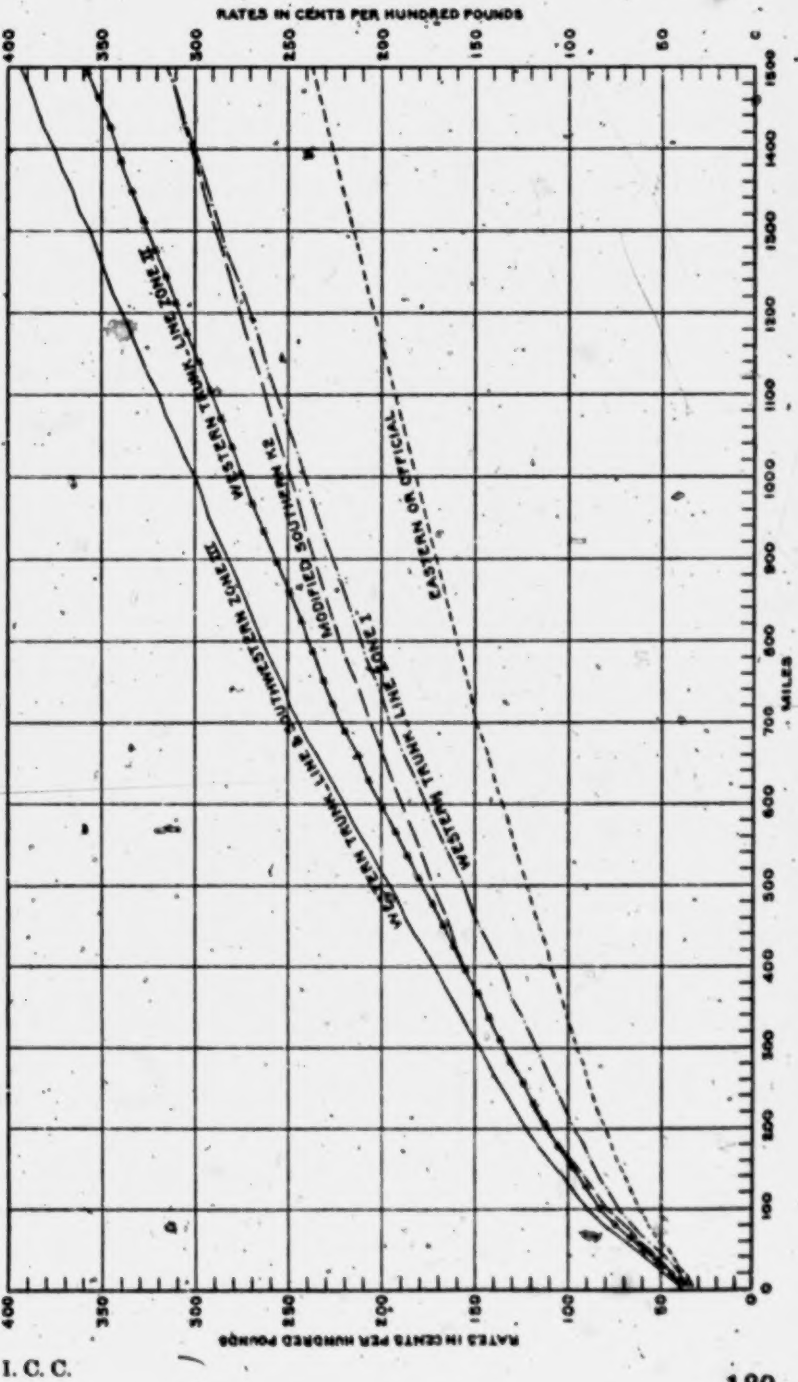
These distance scales are marked not only by differences in level but also by variations in the rates of progression. The levels and progressions of the class-rate scales prescribed by us in the general class-rate revisions, as increased in 1938, and as reduced in some instances by the voluntary action of the carriers, are shown on the accompanying chart:

---

[78] Exceptions are of two types, those that transfer the rates on an article from one standard class-rate column to another, and those that utilize intermediate columns in the system of class rates not assigned to any standard class.

INTRATERRITORIAL FIRST CLASS RATE SCALES IN OFFICIAL, SOUTHERN, SOUTHWESTERN, AND WESTERN TRUNK LINE TERRITORIES.

DOCKET NOS. 28300 & 28310
SHEET 128



From the standpoint of the volume of traffic transported, class rates are the least important of the different kinds of rates. The great preponderance of traffic within and between the several territories is transported on commodity rates. The relative proportion of traffic transported at class or other rates has fluctuated from time to time, but the volume of traffic, particularly carload traffic on which class rates have applied has been substantially less, for many years than that on which exception rates have applied. Motor-vehicle competition has accelerated the establishment in recent years of numerous exception and commodity rates, even on less than carloads.

A study of the movement of all carload traffic transported on September 23, 1942, and the revenue received therefrom, testified to by a member of our staff, affords a rough approximation of the relative importance of traffic moving on class rates, exception rates, and commodity rates. The results, by types of rates, are shown below. The first table contains the proportions of freight by carloads and the revenue thereon on all traffic between all points in the United States, and the second table is the percentage distribution by carloads of carload freight within and between the territories embraced in this proceeding.

All carload traffic transported on Sept. 23, 1942

Type of rate	Percent of carloads	Percent of revenue
Class	4.1	6.3
Exception	10.7	16.1
Commodity	85.2	77.6

Territories (within, or from one to another)	Percent of carloads		
	Class rates	Exception rates	Commodity rates
Official	5.8	17.6	76.6
Southern	1.8	6.0	92.2
Western trunk-line	.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	18.6	30.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.9
Official to southwestern	22.5	32.0	45.5
Southwestern to official	1.5	3.4	95.1
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

It will be observed from the above table that very little traffic is carried on class rates, and that the percentage of the total carload traffic moving on such rates is generally much greater on interterritorial traffic than it is on intraterritorial traffic. This is a rather surprising and significant fact in view of what we said relative to the proper functioning of class-rate structures in the prior decisions in which many of these rates were prescribed.[77] The least use of class rates is in western trunk-line territory, where it is only 0.6 percent. In southern territory it is only 1.8 percent and in southwestern territory, 2.4 percent. In official territory it is 5.8 percent. On the other hand, on interterritorial traffic the percentage is as high as 22.5 percent.

IMPORTANCE OF INTERTERRITORIAL TRAFFIC

The importance of interterritorial traffic as compared with intraterritorial traffic is shown by the following studies:

On May 27 and September 23, 1942, the intraterritorial movement of all carload freight within official territory aggregated 111,914 carloads; 33,693 carloads moved to official territory from other territories; and 20,215 carloads moved from official territory to other territories. The total interterritorial movement between official territory and other territories amounted to 54,008 carloads, 48.3 percent of the intraterritorial traffic, and 32.6 percent of the combined intraterritorial and interterritorial movement.

On the same dates the intraterritorial movement within southern territory amounted to 23,512 carloads; 10,556 carloads moved to southern territory from other territories, including 7,008 carloads from official territory; and 18,649 carloads moved from southern territory to other territories, including 15,989 carloads to official territory. The total interterritorial movement between southern and other territories amounted to 29,205 carloads, 124.2 percent of the intraterritorial traffic, and 55.4 percent of the combined intraterritorial and interterritorial movement.

---

[77] In our decision in the *Southern Class Rate Investigation*, 100 I. C. C. 513, at page 603, in setting forth certain general principles to be observed as a guide in the prescription of the new basis of class rates in southern territory we said, among other things: "The new class rates should look also to the future. They should, for example, be so framed as to facilitate the elimination not only of special classification exceptions but also of many commodity rates which provoke complaints of discrimination and have no other excuse than an inadequate and imperfect class-rate structure."

In a later proceeding, *Consolidated Southwestern Cases*, 123 I. C. C. 203, in pursuance of the same principle in connection with class rates in the Southwest, we said, at page 234: "We are persuaded that the interests neither of the public nor of the carriers are served by maintaining carload class rates on such high bases that they are rarely used, making it necessary to follow the practice which has prevailed for many years in the Southwest of establishing commodity rates on practically all commodities which move in carloads in material volume. It is due to this practice that many of the discrepancies in rates which are the subjects of complaint have arisen. Existing widespread dissatisfaction with the complexity of tariffs in the Southwest is discussed in a later section of this report. Much of this complexity arises out of the prevalence of commodity rates and the failure to adjust them on a basis which would fairly relate the various points which compete with one another. In the circumstances, we are of opinion that we should follow the principle that carload class rates should be prescribed which are capable of moving many of the carload commodities, as is the case today in official and western trunk-line territories, thus making it possible to eliminate from the tariffs thousands of commodity rates."

On May 27 and September 23, 1942, within western trunk-line territory the intraterritorial movement consisted of 32,989 carloads; 12,943 carloads moved to that territory from other territories; and 12,120 carloads moved from that territory to other territories. The aggregate interterritorial movement between western trunk-line territory and other territories amounted to 25,063 carloads, 76.0 percent of the intraterritorial movement, and 43.2 percent of the combined intraterritorial and interterritorial movement.

Within southwestern territory on the dates named, the intraterritorial movement consisted of 10,985 carloads; 4,870 carloads moved to that territory from other territories; and 11,356 carloads moved from that territory to other territories. The total interterritorial movement between the Southwest and other territories amounted to 16,226 carloads, 147.7 percent of the southwestern intraterritorial traffic, and 59.6 percent of the combined intraterritorial and interterritorial movement.

The relative importance of interterritorial traffic becomes much greater when carload shipments that move on class rates or on exception rates are considered alone or together. For example, if the percentages of class, exception, and commodity rates charged on September 23, 1942, hereinbefore indicated, are applied to the carloads that moved on both that date and May 27, 1942, it is found that only 423 carloads moved on class rates within southern territory, whereas 883 carloads moved on class rates from official territory to southern territory, and 144 carloads moved on such rates from southern territory to official territory. Hence, if class-rate traffic is considered alone, the interterritorial movement between southern and official territories, 1,027 carloads, was 243 percent of the southern intraterritorial volume, and 70.8 percent of the sum of that traffic and the southern-official interterritorial movement. These ratios are not appreciably affected if traffic that moves on exception rates is considered together with traffic that moves on class rates. By the use of the method of computation just described, it is indicated that the combined exception and class-rate movement on the 2 days stated amounted to 3,427 carloads from official to southern territory, 927 carloads from southern to official territory, and 1,834 carloads within southern territory. The interterritorial movement between southern and official territories on class and exception rates, 4,354 carloads, was 237 percent of the southern intraterritorial movement, and 70.4 percent of the combined interterritorial and intraterritorial movement, 6,188 carloads.

RELATIVE LEVELS OF CLASS RATES IN EACH TERRITORY

Class 100 rates applicable at the close of the hearings, April 1, 1943, exclusive of the temporary general increase of 1942 then also in effect but suspended May 15, 1943, between representative points throughout the several territories embraced in this proceeding are set forth in appendix 9 to this report, together with the distances over the shortest routes by which carload traffic can be moved without transfer of lading. Opposite the rates, except within official territory, are shown the rates for corresponding distances under the eastern scale.

Some of the typical rates shown in appendix 9 are as follows: The rate from New York, N. Y., to Chicago, Ill., is 167 cents, whereas the eastern scale rate for the distance of 890 miles is 171 cents. The rate from Atlanta, Ga., to New Orleans, La., 490 miles, is 173 cents, whereas the eastern scale rate is 122 cents. From Duluth, Minn., to Wichita, Kans., 789 miles, the rate is 230 cents, whereas the eastern scale rate is 160 cents. From Memphis, Tenn., to Houston, Tex., 554 miles, the rate is 209 cents, whereas the eastern scale rate is 130 cents.

Looking at the interterritorial rates, the rate from Atlanta to New York, 873 miles, is 212 cents, whereas the eastern scale rate is 168 cents. The rate from Atlanta to Chicago, 728 miles, is 210 cents, whereas the eastern scale rate is 153 cents. The rate from Pittsburgh, Pa., to Kansas City, Mo., 852 miles, is 197 cents, whereas the eastern scale rate is 168 cents. The rate from Detroit, Mich., to Dallas, Tex., 1,116 miles, is 289 cents, whereas the eastern scale rate is 196 cents. The rate from Atlanta to Kansas City, 879 miles, is 240 cents, whereas the eastern scale rate is 171 cents. The rate from Atlanta to Dallas, 822 miles, is 261 cents, whereas the eastern scale rate is 163 cents.

In order to limit their number to a reasonable and practical minimum, 56 points are used in appendix 9. Distances between them range from 133 to 2,537 miles. Less than 1.6 percent of the 1,542 distance items used are under 200 miles.

In making any comparisons of the levels of the class rates within the respective territories or zones, we are confronted with the fact that differences in the applicable classifications affect the levels of the class rates as much as or more, in some instances, than the differences in the levels of the class rate scales. When comparisons are made with the eastern class rate scale, it must be remembered that higher class rates apply between points in New England zones A and B, between points in Michigan zone C, and to some extent between those points and the remainder of official territory; and that the key rates prescribed are in general somewhat lower than the scale.

Official classification has 7 regular classes ranging from 100 to 27½ percent of first class; southern classification has 12 regular classes ranging from 100 to 47½ percent of first class; and western classification has 10 regular classes ranging from 100 to 17½ percent of first class. In addition, each classification has 7 regular classes above 100. There are also certain irregular classes usually expressed in terms of percentages of first class in each classification. A comparison based on averages of all class rates for the regular classes gives undue weight to classes which are relatively unimportant. ~~Such a comparison also~~ gives undue weight to classes below 27½ percent of first class in southern and western classification which have no counterpart in official classification.

A comparison based on averages of the first-class rates for all distance blocks in the various first-class rate scales gives undue weight to the rates for the shorter distances because of the larger number of distance blocks for the distances up to 200 miles.

An analysis of less-than-carload traffic for the week of September 8 to 14, 1939, inclusive, was made by the Association of American Railroads by direction of the chief traffic executives of the class I railroads. This study shows that the weighted average of class rates and rates related by fixed percentages to first class, on intraterritorial traffic in official territory, was 65.9 percent of first class, and on traffic originated and terminated in official territory 66.6 and 66.1 percent of first class, respectively. For southern territory the corresponding figures were 56.1, 59.0, and 61.1 percent of first class. For western territory the corresponding figures were 68.9, 69.2, and 69.5 percent of first class. In all three territories the average rate on such less-than-carload traffic is above fourth class and below third class (fourth class being 50 percent in official and 55 percent in western and southern classifications, and third class being 70 percent of first class in all three territories).

The total number of pounds of less-than-carload traffic, under all types of rates, carried in each territory is shown in the following table:

Official territory	
Intraterritorial	292, 467, 885
Originated	347, 317, 520
Terminated	318, 572, 095
Southern territory	
Intraterritorial	97, 694, 576
Originated	125, 215, 886
Terminated	130, 275, 846
Western territory	
Intraterritorial	179, 622, 327
Originated	190, 837, 014
Terminated	214, 622, 479

The originated and terminated pounds include both interterritorial and intraterritorial traffic. A separation between interterritorial and intraterritorial traffic is only partially made.

The average haul of less-than-carload traffic within the South is considerably less than in official territory. For example, 50 percent of the tonnage in official territory was carried for distances up to 350 miles and the balance for longer distances, whereas in southern territory 50 percent was carried for distances up to about 175 miles and the balance for longer distances. The percentage of the higher-rated traffic carried increased for the longer distances in each territory.

The ratio of less-than-carload traffic moving on commodity rates to the total less-than-carload traffic moving on class rates was 5.1 percent in official, 139.2 percent in southern, and 40.0 percent in western territory. These figures are for intraterritorial traffic and are representative. It is noted that more less-than-carload traffic moves in the South on commodity rates than on class rates. This may be accounted for by the heavy movement in the South of cotton, grain products, and fertilizer on less-than-carload commodity rates.

A comparison of the first-class rates in the various class rate scales, using 50-mile blocks up to 200 miles and 100-mile blocks up to 1,000 miles, is shown by the following table:

Distance	Eastern scale	Modified[1] southern scale		Zone I		Zone II		Zone III	
	Rate	Rate	Percentage of eastern	Rate	Percentage of eastern	Rate	Percentage of eastern	Rate	Percentage of eastern
Miles	*Cents*	*Cents*		*Cents*		*Cents*		*Cents*	
50	47	57	121.3	53	112.8	61	129.8	65	138.3
100	62	79	127.4	73	117.7	83	133.9	90	145.2
150	73	96	131.5	86	117.8	98	134.2	107	146.6
200	80	112	140	97	121.3	111	138.8	123	153.8
300	96	134	139.6	117	121.9	134	139.6	147	153.1
400	109	156	143.1	136	124.8	156	143.1	172	157.8
500	122	173	141.8	156	127.9	178	145.9	196	160.7
600	135	189	140	176	130.4	200	148.1	220	163
700	149	206	138.3	196	131.5	222	149	244	163.8
800	160	222	138.8	210	131.3	239	149.4	263	164.4
900	171	235	137.4	226	132.2	256	149.7	282	164.9
1,000	182	249	136.8	240	131.9	273	150	300	164.8
Average			137.7		129.6		144.4		159.4

[1] As modified voluntarily by the carriers in 1941 for distances up to 190 miles.

INDIRECT RESULTS OF PROPOSED REVISION

The first-class rates have been used, since they were prescribed in the general revisions heretofore mentioned, as a base to which column rates and rates on other classes have been related. As this method of publishing rates has become a general practice which we have approved and have frequently employed in prescribing rates on particular commodities or groups of commodities, the progressions and levels of the first-class rate scales have assumed a correspondingly increasing importance both to shippers and to carriers.

While, as previously explained, rates governed by exceptions to the classification and column rates are not directly in issue in this proceeding, at the same time evidence of a general nature concerning such rates and their relation to class rates was admitted. In determining the issues in this proceeding, it seems to us that we should not close our eyes to the possible indirect effect which our decision may ultimately have upon these collateral segments of the freight-rate structure and the consequent results upon the revenues of the railroads. *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, 213 I. C. C. 259. This means, of course, that we should take notice of, and in our ultimate conclusions accord proper weight to, the fact that an important percentage of both intraterritorial and interterritorial traffic is transported at exception or column rates which might be affected if class rates are substantially changed.

A witness for the southern carriers introduced an exhibit purporting to show the effect of applying the official classification and the official class rate scales between points in southern territory, and between points in that territory and points in official, southwestern, and western trunk-line territories, to carload commodity rates published as exceptions to the governing classification or as column rates related to the first-class rates. Atlanta, Ga., and Louisville, Ky., are used as representative of the southern territory and rates between those points are assumed to be representative of rates between points in that territory. Chicago, Ill., and New York, N. Y., are used as representative of official territory and rates between Atlanta and those two points are assumed to be representative of rates between southern and official territories. Similarly, rates between Atlanta and Dallas, Tex., are assumed to be typical of rates between southern and southwestern territories, and rates between Atlanta and Omaha, Nebr., are assumed to be typical of rates between southern and western trunk-line territories.

According to this comparison, application of the official class-rate scales and the present official classification would result in changes in carload rates, now published as exceptions to the classification or as column rates, as indicated in the following table:

Between Atlanta, Ga., and—	Reductions		Increases	
	Number	Percent	Number	Percent
Louisville, Ky	705	76.2	211	22.8
Chicago, Ill	580	72.1	200	24.9
New York, N. Y	406	53.4	355	46.6
Dallas, Tex	399	88.5	50	11.1
Omaha, Nebr	335	72.2	117	25.2
Total	2,425	71.2	933	27.4

No change would be made in 3 percent of the rates from and to Chicago, 1 percent from and to Louisville, 0.4 percent from and to Dallas, and 2.6 percent from and to Omaha. In the aggregate no change would be made in 47 rates, 1.4 percent of the total.

The exhibit does not purport to show that there is a movement of each of the commodities, or to show the volume of movement under any of these rates. It does not disclose which rates are exceptions to the classification and which rates are column rates. Between Atlanta and New York the reductions average 53.4 percent and the increases average 46.6 percent. It may be doubted that the rates between Atlanta and Chicago and New York are representative of the interterritorial rates between official and southern territories. Interterritorial class rates between official territory and the border States of Kentucky, southern Virginia, North Carolina, and northeastern Tennessee are on a lower basis. It is also doubtful whether rates between Atlanta and Louisville are representative of rates between all points in southern territory.

COST STUDIES

Cost studies relating to the relative cost of rendering transportation service in the various territories, prepared by F. K. Edwards, our head cost analyst, were received in evidence. Such studies are hereinafter referred to as the Edwards cost studies.[78] Starting with the operating expenses, rents, and taxes of class I steam railways, as reported in their 1939 annual reports, separated between freight service and passenger service in accordance with the rules prescribed by us, the studies involve three principal steps:

1. Assignment of railroads, or divisions thereof, to geographical areas corresponding as nearly as practicable to the rate territories.

2. Expenses for individual railroads, or divisions thereof, in each territory were divided into groups, each group of expenses being associated with appropriate service units, including revenue car-miles, revenue gross ton-miles, and cars originated and terminated. The unit costs were then obtained by dividing the aggregate of the territorial expenses in each group by the applicable territorial units.

3. The cost for particular services was then built up from the unit costs.

Rail costs are fundamentally divisible into two components. First, those expenses which vary directly with the traffic handled, and hence are directly assignable to particular kinds of traffic, i. e., the out-of-pocket or variable expenses, and secondly, those expenses of a constant or fixed character, which are not capable of assignment to particular kinds of traffic, and which must be borne by the various kinds of traffic in proportion to the ability of each to pay. The sum of the out-of pocket costs plus a pro rata distribution of the constant cost is referred to as fully distributed cost.

---

[78] They have been reproduced in substantial part in Senate Document No. 63, 78th Cong. 1st sess., under the title "Rail Freight Service Cost Studies in the Various Rate Territories of the United States."

Out-of-pocket or variable costs were separated among (1) running, (2) switching, (3) station, (4) special services not related to the study (such as the operation of grain elevators and storage warehouses), and (5) general overhead expenses.

Running expenses (for carload service) were further subdivided among (*a*) freight-train car maintenance and rental expense for "other than mileage" cars, (*b*) miscellaneous running expenses common to all cars (including expenses for interchange, intertrain and intratrain switching), and (*c*) all other running expenses (including the wages of train crews, locomotive maintenance, maintenance of way, and train fuel). These three groups of running expenses were distributed over the traffic on the basis of revenue car-miles, excluding mileage cars; revenue car-miles of all cars, including mileage cars; and revenue gross ton-miles, respectively.

Switching expenses were separated between those incurred in connection with work performed at origin and destination points and those incurred in connection with work performed at intermediate points where trains are reclassified or cars interchanged. This separation of the expenses was based on the count of cars given each class of switching, weighted for the relative engine-minutes per car for each kind of work. The weighting factors used were developed from or checked against the engine-minutes determined from a number of switching studies which had previously been introduced in other cases before us, or which had been made by our cost analysts at our direction. Switching expenses at origin and destination were reduced to a loaded-car basis. Switching expenses at intermediate points were included with the miscellaneous running expenses and treated on a car-mile basis. Freight-train car maintenance, both mileage and time portion, incurred in connection with origin and destination switching work, and detention for loading and unloading, was distributed on the basis of revenue carloads originated and terminated.

Station expenses (clerical) were apportioned to carload traffic on a weighted consignment basis, and were reduced to a cost per carload consignment.

Overhead expenses were apportioned to running, switching, station, and services not included in the study on the basis of the directly assigned or apportioned expenses.

The same general procedure was followed in developing costs for less-than carload traffic, except that different weighting factors were used for freight-house-track switching than for industry or team-track switching. Station clerical expenses, apportioned to less-than-carload traffic on a weighted consignment basis, were reduced to a cost per consignment. Station less-than-carload platform expenses were apportioned between origin and destination work, and work at transfer points, on the basis of the tons handled in each type of service. The expenses at origin and destination points were treated on a cost per ton basis, while that at transfer points was treated as a cost per less-than-carload net ton-mile.

For the purpose of determining the carload fully distributed expenses and over-all revenue needs, the constant costs were distributed over the revenue tons and revenue ton-miles of carload traffic handled after deducting the contribution, if any, made towards such expenses by the less-than-carload and passenger services. This has the effect of spreading the constant expenses over the revenue producing units of traffic ignoring differences of ability to pay. Constant expenses related to origin and destination terminal work were apportioned on a per ton basis, while the remainder was apportioned on a ton-mile basis. Insofar as the constant expenses are concerned, one ton or ton-mile was treated as no different from any other ton or ton-mile. The cost study gave no consideration to differences in the ability to pay of the various kinds of traffic handled in each territory, this being viewed as an element for consideration separate and apart from costs.

The results of apportioning the constant or fixed expenses on the basis of the directly assigned costs, a procedure commonly used in cost studies, was also introduced. However, such figures were restated by our head cost analyst, the explanation being made that the apportionment of the constant expenses on the basis of the direct costs has the effect of substantially increasing the fully distributed cost on light-loading traffic such as less-than-carload traffic. Where the direct costs per ton or per ton-mile vary widely from the system average, the distribution of the constant costs on the basis of such direct costs apportions a relatively large amount of the constant expenses to shipments where the out-of-pocket costs are relatively high and a relatively small amount where the out-of-pocket costs are low. Less-than-carload traffic has a relatively high out-of-pocket cost. The net load per car may range from 4 to 10 tons compared to the carriers' system average loads for all traffic ranging from 25 to 35 tons. The ratio of gross ton-miles to revenue ton-miles may exceed 5 to 1 as compared to ratios of between 2.0 to 1 and 2.5 to 1 obtaining for the carriers' system average traffic. The station clerical expenses per hundredweight are substantially higher than for carload traffic. Less-than-carload traffic receives a platform handling which is not generally accorded carload traffic. It is obvious that such transportation conditions surrounding the movement of less-than-carload traffic will result in high out-of-pocket or direct expenses per hundredweight. On the other hand, the constant or fixed costs by their very nature are unaffected by the unfavorable transportation conditions peculiar to less-than-carload traffic. As these latter expenses continue irrespective of how the less-than-carload traffic is loaded, and would continue unchanged even though this traffic were not handled at all, their apportionment on a basis which reflects an extremely high ratio of gross ton-miles to net ton-miles, and similar unfavorable operating factors, would not be justified.

Allowances for return were based on recommended rate-making values furnished by our Bureau of Valuation. The return was treated on two bases. Under one method the total allowance for return, computed at both 4 percent and 5¾ percent, was apportioned on the basis of the operating expenses, rents, and taxes. Under the second method the property was separated between line haul and terminal, and the allowance for return distributed using in large measure the same units as were used in distributing the expenses. The study treated 50 percent of the rate-making value of road property and 100 percent of the rate-making value of the equipment as being variable with traffic volume over the long term period. This is equivalent to approximately 57.5 percent of the total rate-making value of the carriers. The allowance for return on the variable portion of the line-haul road property was distributed on a gross ton-mile basis, while the return on the variable portion of the terminal property was distributed on an equated car basis between origin and destination switching and intermediate switching. The allowance for return on freight-train cars was apportioned between running, origin, and destination switching (including detention for loading and unloading), and intermediate switching on an active car-day basis. The allowance for return on the value of locomotives used in switching service was similarly apportioned between origin and destination switching and intermediate switching on the basis of the equated cars handled. The allowance for return on road property, freight-train cars, and yard locomotives thus charged to origin and destination switching was distributed on a per-car basis. The return on property devoted to intermediate switching was treated as proportional to the length of haul and distributed on a car-mile basis. The return on the value of freight-train cars, apportioned on an active car day to running service, was also distributed on a car-mile basis. The return on the value of road locomotives used in running service was distributed on a gross ton-mile basis.

The allowance for return on the constant or fixed portion of the property was treated on the same basis as was the constant or fixed portion of the operating expenses. The return on the constant portion of the property used in connection with origin and destination terminal work was distributed over the traffic originated and terminated on a revenue ton basis. The remainder was related to the line-haul operation and distributed on a revenue ton-mile basis. In the foregoing computations the allowance for return was computed at 4 percent. Adjustments of the cost to reflect any other rate of return were provided for. The territorial cost comparisons were principally based, however, on the 4-percent figure, this being relatively close to the return earned by the carriers in the year covered by the study.

The service units required to move various net loads in given types of cars for varying distance were next accumulated giving recognition to the weight of the load, the tare weight of the car used (box, gondola, et cetera), and the ratio of empty to loaded car-miles experienced throughout the territory on each type of equipment.

These service units were priced out at the territorial average unit costs. This produced the running, switching, and station costs per carload, such cost being next reduced to a cost per 100 pounds of net load. The costs thus computed reflect the net weight of the load, the length of the haul, the tare weight of the equipment, the percent empty return of the equipment and, insofar as switching and station expenses are concerned, whether carload or less than carload. They also reflect territorial average transportation conditions, i. e., main-line and branch-line operation, through-train and way-train operation, operation on lines of heavy traffic density and lines of light traffic density, and the switching performed in large terminals and small terminals. The influence of hauling some types of traffic, such as coal and ore, in heavier than average trains, with the remainder of the traffic being handled in lighter than average trains, was also given consideration in supplementary studies. The territorial comparisons would not be significantly affected by this element.

Relative territorial costs.—Territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in the respective territories, taking into consideration every kind of traffic carried, whether handled in box, gondola, tank, stock, flat, or refrigerator cars, and covering 300 miles of haul. Although cost data were compiled for all lengths of haul, principal weight was attached to the haul of 300 miles per shipment originated as this distance most closely approximates the length of haul in each territory in 1939.

Approximate average hauls per shipment in the East, South, and West for the year 1939 were computed as follows:

	East, excluding Pocahontas	East, including Pocahontas	South	West
	Miles	*Miles*	*Miles*	*Miles*
Carload	249	273	278	342
Less than carload	454	470	465	495
All shipments	252	276	282	345

Most of the comparisons were based on both the out-of-pocket and the fully distributed costs. While the principal cost comparisons were related to the year 1939, consideration was also given to the relative territorial costs for the periods 1930–39, 1937–41, and 1941. The figures quoted hereinafter are based on cost scales introduced by our head cost analyst, but adjusted to reflect the corrections of record made by him in response to criticisms of the study, and corrected to reflect the revised assignment of commodities to classes of equipment. They do not include payment of loss and damage claims.

The following table contains, for 1939, the indexes of out-of-pocket and fully distributed costs of hauling boxcar, gondola-car and hopper-car traffic for distances of 100, 300, and 500 miles in each territory. Costs are based, first, on assumed identical loads and, secondly, where territorial loading data were available, on the actual average loading by types of equipment experienced in each territory. The base, 100, to which the territorial figures are related, is the average car-load cost in that year for the traffic, in the same classes of cars, in the United States, as a whole.

Relative territorial carload cost indexes (1939) for traffic moving in box and gondola and hopper cars for hauls of 100, 300, and 500 miles

[For purposes of comparison United States average cost = 100]

Line No.	Territory and miles	Boxcars				Gondola and hopper cars			
		Based on assumed identical load of 25 tons		Based on actual average loading of boxcars		Based on assumed identical load of 50 tons		Based on actual average loading of gondola	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	New England (territory 1):								
1	100 miles	111	134			119	145		
2	300 miles	119	143			128	152		
3	500 miles	123	145			131	154		

Relative territorial carload cost indexes (1939) for traffic moving in box and gondola and hopper cars for hauls of 100, 300, and 500 Miles—Continued

Line No.	Territory and miles	Boxcars				Gondola and hopper cars			
		Based on assumed identical load of 25 tons		Based on actual average loading of boxcars		Based on assumed identical load of 50 tons		Based on actual average loading of gondola	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Eastern excluding New England (territory 2):								
4	100 miles	106	101			106	100		
5	300 miles	105	100			103	97		
6	500 miles	106	100			103	97		
	Eastern including New England (territories 1, 2):								
7	100 miles	106	102	108	104	106	102	108	102
8	300 miles	105	102	107	103	103	100	103	100
9	500 miles	106	102	106	102	104	100	104	99
	Pocahontas (territory 5):								
10	100 miles	83	69	84	70	84	65	84	65
11	300 miles	82	67	84	68	82	63	82	63
12	500 miles	82	67	83	67	81	63	81	63
	Eastern including New England and Pocahontas (territories 1, 2, 5):								
13	100 miles	102	98	104	99	103	95	100	93
14	300 miles	102	96	103	96	102	94	100	92
15	500 miles	102	95	103	96	101	93	100	93
	Eastern including New England and State of Kentucky:								
16	100 miles	104	101			106	100		
17	300 miles	104	101			103	99		
18	500 miles	104	100			103	99		
	Eastern including New England, Pocahontas, and State of Kentucky:								
19	100 miles	102	97			103	95		
20	300 miles	101	96			100	93		
21	500 miles	101	95			100	93		
	Southern (territory 6):								
22	100 miles	89	92	90	94	94	95	100	98
23	300 miles	93	96	96	97	97	99	103	102
24	500 miles	95	98	97	99	100	101	105	104
	State of Kentucky:[1]								
25	100 miles	79	76			84	75		
26	300 miles	82	77			86	77		
27	500 miles	83	77			88	78		
	Southern, excluding State of Kentucky:[1]								
28	100 miles	91	95			94	100		
29	300 miles	95	101			100	105		
30	500 miles	97	103			102	107		
	Eastern, including New England and Southern (territories 1, 2, 6):								
31	100 miles	102	100			103	100		
32	300 miles	102	101			103	100		
33	500 miles	103	100			103	100		
	Western (territory 11):								
34	100 miles	99	107	98	107	100	109	113	115
35	300 miles	99	108	99	106	98	109	109	115
36	500 miles	100	108	99	106	99	109	109	114

---

[1] Because of an inability to separate the Kentucky carriers' constant or fixed costs between those solely related to Kentucky and those common to the carriers' entire system operations, an expense basis of apportionment was used. This treatment, coupled with the very heavy density of traffic in Kentucky, results in some understatement of the fully distributed costs for the State of Kentucky and a small overstatement of these costs to the remainder of the South.

Referring to lines 7–9 and 22–24 of the table, it will be noted that the fully distributed costs for the South are generally a little lower than for the East, including New England, but excluding the Pocahontas territory. The fully distributed costs in the West, on the other hand, lines 34–36, exceed those of the East by from 6 to 15 percent. The relatively high figure of 15 percent applicable on gondola- and hopper-car traffic is occasioned in part by the low average loading for gondola and hopper cars in the West, i. e., 43.0 tons as compared with 50.4 tons in the East. It will be noted that the combination of the costs for eastern and southern territories, exclusive of the Pocahontas territory, lines 31–33, results in costs for the combined territories which are equal to or slightly lower than those for the eastern territory when taken alone. The costs for the South would have to be approximately equal to those for the East to produce this result.

If the Pocahontas territory is included with the East, lines 13–15, the figures show approximately equal costs between the South and East on boxcar traffic, but differences favoring the East of from 5 to 9 percent on gondola- and hopper-car traffic. The costs for the West are 12 percent higher on boxcar traffic and from 15 to 22 percent higher on gondola- and hopper-car traffic than those for the East if the Pocahontas territory is included with the East.

Although relative costs are not shown separately for the western trunk-line, southwestern, and mountain-Pacific territories, the Edwards cost studies indicate that the differences between the costs shown for the total West and the costs for these three rate territories considered separately are relatively small.[78]

The costs in the Pocahontas and Kentucky territories are low because of the existence of a very heavy coal tonnage. A comparison of the costs for the East, excluding Pocahontas territory, lines 7–9, with the costs for the South, excluding Kentucky, lines 28–30, and based on assumed identical loads in each territory, show a slightly lower cost on boxcar traffic in the South but a higher cost by 5 percent on gondola-car traffic. These studies indicate that the costs for the State of Kentucky are lower than the costs for either the East or South.

The preceding comparisons have been based on boxcar traffic and gondola- and hopper-car traffic. Similar cost comparisons were made for several territories for stock-car traffic, refrigerator-car traffic, tank-car traffic, and flat-car traffic. Based on the actual average loads experienced for each class of equipment, the costs for the South are lower than those for the East (including New England but excluding Pocahontas) for traffic moving in all the foregoing classes of equipment. The costs fo the West are lower than those for the East as to stock-car traffic, refrigerator-car traffic, and flat-car traffic, but higher for tank-car traffic.

---

[78] Our head cost analyst verified two sets of exhibits: In the first the constant or fixed costs were apportioned on the basis of the out-of-pocket costs. As this procedure had the disadvantage of apportioning a relatively large amount of the constant expenses to shipments where the out-of-pocket expense is relatively high, the costs were restated apportioning the constant or fixed costs on a ton and ton-mile basis. The restatement shows costs only for the West taken as a whole.

Comparison based on carload traffic handled in all classes of equipment.—The following table provides territorial comparisons of indexes of the carload out-of-pocket and fully distributed costs (1939) for traffic moving distances of 100, 300, and 500 miles in all classes of equipment. This comparison is limited to certain territories as the unit costs for each class of equipment were not computed for all areas. The figures in columns (2) and (3) are computed for identical loads in each territory, i. e., boxcars, 25 tons; gondola and hopper cars, 50 tons; flat cars, 29 tons; stock cars, 11 tons; refrigerator cars, 14 tons; and tank cars, 30 tons. These loads approximate the United States averages for the classes of equipment named. The figures in columns (4) and (5) are computed for the actual average loads obtaining for each class of equipment in each territory. The weighting given to the costs for each class of equipment was based on the volume of traffic handled in each type of equipment in the United States. The terminal costs for each class of equipment were weighted for the total United States traffic handled in each class of equipment as measured by tons originated plus tons terminated. Line-haul costs by classes of equipment were weighted for the ton-miles of traffic handled in each class of equipment:

Relative territorial cost indexes (1939) for all carload traffic for hauls of 100, 300, and 500 miles

[United States average cost = 100]

Line No.	Territory and miles (1)	Based on identical loads: Out-of-pocket costs (2)	Based on identical loads: Fully distributed costs (3)	Based on actual average loads: Out-of-pocket costs (4)	Based on actual average loads: Fully distributed costs (5)
	Eastern including New England (territories 1, 2):				
1	100 miles	106	102	106	103
2	300 miles	105	102	106	102
3	500 miles	105	101	106	103
	Pocahontas (territory 5):				
4	100 miles	84	68	84	68
5	300 miles	82	67	83	67
6	500 miles	82	66	82	66
	Eastern including New England and Pocahontas (territories 1, 2, 5):				
7	300 miles		95		95
	Southern (territory 6):				
8	100 miles	92	94	96	96
9	300 miles	97	98	100	101
10	500 miles	98	100	102	102
	Western (territory 11):				
11	100 miles	98	108	103	110
12	300 miles	99	108	102	110
13	500 miles	99	108	102	110

It will be noted from the table, that, based on identical loads and hauls of 300 miles, the fully distributed costs in the South are 4 percent below those for the East, excluding the Pocahontas territory, and

3 percent above the East, including the Pocahontas territory. Based on the actual average loads the fully distributed costs for the South are 1 percent below those for the East, excluding the Pocahontas territory, and 6 percent above the costs for the East, including the Pocahontas territory. Based on identical loads, the fully distributed costs for the West are 6 percent above those for the East, excluding the Pocahontas territory, and 13 percent above those for the East, including the Pocahontas territory. Based on actual average loads the fully distributed costs for the West are 8 percent above those for the East, excluding the Pocahontas territory, and 15 percent above those for the East, including the Pocahontas territory.

The figures in this table were based on the costs for each class of equipment weighted for the volume of traffic handled in each type of equipment, taking the United States as a whole. The substitution of a weighting based on the territorial consist of traffic, i. e., the volume of traffic handled in each type of equipment in the respective territories, would make no significant difference in the comparisons shown in this table.

Cost of hauling the boxcar and gondola-car traffic of one territory in another territory.—Comparisons were made of the cost of hauling the entire consist of the traffic of one territory, at the average loads and unit costs applicable in that territory, with the cost of hauling the identical traffic at the average loads and unit costs obtaining in other territories. For example, a comparison was made of the expense of hauling the southern territory boxcar traffic a distance of 300 miles at the average load for each commodity using Southern unit costs, with the cost of hauling this identical traffic a distance of 300 miles at the average loads and unit costs obtaining in the Eastern territory (excluding New England and Pocahontas). Similar comparisons were made using the Eastern consist of boxcar traffic. Like studies were made also for gondola and hopper-car traffic. The results of these comparisons are shown in the following table:

Comparison of the cost of hauling southern and eastern boxcar and gondola-car traffic at the average loads and unit costs obtaining in each territory

Item (1)	Ratio (percent) of southern costs to eastern costs using southern consist of traffic (2)	Ratio (percent) of southern costs to eastern costs using eastern consist of traffic (3)
Boxcar traffic		
Out-of-pocket costs	95	90
Fully distributed costs	100	97
Gondola- and hopper-car traffic		
Out-of-pocket costs	97	102
Fully distributed costs	102	106

The above comparisons are based on the cost figures for eastern territory No. 2 which excludes New England. If New England were included the percentage figures shown would be reduced by 1 or 2 percent.

Comparison of the costs of hauling the United States, eastern, southern, and western consists of traffic in each territory.—The following table provides a comparison based on the assumption that the total consist of traffic handled in each of several territories was hauled in the East, South, and West at the unit costs and average loads actually obtaining for each class of equipment in each of these territories. The figures do not include loss and damage and no attempt was made to develop the average loading by individual commodity classes, the composite average load by classes of equipment being used. The comparisons are not based on any given mileage, the aggregate costs being computed for the total revenue tons originated and terminated and the total revenue ton-miles by classes of equipment.

Comparison of the cost of hauling the United States, eastern, southern, and western consist of traffic in each of several territories at the unit costs and actual average loads (by classes of equipment) computed for such territories

[United States average cost=100]

Line No.	Consist of traffic (1)	If hauled at United States average costs (2)	If hauled at eastern [1] costs (3)	If hauled at southern costs (4)	If hauled at western costs (5)
1	United States consist	100	102	101	110
2	Eastern consist [1]	100	101	101	111
3	Southern consist	100	102	101	....
4	Western consist	100	102	....	108

[1] Eastern consist and costs include New England but exclude Pocahontas.

The costs in the South are approximately equal to or slightly lower than the costs for the East, excluding Pocahontas. The costs in the West are from 6 to 10 percent higher than those in the East, depending upon the consist of traffic used in making the comparisons.

Comparisons of the east, excluding Pocahontas, with the south, excluding Kentucky.—Cost comparisons for the East, excluding the Pocahontas territory, with the South, excluding the State of Kentucky, are shown separately for boxcars and gondola and hopper cars. Similar comparisons covering all classes of equipment could not be provided as the data for stock, refrigerator, tank, and flat cars were not available. However, as boxcars and gondola and hopper cars together account for about 90 percent of the total revenue ton-miles in the eastern district and about 83 percent of the total revenue ton-miles in the southern region, a comparison was made based on these two classes of equipment combined. The results should be reasonably indicative of the over-all costs. It was assumed that the traffic was equally distributed between the two classes of equipment, i. e., the same weight was given to the cost per ton for traffic handled in boxcars as was given traffic handled in gondolas.[30] A load of 25 tons was used for the boxcars and a load of 50 tons for the gondola and hopper cars. The fully distributed cost per 100 pounds for a haul of 300 miles in boxcars is 16.2 cents in the East and 16.1 cents in the South, excluding the State of Kentucky. The cost for gondola and hopper cars is 13 cents in the East and 13.6 cents in the South, excluding the State of Kentucky. The weighted average cost for the South, excluding Kentucky, of 14.85 cents per 100 pounds exceeds the weighted-average cost for the East, excluding Pocahontas, of 14.60 cents by 1.7 percent. From this test it appears that the 1939 over-all costs for the South, excluding Kentucky, are but little different from the costs for the East, excluding the Pocahontas region.

Comparisons based on the territorial average costs per ton-mile adjusted for differences in lengths of haul and consist of traffic.—The southern carriers introduced territorial comparisons based on average net ton-mile costs adjusted for differences in the length of haul and the consist of the traffic. The studies covered a 10-year period, 1930–39. Our head cost analyst restated the data to remove the deficiencies which he believed were present in the studies.[31] The results of the restatements, based on the application of the southern unit costs and the eastern unit costs, respectively, to the eastern consist of traffic, show the costs for the South to be approximately 1 or 2 percent below those for the East, excluding the Pocahontas territory. Practically the same results are obtained by using the southern consist of traffic. The costs for the South are found to be 6 to 8 percent higher than the costs for the East, including the Pocahontas region. The eastern carriers introduced the same type of cost comparisons based, not on the years 1930–39, but on the 5 years, 1937–41, a period which reflects the increased traffic volume of 1940 and 1941. The costs for the South were found to be approximately 3 percent below those for the East, excluding Pocahontas, and approximately the same as those for the East, including the Pocahontas region.

The same basis of comparison, using the period 1930–39, shows the costs for the West to exceed those for the East, excluding the Pocahontas region, by from 5 to 7 percent, depending on the use of the western or the eastern consist of traffic. A comparison with the East, including the Pocahontas region, and using the eastern consist of traffic, shows the Western costs to be higher by 18 percent. No similar comparison was made based on the period 1937–41.

---

[30] In 1941, 44 percent of the tons originated and terminated in the eastern district consisted of anthracite, bituminous coal, and iron ore, while in the southern region, excluding Kentucky, the comparable figures were only 18.7 percent. While these commodities do not account for all the traffic moving in gondolas and hoppers it is sufficient to indicate that the use of an equal weight for boxcar costs as for gondola and hopper car costs slightly overstates the over-all costs for the South relative to that for the East which has the lower cost for gondola and hopper car traffic.

[31] The deficiencies are discussed hereinbelow in the description of cost studies introduced by others.

Territorial comparisons of less-than-carload costs.—The following table provides territorial comparisons of the less-than-carload cost indexes based both on the less-than-carload out-of-pocket expenses and the out-of-pocket expenses plus those constant expenses which could be solely related to less-than-carload traffic. The less-than-carload costs do not include any of the constant or fixed costs common to all traffic. If these costs were included (but excluding passenger and less-than-carload deficits which were grouped with these constant expenses), the costs shown in columns (4) and (7) would be increased by approximately 5 to 7 percent. Deficits incurred in the handling of less-than-carload traffic based on the difference between less-than-carload revenues and the sum of the out-of-pocket costs, the constant costs solely related to less-than-carload traffic and the payments for collection and delivery service, are included in the carload fully distributed cost indexes.

Relative territorial cost indexes (1939) for less-than-carload traffic having hauls of 100, 300, and 500 miles, based, first, on an assumed identical load of 5 tons and, secondly, on the actual average load experienced in each territory in 1939

[United States average cost = 100]

Line No.	Territory	Assumed identical load			Actual average load		
		Load (tons)	Out-of-pocket cost	Out-of-pocket cost plus constant expenses solely related to less than carload	Load (tons)	Out-of-pocket cost	Out-of-pocket cost plus constant expenses solely related to less than carload
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Eastern, including New England (territories 1, 2):						
1	100 miles	5	102	98	6.4	92	92
2	300 miles	5	105	101	6.4	94	93
3	500 miles	5	107	103	6.4	94	94
	Pocahontas (territory 5):						
4	100 miles	5	93	89	5.6	92	88
5	300 miles	5	90	89	5.6	89	87
6	500 miles	5	89	88	5.6	87	87
	Eastern, including New England and Pocahontas (territories 1, 2, 5):						
7	100 miles	5	101	97	(1)		
8	300 miles	5	103	100	(1)		
9	500 miles	5	104	101	(1)		
	Southern (territory 6):						
10	100 miles	5	87	84	5.5	86	84
11	300 miles	5	89	87	5.5	88	86
12	500 miles	5	90	88	5.5	89	87
	Western (territory 11):						
13	100 miles	5	108	114	4.3	122	123
14	300 miles	5	104	109	4.3	120	121
15	500 miles	5	102	107	4.3	130	129

[1] Average load not available.

This table indicates that the less-than-carload costs in the South are lower than those in the East while the less-than-carload costs in the West are higher than those in the East, particularly when the costs are based on the actual average less-than-carload loading experienced in the respective territories in 1939.

A witness for the official territory lines compared the rate scales for classes 1, 2, 3, and 4, subject to the 45-cent minimum rate for pick-up and delivery, with scales of costs developed from the Edwards cost studies for the East, including New England and Pocahontas, using average loads of 6.5, 8, 10, and 12 tons. Order No. 1 of the Office of Defense Transportation, requires, with certain exceptions, a minimum load of 10 tons of less-than-carload freight. In October 1942 the average loading was 10.6 tons. Whether this loading can be maintained after the war is problematical. The indications are that the railroads will endeavor to do so. The results of this comparison may be summarized as follows:

Cost level	6½ tons	8 tons	10 tons	12 tons
1. Out-of-pocket operating expenses, rents, and taxes	Below fourth-class rate scale.	Below fourth-class scale.	Below fourth-class scale.	Below fourth-class scale.
2. Total out-of-pocket including the 4-percent return.	Below fourth-class rate scale for hauls under 470 miles.			
3. Out-of-pocket operating expenses, rent, taxes, and pick-up and delivery.	Below third-class rate scale.			
4. Total out-of-pocket including 4-percent return and pick-up and delivery.		Below fourth-class scale for hauls under 260 miles (1).		
5. Total out-of-pocket and solely related expenses.		Below third-class scale.	Below third-class scale.	Below fourth-class scale except for for hauls of 225 to 380 miles.[2]
6. Total out-of-pocket, solely related expenses plus pick-up and delivery.	Below second-class rate scales except for hauls of 25 to 90 miles and under first-class rates except for hauls of 25 to 45 miles.	Below third-class scale except for hauls of 40 to 200 miles. Below second-class scale except for hauls between 40 and 70 miles.	Below third-class scale except for hauls of 75 to 140 miles	Below third-class scale except for hauls of 95 to 120 miles.

(1) Closely approximates fourth-class rate scale for longer hauls.

(2) Closely approximates fourth-class rate scale for distances in excess of 225 miles.

The rate scales in each instance include pick-up and delivery service, whereas only three of the cost bases include the cost of pick-up and delivery. The average cost of pick-up and delivery was computed by dividing the total pick-up and delivery expenses by the total less-than-carload 100 pounds carried. The resulting average was 7.68 cents per 100 pounds. Some of the less-than-carload traffic does not receive a pick-up and delivery service. Class-rate traffic moves over routes that are probably 10-percent or more longer than the short line on which the class-rate scales are based. If the pick-up and delivery payments and allowances were spread only over the traffic that receives collection and delivery service the cost of such service would be higher than 7.68 cents per 100 pounds. If allowance were made for circuity the line-haul costs would be increased by at least 10 percent. Payment of loss and damage claims was not included in any of these cost bases.

It will be observed that with a 6.5-ton load only the first- and second-class rates are above the cost basis No. 6, total of the out-of-pocket and solely related expenses plus pick-up and delivery, and that for certain distances they are not above this basis of cost. A test which was made in 1939 shows that 69 percent of the less-than-carload revenues in official territory came from traffic rated 65 percent of first class or higher. The analysis of less-than-carload traffic for the week of September 8 to 14, 1939, previously referred to, shows that the weighted-average class rate on intraterritorial traffic in official territory was 65.9 percent of first class, and on traffic originated, and terminated in official territory 66.6 and 66.1 percent of first class, respectively. Second-, third-, and fourth-class rates in official territory are 85, 70, and 50 percent of first class, respectively; rule 26 is 55 percent of first class.

The following table shows the deficits incurred in handling less-than-carload traffic in 1939:

Less-than-carload comparisons of costs, revenues, and deficits

Line No.	Item (1)	Eastern (territories 1 and 2) (2)	Pocahontas (territory 5) (3)	Southern territory 6) (4)	Western (territory 11) (5)	United States (territory 12) (6)
1	Out-of-pocket cost including 4 percent return on value	$96, 746, 492	$6, 987, 291	$35, 375, 667	$88, 912, 591	$226, 818, 622
2	Constant expenses solely related to less than carload	25, 824, 542	1, 578, 871	8, 485, 605	24, 592, 128	60, 421, 143
3	Constant expenses solely related to less than carload, adjusted [1]	17, 938, 694	1, 186, 389	5, 911, 853	16, 484, 022	41, 518, 937
4	Collection and delivery payments and allowances	10, 737, 873	632, 881	3, 649, 912	9, 641, 496	24, 662, 162
5	Out-of-pocket cost plus total solely related expenses plus collection and delivery (lines 1, 2, 4)	133, 308, 907	9, 199, 043	47, 451, 184	123, 146, 215	311, 901, 927
6	Out-of-pocket cost plus adjusted solely related expenses plus collection and delivery (lines 1, 3, 4)	125, 421, 059	8, 806, 541	44, 937, 432	115, 038, 109	292, 999, 721
7	Less-than-carload revenues	107, 455, 756	8, 742, 308	46, 635, 725	88, 797, 938	251, 331, 727
	Less-than-carload income or deficit					
8	Basis of total solely related expenses plus c. and d. (line 7 minus line 5)	[2] 26, 153, 151	[2] 456, 735	[2] 815, 459	[2] 34, 348, 277	[2] 60, 570, 200
9	Basis of adjusted solely related expenses plus c. and d. (line 7 minus line 6)	[2] 18, 265, 303	[2] 64, 233	+1, 698, 293	[2] 26, 240, 171	[2] 41, 667. 994

---

[1] For purposes of territorial comparison it is assumed that 100 percent of the constant portion of terminal operating expenses, rents, and taxes assigned and apportioned between carload and less-than-carload services are separable between the two services. Actually, however, some portion of these expenses are common to all services and would continue if less-than-carload service were discontinued. If we adjust for this fact by reducing by 50 percent the constant station clerical expenses as solely related to less than carload we arrive at the adjusted figures shown above.

[2] Deficit.

The best showing is in southern territory.

Comment on the territorial differences in costs.—A significant feature of all preceding comparisons is that the out-of-pocket costs (i. e., the directly assignable expenses) in the South and West are frequently as low as, or even lower than the out-of-pocket costs in the East. This is despite the fact that a uniform percentage of each expense item was taken in the East, South, and West in computing the out-of-pocket costs, although the analysis of the out-of-pocket costs by territories indicated that, if anything, a somewhat larger percentage of the expenses in the East is variable with added traffic than is true of the South and West.[32] The difference in the fully distributed costs between the East and the West is largely in the constant or fixed expenses and the passenger and less-than-carload deficits.

Data of record indicate that the increase in freight traffic volume received by the carriers subsequent to the year 1939 has served to reduce the unit costs of transportation in the South and West in a proportionately greater degree than in the East. This results from the fact noted above that a larger proportion of the carload freight revenue needs in the South and West consists of the constant or fixed costs than is true in the East, and these expenses do not increase with added freight traffic. For example, the ton-miles of revenue freight carried in 1941 as compared with 1939 increased by 43 percent in the eastern (including New England) 27 percent in the Pocahontas, 44 percent in the southern, and 46 percent in the western territories. The cost per revenue ton-mile decreased by only about 5 percent in the East and the Pocahontas territories as compared with decreases of something in excess of 10 percent in the South and West.

Criticisms of the Edwards cost studies.—Carriers and shippers offered many criticisms of the Edwards cost studies. Some were directed to such items as errors in computation, erroneous separations of running and train switching expenses, the exclusion of intraterminal switch cars, and the count of less-than-carload and carload tonnage handled. Corrections for several items of this character were made and introduced in the record.

Other criticisms were directed to the apportionment factors used in the formula, such as the relative weight from a cost of service standpoint, given to each class of switching service; the car-day allowances for loading, unloading, and switching of freight-train cars; the separation of station clerical expenses between carload and less-than-carload; and the ratio of empty to loaded mileage by classes of equipment. In support of the factors used, our head cost analyst referred to various special studies made for the purpose of this, and other cases, and to his analysis of data of a similar character introduced by carriers in other proceedings. He also introduced a series of tables showing the effect on the cost scales of various possible variations in the factors used, the result in most cases being but a negligible shift in the expenses from one type of car to another type of car, or from one length of haul to another length of haul. This followed from the fact that most of the apportionment factors, while reflecting the relative cost for one class of work relative to another class of work, had no influence on the aggregate costs. Allowance for empty miles by classes of equipment was reconciled with the carriers' total empty miles reported by regions for all classes of equipment. Also reconciled within a very close margin were the costs developed in the cost scales and the carriers' total known expenses by regions and districts. The reconciliation appears below:

---

[32] The reason apparently lies in the fact that the East, with its higher traffic density, is closer to the maximum capacity of the plant than is true in the other districts and hence the influence of added traffic on costs is here greater.

Line No.	Territory (1)	Aggregate expenses, increased for a 4-percent return computed by applying cost to traffic handled (1939) (2)	Actual expenses as reported by carriers increased for a 4-percent return (1939) (3)	Ratio (percent) of computed expenses to actual expenses (4)
1	Eastern	$1, 426, 950, 260	$1, 451, 484, 949	98. 3
2	Pocahontas	183, 076, 590	185, 387, 990	98. 8
3	Southern	450, 448, 155	449, 001, 663	100. 3
4	Western	1, 382, 549, 982	1, 395, 188, 845	99. 1
5	United States (lines 1-4)	3, 443, 024, 987	3, 481, 063, 447	98. 9

Judging from the above table, whatever errors may exist in the Edwards studies, they have not had the effect of overstating or understating the carriers' costs in the aggregate to any appreciable degree.

For the purpose of the foregoing reconciliation, costs were developed by individual commodity classes and summarized, the constant costs (as explained hereinabove) being distributed pro rata on a ton and ton-mile basis disregarding the element of value of service. The resulting costs by commodity classes were criticized by the carriers on the ground that the ratios of freight revenues to fully distributed costs on some commodities in the South, such as peaches and livestock (cattle and calves, single deck), show them to be more profitable than coal. The result was stated to be contrary to the generally accepted experience. The ratios referred to reflect the compensatory character of the revenues when reduced to a per ton or per ton-mile basis. For example, the revenue per ton-mile for peaches, livestock, and coal in the South was shown to be 1.95 cents, 2.20 cents, and 0.59 cents, respectively. Ton-mile for ton-mile the contribution of peaches and livestock to the constant costs is greater than that realized on coal. On the other hand, when the relative volume of the traffic is taken into consideration, the studies indicate that the aggregate contribution made by peaches or livestock to the carriers' fixed costs and return, i. e., the excess of total revenue over out-of-pocket costs, constitutes only about 1 or 2 percent of that realized from the coal traffic.

A similar example was offered based on the transportation of watermelons and coal in the Pocahontas region. The revenues are 1.32 cents and 0.54 cent per ton-mile and the contributions above out-of-pocket costs are 0.51 and 0.25 cent per ton-mile, respectively. Based on the volume of watermelon and coal traffic the contribution to fixed costs and profits made by watermelons approximates 53 thousand dollars as compared to approximately 75 million dollars for bituminous coal. Viewed in this light, the cost studies support the generally accepted view as to the profitability of coal traffic.

Criticism was made that the territorial average costs for gondola- and hopper-car traffic found for the western territory were not applicable to the ore tonnage handled by the Great Northern or the Duluth, Missabe and Iron Range Railroad. This is true. On the other hand, the intent of the cost study was to reflect territorial average operating conditions, including main-line and branch-line operations, through train and way train operations, operations of lines of heavy-traffic density and lines of light-traffic density, and the switching performed at large terminals and small terminals. It is obvious that some lines in virtue of their topography or traffic density will have costs which are lower or higher than the territorial average. The Duluth, Missabe and Iron Range and the ore-handling sections of the Great Northern are obviously in this category. The fact that the territorial average costs as developed do not exactly fit such operations does not invalidate the costs for the purpose for which they were developed. The exclusion of the Great Northern has a negligible effect upon the territorial average costs.

Criticism was made of the rate-making values used, the figures being based on data furnished by our Bureau of Valuation. This criticism has little weight, however, as the relation between our Bureau's rate-making value and the carriers' book investment differed little by territories. The comparisons of relative territorial costs would be little affected regardless of whose valuation figures were used.

Criticism was made of the carrier and territorial groupings used in the Edwards studies. Our head cost analyst subsequently reworked the costs to show all combinations of regions and areas requested by respondents to the proceeding.

Territorial cost studies introduced by others.—Cost data dealings with the relative territorial costs were introduced by witnesses for the southern governors, the southern carriers, the State of New York, and the Kansas State Corporation Commission. Exhibits introduced by the southern governors provided an analysis of the terminal and line-haul costs appearing in the Edwards studies showing variations in the unit costs among the individual railroads in each district. Maximum, minimum, and average costs were presented. The exhibits also contained statistical data showing the relative importance of various commodities in each of the several regions, average loads, traffic densities by regions and individual carriers, et cetera. The purport of the data was to support the thesis that costs are lower in the South than in the East.

The southern carriers introduced cost comparisons for the South and East, both including and excluding the Pocahontas territory, based on the average net ton-mile costs in each region adjusted for differences in the length of haul and the consist of traffic. The studies covered the 10-year period, 1930–39. These studies are subject to some criticisms. The data relied to a substantial degree upon the separation of expenses between line-haul and terminal developed in the Edwards cost studies. However, the southern carriers made a drastic departure from the Edwards formula in that it grouped with the terminal expenses all of the fixed or constant expenses which were attributed by the Edwards study to the line-haul operation and distributed on a ton-mile basis. For example, whereas the Edwards study developed that the costs for the East were 24 percent independent of distance and 76 percent variable with distance, the southern carriers changed this to 53 percent independent of the distance and 47 percent variable with distance. The effect was to eliminate from consideration, as to substantial part of the expenses, the longer average haul obtaining in the South compared to the East. Other factors subject to criticism relate to the average haul per ton per railroad which was used in lieu of the average haul per shipment upon which the formula was based, and the composition of traffic assigned to gondola and hopper cars. Our head cost analyst restated these exhibits and expanded them to include comparisons for the 10-year period between the eastern and western carriers. The results of such restatements have been shown above. The eastern carriers introduced exhibits restating the southern carriers' studies, but using the 5-year period 1937–41. The figures showed the costs for the South to be 98.2 percent of those for the East, including Pocahontas, and 91.3 percent of the costs for the East, excluding Pocahontas. Our head cost analyst restated the latter exhibits to correct what he believed to be minor errors of application. The result changed the foreging figures to read 99.4 and 91.9 percent, respectively.

Witness for the State of New York introduced comparisons of the costs per revenue ton-mile for various groups of railroads in the South and East. Such comparisons of revenue ton-mile costs, however, are subject to the following criticisms: No separation was made between line and terminal with the result that, other factors being equal, the territory having the longest average haul per shipment would inevitably have the lowest cost per revenue ton-mile, the terminal expenses being spread over more ton-miles. No separation was made between classes of equipment, the low cost per revenue ton-mile for heavy loading coal traffic being combined on a weighted-average basis with the higher ton-mile cost for manufactured products. Other factors being equal, the region having the greatest proportion of coal traffic would, under such a procedure, show the lowest cost. No effort was made to accumulate the cost on the basis of homogeneous service units required in the handling of each class of traffic in each class of equipment, such as was accomplished in the Edwards studies.

The Kansas State Corporation Commission introduced cost and statistical comparisons purporting to show that the costs in southern Missouri were lower than those of the Kansas railways, and that the costs for the Kansas railways in turn were lower than those in northern Missouri. Reliance was placed on various statistical ratios, including freight-operating rations, freight expense per locomotive ton-mile, freight expense per revenue ton-mile, ratio of revenue freight ton-miles to gross ton-miles, ratio of nonrevenue freight to revenue freight, freight expense per gross ton-mile, average carloading, and ratio of empty car-miles to loaded car-miles. It was found that six out of the eight ratios favored southern Missouri as compared with northern Missouri, the conclusion being reached that southern Missouri freight costs were lower than northern Missouri costs. Five of the eight ratios favored southern Missouri as compared with Kansas, the conclusion being reached that southern Missouri railways had a lower relative freight cost than Kansas railways. Some of these ratios, such as the operating ratio, may reflect not merely relative costs but differences in rate levels and differences in the consist of traffic. No attempt was made to adjust for differences in the average length of haul, through a separation of the terminal expenses from the line-haul expenses, nor were differences in the consist of traffic recognized by developing costs by classes of equipment. The differences in some of the ratios are relatively small. For example, the freight expense per gross ton-mile was found to be 0.245 cent in Kansas, 0.251 cent in northern Missouri and 0.258 cent in southern Missouri. The costs per revenue ton-mile were 0.785 cent in Kansas, 0.823 cent in northern Missouri, and 0.763 cent in southern Missouri. While many of the ratios favored southern Missouri, the margin in many cases is very small. Relatively small segments of the operations of many of the carriers were included in the study, and the separation of the expenses for these segments is not wholly reliable. From the data of record, it is not possible to draw any specific conclusions that the costs in one or other of the areas named exceed the costs in the remaining areas. At most, the conclusion may be drawn that the costs in the respective areas do not vary substantially.

Summary.—The various comparisons of territorial costs reviewed hereinabove show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas territory. The figures both for the year 1939 and the period 1930–39 indicate that, taken as a whole, the costs in the South are equal to or a little lower than those in the East. If the period 1937–41 is used, the costs in the South are substantially lower than those in the East.

If the Pocahontas territory is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East. This differential would be increased to something between 6 and 8 percent if the years 1930–39 were used, a period including years of depression traffic. On the other hand, this differential would be eliminated if the 5-year period, 1937–41, were used. The unit costs of rendering transportation service in the South increase more rapidly with declining traffic volume and decrease more rapidly with increased traffic volume than is true for the East. On the basis of the 1939 figures, the costs for the East, including New England but excluding Pocahontas, are approximately the same as the costs for the South, excluding the State of Kentucky.

Comparisons based on the year 1939 and the period 1930–39 show the over-all cost of rendering transportation service in the western territory to be between 5 and 10 percent higher than in the East, excluding the Pocahontas territory. If the year 1941 were used, this difference would be reduced to 5 percent or less. A comparison based on the inclusion of the Pocahontas territory with the eastern roads for the period 1930–39 shows a difference of 18 percent. Based on the year 1939 the difference shrinks to approximately 15 percent. Based on the year 1941 it would be reduced to something in the neighborhood of 10 percent.

The relative territorial costs of less-than-carload traffic, for a haul of 500 miles, based on actual average loads are 5 to 8 percent higher in the East, including New England but excluding Pocahontas, than in the South. Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas. Less-than-carload traffic as a whole, is carried at a deficit in all territories, except possibly in the South.

SOUTHERN TERRITORY

Systems and levels of class rates, South versus East.—The class-rate structures of the South and official territory differ from each other in four major respects: (1) In the levels of the scales, (2) in the progressions of the scales, (3) in the relations of the several component scales which make up the class-rate system, and (4) in the governing freight classifications. The difficulties involved in any attempt to compare the average levels of these two rate structures, as well as the others, have been pointed out. As previously stated, the first-class rates in the South average about 37.7 percent higher than the first-class rates in official territory. The K–2 scale of class rates within the South grades up with distance more rapidly than the official scale. However, for distances up to 190 miles the two scales have been brought more closely together by voluntary action of the southern carriers on July 7, 1941.

A comparison of the first-class rates in the K–2 scale, with those in the modified southern scale, and with those in the eastern or official scale, for distances up to 190 miles, is shown below:

All rates shown include the Ex Parte No. 123 increase of 10 percent

Miles	K–2 scale	Modified K–2 scale	Difference	Eastern official scale	Modified southern scale, percent of eastern scale
5	37	40	+3	33	121.2
10	40	40		34	117.6
15	43	42	−1	36	116.6
20	45	44	−1	37	118.9
25	48	46	−2	40	115
30	51	48	−3	41	117
35	54	51	−3	43	118.6
40	56	53	−3	44	120.4
45	59	55	−4	46	119.6
50	62	57	−5	47	121.2
55	65	59	−6	50	118
60	67	62	−5	51	121.6
65	70	64	−6	53	120.7
70	73	66	−7	54	122.2
75	75	68	−7	56	121.4
80	77	70	−7	57	122.8
85	79	73	−6	58	125.8
90	80	75	−5	59	127.1
95	81	77	−4	61	126.2
100	84	79	−5	62	127.4
110	87	83	−4	64	129.6
120	90	86	−4	66	130.3
130	94	89	−5	69	128.9
140	97	92	−5	70	131.4
150	100	96	−4	73	131.5
160	103	99	−4	74	133.7
170	106	102	−4	76	134.2
180	108	106	−2	77	137.6
190	110	109	−1	79	137.9

Lack of uniform ratings in relation to first class produces many differences in rates as between the South and official territory. The extent to which items are rated differently, in relation to first class, in the southern and the official classifications, is indicated in the following table:

	Number of items				Percent of total
	Less than carload	Any-quantity	Carload	Total	
Southern and official ratings the same	9,253	66	4,937	14,256	69.8
Southern ratings higher than official	21	0	4,021	4,042	19.8
Southern ratings lower than official	771	13	1,344	2,128	10.4
Total	10,045	79	10,302	20,426	

It will be noted that nearly 70 percent of the ratings are the same, that of the 79 any-quantity ratings 13 are lower, and none are higher, in the southern classification, and that of the 10,045 less-than-carload ratings 771 are lower, and only 21 are higher, in the southern classification; but that there are 4,021 higher carload ratings in the South than in official territory, as compared with only 1,344 lower such ratings in the South. Considering the ratings as a whole, 19.8 percent are higher, and 10.4 percent are lower in the southern classification than in the official classification. In many instances the rates based on the lower southern ratings are higher than those produced by the higher official classification ratings, because of the higher level of the southern class rates.

Fifth class is generally considered the most important carload class in official territory. Fifth class is 35 percent of first class in official territory and 45 percent of first class in the South. There are 2,184 ratings of fifth class or 35 percent of first class in official territory. These same items are rated in southern classification, or exceptions thereto, from 17.5 to 55 percent of first class, and produce rates in the South ranging from 70 to 220 percent of the rates in official territory. The weighted average (weighted according to the number of ratings) is 155 percent.

RELATIVE LEVELS OF COMMODITY RATES, SOUTH VERSUS EAST

In many instances, commodity rates in the South are lower than commodity rates on like traffic in official territory. There is no comprehensive showing as to the general level of commodity rates in the South as compared with that in official territory. The record does reveal, however, that in the following instances commodity rates in the South are lower than rates on the same commodity in official territory:

Brick, building and facing.—The rates under the distance scale maintained in southern territory are the same for a few distance blocks as those under the central territory scale, and are lower for all other distances than those under the latter scale. In all instances the southern-scale rates are lower than those under the trunk-line scale. For example, for 100 miles, the southern rate is $1.60 per net ton, the central-territory rate is $1.85, and the trunk-line rate is $2.15; for 460 miles the southern rate is $3.80, the central territory rate is also $3.80, and the trunk-line rate is $4.79; and for 1,000 miles the southern rate is $5.80, the central territory rate is $6.27, and the trunk-line rate is $7.59. The average rate on brick from Canton, Ohio, to 17 points in eastern trunk-line territory for an average distance of 446.6 miles is $4.66, while the rate for that distance in southern territory is $3.60; and the average rate from Pittsburgh, Pa., to the same destinations in trunk-line territory for an average distance of 370.9 miles is $4.01, while the rate for that distance in the South is $3.40. The southern scale was prescribed in *Brick and Clay Products in the South*, 88 I. C. C. 543, for distances of 1,000 miles and less. The central territory and trunk-line scales were prescribed in *National Paving Brick Mfrs. Assn.* v. *Alabama & V. Ry. Co.*, 68 I. C. C. 213, for distances of 150 miles and less. The carriers have voluntarily extended the latter scales to 1,000 miles.

Fertilizer and fertilizer materials.—The present southern scale is lower for all distances than the scale prescribed in *Eastern Fertilizer Cases*, 198 I. C. C. 483, 203 I. C. C. 787, on basis of 22.5 percent of first class between points in trunk-line territory; and the southern scale is lower for distances of 680 miles and less than the scale prescribed in the report on further hearing in *Ohio Farm Bureau Federation* v. *Ahnapee & W. Ry. Co.*, 146 I. C. C. 419, for application between points in central territory. However, for some (not all) distances greater than 680 miles up to 800 miles, the maximum distance under the latter scale, that scale is slightly lower than the southern scale. For distances of 300 miles and less, the southern scale is much lower than either the central-territory scale or the trunk-line scale. For example, for 100 miles the southern scale rate is $1.35 per net ton, the central territory scale rate $2.40, and the trunk-line scale rate $2.80; for 200 miles the southern rate is $2.35, the central territory rate $3.20, and the trunk-line rate $3.60; and for 380 miles the southern rate is $4.45, the central territory rate $4.40, and the trunk-line rate $4.80. The trunk-line and central-territory scales are subject to a minimum of 40,000 pounds, while the southern scale is subject to a minimum of 60,000 pounds. For all distances, the present southern scale is substantially lower than the scale we prescribed in *Fertilizers Between Southern Points*, 113 I. C. C. 389, for application between points in southern territory in connection with a minimum of 40,000 pounds. The rates under the present southern scale for distances of 300 miles and less were established to meet motor-truck competition.

Coke.—In the report on reconsideration in *Coke from Alabama and Tennessee to Central Territory*, 215 I. C. C. 384, we prescribed on coke, in carloads, from Birmingham, Ala., Chattanooga, Tenn., and points in Wise County, Va., to destinations in central and Illinois territories a distance scale the same as the scale designated the column 2 scale which had been prescribed in *Coke between Points in Central and Illinois Territories*, 194 I. C. C. 640, for application on like traffic within central and Illinois territories. We said, in the report on reconsideration in the first-cited proceeding (pages 385, 386):

> The column 2 rates are now applicable between points in central territory, with a few exceptions mentioned in the original report. The rates from Chattanooga, Birmingham, and Wise County, Va., to southern destinations are in certain instances slightly higher, and in others lower, than they would be if made strictly on the column 2 basis, but they average about the same. From Chattanooga and Birmingham combined to all destinations having a population of 5,000 or more, both the present and the column 2 rates average $2.96 per ton. * * * Coke is among the commodities taking commodity rates in the South approximately the same as those in official territory.

That scale is substantially lower than the scale previously prescribed for application within trunk-line territory and from that territory to New England. The latter scale was prescribed originally in *Seaboard By-Product Coke Co.* v. *Director General*, 62 I. C. C. 317, for distances of 600 miles and less from Seaboard, N. J., to destinations in New England, New York, and New Jersey. It was later prescribed in *Hudson Valley Coke & Products Corp.* v. *N. Y., N. H. & H. R. Co.*, 129 I. C. C. 472, for application from Troy, N. Y., to destinations in New England.[33]

Lime.—For all distances the southern scale on lime is substantially lower than the trunk-line scale, and, for distances of 380 miles and more, the southern scale is lower than the central-territory scale. For distances less than 380 miles, however, the southern scale is higher than the central territory scale. For example, for 100 miles, the southern scale rate is $2.64 per net ton, the central territory rate is $2.60, and the trunk-line rate is $2.75; for 380 miles the southern rate is $3.96, the central territory rate is $4, and the trunk-line rate is $4.40; and for 700 miles the southern rate is $4.84, the central territory rate is $5, and the trunk-line rate is $5.61. The southern scale was approved originally in *Lime Between Southern Points*, 129 I. C. C. 635, for distances of 800 miles and less; and in *Dann-Gerow Co., Inc.*, v. *Atlantic Coast Line R. Co.*, 172 I. C. C. 482, that scale was extended to 1,400 miles. The central territory scale was prescribed in *Eastern Lime Mfrs. Traffic Bureau* v. *Akron & B. B. R. Co.*, 112 I. C. C. 7, and in *Lime to Central Territory*, 203 I. C. C. 407, was approved for application from Buffalo, N. Y., to central territory. The trunk-line scale, made 110 percent of the central territory scale, was approved in *Ohio Lime Mfrs.* v. *Pennsylvania R. Co.*, 214 I. C. C. 417. A scale made 120 percent of the central territory scale was approved in *Lime from and to New England*, 222 I. C. C. 665, for application from, to, and within New England.

---

[33] An Alabama intrastate scale that is lower than even the column 2 interstate scale maintained between points in central territory applies on coke when for furnace use between certain points in Alabama.

Logs.—In *Indiana Public Service Commission* v. *Ann Arbor R. Co.*, 85 I. C. C. 533, we prescribed on logs, in carloads, between points in central territory, maximum reasonable rates equivalent to 65 percent of the sixth-class rates contemporaneously in effect between the same points. That basis is now in effect generally between points in central territory and points in trunk-line territory, as 18 percent of first class, by reason of exceptions to the official classification.

A number of distance scales apply on logs between points in southern territory. The lowest of these scales which we have prescribed is the so-called Pierpont scale, which is a single-line scale that was prescribed originally in *Pierpont Mfg. Co.* v. *Southern Ry. Co.*, 50 I. C. C. 81, and, subjected to the general rate changes, provides local and transit rates between points on the lines of certain standard railroads in northern Florida, eastern Alabama, Georgia, South Carolina, North Carolina, and southern Virginia. This single-line scale is substantially lower than the general basis hereinbefore stated applicable in official territory for both single-line and joint-line hauls. For example, for 200 miles the Pierpont scale rate is 9.5 cents per 100 pounds while the official territory rate is 14 cents; for 500 miles these rates are 18 cents and 22 cents, respectively; for 800 miles they are 24 cents and 29 cents; and for 1,000 miles, 29 and 33 cents.

In *Farris Hardwood Lbr. Co.* v. *Louisville & N. R. Co.*, 178 I. C. C. 671, we prescribed resonable single-line and joint-line distance scales of rates on logs, in carloads, from points in southern territory, not including points in Florida south of the line of the Seaboard Air Line Railway Company from Jacksonville to River Junction, to certain points in Tennessee for distances to and including 800 miles. The prescribed single-line rates were 2.5 cents per 100 pounds lower than the corresponding joint-line rates. The proceeding was comprehensive in its scope and resulted in a general readjustment of rates over an extensive territory. The rates under the joint-line scale therein prescribed, as modified by the subsequent general rate changes, are in most instances the same as the official territory rates for like distances and, in other instances, are either 1 cent higher or lower than the corresponding official territory rates. With respect to the Pierpont scale, prescription of which was sought in the proceeding last cited, we said, at page 682:

> **This record indicates that the Pierpont scale had its origin in rate structures designed (1) to facilitate the clearing of land for farming purposes, (2) to move**

> logs from regions in which the preponderance of the timber is softwood, and (3) to fit the comparatively favorable operating conditions existing in the level coastal areas in the Southeast. It would be manifestly unjust to require the extension of such a scale into the region here considered, throughout which the reverse of the above-mentioned conditions largely obtains.

The distance-scale basis prescribed in *Farris Hardwood Lbr. Co.* v. *Louisville & N. R. Co., supra*, was subsequently prescribed in a number of other proceedings for application between points in other sections of southern territory, and to points in that territory from origins in official territory. See *Pulaski Veneer Corp.* v. *Atlantic & Y. Ry. Co.*, 258 I. C. C. 706, and 259 I. C. C. 313, and the decisions therein cited.

Lumber.—The southern scale on lumber is lower than the official scale except that for a few of the longer distances the rates under the two scales are the same. For 50 miles the southern rate is 7 cents per 100 pounds, the official rate 11 cents; for 100 miles the southern rate is 9.5 cents, the official rate 14 cents; for 200 miles these rates are 14.5 cents and 18 cents, respectively; for 300 miles they are 19 cents and 22 cents; for 400 miles they are 24 and 25 cents, respectively; for 600 miles they are each 30 cents; and for distances of 900 miles (the maximum distance under the southern scale) and over 600 miles the southern rates are the same as, or 1 cent less than, the corresponding rates under the official scale. Each of these scales is lower than the scale prescribed by us for application in the affected territory. In *Lumber between Points in Official Territory*, 214 I. C. C. 493, we prescribed rates on lumber between points in official territory on the basis of 25 percent of first class. Since that decision the railroads have voluntarily established rates on lumber in official territory 22.5 percent of first class. In *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, 157 I. C. C. 280, we approved a general revision of rates on lumber between points in southern territory based on a distance scale. That scale was substantially higher than the scale now maintained voluntarily within southern territory.

Pig iron.—Specific rates on pig iron from Birmingham, Ala., to consuming points in southern territory are much lower than rates on pig iron for like distances from blast-furnace points in official territory to consuming points in official territory. For example, the rate from Pittsburgh to Buffalo, 232 miles, is $3.61 per long ton, whereas the rate from Birmingham, to Macon, Ga., 247 miles, is only $2.61; and the rate from Birmingham to Roanoke, Va., 535 miles, is $4.65, while the rate from Pittsburgh to Evansville, Ind., 525 miles, is $6.38.

Pulpwood.—The southern scale on pulpwood is substantially lower than the scale applicable within trunk-line territory. The southern scale applies on both single-line and joint-line movements, whereas separate scales for such movements are maintained within trunk-line territory. For 200 miles the southern scale rate is 6.575 cents per 100 pounds, the trunk-line rate for single-line hauls is 11 cents, and the trunk-line rate for joint-line hauls is 12 cents. For 660 miles, the southern rate is 15 cents, the trunk-line single-line rate is 22 cents, and the trunk-line joint-line rate is 23 cents. The trunk-line scales were prescribed originally in *West Virginia Pulp & Paper Co.* v. *Baltimore & O. R. Co.*, 104 I. C. C. 495, for application from the District of Columbia and points in Maryland, Virginia, and West Virginia to interstate destinations in Delaware, Maryland, Pennsylvania, and West Virginia. The southern scale is on a voluntary basis.

Sand, gravel, crushed stone, and slag.—The southern scale is generally lower than any of the three official territory scales, but in some instances is the same as one of the latter scales, the so-called West Penn scale, which was prescribed in *Pennsylvania Sand & Gravel Producers Assn.* v. *B. & O. R. Co.*, 104 I. C. C. 717, for application from points in western Pennsylvania to destinations in Ohio, West Virginia, and New York. For distances of 35 to 170 miles, inclusive, the southern scale is the same as the West Penn scale; but for distances less than 35 miles and those over 170 miles to 200 miles, inclusive (the maximum distance under the West Penn scale being 200 miles), the southern scale is lower than the West Penn scale. For all distances the southern scale is lower either than the scale prescribed in *Rates on Crushed Stone, Gravel, Sand, and Slag in Ohio*, 191 I. C. C. 206, for application on crushed stone from Hillsville, Shaw Junction, and Walford, Pa., and on slag from Midland and Sharpsville, Pa., and Weirton, W. Va., to destinations in Ohio; or than the so-called Buckland scale originally prescribed in *Buckland* v. *Boston & A. R.*, 139 I. C. C. 88, for application on slag from Bethlehem and Hokendauqua, Pa., to points in New Jersey, New York, and New England and found reasonable in numerous other proceedings for application between other points in trunk-line territory. The southern scale is lower than the single-line and joint-line scales prescribed in *Rates on Chert, Clay, Sand, and Gravel*, 122 I. C. C. 133, for application on sand, gravel, crushed stone, and slag from Montgomery, Ala., and Chattanooga, Tenn., to destinations in Georgia and Mississippi, between points in Georgia, and between points in Georgia and other points in southern territory except points in Florida.

Iron or steel scrap.—In official territory the rates on iron or steel scrap are on various bases. In *Newport News Shipbuilding & Dry Dock Co.* v. *B. & O. R. Co.*, 160 I. C. C. 620, division 3 prescribed from Newport News, Va., to destinations in Maryland, Delaware, New Jersey, and eastern Pennsylvania, and from Newport News, Norfolk, Portsmouth, and Richmond, Va., to Baltimore, Md., a basis of rates on iron or steel scrap of 70 percent of the basic scale of rates on iron and steel which we had found reasonable in *Iron and Steel Articles*, 155 I. C. C. 517. Following the Newport News case, we prescribed this 70-percent basis as reasonable for application between various points in official territory. See *Summer & Co.* v. *Erie R. Co.*, 255 I. C. C. 475, and 262 I. C. C. 43 for list of cases. Two scales, based on alternative minima of 50,000 and 80,000 pounds, are in effect on iron or steel scrap in southern territory for distances of 1,500 miles and less. The higher southern scale, subject to the 50,000-pound minimum, provides lower rates than the 70-percent basis prescribed in official territory for distances from 70 to 480 miles, inclusive, but higher rates for distances less than 60 miles and greater than 500 miles. The southern scale subject to the 80,000-pound minimum provides lower, and in most instances substantially lower, rates than the 70-percent basis for distances from 40 to 1,000 miles, inclusive. The two southern scales were established pursuant to fourth-section relief granted in *Scrap Iron and Scrap Steel in Southern Territory*, 182 I. C. C. 175.

Sulphuric acid.—The southern scale on sulphuric acid, in tank cars, is substantially lower than the scale applicable in official territory, which was prescribed in *Bertha Mineral Co.* v. *Baltimore & O. R. Co.*, 112 I. C. C. 754, for application on like traffic from Tiltonville, Ohio, to points in the Wheeling, W. Va., Youngstown, Ohio, and Pittsburgh, Pa., districts. The latter scale was prescribed for distances of 160 miles and less. As modified by the subsequent general increases, it provides rates of $2.10 per net ton for 50 miles, as compared with $1.58 for that distance under the southern scale; $2.80 for 100 miles, as compared with a southern rate of $2.10; and $3.80 for 160 miles, as compared with a southern rate of $2.63 for that distance. The present southern scale is maintained voluntarily by the railroads in southern territory at a level considerably lower than that of the specific rates prescribed in *International Agricultural Corp.* v. *Louisville & N. R. Co.*, 22 I. C. C. 488, for application on sulphuric acid from Copperhill, Tenn., to numerous southern destinations, as affected by the general rate changes.

Iron ore.—There are no comparisons of record herein between interstate rates on iron ore between points in southern territory and like rates between points in official territory. The record does reveal, however, that rates under an Alabama intrastate scale applicable between certain points in Alabama on iron ore, when for furnace use, are lower than specific rates for like distances on ex-lake iron ore between points in official territory. For example, the ex-lake rate from Cleveland, Ohio, to Pittsburgh, Pa., 131 miles, is $1.21 per long ton while the rate for that distance under the Alabama intrastate scale mentioned is 90 cents; and the rate from Lorain, Ohio, to Pittsburgh, 157 miles, is $1.21, as compared with the rate of $1.01 for that distance under the Alabama scale.

At the oral argument it was contended that the comparisons of commodity rates just made indicate that the general level of rates on industrial raw materials in the South is low in comparison with that on similar traffic in official territory, and that the disadvantage to the South resulting from higher rates on manufactured articles is thereby offset. However, the record does not reveal the relative average levels of the rates on raw materials generally in the two territories. It will be noted also that a number of the low commodity rates in the South apply on commodities that cannot be classed as industrial raw materials, such as brick, fertilizer, and sand and gravel.

INTERTERRITORIAL CLASS RATES

The interterritorial class rates between the South and official territory represent a blending of the scales of class rates applicable in each territory. The interterritorial class 100 rates are either key rates reflecting the existence of water competition along the Atlantic seaboard, or rates made on the so-called K-2 Q-1 formula. Between points in official territory and points in the States of Kentucky, North Carolina, southern Virginia, and northeastern Tennessee, the class rates reflect the formulas prescribed in the so-called border States cases, *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, *supra*, *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, and *East Tennessee Border Traffic Assn.* v. *Akron C. & Y. Ry. Co.*, *supra*, previously described. Generally speaking, the blending of the southern and eastern class rate scales results in interterritorial rates lower than those which prevail in the South.

In some instances, however, particularly for the longer distances, the interterritorial rates exceed those in the K-2 scale. This fact was referred to in *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, where we stated:

> Another ground of criticism stressed by complainants is that in many cases interterritorial rates exceed those in the K-2 scale for the same distances, and complainants declare that this was not contemplated in our findings in the *Southern Class Rate Investigation*, *supra*. Such a result, however, was foreseen and fully discussed in our reports in that case, in which we expressly refused to require that interterritorial rates be subject to the K-2 scale as a maximum.

The following table shows certain inconsistencies in the interterritorial first-class rates between official and southern territories:

	Miles	First-class rate	K-2 scale rate	Relation of first class to K-2 scale
		Cents	*Cents*	*Cents*
Between Pittsburgh, Pa. and—				
Atlanta, Ga	779	229	219	10 (higher)
Birmingham, Ala	792	220	222	2 (lower)
Spread	13 (greater)	9 (lower)	3 (higher)	
Between Pittsburgh, Pa. and—				
Spartanburg, S. C	694	207	206	1 (higher)
Florence, S. C	693	193	206	13 (lower)
Spread	1 (lower)	14 (lower)	0	
Between Detroit, Mich. and—				
Goldsboro, N. C	812	186	226	40 (lower)
Macon, Ga	825	228	226	2 (higher)
Spread	13 (greater)	42 (higher)	0	

From Pittsburgh to Birmingham the distance is 13 miles greater than that to Atlanta, but the rate to Atlanta is 9 cents higher. Measured by the K-2 scale the rate to Atlanta should be 3 cents lower than to Birmingham. Distances from Pittsburgh to Spartanburg and Florence differ by only 1 mile, but the rate to Florence is 14 cents lower than to Spartanburg. From Detroit to Macon the distance is 13 miles greater than that to Goldsboro, but the rate to Macon is 42 cents higher than the rate to Goldsboro.

Interterritorial commodity rates.—During recent years numerous reductions have been made in commodity rates from the South to official territory. A member of the auxiliary committee, central freight association, who testified for respondent rail carriers, named commodity rates on 97 commodities from specific points in southern territory to specific destinations in official territory that were reduced in 1940, 1941, and 1942; and compared these reduced rates with rates on like traffic within official territory. In many instances, the reduced interterritorial rates are lower than rates for the same distances on the basis that prevails generally in official territory. In most such instances, the official territory rates are class rates based on the classification, and in a majority of the others, they are exception rates. In a relatively few cases the higher rates in official territory named are commodity rates. Illustrative of the latter situation are the present rates on bauxite ore, in carloads, from Cunningham, Seney, Shannon, and Six Mile, Ga., to Baltimore, Md., and Philadelphia and Plymouth Meeting, Pa., which range from 15.1 to 16.5 percent of the eastern first-class rates for equal distances, whereas this traffic moves generally in official territory at commodity rates that are 16.8 percent of eastern first-class rates. Also cigarette paper, in less than carloads, in lots of 15,000 pounds, moves from Pisgah Forest, N. C., to New York City at a rate 48.4 percent of the eastern first-class rate for that distance whereas a commodity-rate basis that is 54 percent of the like class rates applies generally in official territory. The rate on shelled peanuts, in carloads, from Hempstead, N. C., to Pittsburgh is 37.9 percent of the eastern first-class rate for the same distance, while a commodity-rate basis that is 40 percent of first class is maintained generally within official territory. On ferromanganese, in carloads, from 11 points in southern territory to 176 destinations in official territory the rates average 21.5 percent of eastern first-class rates, whereas within official territory the rates on like traffic range from 17.4 to 25.6 percent of first class. Because of motortruck competition, the less-than-carload rates on alum, glass bottles, and jars, metal covers, tops, or caps, and tumeric from points in official territory to Faison, N. C., a point at which pickles are produced in commercial quantities, range from 9.5 to 31.7 percent less than the rates on similar traffic for equal distances within official territory.

A parity is now maintained between the rates from southern territory to official territory and those within official territory on the following articles: Ferroalloys; unfinished aluminum, blanks, stampings, and shapes; asphalt petroleum, coke; leather; pig iron; aluminum pig or ingot; cast-iron pipe; iron or steel plumber's goods; cast-iron hollow ware; hydrants and fire plugs; upholstering fabric and trimming; cotton flannels or napped fabric; and automobile-body parts, wooden, painted. On automobile tires, there are some combination rates from the South to official territory that are lower than the rates on tires for the same distances within official territory.

In some instances, the rates on manufactured products from the South to official territory exceed the rates on like products within official territory to a greater extent than the corresponding interterritorial rates on raw materials, that compose the manufactured products, exceed the rates on like raw materials within official territory; but in other instances the reverse is true. The following examples of the former situation were given by a witness for the Tennessee Valley Authority, the manufactured products being named in parentheses. The percentage figures state the relation of the interterritorial rates on the commodity named to the rates on the same commodity within official territory: Cottonseed 107 percent (oleomargarine 137 percent, cooking or salad oil 137 percent); woodpulp 109 percent (pulpboard 110 percent, paper bags 111 percent, and newsprint paper 159 percent); asphalt petroleum 100 percent (asphalt roofing 110 percent, asphalt paint 153 percent); clay 112 percent (chinaware plumber's goods 139 percent, chinaware pottery 140 percent); and pig iron 100 percent (steel bars and sheets 129 percent, tractors 140 percent, and mechanics' tools 151 percent). A witness for the southern carriers gave the following instances in which the rates from the South to official territory on manufactured products bear lower percentage relations to the rates on like articles within official territory, than do the interterritorial rates on raw materials with respect to the rates on those materials within official territory: Hides 127 percent (sole leather 100 percent, boots and shoes 90 percent); aluminum pig or ingot 100 percent (aluminum sheet or plate 92 percent); scrap iron 134 percent (cast-iron pipe, iron or steel plumber's goods, cast-iron hollow ware, and hydrants and fire plugs, each 100 percent); and unmanufactured tobacco 106 percent (cigarettes 77 percent and smoking and chewing tobacco 97 percent). It will be noted that the rates from the South to official territory on boots and shoes, aluminum sheet or plate, and cigarettes and smoking and chewing tobacco are lower than the rates for equal distances on like traffic within official territory.

In a number of proceedings we have prescribed or approved substantially the same mile-for-mile levels of rates on particular commodities from points in southern territory to points in official territory as were maintained thereon between points within the latter territory. *Brick and Clay Products in the South*, 88 I. C. C. 543; *American Distilling Co.* v. *Akron, C. & Y. Ry. Co.*, 140 I. C. C. 633; *Krupp Foundry Co.* v. *Southern Ry. Co.*, 148 I. C. C. 743, 156 I. C. C 415; *Hosiery From Southern Points*, 156 I C. C. 117; *Cullet in Southern Territory*, 169 I. C. C. 153; *Eastern Tanners Glue Co.* v. *Southern Ry. Co.*, 171 I. C. C. 213; *Stone, Marble, and Slate from or to Southern Points*, 183 I. C. C. 611; *Muscle Shoals White Lime Co.* v. *Akron & B. R. Co.*, 205 I. C. C. 273; *Coke from Alabama and Tennessee to Central Territory*, 208 I. C. C. 281, 215 I. C. C. 3[illegible]; *Sugar from Gulf Coast Port Groups to Northern Points*, 234 I. C. C. 247, *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255, 237 I. C. C. 515; and *Alabama By-Products Corp.* v. *Ahnapee & W. Ry. Co.*, 256 I. C. C. 649. In *Coke from Alabama and Tennessee to Central Territory, supra*, we prescribed rates on coke from southern producing points to consuming points in central territory on the same level, mile for mile, as we had previously found reasonable for application within central territory; and the judgment of the District Court of the United States for the Northern District of Illinois upholding our order in that proceeding was affirmed by the Supreme Court in *Baltimore & O. R. Co.* v. *United States*, 304 U. S. 58.

In some instances, we have prescribed commodity rates between southern and official territories that exceeded by 10 percent or less the rates found reasonable for application within official territory. For example, in *Paper, Official-Illinois Territories to South*, 234 I. C. C. 81, 238 I. C. C. 104, we prescribed maximum reasonable rates on paperboard, pulpboard, paperboard boxes, pulpboard boxes, and other paper articles, in carloads, from points in official territory to destinations in Southern territory 10 percent higher than the rates in effect for like distances within official territory; and found not unreasonable rates on like traffic between these territories in the reverse direction. The latter rates were already on a basis 10 percent higher than the official territory level.

In *Livestock to and from the South*, 253 I. C. C. 241, we prescribed on edible livestock, in carloads, between points in southern territory and from points in southern territory to destinations in official territory a scale of rates for distances up to 1,600 miles which were 1 or 2 cents per 100 pounds higher than the corresponding rates under the scale, as extended, which we had prescribed in *Eastern Livestock Cases of 1926*, 165 I. C. C. 277, for application within central territory for distances up to 800 miles.

In our report on reargument and reconsideration in *Schoen Bros., Inc. v. Erie R. Co.*, 258 I. C. C. 161, we found that just and reasonable rates for the future on green salted hides, in carloads, from certain points in Alabama, Georgia, and Florida to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass., would be rates from 1 to 3 cents per 100 pounds higher than the rates for like distances within official territory. The prescribed interterritorial rates ranged from approximately 1.5 to 5.6 percent higher than the corresponding official territory rates.

In our report on further hearing in *Cotton, Woolen, and Knitting Factory Products*, 258 I. C. C. 471, we stated that the maximum reasonable any-quantity rates, prescribed in prior reports in that proceeding, on finished cotton piece goods from the South to official territory averaged 9 or 10 percent higher than the rates prescribed for application within official territory; that the rates on those products actually established by the rail carriers from the South to official territory were only about 4 percent higher than the rates prescribed for official territory, but approximately 8 or 9 percent higher than the level the carriers actually established within the North; and that the international rates in effect on dry goods and on grey goods and yarn generally showed a closer relation to the northern level than obtained in the adjustment on finished cotton piece goods.

RELATIVE LEVELS OF REVENUE FROM ALL FREIGHT, SOUTH VERSUS EAST

The actual freight revenue levels per revenue ton-mile in the South in relation to the freight revenue levels per revenue ton-mile in official and western territories, has been a subject of study in this investigation.[84]

For statistical purposes we have assigned the steam railways to territorial groups described as follows:

---

[84] The distinction between a comparison of rate levels and a comparison of revenue levels is that the former is based on the published rates, whereas the latter is based on the revenue actually received from the traffic which moved.

Eastern district.—That portion of the United States bounded on the west by the northern and western shore of Lake Michigan to Chicago, thence by a line to Peoria, thence to East St. Louis, thence down the Mississippi River to the mouth of the Ohio River, and on the south by the Ohio River from its mouth to Parkersburg, W. Va., thence by a line to the southwestern corner of Maryland, thence by the Potomac River to its mouth. The eastern district is divided into the New England region, comprising the New England States; the Great Lakes Region, comprising the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York; and the central eastern region, comprising the section south of the Great Lakes region, east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

Southern district.—That portion of the United States bounded on the north by the eastern district and on the west by the Mississippi River. The southern district is divided into the Pocahontas region comprising the section north of the southern boundary of Virginia, east of Kentucky and the Ohio River north to Parkersburg, W. Va., and south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth; and the southern region, comprising the section east of the Mississippi River and south of the Ohio River to a point near Kenova, W. Va., and a line thence following the eastern boundary of Kentucky and the southern boundary of Virginia to the Atlantic Ocean.

Western district.—That portion of the United States which is west of the eastern and southern districts. It comprises the northwestern region, the section adjoining Canada lying west of the Great Lakes region, north of a line from Chicago to Omaha and thence to Portland and by the Columbia River to the Pacific Ocean; the central-western region, the section south of the northwestern region, west of a line from Chicago to Peoria and thence to St. Louis, and north of a line from St. Louis to Kansas City and thence to El Paso and by the Mexican boundary to the Pacific Ocean; and the southwestern region, the section lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City and thence to El Paso and by the Rio Grande to the Gulf of Mexico.

The boundaries between the districts do not correspond exactly to those between the class-rate territories. For example, most of the Pocahontas region is in official territory.

In most of the Cost studies the Pocahontas region is separately treated; or statistics for the eastern district are shown both including and excluding the Pocahontas region. The traffic handled in the Pocahontas region consists of from 85 to 90 percent products of mines, about 84 percent consisting of coal.

Comparisons are made of the freight revenue levels in the eastern district with those in the southern region and in the western district, adjustment being made for differences in the average length of haul, the count of interterritorial traffic and the count of bridge traffic. The comparisons are made by applying the eastern average revenue level per ton-mile by individual commodity classes, as shown by our freight commodity statistics statement No. 40100 for the year 1939, to the traffic handled in the southern region and western district. The constructive gross freight revenues thus computed for the South and West are compared with the actual gross freight revenues for the South and West taken from the freight commodity statistics, statement No. 40100. The results indicate that the actual gross revenues in the South in 1939 exceeded by 5.5 percent the constructive gross revenue based on the application of the eastern level of revenues to the southern traffic. This indicates that the southern level of revenue is about 5.5 percent higher than the eastern level. These gross revenues include divisions of joint rates, both intraterritorial and interterritorial, local rates, import and export rates, switching charges, and various accessorial charges.

When comparison is made between the East, including the Pocahontas region, on the one hand, and the South on the other, the southern level of freight revenue is found to be 3.9 percent above that for the East. The actual gross revenue in the West exceeds by 16.6 percent the constructive gross revenue obtained by applying the eastern revenue level to the western traffic. When comparison is made with the East, including the Pocahontas region, the actual gross revenues exceed the constructive gross revenues by 15.2 percent.

The above comparisons are subject to the criticism that the revenues by commodity classes are gross revenues rather than the net revenues. The gross revenues are before deductions for pick-up and delivery allowances, switching absorptions, et cetera. In some instances they include refrigeration revenues. A comparison between the gross revenues and the net revenues by districts indicates that the overstatement of the net revenues is greater in the southern region than in the eastern district, the Pocahontas region, or the western district. The ratios (percent) of the gross revenues to net revenues by districts and regions are shown below:

Eastern district	104.48
Pocahontas region	101.18
Southern region	105.59
Western district	103.9
United States	104.18

Based on the above it appears that the so-called actual revenues taken from the freight commodity statistics are overstated by a small amount in each territory. Such overstatement is greater by something over 1 percent in the southern region as compared to the East. This would have the effect of narrowing the difference between the southern and eastern revenue levels to somewhere between 3 and 5 percent.

EFFECT OF APPYLING OFFICIAL TERRITORIAL LEVEL OF ALL FREIGHT RATES TO CONSIST OF ALL FREIGHT TRAFFIC IN THE SOUTH

A witness for the southern carriers introduced an exhibit purporting to show the effect of applying the eastern district revenue per ton-mile shown by our freight commodity statistics for the year 1939 by individual commodity classes, numbered 10 to 701, on carload traffic and the revenue per ton-mile on less-than-carload traffic, adjusted for differences in average haul, to the revenue ton-miles of each commodity class and to the revenue ton-miles of less-than-carload traffic carried in the southern region. The commodity classes were also divided according to the type of equipment which would ordinarily be used. The results are shown in the following table with the revenues applying to each class of equipment:

Type of equipment	Southern region revenue	Southern region constructive gross revenue at eastern district rate per ton-mile for southern region haul
Boxcars, carload	$181,559,994	$156,569,555
Boxcars, less than carload	49,420,914	41,254,418
Boxcars, total	230,980,908	197,823,973
Refrigerator cars	47,180,337	33,144,124
Gondolas and hoppers	126,218,104	136,543,712
Stock cars	3,852,326	3,478,255
Tank cars	35,942,950	30,766,754
Flatcars	5,219,308	7,233,449
Grand Total	449,393,933	408,990,268

Net reduction in revenue 8.99 percent=$40,403,665.

The following explanatory statement is quoted from the carriers' exhibit:

(*a*) The computed revenue ton-miles for the Eastern District were 1,043,100,000 and for the Southern Region, 336,500,000. In order to obtain the true average haul in each district the computed revenue ton-miles were divided by the number of tons originated or terminated, whichever was greater. Thus the Eastern District ton-miles were divided by 4,140,502 tons terminated which produced an over-all average haul in the Eastern District of 252 miles and the Southern Region computed revenue ton-miles were divided by 1,008,522 tons terminated which produced an over-all average haul of 334 miles. It is realized that where the tons terminated are used to compute the over-all average haul, that tons originated which leave the district and the "overhead" tons are not included and, that where tons originated are used, that tons terminating coming from beyond the district and "overhead" tons are not included. It is not thought, however, that this results in any serious distortion but, in any event, the data necessary to obtain the true count of tons handled in a given district is not available.

Certain methods of computation used in the exhibit just mentioned were criticized by our head cost analyst who made a restatement of this exhibit. The exhibit was corrected to include a count of ton-miles of interterritorial traffic which had been omitted in the carriers' exhibit. The correction for count of interterritorial tons was based upon the 2-day analysis of carload traffic moving on May 27 and September 23, 1942, previously described. Correction for count of tons of bridge traffic was also made based on the 1-day traffic analysis of all carloads moving on May 27, 1942. Average haul was computed for each commodity classification per shipment per territory.

The exhibit was also reworked to provide for adjustments for differences in length of haul based on the eastern class-rate progression in lieu of the southern class-rate progression, inasmuch as the study computes the effect of superimposing the eastern district revenue levels on southern traffic. The following table shows the results of recomputation by our head cost analyst:

Type of equipment	Southern region revenue	Southern region constructive gross revenue at eastern district rate per ton-mile for southern region average haul.
Boxcars, carload	$181,559,994	$163,884,478
Boxcars, less than carload	49,420,914	45,103,874
Boxcars, total	230,980,908	208,988,352
Refrigerator cars	47,180,337	36,419,314
Gondolas and hoppers	128,218,104	136,690,098
Stock cars	3,852,326	3,008,078
Tank cars	35,942,950	32,920,230
Flatcars	5,219,306	6,968,030
Grand total	449,363,933	425,964,102

Net reduction in revenue 5.2 percent—$23,399,831.

If we include the rate per ton-mile for the Pocahontas region with the rate per ton-mile for the eastern district, a similar computation shows a net reduction in revenue in the southern region of $16,987,789, or 3.8 percent of the total gross revenue. Classification exception rates and commodity rates are not directly in issue in this proceeding. The exhibit just mentioned, and the revised exhibit prepared by our head cost analyst were based upon the assumption of imposing the eastern district level of class, exception, and commodity rates, including import and export rates, switching charges, and accessorial charges, upon all southern region traffic. Therefore the results shown do not reflect the change in revenues that would be effected by applying the eastern class rates in the South. It does not follow that an equalization of class rates would mean an equalization of all rates and charges.

COSTS AND CONSIST OF TRAFFIC

As previously stated, the Edwards cost studies show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas region. If the Pocahontas region is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East.

The southern carriers argue that the showing that the average ton-mile earnings and average unit costs in southern territory are but little greater than, or even less than, those developed for official territory, largely ignores the fact that the volume of traffic in official territory is very much greater than that for the southern carriers; that the average number of tons per car, and the average number of cars per train are very much greater in the North than in the South; that the average hauls are dissimilar, being much longer in the South than in the North; and that the volumes of the several kinds of freight, particularly high-grade well-paying freight, are very different in the North than those in the South. Average hauls were shown in the section of this report entitled "Cost Studies." It is true that the density of traffic, the average number of tons per car, and the average number of cars per train are greater in the North than in the South. On the other hand, some important factors favor the South. The southern region has a lower compensation per employee per annum, i. e., $1,753 versus $1,925; a lower ratio of empty to loaded car-miles, 57.6 versus 60.5; more miles actually run per hour per train and engine employee in freight service, 14.1 versus 11.5; and more transportation service car-miles per employee, 26,459 versus 24,012. Furthermore, the lighter trains and smaller loads of the South are compensated for in greater or less degree by lower costs. While the revenue ton-miles per train-mile of 553 in the South are 62.5 percent of the corresponding figure of 885 for the East, the expense per train-mile in the South $3.69, is 61.6 percent of the corresponding figure of $5.99 for the East. The foregoing figures are based on operations in 1939.

Most of the factors favorable to the carriers in official territory listed by the southern carriers relate to line-haul service rather than to the terminal costs. It is principally the low terminal costs in the South that account for its relatively low total costs.

In our original report in *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255 (decided November 22, 1939); 237 I. C. C. 515, we said at pages 321–326:

> When the southern class-rate investigation was instituted the class rates within and from the South did not reflect the general level of rates. The result accomplished in that proceeding, broadly speaking, was to remove inconsistencies and incongruities in the existing class rates, of which there were many, thereby bringing about greater uniformity and harmony in those rates throughout southern territory and between southern and official territories without materially changing their then-existing average levels. * * * The class rates in the North, prescribed in the eastern class-rate investigation, on the other hand, did rather closely reflect the general rate level therein.
>
> It is obvious from a consideration of these matters that the class rates prescribed in the southern class-rate investigation are on somewhat higher levels, compared with those within the North, than could be justified by considerations of transportation conditions. This was generally recognized when those rates were prescribed. And we have stated a number of times that no inference as to the degree of difference, if any, in the general rate levels and in transportation conditions in the two territories could properly be drawn from a comparison of the class-rate levels.
>
> * * * * * * *
>
> It is a fair conclusion from the record as a whole, and we accordingly find, that the cost of transporting the articles named in the complaint from producing points in the South into the North, compared with that of transporting like articles within the North, does not justify the maintenance thereon of higher levels of rates than are applicable on like articles within the North.

In *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, we said, at pages 285, 286:

> If what are termed transportation conditions are understood as including only physical conditions affecting transportation costs, it may be said that neither the eastern class rates nor the southern have been based on transportation conditions except perhaps to a minor extent. In both the eastern and the southern cases the evidence as to these conditions was exceedingly fragmentary and did not purport to show anything resembling complete costs of transporting class-rate traffic. For that reason we stated in our report in *Eastern Class Rate Investigation*, 164 I. C. C. 314, that the differences in level between the rate scale there prescribed and the scales in southern and southwestern territories were not to be regarded as an index of comparative general rate levels or transportation costs as between the various territories. If it be conceded that cost studies reflecting average conditions affecting aggregate traffic in the two territories, differing widely in composition, disclose no difference in cost corresponding to the difference between the class rates, the question still remains whether in the light of transportation conditions alone, the southern rates are too high or the eastern rates too low In the southern and the eastern cases alike principal emphasis was placed by shippers as well as carriers on the undesirability of departing too far from existing conditions, and little or no attention was paid to harmonizing the two rate structures. In the eastern case in particular most of the more active shippers opposed the injection of that question into the proceeding.

The southern carriers argue that even assuming that the average unit cost per ton-mile is no higher in southern territory than in official, such unit cost could not safely be used in measuring the reasonableness of rates in one section as compared with another for the reason that the compositions of traffic from which the aggregate revenues are derived are wholly different. Certain commodities must be called upon to assume a greater share of the transportation burden than others. It is also true that carriers must obtain their revenue from the traffic which moves in the territory in which they operate. As previously stated, however, the ratio of interterritorial traffic between the South and other territories to intraterritorial carload traffic in the South is 124.2 percent, and the great majority of the interterritorial traffic to and from the South is to and from official territory. As to interterritorial traffic the consist is common to both territories.

The following table taken from an exhibit submitted by the southern carriers and based on our freight commodity statistics for the year 1939 shows the percentage distribution of total tons carried and the percentage of revenue for each of the major commodity groups in each territory:

Percentage distribution of total tons carried and revenue by commodity groups

CLASS I RAILROAD 1939

	Eastern district		Eastern (including Pocahontas region)		Southern region		Western district	
	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue
Group I: Products of agriculture	6.57	8.73	6.07	8.03	10.80	17.73	18.88	23.70
Group II: Animals and products	1.64	4.72	1.47	4.23	1.45	3.51	3.00	6.30
Group III: Products of mines	58.06	34.85	61.53	40.24	46.39	23.65	36.64	13.98
Group IV: Products of forests	2.43	2.74	2.43	2.69	11.40	9.45	10.59	9.31
Group V: Manufactures and miscellaneous	29.57	41.41	26.89	37.75	27.21	34.66	29.38	39.94
Total all carload traffic	98.27	92.45	98.39	92.94	97.25	89.00	98.49	93.23
All less-than-carload traffic	1.73	7.55	1.61	7.06	2.75	11.00	1.51	6.77

It will be observed that, comparing the eastern district with the southern region, group I, products of agriculture, constitutes a greater portion of the tonnage and revenue in the South than in the East; in group II, animals and products, the percentages are similar; in group III, products of mines, the percentages are greater in the eastern district; in group IV, products of forests, the percentages are greater in the South; in group V, manufactures and miscellaneous, the percentages are greater in the East, the difference in tonnage being 2.3 percent and the difference in revenue being 6.8 percent. Less-than-carload traffic constitutes a greater percentage of the tonnage and revenue in the South than in the East, even though, as we have seen, considerably more traffic moves on class rates in the East than in the South.

The above table is based on tons carried in each territory. Tons carried as reported in our freight commodity statistics, however, contain a great many duplications. A study of the distribution of carload traffic based on revenue ton-miles for the year 1939 shows the following results.

Distribution of carload traffic based on revenue net ton-miles, percent

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of agriculture	10.7	2.7	15.8	26.8	16.4
Animals and products	3.8	.5	2.2	4.5	3.5
Products of mines	49.3	87.4	40.8	20.1	41.5
Products of forests	3.1	1.6	11.6	13.6	7.9
Manufactures and miscellaneous	33.1	7.8	29.6	35.0	30.7
Grand total, carload	100.0	100.0	100.0	100.0	100.0

The above table indicates that products of mines in the eastern district constitute a greater percentage of the total traffic volume than in the southern region, i. e., 49.3 versus 40.8 percent. This is true in lesser degree of the manufactures and miscellaneous group, i. e., 33.1 versus 29.6 percent As between the eastern district and the western district the percentage of products of agriculture in the western district is much greater and the percentage of products of mines is much smaller. However, the percentage of manufactures and miscellaneous is slightly greater in the western district.

The contribution in excess of out-of-pocket cost made by the major classes of commodities, in carloads, is shown by the Edwards cost studies, taking the total contribution above out-of-pocket cost made by all carload traffic as equal to 100, for the year 1939:

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of agriculture	4.2	3.1	15.8	18.0	10.8
Animals and products	1.5	1.1	3.4	4.3	2.7
Products of mines	38.0	73.4	21.2	13.9	29.7
Products of forests	2.8	2.8	9.4	8.1	5.7
Manufacturers and miscellaneous	53.5	19.6	50.2	55.7	51.1
Grand total, carload	100.0	100.0	100.0	100.0	100.0

It will be observed that the classes of commodities which contribute most in excess of out-of-pocket costs are products of mines and manufactures and miscellaneous, both of which move in the eastern district in somewhat larger proportion to the total traffic than in the southern region. In the western district, products of agriculture appear to make a substantial contribution above out-of-pocket costs, in fact, a greater percentage of contribution than the products of mines group.

There are wide variations in the consist of traffic as between regions in the same district. The extreme difference between the eastern district and the Pocahontas region, and between the southern region and the Pocahontas region leads us to show the costs for each separately and in combination. There are also extreme differences in the consist of traffic as between individual railroads operating in the same district or region.

RATES OF RETURN

The southern carriers argue that if the costs are less in the South than in official territory, or, if the costs are substantially the same in each territory, the southern carriers with their admittedly higher general level of freight rates should have produced a substantially greater rate of return than the eastern district carriers, but that such is not the case. In recent years, however, the return of carriers in the southern region has generally exceeded the return of carriers in the eastern district, based on reported investment.

As previously stated, the general level of freight revenues per revenue ton-mile in the South appears to exceed that of the East by 3 to 5 percent, based on 1939 freight commodity statistics. If we compare the revenue level for all traffic, freight and passenger, these territorial differences are slightly reduced. The passenger revenues per passenger-mile, both including and excluding commutation traffic, are lower in the souther region than in the eastern district.

The Edwards cost studies show freight costs as a whole in the South to be slightly lower than those in the East, excluding the Pocahontas region from the East. They also show that, ex[illegible]ng Kentucky from the South, the costs as a whole in the South, a[illegible]ghtly higher by 1 or 2 percent than in the East.

The rate of return in the southern region generally has been a little higher than for the eastern district during the 6-year period 1936–41, and during the 7-year period 1936–42. The following table shows rates of return based on net railway operating income and reported investment in railway property used in transportation service, plus cash and material and supplies, taken from "Statistics of Railways" 1936–43:

	Southern region.	Eastern district
	Percent	*Percent*
Year 1936	2.52	2.67
Year 1937	2.35	2.75
Year 1938	1.90	1.28
Year 1939	2.50	2.34
Year 1940	2.57	2.66
Year 1941	4.24	3.62
Average of 1936–41	2.69	2.47
Year 1942	6.51	4.90
Average of 1936–42	3.26	2.82
Year 1943	5.73	4.33

The rate of return in the southern region has exceeded that in the eastern district in 4 years out of the 6-year period 1936–41, and in 5 years out of the 7-year period 1936–42. The rate in 1943 was less than in 1942, but the rate of return in the southern region exceeded that in the eastern district. Nonoperating income of the eastern carriers is relatively much greater than that of the southern carriers, and if taken into account would indicate a higher return in the East. However, nonoperating income does not provide a test of relative transportation costs, rates, or of operating efficiency.

The higher level of freight rates in the South is offset to some extent by the lower level of passenger revenues. The revenue per passenger-mile in the South in 1939 was 91 percent of that for the East. Excluding commutation traffic, the Southern revenue per passenger-mile was 79 percent of that for the East. The operating revenues for passenger and allied services in the South in 1939 constituted 70 percent of the passenger operating expenses, rents, and taxes as compared with a figure of 80 percent for the East. This is the reverse of the situation as to freight traffic. The freight revenues in the South in 1939 constituted 140 percent of the total freight operating expenses, rent, and taxes as compared to a figure of 134 percent in the East. Combining the freight and passenger revenues the percentage ratio of the total revenues to the total expenses is 123 in the South as compared to 119 in the East.

CONTENTIONS OF PARTIES

The Southern Governors' Conference and associated interests, including the motor carriers, the Tennessee Valley Authority, and a number of organizations of southern shippers,[85] contend that the class rates within the South and between the South and other territories are unreasonable and unduly prejudicial. They seek the uniform application of class rates and classification ratings throughout the territory east of the Mississippi River with a uniformity of class rates and ratings between all of the latter territory and all other territories. To effect this uniformity they ask that we prescribe immediately the present eastern class-rate scale and the present official classification for application throughout the territory east of the Mississippi River until a uniform classification for general application throughout the United States can be worked out and adopted, and that we remove the Florida arbitraries. In their opinion, the existing class rates constitute an important factor in retarding industrial development of the South, the spread between the first-class rates in southern territory and the first-class rates in official territory is not warranted by transportation conditions, and a readjustment of the class rates would not necessitate a change in the commodity rates. They contend that the relief they seek would not cause a transfer of industry from the North to the South, but would permit the South to absorb its proper proportion of increased national development of industry and would benefit not only the South but also the country as a whole.

---

[85] Among the organizations of southern shippers supporting the position taken by the Southern Governors' Conference are the Southern Traffic League, the Atlanta Freight Bureau, the North Carolina Traffic League, the Charlotte Shippers & Manufacturers Association, the Nashville Freight Bureau, the Memphis Freight Bureau, the Jacksonville Traffic Bureau, the Tampa Traffic Association, the Greater-Miami Traffic Association, the Southern Furniture Manufacturers Association, and the Georgia Canning Manufacturers Association.

Several industrial organizations and groups of shippers in the South, such as the Southern States Industrial Council, the Southeastern Shippers' Conference, and the New Orleans Joint Traffic Bureau, opposed pleas for uniformity of class rates on the eastern basis. They expressed the opinion that the present rate structure within the South, and between the South and other territories, has proven generally satisfactory and that the reductions in class rates sought by the Southern Governors' Conference would result in substantial railroad revenue losses, which would require, as an offset, increases in southern commodity rates that would seriously injure southern industry.

The Southern Paper Manufacturers' Conference, which represents about 95 percent of the paper manufacturers in the South, and the Southern Pine Association, which represents manufacturers of approximately 40 percent of the pine lumber produced in the South and the Southwest, are interested principally in the continuance in the South of commodity rates which are not related to class rates. They ask that any findings herein be restricted to the class rates in issue and that we provide specifically in this report that no change in the exception or commodity rates is intended directly or indirectly by the findings made.

EVIDENCE OF SHIPPERS AS TO CLASS RATES

The testimony of shippers called on behalf of the Southern Governors' Conference respecting the payment of class rates may be summarized as follows:

A manufacturer of washboards at Raleigh, N. C., ships washboards in less than carloads on class rates. In September 1941, a representative month, he made 42 less-than-carload shipments to official territory on which he paid total charges of $184.06. Charges on the official territory level would have been $15.14 less. One shipment was made to Dallas, Tex., on which he would have saved 77 cents at the official territory level. Twenty-five shipments were made to points in southern territory. Charges on the official territory level would have been $45.77 less than actually paid. The principal competitors are at

Columbus, Ohio, and Saginaw, Mich., the latter with a branch factory at Memphis, Tenn. If the official territory level had applied not only from Raleigh, but also from Columbus to the South, the charges from Columbus would be reduced by greater amounts than from Raleigh. Application of the official territory level of rates on the September shipments to the North would have reduced his freight charges by 8 percent. Twenty-five percent of the shipments to the North were to Detroit, Mich., a short distance from Saginaw, where one of his chief competitors is located. The business of the manufacturer who gave this testimony however, has increased substantially.

The operator of a tanning plant at Andrews, N. C., testified that he had recently taken over the tannery at that point, which had been out of operation for several years, and in May 1942, began tanning operations. As of the date of the hearing, September 28, 1942, the company was beginning to make out-bound shipments of leather to some of the 20 principal points to which leather moves, most of which are in official territory. While most of the shipments will be in carloads, on which both class and commodity rates apply, some less-than-carload shipments are anticipated, on which the class rates will apply. Between May 22, 1942, and June 18, 1942, he shipped 9 carloads of green salted hides, 6 from New York, N. Y., 2 from Harrison, N. J., and 1 from Detroit, Mich., and 5 carloads of dry hides, 3 from New York, 1 from Brooklyn, N. Y., and 1 from Waverly, N. J., on which class rates applied. The total charges at the applicable class rates were $6,063.45, whereas the total charges at the official territory level would have been $4,504.63. Leather is usually sold f. o. b. tannery or warehouse. This company has experienced difficulty in selling and quoting prices competitive with tanneries able to ship at lower freight rates.

Imported hides now move from the New York area to Andrews. Under present war conditions most steamers discharge at New York, but, in peacetime, cargoes of hides could be discharged at Norfolk or New Orleans, and this company might obtain imported hides through those ports. This company will also use domestic hides which will be obtained principally in Chicago, Ill., Detroit, Mich., and St. Louis, Mo. There are very few hides produced in the South. However, in *Schoen Bros., Inc.*, v. *Erie R. Co.*, 255 I. C. C. 501, 258 I. C. C. 161, we prescribed reasonable rates on green salted hides from certain points in Alabama, Georgia, and Florida, to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass. The four principal markets for finished leather are New York, St. Louis, Chicago, and Philadelphia.

Quebracho extract, used in tanning, is imported. The differences in freight rates on this commodity are said to be more drastic than on hides and leather, but no exhibit was introduced showing these rates. Chestnut extract, also used in tanning, is produced in the South and the freight rate is a very small cost factor.

A shipper of wine at Atlanta complained of the rates on wine from that point to official territory. The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which are exception rates from Atlanta to border points. His principal competition comes from New York City, but he also operates a winery at Brooklyn, N. Y. His product is nationally advertised and he does a nation-wide business. A larger plant has recently been constructed at Atlanta indicating that the business has made substantial progress at that point.

Testimony for a manufacturer of macaroni products at Memphis, Tenn., was offered by the manager of the Memphis Freight Bureau. For example, from Memphis to Evansville, Ind., 301 miles, the rate on macaroni and noodles and spaghetti, in less than carloads, is 68 cents, whereas from Chicago, 284 miles, the rate is 48 cents, a difference in favor of Chicago of 20 cents. If both rates were made 50 percent of the eastern first-class scale they would be 49 cents and 48 cents, respectively, and the rate advantage of 20 cents which Chicago has would be reduced to 1 cent. This shipper has never complained to the railroads about his rates, which are fourth class (50 percent of first class) in official territory and, by exception, class 50 in the South, in less than carloads. In *Macaroni & Noodle Mfrs. of America* v. *Alabama G. S. R. Co.*, 50 I. C. C. 289, the fourth-class rating was found not shown to be unreasonable or unduly prejudicial for all territories. In the South, fourth class is 55 percent of first class. This shipper has competitors at Louisville, Ky., and New Orleans, La., and distributes his products throughout the South and to Kentucky and some Ohio River points.

Five other shippers who testified on behalf of the Southern Governors' Conference do not ship their products on class rates. They testified with respect to furniture from Birmingham, Ala., glass bottles from Chattanooga, Tenn., cucumber pickles from Faison, N. C., peanut products from Columbus, Ga., and grading machinery from Taccoa, Ga., and Vicksburg, Miss.

Present rates on glass bottles from Chattanooga to official territory are on a combination basis, using a commodity rate to Cincinnati, plus exception rates beyond. Approximately 25 percent of the production of the shipper who testified is shipped to the North, although he has only a "limited amount of tonnage" to offer in that territory. His sales have also been extended to the West.

The pickle manufacturer ships 25 percent of his output of salt stock and brine pickles to the North, and the finished product to the North and South. The applicable rates are truck-competitive rates and are lower than the normal official territory level of rates. The witness's chief concern is that his present rates might be increased.

The shipper of peanut products ships them to all parts of the country, except New England, on rates lower than class rates. The company purchases a million dollars worth of peanuts annually and has annual sales of 5 million dollars.

The manufacturer of grading machinery ships his products all over the world. His first plant in the East was at Peoria, Ill. Later he established plants at Taccoa and Vicksburg. He made no complaint about his rates and testified that the plants were established in the South because of the many advantages in that territory.

Testimony with respect to shipper dissatisfaction with southern class rates was given by the secretary and manager of the Atlanta Freight Bureau, appearing for the southern governors, and by the commissioner of the Nashville Freight Bureau. The former introduced in evidence an exhibit listing 14 groups of commodities, the rates on which were claimed to have been detrimental to southern shippers. Only 6 of the 14 move on class rates. These are calendars, electric appliances, lead products, iron or steel tanks, cloths, and rags. The evidence shows that although the calendar manufacturer lost a contract to supply calendars to an oil refinery in 1943 he obtained a 1944 contract from the same company. In *State of Alabama* v. *New York Central R. Co.*, *supra*, we declined to disturb the existing basis of rates on certain electrical appliances, i. e., conduit outlet boxes, junction boxes, switch boxes, and outlet plates, and stated that the purchaser's familiarity with the manufacturer and with its products is generally controlling. It appears that the rates on cloth and rags about which complaint was made were not class rates. The shipper of lead at Atlanta ships his entire output to the South and has never asked the southern railroads for competitive rates to the North. The same is true with respect to the shipper of iron and steel tanks. To the Ohio River crossings, the Virginia cities, Chicago and Peoria, Ill., commodity rates on iron and steel tanks substantially lower than the class rates apply.

The witness for the Nashville Freight Bureau criticized respondents' failure to reduce rates on steel automobile truck bodies from Nashville to Metuchen, N. J., but admitted that the Nashville shipper obtained a contract for such truck bodies which provided for their purchase f. o. b. Nashville. His other criticism on behalf of a particular shipper was of the failure of the railroads to reduce the rates on shell boxes from Nashville to all points in official territory. He stated that rates on the basis sought had been established to 13 destinations. This shipper had not obtained a contract for the boxes and does not produce them. There is one actual manufacturer of shell boxes at Nashville who is engaged in shipping the boxes.

EFFECT OF CLASS RATES ON ECONOMIC DEVELOPMENT

The southern proponents of class-rate uniformity argue that the southern class-rate structure has retarded and is retarding industrial development in the South; that whatever development has occurred has been largely in primary industries, and that uniformity of class rates in the South with those in the East is necessary to make possible and to stimulate greater industrial development in the South. The general revisions which we have made in the southern class rates and in the eastern class rates were based largely upon the preexisting levels of class rates. Our general revisions served to harmonize the class rates within those two territories, and to place them upon a basis reasonably related to distance, but, as previously stated, in neither of these revisions was primary attention given to harmonizing the two rate structures. At the time of the southern revision, motor carriers were not substantial competitors of the railroads, and at the time of the eastern revision, interstate motor carriers were not subject to regulation. In this connection it may be noted that the motor-carrier interveners are here advocating uniform class rates east of the Mississippi River, but on a basis much higher than in effect either in the South or East.

It is, of course, true that the South does not have as many industries as the East, and that a comparison of other data relating to manufacturing shows that manufacturing is vastly greater in extent in the East than in the South. The industrial development of the East is due to many factors other than transportation services and costs, such as climate, soil, natural resources, available water power, supplies of natural gas and coal, and early settlements of population which antedated the building of railroads.

The principal factors which control the location of industries are: Availability of and cost of obtaining and assembling raw materials, availability of markets, including cost of reaching such markets, adequacy and cost of fuel and power, climate, labor, capital, and, sometimes, momentum of an early start, and the personality of the individual founding the industry. In 1939, freight revenue on commodities in the manufactures and miscellaneous group was but 5.3 percent of the destination value of manufactured goods. From this it would seem that any differences in freight charges resulting from differences in class rate levels is only a small fraction of that figure. Many commodities have a nation-wide market, regardless of the location of the plants in which they are manufactured. Nearness to markets and ability to ship to markets, on a basis fairly and reasonably related to the rates of competitors, are nevertheless potent factors in the location of a manufacturing plant. In fact, rate relations are more important to the manufacturer and shipper than the levels of the rates.

Statistics and testimony by southern witnesses relied upon to show retarded growth of the South industrially are mostly for the year 1939 and include the following:

Official territory has 16 percent of the land area and 53 percent of the population of the country.

Southern territory has 13 percent of the land area and 16 percent of the population.

Official territory has 55 percent of all persons gainfully employed and 69 percent of the persons employed in manufacturing industries.

~~Official territory has but 29 percent of the persons engaged in the~~ extractive occupations in agriculture, forestry, mining, and fishing.

In 1939, added values for manufacturing accounted for 42 percent of the total income in official territory compared with 24 percent in the South, Southwest, and western trunk-line territory combined.

In 1940, the average per capita income for the 8 southern States ranged from $268 in Alabama to $481 in Florida, and the average dollar incomes per person employed from $649 to $1,335. In the same year corresponding data for 17 States in official territory were, per capita incomes from $417 in West Virginia to $1,063 in the District of Columbia, and average dollar incomes per person employed from $1,439 in Vermont to $2,446 in Delaware.

The average value of manufactured goods sold by official territory shippers in other parts of the country was $125.77 per ton in 1939. For the South, Southwest, and western trunk-line territories combined, the average value per outbound ton was $24.32.

The average ton shipped from official territory includes added values for manufacturing of $54.69; for the South, Southwest and western trunk-line territory combined, it was $4.18.

The South and West are much more dependent upon agricultural commodities and other raw and similar materials than official territory, and there is a downward slope of income as dependence of raw materials increases.

The South has a surplus of labor that agriculture cannot comfortably employ.

Southern labor is easily adapted to manufacturing pursuits.

Official territory ~~does not have~~ a monopoly of material and energy resources.

There is an abnormal concentration of national markets in official territory. It has 53 percent of the total market for necessaries; it absorbs 62 percent of consumer luxuries because of higher individual income; it has a concentrated market for raw materials and industrial machinery and equipment.

Other evidence offered to support the South's position included per capita income in the States comprising southern and official territories, ratios of the South to the United States with respect to wages, retail and wholesale trade, and availability of labor suitable for employment in industries requiring skill.

It is not contended that freight rates are the sole cause for the South's failure to enjoy a greater share of industry and the national income, but, as stated in the brief filed on behalf of the Southern Governors' Conference, "we do contend that the discriminatory freight rate adjustment has not only contributed to the failure of the South to develop in the past, but that unless it is removed the future industrial development of the South will continue to be retarded."

In order to determine if the South is or is not growing industrially, statistics over a period of years must be examined. Unless otherwise stated, the years used are 1929 and 1939. The following facts are derived from the statistics examined:

For the 10-year period, 1929 to 1939, the number of wage earners in manufacturing industries in the country as a whole decreased 11 percent; in official territory, 12 percent; and in New York State, 13 percent. There was an increase of 5 percent in the South.

There was a 22-percent decrease in manufacturing wages for the entire country, 23-percent decrease in official territory, and 3-percent decrease in the South. Some southern States had an increase.

The values of manufactured products for the entire country decreased 21 percent; in official territory, 25 percent; in New York State, 29 percent; and there was a 1-percent increase in the South. North Carolina had an increase of 8 percent.

Value added by manufacture, for the United States as a whole, decreased 23 percent, 24 percent in official territory, 12 percent in the South, and in New York State, 33 percent. North Carolina had an increase of 7 percent.

From 1930 to 1940, there was a greater decrease in agricultural employment in southern than in official territory; but manufacturing employment increased in the South and decreased in the North.

In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

From 1930 to 1940, the number of gainfully occupied workers in manufacturing in official territory decreased from 70.5 percent to 69.4 percent of the country's total, but in the South, increased from 10 percent to 11.9 percent.

During the period from 1929 to 1939, the number of wage earners in the canned fruit and vegetable industry in the South increased 68 percent, as compared with an increase of 28 percent in official territory.

The number of wage earners in the cotton industry in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States.

Value of cotton products decreased 55 percent in the northern States and 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South.

Manufacture of heating and cooking apparatus, except electric, during the 10-year period, increased in the South and increased in the North. There was an increase of 39 percent in the number of wage earners in the South, and a decrease of 21 percent in the North. Value added by manufacture increased 8 percent in the South and decreased 32 percent in the North.

The number of wage earners in the furniture industry increased 18 percent in 6 southern States and decreased 33 percent in 12 northern States. Value added by manufacture decreased 43 percent in the northern States and less than 0.5 of one percent in the southern States.

There are other branches of manufacturing that have progressed more rapidly in the South than in the North, but there are some in which, during the 10-year period, the industrial trend was not as favorable in the South as in the North. These include the manufacture of morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products.

No specific instance was proved where an industry was not established in the South because of the class-rate level. However, in the nature of things this fact would be difficult to prove because of the many factors entering into the location of an industry.

A witness for the southern interests was the editor of an industrial publication devoted to the cause of industrial development of the South and Southwest. Excerpts from copies of this publication in 1940, contain a statement by the southern governors that, "In two years the volume of the South's manufactured products has increased approximately 35 percent and is now 2½ times the value of its agriculture output; during the same period the number of manufacturing plants in the South increased by 803 as contrasted to a decline in the rest of the United States of 3120." The publication contains many pages listing new industries that have located in the South, some of which are the largest in the country. They include plants manufacturing cigarettes, textiles, footwear, household furniture, paints, stoves, ranges, water heaters, tin cans, clothing, vegetables, drugs and medicines, flour, optical goods, and fluorescent lamps.

The southern governors called attention to the fact that since the start of the war, many plants manufacturing war materials have been established in the South, and that, when peace comes, these plants will have to have rates on which they can begin immediately to do business. This is a national problem, as well as a territorial problem.

Another contention made by the Southern Governors' Conference is that raw materials and semimanufactured goods produced in the South, which are relatively low priced, are shipped to the North for final manufacture with subsequent reshipment of higher-priced manufactured goods back to the South, thus draining the South of its raw materials and semimanufactured products, and depriving it of the benefits flowing from the manufacture of high-priced goods. Raw materials, however, usually move on commodity rates.

The 2-day traffic analysis of all carload shipments moving on May 27 and September 23, 1942, shows the following distribution of traffic:

On the test days 3,507 carloads of products of agriculture originated in the South, of which 1,942 carloads, or 55.3 percent remained there, and 1,356 carloads, or 38.7 percent, were shipped to the East; 84.7 percent of the total carload movement of cotton, one of the South's most important agriculture products, moved between points in the South, some of which moved to the ports for export, and 13 percent was shipped to official territory. The most important movement of agriculture products from the South to official territory comprises fruits and vegetables.

In the animals and products group, 283 carloads, or 56.9 percent of the carloads originating in the South, moved to official territory, and 192 carloads, or 38.6 percent, moved to points in the South. Considerably more than half of the total movement of animals and products consisted of livestock and live poultry, practically all of which moves on commodity rates. The livestock rates both within the South and from the South to official territory were recently prescribed by us in *Alabama Public Service Comm.* v. *Aberdeen, & R. R. Co.*, 253 I. C. C. 241.

Of the total movement of products of mines originating in the South, 53.4 percent moved to the South and 43.9 percent to official territory; 78 percent of the latter movement was coal and coke. Coal from the South to official territory moves on commodity rates which are differentially related to rates from mines in official territory, and the rates on coke have been fixed by us on the same basis as the rates on coke in central territory.

In the products of forest group, 64 percent of the carloads originating in the South moved to points in the South, and 30.1 percent to official territory. The movement of the raw materials in this group, namely, logs, poles, fuel, and pulpwood was 90 percent to the South and 5.9 percent to the North, the movement of lumber, cooperage and plywood, manufactured products, was 2,031 carloads to the South and

2,064 carloads to official territory. These products moved on commodity rates.

In the manufactures and miscellaneous group, 10,301 carloads originated in the South, of which 3,193 or 31 percent were shipped to the official territory, and 5,666 or 55 percent to the South. On the same days, 55,789 carloads originated in official territory, of which 8 percent or 4,463 were shipped to the South and 77 percent or 42,958, to official territory.

FLORIDA PENINSULA[56]

In the southern revision, we prescribed class rates from and to the Florida peninsula on a higher level than for the remainder of southern territory. This higher basis was in the form of a distance scale of arbitraries,[57] referred to herein as the L-2 scale or arbitraries, for the haul within the peninsula to be added to the standard or basic rate from origin to destination. They accrue solely to the peninsula lines, and apply uniformly on all interstate class-rate traffic, intraterritorial and interterritorial, on which the rates were prescribed on a distance basis. On the average, they are about 15 percent of the prescribed basic southern K-2 scale for the same distance. The addition of these arbitraries to the basic rates was authorized because of the unfavorable conditions confronting the carriers operating in the peninsula, such as light density of traffic, high ratio of empty to loaded car mileage, and the inability of those carriers to earn a reasonable return on investment. For the same reasons, similar arbitraries were included in the class rates prescribed in the western-southern revision between the peninsula and western trunk-line territory, all of which were key rates. No arbitraries were included in, nor do the L-2 arbitraries apply in connection with, the key or group rates prescribed in the southern revision between the peninsula and the north Atlantic ports and points in the eastern portion of official territory. For example, the first-class rate between New York, N. Y., and Miami, Fla., is $2.89, which is lower than the K-2 scale rate of $2.95, exclusive of any Florida arbitrary. In constructing these group rates we gave consideration to both the rail and the water routes, and the rates were made somewhat lower over the former and somewhat higher over the latter than if such routes had been dealt with separately.

In the instant proceeding, the Governor and the Railroad Commission of Florida and certain associations and shippers, hereinafter collectively referred to as the State, join in the plea of the other southern States for the establishment of uniform classification ratings and rates, and specifically request that the Florida peninsula be placed on an equality with and accorded the same level of class rates, mile for mile, as the remainder of southern territory.[88] It is the State's position that the addition of arbitraries to the basic rates to and from the peninsula results in unreasonable rates and discrimination against the peninsula, and favors the other southern States; that there has been an enormous increase in the number of tons of freight originated and terminated in Florida since the southern revision; and that the peninsula can no longer be considered an area of light-traffic density. Respondents' position is that there have been no such changes in conditions, either as to traffic density, operating costs, or otherwise in the peninsula since the southern revision as would warrant the elimination of the present arbitratries; and that the rail rates at present in effect are reasonably adapted to meet all requirements of Florida industries and shippers, such rates in numerous instances being below the prescribed maximum reasonable level as the result of the railroads' effort to meet the competition of other transportation agencies.

---

[56] This subdivision of southern territory embraces all points in Florida south of the line of the Seaboard Air Line Railway Company from Jacksonville to River Junction, Fla.

[57] Known as the appendix L-2 scale in our third supplemental report (128 I. C. C. 567) in the southern revision.

The present rates for the 12 numbered classes between 9 representative points in the peninsula[89] and 19 representative points in southern territory, or border points,[90] for an average distance of 665 miles average $1.0244, as compared with an average of 94.35 cents under the basic K–2 scale. The excess of the present rates over the K–2 rates between these points averages 8.56 percent. Differences resulting from the addition of the arbitraries also occur in the rates between the points in the peninsula and points in other territories. In all instances, however, the excess of the peninsula rates over the basic southern scale decreases as the distances and basic rates increase.

Between the 9 points in the peninsula and the 19 points in southern territory referred to above, the first-class rates average $2.185 and produce an average earning of 65.7 mills per ton-mile. Under the K–2 scale for the same average distance of 665 miles, the first-class rate is $2.02 and it produces 60.07 mills per ton-mile. The excess over the K–2 first-class rates resulting from the arbitraries averages about 16.5 cents per 100 pounds and 5.15 mills per ton-mile.

The three principal railroads operating in the peninsula are the Atlantic Coast Line, the Seaboard Air Line, and the Florida East

---

[88] A substantial portion of the State's evidence is directed to the higher level of rates in southern territory than in official territory, and to the differences in classification ratings in the respective territories. Those matters are dealt with elsewhere in this report. We will here consider only the evidence relating to the propriety of the addition of arbitraries to the basic rates for the haul in the Florida peninsula, as was done in the southern revision.

[89] Fort Myers, Gainesville, Lake Wales, Miami, Melbourne, Ocala, Orlando, Tampa, and West Palm Beach, Fla.

[90] Birmingham, Montgomery, and Mobile, Ala., Atlanta and Macon, Ga., Cairo, Ill., Evansville, Ind., Louisville, Ky., New Orleans, La., Jackson, Miss., Charlotte and Raleigh, N. C., Cincinnati, Ohio, Columbia, S. C., Memphis, Chattanooga, and Nashville, Tenn., and Lynchburg and Richmond, Va.

Coast.[91] They operate approximately 2,027, 1,687, and 685 miles of road, respectively, in Florida, and reach practically all parts of the peninsula and to a large extent serve the same areas. The Atlantic Coast Line and the Seaboard Air Line also operate in Alabama, Georgia, North Carolina, South Carolina, and Virginia, but the Florida East Coast operates in the peninsula only. These three railroads transported a total of 18,298,630 tons of freight in the State in 1940.

In support of its contention that the traffic density of the Florida railroads has materially increased since the southern revision, the State points out that, based on the reports of carriers to the Railroad Commission of Florida, the total tons of revenue freight carried by the railroads in Florida were 10,667,895 tons in 1921 and 22,701,663 tons in 1940, an increase of 112 percent. As to the traffic density of Florida compared with that of other States, the State submitted in evidence an exhibit, compiled from statements issued by our Bureau of Transport Economics and Statistics showing that the tonnage originated and terminated on class I railroads in Florida in 1940 exceeded the corresponding tonnages handled by class I carriers in 25 and 22 States, respectively, in the same year.[92] The composition of Florida's originated and terminated traffic for that year, segregated as to the five groups of commodities used in our statistical compilations, is as follows:

Group	Products of—	Originated			Terminated		
		Number of commodities	Number of tons (of 2,000 pounds)	Percent of total	Number of commodities	Number of tons (of 2,000 pounds)	Percent of total
I	Agriculture	42	1,156,458	8.15	42	418,769	2.96
II	Animals	22	21,612	.15	22	157,298	1.11
III	Mines	18	8,144,574	57.39	18	8,071,085	57.15
IV	Forest	12	2,380,610	16.77	12	2,084,362	14.76
V	Manufacture and miscellaneous.	62	2,488,981	17.54	62	3,392,762	24.02
	Total	156	14,192,235	100.00	156	14,124,276	100.00

In the comparisons made of the tonnage in this table with that of other States for the same year, it is shown that Florida's originated tonnage exceeded that of New Jersey by more than 1,857,000 tons; that of Maryland by more than 5 million tons; that of Georgia and South Carolina combined; that of North Carolina and Mississippi combined; and that it not only exceeded each of the New England

---

[91] The Louisville & Nashville Railroad, Georgia & Florida Railroad (Southern Railway System), and St. Louis-San Francisco Railway each have a relatively small mileage in northern Florida. In addition, a number of class II railroads operate in the State, including the Atlanta & Saint Andrews Bay Railway, Apalachicola Northern Railroad, Live Oak, Perry & Gulf Railroad, and South Georgia Railway.

[92] The States and the number of tons originated and terminated are listed in statements Q-550 and series 1940, No. 12, compiled by our Bureau of Railway Economics and Statistics from carrier reports.

States of Maine, Massachusetts, Vermont, New Hampshire, Connecticut, and Rhode Island, but was within about 200,000 tons of the total combined tonnage of those States. With respect to the terminated tonnage, it is shown that Florida exceeded that of Georgia by more than 2 million tons; that of Kentucky by more than 2.5 million; that of North Carolina by more than 2.75 million; that of South Carolina by more than 7 million; and that of Mississippi by more than 7.75 million. A somewhat similar comparison was made by respondents in connection with the tons of revenue freight handled by the Atlantic Coast Line and the Seaboard Air Line systems in 1940, and, on brief, the State points to this data as supporting the foregoing comparisons. As to the Atlantic Coast Line, the tons of revenue freight carried by it were, in million tons, 7.1 in Florida, 4.1 in Virginia, 5.2 in North Carolina, 5.5 in South Carolina, 5.2 in Georgia, and 2.3 in Alabama; and the figures shown for the Seaboard Air Line are 7.8 in Florida, 6.1 in North Carolina, 4.5 in South Carolina, 5.9 in Georgia, 2.1 in Alabama, and 4.5 in Virginia.

The following table, compiled from an exhibit of respondents, shows the trend in the traffic density over a period of years in connection with the revenue freight tonnage and ton-mile revenue freight per mile of road of the Atlantic Coast Line in Florida and other southern States traversed by that railroad:

Atlantic Coast Line Railroad

Period	Florida		Alabama		Georgia		North Carolina		South Carolina		Virginia	
	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]
Year 1925	12.20	0.74	2.05	0.90	7.95	1.21	7.91	0.86	6.20	0.88	5.51	1.98
Year 1926	15.11	0.88	2.07	0.94	8.75	1.36	7.85	0.82	6.02	0.85	5.31	1.96
Year 1927	10.98	0.57	1.77	0.74	6.40	0.88	7.42	0.75	6.07	0.83	5.15	1.88
Year 1928	8.62	0.44	1.73	0.69	5.41	0.70	7.29	0.71	5.80	0.79	4.80	1.74
Year 1929	8.54	0.40	1.40	0.58	5.56	0.75	6.81	0.71	5.54	0.80	4.80	1.83
Year 1930	7.66	0.36	1.17	0.49	5.03	0.66	5.78	0.61	4.92	0.68	4.02	1.54
Year 1931	6.21	0.30	0.90	0.39	4.30	0.57	4.90	0.53	4.50	0.62	3.49	1.35
Year 1932	4.52	0.22	0.56	0.25	2.95	0.39	3.22	0.35	2.66	0.39	2.43	0.94
Year 1933	4.84	0.23	0.52	0.23	3.02	0.40	3.58	0.38	2.83	0.41	2.61	1.00
Year 1934	5.58	0.25	0.65	0.29	3.25	0.42	3.76	0.39	2.84	0.40	2.65	0.97
Year 1935	5.70	0.22	0.67	0.29	3.31	0.43	3.93	0.41	3.01	0.43	2.76	1.03
Year 1936	6.50	0.27	1.13	0.42	4.27	0.55	4.50	0.48	3.62	0.52	3.23	1.20
Year 1937	6.88	0.30	1.29	0.50	5.07	0.66	5.45	0.57	4.52	0.64	3.73	1.43
Year 1938	6.03	0.27	1.14	0.45	4.42	0.57	4.76	0.51	3.85	0.54	3.31	1.28
Year 1939	7.16	0.31	1.29	0.50	5.23	0.65	5.20	0.58	4.50	0.63	3.76	1.44
Year 1940	8.74	0.37	1.54	0.64	6.25	0.79	5.73	0.64	5.55	0.75	4.15	1.60

[1] Millions of tons (of 2,000 pounds) of revenue freight.

[2] Average ton-mile revenue freight per mile of road, expressed in millions.

It will be observed from this table that the figures shown in column A bear out the State's contention with respect to Florida's revenue freight tonnage as compared with that in the other States shown. Respondents, however, stress the comparisons made in column B, which shows that the average ton-mile revenue freight per mile of road in Florida is lower than that in the other States named. In this respect, they call attention to the comparison made for the year 1939, which indicates that the traffic density in Florida, as expressed in ton-miles of revenue freight per mile of road, was barely more than half of that in Alabama; less than half of that in Georgia or South Carolina; only slightly more than half of that in North Carolina; and far below that in Virginia. They also call attention to the comparison made for the 5-year period from 1935 to 1939, as contrasted with the years 1925 and 1926, when the southern revision was before us. At no time during the latest 5-year period of what may be termed normal operations was the relation of Florida's traffic density, as indicated in column B of the table, to that of the other States as favorable, relatively, as it was in 1925 and 1926 when the volume of traffic in Florida was to a considerable extent affected by the Florida real estate "boom" of those years, which were therefore abnormal.

Respondents criticize the "tonnage originated" and "tonnage terminated" comparisons made by the State, on the ground that they failed to take into account the overhead, or transstate, traffic, or either the composition of the tonnage or the extent to which the same traffic may both originate and terminate in the same State. They call attention to the fact that the total of all tonnage originated by class I railroads in Florida in 1940, 14,192,235 tons, was almost identical with the total tonnage terminated. In view of that fact, it is their position that the traffic which originates in Florida contributes very little to the tonnage of other States because by far the greater portion of the traffic which originates in Florida also terminates in that State. In this connection, respondents submitted in evidence an exhibit showing that for the year 1940 the rail tonnage originating and terminating in Florida on 10 commodities,[93] generally of low grade and heavy loading, contributed 11,363,671 tons, or approximately 80 percent, of the originated and 10,598,529 tons, or about 75 percent, of the terminated traffic. Phosphate rock and crushed stone constituted more than 51 percent of the entire tonnage originated and 46 percent of all tonnage terminated. More than 95 percent of the stone handled originated and terminated within the State. Large quantities of the prosphate rock moved a weighted average distance of 32 miles from inland points[94] to Tampa for export. The greater portion of the lumber originated and terminated in the State. Most of the petroleum products were received by water and were either used at the ports or were distributed to inland points within Florida; and most of the fertilizers used in the State were also produced there.

---

[93] Sand and gravel; stone, broken, crushed or ground; phosphate rock; logs, pulpwood; lumber; shingles and lath; box, crate and cooperage material; refined petroleum oils; fuel, road and residual oils; and fertilizers.

[94] Agricola, Brewster, Coronet, Mulbery, Nichols, Phomisco, Pierce, and Ridgewood, Fla.

The State contends that the Florida arbitraries have been an important factor in the rapid development of Florida's water, water-rail, and rail-water traffic and motortruck traffic, and that the high level of class rates to and from the peninsula have diverted an enormous quantity of traffic to those agencies which the railroads would have handled if the arbitraries had been eliminated. However, the arbitraries have in many instances been eliminated to meet such competition.

Normally, there is intense competition between the rail carriers and the water and motor carriers for Florida's traffic, and this competition is reflected in the traffic densities and freight revenues of the peninsula railroads. Florida's 1,315 miles of ocean coast line exceed that of any continental State in the Union. It has 18 deep-water ports and 28 navigable waterways. Prior to the present war, common and contract carriers operated on the inland waterways and regular service was afforded from the ports by ocean-going vessels in coastwise, intercoastal, and foreign trade. The population of the cities and towns in Florida in 1940 was 1,137,996. There are 61 cities or towns located directly on the waterways, and their population was 77 percent of the urban population in 1940. The average distance from 67 other towns, not on the waterways, to the nearest port or waterway is 39 miles, or, stated differently, 79 percent of the urban population is within 10 miles of waterways, 17 percent within 50 miles, and the remaining 4 percent within 100 miles.

Statistics in the form of exhibits taken from the United States Army Engineers' publications show that in 1939, 16,066,747 tons of traffic moved by water within, to, and from Florida, divided as follows: Foreign commerce, 2,621,948 tons; coastwise traffic, 7,384,049 tons; domestic traffic other than local, 5,232,247 tons; and local traffic, 828,503 tons. An average of 10,369,478 tons of foreign, domestic, and internal water-borne traffic has moved to and from Florida through 12 of its principal ports[95] in the 7 years through 1940, and each year except 1940 shows an increase over the preceding year. In respect of the water-borne foreign commerce in the States bordering on the oceans, the Gulf, and other waterways, Florida ranked ninth in volume of traffic in 1939 and was exceeded only by New York, California, Texas, Ohio, Louisiana, Maryland, Pennsylvania, and Massachusetts. The water-borne traffic handled in 1939 was distributed through the 12 principal ports named; and at least half of the foreign commerce and coastwise tonnage transported between Florida ports and the Atlantic, Gulf, and Pacific coasts moved through Tampa and Jacksonville.

---

[95] Fernandina, Fort Pierce, Jacksonville, Key West, Panama City, Pensacola, Port Everglades, Port St. Joe, Miami, Port of Palm Beach, South Boca Grande, and Tampa, Fla.

With respect to motortruck competition, the record shows that 101,483 truck and trailer licenses were issued by the State of Florida in 1940, 97.4 percent of which was for privately owned or operated trucks and trailers and the remainder for "for hire" trucks. The privately owned and operated trucks provide the principal highway competition. Hucksters purchase fruits and vegetables in Florida and haul them to practically every State east of the Rocky Mountains. Between October 1941 and May 1942, observers stationed at the State line by the Florida Department of Agriculture reported truck movements of freight equivalent to 31,981 carloads. Nonregulated truckers haul return loads for very little more than the out-of-pocket cost of gasoline and oil. From December 1940 to April 1941 the truck movement of onions from central territory to Florida was equivalent to 88 carloads.

Respondents testified that they have been at all times alert to establish reduced rates by rail, either voluntarily or upon request of shippers, to meet water and motortruck competition. The peninsula arbitraries on intrastate traffic moving at column 100 to column 35 rates, inclusive, were voluntarily removed by them to meet competition of the motortrucks, which had eliminated the arbitraries from their rates. Aside from citrus fruits and vegetables, it is said that the principal products which are shipped in any important volume from Florida to northern and eastern markets are phosphate rock, lumber, naval stores, raw sugar manufactured at a plant in south Florida, and canned fruits and vegetables, principally canned citrus fruits and juices.

Rates on fruits and vegetables made percentages of first class were prescribed by us in *Florida Railroad Commrs.* v. *Aberdeen & R. R. Co.*, 144 I. C. C. 603, 177 I. C. C. 735; and in *Southeastern Vegetable Case*, 200 I. C. C. 273; but because of motortruck competition the railroads reduced the prescribed rates about 15 percent. The present rates are, however, still on a column basis and therefore include the Florida arbitraries. Application of the eastern class-rate basis to this traffic as requested by the State would, respondents say, cut joint revenues of the railroads $400,000 in one season. There is no proof of this assertion. Application of the eastern class-rate scale from points in Florida to points in central territory would in some instances make lower class rates than the present column rates, but there is no showing of the amount of revenue that would be involved.

In *Citrus Fruit from Florida to North Atlantic Ports*, 211 I. C. C. 535, 218 I. C. C. 637, 226 I. C. C. 315, 237 I. C. C. 245, the rail carriers were authorized to establish and maintain on citrus fruits, in carloads, from producing points in Florida to the north Atlantic ports, rates on the basis of the truck rates to the Florida ports and the water rates beyond, without observing the long-and-short-haul provision of section

4 of the act. The rates authorized were established by the railroads and they contain no Florida arbitraries.

In *Commodity Rates to South Atlantic Ports*, 186 I. C. C. 675, 197 I. C. C. 3[illegible], 214 I. C. C. 7, 222 I. C. C. 427, division 2 authorized carriers to establish and maintain over their all-rail routes from points in central and Buffalo-Pittsburgh territories, and portions of western trunk-line territory, to certain south Atlantic and Florida ports, on carload traffic for which they compete with rail-and-water routes from and to the same points through north Atlantic ports, commodity rates made 110 percent of the rates over the latter routes, without observing the long-and-short-haul provision of section 4. The rates authorized were established by the railroads on a rather long list of commodities, and these rates do not contain any Florida arbitraries.

Among the principal commodities which move from or to Florida on rates which include no arbitraries are the following: Lumber, which comprised 11.5 percent of the rail tonnage exported from Florida in 1939; forest products, which in 1940 constituted 16.77 percent of the tonnage originated, and 14.75 percent of the tonnage terminated, in that State; phosphate rock, which in 1940 represented 35.29 percent of the tonnage originated, and 30.56 percent of the tonnage terminated; fuel oil, which in that year comprised 2.77 percent of the tonnage originated, and 2.56 percent of the tonnage terminated; fertilizer and fertilizer materials, which in 1939 constituted 33.2 percent of the total import traffic to Florida and in 1940 comprised 3.3 percent of the tonnage originated, and 2.85 percent of the tonnage terminated; gypsum rock, which in 1939 represented 12.29 percent of the total import traffic to Florida; sugar, which in 1939 comprised 2.84 percent of the total Florida imports; coffee, which in 1939 comprised 1.9 percent of the total import traffic to that State; bananas and pineapples, which represented 10.15 percent of the traffic imported through five Florida ports in 1939; and sodium sulphate, which constituted 5.3 percent of the traffic imported through four Florida ports in 1939. Scrap iron and steel represented 6.38 percent of the export traffic from Florida in 1939 and the rates thereon bear no relation to the class rates. Movements between Panama City, Fla., and Port St. Joe, Fla., are outside the Florida arbitrary territory, and the rates thereon do not include any arbitraries.

Raw cane sugar is produced in Florida and shipped out of the State on special commodity rates which contain no arbitraries. Blackstrap molasses is produced in large quantities in Florida sugar mills and shipped to consumers in southern and official territories at rates based on percentages of first class from which the arbitraries have been eliminated. On livestock from the Southwest to Florida the rates prescribed by us do not include any arbitraries. With respect to the north-bound rates on livestock from Florida, the carriers voluntarily agreed to eliminate the arbitraries therefrom.

On the other hand, we have from time to time since the southern revision approved the addition of arbitraries in varying amounts to prescribed commodity rates between points in the peninsula and points in southern, official, and other territories. In the case of some commodities the arbitraries were made approximately 15 percent of the basic distance scale. In other instances they are higher. A rather complete review of the cases in which arbitraries have been prescribed appears in *Fresh Meats and Packing-House Products* (1933), 191 I. C. C. 257.

Respondents stress the fact that in the eastern revision we prescribed arbitraries or differentials of approximately 15 percent for the northern part of New England (zone B) and approximately 10 percent for zone C in the northern part of lower Michigan, and take the position that, if conditions warrant the continuance of New England and Michigan arbitraries, they justify the continuance of the arbitraries for the Florida peninsula, quoting the following from page 404 of our original report in the eastern revision, 164 I. C. C. 314:

> Differences in transportation conditions between northern and southern New England justifying different rate levels have long been recognized by both Federal and State regulatory bodies. The carriers in zone B have a much lower density of traffic than those of zone A (southern New England). In this respect the situation of the northern zone is not unlike that of the Florida peninsula, described in *Southern Class Rate Investigation*, 100 I. C. C. 513. In that proceeding rates were prescribed to and from points in the peninsula based on the normal scale, plus arbitraries substantially 15 percent of that scale for the portion of the haul within the peninsula.

In the report in the eastern revision we prescribed the distance scales set forth in appendixes G and H thereto, for application within zones A and B, respectively, of New England. The appendix G scale was made about 5 percent higher than the basic eastern appendix E scale, and the appendix H scale was made 10 percent higher than the appendix G scale. The scales prescribed for zones A and B apply between points within those respective zones only, and do not apply on traffic between points in New England and points in the remainder of official territory. For application to traffic between points in zone B and points in trunk-line territory and between points in Michigan zone C and points in central territory, we prescribed the appendix E scale, plus the distance scale of arbitraries set forth in appendix F of our original report for the hauls within the zones. These arbitraries range from about 6.4 to 9.5 percent and average about 8.8 percent of the eastern basic appendix E scale for the same distance. As hereinbefore pointed out, the Florida L-2 arbitraries average about 15 percent of the southern basic K-2 scale for the same distance. It should also be noted that the appendix J key rates prescribed in the eastern revision for application between central territory and other subterritories, including New England, contain no arbitraries.

The size of the State of Florida closely approximates that of the New England States combined. The land areas are 54,262 square miles for Florida and 53,205 square miles for New England. Florida has 5,218 miles of railroad; the New England States, 5,677 miles. In 1940 Florida originated 2,719.86 tons of freight per mile of road while the New England States originated 2,536.46 tons per mile of road. In the same year the tonnage terminated per mile of road in Florida was 2,706.92; in the New England States, 6,098.23. Total tonnage originated and terminated per mile of road was 5,426.84 for Florida and 8,634.69 for New England. There are 44 counties in Florida which lie wholly in the arbitrary territory, embracing a combined land area of 38,224 square miles. In the States of Maine, New Hampshire, and Vermont there are 30 counties lying wholly within zone B arbitrary territory, having a land area of 41,560 square miles. For the same year, the traffic density (revenue net ton-miles per mile of road) for the Florida East Coast was 590,603; for the Boston & Maine, 1,259,409; the Central Vermont, 1,335,647; Maine Central, 640,764; New York, New Haven & Hartford, 4,695,763; Detroit, Toledo & Ironton, 1,199,486; Pere Marquette, 1,384,192; and New York Central, 2,695,596.

One of the contentions stressed by the State is that small industries have been handicapped by the present class-rate structure in doing business in official territory. Among the commodities mentioned are palmetto brush fiber and fiber brushes, crystallized or candied citrus fruit, furniture, and several others. With respect to these commodities respondents' records failed to disclose that as to most of them the railroads had ever been approached by either shipper organizations or shippers themselves upon the subject of rates from the peninsula producing points. In instances where they had been approached, the competitive rates of the water or motortruck carriers were found to be so low that the railroads would not undertake to meet them under any circumstances. Pursuant to requests of the shippers of crystallized citrus candy and lawn and garden furniture, the rates on these commodities within the South and from the South to the North were substantially reduced in 1942.

The following statements show the net railway operating income of the Atlantic Coast Line, the Seaboard Air Line, and the Florida East Coast, the rate of return on their recorded investment in property used for common-carrier purposes, and the deficits after fixed charges:

Period	Atlantic Coast Line			Seaboard Air Line			Florida East Coast		
	Net railway operating income	Rate of return	Deficit after fixed charges	Net railway operating income	Rate of return	Deficit after fixed charges	Net railway operating income	Rate of return	Deficit after fixed charges
		Percent			*Percent*			*Percent*	
Year 1927							$592,205	0.45	$1,774,762
Year 1928							1,426,619	1.15	1,697,425
Year 1929							1,637,961	1.33	1,326,2[illegible]
Year 1930				$5,817,039	1.90	$4,598,620	1,040,154	.87	1,998,313
Year 1931	$4,748,109	1.57	$672,654	2,678,649	.84	7,110,747	664,636	.56	2,365,046
Year 1932	108,199	.37	5,281,024	208,830	.07	9,281,174	*281,776*		3,316,690
Year 1933	4,299,811	1.47	988,935	2,622,093	.88	6,530,504	*134,910*		3,185,635
Year 1934	4,289,567	1.47	958,690	1,631,913	.54	8,0[illegible],553	225,476	.10	2,806,591
Year 1935	2,578,763	.89	2,610,224	1,501,943	.50	7,609,365	*222,595*		3,222,799
Year 1936	4,415,754	1.52	674,159	3,515,582	1.15	6,097,462	877,796	.77	2,071,631
Year 1937	4,938,774	1.70	118,263	3,753,989	1.21	4,630,279	741,578	.88	2,181,193
Year 1938	2,390,751	.81	2,659,786	1,449,486	.46	7,590,161	1,029,492	1.22	1,965,526
Year 1939	3,781,872	1.30	1,187,166	3,594,371	1.13	5,556,555	743,699	.87	2,091,032
Year 1940	3,757,234	1.28	1,051,712	4,404,333	1.36	4,973,349	985,219	1.15	1,913,930

Deficits in italics.

If these statistics are accepted at their face value, the carriers' need for additional revenues in the years shown is plainly indicated The elimination of the arbitraries would, of course, reduce these carriers' revenues to the extent that they now apply, unless additional revenues could be found to offset the loss. The carriers failed to show how much revenue is obtained by the addition of arbitraries either to the class rates or the commodity rates. No traffic test has been made, and there is no separation of the traffic and revenue statistics as between the peninsula and northern Florida and other States in which the peninsula lines operate.

KENTUCKY AND EVANSVILLE, IND.

The Commonwealth of Kentucky was not associated[96] with the Southern Governors' Conference in this proceeding and did not actively support the plea for parity of class rates in southern and official territories. It and the railroad commission of the State urged that there is no sound economic, financial, or operating reason why Kentucky should not have the same rates, classifications, and exceptions as apply in official territory, regardless of what we may do as respects southern territory as a whole. They base this upon the grounds that, with the possible exception of the short stub end of the Nashville, Chattanooga & St. Louis and Tennessee Central railroads extending a short distance into Kentucky, the operating costs of the railroads in the State are as low, and the earnings are as high, as any to be found in the country, except on the Pocahontas lines, even with which the costs and earnings of the other Kentucky lines compare favorably.

Kentucky was included within southern territory in the southern revision. Subsequently, in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, we accorded it treatment different from that in the South generally with respect to class rates to and from official territory. The effect of that decision was to reduce the class rates between interior Kentucky points and official territory to a basis approximately 15 percent higher than the basic eastern scale. The rates between official territory and points in Kentucky on the Pocahontas lines were already on the level of that scale. The intrastate rates in Kentucky prescribed by the State railroad commission, were before us in *Intrastate Class and Commodity Rates in Kentucky* (1937), 223 I. C. C. 109, but we did not require them to be changed. They are on substantially the same basis as that applicable in official territory for the distances most of the traffic in Kentucky moves, and are governed by the official classification. The only interstate adjustment of class rates in Kentucky which is on a basis different from the official territory level is that to and from stations in the State served by southern carriers. The present class 100 rates, between all points in the State with a population of 1,000 or more persons and representative cities (Boston, Mass., New York, N. Y., Philadelphia, Pa., Buffalo, N. Y., Pittsburgh, Pa., Cleveland, Ohio, Columbus, Ohio, Detroit, Mich., Indianapolis, Ind. Chicago, Ill., St. Louis, Mo.) in official territory, average 9.8 percent in excess of the rates for corresponding distances in the latter territory.

---

[96] This is true also of the public authorities of the State of Virginia, on whose behalf no evidence was introduced and no brief was filed.

One of the principal contentions of the Kentucky interests is that railroad operating costs in Kentucky are lower than those in the remainder of the South and lower than those in the East. This contention is based upon the cost data prepared by our staff previously referred to. Cost of service is only one factor to be taken into consideration in the prescription of reasonable rates. Railroad operating costs in Kentucky are influenced in major degree by the enormous coal tonnage of the Louisville and Nashville Railroad.

Our actions in prescribing, in the eastern revision, the eastern scale of rates to points in northwestern Illinois and southern Wisconsin, and in extending, in other proceedings, the official territory basis to points not served by eastern district lines, are referred to. It is asserted by Kentucky interests that the treatment accorded Kentucky is much less favorable than that accorded southern Illinois, southern Indiana, southern Ohio, northern Michigan, New England, various other Illinois points, and Virginia and West Virginia, in which areas, it is alleged, less favorable operating conditions obtained than in Kentucky.

The Kentucky interests contend that, under the provisions of section 15a of the act, which, among other things, requires us, in the exercise of our authority to prescribe just and reasonable rates, to give due consideration, among other factors, to the effect of rates on the movement of traffic, we are obliged to take due cognizance of a rate structure which has enabled intercity trucks to take over an undue proportion of the total traffic.

A witness for the State testified that the total intercity truck traffic could be loaded in the empty space of railroad cars already moving partially loaded, and that the added traffic could be handled at little cost to the railroads. Nearly 50 percent of both truckload and less-than-truckload intercity truck tonnage, and about two-thirds or more of the revenue ton-miles performed in such services, are from shipments transported for distances beyond 300 miles over routes largely paralleling railroads. The witness also expressed the view that this traffic can, as a general rule, be handled economically by rail and, generally speaking, is handled by carriers by motor vehicle only because of their opportunity to choose traffic as a result of the continuance of an outmoded railroad rate structure.

There is also a claim that the existing class rates in Kentucky have hindered industrial development in that State. Since our decision in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co., supra,* (decided December 9, 1935), when interstate class rates into and from Kentucky were reduced to a basis slightly higher than the official level, the industrial development in Kentucky has been less than in Tennessee, in which the higher southern level of class rates has applied during that period. Many of the contentions of the Kentucky interests and much of the testimony introduced herein in their behalf were before us and were considered by us in the proceeding last cited.

No Kentucky shipper testified in opposition to the present adjustment. The representative of the Louisville Board of Trade asserted that the shippers and receivers of freight in Louisville have no complaint about the existing class-rate adjustment, and specifically requested us not to disturb it.

The State of Kentucky calls our attention to certain provisions of the Constitution of the United States in support of its claim to an equality of rates with official territory. The provisions in question are the first clause of section 8, article 1, requiring that duties, imposts, and excises laid and collected by Congress "shall be uniform throughout the United States" and the sixth clause of section 9 of the same article which provides that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another." It is urged, first, that all regulations of commerce under these sections must be uniform throughout the United States, and, second, that inasmuch as the evidence in this record establishes the fact that costs of transportation by railroad in Kentucky are no higher than they are in official territory, we must interpret and apply these Constitutional mandates in our administration of the Interstate Commerce Act so as to accord Kentucky rates that are no higher than those which currently apply within official territory.

In support of the foregoing position, the State of Kentucky refers to the decision of the Supreme Court in *Knowlton* v. *Moore*, 178 U. S. 41. In that case the Court reviewed the history relating to the adoption of these provisions of the Constitution; stated that, although the provision prohibiting preference between ports and that requiring uniformity of duties, imposts, and excises were one in purpose and one in their adoption, they became separated only in arranging the Constitution according to an adopted style; and concluded that the words "uniform throughout the United States" in the latter provision signify simply a geographical, and not an intrinsic uniformity.

In *Louisiana Public Service Commission* v. *Texas & N. O. R. Co.*, 284 U. S. 125, the Court had occasion to review an order of this Commission entered in *Sand, Gravel, Crushed Stone, and Shells*, 155 I. C. C. 247, 157 I. C. C. 498, whereby we prescribed rates, based on distances, for the transportation of sand, gravel, and certain other road materials in Arkansas, Oklahoma, Texas, and a part of Louisiana, but provided that the rates to and from certain points on the east bank of the Mississippi River were to be determined by adding to the distance rates 8 cents per ton. It was contended on behalf of Louisiana ports on the east bank of the river that the provision for the addition of the latter amount to the distance rates to and from those ports constituted a preference of Texas ports over those of Louisiana, caused by a regulation of commerce, in violation of the port preference clause of section 9, article 1, of the Constitution. In rejecting this contention, the Court said, at page 131:

> The specified limitations on the power of Congress were set to prevent preference as between States in respect of their ports or the entry and clearance of vessels. It does not forbid such discriminations as between ports. Congress, acting under the commerce clause, causes many things to be done that greatly benefit particular ports and which incidentally result to the disadvantage of other ports in the same or neighboring States. The establishing of ports of entry, erection and operation of lighthouses, improvement of rivers and harbors, and the providing of structures for the convenient and economical handling of traffic are examples. *Pennsylvania* v. *Wheeling & Belmont Bridge Co.*, 18 How. 421, 433–435. And see *Armour Packing Co.* v. *United States*, 209 U. S. 56, 80.

In *Armour Packing Co.* v. *United States*, *supra*, the Court said:

> The fact that regulation, within the acknowledged power of Congress to enact, may affect the ports of one State more than those of another, cannot be construed as a violation of this constitutional provision.

In our opinion, the particular provisions of the Constitution just referred to, as construed by the Supreme Court, do not require that freight rates be the same in each State or section of the United States, regardless of differences that may exist in the circumstances and conditions generally recognized as controlling factors in the making and regulation of rates.

The traffic manager of the Evansville, Ind., Chamber of Commerce requested that the level of the class rates in southern territory be reduced. He also complained that St. Louis, Mo., has some advantage over Evansville in class rates from those points to destinations in the Southeast and Southwest. The nature of the complaint, however, cannot be determined upon the record. Evansville is a border point on the Ohio River between southern and official class-rate territories. Class rates between Evansville and points in official territory are on the official territory level; those between Evansville and points in southern territory are on the southern territory basis. Thus, shippers at Evansville are in a position to ship into either territory on the level of class rates that applies within the destination territory.

OFFICIAL TERRITORY

The volume of traffic moving on class rates within official territory is much greater than in any other territory. Considering, first, less-than-carload traffic as class-rate traffic,[97] the revenue therefrom in 1941 was as follows:

	Revenue
Official territory	$150, 263, 282
Southern region	55, 899, 927
Western district	100, 678, 278

Second, much more freight moves on class rates or exceptions to the classification in official territory than in other territories. Third, the volume of interterritorial traffic handled by official respondents is greater than that of any other group of carriers, both as to the amount that moves on class rates or on exception ratings, or on all kinds of rates.

A study testified to by a member of our staff shows the distribution of carload traffic in each statistical commodity group by territorial movement on May 27 and September 23, 1942. Of all carloads transported on those days, 49.2 percent originated in official territory and 54.2 percent terminated there. Official territory originated 132,129 carloads, of which 111,914 carloads or 84.7 percent terminated there, and 15.3 percent terminated in other territories. The distribution of traffic on the two test days in southern, western trunk-line, and southwestern territories was as follows: southern territory originated 42,161 carloads, of which 15,989 carloads, or 37.9 percent, terminated in official territory; western trunk-line territory originated 45,109 carloads, of which 8,246 carloads, or 18.3 percent, terminated in official territory;

---

[97] This assumption is not entirely warranted because much less-than-carload traffic moves on rates other than class rates, particularly in southern territory.

southwestern territory originated 22,341 carloads, of which 5,833 carloads, or 26.1 percent, terminated in official territory.

In the States wholly within official territory, more interterritorial traffic is terminated than originated, except tonnage in the statistical group designated under manufactures and miscellaneous. Of the total tons in that group originated in the United States, 58.88 percent originates in the States in which the official classification applies; and of the total tons in that group terminated in the United States, 55.87 percent terminates in those States. Official territory carriers are dependent, therefore, to a very large extent upon the revenues they receive from the class rates in issue and the rates definitely related thereto.

The carriers in official territory argue that the maintenance of higher class rates in other territories than apply within official territory cannot constitute undue preference or prejudice, inasmuch as the railroads that serve official territory do not control the rates applicable within other territories. They do not deny, however, that they are jointly responsible with the railroads in other territories for the maintenance of interterritorial rates.

Trunk line and New England territories.—Much of the evidence and many of the contentions of official territory interests, which included public officers, public authorities, shippers, and shipper organizations in the States of New York, New Jersey, Pennsylvania, Maryland, and Delaware, have previously been discussed. A contention already considered herein is the alleged injury to other sections of the country that may result from a parity of class rates in the South and the North, without a parity of rates on in-bound raw materials in the two territories. It is claimed that such a situation would be unjust because: (1) The South has much lower rates on in-bound raw materials and low-grade freight; (2) equalization of the class rates alone would give the South a preferential rate basis and discriminate against the North; (3) equalization by reduction of the southern class rates would adversely affect the revenue of southern carriers; (4) an increase in the official territory class rates to accomplish uniformity, with no corresponding change in the raw material rates in the South, would result in an increase in rates which move an important part of official territory traffic in order to accomplish a parity which would affect only a very small percentage of the traffic in the South, and at the same time would leave the South with the benefit of its lower raw material rates on a large volume of its traffic.

We are asked not to ignore the effects that a possible shift of industry from the North to the South might have upon communities and populations of the North, the great consuming territory and market for all territories. Some industries which were for many years of great importance in official territory have already transferred all, or a substantial portion, of their operations to the South. The greater part of the textile industry has migrated from the North to the South, leaving New England communities with large portions of their population without employment. New York has also lost many of its textile mills to the South. At one time, the stove manufacturing industry was an important one in New York State, but its operations have greatly diminished; and many companies in that industry have gone out of business, while the stove industry of the South has grown. Industries in New York which have been affected by competition of producers elsewhere are the pipe industry, and the industry manufacturing grey iron products which uses pig iron. Jamestown, N. Y., was formerly a large center for the manufacture of furniture, but such industry in that city has been greatly reduced during the past 20 years, while the furniture industry of the South has grown. In Jamestown, 26 furniture manufacturing concerns have gone out of business during that period. Those still in business there meet competition in the northeastern portion of the United States, their principal market, from manufacturers at North Carolina points. The number of wage earners in the furniture industry decreased 33 percent in the North, compared with an increase of 18 percent for 6 southern States. The wage earners in the stove and other heating- and cooking-appliance industries decreased 21 percent in the North and increased 39 percent in the South during the decade ended in 1939.

Central territory and Wisconsin.—Interests in central territory, which included the States of Ohio, Indiana, Illinois, Michigan, and Wisconsin, and shippers and shipper organizations in those States, contend that the rate uniformity sought herein is not warranted and that this proceeding should be dismissed. They consider the rates in official territory as the most successful in surviving changes in the transportation situation, brought about, principally, by the advent of common and contract motor carriers and the private operation of motor vehicles since the class-rate levels were prescribed.

These interests are of the view that if the intraterritorial class-rate levels in southern, southwestern, and western trunk-line territories are reduced so that the total revenue of the carriers within such territories falls short of meeting their financial needs, any deficiency of revenues should be met by increases in other rates within, or to or from, such other territories, and not by adjusting divisions of rates to offset such reductions, or by requiring carriers and shippers in official territory to assist in carrying the transportation burden in such other territories.

They contend that, if the present rates are found to be unlawful, interterritorial rates generally should not be determined by applying a percentage to the rates in another territory. Such a method, in their opinion, presupposes the rate maker can start with a class-rate structure which is correct for the lowest-rated territory and increase the scales in such structure by given percentages to produce scales appropriate for other territories; and that it assumes such action allows for, and reflects in the resulting rates, differences in transportation conditions in the respective territories, as well as differences in the part which the class-rate traffic is called upon to bear in contributing to the railroads' required revenues.

In support of their view, they argue that the method described is fallacious because there are several basic rate structures under consideration rather than a single one; and that each territory has its own peculiarities and its own particular problems. In order to meet such conditions the basic structure would have to reflect the conditions which prevail in other territories. Thus, at present, the progression in the western trunk-line scales is maintained for the longer distances at a faster rate than in the eastern scale. This is also true of the so-called "basic" scale used in the western revision to construct interterritorial rates between official and western trunk-line territories. The purpose of the faster rate of progression was to exact from the longer hauls, particularly to and from points in the western part of western trunk-line territory, an adequate measure of revenue and to lessen somewhat the drastic nature of the reductions resulting from the rates prescribed in the western revision.

With respect to interterritorial rates, the central territory States and shippers take the position that such rates should reflect the class-rate levels applicable within the respective territories in proportion to the length of the haul in each territory; and they prefer to use as the formula for such rates the so-called cottonseed formula prescribed in *Cottonseed, Its Products, and Related Products*, 188 I. C. C. 605 (subsequently rescinded in 208 I. C. C. 177, because of the expense and work required to compute distances and rates in accordance with the formula). They contend that if new interterritorial rates are prescribed, the rates should be on the same level in both directions.

Official territory scale.—In the eastern revision (164 I. C. C. 314, at page 393), we said:

> Neither in measure nor in progression has the scale been modeled after the other class-rate scales which we have had occasion to prescribe, but the progression is similar to that of the new western trunk-line scales. It so happens that the first-class rates average about 80 per cent of those in the new western trunk-line scale No. 1, 72 per cent of those in the southern scale, and 66 per cent of the southwestern first-class rates. These percentages are purely fortuitous and should not be regarded as an index of comparative general rate levels or transportation costs as between the various territories. The scale has not been devised with the object of arriving at any particular rate for any given distance or between any given points. It represents our best judgment upon the record before us, giving consideration to the revenue situation, to the character of traffic which moves upon class rates in official territory, and to the characteristics of the general rate structure in that territory. Judged alone by the class rates which exist in other parts of the country, a considerably higher scale would be warranted.

A comparative study and analysis of the construction of various class-rate scales prescribed by us shows that usually they were of a pattern in which the greatest rate of progression was in the first 75 miles. The purpose was to reflect the relatively expensive service furnished by way-freight trains. Beyond 75 miles the progression was at a more moderate rate to reflect the relatively lower cost of through freight service. In the longer reaches of the scales there was a still lower rate of progression for the purpose of permitting traffic to move long distances.

All scales prescribed by us do not by any means always follow this pattern, and even when the general pattern is observed, there are variations as to the distances at which the rates of progression break and in the rates of progression intended to be adapted to the conditions for which the scales have been provided.

The eastern class-rate scale is the lowest intraterritorial scale involved in this proceeding. It was originally prescribed for distances up to 900 miles and later extended to apply for distances up to 1,500 miles. The mileage blocks are in units of 5 miles up to 100 miles, 10 miles between 100 and 240 miles, 20 miles between 240 and 800 miles, and 25 miles between 800 and 1,500 miles. The initial rate in the scale for 5 miles was 30 cents. The progression of the scale, as originally prescribed, was 1 cent and sometimes 2 cents for each 5 miles increase in distance up to 100 miles; between 100 and 240 miles the progression was usually 2 cents but sometimes 1 cent for each 10 miles; and between 240 and 800 miles the progression was usually 2 cents and sometimes 3 cents for each 25 miles. The progression has been somewhat changed by the 10-percent increase in

1938. For distances up to 100 miles, in two instances, the increase for 5 miles has become 3 cents. In other instances, the progression has become 1 cent greater than before the increase of 1938. Between 700 and 800 miles the increase is 11 cents and remains 11 cents for each 100 miles thereafter. The curve of the scale therefore becomes a straight line beyond 700 miles. The following table shows the eastern class-rate scale, as increased in 1938, the percentages of actual increase for each 100 miles, and the successive differences in the percentages of actual increase:

Eastern class-rate scale

Miles	Rate	Actual increase		
		Amount	Percent	Difference[1]
	Cents	*Cents*		
5	33			
100	62	29	87.9	
200	80	18	29.0	58.9
300	96	16	20.0	9.0
400	109	13	13.5	6.5
500	122	13	11.9	1.6
600	135	13	10.7	1.2
700	149	14	10.4	.3
800	160	11	7.4	[2]3.0
900	171	11	6.9	.5
1,000	182	11	6.4	.5
1,100	193	11	6.0	.4
1,200	204	11	5.7	.3
1,300	215	11	5.4	.3
1,400	226	11	5.1	.3
1,500	237	11	4.9	.2

[1] Differences in successive percents of actual increase.
[2] Irregularity.

One of the criteria of a smooth progression in a rate scale is that each successive percent of increase in the rate, at each 100-mile interval, for example, shall be less than the one immediately preceding, and also that the differences between successive percents of increase shall not progress in an ascending order. Between 700 and 800 miles the difference in the percents of increase shows an increase instead of a decrease.

Relative earnings.—The relative earnings in the eastern district as indicated by rates of return and operating ratios (freight), have not been as favorable as those in the southern region during the period 1936–43, inclusive, and not as favorable as those in the western district in the years 1942 and 1943, as shown in the following table. The rates of return and operating ratios (freight) are also shown for the Pocahontas region and the regions which compose the western district. The southwestern region corresponds substantially with southwestern territory.

Rate of return based on the net railway operating income and the book investment (increased for cash, materials and supplies) and operating ratio—freight

[The figures shown are percentages]

	1936	1937	1938	1939	1940	1941	1942	1943
Eastern district								
Rate of return	2.67	2.27	1.26	2.34	2.66	3.62	4.90	4.32
Operating ratio, freight	64.95	67.86	68.98	64.83	63.92	63.04	61.93	66.23
Southern region								
Rate of return	2.52	2.35	1.90	2.80	2.57	4.94	6.51	5.73
Operating ratio, freight	65.38	67.77	66.73	64.99	65.34	61.07	56.84	59.41
Pocahontas region								
Rate of return	7.58	6.61	4.54	5.89	6.21	6.67	5.29	5.22
Operating ratio, freight	47.04	50.63	53.59	50.71	49.77	48.12	49.62	52.86
Northwestern region								
Rate of return	2.00	1.90	.86	1.77	2.44	3.62	4.66	5.41
Operating ratio, freight	64.86	66.42	69.05	64.91	61.94	58.93	56.63	60.52
Central western region								
Rate of return	1.81	1.54	1.25	1.67	1.96	3.13	6.14	4.95
Operating ratio, freight	64.97	67.82	65.47	64.23	63.82	62.37	55.55	59.61
Southwestern region								
Rate of return	1.86	1.81	1.08	1.41	1.74	3.52	6.71	5.56
Operating ratio, freight	65.60	66.84	68.22	66.95	65.92	60.85	55.26	57.91
Western district								
Rate of return	1.88	1.71	1.09	1.65	2.06	3.36	5.80	5.22
Operating ratio, freight	65.07	66.93	67.13	65.[illegible]	63.63	60.98	55.79	59.47

NOTE.—Source: Statistics of Railways.

WISCONSIN

Separate briefs were filed by the Public Service Commission of Wisconsin and the Wisconsin Manufacturers Association, on behalf of Wisconsin shipping interests generally, and by Green Bay Association of Commerce, on behalf of interests located in Green Bay and De Pere and nearby Wisconsin points, including Oconto, Algona, and Kewaunee and the Door County Peninsula. These interests have joined generally in the general brief filed by the Central Territory Rate Conference, and Green Bay and associated interests have joined in the brief of the Wisconsin commission and Wisconsin Manufacturers Association.

The Wisconsin commission reiterated its belief that there was no such urgency for general changes in the class-rate structures of the country as to justify a general investigation and proceeding of this character, as originally stated in motions previously filed herein, in which it joined, to dismiss the proceeding, or to defer it for the period of the emergency. It does not desire to be understood as advocating general changes in class rates or class-rate structures and would welcome an order deferring any further procedure herein until after the war.

While these parties are not entirely satisfied with the present class-rate adjustment to and from Wisconsin (except as to Illinois Freight Association territory), they do not find such acute dissatisfaction and complaint as would warrant a general revision, or drastic changes, at this time. In the event that we prescribe a general revision of class rates, they urge that Wisconsin rates be considered and treated along with other rates, and that the basic eastern scale should be extended to embrace at least that part of Wisconsin south of a line from Green Bay to the Twin Cities. As to interterritorial rates, they are of the opinion that maximum class rates should be constructed on the cottonseed formula, previously referred to herein.

Wisconsin's economic life depends principally on industry, agriculture, and forestry. Industry has become the most important. In 1939, manufacturing added $686.6 millions of value to the State's raw materials, as compared with a value of $304.5 millions for its products of agriculture, forestry, and fishing. Mechanical and manufacturing occupations accounted for 329,015 workers in 1940, as compared with 275,164 workers in the three other occupations named.

Eliminating Cook County in Illinois, in which Chicago is located, and Wayne County in Michigan, in which Detroit is situated, and Milwaukee County in Wisconsin, in which Milwaukee is located, statistics for 1939 show the following results with respect to the value of manufactured products: Wisconsin, $1,008 millions; Illinois, $1,508 millions; Michigan, $1,629 millions. The comparable figure for Indiana, with her foremost county excluded, was $1,408 millions.[4]

Industrial development in Wisconsin has occurred largely in the southern half of the State, and principally in extended zone C and that part of the State (the southeastern corner) in Illinois territory. We have recognized in previous decisions that industrial activity in these two areas, namely, extended zone C and southeastern Wisconsin, is comparable with that in central territory, and have commented on the favorable traffic and transportation conditions therein. To a lesser degree, industrial activity prevails in southern Wisconsin, particularly south of a line drawn from Green Bay to the Twin Cities. In the latter area are 30 of the 33 Wisconsin cities, each having a population of more than 10,000 persons. This part of the State produces $1,126 millions of the State's $1,138 millions worth of manufactured products.

The term "southern Wisconsin," as used by these proponents, comprises all Wisconsin counties lying principally south of the line of the Chicago & North Western Railway from Green Bay through Wausau to Marshfield, thence the Minneapolis, St. Paul & Sault Ste. Marie Railway through Owen and Chippewa Falls to the Twin Cities, and the adjoining counties of Minnesota and Iowa bordering the Mississippi River. The above-described territory in area, population, and industrial development is almost a counterpart of the State of Indiana. The similarity is shown in the following statistics:

	Southern Wisconsin	Indiana
Area square miles	30,530	36,205
Population (1940)	3,654,280	3,427,796
Urban population [1] (1940)	2,491,033	1,867,712
Manufacturing establishments	8,011	4,337
Wage earners (1939)	245,954	277,467
Industrial wages paid (1939)	$312,665,178	$345,478,191
Value of manufactured products	$2,096,000,000	$2,228,000,000
Value added by manufacture	$883,000,000	$970,000,000

[1] Residing in cities of 10,000 or more persons.

The consist of traffic transported by rail to and from Wisconsin compares favorably with that in any of the major rate territories. A comparison of the composition of traffic, made by adopting the division between low and high-grade commodities used in a tentative order prepared by our staff for the purpose of obtaining a traffic test (the traffic test was later abandoned), shows that, during the 3-year period 1938 to 1940, 40.1 percent of the rail tonnage originating in Wisconsin was of the higher grade, as compared with 21.2 percent in the entire country, 29.2 percent in the eastern district, 17.3 percent in the southern region, and 18.1 percent in the western district. With coal and iron ore eliminated, the percentages of high-grade traffic to total traffic are as follows:

	Percent
Wisconsin	44.1
United States	36.2
Eastern district	51.3
Southern region	27.1
Western district	24.4

Measuring the quality of the traffic by all commodities, the respective percentages of total manufactures to total traffic originated during the same period are:

	Percent
Wisconsin	52.0
United States	32.4
Eastern district	38.8
Southern region	30.9
Western district	33.5

Wisconsin is a border State and, in this respect, differs from States more particularly identified with one-rate territory. Unusual problems of class-rate construction are frequently presented in the case of border States. As to Wisconsin, such problems arise particularly in respect of class rates between Wisconsin and official territory, including Illinois territory.

The State is served by western trunk-line railroads, except the west bank Lake Michigan car-ferry ports, which are the western termini of certain official territory railroads. The southeastern part of the State is under the jurisdiction of the Illinois Freight Association and is a part of official territory. Class rates to and from this section are constructed the same, and have the same level, as those applying to and from Illinois. The west bank of Lake Michigan, north of Illinois territory, has always been considered as within official territory on traffic moved cross-lake via car-ferry routes.

At present the official classification governs, (1) class rates between Wisconsin and official territory east of the Illinois-Indiana State line in both directions, (2) class rates on Wisconsin intrastate traffic, and (3) between southeastern Wisconsin and Illinois. The western classification applies between Wisconsin and Illinois and between Wisconsin and other portions of western trunk-line territory, except as previously indicated.

The Wisconsin class-rate structure has also been influenced by adjustments made in class rates between Duluth and the Twin Cities and official territory; and the last-mentioned rates have been affected by lake-rail routes and rates, and by the volume and nature of the interterritorial traffic to and from these points.

The contention is made, and it is justified by the facts, that the class-rate structure between Wisconsin and official territory has been and is within the sphere of influence of the official territory rates.

Specific proposals advocated by the Wisconsin interests, in the event there is a general revision of class rates required, are the following:

1. Elimination of the zone C differentials.
2. Extension of the basic official territory boundaries to include west-bank Mississippi River cities from Dubuque, Iowa, to Minneapolis, Minn., and the intermediate territory in Wisconsin and Minnesota on and south of the Minneapolis, St. Paul and Sault Ste. Marie Railway from Minneapolis through Eau Claire and Owen, Wis., to Wausau, and the line of the Chicago and North Western from Wausau through Shawano to Green Bay.
3. If it should be found that traffic and transportation conditions in Wisconsin north of the line described do not justify the same level of rates as in the territory south of the line, there might be provided a system of differentials which would preserve the same form of rate structure and harmonize the rates from both sections of the State.

The above proposals are urged "not for the mere sake of uniformity," but because Wisconsin interests believe that the bases proposed reflect traffic and transportation conditions in the State, and because experience has shown that the official classification and class-rate structure can be fairly, reasonably, and successfully applied to the traffic.

Green Bay.—In 1940, the population of Green Bay and nearby communities, respectively, were as follows: Green Bay, 46,235; De Pere, 6,373; Kewaunee, 2,533; Sturgeon Bay, 5,439; and Oconto, 5,362. Green Bay is in eastern Wisconsin at the mouth of the Fox River and on Green Bay, an arm of Lake Michigan. It is 112 miles north of Milwaukee, 31 miles west of Manitowoc, and 36 miles northwest of Kewaunee, all car-ferry ports. It is served by the Chicago & North Western, Chicago, Milwaukee, St. Paul & Pacific, and the Green Bay & Western railroads. Green Bay and De Pere have deep draft channels. Six paved highways converge at Green Bay, and approximately 25 common carriers of property by motor vehicle, 8 motorbus lines, and numerous contract carriers by motor vehicle operate from the city in all directions. It is a port of call for 4 large steamship lines and many other carriers by water.

Competition of Green Bay manufacturers is for the most part with manufacturers in official territory. For example, cheese, of which Green Bay is the largest single concentration and shipping center in the United States, is manufactured also in New York State. Cranes, derricks, power shovels, and other machinery is manufactured at Milwaukee, Wis., Chicago, Ill., Lima, Marion and Lorain, Ohio, Erie, Pa., and other official territory points. Manufacturers of canned vegetables, pickles, and fruits at Green Bay, Sturgeon Bay, and Oconto must meet the competition of manufacturers of like articles in Illinois and official territory, as the principal markets are in that territory.

Next to Milwaukee, Green Bay is the largest jobbing and distributing point in the State. Groceries, hardware, produce, building supplies, plumbing supplies, iron and steel, mill supplies, and electrical supplies constitute the principal articles sold. Most of these commodities originate in official or Illinois territory, and Green Bay jobbers must meet the competition of jobbers and wholesalers who are located generally at Milwaukee, Chicago, and Detroit. It is also one of the largest merchandise and bulk storage warehousing points on the Great Lakes.

Class rates and the rates on certain commodities between Green Bay and points in official, Illinois, and western trunk-line territories were prescribed by us in the western revision on the following basis:

Between Green Bay and Ohio and east thereof, except Illinois territory, key-point class rates were established on the level and basis of rates prescribed in the eastern revision, and are governed by the official classification and exceptions. Between Green Bay and points in official territory, west of Ohio, distance rates apply. Zone C was extended to include Green Bay and Wisconsin points south thereof to the northern boundary of Illinois territory; and the zone C arbitraries for the portion of the haul in that zone are included in the rates.

Between trunk-line and New England territories and west-bank Lake Michigan ports, rates were fixed in the eastern revision; later, the carriers voluntarily reduced rates from and to such ports and, at the same time, made similar adjustments in the Green Bay rates.

Between Green Bay and other points in extended zone C territory and Illinois territory, rates were fixed also on the basis of the eastern scale plus zone C arbitraries for that portion of the haul north in extended zone C. The western classification was prescribed on this traffic. Because of differences in the applicable classifications, minimum rate sections in the tariffs, and certain exceptions to the classification are required.

Class rates between points in western trunk-line territory, including Green Bay and other extended zone C points in Wisconsin, were prescribed on a distance basis. Appendix L arbitraries, in the report in the western revision, are added to the basic scale for the portion of the distances traversed in extended zone C territory. Western classification and exceptions apply.

Between Green Bay and southern territory, including the Mississippi Valley, the class rates were prescribed in *Western-Southern Class Rates, supra.* They are governed by southern classification, which applies in both directions, and by exceptions to that classification which are applicable from and to Illinois territory and the South. We also prescribed key-point rates on the basis of rates applicable between Illinois and central territory, on the one hand, and southern territory, on the other, increased by the extended zone C arbitraries prescribed in the last-mentioned proceeding for the distance through the latter territory. The rates between Green Bay and points in southwestern territory were prescribed in the southwestern revision, especially the eighth supplemental report, 164 I. C. C. 565. Green Bay is in group 45, under which a 20-cent first-class arbitrary over Milwaukee is added to rates to and from points east of the Neosho-Laredo line, and 11 cents first-class to rates to and from points west of that line. Western classification and exceptions apply in both directions.

Rail-lake-and-rail, rail-and-lake, and lake-and-rail rates between official territory and Green Bay were prescribed by us in *Lake and Rail Class and Commodity Rates,* 205 I. C. C. 101, and supplemental orders. The differential under all-rail rates is 12 cents first class with relative amounts on the lower classes. The rates apply through the ports of Milwaukee and Chicago, and no direct rates to Green Bay Harbor have been established. The lake lines reach the port of Green Bay in connection with their contract-carrier service, but not in connection with common-carrier service.

Green Bay is nearer to Lake Erie and Lake Ontario ports than Milwaukee, Chicago, and Duluth by 61, 126, and 219 miles, respectively. The distance via the route through Green Bay figured by rail-lake-and-rail to Minneapolis and St. Paul is 98 miles shorter than via Milwaukee, 243 miles shorter than via Chicago, and 81 miles shorter than via Duluth.

In formulating our conclusions and findings, we are requested to consider specifically the situation prevailing at Green Bay. No separate finding dealing with that city individually is requested, because the findings which have been advocated in the more general briefs are adequate to cover that situation. If we fail to make the findings sought in the more general briefs, we are requested to recognize the situation at Green Bay by a special finding that the official territory basis of class rates shall be extended to and from that community.

WESTERN TRUNK-LINE TERRITORY SHIPPER INTERESTS

Inasmuch as most of Wisconsin is in western trunk-line territory from the standpoint of interstate class rates, evidence pertaining principally to that State as a whole will be discussed under this title. As explained, the southeastern and eastern portions of the State are now on the same rate levels as official Illinois territories south and east thereof.

The railroad commissions of every State in western trunk-line territory introduced evidence, except Michigan, Colorado, and Wyoming, only portions of which States are in that territory. Missouri's evidence was not introduced for the purpose of showing unlawfulness in the class rates. Most of the participating State commissions joined in the preparation and presentation of analyses of the ratings in the classifications and classification exceptions. All shipper interests oppose the prescription of minimum class rates; all want the railroads left completely free to meet competition from whatever source. All oppose changes in their present commodity rates that may be designed to compensate for any readjustment required in class rates.

As indicated in the statement of positions of the parties, all participating urge uniformity in classification ratings, except the Wisconsin commission and interests; and all seek class rates based on the eastern scale for application throughout western trunk-line territory, and between that and the other territories, except Wisconsin, Missouri, and Colorado. The fact is emphasized that no railroads terminate at the Mississippi River from south of Twin Cities to north of St. Louis, about 500 miles, the greater extent of which is the dividing line between official-Illinois territories and zone I.

Although not entirely satisfied with the present rate bases, and favoring discontinuance or postponement of the investigation, Wisconsin and Missouri ask that, if we readjust class rates generally, the interstate rates within their States, and between them and official-Illinois territories, be made according to the eastern scale. As to other interterritorial rates, Wisconsin suggests the use of the so-called cottonseed formula, and, secondly, the laminated formula, applied to the rate levels in the respective territories. In fixing the short-line distances to be employed in arriving at interterritorial rates affected thereby, Wisconsin asks that we adhere to our practice of regarding those over car-ferry routes across Lake Michigan the same as over rails. Missouri is of the opinion that cost studies are unreliable, and that the results they produce can play but a minor part in the actual fixing of rates.

Kansas City prefers to retain its present interstate class rates if reductions in them would entail increases in its commodity rates on livestock, grain, coal, and other heavy-loading commodities. It is most interested in preserving its milling industry. It declares that rates cannot be made on costs alone, in disregard of other factors.

Colorado expressed the view that class-rate uniformity on the eastern scale would reduce the revenues of western railroads too drastically. While the Colorado commission suggests no rate level, a large manufacturer of iron and steel articles near Pueblo, Colo., which ships only a small proportion of its products to these western territories on class rates subject to classification ratings, urges the abolition of zone III and the expansion of zone II from the Missouri River to the Rocky Mountains and over the entire Southwest, with a rate level of 130 percent of the eastern scale.

If a uniform rate level cannot be prescribed, South Dakota suggests that the scale for zone I be made no higher than the eastern scale, that those for zones II, III, and IV be graded upward therefrom, and that the scale for zone IV be made not in excess of 130 percent of the eastern scale.[98]

In any event, Topeka and Wichita, Kans., ask that they be accorded the same rate level as may be prescribed for zone I.

Western trunk-line shipper interests request that, if the class rates are reduced, the burden of compensating for the loss in railroad revenues should not be shifted to agricultural products and livestock and products by increasing the commodity rates thereon.

Every western trunk-line State and interest is striving toward greater industrial development, claimed by most of them to be retarded by the existing interstate class-rate structure, but some concede that rates on the eastern scale alone would not accomplish that objective. Much of the territory is sparsely settled, and all is largely agricultural, facts well known and borne out by United States census data. The rural population in 1940 of the west-north-central division, which includes all western trunk-line States except upper Michigan, Wisconsin, Wyoming's Cheyenne corner, and eastern Colorado, was 55.7 percent of the total population, the percentages in the individual States ranging from 48.2 in Missouri to 79.4 in North Dakota; and in Wisconsin and all Colorado 46.5 and 47.4 percent, respectively.

---

[98] Zone IV, in which the present interstate scale of maximum rates is 115 percent of that for zone III, lies west of the territorial scope of this investigation.

It appears that some parts of western trunk-line territory are nearing their maximum absorption of population in agricultural pursuits. Therefore, the territorial interests seek to expand their industries and encourage new ones in order to afford employment for growing populations; but these interests disclaim any desire to attract manufacturers now established in official territory. Although the population of the territory as a whole increased slightly, 1940 over 1930, the percentages being 1.7 in the west-north-central division, 8.4 in Wisconsin, and 6.8 in Colorado, percentage decreases occurred in 4 States, namely, 5.7 in North Dakota, 7.2 in South Dakota, 4.5 in Nebraska, and 4.3 in Kansas. In October 1942, North Dakota estimated a further decline in its population of nearly 100,000, or to about 20 percent below 1930. The reasons therefor are the continued unfavorable conditions in agriculture,[69] lack of manufacturing development, no war industries, and the needs of the armed services.

Small or very slight decreases, 1940 under 1930, occurred also in the population of some cities of 25,000 inhabitants, or more, in these States, such as Oshkosh and Superior, Wis., Duluth, Council Bluffs, Iowa, Kansas City, Mo.-Kans., and St. Louis. Of these, Oshkosh and St. Louis already have the official territory basis of class rates to and from that territory.

Manufacturing.—In an investigation like the present one, the relative extent and importance of manufacturing industry in the various territories are entitled to consideration greater than ordinarily warranted, because manufactured products contribute to rail tonnage, moving at class rates, much more heavily than do the products that fall in the four other statistical groups of carload commodities.

As one proceeds from official territory westward into western trunk-line territory, manufacturing thins out. The change is less marked in southern Wisconsin, southeastern Minnesota including Twin Cities, in certain parts of Iowa at or near the larger cities, and at cities along the Missouri River through Missouri and from Kansas City to Sioux Falls, S. Dak. Substantial manufacturing takes place also in cities of southeastern Nebraska and eastern Kansas. Official-

---

[69] The value of farm lands and buildings in North Dakota dropped to about 490 million dollars in 1940, representing a loss of approximately 1 billion dollars below that of 1920.

Illinois territories are important sources from which western trunk-line territory manufacturers draw in large quantities many of their supplies of raw materials, semifinished materials, and parts.

While Wisconsin's economic life depends fundamentally on industry and on agriculture and forestry, industry has become of greater importance. In 1939 the value added to raw materials by manufacture was $686,600,000, as compared with $304,500,000 worth of products of agriculture, forestry, and fishing. Wisconsin ranked tenth among all States of the Union in value of manufactured products.

Every county in Iowa has manufacturing, but in a number of them the value of products in 1939 was less than $1,000,000 per county.

North Dakota in 1939 had only 350 manufacturing establishments doing a business of $5,000 or more annually. Those establishments added, to the raw materials used, a value of $11,000,000. In only 2 counties, those containing Fargo and Grand Forks, did the wage earners engaged in manufacturing exceed 250. North Dakota is primarily an agricultural State, as shown by the fact, among others, that from 1928 to 1940, inclusive, 82.5 percent of all carloads originated consisted of products of agriculture and animals and products, while its originated manufactures and miscellaneous represented only 8.3 percent. In 1940, the latter group of commodities produced 7,918 carloads originated, about 11 percent of the total number of carloads originated, in contrast with 41,955 carloads terminated, or 44.4 percent of the total terminated.

Nebraska adverts to the manufacturing possibilities of the grain-producing States of the West generally, and of its State particularly. It has provided a research program to find ways and means of utilizing Nebraska's raw materials, especially its grain surplus. The objective is to create employment for the many people now leaving the State for industrial centers elsewhere.

Nebraska seeks no preferential freight-rate treatment in order to insure success of its planned industrial development, but asks for a rate structure that will enable it to reach markets on an equality with competitors. It asserts that freight rates often prove to be artificial barriers that curtail, if not absolutely destroy, the possibility of, the establishment of new industries in the State. In envisioning the manufacturing possibilities of the grain-producing States, Nebraska speaks of freight rates in a generic sense, and not specifically of the class rates in issue.

In the following table are set forth certain statistics for 1939 pertaining to manufacturing, in establishments doing an annual business of $5,000 or more, performed in most States of western trunk-line territory compared with States in central territory:

Manufacturing data for 1939

State	Establishments		Wage earners averar	Wages [2]	Value of products [2]	Value added by manufacture	
	Number	Index [1]				Amount [2]	Index [1]
Western trunk-line territory:							
Wisconsin	6,717	92	200,897	$251,947	$1,604,507	686,605	89
Minnesota	4,008	103	79,753	96,887	845,772	310,628	94
Iowa	2,670	82	65,314	73,466	718,532	244,795	96
Missouri	4,796	94	178,538	190,736	1,388,056	587,962	94
Kansas	1,494	80	31,614	36,938	464,354	118,952	71
Nebraska	1,161	80	18,810	20,624	273,525	69,067	73
South Dakota	468	93	5,536	6,036	81,172	19,955	121
North Dakota	350	109	2,639	2,771	43,767	11,102	90
Central territory:							
Illinois	12,980	92	596,473	750,239	4,794,861	2,201,595	92
Indiana	4,337	91	277,467	345,475	2,227,648	970,212	112
Ohio	10,070	90	598,397	812,676	4,584,606	2,125,474	92
Michigan	6,311	113	522,243	789,976	4,348,223	1,798,404	94

[1] Index number, using the year 1925 as 100 to indicate relative increase or decrease.
[2] Stated in thousands of dollars.

The number of wage earners, aggregate wages, value of products, and value added by manufacture, in every State listed in the foregoing table, fell sharply in 1935 below 1925, rose in 1937—much more, relatively, in the central territory States than in the western States—and, in 1939, in all States declined by varying percentages.

The data above and other pertinent evidence indicate that manufacturing in western trunk-line territory, particularly beyond the tier of States bordering the Mississippi River, is not nearly so extensive or diversified as in central territory.

Certain other economic data.—These are based on 1939, except that data for 1940 are used with respect to the first two of the following items. Population and effective buying income were less in western trunk-line than in central territory States. A survey by counties shows that farm income from all sources was greater in southern Wisconsin, southern Minnesota, and Iowa, and less in other parts of western trunk-line territory, than in central territory; that income from farm crops was larger in certain parts of western trunk-line than in central territory, but in no area of similar extent in the former did it exceed that in the north-central portion of Illinois; that income from livestock in Iowa and certain other parts of western trunk-line territory exceeded that in central territory; that income from dairy products (milk, cream, butter, and cheese) was much greater in Wisconsin, and in less degree in southern Minnesota and northern Iowa, than in central territory; that income from poultry and eggs was higher in Iowa and certain other parts of western trunk-line than in central territory; and that volumes of sales in the wholesale and retail trades were much less in western trunk-line than in central territory.

Railroad operating statistics and costs.—Minnesota introduced evidence designed to show that conditions and costs of operations of class

I railroads in its own State and, when aggregated with Iowa, Missouri, and Wisconsin, composing practically all of the eastern section of western trunk-line territory, are more favorable than in the territory's western section and in southwestern territory; and that the costs and some of the operating results in such eastern section and in the northwestern region, which embraces all or parts of the railroads owning most of the section's mileage, are better than in the eastern and western statistical districts as a whole and in the separate regions thereof.

In the following table are set forth some of the figures pertaining to freight traffic for 1941 for the States named and for groups comprising sections of western trunk-line territory, southwestern territory, and the State of Illinois:

Freight traffic for 1941

Territory and State	Average miles of railroad operated	Revenue per ton-mile	Per mile of line	
			Revenue ton miles	Revenue
Official territory:		*Mills*		
Illinois	9,173	8.77	2,625,722	$23,026
Western trunk-line territory:				
Eastern section:				
Minnesota	8,474	9.39	1,710,457	16,053
Iowa	9,383	9.14	1,158,041	10,587
Missouri	7,203	9.59	1,515,97.	14,546
Michigan (Upper Peninsula)	1,536	12.41	642,949	7,980
Wisconsin	6,705	9.73	1,281,275	12,470
Total	33,301	9.51	1,377,089	13,093
Western section:				
North Dakota	5,045	8.67	833,826	7,660
South Dakota	3,994	9.58	364,389	3,492
Nebraska	6,108	8.67	883,826	7,660
Kansas	8,805	9.67	1,136,473	10,998
Colorado	4,527	9.44	994,607	9,391
Total	28,479	9.28	1,006,144	9,341
Southwestern territory:				
Arkansas	4,161	9.71	1,408,233	13,674
Louisiana	4,022	10.21	1,141,968	11,664
Oklahoma	6,610	9.65	853,195	8,230
Texas	15,357	9.82	971,662	9,544
Total	30,150	9.83	1,017,337	10,000

Traffic density figures are affected by the fact that South Dakota, unlike other western States, contains a relatively small amount of the mileage of transcontinental railroads, and by the fact that Iowa has a large proportion of railroad mileage that consists of branch lines over which the traffic moved is relatively light.

Respondents contend that the weight which may be accorded to the Minnesota operating data is diminished greatly by the effect thereon of the heavy tonnage of ore transported for comparatively short distances from the iron ranges of the State to the head of the Lakes.

This principally affects operations in northern Minnesota. Almost 100 percent of the Great Northern Railway's ore tonnage, about 25 million tons in 1941, is handled in Minnesota. Although the enormous ore tonnage, and the relatively small class-rate tonnage, in northern Minnesota is entitled to some consideration along with many other pertinent factors, it cannot be of controlling importance in a class-rate proceeding.

The results set out in the foregoing table indicate that traffic conditions in the eastern section of western trunk-line territory, except upper Michigan, are more favorable than in the territory's western section, and better than in southwestern territory; and that on the whole such western section is somewhat less favored than the Southwest.

Supporting the claim of favorable operating conditions in Minnesota, data for 4 years as to freight and allied services of eight railway systems[1] allocated to the northwestern region are compared with those of the same systems in Minnesota. For 1941, Minnesota's ratios to those of the aggregate of the systems were: Miles of road operated 17.5; operating revenues 21.0; total expenses (operating expenses, taxes, and rents) 19.9; net railway operating income 23.9; revenue ton-miles 20.7; expense per revenue ton-mile 96.1; and average haul 49.9. The average hauls were 255 miles for the entire systems, and 127 miles for Minnesota. Considered from a mileage standpoint freight operating results of these railway systems in Minnesota are better than the average over the entire systems.

A similar claim is made for the section consisting of Minnesota, Iowa, and Wisconsin, composing the greater portion of the eastern part of western trunk-line territory, upper Michigan and Missouri being omitted here. It is supported by freight-traffic returns, combined for the three States, and aggregated for the railroad system referred to in the preceding paragraph, except that the Chicago, Burlington & Quincy Railroad (central-western region railway) is substituted for the Chicago Great Western Railway. The ratios of these States to the whole of the systems for 1941 were: Miles of road operated 37.58; net railway operating income 46.62; carload revenue-tons originated 46.51, and terminated 48.99; revenue ton-miles 41.76; average, per mile of line, of revenue tons originated 123.77, terminated 130.35, and of revenue ton-miles 111.13. The average haul for the systems was 264 miles.

---

[1] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

Intended to prove that returns on property investment,[2] and operating results of freight and allied services are more favorable in the northwestern region,[3] particularly in Minnesota, than in other regions in the western and eastern districts, data were presented for the years 1939, 1940, and 1941, from which the two following tables have been compiled. Returns on all services do not make as good a showing as for freight alone, for the reason that the passenger-service deficits for the western lines were relatively greater than for the lines in the eastern district.

Rates of return

District, region, or railroads	1939		1940		1941	
	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]
Western district	4.54	2.66	5.15	3.34	7.13	5.52
Northwestern region	4.58	2.69	5.44	3.67	7.26	5.53
Central-western region	4.44	2.65	4.87	3.13	6.60	5.08
Southwestern region	4.85	2.65	5.38	3.29	8.37	6.77
Eastern district	4.69	3.53	5.39	4.06	6.77	5.81
Great Lakes region	4.30	3.19	5.07	3.70	6.86	5.46
Central-eastern region	5.20	3.98	5.91	4.60	6.81	5.65
New England region	3.76	2.70	4.17	2.89	6.21	5.06
Minnesota railroads:						
Trunk lines[3]	7.19	5.19	8.30	6.31	9.52	7.38
Ore roads[4]	12.74	11.64	20.04	18.86	24.33	22.22

[1] Column A, freight and allied services.

[2] Column B, all services.

[3] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

[4] Duluth, Missabe & Iron Range Railway and Duluth, Winnipeg & Pacific Railway.

Freight and allied services, for 1941

District, region, or railroads	Average miles per revenue ton	Averages per revenue ton-mile			
		Revenue	Total operating revenues	Total expenses	Net railway operating income
		Mills	*Mills*	*Mills*	*Mills*
Western district	276	9.46	9.78	7.66	2.70
Northwestern region	215	9.19	9.63	6.77	2.86
Central-western region	306	9.49	9.72	7.19	2.53
Southwestern region	241	9.84	10.18	7.32	2.86
Eastern district	164	9.90	10.25	7.72	2.53
Great Lakes region	172	9.61	9.96	7.53	2.42
Central-eastern region	163	9.62	9.96	7.53	2.43
New England region	130	14.99	15.45	11.08	4.37
Minnesota railroads:					
Trunk lines[1]	127	9.45	9.67	6.48	3.19
Ore roads[2]	78	9.44	10.87	6.57	4.30

[1] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

[2] Duluth, Missabe & Iron Range Railway and Duluth, Winnepeg & Pacific Railway.

---

[2] The rate base values on which the returns were computed are said to be the original cost less depreciation, plus present value of land and rights, and working capital, as of January 1, 1940. They were derived from certain data prepared by our Bureau of Valuation and introduced as an exhibit in another proceeding.

[3] Five of the railroads in the northwestern region were either in the hands of receivers or in process of being taken out of their hands, at the time of hearing.

Emphasis is placed by these interests on the fact that the average freight-service expense per revenue ton-mile is appreciably lower in the northwestern region, and still lower for the eight Minnesota trunk lines, than in the other regions; and this is so as to the Minnesota lines despite their shorter average haul than those of the respective regions. But the net railway operating income per revenue ton-mile in the southwestern region is the same as in the northwestern region.

The strong influence that iron-ore tonnage has upon the freight-traffic statistics for Minnesota is illustrated by the fact that in 1941 for example, the freight revenue received from Minnesota operations by the two ore roads, referred to in the two tables was $33,000,000, whereas for the eight trunk lines named it was $100,000,000. The latter figure includes the iron ore carried in Minnesota, especially the large volume by the Great Northern Railway, 65.1 percent of whose entire system tonnage consisted of products of mines including ore; that of the Northern Pacific Railway was 24.8 percent. While the figures for Minnesota and the northwestern region contain the contribution from ore, the Pocahontas region (heavy coal-carrying lines) is not grouped with the eastern district in the comparisons described, although the Pocahontas region is part of official territory whose class-rate basis is sought by the western trunk-line interests.

Some of the western trunk-line territory interests argue that carload freight traffic should not be burdened with the deficits in passenger-service and in less-than-carload traffic, but that each category should be required to bear its own share of the costs. A similar question was raised in *Revenues in Western District* (1926), 113 I. C. C. 3, but we said, at pages 22–23:

> We do not subscribe to the proposition that where freight rates are producing, on the property devoted to freight service, the rate of return which has been fixed as fair, we can as a matter of law authorize no increases in such rates to correct deficiencies in aggregate earnings growing out of the inability of the passenger business to meet its full share of the revenue burden. The freight and the passenger services are both essential and both may be subjected to reasonable rates and charges to produce the fair aggregate return authorized by law even though thereby a higher rate of return may be exacted from one than from the other.

Topeka.—This city is now in zone II, but is here seeking the zone I basis of rates. It suggests the accomplishment thereof by expanding westward the present boundary of zone I to a line that would pass through Topeka and Lincoln, Nebr., and extend to Sioux City, Iowa.[4] As so extended, zone I would embrace all or parts of the northeastern 16 counties of Kansas and a portion of eastern Nebraska. No evidence concerning conditions in the latter was offered.

Topeka asserts that the traffic and transportation conditions have changed materially in its favor since the decision in the original report (1930) in the western trunk-line revision, wherein the present zone boundaries were fixed. Its population in 1940 was 91,247, and the county containing it manufactured products in 1939 valued at $29,000,000, or 6.4 percent of the State's total.

Even though average costs of railroad operations in western trunk-line territory may not be much higher than in official territory, Topeka is of the view that higher class rates are justified in the former because of territorial differences in the consist of traffic, in commodity rates, and in carrier needs. Assuming that the class-rate levels are not made uniform in all territories, the laminated formula is suggested for determining interterritorial rates.

Witnesses for Topeka declare that its competitive situation requires that it be placed in the same rate zone as the lower Missouri River cities, and other points in northern Missouri and southern Iowa, in order to insure its continued existence as an important jobbing, manufacturing, and distributing center. In respect to those activities, probably fifth class (37.5 percent of first class) is the important class on carload shipments that move subject to class rates. Topeka contends that a fair average added sum reflected in Topeka's rates, owing to location in zone II, would be the zone II differential on that class for 65 miles, the distance from Kansas City. On that assumption, the added amount would be 3 cents per 100 pounds.

The request for expansion into northeastern Kansas of whatever rate level and classification may be prescribed for southern Iowa and northern Missouri is predicated on a showing of traffic and economic conditions. Such conditions in these areas are claimed to be practically homogeneous. More particularly, the areas are the 16 counties of northeastern Kansas, including Topeka and Kansas City, Kans., the three southern tiers of counties in Iowa, and the counties in northern Missouri, which are subdivided into those north of the Missouri River and those in zone I. The last-mentioned group includes Kansas City and St. Louis.

---

[4] Specifically, the suggested line would leave the present boundary of zone I at Windsor, Mo., go thence west on Missouri-Kansas-Texas Railroad to Paola, Kans., thence on Missouri Pacific Railroad to Topeka, thence on Union Pacific Railroad to Lincoln, thence on Chicago & North Western Railway to Fremont, Nebr., thence on Chicago, Burlington & Quincy Railroad to Sioux City, where the line would rejoin the present boundary of zone I.

Illustrative of the general situation concerning the groups of counties described are the following:

Sections	Number of counties	Land area		Population (1940)		
		Square miles	Percentage of State	Total (thousands)	Per square mile	Percentage of State
Northeastern Kansas	16	9,060	11	521	57.6	29
Southern Iowa	31	16,023	29	631	39.7	25
Northern Missouri:						
North of Missouri River	44	23,853	[illegible]	790	32.7	21
Zone I	62	35,439	51	2,671	75.4	70

Climatic conditions in northeastern Kansas are much like, and altitudes are similar to, those found in southern Iowa and northern Missouri. The topography of the plains of northeastern Kansas is favorable for construction and operation of railroads, which usually run east and west, in that the rivers flow eastwardly and the railroads extend in their valleys, whereas in southern Iowa and northern Missouri the rivers flow generally in a southwardly direction and must be crossed by the railroads.

Based upon the average figures for 1940, the proportion of land in farms was somewhat greater in northeastern Kansas than in northern (zone I) Missouri, but less than in southern Iowa. Southern Iowa exceeded northeastern Kansas in value per farm of land and buildings and of implements and machinery. As to practically all kinds of livestock, the average per farm in southern Iowa generally was greater than in northeastern Kansas; northern Missouri had more horses and mules, and, in several items, the aggregate for southern Iowa and northern Missouri exceeded northeastern Kansas. The situation as to grains was similar to that for livestock. Northeastern Kansas excelled in the production of potatoes, Irish and sweet.

Relative commercial and manufacturing activities in the sections of the three States are indicated in the following table, according to returns for 193[illegible]:

[In millions of dollars]

Sections	Retailing sales	Wholesaling sales	Value of manufactures
Northeastern Kansas	113.55	60.21	276.72
Southern Iowa	135.60	57.17	51.63
Northern Missouri:			
North of Missouri River	146.30	135.18	134.56
Zone I	793.70	1,704.11	1,078.87
Southern Iowa and Missouri zone I combined	929.30	1,761.28	1,130.50

In order to prove that the traffic density of northeastern Kansas is heavier than in northern Missouri, the State of Iowa and in other States, the revenue ton-miles per mile of line of the divisions of the

4 railroads[6] operating through Topeka are compared in various ways. Those divisions do not include all of the railroad mileage in the 16 counties of northeastern Kansas. They do include substantial mileage in Kansas outside such counties. Among the comparisons are those for 1925 to 1940, both inclusive, showing that the density on the 4 divisions described averaged 57 percent of the eastern district, whereas northern Missouri and the State of Iowa averaged 52 and 36 percent. The claim that the density is greater in northeastern Kansas than in the whole State of Kansas is based on results for 1926 to 1938, inclusive. For that period, the density on the divisions of the railroads that pass through Topeka was 1,452,818 ton-miles per mile of line compared with 957,441 ton-miles per mile of line of the 4 railroads for all Kansas, and 945,868 ton-miles for all railroads in the State of Kansas. In the first 4 items of the following table are stated the densities adduced by Topeka for 1940, to which have been added the densities on the class I western railroads for certain other States:

Freight traffic densities for 1940

[Revenue ton-miles per mile of line]

Divisions on which Topeka is located	1, 370, 778
Northern Missouri	1, 215, 147
State of Iowa	917, 472
Eastern district	2, 624, 236
State of Missouri	1, 164, 927
State of Nebraska	1, 024, 209
State of Minnesota	1, 343, 073
State of Wisconsin	1, 028, 402
State of Illinois	2, 095, 143

Wichita.—It is contended on behalf of this city that the Edwards cost studies and the testimony in regard thereto definitely show that a uniform class-rate structure is justified throughout all the territories embraced in this proceeding; and that there must be separate scales of class rates for less-than-carload and carload traffic, because costs on the former are relatively much higher than on the latter. This and other evidence are cited in substantiation of the allegations that the class rates throughout western trunk-line and southwestern territories are unreasonable and unduly prejudicial, and preferential of official territory. In particular, such allegations are made respecting Wichita's zone III location.

If territorial rate uniformity is not required, witnesses for Wichita expressed the view that there are compelling reasons for including Wichita in zone I. A new western line first suggested for zone I would extend in Kansas from the eastern State line immediately west of Joplin, Mo., around to the northern State line at Superior, Nebr.,[5] the effect of which would be to blanket under zone I all of the Kansas portion at present in zone II, and enough more to contain Wichita; but no continuation of the new line was specified beyond the borders of Kansas in order to round out an enlarged zone I. Later, on oral argument, an alternative partial line was offered, namely, a line branching off the present zone I boundary at St. Joseph, and extending over certain railroads through Topeka to Wichita, counsel saying he would leave the line there for us to complete.

---

[6] These roads are the Atchison, Topeka & Sante Fe Railway, Chicago, Rock Island & Pacific Railway, Missouri Pacific Railroad, and Union Pacific Railroad. Topeka is on the main lines of these roads, except that it is at the end of a branch line of the Missouri Pacific.

Almost all manufactured goods, characterized as railroad revenue-yielding tonnage, produced in Kansas are made in the counties east of a line drawn north and south to include Hutchinson and Wichita. Eastern Kansas, so defined, represents 45.5 percent of the State's land area, but the value of its manufactures was 97.1 percent of the State's total of $468,000,000 in 1939.

Wichita is 200 miles southwest of Kansas City and had a population in 1940 of 143,311. The county containing it produced manufactures in 1939 valued at $57,000,000, or 12.3 percent of the State's total. Wichita relies chiefly upon the business activities of its particular area, comprising four counties of central-eastern Kansas, namely, Butler, Harvey, Marion, and Sedgwick (containing Wichita) to justify the requested change in zone boundary. The counties are west of zone II.

The record contains many comparisons between economic conditions in the western trunk-line zones, in central territory, and in the four counties named which are now in zone III. Most of the territory in those counties would be brought into zone I if that zone were extended to the line first described above. Some of the comparisons are shown on the following table.

Item	Wichita's 4 counties	Western trunk-line territory			Central territory[2]
		Zone I	Zone II	Zone III[1]	
Area in square miles	3,943	168,965	178,[illegible]	215,650	161,444
Miles of class I railroad[4]	611	23,100	17,891	9,886	32,141
Population (1940):					
Total (thousand)	215	7,264	5,015	2,008	24,070
Per square mile	54.8	43.0	28.0	9.3	149.1
Per mile of railroad	351.5	313.0	280.0	203.0	749.0
Value of manufactures (1939):					
Total (million)	$93	$2,146	$1,158	$248	$16,247
Per 1,000 of population (thousand)	$433	$295	$230	$122	$674
Per mile of railroad (thousand)	$153	$92	$64	$24	$505

[1] Omits the parts of Colorado and Wyoming in zone III.
[2] Ohio, Indiana, Illinois, lower Michigan, and southeastern counties of Wisconsin.

---

[5] The western boundary in Kansas suggested for zone I would extend from Joplin on the Missouri-Kansas-Texas Railroad to Columbus, thence on St. Louis-San Francisco Railway through Oswego and Severy to Wichita, thence north on Atchison, Topeka & Sante Fe Railway through Newton to Peabody, thence north on Chicago, Rock Island & Pacific Railway to Lost Springs, thence on Atchison, Topeka & Sante Fe Railway through Detroit, Abilene, Manchester, and Concordia to Superior.

Average figures for the 4 counties as a whole are not far behind those for the 16 northeastern counties of Kansas, previously referred to, in respect of population per square miles, 54.8 as compared with 57.6, or the value of manufactures per 1,000 population, $433,000 as compared with $460,000. Expansion of zone I to include Wichita's 4 counties would draw into that zone 23 additional Kansas counties, other than the northeastern counties now in zone II, of which little mention is made.[6] In the aggregate, these 27 counties have a population per square mile of 32.3, and a value of manufactures per 1,000 population of $195,000. Both of these figures are much below the averages for zone I as well as for northeastern Kansas, but as compared with the entire western trunk-line zone II they are somewhat higher as to the population figure and lower as to manufactures.

Manifestly, the question of broadening a rate zone to encompass an additional area brings under review the entire area and not a portion only. Although northeastern Kansas compares favorably with present zone I, the same conclusion cannot be reached as to the 27 counties described, or as to the aggregate of such counties and the 16 northeastern Kansas counties. Wichita lies 154 rail miles southwest of Topeka and 51 rail miles north of the Kansas-Oklahoma border, and, with its surroundings, constitutes, in effect, an industrial island in the great expanse of agricultural and plains country, whereas northeastern Kansas adjoins zone I.

Another issue raised by Wichita is whether the continued maintenance of finding 27 in the original report in the southwestern revision as to class rates is necessary and justified. Finding 27 required the removal of the undue prejudice and preference set forth in findings 1 to 11 in the report in that proceeding. So far as concerns undue prejudice and preference between Kansas and Oklahoma, finding 27 is now confined to the comparatively narrow strip of Kansas on and south of a line through Wichita.[7] Wichita claims that finding 27 acts as a bar to its participation in essential competitive rate adjustments peculiar to the needs of western trunk-line territory within which it is located.[8] In view of the *ad interim* findings hereinafter made, modification of finding 27 of the southwestern revision is unnecessary at this time.

---

[6] These 23 Kansas counties cover a land area of 15,619 square miles. They had a population in 1940, of 416,217 or only 26.6 per square mile, and in 1939 produced manufactures of 30 million dollars or only 72.4 thousand dollars per 1,000 population.

[7] The line is entirely in Kansas and extends from the Kansas-Missouri border westwardly on the Missouri Pacific Railroad through Fort Scott, Iola, Eureka, and Eldorado to Wichita, thence on the Atchison, Topeka & Santa Fe Railway to Pratt, thence southwestwardly on the Chicago, Rock Island & Pacific Railway to the Kansas-Oklahoma border.

[8] In the twenty-eighth supplemental report (1942) in the southwestern revision, 253 I. C. C. 599, the question of the modification of the findings of undue prejudice and preference was considered. No modification was made with respect to class rates as such, but the provisions of the outstanding order regarding prejudice and preference in that revision insofar as they apply to rates on commodities on which no specific column or percentage of the first class rates had been prescribed for general application to, from, and between points in the Southwest, were suspended for the duration of the war and 6 months thereafter, or until the further order of the Commission.

SOUTHWESTERN TERRITORY SHIPPER INTERESTS

Interests in the southwestern States of Arkansas, Louisiana (west of the Mississippi River), Oklahoma, and Texas and in Kansas, hereinafter referred to as the Southwest or southwestern States, advocating changes in the class rates are represented by a committee appointed for the purposes of introducing pertinent testimony, conducting cross-examination, and presenting briefs and oral arguments. Their authority was derived from action of the governors, and of the regulatory commissions having jurisdiction of the railroad rates, in the above-named States. The Legislature of Texas specifically directed its attorney general to proceed in the matters concerned.

The evidence presented by the committee is, in character and substance, substantially similar to that introduced on behalf of the Southern Governors' Conference, and, as in the case of the conference, much reliance is placed on the testimony of the witness for the Tennessee Valley Authority, which dealt principally with economic questions heretofore discussed.

As previously stated, the remedy sought by these interests is uniformity of class rates, mile for mile, within the Southwest and between that area and all other rate territories covered by our order of investigation. The specific rate level sought is the eastern scale, extended for distances beyond 1,500 miles at the rate of progression for each additional 100 miles as now used in that scale between 1,400 and 1,500 miles.

Southwestern interests, unlike those in the South, interpose no objection to revision of exception and commodity rates within, to, and from the Southwest on a uniform basis with that in the East, whereas the Southern Governors' Conference insists most emphatically that such rates are not in issue and should not be disturbed in this proceeding. The Southwest agrees that if there is to be uniformity of the rates within and between the various territories, it should be complete and should extend to all kinds or types of rates, except that in a few appropriate situations uniformity may be departed from to meet peculiar and unusual conditions. In their exceptions to the examiners' report in docket No. 28310, they expressed the view that, if the classes they there proposed are established, little or no necessity will remain for the maintenance of commodity rates on particular articles.

Strong representations are made that the economic development of the Southwest has been retarded by the present class-rate structure, and that this alleged condition is one of the principal factors to be taken into consideration in the prescription of reasonable and nondiscriminatory rates.

Committee evidence.—The rate evidence dealing with class rates was presented by a member of the committee. It consists of a comparison of the distance scales of first-class rates prescribed in the several territories, including averages, totals, progressions of scales, and percentage relations of scales; a comparison of specific first-class rates between representative points in official territory and southwestern points with rates for equal distances in official territory; the bridge-scale arbitraries applicable on traffic to and from stations in Arkansas and Louisiana within 170 miles of the Mississippi River, Memphis, and south, in determining maximum rates from and to official and southern territories; traffic to which the bridge-scale arbitraries are applied, moving at rates in certain tariffs from and to southern territory to and from points in Arkansas and Louisiana within 140 miles of the Mississippi River crossings, Memphis, and south; a comparison of the first four classes, intrastate and interstate, in Kansas (which also apply between Arkansas and contiguous points in adjoining States) with prescribed southwestern zone III and official territory scales; the percentage relations of the first-class rates in the tariff naming the preceding rates to those in the southwestern zone III scale; a comparison of the first four classes, intrastate and interstate, in Oklahoma and between Oklahoma points and localities in contiguous States with the southwestern scale; and percentages of first class prescribed by us for application on specified commodities in southwestern and official territories.

The comparisons are similar in many respects to those in appendix 9. They show that the class rates in the Southwest and between the Southwest and other territories are materially higher than those in official territory.

We have referred to the fact that a comparison of first-class rates within or between territories does not, in most instances, reflect the differences between the rates on which the traffic moves. That observation is particularly suitable to the Southwest. The extent to which exceptions have been published within, and to and from, that area is not specifically shown of record, but there is general testimony to the effect that the class rates in issue move only a small proportion of the total traffic. This is supported by the study made by a member of our staff showing the proportions of traffic transported on 1 day in 1942 on class rates, exception rates, and commodity rates. Those proportions have been shown, but as to southwestern traffic they are repeated here for convenience:

Territories	Class rates	Exception rates	Commodity rates
	Percent	*Percent*	*Percent*
Southwestern	2.4	4.4	93.2
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.1
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

It will be noted that, on the day mentioned, 95.1 percent of the total traffic transported from southwestern to official territory moved at commodity rates, and that only 1.5 percent moved at class rates, whereas of the total from official to southwestern territory 22.5 percent was transported at class rates, and 25.5 percent at commodity rates. Although the proportions of traffic moved at class, exception, or commodity rates between southwestern territory and other territories vary, a great preponderance of the traffic, except from official territory, moved at commodity rates. The levels of the commodity rates are much below the class-rate levels.

The foregoing description of the rate evidence introduced includes the rate evidence introduced by the committee. Additional rate evidence was introduced by members of the committee, by a witness representing the Fort Worth Freight Bureau, Fort Worth Chamber of Commerce, Texas Cottonseed Crushers' Association, Southwestern Peanut Shellers' Association, West Texas Chamber of Commerce, Freight Rate Equality Federation[9] and by witnesses for Railroad Commission of Texas, Arkansas Rice Traffic Bureau, and El Paso Freight Bureau. Their rate evidence did not deal with the class rates in issue, but with rates on specific commodities which had been established either as exception or commodity rates.

In some instances, commodity rates within the Southwest or from or to the Southwest are lower than the rates on like traffic for equal distances within official territory. The following comparisons are illustrative of this situation:

Sand, gravel, crushed stone, and related articles.—In *Sand, Gravel, Crushed Stone, and Shells*, 155 I. C. C. 247, we prescribed, for application on interstate carload shipments between points in the Southwest, a single-line scale and a joint-line scale for distances up to and including 800 miles. This southwestern single-line scale averaged 99.5

---

[9] This federation represents 132 counties in West Texas containing 185 affiliated towns and cities.

percent of the so-called west Penn. single-line scale prescribed in *Pennsylvania Sand & Gravel Producers Assn.* v. *B. & O. R. Co.*, 104 I. C. C. 717, for application from points in western Pennsylvania to destinations in Ohio, West Virginia, and New York; and the prescribed southwestern joint-line scale averaged 94.4 percent of the west Penn. joint-line scale. The prescribed southwestern single-line scale averaged 95.3 percent of the so-called Ohio single-line scale prescribed in *Rates on Crushed Stone, Gravel, Sand, and Slag in Ohio*, 191 I. C. C. 206, for application to destinations in Ohio from certain points in Pennsylvania and from Weirton, W. Va.; but the prescribed southwestern joint-line scale averaged 106.2 percent of the Ohio joint-line scale. However, truck-competitive rates which are much lower than the prescribed scales apply on sand, gravel, crushed stone, and related commodities, from and to many points in the Southwest. The southwestern truck-competitive single-line scale averages only 72 percent of the Ohio single-line scale and 89.1 percent of the west Penn. single-line scale; and the southwestern truck-competitive joint-line scale averages 81.3 percent of the Ohio joint-line scale and 72.5 percent of the west Penn. joint-line scale.

Brick.—The interstate carload rates on brick, and related articles carried in the uniform brick list, between points in the Southwest are based on the single-line and joint-like scales which we prescribed for distances up to and including 1,000 miles in *Southwestern Brick Cases*, 107 I. C. C. 681, decided February 16, 1926, as modified by the subsequent general rate changes. The average rate under the southwestern single-line scale is 83.7 percent of the average rate under the eastern trunk-line single-line scale, and the average rate under the southwestern joint-line scale is 86.8 percent of the average rate under the eastern trunk-line joint-line scale. But the southwestern scales are higher than the central-territory scales, the single-line scale in the Southwest averaging 102.1 percent of the corresponding central territory scale and the southwestern joint-line scale averaging 105.8 percent of the central territory scale for joint-line hauls.

Butter, eggs, and dressed poultry.—In some instances, specific rates within, from, or to the Southwest are lower than the rates for like distances in official territory, but in other instances the reverse is true. For example, the rate from Little Rock, Ark., to Memphis, Tenn., 134 miles, is 29 cents per 100 pounds, while the rate from Wooster, Ohio, to Pittsburgh, Pa., 134 miles, is 34 cents; the rate from Enid, Okla., to St. Louis, Mo., 546 miles, is 54 cents while the rates to New York, N. Y., from Leesburg, Pa., 507 miles, and Linesville, Pa., 546 miles, are 57 and 59 cents, respectively; and the rates to Kansas City, Mo., from Vinita, Okla., 189 miles, and from Clinton, Okla., 404 miles, are 31 and 45 cents, respectively, as compared with rates to Chicago, Ill., of 37 cents from Muncie, Ind., 187 miles, and 48 cents from Bremen, Ohio, 404 miles. But a rate of 54 cents is maintained from Tulsa, Okla., to St. Louis, 425 miles, whereas the rate from Oil City, Pa., to Cincinnati, Ohio, 430 miles, is only 50 cents; a rate of 62 cents applies from Clinton, Okla., to St. Louis, 641 miles, while a rate of only 46 cents is maintained from Mansfield, Ohio, to Chicago, 642 miles; and a rate of 67 cents is in effect from Dallas, Tex., to St. Louis, 707 miles, while a rate of 65 cents applies from Toledo, Ohio, to New York, 701 miles.

Compressed cotton.—The rates from representative origins in the Southwest to representative destinations in official and southwestern territories are generally lower than the rates for like distances in official territory. For example, the rate from Blytheville, Ark., to Chicago, 514 miles, is 47 cents per 100 pounds, minimum 50,000 pounds, while the rate for the same distance in official territory is 60 cents; the rate from Little Rock, Ark., to Houston, Tex., 435 miles, is 40 cents, minimum 65,000 pounds, while the rate for that distance in official territory is 55 cents; and the rate from Oklahoma City, Okla., to Houston, 465 miles, is 40 cents, minimum 65,000 pounds, as compared with a rate of 57 cents for the latter distance in official territory.

Refined petroleum.—Rates from Tulsa to points in western trunk-line territory are lower than rates for like distances from Whiting, Ind., to destinations in official territory. For example, rates on refined petroleum (gasoline), *in packages*, in carloads, from Tulsa are: Twenty-eight cents per 100 pounds to Kansas City, Mo., 244 miles, as compared with a rate of 29 cents from Whiting to Marion, Ohio, 242.6 miles; 36 cents to Omaha, Nebr., 424.8 miles, while a rate of 39 cents is maintained from Whiting to Richardson, Ky., 429.2 miles; 36 cents to Des Moines, Iowa, 452.3 miles, while a rate of 39 cents is in effect from Whiting to Spencer, W. Va., 457.6 miles; and a rate of 46 cents to Minneapolis, Minn., 713.2 miles, as compared with a rate of 48 cents from Whiting to New Berlin, N. Y., 711.2 miles. On refined petroleum (gasoline), *in tank carloads*, the rates from Tulsa range from 4 to 9 cents per 100 pounds less than the rates on the same commodity in packages. The rates from Whiting apply on refined petroleum in any kind of equipment.

Lumber.—Generally, the rates on lumber (hardwood, yellow pine, and cypress) from the Southwest to official territory are somewhat higher than rates for equal distances on like traffic within official territory. In a few instances, however, the interterritorial rates on lumber from the Southwest to official territory are lower than the lumber rates on the basis that applies generally in official territory. For example, from Crossett, Ark., and Tenaha, Tex., to Boston, Mass., and Portland, Maine, a rate of only 53 cents per 100 pounds is maintained for distances that range from 1,579 to 1,827 miles as compared with rates ranging from 56 to 62 cents for equal distances on the official territory basis of 22.5 percent of the eastern first-class rates.

In addition to the rate evidence, testimony was given by the Governor of Arkansas and several witnesses representing the State of Texas, Louisiana Public Service Commission, Kansas State Geological Survey, Arkansas State Planning Board, and Arkansas Agricultural and Industrial Commission. They described the extensive and varied resources of their respective States, testified to the nonutilization of many of such resources for final manufacture in their respective States, and enumerated what they consider are the economic effects of the absence or deficiency of manufacturing establishments in their States upon the fullest utilization of their natural resources.

The gist of their testimony is that the class rates within the Southwest, and between that area and other portions of the country embraced in this proceeding, have prevented the establishment of manufacturing plants in the former area. Evidence introduced to prove this contention was as follows:

Some time prior to the hearing at which these witnesses testified, a synthetic rubber plant was established at Baton Rouge, La. The only rate available from the plant to official territory on synthetic rubber was on the basis of 50 percent of the class 100 rate in the southern scale, as compared with a rate of 36 percent of the class 100 rate applicable within official territory. Six months elapsed before the latter level of rates was published from the Baton Rouge plant.

The Arkansas State Planning Board is a member of several committees of the South-Central Region of the National Resources Planning Board, which comprises the four southwestern States. A joint board of the above organization found, in a report made in 1942, that the region described, as compared with the United States, has nearly 10 percent of the national population but only 5 percent of the industrial establishments and 3 percent of all the wage earners in manufacturing establishments, and that it paid less than 3 percent of the total wages, and produced only 4 percent by value of all manufactured products.

No industries of any particular moment have been established at El Paso during the past 10 years. Industries in that community have operated in large part under a system of rates that did not contain any differentials for distances in differential territory and which were for the most part not class rates.

The Arkansas Agricultural and Industrial Commission, whose duties include the development and promotion of agriculture and industry in the State, has not had much success in securing the location of manufacturing industries in the State. Its executive director attributed the lack of success to the alleged handicap of unequal freight rates. Contacts made with many large manufacturing concerns had failed to persuade them to locate in the State. None of the industries named offered evidence. Complaint had been made to the witness, the details of which were not disclosed, that canneries within the States are unable to reach the populous centers of the United States because of freight rates. The location of industries in Arkansas which would use raw materials such as agricultural products, products of the forests or of the mines, would not, in his opinion, adversely affect the best interests of other sections of the nation.

A professor of transportation and industry of the University of Texas was engaged by the committee to compare the actual freight charges paid on in-bound and out-bound shipments made in 1 year by five manufacturing companies in Texas with charges computed at rates in effect in official territory for the same distances. His study shows that the charges paid on such shipments were $83,054.62 more than the sum produced by the latter basis. The witness stated that this difference represents the "economic burden" of these manufacturers, and is typical for Texas industries. It also represents what respondents' loss would be on the business of these five shippers, and affords an indication of the losses respondents would sustain if the action sought by advocates of uniformity was required.

One of these concerns, a chili canning company, turned over its capital almst three and one-half times in 1941, made a gross or operating profit of 35.6 percent, and shipped its products in carload and less-than-carload lots to 32 States other than Texas. A cotton-mill company had a capital stock turnover four times in 1941. Its gross profit was 11.5 percent, and the total freight paid, both in-bound and out-bund was less than 5 percent of net sales.. In 1941, 54.1 percent of its in-bound raw materials traffic came from official territory, and 34.1 percent of the finished products was shipped to that territory.

A manufacturer of toilet preparations, perfumes, et cetera, had a gross profit in 1941 of approximately $300,000, or about 47.5 percent, representing a capital stock turnover 16 times. The added value produced by manufacture was $300,000 at a labor cost of $8,728. In that year, it distributed its products to 33 States.

Another of the companies is a manufacturer of a bread-making compound whose total sales in 1941 amounted to only $26,000. Its products were shipped to about 70 points in Texas, also to destinations in Oklahoma, Louisiana, Arkansas, Georgia, Florida, Alabama, Mississippi, Michigan, Pennsylvania, Colorado, Iowa, Kansas, New Mexico, Montana, and California. Its administrative salaries were $6,500, or 25 percent of net sales, and wages paid amounted to $2,660, or about 10 percent of net sales.

The fifth concern produces lime. The average freight charges per ton paid in 1939 were slightly less than $3.50. A check of the freight charges computed on the official territory level indicates that the rates used to show the difference between the freight charges on that level and those assessed are not correct.

The witness did not specify what part, if any, of the freight charges assessed on the shipments of the five manufacturers studied were at the class rates here in issue; nor the kind (class, exception, or commodity) of rates published in official territory that were used in the comparisons. Undoubtedly many of the in-bound raw materials, and some of the out-bound finished products such as canned goods and lime, did not move at class rates; and it is unlikely that all the official territory rates were class rates that could be directly affected by the decision in this proceeding. Apparently, the traffic of only these five companies was surveyed, with no attempt to produce a representative cross-section of Texas industries, some of whose freight charges may be lower than those in official territory.

MOUNTAIN-PACIFIC TERRITORY

Rates within, and to and from, mountain-Pacific territory are not in issue in this proceeding, and no evidence was introduced with respect to those rates by any shipper or carrier interests in that territory. However, a representative of the Railroad Commission of the State of California, Arizona Corporation Commission, and Public Service Commission of the State of Nevada appeared at the oral argument. He contended that uniformity is unnecessary and impracticable, and that this is not the time to bring about a general adjustment of the rate structure for the following reasons: The volume and composition of traffic have undergone drastic changes during recent years; many classes of commercial traffic have virtually disappeared; many changes in conditions will occur in various sections of the country upon the termination of the war; there are no available means of determining at this time the character of the rate structure which will be necessary for the future; and the evidence of record is already old.

The establishment of the uniform classification herein found reasonable for the entire country will necessarily make changes in the measure of the class rates on certain articles within, and to and from, mountain-Pacific territory. Whether an investigation concerning class rates within, and to and from, that territory will be necessary in order to apply the uniform classification, and in order to harmonize such class rates with the class rates herein prescribed, will be later determined.

WESTERN RESPONDENTS

Defense of the class rates in the Southwest and western trunk-line territory was assumed by a committee of representatives of class I railroads operating in those territories.

As stated, we prescribed the class rates within the Southwest and western trunk-line territory, and between those and other territories, in a series of investigations extending over many years, the latest of which was concluded in 1939. In the view of these respondents, such rates, having been prescribed by us, are presumptively lawful, and the burden of proof of their unlawfulness is upon those interests which would overturn them. They assert that the principal changes in conditions since 1939, when the western-southern revision was decided, are those brought about by the European war and this country's entrance into World War II, and that these are not changed conditions as we would usually consider the term in examining the lawfulness of a freight rate adjustment.

On the matter of uniformity, western respondents' position is that freight service cannot be sold at a uniform rate throughout the country, and that differences inherent in the economic and transportation needs of the respective rate territories must reflect themselves in freight-rate structures in order to promote the best interests of those territories and to preserve the transportation system. These respondents contend that uniformity in class-rates, or in any other type of freight rates, is incompatible with such sharply contrasting differences; and that a more plausible foundation for uniformity would have been laid if proponents could have established that substantial uniformity exists between the territories in the volume and nature of traffic, occupations, products, and other material factors, rather than that pronounced differences prevail. They challenge the accuracy and conclusiveness of the cost studies of record and their usefulness as media to judge the lawfulness of, or to prescribe freight rates on, classes or commodities. In addition, they argue that contentions based on social and economic grounds interposed on this record are not relevant to the issues. Neither we nor any other existing body has, in their opinion, the power to exercise the role of an economic arbiter over the affairs and lives of the nation's people. They declare that the demand for a readjustment of rates at respondents' expense constitutes an effort to persuade us to require railroads to grant a subsidy in order to finance an adventure in experimental sociology, and that such is not our function, citing *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, (1935), 213 I. C. C. 297, and *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42.

Respondents do not question the sincerity of the State governors in contending that the class-rate adjustment impedes, handicaps, and obstructs industrial progress and even excludes industry from the Southeast and Southwest, but they point out that, except for a single reference to a creamery by the Governor of Arkansas and generalizations by two employees of the Arkansas State government, there is no proof that freight rates have had any such effects; and that even the four industrial concerns mentioned by one of the above witnesses would have no use for class rates in the movement of their products. None of the large industries, whose failure to locate establishments in Arkansas was attributed by these witnesses to the level of the class rates, appeared at the hearing to confirm their testimony.

Only three commercial witnesses, speaking for individual establishments in the Southwest and western trunk-line territory, testified in this proceeding. These were a steel company at Denver, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a lamp and stove company at Wichita. The representatives of the two manufacturers last named testified that a great preponderance of their products was shipped to official territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are. The steel company at Denver uses class rates only to a very limited degree.

There has been greater industrial progress in the Southwest than in western trunk-line territory. In 1929, the two groups of States, combined, received 19.88 percent of the national income of the United States as a whole, excluding mountain-Pacific territory, and in 1941, 19.72 percent. In 1929, the four southwestern States received 5,055 million dollars, or 6.81 percent, of such income; in 1941, their percentage was 7.24, amounting to 5,848 million dollars, an increase of about 800 million dollars. This showing is more favorable than that for the nine western trunk-line States, whose percentage of the same total income dropped from 13.07 in 1929 to 12.48 in 1941. However, the total income of these States increased 400 million dollars.

With respect to the nonfarm portion of the national income, the four southwestern States received 5.82 percent of the United States total, excluding mountain-Pacific territory, in 1929 and 6.21 percent in 1941. The percentages of the total for the western trunk-line States dropped from 9.94 in 1929 to 9.16 in 1941.

The following table shows the number of wage earners in the southwestern, western trunk-line, and official territory States for various years, and the percentage of each group to the total number of wage earners in the country, as a whole, exclusive of mountain-Pacific territory:

Period	Western trunk-line States		Southwestern States		Official territory States	
	Wage earners	Percent of total [1]	Wage earners	Percent of total [1]	Wage earners	Percent of total [1]
Year 1921	602,752	9.17	229,508	3.49	4,969,884	75.60
Year 1929	771,750	9.30	297,743	3.59	6,102,688	73.54
Year 1933	502,888	8.80	192,885	3.37	4,110,195	71.90
Year 1939	606,817	8.19	262,583	3.54	5,367,779	72.42

[1] Excluding the States in mountain-Pacific territory.

The number of manufacturing establishments decreased in official territory, excluding Virginia and West Virginia 13.14 percent in 1939 as compared with 1921; and the number of such establishments decreased 12.08 percent in western trunk-line territory in the same period, as compared with an increase of 23.65 percent for the four southwestern States. In connection with this showing, it should be borne in mind that the average value of manufactures per establishment is larger in official than in southwestern and western trunk-line territories. In 1939 such average values were as follows: Official, $346,000; southwestern, $256,000; and western trunk-line, $246,000.

The Bluebook of Southern Progress, 1941, a publication devoted to the development and expansion of industry in the southern and southwestern States, lists 45 new industrial plants, and extensions, in 1940 in Arkansas, Louisiana, Oklahoma, and Texas, 32 of these being in Texas.

Analysis of movements of all carload freight on 2 days in 1942, hereinbefore referred to, shows that of the 22,341 carloads of all freight originating in the Southwest on the 2 days, 10,985 carloads, or 49.17 percent, terminated within the territory and 5,833 carloads, or 26.109 percent, were destined to stations in official territory. In the manufactures and miscellaneous group there were 8,954 carloads, representing 40.079 percent of all carloads originating in the Southwest. Of this number, 35.47 percent, or 3,176 carloads, terminated within the Southwest, and 3,477 carloads, or 38.832 percent, were destined to official territory. The latter figure reflects heavy movements of petroleum products from the Southwest. On the 2 days, official territory originated 1,366 carloads of manufactures and miscellaneous for shipment to the Southwest.

On the 2 days studied, 45,109 carloads originated in western trunk-line territory. Of this number, 32,989 carloads, or 73.132 percent of the total, were terminated in that territory; 8,246 carloads, or 18.28 percent, were destined to official territory; 1,167 carloads, or 2.587 percent, to southern territory; 1,527 carloads, or 3.385 percent, to the Southwest; and 820 carloads, or 2.616 percent, to mountain-Pacific territory, Canada, and Mexico. In the manufactures and miscellaneous group, western trunk-line territory originated 2,667 carloads destined to official territory, and the latter originated 3,192 carloads destined to western trunk-line territory.

The western respondents, like respondents in other territories, take the position that although commodity rates and classification exceptions are not in issue, they are indisputably involved, and that the argument for an equality of class rates, if sound, is a valid argument for equality of all other rates, and that, therefore, we are confronted with a question far broader than the limitations of this proceeding.

The western district, which includes both western trunk-line and southwestern territories, as well as mountain-Pacific territory, is distinguished from official territory by dissimilarities in the composition of traffic, in the volume of business, and by other factors. As most railroad statistics are compiled by districts or regions into which the country has been divided for statistical purposes instead of by rate territories, the data are available only for these districts or regions.

In 1941 the western-district class I railroads operated an average of 129,906 miles of road in freight service. This was 56.45 percent of the 230,094 miles operated in the entire country. The western roads originated 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern district roads operated 56,377 miles, or 24.50 percent of the total mileage, but they originated 47.40 percent of the total carload traffic originated, excluding the Pocahontas region.

When the composition of traffic originated in the two districts is analyzed, the contrast becomes greater. In comparing traffic data, the figures used are based on those for the year 1941 from which, however, the figures for the Pocahontas region are excluded because the railroads of that region originate an extraordinarily large tonnage of coal. In that year the western district originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent originated by carriers in the eastern district. This volume of products of agriculture originated in the West was but 6.33 percent of the total of all carload traffic originated in the country.

In the same year the western roads originated 28.06 percent of manufactures and miscellaneous tonnage as compared with 60.66 percent originated by the eastern carriers. A striking contrast in the character of traffic is shown by the fact that the western district railroads originated 68.82 percent of the total tonnage of products of agriculture while the eastern railroads originated 60.66 percent of the total tonnage of manufactures and miscellaneous. While the difference in these figures is only 8 percentage points, the eastern roads' tonnage of manufactures and miscellaneous is almost three times the tonnage of products of agriculture originated by the western district railroads. The eastern roads' preponderance of high-grade traffic affords a greater source of revenue to them than do the products of agriculture to the western carriers.

In 1941 the western roads originated 63.03 percent of the total tons of animals and products originated in the country, excluding the Pocahontas region, as compared with 28.51 percent originated by eastern roads. While the western roads' percentage is high, the tonnage which it represents was less than 1 percent of the total tons of carload traffic originated in the United States. We have stated (*Livestock—Western District Rates*, 176 I. C. C. 1, 83) that livestock is a commodity which from its nature cannot be expected to do more than pay its own way. In other words, it cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit.

The western district roads in 1941 originated 58.73 percent of the total tons of products of forests originated in the country as compared with 7.52 percent originated by the eastern roads. The western tonnage is 3.80 percent of such total. This group of commodities is subject to freight rates which are outside of the higher brackets.

In 1941 the western roads originated 33.31 percent of the total tons of products of mines as compared with 49.85 percent originated by the eastern roads. The origination in the West was 17.47 percent of the total originated in the country as compared with 26.14 percent for the eastern district. The figures for the West include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks.

Because averages may not always give a true picture of the situation, the western respondents show the tonnages of traffic originated in the individual States of Minnesota, Kansas, Iowa, North Dakota, South Dakota, Nebraska, Oklahoma, and Colorado. These data establish the fact that the several groups of commodities do not originate in equal quantities per mile of line, or per railroad system. In 1941, Minnesota led all the western States, included in this investiagtion, in the volume of products of agriculture originated, but, because of the large tonnage of iron ore, Minnesota's vast agricultural output represented only 9.75 percent of the total tonnage originated in the State. In Kansas, a close second, 46.62 percent of the State's total tonnage consisted of agricultural products. Iowa's percentage in that group was 36.34 percent, North Dakota's 67.40 percent, South Dakota's 58.57 percent, and Nebraska's 48.01 percent. Oklahoma's percentage of the State's total, in the same group, was 19.87 percent and Colorado's 23.70 percent. Differences of the same nature are shown with respect to the tons originated in the animals and products group.

The 13 States,[10] comprising roughly western trunk-line and southwestern territories, originated a total of 258,735,397 tons of all carload freight, as contrasted with 199,140,599 tons of manufactures and miscellaneous alone which were originated in the eastern district.

In 1940 the ratio to total population, of the rural population in the three western trunk-line zones, excluding the affected parts of Wyoming and Colorado, was 57.4, and of the urban population, 42.6; in the four southwestern States the ratios were 60.2 and 39.8, respectively. Predominance of urban residents existed in none of the southwestern States and only slightly in two of the western trunk-line States, whereas it existed in all but four of the official-territory States.

There is a wide difference between the traffic densities of the eastern and western districts. During the period from 1921 to 1941 the revenue ton-miles per mile of line of eastern-district roads have been more than twice, and in some years three times, those of the western-district roads. In 1921 the former's density was 2,357,040 ton-miles, and that of the latter 829,858. Corresponding figures in 1941 were 3,392,964 and 1,358,041, respectively. During all of the 21-year period the western roads were substantially below the United States average, excluding the Pocahontas lines, while the eastern roads exceeded that average by large amounts.

The western district has a larger proportion of branch-line mileage than any other region or district. The ratios of branch-line mileage to total miles of line are as follows:

	Percent
Eastern district	34
Southern region	25
Western district	39

Of the total railroad mileage abandoned under certificates of convenience and necessity issued by us from 1921 to 1941, inclusive, 54.88 percent of the total, or 14,653 miles, was in the western district. Totals in the East and South were 6,988 and 5,056 miles, respectively.

Testimony was offered by southwestern respondents that traffic tests, which they had introduced in evidence in the southwestern revision, indicated that the intraterritorial and interterritorial class and commodity rates prescribed in the original report in that revision, including a then anticipated reduction from 40 to 37.5 in the class 5 percentage relation to class 1, represented an annual revenue loss of roughly $5,500,000. Additional losses were incurred by the voluntary elimination on August 16, 1941, of the Texas and Oklahoma zone IV differentials and of applying in that zone the zone III rate level. Other reductions also were made by the carriers within the framework of the class-rate adjustment prescribed in the southwestern revision.

---

[10] Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin, Arkansas, Louisiana, Oklahoma, and Texas.

Texas intrastate commodity rates.—On commodities that supply 48.99 percent of the total railroad tonnage in Texas, the Texas intrastate rates average 80.4 percent of the rates for equal distances in central territory. On commodities that provide 34.53 percent of the total Texas tonnage, the Texas intrastate rates average 109.7 percent of the central territory rates. The portion of the total Texas tonnage thus represented is 83.52 percent, and on such traffic the Texas intrastate rates average 95 percent of the central territory rates. The witness who introduced in evidence the exhibit from which the comparisons are taken expressed the opinion that the relation of the Texas intrastate rates to the rates in official territory on the remaining 16.48 percent of the Texas tonnage would be approximately the same as the relation of the 83.52 percent of the tonnage included in his study.

Texas intrastate rates are generally lower than (and in other instances the same as) the rates on the same commodities in central territory with respect to the following commodities or commodity groups: Brick (common and face); calves, cattle, goats, hogs, and sheep (stocker or feeder); canned goods; carbon, activated; cotton and linters; cottonseed; cottonseed cake; cottonseed meal; crude sulphur; food preparations; fruits, citrus; fuller's earth; grain, coarse; horses and mules; meat, fresh; nursery stock, dormant; nursery stock, trees, shrubs; oil, cooking vegetable; paper, newsprint; plaster; plasterboard; posts, poles, and piling; rice, rough; pulpwood; roadbuilding materials, including sand, gravel, and crushed stone; scrap iron; tile, drain; potatoes and 20 other fresh or green vegetables; vinegar; and wheat.

The Texas intrastate rates are higher than central territory rates on the following commodities: Acids, muriatic and sulphuric; beer and carbonated beverages; box and crate material; calves, cattle, goats, hogs, and sheep (except stocker or feeder); cement; cheese, in less than carloads; containers, beverage; cotton piece goods; feed, citrus pulp; fertilizer and fertilizer compounds; gas, liquefied petroleum; gasoline; junk, scrap brass, et cetera; kerosene; lime; lumber; oil, crude; oil, lubricating; paper, scrap; parts, plow or cultivator; pipe, cast-iron; pipe, wrought-iron and steel; roofing, prepared; sugar; and tankage.

In preceding cases before us extending over many years the position generally taken by western shipper interests, particularly those in western trunk-line territory, was that the west-bound rates from official territory were too high to permit jobbers in the West and Southwest to distribute their products in competition with eastern manufacturers. In this proceeding the western interests have shifted their position and now lay emphasis upon the alleged unlawfulness of the east-bound rates. The adoption of the eastern scale for application between official territory and western trunk-line territory and the Southwest would benefit eastern manufacturers because it would reduce the spread now existing between rates from the East and those from western trunk-line and southwestern manufacturing points to a common destination in the last-mentioned territories.

Since 1887, we have made more than 200 reports dealing with class rates within, to, or from western trunk-line territory. Many of these, arising upon complaints of private interests or State commissions, constituted efforts to obtain reduced rates from the East to the West on various manufactured articles. The western and western-southern revisions were the culmination of the foregoing proceedings. In the former there were 18,300 pages of testimony and 1,700 exhibits.

The western trunk-line revision was an outgrowth of Ex Parte No. 87 (Sub-No. 1), in which the western-district carriers had sought increases in their revenues. As a result of our decisions in that revision, the class rates in the eastern portion of western trunk-line territory were increased, but for the extreme distances in the territory the rates were sharply reduced. Thus, the class 100 rate from Chicago to Denver was reduced from 273.5 cents to 254 cents, which by the general increase of 1938 became 279 cents. The interterritorial rates, which usually had been made by combination of certain rates, were reduced, particularly for the long hauls. For example, changes in class 100 rates to Denver were: From Cleveland, Ohio, from 349.5 cents to 289 cents, now 318 cents; New York from 412 cents to 350 cents, now 385 cents; and Boston from 412 to 362 cents, now 398 cents.

The increases granted, particularly on short hauls, have been nullified to a considerable extent by reductions because of motortruck competition. Another result of the western revision was the establishment of the interterritorial key rates prescribed therein on a lower level than would have obtained if the rates between the key points had been based on the distance scales. Thus, reductions in interterritorial rates between key points were even greater than would have resulted from applying the scales; but the key rates are applicable also to and from substantial groups [illegible] intermediate points as to many of which such rates are higher than if distance basis of rates were applied to their individual distances.

In the original report in the western trunk-line revision, we prescribed 22 scales lower than class 100, ranging downward from 92.5 to

13 percent thereof, and suggested that future needs for more classes should be anticipated. The present tariffs of western trunk-line railroads provide 86 columns of rates lower than class 100, the lowest being 9 percent. Between points in central and western trunk-line territories, where official classification governs rates east-bound, the railroads have published 122 columns of rates lower than class 100, and where western classification governs west-bound, 110 columns lower than class 100. In the western-southern revision, we required publication of the same 22 columns lower than class 100, but the railroads provided 49 columns south-bound and 46 columns north-bound. Since the original publication 44 additional columns have been established south-bound and 20 additional columns north-bound.

The percentage columns of rates which have been set up within the prescribed rate structures represent: (1) Those we required; (2) those established by the railroads to meet truck competition; and (3) those established for the purpose of working into the rate structure the percentage increases authorized in general revenue proceedings. The latter required, in many instances, intermediate columns.

The Northern Pacific and Great Northern railroads, neither of which is a member of the western trunk-line committee, referred to the fact that years ago class rates between points in Minnesota and North Dakota north and west of the Twin Cities, and points east and south thereof, including official territory, were made by combination of rates based on the Twin Cities, the eastern termini of these northern lines. Sharp reductions occurred in the combinations when they were replaced by the joint rates prescribed in the original report in the western trunk-line revision; but the modifications effected by the sixth supplemental report in that revision raised the rates somewhat, especially for the longer hauls. Although not entirely satisfied with the present class-rate adjustment, these railroads are aware of no circumstances in their territory warranting any basic change therein.

Referring to the proposals herein made by the western trunk-line and southwestern interests advocating changes in the existing rate structures, respondents point out that, except for the proposal for uniformity, essentially the same character of evidence was introduced and the same contentions are made as were before us in the proceedings in which the general revisions of the western trunk-line and southwestern rate structures were made.

An elaborate statistical analysis of economic conditions in selected portions of western trunk-line and central territories was introduced in evidence by respondents. Its purpose was to show that there have not been sufficient changes in such conditions since the western revision to justify the remaking of the zones or leveling of the class rates.

The opposition of the western respondents to the suggested uniformity of class rates may be summarized as follows:

1. The proposal does violence to rules of rate making which have been evolved through decades of experience of this Commission, railroads, and industries.

2. It rests upon false premises.

3. It evades the facts which must underlie any freight-rate adjustment if that adjustment is to have commercial vitality.

4. The suggestion presupposes a country compact and homogeneous throughout its extent, a national commerce of even flow and character, business methods and practices without conflicting interests, and railroad systems which function under identical circumstances and ownership.

5. It involves the merging of unlike things, or the transfer of the peculiar conditions of one section to another section on the fiction that rates need not bear any relation to conditions as they actually exist.

6. It will not accelerate industrial expansion in the West, but, to the extent that "uniformity" is obtained through rate reductions, will admit manufactured products from eastern plants to the West on lower charges and bring revenue losses to these respondents.

7. Such a class-rate readjustment must necessarily exert both direct and indirect influences upon other types of rates, since charges upon high-grade traffic quickly become standards for measuring other rates, and since uniformity in class rates can serve to incite demands for uniformity in other rates.

8. The present intraterritorial and interterritorial class rates were prescribed by us as just, reasonable, and nondiscriminatory under conditions not disturbed by the war, and parties to this proceeding have offered no evidence that such rates have become unjust, unreasonable, or unduly discriminatory by virtue of any pertinent change in conditions. These respondents have reduced many of their charges to levels below the maxima authorized by the publication of classification exceptions or commodity rates, all to the avantage of the public.

MOTOR CARRIERS

Several motor-carrier associations and territorial rate bureaus and conferences introduced evidence. Their interest in this proceeding is to protect motor carriers against a policy of rate making which they consider to be detrimental to them. This policy is said to be the practice of charging noncompetitive traffic of the railroads with operating deficits resulting from noncompensatory rates on rail traffic for which the motor carriers compete. They contend that this policy, if carried far enough, may eliminate the motor carrier not only from the competitive field, but from the field where it is the economical and efficient agency of transportation.

The motor carriers declare that there are three fields of competitive influence between the railroads and the motor carriers. In the first and largest, where the great preponderance of the traffic and revenues exists, the railroads are the most efficient and economical carrier. The second field is a smaller one and includes the class-rate traffic involved in this proceeding, and is divided between the two types of carriers. In the third field, a still smaller one, which includes less-than-truck-load and less-than-carload traffic the motor carriers are said to be the efficient and economical carrier.

They conclude from the Edwards cost studies that many of the existing class rates of the railroads, particularly on less-than-carload traffic, are below marginal cost. Such cost is described as the cost of handling traffic, or a particular class of traffic, which varies more or less directly with the volume of the traffic handled, and is substantially the same as out-of-pocket cost. The motor carriers therefore suggest that separate carload and less-than-carload scales of reasonable class rates be prescribed on bases no less than the compensatory cost of providing the service, surcharged to take into account the fact that the value of the service to class traffic is greater than to any other type of traffic. The term "compensatory cost" is described as the full, distributed cost, including direct, indirect and overhead expenses, charges, and deductions from operating revenue or income, and also the return on value.

They advocate further that, in order to preserve competition between carriers, the prescribed maximum rates should be observed as minimum rates, except where lower rates are necessary to enable respondents to meet those of competing carriers of any type, in which case the marginal cost (out-of-pocket cost) of providing the service should be observed as a minimum.

As a permanent adjustment, these motor-carrier interests favor a uniform classification throughout the United States, to apply on both rail and motor-carrier traffic, but before such a classification can be made effective, they insist that a traffic test should be made in order to determine the effect of the new classification upon the revenues of the carriers. At the hearings they presented a plan for a new classification which has been described in part I of this report, but they do not recommend that this plan be adopted prior to the traffic test. They do not believe that a reliable traffic test can be made until after the termination of the war.

As a temporary adjustment, they suggest that the application of the official classification be extended to all of the territory east of the

Mississippi River, which would include southern territory, and that it be made to apply in connection with scales of class rates constructed according to a plan advocated in their brief. This plan would recognize the important elements of a reasonable rate, namely, the cost of providing the service, the value of the service to the particular traffic or shippers involved, and equality of treatment, but none of these elements would constitute the exclusive criterion.

For the purpose of constructing the class-rate scales the motor carriers accept, with some qualifications, as compensatory costs the costs in the Edwards cost studies introduced at the St. Louis hearing. But they consider to be erroneous the treatment according constant expenses in the later Edwards cost studies introduced at the Indianapolis hearing, in which constant costs were distributed over the revenue-producing units of traffic (that is, revenue tons and revenue ton-miles). In their view this distribution wholly ignores not only wide differences in ability to pay and value of service, but large differences in actual service costs. They submit that it is erroneous to distribute costs upon any basis except that of service, and therefore adopt the basis for distributing constant costs used in the original studies introduced at the St. Louis hearing, namely, on the basis of the directly assigned costs. As indicated in the section of this report dealing with the cost studies, we believe the methods used in the later studies more nearly reflect actual costs.

In their computations, the motor carriers made a test to determine if the year 1939 was typical of normal conditions. They did this by applying the unit costs for 1939, as determined by the Edwards cost studies to the traffic of the succeeding years of 1940, 1941, and 1942, when traffic reached all-time peaks. This test showed that aggregate costs for 1939 were within one-half of 1 percent of the aggregate 1940 costs, within 5 percent of the 1941 costs, and within 18 percent of the aggregate 1942 costs. Despite the tremendous increases in traffic in the years after 1939, the 1939 unit costs are shown to be the lowest. They therefore assume that the 1939 costs are typical of normal conditions, since it is quite unlikely under normal conditions that there would be any greater variation than that between 1939 and the immediately succeeding years.

The motor-carrier interveners contend that less-than-carload traffic is being handled not only at a loss when all costs are included, but at an actual out-of-pocket loss. They conclude that different class-rate scales should be prescribed for less-than-carload traffic than for carload traffic. They submit that there is no justification for charging the less-than-carload revenue deficiency to carload traffic, particularly to such essential commodities as coal, grain, farm products and the like.

They also contend that less-than-carload traffic is usually the type of traffic best able to bear its full share of the transportation burden.

The next element considered in the construction of the scales is value of the service, which has always been given greater consideration in the construction of class rates because of the relatively higher value of the articles which move thereunder. In order that this element be evaluated, the motor carriers consider it necessary to consider class-rate traffic as a whole, and commodity-rate traffic as a whole. A correct and permanent evaluation of this element could only be made after a comprehensive analysis of normal traffic flow and movement, and the data for such an analysis could be obtained only by a traffic test.

As previously stated, the official classification is suggested by the motor carriers for temporary application in the area east of the Mississippi River. For the purpose of constructing their proposed class-rate scales to apply temporarily in that area, the value of service element is evaluated by relating the revenues received from class-rated traffic to the full cost of that traffic in official territory. Excess over cost, assuming that carload traffic is being handled at a profit, is treated as the surcharge above cost which inheres in the present carload class rates under the official classification. The computation shows that carload class traffic in official territory produced revenues in 1939 which, including profit, were 136 percent of costs. This percentage is adopted by the motor carriers as indicating the weight given to value of service in the official classification to traffic now moved at class rates under that classification; and also as indicating the weight to be given to that element to traffic hereafter moved in the proposed new eastern-southern territory under such classification.

As motor carriers actively compete with railroads for less-than-carload traffic, it is assumed that the commodity content of railroad less-than-carload traffic is not materially different from the traffic transported by motor carriers. It is also assumed that the commodity content of less-than-carload traffic is substantially the same as that of carload class-rate traffic. Therefore, the same surcharge is used for less-than-carload traffic as determined for movements of carload class-rate traffic.

The next step was to determine the number of class scales necessary to take into account the wide variations in cost due to difference in net load of the car, and to expand into the six primary classes of the official classification the single or composite scale made up of the average line-haul and terminal costs. The average railroad load of 10 tons in 1942 was used as the basis of the less-than-carload scale. Average net loads in 1939 of carload class traffic in both official and southern territories varied from less than 10 tons to more than 40 tons. Included within these limits are three fairly well-defined and more or less homogeneous weight groups. These are a light-loading group averaging a little in excess of 10 tons per car, a median group slightly in excess of 20 tons per car, and a heavy group averaging about 30 tons per car. The motor carriers suggest three carload scales to include commodities having the average loadings shown:

Scale I. Light-loading commodities, minimum weight between 5 and 15 tons, average load between 8 and 12 tons.

Scale II. Median-loading commodities, minimum weight between 15 and 20 tons, average load between 18 and 22 tons.

Scale III. Heavy-loading commodities, minimum weight of 20 tons or more, average load of over 20 tons.

To arrive at the average or composite revenue per 100 pounds for the average distance on carload class traffic, the motor carriers grouped 39 statistical class carload groups into the three carload weight groups previously described in accordance with their respective average loads in official territory for 1939, showing for each commodity and group the revenues, tons, ton-miles, and average haul, and computed the composite rate and its relation (composite rating) to the actual first-class rate. The service unit costs were then converted into price unit costs, and the resulting less-than-carload and carload line-haul and terminal factors, increased 10 percent for circuity and 36 percent for value of the service, were then expanded into first-class rate factors by dividing by the composite ratings.

A summary of the first-class scales thus arrived at, compared with the eastern and southern first-class rates, is shown in the following table:

Proposed compensatory scales

Miles	Present first-class rates		Proposed first-class rates			
	Official	Southern	Less carload	Carload minimum weight		
				Under 15 tons	15 to 20 tons	Over 20 tons
	Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
10	34	40	116	44	37	29
50	47	57	126	54	45	36
100	62	79	137	65	56	46
150	73	96	149	77	67	55
200	80	112	161	89	79	65
300	96	134	184	113	101	85
400	109	156	206	136	123	105
500	122	173	232	160	145	125
700	149	206	279	207	180	156
900	171	228	326	254	233	[illegible]
1,000	182	254	360	278	265	[illegible]
1,200	204	286	397	325	300	[illegible]
1,400	226	318	446	373	344	[illegible]

For the purpose of testing the revenue results of the proposed carload scales, a comparison was made of the 1939 revenues in official and southern territories for the three carload commodity groups set up by the motor carriers with the revenues which would result by applying to such traffic the carload rates under the proposed scales. This comparison shows that in the East there would be gains in revenues of 25.1 percent in scale I commodities, 9.2 percent in scale II commodities, and a loss of 14.3 percent in scale III commodities. The overall gain in the East is shown to be $13,600,000. In the South, there would be a gain of 2.5 percent in scale II commodities, and losses of 1.2 percent and 12.5 percent in scale I and scale III commodities, respectively. The overall result in the South would be a loss of $1,070,000. With respect to less-than-carload traffic, the overall gain in the East would be $104,000,000, and in the South $37,000,000.

The increase in less-than-carload revenues indicated would, in the opinion of the motor carriers, be greater than would be actually realized, it being their conviction that on the basis of motor-carrier costs introduced in other proceedings maximum reasonable rates of motor carriers would be on a lower basis than many of the compensatory class rates which they propose for the railroads; and that this situation would result in the voluntary reduction by the railroads of their rates to the level of reasonable rates based upon truck costs, in order that the railroads could compete with the motor carriers ~~for less~~-than-carload traffic.

The position of the motor carriers is, however, that to preserve competition and to avoid unjust inequalities, the railroads should not be permitted to depart from the prescribed reasonable compensatory rates, except to the extent necessary to meet the competition of other carriers, rail or motor, and that when there is such departure, they should be required to observe marginal cost scales as minima. They state that it is possible for railroads to reduce class rates to a level at which the motor carrier cannot operate and to make up the deficit resulting from the handling of this traffic by applying higher rates on noncompetitive traffic; and unless the railroads are prevented from going below a minimum basis on the competitive traffic, competition by motor carrier will eventually be eliminated.

They, therefore, suggest so-called marginal scales for carload and less-than-carload traffic, constructed substantially the same as the proposed compensatory scales, and differing only in the following respects: (1) Only the out-of-pocket cost is included in the scale; (2) circuity is taken into consideration, but not the element of value of service; (3) only one class is provided for the marginal scales because they represent the minimum cost of providing service for any class traffic. The proposed marginal scales are shown in the following table:

Proposed marginal scales

Miles	Less than carload	Carload		
		Under 15 tons	15 to 20 tons	Over 20 tons
	Cents	*Cents*	*Cents*	*Cents*
10	42	12	6	3
50	45	14	7	4
100	48	16	9	5
150	52	19	10	6
200	56	21	11	7
300	63	27	14	9
400	70	32	17	11
500	78	37	20	13
700	93	47	26	17
900	108	57	32	21
1,000	115	62	35	23
1,200	130	73	41	27
1,400	145	83	47	31

With respect to rates in the area west of the Mississippi River, the motor carriers had little to say, except to insist that the rate level there should be higher than in the East.

In order to assure stability in the operations of both types of carriers, the motor carriers strongly urge that the classifications and the rate scales be established concurrently for both rail carriers and motor carriers.

STAFF RATE-STRUCTURE STUDIES

Prior to the first hearing, a study entitled "Some Suggestions for Improvements in Railroad Class Rates," previously referred to in part I, was prepared by a rate specialist on our staff, and was distributed to the public. It was introduced in evidence at the St. Louis hearing, and its author, who at that time was our classification expert, was made available for examination. The study had not been approved by us and reflects only the views of its author. It is not based upon the evidence of record. Suggestions made in the study did not meet with the approval of the parties, except that the suggestion advocating removal of the Florida arbitraries was favored by southern proponents of changes in the class-rate structure. Most of the other suggestions were strongly opposed. We have given consideration to this testimony, and our own views on the matters discussed appear elsewhere herein.

GENERAL CONCLUSIONS AND ULTIMATE FINDINGS

NATURE AND SCOPE OF THE EVIDENCE

Appropriate to the breadth and variety of the interests involved in this proceeding, the record has not been narrowly restricted to rate comparisons and the competitive and other effects of rates upon particuluar industries or individual shippers, but has been developed within a sufficiently broad perspective to permit us to consider all the essential circumstances and conditions which affect the welfare of carriers, of producers, shippers, and consumers, and of localities, districts, regions, and territories. More specifically, cost of service has been explored and analyzed more comprehensively and thoroughly than in any other similar investigation. Studies and analyses have also been made of the natural resources of the areas concerned and of the growth and development of these areas in terms of agricultural, forest, and mineral production, manufacturing, and distribution of population. Other analyses have dealt with the composition and movement of traffic and with employment, labor, and income.

The record also affords us an opportunity to analyze and appraise the functioning over a period of more than 12 years of different territorial class-rate structures. It enables us also to compare the results of such a test one with another, to check such results with the purposes intended to be accomplished when these rate structures were prescribed, and on the whole to translate into our conclusions all the lessons thus learned by experience.

In the former general class-rate revisions attention centered primarily in the prescription of more uniform adjustments of rates to fit the local conditions prevailing within each of the four major class-rate territories included in the present investigation. The nature and sequence of those proceedings did not permit a simultaneous harmonization or integration of the several intraterritorial class-rate structures. Each of the above-mentioned intraterritorial revisions represented a marked improvement over the rate situation previously existing, and each of them corrected numerous discriminations that had long existed within the respective territories, and resulted in much more harmonious intraterritorial rate adjustments. In the present investigation the principal emphasis has turned towards the problem of harmonizing the widely differing intraterritorial class-rate structures of the various territories. Cost studies of the character of those introduced into the record in this proceeding were not before us in the former investigations.

RECENT AMENDMENTS OF THE ACT

While the rates in issue in this proceeding are to be tested by all pertinent provisions of the act, it is important to give particular attention to certain amendatory legislation which Congress has recently enacted. By the Transportation Act of 1940, section 3 (1) of the act was amended by the addition of the words "region, district.

territory." Coupled with that amendment was a provision designated as section 5 (b) of the amendatory act of 1940. It authorized and directed us to investigate the rates on manufactured products, agricultural commodities, and raw materials between and within classification territories for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness found to exist. As previously explained herein, we have advised Congress that it might consider the instant proceeding as an investigation under this special legislation.

Another new provision was attached to the Transportation Act of 1940 and designated as the "National Transportation Policy." In general terms, Congress undertook to express the policy which it had in mind in providing for the regulation of all modes of transportation and required that all provisions of the act shall be administered and enforced with a view of carrying out that policy. One of the declared purposes in this declaration of policy is "to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices."

Have these amendments to the act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject? In seeking an answer to this question it is pertinent and helpful to review briefly the legislative background of these amendments.

Unjust discrimination in various forms was the principal evil aimed at in the original Act to Regulate Commerce. *Louisville & Nashville R. Co.* v. *United States*, 282 U. S. 740. The major antidiscrimination provisions of the act, sections 2 and 3, were modeled upon the English Railways Act of 1854. *Import Rate Case*, 162 U. S. 197. The United States Supreme Court declared in *The Shreveport* case, 234 U. S. 342, referring particularly to section 3 which had remained unchanged up to that time since its original enactment, that the language "is certainly sweeping enough to embrace all the discriminations of the sort described which it was within the power of Congress to condemn." As originally enacted and as it remained until 1940, section 3 did not in terms specifically prohibit discrimination against a region, district, or territory. It specified, after the amendment of 1935 hereinafter discussed, only a person, company, firm, corporation, association, locality, port, port district, gateway, transit point, or particular description of traffic. The only word in that series that refers to a geographical unit (other than any one of those in the subseries concerning the special subject of ports and other gateways, not here apposite) is "locality." This word can apply to a region, district, or territory only in a plural sense. When used in that sense, however, the remaining is not as appropriate as that denoted by the more exact words added in 1940, since an aggregation or plurality of localities is not the same thing as a region, district, or territory. The same observation might be made also as to the other objects mentioned in this section—person, company, firm, corporation, or association. Assuming that those words are sufficient to comprehend all shippers and receivers of freight in any given region, district, or territory—and they undoubtedly are—they do not have the same significance as the latter group of words. A region, district, or territory usually imports a definite entity, geographically, economically, and socially, and the word "territory" as applied to rate making has come to have a special meaning of its own, indicating a separate and distinct rate structure. The legislative history of the amendment of 1940 discloses quite clearly that Congress was aware of that special transportation significance.

The amendment of 1935 was the result of a decision of the Supreme Court in *Texas & P. Ry. Co.* v. *United States*, 289 U. S. 627, holding that the word "locality" did not include a port or port district. Congress corrected this deficiency by an act approved August 12, 1935 (49 Stat. L. 607) in which "port, port district, gateway, transit point" were added to section 3 (1). We had occasion to pass upon the effect of this amendment in *Albany Port District Comm.* v. *Ahnapee & W. Ry. Co.*, 219 I. C. C. 151. The Albany Port District, by complaint before us, had contended that the existing adjustment of rates on export, import, coastwise, and intercoastal traffic precluded its development as a port district inasmuch as lower rates on similar traffic applied to and from other north Atlantic ports. The defendants, relying upon the decision of the Supreme Court in *Texas & P. Ry. Co.* v. *United States*, *supra*, and other cases, contended that they could not be held liable for undue prejudice against the port of Albany, the traffic through that port, or shippers of such traffic, because there was no common source of discrimination and because no one carrier or group of carriers could remedy the situation under an alternative order issued in conformity with section 3 (1) of the act. In answer to that contention, we first examined the rate structure which caused the complaint of the Albany Port District and found that it was not a "loose aggregation of separately established rates, but a single entity composed of interrelated rates bound together by the port differentials." Then, after tracing the legislative history of the amendment, we declared that it was intended to cover just such situations. The description of the rates of which the Albany Port District complained—that is, that they are not a loose aggregation of separately established rates but a single entity composed of interrelated rates—is particularly apropos of the territorial and interterritorial rate structures with which we are concerned in this proceeding.

Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments[11]—

---

[11] The amendment enacted in 1940 to section 3 (1) of the act was contained in a Senate bill designated S. 2009. That bill was reported favorably by the Senate Committee on Interstate Commerce in Report No. 433, 76th Congress, 1st Session, which was presented to the Senate by Chairman Wheeler of that committee on May 16, 1939. At page 11 of that report, the committee stated with respect to section 3 (1): "There has been no substantial change therein, except that the words 'region, district, and territory' appearing in lines 20 and 23 on page 26 have been inserted." In explanation of this amendment, Chairman Wheeler said to the Senate on May 22, 1939: "The previous provision with regard to 'discrimination' simply referred to discrimination as to 'locality, port, port district, gateway, transit point' without specifying the region, district or territory. So we felt that by broadening the language we would at least take away that excuse, and we would provide expressly that the Commission should not discriminate in its rate structures." (Congressional Record, page 5889, vol. 84, part 6, 76th Congress, 1st Session.)

This bill was debated further in the Senate on May 24, 1939. With respect to another amendment for the removal of rate discriminations between territories that had been proposed by Senator Miller of Arkansas, Chairman Wheeler said: "The amendment, in my judgment, would not do what the Senator from Arkansas wants to do with reference to discrimination. Let me say to the Senator that the amendments we have already put into the bill go much further toward accomplishing the purpose the Senator has in mind than would this amendment. I am in thorough accord with the statements made by the Senator from Arkansas with reference to discriminations. I think they ought to be stopped, and if the Commission pursues the investigation and follows what we have laid down in this bill, many of the discriminations between territories will be eliminated. A great many are absolutely arbitrary, and it seems to me without any justification." (Congressional Record, pages 6071 and 6072, vol. 84, part 6.) Thereupon Senator George commented as follows: "I am glad to hear the distinguished Senator make that statement, because it seems to me to be more important, and I dare say it is more important as the coming days of the Congress must demonstrate, that we establish just and nondiscriminatory rates between the various regions than to continue even a rate that may not be justified in a particular region." On the same page of the Record (6072) is found this question directed by Senator George to Senator Wheeler with respect to the amendment of section 3 (1) of the act: "The Senator thinks that it will make toward the equalization of rates in the various regions?" To this question, Senator Wheeler replied: "I do not think there is any doubt about that at all, because that is the purpose of the bill; it is the intention of the bill."

This bill (S. 2009) passed the Senate on May 25, 1939, and was sent to the House. After consideration of the bill by the House Committee on Interstate and Foreign Commerce, Chairman Lea of that committee reported it to the House without appreciable change in the amendment to section 3 (1) of the act that had been approved by the Senate. With reference to this amendment and the provision coupled with it (known in the House as the Ramspeck resolution) which directed us to investigate interterritorial and intraterritorial rates, Chairman Lea said to the House on July 21, 1939: "Now I want to refer for a moment to the Ramspeck resolution. That is embodied in this bill. It directs the Interstate Commerce Commission to make an investigation of certain freight differentials, and then to make the orders that are necessary to remove the unlawfulness of rates found to be unlawful. It further provides, in the provisions prohibiting discriminations, the protection of territories and districts. In my judgment that resolution is directed at what is one of the most important situations in rate structure. It points to a place in our rate structure where the greatest opportunity to help our transportation system on an economic basis lies. The correction of that condition would serve the interests of shippers and carriers alike." (Congressional Record, page 9705, vol. 84, part 9, 76th Congress, 1st Session.)

On July 26, 1939, the House passed this bill as amended, and sent it to conference with the Senate. After the conference report had been adopted by the Senate, Senator Hill, chairman of a subcommittee that had held hearings on the measure, stated to the Senate all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country. The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected.

COSTS OF SERVICE GENERALLY

Since the inception of Federal regulation of common carriers cost of service has been recognized as one of the basic elements entering into the process of making and judging rates. It has never been out of mind even though it has not always been in sight. *Lake Cargo Coal Rates, 1925*, 101 I. C. C. 513. The reality of costs in the rendition of transportation service is indisputable. The problem, from the standpoint of rate making and rate regulation, is to convert such costs into practicable and usable terms. Cost finding as applied to common carriers has been and still is a progressive science. The carriers have never installed or observed, because of the expense involved, a system of routine cost accounting. All cost calculations and computations, therefore, of necessity must be made by special studies. In making these studies the data afforded by the carriers' records, which are kept in accordance with our prescribed system of accounting, have been used as a base, but this material has generally been supplemented and

---

on September 9, 1940, with respect to the amendments here considered: "Under these amendments any undue or unreasonable preference or advantage of one region, district, or territory over another region, district, or territory is made unlawful and prohibited and the Interstate Commerce Commission is directed to investigate immediately and upon finding such undue or unreasonable preference or advantage to exist to enter such orders as may be necessary for the removal of same. Under these amendments now to become the law of the land the unjust and unfair discriminations between sections in freight rates should be removed and all sections of our country permitted to enjoy that development and prosperity to which the character and genius of their people and their natural resources entitle them." (Congressional Record, page 5553, appendix, vol. 86, part 17, 76th Congress, 3rd Session.)

reinforced by such special information and field investigations as the necessities in each case have required. Pursuit of this method of cost finding over the years has enabled us, with the assistance of the carriers, shippers, and other students of the subject, to make extensive progress in this field. While perfection has not been attained, we are convinced that the studies made and presented by members of our staff as evidence in this proceeding possess sufficient attributes of accuracy to enable us to rely upon them in reaching our conclusions. Respondents have not supplied us with any better ones, although they have, through their criticisms and suggestions, enabled us to make a better analysis and appraisal of those introduced by members of our own staff.

There are different degrees of refinement in costs depending upon the purposes for which the costs are intended. The ascertainment of the costs of transporting a particular commodity over a single railroad or a group of roads, for instance, obviously requires more refinement in procedure than the calculation of relative costs for transporting all traffic, or important and well-defined segments of traffic, by territorial groups of carriers. It is the latter type of cost computation that we now have before us. The methods employed, the procedures followed, and the results obtained have been previously explained and discussed.

Discretion and flexibility of judgment within reasonable limits have always attended the use of costs in the making of rates. Costs alone do not determine the maximum limits of rates. Neither do they control the contours of rate scales or fix the relations between rates or between rate scales. Other factors along with costs must be considered and given due weight in these aspects of rate making. Out-of-pocket costs, however, should ordinarily establish the floor of all rates. Rates yielding merely out-of-pocket costs have been condemned as being less than reasonable minima. *Freight, All Kinds, Lincoln, Omaha, and Nebraska Points*, 32 M. C. C. 339; *Petroleum from South Atlantic Ports to Southeast*, 245 I. C. C. 23; *All Freight from Eastern Ports to the South*, 251 I. C. C. 361. Rates which yield something more than out-of-pocket costs have also been found to be less than reasonable minima. *Petroleum Between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609; order sustained, *Scandrett* v. *United States*, 32 Fed. Supp. 995, *Scandrett* v. *United States*, 312 U. S. 661.

Moreover, it has long been recognized that it is unwise from the standpoint of both shippers and carriers to attempt to reflect in any rate schedule or rate structure all the minute and unsubstantial variations in the costs of service that occur on different divisions or segments of the same railroad or between individual railroads or groups of railroads. The tendency has been, rather, to deal with average costs in such manner as to avoid needless rate variations and to permit the freest possible movement of traffic. We recognized this principle very early in our existence. *In re Proposed Advances in Freight Rates*, 9 I. C. C. 382; *City of Spokane* v. *Northern Pac. Ry. Co.*, 15 I. C. C. 376; *Kindel* v. *New York, N. H. & H. R. Co.*, 15 I. C. C. 555; *Receivers & Shippers Assn.* v. *C., N. O. & T. P. Ry. Co.*, 18 I. C. C. 440; *Commercial Club, Salt Lake City* v. *A., T. & S. F. Ry. Co.*, 19 I. C. C. 218; *Advance in Rates—Eastern Case*, 20 I. C. C. 243; *Lum* v. *Great Northern Ry.*, 33 I. C. C. 541, and have followed it ever since. The rule of rate making embodied in section 15a of the act emphasizes and accentuates the importance of this principle.

Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified.

CONSISTS OF TRAFFIC AND DISTRIBUTION OF GENERAL RATE BURDEN

Respondents' principal argument against a uniform level of class rates in the rate-making territories here under consideration is that the consists of traffic in the several territories, particularly in southern, southwestern, and western trunk-line, as compared to official, are so substantially dissimilar and variant that separate schemes of rates with different distributions of the general rate burden as between commodities and classes of traffic must prevail; and that, because of the greater percentage of high-grade traffic moving in official territory, a lower and different system of class rates is justified in that territory than in the others. These contentions and the evidence relied upon to support them have heretofore been discussed. It is only necessary here to state our final conclusions.

When analyzed in detail there are many more differences in the consists of traffic in these respective territories than when basic commodity groups, such as those used by us in the compilation of traffic statistics, are considered. Mere differences in the nomenclature or commercial characteristics of commodities, however, are of little significance in the determination of this question. The problem is primarily one of providing adequate revenues for the carriers from the traffic which they transport. It is, therefore, the revenue-producing qualities, or rate-bearing characteristics, of the commodities which compose the commerce of these territories that constitute the governing factor in this situation. The fact that phosphate rock moves regularly in substantial volume by railroad in southern territory while moving only sporadically and in small quantities in each of the other territories, for instance, means little or nothing if some other commodity or commodities with equal revenue-producing potentialities are at hand to take the place of it in the general rate structure of the other territories. Furthermore, a large and increasing volume of traffic flows across territorial boundaries and thus becomes common to two or more territories. When analyzed in this light, the differences that exist in the consists of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in class rates.

The record discloses that the class rates are substantially higher in southern, southwestern, and western trunk-line territories than in official territory, and that the interterritorial class rates between official and the other territories are substantially higher than those in official territory. These differences have resulted in a greatly diminished use of class rates and the establishment of numerous exceptions to the classifications, together with column and commodity rates, on a lower level than class rates. The great preponderance of traffic now moves on the exception, column, and commodity rates.

A study of the movement of all carload traffic transported on September 23, 1942, and of the revenue received therefrom affords an indication of the relative importance of the traffic moving on the several kinds of rates. In the United States, as a whole, class rates were applied on 4.1 percent of the carloads and produced 6.3 percent of the revenue; exception rates were applied on 10.7 percent of the carloads, and produced 16.1 percent of the revenue; commodity rates applied on 85.2 percent of the carloads and produced 77.6 percent of the revenue. Within the respective territories, class rates applied on 5.8 percent of the carloads in official territory, 1.8 percent in southern, 0.6 percent in western trunk-line, and 2.4 percent in southwestern. On interterritorial traffic from official territory to the other territories, the volume of movement at class rates ranged from 12.3 to 22.5 percent of the carloads. From the other territories to official territory, the movement at class rates ranged from 0.9 percent to 3.1 percent of the carloads.

Although manufacturing has grown in the South and Southwest and to a lesser extent in western trunk-line territory in the last decade, it is still vastly less in diversification and amount than in official territory. The increases in manufacturing in these territories has created a demand for rates which will at once permit the free movement of the manufactured articles, but because of the level of the intraterritorial and interterritorial class rates, such free movement has been impeded insofar as such commodities move at class rates. In most instances it has been necessary either to reduce the class-rate levels or to establish exception or commodity rates in order that the manufactured products may move freely, and this action has frequently been subject to long delays because of the failure of individual carriers or groups of carriers to agree upon a basis.

Official territory is the greatest consuming territory in the country, and is the market that nearly all manufacturers desire to reach, particularly where they have a surplus of their products to sell. In shipping to official territory, manufacturers in the other territories not only have the disadvantage of location, but are subjected to an additional burden in those instances where they must pay class rates on a much higher level than their competitors in official territory. This situation reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in official territory, tends to restrict the growth and expansion of the manufacturers in the other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories.

It is clear that the method of distribution of the rate burden between types of traffic now observed in southern, southwestern, and western trunk-line territories has resulted in rates so high that they have prevented the free movement of traffic at the rates in issue. This result is fully proved by the fact that numerous lower exception and commodity rates which move the great preponderance of the traffic and produce the great preponderance of the revenues in those territories, have been established.

One of the principal contentions of southern and western respondents, and of certain industrial interests, is that the establishment of the eastern level of class rates in the South and West will require upward revisions of exception, column, and commodity rates in order that the railroads may recoup revenue lost from the reduced class rates. They show that many of the exception and column rates in the South and West are higher than the eastern level of class rates, and contend that establishment of the eastern class-rate level in those territories would require reductions of those exception and column rates which are higher than the eastern class rates, thereby further reducing respondents' revenues. These contentions are directed against the establishment of the eastern class-rate level in the other territories but are not an answer to the claim that the differences between the intraterritorial and interterritorial class rates in and between the several territories are not justified by transportation conditions. Considerations of costs of service, consists of the traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates justify the conclusion that the class rates within southern, southwestern, and western trunk-line territories, and between those territories and official territory are unjust and unreasonable, and that the class rates to official territory from the other territories are unduly prejudicial to such other territories and unduly preferential of official territory.

COSTS OF LESS-THAN-CARLOAD SERVICE

There is another question in this proceeding concerning less-than-carload rates in all territories and between such territories in connection with which costs must be specially considered. It has been alleged by the motor-carrier interveners that the cost studies clearly demonstrate the failure of this category of rates to cover their fair share of the burden of transportation. At the present time, the same set of class rates is applicable both to carload and less-than-carload shipments, the classification being used as the means of effectuating rate differentiations between the two types of shipments. Since the prescription of these rates, the railroads have generally inaugurated pick-up and delivery service at terminals, which has augmented the costs of less-than-carload transportation. The record permits us to compare the weighted-average less-than-carload rates, as well as individual less-than-carload scales, with the computed costs for this traffic. The railroads generally load and unload less-than-carload traffic and this entails an expense not assumed in connection with carload traffic. One of the results of this method of handling less-than-carload shipments, however, is to mix freight of different classes in the same railroad car for transportation purposes, so that the costs are generally a composite of all classes of less-than-carload freight rather than a separately ascertainable figure for each commodity. The weighted-average rate is, therefore, the best criterion for judging the sufficiency of the less-than-carload rates in the light of the costs. Such an analysis unmistakably reveals the fact that less-than-carload traffic generally in all the territories is not bearing its proper share of the costs of transportation—in fact, excluding wartime loading, it is not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight.

RATE AND REVENUE COMPARISONS

Many comparisons of rates and rate levels have been made in the record before us. In some of these comparisons an attempt has been made to measure the average levels of the several territorial class-rate structures. Others have dealt with particular rate schedules; but much stress has been placed upon comparisons of average levels. Comparisons of this nature, although important as steps in the process of gaging the general effect of rate structures upon the economy of a region or territory, and upon the total revenues of the carriers, do not furnish adequate answers to complaints of individual shippers and receivers of freight. The latter are necessarily interested in the competitive problems growing out of the relations of individual rates upon the same or similar commodities, and the law recognizes such an interest. This evidence discloses extensive, widespread, and varying differences in the several territorial class-rate structures. The differences in the class rates themselves, however, are greater than the average differences in the rate structures as a whole, or than the average differences in class rates, exception rates, and column rates taken together. The basic class-rate scales not only differ in level but also in their rates of progression with distance. There are also disparities and variations in the percentage relations between the scales.

The origin of the foregoing condition as it relates to interterritorial as contrasted with intraterritorial rates may be explained by a study of our previous decisions in which the several territorial class-rate structures were prescribed. Prior to the dates of those revisions, there was a general miscellany of class rates prevailing within each territory as well as extensive differences, on the average, between the territories. Those decisions resulted in the prescription of intraterritorial class-rate structures that exhibited a marked and previously unattained degree of uniformity and consistency. They failed, however, to effectuate uniformity as between the territories. As a result of this incongruous situation, the interterritorial rates could not be properly harmonized with the intraterritorial rate structures. Interterritorial shippers using class rates are thus adversely affected, particularly when they ship into official territory where the greatest disparities between interterritorial and intraterritorial rates exist. The record indicates a distinct probability of continuing growth of interterritorial traffic as a result of changes in the economic pattern of the country. All territories are experiencing an industrial growth. This fact emphasizes the need for properly adjusted interterritorial class rates.

PURPOSES OF A CLASS-RATE SYSTEM; DEPARTURES THEREFROM IN PRESENT CLASS RATES

One of the expressed purposes in view in the prescription of the class rates in the several territories here involved was to provide class-rate systems that would actually move a substantial volume of traffic and not merely sporadic shipments of miscellaneous freight. In other words, it was felt that the proper function of a system of class rates was to serve not merely as a pattern or as points of departure for rates generally, but to take care of the needs of shippers for reasonable and nondiscriminatory rates on an important class of traffic. The evidence before use, however, indicates that in most of the territories—namely, in southern, southwestern, and western trunk-line—these purposes have not been accomplished. The same thing is true in large measure of interterritorial class rates although, percentagewise, the interterritorial class rates accommodate more traffic than the intraterritorial class rates. This situation is not true to the same extent in official territory. The system of class rates in that territory has served a relatively large volume of traffic.

The record reveals the fact that departures from the bases of class rates prescribed by us, particularly in all territories other than official, and between territories, have become widespread. One phase of these departures has taken the form of exception rates, all-commodity rates, and mixture rules which have, to a considerable degree, supplanted the application of the regular class rates. Another form of departure has centered in changes in the class-rate scales themselves for intrastate application. In some instances, the level of these intrastate rates now approach, or even equal, the official territory level. The reduced class rates are occasionally limited to apply only on less-than-carload traffic. We have also prescribed or approved reductions in the original interstate level of class rates. Instances of this kind are to be found immediately south of the border between official and southern territories in Kentucky, east Tennessee, and North Carolina. The southern carriers have voluntarily reduced in recent years, the class rates in that territory for distances from 5 to approximately 190 miles. The departures in western trunk-line and southwestern territories are more prevalent than in the South.

All the foregoing facts of record indicate that the class-rate systems originally prescribed by us in these several territories do not now serve the purposes for which they were designed.

An over-all disparity has also resulted from these changes in that while the intraterritorial structures have been disrupted by reductions in the scales themselves, the interterritorial class rates have been left on a basis, which is higher, in many instances, than the class rates in either territory of origin or the territory of destination, and the interterritorial class rates apply to a higher percent of the total interterritorial traffic than the percent of intraterritorial traffic moving on class rates.

EFFECT OF CLASS RATE DISPARITIES ON ATTAINMENT OF CLASSIFICATION UNIFORMITY

The class-rate system is not complete without a freight classification. The desirability of greater classification uniformity is elsewhere discussed in our report in this proceeding. In our annual report for 1931, however, we called attention, at page 67, to one of the deterrents against the attainment of classification uniformity which is of interest in connection with our consideration of the class-rate structures. We there said:

> Further study of the subject of classification uniformity and the experience which we have gained in recent years in fixing class rates make it increasingly apparent that, while complete unification and merger of the southern and western classifications is possible, such unification cannot be fully extended to embrace the official classification unless and until there is a closer alignment of the basic rate structures as between official territory and the other sections of the country than it has so far been found practicable to accomplish, although revisions heretofore required by us have been in that direction.

The force of that comment is apparent. A satisfactory degree of classification uniformity cannot be attained without a closer alinement of the basic class-rate structures.

SHORT- OR WEAK-LINE ARBITRARIES AND RAIL AND WATER RATES

It has been the custom heretofore to permit arbitraries to be added to the basic rates for the benefit of short or weak lines of railroad, but in only one or two instances has a request been made on this record for the continuation of such arbitraries. The evidence is therefore insufficient to enable us to determine the general question of arbitraries of this character. Rail-and-water rates are also technically included in this investigation, but at the present time the common-carrier water service along the coast has been suspended on account of the exigencies of the war. For that reason we have not had the opportunity to hear from the water lines concerning their future interest in such rates. Both of these matters, therefore, will be reserved for later consideration.

KEY POINT RATES

In all of the general class rate revisions since the southern revision we have prescribed key rates for the longer distances and have not required a rigid application of the scales or formulas adopted. All scales and formulas based on short-line mileages result in fourth-section departures over reasonably direct and heavily traveled routes. The present key class rates were designed to meet competitive conditions between related or contiguous cities, to avoid fourth-section departures, and to diminish the number of individual rates which must be computed and published. Carriers may submit for our approval key-point class rates based on the scale herein found reasonable between points where such rates were prescribed by us in the prior general class-rate revisions.

ULTIMATE FINDINGS

Upon the record, therefore, we ultimately find:

1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western

trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(*a*) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

(*b*) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(*c*) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates*, 164 I. C. C. 1, 282, contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by dropping those less than one-half and by increasing those of one-half cent or more to the next whole cent.

(*d*) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rate revisions.

(*e*) That such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

(*f*) That such revised uniform class rates and classification ratings shall be made applicable simultaneously.

In part III hereof, which follows, we will determine an interim adjustment of class rates, based upon the maintenance of the existing classifications, pending the necessary revisions of the classification and rates above required.

PART III

AD INTERIM CLASS RATE REVISION

In parts I and II of this report we have found the classification ratings and class rates involved in this proceeding to be unjust and unreasonable, and unduly and unreasonably preferential and advantageous, as well as unduly and unreasonably prejudicial and disadvantageous in certain respects for the reasons therein stated. It is our duty under section 15 (1) of the act to determine and prescribe what will be the just and reasonable rates and charges, and what classification will be just, fair, and reasonable, to be hereafter followed.

The record herein is extensive, but from the very nature of these proceedings the comprehensive basis of just and reasonable rates cannot at this time be established in connection with a uniform classification such as we have found to be required as just, fair, and reasonable, until that classification is brought into being. The comprehensive rate revision and classification unification and revision should be accomplished simultaneously, if possible. From our prior experience with extensive rate readjustments and classification proceedings, and from the record in this proceeding, we know that necessarily considerable time must elapse before the respondents can formulate and tender for our approval a classification which will conform to our finding with respect to justness, fairness, and reasonableness. The many complexities inherent in a task of such character and magnitude are inevitable. The shipping public and rate-making authorities of the States should be afforded opportunity for participation in the undertaking as far as their interests are concerned. And, as shown by the record, and as within our common knowledge, there is at the present time a shortage of men who may be devoted to such task by the respondent carriers, public authorities, including this Commission, and by shippers and their organizations. This latter condition is a direct consequence of the withdrawal of such experts from their former employment for active participation in the war.

We find, however, that in the circumstances it is possible and practicable to make certain readjustments in the existing basis of class rates, predicated upon the continued application of the existing classifications, which will be just and reasonable, which will have the effect of bringing to the minimum the preferences and prejudices which we have found to be unlawful, as completely as it is practicable now to eliminate such violations. This finding is based upon the peculiar circumstances of the present time, largely the result of the war, and because time will be needed to effectuate a classification revision and application of a scale or scales of class rates as our findings in part I and part II hereof contemplate. The adoption of the simple and direct method of rate revision which we are about to outline will conserve time, and will obviate many tariff publishing difficulties without complete revision of the classifications before us and the determination and prescription of new scales of rates based thereon.

Our general conclusions and findings heretofore made have emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures under consideration closer together in level and more upon the same pattern or scheme. We have also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The basis which we shall now outline is in harmony with that objective, and will approach, as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair, and reasonable.

We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories as those territories have heretofore been described in this report, and interterritorially between those territories, and also between those territories and official territory, as hereinbefore described, will be unjust and unreasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding. In applying the scale of minimum rates, the distances between groups or blocks of stations upon which the present class rates are based are to be observed, rather than the actual distances to or from such station, when differing therefrom.

Table of minimum class 1 (class 100) rates

Miles	Cents	Miles	Cents	Miles	Cents	Miles	Cents	Miles	Cents
5	40	160	82	580	152	1,150	234	1,775	311
10	43	170	84	600	155	1,175	237	1,800	313
15	46	180	86	620	158	1,200	240	1,825	316
20	48	190	88	640	161	1,225	244	1,850	319
25	50	200	90	660	164	1,250	247	1,875	322
30	52	210	92	680	167	1,275	250	1,900	324
35	54	220	94	700	170	1,300	253	1,925	327
40	56	230	96	720	173	1,325	257	1,950	330
45	58	240	98	740	176	1,350	260	1,975	332
50	60	260	102	760	179	1,375	263	2,000	334
55	61	280	106	780	182	1,400	266	2,025	337
60	62	300	110	800	185	1,425	269	2,050	340
65	63	320	113	825	189	1,450	272	2,075	342
70	64	340	116	850	192	1,475	275	2,100	344
75	65	360	119	875	196	1,500	278	2,125	347
80	66	380	122	900	199	1,525	281	2,150	349
85	67	400	125	925	203	1,550	284	2,175	351
90	68	420	128	950	207	1,575	287	2,200	353
95	69	440	131	975	210	1,600	290	2,250	357
100	70	460	134	1,000	213	1,625	293	2,300	361
110	72	480	137	1,025	217	1,650	296	2,350	365
120	74	500	140	1,050	221	1,675	299	2,400	369
130	76	520	143	1,075	224	1,700	302	2,450	373
140	78	540	146	1,100	227	1,725	305	2,500	376
150	80	560	149	1,125	231	1,750	308		

We find and determine that simultaneously as a part of the adjustment hereinbefore outlined, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maximum scales, superseding the intraterritorial official class-rate scale heretofore prescribed or authorized by us, subject to the qualifications hereinafter indicated, and that as so increased those scales will be just and reasonable as maxima. The increase of maximum class rates applicable within official territory is to be made by using the present current applicable class 1 rates as a base, and increasing them 10 percent. The rates on the other classes should be correspondingly increased by observing the same percentage relations to the maximum class 1 rates as thus increased that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. The same provision with respect to disposition of fractions of a cent, as to groupings, and as to the ascertainment of distance hereinbefore stated with respect to the reductions within and between other territories and between those territories and official territory, shall in like manner apply to the increases in the maximum class-rate scales within official territory herein found to be just and reasonable. This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described.

The respondents maintain flat minimum charges for each less-than-carload shipment which may be and sometimes are stated and embodied in a rule of the governing freight classifications, and in other instances in varying measure are published in freight tariffs of the respondents or in exceptions to the classifications. The minimum charge provided by the various classifications is uniformly 55 cents. While this proceeding of investigation does not extend to rules of the classification, the minimum charge stated therein is in the nature of a rate, and is so published as a matter of convenience. We therefore find and determine that the minimum charge upon class-rate shipments in the territory included in No. 28300 is within the scope of this investigation.

From the record we find and determine that in many instances when commodities transported take class rates, the respondents have extended the service of picking up and delivering shipments and perform such service under the applicable class-rate charge without additional charge therefor. We also find and determine that such pick-up and delivery service has been extended in scope largely since our findings and orders in the various proceedings hereinbefore recited which prescribed or approved the class rates in issue in this proceeding. We find and determine from the evidence of record in this proceeding, that when such service is performed the applicable class rate with the existing minimum charge as stated does not yield the out-of-pocket costs incident to the transportation service which it purports to cover. We further find that to the extent the minimum charge per shipment is less than 75 cents, it is below a just and reasonable minimum rate and charge. Upon the record as it stands, and predicated upon the adjustments for the interim period hereinbefore found to be just and reasonable, we determine and find that the minimum charge per shipment, whether pick-up and delivery service is afforded or not, whenever such charge is below 75 cents, is below the minimum of a just and reasonable rate and charge and that 75 cents is and will be a just and reasonable minimum charge to be made.

The foregoing findings and determinations are made as of the date when the order to be entered herein becomes effective. Inasmuch as these proceedings will necessarily be held open upon our docket, and as our power to suspend, modify, or set aside our orders is recognized by the act, we do not now prescribe a specified period of time during which these findings as to the interim adjustment shall continue in force, but make them as continuing until our further order.

In certain States the applicable intrastate class rates are held to a basis prescribed by us in orders entered in proceedings under section 13 (3) and (4) of the act. No especial consideration has been given to such intrastate rates in this proceeding. If any modification of our outstanding orders seems necessary, it should be sought by appropriate action as contemplated by our general rules of practice.

Our outstanding orders will be modified to the extent necessary to enable the carriers which are bound thereby to publish and file schedules embodying such increases and decreases; and authority will be given by appropriate order under section 6 of the act for the publication of simple forms of supplements to existing schedules to effectuate such increases and decreases. If carriers need relief under the provisions of section 4 of the act, we will give prompt consideration to applications therefor.

During the pendency of this proceeding the membership of the cooperating committee of State commissioners was changed by the withdrawal of Commissioners McConnaughey, of Ohio, and Murphy, of South Dakota, upon their retirement from their respective State commissions. Commissioner Doherty was assigned to replace Commissioner Murphy, and he and Commissioner Scott heard the argument. After the argument, Commissioner McConnaughey retired and was succeeded, in the spring of 1945, by Commissioner Meins, of Massachusetts. Copies of this report have been studied by all three of these cooperating commissioners, and we are authorized to say on their behalf that Commissioners Doherty and Scott agree with the conclusions and that Commissioner Meins agrees only in part.[12]

An appropriate order will be entered.

---

[12] The position of Commissioner Meins of Massachusetts is more fully set out in this footnote as follows:

"There are certain conclusions of the majority decision in which I do not concur.

"While I do not disagree that in many respects the accomplishment of a uniform classification on nation-wide basis would eventually be desirable, I do not believe that it

COMMISSIONER JOHNSON participated in the disposition of this proceeding.

---

can be accomplished immediately, and that it is unreasonable at this time when the country is engaged in armed conflict with foreign powers to attempt to arrive at a national uniform classification. In the main I agree on this question with the comment of COMMISSIONER MAHAFFIE in his separate opinion at paragraph three (3).

"I believe the accomplishment of a uniform nation-wide classification, if eventually possible, should be accomplished with the least possible violence to the now-existing rate structure established by means of the territorial classifications. For many years rates based on the existing classification area groupings have been accepted by the Commission, and it seems to me that changes in the rate structure in the various territories in the first instance, at least, can best be handled by the railroad classification committees in the various territories with their intimate knowledge of the various factors contributing to the flow of traffic in their respective groupings. The knowledge in possession of these classification committees by long experience should not be arbitrarily cast aside as they are familiar with the needs of the shippers and the public. Although uniform classification eventually may be desirable, I do not think it follows from the evidence in the case, nor is it prudent in the public interest at the present time, for the Commission to reverse the essence of its previous findings by declaring that present class rates are now, or rates in the future based on territorial divisions will be, of themselves unlawful or discriminatory.

"It seems to be unreasonable with the United States at war to expect the carriers in the several rate territories to bring about immediate agreement of a nation-wide uniform classification.

"The order of the Commission relative to *ad interim* adjustment revising the rates downward in the southern and western territories based upon evidence of cost of operation in the record in these territories may be justified, but to order arbitrarily an increase in class rates in the so-called official territory when no such increase of rates is requested by the carriers of that territory, at least in this proceeding, seems to me an unwarranted and unjustifiable burden to place upon the intraterritorial shippers in the largest industrial and manufacturing area of the country.

"If present classifications are unlawful (in which I do not concur) then the arbitrary percentage adjustments during any *ad interim* period must be equally unlawful.

"It would appear from the record that one of the purposes of national uniform classification in rates was the expectation that there would be a reduction in the aggregate number of 'commodity' and 'exception' or column rates now in effect to a great degree in the southern and western territories. The reduction recommended by the Commission in these territories in class rates I doubt would be sufficient to eliminate the majority of such existing 'exceptions', and if the minimizing of such exceptions in the various territories is a desirable goal, certainly the increase of class levels in official territory would obviously tend to increase the amount of traffic which will move in the future in official territory on 'commodity' and 'exception' rates.

"I do not believe that there is a preponderance of evidence in the record sufficient for the Commission to find that the grouping of rates in the present territorial areas are of necessity unlawful or discriminatory insofar as the difference of scale of classification in each area is concerned.

"I believe, however, that the various carriers should be directed to work toward eventual uniform classifications on a nation-wide basis if possible and allowed a reasonable period after the cessation of hostilities for the various economic adjustments which inevitably will manifest themselves after the close of the war.

"I am of the opinion that a nation-wide uniform classification is only a part of a properly balanced fair and equitable system of nation-wide carriers tariffs and in any such uniform nation-wide system the adjustment of 'commodity' and 'exception' rates is a matter which requires exhaustive study, particularly if the goal is for the hope of moving the bulk of traffic in any nation-wide class-rate structure. It is my understanding that 'commodity' rates and 'exception' rates are not subject to these proceedings which is a further reason for my disagreement with the findings of the Commission in ordering immediate nation-wide reclassification.

"The Commission's decision for nation-wide immediate reclassification comes at a time when the minds of the industrial leaders—manufacturers, producers, and shippers, as well as carriers—are bending every effort to win the war, and the attempt to bring about a peacetime revision of rate structures could well have been deferred until final victory is an accomplished fact."

MAHAFFIE, *Commissioner*, concurring in part:

The attempt to bring about uniformity in classification seems to me worth while. The effort has not been very successful up to this time but I think it should be continued. Hence I concur generally in that portion of the report which deals with Docket No. 28310. I do not agree with the findings made therein under section 3 of the act.

I also concur in the *ad interim* adjustment. The relative earnings and operating ratios of the carriers in the different districts at this time afford an opportunity more nearly to equalize rates. It appears not unlikely that before very long it may be necessary to increase freight rates in order to maintain adequate service. A horizontal increase necessarily disregards discrepancies in the earnings of individual carriers and almost equally of different groups and districts. Percentage increases accentuate differences in rate levels. The adjustment now prescribed as temporary will help to harmonize the rate levels in the different territories so far as is practicable on the basis of the present earnings. In addition it has the advantage that it can probably be put into effect without a long period of waiting and without further litigation. It can also readily be modified if changed conditions make modification desirable.

With that portion of the report which requires a permanent readjustment of class rates I do not agree. As to what I consider its defects I am in accord, in the main, with COMMISSIONER PORTER's comments in his dissent herein. In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly. The prejudice findings on which the new adjustment is largely predicated are calculated, if carried to a logical conclusion, to lead to a rigid rate structure based on mileage. While this may seem on its face to be equitable its accomplishment would entail radical industrial and agricultural readjustments. I doubt if the country should be required to incur the expense of making them.

PATTERSON, *Commissioner*, concurring in part:

I agree with much of what COMMISSIONER PORTER has to say in criticism of the majority report, but not with his conclusions. It is my view that there should be an "*ad interim* class rate revision" in connection with which an increase in official territory class rates, as contemplated by the majority report, should be tentatively approved, subject to protest and suspension, but that such increase may not be required. I find no justification for the action of the majority in entering a minimum-rate order. I concur in the view that the intraterritorial class rates in other territories, and the interterritorial class rates, are unreasonable to the extent found and should be required to be reduced as part of the *ad interim* revision. I do not, however, regard the revenues of the carriers serving these territories as excessive and, in my opinion, the reductions should not be made effective until the carriers have had an opportunity to propose and put into effect such revision of rates on other than class traffic as may be necessary to recoup the losses in revenue resulting directly or indirectly from the reductions in the class rates.

I do not subscribe to the "Ultimate Findings" of the majority. In my opinion any attempt to prescribe the rates to apply in connection with a uniform classification which is not yet in existence is premature. Orderly procedure requires, as the first step, the working out of uniform classification ratings. After this is done there should be a revision of the class rates for application in connection with the revised ratings, which should be on such a level as to move a substantially greater volume of traffic than do the present class rates, and which also should have due regard for differences in transportation conditions, the consist of the traffic, and the revenue needs of the carriers, in the different sections of the country.

Porter, *Commissioner*, dissenting:

I favor bringing together much more closely than they are now the respective class-rate structures of the country. But I am forced to dissent from the majority report, first, because of its one-sided and inadequate statement of a number of the important facts; second, because the class-rate uniformity called for by the findings of the majority, under which the same set of class rates is to be applied throughout the country from Portland, Maine, to El Paso, Tex., and from Bismarck, N. Dak., to Miami, Fla., and the manner in which it is to be accomplished, not only are without adequate support upon the record and ignore the standards of rate-making consistently followed by this Commission throughout its 58-year history, but in my opinion ignore and are contrary to the best interests of the shipping public, as well as of the railroads, in each of the territories affected; and third, because the interim steps in rate changes contemplated by the majority fall below the relief to which the southern and western shippers are presently entitled. A permanent rate basis need not await a uniform classification, which in my opinion will not be realized for at least another 10 years, but can and should be established now. My reasons in greater detail will be found below.

The principal findings of the majority are divided into two categories; those relating to a permanent adjustment of the classifications and class rates here in issue and those relating to a so-called temporary or interim adjustment. The findings having to do with the permanent adjustment, made under sections 1 and 3 of the act, contemplate:

1. A uniform classification throughout the country, based on the official classification, with intermediate and additional classes added.

2. A uniform scale of class rates throughout the portion of the country east of the Rocky Mountains, which is to approximate 115 percent of the basic scale of first-class rates prescribed in the eastern revision as increased by the general increases of 1938.

3. Percentage relations of classes other than first class to the first-class rates on the basis of those in official territory.

The findings dealing with the so-called temporary or interim adjustment, made under section 1, contemplate:

1. A reduction of 10 percent in the existing interstate class rates within southern, southwestern, and western trunk-line territories, and interterritorially, subject to a distance scale of class rates, which is about 115 percent of the eastern scale, as minima.

2. An increase of 10 percent in the existing interstate class rates within official territory.

3. The new intraterritorial and interterritorial class rates to be governed by the existing classifications and in the manner now provided for.

The interim adjustment is to continue in force until a uniform classification is prepared, preferably by the respondents with the assistance of the shipping public and rate-making authorities of the States, and the prescribed uniform class rates and the uniform classification are to become effective simultaneously at some future date.

Because of the magnitude of the issues in these proceedings and the importance to the shipping public and the railroads of the findings made, I consider it necessary to discuss the report and the findings in some detail:

Uniform classification.—I agree in principle with the finding that a uniform classification would be just and reasonable. From its inception the Commission has favored and encouraged the carriers in classification uniformity. But despite that encouragement, which has at times reached the point of insistence, approximately 40 percent of the more than 20,000 ratings in the respective classifications have not been unified. Now, suddenly, in the midst of a world war, when the railroads, the shippers, and the regulating bodies have been drained of manpower which could be made available for the purpose without hurting the war effort, the majority demand prompt revamping of nearly half of the total classification ratings affecting many thousands of important articles, among which are the most controversial and difficult in the art of commodity classification. If the war effort is not to be retarded, as of course it should not be, and if the uniform classification thus demanded of the carriers is to be just and reasonable as the law requires, we might as well face the truth that the difficult job of classification uniformity cannot be completed for many years to come. Anyone reasonably familiar with the principles of classification could tear to pieces the present classifications and compile one in which the ratings in the respective territories were uniform, and upon order from the Commission the carriers might even establish such a paper classification, but that would not bring about the use of uniform rates in actual transportation. There is room for some doubt whether uniform classification on all articles of transportation will ever be practicable, but certainly any such classification hurriedly put together will simply precipitate a multitude of additional classification exceptions and commodity rates, and a flock of complaints to this Commission, the net result of which will be defeat of the principal objective sought, namely, uniformity in transportation charges for like services under similar conditions in all of the territories concerned at the earliest practicable date.

In bringing about classification uniformity on the great bulk of the articles concerned, I know of no practicable substitute for the customary methods employed by the classification committees of the railroads themselves, who alone have, or can obtain with reasonable promptness, the mass of data which must be considered before intelligent action can be taken. Those committees should be streamlined for more prompt and more cooperative effort, supplemented where the need arises by representatives of this Commission and of the State regulatory bodies. But even if or when that is done, and if classification uniformity, so far as may be practicable, is eventually accomplished, it is more than likely that the number of classification exceptions and special commodity rates will be at least as great as now and that the proportion of the total rail traffic which will move on the uniform classification basis will be at least no greater than it is today.

For the foregoing reasons, and looking at the problems before us from a practical standpoint, while I agree that classification uniformity is a worthy objective which should be attained so far as the law demands at the earliest practicable date, I cannot believe that it will have much effect on rate uniformity. Accordingly, I see no sufficient reason for withholding a permanent class-rate adjustment until the establishment of a uniform classification, which, as stated, is many years off and may never reach complete fruition.

As I read the record, there is no greater merit in the official classification than there is in any of the others, and I am not in accord, therefore, with the finding of the majority that "the pattern of the official classification is the one which best comports with the requirements of the statute that the individual and joint classifications shall be just, fair, and reasonable, for application uniformly throughout the country." The testimony of the classification committees, who know more about it than anyone else, is that the respective classifications have been made to fit the conditions of the respective territories, and the witnesses for those committees introduced voluminous evidence in refutation of the opinions expressed by the proponents of uniformity that the official classification is superior to the others. As the record now stands, there is no evidence dealing with any individual rating and therefore no support for any change in a single rating. The "pattern" of the official classification thus laid down by the majority seems to me worse than no pattern at all.

Uniform class rates.—In my opnion, the record falls far short of supporting the finding that to be just and reasonable, and free from undue prejudice and preference, the class rates throughout the area east of the Rocky Mountains must be placed in the strait-jacket of a uniform distance scale. Even the report does not warrant such a conclusion, and it seems the majority could not quite bring themselves to make the direct finding that the class rates are and will be unlawful where and to the extent that they depart from such a scale. Nevertheless, that is the net result of the findings made, and with that result I am not in accord.

Throughout the history of its regulation, the Commission has consistently recognized what is still the fact, namely, that conditions in the various rate territories differ with respect to the volume and kind of traffic transported, the distribution of the rate burden, and the revenue needs of the railroads. These and other factors have resulted in the maintenance of different rate territories, the boundaries of which have been determined largely by the basic fact that, in general, the rails of the carriers within the respective territories do not extend beyond their borders, and in the establishment of different rate levels within those territories. In the proceedings wherein these levels were recently prescribed, we recognized that the volume of high-grade traffic was much greater and the articles included therein of much higher value in official territory than in the other territories; and that the volume of other than class-rate traffic, excluding coal, in comparison with the total traffic, was much greater, and the articles included in the other traffic of lower grade, in the other territories than in official territory. Because of these differing conditions, and the further fact that relatively lower rates were maintained on raw materials and basic commodities within the other territories than in official, we prescribed higher class-rate levels in southern, southwestern, and western trunk-line territories than in official territory.

Since the decisions in which those prescriptions were made, the situation as to volume and kind of traffic transported in the various territories has not changed, except in degree. The principal change has been in official territory where a smaller proportion of the total traffic now moves at the rates in issue. Nevertheless, according to an exhibit of record, in official territory 23.4 percent of the total traffic still moves at class rates and at exception rates which are related by percentages to the class rates, and 76.6 percent at commodity rates, as compared with only 7.8 percent at class or exception rates and 92.2 percent at commodity rates in southern territory, 0.8 and 99.2 percent, respectively, in western trunk-line territory, and 6.8 and 93.2 percent in southwestern territory.

Articles in the manufactures and miscellaneous, and products of mines groups are usually considered the most remunerative to the railroads, and those in the products of agriculture, animals and products, and products of forests groups less remunerative. In 1939, a representative year, commodities in the first two groups accounted for 87.63 percent of the total tons of carload freight carried, and 76.26 percent of the total carload revenue for class I railroads in the eastern district. Comparable figures for the southern region are 73.60 percent and 58.31 percent, respectively, and for the western district, 66.02 and 53.92 percent. Shipments in the products of agriculture, animals and products, and products of forests groups represented 10.64 percent of the total tons of carload freight carried and 14.29 percent of the total carload revenue for class I railroads in the eastern district, 23.65 percent of the tons and 30.69 percent of the revenue in the southern region, and 32.47 and 39.31 percent, respectively, in the western district.

Two classes of traffic, namely, coal and coke and iron and steel articles, move in much greater volume, constitute a far greater proportion of the total tonnage of freight handled, and provide absolutely and relatively a much larger amount of revenue in official territory than in the South. In 1939, approximately 95 percent of the coal and coke production of the country originated east of the Mississippi River, divided, official territory, including the Pocahontas region, 82.23 percent and southern territory, 12.9 percent. Excluding New England, in which there is no coal production but which imports a vast quantity, and the Pocahontas region, the coal and coke tonnage originated in official territory was 46.19 percent of the United States total. Coal and coke traffic is economical and profitable to handle. The coal traffic is more diffused and is more evenly shared by the major eastern railroads than by those in the South, where it is largely confined to four railroads, Louisville & Nashville, Southern, Illinois Central, and Clinchfield.

Official territory railroads handled 481 million tons of freight other than coal and coke in 1939, as compared with 143 million tons transported by southern railroads. Included in the former figure was a large volume of iron and steel traffic far in excess of the tonnage of like articles in southern territory. Thus, the ratios of the tonnage in iron and steel articles to the total freight tonnage handled, and of the revenue received from iron and steel tonnage to the total revenue from all freight, for the central-eastern and Great Lakes regions, which roughly constitute official territory other than the New England and Pocahontas regions, were, respectively, 15.32 and 14.66 percent, as compared with only 5.11 and 5.02 percent for the southern region. So also, the tonnage of iron and steel articles originated was 20.91 percent in the portion of official territory described and only 3.92 percent in the southern region. In 1940, 83.86 percent of the rail tonnage of iron and steel articles of the country originated in official territory, excluding New England and the Pocahontas region, as compared with only 6.65 percent in the South. The primary reason for this difference in tonnage lies in the natural advantage which accrues to the large official territory steel mills because of their location near great deposits of coal and on or close to the Great Lakes where cheap transportation of iron ore by water and, if need be, short rail hauls beyond are available. The cars used to transport ore from lake ports to the interior mills are afforded return loads by the large quantities of cargo coal moving to those ports. Moreover, the greatest consuming markets for manufactured iron and steel are in official territory.

Thus, coal, coke, and iron and steel tonnage provide official territory railroads with large sources of revenue which are available only in small degree to southern railroads. This fact affects, and in my opinion should affect, both the principles underlying the making of the northern and southern rate structures and the levels of the rates provided for class-rate traffic.

In the movement of low-grade, heavy-loading freight the situation is quite different from that portrayed above. The relative importance of the movement of two groups of low-grade commodities in 1939 for the southern region and the central-eastern and Great Lakes regions is shown in the following table. Group 1 comprises sand and gravel, broken and ground stone, phosphate rock, furnace slag, iron ore, fuel wood, pulpwood, logs, posts, poles and piling, and common brick, all of which are among the lowest-grade commodities transported. Group 2 consists mainly of manufactured goods in the category of low-grade tonnage and includes lumber, shingles and laths, box, crate, and cooperage material, built-up wood, railroad ties, products of forests, products of mines, brick, building tile, common lime, cement, fertilizers, cottonseed, crude petroleum, and asphalt.

	Commodities	Southern region	Central eastern and Great Lakes regions
Percentage tonnage handled to total tonnage all freight.[2]	Group 1	[1] 21.32	[1] 5.03
	Group 2	19.48	18.71
Total		[1] 40.80	[1] 23.74
Percentage freight revenue to total freight revenue [2]	Group 1	6.63	1.70
	Group 2	15.01	11.43
Total		[1] 21.64	[1] 13.13

[1] Excludes iron ore.
[2] Excludes coal and coke.

In 1941, the western district class I railroads operated in freight service 56.45 percent of the 230,094 miles operated in the country. But they originated only 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern roads operated 24.50 percent of the total mileage, but originated 47.40 percent of the total originated carload traffic, excluding the Pocahontas region.

An analysis of the composition of the traffic originated in these two districts shows an even greater contrast. In 1941, the western railroads originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent by carriers in the eastern district, but the volume of the products of agriculture originated in the West is only 6.33 percent of the total of all carload traffic originated in the country. In that year, the western roads originated 28.06 percent of manufactures and miscellaneous tonnage, as compared with 60.66 percent by the eastern carriers. The eastern roads' share of manufactures and miscellaneous is almost three times the tonnage of agricultural products of the western roads, and thus the eastern roads' preponderance of high-grade traffic affords a much greater source of revenue to them than do the products of agriculture to the western carriers.

In the same year, the western roads originated 63.03 percent of the total tons of animals and products originated in the country, and the eastern roads only 28.51 percent, but here again the western tonnage is less than 1 percent of the total of all carload traffic in the country. The Commission has found that livestock is a commodity which cannot be expected to do more than pay its own way, *Livestock—Western District Rules*, 176 I. C. C. 1, 83, so there can be little profit in that kind of traffic.

In 1941, western roads originated 58.73 percent of the total tons of forest products and the eastern roads 7.52 percent. The western tonnage is 3.80 percent of the United States total. Here again, this group of commodities is subject to freight rates which are not in the higher brackets. The tonnage of products of mines originated by the western roads was 33.31 percent of the total, as compared with 49.85 percent for the eastern roads, and was 17.47 percent of the United States total as compared with 26.14 percent for the eastern district. The western figures include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks.

The 13 western trunk-line and southwestern States originated a total of 258,735,397 tons of all carload freight, as contrasted with 199,140,599 tons of manufactures and miscellaneous alone originated in the eastern district.

During the period from 1921 to 1941 the revenue ton-miles per mile of line (traffic density) of the eastern railroads were more than twice, and in some years three times, those of the western roads. In 1921, the former's density was 2,357,040 and that of the latter 829,858. In 1941, corresponding figures were 3,392,964 and 1,358,041, respectively.

From the foregoing it is plain that the consist of the traffic is vastly different in official territory than it is in either southern or western territory, and that the chief difference lies in the much larger proportion and volume of the high-grade and more remunerative traffic in official than in either of the other territories. Alongside that very important fact there should be placed another, which the southern and western interests should realize is of great importance to them, namely, that on many raw or basic materials vital to the life of the South and the West, and which generally move on commodity rates, the rates in the South and the West are on a lower level than in the East. Using the South for illustration, the rates are now lower than in the East on such commodities as pig iron, pulpwood, logs, lumber, scrap iron, brick, lime, sand, gravel, crushed stone, fertilizer, and sulphuric acid. These important facts mean that the eastern roads by reason of their large volume of the more profitable traffic can render adequate service to the public with a lower rate level on other traffic, such as class-rate traffic, than can the southern and western roads. They mean also that if, as the majority here insist, that natural advantage is to be taken away from them and the class rates are to be made uniform in all of the territories east of the Rocky Mountains by increasing the eastern class rates by about 15 percent and reducing those in the other territories to that level, the ultimate result will be either that the eastern roads will make unreasonably large profits, which through divisions of the interterritorial rates they will be expected to share liberally with the southern and the western roads, and the official territory shippers and consumers will be called upon to help carry the burden thus thrust upon them by the relatively low rates on raw materials in the South and the West, or the latter rates, as well as a number of other exception and commodity rates in the West and the South, will have to be increased so as to provide the southern and western roads with sufficient revenue to enable them to continue to render adequate service to the public. To say, as do a number of the parties advocating uniformity, and as in effect does the majority report, that exception and commodity rates are not here involved and are not to be affected by what is done here, is simply playing the proverbial ostrich and should deceive no one.

One is required to guess from the text of the report the reasons which impelled the majority to prescribe a uniform scale of rates throughout this area, because the basis or bases for this finding are not clearly stated. The emphasis placed upon it in the report indicates that the cost evidence is the principal basis for the finding. It seems important, therefore, to discuss briefly the cost studies and the weight which should be accorded them.

The cost evidence was prepared by members of our staff. It does not even purport to reflect the actual or relative costs of transporting class-rate traffic in the different rate territories. The territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in certain territories selected by our cost section on traffic handled in different types of equipment, such as box, gondola, tank, stock, flat, or refrigerator cars. Class-rate traffic is not transported exclusively in any type of equipment, and although a substantial quantity is moved in boxcars, the volume of class-rate traffic transported in boxcars is much less than the volume of traffic transported in that type of equipment at exception or commodity rates. It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories.

The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things.

Moreover, the territorial subdivisions shown in the report in connection with the cost study do not reflect accurately the class-rate adjustments in the several rate territories. For example, the basic eastern scale does not apply in New England, and the basic southern scale does not apply in the Florida peninsula, but the basic eastern scale does apply in the Pocahontas region. The report does not contain any comparison of costs in official territory, including the Pocahontas region but excluding New England, with southern territory, excluding the Florida peninsula. Likewise, the territorial comparisons on which reliance is placed are for the western district as a whole, including mountain-Pacific territory. The latter territory is outside the scope of the class-rate proceeding and its rates are on a higher level than in western trunk-line and southwestern territories.

Among the incongruous results revealed by the cost study are that bituminous coal earns only 70 percent in the western district, only 72 percent in the southern region, and only 81 percent in the eastern district of "fully distributed costs," although it is a well-known fact that the heavy coal-carrying roads have always been the most prosperous; that iron and steel articles produce 99 percent of cost in the East as against 244 percent in the South, although on much of the iron and steel traffic the level of the rates in both territories is about the same; and that passenger automobiles earn 111 percent of cost in the East, 117 percent in the West, and 157 percent in the South, in the face of the fact that we have just concluded a lengthy nation-wide investigation of the rates on automobiles, in which it was shown that numerous rates on that commodity have been greatly reduced to meet motor-carrier competition and there is much reason to believe that many of them are so low as to cast a burden on other traffic. Either this Commission has been grossly misinformed by dozens of sworn witnesses in the last half century, or this cost study is practically worthless for the purpose of fixing rates. I do not mean to say that it is not the best that can be produced at this stage of the science of cost-finding, but I do mean to say that it is so full of estimates and assumptions that even if it purported to show the cost of transporting class-rate traffic, which it does not, it would be unsafe to base the prescription of class rates or class-rate relations upon it.

Aside from serving as a guide in fixing minimum rates, it seems to me the sensible policy toward the use of cost studies in rate making, now as then, is that set forth by the Commission in *Switching at St. Louis and East St. Louis*, 120 I. C. C. 216, where at page 220 we said:

> A cost study is ordinarily little more than a very rough indication, and even if unusually comprehensive and exact, it should not be the sole basis for fixing rates. The value of the service to the shipper and many practical considerations may be of equal or greater importance.

"But," say the majority, in effect, "we are not here basing the actual rates on cost, but are using cost to fix the rate relations between the respective territories." That is a dangerous policy, which is likely to plague this Commission for years to come, for it is perfectly plain that if a general cost study such as the one upon this record can be and is used as the vehicle for forcing uniformity in class rates, the same study can and probably should be used as an excuse for forcing uniformity in all rates, exception and commodity rates included. Certain it is that the study has no more merit for the fixing of class rates or class-rate relations than it has for the fixing of rates or relations on exception or commodity traffic. Would uniformity on all traffic be in the interest of the South with its relatively low rates on raw materials, or of the West with its relatively low rates on products of agriculture, including Idaho poatoes? I fear not. But on the theory of this report, and whether we like it or not, that is the direction in which we are now drifting.

The majority find that uniformity should be accomplished, among other steps, by increasing the class rates in official territory by 10 percent, to be changed later to about 15 percent, and as a basis for that finding they further find that the existing intraterritorial rates in official territory are unjust and unreasonable under section 1 (4) and (5) (a) of the act, and in their relation to the interterritorial rates are unduly preferential of official territory and its shippers and receivers of freight, and unduly prejudicial against the other territories and shippers and receivers therein located, in violation of section 3 (1). Aside from the cost study, which as stated is utterly inadequate for the purpose, the record embodies not one word of evidence in support of the finding that the official territory rates are unjust or unreasonable under section 1, and even the cost study indicates that carload traffic in the East is being handled at a profit. Excepting only the motor carriers, who are seeking an opportunity to increase their own rates, and testimony offered in their behalf, not a single party to this proceeding has gone on record as favoring an increase in the eastern rates and none of the evidence was directed toward that end.

So far as undue prejudice and preference under section 3 is concerned, this Commission has long taken the position, and it has been sustained by the courts, that in order to support a finding under that section there must be a clear indication of injury to the prejudiced party or parties. *Barrett Co.* v. *Atchison, T. & S. F. Ry Co.*, 172 I. C. C. 319, 333; *Bronstein* v. *Baltimore & O. R. Co.*, 215 I. C. C. 136, 141; *Hoffstot* v. *Monongahela Ry. Co.*, 248 I. C. C. 248, 253. Now, let us see what injury to southern and western shippers is shown on this record. The southern interests offered only nine shipper witnesses, and only three of them represented shippers whose products move on class rates here in issue. They are a manufacturer of washboards at

Raleigh, N. C., a manufacturer of macaroni products at Memphis, Tenn., and a manufacturer of wine at Atlanta, Ga. The Raleigh manufacturer's business has increased substantially in recent years, and about 25 percent of his shipments to official territory have been to Detroit, a short distance from Saginaw, Mich., where one of his chief competitors is located. Application of the eastern level of rates to his shipments to the North in a typical month would have reduced his freight charges by only 8 percent. The witness for the macaroni products manufacturer was not familiar with the basis on which macaroni products are sold, the volume of the shipper's traffic, the points to which shipments are made, or the rate of growth of the shipper's business. He had no knowledge of any injury by reason of the rate situation. The Atlanta manufacturer has a winery also at Brooklyn, N. Y., and does a nation-wide business. He recently constructed a larger plant at Atlanta and his business has made substantial progress.

Another southern witness had acquired a tannery at Andrews, N. C., about 4 months prior to the hearing. He had made no outbound shipments, but had received some shipments of green and dry hides from official territory. The green hides moved at rates not here in issue, as will also outbound shipments of leather when made. The dry hides, consisting of five carloads, moved at fourth-class rates which, according to an exhibit, were 31.1 percent higher than if the entire movement had taken place in official territory. No explanation for his failure to purchase hides at southern points was made by the witness, except the statement that "there are very few southern hides produced." This explanation is not in accord with our findings in *Schoen Bros., Inc. v. Erie R. Co.*, 258 I. C. C. 161, wherein the Commission prescribed rates on green salted hides from points in southern territory to official territory destinations. Therein, page 1[illegible], it appears that in the representative year of 1941, 29,774 tons of hides were originated in southern territory. This witness stated that one of the main reasons for his location at Andrews instead of elsewhere was because he had available at that point "the necessary supplies with which to carry on our business," especially an ample supply of chestnut wood. Numerous tanneries have been operating for many years at various points throughout the South, including a number in the general area of Andrews. None of them has expressed to us any dissatisfaction with the class-rate adjustment, with the single exception of this witness, who, as stated, had been operating in the South for only a few months at the time of the hearing.

The western interests offered only three shipper witnesses, a steel manufacturer at Pueblo, Colo., who uses class rates to a very limited extent and did not advocate rate parity with official territory, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a manufacturer of lamps and stoves at Wichita, Kans. The last two now ship most of their products to official territory, and neither left any impression that he was hurt by the present adjustment.

So far as appears, the products of each one of the foregoing shippers using class rates move freely under such rates, and the evidence falls far short of demonstrating that shippers are injured by them to any appreciable degree.

But it is urged by the southern interests, and especially in behalf of the Southern Governors' Conference, that the industrial development of the South as a whole has been and will continue to be retarded, and therefore that the South as a territory has been and will continue to be injured, by the class-rate adjustment unless class-rate uniformity is brought about. The evidence is overwhelmingly to the contrary. The facts are that from 1929 to 1939, which is a representative period, the South made greater progress industrially and economically than any other section of the country. In that period the number of wage earners in manufacturing industries in the country declined 11 percent, in official territory 12 percent, but in the South there was an increase of 5 percent. The values of manufactured products for the country declined 21 percent, in official territory 25 percent, but in the South there was an increase of 1 percent. The number of wage earners in the canned fruit and vegetable industry increased 68 percent in the South, as compared with an increase of 28 percent in official territory. In the cotton industry the number of wage earners in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States; the value of cotton products decreased 55 percent in the northern States and only 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South. Similar data of record show like trends in the furniture industry, in the manufacture of heating and cooking apparatus, and in other industries. Only in the manufacture of a relatively few products, such as morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products, was the industrial trend during that period less favorable in the South than in the North. From 1930 to 1940 there was a greater decrease in agricultural employment in southern than in official territory, but manufacturing employment increased in the South and decreased in the North. In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

Similar theories and arguments were advanced by Kentucky interests in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, 213 I. C. C. 297. The Kentucky commission had prescribed intrastate class rates on substantially the eastern level, and that level of rates was sought from Kentucky to official territory. The claims were that the rate structure complained of had hindered the development of industry and had disintegrated the State's social structure. In that proceeding we required the existing interterritorial class rates to be reduced to substantially the eastern level, and such rates became effective in 1935. What happened? The industrial trend in Kentucky between 1927 and 1939 was less favorable than in the remainder of the South. In 1939 the number of industrial establishments in Kentucky was only 88 percent of the number in 1927, as compared with 101.8 percent for the South as a whole; the number of wage earners was 84 percent in Kentucky and 108.7 percent in the South; the value of the products of such establishments was 108 and 113.2 percent, respectively; and the value added by manufacture was 95 and 102.1 percent. In 1940, 5 years after the revision of the Kentucky class rates, the traffic density of manufactures and miscellaneous freight in Tennessee, in which the higher southern class rates applied and now apply, exceeded that in Kentucky by 68.5 percent; and in 1937 the value of manufactured goods in Tennessee exceeded that in Kentucky by 40.2 percent.

An unbiased consideration of the foregoing data, together with others of similar import upon this record, can lead to but one conclusion, namely, that the class-rate adjustment here before us has had no appreciable effect, one way or the other, upon the industrial or economic development of the South or the West, and that not a single shipper, nor any particular class of shippers, nor any particular territory, has suffered injury by reason of that adjustment. Accordingly, I can find in this record no adequate support for the majority findings of undue prejudice and preference.

Moreover, it seems to me the majority reach a labored construction of our powers under section 3 (1) of the act as amended in 1940 by the addition of the words "region, district, territory." In my opinion, those words added nothing to our powers, which prior to that amendment were ample to permit us to remove undue prejudice against one region, district, or territory, and undue preference of another. Certainly there has been no change in the criteria, to one of which I have just referred, which have long been applied by us in determining whether undue prejudice or preference exists.

I have no difficulty in agreeing that the evidence does warrant a finding of unreasonableness of the intraterritorial rates within the South and the West, as well as of the interterritorial rates between the respective territories, and that they should be substantially reduced. In order to bring together the class-rate structures still more closely than would result under such a finding of unreasonableness, I favor affording the eastern carriers the opportunity to make some increases in their class rates, but not by as much as 15 percent or even by 10 percent. To increase the eastern rates, especially on carload traffic, by either of the latter percentages will cast a heavy and unwarranted burden upon the official territory shippers of class-rate traffic. On a large proportion of the traffic which formerly moved, and normally should move, on class rates in official territory, exception or commodity rates have been established which are generally much below the class basis. The effect of what the majority require here, therefore, is to heap a further burden on those shippers, generally the small shippers, whose rates have never been reduced below the class basis, thus widening the advantage already enjoyed by those, mostly the large shippers, whose rates have been accorded special treatment. It may be confidently expected, if the eastern class rates are increased by 10 percent, and especially by 15 percent, either that much of the present class-rate traffic in official territory will be accorded exception or commodity rates on about the same level as the existing class rates, in which event the uniformity here aimed at will be largely destroyed, or that there will fall into the lap of this Commission a swarm of meritorious complaints against the resulting wholesale violations of the discrimination provisions of the act.

I would find that the present class rates in official territory, other than in New England and in Michigan zone C, are below a maximum reasonable level by about 6 percent, and that the existing class rates in the South and the West here in issue are unreasonable, (*a*) intraterritorially, to the extent that they exceed or may exceed the official territory rates as so increased by more than 10 percent in the southern region, except the Florida peninsula, and in western trunk-line zone I, and by more than 21 percent in western trunk-line zones II and III, in the Southwest, and in the Florida peninsula; and (*b*) interterritorially, between all territories, to the extent that they exceed or may exceed the resulting destination territory basis in each instance. The eastern scale, increased as above and sufficiently extended, should be straightened out so as to remove the irregularities caused by the general percentage increases of 1938, and the progression in its longer reaches should be slightly increased, before its use as a basis for the reasonable rates which would thus result. As so changed, the eastern rates would be little different from what they were until recently as a result of the general increases authorized in Ex Parte No. 148, *Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545, 258 I. C. C. 455. The eastern roads could be expected to establish such increased rates voluntarily, and no such violent disturbance of rate relations within official territory would result as must be expected under the basis prescribed in this report.

The foregoing reasonable bases, which in my opinion are the most favorable to the West and the South which the record supports, would result in greater reductions in the southern and western rates than will the interim basis prescribed by the majority, excepting only in western trunk-line zone I wherein the basis I propose would result in rates which on the average would be about as favorable as under the interim basis. Rates on these bases could and should be made effective permanently now. And in their establishment the time-honored principle that ordinarily an exception or a commodity rate must not exceed the corresponding class rate, should be observed. *C. Findeiss Sons Co.* v. *Pennsylvania R. Co.*, 241 I. C. C. 299. This principle is disregarded by the majority in their admonition that "no changes in existing exception rates or column rates are contemplated" by the interim findings. If that admonition is observed, there will be numerous exception or commodity rates in southern and western territories and interterritorially which will be higher than the corresponding class rates, a condition which on its face is unduly prejudicial and preferential and should not be permitted, much less required, by this Commission.

As a matter of fact, a reduction of only 10 percent in the existing rates in southern territory, the Southwest, and western trunk-line zone III will be of comparatively little benefit to those areas because of the thousands of exception and commodity rates which are now below the classification basis and on which the traffic is now moving. The majority recognize that one of the chief objectives in a general revision of class rates should be to minimize the use of exceptions, many of which are ambiguous and difficult of application, and to utilize to a much greater extent than before, the class rates for the actual movement of the traffic. A reduction of only 10 percent, and especially without disturbing existing exception or column rates, will not to any material extent meet this objective.

Moreover, it seems to me important, as urged by a number of the parties to this proceeding, that because of the intense commercial and industrial competition which may be expected in the postwar period, the crying need is for a stable and permanent adjustment on a fair and reasonable basis now, so that the shipping public, which will play an important part in that competitive struggle, can plan intelligently for the future. Looking at this, as we should, from a practical standpoint, I am convinced that the best interests of the country as a whole, and of the shippers and the carriers as well, would be better served by the establishment now—at a time when the revenues of the carriers can better stand the reductions and when there is still time to make readjustments in exception and commodity rates, if need be, before the intense competition of the postwar period sets in—of a permanent and stable rate adjustment, on the reasonable bases which are advocated in this expression, rather than by putting off to the distant future a permanent adjustment and foisting upon the public the unsound and unstable interim adjustment required by the majority.

Finally, the rate bases which I propose would not, as do the findings in the report, set aside long-established principles of rate making under which this country has become great and has developed the most efficient transportation system in the world; nor would they, as do the majority findings, "attempt to equalize fortune, opportunities, and abilities," which, as the Supreme Court pointed out in *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42, is contrary to the purposes of the Interstate Commerce Act.

Barnard, *Commissioner*, dissenting:

I am of the opinion that the record in this proceeding does not support or warrant the findings and conclusions reached by the majority and, therefore, I dissent.

The Commission is in duty bound to confine itself to the record and in making its findings and arriving at its conclusions it may not go outside thereof. Unless its findings of fact upon which it bases its conclusions can find support in the evidence introduced, such findings and conclusions become unwarranted and unlawful.

This proceeding involves the classification ratings in all territories throughout the entire United States and class rates in official, southern, southwestern, and western trunk-line territories both interterritorially and intraterritorially. I purpose first to discuss the matter of a uniform classification.

Uniform classification.—The majority adopts the pattern of the official classification as the one which it thinks best comports with the requirement of the statute that the individual and joint classifications shall be just, fair, and reasonable for application throughout the country. The evidence fails to convince me that there is any greater merit in official classification than there is in any of the others. There is no evidence dealing with the classification ratings on particular articles. The record with respect to descriptions is general and consists mainly of comparisons of the ratings as a whole in one territory with another, and expressions of beliefs on the part of the southern and western interests that the official classification is lower and that they should have that classification because of their claim to parity with official classification. I feel that there should be a uniform classification throughout the country. I do not believe, however, that this objective can be effectively accomplished by displacing the classifications now in effect in Illinois, southern, and western territories with the official classification without giving proper consideration to the characteristics of all of the articles embraced in the classifications and the commercial and competitive conditions in the respective territories. It seems to be the view of the majority that the Commission is authorized to set aside the classifications now in effect without such a showing. I am not in accord with that view.

Uniform class rates.—I purpose next to consider the class rates embraced in this proceeding. Inasmuch as only a very small percentage of the traffic in the territories here involved moves on class rates, I have been at a loss to understand why the column rates and exceptions to the class rates were not included in this investigation, and I am of the opinion that the failure to consider these rates will bring about widespread revisions of the exceptions and the column rates made with relation to class rates. I appreciate that sound reasons can be given for not including commodity rates, but the failure to include column rates and exceptions to the class rates cannot, in my opinion, be successfully defended.

The principal findings of the report with respect to the class rates may be divided into two parts. The first part relates to a permanent adjustment to become effective at some uncertain date in the future and provides a uniform scale of class rates throughout that portion of the country east of the Rocky Mountains, which is to average 115 percent of the basic scale of first-class rates prescribed in the eastern revision as increased by the general increases of 1938, with other classes related percentage-wise to first class. The second part relates to the so-called *ad interim* adjustment which is to continue in force until a uniform classification is prepared. That adjustment provides for a reduction of 10 percent in the existing class rates within southern, southwestern, and western trunk-line territories and interterritorially, subject to a distance scale of class rates as minima; and an increase of 10 percent in the existing class rates within official territory, including Illinois territory. It is my view that the existing differences between the levels of the intraterritorial class rates in the South and West and those in official territory are too great, and that the interterritorial rates between the respective territories should be revised; but as the evidence of the proponents of changes in the present rate structures was directed to uniformity on the basis of the eastern level, there is not, however, sufficient evidence in this record to enable me to express an opinion as to what would be a just, reasonable, and nondiscriminatory class-rate adjustment.

In order to demonstrate of how very little importance is the class rate traffic within the respective territories and interterritorially as compared with the traffic which moves on rates other than the class rates, I call attention to the following table compiled from a study made by a member of our staff and which was received as evidence in this case and is made a part of the majority report:

Territories (within, or from one to another)	Percent of carloads		
	Class rates	Exception rates	Commodity rates
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	0.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Southern to western trunk-line	1.5	13.5	85
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

I fail to see any justification for disrupting the entire rate structures throughout the territories involved for the sole purpose of bringing about uniformity of class rates, especially in view of the fact that, as heretofore stated, only a very small percentage of the total tonnage moves under those (class) rates.

The class rates now in effect in the territories here involved have been prescribed by orders of this Commission. They stand as the lawful and effective rates and may not be supplanted by other rates unless and until by a preponderance of the evidence such existing rates have been found to be unjust and unreasonable or unduly prejudicial or preferential.

Representatives of the eastern States and numerous shippers and the rail carriers in official territory urged that no increases be made in the class rates in that territory, and all expressed their satisfaction with the present class-rate structure. Also the Southern Governors' Conference, the foremost complainant, approves the present class rates in official territory and on page 277 of its brief filed in this proceeding in support of the retention of these rates, we find the following statement:

> The eastern first class scale has been used with apparent general satisfaction in official classification territory, subject to the official classification. Neither the railroads nor the shippers are asking that that scale and classification be changed. It therefore seems to us that it is proper to apply it throughout the territory east of the Mississippi River.

The evidence also further establishes that the southwestern and western trunk line proponents of uniformity favor the retention of the class rates in official territory as they now exist. Nevertheless and in the face of this unanimity of approval, the majority, disregard-ful thereof, would increase these rates in official territory on an *ad interim* basis by 10 percent and a permanent basis by an average of 15 percent. I inquire of them, where is the evidence which authorizes such increases or as far as that be concerned any increases whatever?

I come now to the consideration of the class rates in southern, southwestern, and western trunk-line territories. The evidence introduced in these proceedings does not justify the reductions herein ordered, and in the absence of such showing, the action taken in making such reductions is unwarranted, and not only is this true, but as a result of these reductions in the class rates in southern, southwestern, and western trunk-line territories, the carriers operating therein will suffer substantial reductions in their revenues. Just what steps are contemplated by the majority to enable the carriers to recoup such losses when they occur, and in my opinion they are bound to occur, has not been made clear.

I am unable to find in this record sufficient evidence to support the claim of the Southern Governors' Conference that the class rate structures within the South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country. Furthermore, the evidence fails to convince me that the products of the South cannot compete with the products of official territory in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates.

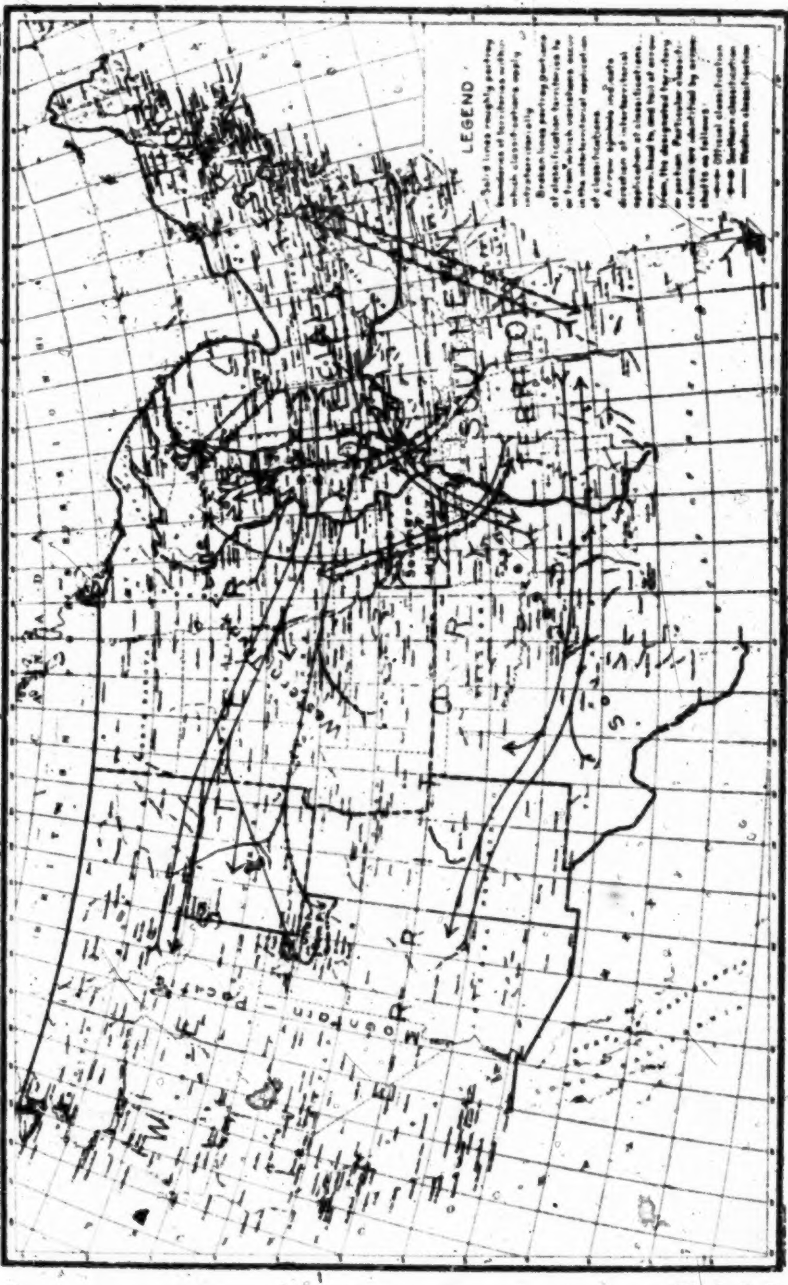
The only ground that I can conceive which impels the majority to condemn the class rates prescribed in the class-rate scales is the cost evidence prepared by members of our staff purporting to show that the cost of transporting freight by railroad is no greater in the South than in the North and but slightly greater in the southwestern and the western trunk-line territories than in the North. These studies attempt to arrive at a territorial comparison of average cost of all traffic and for traffic transported in different types of cars, i. e., box, gondola, and hopper, stock, flat, tank and refrigerator cars, and do not purport to show the costs of transporting class-rate traffic in any territory. The studies make no allowance for the difference in the consist of traffic in the different territories. If accepted at face value, they do not prove, nor were they intended to show the average cost of transporting class-rate traffic in any territory. Assuming, however, that the average cost of transporting class-rate traffic in the South and the West is either the same or not greatly in excess of transporting corresponding freight in the North for example, it does not follow upon such a premise that the rates must be the same. This is because of the well-known fact that the percent of profit on some kinds of traffic has always been and perforce must continue to be much greater than on others, as there is a great deal of traffic essential to the economic welfare of the country which would not move on rates that produce merely average percentages of profit above cost. Therefore, before we may conclude that substantially equal costs warrant the prescription of substantially equal rates, we must first find that the consist of traffic in the several territories is so similar as to make the rates remunerative in each of the territories. In my opinion, no such showing has been made in this proceeding.

Although it appears that the differences between the class rates in official territory and those in the other territories may be too great, there is nothing in this record which warrants the conclusion that the class rates throughout the entire area east of the Rocky Mountains should be on a uniform basis or level. However desirable a uniform system of class rates may be, if in order to accomplish that uniformity it becomes necessary to disrupt the existing rate structures without sufficient evidence as to the propriety of such uniformity, and without the rates involved having been condemned, the end does not justify the means employed, and such action cannot have my support.

APPENDIX I

Interstate Application of Major Classifications Intra-and Interterritorially

Docket No. 28310


LEGEND
Solid lines roughly portray boundaries of territories within which classifications apply intraterritorially
Broken lines portray portions of classification territories to or from which variations occur in the interterritorial application of classifications
Arrows portray direction of interterritorial application of classifications
Official classification
Southern classification
Western classification
SOUTHERN TERRITORY
Western
Mountain - Pacific

APPENDIX 2

Less-than-carloads

TABLE I.—*Official versus southern classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings[1]	Rate
Official	100	2002	80	Official	55	616	44
Southern	100	2075	112	Southern	85	1	95
	85	5	95		70	2	78
	70	2	78		55	585	62
	65	7	62		50	2	56
	45	2	50		45	27	50
	40	1	45		40	19	45
Official	85	2672	68	Official	50	995	40
Southern	85	2600	95	Southern	70	2	78
	70	21	78		55	11	62
	55	42	62		50	652	56
	50	2	56		45	134	50
	45	2	50		40	182	45
	40	5	45		30	4	34
Official	70	2716	56				
Southern	70	2390	78				
	55	278	62				
	50	8	56				
	45	26	50				
	40	14	45				

[1] As in effect Aug. 3, 1942.

TABLE II.—*Official versus western classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	2002	80	**Official**	70	2716	56
Western	100	2076	97	**Western**	70	2571	68
	85	4	82		55	145	53
	70	10	68	**Official**	55	616	44
	55	2	53	Western	85	1	82
Official	85	2672	68		70	2	68
Western	85	2625	82		55	613	53
	70	29	68	Official	50	995	40
	55	18	53	Western	85	1	82
					70	3	68
					55	991	53

[1] As in effect Aug. 3, 1942.

TABLE III.—*Southern versus western classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate
Southern	100	2,058	112
Western	100	2,056	97
	55	2	53
Southern	85	2,583	95
Western	100	1	97
	85	2,578	82
	70	1	68
	55	3	53
Southern	70	2,407	78
Western	85	4	82
	70	2,402	68
	55	1	53
Southern	55	907	62
Western	85	18	82
	70	164	68
	55	725	53
Southern	50	668	56
Western	85	2	82
	70	4	68
	55	682	53
Southern	45	193	50
Western	100	1	97
	70	24	68
	55	184	53
Southern	40	233	45
Western	85	4	82
	70	10	68
	55	219	53

---

[1] As in effect Mar. 17, 1942.

APPENDIX 3

Carloads

TABLE I.—*Official versus southern classification ratings; same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles]

Classification and territory	Class	Number of ratings	Rate
Official	100	213	80
Southern	100	190	112
	85	7	95
	75	2	84
	70	5	78
Official	85	766	68
Southern	100	1	112
	85	575	95
	77½	24	87
	70	161	78
	55	4	62
	35	1	39
Official	70	1,437	56
Southern	85	1	112
	70	1,328	78
	65	11	73
	60	7	67
	55	73	62
	45	10	50
	40	5	45
	37½	1	42
	35	1	39
Official	55	1,250	44
Southern	70	19	78
	55	1,183	62
	50	19	56
	45	30	50
	40	11	45
	37½	5	42
	30	3	34
Official	50	1,185	40
Southern	70	8	78
	55	109	62
	50	31	56
	45	294	50
	40	[illegible]	45
	37½	5	42
	35	1	39
	30	6	34
Official	45	335	36
Southern	55	5	62
	45	318	50
	40	12	45
Official	40	1,105	32
Southern	70	1	78
	55	3	62
	45	288	50
	40	809	45
	37½	2	42
	35	2	39
Official	37½	765	30
Southern	55	7	62
	45	96	50
	40	501	45
	37½	90	42
	35	16	39
	17½	2	20
Official	35	2,709	28
Southern	55	34	62
	45	190	50
	40	1,644	45
	37½	56	42
	35	380	39
	32½	107	36
	30	204	34
	27½	38	31
	25	13	28
	22½	36	25
	20	1	22
	17½	2	20
Official	27½	677	22
Southern	40	35	45
	37½	2	42
	35	5	39
	32½	28	36
	30	150	34
	27½	16	31
	25	25	28
	22½	118	25
	20	41	22
	17½	77	20

---

[1] As in effect Aug. 5, 1942.

TABLE II.—*Official versus western classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	213	80	Official	45	335	36
Western	100	202	97	Western	55	8	53
	85	7	82		45	323	44
	70	3	68		40	1	39
	55	1	53		37½	3	36
Official	85	766	68	Official	40	1,105	38
Western	100	1	97	Western	70	1	32
	85	587	82		55	5	53
	77½	24	75		45	984	44
	70	152	68		40	32	39
	45	1	44		37½	82	36
	32½	1	32		35	1	34
Official	70	1,433	56	Official	37½	766	30
Western	85	1	82	Western	55	8	53
	70	1,381	68		45	110	44
	65	11	63		37½	644	36
	55	29	53		32½	2	32
	45	8	44		17½	2	17
	37½	3	36	Official	35	2,709	28
Official	55	1,270	44	Western	55	36	53
Western	70	19	68		45	309	44
	55	1,198	53		37½	2,115	36
	50	19	49		35	3	34
	45	31	44		32½	133	32
	37½	2	36		30	83	29
	32½	1	32		22½	23	22
Official	50	1,185	40		17½	7	17
Western	70	4	68	Official	27½	677	22
	55	995	53	Western	45	1	44
	50	57	49		37½	83	36
	45	85	44		32½	136	32
	42½	1	41		30	243	29
	40	3	39		22½	112	20
	37½	29	36		17½	102	17
	35	4	34				
	32½	2	32				
	30	5	29				

[1] As in effect Aug. 3, 1942.

TABLE III.—*Southern versus western classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Southern	100	201	112	Southern	40	2,938	45
Western	100	200	97	Western	55	36	53
	85	1	82		45	850	44
Southern	85	580	95		40	17	39
Western	100	[illegible]	97		37½	2,001	36
	85	578	82		35	7	34
	70	1	68		32½	17	32
Southern	70	1,512	78		30	6	29
Western	85	14	82		22½	2	22
	70	1,496	68		17½	2	17
	55	2	53	Southern	35	338	39
Southern	55	2,192	62	Western	45	3	44
Western	70	49	68		37½	326	36
	55	2,135	53		35	1	34
	45	3	34		32½	5	32
	42½	1	41		22½	2	22
	40	1	39		17½	1	17
	37½	2	36	Southern	30	613	34
	32½	1	32	Western	55	7	53
Southern	45	1,105	50		45	2	44
Western	70	6	68		37½	149	36
	55	131	53		32½	132	32
	45	953	44		30	298	29
	40	2	39		22½	24	22
	37½	5	36		17½	6	17
	32½	3	32	Southern	22½	176	25
	30	2	29	Western	37½	5	36
	22½	2	22		32½	22	32
	17½	1	17		30	24	29
					22½	118	22
					17½	7	17

[1] As in effect Mar. 17, 1942.

APPENDIX 4

ANALYSIS OF CLASSIFICATIONS, ANY-QUANTITY AND LESS-THAN-CARLOAD RATINGS

Kind and number of any-quantity and less-than-carload ratings in official, southern and western classifications, respectively, their distribution into the different classes, and comparison, class for class, of the ratings in official with corresponding ratings in southern and western classifications. Total numbers of ratings in each class in the respective classifications are also stated

Record shows the source of these data as Consolidated Freight Classification No. 15, comprising Official Classification No. 59, Agent A. R. Greenley's I. C. C.-O. C. No. 59, Southern Classification No. 58, Agent E. H. Dulaney's I. C. C. No. 88, and Western Classification No. 70, Agent R. C. Fyfe's I. C. C. No. 28, as amended in effect on Aug. 3, 1942]

Official			Southern	4t1 (400)		3t1 (300)		2½t1 (250)		D1 (200)		1¾t1 (175)		1½t1 (150)		1¼t1 (125)		110		1 (100)	
Class and percentage	Number of ratings		Western	4t1 (400)		3t1 (300)		2½t1 (250)		D1 (200)		1¾t1 (175)		1½t1 (150)		1¼t1 (125)		110		1 (100)	
	AQ	LCL		AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL
4t1 (400)		2	Sou		2																
			West		2																
3t1 (300)	6	16	Sou			6	16														
			West			6	18														
2½t1 (250)	1	21	Sou					1	21												
			West					1	21												
D1 (200)	4	357	Sou							4	356										
			West							4	357										
1¾t1 (175)		13	Sou										13								
			West										13								

1½t1 (150)	2	483	Sou											2	482						
			West											2	483						
1¼t1 (125)		99	Sou														99				
			West														99				
110		1	Sou																1		
			West																1		
1 (100)	34	2,094	Sou																	31	2,075
			West																	33	2,078
2 (85)	15	2,674	Sou																		
			West																		
3 (70)	15	[illegible],717	Sou																		
			West																		
60		14	Sou																		
			West																		
57		1	Sou																		
			West																		
R26 (55)		617	Sou																		
			West																		
4 (50)	3	906	Sou																		
			West																		
40		33	Sou																		
			West																		
IC	2	4	Sou																		
			West																		3
NR		5	Sou																		
			West																		
NT	1	2	Sou																		
			West			1															
Totals	[illegible]	10,151	Sou		2	6	16	1	21	4	336		13	2	482		99		1	31	2,075
			West		2	7	18	1	21	4	337		13	2	483		99		1	33	2,081

Kind and number of any-quantity and less-than-carload ratings in official, southern, and western classifications—Continued

Official			Southern	2 (85)		3 (70)		4 (55)		50		5 (45)		6 (40)		8 (30)		IC		NR		NT	
Class and percentage	Number of ratings		Western	2 (85)		3 (70)		4 (55)												NR		NT	
	AQ	LCL		AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL
4t1 (400)		2	Sou																				
			West																				2
3t1 (300)	6	18	Sou																				
			West																				
2½t1 (250)	1	21	Sou																				
			West																1				
D2 (200)	4	357	Sou																				
			West																				
1¾t1 (175)		13	Sou																				
			West																				1
1½t1 (150)	2	483	Sou																				
			West																				
1¼t1 (125)		99	Sou																				
			West																				
110		1	Sou																				
			West																				
1 (100)	34	2,094	Sou		5		2	3	7				2		1		2		2				
			West	1	4		10		2														
2 (85)	15	2,674	Sou	13	2,601		[illegible]	1	43		3		2	1	5								
			West	15	2,628		[illegible]		18														1

3 (70)	15	2,717	Sou			7	2,330	8	278		8		26		14						1		
			West			15	2,572		145														
60		14	Sou				2		12														
			West				4		10														
57		1	Sou						1														
			West						1														
R26 (55)		617	Sou		1		2		566		2		27		19								
			West		1		2		613												1		
4 (50)	3	996	Sou				2		11	3	682		134		162		4				1		
			West		1		3	3	902														
40		33	Sou												33								
			West						33														
IC	2	4	Sou															2	3				
			West		1	1		1															
NR		5	Sou		1		1				1										2		
			West		1		1		1												2		
NT	1	2	Sou																				2
			West																				2
Totals	83	10,151	Sou	13	2,608	7	2,420	12	917	3	695		191	1	234		4	2	6		4	1	6
			West	16	2,634	16	2,621	4	1,815												3		3

Explanation of abbreviations and characters used in this appendix:
Sou. means southern classification.
West. means western classification.
4t1 means 4 times first class.
3t1 means 3 times first class.
2½t1 means 2½ times first class.
D1 means double first class.
1¾t1 means 1¾ times first class.
1½t1 means 1½ times first class.
1¼t1 means 1¼ times first class.
R26 means rule 26 rating.
AQ means any quantity.
LCL means less carloads.

Numerals greater than 8 (except R26) appearing in the headings of columns or in the first column, and standing alone, are the percentages of first class as specified in the respective classification; and those enclosed in parentheses immediately after the regular numbered class ratings are the percentages of first class prescribed in eastern, southern, and western trunk-line-southwestern revisions for class rates governed by official, southern, and western classifications, respectively. Percentages existing in mountain-Pacific territory differ on certain classes from those prescribed in the western revision and are not covered in this appendix.

IC means that the items covered are subject to the rates and regulations of individual carriers.

NR means that there are no ratings on the items covered.

NT means that the items covered are not taken by carriers.

60	3	Sou											1	2			
		West											1	2			
R26 (55)	1,245	Sou								40				1,158		19	30
		West								19				1,154	19	19	31
35	[illegible]	Sou												2	23		
		West												4	21		
4 (30)	1,166	Sou								3				810		72	200
		West								4				997		36	78
50	22	Sou														21	
		West														21	
45	335	Sou												8			315
		West												8			322
40	1,105	Sou								1				3			288
		West								1				5			984
37½	766	Sou												7			95
		West												8			109
5 (35)	2,710	Sou												34			190
		West												36			309
32½	7	Sou															
		West															
30	89	Sou															
		West															
6 (27½)	679	Sou															
		West															1
25	34	Sou															
		West															
22½	20	Sou															
		West															
20	1	Sou															
		West															
IC	10	Sou															1
		West															
NR	9	Sou												3			
		West												3			
Totals	10,682	Sou	3	2	18	202	585	24	4	1,518	3	11	6	2,106	23	112	1,129
		West	3	2	18	206	598	24	2	1,422	151	11	1	2,248	40	76	1,843

45	335	Sou			11	1
		West	1			1
40	1, 105	Sou			785	24
		West				32
37½	766	Sou	1		561	
		West	1			
5 (35)	2, 710	Sou			1, 646	
		West				
32½	7	Sou				
		West				
30	89	Sou			13	
		West				
6 (27½)	679	Sou			35	
		West				
25	34	Sou				
		West				
22½	20	Sou				
		West				
20	1	Sou				
		West				
IC	10	Sou				
		West				
NR	9	Sou				
		West				
Totals	10, 682	Sou	5		3, 129	25
		West	9	1		36

Explanation of abbreviations and characters used in this appendix:

Sou. means southern classification.
West. means western classification.
D1 means double first class.
1½t1 means 1½ times first class.
1¼t1 means 1¼ times first class.
R26 means rule 26 rating.

1												
1	3											
24	2	1	1									
32	32		1									
	90	10								2		
	644			2						2		
	58	380		107	204	38	13	36	1	2		1
	2,116		3	133	83			23		7		
				5	1			1				
				6	1							
					72	3		1				
	21			12	50					6		
	2	5		28	350	16	25	108	33	77		
	83			136	243			112		102		2
					1		8	24		1		
	3				6			25				
								14	2	4		
								14		6		
									1			
								1				
		1						4			4	
	2			1				4				
				1			2					3
								2				4
25	165	400	1	141	637	57	48	188	37	86	10	7
36	2,388		8	294	388			181		123		9

Numerals greater than 12 (except R26) appearing in the headings of columns or in the first column, and standing alone, are the percentages of first class as specified in the respective classification; and those enclosed in parentheses immediately after the regular numbered or lettered class ratings are the percentages of first class prescribed in eastern, southern, and western trunk-line-southwestern revisions for class rates governed by official, southern, and western classifications, respectively. Percentages existing in mountain-Pacific territory differ on certain classes from those prescribed in the western revisions and are not covered in this appendix.

IC means that the items covered are subject to the rates and regulations of individual carriers.

NR means that there are no ratings on the items covered.

APPENDIX 5

Analysis of classifications, carload ratings

KIND AND NUMBER OF CARLOAD RATINGS IN OFFICIAL, SOUTHERN, AND WESTERN CLASSIFICATIONS, RESPECTIVELY, THEIR DISTRIBUTION INTO THE DIFFERENT CLASSES, AND COMPARISON, CLASS FOR CLASS, OF THE RATINGS IN OFFICIAL WITH CORRESPONDING RATINGS IN SOUTHERN AND WESTERN CLASSIFICATIONS. TOTAL NUMBERS OF RATINGS IN EACH CLASS IN THE RESPECTIVE CLASSIFICATIONS ARE ALSO STATED

[Record shows the source of these data as Consolidated Freight Classification No. 15, comprising Official Classification No. 59, Agent A. R. Greenley's I. C. C.-O. C. No. 59, Southern Classification No. 58, Agent E. H. Dulaney's I. C. C. No. 38, and Western Classification No. 70, Agent R. C. Fyfe's I. C. C. No. 28, as amended in effect on August 3, 1942]

Official		Sou.	D1 (200)	1½t1 (150)	1¼t1 (125)	1 (100)	2 (85)	77½	75	3 (70)	70	65	60	4 (55)	55	50	5 (45)
Class and percentage	Number of ratings	West.	D1 (200)	1½t1 (150)	1¼t1 (125)	1 (100)	2 (85)	77½	75	3 (70)	70	65	60	4 (55)	55	50	A (45)
D1 (200)	5	Sou.	3	1		1											
		West	3	1			1										
1½t1 (150)	3	Sou		1		1	1										
		West		1		1				1							
1¼t1 (125)	19	Sou			18		1										
		West			18		1										
1 (100)	215	Sou				199	7		2	5							
		West				204	7			3				1			
2 (85)	767	Sou				1	575	26		161				4			
		West				1	589	24		38	114						1
75	2	Sou							2								
		West							2								
3 (70)	1,437	Sou					1			1,320	1	11	1	73			30
		West					1			1,348	35	11		29			8
70	2	Sou									2						
		West									2						
65	6	Sou											4	2			
		West								5				1			

Analysis of classifications, carload ratings—Continued

Official		Sou.	45		6 (40)	40	37½	7 (35)	35	32½	8 (30)	27½	9 (25)	10 (22½)	11 (20)	12 (17½)	IC	NR
Class and percentage	Number of ratings	West.	45	42½		40	5 (37½)		35	B (32½)	C (30)			D (22½)		E (17½)		NR
D1 (200)	5	Sou																
		West																
1½t1 (150)	3	Sou																
		West																
1¼t1 (125)	19	Sou																
		West																
1 (100)	215	Sou															2	
		West																
2 (85)	767	Sou						1									1	
		West								1								
75	2	Sou																
		West																
3 (70)	1,437	Sou			5		1	1									3	1
		West					3											2
70	2	Sou																
		West																
65	6	Sou																
		West																
60	3	Sou																
		West																
R26 (55)	1,245	Sou			13		3				3							
		West					2			1								
[illegible]	25	Sou																
		West																
4 (50)	1,166	Sou			50		9	1			5							2
		West		1		3	29		4	2	4							1
50	22	Sou									1						[illegible]	
		West									1							

APPENDIX 6

TABLE I.—*Average rating assigned to items of various weights per cubic foot*

Weight per cubic foot	Average percent of first class					
	Less-than-carload ratings			Carload ratings		
	First period [1]	Second period [2]	Third period [3]	First period [1]	Second period [2]	Third period [3]
Official classification						
Under 10 pounds	129.3	106.4	111.9	66.5	48.1	67.6
10 pounds and under 20	91.2	81.1	83.	48.3	42.9	49.4
20 pounds and under 30	82.1	78.9	76.6	43.2	40.0	43.6
30 pounds and under 40	78.6	75.3	73.5	42.7	38.4	40.8
40 pounds and under 50	77.1	71.0	66.7	42.0	40.3	38.7
50 pounds and under 60	80.3	71.1	64.8	41.3	39.0	37.3
60 pounds and under 70	76.0	65.3	65.1	41.3	38.7	35.6
Southern classification						
Under 10 pounds	128.0	109.0	109.7	67.5	52.9	66.2
10 pounds and under 20	93.7	82.8	82.5	53.4	48.0	49.3
20 pounds and under 30	83.6	79.0	73.4	47.5	44.8	43.1
30 pounds and under 40	80.0	74.3	70.8	47.8	43.3	41.5
40 pounds and under 50	78.3	71.1	64.4	47.1	46.5	39.0
50 pounds and under 60	83.1	70.0	63.8	47.6	40.2	37.2
60 pounds and under 70	79.0	63.2	62.0	47.6	41.4	37.3
Western classification						
Under 10 pounds	129.6	108.3	111.6	68.0	57.2	66.3
10 pounds and under 20	94.1	83.3	82.9	52.5	50.0	51.3
20 pounds and under 30	85.0	80.1	74.9	48.4	45.2	45.3
30 pounds and under 40	82.8	75.2	72.9	47.1	43.8	42.8
40 pounds and under 50	79.4	72.6	66.7	47.3	46.4	40.3
50 pounds and under 60	83.0	70.2	65.6	46.4	41.0	38.5
60 pounds and under 70	79.4	65.3	67.7	47.4	45.2	37.6

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

TABLE II.—*Average rating assigned to items of various values per pound*

Value per pound	Average percent of first class					
	Less-than-carload ratings			Carload ratings		
	First period [1]	Second period [2]	Third period [3]	First period [1]	Second period [2]	Third period [3]
Official classification						
Under 10 cents	69.8	68.9	62.4	36.2	35.5	35.5
10 cents and under 20	85.3	75.8	69.7	44.6	39.7	40.7
20 cents and under 30	92.1	82.0	77.9	54.7	41.5	47.2
30 cents and under 40	92.8	86.4	84.6	49.7	45.3	49.6
40 cents and under 50	101.7	93.2	85.4	55.4	46.8	51.2
50 cents and under 60	111.5	89.5	90.0	60.4	45.5	54.4
Southern classification						
Under 10 cents	72.3	68.1	59.4	41.5	38.3	34.6
10 cents and under 20	86.9	77.3	68.5	50.5	45.7	41.3
20 cents and under 30	94.3	84.1	75.5	55.1	45.6	47.6
30 cents and under 40	96.8	87.7	83.0	55.0	56.6	50.4
40 cents and under 50	103.2	85.4	81.8	59.8	55.6	51.3
50 cents and under 60	115.8	88.4	90.0	63.5	52.5	53.9
Western classification						
Under 10 cents	74.2	69.3	63.2	40.8	39.5	36.5
10 cents and under 20	87.7	78.3	70.2	49.7	46.5	42.4
20 cents and under 30	95.2	85.4	77.6	53.6	51.8	49.5
30 cents and under 40	96.6	87.8	84.6	54.8	59.9	51.4
40 cents and under 50	106.7	87.7	84.0	60.1	54.4	53.3
50 cents and under 60	110.1	88.4	90.0	63.7	53.6	54.4

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

APPENDIX 7

TABLE I.—*Less-than-carload ratings—average by classes of weights per cubic foot and values per pound*

Class (regular and percentage)	First period [1]		Second period [2]		Third period [3]	
	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound
Official classification						
D1 (200)	7.53	37.66				
1½ (150)	9.73	35.18				
1 (100)	24.64	30.96	14.33	29.58	14.96	57.54
2 (85)	30.70	18.85	24.67	22.52	22.48	34.63
3 (70)	41.43	8.78	36.92	10.57	38.76	14.65
R26 (55)			42.35	5.12	46.93	7.47
4 (50)	53.79	2.39			55.64	4.32
Southern classification						
D1 (200)	7.77	38.14				
1½ (150)	10.82	33.55				
1 (100)	25.19	30.26	14.68	28.54	14.72	56.97
2 (85)	30.89	18.24	26.12	21.94	22.19	35.31
3 (70)	38.67	8.37	38.48	11.45	38.76	15.12
4 (55)	51.23	4.45	42.46	4.34	44.29	8.04
50					56.20	4.77
Western classification						
D1 (200)	9.26	41.00				
1½ (150)	10.80	32.99				
1 (100)	25.34	29.71	14.24	25.05	14.97	57.54
2 (85)	31.16	17.40	26.33	21.72	22.50	35.20
3 (70)	39.50	7.51	38.87	11.68	38.28	14.52
4 (55)	55.80	4.18	46.28	4.14	45.60	6.44

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

TABLE II.—*Carload ratings—average by classes of weights per cubic foot and values per pound*

Class (regular and percentage)	First period[1]		Second period[2]		Third period[3]	
	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound
Official classification						
2 (85)	4.21	22.10				
3 (70)	24.51	34.81			14.09	55.80
R26 (55)	34.69	24.18	23.28	22.95	23.03	34.23
4 (50)	32.01	18.80			30.26	26.51
45					30.99	22.59
40			38.09	19.93	34.11	22.36
37½			38.85	15.80		
5 (35)	35.61	9.67	32.78	5.82	41.40	10.15
6 (27½)	45.08	1.95			43.34	2.25
Southern classification						
2 (85)	8.56	48.20				
3 (70)	23.52	24.45	18.14	27.58	13.28	51.90
4 (55)	32.16	20.14	26.69	21.22	22.86	32.54
5 (45)	29.57	13.51	24.93	15.90	29.05	23.13
6 (40)	41.09	6.96	38.16	9.92	36.82	15.19
37½					42.04	11.97
7 (35)					43.70	9.92
8 (30)	38.91	2.62	32.70	2.90	38.19	3.37
Western classification						
2 (85)	8.31	44.42				
3 (70)	24.30	31.52	18.86	28.75	13.99	52.16
4 (55)	32.69	20.30	27.09	20.99	23.10	32.63
A (45)	27.24	14.46	29.64	13.46	30.35	21.86
40	39.89	8.04				
5 (37½)			40.15	7.41	41.22	10.39
B (32½)						
C (30)	48.77	2.02	43.94	2.24	43.82	3.03

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

APPENDIX 8

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A[1]	K-2[2]	Border area[3]	Zone I	Zone II	Zone III[4]
5	33	36	37	40	35	37	40
10	34	38	40	40	36	40	42
15	36	39	43	42	39	42	45
20	37	40	45	44	40	44	47
25	40	42	48	46	42	46	51
30	41	43	51	48	44	50	54
35	43	45	54	51	46	52	56
40	44	46	56	53	48	55	59
45	46	48	59	55	51	57	62
50	47	50	62	57	53	61	65
55	50	52	65	59	55	63	68
60	51	53	67	62	57	65	70
65	53	55	70	64	59	68	74
70	54	56	73	66	62	70	76
75	56	59	75	68	64	73	79

See footnotes at end of table.

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938—Continued

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
80	57	61	77	70	66	75	81
85	58	62	79	73	68	77	84
90	59	63	80	75	70	79	86
95	61	64	81	77	72	81	88
100	62	65	84	79	73	83	90
110	64	67	87	83	76	86	94
120	66	69	90	86	78	89	97
130	68	72	94	89	81	92	100
140	70	74	97	92	84	95	103
150	73	76	100	96	86	98	107
160	74	77	103	99	88	100	110
170	76	79	106	102	90	103	113
180	77	81	108	106	92	106	117
190	79	84	110	109	95	109	120
200	80	85	112	112	97	111	123
210	83	87	114	114	99	113	125
220	84	88	117	117	101	116	128
230	86	90	119	119	102	118	130
240	87	91	121	121	105	121	133
260	90	95	125	125	109	125	138
280	92	97	130	130	113	131	143
300	96	100	134	134	117	134	147
320	98	102	139	139	121	139	153
340	101	107	143	143	125	143	157
360	103	109	147	147	130	147	163
380	106	111	152	152	133	152	167
400	109	114	156	156	136	156	172
420	111	117	160	161	141	161	177
440	114	120	163	165	145	165	183
460	117	122	166	169	150	169	187
480	119	124	169	174	153	174	191
500	122	129	173	178	156	178	196
520	124	131	176	182	161	183	201
540	128	134	179	185	165	187	206
560	130	136	183	188	168	191	211
580	132	139	186	191	173	196	216
600	135	142	189	195	176	200	220
620	138	144	193	198	180	205	226
640	141	147	196	....	185	209	230
660	143	151	199	....	188	213	234
680	145	153	202	....	193	218	240
700	149	156	206	....	196	222	244
720	151	158	209	....	199	226	249
740	153	161	212	....	201	229	252
760	155	163	216	....	205	232	256
780	157	165	219	....	208	235	260
800	160	167	222	....	210	239	263
825	163	....	226	....	215	243	268
850	165	....	229	....	218	248	273
875	168	....	232	....	222	252	277
900	171	....	235	....	226	256	282
925	174	....	239	....	230	261	287
950	176	....	242	....	233	265	292
975	179	....	245	....	237	270	296
1,000	182	....	249	....	240	273	300
1,025	185	....	252	....	244	277	306
1,050	187	....	255	....	248	282	310
1,075	190	....	259	....	252	286	315
1,100	193	....	262	....	255	290	319

See footnotes at end of table.

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938—Continued

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
1,125	196		265		260	295	325
1,150	198		268		263	299	329
1,175	201		272		266	304	333
1,200	204		275		270	307	338
1,225	207		278		274	311	343
1,250	209		282		277	316	348
1,275	212		285		282	320	352
1,300	215		288		285	325	356
1,325	218		292		289	329	362
1,350	220		295		293	333	366
1,375	223		298		296	338	371
1,400	226		301		299	341	375
1,425	229		305		304	345	381
1,450	231		308		307	350	385
1,475	234		311		311	354	389
1,500	237		315		315	359	394

---

[1] New England zone B scale is 10 percent higher than the zone A scale.

[2] Scale prescribed as increased 10 percent. On July 7, 1941, the carriers voluntarily reduced the rates throughout southern territory for distances from 0 through 190 miles to basis of the border-area scale shown in the next column of this table.

[3] Scale prescribed in the area of southern territory bordering on official territory.

[4] This scale applies also zone III of western trunk-line territory. Southwestern zone IV scale, 15 percent higher than zone III scale, is not shown because carriers have abandoned it in favor of the latter scale.

APPENDIX 9

FIRST-CLASS RATES BETWEEN REPRESENTATIVE POINTS THROUGHOUT THE TERRITORIES EMBRACED IN THE PROCEEDING

[Distances stated are those computed over the shortest possible rail routes by which cars may be moved without transfer of lading; "Present rates" and "Eastern scale" are first-class rates in effect Apr. 1, 1943, but exclusive of the temporary general increase then also in effect but suspended May 15, 1943]

TABLE I.—*Intraterritorially*

Between official territory	And official territory																													
	Baltimore, Md.		Bangor, Maine		Boston, Mass.		Charleston, W. Va.		Chicago, Ill.		Dayton, Ohio		Detroit, Mich.		Louisville, Ky.		Montpelier, Vt.		New York, N. Y.		Pittsburgh, Pa.		Richmond, Vt.		St. Louis, Mo.		Syracuse, N. Y.		Terre Haute, Ind.	
	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate
Baltimore, Md.	.....	.....	663	152	428	114	432	110	767	154	535	125	598	132	682	145	530	134	201	83	313	98	165	76	882	168	364	106	716	151
Bangor, Maine	663	152	.....	.....	242	101	1,075	180	1,179	189	1,046	178	896	168	[1]1,209	194	278	110	458	131	871	167	808	169	1,380	212	534	134	1,213	193
Boston, Mass.	428	114	242	101	.....	.....	840	155	973	169	837	158	708	143	[1]1,010	174	202	95	247	95	663	139	573	132	1,174	193	328	101	936	173
Charleston, W. Va.	432	110	1,075	180	840	155	.....	.....	460	119	211	84	358	103	273	101	903	155	613	133	290	96	365	106	542	130	599	132	386	109
Chicago, Ill.	767	154	1,179	189	973	169	460	119	.....	.....	250	90	267	92	291	96	948	169	890	167	454	117	825	156	278	92	645	138	177	77
Dayton, Ohio	535	125	1,046	178	837	158	211	84	250	90	.....	.....	199	80	[1]164	77	812	158	690	145	254	90	576	129	349	103	508	121	182	79
Detroit, Mich.	598	132	896	168	708	143	358	103	267	92	199	80	.....	.....	[1]354	103	657	143	632	135	291	96	707	143	475	119	379	106	321	101
Louisville, Ky.	682	145	[1]1,209	194	[1]1,010	174	273	101	291	96	[1]164	77	[1]354	103	.....	.....	[1]976	174	[1]835	164	[1]426	114	697	144	264	92	[1]673	141	156	74
Montpelier, Vt.	530	134	278	110	202	95	903	155	948	169	812	158	657	143	[1]976	174	.....	.....	329	112	652	141	676	153	1,150	193	318	105	910	173
New York, N. Y.	201	83	458	131	247	95	613	133	890	167	690	145	632	135	[1]835	164	329	112	.....	.....	436	114	346	103	1,040	184	280	92	871	167
Pittsburgh, Pa.	313	98	871	167	663	139	290	96	454	117	254	90	291	96	[1]426	114	652	141	436	114	.....	.....	416	111	604	138	370	106	435	114
Richmond, Va.	165	76	808	169	573	132	365	106	825	156	576	129	707	143	697	144	676	153	346	103	416	111	.....	.....	909	169	510	124	751	152
St. Louis, Mo.	882	168	1,380	212	1,174	193	542	130	278	92	349	103	475	119	264	92	1,150	193	1,040	184	604	138	909	169	.....	.....	846	160	168	76
Syracuse, N. Y.	364	106	534	134	328	101	599	132	645	138	508	121	379	106	[1]673	141	318	105	280	92	370	106	510	124	846	160	.....	.....	677	141
Terre Haute, Ind.	716	151	1,213	193	936	173	386	109	177	77	182	79	321	101	156	74	910	173	871	167	435	114	751	152	168	76	677	141	.....	.....

[1] Short-line distance computed partially over Louisville & Nashville Railroad.

TABLE I.—*Intraterritorially*—Continued

Between southern territory	And southern territory																	
	Atlanta, Ga.			Charleston, S. C.			Jackson, Miss.			Jacksonville, Fla.			Johnson City, Tenn.			Louisville, Ky.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.	.....	.....	.....	308	139	98	414	160	111	331	143	101	302	139	98	451	166	117
Charleston, S. C.	308	139	98	.....	.....	.....	678	202	145	232	121	87	379	152	106	689	206	149
Jackson, Miss.	414	160	111	678	202	145	.....	.....	.....	584	189	135	609	193	138	564	186	132
Jacksonville, Fla.	331	143	101	232	121	87	584	189	135	.....	.....	.....	527	179	128	782	219	160
Johnson City, Tenn.	302	139	98	379	152	106	609	193	138	527	179	128	.....	.....	.....	347	147	103
Louisville, Ky.	451	166	117	689	206	149	564	186	132	782	219	160	347	147	103	.....	.....	.....
Memphis, Tenn.	417	160	111	725	212	153	211	117	84	662	202	145	530	179	128	377	149	106
Miami, Fla.	681	230	149	598	212	135	927	266	176	366	175	106	803	259	171	1,130	251	158
Montgomery, Ala.	172	106	77	430	163	114	248	125	90	336	143	101	453	166	117	489	173	122
Nashville, Tenn.	280	134	98	597	189	135	410	160	111	620	193	138	322	152	101	187	109	79
New Orleans, La.	490	173	122	748	216	155	180	106	77	608	193	138	715	209	151	747	216	155
Raleigh, N. C.	415	163	111	247	125	90	825	229	163	472	169	119	229	143	101	667	171	145

Between southern territory	And southern territory																	
	Memphis, Tenn.			Miami, Fla.			Montgomery, Ala.			Nashville, Tenn.			New Orleans, La.			Raleigh, N. C.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	417	160	111	681	230	149	172	106	77	289	134	96	490	173	122	415	163	111
Charleston, S. C	725	212	153	598	212	135	430	163	114	597	189	135	748	216	155	247	125	90
Jackson, Miss	211	117	84	927	266	176	248	125	90	410	160	111	180	106	77	825	229	163
Jacksonville, Fla	667	202	145	366	175	106	336	143	101	620	193	138	608	193	138	472	169	119
Johnson City, Tenn	530	179	128	893	[1] 259	171	453	166	117	322	152	101	715	209	151	329	143	101
Louisville, Ky	377	149	106	1,130	293	198	489	173	122	187	109	79	747	216	155	667	171	145
Memphis, Tenn				1,008	276	185	331	143	101	230	119	86	391	156	109	823	226	163
Miami, Fla	1,008	276	185				677	227	145	970	270	179	917	264	174	838	252	165
Montgomery, Ala	331	143	101	677	227	145				302	139	98	318	139	98	587	189	135
Nashville, Tenn	230	119	86	970	270	179	302	139	98				559	183	130	614	202	138
New Orleans, La	391	156	109	917	264	174	318	139	98	559	183	130				905	239	174
Raleigh, N. C	823	226	163	838	252	165	587	189	135	614	202	138	905	239	174			

[1] Rate applicable north-bound; south-bound rate is 257 cents.

TABLE I—*Intraterritorially*—Continued

Between western trunk-line territory	And western trunk-line territory																												
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa.			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis, Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak				526	205	128	461	165	119	765	257	157	364	151	106	152	100	74	561	190	132	550	185	130	495	177	122	273	131	92
Alliance, Nebr	526	205	128				657	220	143	238	133	87	865	267	168	677	235	145	955	268	179	548	204	130	260	138	90	715	233	151
Cedar Rapids, Iowa	461	165	119	657	220	143				787	248	160	381	133	109	475	167	119	329	121	101	290	117	96	430	158	114	244	105	90
Denver, Colo	765	257	157	238	133	87	787	248	160				994	279	182	915	283	174	1,085	293	193	620	222	138	357	163	108	845	257	165
Duluth, Minn	364	151	106	865	267	168	381	133	109	994	279	182				252	125	90	300	117	96	623	180	141	638	200	141	150	[1] 80	73
Fargo, N. Dak	152	100	74	677	235	145	475	167	119	915	283	174	252	125	90				519	175	124	669	206	145	614	202	138	232	119	87
Green Bay, Wis	561	190	132	955	268	179	329	121	101	1,085	293	193	300	117	96	519	175	124				590	169	135	728	215	153	288	117	96
Kansas City, Mo	550	185	130	548	204	130	290	117	96	620	222	138	623	180	141	669	206	145	590	169	135				294	134	96	478	153	119
Kearney, Nebr	495	177	122	260	138	90	430	158	114	357	163	103	638	200	141	614	202	138	728	215	153	294	134	96				488	172	122
Minneapolis, Minn	273	131	92	715	233	151	244	105	90	845	257	165	150	[1] 80	73	232	119	87	288	117	96	478	153	119	488	172	122			
Minot, N. Dak	264	143	92	791	261	180	708	227	151	1,028	308	187	486	185	122	233	129	87	752	232	155	815	249	163	760	244	155	465	180	119
Omaha, Nebr	365	150	106	413	173	111	257	109	90	538	202	128	486	156	122	483	171	122	557	168	130	191	95	80	186	109	79	341	130	103
Rapid City, S. Dak	347	160	103	178	117	77	653	219	143	416	177	111	676	229	145	499	190	122	858	256	168	708	228	151	438	183	114	570	208	132
St. Louis, Mo	738	212	153	809	248	163	290	112	96	890	268	171	671	179	145	765	216	157	458	123	117	272	113	92	566	190	132	534	160	128
Sault Ste. Marie, Mich	767	226	157	1,208	306	207	602	173	138	1, [illegible]	[illegible]	220	409	141	111	656	205	143	273	113	92	863	217	168	990	252	182	491	156	123
Scott City, Kans	799	250	160	570	216	132	666	218	145	332	157	101	943	265	176	919	271	174	977	253	182	374	164	106	410	178	111	793	244	160
Sioux Falls, S. Dak	182	109	79	545	202	130	303	121	98	674	237	145	343	147	103	306	139	98	501	156	124	373	133	106	318	136	98	227	105	86
Springfield, Mo	742	221	155	719	238	151	442	156	117	733	246	153	797	221	160	861	238	168	698	201	149	192	111	80	464	174	119	653	199	143
Trinidad, Colo	973	295	179	447	187	117	908	272	174	209	125	83	1,162	312	201	1,124	320	196	1,207	312	207	617	222	138	565	216	132	1,012	290	185
Wichita, Kans	657	218	143	538	200	128	491	176	122	512	201	124	789	230	160	776	239	157	790	224	160	200	117	80	284	140	96	645	208	143

[1] Rate applicable on less than carloads of less than 6,000 pounds; on less than carloads of greater weight and on carloads rate is 64 cents.

Between western trunk-line territory	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			St. Louis, Mo.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield, Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	264	143	92	365	150	106	347	160	103	738	212	153	767	226	157	799	250	160	182	109	79	742	221	155	973	295	179	657	218	143
Alliance, Nebr	791	261	160	413	173	111	178	117	77	809	248	163	1,208	306	207	570	216	132	545	202	130	719	238	151	447	187	117	538	200	128
Cedar Rapids, Iowa	708	227	151	257	109	90	653	219	143	290	112	96	602	173	138	666	218	145	303	121	98	442	156	117	908	272	174	491	176	122
Denver, Colo	1,028	308	187	538	202	128	416	177	111	890	268	171	1,337	332	220	332	157	101	674	232	145	733	246	153	209	125	83	512	201	124
Duluth, Minn	486	185	122	486	136	122	676	229	145	671	179	145	409	141	111	943	265	176	343	147	103	797	221	160	1,162	312	201	789	230	160
Fargo, N. Dak	233	129	87	483	171	122	499	190	122	765	216	157	656	205	143	919	271	174	306	139	98	861	238	168	1,124	320	196	776	239	157
Green Bay, Wis	752	232	155	557	168	130	858	256	168	458	123	117	273	113	92	977	263	182	501	156	124	698	201	149	1,207	312	207	790	224	160
Kansas City, Mo	615	249	163	191	95	80	708	228	151	272	113	92	863	217	168	374	164	106	373	133	106	192	111	80	617	222	138	200	117	80
Kearney, Nebr	760	244	155	186	109	79	438	183	114	566	190	132	980	252	182	410	173	111	318	136	98	464	174	119	565	216	132	284	140	96
Minneapolis, Minn	465	180	119	341	130	103	570	208	132	534	160	128	491	156	122	793	244	160	227	105	86	653	[illegible]	143	1,012	290	185	645	208	143
Minot, N. Dak				630	219	141	612	222	138	998	265	182	888	254	171	1,064	304	190	447	182	117	1,007	277	185	1,237	345	209	922	274	174
Omaha, Nebr	630	219	141				523	197	128	413	141	111	822	215	163	457	182	117	188	95	79	385	145	109	694	241	149	315	144	98
Rapid City, S. Dak	612	222	138	523	197	128				919	256	174	1,061	287	190	749	256	155	358	160	103	900	261	171	625	230	141	717	243	151
St. Louis, Mo	998	265	182	413	141	111	919	256	174				731	193	153	638	220	141	564	167	132	239	87	87	878	267	171	457	172	117
Sault Ste. Marie, Mich	888	254	171	822	215	163	1,061	287	190	731	193	153				1,250	305	209	723	199	153	971	245	179	1,480	354	237	1,063	267	190
Scott City, Kans	1,064	304	190	457	182	117	749	256	155	638	220	141	1,250	305	209				622	219	141	468	186	119	271	143	92	220	128	84
Sioux Falls, S. Dak	447	182	117	188	95	79	358	160	103	564	167	132	723	199	153	622	219	141				565	180	132	842	264	165	480	178	119
Springfield, Mo	1,007	277	185	385	145	109	900	261	171	239	87	87	971	245	179	468	186	119	565	180	132				701	241	151	259	131	90
Trinidad, Colo	1,237	345	209	694	241	149	625	230	141	878	267	171	1,480	354	237	271	143	92	842	264	165	701	241	151				446	187	117
Wichita, Kans	922	274	174	315	144	98	717	243	151	457	172	117	1,063	267	190	220	128	84	480	178	119	259	131	90	446	187	117			

TABLE I—*Intraterritorially*—Continued

Between southwestern territory	And southern territory																	
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Alpine, Tex				546	211	130	676	240	145	497	196	122	221	132	86	509	220	135
Amarillo, Tex	546	211	130				873	277	168	367	168	106	444	184	117	596	220	135
Brownsville, Tex	676	240	145	873	277	168				541	211	130	897	282	171	358	163	103
Dallas, Tex	497	196	122	367	168	106	541	211	130				646	235	143	242	139	90
El Paso, Tex	221	132	86	444	184	117	897	282	171	646	235	143				820	268	163
Houston, Tex	509	220	135	596	220	135	358	163	103	242	139	90	820	268	163			
Little Rock, Ark	828	273	165	627	230	141	794	263	160	332	158	101	976	300	182	435	187	114
Memphis, Tenn	960	294	179	760	253	155	912	265	174	463	193	119	1,108	322	196	554	209	130
New Orleans, La	948	288	176	853	271	168	708	245	151	491	200	122	1,136	325	198	349	157	103
Oklahoma City, Okla	609	225	138	274	144	92	742	256	155	228	132	86	718	248	151	465	192	119
San Antonio, Tex	393	172	109	587	220	135	286	148	96	275	144	92	615	225	138	206	127	83
Shreveport, La	688	244	149	553	211	130	591	220	138	191	124	80	836	273	165	232	139	87
Sweetwater, Tex	304	153	98	242	139	90	636	230	141	233	134	87	412	177	111	408	177	111

Between southwestern territory	Little Rock, Ark.			Memphis, Tenn.			New Orleans, La.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Alpine, Tex	828	273	165	960	294	179	948	288	176	609	225	138	393	172	109	688	244	149	304	153	98
Amarillo, Tex	627	230	141	760	253	155	853	271	168	274	144	92	587	220	135	553	211	130	242	139	90
Brownsville, Tex	194	263	160	912	285	174	708	245	151	742	256	155	286	148	96	591	220	135	636	230	141
Dallas, Tex	332	158	101	463	193	119	491	200	122	228	132	86	276	144	92	191	124	80	233	134	87
El Paso, Tex	976	300	182	1,108	322	196	1,136	325	198	718	248	151	615	225	138	836	273	165	412	177	111
Houston, Tex	435	187	114	554	209	130	349	157	103	465	192	119	206	127	83	232	139	87	408	177	111
Little Rock, Ark	----	----	----	133	103	70	437	174	114	353	163	103	575	216	132	203	127	83	564	216	132
Memphis, Tenn	133	103	70	----	----	----	(1)	(1)	(1)	485	193	122	706	245	151	321	154	101	696	241	149
New Orleans, La	437	174	114	(1)	(1)	(1)	----	----	----	670	234	145	553	206	130	306	149	98	724	246	153
Oklahoma City, Okla	353	163	103	485	193	122	670	234	145	----	----	----	477	192	119	369	168	106	308	153	98
San Antonio, Tex	575	216	132	706	245	151	553	206	130	477	192	119	----	----	----	402	177	111	349	163	103
Shreveport, La	303	127	83	321	154	101	306	149	98	369	168	106	402	177	111	----	----	----	424	182	114
Sweetwater, Tex	564	216	132	696	241	149	724	246	153	308	153	98	349	163	103	424	182	114	----	----	----

---

[1] Shown in table of distances and rates between points in southern territory.

TABLE II.—*Intraterritorially*

Between official territory	And southern territory														
	Atlanta, Ga.			Charleston, S. C.			Jackson, Miss.			Jacksonville, Fla.			Johnson City, Tenn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	686	[1] 196	149	560	169	130	1,060	253	190	792	204	160	449	121	117
Bangor, Maine	1,335	252	220	1,201	[1] 228	207	1,702	[1] 303	262	1,434	[1] 259	231	1,092	204	193
Boston, Mass	1,094	230	193	968	206	179	1,467	292	234	1,199	238	204	857	174	168
Charleston, W. Va	553	186	130	599	188	135	841	232	165	809	226	163	290	105	96
Chicago, Ill	728	210	153	988	249	182	738	206	153	1,059	253	190	638	166	141
Dayton, Ohio	529	183	128	758	215	155	728	209	153	880	239	168	416	134	111
Detroit, Mich	728	211	153	931	234	176	904	232	174	1,052	266	190	596	154	135
Montpelier, Vt	1,197	248	204	1,078	223	193	1,520	299	245	1,297	255	215	960	191	179
New York, N. Y	873	212	168	740	187	153	1,240	267	209	972	220	179	630	147	141
Pittsburgh, Pa	773	229	157	791	207	160	973	247	179	1,018	229	185	533	144	128
Richmond, Va	542	183	130	404	156	109	958	245	179	621	187	141	352	105	103
St. Louis, Mo	609	193	138	917	244	174	517	178	124	915	245	174	611	174	138
Syracuse, N. Y	1,029	235	187	914	212	174	1,237	270	209	1,131	244	198	752	163	155
Terre Haute, Ind	553	187	130	845	234	165	580	186	132	885	240	171	503	154	124

Between official territory	And southern territory—Continued																	
	Memphis, Tenn.			Miami, Fla.			Montgomery, Ala.			Nashville, Tenn.			New Orleans, La.			Raleigh, N. C.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	971	234	179	1,152	273	201	858	221	168	771	216	157	1,164	262	201	322	117	101
Bangor, Maine	1,578	[1] 269	248	1,795	[1] 329	270	1,501	[1] 275	240	1,394	[1] 274	226	1,807	[1] 312	273	965	201	179
Boston, Maine	1,372	267	223	1,560	307	245	1,267	253	212	1,180	252	204	1,572	290	245	730	167	153
Charleston, W. Va	641	190	143	1,175	298	201	685	209	149	451	165	117	943	242	176	403	128	111
Chicago, Ill	527	164	128	1,409	333	229	744	210	155	440	152	114	912	237	174	861	189	168
Dayton, Ohio	541	167	130	1,210	309	207	632	199	141	351	143	103	898	240	171	611	157	138
Detroit, Mich	705	190	151	1,409	338	229	834	228	165	541	172	130	1,080	263	193	761	177	157
Montpelier, Va	1,348	285	220	1,663	325	256	1,370	271	228	1,164	270	201	1,675	308	256	833	183	165
New York, N. Y	1,160	252	201	1,333	289	220	1,040	237	187	952	233	179	1,345	276	220	503	141	124
Pittsburgh, Pa	785	200	160	1,370	308	223	876	239	171	595	178	135	1,134	273	198	557	147	130
Richmond, Va	878	235	171	987	272	182	714	206	151	670	209	145	1,032	255	187	157	94	74
St. Louis, Mo	296	136	96	1,251	316	212	576	189	132	320	136	98	987	209	149	930	197	176
Syracuse, N. Y	1,044	231	187	1,497	314	237	1,144	253	198	860	211	168	1,399	288	226	667	161	145
Terre Haute, Ind	378	144	106	1,234	310	209	567	187	132	265	129	92	703	217	157	782	177	160

[1] Combination rate.

TABLE II.—*Intraterritorially*—Continued

Between official territory	And western trunk-line territory																													
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis, Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,423	295	229	1,626	345	253	979	193	182	1,743	371	264	1,194	237	204	1,392	288	226	909	172	174	1,134	234	198	1,399	288	226	1,155	233	201
Bangor, Maine	1,745	337	264	2,055	393	300	1,398	232	226	2,182	420	314	1,484	272	237	1,706	325	259	1,197	195	204	1,605	284	251	1,828	337	275	1,469	272	234
Boston, Mass	1,537	315	242	1,849	371	275	1,192	[illegible]	204	1,976	398	292	1,276	250	215	1,493	303	237	991	175	182	1,399	263	226	1,622	315	251	1,263	250	212
Charleston, W. Va	1,121	256	196	1,300	304	215	667	[illegible]	145	1,413	327	229	913	206	174	1,091	252	193	659	145	143	803	193	163	1,074	245	190	861	199	168
Chicago, Ill	661	201	145	876	254	171	219	[illegible]	84	1,096	279	185	453	151	117	631	198	141	198	87	80	437	143	114	649	197	143	401	139	111
Dayton, Ohio	911	230	174	1,096	278	193	457	132	117	1,209	304	207	703	180	151	880	228	171	447	121	117	599	165	135	869	223	168	650	175	143
Detroit, Mich	871	229	168	1,142	285	198	485	135	122	1,270	309	212	618	168	138	829	217	165	333	106	101	694	178	149	915	230	174	601	164	138
Louisville, Ky	932	240	176	1,097	281	193	472	144	119	1,155	305	201	743	196	155	922	234	174	489	177	122	537	158	128	830	230	165	692	185	149
Montpelier, Vt	1,494	315	237	1,824	371	273	1,167	212	201	1,954	398	289	1,139	250	198	1,384	303	226	963	175	179	1,382	263	226	1,597	315	248	1,221	250	207
New York, N. Y	1,466	304	234	1,764	360	267	1,108	204	196	1,886	385	281	1,205	239	207	1,422	294	229	920	172	174	1,288	248	215	1,537	303	242	1,193	239	204
Pittsburgh, Pa	1,115	256	196	1,329	308	220	673	161	145	1,451	332	231	881	200	171	1,079	250	193	596	142	135	852	197	168	1,102	251	196	848	196	165
Richmond, Va	1,486	304	237	1,666	350	256	1,036	196	187	1,778	371	270	1,278	248	215	1,456	299	234	1,012	176	185	1,169	237	201	1,439	292	231	1,226	241	209
Syracuse, N. Y	1,209	274	207	1,521	330	240	864	177	168	1,648	358	253	948	209	176	1,165	262	201	663	145	145	1,074	221	190	1,294	273	215	936	209	176
Terre Haute, Ind	795	220	160	947	262	176	335	118	101	1,040	284	187	629	177	141	805	220	168	374	110	106	430	139	114	795	210	151	575	164	132

Between official territory	And western trunk-line territory																										
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield, Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,618	340	251	1,220	244	207	1,630	347	253	938	185	176	1,507	328	240	1,280	255	215	1,130	245	198	1,750	371	264	1,333	285	220
Bangor, Maine	1,838	475	275	1,654	290	256	1,997	387	292	932	208	179	1,978	380	292	1,647	297	253	1,619	310	251	2,227	420	319	1,804	336	273
Boston, Mass	1,726	353	264	1,448	268	231	1,791	365	270	925	187	174	1,772	358	267	1,441	275	231	1,413	288	229	2,015	398	295	1,598	314	248
Charleston, W. Va	1,324	304	218	895	206	171	1,328	306	320	718	167	151	1,177	282	204	977	218	182	781	208	160	1,420	327	229	999	242	182
Chicago, Ill	864	264	168	476	153	119	868	253	168	471	154	119	810	240	163	519	161	124	515	172	124	1,053	289	190	636	200	141
Dayton, Ohio	1,113	279	196	690	180	149	1,110	292	196	554	149	130	973	257	179	760	193	155	589	179	135	1,216	304	207	799	217	160
Detroit, Mich	1,064	268	190	742	187	155	1,107	278	196	370	122	106	1,067	270	190	758	190	155	715	200	151	1,310	317	218	868	229	171
Louisville, Ky	1,155	286	201	677	184	145	1,125	283	196	655	178	143	902	256	174	775	198	157	503	168	124	1,144	300	198	721	215	153
Montpelier, Vt	1,617	353	251	1,424	268	229	1,765	365	267	731	187	153	1,755	358	267	1,415	275	229	1,389	288	226	1,998	398	292	1,581	314	248
New York, N. Y	1,655	345	256	1,361	259	223	1,718	356	262	894	185	171	1,662	343	256	1,369	264	223	1,280	270	215	1,905	385	284	1,488	299	237
Pittsburgh, Pa	1,311	303	218	923	207	174	1,323	307	215	647	158	143	1,226	292	209	973	218	179	843	216	165	1,469	332	234	1,092	249	190
Richmond, Va	1,689	351	259	1,290	249	212	1,665	352	259	1,063	196	190	1,542	328	242	1,335	261	220	1,147	256	198	1,785	371	270	1,365	285	223
Syracuse, N. Y	1,398	312	226	1,094	229	198	1,464	325	234	671	151	145	1,444	317	231	1,115	238	196	1,080	248	193	1,687	358	259	1,270	273	212
Terre Haute, Ind	1,038	270	187	543	162	130	988	266	182	398	168	135	804	240	163	639	177	141	406	152	111	1,047	288	187	626	201	141

TABLE II.—*Intraterritorially*—Continued

Between official territory	And southwestern territory														
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,928	438	286	1,664	359	256	1,848	429	275	1,432	340	231	2,076	443	303
Bangor, Maine	2,406	497	347	2,131	411	308	2,462	494	344	2,000	397	292	2,537	501	352
Boston, Mass	2,200	471	325	1,925	389	284	2,256	468	322	1,794	375	270	2,330	475	330
Charleston, W. Va	1,610	390	251	1,320	315	218	1,562	381	265	1,114	294	196	1,734	397	264
Chicago, Ill	1,365	348	223	962	267	179	1,397	355	226	904	261	174	1,362	351	223
Dayton, Ohio	1,466	367	234	1,125	288	196	1,432	359	231	970	272	179	1,545	371	243
Detroit, Mich	1,612	381	251	1,219	301	207	1,578	379	248	1,116	289	196	1,627	384	253
Montpelier, Vt	2,269	471	322	1,912	389	284	2,235	468	319	1,773	375	267	2,344	475	330
New York, N. Y	2,121	456	306	1,815	375	273	2,028	450	297	1,625	360	251	2,222	460	317
Pittsburgh, Pa	1,720	401	262	1,380	320	226	1,686	393	259	1,224	304	207	1,787	404	270
Richmond, Va	1,838	435	275	1,638	365	253	1,740	415	264	1,342	342	220	1,986	448	292
Syracuse, N. Y	1,962	430	289	1,592	330	248	1,928	425	286	1,466	334	234	2,003	432	286
Terre Haute, Ind	1,296	344	215	951	266	179	1,262	342	212	800	251	160	1,363	349	223

Between official territory	Houston, Tex.			Little Rock, Ark.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,490	358	237	1,101	270	196	1,423	315	229	1,675	386	256	1,289	310	215	1,664	377	256
Bangor, Maine	2,103	413	306	1,669	328	256	1,914	367	284	2,242	443	319	1,871	370	278	2,222	432	317
Boston, Mass	1,897	391	281	1,463	306	234	1,708	345	262	2,036	421	297	1,665	348	256	2,016	410	295
Charleston, W. Va	1,204	304	207	783	223	160	1,081	268	193	1,357	338	223	972	263	179	1,346	330	220
Chicago, Ill	1,035	286	187	604	195	138	776	230	157	1,174	311	201	805	239	163	1,061	290	190
Dayton, Ohio	1,073	290	190	639	200	141	892	244	171	1,212	318	207	841	242	165	1,200	306	204
Detroit, Mich	1,219	309	207	784	222	160	1,006	259	185	1,358	338	223	967	262	182	1,314	321	218
Montpelier, Vt	1,876	391	278	1,442	306	231	1,687	345	259	2,045	421	295	1,644	348	253	1,995	410	292
New York, N. Y	1,669	374	256	1,294	287	215	1,581	331	248	1,866	405	278	1,482	328	237	1,857	396	278
Pittsburgh, Pa	1,327	322	220	893	235	171	1,145	277	198	1,466	350	234	1,095	275	193	1,453	340	234
Richmond, Va	1,381	342	226	1,011	270	183	1,364	321	223	1,571	382	245	1,169	305	201	1,574	385	245
Syracuse, N. Y	1,568	352	245	1,135	266	198	1,380	305	226	1,709	382	262	1,337	307	220	1,688	370	259
Terre Haute, Ind	903	270	174	469	174	119	710	221	251	1,042	297	187	670	219	145	1,018	285	185

TABLE II.—*Intraterritorially*—Continued

Between southern territory	And western trunk-line territory																													
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	1,317	309	218	1,415	345	229	860	233	168	1,432	364	231	1,177	277	204	1,330	310	220	924	241	174	879	240	171	1,160	294	201	1,094	270	193
Charleston, S. C	1,615	358	251	1,723	399	262	1,156	289	201	1,740	416	264	1,427	322	231	1,608	355	251	1,174	279	201	1,187	294	204	1,468	348	234	1,372	315	223
Jackson, Miss	1,216	298	207	1,200	326	204	792	223	160	1,213	340	207	1,137	271	198	1,266	303	212	930	238	176	674	228	145	945	281	176	1,030	262	187
Jacksonville, Fla	1,638	364	253	1,665	403	256	1,191	293	204	1,682	416	259	1,508	334	240	1,661	369	256	1,255	299	212	1,130	294	198	1,410	350	229	1,425	328	229
Johnson City, Tenn	1,276	297	215	1,419	340	229	817	206	163	1,502	361	240	1,088	261	193	1,269	294	212	835	210	165	883	238	171	1,176	289	204	1,033	251	187
Miami, Fla	1,979	443	292	2,006	451	295	1,533	363	242	2,023	495	295	1,857	416	278	2,007	449	295	1,604	375	251	1,471	374	234	1,751	428	267	1,771	409	267
Montgomery	1,302	306	218	1,329	341	220	856	233	168	1,346	352	220	1,190	281	204	1,330	311	220	937	243	176	794	235	160	1,674	288	190	1,094	272	193
Nashville, Tenn	1,028	257	187	1,126	294	198	571	171	132	1,208	314	207	888	224	171	1,041	264	187	635	180	141	590	184	135	883	244	171	805	216	163
Raleigh, N. C	1,520	325	240	1,695	365	259	1,066	237	190	1,809	393	273	1,311	279	218	1,492	320	237	1,058	223	190	1,199	262	204	1,469	311	234	1,256	273	212

Between southern territory	And western trunk-line territory																										
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.	1,563	359	245	1,019	261	185	1,505	353	240	1,079	265	198	1,165	321	201	1,151	279	211	680	235	149	[illegible]	364	238	957	283	179
Charleston, S. C.	1,840	404	275	1,327	316	220	1,809	406	273	1,296	293	215	1,473	372	224	1,459	320	224	1,036	266	162	[illegible]	416	[illegible]	1,265	333	212
Jackson, Miss.	1,480	351	237	856	249	166	1,373	340	223	1,176	275	204	918	258	174	1,039	267	187	492	190	123	[illegible]	329	[illegible]	701	246	151
Jacksonville, Fla.	1,804	418	281	1,312	316	218	1,825	411	273	1,410	314	229	1,415	353	229	1,471	334	224	848	276	176	[illegible]	416	261	1,217	321	207
Johnson City, Tenn.	1,501	343	240	1,023	256	185	1,470	344	234	917	213	174	1,249	314	209	1,129	298	195	611	230	150	[illegible]	361	237	1,067	275	190
Miami, Fla.	2,240	466	319	1,653	395	256	2,166	490	311	1,760	403	267	1,756	447	267	1,812	414	273	1,[illegible]	330	216	[illegible]	[illegible]	[illegible]	1,348	407	242
Montgomery, Ala.	1,563	359	245	976	256	182	1,489	351	237	1,144	274	198	1,079	305	193	1,135	278	198	612	216	130	[illegible]	[illegible]	217	671	270	169
Nashville, Tenn.	1,274	308	212	730	208	153	1,216	304	207	842	216	165	945	286	176	962	227	169	477	184	119	[illegible]	[illegible]	204	737	239	153
Raleigh, N. C.	1,724	369	202	1,299	275	215	1,719	372	262	1,116	234	198	1,568	445	245	1,360	297	220	1,104	262	160	[illegible]	[illegible]	[illegible]	1,262	306	223

TABLE II.—*Intraterritorially*—Continued

Between southern territory	And southwestern territory														
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.	1,319	355	215	1,177	328	204	1,198	330	204	822	261	163	1,487	386	234
Charleston, S. C.	1,585	399	248	1,450	373	231	1,456	375	234	1,088	308	193	1,733	431	264
Jackson, Miss.	905	286	174	770	257	157	790	261	160	607	179	111	1,054	310	190
Jacksonville, Fla.	1,401	384	237	1,356	356	223	1,316	350	218	994	290	182	1,639	415	253
Johnson City, Tenn.	1,490	389	237	1,290	340	215	1,398	370	226	993	298	182	1,639	415	253
Louisville, Ky.	1,337	350	220	1,047	281	187	1,289	342	215	839	256	165	1,458	363	234
Miami, Fla.	1,832	459	275	1,697	429	259	1,625	424	251	1,335	363	220	1,980	480	292
Montgomery, Ala.	1,155	327	201	1,020	297	185	1,026	303	187	657	231	143	1,304	358	218
Nashville, Tenn.	1,190	334	204	950	281	182	1,142	326	198	693	242	149	1,339	362	220
Raleigh, N. C.	1,734	426	264	1,583	365	248	1,619	404	251	1,237	329	209	1,882	454	281

Between southern territory	Houston, Tex.			Little Rock, Ark.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	839	260	165	549	199	130	902	272	174	1,033	299	187	631	219	141	1,055	306	190
Charleston, S. C	1,007	301	193	857	257	168	1,210	326	207	1,299	341	215	897	266	171	1,321	351	218
Jackson, Miss	431	179	114	257	138	90	588	218	135	619	219	138	217	127	84	641	232	143
Jacksonville, Fla	957	278	179	799	248	160	1,152	317	201	1,162	319	201	803	251	163	1,227	334	209
Johnson City, Tenn	1,039	298	187	662	229	145	1,015	296	185	1,227	334	209	825	260	163	1,226	340	209
Louisville, Ky	930	274	176	509	180	124	816	235	163	1,083	301	193	698	226	149	1,071	301	190
Miami, Fla	1,266	352	212	1,140	319	198	1,493	390	237	1,471	393	234	1,144	322	198	1,568	407	245
Montgomery, Ala	667	228	145	463	180	119	816	259	163	869	268	168	467	184	119	891	277	171
Nashville, Tenn	783	256	160	362	157	106	715	235	151	936	286	176	551	204	130	926	285	176
Raleigh, N. C	1,280	330	212	955	270	179	1,308	321	218	1,448	370	231	1,046	292	187	1,470	376	234

TABLE II.—*Intraterritorially*—Continued

Between western trunk-line territory	And southwestern territory																	
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	1,394	362	[illegible]	983	287	182	1,562	392	245	1,034	289	187	1,378	366	226	1,278	334	215
Alliance, Nebr	1,168	332	201	676	240	145	1,143	382	231	937	282	176	946	290	176	1,166	328	201
Cedar Rapids, Iowa	1,219	331	207	819	251	163	1,317	350	218	774	244	157	1,223	332	207	1,016	288	185
Denver, Colo	930	291	176	438	182	114	1,311	361	218	805	265	163	708	248	151	1,034	310	187
Duluth, Minn	1,518	373	240	1,115	294	196	1,641	395	253	1,099	292	193	1,510	373	240	1,342	337	220
Fargo, N. Dak	1,512	383	240	1,101	304	196	1,680	409	259	1,167	306	201	1,496	383	237	1,393	350	226
Green Bay, Wis	1,518	369	240	1,115	289	196	1,592	384	248	1,058	281	190	1,522	372	240	1,234	312	209
Kansas City, Mo	929	288	176	526	199	128	1,026	305	187	484	195	122	933	288	176	726	246	153
Kearney, Nebr	1,020	303	185	669	218	138	1,188	333	204	682	233	149	989	298	182	911	282	174
Minneapolis, Minn	1,373	353	223	971	274	179	1,496	374	237	954	272	179	1,366	353	223	1,198	317	204
Minot, N. Dak	1,659	437	256	1,248	358	209	1,827	458	275	1,290	355	215	1,643	437	253	1,544	400	242
Omaha, Nebr	1,052	309	190	641	226	143	1,215	332	207	672	229	145	1,036	305	187	914	275	174
Rapid City, S. Dak	1,346	366	220	854	275	168	1,622	415	251	1,116	316	196	1,124	324	196	1,345	362	220
St. Louis, Mo	1,142	319	198	782	244	160	1,136	325	209	655	229	143	1,194	324	204	777	253	157
Sault Ste. Marie, Mich	1,792	407	270	1,389	326	226	1,864	422	278	1,331	318	220	1,798	408	270	1,507	349	240
Scott City, Kans	897	287	171	350	163	103	1,112	324	196	606	217	138	732	252	153	835	273	165
Sioux Falls, S. Dak	1,216	334	207	806	254	163	1,384	359	226	860	256	168	1,201	333	207	1,102	301	196
Springfield, Mo	903	285	174	509	210	132	959	294	179	416	178	111	1,012	303	185	658	239	143
Trinidad, Colo	721	252	153	253	139	90	1,126	329	198	620	225	138	499	196	122	849	277	165
Wichita, Kans	737	252	153	326	157	101	905	287	174	399	169	109	755	256	155	628	232	141

APPENDIX 10

Scale of first-class rates (class 100)

[Prescribed for application in all territory covered by No. 28300]

Miles	Rate	Miles	Rate	Miles	Rate	Miles	Rate	Miles	Rate
5	40	160	82	580	152	1,150	234	1,775	311
10	43	170	84	600	155	1,175	237	1,800	313
15	46	180	86	620	158	1,200	240	1,825	316
20	48	190	88	640	161	1,225	244	1,850	319
25	50	200	90	660	164	1,250	247	1,875	322
30	52	210	92	680	167	1,275	250	1,900	324
35	54	220	94	700	170	1,300	253	1,925	327
40	56	230	96	720	173	1,325	257	1,950	330
45	58	240	98	740	176	1,350	260	1,975	332
50	60	260	102	760	179	1,375	263	2,000	334
55	61	280	106	780	182	1,400	266	2,025	337
60	62	300	110	800	185	1,425	269	2,050	340
65	63	320	113	825	189	1,450	272	2,075	342
70	64	340	116	850	193	1,475	275	2,100	344
75	65	360	119	875	196	1,500	278	2,125	347
80	66	380	122	900	199	1,525	281	2,150	349
85	67	400	125	925	203	1,550	284	2,175	351
90	68	420	128	950	207	1,575	287	2,200	353
95	69	440	131	975	210	1,600	290	2,250	357
100	70	460	134	1,000	213	1,625	293	2,300	361
110	72	480	137	1,025	217	1,650	296	2,350	365
120	74	500	140	1,050	221	1,675	299	2,400	368
130	76	520	143	1,075	224	1,700	302	2,450	372
140	78	540	146	1,100	227	1,725	305	2,500	375
150	80	560	149	1,125	231	1,750	308		

Between western trunk-line territory	And southwestern territory																				
	Little Rock, Ark.			Memphis, Tenn.			New Orleans, La.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	1,013	281	185	1,028	260	185	1,414	325	229	828	254	165	1,304	341	218	1,109	301	196	1,090	309	193
Alliance, Nebr	949	286	176	998	290	182	1,341	354	220	710	240	151	1,178	330	204	1,037	299	187	971	287	179
Cedar Rapids, Iowa	634	206	141	581	183	135	971	257	179	633	213	141	1,051	297	190	795	246	160	915	271	174
Denver, Colo	957	296	179	1,015	297	185	1,291	366	215	683	244	149	1,025	310	185	991	300	182	681	244	149
Duluth, Minn	1,015	260	185	932	234	176	1,317	299	218	794	260	179	1,376	343	226	1,174	297	201	1,213	315	207
Fargo, N. Dak	1,109	286	196	1,055	266	190	1,404	334	229	947	272	176	1,414	358	229	1,228	317	209	1,208	325	207
Green Bay, Wis	800	227	160	726	198	153	1,110	267	196	929	254	176	1,334	333	220	997	265	182	1,215	312	207
Kansas City, Mo	463	183	119	473	185	119	864	255	168	340	155	101	761	253	157	560	207	130	625	223	141
Kearney, Nebr	693	238	149	743	245	155	1,086	306	193	455	179	117	925	284	174	808	252	163	715	243	151
Minneapolis, Minn	878	245	171	826	223	165	1,217	292	207	790	240	160	1,230	323	209	1,031	283	187	1,069	295	190
Minot, N. Dak	1,270	329	212	1,269	311	212	1,660	382	256	1,094	323	193	1,561	407	245	1,367	366	223	1,354	378	223
Omaha, Nebr	648	218	143	653	211	143	1,044	275	187	486	186	122	949	279	176	750	239	155	747	249	155
Rapid City, S. Dak	1,128	320	198	1,162	303	201	1,519	366	240	888	274	171	1,356	364	223	1,215	333	207	1,097	323	193
St. Louis, Mo	344	154	103	296	136	96	887	209	135	541	197	130	917	279	174	545	202	130	860	263	168
Sautl Ste. Marie, Mich	1,073	263	190	980	238	182	1,371	305	223	1,[illegible]	290	207	1,603	370	251	1,270	303	212	1,488	349	237
Scott City, Kans	663	234	145	748	250	155	1,065	306	190	[illegible]	167	109	847	273	165	750	[illegible]	155	593	220	135
Sioux Falls, S. Dak	841	248	165	859	228	168	1,243	294	207	650	221	143	1,119	308	196	936	268	176	912	276	174
Springfield, Mo	315	150	98	281	146	96	672	231	145	302	150	98	694	242	149	440	185	114	610	222	138
Trinidad, Colo	874	277	168	981	297	182	1,108	339	198	528	206	128	840	277	165	806	268	163	495	196	122
Wichita, Kans	445	185	117	540	200	128	838	270	165	171	118	77	639	232	141	532	204	128	433	183	114

Exhibit 6.

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 15th day of May, A. D. 1945

No. 28300

CLASS RATE INVESTIGATION, 1939

It appearing, That by order dated July 29, 1939, as modified by orders dated August 1, 1940, the Commission, on its own motion, instituted a proceeding of investigation and inquiry into and concerning the interstate class rates applicable to the transportation in interstate or foreign commerce of property by common carriers by railroad, or by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States lying on and generally eastward of the following line: The western boundaries of the States of North Dakota, South Dakota, and Nebraska south to the main line of the Union Pacific Railroad Company, thence along such railroad west to Cheyenne, Wyo., thence south on the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo, and Trinidad, Colo., to the border of the State of New Mexico, thence successively east, south, and west along the latter border to the Rio Grande River (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico, with a view to determining whether said rates and charges, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and to making such findings and order or orders as may be proper in the premises.

Exhibit 6.

It further appearing, That all common carriers by railroad or by water subject to the Interstate Commerce Act, participating in the transportation described in the preceding paragraph, were made respondents to this proceeding.

And it further appearing, That a full investigation of the matters and things involved has been made, and that the Commission, on the date hereof, has made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof:

It is ordered, That the respondent common carriers by railroad in this proceeding, according as they participate in the transportation, be, and they are hereby, notified and required to cease and desist, on or before August 30, 1945, and thereafter to abstain, from publishing, demanding, or collecting for the transportation in interstate commerce of property moving at the classification ratings within southern, southwestern, and western trunk-line territories, as those territories are described in the report herein, and interterritorially between those territories, and also between those territories and official territory, as described in the said report, rates which exceed those prescribed in the next succeeding paragraph.

It is further ordered, That said respondent common carriers by railroad, according as they participate in the transportation, be, and they are hereby, notified and required to establish on or before August 30, 1945, upon notice to this Commission and to the general public by not less than 30 days' filing and posting in the manner prescribed in section 6 of the Interstate Commerce Act,

Exhibit 6.

and thereafter to maintain and apply to the transportation of property moving at the classification ratings within southern, southwestern, and western trunk-line territories, as described in the report herein, and interterritorially between those territories, and also between those territories and official territory, as described in said report, rates which shall not exceed the present rates reduced by 10 percent; *Provided*, That such rates shall be subject to observance of the rates in the distance scale set out in Part III of the said report as minima.

It is further ordered, That, to remove the unreasonableness in the rates and to bring to the minimum the undue preference and undue prejudice found to exist said respondent common carriers by railroad, according as they participate in the transportation, be, and they are hereby, authorized and directed to increase by 10 percent the existing applicable interstate class rates for freight traffic moving at classification ratings in official territory (including Illinois territory), subject to the qualifications set forth in the report herein, and to maintain the rates so increased as the reasonable rates to be hereafter observed until further order of the Commission.

It is further ordered, That said respondent common carriers by railroad, according as they participate in the transportation, be, and they are hereby, notified and required to cease and desist, on or before August 30, 1945, and thereafter to abstain from publishing, demanding, or collecting for the transportation in interstate commerce of property in less-than-carloads moving at the classification ratings in the territory included in this proceeding a minimum charge per shipment which is less than that prescribed in the next succeeding paragraph.

Exhibit 6.

It is further ordered, That said respondent common carriers by railroad, according as they participate in the transportation be, and they are hereby, notified and required to establish on or before August 30, 1945, upon notice to this Commission and to the general public by not less than 30 days' filing and posting in the manner prescribed in section 6 of the Interstate Commerce Act, and thereafter to maintain and apply to the transportation of property in less-than-carloads moving at the classification ratings in the territory included in this proceeding minimum charges which shall not be less than 75 cents per shipment.

And it is further ordered, That this order shall continue in force until the further order of the Commission.

By the Commission.

W. P. Bartel,
Secretary.

(SEAL)

Exhibit 7.

(Cover and index omitted.)

BEFORE THE

Interstate Commerce Commission

Docket No. 28300

CLASS RATE INVESTIGATION, 1939

Docket No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

PETITION OF

STATE OF NEW YORK
STATE OF NEW JERSEY
COMMONWEALTH OF PENNSYLVANIA
STATE OF MARYLAND

and of

VARIOUS CHAMBERS OF COMMERCE AND COMMERCIAL ORGANIZATIONS IN EASTERN TRUNK LINE TERRITORY

FOR RECONSIDERATION, REARGUMENT AND POSTPONEMENT OF THE EFFECTIVE DATE OF ORDER

Now come the several sovereign states above named and the chambers of commerce and commercial organizations in Eastern Trunk Line Territory listed hereafter and

Exhibit 7.

petition the Commission to reconsider its decision and order herein, dated May 15, 1945; in aid thereof to hear oral argument either upon the record heretofore made or after further hearing to receive evidence with regard to the rates prescribed; after such reconsideration to modify its findings, conclusions and order in the respects indicated herein, and pending such reconsideration and the determination thereon to postpone the effective date of its order herein. In support of their petition, petitioners respectfully show:

I

The position of petitioners in general concerning the report and order herein.

In a proceeding which takes on the sectional aspects which have been so stressed here, the purposes and motivating reasons of contentions urged on different sides are liable to be misunderstood or misconstrued. Therefore, it seems desirable to state briefly why petitioners take vigorous exception to the report and order, as well as to indicate some considerations which do *not* prompt this petition.

It is naturally the concern of the governments of the Northern states and commercial bodies to protect the interests of their citizens and to promote conditions under which business will thrive and people will have employment within their communities. When these are threatened, it is their function to see to it that all facts are developed and presented and all proper arguments made on their behalf to the tribunal having the matter in hand for determination.

It is not the position of these petitioners that the railroad freight structure is perfect nor that it may not be

Exhibit 7.

simplified and various irregularities and inconsistencies eliminated to good advantage. On the other hand, petitioners believe that a rate structure is not necessarily unlawful or obsolete merely because it has been long in effect, when it has had a natural growth, has reflected local needs and conditions, and its present form has been largely approved by the Commission.

Petitioners neither seek to retain advantages for their own communities which are unjustified, nor would they urge that other sections of the country be subjected to higher rates than their conditions warrant. But petitioners do object to an order of the Commission directing that any freight rates be changed if a fair weighing of all of the evidence fails to establish the unlawfulness of the existing rates.

They regard the preservation of the long tried regulatory system developed under the Interstate Commerce Act and the avoidance of the evils of bureaucracy by the method of permitting regulatory changes only in accordance with evidence taken at public hearings as of far greater importance than the temporary measure of freight rates. They are concerned that the integrity of the long-established administrative procedure shall not be impaired; that the Commission, however wise it may be, shall not assume the functions of management for the railroads; and that changes in rates, however desirable they may appear from the standpoint of either theory or business, shall not be required except upon a finding amply supported by evidence that existing rates are unlawful in violation of one or more of the provisions of the Act.

It is because they regard the report and order of the Commission here as in violation of these principles that they urge reconsideration.

Exhibit 7.

In addition to this basic objection to the report and order, they have the further and more direct grievance that the order, without, as they submit, any evidence whatever to support such a result and without any request therefor by the parties, would increase the freight rates and the cost of doing business in their borders, would make their communities less attractive to industries and impose a new burden upon their citizens and members.

II

The conclusion that the present class rates are unlawful because not on a uniform level throughout the country east of the Rocky Mountains is not supported by the findings, is contrary to and without support in the evidence and does not justify the order requiring an increase in the class rates in Official territory.

It is apparent from the report as a whole that the Commission's conclusions and its interim order directing a 10 per cent increase in the class rates in Official territory have as their only purpose the accomplishment of approximate equality of the levels of the class rates in the several territories. If, therefore, the evidence fails completely to establish that the present differences in class rate levels in the several territories violate the statute, the purpose and foundation of the order requiring an increase in the class rates in Official territory fail.

As we read the Commission's report, it attempts to support the conclusion that the differences in class rate levels result in violations of the statute by resting it upon three subordinate propositions or assumptions:

Exhibit 7.

first, that the differences in class rate levels prevent the free flow of traffic and are the source of injury to the South and West by impairing their industrial development; second, that there are no such differences in the makeup of the traffic in the several territories as to justify departure from uniformity; and third, that the costs of transportation in the several territories do not warrant different class rate levels. It is submitted that each of these three propositions or assumptions is contrary to or without substantial support in the evidence of record in this proceeding. The evidence was discussed at length in the original brief of these petitioners and it would be unwarranted duplication to repeat what is there said. We submit, however, that it was fully demonstrated that the evidence of record failed to support any one of the subordinate propositions upon which the Commission's conclusion rests and that, therefore, the Commission acted erroneously and arbitrarily in reaching that conclusion. The original brief is therefore respectfully referred to, but the following brief comments are submitted, addressed particularly to the Commission's report.

(a) The evidence does not support a conclusion that the difference in levels of class rates prevent the free flow of traffic or injure the South and West.

Commissioners Porter and Barnard in their dissenting opinions have effectively demonstrated the utter lack of any substantial evidence that the existing differences in class rate levels have in any way restricted the movement of traffic or prevented the industrial growth of the South and West. Even the summaries in the majority report clearly show how utterly inconsequential was the evidence presented to show the effect of the class rate levels upon the ability of the South and West

Exhibit 7.

to ship and upon the business and industry of these sections. There was scarcely a scintilla of proof that any southern shipper was prevented by the difference in the levels of the class rates from marketing his products in the North. Instead, the evidence as a whole shows a phenomenal industrial growth in the South. It shows that southern products move freely into Official territory and sell freely in the North in competition with manufactured articles produced right in the North.

Doubtless one explanation why the South has grown so rapidly industrially is that many southern manufacturers enjoy the benefit of low inbound rates on their raw materials, so that their total transportation charges inbound and outbound probably do not exceed or may be less than the transportation charges paid by their northern competitors, distance considered.

But in any event a conclusion that the industrial development of the South and West has been hampered or that shippers in those territories have suffered injury or been barred from selling their products by the differences in levels of the class rates is contrary to the overwhelming weight of the evidence.

(b) There is no such similarity between the traffic in the several territories as to support a finding that differences in the levels of the class rates are unreasonable and discriminatory.

It is said by the majority of the Commission on this point (sheets 264-266) that there are as great variations within each territory in the kinds of freight transported therein as there are between one territory and another. Presumably the reasoning from this statement is that if there can be uniform class rates throughout a territory despite the wide variety of traffic in that terri-

Exhibit 7.

tory, there is no reason why there should not be uniformity of class rates interterritorially. It is submitted that the reasoning is unsound, and that the premise is incorrect and contrary to the evidence.

First of all, the reasoning is fallacious because it ignores the differences in the rate structures in the several territories. The class rates in Official territory are part of the rate fabric of that territory, which includes relatively high rates on low grade freight and unfinished goods. The class rates in Southern territory, on the other hand, are part of a rate structure which includes low rates on raw materials. Even if there were relatively the same quantities of low grade freight and high grade freight in each territory this would not call for parity of class rates alone, much less make the existing class rate levels unlawful, so long as different rate levels on other commodities exist in the two territories. If the so-called consists of traffic are not different in the several territories, then the average rate levels should be similar and there is no justification for requiring an increase in the levels of the class rates in Official territory so long as the high raw material rates are permitted to continue in that territory and at the same time reducing the class rates in the South and West but allowing the low raw material rates in those territories to remain in effect.

The majority's reasoning also ignores the important consideration discussed by Commissioner Porter in his dissent; namely, the differences in the carriers in the several territories and the fact that the territorial boundaries generally correspond with the termini of the railroads in each section. As a result of this situation the means do not exist for averaging differences interterritorially, which is possible in the case of a railroad system extending throughout one territory.

Exhibit 7.

Finally on this point we submit that the majority's premise is incorrect and that the evidence plainly does show marked differences between the territories in the traffic involved, which doubtless explain and would seem to go far to justify the different rate-making practices and rate patterns which have been followed. It may well be, as the report suggests, that a car of coal in one territory is not greatly different from a cost and revenue producing standpoint, from a car of phosphate rock in another territory. But merely to state this is far from analyzing accurately the evidence with respect to the differences in traffic between the several territories. The evidence, for example, shows that the coal traffic is not only much greater in volume but is much more widely and evenly distributed among the several carriers in Official territory than it is in the South. The record shows that in Official territory there is a huge volume of iron and steel products, which in the very nature of things cannot exist in other territories. It shows, on the other hand, that in the South there are both a large proportion of low-grade products and also a large volume of perishable fruits and vegetables, which are not produced in the North, and that an outstanding characteristic of the traffic of the West which distinguishes it from that of Official territory is the large proportion of grain and livestock. On this point we refer to Exhibits 164, 165, 166, 224 and the testimony of Witness Bell, which are discussed at pages 123-141 of our original brief.

In short, we submit that the evidence demonstrates that there *are* greater differences between the consists of the traffic in Official territory and in the South than exist as between the major railroads of Official territory.

Exhibit 7.

(c) The evidence as to transportation costs does not support a conclusion that differences in the levels of the class rates are unlawful.

Turning to the matter of costs, we refer to the discussion in our main brief (pp. 86-141) of the Edwards cost studies and of the limitations which Dr. Edwards himself recognized as to the uses which might be made of them and the inferences properly to be deduced therefrom.

The first point is that whatever the cost computations and scales prove, they prove it as to all traffic and not as to any particular kind or class of freight. Thus, if it could properly be concluded from the cost exhibits that there is substantial equality in the average costs of transportation as between Official territory and the South, this conclusion as a basis for rate making would require equality of rates on all traffic. On the other hand, it would not justify requiring parity of rates on class rate traffic so long as different rate levels are maintained for the transportation of raw materials and freight moving at commodity rates. We recall Dr. Edwards' testimony on this point, where he said (R. 3237):

> "Q. Therefore, would you not agree, Doctor, that if it should appear that the average costs so computed for that length of haul and that loading in one section of the country were the same as in another, and that some freight in one territory yielded lower revenue than in another territory, while other freight yielded a higher revenue, the fact that the costs were equal would not indicate that all of the rates would have to be equalized, on all classes of traffic, in order to yield cost, would it? A. That is right. There might be a different distribution of the transportation burden, as between different commodities in different territories.
>
> Q. And that is in effect what you mean, is it not, when you say, in a somewhat different connection, I believe on page 3 of your Exhibit No. 2, that if some

Exhibit 7.

service pays less, other service must pay more? A. Yes."

It is submitted, however, that to the extent that those comprising the majority of the Commission have been led to their conclusion that there should be uniformity of class rates by the belief that the evidence proves that there is no substantial difference in the average costs of transportation in the several territories, the conclusion rests upon a premise which is not supported by the proof.

The majority have fallen into the confusion which from the beginning has created one of the difficulties in an intelligent analysis and use of Dr. Edwards' cost computations. This is the fact that the groupings of carriers for the purposes of Dr. Edwards' average group costs are not the same as the groupings of carriers for rate making.

On sheet 138 of the majority's report it is stated that the first step in the cost computations was the "assignment of railroads, or divisions thereof, to geographical areas corresponding as nearly as practicable to the rate territories." The fact remains, however, that the groupings for the cost computations do not correspond with the rate territories. Official territory embraces Trunk Line, Central Freight Association, and New England territories. The Pocahontas Lines are carriers in Official territory. There is no such thing as a Pocahontas territory as Dr. Edwards originally suggested. The Official territory class rates are in effect on the Pocahontas Lines. This is necessarily so because their lines traverse Official territory. The 10 per cent interim increase is required in these rates, and yet to a large extent Dr. Edwards' computations are based upon excluding the figures as to the Pocahontas Lines in arriving at his average results for Official territory. Indeed it was only by such exclusion that the computations were

Exhibit 7.

made upon which the majority predicated its basic finding (sheet 179) that:

> "the Edwards cost studies show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East * * *."

The majority recognize this when they correctly state that

> "If the Pocahontas region is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 per cent above those for the East."

This is certainly a "significant difference" in the cost of furnishing transportation.

Moreover, when it is borne in mind that the Official territory lines have relatively much higher rates for the transportation of raw materials, it is plain that on the basis of this difference in average costs the class rates in Official territory should be substantially more than 6 per cent below those for the South and that there is no justification for a finding that the evidence as to costs proves that differences in class rates are unlawful.

On sheets 156 to 158 inclusive of the majority's report some of the criticisms of Dr. Edwards' cost studies are discussed, but nowhere in the report is mention made of a further fundamental criticism of the computations: that to a considerable extent the costs for the railroads in the South are reduced by the inclusion in the averages of the results of transportation operations which took place in Official territory. It clearly appears that the spread between the lower average costs of Official territory (including the Pocahontas Lines) and the higher costs of the South would be even greater were it not that the average southern costs are reduced by the inclusion in the figures of the Southern railroads of the low costs of hauling coal over some lines which are physically in Official territory (R. 3619-30; Exh. 166).

Exhibit 7.

We submit that it has not been proved at all that the cost evidence requires or supports a conclusion that the levels of the class rates must be the same in all territories.

For these and other reasons, which are more fully set forth in petitioners' original brief, it is submitted that there is no justification in the record in this proceeding for finding that the existing class rates are unlawful because they are not on the same levels, distance considered, in all territories; and if this is so, the underlying justification for directing a 10 per cent increase in the class rates in Official territory is non-existent.

III

The record affords no justification for the requirement that the class rates in Official territory be increased.

(a) The minimum rate order increasing the class rates of carriers in Official territory is entirely without the support of any evidence of financial need or revenue considerations.

The majority report contemplates a permanent revision of the class rates in all territories, arrived at on the basis of the scale set out in Appendix 10. This is described as "Scale of First Class Rates (Class 100) Prescribed for application in all territory covered by No. 28300". For 200 miles this would produce a first class rate of 90 cents as compared with the present Official territory mileage scale rate of 80 cents (Appendix 8). For 500 miles the present scale rate of $1.22 would be increased to $1.40 and for 1,000 miles the rate would be $2.13 as compared with the present scale rate of $1.82. It is not clear from the report whether rates in accordance with this scale are intended to be prescribed as minimum rates. In finding 4

Exhibit 7.

(sheets 270-271), it is said that a just and reasonable and non-discriminatory basis of class rates will result from these scale rates "as a maximum". Nevertheless, the plain intent is that there shall be a drastic increase in the class rates within Official territory.

With regard to the interim adjustment, however, there is no doubt that the 10 per cent increase is intended to be mandatory and that the Commission's order is an attempted exercise of its minimum rate power.

We submit that there are no findings in the report and no evidence in the record to support findings which would justify a requirement, that the class rates in Official territory be increased even if the differences in class rate levels could properly be found to create undue preference and prejudice in violation of Section 3.

It has been consistently held that the power to prescribe minimum rates should be exercised sparingly and only where there is convincing evidence that existing rates are unremunerative or so low as to burden other traffic or that a proposed rate reduction seriously threatens a rate war which will impair the financial ability of the carriers to continue to provide service.

> *Rubber Tires from California to Idaho and Utah*, 245 I. C. C. 661, 666;
> *Petroleum and Petroleum Products, Calif. to Ariz.*, 241 I. C. C. 21, 41;
> *Petroleum between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609, 637;
> *Sugar Cases of 1922*, 81 I. C. C. 448, 472.

Certainly not one of these facts is found by the Commission or established by the evidence here.

There is no finding by the Commission, necessary to support a minimum rate order, that the class rates in Official territory are lower than minimum reasonable rates. Nor is there evidence to support such a finding.

Except for the claim of the truckers, who sought an increase in the L. C. L. rates of the railroads in order to discourage the movement of less-carload traffic by rail and cause its diversion to the trucks, no contention was made by anyone during the course of the extended hearings that the class rates in Official territory were too low or unremunerative or that they should be increased.

There is not a scintilla of proof that the class rates as a whole in Official territory are unremunerative; there is not the slightest suggestion that they are so low that freight transported thereunder fails to pay its way, so that a burden is thrown upon other traffic transported by the same railroads; there is not a word of proof that because of the class rates a rate war is threatened in Official territory which would jeopardize the revenues of the Official Classification lines; nor could there be such proof because the facts are to the contrary.

The class rates in Official territory were prescribed as maximum reasonable rates not as minimum rates; *Eastern Class Rate Investigation,* 164 I. C. C. 314. They have been increased from time to time but always as maximum rates. Recently, in *Ex Parte 148* the Commission has declined a further increase sought by the railroads and has thereby held that the present rates are maximum reasonable rates and provide the railroads with all the revenue to which they are entitled for the transportation covered thereby. Under these circumstances, it is simply inconceivable that the same rates could be held to be less than minimum reasonable rates or that a minimum rate order requiring that they be increased could be justified. But there are further reasons why the proposed requirement that the class rates in Official territory be increased can only be regarded as arbitrary, inconsistent and contrary to the facts.

Exhibit 7.

How can it be explained to a shipper of class rate traffic over the Chesapeake & Ohio, for example, that his rates must be increased 10 per cent, when the Chesapeake & Ohio's net earnings have put it in the excess profits tax class. The cost studies of Dr. Edwards leave no doubt that the Pocahontas Lines are operating profitably. Nevertheless they are Official Classification territory carriers whose class rates would be increased 10 per cent under the Commission's order.

Again, the class rate adjustments have been in effect for a considerable number of years. The class rates in Official territory were prescribed by the Commission as maxima after the Southern class rates had been established. How can it now be said that they have become less than minimum reasonable rates to the extent that they are not brought up to the new Southern level?

There is no justification here for a minimum rate order.

(b) An increase in class rates in Official territory would impair the freedom of movement of traffic at such rates.

One of the majority's criticisms of the existing class rate structure is that it is not suited to the needs of traffic, as indicated by the small proportion of total freight which moves at class rates. However, this is not a reason for increasing the class rates in Official territory but quite the reverse. The table on sheet 129 indicates that the carload traffic moving at class rates in Official territory represents a greater proportion of the total carload traffic than is the case in any other territory. Furthermore, the carload traffic having either origin or destination in Official territory and moving at class rates is a far greater proportion of the total of

Exhibit 7.

such interterritorial movement than is the interterritorial traffic between any of the other territories.

Obviously, an increase in the class rates in Official territory, therefore, will adversely affect a greater volume of traffic than will be benefited by a reduction in the class rates elsewhere. Moreover, an increase of 10 per cent can have no other result than to discourage the movement of traffic in Official territory at class rates and either divert it to other forms of transportation, compel the establishment of commodity rates or exceptions or induce shippers to move to other sections of the country. It will certainly not be achieving correction of one of the criticized features of the class rate structure if, as the result of its order, the Commission reduces the proportion of traffic in Official territory moving at class rates to the low percentage of the total which obtains in other territories.

(c) The fact that the accomplishment of uniformity of class rates at the Official territory level would impair the revenues of the carriers in other territories does not justify increasing the rates to be paid by shippers in Official territory.

As has been said, it is apparent that the order requiring a 10 per cent increase in the class rates in Official territory is prompted chiefly by the majority's desire for a uniform class rate level throughout the country and the conviction that a reduction in the class rates in the South and West to the Official level would so reduce the revenues of the carriers in those territories as to impair their ability to provide adequate service. It seems probable that such a reduction would have this result because it must be recalled that the volume of traffic affected thereby is not to be measured by the relatively small quantity moving at class rates but includes also an

Exhibit 7.

unknown but presumably very large volume of traffic now moving at commodity or exception rates, which are higher than would be the reduced class rates and would, therefore, give way to the latter. The majority of the Commission itself, based upon evidence of record, concludes that the net reduction in revenue for the carriers in the Southern region which would be caused by substituting the average rate per ton per mile of the carriers in the Eastern territory for that of the Southern railroads would be somewhere between $16,987,789 and $40,403,665 per year, based upon 1939 traffic (sheets 177-178). This, of course, does not tell the whole story here because the average revenue per ton mile in Official territory takes into account the higher rates on low grade freight in that territory. It may be that the Southern railroads could not stand such a reduction in their revenues.

It is submitted, however, that these considerations do not justify increasing the class rates in Official territory, but on the contrary condemn the order requiring such an increase as arbitrary, unfair and discriminatory. In plain terms, the effect of the order predicated upon such a purpose is that shippers in Official territory would be required to pay higher rates than the costs, the revenue needs, the rate structure or the traffic of their territory justify in order to enable shippers in Southern and Western territories to pay lower rates. However desirable uniformity may be, it cannot justly be brought about at the expense of northern shippers and communities.

Not only is an order with such a purpose and result unjust, it is without any legal basis in the statute and is contrary to rate-making principles adopted by the Commission.

405

Exhibit 7.

During the period of the Recapture Clause, so-called, it might have been argued that it was the policy of the law, in the interest of maintaining the transportation system of the country as a whole, that shippers using certain railroads might be required to pay higher rates than needed by those railroads to the end that other railroads might be maintained although compelled to charge rates inadequate for their operation, the excess revenues from the former being transmitted to the latter carriers through the operation of the Recapture Clause. However, this feature of the law proved unworkable and unfair and was repealed. The repeal of the Recapture Clause is convincing evidence that it is not the intention of Congress under the statute as it now is that some shippers shall be taxed higher rates than justified by the needs of their carriers in order that other railroads may live and their patrons may pay low rates. Certainly, where the record is so devoid of proof of substantial injury to any section or to the country as a whole as is the record here, a mere desire for the apparent logic and orderliness of a uniform rate level is not an adequate justification for the resulting unfairness.

An increase in the class rates in Official territory to a basis higher than justified by the revenue needs of the carriers and the traffic considerations in that territory in order that uniformity of class rates may be brought about at a level which will not bankrupt the railroads in the South and West would, in principle, be like requiring a low-cost carrier to charge higher rates than its circumstances merit in order to permit a high-cost carrier to compete and operate at a profit. This the Commission has declined to do; *Seatrain Lines, Inc.* v. *Akron, C. & Y. Ry. Co.*, 243 I. C. C. 199, 215.

Exhibit 7.

(d) The requirement that the class rates in Official territory be increased cannot be justified on the ground of removing undue preference and prejudice.

The majority has so framed its findings as to make it appear that the accomplishment of the desired uniformity is equivalent to and designed to accomplish the removal of undue prejudice and preference found by it to exist and that the rate increases in Official territory are prescribed under Section 3 as well as under Section 1. We have argued in the previous point that there is no proof of injury caused by the differences in levels of class rates sufficient to sustain a finding of undue prejudice and preference in violation of Section 3 and that the facts in other respects do not warrant a finding that the differences in levels of the class rates in the several territories produce such a violation.

However, even if the differences in levels of class rates did constitute discrimination, this would not give the Commission authority to require that the discrimination must be removed in but one manner.

It is well settled that it is the essence of a finding of undue prejudice and preference under Section 3 that the carriers shall have an alternative as to the manner in which the discrimination shall be removed—whether by reducing the higher rates or raising the lower rates or both—and that if the situation is such that the carriers cannot have such an alternative then a violation of Section 3 cannot be found. *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, 650; *Northeast Kentucky Coal Bureau* v. *Chesapeake & Ohio Ry. Co.*, 201 I. C. C. 165, 170. Of course the situation is different where an order of the Commission requiring an increase or a reduction in rates is made pursuant to Section 15. In

Exhibit 7.

such a case, although the order may have the result of removing alleged discrimination in violation of Section 3, the Commission's authority rests upon its power to prescribe ~~maximum~~ or minimum reasonable rates and ~~not upon its~~ authority to remove discrimination in violation of Section 3. *Youngstown Co.* v. *United States*, 295 U. S. 476, 480; *St. Louis S. W. Ry. Co.* v. *United States*, 245 U. S. 136, 145. We have urged under a previous heading that the record here does not sustain the Commission's order requiring an increase in the class rates in Official territory as an order under Section 15 prescribing minimum rates pursuant to the minimum rate power conferred by that section. The present point is directed to the question whether the Commission's order can nevertheless be sustained as an order under Section 3 of the Act directing the removal of discrimination in violation thereof.

It follows from the decisions cited that if the differences in levels of class rates could properly be found to cause undue prejudice and preference in violation of Section 3, the carriers must be left free to remove the discrimination in any way they see fit. Hence, there is here no justification for the order requiring the lower class rates in Official territory to be increased and depriving the railroads of the option to accomplish uniformity by reducing the rates in the South and West.

The only exception to the principle that the carriers must be left free to remove discrimination in any way they choose may be in cases where the higher rates are so plainly in excess of maximum reasonable rates that the carriers should not be left free to remove the prejudice by raising the lower rates to equality with them, or where the lower rates are less than minimum reasonable rates so that the higher rates could not properly be reduced to their level. Here, however, is no finding by the Commission, and certainly no evidence to support a finding, that the rates in Official territory are so much below minimum reasonable rates that parity achieved on the Official level would be unlawful in so far as carriers in that territory are concerned.

As a matter of fact, instead of there being justification for the requirement that the rates in Official territory be increased for the purpose of removing the claimed discrimination, the considerations just discussed emphasize the contention previously urged that no violation of Section 3 can properly be found on the evidence and under the circumstances here. This is so, on the authority of the cases last cited, if conditions do not in practical effect afford an option to the carriers as to how they shall accomplish the uniformity considered necessary to remove the alleged discrimination. And it is so because if the revenue needs of the railroads in Southern and Western territories are so great that uniformity of class rates cannot be brought about at the Official level, then the conditions in the several territories must be so different as to justify the different rate levels so that no violation of Section 3 can properly be found.

(e) The requirement that the class rates in Official territory be increased will discriminate against that territory.

The Commission's order, far from having as a justification the removal of discrimination, preference and prejudice, will create undue prejudice to the Northern states and communities and shippers therein.

This is so, first, because of the fact, frequently pointed out in this proceeding, that the rates on raw materials and many low grade products are materially higher in

Exhibit 7.

Official territory than in the South, so that equality of class rates while northern manufacturers and shippers are still required to pay higher freight rates on their inbound materials, will give southern shippers and communities a material freight rate advantage.

It is so, also, considering only the traffic which moves at class rates in Official territory because, as would be shown if the Commission conducted hearings as to the effect of its order, there are many products in Official territory which move at class rates which would be increased as a result of the order, whereas the same articles shipped to common destinations from points of production in the South and West move at commodity rates or exceptions, which the order would leave unchanged.

(f) The Commission's order requiring an increase in the class rates in Official territory improperly disregards the economic effect of such an increase on the North and on the country as a whole.

As a final objection to the required increase in the class rates in Official territory, it is submitted that in reaching its conclusion and making its order the Commission has ignored or has failed to give adequate weight to the effect of such an increase upon the states, communities and industries in the North and the consequences thereof for the population of the Northern states and the economy of the country as a whole. It is not as though the existing class rate structure had prevented the industrial growth of the South and West. The evidence, as we have pointed out before, is overwhelmingly to the contrary. The South has grown industrially, presumably because for many industries it has offered advantages of cheaper labor, cheaper raw materials, lower living costs, lower taxes, nearness to raw materials or proximity to the markets primarily sought to be reached. The lower inbound rates on raw

Exhibit 7.

materials have undoubtedly been an important factor. The North, however, remains the greatest center of population of the country. There are in the Northern states more workers dependent upon industries for their jobs. The closing or impairment of manufacturing industries will have a more serious adverse effect upon the population dependent upon industry for its livelihood and upon the buying power of the people in the North than would be the case in other sections of the nation. A 10 per cent increase in class rates in Official territory would be *pro tanto* an increase in the cost of manufacturing and doing business in the North. It would stimulate, as it is intended to do, the migration of industry to other sections of the country. But, as the record shows, when industrial plants migrate the workers, by and large, do not go along but are left behind to join the ranks of the unemployed. We submit that the Commission has not given adequate consideration to this phase of the matter when it has ordered an increase of 10 per cent, which no one sought, in the level of the class rates in Official territory.

IV

The absence of a proposed report or of preliminary findings makes reconsideration and reargument desirable.

This is a case whose ultimate consequences are intended to have a grave effect upon the economic and industrial structure of the country. It is the Commission's usual practice in proceedings of far less importance that a proposed report or suggested findings and conclusions are circulated in order that they may be subjected to the scrutiny of the parties and may serve to focus argument and criticism for the Commission's assistance, before final conclusion is announced. It is ex-

Exhibit 7.

traordinary, therefore, in a proceeding such as this, whose results are designed to be so revolutionary, that the Commission should proceed to a determination without some form of intermediate report and without submitting the proposals embodied in its ultimate conclusion to the consideration and criticism of the parties affected.

The circumstances which compelled the Commission to demonstrate its diligence in dealing with the issues involved are well known. However, the considerations which give to this proceeding its great importance also render it essential that errors shall not be made and to this end that ample opportunity shall be afforded to test the consequences of the decision before the decision becomes effective.

If, as we contend, the evidence does not warrant a conclusion that the existing differences in the levels of the class rates result in illegality and that, therefore, no order requiring a change in the existing rates is warranted in this proceeding, the consequences of the decision, namely, the continuance of the present rates, as known. However, if it is considered that a change should be required, it is impossible for the parties to gauge the consequences of the change proposed, to estimate the effect upon their own communities or business interests, to measure the results from the standpoint of the revenues of the carriers until the proposal has been made known. This was only done here by the Commission's report and order of May 15, 1945.

Therefore, in accordance with the usual practice and in the interest of sound administration of the Act, it is submitted that the Commission should not permit its order to become effective without first hearing, at least by oral argument, the appraisals of the parties as to the probable consequences thereof. Moreover, it is suggested that it might well be in the broad public interest for the Commission to set the proceeding for further hearing to receive evidence from those concerned as to their objections to or reasons for the changes required by the order and the consequences expected to flow therefrom.

Conclusion and Prayer

For the foregoing reasons and for the other grounds urged in the original brief of petitioners in this proceeding, it is submitted and petitioners respectfully pray that the Commission should reconsider its report and order herein; that in aid of such reconsideration it should hear oral argument directed particularly to the report and the rate changes required by its order; that if it desires further indications of the effect of its findings and order than is possible in reargument on the record already made, it set the proceeding down for further hearing, as it has frequently done to test the consequences of a proposed rate revision; that after such reconsideration it modify its findings and order in the respects herein urged, and that meanwhile it defer the effective date of its said order. And petitioners pray for such other and further relief as in the premises may be proper.

Dated, July 13, 1945.

Respectfully submitted,

THE STATE OF NEW YORK,

By NATHANIEL L. GOLDSTEIN,
Attorney General,
Albany, N. Y.
PARKER MCCOLLESTER,
FRANK J. CLARK,
Special Assistant Attorneys General,
25 Broadway,
New York 4, N. Y.

Exhibit 7.

The State of New Jersey,

By Walter D. Van Riper,
Attorney General,
State House, Trenton, N. J.
Robert Peacock,
Deputy Attorney General,
State of New Jersey,
State House, Trenton, N. J.

The Commonwealth of Pennsylvania,

By E. A. DeLaney,
Deputy Attorney General,
James H. Duff,
Attorney General,
Harrisburg, Pa.

The State of Maryland,

By William Curran,
Attorney General,
Baltimore, Md.

The Chamber of Commerce of the State of New York,

By Parker McCollester, its Attorney,
25 Broadway,
New York 4, N. Y.

Pennsylvania State Chamber of Commerce,

By Robert B. Heppenstall,
State Chamber Building,
Harrisburg, Pa.
Charles Donley, Practitioner,
Dravo Building,
Pittsburgh, Pa.

Exhibit 7.

Chamber of Commerce, Delaware, Inc.,
By P. F. Guerke, Traffic Manager,
400 Mullin Building,
Wilmington 24, Delaware.

New Jersey Industrial Traffic League,
By George E. Martin, Secretary,
P. O. Box 601,
Newark 1, N. J.

Associated Industries of New York State,
Incorporated,
By J. F. Coyle,
Chairman, Transportation Council,
343 State Street,
Rochester 4, N. Y.

Baltimore Association of Commerce,
By Charles R. Seal,
Transportation Director,
22 Light Street,
Baltimore, Md.

Brooklyn Chamber of Commerce,
By William Graf,
Acting Traffic Manager,
26 Court Street,
Brooklyn, N. Y.

Buffalo Chamber of Commerce,
By E. A. Momberger,
Manager, Transportation
Department,
Chamber of Commerce
Building,
Buffalo, N. Y.

415

Exhibit 7.

Chamber of Commerce of the City of
Newark, N. J.

By Kenneth S. Carberry,
Manager, Commerce and Trade
Bureau,
20 Branford Place,
Newark, N. J.

Commerce and Industry Association of
New York, Inc.,

By G. E. Mace,
Manager Transportation Bureau,
233 Broadway,
New York 7, N. Y.

Chamber of Commerce and Board of Trade
of Philadelphia,

By Samuel H. Williams,
Manager, Transportation and
Foreign Trade Bureau,
Twelfth and Walnut Streets,
Philadelphia 7, Pa.

Rochester Chamber of Commerce,

By Frederick W. Burton,
Director, Department of
Transportation,
55 St. Paul Street,
Rochester, N. Y.

The Shippers' Conference of Greater
New York,

By J. H. Pretzell, Chairman,
595 Madison Avenue,
New York 22, N. Y.

Exhibit 7.

The Syracuse Chamber of Commerce,

By J. V. McMahon,
Manager, Traffic Bureau,
351 South Warren Street,
Syracuse, N. Y.

Utica Chamber of Commerce,

By Michael J. O'Mahoney,
Manager, Traffic Department,
8 Elizabeth Street,
Utica, N. Y.

Certificate of Service.

I hereby certify that I have this day served the foregoing document upon all parties in this proceeding listed in the Commission's notice of July 5, 1943, by mailing by first-class mail a copy thereof properly addressed to each party at the address indicated on the notice.

Dated at New York, N. Y., this 13th day of July, 1945.

Parker McCollester,
Of Counsel for the parties on whose
behalf this petition is filed.

Exhibit 8.

(Cover omitted)

Before the
INTERSTATE COMMERCE COMMISSION

CLASS RATE INVESTIGATION, 1939.

Docket No. 28300.

CONSOLIDATED FREIGHT CLASSIFICATION.

Docket No. 28310.

PETITION ON BEHALF OF THE STATE OF OHIO.

Now comes the State of Ohio, an intervener herein, and respectfully prays the Commission to reopen its order herein dated May 15, 1945, and thereafter ~~to~~ rehear this proceeding, to reconsider its said order, ~~and~~ to vacate said order or at least modify it insofar as it affects rates on traffic moving intraterritorially within official territory including Illinois or interterritorially to or from that said territory insofar as it increases rates ten percent on traffic moving out of that territory and decreases rates ten percent on traffic moving into that territory. Your applicant further prays for the same relief from, and action by the Commission with regard to the ultimate findings attached to the end of Parts I and II and the find-

Exhibit 8.

ings attached to Part III of the accompanying decision of the Commission.

Your applicant further prays that said order be stayed pending final ruling on this petition.

This petition is made separately and severally as to each branch and portion thereof.

MEMORANDUM IN SUPPORT OF PETITION.

At every available opportunity throughout the course of this litigation, the State of Ohio has endeavored to impress upon the Commission its three points which in weight and logic of sequence are as follows: (1) the intervention of war between the date of the commencement of these proceedings and the date of the closing of the record herein should result in the dismissal, or at last the postponement, of these proceedings; (2) if, however, the Commission should proceed generally on the merits, nothing in the record justifies any alteration in either the rates or classification of official territory including Illinois; and (3) if alterations *must* be made, a five-step plan for their accomplishment was presented, one of which steps was a traffic test which, incidentally, would at least supplement the lack of data in the record.

The Commission's order of May 15, 1945, crystallizes Ohio's apprehension, and permission is consequently requested to tender this brief discussion of that order in the light of Ohio's three contentions.

(1) The Effect of the War.

The most potent intervener in these proceedings is war-time conditions.

Exhibit 8.

Early in these proceedings the State of Ohio moved the dismissal or postponement of these proceedings on account of the pending war emergency. Later, the first seventeen pages of Ohio's trial brief filed July 30, 1943, were devoted to excerpts from the record illustrating not only the lack of data and manpower sufficient to justify continuance of investigations as important and far reaching as these, but also the complete dissimilarity between pre-war traffic (which constitutes the only fully reliable data in the record) and war-time traffic, and also the complete lack of knowledge of the extent of inevitable changes in post-war traffic. This admonition was repeated in Ohio's exceptions, filed February 15, 1944, to the proposed report in Consolidated Freight Classification, 1939, Docket No. 28310. It was made again on oral argument slightly over a year ago.

These pleas were all promptly denied, but they were not at any time lightly made.

No water carrier was able to testify; the automotive manufacturers were too busy making munitions of war to be able to testify, and said so. Some wonder was expressed why the State of Ohio did not do more to make the record adequate. The answer is that of the first three witnesses sought by Ohio, one has been devoting his time and effort to the Office of Price Administration, the second is still working in the Office of Economic Warfare scarcely a stone's throw from where these proceedings were argued, and the third was and still is an officer in the United States Navy. Even the Commission's own witness, Mr. Jensen, dropped out of these proceedings and entered the armed service of this country. The wonder is how many other corresponding lapses there are in the record.

Exhibit 8.

The difference likewise between the traffic consist which forms the basis of every exhibit but one in these proceedings and the traffic consist which is actually moving is equally obvious. Through no fault of the Commission there is no record in these proceedings sufficient to justify either a permanent order or a temporary one such as that of last May 15. This is a disappointing conclusion but it is no more disappointing than it is undebatable.

The petition of the State of Ohio consequently is that these proceedings including the order of May 15, 1945, be permanently vacated or at least set aside till such time as an adequate record can be made.

(2) The Situation of the Official Territory Rate Structure.

If the preceding hurdle of intervening war-time conditions is overcome, one consequently looks next to the record on its merits. That examination discloses one outstanding and all-important fact: the total lack from St. Louis to Washington of any substantial or meritorious dissatisfaction with the official territory rate structure. Not a single respondent, or shipper or other party from official territory asked that that structure be changed either directly or indirectly; yet over night its rate scale has become too low as a minimum and its classifications are tossed into a mould with two others for no one knows how much recasting. The structure which from the record is not only the one best fitted to the needs of the shippers and carriers alike who use it but also was approved by the Commission a scant twelve years ago has suddenly become the structure most likely to be subjected to the greatest revision. Twelve years cannot wreak that great a change in any rate structure.

Exhibit 8.

Since it is beyond the Commission's power to revise a rate structure without a supporting record before it, the State of Ohio is consequently forced to the conclusion not only that both the temporary ten percent increase and the ultimate permanent increase of about fifteen percent in official territory rates are purely arbitrary figures, but also that those increases were made solely in an effort to arrive at a nationally uniform rate structure without subjecting the rail carriers in the less thickly populated parts of the country to irreparable financial loss even though achievement of that goal carries the indirect result that shippers and manufacturers in offic[illegible]territory are in substance being called on to subsidiz[illegible]hippers, manufacturers and rail carriers in other parts of the country,—all in the name of "parity". Incidental credence is lent to this unpleasant conclusion by the fact that although official territory rail carriers were among those who were only a few months ago denied a temporary increase in their rates when they asked this Commission for it in Ex parte 148, they are now handed a larger increase on a part of their traffic even though they never even asked for it. The question naturally arises whether future divisions proceedings with southern and western rail carriers are not in the offing.

The fundamental reason, however, for Ohio's conclusion is that in the entire record and in the whole decision of the Commission there is not a scintilla of evidence supporting a change either temporary or permanent in rates in official territory (the Commission itself comments on the complete lack of complaint from shippers and respondents within the territory, sheets 46, 122 and 124) unless it is the cost studies submitted by the Commission's staff. Those studies must therefore be examined at this point.

Exhibit 8.

Even if we concede for the purpose of discussion that those studies are a distinct advance over any that have preceded them, still there must be something fatally wrong with them when they are not supported by those who would benefit from them. The defect inherent in those studies is that they do not purport to show anything more than average costs, and as between theory and fact the theory of average costs must bow to the unanswerable fact of no dissatisfaction with existing conditions by respondent carriers in official territory. If those studies had been accurate there is no reason why those carriers should not have accepted them; but they didn't and it is extremely illogical to assume that even an advanced theory of averages is better than long experience. To the contrary, there were several witnesses including those presented by the Central Freight Association group whose testimony showed that those carriers rates were safely above all costs including those of pick-up and delivery service.

Those studies do not and cannot show that class traffic in official territory is not paying its way because it is the highest priced traffic moving. They purport to show at most only that less than carload costs on the average exceed income, also on the average; and aside from the fact that no official territory respondent expressed any dissatisfaction with existing rates, it is also in line to point out that even if such a showing was correct it still would not justify the uprooting and revision of the entire rate structure even if rates, contrary to express Commission statement in these proceedings, depended entirely on costs. One does not burn down the house to kill the flea in the basement.

A second fatal defect in those studies is that they do not conform to the Transportation Act of 1940. That act

Exhibit 8.

extended Commission jurisdiction in terms of geographical areas to include entire territories but it did not abolish any proven factors in the establishment of rates, nor did it create any new ones. Yet by ending in averages, those cost studies ignored all territorial differences in the distribution of the rate burden and lumped all costs together into an average on the theory that if given articles do not move in equal volume in all territories they will be sufficiently replaced by others insofar as acceptance of the traffic burden is concerned as to make an average estimate equal an actual outlay. The fallacy of that or any similar theory is that it is obviously wrong unless there is an equal commodity moving an equal distance in an equal volume and equally able to bear an equal share of the traffic burden. The Commission's own decision herein with its discussion of differing traffic consists by territories shows that the distribution of the traffic burden is not and cannot be the same by territories.

The only purpose in ignoring differences in both consist and traffic burden by territories can be to make those differences cease to exist,—i. e., a redistribution of industry by means of the class rate structure, and no such mandate or permission is to be found in the Transportation Act of 1940, or any other act conferring jurisdiction on this Commission. Ohio respectfully submits that the principle that "the law does not attempt to equalize fortune, opportunities or abilities" is as true today as when it was enunciated many years ago in *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S., 42, 46, 56 L. Ed., 83, 87, 32 S. Ct. Rep., 22.

The State of Ohio points out that with no semblance of a supporting record, the order of May 15, 1945, temporarily changes upward the official territory rate struc-

Exhibit 8.

ture both intra- and interterritorially, as to both carload and less-carload traffic; and the permanent change ultimately to follow will be even more drastic. At no time in these proceedings has Ohio attempted to suggest or take a stand on what the rate structure or rate level in southern and western territories should be, because that is most especially the interest of the carriers, shippers and parties in those territories. But, Ohio does most respectfully submit that the contemplated changes in the official territory rate structure, carload and less than carload, intra- and interterritorial are materially and substantially erroneous, are without support in the record, and are unduly prejudicial to those in official territory and unlawfully preferential of those in southern and western territories. Even if it be said that there is a cost study to support Appendix 10, there is nothing at all to support a temporary rate increase or a higher minimum within official territory.

If it is necessary to consider these proceedings on the merits in spite of the intervening change due to wartime conditions, it is the second branch of the petition of the State of Ohio that the order of May 15, 1945, be reconsidered and vacated insofar as its provisions affect intraterritorial traffic in official territory and traffic moving interterritorially either to or from official territory.

(3) The Steps to An Orderly Revision.

From the foregoing it is clear that the State of Ohio is not of the opinion that the steps to an orderly revision are in order, or will be for some time to come. If, however, it should be determined to the contrary, those steps are set forth in detail on pages 87-88 of Ohio's trial brief and need not be here repeated. Their efficacy would at least remove the "humps" inherent in the

Exhibit 8.

order of May 15, 1945 at such border and near-border points as Pittsburgh, Cincinnati, Louisville, Evansville.

Respectfully submitted,

Hugh S. Jenkins,
Attorney General of Ohio.

Kenneth L. Sater,
Assistant Attorney General,
Counsel for the State of Ohio.

I hereby certify that on or before July 20, 1945, I mailed in due course of post to each counsel of record a copy of this petition and memorandum.

Kenneth L. Sater.

Exhibit 9.

Before the

INTERSTATE COMMERCE COMMISSION

CLASS RATE INVESTIGATION, 1939

Docket No. 28300

PETITION OF PUBLIC SERVICE COMMISSION OF WISCONSIN FOR RECONSIDERATION AND REARGUMENT OF DECISION AND ORDER OF COMMISSION

Comes now the intervener Public Service Commission of Wisconsin in the above-entitled proceeding and respectfully petitions the Commission to reconsider and grant reargument with respect to the findings and order made in the above-entitled matter, and in support of said petition respectfully shows:

I. That the order of May 15, 1945 in the above-entitled proceeding provides, *inter alia,* as follows:

> *It is further ordered,* That, to remove the unreasonableness in the rates and to bring to the minimum the undue preference and undue prejudice found to exist said respondent common carriers by railroad, according as they participate in the transportation, be, and they are hereby, authorized and directed to increase by 10 percent the existing applicable interstate class rates for freight traffic moving at classification ratings in official territory (including Illinois territory), subject to the qualifications set forth in the report herein, and to maintain the rates so increased as the reasonable rates to be hereafter observed until further order of the Commission.

That the provisions of the paragraph of said order, as above quoted, are unreasonable, unjust and improper in that:

1. The increase in rates thereby prescribed is not supported by fact, or showing of fact in the record,

Exhibit 9.

or by finding of fact in this proceeding, to the effect that the revenues of the common carriers by railroads, whose rates are increased under said provision, are or will be inadequate under existing rates applicable to their service. Such provisions ~~therefore~~ impose unreasonably excessive rates.

2. That such increase of rates is not supported by the finding upon which it purports to be based, namely, the "undue preference and undue prejudice found to exist" in "the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories on the other hand."

3. That the existing class rates, which are thus increased, are neither discriminatory nor violative of section 3(1) or any other provision of the Act, by reason of the alleged prejudice or disadvantage to southern, southwestern and western trunk line territories or shippers therein, and resulting from the differential in the existing class rates in the territories just named on the one hand and the existing class rates in official or Illinois territory on the other hand.

4. That even if such alleged prejudice or disadvantage in a particular territory or territories were violative of the Act in any respect, it could not be lawfully, reasonably or properly removed, by the prescription of excessive or otherwise unreasonable rates in another territory merely because such other territory or the shippers therein may enjoy a preference or advantage by reason of the differential in rates involved.

Exhibit 9

II. In support of the foregoing contentions this intervener maintains that transportation rates can be properly determined only if they are arrived at and based upon considerations relating solely to the transportation service for which such rates are fixed and required to be charged; that such considerations including essentially the component costs of such service and the value of such service to the persons receiving the same; and that the prescription of transportation rates based and arrived at upon a consideration or purpose of obviating or mitigating the necessary high cost of service furnished by transportation agencies in one section or territory, by or through an increase of adequate rates for lower cost service furnished by another transportation agency in a different section or area, is violative of fundamental principles applicable to the regulation of rates and must result in rates that are excessive, unreasonable and unjust.

This intervener therefore prays that reconsideration be given in the above-entitled case; that reargument be granted with respect to the provision of the order of May 15, 1945 herein prescribing an increase in class rates in official and Illinois territories as herein referred to; and that the Commission make such further order by way of rescission or modification of such provision of said order as it may deem reasonable and just.

Respectfully submitted,

H. T. Ferguson
H. T. Ferguson, Chief Counsel
Public Service Commission of Wisconsin
P. O. Address: 720 State Office Bldg.
Madison 2, Wisconsin

Dated at Madison, Wisconsin, July 9, 1945.

Exhibit 9.

Certificate of Service

I hereby certify that I have this day served the foregoing petition upon all parties of record in this proceeding by mailing a copy thereof properly addressed to each party.

Dated at Madison, Wisconsin, this ninth day of July, 1945.

H. T. Ferguson

Exhibit 10.

AMENDED ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 25th day of July, A. D. 1945.

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Upon further consideration of the facts in the record in the above-entitled proceedings and upon consideration of a petition filed on July 12, 1945, by the respondent carriers by railroad for postponement to April 1, 1946, of the effective date of the order entered in said proceeding No. 28300 on May 15, 1945, and good cause appearing therefor:

It is ordered, That the said order be, and it is hereby, amended by adding after the fifth ordering paragraph two new paragraphs reading as follows:

> *It is further ordered,* That all outstanding unexpired orders, as amended, of the Commission, authorizing or prescribing class rates for the transportation in interstate commerce of property moving at the classification ratings within, and from and to, official territory (including Illinois territory), southern territory, southwestern territory, and western trunk-line territory, as described in the report herein, be, and they are hereby, modified, effective concurrently with the establishment of the rates herein re-

Exhibit 10.

quired to be applied, to the extent necessary to permit the reduced rates, or increased rates, herein required, to be applied.

It is further ordered, That all tariffs or supplements changing rates by authority of this order, which are maintained or held by authority of outstanding orders of the Commission, shall bear on their title page specific reference to this order, as amended.

It is further ordered, That the said order entered in No. 28300 on May 15, 1945, which was by its terms made effective on or before August 30, 1945, upon not less than 30 days' notice, be, and it is hereby, modified to become effective on November 30, 1945, upon like notice, instead of August 30, 1945.

And it is further ordered, That the said petition of respondent carriers by railroad filed July 12, 1945, insofar as it requests postponement of the effective date of the said order of May 15, 1945, beyond November 30, 1945, be, and it is hereby, denied.

By the Commission.

W. P. BARTEL,
Secretary.

(SEAL)

Exhibit 11.

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 26th day of October, A. D., 1945.

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Upon consideration of a petition filed on October 26, 1945, by the respondent carriers by railroad for postponement to January 1, 1946, of the effective date of the order entered in said proceeding No. 28300 on May 15, 1945, as amended July 25, 1945:

It appearing, That some of the respondent carriers by railroad have encountered mechanical difficulties, beyond their control, in connection with the printing of the tariffs required to be filed by the said order, as amended, and that such respondents will not be able to file their tariffs so as to make them effective on the date specified in the order; and

It further appearing, That it is desirable in the public interest that the tariffs be filed on not less than statutory notice;

It is ordered, That the said order entered in No. 28300, on May 15, 1945, as amended July 25, 1945, which was by its terms made effective on or before November 30, 1945, upon not less than 30 days' notice, be, and it is hereby modified to become effective on January 1, 1946, upon like notice, instead of November 30, 1945.

By the Commission.

W. P. BARTEL,
Secretary.

(SEAL)

Exhibit 12.

INTERSTATE COMMERCE COMMISSION

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

DECIDED OCTOBER 30, 1945

On reconsideration, the findings in No. 28300 with respect to the ad interim class rate revision made in prior report, 262 I. C. C. 447, Part II, page 700, and Part III, pages 702-706, and the order with respect thereto, are modified as follows:

1. Class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); and (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise or intercoastal class rates, are excepted.

2. Class rates from and to points in the Southwest, which are subject to the Deming, N. Mex., rates as maxima, (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 percent; and (2) where the rates are published specifically in amounts per 100 pounds, subject to the Deming rates as maxima, the class rates shall be recomputed on the zone III basis, the rates thus arrived at reduced 10 percent, and further reduced to the Deming rates as maxima.

Exhibit 12.

3. Findings with respect to class rates to or from points on short or weak lines modified to authorize the addition of existing arbitraries, reduced by 10 percent.

4. Certain subnormal class rates applicable within and between southwestern and western trunk-line territories, established to meet intrastate class rates or motor carrier or other competition, excepted in certain respects.

5. Extended zone C in Wisconsin is to be treated as a part of official territory with respect to rates between that extended zone and the remainder of official territory, except with respect to rates between Illinois territory and extended zone C.

6. Class rates governed by the official classification between Owensboro, Ky., and stations on lines of the Louisville and Nashville Railroad in official territory, including Cincinnati, Ohio, and Evansville, Ind., are expected.

7. Reduced class rates not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates between the same points.

8. Petitions, insofar as they relate to the interim adjustment, are denied in all other respects.

9. Ultimate findings in part II, page 700, amended by adding to finding 1 thereof, a finding that the intraterritorial class rates, except as noted, within official and Illinois territories, are less than just and reasonable rates.

FIRST SUPPLEMENTAL REPORT OF THE COMMISSION

BY THE COMMISSION:

These two proceedings were instituted upon our own motion, and the original report therein was made on May

Exhibit 12.

15, 1945, in 262 I. C. C. 447. The order entered on that date required the respondent carriers by railroad, during an interim period, to increase class rates 10 percent within official territory and to reduce class rates 10 percent in other territories and on interterritorial traffic (except within and to and from mountain-Pacific territory). By the terms of the order, as amended by order of July 25, 1945, the carriers were required to establish the new rates effective November 30, 1945, upon statutory notice. By order entered October 26, 1945, the effective date was postponed to January 1, 1946, upon like notice.

Certain petitions[1] were filed by respondent carriers and other parties requesting modification of our findings and

---

[1] Petitions were filed by the Southwestern Steering Committee on behalf of the States of Arkansas, Kansas, Louisiana, Oklahoma, and Texas; the Commonwealth of Kentucky and the Railroad Commission of Kentucky; the States of New York, New Jersey, Pennsylvania, and Maryland, and various chambers of commerce and commercial organizations in eastern trunk-line territory; the State of Ohio; the Governor of the State of Indiana; the Governors of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut, and the New England Traffic League et al.; the Corporation Commission of the State of New Mexico; the Public Service Commission of Wisconsin; the Central Territory Rate Conference; the Minneapolis Traffic Association; the North Atlantic Ports Conference; southern industrial interests; the motor carrier interveners; and all the respondent railroads. Replies to one or more of these petitions were filed by the Southern Governors' Conference; the States of Arkansas, Kansas, Louisiana, Nebraska, North Dakota, South Dakota, Oklahoma, and Texas, represented by the Steering Committee for those States, and certain commercial interests therein; the State of Florida, the Railroad Commission of Florida, and certain commercial organizations in Flordia; North Dakota interests, including the Attorney General and Public Service Commission of the State of North Dakota and certain commercial organizations in North Dakota; the American Cotton Manufacturers' Association et al., the Green Bay Association of Commerce et al.; the Wichita (Kans.) Chamber of Commerce; the official territory lines; and the class I western railroad respondents.

Exhibit 12.

order. We have given further consideration to the matters presented in those petitions.

COASTWISE AND INTERCOASTAL CLASS RATES

In our report at page 515, we said:

> Owing to the war, practically all water carriers which have participated in joint rates with the railroads have suspended operations because their vessels have been taken over by the Government for war purposes. The lack of evidence respecting such rates is doubtless due to this fact. As the present record is inadequate upon which to prescribe reasonable and otherwise lawful all-water or rail-water rates, no findings will be made with respect thereto, and they will not be discussed further in this report.

Railroad class rates applicable on interstate traffic to or from the Atlantic and Gulf of Mexico ports, carried from or to those ports by carriers by water in interstate commerce, were not specifically excepted from the interim order. Those rates, referred to as coastwise and intercoastal rates, are not published as joint rates with the carriers by water, and, therefore, are not, strictly speaking, rail-water rates. Respondent railroads request us to modify our interim order so as to except, in certain respects, their coastwise and intercoastal rates from its requirements. The respondent railroads in all three classification territories request us to modify our findings and interim order, so as not to require any change to be made in the class rates specifically published for application on coastwise and intercoastal traffic to or from the south Atlantic and Gulf ports. Specific coastwise and intercoastal class rates are now published between such ports and Ohio River crossings (including intermediate points in southern territory where the Ohio River cross-

Exhibit 12.

ing rates are held as maxima), Chicago, Ill., St. Louis, Mo., and certain territory north of the Ohio River roughly described as lying west of the Chicago-Indianapolis-Cincinnati line.

Generally, the domestic class rates, governed by the southern classification, are applicable to and from southern ports (either with or without the addition of so-called port charges) on coastwise and intercoastal traffic, in the absence of class rates specifically published to apply on that traffic. This situation generally obtains on coastwise and intercoastal traffic between ports and interior southern points, from and to which the specific intercoastal rates do not produce lower rates; also on coastwise traffic from Ohio River to south Atlantic and Gulf ports. As to such class rates when applicable on coastwise and intercoastal traffic, no modification of our interim order is requested.

The existing specifically published coastwise and intercoastal class rates to and from the south Atlantic and Gulf ports are generally the same as the export and import rates from and to the same points, and are made with direct relation to the rates to and from the north Atlantic ports. For example, those so published from Chicago to south Atlantic and Gulf ports are the same as those so published from Chicago to Baltimore, and they are governed by official classification. The same is true of specifically published coastwise and intercoastal class rates from Cincinnati, Ohio.

It is apparent that an increase of 10 percent within official territory and a decrease of 10 percent between points in official territory and the south Atlantic and Gulf ports would disrupt the present relations of the rates to and from the ports. The railroads and the water carriers, and presumably the shippers, desire to retain those rela-

Exhibit 12.

tions. We are of the opinion that their continuance during the interim period will be in the public interest ~~and~~ will be just and reasonable.

Respondent railroads in official and western classification territories have filed a separate petition concerning the coastwise and intercoastal class rates to and from the north Atlantic ports (including the Virginia ports). Coastwise and intercoastal rates to and from the north Atlantic ports are generally the same as the import and export rates. The latter were specifically excepted from our findings and interim order. Respondents state that they made their coastwise and intercoastal class rates to and from the north Atlantic ports the same as the export and import rates in order to maintain the established port rate relations, because from a competitive standpoint this traffic has the same characteristics as import and export traffic.

As between the north Atlantic ports themselves, a 10 percent increase from points of origin in official territory and a 10 percent reduction from western trunk-line territory origins would destroy the present relations. Petitioners in official and western classification territories ask that the report and order be modified so as to eliminate any requirement that the class rates applicable on coastwise and intercoastal traffic moving to and from north Atlantic ports be increased or reduced. This includes domestic class rates applicable on coastwise and intercoastal traffic in the absence of specific coastwise and intercoastal rates. For example, from some points in official territory only domestic class rates are published to Baltimore, and these rates apply also on coastwise and intercoastal, as well as on export and import traffic. In such cases it is contemplated that the old class rates shall continue to apply on coastwise and intercoastal traffic as well as on that which is export or import traffic.

Exhibit 12.

Both petitions are supported by the North Atlantic Ports Conference, an organization of port authorities and commercial organizations representing various north Atlantic ports. The Ports Conference points out that there is no evidence relating directly to rates applicable on coastwise and intercoastal traffic, and that, in addition to disturbing the relations between the rates to and from the north Atlantic ports and those to and from south Atlantic and Gulf ports to the detriment of the former, the report and order, by increasing the rates to and from the north Atlantic ports, will place steamship lines, particularly intercoastal lines, under an additional competitive disadvantage as against competing rail or motor carrier routes.

The only other reply to the petitions is from representatives of the State of Florida and various commercial institutions in that State. That reply concedes that "since the export and import class rates are exempted, perhaps the rail proportional class rates in connection with coastwise and intercoastal traffic should also be exempted from the interim order."

Upon further consideration of the record, and the petitions and replies thereto, we find that our previous findings in Part III, pages 702 to 706, and our interim order should be modified by excepting: (1) Class rates applicable to coastwise and intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); and (2) class rates applicable to coastwise and intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise and intercoastal class rates.

Exhibit 12.

DEMING, N. MEX., CLASS RATES AS MAXIMA

The southwestern railroads have filed a petition for modification of our findings and interim order respecting class rates to and from points in the Southwest where the Deming, N. Mex., rates are held as maxima. Class rates prescribed in the *Consolidated Southwestern Revision* were in some instances higher than the transcontinental rates applicable to and from Deming. Therefore, the Deming rates were held as maxima. In some instances this was done by means of a tariff rule. In other instances the Deming rate, in cents per 100 pounds, was specifically published for application to and from points in the Southwest.

Obviously both situations should be treated alike in applying the 10 percent reduction required by the interim order. Petitioners ask that our findings and order be modified so as to eliminate any requirement to reduce class rates to and from points in the Southwest where the Deming rate is held as a maximum. The southwestern steering committee in a reply asserts that to grant the petition as presented would not give shippers the benefit of reduced class rates where such reduced class rates would be lower than the Deming rates.

Our findings in Part III, pages 703 and 704, are hereby modified so as to provide that (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 percent, and (2) where the rates are published specifically in cents per 100 pounds, using the Deming rates as maxima, the class rates should be recomputed on the zone-III basis and the rates thus arrived at reduced 10 percent, and further reduced to the Deming rates as maxima.

Exhibit 12.

RATES TO AND FROM POINTS ON SHORT OR WEEK LINES

Respondent rail carriers have filed a petition seeking clarification of our interim order insofar as it relates to class rates to and from points on short or weak lines. The only reply to the petition is from Florida interests, including State authorities and representatives of various commercial associations. This reply interposes no objections to the petition "for fear that such objections might delay publication of the new rates," but adds "that any order issued in response to the petition should be subject to a proviso that the resulting rates will be in substantial accord with the Commission's findings."

In our original report (page 700), we reserved for later consideration the matter of arbitraries for short or weak lines. Nevertheless, technically both our interim and our ultimate findings apply to rates to, from or between points on short or weak lines as well as to, fro. or between points on standard lines. As there is as yet no order or effective date in connection with the ultimate adjustment, the omission of any specific findings with respect to the extent to which short or weak lines are entitled to arbitraries higher than the standard basis prescribed is not of immediate importance in connection therewith. Similarly, where, in the interim adjustment, the existing rates are increased or reduced by the full 10 percent prescribed, no complications will result, as both the base rate and the arbitrary will be increased or reduced by the required percentage whether in the tariffs the arbitraries are published separately or included in the rate.

But where on interterritorial traffic or on traffic within western and southern territories, the minimum scale comes into play, the effect is to make a relatively greater

Exhibit 12.

reduction in rates to and from points on short or weak lines now having arbitraries, and to reduce or eliminate such arbitraries, due to the fact that there is no provision for adding any arbitraries in applying the minimum scale. For example, between Boston, Mass., and Valdosta, Ga., a point on a standard line, the first-class rates is $2.38. This rate reduced 10 percent would become $2.14, but as the minimum scale for the distance is $2.40, no change is required and the rate remains unchanged, $2.38. But to Nashville, Ga., a nearby point on the Georgia & Florida Railroad, the present rate is $2.61, a portion of which represents an arbitrary authorized for the Georgia & Florida. If the rate be reduced 10 percent it becomes $2.35, but, as the minimum scale rate is $2.40 under the findings and order, the Boston-Nashville rate becomes $2.40, and the present difference of 23 cents over Valdosta will be reduced to 2 cents. Thus the arbitrary for the Georgia & Florida which accrues exclusively to it is practically eliminated.

Such result was not intended. In order to avoid an unjust result to short or weak lines which have been accorded arbitraries, authority should be granted to add the existing arbitraries, reduced by 10 percent, in applying the minimum scale. However, the petition points out that to readjust the rates precisely in this manner will require considerable time, because in many instances the arbitraries are not separately stated in the tariffs. In the interest of eliminating delay in effecting publication, respondents agree, if permitted, to produce substantially the same result by determining the differences between the existing first-class rates to or from the nearest junction point with the short or weak line and the existing first-class rates to and from points on the short or weak lines, and then to publish new first-class rates to and from the latter points in amounts exceeding the new rates to and

Exhibit 12.

from the junction point by the existing differences reduced 10 percent.

Our findings in Part III on pages 703 and 704 of the report are hereby modified to authorize the addition of the existing arbitraries, reduced by 10 percent, in applying the minimum scale, and the described method of publication will be considered as substantial compliance with the findings and order so modified, subject to later revision in cases where the difference is material.

SUBNORMAL CLASS RATES

The western rail respondents in southwestern and western trunk-line territories have filed a petition requesting modification of our findings and interim order so as not to apply to class rates within and between southwestern and western trunk-line territories which these respondents have published to meet the competition of intrastate class rates required to be published within the borders of various States or voluntarily established to meet motor carrier and other competition. Although not specifically excepted in the petition, it is understood that the request of these respondents does not extend to class rates voluntarily reduced from the zone IV basis to the zone III basis in southwestern territory.

The following tariffs provide interstate class rates which are below the bases proscribed by us in prior class rate revisions:

Agent Marsh's I. C. C. 3627 provides first, multiples of first, second, third, fourth, and one-half of fourth-class rates for distances 200 miles and less within southern Missouri, also between southern

Exhibit 12.

Missouri on the one hand, and Illinois and Kansas on the other hand.

Agent Marsh's I. C. C. 3628 provides first, multiples of first, second, third, one-half of third, fourth, and one-half of fourth-class rates for distances 500 miles and less between Arkansas, Kansas, southern Missouri and Oklahoma.

Agent Marsh's I. C. C. 3631 provides first, multiples of first, second, third, fourth, and one-half of fourth-class rates for distances 200 miles and less between Arkansas, southern Missouri and Oklahoma, also between those points on the one hand, and Illinois, Memphis, Tenn., Texarkana, Bloomberg, Cass and Whatley, Tex., on the other hand, also from northern Louisiana to Arkansas and Bloomberg, Cass, Texarkana and Whatley on the other hand.

Agent Kipp's I. C. C. No. A-3121 provides carload and less-carload class rates between points in Iowa on intrastate traffic also on interstate traffic to the extent indicated in Item 30 of the tariff.

Agent Kipp's I. C. C. No. A-3309 provides carload and less-carload class rates between points in Wisconsin on intrastate also on interstate to the extent indicated in Items 1505 to 1525, inclusive, of the tariff.

Agent Kipp's I. C. C. No. A-3437 provides carload and less-carload class rates between points in Nebraska on intrastate traffic, also on interstate traffic to extent indicated in Items 2001 and 2002.

Agent Kipp's I. C. C. No. A-3582 provides motor compelled less-carload class rates between points in Kansas; between stations in Missouri on Missouri

Exhibit 12.

River and stations in Kansas; between stations in Missouri on the Missouri River, intrastate and interstate.

Agent Kipp's I. C. C. No. A-3418 provides carload and less-carload class rates between points in Minnesota on intrastate traffic; also on interstate traffic to the extent indicated in Item 900 of the tariff.

Agent Kipp's I. C. C. No. A-3402 provides motor compelled less-carload class rates between St. Louis, Kansas City, St. Joseph, Mo., and stations in Missouri; between Atchison, Leavenworth, Kans., and stations in Missouri; between Alton, E. St. Louis, Belleville, Granite City, Ill., and stations in Missouri, also Atchison and Leavenworth, Kans., interstate and intrastate.

The minimum scale prescribed as a part of the interim adjustment will not prevent the reduction of these so-called subnormal class rates, except for the shorter distances. For example, subnormal class rates for distances of 180 miles and less in Agent Marsh's I. C. C. 3627 would not be reduced because they are either as low as, or lower than, the minimum scale, but subnormal class rates published in that tariff for distances in excess of 180 miles would be reduced, and the rates so reduced would be in excess of the minimum scale.

In Kansas, and between points in Kansas, and Kansas City and St. Joseph, Mo., and other points in Missouri between Kansas City and St. Joseph, these respondents established class rates on less-than-carload traffic, classes 1 to 4, inclusive, to meet motor-truck competition. These class rates are published in Agent Kipp's I. C. C. A-3582. All of these rates are lower than the class rates which

Exhibit 12.

we prescribed between those points, as shown by the following table:

Kansas City, Mo., to Salina, Kans.	183 miles
Docket No. 17000, Part 2, first-class rate	$1.13 [1]
Docket No. 17000, Part 2, reduced 10 percent	1.02
Docket No. 28300 minimum rate	.88
Applicable first-class rate	1.07
Applicable first-class rate reduced 10 percent	.96

It will be noted that the subnormal first-class rate of $1.07 is 5 cents higher than the rate of $1.02, the normal class rate reduced 10 percent. If the 10 percent reduction is applied to the subnormal first-class rate of $1.07 it would become 96 cents, or 6 cents lower than the first-class rate prescribed by us reduced 10 percent to $1.02. The minimum scale does not prevent the reduction of the subnormal first-class rate of $1.07 the full 10 percent.

Kansas City, Mo., and Kansas City, Kans., both take the same class rates between those points and points in Kansas. The intrastate class rates would not be subject to our interim order. If the 10 percent reduction were applied to the subnormal class rates between Kansas City, Mo., and points in Kansas, the first-class rate from Kansas City, Mo., to Salina would be reduced to 96 cents, as compared with a first-class intrastate rate of $1.07 from Kansas City, Kans., to Salina.

In Nebraska, following the western trunk-line revision, the railroads applied to the State Railway Commission of Nebraska for an order to make the interstate basis, as prescribed by us, applicable on Nebraska intrastate traffic. The application was approved as to the eastern portion

---

[1] Including increase authorized in Ex Parte 123.

Exhibit 12.

of the State, but in the zone III portion of the State the Nebraska Commission required the railroads operating therein to establish the zone II scale. Such rates are applicable on Nebraska intrastate traffic, and on interstate traffic between Nebraska stations east and west of Julesburg, Colo., on the Union Pacific Railroad Company, hereinafter call the Union Pacific. They are published in Agent Kipp's I. C. C. No. A-3437.

For example, between Omaha and Sidney, Nebr., class rates on the Union Pacific, applicable on interstate traffic, are subnormal because the only route of that line from Omaha to Sidney is through Julesburg. The Chicago, Burlington & Quincy Railroad Company has an intrastate route between those points. Unless our findings and interim order in this proceeding are modified, the following situation will exist as to class rates between Omaha and Sidney:

Omaha to Sidney, Nebr.	405 miles
Docket No. 17000, Part 2, first-class rate.	$1.73[1]
Docket No. 17000, Part 2, reduced 10 percent	1.56
Docket No. 28300 minimum rate	1.28
Applicable first-class rate	1.67
Applicable first-class rate reduced 10 percent	1.50

The normal first-class rate prescribed by us is $1.73. The Nebraska intrastate rate prescribed by the State Commission is $1.67, a difference of 6 cents. A 10 persent reduction in the normal first-class rate will result in the rate of $1.56, whereas when reduced 10 percent the present subnormal first-class rate would be $1.50, or a difference of 6 cents. The minimum scale rate is $1.28.

---

[1] Including increase authorized in Ex Parte 123.

Exhibit 12.

What has been stated above as to the class rates between Omaha and Sidney is also true of the class rates between stations on the Union Pacific in Nebraska west of Julesburg and stations on the Union Pacific, Gering, Nebr., and west, which are applicable via the interstate route of the Union Pacific through Egbert and Yoder, Wyo.

The class rates between Menominee, Mich., and points in Wisconsin north of extended zone C, published for the Chicago and North Western Railway Company and the Chicago, Milwaukee, St. Paul and Pacific Railroad Company in Agent Kipp's I. C. C. A-2592, are also lower than the class rates prescribed by us. They were established to meet motor-truck competition.

Subnormal class rates apply between Manistique-Cherry Valley, Mich., on the one hand, and Chicago, Ill., and Milwaukee, Wis., on the other hand. The subnormal first-class rate to Chicago is $1.08 and to Milwaukee 95 cents. The first-class rates prescribed by us are $1.31 to Chicago and $1.13 to Milwaukee. The subnormal class rates were published pursuant to fourth-section relief and do not apply as maxima at intermediate points. Traffic between these points can move wholly within official territory. Compliance with our interim order would result in class rates via the west-side route approximately 20 percent less than via the east-side route because the east-side route class rates would be increased 10 perecent and the west-side route class rates would be reduced 10 percent.

The southwestern steering committee opposes the petition. In some instances subnormal class rates do not alternate with the class rates prescribed by us. The committee contends that therefore to grant the petition will leave in effect rates higher than the so-called normal class rates reduced as provided in this proceeding. However,

Exhibit 12.

it is understood, and these respondents have stipulated, that if the petition is granted they will reduce the subnormal class rates so that in no instance will such rates, subject to western classification as involved in this proceeding, be in excess of the corresponding normal class rates as prescribed by us, subject to the reductions prescribed in our interim order in this proceeding. The steering committee further points out that in many instances key rates applicable intra- and interterritorially have been voluntarily changed by respondents, and assumes that to grant the petition will leave the respondents free to use their own judgment in determining which is a prescribed rate and which is a voluntary rate, and thus escape the prescribed 10 percent reduction. We do not so understand the petition, but we agree that such modification of the findings as may be made should not extend to such situations.

Our findings in Part III, pages 703 and 704, are hereby modified to the following extent: Subnormal class rates named in rail respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628 and 3631, and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3437 and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., are hereby excepted from our findings in Part III of the original report, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by us, reduced 10 percent. If there are other similar situations they should be brought to our attention.

Exhibit 12.

RATES TO AND FROM POINTS IN EXTENDED ZONE C IN WISCONSIN

Respondents in official and western trunk-line territories ask that the findings and order with respect to the interim adjustment of class rates applicable between that part of Wisconsin located in so-called "extended zone C" and official territory, including Illinois freight territory, be amended or clarified so as to make it clear that such rates shall be treated the same as rates between zone C in Michigan and official and Illinois territories, viz., be subjected to a 10 percent increase. Green Bay Association of Commerce, joined by various associations and shippers in various cities in extended zone C, opposes the petition.

In our original report official territory is defined (at page 516) as including New England, ~~trunk~~-line, central, and Illinois territories. The western boundary of official territory consists in part of the west bank of Lake Michigan, including west-bank car-ferry ports, south to Milwaukee, Wis., thence the line of the Milwaukee to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul and Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee through Watertown, Wis. Western trunk-line territory as defined in the report lies immediately west of this line. Technically therefore our findings and order treat rates between all points in Wisconsin west of the western boundary of official territory and points in Illinois and official territories as interterritorial, which must be reduced 10 per cent subject to the minimum scale shown on page 704. But in *Western Trunk Line Class Rates*, 164 I. C. C. 1, that portion of eastern Wisconsin lying west of the western boundary of official territory and on and east of a line extending from Green Bay to Watertown was termed "extended zone C"

Exhibit 12.

and made subject to the official classification and the same rates as applicable in zone C in Michigan. Thus in effect this small portion of eastern Wisconsin was transferred to official territory. Rates within zone C in Michigan and between that zone and the remainder of official territory are required by our findings to be increased 10 percent. This includes rates between west-bank Lake Michigan points such as Manitowoc and Kewaunee, Wis., which are directly intermediate to Green Bay, Fond du Lac, and other points in extended zone C. For example, the first-class rate between New York and Manitowoc and Kewaunee, now $1.67 will be increased to $1.84. The present rate between New York and Green Bay is $1.72. Inasmuch as the minimum scale for the distance is greater than $1.72, this rate will remain at that figure if the findings and order are left unchanged, leaving a rate 12 cents lower than to intermediate west-bank Lake Michigan ports through which the traffic moves. From Detroit to Manitowoc and Kewaunee the present first-class rate of $1 will become $1.10, but the existing rate of $1.06 to Appleton and Fond du Lac in extended zone C will remain unchanged. The reply of the extended zone C shipper interests take the position that, under the present findings, the rates to west-bank Lake Michigan points would be applied as minima, thus avoiding fourth-section departures. In *Western Trunk Line Class Rates,* the western boundary of official territory is coincident with the western boundary of extended zone C. Therefore, the authority to apply gateway rates as minima would appear to relate to points beyond extended zone C rather than to points within that zone.

Rates between Illinois territory and extended zone C are in a different category from the remaining rates to and from official and Illinois territories in that, in the

Exhibit 12.

sixth supplemental report in the *Western Trunk Line Case,* these rates were made subject to the western classification. Between Illinois and zone I in western trunkline territory, the class rates are somewhat higher than those for like distances to and from extended zone C, but this situation would be reversed if the rates to and from zone I are reduced and those to and from zone C increased. For example, between Chicago and Oshkosh in zone C, 165 miles, the present first-class rate is 81 cents and to and from Ripon, 168 Miles, in zone I, it is 88 cents. Due to the application of the minimum scale, comparatively few rates between Illinois and zone C would, under our present findings, be reduced, although to and from the eastern part of zone I there will be considerable reductions. If the petition is granted the rates to and from zone C would be increased 10 percent, resulting in rates higher than those to and from points beyond in zone I. For example, the Chicago-Oshkosh first-class rate would be increased to 89 cents and the rate to and from Ripon will be reduced to 84 cents.

Extended zone C in Wisconsin having been placed by us, in the *Western Trunk Line Class case,* in the same category as zone C in Michigan (with the exception of rates between extended zone C and Illinois territory) should be treated the same in this proceeding with the same exception. Therefore our findings in Part III, pages 703 and 704, are hereby modified so as to treat extended zone C in Wisconsin as being embraced within official territory in the matter of rates between points in that extended zone and points in official territory, other than rates to and from Illinois territory.

Exhibit 12.

CLASS RATES BETWEEN OWENSBORO, KY., AND POINTS IN OFFICIAL TERRITORY

The Louisville & Nashville Railroad Company seeks modification of the findings and order relating to the interim adjustment so as to eliminate therefrom any requirement that certain truck-competitive class rates governed by the official classification applying between Owensboro, Ky., and stations on the Louisville & Nashville in official territory, also Cincinnati, Ohio, and Evansville, Ind., be reduced. Although Owensboro is on the Ohio River, it was treated in the *Southern Class Rate Investigation* as a point in southern territory, and rates to and from points in official territory were made on the interterritorial basis generally used between official territory and the South. This is because there is no railroad bridge at Owensboro and railroad traffic to and from that point must move through some gateway such as Evansville or Louisville in reaching official territory. Thus the prescribed rates are subject to the southern classification and made on the interterritorial basis.

In 1940 a highway bridge was constructed at Owensboro and motor carriers established class rates between Owensboro and certain points in official territory subject to the official classification. By fourth-section orders Nos. 14357 of August 26, 1941, and No. 14594 of April 16, 1942, the Louisville & Nashville was authorized to meet such rates without reducing rates from and to intermediate points in southern territory east and west of Owensboro, subject to the conditions that such rates should not be lower than the rates of the motor common carriers and that the prescribed rates subject to the southern classification should continue to apply alternatively therewith. It is to these rates subject to the official classification that the petition relates. No one questions that the rates subject to the southern classification should be reduced 10 percent subject to the minimum scale. Petitioner points out that it is between two fires in that, technically speaking, the rates published by authority of the two fourth-section orders are interterritorial and therefore must be reduced in the manner prescribed for interterritorial rates in general, but it is prohibited from reducing such rates by the condition in the fourth-section order that it shall not maintain rates lower than those of the motor carriers. The only reply to the petition is from the State of Florida and certain commercial organizations in that State, which reply interposes no objection to the relief sought.

There is no specific evidence in the record with respect to these particular rates. Few, if any, other points in southern territory have the benefit of two sets of rates, one subject to the official classification, and the other to the southern, thus enabling shipments to move on the lower of the two bases. Our findings in Part III, pages 703 and 704, are hereby modified so as to eliminate any requirement that these class rates subject to the official classification be reduced.

COMMODITY, EXCEPTION OR COLUMN RATES V. CLASS RATES

The Southwestern steering committee, representing various southwestern and middle western States and commercial interests therein, asks that the report and order be amended to require that in instances where the prescribed maximum class rates are lower than commodity rates, or rates based on exception ratings, such maximum class rates shall apply. As stated on page 454 of our original report, this proceeding includes all rates determined by ratings in the four classifications, irrespective of whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class.

Exhibit 12.

but none other. It does not embrace exceptions to the classifications. To require what the Southwestern steering committee asks would apparently go beyond the issues.

The rail respondents have filed a petition requesting that our findings and order prescribing the interim adjustment be amended sufficiently to permit the carriers to include in their tariffs provisions that the new class rates will not apply on particular shipments when there is in effect a commodity rate, or a rate resulting from a classification exception or column rating, from and to the same points via any route. The petition points out that as a result of practical difficulties few class rate tariffs contain complete routing. Class rates generally either apply over all routes composed of lines parties to the tariff, or over all routes not exceeding certain general mileage limitations, and therefore often apply over seldom-used routes involving numerous transfers from one carrier to another. Where commodity or column rates have been established, in most instances routing has been provided, designed to hold the traffic to workable, reasonably direct routes involving a minimum of transfers. Over routes over which commodity rates or exception or column rates apply on certain commodities, the corresponding class rates have no application, but over other routes, which generally are not used for the transportation of such commodities, the class rates apply.

Where the class rates are reduced 10 percent, as required in this proceeding, the new rates, in some instances, will be lower than the commodity or column rates. This is particularly true where the commodity rates are on group bases and the class rates are on a distance-scale basis. If the reduced class rates are allowed to become effective over the unused routes, ship-

Exhibit 12.

pers will be able to nullify the commodity or column rates either by specifically routing their shipments over unused routes over which such commodity or column rates do not apply; or by delivering their shipments to carriers unrouted, thus placing upon the carriers' agents the burden of determining whether there is any route over which there is a class rate lower than the commodity or column rate now used. In the latter instances, even if shipments are transported over the shorter and more generally used routes, the initial carrier may be called upon to shrink its earnings sufficiently to bring the charges on the shipment down to those resulting from the class rate over another and unused route.

Origin and destination differentials will in some instances be disturbed and groupings broken up if the reduced class rates are to apply in instances where they happen to be lower than commodity or column rates. Generally speaking, estimates of the immediate effect of the interim adjustment upon the carriers' revenues have been based on the assumption that the new rates will not apply on traffic which is not now moving on class rates subject to the ratings in the classifications, but, if the petition is denied, to all practical purposes the new class rates will apply in all instances where the charges resulting from their application are lower than those resulting from commodity or column rates between the same points. Disturbance of origin differentials brought to our attention is illustrated by the rates on compressed carbon black in carloads from Pampa, Tex., and Fairbanks, La., to northern and eastern points. Pampa is in the Amarillo group and Fairbanks in the Monroe group. Using Pittsburgh as a representative destination, the existing commodity rate from Pampa, $1.03, is lower than the reduced fifth-class rate, $1.05, but from Fairbanks, the commodity

Exhibit 12.

rate of 92 cents is 3 cents higher than the reduced fifth-class rate of 89 cents. The rates on carbon black from Pampa and Fairbanks were established pursuant to a decision of division 2 in *National Gas Products Assn.* v. *Akron, C. & Y. Ry. Co.*, 232 I. C. C. 619. In that proceeding a differential of 11 cents for the Amarillo group over the Monroe group to practically all destinations in the Northeast was approved, which differential adjustment would be disturbed under our decision in this case if left unchanged. In the *National Gas Products Assn. case,* division 2 also found commodity rates from the Monroe group not unreasonable even though they exceeded the class rates, this conclusion being based on the fact that the commodity rates at that time applied both on compressed and uncompressed shipments and the commodity rates were much lower on uncompressed carbon black than the class rates so that the adjustment as a whole was found not unreasonable. Respondents here ask us to apply the same principle as was followed in the *National Gas Products case* and avoid breaking down differential and grouping adjustments such as that on carbon black.

Florida interests oppose the petition. These interests take the position that the requested modification would disregard the long-established principle that commodity rates which exceed class rates on the same article are *prima facie* unreasonable; would have the effect of closing routes which are now available and deprive shippers of the privilege of routing their traffic in violation of section 15(8) of the act; and that the allegation in respondents' petition that unless it is granted they will be deprived of their long haul as permitted under section 15(4) of the act is erroneous. To grant the petition would not have the effect of closing any routes but would merely avoid

Exhibit 12.

unnecessary reductions in rates which today are not being used and which generally apply over routes over which traffic in general does not ordinarily move.

We recognize that further consideration will have to be given by the carriers and by us to commodity, exception, or column rates that will hereafter be higher than the reduced class rates, but it is our view that each situation should be considered on its merits rather than by forcing the application of the reduced class rates in all cases where there are now commodity, exception, or column rates. Such result was not contemplated. Our findings in Part III, pages 703 and 704, are hereby modified so as not to require the application of the reduced class rates, prescribed in Part III, over generally unused routes, where there are over other routes going commodity, column, or exception rates between the same points.

CLASS RATES TO AND FROM THE LEXINGTON AND BIG SANDY BRANCHES OF THE CHESAPEAKE AND OHIO RAILWAY IN KENTUCKY

The Commonwealth of Kentucky and the Railroad Commission of Kentucky, by petition, seek the following modifications of our findings and order prescribing the ad interim adjustment:

1. Elimination of the proposed increases in rates within official territory, pending revision of classification ratings and final revision of the rates.
2. Addition of a finding requiring the establishment of class rates to and from points on the Chesapeake and Ohio Railway in Kentucky not higher than the basic class rates applicable within official territory.

In Kentucky the Chesapeake and Ohio has one main line (Ashland to Cincinnati) and two branch lines, the

Exhibit 12.

Lexington Branch from Ashland, Ky., to Lexington, 124 miles, and the Big Sandy Branch from Kenova, W. Va., to Elkhorn City, Ky., 134 miles, where it connects with the Clinchfield Railroad. Pikeville, Ky., is a typical point on the Big Sandy Branch. The Chesapeake and Ohio also operates west of Lexington over the line of the Louisville & Nashville Railroad to Louisville, Ky., but has no freight service to or from points between Lexington and Louisville.

Although the petition technically includes the main line as well as the branches, it is evident that petitioners are primarily concerned with the class rates between Kentucky points on the branch lines of the Chesapeake and Ohio and points in official territory. All such rates are now, and for many years have been, subject to the official classification, except the rates between Lexington and Winchester and points in central and Illinois territories, which latter are subject to the southern classification. Between all the points where official classification now applies, class rates were prescribed in *Eastern Class Rate Investigation,* 164 I. C. C. 314, on the same basis as in official territory with the addition of differentials specified next below, except that the mileages used in computing the rates are those over the Chesapeake & Ohio to Ashland and not over lines such as the Louisville & Nashville through Cincinnati. In Finding 7 at Page 406, Appendix F arbitraries were authorized on the Ashland-Louisville line, and in Finding 8, at Page 408, Appendix I arbitraries on the Big Sandy Branch. The Appendix F first-class arbitraries range from 2 cents up to 6 cents for hauls of 140 miles and over 95 miles. The Appendix I arbitraries are much higher, ranging from 8 cents up to 38 cents for distances over 100 miles. Both the Appendix F and Appendix I arbitraries have since been increased 10 per cent under Ex Parte 123 so that the authorized

Exhibit 12.

first-class arbitrary to Lexington is today 6 or 7 cents and to Elkhorn City 41 or 42 cents. Key-point rates were prescribed in Appendix J, Pages 473-475, between Lexington and Winchester, on the one hand, and points in trunk-line and New England territories, on the other hand. These key-point rates are approximately 6 cents higher than rates between trunk-line and New England territories and points in Ohio or Indiana for comparable distances.

The class rates published and now in effect between points on the Lexington branch and points in official territory are substantially on the basis approved in the *Eastern Class Rate Investigation* plus the 10 percent increase of 1938, but those to and from points on the Big Sandy Branch are considerably lower than the authorized rates, but somewhat higher than if made on the Eastern Scale.

Class rates between Lexington and Winchester, on the one hand, and central and Illinois territories, on the other hand, have never been subject to the Official Classification. Pursuant to *Southern Class Rate Investigation* rates to and from these two points were established on the same basis as generally applicable between the South and central territory. Subsequently, rates between Kentucky and official territory were reduced in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, 213 I. C. C. 297. The present rates between these two points and central and Illinois territories are on the basis prescribed in the latter case, subject to the southern classification. The first-class rates are, roughly, 15 percent higher than the Eastern scale. Due to differences in class percentages and classification ratings, it is impractical to estimate the average differences on all the classes.

In a supplemental report in *Eastern Class Rate Investigation*, 171 I. C. C. 481, at Page 510, a petition filed

Exhibit 12.

by the Lexington Board of Commerce was considered. That petition asked that the findings be modified so as to require the use of the Cincinnati, New Orleans and Texas Pacific Railway Company in making rates between Lexington and points in central territory. It also sought modification of the key rates prescribed between Lexington and points in trunk-line and New England territories so as to make them no higher in any case than the rates to and from Louisville. The petition was denied.

Our findings and order in this proceeding require a 10 percent increase in class rates within official territory. Petitioners assume that as all the rates covered by their petition other than those between Lexington and Winchester and central and Illinois territories were prescribed in the *Eastern Class Rate Case,* they necessarily must be considered as intraterritorial in official territory and increased 10 per cent. This conclusion is not free from doubt inasmuch as both the Lexington and Big Sandy lines of the Chesapeake & Ohio are physically outside of official territory and were treated in *Western-Southern Class Rates* as being within southern territory and rates were prescribed to and from Western trunk-line territory on the same basis as to and from points on southern lines in Kentucky and other southern States. Nevertheless, we resolve the doubts in favor of the construction placed upon our prior report by petitioners.

They show that a 10 percent increase in the first-class rate between Lexington and New York, now $1.63 (the same as the eastern scale for the distance), would make that rate 11 cents higher than the first-class rate between New York and Frankfort, Ky. (which is west of Lexington on the Louisville & Nashville Railroad). Class rates between Frankfort and New York are subject to the southern classification and, due to the minimum scale,

Exhibit 12.

will not be changed under the interim order. Between Danville, Ky. (south of Lexington) and Pittsburgh the first-class rate of $1,20 (subject to the southern classification) will not be changed under the interim order but the first-class rate to and from Lexington ($1.18) subject to the official classification will be increased to $1.30. Thus on first class both of these situations would involve fourth-section departures. But due to the differences in classification that would not be true of classes below third. For example, the new fourth-class rate between Lexington and New York would be 90 cents whereas the fourth-class rate between Frankfort and New York will remain 92 cents. The existence of a higher first-class rate from Lexington than from Frankfort does not necessarily demonstrate that the class rates on the average would become higher. On the other hand, the class rates between official territory points and Cincinnati are subject to the official classification and will, under our findings, be increased 10 per cent. The present first-class rate between New York and Cincinnati is $1.50 which will become $1.65 so that if the Lexington rate of $1.63 is left unchanged it will be lower than the Cincinnati rate and fourth section departures will occur over routes through Cincinnati. The first-class rate between New York and Louisville is $1.64 which will be increased to $1.80 so that if the Lexington rate is left unchanged it will be 17 cents less than the Louisville rate.

Petitioners also show that class rates between the Lexington and Big Sandy Branches and points in official territory will in many instances be higher under the interim adjustment than the maximum rates under the final adjustment (Appendix 10 scale). But that will also be true of practically all other class rates between points in official territory which in *Eastern Class Rate Investigation* were made higher than the eastern scale basis,

Exhibit 12.

such as the rates between points in zone C in Michigan and between points in zone B in New England.

The only reply to the petition is from Florida interests. They oppose the petition insofar as it seeks postponement of the effective date of the order, and insofar as it seeks any modification of the requirement that rates in official territory be increased. It takes no position with respect to the local issues raised by the petition affecting points on the Chesapeake & Ohio in Kentucky.

Petitioners' first prayer will be disposed of in connection with other petitions which seek elimination of the 10 percent increase in official territory. The second prayer asks for the prescription of specific rates to and from the particular points in which petitioners are interested, namely, class rates to and from points on the branch lines of the Chesapeake & Ohio in Kentucky. In effect, petitioners ask us to modify certain findings in the *Eastern Class Rate Investigation* to the extent that they resulted in higher rates on these particular branch lines than were prescribed for official territory generally. Those findings, however, were based upon evidence which related not only to the general problem of branch-line and short-line arbitraries, but which dealt specifically with the traffic and transportation conditions on these particular branches of the Chesapeake & Ohio. In prescribing the arbitraries which petitioners now seek to have removed we pointed out in our report in the *Eastern Class Rate Investigation* the necessity of exercising care in fixing the relations between rates to and from these branch lines and rates to and from other points in the same area located on main lines. The record in the instant proceeding does not, in our judgment, contain sufficient evidence dealing specifically with the branch-line adjustments referred to in the Kentucky petition to

Exhibit 12.

justify us at this time in undertaking to modify the conclusions previously reached in the *Eastern Class Rate Investigation.*

OTHER PETITIONS

In addition to the petitions heretofore discussed, others have been filed by various States, State regulatory commissions, shipper interests, railroad respondents in the western district, and by carriers by motor vehicle. Many of these request postponement of the effective date of the order, reconsideration, reargument, further hearing, and modification of the findings and order with respect to the interim adjustment and related matters in the report, as well as the so-called permanent adjustment based upon a uniform classification. We will consider here only the portions of the petitions which relate to the interim adjustment.

The principal objection made by northern States and shipper interests in official territory to the interim adjustment is to the requirement that class rates within such territory be increased 10 percent. They contend that we lack authority to require that increase without a finding that the present rates are not compensatory, or less than minimum reasonable rates and, therefore, unlawful; that the record does not warrant a finding that the class rates within official territory are unreasonable, or a finding that such rates are unduly preferential; and that, even if findings of undue preference and undue prejudice are warranted, we lack authority to require the unlawfulness in the rates to be removed as required in our order, and must afford the carriers an alternative as to the manner of removal.

The petition for reargument and reconsideration filed by the Minneapolis Traffic Association, also questions the

Exhibit 12.

legality of our findings under section 3, and our failure specifically to find that the class rates in official territory are less than reasonable rates. That petition contends further that we erred in prescribing one scale of class rates for less-than-carload traffic and carload traffic. A similar contention is discussed in connection with the petition of the motor carrier interveners. The Minneapolis Traffic Association asserts that the present class rates between Minneapolis and points in Illinois and official territories as prescribed in the western trunk-line class rates revision are unreasonable and that the record warrants prescription of the present official scale of class rates to and from points in official and Illinois territories and upper Michigan, from and to points in Northwest territory.

It is not necessary again to review the evidence as to the unreasonableness of the class rates brought in issue in these proceedings, or as to the undue preference and undue prejudice caused by and resulting from such rates, which we have found to exist. Having made the findings of unlawfulness, we have authority under section 15(1) of the Act and under section 5(b) of the Transportation Act of 1940, to prescribe the method for removing such unlawfulness, and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method.

In support of the contention that an alternative method of removing undue preference and undue prejudice must be provided, petitioners refer to *Texas & Pacific Ry. Co. v. United States,* 289 U. S. 627, in which the Court stated that "where an order is made under section 3, an alternative must be afforded". In a footnote to that statement, however, the Court said: "This is not true of an order

Exhibit 12.

pursuant to Sec. 15(1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not entered under that section". See also *Youngstown Co.* v. *United States*, 295 U. S. 476.

In requiring an increase in rates to remove unlawfulness we are not required first to find that existing rates, or proposed reduced rates initiated by carriers, are not compensatory. See *Petroleum between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609. We found in that proceeding that certain proposed reduced rates were compensatory, considering all costs, but that they were below a minimum reasonable level and hence unlawful. The order in that proceeding was sustained in *Scandrett* v. *United States*, 32 Fed. Supp. 995. and the judgment was affirmed by the United States Supreme Court in 312 U. S. 661. See also *Jefferson Island Salt Mining Co.* v. *United States*, 6 Fed. (2d) 315.

In the instant proceeding, in dealing with the interim adjustment, pages 702-706 of the report, we stated that our general findings and conclusions emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures closer together in level and more upon the same pattern or scheme. We also emphasized the importance and desirability of removing as many differences as possible between the interritorial rates of the respondents and the intraterritorial rates which they maintain. The differences in such rates and the effect upon the welfare of carriers, producers, shippers, consumers, and upon the welfare of localities, districts, regions, and territories were fully discussed in the report. The costs of service were considered, together with the consist of traffic, the distribution of the general rate burden, rate and revenue comparisons, and other matters. Our conclusions were that the intraterritorial

Exhibit 12

class rates within official and Illinois territories, as well as within the other territories dealt with, were unjust and unreasonable and that the relation between the interterritorial class rates from such other territories to official and Illinois territories, on the one hand, and the intraterritorial rates within the latter territories, on the other, gives and causes, and will continue to give and cause, an undue and unreasonable preference and advantage to official and Illinois territories as a whole and shippers and receivers of freight located therein, and subjects, and for the future will subject, the other territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage.

Our general power under section 15 (1) of the act to order the removal of any unlawfulness in rates found to exist after full hearing has been supplemented and reinforced, insofar as this particular investigation is concerned, by section 5(b) of the Transportation Act of 1940. After authorizing and directing us to institute an investigation of rates between points in one classification territory and points in another such territory, or within a territory, we are specifically empowered by that provision "to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist." In reaching our conclusions as to the necessity for increases in official and Illinois territories, and reductions in the other territories and interterritorially, we gave consideration not only to the factors previously mentioned, but also to the rates of return of the carriers in the respective territories and to their ability to render efficient service. The interim adjustment, as previously explained, was the initial step in the ultimate revision of the class rate structures found to be unlawful.

Exhibit 12.

We are convinced from the evidence in these proceedings that the present class rates within official and Illinois territories are below a just and reasonable level and should be increased as a part of the adjustment, to remove the unlawfulness in such rates, in respect of both their unreasonably low level and their unduly preferential character. We are of the opinion that our findings as to those rates are sufficiently stated in the prior report, but to remove any doubt, we find that the class rates within official and Illinois territories are less than just and reasonable rates, with the exceptions as stated in the prior report and in this report, and therefore unlawful, as well as unlawful because of their unduly preferential character, as more fully stated in the prior report.

Some of the petitions present as an additional reason for reopening these proceedings, particularly with respect to the interim adjustment, for further hearing or, at least, for oral argument, the fact that no proposed report was issued in docket 28300. We have given consideration to the arguments submitted in support of that request. In view of the extensive hearings already had, the briefs filed, the oral argument, the numerous petitions filed for reconsideration and the replies thereto, we are of the opinion that the lack of service of a proposed report did not result in depriving any party of its right to a full hearing.

PETITION OF CERTAIN SOUTHERN INDUSTRIAL INTERESTS

Certain industrial interests,[2] located in southern States, request reconsideration and modification of our findings

---

[2] Consisting of a textile company and several marble manufacturers in eastern Tennessee and certain iron, asphaltic limestone, and lumber interests in Alabama, Georgia, Mississippi, and North Carolina.

Exhibit 12

and order upon the ground that they are not supported by the record. These interests contend that rates in the South have followed a pattern different from that followed in other territories, that the present class rate structure is well adapted to the economic needs of the South, and that the findings and order in these proceedings will result in competitive relations less favorable for southern shippers and more favorable for northern shippers. The main objection raised by these petitioners is to the finding that class rates should be uniform throughout the territory included in docket 28300. This matter has been fully considered in our report. The petition, in our judgment, does not present sufficient grounds for reconsideration.

PETITION OF WESTERN RAIL RESPONDENTS.

The principal contentions of the western rail respondents are that the record does not warrant findings of undue preference and undue prejudice; that the immediate effect of the interim adjustment will be a substantial loss of revenue; that the revenue needs of the western rail respondents are greater than those of the eastern rail respondents; that the favorable earnings of the western railroads in the past three or four years have been due to war-time traffic conditions which may not properly be considered as criteria for post-war traffic; that the effect of the reduction in class rates will be greater on western lines; that the reductions will eventually have the effect of bringing about reductions in commodity and exception rates, thus increasing the revenue loss; and that, although our order does not apply to any part of mountain-Pacific territory reductions will have to be made in some of the class rates to, from, and within that territory to harmonize such rates with the reduced rates prescribed.

Exhibit 12.

All of these questions were considered by us in arriving at our original conclusions. Making due allowance for a substantial decline in traffic from the war peak and for the fact that in the decade preceding 1940 the earnings of the western rail respondents were relatively low, nevertheless, insofar as the prospects of traffic and revenues in the immediate future can be foreseen, there is no reason to conclude that the interim adjustment will have any serious effect upon those respondents.

Intrastate class rates generally in most of the western States, and many of the interstate class rates in western territory, are already lower than the interim basis prescribed in our prior report. That is clearly shown in the prior report and is substantiated by the petition filed by the western rail respondents, dealt with elsewhere in this report, for modification of our order respecting so-called subnormal class rates. These respondents cannot consistently maintain these so-called subnormal class rates and continue to maintain the relatively high basis of interstate class rates formerly prescribed by us as maximum in the western and southwestern class rate revisions. The comprehensive record made in this investigation is also convincing that the extent to which the level of those maximum class rates exceeds the levels of class rates in the South and East, particularly the latter, is excessive and is greater than ~~is warranted by~~ the differences in average costs and average freight rate levels.

These respondents assert, as do certain other petitioners representing eastern territory interests, that there is no evidence of injury or damage to particular shippers, and that therefore there can be no finding of undue or unreasonable prejudice or disadvantage in violation of section 3(1). As pointed out in our original report, section 3(1) is not narrowly limited to individual shippers,

Exhibit 12.

but applies also to regions and territories. Nothing presented by any of the petitioners convinces us that no undue prejudice and preference results from the unduly wide differences in class rates that now exist in the West as compared with the East, and especially locally within the East as compared with the interterritorial class rates on which industries of the West must ship if they are to market their goods in the East. In order to sustain a finding of undue prejudice and preference it is not necessary that damages in a legal sense be shown to have been sustained by individual shippers.

The record does not support the contenton that the revenue needs of the western rail respondents with respect to their class-rate traffic are greater than those of the eastern rail respondents. From the carriers' reports to us for the years 1942, 1943, as shown in our original report, and 1944, it clearly appears that there is a greater need for revenue by rail carriers in the eastern district as compared with rail carriers in the western district or in the southern region. The report shows also that a much larger percentage of the total traffic in the eastern district moves on class rates than in the western district or the southern region.

PETITION OF MOTOR CARRIER INTERVENERS

In their petition the motor carriers request us (1) to suspend our order indefinitely insofar as it requires the rail carriers to reduce their less-than-carload class rates by 10 percent, or (2) to modify the order by restricting the less-than-carload rates prescribed as maxima in the interim adjustment so as to limit them to station-to-station rates only and to exclude pick-up or delivery service under such rates without prejudice to the establishment by the rail carriers of higher door-to-station,

Exhibit 12.

station-to-door, or door-to-door class rates. Replies to the petition were filed by American Cotton Manufacturers Association and other textile interests in the South; by the Southern Governors' Conference; by the State of Florida and Florida interests; by the Southwestern steering committee; by rail carriers in official territory; and by other interests.

The petitioners contend that our finding that the less-than-carload class rates should be reduced, except in official territory, is in conflict with our finding on page 697 of the original report, based upon the cost data, that less-than-carload traffic generally is not bearing its proper share of the costs of transportation. That finding was based on operations of the railroads in 1939 when the average load per car of less-than-carload shipments amounted to only 4.3 tons in the West, 5.5 tons in the South, and 6.4 tons in the East including Pocahontas and New England territories. Since then there has been a substantial increase in the average loading of such shipments which has materially decreased the unit costs attributable to less-than-carload traffic. The increased loading was brought about under war-time conditions, but it does not follow that in the post-war period, especially in the immediate future, loadings will decline to the levels of 1939.

The cost data on less-than-carload traffic relate to such traffic as a whole and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception rates and commodity rates. Obviously, the class-rate traffic bears the highest rates. Consequently, even if under present conditions less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such result is due in

Exhibit 12.

a large measure to the maintenance of exception and commodity rates. In any event, data based only on averages for all this traffic do not necessarily demonstrate the impropriety of reductions in the highest level of rates. Even as to class rates on less-than-carload traffic, the record shows that in western trunk-line and southwestern territories many intrastate class rates and interstate class rates are maintained which are lower than the corresponding reduced interstate class rates required by our interim order.

There is little support for the proposals of the motor carrier interveners that separate scales of class rates on less-than-carload and carload traffic be established. It is true that to widen the difference between less-than-carload class rates and carload class rates would not necessarily mean the use of separate scales, meaning by that scales having different progression. But unquestionably to make a 10 percent reduction in carload class rates in the South and West while leaving the less-than-carload class rates unchanged would materially affect the competitive relations between shippers shipping in less-than-carload quantities compared with those shipping in carloads. There is no evidence upon which the extent of disadvantage that would result to l. c. l. shippers or the extent to which commercial and economic conditions would be disturbed thereby may be determined.

There is little direct evidence in this record with respect to pick-up and delivery on less-than-carload traffic. The cost of that service is not definitely shown. Such service was not included in transportation service under the class rates heretofore prescribed by us in our class-rate revisions as maxima in the West and South and interterritorially. The railroads in the southern and western territories began to provide the service to a lim-

Exhibit 12.

ited extent in 1931. Pick-up and delivery had been furnished, however, long before that time at certain points in official territory. Extension of the service to its present scope has been due to the rail carriers' efforts to meet motor carrier competition. The history and development of pick-up and delivery are discussed in *Pick-Up and Delivery in Official Territory,* 218 I. C. C. 441 (decided October 13, 1936). In that proceeding we found justified respondents' tariffs then in effect, and also respondents' proposed tariffs, which provided for pick-up-and-delivery on less-than-carload shipments in official territory, subject to a minimum rate of 45 cents per 100 pounds. The proposal of the motor carrier interveners to restrict the rates prescribed in our report and order in the instant proceeding so that they would apply only to station-to-station service would in effect reverse our findings in *Pick-Up and Delivery in Official Territory, supra.* We would not be justified upon the record here in so restricting our order. Moreover, numerous maladjustments in rates would result by such a restriction because pick-up and delivery services would remain available on a large volume of traffic that moves on exception and commodity rates. However, respondents will be expected to give careful consideration to the rates maintained by them on less-than-carload traffic with a view to making readjustments in ratings or rates, as promptly as possible, which will insure that the rates on such traffic are on a compensatory level. Traffic moving on exceptions, column, and commodity rates, as well as pick-up-and-delivery services accorded less-than-carload traffic, should be so studied.

New Mexico

The State Corporation Commission of New Mexico requests further hearing, reconsideration, and modification

Exhibit 12.

of the findings and order so as to place New Mexico, or at least the eastern portion thereof, on a parity with Zone IV in Texas. New Mexico is in mountain-Pacific territory. The rates within, and to and from, that territory were not in issue in docket 28300 and, therefore, no findings were made or can be made with respect thereto in that proceeding.

FOURTH SECTION RELIEF

Upon application of all railroad respondents in No. 28300, division 2 entered a fourth-section order, No. 15410, modifying all outstanding unexpired fourth-section orders, as amended, which grant relief from the long-and-short-haul provision of section 4, of the act, over all-rail, rail-water, and rail-motor routes, covering class rates for interstate transportation of property moving within southern, official (including Illinois territory), southwestern, and western trunk-line territories, and interterritorially between those territories, as described in the report, so as to provide that the relief authorized in such orders shall also apply to class rates constructed on the bases prescribed or approved, or determined in relation to those prescribed or approved, in this proceeding, together with a proviso that such class rates may be applied over the same routes over which the class rates in effect immediately prior to the effective date of our order may be applied.

RAIL-WATER RAIL-WATER-RAIL CLASS RATES

By order of July 25, 1945 we amended our order of May 15, 1945 by modifying all outstanding orders to the extent necessary to permit the reduced, or increased class rates to be applied. In order that corresponding changes may be made in the lake-rail and ocean-rail class

Exhibit 12.

rates, our orders of May 15, 1945 and July 25, 1945 will be amended so as to modify outstanding unexpired orders fixing rail-water and rail-water-rail class rates to the extent necessary to make corresponding changes in those rates.

We have given consideration to all other matters presented in the numerous petitions for reconsideration, modifications of the findings and order, further hearing and argument, and for postponement of the order, and the replies thereto. The petitions insofar as they relate to the interim adjustment are denied, except as stated in this report.

In a general readjustment as comprehensive as this, it is not practicable to attempt to revise individual rates. The findings in our prior report and in this report are made without prejudice to further consideration of individual rate situations in instances where it is shown that such revisions may be necessary; and without prejudice to the filing of tariffs by respondent carriers proposing changes in individual rates, or rates on particular commodities, subject to possible suspension.

SUMMARY OF MODIFICATIONS OF AD INTERIM CLASS RATE REVISION

PART III OF ORIGINAL REPORT

Our findings in Part III of the original report (pp. 702-706) are modified as follows:

1. Class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports) and (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise or intercoastal class rates, are excepted from our find-

ings in Part III of the original report and from our interim order.

2. Class rates from and to points in southwestern territory, which are subject to the Deming, N. Mex., rates as maxima, and which would be reduced 10 percent under our interim order, are to be computed as follows: (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 percent; and (2) where the rates are published specifically in amounts per 100 pounds, subject to the Deming rates as maxima, the class rates shall be recomputed on the zone-III basis, the rates thus arrived at reduced 10 percent, and further reduced to the Deming rates as maxima.

3. Class rates to and from points on short or weak lines, when required to be reduced 10 percent, and when the minimum scale is applicable under our interim order, are to be determined by the addition of existing arbitraries, reduced 10 percent, to the rate to and from the junction point, in the method more particularly described in this report.

4. Subnormal class rates named in rail respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631, and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3537, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., are excepted from our findings in Part III of the original report, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by us, reduced 10 percent.

Exhibit 12.

5. Class rates between extended zone C in Wisconsin and official territory are to be treated as within official territory, except rates between Illinois territory and extended zone C.

6. Class rates between Owensboro, Ky., and stations on the Louisville and Nashville Railroad in official territory, including Cincinnati, Ohio, and Evansville, Ind., governed by official classification, are excepted from our findings in Part III of the original report and from our interim order.

7. Reduced class rates are not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates, between the same points.

AMENDMENT OF ULTIMATE FINDINGS, PART II

Finding 1, part II, page 700 of the report, is amended by adding thereto a paragraph reading as follows:

> That the intraterritorial class rates (except as apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official and Illinois territories are less than just and reasonable rates, and are, and for the future will be, unjust and unreasonable in violation of section 1(4) and (5)(a) of the act.

An appropriate order will be entered.

PORTER, *Commissioner*, concurring in part:

I agree with the modifications of or additions to the prior findings here made with respect to the *ad interim* class-rate revisions except where and to the extent they are intended to support a required increase in any of the class rates in official territory, including the rates from points on the Chesapeake and Ohio in Kentucky. As stated in my separate expression which accompanied the prior report, in my opinion the record is wholly inadequate to support any findings that the class rates within official territory are unreasonable under section 1 of the act. Also, I am unable to concur in what is said in the instant report in support of the prior findings of undue prejudice and preference under section 3, which to my mind are grounded upon unwarranted assumptions rather than upon any factual evidence before us. Accordingly, I would grant the petitions for reconsideration of the foregoing findings under sections 1 and 3.

BARNARD, *Commissioner,* dissenting:

I am unable to give my approval to the supplemental report herein. It is my view as heretofore expressed in my dissent from the majority action upon the original report that rates which have been prescribed by orders of this Commission cannot be condemned as being unreasonable and therefore in violation of section 1 of the Interstate Commerce Act or otherwise unlawful because in violation of some other section of the act, unless and until competent testimony has been given establishing that such rates are either unreasonable or otherwise unlawful. No such showing was made on the record in this case and therefore, as I said in that dissent, findings made by the Commission and the conclusions based thereon were unlawful. I cannot give even a qualified approval to this supplemental report without thereby giving such recognition to the original report as in my opinion it is not entitled to have. Such action would be inconsistent with and contradictory of the views expressed in my original dissent.

COMMISSIONER PATTERSON, necessarily absent, did not participate in the consideration and disposition of this supplemental report.

Exhibit 13.

ORDER

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 30th day of October, A. D. 1945.

No. 28300

CLASS RATE INVESTIGATION, 1939

It appearing, That on May 15, 1945, the Commission made and filed a report in this proceeding containing its findings of fact and conclusions thereon, and on the same date entered an order therein which was amended by order entered July 25, 1945;

It further appearing, That various petitions have been filed seeking reconsideration and modification of the said report and order;

And it further appearing, That the Commission has considered the matters and things involved in the said petitions, insofar as they request modifications of the findings, and of the said order, as amended, and has made and filed its supplemental report herein containing its findings of fact and conclusions thereon, which report and the report of May 15, 1945, are hereby referred to and made a part hereof:

It is ordered, That the said order of May 15, 1945, as amended, be, and it is hereby, further amended by adding to the second ordering paragraph additional provisos reading as follows:

> *Provided further,* That the requirement herein that certain class rates be reduced shall not apply to class rates: (1) on coastwise or intercoastal trafic moving to and from the north Atlantic ports (including

Exhibit 13.

the Virginia ports); or (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published to apply on coastwise or intercoastal traffic.

Provided further, That (1) where class rates from and to points in the Southwest are made subject to the Deming, N. Mex., rates as maxima by means of a tariff rule, such rule may continue to apply to the class rates reduced 10 percent; and (2) where class rates from and to points in the Southwest are published specifically in amounts per 100 pounds, subject to the Deming, N. Mex., rates as maxima, the class rates should be recomputed on the zone-III basis, the rates thus arrived at reduced 10 percent, and further reduced to the Deming rates as maxima.

Provided further, That, with respect to class rates to or from points on short or weak lines, the addition of existing arbitraries, reduced by 10 percent, is authorized, as more particularly set forth in the aforesaid supplemental report made and filed on the date hereof.

Provided further, That the requirement herein that certain class rates be reduced shall not apply to the subnormal interstate class rates named in respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631 and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3437, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., which subnormal rates were established and are maintained for the purpose of meeting motor carrier or other competition and are more particularly described in the supplemental report herein, subject to respondents' stipulation that in no instance

Exhibit 13.

will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by this Commission, as modified by the reductions herein prescribed.

Provided further, That the requirement herein that certain class rates be reduced shall not apply to the class rates governed by the official classification between Owensboro, Ky., on the one hand, and stations on lines of the Louisville and Nashville Railroad Company in official territory, including Cincinnati, Ohio, and Evansville, Ind., on the other hand, which rates were established and are maintained in accordance with relief from section 4 of the Interstate Commerce Act for the purpose of meeting motor carrier competition.

And provided further, That the reduced class rates are not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates between the same points.

It is further ordered, That the said order of May 15, 1945, be, and it is hereby, further amended by adding to the third ordering paragraph two provisos reading as follows:

Provided, That the requirement herein that certain class rates be increased shall not apply to class rates on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports).

And provided further, That in the matter of class rates between points in extended zone C in Wisconsin, and points in official territory, extended zone C in Wisconsin shall be considered to be, and shall be

Exhibit 13.

treated as, part of official territory, except as to rates between Illinois territory and extended zone C in Wisconsin.

It is further ordered, That the order of May 15, 1945, as amended by our order of July 25, 1945, be, and it is hereby, further amended by changing the two new paragraphs, added after the fifth ordering paragraph by said order of July 25, 1945, to read as follows:

> *It is further ordered,* That all outstanding unexpired orders, as amended, of the Commission, authorizing or prescribing class rates for the transportation in interstate commerce of property moving at the classification ratings within, and from and to, official territory (including Illinois territory), southern territory, southwestern territory, and western trunk-line territory, as described in the report herein, be, and they are hereby, modified, effective concurrently with the establishment of the rates herein required to be applied, to the extent necessary to permit the reduced rates, or increased rates, herein required, to be applied, and to the extent necessary to allow respondents to make corresponding changes in their rail-water and rail-water-rail class rates.
>
> *It is further ordered,* That all tariffs or supplements changing rates by authority of this order, which are maintained or held by authority of outstanding orders of the Commission, shall bear on their title page specific reference to this order, as amended.

It is further ordered, That in all other respects the petitions insofar as they request reconsideration, reargument, further hearing, modification of the findings and

Exhibit 13.

order, or postponement of the effective date, with respect to the ad interim revision be, and they are hereby, denied.

And it is further ordered, That this order shall continue in force until the further order of the Commission. By the Commission.

W. P. Bartel,
Secretary.

(Seal)

[fol. 486] IN UNITED STATES DISTRICT COURT

Civil No. 2311

[Title omitted]

ORDER—Filed December 5, 1945

There having been presented to the undersigned on November 29, 1945, the verified petition of the plaintiffs wherein they apply for an interlocutory and final injunction suspending and restraining the enforcement of certain orders of the Interstate Commerce Commission, relating to the charges to be made for the transportation of freight or merchandise by carrier, and setting aside same, which orders are set forth in said petition; and praying further that a special court of three judges be constituted to hear this cause as required by law;

The undersigned does hereby call to his assistance to hear and determine the application, and to act in all matters pertaining to this cause as provided by law, Honorable Harrie B. Chase, a Judge of the United States Circuit Court of Appeals for the Second Circuit, and Honorable John C. Knox, a Judge of the United States District Court for the Southern District of New York, who, together with the undersigned, shall constitute herein a Special Court, as prayed for in said petition, and as required by law.

Stephen W. Brennan, Judge of United States District Court for the Northern District of New York.

Dated at Utica, New York, December 3, 1945.

[fol. 487] IN UNITED STATES DISTRICT COURT

Civil No. 2311

[Title omitted]

ORDER TO SHOW CAUSE—Filed December 6, 1945

Whereas the above entitled action is pending in this Court and a verified petition has been filed with the Clerk of this Court praying for a temporary stay and interlocutory injunction and a final decree enjoining, setting aside, annulling, and suspending two reports and orders of the Interstate Commerce Commission dated, respectively, May 15, 1945 and October 30, 1945, as amended, in a proceeding entitled "Class Rate Investigation 1939", Docket Nos. 28300 and 28310 on the docket of the Commission; and

Whereas it is made to appear from said verified petition that plaintiffs may be entitled to the temporary stay, the interlocutory injunction and the final decree therein prayed for;

It Is Ordered that defendant, The United States of America, appear before the undersigned, and Honorable Harrie B. Chase, a Judge of the United States Circuit Court of Appeals for the Second Circuit, and Honorable John C. Knox, a Judge of the United States District Court for the Southern District of New York, called to assist in hearing and determining said petition in accordance with the provisions of an Act of Congress of October 22, 1913, 38 Stat. 220, Title 28 United States Code, Section 47, at the United [fol. 488] States Court House in Room 110, in the City of New York, New York, on the 13th day of December, 1945, at two o'clock in the afternoon of that day, or as soon thereafter as counsel can be heard, and then and there show cause before said Court and Judges so convoked or so called together why the aforesaid application for a temporary stay and for an interlocutory injunction should not issue;

And it Is Further Ordered, that a copy of this Order be served forthwith upon the Attorney General of the United States and upon the Interstate Commerce Commission by registered mail or by personal delivery, and upon the United States Attorney for the Northern District of New York, at Syracuse, New York, not less than five days before the date herein set for said hearing;

And it Is Further Ordered, that defendant file its answer to said petition with the Clerk of this Court, and mail copies thereof to plaintiffs' attorneys within thirty days from the date of service of a copy of said petition upon the Attorney General of the United States.

Dated, December 5th, 1945.

Stephen W. Brennan, United States District Judge.

[fol. 489] IN UNITED STATES DISTRICT COURT

Civil No. 2311

[Title omitted]

ORDER GRANTING LEAVE TO INTERVENE—November 29, 1945

On application duly made and the Court being fully advised in the premises,

It is ordered that leave be and the same is hereby granted to Chicago and North Western Railway Company; Chicago, Burlington & Quincy Railroad Company; The Colorado and Southern Railway Company; Fort Worth and Denver City Railway Company; The Wichita Valley Railway Company; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and [fol. 490] Atlantic Railway Company; Great Northern Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Beaver, Meade and Englewood Railroad Company; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; St. Louis Southwestern Railway Company; The Atchison, Topeka and Santa Fe Railway Company; Gulf, Colorado and Santa Fe Railway Company; Panhandle and Santa Fe Railway Company; Henry A. Scandrett, Walter J. Cummings and George I. Haight, Trustees of the Property of Chicago, Milwaukee, St. Paul and Pacific Railroad Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Union Pacific Railroad Company; Minnneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Green Bay and Western Railroad Company; Northern Pacific Railway Company; The Texas and Pacific Railway Company; Chicago Great Western Railway Company; Southern Pacific Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Rail- [fol. 491] way Company to file their intervening petition herein and that they be made parties plaintiffs to this cause.

——— —, ———, Utica, N. Y.

Entered:

Stephen W. Brennan, U. S. Dist. Judge.

[fol. 492] IN THE UNITED STATES DISTRICT COURT

Civil No. 2311

[Title omitted].

AMENDED PETITION FOR LEAVE TO INTERVENE—Filed January 24, 1946.

[fol. 493] To the Honorable the Judges of the District Court of the United States for the Northern District of New York:

Now come Chicago and North Western Railway Company; Chicago, Burlington & Quincy Railroad Company; The Colorado and Southern Railway Company; Fort Worth and Denver City Railway Company; The Wichita Valley Railway Company; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Denver and Rio Grande Western Railway Company; The Duluth, South Shore and Atlantic Railway Company; Great Northern Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Beaver, Meade and Englewood Railroad Company; Guy A. Thompson, Trustee, Missouri Pacific Railroad [fol. 494] Company, Debtor; St. Louis Southwestern Railway Company; The Atchison, Topeka and Santa Fe Railway Company; Gulf, Colorado and Santa Fe Railway Company; Panhandle and Santa Fe Railway Company; Henry A. Scandrett, Walter J. Cummings and George I. Haight, Trustees of the Property of Chicago, Milwaukee, St. Paul and Pacific Railroad Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company; Union Pacific Railroad Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Green Bay and Western Railroad Company; Northern Pacific Railway Company; The Texas and Pacific Railway Company; Chicago Great Western Railway Company; Southern Pacific Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company; and Texas and New Orleans Railroad Company, and represent that they have an interest in the matters involved in this proceeding, and desire to intervene and become parties plaintiffs.

In support of their Petition they show:

1. Petitioner, Chicago and North Western Railway Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; Chicago, Burlington and Quincy Railroad Company is a railroad corporation organized and existing under the laws of the State of Illinois; The Colorado and Southern Railway Company is a railroad corporation organized and existing under the laws of the State of Colorado; Forth Worth and Denver City Railway Company is a railroad corporation organized and existing under the laws of the State of Texas; The Wichita [fol. 495] Valley Railway Company is a railroad corporation organized and existing under the laws of the State of Texas; Chicago, Saint Paul, Minneapolis and Omaha Railway Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; The Denver and Rio Grande Western Railroad Company is a railroad corporation organized and existing under the laws of the State of Delaware; The Duluth, South Shore and Atlantic Railway Company is a railroad corporation organized and existing under the laws of the States of Michigan and Wisconsin; Great Northern Railway Company is a railroad corporation organized and existing under the laws of the State of Minnesota; The Kansas City Southern Railway Company [illegible] railroad corporation organized and existing under the [illegible]s of the State of Missouri; Midland Valley Railroad Company is a railroad corporation organized and existing under the laws of the State of Arkansas; The Minneapolis & St. Louis Railway Company is a railroad corporation organized and existing under the laws of the State of Minnesota; Missouri-Kansas-Texas Railroad Company is a railroad corporation organized and existing under the laws of the State of Missouri; Missouri-Kansas-Texas Railroad Company of Texas is a railroad corporation organized and existing under the laws of the State of Texas; Beaver, Meade and Englewood Railroad Company is a railroad corporation organized and existing under the laws of the State of Oklahoma; Missouri Pacific Railroad Company, Debtor, Guy A. Thompson Trustee, is a railroad corporation organized and existing under the laws of the State of Missouri;

St. Louis Southwestern Railway Company is a railroad corporation organized and existing under the laws of the [fol. 496] State of Missouri; The Atchison, Topeka and Santa Fe Railway Company is a railroad corporation organized and existing under the laws of the State of Kansas; Gulf, Colorado and Santa Fe Railway Company is a railroad corporation organized and existing under the laws of the State of Texas; Panhandle and Santa Fe Railway Company is a railroad corporation organized and existing under the laws of the State of Texas; Chicago, Milwaukee, St. Paul and Pacific Railroad Company, Henry A. Scandrett, Walter J. Cummings and George I. Haight, Trustees, is a railroad corporation organized and existing under the laws of the State of Wisconsin; The Chicago, Rock Island and Pacific Railway Company, Joseph B. Fleming and Aaron Colnon, Trustees, is a railroad corporation organized and existing under the laws of the States of Illinois and Iowa; Union Pacific Railroad Company is a railroad corporation organized and existing under the laws of the State of Utah; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company is a railroad corporation organized and existing under the laws of the State of Minnesota; Missouri and Arkansas Railway Company is a railroad corporation organized and existing under the laws of the State of Arkansas; Green Bay and Western Railroad Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; Northern Pacific Railway Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; The Texas and Pacific Railway Company is an organization existing by special act of the Federal Congress; Chicago Great Western Railway Company is a railroad corporation organized and existing under the laws of the State of Illinois; Southern Pacific Company [fol. 497] is a railroad corporation organized and existing under the laws of the State of Kentucky; Elgin, Joliet & Eastern Railway Company is a railroad corporation organized and existing under the laws of the States of Illinois and Indiana; Fort Dodge, Des Moines & Southern Railway Company is a railroad corporation organized and existing under the laws of the State of Iowa; Texas and New Orleans Railroad Company is a corporation organized and existing under the laws of the State of Texas.

2. Petitioners own and operate railroads in the eastern portion of so-called Western Territory, said eastern portion

being that territory generally on and west of the west bank of Lake Michigan to the Illinois-Indiana State Line, thence south to the Wabash River, thence south to the Ohio River, thence southwest to the confluence of the Ohio and Mississippi river, at Cairo, Illinois, thence the Mississippi River, south, to the Gulf of Mexico and on and east of the following line: The western boundaries of the States of North Dakota, South Dakota and Nebraska, south to the main line of the Union Pacific Railroad Company; thence along that railway west to Cheyenne, Wyoming, thence south to the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo, and Trinidad, Colorado, to the border of the State of New Mexico, thence successively east, south and west along the latter border to the Rio Grande (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico. The Eastern portion of Western Territory is hereinafter referred to in this Petition as "Western Territory." Western [fol. 498] Territory contains within it Western Trunk-Line Territory and Southwestern Territory. Petitioners are common carriers by railroad of passengers and property for hire and are subject to regulation under the Interstate Commerce Act, as amended.

3. The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin, and the Commonwealth of Pennsylvania, hereinafter referred to as plaintiffs, have heretofore filed their petition in this Court in which they pray for a restraining order and a final decree enjoining and restraining the enforcement of the orders of the Interstate Commerce Commission entered in the proceeding before said Commission, known as Docket No. 28300, Class Rate Investigation, 1939, decided May 15, 1945, as modified by its first supplemental report and order dated October 30, 1945.

4. Your petitioners further represent that they were respondents to the proceeding before the Interstate Commerce Commission, Docket No. 28300, Class Rate Investigation, 1939, and that representatives of petitioners appeared and introduced evidence at the hearings before the Interstate Commerce Commission in said proceeding.

5. Under authority of the Judicial Code, Sections 212, 213, as set forth in Title 28, Paragraph 45a of U.S.C.A.,

your petitioners being parties at interest in the proceeding before the Interstate Commerce Commission, in which the reports and orders under attack herein were made and entered by the said Interstate Commerce Commission; are permitted to intervene as a matter of right and be represented by counsel in this proceeding brought by plaintiffs [fol. 499] before this Court which involves the validity of such reports and orders.

6. Your petitioners represent that they have an interest in the controversy decided by the Interstate Commerce Commission and that they have an interest in the suit brought by plaintiffs to enjoin and annul the reports and orders of the Interstate Commerce Commission entered in said proceeding in that the reports and orders of the Interstate Commerce Commission, by reducing class rates in the Western Territory 10 per cent below those presently in effect, will cause your petitioners irreparable damage by reason of a loss in revenues of from $5,000,000 to $10,000,000 per year and for other reasons as hereinafter stated.

7. Under authority of Rule 10 (c) of the Rules of Civil Procedure for the District Courts of the United States your petitioners adopt, by reference, the following portions of the petition filed by plaintiffs in this cause to the same effect as if such portions were incorporated herein in their entirety:

Subdivision VI, Page 3.

Subdivision VII, Pages 3 and 4, except the next to the last sentence.

Subdivision VIII, Pages 4 to 5.

Subdivision IX, Page 5.

Subdivision X, Pages 5 and 6.

8. The Commission found that the interstate class rates under investigation by the Commission in Docket No. 28300, Class Rate Investigation, 1939, were, generally speaking, those prescribed by the Commission itself in general class [fol. 500] rate revision proceedings after extended investigation.

9. Your petitioners adopt, by reference, the following portions of the petition filed by plaintiffs in this cause to the same effect as if such portions were incorporated herein in their entirety:

Subdivision XII, page 6, the second sentence only.

Subdivision XIV, pages 8 and 9, except the last sentence.

Subdivision XV, pages 9 to 11, the first and last sentences only.

Subdivision XVI, page 11.

Subdivision XIX, pages 19 to 22.

Subdivision XX, pages 22 and 23, except the last sentence.

10. The scale of uniform class rates prescribed by the Commission to become effective simultaneously with the effective date of uniform classification would compel a reduction in the class rates charged by your petitioners between points within Western Territory and between points in Western Territory on the one hand and Official Territory (including, wherever referred to in this petition, Illinois Territory) and Southern Territory on the other hand. By its order of May 15, 1945, the Commission ordered, as an *ad interim* adjustment stated to be for the purpose of accomplishing a greater approach to uniformity, that the railroads publish and file tariff schedules to become effective not later than August 30, 1945, reducing by ten per cent the intraterritorial class rates for transportation within [fol. 501] Western Trunk Line, Southwestern and Southern Territories and reducing by ten per cent the interterritorial class rates for transportation in Western Trunk Line, Southwestern, Southern and Official Territories (subject to a prescribed minimum scale of rates in instances where the ten per cent reduction would be below the prescribed scale), and increasing by ten per cent the class rates for intraterritorial transportation within Official Territory.

11. Thereafter, in July, 1945, and within the period allowed therefor by the Commission's Rules of Procedure, petitions for reopening and reconsideration were filed with the Commission on behalf of your petitioners, of plaintiffs, of various groups of shippers and of others.

12. Your petitioners adopt, by reference, subdivision XXIII, page 27 of the petition filed by plaintiffs, to the same effect as if such subdivision were incorporated herein in its entirety.

13. On or about November 1, 1945, the Commission issued its supplemental report, dated October 30, 1945, and its order pursuant thereto of the same date, copies of which, marked Exhibits 12 and 13, respectively, are attached to

the petition of plaintiffs and are adopted by reference by your petitioners. The Commission, in this supplemental report, found that certain changes should be made in its original report and order but it denied the petitions for reopening and reconsideration filed on behalf of your petitioners and others. Except for certain adjustments with respect to particular rates, the Commission affirmed its previous decision and order.

[fol. 502] 14. Under the compulsion of the Commission's orders and to avoid risk of penalties for violation thereof, your petitioners, unless the Commission's orders are annul-ed or set aside or their enforcement is stayed, will be required to file tariff schedules, to become effective on January 1, 1946, reducing by ten percent their intraterritorial class rates for the transportation of freight between points in Western Trunk Line Territory, their intraterritorial class rates for the transportation of freight between points in Southwestern Territory and their interterritorial class rates for the transportation of freight between points in Western Trunk Line Territory, Southwestern Territory, Southern Territory, and Official Territory. Similarly, the railroads in Southern Territory will be required to reduce by ten percent their intraterritorial class rates between points in Southern Territory and their interterritorial class rates between points in the territories named above. Also, the railroads in Official Territory will be required to increase by ten percent their intraterritorial class rates between points in Official Territory and to reduce by ten percent their interterritorial class rates between Official Territory and the other Territories named above. The ten percent reductions described above are subject to prescribed minimum rates where the rates at present exceed the prescribed minimum rates, but no increase is permitted where the present rates are below the prescribed minimum rates.

15. Your petitioners adopt, by reference, the following portions of the petition of plaintiffs to the same effect as if such portions were incorporated herein in their entirety:

[fol. 503] Subdivision XXVII—pages 30 to 32, except the portion thereof which refers to the ultimate finding by the Commission that the intraterritorial class rates applicable within Official Territory are, and for the future will be, unjust and unreasonable, in violation of Section 1 (4) and (5) (a) of the Act.

Subdivision XXVIII—Only that portion of subdivision XXVIII which is contained on page 32 and on page 33 down to the end of the first paragraph on page 33.

16. The Commission erred and acted arbitrarily, capriciously, unlawfully and contrary to and without support in the necessary preliminary findings or in the evidence in making the finding at page 705 of its report (Exhibit 5 of petition of plaintiffs) that the revenue needs of the carriers in Official Territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the Western Trunk Line Territory and the Southwestern Territory.

17. Your petitioners adopt, by reference, the following portions of the petition of plaintiffs, to the same effect as if such portions were incorporated herein in their entirety:

Subdivision XXIX—pages 35 to 38, except the last paragraph on page 37 and page 38.

Subdivision XXX—page 38.

Subdivision XXXI—pages 38 to 50, except the matter contained in the following portions thereof:

(a) Item (f) of paragraph (2) on pages 39 and 40;

(b) Paragraph 4 on pages 42 and 43;

[fol. 504] (c) Items (a) and (c) of paragraph (5) on page 43;

(d) Paragraph 6 and 7 on pages 44 to 49.

(e) Paragraph 10 on page 50.

Subdivision XXXII—pages 50 and 51.

18. Insofar as the orders are based upon a finding of undue and unreasonable preference and advantage or undue and unreasonable prejudice and disadvantage in violation of Section 3 of the Interstate Commerce Act, the orders are invalid and beyond the Commission's authority in failing to leave to the railroad respondents, as required by law, the alternative of correcting such violation, if it were lawfully found to exist, entirely by increasing the intraterritorial class rates in Official Territory, which the Commission found to be unjust and unreasonably low.

19. There is no evidence in the record as to the costs of transporting carload class-rate traffic. There is no evidence in the record sufficient to support a finding that the costs of transporting freight in Western Territory are not substantially higher than the costs of transporting freight in Official Territory. On the contrary, the evidence shows that the costs of transporting freight in Western Territory exceed the costs of transporting freight in Official Territory by a percentage greater than the percentage by which the Western Territory class rates exceed the Official Territory class rates.

20. There is no evidence sufficient to support a finding that the difference in the levels of the class rates in the several territories and interterritorially has prevented or [fol. 505] limited the industrial and economic growth of the Western Territory and the evidence and preliminary findings of the Commission are to the contrary.

21. There is no evidence that any factory or business establishment has failed to move from Official Territory to Western Territory or has failed to become established in Western Territory because of any difference in level between the intraterritorial class rates in Official Territory and the interterritorial class rates between Official Territory and Western Territory. There is no evidence that any manufacturer or business establishment in Western Territory has failed to sell an article in Official Territory because of that difference in level or has been prejudiced or harmed in any way by that difference in levels.

22. The cost studies upon which the Commission relied show that the *ad interim* class rates prescribed by the Commission for Western Territory are so low that they will fail to provide the cost and a reasonable return to your petitioners for transporting traffic moving on such class rates. It is thus shown that enforcement of the Commission's orders requiring the reduction of the intraterritorial class rates in Western Trunk-Line Territory and Southwestern Territory and interterritorial class rates between points within these territories and between points in these territories and points in Official Territory and Southern Territory to the *ad interim* basis prescribed by the Commission would result in taking from your petitioners their property without just compensation and without due process of law

in violation of the Fifth Amendment to the Constitution of the United States.

[fol. 506] 23. It appears upon the face of the original report and the supplemental report that the Commission therein misinterpreted and misconstrued the Interstate Commerce Act and Section 5 (b) of the Transportation Act of 1940, commonly known and herein referred to as the Ramspeck Resolution. The Transportation Act of 1940 amended Section 3 (1) of the Interstate Commerce Act by adding the words "region, district, territory" to read as follows:

> "Sec. 3. (1) It shall be unlawful for any common carrier subject to the provisions of this part to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description." (49 U. S. C. A. Supp. Sec. 3.)

The Ramspeck Resolution did not amend or purport to amend the Interstate Commerce Act. It reads as follows:

> "(b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each

> other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided,* That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw [fol. 507] materials, and the rates thereon as shippers thereof may specifically request be included in such investigation." (reported in footnote to 49 U. S. C. A. Supp. Sec. 3).

The Ramspeck Resolution is in substantially the same terms as part of the joint resolution adopted by the Congress in 1925, generally known as the Hoch-Smith Resolution (43 Stat. L. 801) which reads in part as follows:

> "That the Interstate Commerce Commission is authorized and directed to make a thorough investigation of the rate structure of common carriers subject to the interstate commerce act, in order to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly discriminatory, or unduly preferential, thereby imposing undue burdens, or giving undue advantage as between the various localities and parts of the country, the various classes of traffic, and the various classes and kinds of commodities, and to make, in accordance with law, such changes, adjustments, and redistribution of rates and charges as may be found necessary to correct any defects so found to exist."

The Commission misconstrued the Ramspeck Resolution as constituting an amendment to the Interstate Commerce Act. It further misconstrued the Ramspeck Resolution and the amendments to the Interstate Commerce Act as constituting a mandate to the Commission to change the recognized elements of rate-making to hold unlawful rates which were lawful at the time of the initiation of this proceeding in 1939 and to replace the rates which the Commission had previously prescribed pursuant to the recognized elements of rate-making with rates which will be on a parity, mile for mile, in the various rate-making territories.

The misinterpretation placed upon the Ramspeck Resolution by the Commission is similar to the misinterpretation originally placed by the Commission on the Hoch-Smith [fol. 508] Resolution in a proceeding entitled *California*

Growers' and Shippers' Protective League v. S. P. Co., 129 I. C. C. 25, 132 I. C. C. 582 (1927). In a suit brought by the carriers to set aside the order therein, the Supreme Court unanimously set aside the order of the Commission on the ground that in making it the Commission had misinterpreted the Hoch-Smith Resolution and the Interstate Commerce Act. *Ann Arbor R. Co. v. United States*, 281 U. S. 658 (1930).

The Court stated, at page 666, that:

> ". . . The question presented is whether the resolution changes the substantive provisions of existing laws relating to transportation rates, and particularly whether rates which would be lawful under those laws are made unlawful by it."

With respect to that part of the Hoch-Smith Resolution after which the Ramspeck Resolution is patterned, the Court, at page 667, said that the resolution was devoted to requiring the Commission to proceed along stated lines for the purpose of procuring prompt observance of existing laws, such as Sections 1(5) and 3(1) of the Interstate Commerce Act, requiring that all rates be just and reasonable and prohibiting all undue preferences and unjust discriminations, whether relating to shippers, commodities, classes of traffic or localities. The Court held that the Commission had erred in interpreting the Resolution as changing the substantive provisions of the Interstate Commerce Act.

There are lacking in the reports of the Commission in Docket No. 28300, Class Rate Investigation, 1939, the basic or essential findings required to support the orders under the Interstate Commerce Act, and none of the facts recited [fol. 509] by the Commission are sufficient to form a basis for any finding that the existing class rates in the Western Territory are unreasonable or otherwise unlawful under the Interstate Commerce Act as properly interpreted. In conducting the investigation and making its orders, the Commission applied, not the standards of rate-making of the Interstate Commerce Act, but standards which the Commission erroneously believed to have been substituted by the Ramspeck Resolution. The Commission misinterpreted and misconstrued the Ramspeck Resolution, the Interstate Commerce Act, and the amendment to Section 3 thereof, contained in the Transportation Act of 1940. By reason of these premises, the orders of the Commission are void and beyond the authority of the Commission to make.

24. The Commission found, on page 585 of its original report, that the carriers in Western Territory incurred a deficit of $34,348,277 in handling less-than-carload traffic in 1939. On page 697 of its original report the Commission made the following finding:

> ". . . Such an analysis unmistakably reveals the fact that less-than-carload traffic generally in all the territories is not bearing its proper share of the costs of transportation—in fact, excluding war-time loading, it is not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight."

Pursuant to such findings the Commission ordered a ten per cent increase in the class rates on such traffic in Official Territory as an *ad interim* measure and ordered a fifteen per cent increase in such rates in Official Territory as a [fol. 510] permanent measure, notwithstanding such findings and such corrective orders with respect to the rates in Official Territory, the Commission ordered a 10% reduction in the class rates applicable to less-than-carload traffic in Western Territory carried by your petitioners. Its action constitutes an abuse of administrative discretion and renders the orders void, and is in violation of the Fifth Amendment to the Constitution of the United States as a taking of private property without due process of law.

25. There is no evidence in the record sufficient to support the finding that the Western Trunk Line and Southwestern Territories as a whole and the shippers and receivers of freight located therein are subjected to undue and unreasonable prejudice and disadvantage by the relation between (a) the interterritorial class rates applicable from those territories to Official Territory and (b) the intraterritorial class rates applicable within Official Territory. If the business of shippers and receivers of freight in Western Trunk Line and Southwestern Terri-

tories had been discouraged by the differences in those freight rates, they would have appeared before the Com- [fol. 511] mission to voice their complaints in this comprehensive investigation. The Commission's report, on the contrary, shows that not a single shipper, receiver or commercial establishment in the Western Trunk Line and Southwestern Territories made such a claim. The Commission stated, at page 673 of its original report:

> "Only three commercial witnesses, speaking for individual establishments in the Southwest and Western Trunk Line territory, testified in this proceeding. These were a steel company at Denver, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a lamp and stove company at Wichita. The representatives of the two manufacturers last named testified that a great preponderance of their products was shipped to Official Territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are. The steel company at Denver uses class rates only to a very limited degree."

The "steel company at Denver" referred to by the Commission did not urge a parity between Western Trunk Line and Southwestern Territory class rates on the one hand and Official Territory rates on the other. On the contrary, it urged that the rate level from the Missouri [fol. 512] River to the Rocky Mountains be established at thirty per cent higher than the rate level in Official Territory.

Even the representatives of public officials of the states in the Western Trunk Line and Southwestern Territories were not agreed that a uniformity of class rates should be sought or that there should be made a claim of undue and unreasonable prejudice and disadvantage. Most of Wisconsin is in Western Trunk Line Territory from the standpoint of interstate class rates, yet Wisconsin not only opposed any such claim but is one of the plaintiffs in this proceeding seeking to set aside the Commission's orders. Michigan is partly in Western Trunk Line Territory but is one of the plaintiffs in this proceeding seeking to set aside the Commission's orders. Missouri appeared and offered evidence but disavowed any claim that the existing class rates are unlawful. Colorado expressed the view that class-rate uniformity on the eastern scale would reduce the revenues of western railroads too drastically. Wyoming did not object to the present rates. The Commission stated that Nebraska asks for a rate structure that will enable it to reach markets on an equality with competitors but that Nebraska speaks of freight rates in a generic sense "and not specifically of the class rates in issue." (Original report, page 653). Topeka, Kansas, argued that higher class rates are justified in Western Trunk Line Territory than in Official Territory because of territorial differences in the consist of traffic, in commodity rates and in carrier needs. [fol. 513] Kansas City preferred to retain its present class rates if reductions in them would entail increases on its heavy-loading commodities. The Commission stated that even among the states whose public representatives claim they are retarded by the class rate structure, and seek greater industrial development, "some concede that rates on the eastern scale alone would not accomplish that objective." (Original report, page 651).

The class rates within Mountain-Pacific Territory and between that Territory and other territories were not directly in issue in this proceeding before the Commission. Nevertheless, as the Commission states in its report, the establishment of the uniform classification found reasonable by the Commission will necessarily make changes in the measure of class rates within, to and from Mountain-Pacific Territory. For this reason the Railroad Commission of the State of California, the Arizona Corporation Commission and the Public Service Commission of the State of Nevada were represented at the oral argument. These states contended that uniformity is unnecessary and impracticable and that this is not the time to bring about a general adjustment of the rate structure because of the abnormalities of the war period and because of the fact that the record, even at the time of oral argument, was already old.

26. The Commission erred as a matter of law and acted arbitrarily and capriciously in entering its order dated October 30, 1945, denying the petition of your petitioners for postponement of the effective date of order, for reopening, reargument and reconsideration.

[fol. 514] 27. Your petitioners are without adequate remedy at law.

Wherefore, your petitioners pray that they may be permitted to intervene in this cause as parties plaintiffs, in accordance with the provisions of Title 28 U. S. C. A. Section 45a:

Your petitioners further pray that a preliminary injunction or restraining order may be entered by this Court restraining the enforcement of said reports and orders of the Interstate Commerce Commission in Docket No. 28300, Class Rate Investigation, 1939, and that upon final hearing and submission herein the Court adjudge that the reports and orders of the Interstate Commerce Commission, Exhibits 5, 6, 12 and 13 of the petition of plaintiffs, are unlawful, beyond the power of the Commission, arbitrary, capricious, unsupported by essential findings, and contrary to and without support in the evidence, and that a decree be entered declaring said reports and orders to be null, void and of no effect, and perpetually enjoining enforcement, operation and execution of said reports and orders and that petitioners may have such other and further [fol. 515] relief in the premises as the nature of the case shall require and to this Court shall seem meet.

Respectfully submitted, H. C. Barron, B. F. Batts, James G. Blaine, H. E. Boe, P. F. Gault, J. A. Gillen, R. G. Hagman, Toll R. Ware, G. H. Muckley, Conrad Olson, Dana T. Smith, Carson L. Taylor, Robert Thompson, Douglas F. Smith, D. Robert Thomas, Jr., Solicitors for Petitioners.

Sidley, Austin, Burgess & Harper, 11 So. LaSalle Street, Chicago, Illinois; Ferris, Burgess, Hughes & Dorrance, First National Bank Building, Utica, New York.
Of Counsel.

[fol. 516] IN UNITED STATES DISTRICT COURT

Civil No. 2311

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed December 10, 1945

Come now the states of Kansas, Oklahoma, Louisiana, Arkansas, Texas, Nebraska, North Dakota, and South Dakota, and the Corporation Commission of the State of

Oklahoma, the Arkansas Corporation Commission, the Corporation Commission of the State of Kansas, the Kansas Industrial Development Commission, the Railroad Commission of Texas, the Nebraska State Railway Commission, the Public Service Commission of the State of North Dakota, and the Public Utilities Commission of the State of South Dakota, and respectfully petition the Court for permission to intervene herein and have the right to appear and be made parties to this case and to be represented before the Court by counsel and as grounds therefor respectfully state:

1. That these petitioners are sovereign states and duly constituted statutory bodies of such sovereign states and were parties in interest to the proceeding before the Interstate Commerce Commission wherein the orders complained of in the petition herein were entered and are [fol. 517] parties in whose favor the said orders were entered by the Interstate Commerce Commission.

2. That irreparable injury will result to these parties and to the citizens and shippers in these various states if the orders of the Interstate Commerce Commission herein sought to be enjoined and set aside are so enjoined and so set aside.

3. That by the decision of the Interstate Commerce Commission in the proceeding wherein said orders were entered the said Interstate Commerce Commission found that the class rates and charges being assessed and collected from the shippers within these states are unreasonable and unjustly discriminatory in violation of the Interstate Commerce Act and the orders issued by said Interstate Commerce Commission were issued for the purpose of relieving the said shippers within these various states of the burden of paying unreasonable and unjustly discriminatory class rates.

4. That by reason of the foregoing facts these petitioners are proper parties to be permitted to intervene herein and are parties in interest in this proceeding.

Wherefore, before named petitioners respectfully pray the Court for an order permitting them to intervene herein in support of the orders of the Interstate Commerce Commission and in support of the defendant herein and to be treated as parties hereto.

Respectfully prayed, The State of Oklahoma, by Robert S. Kerr, Governor, Oklahoma City, Oklahoma; The Corporation Commission, State of Oklahoma, by C. B. Bee, Special Attorney, Okla- [fol. 518] homa City, Oklahoma; The State of Louisiana, and Arkansas Corporation Commission, by J. C. Murray, Special Attorney, Little Rock, Arkansas; The State of Arkansas, by Ben Laney, Governor, Little Rock, Arkansas; The State of Kansas Corporation Commission of the State of Kansas and The Kansas Industrial Development Commission, by Byron M. Gray, Special Attorney, Topeka, Kansas; State of Texas, and Railroad Commission of Texas, by Grover Sellers, Attorney General, Austin, Texas; State of Nebraska, and Nebraska State Railway Commission, by Walter R. Johnson, Attorney General and H. Emmerson Kokjer, Deputy Attorney General, Lincoln, Nebraska; State of North Dakota, and Public Service Commission of The State of North Dakota, by Nels G. Johnson, Attorney General, Bismarck, North Dakota and Neal E. Williams, Special Asst. Atty. General, Fargo, North Dakota; State of South Dakota, and Public Utilities Commission of The State of South Dakota, by Wm. Williamson, Attorney, Pierre, South Dakota.

[fol. 519] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

ACKNOWLEDGMENT OF SERVICE—Filed December 10, 1945

The undersigned hereby acknowledges service this date of a copy of the Court's order, signed by Judge Stephen W. Brennan, dated December 3, 1945, whereby Judge Brennan calls to his assistance to constitute the special court, as prayed for in plaintiffs' petition, as required by law, Honorable Harrie B. Chase, Judge of the United States Circuit Court of Appeals for the Second Circuit, and

Honorable John C. Knox, Judge of the United States District Court for the Southern District of New York.

Service is also acknowledged on this date of a copy of the order to show cause in the above proceeding, dated December 5, 1945, giving notice of hearing on plaintiffs' petition for an interlocutory injunction, to be held before the Court constituted as above stated at the United States Court House, in Room 110, in the City of New York, on the 13th day of December, 1945, at 2:00 o'clock in the afternoon, and requiring defendant at said time to show cause why the interlocutory injunction prayed for should not issue.

Daniel W. Knowlton, for Interstate Commerce Commission.

Dated: December 7, 1945.

[fol. 520] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

MOTION TO INTERVENE AS PARTIES DEFENDANTS—Filed December 12, 1945

To the Honorable Judges of the Aforesaid Court:

Now come the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, and the Southern Governors Conference, a voluntary organization of the Governors of said states, and move for leave to intervene as defendants in this action and tender herewith their application of intervention, setting forth the reason and grounds for such intervention.

J. V. Norman, Attorney for Applicants, 1512 Kentucky Home Life Bldg., Louisville 2, Kentucky.

[fol. 521] CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing motion and the application of intervention attached thereto was this day mailed by me to each of the following:

Edward Dumbald, Esq., Special Assistant to the Attorney General, Department of Justice, Washington, D. C.

Daniel W. Knowlton, Chief Counsel, Interstate Commerce Commission, Washington, D. C.

Nathaniel L. Goldstein, Attorney General, Albany, N. Y.

Parker Mc Collester, Special Assistant Attorney General, 25 Broadway, New York 4, N. Y.

Clair John Killoran, Attorney General, Wilmington, Delaware.

James A. Emmert, Attorney General, Indianapolis, Ind.

William Curran, Attorney General, Baltimore, Md.

John R. Dethmers, Attorney General, Lansing, Mich.

Walter D. Van Riper, Attorney General, Trenton, N. J.

Hugh S. Jenkins, Attorney General, Columbus, Ohio.

John Martin, Attorney General, Madison, Wisconsin.

James H. Duff, Attorney General, Harrisburg, Penn.

This the 10th day of December, 1945.

J. V. Norman, Attorney for Applicants, 1512 Kentucky Home Life Bldg., Louisville 2, Kentucky.

[fol. 522] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

APPLICATION OF INTERVENTION ON BEHALF OF THE STATES OF ALABAMA, FLORIDA, GEORGIA, LOUISIANA, MISSISSIPPI, NORTH CAROLINA, SOUTH CAROLINA, AND TENNESSEE AND OF THE SOUTHERN GOVERNORS CONFERENCE

Now come the States of Alabama, Florida, Georgia, Louisana, Mississippi, North Carolina, South Carolina, and Tennessee and the Southern Governors Conference, a voluntary organization of the Governors of said States, and present this their application for intervention, and respectfully show:

1. That they were parties in interest and interested in the proceeding before the Interstate Commerce Commission

involved in this controversy, and that their interest is adverse to the interest of the plaintiffs herein, and under authority of section 212 and section 213 of the Judicial Code, 38 Stat. 220 (28 U.S.C.A. 45a) desire to intervene in and become parties defendants to this proceeding and to file pleadings herein:

2. Applicants represent citizens and communities, and also themselves, as shippers and receivers of freight transported by railroads upon rates involved in the proceeding [fol. 523] sought to be enjoined.

3. By order dated July 29, 1939, as amended by order dated August 1, 1940, the Interstate Commerce Commission, on its own motion, instituted a proceeding of investigation and inquiry into and concerning the railroad classification of freight in all parts of the United States, and concerning the class rates of all common carriers by railroad subject to the Interstate Commerce Act, except in Mountain-Pacific territory, known as Docket No. 28310—*Consolidated Freight Classification,* and Docket No. 28300—*Class Rate Investigation, 1939.* Applicants intervened in and became parties to the proceeding.

4. As a result of the investigation and inquiry, the Commission, by its report and order of May 15, 1945, as amended, attached to plaintiffs' petition, entitled Docket No. 28300—*Class Rate Investigation, 1939,* and Docket No. 28310—*Consolidated Freight Classification,* 262 I.C.C. 447, ordered the respondent railroads to reduce the present class rates 10 per cent subject to a minimum scale prescribed by the Commission in and between southern, western trunk line, and southwestern territories and between those territories on the one hand and official territory on the other hand, and to increase the present class rates 10 per cent in official territory by January 1, 1946, as a temporary measure, and for an interim period, until a uniform classification of freight can be established for application with a scale of class rates authorized for uniform application in all parts of the United States, except Mountain-Pacific territory. The Commission concluded that the respondent railroads should be given a reasonable opportunity to initiate a lawful uniform classification and the respondent railroads have, within the time specified by the Commission, advised the Commission that they will submit for the Commission's approval a uniform freight classification for the

entire country. No orders were issued either as to the uniform classification or the permanent scale of rates. The Commission has therefore retained jurisdiction of the proceedings to make such further orders as may be proper.

[fol. 524] 5. Tariffs have been filed with the Interstate Commerce Commission, effective January 1, 1946, reducing the class rates by 10 per cent subject to a minimum scale prescribed by the Commission in and between southern, western trunk line, and southwestern territories and between those territories on the one hand and official territory on the other hand, and increasing the class rates within official territory 10 per cent. Neither the railroads in official territory or those in southern territory filed any petition for rehearing or reconsideration before the Interstate Commerce Commission and the filing of said tariffs constitutes a voluntary compliance by said railroads with the order of the Commission.

6. Applicants represent that the order of the Interstate Commerce Commission entered May 15, 1945, as amended, in the proceeding described as Docket No. 28300—*Class Rate Investigation, 1939,* against which plaintiffs bring this suit, is valid and legal and not in derogation of any legal rights of the plaintiffs in the above-entitled cause.

Wherefore, Applicants pray that leave be granted to them to intervene in and be treated as parties defendants in the above-entitled cause, and to file any further pleadings herein and to have such other and further relief in the premises as equity may require and as to your Honors may seem appropriate.

J. V. Norman, Counsel for Applicants, 1512 Kentucky Home Life Bldg., Louisville 2, Kentucky.

[fol. 525] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

INTERVENTION OF INTERSTATE COMMERCE COMMISSION—Filed December 12, 1945

To the Honorable the Judges of Said Court:

In accordance with the provisions of section 212 of the Judicial Code, 36 Stat. L. 1150 (U.S. Code, Tit. 28, sec. 45a), providing, in part, "that the Interstate Commerce Commission and any party or parties in interest to the proceeding before the Commission, in which an order or requirement is made, may appear as parties thereto of their own motion and as of right, and be represented by their counsel, in any suit wherein is involved the validity of such order or requirement," I hereby enter the appearance of the Interstate Commerce Commission as a party defendant, and of myself as its counsel, in the above-entitled suit.

Daniel W. Knowlton, Chief Counsel.

[fol. 526] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed December 13, 1945

By: Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut.

[fol. 527] To the Honorable the Judges of the District Court of the United States for the Northern District of New York:

Now come your petitioners, Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State of Vermont, Maurice J. Tobin, Governor of The Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island, and Raymond E. Baldwin, Governor of the State of Connecticut and respectfully represent that they, and each of them, have an interest in the matters involved in the above-entitled proceeding, and desire to intervene and become parties plaintiff thereto, and, in support of this petition say:

1. Each of your petitioners is a Governor of one of the New England States and was permitted to intervene in, and was a party to, proceedings before the Interstate Commerce Commission (hereinafter called the Commission) entitled respectively—Class Rate Investigation, 1939—and—Consolidated Freight Classification—numbered respectively Nos. 28300 and 28310 in the docket of the Com- [fol. 528] mission, and representatives of your petitioners have appeared at various hearings before the Commission in said proceedings.

2. On or about May 15, 1945, a report was made and order entered in the proceedings before the Commission hereinbefore in paragraph 1 hereof referred to. A copy of said report and order is attached to the petition herein of the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and The Commonwealth of Pennsylvania, hereinafter in paragraph 5 hereof referred to, and is marked Exhibit 5 to said petition. By said order the Commission, among other things, directed that the railroads, parties respondent in said proceedings, increase by ten (10) per cent the class rates for transportation within Official Territory (being roughly that portion of the territorial United States north of the Ohio and Potomac Rivers and east of a line along the western shore of Lake Michigan extending diagonally to the western bank of the Mississippi River opposite Illinois) including the New England States.

3. On or about July 13, 1945, and within the time permitted by law and the rules and regulations of the Commission, your petitioners filed with the Commission a petition for reargument and reconsideration of its report and order hereinbefore in paragraph 2 hereof referred to. A copy of said petition is attached hereto, made part hereof and marked "A".

4. On or about July 25, 1945, by order, a copy of which is attached as Exhibit 10 to the petition herein of the States hereinbefore in paragraph 2 hereof named, the Commission modified its order of May 15, 1945 in certain respects and required that the respondent railroads should establish and make effective the changed rates prescribed thereby on November 30, 1945 upon not less than thirty [fol. 529] days' notice, instead of upon August 30, 1945.

Thereafter by further order, entered on or about October 26, 1945, a copy of which is attached as Exhibit 11 to said petition, the Commission further amended its order of May 15, 1945 to require that the changed rates prescribed therein be made effective on January 1, 1946 upon not less than thirty days' notice. On or about November 1, 1945, the Commission issued its supplemental report, dated October 30, 1945, and its order pursuant thereto of the same date, copies of ~~which~~, marked Exhibits 12 and 13, are attached to said petition. The Commission in said supplemental report found that certain changes should be made in its original report and order, but it denied the petitions for reconsideration filed on behalf of your petitioners and others, refused to grant reconsideration or further hearing for the receipt of evidence as to conditions at the present time, and affirmed its previous decision and order that the class rates within Official Territory, including New England, should be increased 10 per cent.

5. On or about November 29, 1945, the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and The Commonwealth of Pennsylvania filed herein their Petition seeking an order of this Court enjoining, setting aside and forever annulling the report and order of said Commission, dated May 15, 1945, as amended, and the supplemental report and order dated October 30, 1945, all hereinbefore referred to.

6. Pursuant to the authority contained in Rule 10 (c) of the Rules of Civil Procedure for the District Courts of the United States, your ~~petitioners~~ adopt by reference the following specific pleadings of the Petition hereinbefore in paragraph 5 hereof referred to as fully and completely as if such pleadings were incorporated herein in their entirety, to wit: the pleadings contained in subdivisions [fol. 530] VI to XXXV, both inclusive, of said petition.

7. The reports and orders of the Commission, hereinbefore in paragraph 5 hereof referred to, are arbitrary and unlawful for the reasons set forth in the petition for reargument and reconsideration attached hereto, made part hereof and marked "A" (exclusive of the reason set forth in Point I, B, 1 of said petition), to which petition reference is respectfully made.

8. By virtue of the provisions of Sections 212 and 213 of the Judicial Code of the United States of America (28 U. S. C. 45(a)), your petitioners, being parties in interest is said proceedings before said Commission, are entitled to intervene in and be parties to the above-entitled proceedings and to be represented therein by counsel.

9. If said orders of the Commission are invalid and unlawful, as herein alleged, and if they are not stayed pending final determination of this action and are not then annulled and their enforcement permanently enjoined, and if, under the compulsion of said orders, the railroads in Official Territory, including the railroads engaged in transportation within the jurisdiction of this Court, are permitted or required to or do increase their class rates for interstate transportation, the citizens and communities on whose behalf your petitioners, in their representative capacities, bring this action, will be discriminated against and will suffer great and irreparable injury in that, among other things, (1) the cost of doing business in each of the six New England States will be increased, (2) the increased cost of manufacturing and distributing goods in Official Territory will tend to restrict the free flow of such goods, to reduce employment, and substantially impair or destroy property values in each of the six New England States, (3) shippers in each of the six New England States will be re- [fol. 531] quired to pay increased class rates for the transportation of manufactured articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West, while at the same time they will be required to continue to pay substantially higher transportation charges for the transportation of their raw materials and other low-grade freight than the transportation charges paid by their competitors in other territories, and (4) shippers and receivers of freight in each of the six New England States will be required to pay higher freight charges than heretofore demanded by the railroads in such States or than justified by their transportation costs or other pertinent considerations in order that the class rates for transportation in the South and West may not be reduced more than 10 per cent, all of which will subject your petitioners, their citizens and communities, to damage running into many millions of dol-

lars, for which they will have no means of relief or recoupment.

10. Your petitioners are without adequate remedy at law.

Wherefore your petitioners pray

(1) That they may be permitted to intervene in the above-entitled proceeding as parties plaintiff thereto;

(2) That the Court issue a temporary stay or suspension of the operation of said orders of the Commission;

(3) That the Court, by interlocutory injunction, enjoin and restrain the enforcement of said orders of the Commission pending final hearing and determination of this suit;

(4) That, upon final hearing, the Court adjudge that said reports and orders of the Commission are unlawful, beyond the power of the Commission, arbitrary, capricious, unsupported by essential findings, and contrary to and without support of the evidence;

[fol. 532] (5) That the Court by order annul, set aside and forever enjoin enforcement thereof; and

(6) That your petitioners may have such other and further relief as in the premises may be proper.

Respectfully submitted, Henry E. Foley, 10 Post Office Square, Boston 9, Massachusetts, Counsel for Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut.

Certificate of Service

I hereby certify that I have this day served copies of the foregoing petition to intervene upon all parties in this proceeding by causing a copy thereof to be mailed properly addressed and prepaid to each of the parties, or if represented by an attorney, to the attorney, at their respective addresses.

Dated at Boston, Massachusetts, this 12th day of December, 1945.

Henry E. Foley, 10 Post Office Square, Boston 9,
Massachusetts.

[fols. 533-537] "A"

[fol. 538] BEFORE THE INTERSTATE COMMERCE COMMISSION

Class Rate Investigation, 1939. Docket No. 28300

Consolidated Freight Classification. Docket No. 28310

Petition for Reargument and Reconsideration on Behalf of Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; J. Howard McGrath, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut, and New England Traffic League, New England Shoe and Leather Association, New England Paper & Pulp Traffic Association, Grinding Wheel Manufacturers Association, Associated Industries of Maine, Associated Industries of Vermont, New Hampshire Manufacturers' Association, Associated Industries of Massachusetts, Associated Industries of Rhode Island, Inc., The Manufacturers Association of Connecticut

PETITION

Now come Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State [fol. 539] of Vermont, Maurice J. Tobin, Governor of The Commonwealth of Massachusetts, J. Howard McGrath, Governor of the State of Rhode Island, Raymond E. Baldwin, Governor of the State of Connecticut, and New England Traffic League, New England Shoe and Leather Association, New England Paper & Pulp Traffic Association, Grinding Wheel Manufacturers Association, Associated Industries of Maine, Associated Industries of Vermont, New Hampshire Manufacturers' Association, Associated Industries of Massachusetts, Associated Industries of Rhode Island, Inc., and

The Manufacturers Association of Connecticut and petition this Commission for reargument and reconsideration in respect of the above-entitled proceedings, and in support of their said petition show:

Statement

In and by its decision, dated May 15, 1945, the Commission has, with respect to the existing intraterritorial class rates within Official Territory,* made the following ultimate findings and entered the following order, among others:

(1) A finding that said Official Territory rates are and for the future will be, unjust and unreasonable, in violation of Sections 1(4) and 1(5)(a) of the Act. (Ultimate Finding 1, Part II, Sheet (270)

(2) A finding that the relation between said Official Territory rates and the interterritorial rates applicable from southern, southwestern, and western trunk-line territories into Official Territory results in undue preference and advantage to Official Territory as a whole and to shippers and receivers of freight therein, and subjects southern, southwestern and western territories as a whole and shippers and receivers of freight [fol. 540] therein to undue prejudice and disadvantage, in violation of Section 3(1) of the Act. (Ultimate Finding 3, Part II, Sheet 270)

(3) A finding that said Official Territory rates should be increased 10 per cent "as maximum scales" and that as so increased those scales will be just and reasonable "as maxima". (Part III, Sheet 275)

(4) An order authorizing and directing the carriers to increase said Official Territory rates by ten per cent, and to maintain the rates so increased as the reasonable rates to be hereafter observed until further order of the Commission. (Order, Paragraph 6)

The Commission has further found that intraterritorial class rates applicable within Southern, Southwestern and

---

* Unless otherwise indicated, the term—Official Territory—, as herein used, means Official Territory including Illinois territory.

Western trunk-line Territories and interterritorial class rates between all territories east of the Rocky Mountains are unjust and unreasonable; has found just and reasonable a scale of maximum first classe rates, set forth in Appendix 10 to its reports, (which rates are approximately *15% higher* than those now prevailing within Official Territory); has found existing classifications, as a whole, violative of Sections 1 and 3 of the Act and has found that uniformity in classification is required. The Appendix 10 scale is intended for application to the new uniform classification which the respondents are given an opportunity to initiate.

The Commission has also ordered a 10% decrease in intraterritorial class rates applicable within all territories (other than Official) east of the Rocky Mountains and in interterritorial class rates applicable between Official, Southern, Southwestern and Western trunk-line Territories.

The objective of the Commission's findings and order is to effect uniformity of class rates throughout that portion of the United States east of the Rocky Mountains.

[fol. 541] Your petitioners respectfully submit that the ultimate findings of the Commission are unsupported by its preliminary findings or the evidence and that its order exceeds its authority under the Act.

In this petition, your petitioners will first direct attention to the order of the Commission requiring an increase in rates within Official Territory and the findings related thereto and will then present, in summary form, the reasons why it is believed that the remaining ultimate findings are unsupported by either the subsidiary findings or the evidence.

While there is no warrant in the record for a requirement that uniform class rates be put into effect or for a requirement that a uniform classification be established, any attempt to secure uniformity through increases in Official Territory class rates is grossly unfair to shippers and receivers of freight within Official Territory and wholly without warrant. The Commission has ordered an increase in Official Territory class rates without any finding that those rates are unreasonably low and without any evidence that those rates are non-compensatory. This has been done notwithstanding favorable earnings of the Official Territory carriers and the complete absence of complaint with respect to the Official Territory level of rates. In so doing the Commission has disregarded the mandate of Section 15a (2) of the Act that transportation service be rendered "at the lowest cost consistent with the furnishing of such service."

[fol. 542]

Point I

The Record in These Proceedings Not Only Affords No Legal Basis Whatsoever for, But in Fact Precludes, an Order Directing an Increase in the Existing Intraterritorial Class Rates Applicable Within Official Territory.

A. The Order of The Commission Requiring Respondents to Establish and Maintain Intraterritorial Class Rates Within Official Territory at a Level Higher Than Their Present Level Is Unauthorized Unless the Existing Intraterritorial Class Rates Applicable Within Official Territory Are Properly Found to be Less Than Reasonable Minimum Rates in Violation of Section 1 or Unless Such Rates are Properly Found to Result in Unlawful Preference in Violation of Section 3 and no Alternative Method of Removing the Preference is Lawful; Such Order, Moreover, if not so Justified, is Itself in Violation of Section 15a(2) of the Act.

This Commission's authority, under Section 15(1) of the Act, to prescribe an increase in the class rates applicable within Official Territory is dependent, in these proceedings, upon the making of a valid finding, supported by the evidence, that the rates displaced by the Commission's action are unlawful either as unreasonably low in violation of Section 1 of the Act or as unduly preferential in violation of Section 3 of the Act and, in the latter event, an increase may not be ordered unless the respondents have no other lawful alternative than to make such increase.

If an order directing an increase in existing Official Territory class rates is to be predicated upon a finding that such rates are unlawful in violation of Section 1 of the Act, such finding must necessarily be that said rates are not compensatory, but are, on the contrary, so low as to burden [fol. 543] other traffic. This prerequisite to a minimum rate order is clearly set forth by the United States Supreme Court in its decision in *Texas & Pacific Ry. Co.* v. *United States*, 28[illegible] U. S. 627 (1933), wherein the Court had under consideration the alleged unlawfulness of higher rates to Galveston than to New Orleans. After pointing out that the Section 1 protest concerning the higher rates to Galveston had been withdrawn, the court said, with respect to the reasonableness of the lower rates to New Orleans,

> ". . . The evidence failed to show that the rates of the Texas & Pacific and the L. R. & N. on export and import shipments to and from New Orleans were not compensatory. The Commission refused to find that they were so low as to cast a burden on other traffic. There was therefore no basis for an order fixing minimum reasonable rates under § 15 (1) of the Act." (P. 633)

While the Commission's power to condemn proposed, as distinguished from existing rates, is admittedly broader, and permits the Commission to take into account such factors as the probable effect of the proposed rates upon the existing rate adjustment or the possibility that the proposed rates will precipitate destructive "rate wars",—factors not involved in a consideration of existing rates—no uncertainty exists as to the limitations upon the Commission's authority to prescribe increases in established prevailing rates. Minimum rate orders affecting these rates, must, in order to be valid under Section 15 (1), be predicated upon the findings so clearly pointed out in the *Texas & Pacific* decision.

If an order directing an increase in existing Official Territory class rates is to be predicated upon a finding that such rates are unlawfully preferential in violation of Section 3 of the Act, such finding must necessarily be (1) that the relationship between such rates and the allegedly prejudicial [fol. 544] rates in question causes Official Territory shippers to pay lower charges (relative to the service performed) than the prejudiced shippers, to the injury of the latter, and without justification, and (2) that no alternative method of correcting the relationship would be lawful. In the first place, it is obvious that no preference or prejudice, due or undue, can exist if differences in charges (relative to the service afforded) do not result from the existence of the two sets of rates. A class rate superseded by an exception or commodity rate cannot (any more than can any other superseded rate) create preference or prejudice. It is equally clear, from the decisions of this Commission and of the courts, that a mere showing of differences in charges paid by shippers does not establish unlawfulness under Section 3, unless injury is established and unless such differences as exist are not justified by transportation conditions. Thus, this Commission said in *Duluth Chamber of*

Commerce v. Chicago, St. P., M. & O. Ry. Co., 122 I.C.C. 739, 742 (1927), concerning the need for a showing of injury,

> "There is here a clear discrimination in the rates charged for the movement of the same kind of traffic under similar transportation conditions. But to prove that this discrimination results in a violation of Section 3, *it must be shown that complainant suffers injury by reason of the discrimination, and that this injury will cease if the discrimination is removed*, regardless of the manner of its removal." (Italics supplied)

And, as the United States Supreme Court said with respect to justification for differences, in *United States v. Illinois Central Company et al.*, 263 U. S. 515, 524 (1924)

> "To bring a difference in rates within the prohibition of Section 3, it must be shown that the discrimination practiced is unjust when measured by the transportation standard. In other words, the difference in rates [fol. 545] cannot be held illegal, *unless it is shown that it is not justified by the cost of the respective services, by their values, or by other transportation conditions.*" (Italics supplied.)

Secondly, even upon a finding that the relationship between two rates produces unlawful preference and prejudice in violation of Section 3, the Commission is not empowered to subject the preferential rate to a *minimum rate order* unless no lawful alternative for removal of the preference is available. When the violation arises from a relationship in rates, the only appropriate remedy is to order a change in the relationship, leaving the carriers free to correct the relationship, in accordance with their managerial discretion, unless they have no lawful alternative. As the United States Supreme Court expressly said in *Texas & Pacific Ry Co.* v. *United States* (*supra*), at page 650,

> ". . . Where an order is made under § 3 an alternative must be afforded. The offender or offenders may abate the discrimination by raising one rate, lowering the other, or altering both. Compare *American Express Co.* v. *Caldwell*, 244 U. S. 617, 624; *United States* v. *Penna R. Co.*, 266 U. S. 191; *Chicago, I & L. Ry. Co.* v. *United States*, 270 U. S. 287, 292; *Minneapolis & St. L. R. Co.* v. *Peoria & Pekin U. R. Co.*, 270 U. S. 580,

582. The situation must be such that the carrier or carriers if given an option have an actual alternative."

If the Commission's minimum rate order in this proceeding requiring a 10 per cent increase in Official Territory class rates cannot be sustained as an appropriate order under either Section 1 or Section 3 (as it clearly cannot), then such order is not only without lawful authority but is itself violative of Section 15a of the Act, which provides that:

> "In the exercise of its power to prescribe just and reasonable rates the Commission shall give due [fol. 546] consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed; *to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service;* and to the need of revenues sufficient to enable the carriers, under *honest, economical, and efficient management to provide* such service." (Italics supplied)

An ordered increase in rates not found to be unduly low is wholly inconsistent with and unresponsive to the clear mandate of Section 15a.

B. The Commission's Decision Does Not Include, and the Record Does Not Warrant, a Finding That the Existing Intraterritorial Class Rates Applicable Within Official Territory Are Less Than Reasonable Minimum Rates in Violation of Section 1 of the Act.

1. The Commission Has Not Found That Any Class Rates Presently Applicable within Official Territory Are Less Than Reasonable Minimum Rates.

The Commission has carefully refrained from finding that the existing intraterritorial class rates within Official Territory (which by its *ad interim* order are increased 10% and which the report implies should ultimately be increased approximately 15%) are below the minimum reasonable level of such rates. In lieu of any such finding the Commission has found merely,

> "1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short-or-weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western

trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of sections 1 (4) and (5) (a) of the act." (Sheet 270)

[fol. 547] The inference, in fact, from this as well as the succeeding findings in the report is that the Commission apparently does not believe the Official Territory rates to be lower than reasonable minimum rates, but merely lower than reasonable maximum rates, for the Commission, in finding that the existing class rates, increased by 10%, will be just and reasonable, finds that such increased rates will be just and reasonable *maxima*—not minima. The meaning of this latter finding is not clear, but whatever its meaning and explanation, it is clear that the Commission has not made the necessary finding, prerequisite to a minimum rate order correcting unreasonableness, that existing Official Territory class rates are lower than reasonable minimum rates.

2. The Record Herein Would Not Warrant a Finding That Official Territory Class Rates Either for Carload Traffic or for Class-Rate Traffic Generally Are Less Than Reasonable Minimum Rates.

(a) *No evidence was offered and no claim was made in the proceedings that intraterritorial class rates within Official Territory for carload Traffic or for class rate traffic generally are unreasonably low.*

At no time during the entire course of the proceedings was any claim asserted or any attempt made to show the non-compensatory character of carload class rates or of class rates generally. No respondent and no shipper so asserted. Not only did the Official Territory lines make no claim that their rates were non-compensatory but, throughout the proceedings, they defended the lawfulness of their existing rate structure, during the hearings (R. 671-5), on brief (See pp. 9 and 58 to 70, brief of Official Territory Lines, dated August 12, 1943) and at oral argument. So also no shipper or shipper's representative [fol. 548] complained of the Official Territory class rate level. If, in fact, Official Territory class rates applicable to intraterritorial movement were unduly low, it is natural to assume that shipper protest at this "favoritism" would be overwhelming, for unduly low class rates in Official

Territory would necessarily mean that the reasonable total revenues which the Official Territory carriers receive (see page —— hereof) are derived from unduly high rates on traffic moving on exception and commodity rates. And yet, no Official Territory shipper using these latter rates appeared at the hearings to urge that class rates within Official Territory be increased. So, also, no southern or western proponents of uniformity criticized Official Territory class rates as being lower than reasonable minimum rates; in fact, many of these proponents recommended the adoption of Official Territory class rates in their own territories.

(b) *Evidence of record with respect to the revenues of the Official Territory carriers, particularly when viewed in the light of the contribution of class rate traffic to total revenues, indicates clearly that Official Territory class rates on carload traffic and on class rate traffic generally are not unreasonably low.*

Revenue and rate data of record negative completely any claim that class rates within Official Territory are unreasonably low. Thus, it is clear of record that the revenues of the Official Territory carriers from all operations have been consistently remunerative. As Witness [fol. 549] Kennedy's Exhibit 18 indicates, the annual rate of return on investment in Official Territory has been as follows:

Year	Rate of Return Official, including Pocahontas lines
1928	5.10%
1929	5.39%
1930	3.63%
1931	2.24%
1932	1.79%
1933	2.33%
1934	2.27%
1935	2.57%
1936	3.19%
1937	2.73%
1938	1.61%
1939	2.73%
Average 1928-1939	2.95%
Average 1930-1939	2.51%

And as data set forth on sheet 185 of the Commission's report indicate, since 1940, the Official Territory rate of return has consistently been higher, averaging 4.28% for the three-year period, 1941 through 1943,* and reaching 4.9% in 1942. Moreover, it must be recognized that class rate traffic, on the whole, consistently accounts for more than its proportionate share of average return. Class rate traffic in Official Territory now moves on rates which this Commission has prescribed as reasonable maximum rates. The 17.6% of the traffic which (according to the traffic study made and submitted in evidence in this proceeding as Exhibit 228) moves on exception rates within Official Territory, and a substantial portion of the 76.7% of the traffic which (according to said study) moves on commodity rates [fol. 550] therein, necessarily moves on rates which are lower than class rates in relation to the cost of the transportation service furnished, for these exceptions, column and commodity rates are all * rates which the railroads have published in lieu of the higher class rates which would otherwise be applicable, usually in order to attract additional, or to retain existing, traffic. While the reason for the reduction is unimportant, the fact remains that commodities which are accorded ratings in the Official Classification and yet which move under exception ratings, or upon column or commodity rates, generally pay a smaller proportion of the fully distributed cost of their carriage (including return on investment) than do articles which move on full class rates. The logic is irrefutable that class rates generally cannot be found to be unreasonably low in Official Territory, if, as is the fact, the Official Territory rate structure, as a whole, affords the Official Territory carriers reasonable return upon their investment, and if, as is the fact, class rate traffic, as a whole, makes a greater than average contribution to revenues above out-of-pocket costs.

2. The Record Herein Would Not Warrant a Finding That Official Territory Class Rates for Less-Than-Carload

---

* Data for 1944 is not contained in the record.

* Except only rates published for certain commodities which are not included in the Consolidated Classification; it is generally recognized, however, that these commodities contribute somewhat less proportionately to revenues in excess of out-of-pocket costs, than does class rate traffic.

Traffic or for Any Other Particular Traffic Are Less Than Reasonable Minimum Rates, and Even if Such a Finding Were Warranted and Made, an Order Such as the Commission Has Entered Herein Directing an Increase in All Class Rates Would Not Be Warranted.

No evidence has been offered having any bearing on the cost of moving any particular traffic within Official Terri- [fol. 551] tory except for certain portions of the Edwards Cost Studies which purport to indicate that, upon certain assumptions, less-than-carload rates applicable to third class and lower are inadequate to cover out-of-pocket expenses, plus constant expenses solely related to less-than-carload traffic, plus pickup and delivery costs. It is therefore necessary to consider only the question of whether class rates for less-than-carload traffic are unreasonably low.

(a) *The record does not warrant a finding that any less-than-carload class rates are unreasonably low.*

The record herein warrants no finding that any less-than-carload class rate within Official Territory is unreasonably low, judged by the standards of the Act. Less-than-carload freight is admittedly more costly to handle and transport, due to the additional services performed by the carrier for the shipper and due to the generally lighter loading of cars. The freight is probably somewhat less remunerative to the railroads than is other class rate traffic, due to the probable failure of the spread between carload and less-than-carload rates to cover fully the additional cost of handling. These facts, even if conceded, however, would not establish that less-than-carload traffic in Official Territory is not paying its full transportation cost and more, and the record contains no evidence which would establish unlawfulness. In fact, such additional evidence as is contained in the record establishes, as will hereinafter be pointed out, that existing less-than-carload class rates in Official Territory are compensatory.

The record herein indicates clearly that, in seeking to attract less-than-carload traffic, the rail carriers encounter strong and vigorous competition from motor carriers. [fol. 552] Witnesses for both the rail and motor carriers so testified, and the Commision has so recognized. Moreover, this competition is even more effective in Official Territory than in either the South or West, and data of record concerning the average length of rail haul in each of the three major rate territories so indicates. Thus, data of record, reproduced on Sheet 141 of the Commission's report, permit the following comparisons of less-than-carload average hauls and carload average hauls in the three major rate territories:

	(1) Carload	(2) Less-than-Carload	Excess (2) over (1)	% Relationship (2) to (1)
Official Territory	273	470	197 mi.	172%
Southern Territory	278	465	187 mi.	167%
Western Trunk-line Territory	342	495	153 mi.	145%

The spread between average less-than-carload and average carload hauls is highly significant and, it is to be observed, this spread is greatest in Official Territory, not only in actual mileage but also percentagewise. The obvious conclusion is that motor carrier competition in respect of less-than-carload traffic is even more effective in Official Territory than in either of the other major rate territories.

That the competition of the motor carriers has been taken into account in the establishment of many less-than-carload class rates is conceded, but the record clearly indicates that, had the Official Territory carriers either failed to recognize and attempt to meet this competition, or had they fixed their rates at any higher levels than the present levels, they could not have attracted any reasonable amount of short haul less-than-carload traffic. As it is, the fact that the average less-than-carload haul is nearly double the average carload haul in Official Territory indicates that a very substantial [fol. 553] proportion of less-than-carload traffic is no longer moving by rail, for no one has contended that less-than-carload freight, in its nature, customarily moves a longer distance than carload freight. Clearly, Official Territory less-than-carload class rates are no lower than the competition requires.

Inasmuch as less-than-carload rates in Official Territory have been established to meet competition, such rates are not unlawful, provided they are compensatory, (see pp. 5 and 6 hereof), and the record does not warrant a finding that any less-than-carload class rate applicable within Official Territory is not compensatory.

No question has been raised concerning the compensatory (and more) nature of first and second class less-than-carload rates.*

The attack upon the compensatory nature of less-than-carload class rates in Official Territory has been centered upon rates of third class and lower. The contention is that such rates do not produce revenues adequate to cover total out-of-pocket and solely related expenses, plus pickup and delivery costs. This contention cannot be sustained, for the record establishes that at the present time, (*which is the period in issue insofar as findings of present unlawfulness are concerned*), all less-than-carload rates in Official Territory are compensatory and more. The Edwards studies, upon which the contention of unreasonableness is based, assume average loads of 6.5 tons per car, whereas the fact is that at the present time average less-than-carload [fol. 554] loadings exceed 10.5 tons, and in the case of certain Official Territory carriers, exceed 11.5 tons. Even Dr. Edwards' figures indicate that with average loads of 10 tons, average less-than-carload costs * are substantially below the third class rate level.** Inasmuch as the record indicates and this Commission recognizes (Sheet 154) that the average less-than-carload shipment moves at between

---

* Except only second class less-than-carload rates, for hauls of between 70 and 90 miles. While Dr. Edwards' exhibit purports to show that first class rates are noncompensatory for distances of from 25 to 90 miles, the class rates apply only to second class traffic moving distances of from 70 to 90 miles. A minimum charge of 45c, which is higher than the distance scale rate, is assessed against the balance of this traffic. Inasmuch as the record contains no warrant for any finding or even assumption that less-than-carload traffic moves in Official Traffic by rail at second class rates over distances of from 70 to 90 miles, the record affords no basis for determining that such rates for such distances are unlawful.

* Less-than-carload costs, as hereinafter used, means the costs reflected in Cost Level 6, as set forth in the table on sheet 153 of the Commission's decision.

** Except for hauls of from 75 to 140 miles, where, again, the 45c minimum charge blankets the range, except for distances of from 120 to 140 miles.

65% and 66.2% of first class rates, it is evident that less-than-carload class rates in Official Territory are clearly compensatory, at least under present conditions and at the present time, *which is the period for which the Commission is presuming to prescribe reasonable rates.*

But even if the Commission were warranted in regarding the maintenance of heavy loading of less-than-carload freight as problematical, and in disregarding the testimony of the carriers concerning their development of collection and other extensive traffic generating services designed to insure continued heavy loading of less-than-carload cars, the Commission would still not be warranted in ordering an increase in Official Territory less-than-carload class rates, or any of them, on the basis of the evidence herein. The contention that such rates are non-compensatory is based solely upon the Edwards' cost studies, which, however generally or approximately accurate the Commission may believe them to be, are not represented to be reliable, beyond average cost purposes, to the extent which would permit the Commission to find individual rates or small portions of the rate structure unlawful in relation thereto. The cost studies are not free, and are not claimed to be free, from errors in apportionment and allocation, which (even if Dr. Edwards were right in his contention that they are broadly [fol. 555] compensating) prevent the studies from serving as reliable indices of *cost of particular hauls and services.* These infirmities in the studies were discussed at length at pages 32 to 42 of our original brief herein and need not be reiterated. It is sufficient to repeat that those infirmities cast grave doubts upon the general accuracy of the studies, and render them, beyond any question, *wholly inappropriate as standards for the judgment of the cost of transporting any such limited segment of the traffic as less-than-carload traffic or third and lower class less-than-carload traffic.*

It is further respectfully submitted that the Commission could not have premised its finding of unlawfulness of Official Territory class rates under Section 1 of the Act upon the Edwards cost studies, for if the Commission were satisfied that Dr. Edwards' exhibit accurately reflected the compensatory, or non-compensatory, nature of less-than-carload rates, it could not, in disregard of that showing, have ordered a 10% decrease in all Southern and Western less-than-carload rates. The cost showings are either accurate or they are not. Official Territory and Western trunk line territory less-than-carload class rates for third and lower classes are both shown to be below cost; Southern less-than-carload class rates are shown to be only slightly above cost. By no conceivable stretch of the imagination could the Edwards cost studies be said to substantiate both a 10% increase in Official Territory rates and a corresponding decrease in both Southern and Western rates. The Commission itself has disregarded the results of the studies insofar as Southern and Western less-than-carload rates are concerned. It should pursue the same course with respect to Official Territory rates.

[fol. 556] (b) *Even if the record warranted a finding (as it does not) that any less-than-carload class rates in Official Territory were unduly low, and if such a finding were made, it would not sustain the Commission's order herein, but would warrant only an order that any such unduly low rate be increased.*

As has hereinbefore been pointed out, no evidence has even been offered in this proceeding which has any tendency to show that Official Territory carload class rates, or class rates generally or Official Territory first and second class less-than-carload class rates, are lower than reasonable minimum rates, and the only rates which have been placed in issue with respect to reasonableness are third and lower class less-than-carload rates. Moreover, these latter rates have been protested, as the Official Territory carriers have pointed out, only by motor carrier interests who seek to have the Commission prescribe higher rail rates in order that they, the motor carriers, may either (a) secure a competitive rate advantage, or (b) increase their own rates without incurring competitive disadvantages.

As has further been pointed out, the evidence of record herein does not warrant a finding that the less-than-carload rates protested by the motor carriers are unreasonably low.

Even if, however, the Commission were to find that third class and lower less-than-carload class rates in Official Territory are unreasonably low, such a finding obviously would not warrant a finding that either (a) all less-than-carload class rates in Official Territory, or (b) all class rates in Official Territory, are unreasonably low. Without such a finding, supported by the evidence, no basis is provided for the entry of the present minimum rate order to correct unreasonableness. First and second class less-than-carload class rates and all carload class rates in [fol. 557] Official Territory are paying the full cost of their transportation and more, even by Dr. Edwards' showing, and if certain third and fourth class less-than-carload rates were burdening other traffic (and it is clear that they are not, even on Dr. Edwards' showing), such rates would be burdening *all* other traffic, including *all* class rate carload traffic and *all* less-than-carload traffic above third class. This being the case, the only course properly open to the Commission, in the event of a finding that certain less-than-carload rates are unduly depressed, would be to order increases in the specific "unlawful" less-than-carload rates. The burden, if any, to which carload class traffic and higher-rated less-than-carload traffic would be subjected on this assumption cannot be alleviated by *increasing* the rates upon that traffic, and such rates, not themselves burdening other traffic, could not lawfully be increased.

C. The Record Herein Does Not Warrant the Finding that the Existing Intraterritorial Class Rates Applicable within Official Territory Are Unduly Preferential in Violation of Section 3 of the Act.

While this Commission has purported to find that the relationship between the intraterritorial class rates applicable within Official Territory and the existing interterritorial class rates applicable from southern, southwestern and western trunk-line territories into Official Territory gives, causes and produces undue preference and advantage to Official Territory generally and to shippers therein, and subjects the other named regions and shippers therein to undue prejudice and disadvantage, such finding is wholly unsupported by the evidence. The Commission has found, in effect, that the lack of uniformity between intraterritorial class rates applicable within Official Territory on the [fol. 558] one hand and interterritorial class rates applicable from other territories into Official Territory on the other hand, results in undue preference and prejudice, in violation of Section 3 of the Act. To support such a finding there must at least be evidence sufficient to warrant the conclusion (a) that lack of uniformity between class rates within and class rates to Official Territory produces differences in the relative charges actually paid or required to be paid by intraterritorial and interterritorial shippers respectively; (b) that such differences in charges cause injury to interterritorial shippers and/or to other territories and (c) that such differences in charges are not justified by transportation conditions. Unless it appears that differences in class rates produce differences in charges actually paid or required to be paid, there can be no preference or prejudice. If, for example traffic moving within Official Territory on class rates moves into Official Territory on commodity or exception rates, then class rate differences cannot, of themselves, create preference or prejudice. Class rates into Official Territory under such circumstances have been superseded and only actual not superseded rates can be preferential or prejudicial. Similarly the Commission has long recognized that a finding of a Section 3 violation requires a finding of injury suffered by the entity alleged to prejudiced. Moreover, as hereinbefore pointed out, even if differences in class rates did produce relative differences in charges actually paid or required to be paid, and shippers subjected to relatively higher charges were at a disadvantage, no preference or prejudice can be said to be undue unless the differences are found not justified by differences in transportation conditions. No evidence in the record warrants a conclusion that any of these prerequisites to a Section 3 finding have been established.

[fol. 559] 1. The record fails to establish that the lack of uniformity between class rates within and class rates into Official Territory has resulted in differences in the relative charges actually paid or required to be paid by intraterritorial and interterritorial shippers respectively.

The record fails to warrant a finding that the lack of uniformity of intraterritorial class rates within Official Territory and interterritorial class rates to Official Territory results in preferential treatment of Official Territory shippers because the record provides no basis for a finding that the traffic which moves on class rates *within* Official Territory also moves *into* Official Territory on class rates and pays charges levied in accordance with rate scales which are not uniform. In fact, the record indicates that, in all probability, the same traffic does not so move. This is evident from the fact that relatively little traffic (less than 6% of the total) moves on intraterritorial class rates within Official Territory, and almost no traffic moves on interterritorial class rates into Official Territory. Less than 1% of the traffic moving into Official Territory from Southern Territory moves on class rates, only 1.5% of that moving into Official Territory from Southwestern Territory, and only 3.1% of that moving from Western Trunk Line Territory. (Sheet 129) There is no basis for inference that any duplication of traffic is involved in these unusually limited volumes. But whether the probability is remote or proximate, the fact remains that the record affords no basis for any finding either that any article moves or that articles generally move both within and into Official Territory on the non-uniform class rates which this Commission has purported to find unlawful in violation of Section 3. Such a finding could not be premised upon any evidence other than a traffic test reflecting the facts [fol. 560] with respect to class rate traffic movement within and into Official Territory, and admittedly no such test was offered in evidence in this proceeding. In the absence of such a traffic test, it cannot be assumed that those articles which move on class rates within Official Territory also move on class rates into Official Territory, particularly in view of the fact that such evidence as was offered with respect to the types of traffic moving on class rates tended clearly to show that particular articles which move on class rates within Official Territory do *not* generally move on class rates into Official Territory. Thus, frequent reference was made to the fact that manufactured articles, which account for a very substantial portion of all class rate traffic in Official Territory, seldom, if ever, move on class rates either within Southern Territory or from Southern Territory to Official Territory (R. 3412, and see our original herein—pages 15 and 16).

This infirmity in the record is clearly fatal, for the *sine qua non* of a finding that the relationship between two class rates results in undue preference and prejudice in violation of Section 3 of the Act is, of course, a finding that the allegedly preferred shipper avails himself of one of said class rates and pays charges which are lower in relation to the service with which he is provided than does the allegedly prejudiced shipper who must avail himself of the other class rate. If either shipper is not required to use the class rate which allegedly prefers or prejudices him, but may use an exception or commodity rate, it becomes impossible, in the nature of things, to find that preference or prejudice results *from the relationship between the class rates.* The only preference of prejudice which could result would be from the relationship between the actual governing rates, whether class, commodity or exception, and as to this there is no evidence.

[fol. 561] 2. The record fails to establish that the lack of uniformity between class rates within and class rates into Official Territory produces injury.

The record is barren of any evidence of injury to any persons or regions resulting from non-uniformity of class rates within and to Official Territory or even of injury generally consequent upon such lack of uniformity. Absence of such evidence is inevitable not only in view of the fact, (pointed out in the preceding section 1 hereof) that there is a complete absence of evidence that such non-uniformity has caused higher relative charges on any article moving into Official Territory than on articles moving within that territory, but also in view of the fact (pointed out in said section 1) that the record demonstrates that non-uniformity of such class rates cannot generally require the payment of higher rates on the movement into Official Territory. More than ninety-eight (98) per cent of all traffic moving into Official Territory has been found to move on other than class rates, and so could not conceivably be affected injuriously or otherwise, by non-uniformity of class rates. The remaining two (2) percent of all traffic moving into Official Territory, though class-rate traffic, has not been shown either to consist of traffic in the same articles as move on class rates within Official Territory or to move on non-uniform rates.

The testimony of shippers, as summarized in the Commission's report, demonstrates clearly that injury has not been established on the instant record. The testimony therein summarized was as follows:

(a) A washboard manufacturer in Raleigh, North Carolina who ships washboards on less-than-carload class rates into Official Territory, competes with manufacturers in Columbus, Ohio, and Saginaw, Michigan, the latter maintaining a branch factory at Memphis. His rates [fol. 562] are in excess of the Official Territory class rate levels, but whether his competitors use Official Territory intraterritorial class rates does not appear. Twenty-five (25) per cent of his shipments into the North are to Detroit, a short distance from Saginaw. The Commission noted,

> "The business of the manufacturer who gave this testimony, however, has increased substantially." (Sheet 187)

(b) A tanning plant operator from Andrews, North Carolina, who had recently commenced operations testified concerning interterritorial rates from, *not into,* Official Territory. This is the witness who testified that there are not many hides produced in the south. (Sheet 188).

(c) A shipper of wine at Atlanta complained of rates to Official Ter-itory. The Commission, in commenting upon his testimony pointed out,

> "The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which, are *exception rates* from Atlanta to border points." (Sheet 188) (Emphasis supplied)

Moreover, this witness' company has recently constructed a larger plant at Atlanta, indicating, as the Commission observes,

> "that the business has made substantial progress at that point." (Sheet 180)

(d) Testimony was also offered on behalf of a macaroni products manufacturer at Memphis who does not ship into Official Territory (but who, if he were to do so, would ship on a Column 50 *exception* rate, under present tariffs).

(e) Southern shipper purported dissatisfaction was expressed by Southern freight bureau managers with [fol. 563] respect to sixteen (16) commodities. Of fourteen (14) commodities referred to by the first witness, only three (3) commodities (calendars, electrical appliances and lead products) would take class rates in moving into Official Territory, and the lead products manufacturer sells all his output in the South and has never sought interterritorial movement. One of the two rate protests made by the second witness was made on behalf of a "shipper" who had no contracts for and does not produce the commodity taking the "protested" rate. No evidence of injury with respect to the remaining three (3) commodities protested by the two witnesses is included in the record.

The testimony of shipper witnesses, it is submitted, whether considered individually or collectively, cannot be said to evidence the slightest injury resulting from non-uniformity of class rates within and into Official Territory.

Nor is it an answer to say, as certain Southern proponents of uniformity have argued, that existing differences in class rates have discouraged the movement of traffic into Official Territory, and have thus injured the South by drying up the traffic which it would otherwise originate for movement into Official Territory. The record rebuts any such contention. Interterritorial traffic from the South into Official Territory is not only particularly heavy, but it has available to it a broad base of exceptions and commodity rates of wide application. Thus, according to the traffic count made by Dr. Aitchison for May 27 and September 23, 1942, the South moved two-thirds as many cars consigned to Official Territory as it moved cars intra-territorially, and 99.1% of these nearly 16,000 cars moving into Official Territory on the particular days of the survey moved either on exception or commodity rates. Certainly the lack of uniformity of class rates on interterritorial traffic into Official Territory and class rates within Official Territory cannot be found to have served as a deterrent [fol. 564] to southern exporters or potential exporters.

Nor is there any basis of record for any finding that non-uniformity of class rates within and into Official Territory has resulted in injury to industry generally in the other rate territories, in the South in particular, through the retarding of industrial growth and expansion. The record herein establishes beyond question that the growth and development of industry within the South has not been retarded, either by the lack of uniformity of class rates within and into Official Territory, or by any other circumstance. The evidence reviewed by the Commission at sheets 189 to 193 of its report clearly so indicates (and see also pp. 65 to 74 of our original brief herein, dated August 12, 1943).

The failure of the record to warrant any finding of injury resulting from non-uniformity of class rates within and into Official Territory is, of course, fatal to a finding of a Section 3 violation.

3. The Record Fails to Establish That, Even Had the Lack of Uniformity Between Class Rates Within and Class Rates into Official Territory Produced Differences in the Relative Transportation Charges Paid or Required to be Paid, Such Differences Would Not Be Justified by Transportation Conditions.

Even if the record herein had warranted a finding that the lack of uniformity between class rates within and class rates into Official Territory produces differences in the shipping charges paid or required to be paid by intraterritorial and interterritorial shippers, respectively, and results in injury (and, as hereinbefore pointed out, the record does not warrant either such finding), the record would still not sustain the Commission's finding of undue [fol. 565] preference and prejudice, for the record does not warrant the further finding, requisite to a determination of a Section 3 violation, that such differences in charges as result are not justified by transportation conditions. *In fact the Commission's findings both as to territorial cost (Sheets 147 to 151) and consist (Sheet 184) differences clearly precludes a finding that non-uniformity is unduly prejudicial.*

Interterritorial class rates into Official Territory to the extent they have not been superseded by exception or commodity rates, generally* reflect a level somewhat lower than the intraterritorial level within the origin territory, and the greater the proportion of haul in Official Territory the nearer the rate approaches the Official Territory scale. While this method of rate making results at times in the publication of lower relative class rates for shipments moving wholly within Official Territory than for shipments which move into Official Territory from one of the other rate territories, such differences in class rates are justified by transportation conditions affecting the two movements.

---

* Except where water competition, principally along the Eastern seaboard, has caused the carriers to publish rates at levels even below the Official Territory level.

The record herein clearly discloses the justification for differences in class rates applicable within and class rates applicable into Official Territory. The record shows and the Commission has found that transportation conditions do differ as between the major rate territories. (Sheet 264) The only finding to the effect that such differences do not justify the present lack of uniformity of class rates is that neither cost differences nor consist differences alone justify the *full* differences in class rates. This finding is obviously inadequate on its face to sustain a finding in favor of uniformity. The evidence indicates, and the Commission has not found otherwise, that differences in territorial class rates (and, therefore, differences between Official Territory [fol. 566] rates and interterritorial rates) are justified by cost and consist differences combined, cost differences justifying the differences between the general rate levels and consist differences justifying the differences in the distribution of the transportation burden which generally result in lower class rates in Official Territory.

(a) *Differences in the cost of service justify differences in the general level of rates as between Official Territory and the other major rate territories.*

The fact that transportation costs are lower in Official Territory than in any of the other major rate territories affords the first important justification for the establishment and maintenance of lower rates generally for Official Territory intraterritorial movement than for interterritorial movement into Official Territory. That transportation costs are lower, and materially lower, in Official Territory than in any of the other major rate territories has repeatedly been recognized by this Commission in the past and is re-affirmed on the record herein, including the Edwards' cost studies. The record shows that Southern Territory costs are more than 6% and Western Trunk-line Territory costs are more than 15%, higher than Official Territory costs. These differences are reflected in the table, appearing on Sheet 147 of the Commission's report, wherein are set forth Dr. Edwards' territorial comparisons of indexes of carload full distributed costs for traffic moving 100, 300 and 500 miles in all classes of equipment, and reflecting actual average loads. The following table reflects [fol. 567] the cost figures for 300-mile hauls in the three major rate territories:

Territory	U. S. Costs — 100	Official Territory Costs — 100
Official Territory*	95	100
Southern Territory	101	106.2
Western Territory	110	115.8

These comparisons, of course, reflect average costs of movement for all traffic, not merely class rate traffic, as to which no specific evidence was submitted.

The record establishes, and this Commission has found, moreover, that the general levels of all rates (class, exception, and commodity) within the three major rate territories are closely, and thus properly, related to the cost indices set forth. Thus, the record indicates and the Commission has found that the general revenue levels of the three major rate territories are as follows, the Official Territory level being stated as 100:

Official Territory*	100.
Southern Territory	103.9
Western Territory	115.2

The obvious conclusion is that the general level of Official Territory rates is higher, in relation to costs, than is the general level of rates in either Southern or Western Territory. Differences in the general levels of all rates in the three major rate territories are therefore *more than justified* by cost differences.

The southern and western carriers are entitled to assess higher charges against freight moving within their territories to cover their higher costs; they are justified in assessing such higher charges, proportionately against such traffic as they originate for movement into Official Territory, and the Official Territory carriers are justified [fol. 568] in joining in interterritorial class rates which reflect higher charges for the portion of the haul in Southern or Western Territory, as the case may be.

(b) *Differences in territorial traffic consist justify the differences in class rates within and into Official Territory.*

---

* Pocahontas Region included, as it properly should be.

The second and principal justification of record for the maintenance of lower class rates for application wholly within Official Territory than for application to traffic moving into Official Territory is, of course, the fact that a very large actual, as well as relative, volume of highly remunerative* traffic is available to the Official Territory carriers, and is not available to the carriers in the other rate territories. In all territories, much traffic moves of necessity upon rates which are very little more than compensatory. This traffic, while covering its direct costs, makes relatively little contribution to such items as overhead, return on investment, and the like, leaving these burdens entirely to other traffic which can and will move on more remunerative rates. It is elementary, for example, that carriers which can require 40% of their traffic to pay not only its own way but also the bulk of the indirect expense of running the railroad need not charge such high unit rates for the movement of that 40% as carriers, with only 20% of their traffic able to contribute substantially to revenues above the out-of-pocket level, must charge for the movement of that 20%. While the figures used in the foregoing example are used for purposes of illustration only, the record indicates clearly that the basic situation depicted in the illustration does in fact exist and that [fol. 569] Official Territory carriers are not faced with the necessity, as are the southern and western carriers, of obtaining substantial revenues from high rates on a small, actual as well as relative, volume of highly remunerative traffic.

Manufactures and Miscellaneous traffic (which is admittedly the most important class rate traffic) and Products of Mines traffic are admittedly the most highly remunerative types of traffic and, as the record herein indicates, are even more highly remunerative to the Official Territory carriers than to the carriers in Southern Territory, notwithstanding the fact that Official Territory rates are, on the whole, approximately 4% lower than Southern Territory rates and with respect to class rate traffic are even lower. In the first place, these two commodity groups provide, throughout the United States as a whole more than 80% of all revenues received by the carriers over and above their out-of-pocket costs even though, in terms of net revenue ton-miles, they constitute only 72.2% of the total carload traffic. (See tables, Sheet 183) Moreover, these two types of traffic are more remunerative to the Official Territory carriers than to the Southern Territory carriers, notwithstanding the fact of higher Southern rates. Thus, as appears from the tables on Sheet 183 of the Commission's decision, these two groups which, combined, account for 82.4% of Official Territory* revenue net ton-miles and only 70.4% of Southern Territory revenue net ton-miles, produce 88.5% of Official Territory, and only 71.4% of Southern Territory, revenues in excess of out-of-pocket costs. The fact is, therefore, that, even under existing rate scales, Manufactures and Miscellaneous and Products of Mines traffic is approximately 6% more highly remunerative to Official Territory carriers than to Southern Territory carriers.

---

* Highly remunerative traffic does not necessarily move on high actual rates. A 25¢ rate on a commodity costing 10¢ to transport is much more remunerative than a 50¢ rate on a commodity costing 45¢ to transport.

[fol. 570] An additional circumstance which even further increases the rate burden upon class rate traffic in the South, particularly, is the fact that Products of Mines traffic in the South either is not required to contribute or is not capable of contributing so substantially to gross revenues as it contributes in Official Territory. Products of mines traffic which, in Official Territory is highly remunerative, accounting for 38% of all revenues in excess of out-of-pocket costs, is considerably less than highly remunerative in the South, where it accounts for only 21.2% of such revenues. Nor is the difference explainable by differences in net revenue ton-miles, for in Official Territory this traffic represents 49.3% of revenue ton-miles. and in the South it represents 40.8% of revenue net ton-miles. To be as remunerative in the South as in Official Territory, Products of Mines traffic should produce 31.5% of revenues over out-of-pocket costs, instead of the 21.2% which it actually produces. The additional 10.3% of revenues must be assessed, in most part, against class rate traffic.

---

* Pocahontas region data not included in Official Territory data in said tables.

The record also establishes, beyond question, that the Official Territory carriers have available to them greater volumes, actually as well as relatively, of this more highly remunerative traffic than do the carriers of any other region. This fact is apparent, not only from the data contained on Sheets 182 and 183 of the Commission's decision, but also from other data of record not referred to in the report. Thus, from the table appearing on Sheet 182 of the decision, the following comparisons with respect to Manu- [fol.571] factures and Miscellaneous and Products of Mines traffic are shown:

	Percentage of total tonnage	*Percentage of total revenues*
Official Territory	88.42%	77.99%
Southern Territory	73.60%	58.31%
Western District	66.02%	53.92%

Other data of record, specifically with respect to Official Territory and Southern Territory, further affirm the much larger actual and relative volumes of highly remunerative traffic in Official Territory:

Comparisons of Volume of Movement of Manufactures and Miscellaneous and Products of Mines Traffic

	Official Territory	*Southern Territory*
Revenue tons per mile, 1939		
Manufactures and Miscellaneous	4,328[1]	1,486
Products of Mines	8,497[1]	2,533
Revenues per mile, 1939		
Manufactures and Miscellaneous	$10,264[1]	$4,079
Products of Mines	8,639[1]	2,784
Percentage: Manufactures and Miscellaneous traffic[2] of all traffic[3]		
Tonnage originated	48.02%[4]	19.97%
Tonnage handled	42.21%[4]	27.58%
Freight revenue	50.82%[4]	34.60%

---

[1] Pocahontas Region excluded.

[2] Excluding 12 low-grade commodities (Ex. 165).

[3] Excluding coal and coke.

[4] Central Eastern and Great Lakes Regions only.

It is no answer to these data of record to say that interterritorial traffic, having necessarily the same consist in the two territories, tends substantially to reduce territorial differences in consist, for these data of record referred to herein include interterritorial traffic as well as [fol. 572] intraterritorial. If comparisons were to be made, based only upon the consist of the latter traffic, the wide differences already observed would become substantially greater.

Inasmuch as the southern and western carriers are entitled to assess higher charges to their relatively and actually smaller volumes of highly remunerative traffic moving on class rates, they are justified in assessing such charges, proportionately, against such highly remunerative class rate traffic as they originate for carriage into Official Territory, and the Official Territory carriers are justified in joining in interterritorial class rates which reflect the higher charge for the portion of the haul in Southern or Western Territory, as the case may be.

(c) *The fact is irrelevant that differences in transportation conditions exist within territories themselves and that such differences have not prevented territorial uniformity of class rates.*

The fact that substantial intraterritorial uniformity of class rates has been achieved at least within Southern and Official Territories, despite differences in transportation conditions within each territory, has been said to indicate that territorial differences in transportation conditions may not properly be recognized as having any substantial significance in this proceeding.

While it is true that such differences as exist in transportation conditions within each of the major rate territories have not served to prevent substantial territorial uniformity of class rates, this fact is wholly without bearing upon the issue herein. The problems presented with respect to territorial uniformity are essentially different from those presented with respect to uniformity across territorial boundaries. Rate territories exist because the railroads have developed along regional lines on an integrated basis. Ter- [fol. 573] ritorial dividing lines mark broadly the lines beyond which particular carriers do not operate and beyond which, therefore, they cannot economically take account of transportation conditions affecting railroad traffic. Territorial uniformity has been achieved because the conditions which carriers of a given territory experience within their own territory may feasibly be averaged by such carriers. An ordered uniformity crossing territorial boundaries would require carriers to premise rates upon averages of conditions which they do not experience, conditions which, if favorable, would not be reflected in increased revenues, and if unfavorable, would not reduce revenues, and the setting off of losses from one portion of the system against gains from another would be wholly impossible. As Witness Bell testified, the practical considerations which permit territorial uniformity have no appli-ation to nationwide uniformity:

> "Now the situation I have just described is of controlling importance in rate making. In the case of a single railroad, it is possible to offset losses on one portion of the line where freight rates are not there commensurate with the services, by reason of more profitable freight rates on other portions of the system. The money goes into a common treasury from which all expenses are paid. However, no losses incurred by a railroad in one territory can be offset by the profits of another railroad in another territory, because the different railroads or systems are separate and distinct corporate entities * * * The great preponderance of traffic originated in each territory terminates in the same territory. The necessary consequence of this situation is that rates in each territory must be on a basis to meet the requirements of the railroads in that territory. Unless and until the railroads in the United States are operated as a single entity, or at least merged and consolidated [fol. 574] into systems extending throughout the United States, there is a practical necessity for territorial rate making. * * *" (R. 3398-9)

D. The Commission's Decision Does Not Include, and the Record Does Not Warrant, a Finding, Prerequisite to an Order Increasing Official Territory Intraterritorial Rates, That, Even Were the Relationship of Such Intraterritorial and Interterritorial Rates Violative of Section 3, the Respondents Have No Alternative Lawful Method of Removing the Preference.

As has hereinbefore been pointed out, no basis exists for the entry of a minimum rate order, even upon a valid finding of undue preference and prejudice, in the absence of an additional finding, supported by evidence that the respondents have no lawful alternative method of correcting the relationship. A Section 3 finding is a finding of an unlawful relationship between rates. The only appropriate remedy is to order the correction by the respondents of the relationship, for, under the law, the respondents are the initiators of rates and within the bounds of lawfulness have managerial discretion to fix rates. The only instance where the alternative need not be given them is when no lawful alternative exists. (See page — hereof)

Scrutinized in the light of this fundamental and controlling principal of law, the Commission's order herein must necessarily be found to be without lawful authority, for even if the record warranted (as it clearly does not) the Commission's finding that the relationship between class rates within and into Official Territory results in preference of Official Territory generally and prejudice to Southern and Western Territories generally, the Commission has failed to find, and the record precludes a finding that no lawful alternative method of correcting the [fol. 575] relationship is available to the respondents. The reasonableness of the existing Official Territory class rates has been considered at pp. 9 to 20 hereof, wherein it has been pointed out that there is no claim, and certainly no evidence of record which would warrant a finding that Official Territory class rates are unreasonably low. The plain fact of the matter is that existing Official Territory class rates are not unreasonably low but are productive of reasonable revenues. As Official Territory class rates are not unreasonably low, an increase therein may not properly be ordered. Even were there a valid Section 3 finding, the respondents must be given a choice within the maximum limits of reasonableness to remedy the relationship found objectionable.

E. The Order of The Commission Directing an Increase in Official Territory Class Rates Is Not Only without Lawful Authority But Is Itself Violative of Section 15a (2) of the Act.

In ordering an increase in Official Territory intraterritorial class rates on the basis of a record which wholly fails to show that such rates, or any of them, are unreasonably low (but which shows, on the contrary, that such rates, together with the carriers' other and generally less remunerative rates, produce reasonable earnings) this Commission has ignored the mandate of Section 15a (2) of the Act which requires that the Commission shall,

> "In the exercise of its power to prescribe just and reasonable rates . . . give due consideration, among other factors, . . . to the need, in the public interest, of adequate and efficient railway transportation service *at the lowest cost consistent with the furnishing of such service.*" (Italics supplied)

[fol. 576] The Commission has ignored the fact of lower costs in Official Territory and the existence therein of far greater actual and relative volumes of high grade, well paying traffic—both of which circumstances justify Official Territory class rates at least as low as at present, and therefore at least 10% lower than the Commission has prescribed. The Commission has further ignored the evidence of record that the existing Official Territory rates have in the past permitted and will in the future permit the Official Territory carriers to provide adequate and efficient railway transportation with reasonable return upon investment.

Guided not by the provisions of Section 15a of the Act and by the evidence of record, viewed in the light of that section, but apparently by a concern lest it not devise and impose a system of rates satisfactory to the proponents of uniformity herein, the Commission has disregarded the stated public policy of the Act, and, in disregard of the public interest in maximum transportation at minimum cost, has increased Official Territory class rates by 10% in order that such uniformity may be achieved. The Act contains no warrant for, and Section 15a of the Act clearly forbids, the Commission's order herein which seeks to require Official Territory shippers to subsidize an enforced uniformity and thus to underwrite an attempt to remake the industrial pattern of the nation.

That the Commission has ordered an increase in intraterritorial class rates within Official Territory solely for the purposes of obtaining rate uniformity and without regard to the public interest in maximum transportation at minimum cost is evident from the Commission's decision, considered as a whole. In the first place, Official Territory class rates, carload and less-than-carload, have all been adjudged unreasonable and ordered increased [fol. 577] (1) even though no claim, even, of unreasonableness generally has been made with respect to such rates, and (2) even though such rates which must, under the Commission's order be maintained in fact as minimum rates, are 10% higher than the rates which the Commission itself *found to be reasonable maximum rates* only 15 years ago, on a record which indicated that the revenues of the Official Territory carriers were then actually lower than at present. So also, with respect to the finding of Section 3 violation. The minimum rate order which this Commission has entered will require all shippers shipping on class rates within Official Territory to pay rates increased by 10%, and ultimately 15% even though (a) they are not competing in Official Territory markets with Southern or Western producers, or even though (b) their competitors and potential competitors, if any, who are located in the South or West, now ship or may ship into Official Territory on exception or commodity rates as low or lower than the Official Territory class rate level. Only by substituting the standard of uniformity for the Act's standards of lawfulness can the Commission's order herein be deemed justified.

On and after the effective date, if any, of the Commission's order herein requiring the Official Territory carriers to establish and maintain class rates 10% above their present levels, the public interest in "adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service * * *" will have been sacrificed, at the Commission's direction, to the spurious principal of rate uniformity.

[fol. 578]

Point II

The Record Herein Does Not Warrant the Commission's Order Requiring an Adjustment in All Intraterritorial Class Rates Applicable Within Southern, Southwestern and Western Trunk-Line Territories and in all Interterritorial Class Rates or the Commission's Findings That Existing Classification Ratings Are Unlawful.

The Commission, in addition to requiring an increase in intraterritorial class rates within Official Territory, has entered an order (a) requiring an adjustment in all intraterritorial class rates within, and in all interterritorial class rates between, each of the other rate territories east of the Rocky Mountains on the ground that such existing rates are unreasonably high in violation of Section 1 of the Act, and (b) requiring an adjustment in all interterritorial rates between said territories and Official Territory on the ground that (1) such existing rates are unreasonably high in violation of Section [illegible] of the Act[*] and (2) that such of said existing rates as are applicable to movement to Official Territory are also unduly preferential of Official Territory in violation of Section 3 of the Act.

The Commission has also made findings, although it has entered no order thereon, to the effect (1) that existing freight classifications, as a whole, are unjust and unreasonable in violation of Section 1 of the Act, and unduly preferential and prejudicial in violation of Section 3 (1) of the Act, and (2) that it is impossible, "without a basic unity in classification ratings throughout the country"[12] to maintain a just and reasonable relationship between class rates. The respondent carriers are given until August [fol. 579] 15, 1945, to advise the Commission whether they will undertake to initiate a uniform classification by their own collective action. (Sheet 64)

In connection with the discussion under Point 1 hereof, it has been pointed out that the record affords no basis for the Section 3 finding with respect to interterritorial class rates applicable to traffic moving into Official Territory. (See pages 20 to 37 hereof.)

There remains, therefore, for consideration under this Point II, (1) the finding that intraterritorial class rates within territories other than Official Territory and between all territories east of the Rocky Mountains are unreasonably high and the ordered adjustment with respect thereto and (2) the findings with respect to freight classification.

---

[*] While the Commission's ad interim order requires that these rates be reduced 10% subject to the limitation that the Appendix 10 scale of maximum reasonable rates be observed as minima the Commission's report contemplates the eventual reduction of said rates to said Appendix 10 level.

A. The Record Fails to Support the Commission's Finding That Intraterritorial Class Rates within Southern, Southwestern and Western Trunk-Line Territories and Interterritorial Class Rates Between All Territories East of the Rocky Mountains Are Unreasonably High and the Ordered Adjustment with Respect to Such Rates Is without Lawful Authority.

The record fails to sustain the Commission's finding that intraterritorial class rates applicable within Southern, Southwestern and Western trunk-line Territories are in excess of maximum reasonable rates. Admittedly these rates are higher than class rates within Official Territory, but costs also are higher in both the South and the West than in Official Territory (see pages 29 and 30 hereof and Sheets 147 to 151 of the report herein). Moreover, and, as has hereinbefore been pointed out at length at pages 33 to 35 hereof, differences in the consist of traffic, which have necessitated substantial differences in the distribution of the transportation burden in South and [fol. 580] West, on the one hand, and in Official Territory on the other hand, warrant the establishment and maintenance of higher class rates in the South and West than in Official Territory. While neither factor may by itself warrant the present differences in class rates, the two, combined, amply justify such differences. Cost differences clearly justify the 3 or 4% higher general rate level in the South and the 15% higher general rate level in the West, and the fact of a heavy preponderance in both regions of low grade and less remunerative traffic (which cannot move freely on higher rates) justifies the maintenance of relatively higher rates on the much smaller volume of remunerative class rate traffic. While data are not available of record concerning the profitableness of western operations under the existing rate scales, the record evidences clearly the fact that southern revenues have not exceeded just and reasonable revenues nor produced more than reasonable return on investment. Nor does the record warrant a finding that these revenues, reasonable in and of themselves, have been obtained, in unduly large part, from class rate traffic.

Similarly the record fails to sustain the finding that interterritorial class rates are unreasonably high. The only conceivable basis for such a finding is the finding hereinbefore discussed, not supported by the record, that intraterritorial rates in Southern, Southwestern and Western trunk-line territory are unreasonably high. As this latter finding is unwarranted, the finding with respect to interterritorial rates necessarily fails of support.

The order directing adjustment of these rates, being based upon findings without support in the record, is unwarranted and without lawful authority.

[fol. 581] B. The Record Fails to Support the Commission's Findings That Existing Non-Uniformity of Classification Ratings Is Unlawful

While the Commission has purported to find that the present Official, Illinois, Southern and Western classifications are and for the future will be unjust and unreasonable in violation of Section 1 of the Act, this finding is wholly unsupported by the evidence of record, and the Commission's preliminary findings clearly so indicate. For, as the Commission states, on Sheet 56 of the report,

> "At the hearing the evidence produced relating to the classification of freight consisted chiefly of comparisons of the ratings in the three major classifications, the effect of the ratings upon the charges paid by shippers in the principal freight rate territories, and the extent to which the classifications have been departed from by the establishment of exception ratings and commodity rates. *There is no evidence which would enable us to determine whether any particular classification rating, description, or carload minimum is unreasonable.*" (Italics supplied)

While the Commission has also found that the Official, Illinois, Southern and Western classifications, in so far as the ratings therein are concerned, as a whole, and because of the substantial number of differences in such ratings, result and will result in undue and unreasonable preference and advantage in violation of Section 3(1) of the Act, these findings, similarly, are without support in the evidence of record herein and are, therefore, unwarranted. The Commission's finding that non-uniformity of classification ratings constitutes and will constitute a violation of Section 3 of the Act, and its finding that uniformity of such ratings is required if just and reasonable relationships are to be maintained between class rates are premised upon two wholly [fol. 582] unsupported and unsupportable findings, namely, (1) that territorial differences in ratings generally produce differences in shipping charges paid on the same article in the different territories, and (2) that such territorial rating differences are unjustified. In this respect, the Commission's findings and conclusions follow the recommendations contained in the proposed report submitted by Examiners Paul O. Carter and William J. Koebel in Docket No. 28,310, to which report your petitioners filed exceptions and brief in support thereof, on February 15, 1944. Reference is made to said exceptions and brief in support of the argument directed to the invalidity of the Commission's findings that the existing lack of uniformity of classification ratings is unlawful in violation of Section 3 of the Act, and that uniformity is required. As therein pointed out, on a record which fails to establish that lack of uniformity of classification ratings has resulted in any differences in charges actually paid or required to be paid by shippers, or has produced any injury and which fails to establish that such lack of uniformity is not justified by transportation conditions including territorial differences in the volume of movement of particular commodities and in the incidence and effect of competitive factors, the Commission's finding that such lack of uniformity results in a violation of Section 3 of the Act cannot be sustained.

Conclusion

The issue in these proceedings is not whether uniformity of class rates and classification ratings is or is not desirable, but whether or not the existing lack of uniformity is unlawful and in violation of the Act.

The Commission in its report and decision has ruled that lack of uniformity in class rates is unlawful, has entered [fol. 583] an ad interim order requiring substantial rate adjustments, including a substantial upward adjustment of Official Territory class rates, and has made findings which imply that complete uniformity will ultimately be ordered.

But the evidence, and the Commission's subsidiary findings based thereon, do not warrant the Commission's findings of unlawfulness and do not therefore provide the basis for any order of general application herein.

Your petitioners are confident that upon reconsideration and reargument the Commission will conform its decision and order herein to the evidence and will be mindful of the following caveat expressed by the late Commissioner Joseph B. Eastman in his separate opinion in *State of Alabama v. New York Central Railroad Company*, 235 I. C. C. 255, 333 (1939):

> "The Commission is called upon to decide this case, on the record, after it has in effect been decided, in advance and without regard to the record, by many men in public life, of high and low degree, who have freely proclaimed their views on what they conceive to be the basic issues. Their thesis has been that the section of our country generally known as the South is our 'Economic Problem No. 1', because, among other things, it is low in industrial development, and that a major reason for this condition has been and is an unfair adjustment of freight rates which has favored the producers of the North and burdened those of the South. It has become a political issue. While, however, the South gave birth to the issue, public representatives of the West now cry out against like supposed oppression, and public representatives of the North or East, as it is variously called, have risen in defense of their section.
>
> Under such conditions, it is not easy to decide the case without being influenced by emotional reactions, one way or the other, which should play no part in the decision. It is all the more important, therefore, that [fol. 584] we should make every effort to reach our conclusions with cold impartiality, for this Commission has an equal duty with respect to every part of the country, and nothing will speed its ruin more quickly than the disease of sectionalism.":

Wherefore your petitioners respectfully pray that these proceedings be reopened for reconsideration of the report and order; that said report and order, upon such reconsideration and after oral argument which is hereby requested, be revised; and that the effective date of the Commission's order herein be postponed, pending such reconsideration and the determination thereon.

Respectfully submitted, Henry E. Foley.

Counsel for

Horace A. Hildreth, Governor of the State of Maine
Charles M. Dale, Governor of the State of New Hampshire
Mortimer R. Proctor, Governor of the State of Vermont
Maurice J. Tobin, Governor of The Commonwealth of Massachusetts
J. Howard McGrath, Governor of the State of Rhode Island
Raymond E. Baldwin, Governor of the State of Connecticut

and

New England Traffic League
New England Shoe and Leather Association
New England Paper & Pulp Traffic Association
Grinding Wheel Manufacturers Association
Associated Industries of Maine
Associated Industries of Vermont
New Hampshire Manufacturers' Association
Associated Industries of Massachusetts
Associated Industries of Rhode Island, Inc.
The Manufacturers Association of Connecticut

[fol. 585] Certificate of Service

I hereby certify that I have this day served copies of the foregoing petition upon all parties in these proceedings listed in the Commission's notices regarding service of briefs by causing a copy or copies thereof to be mailed, properly addressed and prepaid, to each of said parties at their respective addresses as indicated in said notices.

Dated at Boston, Massachusetts, this thirteenth day of July, 1945.

Henry E. Foley, 10 Post Office Square, Boston, Massachusetts.

[fol. 586] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

COMMONWEALTH OF PENNSYLVANIA
County of Dauphin, ss:

I, Floyd Chalfont, Secretary of Commerce of Pennsylvania, being duly sworn according to law depose and say that, I am authorized to make this affidavit, and the facts submitted herein are true and correct; that if the orders of the Interstate Commerce Commission regarding freight rates issued in the above captioned case are permitted to stand, irreparable harm and damage to the Commonwealth of Pennsylvania and its citizens will follow.

Floyd Chalfont, Secretary of Commerce.

Sworn to and subscribed before me this 10th day of December, 1945. Lucille A. Stroup, Notary Public. (Seal.)

My commission expires Mar. 5, 1947.

[fol. 587] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945.

Gerrish Gassaway, being duly sworn, says:

1. That he is Secretary-Manager of the Chamber of Commerce of the State of Delaware, and resides in Wilmington, Delaware.

2. That he is familiar with a certain report and order of the Interstate Commerce Commission dated May 15, 1945, as amended, and a supplemental report and order dated October 30, 1945, in a proceeding which embraced two investigations instituted by the Commission and entitled respectively "Class Rate Investigation 1939" and "Consolidated Freight Classification."

3. That if said orders are not stayed pending final determination of the above-entitled action and are not then annulled and their enforcement permanently enjoined, and if, under the compulsion of said orders, the Railroads engaged in transportation within the Official Territory are [fol. 588] permitted or required to or do increase their Class Rates for interstate transportation 10%, The State of Delaware and the citizens and communities of said State as shipper will suffer great and irreparable injury by reason of the additional freight charges which they will be required

to pay for transportation of freight shipped or received by them, and more particularly the citizens and communities of said State will be discriminated against and will suffer great and irreparable injury in that among other things (a) the cost of doing business in the Official Territory will be increased, (b) the increased cost of manufacturing and distributing goods in the Official Territory will tend to restrict the free flow of said goods, to stimulate unemployment, and to destroy property values in the Official Territory, (c) shippers in the Official Territory will be required to pay increased Class Rates for the transportation of manufactured articles subject thereto which will be substantially on a parity with the reduced Class Rates prescribed for transportation within the South and West, while at the same time they will be required to continue to pay substantially higher transportation charges for the transportation of their raw materials and other low-grade freight than the transportation charges paid by their southern competitors, and (d) shippers and receivers of freight in the Official Territory will be required to pay higher freight charges than heretofore demanded by the railroads in that Territory or than justified by their transportation costs or other pertinent considerations in order that the Class Rates for transportation in the South and West may not be reduced more than 10%, all of which will subject The State of Delaware, its citizens and communities, to damage running into many millions of dollars, for which they will have no means of release or recoupment.

[fol. 589] 4. That typical of the commodities manufactured in the State of Delaware which are shipped on Class Rates and in connection with which great and irreparable injury will be suffered by the citizens and communities of The State of Delaware if said orders of the Commission are not stayed pending final determination of the above-entitled action and are not then annulled and their enforcement permanently enjoined include Aircraft Accessories, Animal Feeds, Brick, Concrete Block, Cork Products, Fertilizers, Hard Surface Floor Covering, Garments (other than cotton), Hose (rubber), Leather, Mattresses, Plumbing Fixtures, Snuff, Vulcanized Fibre, Laminated Plastics, Boilers (power, steel), Tanks (iron or steel), Roofing (prepared), Dry Transfers, Dental Supplies, Mechanics' Hand Tools, Power Hammers, Papermaking Machinery, Aviation Snips, Homogenizers, and Freezing Units.

5. That sundry and numerous products are shipped into The State of Delaware on Class Rates for consumers' use, and the shippers and receivers thereof will be required to pay higher freight charges than heretofore demanded, with the result that the cost of doing business in said State will be appreciably increased, which is without justification in that the freight charges demanded under said orders do not appear to be warranted on the basis of transportation costs.

Gerrish Gassaway, Secretary-Manager of the Chamber of Commerce of the State of Delaware.

Sworn to before me, this 12th day of December, A. D. 1945. C. M. Dillon, Notary Public. (Seal.)

[fol. 590] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

WALTER W. BACON, being duly sworn, says:

1. That he is the duly elected Governor of the State of Delaware, and that he resides in Wilmington, Delaware.

2. That he is familiar with a certain report and order of the Interstate Commerce Commission dated May 15, 1945, as amended, and a supplemental report and order dated October 30, 1945, in a proceeding which embraced two investigations instituted by the Commission and entitled respectively "Class Rate Investigation 1939" and "Consolidated Freight Classification."

3. That if said orders are not stayed pending final determination of the above entitled action and are not then annulled and their enforcement permanently enjoined, and if, under the compulsion of said orders, the Railroads engaged in transportation within the Official Territory are permitted [fol. 591] or required to or do increase their Class Rates for interstate transportation 10%, The State of Delaware and the citizens and communities of said State as shippers will suffer great and irreparable injury by reason of the additional freight charges which they will be required to

pay for transportation of freight shipped or received by them, and more particularly the citizens and communities of said State will be discriminated against and will suffer great and irreparable injury in that among other things (a) the cost of doing business in the Official Territory will be increased, (b) the increased cost of manufacturing and distributing goods in the Official Territory will tend to restrict the free flow of said goods, to stimulate unemployment, and to destroy property values in the Official Territory, (c) shippers in the Official Territory will be required to pay increased Class Rates for the transportation of manufactured articles subject thereto which will be substantially on a parity with the reduced Class Rates prescribed for transportation within the South and West, while at the same time they will be required to continue to pay substantially higher transportation charges for the transportation of their raw materials and other low-grade freight than the transportation charges paid by their southern competitors, and (d) shippers and receivers of freight in the Official Territory will be required to pay higher freight charges than heretofore demanded by the railroads in that Territory or than justified by their transportation costs or other pertinent considerations in order that the Class Rates for transportation in the South and West may not be reduced more than 10%, all of which will subject The State of Delaware, its citizens and communities, to damage running into many millions of dollars, for which they will have no means of release or recoupment.

[fol. 592] 4. That typical of the commodities manufactured in the State of Delaware which are shipped on Class Rates and in connection with which great and irreparable injury will be suffered by the citizens and communities of The State of Delaware if said orders of the Commission are not stayed pending final determination of the above-entitled action and are not then annulled and their enforcement permanently enjoined include Aircraft Accessories, Animal Feeds, Brick, Concrete Block, Cork Products, Fertilizers, Hard Surface Floor Covering, Garments (other than cotton), Hose (rubber), Leather, Mattresses, Plumbing Fixtures, Snuff, Vulcanized Fibre, Laminated Plastics, Boilers (power, steel), Tanks (iron or steel), Roofing (prepared), Dry Transfers, Dental Supplies, Mechanics' Hand Tools, Power Hammers, Papermaking Machinery, Aviation Snips, Homogenizers, and Freezing Units.

5. That sundry and numerous products are shipped into The State of Delaware on Class Rates for consumers' use, and the shippers and receivers thereof will be required to pay higher freight charges than heretofore demanded, with the result that the cost of doing business in said State will be appreciably increased, which is without justification in that the freight charges demanded under said orders do not appear to be warranted on the basis of transportation costs.

Walter W. Bacon, Governor of The State of Delaware.

Sworn to before me, this 12th day of December, A. D. 1945. Ruth R. Martin, Notary Public. (Seal.)

[fol. 593] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

GEORGE MACE, being duly sworn, deposes and says:

I am Manager of the Transportation Bureau of the Commerce and Industry Association of New York, Inc., the principal office of which is at 233 Broadway, New York, N. Y. This organization is a voluntary association incorporated and existing under the laws of the State of New York. Its members consist, among others, of manufacturing industries, commercial businesses and other shippers and receivers of freight located in New York City and elsewhere. One of the purposes of the Association is to foster the trade and welfare of New York including aid to its members in dealing with transportation problems with which they are confronted from time to time. One of my functions as Manager of the Transportation Bureau is to advise members of the Association in connection with these transportation problems. I am constantly in touch with a great number of the members and know of my own knowledge [fol. 594] that many of them ship and receive a large volume of freight that moves on class rates in interstate and foreign commerce between points in Official Territory in both carload and less-than-carload lots. In the event that the

Commission's orders in Docket No. 28300, *Class Rate Investigation, 1939,* are permitted to become effective the class rate charges which the members of the Commerce and Industry Association of New York, Inc. will be required to pay for the movement of their shipments by railroad in interstate and foreign commerce between points in Official Territory will be increased 10 per cent.

George Mace.

Sworn to before me this 13 day of December, 1945. Chas. S. Nelson, Notary Public, Westchester County. New York Co. Clerk's No. 149, Reg. No. 123-N-7. Commission Expires March 30, 1947. (Seal.)

[fol. 595] In the District Court of the United States

Civil No. 2311

[Title omitted]

Affidavit—Filed December 13, 1945

Mark A. Daly, being duly sworn, deposes and says:

I am Executive Vice President of Associated Industries of New York State, Inc. This organization is a membership corporation, organized and existing under the laws of the State of New York, with its principal office at 361 Delaware Avenue, Buffalo, N. Y. Its membership comprises approximately 1,400 concerns engaged in manufacturing in this State. These member concerns represent an investment of more than $4,000,000,000, and between them employ more than two thirds of all factory employees in New York State. Practically all of these concerns are engaged in the manufacture and sale of articles which are shipped by railroad at the class rates. They are shipped and sold at destinations throughout Official Classification Territory in competition with similar articles manufactured at other points. Many members of Associated Industries of New York State, Inc., also receive parts, machinery and equipment used by them in their production, for the transportation of which class [fol. 596] rates are charged. The freight rates paid upon these materials and on out-bound manufactured articles constitute a substantial part of the cost to these concerns of doing business, manufacturing and selling their goods. Present-day manufacturing costs are already at a high level compared with permitted prices. A ten per cent increase in class rates, even for a short period, would impose a serious burden upon these manufacturing industries of New York State, for which they would ~~have no~~ means of reimbursing themselves if the orders of the Commission prescribing such increase should ultimately be held invalid. Either the increase, if it could be passed on to their buyers, would place them at a competitive disadvantage as compared with other manufacturers shipping under commodity or exception rates not affected by the Commission's orders or, if it could not be passed on in increased prices, would constitute an increased ~~cost to~~ be absorbed by them, which would be an obstacle in their business development and expansion.

This is a critical period in the conversion of manufacturing industries, such as the members of this organization, from war to peace-time production and any increase in manufacturing and distributing costs such as would result from a ten per cent increase in the class rates would be a serious obstacle to such reconversion and to the re-employment dependent upon it

Mark A. Daly.

Sworn to before me this 13 day of December, 1945.
Nathaniel Braun, Notary Public, New York County.
N. Y. County Clerk's No. 274. Commisison expires Mar 30, 1946. (Seal.)

[fol. 597] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311
[Title omitted]

AFFIDAVIT—Filed December 13, 1945

M. P. CATHERWOOD, having been duly sworn, deposes and says:

I am Commissioner of Commerce and head of the Department of Commerce of the State of New York. It is part of my duty, and in the discharge of my official functions I have occasion to be familiar with the manufacturing industries of this State, with their needs, their products and their markets. It is also my function to be alert to the possibilities of locating new industries within the State and the problems incident thereto. At the present time one of the principal activities of myself and of my department is in relation to reconversion from war to peacetime production, seeking to find new products which industries in this State can produce and to develop new industries to provide employment for the many citizens of New York who have been previously employed by wartime industries or have been in the armed services, in order that the economic welfare of the citizens and communities of this State may be maintained.

[fol. 598] I was a witness in the proceeding before the Interstate Commerce Commission in which it made the orders involved in this suit and am familiar with that proceeding and with the Commission's report and orders therein.

There are many industries both large and small in the State of New York which manufacture articles distributed throughout Official Classification Territory which are shipped at class rates. I and my Department are also endeavoring, as a reconversion measure, to develop other products which can be manufactured in New York State, which will be shipped at class rates. One of the most serious problems at the present time is that of manufacturing goods at present-day costs and selling them at prices which will cover those costs and yield a profit sufficient to induce manufacture without violating price regulations or inducing inflation. Therefore, anything which will increase either manufacturing or distribution costs, especially just at this time, will impair and, in my opinion, seriously deter, industrial reconversion and reemployment. A 10 per cent increase in the freight rates for the transportation of finished products and of various inbound parts would, in my opinion, cause serious injury to individual industries in this State and would hamper and retard reconversion and the furnishing of employment, to the great detriment of the economic welfare of this State and all its citizens. If a 10 per cent increase in class rates should become effective, even if it remained in effect for only a short time, its consequence just at this particular period would be serious. If manufacturers should be permitted and attempt to add the increased freight rates to their sales prices, their competitive position would be impaired in relation to competing manufacturers selling in common markets, including

[fol. 599]

manufacturers shipping at commodity rates or other rates which will not be increased by the orders of the Commission herein. On the other hand, if manufacturers cannot increase their sales prices to cover the increased transportation costs resulting from the Commission's order, they will have no means of reimbursing themselves elsewhere and will be discouraged from engaging in or continuing manufacturing operations.

The State of New York is concerned over the orders of the Commission involved in this suit not only because of the effect which their enforcement would have upon the economic welfare of its citizens but also because the State of New York is itself a large purchaser of goods which move in interstate commerce at class rates and for the transportation of which it would therefore be subjected to increased costs or transportation charges if the class rates should be increased 10 per cent. Among the goods which the State of New York purchases for its institutions and its operating needs are large quantities of food products, drugs, clothing, furniture, automobiles and automotive equipment, crockery and petroleum products. An increase in the class rates would cause an increase, either immediately or ultimately, in the cost to the State of New York of these products needed by it in the exercise of its sovereign functions.

M. P. Catherwood.

Sworn to before me this 12 day of December, 1945. Ellen R. Murphy, Commissioner of Deeds City of New York. New York County Clerk's No. 51. Commission expires June 20, 1947.

[fol. 600] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT OF HONORABLE THOMAS E. DEWEY, GOVERNOR OF THE STATE OF NEW YORK—Filed December 13, 1945

STATE OF NEW YORK,
County of Albany, ss:

Thomas E. Dewey, being duly sworn, deposes and says:

I am the Governor of the State of New York, one of the plaintiffs in this suit.

In my capacity as Governor it has been my duty and I have had the occasion to familiarize myself with the general facts concerning the industrial and commercial enterprises of the State and the factors which affect the welfare of the citizens and communities of the State.

The State of New York is primarily an industrial state but it also has a large agricultural production. A large proportion of the population of the State is dependent upon industrial employment for a livelihood. A smaller but, nevertheless, important portion of the population is dependent upon the sale of farm products. The manufac- [fol. 601] turing industries of New York State are such that many of their products are articles which, as I am informed, ordinarily or in large part are transported at class rates. Among the industries which are important in New York State and upon whom large parts of the State's population depend for employment and upon whose continued operation in the State the welfare of many communities depends, are those producing such manufactured articles as electrical machinery, shoes, hosiery, knitted goods, house furnishings, canned goods, furniture, clothing, glass, a large portion of which is subject to class rates when transported by railroad. Many industries, especially in the urban centers, are small units. In the case of most of these industries costs of distribution play an important part in their ability to market their products and continue in operation. Any increase in these costs will impair the ability of these industries to market their products in competition with other manufacturers and will threaten the continued operation of these industries at their present locations in this State.

It has been the experience of this State that when industrial concerns shift their manufacturing operations to other localities they do not take with them the working people dependent upon the operation of the plants for their daily bread, but leave these people to go on relief unless and until they can be absorbed into other industries. This was the unfortunate experience of an important part of the population in the City of Utica when the textile companies formerly located there shifted their operations to plants elsewhere. It was the experience of the Jamestown district, [fol. 602] when a large part of the furniture industry, of which that district had been an important center, moved to other fields of production.

The situation of New York at the present time, confronted as is the whole country, with conversion from war production and with the problem of finding peace-time employment for its inhabitants is especially serious. During the war approximately one million factory workers in New York State, constituting about half of the total factory employment of this State, and about one out of every thirteen people of the entire population of the State, have been engaged in war production. Unless these people can now find employment in peace-time industries they will be without means of earning a livelihood and their support will become a charge of the city and federal governments. In addition employment must be found for the many men of this State who left their jobs to serve in the armed forces. Therefore, anything just at this time which would increase the cost of manufacturing goods in New York State and of distributing the products of industries in New York to points in New York State and elsewhere would threaten the economic welfare of the State and cause injury to its communities and citizens which could not thereafter be compensated for.

The order of the Interstate Commerce Commission which is involved in this proceeding, which would require an immediate increase of 10 per cent in the class rates of the railroads, would, as I am informed and believe, impose increased charges and, therefore, increased costs for the shipment and distribution of a substantial part of the [fol. 603] products of manufacturing industries in this State and of potential new industries which might otherwise locate in this State. I am convinced that this would be a serious burden on many industries in this State, and that it would constitute an important obstacle to the location of new industries in the State which might furnish employment for those for whom peacetime jobs must be found following the discontinuance of the war and war production. This is an immediate matter and if new industries fail to locate now or if existing industries are now induced to discontinue or diminish operation, there will be no adequate way of making good the injury caused if at the end of protracted litigation it should be determined that the Commission's order requiring a 10 per cent increase in the class rates of the railroads is invalid.

I am not unmindful that there are other sections of the country where it is claimed that the existing class rates are unfair to them. I direct attention, however, to the fact, as I am informed, that the evidence in this proceeding indicates that class rate traffic in this part of the country where the Commission's order would require a 10 per cent increase constitutes 5.8 per cent of the total carload business of the railroads; whereas class rates are charged upon a 1.8 per cent of the carload traffic within the South and .6 per cent of that within the West. More than this, there is a very much greater volume of carload business in this territory than in the other sections.

My familiarity with the products of the State of New York leads me to believe that the proportion of its manufactured products for the transportation of which class [fol. 604] rates are charged, which would be increased 10 per cent, is greater than is represented by the percentage figure of 5.8 per cent for Official Territory as a whole.

I have previously stated that this State has a large agricultural production and that an important portion of the population is dependent upon the sale of farm products or other goods produced by the processing thereof. I am informed by the officials of the State directly concerned with such matters that a considerable proportion of the farm products and of processed foods and other articles made from farm products which are produced or processed in this State when shipped by railroad is charged class rates or rates which would be directly affected by changes in the class rates. An increase in the cost of distributing farm products or articles produced therefrom if passed to the consumers would increase food and living costs for people generally, and if the increases could not be passed on, would constitute an added burden upon farmers and food processors, which would discourage the production and processing of farm products in this State.

I am informed by the Attorney General and the Special Assistant Attorneys General of this State and by the experts employed by this State in connection with the proceedings before the Interstate Commerce Commission that, in their opinion, there are reasonable grounds for believing that the order of the Interstate Commerce Commission requiring a 10 per cent increase in the class rates on freight originating or terminating in this State and moving to and from other points in Official Territory is contrary to [fol. 605] and without support in the evidence before the

Commission, is based upon erroneous conclusions of law and should ultimately be held invalid.

It is my firm opinion, for the reasons stated, that if the enforcement of the Commission's order is not stayed pending the final determination herein as to its validity, and if the Commission's order should ultimately be held invalid, the State of New York and its citizens will suffer and will have suffered irreparable injury for which they will have no means of redress.

Thomas E. Dewey.

Signed and sworn to before me this 12th day of December, 1945. Irene E. McKenna, Notary Public, Albany County. (Seal.)

[fol. 606] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT OF CHARLES E. BELL—Filed December 13, 1945

STATE OF NEW YORK,
County of New York, ss:

Charles E. Bell, being duly sworn, deposes and says:

I reside at 6007 Thirty-Third Street, N. W., Washington, D. C., and have an office in that city.

1. I have been engaged in transportation work for over fifty (50) years. Since 1918 I have been engaged in business as a transportation consultant and adviser to railroads, industries and others in regard to their transportation problems. My functions in this capacity have required that I become thoroughly familiar with the rate structures throughout the country and to make numerous cost studies of various kinds relating to the transportation of freight by railroads. I have appeared in a large number of proceedings before the Interstate Commerce Commission and before State Commissions. I have been employed from time to time by the United States Government as a consultant in regard to traffic and transportation problems and in

[fol. 607] administrative positions. I have also been employed by foreign governments, with respect to traffic and transportation matters.

2. I was employed and presently am in the employ of the State of New York in connection with these proceedings. In this capacity I prepared cost studies for use in the proceedings had before the Commission in Docket No. 28,300 Class Rate Investigation, 1939, and Docket No. 28,310 Consolidated Freight Classification, which proceedings and the orders therein are the subject matter of this suit. I also analyzed the rate structure of the different territories and prepared exhibits and testimony in connection therewith. I also made an analysis of the cost studies prepared by Dr. Edwards, Chief Cost Analyst of the Interstate Commerce Commission, which studies were presented in evidence in these proceedings. I attended all the hearings before the Interstate Commerce Commission and also a portion of the oral arguments before the Interstate Commerce Commission. I assisted Parker McCollester, Special Assistant Attorney General of the State of New York in the preparation of the briefs filed by him on behalf of that State and also consulted with him at great length in the preparation of the testimony and evidence presented by me on behalf of the State of New York.

3. As a result of the foregoing studies and participation in the proceedings before the Commission it is my opinion that the cost studies presented by Dr. Edwards are in themselves defective as purporting to reflect the cost of transporting freight in Official, Southern and Western Territories, and that even if they could be considered correct in this respect they do not indicate the cost of handling class rate traffic in these territories.

4. It is my judgment that the Edwards cost studies do not portray the comparative costs of transporting any particular character or type of freight in the various terri- [fol. 608] tories; nor, for that matter, the cost of transporting all freight. This opinion is predicated on the following reasons, not to mention many others:

(1) The costs in each of the respective territories portrayed by the studies are based on the average gross ton-mile unit cost per mile of road and upon a unit average of all the terminal costs per car. These unit

costs are derived from the total costs of all the railroads in each territory for the transportation of all freight regardless of its character and the different types of freight, whether coal, iron ore, sand and gravel, logs, millinery, boots and shoes, refrigerators, electrical appliances, etc., etc.; also regardless of the volume of the movement of any commodity or character of freight, regardless of the kinds of trains in which the freight is transported, whether it is transported over main lines or branch lines, whether over railroads of high or low traffic density, whether over heavy or light grades, and regardless of the length of haul. The total line-haul costs of all the railroads in each territory are added together and the total figure so ascertained is divided by the number of gross ton miles in that territory to arrive at an average unit gross ton-mile cost of all freight transported. The terminal costs of each railroad are added together, the total being divided by the total number of cars accorded terminal services to arrive at unit costs. The unit line-haul costs and the unit terminal costs are added together to arrive at the total cost per mile of road in the respective territories.

[fol. 609] The so-called box-car, gondola and hopper car, refrigerator car, flat car, and tank car line-haul costs simply reflect the average tare weights of the respective types of cars added to the average weights of the lading and the resulting gross ton miles are multiplied by the average gross ton-mile unit costs arrived at in the manner above recited. The average terminal cost is divided by the weight of the lading regardless of the character of the lading or the type of cars used. This terminal cost is added to the line-haul cost regardless of the length of haul.

Manifestly, the purported costs do not reflect the true cost of transporting class rate freight nor the true cost of transporting any commodity.

(2) The costs are based on many assumptions which appear in the evidence of record but which are too numerous to recite here.

(3) In the computation of the Edwards costs for Official Territory there was omitted the costs of the railroads in that part of Official Territory which is

generally known as the Pocahontas Region. The Edwards studies are predicated upon the fiction that the Pocahontas Region is a rate territory when, as a matter of fact, it is a part of the Official rate territory and has been found to be such in many decisions of the Interstate Commerce Commission. See, for example, 58 I. C. C. 220, 225 and 164 I. C. C. 314, 322.

It is my opinion, therefore, that the findings of the major-[fol. 610] ity of the Commission that the average costs of transporting all freight in Southern Territory is not greater than the average cost of transporting all freight in Official Territory is unfounded and is not adequate to support its order and finding that the class rates involved in the proceeding are unlawful.

5. It is my judgment, based upon my experience and general knowledge and the studies I have made, that the Commission's findings that the class rates within Southern and Western Territories should be reduced 10% and those within Official Territory increased 10% are not warranted. The transportation conditions vary greatly in various territories. There are important differences in the kinds and character of freight transported and the volume of the movement of the different kinds of freight. This has an important bearing upon the manner in which the transportation burden is distributed in the respective territories. The boundaries of the three major rate territories, viz., Official, Southern and Western, conform generally, with some few exceptions, with the termini of the major railroad systems serving each territory. These major railroad systems in each territory are generally competitive with each other but not with railroads or railroad systems in other territories. The railroads in each territory are affected by common physical and industrial conditions within such territory which differ to a very great extent in other territories. By reason of the differences above recited the levels of the class rates within the South and the West and from those territories to Official Territory are higher than the class rates within Official Territory.

6. Based upon my general knowledge and investigations and studies I have made I know that the rates, generally, on raw materials and other low grade, heavy loading commodities moving within Southern Territory are lower, mile-for-

mile, and some of them to a very substantial extent, than [fol. 611] the rates on the same materials and commodities moving within Official Territory.

7. The volume of freight moving on class rates in Official Territory far exceeds the volume of freight moving on class rates within Southern and Western Territories.

8. It is my opinion, based upon a close study of the record in the proceedings in Docket 28,300, that there is no evidence contained therein that could possibly support a finding that the class rates within Official Territory are unremunerative and are less than reasonable compensatory rates and that, therefore, they should be increased 10%.

9. It is my opinion that the difference in the rates of return shown to have been earned by the respective rail lines in Official, Southern and Western Territories does not justify an increase in the class rates in Official Territory.

10. It is my opinion that since the record in this case is based largely upon railroad, industrial and other economic statistics for the year 1939, it does not correctly portray the transportation, economic and industrial situation in the respective territories as it exists today. It is my judgment that these conditions have radically changed since 1939 and that the evidence of record is not adequate to support an order for the future. I base this opinion upon the fact that I have been continually in touch with railroad, transportation and industrial conditions since 1939. It is also my opinion that at no time in the forseeable future will the transportation, industrial and economic situations be similar to that which existed in 1939.

11. A 10% increase in the class rates within Official Territory will affect a much larger volume of traffic and the freight revenues derived therefrom than a 10% reduction in the class rates within the South and in the West and from those territories into Official Territory. I have made what I consider to be approximately accurate computations of the minimum additional amounts which the shippers and receivers of freight in Official Territory will be required [fol. 612] to pay on carload and less-than-carload class rate traffic within that territory and as compared with the reductions on class rate traffic moving within Southern Territory and Western Territory if the Commission's

order, increasing the class rates in Official Territory and reducing the class rates in Southern and Western Territories, is permitted to stand. These approximations and the basis for my computations appear in Appendices Nos. 1 and 2, hereto attached and made a part hereof. The computations for carload traffic are for the year 1942, which is the year dealt with at Pages 564-566 of the Commission's report in this proceeding. The computations for less-than-carload class rate traffic are based on the tonnage and ratios appearing on Pages 568-569 of the Commission's report, applied to the total tonnage and revenues of less-than-carload traffic for the year 1942.

Table No. 6 of Appendix No. 1 discloses that an increase of 10% in the rates on carload class rate traffic moving within Official Territory will amount to $9,171,671 and that a reduction of 10% on carload class rate traffic moving within Southern Territory will amount to $648,888.90, and in Southwestern Territory will amount to $508,528.30. Stated differently, the amount of the reduction in Southern Territory is $6.52% of the amount of the increase within Official Territory and in Southwestern Territory the reduction is 5.54%. The revenue figures are not available for Western Trunk Line Territory which constitutes a part of the Western District for which the Commission's statistics cover that entire District without any separation for Western Trunk Line Territory.

The total number of carloads of class rate traffic moved in Official, Southern, Western Trunk Line and Southwestern Territories during the period shown on Page 565 of the Commission's report are not shown in Appendix No. 1. However, by applying the percentages that the carload class rate traffic is of the total carload traffic moved within the [fol. 613] respective territories for that period as shown in Table No. 1 of Appendix No. 1, viz., 5.8% in Official Territory, 1.8% in Southern Territory, 0.6% in Western Trunk Line Territory, and 2.4% in Southwestern Territory, it will be found that 6,491 cars of class rate traffic moved within Official Territory, 423 within Southern Territory, 194 within Western Trunk Line Territory, and 264 within Southwestern Territory. Stated differently, more than 15 times as many cars of class rate traffic moved in Official Territory than in Southern Territory, more than 33 times as many cars than in Western Trunk Line Territory, and more than 24 times as many cars than in Southwestern Territory.

The shippers in Southern and Western Territories are primarily concerned with obtaining a level of rates from those territories to Official Territory which will be on a mile-for-mile parity with the rates in Official Territory. As hereinbefore stated, and as appears at Page 564 of the Commission's report in this proceeding, 5.8% of all carload traffic moved within that territory at class rates, amounting to 6,941 carloads for the period shown in the Commission's report. Exhibit No. 194, introduced in evidence by a witness for the Commission, shows that 15.989 carloads of traffic moved from Southern Territory to Official Territory in the same period. As the Table at page 564 of the report discloses, only 0.9% of that traffic consisted of class rate traffic, amounting to 144 cars, and as shown at page 566 of the Commission's report. Exhibit No. 194 shows that 8,246 carloads of traffic moved from Western Trunk Line Territory to Official Territory and 5,833 cars from Southwestern Territory. As the Table at Page 564 of the Commission's report discloses, 3.1% of the carload traffic from Western Trunk Line Territory to Official Territory moved at class rates and 1.5% from Southwestern Territory. Therefore, only 256 cars of class rate traffic moved from Western Trunk Line Territory to Official Territory and 88 cars from South-[fol. 614] western Territory. The combined movement from Southern, Western Trunk Line and Southwestern Territories was 488 cars compared with 6,491 cars moving within Official Territory. There is nothing in the record or in the files of the Interstate Commerce Commission which shows the revenues on this interterritorial movement of class rate traffic, nor are there any statistics from which such revenues can be computed.

The total number of carloads of class rate traffic moving within Southern, Western Trunk Line, and Southwestern Territories was 881 cars which, added to the total of 448 cars moving from those territories to Official Territory makes a grand total of 1,369 cars. This total is less than 22% of the 6,491 cars of class rate traffic moving within Official Territory during the same period.

Table No. 9, of Appendix No. 2, discloses that an increase of 10% in the class rates on less-than-carload traffic moving within Official Territory will amount to $6,264,931 and that a reduction in the class rates on less-than-carload traffic moving within Southern Territory will amount to $984,747. An examination of Appendix No. 2 will disclose the method employed to arrive at the above figures. As Note 1, on Page 4 of Appendix No. 2, discloses, the figures shown for "Western Territory" are for the entire Western District, whereas only the rates within the Western Trunk Line portion of that District are involved in these proceedings. Therefore, figures shown for what is termed "Western Territory" and the "Western District" appearing in Appendix No. 2, considerably overstate the actual figures for Western Trunk Line Territory and it is not proper to compare them with the figures for Official and Southern Territories.

I have already shown herein how greatly the importance of carload class rate traffic in Official Territory exceeds that in Southern and Southwestern Territories. Table No. 3 of Appendix No. 2 shows likewise for less-than-carload class rate traffic and that 95.1% of the total less-than-carload traf- [fol. 615] fic moves on class rates in Official Territory compared with 41.8% in Southern Territory. Table No. 2 shows that the ratio of less-than-carload traffic moving on commodity rates within Official Territory is only 5.1% compared with 139.2% in Southern Territory; also that the ratio in Western Territory is 40% and that 71.4% of the less-than-carload traffic moving within Western Territory was on class rates. Table No. 1 shows that the total of all less-than-carload traffic in Official Territory is 3 times that in Southern Territory and is nearly 2½ times that in Western Territory.

As hereinbefore appears, I estimate that the minimum increase within Official Territory on carload class rate traffic will amount to $9,171,671. Adding to this figure the estimated minimum increase of $6,264,931 on less-than-carload class rate traffic makes a minimum total increase of $15,436,602, which the shippers and receivers of class rate traffic in Official Territory will have to pay if the Commission's findings and order in this proceeding are permitted to stand. On the other hand, the shippers and receivers in Southern Territory would get a reduction of $648,880.90 on carload class rate traffic moving within that territory and a reduction of $984,747 on less-than-carload traffic, making a grand total reduction of $1,632,635.90. The shippers and receivers in Southwestern Territory would get a reduction of $508,528.30 on carload class rate traffic moving within that territory. Inasmuch as no revenue figures are available for Western Trunk Line Territory, as distinguished from the Western District, it is not possible to approximate the reductions on either carload or less-than-carload class rate traffic within that territory. Inasmuch as no separate figures are available for less-than-carload traffic in Southwestern Territory, it is not possible to estimate the reductions on such traffic in that territory.

For the foregoing reasons, if the plaintiff herein is denied [fol. 616] a temporary injunction it will subject the shippers and receivers of freight in Official Territory to irreparable injury.

Charles E. Bell.

Signed and sworn to before me this 13th day of December, 1945. Raymond J. Martin, Notary Public. Kings County Clk's No. 57, Reg. No. 67-M-6. Bronx County Clk's No. 8, Reg. No. 18-M-6. Queens County Clk's No. 79, Reg. No. 28-M-6. N. Y. County Clk's No. 202, Reg. 125-M-6. Term expires March 30, 1946. (Seal.)

(Here follows 5 photolithographs, side folios 617-621)

APPENDIX NO. 1

TABLE NO. 1

STATEMENT OF CARLOAD TRAFFIC MOVING INTRATERRITORIALLY WITHIN AND INTERTERRITORIALLY FROM AND TO THE FOLLOWING TERRITORIES ON MAY 27 AND SEPTEMBER 23, 1942 AS SHOWN IN REPORT OF INTERSTATE COMMERCE COMMISSION, I.C.C. DOCKETS 28300 AND 28310

262 I.C.C. 447, 565-566

	Official Territory		Southern Territory		Western Trunk Line Territory		Southwestern Territory	
	No. of Cars	% of Total	No. of Cars	% of Total	No. of Cars	% pf Total	No. of Cars	% of Total
Within	111,914	67.5	23,512	44.6	32,989	56.8	10,985	40.4
From Other Territories	33,693	-	10,566	-	12,943	-	4,870	-
To Other Territories	20,215	-	18,649	-	12,120	-	11,356	-
Total	165,822		52,727		58,052		27,211	

- - - - - - - - - - - - - - - - - - - -

TABLE NO. 2

PERCENTAGE CLASS RATE TRAFFIC IS OF INTRATERRITORIAL TRAFFIC

(SEE TABLE ON PAGE 564 OF 262 I.C.C.)

	Official Territory	Southern Territory	Western Trunk Line Territory	Southwestern Territory
Within	5.8%	1.8%	.6%	2.4%

- - - - - - - - - - - - - - - - - - - -

TABLE NO. 3

FREIGHT REVENUE ON CARLOAD TRAFFIC IN YEAR 1942

(Authority - I.C.C. Freight Commodity Statistics, Statement No. 43100)

Official Territory (Eastern District)	Southern Territory (Southern Region)	Western Trunk Line Territory	Southwestern Territory (Southwestern Region)
$2,342,714,958	$808,282,217	No Figures Available	$524,472,243

- - - - - - - - - - - - - - - - - - - -

TABLE NO. 4

FREIGHT REVENUE ON INTRATERRITORIAL CARLOAD TRAFFIC. (COMPUTED BY APPLYING PERCENTS SHOWN IN TABLE NO. 1 TO CARLOAD FREIGHT REVENUES SHOWN IN TABLE NO. 3)

Official Territory (Eastern District)	Southern Territory (Southern Region)	Western Trunk Line Territory	Southwestern Territory (Southwestern Region)
$1,581,332,587	$360,493,869	No Figures Available	$211,886,786

- - - - - - - - - - - - - - - - - - - -

TABLE NO. 5

ESTIMATED FREIGHT REVENUE ON INTRATERRITORIAL CARLOAD CLASS RATE TRAFFIC. (COMPUTED BY APPLYING PERCENTS SHOWN IN TABLE NO. 2 TO INTRATERRITORIAL CARLOAD FREIGHT REVENUES, SHOWN IN TABLE NO. 4

Official Territory (Eastern District)	Southern Territory (Southern Region)	Western Trunk Line Territory	Southwestern Territory (Southwestern Region)
$91,716,710	$6,488,889	- - - - -	$5,085,283

- - - - - - - - - - - - - - - - - - - -

TABLE NO. 6

ESTIMATED AMOUNT OF 10% INCREASE OR REDUCTION IN CARLOAD CLASS RATE FREIGHT REVENUES, SHOWN IN TABLE NO. 5

Official Territory (Eastern District)	Southern Territory (Southern Region)	Western Trunk Line Territory	Southwestern Territory (Southwestern Region)
Increase	Reduction		Reduction
$9,171,671.00	$648,888.90	- - - - -	$508,528.30

APPENDIX NO. 2

TABLE NO. 1

TOTAL NUMBER OF POUNDS OF LESS-THAN-CARLOAD TRAFFIC, UNDER TYPE OF RATES CARRIED FOR THE WEEK OF SEPTEMBER 8 TO 14,1939, INCLUSIVE

IN

	OFFICIAL TERRITORY	SOUTHERN TERRITORY	WESTERN TERRITORY (See Note 1)
Intraterritorial	292,487,885	97,694,576	179,622,327
Originated	347,317,520	125,215,886	190,837,014
Terminated	318,572,095	130,275,846	214,522,479
Total Originated and Terminated	665,889,615	255,491,732	402,359,493
Percent Intraterritorial of Total Originated and Terminated	43.92	38.24	44.31

(Authority - Page 568 of 262 I.C.C.)

- -

TABLE NO. 2

RATIO OF LESS-THAN-CARLOAD TRAFFIC MOVING ON COMMODITY RATES TO THE TOTAL LESS-THAN-CARLOAD TRAFFIC MOVING ON CLASS RATES.

In Official Territory	5.1 percent
In Southern Territory	139.2 percent
In Western Territory	40.0 percent

(Authority - Page 569 of 262 I.C.C.)

TABLE NO. 3

RATIOS IN TABLE NO. 2 CONVERTED TO PERCENTS OF TOTAL LESS-THAN-CARLOAD TRAFFIC.

Moving on Commodity Rates	Moving on Class Rates
4.9 percent	95.1 percent
58.2 percent	41.8 percent
28.6 percent	71.4 percent

(Authority: Computed)

- -

TABLE NO. 4

NUMBER OF POUNDS OF LESS-THAN-CARLOAD TRAFFIC CARRIED IN YEAR 1942, BY CLASS I RAILROADS

	In Eastern District (Official Territory)	In Southern Region (Southern Territory)	In Western District (Western Territory) (See Note 1)
Originated	18,872,468,000	5,957,844,000	9,383,256,000
Terminated	16,367,352,000	6,201,022,000	10,778,660,000
Total	35,239,820,000	12,158,866,000	20,161,916,000

(Authority - I.C.C. Statement No. 43100)

TABLE NO. 5

NUMBER OF POUNDS OF LESS-THAN-CARLOAD TRAFFIC CARRIED INTRATERRITORIALLY. (COMPUTED BY APPLYING PERCENTAGES IN TABLE NO. 1 TO TOTAL NUMBER OF POUNDS SHOWN IN TABLE NO. 4

In Eastern District	In Southern Region	In Western District (See Note 1)
(43.92%)	(38.24%)	(44.31%)
15,477,328,944	4,649,550,358	8,933,744,980

- - - - - - - - - - - - - - - - - -

TABLE NO. 6

NUMBER OF POUNDS SHOWN IN TABLE NO. 5 CARRIED AT CLASS RATES

(COMPUTED BY APPLYING PERCENTAGES IN TABLE NO. 3 TO FIGURES IN TABLE NO. 5)

Eastern District		Southern Region		Western District (See Note 1)	
(95.1%)	14,718,939,826	(41.8%)	1,943,512,049	(71.4%)	6,378,693,916

- - - - - - - - - - - - - - - - - -

TABLE NO. 7

TOTAL FREIGHT REVENUE IN 1942 OF ALL CLASS I RAILROADS FROM ALL LESS-THAN-CARLOAD TRAFFIC

Eastern District (Official Territory)	Southern Region (Southern Territory)	Western District (Western Territory) (See Note 1)
$149,993,858	$61,607,097	$116,322,958

(Authority - I.C.C. Statement No. 43100)

- -

TABLE NO. 8

FREIGHT REVENUE ON INTRATERRITORIAL TONNAGE OF LESS-THAN-CARLOAD TRAFFIC (COMPUTED BY APPLYING PERCENTAGES IN TABLE NO. 1 TO REVENUES SHOWN IN TABLE NO. 7)

Eastern District	Southern Region	Western District (See Note 1)
(43.92%)	(38.24%)	(44.31%)
$65,877,302	$23,558,554	$51,542,703

- -

TABLE NO. 9

FREIGHT REVENUE ON INTRATERRITORIAL TONNAGE OF LESS-THAN-CARLOAD TRAFFIC CARRIED AT CLASS RATES. (COMPUTED BY PLYING PERCENTAGES IN TABLE NO. 3 TO FIGURES IN TABLE NO. 8)

astern District	Southern Region	Western District (See Note 1)
.1%) $62,649,314	(41.8%) $9,847,476	(71.4%) $36,801,490

ESTIMATED AMOUNT OF 10% INCREASE OR REDUCTION IN REVENUE, BASED ON ORDER OF I.C.C. IN DOCKET NO. 28300

Eastern District Increase	Southern Region Reduction	Western District (See Note 1) Reduction
$6,264,931	$984,747	$3,680,149

- -

[fol. 622] **Note 1**

The term "Western Territory", appearing in the Table on Page 568, 262 I. C. C., includes the entire "Western District" which embraces all the territory west of the Mississippi River. The tonnage and revenues for the Western District are shown in I. C. C. Statement No. 43100. The report and order of the Commission in Docket No. 28300 only includes the territory east of the Rocky Mountains and does not include the territory west thereof which is termed "Mountain Pacific" territory. The tonnage and revenue figures shown herein are overstated, therefore, by reason of the inclusion of the Mountain Pacific territory, the rates within and to and from which are not involved in this proceeding. Separate figures are not available for the above mentioned portions of the "Western District".

[fol. 623] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

PARKER MCCOLLESTER, being duly sworn, deposes and says:

1. I reside at 24 Gramercy Park, New York, N. Y. I am a lawyer, with an office at No. 25 Broadway, New York, and am a member of the Bar of the Supreme Court of the United States, of various United States District Courts, and of the courts of New York State. I was employed by the State of New York as Special Assistant Attorney General to represent it in proceedings before the Interstate Commerce Commission entitled "Docket No. 28300, *Class Rate Investigation, 1939*", and "Docket No. 28310, *Consolidated Freight Classification*, and have been employed to represent the State of New York in this action involving the validity of the reports and orders made by the Commission in those proceedings.

2. I have been practicing law for approximately thirty years. During those years a large part of my practice has consisted of acting as counsel for railroads and other trans- [fol. 624] portation agencies and also for shippers using

such transportation agencies, and for Chambers of Commerce and public bodies in various transportation matters such as rates and charges of carriers. I have appeared for clients in a large number of proceedings before the Interstate Commerce Commission, the State Commissions and the Federal and State Courts relating to such matters. As a consequence of this experience, I have become reasonably familiar with the body of statutory and common law pertaining to the lawfulness of the rates and practices of common carriers, and with various practical and economic phases of transportation.

3. For a statement of the matters involved in this suit, the nature of the Commission's proceedings and of its reports and orders therein, of the grounds for believing that those reports and orders are erroneous, and invalid, and should be enjoined, and for the reasons for this suit insofar as New York is concerned, I refer to the petition herein, whose allegations I adopt as expressing my own knowledge of the facts and my own opinions, based upon my experience and knowledge of the law and my familiarity with the record in those proceedings.

4. The orders of the Commission sought to be enjoined would require the railroads in so-called Official Territory, which is roughly that part of the United States north of the Ohio and Potomac rivers, to make an increase of ten per cent in their class rates for transportation within this territory effective not later than January 1, 1946. Since the orders require that these rates shall be made effective on not [fol. 625] less than thirty days' notice, the railroads have already filed with the Interstate Commerce Commission their tariff schedules providing for the increases, but have given assurance that if the Commission's order is enjoined and they are thereby relieved from its compulsion they will postpone or cancel the increases.

5. The petition herein alleges that the Commission's findings and orders are contrary to and without support in the evidence before the Commission and are therefore arbitrary and capricious and also that they are based upon various errors of law. For the determination of this suit, it will therefore be necessary for the court to review the record, which will be presented to the court, of the extensive evidence before the Commission. This evidence consists of

some 5,490 pages of testimony and 233 statistical exhibits, some of them very voluminous. It will obviously be impossible for the court, in the time available between now and January 1, 1946, adequately to study this record in order to reach a proper determination as to whether or not it contains substantial evidence to support the Commission's findings and orders. I believe, also, that the questions of law which are raised are such that before reaching a final determination the court should have the benefit of briefs and argument of counsel, which cannot be adequately prepared and submitted before the present effective date of the Commission's orders. It is for these reasons that a temporary injunction is sought to restrain the enforcement of the Commission's orders pending final submission and determination of the serious and far-reaching issues involved in this suit.

6. It is my understanding of the law that this court, in the exercise of judicial discretion, should grant a prelimi- nary injunction if it appears (a) that there are reasonable grounds to believe that the Commission's reports and orders may be in error and invalid, and (b) that substantial and irreparable injury will be done if the orders are not enjoined in the event it is finally determined that they are invalid. It is admitted that there are some who will benefit by the enforcement of the Commission's orders and who, therefore, would suffer some injury if the orders are temporarily enjoined and if it should thereafter be finally determined that they were valid. It is, however, my understanding of the law that in such a situation the court, in granting or denying a temporary injunction, should be governed by the balance of the equities. It is my opinion, based upon my knowledge of the facts disclosed by the evidence in this proceeding and upon the facts set forth in other affidavits which will be submitted herewith, that the injury which the State of New York and other plaintiff states and their citizens and communities and industries will suffer if a temporary injunction does not issue and if the orders are ultimately held invalid will be far greater than the loss of the small temporary benefit which other parties might obtain if the orders should be permitted to go into effect on January 1, 1946 and that, furthermore, if the Commission's orders should ultimately be determined to be valid the law provides adequate remedy for any temporary injury which

others may have suffered from the failure to make effective on January 1, 1946 the reductions in class rates required by the Commission's orders.

7. The Commission's reports indicate that the basis of the Commission's orders requiring an interim increase of ten per cent in the class rates for railroad transportation [fol. 627] within Official Territory, is the conclusion of the Commission that the class rates should be established upon a uniform level throughout the entire country east of the Rocky Mountains and although the class rates were prescribed by the Commission itself, nevertheless, because they are not on a uniform level, they are unlawful in violation of Section 1 of the Interstate Commerce Act and unduly prejudicial of certain sections of the country, notably the South and West, and preferential of Official Territory in violation of Section 3 of the Interstate Commerce Act. This basic conclusion of the Commission appears from the reports to rest in turn upon the following underlying findings or assumptions:

(a) That the evidence shows that there are no substantial differences in the costs of transporting class rate traffic by the railroads in the several sections of the country.

(b) That the evidence indicates such absence of differences in the volumes and characters of freight transported in different sections of the country as to require uniform class rates.

(c) That the rate of return on the book values of their properties has been less for the railroads in Official Territory than for the railroads in the South and West and that this indicates that the class rates in Official Territory should not be lower than those in the other territories.

(d) That the evidence shows that the differences in the levels of the class rates have impeded the free [fol. 628] movement of freight on which such rates are charged and have prevented industries and shippers in the South and West from shipping at class rates into northern markets and have restricted the industrial development of those sections.

(e) That the amendment of Section 3 of the Interstate Commerce Act and the enactment by Congress of Section 5(b) of the Transportation Act, 1940 justify a requirement that the class rates be made uniform throughout the country.

8. I have attended all of the hearings in this proceeding, I have heard or read all of the testimony and examined all of the exhibits and am familiar with the record before the Commission. It is my opinion, based upon that familiarity, that despite the large size of the record it contains no substantial evidence to support any of the foregoing findings or assumptions of fact upon which the Commission's orders rest, and that indeed certain of these findings or assumptions of fact are contrary to the evidence. It is my opinion, also, that the Commission has proceeded on erroneous views of the law and that its orders are contrary to the law and beyond the authority of the Commission under the Interstate Commerce Act.

9. As to the complete insufficiency of the evidence before the Commission to support its preliminary findings and ultimate conclusion, I refer the court also to the vigorous dissenting expressions of members of the Commission who participated in its deliberations.

[fol. 629] 10. The decision in Dockets Nos. 28300 and 28310 was considered by the whole Commission of eleven Commissioners. Three members of State Commissions, who acted as a Cooperating Committee with the Commission, also participated in the proceedings and in the decision. The decision of the Interstate Commerce Commission and the Cooperating State Committee was not unanimous. Two of the members of the Interstate Commerce Commission, Commissioners Porter and Barnard, dissented in full from the decision reached by the majority of seven. Two of the members dissented in part and one of the members of the State Cooperating Committee dissented in full from the opinion of the majority. These dissents and the views expressed therein by men who participated in the discussion certainly cast serious doubt upon the correctness of the decision of the majority, and should carry weight with this Court in passing upon this application for an interlocutory injunction. *United States* v. *Balt. & Ohio RR. Co.*, 225 U. S. 306, 325.

11. As to transportation costs, the Commission's reports leave no doubt that the majority were led to their basic conclusion in large part because of a belief that the evidence supported a preliminary finding or conclusion that the costs of transporting class rate traffic in the several territories were approximately the same. The importance attributed to this phase of the matter by the majority is indicated by the large part of the reports, pages 571 to 591, 609 to 613, 693 to 694, devoted thereto. Thus at page 692, the majority stated that the "cost of service has been recognized as one of the basic elements entering into the process of making and judging rates" and that the "reality of costs in the rendition of transportation service is indisputable". [fol. 630] The emphasis which the majority placed upon the average cost studies in determining the lawfulness of the class rates in issue is indicated by its remarks at page 694:

> "Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified."

The evidence as to costs referred to and relied upon by the majority consisted of various studies and computations prepared by Dr. Ford K. Edwards of the Commission's staff and Dr. Edwards' testimony with regard thereto. However, admitting the sincerity and care devoted by Dr. Edwards to these studies, they do not support the conclusion of the majority here for several reasons:

(a) They do not and do not purport to indicate either the actual or even the relative costs of transporting class rate freight in the several territories, and this proceeding relates only to class rates. The computations are based upon railroad statistics relating to all freight of every kind. As the majority of the Commission itself said:

> "*Relative territorial costs.*—Territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in the respective territories, taking into consideration every kind of traffic carried, whether handled in box, gondola, tank, stock,

> flat, or refrigerator cars, and covering 300 miles of haul." (P. 575)

The opinion of the majority contains no finding or intimation of how the average cost of handling all freight can be considered as an indication of the cost of handling traffic [fol. 631] moving on class rates or of determining the lawfulness of such rates. Heretofore the Commission has recognized in other proceedings that the average cost of handling all freight cannot be considered indicative of the cost of handling a particular class of freight. Thus, in *Calif. Growers' & Shippers' Protective League* v. *S. Pac. Co.,* 129 I. C. C. 25, the Commission said at page 52:

> "Cost studies prepared in the same manner as those referred to at pages 95 et seq. of the prior report of the division were introduced by defendants. They reach conclusions not materially different. If these are accepted, the deciduous-fruit traffic is carried at a loss. They are based on the average cost of handling all traffic, and cannot be accepted as showing the cost of the deciduous-fruit tonnage. *Nor. Pacific Ry. Co. v. Dept. Public Works,* 268 U. S. 39. It will be unnecessary to refer to them further, as the record affords an additional study made by the Santa Fe in 1923 which comes nearer to being constructed upon a sound basis than the others referred to."

Commissioner Porter vigorously dissented from the use of average transportation costs as evidence in determining the lawfulness of segment of traffic moving on class rates. At page 717 he said:

> "The cost evidence was prepared by members of our staff. It does not even purport to reflect the actual or relative costs of transporting class-rate traffic in the different rate territories. The territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in certain territories selected by our cost section on traffic handled in different types of equipment, such as box, gondola, tank, stock, flat, or refrigerator cars. Class-rate traffic is not transported exclusively in any type of equipment, and although a substantial quantity is moved in box-

> cars, the volume of class-rate traffic transported in boxcars is much less than the volume of traffic trans- [fol. 632] ported in that type of equipment at exception or commodity rates. *It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories.*" (Italics added.)

At page 718 of the report he stated:

> "Either this Commission has been grossly misinformed by dozens of sworn witnesses in the last half century, or this cost study is practically worthless for the purpose of fixing rates. I do not mean to say that it is not the best that can be produced at this stage of the science of cost-finding, but I do mean to say that it is so full of estimates and assumptions that even if it purported to show the cost of transporting class-rate traffic, which it does not, it would be unsafe to base the prescription of class rates or class-rate relations upon it."

Commissioner Barnard, in a separate dissenting opinion, stated as follows at page 728:

> "These studies attempt to arrive at a territorial comparison of average cost of all traffic and for traffic transported in different types of cars, i. e., box, gondola, and hopper, stock, flat, tank and refrigerator cars, and do not purport to show the costs of transporting class-rate traffic in any territory. The studies make no allowance for the difference in the consist of traffic in the different territories. If accepted at face value, they do not prove, nor were they intended to show the average cost of transporting class-rate traffic in any territory."

(b) Even if average transportation costs could be considered indicative of the cost of handling traffic moving on class rates the average cost studies contained in the record in Docket No. 28300 cannot be accepted as even approximately indicating the average cost of handling all kinds of traffic. These cost studies are complicated and it would unnecessarily lengthen this affidavit and burden the court [fol. 633] were I to undertake to indicate in detail the errors underlying the cost studies presented by the Commission's witness Dr. Edwards. For the purpose of this affidavit it will suffice to set forth the following remarks of Commissioner Porter made at page 717, which are supported by the evidence of record, and which I concur and adopt:

> "The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things."

(c) If the cost studies prove anything, they prove it as well as to the transportation of raw materials and low-grade freight as with regard to the transportation of class-rate traffic. Thus they do not justify a conclusion that the class rates are unlawful because not uniform or that the class rates for transportation within Official Territory should be increased, so long as the railroads are permitted to charge higher rates for the transportation of low-grade freight and raw materials in Official Territory than in the South.

[fol. 634] (d) Even if computations of average costs could be accepted as proof of the cost of transporting freight on which class rates are charged, the majority was in error in finding that the cost computations in this proceeding indicate that the transportation costs in Official Territory are approximately equal to those in the South. This is so, first, because in computing averages for Official Territory, there were excluded statistics for the so-called Pocahontas Lines. Had such statistics been included, they would have produced a lower average for Official Territory than for the South. The Pocahontas Lines are Official Territory railroads, their lines traverse that Territory, they charge Official Territory rates and their class rates would be increased by the Commission's orders. Second, the average figures for the South were the result in part of including statistics for transportation actually performed in Official Territory by railroads grouped with the South for accounting and reporting purposes. All of this more fully appears from the affidavit of Mr. Charles E. Bell to be submitted herewith.

(e) In regard to the comparative transportation costs in the Official Territory on the one hand and Western Territory on the other, the Commission found (p. 591):

> "Comparisons based on the year 1939 and the period 1930-39 show the over-all cost of rendering transpor- [fol. 635] tation service in the western territory to be between 5 and 10 per cent higher than in the East, excluding the Pocahontas territory. If the year 1941 were used, this difference would be reduced to 5 per cent or less. A comparison based on the inclusion of the Pocahontas territory with the eastern roads for the period 1930-39 shows a difference of 18 per cent. Based on the year 1939 the difference shrinks to approximately 15 per cent. Based on the year 1941 it would be reduced to something in the neighborhood of 10 per cent."

In the light of this finding, even if the cost computations were proof of the cost of transporting class-rate traffic, they do not constitute evidence that the class rates in Official Territory are unlawful because not equal to those in Western Territory.

12. On page 696, the majority of the Commission express the view that not only considerations of cost of service but also "consists of the traffic, distribution of the rate burden" justify the conclusion that the differences in levels of the class rates make them unlawful. On the contrary, the evidence shows that both in volume and in character the traffic transported by the railroads in Official Territory is greatly different from that transported by the carriers in Southern and Western territories; that the

carriers in the several territories have long followed entirely different schemes for distributing total transportation costs among the articles of commerce transported; that there are wide differences in the levels of the charges for transporting low-grade freight and raw materials as between Official and Southern territories, and that therefore the fact that the class rates are likewise on different levels in the different territories does not render them unlawful.

[fol. 636] 13. On pages 613 and 614 of the majority report, reference is made to the rates of return of the railroads in the several territories, and on page 705 the majority finds, on the basis of the figures as to rates of return, that "the revenue needs of the carriers in Official Territory with respect to their class rate traffic are greater than is the case as to the class rate traffic of the carriers in the other territories described." In my opinion, there is no evidence in the record which supports this finding. There is no proof that the rate of return of the carriers in Official Territory is due to the level of their class rates or that their average rate of return would be increased if the class rates were increased.

14. On pages 695, 696 and elsewhere in the majority report, it is stated that the differences in the levels of the class rates impede the free movement of manufactured products from points in Southern and Western territories, "reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in Official Territory" and "tends to restrict the growth and expansion of the manufacturers in the other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories". The findings are the basis of the majority's ultimate finding No. 3 (P. 701) that the relations between the class rates presently applying from Southern, Southwestern and Western Trunk Line Territories to Official and Illinois territories on the one hand, and the intraterritory class rates applicable between Official and Intra-Illinois Territory on the other, result in undue and unreasonable preference and advantage to Official and Illinois Territories as a whole and to the shippers and receivers of freight located therein, and undue and unreasonable prejudice and disadvantage to Southwestern and [fol. 637] Western Trunk Line Territories as a whole and

the shippers and receivers of freight located therein, in violation of Section 3 (1) of the Act.

In my opinion, there is no substantial evidence in the record before the Commission to support these findings, and these findings are, indeed, without support in and contrary to preliminary findings of the majority itself as to the nature of the evidence on this point.

15. The Southern interests presented only nine witnesses representing individual business organizations and only three of these nine represented shippers whose products moved on class rates in issue in Docket No. 28300. These witnesses presented no testimony that would indicate that the existing class rates subject them to injury. (See pp. 615, 619 of the Majority Report.) In addition, testimony was offered by the Secretary and Manager of the Atlanta Freight Bureau in respect to 14 groups of commodities. It appears, however, that only six of these moved on class rates and there is no showing in respect to these six commodities that the shippers thereof are in competition with shippers in Official Territory, that they are subjected to injury because of the present rates, or that they had previously ever complained to the representatives against the present class rates (p. 618). One other witness for the Nashville Freight Bureau criticized the rates on two commodities, but whether the rates moved on class rates or the Southern shippers were in competition with Northern shippers, or are subject to injury because of the present rates is not indicated by the Commission's reports (pp. 618-619). The Commission's findings based on this testimony are set out at pages 12 to 19 of the petition. In [fol. 638] my opinion neither these findings nor the evidence constitute substantial or indeed any support for a conclusion that the differences in the levels of the class rates have impeded the movement of freight, or constituted a disadvantage to manufacturers in the South or caused prejudice or injury to the South. Opposed to this scanty testimony were the positions taken by several organizations representing a large cross section of shippers in Southern Territory. The position of these organizations is summarized by the Commission as follows at p. 561 of its report:

> "Representatives of certain southern industrial interests and shippers located in the southern States oppose a general revision of the southern class-rate

structure or of the class rates between southern and official territories. Their position is that the present class rates considered as a whole are lawful and are well suited to southern economy, do not retard the development of manufacturing in the South, and that mile-for-mile uniformity of southern class rates with those in official territory would so affect the revenues of southern carriers as to require an upward revision of commodity rates within and from the South, with disastrous effects upon southern industry. Certain southern interests on oral argument strongly opposed any action herein which might result in increases in the levels of exception or commodity rates within or to and from southern territory.

The Southern States Industrial Council, a voluntary, nonprofit organization, composed of the major manufacturing interests in 13 southern States, expressed the view that rate inequalities should be adjusted through recognized channels without involving the entire basic rate structure of the country. It does not favor widespread changes that will affect adversely the South's present industrial economy, the growth and development of which is said to have been fostered by the basic commodity rate structure in southern territory.

On argument, the Southeast Shippers' Conference, a voluntary organization of manufacturers, shippers, commercial organizations, and receivers of freight located in the South, stated that the prevailing system in the South of distributing the prices of transportation among articles of commerce is responsive to the South's development and has proved generally satisfactory. It opposes the uniformity sought.

[fol. 639] The New Orleans Joint Traffic Bureau on argument expressed the opposition of its members to uniformity of class rates."

As regards Western Territory, the Commission's report indicates that only three commercial witnesses speaking for individual business establishments testified in the proceedings before the Commission and as the majority found (p. 673) two of the shippers neither complained that the rate adjustment had discouraged or disbarred their enterprises, nor did they apparently complain of the rates in any other respects. The other shipper, as found by the majority, uses class rates "only to a very limited degree."

Commissioner Porter in his dissent said on this subject (p. 722):

> "An unbiased consideration of the foregoing data, together with others of similar import upon this record, can lead to but one conclusion, namely, that the class-rate adjustment here before us has had no appreciable effect, one way or the other, upon the industrial or economic development of the South or the West, and that not a single shipper, nor any particular class of shippers, nor any particular territory, has suffered injury by reason of that adjustment. Accordingly, I can find in this record no adequate support for the majority findings of undue prejudice and preference".

And Commissioner Barnard said (p. 728):

> "I am unable to find in this record sufficient evidence to support the claim of the Southern Governors' Conference that the class rate structures within the South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country. Furthermore, the evidence fails to convince me that the products of the South cannot compete with the products of official territory in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does [fol. 640] not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates."

In my opinion these expressions should indicate to the court serious doubt as to the sufficiency of the evidence to support the Commission's findings on this important point.

16. Therefore, it is my opinion that as to the major preliminary findings or assumptions upon which the majority's ultimate conclusion is predicated, there is a complete lack of substantial evidence to support them.

17. In reaching its basic conclusion that the class rates should be made uniform in all territories, it is my opinion that the majority of the Commission proceeded upon an erroneous view of the effect of Section 3 of the Interstate Commerce Act as amended and of Section 5 (b) of the Transportation Act, 1940. The majority appear to be of the view that these provisions require that rates shall be uniform in all territories. It is my opinion that the majority has misconceived the effect of these provisions and the Commission's powers thereunder.

18. Even if the Commission was justified in concluding that a uniform level of class rates should be established by the railroads for any of the reasons apparently relied upon by the Commission, it is my opinion that this does not and would not support the Commission's orders requiring a ten per cent increase in the class rates for transportation within Official Territory. I base this opinion upon the following considerations, among others:

(a) The Commission's orders are, in effect, an exercise by it of its power to prescribe minimum reasonable rates. [fol. 641] It has been held that the minimum rate power must be used sparingly and only when the preponderance of the evidence shows that existing rates do not provide adequate compensation for the transportation to which they apply and are not compensatory and, therefore, less than minimum reasonable rates, or that they seriously threaten a rate war and a consequent breakdown of the rate structure and an impairment of the revenues of the railroads, or that they are so inadequate that they cast a burden upon other freight to pay higher charges than would be warranted for the transportation of such other freight.

(b) There is no evidence in the record sufficient to support a finding that the existing class rates charged by the railroads in Official Territory do not provide adequate and reasonable compensation to the railroads for such transportation.

(c) There is no evidence that the existing class rates in Official Territory threaten a rate war or a general breakdown of the rates and the revenues of the railroads in Official Territory or that they throw a burden upon other freight.

(d) Even if the relative rates of return of the carriers in the several territories afforded an indication that the railroads in Official Territory require additional revenue, [fol. 642] there is no evidence that the rates of return are the result of the levels of the class rates or that the rate of return of the railroads in Official Territory would be increased by an increase in the class rates.

(e) There is no evidence that the class rate traffic in Official Territory will freely move at such rates if they are increased ten per cent.

(f) The requirement that the class rates in Official Territory be increased ten per cent, in my opinion, is not supported by the finding of undue prejudice and preference (even if the latter finding were supported by the evidence) in that it is well settled that the law requires that railroads be given an alternative as to the method of removing undue prejudice and preference and the Commission would be authorized to direct removal by an increase in the class rates in Official Territory only if there were a finding and evidence to support a finding that the existing rates are less than minimum reasonable rates, *Texas and Pac. Ry. Co.* v. *U. S.*, 289 U. S., 627, 650.

(g) As to a great deal of traffic there is no justification whatever for a finding that the differences in the levels of the class rates cause undue prejudice and preference because of the fact that the freight in Official Territory on which the railroads charge class rates, which would be in- [fol. 643] creased, is to a considerable extent in competition with freight shipped from the South and West, on which the railroads charge exception or commodity rates and do not charge class rates at all.

(h) The majority finds (pages 698-699) that the class rates in Southern, Southwestern, and Western trunk-line territories do not serve the purposes for which they were designed, as indicated by the fact that only a small proportion of traffic moves at class rates as compared with the volume of traffic moving at commodity and exception rates. By implication, the Commission finds that the class rates in Official Territory do serve the purpose for which they were intended and this is shown by the evidence indicating that a greater proportion of the total traffic in Official Territory moves at the class rates than is the case in other territories. It is arbitrary, inconsistent and without support in the evidence for the Commission to order that the class rates in Official Territory be increased, with the object of inducing traffic to move in greater volume at class rates in Southern and Western territories.

(i) The class rates in Official Territory were prescribed by the Interstate Commerce Commission as maximum reasonable rates in Eastern Class Rate Investigation, 164 I. C. C. 314, decided in 1930. There is no evidence in the [fol. 644] record to support a finding that conditions have so changed since then that class rates thus prescribed as maximum reasonable rates have now become less than minimum reasonable rates, and the Commission has made no finding of such facts. For this further reason, therefore, it is my opinion that the orders so far as they require an increase in the class rates in Official Territory are without support in the evidence and findings and are arbitrary and invalid.

(j) In so far as the Commission h[illegible] sought to justify its orders on the ground of removing undue prejudice or preference, or removing supposed impediments to the free movement of goods from the South and West, the orders are entirely without support in either the evidence or the Commission's findings to the extent that they will require a ten per cent increase in the freight charges on the large volume of class rate freight transported entirely within Official Territory which is not competitive with goods shipped from the South or West.

(k) In my opinion, the conclusion of the majority that the class rates in Official Territory should be increased ten per cent is the result of the majority's view that the class rates should be made uniform throughout the country east of the Rocky Mountains and of its further view, not expressed in its reports but supported by the evidence of record, that to accomplish uniformity at the level of the present class rates in Official Territory would unduly deplete the revenues of the Southern and Western railroads. Therefore, the [fol. 645] Commission's orders would have the effect of requiring shippers and receivers of freight shipped entirely within Official Territory to pay higher freight charges than the railroads in that territory have demanded, than the evidence shows are necessary to provide adequate compensation for the transportation of class rate traffic, in order to preserve the revenues of the Western and Southern railroads. In my opinion, the law confers no authority upon the Commission to order the rates in Official Territory to be increased under these circumstances and for such a purpose.

(l) In their dissenting opinions, Commissioners Porter and Barnard categorically state that there is no evidence to support a minimum rate order requiring that the rates within Official Territory be increased ten per cent and that there is no evidence to support the finding of the majority that the existing class rates prejudice the South and the West or the shippers located therein, and prefer Official Territory and the shippers located therein, in violation of Section 3(1) of the Act. Commissioner Patterson, in his separate opinion dissenting in part, is in agreement with the dissents of Commissioners Porter and Barnard that the evidence does not afford a basis for the finding of the majority that the rates in Official Territory should be increased ten per cent. Commissioner Meins of Massachusetts, one of the three State Commissioners sitting on a cooperating [fol. 646] committee on behalf of the interested states, also stated in his dissenting opinion that there is no evidence to support a finding requiring that the rates within Official Territory be increased ten per cent or to support the finding made that the existing rates discriminate against the South and the West and shippers located therein (pp. 706, 707). Commissioner Mahaffie, although concurring with the majority that there should be an ad interim adjustment, stated that he concurred in the main with Commissioner Porter's dissent. The dubious legality of the Commission's orders could not be better illustrated than by the separate opinions of the dissenting Commissioners.

(m) These dissenting opinions of Commissioners who studied the evidence and participated in the Commission's deliberation, in conjunction with the fact that this Court will be called upon to interpret amendments made to the Act by the Transportation Act, 1940, which have heretofore not been considered by the courts, constitute highly persuasive reasons, if they do not absolutely require that the Commission's orders be temporarily enjoined, pending the determination of the plaintiffs' petition for a permanent injunction. This is a point which is discussed in a memorandum of law which has been or will be handed to the Court.

[fol. 647] 19. The Commission's orders requiring that rates be made uniform throughout the country east of the Rocky Mountains will, instead of removing discrimination between shippers and receivers of freight, have the effect of discriminating against the Northern states, including New York, and the shippers and communities therein. The evidence of record shows that the rates on many raw materials and low-grade products are relatively higher in Official Territory than in the South. As a consequence, under the Commission's orders, while the southern shippers would have the benefit of class rates on an equality with those applicable within the North, the shippers in the latter territory would still have to pay higher rates on the raw materials and low-grade products. This would result in a rate discrimination against plaintiffs and their shippers and communities.

20. In my opinion, the orders of the Commission requiring an interim increase of ten per cent in the class rates of the railroads in Official Territory are invalid and beyond the Commission's authority in that the Commission has power to prescribe and order only just and reasonable rates; on its own findings it cannot, on the present record, prescribe what will be just and reasonable rates for application in connection with a uniform classification; and there is no finding and no evidence that the present rates increased ten per cent will be just and reasonable rates in connection with the existing official classification.

21. Without repeating the allegations of the petition, it is my opinion that the orders of the Commission are invalid and should be enjoined for all the several reasons therein set forth.

[fol. 648] 22. Assuming, as I believe, that there are reasonable grounds for concluding that the Commission's reports and orders in this proceeding may be invalid and on final hearing should be permanently annulled and enjoined, there will be presented to the Court the affidavits of the Governor of the State of New York, of the Commissioner of Commerce of the State of New York, of officials industrial and trade associations in Official Classification Territory, all to the effect that a ten per cent increase in the class rates for transportation in Official Territory pending final determination, particularly just at this time when reconversion is the vital need of the country, would impose a great financial burden upon industries and cause irreparable injury to industries, citizens and communities in Official Territory.

23. Although enforcement of so much of the Commission's orders as would require a ten per cent reduction in the class rates in the South and West and from these territories to Official Territory would, to some extent, reduce the freight charges of any shippers shipping under the class rates, it is my opinion nevertheless that the denial of the benefit of reduced rates to such shippers pending final determination of this action would be of insignificant consequence to them compared with the serious consequences for shippers and communities in Official Territory of an immediate ten per cent increase in the class rates for transportation within that territory. I base this opinion upon the facts disclosed by the evidence and the Commission's findings in this proceeding that there is a very large volume of [fol. 649] freight transported at class rates within Official Territory which would be subjected to a ten per cent increase in freight rates and a very small volume of freight which would be affected by the ten per cent decreases required by the Commission's orders. This will be dealt with more fully in an affidavit of Mr. Charles E. Bell, to be submitted herewith.

24. Moreover, it is my opinion, based upon my experience, that if the Commission's orders are invalid and should be permanently annulled, the great confusion, disturbance to industries, disruption of prices and uncertainty which would ensue from permitting the orders to be given effect pending final determination would far offset any advantage which would accrue to anyone from allowing the orders to become effective forthwith.

25. Finally, an important fact bearing upon the relative equities of the situation and supporting the plea for an interlocutory injunction in so far as the Commission's orders require an increase in the class rates for transportation

within Official Territory is that throughout the proceed- of other states, and of representatives of industries and ing before the Commission no complaint was made by shipper, state or community that the class rates within Official Territory are unreasonably low and should be increased. It was only certain motor truck interests who sought to have the less carload rates of all railroads increased in order that they themselves might be able to charge higher rates to shippers and competitive business. Moreover, the class rates in Official Territory which would be continued in effect by an interlocutory injunction were prescribed by the Commission as recently as 1930 as maximum reason-[fol. 650] able rates and, in my opinion, no injustice will be done if the railroads continue, pending final determination herein, to charge such rates rather than rates ten per cent higher.

26. In conclusion and in support both of the view that the record does not afford support for the orders of the Commission and that the Court in its discretion should issue an interlocutory injunction as prayed for in the petition, I direct the Court's attention to the fact that the orders require changes in the class rates and an increase in the class rates for transportation within Official Territory to be charged upon all shipments made on and after January 1, 1946 and for the future until further order of the Commission, and that the evidence of record relates entirely to facts and conditions as they existed in 1939 with some adjustments and statistics for 1940 and 1941. In my opinion, the Court may and should take judicial notice of the fact that a world war has intervened, that it is the inevitable consequence of such a colossal event that economic conditions are changed, industry is dislocated, new manufacturing processes and products are developed, and that an equal change, the direction of which cannot be foreseen, is likely to follow the termination of the war and reconversion to peacetime production. It is my opinion that for these reasons the orders of the Commission are invalid because based upon evidence which has become stale and has no relation to the facts as of the present and future when the Commission's orders must operate and that, consequently, great injustice will be done to all parties, states, communities and shippers in all sections of the country from enforce-[fol. 651] ment of the Commission's orders unless and until

further evidence is before the Commission with regard to conditions and facts at the present time and as they are likely to be in the future.

Parker McCollester.

Signed and sworn to before me this 13th day of December, 1945. Raymond J. Martin, Notary Public. Kings County Clk's No. 57, Reg. No. 67-M-6. Bronx County Clk's No. 8, Reg. No. 18-M-6. Queens County Clk's No. 79, Reg. No. 28-M-6. N. Y. County Clk's No. 202, Reg. 125-M-6. Term expires March 30, 1946. (Seal.)

[fol. 652] In the District Court of the United States

Civil No. 2311

[Title omitted]

Affidavit of H. C. Barron—Filed December 13, 1945

State of Illinois,
County of Cook, ss:

H. C. Barron, being first duly sworn, deposes and says:

1. I am and since December 1, 1945 have been counsel for the Western Traffic Executive Committee, with offices at 310 Union Station, Chicago, Illinois. The said Western Traffic Executive Committee is a committee of traffic executives of western railroads organized for the purpose of [fol. 653] bringing about an interchange of information between the interested carriers and between the carriers and interested shippers leading to intelligent and well considered changes in rates, rules, regulations and practices; for the purpose of cooperating along the same line with the Interstate Commerce Commission and other public rate regulatory bodies; and for the purpose of collecting and compiling statistical and other data.

2. Since October, 1927 to December 1, 1945, I was General Attorney and Commerce Counsel of The Atchison, Topeka and Santa Fe Railway Company, having under my jurisdiction the handling of litigation pertaining to freight

rates, rules and regulations dealing with state and interstate traffic. I have represented the railroads in many large investigations instituted by the Interstate Commerce Commission, as well as cases before that Commission by formal complaints brought by interested shippers, receivers, localities, etc.

3. I am Chairman of the Western Lines Legal Committee appointed to defend the issues involved in the Commission's investigation in Class Rate Investigation, 1939, Docket No. 28300, wherein the reports and orders complained of in the petition herein were entered. I attended all of the hearings before the Interstate Commerce Commis- [fol. 654] sion, have reviewed the transcript of record, the various briefs filed by parties in interest and personally prepared a petition on behalf of respondents in the western district, dated Chicago, Illinois, July 16, 1945, requesting postponement of the effective date of the Commission's order for reopening, reargument and reconsideration, which petition was denied by the Commission's first supplemental order dated October 30, 1945.

4. From a detailed reading of the Commission's original report and order in *Class Rate Investigation*, 1939, 262 I. C. C. 447, it is clear that the paramount purpose of the investigation was the question of class rates within southern territory and between southern territory and Official Classification territory. The Commission's report setting forth the economic situation in the south, relative levels of rates between the south and the east, the levels of revenues from all freight within the south versus the east, the cost and consist of traffic in the south as compared to the east, and other matters pertaining to the shipping and railroad interests in the south are set forth on 42 pages, pages 592 to 634, inclusive.
[fol. 655] The Commission's recitation of the situation in the territory served by western respondents is meager in the extreme and does not embrace in detail the considerations given by the Commission to the comparative situation in the south versus the east. There were no shippers or shippers' representative who testified at the hearing as to any particular scale of rates, their only concern being a uniform basis of class rates with that applicable in Official territory. As is shown on page 664 of the

Commission's decision, the Southwestern Steering Committee seeks uniformity of class rates, mile for mile, within the southwest and between that area and all other rate territories involved in the proceeding. The specific rate level sought was the so-called "Eastern Scale." At page 665 of the Commission's decision it is stated that strong recitations are made that the economic development of the southwest has been retarded by the present class rate structure and that this alleged condition is one of the principal factors to be taken into consideration in the prescription of reasonable and non-discriminatory rates. Beginning at page 669 [fol. 656] of the Commission's decision the Commission purports to set forth evidence to prove the contentions of the western shipping interests. The testimony as recited by the Commission was by representatives of the Arkansas State Planning Board, the Arkansas Agricultural and Industrial Commission, and a professor of transportation and industry of the University of Texas, who testified with regard to the business of five shippers located in Texas and a comparison of charges that were assessed on the tonnage forwarded by such concerns with rates that would have applied had certain class rates in effect in Official Territory applied. The Commission recognized that the testimony as adduced of record did not indicate whether the commodities discussed by the witness moved on class rates or otherwise. The Commission recognized the fact that only three commercial witnesses speaking for individual establishments in the southwest and Western Trunk Line territory testified in the proceeding, one a manufacturer of coal washing machinery at Pittsburgh, Kansas, and a lamp and stove manufacturer at Wichita, Kansas. The traffic of these two companies, as recited by the Commission, does not [fol. 657] move on class rates and therefore was not involved in the proceeding. The other commercial witness was for a steel company at Denver, Colorado, who, as recited by the Commission, uses class rates only to a very limited extent.

The Commission finds, at page 675 of its report, that the composition of traffic originating in the east and in the west is vastly dissimilar. It also finds at page 673 that "There is a wide difference between the traffic densities of the eastern and western districts."

The Commission recognized at page 680 of its report that western respondents introduced an elaborate statistical analysis of economic conditions to show there had been no change in conditions since the Commission's prescription of class rates in *Western Trunk Line Class Rates,* 164 I. C. C. 1, decided May 6, 1930, wherein the reasonableness of the class rates applicable throughout Western Trunk Line territory and between that territory and eastern territory were prescribed. The Commission, at page 679, recited the fact that 18,300 pages of testimony and 1,700 exhibits were introduced in the proceeding in *Western Trunk Line Class* [fol. 658] *Rates.* If there had been any substantial change in the economic conditions to, from and within Western Trunk Line territory such facts would have been recited by the Commission.

The western respondents opposed the suggested uniformity of class rates for the following reasons, as shown at page 680 of the Commission's decision in Class Rate Investigation, 1939:

> "1. The proposal does violence to rules of rate making which have been evolved through decades of experience of this Commission, railroads, and industries.
>
> 2. It rests upon false premises.
>
> 3. It evades the facts which must underlie any freight-rate adjustment if that adjustment is to have commercial vitality.
>
> 4. The suggestion presupposes a country compact and homogenous throughout its extent, a national commerce of even flow and character, business methods and practices without conflicting interests, and railroad systems which function under identical circumstances and ownership.
>
> 5. It involves the merging of unlike things, or the transfer of the peculiar conditions of one section to [fol. 659] another section on the fiction that rates need not bear any relation to conditions as they actually exist.
>
> 6. It will not accelerate industrial expansion in the West, but, to the extent that "uniformity" is obtained through rate reductions, will admit manufactured products from eastern plants to the West on lower charges and bring revenue losses to these respondents.

> 7. Such a class-rate adjustment must necessarily exert both direct and indirect influences upon other types of rates, since charges upon highgrade traffic quickly become standards for measuring other rates, and since uniformity in class rates can serve to incite demands for uniformity in other rates.
>
> 8. The present intraterritorial and interterritorial class rates were prescribed by us as just, reasonable, and non-discriminatory under conditions not disturbed by the war, and parties to this proceeding have offered no evidence that such rates have become unjust, unreasonable, or unduly discriminatory by virtue of any pertinent change in conditions. These respondents have reduced many of their charges to levels below the maxima authorized by the publication of classification exceptions or commodity rates, all to the advantage of the public."

While the Commission has recited the reasons advanced by the western respondents nowhere in the report can there be found any recitation of any testimony adduced of record that would in any manner rebut the contentions of western respondents.

[fol. 660] In reaching its determination as to the basis of rates to be prescribed for application to, from and within western territory the Commission has, to a large extent, relied upon the alleged cost study introduced by one of its own representatives, and while the Commission recognized at page 693 of its report that perfection had not been attained by use of the formula used to determine costs the Commission was of the opinion that such cost study possessed sufficient attributes of accuracy to enable it to rely upon them in reaching its conclusion. The infirmities in the cost study are such that neither the Commission nor anyone else could possibly rely upon such a study and come to any definite conclusion as to the cost of handling traffic in any territory. The dissenting opinion of Commissioner Porter is illuminating. He states as follows at page 717 of the report:

> "The cost evidence was prepared by members of our staff. It does not even purport to reflect the actual or relative costs of transporting class-rate traffic in the different rate territories. The territorial cost com-

parisons were based on the cost of furnishing a given amount of transportation service in certain territories [fol. 661] selected by our cost section on traffic handled in different types of equipment, such as box, gondola, tank, stock, flat, or refrigerator cars. Class-rate traffic is not transported exclusively in any type of equipment, and although a substantial quantity is moved in boxcars, the volume of class-rate traffic transported in boxcars is much less than the volume of traffic transported in that type of equipment at exception or commodity rates. It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories.

"The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involved many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts and upon comparisons of unlike things."

The Commission in an attempt to justify its decision states at page 696 to the effect that in its opinion class rates as presently in effect tend to restrict the growth and [fol. 662] expansion of manufacturers in the west and to some extent to prevent the establishment of new manufacturing plants. This conclusion is reached by the Commission, notwithstanding there is absolutely no testimony of record to indicate that any manufacturing establishment has been restricted in its growth, nor has any manufacturer failed to locate in the western territory because of the class rate or other rate adjustments. The record is replete with unrefuted testimony that the railroads always have been and continue to be alert to the necessities of industrializing the western territory and on all occasions when called upon, rates have been established which have enabled manufacturing plants located in the west to distribute their products in competition with manufacturers located in other territories.

The Commission has precribed as a permanent basis of rates for application to, from and within eastern, southern and western territories a mileage scale of rates as set forth in Appendix 10 to its report, page 766. This scale is to be established when a uniform classification has been prepared by all railroads in the United States, subject to [fol. 663] the approval of the Interstate Commerce Commission. In its desire to achieve uniformity as near as possible, the Commission has prescribed an *ad interim* basis of class rates which is indicated to become effective January 1, 1946. The Commission attempts to achieve uniformity as near as possible by increasing the intraterritorial rates in the eastern territory 10 per cent and by reducing the intraterritorial rates in the south and in the west 10 per cent, and by reducing the interterritorial rates between the south, west and the east 10 per cent. The Commission in prescribing the so-called *ad interim* basis is of the opinion that such a basis will bring to a minimum the preference and prejudice which it has found to be unlawful, but only as completely as it is practical to do so prior to the establishment of the permanent basis of class rates. Section 3 (1) of the Act, which the Commission finds is violated by the present class rates, requires that all preference and prejudice be eliminated. Inasmuch as the Commission itself recognizes that the *ad interim* adjustment will not eliminate all preference and prejudice and readily acknowledges that as a fact by its prescription of a different basis to be established per- [fol. 664] manently, western respondents aver that the *ad interim* basis is unlawful in that it does not comply with the admonitions as set forth in Section 3(1) of the Interstate Commerce Act.

5. In the absence of any testimony showing that any person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory or any particular description of traffic is subject to prejudice or disadvantage or has been damaged in any respect whatsoever, the Commission's reports and orders based thereon are arbitrary, capricious and unlawful. The

record as made in this proceeding before the Interstate Commerce Commission contains no testimony of an evidentiary nature on behalf of any particular shipping interest to indicate that they have been in any manner damaged by the class rates presently in effect, therefore, the decision of the Interstate Commerce Commission is arbitrary, capricious and unlawful.

The petition on behalf of respondents in the western district, dated at Chicago, Illinois, July 17, 1945, requesting the Commission to postpone the effective date of order, for reopening, reargument and reconsideration of its report, [fol. 665] sets forth in particular the reasons why respondents request should be granted. Such petition points out the erroneous conclusions reached; the lack of evidence to support the Commission's findings; the lack of consideration given to the effect on western railroads in the post war period; that the statistical data adduced of record was for an unprecedented war period which could not reflect economic or transportation conditions in the post war period, as well as other reasons why the Commission's report was arbitrary and unlawful. Such petition as filed with the Interstate Commerce Commission is annexed hereto as Exhibit 1.

Western railroads, who are parties plaintiffs to this proceeding by reason of an order permitting intervention signed at Utica, New York, November 29, 1945, aver that they will be irreparably damaged if the Commission's re- [fol. 666] ports and orders as entered in its Docket No. 28300, are not restrained in their entirety.

Further affiant saith not.

S. R. Barron.

Signed and subscribed to before me this 12th day of December, 1945. Glenn F. Vivian. My commission expires Mar. 16, 1948. (Seal.)

Exhibit - 1

BEFORE THE

Interstate Commerce Commission

CLASS RATE INVESTIGATION, 1939. } Docket No. 28300.

PETITION OF RESPONDENTS IN THE WESTERN DISTRICT FOR POSTPONEMENT OF THE EFFECTIVE DATE OF ORDER FOR REOPENING, REARGUMENT AND RECONSIDERATION.

Come now respondents in the western district* and file this their petition for postponement of the effective date of the order as entered herein for reopening, reargument and reconsideration, and in support of said petition your petitioners say that:

The Commission's decision, decided May 15, 1945, involved two proceedings, *i. e.*, Docket No. 28300 and Docket No. 28310, the former docket involving the question of uniformity of class rates throughout that territory in the United States roughly designated as east of the Rocky Mountains.

Under date of June 21, 1945 the Commission was advised by the chairman of the Law Committee, appointed by the western railroads, that the Class I western railroads would undertake the task of preparing a uniform classification, as required by Docket 28310, with the collaboration of the eastern and southern lines without prejudice to whatever views such respondents may have as to the level of the class rates as prescribed in Docket 28300. It is to the latter decision wherein the Commission has prescribed certain rates during an interim period and thereafter permanent rates that this petition is directed.

---

* Not filed for account of the St. L-SF Railway Company, The Alton Railroad, the Illinois Central Railroad Company or the Wabash Railroad Company.

Beginning at sheet 258 of the report, under the title of "Nature and Scope of the Evidence", the Commission refers to recent amendatory legislation by the Congress, particularly as to Section 3(1) of the Act which was amended by the addition of the words "region, district, territory" and by reference to the provision designated as Section 5(b) of the amendatory Act of 1940 which provides in part as follows:

> "The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other * * *".

Based on such amendatory legislation and the new provision in Section 5(b) the Commission has apparently disregarded all precedents as to the fixation of rates that have been the nucleus of the Commission's decision since its inception in 1887, and laboring under a misapprehension of such amendatory legislation and the Amendatory Act of 1940 the Commission has, for the sake of what might be deemed appeasement, dealt a blow to the western railroads, the effect of which is difficult at this writing to determine. However, we do know that if the decision is carried to its ultimate conclusion, it cannot help but be a decisive factor in rendering these western railroads a body blow which will make them incapable of maintaining that kind of a national transportation system as intended by the Congress in the National Transportation Act of September 18, 1940.

The Record Does Not Support a Finding of a Violation of Section 3 (1) of the Act.

We will first deal with the question of discrimination as found by the Commission to exist.

This investigation into the class rates and of the classification was heard together and all of the proponents of uniformity ~~in rates~~ and ratings obviously were prayerful and hopeful that if successful the net result would be lower total freight charges from to and within the territories represented by such proponents.

6

There appeared to be no serious objection on the part of proponents or respondents to the establishment of uniform class ratings.

Respondents realize the magnitude of perfecting such uniformity which involves hundreds of thousands of separate ratings, and the fact that the classifications in the separate territories have grown through the years so as to reflect more or less the particular necessities of the territories where the different classifications are applicable.

The Commission has found that the present classifications are unlawful and all of the railroads have indicated, as heretofore stated, a willingness to promptly undertake the task of creating a uniform classification. While the task is monumental it must be realized that great strides have been accomplished over the years by the adoption of uniform rules, the establishment of many uniform ratings and the elimination of many separate classifications, typical of which were those heretofore applicable intrastate within the several states.

Without detracting or in any way qualifying our willingness to cooperate with the other jurisdictions in effecting a uniform classification it is the opinion of experienced railroad men and classification experts, supported by the apparent lack of interest on the part of many shippers, that the advantages which proponents of uniformity of classification ratings hope for are illusory and we think it fair to anticipate that the problem of the commercial traffic man, as well as for the railroads, will be little changed after unification of the classification has become an accomplished fact.

The Commission is of the opinion that "a satisfactory degree of classification uniformity cannot be attained without a closer alignment of the basic class-rate structure." (269.)

The Commission finds that the class rates within Official, Illinois, Southern, Southwestern and Western Trunk Line territories and interterritorially between said territories are unjust and unreasonable in violation of Section 1(4) and (5)(a) of the Act. (Sheet 270.) From such findings we assume that it is the conclusion of the Commission that the class rates in Official and Illinois territories are unreasonably low as the report contemplates a substantial increase in such class rates for the interim as well as for the permanent basis. The interim rates are increased in Official territory 10 per cent; the rates in other territories, *i. e.,* Southern and Western, and interterritorially reduced 10 per cent pending construction and adoption of the new uniform classification and the establishment of the permanent class scales.

The mere finding that certain class rates in Southern, Southwestern and Western Trunk Line territories are too high and that rates within Official and Illinois territories are too low would not necessarily bring about the uniformity in rate levels sought by proponents of uniformity and here required by the Commission. The Commission finds that the *ad interim* adjustment "will have the effect of bringing to the minimum the preferences and prejudices which we have found to be unlawful, as completely as it is practicable now to eliminate such violations." (Sheet 272.)

It is the opinion of the Commission that the ultimate rates, as contemplated by the decision, will go farther to wipe out all preferences and prejudices for the reason that the same rates and rating will apply for the movement of any shipment moving on class rates between any points within the United States east of the Rocky Mountains.

While the Commission makes a finding of unreasonableness under Section 1 of the Act this finding and an order based thereon obviously would not accomplish the results desired by the Commission, this because under the Act prescription of reasonable rates fixes only maximum and/or minimum levels and leaves to respondents freedom to publish rates within the recognized zone of reasonableness which may be found necessary to move certain traffic and to meet competitive agencies and conditions. It has, therefore, been recognized by the Commission that in order to accomplish the desired purpose of uniform or "strait jacket" class rates throughout the vast area of the United States east of the Rocky Mountains the Commission had to make a finding of undue prejudice or preference under Section 3(1) of the Act.

It is to the Commission's discussion of alleged violation of Section 3(1) of the Act and the findings and conclusions with respect thereto that we here direct the Commission's attention.

The importance that the Commission places on this feature of the proceeding is made clear by an examination of the "general conclusions and ultimate findings," beginning at Sheet 258 of the mimeographed report, extending to Sheet 271, and the further reference to the subject beginning at Sheet 272 wherein in Part 3 of the report the Commission discusses the "*ad interim* class rate revision."

The Commission was forced to engage in an elaborate effort to read into the Act, as amended, the granting of new powers to eliminate alleged discriminations which has led respondents directly to the conclusion that the Commission would here find that the maintenance of higher class rates within Western Trunk Line territory and Southwestern territory than those maintained within Official territory resulted in prejudice to Western Trunk Line and Southwestern territories and shippers and receivers of freight located therein and preferential to Official territory and shippers and receivers of freight located therein. At Sheet 261 the Commission states:

> "By the amendment to the substantive anti-discrimination provisions of Section 3(1) all discriminations in the form of undue or unreasonable preferences or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts or territories, viewed *as separate entities*, were brought directly within the purview of the Act along with all the other inhibitions previously included." (Emphasis supplied.)

The extent of the ultimate findings of the Commission with reference to prejudice and preference is not clear but if we correctly understand the report it is the opinion of the majority that a mere difference in rate levels constitutes a discrimination against a territory and the shipping public located therein and that by the amendment of Section 3(1) of the Act as contained in the Transportation Act of 1940, as hereinbefore noted, the Commission is empowered and directed to remove such discrimination without regard to the responsibilities of the carriers for the existence of such differences in rates and with no obligation on the part of the Commission to accord the carriers operating in the various territories some alternative method of removing the alleged violation. Based on this assumption of the decision of the majority we submit that the Commission has wholly misconceived its powers under the Act. The amendments of 1940 to the Act have not relieved the Commission from its obligation to determine issues on the evidence and support its orders by essential and appropriate findings.

The Commission seems to be impressed, as indicated by the elaborate discussion of the meaning of the word "territory" and the consequences resulting from the addition of this word to Section 3(1) of the Act as enacted by the Congress as an amendment by the Transportation Act of 1940. The Commission, at Sheet 259, poses this query "Have these amendments to the Act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject?" The record as made in this proceeding can be searched in vain for any testimony of an evidentiary nature that shippers or receivers within Western Trunk Line, Southwestern or Southern territories to Official or Illinois territories were damaged in any manner whatsoever by the alleged differences in the class rates applicable interterritorially on the one hand and those applicable within Official and Illinois territories on the other hand. Had there been evidence of this character there would have been no purpose in the Commission's involved and strained discussion of the meaning of the word "territory" and the effect on the powers of the Commission, if any, resulting from the amendment of 1940. If there had been evidence of injury or damage chargeable to some wrong of the carriers, appropriate reference to such facts would have been all that was necessary to support the finding of prejudice and preference. In the absence of such evidence the Commission is constrained to interpreting the amendment of 1940 as the adoption of a new and wholly foreign transportation policy empowering the Commission to prescribe new rates, without evidence, that the existing rates are unlawful and that no longer does the law recognize the time-honored principle that the carrier or carriers charged with a wrong cannot be penalized unless it or they are responsible for the wrong and has within its power effective means of eliminating such wrong.

The Commission at Sheet 270 finds:

> "That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and

for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southern, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3(1) of the act."

As has been heretofore pointed out there is no evidence of record as to injury or damage to shippers within Southern, Southwestern or Western Trunk Line territories and in the absence of such evidence it is inconceivable that ~~the~~ Commission should or could assume damage or injury to the territories or the shippers and receivers therein.

The findings of the Commission are simply recitals in the language of the statute and cannot be regarded as sufficient to support a nation-wide order for the elimination of alleged preference and prejudice. *Florida* v. *United States*, 282 U. S. 194, 213.

As this proceeding involves an investigation of class rates over a wide area and within and between various rate territories the Commission apparently is of the opinion that ordinary principles governing the determination of lawful rates could and should appropriately be ignored (Sheet 258). Without evidence that particular shippers, producers and manufacturers located within Southern, Southwestern and Western Trunk Line territories were in competition with shippers, producers and manufacturers in Official and Illinois territories the Commission enters its broad findings that the relationship between all of the interterritorial class rates from Southern, Southwestern and Western Trunk Line territories to Official and Illinois territories and all of the class rates within Official and Illinois territories are prejudicial to Southern, Southwestern and Western Trunk Line territories and shippers and receivers therein, and preferential of Official and Illinois territories and shippers and receivers located therein. What the Commission did have before it, and apparently the sole reliance for its finding of prejudice and preference, was the fact that the interterritorial rates, as prescribed by the Commission, were on a different level in Southern, Southwestern and Western Trunk Line territories than those within Official and Illinois territories, the latter being also prescribed by the Commission.

A difference in the class rate levels in the various territories standing alone is not sufficient to support a finding that preference and prejudice exist.

The latest expression of the United States Supreme Court dealing with the Commission's power to remove preference and prejudice is found in the opinion in *State of North Carolina* v. *United States of America*, dated June 11, 1945. That case involved the Commission's order requiring an increase in the passenger fares applicable intrastate within North Carolina on a finding by this Commission that the lower intrastate fares within North Carolina resulted in undue and unreasonable disadvantage and prejudice to interstate passengers. The Court said:

> "* * * the finding that interstate passengers paid higher fares than intrastate passengers for the same facilities is an inadequate support for nullifying state rates on the ground that they constitute unjust discrimination against interstate passengers."

In condemning the lack of appropriate findings the Court used language which is particularly appropriate in testing the legality of the Commission's findings and order in the instant proceeding, the Court stating:

> "In effect, the Commission's holding was, and its argument is here, that Section 13(4) automatically requires complete uniformity in intra-state and interstate rates. That argument is in short that under our national transportation system interstate travelers and intrastate travelers use the same trains; for a state to fix a lower intra-state rate than the inter-state rate is therefore an undue advantage to the intra-state passengers and an unfair discrimination against the inter-state passengers. If Congress intended to permit such an over-simplified form of proof to establish 'unjust discrimination', then its requirement of a 'full hearing' was mere surplusage. In fact, it need have provided for no hearing at all since it could have easily stated in its legislation that intra-state rates shall never be lower than interstate rates. The argument of the Commission in this regard runs counter to the language of Section 13(4), and would call for a declaration by us that Congress intended by this section to reverse the entire transportation history of the nation. The clause about 'persons' and 'localities' is as the legislative history shows, a practical enactment into law of a decision of this Court in the

> *'Shreveport'* case. *Houston and Texas Ry. Co.* v. *United States,* 234 U. S. 342. In the *'Shreveport'* case the Commission found from evidence that certain Texas intra-state rates to Texas points were far below the inter-state rates charged to carry the same types of freight from Shreveport, Louisiana. The distances and conditions of both transportations were found to be substantially the same. The Court sustained the Commission's conclusion that the Texas intra-state rates constituted an unfair discrimination against Shreveport and persons doing business there. The Commission's order was not statewide, but only required removal of the discrimination against the particular localities and business groups affected by the discrimination."

The language of the Court could be paraphrased and would apply directly to the findings and order in the instant proceeding.

The Commission labors the point that Congress intended more uniformity in rates as between the various territories and since that objective is sought concludes that common rules of evidence, procedure and practice that have been followed since the inception of the Commission in 1887 can be ignored.

These respondents submit that the substitution of arbitrary action in lieu of the determination of issues from the evidence of record after a full and fair hearing does not represent progress in the art of regulation.

We submit that on the record as made in this proceeding there is no warrant for a finding of preference and prejudice and, therefore, the Commission's order lacks the support of essential findings based on facts and should be vacated.

The Commission's Analysis of "Consist of Traffic and Distribution of General Rate Burden" Is Strained and Unwarranted and Not Supported by the Record.

Beginning at Sheet 264 the Commission sets forth respondents' contentions against a uniform level, dealing particularly with the consist of traffic in the several territories. The testimony of respondents was to the effect that the consist of traffic, particularly in Southern, Southwestern and Western Trunk Line territories as compared to Official territory, was so substantially dissimilar and variant that separate scales of rates with different distributions of the "general rate burden" as between commodities and classes of traffic must prevail. The Commission has not set forth the contentions of any respondent in detail but finds at Sheet 264 that:

> "Furthermore, a large and increasing volume of traffic flows across territorial boundaries and thus becomes common to two or more territories. When analyzed in this light the differences that exist in the consists of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in class rates."

The ultimate findings of the Commission as to the interim basis as well as the permanent basis warrant the assumption, on the part of respondents, that the Commission is of the opinion that the consist of traffic in the various territories is not so dissimilar as to warrant any difference in the rate levels. Necessarily such a conclusion casts aside, for the sake of uniformity, every consideration heretofore given by the Commission in its fixation of reasonable and otherwise lawful rates within the vast territories and disregards entirely the fact that Official territory is primarily a manufacturing area, whereas the west is primarily agricultural.

It may be that by careful searching a commodity will be found that originates in the east which approximately counterbalances for that territory the movement of phosphate rock, referred to by the Commission, as moving in the south or that some commodity may be found that originates and moves in the west which approximately counterbalances a particular commodity moving in the east but the searching out and finding of such single items proves nothing. The test is to be found in the collective traffic of one territory versus another. Examination of this traffic discloses the argument contained in the report to be based on pure theory advanced for the first time in the Commission's report, and to be as remote from the proved realities of the situation as most abstract discussions are likely to be. The evidence of record establishes the unrefuted fact that the collective traffic of the east is of such composition as to afford western railroads no such compensating balance with the east as the language of the report as quoted might lead one to believe. Facts, as respectfully submitted, are not expunged or annulled by the process followed by the report and of the reasonings around them.

Again referring to the last paragraph on Sheet 264, we respectfully submit that such reasoning is pure abstract theory which is not supported by the evidence and is actually contrary thereto. Such argument as presented by the Commission leads to a state of counter-balance perfection which is refuted by the following facts:

Western district railroads in 1941 operated an average of 130,417 miles of railroad in freight service. This mileage represents 58.02 per cent of the 224,762 miles of railroad operated in the United States, excluding the Pocahontas region, but with that percentage of mileage the western railroads originated only 37.08 per cent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern carriers operated 56,488 miles, or 25.13 per cent of the total railroad mileage in the United States yet they originated 47.41 per cent of the total carload traffic in the United States. The wide disparity between the western and eastern figures is at least indicative of widely differing volumes of traffic as well as dissimilar rate and traffic problems. Such figures are persuasive that transportation conditions in the two districts are not interchangeable and that what is proper for one is not necessarily proper for the other as a fixed and definite rule.

The contrast becomes sharper when the composition of traffic originated in the two districts is analyzed. In 1941 the Class I railroads of the western district originated 68,447,778 tons of products of agriculture. This was 68.82

per cent of the total of 99,461,413 tons of agricultural products originated in the United States. Carriers in the eastern district originated only 20,771,864 tons or but 20.88 per cent of the total agricultural products originating in the United States. The enormous volume of agricultural products originating in the western district constituted but 6.33 per cent of the total of all carload traffic originating in the United States.

On the other hand considering manufacturers and miscellaneous, which group has the nearest approach to the rates directly involved in this proceeding, the western district originated but 92,140,881 tons or but 28.06 per cent of the total of 328,300,601 tons originating in the United States. The eastern carriers originated 199,140,599 tons or 60.66 per cent of the total manufactures and miscellaneous commodities originating in the United States.

When the western district railroads' 68.82 per cent of the total products of agriculture is matched against the eastern lines' 60.66 per cent of the total of manufactures and miscellaneous striking contrasts appear. Although the eastern lines' manufactures and miscellaneous products represent a lesser percentage by more than eight percentage points than the western lines' agricultural percentage, the eastern lines' share of manufactures and miscellaneous products is almost three times the tonnage which the western district railroads originated in their 68.82 per cent of agricultural products originated.

These contrasts are significant in another way. Manufactures and miscellaneous products as a group are properly accorded higher freight rates than are agricultural products, the rates on the latter having been fixed at as low a basis as possible as a result of the Hoch-Smith Resolution dated June 30, 1925, which directed the Commission to make a thorough investigation as to

> "the rate structure of common carrier subject to the Interstate Commerce Act, in order to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly discriminatory, or unduly preferential, thereby imposing undue burdens, or giving undue advantage as between the various localities and parts of the country, the various classes of traffic, and the various classes and kinds of commodities, and to make in accordance with law, such changes, adjustments, and redistribution of rates and charges as may be found necessary to correct any defects so found to exist."

The Commission was further admonished by the Hoch-Smith Resolution that:

> "In view of the existing depression in agriculture, the Commission is hereby directed to effect with the least practical delay such lawful changes in the rate structure of the country as will promote the freedom of movement by common carriers of the products of agriculture affected by that depression, including livestock, at the lowest possible lawful rates compatible with the maintenance of adequate transportation service: * * *"

The eastern railroads' preponderance of that high-grade traffic represents, therefore, a greater source of revenue to them than do the products of agriculture to the western carriers. In fact, the Hoch-Smith Resolution has imposed its principal impact upon the western district railroads, by reason of the prescription, at the hands of the Commission, of the lowest possible lawful rates for the transportation of products of agriculture, including livestock.

If there were no other factors the figures quoted above would, themselves, not only explain but render inevitable a dissimilar distribution of freight charges in and between the two districts in the interest of their economy and the preservation of their transportation systems.

As to animals and products, also subject to the Hoch-Smith Resolution, the western district carriers originated 10,448,824 tons or 63.03 per cent of the total of 16,577,495 tons originated by railroads in the United States. The eastern railroads originated but 4,726,540 tons or 28.51 per cent of the total originated within the United States. While the western carriers' percentage of the total tons of animals and products appears high the total tonnage represented was less than 1 per cent of the total tons of carload traffic originated in the United States.

The rates on animals were fixed by the Commission in *Livestock Western District Rates*, 176 I. C. C. 1, wherein at page 83 the Commission's prescription was based on the tenet that livestock:

> "* * * is a commodity which from its nature cannot be expected to do more than 'pay its own way'; that is, it cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit, * * *"

Rates prescribed under such conditions bore most heavily upon the railroads operating in the western district because of their large volume of livestock tonnage originated and transported.

In the year 1941 ~~the western~~ district roads originated 41,059,987 tons of products of forest. This was 58.73 per cent of the total of that group of commodities originated in the United States. As high as this percentage appears the tonnage is but 3.80 per cent of the total tons of all carload freight originated in the ~~United~~ States for that year. Contrast these figures with 5,253,644 tons originated in the east representing but 7.52 per cent for the total United States and but 0.49 per cent of all carload freight originating in the United States. By its very nature this group of commodities is subject to freight rates which are in the lowest brackets.

The tonnage of products of mines originated by the western railroads for 1941 was 33.31 per cent of the total United States as compared with 49.85 per cent for the eastern railroads and was 17.47 per cent of the total United States as compared with 26.14 per cent for the eastern district. The western district figures for this group of commodities includes iron ore which is not characteristic of the western district, it being found almost entirely in the Missabe Range in Minnesota ~~and~~ is hauled by only two or three railroads for short distances to Lake Superior docks and has little connection with other products of mine except to inflate the average tonnage figures for the entire western district.

From the foregoing analysis of basic commodities originating in the western district and in the east it is plain that the consist of traffic in the west is vastly different than that in Official territory.

The western railroads have neither volume, actual or potential, nor the same kind of traffic as does the east. The operating, traffic and revenue questions are unlike in the two districts. It is obvious as an example that earnings of the Pennsylvania Railroad in the east contribute nothing to the support of the Mo-Kas-Texas Railroad in the southwest. Each railroad must find its support in the tonnage and rates derived from conditions existing in its own respective territory. Necessarily these conditions are not standardized and there is little likelihood of their ever being so.

In *Increased Railway Rates, Fares and Charges, 1942* (Ex Parte 148), 248 I. C. C. 545, in its conclusion, the Commission limited the authorized increases on agricultural products and livestock to 3 per cent while allowing 6 per cent on a general list of other commodities stating at page 611:

> "The situation as to relative strength of the granger roads and those properly treated as principally agricultural rail lines is the reverse from that of the principal bituminous coal and iron ore carrying lines in general. The former are relatively weak, and their revenues have no such cushion as the latter against the wage and other increases here considered. *Relatively, the agricultural lines do not transport as much high-grade, manufactured traffic as the other roads,*

not primarily coal carriers. If they are to receive any substantial amount of added income from a general rate increase, the amount which would be allocated to other traffic would be unduly high unless agriculture bears a part of the burden. The increased costs which form the basis of the petition herein are incurred as much for the movement of agricultural commodities as for any other traffic.

"Considering the factors involved, it seems just and reasonable to permit the going rates on agricultural products and livestock to be increased by a lesser percentage than non-basic commodities generally." (Emphasis supplied.)

The Commission's strict adherence to the Hoch-Smith principle emphasizes two things. (1) That the western railroads were restricted in increases upon their enormous volume of agriculture tonnage. While other railroads with greater volumes of manufactured products gained a larger share of the augmented earnings. (2) That the Commission recognized again the ability of manufactured articles to stand substantially higher freight rates.

The considerations given by the Commission in *Increased Railway Rates, Fares and Charges, 1942, supra,* seemed to be discarded in the Commission's determination in the instant proceeding.

In passing it might be well to consider that upon the recent reopening of that proceeding (which resulted in suspending, effective May 15, 1943, all of the increases in freight charges) various State Commissions of the west, some of them parties to the instant proceeding, laid special emphasis upon the increases which had been authorized on products of agriculture, including livestock, and asked especially that such increases be removed.

To illustrate the effect upon the western railroads if the eastern level of rates should be imposed in the west, we show on page 119 of our original brief that the transfer of the eastern rate level to all carload traffic in the west would have caused a reduction in earnings of $175,293,389 and to less-carload traffic a reduction of $7,976,870, or a total of $183,270,259. This figure is startling and when consideration is given to the fact that the net railway operating income of the railroads of the western district in 1939 was $178,115,556 we find that according to the study of Dr. Edwards, *if the eastern level of earning were applied in the western district in 1939, it would have not only left the western railroads without any net railway operating income but would have produced an operating deficit.*

Bearing in mind these facts, it is difficult to understand how the Commission can arrive at the conclusion, as shown on Sheet 264, that: "When analyzed in this light the differences that exist in the consist of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in rates," and then prescribe a reduction of rates on class traffic in the west and interterritorially to and from the west 10 per cent for the interim basis and to prescribe the same basis of rates for transportation of class rate traffic as has been prescribed for Official territory as a permanent basis. To do so is to disregard entirely the facts adduced of record.

The Finding of the Commission That the Revenue Needs of Carriers in Official Territory Are Greater Than in Other Territories Is Not Supported by the Evidence of Record.

On Sheet 275 the Commission, in discussing the findings, states:

> "This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. *From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory, with respect to their class rate traffic, are greater than is the case as to the class rate traffic of the carriers in the other territories described.*" (Emphasis supplied.)

In order to demonstrate that such a conclusion is erroneous we set forth below the rates of return for the years 1921 to 1941, inclusive, which is the period between World War I and II, together with composite figures for the 21 year period and percentages by which the western railroads' rate of return was under or over the eastern carriers' rate of return. For the 21 year period the western district carriers' rate of return was only 84.08 per cent of the eastern carriers' rate of return.

Year	Eastern District	Western District	Percentage Western District Under (—) or Over (+) Eastern District
1921	2.70	3.01	+11.48
1922	3.35	3.39	+ 1.19
1923	4.60	3.78	—17.83
1924	4.28	3.74	—12.62
1925	4.90	4.01	—18.16
1926	5.16	4.30	—16.67
1927	4.40	3.79	—13.86
1928	4.82	4.26	—11.62
1929	5.05	4.41	—12.67
1930	3.27	3.07	— 6.12
1931	1.89	1.91	+ 1.06
1932	1.46	0.77	—47.26
1933	1.97	1.23	—37.56
1934	1.91	1.26	—34.03
1935	2.17	1.32	—39.17
1936	2.67	1.88	—29.59
1937	2.27	1.71	—24.67
1938	1.26	1.09	—13.49
1939	2.34	1.65	—29.49
1940	2.66	2.06	—22.56
1941	3.63	3.36	— 7.44
Average 21 Years	3.14	2.64	—15.92

Taken from Exhibit 66, Page 9.

The record as made in this proceeding does not substantiate the Commission's statement that the revenue needs of the eastern carriers are greater than the carriers in other territories. On Sheet 246 the Commission recognizes the fact that the eastern carriers' preponderance of high-grade traffic affords a greater source of revenue than do the products of agriculture to the western carriers. The Commission also refers to the extremely low rates on livestock and the products of forest, the preponderance of which originates on the lines of the western carriers as set forth in the next above topical subject.

Under the Interstate Commerce Act, as heretofore administered by the Commission, one of the prime considerations in determining the lawfulness of rates was the ability of traffic to pay, or the value of the service rendered.

As before mentioned, under the Hoch-Smith Resolution, Congress directed the Commission to investigate the rate structure and to "make, in accordance with law, such changes, adjustments, and redistribution of rates and charges as may be found necessary to correct any defects so found to exist."[1].

In its report in *Revenues in Western District*, 113 I. C. C. 3 (Ex Parte 87), the Commission at page 8, concluded to deal first with the western district in order to determine "(1) What products of agriculture, including livestock, are affected by the depression; (2) what, if any, reductions may lawfully be effected in the rates or charges on products of agriculture, including livestock; (3) whether any rates, fares, or charges, either on particular classes and kinds of commodities or classes of traffic, in particular sections or between particular localities in the western district, or otherwise, might lawfully be authorized or required to be increased, and if so, to what extent, in order to compensate for such rate reductions, if any, as may be found proper; * * * "

To indicate the extremely low nature of the rates on shipment of the commodities involved in the Docket 17,000 proceedings we show in Appendix "A" (11 pages) typical movements of commodities in the west, the rates as prescribed in cents per 100 pounds as compared with the Edwards' fully distributed costs for handling average loads of all traffic. Page 1 shows the rates on hogs in single deck cars. The Edwards' costs, Column A (3), are computed on the short-line rate making distance as shown in Column (1). The costs shown in Column B (4) are based on the usual maximum circuity observed in Fourth Section orders, such distances being shown in Column 7. Page 2 shows similar situations with regard to the rates on stock cattle, carloads. Page 3 shows similar information as to beef cattle, carloads.

Bearing in mind the statement of the Commission as set forth on page 246 of the report, repeating what was stated in *Livestock-Western District Rates, Supra,* "that livestock is a commodity which from its nature cannot be expected to do more than pay its own way, in other words, it cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit," Pages 1 to 3 of Appendix "A" clearly indicate that the present rates do not even cover the cost of rendering the service on other than the shortest hauls.

Page 4 shows the situation as to brick carloads, rates on said commodity being prescribed in Docket No. 14617 *Southwestern Brick Cases,* 156 I. C. C. 191; 157 I. C. C. 467. It will be noted that even on the short-line rate making distances for 400 miles and over the rates are less than the costs as shown by Dr. Edwards.

Page 5 shows similar information as to sand and gravel, rates on which were prescribed in Docket 17,000, Part 11-A, *Rates on Sand, Gravel, and Crush Stone,* 177 I. C. C. 621, for application between points in western territory. In all instances the rates as prescribed via the short-line rate making distance, as well as via the circuity distances, as shown on the statement, are lower than the costs as found by Dr. Edwards.

Brick as well as sand and gravel are inherently low-rated commodities and cannot move upon rates that would be warranted by the fully distributed costs shown by Dr. Edwards.

Page 6 shows similar situations as to gasoline, rates on which were prescribed in Docket No. 28106, *Petroleum Rail Shippers' Ass'n. v, Alton & S. R.,* 243 I. C. C. 589, from midcontinent territory to Western Trunk Line destinations. The average load is taken from Dr. Edwards' Exhibit 165. Rates on refined petroleum products are far below fully distributed costs. As shown on page 6 Appendix "A", such rates drop far below 60 per cent of such fully distributed costs.

Page 7 shows the situation as to cotton, less-carload, into compressed points and carload therefrom. The lowest rates on cotton are carload rates which to be availed of necessitates cotton being compressed at or near the point of origin. Page 7 shows typical movements from origins in Oklahoma and Texas to destinations in the south, comparing the rates with the costs as shown by Dr. Edwards. The carriers load less-carloads of cotton at country stations or make an allowance to the shipper for such loading. The car is then hauled to the compress which unloads the cotton. The Edwards' costs are not designed to cover an operation of this kind. Therefore, we have used on the inbound less-carload lots the carload costs for five tons in a box car to the compress point and carload weights of 25 tons from the compress point to destination. It will be observed that the rates on cotton to important southern consuming points are far below the fully distributed costs as shown by Dr. Edwards.

Pages 8, 9, 10 and 11 show the situation as to wheat and its products, rates on which were prescribed by the Commission in Docket No. 17,000, Part 7, *Grain and Grain Products,* 205 I. C. C. 301. The showing as to wheat illustrates the movement through successive transit points from origins in Kansas, Oklahoma and Texas to Memphis, Tenn., an important gateway on traffic to the south. The movement in all instances from the last transit point to Memphis shows the products of wheat. The Commission is well aware of the varied services required by the grain industry as to transit and that on an average two to three stops are necessary.

As testified by Dr. Edwards, each such movement must be considered as a separate movement for the purpose of applying his cost formula. Pages 8, 9, 10 and 11 reflect the simple average of the present rates on grain to Memphis. As is show on page 11, simple average of the Edwards' fully distributed costs is but 76.23 per cent. Furthermore the western lines are faced with the recent decision of the Commission in I. & S. Docket 4208, *Grain to, From and Between Southern Territory,* mimeographed, decided February 13, 1945, which requires further reductions in the rates to Memphis. The average of such rates as a result of I. & S. Docket 4208 will be but 70.38 per cent of the average fully distributed costs.

Bearing in mind that the Commission, under the mandate contained in the Hoch-Smith Resolution, prescribed rates on the preponderance of traffic originating in the western territory, the Commission in its report in the instant proceeding is requiring a reduction in the rates which will reflect in the revenues of the western lines for the handling of such high-grade traffic as may be transported. Traffic, generally, moving on class rates can well afford to pay somewhat more than the fully distributed costs so that products of agriculture, livestock and low-grade commodities may move on rates less than the fully distributed costs.

On the bottom of Sheet 183 the Commission sets forth a table to show the contribution in excess of out-of-pocket cost made by the various classes of commodities in carloads. This tabulation is misleading as it would lead one to believe that the railroads in the western district have a margin between out-of-pocket costs and rates, *i.e.* 18 per cent for products of agriculture and 55.7 per cent for manufactures and miscellaneous. This, however, is not true. In the statement below there is shown the margin between out-of-pocket costs and revenues for the eastern and western districts by groups of commodities, based on information of record.

Item	Percentage by Which Freight Revenue Exceeds Edwards' Out-Of-Pocket Costs Eastern District	Western District
Products of Agriculture	19.2	26.9
Animals and Products	12.7	24.2
Products of Mines	43.5	35.2
Products of Forests	40.8	30.8
Manufactures and Miscellaneous	51.6	49.4
Total Carload Traffic	43.2	38.0

Computed from information in I.C.C. 28300 Decision, Edwards' Exhibit 195, and 1939 I.C.C. Commodity Statistics.

The above statement indicates that the spread is greatest between out-of-pocket and revenue for manufactures and miscellaneous, products of mines and products of forests, while animal and its products and agricultural products are much lower. This is true in both the east and the west. However, there is a marked contrast in the east where the margin for manufactures and miscellaneous is larger than in the west. The margin as to products of mines and forests are likewise materially larger in the east than in the west, both as to revenue and costs. This is significant, in view of the fact that there is nearly three times the volume of class traffic moving in the east than in the west, as is reflected by tons carried in 1939 in the three territories with the percentage of class rated traffic, using the table shown on Sheet 36, applied to each of these tonnages.

Considering these facts it is difficult to find a logical explanation as to why the Commission reduces the class rates in the west and increases those in the east. This showing would indicate that the reverse should be true.

Nothing is so essential to the successful operation of railroads than is traffic. The impact of the war has demonstrated that fact in no uncertain manner.

On Sheet 247 the Commission recognizes that there is a wide difference between the traffic density in the east and the west. This refers to the period from 1921 to 1941 which is a more or less normal period. The difference in traffic density naturally is narrowed with the involvement in the war. The load on the western lines during the war in Europe and in the Pacific has been particularly heavy due to many factors, among which is the absence of steamer service through the Panama Canal and coastwise service between the Eastern Seaboard and the Gulf ports, together with a large number of army camps located in western territory, also the fact that there are only seven transcontinental lines crossing the Rocky Mountains to supply the armed forces in the Pacific compared with the vast network of railroads operating in the Official territory and serving the Atlantic ports. Undoubtedly the difference in traffic density will be further narrowed temporarily, now that the conflict in Europe has been concluded and every effort is being made toward a rapid and successful conclusion of the conflict in the Pacific. Necessarily there will be vast amounts of tonnage moving to the Pacific Coast. These conditions are only temporary and the revenues from operation of the carriers during the war period have no significance in the fixation of a normal, permanent basis of rates and should be given no weight in determining the needs for revenue of carriers, in any territory, in peacetime operations.

There is a direct relationship between population per mile of line and traffic density. Such information is of record and we show below the population of Official, Southern and Western territories in 1940; the railroad mileage and the population per mile of line. The population per mile of line in Official territory in 1940 was 277 per cent of the population per mile of line in Western territory.

	Population 1940	R. R. Mileage 1940	Population Per Mile of Line
Official	64 118 346	67 022	957
Southern	23 948 562	40 126	594
Western	43 602 367	126 522	346

The Commission recognized the difference in traffic density between the eastern and western districts at Sheet 247, stating that "During the period from 1921 to 1941 the revenue ton miles per mile of line of eastern district roads have been more than twice, and in some years three times, those of the western district roads." The western carriers originating, as they do, a preponderance of low rated traffic with substantially fewer people to serve and, therefore, lighter traffic density, could not possibly maintain an adequate transportation system under any uniform scale of rates designed to move high-grade manufactured products based on the operating and other conditions existing in the Eastern territory.

A uniform class rate structure which would yield the eastern lines a fair rate of return would result in bankruptcy to the western lines.

The Commission must realize from its own statements and the statistics as set forth in the report that the record does not support the statement that "The eastern lines are in greater need of revenue than the carriers in other territories."

The Inflated Movement of Tonnage and the Resulting Revenues Therefrom During the War Period Are Not Criteria as to What Would Be Lawful Rates During Normal Times.

The Commission in its report seems to be unduly impressed with the fact that railroads in recent years have enjoyed enormous tonnages and have substantially increased their revenues. Nothing could be more fatal to the continuance of an adequate transportation service than to prescribe rates based on such inflated tonnages and revenues, for to do so would fail to give consideration to the necessities for peace time operation. In the statement below we show net railroad operating revenues, expenses, taxes, returns and net railway operating income for Class I carriers in the western district for the years 1939 to 1944, inclusive.

Year	Railway Operating Revenue	Railway Operating Expenses	Railway Tax Accruals	Equipment and Joint Facility Rents	Net Railway Oper. Income
			.000 omitted		
1939	$1 514 796	$1 144 475	$131 338	$ 60 868	$178 115
1940	1 598 869	1 178 336	138 085	58 278	224 170
1941	2 005 475	1 389 573	180 753	64 211	370 938
1942	2 974 105	1 777 166	458 000	83 718	655 221
1943	3 788 827	2 287 676	805 450	93 044	602 657
1944	4 020 701	2 547 972	880 528	104 459	487 742

Source: Years 1939 through 1943 from I.C.C. Annual Reports of Steam Railways. Year 1944 from I.C.C. Statement No. M-100 of Class I roads operating revenues and expenses for 12 months.

It will be observed that the net railway operating income for 1942 was over three times that in 1939. There was a slight recession in 1943 but in 1944 it had decreased until it was only a little over twice that earned in 1939.

In the table below we have shown the trend of increased labor costs per hour for Class I railroads in the western district 1939 to 1944.

Year	Hours Paid For	Total Compensation	Average Costs Per Hours-Cents	Index Numbers
		.000 omitted		
1939	992 553	$ 729 565	73.50	100.00
1940	1 015 157	749 608	73.84	100.46
1941	1 165 132	891 210	76.49	104.07
1942	1 358 032	1 143 057	84.17	114.52
1943	1 546 802	1 419 062	91.74	124.82
1944	1 644 433	1 570 087	95.48	129.90

Source: Years 1939 through 1943 from I.C.C. Annual Reports of Steam Railways—Year 1944 from photostat copy of I.C.C. Report of Hours and Compensation—Class I Roads in Western District.

As indicated in the above table, for 1942 the index number is 114.52, a marked increase over 104.07 for 1941. The index number for 1943 is 124.82, an increase of 10.30 points over 1942. 1944 index shows 129.90 and indicates a leveling off of the costs of labor.

It is not possible to ascertain, in sufficient time to file this petition, the increase in prices for material and supplies. However, we show in the statement below the trend of unit prices since June, 1939 which data was prepared by Dr. Parmelee of the Bureau of Economics, of the Association of American Railroads, for his annual Review of Railroad Operations.

		Unit Cost Indices	Per Cent
June	1939	128.6	100.00
December	1939	131.9	102.57
June	1940	130.8	101.71
December	1940	134.1	104.28
June	1941	139.6	108.55
December	1941	147.0	114.31
June	1942	152.0	118.19
December	1942	153.8	119.59
June	1943	163.6	127.22
December	1943	166.2	129.24
June	1944	169.3	131.65
December	1944	169.6	131.88

SOURCE: Page 14 of Dr. Parmelee's Review of Railway Operations in 1944.

From these unit cost indices we have computed the percentage relationship for two periods in each year through to December, 1944, based on June, 1939, as 100 per cent. These data show an increase in cost of approximately 32 per cent for the country as a whole which, we believe, is equally true as to the costs in the western district.

These statistics demonstrate that war time performance cannot be used to determine a reasonable and otherwise lawful basis of rates for peace time operation.

The Reductions in Class Rates in the Western District Will Result in Substantial Reductions in Revenues.

Using the tabulation shown on Sheet 36 of the decision to determine the percentage of class rated traffic and increasing the figures there shown to represent the revenue, we find that in the west 4.5 per cent of the carload revenue is derived from class rated traffic. This revenue is then reduced 5.32 per cent which is the composite reduction based on sample movements. These reductions for each of the sample movement groups are then applied to the class rated traffic moving in the groups as shown in Edwards' Exhibit 194. This produces a loss of revenue in carload traffic of seven and a quarter million dollars per annum. To this must be added a loss in revenues resulting from a reduction in less-carload rates that will raise the total revenue loss, due to the interim basis as prescribed, to $10,000,000 per year in the western district. In the Monthly Comment of Transportation Statistics, published July 7, 1945, Bureau of Transportation and Economics a loss of $14,000,000 is estimated for the western district. This figure is qualified as being a possible overstatement.

The findings of the Commission as to the interim basis are purely arbitrary, not based on any facts of record and seem to be dictated by a desire to satisfy proponents' demand for uniformity, with disregard for all of the elements heretofore considered by the Commission in determining a reasonable, lawful basis of rates.

No one has asked the Commission to increase the eastern scale 10 per cent, nor has anyone requested the Commission to reduce the western scale 10 per cent. The Commission's apparent desire is to satisfy proponents during an interim period by increasing the east and reducing the west. This will, of course, narrow the spread between the rates applicable within the respective territories but whether or not such rates would be reasonable and otherwise lawful is left to conjecture. Proponents of uniformity have no suggestion to make as to the measure of the rates within the west, with the exception of several representatives from Western Trunk Line territory. They desired the application of the eastern class rates to class rate traffic in the west. The principal traffic witness for the southwest had no suggestion as to what the basis of rates should be as long as there was uniformity.

The Commission knows and realizes that it would be an impossible task, as well as an unlawful one, to attempt to prescribe a permanent basis of rates until and unless there is a uniform classification established for application throughout the territory involved, and the Commission should be content to predicate their decision on the facts adduced of record without arbitrarily forcing these respondents to reduce their class rates 10 per cent merely for the purpose of achieving more uniformity than now prevails in the rate structures.

In deciding the issues involved in this proceeding the Commission must realize its statutory duty to the railroads operating in the various territories. It should not assume such a strange and unusual attitude as the majority appears to have assumed but should be guided entirely by the Interstate Commerce Act and fix rates in obedience to such Act, not because of a hope or a prayer of any individual or group of individuals no matter how sincere they may be in their desire. The Commission's duty of regulation ceases when it prescribes rates in conformity with the existing statutes. It should not be persuaded by theory or any other consideration that has not been followed in the past. It cannot completely disregard the necessities of sufficient revenues to maintain the western railroads as adequate systems of transportation. There is nothing contained in the amendatory acts to the Act of 1940 that in any way changes the Commission's duty or enlarges upon its authority. Such amendatory acts are no different, in so far as the Commission's authority is concerned, than the Hoch-Smith Resolution. The Commission was of the opinion that that resolution enlarged its authority and created new principles of rate making. The United States Supreme Court, in *Ann Arbor Co. Railroad, et al.* v. *United States, et al.*, 281 U. S. 658, 669, appropriately decided that the Hoch-Smith Resolution did not increase the Commission's power or change in any manner whatsoever the considerations necessary to be given in the fixation of rates. The same is true as to the amendatory acts to the Act of 1940.

While the interim basis will, of necessity, substantially reduce the western carriers' revenues, we know that the permanent basis will have more far reaching effects, some of which effects will be hereinafter discussed.

If the present decision is forced on the western railroads the *responsibility* for the continued progress and maintenance of adequate systems of transportation in the west is with the Interstate Commerce Commission.

The Commission has within its power greater control over the economics of this country than any other branch of the government. That control must be judicially exercised. To do other would be an abuse of the trust imposed with the Commission by the Congress and the people of the United States.

Such a decision as rendered would, perhaps, be excusable if this country were a wilderness with no recognized shippers or industry, such as manufacturing in the east and agriculture in the west. The various industries have been built in this country, in the east as well as in the west, with full regard for the then present rate adjustments. The revolutionary adjustment, such as the one contemplated in the instant case with all of its resulting ramifications, will tend to if not seriously disturb the economics appertaining to industry in the western territory so as to result in the possible ruin of at least some of such western industries which are prospering under the present rate adjustment. Further, there is no doubt that if the present decision is forced upon the carriers in the western territory such carriers, financially, will be seriously affected.

The Permanent Rates Prescribed Are Based, Among Other Considerations, on a Cost Study Which, if Followed to Its Logical Conclusion, Would Warrant Higher Rates in the West Than Those Prescribed.

The rates prescribed by the Commission as a permanent basis are shown in Appendix 10 of the report. Such rates are to apply to, from and within all of that territory roughly described as east of the Rocky Mountains. Such scale is approximately 115 per cent of the present class rate scale, up to 1500 miles, as prescribed by the Commission in *Eastern Class Rate Investigation*, 164 I. C. C. 314, as subsequently changed by general revisions.

The longest short-line rate making distance involved in this proceeding is that from Fort Hancock, Texas, to Madawaska, Maine, 2,802.8 miles. Therefore, ~~the~~ Appendix 10 Scale must necessarily be extended beyond 2,500 miles. Because of the fact that, as hereinafter explained, Mountain-Pacific territory will undoubtedly become involved, the Appendix Scale has been extended by us arbitrarily for the purpose of discussing the merits of the issues involved to a distance of 3,500 miles on two plans: (1) At a uniform rate of progression of 7 cents for each 100 miles as employed by the Commission in the last miles of the Appendix 10 Scale and (2) at a diminishing rate of progression corresponding with that used by the Commission for distances between 2,000 and 2,500 miles. Unless otherwise stated, reference to the Appendix 10 Scale will be the scale extended at the uniform rate of progression.

We find from an examination of Appendix 10 that rates for the lower rated classes are, in many instances, below Dr. Edwards' fully distributed costs and even below out-of-pocket costs.

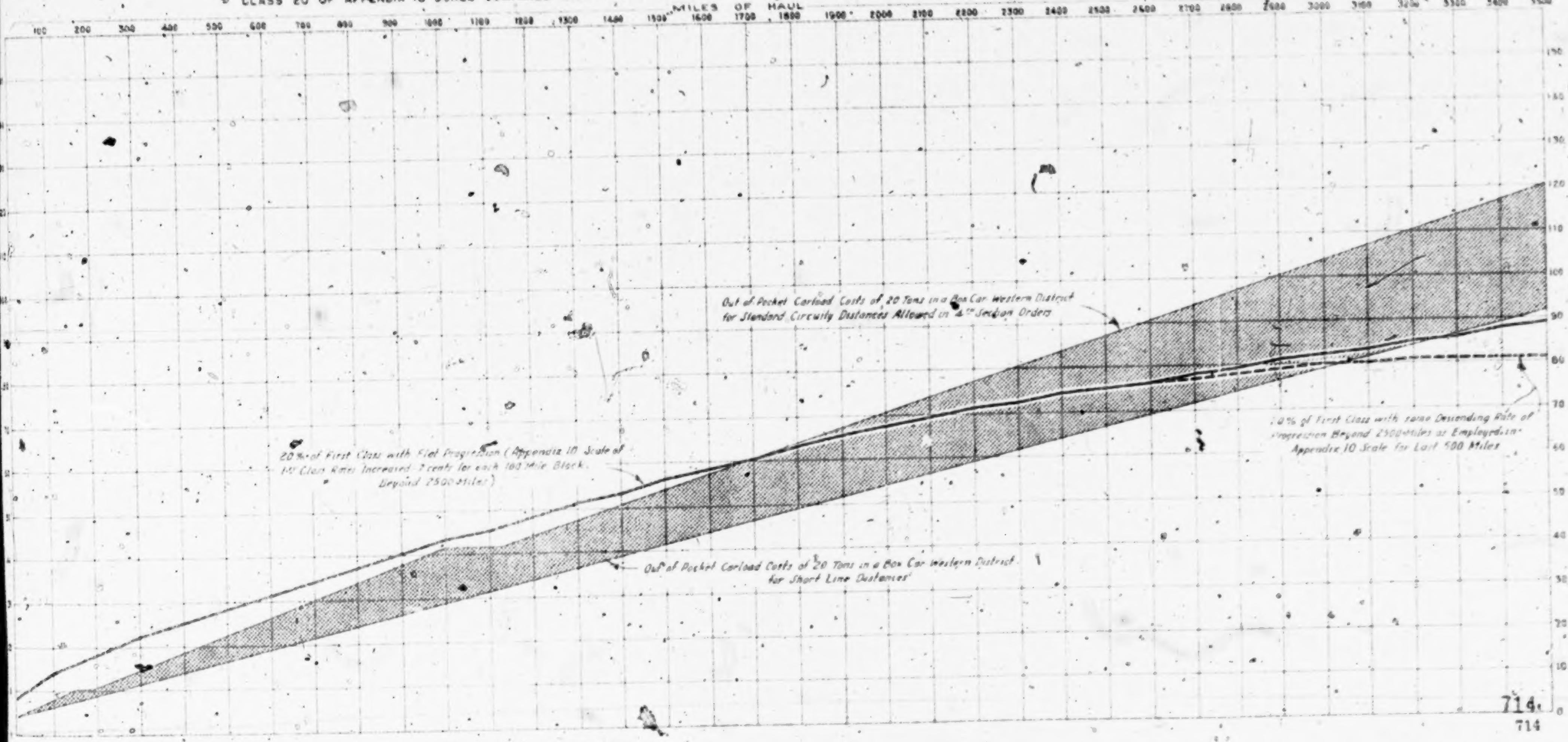
In Appendix "B", (five pages) we show the rates per 100 pounds on 40 tons in a gondola car under Classes 20, 17½, 16, 14½ and 13, as compared with the Edwards' costs for handling such traffic. The Edwards' costs are computed on three different bases. (1) Out-of-pocket costs for short-line distance computed as per the rate making formula. (2) Out-of-pocket cost for maximum distance computed as per Standard Fourth Section Circuity Formula and (3) fully distributed costs for short-line distance computed as per rate making formula.

Appendix "C", (five pages) shows similar information as to 20 tons in box cars.

The rate comparisons in Appendices "B" and "C", begin at 800 miles inasmuch as it is in the longer reaches of the scale that the rates as prescribed become progressively lower and below cost. To illustrate the deficiency in the rates prescribed in Appendix 10, we show in the chart (Figure 1) class 20 of Appendix 10 Scale compared with the range of Dr. Edwards' out-of-pocket cost for a 20 ton box car in the western district.

43
FIGURE

CLASS 20 OF APPENDIX 10 SCALE COMPARED WITH RANGE OF DR. EDWARDS' OUT-OF-POCKET COSTS FOR A TWENTY TON CARLOAD IN A BOX CAR-WESTERN DISTRICT



The out-of-pocket range is designated by "cross-hatching." The lower line of the out-of-pocket range is the straight line of out-of-pocket carload cost determined by the assumption that the short-line distance is the actual route of movement. The upper line of the out-of-pocket range was constructed for the purpose of showing the costs over the maximum distances for which the Commission has granted Fourth Section relief, *i. e.*, 150 miles and less 10 per cent; over 150 miles but not over 1,000 miles 50 per cent; and over 1,000 miles 33⅓ per cent, with due allowance for the blending of the various percentages of circuity at distances just beyond 150 and 1,000 miles, respectively.

It is well known that for the country as a whole very little traffic moves via short-line rate making routes. Normal working routes authorized by tariffs are longer than the multiple route formula. From chart, Figure 1, it will be noted that the 20 per cent rate goes into the out-of-pocket cost range at a distance of approximately 1700 miles and goes below the out-of-pocket range at a distance of 3,250 miles. The broken 20 per cent line beyond 2600 miles, constructed with the same descending rate of progression beyond 2500 miles as used in Appendix 10 Scale for the last 500 miles, is even further below the out-of-pocket cost.

Referring to Appendix "C" it will be noted that Classes 17½, 16, 14½ and 13, on freight handled in box cars, descend into the out-of-pocket range, based on short line rate making distances at approximately 2400 miles, 1900 miles, 1400 miles and 800 miles, respectively (Column A(3)), and that the percentage of the class rates to out-of-pocket Fourth Section mileage costs descends gradually so that at 3500 miles the percentage of such cost is 65 per cent on Class 17½; 59 per cent on Class 16; 54 per cent on Class 14½ and 48 per cent on Class 13 (Column B(7)). In relation to the fully distributed costs, based on short-line rate making formula (Column C(8)), the relation is 48 per cent on Class 17½; 44 per cent on Class 16; 40 per cent on Class 14½ and 36 per cent on Class 13 at the distance of 3500 miles.

20 tons in a box car was selected for this study because it is the prevailing minimum weight in the classification. There are a few commodities subject to a minimum weight as high as 50,000 pounds.

As to Appendix "B", 40 tons was selected as a representative load for a gondola car because of the nature of commodities subject to class rates that would move in gondola equipment that would load in the neighborhood of 40 tons. From Appendices "B" and "C" and from the chart (Figure 1) it will be clearly seen how ridiculously low the Appendix 10 rates are, especially on the lower classes. Even greater loads would show that the lower classes result in rates below out-of-pocket costs.

At Sheet 263 the Commission states that:

> "Out-of-pocket costs, however, should ordinarily establish the floor of all rates. Rates yielding merely out-of-pocket costs have been condemned as being

> less than reasonable minima. * * * Rates which yield something more than out-of-pocket costs have also been found to be less than reasonable minima."

In determining whether a rate falls below out-of-pocket cost the Commission must give due consideration to the minimum weights on the particular commodities and not the average loading experience.

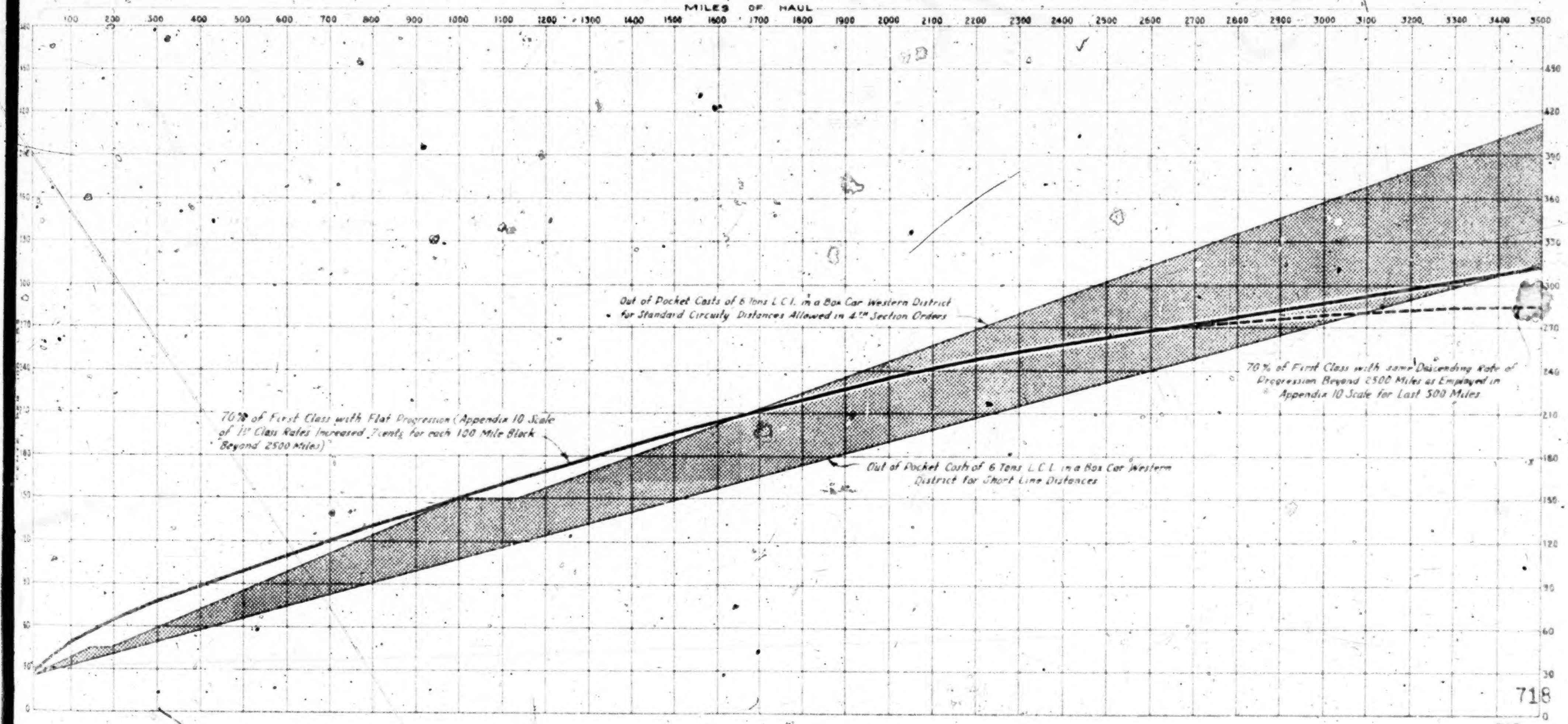
The Merchandise Report of the Association of American Railroads, which by reference is a part of the record in this proceeding, (see page 123, Volume 5 of transcript) indicates that the weighted average rate assessed on l.c.l. traffic in the western district for the period involved was 69.07 per cent of first class.

The chart (Figure 2) is a comparison of Class 70 or 70 per cent of the prescribed Appendix 10 scale with the range of Dr. Edwards' out-of-pocket costs for 6 tons of l.c.l. freight in a box car moving in the western district.

49

FIGURE 2

CLASS 70 OF APPENDIX 10 SCALE COMPARED WITH RANGE OF DR. EDWARDS' OUT-OF-POCKET COSTS FOR SIX TONS OF L.C.L. IN A BOX CAR-WESTERN DISTRICT



718

This chart shows that the prescribed l.c.l. rates are on the average only slightly above out-of-pocket costs up to 1600 miles. From there on the l.c.l. rates go into the out-of-pocket range and for the longer distances a few go below the out-of-pocket cost using the short-line or rate making formula.

The report, at page 155, shows that in 1939 the western district carriers lost $34,348,277 in the transportation of l.c.l. freight. Yet the Commission in this proceeding imposes further drastic reductions on l.c.l. freight which moves, in many instances, on class rates, thereby casting an additional burden upon carload traffic in the west, while the smaller deficit in the east will be reduced appreciably by reason of the 10 per cent increase in the interim period and 15 per cent as a permanent basis.

The Commission apparently gave much weight to the Edwards' cost study for at Sheet 263 the Commission states:

> "While perfection has not been attained, we are convinced that the studies made and presented by members of our staff as evidenced in this proceeding *possess sufficient attributes of accuracy to enable us to rely upon them in reaching our conclusions.* Respondents have not supplied us with any better ones, although they have, through their criticisms and suggestions, enabled us to make a better analysis and appraisal of those introduced by members of our own staff." (Emphasis supplied)

The Edwards' cost study shows that the costs in the western district are from 6 per cent to 15 per cent higher than in the eastern district (Sheet 147). However, when it came to constructing a class rate scale the Commission ignored such higher costs in the west, apparently for reasons as stated on Sheet 139. "The cost study gave no consideration to differences in the ability to pay or the various kinds of traffic handled in each territory, this being viewed as an element for consideration separate and apart from costs." This indicates that the Commission has taken into consideration the enormous volume of war traffic handled during the recent years for which statistics are available.

If the costs presented by the Commission's staff "possess sufficient attributes of accuracy" to enable them to be relied upon in reaching its (the Commission's) conclusions why, we ask, has the Commission waived aside such cost studies in favor of a uniform rate scale?

The Cost Studies Presented by Commission's Representatives Do Not Reflect the Cost for Transporting Any Particular Traffic, Therefore, Such Costs May Not Be Used as a Factor in Determining the Level of Class Rates in Various Territories.

The cost studies presented by the Commission's representatives are based on an extensive use of estimates and unusual license has been taken in processing the factual material, as well as the employment of many arbitraries and indulging in many assumptions, some violent, in dealing with entire districts and the country as a whole. The Commission has recognized that at least some of the criticism and suggestions of witnesses for respondents were meritorious and has used such criticism and suggestions to enable it to make a better analysis and appraisal of the formula introduced by members of its staff.

In criticizing the formula, western respondents pointed out that of a total of 117 items in the formula, 59 were estimates and out of a total of 500 sequences in the process of application, 458 were based on estimates.

Three types of units were used in the application of the costs as presented, *i. e.*, per car, per car-mile and per gross ton-mile.

It is acknowledged by Commission's representatives that the formula as introduced, and as relied upon by the Commission, was to show the costs of handling all traffic. The formula used is dissimilar to that used in Docket No. 28190, *New Automobiles in Interstate Commerce*, 259 I. C. C. 475. In the latter case Commission's representatives endeavored to present a formula showing the costs of transporting new automobiles. Without admitting that the formula used in the *New Automobiles Case* or the instant proceeding demonstrates within a reasonable degree of accuracy the costs of handling automobiles, class rate traffic or any other traffic, we direct the Commission's attention to the dissimilarity in the two formulas as presented.

In the *New Automobiles Case, Supra*, a more detailed formula was employed, in which the elements of expense were distributed to a greater number of service units, including locomotive miles, locomotive ton miles, train miles, gross ton miles, car miles, switch engine hours, and provided for both the out-of-pocket as well as the full cost, including return on investment. In that case certain carriers were required by order of the Commission to submit returns on the full cost as well as the out-of-pocket cost basis covering specific movements of automobile traffic by indicated routes. Much of the information furnished by the carriers in response to the order of the Commission was based on estimates or on studies that had been made several years before the submission of such studies to the Commission.

The formula, accepted by the Commission in the instant proceeding, being based largely on estimates and assumptions, appears to be hewn out of the rough with an ax rather than using the necessary refinements in order to determine with reasonable accuracy costs of handling any particular kind of traffic.

Commissioner Porter, in his dissenting opinion, beginning at Sheet 284, rightfully states:

> "It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories. *The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements.* * * * *It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when*

the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. *The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things.''* (Emphasis Supplied).

As has heretofore been pointed out, the cost of handling traffic in the east and the west varies greatly. The density of traffic varies greatly. From a comparison standpoint it would be just as well to compare cheese with chalk as to compare traffic and transportation conditions in the east and the west and come to a conclusion that they are not substantially dissimilar.

All costs computed in Dr. Edwards' study are based on composite averages derived from the entire operation conducted in the respective territories. They are made up of the average terminal expense resulting from hauling to and from large, small and intermediate size terminals, and to and from isolated localities; and the average line haul expense from hauling in local or way trains, manifest and heavy drag freight trains. Being based on composite averages, the comparison of costs does not reflect the difference due to the physical characteristics of the lines, but reflects the combined effect of the physical characteristics and the class of traffic carried.

The report, Sheet 145, recognizes the influences of special classes of traffic on the ascertained cost when it refers to the low cost in the Pocahontas and Kentucky territories because of the existence of a very heavy coal movement. The cost study finds (Sheet 143) in the first example that based on identical loads for 300 mile hauls the cost in the Pocahontas territory is 35 to 37 points lower than the cost in the other portions of the eastern territory. In other words, the cost in the eastern territory, excluding Pocahontas region, is shown by the study to be about 50 per cent greater than within the Pocahontas territory. It is not to be concluded that it costs 50 per cent more to haul coal in that region; or to haul any other particular class of traffic, or that the physical conditions are that much more difficult. It merely indicates that the net difference due to the composition of traffic and operating conditions is that great.

When the resulting composite average cost is unfavorable to the territory carrying the most low grade traffic, it is the effect of the more difficult operating conditions reduced by the advantage of hauling a greater proportion of low grade traffic and the difference solely due to the more difficult operating conditions is the sum of both effects.

For these reasons, when the average cost in the western territory, which carries the greater proportion of raw material, is found by a comparison of the composite averages to be six to eight points greater than such cost in the eastern territory, it follows that the difference due to the physical operating difficulties in the western territory is even greater—how much greater it is not possible to say, but judging from the results obtained in the Pocahontas and Kentucky territories it is substantial and the differences due to the physical characteristics are not inconsequential.

The art of cost finding, while it has been given consideration for several decades, has not as yet reached that degree of perfection that would enable the Commission to determine the costs for transporting any particular kind of traffic. To assume that the Edwards' cost formula "possesses sufficient attributes of accuracy" is to do violence to equity and fair play.

It is true respondents did not submit a cost study, but regardless of such fact the failure to do so did not lend credence to the Edwards' cost formula which should not, under any circumstances, be accepted by the Commission as even approaching that degree of accuracy necessary to determine the costs of handling class or any other kind of traffic.

The Permanent Scale of Rates as Shown in Appendix 10 Is Arbitrary in So Far as the Level Is Concerned, as Well as the Progression of Such Scale, and Does Violence to Former Decisions of the Commission Respecting Class Rates.

Appendix 8 of the report shows the principal intraterritorial scales of Class 100 (first-class rates) as prescribed by the Commission for application in the various territories as shown. The differences in the level of these scales and the variations in the rates of progression are shown at Sheet 128 of the report. In both instances the data is limited to 1500 miles, presumably for the reason that as a practical matter no intraterritorial hauls exceed 1500 miles.

In order that the Commission may compare the effect of the prescribed permanent scale (Appendix 10) on both intra and interterritorial traffic we show in Appendix "D", (two pages), a comparison of the prescribed rates and the rate of progression therein as compared with other scales as prescribed by the Commission for application within the territories involved in the instant proceeding. It is proper to point out that the rates for distances over 1500 miles are of particular concern to the lines in the western district; this for the reason that for such distances the rates do not apply on intraterritorial traffic, nor to any appreciable extent on interterritorial traffic moving wholly within the eastern and southern districts. The longest distance under the prescribed formula from Official territory, exclusive of New England and Zone C in Michigan to Southern territory, also excluding the Peninsula of Florida, does not exceed approximately 1628 miles which is the distance from Rouses Point, New York to Baton Rouge, Louisiana.

In Appendix "D", page 1, we show for each 100 mile block the same data as is shown in Appendix 8, with the following additions and exceptions: (1) The New England scale, the Southern border area scale and the Western Trunk Line Zone II scale have been omitted. (2) The Western Trunk Line "basic scale" has been included for the reason that this is the "base scale" upon which the

Zones I, II and III differentials are laminated to make the interterritorial rates between Official and Southern territories on the one hand and Southwestern and Western Trunk Line territories on the other; also between Southwestern and Western Trunk Line territories. (3) In each case the scales have been extended beyond the prescribed distances, using for this purpose the same rate of progression as was used in the prescribed scales for distances over 700 miles (over 800 miles in the case of the Southern scale). (4) Column B shows in each case the rate of progression in the rates shown in Column A for each 100 miles over 100 miles.

We find that the distance computed on the prescribed formula (short-line rate making distance) from Ft. Hancock, Texas to Madawaska, Me., is 2802.8 miles and for this reason it is necessary to give consideration to rates for distances over 2500 miles. Page 2, Appendix "D", shows similar data for distances over 2500 miles, based on page 1. On page 2 each of the scales has been extended at the same rate of progression as shown on page 1, except as noted in Notes A and B thereon.

Considering the much longer inter-territorial hauls between Western territory, on the one hand, and Official and Southern territories, on the other hand, the Appendix 10 scale, with its rapidly diminishing rate of progression for the long hauls, will be particularly disastrous to the western railroads.

Appendix "E", page 1, is a chart similar to that shown in the report at page 128, except that it is based on the data shown in Appendix "D", pages 1 and 2. It will be observed that from 500 to approximately 1650 miles the Appendix 10 scale is the same or slightly higher than the WTL-SW basic scale; for distances over approximately 1650 miles the Appendix 10 scale is progressively lower than such basic scale; when extended beyond 2500 miles at a diminishing rate of progression corresponding with the distances over 2,000 miles, the Appendix 10 scale actually becomes lower than the extended eastern scale.

It should be borne in mind that the basic scale is never applied alone to determine rates, it being used only for the construction of interterritorial rates in combination with the Zone I, II and III differentials laminated as provided in the *Western Trunk Line Class Rates,* 164 I. C. C. 1, and *Consolidated Southwestern Cases,* 123 I. C. C. 203.

As shown in Appendix "E", page 1, the effect of the Appendix 10 scale is to eliminate practically all of the added differentials as prescribed by the Commission for Zones I, II and III up to 1650 miles; and to make the rates actually less than the flat basic scale (without differentials) for all distances over 1650 miles.

As an illustration of the effect on interterritorial traffic from Official territory we show, on page 2, Appendix "E", a comparison of Class 100 (first-class) rates from New York, N. Y. to stations along the rate-making route to El

Paso, Texas. The distance under the prescribed formula is 2221 miles which is computed via Hannibal, Mo., Kansas City, Mo., and Neva, Kas., representing, respectively, the western boundaries of Official territory and WTL Zones I, II and II. Page 2 is similar to page 1 except that it shows the first class rates to stations along the route referred to above, based on the prescribed Appendix 10 scale as compared with rates made as follows: (1) Eastern scale up to 1092 miles (the distance to Hannibal, Mo.), (2) WTL-SW basic scale for all distances, plus WTL-SW zone differentials as follows: (a) Zone I differentials for distances over 1092 miles (b) Zone II differentials for distances over 1289 miles (c) Zone III differentials for distances over 1420 miles.

Appendices "D" and "E" show that whereas in previous class rate cases the Commission has adhered to the principle of a constant rate of progression for distances over 700 miles (800 in the Southern scale) it has, in the instant proceeding departed from such principle with disastrous results. Particularly is this true with respect to interterritorial traffic wherein the western railroads are particularly interested.

Page 2, Appendix "E" shows that under the laminated basis prescribed in the *Western Trunk Line Class Case* and *Consolidated Southwestern Cases, supra,* the rate of progression (although constant beyond 700 miles in the basic scale) actually results, in a measure at least, in an increasing rate of progression where the movement is from or to points west or south of Zone II. Necessarily, therefore, the substitution of a diminishing rate of progression, as shown in the Appendix 10 scale, is all the more drastic in its effect upon the interterritorial rates from or to the southwest, and the western portion of Western Trunk Line territory.

These respondents find many things wrong with the Appendix 10 scale, one of which is the rate of progression. Such rate of progression is not properly based upon what the Commission has stated in the report in this proceeding as to what constitutes proper grading of a distance scale.

Appendix 10 scale starts at 40 cents for 5 miles and steps up to 70 cents at 100 miles, reflecting an increase of 30 cents between five and 100 miles. Beyond 100 miles such scale increases generally on a descending rate of progression, the descent in some instances being so great as to condemn such scale by use of the Commission's own statement. On page 214 the Commission states:

> "One of the criteria of a smooth progression in a rate scale is that each successive per cent of increase in the rate, at each 100 mile interval, for example, shall be less than the one immediately preceding, and also that the differences between successive per cents of increase shall not progress in an ascending order."

This statement is taken from the testimony of a Commission's representative, Witness Hobbs, page 7, Exhibit 5, and reflects criticism of the rate of progression in the eastern class scale; Southern class scale and the Western Trunk Line Zones I, II and III class scales. By referring to such statement of the Commission's representative it is but reasonable to assume that the Commission adopts such criticism as a matter of principle.

Notwithstanding such criticism of the rate scale progressions, the scale prescribed by the Commission (Appendix 10) reflects the same infirmitives as criticized but to a greater extent.

In the table below we show the progression of the Appendix 10 scale, beginning at 5 miles and extending for 100 mile blocks from 100 to 2500 miles. The table also shows the percentage of increase in the rates for each successive 100 miles, as well as the difference between the successive percentages of increase:

	ICC Dkt. 28300 Scale	Actual Increase		
Miles	Rate	Amount	Per Cent	Difference
5	40	—	—	—
100	70	30	75.0	—
200	90	20	28.6	46.4
300	110	20	22.2	6.4
400	125	15	13.6	*8.6
500	140	15	12.0	1.6
600	155	15	10.7	1.3
700	170	15	9.7	1.0
800	185	15	8.8	.9
900	199	14	7.5	*1.3
1000	213	14	7.0	.5
1100	227	14	6.6	.4
1200	240	13	5.7	*.9
1300	253	13	5.4	.3
1400	266	13	5.1	.3
1500	278	12	4.5	*.6
1600	290	12	4.3	.2
1700	302	12	4.1	.2
1800	313	11	3.6	*.5
1900	324	11	3.5	.1
2000	334	10	3.1	*.4
2100	344	10	3.0	.1
2200	353	9	2.6	*.4
2300	361	8	2.2	.4
2400	368	7	1.9	.3
2500	375	7	1.9	—

The figures in the above table have been worked out in the same manner as those shown on Sheet 214 of the report, which reflects a situation at only one point contrary to what the Commission concludes is an appropriate rate of progression in a distance scale. For example, the Eastern scale shows that the actual percentage increase in the rate at 800 miles over the rate for 700 miles is 7.4 per cent, which reflects a difference of three percentage points over

---

* Irregularities

the difference in the percentage increase between 600 and 700 miles. This has been recognized and indicated by the Commission on Sheet 214 as an irregularity. Contrasted with such a showing it will be observed that the scale prescribed in the instant proceeding, Appendix 10, reflects irregularities at seven different points in the scale, *i. e.*, 400, 900, 1200, 1500, 2,000 and 2,200 miles.

Such infirmities are inherent in any distance scale which reflects a descending rate of progression beyond the second 100 mile block and apparently can only be corrected by a less rapid rate of decline beyond the second 100 mile block to the point where it is appropriate to extend such scales at a constant rate of progress.

In the *Twenty-First Supplemental Report, Consolidated Southwestern Cases*, 205 I. C. C. 601, in comments regarding the "rate of progression in scales", the Commission made the following statement at page 646:

> "While in the very nature of their occurrence, we cannot agree that the terminal and line-haul costs per unit of distance remain practically constant as hauls increase in length, we are persuaded that the rates of progression in the present Southwestern scales would be inappropriate for the future and should be somewhat increased, particularly for the longer reaches."

In the statement below we show the original first-class scale prescribed in *Consolidated Southwestern Cases*, 123 I. C. C. 203, for application in the southwest, together with the rate of progression therein. This is the scale that the Commission found in the *Twenty-First Supplemental Re-*

port, supra, should be re-graded. Such scale was re-graded when the Commission prescribed the Zone III Western Trunk Line scale for application in Southwestern territory in lieu of the original first-class scale. In the statement we also show the Zone III scale and the rate of progression therein, which reflects a material increase in the rate of progression over 400 miles over the original Southwestern first-class scale.

Miles	Original 13535 Scale	Progression	Zone III Scale	Progression	28300 Scale	Progression
5	36	—	36	—	40	—
100	79	43	82	46	70	30
200	109	30	112	30	90	20
300	133	24	134	22	110	20
400	157	24	156	22	125	1[illegible]
500	174	17	178	22	140	15
600	192	18	200	22	155	15
700	209	17	222	22	170	15
800	227	18	239	17	185	15
900	240	13	256	17	199	14
1000	253	13	273	17	213	14
1100	266	13	290	17	227	14
1200	279	13	307	17	240	13
1300	393	13	324	17	253	13
1400	365	13	341	17	266	13
1500	318	13	358	17	278	12
1600			375	17	290	12
1700			392	17	302	12
1800			409	17	313	11
1900			426	17	324	11
2000					334	10
2100					344	10
2200					353	9
2300					361	8
2400					368	7
2500					375	7

In the instant proceeding representatives of the Commission testified and demonstrated, at least to their satisfaction, that line-haul costs per unit of distance actually remain constant as the hauls increase in length. Notwithstanding such recognition and the findings in the *Twenty-*

First Supplemental Report, Consolidated Southwestern Cases, supra, increasing the rate of progression, the Commission has now reversed itself and has prescribed a diminishing rate of progression as the distance increases.

In the statement below we show the Appendix 10 scale, the rate of progression therein as compared with the Kas-Mo scale, Zone II WTL scale and the rates of progression therein (the Kas-Mo scale being prescribed in the original *Consolidated Southwestern Cases, supra*).

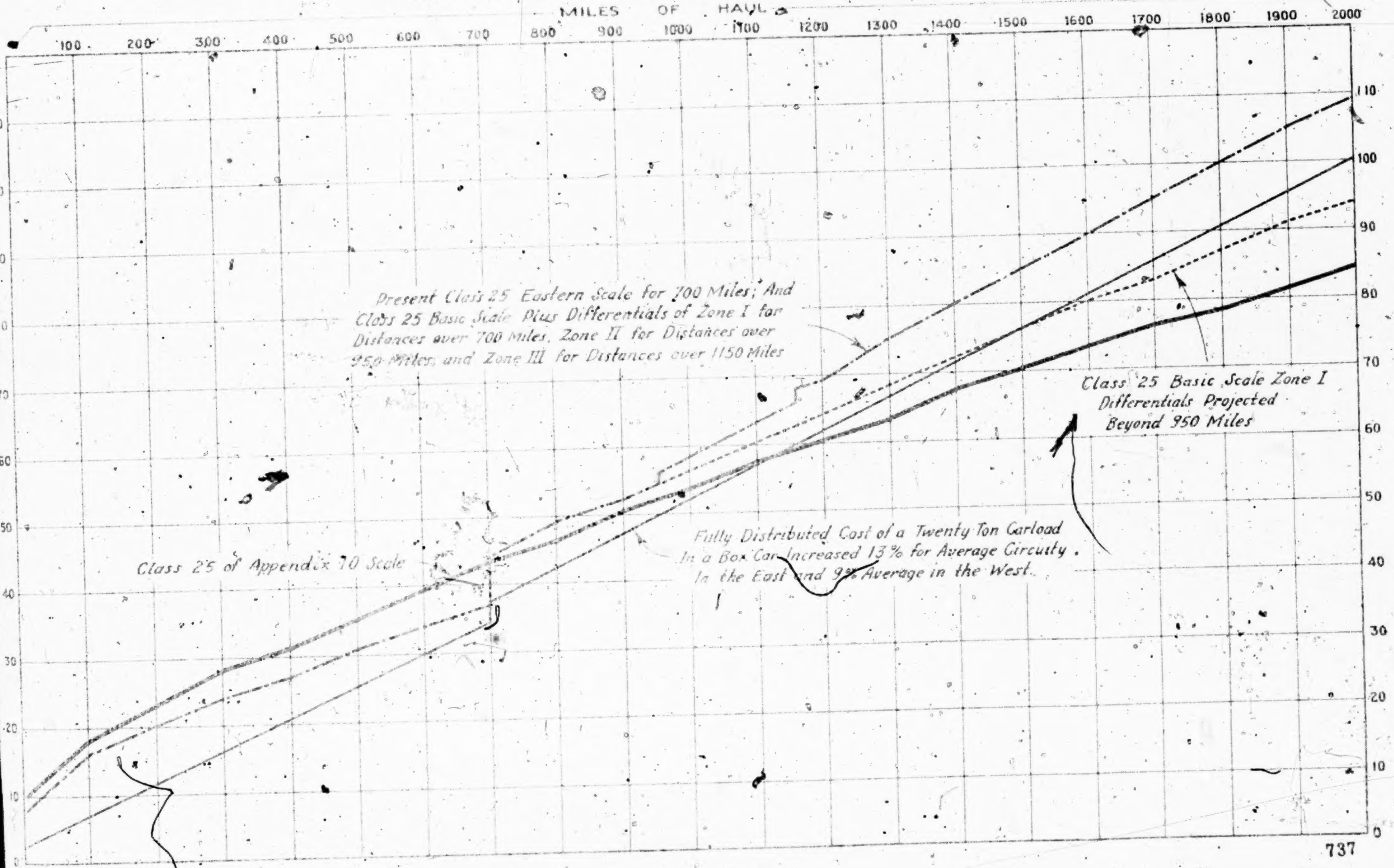
Miles	Kas-Mo Scale	Progression	Zone II Scale	Progression	28300 Scale	Progression
5	33	—	34	—	40	—
100	73	40	75	51	70	30
200	101	28	101	26	90	20
300	124	23	122	21	110	20
400	146	22	142	20	125	15
500	162	16	162	20	140	15
600	178	16	182	20	155	15
700	195	17	202	20	170	15
800	211	16	217	15	185	15
900	223	12	233	16	199	14
1000	235	12	248	15	213	14
1100	247	12	264	14	227	14
1200	259	12	279	15	240	13
1300	272	13	295	16	253	13
1400	284	12	310	15	266	13
1500	296	12	326	16	278	12
1600			341	15	290	12
1700			357	16	302	12
1800			372	15	313	11
1900			388	16	324	11
2000			403	15	334	10
2100			419	16	344	10
2200					353	9
2300					361	8
2400					368	7
2500					375	7

For many years prior to the decision in the *Western Trunk Line Class Rate Case, supra*, class and commodity rates between Western Trunk Line and Official territories were constructed on the basis of combinations over the

Mississippi River crossings, St. Louis and north thereof and Chicago. In that case the Commission, for the first time, prescribed through overhead class rates between Official and WTL territories, thus the increment for hauls west of the Mississippi River were substantially reduced as a result of the prescription of through overhead rates. The prescribed Appendix 10 scale decreases the increment for the hauls west of the Mississippi River to a much greater extent than the present prescribed class rate adjustment and, in fact, to such an extent that the increment is lower than would be justified by the Edwards' cost study. This is clearly indicated in the succeeding chart which shows the Edwards' fully distributed costs for a 20 ton carload in a box car compared with Class 25 rate under the Appendix 10 scale and the Western Trunk Line "U" scale as shown in the appendices in that report, 205 I. C. C. 595 at 709, for distances beyond 700 miles.

FIGURE - 3

DR. EDWARDS' FULLY DISTRIBUTED COSTS OF A TWENTY TON CARLOAD IN A BOX CAR COMPARED WITH CLASS 25 APPENDIX 10 SCALE AND WITH PRESENT CLASS 25 EASTERN SCALE AND W.T.L. APPENDIX U SCALE BEGINNING AT A POINT 700 MILES IN EASTERN TERRITORY.



The chart, up to 700 miles, compares the Official territory scale with the Edwards' costs and the Appendix 10 scale Class 25. At 700 miles the chart indicates that there is a higher level of rates in Western territory than those prescribed for application in eastern territory and portrays the low increment for the western haul beyond 700 miles as contained in Appendix 10 scale. It will be noted that the Appendix 10 scale Class 25 goes below the fully distributed cost at a distance slightly over 1100 miles, thus reflecting the extremely low rate of progression in the prescribed scale (Appendix 10) for the longer distances. Such low rate of progression is further demonstrated in Appendices "B" and "C" hereof, which definitely indicate the low rate of progression for the longer reaches of the scale.

While This Investigation Does Not Contemplate the Inclusion of Commodity Rates or Exception Ratings It Necessarily Will Have an Effect on Such Rates.

While the Commission recognizes at Sheet 66 that "the investigation does not embrace * * * rates * * * which are determined by exceptions to the classifications or commodity rates" it does include, as shown on Sheet 8 "* * * all rates determined by ratings in the four classifications named above, irrespective of whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class * * * ".

It is but reasonable to assume that the required new uniform classification to be established in accordance with the findings under Part I of the decision will include both carload and less-carload ratings on each and every article now included in the classification, including those articles now moving at exception and commodity rates. In the *Twenty-Second Supplemental Report, Consolidated Southwestern Cases,* 211 I. C. C. 575, at 578, the Commission stated:

> "Respecting defendants' alternative objection that, notwithstanding the denial of a hearing, unless the existing commodity rates are reduced so as not to exceed the otherwise applicable class rates they will face our rulings that so far as they are higher such rates are prima facie unreasonable and require special justification, *it is enough to say that, while commodities should not in other than very exceptional circumstances take commodity rates higher than the class rates otherwise provided for application to them,* we are not at this time dealing with commodity rates as such." (Emphasis Supplied.)

The same principle has been followed in many other decisions.

It is, therefore, proper, we submit, to ascertain as nearly as possible the probable effect of the Commission's decision upon commodity rates, exception rates and particularly rates which were prescribed or approved by the Commission in former cases.

It is, of course, impossible to foretell what ratings will be provided in the new uniform classification on any particular article. However, in view of the reference to the Official classification ratings (Sheet 64) and exceptions thereto in connection with findings in Part I of the decision, it is not improper, for the purpose of this discussion, to assume that the ratings in the new uniform classification on many articles will be no higher than now applicable within Official territory; and that if higher ratings are provided they will not be appreciably higher than now applicable in that territory. In this connection we direct the Commission's attention to Appendix "F", (3 pages), showing commodity rates prescribed by the Commission in the cases therein referred to, as compared with the rates that will result from application of the Appendix 10 first-class rates and the percentages for lower classes as prescribed.

It should not be understood that the classes selected for the purpose of this comparison are intended to suggest what class ratings on such articles should be in the proposed new uniform classification, such class ratings have been selected for the purpose of illustration.

Page 1, Appendix "F", shows rates on wool carloads as prescribed by the Commission in *Wool Rates Investigation, 1923*, 91 I. C. C. 235, as compared with Class 60, 55 and 50 that would result from application of Appendix 10 rates. Wool in the grease in bags or in machine-pressed bales is rated in Official and Southern classifications minimum weight 16,000 pounds, Rule 34, third class, or 70 per cent of first-class; in Southern and Western classification minimum weight 24,000 pounds, fourth class, or 55 per cent of first-class. In Official classification, by exceptions, wool in the grease in bags or bales is rated Class 52, minimum weight 24,000 pounds, subject to Rule 34, and Class 70 K minimum weight 16,000 pounds, subject to Rule 34. This statement shows the extent that the prescribed class rates on Class 60, 55 and 50 are lower than the commodity rates prescribed by the Commission in *Wool Investigation, 1923, supra.*

Page 2, Appendix "F", shows the joint-line rates prescribed on packing house products carloads in *Meats and Packing House Products*, 136 I. C. C. 651, as compared with 37½ per cent and 35 per cent of first-class, as set forth in Appendix 10. Packing house products carloads are rated 37½ per cent in Official and Southern classification territories and fifth class, or 37½ per cent in Western classification. In Official territory, by exceptions, these commodities are rated Class 37-L which is the same or slightly below Class 35. In WTL territory, by exceptions, these commodities are rated Class 36. This statement shows that the prescribed Class 35 is lower in all instances than the prescribed commodity rates on these commodities and the same is true with respect to the prescribed Class 37½ rate except for distances over 1600 miles.

Page 3, Appendix "F", shows the situation as to rates on coal tar and pitch carload as prescribed in *Barrett Co. v. A. T. & S. F. Ry. Co.*, 172 I. C. C. 319, as compared with the prescribed rates, based on 25 and 22½ per cent of first-class (Appendix 10).

Coal tar and pitch in bulk in barrels or in tank cars is rated Class 6 in Official, Class 10 in Southern and Class D in Western classification, which ratings are respectively 27½, 22½ and 22½ per cent of the applicable first-class rates. In Official territory, by exceptions, these commodities are rated 80 per cent of 6th Class, or approximately 22½ per cent of first-class. Paving or roofing coal tar and pitch in Official territory, by exceptions, are rated 70 per cent of 6th Class, or approximately 19.25 per cent of first-class. It will be noted that in all instances the prescribed 22½ per cent rates are lower than the prescribed commodity rates and that the prescribed Class 25 rates are approximately the same as the prescribed commodity rates, except for distances over 1400 miles where the prescribed Class 25 rates are lower than the prescribed commodity rates extended.

On Sheet 129 the Commission makes the following statement:

> "From the standpoint of the volume of traffic transported, class rates are the least important of the different kinds of rates * * * * * * but the volume of traffic, particularly carload traffic on which class rates have applied has been substantially less for many years than that on which exception rates have applied."

On the same sheet the Commission shows that on carload traffic transported on September 23, 1942, 4.1 per cent of the carloads and 6.3 per cent of the revenue represented traffic handled on class rates, and 10.7 per cent of the carloads and 16.1 per cent of the revenue represented traffic handled on classification exception ratings.

From its decision it is but reasonable to assume that the Commission thought that even though severe reductions are required in the basic class rates no particular violence would be effected in the revenues of the western carriers because of the small *proportion of* carload traffic it found to be moving on class rates. On sheet 136, under the heading "Indirect Results of Proposed Revision," the Commission stated:

> "This means, of course, that we should take notice of, and in our ultimate conclusions accord proper weight to, the fact that an important percentage of both intra and interterritorial traffic is transported at exception or column rates which might be affected if class rates are substantially changed."

Just what consideration the Commission gave to the effect of its prescription of class rates as shown in Appendix 10 is impossible of ascertainment. If the Commission thought that no particular effect would result in the western carriers' revenues it is submitted that such conclusion is erroneous on its face for the reason that it does not take into account the revenues on traffic that is now moving on classification exception ratings and commodity rates, which revenues will be substantially reduced by reason of the fact that the reduced class rates will make lower rates than are now in effect as classification exception ratings and commodity rates. To put it another way, the actual rates resulting from the present classification exception ratings determined by the use of the present first-class rates will be higher than the new class rates determined by use of those prescribed in the instant proceeding. To illustrate—

the present 5th Class rates within Western Trunk Line and Southwestern territories are 37½ per cent of first-class. The interim basis requires a 10 per cent reduction in those rates which, if and when established will be lower than the present Column 35 rates. Therefore, on any commodities now rated 5th Class in western classification and on which the carriers have voluntarily established or have been required by the Commission to establish Column 35 rates, the rates on such commodities will be higher than the interim 5th Class rates as prescribed.

To carry the thought further, 5th Class in Official Classification territory is 35 per cent of first-class. If the Official classification is to be used as ~~a~~ pattern for the new uniform classification then it is reasonable to assume that all commodities now rated 5th Class, in both Official and Western Classification territories, will ultimately be rated no higher than 35 per cent of first-class. If that assumption is indulged in then the present rates on all commodities rated 5th Class in Western classification will be substantially reduced. Likewise, severe reductions will result in Southwestern and Western Trunk Line Zone III territories on those 5th Class commodities on which, at the present time, Class 35 applies as an exception rating. Further, the Class 35 rates resulting from the application of the Appendix 10 scale will reduce the present rates, on 5th Class commodities, which are rated Class 32½ in the classification exceptions on all distances over 50 miles; on all commodities now rated Class 30 in the classification exceptions for all distances above 65 miles;

on all commodities now rated Class 27½ in the classification exceptions for all distances over 100 miles and on all commodities now rated Class 25 in the classification exceptions for distances generally over 520 miles. Substantially the same results will follow as to commodities now rated Class "A", "B", "C", "D" and "E".

There is a substantial tonnage of commodities moving in Southwestern territory rated 5th Class in the Official and Western classifications, which move on exception ratings substantially below 5th Class rates. In the table below is shown a list of heavy-moving commodities, which is not all inclusive. From such statement it can readily be appreciated that a 10 per cent reduction in the present 5th Class rates will reduce Western lines' revenues during the interim period. The permanent basis of rates, as shown in Appendix 10, will further reduce such revenues

Commodity	Present Official and Western Classification Rating	Present Southwestern Classification Exceptions Rating
Acetic Acid, in bulk in barrels; also in tank cars	5	30
Alcohols, other than alcoholic liquors	5	30
Soap and soap powders	5	25
Canned or preserved foodstuffs	5	28
Iron or steel rust preventing or removing compounds	5	30
Cocoa	5	32½
Rough, Rolled Glass, not bent	5	27½
Glass Bottles	5	27½
Window glass, not bent	5	32½
Houses or Buildings, portable, Iron or Steel	5	35
Insecticides or fungicides, Agricultural, Liquid	5	26
Iron and Steel Articles	5	32½
Paints and Paint Material	5	30
Iron or Steel Pipe	5	27½
Baking Powder	5	27½
Syrup, Corn	5	29½
Molasses	5	29½

Tariff Authority: SW 173-S D.Q. Marsh I.C.C. 3659.

Therefore, the revenue on a large portion of traffic now moving on classification exceptions will be affected by the substantial reductions in the basic class rates, all of which the Commission appears to have overlooked or disregarded.

Indirect Result of the Commission's Prescribed Scale on Traffic Moving to and From the Territory Involved in the Instant Proceeding.

There is no logical basis for the prescribed interim rates or the permanent basis as shown in Appendix 10. On Sheet 266 the Commission makes the following statement:

> "It is clear that the method of distribution of the rate burden between types of traffic now observed in southern, southwestern, and western trunk-line territories has resulted in rates so high that they have prevented the free movement of traffic at the rates in issue. This result is fully proved by the fact that numerous lower exception and commodity rates which move the great preponderance of the traffic and produce the great preponderance of the revenues in those territories, have been established.
>
> "One of the principal contentions of southern and western respondents, and of certain industrial interests, is that the establishment of the eastern level of class rates in the South and West will require upward revisions of exception, column, and commodity rates in order that the railroads may recoup revenue lost from the reduced class rates. They show that many of the exception and column rates in the South and West are higher than the eastern level of class rates, and

> contend that establishment of the eastern class-rate level in those territories would require reductions of those exception and column rates which are higher than the eastern class rates, thereby further reducing respondents' revenues. These contentions are directed against the establishment of the eastern class-rate level in the other territories, but are not an answer to the claim that the differences between the intra- and interterritorial class rates in and between the several territories are not justified by transportation conditions. Considerations of costs of service, consists of the traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates justify the conclusion that the class rates within southern, southwestern, and western trunk-line territories, and between those territories and official territory are unjust and unreasonable, and that the class rates to official territory from the other territories are unduly prejudicial to such other territories and unduly preferential of official territory."

This finding warrants analysis. The Commission does not say that the extension of the eastern class scale to the other territories involved will not affect the exception and column rates but merely states that such result is "no answer" to the "claim" that transportation conditions do not justify the present differences in class rates between the various territories. It may reasonably be presumed then that the Commission impliedly agrees that the extension of the eastern class scale to other territories would affect the exception and commodity rates. That they would be affected by an extension of a scale approximately [illegible]5 per cent higher than the eastern scale seems apparent.

But by far the more important aspect of this finding is the failure of the Commission to describe how it determined that the prescribed scale will be just and reasonable for application in the entire territory east of the Rocky Mountains. First, the Commission finds that the "factors usually given weight in determining lawful rates" justify the conclusion that the present class rates are unjust and unreasonable. Presumably then the rates which the Commission would substitute for them must be, under the statutes, just and reasonable when judged by the "factors usually given weight in determining lawful rates." It is inconceivable that "considerations of cost of service, consists of traffic, distribution of the rate burden and other factors" could lead to the conclusion that the maximum reasonable rate between any two equi-distant points in the vast territories here involved must be the same. Consideration of the factors enumerated by the Commission can but lead to the opposite conclusion. Nowhere in the report does the Commission indicate how it arrived at its ultimate conclusions and upon what factors such conclusions are based.

On the many previous occasions on which the Commission has investigated class rates it has always recognized that there is a substantial difference in the various sections of the country in those factors which it enumerates in the findings in this proceeding. Those differing conditions have resulted in varied class rate levels in the different sections of the country, each established for the particular purpose of serving the needs of a particular section of the country. It would be, indeed, very unusual if conditions in each section of the country had changed, more in some sections and less in others, but exactly no more or no less in each section so as to require exactly the same rate level in every section and territory. The record as made in this proceeding does not demonstrate that such phenomenon has taken place and it can only be concluded that by its action in this case the Commission is attempting to "equalize fortune, opportunities or abilities" contrary to the limitations placed upon it by the Interstate Commerce Act as interpreted by the United States Supreme Court in *Intersstate Commerce Commission* v. *Diffenbaugh,* 222 U. S. 42.

While this proceeding is limited to the consideration of rates applicable on articles moving at classification ratings the arithmetical relationship of rates is such that it must inevitably have its effect on other rates not specifically involved. In some instances, as will be hereafter demonstrated, the new class rates may actually result in rates lower than the present exceptions or commodity rates and in other instances the reduction in the class rates will be vigorously advanced as an argument in favor of reductions in exceptions or commodity rates.

The fact cannot be avoided that rates on the higher classes of traffic, generally the class rates, become the standard of measurement for other rates. The prescribed scale lowers the ceiling on rates in the western district with the inevitable result that other rates would, of necessity, be affected, particularly those exception ratings and commodity rates which are close to the proposed ceiling.

It cannot be seriously asserted that the present revenues of the western carriers are excessive or that in the post war period those revenues, based on the present rate levels, will provide more than enough money to meet expenses, yet the immediate and direct effect of this decision is to reduce those revenues substantially and to threaten further with greater reductions at some indefinite time in the future.

Based on the 1944 volume of traffic and using the percentages found as a result of the traffic study shown in Exhibit 228, introduced in this proceeding, it is estimated that the interim adjustment would result in a loss of revenue to the western district carriers of approximately $10,000,000 on class rated traffic alone. A precise estimate of the revenue losses which will result from the application of the single scale of class rates in all of the territories here involved cannot be made because of the peculiar situation in which the carriers find themselves of being presented with a scale of class rates without knowing what classification is to be applied against them. The only thing known for certain by western carriers is that the level of the rates will be reduced below the level prescribed as the "interim" basis. Under such basis the 10 per cent reduction ordered is subject to a minimum scale, which later becomes the maximum. Where a 10 per cent reduction will put the present rates at or below the minimum no further change need be made but where a 10 per cent reduction will leave the rates above the minimum, such rates, at a later date, must be still further reduced when the minimum scale undergoes the transformation by becoming the maximum scale as result of the permanent basis. This is particularly true of rates within the territory between the Missouri River and the Rocky Mountains and from and to that area. A few examples of the present and ultimate result of this decision on such rates are shown below.

Between	Miles	Present Rate[1]	10% Reduction[2]	Prescribed[3]	Percentage of Reduction
Chicago and Denver	1006	279	251	217	22%
Chicago and Fargo, N. D.	631	198	178	161	19%
Chicago and Alliance, Neb.	876	254	229	199	21%
Denver and Omaha	538	202	182	146	27%
Denver and Aberdeen, S. D.	765	257	231	182	29%
Denver and Alliance, Neb.	238	133	120	98	26%
Wichita and Kearney, Neb.	294	140	126	110	21%
Wichita and Alliance, Neb.	538	200	180	146	27%
Wichita and Fargo, N. D.	776	239	215	182	23%

The above table shows that the reductions in the rates themselves will, in some instances, be as much as 29 per cent. It is not known as yet what classification ratings will be used with the reduced rates but unless the uniform classification as finally adopted provides for substantially higher ratings than those now in effect it is elementary that the losses in revenues which the western carriers will sustain as a result of the permanent adjustment will be substantially in excess of those sustained during the period the interim adjustment is in effect.

---

1. Class 100, based on 17000-2 scale.
2. *Ad Interim* adjustment.
3. Docket 28300—Appendix 10 scale.

The foregoing relates only to traffic moving on class rates. However, the proposed adjustment will have a direct effect upon traffic now moving on exception and commodity rates. This will be particularly true in instances where the reduction in the class rates exceeds the spread between the exception rating and the classification rating. When the permanent basis is made effective further reductions are to be made in the class rates and it will be found that many of such rates will be actually lower than the exception rating unless, again, the uniform classification rating is made higher than the one now in effect.

Under the present classification basis in the western district the following illustrations show the rates which will result from applying the Appendix 10 scale compared with the present exception rates.

BETWEEN OMAHA AND DENVER.

Commodity	Present Exception Rating Percent 1st Class	Rate	Classification Rating Percent 1st Class	New Class Rate[1]
Abrasives, l.c.l.	55	111	70	102
Agricultural Implements, other than hand, K.D. l.c.l.	70	141	85	124
Drill bits, used, l.c.l.	60	121	70	102
Syrup flavoring compounds, l.c.l.	57	115	70	102
Ammunition, C.L.	45	91	55	80
Binder Twine, C.L.	35	71	45	66
Batteries, C.L.	37.5	76	40	58
Wallpaper, NOIBN, C.L.	40	81	45	66

Thus, in circumstances similar to the few examples shown above, the new class rates made by applying the proposed scale to the present classification ratings will, in each instance, be lower than the present exception rate.

---

[1] Using Appendix 10 scale.

There will also be instances when the new class rates, with present classification ratings, will produce lower charges than under the present commodity rates. Only a cursory examination of the tariffs is necessary to discover that this situation will exist as to a great many rates.

An exception or commodity rate may not be unlawful simply because it happens to be higher than the class rate on the same article, yet it seems fairly obvious that the western carriers could not hope to maintain a large number of exception or commodity rates higher than the corresponding class rates. As a matter of fact the Commission has in innumerable cases held that a commodity rate which exceeds a class rate is *prima facie* unreasonable. This interpretation has been given by the Secretary of the Commission as a result of a recent inquiry, the Secretary's interpretation reading

> "Your first question is whether the Commission will continue to hold that a commodity rate which exceeds a class rate is *prima facie* unreasonable. I cannot answer this question definitely, except to say that there is no indication that the Commission will not continue to follow that principle."

Such interpretation appears at page 1716 of the Traffic World of June 30, 1945.

This being true the harmful effect of this decision upon the western carriers, caused by the reductions in class rates, will be aggravated by the forced reductions in exception and commodity rates even though those rates were specifically excluded from this proceeding.

The average revenue per ton mile of all Class I railroads in the United States, by districts, for the year 1939, as shown by an exhibit of record, is:

Eastern District	0.990 cents
Southern District	0.946 cents
Western District	0.947 cents

The figures shown above represent the average revenue per ton mile received for the transportation of all traffic at the present rate levels maintained in the various territories and between those territories. They include revenue derived from the traffic moving at higher rates than the average, as well as traffic moving at rates which provide revenue below the average. It is obvious that any reduction in rates higher than the average must result in a lowering of the average with the consequent loss in total revenue.

No one can suggest, in fairness, that the revenues received by the western railroads on the present rate levels are excessive or that they will be in excess of that required to pay expenses of the railroads in the post war period when the new class rates are prescribed to be in effect.

The uniform class scale prescribed in this decision, together with the depressing effect which it will have on other rates must, necessarily, result in substantial reductions in revenue and a lowering of the average revenue per ton mile unless such losses are in some manner recouped, possibly by increases in the level of the lower rated commodities which constitute the bulk of the traffic in the western district, such as agricultural products, including livestock.

The Effect of the Interim Basis, as Well as the Permanent Basis, Upon Rates to and From Mountain Pacific Territory on the One Hand and the Territory East of the Rocky Mountains on the Other Hand.

The 10 per cent reduction in the class rates in the territory involved in this proceeding will, of necessity, require a readjustment of the class rates to and from Mountain Pacific territory and will result in substantial reductions in such rates.

At sheet 242 of the report the Commission seems to recognize that the establishment of the uniform classification will necessarily make changes in the class rates "within, to and from Mountain Pacific territory."

The establishment of the interim rates will likewise result in changes to and from Mountain Pacific territory.

We show in Appendix "G" hereof, (3 pages), the present class rates compared with the rates prescribed in Appendix 10 which clearly indicates the necessity for making adjustments in the Mountain Pacific class rates. While we appreciate that the decision does not require any changes in the class rates to and from points in Mountain Pacific territory it will not be possible for the western railroads to maintain the present rates because of the unreasonable spread that will result from the prescribed rates to the western border points of the territory here involved and the present rates to points beyond.

To Denver, Colorado from New York City the present first-class rate is 385 cents and to Salt Lake City, Utah, 516 cents, a difference of 131 cents for an additional difference of 506 miles. The prescribed first-class rate from New York City to Denver is 347 cents; the spread in the rates will be 169 cents.

The present first-class rate from New York City to El Paso, Texas, is 460 cents and to Los Angeles 611 cents, a difference of 151 cents for a difference in distance of 867 miles. The prescribed rate to El Paso is 414 cents, therefore the difference will be increased to 197 cents.

The present first-class rate from New York City to Montline, N. D. is 374 cents and to Seattle, Washington 611 cents, a difference of 237 cents for an additional distance of 1135 miles. The prescribed interim first-class rate to Montline is 337 cents, resulting in the difference being increased to 274 cents. A great many other comparisons can be made from Appendix "G" as to situations from New York City, Pittsburgh, Detroit, Chicago and Kansas City. It is clear from such illustrations that the present rates to and from Mountain Pacific territory cannot be maintained if and when the interim rates become effective, therefore, necessary readjustments will result in substantial reductions in the rates to and from Mountain Pacific territory.

It seems equally clear that the establishment of the permanent basis, as shown in Appendix 10 of the report, will require readjustment of class rates to and from and perhaps within Mountain Pacific territory. Further, many commodity rates will likewise have to be readjusted.

Until the exact ratings have been determined for uniform classification throughout the entire United States it is impossible to make any accurate estimate of the effect of the permanent rates prescribed for application in the territory east of the Rocky Mountains. However, it is certain that the permanent rates will result in substantial reductions in many class and commodity rates, as well as in exception ratings. For this reason it is impossible to make any accurate estimate of the effect of the establishment of the prescribed basis of permanent rates in the territory involved in the proceeding in which they are to be applied upon class and commodity rates. For the same reason it is impossible to make any estimate as to the revenue effect within, to and from Mountain Pacific territory but comparisons can be made which clearly show that readjustments of the rates in Mountain Pacific territory will have to be made and that such readjustments will result in substantial reductions in the class rates as well as in exception and commodity rates.

With the information as to the percentage relationship between classes which will be adopted for uniform application, we show in Appendix "G" the present class rates to border-line points, together with the present percentage relationship to first-class which are compared with the Appendix 10 rates, using present Western Trunk Line percentage relationships; also rates based on 40 per cent and 35 per cent of the first-class rates; also the present class rates to points beyond the western border of the territory here involved compared with the Appendix 10 rates extended beyond the western border but increased 15 per cent for the haul in Mountain Pacific territory.

The present class rates to Utah common points were prescribed in *W. H. Bintz Co.* v. *Abilene & S. Ry. Co.*, 216 I. C. C. 481, and to Eastern Montana in *Great Falls Traffic Assn.* v. *Chicago, B. & Q. R. Co.*, 226 I. C. C. 467; 235 I. C. C. 459.

The Commission recognized in the *Sixth Supplemental Report* in Docket 17,000, Part 2, 204 I. C. C. 595, 609, that the class rates it had previously prescribed in the original proceeding, 164 I. C. C. 1, would seriously affect rates to and from Mountain Pacific territory.

In *Consolidated Wagon & Machine Co.* v. *Baltimore & O. R. Co.*, 210 I. C. C. 375, the Commission prescribed rates on agricultural implements from eastern origins to destinations in Utah and Idaho 40 per cent of hypothetical first-class rates, arrived at by adding 15 per cent of the Zone III scale for the distances in Mountain Pacific territory. The same basis was prescribed in the *Bintz Case* to Utah common points and in the *Great Falls Case* to Montana destinations as far west as Harlowton, Mont.

In Docket No. 28978 and related cases, *George A. Hormel & Co., et al.*, v. *A. T. & S. F. Ry Co., et al.*, (mimeographed) decided June 5, 1945, the Commission prescribed rates on packing house products from eastern origins to the Pacific Coast on basis of extending the Docket No. 2595 scale, *Meats and Packing-House Products,* 136 I. C. C. 651; 147 I. C. C. 330; 156 I. C. C. 299, prescribed for application within the southwest, increased 15 per cent for the haul in Mountain Pacific territory. In its decision the Commission stated at Sheet 34, referring to its decision in 210 I. C. C. 375 and 216 I. C. C. 41:

> "The reports in these two latter cases contain complete discussions of the principles underlying the proper relations of rates as between the southwest, middlewest, and Mountain-Pacific territories, and of our prior decisions dealing with that question. * * *
>
> "The last two above mentioned cases show that we are now of the view that reasonable rates in Mountain-Pacific territory ordinarily should not be more than 15 per cent higher than reasonable rates in the southwest."

Because the Commission adopted this basis for extending rates into Mountain Pacific territory, *i. e.,* 15 per cent higher than in the territory east of the Rocky Mountains, the rates shown in Appendix "G" reflect the Appendix 10 rates, increased 15 per cent for the haul in Mountain Pacific territory. On such basis the first-class rate of 516 cents from New York City to Salt Lake City would be reduced to 389 cents. To Los Angeles and Seattle the present first-class rate of 611 cents would be reduced to 439 cents.

Innumerable examples are shown in Appendix "G", all of which indicate the drastic reductions that will result in the class rates to and from Mountain Pacific territory in the event the Appendix 10 scale, as adjusted for the hauls in Mountain Pacific territory, are made effective to and from that territory. Necessarily, the reductions will be substantially greater if the class rates to and from Mountain Pacific territory are not inflated 15 per cent.

Class and commodity rates to and from inter-mountain territory are definitely related to the rates prescribed in *Western Trunk Line Class Rates, supra.* The establishment of the rates prescribed by the Commission to the territory herein involved will compel reductions in rates to and from Mountain Pacific territory and will break down the entire Mountain Pacific and Transcontinental rate adjustment.

To indicate the drastic reductions in the first-class rates which will result from the establishment of the permanent basis inflated 15 per cent, we show in Appendix "H" the result to Denver, El Paso and Montline, which are actual reductions. The situation to other destinations shown are based on the constructive first-class rates. For example—from New York City to Denver the reduction is actually 61 cents, or 15.8 per cent; to Los Angeles the reduction would be 172 cents, or 28.2 per cent.

Class rates to and from Mountain Pacific territory were not involved in Docket No. 28300. Nor will the record as made therein, support a finding that the present class rates from or to that territory are in any way unlawful.

One of the most important transcontinental commodity rates is that applicable on machinery, as shown in Item 1650 of Agent Kipp's I.C.C. 1507, particularly the rates subject to a minimum weight of 40,000 pounds and which apply as far east as Salt Lake City under the intermediate application in the tariff. The classification rating on machinery in western classification is Class A (45 per cent of first class) and in Official 40 per cent of first class. While we do not know what basis will be adopted for uniform application throughout the country, in the proposed uniform classification, but to indicate the effect of the rates prescribed in the instant proceeding we show in Appendix "I" carload rates on machinery to Salt Lake City and Los Angeles from representative eastern origin points compared with 45 per cent and 40 per cent of the first-class rates under the Appendix 10 scale, as is set forth in Appendix "G". To illustrate—the present rates from New York City are 232 cents, 24,000 pounds minimum; 213 cents, 40,000 pounds minimum. 45 per cent of the Appendix 10 scale will result in a rate of 175 cents and 40 per cent of the Appendix 10 scale will result in a rate of 156 cents. The present rates to Los Angeles from New York City are 254 cents, 30,000 pounds minimum; 213 cents, 40,000 pounds minimum. 45 per cent of the first-class Appendix 10 scale would be 198 cents and 40 per cent would be 176 cents.

We have heretofore referred to the Commission's decision in *Consolidated Wagon & Machine Co.* v. *Baltimore & O. R. Co., supra.* In that case the basis prescribed by the Commission on agricultural implements (other than hand) from Western Trunk Line and Official-Illinois origins to destinations in Utah and Idaho was 40 per cent of first-class rates constructed by adding 15 per cent to the Zone III Scale for the distances in Mountain Pacific territory. While the classification rating on agricultural implements in Official territory is 40 per cent of first class, and in western territory 45 per cent of first-class the classification exception is 40 per cent of first class.

Appendix "J" shows the situation that would result on agricultural implements. This statement shows the present carload rates compared with 45 per cent and 40 per ce of first-class rates prescribed in Appendix 10 extended into Mountain Pacific territory, as shown in Appendix "G". It will be noted that the extension of such scale would result in substantial reductions in the present rates on agricultural implements to Mountain Pacific territory.

In normal times automobiles constitute a large volume of traffic destined to Mountain Pacific territory. Appendix "K" shows the present commodity rates on automobiles to Denver, El Paso and Montlite and to destinations west thereof. We also show the present first-class rates to the same destinations and 75 per cent of first-class, which is the basis recently prescribed by the Commission in Docket No. 28190, *New Automobiles in Interstate Commerce, supra,* and Class 100 of the Appendix 10 scale and 75 per cent thereof. As will be noted, the present automobile rate to Denver will be reduced from 229 cents to 188 cents and if the Appendix 10 scale is extended into Mountain Pacific territory the rate to Salt Lake City will be reduced from 328 cents to 247 cents, and to Los Angeles from 450 cents to 298 cents.

The foregoing, with respect to Appendices "I", "J" and "K" as to reductions in carload traffic, are merely illustrative. There are many others that could be shown.

The present rates to Transcontinental territory on machinery and agricultural implements are depressed by reason of Panama Canal competition and apply in all instances to intermediate points as maximum rates. For example—the same rate applies to Los Angeles and Salt Lake City on machinery 40,000 pounds; from New York City 213 cents; Pittsburgh 196 cents and Detroit 187 cents. The same rate applies on agricultural implements to Los Angeles and Salt Lake City minimum 44,000 pounds; from New York City 187 cents; Pittsburgh 171 cents; Detroit 163 cents and Chicago 154 cents.

Not only will reductions in carload rates result from the extension of the Appendix 10 scale in Mountain Pacific territory, as shown in Appendix "G", but less-carload rates as well will be affected. The reductions in the less-carload rates on commodities such as boots and shoes, and hosiery, as described in Item 3995 of Agent L. E. Kipp's I.C.C. 1507; clothing as described in Item 4000 of the same tariff, from Chicago, New York City, Kansas City, Mo. to Los Angeles and Salt Lake City are shown in Appendix "L". It will be noted therefrom that the less-carload rate on boots and shoes from New York City to Salt Lake City would be reduced from 495 cents to 389 cents and the present rate to Los Angeles would be reduced from 495 cents to 439 cents. Again these are merely examples of a vast number of less-carload rates which will be reduced by an extension of the Appendix 10 scale to Mountain Pacific and Transcontinental territories.

It is not enough to say that Mountain Pacific and Transcontinental territories are not involved in the instant proceeding when history and experience dictates that rates to such territories are influenced by the rates in Southwestern and Western Trunk Line territories, and just as sure as the rates are reduced as a result of the Commission's decision in the instant proceeding, the interim as well as the permanent basis, it will have the effect of reducing rates to the territory west of that involved in this proceeding, all of which will result without an opportunity being afforded the carriers in Mountain Pacific and Transcontinental territories to present evidence as to the reasonableness and otherwise lawfulness of the present rates.

If the Commission insists upon the rates as prescribed to the territory involved then the effective date of the order should be postponed, the proceeding reopened and enlarged so as to include the class rates to, from and within Mountain Pacific territory. To do otherwise will force the western railroads to substantially reduce their present rates to and from such Mountain Pacific territory, notwithstanding there is no evidence before the Commission to show that the present rates are unreasonable or otherwise unlawful.

The Commission's Decision and Order Are Erroneous in That They Do Not Accord Western Railroads Reasonable and Proper Rates Under the Commission's Own Findings in This Proceeding, Particularly as to Relative Costs.

The scales of rates to be applied between Official territory and the territory involved in the western district and within the west, east of the Rocky Mountains, are unlawful and are arbitrary in that they are too low for the services rendered in the west and, further, because they do not accord rates to western railroads as required under the evidence adduced of record in view of the actual and relative transportation conditions.

Great reliance has been placed by the Commission in this case upon evidence as to costs and relative costs introduced by their analysts. A large part of the report, pages 138 to 161, is devoted to such evidence. Yet in its conclusions the Commission fails to provide for the rate differences required by such evidence and in fact practically ignores the relative costs as found by its own representatives.

The western railroads do not subscribe to the method, formulas and conclusions reached by the Commission's analysts and we take the position that costs are not the only element to consider in fixing rates, especially class rates which cover a wide range of commodities with varying values and transportation characteristics. We urge that the Commission at least accord to them, as minimum, rates sufficiently above those prescribed in the east so as to reflect the higher costs in the west as found by their own representatives.

On page 161 of the report it is said, as to the relative costs of handling less-than-carload traffic, that:

> "Costs in the west are 27 per cent higher than in the east, including New England but excluding Pocahontas. *Less than carload traffic, as a whole is carried as a deficit in all territories, except possibly in the south.*" (Emphasis supplied.)

On the same page the conclusion is reached that the overall costs in the west range from 5 per cent to 18 per cent higher than in the east. Notwithstanding the added costs as found by the Commission, west over the east, the scale of first-class rates prescribed is to be applicable in all territories, thus the substantially higher costs found to exist in the west are entirely disregarded.

The reduction of class rates in the west and for that part of the interterritorial haul in the west is clearly unlawful and arbitrary and in violation of the Constitution in that in spite of the findings (Sheet 161) that less-than-carload traffic is, as a whole, handled in the west at a deficit, rates are to be reduced which will still further increase the deficits for the west of $34,348,274 or $26,240,171, depending on the basis considered, as shown on Sheet 155 of the report. This deficit is the largest for any territory shown, although the l.c.l. revenues for the west were over $18,-

000,000 less than in the east. The operating ratio on l.c.l. traffic in the west was 138.6 per cent and in the east 124.4 per cent (divide Line 5 by Line 7, table on Sheet 55). The l.c.l. revenues in the west were actually lower than the out-of-pocket costs (Line 1, table on Sheet 155) without taking into consideration the constant expense related solely to l.c.l. traffic (Line 2, table on Sheet 155) or the collection and delivery payments and allowances (Line 4, Table on Sheet 155).

Both the so-called interim as well as the permanent basis of class rates prescribed will greatly increase this deficit in the west. In other words, the reduced basis ordered by the Commission is confiscatory. This is established on the face of the Commission's own decision. Such a result is contrary to law and should not under any circumstances be permitted to stand.

From the comparisons shown in Appendices "B" and "C" it must be apparent that the Commission has not given consideration to the startling effect of the rates prescribed. What testimony of record or the background of this case warrants a prescription of rates, as is shown in the Commission's report, is not made apparent by the majority. Certainly there has been no change in transportation conditions or the methods of handling traffic or operating railroads that would justify or require such a finding and order. If there are such facts of record and background in this case that would justify such finding and order, the majority does not explain them.

The Commission does not point out what changed conditions warrant the discarding of principles followed for over fifty years in rate regulation upon which the country, as a whole, has relied. Certainly those concerned with transportation and the users thereof are entitled to know upon what evidence the Commission relies for the drastic changes in the principles and precedents here made. The majority does not state them. Shippers and receivers, as well as the railroads, are entitled to know upon what provisions of the Act the Commission relied when it ordered substantial increases in some parts of the country and drastic reductions in others, as compared with class rates it had fixed recently, after exhaustive hearings and investigations. The Commission should also point out the evidence of record showing a violation of the provisions of the Act relied upon. Sufficient evidence as to Section 3 violations as pointed out by Commissioner Porter, (Sheet 287) is certainly lacking in the majority report.

The Commission in this case indicates that the carriers' revenues should be preserved (Sheet 59). Western carriers are at a loss to know how their revenues are to be preserved by the prescription of reduced class rates which will considerably increase the deficit the Commission finds to result from their handling of l.c.l. traffic under present rates. Nor do western carriers understand the record bases for the finding (Sheet 275) "from those returns and the whole record we find and determine that the revenue needs of the carriers in Official territory, with respect to their class rate traffic, are greater than is the case as to class rate traffic of carriers in the other territories described" in the face of the showing made by the table on Sheet 155 that the deficit of western lines on their smaller volume of class rate traffic is both actually and relatively greater than that in the east. Even if the finding, as last above quoted, was correct it might warrant an increase in the eastern class rates but it certainly does not warrant a reduction in the western class rates. The "will of the wisp" of uniformity is not worth the wrecking of the western railroads and the manufacturers in the west who try to compete with the volume production and heavy local consumption of the east.

The action taken by the majority completely disregards the competition which producers in the west must meet in their own territory from producers in the east.

Eastern manufacturers have available to them the services of steamer lines serving Atlantic and Gulf ports; also Pacific ports through the Panama Canal. Some large eastern firms have their own steamer lines.

The order in the instant proceding will reduce rates from the east to the west which will increase the ability of eastern producers to compete in the west with western producers. True, the rates in the reverse direction are also reduced but that is little compensation to the western producers who must ship long distances to dispose of the surplus products that their own comparatively small local consuming territory can absorb.

This record reveals that the reason for the complaint from certain people in the south and in the west was that the producers in those territories could not compete for the sale of products in Official territory. Under what theory of reasoning will it help build up industry in the south and west to give eastern producers lower rates to the south and west? To the contrary it will greatly retard the industrial development of the south and the west because eastern industry will still have the advantage in reaching the hereby densely populated, heavy consuming areas which surround them and will be given a lower basis of rates to dispose of their surplus production in the more distant south and west. Western industry is not in the fortunate position which will permit it to accept less profit on surplus goods sold in the east because it does not have the extreme advantage which its eastern competitors have of a heavy consuming, local territory.

The decision clearly recognizes a higher cost in the west than in the east. The Commission does not explain why it ignores that difference in cost. To ignore that difference in cost in making rates on the very highest rated and most valuable traffic and that which should contribute most to the overhead, particularly in the western territory where a very large percentage of the total traffic is low-grade raw materials, which the Commission has often said cannot and should not pay relatively to the maintenance of the transportation plant, is obviously an error in judgment.

In *Rubber Assn. of America* v. *Akron & B. B. R. Co.*, 174 I. C. C. 79, 85-86, it was said:

> "It is self-evident that rates cannot be made with reference to value alone. Yet value is a factor of major

> importance. Many low-grade commodities must be given low rates in order to permit them to move. If such traffic is to move as it must, and carriers at the same time are to earn sufficient aggregate revenue to enable them to perform their services and earn a fair return upon the value of their property, high-grade traffic must be subjected to rates which are in some degree commensurate with commodity values. Stated somewhat differently, the value of a high-grade commodity must be given a greater significance than lies in the mere extent to which it affects the risk assumed by the carriers in transporting it."

If agricultural products and livestock, for example, are to have the benefit of low rates in order to permit them to move, other traffic, particularly class rate traffic, should move on rates which are at the very top of the zone of reasonableness. Class rates as prescribed in this proceeding are certainly not in that category. This is another long standing principle of rate-making which the Commission ignores and discards by the decision in this case.

Mathematical Uniformity in Class Rates Can Be Achieved by Cutting Down or Stretching Out the Present Varying Scales to Fit a Single Scale.

It does not necessarily follow that the reductions in rates proposed will promote industrial development in the west. A similar experience in the State of Kentucky did not meet with much success. What happened there is reviewed by the Commission in this report. At Sheet 208 the Commission states:

> "Kentucky was included within Southern territory in the southern revision. Subsequently, in *Common-*

> *wealth of Kentucky* v. *Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, we accorded it treatment different from that in the south generally with respect to class rates to and from Official territory. The effect of that decision was to reduce the class rates between interior Kentucky points and Official territory to a basis approximately 15 per cent higher than the basic eastern scale."

It is further stated that other rates between points in Kentucky and Official territory were such that the average between representative points was 9.8 per cent in excess of the rates for corresponding distances in Official territory. In the proceeding referred to by the Commission, all the familiar allegations were made on behalf of the State of Kentucky as are made in this proceeding. It was particularly stressed that the small amount of manufacturing in interior Kentucky was due to the unfavorable rate structure. Presumably the adjustment prescribed for Kentucky should have resulted in the expansion and growth of industry in that state if the philosophy of the proponents in the instant proceeding, which has been followed by the Commission, is correct. However, the Commission now finds, at Sheet 209, that:

> "Since our decision in *Commonwealth of Kentucky v. A. & W. Ry. Co., supra,* (decided December 9, 1935), *when Interstate class rates into and from Kentucky were reduced to a basis slightly higher than the official level, the industrial development in Kentucky has been less than in Tennessee, in which the higher southern level of class rates has applied during that period.*"
>
> (Emphasis supplied.)

Somewhat similar results may be expected from this case because there is little likelihood that the simple expedient of putting all class rates on a single scale will promote industrial development in the west. In fact there is more than a reasonabe possibility that it may have the opposite effect.

One of the factors upon which the Commission places great reliance is that the prescribed scale wil reduce rates between the west and the east thereby helping the western manufacturer, or the new manufacturer, who is supposed to locate in the west because of the alleged favorable freight rates, to compete with the manufacturers in Official territory for business within Official territory. However, since the rates will apply in both directions the ultimate result of the permanent adjustment will be to reduce rates from Official territory to points in the western district by substantial amounts, thus permitting the eastern manufacturer to provide stiffer competition for the western manufacturers in what would ordinarily be considered their natural markets. A few examples will illustrate this point, using the proposed Class 100 rates as a basis.

TO ALLIANCE, NEB.

From	Reduction
Denver	35 cents
Chicago	55 cents
Pittsburgh	48 cents
New York	49 cents
Detroit	51 cents

To Witchita, Kansas.

Kansas City	27 cents
Chicago	39 cents
Detroit	30 cents
Pittsburgh	25 cents
New York	21 cents
St. Louis	38 cents

To Aberdeen, S. D.

Fargo	18 cents
Minneapolis	25 cents
Chicago	34 cents
Detroit	33 cents
Pittsburgh	25 cents
New York	29 cents
St. Louis	36 cents

To Kearney, Neb.

Omaha	21 cents
Chicago	33 cents
Detroit	27 cents
Pittsburgh	20 cents
New York	19 cents

The reductions shown are based on the present Class 100 rates and a cursory study of the examples is all that is necessary to show the effect the prescribed scales will have. The new rate from Denver to Alliance, Neb. for example, will be 35 cents lower than the present rate but the new rate from Detroit, Mich. will be 51 cents lower, thereby reducing the spread in the present rates by 16 cents to the advantage of Detroit.

In the few instances the spread between the rates in points in Official territory and points in Western Trunk Line territory will be increased in favor of the Western

Trunk Line point but in many such cases that advantage may prove illusory because with the establishment of lower truck compelled scales for the shorter hauls the actual spread between the present rates will be greater than the spreads between the maximum class 100 rates. In such cases the decision will result in slight, if any, reductions for the short hauls but will result in maximum reductions for the longer hauls. The practical result will be that the Official territory shipper will get the benefit of the full reduction while the shipper at the nearby point will get only a slight reduction or no reduction at all.

Mathematical uniformity, as stated in class rates, can be achieved by cutting down or stretching out the present varying scales to fit a single scale. However, the victims of such a process may find themselves in the same unfortunate position as the luckless recipients of the hospitality of Procrustes who accommodated all of his guests to his only bed by lopping off or stretching them out to the right length.

The Commission Fails to Consider the Needs of Railroads in the Post War Period.

It was testified by Witness Parmelee in *Ex Parte* 148, October 23, 1944, pages A-2840 to 2843, inclusive that:

> "The railroads have absorbed the increased traffic largely by loading cars and trains more heavily than ever before, by running cars and locomotives more miles per day than ever before, by reducing unserviceable cars to the lowest ratio in history, by retaining

cars and locomotives in service beyond their economic life and by draining surplus car and locomotive pools.

"While these emergency measures have enabled the railroads to handle the war traffic and some will be continued to a degree in the post war period many of them are temporary expedients and will be modified at the war's end in the interest of adequate and efficient transportation service.

"Prior to the war the greatest amount of work the railroads ever obtained from the average freight car was in 1937 when car miles per serviceable car day averaged 36.6 miles and net ton miles per serviceable car day averaged 625 ton miles.

"During the first eight months during 1944 these averages were 52.3 car miles and 1,123 net ton miles per car day, increases of 43 and 80 per cent respectively.

"If one-quarter of this gain in car efficiency attains through emergency measures and under more favorable traffic volume conditions are retained in the post war period present freight car ownership will be barely adequate to handle a level of freight traffic equivalent to that of 1929.

"If freight car performance in the post war period is less than 20 per cent greater than that of the best pre-war year additional cars will be needed to handle a traffic volume equivalent to 1929. The same general comments may be made with respect to locomotives but with some variations in the figures.

"If we assume that it will be necessary to keep railroad ownership of freight cars and locomotives at no more than present levels in order to handle post-war traffic adequately and efficiently, replacement needs in the early post war years may be indicated as follows:

"During the three war years, 1942 through 1944, railroads have retired and permanently withdrawn from service about 100,000 freight cars and about 2,000 locomotives. At such retirement rate, it would require more than 50 years to replace all freight cars in service at the beginning of 1942 and more than 60 years to replace all locomotives.

"Obviously these annual retirement rates would be too low, particularly in view of the heavy use to which equipment has been subjected during the war period.

"If we assume a 30 year renewal span for freight cars, and a 40 year renewal span for locomotives, which is a longer span than is indicated by current depreciation rates on locomotives, then retirements in the last three years have fallen short by about 70,000 cars and by about 1100 locomotives.

"If we assume that the indicated lag in replacements wil be made up in the first five years of the post war period, it would be necessary to retire and replace 14,000 freight cars per year, merely to make up the lag. To this figure should be added current retirements of 1/30th of the ownership, which would be 56,000 cars per year, or a total of 70,000 cars annually.

"Similarly, replacements of locomotives to make up the lag would be 220 units per year, and current retirements and replacements would be 1/40th of the ownership, or about 1,050 per year, a total of 1,270 units annually.

"Thus, a program of 350,000 new freight cars and 6,350 new locomotives, would represent minimum requirements over the first five post war years. This would be an average of 70,000 new freight cars, and 1,270 new locomotives per year, or an annual outlay of $300,000,000 or more.

"While it is much more difficult to indicate prospective capital expenditures for passenger train cars,

$50,000,000 per year over a five-year period would seem conservative, in view of the extremely heavy use of such equipment during the war period.

"Over a long period of years capital expenditures for equipment and for roadway and structures will be about equal.

"The average for equipment over the past 22 years being $258,000,000 per year and for roadway and structures $269,000,000 per year.

"If this ratio should be maintained in the first five post-war years, and if expenditures for new equipment should be approximately $350,000,000 per year, another $350,000,000 per year would be required for improvements to roadway and structures, or a total of $700,000,000 per year.

"On the basis of past experience, as I have outlined, the carriers would need a net railway operating income in the neighborhood of a billion dollars a year in order to support such a program of capital improvements."

While the above figures are for the United States as a whole it is obvious that the expenditures for capital improvements in the post war period for the western railroads will be a tremendous sum of money which certainly cannot be realized if the Commission insists upon reducing rates on traffic, such as class traffic, which will force reductions in rates moving on exceptions or commodity rates unless the rates on raw materials, such as products of agriculture, including livestock, are increased so as to permit the western railroads to earn net revenues which will permit them to rehabilitate their properties so as to provide an adequate and efficient transportation service.

Conclusion.

The western railroads have given thorough and matured consideration to the Commission's decision in this investigation and have included in this petition the major objections to the report, and aver that the matters contained herein do not justify the conclusions reached and will result in a serious reduction in their revenues, not only during the interim period, which will amount to approximately $10,000,000 per year, but the permanent basis as prescribed will further reduce their revenues in an alarming amount. Not only will our revenues be reduced as to class rate traffic but traffic moving on exception and commodity rates will be reduced.

The majority has erred in not following the principles that have heretofore guided the Commission in its determination of reasonable and otherwise lawful rates. They have labored under a misapprehension as to the consist of traffic in the west as compared with that in the east. They have entirely cast aside the increased costs of handling traffic in the west as compared with that in the east. They have misconstrued the amendments to the Transportation Act of 1940 in that such amendments have not changed in any manner whatsoever the considerations that must be given in determining reasonable and otherwise lawful rates. Nor has the majority considered the effect that the rates as prescribed in this proceeding will have on rates to Mountain Pacific and Transcontinental territories.

No explanation has been made by the Commission why it was necessary for it to depart from the customary standards usually employed in the fixation of reasonable and otherwise lawful rates. Nor how it can legally revise practically a nationwide rate adjustment based on evidence which, generally speaking, pertains only to 4.1 per cent of the carload movement but which necessarily affects 95.9 per cent of the carload movement in the United States, without consideration of the less-carload movement which likewise will be affected. Undoubtedly there are many facts within the Commission's knowledge which have been permitted to enter into the considerations given by the Commission but which were not put in evidence. If so, such considerations will not support the order as entered, *The Chicago Junction Case*, 264 U. S. 258; *Interstate Commerce Commission* v. *Louisville and Nashville Railroad Company*, 227 U. S. 88. It is well established that a finding without evidence is beyond the power of the Commission, *United States and Interstate Commerce Commission* v. *Abilene & Southern Railway Company, et al.*, 265 U. S. 274.

The Commission has not explained in its report why it is necessary to reduce rates on commodities other than those involved in the instant proceeding which will result as to many rates that are now determined by exceptions to the classification and commodity rates, such as those decided in *New Automobiles In Interstate Commerce, supra*, and the rates on various other commodities as set forth in this petition. In *Eastern Central Motor Carriers Association v. United States*, 321 U. S. 194, at 211, the Court said:

> "In returning the case we emphasize that we do not question the Commission's authority to adopt and apply general policies appropriate to particular classes of cases, so long as they are consistent with the statutory standards which govern its actions and are formulated not only after due consideration of the factors involved but *with sufficient explication to enable the parties and ourselves to understand, with a fair degree of assurance, why the Commission acts as it does.*" (Emphasis supplied.)

Any one of such reasons justify the Commission reopening this proceeding so as to permit these respondents to reargue this case, based on the decision, so as to point out the infirmitives therein, and thereafter reconsider the issues and issue a report supported by the evidence of record and with full appreciation of the principles heretofore followed in rate making, all of which we submit would require the Commission to find that class rates in the western territory, as involved herein, should be substantially higher than those prescribed for application in Official territory.

There is no necessity for a rehearing in this proceeding as long as the issues are restricted to the territory originally involved; this for the reason that the record as made by respondent carriers in the western district was as complete as it was possible to present. If, however, the Commission determines that the rates as prescribed in this proceeding will, of necessity, have an effect upon rates to Mountain Pacific and Transcontinental territories then a further hearing would have to be held in order to permit all parties to submit evidence as to rates from, to and within Mountain Pacific and Transcontinental territories.

The Commission's own statements, as contained in the report, the results that would obtain, not only as to class rate traffic but as to traffic moving under exception and commodity ratings, and the record considered in its entirety justify this petition of western respondents and the granting of their plea for a postponement of the effective date of the order, for reopening, for reargument and thereafter reconsideration of the issues as involved. Fairness and justice require that this be done. It is so prayed.

Respectfully submitted,

H. C. Barron,
James G. Blaine,
B. F. Batts,
H. E. Boe,
P. F. Gault,
J. A. Gillen,
Wallace T. Hughes,
R. G. Hagman,
H. H. Larimore,
G. H. Muckley,
Conrad Olson,
Dana T. Smith,
Carson L. Taylor,
Robert Thompson,
Attorneys for Western Respondents.

Room 310, Union Station,
Chicago, Illinois,
July 17, 1945.

CERTIFICATE OF SERVICE.

I hereby certify that I have this day served the foregoing document on all parties of record in this proceeding by mailing a copy thereof, properly addressed, to each such party.

Dated at Chicago, Illinois, this 17th day of July, 1945.

By WALLACE T. HUGHES,
Of Counsel for Western Respondents.

Appendix A—Page 1

TATEMENT OF RATES ON HOGS IN SINGLE DECK CARS, CARLOAD, APPLICABLE BETWEEN ALL POINTS IN WESTERN TRUNK LINE AND SOUTHWESTERN TERRITORIES COMPARED WITH THE EDWARDS' FULLY DISTRIBUTED COSTS FOR HANDLING 8 TONS IN A STOCK CAR IN WESTERN DISTRICT

Column A—Costs computed on short-line rate-making distance formula.
Column B—Costs computed on maximum circuity observed in Fourth Section Orders.

Miles (Short Line ate-making Formula)	Rate in Cents Per 100 Pounds	Edwards' Costs in Cents Per 100 Pounds		Per Cent Rate of Edwards' Cost Shown in		Miles (Maximum Circuity Distance Observed in Fourth Section Orders)
		Column A	Column B	Column A	Column B	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
100	24	20.5	26.5	117.07	90.94	170
200	33	29.1	37.7	113.40	87.53	300
300	39	37.7	38.6	103.45	101.04	450
400	45	46.3	63.4	97.19	70.98	600
500	51	54.8	76.3	93.07	66.84	750
600	56	63.4	89.1	88.33	62.85	900
700	60	72.0	102.0	83.33	58.82	1050
800	65	80.5	114.8	80.75	56.62	1200
900	70	89.1	127.7	78.56	54.82	1350
1000	75	97.7	140.6	76.77	53.34	1500
1100	80	106.3	140.6	75.26	56.90	1500
1200	85	114.8	149.1	74.04	57.01	1600
1300	89	123.4	160.5	72.12	55.45	1733
1400	94	132.0	172.0	71.21	54.65	1867
1500	99	140.6	183.4	70.41	53.98	2000
1600	104	149.1	194.8	69.75	53.39	2133
1700	109	157.7	206.3	69.16	52.84	2267
1800	113	166.3	217.7	67.95	51.91	2400
1900	119	174.8	229.1	68.08	51.94	2533
2000	123	183.4	240.6	67.07	51.12	2667
2100	128	192.0	252.0	66.67	50.79	2800
2200	133	200.6	263.4	66.30	50.49	2933
2300	138	209.1	274.9	66.00	50.20	3067
2400	142	217.7	286.3	65.23	49.60	3200

Appendix A—Page 2

STATEMENT OF RATES ON STOCK CATTLE, CARLOAD, APPLICABLE BETWEEN ALL POINTS IN WESTERN TRUNK LINE AND SOUTHWESTERN TERRITORIES COMPARED WITH THE EDWARDS' FULLY DISTRIBUTED COSTS FOR HANDLING 10 TONS IN A STOCK CAR IN WESTERN DISTRICT

Column A—Costs computed on short-line rate-making distance formula.
Column B—Costs computed on maximum circuity observed in Fourth Section Orders.

Miles (Short Line Rate-making Formula)	Rate in Cents Per 100 Pounds	Edwards' Costs in Cents Per 100 Pounds		Per Cent Rate of Edwards' Cost Shown in		Miles (Maximum Circuity Distance Observed in Fourth Section Orders)
		Column A	Column B	Column A	Column B	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
100	18	17.4	22.5	103.45	80.00	170
200	24	24.8	32.1	96.77	74.77	300
300	29	32.1	43.2	90.34	67.13	450
400	33	39.5	54.3	83.54	60.77	600
500	37½	46.9	65.4	79.96	57.34	750
600	41	54.3	76.4	75.51	53.66	900
700	45	61.7	87.5	72.93	51.43	1050
800	48½	69.0	98.6	70.29	49.19	1200
900	52	76.4	109.7	68.06	47.40	1350
1000	55½	83.8	120.7	66.23	45.98	1500
1100	58½	91.2	120.7	64.14	48.47	1500
1200	63	98.6	128.1	63.89	49.18	1600
1300	66½	106.0	137.9	62.74	48.22	1733
1400	69½	113.3	147.8	61.34	47.02	1867
1500	73	120.7	157.6	60.48	46.32	2000
1600	76½	128.1	167.5	59.72	45.67	2133
1700	81	135.5	177.3	59.78	45.69	2267
1800	84	142.9	187.2	58.78	44.87	2400
1900	87½	150.3	197.0	58.22	44.42	2533
2000	91	157.6	206.9	57.74	43.98	2667
2100	94½	165.0	216.7	57.27	43.61	2800
2200	98½	172.4	226.5	57.13	43.49	2933
2300	102	179.8	236.4	56.75	43.15	3067
2400	105½	187.2	246.2	56.36	42.85	3200

STATEMENT OF RATES ON BEEF CATTLE, CARLOAD, APPLICABLE BETWEEN ALL POINTS IN WESTERN TRUNK LINE AND SOUTHWESTERN TERRITORIES COMPARED WITH THE EDWARDS' FULLY DISTRIBUTED COSTS FOR HANDLING 11 TONS IN A STOCK CAR IN WESTERN DISTRICT

Column A—Costs computed on short-line rate-making distance formula.
Column B—Costs computed on maximum circuity observed in Fourth Section Orders.

Miles (Short Line Rate-making Formula)	Rate in Cents Per 100 Pounds	Edwards' Costs in Cents Per 100 Pounds		Per Cent Rate of Edwards' Cost Shown in		Miles (Maximum Circuity Distance Observed in Fourth Section Orders)
		Column A	Column B	Column A	Column B	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
100	21	16.2	21.1	129.63	99.53	170
200	28	23.2	30.1	120.69	93.02	300
300	34	30.1	40.5	112.95	83.95	450
400	39	37.1	51.0	105.12	76.47	600
500	44	44.0	61.4	100.00	71.66	750
600	48	51.0	71.8	94.12	66.85	900
700	53	57.9	82.2	91.54	64.48	1050
[illegible]	57	64.9	92.7	87.83	61.49	1200
[illegible]	61	71.8	103.1	84.96	59.17	1350
1000	65	78.8	113.5	82.49	57.27	1500
1100	69	85.7	113.5	80.61	60.79	1500
1200	74	92.7	120.5	79.83	61.41	1600
1300	78	99.6	129.7	78.31	60.13	1733
1400	82	106.6	139.0	76.92	58.99	1867
1500	86	113.5	148.3	75.77	57.99	2000
1600	90	120.5	157.5	74.69	57.14	2133
1700	95	127.4	166.8	74.57	56.95	2267
1800	99	134.4	176.1	73.66	56.22	2400
1900	103	141.3	185.3	72.89	55.59	2533
2000	107	148.3	194.6	72.15	54.98	2667
2100	111	155.2	203.9	71.52	54.44	2800
2200	116	162.2	213.1	71.52	54.43	2933
2300	120	169.1	222.4	70.96	53.96	3067
2400	124	176.1	231.7	70.41	53.52	3200

Appendix A—Page 4

STATEMENT OF RATES ON BRICK, CARLOAD, PRESCRIBED IN I.C.C. DOCKET 14617 FOR APPLICATION IN SOUTHWESTERN TERRITORY AS COMPARED WITH THE EDWARDS' FULLY DISTRIBUTED COSTS FOR HANDLING 38 TONS IN A GONDOLA CAR IN WESTERN DISTRICT

Column A—Costs computed on short-line rate-making distance formula.
Column B—Costs computed on maximum circuity observed in Fourth Section Orders.

Miles (Short Line Rate-making Formula)	Rate in Cents Per 100 Pounds	Edwards' Costs in Cents Per 100 Pounds		Per Cent Rate of Edwards' Cost Shown in		Miles (Maximum Circuity Distance Observed in Fourth Section Orders)
		Column A	Column B	Column A	Column B	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
10	6	4.6	4.8	130.43	125.00	17
100	11	8.1	10.8	135.80	101.85	170
200	14	11.9	15.8	117.65	88.61	300
300	17	15.8	21.6	107.59	78.70	450
400	19	19.7	27.5	96.45	69.09	600
500	21	23.6	33.3	88.98	63.06	750
600	23	27.5	39.1	83.64	58.82	900
700	25	31.3	44.9	79.87	55.68	1050
800	27	35.2	50.7	76.70	53.25	1200
900	29	39.1	56.6	74.17	51.24	1350
1000	31	43.0	62.4	72.09	49.68	1500
1100	34	46.9	62.4	72.49	54.49	1500
1200	36	50.7	66.3	71.01	54.30	1600
1300	38	54.6	71.4	69.60	53.22	1733
1400	40	58.5	76.6	68.38	52.22	1867
1500	42	62.4	81.8	67.31	51.34	2000

Appendix A—Page 5

STATEMENT OF JOINT LINE SCALE OF RATES ON SAND AND GRAVEL PRESCRIBED IN I.C.C. DOCKET 17000, PART 11A, FOR APPLICATION IN WESTERN TERRITORY AS COMPARED WITH THE EDWARDS' FULLY DISTRIBUTED COSTS FOR HANDLING 56 TONS IN GONDOLA CARS IN WESTERN DISTRICT

Column A—Costs computed on short-line rate-making distance formula.
Column B—Costs computed on maximum circuity observed in Fourth Section Orders.

Miles (Short Line Rate-making Formula)	Rate in Cents Per 100 Pounds	Edwards' Costs in Cents Per 100 Pounds		Per Cent Rate of Edwards' Cost Shown in		Miles (Maximum Circuity Distance Observed in Fourth Section Orders)
		Column A	Column B	Column A	Column B	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
10	3.6	3.9	4.1	92.31	87.80	17
100	6.4	7.0	9.4	91.43	68.09	170
200	8.8	10.5	13.9	83.81	63.31	300
300	11.0	13.9	19.1	79.14	57.59	450
400	12.4	17.4	24.4	71.26	50.82	600
500	13.8	20.9	29.6	66.03	46.62	750
600	16.0	24.4	34.8	65.57	45.98	900
700	17.6	27.8	40.0	63.31	44.00	1050
800	19.3	31.3	45.2	61.66	42.70	1200
900	21.5	34.8	50.4	61.78	42.66	1350
1000	22.9	38.3	55.6	59.79	41.19	1500
1100	24.0	41.7	55.6	57.55	43.17	1500
1200	25.1	45.2	59.1	55.53	42.47	1600
1300	26.2	48.7	63.7	53.80	41.13	1733

STATEMENT OF RATES ON GASOLINE, CARLOAD, FROM TULSA, OKLAHOMA; FORT WORTH AND HOUSTON, TEXAS TO DESTINATIONS IN WESTERN TRUNK LINE TERRITORY AS COMPARED WITH THE EDWARDS' FULLY DISTRIBUTED COSTS FOR HANDLING 26 TONS IN A TANK CAR

Column A—Based on short-line rate-making formula distances.
Column B—Based on maximum circuity.

To	From	Miles (Short Line Rate-Making Formula)	Rate in Cents Per 100 Pounds	Edwards' Costs in Cents Per 100 Pounds		Per Cent Rate of Edwards' Costs Shown in	
				Col. A	Col. B	Col. A	Col. B
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Kansas City, Mo.	Tulsa, Okla.	244	22	16.1	21.9	136.6	100.0
	Ft. Worth, Tex.	505	26	28.6	36.3	90.9	71.6
	Houston, Tex.	726	29	39.2	56.6	74.0	51.2
Des Moines, Ia.	Tulsa, Okla.	454	29	26.1	37.0	111.1	78.4
	Ft. Worth, Tex.	715	31½	38.7	56.3	81.4	56.0
	Houston, Tex.	935	34½	49.2	71.7	70.1	48.1
Omaha, Neb.	Tulsa, Okla.	425	29	24.8	35.4	116.9	81.9
	Ft. Worth, Tex.	681	31½	37.0	53.4	85.1	59.0
	Houston, Tex.	908	34½	47.9	64.9	72.0	53.2
Minneapolis, Minn.	Tulsa, Okla.	714	37	38.6	55.8	96.0	66.3
	Ft. Worth, Tex.	976	39½	51.2	74.6	77.1	52.9
	Houston, Tex.	1196	42½	61.8	76.4	68.8	55.6
E. St. Louis, Ill.	Tulsa, Okla.	427	29	24.8	35.6	116.9	81.5
	Ft. Worth, Tex.	679	31½	36.9	48.4	85.4	65.1
	Houston, Tex.	780	32	43.8	55.7	73.1	57.5
Chicago, Ill.	Tulsa, Okla.	683	36	37.1	53.5	97.0	67.3
	Ft. Worth, Tex.	925	38½	48.9	70.9	78.7	54.3
	Houston, Tex.	1034	39	54.0	76.4	72.2	51.0
Average		723	32.8	39.1	56.4	83.9	58.2

STATEMENT OF RATES ON COTTON LCL INTO COMPRESS POINT AND CL BEYOND COMPARED WITH EDWARDS' COSTS OF HANDLING IN BOX CARS OF LOADS INDICATED FOR HAULS IN WESTERN AND SOUTHERN TERRITORIES

FROM	TO (Through Successive Transit Points)	MILES		Rate in Cents Per 100 Lbs.	Edwards' Costs in Cents Per 100 Pounds		
		TO Compress Point	FROM Compress or Concentration Point		5 Tons CL to Compress Point	25 Tons Beyond Compress Point	Total
Elk. City, Okla.	(a) Clinton, Okla.	(1) 30	....	....	20.9	....	....
	(b) Memphis, Tenn.	....	(1) 583	....	....	29.0	....
	(d) Kanapolis, N. C.	....	(2) 707	67	....	30.8	80.7
Eldorado, Okla.	(a) Altus, Okla.	(3) 22	....	....	20.0	....	....
	(b) Memphis, Tenn.	....	(3) 732	....	....	35.1	....
	(d) Augusta, Ga.	....	(4) 591	65	....	26.4	81.5
Estelline, Tex.	(a) Childress, Tex.	(5) 17	....	....	19.6	....	....
	(b) Dallas, Tex.	....	(5) 253	....	....	15.6	....
	(c) New Orleans, La.	....	(6) 491	....	....	22.6	....
	(d) Charlotte, N. C.	....	(2) 777	69	....	31.4	89.2
Anton, Tex.	(a) Lubbock, Tex.	(7) 24	....	....	20.3	....	....
	(b) Houston, Tex.	....	(7) 574	....	....	28.7	....
	(c) New Orleans, La.	....	(8) 349	....	....	16.9	....
	(d) Macon, Ga.	....	(2) 615	70	....	25.3	91.2

(a) Compress Point.
(b) Concentration Point.
(c) Junction beyond which Southern territory cost was used.
(d) Desination.
(1) Via CRI&P Ry.
(2) Via Southern Ry.
(3) Via StL-SF Ry.
(4) Via StL-SF, Birmingham, Ala., SAL, Atlanta, Ga., Ga RR.
(5) Via FW&DC Ry.
(6) Via T&P Ry.
(7) Via Santa Fe Ry.
(8) Via SouPac Lines.

STATEMENT OF MOVEMENT UNDER TRANSIT OF WHEAT AND ITS PRODUCTS, THE PRESENT RATES, AND THE RATES PRESCRIBED IN I & S DOCKET 4208 TO MEMPHIS, TENN., COMPARED WITH THE EDWARDS COSTS FOR HAULING 46 TONS OF WHEAT AND 25 TONS OF PRODUCTS IN BOX CARS

Original Point of Origin	Transit Points in the Order Transit was taken with Mississippi River Gateway shown last	Commodity, Route of Movement and Distance for Each Leg of Movement			Edwards' Full Costs per 100 Lbs. (1)	Rates in Cents Per 100 Pounds	
		Commodity	Route of Movement	Miles		Present	I&S 4208
Coldwater, Kans.	Kansas City, Mo.	Wheat	AT&SF	338	15 36		
	Atchison, Kans	Wheat	AT&SF	71	6 23		
	Memphis, Tenn.	Flour	CB&Q, Kansas City, KCS, M&A, Y&MV	629	30 90		
				1038	52 48	40	37
St. Johns, Kans.	Hutchinson, Kans	Wheat	AT&SF	48	5 45		
	Buhler, Kans	Wheat	AT&SF, Burrton, StLSF	22	4 56		
	Memphis, Tenn	Flour	StLSF	591	29 35		
				661	39 36	38	35
Dillwyn, Kans.	Sterling, Kans	Wheat	AT&SF	74	6 34		
	St. Joseph, Mo.	Shorts	AT&SF	236	14 88		
	Memphis, Tenn.	Feed	CB&Q, St. Louis, IC	658	32 08		
				968	53 30	38	35
Arlington, Kans.	Hutchinson, Kans	Wheat	CRI&P	17	4 39		
	Abilene, Kans.	Wheat	CRI&P	101	7 26		
	Memphis, Tenn	Flour	CRI&P	771	36 69		
				889	48 34	37	34
Greensburg, Kans.	Hutchinson, Kans	Wheat	CRI&P	83	6 64		
	McPherson, Kans.	Wheat	CRI&P	27	4 73		
	St. Joseph, Mo.	Flour	CRI&P	218	14 14		
	Memphis, Tenn	Flour	CB&Q, St. Louis, IC	636	31 19		
				964	56 70	38	35
Smith Center, Kans	Kansas City, Mo.	Wheat	CRI&P	268	12 96		
	Aurora, Mo.	Shorts	StLSF	213	13 94		
	Memphis, Tenn.	Shorts	StLSF	311	17 93		
				792	44 83	37	37
Alton, Kans	Kansas City, Mo	Wheat	MoPac	278	13 30		
	Advance, Mo.	Wheat	StLSF	513	21 32		
	Sikeston, Mo.	Wheat	StLSF	45	5 35		
	Memphis, Tenn.	Flour	StLSF	139	10 92		
				975	50 89	37	37
Alton, Kans	Kansas, City, Mo.	Wheat	MoPac	278	13 30		
	Fredericktown, Mo	Wheat	MoPac	376	16 64		
	Memphis, Tenn	Flour	MoPac	252	15 53		
				906	45 47	37	37

(1) Including 4% return.

STATEMENT OF MOVEMENT UNDER TRANSIT OF WHEAT AND ITS PRODUCTS, THE PRESENT RATES, AND THE RATES PRESCRIBED IN I-&-S DOCKET 4208 TO MEMPHIS, TENN., COMPARED WITH THE EDWARDS' COSTS FOR HAULING 46 TONS OF WHEAT AND 25 TONS OF PRODUCTS IN BOX CARS

Original Point of Origin	Transit Points in the Order Transit was taken with Mississippi River Gateway shown last	Commodity, Route of Movement and Distance for Each Leg of Movement			Edwards' Full Costs per 100 Lbs. (1)	Rates in Cents Per 100 Pounds	
		Commodity	Route of Movement	Miles		Present	I&S 4208
Wakeeney, Kans.	Kansas City, Mo.	Wheat	UnPac	238	11.93		
	Pleasanton, Kans.	Wheat	MoPac	98	7.15		
	Memphis, Tenn.	Flour	MoPac	483	24.95		
				819	44.03	39	34
Greensburg, Kans.	Hutchinson, Kans.	Wheat	CRI&P	83	6.64		
	Salina, Kans.	Wheat	CRI&P	125	8.08		
	Kansas City, Mo.	Bran	CRI&P	199	13.37		
	St. Louis, Mo.	Bran	MoPac	281	16.71		
	Memphis, Tenn.	Feed	StLSF	306	17.73		
				994	62.53	38	35
Shattuck, Okla.	Alva, Okla.	Wheat	AT&SF	88	6.81		
	Ponca City, Okla.	Wheat	AT&SF	133	8.35		
	Memphis, Tenn.	Flour	AT&SF, Okla. City, CRI&P	582	28.99		
				803	44.15	36	33
Medford, Okla.	Ponca City, Okla.	Wheat	AT&SF	43	5.28		
	Ft. Worth, Tex.	Wheat	AT&SF, GC&SF	300	14.05		
	Memphis, Tenn.	Flour	StL-SW	504	25.80		
				847	45.13	34	31
Marshall, Okla.	Enid, Okla.	Wheat	AT&SF	27	4.73		
	Wichita, Kan.	Wheat	AT&SF	143	8.69		
	Aurora, Mo.	Wheat	AT&SF, Cherryvale, StLSF	247	12.24		
	Memphis, Tenn.	Flour	StLSF	311	17.93		
				728	43.59	34	31
Guymon, Okla.	Liberal, Kans.	Wheat	CRI&P	40	5.18		
	Amarillo, Tex.	Wheat	CRI&P	153	9.03		
	Okla. City, Okla.	Wheat	CRI&P	274	13.16		
	Memphis, Tenn.	Flour	CRI&P	487	25.11		
				954	52.48	41	38
Beaver, Okla.	Woodward, Okla.	Wheat	BM&E, MKT	92	6.95		
	Dallas, Tex.	Wheat	MKT	499	20.84		
	Memphis, Tenn.	Flour	T&P, MoPac	510	26.05		
				1101	53.84	39	36

(1) Including 4% return.

STATEMENT OF MOVEMENT UNDER TRANSIT OF WHEAT AND ITS PRODUCTS, THE PRESENT RATES, AND THE RATES PRESCRIBED IN I & S DOCKET 4208 TO MEMPHIS, TENN., COMPARED WITH THE EDWARDS COSTS FOR HAULING 46 TONS OF WHEAT AND 25 TONS OF PRODUCTS IN BOX CARS

Original Point of Origin	Transit Points in the Order Transit was taken with Mississippi River Gateway shown last	Commodity, Route of Movement and Distance for Each Leg of Movement			Edwards' Full Costs per 100 lbs. (1)	Rates in Cents Per 100 Pounds	
		Commodity	Route of Movement	Miles		Present	I&S 4208
Beaver, Okla.	Wichita Falls, Tex.	Wheat	BM&E, MKT	312	14.46		
	Ft. Worth, Tex.	Wheat	MKT	176	9.82		
	Dallas, Tex.	Wheat	MKT	72	6.27		
	Memphis, Tenn.	Flour	StLSW	482	24.91		
				1042	55.46	39	36
Erie, Okla.	Blackwell, Okla.	Wheat	StLSF	23	4.60		
	Enid, Okla.	Wheat	StLSF	48	5.45		
	Springfield, Mo.	Wheat	StLSF	307	14.29		
	Memphis, Tenn.	Flour	StLSF	281	16.71		
				659	41.05	34	31
Clinton, Okla.	Enid, Okla.	Wheat	StLSF	95	7.05		
	Wichita, Kans.	Wheat	StLSF	173	9.71		
	Memphis, Tenn.	Flour	StLSF	547	27.56		
				815	44.32	34	31
Perryton, Tex.	Enid, Okla.	Wheat	Santa Fe	225	11.49		
	Okla. City, Okla.	Wheat	Santa Fe	88	6.81		
	Shawnee, Okla.	Wheat	CRI&P	38	5.11		
	Memphis, Tenn.	Flour	CRI&P	449	23.56		
				800	46.97	41	37
Dalhart, Tex.	Amarillo, Tex.	Wheat	FW&DC	82	6.61		
	Wichita Falls, Tex.	Wheat	FW&DC	222	11.39		
	Ft. Worth, Tex.	Wheat	FW&DC	114	7.70		
	Memphis, Tenn.	Flour	StLSW	504	25.80		
				922	51.50	42	38
Dimmitt, Tex.	Lubbock, Tex.	Wheat	FW&DC	115	7.74		
	Ft. Worth, Tex.	Wheat	FW&DC	361	16.13		
	Dallas, Tex.	Wheat	FW&DC	34	4.97		
	Memphis, Tenn.	Flour	StLSF	771	36.69		
				1281	65.53	42	38
Panhandle, Tex.	Lubbock, Tex.	Wheat	Santa Fe	149	8.90		
	Temple, Tex.	Wheat	Santa Fe	361	16.13		
	Ft. Worth, Tex.	Wheat	Santa Fe	128	8.18		
	Memphis, Tenn.	Flour	StLSW	504	25.80		
				1142	59.01	39	35
			Simple Average		49.97	38.09	35.17
			% Avge. rate of avge. cost			76.23	70.38

(1) Including 4% return.

Appendix B—Page 1

STATEMENT SHOWING PER CWT. REVENUE ON 40 TONS IN A GONDOLA CAR AT CLASS 20 RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 20 Rate	Edwards' Costs for Handling 40 Tons in a Gondola Car, Western District			Per Cent, Class 20 Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢37	¢17.0	¢24.5	¢34.6	217.65	151.02	106.94	1200
1000	43	20.7	30.1	42.2	207.73	142.86	101.90	1500
1200	48	24.5	32.0	50.0	195.92	150.00	96.00	1600
1400	53	28.2	37.0	57.5	187.94	143.24	92.33	1867
1600	58	32.0	42.0	65.2	181.25	138.10	88.96	2133
1800	63	35.8	47.0	72.8	175.98	134.04	86.54	2400
2000	67	39.5	52.0	80.4	169.62	128.85	83.33	2667
2200	71	43.3	57.0	88.1	163.97	124.56	80.59	2933
2400	74	47.0	62.0	95.7	157.45	119.35	77.41	3200
2600	76	50.8	67.0	103.3	149.61	113.43	73.57	3467
2800	79	54.5	72.0	111.0	144.95	109.72	71.17	3733
3000	82	58.3	77.0	118.6	140.65	106.49	69.20	4000
3200	85	62.0	82.0	126.2	137.10	103.66	67.35	4267
3500	89	67.7	89.5	137.7	131.46	99.44	64.63	4667

Appendix B—Page 2

STATEMENT SHOWING PER CWT. REVENUE ON 40 TONS IN A GONDOLA CAR AT CLASS 17½ RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 17½ Rate	Edwards' Costs for Handling 40 Tons in a Gondola Car, Western District			Per Cent, Class 17½ Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢32	¢17.0	¢24.5	¢34.6	188.24	130.61	92.49	1200
1000	37	20.7	30.1	42.2	178.74	122.92	87.68	1500
1200	42	24.5	32.0	50.0	171.43	131.25	84.00	1600
1400	47	28.2	37.0	57.5	166.67	127.03	81.74	1867
1600	51	32.0	42.0	65.2	159.38	121.43	78.22	2133
1800	55	35.8	47.0	72.8	153.63	117.02	75.55	2400
2000	58	39.5	52.0	80.4	146.84	111.54	72.14	2667
2200	62	43.3	57.0	88.1	143.19	108.77	70.37	2933
2400	64	47.0	62.0	95.7	136.17	103.23	66.88	3200
2600	67	50.8	67.0	103.3	132.15	100.00	64.86	3467
2800	69	54.5	72.0	111.0	126.61	95.83	62.16	3733
3000	72	58.3	77.0	118.6	123.50	93.05	60.76	4000
3200	74	62.0	82.0	126.2	119.35	90.24	58.64	4267
3500	78	67.7	89.5	137.7	115.21	87.15	56.64	4667

STATEMENT SHOWING PER CWT. REVENUE ON 40 TONS IN A GONDOLA CAR AT CLASS 16 RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 16 Rate	Edwards' Costs for Handling 40 Tons in a Gondola Car, Western District			Per Cent, Class 16 Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢30	¢17.0	¢24.5	¢34.6	176.47	122.48	86.71	1200
1000	34	20.7	30.1	42.2	164.25	112.96	80.57	1500
1200	38	24.5	32.0	50.0	155.10	118.75	76.00	1600
1400	43	28.2	37.0	57.5	152.48	116.22	74.78	1867
1600	46	32.0	42.0	65.2	143.75	109.52	70.66	2133
1800	50	35.8	47.0	72.8	139.66	106.38	68.68	2400
2000	53	39.5	52.0	80.4	134.18	101.92	65.92	2667
2200	56	43.3	57.0	88.1	129.33	98.25	63.56	2933
2400	59	47.0	62.0	95.7	125.53	95.16	61.65	3200
2600	61	50.8	67.0	103.3	120.08	91.04	59.05	3467
2800	63	54.5	72.0	111.0	115.60	87.50	56.76	3733
3000	66	58.3	77.0	118.6	113.21	85.71	55.65	4000
3200	68	62.0	82.0	126.2	109.68	82.93	53.88	4267
3500	71	67.7	89.5	137.7	104.87	79.33	51.56	4667

STATEMENT SHOWING PER CWT. REVENUE ON 40 TONS IN A GONDOLA CAR AT CLASS 14½ RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 14½ Rate	Edwards' Costs for Handling 40 Tons in a Gondola Car, Western District			Per Cent, Class 14½ Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢27	¢17.0	¢24.5	¢34.6	158.82	110.20	78.03	1200
1000	31	20.7	30.1	42.2	149.76	102.99	73.46	1500
1200	35	24.5	32.0	50.0	142.86	109.38	70.00	1600
1400	39	28.2	37.0	57.5	138.30	105.41	67.83	1867
1600	42	32.0	42.0	65.2	131.25	100.00	64.42	2133
1800	45	35.8	47.0	72.8	125.70	95.74	61.81	2400
2000	48	39.5	52.0	80.4	121.52	92.31	59.70	2667
2200	51	43.3	57.0	88.1	117.78	89.47	57.89	2933
2400	53	47.0	62.0	95.7	112.77	85.48	55.38	3200
2600	55	50.8	67.0	103.3	108.27	82.09	53.24	3467
2800	57	54.5	72.0	111.0	104.59	79.17	51.35	3733
3000	59	58.3	77.0	118.6	101.20	76.62	49.75	4000
3200	61	62.0	82.0	126.2	98.39	74.39	48.34	4267
3500	65	67.7	89.5	137.7	96.01	72.63	47.20	4667

'Appendix B—Page 5

STATEMENT SHOWING PER CWT. REVENUE ON 40 TONS IN A GONDOLA CAR AT CLASS 13 RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 13 Rate	Edwards' Costs for Handling 40 Tons in a Gondola Car, Western District			Per Cent, Class 13 Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢24	¢17.0	¢24.5	¢34.6	141.18	97.96	69.36	1200
1000	28	20.7	30.1	42.2	135.27	93.02	66.35	1500
1200	31	24.5	32.0	50.0	126.53	96.88	62.00	1600
1400	35	28.2	37.0	57.5	124.11	94.59	60.87	1867
1600	38	32.0	42.0	65.2	118.75	90.48	58.28	2133
1800	41	35.8	47.0	72.8	114.53	87.23	56.32	2400
2000	43	39.5	52.0	80.4	108.86	82.69	53.48	2667
2200	46	43.3	57.0	88.1	106.24	80.70	52.21	2933
2400	48	47.0	62.0	95.7	102.13	77.42	50.16	3200
2600	50	50.8	67.0	103.3	98.43	74.63	48.40	3467
2800	51	54.5	72.0	111.0	93.58	70.83	45.95	3733
3000	53	58.3	77.0	118.6	90.91	68.83	44.69	4000
3200	55	62.0	82.0	126.2	88.71	67.07	43.58	4267
3500	58	67.7	89.5	137.7	85.67	64.80	42.12	4667

Appendix C—Page 1

STATEMENT SHOWING PER CWT. REVENUE ON 20 TONS IN A BOX CAR AT CLASS 20 RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 20 Rate	Edwards' Costs for Handling 20 Tons in a Box Car, Western District			Per Cent, Class 20 Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢37	¢24.0	¢34.0	¢41.6	154.17	108.82	88.94	1200
1000	43	29.0	41.5	50.6	148.28	103.61	85.15	1500
1200	48	34.0	44.0	59.3	141.18	109.09	80.94	1600
1400	53	39.0	50.6	68.2	135.90	104.74	77.71	1867
1600	58	44.0	57.3	77.1	131.82	101.22	75.23	2133
1800	63	49.0	64.0	86.0	128.57	98.44	73.26	2400
2000	67	54.0	70.6	94.9	124.07	94.90	70.60	2667
2200	71	59.0	77.3	103.8	120.34	91.85	68.40	2933
2400	74	64.0	84.0	112.7	115.63	88.10	65.66	3200
2600	76	69.0	90.6	121.5	110.14	83.89	62.55	3467
2800	79	74.0	97.3	130.4	106.76	81.19	60.58	3733
3000	82	79.0	104.0	139.3	103.80	78.85	58.87	4000
3200	85	84.0	110.7	148.2	101.19	76.78	57.35	4267
3500	89	91.5	120.7	161.5	97.27	73.74	55.11	4667

TATEMENT SHOWING PER CWT. REVENUE ON 20 TONS IN A BOX CAR AT CLASS 17½ RATES COMPARED WITH EDWARDS' COSTS

olumn A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

olumn B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

olumn C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line ate-Making Formula)	Appendix 10 Class 17½ Rate	Edwards' Costs for Handling 20 Tons in a Box Car, Western District			Per Cent, Class 17½ Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢32	¢24.0	¢34.0	¢41.6	133.33	94.12	76.92	1200
1000	37	29.0	41.5	50.5	127.59	89.16	73.27	1500
1200	42	34.0	44.0	59.3	123.53	95.45	70.83	1600
1400	47	39.0	50.6	68.2	120.51	92.89	68.91	1867
1600	51	44.0	57.3	77.1	115.91	89.01	66.15	2133
1800	55	49.0	64.0	86.0	112.24	85.94	63.95	2400
2000	58	54.0	70.6	94.9	107.40	82.15	61.12	2667
2200	62	59.0	77.3	103.8	105.08	80.21	59.73	2933
2400	64	64.0	84.0	112.7	100.00	76.19	56.79	3200
2600	67	69.0	90.6	121.5	97.10	73.95	55.14	3467
2800	69	74.0	97.3	130.4	93.24	70.91	52.91	3733
3000	72	79.0	104.0	139.3	91.14	69.23	51.69	4000
3200	74	84.0	110.7	148.2	88.10	66.85	49.93	4267
3500	78	91.5	120.7	161.5	85.25	64.62	48.33	4667

Appendix C—Page 3

STATEMENT SHOWING PER CWT. REVENUE ON 20 TONS IN A BOX CAR AT CLASS 16 RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 16 Rate	Edwards' Costs for Handling 20 Tons in a Box Car, Western District			Per Cent, Class 16 Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢30	¢24.0	¢34.0	¢41.6	125.00	88.24	72.12	1200
1000	34	29.0	41.5	50.5	117.24	81.93	67.33	1500
1200	38	34.0	44.0	59.3	111.76	86.36	64.08	1600
1400	43	39.0	50.6	68.2	110.26	84.98	63.04	1867
1600	46	44.0	57.3	77.1	104.55	80.28	59.66	2133
1800	50	49.0	64.0	86.0	102.04	78.13	58.14	2400
2000	53	54.0	70.6	94.9	98.15	75.07	55.85	2667
2200	56	59.0	77.3	103.8	94.92	72.45	53.95	2933
2400	59	64.0	84.0	112.7	92.19	70.24	52.35	3200
2600	61	69.0	90.6	121.5	88.41	67.33	50.21	3467
2800	63	74.0	97.3	130.4	85.14	64.75	48.31	3733
3000	66	79.0	104.0	139.3	83.54	63.46	47.38	4000
3200	68	84.0	110.7	148.2	80.95	61.43	45.88	4267
3500	71	91.5	120.7	161.5	77.60	58.82	43.96	4667

STATEMENT SHOWING PER CWT. REVENUE ON 20 TONS IN A BOX CAR AT CLASS 14½ RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 14½ Rate	Edwards' Costs for Handling 20 Tons in a Box Car, Western District			Per Cent, Class 14½ Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢27	¢24.0	¢34.0	¢41.6	112.50	79.41	64.90	1200
1000	31	29.0	41.5	50.5	106.90	74.70	61.39	1500
1200	35	34.0	44.0	59.3	102.94	79.75	59.02	1600
1400	39	39.0	50.6	68.2	100.00	77.08	57.18	1867
1600	42	44.0	57.3	77.1	95.45	73.30	54.47	2133
1800	45	49.0	64.0	86.0	91.84	70.31	52.33	2400
2000	48	54.0	70.6	94.9	88.89	67.99	50.58	2667
2200	51	59.0	77.3	103.8	86.44	65.98	49.13	2933
2400	53	64.0	84.0	112.7	82.81	63.10	47.03	3200
2600	55	69.0	90.6	121.5	79.71	60.71	45.27	3467
2800	57	74.0	97.3	130.4	77.03	58.58	43.71	3733
3000	59	79.0	104.0	139.3	74.68	56.73	42.35	4000
3200	61	84.0	110.7	148.2	72.62	55.10	41.16	4267
3500	65	91.5	120.7	161.5	71.04	53.85	40.25	4667

Appendix C—Page 5

STATEMENT SHOWING PER CWT. REVENUE ON 20 TONS IN A BOX CAR AT CLASS 13 RATES COMPARED WITH EDWARDS' COSTS

Column A—Out-of-pocket cost for short-line distance computed as per rate-making formula.

Column B—Out-of-pocket cost for maximum distance computed as per standard Fourth Section circuity formula.

Column C—Fully distributed cost for short-line distance computed as per rate-making formula.

Miles (Short-Line Rate-Making Formula)	Appendix 10 Class 13 Rate	Edwards' Costs for Handling 20 Tons in a Box Car, Western District			Per Cent, Class 13 Rate of Edwards' Costs Shown in			Miles (Maximum Fourth Section Circuity Distances)
		Column A	Column B	Column C	Column A	Column B	Column C	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
800	¢24	¢24.0	¢34.0	¢41.6	100.00	70.59	57.69	1200
1000	28	29.0	41.5	50.5	96.55	67.47	55.45	1500
1200	31	34.0	44.0	59.3	91.18	70.46	52.28	1600
1400	35	39.0	50.6	68.2	89.74	69.17	51.32	1867
1600	38	44.0	57.3	77.1	86.36	66.32	49.29	2133
1800	41	49.0	64.0	86.0	[illegible]67	64.06	47.67	2400
2000	43	54.0	70.6	94.9	79.63	60.91	45.31	2667
2200	46	59.0	77.3	103.8	77.97	59.51	44.32	2933
2400	48	64.0	84.0	112.7	75.00	57.14	42.59	3200
2600	50	69.0	90.6	121.5	72.46	55.19	41.16	3467
2800	51	74.0	97.3	130.4	68.92	52.42	39.11	3733
3000	53	79.0	104.0	139.3	67.09	50.96	38.05	4000
3200	55	84.0	110.7	148.2	65.48	49.68	37.11	4267
3500	58	91.5	120.7	161.5	63.39	48.05	35.91	4667

Appendix D—Page 1

PENDIX 10 SCALE OF CLASS 100 (FIRST CLASS) RATES FOR 100 MILE BLOCKS COMPARED WITH VARIOUS SCALES SHOWN IN APPENDIX 8 OF THE REPORT ALSO THE "BASIC" WTL-SW SCALE; ALSO (IN COLUMN-B) THE RATE OF PROGRESSION FOR EACH 100 MILES OVER 100.

L. 1	COL. 2		COL. 3		COL. 4		COL. 5		COL. 6		COL. 7	
Dis- nce— iles	ICC 28300 Appendix 10		Eastern		WTL—SW Basic		WTL Zone I		WTL—SW Zone III		Southern K-2	
	A	B	A	B	A	B	A	B	A	B	A	B
100	70	......	62	......	63	......	73	......	90	......	84	......
200	90	20	80	18	86	23	97	24	123	33	112	28
300	110	20	96	16	102	16	117	20	147	24	134	22
400	125	15	109	13	120	18	136	19	172	25	156	21
500	140	15	122	13	138	18	156	20	196	24	173	17
600	155	15	135	13	154	16	176	20	220	24	189	16
700	170	15	149	14	171	17	196	20	244	24	206	17
800	185	15	160	11	184	13	210	14	263	19	222	16
900	199	14	171	11	197	13	226	16	282	19	235	13
1000	213	14	182	11	210	13	240	14	300	18	249	14
1100	227	14	193	11	223	13	255	15	319	19	262	13
1200	240	13	204	11	237	14	270	15	338	19	275	13
1300	253	13	215	11	250	13	285	15	356	18	288	13
1400	266	13	226	11	263	13	299	14	375	19	301	13
1500	278	12	*237	11	276	13	315	16	394	19	*315	14
1600	290	12	248	11	289	13	330	15	412	18	328	13
1700	302	12	259	11	303	14	345	15	431	19	341	13
1800	313	11	270	11	316	13	360	15	450	19	354	13
1900	324	11	281	11	329	13	*375	15	*469	19	367	13
2000	334	10	292	11	342	13	390	15	487	18	381	14
2100	344	10	303	11	355	13	405	15	506	19	394	13
2200	353	9	314	11	369	14	420	15	525	19	407	13
2300	361	8	325	11	382	13	435	15	543	18	420	13
2400	368	7	336	11	*395	13	450	15	563	20	433	13
2500	*375	7	347	11	408	13	465	15	582	19	447	14

l. 2 shows the scale in Appendix 10 of the 28300 decision.

l. 3 shows Eastern scale in Appendix 8 extended beyond 1500 miles at same rate of progression as used for distances over 700 miles.

l. 4 shows the WTL-SW Basic scale prescribed in Appendix U, 6th Supp. Report in Western Trunk Line Class Rates and Appendix B in 21st Supp. Report in Consolidated Southwestern Cases.

l. 5 and 6 show WTL Zone I and WTL-SW Zone III Scales in Appendix 8, including also rates over 1500 miles and rates beyond 1900 miles extended as shown.

l. 7 shows Southern K-2 scale in Appendix 8 extended beyond 1500 miles at same rate of progression as used for distances over 800 miles.

l. A shows Class 100 (first class) rates, in cents per 100 pounds, including the general 10-percent increase of 1938.

l. B shows the aggregate rate of progression for each 100 miles over 100.

—Indicates the last mileage block included in the prescribed scale.

SCALES ON PAGE 1 EXTENDED BEYOND 2500 MILES ON BASIS OF SAME RATE OF PROGRESSION AS SHOWN EXCEPT AS NOTED

COL. 1	COL. 2		COL. 2-A		COL. 3		COL. 4		COL. 5		COL. 6		COL. 7	
Distance Miles	ICC 28300 Extended Note A		ICC 28300 Extended Note B		Eastern		WTL—SW Basic		WTL Zone I		WTL—SW Zone III		Southern K-2	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
2600	382	7	381	6	358	11	421	13	465	15	601	19	460	13
2700	389	7	386	5	369	11	435	14	480	15	620	19	473	13
2800	396	7	390	4	380	11	448	13	495	15	639	19	486	13
2900	403	7	393	3	391	11	461	13	510	15	658	19	499	13
3000	410	7	396	3	402	11	474	13	525	15	677	19	513	14

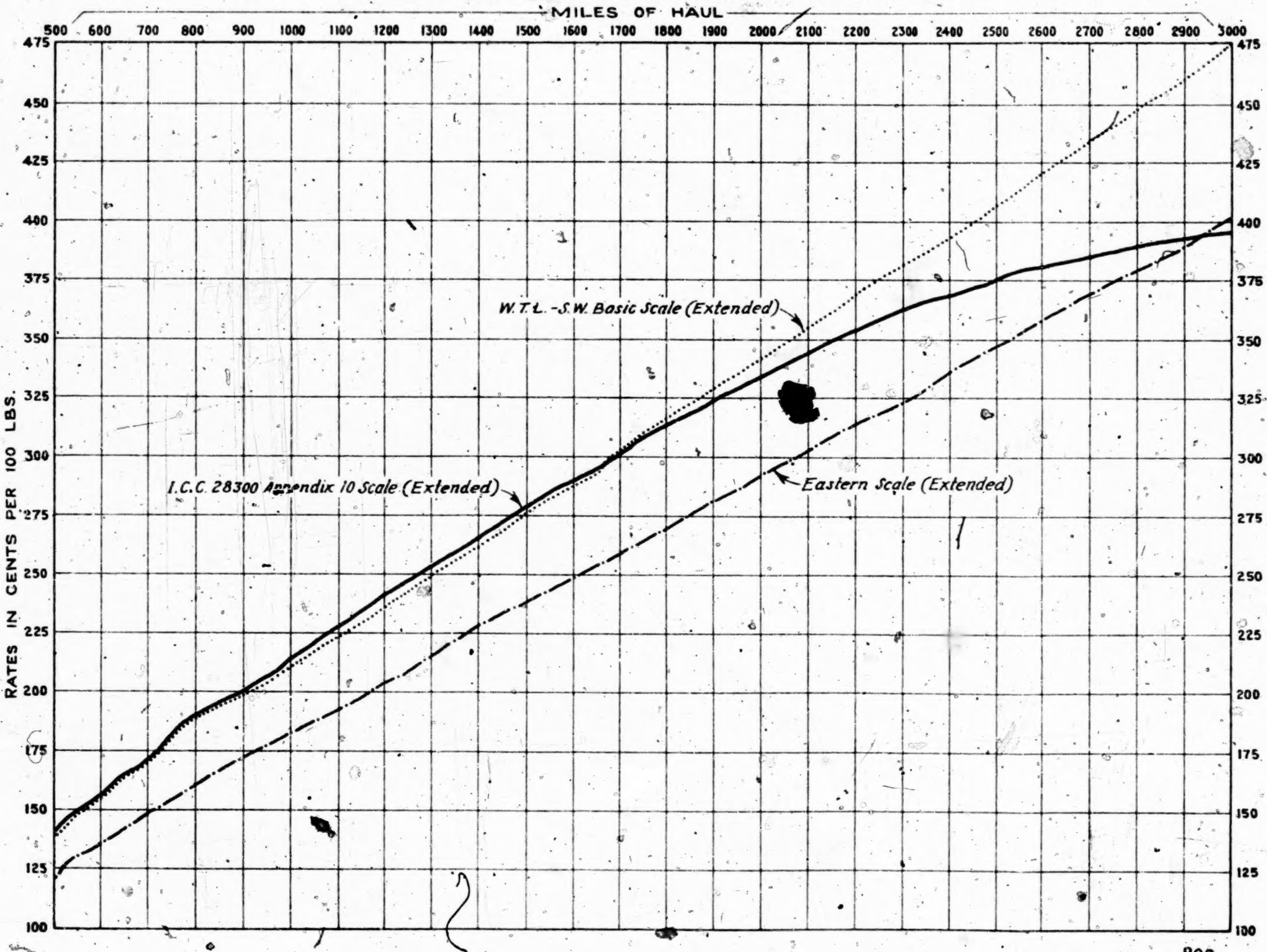
Col. A shows rates, in cents per 100 pounds.

Col. B shows rate of progression for each 100 miles over 2500.

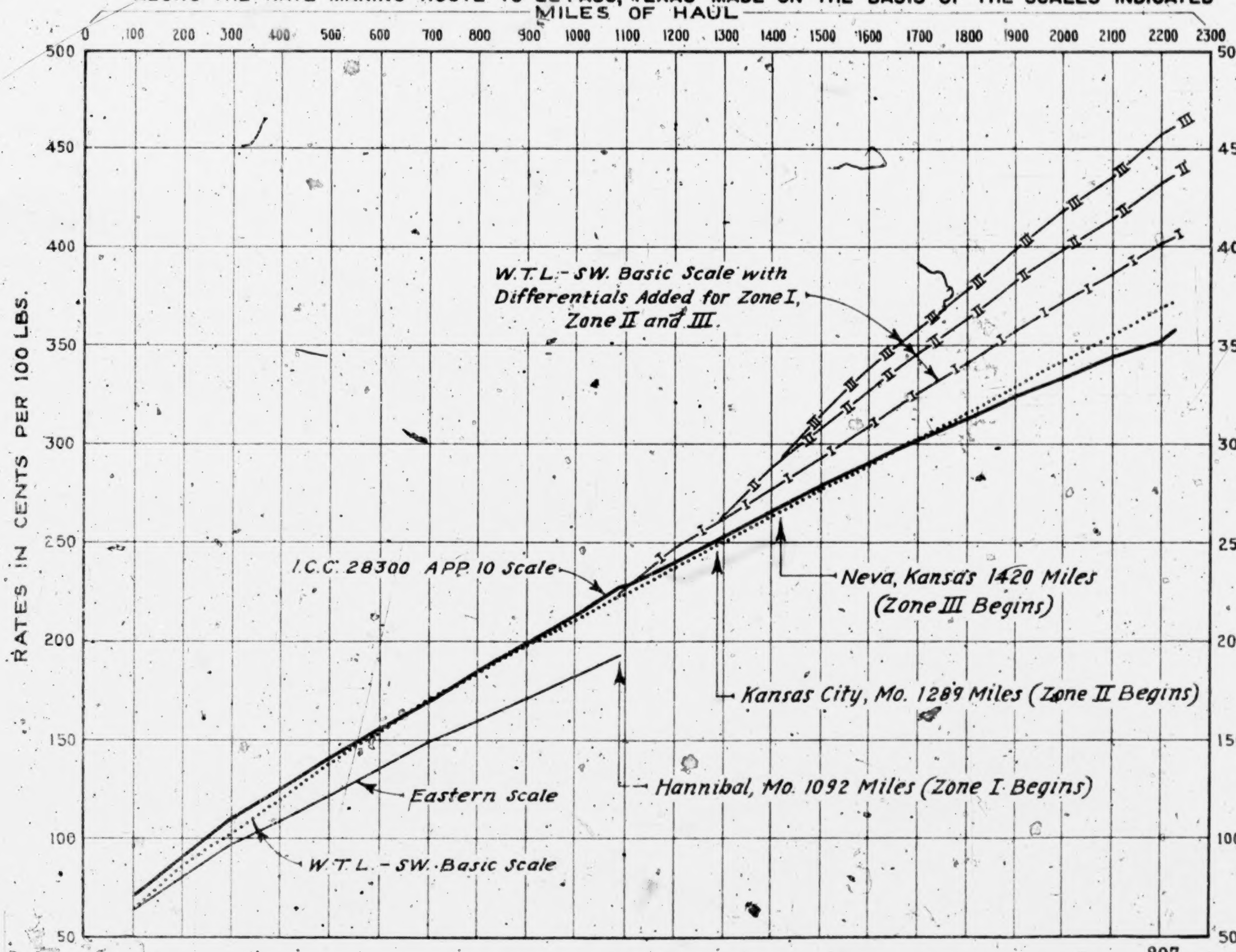
NOTE A—The "Extended" scale in Col. 2 is made by using the same rate of progression as in Appendix 10 for distances over 2300 miles.

NOTE B—The "Extended" scale in Col. 2-A is made by using a diminishing rate of progression corresponding with that used in Appendix 10 for distances over 2000 miles.

COMPARISON OF CLASS 100 (FIRST CLASS) RATES IN SCALES INDICATED FROM 500 MILES EXTENDED TO 3000 MILES



COMPARISON OF CLASS 100 (FIRST CLASS) RATES FROM NEW YORK, N.Y. TO STATIONS ALONG THE RATE-MAKING ROUTE TO EL PASO, TEXAS MADE ON THE BASIS OF THE SCALES INDICATED



Appendix F—Page 1

SHOWING RATES ON WOOL CARLOADS PRESCRIBED BY THE COMMISSION IN WOOL RATES INVESTIGATION, 1923 (91 ICC 235) FOR DISTANCES INDICATED COMPARED WITH THE CLASS 60, CLASS 55, AND CLASS 50 RATES PRESCRIBED IN PARTS I AND II OF ICC DOCKET 28300 DECIDED MAY 15, 1945

COL. 1	COL. 2	COL. 3	COL. 4	COL. 5	COL. 6	COL. 7	COL. 8	COL. 9
Miles	Commodity Rates WOOL RATES INV.		ICC 28300 (Note 2)			ICC 28300 (Note 3)		
	In Bags	In Bales	Class 60	Class 55	Class 50	Class 60	Class 55	Class 50
1500	147	125	167	153	139			
1600	158	134	174	160	145			
1700	168	143	181	166	151			
1800	179	152	188	172	157			
1900	189	161	194	178	162			
2000	200	170	200	184	167			
2100	208	176	206	189	172			
2200	216	184	212	194	177			
2300	225	191	217	199	181			
2400	232	198	221	202	184			
2500	242	206	225	206	188			
2600	250	212	229	210	191	229	210	191
2700	258	219	233	214	195	232	213	194
2800	265	225	238	218	198	235	216	196
2900	271	230	242	222	202	238	218	198
3000	277	235	246	226	205	239	219	200
3100	284	242	250	229	209	241	221	201

Note 1. Commodity rates in Cols. 2 and 3 include the 5% increase of 1938 (Ex parte 123).

Note 2. Rates in Cols. 4, 5 and 6 for distances over 2500 miles are made by using the same rate of progression as used in Appendix 10 scale for distance over 2300 miles.

Note 3. Rates in Cols. 7, 8 and 9 are made by using a diminishing rate of progression corresponding with that used in Appendix 10 for distances over 2000 miles.

Appendix F—Page 2

SHOWING COMMODITY RATES ON PACKING HOUSE PRODUCTS CARLOADS PRESCRIBED BY THE COMMISSION IN MEATS AND PACKING HOUSE PRODUCTS (136 ICC 651) FOR DISTANCES INDICATED COMPARED WITH CLASS 37½ AND CLASS 35 RATES PRESCRIBED IN PART I AND PART II IN ICC DOCKET 28300 DECIDED MAY 15, 1945

Miles (1)	P.H.P. Commodity Rates (Notes 1 & 2) (2)	ICC 28300 Class 37½ (3)	ICC 28300 Class 35 (4)
100	35	26	25
200	48	34	32
300	57	41	39
400	65	47	44
500	71	53	49
600	76½	58	54
700	81	64	60
800	85	69	65
900	88	75	70
1000	91	80	75
1100	95	85	79
1200	98	90	84
1300	101	95	89
1400	104	100	93
1500	107	104	97
1600	110	109	102
1700	113	113	106
1750	115	116	108
1800	117	117	110
1900	120	122	113
2000	123	125	117
2100	126	129	120
2200	129	132	124
2300	132	135	126
2400	135	138	129
2500	139	141	131

Note 1. Commodity rates in Col. 2 include the 5% increase of 1938 (Ex parte 123).

Note 2. Commodity rates in Col. 2 for distances over 1750 miles are made on the basis of the same rate of progression as used for distances over 800 miles via 3 cents for each 100 miles over 1700 miles, plus 5% for general increase of 1938 (Ex parte 123).

Appendix F—Page 3

SHOWING COMMODITY RATES ON COAL TAR OR PITCH CARLOADS PRESCRIBED IN BARRETT CO. (172 ICC 319) FOR DISTANCES INDICATED COMPARED WITH THE CLASS 25 AND CLASS 22½ RATES PRESCRIBED IN PARTS I AND II IN ICC 28300 DECIDED MAY 15, 1945

1 Miles	2 Commodity Rates (Note 1)	3 ICC 28300 Class 25	4 ICC 28300 Class 22½
100	18	18	16
200	22	23	20
300	26	28	25
400	31	31	28
500	35	35	32
600	39	39	35
700	42	43	38
800	46	46	42
900	50	50	45
1000	53	53	48
1100	56	57	51
1200	60	60	54
1300	63	63	57
1400	67	67	60
1500	71	70	63
1600	74	73	65
1700	78	76	68
1800	81	78	70
1900	85	81	73
2000	88	84	75

Note 1. Commodity rates in Col. 2 include the 10% increase of 1938 (Ex Parte 123). This scale ends at 1200 miles but has been extended beyond this distance at the same rate of progression per 100 miles as used for distances beyond 700 miles.

TATEMENT SHOWING PRESENT CLASS RATES COMPARED WITH ICC 28300 SCALE. EXCEPT FOR HAULS IN MOUNTAIN PACIFIC TERRITORY THE SCALE HAS BEEN PLUSSED 15% FOR THE DISTANCE IN THAT TERRITORY. FOR DISTANCES BEYOND 2500 MILES THE SCALE HAS BEEN EXTENDED AT THE SAME RATE OF PROGRESSION AS BETWEEN 2300 AND 2500 MILES.

1—Present Rates.
2—28300 Scale Rates.

From	To		Miles		1st 100	2nd	85	3rd	70	4th	55	5th	37½	A	45	40	35	B	32½	C	30	D	22½	E	17½	Tariff Authority
			Through Short Line	In Mountain Pacific Territory																						
York, N. Y.	Denver, Colo.	1	...	...	385	327	327	270	270	212	212	144	144	173	173	154	135	125	125	116	116	87	87	67	67	A
		2	1886	...	324	...	275	...	227	...	178	...	122	...	146	130	113	...	105	...	97	...	73	...	57	
	Salt Lake, Ut.	1	...	...	516	439	439	361	361	284	284	194	194	232	232	206	181	168	168	155	155	116	116	90	90	A
		2	2364	506	389	...	331	...	272	...	214	...	146	...	175	156	136	...	126	...	117	...	88	...	66	
	El Paso, Tex.	1	...	...	460	391	391	322	322	253	253	173	173	207	207	184	161	150	150	138	138	104	104	81	81	B
		2	2217	...	357	...	303	...	250	...	196	...	134	...	161	143	125	...	116	...	107	...	80	...	62	
	Los Angeles, Cal.	1	...	...	611	528	...	438	...	372	...	314	...	317	...	...	...	251	...	198	...	173	...	136	...	C
		2	[illegible]	867	439	...	373	...	307	...	241	...	165	...	198	176	154	...	143	...	132	...	99	...	77	
	Montline, N. D.	1	...	...	374	318	318	262	262	206	206	140	140	168	168	150	131	122	122	112	112	84	84	65	65	A
		2	1761	...	311	...	264	...	218	...	171	...	117	...	140	124	109	...	101	...	93	...	70	...	54	
	Harlowton, Mont.	1	...	...	466	396	...	326	...	256	...	175	...	210	...	...	...	151	...	140	...	105	...	82	...	A
		2	2094	334	361	...	307	...	253	...	199	...	135	...	162	144	126	...	117	...	108	...	81	...	63	
	Spokane, Wash.	1	...	...	578	497	...	411	...	330	...	276	...	259	...	...	...	228	...	184	...	171	...	136	...	D
		2	2617	840	415	...	353	...	291	...	229	...	156	...	187	166	145	...	135	...	125	...	93	...	73	
	Seattle, Wash.	1	...	...	611	528	...	438	...	372	...	314	...	317	...	...	...	251	...	198	...	173	...	136	...	D
		2	2889	1135	439	...	373	...	307	...	241	...	165	...	198	176	154	...	143	...	132	...	99	...	77	
burgh, Pa.	Denver, Colo.	1	...	...	332	282	282	232	232	183	183	125	125	149	149	133	116	108	108	100	100	75	75	58	58	E
		2	1451	...	275	...	234	...	193	...	151	...	103	...	124	110	96	...	89	...	83	...	62	...	48	
	Salt Lake, Ut.	1	...	...	459	390	390	321	321	252	252	172	172	207	207	184	161	149	149	138	138	103	103	80	80	E
		2	1929	506	351	...	298	...	246	...	193	...	132	...	158	140	123	...	114	...	105	...	79	...	61	
	El Paso, Tex.	1	...	...	404	343	343	283	283	222	222	152	152	182	182	162	141	131	131	121	121	91	91	71	71	B
		2	1789	...	313	...	266	...	219	...	172	...	117	...	141	125	110	...	102	...	94	...	70	...	55	
	Los Angeles, Cal.	1	...	...	594	512	...	429	...	363	...	305	...	309	...	...	...	244	...	194	...	166	...	131	...	C
		2	2537	867	408	...	347	...	286	...	224	...	153	...	184	163	143	...	133	...	122	...	92	...	71	
	Montline, N. D.	1	...	...	322	274	274	225	225	177	177	121	121	145	145	129	113	105	105	97	97	72	72	56	56	E
		2	1410	...	269	...	229	...	188	...	148	...	101	...	121	108	94	...	87	...	81	...	61	...	47	
	Harlowton, Mont.	1	...	...	416	354	...	291	...	229	...	156	...	187	...	...	...	135	...	125	...	94	...	73	...	E
		2	1744	334	325	...	276	...	228	...	179	...	122	...	146	130	114	...	106	...	98	...	73	...	57	
	Spokane, Wash.	1	...	...	528	455	...	378	...	309	...	260	...	267	...	...	...	211	...	171	...	158	...	131	...	D
		2	2255	840	390	...	332	...	273	...	215	...	146	...	176	156	137	...	127	...	117	...	88	...	68	
	Seattle, Wash.	1	...	...	594	512	...	429	...	363	...	305	...	309	...	...	...	244	...	194	...	166	...	131	...	D
		2	2553	1135	418	...	355	...	293	...	230	...	157	...	188	167	146	...	136	...	125	...	94	...	73	

STATEMENT SHOWING PRESENT CLASS RATES COMPARED WITH ICC 28300 SCALE.—Continued

1—Present Rates.
2—28300 Scale Rates.

From	To		Miles		1st 100	2nd	85	3rd	70	4th	55	5th	37½	A	45	40	35	B	32½	C	30	D	22½	E	17½	Tariff Authority
			Through Short Line	In Mountain Pacific Territory																						
Mich.	Denver, Colo.	1	...	...	309	263	263	216	216	170	170	116	116	139	139	124	108	100	100	93	93	70	70	54	54	E
		2	1270	...	250	...	213	...	175	...	138	...	94	...	113	100	88	...	81	...	75	...	56	...	44	
	Salt Lake, Ut.	1	...	...	483	368	368	303	303	238	238	162	132	195	195	173	152	141	141	130	130	97	97	76	76	E
		2	1742	506	329	...	280	...	230	...	181	...	123	...	148	132	115	...	107	...	99	...	74	...	58	
	El Paso, Tex.	1	...	...	384	326	326	269	269	211	211	144	144	173	173	154	134	125	125	115	115	86	86	67	67	B
		2	1689	...	296	...	252	...	207	...	163	...	111	...	133	118	104	...	96	...	89	...	67	...	52	
	Los Angeles, Cal.	1	...	...	578	501	...	416	...	355	...	290	...	300	...	...	...	234	...	190	...	154	...	122	...	C
		2	2380	867	397	...	337	...	278	...	218	...	149	...	179	159	139	...	129	...	119	...	89	...	69	
	Montline, N. D.	1	...	...	293	249	249	205	205	161	161	110	110	132	132	117	103	95	95	88	88	66	66	51	51	E
		2	1141	...	234	...	199	...	164	...	129	...	88	...	105	94	82	...	76	...	70	...	53	...	41	
	Harlowton, Mont.	1	...	...	388	330	...	272	...	213	...	146	...	175	...	...	...	126	...	116	...	87	...	68	...	E
		2	1475	334	292	...	248	...	204	...	161	...	110	...	131	117	102	...	95	...	88	...	66	...	51	
	Spokane, Wash.	1	...	...	503	434	...	362	...	299	...	251	...	257	...	...	...	204	...	162	...	152	...	122	...	D
		2	2069	840	371	...	315	...	260	...	204	...	139	...	167	148	130	...	121	...	111	...	83	...	65	
	Seattle, Wash.	1	...	...	578	501	...	416	...	355	...	290	...	300	...	...	...	234	...	190	...	154	...	122	...	D
		2	2367	1135	404	...	343	...	283	...	222	...	152	...	182	...	141	...	131	...	121	...	91	...	71	
Ill.	Denver, Colo.	1	...	...	279	237	237	195	195	153	153	105	105	126	126	112	98	91	91	84	84	63	63	49	49	F
		2	1016	...	217	...	184	...	152	...	119	...	81	...	98	87	76	...	71	...	65	...	49	...	38	
	Salt Lake, Ut.	1	...	...	399	339	339	279	279	219	219	150	150	180	180	160	140	130	130	120	120	90	90	70	70	G
			1476	506	299	...	254	...	209	...	134	...	112	...	135	120	105	...	97	...	90	...	67	...	52	
	El Paso, Tex.	1	...	...	351	298	298	246	246	193	193	132	132	158	158	140	123	114	114	105	105	79	79	61	61	H
		2	1372	...	263	...	224	...	184	...	145	...	99	...	118	105	92	...	85	...	79	...	59	...	46	
	Los Angeles, Cal.	1	...	...	561	487	...	404	...	342	...	284	...	293	...	...	...	229	...	182	...	151	...	119	...	C
		2	2120	867	376	...	320	...	263	...	207	...	141	...	169	150	132	...	122	...	113	...	85	...	66	
	Montline, N. D.	1	...	...	268	228	228	188	188	147	147	101	101	121	121	107	94	87	87	80	80	60	60	47	47	E
		2	966	...	210	...	179	...	147	...	115	...	79	...	95	84	74	...	68	...	63	...	47	...	37	
	Harlowton, Mont.	1	...	...	356	303	...	249	...	196	...	184	...	160	...	...	...	116	...	107	...	80	...	62	...	G
		2	1300	334	270	...	230	...	189	...	149	...	101	...	122	108	95	...	88	...	81	...	61	...	47	
	Spokane, Wash.	1	...	...	479	414	...	345	...	289	...	243	...	248	...	...	...	195	...	155	...	147	...	119	...	D
		2	1797	840	342	...	291	...	239	...	188	...	128	...	154	137	120	...	111	...	103	...	77	...	60	
	Seattle, Wash.	1	...	...	561	487	...	404	...	342	...	284	...	293	...	...	...	229	...	182	...	151	...	119	...	D
		2	2092	1135	380	...	323	...	266	...	209	...	143	...	171	152	133	...	124	...	114	...	86	...	67	

STATEMENT SHOWING PRESENT CLASS RATES COMPARED WITH ICC 28300 SCALE—Continued

1—Present Rates.
2—28300 Scale Rates.

From	To		Miles		1st 100	2nd	85	3rd	70	4th	55	5th	37½	A	45	40	35	B	32½	C	30	D	22½	E	17½	Tariff Authority
			Through Short Line	In Mountain Pacific Territory																						
sas City, Mo.	Denver, Colo.	1	....	....	222	189	189	155	155	122	122	83	83	100	100	89	78	72	72	67	67	50	50	39	39	I
		2	620	....	158	...	134	...	111	...	87	...	59	...	71	63	55	...	51	...	47	...	36	...	25	
	Salt Lake, Ut.	1	....	....	350	298	298	245	245	193	193	131	131	158	158	140	123	114	114	105	105	79	79	61	61	G
		2	1120	506	252	...	214	...	176	...	139	...	95	...	113	101	88	...	82	...	76	...	57	...	44	
	El Paso, Tex.	1	....	....	288	245	245	202	202	158	158	108	108	130	130	115	101	94	94	86	86	65	65	50	50	H
		2	936	....	207	...	176	...	145	...	114	...	78	...	93	83	72	...	67	...	62	...	47	...	36	
	Los Angeles, Cal.	1	....	....	495	429	...	363	...	303	...	260	...	264	...	...	...	204	...	157	...	138	...	108	...	C
		2	1684	867	331	...	281	...	232	...	182	...	124	...	149	132	116	...	108	...	99	...	74	...	58	
	Montline, N. D.	1	....	....	251	213	213	176	176	138	138	94	94	113	113	100	88	82	82	75	75	56	56	44	44	I
		2	819	....	189	...	161	...	132	...	104	...	71	...	85	76	66	...	61	...	57	...	43	...	33	
	Harlowton, Mont.	1	....	....	340	289	...	238	...	187	...	128	...	153	...	...	...	111	...	102	...	77	...	60	...	G
		2	1153	334	254	...	216	...	178	...	140	...	95	...	114	102	89	...	83	...	76	...	57	...	44	
	Spokane, Wash.	1	....	....	413	359	...	303	...	261	...	220	...	220	...	...	...	172	...	137	...	131	...	108	...	D
		2	1610	840	322	...	274	...	225	...	177	...	121	...	145	129	113	...	105	...	97	...	72	...	56	
	Seattle, Wash.	1	....	....	495	429	...	363	...	303	...	260	...	264	...	...	...	204	...	157	...	138	...	108	...	D
		2	1905	1135	363	...	309	...	254	...	200	...	136	...	163	145	127	...	118	...	109	...	82	...	64	

Tariff Authorities
- A—ICC A-767 of W. S. Curlett, Agent
- B—ICC 3592 of D. Q. Marsh, Agent
- C—ICC 1489 of L. E. Kipp, Agent
- D—ICC 1502 of L. E. Kipp, Agent
- E—ICC 3766 of B. T. Jones, Agent
- F—ICC A-2594 of L. E. Kipp, Agent
- G—ICC A-3202 of L. E. Kipp, Agent
- H—ICC 3527 of D. Q. Marsh, Agent
- I—ICC A-2593 of L. E. Kipp, Agent

APPENDIX H

STATEMENT OF 1ST OR CLASS 100 RATES SHOWN IN APPENDIX G SHOWING REDUCTIONS IN CENTS AND THE PERCENT OF REDUCTION.

	NEW YORK CITY, N. Y.		PITTSBURGH, PA.		DETROIT, MICH.		CHICAGO, ILL.		KANSAS CITY, Mo.	
	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%
ver, Colorado										
Present	385		332		309		279		222	
28300	324		275		250		217		158	
Reduction	61	15.8	57	17.2	59	19.1	62	22.2	64	28.8
Lake City, Utah										
Present	516		459		433		399		350	
28300	389		351		329		299		252	
Reduction	127	24.6	108	23.5	104	24.0	100	25.1	98	28.0
Paso, Texas										
Present	460		404		384		351		288	
28300	357		313		296		263		207	
Reduction	103	22.4	91	22.5	88	22.9	88	25.1	81	28.1
Angeles, California										
Present	611		594		578		561		495	
28300	439		408		397		376		331	
Reduction	172	28.2	186	31.3	181	31.3	185	33.0	164	33.1
ntline, North Dakota										
Present	374		322		293		268		251	
28300	311		269		234		210		189	
Reduction	63	16.8	53	16.5	59	20.1	58	21.6	62	24.7
lowton, Montana										
Present	466		416		388		356		340	
28300	361		325		292		270		254	
Reduction	105	22.5	91	21.9	96	24.7	86	24.2	86	25.3
kane, Washington										
Present	578		528		503		479		413	
28300	415		390		371		342		322	
Reduction	163	28.2	138	26.2	132	26.2	137	28.6	91	22.0
tle, Washington										
Present	611		594		578		561		495	
28300	439		418		404		380		363	
Reduction	172	28.2	176	29.6	174	30.1	181	32.3	132	26.7

Appendix I

STATEMENT SHOWING CARLOAD RATES ON MACHINERY TO SALT LAKE CITY, UTAH, AND LOS ANGELES, CALIFORNIA, AS COMPARED WITH 45% AND 40% OF THE ICC 28300 SCALE AS SHOWN ON APPENDIX G

	Salt Lake City, Utah				Los Angeles, Calif.			
	Present		28300 Scale		Present		28300 Scale	
FROM	Rate	Minimum	45	40	Rate	Minimum	45	40
New York, N.Y.	232 213	24000 (1) 40000 (2)	175	156	254 213	30000 (2) 40000 (2)	198	176
Pittsburgh, Pa.	207 196	24000 (3) 40000 (2)	158	140	233 196	30000 (2) 40000 (2)	184	163
Detroit, Mich.	195 187	24000 (3) 40000 (2)	148	132	223 187	30000 (2) 40000 (2)	179	159
Chicago, Ill.	180 169	24000 (4) 40000 (5)	135	120	212 178	30000 (2) 40000 (2)	169	150
Kansas City, Mo.	158 152	24000 (4) 40000 (5)	113	101	191 161	30000 (2) 40000 (2)	149	132

(1) Class A—ICC A-767 of W. S. Curlett, Agent.
(2) Commodity Rate—ICC 1507 of L. E. Kipp, Agent.
(3) Class A—ICC 3766 of B. T. Jones, Agent.
(4) Class A—ICC A-3202 of L. E. Kipp, Agent.
(5) Commodity Rate—ICC A-3560 of L. E. Kipp, Agent.

Appendix J

STATEMENT SHOWING CARLOAD RATES ON AGRICULTURAL IMPLEMENTS COMPARED WITH 45% AND 40% OF FIRST CLASS RATES UNDER ICC DOCKET 28300 SCALE AS SHOWN ON APPENDIX G

	FROM									
	NEW YORK, N. Y.		PITTSBURGH, PA.		DETROIT, MICH.		CHICAGO, ILL.		KANSAS CITY, MO.	
TO	Rate	Minimum	Rate	Minimum	Rate	Minimum	Rate	Minimum	Rate	Minimum
Denver, Colo.										
Present	154	24000 (1)	133	24000 (5)	124	24000 (5)	112	24000 (8)	86	24000 (10)
28300—45%			124		113		98		71	
28300—40%			110		100		87		63	
Salt Lake City, Utah										
Present	206	24000 (1)	184	24000 (6)	174	24000 (6)	161	24000 (11)	140	24000 (11)
"	187	44000 (2)	171	44000 (6)	163	44000 (6)	154	44000 (2)		
28300—45%	175		158		148		135		113	
28300—40%	156		140		132		120		101	
El Paso, Texas										
Present	207	24000 (3)	182	24000 (7)	173	24000 (7)	155	24000 (2)	115	24000 (12)
"	187	44000 (2)	171	44000 (2)	163	44000 (2)	154	44000 (2)		
28300—45%	161		141		135		118		93	
28300—40%	143		125		118		105		83	
Los Angeles, Calif.										
Present	243	24000 (2)	228	24000 (2)	220	24000 (2)	212	24000 (2)	189	24000 (2)
"	213	34000 (2)	196	34000 (2)	187	34000 (2)	178	34000 (2)	161	34000 (2)
"	187	44000 (2)	171	44000 (2)	163	44000 (2)	154	44000 (2)	154	44000 (2)
28300—45%	198		184		179		169		149	
28300—40%	176		163		159		150		132	
Montline, N. D.										
Present	150	24000 (1)	129	24000 (5)	117	24000 (5)	107	24000 (8)	100	24000 (10)
28300—45%	140		121		105		95		85	
28300—40%	124		108		94		84		76	
Harlowton, Mont.										
Present	210	24000 (1)	187	24000 (7)	175	24000 (7)	146	24000 (9)	140	24000 (9)
"	187	44000 (4)	171	44000 (4)	163	44000 (4)				
28300—45%	162		146		131		122		114	
28300—40%	144		130		117		108		102	
Spokane, Wash.										
Present	243	24000 (4)	228	24000 (4)	220	24000 (4)	212	24000 (4)	189	24000 (4)
"	213	34000 (4)	196	34000 (4)	187	34000 (4)	178	34000 (4)	161	34000 (4)
"	187	44000 (4)	171	44000 (4)	163	44000 (4)	154	44000 (4)	154	44000 (4)
28300—45%	187		176		154		154		145	
28300—40%	166		156		137		137		129	
Seattle, Wash.										
Present	243	24000 (4)	228	24000 (4)	220	24000 (4)	212	24000 (4)	189	24000 (4)
"	213	34000 (4)	196	34000 (4)	187	34000 (4)	178	34000 (4)	161	34000 (4)
"	187	44000 (4)	171	44000 (4)	163	44000 (4)	154	44000 (4)	154	44000 (4)
28300—45%	[illegible]		188		182		171		163	
28300—40%	176		167		141		152		145	

(1) Class 40 ICC. A-767 of W. S. Curlett, Agent.
(2) Commodity Rate ICC. 1507 of L. E. Kipp, Agent.
(3) Class A ICC. A-767 of W. S. Curlett, Agent.
(4) Commodity Rate ICC. 1509 of L. E. Kipp, Agent.
(5) Class 40 ICC. 3766 of B. T. Jones, Agent.
(6) Commodity Rate ICC. 3144 of B. T. Jones, Agent.
(7) Class A ICC. 3766 of B. T. Jones, Agent.
(8) Class 40 ICC. A-2594 of L. E. Kipp, Agent.
(9) Commodity Rate ICC. 1488 of L. E. Kipp, Agent.
(10) Class 40 ICC. A-2593 of L. E. Kipp, Agent.
(11) Commodity Rate ICC. A-3560 of L. E. Kipp, Agent.
(12) Class 40 ICC. 3527 of D. Q. Marsh, Agent.

Appendix K

STATEMENT SHOWING CARLOAD RATES ON PASSENGER AUTOMOBILES FROM DETROIT, MICHIGAN, COMPARED WITH 75% OF 1ST CLASS PRESCRIBED IN ICC DOCKET 28190 ALSO WITH CLASS 100 UNDER ICC 28300 SCALE (APPENDIX G) AND 75% OF THOSE RATES.

To	Present Rate Commodity	1st Class	75% of 1st	ICC 28300 Scale	
				Class 100	75%
Denver, Colo.	229 (1)	309	232	250	188
Salt Lake City, Utah	328 (1)	433	325	329	247
El Paso, Tex.	355 (2)	384	288	296	222
Los Angeles, Cal.	450 (3)	578	434	397	298
Montline, N. D.	293 (4)	293	220	234	176
Harlowton, Mont.	366 (5)	388	291	292	219
Spokane, Wash.	450 (6)	503	377	371	278
Seattle, Wash.	450 (6)	578	434	404	303

(1) ICC 3592 of B. T. Jones.
(2) ICC 3522 of B. T. Jones.
(3) ICC 1507 of L. E. Kipp.
(4) ICC 3766 of B. T. Jones.
(5) ICC 1488 of L. E. Kipp and NYC ICC 244.
(6) ICC 1509 of L. E. Kipp.

Appendix L

STATEMENT SHOWING TYPICAL LESS THAN CARLOAD RATES TO SALT LAKE CITY, UTAH, AND LOS ANGELES, CALIFORNIA, ON ARTICLES CLASSIFIED AS FIRST-CLASS AS COMPARED WITH RATES UNDER ICC 28300 SCALE AS SHOWN IN APPENDIX G

	SALT LAKE CITY, UTAH		LOS ANGELES, CAL.	
	Present Rate	28300 Scale	Present Rate	28300 Scale
Boots and Shoes				
From New York, N. Y.	495 (1)	389	495 (1)	439
From Chicago, Ill.	399 (2)	299	413 (1)	376
From Kansas City, Mo.	350 (2)	252	372 (1)	331
Hosiery as described in Item 3995 of L. E. Kipp's ICC 1507				
From New York, N. Y.	413 (1)	389	413 (1)	439
From Chicago, Ill.	326 (1)	299	326 (1)	376
From Kansas City, Mo.	293 (1)	252	293 (1)	331
Clothing, etc., as described in Item 4000 of L. E. Kipp's ICC 1507				
From New York, N. Y.	516 (3)	389	528 (1)	439
From Chicago, Ill.	399 (2)	299	440 (1)	376
From Kansas City, Mo.	350 (2)	252	418 (1)	331

(1) ICC 1507 of L. E. Kipp.
(2) ICC A-3202 of L. E. Kipp.
(3) ICC A-767 of W. S. Curlett.

[fol. 819] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

FORD K. EDWARDS, being first duly sworn, deposes and says that he is the Head Cost Analyst, Bureau of Transport Economics and Statistics, Interstate Commerce Commission; that he has made an examination of the evidence in the record of the proceedings before the Interstate Commerce Commission, known as Docket No. 28300, *Class Rate Investigation*, and Docket No. 29310, *Consolidated Freight Classification*, and of the Commission's reports and orders in the said proceedings, wherein and whereby an ad interim adjustment of class rates is prescribed; that, based upon such examination, it is his best judgment that if the said ad interim adjustment were to be prevented from remaining in force and effect the shippers entitled to reductions in accordance with the said order would be deprived of the benefit of the said reductions and would be required to pay large and substantial sums, in excess of the freight charges which would be due and payable by them under the said ad interim adjustment, and that the carriers entitled to [fol. 820] rate increases in accordance with the said order would be deprived of the benefits of the said increases, and would receive revenues substantially less than their revenues would have been if the said ad interim adjustment had remained in force and effect; and that, considering both the increases and the reductions in the revenues of the carriers affected by the order, the changes in the revenues on interstate traffic will be approximately $2,000,000 per month or $24,000,000 per year.

Ford K. Edwards.

Subscribed and sworn to before me this 12th day of December, 1945. J. Forney Donaldson, Notary Public. My commission expires September 14, 1948. (Seal.)

[fol. 821] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

HARVEY P. SCHNEIBER, being duly sworn, deposes and says: That he is a duly appointed Special Attorney of the United States Department of Justice; that in the course of his official duties in such capacity he has made an examination of the Reports and Orders of the Interstate Commerce Commission issued in Docket No. 28300, *Class Rate Investigation,* and Docket No. 28310, *Consolidated Freight Classification,* and made an examination, on December 7 and 10, 1945, of official tariff files of the Interstate Commerce Commission.

That from said examination of the tariff files he ascertained therefrom that certain filings of tariffs and rate schedules have been made by common carriers or their tariff publishing agents, responsive to said Orders of the Interstate Commerce Commission, all of such schedules being filed to become effective January 1, 1946.

That the said tariff schedules so filed are enumerated in Appendix A, attached hereto and made a part hereof.

That from a representative check made of specific rates contained in the said tariffs and rate schedules it would appear that the rates named therein are in conformity with and pursuant to the said orders of the Interstate Commerce Commission.

That said examination of the official tariff files of the Interstate Commerce Commission further disclosed that [fol. 822] certain additional tariffs and rate schedules have been filed with the said Commission to become effective January 1, 1946, which were not filed responsive to said Orders of the said Commission but as collateral rate adjustments in harmony therewith.

That the said latter schedules so filed are enumerated in Appendix B, attached hereto and made a part hereof.

Harvey P. Schneiber.

Subscribed and sworn to before me this 12 day of December, 1945. Berl E. Lewis, Notary Public. (Seal.)

[fol. 823]

APPENDIX A

Rate Schedules Filed with the Interstate Commerce Commission to Become Effective January 1, 1946, Responsive to the Commission's Order in Docket No. 28300

The following tariffs or supplements thereto, naming class rates published to become effective January 1, 1946, have been filed with the Interstate Commerce Commission.

Tariff Publishing Agent	Tariff Application	ICC No.	Supplement No.
W. P. Emerson, Jr.	Louisiana	336	47 & 49
R. H. Hoke	Ark. & Miss.	322	114 & 115
R. H. Hoke	Ky. & Ohio River Crossings	513	129 & 130
R. H. Hoke	So. Carolina	516	109 & 110
R. H. Hoke	Va.-W. Va.	518	129 & 130
R. H. Hoke	Florida	519	113 & 114
R. H. Hoke	Alabama	710	75 & 76
R. H. Hoke	Georgia	712	83 & 84
R. H. Hoke	Eastern Ports—Southern	668	91 & 92
R. H. Hoke	No. Carolina	715	82 & 83
R. H. Hoke	Tennessee	717	86 & 87
W. S. Curlett	N. Y. & Vt. to Trunk Line Territory	A-331	142 & 143
W. S. Curlett	N. J. & N. Y. to Trunk Line Territory	A-332	132 & 133
W. S. Curlett	N. Y. & Penn. to Trunk Line Territory	A-333	136 & 137
W. S. Curlett	Md., N. J. & Penn. to Trunk Line Territory	A-334	139 & 140
W. S. Curlett	Md., N. Y. & Penn. to Trunk Line Territory	A-335	134 & 135
W. S. Curlett	Md., Penn. & W. Va. to Trunk Line Territory	A-336	138 & 139
[fol. 824]			
W. S. Curlett	Dist. of Col., Md., Va. & W. Va. to Trunk Line Territory	A-337	143 & 144
W. S. Curlett	Between N. Y., Ohio, Penn., Va. and Trunk Line Territory	A-755	38 & 39
W. S. Curlett	No. Car., Tenn., Va. & W. Va. to Trunk Line Territory	A-339	156 & 157
W. S. Curlett	Ky., Penn., Va. & W. Va. to Trunk Line Territory	A-340	146 & 147
W. S. Curlett	Between Trunk Line and New England Territories on the one hand and Southern Territory on the other	A-800	30 & 33
W. S. Curlett	From Trunk Line to C.F.A. Territory	A-766	31 & 32
W. S. Curlett	Lighterage & Terminal Regulations—N. Y. Harbor (class rate arbitraries)	A-788	87 & 88
W. S. Curlett	Trunk Line—New England Territories	A-744	40 & 41
W. S. Curlett	New York City—Trunk Line Territory	A-819	7 & 8
B. T. Jones	Between CFA and Southern Territories	3636	104

Appendix A

Rate Schedules Filed with the Interstate Commerce Commission to Become Effective January 1, 1946, Responsive to the Commission's Order in Docket No. 28300

The following tariffs or supplements thereto, naming class rates published to become effective January 1, 1946, have been filed with the Interstate Commerce Commission.

Tariff Publishing Agent	Tariff Application	ICC No.	Supplement No.
B. T. Jones	Between CFA and W.T.L. Territories	3766	86
B. T. Jones	Ohio to C.F.A. points	3779	28
B. T. Jones	Ohio to C.F.A. points	2445	209
B. T. Jones	Ky.; Ohio & W. Va. to C.F.A. points	2446	216
B. T. Jones	Ill., Ind. & Iowa to C.F.A. points	2447	211
B. T. Jones	Ill., Ky. & Mo. to C.F.A. points	2448	209
B. T. Jones	Ind. to C.F.A. points	3685	41
B. T. Jones	Ill., Ind. & Ky. to C.F.A. points	3355	91
B. T. Jones	Mich. to C.F.A. points	2451	216

[fol. 825]

Tariff Publishing Agent	Tariff Application	ICC No.	Supplement No.
B. T. Jones	Mich. & Wis. to C.F.A. points	3425	74
B. T. Jones	N. Y., Ohio, Penn., W. Va. to C.F.A. Territory	3098	102
R. G. Raasch	I.F.A. to I.F.A. Territory	563	22 & 24
R. G. Raasch	I.F.A.—Southern points	485	171
I. N. Doe	Between New England Territory	497	12 & 13
I. N. Doe	Between New England Territory and N. J. & N. Y.	521	3 & 4
I. N. Doe	Between Maine and New England Territory	370	20 & 21
D. Q. Marsh	Between W.T.L. and Southwest on the one hand and Southwest on the other	3527	81
D. Q. Marsh	Between Southwest on the one hand and Colo. and Wyo. on the other	3552	36
D. Q. Marsh	Between Mo. & Miss. River Crossings & Kansas City, Kans.	3554	14
D. Q. Marsh	Between Southwest and Official Territory	3592	7 & 9
D. Q. Marsh	Between Southwest and Southern Territory	3571	56
L. E. Kipp	Between points in W.T.L. Territory	A-2592	150
L. E. Kipp	Between points in W.T.L. Territory	A-2593	137
L. E. Kipp	Between points in W.T.L. Territory	A-2594	136
L. E. Kipp	Between points in W.T.L. Territory	A-3402	29
L. E. Kipp	Between points in Iowa	A-3121	27
L. E. Kipp	Between Southern Territory and W.T.L. Territory	A-3020	131

[fol. 826]

Tariff Publishing Agent	Tariff Application	ICC No.	Supplement No.
L. E. Kipp	Between points in Nebr.	A-3437	47
L. E. Kipp	Between Kans. & Mo.	A-3582	4
L. E. Kipp	Between points in W.T.L. Territory	A-3418	48
L. E. Kipp	Minimum class rates between W.T.L. points & C.F.A. Territory	A-3609	
L. E. Kipp	Between points in Wisconsin	A-3309	54

Explanation of Territorial Abbreviations:
C.F.A.—Central Freight Association
I.F.A.—Illinois Freight Association
W.T.L.—Western Trunk Line

[fol. 827]

APPENDIX B

Rate Schedules Filed with the Interstate Commerce Commission to Become Effective January 1, 1946, Collateral to the Adjustment Prescribed by the Commission in Docket No. 28300 Which Have Been Voluntarily Filed with the Commission

---

The following tariffs or supplements thereto, naming class rates published to become effective January 1, 1946, have been filed with the Interstate Commerce Commission.

Tariff Publishing Agent (except as noted)	Tariff Application	ICC No. (except as noted)	Supplement No.
W. G. Oliphant	Barge-rail, rail-barge, and rail-barge-rail rates between Baton Rouge and New Orleans, La., Cairo, Ill., Helena, Ark., Memphis, Tenn., Mobile, Port Birmingham and Tuscaloosa, Ala., and Vicksburg, Miss., on the one hand and points in Ala., Fla., Ga., Ill., Ind., Ky., La., Miss., N. C., Ohio, S. C., Tenn., Va., and W. Va., on the other hand	A-5	30
"	Barge-rail, rail-barge and rail-barge-rail rates from Cairo, Chicago, E. Moline, East St. Louis, Moline, Peoria and Rock Island, Ill., Davenport, Ia., and St. Louis, Mo., to the same points	228	15
Dichman, Wright & Pugh, Inc. (carrier)	All-water rates between Washington, D. C., and Alexandria, Va., on the one hand and Old Point Comfort and Norfolk, Va., on the other hand	48	8
W. S. Curlett	Rail-Lake & Rail-Lake-Rail from Trunk Line to C.F.A. Territory	A-609	51

[fol. 828]

Tariff Publishing Agent (except as noted)	Tariff Application	ICC No. (except as noted)	Supplement No.
R. G. Raasch	Lake and Rail, Rail-Lake & Rail, Lake-Rail and Motor, Rail-Lake-Rail and Motor from I.F.A. to Trunk Line and New England Territories	422	30 & 31
I. N. Doe	Rail-Water-Rail from New England Territory to Va. and W. Va.	391	15 & 16
Eastern Steamship Lines, Inc. (carrier)	Pick-up and Delivery Charges between points on Eastern Steamship Lines, Inc.	M.C. No. 18	16
"	Between points on Eastern Steamship Lines, Inc.	456	26
"	Between Trunk Line Territory and Va. Ports	ICC No. MF-B-43 (U.S.M.C. No. B-235)	12

Tariff Publishing Agent (except as noted)	Tariff Application	ICC No. (except as noted)	Supplement No.
"	Between New York, N. Y. and Alexandria, Va. & Wash., D. C.	ICC No. B-167 (U.S. M.C. No. B-232)	8
"	Between Trunk Line Territory and New England Territory and Va. ports	MF. ICC No. B-37 (U.S. M.C. No. B-228)	16
"	Between Va. ports and points in New England Territory	MF. ICC No. B-36 (U.S.M.C. No. B-227)	11
"	Between Eastern Ports & Va. ports	ICC No. B-157 (S.B. No. B-216)	14
"	From Va. Ports to Trunk Line & New England Territories	ICC No. B-161	10
"	Between Va. Ports and Trunk Line & New England points	ICC No. B-178	4
"	Between New York, N. Y. and Va. Cities	ICC No. B-164	10
"	Between Boston, Mass., Portland, Me. and N. J. & N. Y. points	MF. ICC No. 39 (MC-20)	16
[fol. 829]			
Merchants and Miners Transportation Company (carrier)	Between Va. ports and Boston, Mass. and Providence, R. I.	U.S.M.C. No. 66	14
"	Between Philadelphia, Pa. and Boston, Mass.	S.B. No. 1225	23
"	Between Va. and North Atlantic ports	S.B. No. 1226	11
"	Between Boston, Mass., Providence, R. I., and Va. ports	S.B. No. 1228	25
"	Between Baltimore, Md. and Newport News and Norfolk, Va.	ICC No. 1515	9
"	Between Baltimore, Md. and Boston, Mass., Providence, R. I.	ICC No. 1520	8
"	Between Boston, Mass., Providence, R. I. and Baltimore, Md., Norfolk, Va. and Wash., D. C.	ICC No. 1467	14
"	Eastern—Va. ports	ICC No. 1284	47
"	New England ports	ICC No. 1285	93
Mississippi Valley Barge Lines (carrier)	Between Tampa, Fla. and Ohio and Miss. River ports	ICC No. 71	10
"	Between Gulf Ports and Ohio and Miss. River ports	ICC No. 75	12

Explanation of Territorial Abbreviations:
C.F.A.—Central Freight Association
I.F.A.—Illinois Freight Association

[fol. 830] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT OF GLENN F. VIVIAN—Filed December 13, 1945.

STATE OF ILLINOIS,
County of Cook ss.

Glenn F. Vivian, being first duly sworn, deposes and says:

1. I am, and since 1937, have been manager of the Statistical Bureau—Western Lines, 416 Union Station, Chicago, Illinois. Said bureau was created and is supported and maintained by western railroads and its activities include making studies and preparing statistical data for the information of its constituent carriers and for use in hearings [fol. 831] before the Interstate Commerce Commission, various state regulatory bodies and the courts.

2. I am a graduate civil engineer from the University of Wisconsin, 1913, holding a degree of B.C.E. Prior to my entry into service with the Chicago, Milwaukee, St. Paul & Pacific Railroad (then the Chicago, Milwaukee & St. Paul Railway) on February 23, 1916, I was engaged in various types of construction work. During the period from February 23, 1916 to July 1, 1918, I occupied various positions as Special Clerk, Chief Clerk, Assistant Statistician, Acting Statistician and Statistician of the Chicago, Milwaukee & St. Paul Railway. During the period July 1, 1918 to March 1, 1920 I was engaged as Statistician of the northwestern region of the United States Railroad Administration, returning to Chicago, Milwaukee & St. Paul Railway on March 1, 1920 as Special Accountant and subsequently resuming my prior position as Statistician which I occupied to November 1, 1937, on which date I became Manager of the Statistical Bureau—Western Lines, Chicago, Illinois, my present position.

During my employment with the Chicago, Milwaukee, St. Paul & Pacific Railroad I was engaged in analytical work in the form of special studies of various types of operation, such as switching studies, line haul studies, studies of departmental functions, preparation of traffic analysis of various types, as well as analytical studies of varying character as to costs of operation of the various functions of railroads.

As Manager of the Statistical Bureau—Western Lines, it is my duty to arrange, prepare and present analytical studies of various kinds, particularly as to the costs of operation of railroads in the western district. In addition [fol. 832] to preparing analytical studies it is also necessary for me to keep currently advised as to the economic conditions in the United States, particularly in the western district, in order to estimate the possible trend in freight traffic. During the course of my railroad career I have been a member of various railroad committees, of operating, accounting and traffic officers, and am at present a member of the Committee on Statistics of the Association of American Railroads.

3. I appeared as a witness for western lines, respondents, in the hearing before the Interstate Commerce Commission, Class Rate Investigation, 1939, Docket No. 28300, and presented numerous statistical exhibits and testimony in connection therewith.

I am familiar with the record as adduced before the Interstate Commerce Commission in the Class Rate Investigation, 1939, and have analyzed the various cost studies and other statistical data introduced on behalf of various parties to the proceedings, including those exhibits and testimony introduced by representatives of the Interstate Commerce Commission.

4. In the Commission's report in *Class Rate Investigation, 1939,* 262 I.C.C. 447, at page 585, is shown a deficit in handling less-carload traffic in 1939, as to the railroads operating in the western territory, of $34,348,277, based on out-of-pocket cost plus adjusted solely related expenses, plus collection and delivery charges which for the western railroads in 1939 amounted to $115,038,109. The revenues derived from such less-carload traffic by the western railroads for 1939 was $88,797,938.

The Commission, in its report and order, requires that class rates applicable to, from and within the western district be reduced 10 per cent below those presently in effect. [fol. 833] Such reduction based on traffic moving on class rates in carload and less-carload will reduce western carriers revenue, based on traffic handled in 1941, approximately $6,029,928; based on traffic handled in 1942, approximately $8,136,620; based on traffic handled in 1943, approximately $9,482,087; based on traffic handled in 1944, approximately $9,969,081. This loss in revenue brought about by the reductions, prescribed by the Interstate Commerce Commission, in the class rates will be in addition to the deficit suffered by the western railroads in handling less-than-carload traffic which in 1939, as shown by the Interstate Commerce Commission's representative, amounted to $34,348,277.

Inasmuch as the Commission's investigation related solely to class rates there will be no opportunity for western lines' respondents to recoup any portion of the estimated losses resulting from the Commission's reports and by an adjustment of rates on traffic moving on rates other than class rates. Necessarily the revenue losses due to the reduction in class rates will depend entirely upon the amount of traffic moving on class rates. While it is impossible to estimate with any degree of accuracy the loss of revenue that will be suffered in 1946, or subsequent years, it is estimated that in no event will the loss be less than $5,000,000 plus, if the reduced class rates as prescribed become effective January 1, 1946, and remain in effect for that calendar year.

[fol. 834] Table 1. Shows for the Class I Railroads of the United States and the western district revenue tons one mile for the years 1941, 1942, 1943 and 1944 and also the first 8 months of 1941, 1944 and 1945. As the ton miles are the unit measure of freight work performed by the railroads, these figures indicate the quantity of freight service rendered. In this statement the ratios of subsequent years are shown to the year 1941. While ton miles for the United States show an increase of 55%, 1944 over 1941, the increase for the same period in the Western District was just short of 75%. Using the first eight months of 1941 as the base, the United States shows in the first eight months of 1945 an increase of 61.32% as compared with 90.72% for the West. In each of the comparisons shown the increase is greater in the West than in the United States.

Table 2. Shows total operating revenues, total operating expenses, including taxes and joint facility and equipment rents, and net railway operating income together with percentage relationship of expenses to revenues for Class I railroads of the United States for the same years and parts

of years as shown in Table 1. The percentage relationships between expenses and revenues shows the increasing portion of revenues required to meet the total expenses. During the year 1941, 81.33 cents of every dollar was required for expenses; during the first eight months of 1941, 80.85 cents of every dollar went for expenses. As revenues increased in 1942 this percentage dropped as would be expected to 80.12 cents out of the dollar. However, increased expenses of materials and supplies, wages, and taxes reversed the normally expended trend so that in 1944 expenses were 88.27% of revenues and in the first eight months of 1945 the expenses used 88.44 cents out of each dollar of [fol. 835] revenue.

Table 3. Shows similar information to that shown in Table 2, except that the figures refer to the Class I roads of the western district. These figures demonstrate that increasingly large portion of revenues are required to meet expenses in the western district and that the pattern follows closely the United States as a whole.

Table 4. Shows the operating revenues for the years and periods used in previous tables together with the amount of increase over 1941 and 8 months 1941 in absolute amounts and also expressed as ratios of the aforementioned base year and period. Comparing the western district with the United States, we find that the West has enjoyed a relatively greater percentage increase in operating revenues than has the United States as a whole.

Table 5. Shows the total expenses for the years and periods used in the preceding statements together with the amounts of increase after the base year and period expressed in absolute figures as well as in ratios to the base periods. This table, taken together with Table 4, demonstrates how much faster expenses are increasing than are revenues.

Railroads are heavy purchasers of materials and supplies which include fuel. Prices of these items have increased considerably over the years, and from indices of unit prices it is possible to ascertain the approximate increase in such prices one year compared with another. As shown in Table 6, the December, 1940 index was 1.67% over December, 1939; in December, 1941 it was 11.45%; in December, 1942 the increase was 16.60%; in December, 1943 it was 26.00%; and in December 1944 it was 28.58% over the index for 1939.

[fol. 836] Labor costs have increased considerably in the past few years. In the past five years the average rates which Class I carriers pay for straight time actually worked have increased more than 25 per cent over 1939. During 1940 and 1941 such increases were slight, however in 1942 the average hourly rate increased about 13% over 1939. In 1943 the increase was almost 21% and about 26% in 1944 over the average rate in 1939.

The railroads of the country are confronted with a demand for increases in salaries which are now the subject of negotiations. The non-operating employes are demanding an increase of 30 cents an hour; firemen, conductors and switchmen an increase of $2.50 a day; engineers and trainmen an increase of 25 per cent, with a minimum~~ of $2.50~~ per day. On this basis and considering like increases to all railroad employes the increases will amount to $1,300,000,000 a year. In addition to a demand for wage increases the changes demanded in the operating rules will amount to an increased expense to the railroads of over $2,000,000,000 per year. Such economic trends have not been considered by the Interstate Commerce Commission in its determination of the issues involved in this proceeding.

Further affiant saith not.

Glenn F. Vivian.

Subscribed and sworn to before me this 12th day of December, A. D. 1945. A. F. Hucksold, Notary Public. My commission expires January 4, 1948.

[fol. 837]

TABLE 1

Revenue Tons One Mile—Class I Railroads of the United States and the Western District

	United States			Western District		
Year or Period	Revenue Ton Miles (000)	1941 = 100	Ratios 8 Months 1941 = 100	Revenue Ton Mile (000)	1941 = 100	Ratios 8 Months 1941 = 100
1941	475,053,822	100.00	......	177,478,247	100.00	......
8 Mos. 1941	299,074,206	......	100.00	109,606,962	......	100.00
1942	638,075,933	134.32	......	249,727,000	140.71	......
1943	727,003,427	153.04	......	295,500,639	166.50	......
1944	737,602,054	155.27	......	309,604,268	174.45	......
8 Mos. 1944	495,561,822	......	165.70	203,904,561	......	186.03
8 Mos. 1945	482,468,182	......	161.32	209,047,192	......	190.72

Source: I.C.C. Statements M-220 Revenue Statistics.

[fol. 838]

TABLE 2

Statement Showing Total Operating Revenues, Total Expenses and Net Railway Operating Income with Percent Expenses of Revenues
Class I Railroads of the United States

Year or Period	Total Operating Revenues	Total Expenses	Net Railway Operating Income	Percent Total Operating Expenses* of Total Operating Revenues
1941	$5,346,699,998	$4,348,413,290	$998,286,708	81.33
8 Mos. 1941	3,403,544,130	2,751,928,732	651,615,398	80.85
1942	7,466,227,054	5,981,757,403	1,484,469,651	80.12
1943	9,054,050,790	7,694,455,615	1,359,595,175	84.98
1944	9,435,446,955	8,328,915,145	1,106,531,810	88.27
8 Mos. 1944	6,281,293,192	5,527,636,784	753,656,408	88.00
8 Mos. 1945	6,251,217,314	5,528,539,160	722,678,154	88.44

* Total Operating Expenses including Taxes and Joint Facility and Equipment Rents.

Source: "Railway Revenues and Expenses, Railways of Class I in the United States," published by Bureau of Railway Economics.

[fol. 839]

TABLE 3

Statement Showing Total Operating Revenues, Total Expenses and Net Railway Operating Income with Percent Expenses of Revenues

Class I Railroads of the Western District

Year or Period	Total Operating Revenues	Total Expenses	Net Railway Operating Income	Percent Total Operating Expenses* of Total Operating Revenues
1941	$2,005,475,076	$1,634,536,950	$370,938,126	81.50
8 Mos. 1941	1,258,764,807	1,024,463,016	234,301,791	81.39
1942	2,974,508,666	2,319,337,483	655,171,183	77.97
1943	3,788,153,527	3,185,669,717	602,483,810	84.10
1944	4,020,428,648	3,532,370,425	488,058,223	87.86
8 Mos. 1944	2,634,597,178	2,320,929,322	313,667,856	88.09
8 Mos. 1945	2,739,472,598	2,415,872,498	323,600,100	88.19

* Total Operating Expenses including Taxes and Joint Facility and Equipment Rents.

Source: "Railway Revenues and Expenses, Railways of Class I in the United States," published by Bureau of Railway Economics.

[fol. 840]

TABLE 4

Statement Showing Total Operating Revenues for Selected Periods with Increases Expressed in Total Dollars and by Ratios—Class I Railroads of the United States and Western District

		Increase Over		Ratios	
	Total Operating Revenues	1941	8 Mos. 1941	1941 = 100	8 Mos. 1941 = 100
		United States			
1941	$5,346,699,998			100.00	
8 Months 1941	3,403,544,130				100.00
1942	7,466,227,054	2,119,527,056		139.64	
1943	9,054,050,790	3,707,350,792		169.34	
1944	9,435,446,955	4,088,746,957		176.47	
8 Months 1944	6,281,293,192		2,877,749,062		184.55
8 Months 1945	6,251,217,314		2,847,673,184		183.67
		Western District			
1941	$2,005,475,076			100.00	
8 Months 1941	1,258,764,807				100.00
1942	2,974,508,666	969,033,590		148.32	
1943	3,788,153,527	1,782,678,451		188.89	
1944	4,020,428,648	2,014,953,572		200.47	
8 Months 1944	2,634,597,178		1,375,832,371		209.30
8 Months 1945	2,739,472,598		1,480,707,791		217.63

Source: Tables 2 and 3 attached hereto.

[fol. 841]

TABLE 5

Statement Showing Total Expenses for Selected Periods with Increases Expressed in Total Dollars and by Ratios—Class I Railroads of the United States and Western District

		Increase Over		Ratios	
	Total Operating Expenses	1941	8 Mos. 1941	1941 = 100	8 Mos. 1941 = 100
		United States			
1941	$4,348,413,290			100.00	
8 Months 1941	2,751,928,732				100.00
1942	5,981,757,403	$1,633,344,113		137.56	
1943	7,694,455,615	3,346,042,325		176.95	
1944	8,328,915,145	3,980,501,855		191.54	
8 Months 1944	5,527,636,784		$2,775,708,052		200.86
8 Months 1945	5,528,539,160		2,776,610,428		200.90
		Western District			
1941	$1,634,536,950			100.00	
8 Months 1941	1,024,463,016				100.00
1942	2,319,337,483	$684,800,533		141.90	
1943	3,185,669,717	1,551,132,767		194.90	
1944	3,532,370,425	1,897,833,475		216.11	
8 Months 1944	2,320,929,322		$1,296,466,306		226.55
8 Months 1945	2,415,872,498		1,391,409,482		235.82

Source: Tables 2 and 3 attached hereto.

[fol. 842]

TABLE 6

Material and Supplies Cost—United States
December 1939 index 131.9—100.00%
December 1940 index 134.1—101.67%
December 1941 index 147.0—111.45%
December 1942 index 153.8—116.60%
December 1943 index 166.2—126.00%
December 1944 index 169.6—128.58%

Increase in Average Hourly Straight Time Rate—United States

	Average Hourly Straight Time Rate	Percent
1939	74.0 cents	100.00%
1940	74.2 cents	100.27%
1941	76.9 cents	103.92%
1942	83.5 cents	112.84%
1943	89.3 cents	120.67%
1944	93.0 cents	125.67%

Source: Dr. Parmelee's 1944 Review of Railway Operations.

[fol. 843] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

AFFIDAVIT OF RAYMOND E. BALDWIN, GOVERNOR OF THE STATE OF CONNECTICUT—Filed December 13, 1945

RAYMOND E. BALDWIN, being duly sworn, deposes and says that he is the duly elected and qualified Governor of the State of Connecticut and one of the six Governors of the New England States who have filed a petition for leave to intervene in the above-entitled proceedings; that he believes the following statement to be true:

If the orders of the Interstate Commerce Commission entered on May 15, 1945, and October 30, 1945, in the proceedings entitled respectively,—Class Rate Investigation, 1939—and—Consolidated Freight Classification—numbered respectively Nos. 28300 and 28310 in the docket of said Commission are invalid and unlawful, and if they are not stayed pending final determination of this action and are not then annulled and their enforcement permanently enjoined, and if, under the compulsion of said orders, the railroads in Official Territory, including the railroads engaged in transportation within the New England States, are permitted or required to or do increase their class [fol. 844] rates for interstate transportation, the citizens and communities of the six New England States will be discriminated against and will suffer great and irreparable injury in that, among other things, (1) the cost of doing business in each of the six New England States will be increased, (2) the increased cost of manufacturing and distributing goods in Official Territory will tend to restrict the free flow of such goods, to reduce employment, and substantially impair or destroy property values in each of the six New England States, (3) shippers in each of the six New England States will be required to pay increased class rates for the transportation of manufactured articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West, while at the same time they will be required to continue to pay substantially higher transportation charges for the transportation of their raw materials and other low-grade freight than the transportation charges paid by their competitors in other territories, and (4) shippers and receivers of freight in each of the six New England States will be required to pay higher freight charges than heretofore demanded by the railroads in such States or than justified by their transportation costs or other pertinent considerations in order that the class rates for transportation in the South and West may not be reduced more than 10 per cent, all of which will subject the citizens and communities of each of the six New England States to damage running into millions of dollars, for which they will have no means of relief or recoupment;

That his knowledge and information, upon which he rests his belief, are based upon records and information in his possession or in the possession of the State of Connecticut or coming to his attention in the performance of official [fol. 845] duties; and upon advice and information from counsel and officials of the State of Connecticut, The Commonwealth of Massachusetts and the States of Maine, New Hampshire, Vermont, Rhode Island and other states.

Raymond E. Baldwin.

Signed and sworn to before me this 11th day of December, 1945. Francis Wessell, Notary Public. (Seal.)

[fol. 846] IN UNITED STATES DISTRICT COURT

AFFIDAVIT—Filed December 13, 1945

STATE OF INDIANA,
Allen County, ss:

C. H. BARTELS, being first duly sworn, deposes and says that he is Traffic Manager of Bowser, Inc., Fort Wayne, Indiana, and that he is duly authorized in the premises.

Said Bowser, Inc. manufactures and sells gasoline filling station pumps, liquid meters, dry cleaning filters, oil filtering and reclamation machinery. Most of our purchasers reside and have their place of business in states other than Indiana. Sales to them are largely made in what is known as Official Territory and move entirely on class rates in both car-load and less-than-carload quantities.

Affiant is acquainted with the report of the Interstate Commerce Commission in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 per cent increase in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states of Official Territory have joined as plaintiffs to an action seeking both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including said Bowser, Inc.

Said corporation of which affiant is Traffic Manager states that the costs of doing business in Official Territory will be increased, and that the increased costs of manufacturing and distributing goods in Official Territory will tend to restrict the free flow of said such goods, and to destroy property values in Official Territory.

[fol. 847] It will therefore cause irreparable loss and damage to said company if temporary relief by injunction is not granted from the present effective date of said report and orders pending final determination of said case on its merits.

C. H. Bartels.

Sworn to before me and subscribed in my presence this tenth day of December, 1945. Flora M. Brandt, Notary Public, Allen County, Indiana. My commission expires September 4, 1949. (Seal.)

[fol. 848] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

STATE OF INDIANA,
Marion County, ss:

ORA M. ENYART, being first duly sworn, deposes and says that he is Traffic Manager of the Van Camp Hardware and Iron Company, Indianapolis, Indiana, and that he is duly authorized in the premises.

Said Company buys and sells at wholesale hardware and iron, many of its purchasers and sellers of which reside and have their place of business in states other than Indiana. Sales and purchases by said Company are largely made in what is known as Official Territory and move on class rates in both car-load and less-carload quantity.

Affiant is acquainted with the report of the Interstate Commerce Commission in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 per cent increase in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states in Official Territory have joined as plaintiffs to an action seeking both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including this said company.

[fol. 849] Affiant further says that if the orders of the commission are invalid and unlawful as alleged in the above entitled case and are not stayed pending final determination of this action, and the railroads are permitted or required to increase their class rates for interstate transportation 10 per cent, the Van Camp Hardware and Iron Company as shippers and as purchasers will suffer great and irreparable injury by reason of the additional freight charges for the reason that (1) the cost of doing business by this Company in Official Territory will be increased, (2) this Company will be required to pay increased class rates for the transportation of articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West while at the same time this Company will be required to continue to pay substantially higher transportation charges for the transportation of their low grade freight than the transportation charges paid by their southern competitors, and (3) this Company will be required to pay higher freight charges than heretofore demanded by the railroads in that territory or than justified by their transportation costs or other pertinent considerations in order that the class rates for transportation in the South and West may not be reduced more than 10 per cent.

All of which will subject this Company to irreparable damage for which they will have no means of relief or recoupment.

It will therefore cause irreparable loss and damage to this Company if temporary relief by injunction is not granted from the present effective date of said report and orders pending final determination of this case on its merits.

Further affiant saith not,

Ora M. Enyart.

[fol. 850] Sworn to me and subscribed in my presence this 7 day of December, 1945. Agnes P. Brown, Notary Public, Marion County, Indiana. My commission expires: March 10, 1947. (Seal.)

[fol. 851] District Court of the United States

No. 2311

[Title omitted]

Affidavit—Filed December 13, 1945

State of Indiana,
Marion County, ss:

William L. Fogleson, being first duly sworn, deposes and says that he is Traffic Manager of the P. R. Mallory & Co., Inc., Indianapolis, Indiana, and that he is duly authorized in the premises.

That said Company manufactures and sells component parts for radio and electronics, condensers, switches, rectifiers, and dry batteries, many of its purchasers of which reside and have their places of business in states other than Indiana; that in the manufacture of said products this Company purchases large quantities of materials such as tungsten metal, beryllium, copper and zinc alloy articles; that said purchases are largely made interstate in what is known as Official Territory and move on class rates in both car-load and less-than-car-load quantities; that the total volume of sales of this Company is approximately $40,000,000.00 per year.

Affiant is acquainted with the report of the Interstate Commerce Commission in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental [fol. 852] orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 per cent increase in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states in Official Territory have joined as plaintiffs to an action seeking both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including this said company.

Affiant further says that if the orders of the commission are invalid and unlawful as alleged in the above entitled case and are not stayed pending final determination of this action, and the railroads are permitted or required to increase their class rates for interstate transportation 10 per cent, the P. R. Mallory & Co., Inc., as shippers and as purchasers will suffer great and irreparable injury by reason of the additional freight charges for the reason that (1) the cost of doing business by this Company in Official Territory will be increased since the 10 per cent increase in class freight rates will require this Company to spend additionally approximately $5,000.00 per year by virtue of its purchases. (2) this Company will be required to pay increased class rates for the transportation of articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West while at the same time this Company will be required to continue to pay substantially higher transportation charges for the transportation of their low grade freight than the transportation charges paid by their southern competitors, and (3) this Company will be required to pay higher freight charges than heretofore demanded by the railroads in that territory or than justified by their transportation costs or other pertinent considerations in order that the class rates for transpor-[fol. 853] tation in the South and West may not be reduced more than 10 per cent.

All of which will subject this Company to irreparable damage for which they will have no means of relief or recoupment.

It will therefore cause irreparable loss and damage to this Company if temporary relief by injunction is not granted from the present effective date of said report and orders pending final determination of this case on its merits.

Further affiant saith not.

Wm. L. Fogleson.

Sworn to before me and subscribed in my presence this 10 day of December, 1945. Lewis R. Tresler, Notary Public, Marion County, Indiana. My commission expires: 5/19/49. (Seal.)

[fol. 854] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

Maurice D. Collins, being first duly sworn, deposes and says that he is Traffic Manager of E. C. Atkins and Co., Indianapolis, Indiana, and that he is duly authorized in the premises.

That said Company manufactures and sells saws and saw tools, and in connection therewith purchases large quantities of steel which are shipped from outside into the State of Indiana; that many of its purchasers reside and have their places of business in states other than Indiana; that said sales made by this Company are largely made in what is known as Official Territory, and that said purchases of steel are also made within said Official Territory; that said sales move on class rates in less-than-carload quantities; that the total volume of sales of this Company is approximately $12,000,000.00 per year.

Affiant is acquainted with the report of the Interstate Commerce Commission in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 percent increase [fol. 855] in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states in Official Territory have joined as plaintiffs to an action seeking both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including this said Company.

Affiant further says that if the orders of the commission are invalid and unlawful as alleged in the above entitled case and are not stayed pending final determination of this action, and the railroads are permitted or required to increase their class rates for interstate transportation 10 percent, E. C. Atkins and Co., as shippers and as purchasers will suffer great and irreparable injury by reason of the additional freight charges for the reason that (1) the cost of doing business by this Company in Official Territory will be increased since the 10 percent increase in class freight rates will require this Company to spend additionally the sum of approximately $600.00 per month by virtue of its shipments. (2) this Company will be required to pay increased class rates for the transportation of articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West while at the same time this Company will be required to continue to pay substantially higher transportation charges for the transportation of their low grade freight than the transportation charges paid by their southern competitors, and (3) this Company will be required to pay higher freight charges than heretofore demanded by the railroads in that territory or than justified by their transportation costs or other pertinent considerations in order that the class rates for transportation in the South and West may not be reduced more than 10 percent.

[fol. 856] All of which will subject this Company to irreparable damage for which they will have no means of relief or recoupment.

It will therefore cause irreparable loss and damage to this Company if temporary relief by injunction is not granted from the present effective date of said report and orders pending final determination of this case on its merits.

Further affiant saith not.

Maurice D. Collins.

Sworn to before me and subscribed in my presence this 10th day of December, 1945. James G. Martin, Notary Public, Marion County, Indiana. My commission expires 11/16/47. (Seal.)

[fol. 857] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

Elliott S. Moore, being first duly sworn, deposes and says that he is Shipping Superintendent of the Radio Corporation of America, RCA Victor Division, Indianapolis, Indiana, and that he is duly authorized in the premises.

That said company manufactures and sells phonograph records, radio tubes, radio sets and industrial sound equipment, many of the purchasers of which reside and have their place of business in states other than Indiana; that sales by this company to such purchasers are largely made in what is known as Official Territory and move on class rates in both car-load and less-than-car-load quantities; that the total volume of sales by this company is approximately $45,000,000.00 per year.

Affiant is acquainted with the report of the Interstate Commerce Commision in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 percent increase in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states in Official Territory have joined as plaintiffs to an action [fol. 858] seeking both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including this said company.

Affiant further says that if the orders of the commission are invalid and unlawful as alleged in the above entitled case and are not stayed pending final determination of this action, and the railroads are permitted or required to increase their class rates for interstate transportation 10 percent, Radio Corporation of America, RCA Victor Division, as shippers and as purchasers will suffer great and irreparable injury by reason of the additional freight charges for the reason that (1) the cost of doing business by this Company in Official Territory will be increased since the 10 percent increase in class freight rates will require this Company to spend additionally approximately $15,000.00 per year by virtue of its shipments. (2) this Company will be required to pay increased class rates for the transportation of articles subject thereto which will be substantially on a parity with the reduced class rates prescribed for transportation within the South and West while at the same time this Company will be required to continue to pay substantially higher transportation charges for the transportation of their low grade freight than the transportation charges paid by their southern competitors, and (3) this Company will be required to pay higher freight charges than heretofore demanded by the railroads in that territory or than justified by their transportation costs or other pertinent considerations in order that the class rates for transportation in the South and West may not be reduced more than 10 percent.

All of which will subject this Comp ıy to irreparable damage for which they will have no means of relief or recoupment.

It will therefore cause irreparable loss and damage to [fol. 859] this Company if temporary relief by injunction is not granted from the present effective date of said report and orders pending final determination of this case on its merits.

Further affiant saith not.

Elliott S. Moore.

Sworn to before me and subscribed in my presence this 10 day of Dec., 1945. Herschel G. Turner, Notary Public, Marion County, Indiana. My commission expires Sept. 4, 1946. (Seal.)

[fol. 860] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

Cooper C. Clifton, being first duly sworn, deposes and says that he is Director of the State Board of Public Printing of the State of Indiana, Indianapolis, Indiana, and that he is duly authorized in the premises; that the State Board of Public Printing is a department and agency of the sovereign State of Indiana.

That said State Board of Public Printing purchases for and on behalf of the State of Indiana, its departments and institutions printed matter, and office supplies, such as inks, writing paper, tablets, typewriter ribbons and tabulating cards and forms for machines; that its total purchases of such supplies average approximately $750,000.00 per year; that many of said items are purchased from sellers which reside and have their places of business in states other than Indiana; that purchases by this Board are largely made in what is known as Official Territory and move on class rates in usually less-than-car-load quantities.

Affiant is acquainted with the report of the Interstate Commerce Commission in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 per cent increase in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states [fol. 861] in Official Territory have joined as plaintiffs to an action seeking both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including this said Board.

Affiant further says that if the orders of the Commission are invalid and unlawful as alleged in the above entitled case and are not stayed pending final determination of this action, and the railroads are permitted or required to increase their class rates for interstate transportation 10 per cent, the State Board of Public Printing of the State of Indiana will suffer great and irreparable injury by reason of the additional freight charges since the costs of the purchases of this Board will be increased because the 10 per cent increase in class freight rates will be reflected in the increase of the prices of many of the goods purchased by this Board, all of which will subject this Board, and the State of Indiana to irreparable damage for which they will have no means of relief or recoupment.

It will, therefore, cause irreparable loss and damage to this Board, and to the State of Indiana if temporary relief by injunction is not granted from the present effective date of said report and order pending final determination of this case on its merits.

Further affiant saith not.

Cooper C. Clifton.

Sworn to before me and subscribed in my presence this 12 day of December, 1945. Frances M. Morgan, Notary Public, Marion County, Indiana. My commission expires: 7/23/49.

[fol. 862] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

O. F. Heslar, being first duly sworn, deposes and says that he is Director of the Division of Procurement and Supply of Indiana, Indianapolis, Indiana, and that he is duly authorized in the premises; that said Division is a department and agency of the State of Indiana and does most of the purchasing for the departments and agencies of the State of Indiana.

That said Division of Procurement and Supply purchases for and on behalf of the State of Indiana, its departments and institutions all of the materials and supplies necessary for their operation including textiles and dry goods, meats and groceries, machinery and heavy equipment, hospital and laboratory equipment and supplies, laundry equipment and supplies, paints, oils, leads and manufactured goods of many kinds and varieties; that the annual total purchases of this Division are approximately $2,500,000.00; that many of said items are purchased from sellers which reside and have their places of business in states other than Indiana and are shipped from places outside the State of Indiana; that purchases by this Division are largely made in what is known as Official Territory, many of which purchases move on class rates in usually less-than-car-load quantities.

[fol. 863] Affiant is acquainted with the report of the Interstate Commerce Commission in its cases docketed as Nos. 28300 and 28310, and with the ad interim order and supplemental orders issued in connection therewith. Affiant is also acquainted with the fact that the resultant 10 per cent increase in class freight rates in Official Territory proposed thereby is to become effective January 1, 1946. Affiant is further informed and therefore says that many, if not all, states in Official Territory have joined as plaintiffs to an action seeing both temporary and permanent relief from the report and orders aforesaid on behalf of themselves and of private shippers and manufacturers, including this said Division.

Affiant further says that if the orders of the Commission are invalid and unlawful as alleged in the above entitled case and are not stayed pending final determination of this action, and the railroads are permitted or required to increase their class rates for interstate transportation 10 per cent, the Division of Procurement and Supply of Indiana will suffer great and irreparable injury by reason of the additional freight charges since the costs of the purchases of this Division will be increased because the 10 per cent increase in class freight rates will be reflected in the increase of the prices of the goods purchased by this Division, all of which will subject this Division, and the State of Indiana to irreparable damage for which they will have no means of relief or recoupment.

It will, therefore, cause irreparable loss and damage to this Division, and to the State of Indiana if temporary relief by injunction is not granted from the present effective date of said report and order pending final determination of this case on its merits.

Further affiant saith not.

O. F. Heslar.

Sworn to before me and subscribed in my presence this 13th day of December, 1945. Pauline H. Shumack, Notary Public, Hamilton County, Indiana. My commission expires: May 8, 1949.

[fol. 864] IN THE DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT ON BEHALF OF THE STATE OF NEW JERSEY—Filed December 13, 1945

[fol. 865] STATE OF NEW JERSEY,
County of Mercer,
City of Trenton, ss:

Frank S. Farley, being duly sworn, deposes and says: That he is President of the Senate of the State of New Jersey and Acting Governor of the State of New Jersey;

That he has familiarized himself generally with the basic principles and issues involved in I. C. C. Docket No. 28300, *Class Rate Investigation, 1939*, and I. C. C. Docket No. 28310, *Consolidated Freight Classification*, to the extent and in the particulars that those proceedings have the attention of the Interstate Commerce Commission;

That he is generally familiar with the decision of the Interstate Commerce Commission resulting therefrom and has made a study relative to the effect thereof, particularly in so far as it relates to the State of New Jersey;

That, as a result of inquiry and study made by him, he is in a position to state personally that, if the aforesaid decision of the Interstate Commerce Commission shall be effectuated, the State of New Jersey, its citizens, communities and all components thereof, severally and jointly, shippers and receivers of freight, will suffer substantial and irreparable injury and damage, by reason of the fact that the State of New Jersey, its citizens, its communities and its commerce and industry will be required to pay excessive, unjust and unreasonable additional freight charges for the transportation of freight shipped by or for the said State, its citizens, its communities and its commerce and industry, or received by or for the said State, its citizens, its communities and its commerce and industry, to the extent that such freight moves or shall move on class rates between points and places in the State of New Jersey and from or to points and places in the State of New Jersey, on the one hand, and points and places located outside of the State of New Jersey in so-called Official ter- [fol. 866] ritory of the United States;

That the State of New Jersey, its citizens, its communities and its commerce and industry will suffer substantial damage, among other reasons, because the increase in the class rates aforesaid will tend to increase the cost of doing business in the State of New Jersey, by virtue of increasing the cost of moving freight inbound and outbound to and from points and places in Official territory, with the result that the ability of the New Jersey manufacturer to freely compete in existing markets for the purchase of raw materials and the sale of finished products will be greatly limited and curtailed; it will tend to make New Jersey less desirable to and for manufacturers and manufacture; it will tend to precipitate unemployment, by virtue of the closing of existing places of manufacture and the preclusion of expansion in existing manufacture; it will tend to reduce and otherwise destroy property values and taxables in the State of New Jersey, and will otherwise subject the State of New Jersey, its citizens, its communities and its commerce and industry to irreparable harm for which they now have or will have no remedy at law or otherwise;

That among the articles and products of trade so manufactured, shipped or received by the State of New Jersey, its citizens, its communities and its commerce and industry, as introduced in evidence in the proceedings before the Interstate Commerce Commission, termed I.C.C. Docket No. 28300, *Class Rate, Investigation, 1939,* and I.C.C. Docket No. 28310, *Consolidated Freight Classification,* as a part of Exhibit No. 161, were and are the following nationally-known trade-marked items, many of which move to, from and within the State of New Jersey in substantial quantities, on railroad class rates:

L. E. CARPENTER & CO., Inc.

PEQUANOC RUBBER CO.

Sears, Roebuck and Co.

LEHN & FINK PRODUCTS CORPORATION

A.H.&S.

A. HOLLANDER & SON

Princeton Worsted Mills Inc

FORSTMANN WOOLEN CO

MERCER RUBBER COMPANY

The American Platinum Works

ANCHOR HOCKING GLASS CORPORATION

ROLLER BEARING COMPANY OF AMERICA

ATLAS STEEL BARREL CORPORATION

THE RIVERSIDE METAL COMPANY

HEYDEN CHEMICAL CORPORATION

BECTON DICKINSON & CO

RONSON

WESTINGHOUSE
ELECTRIC ELEVATOR COMPANY

ART METAL WORKS, INC.

SOLFO PAINT & CHEMICAL CO.

THE LUZERNE RUBBER COMPANY

J. W. BEARDSLEY'S SONS

Kraeuter & Company, Inc.
(Pronounced Kroyter)

J. B. Van Sciver Co.

JOSEPH DIXON CRUCIBLE CO.

ANACONDA

Hightstown Rug Company

MAGNETIC PIGMENT COMPANY

THE ATHENIA STEEL CO.

E. R. SQUIBB & SONS

ESSEX RUBBER COMPANY

L. O. KOVEN & BROTHER, INC.

REGAL DOLL CORPORATION

GIBRALTAR CORRUGATED PAPER CO., INC

The Whitehead Bros. Rubber Co.

PHELPS DODGE COPPER PRODUCTS CORPORATION

ANDREW McLEAN COMPANY

PURITAN RUBBER MANUFACTURING COMPANY

INTERNATIONAL SMELTING AND REFINING COMPANY
RARITAN COPPER WORKS

THE RIVERSIDE METAL COMPANY

PURITAN RUBBER MANUFACTURING COMPANY

HEYDEN CHEMICAL CORPORATION

ANACONDA

INTERNATIONAL SMELTING AND REFINING COMPANY
RARITAN COPPER WORKS

BECTON DICKINSON & CO

ARCHER-DANIELS-MIDLAND COMPANY

THE HAMERSLEY MANUFACTURING CO.

GF

Whiz

GENERAL FOODS CORPORATION

R.M. HOLLINGSHEAD CORPORATION

THE NATIONAL LOCK WASHER COMPANY

FEDERAL SHIPBUILDING COMPANY

FLORENCE PIPE FOUNDRY & MACHINE CO.

AMERICAN SMELTING AND REFINING COMPANY

CONTINENTAL CAN COMPANY. INC.

BAKER & CO., INC.

SCAMMELL CHINA CO.

Maas and Waldstein Co

LINDE AIR PRODUCTS

HAMILTON RUBBER MANUFACTURING COMPANY

MERCK & CO.

HIGH GRADE

OVERMAN CUSHION TIRE COMPANY, INC.

ART COLOR PRINTING COMPANY

WRIGHT AERONAUTICAL CORPORATION

ROBINS

L. A. Young Spring & Wire Corp.

CALLITE

DAVIS BAKING POWDER

KELLOGG

Johnson & Johnson

IRVINGTON INSULATION

Lehigh Valley Railroad

GE

EAGLE EP PICHER

Sealed

SOSS INVISIBLE HINGES

THE BABCOCK & WILCOX COMPANY

Waterman's Ideal Fountain Pen

MUELLER

INCO MONEL

DEVOE PAINTS

AMER TRAN

General Cigar Co. inc.

LA PALINA

BAKELITE

THE JERSEY CITY PRINTING COMPANY

DIEHL MANUFACTURING CO.

WALKER-TURNER

BETHLEHEM STEEL COMPANY

NEW YORK SHIPBUILDING CORPORATION

RCA

Nichrome

ERIE

WILCO

The American Tobacco Company
INCORPORATED

THE H. A. WILSON CO.

Metal & Thermit Corp.

Beautyrest

USS

LUX

A&P

HYATT
ROLLER BEARINGS

NOPCO

ALCOA
ALUMINUM

SARKA

Gaylord Boxes

CLARK'S
O.N.T.
SPOOL COTTON

ARCTURUS
ARCTURUS RADIO TUBE COMPANY

GOETZE GASKET
& PACKING CO., INC.

PUROLATOR
THE OIL FILTER

EDISON BATTERIES

Lackawanna
Railroad

T&B THE THOMAS & BETTS CO., Inc.

STRUCTURAL
GYPSTEEL
GYPSUM CORPORATION

COLGATE

BELLMAN BROOK BLEACHERY CO.
Office and Plant
FAIRVIEW
NEW JERSEY

Mack

PANELYTE

JM Johns-Manville

Lee

Western Electric Company

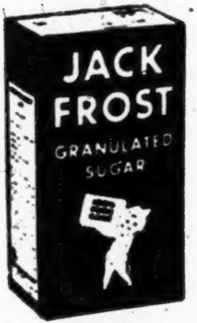
Jos. Stokes
RUBBER CO

CELLULOID CORPORATION

Home Rubber Co.

A.W. FABER

Acme
RUBBER MANUFACTURING CO.



HEIL
Quality
BUILT
U.S.A.

THE LINEN THREAD COMPANY
INCORPORATED 1898

PURVEYORS OF PURE WATER
HW

Val-A-Pak
"Traveling Wardrobe"

CROCKER-WHEELER
TRADE MARK
REG U S PAT OFF

Wenczel
TILES

ECLIPSE

H&D

Ridgelo
CLAY COATED

OWENS - ILLINOIS
INSULUX Glass Block

ANACIN

TASTYEAST

THE HINDE & DAUCH PAPER CO.

Calco

Walter Kidde & Company

MUNDET CORK

W. AMES & CO.

L

LENOX

ISOLANTITE

THIS IS A CONGOLEUM GOLD SEAL RUG

Wheatena

CORNELL-DUBILIER CONDENSERS

BORDEN

Borden's

1857

ASSOCIATED COMPANIES

S. B. PENICK & COMPANY

NATIONAL

RU-BER-OID

CONSOLIDATED FILM INDUSTRIES, INC.

Certain-teed

MAGNUS CLEANERS

WOR

AMERICAN GAS FURNACE CO.

NATIONAL BATTERIES

Cocomalt
MALTED FOOD DRINK
WITH VITAMINS A & D
CALCIUM PHOSPHORUS

The A P Smith Mfg Co.

LIONEL

PITTSBURGH
PLATE GLASS COMPANY

Lackawanna
Railroad

EDISON BATTERIES

T&B THE THOMAS & BETTS CO., Inc.

STRUCTURAL
GYPSTEEL
GYPSUM CORPORATION

Webster
Systems of
Steam Heating

CIRCLE TREAD
Ozite
RUG CUSHION

Thermoid
INDUSTRIAL RUBBER PRODUCTS

INTERNATIONAL

MUSIC WIRE
[illegible]

Kaywoodie Pipes

ALCO-GRAVURE

Zonite

REYNOLDS METALS COMPANY

NATIONAL UNION RADIO CORP.

Pyrene
FIRE
EXTINGUISHERS

GENERAL GM MOTORS

Campbell's SOUPS

ANACIN

TASTYEAST

THE HINDE & DAUCH PAPER CO.

Calco

GERA MILLS

DE LAVAL

BOTANY WORSTED MILLS
B W
M P
PASSAIC N J

WF

TRADE MARK
Thomas A. Edison

Van Raalte

WARREN FOUNDRY & PIPE CORP.

WORTHINGTON

Permutit

TRADE MARK
TITANOX

AMERICAN
RADIATOR
&
Standard
Sanitary

THE MANHATTAN RUBBER MFG DIV
MANHATTAN
PASSAIC N J

THE WATSON-STILLMAN CO.

HOFFMANN-LA ROCHE inc.

870

WALKER-TURNER

BETHLEHEM STEEL COMPANY

STA-SO

CONTINENTAL BAKING CORPORATION

Feen-a-mint
THE CHEWING GUM
LAXATIVE

NBC

JOHN WALDRON CORP

Delco-Remy

ARMSTRONG CORK COMPANY
A

BEST FOODS — HELLMANN'S

WESTON

CRUCIBLE STEEL COMPANY

868

UNITED STATES PIPE AND FOUNDRY COMPANY

AMERICAN LEAD PENCIL COMPANY

BALDWIN-HILL CO.

UNITED
COLORS & PIGMENTS

REFRACTORY
CARBORUNDUM
PRODUCTS

DU PONT

Walker-Gordon
[illegible] [illegible]
CERTIFIED

MUNDT

THE B MANISCHEWITZ CO

Dugan's
"Bakers for the Home"

New
Jersey
Central

THE ONLY SAFE WATER IS A STERILIZED WATER

TEXACO

MONROE

WARD BAKING COMPANY
BAKERS

ESSO

UNITED STATES RUBBER COMPANY
US
TRADE MARK

COVER THE EARTH

CITIES SERVICE

AMERICAN CYANAMID COMPANY
PRODUCTS

PURITY BODY
FLAVOR

SHELL

WAITT & BOND, INC.

AMERICAN COLORTYPE COMPANY

HOMASOTE

OKONITE

THE J&M JOHNSTON & MURPHY SHOE
TRADE MARK

WILSON W-J JONES

SOLAR

Murphy Varnish Company

EGYPTIAN SUPERIOR LACQUERS

L. J. Wing Mfg. Co.

OTIS ELEVATOR

EVEREADY
TRADE MARKS
PRESTONE

RYERSON CERTIFIED STEELS

Boker
TREE BRAND

Breyers
QUALITY

KEUFFEL & ESSER CO.

Hill

Reading Pipes

BAKER'S COCOA

ROSSOTTI Lithographing CO. INC.
1898

Old Gold
CIGARETTES

HOFFMAN
Beverage Company

DRINK
Coca-Cola

AIRCO

R. HOE & CO. INC. NEW YORK & LONDON

[fol. 874] and that substantial movements of the items immediately before enumerated are shipped to, from and between points and places in the State of New Jersey on class rates, which class rates are subject to increases in so far as they apply, to, from and between points in Official territory, by virtue of the order of the Interstate Commerce Commission as aforesaid.

Frank S. Farley.

Subscribed and sworn to before me this 12th day of December, 1945. Robert Peacock, Master, in Chancery, of N. J.

[fol. 875] STATE OF NEW JERSEY,
County of Camden, ss:

Henry W. Peterson, being duly sworn, upon his oath says that the South Jersey Port Commission is authorized by the Legislature of the State of New Jersey to exercise the powers of the South Jersy Port District, and that he is and has been Secretary of the said Commission since April 1, 1943; and that he has made diligent inquiry of manufacturers and business people in the South Jersey Port District, composed of the counties of Mercer, Burlington, Camden, Gloucester, Cumberland, Salem and Cape May, relative to the injurious effects of the ten percent increase in class rates to or within New England Territory, Trunk Line Territory, Central Freight Association Territory, and Illinois Freight Association Territory, which is scheduled to become effective January 1, 1946.

The deponent further states that he has made telegraphic and telephonic inquiry of a number of shippers and receivers of the South Jersey Port District, and that he is and has learned that specific industries would be adversely affected if the ten percent increase in class rates in the north and a ten percent reduction in class rates in and from the south were permitted to become effective.

The deponent further says, in response to his inquiries:

That the Sloane-Blabon Corporation, manufacturers of floor coverings at Trenton, New Jersey, advises that they anticipate that the order under Docket No. 28300 would result in net added costs on their outbound shipments of

$37,815, and on inbound shipments, $22,735, per year, and that these figures would be doubled when their postwar expansion program is completed; that their entire outbound shipments move under class rates and fifty percent of their inbound raw material also moves under class rates;

[fol. 876] That the Riverside Metal Company at Riverside, New Jersey, advises that the ten percent increase in class freight rates would make it difficult for them to meet competition from St. Louis;

That F. F. East, Incorporated, Maurice River, New Jersey, packers and shippers of oysters and representative of the fifty-million-dollar oyster industry in South Jersey, which firm ships opened oysters in gallon cans as far as Minneapolis, Chicago, Denver and other points, advise that they protest the order as discriminating, because southern dealers in the same line offer strong competition and such rates would destroy their sales so that they would not be able to meet their competition, their present competition being Norfolk, Virginia, although New Orleans, Louisiana, shippers are becoming very active in the markets now served by South Jersey oystermen;

That the Paulsboro Manufacturing Company, manufacturers of felt base floor coverings at Paulsboro, New Jersey, advises that, with selling prices frozen at 1941 levels and labor and material costs substantially increased, any further increase on incoming or outgoing freight would be a serious handicap and a definite interference with their reconversion program;

That the Mannington Mills, Incorporated, at Salem, New Jersey, manufacturers of felt base floor covering, advise that the ten percent increase would injure their business;

That the Gayner Glass Works at Salem, New Jersey, manufacturers of glassware, advise that, while their shipments of glassware and their receipts of raw material all move on exceptions to the class rates, nevertheless they believe that numerous customers of theirs will be adversely affected, and that this will indirectly affect them;

[fol. 877] That Henry Clay and Bock and Company, Limited, manufacturers of high-grade Havana cigars at Trenton, New Jersey, advise that they will be injured by competition from Tampa, Florida, and cite an example of a competitive angle by stating that less carload second class rate cigars from Trenton, New Jersey, to Pittsburgh, Pennsylvania, will be increased from 90¢ to 99¢ whereas same asis from Tampa, Florida, to Pittsburgh, Pennsylvania, rill be reduced from $2.46 to $2.21, thus reducing the present spread from $1.56 to $1.22, making a 21.8 percent reducon in favor of the Tampa shippers; but that their carbad rate on Havana leaf from Tampa, Florida, ex Cuba, Trenton, New Jersey, will continue at $1.17 cwt. reprenting class 45K, because these cars move on exceptions ating and are not accorded the Interstate Commerce Comnission's ten percent ordered reduction from the south to fficial Territory;

That the W. L. Hurley Company, operators of the largest epartment store in the Camden, New Jersey, area, advises nat they are receivers of a considerable amount of freight rom all sections of the country and, as the Office of Price dministration has already ruled that they may not conider freight charges as part of their cost of merchandise, ney have had to absorb those charges which amount to a onsiderable item of expense; and that they therefore most mphatically protest against any further increase which ould add to the already difficult job of producing a profit;

That the Belber Trunk and Bag Company in Woodbury, ew Jersey, manufacturers of trunks and luggage and dong business on a national scale, advises that a substantial ortion of their business is done in the major cities of New ngland and in New York City, and that one of their rincipal competitors is the American Hardware Company f Petersburg, Virginia, an amalgamation of seventeen runk and luggage manufacturing companies, which lastfol. 878] named firm is one of the largest in the luggage ndustry and is extremely tough competition because of ower wage scales existing in the south, and that if, in ddition to the wage advantage, they were allowed a twenty ercent differential in class rates on merchandise shipped nto the north, it would be practically impossible for Belber compete, and that that would result in a very substantial oss to Belber, the only industry in the City of Woodbury, ew Jersey;

That the Camden Pottery (located at Camden, New Jerey), a division of the Universal Sanitary Manufacturing ompany, manufacturers of vitreous china plumbing fixures, advises that they certainly cannot stand a ten percent ncrease unless the Office of Price Administration permits hem to increase their prices and pass the advance on to the onsumer.

The RICHARDSON COMPANY

STANLEY
TOOLS

Singer

LISTERINE
TOOTH PASTE

Swift's
Premium

Sloane-Blabon

CANCO

Castanea
MILK
BODY

PRR

STANDARD
INSULATION
Makes Motors Better

Stokely's
finest foods

Oxweld

Bond

Elastic Stop SELF-LOCKING
NUTS

ALLEN B. DU MONT LABORATORIES, INC.

WILBUR B DRIVER CO
NEWARK NEW JERSEY

RICH ZONIT LUX

NEW YORK CENTRAL LINES

ATF

Ford

W
WESTINGHOUSE ELECTRIC

CRESCENT WIRE

Thermoid

NEW JERSEY BELL TELEPHONE CO
BELL SYSTEM
AMERICAN TELEPHONE & TELEGRAPH CO

Benjamin Moore & Co.

TUNG-SOL

REYNOLDS SPRING COMPANY

THE BEATTIE MANUFACTURING CO.
CARPETS AND RUGS

KOPPERS COKE

DR. LYON'S
TOOTH POWDER

Spry

P.O.N.

ROEBLING

Samuel Hird & Sons, Inc.

872

MAGNOLIA METAL COMPANY
120 BAYWAY, ELIZABETH, N.J.

The
STAR
PORCELAIN COMPANY

Security
STEEL

DRIP GRIND
SANKA
COFFEE

Flood & Conklin Co.

FLINTKOTE
INDUSTRIAL ASPHALT PRODUCTS

CLOROX

AMERICAN CHAIN & CABLE COMPANY, Inc.

FOSTER FW WHEELER

BENDIX

YARDLEY

The deponent further states that, through his inquiries, he has learned that many other shippers and receivers using class rates in the South Jersey Port District would be adversely affected, such as:

E. Pritchard, Bridgeton, New Jersey, canner of tomato products, soups, asparagus, and jellies;

Minot Food Packers, Incorporated, at Bridgeton, New Jersey, packers of cranberry sauce, potato salad and fruit juices;

P. J. Ritter Company, Bridgeton, New Jersey, canners of catsup, baby desserts, pork and beans, etc.;

Owens-Illinois Glass Company with plants at Bridgeton, Glassboro, and Berlin, New Jersey, manufacturers of glass containers and insulators;

Ferracute Machine Company, Bridgeton, New Jersey, manufacturers of presses and press brakes;

Martin Dyeing and Finishing Company, Bridgeton, New Jersey, engaged in the dyeing and finishing of cotton and linen goods;

[fol. 879] Baccelliere Manufacturing Company, Berlin, New Jersey, manufacturers of fruit presses, crushers, production cheese graters and household specialties;

Edgar F. Hurff Company at Swedesboro, New Jersey, canners of tomato products, soups, pork and beans, asparagus, pumpkin, baby food, hominy, potato stix and dog food;

The National Waterproofing Company, Incorporated, Camden, New Jersey, manufacturers of asphalt laminated papers, asphalt coated papers, asphalt impregnated papers, waxed papers and oiled papers;

C. T. C. Industries, Incorporated, Camden, New Jersey, manufacturers of waterproof paper bags and waterproof paper containers;

The Better Bilt Door Company at Egg Harbor, New Jersey;

R. M. Hollingshead Corporation, Camden, New Jersey, manufacturers of automotive chemical products, lubricants, industrial maintenance supplies and household chemical products;

and many other industries too numerous to list individually.

The deponent further states that Himmelein and Bailey, Incorporated, at Camden, New Jersey, tanners and finishers of leather, transmission leather belting and other leather products, advise that their strongest competitors are in the south; that they bring green salted hides from Omaha and Chicago to Camden and then ship some of these hides to Salem or Blue Ridge in Virginia, or to Boston, Massachusetts, for tanning, while others are tanned locally; but that the tanning and preparation of leather require a great deal of rail shipping, and increases which they have already had to meet make their margin of profit so narrow that they are now preparing to move their production facilities into one of the southern states in order to be able to continue in business.

The deponent further says that, by virtue of his investigation into the effects of the proposed increase in class rates, he has learned that most of the large manufacturers and [fol. 880] industries are not concerned about the effect because their commodities move on commodity or exception rates, but that there are, however, no industries or manufacturers whose products do not eventually move under class rates from small distributors to retail stores supplying the ultimate consumer, and that, in the deponent's opinion, if the increase in class rates were to become effective, the result would be an increase in the general over-all cost of living, by reason of the fact that food products, clothing, furniture, medicines and other necessities of life are all items which move under class rates before reaching the general public.

Henry W. Peterson, Secretary; South Jersey Port Commission. (Seal.)

Sworn to and subscribed before me this 11th day of December, 1945. Calvin E. Parker, Notary Public. Notary Public of New Jersey. My Commission Expires Nov. 10, 1946. (Seal.)

[fol. 881] STATE OF NEW JERSEY,
County of Camden, ss:

HENRY W. PETERSON, being duly sworn, says that he resides at 559 Delaware Street in the City of Woodbury, County of Gloucester, State of New Jersey, and that he is the President of Council of the City of Woodbury. He further states that, as such, he has inquired of the manufacturers and business people of said City relative to the effect of the ten per cent increase in class rates which is scheduled to go into effect on January 1, 1946; and that he has found that the one industry in the City would be seriously and adversely affected if the ten per cent increase in class rates were permitted to become effective, this industry, The Belber Trunk and Bag Company, Woodbury, New Jersey, Manufacturers of luggage, traveling bags and other leather and canvas goods, having strong competition from producers in southern states who would receive a ten percent reduction while Belber would have a ten percent increase.

The deponent further says that the consuming public would be the eventual sufferers, since any increases in cost of transportation are ultimately passed on to the individual purchasers.

The deponent still further says that the proposed increase will be reflected in the cost of food, clothing, furniture, medicines and other necessities of living, the Office of Price Administration notwithstanding, if people are to continue to operate small businesses on a profitable basis.

The deponent prays that the Court hearing the plea of the Attorney General of the State of New Jersey will grant the injunction sought.

Henry W. Peterson, President of Council, City of Woodbury, New Jersey.

Sworn to and subscribed before me this 11th day of December, 1945. Calvin E. Parker, Notary Public. Notary Public of New Jersey. My commission expires Nov. 10, 1946. (Seal.)

[fol. 882] STATE OF NEW JERSEY,
County of Camden, ss:

ALFRED RHODES, of full age, being duly sworn according to law, on his oath says,

That he is treasurer and general manager of C. T. C. Industries, Inc., a corporation created under the laws of the Commonwealth of Pennsylvania, with its principal office and manufacturing plant in the City of Camden, State of New Jersey.

Said company is engaged in the manufacture and sale of water-proof bags and liners and has a large patronage and a considerable investment in its plant. It has just received notice that it is the intention of the Interstate Commerce Commission to increase freight rates to or within New England territory, Trunk Line territory, Central Freight Association territory and Illinois Freight Association territory. Such an increase would affect incoming and outgoing shipments as this corporation markets its merchandise throughout the area mentioned, and, if such rates are increased, it will seriously affect the cost of the company's product and result in a sharp competition in sales upon which there is a very narrow margin of profit.

This corporation has its plant adjoining that of the National Water-proofing Company in the City of Camden, New Jersey, and during the war supplied the Government with a large amount of its product and during the recon- [fol. 883] struction period expects to increase the volume of its business.

In view of these facts the proposed increase of such freight rates, if made, will seriously injure the company's business and will lessen the company's ability to pay taxes as presently or which may hereafter be assessed.

Such an increase should not be made at this time as it will substantially burden and affect the flow of commerce and suppress the earning power of the company.

Alfred Rhodes.

Sworn and subscribed before me this eleventh day of December, A. D. 1945.

Wm. Claxton Jones, Master in Chancery of New Jersey.

[fol. 884] State of New Jersey,
County of Camden, ss:

S. Elwood Griffth, of full age, being duly sworn according to law, on his oath says,

That he is vice-president of National Water-proofing Company, a corporation of the State of New Jersey, with its principal office at Front and Beckett Streets, Camden, in said state.

Said company is engaged in the manufacture of waterproof papers and allied products and has just received notice that it is the intention of the Interstate Commerce Commission to increase class freight rates to or within New England territory, Trunk Line territory, Central Freight Association territory and Illinois Freight Association territory.

Such an increase would affect incoming and outgoing shipments as this corporation markets its merchandise throughout the area mentioned, and, if such rates are increased, it will seriously affect the cost of the company's product and result in a sharp competition in sales upon which there is a very narrow margin of profit.

The National Waterproofing Company does a large business and depends to a great extent on volume. It maintains and operates a plant in Camden, New Jersey, in which there is a considerable investment and during the war its plant was used almost exclusively for the manufacture of its product for the Government; and during the reconstruction period will undoubtedly have an increased business over war years.

[fol. 885] In view of these facts the proposed increase of such freight rates, if made, will seriously injure the company's business and will lessen the company's ability to pay taxes as presently or which may hereafter be assessed.

Such an increase should not be made at this time as it will substantially burden and affect the flow of commerce and suppress the earning power of the company.

S. Elwood Griffth.

Sworn and subscribed before me this eleventh day day of December. Wm. Claxton Jones, Master in Chancery of New Jersey.

[fol. 886] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

AFFIDAVIT—Filed December 13, 1945

J. W. **BARTON**, being first duly sworn, deposes and says that he is Superintendent of Purchases and Printing for the State of Ohio. In his official capacity he frequently and steadily purchases, for the various departments and officials of the State of Ohio many commodities which move on class rates, both car-load and less-car-load, in interstate commerce.

Affiant is acquainted with the fact that many, if not all, states in Official Territory have joined as plaintiffs in an action seeking both temporary and permanent relief from the report, ad interim order, and subsequent related orders of the Interstate Commerce Commission in its cases docketed 28300 and 28310, one of the results of which is to increase class freight rates 10 percent in Official Territory and to reduce such rates 10 percent in the south and west as of January 1, 1946.

If the orders of such Commission are invalid and unlawful as alleged by the plaintiffs in that action, and if they are not stayed pending final determination of that action and are not then annulled and their enforcement permanently enjoined, and if the railroads in Official Territory are permitted or required under compulsion of said orders to increase their class rates for interstate transportation 10 percent, industries will suffer great and irreparable injury by reason of such additional freight charges running into many million of dollars for which they will have no means of relief or recoupment and they will be discriminated against in that, among other things, the cost of doing business in Official Territory will be increased and that in turn will tend to restrict the free flow of goods, will stimulate unemployment, and will destroy property values in Official Territory and such shippers and receivers of freight will be required to pay higher freight rates than heretofore demanded by the railroads in that territory or than are justified by the transportation costs or other pertinent considerations.

Further affiant saith not.

J. W. Barton.

Sworn to before me and subscribed in my presence this 8th day of December, 1945. Eula C. Fisher, Notary Public, Franklin County, Ohio. My commission expires Jan. 22, 1948. (Seal.)

[fol. 887] DISTRICT COURT OF THE UNITED STATES

[Title omitted]

No. 2311

AFFIDAVIT—Filed December 15, 1945

Robert L. Moulton, being first duly sworn, deposes and says that he is Director of the Department of Commerce of the State of Ohio, and that in his official capacity he has constant contact with and frequent supervision over shippers both public and private who buy or sell commodities moving to and from the State of Ohio in interstate commerce on class freight rates.

Affiant is acquainted with the fact that many, if not all, states in Official Territory have joined as plaintiffs in an action seeking both temporary and permanent relief from the report, ad interim order, and subsequent related orders of the Interstate Commerce Commission in its cases docketed 28300 and 28310, one of the results of which is to increase class freight rates 10 per cent in Official Territory and to reduce such rates 10 per cent in the south and west as of January 1, 1946.

If the orders of such Commission are invalid and unlawful as alleged by plaintiffs in that action, and if they are not stayed pending final determination of that action and are not then annulled and their enforcement permanently enjoined, and if the railroads in Official Territory are permitted or required under compulsion of said orders to increase their class rates for interstate transportation 10 per cent, industries will suffer great and irreparable injury by reason of such additional freight charges running into many millions of dollars for which they will have no means of relief or recoupment and they will be discriminated against in that, among other things, the cost of doing business in Official Territory will be increased and that in turn will tend to restrict the free flow of goods, will stimulate unemployment, and will destroy property values in Official Territory and such shippers and receivers of freight will be required to pay higher freight rates than heretofore demanded by the railroads in that territory or than are justified by the transportation costs or other pertinent considerations.

Further affiant saith not.

(Signed) Robert L. Moulton.

Sworn to before me and subscribed in my presence this 10 day of December, 1945. (Signed) Martha Okey, Notary Public, Franklin County, Ohio. Comm. expires 2-26-47.

[fol. 888] DISTRICT COURT OF THE UNITED STATES

[Title omitted]

No. 2311

AFFIDAVIT—Filed December 15, 1945

Maurice T. Otto, being first duly sworn, deposes and says that he is Traffic Manager of the Dayton Chamber of Commerce. Many members of that Association, as well as many other industries in Montgomery County which are not members thereof, purchase and sell in interstate commerce a great variety of commodities moving on class freight rates, both car-load and less-car-load.

Affiant is acquainted with the fact that many, if not all, states in Official Territory have joined as plaintiffs in an action seeking both temporary and permanent relief from the report, ad interim order, and subsequent related orders of the Interstate Commerce Commission in its cases docketed 28300 and 28310, one of the results of which is to increase class freight rates 10 per cent in Official Territory and to reduce such rates 10 per cent in the south and west as of January 1, 1946.

If the orders of such Commission are invalid and unlawful as alleged by plaintiffs in that action, and if they are not stayed pending final determination of that action and are not then annulled and their enforcement permanently enjoined, and if the railroads in Official Territory are permitted or required under compulsion of said orders to increase their class rates for interstate transportation 10 per cent, such industries will suffer great and irreparable injury by reason of such additional freight charges running into many millions of dollars for which they will have no means of relief or recoupment and they will be discriminated against in that, among other things, the cost of doing business in Official Territory will be increased and that in turn will tend to restrict the free flow of goods, will stimulate unemployment, and will destroy property values in Official Territory and such shippers and receivers of freight will be required to pay higher freight rates than heretofore demanded by the railroads in that territory or than are justified by the transportation costs or other pertinent considerations.

Further affiant saith not.

Maurice T. Otto.

Sworn to before me and subscribed in my presence this 8th day of December, 1945. (Signed) Elwood E. Zimmer, Notary Public, Montgomery County, Ohio, in and for Montgomery County, O. My Commission Expires Aug. 21, 1948. (Seal).

[fol. 889] DISTRICT COURT OF THE UNITED STATES

[Title omitted]

No. 2311

AFFIDAVIT—Filed December 15, 1945

Andrew H. Brown, being first duly sworn, deposes and says that he is Transportation Commissioner and Commerce Counsel of the Cleveland Chamber of Commerce. Many members of that Association, as well as many other industries in Cuyahoga County which are not members thereof, purchase and sell in interstate commerce a great variety of commodities moving on class freight rates, both car-load and less-car-load.

Affiant is acquainted with the fact that many, if not all, states in Official Territory have joined as plaintiffs in an action seeking both temporary and permanent relief from the report, ad interim order, and subsequent related orders of the Interstate Commerce Commission in its cases docketed 28300 and 28310, one of the results of which is to increase class freight rates 10 per cent in Official Territory and to reduce such rates 10 per cent in the south and west as of January 1, 1946.

If the orders of such Commission are invalid and unlawful as alleged by plaintiffs in that action, and if they are not stayed pending final determination of that action and are not then annulled and their enforcement permanently enjoined, and if the railroads in Official Territory are permitted or required under compulsion of said orders to increase their class rates for interstate transportation 10 per cent, such industries will suffer great and irreparable injury by reason of such additional freight charges running into many millions of dollars for which they will have no means of relief or recoupment and they will be discriminated against in that, among other things, the cost of doing business in Official Territory will be increased and that in turn will tend to restrict the free flow of goods, will stimulate unemployment, and will destroy property values in Official Territory and such shippers and receivers of freight will be required to pay higher freight rates than heretofore demanded by the railroads in that territory or than are justified by the transportation costs or other pertinent considerations.

Further affiant saith not.

(Signed) Andrew H. Brown.

Sworn to before me and subscribed in my presence this 10th day of December, 1945. (Signed) Randall M. Ruhlman, Notary Public, Cuyahoga County, Ohio, 400 Union Commerce Bldg., Cleveland 14, Ohio. My commission expires March 31, 1948. (Seal).

[fol. 890] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

Civil No. 2311

ACKNOWLEDGMENT OF SERVICE—Filed December 15, 1945

The undersigned hereby acknowledges service this date of a copy of the Court's order, signed by Judge Stephen W. Brennan, dated December 3, 1945, whereby Judge Brennan calls to his assistance to constitute the special court, as prayed for in plaintiffs' petition, as required by law, Honorable Harrie B. Chase, Judge of the United States Circuit Court of Appeals for the Second Circuit, and Honorable John C. Knox, Judge of the United States District Court for the Southern District of New York.

Service is also acknowledged on this date of a copy of the order to show cause in the above proceeding, dated December 5, 1945, giving notice of hearing on plaintiffs' petition for an interlocutory injunction, to be held before the Court constituted as above stated at the United States Court House, in Room 110, in the City of New York, on the 13th day of December, 1945, at 2:00 o'clock in the afternoon, and requiring defendant at said time to show cause why the interlocutory injunction prayed for should not issue.

Dated: December —, 1945.

Wendell Berge, For defendant, The United States of America.

P. 1 192 749458 Sup. Ct.

Vol. II

TRANSCRIPT OF RECORD

(Pages 805 to 1646)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. II

INDEX

Record from D. C. U. S., Northern District of New York Continued	Original	Print
Interlocutory injunction granted in Civil No. 2311, with findings of fact and conclusions of law	891	805
Stipulation of plaintiffs in Civil No. 2311 for payment of costs	900	810
Answer of Interstate Commerce Commission in Civil No. 2311	902	811

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCT. 24, 1946.

—7298

Record from D. C. U. S., Northern District of New York
Continued

	Original	Print
Answer of States of Alabama, Florida, Georgia, et al., and of Southern Governors' Conference, in Civil No. 2311	911	818
Petition of State of Minnesota for leave to intervene in Civil No. 2311	914	820
Answer of United States in Civil No. 2311	919	823
Answer of States of Arkansas, Kansas, et al., in Civil No. 2311	924	826
Answer of State of Minnesota in Civil No. 2311	927	828
Petition of Southeastern Association of Railroad and Utilities Commissioners for leave to intervene in Civil No. 2311	930	830
Answer of Southeastern Association of Railroad and Utilities Commissioners in Civil No. 2311	933	832
Petition of The Atchison, Topeka and Santa Fe Railway Company, et al., plaintiffs in Civil No. 2337	934	833
Exhibits 1 and 2—Order of Commission instituting proceeding in Docket No. 28300, and modification thereof (copies) (omitted in printing)	968	
Exhibit 3—Report of Commission, May 15, 1945 (copy) (omitted in printing)	971	
Exhibit 4—Order of Commission in Docket No. 28300, May 15, 1945 (copy) (omitted in printing)	1292	
Exhibit 5—First supplemental report and order of Commission, Oct. 30, 1945 (copy) (omitted in printing)	1295	
Exhibit 6—Amended order of Commission, July 25, 1945 (copy) (omitted in printing)	1325	
Exhibit 7—Order of Commission postponing effective date of order of May 15, 1945, as amended (copy) (omitted in printing)	1327	
Exhibit 8—Order of Commission, No. 27,460, Dec. 27, 1945	1328	860
Order establishing special court in Civil No. 2337	1330	862
Order allowing oral motion of The Atchison, Topeka and Santa Fe Railway Company, et al., to amend petition in Civil No. 2337	1331	863
Petition of the States of New York and Ohio for leave to intervene in Civil No. 2337	1333	864
Order granting States of New York and Ohio leave to intervene in Civil No. 2337	1336	865
Petition of New England Governors for leave to intervene in Civil No. 2337	1338	866
Order granting New England Governors leave to intervene in Civil No. 2337	1341	868
Intervention of Interstate Commerce Commission in Civil No. 2337	1342	869
Petition of State of Kansas, et al., for leave to intervene in Civil No. 2337	1343	869
Answer of United States to petition in Civil No. 2337	1346	871

Record from D. C. U. S., Northern District of New York Continued

	Original	Print
Answer of States of Alabama, Florida, Georgia, et al., and Southern Governors Conference to petition in Civil No. 2337	1349	873
Answer of Interstate Commerce Commission to petition in Civil No. 2337	1353	876
Answer of States of Kansas, Arkansas, et al., to petition in Civil No. 2337	1354	877
Petition of Southeastern Association of Railroad and Utilities Commissioners for leave to intervene in Civil No. 2337	1357	878
Answer of Southeastern Association of Railroad and Utilities Commissioners to petition in Civil No. 2337	1360	880
Order consolidating Civil No. 2311 and Civil No. 2337	1361	881
Stenographic minutes of hearing before three-judge court, February 18 to 21, inc., containing motions, rulings and stipulations	1363	881
Statement of evidence before three-judge court		
Testimony of Lawrence R. Capron	1387	894
Glenn F. Vivian	1427	916
Exhibit 1—Statement of items in Consolidated Freight Classification No. 16 and supplements thereto rated Fourth Class (column 55) less carload in Western Classification on which no commodity or exception ratings apply	1461	938
Exhibit 2—Statement showing items in C. F. C. No. 16 and supplements thereto rated 3d class (column 70) in Western Classification Territory, etc.	1526	981
Exhibit 3—Comparison of Edwards' Less Carload Costs in Western District with Fourth Class (55%) rates prescribed by Commission	1624	1049
Exhibit 4—Copies of railroad tariffs, etc.	1627	1052
Statement re exhibit 5	1988	1408
Exhibit – —Statement showing ratio of Out-of-Pocket plus Solely Related Expenses to Revenues on Less-Carload Class Rate Traffic	1981	1403
Extract from minutes of hearing	1986	1407
Opinion of Court	1991	1411
Notice and motion of United States and Interstate Commerce Commission to dissolve interlocutory injunction	2025	1439
Notice and motion of States of New York, Delaware, et al., in the consolidated causes, for continuance of interlocutory injunction	2029	1441
Notice and motion of New England Governors in the consolidated causes, for continuance of interlocutory injunction	2036	1445
Notice and motion of The Atchison, Topeka and Santa Fe Railway Company, et al., in the consolidated causes, for continuance of interlocutory injunction	2041	1449
Final decree and order of the Court	2043	1450

Record from D. C. U. S., Northern District of New York Continued

	Original	Print
Petition for allowance of appeal by the States of New York, Delaware, et al. in both causes	2048	1453
Assignment of Errors, by the States of New York, Delaware, et al	2052	1455
Order of the Court allowing the States of New York, Delaware, et al. to take an appeal	2065	1465
Citation dated and filed June 25, 1946, in re appeal of the States of New York, Delaware, et al. (omitted in printing)	2067	
Cost Bond by the States of New York, Delaware, et al. (omitted in printing)	2069	
Petition for allowance of appeal by the New England Governors in both causes	2176	1466
Assignment of Errors filed by the New England Governors	2178	1468
Order allowing the New England Governors to appeal	2185	1474
Citation dated and filed June 25, 1946, in re appeal of the New England Governors (omitted in printing)	2187	
Cost Bond by the New England Governors (omitted in printing)	2189	
Petition for allowance of appeal by The Atchison, Topeka and Santa Fe Railway Company, et al., in both causes	2269	1475
Assignment of Errors by The Atchison, Topeka and Santa Fe Railway Company, et al	2273	1477
Order allowing The Atchison, Topeka and Santa Fe Railway Company, et al., to appeal	2281	1483
Citation dated and filed June 25, 1946, in re appeal of The Atchison, Topeka and Santa Fe Railway Company, et al. (omitted in printing)	2284	
Cost Bond by The Atchison, Topeka and Santa Fe Railway Company, et al. (omitted in printing)	2287	
Joint praecipe filed by appellants, the States of New York, Delaware, et al., the New England Governors and The Atchison, Topeka and Santa Fe Railway Company, et al.	2712	1485
Acknowledgments of service of praecipe by appellees (omitted in printing)	2722	
Certificate of Service upon appellees of the praecipe	2736	1492
Affidavit of Service and Order to transmit original record	2739	1494
Order to transmit original record	2747	1499
Docket Entries—Civil No. 2311	2749	1500
Docket Entries—Civil No. 2337	2755	1510
Clerk's Certificate (omitted in printing)	2759	
Statement of points to be relied upon by States of New York, Delaware, et al. in Case No. 343 and States of New York and Ohio in Case No. 345, and designation of record	2760	1517
Statement of points to be relied upon and designation of record in Case No. 344	2767	1521

	Original	Print
Statement of points to be relied upon by A. T. & S. F. Ry. Co., et al. in Case No. 345, and designation of record	2771	1523
Order noting probable jurisdiction	2778	1527

	Original	Print
Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310	1	1528
Caption and appearances—Hearing at St. Louis, Missouri	1	1528
Testimony of William H. S. Stevens	27	1544
Ford K. Edwards	39	1553

[fol. 891] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN AND THE COMMONWEALTH OF PENNSYLVANIA, Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

INTERLOCUTORY INJUNCTION—Filed December 21, 1945

The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, having filed their verified petition in this Court praying a permanent injunction forever annulling and enjoining enforcement of certain orders of the Interstate Commerce Commission in a proceeding before it entitled Class Rate Investigation, 1939, Docket No. 28300, and praying also an interlocutory injunction enjoining the enforcement of said order pending final determination of its petition; and service of said petition having been made as required by law upon the Attorney General of the United States and the Interstate Commerce Commission; and the Interstate Commerce Commission having intervened as a defendant herein; and the Governors of the New England States and various Western railroads having intervened in this proceeding as additional parties plaintiff; the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Kansas, Oklahoma, [fol. 892] Arkansas, Texas, Nebraska, North Dakota and South Dakota, and other parties having intervened as defendants; and the Honorable Harrie B. Chase, Circuit Judge, and the Honorable John C. Knox, District Judge, having been called to the aid of Honorable Stephen W. Brennan, Judge of this District, as required by Title 28, U. S. Code, Section 47; and an order to show cause having issued and been served upon the Attorney General of the United States and the Interstate Commerce Commission requiring them to show cause before this Court so constituted at a hearing to be held in Room 110, United States Court House in the City of New York, N.Y., on December

13, 1945, at 2:00 P.M., why the interlocutory injunction prayed for by plaintiffs should not issue; and at least five days' notice of said hearing having been given as required by law; and said hearing having been had, the Court sitting in New York City for the convenience of and with the consent and by stipulation of all parties; and plaintiffs and invervening plaintiffs having been heard by counsel and having filed various affidavits with the Court; and the United States having been heard by its Assistant Attorney General, and having filed affidavits with the Court, the Interstate Commerce Commission by its Chief Counsel, and other interveners by their respective counsel; and the Court having considered the verified petition and the affidavits presented to it and the arguments of counsel, the undersigned as such Court now make the following findings of fact and conclusions of law:

[fol. 893]

Findings of Fact

1. This is a suit brought under the provisions of Title 28, U. S. Code, Sections 41 and 43 to 48 inclusive, seeking an injunction annulling and enjoining orders of the Interstate Commerce Commission in a proceeding entitled *Class Rate Investigation, 1939,* Docket Nos. 28300 and 28310 on the Commission's docket.

2. Plaintiffs are sovereign states and bring this action both as shippers and receivers of freight, on which rates affected by the Commission's orders are charged, and also in their sovereign capacities on behalf of their citizens and communities because of the effect of the Commission's orders upon the states, their citizens and communities.

3. The orders of the Interstate Commerce Commission sought to be enjoined would require, effective January 1, 1946, an increase of ten per cent in the class rates charged by the railroads for the transportation of class rate freight within Official Territory and a reduction of ten per cent in the class rates charged by the railroads for the transportation of such freight as moves under class rates within Southern Southwestern and Western territories and between the several territories.

4. The class rates are charged by the railroads in Official Classification Territory for the transportation by them of a large variety of manufactured articles, products of indus-

try and agricultural products. The report of the Interstate Commerce Commission dated May 15, 1945 indicates that 5.8 per cent of all carload freight transported in Official [fol. 894] Territory moves at class rates. A ten per cent increase in these class rates would impose upon industry, shippers and receivers of freight transported within Official Territory an increased freight cost of many million dollars a year.

5. The ten per cent increase if required and permitted to be charged by the railroads for transportation within Official Classification Territory pending final determination of this suit would subject industries, shippers and receivers of freight, and the citizens and communities of the states in Official Territory to great injury, for which they will have no redress in the event the Commission's orders should finally be held invalid and permanently enjoined, in that the increased charges on shipments at class rates will increase the cost to industries of shipping and receiving their products, will increase the cost of products to consumers, will discourage production and conversion to peacetime operation, and will tend to cause unemployment and consequent local distress.

6. The present class rates in Official Territory which would be continued in effect if an interlocutory injunction should issue suspending the effect of the Commission's orders were prescribed by the Interstate Commerce Commission in 1930, and there has been no complaint in the proceedings before the Commission against these rates and no demand by any shipper, receiver, community or state that these rates be increased.

7. The injury which would be suffered by the industries, shippers, receivers, communities and citizens in Official Territory would greatly exceed any injury to shippers [fol. 895] and communities or states in other sections of the country from withholding the reductions in rates ordered by the Commission, pending final determination herein, for the reason that a much greater volume of freight is transported by the railroads within Official Territory upon which the class rates are charged, which would be increased ten per cent, than the volume of freight upon which the Commission's orders would require a reduction in the freight rates. The Commission found that the class

rates are charged on 5.8 per cent of the carload freight transported within Official Territory, on only 1.8 per cent of the carload freight transported in Southern Territory, .6 per cent of the freight transported in Western Trunk Line Territory, .9 per cent of the freight transported from Southern to Official Territory, and 3.1 per cent of the freight transported from Western Trunk Line to Official Territory. In addition to this, the higher percentage in Official Territory is to be applied to a much greater volume of freight. The Commission found that in a period of two days the carload freight transported within Official Territory aggregated 111,914 carloads, while the carload movement within Southern Territory was only 23,512 carloads, and within Western Trunk Line Territory was only 32,889 carloads. The movement from Southern to Official Territory amounted to only 15,989 carloads and from Western Trunk Line to Official Territory to 12,120 carloads. Computations contained in affidavits presented to the Court indicate that the ten per cent increase in the class rates for transportation within Official Territory of both carload and less-carload [fol. 896] freight would cause an increase in freight charges to shippers and receivers of freight in that territory of over $15,000,000 annually, as compared with reductions in the charges for shippers in Southern Territory of not more than one tenth of this figure.

8. Greater disturbance and confusion would result if the changed rates ordered by the Commission should be permitted to go into effect and the Commission's orders should thereafter be held to be invalid and enjoined.

9. The reduced rates ordered by the Commission with respect to freight transported by the Western railroads would cause a very substantial reduction in their revenues, which they would have no means of recouping, if the Commission's orders should finally be held to be invalid and permanently enjoined.

10. The present class rates in all territories were prescribed by orders of the Commission in various proceedings as maximum reasonable rates and these orders would be operative to maintain the present rates in effect if the orders attacked in this suit should be suspended.

11. Although tariff schedules have already been filed with the Commission by the railroads providing rates to become

effective January 1, 1946, in conformity with the Commission's orders sought to be enjoined, the Official Classification railroads and the Western railroads by their counsel have advised the Court that such tariff schedules have been filed only under compulsion of the Commission's orders [fol. 897] and that if such compulsion is removed by the suspension and enjoining of said orders, they will take appropriate steps to continue in effect their present class rates.

CONCLUSIONS OF LAW

1. Plaintiffs have capacity to maintain this suit both as shippers and receivers of freight, the rates on which would be affected by the Commission's orders sought to be enjoined. The question as to whether plaintiffs in their sovereign capacities are otherwise proper parties hereto is not now decided.

2. The fact that the railroads under compulsion of the orders have already filed tariff schedules providing rates in conformity therewith, to take effect on January 1, 1946, does not render this suit moot or deprive this Court of power to grant effective relief by interlocutory injunction.

3. There are reasonable grounds for believing that the reports and orders of the Commission may be erroneous, contrary to and without adequate support in the evidence, and should be permanently annulled and their enforcement enjoined. This cannot, however, be determined until final hearing herein and upon examination of the evidence before the Commission which will then be before the Court.

[fol. 898] 4. There is greater justification for continuing in effect temporarily the present class rates which the Commission has prescribed and under which business has been done for a number of years than for permitting a sudden change in rates required by new orders, the validity of which is open to question.

5. Considering the doubt as to the validity of the Commission's reports and orders, and balancing the conveniences and equities of the situation, the Court in its discretion should issue an interlocutory injunction enjoining and suspending the enforcement of the Commission's orders pending final determination herein.

Wherefore, good cause appearing therefor, it is ordered, adjudged and decreed that an interlocutory injunction be and it is hereby granted enjoining and suspending until further order of this Court the order of the Interstate Commerce Commission dated May 15, 1945 as amended, and its order dated October 30, 1945, in its Docket Nos. 28300 and 28310; and until further order of this Court, said orders of the Interstate Commerce Commission are hereby enjoined and suspended and shall have no force or effect.

And it is further ordered that the United States and the Interstate Commerce Commission and their several officials, agents, servants and attorneys be and they are hereby enjoined from taking any action to enforce compliance with said orders of the Interstate Commerce Commission or [fol. 899] prosecuting any alleged violation thereof pending further order of this Court.

Let plaintiffs file a stipulation for costs in the sum of $5000.

Harrie B. Chase, U.S.C.J.; J. C. Knox, U.S.D.J.;
Stephen W. Brennan, U.S.D.J.

Dated: December 20, 1945.

[fol. 900] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

STIPULATION FOR COSTS—Filed December 27, 1945

Whereas the Court in the above entitled proceeding has ordered, adjudged and decreed that an interlocutory injunction be granted enjoining and suspending until further order of said Court the order of the Interstate Commerce Commission dated May 15, 1945, as amended, and its order dated October 30, 1945, in its Docket Nos. 28300 and 28310 and

Whereas the decree granting said interlocutory injunction is dated December 20, 1945, and was filed December 21, 1945, in the District Court of the United States for the Northern District of New York in the Clerk's Office at Utica, New York, and

Whereas said decree provides: "Let plaintiffs file a stipulation for costs in the sum of $5000."

Now, therefore, plaintiff, The State of New York, hereby stipulates and agrees for the benefit of the defendants herein that it shall be and is bound to and shall pay all costs not in excess of the sum of Five Thousand Dollars ($5,000), which shall be awarded against the plaintiffs [fol. 901] herein in the event that the petition for a permanent injunction in the above entitled matter be denied on the final hearing and the aforesaid decree of this Court granting the interlocutory injunction be vacated and dissolved.

Dated: December 26, 1945.

The State of New York, by Orrin G. Judd, Solicitor General of the State of New York and Acting Attorney-General thereof.

State of New York,
County of Albany, ss:

On this 26th day of December, 1945, before me, the subscriber, personally appeared Orrin G. Judd, to me known and known to me to be the Solicitor General of the State of New York and Acting Attorney-General thereof, and to be the same person who executed the foregoing instrument and acknowledged that he executed the same as such Acting Attorney-General of the State of New York.

Henriette Herkenham, Notary Public.

[fol. 902] In the District Court of the United States

Civil No. 2311

[Title omitted]

Answer of Interstate Commerce Commission—Filed January 12, 1946

The Interstate Commerce Commission, hereinafter called the Commission, intervening defendant in the above-entitled action, now and at all times hereafter saving and reserving to itself all and all manner of benefit and advantage of exception to the many errors and insufficiencies in the petition contained, for answer thereunto or unto so much or such parts thereof as it is advised that it is material for it to answer, answers and says:

I.

Answering paragraph I of the petition, the Commission admits that the suit is brought by plaintiffs to enjoin and set aside the reports and orders therein referred to and admits that the copies of said reports and orders, annexed to the petition as Exhibits 5, 6, 12 and 13, are correct, except that it says that, whereas its report of May 15, 1945, was entered and served on the parties in mimeograph farm, the copy thereof, annexed to the petition as Exhibit 5, is in printed form and contains certain departures from the original text which are printers' errors, to wit: (1) At page 701, line 15, the word "southern" has been left out [fol. 903] and should be inserted, followed by a comma, immediately ahead of the word "southwestern"; (2) Table II of Appendix 9, which commences at page 754 of the report is given an incorrect heading, in that it reads "Table II—Intraterritorially," whereas it should read "Table II—Interterritorially." This mistake appears, and should be corrected, on each of the pages 754, 756, 758, 760, 762 and 764. (3) Appendix 3, Table I, page 732, the line reading:

	Class	*Number of ratings*	*Rate*
Official	35	2709	26

should read

	Class	*Number of ratings*	*Rate*
Official	35	2709	28

The said corrections will be made in the report when and as it appears in the bound volumes of the Commission's reports.

II

Answering paragraphs II to VI, inclusive, of the petition, the Commission admits the allegations thereof, except that it denies that the plaintiffs have standing to bring and maintain the suit and except that it denies that the Court, sitting as a specially constituted court in a suit to set aside orders of the Commission, has jurisdiction thereof under its general equity powers.

III

Answering the allegations of paragraph VII of the petition, the Commission admits that in the course of the development of railroad transportation, the country has come to be divided into three major classification territories, namely, official territory, southern territory, and western territory; admits that descriptions of the three said classification territories are roughly indicated in the paragraph, [fol. 904] but, for more accurate descriptions, respectfully refers the Court to page 457 of the Commission's report, shown as Exhibit 5 to the petition; and admits that the plaintiffs are located in official territory except that the plaintiffs the States of Michigan and Wisconsin are partly in official and partly in western territory.

IV

Answering paragraphs VIII and IX of the petition, the Commission admits the allegations thereof.

V

Answering the first sentence of paragraph X of the petition, the Commission denies the allegations thereof except that it admits that, so far as class rates are concerned, the railroads in the three classification territories have to a considerable extent followed different theories and practices in establishing and maintaining such rates.

Answering the second sentence of paragraph X, the Commission admits the allegations thereof.

Answering the third sentence of paragraph X, the Commission admits that class rates are principally charged for the transportation of manufactured articles, but, in further answer, it says that products of agriculture, animals and products, products of mines, and products of forests, also frequently move at class rates, in carloads, and that most of the less-than-carload shipments of all kinds of freight move under class rates, except in the south where a large portion of less-than-carload freight moves under commodity rates and exception rates.

Answering the fourth sentence of paragraph X, the Commission admits the allegations thereof that "the freight rates for the transportation of manufactured articles, including the class rates, are generally lower mile for mile in Official than in Southern and Western territories," but as to the allegation that "many commodity rates, for the transportation of low-grade freight and raw materials, are [fol. 905] higher mile for mile in Official Territory than the corresponding rates in Southern and Western Territories," the Commission answers as follows: It admits that in many instances such commodity rates are on a higher basis in Official than in Southern and Western Territories, but alleges that in many other instances the reverse is true, and that the record in its proceeding does not reveal the relative average levels of the commodity rates on low-grade freight and raw materials in the three territories.

Answering the fifth sentence of paragraph X of the petition, the Commission admits the allegations thereof.

Answering the allegations of the sixth sentence of paragraph X, relating to rates for transportation from one territory to another, the Commission denies that they correctly state the manner in which such rates are made, and, for full and accurate information in respect thereof, the Commission respectfully refers the Court to pages 526 to 536, inclusive, of the Commission's report, shown as Exhibit 5 to the petition. Further and affirmatively answering the sixth sentence of paragraph X, the Commission says that all class rate tariffs, whether for intraterritorial, or interterritorial application, always specify the classifications which govern them.

VI

Answering paragraph XI of the petition, the Commission denies the allegations thereof.

VII

Answering paragraph XIII of the petition, the Commission denies that the Commission entered its orders of investigation, conducted its investigation and issued its reports and orders in the atmosphere therein depicted by plaintiff, and the Commission further says that the allegations are irrelevant, gratuitous and apparently for purpose of creating their own atmosphere.

[fol. 906] VIII

Answering paragraph XII, and paragraphs XIV to XXXV, inclusive, of the petition, the Commission admits and alleges that, on May 15, 1945, it made and issued the report referred to in paragraphs XVI and XX (copy of which is shown as Exhibit 5 to the petition) in proceedings then pending before it, entitled Docket No. 28300, *Class Rate Investigation, 1939,* and Docket No. 28310, *Consolidated Freight Classification;* admits and alleges that, on the same date, it made and entered in the said proceeding entitled Docket No. 28300, Class Rate Investigation, 1939, the order referred to in said Paragraph XVI, copy of which is shown as Exhibit 6 to the petition; admits and alleges that both of the said proceedings were instituted on its own motion and by the orders referred to in paragraph XII of the petition, copies of which orders are shown as Exhibits 1, 2, 3 and 4 to the petition; admits and alleges that the proceeding in Docket No. 28310 was instituted to the end of investigating and determining the lawfulness of the description of articles, carload minimum weights and ratings provided in the consolidated freight classification, containing the ratings on articles so described in Official, Illinois, Southern and Western Classification Territories, applicable to the all-rail, all-water, and rail-and-water transportation of property in interstate or foreign commerce, and that the proceeding in Docket No. 28300 was instituted to the end of investigating and determining the lawfulness of class rates, in interstate or foreign commerce, all-rail, all-water, and rail-and-water, applicable in the United States generally, except in Mountain-Pacific territory and between that territory and the remainder of the country; and admits and alleges that the two proceedings were heard simultaneously before Division 2 of the Commission, to which the proceedings were assigned for administrative handling.

[fol. 907] The Commission further alleges that, in order to develop the matters in issue clearly and enable the making of studies and obtaining of pertinent data and information, certain steps were taken prior to the hearings, including the issuance of a notice to the parties and the public, and the holding of a pre-hearing conference, all as stated at pages 455 and 466 of its report of May 15, 1945; that subsequently hearings were held by Division 2 of the Commission at St. Louis, Mo., on July 10 and 11, 1941, Indianapolis, Ind., September 22 to October 1, 1942, Columbus, Ohio, November 16 to 27, 1942, and Washington, D. C., March 29 to April 1, 1943; that, in accordance with section 13(3) of the interstate commerce act, the Commission sought the cooperation of the State Commissions and they responded by appointing a committee, the members of which sat with Division 2 throughout the St. Louis, Indianapolis, Columbus and Washington hearings, and with the full Commission at the oral argument held at Washington, June 14 to 23, inclusive, 1944; and in the said proceedings the parties thereto, including the many intervening parties, were accorded the full hearing provided for in and by the interstate commerce act; that at the hearings a large volume of testimony and other evidence bearing upon the matters covered in and by said report and order was submitted to the Commission for consideration, by the counsel of said parties; that at said hearings and subsequently, both orally and in briefs filed in said proceedings, questions relating to said matters were fully argued and submitted to the Commission for determination on behalf of said parties by their respective counsel, including many of the particular questions raised by plaintiffs in this suit, whereupon the Commission determined said matters and entered and duly served upon the parties to the proceedings its said report and order of May 15, 1945.

[fol. 908] Further answering the said paragraph XII, and paragraphs XIV to XXV, inclusive, of the petition, the Commission admits and alleges that, following the issuance and entry of its report and order of May 15, 1945, it made and entered the orders referred to in paragraph XXIII of the petition, modifying in certain respects its order of May 15, 1945, and postponing from August 30, 1945, to January 1, 1946, the date upon which the rates prescribed by its order of May 15, 1945, were required to be made effective; that, in July 1945, there were filed with it various petitions for modification of its order and for rehearing and reconsideration; that subsequently it issued and entered the supplemental report and order of October 30, 1945, referred to in paragraph XXIV of the petition and copies whereof are shown as Exhibits 12 and 13 to the petition; and that, by its said supplemental report and order it modified in certain respects its report and order of May 15, 1945, and denied in all other respects the petitions filed with it.

The Commission further alleges that its said original and supplemental reports and orders include its findings of facts, decision, conclusions and requirements in the premises; that the said findings, decision, conclusions and requirements were and are, and that each of them was and is, fully supported and justified by the evidence submitted in said proceeding as aforesaid; that, in making said reports and orders, it considered and weighed carefully, in the light of its own knowledge and experience, all essential facts and circumstances necessary to reach a fair, just and lawful decision in said proceedings, as well as each fact, circumstance, and condition called to its attention on behalf of the parties to said proceeding by their respective counsel, including matters covered by the allegations of the petition herein; that the said reports and orders were not made or entered either arbitrarily or unjustly, or contrary to the relevant evidence or without evidence to support them; [fol. 909] that in making said orders the Commission did not exceed the authority which had been duly conferred upon it, and the Commission denies each of and all the allegations to the contrary contained in said petition.

The Commission specifically denies that plaintiffs and the citizens and committees they represent will suffer irreparable injury by reason of its orders as alleged in paragraph XXXIV of the petition.

Except as herein expressly admitted, the Commission denies the truth of each of and all the allegations contained in the petition, in so far as they conflict either with the allegations herein, or with the statements or conclusions of fact included in said reports and orders of May 15, 1945, and October 30, 1945.

All of which matters and things the Commission is ready to aver, maintain and prove as this Honorable Court shall direct, and hereby prays that said petition be dismissed.

Interstate Commerce Commission, By Daniel W. Knowlton, Chief Counsel.

[fol. 910] *Duly sworn to by J. Haden Alldredge. Jurat omitted in printing.*

[fol. 911] DISTRICT COURT OF THE UNITED STATES

No. 2311

[Title omitted]

ANSWER OF THE STATES OF ALABAMA, FLORIDA, GEORGIA, LOUISIANA, MISSISSIPPI, NORTH CAROLINA, SOUTH CAROLINA, AND TENNESSEE, AND THE SOUTHERN GOVERNORS CONFERENCE—Filed January 14, 1946

The States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, and the Southern Governors Conference, intervening defendants in the above-entitled suit, now and at all times hereinafter, saving and reserving to themselves all and all manner of benefit and advantage of exception to the many errors and insufficiencies in the plaintiffs' bill of complaint contained, for answer thereto, or unto so much of such parts thereof as they are advised that it is material for them to answer, answer and say:

1. Defendants deny that this court has jurisdiction of this case under its general equity power, but admit that the other [fol. 912] allegations of paragraphs I and VI, inclusive.

II. Defendants state that the allegations in paragraphs VI to XV, inclusive, and the matter and things in said paragraphs are irrelevant to the issues involved in this suit and are argumentative and self-serving statements, and defendants deny all of the matters and things contained therein except the quotations from the reports of the Interstate Commerce Commission.

III. Defendants admit the allegations of paragraph XVI.

IV. Defendants deny the allegations of paragraphs XVII to XXII, inclusive, except the quotations from the reports of the Interstate Commerce Commission contained therein.

V. Defendants admit and allege that the Commission made and entered the orders and the supplemental report as alleged in paragraphs XXIII and XXIV.

VI. Defendants admit and allege that the respondent railroads in Official Territory, Southern Territory, and

Western Territory have filed tariffs effective January 1, 1946, in compliance with the orders of the Commission, but deny that said tariffs have been filed under compulsion as alleged in paragraph XXV of the petition.

VII. Defendants deny all of the allegations of paragraphs XXVI to XXXV, inclusive, and allege that before making, entering and serving the reports and orders referred to in the petition that the parties to the proceeding, including the plaintiffs, were accorded a full hearing provided for by [fol. 913] the Interstate Commerce Act; that in said hearing a large volume of testimony and other evidence bearing upon the matters covered by said reports and orders were submitted to, heard and considered by the Commission, including testimony and evidence of plaintiffs; that upon consideration of the said testimony, arguments and briefs of the parties, including plaintiffs, the Commission rendered its said reports and orders setting forth its findings of fact, decision, conclusions and requirements in the premises.

VIII. Defendants allege that the findings and conclusions in the said reports were and are fully supported and justified by the evidence submitted before the Commission in said proceeding; and the order of May 15, 1945, as amended by the order of October 30, 1945, were not made or entered arbitrarily, unjustly or contrary to the relevant evidence, or without substantial evidence to support them; that in making said orders the Commission did not exceed the authority which had been duly conferred upon it, or commit any error of law, and defendants deny each and every allegation to the contrary contained in the petition.

Wherefore, these defendants pray that the relief sought by the complaint be denied and the complaint be dismissed.

State of Alabama, et al., Defendants. By J. Norman, Attorney.

I hereby certify that copy of the foregoing answer was this day mailed by me to each of the counsel appearing on list of counsel furnished by the Clerk of the Court. This 11th day of January, 1946.

J. V. Norman, Attorney for above-named intervening defendants, 1512 Kentucky Home Life Bldg., Louisville 2, Kentucky.

[fol. 914] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

PETITION IN INTERVENTION—Filed January 18, 1946

The sovereign State of Minnesota, in its own behalf as a shipper and receiver of freight, in behalf of many citizens thereof, each of whom is also a shipper and receiver of freight, and in behalf of all citizens thereof who, directly or indirectly, pay the rates established and now in effect, for the carriage of freight by the respective carriers, by railroad, now serving the State of Minnesota and the citizens thereof, herewith makes and files the following petition praying leave to intervene in said above entitled cause as a defendant, and in support of that certain order of the Interstate Commerce Commission in proceedings entitled Class Rate Investigation 1939 Docket Nos. 28300 and 28310, dated the 15th day of May, 1945, the effective date of which was extended to January 1, 1946.

That as a basis for intervention therein in relation to any action that has been or may hereafter be taken therein, by the above entitled court, or any other court having jurisdiction of the matters hereinafter set forth, the State of Minnesota alleges:

I

That the State of Minnesota is situate in what is known as Western Trunk Line Territory in the Western Classifica- [fol. 915] tion Territory, and that said order of said Interstate Commerce Commission provides, inter alia, in substance, and so far as here material, that each and all freight classification rates in effect therein on the 15th day of May, 1945, for the transportation of freight by railroad carrier, therein, interstate commerce be reduced by ten percent. That by reason of the matters herein alleged, the State of Minnesota, and citizens thereof, have a substantial pecuniary interest in the rates above mentioned and so fixed by said Interstate Commerce Commission; and in the present going into effect and continued future maintenance thereof.

II

That the record before the Interstate Commerce Commission shows that for years there has been and there now is an enormous freight movement in interstate commerce within Western Trunk Line Territory; that there has been and now is, a corresponding movement in Official Territory; and between Western Trunk Line Territory and Official Territory the aggregate annual amount of which is unknown to the representatives of the State of Minnesota.

III

That the present intraterritorial class rates in issue before the Interstate Commerce Commission, and mentioned in the order here under consideration, other than those excepted therein, applicable within Official and Western Trunk Line Territory are, and for the future will be, unjust and unreasonable in violation of Section 1 (4) and (5) (a) of the act of Congress to regulate interstate commerce.

IV

That the present interterritorial class rates in issue before the Interstate Commerce Commission and mentioned in the order here involved between Official and Western Trunk Line Territory are and for the future will be, unjust and unreasonable in violation of Section 1 (4) and (5) (a) of the act of Congress to regulate interstate commerce.

V

That the relation between the interterritorial class rates applicable from Western Trunk Line Territory to Official and Illinois Territories, on the one hand, and the intraterritorial class rates applicable within Official and Illinois [fol. 916] Territories, on the other hand, makes, gives, or causes, and for the future will make, give or cause, undue and unreasonable preference and advantage to Official and Illinois Territory as a whole and to the shippers and receivers of freight located therein, and subjects, and for the future will subject, Western Trunk Line Territory, as a whole, and the shippers and receivers of freight located therein, to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act of Congress to regulate interstate commerce.

VI

The existing interstate class rates, applicable to freight traffic moving at the classification ratings within Western

Trunk Line Territory and interterritorially between such territory and Official Territory, are unjust and unreasonable and will continue so to be unless reduced ten percent, subject to specified distance rates as minima.

VII

That such classification freight rates, now in effect, governing the transportation of freight in interstate commerce to and from Western Trunk Line Territory into Official Territory are unfair, unjust and prejudicial to all persons shipping freight to and from Western Trunk Line Territory into Official Territory, including the State of Minnesota and the citizens thereof.

VIII

That the situation above outlined has continued for many years. That the order of the Interstate Commerce Commission, long under consideration by that body, marks merely the institution of an effort, which has as its purpose, the further equalization of classification rates for the shipment of freight by railroad carrier throughout the United States; and the termination of the unlawful situation now in effect, and which has resulted and now continues to result in the injury of all persons, directly in some instances and indirectly in others, resident in Western Trunk Line Territory, including the State of Minnesota and the citizens thereof.

Wherefore, the State of Minnesota, through the Attorney General thereof and Counsel, respectfully moves for leave to intervene in said above entitled cause as defendant, with [fol. 917] all the rights and privileges as such, including a copy of the complaint herein; and if intervention be granted, the right to exhibit and file an answer to such complaint, and be heard thereon as a party herein.

Dated January 15, 1946.

The State of Minnesota, J. A. A. Burnquist, Attorney General; Geo. B. Sjoselius, Deputy Attorney General; George T. Simpson, Special Counsel, 102 State Capitol, Saint Paul, Minnesota.

[fol. 918] *Duly sworn to by George T. Simpson. Jurat omitted in printing.*

[fol. 919] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

ANSWER OF THE UNITED STATES OF AMERICA—Filed January 30, 1946

Comes now the United States of America and answers as follows:

1. For its answer to paragraph I of the petition, this defendant admits that Exhibits 5, 6, 12 and 13 are true copies of the reports and orders of the Interstate Commerce Commission (hereafter called the Commission) which plaintiffs seek to have this Court set aside and enjoin, except for certain typographical errors described in paragraph I of the answer of the Commission, intervening defendant in this action.

2. For its answer to paragraphs II to VI, inclusive, of the petition, this defendant admits the allegations thereof, except that it denies that the plaintiffs have any standing to bring or maintain this action and that it denies that this Court, when specially convened to hear and determine suits to set aside orders of the Commission, has general equity jurisdiction; and this defendant respectfully states that the power of this Court, when so convened, is limited to enjoining, setting aside, annulling, or suspending in whole or in part orders of the Commission.

3. For its answer to paragraphs VII to IX, inclusive, this defendant admits the allegations thereof except that it denies the allegations in the second and the next-to-last sentences of paragraph VII.

[fol. 920] 4. For its answer to paragraph X of the petition, this defendant denies the allegations thereof except as follows: This defendant admits, in connection with the first sentence of paragraph X, that, so far as class rates are concerned, the railroads in the three classification territories have, to a considerable extent, followed different theories and practices in establishing and maintaining such rates; and admits the allegations in the second and third sentences of paragraph X.

5. This defendant denies the allegations of paragraph XI of the petition. For further answer to paragraph XI, this defendant alleges that certain class rates have been prescribed by the Commission within and between certain classification territories; that the findings and conclusions of the Commission as to the lawfulness of the class rates so prescribed did not preclude it from entering upon subsequent investigations, based on experience with those rates, or changes in transportation conditions which would affect the lawfulness of those rates, and from entering the reports and orders herein attacked; and respectfully states to the Court that it is the Commission's duty to be continuously responsive to changes in transportation conditions and problems.

6. For its answer to paragraph XII of the petition, this defendant admits that Exhibits 1, 2, 3 and 4 attached to plaintiffs' petition are true copies of orders issued by the Commission in the proceedings in which the reports and orders attacked in this case were issued; respectfully refers the Court to those orders for an accurate and complete statement in respect of the nature and scope of the Commission's investigations into class rates and freight classifications; and denies the allegations in paragraph XII in all other respects.

7. This defendant denies the allegations in paragraph XIII of the petition, if these allegations require any responsive pleading.

8. This defendant admits the allegations in paragraph XIV of the petition except that it denies the allegations made in the last sentence of paragraph XIV.

[fol. 921] 9. This defendant denies the allegations in paragraph XV except the allegations made in the first sentence of paragraph XV.

10. This defendant denies the allegations in paragraphs XVI to XXI, inclusive, of the petition, for the reason that those allegations merely purport to summarize or quote parts of the reports, orders, or record herein assailed, or the pleaders' conclusions thereon, and that these reports and orders, exhibits herein, speak for themselves.

11. For its answer to paragraph XXII of the petition, this defendant admits that Exhibits 7, 8 and 9 attached to

plaintiffs' petition are true copies of certain of the petitions for reconsideration of the Commission's report and order of May 15, 1945, filed with the Commission. For further answer to paragraph XXII, this defendant alleges that all petitions for reconsideration of the report and order of May 15, 1945, were carefully considered by the Commission, and in support of this allegation, respectfully refers the Court to Exhibits 12 and 13 attached to plaintiffs' petition, which are true copies of the report and order on reconsideration issued by the Commission on October 30, 1945, in response to petitions for reconsideration of the report and order of May 15, 1945.

12. This defendant admits the allegations in paragraphs XXIII and XXIV of the petition.

13. For its answer to paragraphs XXV to XXXV, inclusive, of the petition, this defendant denies the allegations thereof and denies that the Commission erred in the respects assigned in those paragraphs or in any other respect.

14. For further answer to the petition, this defendant alleges that the Commission's reports and orders attacked in this action were made within its statutory authority upon substantial evidence after full and fair hearings, and that the reports and orders are rational, lawful, and valid, in all respects.

15. For further answer to the petition, this defendant denies that the plaintiffs, or any of them, or any shipper or [fol. 922] receiver of freight, will sustain any damage or loss at law whatever as a result of the Commission's reports and orders attacked in this case.

Wherefore, this defendant prays that the relief prayed for by the plaintiffs be denied; that the interlocutory injunction heretofore issued be dissolved; and that the action be dismissed at plaintiffs' costs.

Edward H. Miller, David O. Mathews, Special Assistants to the Attorney General, Attorneys for the United States.

Wendell Berge, Assistant Attorney General; Irving J. Higbee, United States Attorney.

[fol. 923] I hereby certify that I have mailed this day a copy of the foregoing answer to all counsel of record in the above captioned case.

This 28th day of January, 1946.

Edward H. Miller, Special Assistant to the Attorney General.

[fol. 924] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

ANSWER OF THE STATES OF ARKANSAS, KANSAS, NEBRASKA, NORTH DAKOTA, OKLAHOMA, SOUTH DAKOTA AND TEXAS; AND THE ARKANSAS PUBLIC SERVICE COMMISSION (SUCCESSOR TO ARKANSAS CORPORATION COMMISSION), THE STATE CORPORATION COMMISSION OF KANSAS, THE KANSAS INDUSTRIAL DEVELOPMENT COMMISSION, THE NEBRASKA STATE RAILWAY COMMISSION, THE PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA, THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA, THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA, AND THE RAILROAD COMMISSION OF THE STATE OF TEXAS—Filed February 9, 1946

Come now the above-named defendants, heretofore by leave of Court permitted to intervene herein, and answer as follows:

1. For their answer to paragraphs I to IX inclusive, these defendants admit the allegations thereof, except they deny that plaintiffs have standing to maintain this action, and deny that the Court has any general equity jurisdiction in this action.

2. For their answer to paragraphs X and XI, these defendants deny the allegations thereof, except they admit the railroads in the several territories have followed different practices in establishing and maintaining their various rates.

3. For their answer to paragraph XII these defendants admit that Exhibits 1, 2, 3 and 4 are true copies of the

Orders of the Commission, and refer the Court to said orders for a full and correct statement of the scope of the investigations of the Commission into the Classifications and the Class Rates.

[fol. 925] 4. These defendants deny the allegations in paragraph XIII, and aver that same are irrelevant.

5. These defendants admit all of paragraph XIV except the last sentence thereof, which is denied.

6. These defendants deny all of paragraph XV except the first sentence thereof.

7. These defendants deny all of paragraphs XVI to XXI, inclusive, to the extent that same are material, and refer the Court to the reports, orders, and record of the proceeding before the Commission to determine the contents thereof.

8. These defendants admit that Exhibits 7, 8 and 9, attached to the petition are copies of petitions for reconsideration filed with the Commission, and aver that the denial of same was a proper exercise of the discretionary powers of the Commission.

9. These defendants admit the allegations in paragraphs XXIII and XXIV.

10. These defendants deny the allegations in paragraphs XXV to XXXV inclusive.

Wherefore, having fully answered, these defendants pray that the interlocutory injunction heretofore issued herein be dissolved, and that the action be dismissed at plaintiffs' costs.

The State of Arkansas, Ben Laney, Governor. Arkansas Public Service Commission (Successor to Arkansas Corporation Commission). J. C. Murray, Special Attorney. The State of Kansas, The State Corporation Commission of Kansas, The Kansas Industrial Development Commission, Byron M. Gray, Special Attorney. The State of [fol. 926] Nebraska, The Nebraska State Railway Commission, Walter R. Johnson, Attorney General; H. Emerson Kokjer, Deputy Attorney General. The State of North Dakota Nels G. Johnson, Attorney General; Neal E. Williams, Special Assistant Attorney General. Public Service Commission of the State of North Dakota, C. F. Kelsch, Attorney. State of Oklahoma, Robert S. Kerr, Governor. Corporation Commission of the State of Oklahoma, C. B. Bee, Special Counsel. The State of South Dakota, Public Utilities Commission of the State of South Dakota, William Williamson, Attorney. The State of Texas, Railroad Commission of the State of Texas, Grover Sellers, Attorney General; James Noel, Assistant Attorney General.

[fol. 927] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

ANSWER OF THE STATE OF MINNESOTA TO THE PETITION OF THE PLAINTIFFS—Filed February 13, 1946

The State of Minnesota, Intervenor herein, answering the petition of the plaintiffs in the above entitled matter:

I

Admits that the above entitled suit is one brought by plaintiffs to enjoin and set aside the reports and orders of the Interstate Commerce Commission, hereinafter called the Commission, to which reference is made therein.

II

Admits the allegations of Paragraphs II to VI, inclusive, of such petition; except that this Intervenor joins with the Commission and denies that plaintiffs have standing to bring and maintain the above entitled suit.

Denies that the above entitled Court, in a suit to set aside orders of the Commission, has jurisdiction so to do under its general equity powers; and alleges that such Court is a Court created in accordance with the provisions of the act of Congress of October 22, 1913, Chapter 32, 38 Statutes 220 (Section 47 Chapter 2 Title 28 U. S. C. A.), and not otherwise.

III

Admits the allegations of Paragraph VII of the petition of the plaintiffs to the effect that the United States has come [fol. 928] to be divided into three major classification territories known as Official Territory, Southern Territory and Western Territory.

IV

Admits each allegation contained in Paragraphs VIII and IX of the petition herein.

V

Alleges that, in accordance with the authority stated in Rule 10 (c) of the Rules of Civil Procedure for the District Courts of the United States, this Intervenor adopts by reference the allegations and admissions contained in Paragraph V of the answer of the Commission herein to Paragraph X of the petition of the plaintiffs to the same effect as if such Paragraph V were incorporated here in its entirety.

VI

Denies each allegation of Paragraph XI of the petition of the plaintiffs.

VII

Denies each allegation of Paragraph XIII of the petition of the plaintiffs.

VIII

Alleges that in accordance with the authority stated in Rule 10 (c) of the Rules of Civil Procedure for the District Courts of the United States, this Intervenor adopts by reference the allegations, admissions and denials contained in Paragraph VIII of the answer of the Commission herein to Paragraph XII and to Paragraphs XIV to XXXV, inclusive, of the petition of the plaintiffs to the same effect as if such Paragraph VIII were incorporated herein in its entirety.

IX

Denies that to require the railroads in Official Territory to increase their class rates 10% would result in taking from shippers and receivers in Official Territory their property without just compensation and without due process of law in violation of the 5th Amendment to the Constitution [illegible] the United States, alleged in Paragraph XXXIII of the [illegible]ion.

[fol. 929] Denies that plaintiffs and the citizens and committees plaintiffs represent will suffer irreparable injury by reason of the orders of the Commission alleged in Paragraph XXXIV of the petition.

X

Alleges that the State of Minnesota is situate in what is known as Western Trunk Line Territory of Western Classification Territory, and that said order of said Commission provides, inter alia, in substance, and so far as here material, that each and all freight classification rates in effect on the 15th day of May, 1945, for the transportation of freight by railroad carrier, therein, in interstate commerce be reduced by ten percent. That by reason thereof, the State of Minnesota, and citizens thereof, have a substantial pecuniary interest in the rates above mentioned, so fixed by said Commission; and in the present going into effect and continued future maintenance thereof therein.

Except as hereinbefore expressly admitted, this Intervenor denies each and every allegation contained in the petition of the plaintiffs insofar as conflicts with the allegations herein contained; or with the statements or conclusions of fact included in such reports and orders of May 15, 1945 and October 30, 1945.

Wherefore, this Intervenor prays the Court for an order dismissing said above entitled petition.

Dated at Saint Paul, Minnesota, this 8th day of February, 1946.

The State of Minnesota, by J. A. A. Burnquist, Attorney General, and Geo. B. Sjoselius, Deputy Attorney General, and George T. Simpson, Special Counsel, 102 State Capitol, Saint Paul, Minnesota.

[fol. 930] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed February 18, 1946

Comes now, the Southeastern Association of Railroad and Utilities Commissioners, composed of the Public

Service Commission, of The State of Alabama, the Railroad Commission of the State of Florida, The Public Service Commission of the State of Georgia, The Public Service Commission of the State of Mississippi, The Utilities Commission of the State of North Carolina, The Public Service Commission of the State of South Carolina, and the Railroad and Utilities Commission of the State of Tennessee, and the Public Service Commission of the State of Louisiana, and respectfully petition the Court for permission to intervene herein and have the right to appear and be made parties to this case and to be represented before the Court by counsel and as grounds therefore respectfully state:

(1) That these petitioners are duly constituted statutory bodies of the sovereign states which they represent, and were parties in interest to the proceeding before the Interstate Commerce Commission wherein the orders complained of in the petition herein were entered and are [fol. 931] among the parties in whose favor the said orders were entered by the Interstate Commerce Commission, and represent shippers and receivers of freight in their respective states transported by railroad upon which rates affected by the orders sought to be enjoined are charged.

(2) That irreparable injury will result to these parties and to the citizens and shippers in their respective states if the orders of the Interstate Commerce Commission herein sought to be enjoined and set aside are so enjoined and so set aside.

(3) That by the decision of the Interstate Commerce Commission in the proceeding wherein said orders were entered the said Interstate Commerce Commission found that the class rates and charges being assessed and collected from the shippers within the herein enumerated states, are unreasonable and unjustly discriminatory in violation of the Interstate Commerce Act and the orders issued by said Interstate Commerce Commission were issued for the purpose of relieving the said shippers within said various states of the burden of paying unreasonable and unjustly discriminatory class rates.

(4) That by reason of the foregoing facts these petitioners are proper parties to be permitted to intervene as

defendants herein and are parties in interest in this proceeding.

Wherefore, before named petitioners respectfully pray the Court for an order permitting them to intervene as defendants herein in support of the orders of the Interstate [fol. 932] Commerce Commission and in support of the defendant herein and to be treated as parties hereto.

Respectfully prayed,

Southeastern Association of Railroad and Utilities Commissioners, By (Signed) Walter R. McDonald, President; By Robert F. Park, by Counsel; By Louis W. Pitteway, by Counsel.

[fol. 933] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

ANSWER OF SOUTHEASTERN ASSOCIATION OF RAILROAD AND UTILITIES COMMISSIONERS—Filed February 18, 1946

Come now the above named defendants, heretofore by leave of Court permitted to intervene herein, and answer as follows:

(1) These defendants adopt as their Answer herein the Answers heretofore filed herein by the Western States and the Southern States.

Wherefore, having fully answered, these defendants pray that the interlocutory injunction heretofore issued herein be dissolved, and that the action be dismissed at plaintiffs' costs.

Southeastern Association of Railroad and Utilities Commissioners, By (Signed) Walter R. McDonald, President; Robert F. Park, of Counsel; Louis W. Pitteway, of Counsel.

[fol. 934] [File endorsement omitted]

[fol. 935] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY; Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company; Fort Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Santa Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Santa Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; The Texas and Pacific Railway Company; Union Pacific Railroad Company; The Wichita Valley Railway Company, Plaintiffs,

vs.

THE UNITED STATES OF AMERICA, Defendant

PETITION—Filed February 1, 1946

To the Honorable the Judges of the District Court of the United States for the Northern District of New York:

Plaintiffs present this their petition against the United States of America to enjoin, set aside, suspend and annul certain orders, hereinafter set forth, of the Interstate Commerce Commission, hereinafter called the "Commission", which is a Commission existing under and by virtue of [fol. 936] the Interstate Commerce Act, and for their cause of action plaintiffs respectfully show:

I. Plaintiff, The Atchison, Topeka and Santa Fe Railway Company is a railroad corporation organized and existing under the laws of the State of Kansas; Beaver, Meade and Englewood Railroad Company is a railroad corporation organized and existing under the laws of the State of Oklahoma; Chicago, Burlington and Quincy Railroad Company is a railroad corporation organized and existing under the laws of the State of Illinois; Chicago Great Western Railway Company is a railroad corporation organized and existing under the laws of the State of Illinois; Chicago, Milwaukee, St. Paul and Pacific Railroad Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; Chicago and Northwestern Railway Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; The Chicago, Rock Island and Pacific Railway Company, Joseph B. Fleming and Aaron Colnon, Trustees, is a railroad corporation organized and existing under the laws of the States of Illinois and Iowa; Chicago, Saint Paul, Minneapolis and Omaha Railway Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; The Colorado and Southern Railway Company is a railroad corporation organized and existing under the laws of the State of Colorado; The Denver and Rio Grande Western Railroad Company is a railroad corporation organized and existing under the laws of the State of Delaware; The Duluth, South Shore and Atlantic Railway Company is a railroad corporation organized and existing under the laws of the States of Michigan and Wisconsin; Elgin, Joliet & Eastern Railway Company is a railroad corporation organized and existing under the laws of the [fol. 937] States of Illinois and Indiana; Fort Dodge, Des Moines & Southern Railway Company is a railroad corporation organized and existing under the laws of the State of Iowa; Fort Worth and Denver City Railway Company is a railroad corporation organized and existing under the laws of the State of Texas; Great Northern Railway Company is a railroad corporation organized and existing under the laws of the State of Minnesota; Green Bay and Western Railroad Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; Gulf, Colorado and Santa Fe Railway Company is a railroad corporation organized and existing under the laws of the State of Texas; The Kansas City Southern Railway Company is a railroad corporation organized and existing under the laws of the State of Missouri; Midland Valley Railroad Company is a railroad corporation organized and existing under the laws of the State of Arkansas; The Minneapolis & St. Louis Railway Company is a railroad corporation organized and existing under the laws of the State of Minnesota; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company is a railroad corporation organized and existing under the laws of the State of Minnesota; Missouri and Arkansas Railway Company is a railroad corporation organized and existing under the laws of the State of Arkansas; Missouri-Kansas-Texas Railroad Company is a railroad corporation organized and existing under the laws of the State of Missouri; Missouri-Kansas-Texas Railroad Company of Texas is a railroad corporation organized and existing under the laws of the State of Tex[illegible] Missouri Pacific Railroad Company, Debtor, Guy A. Thompson, Trustee, is a railroad corporation organized and existing under the laws of the State of Missouri; Northern Pacific Railway Company is a railroad corporation organized and existing under the laws of the State of Wisconsin; Panhandle and Santa Fe Railway Company [fol. 938] is a railroad corporation organized and existing under the laws of the State of Texas; St. Louis Southwestern Railway Company is a railroad corporation organized and existing under the laws of the State of Missouri; Southern Pacific Company is a railroad corporation organized and existing under the laws of the State of Kentucky; Texas and New Orleans Railroad Company is a railroad corporation organized and existing under the laws of the State of Texas; The Texas and Pacific Railway Company is an organization existing by special act of the Federal Congress; Union Pacific Railroad Company is a railroad corporation organized and existing under the laws of the State of Utah; The Wichita Valley Railway Company is a railroad corporation organized and existing under the laws of the State of Texas.

II. Plaintiffs seek an order of this Court setting aside and forever annulling a certain report and order of the Commission dated May 15, 1945, as amended, and a supplemental report and order dated October 30, 1945, in a proceeding instituted by the Commission entitled *Class Rate Investigation, 1939*, Docket No. 28300 on the Commission's docket. Copies of the report and order of May 15, 1945 are annexed hereto and made parts of this petition as Exhibits 3 and 4. A copy of the supplemental report and order of October 30, 1945 is annexed hereto and made a part of this petition as Exhibit 5.

III. Plaintiffs own and operate railroads in the eastern portion of the so-called "Western Classification Territory", such eastern portion being that territory generally on the west of the west bank of Lake Michigan to the Illinois-Indiana State Line, thence south to the Wabash River, thence south to the Ohio River, thence southwest to the confluence of the Ohio and Mississippi Rivers at Cairo, Illinois, thence the Mississippi River south to the [fol. 939] Gulf of Mexico, and on and east of a line of the western boundary of the States of North Dakota, South Dakota and Nebraska, south to the main line of the Union Pacific Railroad Company; thence along that railway west to Cheyenne, Wyoming, thence south to the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo and Trinidad, Colorado, south to the State of New Mexico, thence successively east, south and west along the latter border to the Rio Grande (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico. Such eastern portion of Western Classification Territory contains within it Western Trunk-Line Territory and Southwestern Territory and is hereinafter referred to as "Western Territory." Plaintiffs are common carriers by railroad of passenger and property for hire and are subject to regulation under the Interstate Commerce Act, as amended.

IV. The defendant is the United States of America.

V. This action is brought under, and the jurisdiction of this Court rests upon the provisions of Acts of Congress approved June 18, 1910 (36 Stat. 539), March 3, 1911 (36 Stat. 1148) and October 22, 1913 (38 Stat. 219) Title 28

U. S. Code, Sections 41 and 43 to 48, inclusive, and also the general equity jurisdiction of this Court. The amount in controversy exceeds the sum of Three Thousand Dollars, exclusive of interest and costs.

VI. The venue is in this Court pursuant to stipulation whereby the United States of America has consented to the venue of this Court in this action.

VII. In the ~~course~~ of the development of railroad systems and railroad transportation, the country, for the purposes of railroad freight rates and certain other matters, has come to be divided into sections or so-called rate [fol. 940] or classification "territories." Official or Official Classification Territory, so-called, is roughly that portion of the United States north of the Ohio and Potomac Rivers and east of the western shore of Lake Michigan and extending diagonally to the western bank of the Mississippi River opposite Illinois (including Illinois Territory); Southern or Southern Classification Territory is that section of the country roughly south of the Ohio and Potomac Rivers and east of the Mississippi; and Western Classification Territory includes the part of the country west of the Mississippi River and also part of Wisconsin. Each such territory is subdivided into zones or sections for rate-making purposes.

VIII. Corresponding with the foregoing divisions of the country, the railroads of the country publish and maintain in tariff schedules filed with the Commission three major freight classifications, known respectively as the Official, Southern and Western Classifications. In these classifications many thousands of articles of freight are listed and are assigned to classes—for example, first class, second class, etc.—for the purpose of determining the freight rates to be charged for transportation by railroad. By other tariff schedules filed with the Commission the several railroads publish and maintain freight rates to be charged for the transportation of freight of each of the several classes between various points. These rates are known as the class rates. The Official Classification and the Official Territory class rates are published and maintained by and determine the charges of the railroads for the transportation of classified or class rate freight within Official Territory, as above described. The Southern and Western Classifications and class rates, as their names indicate, determine charges for the transportation of class rate freight within Southern and Western Classi- [fol. 941] fication Territories, respectively. For purposes of publication, all three classifications are combined in one volume, called the Consolidated Freight Classification, with uniform rules, regulations and definitions of the various articles listed. However, the classifications to which many of the articles are assigned are not uniform in the several classifications. The class rates vary from zone to zone within each of the classification territories. The Commission has prescribed the rates for by far the largest proportion of the freight traffic in Western Territory, and the average level of rates in that territory is very substantially higher than in Official Territory. The Commission stated in its report, Exhibit 3, page 516, that:

> "Present class rates within and between the rate territories embraced in this proceeding are founded upon distance scales of rates, or key rates in specific amounts between named points in the determination of which the scales were used as a guide, applicable to both single and joint-line movements, prescribed by us in several extensive investigations, and subjected to the general increase of 1938."

These class rates were prescribed by the Commission in a series of comprehensive investigations culminating in the Western-Southern revision in 1938, the year before the initiation of *Class Rate Investigation, 1939*, Docket 28300. Neither the conditions governing the lawfulness of rates, nor the standards of rate-making established by the Interstate Commerce Act and recognized and uniformly applied by the Commission for more than fifty years, have changed since the Commission did so prescribe these class rates.

IX. The proceeding in which the Commission made the reports and orders sought to be enjoined was instituted by it by order of investigation, dated July 29, 1939, copy of which is attached hereto as Exhibit 1, which was there- [fol. 942] after amended by order dated August 1, 1940, copy of which is attached hereto as Exhibit 2, both of which exhibits are made parts of this petition. The purpose of the investigation was to inquire into the lawfulness of the present interstate class rates for transportation between all points within that portion of the United States east of the Rocky Mountains. All of the plaintiffs and substantially all of the railroads of the country were made respondents in said investigation. Following the entry of the said orders, a pre-trial conference was held at Chicago, and thereafter public hearings were held by the Commission at St. Louis, Mo., Indianapolis, Ind., Columbus, O., and Washington, D. C., for the purpose of taking the testimony of interested parties. At these hearings the Commission was represented by counsel and statistical evidence of members of the Commission's staff was presented. The railroad respondents were represented and offered evidence. Certain states, public bodies, Chambers of commerce and industries became parties to the investigation, as provided by the Commission's Rules of Procedure and the Interstate Commerce Act, appeared by their respective attorneys-general, counsel or other representatives, and offered evidence. In all, some 5490 pages of testimony were taken and 233 statistical exhibits were offered and received in evidence.

X. After the conclusion of the hearings, briefs were filed by the parties and oral argument was had before the Commission. Contrary to its usual procedure in investigations of the magnitude and importance of this, the Commission did not cause its examiners to prepare and submit a proposed report and recommended findings and conclusions with regard to the lawfulness of the existing rate levels, to which findings and conclusions the parties might file exceptions, but, instead, after hearing oral argu- [fol. 943] ment the Commission took the proceeding under advisement forthwith. Thereafter, on or about May 15, 1944, the Commission issued its report and order (Exhibits 3 and 4), with Commissioners Mahaffie and Patterson concurring only in part, and Commissioners Porter and Barnard filing dissenting opinions.

XI. During the course of the hearings there were received in evidence testimony of and exhibits prepared and identified by witnesses for the Commission, with regard to costs of transportation. There was no evidence as to the cost of transporting carload class rate freight in any territory or between any territories. All of such testimony and exhibits concerning carload traffic related to attempted computations of average costs of transporting all freight, and did not indicate the costs of transporting any particular commodity or class of freight.

The uncontradicted evidence proved that there is a wide variation in the kinds of freight transported in the several territories and there are great differences in the rate structures and so-called distribution of the traffic burden in the several territories. All of the cost computations in evidence, although differing in theory and in the final figures produced thereby, were in agreement on one point: that the average costs of transportation over the railroads of Western Territory are higher per unit of freight and distance than the average costs of transportation in Official Territory or in Southern Territory. In its report, Exhibit 3 herein, the Commission found, in part, as follows (p. 591):

> "Comparisons based on the year 1939 and the period 1930-39 show the over-all cost of rendering transportation service in the western territory to be between 5 and 10 percent higher than in the East, excluding the Pocahontas territory. If the year 1941 were used, this difference would be reduced to 5 per cent or less. A [fol. 944] comparison based on the inclusion of the Pocahontas territory with the eastern roads for the period 1930-39 shows a difference of 18 percent. Based on the year 1939 the difference shrinks to approximately 15 *per* percent. Based on the year 1941 it would be reduced to something in the neighborhood of 10 percent.
>
> "The relative territorial costs of less-than-carload traffic, for a haul of 500 miles, based on actual average loads are 5 to 8 percent higher in the East, including New England but excluding Pocahontas, than in the South. Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas. Less-than-carload traffic as a whole, is carried at a deficit in all territories, except possibly in the South."

The so-called Pocahontas Territory is in Official Territory and the Commission's orders herein would apply to the class rates to be charged therein, to the same degree as to the other parts of Official Territory.

XII. By its report in a comparison proceeding, entitled *Consolidated Freight Classification*, Docket No. 28310, Exhibit 3, the Commission concluded that there should be a uniform classification based upon the Official classification, for application and use by all railroads in the country and it directed the respondents to advise the Commission within 90 days whether they would undertake to make and tender such a classification based upon the Commission's findings. All respondents agreed to undertake the preparation of such a classification pursuant to the Commission's direction. With respect to the class rates, despite the foregoing findings that the costs in the West are higher than in the East and notwithstanding the complete absence of evidence of any injury caused to the West or to shippers or communities therein by the differences in levels of the class rates, or any evidence of the unlawfulness of the existing class rates, and notwithstanding overwhelming [fol. 945] proof that the nature and volumes of the traffic handled in the several territories and interterritorially differ greatly and that the class rates are the result of the different causes and conditions affecting the transportation in the several territories, and notwithstanding the absence of any requirement in the Interstate Commerce Act that class rates shall be uniform in the several territories, nevertheless the Commission found, in effect, that the class rates in all territories were unlawful because not upon the same level mile for mile. It determined that because of this lack of uniformity and despite the fact that the several class rate scales had been prescribed by the Commission itself, the railroads were violating Sections 1(4) and (5)(a) of the Interstate Commerce Act in charging the existing class rates. It further determined that the differences between the intraterritorial class rates in Official Territory and the interterritorial class rates for transportation from the Southern and Western Territories to Official Territory unduly preferred Official Territory and shippers therein and subjected and would subject the Southern and Western Territories as a whole and shippers therein to unreasonable prejudice and disadvantage in violation of Section 3 (1) of said Act. It prescribed a scale of class rates in accordance with which the railroads in the several territories were directed to establish uniform class rates to become effective when the uniform classification directed by the Commission should become effective, which scale of class rates would bring about a drastic decrease in the class rates between points within Western Territory and between points in Western Territory on the one hand and Official Territory and Southern Territory on the other and would bring about an increase of approximately fifteen per cent in the class rates between points within Official Territory.

[fol. 946] XIII. By its order of May 15, 1945, Exhibit 4, the Commission ordered an *ad interim* adjustment as the first step in its purpose to establish uniformity of rates in the three territories. It ordered that the railroads publish and file tariff schedules to become effective not later than August 30, 1945, reducing by ten per cent the intraterritorial class rates for transportation within Western Trunk-Line, Southwestern and Southern Territories and reducing by ten per cent the interterritorial class rates for transportation between Western Trunk-Line, Southwestern, Southern and Official Territories (subject to a prescribed minimum scale of rates in instances where the ten per cent reduction would be below the prescribed uniform scale) and increasing by ten per cent the class rates for intraterritorial transportation within Official Territory.

The immediate effect of the adjustment in rates prescribed by the orders would be to impose irreparable damage upon plaintiffs by reducing their revenues from $5,000,000 to $10,000,000 per year. The general application of the new and unprecedented policy and standards of rate-making on which said orders are based would further reduce plaintiffs' revenues by many millions of dollars.

XIV. Thereafter in July, 1945, and within the period allowed therefor by the Commission's Rules of Procedure, petitions for reopening and reconsideration were filed with the Commission on behalf of plaintiffs, of various states in Official Territory, and of other parties. By order dated July 25, 1945, a copy of which is attached hereto as Exhibit 6 and made a part hereof, the Commission modified its order of May 15, 1945 in certain respects and required that the respondent railroads should establish and make effective the changed rates prescribed thereby on November 30, 1945 upon not less than thirty days' notice, instead of upon August 30, 1945. Thereafter, [fol. 947] by further order, dated October 26, 1945, copy of which is attached hereto as Exhibit 7 and made a part hereof, the Commission further amended its order of May

15, 1945 to require that the changed rates prescribed therein be made effective on January 1, 1946 upon not less than thirty days' notice.

XV. On or about November 1, 1945 the Commission issued its supplemental report dated October 30, 1945, and its order pursuant thereto of the same date, a copy of which, marked Exhibit 5, is attached hereto and made a part hereof. The Commission in this supplemental report found that certain changes should be made in its original report and order but it denied the petitions for reopening and reconsideration filed on behalf of plaintiffs and others. Except for certain adjustments with respect to particular rates the Commission affirmed its previous decision and order.

XVI. By its interlocutory injunction dated December 20, 1945, this Court in a proceeding entitled *The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and The Commonwealth of Pennsylvania* v. *The United States of America*, Civil No. 2311, enjoined and suspended until further order of this Court the order of the Commission dated May 15, 1945, as amended and its order dated October 30, 1945 in the Commission's Docket Nos. 28300 and 28310, and enjoined the United States of America and the Commission and their several officials, agents, servants and attorneys from prosecuting any alleged violations thereof pending further order of this Court. By its order No. 27460, dated December 27, 1945, a copy of which is attached hereto as Exhibit 8, and made a part hereof, the Commission authorized the carriers and their tariff-publishing agents who had filed with the Commission schedules of rates and provisions in pur-[fol. 948] ported compliance with the Commission's orders in Docket No. 28300 to provide for the postponement or suspension of such rates and provisions. The said order No. 27460, however, further states that except as otherwise provided, the order does not modify any outstanding formal orders of the Commission.

XVII. The Commission's reports and orders, Exhibits 3, 4 and 5, are unlawful, are beyond the statutory power of the Commission, and beyond the power which it could exercise in accordance with the Constitution of the United

States, are based upon erroneous conclusions of law, are without support in necessary findings of fact, are contrary to and without support in the evidence and are arbitrary and capricious.

XVIII. It appears upon the face of the original report and the supplemental report that the Commission has misconstrued the Interstate Commerce Act as amended by the Transportation Act of 1940, and misconstrued Section 5(b) of the said Transportation Act of 1940, commonly known and herein referred to as the Ramspeck Resolution, and the Commission's orders rest upon and are vitiated by its misconstruction of the law.

The Transportation Act of 1940 amended the Interstate Commerce Act by adding an introductory provision entitled "National Transportation Policy," part of which stated that one of the purposes of the Interstate Commerce Act is "to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices." 49 U. S. C. A. Supp. 1945 page 4.)

The Transportation Act of 1940 also amended Section [fol. 949] 3(1) of the Interstate Commerce Act by adding the words "region, district, territory" to read as follows:

> "Sec. 3. (1) It shall be unlawful for any common carrier subject to the provisions of this part to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description." (49 U. S. C. A. Supp. Sec. 3.)

The Ramspeck Resolution reads as follows:

> "(b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided*, That the Commission in its discretion may define its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation." (Reported in [fol. 950] footnote to 49 U. S. C. A. Supp. Sec. 3.)

The Commission determined in this proceeding that the foregoing provisions had added "new inhibitions against discrimination" and had "enlarged the power of the Commission over this subject." (Exhibit 3, pages 688 to 692.) It was pursuant to this determination that the Commission then found that all the interstate class rates east of the Rocky Mountains which the Commission itself had prescribed as being lawful, just and reasonable had now become unlawful, unjust, unreasonable, prejudicial and unduly discriminatory. It construed the foregoing provisions as constituting a Congressional mandate to the Commission "to bring about a greater degree of equalization, harmony and uniformity in the different regional or territorial rate structures of the country" (Exhibit 3, page 692), to consider the recognized elements of rate-making only as "applied in the light of the amended law" (Exhibit 3, page 692) and to replace rates previously prescribed pursuant to the recognized elements of rate-making with rates on a parity, mile for mile, in the various rate-making territories. The Commission further found that it had the power to make the order which it made in this proceeding because its power to issue orders regarding the removal of unlawfulness in rates had been "supplemented and reinforced" by the Ramspeck Resolution. (Exhibit 5, sheet 20.)

The provisions of the Transportation Act of 1940 upon which the Commission relied are contrary to the construction placed upon them by the Commission. The statement of transportation policy and the amendment to Section 3 worked no change in the long recognized elements of rate making, or in the standards governing the lawfulness of rates. The Ramspeck Resolution is directly patterned after the so-called Hoch-Smith Resolution (43 Stat. L. 80) [fol. 951] and, like that resolution, did not change the substantive provisions relating to transportation rates nor did it make unlawful those rates which were formerly lawful.

The Commission predicated its decision upon a fundamental misconstruction of the Interstate Commerce Act, as amended, and the Transportation Act of 1940, and, by reason thereof, the orders of the Commission are beyond its authority, contrary to law, and void.

XIX. The cost studies offered in evidence by the Commission and upon which the Commission relied in ordering a reduction of plaintiffs' rates show that the *ad interim* class rates prescribed by the Commission for Western Territory are so low that they will fail to compensate plaintiffs for transporting traffic moving on such class rates.

The Commission found, on page 585 of its report, Exhibit 3, that the carriers in Western Territory incurred a deficit of $34,348,277 in handling less-than-carload traffic in 1939. On page 697 of its report the Commission made the following finding:

> "* * * Such an analysis unmistakably reveals the fact that less-than-carload traffic generally in all the territories is not bearing its proper share of the costs of transportation—in fact, excluding war-time loading, it is not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight."

Pursuant to such findings the Commission ordered a ten per cent increase in the class rates on such traffic in Official Territory, but notwithstanding such findings and such corrective order with respect to the rates in Official Territory, the Commission ordered a ten per cent reduction in the [fol. 952] class rates applicable to less-than-carload traffic in Western Territory.

It is thus established on the face of the reports and orders that enforcement of the Commission's orders requiring reduction of the intraterritorial class rates in Western Trunk-Line Territory and Southwestern Territory and interterritorial class rates between points within these territories and between points in these territories and points in Official Territory and Southern Territory to the *ad interim* basis prescribed by the Commission would result in taking from your petitioners their property without just compensation and without due process of law in violation of the Fifth Amendment to the Constitution of the United States.

XX. The Commission erred, misconstrued the law, acted arbitrarily, capriciously, unlawfully and contrary to and without support in the evidence and without support in necessary preliminary findings in making the so called ultimate findings set forth on pages 700 to 702, inclusive, of its original report, Exhibit 3 hereto attached, said ultimate findings being as follows:

"Upon the record, therefore, we ultimately find:

"1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short or weak-line arbitraries) applicable within • • • southwestern and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1(4) and (5)(a) of the act.

"2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1(4) and (5)(a) of the act.

"3. That the relation between the interterritorial class rates applicable from southern, southwestern [fol. 953] and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preferences and advantages to Official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, [southern], southwestern and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3(1) of the Act. (The word "southern" in brackets above, was contained in the Commission's mimeographed report and apparently inadvertently omitted in its printed report.)

"4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

"(a) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

"(b) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

"(c) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates*, 164 I. C. C. 1, 282, contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by [fol. 954] dropping those less than one-half and by increasing those of one-half cent or more to the next whole cent.

"(d) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rates revisions.

"(e) That such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

"(f) That such revised uniform class rates and classification ratings shall be made applicable simultaneously."

XXI. The Commission erred, misconstrued the law and acted arbitrarily, capriciously, unlawfully, and contrary to and without support in necessary preliminary findings or in the evidence in making the following findings and determinations, set out at pages 703 to 706, inclusive, of its report, Exhibit 3:

"We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

"We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunkline territories as those territories have heretofore been described in this report, and interterritorially between those territories, and also between those territories and official territory, as hereinbefore described, will be unjust and unreasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale [fol. 955] set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and Official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding. * * *"

XXII. The Commission erred and acted arbitrarily, capriciously, unlawfully and contrary to and without support in the necessary preliminary findings or in the evidence in making the findings at page 705 of its original report, Exhibit 3, and at sheet 23 of its supplemental report, Exhibit 5, that the revenue needs of the carriers in Official Territory with respect to their class rate traffic are greater than is the case as to the class rate traffic of the carriers in Western Trunkline Territory and Southwestern Territory.

XXIII. The Commission erred, misconstrued the law and acted arbitrarily, capriciously, unlawfully and contrary to and without support in the evidence in making the following additional findings or statements of conclusion in its supplemental report, dated October 30, 1945 (sheets 19-21) Exhibit 5:

> "It is not necessary again to review the evidence as to the unreasonableness of the class rates brought in issue in these proceedings, or as to the undue prefer-[fol. 956] ence and undue prejudice caused by and resulting from such rates, which we have found to exist. Having made the findings of unlawfulness, we have authority under section 15 (1) of the Act and under section 5 (b) of the Transportation Act of 1940, to prescribe the method for removing such unlawfulness,

and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method.

"In support of the contention that an alternative method of removing undue preference and undue prejudice must be provided, petitioners refer to *Texas & Pacific Ry. Co.* v. *United States,* 289 U. S. 627, in which the Court stated that 'where an order is made under section 3, an alternative must be afforded.' In a footnote to that statement, however, the Court said: 'This is not true of an order pursuant to Sec. 15 (1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not entered under that section'. See also *Youngstown Co.* v. *United States,* 295 U. S. 476.

* * * * * * *

"In the instant proceeding, in dealing with the interim adjustment, pages 702-706 of the report, we stated that our general findings and conclusions emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures closer together in level and more upon the same pattern or scheme. We also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The differences in such rates and the effect upon the welfare of carriers, producers, shippers, consumers, and upon the welfare of localities, districts, regions, and territories were fully discussed in the report. The costs of service were considered, together with the consist of traffic, the distribution of the [fol. 957] general rate burden, rate and revenue comparisons, and other matters. Our conclusions were that the intraterritorial class rates within official and Illinois territories, as well as within the other territories dealt with, were unjust and unreasonable and that the relation between the interterritorial class rates from such other territories to official and Illinois territories, on the one hand, and the intraterritorial rates within the latter territories, on the other, gives and causes, and will continue to give and cause, an undue and unreasonable preference and advantage to official and Illinois territories as a whole and shippers and receivers of freight located therein, and subjects, and for the future will subject, the other territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage.

"Our general power under section 15 (1) of the act to order the removal of any unlawfulness in rates found to exist after full hearing has been supplemented and reinforced, insofar as this particular investigation is concerned, by section 5 (b) of the Transportation Act of 1940. After authorizing and directing us to institute an investigation of rates between points in one classification territory and points in another such territory, or within a territory, we are specifically empowered by that provision 'to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist.' In reaching our conclusions as to the necessity for increases in official and Illinois territories, and reductions in the other territories and interterritorially, we gave consideration not only to the factors previously mentioned, but also to the rates of return of the carriers in the respective territories and to their ability to render efficient service. The interim adjustment, as previously explained, was the initial step in the ultimate revision of the class rate structures found to be unlawful."

XXIV. Without limiting the scope of the foregoing, the reports and orders of the Commission, Exhibits 3, 4 and [fol. 958] 5 are unlawful, beyond the Commission's power, arbitrary and capricious in the following respects and for the following reasons, among others:

(1) The reports as a whole contain incorrect discussions and conclusions of law and incorrect and unjustified preliminary findings of fact and analyses of the evidence.

(2) The reports assume to find and the orders are based on findings that the railroads violate the Interstate Commerce Act in charging and collecting the existing class rates and that the class rates are unreasonable and unlawful in violation of section 1 of the Interstate Commerce

Act because such rates are not on a uniform level, mile for mile, throughout the country, and therefore said reports, findings, conclusions and orders are contrary to and without support in the evidence or the law, in that:

(a) The said reports and orders of the Commission rest upon a misconstruction of law.

(b) There is no evidence that the class rates are unreasonable or unlawful in violation of Section 1 of the Interstate Commerce Act because the levels thereof are not uniform in the several rate territories. The Interstate Commerce Act contains no requirement that class rates must be uniform in all territories, but, on the contrary requires that all rates be just and reasonable in the light of the particular transportation and traffic conditions prevailing in the territory in which such rates apply, and the long administrative history of the Act constitutes recognition that different levels of rates in different sections of the country are proper and lawful.

(c) There is no evidence sufficient to support a finding that the differences in the levels of the class rates in the several rate territories and interterritorially will interfere with or restrict the free movement of traffic or that they have heretofore done so, and the evidence and preliminary findings are to the contrary.

[fol. 959] (d) There is no evidence in the record sufficient to support a finding that the costs of transporting freight in Western Territory are not substantially higher than the costs of transporting freight in Official Territory, or a finding that such costs in Western Territory do not support and justify the present rates in that territory.

(f) The existing class rates and the differences in the levels in the class rates in the several territories were prescribed by and are the result of orders of the Interstate Commerce Commission after thorough and extended investigations, and there is no evidence of changed conditions since those orders to support a finding that the rates are now unlawful because they reflect the differences caused by compliance with the orders.

(3) The reports assume to find and the orders are based on findings that the differences in the levels of the class rates in the several territories are the cause of undue or unreasonable prejudice or disadvantage to the West and to shippers or localities therein and of undue and unreasonable preference or advantage to Official Territory and the shippers or localities in that territory in violation of Section 3 of the Interstate Commerce Act and said reports, findings, conclusions and orders are contrary to and without support in the evidence or in law, in that:

(a) The said reports and orders of the Commission rest upon a misconstruction of law.

(b) The prohibition of undue prejudice and preference in Section 3 of the Interstate Commerce Act does not require that the class rates or any other rates shall be uniform throughout the country.

(c) There is no evidence sufficient to support a finding essential to an ultimate finding of a violation of Section 3 that the differences in the levels of the class rates have caused or will cause injury to the West or to shippers located therein or have been or will be the source of undue advantage to Official [fol. 960] Territory or shippers located therein, and the evidence and the preliminary findings and facts set out in the Commission's reports are to the contrary.

(d) There is no evidence sufficient to support a finding that the circumstances and conditions affecting the class rates or affecting the carriers in the transportation of class rate traffic in the several territories are so substantially similar as to require that the levels of the class rates must be the same in the several territories, and the evidence is to the contrary and shows that the carriers in establishing class rates in the several territories are and have been controlled by entirely different circumstances and conditions as to the nature of the traffic to be moved, including greatly differing rate structures on all freight, differing distributions of the so-called transportation burden, different volumes and kinds of freight to be transported, and different competitive and physical conditions.

(e) The evidence shows that the differences in the levels of the class rates in the several territories are the result of orders of the Commission prescribing the class rates in each territory and interterritorially in the light of the differing conditions found in the several territories as shown by the evidence in the proceedings in which such orders were made, and there is no evidence that conditions have so changed since those proceedings as to support a conclusion that the rates therein prescribed as just, reasonable and non-discriminatory have become unjust, unreasonable or unduly preferential and prejudicial.

(f) There is no evidence sufficient to support a finding that the same carriers or groups of carriers control the levels of the class rates in the several territories and are therefore responsible for the differences in such levels.

(4) Insofar as the reports are based on a finding or assumption that there are no substantial differences in the costs of performing transportation in the several rate [fol. 961] territories, they are without support in the evidence and contrary to other findings for the reasons that:

(a) Such carload cost computations as are in evidence are computations of average costs based upon statistics as to all freight, and in view of the greatly differing kinds and volumes of freight and different lengths of haul in the several territories, it cannot be assumed that such averages reflect the relative costs of transporting carload class rate traffic in the several territories, nor do they purport to do so.

(b) The Commission itself found that the average cost of transporting all freight on the railroads in Western Territory is substantially higher than the average cost of transporting freight in Official Territory and that the cost of transporting less-than-carload freight on the railroads in Western Territory is 27 per cent higher than in Official Territory, even with the low cost Pocahontas Territory omitted from the costs in Official Territory.

(5) The orders are invalid in that they do not represent a lawful exercise of regulatory authority based upon evi-

dence and necessary findings supported by evidence that the present class rates are unlawful, but instead constitute an arbitrary and unsupported attempt to interfere with the managerial discretion of the railroads as to rate-making policy.

(6) The orders in prescribing class rates for the future are arbitrary and without support in the findings or in the evidence since the evidence all related to transportation, industrial and commercial conditions in 1939 and during the early war years, whereas many of the factors and conditions which must now govern the level and relationship of rates are greatly different from those relied upon by the Commission.

[fol. 962] XXV. Insofar as the orders are based upon a finding of undue and unreasonable preference and advantage or undue and unreasonable prejudice and disadvantage in violation of Section 3 of the Interstate Commerce Act, the orders are invalid and beyond the Commission's authority in failing to leave to the railroad respondents, as required by law, the alternative of correcting such violation, if it were lawfully found to exist, entirely by increasing the intraterritorial class rates in Official Territory, which the Commission found to be unjust and unreasonably low.

XXVI. There is no evidence sufficient to support a finding that the difference in the levels of the class rates in the several territories and interterritorially has prevented or limited the industrial and economic growth of the Western Territory and the evidence and preliminary findings of the Commission are to the contrary.

XXVII. There is no evidence that any factory or business establishment has failed to move from Official Territory to Western Territory or has failed to become established in Western Territory because of any difference in level between the intraterritorial class rates in Official Territory and the interterritorial class rates between Official Territory and Western Territory. There is no evidence that any manufacturer or business establishment in Western Territory has failed to sell an article in Official Territory because of that difference in level or has been prejudiced or harmed in any way by that difference in levels. There is no evidence of the existence of any unlawful discrimination.

There is no evidence in the record sufficient to support the finding that the Western Trunk-Line and Southwestern Territories as a whole and the shippers and receivers of freight located therein are subjected to undue and unreasonable prejudice and disadvantages by the relation [fol. 963] between (a) the interterritorial class rates applicable from those territories to Official Territory and (b) the intraterritorial class rates applicable within Official Territory. If the business of shippers and receivers of freight in Western Trunk-Line and Southwestern Territories had been discouraged by the differences in those freight rates, they would have appeared before the Commission to voice their complaints in this comprehensive investigation. The Commission's report, on the contrary, shows that not a single shipper, receiver or commercial establishment in the Western Trunk-Line and Southwestern Territories made such a claim. The Commission stated, at page 673 of its original report (Exhibit 3):

> "Only three commercial witnesses, speaking for individual establishments in the Southwest nd Western Trunk Line territory, testified in this proceeding. These were a steel company at Denver, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a lamp and stove company at Wichita. The representatives of the two manufacturers last named testified that a great preponderance of their products was shipped to Official Territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are. The steel company at Denver uses class rates only to a very limited degree."

The "steel company at Denver" referred to by the Commission did not urge a parity between Western Trunk-Line and Southwestern Territory class rates on the one hand and Official Territory rates on the other. On the contrary, it urged that the rate level from the Missouri River to the Rocky Mountains be established at thirty percent higher than the rate level in Official Territory.

The representatives of public officials of the states in the Western Trunk-Line and Southwestern Territories were not agreed that a uniformity of class rates should be [fol. 964] sought or that there should be made a claim of undue and unreasonable prejudice and disadvantage. Most of Wisconsin is in Western Trunk-Line Territory from the standpoint of interstate class rates, yet Wisconsin not only opposed any such claim but is one of the plaintiffs in the proceeding before this Court, in Civil No. 2311, seeking to set aside the Commission's orders. Michigan is partly in Western Trunk-Line Territory but is one of the plaintiffs in said proceeding seeking to set aside the Commission's orders. Missouri appeared and offered evidence but disavowed any claim that the existing class rates are unlawful. Colorado expressed the view that class-rate uniformity on the eastern scale would reduce the revenues of western railroads too drastically. Wyoming did not object to the present rates. The Commission stated that Nebraska asks for a rate structure that will enable it to reach markets on an equality with competitors but that Nebraska speaks of freight rates in a generic sense "and not specifically of the class rates in issue." (Original report, page 653, Exhibit 3). Topeka, Kansas, argued that higher class rates are justified in Western Trunk-Line Territory than in Official Territory because of territorial differences in the consist of traffic, in commodity rates and in carrier needs. Kansas City preferred to retain its present class rates if reductions in them would entail increases on its heavy-loading commodities. The Commission stated that even among the states whose public representatives claim they are retarded by the class-rate structure, and seek greater industrial development, "some concede that rates on the eastern scale alone would not accomplish that objective." (Original report, page 651, Exhibit 3),

The class rates within Mountain-Pacific Territory and between that Territory and other territories were not directly in issue in this proceeding before the Commission. [fol. 965] Nevertheless, as the Commission states in its report, the establishment of the uniform classification found reasonable, by the Commission will necessarily make changes in the measure of class rates within, to and from Mountain-Pacific Territory. For this reason the Railroad Commission of the State of California, the Arizona Corporation Commission and the Public Service Commission of the State of Nevada were represented at the oral argument. These states contended that uniformity is unnecessary and impracticable and that this is not the time to bring about a general adjustment of the rate structure because of the abnormalities of the war period and because of the fact that the record, even at the time of oral argument, was already old.

XXVIII. The Commission erred as a matter of law and acted arbitrarily and capriciously in entering its order dated October 30, 1945, Exhibit 5, denying the petition of plaintiffs for postponement of the effective date of its order, for reopening, reargument and reconsideration.

XXIX. Plaintiffs are without adequate remedy at law.

XXX. Each and every allegation contained in this petition is made by and on behalf of each and every plaintiff herein. Each and every plaintiff named herein severally alleges that the order of the Interstate Commerce Commission reducing the rates on less-than-carload traffic and identified elsewhere herein would take from each said plaintiff for public use its property without just compensation, and without due process of law, in violation of the Fifth Amendment to the Constitution of the United States.

Wherefore, plaintiffs pray:

1. That, pursuant to the statutes referred to in Subdivision V hereof, there be constituted to hear this case a special court of three judges, one of whom shall be a Circuit Judge.

2. That process issue against the United States of America.

3. That upon final hearing and submission herein the Court adjudge that the reports and orders of the Interstate Commerce Commission, Exhibits 3, 4 and 5 herein, are predicated upon a misconstruction of the Interstate Commerce Act and the Transportation Act of 1940, unlawful, beyond the power of the Commission, arbitrary, [fol. 966] capricious, unsupported by essential findings, and contrary to and without support in the evidence, and that a decree be entered declaring said reports and orders to be null, void and of no effect, and perpetually enjoining enforcement, operation and execution of said reports and orders and that plaintiffs may have such other and further

relief in the premises as the nature of the case shall require and to this Court shall seem meet.

Respectfully submitted, H. C. Barron, B. F. Batts, James G. Blaine, H. E. Boe, P. F. Gault, J. A. Gillen, R. G, Hagman, Toll R. Ware, G. H. Muckley, Conrad Olson, Dana T. Smith, Carson L. Taylor, Robert Thompson, Douglas F. Smith, D. Robert Thomas, Jr., Attorneys for Plaintiffs

Sidley, Austin, Burgess & Harper, 11 So. LaSalle Street, Chicago, Illinois. Ferris, Burgess, Hughes & Dorrance, First National Bank Building, Utica, New York. Of Counsel.

[fol. 967] *Duly sworn to by E. B. Finegan. Jurat omitted in printing.*

[fols. 968-969] Exhibit 1 omitted. Printed side page 57 ante.

[fol. 970] Exhibit 2 omitted. Printed side page 61 ante.

[fols. 971-1291] Exhibit 3 Original Report May 15, 1945, omitted. Printed side page 63 ante.

[fols. 1292-1294] Exhibit 4. Omitted. Printed side page 385 ante.

[fols. 1295-1324] Exhibit 5. Omitted. Printed side page 434 ante.

[fols. 1325-1326] Exhibit 6. Omitted. Printed side page 431 ante.

[fol. 1327] Exhibit 7. Omitted. Printed side page 433 ante.

[fol. 1328] EXHIBIT 8

No. 27460

INTERSTATE COMMERCE COMMISSION

WASHINGTON

At a General Session of the Interstate Commerce Commission held at its office in Washington, D. C., this 27th day of December, 1945.

In the Matter of

Applications for Special Permission T. L. T. B. No. 977 of W. S. Curlett, Agent, No. 396 of L. E. Kipp, Agent, and No. 3282 of R. H. Hoke and W. P. Emerson, Agents.

Postponement of effective date of rates and provisions published in purported compliance with Dockets Nos. 28300 and 28310.

Waiver of Statutory Notice and Tariff Publishing Rules

It is ordered, That under the applications for special permission dated December 24, 1945 and December 26, 1945, (T. L. T. B. No. 977). (No. 396), and (No. 3282), filed by W. S. Curlett, L. E. Kipp, R. H. Hoke and W. P. Emerson, respectfully, Agents, for and on behalf of carriers and their tariff-publishing agents who have filed rates and provisions in purported compliance with the Commission's orders in Dockets Nos. 28300 and 28310 and rates and provisions related thereto, the said carriers and publishing agents are hereby authorized to publish and file with the Commission consecutively numbered supplements or revised pages to tariffs, such supplements or pages to postpone or suspend until the further order of the Commission the effective date of rates and provisions published in purported compliance with the Commission's orders in [fol. 1329] Dockets Nos. 28300 and 28310, and rates and provisions related thereto, upon not less than one day's notice to the Commission and the general public by posting and filing in the manner required by law.

It is further ordered, That the said carriers and their tariff-publishing agents are hereby authorized to provide for the postponement or suspension of rates and provisions by short form method of publication and to depart from the Commission's tariff-publishing rules to the extent necessary.

It is further ordered, That supplements issued hereunder shall be exempt from the terms of Rule 9(e) of Tariff Circular No. 20 or similar rules of other tariff circulars during their effectiveness.

It is further ordered, That supplements or revised pages issued hereunder shall bear the notation:

> Issued on one day's notice under permission of the Interstate Commerce Commission, No. 27460 of December 27, 1945.

and supplements issued hereunder departing from the tariff-publishing rules shall bear the further notation:

> The form of this publication is authorized by permission of the Interstate Commerce Commission, No. 27460 of December 27, 1945.

And it is further ordered, That except as otherwise provided, this permission does not modify any outstanding formal orders of the Commission, nor waive any of the requirements of its published rules relative to the construction and filing of tariff publications, nor modify any of the provisions of the Interstate Commerce Act, except as to the notice to be given. This permission is granted responsive to the orders of the District Court of the United States for the Northern District of New York in Cause Civil No. 2311, *the States of New York, Delaware, et al., v. the United States of America,* filed in the office of the clerk of that court on December 21, 1945.

By the Commission, W. P. Bartel, Secretary. (Seal.)

[fol. 1330] IN UNITED STATES DISTRICT COURT

Civil No. 2337

[Title omitted]

ORDER—Filed February 4, 1946

There having been presented to the undersigned on February 1, 1946, the verified petition of the plaintiffs, wherein they apply for an interlocutory and final injunction suspending and restraining the enforcement of certain orders of the Interstate Commerce Commission, relating to the charges to be made for the transportation of freight or merchandise by carrier, and setting aside same, which orders are set forth in said petition; and praying further that a special court of three judges be constituted to hear this cause as required by law;

The undersigned does hereby call to his assistance to hear and determine the application, and to act in all matters pertaining to this cause as provided by law, Honorable Harrie B. Chase, a Judge of the United States Circuit Court of Appeals for the Second Circuit, and Honorable John C. Knox, a Judge of the United States District Court for the Southern District of New York, who, together with the undersigned, shall constitute herein a Special Court, as prayed for in said petition and as required by law.

Stephen W. Brennan, Judge of the United States District Court for the Northern District of New York.

Dated at Utica, New York, February 2, 1946.

[fol. 1331] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ORDER—Filed February 18, 1946

On oral motion of petitioners, it is ordered, decreed and adjudged, that plaintiffs be and they are hereby given leave to amend, instanter, their petition herein, by incorporating by interlineation in said original petition, as paragraph XXX thereof, the following allegations, to wit:

> "XXX. Each and every allegation contained in this petition is made by and on behalf of each and every plaintiff herein. Each and every plaintiff named herein severally alleges that the order of the Interstate Commerce Commission reducing the rates on less-than-carload traffic and identified elsewhere herein would [fol. 1332] take from each said plaintiff for public use its property without just compensation, and without due process of law, in violation of the Fifth Amendment to the Constitution of the United States."

Enter:

Harrie B. Chase, Judge United States Circuit Court;
John C. Knox, Judge United States District Court;
Stephen W. Brennan, Judge United States District Court.

[fol. 1333] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed February 18, 1946.

To the Honorable the Judges of the District Court of the United States for the Northern District of New York:

Now come your petitioners, the States of New York and Ohio, by their several Attorneys-General, Assistant Attorneys-General and Special Counsel, and respectfully represent that they and each of them has an interest in the matters involved in the above entitled proceeding and desire to intervene and become parties plaintiff thereto, and — support of this petition say:

1. Plaintiffs are sovereign States and bodies politic and also are shippers and receivers of freight by railroad including freight moving on class rates between points in Official classification territory and also between points in that territory on the one hand and points in the Southern, Southwestern and Western Trunk Line territories on the other.

[fol. 1334] 2. Each of your petitioning States was a party to the proceedings before the Interstate Commerce Commission (hereinafter called the Commission) entitled Docket No. 28300—Class Rate Investigation, 1939, and Docket No. 28310—Consolidated Freight Classification, in which the orders sought to be enjoined were made.

3. By virtue of the provisions of Sections 212 and 213 of the Judicial Code of the United States of America (28 U.S. 45(a)), your petitioners being parties in interest in said proceedings before the Commission, in Docket Nos. 28300 and 28310, are entitled to intervene and be parties to the above entitled proceedings and be represented therein by counsel.

4. Pursuant to Rule 10 (c) of the Rules of Civil Procedure for the District Courts of the United States, your petitioners adopt by reference the allegations of Paragraphs VII to XVIII and XX to XXIX, inclusive, of the Petition of the plaintiffs Atchison, Topeka & Santa Fe

Railway Company, et al. as fully as if such allegations were included herein in their entirety.

5. Your petitioners are without adequate remedy at law.

Wherefore, your petitioners pray that they be permitted to intervene in the above entitled proceedings as parties plaintiff thereto and that upon final hearing the Court adjudge that the reports and orders of the Commission described in plaintiffs' petition are unlawful, beyond the [fol. 1335] power of the Commission, arbitrary, capricious, unsupported by essential findings, contrary to and without support of the evidence, and that a decree be entered declaring said reports and orders to be null and void and of no effect, and that petitioners may have such other and further relief as in the premises may be proper.

Dated: February 18, 1946.

Respectfully submitted, Nathaniel L. Goldstein, Attorney General, Albany, New York; Parker McCollester, Frank J. Clark, Special Assistant Attorneys General, 25 Broadway, New York 4, N.Y., For plaintiff The State of New York. Hugh S. Jenkins, Attorney General; Kenneth L. Sater, Special Counsel, Columbus, Ohio, For plaintiff The State of Ohio.

[fol. 1336] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ORDER GRANTING MOTION TO INTERVENE—Filed February 18, 1946

The States of New York and Ohio, having filed a petition for leave to intervene in the above entitled matter and by said petition having with certain exceptions adopted the allegations of plaintiffs' petition, and the parties hereto having indicated their assent to such intervention,

It is now ordered and decreed as follows until the further order of this Court:

The motion to intervene is hereby granted and said petitioners have leave to intervene in this suit for their own interests, with the right to be made additional party plaintiffs to the case and to appear by counsel.

Stephen W. Brennan, United States District Judge.

[fol. 1337] Without admitting the allegations of the petition to intervene and denying some of them, we consent to the intervention of the States of New York and Ohio and to the entry of the above order.

—— ——, Counsel for defendant, United States of America. —— ——, Attorney for Petitioners.

[fol. 1338] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed February 18, 1946

To the Honorable the Judges of the District Court of the United States for the Northern District of New York:

Now come your petitioners, Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State of Vermont, Maurice J. Tobin, Governor of The Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island, and Raymond E. Baldwin, Governor of the State of Connecticut, and respectfully represent that they, and each of them, have an interest in the matters involved in the above-entitled proceeding, and desire to intervene and become parties plaintiff thereto, and, in support of this petition say:

1. Each of your petitioners is a Governor of one of the New England States and was permitted to intervene in, and was a party to, proceedings before the Interstate Commerce Commission (hereinafter called the Commission) en- [fol. 1339] titled respectively—Class Rate Investigation, 1939—and—Consolidated Freight Classification—numbered respectively Nos. 28300 and 28310 in the docket of the Com-

mission, and representatives of your petitioners have appeared at various hearings before the Commission in said proceedings.

2. By virtue of the provisions of Sections 212 and 213 of the Judicial Code of the United States of America (28 U. S. 45(a)), your petitioners being parties in interest in said proceedings before the Commission, in Docket Nos. 28300 and 28310, are entitled to intervene and be parties to the above entitled proceedings and be represented therein by counsel.

3. Pursuant to Rule 10(c) of the Rules of Civil Procedure for the District Courts of the United States, your petitioners adopt by reference the allegations of Paragraphs VII to XVIII and XX to XXIX, inclusive, of the Petition of the plaintiffs Atchison, Topeka & Santa Fe Railway Company, et al. as fully as if such allegations were included herein in their entirety.

4. Your petitioners are without adequate remedy at law.

Wherefore, your petitioners pray that they be permitted to intervene in the above entitled proceedings as parties plaintiff thereto and that upon final hearing the Court adjudge that the reports and orders of the Commission described in plaintiffs' petition are unlawful, beyond the power of the Commission, arbitrary, capricious, unsupported by [fol. 1340] essential findings, contrary to and without support of the evidence, and that a decree be entered declaring said reports and orders to be null and void and of no effect, and that petitioners may have such other and further relief as in the premises may be proper.

Dated February 18, 1946.

Respectfully submitted, Henry E. Foley, 10 Post Office Square, Boston 9, Massachusetts, Counsel for Horace A. Hildreth, Governors of the State of Maine; Charles M. Dale, Governors of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut.

[fol.1341] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ORDER GRANTING MOTION TO INTERVENE—Filed February 18, 1946

Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State of Vermont, Maurice J. Tobin, Governor of the Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island, and Raymond E. Baldwin, Governor of the State of Connecticut, having filed a petition for leave to intervene in the above entitled matter and by said petition having with certain exceptions adopted the allegations of plaintiffs' petition, and the parties hereto having indicated their assent to such intervention,

It is now ordered and decreed as follows until the further order of this Court:

The motion to intervene is hereby granted and said petitioners have leave to intervene in this suit for their own interests, with the right to be made additional party plaintiffs to the case and to appear by counsel.

Stephen W. Brennan, United States District Judge.

[fol. 1341a] Without admitting the allegations of the petition to intervene and denying some of them, we consent to the intervention of Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State of Vermont, Maurice J. Tobin, Governor of The Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island, and Raymond E. Baldwin, Governor of the State of Connecticut, and to the entry of the above order.

—— ——, Counsel for defendant, United States of America. —— ——, Attorney for Petitioners.

[fol. 1342] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

INTERVENTION OF INTERSTATE COMMERCE COMMISSION—Filed February 18, 1946

To the Honorable the Judges of Said Court:

In accordance with the provisions of section 212 of the Judicial Code, 36 Stat. L. 1150 (U. S. Code, Sup. VII, title 28, sec. 45a), I hereby enter the appearance of the Interstate Commerce Commission as a party defendant, and of myself, as its counsel, in the above-entitled suit.

Interstate Commerce Commission, By Daniel W. Knowlton, Chief Counsel.

[fol. 1343] DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed February 18, 1946

Come now the states of Kansas, Oklahoma, Arkansas, Texas, Nebraska, North Dakota, and South Dakota, and the Corporation Commission of the State of Oklahoma, the Arkansas Public *Public* Service Commission, The State Corporation Commission of Kansas, the Kansas Industrial Development Commission, the Railroad Commission of Texas, the Nebraska State Railway Commission, the Public Service Commission of the State of North Dakota, and the Public Utilities Commission of the State of South Dakota, and respectfully petition the Court for permission to intervene herein and have the right to appear and be made parties to this case and to be represented before the Court by counsel and as grounds therefor respectfully state:

1. That these petitioners are sovereign states and duly constituted statutory bodies of such sovereign states and were parties in interest to the proceeding before the Interstate Commerce Commission wherein the orders complained

of in the petition herein were entered and are parties in whose favor the said orders were entered by the Interstate Commerce Commission, and are shippers and receivers of freight transported by railroad upon which rates affected by the orders sought to be enjoined are charged.

2. That irreparable injury will result to these parties and to the citizens and shippers in these various states if [fol. 1344] the orders of the Interstate Commerce Commission herein sought to be enjoined and set aside are so enjoined and so set aside.

3. That by the decision of the Interstate Commerce Commission in the proceeding wherein said orders were entered the said Interstate Commerce Commission found that the class rates and charges being assessed and collected from the shippers within these states are unreasonable and unjustly discriminatory in violation of the Interstate Commerce Act and the orders issued by said Interstate Commerce Commission were issued for the purpose of relieving the said shippers within these variou states of the burden of paying unreasonable and unjustly discriminatory class rates.

4. That by reason of the foregoing facts these petitioners are proper parties to be permitted to intervene as defendants herein and are parties in interest in this proceeding.

Wherefore, before named petitioners respectfully pray the Court for an order permitting them to intervene as defendants herein in support of the orders of the Interstate Commerce Commission and in support of the defendant herein and to be treated as parties hereto.

Respectfully prayed, the State of Arkansas, Ben Laney, Governor, by J. C. Murray. Arkansas Public Service Commission, J. C. Murray, Special Attorney. The State of Kansas, The State Corporation Commission of Kansas, The Kansas Industrial Development Commission, Byron M. Gray, Special Attorney. The State of Nebraska, The Nebraska State Railway Commission, Walter R. Johnson, Attorney General; H. Emerson Kokjer, [fol. 1345] Deputy Attorney General. The State of North Dakota, Nels G. Johnson, Attorney General, Neal E. Williams, Special Assistant Attorney General. Public Service Commission of the State of

North Dakota, C. F. Kelsch, Attorney. State of Oklahoma, Robert S. Kerr, Governor, by C. B. Bee. Corporation Commission of the State of Oklahoma, C. B. Bee, Special Counsel. The State of South Dakota, Public Utilities Commission of the State of South Dakota, Wm. Williamson, Attorney. The State of Texas, Railroad Commission of the State of Texas, Grover Sellers, Attorney General, James Noel, Assistant Attorney General.

[fol. 1346] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ANSWER OF THE UNITED STATES OF AMERICA—Filed February 18, 1946

Comes now the United States of America and answers as follows:

1. For its answer to paragraphs I to VII, inclusive, of the petition, this defendant admits the allegations thereof, except that it denies that this Court, when specially convened to hear and determine suits to set aside orders of the Interstate Commerce Commission (hereafter called the Commission) has general equity jurisdiction; and this defendant respectfully states that the power of this Court, when so convened, is limited to enjoining, setting aside, annulling, or suspending, in whole or in part, orders of the Commission. For further answer to paragraph II, this defendant alleges that Exhibit 3 attached to the petition contains certain typographical errors described in paragraph I of the Commission's answer in the companion case of *The States of New York, Delaware, et al.*, v. *United States*, Civil No. 2311.

2. For its answer to paragraph VIII of the petition, this defendant denies the allegations in the last four sentences of that paragraph and admits the other allegations of the paragraph. For further answer to paragraph VIII, this defendant alleges that certain class rates have been prescribed by the Commission in Western Territory; that the

findings and conclusions of the Commission as to the lawful-[fol. 1347] ness of the class rates so prescribed did not preclude it from entering upon subsequent investigations, based on experience with those rates, or changes in transportation conditions which would affect the lawfulness of those rates, and from entering the reports and orders herein attacked; and respectfully states to the Court that it is the Commission's duty to be continuously responsive to changes in transportation conditions and problems.

3. This defendant admits the allegations of paragraph IX of the petition.

4. For its answer to paragraph X of the petition, this defendant denies the allegations of the second sentence of that paragraph and admits the other allegations of the paragraph.

5. For its answer to paragraphs XI, XII, and XIII of the petition, this defendant denies the allegations thereof for the reason that those allegations merely purport to summarize or quote parts of the reports, orders, or record herein assailed, or the pleaders' conclusions thereon, and that these reports and orders, exhibits herein, speak for themselves. For further answer to paragraph XIII, this defendant denies that the adjustment in rates prescribed by the Commission's reports and orders herein attacked would impose irreparable damage upon plaintiff or any damage or loss at law whatever.

6. This defendant admits the allegations in paragraph XIV of the petition, and further alleges that the petitions for reopening and reconsideration of the Commission's report and order of May 15, 1945, filed with the Commission on behalf of the plaintiffs and other parties to the proceedings under review, were carefully considered by the Commission, and in support of this allegation, this defendant respectfully refers the Court to Exhibit 5 attached to the plaintiffs' petition, which is a true copy of the report and order on reconsideration issued by the Commission on October 30, 1945, in response to petitions for reconsideration of the report and order of May 15, 1945.

[fol. 1348] 7. This defendant admits the allegations of paragraph XV and XVI of the petition, except the last two sentences of XVI, which are denied on the ground that this order of the Commission speaks for itself.

8. For its answer to paragraphs XVII to XXIX, inclusive, of the petition, this defendant denies the allegations thereof and denies that the Commission erred in the respects assigned in those paragraphs or in any other respect.

9. For further answer to the petition, this defendant alleges that the Commission's reports and orders attacked in this action were made within its statutory authority upon substantial evidence after full and fair hearings, and that the reports and orders are rational, lawful, and valid, in all respects.

Wherefore, this defendant prays that the relief prayed for by the plaintiffs be denied and that the action be dismissed at plaintiffs' costs.

Edward H. Miller, David O. Mathews, Special Assistants to the Attorney General, Attorneys for the United States.

Wendell Berge, Assistant Attorney General.
Irving J. Higbee, United States Attorney.

[fol. 1349] DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ANSWER OF THE STATES OF ALABAMA, FLORIDA, GEORGIA, LOUISIANA, MISSISSIPPI, NORTH CAROLINA, SOUTH CAROLINA, AND TENNESSEE, AND THE SOUTHERN GOVERNORS CONFERENCE—Filed February 18, 1946

The States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, and the Southern Governors Conference, intervening defendants in the above-entitled suit, now and at all times hereinafter, saving and reserving to themselves all and all manner of benefit and advantage of exception to the many errors and insufficiencies in the plaintiffs' bill of complaint contained, for answer thereto, or unto so much of such parts thereof as they are advised that it is material for them to answer, answer and say:

I. Defendants deny that this court has jurisdiction of this case under its general equity power, but admits the other allegations of paragraphs I and VI, inclusive.

II. Defendants admit the allegations of paragraphs VII [fol. 1350] and VIII except the last sentence in each of said paragraphs, which they deny.

III. Defendants admit the allegations of paragraphs IX and X.

IV. Defendants deny the allegation of paragraph XI, with reference to the cost studies and the manner in which they were made, but admit the quotation from the decision of the Commission.

V. Defendants deny the allegations of paragraph XII except that they admit the Commission made the report therein referred to.

VI Answering paragraph XIII defendants admit that the Commission ordered reductions as stated, but alleged that in addition to being subject to the prescribed minimum scale of rates the Commission ordered an increase in the minimum charge on less-than-carload traffic, and defendants deny all other allegations in said paragraph.

VII. Defendants admit the allegations of paragraphs XIV, XV and XVI.

VIII. Defendants deny all the allegations of paragraph XVII.

IX. Defendants deny the allegation of paragraph XVIII except the quotation from the Transportation Act of 1940, and defendants allege that the Commission correctly interpreted the amendment to Sections 3(1) of the Interstate Commerce Act as extending its powers to remove discrimination as between "regions, districts or territories", but deny that the Commission construed said amendment or the Ramspeck Resolution as granting any new powers or setting up any new standards of rate-making.

X. Answering paragraph XIX defendants deny all of the allegations thereof except the quotation from the report of the Commission. Defendants allege that the paragraph quoted from the Commission's report does not constitute a finding as to less-than-carload traffic moving on class rates; [fol. 1351] but Commission's finding in the quoted sentence refers to all less-than-carload traffic, and defendants allege that much of the less-than-carload traffic in Western territory moves on exception and commodity rates, which are much lower than the class rates on said traffic, and that the class rates are the highest of any rates on which less than carload traffic moves. Defendants further allege that the allegations of this paragraph are insufficient to raise the question as to whether the rates prescribed are, in fact, confiscatory because the allegation goes no further than to state that confiscation is established by evidence already of record and considered by the Commission and by the reports and orders of the Commission and such allegation is lacking in the specifications necessary to raise the question of confiscation.

XI. Defendants deny all of the allegations of paragraphs XX to XXVIII, inclusive, except the quotations from the reports of the Commission, and defendants refer to and rely upon the reports and the orders of the Commission.

XII. Defendants allege that before making, entering and serving the reports and orders referred to in the petition that the parties to the proceeding, including the plaintiffs, were accorded a full hearing provided for by the Interstate Commerce Act; that in said hearing a large volume of testimony and other evidence bearing upon the matters covered by said reports and orders were submitted to, heard and considered by the Commission, including testimony and evidence of plaintiffs; that upon consideration of the said testimony, arguments and briefs of the parties, including plaintiffs, the Commission rendered its said reports and orders setting forth its findings of fact, decision, conclusions and requirements in the premises.

[fol. 1352] XIII. Defendants allege that the findings and conclusions in the said reports were and are fully supported and justified by the evidence submitted before the Commission in said proceeding; and the orders of May 15, 1945, as amended by the order of October 30, 1945, were not made or entered arbitrarily, unjustly or contrary to relevant evidence, or without substantial evidence to support them; that in making said orders the Commission did not exceed the authority which had been duly conferred upon it, or commit any error of law, and defendants deny each and every allegation to the contrary contained in the petition.

Wherefore, these defendants pray that the relief sought by the complaint be denied and the complaint be dismissed.

State of Alabama, et al., Defendants, by J. B. Norman, Attorney.

I hereby certify that copy of the foregoing answer was this day mailed by me to each of the counsel appearing on list of counsel furnished by the Clerk of the Court. This — day of February, 1946.

J. B. Norman, Attorney for above-named intervening defendants, 1512 Kentucky Home Life Bldg., Louisville 2, Kentucky.

[fol. 1353] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ANSWER OF INTERSTATE COMMERCE COMMISSION—Filed February 18, 1946

The Interstate Commerce Commission, intervening defendant in the above-entitled action, for answer to the petition in said action, hereby adopts and makes its own the answer made and filed herein by the defendant, the United States of America.

Interstate Commerce Commission, by Daniel W. Knowlton, Chief Counsel.

[fol. 1354] DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ANSWER OF THE STATES OF ARKANSAS, KANSAS, NEBRASKA, NORTH DAKOTA, OKLAHOMA, SOUTH DAKOTA AND TEXAS; AND THE ARKANSAS PUBLIC SERVICE COMMISSION, THE STATE CORPORATION COMMISSION OF KANSAS, THE KANSAS INDUSTRIAL DEVELOPMENT COMMISSION, THE NEBRASKA STATE RAILWAY COMMISSION, THE PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA, THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA, THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA AND THE RAILROAD COMMISSION OF THE STATE OF TEXAS—Filed February 18, 1946

Come now the above-named defendants, heretofore by leave of Court permitted to intervene herein, and answer as follows:

1. Defendants admit the allegations of paragraphs I to VII inclusive, except they deny that the Court has any general equity jurisdiction in this action.

2. Defendants admit the allegations of paragraph VIII except they deny the last paragraph thereof, and neither affirm nor deny the allegation that the average level of rates in Western Territory is very substantially higher than in Official Territory, but aver that said allegation is irrelevent and immaterial.

3. Defendants admit the allegations of paragraph IX.

4. Defendants deny all of paragraph X except the first sentence thereof, which is admitted.

5. Defendants deny paragraph XI except the quotations from the report of the Commission contained therein, and refer the Court to the report of the Commission to determine the contents thereof.

6. For their answer to paragraphs XII and XIII defendants refer the Court to the reports and orders of the Commission to determine the contents thereof.

[fol. 1355] 7. Defendants admit paragraphs XIV, XV and XVI.

8. Defendants deny all of paragraph XVII.

9. Defendants deny paragraph XVIII except the quotations from the Transportation Act of 1940.

10. Defendants deny paragraphs XIX to XXIX inclusive.

Wherefore, having fully answered, these defendants pray that the action herein be dismissed at plaintiffs' costs.

The State of Arkansas, Ben Laney, Governor, by J. C. Murray. Arkansas Public Service Commission, J. C. Murray, Special Attorney. The State of Kansas, The State Corporation Commission of Kansas, The Kansas Industrial Development Commission, Byron M. Gray, Special Attorney. The State of Nebraska, The Nebraska State Railway Commission, Walter R. Johnson, Attorney General, H. Emerson Kokjer, Deputy Attorney General. The State of North Dakota, Nels G. Johnson, Attorney General, Neal E. Williams, Special Assistant Attorney General. Public Service Commission of the State of North Dakota, C. F. Kelsch, Attorney. [fol. 1356] The State of Oklahoma, Robert S. Kerr, Governor, by C. B. Bee. Corporation Commission of the State of Oklahoma, C. B. Bee, Special Counsel. The State of South Dakota, Public Utilities Commission of the State of South Dakota, Wm. Williamson, Attorney. The State of Texas, Railroad Commission of the State of Texas, Grover Sellers, Attorney General, James Noel, Assistant Attorney General.

[fol. 1357] DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

PETITION FOR LEAVE TO INTERVENE—Filed February 18, 1946

Comes now, the Southeastern Association of Railroad and Utilities Commissioners, composed of the Public Service Commission, of The State of Alabama, the Railroad Commission of the State of Florida, The Public Service Commission of the State of Georgia, The Public Service Commission of the State of Mississippi, The Utilities Commission of the State of North Carolina, The Public Service Commission of the State of South Carolina, and the Railroad and Utilities Commission of the State of Tennessee, and the Public Service Commission of the State of Louisiana, and respectfully petition the Court for permission to intervene herein and have the right to appear and be made parties to this case and to be represented before the Court by counsel and as grounds therefore respectfully state:

(1) That these petitioners are duly constituted statutory bodies of the sovereign states which they represent, and were parties in interest to the proceeding before the Interstate Commerce Commission wherein the orders complained of in the petition herein were entered and are among the [fol. 1358] parties in whose favors the said orders were entered by the Interstate Commerce Commission, and represent shippers and receivers of freight, in their respective states transported by railroad upon which rates affected by the orders sought to be enjoined are charged.

(2) That irreparable injury will result to these parties and to the citizens and shippers in their respective states if the orders of the Interstate Commerce Commission herein sought to be enjoined and set aside are so enjoined and so set aside.

(3) That by the decision of the Interstate Commerce Commission in the proceeding wherein said orders were entered the said Interstate Commerce Commission found that the class rates and charges being assessed and collected from the shippers within the herein enumerated states, are unreasonable and unjustly discriminatory in violation of the Interstate Commerce Act and the orders issued by said Interstate Commerce Commission were issued for the purpose of relieving the said shippers within said various states of the burden of paying unreasonable and unjust discriminatory class rates.

(4) That by reason of the foregoing facts these petitioners are proper parties to be permitted to intervene as defendants herein and are parties in interest in this proceeding.

[fol. 1359] Wherefore, before named petitioners respectfully pray the Court for an order permitting them to intervene as defendants herein in support of the orders of the Interstate Commerce Commission and in support of the defendant herein and to be treated as parties hereto.

Respectfully prayed, Southeastern Association of Railroad and Utilities Commissioners, by Walter R. McDonald, President. Robert F. Park, of Counsel. Lewis W. ——, of Counsel.

[fol. 1360] DISTRICT COURT OF THE UNITED STATES

Civil No. 2337

[Title omitted]

ANSWER OF SOUTHEASTERN ASSOCIATION OF RAILROAD AND UTILITIES COMMISSIONERS—Filed February 18, 1946

Come now the above named defendants, heretofore by leave of Court permitted to intervene herein, and answer as follows:

(1) These defendants adopt as their Answer herein the Answers heretofore filed herein by the Western States and the Southern States.

Wherefore, having fully answered, these defendants pray that the interlocutory injunction heretofore issued herein be dissolved, and that the action be dismissed at plaintiffs' costs.

Southeastern Association of Railroad and Utilities Commissioners, by Walter R. McDonald, President, by Robert F. Park, of Counsel, by Lewis W. ——, of Counsel.

[fol. 1361] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

ORDER OF CONSOLIDATION—Filed February 18, 1946

The motion of The Atchison, Topeka and Santa Fe Railway Company, et al., plaintiffs by intervention in the first above entitled cause, and parties plaintiff in the second above entitled cause, having come on to be heard on the affidavit filed herein and on the pleadings in said causes, and the Court being fully advised in the premises, It is hereby ordered:

That the above entitled causes be and they are hereby consolidated into one action in this Court; and

That the orders and proceedings heretofore had in said causes respectively are hereby made orders and proceedings in this consolidated cause; and

[fol. 1362] That the consolidated cause proceed under the title of "The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin, and The Commonwealth of Pennsylvania, Plaintiffs, vs. The United States of America, Defendant, Civil No. 2311 and Civil No. 2337, Consolidated Cause."

Enter:

Harrie B. Chase, U. S. Circuit Court Judge. Jno. C. Knox, U. S. District Court Judge. Stephen W. Brennan, U. S. District Court Judge.

[fol. 1363] IN THE UNITED STATES DISTRICT COURT

MINUTES OF HEARING

February 18, 1946

Mr. Hart: If it please the Court: I would like to move the admission of the following attorneys who were not noted for the record at the last hearing:

Mr. Douglas Smith of Chicago; Mr. D. Robert Thomas Jr. of Chicago; Mr. C. B. Bee of Oklahoma City; Mr. James

Noel of Austin, Texas; Honorable Harry Jenkins, Attorney General of Ohio; Mrs. J. C. Murray of Little Rock, Arkansas:

Justice Chase: Well they will be admitted for the purpose of this case.

Mr. Hart: Yes Your Honor. And Mr. Neal E. Williams of Fargo, North Dakota.

Justice Chase: Yes.

Mr. McCollister: May it please the Court: I believe the first order of business is a stipulation by all parties on the record that the Court may sit here in New York for the purpose of this record. For the Plaintiffs we so stipulate.

Mr. Miller: The Government so stipulates. We represent the Government. I am Edward Miller, and my Associate with me and we are Special Assistants to the Attorney General.

Justice Chase: Do all the parties here represent also stipulate to this effect?

Mr. Knowlton: Yes Your Honor.

Mr. Gray: For the Western Railroads we so stipulate.

Justice Chase: Is there any objection on the part of anybody?

(No response.)

There is none.

[fol. 1364] Mr. McCollester: I believe, if the Court please, that there are some preliminary matters that ought to be taken up, such as the consolidation of the Western Railroads case and some interventions which I do not know whether they have been allowed by order of the Court. So far as the Plaintiffs are concerned we have no objection to the interventions that have been so far presented, or at least of which we have been served notice.

Mr. Douglas Smith: May it please the Court: I appear for the Western Railroads. We recently filed in the Court at Utica a petition asking this Court to set aside order of the Interstate Commerce Commission which was also attacked in the petition of the Northern States. We were directed to present that petition which has been filed and the motion which we filed concurrently with it to consolidate that case with the case of the Northern States at this time. That motion has been filed with the Court, as I understand it. I have submitted the proposed order of consolidation to the attorney for the Government and to Mr. Norman who represents the Southern interests and they are satisfied with the form of that order. I am not sure whether Mr. Knowlton has had an opportunity to examine it or not.

Mr. Knowlton: I have, and it is satisfactory.

Mr. Smith: The order that I have here is in satisfactory form to those interested and those are the only interests thus far who have been consulted on the terms of the order.

[fol. 1365] Justice Chase: The motion is granted and the order will be made.

Mr. Smith: Your Honor I take it that it is understood that the Western lines case will proceed with the trial of this case of the Northern States inasmuch as they are all consolidated.

Justice Chase: That is right.

Mr. Miller: This is a new case that has been consolidated and may I ask leave that it be filed at this time?

(Handing papers to the Clerk of the Court.)

Justice Chase: It may be filed.

Mr. Knowlton: May I file an intervention and answer for the Commission in this case?

Justice Chase: Yes Mr. Knowlton.

Mr. Norman: If Your Honor please: May I file an answer for the Southern States and the Southern Governors Conference? I have not prepared a petition for intervention. I assumed with consolidation that it was not necessary in view of the language of that order. I think that is true.

[fol. 1366] Mr. McCollester: If it please the Court; Not being sure whether the effects of the consolidation is to make all the parties to one case party to the other, and from the purpose of protecting the rights of the Plaintiff states, or some of them, in the event that is not the situation, so that we may be participants in the western case, I have here a petition for leave to intervene in the Western Railroads case on behalf of the states of New York and Ohio. We are filing it for those states only simply because the Attorney General for Ohio is here and I am here and we are in a position therefore to sign a petition.

I think that these states intervening it will protect whatever rights the states may have because of the fact that there are two suits here, so I should like to file this petition for leave to intervene.

We dropped the allegations of the complaint of the Western Railroads except the allegation that the rates are consistatory, which is a matter which doesn't concern the states.

Justice Chase: Yes.

Mr. McCollester: I have here an order granting the motion to intervene.

Mr. McDonald: Walter McDonald, Chairman of the Georgia Public Service Commission.

Justice Chase: Just a minute. This motion Mr. McCollester just made is granted and the order will be entered.

[fol. 1367] Mr. Gray: If the Court please: On behalf of the States of Arkansas, Kansas and other states, and various State Commissions as shown on the petition, I am filing a petition for leave to intervene in the new case that has been filed by the railroad, the Western Railroad, Civil Number 2337, and also an answer, and I ask permission to file this petition for leave to intervene and to file the answer.

Justice Chase: That may be done. The motion is granted

Mr. McDonald: If Your Honors please: This is Walter McDonald, Chairman of the Public Service Commission appearing for the Public Service Commissions of the Southeastern Association of Railroad and Utility Commissions made up of Alabama, Florida, Georgia, North and South Carolina, Tennessee, Mississippi and Louisiana is also a part of our Association. I was under the impression that Mr. Norman's petition, who represents the Governors, included the State Commissions, and I find it does not. I ask leave to prepare during the day and file the petition on behalf of the Southern States Commissions.

Justice Chase: Yes, you may have permission to do that. You will file it during the day?

Mr. McDonald: Yes.

Mr. Foley: If the Court please: I have prepared a petition for intervention comparable to Mr. McCollester's on behalf of the New England Governors. That petition was expected to be here this, at this point, and I expect it any [fol. 1368] moment this morning. But I should like to have a corresponding petition as Mr. McCollester's allowed, as of the time when it comes.

Justice Chase: It may be allowed and when it comes you may file it.

Mr. McCollester: May it please the Court: For the Plaintiffs in number 2311, I assume it is in order for us now to proceed with such evidence as we have to present to the Court.

First of all I have had correspondence with Counsel for the United States and for the Interstate Commerce Commission who have agreed to save us from bringing in witnesses from all of the Plaintiff states to present proof that the States are themselves shippers and receivers of freight and that fact may be stipulated upon the record. Is that correct?

Mr. Miller: It is agreed.

Mr. McCollester: Lest also there may be no point made of this, and I think there is no point made of this because I think the fact is admitted by the answers of the Defendants, but so that the record may be perfectly clear, would Counsel be willing to stipulate that the Plaintiffs case are duly incorporated states and that through their Attorney General they have power to bring the suit.

Mr. Miller: I don't think there will be any question about that.

[fol. 1369] Mr. McCollester: This brings me to the point as to the evidence that we are going to put before the Court as to the record before the Interstate Commerce Commission. That record is between my office and this Courtroom and I don't know where.

Justice Chase: Let us hope it will get here.

Mr. McCollester: There is a truckman on the way and I warn the Court that it is a large box.

Justice Chase: All right.

Mr. McCollester: We also intend to present to the Court documents to bring the record down to date in the form of tariffs of railroads in official territory, the application which they made to the Commission, and copies of the Commission's order permitting them to file their tariffs deferring the increased rates that were ordered by the Commission following up this interlocutory injunction. These tariffs and other documents are also in the hands of the truckman, so that I can't present them to you physically, but that will constitute the evidence for the application before this Court and if and when that evidence is actually here, it will be in order to proceed with argument, but I know that the plaintiffs in the other case have evidence to offer and I would like to inquire of the Court whether the Court [fol. 1370] prefers to have all of the evidence in both cases received before we take up argument in Case 2311 before evidence is taken in the other case.

Justice Chase: He can go ahead with the argument.

Mr. Knowlton: May I ask Mr. McCollester. He included the petition of the Western Carriers prior to the particular conference in support of the L. C. L. traffic study. I went over that evidence and it was stipulated, as I understand it in the record.

Prior to objecting, the Commission issued orders for traffic studies. Although all of them didn't come in, the Western Railroads prepared those traffic studies on which certain L. C. L. evidence had been developed and that at Commissioner Acheson's inquiry at one of the hearings, he asked if that would be satisfactory to put that in the record. I don't think there was response from everybody but it stayed on the record as I understand it.

Justice Chase: In your view of it it was virtually made a part of the record?

Mr. Knowlton: Yes sir. Certainly a great deal of evidence has been based on it without any objection.

Justice Chase: Is there any objection to that?

Mr. Smith: I am sorry, but I don't quite grasp what it is Mr. Knowlton is referring to.

[fol. 1371] Mr. Norman: The affidavits that were filed on the motion for interlocutory judgment injunction, as I understand it were directed only to that motion and are not to be considered as evidence in this case on trial here, am I correct in that?

Justice Chase: Well I don't know.

Mr. Norman: At any rate I would like to move that they be stricken from the record insofar as consideration of this motion for a permanent injunction.

Justice Chase: Is there any objection to that?

Mr. McCollester: Well if Your Honors please so far as the affidavits that we presented are concerned I think they should not be stricken from the record, as Mr. Miller suggested, because they should be in the record as foundation for Your Honor's interlocutory injunction. We do not rely upon them so far as their application for permanent injunction is concerned.

Mr. Norman: That is satisfactory to us.

Justice Chase: Do you have any further evidence you wish to introduce other than that you introduced this morning?

Mr. McCollester: May it please the Court: We have now ready to hand into the good custody of the Clerk a chest, and I think the keys are attached; if not, we will turn the keys over to the Clerk, which contains the minutes of all the hearings before the Commission in which testimony was taken, together with all exhibits filed with the Commission, all of them certified by the Secretary of the Commission, [fol. 1372] tied up in beautiful bundles by him with lovely seals attached to his certificate. We offer that box of documents as the record before the Commission. It is complete I think as to the evidence upon which the Commission could reach its decision, except for certain other documents from the Commission's files and reports made to it by the railroad and compiled by the Commission which by stipulation at the oral argument before the Commission were made part of the record to the extent that it was stipulated that the Commission and the parties would refer to any of the statistics in these documents. We have had those documents, after great difficulty, and we have gotten copies of them and have had them certified by the Commission and they are in the hands of the American Railway Express, shipped out of Washington sometime ago but have not been found, but we will present them to the Court as soon as they appear here. I think Mr. Knowlton knows all about that, and the certification of them, and I think that with those documents there will be before the Court all of the evidence which the Commission has before it upon which it could rely in making the orders that are involved in this case.

Then I would like to offer, and my opponents said they would not require certification, or not question the authenticity, I would like to offer a bundle of tariffs of the railroads, this being all of the tariffs issued by Agent Curlette, [fol. 1373] who is agent for the railroad in Official territory, and they represent all tariffs in which, first, the railroads undertook to comply with the Commission's orders, and then the tariffs by which they complied with your interlocutory injunction, deferring the effective date of the orders. Also in this bundle as a part of the technical tariff story, are the applications, or I think it is one application, made by the railroads in Official territory to the Commission for authority to file their tariffs postponing the rates, —the statutory requiring thirty days notice and they had filed on less notice, because there was not thirty days between your interlocutory judgment and January 1 when the tariffs would have been effective; also copy of the Commission's order granting that permission. I think this bundle might be marked as one exhibit.

Justice Chase: All right.

(Bundle of tariffs marked Exhibit Number 4 of this date.)

[fol. 1374]. Mr. McCollester: I would like to say, if the Court please, so far as concerns the document that Mr. Knowlton presented this morning, which is similarly certified by the Commission in the same way that the contents of the box has been certified, it is understood that is to be included in the box. I hope if the other documents arrive that they will fit into the box. I may say, if it meets with your approval, I would suggest that the box as a whole with its contents be marked as one exhibit which will then embrace all the records before the Commission.

Justice Chase: That will be a very good way of doing it. Then there should be a record made of the contents.

Mr. McCollester: We will undertake to do that. As a matter of fact there is no record of the entire contents, but the certificates which the Commission's Secretary has attached to each bundle lists the contents of the bundle, but we will make a list of the entire box. Briefly it contains all of the testimony taken on every hearing at which testimony was taken; all the exhibits offered and the material incorporated into the record both before and after the hearing.

Justice Chase: Are there any objections?

Mr. Miller: I don't know whether I missed the actual offer of these charts. Mr. McCollester took that up with us, as to whether we would insist that they be certified. I said we would not if he said what they purported to be.

I took the position at that time, and will take it again, [fol. 1375] that if any of these tariffs have been filed since the date of the Commission's order are relevant here, it seems to me to be inappropriate to take out one agent's chart and file that. I don't know whether Counsel is going to use anything in here as part of the Plaintiff's case. The Plaintiff is attacking four rates, not on his, but those in the South and West. It seems to me if these are relevant at all they all ought to be in, for whatever value they have. I object to the offer of just these.

Mr. McCollester: I have no objection to Counsel for the Government offering all the rest of the tariffs. I think the fact that we have not offered all of them, but only offered those that affect our territory, doesn't affect the admissibility of what we have offered.

Mr. Miller: The Plaintiffs not only attack the rates in their territory but offer the rates in the other territories.

Justice Chase: Yes, of course, but they have, if they don't want to put them into evidence, I don't think it makes any difference.

Mr. Miller: Of course we would like to save our point by not presenting any new evidence on this point. But I want to get it absolutely clear in my mind as to whether in this box that contains the records before the Commission.

Justice Chase: You have been told what it is, and I am fully sure that we can accept that statement as true.

[fol. 1376] Mr. Miller: I don't question that, but I want to inquire whether there are any pleadings in this box which are part of the record before the Commission; a motion for reconsideration which are relied on by these Plaintiffs and the other pleadings filed there.

Mr. McCollester: There are no pleadings in there because insofar as we relied on pleadings, we stated them, I think, in the petition.

Mr. Miller: They were excerpts. We didn't question the things that were in there.

Mr. McCollester: We in our petition, we quoted our entire petition for reconsideration; the entire petition for reconsideration of the Central territory states; and the Commission's orders. I think all of the pleadings that were in existence at the time the petition was filed are set forth in the petition and have been admitted.

Mr. Norman: You didn't file my response to your pleading; did you?

Mr. McCollester: I guess we didn't. I would be glad to have that go in Mr. Norman.

Mr. Miller: I am not objecting to this at all, but I want to make all of this clear. It is our understanding that unless the whole record which was before the Commission is offered in this Court, then no attack can properly be made in the findings of the Commission.

Justice Chase: You may be right about that, but even so that is perhaps the responsibility of the Plaintiffs.

Mr. Miller: That is very true, Your Honor.

[fol. 1377] Justice Chase: So, we will admit what has been offered.

Mr. McCollester: I would like to say, if I may, your Honor says it is the responsibility of the plaintiffs. If the defense would indicate anything that they consider pleadings or part of the record which is not embraced in the orders of the Commission instituting the investigation, the stenographic minutes of hearings before the Commission at which testimony was taken, all exhibits presented to the Commission and received in evidence by it, and documents in the Commission's files that were made part of the record by stipulation. If there is anything else that is part of the record on which the Commission was entitled to act, I would be glad to have counsel furnish them.

Justice Chase: Perhaps Mr. McCollester is under the impression that he has everything and I am sure that he wants everything in just as you do.

If there is any question that can be resolved overnight, perhaps by seeing what is in the box, and then we will know what they are talking about. We don't think, any of us, that there is anything that should be there that is not there.

Mr. Miller: I am referring to the pleadings which Mr. McCollester admits aren't there.

[fol. 1378] Mr. McCollester: I want to be very sure, Your Honor, that we are not confronted at a later date with an argument that the entire record, whatever it may be, is not before the Court, because it is our intention to put the proper and entire record before the Court.

Justice Chase: This sort of stuff doesn't appeal to me. It is either there or not. Now, if you have any question of doubt, any objection as to this record, as to its insufficiency, we expect to make that known by tomorrow or the next day.

Mr. Miller: I have no objection. I am perfectly clear what is there, but I say that we don't think the record is complete without the pleadings.

Mr. McCollester: Then I ask Counsel for the Government to offer a list and name those things which he considers part of the record before the Commission.

Mr. Miller: All the pleadings and the responses.

Justice Chase: Well, we will admit the pleadings and then that will be understood. Is everybody satisfied that the record has been received?

Mr. McCollester: And, may I say, Your Honor, the Commission's rule books have a somewhat strange definition of the word "pleadings", which I think Mr. Norman will agree with.

Mr. Norman: After reading your petition, I certainly do.

[fol. 1379] Mr. McCollester: I don't think we want all the pleadings in that sense. Maybe we can get together on that.

Justice Chase: I think you can. I am quite concerned to have everybody satisfied with the entire record, that the entire record is there. I don't want it without the entire record. I don't know what the entire record is.

Now, lest there be any misunderstanding later, I would very much dislike having a question made by anybody later on the ground that the record was not complete. I would like to have everybody understand that this Court wants any party who feels this record is not complete to say so in a timely way so that can be made complete.

Mr. Miller: The petition for reopening and the answers are the only ones, and if Mr. McCollester will supply those, we will have no objection as to the completeness of the record.

Mr. McCollester: May I suggest that those documents in the possession of the Interstate Commerce Commission are not in our possession. We will do what we can to have them furnished. The Commission has the docket and we do not.

Justice Chase: I would make this suggestion that, out of court you two have a conference and then decide upon [fol. 1380] it. If you can't come to a conclusion, let us know.

Mr. Miller: I don't think we will have a bit of trouble.

• • • • • • •

[fol. 1381] adequate criterion to present conditions.

That was a different era.

Thank you.

May I just say this, if your Honor please; I have talked with Mr. Miller for the purpose of seeing that the record is made complete. Now, I want to say that of course, we are not the plaintiffs in the Western case. I am only concerned that there shall be before the Court the complete record here, what Government counsel will agree is the complete record upon which the Commission made the orders here. We propose to put before the Court the complete record and I want to have it that way. I have here the petition of the respondents for a reopening and reconsideration. Mr. Miller tells me if that is put with the contents of that box he will agree that the box contains the complete record before the Commission. Is that correct?

Mr. Miller: That is the only thing I believe, if the Court please, that is missing. The petition for reconsideration in this case and of the intervening New England States in this case. Their petitions, I think, are attached as exhibits to their petitions. I assume they are part of the record and in evidence. That menas that all the papers [fol. 1382] are in this record.

Mr. McCollester: May that be understood that the petitions as well as the Commission's orders and Commission's reports, which are included in our petition and are admitted by the answers of the defendants, are part of the record as if they were, or as if they were certified and offered here again separately?

I assume you don't want——

Justice Chase: Is that agreed to by everybody?

Mr. Norman: If the Court please: I am perfectly willing that they be made a part of the record as evidence of what they contain, but as evidence—but not as evidence to be considered in this case.

Justice Chase: Well, we are concerned now primarily with getting the record complete. It may be understood that it is complete in this case by everybody with the addition of those documents which Mr. McCollester offers.

Mr. Miller: This is agreed to by us.

Mr. McCollester: The copy I have is not certified.

Justice Chase: Apparently this would be a good time to stop.

Adjournment taken at 12:45 P. M. to 2:00 P. M. of the same date and at the same place.

• • • • • • •

[fol. 1383] Mr. McCollester: Before the Government begins, there is one point about the state of the record that I think ought to be cleared up. First of all I do not find that the exhibit marked number 4 for identification, which is the bundle of tariffs, has been marked in evidence. May it be marked in evidence?

Justice Chase: It may be.

(Bundle of tariffs previously marked for identification received in evidence as Exhibit Number 4 of this date.)

Mr. McCollester: In the second place, the large box, which is the record before the Commission, has not been given a number because its contents have not yet been completed. But it seems to me it might be appropriate to give it a number and we may have it received on the understanding that when the American Railway Express delivers the documents they will be put therein.

Justice Chase: That may be done, and we still give it the next number.

(Large box containing records before the Commission marked Exhibit Number 5 for identification of this date.)

Mr. McCollester: Then it is in evidence?

Justice Chase: It is.

(Large box containing records received in evidence as Exhibit Number 5 of this date.)

[fol. 1384] Justice Chase: Is there any objection to the proposed order? (No response) There being no objection, the order is granted.

[fol. 1385] Mr. McCollester: May it please the Court, before I begin my argument, I would like to mention once more, because this may be the last occasion, the matter of the box containing the record before the Commission. We [fol. 1386] are preparing a list of the contents of that box for convenience, if anybody so desires, but in so doing it has been discovered that for some reason in transit between the Commission's office in Washington and my office in New York, one set of five exhibits that were sent down to Washington, so far as we know because we checked them when we sent them down, were not certified and sent back. Those are exhibits number 71 to 76. I guess that is 6 exhibits, 71 to 76 inclusive.

I have here, and with the consent of other Counsel, will insert my own copies of those exhibits which are not certified, but I will say that they are copies of the exhibits as filed at that time, and that will in that may make the record complete on that point.

Mr. Miller: That is entirely agreeable to us, Your Honor.

[fol. 1387] IN UNITED STATES DISTRICT COURT

STATEMENT OF EVIDENCE

Justice Chase: I understand that the Counsel for the Western Railroads has some evidence to offer at this time.

Mr. Smith: Yes, Your Honor.

Justice Chase: It will save time to go ahead with that.

Mr. Smith: I will call Mr. L. R. Capron.

LAWRENCE R. CAPRON, called as a witness and being sworn testified as follows:

Direct examination.

By Mr. Smith:

Q. Please state your full name residence and occupation.

A. Lawrence R. Capron, Evanston, Illinois; Vice-President of the Burlington Lines.

Mr. Miller: May it please the Court; The Government is going to object to the introduction of any evidence at this time. We think under the cases it is clearly inappropriate and I would like to be heard on the subject.

I think the law is fairly well settled that new evidence cannot appropriately be offered in a proceeding of this kind to review the order of the Commission. I do not think it will be necessary for me to go into it at length, but in the Tagg case, 280 U. S. the Supreme Court said that a "Proceeding under Section 316 of the Packers and Stockyards Act is a judicial review, not a trial *de novo*. The validity of an order of the Secretary, like that of an order of the [fol. 1388] Interstate Commerce Commission, must be determined upon the record of the proceedings before him—his findings must be accepted by the Court as conclusive, if the evidence before him was legally sufficient to sustain them and there was no irregularity in the proceeding. To allow his findings to be attacked or supported in Court by new evidence would substitute the Court for the administrative tribunal as the rate making body.

In the L. and N. Case, 231 U. S. it was stated that the Commission would become a mere instrument for the purpose of taking testimony to be submitted to the Court for their adjudication.

I do not think there is much dispute about that being the general proposition of law. In the National Broadcasting case, as late as 319 U. S. the Court said "Trial *de novo* of the matter heard by the Commission and dealt with in its report would have been improper." That was stated in litigating the question as to whether it would be appropriate to allow other evidence to be introduced.

Now there is another question in this case which makes it particularly, I believe, clear that no evidence should be introduced by the Western Carriers who here are trying to introduce it. There were motions for re-opening and re-[fol. 1389] consideration filed before the Commission by the Western Carriers in this case. There was no offer at that time to introduce any new evidence before the Court to aid it in reaching its decision. In that petition filed by those Western Carriers now seeking to introduce evidence this statement is made: There is no necessity for rehearing in this proceeding as long as the issues are restricted to the territory originally involved.

In other words where evidence is withheld from the Commission which is deemed vital to the issues of confiscation or any other issue it cannot be re-presented to the Court in the first instance like this.

Then there is another point I think that is absolutely decisive in this matter and that is the question on the way the confiscation is claimed which I assume from advice of Counsel is the matter on which they are offering this evidence. If I am wrong, correct me on the subject. Confiscation allegations are made attacking the order of the Commission and are subject to very strict rules. It is true there is a better chance of getting in evidence in confiscation cases in this kind of proceeding than anything else. I think the waiver, or whatever you may call it, of the position taken by these carriers before the Commission has to be decisive in this case, but there is another doctrine [fol. 1390] which would take this out of this class on the basis of allegations made. That is, they have alleged confiscation collectively by this group of carriers. There are two cases that squarely hold that the Court cannot hear evidence on the subject of confiscation when the allegation is a collective allegation that it will cause the joint Plaintiffs to be in a position where it will be confiscatory, that it will cost this carrier so much, Furthermore, it hasn't alleged a direct confiscation.

Now the Aetna Insurance case, 275 U. S. is one of the cases I speak of on the subject of collective allegation. There the Supreme Court said: "It has never been and cannot reasonably be held that State-made rates violate the 14th Amendment merely because the aggregate collections are not sufficient to yield a reasonable profit or just compensation to all companies that happen to be engaged in the affected business."

To the same effect in the Beaumont, Sour Lake and Western Railway case, 282 U. S. where the Court again pointed out that it is the impact of rates on a particular company, a particular plaintiff involved and it cannot be any charge that all the railroads in the area or all the companies engaged in a particular business, that the rates [fol. 1391] would be consistatory; obviously they are not all in the same situation. The cases hold that in confiscation the basis for the introduction of evidence has to be followed and have to state the facts on which the confiscation allegation is premised. In this case there is no such statement. There is reference on the report of the Commission that it will cost the railroad a certain number of dollars and that is all there is in the way of such an allegation.

On the subject of confiscation we expect to present to the Court the merit in a confiscation argument which I do not think would be appropriate here at this time on the preliminary question. However, there is a serious practical question about introducing new evidence at this time on confiscation. This case is a rate case. I might way that the principal matters which are the subject of testimony before the Commission were rates and costs and revenues and rates of return, as are quite natural in the rate case. These L. C. L.,—less carload lots—on which evidence of confiscation was based represent only a small part of the traffic involved here. It is under two per cent of the traffic. A good deal of that traffic is not class rate. There is every reason I think for Counsel for the Government to file with this Court objections as to taking any new evidence at this time. It will require elaborate evi- [fol. 1392] dence on the whole subject of rates and spread of the rate burden and on the question of costs. There were dozens and dozens of witnesses and thousands of pages of testimony in this record on the subject of costs, rates and revenues, and all of these matters will have to be gone into I am afraid if the subject is opened up in this court.

We submit that the law is entirely clear that this should be a judicial review on narrow grounds, and not a trial *de novo.* If the whole question of rates is opened at this time this would be a matter that would take weeks or months. I am not suggesting that as a reason why the Plaintiffs shouldn't introduce the evidence, but I think they have to make an extremely clear showing that this matter should be gone into.

We submit that evidence should not be received at this time.

[fol. 1393] Mr. Knowlton: I just want to add that, I want to concur in everything that Mr. Miller said, but in addition I want to point out that it is a very general thing, complaints against the Commission's order through general allegations of confiscation. And the decisions held, the Aetna case, and various others that the allegations, not only the showing but the allegations of the complaint must be sufficiently specific to show and indicate what the proof is and what will be called for.

These allegations here are general. That Mr. Miller says. And are predicated largely on cost study of Dr. Edwards which showed that except this L.C.L. and except the South was carried at a loss. But as explained, the Commission's supplemental report, these were L.C.L. traffic figures for all and not just first class handled traffic, and I think they also include what they called these exception rates.

It is also true that the Commission allows and expects these carriers under this order to work out economics in many ways. All that has nothing to do with this showing of cost and it doesn't show just what Mr. Smith says in his complaint does show. But mainly I want to emphasize [fol. 1394] the allegations in order to warrant the Court in taking the evidence and exception to know that there will be some possibility of making specific showing.

Mr. Norman: If the Court please, counsel might better have all the points made before he replies. I would like to call to Your Honor's attention the allegations of the petition which reads as follows:

"The cost studies offered in evidence by the Commission and upon which the commission relied ordering reduction of plaintiff's rates, or that the rates prescribed by the

Commission, the cost study for the Commission show—" and then he concludes, saying, "It is thus established on the face of the reports that enforcement of the Commission's order will result in confiscation."

There is no allega[illegible]y place that the confiscation is a fact, only that [illegible] appears from the cost studies or appears from the Commission's award. There is no prayer that this Court find the rates confiscatory.

So counsel was not put on notice that there was going to be any claim here that in so far as it appears from what is already in the record that these rates are confiscatory or that any evidence was going to be offered to that effect.

[fol. 1395] Mr. Smith: If, as Mr. Norman says, they were not on notice, they have done very well on these arguments.

The report of the Interstate Commerce Commission is part of the record and before this Court. In this case there was one case—there was one cost study offered and it was offered by the Interstate Commerce Commission, or perhaps to be more technical I should say it was offered by the cost accountant of the Interstate Commerce Commission. That study was prepared by Dr. Edwards of the Interstate Commerce Commission, who is the Commissioner's chief cost alalyst. It was rather a lengthy study and the Commission deals with it at great length in its report in this case and relies upon it and says that it relies upon it. It says that it feels that that cost study has such elements of accuracy as to warrant the Commission in relying upon it.

Now they analyze it at considerable length——

Justice Chase: Let me interrupt you for a moment please.

Mr. Smith: Yes.

Justice Chase: I don't know what you propose to introduce yet. But do you agree with that part of the question of confiscatory effect of the order changing the rates, that that evidence would be admissible?

Mr. Smith: Your Honor, I don't agree with that, but my [fol. 1396] disagreement with it is purely an academic one. I am only proposing to offer evidence going to the question of confiscation.

I might explain that by saying, as I understand the rule it has been observed in the courts from the beginning. It is this: We say where it is proposed in court to offer evidence that was not placed before the administrative body, the question as to the admissibility of that evidence is offered and is for the sound discretion of the Court. But, however, where the evidence that is proposed to be offered because of the confiscation question, then it is the duty of the Court to hear it for the basis of its judicial determination which it must make apart from action taken by the Administrative body and by the Congress itself. The Court should hear that evidence in order to discharge its own duty on that point.

Now after analyzing it over considerable length these cost studies on less than carload traffic, and as the Court has in mind, that is the traffic that moves in quantities or weights which moves in less than a full carlo-d, and is commonly called in the railroad business less that carload [fol. 1397] traffic.

The Commission after referring to these cost studies and analyzing them says this:

[fol. 1398] "Such an analysis unmistakably reveals the fact that less than carload traffic generally of all of the parties is not bearing its proper share of the cost of transportation. In fact excluding wartime rating, it is not yielding on the average its out-of-pocket cost plus constant expense solely related to this traffic, plus the cost of collection and delivery in any territory except possibly in the South where the margin of difference between revenues in these expenses is slight".

After thus commenting on its own cost analysis and saying that in the East and the West the existing rates are not sufficient to cover the costs of handling the L.C.L. traffic, the Commission proceeding to establish the uniformity which it feels Congress required it to make, proceeds to increase the rates in the east and thus somewhat reduce the deficit there, and to reduce the rates in the West and thus to increase the deficit.

Now there is a case that Mr. Miller didn't refer to on the question of confiscation except rather tacitly he said he thought we had our better chance on the issue of confiscation to offer evidence. I take it he was referring to B. & O. vs. U. S. 298 U. S., beginning at page 349. In that case the Carriers moved before a three Judge Court to set [fol. 1399] aside an order of the Interstate Commerce Commission. They allege confiscation. The Government objected to the admission of that evidence and they were overruled in the District Court and the evidence was taken and the case went to the Supreme Court of the United States and they persisted in their objection so that the Supreme Court ruled on that point. The Supreme Court says this:

"A just compensation clause may not be evaded or impaired by any form of legislation against the objection of the owner or private property taken for public use, the Congress may not directly or through any legislative agency finally determine the amount that is safe-guarded to him by that clause. If as to the value of his property the owner accepts legislative or administrative determinations or challenges them merely upon the ground that they were not made in accordance with statutes governing a subordinate agency, no constitutional question arises."

Justice Chase: Please don't read at length.

Mr. Smith: I was not going to. I have four lines more.

(Continuing) "The due process clause assures a full hearing before the Court or other tribunal empowered to perform the judicial function involved. That includes the right to introduce evidence and have judicial findings based upon it."

[fol. 1400] Here is another sentence.

"No Act of Congress requires Carriers, in advance of suit to set aside divisions or other orders, to petition the Commission for re-hearing, repeal or modification" which is a very precise answer to one of the points raised by Mr. Miller.

And here are two sentences, if you please, and I shall be through with the case:

"Appellants appropriately invoked judicial power to obtain constitutional protection against the Commission's order. The District Court rightly held them entitled to introduce evidence in addition to that contained in the record before the Commission, and rightly proceeded, upon consideration of all the evidence, to make findings and, upon the bases of the facts that it found, to decide upon the Constitutional question".

Now the Government raises what it seems to me to be an extremely finespun point of pleading. They say that there is no individual allegation that refers to each of these petitioners. Now the intent of this petition, and if it is not clear, I ask leave to amend it. The intent of this petition obviously is that every petitioner is saying on his own behalf and his own account every work that is in this petition. It seems to me a little bit extraordinary that after the Commission [fol. 1401] had relied upon a cost study which deals with the carriers as a group and based upon that cost of study they find the evidence sufficient to reduce the rates to each and every one of these petitioners, that then when the petitioners come in and allege on that very showing that confiscation has been experienced, then the suggestion is made there ought to be a showing with reference to each.

Now that goes to the merits of the question of compensation and not with the point that we are dealing with on this conjecture. But I do want to deal with its specifically. I want to call the Court's attention to the two allegations in this petition on this subject, of which Mr. Norman read one. The first one appears on page 14. This is page 17. It says:

"The Commission's reports and orders, exhibits 3, 4 and 5 are unlawful, are beyond the statutory power of the Commission, and beyond the power which it could exercise in accordance with the Constitution of the United States."

Every petitioner in this case is saying that to this Court.

And then after the other petition which Mr. Norman, the other paragraph which Mr. Norman referred to, this is the cost study and the order based on it which are before this [fol. 1402] Court. They are part of the evidence and we say that that portion of the evidence before the Court establishes a taking of a property for private purposes without just compensation and a deprivation of due process. Every petitioner says that.

[fol. 1403] I don't think that it is necessary, under the rules and procedure which we are following here, to seek the Court's leave in the light of this objection instanter to amend this petition and to amend our intervening petition in the Northern States case by inserting therein at some point the statement that all these allegations in the petition of intervention and in the petition here generally and severally made, and that is made on behalf of each petitioner, May I have that?

Justice Chase: Any objections?

Mr. Miller: If the Court please, I don't think it is as simple, quite as simple as that. In this case each carrier alleges that ——

In the L. & M. case where an allegation of confiscation was held insufficient to permit the introduction of the Commission's testimony.

These allegations have to be specific. They can't be general allegations, and it doesn't make it much better to make it a collective one, although the collective was won in two Supreme Court cases on that very point alone.

Mr. Smith: We are discussing the admissibility of evidence and my friends are judging the merits of confiscation, [fol. 1404] They said that they had no objection and they haven't asked for a bill of particulars. As a matter of fact they said that they didn't want one, and they know perfectly well what is involved here.

Justice Chase: You better get the pleadings straightened out first. You may have leave to amend as suggested. The sufficiency of amendment cannot be passed on now. Now, having given that leave to amend, is there anything that demands further attention?

Mr. Miller: I don't think so, Your Honor.

Justice Chase: Then we will treat the pleadings as though they were now amended as proposed. Is there anything more to be said on the question of the admissibility of the evidence?

Mr. Miller: I have just this one further thing to say: I think the only viewpoint that has been interjected is the B. & O. Case, and as I understand it, as I understand the B. & O. case, the Commission refused to receive evidence bearing on the question of confiscation. That obviously was a clear case where the reviewing court had power to file it. I don't have the B. & O. here. It was 574. I think it has all been touched upon in the other portions, but this case is so [fol. 1405] distinguishable, so clearly distinguishable that there is no question about it. Not only was there no evidence to introduce, but the plaintiffs said there was no more evidence to introduce, the record was as complete as they could make it. It doesn't seem fair to start presenting more witnesses, introducing more evidence, in one of the most complicated cases. This is one of these, this is one of the most complicated cases.

Mr. Smith: May I make one statement which I think I was remiss in telling to the Court. I think Mr. Miller might be apprehensive that the Court may object. This evidence that the Western Lines will offer should take on direct about one hour or maybe a little longer. It is such, that if the

Government undertakes to oppose it, but I think that they will not after they have heard it, I don't think that they would take over a half hour in that connection, if the Court would agree to hear me.

I would like to say something on the B. & O. case or, in reference to comment on the B. & O. case. In the first place, the Court made it very clear, as the statement read shows, that it doesn't make a particle of difference where the fair compensation provisions of the Constitution are invoked, [fol. 1406] whether there has been any offer to the Interstate Commerce Commission or not.

Now, of course, we don't know whether the Commission was going to confiscate our property before it made the decision. We discovered that afterward. We did go back on application for rehearing, and we did call to the Commission's attention the fact that they had confiscated our property. That was before the Commission. It was not necessary to do that under the decision of the B. & O. case.

Mr. Smith: Now, Mr. Miller has said that there has been a change in the trend of Supreme Court decisions, and that this was a 5 to 4 decision. What the Court divided on was this, essentially: In that case the Commission had fixed joint through rates. The carriers did not take that order to court; they accepted it, they effectuated it. Thereafter, the Commission, by order, fixed the divisions of these joint through rates, that is to way, it determined how much of those joint rates should go, that is, how much of the revenue should go to the Sout[illegible] lines and how much to the Northern lines. It was after that second order, fixing the divisions that then the carriers came in and said that their property had been confiscated. Justice Brandeis took the [fol. 1407] position that they should have come in and made their application when the rates were fixed, because it was essentially the leveling of the rates which caused the contention. Now, that, I say, was essentially the bases for the application to the Court. It may be that Mr. Brandeis felt, under the circumstances that the evidence should not be received by the District Courts but the majority thought that it should have been.

Justice Chase: We are all agreed that the better way would be to take this evidence subject to a motion to strike, and we do that on your assurance that it won't take very long.

Mr. Smith: I have two witnesses. This is the shorter of the two. I don't think it would take over an hour or an hour and a half.

By Mr. Smith:

Q. Of what department——

Mr. Miller: Just one moment; excuse me. If the Court please, I don't know what this evidence is going to cover and I don't think we will be in a position to cross-examine the witness at this time, and I don't know whether we can [fol 1408] do it later, that is, if we can't cross-examine at the close of the direct examination.

Justice Chase: We will take care of that, Mr. Miller.

By Mr. Smith:

Q. Of what department of the Burlington are you head?

A. I have direct charge of the traffic department.

Q. What railroads comprise the so-called Burlington Lines?

A. The Chicago, Burlington, The Quincy Railroad, The Colorado and Southern Railway, The Fort Worth & Denver City Railway, and the Wichita Valley Railway.

Q. Are these lines operated as a system?

A. Yes.

Q. What is your railroad experience, what has been your railroad experience up to this time, briefly?

A. Why, I started with the Burlington Railroad in 1902, stayed with them one year, and then went to one of the parent lines of the Burlington, the Northern Pacific, in the traffic department of the Northern Pacific, for 34 years. In October of 1937, I came back to the Burlington as assistant vice-president, and I have been vice-president since November 1, 1938.

Q. What *was* your responsibilities or what are your responsibilities as chief traffic officer of the Burlington Lines?

A. I have charge of the freight and passenger traffic departments and the department of industry and agriculture.

[fol. 1409] Q. Now, in what states of the United States do the Burlington Lines operate?

A. Minnesota, Wisconsin, Illinois. Iowa, Missouri, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico and Texas.

Q. Do the Burlington Lines operate in each of the three rate zones in Western territory affected here, the zones which are affected herein, namely Zones 1, 2 and 3?

A. It does.

Q. Does the Burlington handle class rate traffic, that is, both carload and less than carload freight?

A. Yes.

Q. What is less than carload traffic?

A. The less than carload traffic consists of individual packages or shipments of a quantity less than the required minimum weight for a full carload.

Q. Is that sometimes called merchandise traffic?

A. It is.

Q. And would you say that there are a few or many of these different kinds of items which are moved in the territory that you have referred to in less than carload quantities?

A. Yes.

Q. Can you characterize that for the benefit of the Court, as to whether many or few have moved in less than carload quantities?

[fol. 1410] A. Oh, a vast number of commodities, if I understand your question correctly, just myriads, just everything that is shipped, practically, moves at some time or other in less than carload quantities.

A. Does all less than carload traffic move on class rates?

A. No, some moves on classification exception, and then there are some less than carload commodity rates.

Q. Well now, state, if you know, whether, with reference to that portion of the less than carload traffic to which you have just referred, that doesn't move on the class rates, whether or not that character of traffic is handled in the same cars and receives exactly the same service as the less than carload which moves on the class rates?

A. It is handled in the same car and equipment, and it is given the same service. Sometimes it moves in the same cars.

Q. Are you familiar with the experience of your road, and, generally, with that of the group of railroad*ing* operating in the same territory in respect to the carloading of less than carload traffic?

A. Yes, in a general way.

Q. I call your attention to the fact that the record in this proceeding before the Commission, and now before the

Court, shows that the average loading per car of less than carload traffic in the Western District for the year 1939 was 4.3 tons per car. Now, state, if you know, whether the [fol. 1411] average loading of that traffic for the Burlington and for the lines operating in the territory in which the Burlington operates do operate or did operate at that level in the years prior to 1939?

A. Yes, it was close to that range.

Q. And by "close" do you mean, within a half ton or a ton, or what do you mean by that, Mr. Capron?

A. Well, I would say in the period, 4, 5, 6 years prior to 1939, the individual averages of the principal Western lines, individual average carloading of so-called merchandise traffic ranged from about two tons to 4.8 tons.

Q. Now, the average loading of this type of traffic has been higher in previous years?

A. Yes, it had. I don't know just how much, I haven't the figures as to all traffic, but I know the Burlington's merchandise loading of recent years, the average was a little higher than that of some of the others, and going back to the peak year, which was 1929, the peak traffic year, the Burlington merchandise loading in that year was 7.2 tons. That is, 1929.

Q. Do you know the reasons for the decline in the part carload loading of L. C. L. traffic over those years, around 1929, we will say, down to the level of 4.3 tons, which was the average that Dr. Edwards found to exist in the test [fol. 1412] year of 1939? Do you know the reasons that caused that decline?

A. Yes.

Q. What were they, in brief?

A. Well, the principal reason was the large amount of that class of traffic which, of course, pays the highest rate in cents per hundred pounds, that was taken from the railroad by the trucks. Truck companies took away a very substantial amount of that tonnage. Then, in addition to that, in our efforts to meet that competition, we endeavored to speed up the handling of merchandise, and that meant that we set up schedules for merchandise cars and, thus, we would run those cars every day and not hold them for a full load or approximately a full load.

If you had a merchandise car set up and you had a thousand points, only had a thousand pounds for it, you would let it go on that day: whereas, in the old days, if we only had a thousand pounds, we might hold it a day and wait until we got a little more tonnage, until we got more tonnage, before we let it go.

Then there is another matter that has had a very substantial effect on the merchandise loading, and that is the broadening of so-called carload mixture, broadening of mixtures of different items, that are permitted to move under the carload rate.

Additionally, we have, in recent years, established quite [fol. 1413] generally throughout the country, so-called commodity rates under which you could get a carload rate subject to a certain minimum and load everything and anything with a few exceptions, such as freight that would contaminate other freight, or explosives, things of that kind, with those few exceptions you could load almost anything into a carload and get the all-commodity rate that has been established.

Now, those rates, the proper mixtures and the all-commodity rates have been used by the so-called forwarding companies with the result that in recent years a very substantial source of what was formerly less than carload freight has been combined and shipped, combined by forwarders and large shippers and shipped as carloads, taken out of this less than carload classification. All of that has tended to reduce the average loading of our less than carload freight.

Mr. Smith: Now, Your Honors, I would like to make a statement to the Court at this juncture, before I ask the next question. I have called to the Court's attention the statement of the Commission with respect to its conclusion on L. C. L. traffic, that, excluding wartime loading, this traffic was not yielding its cost.

[fol. 1414] In 1942 the Director of the O. P. T., the Office of Defense Transportation, issued an order. It was his Order No. 1. It was issued, I think, in March. I have a copy in my hand, as reported by the Commerce Clearing House. I shall read, if I may, just one or two statements in that order.

"Section No. 500.2. Loading of cars," is this: "No carrier by railroad, on and after the effective date hereof, shall accept for shipment or forwarding, load or forward from the City or Town at which such car is originated, any railway closed car containing less than ten tons of merchandise except:"

And then there were certain exceptions, which have not, however, proved in the aggregate to very much effect the carloading.

[fol. 1415] Mr. Smith: Well apparently it was necessary somewhat to push you and there was a change in loading to 3.2 tons, so the Director of Defense Transportation, Joseph B. Eastman, made this order:

"Between May 1, 1942 and July 1, 1942, a minimum load of six tons per car may be observed in lieu of the load of 10 tons per car otherwise required by sections 500.2 and 500.2A.

Between July 1, 1942 and September 1, 1942, a minimum load of eight tons per car may be observed instead of a minimum load of ten tons per car required under the provisions of Sections 500.2 and 500.2A."

In effect there was a graduation up to 10 tons rather than a precipitous rise to 10 tons.

Then the Director issued a public release at that time in which he called attention to the fact that during the year 1942 the Intercity Cars on the average contained approximately 5.3 tons. And he said that the peddler cars contained about one and one-half tons.

I thought the Court ought to have this in mind, and perhaps I should say to the Court that under Dr. Edwards costs and Mr. Nolton I am sure will not question this, that it makes some difference in Dr. Edwards costs as to the amount loaded in a car. It costs more to handle 4.3 tons [fol. 1416] than 10 tons. In this public release the Director of the O. D. T. said:

"I am not unmindful that the effect of this order may in some instances cause inconvenience to the carriers involved, including the railroads, the motor carriers and water carriers, and possibly also to the shippers of L. C. L. I rely on the patriotism of carriers and shippers who will be affected by this order to cooperate in the highest possible degree in making it effective even though it may temporarily appear adversely to affect them."

Now it was a war order and of course it was observed and the railroad held the cars until they obtained a loading of 10 tons. Now that order is still in effect. I am unable to say to the Court and I do not profess to know when that order will be withdrawn. It is still an outstanding order of the O. D. T. Colonel Johnson, now the head of O. D. T., testified before the Appropriations Committee in connection with the deficiency appropriation Act of 1946 as late as February 6th, this month, and Colonel Johnson said: "You will recollect when I was here I not only told you that the O. D. T. would be through by the last of June, but by April, and perhaps by March. All of these railroad people would be through. I ask also that I be allowed to keep 40 Service Agents in the I. C. C. I am still hoping that [fol. 1417] we may be able to disband the railroad part of O. D. T. by the last of June. I want enough money so if necessary I can keep the railroad part of O. D. T. running to June 30th, and the 40 Service Agents of I. C. C. through June." My understanding is that some additional appropriation was allowed to the O. D. T., and that indicates to me, rightly or wrongly, that the railroad part of O. D. T. is over at the end of June, but it will have some further activities perhaps in connection with trucks or some other activities.

By Mr. Smith:

Q. Mr. Capron, the Commission refers in its report to the order of Defense Transportation, issued in 1942, prescribing a minimum per car loading of less than carload traffic. Are you familiar with that order to which the Commission refers?

A. Yes sir.

Q. What was the result of that order of the Office of Defense Transportation on the less than carload loading per car?

A. Well it was an order that had to be complied with and its terms showed the result. It more than doubled what was the average loading per car in the early part of the year.

Q. Have you given consideration to the handling of L. *D.* L. traffic in competition with the trucks and the railroad with which you compete in the Western territory after the expiration of that order?

A. Yes sir, we have given a great deal of consideration to that.

Q. What if any conclusion have you reached as to the [fol. 1418] action which your road must take with reference to the per car loading of L. *D.* L. traffic?

A. We have decided that we will not only fight to return to pre-war practices that have been described but will have to go even further in the way of putting on fast merchandise schedules and more so called through cars; that is, point to point cars of merchandise which do not stop at any place between the point of origin and the final destination to unload or pick up other merchandise. It is known in railroad parlance that it will mean a scheduling of additional through merchandise cars.

Q. What will be the effect of those operations that you say you will be obliged to use on the per car loading of merchandise traffic?

A. Well that will hold down the average load per car, necessarily.

Q. You have referred to the several factors which cause the drop in per car loading on the level which it attained in 1929 or thereabouts, to the 4.3 tons, which was the average loading in the days of say 1939. What would you say as to whether any of those factors would be absent or would operate with diminishing severity as soon as this O. D. T. order, or after the order had been revoked?

A. None. They will all be present in the period that is ahead of us after the expiration of the O. D. T. order, and it may well be that it will return with greater intensity than before.

Q. What is your judgment in the light of those factors as to how the loading after the withdrawal of this emergency [fol. 1419] order will compare with the 4.3 tons which represented the loading just prior to the war?

A. Well I don't believe; in fact I am sure we cannot count on anything very much in excess of that pre-war loading because if there should be a general pick-up in the volume, or put it another way, if the volume should be greater than that which we had in the prewar period, that is going to be offset to a considerable extent by these plans which we are making and which I know the Western lines are making, to speed up merchandise service and increase the number of through merchandise cars. It is admittedly possible that if we have prosperity that the average loading might overcome that factor which I have just mentioned and be slightly higher that that of the pre-war period, but certainly it would be not more than slightly higher.

Q. Well will you interpret that "slightly" as being a ton, or five tons, or one-half ton, or what is your best judgment about that?

A. Well I think five tons or maybe 5.1 or 5.2 would be about the best we would have any reason to hope for.

Q. Do you compete with some railroads in the Western District as well as with the trucks?

A. Yes sir.

Q. Can you state whether your rail competitors in the West will be in any different position in respect to this matter of operation of the Burlington, as you have stated?

A. They will not. They have the same competition to [fol. 1420] meet as the Burlington.

Mr. Smith: May I have an exhibibt identified please?

(List of commodities, etc. marked Exhibit Number 1 for identification of this date.)

By Mr. Smith:

Q. Handing you exhibit 1 of the Western lines, for identification, which purports to be an extensive list of commodities, I ask you whether it correctly shows the items in the presently effective consolidated freight classification number 16, and supplements thereto, rated fourth class, column 55, less carload quantities in Western classification territory?

A. Mr. Smith did you complete your question? This statement shows,—the statement I have before me—shows the items rated fourth class in less than carloads on which no commodity or exception ratings apply.

Q. Yes Mr. Capron.

A. As I understood your question to me you made it all inclusive and didn't refer to that.

Q. I thought I drafted that question from this heading. I will take a look at it.

Let me ask you Mr. Capron if exhibit 1 for identification of the Western roads correctly shows the items in consolidated freight classification number 16, and supplements thereto, rated fourth class, column 55, less than car load quantities in Western classification on which no commodity or exception ratings apply?

A. It does.

Justice Chase: If this will be a convenient time, suppose [fol. 1421] we take a recess for ten minutes.

Mr. McCollester: May I inquire what the Court's pleasure is as far as hours?

Justice Chase: Judge Knox and I were just talking about this and we thought we would adjourn about one o'clock until two o'clock and sit until four or four-thirty, four-thirty perhaps.

The Clerk of the Court: This Court is in recess for ten minutes.

(Recess taken. Case resumed after recess same date and same place.)

By Mr. Smith:

Q. Mr. Capron, the transcript has gone and I am not sure whether I asked you whether or not it is true as stated in the caption of exhibit number 1 for identification that none of the items enumerated therein move on commodity or exception ratings but all are subject to the class basis move when they do?

A. That is true, to the best of my knowledge and belief. The statement has been carefully prepared and carefully checked.

Q. State if you know whether there is a substantial movement of a great many of these commodities in less than carload quantities on the basis of 55% of first class in Western trunkline and Southwestern territories.

A. There is.

Mr. Smith (To the Reporter): Will you mark this as an exhibit for identification.

(Chart marked Exhibit Number 2 for identification of this date.)

[fol. 1422] By Mr. Smith:

Q. Handing you exhibit for identification of the Western roads, number 2, which purports to be an extensive list of commodities, I ask you whether it correctly shows the items in the presently effective consolidated consolidation which are rate 3 class, column 70, on the less than carload commodities, on which any commodity or exception rates apply?

A. It does to the best of my knowledge and belief.

Q. Is it true, as the caption of the exhibit indicates, that none of the commodities move on a commodity or exception ratings without moving in less than carload ratings?

A. It is also true, to the best of my knowledge and belief.

Q. State whether you know there is a substantial movement of a great many of these commodities and less than carload quantities at prices of 70% in Southwestern territories?

A. There is.

Q. Is there any major railroad other than the Burlington which rely, the Burlington relies for its revenues exclusively on its operations both in Western trunklines and Southwestern territory, which is not now and had not been in receivership or bankruptcy for the last five years?

A. I know of no other major railroad operating in both territories that have not been in some sort of a receivership or bankruptcy proceeding within the past five years.

Mr. Smith: That concludes Mr. Capron's direct testimony.

Justice Chase: Are you prepared to cross examine him?

Mr. Miller: I wonder if we could reserve until after the [fol. 1423] noon recess.

Justice Chase: Yes you may.

Mr. Smith: You may step down Mr. Capron.

Mr. Norman: If Your Honor please: I think I could probably cross examine this witness if I be permitted.

Mr. Smith: It is with the pleasure of the Court.

Cross-examination.

By Mr. Norman:

Q. Mr. Capron, what percentage of less than carload traffic in the Western District and between the Western District and the other Districts moves at rates other than the class rates here involved?

Mr. Smith: Just a minute if you please. If Your Honors please, quite apart from the time element involved, which is not particularly important to me, that is objected to as not proper cross examination. This witness has been on the st*na*d to testify, to three things: one to throw light on the question as to what this carloading is going to be in his opinion and as a result of his studies after this emergency order is withdrawn. That is one thing. He has testified also that there is a movement of traffic on these particular L. C. L. rates which we say are con*sis*t*atory. It is not just an academic question that there is movement of traffic on these rates.

The third point he made in response to my question was [fol. 1424] that the railroad, that is the Burlington Railroad and a great number of railroads operating in those two territories, that the Burlington is the only major railroad which has escaped bankruptcy. That is the only road which relies exclusively on the revenues it must make in this territory.

I suggest that this question goes outside of the scope of any direct examination.

Mr. Norman: If the Court please, the witness has testified as to certain traffic that does move on these L. C. L. class rates. But the allegation here is that it appears on the face of the Commission's report that these rates are consistatory. Now it is important to know from the witness what L. C. L. traffic included in that statement by the Commission does not move as to the rates here involved.

Justice Chase: We think it is proper cross examination, but we are not disposed to go into that in great detail.

Mr. Norman: No, I am not Your Honor.

By Mr. Norman:

Q. Will the witness answer?

A. I am not sure that I understand what you are talking about. If I caught it correctly you are talking about something, some statement in the Commission's report and you want to know percentage.

Q. I am asking you if you know what percentage of less than carload traffic in your territory moves on rates other than class rates?

A. No.

Q. You have no idea about this?

A. I say I do not know.

Q. The rates that are established on articles and com- [fol. 1425] modities that are taken out of the classification are generally lower than the class rates; are they not?

A. Yes.

Q. The condition in this report admonished you to give consideration to raising those rates on less than carload traffic other than the class traffic. Have you made any consideration, have you given any consideration to them?

Mr. Smith: That is objected to as incompetent.

Justice Chase: He may answer that.

The Witness: Yes.

By Mr. Norman:

Q. What have you done about it?

A. Well if I have to answer a question of that kind, the answer is that we didn't think we had a ghost of a show and the conditions that had existed up to now of getting any rates up. The O.P.A. and a few other people are opposed to such things.

Q. But that traffic is moving at rates less than those rates that you he*ar* claim are cons*is*t*a*tory; are they not, and moving in the same cars, and being handled in the same way?

Mr. Smith: Excuse me, but that is not what you asked of Mr. Capron. In order that the Court understand, I think Mr. Norman asked this: Whether or not those Commodities which move on exception and commodity rates take rates lower than the rates which are now in effect on the class traffic, and now he is suggesting that Mr. Capron has answered that those exception commodity rates are still lower than the rates, rates which the Commission has prescribed.

[fol. 1426] Mr. Norman: I will put it that way.

By Mr. Norman:

Q. Aren't those exception and commodity rates generally lower than present class rates reduced by ten per cent?

A. No.

Q. You think they are not?

A. I don't say that some of them are not, but certainly not generally.

Q. Have you given any consideration to how much your revenues on less than carload traffic would be increased if you brought all of your rates up to the level prescribed by the Commission?

A. Our revenues would be decreased.

Q. For what reason?

A. Loss of traffic under normal conditions, not today maybe, not the condition the trucks are in today. We made those rates to increase our tonnage.

Q. But you are voluntarily maintaining many rates on less than carload traffic which are lower than the rates you here claim are cons*is*t*a*tory.

A. If you want to call it voluntarily you may.

Mr. Norman: That is all.

Justice Knox: Does the Acheson and Southern Pacific run through this same territory that you are speaking about?

The Witness: The Acheson runs through both territories, Southern Pacific runs into Southwestern territory.

Justice Knox: The Acheson has not been in receivership has it?

The Witness: No, it certainly has not. It certainly hasn't. I stand corrected there. I overlooked the Acheson.

Mr. Smith: You didn't overlook it in answer to my question Mr. Capron because the question was put to the witness [fol. 1427] whether or not there is any major railroad that relies for its revenues exclusively on its operations on these two territories, as a great many of course do.

The Witness: I have.

Mr. Smith: Which have not been in bankruptcy or receivership for the last five or ten years.

The Witness: That is right.

Justice Chase: Have you another witness?

Mr. Smith: Yes Your Honor. You may stand aside, Mr. Capron for the present.

Mr. Vivian.

Glenn F. Vivian, called as a witness and being duly sworn testified as follows:

Mr. Smith: The Western lines offer exhibits for identification 1 and 2, if you please, into evidence.

Mr. Miller: We object of course.

Justice Chase: Yes.

Mr. Miller: I don't suppose it is necessary to make an objection each time.

Justice Chase: That is the same objection. They are received.

(Documents previously marked for identification received in evidence as Exhibit Numbers 1 and 2 of this date.)

Mr. Smith: May I ask the Court what the practice is as to who has custody of the exhibits when they are admitted?

Justice Chase: I will inquire.

[fol. 1428] Justice Knox: The Clerk takes charge.

Direct examination.

By Mr. Smith:

Q. Please state your name and address.

A. Glenn F. Vivian, 516 N. Jackson Blvd., Chicago, Illinois.

Mr. Norman: What is the name?

Mr. McCollester: Vivian.

By Mr. Smith:

Q. What is your occupation?

A. I am Manager of the Statistical Bureau of the Western Lines, Chicago, Illinois.

Q. How long have you held that position?

A. Since 1937.

Q. Were you engaged in statistical work prior to that time?

A. I was. I was with the Milwaukee Railroad for 22 years.

Q. Engaged in that work?

A. Engaged in that work.

Q. What does the statistical bureau for Western lines—and what are your duties as manager?

A. The Bureau was organized in 1916 by the Western Railroads to prepare analytical statements of various kinds. My duty as manager is to prepare those statements.

Mr. Smith: Will you mark this for identification?

(Chart marked Exhibit Number 3 for identification of this date.)

Mr. Smith: May I place a copy of these, of this exhibit before the members of the Court.

Justice Chase: Yes.

By Mr. Smith:

Q. I believe you have in your hand, Mr. Vivian, the Plaintiff's exhibit 3 for identification. I will ask you if you prepared that exhibit?

A. I did.

[fol. 1429] Q. Who is Mr. Edwards who is referred to in the title of exhibit 1?

A. Dr. Ford K. Edwards, Head Cost analyst of the Interstate Commerce Commission.

Q. What is meant by the phrase "less than carload costs" in the title or caption of that exhibit?

A. The cost of moving less than carload quantities as determined by Dr. Edwards.

Q. Have you on this chart undertaken to picture a comparison between certain rates and certain costs bases?

A. I have.

Q. Will you look at the exhibit which you have in your hand, Mr. Vivian, and tell me whether the first un-numbered page refers to 55% in the caption?

A. It does.

Q. And does the second page which I shall refer to as page 2 refer to 70% in the caption in the same relative location?

A. It does.

Q. And does the third page refer in the second line of the caption to 10 tons per cost?

A. It does.

Q. Now turning to page 1 of exhibit 3 for identification, what does the solid black line on the exhibit represent?

A. The solid black line on the first page of the exhibit represents the fourth class scale of rates prescribed by the Interstate Commerce Commission with the interim order for zone 1 of Western trunkline territory.

Q. Referring to the form of that chart or economic set-up, will you explain what the horizontal and vertical distances mean?

A. Vertical distance- are cents per hundred weight and the horizontal is short line mileage.

Q. What does the broken line represent?

A. The broken black line represents 55% of the appendix 10 scale which has been prescribed by the Interstate [fol. 1430] Commerce Commission as just and reasonable for application to the territory from the Atlantic to the Rocky Mountains as embraced in the case, or a permanent basis.

Q. Do I correctly understand that the solid black line then represents the rate prescribed by the Commission in the interim order for application in zone 1 alone, but that the broken black line is a permanent rate found just unreasonable for this entire territory, west, east and south.

A. That is correct.

Q. Were you present at each of the hearings before the Commission in the class rate investigation of 1939 at which Dr. Edwards testified?

A. I was.

Q. Have you examined the exhibits in this record which were prepared by Dr. Edwards purporting to show the cost of transporting less than carload traffic in the Western territory?

A. I have.

Q. Referring to the solid red line, have you used Dr. Edwards' method of after figures in showing his cost basis for various points or distances?

A. I have.

Q. I call your attention to the Commission's statement at page 583 of its report, that the actual average rate of less than carload traffic in Western territory in the test year of 1939 was 4.3 tons, and ask you if on this exhibit you have depicted Dr. Edwards' cost basis for the average loading of 4.3 tons of less than carload traffic?

A. I have.

Q. What is the number of the Edwards' exhibit from which this information is derived?

A. Exhibit 13.

Q. What does the solid line represent?

A. The solid line represents Dr. Edwards' out-of-pocket [fol. 1431] cost based on 4.3 tons of L.C.L. freight moving in the Western territory with an allowance of 10% for security and 10% for pick-up and delivery service.

Q. Please explain the adjustment that you have made for the 10% security.

A. That Edwards recognizes in his study the security through the development of his costs because they are based on the operating movement which is usually longer than the short line mileage.

Q. Can you conveniently refer to the statement that Dr. Edwards made on that subject?

A. I can.

Mr. Smith: I wish you would read that answer back to Mr. Vivian, Mr. Reporter.

(The Reporter repeated the Answer.)

The Witness: As a consequence it is necessary to make an allowance for security.

By Mr. Smith:

Q. Now will you please refer to Mr. Edwards' statement on that subject?

A. At page 93 of exhibit number 12 of Dr. Edwards, he makes the following statement:

"The costs developed by the Bureau are based on the actual distance over which the traffic was handled. On the other hand mileage rate scales prescribed by the Interstate Commerce Commission are usually based on the short line mileage. This is the shortest distance over which the traffic can be moved without transfer of lading. If the actual distance exceeds the rate moving distance by 10%, the rate for any given freight line distance should be compared with the cost for a 10% greater margin. That is the rate for 100 miles should be compared with the cost computed for 110 miles."

[fol. 1432] Q. And that is what you have done in this solid red line?

A. That is correct.

Q. Now I will ask you if this is a statement in the report of the Commission that you referred to, on page 584: "Class rate traffic moves over routes which are probably 10% or more longer than the short line on which the class rate scales are based."

A. Yes, that is a quotation from the report that I had in mind.

Q. Now please explain the allowance which is reflected in the chart for pick-up and delivery service?

A. The pick-up and delivery expense of the Western territory, as found by Dr. Edwards, was divided by the tons of L.C.L. freight originating and terminating in the Western territory. This produced slightly more than five cents per hundred weight for either pick-up or delivery service. For the two services combined it was ten cents.

Q. Do you mean by your statement that Dr. Edwards did ascertain the total expense of the Western roads in the performance of pick-up and delivery service for the test year of 1939?

A. Yes.

Q. And that is the figure that you have used as you have indicated; is that so?

A. That is correct.

Q. Now referring further to these solid red lines, does that include any of the constant or fixed costs in the transporting of less than carload freight?

A. No.

Q. Does the Commission so state in its report?

A. Yes.

Q. Do you have in mind for the year 1939 the total expenses of the Western roads of that character; namely, constant or fixed costs of transporting of traffic?

A. No, I haven't right at the moment.

[fol. 1433] Q. Do you know what are the figures approximately. I will come back to that question.

A. All right.

Q. If I ask you if approximately it is three hundred and fifty million dollars would it refresh your recollection?

A. It sounds familiar, but I wouldn't say positively.

Q. Well I will withdraw that question. Do you know whether the cost of railroad labor, the cost of materials, supplies, and the cost of Federal taxes of the Western lines have increased since 1939?

A. Yes they have increased substantially.

Q. Are Doctor Edwards' cost studies presented in such form that you have been able to adjust his 1939 costs of handling less than carload traffic to increased costs which you just referred to?

A. They are, and I have done so.

Justice Chase: We might just as well take our recess now. We will take it for an hour and a quarter.

Mr. McCollester: May I inquire of the Court, just to facilitate things? The record before the Commission that we have has arrived, except one part that is still coming by express, but the main part of the record is here. We have it all in a box and the Commission certified it. They have certified it in bundles of exhibits. I think there may be ten or fifteen bundles. Would you want the whole thing marked as one exhibit, in which case we will leave them in the box, or should each bundle be marked, in which case we will take them out of the box? The box will be a convenient way to get them around.

Justice Chase: I think if you will leave it all in the box, that will be the better way to handle it.

Recess taken at 12:45 P.M. until 2:00 P.M. of the same date and at the same place.

[fol. 1434]

Afternoon Session
New York City, New York,
Monday, February 18, 1946, 2:00 P.M.

Presiding: Justice Harrie B. Chase, Justice Stephen W. Brennan, Justice John C. Knox, United States Judges.

Appearances: (Same as before.)

[fol. 1435] Mr. Smith: May it please your Honoes, Mr. Capron would be glad to be dismissed at the convenience of the Court and parties. He is here and if his cross-examination could be concluded that would be very satisfactory to us.

Justice Chase: Are you now ready to proceed with the cross-examination?

Mr. Miller: I am ready, Your Honor, yes.

Lawrence R. Capron resumed the stand and testified as follows:

Cross-examination.

By Mr. Miller:

Q. Mr. Capron, your Exhibits I and 2 which deal with items in the classification which you say do not move under commodity or exception rates, to what territory does that statement apply?

A. Western Trunk Line and Southwestern territory.

Q. Do you mean throughout those two territories none of these commodities move on exception or commodity rates for any hauls?

A. That is right.

Q. Who prepared those exhibits?

A. They were first prepared by the staff of the Western Trunk Line Committee. Then I had my own rate department make a spot check of the exhibits and they told me [fol. 1436] that they could find nothing wrong with it.

Q. The people working under you didn't attempt to go over all the items on that?

—. I think it was impossible for my staff to go over each and every item.

Q. Those exhibits then——

A. (Interrupting): I might inform you that I was informed that the Western Traffic Lines staff who undertook the initial work of preparing this for me did a pretty thorough job of checking.

Q. You don't know of your own knowledge whether those items moved on one kind of rate or another, and you are not stating that your own organization knows? What you did was to make a spot check of what some other organization made, is that correct?

A. Well, the Western Trunk Line organization is our organization, you know, as far as that is concerned, and the fact of the matter is that I know of my own knowledge that this exhibit is substantially correct. I cannot say of my own knowledge that some few things may not have been overlooked.

Mr. Miller: If, the Court please, I move to strike those *ex* two exhibits on the ground they weren't prepared under this witness' supervision and there is no one here whom I may cross-examine.

Mr. Smith: If your Honor please, if I may say a word, we have a record before this Court——

Justice Chase (interrupting): The motion is denied.

[fol. 1437] By Mr. Miller:

Q. You were testifying about the lots of less carloads and other matters on the Burlington, I believe. Were you purporting to testify about conditions on other roads also? That is, was your testimony confined when you are speaking of loads, of what your loads were, and your loadings in the future, was that testimony confined to the Burlington?

A. No.

Q. You are sufficiently familiar with conditions of the other roads so that you can testify about each one, is that correct; and what their policy is?

A. I didn't say each one individually; the major lines, yes.

Q. You said a substantial amount of the traffic moved on class rates in the Western territory. What did you mean by "substantial"?

A. Well, I mean just what the word implies. It is substantial. It isn't just a scattering movement. It is steady and fairly substantial movement.

Q. What percentage of total traffic?

A. Well, I cannot answer you in percentage definitely because no such interpretation has been made, but in my judgment it will be at least 50 per cent, and probably much more.

Q. That is an estimate, of course?

A. Yes, sir.

Q. Now you said that a good many commodities moving on L.C.L. had been lost to the railroads to cut competition [fol. 1438] and that a good deal of it also had been combined into carload movement by the making of all commodity rates and tariffs and other things, is that true?

A. That is true.

Q. Is the shift of that traffic away from less than carload rates because of the amount charged on class rate movements, in other words, have those rates been put in effect because higher class rate scales won't move the traffic?

A. That has been their—I will put it this way: that was their purpose when they were established.

Q. You mean the taking of them out of the classification and putting them in this other category, in these other categories is because the class rates were too high to move the traffic?

A. In competition with the trucks.

Q. Is the answer to that question yes or no? Were they taken out because the class rates were too high to move the traffic?

A. In competition with the trucks; I insist upon that qualification being in the record. It was because of the competition with the trucks.

Mr. Miller: I wonder if I can get a yes or no answer to that question?

Justice Chase: I think we understand what he says. It is too high to get the business.

By Justice Chase:

Q. Is that what you mean?

A. Yes, sir.

[fol. 1439] By Mr. Miller:

Q. Now, your figure, I believe, on the average loading taken from the Edwards' testimony for the year 1939 was 4.3 tons per car. Was I correct in understanding that?

A. That was read by Mr. Douglass Smith and I understood that is where he got it.

Q. Are you familiar, Mr. Capron, with the organization of the Pennsylvania Railroad set-up to attempt to improve its rate of return from less carload traffic?

Mr. Smith: That is objected to, as to whether the witness is acquainted with the Pennsylvania Railroad's procedure, what the Pennsylvania Railroad is doing.

Mr. Miller: The witness says, or has said that he knows what other railroads are doing and I think it is pertinent on whether he knows what the railroads are doing.

Justice Chase: Your question is whether he knows enough about it. I think you are going pretty far afield on that.

The Witness: Your Honor.

Justice Chase: You just answer whether you are or whether you are not. You can answer that question.

The Witness: There is another—I didn't intend to testify that I was familiar with the Eastern Railroads. I am talking about the Western Railroads.

[fol. 1440] Mr. Miller: Yes, I understand that, your Honor, but I thought he might know about it because my next question was to bear and follow up on it. That refers to his own road.

Justice Chase: If you have a question that amounts to anything you may.

Mr. Smith: I think so, your Honor.

Justice Chase: All right.

The Witness: I am only familiar with the fact that the Pennsylvania Railroad did set up such an organization. I don't know any of the details.

By Mr. Miller:

Q. Well, hasn't your own railroad, the Burlington, undertaken, on a rather extensive basis, to substitute auxiliar- truck service railroad service on way freight so as to cut—so as to eliminate this low less carload carloading?

A. The Burlington Railroad owns what is known as the Burlington Transportation Company that operates buses and trucks to a limited extent. Some of the so-called or some of the rail L. C. L. is distributed from distributing points under a substitution arrangement that is recognized by the Interstate Commerce Commission. That is quite limited because of the requirements of the diffdrent cer-

tificates of necessity. This Burlington trucking organi-
[fol. 1441] zation is made up of a large number of smaller operations that were acquired at different times. We can't substitute this service as extensively as we would like to, to give the shipper the benefit of a quicker distribution from a division point than he would like on a way freight that would run maybe three days a week, but where we can't we have substituted this truck service so that towards the end of the shipment's journey to get it on there a lot quicker or to get it to destination a little quicker from a division.
[fol. 1442] Q. And the purpose of that is to eliminate the high cost of loading the cars?

A. The purpose of that is to give better service.

Q. And that cost element doesn't come into it at all?

A. No.

Q. Have you made any analysis, Mr. Capron, of the effect of the raising of the minimum charge for less than carload shipments from 55 to 75 cents under the Commission's order?

A. I have not.

Q. You don't know how much increased revenue that would bring your road or those other roads?

A. I do not.

Mr. Miller: I think that is all.

Mr. Smith: I have no further questions. Mr. Capron you are excused.

Mr. Vivian.

Glenn F. Vivian resumed the stand as a witness and testified as follows:

Direct examination (Continued):

By Mr. Smith:

Q. Just before the recess, Mr. Vivian, I believe you testified that you had determined from an examination since 1939 the costs of labor, materials, and supplies used by the railroads and the cost of payroll taxes for the Western lines has increased since 1939. Will you please refer to Western lines' exhibit 3 for identification and to sheet 1 of that exhibit, and explain what the broken red line represents?

A. The broken red line represents Dr. Edwards' out-of-pocket costs for moving 4.3 tons of L. C. L. freight in the western territory adjusted to the January 1946 levels of wages, materials and supplies and payroll taxes.

Q. Well it also reflects the same allowance for the 10% [fol. 1443] security of the pick-up and delivery expense which was reflected in the solid red line?

A. The same amounts of security but an increase in the pick-up and delivery.

Q. Now I want you to explain that increase in pick-up and delivery, but first I wish you would explain how you determined the increase in the prices of the materials and supplies of January 1946 from the test year of 1939?

A. Eight of the larger of the Western railroads provided semi-annually a statement showing unit price of the principal materials which they purchased other than fuel, and we have compiled the December 1938 and the June 1939 reports on the one hand and June and December 1945 on the other. From these two we have prepared the increase in the material prices.

Q. Will you indicate to the Court approximately what percentage of the entire revenue and expense of the Western territory is represented by the revenues and expenses of these eight large lines that you have used?

A. In the neighborhood of 63%. In other words very nearly ⅔rds of the Western district is represented by these eight railroads.

Q. How did you determine the increase in the price of fuel?

A. The Interstate Commerce Commission published a monthly report known as M.-230 and using the same number which I have just described for the materials other than fuel we developed for the Western railroads the increase in the price of fuel.

Q. Now how did you apply these respective increases to Dr. Edwards' study in order to reflect in these lines that are shown on the chart and the lines which portray those increases, those advances in prices?

A. We had available the purchases of these eight rail- [fol. 1444] roads for the year 1940 and we weighted the increase in fuel and increase in other materials we purchased in that year, reaching a composite increase for all material and supplies, including fuel.

Q. What is the result of the figure which represents the difference in prices of materials and supplies between 1939 and 1946, as you computed them?

A. Thirty-two per cent increase.

Q. How did you compute the increase in wage rates paid by the Western railroads since 1939?

A. The Interstate Commerce Commission prepare monthly a tabulation showing employees and their compensation. We have available in our files the figures for the year 1939 for straight time actually worked and straight time paid for. We also have the same information for the months of 1945 which are available. In this instance we employed the first nine months of 1945, as that was all that was issued up to that time, and obtained from those tabulations the cost per hour for wages, straight time. By comparing these units costs we obtained the percentage of increase.

Q. Is an arbitration presently being conducted, or is it about to begin between the Railroad Brotherhood and the railroads of the United States in respect to wage levels?

A. Yes.

Q. Am I correct in understanding that the increases that you have undertaken to compute, to depict, here are of course the wage increases and only those which occurred between 1939 and 1946?

A. That is correct.

Q. What percentage of difference in wage rates per hour did you find in those two periods based on the figures of the Commission?

A. An increase of 27%.

[fol. 1445] Q. Is this adjustment with you made in the payroll figures for January 1946 levels the wages and prices of material and supplies reflected in the broken red line on the chart?

A. Yes.

Q. Does the Interstate Commerce Commission,—and I am referring to the Interstate Commerce Commission Mr. Vivian whenever I speak of the Commission here—does the Interstate Commerce Commission publish reports showing comparative levels of prices and materials and supplies?

A. They do.

Q. Have you examined those reports?

A. I have.

Q. What is the title of the most recent of those reports published by the Commission that you referred to?

A. Railroad construction indices compiled by the Engineering Section of the Bureau of Valuation, Interstate Commerce Commission. This report that I have is dated August 1st, 1945.

Q. Does that publication by the Commission show, or purport to show, all of the commodities and the price trends of all of the commodities used by the railroads?

A. All of the principal commodities, exclusive of the fuel.

Q. Officially does the index of increases of trends in prices of all materials which are used by the railroad in construction work, is that not so?

A. Construction and maintenance, yes.

Q. Does that include fuel then?

A. Only in a very minor degree.

Mr. Smith: I have that document here, if the Court please, and I will be glad to offer it if it is desired. In the absence of request for that I will ask this witness to state the difference in the cost levels revealed by those reports of the Commission with reference to the commodi-[fol. 1446] ties you have been discussing.

The Witness: The Western District reflects the increases in cost of 36% for these materials between 1939 and 1944, the last year that is given in this particular report.

By Mr. Smith:

Q. So that it reflects no increase since 1944?

A. No sir.

Q. Now what is the comparative figues that we can put alongside of that 36% which you have used as a result of your own computation?

A. 32%.

Q. Does the United States Department of Labor, Bureau of Statistics, publish any report on the average levels of wholesale prices?

A. Yes.

Q. What is the title of the most recent of such reports?

A. Average Wholesale Prices and Index Numbers, with Appendices, October 1945.

Q. Have you examined that report?

A. I have.

Q. How does the average level of prices shown in that exhibit for October 1945 compare with the average level of prices shown in that report for 1939?

A. It shows a 37% increase for all commodities.

Q. That compares with the 32% that you have employed here?

A. That is correct.

Q. Does that price index reflect the experiences on all commodities sold at wholesale?

A. That is correct.

Q. Do Dr. Edwards' studies show out-of—strike that please. Do the Edwards' out-of-pocket costs include Federal payroll tax as they existed in 1939?

A. Yes.

[fol. 1447] Q. I call your attention to the explanation on the exhibit 3, page 1, beside the broken line on the exhibit, and ask you what adjustment you made on account of payroll tax to reflect any increase in those taxes for the present time from 1939?

A. The payroll tax rate of 1939 was 5¾%. Effective January 1, 1946 this rate became 6½%. We have adjusted for the difference in the two rates for payroll tax.

Q. Calling your attention again to the explanation beside the broken red line on the exhibit, I will ask you how you computed the adjustment of 14 cents per one hundred pounds for average pick-up and delivery expense?

A. We used the same method for pick-up and delivery of the Western District for the year 1944, which was the last available year, divided that by the tons of L. C. L. freight originating and terminating in the Western territory, producing the cost of seven cents for each service, or fourteen cents for pick-up and delivery.

Q. Do the two lines on this chart, the solid red line and the broken red line, show what Dr. Edwards refers to as his out-of-pocket costs?

A. Yes.

Q. Do those costs as developed by Dr. Edwards and as shown on the chart purport to show the constant expense, constant costs solely related to less than carload costs?

A. No.

Q. Please explain what the solid green line on the exhibit represents?

A. The solid green line represents Dr. Edwards out-of-pocket plus the constant costs that are solely related to

L. C. L. freight for a movement of L. C. L. of 4.3 tons in the Western territory.

[fol. 1448] Q. Is it true or not that Dr. Edwards undertook to develop what might be called the two categories of costs, one out-of-pocket and two fully related costs, so called?

A. The constant cost?

Q. Yes?

A. That is correct.

Q. Have you undertaken to reflect both of these categories of costs in the aggregate in your solid green line?

A? I have.

Q. I call your attention to the statement on page 583 of the Commission's report referring to the Edwards costs, that I am now quoting:

"The less than carload costs do not include any of the constant or fixed costs common to all traffic" And I ask you do any of these lines on Western railroads exhibit 1 include any of those constant or fixed costs common to all traffic, that Dr. Edwards omitted?

A. No, they do not include either.

Q. Can you tell me for the year 1939, the test year, when the aggregate expense of the Western lines amounted to for that type of costs, namely the constant or fixed costs common to all traffic.

A. 351,760,000.

Q. Is there as much as a dollar of that figure reflected in the Dr. Edwards studies in the class rate case or in these lines which you show on the chart?

A. You refer to the L. C. L. portion.

Q. Exactly?

A. No, none of that expense is in L. C. L.

Q. I ask you to turn to page 2 of exhibit 3 entitled "Comparison of Edwards less carload cost in Western district with freight class 70% rate prescribed by Commission based on average rating of 4.3 tons per car." Did you compare that exhibit?

[fol. 1449] A. I did.

Q. Did you prepare it?

A. I did.

Q. What does the solid black line on exhibit, page 2 of exhibit 3 represent?

A. Freight class scale of rates as prescribed by the Interstate Commerce Commission in their interim order for zone 1.

Q. And what would you say as to the broken black line?

A. The broken black line is 70% of the appendix 10 scale, is a permanent basis which applies over the entire territory.

[fol. 1450] Q. And what was it as to the broken black line?

A. The broken black line is 70 per cent of the appendix 10 scale as a permanent basis. It applies over the entire territory.

Q. And by "applies over the entire territory," do you mean that that is the permanent rate found just unreasonable by the Interstate Commerce Commission for application throughout these three classification territories, the so-called Official, Southern and Western?

A. Yes.

Q. And that is in so far as those territories were involved in this proceeding?

A. That is correct.

Q. Now, you have on this exhibit certain lines which represent Dr. Edwards' costs which you have adjusted in certain ways, is that so?

A. That is correct.

Q. And, referring to those lines, namely the solid red line, and the broken red line, and the solid green line, and the broken green line, are those the same lines placed in the same position on the chart as the lines which you have already described with reference to page 1?

A. They are.

Q. And does the explanation which you made with reference to those lines on page 1 apply in every detail and respect with those lines on page 2?

A. Yes, they do.

[fol. 1451] Q. I ask you to turn to page 3 of this Exhibit 3, the comparison of Edwards' less carload costs in the Western District with 4th Class 55 per cent rate described by the Commission based on assumed average loading of ten tons per car and I will ask you if you prepared that chart?

A. I did.

Q. Is the mechanical set-up of the chart the same as those that you explained?

A. Yes.

Q. What does the solid black line represent?

A. The solid black line is the same as the line on page 1 of the exhibit, namely 55 per cent or 4th class rates prescribed in the Commission's interim order for Zone 1.

Q. And will you explain the broken black line?

A. The broken line is likewise similar to the broken black line on page 1, being 55 per cent of the appendix 10 scale as a permanent basis.

Q. Are the lines picturing Dr. Edwards' costs on this page different from those on pages 1 and 2?

A. They are different to the extent that they are for a ten ton load. Otherwise the preparation has been as previously explained for the other pages.

Q. Do the Edwards studies show the cost on the basis of handling L. C. L. traffic for average loading of ten tons?

A. Yes.

Q. State whether or not the cost lines on Exhibit 3 [fol. 1452] represent the same cost bases as those depicted on exhibit pages 1 and 2, except that the lines on Exhibit 3 represent Dr. Edwards cost for loading ten tons adjusted in the manner which you have just explained?

A. That is correct.

Mr. Smith: Your Honors, Mr. Knowlton inquired this morning and—I should not say he inquired—he offered as an exhibit here as a part of the record, the so-called merchandise report that is referred to in the report of the Commission. You have no objection to that being in the record.

Justice Chase: Very well, put it in.

Q. Now, Mr. Vivian, referring to this merchandise report that was in the record by reference and has now been made a part of the record physically, I will ask you whether that discloses the test period covered by that study of average weight per consignment of L. C. L. traffic in the West?

A. Yes.

Q. And what is that average weight per consignment of L. C. L. traffic in the West?

A. 384.2 pounds.

Q. Did the carloadings of the Western roads recede on or about V-J Day of last August?

A. Yes.

Q. What week of the year was that?

A. The 32nd week of the year.

[fol. 1453] Q. Did the carloadings of the Western lines following V-J Day drop under the carloadings of those lines for 1941?

A. They did after a period of about three to four weeks, and remained under 1941 for the remainder of the year.

Q. Referring to the carloadings of these Western Lines for the early part of 1946 and for that period concerning which you have information on the subject, have the carloadings of the Western lines dropped below or are they in excess of the 1945 loadings for the same period?

A. They are below the 1945 loadings.

Mr. Smith: The Western lines offer Exhibit C.

Justice Chase: Is there any objection?

Mr. Miller: The same objection.

Mr. Smith: And that concludes Mr. Vivian's direct.

Mr. McCollester: May I ask a question?

Justice Chase: Yes. Just before you do, this supplemental record which Mr. Knowlton has offered and has been admitted, I don't know whether that ought to be designated in some way or whether it designates itself?

Mr. Smith: I think it is for all intents and purposes in the record, your Honor, and my suggestion would be that it be put in Mr. McCollester's box of records.

[fol. 1454] Justice Chase: All right, that will take care of it.

Direct examination.

By Mr. McCollester:

Q. Mr. Vivian, that there may be no confusion upon the record, I have just a couple of questions I should like to ask you. Is it not correct that Dr. Edwards, in making his computations, divided the railroads of the country into different groups and made his computations on the basis of statistics by groups of railroads?

A. That is correct.

Q. All of the statistics of Dr. Edwards that you have used are statistics relating to the Western group of railroads, is that correct?

A. The Western territory which Dr. Edwards embraced, not only Western District Railroads but parts of other carriers that operated in both East or South.

Q. But those figures that you have used were presented by Dr. Edwards as representing his computations regarding costs of transportation in Western territory and not costs of transportation in Official territory, is that not correct?

A. That [illegible] correct.

Q. And none of the figures or testimony that you have given relate to cost of transportation or less carload or any other kind of freight in Official territory?

[fol. 1455] A. That is correct.

Mr. McCollester: I think that is all.

Mr. Miller: If the Court please, I wonder if it would be possible for us to see the documents on which this testimony was based? I think we could prepare for cross-examination and have our cross-examination deferred. I have refrained from making any objection based on lack of foundation for this testimony, which I think would have been well taken. I thought if arrangements could be made to see the documents to see how the figures have been weighted, which I assume the witness has, it would be helpful.

Justice Chase: Do you mean a short time now or have them this evening?

Mr. Miller: If we could have them overnight and have the witness recalled for cross-examination if we want to have cross-examination; I am not sure that we do.

Justice Chase: Have you any other witnesses?

Mr. Smith: No, that concludes this.

Justice Chase: Have you any witnesses, Mr. Miller?

Mr. Miller: Not at this time, your Honor. I assumed we wouldn't be putting in any testimony anyway until our case started. I assumed that the case for the plaintiffs in [fol. 1456] the two suits would be put in first. I don't expect we will have very much testimony, but if we do it will be short.

Justice Chase: I realize for this sort of thing you need some preparation. We will do that. If we can go along on something else, we don't want to stop now if we can help it and wait for that.

[fol. 1457] Mr. McCollester: On the other hand I don't like to start our argument until all of the examination of the witnesses has been concluded.

Justice Chase: It is rather embarrassing both ways.

Mr. Miller: If we put in any testimony, I may say this to the Court, it would only be I am sure in some sort of rebuttal of these particular things that have gone in here.

Justice Chase: Suppose we give you a little time now. Can you get ready and conduct your cross examination?

Mr. Miller: If I have to do it without having an analysis made of these papers, I would rather not cross examine this witness. I have no reason to believe that his weighting and——

Justice Chase (Interrupting): Of course we come to this aspect—you need not take this.

(Discussion outside the record which the Court Reporter was directed not to take.)

Justice Chase: We will take a recess of fifteen minutes or even a half hour to give you time to look over the papers.

(Recess taken. Case resumed after recess same date and same place.)

Mr. Miller: The fifteen minutes were very productive. Subject to the Court's approval we made this arrangement. [fol. 1458] Mr. Smith is going to make available to us all the papers that we are interested in. We will waive any cross examination of this witness with the understanding that we would put in our reply brief any criticism we might have of this testimony based on our study of it.

Mr. Smith: Your Honor, Mr. Miller suggested that to me and I told him I entirely agreed with it. I think on reflection that we ought to bring to the Court's attention this matter of brief, and I refer to it now for this reason. We are delighted to turn over to the Government all our working sheets on these exhibits. I wouldn't like to have Mr. Miller on behalf of the Government file the last brief in this case and make some comments on these exhibits which we think we can very quickly and fully explain. We are the moving parties here. We have the burden. I want to file with the Court's permission the last brief with reference to the issues of the Western case, and I think it is only fair to mention that now because Mr. Miller talks about a reply, and I was to reply to his reply.

Justice Chase: We will see about that when the time comes and try to be fair with everybody.

Mr. Miller: We will try to make our examination very quickly, and if we have anything to say, we will say it quickly. Perhaps we can do it separately before any reply brief is filed. Perhaps we can work something of that sort out.

[fol. 1459] Mr. Smith: I believe that I offered Exhibit 3, Your Honor, but the transcript is gone. May it be understood that it is submitted?

Justice Chase: It may be understood that it has been received.

(Chart previously marked for identification received in evidence as Exhibit Number 3 of this date.)

[fol. 1460] Mr. Miller: I might say further to the Court that the Government is not proposing to offer any more evidence and I move to strike all the evidence received on the grounds previously stated and also all the affidavits filed at the time of the hearing of the interlocutory injunction by counsel for the plaintiff and the plaintiff's intervenors.

Justice Chase: I understand that the evidence is closed so far as the introduction of evidence is concerned.

Mr. Smith: Yes, of course. The Western lines are relying also on the evidence that is being offered physically by Mr. McCollester, but we have no further witnesses.

Mr. Miller: As to that evidence, Mr. McCollester, it is my understanding, that he didn't make an actual offer, and we want to be sure it covers the whole record, what the record is made up of.

Justice Chase: Well, we will take that up and decide that later.

Mr. Norman: If Your Honors please——

Justice Chase: I want to dispose of one motion at a time. I reserve decision as to Mr. Miller's motion.

[fol. 1461]

EXHIBIT No. 1

Items in Consolidated Freight Classification No. 16 and Supplements Thereto Rated Fourth Class (Column 55) Less Carload in Western Classification on Which No Commodity or Exception Ratings Apply

Item No.	Commodity
20	Abrasives, crude or lump
25	Abrasives, flour or grain
30	Abrasives, refuse
100	Acid, chlorosulfonic, in bulk in barrels
115	Acid, electrolyte, in lined barrels or rubber drums
205	Acid, sulphuric, in metal barrels
425	Heads, fork, hoe, manure hook, potato hook or rake, in barrels, boxes or crates
630	Binder twine
800	Hay carrier track
1025	Agricultural implement beams, iron or steel
1030	Agricultural implement beams, wooden
1100	Handles, agricultural implement, iron, in packages
1105	Handles, agricultural implement, wooden:
	In the rough
	In the white
1155	Poles, agricultural implement, wooden, in the white, ironed or not ironed
1175	Runners or shoes, harrow, iron
1185-A Sup. 21	Seats, agricultural implement, iron, without seat springs or brackets
1275	Air preheater elements, steel
1425	Aluminum-manganese-silicon
1430	Briquettes, manganese or iron ore and coal or lime or sand combined

[fol. 1462]

Item No.	Commodity
1435	Calcium-aluminum-silicon
1445	Chromium-silicon-manganese
1450	Ferro-alloys, noibn
1455	Ferro-chrome
1465	Ferro-manganese-silicon
1470	Ferro-phosphorus
1480	Ferro-silicon-aluminum
1495	Ferro-titanium
1520	Silicon-calcium
1530	Zirconium-ferro-silicon
1532	Alumina, calcined or hydrated
1555	Ashes, aluminum
1635	Dross, aluminum
1647	Aluminum fluoride
1750	Aluminum skimmings
1872	Bombs, practice, concrete, steel reinforced
1937	Anchors, noibn, iron

Exhibit No. 1—Continued

Item No.	Commodity
2035	Asbestos fibre
2075	Ridge roll, asbestos
2080	Roofing or sheathing, asbestos
2090	Asbestos sand
2095	Asbestos scrap
2100	Asbestos shorts or waste
2128	Ash, fly
2130	Ash, volcanic, crude or ground
2140	Ashes, bagasse

[fol. 1463]

Item No.	Commodity
2145	Ashes, cactus
2150	Ashes, cotton boll, burr or seed hull
2155	Ashes, kelp
2165	Ashes, manure
2170	Ashes, rice hull
2175	Ashes, sage brush or wood
2180	Ashes or cinders, coal
2190-A Sup. 21	Asphalt (asphaltum), natural, by-product or petroleum, liquid, other than paint, stain or varnish
2195	Asphalt (asphaltum), natural, by-product or petroleum, solid
2205	Pitch, brewers' or pine
2207	Pitch, lignin, dry
2210	Pitch, montan
2215	Pitch, noibn, ground
2220	Pitch, noibn, not ground
2225	Pitch, tall oil
2230	Tar, candle
2235	Tar, coal or petroleum, in bulk in barrels
2240	Tar, hardwood
2245	Tar, noibn, in bulk in barrels
2250	Tar, pine
2395	Dumb bells, iron
2475-A Sup. 35	Gold balls, old, used, having value only for repair
2820	Axle housings, iron, unfinished

[fol. 1464]

Item No.	Commodity
2835	Axles, automobile or trailer, without external or internal attachments or movable parts
2845	Boards, floor, running or toe, wood, not trimmed
3010	Automobile brake drums, without attachments, unfinished
3050	Chains, tire cross, steel
3065	Crank extensions, automobile starting
3195	Automobile hubs, iron or steel, without bearings
3450	Automobile transmission mountings, steel
3475	Wheel bands, felloes, flanges, rims, rim clamps or wedges, hub flanges, tire bases, tire bead locks or side or locking wheel rings, steel

Exhibit No. 1—Continued

Item No.	Commodity
3570	Bagasse pith or sugar cane pith, dehydrated, other than dust or flour, in machine pressed bales
3680	Bags, nitrate of soda, empty, unwashed
3735	Bags, shipping, rubber, old, used, in steel drums
3835	Balls, filtering, cement or clay
3900	Bark, hickory, not ground nor powdered
3915	Bark, redwood, shredded
4060	Basket or hamper material, wooden, other than rattan, reed or willow
4235	Battery box compound
4236	Battery cylinders, frames or plates, copper, steel or zinc, burnt out
4245	Battery mix, ground manganese ore and ground graphite combined, dry
4260	Batting or filling, cotton or kapok, old, used, not further reworded than mixed, in machine pressed bales

[fol. 1465]

Item No.	Commodity
4265	Bauxite (beauxite), causticized
4270	Bauxite (beauxite), flue dust
4290-C 4291-C Sup. 37	Beans, castor
4320	Bee hives, wooden, KD
4348	Beet slops (beet sugar final molasses residuum)
4365	Berries, palmetto
4395	Bird gravel or sand
4450	Blacks, dry, mineral earth or peat char, other than dry earth paint, in barrels or boxes
4460	Fertilizer blacks
4515-A Sup. 21	Bleach assistant compounds, noibn, dry
4520	Blocks, butchers', including butchers' cutting or chopping tables, or butchers' cutting or chopping table tops, without legs or bases or with legs or bases detached
4545	Blood, liquid, in barrels, or in metal cans in barrels or boxes
4652	Fenders, boat or dock, wood, steel and rope combined
4665	Knees, boat, in the rough
4670	Knees, boat, noibn
4820	Boiler arches or sidewall or arch blocks, iron and fire brick combined
4830	Boiler arch bars or arches
4840	Braces, boiler; flanges; nozzles; or handhole or manhole dollars, covers, crabs or lugs
4860	Boiler doors, with or without frames
4885	Boiler heads (ends), unfinished

[fol. 1466]

Item No.	Commodity
4900	Boiler parts, cast, noibn
4905	Boiler plates
4910	Boiler sections, cast iron

Exhibit No. 1—Continued

Item No.	Commodity
4920	Boilers, heating or power, cast iron, KD, or taken apart, with equipment of burners, sprayers, vaporizers or mechanical stokers
4920	Boilers, heating or power, cast iron, KD, or taken apart, without equipment of boilers, sprayers, vaporizers or mechanical stokers
5035	Furnace coils, pipe, U bent, iron
5037	Furnace doors, house heating, with or without frames, iron
Sup. 21 5090	Gas stove manifolds, without valves, not enameled nor plated
5098 Sup. 21	Heads (ends), water heater or range boiler, with nipples attached, iron, unfinished
5300-A Sup. 21	Stove or range castings, iron, other than enameled or plated, LCL, in barrels, boxes or crates
5480	Bone, charred filtering (animal charcoal), other than spent
5485	Bone, charred filtering (animal charcoal), spent
5490	Bone ash
5505	Bones, noibn, ground or not ground
5675	String nailes, steel, coiled, or tack strips (tacks attached to paper strips)
5750	Box or crate material, wood and wire combined, noibn, interwoven
5755	Box or crate material, wood and wire combined, noibn, not interwoven

[fol. 1467]

Item No.	Commodity
5755	Box or crate material, wood and wire combined, noibn, not interwoven
5765	Boxes, roadway, stop cock or valve, cast iron
5770	Boxes, water meter, clay or earthen, in boxes or crates
5775	Boxes, water meter, concrete
5780	Boxes, water meter, iron
5925	Boxes, ~~fruit~~ shipping refrigerator, wooden, old
5975	Boxes, meat shipping refrigerator, old
6050	Boxes, solidified carbon dioxide shipping, steel, insulated, with or without covers, set up, old
6060	Boxes, steel, noibn, KD flat or folded flat, old
6090	Boxes, wooden, folded flat
6110	Boxes, wooden, noibn, old, nested or not nested
6155	Boxes or crates, KD, wood and wire combined, noibn, interwoven or not interwoven
6185	Crates, iron, KD flat
6190	Crates, wooden, noibn, new, folded flat or in flat sections
6195	Crates, wooden, noibn, old (used), SU, nested or not nested
6195	Crates, wooden, noibn, old (used), folded flat or in flat sections
6202	Bracing or blocking, carloading, noibn, KD
6240	Ashes, brass, bronze or copper, LCL, in barrels or boxes
6305	Copper scale
6335	Grindings, brass, bronze or copper, LCL, in barrels or boxes

[fol. 1468]

Exhibit No. 1—Continued

Item No.	Commodity
6460	Skimmings, brass, bronze or copper, LCL
6470	Sweepings, brass, bronze or copper, LCL, in barrels or boxes
6490	Washings, brass, bronze or copper, LCL, in barrels or boxes
6515	Brick, bath (scouring brick)
6525	Beams or joists, structural, reinforced concrete or tile
6530-A Sup. 35	Blocks, building, hollow, or briquettes, slag or cinders and Portland cement combined
6535	Blocks or tubes, segment sewer, aluminum oxide or vitrified clay, LCL, in barrels, boxes or crates
6540	Brick, building, common, or pressed, fire, including fire brick shapes, or paving, noibn, weighing each 15 lbs. or over, loose
6540	Brick, building, common, or pressed, fire, including fire brick shapes, or paving, noibn, loose, subject to minimum charge as for 10,000 lbs., owners to load and unload
6540	Brick, building, common, or pressed, fire, including fire brick shapes, or paving, noibn, LCL, in barrels, boxes or crates, with or without tops, or in fibreboard wrapped bundles, metal strapped
6555	Brick, crushed or ground
6560	Brick, enameled or glazed, other than salt glazed
6565-B Sup. 37	Brick, glass, glass faced concrete or glass blocks
6570	Brick, insulating, infusorial earth, diatomaceous earth and clay combined
6580	Brick, lining, porcelain
6585	Brick, pouring (mold hot tops), clay, or clay and graphite combined or magnesia base

[fol. 1469]

Item No.	Commodity
6590	Brick, salt glazed
6595	Brick, stove (stove lining shapes)
6600	Brick, vermiculite
6605	Cribbing, concrete
6610	Fire clay, ground fire brick and water combined (plastic fire brick)
6615	Furnace or kiln lining or high temperature bonding mortar or cement, noibn
6625	Guard rails, highway, reinforced concrete, consisting of anchor block, posts and rails
6628	Heat radiating balls, fire clay
6630	Lot markers, cement or earthen
6635	Piling, cement or concrete
6640	Poles, electric wire, cement or concrete
6645	Posts, fence, cement or concrete
6650	Posts, highway marker, cement or concrete
6655	Posts, noibn, cement or concrete

EXHIBIT No. 1—Continued

Item No.	Commodity
6660-A Sup. 21	Quarries, flooring, paving or promenade
6665	Rings, hot top, clay
6670	Stones, shade, glass factory
6675	Stove lining composition, noibn, powdered
6680	Supports or props, mine, concrete
6685	Terra cotta, building, in barrels, boxes or crates
6695	Ties, railroad, cement or concrete, reinforced
6700	Tile, building, hollow, enameled or glazed, other than salt glazed
6715	Tile, building, hollow, salt glazed or plain
[fol. 1470]	
6725	Tile, building or roofing, reinforced concrete (building or roofing slabs), with corkboard or fibreboard insulation
6725	Tile, building or roofing, reinforced concrete (building or roofing slabs), without glass insertions or corkboard or fibreboard insulation
6733	Well tops, reinforced concrete
6780	Broom splints, wooden, noibn
6850	Brucite and dolomite combined, calcined or dead burned
6882	Asphalt, clay and Portland cement, unmixed
6885	Asphalt composition paving or flooring planks, ½" or more in thickness
6890	Asphalt flooring compound, noibn, solid (mastic blocks)
6895	Asphalt flooring compound, noibn, liquid or paste, in bulk in barrels
6900	Asphalt paving blocks, weighing each less than 15 lbs., in packages
6910	Asphalt paving blocks, weighing each 15 lbs. or over
6915	Asphaltic sewer pipe joints
6935	Cement, concrete or masonry waterproofing compound, liquid or paste, in bulk in barrels
6940	Cement, floor tile, liquid, having asphalt and coal tar base
6941	Cement mixing compound
6950	Concrete surface curing compound
6955	Concrete surface hardener, powdered, iron
6970	Concrete or masonry plasticizer and water reducing compound
[fol. 1471]	
6985	Culverts, iron or steel, cast
6995	Culverts, iron or steel, plate or sheet, KD
7085	Elevator guide clips, iron
7100	Elevator Guides, wooden
7205	Lathing, bituminized or sanded paper, metal reinforced
7235	Lightning rods, rod fasteners or fixtures, noibn, iron or steel, coppered, galvanized, painted or plain
7245	Mantels, cast stone; noibn, KD, LCL, in boxes or crates

Exhibit No. 1—Continued

Item No.	Commodity
7267	Panels, siding, wood shingles backed with paper and insulation board
7275	Paving blocks or slabs, rubber composition
7280	Paving blocks or tiles, cast iron
7285	Paving composition, sand, slag or stone and asphalt, pitch or tar combined
7290	Paving composition, stone, granulated cork and asphalt combined
7295	Paving joints, roadway, asphalt or asphalt base
7305	Paving joints, roadway, rubber composition
7340	Road binding or road sprinkling compound, noibn
7345	Road surfacing material adhesion preventive
7390	Wood, built-up or combined, covered with iron or steel
7730	Guards, window or skylight, iron or steel, other than wire (window grating)
7805	Moldings, noibn, iron or steel, or wood covered with iron or steel or tin plate, galvanized, plain or primed
7850	Prison work, steel, noibn
7960	Spandrels, cast iron or steel

[fol. 1472]

Item No.	Commodity
7980	Stair treads or risers, iron, noibn
7990	Stairs, iron, noibn, KD or in sections
8180	Door sills, wooden
8260	Frames, hot bed, wooden, KD flat
8310	Moldings, wood
8340	Sash, wooden, not glazed, KD
8355	Stair risers, stringers or treads, wood
8480	Towers, noibn, steel or wood, separate or combined, KD
8487	Buoy heads, steel
8595	Casket or coffin material, wooden, in the white, KD
8615	Grave vaults, asphalt composition, cement or concrete, KD
8625	Grave vaults, slate or stone, natural, KD
8810	Calcite, roasted, granular form, treated or coated, clinkered and burned to a dead state
8815	Calcium lineolate pulp or calcium salt of fatty acids
9125	Carbon briquettes, noibn
9145	Carbon clinker, from gas retorts
9170	Carbon flour, ground petroleum coke
9180	Molten metal bath carbon
9185	Petroleum carbon (petroleum coke), not ground
9200-A Sup. 21	Carbon scrap
9212 Sup. 35	Carbon mixture, unbaked

[fol. 1473]

Exhibit No. 1—Continued

Item No.	Commodity
9285	Blocking bolsters or cradles, shipping, old, used
9290	Blocks, braces or skids, sheet metal shipping, steel, or steel and wood combined
9300	Bottle carriers, (bottle carrying boxes or crates, with permanently fixed partitions), new, wooden, or wood and metal combined, KD flat or folded flat
9305	Bottle carriers (bottle carrying boxes or crates, with permanently fixed partitions), old, iron, steel, wood, or wood and metal combined, set up
9325	Cans, oyster shipping, iron (inside containers used with refrigerator oyster carriers), old
9340	Carboys, lead, old
9365	Coops or crates, animal or poultry, shipping, new, wood, KD flat or folded flat
9390	Cylinders, acetylene gas, steel, new
9410	Cylinders, steel, for shipping air, gases or liquids under pressure, noibn, new, coppered or nickeled
9415	Cylinders, steel, for shipping air, gases or liquids under pressure, noibn, new, other than coppered or nickeled
9450	Egg cases or carriers, wooden, KD
9475	Frames, paper packing, wooden, old
9520	Reel cores or drums, wooden or wooden with steel drums, KD
9545	Reels, cordage; electric cable, with or without lags; lead pipe; wire; wire braid or wire rope, wooden or wooden with steel drums, KD
9575	Transformer shipping containers, plate steel
9587 Sup. 37	Carriers or conveyors (overhead runways)
9600	Casein (milk curd), crude, not edible, ground or powdered

[fol. 1474]

Item No.	Commodity
9605	Casein (milk curd), crude, not edible, not ground nor powdered
9633	Caster bolts (caster shanks), caster forks or caster sockets, iron
9638	Casters, furniture
9640	Casters, truck
9705	Cement, automobile body sealer or sound deadener
9710	Cement, bonding, sealing or embedding, noibn
9715	Cement, furnace or stove
9720	Cement, linoleum
9760	Cement clinker grinding compound, dry, treated or untreated
9775	Cement, acid proof (building)
9780	Cement, hydraulic, masonry, natural or Portland
9785	Cement compound, building or floor, dry
9795	Cement flue dust

Exhibit No. 1—Continued

Item No.	Commodity
9800	Common lime, including magnesium lime, hydrated or hydraulic, quick or slaked
9805	Lime sludge or waste, dried
9815	Mortar, building, noibn, dry
9820	Plaster, calcined, patching, plaster of Paris, stucco or wall
9830	Plaster, land
9840	Cereal, noibn
9855	Bran; bran and wheat combined, flaked; or bran or bran and wheat combined with dried fruit, flaked or shredded
9870	Corn, roasted

[fol. 1475]

Item No.	Commodity
9880	Cereal food preparations, cooked, flaked or shredded, noibn, compressed and then crumbled
9890	Cereal food preparations, cooked, flaked wheat and ground flaxseed combined
9895	Cereal food preparations, cooked, granulated
10020	Alum, noibn
10025	Alum, sodium (sodium aluminum sulphate)
10085-A Sup. 37	Aluminum sulphate, or paper makers' alum
10087 Sup. 21	Aluminum sulphate containing not more than 5% of activated carbon
10090	Ammoniacal liquor or aqua ammonia, noibn, in bulk in barrels
10100	Ammonium, bicarbonate, in bulk in barrels
10110	Ammonium, carbonate, in bulk in barrels or steel pails
10115	Ammonium, chloride (muriate of ammonia or sal-ammoniac)
10150	Ammonium, sulphate nitrate (leunasal-peter), in bulk in bags, barrels or boxes
10163	Ammonium, thiocyanate (ammonium sulphocyanate) liquor
10230	Barium, aluminate
10240	Barium, carbonate
10250	Barium, chloride
10305	Barium, sulphide
10330	Borax (sodium borate)
10383	Calcium, acetate, dry
10385	Calcium, bisulphite
10400	Calcium, carbonate, noibn

[fol. 1476]

Item No.	Commodity
10405	Calcium, carbonate; recarbonated waste (whiting substitute)
10410	Calcium, chloride, liquid
10415-A Sup. 40	Calcium, chloride, other than liquid
10435	Calcium, nitrate
10440	Calcium, phosphate

Exhibit No. 1—Continued

Item No.	Commodity
10455	Calcium, sulphate
10460	Calcium, sulphite
10490	Carbon tetrachloride, in bulk in steel barrels
10505	Chalk, crude
10620	Copper sulphate (blue vitriol)
10635	Cryolite
10815	Glycerine, crude (spent lye), concentrated, or crude glycerine, other than spent lye
10820	Glycerine, crude (spent lye), not concentrated
10870	Iron, nitrate, in bulk in barrels
10875	Iron, oxide, noibn
10880	Iron, sulphate (ferric sulphate), dry
10885	Iron, sulphate (ferric sulphate), other than dry (ferric sulphate solution), in bulk in barrels
10890	Iron, sulphate (ferrous sulphate) (copperas)
10895	Iron, sulphide
10913	Lead, acetate (sugar of lead), in bulk in barrels, boxes or steel pails
10940	Lead, silicate
10950	Lime, chlorinated (chloride of lime, bleach, noibn, or bleaching powder, noibn), dry

[fol. 1477]

Item No.	Commodity
10960	Lime, chlorinated (chloride of lime, bleach, noibn, or bleaching powder, noibn), liquid, (aqueous solution), in bulk in barrels
10965-A Sup. 21	Lime, nitrogen
10970	Lime water, in bulk in barrels
10978	Magnesium, carbonate
10980	Magnesium, chloride, in bulk in barrels or steel pails
10990	Magnesium, hydroxide, in water
11010	Magnesium, oxide, heavy calcined
11015	Magnesium, phosphate
11020	Magnesium, sulphate, crude, or dieserite
11025	Magnesium, sulphate, refined, or Epsom salts
11045	Manganese sulphate, fertilizer grade
11095	Naphthalene, crude
11240	Alkali salts, crude, dry
11245	Beet or cane residuum, potash
11265	Potassium, carbonate (pearlash), in bulk in barrels, or steel pails
11295	Hartsalz, sylvinit
11315	Potassium, nitrate (saltpetre)
11330	Potash, crude, wood
11345-A Sup. 21	Potassium, silicate
11355	Potassium, sulphide (sulphuret of potash), in bulk in barrels

Exhibit No. 1—Continued

Item No.	Commodity
11360	Tobacco crystals (tobacco potash salts)
11407	Soda (alkali) residue, other than liquid

[fol. 1478]

Item No.	Commodity
11435	Sodium, arsenite solution
11440	Sodium, bicarbonate (saleratus)
11455	Sodium, bisulphite, dry, in bulk in barrels or boxes, or in steel pails
11460	Sodium, bisulphite, liquid, in bulk in barrels
11475	Sodium, carbonate; soda ash, including modified soda ash; monohydrate or sesquicarbonate
11485	Sodium, caustic (sodium hydroxide)
11495	Sodium, chloride (common salt)
11530	Sodium, disodium phosphate or trisodium phosphate
11545	Sodium, hydrosulphide (sodium hydrosulphate or sodium sulphydrate)
11560	Sodium, hyposulphite
11585	Sodium, nitre cake (crude bisulphate of soda)
11615	Sodium, phosphate, noibn
11635	Sodium, sal-soda
11640	Sodium, salt cake (crude sulphate of soda)
11650	Sodium, silicate, dry
11655-A Sup. 21	Sodium, silicate, other than dry (silicate solution), including mechanical mixtures
11660	Sodium, silico aluminate
11680-A Sup. 37	Sodium, sulphate (Glauber's salts)
11690	Sodium, sulphite
11695	Sodium, washing soda (washing crystals), noibn
11978-A Sup. 21	Zinc, ammonium chloride
12065	Flower pots, or flower pot saucers, pottery

[fol. 1479]

Item No.	Commodity
12070	Knob tops, door or drawer, pottery, without metal fittings
12075	Potters' pins, stilts or spurs
12080-A Sup. 21	Pottery, earthenware or stoneware common brown or gray jugware, consisting of bowls, churn bodies, crocks, jars, jugs, pans, pitchers or pots
12095	Saggers, pottery
12105	Turpentine cups, earthenware or stoneware, with or without aprons or hangers
12195	Bleachers or grand stands, steel or wood, KD, telescoped or collapsed, noibn
12200	Circus seats, without backs
12207	Grand stand platforms, in flat sections
12225	Actinolite ore, ground
12230	Actinolite ore, other than ground

Exhibit No. 1—Continued

Item No.	Commodity
12235	Antimony sulphide, concentrated ore (needle antimony), lump
12245	Antimony sulphide, crude (crude antimony ore)
12255	Bauxite (beauxite) ore
12260	Beryllium ore, ground
12265	Beryllium ore, not ground
12267	Celestite concentrates
12270	Celestite ore, crude
12275	Chrome ore
12280	Clay, ball, or china (kaolin)
12285	Clay, fire, crude or ground
12290	Clay, noibn, crude
12295	Clay, noibn, crushed, ground or pulverized
12300	Clay, plastic or modeling
[fol. 1480]	
12305	Clay, tamping
12310	Clay or sand, processed for decolorizing, filtering or water softening
12315	Copper concentrates
12320	Copper ore
12330	Earth (soil), noibn
12335	Earths, infusorial (fossil flour, fossil meal or kieselguhr) or diatomaceous (diatomite)
12340	Fuller's earth
12345	Graphite ore
12350	Humus
12355	Ilmenite ore
12360	Iron ore, hydrated (bog ore, red ore, or yellow ore) not ground
12365	Iron ore, noibn, crude, not ground
12370	Kyanite or sillimanite ore
12375	Lead concentrates
12380	Lead ore
12385	Manganese ore, ground (black oxide of manganese)
12390	Manganese ore, other than ground
12395	Ores, noibn, if value does not exceed 5 cents per pound
12405	Pyrites, iron
12410	Pyrites cinder, refuse or dross, copper (purple ore) or iron
12417	Rutile ore
12420	Shale, crude
[fol. 1481]	
12425	Shale, ground, burnt or retorted
12432	Topaz rock, crude, crushed, ground or pulverized
12435	Tripoli
12445	Vermiculite, crude (vermiculite ore)
12455	Zinc concentrates
12460	Zinc ore

EXHIBIT No. 1—Continued

Item No.	Commodity
12465	Zirconium ore, crude
12560	Bagging, grass or fibre, old (tea chest or tobacco matting, old), in machine pressed bales
12905	Cloth winding boards, wooden, solid
13010-A Sup. 21	Cloths or rags, wiping (cloths or rags, cleaned, sterilized, or otherwise made sanitary for wiping), in machine pressed bales or machine pressed in boxes
13015	Coal, ground
13020	Coal briquette binder
13025	Coal or coal briquettes, anthracite, bituminous, blacksmith, cannel or lignite, noibn
13030	Coal saving compounds, dry
13038	Cocoa bean shells, ground, in bulk in bags
13039	Cocoa bean shells, not ground, in bulk in bags, barrels or boxes
13040	Cocoa press cake, containing not to exceed 15% butter fat, having value only for live stock feed mixtures or for fertilizer purposes
13045	Cocoa press cake, containing not to exceed 15% butter fat, having value other than for live stock feed mixtures or other than for fertilizer purposes
13047	Cocoa press cake meal, containing not to exceed 10% butter fat and having value only for fertilizer purposes

[fol. 1482]

Item No.	Commodity
13060	Coke, creosote, pitch or tar, not activated carbon
13065	Coke, dust or breeze
13070	Coke, gas house
13075	Coke, noibn
13100	Chimney bonnets, caps, tops or top bases, clay
13105	Chimney flues or pipe, or chimney or flue linings, clay
13110	Conduits or conduit connections, for underground work, cement or concrete
13115	Conduits or conduit connections, for underground work, clay or terra cotta
13120	coping, wall, clay
13125	Drain tile heads, concrete
13130	Pipe, concrete, reinforced
13135-B Sup. 21	Pipe, sewer, or sewer pipe fittings, clay, concrete or earthen
13155-A Sup. 35	Tanks, septic, clay
13160-A Sup. 35	Tanks, septic, reinforced concrete
13165	Thimbles, stove pipe, clay
13175	Tile, drain, or drain tile fittings, clay or earthen
13180	Tile, drain, or drain tile fittings, concrete
13185	Tile, drain, or drain tile fittings, clay, concrete or earthen

[fol. 1483]

EXHIBIT No. 1—Continued

Item No.	Commodity
13257	Cocks or valves, including gate valves, noibn, or parts, noibn, iron or steel body, lead lined, not plated
13270	Conduits or pipe, cement, containing asbestos fibre
13295	Conduits or conduit connections, flexible, steel, for other than underground work
13300	Conduits or conduit connections, wooden, lined or not lined (bored timber, inside diameter 4 inches or less), for underground work
13310	Couplings, conduit or pipe, cement, containing asbestos fibre
13350	Hydrants or fire plugs
13375	Pipe, iron or steel, cast, noibn
13380	Pipe, iron or steel, cast, wood lined
13385	Pipe, iron or steel, covered or lined with cement mortar
13390	Pipe, iron or steel, lead covered or lined
13420	Pipe, noibn, wrought iron, enameled, outside diameter 8 inches or over
13425	Pipe, stove, sheet iron, steel or tin plate, side seams not closed, nested
13435-A Sup. 21	Pipe, wrought iron, insulated, fibreboard or iron jacketed
13450	Pipe coils, noibn, iron or steel
13500	Pipe fittings, noibn, iron or steel, wood lined
13550	Pipe or elbows, heating furnace (air or smoke flues), sheet iron, steel or tin plate, including angles, collars, offsets, shoes and stackheads, single, side seams not closed, nested
13560	Pipe or pipe casing, wooden, bored or built-up, lined or not lined, inside diameter 6 inches or less
13600	Pipe or tubing, iron or steel, plate or sheet, noibn, 7 gauge or thicker, inside diameter 3 inches or less
13605	Pipe or tubing, iron or steel, plate or sheet, noibn, 16 gauge or thicker, but not thicker than 8 gauge, inside diameter 3 inches or less
13613	Pipe or tubing, iron or steel, plate or sheet, noibn, 22 gauge or thicker, but not thicker than 17 gauge, inside diameter 3 inches or less
13658	Rings, thread protecting

[fol. 1484]

13705	Stop cock or valve indicator posts
13720	Supports, iron or steel, consisting of anchors, arches, brackets, chairs, rests, rolls or sleeves
13727	Thimbles, stove pipe, iron or steel, cast, in barrels, boxes or crates
13728-A Sup. 40	Thimbles, stove pipe, iron or steel, sheet or plate, or tin plate, side seams not closed
13735	Traps, grease or gas, iron or steel body, weighing each less than 25 lbs. or weighing each 25 lbs. or over

Exhibit No. 1—Continued

Item No.	Commodity
13760	Cones, fir or pine, green
14005	Cores, foundry, iron
14020	Bark dust (cork bark refuse)
14110	Corn cob bran, flakes, flour or meal, or corn cob products, noibn, not further processed than crushed, cut or ground
14125	Corroding pots, clay
14145	Cotton, noibn, in compressed bales
14195	Cotton linters, other than bleached or dyed, in bales compressed to 15 lbs. or more per cubic foot
14210	Cotton seed hull fibre or shavings, other than bleached or dyed, in machine pressed bales
14215	Cotton seed hulls, not ground
14330	Crucibles or scorifiers, clay
14505	Buttermilk, noibn, in glass in barrels or boxes, or in bulk in barrels
14825-A Sup. 35	Dental investment compound
14830	Dental plaster, suitable for making dental casts or molds, in bulk in bags, barrels or pails
14905	Depilatory, tanners' (compound for removing hair from hides), noibn
14910	Dextrine-dextrose compound
14915	Dextrine or British gum, dry
14920	Dextrine or British gum, liquid

[fol. 1485]

14935	Dip, animal or poultry, noibn, liquid, in barrels
14945	Discs, tin plate, noibn
14957	Distillery molasses residuum (residuum from molasses distillation), dry
14958	Distillery molasses residuum (residuum from molasses distillation), liquid
14965	Dolomite, roasted (refractory dolomite, in granular form, treated or untreated, clinkered, or burned to a dead state)
14975	Drain pits, automobile, steel, KD
15240-A Sup. 35	Condition powders, regulators or tonics, animal or poultry, including condimental or medicinal feeding compounds or preparations for animals or poultry, noibn
15460	Kelp, dried or ground
15480	Talc, pigmented
15490	Water, mineral, concentrated or fortified, in bulk in barrels
15592	Egg yolks, tanners', in barrels
16060	Platforms or seats, pole, KD or folded
16310	Excelsior, wood, in machine pressed bales
16320	Exhibition benches or kennels, dog or poultry, KD flat or folded flat
16455	Extracts, chestnut or quebracho, dry, in barrels or boxes
16460	Extracts, chestnut or quebracho, liquid, in barrels
16485	Extracts, sumac

EXHIBIT No. 1—Continued

Item No.	Commodity
16495	Extracts, tanning, noibn, liquid or paste, in barrels
16570	Bins or cribs, grain storage, wood and wire combined
16575	Bins or cribs, grain storage, wooden, in flat sections
16670	Clamps, hay rack, iron
16777	Hog oilers, concrete
Sup. 37	
16825	Mangers (feed boxes), or troughs, feeding or watering, without automatic water check attachments, plate or sheet, noibn, 13 gauge or thinner, KD flat
[fol. 1486]	
16840	Mangers (feed boxes), troughs, feeding or watering, cement, earthenware, stoneware or stone, LCL, in barrels, boxes or crates
16900	Silo door frames, reinforced concrete
16920	Silos, wooden, KD
16945	Stall gutters, cast iron
16980	Staves, cement, silo, grain bin or water tank
17070	Alfalfa, chopped
17075	Bakery refuse or sweepings
17080	Bean, pea or seed refuse or screenings
17085	Beet pulp, dry
17090	Beet pulp, wet
17100	Beet sugar final molasses
17105	Biscuits, dog, whole, broken or ground
17110	Black strap molasses meal
*17130	Charcoal, ground or crushed
17135	Cheese waste or scraps, unfit for human food
17165	Distillers' slops, liquid
17180	Feed, animal or poultry, prepared, noibn
17195	Fish meal, fish roe meal or fish scrap, ground, pulverized or screened
17197	Fish oil residuum (fish press water)
17210	Fruit peel or pulp, citrus, dried and flaked or granulated
17230	Hydrol (corn sugar final molasses)
12735	Meal, alfalfa, clover, kudzu, lespedeza, peanut vine, sorghum, soybean vine or velvet bean
17237	Meal, corn shuck or husk
Sup. 35	
17240	Meat or fish or a mixture of meat or fish and cereals or vegetables, other than dehydrated
17242	Milk, other than condensed or dried
*17115-A	Blood flour; blood, bone meal; dry rendered tankage; feeding tankage, noibn, or dry meat scraps
[fol. 1487]	
17245	Milk, buttermilk whey, condensed or dried
17260	Milk powder scrap, cake or ground
17265-A	Mineral mixtures, animal or poultry feeding
Sup. 40	
17275	Mustard bran or tailings

EXHIBIT No. 1—Continued

Item No.	Commodity
17285	Oil cake flakes, soybean
17295	Oil cake or oil cake meal, cocoanut, palm kernel, peanut, sesame, safflower seed, soybean, or sunflower seed
17300	Oil cake or oil cake meal, corn, cotton seed, linseed (flax seed) or oil cake or meal, noibn
17305	Pea bran
17310	Peanut chaff (peanut skins)
17330	Peanut hulls, ground
17335	Peanut hulls, stems or roots, not ground
17340	Rice bran, rice meal or rice polish
17345	Rice hulls, ground
17350	Rice hulls, unground (rice chaff)
17360	Sour skim milk
17370	Tomato refuse from canneries
17375	Whey refuse (milk albumen), dry
17380-A Sup. 40	Yeast, residual, dry
17390	Feldspar
17407	Fencing, wood and wire combined
17455	Fibre, cocoanut husk (cocoa or coir fibre), noibn, in bales machine pressed to 20 lbs. or more per cubic foot
17480	Fibre, jute butts, jute lashings, jute rejections or benares sunn
17805	Fish scrap, noibn, dry, not ground, pulverized nor screened, or acid fish scrap
17820	Flax seed (linseed), ground
17840	Flax straw or hemp stalks, partially decorticated, in machine pressed bales

[fol. 1488]

Item No.	Commodity
17845-A Sup. 21	Flintstone linings (silex linings)
17850-A Sup. 21	Flintstone, silica or quartzite pebbles
17855	Flocks, cotton, in machine pressed bags or bales
17885	Carpet lining, paper, including felt paper, indented or plain
17970	Floor sweeping compound, not disinfectant
18075	Flue dust, petroleum fuel oil
18085	Fluorspar
18155	Baking powder
18180	Beverages, flavored or phosphated, noibn, not including extracts, syrups, nor alcoholic liquors
18190	Bread, brown, date and nut, or pumpernickel
18195	Bread making compounds, noibn
18200	Brewers' milk yeast food
18235-A Sup. 21	Cider or apple juice, other than frozen
18240	Citrons or lemons, in brine
18245	Clam or oyster juice
18275	Coffee, green

EXHIBIT No. 1—Continued

Item No.	Commodity
18285	Coffee, roasted, ground or not ground
18295	Coffee, substitute, cereal, fruit or vegetable, noibn, or chicory, roasted, crushed or ground
18300-A Sup. 21	Dessert preparations, such as ice cream, jelly, pie or pudding preparations, other than frozen, noibn
18315	Dill weed, pickled
18345	Fish, corned, dried, dry salted or smoked
18350	Fish, pickled
18355	Fish or shell fish, cooked or pickled, preserved, dried, dry salted or smoked, noibn
18360	Fish balls
18365	Fish roe, cooked, pickled or preserved, other than caviar

fol. 1489

Item No.	Commodity
18375	Flour, cassava, sago or tapioca
18380	Flour, potato
18385	Flour, rice
18390	Flour, grits or meal, soybean
18395-A Sup. 21	Flour or corn meal, edible, noibn
18430	Fruit, canned or preserved, in juice or syrup, or in liquid other than brine or alcoholic liquor; crushed fruit; fruit butter, jam, jellies or pulps
18480	Gravy
18495	Honey, comb, granulated or strained
18505	Honey and cane or corn syrup mixture
18515	Jams, jellies or preserves, edible, noibn
18520	Jelly, corn syrup
18530	Juice, citrus fruit, other than frozen
18545-A Sup. 21	Juice, grape, other than frozen
18550-A Sup. 21	Juice, pineapple, other than frozen
18555-A Sup. 21	Juice, prune, other than frozen
18560	Macaroni, noodles, spaghetti or vermicelli
18565	Macaroni, noodles, spaghetti or vermicelli, prepared, with or without cheese, meat or vegetables
18570	Macaroni, noodles, spaghetti or vermicelli and cheese, with or without sauce
18575	Malt, crushed, malt syrup or liquid malt extracts, beverage preparation
18590	Malt extract, liquid
18600	Meats, cooked, cured or preserved, with or without vegetable, milk, egg or fruit ingredients, noibn
18610	Milk, cream or buttermilk, powdered or flaked, with or without vegetable fats not exceeding 1% by weight

[fol. 1490]

Exhibit No. 1—Continued

Item No.	Commodity
18612	Milk, sterilized
18615	Milk or buttermilk, condensed or evaporated, liquid or paste, with or without vegetable fats
18640	Milk solids, powdered or flaked
18645	Mince meat
18660-A Sup. 35	Molasses, noibn, or syrup, not medicated, noibn
18670	Mushrooms, canned or preserved in liquid
18685	Olives
18690	Peanut butter (peanut paste)
18700	Peel, citrus fruit, in brine
18705	Pickles, noibn
18730	Prune concentrate
18735	Puddings
18740	Rice, brewers'
18745	Rice, cleaned, whole or broken
18750	Rice, rough
18765	Salads, fish, macaroni, meat or vegetables
18770	Salt, common (sodium chloride), food curing or flavoring
18775	Sandwich spreads, noibn
18780-A Sup. 21	Sauerkraut, sauerkraut brine or sauerkraut juice, other than frozen
18785	Sausage, noibn, cooked, cured or preserved
18805	Soup ingredients (soup mix)
18810	Soups, including broths or chowders
18815	Soybean milk compound
18820-A Sup. 21	Sugar, beet or cane, other than raw
18825	Sugar, beet or cane, raw
18840-A Sup. 21	Sugar, corn or wheat, granulated or powdered

[fol. 1491]

Item No.	Commodity
18845	Sugar, corn, other than granulated or powdered
18852-A Sup. 21	Sugar, invert
18865	Syrup, coloring, burnt sugar (caramel)
18870-A Sup. 21	Syrup, corn or wheat, unmixed (glucose)
18880	Syrup, malt or malted, not medicated
18885	Table sauces, noibn, including catsup, prepared horse-radish, prepared mustard, pepper sauce or salad dressing
18895	Tortillas
18897	Vegetable dinner ingredients, consisting of dry vegetables and other ingredients
18910	Vinegar
18925	Water, mineral, noibn, or plain, not flavored nor phosphated, other than carbonated

EXHIBIT No. 1—Continued

Item No.	Commodity
18935	Whey, noibn, condensed
18940	Whey, noibn, powdered
19010	Foundry core compounds, noibn, dry
19015	Foundry core compounds, noibn, liquid
19020	Foundry facings, noibn
19045	Foundry flour (grain flour mixed with gypsum, limestone or similar material)
19120	Apples, dried or evaporated
19130	Beans, edible, noibn, dried
19145	Beans, soybean or velvet dried
19150	Bean meal, noibn, dried
19160	Fruits, dried or evaporated, noibn, not candied, crystallized, glaced nor stuffed
19170	Lentils, peas or split peas, noibn, dried
19180	Pea meal

[fol. 1492]

Item No.	Commodity
19190	Peas, Canada, field, dried
19195	Peas, cow, dried
19200	Peas, roasted, dried
19250	Artichoke tubers, beets without tops, carrots without tops, parsnips without tops, pumpkins, radishes without tops, rutabagas without tops, turnips without tops, or winter squash
19275	Cabbage
19320	Dasheens (Malangas)
19365	Onion sets
19370	Onions, without tops
19400	Potatoes, sweet, or yams
19405	Potatoes, other than sweet
19458	Furfural residue
Sup. 21	
20520	Corner locks, fasteners, hooks or pins, bed rail, steel
20610	School desk or seat parts, or settee or theatre chair parts, iron
20616	Sides, chair, bar steel, U-shaped, unfinished
20875	Ganister rock, ground
20880	Ganister rock, not ground
20910	Garnet rock, ground
20915	Garnet rock, not ground

[fol. 1493]

Item No.	Commodity
21135	Building slabs, opaque glass, noibn, over 5/16 inch thick, with or without backing
21140	Cullet (broken glass)
21145	Glass, crushed, ground or powdered, not including enamel or frit

Exhibit No. 1—Continued

Item No.	Commodity
21200-A Sup. 40	Glass, rolled, plain, colored, opalescent or opaque, chipped or figured, acid dipped, ground, sand blasted, metalized, tempered, wired or not wired, not flashed, framed, leaded nor polished, or sheet prism, not flashed, framed, leaded nor polished, not bent
21245	Skylight, roofing or sidewall construction material
21335-A Sup. 35	Bottles, demijohns or jars, glass, old
21350	Carboys, glass, old
21545	Tops, counter or table, opaque glass, noibn, over 5/16 inch thick
21595	Glue, casein, dry
21600	Glue, casein, liquid
21610	Glue, noibn, dry
21615	Glue, noibn, jelly
21620-A Sup. 21	Glue, noibn, liquid
21625	Glue base, consisting of oil cake meal, lime and soda ash
21630	Glue stock, consisting of bacon skins or rinds, fleshings, hide trimmings, horn pith, pizzles or sinews, dry
21635	Glue stock, consisting of bacon skins or rinds, fleshings, hide trimmings, horn pith, pizzles or sinews, green
21650	Barley
21655	Buckwheat
21660	Corn, noibn, not shelled
21665	Corn, noibn, shelled
21670	Grain sorghums
21675	Oats

[fol. 1494]

Item No.	Commodity
21685	Pop corn, not popped, in the ear or shelled
21690	Rye
21695	Spelt
21700	Wheat
21720	Barley, pearled
21725	Barley or grain skimmings, malthouse
21730	Bran, noibn
21735	Feed, gluten
21740	Grain, roasted, whole, crushed, granulated or ground, noibn
21745	Grain feed, noibn
21750	Grain flour, noibn
21760	Grain flour, self-raising
21770	Grain screenings
21775	Grains, spent, dried
21780	Grains, spent, wet
21785	Grits, bakers' or brewers', flaked
21790	Grits, bakers' or brewers', granulated or refined
21795	Grits, noibn
21800	Groats

EXHIBIT No. 1—Continued

Item No.	Commodity
21805	Hominy, other than canned or flaked hominy
21810	Hulls, barley, buckwheat or oat
21815	Malt
21820	Malt flour
21825	Malt sprouts
21830	Meal corn
21835	Meal, gluten
21840	Middlings or shorts
21845	Oat clippings
[fol. 1495]	
21855-A Sup. 21	Graphite
21870	Brick, graphite, noibn
21872	Brick or briquettes, graphite, iron or steel alloying, not machined
21887	Nozzles or stopperheads, graphite
21925	Chatt (lead or zinc mine refuse)
21930	Floor tile, stone, cast or natural, noibn
21940	Gravel, noibn
21945	Rock, bituminous asphalt
21950	Sand, noibn
21955	Slag, granulated, lump or pulverized
21965-A Sup. 21	Slate, blocks, pieces or slabs, noibn
21970	Slate, crushed, ground dust or scrap
21975	Slate, enameled, marbelized or painted
21980	Slate, roofing
21990	Soapstone or talc, crude, blocks, pieces or slabs, rough quarried or not further finished than sawed or chipped on four sides
22000	Soapstone or talc, crude, ground or dust
22005	Soapstone or talc slabs, dressed, or forms, noibn
22010	Stone, cast or natural, noibn, blocks or pieces, carved, honed, lettered, polished or traced
22035	Stone, cast or natural, noibn, blocks, pieces or slabs, rough quarried, or not further finished than sawed, chipped or scabbled on four sides
22050	Stone, cast or natural, noibn, slabs, carved, honed, lettered, polished or traced
22055	Stone, cast or natural, noibn, bridge stone, curbing, flagging, paving or rubble
22067-A Sup. 21	Stone, coquina rough bldg blocks
[fol. 1496]	
22068-A Sup. 21	Stone, coquina, broken, crushed or ground
22070	Stone, natural, chips, crushed, dust, ground, powdered or waste, noibn

Exhibit No. 1—Continued

Item No.	Commodity
22075	Stone, natural, cubes, not exceeding 2 cubic inches in size
22076	Stone grinding blocks, pebble mill
22090	Grease, noibn
22105	Grease, lubricating, asphalt base, containing not less than 85% asphalt, melting point 225° F. or higher, in block form
22110	Grease, lubricating, noibn
22280	Gypsum, not calcined, powdered
22285-A Sup. 40	Gypsum, rock, crude or crushed
22470	Animal chains or tie outs, iron
22570	Blocks or braces, shipping, automobile, automobile engine or cable reel, iron
22575	Boards, stove
22645	Bridle blind blanks, steel
22650	Bung discs or covering, sheet metal
22655	Bung fittings, barrel or drum, including bushings, flanges, rings or spuds, iron, with or without gaskets
22665	Bungs or plugs, noibn, iron or steel, without gaskets
22685	Caps, roofing, metal disc
22715	Chains, belting or sprocket, machine finished or silent, steel, pitch (distance between centers of pins) not less than 2.5 inches
22750	Chaplets, foundry, iron
22790	Coke oven doors or frames, iron
22795	Corner braces or mending plates, iron
22845	Fasteners, hoop, steel
22850	Fasteners, roofing, steel
22855	Fasteners, tin, noibn

[fol. 1497]

Item No.	Commodity
22860	Fasteners, wood joint, steel
22915	Ferrules, trap screw, iron body with brass fittings
22985-A Sup. 21	Gas cylinder caps or neck rings, iron or steel
23055	Hinge reinforcing plates, steel
23145	Key blanks, iron or steel, in the rough, unfinished
23150	Ladder rungs, steel
23160	Laminations, sheet steel, for magnetic cores, stacked flat or wired or riveted together
23170	Legs, ironing machine, refrigerator or stove, plate or sheet steel, 16 gauge or thicker, unfinished
23190	Lugs or shoes, silo or tank, iron
23275	Pans, iron or steel, noibn, plate or sheet, 16 gauge or thicker, or cast
23285	Plugs, wall, iron
23300	Rings, hog, steel
23325	Roll protectors, iron, taken apart
23340	Sad irons, noibn, with or without stands

Item No.	Commodity
23365	Scale testing weights, iron
23370	Screw eyes or screw hooks, iron or steel, noibn
23415	Skids, iron or steel, noibn
23420	Spring clips, fasteners, ferrules or tubes, bed spring, bed spring frame, or spring assembly, steel
23450	Stone boat heads, cast iron or steel
23460	Straps, tin plate, with or without tacks or fasteners attached
23485-A Sup. 21	Tacks, including Hungarian or shoe nails, noibn, steel, with steel heads
23600	Vases, unfinished, iron, not painted nor machined, except that rough burrs may be removed
23625	Weights, governor, hitching, pressure regulator or safety valve, iron
[fol. 1498]	
23630	Weights, sash, lead and iron or steel combined
23875	Heat transfer salts
23893	Hemp or flax straw softening compound, liquid
23975	Hides, pelts or skins, not dressed nor tanned, cattle or horse, green, green salted or pickled
23980	Hides, pelts or skins, not dressed nor tanned, cattle or horse, pickled or raw splits (flesh side of split hides)
24000	Hides, pelts or skins, not dressed nor tanned, goat or sheep, green, green salted or pickled
24015	Hog or pig skins or hog or pig hide trimmings, green salted, not frozen
24020	Hog or pig skins or hog or pig hide trimmings, pickled
24050	Switches or tails, cattle or horse, green salted
24072	Hogshead material, wood and wire combined, noibn, not interwoven
24150	Hoof stuffing, earthen or medicated moss peat
24155	Hoofs or horns, animal noibn
24210-A Sup. 21	Hosiery scraps or knit good scraps, having value other than for reclamation of raw materials, in machine pressed bales
24471	Incendiary bomb extinguishing material, dry
24480	Ink, printing
24495	Ink reducing paste
24510	Calcium arsenate or calcium arsenate containing not to exceed 10% by weight of Paris green
24515	Calcium arsenate, lead arsenate, lime or Paris green (Paris green content not exceeding 15% by weight) and sulphur combined, dry
24530	Copper sulphate and lime combined, with or without calcium arsenate or lead arsenate, dry
24532 Sup. 21	Copper sulphate and sulphur combined
24535	Insecticides or fungicides, agricultural, noibn, liquid
24540	Insecticides or fungicides, agricultural, noibn, other than liquid

[fol. 1499]

EXHIBIT No. 1—Continued

Item No.	Commodity
24550	Lead arsenate, paste
24555	Lime and sulphur combined, dry
24560	Lime and sulphur solution
24572	Sulphur, zinc sulphate and lead arsenate combined
Sup. 21	
24650	Building blocks, concrete or gypsum, with lead insulation or reinforcement
24645	Cement, asbestos
24655	Cement, boiler wall
24665	Cement, insulating, infusorial earth
24670-A	Cement, magnesia
Sup. 35	
24675	Cement, mineral wool (rock or slag wool)
24680	Cement, vermiculite, asbestos and diatomaceous earth combined.
24742	Sound deadening material, felt paper saturated, or not saturated
24815	Iron mass or sponge, gas purifying, not spent
24835	Annealing boxes or pots, or annealing box or pot bottoms, burnt out
24845	Annealing pots, foundry, cast
24880	Barrel or drum bottoms, heads or tops, iron or steel
24885	Bars, muck or puddle, iron or steel
24910	Bars, sheet or tin plate
24915	Bars or rods, iron or steel, noibn, brass, bronze, cadmium or copper coated
24970	Borings, filings, grindings or turnings, iron or steel not granulated, ground nor powdered
24985	Briquettes, iron or steel
24990	Buckles, baling, tie, noibn, iron or steel
25045	Iron or steel, chilled, crushed or granulated
25055	Columns, noibn, iron or steel, other than sheet
25070	Columns, structural, iron or steel, filled with concrete

[fol. 1500]

Item No.	Commodity
25090	Dowel pins, noibn, iron or steel
25095	Drippings, spillings or spittings, iron or steel
*25105	Fence post fixtures, wire fence, consisting of brace collars, brace plates
*25115	Fencing, expanded metal
25120	Fencing, in panels
25125	Fencing, wire and iron or steel combined, KD
25140	Flooring, structural, iron or steel
25145	Flue dust, iron or steel
25150	Flumes, iron or steel, KD
25160	Furnace salamanders or ladle skulls
25170	Galvanizing or tinning pans or pots

EXHIBIT No. 1—Continued

Item No.	Commodity
25175	Girders, noibn, lattice, iron or steel
25205	Inserts, structural, iron or steel
25207-A Sup. 21	Landing mats, or runways, airfield, iron or steel
25225	Machine bed plates, housings or frames made from welded forged plates, in the rough and requiring further machine work to make complete machine part
25240	Mill cinder or mill scale
25245	Molds, ingot, ingot mold stools or bottom plates (sprue plates)
25250	Molds, pig iron
25255	Nails, crate fastener
25260	Nails, horse shoe
25275	Nitre pots, cast iron

[fol. 1501]

Item No.	Commodity
25280	Nut locks, noibn
25295	Pig iron
25310	Pins, bridge or drift
25315	Pipe balls, pipe manufacturers'
25320	Pipe billet tubing (rough pipe for seamless tube manufacture)
25335	Plate, sheet or strip, brass, bronze, copper, chromium or nickel coated by electrolytic or hot dipped process, or copped clad
25357 Sup. 37	Plate or sheet, noibn, iron or steel, pitch coated
25360-A Sup. 35	Plate or sheet, iron or steel, noibn, planished, hammer-polished or Russia
25380	Posts, noibn, iron
25390	Props, (supports), mine, iron or steel
25395	Rails, noibn, iron or steel
25400	Retaining wall spacers, stringers or stringer stiffeners, iron or steel
25410	Rings, rolled steel, noibn
25450	Scrap, iron or steel, copper clad
25455	Scrap, iron or steel, not copper clad
25460	Scrap, tin plate or terne plate
25485	Sheet, iron or steel, aluminum coated
25510	Sign bases, iron or steel, with or without threaded holes, but not otherwise tooled or machined
25515	Skelp, iron or steel
25520	Sills, noibn, iron or steel
25540	Staples, noibn, brass, bronze, cadmium or copper coated, or japanned or tinned
25550	Staples, ingot mold
25565	Studding sockets, iron or steel

[fol. 1502]

Exhibit No. 1—Continued

Item No.	Commodity
25625	Tunnel segments, cast iron
25630	Tuyeres, iron or steel
25655	Wheel guards, iron or steel, for protecting corners of buildings
25670	Wire rods, iron or steel, rolled, or chain iron or steel, rolled, not drawn through a die, not in straight lengths, not less than No. 8 gauge nor over 1¼ inches in diameter, which may be transported on open cars without damage from weather, in coils
25680	Iron or steel cleaning compound, noibn, dry
25690	Iron sand; iron, granulated, ground or powdered, noibn; or chilled shot, iron or steel, not ammunition
25710	Ivory, nut or vegetable, meal, scrap or shavings
25733	Kindling, fire, composition
26020	Acid chamber residuum, dry
26025	Acid chamber residuum, liquid or paste
26047	Ashes, lead
26065	Lead, blown or granulated
26080	Lead dross or skimmings
26085	Flue dust, lead
26105	Scrap, lead
26125	Weights, counterbalance, noibn, lead
26130	Weights, sash, lead
26180	Leather, artificial or imitation, scrap, actual value not exceeding 3½ cents per lb.
26205	Leather ash
26210	Leather scrap, not exceeding 3½ cents per lb.
26225	Leatherboard scrap, not exceeding 3½ cents per lb.
26281	Lacithin, oil concentrate, crude
26315	Lignin liquor
26370	Litharge, wet with water

[fol. 1503]

Item No.	Commodity
26720	Agricultural implement parts, hand, wooden, noibn, in the rough
26725	Agricultural implement parts, other than hand, noibn, wooden, in the rough
26730	Bark, black oak (stick)
26735	Bark, tan, lead (stick)
26750	Blocks, bobbin (bobbin blanks), wooden
26755	Blocks, boot or shoe last, wooden, unfinished
26760	Blocks, bowling pin, wooden, unfinished
26765	Blocks, brush or eraser, wooden
26770	Blocks, die, wooden
26775	Blocks, mangle roller, wooden, unfinished
26780	Blocks, paving, wooden
26790	Blocks, shuttle, wooden, in the rough
26795	Blocks, spool (spool blanks), wooden, rough trimmed

Exhibit No. 1—Continued

Item No.	Commodity
26800	Blocks or braces, shipping, automobile, automobile engine or cable reel, wooden
26805	Bolts, wooden, excelsior, handle, heading, hoop, shingle, spoke or stave
26810	Box, crate or shipping drum material, wooden, or wooden, fibreboard covered, in shooks or panels, noibn
26815	Cradles, pipe or flume, wooden
26820	Culverts, wooden, KD flat
26825	Doubletrees, eveners, neckyokes or single trees, wooden, in the rough
26827	Dowels, wooden, in the rough or rough turned
26830	Eave troughs or gutters, roof, wooden
26835	Felloes, wooden, in the rough
26840	Fence pickets, wooden
26845	Flooring squares, wooden, with or without paper backing or metal splines, not wood carpeting nor parquet flooring

[fol. 1504]

Item No.	Commodity
26850	Fuel wood or pulpwood
26855	Furniture stock, wooden, noibn, in the rough
26865	Hame sticks, in the rough, wooden
26870	Handles, wooden, noibn, in the rough or rough turned
26875	Heading, head linings, hoop poles, hoops, not coiled, or staves, cooperage, wooden
26880	Hoops, coiled, wooden
26885	Hounds, wooden, in the rough
26890	Hub blocks, wooden, in the rough
26900	Kindling, fire, wood
26905	Lath, wooden
26910	Logs, foreign wood, noibn
26915	Logs, native wood, Canadian wood or Mexican pine
26935	Lumber or veneer, noibn, native wood, Canadian wood or Mexican pine, exceeding 1/16 inch, but not exceeding 1/8 inch thick; and exceeding 1/8 inch thick
26940	Match blocks
26950	Mine props or timbers, wooden
26955	Piling, wooden
26960	Plugs, tie, wooden
26965	Poles, bird house
26970	Poles, vehicle, wooden, in the rough
26975	Poles, wooden, noibn
26980	Poles or stakes, plant, wooden, plain
26985	Posts, noibn, wooden
26990	Rafters, roof, wooden, laminated
26995	Reelheads, wooden
27002-B Sub. 37	Sawdust, wood dust, sanding machine
27005	Shafts, wooden, in the rough

[fol. 1505]

Exhibit No. 1—Continued

Item No.	Commodity
27010	Shingle tow (shingle shavings)
27015	Shingles, wooden
27020	Silo Staves, wooden
27035	Stakes, surveyors', wooden, not painted nor lettered
27040	Staves, cooperage, wooden, with metal hoops attached
27045	Staves, pipe or flume, wooden
27050	Sucker rod poles, wooden, in the rough
27055	Tank staves or bottoms, wooden
27060	Ties, railroad, wooden
27065	Tongues, vehicle, wooden, in the rough
27070	Vehicle or gear woods, in the rough, noibn
27075	Veneer, native wood, paper covered, exceeding 1/8 inch but not exceeding 3/4 inch thick
27080	Wheel rims, wooden, in the rough
27085	Whip handle material, wooden, in the rough
27090	Willow wood
27105	Wood, built-up or combines, noibn, native wood, Canadian wood or Mexican pine
27110	Wood, spent, ground or not ground
27115	Wood, dust, sanding machine
27125	Wood sawdust, noibn
27130	Wood sawdust or shavings, cedarwood
27205	Anvil blocks, power hammer
27315	Balls, crushing or grinding, porcelain
27325	Balls, polishing, steel
27405	Bed plates, iron, noibn, weighing each 500 lbs. or over, not machined
27420	Bits or paints, coal cutting machine, steel, finished or unfinished
27780	Carriers or conveyors (overhaul runways)

[fol. 1506]

Item No.	Commodity
28405	Crusher, breaker or grinder parts, coal, ore or stone, noibn
28455	Derrick bases, booms, legs, masts or sills, iron or steel
28480	Dies or molds, cast iron or steel, for stamping metal ceiling, cornice or siding
28590	Elevator buckets, iron or steel
28622	Flights, belt conveyor, steel
28655-A Sup. 21	Box linings (trough linings), spiral screw conveyor, steel
28840	Formers, cast iron, for pressed steel car shapes
28900	Furnace parts, blast or open hearth, iron or steel
29030	Discs, road grader
29080	Scarifier teeth
29175	Hammers, pulverizing mill, steel
29195	Head gates or sluice gates, canal or reservoir, iron, without or with not exceeding 24 inches of pipe or flume attached
29500	Kilns, iron, noibn, KD

Exhibit No. 1—Continued

Item No.	Commodity
29650	Lubricators or grease cups, noibn, other than automatic, iron or steel
29720	Millstones
29880	Stamp mill cams, dies, mortar blocks, mortars, shoes, stems or tappets
30010	Beater bed plates, paper mill
30035	Roller bars, iron or steel, paper mill
30075	Pile driver hammers, drop type
30110	Pile driving caps, wooden
30135	Base plates, floor stands, hangers, journal boxes, wall box frames or wall brackets, power transmission machinery
30310	Tubing, pump, wooden
30535	Roll pinions, rolling mill, iron or steel

[fol. 1507]

30590	Rolling mill housings or tables
30677	Rolls, rolling mill, iron or steel
30765	Foundation frames, scale, steel, KD
30770	Rail stands or rail blocks, scale, iron
31005	Dipper fronts, lips, nose plates, tooth bases or points; or dipper or bucket parts, cast or forged, not machine finished, noibn, A-frame legs, eye bars or truck arch bars, iron or steel, power shovel
31055	Slag pots, not mounted
31065	Soap frames, KD
31365	Loom harness shafts
31385	Picker sticks, wooden
31440	Warp beams, without heads or with heads, old
31445	Warp beams, noibn, including beams with cast iron heads, old
31480	Tractor axle housings, iron, unfinished
31505	Tractor brake drums, without attachments, unfinished
31555	Tractor hubs, without bearings
31560	Tractor lugs, steel
31575-B Sup. 40	Tractor seats, iron or steel, without seat springs or brackets or hydraulic shock absorbers
31585	Tractor tread shoes or street plates
31600	Tractor wheel bands, flanges, rims, rim clamps or wedges
31635	Trench excavating machine buckets or bucket plows, steel
31810	Weights, wheel, iron, weighing each 25 lbs. or over
31845	Wheels, traveling crane, cast iron, single piece, double flange, weighing each 25 lbs. or over
31925	Magnesia refractory, not dead burned
31927	Magnesite, calcined or dead burned
31930	Magnesite, crude

[fol. 1508]

Exhibit No. 1—Continued

Item No.	Commodity
31982 Sup. 21	Magnesium metal fluxing or purifying compounds
32000	Manure, dog or bird, noibn
32005	Manure, domestic fowl
32010	Manure, guano
32013	Marbles, clay or glass
32014	Marbles, clay, glass or porcelain, noibn
32016 Sup. 35	Markers, talc, sawed or chipped
32017	Marl
32040	Meal, hoof or horn
32045	Meal, kapok seed
32050	Meal, rape seed
32065	Cocoanut oleine
32070	Cracklings, edible
32080-A Sup. 21	Lard, noibn
32115	Meats, cured, noibn, dried, dry salted or smoked
32120	Meats, cured, noibn, pickled
32150	Sausage, cooked, cured or preserved, noibn
32155	Sausage, cooked, cured or preserved, pickled or in brine
32350	Dross or skimmings, babbitt metal
32355	Dross or skimmings, solder
32360	Dross or skimmings, type metal
32370	Electrotype base metal
32460	Residue, zinc lead
32520	Speiss (smelter by-product, containing cobalt-nickel)
32635	Mica, book or rough cobbed
32640	Mica, ground or pulverized
32642 Sup. 35	Mica, scrap, having value only for grinding or pulverizing
32680	Mineral pulp, papermakers'
32717 Sup. 21	Mold developer (liquid corn solubles)

[fol. 1509]

Item No.	Commodity
32888	Motor fuel, noibn
32897-A Sup. 21	Mud or compounds, gas or oil well drilling
33110	Mussel meat, not edible, dry
33185	Dross, nickel
33465	Nozzles, sleeves or stopper heads, clay
33610	Oakum
33715	Oil well drilling mud treating compounds
33740	Arms, cants, handles or pins, band, bull or calf wheel, wooden
33765	Blocks, pull rod, wooden
33770	Blocks, underreamer dressing

Exhibit No. 1—Continued

Item No.	Commodity
33785	Caps, sand line
33790-A Sup. 35	Casing assemblies, well
*33860	Guides, wire line, wooden
33870	Heads, casing, noibn, well
33970	Post, stroke, iron, well
33980	Protectors, box and pin, well
33985	Rams, bit, well
34230	Creosote (dead oil of coal tar of wood tar)
34240	Fatty acids of vegetable, fish or sea animal oils, noibn, inedible
34255	Fish or sea animal oil, noibn, solidified
34300	Oil foots or sediment, noibn, other than petroleum products
34405	Tall oil (product of acidification of skimmings of soda, or sulphate black liquor), crude
34410	Tall oil (product of acidification of skimmings of soda, or sulphate black liquor), other than crude
34657	Shell packing stops, steel
34682	Osmunda fibre (orchid peat)
*33820	Clamps or grips, casing, pipe, polished rod or pullrod, well
[fol. 1510]	
35005	Packing, vegetable fibre, noibn
35020-A Sup. 21	Packing cushions or packing pads, excelsior, grass, hay, straw, or shredded or macerated paper, in machine pressed bales
35200	Blue, ultramarine, lumps or powdered
35320	Mortar color, noibn, dry
35325	Mortar color, noibn, paste or pulp
35330	Ochre, dry
35370	Rust preventive pipe line coating, asphaltum, coal tar or pitch base, other than asphaltum or coal tar paint or varnish
35375	Smalts, painters
35385	Whitewash, dry
35470	Paper, building, roofing or sheathing, including felt paper, saturated or not sturated
35550	Government pulp (macerated paper currency pulp)
35655-B Sup. 21	Paper, scrap or waste, not sensitized
35695	Paper, wall, unfinished
35782	Paper, coated with bird gravel or bird sand
35830	Box straps or strapping, fibreboard
35845	Bungs or plugs, noibn, pulpboard
35930	Cores or tubes, paper or paperboard or compressed pulp, with or without metal ends, noibn, walls .225 inch or more in thickness
36310	Paper filler, noibn

EXHIBIT No. 1—Continued

Item No.	Commodity
36335	Paste, adhesive, noibn, in bulk in barrels
36340	Paste, casein, dry, noibn
36345	Paste, casein, noibn, other than dry
36350	Paste, flour (dry paste flour), with or without chemical ingredients
36355	Paste, starch or dextrine (dry starch or dextrine paste), with chemical ingredients

[fol. 1511]

Item No.	Commodity
36375	Peat, noibn, ground or not ground
36380	Peat briquettes
36466 Sup. 21	Petroleum cumene
36470	Petroleum treating compounds, noibn, crude, for separating water from crude oil
36475	Phosphate, basic
36480	Phosphate rock, crude, ground or pulverized
36546^{1} Sup. 35	Bar grounds, magnesite, sand and saw dust combined
36546^{5} Sup. 35	Spot grounds, steel, with wooden blocks attached
36546^{6} Sup. 35	Spot grounds, steel, without wooden blocks
36550	Plugs, paper roll, asphalt composition or pressed wax paper
36845	Sinks, cast iron, without legs or with legs detached
37085	Cross arm braces, wooden, metal parts attached if not exceeding 5% of entire weight
37095	Cross arms, wooden, with braces, brackets or insulator pins attached
37100	Cross arms or cross arm braces, wooden
37130	Insulat[illegible]rackets or pins, wooden
37152	Pole st[illegible] wooden
37155	Protectors, cable, ground or guy wire, wooden, with or without metal wires attached
37195	Polishing wheel cement or glue, or polishing wheel cement thinner
37325	Posts, bumping
37335	Posts, lamp, cement or concrete, without metal trimmings
37340	Posts, lamp, iron, without electric fixtures
37355-B Sup. 37	Poultry litter or horticultural mulch, noibn
37360	Poultry or pigeon grit

[fol. 1512]

Item No.	Commodity
37398-C Sup. 36	Books, second-hand, for distribution to the armed forces of the United States
37636	Type, metal, old, worn out
37670	Pumice stone, crude or ground
37700	Pyrophyllite, crude, ground or not ground

EXHIBIT No. 1—Continued

Item No.	Commodity
37730-D	Soldiers' rations
Sup. 35	
37745	Quicksilver flasks, iron
37760	Racks, automobile car decking, iron, KD, or wooden, KD or flat
37965	Angle bars or plates, railway track, iron or steel
37070	Anti-creepers or stays, railway track, iron or steel
37975	Arch bars, railway car or locomotive
38010	Base plates, railway track, iron or steel
38020	Battery storage boxes, chutes, vaults or wells, concrete
38025	Bearings, car bolster plate, with or without rollers
38050	Body or truck bolsters or buffers, railway car or locomotive
38065	Boxes, journal, without bearings, railway car or locomotive
38080	Brake beams, railway car or locomotive
38095	Brake shoes or brake shoe parts, railway car or locomotive
38100	Brakes, steel, noibn, railway car or locomotive
38105	Bumpers, railway track, iron or steel
38130	Car roofs, KD, or roof parts, noibn, steel
38140	Carlines, single, railway car or locomotive
38370	Coupler knuckles, railway car or locomotive
38375	Couplers, railway car or locomotive
38380	Coupling pins, railway car or locomotive
38385	Cross ovens, railway track, iron or steel
38390	Cross tie fastenings, railway track, iron or steel
38395	Cross ties, railway track, iron or steel

[fol. 1513]

Item No.	Commodity
38405	Crossing foundations, railway track, iron or steel
38410	Crossings, railway track, iron or steel
38425	Cylinders, locomotive, in the rough
38450	Derailers, railway track, with or without flags or targets, iron or steel
38460	Draft gear or rigging, railway car or locomotive
38465	Draft or coupler yokes, railway car or locomotive
38470	Draw bridge guides, railway track, iron or steel
38505	Ends, car, steel or steel and wood combined
38530	Floors or sills, car, steel
38535	Foot guards, railway track, iron or steel
38545	Frames, locomotive, in the rough
38550	Frog filler or filler blocks, railway track, iron or steel
38555	Frogs, railway track, iron or steel
38570	Grain door, railway car
38575	Guard rail clamps, railway track, iron or steel
38580	Guard rails, railway track, iron or steel
38585	Guards, cattle, clay or concrete
38610	Journal box pedestal liners, steel, railway car or locomotive
38675	Log bunks, flat car
38705	Plates, center or spring, railway car or locomotive
38720	Rail anchors, railway car, iron or steel

Exhibit No. 1—Continued

Item No.	Commodity
38727	Rail bond socket terminals, iron or steel
38740	Rail braces, chairs, guards, joints or yokes, railway track, iron or steel
38745	Rail filler blocks, wooden
38750	Rail joints, insulated, iron, wood and insulating material combined
38755	Rail shims, wooden

[fol. 1514]

Item No.	Commodity
38760	Rails, railway track, iron or steel
38790	Railway tie anti-checking irons
38800	Refrigerator car bunker grate bars or bunker bulkhead sections, plate iron or steel
38802	Refrigerator car bunker grates, plate iron or steel
38805	Reinforcing or splice bars, railway track, iron or steel
38810	Replacers, railway car or locomotive, steel
38870	Smoke box fronts, locomotive
38915	Springs, railway car or locomotive, steel
38920	Stakes or stake pockets, car, steel
38925	Stand pipes or water cranes, railway
38935	Steppers, car, iron or steel, corrugated
38945	Switch points or stands, railway track, iron or steel
38950	Switch targets, railway track, iron or steel
38955	Switches, railway track, iron or steel
38965	Tie bolts, railway track, iron or steel
38970	Tie plates or tie rods, railway track, iron or steel
38980	Tires, railway velocipede, steel, in bundles
38985	Track bolts, nut locks, nuts or washers, railway track, iron or steel
38990	Track spikes, railway track, iron or steel
38995	Track wedges or turnouts, railway track, iron or steel
39030	Trolley poles, without attachments
39040	Truck frames or sides, railway car or locomotive, steel
39045	Trucks, without motors, railway car or locomotive, KD
39060	Underframes, car, steel
39065	Underframes, car, steel with composition, steel or wooden floors, or steel with hopper bottoms attached
39070	Underframes, locomotive or locomotive tender, steel
39115	Wheels, railway car or locomotive, wooden center or spokes, steel tired

[fol. 1515]

Item No.	Commodity
39230	Rennets, calf (calf stomachs), green or green salted
39245	Retarder, plaster or stucco
39252	Retorts, iron or steel, noibn
39270	Rock, borate, calcined
39275	Rock, borate, crude
39305	Rolls, field, lawn or road roller, concrete or stone
39315	Building, roofing or sheathing paper, asbestos, including felt paper, saturated or not saturated, not coated nor corrugated

EXHIBIT No. 1—Continued

Item No.	Commodity
39320	Cement, roofing tile
39335	Eave filler strips or flashing blocks, asphalt composition
39337	Eave filler or flashing blocks, rubber composition
39340	Roofing, composition or prepared, noibn
39347	Roofing, steel corrugated, pitch coated
Sup. 37	
39360	Roofing or sheathing, steel, asbestos and asphalt coated, with or without aluminum, copper or cement facing
39400	Roofing Cleats, steel
39405	Shingles, cement, plaster and fibre composition with fibreboard back
39415	Shingles, steel, asbestos covered
39420	Shingles, tin plate
39430	Shingles or siding, asbestos, hard (artificial stone shingles, siding or slates)
39435	Shingles or siding, asphalt
39450	Tile, roofing, clay, concrete or earthen, noibn
39470	Cassava roots, not ground nor powdered
39560	Roots, soap weed or yucca, not ground nor powdered
39580	Rosin
39595	Rosin paste (rosin and not to exceed 10% of rosin or vegetable oils mixed)
395600	Rottenstone
39602	Rovings, jute
Sup. 21	
39610	Rubber nut kernel meal
39670	Rubber, reclaimed, dispersed, liquid or paste

[fol. 1516]

Item No.	Commodity
39675	Rubber, reclaimed, noibn
39680	Rubber, scrap, hard rubber, pulverized
39685	Rubber, scrap, noibn
39715	Scrap tires, mounted on steel rims or not mounted, having value only for reclamation of raw materials
39765	Tires, pneumatic, old, used, having value only for repair
39815	Vault linings, steel
39895	Seeds, apricot (apricot pits)
39907	Seeds, blue lupine
Sup. 21	
39960	Seeds, cotton
39985	Seeds, flax (linseed)
39995	Seeds, grape or raisin
40045	Mustard seed, wild
40060	Peach seeds (peach stones)
40065	Peas, Austrian winter
40067	Peas, caley or singletary (wild winter peas)
Sup. 35	
40085	Seeds, safflower
40090	Screenings, flaxseed

Exhibit No. 1—Continued

Item No.	Commodity
40115	Sorgo seed (sweet sorghum)
40120	Suday grass seed
40180-A Sup. 21	Sewer pipe joint compounds, noibn, asphalt
40385	Pail or tub ear blanks, sheet steel
40505	Shells, clam, mussel or oyster, not crushed nor ground
40510	Shells, cocoanut
40520-A Sup. 21	Shells, coquina, broken, crushed or ground
40522 Sup. 35	Shells, crab, ground (crab shell meal)

[fol. 1517]

Item No.	Commodity
40530	Shells, fruit pit, not ground
40535	Nut hulls or nut shells, noibn
40545	Shells, scallop
40555	Shells, shrimp, ground (shrimp meal)
~~40770~~ Sup. 21	~~Silica gel, spent~~
40775	Silica, noibn, or silex, noibn
40776	Silicon carbide, briquettes
40777	Silicon carbide, crude
40778	Silicon Carbide, noibn (not flour nor grain abrasive)
40805	Sizing, casein
40810	Sizing, noibn
40815	Sizing, rosin
40830	Skins or rinds, smoked bacon or ham, other than glue stock
40845	Smoke flue cleaning compounds, dry
40880	Soapstone or talc linings, fire box or furnace
40885	Sod, chopped or not chopped
40910-A Sup. 21	Softener, cotton, rayon, silk or wool, noibn
41085	Springs, noibn, steel, other than wire, coiled, made of steel 5/16 inch or over in thickness
41090-A Sup. 35	Springs, noibn, steel, other than wire, elliptic or semi-elliptic, horse drawn or motor vehicle or tractor
41197	Starch, liquid
41198	Starch, noibn
41199	Starch substitutes, inedible
41201	Starting cranks, internal combustion engine
41300	Stearic acid
41305	Stearine, animal, noibn
41370	Stoppers, carboy, clay

[fol. 1518]

Item No.	Commodity
41385	Straw pulp
41437	Sulphate black liquor skimmings (not acidified or otherwise processed)
41440	Sulphur (brimstone)

EXHIBIT No. 1—Continued

Item No.	Commodity
41482	Talc, pigmented
Sup. 37	
41535	Tallow, animal
41545	Tankage, garbage, dry
41550	Tankage, noibn
41620	Cisterns, tanks or vats, wooden, noibn, KD
41695	Tanks, iron or steel, lined with lead, KD
41740	Tanks, metal pickling, wooden, KD
41915	Tile, asphalt composition
41925	Tile, brick or stone facing, mounted on pulpboard
41925	Tile, brick or stone facing, mounted on pulpboard
41935	Tile, clay or earthenware, glazed or not glazed, noibn, with or without backing
~~41945~~	~~Tile, concrete~~
41967-A	Tile, quarries, flooring, paving or promenade
Sup. 40	
41975	Tile, slag, granular
42000	Tin, dross, skimmings or sweepings
42025	Tire fabric, rubber impregnated, used (pieces of fabric stripped from worn-out pneumatic rubber tires, have value other than for reclamation of raw materials), not skived
42045	Tobacco, cuttings or scraps
42045	Tobacco, leaf
42055	Tobacco, siftings
42060	Tobacco stems, ground
42065	Tobacco stems, not ground
42070	Tobacco sweepings
42135	Anvils
42165	Bars, claw, crow or wrecking

[fol. 1619]

Item No.	Commodity
42170	Bars, tamping, noibn, iron or steel
42270	Car movers or pushers, hand
42340	Cotton stowing screws, steel
42390	Excavation braces, extension, iron
42425	Foundry skimmer bars, iron
42470	Grindstone frames, KD
42475	Grindstones, natural stone
42505	Holystones
42510	Hooks, grab, hoist, sling chain or slip, iron
42530	Jack bases, traversing
42532	Jack or jack screw parts, noibn
Sup. 35	
42535	Jacks or jack screws, noibn, not wheeled
42555	Last forms or stands
42565	Lasts, iron, finished
42595	Mandrels, blacksmiths' (blacksmiths' cones), iron or steel
42615-A	Mattocks, without handles

Exhibit No. 1—Continued

Item No.	Commodity
42615-A Sup. 40	Mattock, without handles
42625	Mauls, picks or sledges, without handles
42685-A Sup. 21	Pallets, brick or cement, or concrete block or concrete sewer pipe, iron
42690-A Sup. 21	Pallets, brick or cement, or concrete block or concrete sewer pipe, wooden
42800	Saws, foundry core, not further finished than stamped, hand
42845	Sheep sets
42890	Sprags, wooden
42915	Stokers, hand, KD
42925	Stones, rubbing, noibn, sandstone
42930	Stones, rubbing, noibn, other ~~than sandstone~~
42935	Stones, scythe

[fol. 1520]

Item No.	Commodity
43050	Vises, iron or steel
43060	Wedges, noibn, iron
43065	Wedges, noibn, wooden
43070	Whetstones, noibn, sandstone
43100	Wrenches, noibn, without attachments
43220	Tree or weed killing compounds, noibn
43320	Tuyeres, clay
43382	Vegetable fibre pulp, noibn
43625	Stone boats, horse-drawn or trailer, not wheeled
43840	Axle boxes or skeins, iron
43845	Axle or spring clips, couplings or staples, noibn
44050	Carriage or wagon castings, forgings or stampings, noibn, for horsedrawn vehicles
44055	Carriage or wagon irons, noibn, for horse-drawn vehicles
44100	Felloes or wheel rims, wooden, noibn, sawed, not bent, in the white
44105	Fifth wheels or gear sets for horse-drawn vehicles
44165	Hounds, wooden, in the white, ironed or not ironed
44170	House movers' truck bolsters, iron
44175	Hubs for horse-drawn vehicles, iron
44185	Knees, sled or sleigh, iron or steel
44260	Poles or tongues, farm wagons, wooden, in the white, ironed or not ironed
44270	Poles or tongues, noibn, wooden, in the white, ironed or not ironed
44285	Poles or tongues, wooden, for passenger vehicles, in the white, ironed or not ironed, KD
44300	Reaches, wooden, in the white, ironed or not ironed
44360	Shafts, wooden, in the white, ironed or not ironed, KD
44370	Shoes, sled or sleigh, steel
44380	Spokes, wooden, in the white
44630	Wall cleaning compounds

[fol. 1521]

EXHIBIT No. 1—Continued

Item No.	Commodity
44640	Wall paper pulp coloring, noibn
44740-A Sup. 35	Apple cores, pomace, skins or waste, or apple chops (chopped apples), not frozen
44750	Batteries, electric, dry cell, old, spent, having value only for reclamation of materials
44755	Batteries, electric, storage, assembled, old, spent, without chemicals, having value only for reclamation of materials
44757	Barks, tan, ground, spent
44760	Beeswax refuse
44765	Boots or shoes, old, worn out, leather or leather and cloth combined, having value only for reclamation of raw materials
44772	Burlap, old, used, ink stained
44775	Buttons, scrap, used (broken or refuse buttons taken from old clothes or rags)
44790	Carbide of calcium residue
44795	Carpet mill flyings or shearings, in machine pressed bales
44810	Carpets or rugs, old, worn out, having value only for conversion into fibre or for reweaving purposes
44815	Castor bean hulls or stems, ground or not ground
44820	Castor pomace
44835	Cellulose film scrap or waste, in machine pressed bales
44845	Chemically hardened fibre scrap, flexible or hard, such as fibreoid, leatheroid or vulcanized fibre
44855	Cloths or mats or cloth or matting, filter press, hair or wool, old, worn out, other than shredded, in machine pressed bales
44860	Coffee hulls
44870	Cotton motes, gin flue cleanings or cotton sweepings (cotton refuse from gin flues, spinning factories, knitting mills or cotton seed oil mills), in bales compressed to 15 lbs. or more per cubic foot
44875	Crucibles, muffles or scorifiers, clay or silicon carbide, broken but not pulverized
44880	Electrotype plates or electrotype shells, scrap (old worn out or scrapped, having value for remelting purposes only)
44890	Feather refuse or quill clippings, in machine pressed bales

[fol. 1522]

Item No.	Commodity
44895	Felt clippings or felt scrap, in machine pressed bales
44905	Fertilizer synthetic gum or resin scrap, with filler, having value only for fertilizer purposes or for its nitrogen content
44910	Fertilizer wool refuse, having value only for fertilizer purposes or for its nitrogen content
44930	Glasshouse pots or tank blocks, broken
44935	Grape pomace, dry

EXHIBIT NO. 1—Continued

Item No.	Commodity
44940	Grape pomace, wet
44945-A Sup. 21	Graphite scrap
44970	Hops, spent, in machine pressed bales
44975	Hose, fabric and rubber combined, worn out, unfit for further use as hose but having value other than for reclamation or raw materials
44980	Hulls, velvet bean, ground
44990	Insulators, electric wire, noibn, pottery, broken
44995	Iron mass or sponge, gas purifying, spent
45000	Lac refuse
45010	Loom harness, twine or yarn, old, worn out
45015	Magnesium carbonate, spent, having value only for reconditioning purposes
45020	Meat refuse, non-edible
45035	Oilcloth scrap, trimmings or waste, having value only for reclamation of rags
45065	Pottery, broken or broken saggers (shard)
45070	Printers' roller composition, old, refuse or scrap
45085	Rag or shoddy dust, noibn, in machine pressed bales
45090-A Sup. 21	Rags, noibn, in machine pressed bales
45110	Roots, licorice, ground or powdered, spent
45115	Rope or twine, scrap, consisting of old worn-out rope or twine having value for remanufacturing purposes only
45120	Rubber matting trimmings (waste)

[fol. 1523]

Item No.	Commodity
45125	Rubber reclamation residue
45130	Sal-ammoniac skimmings
45135	Saws, band, worn out, cut into short lengths
45155	Stereotype plates, old, worn out, broken or not broken, shipped with type faces unprotected, or scrap, having value for remelting purposes only
45160	Stone stencil compound scrap
45165	Sugar cake mud (refuse from sugar filter presses)
45170	Sweepings, felt mill, in machine pressed bales
45180	Tanning liquor, spent
45205	Tobacco dust, refuse, sand or waste
45220	Waste, alpaca hair, camels' hair, mohair (angora goat hair), or wool waste, noibn, including clips, tags or sweepings, with or without other fibres, actual value not exceeding 6½ cents per pound, in machine pressed bales
45235	Waste, cordage mill, other than cotton, consisting of cordage clippings, fibre bands, dust or sweepings, or old bale wrappers (old Manila matting), in machine pressed bales
45240	Waste, cotton, noibn, in bales compressed to 15 lbs. or more per cubic foot

Exhibit No. 1—Continued

Item No.	Commodity
45245	Waste, cotton and flax combined, consisting of card strippings, slasher waste sweepings or threads (refuse of crash mills), in machine pressed bales
45247	Waste, cotton and rayon combined (refuse or sweepings), in machine pressed bales
45250	Waste, flax mill, consisting of combings, scrapings or sweepings, in machine pressed bales
45265	Waste, insulating material, flax fibre or hair, torn in pieces, having value only for reconversion into fibre or hair, in machine pressed bales
45270	Waste, jute, in machine pressed bales, or in rolls
45272	Waste, lubricating grease, asphalt base, containing not less than 85% asphalt, spent
45275	Waste, rayon and silk combined, having value other than for respinning purposes, in machine pressed bales
45280	Waste, rayon (refuse or sweepings), in machine pressed bales
45285	Wine lees, in barrels

[fol. 1524]

Item No.	Commodity
45290	Wool rag dust, wool shoddy dust, woolen mill dust, wool duster waste or shoddy duster waste (not including wool fibres not staples), in machine pressed bales
45300	Wood residuum (crude lignin), dry
45315-A Sup. 21	Waste, packing or wiping, manufactured, oiled
45320-A Sup. 21	Waste, packing or wiping, manufactured, cotton, not oiled, in machine pressed bales
45357 Sup. 21	Water, corn steep, liquid
45360	Water, evaporated tank
45375	Water clarifying, hardening, purifying or softening compounds, noibn, dry
45485	Weights, sash, composition, iron or steel jacketed
45490	Welding bars, rods or wire, iron or steel, chromium-manganese coated
45500	Welding compound
45540	Wheel blanks, cog, gear, pinion or sprocket, iron, cast or forged, not further finished than rough machined
45555	Wheel blanks, iron or steel, noibn, cast or forged, not further finished than rough machined
45685	Wire cloth, iron or steel, ½ inch mesh or over
45750	Wood preservatives, noibn, liquid or paste, in bulk in barrels
45767	Wood sawdust or shavings, partly carbonized, wet
45770	Wood splitting preventive compound
45870	Bungs or plugs, noibn, wooden
45890	Capstan bars, wooden
45975	Gambrel sticks, wooden

Exhibit No. 1—Continued

Item No.	Commodity
45985	Hame sticks, in the white, wooden
45995	Ice can covers or ice tank frames, wooden
46020	Ladder parts, wooden, in the white
46045	Platforms, noibn, wooden, flat or KD flat
46065	Pulley block shells, wooden

[fol. 1525]

Item No.	Commodity
46070	Rims, riddle or sieve, wooden, coiled
46080	Roll protectors: Discs (circular heads), wooden
46085	Rollers, house movers', wooden
46125	Slats, ash can, garbage can or trunk, wooden
46150	Sucker rods or pull rods, wooden, ironed
46185	Trunk box material, in shucks or panels, noibn, wooden
46235	Yard stick or gauge stick blanks, wooden, in the white
46255	Woodpulp, not powdered, noibn
46337	Zinc ashes
46350	Blanks or stampings, noibn, zinc, flat
46365	Zinc dross
46420	Zinc, plate, sheet or strip, noibn
46430	Zinc residue
46435	Zinc Scrap (scraps or pieces of zinc having value for remelting purposes only)
46445	Zinc skimmings

[fol. 1526]

EXHIBIT No. 2

Statement Showing Items in C. F. C. No. 16 and Supplement Thereto Rated 3rd Class (Col. 70) in Western Classification Territory on Which No Commodity or Exception Ratings Apply

Item No.	Commodity
55	Acid, abietic
60	Acid, acetic, glacial or liquid, in bulk in barrels
75	Acids, noibn, liquid, in bulk in barrels
85	Acid, arsenic, other than fused, in barrels
87	Acid, azelaic, from animal or vegetable fats
90	Acid, boracic
95	Acid, carbolic (phenol)
105	Acid, chromic, in bulk in steel barrels
110	Acid, cresylic (cresol), in bulk in barrels
120	Acid, formic, in bulk in barrels
130	Acid, hydrofluoric
135	Acid, hydrofluosilicic
137 Sup. 21	Hydroxy acetic acid
140	Acid, lactic, in bulk in barrels
150	Acid, monochloroacetic, in bulk in barrels
155	Acid, muriatic (hydrochloric), in bulk in barrels or rubber drums
160	Acid, nitrating (mixed nitric and sulphuric), in metal barrels
170	Acid, oxalic
172	Acid, pelargonic, from animal or vegetable fats
175	Acid, phospho—Cresylic, in steel drums
180	Acid, phosphoric, in bulk in barrels
185	Acid, phthalic anhydride
190	Acid, propionic, in bulk in barrels
195-A Sup. 35	Acid, pyroligneous, in bulk in barrels.
300	Displays, brick or tile facings or tile mounted on panels

[fol. 1527]

Item No.	Commodity
355	Agricultural implement parts, hand, noibn, wooden, in the white
365	Cultivators, not wheeled
370	Cultivators, wheeled, KD
375	Cutters, feed, K. D.
390	Distributors, fertilizer, wheeled, KD
395	Drills, hand, agricultural, wheeled, KD
400	Fingers, grain cradle
405	Forks, hand, agricultural, metal lined
415	Grain cradle bodies (cradles without scythes or snaths)
420	Grain cradles
425	Heads, fork, hoe, manure hook, potato hook or rake
430	Hoes, hand, not wheeled
435	Hoes, hand, wheeled, KD

Exhibit No. 2—Continued

Item No.	Commodity
445	Hooks, manure or potato
455	Mulchers, wheeled, KD
485	Plows, wheeled, hand, KD
495	Rakes, wheeled, hand, KD
500	Rakes, not wheeled with iron or steel heads
510	Rollers, garden or lawn
525	Seeders, wheeled, hand, KD
530	Shellers, corn, with legs or stands, detachable parts removed
535	Shellers, corn, without legs or stands
545	Snaths, grain cradle or scythe
550	Sod lifters
555	Sorters, onion or potato, KD
565	Trowels, garden
570	Turf edgers
575	Weeders, hand, not wheeled

[fol. 1528]

Item No.	Commodity
580	Weeders, hand, wheeled, KD
610	Bean harvesters, KD
615	Beet harvesters, KD
620	Beet lifters, KD
622	Beet loaders, KD
Sup. 21	
625	Beet pullers, KD
628	Beet thinners, KD
Sup. 21	
635	Binders or harvesters, noibn
640	Blue grass strippers, KD
645	Broom corn dumps, KD, or folded flat
650	Clod crushers or pulverizers
660	Corn binders, harvesters or shockers, KD, separate or combined
685	Cotton choppers, KD
705	Coulter harrows, KD
710	Cultivators, other than hand, KD
720	Disc harrows, with or without sower attachments, KD
725	Ditchers or terracers, farm, KD
730	Drills or planters, grain, peanut or seed, KD
765	Fertilizer distributors, noibn, with handles, KD
770	Fertilizer distributors, noibn, without handles, poles detached, wheels off
775	Field rollers
780	Harrow attachments for riding plows, KD
785	Harrow carts, KD
790	Harrows, spring tooth or peg tooth
805	Hay carriers
810	Hay curing trucks, two-wheeled

[fol. 1529]

Exhibit No. 2—Continued

Item No.	Commodity
820	Hay loaders, stackers (rickers), tedders or shock loaders, KD
835	Horse powers, tread, KD, gear wheels on or off
840	Manure loaders or spreaders, KD
845	Markers, furrow or row, KD
860	Planters, cultivators and fertilizer distributors combined, KD
870	Plows, agricultural, other than hand, KD
880	Potato diggers, KD, wheels on or off, or without wheels
885	Potato loaders, KD
890	Potato planters
895	Rakes, agricultural, other than hand, KD, teeth detached
905	Seed potato cutters, KD
915-A Sup. 21	Sowers, grain or seed, broadcast, KD
930	Stalk cutters, field, taken apart
950	Trucks, tongue or transport, one or two wheeled, noibn, KD
955	Wagon dumps, farm
960	Weeders, KD, teeth detached
965	Windrow pickups, KD
970	Windrowers, KD
990-A Sup. 21	Agricultural implement parts, other than hand, noibn, iron
1005	Agricultural implement parts, other than hand, noibn, wooden, in the white
1030	Beams, agricultural implement, wooden, finished
1035	Binding attachments for harvesters or reapers
1040	Blades or points, grain or seed drill
1045	Boxes or spools for harrow balls
1050	Bunchers or windrowers for mowers, KD
1055	Bundle carriers, KD or folded

[fol. 1530]

Item No.	Commodity
1060	Chain, elevator, potato digger, iron
1070	Damming attachments, KD
1075	Discs, agricultural implement
1080	Discs and drag bars combined
1085	Guards, knife, with or without guard plates attached
1090	Guards or plates, grain lifter
1095	Guides or poles, separator steering
1100	Handles, agricultural implement, iron
1105	Handles, agricultural implement, wooden, finished
1110	Harrow frames, KD
1125	Knives for ensilage, feed or stalk cutters
1130	Knives or knife sections, agricultural implement, noibn
1135	Pitmans, agricultural implement
1140	Plow bottoms
1150	Poles, steel, agricultural implement
1155	Poles, wooden, agricultural implement, finished

Exhibit No. 2—Continued

Item No.	Commodity
1160	Potato digger parts, iron, noibn
1165	Rasps or spikes (teeth) for clover hullers or threshers
1170	Rolling coulters, or rolling coulter blades
1180	Screens (sieves) for threshers
1185-A Sup. 21	Seats, agricultural implement, iron, with seat springs or brackets
1190	Shoes, grain drill
1200	Sulky attachments, KD
1205	Sweeps, levers or tread blocks for horse powers
1210	Teeth, hay stacker or rake
1215	Traction engine plowing guides
1220	Tractor hitches

[fol. 1531]

Item No.	Commodity
1225	Trays, tool or harrow weight, iron
1235	Tubes, grain drill, steel, flexible
1240	Wheels, agricultural implement, iron, other than master wheels (bull wheels), finished or not finished, with or without lubricators or bearing races, not including machine finished gear or sprocket wheels, without rubber tires
1255	Wheels, agricultural implement, wooden or iron and wood combined, noibn
1260	Wire, check rower
1400	Albums or scrap books, paper or pulpboard
1405	Algarrobilla
1415	Alginates, ammonium or sodium, paste
1440	Calcium-manganese-silicon
1467	Ferro-molybdenum
1525	Silicon-zirconium
1595	Borings, aluminum
1600	Buffings, aluminum
1680	Grindings, aluminum
1730	Sawings, aluminum
1735	Scrap, aluminum
1780	Turnings, aluminum
1792-A Sup. 37	Aluminum flux, noibn
1890	Bullets or bullet cores
1902	Cartridge shells (cartridge cases), small arm, empty, old, used
1905	Dummy charges (dummy cartridges)
1980	Argols
2000	Brake blocks, asbestos, non-flexible
2015	Asbestos, crude
2025	Doors, asbestos, glazed

[fol. 1532]

Exhibit No. 2—Continued

Item No.	Commodity
2030	Doors, asbestos, not glazed
2055	Asbestos lumber, including flat or hard sheathing, not ornamented, polished nor shaped, with or without asbestos air cell board or asbestos fibrous pulp center, or with fibreboard center or back
2062	Asbestos millboard
2110	Asbestos wallboard, with not more than two coats of paint, enamel or lacquer, or not painted, enameled nor lacquered
2115	Asbestos wallboard, with more than two coats of paint, enamel or lacquer
2235	Tar, coal or petroleum, in metal cans in boxes or crates, or in kits or steel pails
2245	Tar, noibn, in metal cans in barrels, boxes or crates
2285	Bats, baseball or cricket
2315	Billiard table parts, wooden, in the white
2325	Floors, bowling alley, in sections or KD; back stops; ball stops; divisions; foul lines; kickbacks; pin setter attachments; pin spotters; pit cushions; posts; returnway racks, KD; or parts thereof
2342	Bowling pins
2345	Box ball alleys and fixtures
2375	Curling stones
2390	Diving boards
2410	Dumb bells, wooden, unfinished
2440	Floats, net or seine, wooden
2445	Football blocking dummies
2485	Golf club heads or shafts, wooden, unfinished
2505	Grids, cooking, wire, folded flat
2535	Hockey or shinny sticks, unfinished
2540	Horse shoe pegs or stakes; pitching, iron
2550	Indian clubs, wooden, unfinished
2625	Pitching horseshoes

[fol. 1533]

Item No.	Commodity
2630	Playground apparatus, noibn
2650	Quoits
2655	Racks, cooking, wire, interlaced
2660	Salmon eggs, canned, pickled or preserved
2675	Shot putting balls
2685	Skates, ice or roller, without shoes
2705	Stilts, wooden
2730	Target butts, straw
2735	Targets, clay or pitch
2745	Targets, glass ball
2750	Targets, iron
2765	Throwing hammers

Exhibit No. 2—Continued

Item No.	Commodity
2815-A Sup. 21	Automobile parts, automobile engines or automobile engine parts, old, used, having value for reconditioning
2825	Axle shafts
2850	Boards, floor, running or toe, wood, trimmed
2855	Boards, running, steel, or steel and rubber combined
2930	Bodies, passenger, noibn, completely KD
2955	Body panels, fibreboard, not covered
2970	Body parts, sheet iron or steel, noibn, unfinished, with or without sound deadening material attached; wooden, painted, or iron or steel and wood combined, noibn flat or nested
2980	Body parts, wooden, KD or flat, in the white or creosoted, noibn
3005	Brake drums, without attachments, finished
3075	Dashes, iron or steel, unfinished, flat or nested
3095	Doors, not finished
3130	Exhaust or tail pipes, steel, straight or bent, further processed than cut to length, with or without attachments
3165	Gear frame side or cross bars
3190	Hubs, iron or steel, with bearings

[fol. 1534]

Item No.	Commodity
3295	Radiator guards or shields, motor truck, bar iron
3335	Shackles, automobile, other than ball bearing
3355	Spare wheel carriers or brackets, steel
3370	Spokes, wire wheel
3375	Spring clamps or clips, vibration reducing
3380	Spring covers, sheet steel, nested
3385	Steering arms, steel, unfinished
3420	Tire carriers or cases, noibn
3430	Tool kits, automobile
3515	Automobile repair creepers or trays
3560	Bagasse (crushed sugar cane refuse), in machine pressed bales
3625	Burlap, rubberized
3670	Mail bags or pouches, cloth, old
3692 Sup. 37	Bags, paper, insulated with mascerated paper, in machine pressed bales or machine pressed in boxes
3810	Dough, prepared
3815	Dust or meal, biscuit, bread, cracker or matzos
3825	Balata resin
3905	Mangrove bark, ground
3910	Mangrove bark, not ground
3930	Barrels, ale, beer or non-intoxicating cereal beverage, wooden, new
3975	Barrels, half-barrels, casks, drums, hogsheads, kegs, puncheons or tierces, noibn, steel, shipping, KD
4048	Base knobs or door stops, noibn

Exhibit No. 2—Continued

Item No.	Commodity
4115	Baskets, berry, fruit or vegetable shipping, noibn, fibreboard, with covers, covers detached, bodies KD flat
4117	Baskets, berry, fruit or vegetable shipping, noibn, fibreboard and wood combined, with covers, covers detached, bodies nested
4130	Baskets, berry, fruit or vegetable shipping, noibn, sheet or stave veneer, other than round bottom bushel baskets, with covers, covers detached, or without covers, bodies nested
4155	Berry, fruit or vegetable till baskets or till boxes, veneer
4165	Bread or laundry shipping boxes, with lock or seal covers, wood or steel and wood combined, KD
4230	Bate, tanners', noibn
[fol. 1535]	
4345	Honey section frames, KD
4363	Berries, juniper or sloe, dried
4375	Billboards or signboards, without advertisement, steel or wood
4392	Bird food or seed
Sup. 37	
4415	Blackboards, without stands, cement, glass, plasterboard or slate
4435	Blackboards, without stands, metal, pulpboard or wooden
4450	Blacks, dry mineral earth or peat char, other than dry earth paint
4453	Bone blacks, hydrocarbonated
4455	Bone blacks, noibn, drop or frankfort
4505	Bladders, noibn, pickled or salted
4520	Blocks, butchers', including butchers' cutting or chopping tables, or butchers' cutting or chopping table tops, with legs attached
4525	Blocks, counter display, wooden, in the white, hollow
4535	Blocks, die leatherboard or pulpboard
4545	Blood, liquid, in kits, or in metal cans in crates
4625	Center-boards, boat
4645	Fenders, boat or dock, cane, rope or rubber and steel combined
4700	Masts or spars, boat, steel
4715	Oars, boat
4730	Rigging, noibn, boat
4760	Rudders, boat
4765	Sails, boat, worn out
4790	Boiler cleansing, preserving, scale preventing or scale removing compounds, dry
4795	Boiler cleansing, preserving, scale preventing or scale removing compounds, liquid or paste, in barrels or boxes
4810	Army tent stoves, sheet steel
4815	Ash pit doors or ash traps, iron

Exhibit No. 2—Continued

Item No.	Commodity
4835	Base sections, boiler, steel, with or without grate bars and grate bar equipment built-in
[fol. 1536]	
4850	Casings, boiler, KD, insulated or not insulated
4870	Fronts, boiler
4880	Header sections, boiler (headers and tubes or baffles combined)
4895	Heads (ends), boiler, finished
4898	Heat developers, boiler, spiral (boiler tube retarders)
4965	Broilers, noibn, iron and asbestos lumber combined, with or without drip pans or grids, KD
4990	Cookers or steamers, food, other than stock feed, cast iron or cast iron and plate steel combined, noibn
5000	Dampers, noibn, iron
5002	Fireplace grates with gas heating units
5003	Fireplace grates, grate baskets, without heating units, or grate parts, noibn
5007	Fuel economizers, KD
5015	Furnace casing rings, iron or steel, nested or in segments
5025	Furnace casing sides or tops, iron or steel
5040	Furnace radiators, house heating, iron
5105	Heaters, contractors', portable (salamanders), sheet iron, KD, body parts nested
5108	Heaters, railway switch, oil burning
5115	Heaters, water, noibn
5135-A	Incinerators, garbage or offal, cast or malleable iron, or plate or sheet iron with cast or malleable iron tops or doors and bottoms or grates
5140	Incinerators, garbage or offal, reinforced concrete
5170	Ovens, baking, iron, noibn, KD
5175	Ovens, stove or range, KD
5205	Range boilers with interior water heaters, gas, gasoline or oil, other than automatic or instantaneous, steel
5210	Range boilers without interior water heaters, iron or steel
5235	Registers, air, noibn, including air louvres, iron or steel
5237	Registers, air, noibn, including air louvres, other than metal
[fol. 1537]	
5245	Shelves, baking oven, steel, insulated
5250	Stands, range boiler, KD
5265	Stove ornaments or trimmings, noibn, iron or steel.
5285	Stove or range cabinets, closets or high shelves, steel, KD
5295-A	Stove or range castings, iron, enameled or plated, noibn
Sup. 21	
5310	Stove or range water reservoirs or stove or range water reservoir attachments, iron or steel, enameled or with copper fittings

EXHIBIT NO. 2—Continued

Item No.	Commodity
5315	Stove or range water reservoirs or stove or range water reservoir attachments, iron or steel, not enameled nor with copper fittings
5320	Stoves, sand drying, without screens or skirting, KD
5350-A Sup. 21	Stoves or ranges, iron or steel, charcoal, coal or wood; charcoal, coal or wood and gas combined; or coal and electric combined, cast or malleable; or plate with malleable doors, frame and top; or plate or sheet with cast bases or tops
5420	Stoves or ranges, iron or steel, gas, hotel type, gross weight each exceeding 500 lbs. and without legs or legs detached, or with legs not exceeding 6 inches in length attached
5435	Stoves or ranges, oil burning or oil burning and gas combined, cast or plate, or plate with cast doors, frames and tops, other than with motor operated burners
5465	Superheaters, other than locomotive, KD
5515	Book stacks, library, consisting of iron brackets, floor framing, stairs, railings, standards and shelves
5565	Box toe boards
5580	Button fasteners, eyelets or eyelet hooks
5595	Counters, heels, soles or taps, iron and wood combined
5605	Heel circlets or plates, metal
5610	Heels, wooden, in the white
5635	Pegs, boot or shoe, wooden
5655	Shanks, boot or shoe, steel
5665	Sole insulating felt, flax waste and tar combined
5705	Booths, election, noibn, KD or folded flat
5715	Booths, paint or varnish spraying, KD flat
[fol. 1538]	
5720	Booths, telephone, steel, KD
5745	Box material, cane fibre lumber, with wooden cleats, KD flat, in shooks or panels
5805	Boxes, ballot, steel, KD flat or folded flat
5820	Boxes or crates, banana shipping, iron and wood combined
5830	Boxes, charging, steel
5860	Boxes, electrotype or stereotype
5870	Boxes, fibreboard, taper sided, noibn, with or without wood cleated ends, or fibreboard, wood veneer lined
5970	Boxes, meat shipping refrigerator, new
6035	Boxes, sluice, wooden
6055	Boxes, steel, noibn, KD flat or folded flat, new
6072	Boxes, tote, sheet iron
6080	Boxes, wooden, bored and turned, unfinished (rough turned and bored)
6162	Cans, fibreboard or pulpboard, cone shaped, without bottoms
6165	Cans or bottles, fibreboard, paper or pulpboard, with or without metal tops or bottoms, KD, ends detached, bodies folded flat

Exhibit No. 2—Continued

Item No.	Commodity
6220	Brake or shock absorber fluid, other than petroleum
6230	Anodes, copper
6240	Ashes, brass, bronze or copper
6245	Bar or rod with steel core, brass, bronze or copper
6250	Bars or billets, drawn, extruded or rolled, brass, bronze or copper
6270	Blanks (unfinished shapes), tinned or not tinned, noibn, brass, bronze or copper
6275	Borings or turnings, brass, bronze or copper
6285-A Sup. 21	Castings, noibn, brass, bronze or copper
6300	Copper base bullion, pig or slab
6310	Copper slimes or electrolytic copper mud
6325	Ferrules, noibn, brass, bronze or copper

[fol. 1539]

6330-A Sup. 35	Forgings, brass, bronze or copper, in the rough, as from the hammer or press
6335	Grindings, brass, bronze or copper
6375	Matte, copper
6390	Mouldings, noibn, unfinished, brass, bronze or copper
6415	Plate, sheet or strip, noibn, brass, bronze or copper, other than perforated or silver plated, No. 38 B. & S. gauge or thicker
6425	Rods, drawn extruded or rolled, brass, bronze or copper
6435	Scrap, brass, bronze or copper
6450	Sheet copper, electrolytically deposited
6460	Skimmings, brass, bronze or copper
6470	Sweepings, brass, bronze or copper
6490	Washings, brass, bronze or copper
6505	Wire rope or strand, brass, bronze or copper
6535	Blocks or tubes, segment sewer, aluminum oxide or vitrified clay
6540	Brick, building, common, or pressed, fire, including fire brick shapes, or paving, noibn, weighing each less than 15 lbs.
6615	Furnace or kiln lining or high temperature bonding mortar or cement, noibn
6685	Terra cotta, building
6725	Tile, building or roofing, reinforced concrete (building or roofing slabs), with glass insertions
6730	Tile, building or roofing, wood and magnesite combined
6740	Broom caps, iron or tin
6745	Broom clamps, steel
6755	Broom ferrules or locks, iron or tin
6760	Broom filler, grass or straw, noibn
6770	Broom splints, bamboo, rattan or reed
6800	Brooms, wire
6810	Brushes, floor waxing, with cast iron tops, handles detached

[fol. 1540]

EXHIBIT No. 2—Continued

Item No.	Commodity
6837	Handles and holders combined, brush or mop
6845	Mops or mop parts, noibn
6895	Asphalt flooring compound, noibn, liquid or paste
6900	Asphalt paving blocks, weighing each less than 15 lbs.
6920	Back boards, for metal tile, built-up wood, with metal clips attached
6930	Cement, concrete or masonry waterproofing compound, dry
6935	Cement, concrete or masonry waterproofing compound, liquid or paste
6945	Concrete bonding compound, liquid or paste
6965	Concrete surface hard-ner, liquid or paste
6975	Cribbing, steel, including fillers, caps, clevis pins, bolts and nuts
6978 Sup. 37	Culvert and sections, flared, iron or steel, plate or sheet, unfinished
7000	Dividing strips, terrazzo or cement flooring
7005	Doors, airplane hanger, steel, not glazed
7015	Doors, mine, with frames and fixtures, automatic, KD
7030-A Sup. 37	Doors, rolling, iron or steel, or wood covered with iron or steel or tin plate
7040	Doors, smoke house, or smoke house firing, with frames, steel
7050	Doors or windows, insulated, cold storage, not glazed, with or without frames or fixtures
7055-A Sup. 21	Doors, partitions or shutters, rolling, wooden
7060	Elevator car platforms
7070	Elevator crossheads
7075	Elevator gate weight boxes
7080	Elevator gates, wooden, KD or collapsed
7090	Elevator guide or weight posts, wooden
7105	Elevator plungers, steel
7140	Fire escapes, steel, noibn
7150	Fireplaces and mantels combined, cast stone, without hearth or with hearth detached
[fol. 1541]	
7170	Forms and gaskets, sewer pipe joint, steel
7180	Garbage closets, iron, cast, or sheet with cast tops
7220	Lathing, zinc, expanded
7225	Lightning rods, rod fasteners or fixtures, noibn, copper
7230	Lightning rods, rod fasteners or fixtures, noibn, copper and iron or steel combined
7240	Lights, floor, sidewalk or vault, noibn, framed or not framed
7300	Paving joints, roadway, pulpboard, asphalt saturated, and steel combined
7320	Piling cores, iron
7330	Plaster wall surfacing, cloth and plaster combined

EXHIBIT No. 2—Continued

Item No.	Commodity
7335	Plasterboard joint system consisting of plastering compound and paper, metal or fabric tape
7375	Troughs, filtration, wash water, iron
7380	Ventilator, sash and screen combined, foundation
7400	Angles or channels, enameled, iron or steel, or wood covered with iron or steel or tin plate
7420	Balconies, iron, KD
7430	Bars, glass setting, lead and steel combined, zinc or copper plated zinc
7435	Bars, glass setting, steel
7440	Bucks or frames, door or window, steel, fabricated from bars, plates or shapes 3/16 inch or thicker
7450	Building construction sections, steel and mineral wool (rock or slag wool) combined, with or without steel fittings
7455	Building corners or shields (covers for weatherboard or lap siding corner angles), sheet steel
7465	Building sheet metal work, noibn, iron or steel, or wood covered with iron or steel or tin plate, bronzed, coppered, enameled or painted
7470	Building sheet metal work, noibn, iron or steel, or wood covered with iron or steel or tin plate, galvanized, plain or primed
7480	Canopies (marquise), iron, KD

[fol. 1542]

Item No.	Commodity
7495	Capping, roof, iron, steel or tin plate, nested
7505	Casings, door or window, iron or steel, or wood covered with iron or steel or tin plate, KD
7520	Ceiling or siding, or ceiling or siding mouldings, panels or ornaments, enameled, iron or steel, or wood covered with iron or steel or tin plate
7535	Chimney caps or cowls, iron or steel, cast
7550	Chimney flue, smoke or ventilating deflectors, cast iron
7555	Chutes, coal delivery, iron, basement
7590	Conductor pipe boots or connections, cast iron
7600	Corner bead, corner bead clips, cove base, cove base fastenings, picture molding or wall grounds, zinc
7610	Cresting, roof, metal, flat
Sup. 21	
7615	Doors, area or sidewalk, steel, with frames
7625	Doors, fire, steel, with asbestos or mineral filling
7645	Doors, steel, fabricated from bars, plates or shapes 3/16 inch or thicker
7655	Door mullions, steel pipe, with brass or bronze top, bottom and strike plates
7665	Eave troughs, iron, steel or tin plate, nested
7675	Elevator shaft enclosure doors, gates, lattice work or railing, steel or steel and wood combined

EXHIBIT NO. 2—Continued

Item No.	Commodity
7685	End caps, roof, iron, steel or tin plate, nested
7700-A Sup. 21	Flashing, roof, roof flanges, or rain proofs, copper or zinc, flat or nested
7705-A Sup. 21	Flashing, roof, roof flanges or rain proofs, iron, steel or tin plate, nested
7708 Sup. 21	Flashing, roof, roof flanges or rain proofs, lead, flat or nested
7710	Frames, door or window, iron or steel or wood covered with iron or steel or tin plate, KD
7715	Frames, floor, sidewalk or vault light, iron or steel
[fol. 1543]	
7725	Guards, window or skylight, iron or steel, wire
7740	Gutters, roof, iron, steel or tin plate, nested
7745	Hangers, eave trough or conductor pipe, metal
7755	Jambs, iron or steel, or wood covered with iron or steel or tin plate
7765	Lattice work, noibn, iron or steel
7790	Mitres, roof, iron, steel or tin plate, nested
7800	Moldings, noibn, iron or steel, or wood covered with iron or steel or tin plate, bronzed, coppered, enameled or painted
7815	Outlets, roof, iron, steel or tin plate, nested
7825	Partitions, rolling, iron or steel, or wood covered with iron or steel or tin plate
7830	Partitions, other than rolling, iron or steel, or wood covered with iron or steel or tin plate
7845	Partitions or partition doors, steel and wire combined, in flat sections or panels
7855	Railings, balcony, bridge or stair, iron or steel, in panels
7865	Ridge roll, iron, steel or tin plate, nested
7875	Roof edge or roof binding, steel, nested
7910	Sash, steel bar, or sash, steel bar, and window frames combined, glazed or not glazed, with or without steel parts or fittings
7925	Sash mullions, steel bar
7935	Shutters, iron or steel, or wood covered with iron or steel or tin plate
7975	Stair treads or risers, iron or steel, with metal or mineral filling
8005	Valleys, roof, iron, steel or tin plate, nested
8110	Balusters, foreign wood, other than Canadian wood or Mexican pine, not further finished than primed
8115	Balusters, native wood, Canadian wood or Mexican pine, not further finished than primed
8120	Blinds or shutters, wooden
[fol. 1544]	
8125	Brackets, building woodwork, wooden
8130	Building woodwork, noibn, or ships' joiner work, noibn, flat or KD flat

EXHIBIT NO. 2—Continued

Item No.	Commodity
8160	Columns, building woodwork, solid, foreign wood
8165	Columns, building woodwork, solid, native wood
8175	Columns, stave, building woodwork, native wood
8210	Doors, glazed with other than leaded or plate glass
8240	Flooring, hardwood, varnished or waxed
8245	Frames, door or window, wooden, KD, not further finished than primed
8250	Frames, door or window, wooden, KD, further finished than primed
8255	Frames, door or window, wooden, with or without metal weather strips attached, KD
8265	Frames, screen door or window screen, wooden, KD, with or without metal fittings
8315	Newel posts, wooden (foreign wood), not further finished than primed
8320	Newel posts, wooden (native wood), not further finished than primed
8335	Sash, glazed with other than bent, leaded or plate glass, with or without handles
8370	Trellis work or lattice work, wooden, noibn, KD or folded flat
8375	Wall seats or wall tables, in cabinets, folded flat
8410	Houses or buildings, portable or fabricated, noibn, concrete, reinforced, KD flat or in sections, or wall, roof or floor sections
8415	Houses or buildings, portable or fabricated, noibn, iron or steel, KD or in flat sections
8425	Houses or buildings, portable or fabricated, noibn, wood and bituminized pulpboard or roofing, slate coated, combined, KD or in flat sections
8435-A Sup. 36	Houses or buildings, portable or fabricated, noibn, wooden or wood and iron or steel combined, KD or in flat sections, or wall, roof or floor sections.
8450	Kennels, other than exhibition kennels, KD or folded flat
8460	Magazines, powder, steel, stationary, KD
8475	Tipples or chutes, coal, noibn, KD
8485	Bumpers, sidewalk, barrel
8505	Burial case or casket handle stampings or tubes, steel, unfinished
8600	Caskets or coffins, wooden, in the white, KD
8615	Grave vaults, asphalt composition, cement or concrete, SU
8620	Grave vaults, cast iron
8625	Grave vaults, slate or stone, natural, SU
8627	Grave vaults, wood asphalt, paper and mineral composition combined, KD flat
8630	Grave vaults or burial case shipping boxes, iron or steel, 12 gauge or thicker

Exhibit No. 2—Continued

Item No.	Commodity
8645	Grave Vaults or burial case shipping boxes, iron or steel, 13 gauge or thinner, KD
8677	Butadiene
8680	Button blanks, clam or mussel shell
8720	Cabinets, compressed gas, iron or steel, KD flat, without regulator
8730	Cabinets, door or wall insert, milk or package receiver, with cast iron doors and frames
8735	Cabinets, loud speaker, wooden, KD, not further finished than primed, without fittings or electrical connections
8855	Moving picture film cores, magazines or reels, empty
8900	Candles, noibn
8905	Candles and glass cups or tumblers combined
9045	Canes (walking sticks), noibn, rough or in the white
9120	Activated carbon
9210	Carbon dioxide, solidified (dry ice)
9293	Bomb band shipping assemblies or shell shipping assemblies, steel
9295	Bottle carriers (bottle carrying boxes or crates, with permanently fixed partitions), new, steel, other than wire, SU
[fol. 1546]	
9300	Bottle carriers (bottle carrying boxes or crates, with permanently fixed partitions), new, wooden, or wood and metal combined, SU
9360	Coops or crates, animal or poultry, shipping, new, metal or wood and metal combined, KD flat or folded flat
9370	Coops or crates, animal or poultry, shipping, old, wood or metal, or wood and metal combined, KD flat or folded flat
9440	Egg cases or carriers, fibreboard, pulpboard or strawboard, KD or folded flat, with or without KD fillers
9470	Frames, paper packing, wooden, new
9495	Moving picture film shipping cases
9515	Reel cores or drums, steel, old
9520	Reel cores or drums, wooden or wooden with steel drums, SU
9540	Reels, cable or cordage, steel, old
9545	Reels, cable or cordage, wooden or wooden with steel drums, SU
9560	Solidified carbon dioxide (dry ice) shipping skids (skid and insulated blanket combined), old
9570	Tanks, multiple unit car, for shipping air, gases or liquids under pressure, steel, wall thickness not less than 13/32 inch and outside diameter not more than 37 inches
9585	Vans, other than lift, KD or folded, including pads or wrapping for packing
9588	Carton waterproofing compound, in slabs
9595	Case hardening compound, noibn

Exhibit No. 2—Continued

Item No.	Commodity
9560	Cellulose film, printed or not printed (transparent sheets of not nitrated cellulose film such as commonly used for wrapping purposes)
9695	Cellulose film products, noibn, made of cellulose film, or cellulose film and paper or paperboard or rubber combined, including bags, envelopes, sheets or wrappers
9700	Cellulose wadding, noibn, in packages compressed to 15 lbs. per cubic foot or more
9712	Cement, container, liquid or paste
9715	Cement, furnace or stove, in pails or tubs
9725	Cement, metallic, noibn
9730	Cement, noibn, liquid, in bulk in barrels

[fol. 1547]

Item No.	Commodity
9735	Cement, noibn, other than liquid
9740	Cement, pipe fitting
9745	Cement, radiator
9750	Cement, rubber
9920-A Sup. 21	Charcoal, cocoanut shell, nut shell, noibn, or fruit pit, not activated
9930	Charcoal, wood, noibn, not activated
9970	Acetic anhydride, in bulk in barrels
9975	Acetone, noibn, in bulk in barrels or steel cylinders
9987-A Sup. 37	Allyl alcohol or methallyl alcohol
10012-A Sup. 37	Allyl chloride
10035	Aluminum acetate, liquid, in bulk in barrels
10040	Aluminum bisulphite
10045	Aluminum chloride, dry
10050-A Sup. 37	Aluminum chloride, liquid, in bulk in barrels
10060	Aluminum formate, liquid, in barrels
10065 Sup. 35	Aluminum phos[illegible]ate
10070	Aluminum resinate, in barrels
10080	Aluminum stearate
10080	Aluminum stearate
10090	Ammoniacal liquor or aqua ammonia, noibn
10102 Sup. 35	Ammonium borate or biborate
10125	Ammonium nitrate
10127	Ammonium nitrate, magnesia and pulp mixture
10128	Ammonium nitrate, sodium nitrate mixture
10130	Ammonium perchlorate
10135	Ammonium phosphate

[fol. 1548]

Item No.	Commodity
10140	Ammonium silicofluoride

EXHIBIT NO. 2—Continued

Item No.	Commodity
10150	Ammonium sulphate nitrate (leunasalpeter)
10155	Ammonium sulphide, dry
10160	Ammonium sulphide solution, in bulk in barrels
10162 Sup. 21	Ammonium thiocyanate crystals (ammonium sulphcyanate crystals)
10164-A Sup. 35	Ammonium thiosulphate solution, in aluminum drums
10165	Amyl acetate, in bulk in barrels or steel cylinders
10175	Aniline hydrochloride (aniline salt), in barrels
10180	Antimony crocus
10190	Antimony oxide
10220	Arsenic disulphide (red arsenic)
10235	Barium binoxide, in steel barrels
10245	Barium chlorate
10255	Barium dioxide, in steel barrels
10260	Barium fluoride
10270	Barium nitrate
10280	Barium peroxide, in steel barrels
10327	Blasting chlorate, noibn, in bulk in barrels
10355	Butyl acetate, in bulk in barrels
10370	Butyraldehyde, in bulk in barrels or steel cylinders
10395	Calcium carbide
10415-A Sup. 40	Calcium chloride, other than liquid
10420	Calcium citrate
10425	Calcium lactate
10440	Calcium phosphate
10450	Calcium resinate
10475	Carbo-nitrate

[fol. 1549]

Item No.	Commodity
10480	Carbon bisulphide (carbon disulphide)
10492	Carbon trichloride (Hexachlorethane)
10535-A Sup. 37	Chloroform, in bulk in steel barrels
10540	Chloropentanes (dichloropentanes, Trichloropentanes or Tetrachloropentanes)
10550	Chrome chloride solution
10560	Chromium acetate
10555	Chrome sulphate solution
10565	Chromium acetate waste
10570	Chromium resinate
10580	Cobalt resinate
10595	Copper acetate (verdigris)
10600	Copper carbonate
10610	Copper oxide, noibn
10615	Copper resinate
10630	Crotonaldehyde

Exhibit No. 2—Continued

Item No.	Commodity
10645-A Sup. 21	Cyanides, crude, noibn, (crude cyanogen salts, noibn)
10655	Diacetone, in bulk in barrels or in steel cylinders
10685	Dicyandiamide
10697	Dimethylol urea
10720	Dyes or colors, coal tar, other than indigo, liquid or paste, in bulk in barrels
10740-A Sup. 21	Ether, ethyl (sulphuric ether), other than anesthesia ether, in bulk in steel barrels or cylinders
10745-A Sup. 21	Ether, isopropyl
10750	Ethyl acetate, in bulk in barrels or in steel cylinders
10762 Sup. 21	Ethyl benzene, ethyl benzine, polethylbenzene or polyethylbenzine
10765	Ethylene chlorhydrin, in steel barrels

[fol. 1550]

Item No.	Commodity
10770	Ethylene dichloride
10773	Ethylene oxide
10780	Formaldehyde, dry
10785	Formaldehyde, liquid
10790	Formaldehyde, paste
10805	Furfural
10810	Guanidine nitrate
10825	Glycerine, other than crude, in bulk in barrels
10830	Hydrogen dioxide or hydrogen peroxide, in bulk in barrels
10840	Indigo, liquid or paste
10848	Iron acetate (iron liquor), in bulk in barrels
10860	Iron chloride (iron muriate), dry
10865	Iron chloride (iron muriate), liquid, in bulk in barrels
10867-A Sup. 40	Ferris chloride, dihydrate
10895	Iron sulphide
10900	Isobutyl acetate, in bulk in barrels
10902	Isobutyl aldehyde
10905	Isopropyl acetate
10915	Lead nitrate
10920	Lead oleate
10925	Lead peroxide, ground, dry
10935	Lead resinate
10960	Lime, chlorinated (chloride of lime, bleach, noibn, or bleaching powder, noibn), liquid (aqueous solution)
10970	Lime water
10980	Magnesium chloride
10985	Magnesium fluosilicate (magnesium silicofluoride)
11005	Magnesium oxide, light calcined
11028 Sup. 21	Manganese acetate, liquid

[fol. 1551]

EXHIBIT No. 2—Continued

Item No.	Commodity
11029 Sup. 35	Manganese borate

[fol. 1552]

11030	Manganese chloride (manganese muriate)
11035	Manganese phosphate
11040	Manganese resinate
11055	Manganese sulphate, noibn
11057-A Sup. 37	Methallyl chloride, in barrels
11060	Methyl acetate
11065	Methyl acetone
11075	Methyl isobutyl ketone or methyl propyl ketone
11100	Naphthalene, other than crude
11105	Nickel ammonium sulphate
11125-A Sup. 37	Nickel sulphate or single nickel salts
11145	Nitro-carbo-nitrate
11160-A Sup. 37	Paraldehyde, in bulk in barrels
11170	Pentachlorethane
11175	Perchlorethylene
11190	Phosphoric catalyst (silica and phosphoric acid combined)
11210	Phosphorus chloride (phosphorus trichloride)
11215	Phosphorus oxychloride (phosphoryl chloride)
11220	Phosphorus pentachloride (phosphoric chloride or phosphoric perchloride)
11250	Potassium bicarbonate
11255	Potassium bichromate
11257 Sup. 35	Potassium borate
11265	Potassium carbonate (pearlash)
11275	Potassium chlorate
11305	Potassium metabisulphite
11320-A Sup. 21	Potassium perchlorate
11325	Potassium permanganate
11335	Potassium (potash) salts, noibn
11340	Potassium prussiate
11345-A Sup. 21	Potassium silicate
11365	Potassium xanthate
11380	Propyl acetate
11385	Propyl aldehyde
11390	Propylene dichloride
11392	Propylene glycol
11402	Silica gel or silica gel catalyst
11415	Sodium acetate

EXHIBIT NO. 2—Continued

Item No.	Commodity
11420	Sodium aluminate
11425	Sodium antimoniate
11430	Sodium arsenate
11445	Sodium bichromate
11450	Sodium bifluoride
11455	Sodium bisulphite, dry
11460	Sodium bisulphite, liquid
11470	Sodium butyrate solution
11485	Sodium caustic (sodium hydroxide)
11490	Sodium chlorate
[fol. 1553]	
11505	Sodium Chromate, dry
11510	Sodium Chromate, other than dry (chromate solution)
11535	Sodium Fluoride
11540	Sodium formate
11550-A Sup. 21	Sodium hydrosulphite
11560	Sodium hyposulphite
11565-A Sup. 36	Sodium lactate
11575	Sodium nitrate (chili saltpeter)
11582	Sodium nitrate-sulphur mixture, paraffined
11585	Sodium nitre cake (crude bisulphate of soda)
11590	Sodium nitrite
11595	Sodium oxalate
11600	Sodium perborate
11605	Sodium permanganate
11625	Sodium prussiate
11630	Sodium resinate
11665	Sodium silico-fluoride
11670	Soda or sodium salts, noibn
11692 Sup. 21	Sodium thiocyanate crystals (sodium sulphocyanate crystals)
11700	Sodium xanthate
11715	Strontium nitrate
11717-A Sup. 21	Styrene, liquid
11735	Anthracene, crude
11745	Benzol (benzene)
11750	Chlorobenzol (monochlorobenzol)
[fol. 1554]	
11755	Coal tar naphtha solvent
11760	Coal tar resin
11762 Sup. 37	Cumene
11765	Dinitrobenzol
11770	Dinitrochlorobenzol

EXHIBIT No. 2—Continued

Item No.	Commodity
11780	Dinitrotoluol, dry
11785	Dinitrotoluol, other than dry
11800	Mononitrotoluol, dry
11805	Mononitrotoluol, other than dry
11810	Nitrobenzol (oil mirbane)
11815	Nitroxylol (nitroxylene)
11820	Orthodichlorobenzol
11825	Orthonitrotoluol
11830	Paradichlorobenzol
11840	Toluol (toluene)
11845	Trichlorbenzene
11855	Xylol
11875	Tetrachlorethane
11880	Tetrachlornaphthalene
11935	Trichlorethylene
11940	Triethylene glycol
11955	Urea
11965	Vinyl acetate
11979	Zinc borate, dry
11980	Zinc chloride, chromated
11985	Zinc chloride, dry
11990	Zinc chloride, liquid

[fol. 1555]

Item No.	Commodity
11992	Zinc fluosilicate
11995	Zinc hydrosulphite
12000	Zinc laurate
12025	Zirconium oxide
12030	Zirconium silicate
12035	Chicory mass
12045	Chinaware, earthenware, porcelainware or stoneware, noibn, released to value not exceeding $20.00 per 100 lbs.
12095	Saggers, pottery
12110	Chips or shavings, brewers' or vinegar
12115	Chutes, coal delivery, wagon, iron
12120	Chutes, concrete distributing, iron
12130	Chutes or spouts, iron, noibn, plate, 7 gauge or thicker
12135	Cigar or cigarette lighting liquids or pastes
12185	Circus seat backs, wooden, or wood and metal combined
12200	Circus seats, with back, backs folded flat
12210	Seats, grand stand or stadium, iron or steel and wood combined, KD, or parts thereof
12240	Antimony sulphide, concentrated ore (needle antimony), pulverized or powdered (black sulphide, not purified)
12430	Thorium ore (monazite sand)
12450	Vermiculite, other than crude
12545	Closets or toilets, sanitary, noibn, with cast iron body
12565	Bagging, woven paper fabric

Exhibit No. 2—Continued

Item No.	Commodity
12575	Bagging or cloth, burlap, gunny, ixtle (istle), jute or sisal, bituminized
12585	Bagging or cloth, burlap, gunny, ixtle (istle), jute or sisal, stiffened or sized
12590	Bagging or cloth, burlap, gunny, ixtle (istle), jute or sisal, noibn, with or without paper lining

[fol. 1556-1557]

Item No.	Commodity
12610	Brattice cloth, burlap or cotton, fibreproofed
12625	Buckram, other than cotton
12688 Sup. 21	Cloth or paper and cellulose film, laminated and waxed
12710	Cotton bale covering, hemp or jute, new or old
12725	Cotton piece goods
12805	Oilcloth, including remnants, trimmings or waste having value other than for reclamation or rags
12840	Tobacco bale covers, burlap or cotton cloth, old
12845	Webbing, burlap or jute
12895	Cloth winding boards, corrugated fibreboard, paper covered, or solid fibreboard with built-up ends
12900	Cloth winding boards, solid fibreboard, noibn
13035	Coal saving compounds, liquid
13037	Cocoa bean refuse (dust)
13038	Cocoa bean shells, ground
13039	Cocoa bean shells, not ground
13078	Color, cheese
13105	Chimney flues or pipe, or chimney or flue linings, clay
13120	Coping, wall, clay
13155-A Sup. 35	Tanks, septic, clay
13160-A Sup. 35	Tanks, septic, reinforced concrete, SU
13220	Blow pipe or blow pipe fittings, sheet steel, side seams not closed
13260	Cocks or valves, including gate valves, noibn, or parts, noibn, lead composition body
13275	Conduits or conduit connections, fibre, bituminized or indurated (fibre or paper and asphalt or pitch combined), for underground work
13285	Conduits or conduit connections, flexible, other than steel, for other than underground work

[fol. 1558]

Item No.	Commodity
13305	Connections, pipe, lead and brass combined, without stopcock
13325	Expansion joints, iron or steel, or with iron or steel body

EXHIBIT No. 2—Continued

Item No.	Commodity
13330	Fill caps and pipes combined, oil tank
13335	Floor stands, stopcock or valve, iron
13395	Pipe, iron or steel, nickel plated
13400	Pipe, iron or steel, plate or sheet, wood lined
13405	Pipe, iron or steel, rubber or synthetic rubber lined
13430	Pipe, sub-irrigation, iron or steel, not exceeding 7/8 inch in diameter
13432	Pipe, surface irrigation, steel, 24 gauge or heavier, not over 12 inches in diameter
13452	Pipe coils, noibn, lead
Sup. 40	
13495	Pipe fittings, noibn, iron or steel, tin lined, not plated
13510	Pipe fittings, noibn, nickel-plated
13560	Pipe or pipe casing, wooden, bored or built-up, lined or not lined, inside diameter over 6 inches
13580	Pipe or tubing, brass, bronze or copper, covered or lined with iron or steel
13585	Pipe or tubing, brass, bronze or copper, noibn
13618	Pipe or tubing, iron or steel, plate or sheet, noibn, 23 gauge or thinner, inside diameter 1½ inch or less, side seams closed
13645	Pipe or tubing, nickel silver
13650	Pipe or tubing, steel, coated or lined with brass, copper or tin, outside diameter not exceeding 1½ inches, in straight lengths
13665	Smokestack collars (smokestack bases), iron or steel
13680	Smokestacks, plate or sheet iron or steel, noibn, 16 gauge or thicker, side seams not closed, in sections, sections nested
13695	Spouts, grain, iron, flexible or rigid, 17 or 18 gauge, telescoped
13700	Spouts, grain, iron, flexible or rigid, 16 gauge or thicker, telescoped
13715	Strainers, pipe line, iron or steel body
[fol. 1559]	
13740	Traps, refrigerator floor drain, iron
13750	Tubing, pier, steel, 7 gauge or thicker, taken apart lengthwise
13765	Cones, fir or pine, other than green
13795	Containers, sheet iron or steel, set up (with or without their equipment of bails, handles, covers, bungs or nozzles), liquid capacity not exceeding 1 gill
13800	Containers, sheet iron or steel, set up (with or without their equipment of bails, handles, covers, bungs or nozzles), liquid capacity exceeding 1 gill but not exceeding 1 gallon, nested
13925	Cooling rooms, KD

EXHIBIT No. 2—Continued

Item No.	Commodity
13940	Refrigerators, noibn, KD
13975	Water coolers or water filters, separate or combined, earthenware or stoneware
14030-A Sup. 37	Cork bars, rods, sheets or slabs, molded (chips, granulated, ground, shavings or waste cork, machine pressed), with added binder; or asphalt coated without binder
14060	Cork chips, shavings; virgin bark or waste, noibn, in machine pressed bales
14075-A Sup. 37	Cork, granulated or ground, in machine pressed bales
14090	Cork shoe bottom filler, plastic
14115	Corn cobs
14140	Cotton, carded, dyed or not dyed, in machine pressed bales
14175	Cotton, unginned (cotton in the seed)
14190	Cotton linters, bleached or dyed, in machine pressed bales
14200	Cotton linters pulp or cottonseed hull shavings pulp
14205	Cottonseed hull fibre or shavings, bleached or dyed, in machine pressed bales
14210	Cottonseed hull fibre or shavings, other than bleached or dyed
14215	Cottonseed hulls, not ground
14220	Cottonseed hulls, ground (cottonseed hull bran)
14230	Covers, barrel, burlap
14240	Covers, barrel, wooden, with cast iron rims

[fol. 1560]

Item No.	Commodity
14260	Covers, basket or hamper, noibn, without rim
14317	Crosses, religious, wooden, in the white
14320	Crucibles, noibn
14325-A Sup. 21	Crucibles or mufflers, abrasive material
14350	Plate or sheet, cupro-nickel
14355	Cupro-nickel rod
14360	Cupro-nickel scrap
14367 Sup. 37	Cups, cartridge case or bullet jacket, metal
14385	Curtain poles or rods, metal or metal covered, with or without fixtures; or wooden, finished or stucco covered, with fixtures
14390	Curtain poles or rods, wooden, stucco covered, without fixtures
14395	Curtain poles or rods, wooden, noibn, finished, without fixtures
14400	Curtain poles or rods, wooden, noibn, in the rough or in the white
14405	Curtains, steel and artificial leather combined
14415	Cuspidors, iron or steel, not nickel plated, cast
14430	Cutch, catechu, japonica or terra japonica, liquid extract

EXHIBIT NO. 2—Continued

Item No.	Commodity
14435	Cutch, catechu, japonica or terra japonica, solid
14505	Buttermilk, noibn, in milk shipping cans
14645	Artificial snow, mica
14760	Degumming compounds, fabric or fibre
14825-A Sup. 35	Dental investment compound
14830	Dental plaster, suitable for making dental casts or molds
14875	Tongue depressing blades or throat swab applicators, wooden
14900	Deodorants or disinfectants, other than medicinal, noibn
14935	Dip, animal or poultry, noibn, liquid
14940	Dip, animal or poultry, noibn, other than liquid
14960	Divi-divi pods
[fol. 1561]	
14972 Sup. 21	Doubletrees, eveners, neck yokes or singletrees, steel; or wooden, in the white, ironed or not ironed
15165	Belt dressing
15190	Bay rum, in bulk in barrels
15225	Citrate of magnesia solution
15240-A Sup. 35	Condition powders, regulators or tonics, animal or poultry; including condimental or medicinal feeding compounds or preparations for animals or poultry, noibn
15300	Gall, animal
15305	Hog bile, crude, liquid
15350	Meal, fenugreek seed
15430	Sassafras roots, not ground nor powdered
15465	Sea grass, sea moss or seaweed, noibn
15470	Sugar of milk, crude
15490	Water, mineral, concentrated or fortified
15495	Witch hazel extract
15500	Wormseed (Jerusalem oak seed), ground or powdered
15550	Dust laying compound, coal, dry
15555	Dust laying compound, coal, liquid, other than petroleum
15570	Dyewoods, fustic or logwood, or dyewoods, noibn, chips or ground
15575	Dyewoods, fustic or logwood, or dyewoods, noibn, log or stick
15595	Electric cable, conduit or wire saturating or finishing compound, asphalt base or pitch base
15600	Electric cable, conduit or wire saturating or finishing compound, paraffine wax base
15620	Backboards, telephone, noibn, steel or wood
15630	Bases, generator or motor, iron
15710	Battery plates, copper or zinc
15720	Battery plates, steel
15735	Battery zincs

[fol. 1562]

EXHIBIT No. 2—Continued

Item No.	Commodity
15752	Bus bar system, consisting of housings containing bus bars, insulators, with or without tapping connectors
15760	Bus bars, copper
15790	Cable, racks, steel, noibn, KD
15845	Conduit fittings, noibn, iron and porcelain combined, with or without attachments, or iron, with attachments
15865	Distribution boxes, marine cable strand, iron, without interior fittings
15906	Electrolytic chlorination cells, KD
15915	Eye bolts, insulated, or insulator pins, porcelain, steel and wood combined
16050	Overhead trolley wire installation fixtures, noibn, iron or iron and brass, bronze, insulating composition or wood combined
16152	Switch boxes or outlet plates, conduit outlet boxes, or junction boxes or cabinets, with or without fittings or covers but without switches, porcelain, or porcelain and steel combined
16155	Switch boxes or outlet plates, conduit outlet boxes, or junction boxes or cabinets, with or without fittings or covers but without switches, steel
16220	Transformer cooling coils, iron or steel
16240	Electrode joint compounds
16245	Embalming fluid
16280	Christmas trees, noibn
16285	Evergreens, decorative, cut, noibn, in machine pressed bales
16305-A Sup. 21	Excelsior, cellulose film, in machine pressed bales
16405	Powder, smokeless, deteriorated or obsolete, immersed in water
16455	Extract, chestnut or quebracho, dry
16465	Extract, fustic or logwood, dry
16470	Extract, fustic or logwood, liquid or paste
16475	Extract, hypernic, osage orange, quercitron or redwood, dry
16480	Extract, hypernic, osage orange, quercitron or redwood, liquid or paste

[fol. 1563]

Item No.	Commodity
16490	Tanning extract, noibn, dry
16495	Tanning extract, noibn, liquid or paste
16505	Eyelets or eyelet hooks, noibn
16545	Battery brooders or feeding or laying batteries, steel, or steel and wire combined, KD or folded flat
16565	Bins or cribs, grain storage, steel, KD, or wire and steel combined, KD in sections
16580	Brooders, poultry, canopy, or brooder stove canopies or hovers, KD flat or folded flat

EXHIBIT No. 2—Continued

Item No.	Commodity
16590	Brooders, poultry, noibn, KD flat or folded flat
16610	Caps or covers, stack, grain or hay, iron or steel, flat or nested
16625	Churns, hand, earthenware or stoneware, without frames
16665	Chutes, cattle dehorning, KD
16675	Coops or crates, animal or poultry, other than shipping, steel or steel and wire combined, KD or folded flat
16685	Coops or crates, animal or poultry, other than shipping, wooden, KD flat or folded flat
16715	Eggs, nest
16735	Feeders, salt brick (salt brick holders)
16745	Fruit picking platforms, elevating, KD
16750	Heaters or smudge pots, garden or orchard, cast iron
16755	Heaters or smudge pots, garden or orchard, sheet steel, KD
16760	Heaters, tank, iron, noibn
16775	Hens' nests, KD
16780-A Sup. 21	Hog oilers or greasers, iron, or iron and wood combined
16792	Mangers (feed boxes), feeding, fibreboard, wallboard or wood and fibreboard wallboard combined, KD
16820	Mangers (feed boxes) or troughs, feeding or watering, without automatic water check attachments, cast iron, with legs attached or without legs
[fol. 1564]	
16825-A Sup. 35	Mangers (feed boxes) or troughs, feeding or watering, without automatic water check attachments, plate or sheet, noibn, 13 gauge or thinner, SU, nested, or 13 gauge or thinner, KD, other than flat
16840	Mangers (feed boxes) or troughs, feeding or watering, cement, earthenware, stoneware or stone
16845	Mangers (feed boxes) or troughs, feeding or watering, wooden or wood with sheet iron covers, KD
16870	Pens, live stock, wooden, KD
16872 Sup. 21	Pokes, animal, iron or steel
16875	Racks, feed, steel, SU
16890	Roosts, chicken, completely KD
16895	Seed corn driers, steel, KD or flat
16905	Silo doors or silo door frames, steel or wood
16910	Silo roofs, steel, KD
16915	Silos, steel, KD
16940	Stall guards, iron or steel
16950	Stall pans, cast iron
16955	Stalls, KD, livestock
16965	Stanchion frames, KD, livestock
16970	Stanchions, livestock,
16975	Stands, poultry, feeder or waterer, steel, wood or steel and wood combined, KD flat or folded flat

Exhibit No. 2—Continued

Item No.	Commodity
16985	Traps, hens' nest, steel, KD flat
16990	Traps, hog, KD flat
16992	Troughs, chicken feeding, fibreboard, KD flat
16995	Troughs, chicken feeding, wooden
17005	Water bowls or cups, livestock, iron, with or without automatic water check attachments
17025-A Sup. 35	Bag fasteners, steel and paper combined

[fol. 1565]

Item No.	Commodity
17072 Sup. 21	Animal livers, dyed and frozen
17125	Capsicum (red pepper) residue, having value only for animal or poultry feed mixture
17130	Charcoal, ground or crushed
17185	Fish food, ground cooked fish
17190	Fish food, noibn
17195	Fish meal, fish roe meal or fish scrap, ground, pulverized or screened
17205	Fodder, bean, cane, corn or pea, in machine pressed bales
17215	Ginger root residue, having value only for animal or poultry feed mixtures
17220	Hay, in machine pressed bales
17225	Husks (shucks), corn, in machine pressed bales
17280	Nut meats, spoiled or wormy, unfit for human consumption
17315	Peanut grits
17320	Peanut hearts (peanut germs)
17325	Peanut hull fibre, in machine pressed bales
17355	Salt, livestock, medicated
17365	Straw from threshed grain, in machine pressed bales
17420	Fertilizing compounds (manufactured fertilizers), noibn, liquid
17470	Hemp, manila or sisal fibres
17475	Istle (tampico) fibre
17490	Palm or palmetto fibre
17495	Plastering fibre, noibn
17500-A Sup. 21	Plastering fibre, wood
17510	Tow, flax
17512 Sup. 21	Typha fibre, not processed, in machine pressed bales

[fol. 1566]

Item No.	Commodity
17555	Figures, plaster, or alum and unvitrified clay, not metal coated, other than religious
17570	Fillers, or partitions for packing, noibn, wooden, flat, KD flat or folded flat
17580	Filling, sisal
17590	Filtermasse (filterboard or filter pulp)

Item No.	Commodity
17600	Fire extinguisher charges or compounds, noibn
17605	Fire extinguishers, chemical, hand or stationery, other than wheeled
17660	Fireplace linings, iron
17667	Fireproofing compounds, liquid, noibn
17795	Fish net preservative, liquid or paste, noibn
17807	Flag poles, staffs or sticks, steel
17808	Flag poles, staffs or sticks, wooden, finished or in the white, with or without attachments
17819	Flax noils
17825	Flax shives
17835	Flax straw, threshed
17860	Flocks, wool
17870	Carpet lining, cotton, jute or shoddy, quilted (stitched between sheets of paper)
17880	Carpet lining, grass
17900	Carpets, carpeting, mats, matting or rugs, iron, steel or wire
17905	Carpets, carpeting, mats, matting or rugs, linoleum; cork; felt base, asphalted, plain, painted or decorated; or wood fibre base, impregnated and decorated
17920	Carpets, carpeting, mats, matting or rugs, wood (parquet, flooring)
17940	Mats, floor, made from old rubber tires and wire combined
17942	Mats, wood (not parquet flooring)
17990	Fern roots as dug from nursery or forest
18002	Gladioli bulbs
[fol. 1567]	
18027	Flotation reagents, noibn
18045	Flower stems, florists', wooden or wood and wire combined
18055	Bay (laurel), marjoram, rosemary, sage, savory, tarragon or thyme leaves
18080	Fluid, lightning arrester
18100-A Sup. 37	Foil, aluminum or tin, without paper back or backed with paper weighing 30 lbs. or less
18105-A Sup. 37	Foil, aluminum or tin, backed with paper weighing more than 30 lbs.
18110-A Sup. 37	Foil, lead, lead and tin combined, or zinc, with or without paper, paperboard or pulpboard back
18125	Foil scrap, aluminum, lead, lead and tin combined, or zinc, with or without paper, paperboard or pulpboard back, or tin backed with paper, paperboard or pulpboard
18160	Beans, cocoa
18205	Brewers' wort, dry
18225	Chufas
18247 Sup. 40	Cocktail mix, liquid, non-alcoholic, other than beverages
18325	Extracts, root beer
18376 Sup. 21	Flour, cooked

Exhibit No. 2—Continued

Item No.	Commodity
18377 Sup. 21	Flour, gelatinized
18435-A Sup. 35	Fruit or fruit peel, drained
18460	Fruit, noibn, in brine
18465	Fruit or fruit peel, candied, crystallized, glaced or stuffed, noibn
18540-A Sup. 21	Juice, fruit, artificial or natural, other than frozen, noibn
18590	Malt extract, liquid
18595	Malt extract, other than liquid, malt powder (dehydrated malt syrup), or maltose (malt sugar)

[fol. 1568]

Item No.	Commodity
18675	Mustard, ground, or mustard meal
18680	Mustard cake
18715-A Sup. 21	Potatoes, diced and cooked or cooked and shredded, noibn
18720	Potatoes, shoestring, fried
18790	Shrimp, dried
18817	Spice base, grain
18830	Sugar, brewers' prepared
18835	Sugar, cane and maple combined, in lump, bricks or cakes
18855	Sugar, maple
18860	Sugar spread (sugar and glucose mixed)
18865	Syrup, coloring, burnt sugar (caramel)
18880	Syrup, malt or malted, not medicated
18920	Water, mineral, noibn, or plain, not flavored nor phosphated, carbonated (charged)
18925	Water, mineral, noibn, or plain, not flavored or phosphated, other than carbonated
18950	Foot warmer or hot bottle charges, chemical
18985	Standards or bases, dress fitting form, metal
19030	Flasks, iron or wood, separate or combined
19035	Boards, follow or molding, chillers, copes, nowels or plates, flask bottom or core
19040	Nowel pins
19095	Frames, sign, wooden with steel rods, KD
19105	Frames, theatrical scenery, KD
19155	Figs, powdered
19165	Garlic or onion, powdered, or garlic or onion ships
19185	Peaches, powdered
19215	Prunes, powdered
19220	Sweet corn, drie

[fol. 1569]

Item No.	Commodity
19245	Apples, fresh
19260	Beets with tops, carrots with tops, onions with tops, parsnips with tops, rutabagas with tops, turnips with tops, or summer squash

EXHIBIT No. 2—Continued

Item No.	Commodity
19280	Cantaloupes, muskmelons or melons, noibn
19295	Citron melons
19305	Cranberries
19330	Garlic, dry
19345	Horseradish roots
19355	Lingonberries, fresh
19390	Pears, fresh
19435	Watermelons
19440	Yucas or names
19445	Fuel oil treating compounds
19457	Fur stretchers, wooden, KD or flat
19460	Furnaces, assayers'
19465	Furnaces, clay, pail-shaped
19475	Furnaces, metal heat treating or melting, noibn, or parts, noibn
19537	Cabinets or lockers, storage or wardrobe, fibreboard wallboard or fibreboard wallboard and wood combined, KD flat
19635	Bedstead rails, bedstead rails and holders combined, or bedstead slats, steel
19660	Benches, locker room, KD flat
19675	Benches, work, noibn, steel, or steel and wood combined, KD flat (drawers may be SU)
19775	Filing cabinets (filing cases), noibn, steel
19855	Cabinets or lockers, storage or wardrobe, steel, without glass, KD flat
20005	Children's bed springs, linked or woven wire, with angle iron frames
20020	Cots, linked or woven wire springs and steel frames, frames collapsed or folded, springs detached from frames and collapsed or rolled
20025	Cots, linked or woven wire, folded flat, thickness folded not exceeding 2 inches

[fol. 1570]

20145	Kitchen cabinet bases, in the white, KD flat
20205	Settees, iron, or iron with wooden slats, KD
20380	Bins or shelving, steel, noibn, KD flat
20390	Counters, beverage bar or soda fountain, KD
20440	Show case frames (show cases without glass), steel, completely taken part
20500	Bases or pedestals, chair, stool or table, noibn, iron
20507	Chair seats, fibreboard
20515	Clamps, bed post or filler, iron or steel
20525	Couch frame hinges or legs, steel, flat or folded flat
20535	Frames, bed spring, cot, couch or lounge, wooden, in the white, KD
20575	Furniture frames, wooden, noibn, KD
20585	Furniture stock, wooden, noibn, in the white

Exhibit No. 2—Continued

Item No.	Commodity
20590	Legs or feet, composition or wooden
20600	Revolving or tilting fixtures, chair or stool, iron or steel
20625	Table parts, wooden, in the white, noibn
20630	Table or drawer slides, steel
20635	Table or drawer slides, wooden
20640	Tops, cedar chest or flat top desk
20652	Galvanizing blanket crystals
20655	Galvanizing solution, noibn
20660	Gambier, liquid extract
20665	Gambier, solid
20685	Blocks, school educational construction, wooden, in the white
20698	Dish sets, glass or pottery
20815	Play houses, KD flat, solid fibreboard ✓
20905	Flower boxes, garden or lawn, stone or terra cotta
20930	Gas burner tips, nozzles, sleeves or stopper heads, steatite
20955	Gas purifying compounds, noibn
20970	Air, compressed, in steel cylinders
20977	Anhydrous hydrogen chloride, liquefied, in steel cylinders
20980	Argon gas, compressed, in steel cylinders
20985	Boron trifluoride gas, compressed, in steel cylinders
21045	Hydrogen sulphide gas, compressed, in steel cylinders
[fol. 1571]	
21075	Pintsch gas, compressed, in steel cylinders
21080	Propange gas, compressed, in steel cylinders
21090	Gasoline preservative, liquid, noibn
21092	Gates, fence, wood and iron, steel or wire combined
21093	Gates, fence, wooden
21135	Building slabs, opaque glass, noibn, 5/16 inch thick or less, with or without backing
21180	Glass, microscopical slide or cover
21187	Glass, rolled, overlaid with aluminum metal strips
Sup. 21	
21225	Glass, window, other than plate, not framed, leaded nor laminated; plain, colored, chipped, decorated, etched, ground or sand blasted, not bent
21235	Photograph negatives, glass, old
21290	Balls, lightning rod
21300	Battery jars, with or without one hydrometer syringe
21305	Beer mugs, glass
21310	Bottles, noibn, other than cut, one quart or less in capacity
21315	Bottles, carboys, demijohns or jars, noibn, other than cut, with or without their equipment of caps, covers, stoppers or tops, one gallon or less in capacity
21335-A	Bottles or demijohns, glass, old
Sup. 35	
21440-B	Glassware, other than cut, noibn, actual value not exceeding $20.00 per 100 lbs.

Exhibit No. 2—Continued

Item No.	Commodity
21470	Jelly glasses or jelly tumblers, with or without their equipment of covers or tops
21490	Lenses, lamp, semaphore or switch light, cast or molded, not ground
21520	Rods or tubing, glass, straight, noibn
21525	Siphon bottles (bottles fitted with siphons), other than cut

[fol. 1572]

Item No.	Commodity
21540	Tops, counter or table, opaque glass over 5/16 inch thick with fibreboard, plywood or magnesite composition base, with metal or plastic rims
21550	Tops, scale (scale platters), opaque glass, over 5/16 inch thick
21560	Tumblers, noibn, glass, other than cut, actual value not exceeding $20.00 per 100 lbs.
21575	Vases or decorated jars, glass, other than cut, actual value not exceeding $20.00 per 100 lbs.
21585	Washboard plates, glass, rough rolled
21610	Glue, noibn, dry
21620-A Sup. 21	Glue, noibn, liquid
21680-A Sup. 35	Pop corn, not popped, shelled
21850	Grape juice, concentrated, 60% solid
21855-A Sup. 21	Graphite, in boxes
21875	Crucibles, graphite black lead or plumbago
21905	Grave markers, not monuments nor gravestones, iron or steel
21915	Grave markers, stone, with metal plate attached, finished surfaces protected by boxing or crating
21980	Slate, roofing
22000	Soapstone or talc, crude, ground or dust
22085	Degras, sod oil or wool
22090	Grease, noibn
22095	Guayule resin
22110	Lubricating grease, noibn
22115	Tanners' grease, noibn
22125	Guayule (rubber weed), not guayule gum
22135	Gum, accroides
22160	Gum, box toe
22175	Gum, congo

[fol. 1573]

Item No.	Commodity
22180	Gum, copal, noibn
22185	Gum, damar (demar)
22190	Gum, elemi
22210	Gum, kawrie (kauri)
22215	Gum, manila

EXHIBIT No. 2—Continued

Item No.	Commodity
22225	Gum, pontianac
22245	Gum, thus
22268	Gum stocks, in the rough
22295	Hair, cattle, goat or horse, washed or not washed, not curled, noibn, in machine pressed bales
22310	Hair, hog, including crude hog bristles, washed or not washed, not curled, noibn, in machine pressed bales
22325	Hair, noibn, in machine pressed bales
22330	Hair, rabbit, not hatters' fur, in machine pressed bales
22370	Hammock stands, steel, KD or folded flat
22415	Handles, iron or steel, noibn
22420	Handles, parcel or package carrying, wire, with wooden grips or handholds
22425	Handles, sad iron, iron, or iron and wood combined
22435	Handles, whip (whip stocks)
22440	Handles, wire (wire bails), noibn, with or without wooden grips or handholds
22465	Andirons (fire dogs), iron
22475	Animal tethers, noibn, steel, or steel and wood combined, with or without tie ropes
22480	Aquarium frames, iron KD
22485	Ash scrapers, iron
22490	Awning frames, KD, or fixtures, iron
22510	Bell or gong bodies or body blanks, iron or steel, not plated
22525	Bells, cow, metal

[fol. 1574]

Item No.	Commodity
22535	Bells or gongs, noibn, iron or steel, not plated
22555	Belt fasteners, hooks or lacings, metal, other than steel
22560	Belt fasteners, hooks or lacings, steel
22565	Binding, carpet, oilcloth or linoleum, metal
22580	Bodies, oil well reamer or socket, iron or steel, unfinished
22590	Bolts, door or window, iron or steel
22600	Bolts, or nuts, noibn, iron or steel, nickel plated
22615-A Sup. 21	Box edging, perforated sheet metal
22620	Box strap seals or sleeves, steel
22630	Brackets, ladder, steel KD flat or folded flat
22635	Brackets, scaffold, iron
22640	Brackets or supports, children's sled, for attaching body or top to runners, iron
22670	Bungs or plugs, noibn, zinc alloy
22660-A Sup. 40	Bungs or plugs, noibn, iron or steel, with gaskets
22680	Caps, paper core, steel
22715	Chains, belting or sprocket, machine finished or silent, steel
22740	Chairs, joist, sound deadening, steel and felt combined
22770	Clips, paper winding core, iron
22772	Clips, shovel handle, steel
22773	Clips, wallboard joint

Exhibit No. 2—Continued

Item No.	Commodity
22805	Damper regulator levers or weights, iron
22815	Dampers, fireplace throat, plate or sheet steel
22820	Door checks, automatic, metal
22835	Fasteners, box, pail or tub, noibn, steel or steel wire
22905	Fenders or fireplaces guards or screens, iron or steel, plain or brass coated or plated, or with brass trimmings, cast or wrought

[fol. 1575]

Item No.	Commodity
22910	Ferrules, noibn, iron
22920	Fire pokers, iron
22955	Flag holders or stands, iron
22965	Frames, factory shoe rack, iron, folded
22970	Frames, suit case, steel
22975	Frames, traveling bag, other than suit case, metal
22980	Gambrels, steel
22990	Gates, bin or hopper, steel
22995	Glaziers' points, metal
23005	Grindstone fixtures, iron
23015	Handle yokes, iron, with or without wooden grips
23020	Hardware, noibn, iron or steel
23050	Highway guard rail cable supports, steel
23060	Hinges or butts, noibn, iron or steel, spring
23075 23080	Hollowware, cast iron, enameled or other than enameled
23085	Hooks, noibn, iron or steel, galvanized, plain, japanned or tinned or brass, bronze, copper or cadmium coated
23105	Hose bridges, iron, KD
23110	Hose clamps, iron or steel
23130	Insulator caps, iron
23135	Kettles, noibn, iron or steel, other than steam jacketed
23140	Key blanks, iron or steel, finished
23155	Ladle linings, cinder or hot metal, cast iron
23165	Lap links or lap rings, steel
23175	Load binders, iron
23180	Locks or lock sets, noibn, metal
23185	Lot markers, iron
23195	Magnets, noibn, demagnetized or not magnetized, or magnet castings, rough or machined, not magnetized

[fol. 1576]

Item No.	Commodity
23205	Mail cranes, iron or steel, KD or folded
23220	Mortars, hand, iron, with or without pestles
23247	Nipples or tubing, steel, open seam, with rolled screw threads
23260	Pans, core baking, cast iron
23270	Pans, iron or steel, noibn, plate or sheet, 17 gauge or thinner
23275	Pans, iron or steel, noibn, plate or sheet, 18 gauge or thicker, or cast
23280	Picket pins, steel, for tethering animals
23290	Radiator brackets or hangers, iron

Exhibit No. 2—Continued

Item No.	Commodity
23315	Rivets, iron or steel, nickel plated
23330	Roller spirals (unfinished helical rollers made of flat steel)
23345	Sash balances, spring, steel
23360	Sash pulleys, iron or steel
23365	Scale testing weights, iron
23385	Screws, noibn, nickel plated
23400	Shelves, kitchen cabinet, oven, rack or refrigerator, wire or wire and iron combined
23405	Shoes, horse, mule or ox, iron and canvas, rope or rubber combined
23410	Sign brackets or standards, iron, without electric fixtures, with or without bases
23425	Spring supports, for coiled or spiral wire springs, sheet or wire, steel
23455	Stove cover lifters, iron
23465	Street crossing pavement markers, brass and iron combined
23470	Street crossing pavement markers, iron or steel
23490	Tacks, including Hungarian or shoe nails, noibn, steel, with zinc heads
23495	Tag holders, iron or steel
23500	Tags, steel or tin

[fol. 1577]

23505	Tent frames or tent tripods, steel or steel and wood combined, KD or folded
23510	Tent poles, steel, collapsed and folded
23515	Tent stakes, iron
23520	Tilting frames, bottle or carboy, iron or steel, folded or completely KD
23530	Toggle bolts, iron or steel
23540	Tracks, motor vehicle or tractor, completely taken apart, troughs nested, iron or steel
23545	Tree guards (tree protectors), metal
23550	Trimmings, tinners', iron, steel, tin or wood, separate or combined, noibn
23555	Trunk straps, iron
23560	Trunk trimmings, noibn, iron, steel or tin
23570	Turnbuckles or sleeve nuts, threaded, insulated, metal
23585	Turpentine cup aprons, iron
23590	Turpentine cups, with or without aprons or hangers, iron or steel
23595	Vases, finished, iron, KD
23605	Venetian blind hardware (fixtures), metal
23620	Weather vane supports, iron, KD
23635	Wiper strips, ingot mold, steel
23640	Wire, iron or steel, covered or insulated, noibn
23650	Wire, picture cord, metal
23660	Work bench legs, iron or steel
23670	Back band or hame hooks, iron

EXHIBIT NO. 2—Continued

Item No.	Commodity
23685	Buckles or hooks, noibn, iron, harness or saddlery
23695	Covers, horse, burlap, unlined
23710	Hames
23725	Harness or saddlery hardware, noibn, iron or steel

[fol. 1578]

Item No.	Commodity
23760	Stirrups, metal, saddlery
23805	Hats, felt, old and worn out, in machine pressed bales
23895	Hide gelatine setting compound, liquid
23915	Clippings or scraps, cattle, dog, goat, horse or sheep
23945	Hides or skins, alligator, antelope, deer, elk or moose, green, green salted or pickled
23960	Hides or skins, buffalo, green or green salted
23980	Hides or skins, cattle or horse, pickled or raw splits (flesh side of split hides)
23990	Hides or skins, dog, green, green salted or pickled
24010	Hog or pig skins or hog or pig hide trimmings, frozen
24030	Hides or skins, porpoise, shark, sawfish or other sea fish or sea mammal, noibn, green salted
24032	Hides or skins, sea dog, green salted
24090	Holders, christmas tree, noibn, iron, cast
24095	Holders, christmas tree, noibn, iron, other than cast, flat, KD or nested
24100	Holders, christmas tree, noibn, wooden, KD flat or folded flat
24110	Holders, flower, grave, cast iron, not exceeding 12 inches in height
24112	Holders, flower, lead base
24145	Hoof dressing or animal ointment, in bulk in barrels
24150	Hoof stuffing, earthen or medicated moss peat
24160	Hooks, button, iron or steel
24180	Hoppers, coal, concrete or ore, iron, KD flat
24260	Bottle openers, noibn
24265	Broilers, noibn, iron or wire, flat or nested, without covers or drip pans
24270	Can keys
24380	Lemon Squeezers, noibn

[fol. 1579]

Item No.	Commodity
24410	Potato mashers, noibn
24417	Racks, shoe, flat, KD flat, or folded flat
24420	Reels, clothes line (clothes driers), flat, folded flat or KD
24440	Washboards
24455	Hurds, hemp or ramie, ground or not ground
24460	Ice, packed in absorbent material
24475	Ink, marking (brush or stencil marking ink)
24480	Ink, printing
24485	Ink, writing
24495	Ink reducing paste

Exhibit No. 2—Continued

Item No.	Commodity
24500	Insecticide adhesives, spreaders or stickers, dry
24595	Insulating compounds, electrical, noibn
24605-F Sup. 35	Insulating material, asbestos, felt paper or magnesia, separate or combined; calcium silicate and asbestos combined, with or without slag; cast cellular gypsum, with or without paper backing; diatomaceous earth and clay combined; fibre and mineral wool (rock or slag wool) combined; mineral wool (rock or slag wool) with binder; mineral wool (rock or slag wool) and asbestos board combined; mineral wool (rock or slag wool) and cotton cloth or paper combined; infusorial earth and asbestos combined; vermiculite, asbestos and cement or diatomaceous earth combined; vermiculite and asphalt combined; or vermiculite, cork dust and cement combined, in solid flat blocks or solid flat sheets
24635	Bituminized corrugated paper or board
24660-A Sup. 35	Cement, cork insulation, liquid
24685	Copper combined with asphalt, cotton fabric, asbestos felt or paper
24715	Mineral wool (rock or slag wool), metal reinforced
24720	Mineral wool (rock or slag wool), plain or saturated, other than batts.
24730-A Sup. 35	Paper, used news print, stitched between sheets of felt or paper
24735	Shredded wood, compressed, with binder

[fol. 1580]

Item No.	Commodity
24740	Slag, granular and fibre, mixed
24748 Sup. 37	Vermiculite with binder, in solid flat blocks or solid flat sheets
24760-A Sup. 35	X-ray proof lath, pulpboard or plasterboard and lead combined
24765	Insulating pitch, electrical
24775	Insulators, electric wire, noibn, asbestos and mica composition
24780	Insulators, electric wire, noibn, glass, pottery or pottery and iron combined, or iron parts, thereof
24795	Insulators, electric wire, noibn, pottery and brass, bronze or copper and iron combined or composition and iron combined
24800	Insulators, joint, iron, brass, mica and insulating composition combined
24805	Insulators, strain
24810	Iron converter scale
24840	Annealing boxes or pots, or annealing box or pot bottoms, noibn, finished or unfinished

[fol. 1581]

Exhibit No. 2—Continued

Item No.	Commodity
24875	Bar chairs, spacers or ties, concrete or plaster reinforcement
25005	Carbonizing boxes or pots, iron or steel
25020.	Castings, noibn, or forgings, noibn, iron or steel, not including products of plate or sheet iron or steel, coated, joined together or tooled
25060	Columns, spiral, noibn, or column hoops, concrete or plaster reinforcement
25075	Concrete piling reinforcement
25125	Fencing, wire and iron or steel combined, SU, in panels
25210	Lathing or ribbing, concrete or plaster reinforcement, wire
25340	Plate or sheet, iron or steel, nickel-clad
25345	Plate or sheet, iron or steel, noibn, crystalized, decorated, embossed, enameled, japanned, lacquered, lithographed, marbleized, nickel poated or printed
26492	Sheets, iron or steel, reinforced with expanded steel
25685	Iron or steel cleaning compound, noibn, liquid
25690	Iron or steel rust preventing or removing compounds, other than petroleum, noibn, in bulk in barrels
25705	Ivory, animal, scrap or shavings
25715	Ivory, nut or vegetable, other than meal, scrap or shavings
25745	Knobs or pulls, door or drawer, noibn
25765	Ladders, noibn, steel
25830	Lamp shades or reflectors, iron, steel or tin, with or without equipment of sockets
25995	Street lamp reflectors and insulators combined, earthenware
26030	Anodes, lead
26055	Base bullion, lead, pig or slab
26060	Blanks or discs (unfinished shapes), lead, tin coated
26075	Dress weights, lead
26115	Tags, lead
26160	Blue chrome splits, partially tanned and having moisture content not less than 30%

[fol. 1582]

Item No.	Commodity
26190	Leather, grained
26200	Leather, pancake
26210	Leather scrap, value exceeding 3½ cents per lb.
26220	Leatherboard
26225	Leatherboard scrap, value exceeding 3½ cents per lb.
26245	Leather tie strings (rawhide leather strips of irregular width and length)
26255	Leather finishing, softening, sponging or stuffing compounds, noibn, in barrels
26290	Licorice (licorice extract) mass
26295	Licorice (licorice extract) powdered
26320	Lignite char, not activated
26350	Liquors, malt; ale, beer, beer tonic, porter, stout or non intoxicating cereal beverage

Exhibit No. 2—Continued

Item No.	Commodity
26690	Lockers, cold storage, steel, KD flat
26700	Locking rings, barrel or drum head, steel
26705	Loofas, in machine pressed bales
26710	Lubricant, grease-binder (lubricating grease, other than petroleum lubricating grease), combined with fibre, not oiled waste)
26712	Lubricators, railway track, iron or steel
26740	Bark, tan, ground, other than spent
26920	Lumber, cigar box, cedar or foreign woods
26925	Lumber, cigar box, domestic woods, stained or veneered
26930	Lumber or veneer, noibn, foreign wood, other than Canadian wood or Mexican pine
26935	Lumber or veneer, noibn, native wood, Canadian wood or Mexican pine
26945	Match splints (match sticks)
27000	Roof trusses, wooden, KD
27075	Veneer, native wood, paper covered, 1/8 inch or less in thickness
27100	Wood, built-up or combined, noibn, foreign wood, other than Canadian wood or Mexican pine
[fol. 1583]	
27120	Wood sawdust, colored
27135	Wood shavings, noibn
27210	Ash conveyors, steam jet
27225	Baffles, absorber tower, steel, other than wire
27330	Balls or rolls, bearing, anti-friction, iron or steel
27370	Bearings, noibn, ball or roller
27405	Bed plates, iron, noibn
27460	Bobbin rings, wire
27485	Bobbins, iron, steel or wood, separate or combined
27545	Bulldozers, metal working
27575	Bushings, ball or roller
27580	Bushings, noibn, iron or steel
28045	Cider mills or presses, KD
28050	Clay gatherers, wheels and poles detached, body taken apart
28065	Brick making machine augers, knives or propellers
28115-A Sup. 21	Pug mill hubs or knives
28125	Revolving dump tables, KD
28140	Clay crusher, disintegrator or granulator parts, cast iron or steel, in the rough as from the mold
28175	Cogs, gear wheel (mill cogs), wooden
28195	Connecting rods, internal combustion engine, worn out
28200	Conveying, dredging, dumping or hoisting buckets, dippers or skips, iron or steel
28205	Conveyor flights, wooden
28230	Cotton compresses, KD, or parts, iron or steel
28240	Cotton cleaners, or cotton cleaner parts, noibn

Exhibit No. 2—Continued

Item No.	Commodity
28260	Cotton or seed flues, wooden, KD
28270	Cotton receivers or separators
28275	Cotton distributors, noibn, KD
[fol. 1584]	
28290	Cotton gin feeders
28295	Cotton gin, gin feeder or lint condenser parts, noibn
28300	Cotton gin presses, KD, or parts thereof, noibn
28302	Cotton gin press trampers (cotton packers), or parts thereof, noibn
28315	Cotton gins
28325	Cotton lint condensers, with or without bottoms
28395	Crushers, breakers or grinders, coal, ore or stone, or coal or stone crushers and elevators combined
28460	Die sets (die holders), stamping or punching machine, iron
28463	Dies, antimonial lead or zinc alloy
Sup. 21	
28485	Dipper handles, dredge or power shovel
28590	Elevator buckets, iron or steel
28600	Elevator legs, iron, steel or wood, KD
28620	Flights, chain and steel, conveyor, assembled
28635	Gravity chute conveyors, steel, KD
28640	Gravity roller conveyors, KD, or in flat sections
28650	Box ends (through ends), gates or spirals (flights mounted on pipe or shaft), steel, spiral screw conveyor
28765-A	Filter parts, cast stone or tripoli
Sup. 21	
28775	Heads or ends, stands or legs, or side bars or beams, iron or steel, filter press
28780	Plates or cake frames, iron or steel, filter press
28805	Filters, gas, cast iron
28845	Forms, layouts or assembly jigs, wooden or wood and metal combined
28895	Fuel wood saw frames or tables, KD, with or without saw blades
28960	Gas house purifier grids or trays, wooden
29000	Glue heaters (glue pots), other than self-heating
29030	Discs, road grader
[fol. 1585]	
29035	Graders or levelers, drag
29050	Road graders, wheeled, KD
29055	Road scraper bails
29065	Rollers, road, other than self-propelling
29085	Scarifiers, road
29105	Scrapers, noibn, horse drawn, wheeled
29110	Scrapers, noibn, horse drawn, other than wheeled
29115-A	Scrapers, noibn, tractor drawn
Sup. 40	

EXHIBIT No. 2—Continued

Item No.	Commodity
29120	Steering poles or guides, grader
29122	Tractor excavators or grader attachments, completely KD
29215	Heat exchanger sections or elbow, inlet or outlet fittings, therefor, cast iron
29230	Heaters, oil treating, cast iron, with gas burning equipment
29300	Accumulators, distillers, purifiers, receivers or regenerators, gas or liquid, ice making or refrigerating
29315	Cans, ice
29330	Condensers, equalizers or exchangers, gas or liquid, iron or steel, without fins; or coolers, brine or water, iron or steel, shell type
29335	Condensers, equalizers or exchangers, gas or liquid, iron or steel, without fins; or coolers, brine or water, iron or steel, pipe type
29350	Group frames, ice can, steel, SU
29355	Headers, gas or liquid
29415	Refrigerating sections, cooling room, cast iron
29460	Kettles, canning (boilers or retorts), iron
29480	Kettles, noibn, steam jacketed, iron or steel
29490	Kilns, brick drying or hardening, cylinder sections, SU, other parts SU or KD
29495	Kilns, china firing
29520	Ladles, foundry, open hearth or blast furnace, iron or steel, without trucks

[fol. 1586]

Item No.	Commodity
29680	Mandrels, forge or rolling, tube or pipe mill, steel
29685	Masts or towers, contractors' building material hoisting, KD, with or without necessary equipment of hoisting platforms, hoisting buckets or chutes and gin poles
29700	Mills, cane
29740	Mine or quarry drilling machine augers, bits, bit shanks or thread bars
29780	Cages, mine, KD
29810	Landing dogs
29825	Ore roasting or smelting furnaces
29840	Pots, forehearth or settling
29850	Scrappers, drag
29875	Smelting furnace water jackets, KD
29905	Nigger bars, saw mill
29915	Oil condensing sections, cast iron
29935	Cake formers or packers, oil mill, KD
29940	Cake presses or seed crushers, oil mill, KD
29960	Oil cake press boxes or plates, iron or steel
29975	Seed delinters
29980	Seed hullers, KD
29985	Paper makers' felt, old, used
30020	Paper mill beater rolls or grinding plugs, worn out

EXHIBIT No. 2—Continued

Item No.	Commodity
30030	Paper mill cylinder molds, wire covering damaged or worn out
30070	Pile driver frames, wooden, KD
30080	Pile drivers, noibn, KD
30105	Pile driving caps, iron or steel
30180	Press parts, printing, wooden, flat
30190	Presses, baling, noibn, KD
30205	Presses, hydraulic wheel, KD
[fol. 1587]	
30220	Presses, noibn, filter, KD
30235	Pressure relief valves
30240	Printers' roller cores (printers' roller stocks), steel
30250	Propellers (propeller wheels) or propeller blades, or propeller wheel hubs, noibn, steel
30285	Buckets, chain pump, iron or steel and rubber combined
30290	Buckets, elevator pump, iron or steel
30300	Swivel spouts, pump, water conductor
30325	Pump parts, noibn, for hand or windmill pumps, iron or steel
30345	Pump working barrels (well pump cylinders), iron or steel, lined with brass or enamel, with or without fittings
30350	Pump working barrels (well pump cylinders), iron or steel, lined with iron or steel or not lined, with or without fittings
30360	Pumping jacks, noibn, other than oil well pumping jacks, KD
30405	Pumps, suction, wooden
30425	Pumps, hand or windmill, noibn, iron or steel, cast, SU or KD
30435	Pumps, hand or windmill, noibn, iron or steel, sheet and cast combined
30555	Rollers, printers', elastic composition covered, old, worn out
30570	Rollers, composition, leather or rubber covered, noibn, old, worn out
30600	Rolls, cane mill
30610	Rolls, engraved or etched, brass, bronze or copper, old, worn out
30620	Rolls, engraved or etched, iron or steel, old, worn out
30625	Rolls, garnett, old, worn out
30630	Rolls, grain grinding, iron or steel
30655	Rolls, paper mill, not engraved nor etched, iron or steel, covered, old, worn out
30670	Rolls, paper mill, not engraved nor etched, iron or steel, not covered
30680	Rolls, paper mill, noibn
30715	Rolls, noibn, iron or steel

[fol. 1588]

Exhibit No. 2—Continued

Item No.	Commodity
30725	Rolls, noibn, wooden, with iron or steel cores, solid
30735	Rubbing bed plates, noibn, cast iron
30740	Sand or gravel power pump parts, steel, consisting of cutter heads, impellers, shells, side plates or liners
30780	Scale beam boxes, wooden
30785	Scale or steelyard weights, iron or steel
30825	Scales, factory or warehouse, other than automatic, KD
30830	Scales, live stock, railroad track or vehicle, KD
30835	Scale beams or steelyards, steel
30885	Screening machines, coal, gravel, ore, sand or stone, revolving, KD, screen sections taken apart
30900	Screen cylinders, perforated iron or steel
30905	Screen plates or segments, perforated iron or steel, or steel wire cloth, flat, flanged or curved
31010	Pinions or racks, steam shovel, iron or steel
31050	Slag pots, mounted on wheels
31060	Snow plow attachments for automobiles or tractors
31115	Steam traps, other than tilting
31130	Stokers, mechanical
31140	Stone puller and carrier combined, KD
31165	Stump pullers
31240	Driers, hosiery or fabric, KD
31280	Textile beam or spool heads, other than cast iron or steel
31295	Card clothing, textile machine, old, worn out
31310	Cores, yarn winding, spiral, iron or steel
31395	Rollers, fluted, iron or steel, old, worn out
31415	Skewers, textile, wooden
31435	Treadle blocks, wooden
31440	Warp beams, without heads or with heads of 2-ply wood not less than 1¾ inches thick, or 3-ply hardwood glued together cross grained, or reinforced pressed steel, new

[fol. 1589]

Item No.	Commodity
31445	Warp beams, noibn, including beams with cast iron heads, new
31450	Tire benders, setters, shrinkers or upsetters
31455	Tire extensions, traction engine wheel
31485	Tractor axle shafts
31495	Tractor axles, without external or internal attachments or movable parts
31500	Tractor brake drums, without attachments finished
31515	Tractor exhaust pipes, steel, straight or bent, further processed than cut to length, with or without attachments
31550	Tractor hubs, iron or steel, with bearings
31565-B Sup. 37	Tractor or traction engine parts, tractor engines, or tractor treads or bogie or idler wheels, old, used, having value for reconditioning
31575-B Sup. 40	Tractor seats, iron or steel, with seat springs or brackets

Exhibit No. 2—Continued

Item No.	Commodity
31580	Tractor tread pins, steel
31590	Tractor treads, noibn
31620	Tree diggers, KD
31640	Trolleys, overhead track, iron, with or without gear wheels
31730	Ventilating apparatus, factory or greenhouse (fixtures for operating windows in series), iron or steel, KD
31835	Wheels, balance or fly, iron
31840	Wheels, stone grinding or polishing, iron or steel
31850	Windmills, KD, or windmill parts
31920	Machine, machinery, army tractor tank, traction engine or tractor parts, noibn, wooden, flat or KD flat
32015	Marbles, iron, hollow
32022	Masts, radio broadcasting, tubular, steel, in sections
32030	Mats, blasting or bowling pit, rope
32035	Mats or pads, stove or table, metal and asbestos or fibreboard combined
32150	Sausage, cooked, cured or preserved, noibn
[fol. 1590]	
32220	Metal annealing or tempering compounds, noibn
32225	Metal cutting, drawing or drilling lubricants or compounds, liquid or paste, noibn
32257	Bar or rod, zinc alloy
32280	Cable, scrap, lead covered copper, consisting of lead covered copper cable worn out or otherwise rendered unfit for use, having value only for remelting purposes
32365	Dross or sludge, cadmium
32405	Jewelers' sweepings
32435	Moldings, zinc alloy
32485	Silicon (silicon metal)
32490	Silicon copper
32510	Solder, braziers', noibn
32530	Terne metal (alloy of lead and tin), bars, pigs, slabs or scraps
32535	Tubes, noibn, lead alloy, flat
32565	Zirconium-manganese-silicon
32595	Meters, gas, noibn, cast iron
32640	Mica, ground or pulverized
32725	Moldings, electric wire, steel
32735	Moldings, mirror or picture frame, wooden, in the white
32750	Molding and mounting strips, rubber stamp, wooden, unfinished
32760	Molds, block or brick, hand
32765	Molds, bottle or glassware, cast iron
32770	Molds, bullion, iron
32775	Molds, burial vault
32782	Molds, carbon electrode, iron or steel, finished
Sup. 21	
32790	Molds, cigar

EXHIBIT NO. 2—Continued

Item No.	Commodity
32795	Molds, concrete post, iron or steel, without frames or trucks
32800	Molds, concrete post, iron or steel, with frames or trucks, KD
[fol. 1591]	
32815	Molds, metal molding, noibn, iron
32820	Molds, pipe, centrifugal, steel
32825	Molds, pipe, iron, consisting of chill plates, core bars and flasks
32830	Molds, plaster of Paris
32850	Molds, rubber, iron or steel
32855	Molds, terra cotta architectural work, plaster
32860	Tobacco molds, retainers or shapes, noibn
32865	Monuments, cast bronze or enameled steel shells, filled with concrete or tar aggregate, or insulation
32885	Moss, noibn, in machine pressed bales
32895	Mucilage
32900	Muffles, clay
32905	Mushroom spawn
33000	Organ or piano hardware, noibn, iron or steel
33025	Piano case backs, in the white
33050	Piano pedals
33055	Piano plates, iron or steel
33060	Piano sounding boards, in the white
33065	Piano tuning pins
33120	Myrobalans
33135	Neatsfoot stock
33200	Nickel matte
33220	Nickel scrap
33305	Nickel-copper scrap
33390	Blanks (unfinished shapes), noibn, nickel-silver
33415	Moldings, nickel-silver
33420	Plate, sheet or sheet strips, nickel-silver
33430	Rods, nickel-silver
[fol. 1592]	
33435	Scrap, nickel-silver
33445	Wire, nickel-silver
33446	Nitrocellulose (colloided), non-fibrous, granular or flake, wet with alcohol or solvent or not less than 20% of water
33447	Nitro-cellulose (collodion cotton, fibrous), wet, with not less than 20% of water or 30% of alcohol or solvent
33448	Nitro-starch, wet, with not less than 20% of water
33449	Nitro-starch, wet, with not less than 30% of solvent
33495	Cranberry vines
33525	Nutgalls
33535	Black walnuts, in shell
33555	Hickory nuts, in shell
33580	Peanuts, in shell, raw
33585	Peanuts, in shell, roasted
33600	Pecans, in shell

EXHIBIT No. 2—Continued

Item No.	Commodity
33602	Pinon (Indian nuts)
33605	Nuts, tung oil
33607	Nuts or kernels, oil bearing palm, noibn, including babassu, cohune, murumuru, ouricury, aouara, tucum or ocohuna
33630	Addressing machine plates, plain
33631	Boards, clip, wooden, without fixtures
33632	Boards, typewriter base
33660	Holders, cellulose tape, cast and sheet iron combined
33688	Typewriter copy holders, folded
33707	Oil filter shells or bases, iron
33735	Adjusters and boards, oil well
33750	Bits, drilling, rotary, other than disc, reamer or roller type, or other than rotary
33755	Blocks, casing, well
33800	Castings, swing post, well

[fol. 1593]

Item No.	Commodity
33810	Clamps, disconnecting, well
33815	Clamps, drilling, drive or gas packing, well
33825	Covers, thief hole, iron
33830	Derrick cranes, well, KD
33835	Derricks, steel or wooden, well, including necessary equipment of ladders
33845	Elevators, pipe or sucker rod, well
33865	Heads, casing control, well
33875	Heads, drive pipe, well
33880	Hooks, casing, sucker rod, throw-off or tubing, well
33890	Jacks, tool, oil well
33910	Links, well
33950	Plugs, cementing, wood and rubber, or wood, rubber and leather combined
33955	Plugs, dry hole, iron or lead, or iron or lead combined, or wooden
33995	Rig irons, noibn, iron, steel or wood, including necessary quantity of nails
34000	Rings and wedges, well
34005	Rods, polished or valve, oil, water or gas well
34010	Saddles, jack, oil, water or gas well
34020	Savers, oil
34025	Spiders, liners or slips, well
34030	Spudding shoes and rings, well
34035	Stirrups, disconnecting, well
34060	Tongs, pipe, oil, water or gas well
34065	Tools, drilling, noibn, oil, water or gas well
34080	Tug pulleys, iron, wooden or wood and iron combined
34090	Wagons, casing or bit, oil, water or gas well
34100	Well points or well strainers, iron or steel

[fol. 1594]

EXHIBIT No. 2—Continued

Item No.	Commodity
34105	Well points or well strainers, iron or steel and brass or bronze combined
34115	Well throw-offs
34120	Wheels, band, oil, water or gas well
34125	Wheels, bull, oil, water or gas well
34130	Wheels, calf, oil, water or gas well
34135	Wobblers, oil, water or gas well
34140	Wrenches, drive clamp
34145	Wrenches, sucker rod
34155	Wrenches, tool, oil, water or gas well
34165	Oil, andiroba
34170	Oil, aniline
34175	Oil, apricot or peach kernel
34180-A Sup. 21	Babassu; cocoanut; copra; cohune; coquito; dende nut; monilla (monea) seed; murumuru; ouricury (urucury); palm; palm kernel; sheanut; tucum nut; or urucuriiba oils
34205	Oil, chinawood (tung nut oil)
34210	Coal tar or gas drips, crude, noibn, including crude coal tar naphtha or crude light oil of coal tar
34215	Corn oil, liquid or sulphurized
34220	Corn oil, vulcanized
34225	Cottonseed oil, liquid
34230	Creosote oil (dead oil of coal tar or wood tar)
34237	Fatty acid esters of vegetable, fish or animal oils, noibn
34240	Fatty acids of vegetable, fish or sea animal oils, noibn, inedible
34245	Fish liver oil, edible or medicinal
34250	Fish or sea animal oil, noibn, liquid
34260	Harness oil, noibn
34265	Hemp seed oil
34270	Kapok oil
[fol. 1595]	
34275	Oil, lard or inedible grease
34285	Oil, lubricating, noibn
34290	Oil, mustard seed
34295	Oil, neatsfoot, noibn
34310	Oil, oiticica
34325	Peanut oil, liquid
34330	Oil, perilla
34335	Petroleum tar oil, noibn
34345	Oil, raisin seed
34350	Oil, rape seed
34355	Oil, red, from animal or vegetable fats
34360	Oil, rice or rice bran
34365	Oil, rosin
34370	Oil, rubber nut kernel
34375	Oil, safflower seed

Item No.	Commodity
34380	Oil, sesame
34385	Soluble cutting oil base
34395	Oil, sunflower seed
34415	Tall oil, esterified
34420	Tallow oil
34425	Tanners' oil, noibn
34430	Teaseed oil (teanut)
34435	Ucuuba (ucuhuba)
34440	Oil, walnut
34445	Oil, wheat
34450	Oleo stock
34477	Bomb fin assemblies
34497	Cartridge clips, or ammunition links, cannon or machine gun, steel
[fol. 1596]	
34555	Gun platforms, wood and steel combined, wheels off
34590	Mine water sweeping kites, iron or wood and iron combined, KD or folded flat
34595	Mortars, pyrotechnic bomb
34620	Projectile bands, brass, bronze or copper
34630	Projectile parts, noibn, iron or steel, empty, rough machined but not further finished
34655-A Sup. 21	Shell containers (paper tubes with metal tops and bottoms)
34775	Bridge builders', contractors' or graders' outfits, noibn, without live stock
34816	Outfits, cobblers'
35020-A Sup. 21	Packing cushions or packing pads, excelsior, grass, hay, straw, or shredded or macerated paper
35023 Sup. 21	Packing cushions, or packing pads, indented chipboard wrapped in paper sleeves, flat
35190	Blackboard coating (liquid slating)
35215	Enamel, other than watch dial
35230	Enamel whitening compound, noibn
35370	Rust preventive pipe line coating, asphaltum, coal tar or pitch base, other than asphaltum or coal tar paint or varnish
35425 Sup. 37	Pallets, platforms or skids, for lift trucks, without bodies, enclosures, standing ends, sides, stakes or standards
35430	Palmette or palm buds or leaves, other than decorative
35435	Panels, background, store display, fibreboard and wood, painted, KD, flat or folded flat
35475	Carbon paper, noibn, actual value not exceeding 30 cents per lb.
35480	Paper, carbonized print
35485	Paper, cigarette, uncut
35490	Paper, clippings or scrap, sensitized paper

[fol. 1597]

Exhibit No. 2—Continued

Item No.	Commodity
35602 Sup. 40	Paper, dusting or polishing
35605	Paper, noibn, not printed
35635	Pulpboard, coated, not printed
35652 Sup. 37	Paper, resin impregnated, not laminated
35715	Paper, waste, ground
35745	Paper, wrapping, corrugated
35800	Baskets, waste, fibreboard, folded flat
35825	Bowling alley score tablets, paper
35835	Bread bands, pulpboard, not printed
35925	Cop tubes, paper or pulpboard
36030	Flower pots, laminated pulpboard, machine pressed, chemically treated
36120	Liners, fruit basket, pulpboard
36145	Megaphone blanks, pulpboard
[fol. 1598]	
36163	Pails, pulpboard, noibn, flat
36215	Planting pots, paper or bituminized pulpboard or felt, folded flat
36240	Protectors, roll, fibreboard or pulpboard
36245	Punch or sales boards, fibreboard, flat or folded flat
36295	Sticks, candy or ice cream, paper
36307	Wrappers, coin, paper, flat or folded flat
36335	Adhesive paste, noibn
36350	Paste, flour (dry paste flour), with or without chemical ingredients
36355	Paste, starch or dextrine (dry starch or dextrine paste), with chemical ingredients
36360	Paste, textile printing or textile printing reducing
36365	Pattern material, wooden, fluted or scored
36467 Sup. 21	Petroleum nitroxylene
36468-A Sup. 21	Petroleum toluene (toluol)
36472 Sup. 21	Petroleum xylidine
36473 Sup. 35	Petroleum xylol in bulk in barrels or steel cylinders
36505	Pincushions, unfinished (sawdust in cotton bags)
36513	Pipe covering, asbestos or cloth, wax impregnated or coated, with or without cellulose film backing
36530	Plant supports, steel, or steel, wire and wood combined, KD flat
36546 Sup. 35	Corner bead, corner bead clips, cove base, cove base fastenings, picture molding or wall ground, zinc
36547	Plates, bench, lapping, layout surface or surface, steel

Item No.	Commodity
36555	Plugs, safety blasting
36570	Bath tub feet, china or earthenware
36625-A	Bathroom or lavatory fixtures, noibn, china or porcelainware
Sup. 21	
36645	Drinking fountains, cement or concrete

[fol. 1599]

Item No.	Commodity
36650	Drinking fountains, china or earthenware
36665	Fittings, noibn, for bath tubs, drinking fountains, lavatories, laundry tubs, shower baths, with or without curtains or rubber tubing, sinks, urinals, water closets, or water closet tanks, iron or steel not plated, or iron or steel and brass combined
36680	Laundry sinks, slate or soapstone, including metal or wooden covers or rims when attached
36690	Laundry tub covers, wooden, finished or unfinished
36695	Laundry tubs, cast iron
36700	Laundry tubs, cement or concrete, including metal or wooden covers or rims when attached
36705	Laundry tubs, china or earthenware
36715	Laundry tubs, slate or soapstone, including metal or wooden covers or rims when attached
36720	Lavatories, china or earthenware
36725	Lavatories, lavatory basins (bowls) or lavatory pedestals, cast iron
36735	Lavatory basins (bowls), china or earthenware
36740	Lavatory legs or pedestals, china or earthenware
36745	Pipe holder blocks, wooden, finished or unfinished
36750	Pipe or tank boards, wooden, finished or unfinished
36765	Shower bath receptors, cement or concrete
36800	Sink backs or sink drain boards, cast iron
36810	Sink drain boards, china or earthenware
36815	Sink drain boards, plate or sheet steel, unfinished
36820	Sink drain boards, tile and wood combined
36825	Sink drain boards, wooden, finished or unfinished
36830	Sink frames, wooden, finished or unfinished
36835	Sink or tub rims, wooden, finished or unfinished
36850	Sinks, cast iron, without legs or with legs detached
36855	Sinks, cement or concrete
36860	Sinks, china or earthenware

[fol. 1600]

Item No.	Commodity
36885	Stall partitions, shower bath, urinal or water closet, iron or steel, enameled, or fibreboard wallboard or wood, separate or combined, enameled
36890	Stall partitions, shower bath, urinal or water closet, iron or steel, or fibreboard wallboard or wood, separate or combined other than enameled

Exhibit No. 2—Continued

Item No.	Commodity
36895	Stoppers (plugs), basin, lavatory or tub, rubber or rubber and metal combined
36915	Toilet paper holders, steel, not enameled nor plated
36935	Urinal stalls, KD, china or earthenware
36940	Urinals or urinal gutters, china or earthenware
36945	Urinals or urinal gutters, iron or steel, enameled
36950	Urinals or urinal gutters, iron or steel, other than enameled
36955	Water closet bowls or hoppers, cast iron
36960	Water closet bowls or hoppers, china or earthenware
36980	Water closet tanks, cast iron
36985	Water closet tanks, china or earthenware
36990	Water closet tanks, cement or concrete, with fittings
37015	Plush frames, iron
37025-A Sup. 35	Arcing horns, iron or steel, pole line
37030-A Sup. 35	Arrows, pole line, iron or steel
37035-A Sup. 35	Bayonets, pole line, iron or steel
37040-A Sup. 35	Bows, pole line, iron or steel
37055	Bushings, cross arm, wooden
37105-A Sup. 35	Grading shields or yokes, insulator, iron or steel
37115	Ground rods, steel, copper clad
37165-A Sup. 35	Saddles or straps, cross arm, iron or steel
37175	Poles or stakes, plant, cane

[fol. 1601]

Item No.	Commodity
37190	Poles or stakes, plant, wooden, painted
37200	Pontianac gum resin
37210	Pontoon bridges, military, foot
37270	Postal or letter boxes, glass, with or without metal bases and tops
37275	Postal or letter boxes, iron or steel, cast, or cast and sheet combined, KD flat, or taken apart and parts folded flat
37290	Racks, postal bag, steel, with or without platforms or dumping tables, KD or folded
37335	Posts, lamp, cement or concrete, with metal trimmings
37340	Posts, lamp, iron, with electric fixtures attached
37345	Posts, lamp, iron or steel and brass, bronze or copper combined, with or without bases or tops, without electric fixtures
37350	Posts, lamps, wooden
37360	Poultry or pigeon grit
37400	Books, tissue copying
37470	Bases, electrotype or stereotype
37490	Cutting sticks, consisting of strips of iron, lead, steel or wood, used as cutting blocks or sticks for paper cutters

Item No.	Commodity
37520	Engravers' plates, blocks or bars, zinc, plain
37535	Furniture, printers', consisting of strips of iron, lead, steel or wood used in making and locking up forms
37545	Galleys, iron or steel
37560	Imposing or make-up table tops, cast iron
37565	Leads or slugs, printers'
37575	Lithographic printing plates, zinc, without transfer or with worn out transfer
37590	Press boards
37595	Quoins
37615	Stereotype plates, new or used, not worn out
37635	Type, metal, new or used, not worn out
37685	Pyrethrum (insect flowers or stems)

[fol. 1602]

Item No.	Commodity
37714 Sup. 35	Lifeboat of raftboat emergency rations, Quartermasters' stores
37715	Mess benches or tables, folded flat
37735	Quassia chips
37765	Racks, bakers', KD
37770	Racks, bakery goods display, steel, taken apart
37775	Racks, barrel storage, iron, KD flat
37780	Racks, bicycle (bicycle stands), steel, KD or folded flat
37790	Racks, casket or couch display, mounted on casters, KD
37800	Racks, cracker can shipping, folded flat
37815	Racks, horseshoeing suspensory, KD
37825	Meat racks, butchers', steel, KD
37830	Racks, meat, butchers', wooden, KD
37840	Racks, press, noibn, iron or steel
37845	Racks, press, noibn, wooden
37850	Racks, noibn, flat, KD flat or folded flat
37855	Racks, starch, dry kiln, wooden
37860	Store display racks or stands, noibn, KD flat, folded flat, or completely taken apart
37875	Textile mill wash racks, KD
37885	Racks, tool, iron, KD
37940	Rag pulp, dry
37945-A Sup. 21	Rag pulp, wet
38005	Ballast spreaders, not moved on own wheels
38015	Battery chutes, cast iron
38020	Battery storage boxes, chutes, vaults or wells, concrete, SU
38030	Bearings, car journal, other than ball or roller
38060	Boxes, journal, with roller bearings, railway car or locomotive

[fol. 1603]

Item No.	Commodity
38085	Brake equipment, air, electric or steam, viz: Main air reservoirs, steel
38090	Brake equipment, air, electric or steam, noibn

EXHIBIT No. 2—Continued

Item No.	Commodity
38115	Cabs, locomotive, KD
38125	Car retarders, or steel parts
38175	Cars, logging, or logging trucks, not moved on own wheels
38285	Cars, railway, not moved on own wheels, viz: Cinder, dump, furnace charging, hot metal, ladle, mine, pit, plantation, push or slag or four-wheeled freight cars, noibn
38340	Chafing plates, locomotive
38350	Chests, express messenger, steel
38355	Chutes, car unloading, iron or steel, KD
38360	Clamps, rail, iron or steel, noibn
38365	Cleaners, street car track
38400	Crosshead shoes, railway car or locomotive, iron
38415	Crossings, railway track, roadway, and parts thereof, steel
38430	Cylinders, locomotive
38435	Decks, dryer car, iron, KD or folded flat
38445	Deflectors, car window
38455	Doors; frames, racks or sections for refrigerator cars
38480	Driving boxes, locomotive, finished, without bearings
38485	Dry kiln cars or trucks, noibn, iron
38500	Dust guards or dust guard wedges, journal box, railway car or locomotive
38520	Fenders (guards), street car, flat or KD flat
38525	Fire boxes, locomotive
38540	Frames, locomotive, finished
38560	Gates, railway safety
38595	Hatch linings, refrigerator car, iron
38600	Hinges, locomotive smoke box front
[fol. 1604]	
38680	Lubricators, Journal, railway car or locomotive
38695	Pilots, locomotive, iron or steel
38725	Rail bond socket terminals, copper
38735	Rail bonds, iron or steel, with or without one copper wire core
38785	Railway switch machines, hand; with electrical or mechanical locking, derail or signal controlling attachments, with or without signals
38795	Refrigerator car bunker floor pans and back flashing, sheet steel
38815	Rollers, lumber, car door
38820	Sand boxes, locomotive
38835	Seals, car
38860	Semaphores or train order or railway highway crossing signals, KD
38875	Smoke jacks, car, iron
38880	Smoke jacks, roundhouse, asbestos or wood and iron or steel combined, KD or in panels
38885	Smoke jacks, roundhouse, cast iron, KD

EXHIBIT No. 2—Continued

Item No.	Commodity
38890	Smokestacks, locomotive
38895	Snow plows, railway, KD
38940	Superheaters, KD, or superheater parts, locomotive
38980	Tires, railway velocipede, steel
39000	Tracks, railway, portable, in sections, iron or steel
39020	Trolley harps
39025	Trolley poles, with attachments
39055	Turntables, locomotive, railway car or vehicle, or locomotive turntable centers or girders
39110	Wheels, railway car or locomotive, iron or steel, loose or attached to axles, with attachments other than one gear, cog or cam
39125	Rattan, 12 feet or less in lengths
39152	Reel reinforcing spiders, steel
Sup. 21	
39190	Lineman's reels, without carts, KD

[fol. 1605]

Item No.	Commodity
39210	Refrigerator doors, enameled or lacquered steel
39220	Rennet extract, liquid
39248	Retort bottoms or heads, iron or steel
39250	Retorts, gas, clay
39255	Revenue stamp protectors, steel or tin
39261	Rifles, dummy, wooden
39262	Rings, raschig, carbon
39264	Rings, raschig, porcelain
39265	Rings, raschig, steel
39280	Rock crystal quartz
39290	Roll protectors, cloth
39307	Rolls, field, lawn or road roller, iron or steel
39320	Cement, roofing tile
39350	Roofing, zinc and saturated paper or felt combined
39355	Roofing, zinc, corrugated
39405	Shingles, cement, plaster and fibre composition with fibreboard back
39425	Shingles, zinc
39430	Shingles or siding, asbestos, hard (artificial stone shingles, siding or slates)
39450	Tile, roofing, clay, concrete or earthen, noibn
39460	Allspice (pimento)
39465	Capsicum (Cayenne pepper)
39475	Cassia
39480	Chicory roots, dried or green, not ground nor powdered
39490	Cinnamon
39495	Clove stems
39500	Cloves
39505	Ginger roots, ground or powdered

[fol. 1606]

Exhibit No. 2—Continued

Item No.	Commodity
39510	Ginger roots, dry, not ground nor powdered
39515	Ginger roots, not ground nor powdered, preserved in syrup
39530	Nutmegs
39535	Paprika, ground
39540	Pepper
39555	Salt, celery, garlic or onion flavored
39570	Tumeric roots
39577	Yuca, ground
39580	Rosin
39590	Rosin liquor
39603	Rovings, jute and istle combined
Sup. 21	
39608	Rubber filler (vegetable oil fibre)
39615	Rubber nut kernels
39617	Rubber preservative, liquid, noibn
39650	Latex, coagulated (scrap or waste latex from which the liquid has evaporated
39655	Latex (liquid crude rubber)
39660	Rings, fruit jar
39780	Rum, denatured
39800	Safes, with solid walls 1 inch or more in thickness weighing each less than 10,000 lbs.
39805	Safe or vault doors or vault fronts, weighing each less than 10,000 lbs.
39855	Seals, noibn, lead and cord or wire combined
39860	Seals, noibn, other than lead and cord or wire combined
39885	Seeds, anise
39920	Seeds, caraway
39930	Seeds, celery
39935	Seeds, cevadilla
39940	Seeds, cherry (cherry stones)
39945	Seeds, chili pepper
39965	Seeds, crotalaria

[fol. 1607]

Item No.	Commodity
39975	Seeds, fennel
39980	Seeds, Fenugreek
40010	Seeds, honey bean (St. John's bread), ground or powdered
40015	Seeds, kapok
40030	Seeds, melon, pumpkin, squash or sugar beet
40055-A	Seeds, oiticica
Sup. 21	
40070	Seeds, poppy
40080	Seeds, rape
40100	Seeds, seradella
40105	Seeds, sesame
40140	Seeds, tree, noibn

EXHIBIT No. 2—Continued

Item No.	Commodity
40150	Wormseed (Jerusalem oak seed), not ground nor powdered
40185	Shade roller fixtures
40190	Shade rollers or shade sticks
40215	Shades, porch, wood slat, other than Venetian blinds
40235	Venetian blinds
40240	Window shades, noibn
40255	Baskets or dry measures, sheet steel
40280	Bodies, shipping drum, side seams open
40285	Boxes, window refrigerator, KD
40295	Can stock or pail stock, other than milk shipping can stock, tin, bodies flat, tops and bottoms formed, other than lithographed
40345	Dough kneaders or mixers, hand
40355	Food strainers, sheet steel and wire combined
40360	Forks or spoons, galvanized, tinned or plain
40390	Pails, galvanized, without covers
40400	Panels or hoods, refrigerator cabinet, unfinished, not galvanized, painted, enameled or lacquered
[fol. 1608]	
40430	Powder keg material, sheet steel
40445	Sheet steel ware, noibn, with or without copper bottom
40450	Shovels, stove, sheet steel
40455	Sieves or sifters, sheet steel
40460	Trays, serving, sheet steel
40480	Wash tubs, noibn, without legs
40525-A Sup. 35	Shells, crab or lobster
40570	Shingle impression plates, asbestos or rubber composition
40580	Shoddy, alpaca hair, camel hair, mohair (angora goat hair) or wool
40585	Shoddy, cotton and wool combined
40590	Shoddy, yarn or rayon and cotton mixed
40595	Shor horns, iron or steel
40640	Signs, cast iron
40650	Advertising boards, wooden
40750	Signs, street inset, traffic, cast iron, or concrete and tile, steel reinforced
40810	Sizing, noibn
40825	Skewers, noibn
40840	Slates, book or school, natural slate, silicated board or steel, framed or not framed
40868 Sup. 21	Soap paper (tissue impregnated with soap)
40875	Soapstone or talc foot warmers or griddles
40910-A Sup. 21	Softener, cotton, rayon, silk or wool, noibn
40915	Soldering flux (soldering salts), noibn, liquid
40920	Soldering flux (soldering salts), noibn, other than liquid

EXHIBIT No. 2—Continued

Item No.	Commodity
40957 Sup. 37	Spheres, highway marking strip, glass, not uniform in size or shape
40965	Sponge clippings

[fol. 1609]

Item No.	Commodity
41010	Spools, iron, steel or wooden, or iron or steel and wood combined
41030	Spring assemblies, coiled or spiral wire springs, framed, with or without woven wire fabric tops, each assembly compressed to less than 1/2 inch in thickness
41035	Spring assemblies, coiled or spiral wire springs, not framed, mounted on supports, interlaced, compressed
41040	Spring assemblies, coiled or spiral wire springs, with wood board base full area of assembly, compressed
41045	Spring assemblies, coiled wire springs, not framed, each assembly compressed to less than 1/2 inch thick
41065	Springs, door
41080	Springs, noibn, steel, other than wire, coiled, made of steel less than 5/16 inch thick
41095	Springs, noibn, steel, other than wire, other than coiled, elliptic or semi-elliptic
41100	Springs, noibn, wire, steel
41125	Stalks, corn, noibn
41130	Stalks, cotton
41135	Stalks, hemp
41150	Stands, barrel, cask, tank or vat supporting, iron or steel
41185	Stands, sad iron, iron, other than electric
41190	Stands, sidewalk sign, iron, KD
41195	Stands, noibn, [illegible]er than furniture, flat, folded flat or KD flat
41196	Starch, arrowroot
41197	Starch, liquid
41215	Crayons, school or marking
41280	Staples, stapling machine, steel wire thinner than 3/32 inch
41365	Stoppers, bottle, glass, other than cut or ground
41379 Sup. 40	Straw, from threshed grain or rice
41395	Stretchers or stretcher frames, artists', KD

[fol. 1610]

Item No.	Commodity
41400	Sugar Cane
41405	Sugar clarifier compound, noibn, dry
41410	Sugar clarifier compound, noibn, liquid or paste
41425	Sugar or syrup evaporator kettles, iron
41445	Sulphur candles or strips
41450	Sumac, ground
41455	Sumac leaves
41460	Sunflower seed hulls

EXHIBIT No. 2—Continued

Item No.	Commodity
41472 Sup. 21	Suspensions, droppable airplane fuel tank, wood and steel combined, KD
41485	Talking machine horn elbows, cast iron
41505	Talking machine record compound, powdered or in sheets
41540	Tallow, vegetable
41565	Tanks, acid bath or acid storage, brick, with or without steel shell
41615	Casks or vats, storage or ripening, wooden, KD
41770	Tanks, refrigerator or water cooler, cast iron, enameled
41835	Tapers, wax
41840	Tara, ground or powdered
41845	Targets, military, or military target frames or military target frame parts, flat, folded flat or KD
41865	Telephone switchboard distributing frames or racks, steel, without protectors, terminal blocks or other fittings, KD flat
41890	Thread, cotton, noibn, on cones or cores
41910	Tile, facing or flooring, abrasive composition
41930	Tile, facing or flooring, building, cast stone, metal coated
41940	Tile, facing or flooring, composition, noibn
41955	Tile, flooring, fibreboard
41960	Tile, facing or flooring, iron or steel, glazed or enameled mounted or not mounted

[fol. 1611]

Item No.	Commodity
41965	Tile, facing or flooring, magnesite composition
41970	Tile, facing or flooring, rubber composition
41982 Sup. 36	Timber dollies
42017	Tin plate or terne plate, embossed or perforated
42018	Tin plate or terne plate, noibn
42020	Tire cord or twine, on cones
42025	Tire fabric, rubber impregnated, used (pieces of fabric stripped from worn out pneumatic rubber tires, having value other than for reclamation of raw materials), skived
42045	Tobacco, leaf
42055	Tobacco, siftings
42070	Tobacco, sweepings
42100-A Sup. 37	Tool stands, or tool stands and work tables combined, cast iron, or cast and plate combined, KD
42105-A Sup. 40	Tool stands, or tool stands and work tables combined, sheet or plate iron and angle iron combined, KD flat (drawers may be SU)
42115	Adzes
42140	Anvils and vises combined
42150	Axes, handled
42155	Axes, without handles
42175	Bars, tamping, noibn, wooden, or wood and iron or steel combined

Exhibit No. 2—Continued

Item No.	Commodity
42200	Bits, auger or drill, mine, quarry or well drilling, hand
42205	Blacksmith's anvil tools: Cold or hot cutters, counter-sink chisels, flatters, fullers, hardies, headers, punches, set hammers, swages or tongs
42220	Bolt clippers
42225	Boxes, trays or tubs, mortar mixing, steel
42235	Building erection braces (building shores), iron or wood and iron combined
42240	Builders' horses, scaffolds or trestles, noibn, steel, flat or folded flat

[fol. 1612]

Item No.	Commodity
42250	Bush hooks, handled
42255	Bush hooks, without handles
42260	Cable splicing kits
42265	Can tappers, steel
42280	Cattle prods
42290	Clamps, column or concrete, iron
42305	Cleaners, lamp chimney
42315	Clinker hooks, iron
42320	Collar blocks, jack screw, wooden
42325	Concrete road bar supports, dowel caps or pins, steel
42330	Corers, cutters, graters, hullers, parers, pitters, shredders or slicers, hand, for fruit, nuts or vegetables, noibn, wooden body
42345	Cultivator cleaners, steel
42350	Curry combs
42365	Drill or auger bits, hand, noibn
42375	Drills, mine or quarry, hand
42385	Drills, star, hand
42395	Fence post drivers, tubular steel
42405	Files or rasps, steel
42415	Forks, coal, coke or tanners'
42430	Frames, bucksaw, KD
42440	Garden tool sets, hand, consisting of trowels, spading forks, cultivators and dibbles
42445	Gauge sticks or poles, tank, wooden
42485	Hammers, hand, noibn, with or without handles
42495	Hatchets
42500	Hod, brick or mortar, handles detached, bowls nested
42515	Hoops, coopers' truss
42525	Ice tools, noibn

[fol. 1613]

Item No.	Commodity
42530	Jack bases, traversing
42540	Jacks or jack screws, noibn, wheeled
42550	Ladles, melting, noibn, iron or steel
42570	Lasts, wooden
42575	Levels, railway track

Exhibit No. 2—Continued

Item No.	Commodity
42580	Log or lumber rules
42585	Logging tools or parts: Cant hooks, peaveys, pike poles or timber carriers (lug hooks), or steel parts thereof, or skidding tongs or swamp hooks
42590	Mallets, wooden
42600	Mandrels, noibn, iron or steel
42610	Mattocks, handled
42620	Mauls, picks or sledges, handled
42635	Mechanics' hand tools, noibn
42650	Miter boxes
42660	Needles, miners' or well diggers', iron or steel
42695	Paper hangers' extension planks
42715	Paving rammers, smoothers or tampers, or asphalt cutters
42720	Pipe tongs, noibn
42725	Pole supports, lineman's
42730	Post hole augers or diggers
42750	Rail benders, railway track
42755	Rail forks, punches, tongs or tie nippers, railway track
42775	Rulers or rules, noibn, iron, steel or wooden
42785	Salt rakers, iron, KD
42790	Sawbucks, wooden, KD or folded flat
42795	Saws, buck, hand, with frame, KD
42815	Scrapers, ship, forged from a single piece of steel
42825	Screws, tobacco press, iron or steel

[fol. 1614]

Item No.	Commodity
42830	Sewer rods
42835	Shears, pruning or plant cutting
42840	Shears or snips, tinners'
42850	Shovels, sidewalk cleaners (scrapers), spades or scoops, noibn, steel, or steel and wood combined
42875	Sod cutters
42880	Spike pullers or track chisels, gauges or wrenches, railway track
42885	Sprags, iron
42910	Stitching horses, KD
42920	Stones, curriers' (tanners' stones)
42940	Stretchers, carpet
42945	Stretchers, curtain, steel rod
42950	Stretchers, curtain, wooden or wood and metal combined, KD
42985	Swage blocks, iron or steel
42990	Templets, iron, steel or wooden
43005	Tire changing irons, rough forged or stamped, without attachments or handles
43015	Tobacco sticks, wood and metal combined
43020	Tool bit blanks, steel
43085	Wrench sets, socket
43090	Wrenches, monkey or screw

Exhibit No. 2—Continued

Item No.	Commodity
43095	Wrenches, noibn, with attachments
43105	Yard sticks
43115	Tops, bottle stopper, composition, fibre, wood, or wood and metal combined
43120	Totem poles
43140	Transformers, electrical, burnt-out or worn out
43145	Traps, animal or bird, noibn
43160	Traps, Japanese beetle

[fol. 1615]

Item No.	Commodity
43205	Trays, shipping, wooden bottom with flaring sheet steel rims
43215	Tree limb supports, wire and iron or steel or wood combined
43230	Tripods, noibn, steel or wooden, KD flat or folded flat
43305	Turpentine, crude (crude yellow pine gum)
43315	Turpentine cup liners, hardened pulpboard
43325	Type cleaning compound, liquid
43365	Upholstery separators, burlap cloth or cotton cloth, wire reinforced
43370	Upholstery tacking rims or strips, automobile body or cushion spring assembly, steel, with or without fibre filling
43375	Valonia
43410	Barrows, trucks or wagons, noibn, hand, with platforms, without standing ends, sides, stakes or standards, or with ends, sides, stakes or standards detached, or barror, truck or wagon parts, noibn, hand
43440	Buggies, lumber, hand, KD
43470	Carts, fertilizer, hand, KD
43510	Farm carts, trucks, trailers or wagons, horse-drawn or trailer with or without bodies, KD
43545	House movers' trucks, iron or wood
43560	Logging carts, trucks or wagons, horse-drawn or trailer, KD
43565	Logging wheels, horse-drawn or trailer
43585	Nose trucks, hand, or nose truck parts, noibn, hand
43635	Timber dollies
43672	Trucks, hand, with steel bodies, bodies nested
43720	Wheelbarrows, noibn, KD
43830	Arm rails, vehicle
43835	Axle beds, vehicle, wooden, in the white
43855	Axles, vehicle, noibn, iron, with roller bearings
43865	Axles, vehicle, noibn, wooden, finished, with or without skeins

[fol. 1616]

Item No.	Commodity
43870	Axles, vehicle, noibn, wooden, in the white, with or without skeins
43910	Bicycle, motorcycle or tricycle forks, iron or steel, unfinished
43940	Bicycle, motorcycle or tricycle mud, chain or skirt guards, unfinished

EXHIBIT No. 2—Continued

Item No.	Commodity
43965	Bicycle, motorcycle or tricycle wheel spokes, steel
43990	Bodies, farm wagon, KD
44005	Bolsters, vehicle, steel, other than spring
44010	Bolsters, vehicle, wooden, finished
44015	Bolsters, vehicle, wooden, in the white, ironed or not ironed
44020	Bow sockets
44035	Brakes or brake parts for horse-drawn vehicles
44045	Canopy standards
44060	Children's vehicle parts, noibn, wooden, flat, in the white
44075	Doubletrees, eveners, neckyokes or singletrees, steel; or wooden in the white, ironed or not ironed
44095	Felloes or wheel rims, wooden, noibn, bent, in the white
44105	Fifth wheels or gear sets for horse-drawn vehicles
44125	Gear woods, vehicle, noibn, in the white
44130	Gears, cane cart, KD (assemblies of axles, track wheels and track treads)
44140	Gears for children's vehicles, KD or folded flat
44155	Hoppers or trays, fertilizer cart or wheelbarrow
44160	Hounds, iron or steel
44180	Hubs for horse-drawn vehicles, wooden, in the white
44190	Knees, sled or sleigh, wooden, in the white
44195	License plates, vehicle, iron or steel
44205	Motor truck or tractor trailer couplers or freight trailer standards or supports
44250	Platforms, nose truck, removable

[fol. 1617]

Item No.	Commodity
44252	Platforms or skids, elevating, for lift trucks, without bodies, enclosures, standing ends, stakes or standards
44255	Poles or tongues, farm wagon, wooden, finished
44275	Poles or tongues, steel
44290	Racks, hay or stock, KD
44295	Reaches, wooden, finished, ironed or not ironed
44310	Runners, sled or sleigh, steel
44350	Shaft holders, vehicle
44365	Shifting rails, vehicle
44375	Shoveling boards and end gates combined
44395	Tires, noibn, steel
44405	Tongue supports, vehicle
44425	Wheel rims, steel, horse-drawn vehicle
44410	Top joints, vehicle
44440	Wheels, automobile, motor platform or warehouse truck or tractor, motor tractor, noibn, motor vehicle, noibn, or tractor trailer, noibn, iron, steel or wood, without rubber tires
44480	Wheels, farm tractor or farm tractor trailer, iron, finished or not finished, with or without bearing races, bearings or lubricators, without rubber tires

Exhibit No. 2—Continued

Item No.	Commodity
44495	Wheels, farm truck or wagon, iron, wooden, or iron and wood combined
44515	Wheels, hand vehicle, noibn, iron or steel, without rubber tires
44525	Wheels, horse-drawn vehicle, iron or steel
44600	Wheels, wheelbarrow, noibn, iron, steel or wooden, without rubber tires
44650	Wallboard, asbestos and woodpulp or fibreboard combined
44662	Diatomaceous earth, with or without paper facings
44680	Wallboard, fibreboard, pulpboard or strawboard and wood combined
44685	Plaster boards (fibreboard, felt or fibre and plaster combined)
44690	Plaster boards, foil or wood veneer faced
44745	Balls, billiard, pocket billiard or bowling, composition broken

[fol. 1618]

Item No.	Commodity
44780	Candle remnants
44800	Carpet mill thread waste
44805	Carpet salvage scrap
44825	Cellulose derivative plastic scrap, pyroxylin
44830	Cellulose derivative plastic scrap, other than pyroxylin
44850	Cloths or mats or cloth or matting, filter press, hair or wool, old, worn out, shredded
44855	Cloths or mats or cloth or matting, filter press, hair or wool, old, worn out, other than shredded
44865	Cotton card strippings, cotton noils (cotton combings or comber waste), cottor spinners, cotton rovings waste, or garnetted cotton stock (cotton shoddy), in bales compressed to 12½ lbs. or more per cubic foot
44870	Cotton motes, gin flue cleaning or cotton sweepings, in bales compressed to less than 15 lbs. per cubic foot
44885-A Sup. 21	Feather pillows or feather beds, old, worn out
44900	Fertilizer hair waste having value only for fertilizer purposes or for its nitrogen content
44927 Sup. 21	Gelatin scrap
44955	Hair waste, noibn, or mixed hair and vegetable fiber waste, uncleaned
44960	Haircloth clippings
44965	Hop kiln sweepings
44985	Hulls, velvet bean, not ground
45005	Linoleum scrap or waste, not remnants
45030	Moving picture film scrap, consisting of scraps or pieces of exposed moving picture film or film no longer exhibitable and having value only for reclamation of materials

Exhibit No. 2—Continued

Item No.	Commodity
45050	Film scrap, other than moving picture negative or positive scrap
45075	Pulp, flax mill waste
45080	Radio bulb or tube scrap, having value only for reclamation of raw materials
45100	Ramie noils or waste

[fol. 1619]

45105	Rattan shavings
45150	Spark plugs, worn out
45175	Synthetic gum or resin scrap, noibn
45185	Talking machine records, broken or so mutilated as to make them useless for purpose for which manufactured, or record shavings
45200	Telephone condensers, bent, broken, crushed or mutilated and rendered unfit for repair or use other than remelting
45220	Waste, alpaca hair, camels' hair, mohair (angora goat hair), or wool waste, noibn, including clips, tags or sweepings, with or without other fibres, actual value exceeding 6½ cents but not exceeding 20 cents per pound
45240	Waste, cotton, noibn, in bales compressed to less than 15 lbs. per cubic foot
45320-A Sup. 21	Cotton waste, not oiled
45325	Waste, woolen or woolen mixed with cotton or jute, not oiled
45380	Water clarifying, hardening, purifying or softening compounds, noibn, liquid or paste
45395	Wax, candelilla
45400	Candle wax compound
45410	Crude mineral wax, noibn
45420	Handle wax, compounded
45425	Wax, Japan
45435	Wax, montan
45445	Wax, sealing, noibn
45455	Wax, shoe or harness makers'
45475	Weasands, pickeled or salted
45478	Weather strips
45505	Well bucket bottoms
45525	Wheel blanks, built-up wood
45535	Wheel blanks, cog, gear, pinion or sprocket or bronze, rough cast
45545	Wheel blanks, cog, gear, pinion or sprocket, iron, with machine finish but with teeth uncut

[fol. 1620]

45557	Wheels, bogie or idler, army tractor tank, noibn
45565	Wheels, buffing or polishing, wooden
45570	Wheels, castor

EXHIBIT No. 2—Continued

Item No.	Commodity
45590	Wheels, noibn, including cog, gear, pinion or sprocket wheels, iron or steel, not machined or not further finished than hubs machined (hubs may be fitted with lubricators or bearing races)
45655	Bed spring fabric, steel, linked or woven
45660	Braid or tape, steel, woven
45680	Cloth, Fourdrinier, old, used
45685	Cloth, iron or steel, less than 1/2 inch mesh
45695	Tag fasteners, wire
45711	Lamp harps
45730	Wood, petrified, noibn
45735	Wood chips, charred
45740	Wood flour (pulverized wood or woodpulp)
45750	Wood preservatives, noibn, liquid or paste
45765	Wood sawdust or shavings, paraffined
45785	Blanks (unfinished shapes), noibn, wooden
45790	Blocks or boards, engraving or type, wooden
45795	Boards, bread, wooden
45805	Boards, hosiery, wooden
45810	Boards, ironing, wood, flat, without legs or standards
45825	Boards, meat, wooden
45830	Boards, noodle or pastry, wooden
45835	Boards, scale (veneer discs)
45855	Bowls, wooden
45860	Brackets, noibn, wooden
45875	Buoys, spar, wooden
45880	Butter ladles, molds or spades, wooden

[fol. 1621]

Item No.	Commodity
45895	Carpet sweeper case parts, in the white
45900	Chopping trays, wooden
45905	Churn dashers, wooden
45910	Clothes horses or racks, wooden, completely KD, or spacers removed and sides collapsed
45920	Clothes line props or supports, wooden
45925	Clothes pins, wooden
45932	Covers, tub, wood, butter or lard, with metal rims
45940	Dowel pins, noibn, wooden
45945	Drawing boards, wooden
45950	Faucets, wooden
45955	Firkins or tubs, butter, fish or lard
45970	Forks, noibn, spoons or stirrers, wooden
45980	Golf club head blanks
45990	Hammock spreaders, wooden, finished or in the white
46000	Kitchen utensil holders, wooden
46005	Kits or pails (buckets), with or without covers, wooden
46015	Labels or tags, wooden
46025	Lemon squeezers, wooden
46035	Paint paddles, wooden

Exhibit No. 2—Continued

Item No.	Commodity
46040	Pencil slats, wooden
46050	Potato mashers, wooden
46055	Pounders, clothes or steak, wooden
46075	Rockers, soda water drum, wooden
46090	Rollers, noibn, wooden
46095	Rollers, map, wooden
46100	Rolling pins, wooden
46110	Scoops, wooden
46115	Ski runners, wooden, in the white

[fol. 1622]

Item No.	Commodity
46120	Skids, noibn, wooden
46130	Slats, blind, shade or shutter, wooden
46135	Slats, toboggan, wooden, in the white
46145	Sticks, candy or ice cream, wooden
46155	Tent pins (stakes) poles or slides (keys), wooden
46160	Thermometer backs, wooden, in the white
46165	Toothpicks, wooden
46170	Towel rollers, wooden
46175	Tree guards (tree protectors), wooden
46180	Treenails, wooden
46200	Truck top material, wooden, in the white
46205	Tubs, wooden, noibn
46210	Wash benches, wooden, KD flat or folded flat
46215	Wood, peg
46230	Woods, turned, noibn
46250	Woodpulp, charred, or woodpulp charcoal, not activated
46295	Yarn, cocoanut husk (cocoa or coir yarn)
46310	Yarn, cotton, noibn
46315	Yarn, jute
46325	Zein
46335	Zinc anodes
46340	Bar or rod, zinc
46390	Moldings, noibn, zinc
46395	Nails or spikes, zinc
46410	Zinc plate, sheet or strip, brass, chromium, copper or nickel plated
46415	Zinc plate, sheet or strip, enameled
46420	Zinc plate, sheet or strip, noibn
46425	Zinc plate, sheet or strip, perforated

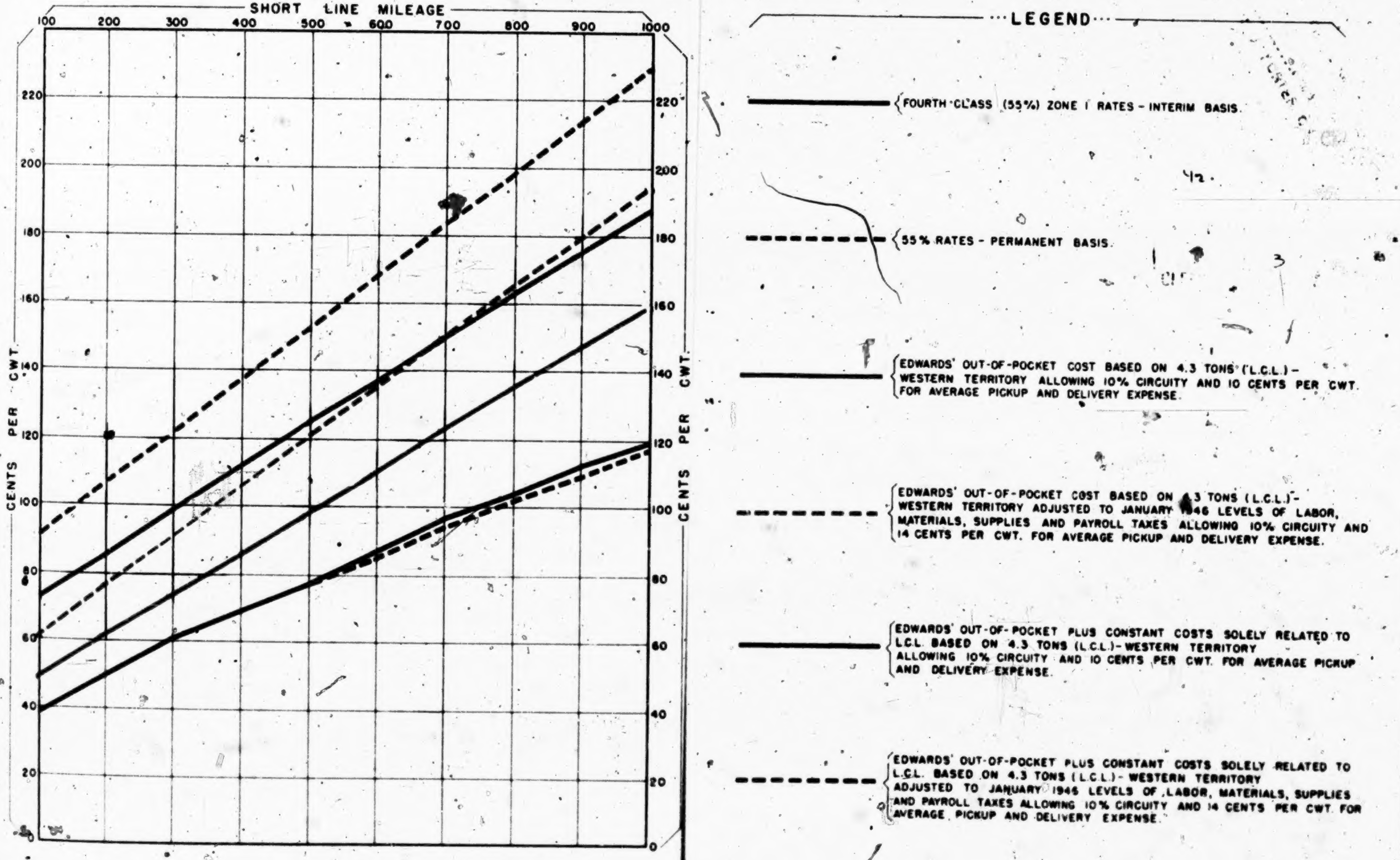
[fol. 1623]

Item No.	Commodity
46445	Zinc shavings
46450	Tags, zinc
46455	Turpentine cups, zinc, with or without aprons or hangers
46460	Wire, zinc

EXHIBIT NO. 3

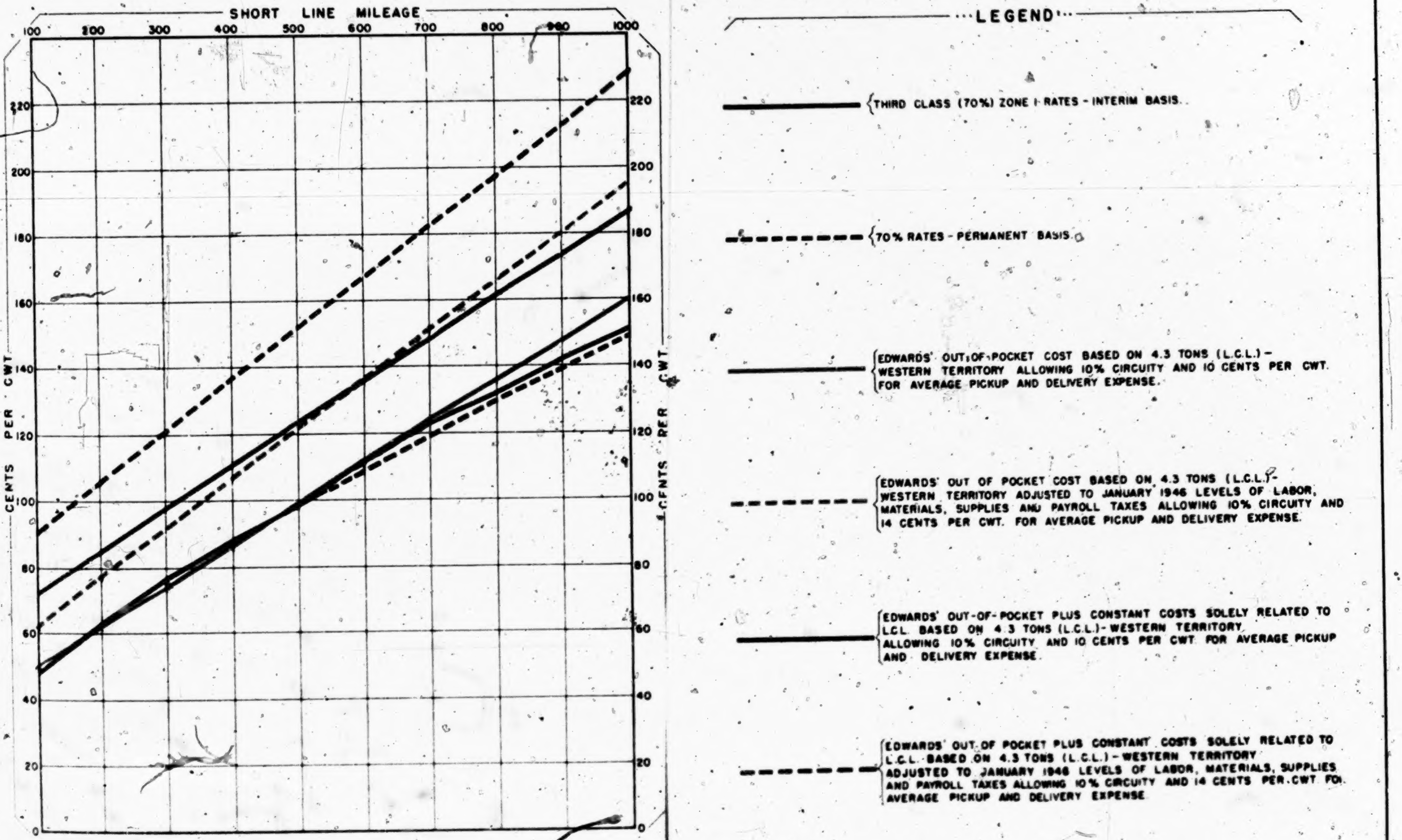
COMPARISON OF EDWARDS' LESS CARLOAD COSTS IN WESTERN DISTRICT WITH FOURTH CLASS (55%) RATES PRESCRIBED BY COMMISSION

(BASED ON ACTUAL AVERAGE LOADING OF 4.3 TONS PER CAR)



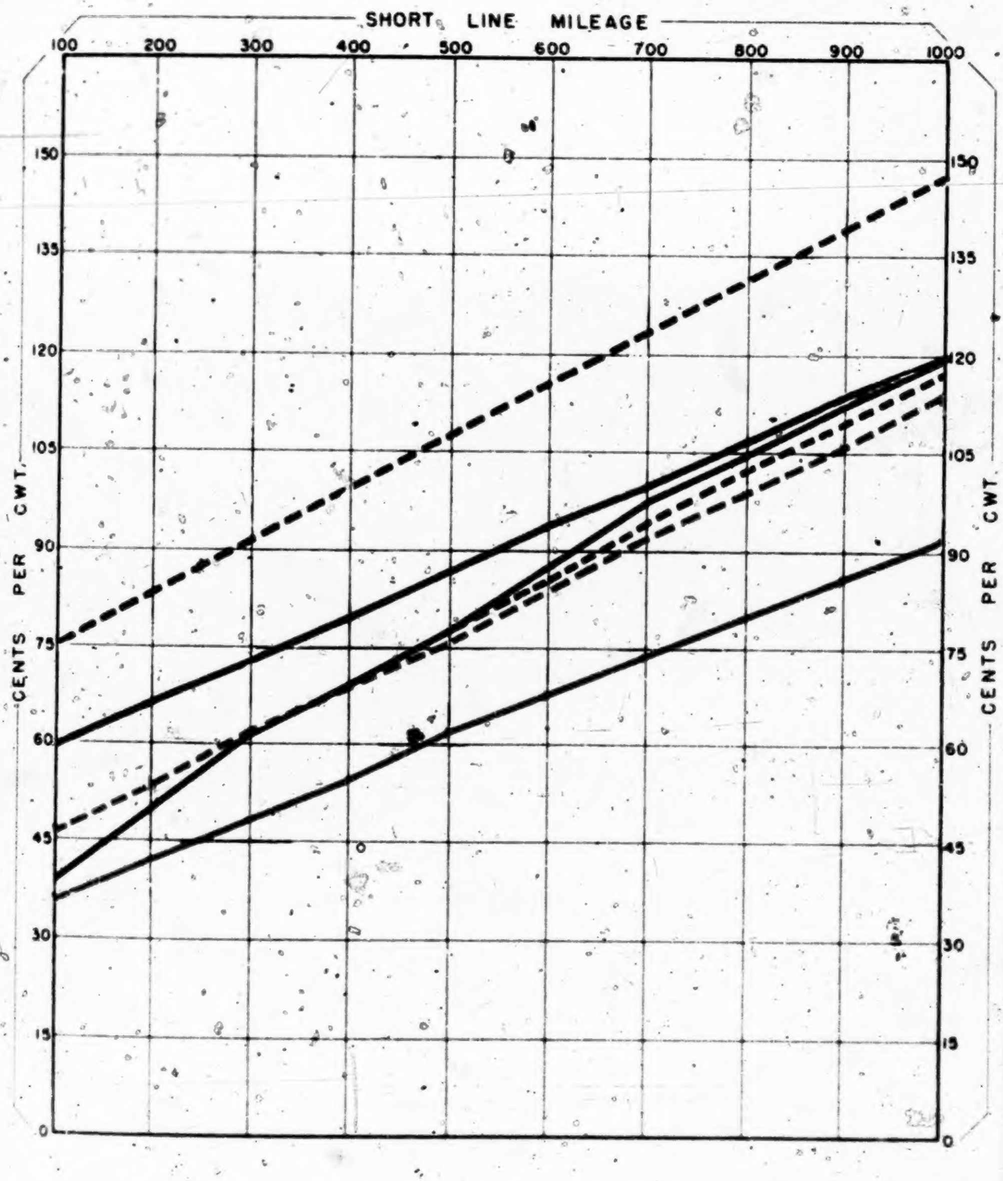
COMPARISON OF EDWARDS' LESS CARLOAD COSTS IN WESTERN DIST CT WITH THIRD CLASS (70%) RATES PRESCRIBED BY COMMISSION

(BASED ON ACTUAL AVERAGE DING OF 4.3 TONS PER CAR)



COMPARISON OF EDWARDS' LESS CARLOAD COSTS IN WESTERN DIST

(BASED ON ASSUMED AVERAGE L



CT WITH FOURTH CLASS (55%) RATES PRESCRIBED BY COMMISSION
DING OF 10 TONS PER CAR)

LEGEND

━━━━━━━━	FOURTH CLASS (55%) ZONE I RATES - INTERIM BASIS.
▬ ▬ ▬ ▬ ▬ ▬	55% RATES - PERMANENT BASIS.
▬▬ ▬▬▬▬	EDWARDS' OUT-OF-POCKET COST BASED ON 10 TONS (L.C.L.) - WESTERN TERRITORY ALLOWING 10% CIRCUITY AND 10 CENTS PER CWT FOR AVERAGE PICKUP AND DELIVERY EXPENSE.
▬ ▬ ▬ ▬ ▬	EDWARDS' OUT OF POCKET COST BASED ON 10 TONS (L.C.L.) - WESTERN TERRITORY ADJUSTED TO JANUARY 1946 LEVELS OF LABOR, MATERIALS, SUPPLIES AND PAYROLL TAXES ALLOWING 10% CIRCUITY AND 14 CENTS PER CWT. FOR AVERAGE PICKUP AND DELIVERY EXPENSE
────────	EDWARDS' OUT-OF-POCKET PLUS CONSTANT COSTS SOLELY RELATED TO L.C.L. BASED ON 10 TONS (L.C.L.)-WESTERN TERRITORY ALLOWING 10% CIRCUITY AND 10 CENTS PER CWT FOR AVERAGE PICKUP AND DELIVERY EXPENSE.
▬ ▬ ▬ ▬ ▬	EDWARDS' OUT OF POCKET PLUS CONSTANT COSTS SOLELY RELATED TO L.C.L. BASED ON 10 TONS (L.C.L.)- WESTERN TERRITORY ADJUSTED TO JANUARY 1946 LEVELS OF LABOR, MATERIALS, SUPPLIES AND PAYROLL TAXES, ALLOWING 10% CIRCUITY AND 14 CENTS PER CWT FOR AVERAGE PICKUP AND DELIVERY EXPENSE

EXHIBIT NO. 4

SUBJECT TO ITEM No. X-148 OR SUCCESSIVE ISSUES THEREOF.

THE OPERATION OF PORTIONS OF TARIFF REFERRED TO IN ITEM No. 1 IS SUSPENDED AS PROVIDED IN SAID ITEM.

Rates published in tariff and as amended applicable on Petroleum Products are subject to reductions as provided in Item No. 152 of tariff.

SUPPLEMENT No. 30
to
C. T. C. No. A-540 W. S. Curlett, Agent
C. T. C. No. 428 I. N. Doe, Agent
C. T. C. No. 1892 B. T. Jones, Agent

SUPPLEMENT No. 30
to
I. C. C. No. A-800 W. S. Curlett, Agent
I. C. C. No. 507 I. N. Doe, Agent
I. C. C. No. 3858 B. T. Jones, Agent
I. C. C. No. 928 R. H. Hoke, Agent
MF-I. C. C. No. A-51 W. S. Curlett, Agent
MF-I. C. C. No. 64 I. N. Doe, Agent
MF-I. C. C. No. 116 B. T. Jones, Agent
MF-I. C. C. No. 314 R. H. Hoke, Agent

Supplements Nos. 11, ‡13, 14, 18, 21, δ24, 25, Ø26, 27, Ø28, §29 and 30 contain all changes from the original tariff.

§Discontinuance of Navigation Supplement.
ØService Order No. 68.
‡Postponement Supplement - Ex Parte 148, Reopened.
δ Suspension Supplement.

W. S. CURLETT, I. N. DOE, R. H. HOKE and B. T. JONES, Agents

TRUNK LINE TARIFF BUREAU

SUPPLEMENT No. 30
TO

TARIFF No. 44-I

ALL-RAIL, RAIL-WATER-RAIL, BARGE-RAIL, RAIL-BARGE AND RAIL-BARGE-RAIL JOINT AND PROPORTIONAL FREIGHT TARIFF OF

CLASS AND COMMODITY RATES

In connection with participating carriers shown on pages 7 to 15 of Tariff, page 4 of Supplement No. 11, page 2 of Supplement No. 14, page 2 of Supplement No. 18 and pages 2 and 3 of Supplement No. 21.

BETWEEN NORTHERN STATIONS IN	AND SOUTHERN STATIONS IN
CONNECTICUT DELAWARE DISTRICT OF COLUMBIA MAINE MARYLAND MASSACHUSETTS NEW BRUNSWICK NEW HAMPSHIRE NEW JERSEY NEW YORK OHIO PENNSYLVANIA RHODE ISLAND VERMONT VIRGINIA WEST VIRGINIA	ALABAMA ARKANSAS FLORIDA GEORGIA KENTUCKY LOUISIANA MISSISSIPPI NORTH CAROLINA SOUTH CAROLINA TENNESSEE VIRGINIA
As shown on pages 17 to 95, inc., of tariff as amended.	As shown on pages 96 to 173, inc., of tariff as amended.

ALSO

JOINT RAIL-MOTOR AND JOINT RAIL-MOTOR-WATER RATES

From or To Points Served By The Gulf Transport Company, the C. & P. Transportation Company and the Saluda Motor Lines, Inc.

Rates published herein via the Gulf Transport Company are authorized by order of the Interstate Commerce Commission in Docket MC 86761, Sub. 1 of November 29, 1939.

Also provision for substitution of Motor Carrier Service as provided in Item No. 165 of tariff.

Governed, except as otherwise provided herein, by Southern Classification No. 59, I. C. C. No. 92, MF-I.C.C. No. 21, C. T. C.-S. C. No. 26 (E. H. Dulaney, Agent), supplements thereto or successive issues thereof and by exceptions to said classification as indicated in Item No. 5 of tariff.

DISCONTINUANCE AND RESTORATION OF SERVICE

Transportation service in connection with:

Inland Waterways Corporation is subject to discontinuance and restoration of service as indicated in Item No. 20 of tariff.

ISSUED OCTOBER 29, 1945. **EFFECTIVE NOVEMBER 30, 1945.**

Departure from the terms of Rule 28 (a) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 154301 of July 3, 1936.

The form of this publication is authorized by special permission of the Interstate Commerce Commission, No 26845 of September 17, 1945.

Issued in compliance with order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended, and authority Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

I. N. DOE, Agent,
Room 524 South Station,
Boston 10, Mass.

B. T. JONES, Agent,
608 South Dearborn Street,
Chicago 5, Ill.
(8,100)

RECEIVED		
Month	Day	Year

(Printed in U. S. A.)

Issued by
W. S. CURLETT, Agent,
143 Liberty St.,
New York 6, N. Y.

R. H. HOKE, Agent,
101 Marietta Street,
Atlanta 3, Ga.

4

Change Headings on Pages 11 to 95 of Tariff, and as amended, to read as follows:

ALPHABETICAL LIST OF NORTHERN STATIONS FROM AND TO WHICH RATES APPLY

STATIONS	Railroad	Apply Rate Basis in Sections Nos.		Index No.	STATIONS	Railroad	Apply Rate Basis in Sections Nos.		Index No.
		1, 1A, 2 and 2A	4 and 4A				1, 1A, 2 and 2A	4 and 4A	

Change reference "$" shown at Foot of Pages 19 to 23, 34 to 37, 39 to 41, 56 to 86 of Tariff, Page 5 of Supplement No. 11 and Page 2 of Supplement No. 25 to read as follows:

$ Applicable only in connection with Rate Basis Numbers shown in Section 2 and 2A.

Change reference "ϕ" shown at Foot of Pages 34 to 37, 39 to 41, 56 to 86 of Tariff and Page 2 of Supplement No. 25 to read as follows:

ϕ Applicable only in connection with Rate Basis Numbers shown in Section 1 and 1A.

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

Change reference "$" shown at Foot of Page 6 of Supplement No. 11 to read as follows:

$ Applicable only in connection with Rate Basis Numbers shown in Section 2 and 2A.

Change reference "$" shown at Foot of Page 3 of Supplement No. 14 to read as follows:

$ Applicable only in connection with Rate Basis Numbers shown in Section 1 and 1A.

Change reference "$" shown at Foot of Page 3 of Supplement No. 18 and Page 3 of Supplement No. 21 to read as follows:

$ Apply Rate Basis in Section 2 and 2A.

Change Headings on Pages 96 to 127 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		1 and 1A	4 and 4A				1 and 1A	4 and 4A	

Change Heading on Page 128 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		1 and 1A (Except as Noted)	4 and 4A				1 and 1A (Except as Noted)	4 and 4A	

Change reference "$" shown at Foot of Page 128 of Tariff to read as follows:

$ Apply Rate Basis in Section 2 and 2A.

Change Headings on Pages 129 to 134 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		2 and 2A	4 and 4A				2 and 2A	4 and 4A	

1628

Change Heading on Page 135 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		2 and 2A	4 and 4A				1 and 1A	4 and 4A	

Change Headings on Pages 136 to 145 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		1 and 1A	4 and 4A				1 and 1A	4 and 4A	

Change Heading on Page 146 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		1 and 1A	4 and 4A				1 and 1A (Except as Noted)	4 and 4A	

Change reference "§" shown at Foot of Page 146 of Tariff to read as follows:

§ Apply Rate Basis in Section 2 and 2A.

Change Headings on Pages 147 to 155 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		2 and 2A	4 and 4A				2 and 2A	4 and 4A	

Change Heading on Page 156 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		2 and 2A	4 and 4A				1 and 1A (Except as Noted)	4 and 4A	

Change reference "§" shown at Foot of Page 156 to read as follows:

§ Apply Rate Basis in Section 2 and 2A.

Change Headings on Pages 157 to 163 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		1 and 1A	4 and 4A				1 and 1A	4 and 4A	

1055

Change Headings on Pages 164 to 171 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No. §		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		1 and 1A (Except as Noted)	4 and 4A				1 and 1A (Except as Noted)	4 and 4A	

Change reference "§" shown at Foot of Pages 164 to 171 of Tariff to read as follows:

§ Apply Rate Basis in Section 2 and 2A.

Change Headings on Pages 172 and 173 of Tariff and as amended to read as follows:

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATION	Railroad	Apply Rate Basis in Sections No.		Index No.	STATION	Railroad	Apply Rate Basis in Sections No.		Index No.
		2 and 2A	4 and 4A				2 and 2A	4 and 4A	

Change reference "§" shown at Foot of Page 172 to read as follows:

§ Apply Rate Basis in Section 2 and 2A.

EXPLANATION OF REFERENCE MARKS

Change on Page 175 of Tariff:

(133) Rates will only apply on shipments of Naval Stores as described in Item No. 33132½ of W.S.Curlett's Agent, Tariff No. 141-A (See Item No. 620), Northbound; on Automobiles, C.L., as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620); on Cottonseed, its products and related articles as described in Item Nos. 46595, 46600, 46605 and 46610 of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), on Railway Track Material, as described in Item Nos. 38760, 38761½ and 38792½ of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), on Fruits, fresh or green, as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620), on Soap, Soap Powders, Cleaning and Scouring Compounds, C.L. and L.C.L., as described in Item Nos. 46650, and 46655 of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), on Canned Goods, C.L., as described in Item Nos. 18146½ and 18147½ of W.S.Curlett's,Agent, Tariff 141-A (See Item No. 620) and on Containers as described in Item Nos. 9265, 9270 and 13786½ of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620).

(143) Rates will only apply on shipments of Naval Stores, as described in Item No. 33132½ of W.S.Curlett's Agent, Tariff No. 141-A (See Item No. 620), Northbound and on Automobiles, C.L., Northbound and Southbound as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620).

(157) Rates will only apply on shipments of Empty Beverage Packages as described in Item No. 9221½ of W.S. Curlett's, Agent, Tariff No. 141-A (See Item No. 620), and Nursery Stock as described in Item No. 33518 of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), Northbound; and Beverages as described in Item Nos. 18180,18455,18920,18925 (C.L. only) and 26350 of W.S.Curlett's Agent, Tariff No. 141-A (See Item No. 620), Southbound; and Asphalt (Asphaltum), as described in Item No. 2196½ of W.S.Curlett's Agent, Tariff No. 141-A (See Item No. 620), and on shipments of Stone, Natural or Cast, as described in Item No. 22021½ of W.S. Curlett's, Agent, Tariff No. 141-A (See Item No. 620), and Tar or Pitch as described in Item Nos. 2201½ and 2231½ of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), and Railway Track Material as described in Item Nos. 38760, 38761½ and 38792½ of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), and Feldspar as described in Item No. 17390 of W.S.Curlett's,Agent, Tariff No. 141-A (See Item No. 620), and on Flowers, Herbs or Leaves, dried and on Roots not ground or powdered, Northbound, as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620); and on Apples and Pears as described in Item No. 19245½ of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), and on Chemicals and Dye Stuffs, Southbound as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620); and on Rayon Yarn, Southbound, as described in Item No. 39135 of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620), and on Mica and Mica Schist, C.L., as described in Item No. [illegible] of Agent W.S.Curlett's Tariff 141-A (See Item No. 620), Northbound and on Mica and Mica Schist, L.C.L., Northbound as described in Exceptions to Southern Classification, Agent W.S. Curlett's Tariff No. 141-A (See Item No. 620) and on Unmanufactured Tobacco as described in Item Nos. 42046½ and 42065 of W.S.Curlett's, Agent, Tariff No. 141-A (See Item No. 620).

1630

EXPLANATION OF REFERENCE MARKS - Concluded

Change on Page 176 of Tariff:

(174) Rates will only apply on shipments of Peaches, C.L., as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620).

(176) Rates will only apply on shipments of Furniture, L.C.L., Northbound as described in Exceptions to Southern Classification, Agent W.S.Curlett's Tariff 141-A (See Item No. 620).

Change on Page 176 of Tariff, Page 3 of Supplement No. 14 and Page 3 of Supplement No. 25:

(180) Rates will only apply:

On shipments of Naval Stores, C.L., as described in Item No. 33132, of Agent W.S.Curlett's Tariff No. 141-A (See Item 620), northbound only. When from station taking Rate Bases Perry,Fla., the rates provided for in connection with this circle reference will only apply from ACL stations taking Index Nos. 6445 to 6480, inc. When from stations taking Rate Bases Alachua, Fla., Branford,Fla., Gainesville,Fla., High Springs,Fla., Lake Butler,Fla., or Lawtey,Fla., when for account of the ACL, applicable through Baldwin,Fla., or through East Alachua,Fla., and Fort White,Fla. When from ACL stations taking Index Nos. 6445 to 6480, inc., are applicable only via ACL through Drifton,Ga.

On shipments of Shells,coquina, crushed or ground or uncrushed or unground, carload minimum weight 50,000 pounds as described in Item No. 40620 of Agent W.S.Curlett's Tariff No. 141-A, I.C.C. No. A-786, MF-I.C.C. No. A-48, Northbound only.
(File N-17350, D.A. 12751)

On shipments of Cocoa bean shells, not ground, in bulk, in bags, barrels or boxes, carloads minimum weight 40,000 pounds as described in Item No. 13039A of Agent W.S.Curlett's Tariff No. 141-A, I.C.C. No. A-786, MF-I.C.C. No. A-48, Southbound only.
(File 92781-7-RA-90993)

Change on Page 176 of Tariff, Page 3 of Supplement No. 14, Page 3 of Supplement No. 21 and Page 3 of Supplement No. 25:

(186) Rates are applicable as follows:

On shipments of Naval Stores, C.L., as described in Item No. 33132, of Agent W.S.Curlett's Tariff No. 141-A (See Item 620) from ACL stations taking Index Nos. 4975 to 5035, inc., 5095 to 5325, inc. and applicable only via ACL direct through Jacksonville,Fla.
(File N-10721, R.A. 89982)

On shipments of Shells, coquina, crushed or ground or uncrushed or unground, carload, minimum weight 50,000 pounds as described in Item No. 40620 of Agent W.S.Curlett's Tariff No. 141-A, I.C.C. No. A-786, MF-I.C.C. No.A-48, Northbound only.
(File N-17350, D.A. 12751)

On shipments of Cocoa bean shells, not ground, in bulk, in bags, barrels or boxes, carload minimum weight 40,000 pounds as described in Item No. 13039A of Agent W.S.Curlett's Tariff No. 141-A, I.C.C. No. A-786, MF-I.C.C. No. A-48, Southbound only.
(File 92781-7-RA-90993)

Add to Page 176 of Tariff:

(200) Rates will not apply on commodities for which rates are provided for by (201).
(201) Rates will only apply on shipments of Furniture, L.C.L. as described in Southern Classification, Northbound.
(202) Rates will only apply on shipments of:
Flowers, Herbs or Leaves, dried, Northbound
Roots not ground or powdered, Northbound
Chemicals and Dry Stuffs, Southbound
Mica and Mica Schist, L.C.L., Northbound
as described in Southern Classification.
(203) Rates will not apply on commodities for which rates are provided for by (202).
(204) Rates will only apply on shipments of:
Automobiles, C.L., as described in Southern Classification
Fruits or Vegetables, Fresh or Green, as described in Southern Classification.
(205) Rates will not apply on commodities for which rates are provided for by (204).
(206) Rates will only apply on shipments of:
Automobiles,C.L., as described in Southern Classification,Northbound and Southbound.
(207) Rates will not apply on Commodities for which rates are provided for by (206).
(208) Rates will not apply on Commodities for which rates are provided for by (209).
(209) Rates will only apply on shipments of Peaches, C.L., as described in Southern Classification.

APPLICATION OF RATES

Item No. 10A Cancels Item No. 10

ALTERNATIVE APPLICATION OF COMBINATION RATES

(a) (Not applicable in connection with Joint Motor-Rail Routes.) The following rules apply only after the charge from point of origin to destination has been determined under the provisions of Sections 1,1A,2, 2A,3,4 and 4A of this tariff.

If the charge based on the aggregate of intermediate local, joint or proportional rates named in tariffs lawfully on file with the Interstate Commerce Commission over any route via which the through rates named in this tariff,as amended,apply,is lower than the charge accruing under the through rates published in tariff,from origin to destination,such lower charge will be the legal charge to apply via the route over which said lower aggregate of intermediate rates is applicable.

(b) (Applicable only in connection with Joint Motor-Rail Routes.) Charges resulting from the application of rates published in tariff,for application via Joint Motor-Rail routes are the applicable charges via such routes,notwithstanding that they may be higher than the aggregate charges under the separately established rates of the respective motor and rail carriers to and from the junction where the freight is received from or delivered to motor carrier.

Departure from the terms of Rules 4(h), 4(i) and 7(b), of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 164[illegible] of October [illegible], 1937, as amended.

(GR-D.)

APPLICATION OF RATES

=I Item No. 90B Cancels Item No. 90C.

APPLICATION OF RATES IN CONNECTION WITH THE AMERICAN BARGE LINE COMPANY

(a) Basis for rates between Northern Stations shown on pages 17 to 95, inc., except as provided for in (b), located in the States of Connecticut, Massachusetts, New Jersey, New York, Pennsylvania and Rhode Island, subject to Rate Bases Albany, Altoona, Berlin, Boston, Branchton, Buffalo, Corry, Erie, Gloversville, Grafton, Harrisburg, Hempstead, Johnsonburg, Lake Placid, Lyndonville, Montauk, New Egypt, New York, Niverton, Ogdensburg, Oil City, Patchogue, Philadelphia, Phoenicia, Pittsburgh, Port Jervis, Portland, Reading, Rochester, Scranton, Stamford, Syracuse, Wakefield, Waterbury and Watertown and Baton Rouge, La., Helena, Ark., Memphis, Tenn., New Orleans, La., and Vicksburg, Miss., in connection with the American Barge Line Company, will only apply via Aliquippa, Pa., Conway, Pa., or Glassport, Pa., except as provided for in (b) and rail lines parties hereto, or as same may be amended.

First Class rates between Northern Stations shown on pages 17 to 95, inc., located in the States of Connecticut, Massachusetts, New Jersey, New York, Pennsylvania, and Rhode Island, subject to Rate Bases named in the preceding paragraph and Baton Rouge, La., Helena, Ark., Memphis, Tenn., New Orleans, La., and Vicksburg, Miss., are the through all-rail first class rates arrived at by use of Rate Basis Numbers shown in Section 1, or as same may be amended, less the first class differentials shown below.

For rates on other classes or commodity columns, apply to the first class rate ascertained as above, the rates for the other classes or commodity columns, as shown opposite that first class rate.

TO AND FROM	FIRST CLASS DIFFERENTIALS (in Cents Per 100 Pounds) via ¶Aliquippa, Pa. §Conway, Pa. #Glassport, Pa.	TO AND FROM	FIRST CLASS DIFFERENTIALS (in Cents Per 100 Pounds) via ¶Aliquippa, Pa. §Conway, Pa. #Glassport, Pa.
Baton Rouge . . . . La.	49	New Orleans . . . . La.	50
Helena. . . . . . . Ark.	39	Vicksburg . . . . Miss.	45
Memphis . . . . . . Tenn.	36		

Rates will apply via routes as provided in W.S. Curlett's Freight Tariff No. 87, I.C.C. No. A-382, Agent I.N. Doe's I.C.C. No. 191, to and from Aliquippa, Conway and Glassport, Pa., except for account of the following lines rates will apply via all lines parties to this tariff: B&LE, Erie, JW&NW (via Erie, NYC(W) or NYC&StL), Montour, NYC(W), P&LE (Note), P&WV, PC&Y, WA. Rates will only apply via routes authorized therein.

Note - Except routing from Glassport and Aliquippa, as provided in Agent W.S. Curlett's Tariff No. 87, I.C.C. No. A-382 and from and to stations on the P&LE taking Index Nos. 560 to 695 and 861 to 911, shown on pages 17 to 95, incl., where routing is provided for in Agent W.S. Curlett's I.C.C. No. A-382.

While shipments moving under rates herein, are in the possession of the American Barge Line Company, the bill of lading terms and conditions of that line as set forth in their Tariff Circular No. 3-B, I.C.C. No. 24, to govern.

(b) Basis for rates between stations shown on pages 17 to 95, inc., of Tariff as amended, taking Index Numbers:

B&O	PRR	P&WV	W&LE
6270 to 6290	21040 to 21135 21150 to 21190 23550, 23555	40	360 to 380 391 to 406

and Baton Rouge, La., Helena, Ark., Memphis, Tenn., New Orleans, La., and Vicksburg, Miss., in connection with the American Barge Line Company will apply via Louisville, Ky.

Rates will apply via all carriers parties to this Tariff.

TO AND FROM	First Class Differentials (in Cents Per 100 Pounds) via Louisville, Ky.
New Orleans . . . . La.	39
Baton Rouge . . . . La.	39
Vicksburg . . . . Miss.	34
Helena. . . . . Ark.	27
Memphis . . . . Tenn.	27

While shipments moving under rates herein, are in the possession of the American Barge Line Company, the bill of lading terms and conditions of that line as set forth in their Tariff Circular No. 3-B, I.C.C. No. 24, will apply subject to exceptions shown on page 7.

I Issued in compliance with order of the Interstate Commerce Commission in Docket Ex Parte No. 102 of March 11, 1932.

¶ Routes will only apply on traffic in open top cars.

§ Will not apply on any freight from, to or via the P&LE.

Routes when from, to or via the PRR will apply on traffic in box cars only.

= Departure from the terms of Rule 4(1) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 172102, of December 14, 1938, as amended.

APPLICATION OF RATES - Concluded

●I Item No. 90B Cancels Item No. 90C - Concluded.

EXCEPTIONS

Freight inherently incapable of handling by, or transfer from or to barges; no through rates in effect, i.e., commodities, in bulk, Live Stock, Perishable Freight; Liquid Freight; unless in packages; commodities listed in Note A.

Note A - Articles which cannot be handled by barge:

Acid, dangerous, as defined in Alternate Agent O.I. Falkenburg's I.C.C. No. 4;
Apples;
Articles, in excess of;
  (a) 8 tons per package;
  (b) 16 ft. wide and 13 ft. high;
  (c) 30 ft. long, except pipe;
Articles requiring refrigeration;
Articles having an offensive odor or liable by their nature to injure other freight; also high explosives or dangerous chemicals;
Automobiles, except for dock delivery. (See Note 1);
Barrels and Drums, empty, having previously been filled with Gasoline, Benzine or other Dangerous liquids;
Brick;
Butter;
Cement, unless in sacks;
Coal, in bulk;
Creosoted articles;
Eggs;
Excelsior, unless in bales;
Fertilizers;
Fibre, unless in bales;
Fireworks;
Fish, unless in cans, boxes;
Foundry Facing, unless in packages;
Fruit, Fresh;
Grain or Products, in bulk;
Glue Stock;
Hemp, unless in bales;
Hides, green salted;
Household Goods, unless in boxes, barrels or crates;
Laundry Tubs, Trays, Cement or Slate, unless boxed or crated;
Lemons;
Lime;
Lumber;
Logs;
Meats, unless in cans, boxes;
Moss, unless in bales;
Oils;
  Mineral;
  Vegetable;
  Fish, unless in packages;
  Paper, Stock, or waste, unless in bales;
  Petroleum and Products, unless in packages;
  Pipe exceeding 50 ft. in length;
  Poultry, live or dressed;
  Rags, unless in bales;
  Shavings, unless in bales;
  Sisal, unless in bales;
  Slate, roofing, unless in packages;
  Tankage, dried blood or garbage;
  Tanners' Fleshings;
  Tin, unless in packages;
  Tin plate, unless boxed or crated;
  Traction Engines, set up, except Tractors (Note).
    Note - Tractors which can be transferred between car and barge will be accepted upon authority of agents of the American Barge Line Company
Turpentine, unless in packages;
Vegetables, fresh;
Waste, unless in bales.

Note 1 - Rates will not include absorption of switching or carloading expenses.

Rates are established under authority of Interstate Commerce Commission Fourth Section Order Nos. 10962 and 10963, of June 8, 1932.

For minimum charges to be applied in connection with rates between stations on the American Barge Line and Northern Stations shown on pages 17 to 96, inc., see minimum charge specifically provided for the American Barge Line Company in Section 4. (File No. 16975)

Item No. 95A Cancels Item No. 95.

APPLICATION OF RAIL-BARGE AND BARGE-RAIL RATES IN CONNECTION WITH MISSISSIPPI VALLEY BARGE LINE COMPANY

For basis of rates see Section 1 and 1A and Item Nos. 96, 97 and 98.

Rates are established under authority of Interstate Commerce Commission Fourth Section Order No. 10746 of August 14, 1931. Issued in compliance with order of the Interstate Commerce Commission in Docket Ex Parte No. 99 of August 19, 1931. Authority of Interstate Commerce Commission Fourth Section Order No. 10993 of July 28, 1932.

NON-APPLICATION OF RATES

Change "Headings" on Pages 188 to 192 of Tariff, Pages 11 and 12 of Supplement No. 11, Page 10 of Supplement No. 14, Page 5 of Supplement No. 18, as amended.

Commodities on which Class Rates will not Apply

(Applicable only in connection with Rates shown in Section 1 and 1A, Except as Noted)

Class Rates named herein will not apply on the following articles. In the absence of Commodity Rates apply Combination Rates.

Change reference "#" shown on Foot of Pages 188,189,191,192 of Tariff, Page 11 of Supplement No. 11, Page 10 of Supplement No. 14 to read as follows:

Applicable also in connection with rates shown in Section 2 and 2A.

I Issued in compliance with order of the Interstate Commerce Commission in Docket Ex Parte No. 102, of March 11, 1932.

● Departure from the terms of Rule 4(1) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 172102 of December 14, 1938, as amended.

Change Page 202 to read as follows:

SECTION 1

If the charge accruing under Section 4, of Tariff, as amended, according to its application, is higher than the charge accruing under this Section, on the same shipment, the charge accruing under Section 4, of Tariff, as amended, according to its application, will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in EXCEPTIONS TO SOUTHERN CLASSIFICATION, to the extent provided for in Item No. 5 of Tariff, subject to applicable rules and other provisions in Exceptions to Southern Classification and to applicable rules and other provisions, except ratings, in Southern Classification, Except that:

These Rate Base Numbers will ALSO apply:

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at class rates referred to therein, under ratings in Southern Classification.

2. On traffic routed from, to or via the American Barge Line Company in connection with Ratings, Rules and other provisions in Southern Classification.

3. In connection with commodity rate columns to the extent provided for on pages 198 to 201 of Tariff, as amended.

Rates resulting from the use of Rate Base numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 13494 and except as otherwise specifically provided are permitted by authority of the Interstate Commerce Commission Fourth Section Orders Nos. 9700, 11200 (except to or from points in State of Kentucky) and 8680 (covering rates to and from points on the Tennessee Central Railway).

ALL CHANGES RESULTING FROM THE USE OF RATE BASE NUMBERS IN THIS SECTION ARE REDUCTIONS.

Add to Page 300 of Tariff:

SECTION 1A

If the charge accruing under Section 4A, according to its application, is higher than the charge accruing under this Section, on the same shipment, the charge accruing under Section 4A, according to its application, will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in Southern Classification, subject to applicable rules and other provisions in Southern Classification and to applicable rules and other provisions, except ratings, in Exceptions to Southern Classification, EXCEPT that:

These Rate Base Numbers WILL NOT apply:

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at Class Rates referred to therein. Section 1 Rate Base Numbers will apply.

2. On traffic routed from, to or via the American Barge Line Company in connection with Ratings, Rules and other provisions in Southern Classification. Section 1 Rate Base Numbers will apply.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended and are permitted by authority of Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

1061

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

Add to page 300 of Tariff:

SECTION 1-A.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as

To and From stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Boston
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
ALABAMA														
Akron	247	243	246	. . .	211	210	207	213	. . .	218	. . .	278	274	260
Alexander City	224	217	216	216	192	187	184	207	207	212	212	257	250	237
Aliceville	247	243	249	. . .	211	210	207	221	. . .	226	. . .	278	274	260
Altoona	234	226	204	204	199	195	192	195	195	200	200	266	258	247
Andalusia	253	241	236	236	210	202	199A	226	226	231	231	279	267	262
Anniston	224	217	204	204	192	187	184	195	195	200	200	257	250	237
Atmore	257	248	243	. . .	217	211	208	234	. . .	239	. . .	287	278	269
Bayou La Batre	257	248	243	. . .	217	211	208	243	. . .	248	. . .	287	278	269
Birmingham	234	226	210	210	199	195K	192E	201	201	206	206	266	258	247
Blocton	234	226	216	216	199	195	192	207	207	212	212	266	258	247
Blossburg	234	226	213	213	199	195	192	204	204	209	209	266	258	247
Boaz	234	226	204	204	199	195	192	195	195	200	200	266	258	247
Boligee	247	243	250	. . .	211	210	207	216	216	221	221	278	274	260
Boyd	265	261	274	. . .	229	228	225	240	. . .	245	. . .	296	291	278
Brantley	253	241	234	234	210	202	199A	223	223	228	228	279	267	262
Brewton	253	241	236	236	210	202	199A	230	230	235	235	279	267	262
Brilliant	244	240	219	. . .	211	210	207	216	. . .	221	. . .	275	271	257
Brownville	265	261	239	. . .	232	231	228	232	. . .	236	. . .	296	292	278
Buhl	244	240	221	. . .	211	210	207	216	. . .	221	. . .	275	271	257
Burbank	278	269	264	. . .	238	232	229	258	. . .	263	. . .	308	299	290
Calera	234	226	216	216	199	195K	192E	207	207	212	212	266	258	247
Calvert	257	248	243	. . .	217	211	208	234	. . .	239	. . .	287	278	269
Cardiff	234	226	213	213	199	195	192	204	204	209	209	266	258	247
Carrollton	262	258	218	. . .	226	225	222	230	. . .	235	. . .	293	289	276
Cedar Bluff	224	217	201	201	192	187	184	192	192	197	197	257	250	237
Chatom	280	271	266	. . .	240	234	231	258	. . .	234	. . .	310	301	288
Chelsea	234	226	213	213	199	195K	192E	204	204	209	209	266	258	247
Cherokee	234	234	202	. . .	207	207	207	199	. . .	204	. . .	266	266	250
Childersburg	234	226	210	210	199	195K	192E	201	201	206	206	266	258	247
Choctaw City	277	268	251	. . .	237	231	228	243	. . .	247	. . .	306	297	289
Clanton	234	226	219	219	199	195K	192E	210	210	215	215	266	258	247
Colta	234	226	213	213	199	195	192	207	207	212	212	266	258	247
Cromwell	265	261	274	. . .	229	228	225	239	. . .	235	. . .	295	291	278
Cullman	234	226	203	203	199	195	192	199	199	204	204	266	258	247
Decatur	224	224	198	. . .	194	194	194	195	. . .	200	. . .	257	257	240
Demopolis	247	243	253	. . .	211	210	207	219	. . .	224	. . .	278	274	260
Dothan	240	226	221	212	199	187	184	221	221	226	226	269	256	253
Elba	253	241	236	236	210	202	199A	231	231	236	236	279	267	262
Enterprise	253	241	236	236	[illegible]	202	199A	229	229	234	234	279	267	262
Eufaula	234	219	215	205	[illegible]	179	176	217	214	208	202	262	247	244
Fayette	244	240	219	. . .	211	210	207	213	. . .	218	. . .	275	271	257
Fern Bank	244	240	220	. . .	211	210	207	216	. . .	221	. . .	275	271	257
Flomaton	257	248	239	. . .	217	211	208	230	. . .	235	. . .	287	278	269
Florala	253	241	236	236	210	202	199A	231	231	236	236	279	267	262
Florence	234	234	198	. . .	207	207	207	195	. . .	200	. . .	266	266	250
Foley	257	248	243	. . .	217	211	208	243	. . .	248	. . .	287	278	269
Franklin	240	226	221	212	199	187	184	211	211	216	216	269	256	253
Frisco City	257	248	239	. . .	217	211	208	230	. . .	235	. . .	287	278	269
Gadsden	224	217	204	204	192	187	184	195	195	200	200	257	250	237
Genery	234	226	216	216	199	195K	192E	207	207	212	212	266	258	247
Geneva	253	241	236	236	210	202	199A	231	231	236	236	279	267	262
Greensboro	247	243	250	. . .	211	210	207	216	. . .	221	. . .	278	274	260
Greenville	253	241	230	230	210	202	199A	221	221	226	226	279	267	262
Gurley	224	224	201	. . .	194	194	194	192	. . .	197	. . .	257	257	240
Gurnee Jct.	234	226	213	213	199	195	192	207	207	212	212	266	258	247

AR - All Rail.
RWR - Rail-Water and Rail.

1636

Add to page 300 of Tariff:

SECTION 1-A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Albany		Altoona		Baltimore,		B-Port	Bolington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).														
ALABAMA - Con.															
Malawaka	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
Haleyville	244	240	206	. . .	211	210	207	203	. . .	206	. . .	275	271	257	253
Hardaway	240	226	221	212	199	187	184	216	216	221	221	269	255	253	239
Hartford	253	241	236	236	210	202	199A	228	228	233	233	279	267	262	250
Headland	240	226	221	212	199	187	184	221	221	226	226	269	255	253	239
Heflin	224	217	207	207	192	187	184	198	198	203	203	257	250	237	230
Huntsville	224	224	198	. . .	194	194	194	195	. . .	200	. . .	257	257	240	240
Hurtsboro	240	226	221	212	199	187	184	211	211	216	216	269	255	253	239
Jamestown	224	217	195	195	192	187	184	186	186	191	191	257	250	237	230
Jasper	234	226	213	213	199	195	192	207	207	212	212	266	258	247	239
Kimbrough	257	248	230	. . .	217	211	208	221	. . .	226	. . .	287	278	269	260
La Fayette	224	217	216	216	192	187	184	206	206	210	210	257	250	237	230
Lanett	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
Lehigh	234	226	210	210	199	195	192	201	201	206	206	266	258	247	239
Linden	257	248	230	. . .	217	211	200	221	. . .	226	. . .	287	278	269	260
Luverne	253	241	234	234	210	202	199A	223	223	228	228	279	267	262	250
Madrid	247	233	224	214	207	195	192	225	225	228	228	271	257	253	239
Maplesville	234	226	219	219	199	195K	192E	210	210	215	215	266	258	247	239
Margaret	234	226	216	216	199	195K	192E	207	207	207	207	266	258	247	239
Marigold	255	247	230	230	220	216	213	228	228	234	234	287	279	288	280
Marion Jct.	234	226	221	221	199	195K	192E	219	219	224	224	266	258	247	239
Mavlene	234	226	216	216	199	195K	192E	210	210	215	215	266	258	247	239
Mobile:															
A.R.-R.W.R.	257	248	243	. . .	217	211	208	239	. . .	244	. . .	287	278	269	260
F.B.L. (Note B)	249	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note E)	253	. . .	250	. . .	. . .	. . .	. . .	248	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Monroeton	257	248	234	. . .	217	211	208	225	. . .	230	. . .	287	278	269	260
Monroeville	257	248	237	. . .	217	211	208	230	. . .	235	. . .	287	278	269	260
Montgomery	240	226	221	212	199	187	194	216	216	221	221	269	255	253	239
Nadawah	257	248	230	. . .	217	211	208	221	. . .	226	. . .	287	278	260	251
Opelika	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
Opp	253	241	236	236	210	202	199A	229	229	234	234	279	267	262	250
Ozark	240	226	221	212	199	187	184	221	221	226	226	269	255	253	239
Panola	287	283	272	. . .	231	230	227	238	. . .	243	. . .	298	294	280	280
Pell City	234	226	210	210	199	195K	192E	201	201	206	206	266	258	247	239
Phenix City	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
Piedmont	228	217	201	201	192	187	184	192	192	197	197	257	250	237	230
Pittsview	240	226	221	212	199	187	184	215	215	219	219	269	255	253	239
Red Bay	244	240	204	. . .	211	210	207	204	. . .	209	. . .	275	271	257	253
Reform	244	240	221	. . .	211	210	207	216	. . .	221	. . .	275	271	257	253
Riverview	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
Roanoke	224	217	216	216	192	187	184	205	205	210	210	257	250	237	230
Samson	253	241	234	234	210	202	199A	231	231	236	236	279	267	262	250
Satsuma	257	248	243	. . .	217	211	208	237	. . .	242	. . .	287	278	269	260
Selma	234	226	221	221	199	195K	192E	216	216	221	221	266	258	247	239
Silas	282	278	261	. . .	242	241	238	253	. . .	258	. . .	313	309	294	290
Sipsey	234	226	224	215	199	195	192	207	207	212	212	266	258	247	239
Stevenson	224	224	194	. . .	194	194	194	186	. . .	191	. . .	257	257	240	240
Suggsville	257	248	237	. . .	217	211	208	228	. . .	233	. . .	287	278	269	260
Sylacauga	224	217	213	213	192	187	184	204	204	209	209	257	250	237	230
Talladega	224	217	207	207	192	187	184	198	198	203	203	257	250	237	230
Tallassee	257	243	238	. . .	216	204	200	228	228	233	233	285	271	270	256
Troy	240	226	221	212	199	187	184	220	220	225	225	269	255	253	239
Tuscaloosa	234	226	219	219	199	195	192	210	210	215	215	266	258	247	239
Tuskegee	257	243	238	229	216	204	201	226	226	230	230	285	271	270	256
Union Springs	240	226	221	212	199	187	184	215	215	218	218	269	255	253	239

AR - All Rail.
RWR - Rail-Water and Rail.

1063

Add to page 300 of Tariff:

SECTION 1-A - Continued.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Albany		Altoona		Baltimore		B-Port	Belington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).														
ALABAMA - Conc.															
Valley Head	224	217	194	194	192	187	184	186	186	191	191	257	250	237	230
Vinegar Bend	257	248	243	...	217	211	208	237	...	242	...	287	278	269	260
Warrior	234	226	210	210	199	195	192	207	207	212	212	266	258	247	239
Wattsville	234	226	207	207	199	195K	192E	198	198	203	203	266	258	247	239
Winfield	244	240	219	...	211	210	207	213	...	218	...	275	271	257	253
Yantley	265	261	275	...	229	228	225	246	...	251	...	295	291	278	274
Yolande	234	226	216	216	199	195K	192	207	207	212	212	266	258	247	239
York	247	243	253	...	211	210	207	219	...	224	...	278	274	260	256
ARKANSAS															
Helena:															
A.R.-R.W.R.	253	253	210	...	229	227	224	208	..	215		284	276	272	264
F.B.L. (Note E)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note P)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
FLORIDA															
Alachua	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Altha	253	241	236	226	210	202	199A	231	231	236	236	279	267	262	250
Apalachicola	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Arcadia	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Avon Park	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Barrineau Park	257	248	243	...	217	211	208	234	...	239	...	287	278	269	260
Bartow	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Baxter	227	200	207	200	184	170	167	208	202	201	192	255	237	238	220
Bell	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Belleglade-Chosen	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Blountstown	253	241	236	226	210	202	199A	234	234	235	235	279	267	262	250
Bradenton	259	246	250	248	254	245	242	254	253	246	242	284	271	266	253
Branford	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Brewster	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Brooksville	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Bunker Hill	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Campbellton	247	233	224	214	207	195	192	225	225	228	228	271	257	253	239
Center Hill	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Century	257	248	239	...	217	211	208	230		235	...	287	278	269	260
Chattahoochee	244	229	221	211	199	187	184	215	212	215	209	262	247	244	229
Chuluota	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Clearwater	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Clewiston	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Cottondale	247	233	224	214	207	195	192	225	225	228	228	271	257	253	239
Crestview	253	241	236	236	210	202	199A	236	236	241	241	279	267	262	250
Cross City	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Daytona Beach	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
De Funiak Springs	253	241	236	236	210	202	199A	236	236	241	241	279	267	262	250
Dowling Park	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Drexel	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Drifton	249	229	221	211	199	187	184	215	212	215	209	262	247	244	229
Dunnellon	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
Everglades	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Fairfield	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Fellsmere	273	260	264	262	242	233	230	267	266	260	256	297	284	280	267
Fernandina	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Ft. Lauderdale	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Ft. Myers	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Ft. Pierce	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Gainesville	240	225	224	220	202	191	188	227	224	220	214	269	254	243	238

AR - All Rail.
RWR - Rail-water and Rail.

1638

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-T.

Add to page 300 of Tariff:

SECTION 1-A - Continued.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Albany		Altoona		Baltimore		B-Port	Burlington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).														
FLORIDA - Con.															
Graceville	253	241	236	236	210	202	199A	236	236	241	241	279	267	262	250
Green Cove Springs	231	216	215	211	196	185	182	218	215	204	198	263	248	244	229
Greenville	234	216	213	206	193	179	176	208	202	208	199	255	237	238	220
Greenwood	263	249	245	236	223	211	208	245	245	250	250	202	278	276	262
Haines City	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Hastings	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Hawthorne	248	225	224	220	202	191	188	227	224	220	214	269	254	253	238
High Springs	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Hilliard	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Homestead	265	274	276	276	255	248F	245B	279	279	272	270	308	297	290	279
Hosford	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Jacksonville	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Jamieson	244	229	221	211	199	187	184	215	212	215	209	262	247	244	229
Jasper	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Jupiter	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Kenansville	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Kissimmee	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Lake Butler	231	216	215	211	196	185	182	218	215	204	198	263	258	244	229
Lake City	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Lakeland	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Lake Wales	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Lawtey	231	216	215	211	196	185	182	218	215	204	198	263	246	244	229
Leesburg	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
Live Oak	234	216	213	206	193	179	176	208	202	208	199	255	237	238	220
Madison	234	216	213	206	193	179	176	208	202	208	199	255	237	238	220
Marianna	247	233	224	214	207	195	192	225	225	228	228	271	257	253	239
Mayo	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Maytown	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
Melbourne	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Miami	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Milton	253	241	237	237	210	202	199A	236	236	241	241	279	267	262	250
Naples	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Newberry	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Ocala	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
Okeechobee	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Opal	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Orlando	250	236	241	236	220	210	207	245	243	238	233	278	264	263	249
Otter Creek	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
Palatka	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Palmdale	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Panama City	253	241	236	226	210	202	199A	235	235	240	240	279	267	262	210
Pensacola	257	248	243	243	217	211	208	239	239	244	244	287	276	269	260
Perry	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Pierson	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
(204) Pinetta	234	216	213	206	193	179	176	208	202	208	199	255	237	238	220
(205) Pinetta	255	237	234	227	214	200	197	229	223	229	220	276	258	259	241
Plant City	259	246	250	246	229	220	217	254	253	246	242	284	271	266	253
Port St. Joe	253	241	237	227	210	202	199A	236	233	241	235	279	267	262	250
Potatoville	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
Quincy	244	229	221	211	179	187	184	215	212	215	209	262	247	244	229
St. Augustine	240	225	224	220	202	191	188	227	224	220	214	269	254	253	238
St. Catherine	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
St. Petersburg	259	246	250	248	229	220	217	254	253	241	237	284	271	266	253
Sanderson	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Sanford	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243

AR - All Rail.
RWR - Rail-Water and Rail.

1065

Add to page 380 of Tariff:

SECTION 1-A - Continued.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).															
FLORIDA - Conc.															
Sarasota	268	255	259	257	238	229	226	263	262	255	251	293	280	275	262
Shady Grove	240	225	224	220	202	191	188	227	224	220	214	269	254	255	238
South Boca Grande	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
South Jacksonville	231	216	215	211	196	185	182	218	215	204	198	263	248	244	229
Tallahassee	244	229	221	211	199	187	184	215	212	215	209	262	247	244	229
Tampa	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Titusville	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Wakulla	240	225	224	220	202	191	188	227	224	220	214	269	254	255	238
West Palm Beach	276	265	267	267	246	239F	236B	270	270	263	261	299	288	281	270
Williston	244	230	233	230	211	201	198	236	234	229	224	272	258	257	243
Winter Garden	250	236	241	238	220	210	207	245	243	238	233	278	264	263	249
Winter Haven	259	246	250	248	229	220	217	254	253	246	242	284	271	266	253
Youngstown	258	241	236	226	210	202	199A	231	231	236	236	279	267	262	250
Yukon	231	216	215	211	196	185	182	218	215	204	198	263	248	244	229
GEORGIA															
Abbeville	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Albany	234	219	215	205	193	179	176	215	212	208	202	262	247	244	229
Alma	221	203	203	196	179	165	163	204	202	199	189	251	233	233	215
Americus	234	219	215	205	191	179	176	215	212	208	202	262	247	244	229
Arlington	234	219	215	205	191	179	176	215	212	208	202	262	247	244	229
Athens	213	206F	198	198	176	172K	169E	189	189	194	194	247	240F	227	220F
Atlanta	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
Augusta	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
Bainbridge	234	219	215	205	191	179	176	215	212	208	202	262	247	244	229
Baxley	221	203	203	196	179	165	162	204	202	199	189	251	233	233	215
Blue Ridge	211	204F	192	192	178	174K	171E	184	184	189	189	240	233F	221	214F
Bonaire	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Bowdon	217	210F	198	198	178	174K	177E	191	191	194	194	250	243F	231	224F
Bremen	217	210F	198	198	178	174K	177E	198	198	194	194	250	243F	231	224F
(204) Bridgeboro	234	219	215	205	191	179	182	217	214	208	202	262	247	244	229
(205) Bridgeboro	256	240	236	226	212	200	197	238	235	229	223	283	268	265	250
Brunswick	221	203	203	196	179	165	162	204	202	199	189	251	233	233	215
Buena Vista	234	219	215	205	191	179	176	217	214	208	202	262	247	244	229
Buford	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
Camak	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
Campton	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
Canton	217	210F	198	196	178	174K	177E	189	189	194	194	250	243F	231	224F
Carrollton	217	210F	198	196	178	174K	177E	191	191	194	194	250	243F	231	224F
Cartersville	217	210F	195	195	178	174K	177E	186	186	191	191	250	243F	231	224F
Cave Spring	217	210F	198	196	178	174K	177E	189	189	194	194	250	243F	231	224F
Cedartown	217	210F	198	198	178	174K	177E	189	189	194	194	250	243F	231	224F
Cohutta	211	204F	189	189	178	174K	171E	180	180	185	185	240	233F	221	214F
Chatsworth	217	210F	189	189	178	174K	177E	180	180	185	185	250	243F	231	224F
Claxton	217	201	194	186	187	174	171	194	194	189	181	241	225	223	207
(204) Clayttville	234	216	213	206	193	179	176	208	202	208	199	255	237	238	220
(205) Clayttville	256	237	234	227	214	200	197	229	223	229	220	276	258	259	241
Clyo	207	198	187	183	164	158G	155C	186	186	181	181	233	224	216	207
Columbus	234	219	215	205	191	179	176	217	214	208	202	262	247	244	229
Commerce	213	206F	198	198	176	172K	169E	189	189	194	194	247	240F	227	220F
Cordele	227	209	207	200	184	170	167	208	202	201	192	255	237	238	220
Cornelia	213	206F	198	198	176	172K	169E	189	189	194	194	243	240F	227	220F
Covington	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
Cusseta	234	219	215	205	191	179	176	217	214	208	202	262	247	244	229
Cuthbert	234	219	215	205	191	179	176	217	214	208	202	262	247	244	229
Dalton	217	210F	189	189	178	174K	177E	180	180	185	185	250	243F	231	224F

AR - All Rail.
RWR - Rail-Water and Rail.

1640

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-1.

to page 300 of Tariff:

SECTION 1-A - Continued.

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).														
GEORGIA - Con.															
nes Ferry	213	206F	198	198	176	172K	169E	200	200	194	194	247	240F	227	220F
wson.	234	219	215	205	191	179	176	215	212	206	202	262	247	244	229
ouglas	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
ublin.	217	208	194	190	173	167G	164C	194	194	189	185	241	232	223	214
urand.	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
urham.	224	217	194	194	192	187	184	184	184	189	189	257	250	237	230
gypt	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
lberton.	213	206F	198	198	176	172K	169E	189	189	194	194	247	240F	227	220F
mpire.	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
itzgerald.	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
olkston.	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
ort Gaines	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
ort Valley	213	206F	198	198	176	172K	169E	198	198	194	194	247	240F	227	220F
ainesville	213	206F	198	198	176	172K	169E	189	189	194	194	247	240F	227	220F
Garfield.	213	204	194	190	172	166G	163C	194	194	189	185	241	232	223	214
Garfield.	234	225	215	211	193	187G	184C	215	215	210	206	262	253	244	236
Gracewood	213	204	194	190	173	167G	167C	187	187	189	185	241	232	223	214
Gracewood	234	225	215	211	194	188G	188C	206	206	210	206	262	253	244	235
riffin	213	206F	198	198	176	172K	169E	194	194	194	194	247	240F	227	220F
artwell.	213	206F	198	198	176	172K	169E	189	189	194	194	247	240F	227	220F
aylow.	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
alehurst.	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
lena.	227	209	207	200	184	170	167	206	202	201	192	255	237	236	220
oker.	211	204F	189	189	176	174K	171E	180	180	185	185	240	232F	221	214F
schton.	213	206F	198	198	176	172K	169E	195	195	194	194	247	240F	227	220F
fferson	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
ffersonville	213	206F	198	198	176	172K	169E	201	201	194	194	247	240F	227	220F
sup	221	205	203	196	179	165	167	204	202	199	189	251	235	235	215
nction City	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
Keysville	213	204	194	190	173	167G	165C	194	194	189	185	241	232	223	214
Keysville	234	225	215	211	194	188G	188C	215	215	210	206	262	253	244	236
ldare	207	198	187	183	164	158G	155C	191	191	181	177	233	224	216	207
Orange	234	219	215	205	191	179	176	217	214	206	202	262	247	244	229
keland.	243	225	223	216	200	186	183	225	219	218	209	272	254	256	220
vonia	213	206F	198	198	176	172K	169E	189	189	194	194	247	240F	227	220F
wrenceville	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
uisville.	217	208	194	190	173	167G	164C	194	194	189	185	241	232	223	214
Donough	213	206F	198	198	176	172K	169E	195	195	194	194	247	240F	227	220F
chen.	213	206F	198	198	176	172K	169E	195	195	194	194	247	240F	227	220F
con	213	206F	198	198	176	172K	169E	196	196	194	194	247	240F	227	220F
dison	213	206F	198	198	176	172K	169E	192	192	194	194	247	240F	227	220F
lo	224	217	195	195	192	187	184	186	186	191	191	257	250	237	230
ville.	213	204	194	190	173	167G	164C	194	194	189	185	241	232	223	214
lledgeville	213	206F	198	198	176	172K	169E	198	198	194	194	247	240F	227	220F
llen.	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
lstead.	213	206F	198	198	176	172K	169E	191	191	194	194	247	240F	227	220F
temum	234	219	215	205	191	179	176	215	212	206	202	262	247	244	229
ltrie.	234	219	215	205	191	179	176	215	212	206	202	262	247	244	229
Nashville	227	209	207	200	184	170	167	210	204	201	192	255	237	236	220
Nashville	246	230	228	221	205	191	188	231	225	222	213	275	258	259	241
han.	213	206F	198	198	176	172K	169E	194	194	194	194	247	240F	227	220F
field.	234	219	215	205	191	179	176	215	212	206	202	262	247	244	229
rman.	221	205	203	196	179	165	162	204	201	199	190	251	235	235	215
Pavo.	234	219	215	205	191	179	176	215	212	206	202	262	247	244	229
Pavo.	256	240	236	226	212	200	197	236	235	229	223	285	278	265	250

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS													
	And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amen													
	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Bosto
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amen													
GEORGIA - Conc.														
Pelham	234	219	215	205	191	179	176	215	212	208	202	262	247	244
Quitman	227	209	207	200	184	170	167	208	202	201	192	255	237	236
(204) Relee	227	209	207	200	184	170	167	208	202	201	192	255	237	238
(205) Relee	248	230	228	221	205	191	188	229	223	222	213	276	258	259
Riceboro	217	201	194	186	187	174	171	194	194	189	181	241	225	223
Richland	234	219	215	205	191	179	176	217	214	207	201	262	247	244
Rockmart	217	210F	198	198	178	174K	171E	189	189	194	194	250	243F	231
Rome	217	210F	195	195	178	174K	171E	186	186	191	191	250	243F	231
St. George	227	209	207	200	184	170	167	208	202	201	192	255	237	236
St. Marys	244	226	225	218	201	187	184	226	220	219	210	273	255	266
(206) Sale City	234	219	215	205	191	179	176	215	212	208	202	262	247	244
(207) Sale City	256	240	236	226	212	200	197	236	233	229	223	283	268	266
Sandersville	217	208	194	190	173	167G	164C	204	204	189	185	241	232	223
Sardis	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216
Savannah	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216
Senoia	213	206F	198	198	176	172K	169E	194	194	194	194	247	240F	227
Soperton	217	208	194	190	173	167G	164C	194	194	189	185	241	232	223
Statesboro	217	201	194	186	187	174	171	194	194	189	181	241	225	223
(204) Swainsboro	213	204	194	190	173	167G	164C	194	194	189	185	241	232	223
(205) Swainsboro	234	225	215	211	194	188G	185C	215	215	210	206	262	253	244
Tallulah Falls	217	210F	198	198	178	174K	171E	201	201	194	194	250	246F	231
Tennille	217	208	194	190	173	167G	164C	194	194	189	185	241	232	223
Thomaston	213	206F	198	198	176	172K	169E	194	194	194	194	247	240F	227
Thomasville	234	219	215	205	191	179	176	215	212	208	202	262	247	244
(206) Ticknor	234	219	215	205	191	179	176	215	212	208	202	262	247	244
(207) Ticknor	255	240	236	226	212	200	197	236	233	229	223	283	268	266
Tifton	227	209	207	200	184	170	167	208	202	201	192	255	237	236
Toomsboro	217	208	194	190	173	167G	164C	194	194	189	185	241	232	223
Topeka Jct.	213	206F	198	198	176	172K	169E	197	197	194	194	247	240F	227
Trenton	224	217	190	190	192	187	184	184	184	189	189	257	250	237
Trion	217	210F	194	194	178	174K	171E	186	186	191	191	250	243F	231
Union Point	213	206F	198	198	176	172K	169E	196	196	194	194	247	240F	227
(204) Uvalda	213	204	194	190	173	167G	164C	194	194	189	185	241	232	223
(205) Uvalda	234	225	215	211	194	188G	185C	215	215	210	206	262	253	244
Valdosta	227	209	207	200	184	170	167	208	202	201	192	255	237	236
Vaughn	213	206F	198	198	176	172K	169E	194	194	194	194	247	240F	227
Vidalia	217	208	194	190	173	167G	164C	194	194	189	185	241	232	223
Washington	213	206F	198	198	176	172K	169E	196	196	194	194	247	240F	227
Waycross	221	203	203	196	179	165	162	213	211	199	189	251	233	233
Waynesboro	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216
Woodbine	227	209	207	200	184	170	167	208	202	201	192	256	237	236
Woodbury	234	219	215	205	191	179	176	217	214	208	202	262	247	244
Woodcliff	228	219	208	204	185	179G	176C	207	207	202	198	254	245	237
Wrightsville	227	218	204	200	183	177G	174C	204	204	199	195	251	242	233
LOUISIANA														
Amite	275	270	250	. . .	237	235	232	250	. . .	255	. . .	305	300	287
Baton Rouge:														
A.R.-R.W.R.	275	270	257	. . .	237	235	232	257	. . .	262	. . .	305	300	287
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	257	. . .	. . .	. . .	. . .
F.B.L. (Note E)	253	. . .	248	. . .	243	. . .	. . .	248	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note P)	249	. . .	244	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
M.V.B.L. (Note Ci)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Bogalusa	275	270	250	. . .	237	235	232	248	. . .	253	. . .	305	300	287
Braithwaite	275	270	259	. . .	237	235	232	251	. . .	256	. . .	305	300	287
Clinton	275	270	254	. . .	237	235	232	254	. . .	259	. . .	305	300	287

AR - All Rail.
RWR - Rail-Water and Rail.

1068

dd to page 300 of Tariff:

SECTION 1-A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)

o and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
LOUISIANA - Conc.															
ranklinton	275	270	254		237	235	232	254		259		305	300	287	282
mmond	275	270	254		237	235	232	251		256		[illegible]	300	287	282
andeville	275	270	257		237	235	232	246		253		305	300	287	282
w Orleans:															
A.R.-R.W.R.	275	270	259		237	235	232	251		256		305	300	287	282
F.B.L. (Note B)															
F.B.L. (Note Ca)								246							
F.B.L. (Note L)	253		250							268					
F.B.L. (Note P)	249		247												
M.V.B.L. (Note Cl)															
A.B.L. (Item 90)															
serve	275	270	259		237	235	232	255		260		305	300	287	282
t. Francisville	275	270	257		237	235	232	257		262		305	300	287	282
lidell	275	270	257		237	235	232	248		253		305	300	287	282
ilson	275	270	260		237	235	232	250		255		305	300	287	282
MISSISSIPPI															
berdeen	244	240	213		211	210	207	212		217		275	271	267	263
ckerman	263	263	220		224	220	222	219		224		290	[illegible]	272	267
mory	244	240	212		211	216	207	212		217		275	271	257	253
atesville	249	245	210		211	211	211	206		212		272	272	263	263
eaumont	266	261	248		228	226	223	239		244		296	291	275	270
lmont	244	240	207		211	210	207	202		208		275	271	257	253
lzoni	263	263	224		229	228	223	224		229		290	285	272	267
rookhaven	275	270	241		237	235	232	239		244		305	300	287	282
ruce	274	274	236		249	247	244	235		240		305	297	293	285
lhoun City	263	263	213		228	226	223	212		217		284	276	272	264
nton	263	263	228		228	228	223	228		232		290	285	272	267
ntreville	275	270	250		237	235	232	250		255		305	300	287	282
arleston	263	263	221		228	228	223	220		225		284	276	272	264
arksdale	263	263	213		226	226	223	212		217		284	276	272	264
eveland	263	263	217		228	226	223	216		221		284	276	272	264
lumbia	275	270	246		237	235	232	246		250		305	300	287	282
lumbus	244	240	216		211	210	207	216		221		275	271	257	253
rinth	234	234	199		207	207	207	194		201		266	266	250	250
rystal Springs	275	270	236		237	235	232	236		241		305	300	287	282
Kalb	255	251	260		219	218	215	235		240		285	281	268	264
ndee	263	263	210		229	227	224	209		215		284	276	272	264
rant	263	263	224		228	226	223	224		229		[illegible]	285	272	267
inburg	263	263	236		228	226	223	236		241		290	285	272	267
ectric Mills	247	243	253		211	210	207	228		233		278	274	260	256
lizer	240	240	196		211	211	211	192		201		272	272	263	263
nwick	263	258	266		258	253	250	266		271		323	318	308	300
rnwood	275	270	245		237	235	232	245		250		305	300	287	282
lton	269	265	279		228	222	222	219		224		289	285	272	268
tesville	275	270	236		237	235	232	236		236		305	300	287	282
reenville	263	263	224		228	226	223	224		229		284	276	272	264
reenwood	263	263	220		228	226	223	220		225		284	276	272	264
enada	263	263	213		228	226	223	212		217		284	276	272	264
lfport	266	261	261		228	226	223	246		261		296	291	275	270
in	263	263	224		226	226	223	224		229		290	285	272	267
ttiesburg	266	261	241		228	226	223	237		242		296	291	275	270
rmanville	275	270	239		237	235	232	239		244		305	300	287	282
lly Bluff	266	266	228		236	234	231	228		233		296	291	281	276
lly Springs	240	240	203		211	211	211	198		204		272	272	263	263
rn Lake	240	240	203		211	211	211	198		204		272	272	263	263
uston	263	263	210		228	226	223	206		213		284	276	272	264

AR - All Rail.
RWR - Rail-water and Rail.

1643

Add to page 300 of Tariff;

SECTION 1-A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to [illegible], inclusive of Tariff as amended).

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Albany		Altoona		Baltimore		B-Port	Belington		Berkeley Springs		Berlin		Bosto	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
MISSISSIPPI - Con.															
Hurley	287	282	271	. . .	249	247	244	284	. . .	269	. . .	317	312	296	[illegible]
Iuka	234	234	200	. . .	207	207	207	199	. . .	204	. . .	266	266	250	[illegible]
Jackson	263	263	231	. . .	228	226	223	231	. . .	236	. . .	290	285	272	267
Kioto	275	270	248	. . .	237	[illegible]	232	248	. . .	253	. . .	305	300	287	282
Kokomo	275	270	248	. . .	236	234	231	246	. . .	251	. . .	302	297	284	279
Laurel	266	261	239	. . .	228	226	223	234	. . .	239	. . .	296	291	275	270
Leakesville	278	269	264	. . .	238	232	229	258	. . .	263	. . .	308	299	290	[illegible]
Lena	263	263	231	. . .	228	226	223	231	. . .	236	. . .	290	285	272	267
Louisville	263	263	224	. . .	228	226	223	221	. . .	226	. . .	290	285	272	267
Lucedale	266	261	243	. . .	228	226	223	237	. . .	242	. . .	296	291	275	270
Lumberton	266	261	248	. . .	228	226	223	239	. . .	244	. . .	296	291	275	270
Macon	247	243	249	. . .	211	210	207	221	. . .	226	. . .	278	274	260	[illegible]
Marks	253	253	210	. . .	228	226	223	208	. . .	216	. . .	284	276	272	[illegible]
Mathiston	253	253	216	. . .	228	226	223	216	. . .	221	. . .	284	276	272	[illegible]
Meadville	293	288	264	. . .	265	263	260	264	. . .	269	. . .	323	318	306	300
Meridian	247	243	257	. . .	211	210	207	225	. . .	230	. . .	278	274	260	[illegible]
Mineral Wells	240	240	203	. . .	211	211	211	198	. . .	204	. . .	272	272	263	[illegible]
Moorhead	253	253	221	. . .	228	226	223	220	. . .	225	. . .	284	276	272	[illegible]
Natchez	275	270	248	. . .	237	235	232	248	. . .	253	. . .	305	300	287	[illegible]
New Albany	240	240	203	. . .	211	211	211	200	. . .	205	. . .	272	272	263	[illegible]
New Augusta	266	261	251	. . .	228	226	223	239	. . .	244	. . .	296	291	275	270
Newton	263	263	228	. . .	228	226	223	228	. . .	233	. . .	296	291	272	267
Pascagoula	266	261	251	. . .	228	226	223	246	. . .	251	. . .	296	291	275	270
Pelahatchie	263	263	236	. . .	228	226	223	234	. . .	239	. . .	290	285	272	267
Picayune	275	270	254	. . .	237	235	232	246	. . .	251	. . .	305	300	287	[illegible]
Port Gibson	275	270	239	. . .	237	235	232	239	. . .	244	. . .	305	300	287	[illegible]
Prentiss	293	288	256	. . .	255	253	250	256	. . .	261	. . .	323	318	305	[illegible]
Prichard	240	240	207	. . .	211	211	211	202	. . .	207	. . .	272	272	263	[illegible]
Quitman	257	248	236	. . .	217	211	208	228	. . .	233	. . .	287	278	269	[illegible]
Reimers	263	263	231	. . .	228	226	223	231	. . .	236	. . .	290	285	272	267
Richton	266	261	241	. . .	228	226	223	237	. . .	242	. . .	296	291	275	270
Rolling Fork	266	266	228	. . .	236	234	231	228	. . .	233	. . .	296	291	281	[illegible]
Rosedale	253	253	217	. . .	228	226	223	216	. . .	221	. . .	284	276	272	[illegible]
Roxie	275	270	245	. . .	237	235	232	245	. . .	250	. . .	305	300	287	[illegible]
Ruleville	253	253	217	. . .	228	226	223	216	. . .	221	. . .	284	276	272	[illegible]
Sand Hill	268	263	231	. . .	228	226	223	231	. . .	236	. . .	290	285	272	267
Saratoga	266	261	239	. . .	228	226	223	239	. . .	244	. . .	296	291	275	270
Senatobia	240	240	207	. . .	211	211	211	202	. . .	208	. . .	272	272	263	[illegible]
Silver Creek	275	270	241	. . .	237	235	232	241	. . .	246	. . .	305	300	287	[illegible]
Sumrall	273	268	263	. . .	246	244	241	258	. . .	263	. . .	314	309	292	[illegible]
Swan Lake	253	253	213	. . .	228	226	223	212	. . .	218	. . .	284	276	272	[illegible]
Tunica	248	240	207	. . .	211	211	211	202	. . .	208	. . .	272	272	263	[illegible]
Tupelo	244	240	207	. . .	211	210	207	204	. . .	209	. . .	275	[illegible]	257	[illegible]
Tylertown	275	270	257	. . .	237	235	232	257	. . .	262	. . .	305	[illegible]	287	[illegible]
Union	263	268	228	. . .	228	226	223	228	. . .	233	. . .	290	[illegible]	272	[illegible]
Vicksburg:															
A.R.-R.W.R.	266	266	236	. . .	236	234	231	236	. . .	241	. . .	296	291	281	[illegible]
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note E)	268	. . .	229	. . .	. . .	. . .	. . .	229	. . .	250	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note F)	249	. . .	226	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
M.V.B.L. (Note Ci)	247	. . .	224	. . .	224	. . .	. . .	224	. . .	229	. . .	270	. . .	252	. . .
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Manilla	275	270	239	. . .	237	235	232	239	. . .	244	. . .	305	300	287	[illegible]
Water Valley	240	240	207	. . .	211	211	211	206	. . .	211	. . .	272	272	263	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

d to page 300 of Tariff:

SECTION 1-A - Continued.

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).														
MISSISSIPPI - Conc.															
ynesboro	257	248	239	. . .	217	211	208	234	. . .	239	. . .	287	278	269	260
st Point	244	240	216	. . .	211	210	207	216	. . .	221	. . .	275	271	257	253
y Not	265	261	275	. . .	229	228	225	246	. . .	251	. . .	295	291	278	274
ggins	266	261	248	. . .	228	226	223	243	. . .	248	. . .	296	291	275	270
nona	253	253	220	. . .	228	226	223	219	. . .	224	. . .	264	276	272	264
odville	275	270	259	. . .	237	235	232	259	. . .	264	. . .	305	300	287	282
zoo City	263	263	228	. . .	228	226	225	228	. . .	233	. . .	290	285	272	267
NORTH CAROLINA															
anklin	213	206F	196	196	178	174K	171E	207	207	194	194	244	237F	224	217F
SOUTH CAROLINA															
ken	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
lendale	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
derson	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210	206K
drews	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206	199F
rnwell	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
tesburg	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
lton	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210	206K
nnettsville	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
acksburg	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	198	194K
ackville	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
enheim	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
(B) Buffalo	209	205K	183	183	169	165K	162E	195	195	187	187	240	236K	219	215K
(D) Buffalo	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203	199K
lhoun Falls	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210	206K
mden	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
rlisle	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203	199K
tawba	188	181K	167	167	146	142K	139E	170	170	163	163	216	212K	198	194K
arleston	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206	199F
eraw	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
ester	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	198	194K
esterfield	192	188K	177	177	156	152K	149E	180	180	173	173	226	222K	206	202K
inton	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203	199K
io	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
lumbia	193	186F	176	176	154	148K	145E	178	178	171	171	223	216F	206	199F
nway	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
osaw	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
rdesville	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206	199F
rlington	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
rmark	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
llon	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
gefield	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210	206K
till	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
irfax	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
orence	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
rt Lawn	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	198	194K
orgetown	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206	199F
aniteville	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
eat Falls	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	198	194K
eenville	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203	199K
eenwood	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210	206K
& B. Jct.	199	186	184	180	161	151	148	184	181	180	175	232	219	213	200
rdeeville	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207
rtsville	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196	192K
lly Hill	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206	199F
ckson	207	198	187	183	164	158G	155C	187	187	181	177	233	224	216	207

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-1.

Add to page 300 of Tariff:

SECTION 1-A - Continued.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amend													
	Albany		Altoona		Baltimore		B-Port	Belington		Berkeley Springs		Berlin		Bosto
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amend													
SOUTH CAROLINA - Conc.														
Kingville	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206
Lake City	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206
Lancaster	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Lando	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Lanes	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206
Laurens	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203
McBee	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196
McColl	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196
McCormick	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210
Marion	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Meggetts	199	186	184	180	161	151	148	184	181	180	175	232	219	213
Mullins	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Newberry	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203
North Augusta	207	198	187	183	164	158D	155C	187	187	181	177	233	224	216
Orangeburg	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206
Pageland	194	190K	189	189	157	153K	150E	182	182	175	175	228	224K	208
Perry	199	186	184	180	161	151	148	184	181	180	175	232	219	213
204 Pittsburg	199	186	184	180	170	160	166	184	181	180	175	231	218	210
205 Pittsburg	220	207	205	201	182	172	180	205	202	201	196	252	239	231
Poston	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Pregnall	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206
Richburg	203	199K	175	175	154	150K	148E	178	178	171	171	223	219K	206
Rock Hill	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Russellville	201	194F	184	184	160	156K	154E	186	186	179	179	233	224F	214
Saluda	209	196	194	190	171	161	159	194	191	190	185	242	229	223
Seneca	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210
Spartanburg	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203
Sumter	182	178K	167	167	146	142K	139E	170	170	163	163	216	212K	196
Tillman	207	198	187	183	164	158D	155C	187	187	181	177	233	224	216
Union	193	189K	176	176	152	148K	145E	178	178	171	171	223	219K	203
Walterboro	199	186	184	180	161	151	148	184	181	180	175	232	219	213
Ware Shoals	199	195K	184	184	161	157K	154E	184	184	180	180	231	227K	210
Winnsboro	193	186F	176	176	152	148K	145E	178	178	171	171	223	216F	206
Yemassee	207	198	187	183	164	158D	155C	187	187	181	177	233	224	216
York	185	181K	167	167	146	142K	139E	170	170	163	163	216	212K	196
TENNESSEE														
Arlington	240	240	199	. . .	211	211	211	192	. . .	201	. . .	272	272	263
Armona	211	204F	174	. . .	178	174K	171E	165	. . .	170	. . .	240	233F	221
Ashland City	226	. . .	186	. . .	206	206	206	172	. . .	189	. . .	266	260	253
Athens	211	204F	161	. . .	178	174K	171E	172	. . .	177	. . .	240	233F	221
Bells	230	. . .	193	. . .	207	207	207	179	. . .	194	. . .	257	257	249
Brownsville	214	. . .	193	. . .	207	207	207	184	. . .	189	. . .	260	260	265
Bruceton	227	. . .	186	. . .	196	196	196	177	. . .	187	. . .	257	257	249
Carthage	225	225	196	. . .	201	201	201	191	. . .	197	. . .	257	257	246
Carthage Jct.	225	225	196	. . .	201	201	201	191	. . .	197	. . .	257	257	246
Centreville	234	234	186	. . .	207	207	207	184	. . .	189	. . .	266	266	250
Chattanooga	211	204F	189	189	178	174K	171E	180	180	185	185	240	233F	221
Clarksville	213	. . .	173	. . .	193	193	193	187	. . .	175	. . .	247	247	240
Cleveland	211	204F	185	. . .	178	174K	171E	176	. . .	181	. . .	240	233F	221
Columbia	224	224	182	. . .	194	194	194	178	. . .	184	. . .	257	257	240
Cookeville	227	227	201	. . .	204	204	204	194	. . .	200	. . .	260	260	250
Copperhill	211	204F	189	. . .	178	174K	171E	180	. . .	186	. . .	240	233F	221
Corcell	207	207	168	. . .	168	168	168	162	. . .	167	. . .	237	237	221
Covington	237	. . .	199	. . .	213	213	213	185	. . .	194	. . .	264	264	255
Crossville	214	214	190	. . .	176	176	176	184	. . .	189	. . .	246	246	258
Dayton	211	204F	182	. . .	178	174K	171E	176	. . .	181	. . .	246	233F	221

AR - All Rail.
RWR - Rail-water and Rail.

e to page 303 of Tariff:

SECTION 1-A - Continued.

and From Stations shown on pages 96 to 273, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended. Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).														
TENNESSEE - Con.															
rone	224	224	190	...	194	194	194	187	...	192	...	257	257	240	240
ckson	[illegible]		180	...	196	196	196	177	...	181	...	253	253	247	247
lian	224	224	198	...	194	194	194	189	...	194	...	257	257	240	240
rsburg	227		193	...	210	210	210	179	...	194	...	254	254	245	245
t Jamestown	207	207	170	...	168	168	168	165	...	170	...	237	237	221	221
n.	217		176	...	196	196	196	174	...	179	...	250	250	244	244
ewah	211	204F	181	...	178	174K	171E	172	...	177	...	240	233F	221	214F
etteville	224	224	190	...	194	194	194	187	...	192	...	257	257	240	240
rk Mountain	207	207	175	...	168	168	168	168	...	173	...	237	237	221	221
rk Ridge	203		168	...	162	162	162	162	...	167	...	231	231	210	210
lliard	217	217	170	...	194	194	194	186	...	172	...	250	250	240	240
rr	207	207	168	...	168	168	168	162	...	167	...	237	237	221	221
er. Mary	207	207	168	...	168	168	168	162	...	167	...	237	237	221	221
ant Joy	240	240	199	...	211	211	211	182	...	201	...	272	272	263	263
eeneville	195	191K	156	...	157	153K	150E	151	...	152	...	227	223K	207	203K
rrisby	207	207	175	...	168	168	168	168	...	173	...	237	237	221	221
rtsville	217	217	173	...	194	194	194	169	...	175	...	250	250	240	240
rmitage	217	217	175	...	194	194	194	171	...	176	...	250	250	240	240
ckory Point	221		181	...	201	202	202	175	...	183	...	256	255	248	248
hensald	234	234	190	...	207	207	207	187	...	192	...	266	266	250	250
mside	230		189	...	203	203	202	177	...	194	...	257	257	249	249
kson	217		193	...	203	203	203	180	...	194	...	261	261	252	252
lton	207	207	165	...	165	165	165	158	...	163	...	237	237	221	221
mond	214		177	...	194	194	194	168	...	180	...	248	248	241	241
xville	195	191K	174	...	157	153K	150E	155	...	170	...	227	223K	207	203K
Follette	207	207	168	...	168	168	168	162	...	167	...	237	237	221	221
e City	207	207	172	...	168	168	168	167	...	172	...	237	237	221	221
renceburg	234	234	190	...	207	207	207	187	...	192	...	266	266	250	250
banon	217	217	179	...	194	194	194	176	...	181	...	250	250	240	240
ir City	211	204F	177	...	178	174K	171E	168	...	173	...	249	233F	221	214F
nsbury	224	224	196	...	194	194	194	184	...	189	...	257	257	240	240
xington	231		193	...	202	202	202	189	...	194	...	263	263	257	257
berty Hill	195	191K	175	...	157	153K	150E	168	...	173	...	227	223K	207	203K
Kenzie	229		185	...	199	199	199	174	...	187	...	253	253	244	244
nnville	224	224	194	...	194	194	194	181	...	186	...	257	257	240	240
disonville	211	204F	184	...	178	174K	171E	172	...	177	...	240	233F	221	214F
yan	207	207	175	...	168	168	168	168	...	173	...	237	237	221	221
rtin	217		185	...	199	199	199	178	...	185	...	241	232	232	232
ryville	211	204F	174	...	178	174K	171E	165	...	170	...	240	233F	221	214F
[illegible]															
A.B.-M.&.B.															
[illegible]	240	240	199		211	211	211	184		214		272	272	263	263
[illegible]	224	[illegible]	187		208			187	182		258		238	238	
[illegible]	240	240	[illegible]		211	211	211	[illegible]		207		272	272	263	263
[illegible]	[illegible]		[illegible]		208	[illegible]	[illegible]	[illegible]		190		254	254	245	245
[illegible]	217	217	187		178	178	[illegible]	[illegible]		195		247	247	[illegible]	231
[illegible]	[illegible]	195	181		177	174K	171E	180		197		227	223K	207	203K
[illegible]	[illegible]	240	199		211	211	211	184		201		272	272	[illegible]	263
[illegible]	224	224	[illegible]		194	[illegible]	194	[illegible]		192		257	257	240	240
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	194	[illegible]		[illegible]		250	250	240	240
[illegible]	[illegible]	191K	[illegible]		[illegible]	[illegible]	150E	[illegible]		[illegible]		227	223K	207	203K
[illegible]	[illegible]	207	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]		[illegible]		237	237	221	221
[illegible]	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]		184		251	[illegible]	242	242

AR - All Rail
RWR - Rail-Water and Rail

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

Add to page 300 of Tariff:

SECTION 1-A - Continued.

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amen													
	Albany		Altoona		Baltimore		B-Port	Bellington		Berkeley Springs		Berlin		Bost
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amen													
TENNESSEE - Conc.														
Petros	207	207	178	...	168	168	168	172	...	177	...	237	237	221
Pulaski	224	224	190	...	194	194	194	187	...	192	...	257	257	240
Scottsboro	230	...	187	...	208	208	208	180	...	188	...	253	253	256
Selmer	234	234	196	...	207	207	207	192	...	198	...	266	266	250
Sevierville	215	211K	194	...	177	173K	170E	185	...	190	...	247	243K	227
Shooks	211	207K	188	...	174	170K	167E	179	...	184	...	244	240K	223
Somerville	240	240	198	...	211	211	211	192	...	201	...	272	272	263
South Pittsburg	224	224	194	...	194	194	194	186	...	191	...	257	257	240
Sparta	224	224	198	...	194	194	194	195	...	200	...	257	257	240
Springfield	213	...	173	...	189	189	189	169	...	175	...	247	247	240
Surgoinsville	185	185	156	...	145	145	145	147	...	152	...	230	230N	199
Tiprell	195	191K	176	...	157	153K	150E	168	...	173	...	227	223K	207
Tiptonville	228	...	193	...	210	210	210	182	...	198	...	256	255	246
Tracy City	224	224	194	...	194	194	194	191	...	196	...	257	257	240
Tullahoma	224	224	186	...	194	194	194	184	...	189	...	257	257	240
Union City	211	...	178	...	197	197	197	176	...	183	...	239	239	230
Watertown	224	224	190	...	200	200	200	186	...	192	...	256	256	247
Waverly	224	...	184	...	200	200	200	194	...	189	...	257	257	250
White Bluff	221	...	179	...	196	196	196	176	...	181	...	253	253	244
Whiteville	240	240	196	...	211	211	211	189	...	198	...	272	272	263
Wilder	218	218	201	...	179	179	179	194	...	199	...	248	248	232

AR - All Rail.
RWR - Rail-Water and Rail.

1648

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-J.

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations hown on pages 96 o 173, inclusive f tariff as mended, taking ate Basis shown elow;	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
ALABAMA																
ron.	219	...	221	221	247	247	204	...	219	...	213	...	213	...	215	214
xander City	213	213	216	216	224	220	199	199	213	213	207	207	207	207	196	191
iceville	221	...	224	...	247	247	210	...	221	...	221	...	216	...	215	214
coona.	201	201	204	204	234	230	186	186	201	201	195	195	195	195	203	199
aFusia.	234	234	236	236	253	249K	219	219	234	234	226	226	226	226	214	208
iston	200	200	204	204	224	220	187	187	201	201	195	195	195	195	196	191
ore	239	...	243	243	257	257	225	...	239	...	234	...	234	...	221	216
you La Batre	248	...	243	243	257	257	236	...	248	...	243	...	243	...	221	216
raingham	207	207	210	210	234	230K	192	192	207	207	201	201	201	201	205	199K
octon.	210	210	213	213	234	230	196	196	210	210	207	207	204	204	203	199
esburg.	207	207	210	210	234	230	194	194	207	207	204	204	201	201	203	199
az	198	198	201	201	234	230	185	185	198	198	195	195	192	192	203	199
ligee.	221	...	225	...	247	247	207	...	221	...	216	...	216	...	215	214
yd	243	...	246	246	265	265	229	...	243	...	240	...	237	...	233	232
antley	230	230	234	234	253	249K	217	217	230	230	225	225	225	225	214	208
ewton.	237	237	236	236	253	249K	221	221	237	237	230	230	230	230	214	208
illiant.	216	...	220	...	244	240	204	...	216	...	216	...	210	...	215	214
ownville	234	...	236	...	265	261	219	...	234	...	230	...	227	...	236	236
hi	219	...	221	...	244	240	204	...	219	...	216	...	213	...	215	214
rbank.	257	...	264	...	278	278	247	...	257	...	258	...	251	...	242	236
lera	210	210	213	213	234	230K	196	196	210	210	207	207	204	204	205	199K
lvert.	239	...	243	243	257	257	225	...	239	239	234	234	234	...	221	215
rdiff.	207	207	210	210	234	230	194	194	207	207	204	204	201	201	205	199
rrollton	236	...	237	...	262	258	220	...	236	...	230	...	228	...	229	228
dar Bluff.	201	201	204	204	224	220	184	184	201	201	192	192	195	195	195	191
aton	264	...	266	266	280	280	247	...	264	...	258	...	258	...	244	238
elsea.	210	210	213	213	234	230K	196	196	210	210	204	204	204	204	203	199K
erokee	199	...	202	...	234	...	187	...	199	...	199	199	194	...	211	211
ildersburg	210	210	213	213	234	230K	196	196	210	210	201	201	204	204	203	199K
octaw City	246	...	265	265	277	277	231	...	246	...	243	...	239	...	241	235
anton	213	213	216	216	234	230K	199	199	213	213	210	210	207	207	203	199K
lta	210	210	213	213	234	230	196	196	210	210	207	207	204	204	203	199
omwell.	246	...	248	...	265	265	230	...	246	...	239	...	239	...	233	232
llman	1 9	199	204	204	234	230	187	187	199	199	199	199	194	194	203	199
catur	195	...	198	198	224	...	181	...	195	...	195	...	189	...	198	198
opolis	238	...	230	230	247	247	213	...	228	...	219	...	221	...	215	214
than	237	237	236	236	240	230	215	215	237	237	221	221	230	230	203	191
ba	239	239	236	236	253	249K	223	223	239	239	231	231	234	234	214	208
terprise.	237	237	236	236	253	249K	223	222	237	237	229	229	230	230	214	208
faula	230	230	230	226	237	226	196	196	230	230	203	197	225	225	195	183
yette	216	...	221	...	244	240	204	...	216	...	213	...	210	...	215	214
rn Bank	217	...	220	...	244	240	206	...	218	...	216	...	212	...	215	214
omaton.	237	...	243	243	257	257	221	...	237	...	230	...	230	...	221	215
orala	239	239	236	236	253	249K	228	223	239	239	231	231	234	234	214	208
orence.	196	...	201	...	234	...	184	...	195	...	195	...	189	...	211	211
ley	246	...	243	243	257	257	231	...	246	...	243	...	239	...	211	215
anklin.	221	221	225	225	240	230	207	207	221	221	211	211	216	216	202	191
isco City	237	...	243	243	257	257	221	...	247	247	230	...	230	...	221	215
dsden	198	198	200	200	228	222	184	184	198	198	195	195	192	192	196	191
ery.	210	210	213	213	234	230K	195	195	210	210	207	207	204	204	203	199K
eva.	239	239	238	236	253	249K	223	223	239	239	231	231	234	234	214	208
eensboro.	219	...	221	221	247	247	206	...	219	...	216	...	213	...	215	214
eenville	228	228	230	230	253	249K	213	213	228	228	221	221	221	221	215	207
rley.	195	...	198	...	224	...	181	...	195	...	192	...	189	...	195	198
rmes Junction	210	210	213	213	234	230	195	195	210	210	207	207	204	204	203	199

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I

Add to page 300 of Tariff.

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below.	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.														
	Branchton		Buffalo		Cincinnatus		Clarksburg		Curry		Cumberland		Erie		Evergre
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
ALABAMA - Cont.															
Halawaka	219	219	226	226	237	226	196	193	219	219	203	197	215	215	195
Haleyville	203		207		244	240	190		203		203		197		215
Hardaway	225	225	228	228	240	230	210	210	225	225	216	216	219	219	203
Hartford	239	239	236	236	253	249K	223	223	239	239	228	228	234	234	214
Headland	237	237	233	236	240	230	215	215	237	237	221	221	230	230	203
Heflin	204	204	207	207	224	220	190	190	204	204	198	198	198	198	196
Huntsville	195		201		224		184		195		195		189		199
Hurtsboro	225	225	228	228	240	230	210	210	225	225	211	211	219	219	203
Jamestown	192	192	195	195	224	220	177	177	192	192	186	186	186	186	196
Jasper	210	210	213	213	234	230	196	196	210	210	207	207	204	204	203
Kimbrough	228		243	243	257	257	213		228		221		221		221
La Fayette	219	219	221	221	224	220	204	204	219	219	206	206	213	213	196
Lanett	215	215	230	226	237	228	196	193	215	215	203	197	215	215	175
Lehigh	204	204	207	207	234	230	190	190	204	204	201	201	198	198	203
Linden	229		243	243	257	257	213		228		221		221		221
Luverne	228	228	230	230	253	249K	213	213	239	239	223	223	221	221	214
Madrid	239	239	230	236	255	236	223	223	239	239	223	223	234	234	211
Maplesville	216	216	219	219	234	230K	201	201	216	216	210	210	210	210	203
Margaret	210	210	213	213	234	230K	196	196	210	210	207	207	204	204	203
Marigold	228	228	234	234	255	251	216	216	228		228	228	221	221	224
Marion Junction	221	221	225	225	234	230K	208	208	221	221	219	219	216	216	206
Maylene	213	213	216	216	234	230K	198	198	213	213	219	210	207	207	203
Mobile:															
A.R.-R.W.R.	243		243	243	257	257	230		243		239		237		221
F.B.L. (Note B)															
F.B.L. (Note Ca)	252		250				237		252		248		246		
F.B.L. (Note E)	247		254		253				247		248		241		
Monroeton	230		243	243	257	257	216		230		225		225		221
Monroeville	224		243	243	257	257	219		234		230		228		221
Montgomery	219	219	221	221	240	230	206	206	219	219	216	216	215	215	203
Nadawah	228		243	243	257	257	213		228		221		221		221
Opelika	219	219	230	228	237	226	196	193	219	219	203	197	215	215	195
Opp	237	237	236	238	253	249K	221	221	237	237	229	229	230	230	214
Ozark	234	234	236	238	240	230	215	215	234	234	221	221	228	228	203
Panola	245		247	247	267	267	230		245		238		238		235
Pell City	204	204	207	207	234	230K	190	190	204	204	201	201	198	196	203
Phenix City	219	219	230	226	237	226	196	193	219	219	203	197	215	215	195
Piedmont	201	201	204	204	224	220	186	186	201	201	192	192	195	195	196
Pittsview	228	228	230	230	240	230	213	213	228	228	214	214	221	221	203
Red Bay	201		204		244	240	190		201		204		196		215
Reform	219		221		244	240	204		219		216		213		215
Riverview	216	216	230	226	237	226	196	193	216	216	203	197	215	215	195
Roanoke	216	216	219	219	224	220	201	201	216	216	206	206	210	210	196
Samson	239	239	236	238	253	249K	223	223	239	239	231	231	234	234	214
Satsuma	243		243	243	257	257	228		243		237		237		221
Selma	219	219	221	221	234	230K	206	206	219	219	216	216	213	213	205
Silas	256		258	258	262	262	241		256		253		249		247
Ripley	213	213	216	216	234	230	198	198	213	213	207	207	207	207	203
Stevenson	188		191		224		175		188		186		182		199
Suggsville	234		243	243	257	257	219		234		228		228		221
Sylacauga	210	210	213	213	224	220	196	196	210	210	204	204	204	204	196
Talladega	207	207	210	210	224	220	192	192	207	207	198	198	201	201	196
Tallassee	239	239	243	243	257	247	225	225	239	239	228	228	234	234	219
Troy	228	228	230	230	246	230	213	213	228	228	220	220	221	221	203
Tuscaloosa	213	213	216	216	224	230	199	199	213	213	210	210	207	207	203
Tuskegee	239	239	243	243	266	256	221	221	239	239	226	226	224	234	219
Union Springs	225	225	225	225	240	226	211	211	225	225	213	213	219	216	203

AR - All Rail.
RWR - Rail-Water and Rail.

1650

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking ate Basis shown ion:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR.	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
ALABAMA																
- Conc.																
ley Head	186	186	191	191	224	220	175	175	188	188	186	186	182	182	196	191
gar Bend	243	...	243	243	257	257	228	...	243	...	237	...	237	...	221	215
ylor	207	207	210	210	234	230	194	194	207	207	207	207	201	201	203	199
ksville	204	204	207	207	234	230K	190	198	204	204	198	198	198	198	203	198K
field	216	...	219	...	244	240	202	...	216	...	213	...	210	...	215	214
tley	247	...	249	...	265	265	234	...	247	...	246	...	243	...	233	232
ande	210	210	213	213	234	230	195	195	210	210	207	207	204	204	203	199
k	225	...	228	228	247	247	210	...	225	...	219	...	219	...	215	214
ARKANSAS																
ena:																
.R.-R.W.R.	205	...	210	...	253	...	194	...	206	...	210	...	200	...	257	255
.B.L. (Note E)	214	...	217	...	...	...	202	...	214	...	...	...	208	...	...	...
.B.L. (Note F)	197	...	200	...	...	...	...	...	197	...	...	...	191	...	...	...
.B.L. (Item)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
FLORIDA																
chua	258	258	248	242	244	234	227	224	258	258	215	209	257	257	206	195
na	246	246	237	237	253	240K	223	223	246	246	231	231	239	239	214	206
lachicola	257	257	248	243	244	234	227	224	257	257	215	209	251	251	206	198
adia	289	289	284	281	275	267	263	262	289	289	250	246	289	289	242	233
n Park	285	285	275	272	266	257	254	253	285	285	241	237	285	285	233	224
rinea Park	239	...	243	243	257	257	225	...	239	...	234	...	234	...	221	215
tow	281	281	275	272	266	257	254	253	281	281	241	227	281	281	233	224
ter	239	239	221	223	234	221	208	202	243	243	198	187	243	243	188	174
l	264	264	248	243	244	234	227	224	266	266	215	209	266	266	206	195
leglades Chosen	301	301	284	281	275	267	263	262	301	301	250	246	301	301	242	233
untstown:	248	248	240	240	253	249K	223	223	248	248	230	230	243	243	214	206
denton:	278	278	275	272	266	257	254	253	285	285	241	237	285	285	258	249
nford	256	256	240	242	244	234	227	224	256	256	215	209	253	253	206	195
ster	285	285	275	272	266	257	254	253	285	285	241	227	283	283	233	224
oksville	274	274	266	262	257	248	245	243	274	274	233	228	274	274	224	214
ker Hill	301	301	293	292	283	276F	270	270	301	301	258	256	301	301	250	243F
llton	239	239	236	236	253	235	223	223	239	239	223	223	234	234	211	195
ter Hill	270	270	266	262	257	248	245	243	274	274	213	228	274	274	224	214
ury	257	...	242	243	257	257	221	...	237	...	230	...	230	...	221	215
tahoochee	248	248	238	226	247	226	215	212	248	248	210	204	243	243	203	191
uota	278	278	266	262	257	248	246	243	281	281	233	228	281	281	224	214
rwater	285	285	275	272	266	257	254	253	285	285	241	237	281	281	232	224
ington	301	301	284	281	275	257	263	262	301	301	250	246	301	301	242	233
ondale	242	243	236	236	253	235	223	223	243	243	223	223	227	227	211	199
tview	243	243	237	237	253	249K	223	223	243	243	236	236	237	237	214	206
City	266	266	248	[illegible]	244	234	227	224	266	266	215	209	259	259	206	195
ona Beach	266	266	257	252	248	238	238	234	269	269	224	219	269	269	215	206
Springs	248	248	240	240	253	249K	222	222	248	248	226	236	243	243	214	206
ing Park	256	256	248	243	244	234	227	224	256	256	218	209	249	249	206	195
el	278	278	266	262	257	248	245	243	278	278	233	228	277	277	224	214
ton	246	246	238	236	247	236	215	212	246	246	210	204	239	229	203	191
llon	266	266	257	252	248	238	236	234	266	266	224	219	266	266	215	205
glades	308	308	293	292	282	276F	270	270	308	308	258	256	305	305	250	243F
field	263	263	248	243	244	234	227	224	266	266	215	209	266	266	206	195
mers	299	299	288	285	279	270	267	266	296	296	255	251	296	296	246	227
[illegible]	277	277	251	[illegible]	254	251	208	202	239	239	196	187	239	239	188	174
[illegible]	308	308	293	292	283	276F	270	270	308	308	258	256	308	308	250	243F
[illegible]	296	296	293	292	283	276F	270	270	286	296	258	256	293	293	250	243F
[illegible]	293	293	275	272	266	257	254	254	293	293	241	227	283	283	232	224
[illegible]	[illegible]	[illegible]	248	243	244	234	227	234	261	261	215	206	261	261	206	198

AR. All Rail.
RWR. Rail-water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended														
	Brockton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergr
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended,														
FLORIDA - Cont.															
Graceville	243	243	237	237	253	249K	223	223	243	243	236	236	237	237	214
Green Cove Springs	254	254	240	235	253	242	218	215	254	254	199	193	249	249	200
Greenville	246	246	238	222	240	227	213	207	246	246	205	194	239	239	197
Greenwood	263	263	259	259	263	253	238	238	263	263	245	245	256	256	227
Haines City	281	281	266	262	257	248	245	243	283	283	233	228	283	283	224
Hastings	258	258	248	243	244	234	227	224	261	261	215	209	261	261	206
Hawthorne	258	258	248	243	244	234	227	224	261	261	215	209	261	261	206
High Springs	258	258	248	243	244	234	227	224	258	258	215	209	257	257	206
Hilliard	237	237	231	223	234	221	208	202	239	239	196	187	239	239	188
Homestead	315	315	301	300	291	285Q	279	279	315	315	267	265	315	315	259
Hosford	248	248	248	243	244	234	227	224	248	248	215	209	243	243	206
Jacksonville	239	239	231	223	234	221	208	202	243	243	196	187	243	243	188
Jamieson	243	243	238	238	247	236	215	212	243	243	210	204	237	237	205
Jasper	243	243	231	223	234	221	208	202	243	243	196	187	239	239	188
Jupiter	296	296	284	281	275	267	263	262	298	298	250	246	298	298	242
Kenansville	279	279	275	272	266	257	254	253	286	286	241	237	288	288	233
Kissimmee	278	278	266	262	257	248	245	243	281	281	233	228	281	281	224
Lake Butler	255	255	240	235	237	228	218	215	255	255	199	193	253	253	200
Lake City	246	246	231	223	234	221	208	202	246	246	196	187	243	243	188
Lakeland	281	281	275	272	266	257	254	253	281	281	241	237	278	278	233
Lake Wales	281	281	275	272	266	257	254	253	283	283	241	237	283	283	233
Lawtey	254	254	240	235	237	228	216	215	256	256	199	193	256	256	200
Leesburg	269	269	257	233	244	234	236	234	270	270	224	219	270	270	215
Live Oak	246	246	238	222	240	227	213	207	246	246	205	194	243	243	197
Madison	246	246	238	222	240	227	213	207	246	246	203	194	239	239	197
Marianna	243	243	236	236	253	235	223	223	243	243	223	223	237	237	211
Mayo	259	259	248	243	244	234	227	224	259	259	215	209	254	254	206
Maytown	275	275	257	253	248	238	236	234	277	277	224	219	277	277	215
Melbourne	285	285	266	262	257	248	245	243	285	285	233	228	285	285	224
Miami	311	311	293	292	283	276F	270	270	311	311	258	256	311	311	250
Milton	246	246	237	237	253	249K	223	223	246	246	236	236	238	238	214
Naples	301	301	293	292	283	276F	270	270	301	301	258	256	301	301	250
Newberry	263	263	248	243	244	234	227	224	263	263	215	209	257	257	206
Ocala	264	264	257	253	248	238	236	234	266	266	224	219	266	266	215
Okeechobee	293	293	284	281	275	267	263	262	293	293	250	246	293	293	242
Opal	293	293	284	281	275	267	263	262	293	293	250	246	293	293	242
Orlando	277	277	266	262	257	249	245	243	278	278	233	228	278	278	224
Otter Creek	269	269	257	253	244	234	236	234	269	269	224	219	264	264	215
Palatka	258	258	248	243	244	234	227	224	261	261	215	209	261	261	206
Palmdale	293	293	284	281	275	267	263	262	293	293	250	246	293	293	242
Panama City	248	248	240	240	253	249K	223	223	248	248	235	236	243	243	214
Pensacola	243	243	243	243	257	257	229	229	243	243	239	239	237	237	221
Perry	257	257	248	243	244	234	227	224	257	257	215	209	250	250	208
Pierson	264	264	257	253	248	238	236	234	264	264	224	219	266	266	215
(208) Pinetta	243	243	238	222	240	227	213	207	243	243	203	194	236	236	197
(206) Pinetta	260	260	259	243	258	245	234	228	260	260	224	215	254	254	218
Plant City	278	278	265	262	266	257	254	253	278	278	241	237	278	278	233
Port St. Joe	257	257	250	245	253	249K	227	224	257	257	236	230	251	251	214
Potatoville	259	259	248	243	253	243	227	224	266	266	215	209	266	266	208
Quincy	248	248	238	236	247	236	215	212	248	248	210	204	243	243	205
St. Augustine	254	254	248	243	244	234	227	224	254	254	215	209	249	249	206
St. Catherine	270	270	265	262	257	248	245	243	274	274	233	228	274	274	224
St. Petersburg	286	286	275	272	266	257	254	253	288	288	241	237	285	285	233
Sanderson	243	243	231	223	234	221	208	202	246	246	196	187	246	246	188
Sanford	270	270	257	253	246	238	236	234	275	275	224	219	275	275	215

AR - All Rail.
RWR - Rail-Water and Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations hown on pages 96 173, inclusive tariff as mended, taking ate Basis shown low:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended. Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
FLORIDA - Conc.																
asota	289	289	284	281	275	267	263	262	289	289	250	246	289	289	242	233
dy Grove	253	253	248	243	244	234	[illegible]	224	253	253	215	209	247	247	206	195
h Boca Grande	296	296	293	292	283	276F	270	270	296	296	258	256	296	296	250	243F
h Jacksonville	246	246	240	235	237	226	218	215	248	248	199	193	248	248	200	189
lahassee	248	248	238	226	247	236	215	212	248	248	210	204	243	243	203	191
pa	281	281	275	272	266	257	254	253	281	281	241	237	281	281	233	224
usville	277	277	266	262	257	248	245	243	278	278	233	228	278	278	224	214
ulla	256	256	248	243	244	234	227	224	256	256	215	209	249	249	206	196
t Palm Beach	301	301	293	292	283	276F	270	270	301	301	258	256	301	301	250	243F
liston	263	263	257	253	248	238	236	234	263	263	224	219	263	263	215	206
ter Garden	277	277	266	262	257	248	245	243	278	278	233	228	278	278	224	214
ter Haven	281	281	275	275	266	257	254	253	281	281	241	237	281	281	233	224
ngstown	246	246	240	240	253	249K	223	223	246	246	231	231	239	239	214	206
on	246	246	240	235	237	226	218	215	248	248	199	193	248	248	200	189
GEORGIA																
eville	230	230	231	223	234	221	208	202	230	230	196	187	225	225	188	174
any	230	230	230	226	237	226	196	193	230	230	203	197	225	225	195	183
	234	234	231	221	227	214	204	202	234	234	194	184	234	234	183	169
ricus	228	228	230	226	237	226	196	193	228	228	203	197	221	221	196	183
ington	237	237	230	226	237	226	196	193	237	237	203	197	230	230	196	183
ens	213	213	216	216	221	216H	189	189	213	213	189	189	210	210	180	176K
anta	206	206	216	216	221	216H	186	186	206	206	189	189	206	206	180	176K
usta	210	210	217	213	210	202	187	187	213	213	176	172	213	213	168	162D
nbridge	246	246	230	226	237	226	196	193	246	246	203	197	239	239	195	183
ley	234	234	231	221	227	214	204	202	234	234	194	184	229	228	183	169
e Ridge	192	192	195	195	213	213	175	175	192	192	184	184	186	186	182	178K
aire	221	271	231	223	234	221	208	202	221	221	196	187	216	216	188	174
don	204	204	207	207	217	213K	189	189	204	204	189	189	198	198	182	178K
men	204	204	207	207	217	213K	186	186	204	204	189	189	198	198	182	178K
) Bridgeboro	234	234	230	226	234	223	196	193	234	234	203	197	227	227	196	183
) Bridgeboro	251	251	251	247	255	244	217	214	251	251	224	218	245	245		
nswick	230	230	231	221	227	214	204	202	234	234	194	184	234	234	183	169
na Vista	225	225	230	226	237	226	196	193	225	225	203	197	219	219	195	183
ord	210	210	216	216	221	216H	192	192	210	210	189	189	206	206	180	176K
ak	216	215	216	216	221	216H	192	192	216	216	189	189	216	216	180	176K
pton	213	213	216	216	221	216H	192	192	213	213	189	189	207	207	180	176K
ton	201	201	204	204	217	213K	184	184	210	210	189	189	196	195	182	178K
rollton	204	204	207	207	217	213K	189	189	204	204	189	189	198	198	182	176K
tersville	198	198	201	201	217	213K	180	180	198	198	186	186	192	192	182	178K
e Spring	198	198	201	201	217	213K	164	184	198	198	189	189	192	192	182	176K
artown	199	198	201	201	217	213K	184	184	198	198	189	189	192	192	182	178K
chat	185	185	167	187	211	204J	170	170	185	185	180	180	178	178	182	178K
tsworth	192	192	195	195	217	213K	175	175	192	192	180	180	186	186	182	178K
rton	225	225	224	214	217	201	194	194	228	228	184	176	228	228	191	178
) Clyattville	243	243	238	222	240	227	213	207	243	243	203	194	236	236	197	183
) Clyattville	260	260	259	243	261	248	234	228	260	260	224	215	254	254	218	204
o	213	213	217	213	210	202	187	187	216	218	176	172	216	216	169	162D
umbus	219	219	230	226	237	226	198	193	219	219	203	197	215	215	195	183
merce	213	213	216	216	221	216H	192	192	213	213	189	189	213	213	180	176K
dele	228	228	231	223	234	221	208	202	228	228	196	187	221	221	188	174
nelia	210	210	216	216	221	216H	186	186	210	210	189	189	207	207	180	176K
ington	210	210	216	216	221	216H	192	192	210	210	189	189	206	206	180	176K
seta	221	221	230	226	237	226	198	193	221	221	203	197	216	216	195	183
nbert	234	234	230	226	237	226	196	193	234	234	203	197	228	228	195	183
ton	188	188	191	191	217	213K	175	175	188	188	180	180	182	182	182	176K

AR - All Rail.
RWR - Rail-Water and Rail.

1079.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 4451.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS — And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergre
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
GEORGIA - Con.															
Dames Ferry	216	216	216	216	221	216H	196	198	216	216	189	189	210	210	180
Dawson	230	230	230	226	237	226	196	193	230	230	203	197	225	225	195
Douglas	237	237	231	223	234	221	208	202	237	227	196	187	237	237	188
Dublin	225	225	224	218	221	212	194	194	225	225	184	181	219	219	181
Durand	215	215	230	226	237	226	196	193	215	215	203	197	215	215	195
Durham	188	188	191	191	224	220	175	175	188	188	184	184	182	182	196
Egypt	225	225	217	213	210	202	187	187	225	225	176	172	225	225	168
Elberton	206	206	216	216	221	216H	182	182	209	209	180	189	209	209	180
Empire	223	223	231	223	234	221	208	202	225	225	196	187	219	219	186
Fitzgerald	234	234	231	223	234	221	208	202	234	234	196	187	228	228	186
Folkston	237	237	231	223	234	221	208	202	239	239	196	187	239	239	188
Fort Gaines	237	237	230	226	237	226	196	193	237	237	203	197	230	230	195
Fort Valley	219	219	216	216	221	216H	198	198	219	219	189	189	213	213	180
Gainesville	213	213	216	216	221	216H	189	189	213	213	189	189	207	207	180
(204) Garfield	223	223	224	218	221	212	194	194	224	224	184	180	226	226	176
(205) Garfield	244	244	245	239	243	234	215	215	247	247	206	201	247	247	197
(204) Gracewood	206	206	224	218	221	212	194	194	206	206	184	180	206	206	177
(205) Gracewood	226	226	245	239	243	234	215	215	227	227	206	201	227	227	198
Griffin	210	210	216	216	221	216H	192	192	210	210	189	189	207	207	180
Hartwell	213	213	216	216	221	216H	189	189	213	213	189	189	210	210	180
Haylow	239	239	231	223	234	221	208	202	239	239	196	187	237	237	188
Hazlehurst	234	234	231	223	234	221	208	202	234	234	196	187	228	228	186
Helena	228	228	231	223	234	221	208	202	228	228	196	187	221	221	188
Hooker	185	185	187	187	211		170	170	185	185	180	180	178	178	182
Hoschton	213	213	216	216	221	216H	196	196	213	213	189	189	207	207	180
Jefferson	216	216	216	216	221	216H	192	192	216	216	189	189	210	210	180
Jeffersonville	221	221	216	216	221	216H	198	198	221	221	189	189	216	216	180
Jesup	228	228	231	231	227	214	204	202	230	230	194	184	223	223	183
Junction City	219	219	230	226	237	226	196	193	219	219	203	197	215	215	195
(204) Keysville	211	211	224	218	221	212	194	194	214	214	184	180	214	214	177
(205) Keysville	233	233	245	239	243	234	215	215	235	235	206	201	235	235	198
Kildare	221	221	217	213	210	202	187	187	225	225	176	172	225	225	168
La Grange	215	215	230	226	237	226	196	193	215	215	203	197	215	215	175
Lakeland	243	243	248	240	251	238	225	219	243	243	213	204	237	237	
Lavonia	210	210	216	216	221	216H	186	186	210	210	189	189	210	210	180
Lawrenceville	210	210	216	216	221	216H	192	192	210	210	189	189	206	206	180
Louisville	221	221	224	218	221	212	194	194	225	225	184	180	225	225	177
McDonough	210	210	216	216	221	216H	192	192	210	210	189	189	206	206	180
Machen	216	216	216	216	221	216H	195	195	216	216	189	189	210	210	180
Macon	219	219	216	216	221	216H	198	198	219	219	189	189	213	213	180
Madison	216	216	216	216	221	216H	192	192	216	216	189	189	210	210	180
Menlo	192	192	195	195	224	220	177	177	192	192	186	186	186	186	196
Midville	221	221	224	218	221	212	194	194	221	221	184	180	221	221	173
Milledgeville	219	219	216	216	221	216H	198	198	219	219	189	189	213	213	180
Millen	219	219	217	213	210	202	187	[illegible]	219	219	176	172	219	219	168
Milstead	210	210	216	216	221	216H	189	189	210	210	189	189	206	206	180
Montezuma	221	221	230	226	237	226	196	193	221	221	203	197	216	216	195
Moultrie	227	227	230	226	237	226	196	193	237	237	203	197	230	230	195
(204) Nashville	242	242	231	223	234	221	208	[illegible]	240	240	196	187	234	234	188
(205) Nashville	260	260	252	244	255	245	229	223	258	258	217	217	251	251	209
Newman	207	207	216	216	221	216H	192	192	207	207	189	189	206	206	180
Oakfield	230	230	230	226	237	226	196	193	230	230	203	197	225	225	195
Offerman	230	240	231	221	227	214	204	202	234	234	194	184	234	234	183
(204) Pavo	223	223	230	226	237	226	196	193	240	240	203	197	234	234	195
(205) Pavo	274	274	251	247	258	247	217	214	258	258	234	218	251	251	216

AR - All Rail.
RWR - Rail-Water and Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
GEORGIA - Conc.																
mas	237	237	230	226	237	226	196	193	237	237	203	197	230	230	195	183
man	239	239	231	223	234	221	208	202	239	239	196	187	234	234	188	174
Relee	239	239	231	223	234	221	206	202	239	239	196	187	234	234	188	174
Relee	260	260	252	244	255	242	229	223	260	260	217	208	257	257	209	195
boro	225	225	224	214	221	205	194	194	228	228	184	176	228	228	191	178
land	225	225	230	226	237	226	196	193	275	225	203	197	219	219	195	183
mart	198	198	201	201	217	213K	184	184	198	198	189	189	192	192	182	178K
	195	195	198	198	217	213K	180	180	195	195	186	186	189	189	182	178K
George	239	239	231	223	234	221	208	202	243	243	196	187	243	243	188	174
Marys	239	239	249	241	252	239	226	220	260	260	214	206	260	260	206	191
Sale City	237	237	230	226	237	226	196	193	237	237	203	197	230	230	195	183
Sale City	258	258	251	247	255	244	217	214	258	258	224	218	251	251	216	204
dersville	228	228	224	218	228	212	194	194	228	228	184	180	221	221	177	171D
dis	216	216	217	213	210	202	187	187	219	219	176	172	219	219	168	162D
annah	219	219	217	213	210	202	187	187	221	221	176	172	221	221	168	162D
ola	210	210	216	216	221	216H	192	192	210	210	189	189	206	206	180	176K
rton	228	228	224	218	221	212	194	194	228	228	184	180	221	221	177	171D
tesboro	221	221	224	214	221	206	194	194	225	225	184	176	225	225	191	178
Swainsboro	221	221	224	218	221	212	194	194	226	226	184	180	227	227	177	171D
Swainsboro	249	249	245	239	243	234	215	215	248	248	206	201	245	245	198	192D
lulah Falls	213	213	219	219	217	213K	189	189	213	213	189	189	210	210	182	178K
nille	225	225	224	218	221	212	194	194	225	225	184	180	219	219	177	171D
maston	216	216	216	216	221	216H	198	198	216	216	189	189	210	210	180	176K
masville	239	239	230	226	237	226	196	193	239	239	203	197	224	234	195	183
Ticknor	237	237	230	226	237	226	196	193	240	240	203	197	230	230	195	183
Ticknor	255	255	251	247	258	247	217	214	258	258	224	218	248	248	216	204
ton	234	234	231	223	234	221	208	202	234	234	196	187	228	228	188	174
msboro	221	221	224	218	221	212	194	194	221	221	184	180	216	216	177	171D
ka Jct	213	213	216	216	221	216H	195	195	213	213	189	189	207	207	180	176K
nton	185	185	187	187	224	220	170	170	184	184	184	184	178	178	196	191
on	188	188	191	191	217	213K	175	175	188	188	186	186	182	182	182	178K
on Point	219	219	216	216	221	216H	195	195	219	219	189	189	213	213	180	176K
Uvalda	234	234	224	218	221	212	194	194	234	234	184	180	227	227	177	171D
Uvalda	251	251	245	239	245	234	215	215	251	251	206	201	245	245	198	192D
dosta	239	239	231	223	234	221	208	202	239	239	196	187	234	234	188	174
ughn	210	210	216	216	221	216H	192	192	210	210	189	189	204	204	180	176K
alia	230	230	224	218	221	212	194	194	230	230	184	180	228	228	177	171D
hington	221	221	216	216	221	216H	198	198	221	221	189	189	219	219	180	176K
ycross	234	234	231	221	227	214	204	202	237	237	194	184	237	237	183	169
nesboro	216	216	217	213	210	202	187	187	216	216	176	172	216	216	168	162D
odbine	230	230	231	223	234	221	208	202	234	234	196	187	234	234	188	174
odbury	215	215	230	226	237	226	196	193	215	215	203	197	215	215	195	183
odcliff	237	237	238	234	231	223	208	208	237	237	197	193	236	236	189	183D
ightsville	235	235	234	227	231	222	204	204	235	235	194	190	229	229	187	181D
LOUISIANA																
ite	248	...	250	...	275	273	237	...	248	...	250	...	243	...	241	239
ton Rouge:																
A.R.-R.W.R	254	...	257	...	275	273	243	...	254	...	257	...	248	...	241	239
Y.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Y.B.L. (Note C)	...	...	...	...	...	...	237	...	...	...	...	...	...	...	...	...
Y.B.L. (Note E)	246	...	248	...	253	...	233	...	246	...	248	...	239	...	247	...
Y.B.L. (Note F)	241	...	244	...	249	...	...	...	241	...	...	...	235	...	...	...
M.V.B.L. (Note C1)	240	...	243	...	...	...	...	...	240	...	...	...	234	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
aluda	248	...	250	...	275	273	237	...	248	...	246	...	243	...	241	239
aithwaite	257	...	256	...	276	273	243	...	257	...	251	...	251	...	241	239
inton	250	...	254	...	276	273	239	...	250	...	254	...	246	...	241	236

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amende

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amende

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Empor
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
LOUISIANA - Conc.															
Franklinton	250	...	254	...	275	273	239	...	250	...	254	...	248	...	241
Hammond	250	...	254	...	275	273	239	...	250	...	251	...	248	...	241
Mandeville	254	...	257	...	275	273	239	...	254	...	248	...	248	...	242
New Orleans:															
A.R.-R.W.R	257	...	259	...	275	273	243	...	257	...	251	...	251	...	241
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note Ca)	252	...	...	...	...	...	237	...	252	...	248	...	246	...	...
F.B.L. (Note E)	247	...	250	...	253	...	235	...	247	...	...	...	241	...	...
F.B.L. (Note P)	244	...	247	...	249	...	...	...	244	...	...	...	238	...	...
M.V.B.L. (Note C1)	243	...	246	...	...	...	...	...	243	...	...	...	236	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Reserve	259	...	259	...	275	273	246	...	259	...	256	...	256	...	241
St. Francisville	254	...	257	...	275	273	243	...	254	...	257	...	248	...	241
Slidell	254	...	250	...	275	273	237	...	254	...	248	...	248	...	241
Wilson	248	...	250	...	275	273	237	...	248	...	250	...	243	...	241
MISSISSIPPI															
Aberdeen	209	...	213	...	244	240	198	...	209	...	212	...	204	...	215
Ackerman	217	...	220	...	253	253	206	...	217	...	219	...	212	...	222
Amory	209	...	212	...	244	240	198	...	209	...	212	...	204	...	215
Batesville	205	...	210	...	249	...	192	...	205	...	207	...	199	...	215
Beaumont	241	...	249	...	256	251	229	...	241	...	239	...	237	...	232
Belmont	199	...	207	...	244	240	188	...	199	...	203	...	194	...	215
Belzoni	221	...	224	...	253	253	210	...	221	...	224	...	216	...	228
Brookhaven	239	...	241	...	275	273	228	...	239	...	239	...	234	...	241
Bruce	231	...	232	...	274	...	220	...	231	...	235	...	226	...	253
Calhoun City	209	...	213	...	253	...	198	...	209	...	212	...	204	...	223
Canton	225	...	228	...	265	265	214	...	225	...	228	...	220	...	232
Centreville	248	...	250	...	275	273	237	...	248	...	250	...	243	...	241
Charleston	217	...	221	...	253	...	206	...	217	...	220	...	212	...	232
Clarksdale	209	...	213	...	253	...	198	...	209	...	212	...	204	...	232
Cleveland	213	...	217	...	253	...	202	...	213	...	216	...	208	...	232
Columbia	241	...	245	...	275	273	230	...	241	...	245	...	[illegible]	...	241
Columbus	213	...	217	...	244	240	202	...	213	...	216	...	208	...	215
Corinth	193	...	199	...	234	...	180	...	193	...	196	...	189	...	211
Crystal Springs	233	...	236	...	275	273	221	...	233	...	236	...	221	...	241
DeKalb	251	...	255	...	256	256	240	...	251	...	255	...	227	...	253
Dundee	205	...	210	...	253	...	194	...	205	...	210	...	200	...	237
Durant	221	...	224	...	265	265	210	...	221	...	224	...	216	...	228
Edinburg	233	...	236	...	265	265	221	...	233	...	236	...	228	...	228
Electric Mills	225	...	228	...	247	247	214	...	225	...	227	...	219	...	215
Falkner	189	...	199	...	240	...	179	...	193	...	196	...	185	...	215
Fenwick	263	...	266	...	285	291	251	...	263	...	266	...	257	...	258
Fernwood	241	...	245	...	276	273	230	...	241	...	245	...	237	...	241
Fulton	216	...	219	...	259	256	205	...	216	...	219	...	210	...	230
Gatesville	233	...	236	...	275	273	221	...	233	...	236	...	228	...	241
Greenville	221	...	224	...	253	...	210	...	221	...	224	...	216	...	232
Greenwood	217	...	220	...	253	...	206	...	217	...	220	...	212	...	232
Grenada	209	...	213	...	253	...	198	...	209	...	212	...	204	...	223
Gulfport	250	...	249	...	266	261	237	...	250	...	246	...	246	...	233
Gwin	221	...	224	...	263	265	210	...	221	...	224	...	216	...	228
Hattiesburg	239	...	240	...	266	261	228	...	239	...	237	...	234	...	233
Hermanville	256	...	259	...	275	273	245	...	254	...	258	...	250	...	241
Holly Bluff	225	...	228	...	267	265	214	...	225	...	228	...	220	...	240
Holly Springs	195	...	203	...	240	...	185	...	196	...	199	...	190	...	215
Horn Lake	194	...	203	...	240	...	182	...	196	...	199	...	189	...	215
Houston	205	...	210	...	254	...	194	...	205	...	208	...	200	...	223

AR - All Rail.
RWR - Rail-Water and Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

and Prep Stations shown on pages 96 173, inclusive f Tariff as mended, taking ate Basis shown elow:	FROM AND TO THE FOLLOWING BASING POINTS And stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.															
MISSISSIPPI - Con.																
ley	269	...	270	...	287	282	255	...	269	...	264	...	254	...	253	251
a	197	...	200	...	234	...	186	...	197	...	199	...	192	...	211	211
kson.	229	...	231	...	263	263	218	...	229	...	231	...	224	...	232	230
to.	245	...	248	...	275	270	234	...	245	...	248	...	239	...	241	239
omo	245	...	248	...	275	270	234	...	245	...	246	...	239	...	240	238
rel	236	...	240	...	266	261	221	...	236	...	234	...	230	...	232	230
kesville.	257	...	264	...	278	278	247	...	257	...	258	...	251	...	242	238
a	229	...	231	...	263	263	218	...	229	...	231	...	224	...	232	230
lesville	221	...	224	...	263	263	210	...	221	...	221	...	216	...	232	230
odale	237	...	240	...	266	261	223	...	237	...	237	...	230	...	232	230
berton.	245	...	249	...	266	261	230	...	245	...	239	...	239	...	232	230
on.	221	...	224	...	247	247	210	...	221	...	221	...	216	...	215	214
ke.	205	...	210	...	253	...	194	...	205	...	210	...	200	...	232	230
histon.	213	...	216	...	253	...	202	...	213	...	216	...	208	...	232	230
dville.	262	...	264	...	293	291	251	...	262	...	264	...	257	...	269	267
idian	228	...	230	...	247	247	214	...	228	...	225	...	221	...	215	214
eral Wells	196	...	205	...	240	...	185	...	196	...	199	...	190	...	215	215
rehead.	217	...	221	...	253	...	206	...	217	...	220	...	212	...	232	230
ches.	245	...	248	...	275	273	234	...	245	...	248	...	239	...	241	239
Albany	197	...	205	...	240	...	186	...	197	...	200	...	193	...	215	215
Augusta.	241	...	244	...	266	261	229	...	241	...	239	...	237	...	232	230
ton	225	...	228	...	263	263	214	...	225	...	229	...	220	...	232	230
cagoula	251	...	249	...	266	261	237	...	251	...	246	...	246	...	232	230
ahatchie.	233	...	236	...	263	263	221	...	233	...	234	...	228	...	232	230
ayune	250	...	254	...	275	273	237	...	250	...	246	...	246	...	241	239
Gibson.	236	...	239	...	275	273	225	...	236	...	239	...	230	...	241	239
tiss	254	...	256	...	293	291	243	...	254	...	256	...	248	...	259	257
chard	199	...	207	...	240	...	188	...	199	...	203	...	194	...	215	215
tman.	230	...	243	...	257	257	217	...	230	...	228	...	215	...	221	215
here	225	...	231	...	263	263	218	...	229	...	231	...	224	...	232	230
nton.	239	...	240	...	266	261	226	...	239	...	237	...	234	...	232	230
ling Fork	225	...	228	...	266	266	214	...	225	...	228	...	220	...	240	238
odale	213	...	217	...	253	...	202	...	213	...	216	...	208	...	232	230
le.	241	...	245	...	275	273	230	...	241	...	245	...	237	...	241	239
ville.	213	...	217	...	253	...	202	...	213	...	216	...	208	...	232	230
d Hill.	229	...	231	...	263	263	218	...	229	...	231	...	224	...	232	230
atoga	236	...	240	...	266	261	225	...	236	...	239	...	230	...	232	230
atobia.	199	...	207	...	240	...	188	...	199	...	203	...	196	...	215	215
ver Creek	239	...	241	...	275	273	228	...	239	...	241	...	234	...	241	239
rall.	260	...	267	...	275	270	247	...	260	...	258	...	255	...	250	248
n Lake.	209	...	213	...	253	...	198	...	210	...	213	...	204	...	232	230
ica	199	...	207	...	240	...	189	...	199	...	205	...	196	...	215	215
alo	201	...	207	...	244	240	190	...	201	...	204	...	196	...	215	214
ertown.	254	...	257	...	275	273	243	...	254	...	257	...	248	...	241	239
on.	225	...	228	...	265	263	214	...	225	...	228	...	220	...	232	230
ksburg:																
L.R.-R.W.R	233	...	236	...	266	266	221	...	233	...	236	...	229	...	240	238
.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	243	...	...	...	...	...
.B.L. (Note C)	261	...	...	...	...	...	218	...	...	...	...	...	225	...	...	...
.B.L. (Note E)	228	...	229	...	260	...	229	...	228	...	229	...	220	...	...	...
.B.L. (Note F)	225	...	228	...	248	...	210	...	225	...	...	...	217	...	...	...
.V.B.L. (Note C1)	221	...	224	...	[illegible]	...	208	...	221	...	224	...	213	...	228	...
.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
ille.	236	...	239	...	275	273	225	...	236	...	239	...	230	...	241	239
r Valley	205	...	207	...	240	...	192	...	205	...	201	...	198	...	215	215

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-J.

Add to page 300 of Tariff.

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended													
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)													
MISSISSIPPI - Conc.														
Waynesboro	236	. . .	243	. . .	257	248	221	. . .	236	. . .	234	. . .	230	. . .
West Point	213	. . .	216	. . .	244	240	202	. . .	213	. . .	216	. . .	208	. . .
Why Not	247	. . .	249	. . .	265	265	234	. . .	247	. . .	246	. . .	243	. . .
Wiggins	246	. . .	249	. . .	266	261	231	. . .	246	. . .	243	. . .	239	. . .
Winona	217	. . .	220	. . .	253	. . .	206	. . .	217	. . .	219	. . .	212	. . .
Woodville	257	. . .	259	. . .	275	273	246	. . .	257	. . .	255	. . .	251	. . .
Yazoo City	225	. . .	228	. . .	263	263	214	. . .	225	. . .	228	. . .	220	. . .
NORTH CAROLINA														
Franklin	219	219	225	225	221	221	195	195	219	219	189	189	217	217
SOUTH CAROLINA														
Aiken	203	203	210	207	207	197	184	181	207	207	175	170	207	207
Allendale	210	210	217	213	210	202	187	187	216	216	176	172	216	216
Anderson	201	201	207	207	203	199K	184	184	201	201	175	175	201	201
Andrews	194	194	204	204	196	192K	178	178	199	199	166	166	199	199
Barnwell	203	203	210	207	207	197	184	181	207	207	175	170	207	207
Batesburg	201	201	210	207	207	197	184	181	207	207	175	170	207	207
Belton	201	201	207	207	203	199K	184	184	201	201	175	175	201	201
Bennettsville	185	185	193	193	185	181K	170	170	191	191	158	158	191	191
Blackburg	185	185	193	193	189	185K	170	170	191	191	158	158	191	191
Blackville	201	201	210	207	207	197	184	181	207	207	175	170	207	207
Blenheim	185	185	193	193	185	181K	170	170	191	191	158	158	191	191
([illegible]) Buffalo	210	210	220	220	213	209K	195	195	209	209	182	182	209	209
([illegible]) Buffalo	196	196	204	204	196	192K	178	178	195	195	166	166	195	195
Calhoun Falls	201	201	207	207	203	199K	184	184	207	207	175	175	207	207
Camden	189	189	193	193	185	181K	170	170	193	193	158	158	196	196
Carlisle	194	194	204	204	196	192K	178	178	198	198	166	166	198	198
Catawba	185	185	193	193	189	185K	170	170	191	191	158	158	191	191
Charleston	203	203	204	204	196	192K	178	178	207	207	176	166	207	207
Cheraw	185	185	193	193	185	181K	170	170	191	191	158	158	191	191
Chester	185	185	193	193	189	185K	170	170	191	191	158	158	191	191
Chesterfield	193	193	203	203	195	191K	180	180	196	196	168	168	196	196
Clinton	194	194	204	204	196	192K	178	178	198	198	166	166	198	198
Clio	185	185	193	193	184	180K	170	170	191	191	158	158	191	191
Columbia	194	194	204	204	196	192K	178	178	199	199	166	166	199	199
Conway	193	193	193	193	185	181K	170	170	196	196	158	158	196	196
Coosaw	216	216	217	217	210	202	187	187	221	221	176	172	221	221
Cordesville	196	196	204	204	196	192K	178	178	199	199	166	166	203	203
Darlington	185	185	193	193	185	181K	170	170	191	191	158	158	191	191
Denmark	201	201	210	207	207	197	184	181	207	207	175	170	207	207
Dillon	185	185	193	193	185	181K	170	170	191	191	158	158	191	191
Edgefield	206	206	207	207	203	199K	184	184	209	209	175	175	209	209
Estill	213	213	217	213	210	202	187	187	219	219	176	172	219	219
Fairfax	210	210	217	213	210	202	187	187	216	216	176	172	216	216
Florence	185	185	193	193	185	181K	170	170	191	191	158	158	193	193
Fort Lawn	185	185	193	193	189	185K	170	170	189	189	158	158	189	189
Georgetown	196	196	204	204	196	192K	178	178	199	199	166	166	199	199
Graniteville	203	203	210	207	207	197	184	181	207	207	175	170	207	207
Great Falls	185	185	193	193	189	185K	170	170	191	191	158	158	191	191
Greenville	194	194	204	204	196	192K	178	178	195	195	166	166	195	195
Greenwood	201	201	207	207	203	199K	184	184	201	201	175	175	201	201
H.& B. Jct	207	207	210	201	207	197	184	181	216	216	175	170	216	216
Hardeeville	219	219	217	213	210	202	187	187	225	225	176	172	225	225
Hartsville	185	185	193	193	185	181K	170	170	191	191	158	158	193	193
Holly Hill	199	199	204	204	196	192K	178	178	203	203	166	166	203	203
Jackson	210	210	217	213	210	202	187	187	213	213	176	172	213	213

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

page 300 of Tariff:

SECTION 1-A - Continued

d From Stations n on pages 196 173, inclusive Tariff as nced, taking Basis shown w:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
UTH CAROLINA - Cons.																
ille.	194	194	204	204	196	192K	178	178	199	199	166	166	199	199	156	152K
City.	194	194	204	204	196	192K	178	178	199	199	166	166	199	199	156	152K
ter.	185	185	193	193	189	185K	170	170	191	191	158	158	191	191	150	146K
.	185	185	193	193	189	185K	170	170	191	191	158	158	191	191	150	146K
.	194	194	204	204	196	192K	178	178	199	199	166	166	199	199	156	152K
ns.	194	194	204	204	196	192K	178	178	198	198	166	166	198	198	156	152K
.	185	185	193	193	185	181K	170	170	191	191	158	158	193	193	150	146K
l	185	185	193	193	185	181K	170	170	191	191	158	158	191	191	150	146K
mick.	201	201	207	207	203	199K	184	184	204	204	175	175	204	204	165	161K
n	185	185	193	193	185	181K	170	170	191	191	158	158	193	193	150	146K
tts	203	203	210	207	207	197	184	181	207	207	175	170	210	210	165	155
ns.	185	185	193	193	185	181K	170	170	191	191	158	158	191	191	150	146K
rry	194	194	204	204	196	192K	178	178	199	199	166	166	199	199	156	152K
Augusta.	210	210	217	213	210	202	187	187	213	213	176	172	213	213	168	162D
eburg	196	196	204	204	196	192K	178	178	199	199	166	166	203	203	156	152K
and	198	198	206	206	197	193K	182	182	201	201	170	170	201	201	161	157K
.	201	201	210	207	207	197	184	181	207	207	175	170	207	207	165	155
ittsburg.	201	201	207	204	203	193	184	181	201	201	175	170	211	211	174	164
ittsburg.	220	220	228	225	224	214	205	202	222	222	198	191	228	228	186	176
n	189	189	193	193	185	181K	170	170	193	193	158	158	193	193	150	146K
all	203	203	204	204	196	192K	178	178	207	207	166	166	207	207	156	152K
urg	209	209	201	201	203	199K	178	178	199	199	166	166	199	199	158	154K
Hill.	185	185	193	193	189	185K	170	170	191	191	158	158	191	191	150	146K
llville	201	201	211	211	204	200K	186	186	207	207	174	174	207	207	164	160K
a	211	211	220	217	217	207	194	191	217	217	185	180	217	217	175	165
a	201	201	207	207	199	195K	184	184	201	201	175	175	201	201	165	161K
anburg.	194	194	204	204	196	192K	178	178	194	194	166	166	192	192	156	152K
r	193	193	193	193	185	181K	170	170	196	196	158	158	196	196	150	146K
an.	216	216	217	213	210	202	187	187	219	219	176	172	219	219	168	162D
.	194	194	204	204	196	192K	178	178	195	195	166	166	195	195	156	152K
rboro	210	210	210	207	207	197	184	181	213	213	175	170	213	213	165	155
Shoals.	201	201	207	207	203	199K	184	[illegible]	204	204	175	175	204	204	165	161K
boro.	194	194	204	204	196	192K	178	178	199	199	166	166	199	199	156	152K
usee	213	213	217	213	210	208	187	187	219	219	176	172	219	219	168	162D
.	185	185	193	193	189	185K	170	170	191	191	158	158	191	191	150	146K
TENNESSEE																
ngton.	180	. . .	199	. . .	240	. . .	178	. . .	193	. . .	196	. . .	185	. . .	215	215
na	176	. . .	179	. . .	211	204J	159	. . .	176	. . .	165	. . .	170	. . .	182	178K
nd City	177	. . .	186	. . .	226	. . .	168	. . .	177	. . .	164	. . .	174	. . .	210	210
ns	185	. . .	187	. . .	211	204J	164	. . .	186	. . .	172	. . .	178	. . .	182	178K
.	182	. . .	193	. . .	230	. . .	170	. . .	185	. . .	189	. . .	179	. . .	211	211
nsville.	185	. . .	193	. . .	234	. . .	172	. . .	189	. . .	184	. . .	182	. . .	211	211
eton	179	. . .	185	. . .	227	. . .	164	. . .	179	. . .	182	. . .	173	. . .	200	200
hage	191	. . .	198	. . .	235	. . .	160	. . .	191	. . .	192	. . .	186	. . .	206	206
hage Jct	191	. . .	196	. . .	225	. . .	179	. . .	191	. . .	192	. . .	188	. . .	206	206
reville.	180	. . .	186	. . .	234	. . .	171	. . .	180	. . .	184	. . .	175	. . .	217	211
tanooga.	185	185	187	187	211	204J	170	170	185	185	180	180	178	178	182	178K
ksville.	164	. . .	173	. . .	213	. . .	155	. . .	164	. . .	170	. . .	161	. . .	197	197
eland.	186	. . .	191	. . .	211	204J	171	. . .	186	. . .	176	. . .	182	. . .	182	178K
mbia	179	. . .	185	. . .	224	. . .	167	. . .	179	. . .	179	. . .	174	. . .	198	198
eville	196	. . .	198	. . .	227	. . .	181	. . .	196	. . .	196	. . .	189	. . .	208	208
ernill	182	. . .	195	. . .	211	211	175	. . .	192	. . .	180	. . .	186	. . .	182	178K
ell.	162	. . .	166	. . .	207	. . .	149	. . .	162	. . .	162	. . .	157	. . .	172	172
ngton.	189	. . .	198	. . .	237	. . .	178	. . .	189	. . .	196	. . .	182	. . .	217	217
eville	184	. . .	187	. . .	214	. . .	170	. . .	184	. . .	184	. . .	178	. . .	180	180
son	176	. . .	172	. . .	211	204J	162	. . .	176	. . .	176	. . .	170	. . .	182	178K

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on page 17 to 95, inclusive of Tariff as amended.															
	Brenchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergree	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	R
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.															
TENNESSEE - Con.																
Delrose	187	...	191	...	224	...	175	...	187	...	187	...	181	...	198	198
Dickson	177	...	184	...	221	...	166	...	177	...	176	...	171	...	200	200
Dunlap	195	...	190	...	224	...	181	...	195	...	189	...	189	...	198	198
Dyersburg	182	...	189	...	227	...	173	...	182	...	189	...	176	...	214	214
East Jamestown	165	...	167	...	207	207	150	...	165	...	165	...	158	...	172	172
Erin	169	...	176	...	217	...	160	...	170	...	174	...	164	...	200	200
Etowah	185	...	187	...	211	204F	164	...	185	...	172	...	178	...	182	178
Fayetteville	187	...	191	...	224	...	175	...	187	...	187	...	181	...	198	198
Fork Mountain	168	...	171	...	207	...	155	...	168	...	168	...	162	...	172	172
Fork Ridge	155	...	167	...	203	...	148	...	165	...	162	...	158	...	166	166
Gallatin	166	...	171	...	217	...	154	...	166	...	177	...	159	...	198	198
Gernt	162	...	166	...	207	207	149	...	162	...	162	...	157	...	172	172
Glen Mary	162	...	166	...	207	...	149	...	162	...	162	...	157	...	172	172
Grand Jct.	189	...	199	...	240	...	178	...	193	...	196	...	185	...	215	215
Greeneville	172	...	181	...	195	191K	151	...	172	...	147	...	170	...	161	157
Harriman	168	...	171	...	207	207	155	...	168	...	168	...	162	...	172	172
Hartsville	169	...	176	...	217	...	158	...	169	...	170	...	164	...	198	198
Hermitage	169	...	177	...	217	...	159	...	170	...	173	...	164	...	198	198
Hickory Point	171	...	181	...	221	...	162	...	171	...	178	...	169	...	205	205
Hohenwald	185	...	190	...	234	...	176	...	185	...	187	...	178	...	211	211
Humboldt	182	...	193	...	230	...	170	...	182	...	189	...	176	...	207	207
Jackson	182	...	193	...	217	...	170	...	155	...	189	...	179	...	207	207
Jellico	160	...	164	...	207	...	144	...	160	...	158	...	155	...	172	172
Kenwood	168	...	182	...	214	...	164	...	177	...	180	...	170	...	198	198
Knoxville	172	...	176	...	195	193	156	...	172	...	165	...	167	...	161	157
LaFollette	165	...	167	...	207	...	158	...	165	...	162	...	158	...	172	172
Lake City	168	...	171	...	207	207	151	...	168	...	167	...	162	...	172	172
Lawrenceburg	187	...	181	...	234	...	175	...	187	...	187	...	173	...	211	211
Lebanon	176	...	181	...	217	...	164	...	176	...	176	...	169	...	198	198
Lenoir City	180	...	184	...	211	204F	164	...	180	...	168	...	175	...	182	178
Lewisburg	185	...	187	...	224	...	170	...	185	...	184	...	176	...	198	198
Lexington	184	...	193	...	234	...	172	...	185	...	189	...	179	...	207	207
Liberty Hill	172	...	176	...	195	193	156	...	172	...	168	...	167	...	161	157K
McKenzie	176	...	185	...	226	...	164	...	179	...	182	...	173	...	203	203
McMinnville	191	...	186	...	224	...	178	...	191	...	191	...	185	...	198	198
Madisonville	185	...	187	...	211	204F	164	...	185	...	172	...	178	...	182	178
Mahan	168	...	171	...	207	207	155	...	168	...	168	...	162	...	172	172
Martin	176	...	180	...	213	...	165	...	177	...	180	...	172	...	203	203
Maryville	176	...	179	...	211	204F	159	...	176	...	165	...	170	...	182	178
Memphis:																
A.R.-R.W.R	193	...	205	...	240	...	180	...	196	...	199	...	189	...	215	215
F.B.L. (Note B)	187	...	191	...	...	...	175	...	187	...	...	...	182	...	...	...
M.V.B.L. (Note C)	183	...	187	...	224	...	171	...	183	...	187	...	178	...	210	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Middleton	189	...	199	...	240	...	179	...	193	...	196	...	185	...	215	215
Milan	179	...	189	...	227	...	167	...	182	...	185	...	176	...	207	207
Monterey	190	...	194	...	217	...	177	...	190	...	190	...	185	...	182	182
Morristown	172	...	181	...	195	191K	151	...	172	...	152	...	169	...	161	157
Moscow	194	...	199	...	240	...	182	...	194	...	196	...	189	...	215	215
Murfreesboro	177	...	184	...	224	...	166	...	177	...	177	...	171	...	198	198
Nashville	179	...	176	...	217	...	158	...	169	...	170	...	164	...	198	198
Newport	176	...	185	...	196	196	158	...	176	...	160	...	174	...	161	157
Nicks Creek	165	...	167	...	207	...	150	...	165	...	165	...	158	...	172	172
Paris	175	...	182	...	223	...	161	...	176	...	179	...	170	...	203	203

AR - All Rail.
RWR - Rail-Water and Rail.

1660

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).															
TENNESSEE - Conc.																
Petros	172	...	178	...	207	207	160	...	172	...	172	...	167	...	172	172
Pulaski	187	...	191	...	224	...	175	...	187	...	167	...	181	...	198	198
Scottsboro	180	...	190	...	230	...	169	...	180	...	183	...	178	...	212	212
Selmer	189	...	196	...	224	...	178	...	189	...	193	...	185	...	211	211
Sevierville	196	...	199	...	217	217	179	...	196	...	185	...	190	...	181	177K
Shocks	190	...	194	...	212	212	174	...	190	...	179	...	185	...	178	174K
Somerville	189	...	199	...	240	...	178	...	193	...	196	...	185	...	215	215
South Pittsburg	188	...	191	...	224	...	175	...	188	...	186	...	182	...	198	198
Sparta	195	...	201	...	224	...	184	...	195	...	195	...	189	...	198	198
Springfield	164	...	175	...	213	...	155	...	167	...	170	...	161	...	193	193
Surgoinsville	165	...	193	...	185	185	144	...	165	...	147	...	170	...	148	149
Tipprell	172	...	176	...	195	195	156	...	172	...	168	...	167	...	161	157K
Tiptonville	179	...	193	...	228	228	173	...	185	...	193	...	179	...	214	214
Tracy City	191	...	197	...	224	...	179	...	191	...	191	...	185	...	198	198
Tullahoma	184	...	189	...	224	...	171	...	184	...	184	...	177	...	198	198
Union City	175	...	178	...	211	...	163	...	175	...	178	...	169	...	201	201
Watertown	186	...	192	...	224	...	175	...	186	...	187	...	180	...	204	204
Waverly	178	...	185	...	224	...	169	...	178	...	184	...	173	...	204	204
White Bluff	176	...	181	...	221	...	164	...	176	...	176	...	169	...	200	200
Whiteville	189	...	196	...	240	...	178	...	189	...	193	...	182	...	215	215
Wilder	195	...	198	...	218	...	181	...	195	...	194	...	189	...	183	183

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended															
	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)															
ALABAMA																
Akron	259	255	262	258	211	211	218	218	240	236	256	. .	288	284	225	. .
Alexander City	236	229	239	232	192	192	199	195	216	209	219	219	267	260	212	212
Aliceville	259	255	262	258	211	211	218	218	240	236	228	. .	288	284	229	. .
Altoona	246	238	249	241	199	199	206	202	226	219	207	207	276	268	200	200
Andalusia	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231
Anniston	236	229	239	232	192	192	199	195	216	209	207	207	267	260	200	200
Atmore	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	238	. .
Bayou La Batre	269	260	271	262	216	216	224	220	249	240	244	. .	297	288	247	. .
Birmingham	246	238	249	241	199	199	206	202K	226	219F	213	213	276	268	206	206
Blocton	246	238	249	241	199	199	206	202	226	219	216	216	276	268	209	209
Blossburg	246	238	249	241	199	199	206	202	226	219	213	213	276	268	206	206
Boaz	246	238	249	241	199	199	206	202	226	219	204	204	276	268	206	206
Boligee	259	255	262	258	211	211	218	218	240	236	228	. .	288	284	225	. .
Boyd	277	273	280	276	229	229	236	236	257	253	248	. .	305	301	247	. .
Brantley	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	229	229
Brewton	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231
Brilliant	256	252	259	255	211	211	218	218	236	232	221	. .	285	281	214	. .
Brownville	277	273	280	276	232	232	239	239	257	253	239	. .	306	302	265	. .
Buhl	256	252	259	255	211	211	218	218	236	232	225	. .	285	281	248	. .
Burbank	290	281	293	285	237	237	245	241	270	261	264	. .	218	309	259	. .
Calera	246	238	249	241	199	199	206	202K	226	219F	216	216	276	268	209	209
Calvert	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	238	. .
Cardiff	246	238	249	241	199	199	206	202	226	219	213	213	276	268	206	206
Carrollton	274	270	276	274	226	226	233	233	254	250	240	. .	303	299	244	. .
Cedar Bluff	236	229	239	232	192	192	199	195	216	209	207	207	267	260	199	199
Chatom	292	283	290	281	239	239	247	243	272	263	266	. .	320	311	263	. .
Chelsea	246	238	249	241	199	199	206	202K	216	209F	216	216	276	268	209	209
Cherokee	246	246	252	252	207	207	207	207	232	231	204	. .	276	276	196	. .
Childersburg	246	238	249	241	199	199	206	202K	226	219F	216	216	276	268	209	209
Choctaw City	289	280	291	282	236	236	244	240	269	260	251	. .	316	307	247	. .
Clanton	246	238	249	241	199	199	206	202K	226	219F	219	219	276	268	212	212
Colta	246	238	249	241	199	199	206	202	226	219	216	216	276	268	209	209
Cromwell	277	273	280	276	229	229	236	236	257	253	251	. .	305	301	254	. .
Cullman	246	238	249	241	199	199	206	202	226	219	207	207	276	268	196	196
Decatur	236	236	242	242	194	194	194	194	219	218	201	. .	267	267	194	. .
Demopolis	259	255	262	258	211	211	218	218	240	236	234	. .	288	284	229	. .
Dothan	252	238	255	241	199	196	207	197	233	219	227	223	279	265	223	223
Elba	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231
Enterprise	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231
Eufaula	246	231	246	231	198	188	199	190	224	209	224	220	272	257	223	221
Fayette	256	252	259	255	211	211	216	218	236	232	225	. .	285	281	215	. .
Fern Bank	256	252	259	255	211	211	218	218	236	232	221	. .	285	281	214	. .
Flomaton	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	236	. .
Florala	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231
Florence	246	246	252	252	207	207	207	207	232	231	204	. .	276	276	194	. .
Foley	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	245	. .
Franklin	252	238	255	241	199	196	207	197	233	219	227	223	283	265	279	223
Frisco City	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	236	. .
Gadsden	236	229	239	232	192	192	199	195	216	209	204	204	267	260	197	197
Genery	246	238	249	241	199	199	206	202K	226	219F	216	216	276	268	209	209
Geneva	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231
Greensboro	259	245	262	258	211	211	218	218	240	236	225	. .	288	284	225	. .
Greenville	265	253	264	252	210	210	221	216H	243	232	234	234	289	277	227	227
Gurley	236	236	242	242	194	194	194	194	219	218	201	. .	267	267	194	. .
Gurnee Junction	246	238	249	241	199	199	206	202	226	219	216	216	276	268	209	209

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-1

d to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

and From Stations shown on pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
ALABAMA - Cont.																		
lawaka.	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	227	223
lbyville.	256	252	259	255	211	211	218	218	236	232	210	. .	285	281	202	. .	215	. .
rdaway.	252	238	255	241	199	196	207	197	233	219	227	223	279	265	223	223	231	231
rtford.	265	253	264	252	210	210	221	216H	233	222	237	237	289	277	231	231	244	244
adland.	252	238	255	241	199	196	207	197	233	219	227	223	279	265	223	223	237	237
flin.	236	229	239	232	192	192	199	195	216	209	210	210	267	260	203	203	216	216
ntsville.	236	236	242	242	194	194	194	194	219	218	204	. .	267	267	194	. .	207	. .
rtsboro	252	238	255	241	199	196	207	197	233	219	227	223	279	265	223	223	231	231
mestown	236	229	239	232	192	192	199	195	216	209	198	198	267	260	192	192	204	204
sper.	246	238	251	243	199	199	206	202	226	219	216	216	276	268	209	209	221	221
mbrough	259	250	271	262	216	216	224	220	249	245	234	. .	297	288	227	. .	243	243
Fayette.	236	229	239	232	192	192	199	195	216	209	221	221	267	260	218	218	221	221
nett.	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
high.	246	238	249	241	199	199	206	202	226	219	210	210	276	268	203	203	216	216
nden.	269	260	271	262	216	216	224	220	249	240	234	. .	297	288	227	. .	243	243
verne	265	253	264	252	210	210	221	216H	243	232	234	234	289	277	227	227	244	244
drid.	259	245	255	241	207	204	217	207	240	226	237	237	281	267	231	231	244	244
plesville	246	238	249	241	199	199	206	202K	226	219F	221	221	276	268	215	215	228	228
rgaret.	246	236	249	241	199	199	206	202K	226	219F	216	216	276	268	209	209	221	221
rigold.	267	259	270	262	220	220	227	223	247	240	237	237	297	289	243	243	239	239
rion Junction	246	238	249	241	199	199	206	202K	226	219F	223	223	276	268	221	221	228	228
ylene	246	238	249	241	199	199	206	202K	226	219F	219	219	276	268	212	212	225	225
bile:																		
A.R.-R.W.R.	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	245	. .	243	243
F.B.L. (Note B)	262	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	277	. .	. .	. .	. .	. .
F.B.L. (Note Ca).	267	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	[illegible]	. .	248	. .	251	. .
F.B.L. (Note E)	267	. .	. .	. .	. .	. .	. .	. .	. .	. .	260	. .	281	. .	243	. .	251	. .
nroeton	269	260	271	262	216	216	224	220	249	240	237	. .	297	288	229	. .	243	243
nroeville	269	260	271	262	216	216	224	220	249	240	239	. .	297	288	233	. .	243	243
ntgomery.	252	238	255	241	199	196	207	197	233	219	227	223	270	256	223	223	231	227
dmah	269	260	262	253	216	216	224	220	249	240	234	. .	297	288	227	. .	243	243
elika	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	227	223
o	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231	244	244
ark	252	238	255	241	199	196	207	197	233	219	237	233	279	265	223	223	234	234
nola.	279	275	288	278	231	231	238	238	260	256	249	. .	308	304	255	. .	258	258
ll City	246	238	249	241	199	199	206	202K	226	219F	210	210	276	268	203	203	216	216
nix City	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
edmont.	236	229	239	232	192	192	199	195	216	209	207	207	267	260	200	200	213	213
ttsview	252	238	255	241	199	196	207	197	233	219	227	223	279	265	223	223	231	231
d Bay	256	252	259	255	211	211	218	218	236	232	210	. .	285	281	199	. .	211	. .
fora.	256	252	259	255	211	211	218	218	236	232	225	. .	285	281	218	. .	228	. .
verview	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	227	223
anoke	236	229	239	232	192	192	199	195	216	209	221	221	267	260	215	215	221	221
nson.	265	253	264	252	210	210	221	216H	243	232	236	236	289	277	231	231	244	244
tsuma	269	260	271	262	210	210	224	220	249	240	223	. .	297	288	242	. .	243	243
lma	246	238	249	241	199	199	206	202K	226	219F	233	223	276	268	218	218	228	228
las	294	290	296	292	241	241	249	249	275	271	261	. .	323	319	254	. .	268	268
pey.	246	238	249	241	199	199	206	202	226	219	219	219	276	268	212	212	225	225
venson	236	236	242	242	194	194	194	194	219	218	194	. .	267	267	187	. .	200	. .
sville.	269	260	271	262	216	216	224	220	249	240	239	. .	297	297	233	. .	243	243
lacauga	236	229	239	232	192	192	199	195	216	209	216	216	267	260	209	209	221	221
lladega	236	229	239	232	192	192	199	195	216	209	213	213	267	260	206	206	219	219
llassee	269	255	272	258	216	213	224	214	249	235	243	239	295	281	239	239	246	246
y.	252	238	255	241	199	196	207	197	233	229	227	223	279	265	223	223	231	231
scaloosa.	246	238	249	241	199	199	206	202	226	219	219	219	276	268	212	212	223	223
skegee.	269	255	272	258	216	213	224	214	249	235	243	239	295	281	239	239	243	241
ion Springs	252	238	255	241	199	196	207	197	233	229	227	223	279	265	223	223	231	231

AR - All-Rail.
RWR - Rail-Water and Rail.

Add topage 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.																	
	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)																	
ALABAMA - Conc.																		
Valley Head	236	229	239	232	192	192	199	195	216	209	194	194	267	260	187	187	200	200
Vinegar Bend	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	238	. .	243	243
Warrior	246	238	249	241	199	199	206	202	226	219	213	213	276	268	206	206	219	219
Wattsville	246	238	249	241	199	199	206	202K	226	219F	210	210	276	268	203	203	216	216
Winfield	256	252	259	255	211	211	218	218	236	232	221	. .	285	281	214	. .	227	. .
Yantley	277	273	280	276	229	229	236		257	253	251	. .	305	301	253	. .	256	. .
Yolande	246	238	249	241	199	199	206	202	226	219	216	216	276	268	209	209	221	221
York	259	255	262	258	211	211	218	218	240	236	230	. .	288	284	229	. .	238	238
ARKANSAS																		
Helena:																		
A.R.-R.W.R.	265	265	274	266	228	228	235	235	256	251	213	. .	294	286	204	. .	221	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	210	. .	225	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	205	. .	206	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
FLORIDA																		
Alachua	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	[illegible]
Altha	265	253	264	252	210	210	221	216H	243	232	240	240	289	277	232	232	244	244
Apalachicola	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	242	248	[illegible]
Arcadia	280	267	277	264	247	238	246	239F	262	250	269	269	303	290	277	273	284	281
Avon Park	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	[illegible]
Barrineau Park	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	238	. .	243	[illegible]
Bartow	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	[illegible]
Baxter	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
Bell	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	[illegible]
Belleglade-Chosen	280	267	277	264	247	238	246	239	262	250	269	269	303	290	277	273	284	281
Blountstown	265	253	264	252	210	210	221	216H	243	232	244	244	289	277	232	232	244	244
Bradenton	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	[illegible]
Branford	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	[illegible]
Brewster	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	[illegible]
Brooksville	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	[illegible]
Bunker Hill	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	[illegible]
Campbellton	259	245	255	241	207	204	217	207	240	226	237	237	281	267	231	231	244	244
Center Hill	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	[illegible]
Century	269	260	271	262	216	216	224	220	249	240	243	. .	297	288	236	. .	243	[illegible]
Chattahoochee	256	241	246	231	203	193	210	201	236	221	237	231	272	257	231	221	244	[illegible]
Chuluota	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	[illegible]
Clearwater	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	[illegible]
Clewiston	280	267	277	264	247	238	246	239	262	250	269	269	303	290	277	273	284	281
Cottondale	259	245	255	241	207	204	217	207	240	226	237	237	281	267	231	231	244	244
Crestview	265	253	264	252	210	210	221	216H	243	232	240	240	289	277	231	231	244	244
Cross City	252	237	255	240	211	200	213	204	230	216	234	232	279	265	242	236	248	[illegible]
Daytona Beach	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	[illegible]
DeFuniak Springs	265	253	264	252	210	210	221	216H	243	232	244	244	289	277	232	232	244	[illegible]
Dowling Park	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	[illegible]
Drexel	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	[illegible]
Drifton	256	241	246	231	203	193	210	201	236	221	237	231	272	257	231	221	244	[illegible]
Dunnellon	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	[illegible]
Everglades	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	[illegible]
Fairfield	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	[illegible]
Fellsmere	285	272	282	269	251	242	250	243F	266	254	274	274	307	294	282	278	258	[illegible]
Fernandina	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
Ft. Lauderdale	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	[illegible]
Ft. Myers	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	[illegible]
Ft. Pierce	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	[illegible]
Gainesville	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	[illegible]

AR - All Rail.
RWR.- Rail-Water and Rail.

to Page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

and From Stations shown on pages 96 to 73, inclusive of Tariff as amended, taking ate Basis shown below:	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
FLORIDA - Cont.																		
acaville	265	253	264	252	210	210	221	216H	243	232	240	240	289	277	231	231	244	244
en Cove Springs	243	228	246	231	202	191	201	192	222	208	227	225	273	258	233	227	240	235
enville	246	226	240	222	196	183	203	191	226	209	231	226	265	247	231	214	240	224
enwood	276	262	278	264	223	220	230	220	256	242	250	246	302	288	246	246	259	259
ines City	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	262
stings	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
wthorne	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
gh Springs	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
lliard	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
mestead	297	286	292	281	264	257F	263	258H	278	268	286	286	318	307	294	292	301	300
sford	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
cksonville	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
mieson	256	241	246	231	203	193	210	201	236	221	237	231	272	257	231	221	244	232
sper	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
piter	280	267	277	264	247	238	246	239F	262	250	269	269	303	290	277	273	284	281
nansville	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	272
ssimmee	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	262
ke Butler	243	228	246	231	202	191	201	192	222	208	227	225	273	258	233	227	240	235
ke City	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
keland	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	272
ke Wales	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	272
ntey	243	228	246	231	202	191	201	192	222	208	227	225	273	258	233	227	240	235
esburg	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	253
ve Oak	246	228	240	222	196	183	203	191	226	209	231	226	265	247	231	214	240	224
dison	246	228	240	222	196	183	203	191	226	209	231	226	265	247	231	214	240	224
rianna	259	245	255	241	207	204	217	207	240	226	237	237	281	267	231	231	244	244
yo	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
ytown	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	253
lbourne	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	262
ami	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	292
lton	265	253	264	252	210	210	221	216H	243	232	240	240	289	277	231	231	244	244
ples	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	292
wberry	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
ala	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	253
echobee	280	267	277	264	247	238	246	239F	262	250	269	269	303	290	277	273	284	281
al.	280	267	277	264	247	238	246	239F	362	250	269	269	303	290	277	273	284	281
lando	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	262
ter Creek	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	253
latka	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
lmdale	280	267	277	264	247	238	246	239F	262	250	269	269	303	290	277	273	284	281
nama City	265	253	264	252	210	210	221	216H	243	232	244	244	289	277	235	235	244	244
nsacola	269	260	271	262	216	216	224	220	249	240	243	243	297	288	242	242	243	243
rry	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
erson	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	253
Pinetta	246	228	240	222	196	183	203	191	226	209	231	226	265	247	231	214	240	224
Pinetta	267	249	261	243	217	204	224	212	247	230	252	247	286	268	252	235	261	245
ant City	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	282
rt St.Joe	265	253	264	252	210	210	221	216H	243	232	250	246	289	277	242	242	250	245
tatsville	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
incy	256	241	246	231	203	193	210	201	236	221	237	231	272	257	231	221	244	232
.Augustine	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
.Catherine	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	262
.Petersburg	271	258	268	255	238	229	237	230F	253	241	260	260	294	281	268	264	275	272
nderson	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
nford	256	242	259	245	270	210	219	211	235	222	243	242	282	268	251	246	257	253

AR - All Rail.
RWR - Rail-Water and Rail.

Add to Page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
FLORIDA Cons.																		
Sarasota	280	267	277	264	247	238	246	230F	262	250	269	269	303	290	277	273	254	281
Shady Grove	252	237	256	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
South Boca Grande	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	282
South Jacksonville	243	228	246	231	202	191	201	192	222	208	227	225	273	256	233	227	240	235
Tallahassee	256	241	246	231	203	193	210	201	236	221	237	231	272	257	231	221	244	232
Tampa	271	258	268	256	238	229	237	230	253	241	260	260	294	281	268	264	275	278
Titusville	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	266	262
Wakulla	252	237	255	240	211	200	213	204	230	216	234	232	279	264	242	236	248	243
West Palm Beach	288	277	283	272	255	248F	254	249H	269	259	277	277	309	298	285	283	293	282
Williston	256	242	259	245	220	210	219	211	235	222	243	242	282	268	251	246	257	253
Winter Garden	262	248	265	251	229	219	228	220	244	231	251	250	288	274	259	254	263	262
Winter Haven	271	256	268	256	238	229	237	230F	253	241	260	260	294	281	268	264	275	271
Youngstown	265	253	264	252	210	210	221	216H	243	232	240	240	289	277	232	232	244	244
Yukon	243	228	246	231	202	191	201	192	222	208	227	225	273	258	233	227	240	235
GEORGIA																		
Abbeville	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
Albany	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Alma	233	215	235	217	187	174	189	177	206	191	217	212	261	243	223	214	231	221
Americus	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Arlington	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Athens	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Atlanta	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Augusta	219	210	218	209	171	166H	173	169K	196	169	206	199	243	254	206	202	217	213
Bainbridge	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Baxley	233	215	235	217	187	174	189	177	206	191	217	212	261	243	223	214	231	221
Blue Ridge	223	216F	223	216F	178	178	185	181K	205	198F	198	198	250	243F	192	192	204	204
Bonaire	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
Bowdon	229	222F	233	226F	178	178	185	181K	208	201F	204	204	260	253F	203	203	211	211
Bremen	229	222F	233	226F	178	178	185	181K	208	201F	204	204	260	253F	203	203	211	211
(204) Bridgeboro	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
(205) Bridgeboro	267	252	267	252	219	209	220	211	245	228	245	241	293	276	244	242	251	247
Brunswick	233	215	235	217	187	174	189	177	206	191	217	212	261	253	223	214	231	221
Buena Vista	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Buford	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Camak	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Campton	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Canton	229	222F	233	226F	178	178	185	181K	208	188F	204	204	260	253F	200	200	211	211
Carrollton	229	222F	233	226F	178	178	185	181K	208	201F	204	204	260	253F	203	203	211	211
Cartersville	229	222F	233	226F	178	178	185	181K	208	201F	204	204	260	253F	197	197	210	210
Cave Spring	229	222F	233	226F	178	178	185	181K	208	201F	204	204	260	253F	197	197	210	210
Cedartown	229	222F	233	226F	178	178	185	181K	208	201F	204	204	260	253F	197	197	210	210
Cenchat	223	216F	229	222F	178	178	185	181K	205	196F	190	190	250	243F	184	184	196	196
Chatsworth	229	222F	233	226F	178	178	185	181K	208	201F	198	198	260	253F	192	192	204	204
Claxton	229	213	225	209	178	166	182	171	205	189	210	204	251	235	214	204	224	214
(204) Clyattville	246	228	240	222	196	183	203	191	226	209	231	226	265	247	231	214	240	234
(205) Clyattville	267	249	261	243	217	204	224	212	247	230	252	247	286	268	252	235	261	255
Clyo	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	213
Columbus	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Commerce	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Cordele	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
Cornelia	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Covington	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Cusseta	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Cuthbert	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Dalton	229	222F	233	226F	178	178	185	181K	208	201F	194	194	260	253F	187	187	200	200

AR - All Rail.
RWR - Rail-Water and Rail.

dd to Page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.

o and From Stations shown on pages 96 to 173, inclusive of Tariff, as amended, taking Rate Basis shown below:	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)																	
GEORGIA - Cont.																		
ames Ferry	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
awson	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
ouglas	239	221	240	222	191	178	196	184	219	212	224	219	265	247	223	214	231	223
ublin	229	220	225	216	198	173H	182	178K	206	199	210	210	251	242	214	214	224	218
urand	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
urham	236	229	239	232	192	192	199	195	216	209	194	194	267	260	187	187	200	200
gypt	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	213
lberton	[illegible]	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
mpire	[illegible]	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
itzgerald	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
olkston	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
ort Gaines	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	216
ort Valley	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
ainesville	225	218F	229	222F	185	181K	185	181K	206	198F	207	207	257	250F	214	214	216	216
Garfield	225	216	225	216	178	173	182	178K	206	199	210	210	251	242	214	214	224	218
Garfield	246	237	246	237	199	194H	203	199K	229	220	231	231	272	263	235	235	245	239
Gracewood	225	216	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
Gracewood	246	237	246	237	199	194	203	199K	229	220	231	231	272	263	235	235	245	239
riffin	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
artwell	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
aylow	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
azlehurst	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	215	231	223
elena	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
ooker	223	216F	223	216F	178	176	185	181K	203	196F	190	190	250	243F	184	184	196	196
oschton	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	266	216
efferson	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
effersonville	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
esup	233	215	235	217	187	174	189	177	208	191	217	212	261	243	223	214	231	221
nction City	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	211	230	226
Keysville	225	216	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	234	228
Keysville	246	237	246	237	199	194H	203	199K	229	220	231	231	272	263	235	235	245	239
ldare	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	213
Grange	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
keland	255	237	240	222	208	195	213	201	236	219	240	235	282	264	239	230	248	240
avonia	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
wrenceville	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
uisville	229	220	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
Donough	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
chen	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
con	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
dison	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
nlo	236	229	239	232	192	192	199	195	216	209	198	198	267	260	192	192	204	204
dville	225	216	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
lledgeville	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	218
llen	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	213
lstead	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
ntezuma	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
ultrie	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
Nashville	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	223
Nashville	260	242	261	243	212	189	217	205	240	223	245	240	286	268	244	235	252	244
man	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
rfield	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	226
ferman	233	215	235	217	187	174	189	177	208	191	217	212	261	243	223	214	231	221
Pavo	246	231	246	231	198	188	199	190	219	204	224	220	272	257	223	221	230	226
Pavo	267	252	267	262	219	209	220	211	240	235	245	241	293	276	244	242	251	247

AR - All Rail.
RWR - Rail-Water and Rail.

Add to Page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff, as amended, taking Rate Basis shown below:

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
GEORGIA - Conc.																		
Pelham	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	[illegible]
Quitman	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
(209) Relee	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
(205) Relee	260	242	261	243	212	199	217	205	240	223	245	240	286	268	244	235	252	244
Riceboro	229	213	235	[illegible]	178	166	182	171	205	189	210	204	251	235	214	204	224	214
Richland	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	[illegible]
Rockmart	229	222F	233	226F	178	178	185	181K	206	201F	204	204	260	253F	197	197	210	210
Rome	229	222F	233	226F	178	178	185	181K	206	201F	201	201	260	253F	194	194	207	207
St.George	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
St.Marys	256	238	257	239	209	196	214	202	237	220	242	237	283	265	241	232	249	241
(209) Sale City	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	[illegible]
(207) Sale City	267	252	267	252	219	209	220	211	243	228	245	241	293	278	244	242	251	247
Sandersville	229	220	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
Sardis	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	212
Savannah	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	212
Semola	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Sogerton	229	220	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
Statesboro	229	213	225	209	178	166	182	171	205	189	210	204	251	245	214	214	224	214
(209) Swainsboro	225	216	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
(205) Swainsboro	246	237	246	237	199	194H	203	199K	229	220	231	231	272	263	235	235	245	[illegible]
Tallulah Falls	229	222F	233	226F	178	178	185	181K	206	201F	207	207	260	253F	214	214	219	[illegible]
Tennille	219	210	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	[illegible]
Thomaston	215	208F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	[illegible]
Thomasville	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	[illegible]
(209) Ticknor	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	[illegible]
(207) Ticknor	267	252	267	252	219	209	220	211	243	228	245	241	293	278	244	242	251	247
Tifton	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
Toomsboro	229	220	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	[illegible]
Topeka Jct.	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Trenton	236	229	239	232	192	192	199	195	216	209	190	190	267	260	184	184	196	196
Trion	229	222F	233	226F	178	178	185	181K	206	201F	194	194	260	253F	187	187	200	[illegible]
Union Point	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
(209) Uvalda	225	216	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
(205) Uvalda	246	237	246	237	199	194H	203	199K	229	220	231	231	272	263	235	235	245	[illegible]
Valdosta	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
Vaughn	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Vidalia	229	220	225	216	178	173H	182	178K	206	199	210	210	251	242	214	214	224	218
Washington	225	218F	229	222F	185	181K	185	181K	205	198F	207	207	257	250F	214	214	216	216
Waycross	233	215	235	217	187	174	189	177	206	191	217	212	261	243	223	214	231	221
Waynesboro	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	212
Woodbine	239	221	240	222	191	178	196	184	219	202	224	219	265	247	223	214	231	[illegible]
Woodbury	246	231	246	231	198	188	199	190	222	207	224	220	272	257	223	221	230	[illegible]
Woodcliff	240	231	239	239	182	187H	194	190K	219	210	224	220	264	256	227	223	236	234
Wrightsville	239	230	235	226	188	183H	192	185K	218	209	220	220	261	252	224	224	234	[illegible]
LOUISIANA																		
Amite	287	282	289	284	236	236	243	243	269	264	253	. .	315	310	245	. .	257	. .
Baton Rouge:																		
A.R.-R.W.R.	287	282	289	284	238	236	243	243	269	264	258	. .	315	310	251	. .	259	. .
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	249	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	254	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	287	. .	. .	. .	243	. .	. .	. .	. .	. .	252C	. .	. .	. .	241	. .	. .	. .
F.B.L. (Note P)	265	. .	. .	. .	. .	. .	. .	. .	. .	. .	246	. .	. .	. .	237	. .	. .	. .
M.V.B.L. (Note C1)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	236	. .	. .	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
Bogalusa	287	282	289	284	236	236	243	243	269	264	253	. .	315	310	245	. .	257	. .
Braithwaite	287	282	289	284	234	236	243	243	269	264	259	. .	315	310	255	. .	260	. .
Clinton	287	282	289	284	236	236	243	243	269	264	256	. .	315	310	245	. .	259	. .

AR - All Rail.
RWR - Rail-Water and Rail.

Page 300 of Tariff:

SECTION 1-A - Continued

From Stations m on pages 96 to , inclusive of Tariff, as amended, taking Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations takin same rates as shown on Pages 17 to 95, inclusive of Tariff as amended. Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)																	
LOUISIANA - Conc.																		
inton	287	282	289	284	236	236	243	243	269	264	256	. .	315	310	247	. .	259	. .
nd	287	282	289	284	236	236	243	243	269	264	256	. .	315	310	247	. .	259	. .
ville.	287	282	289	284	236	236	243	243	269	264	258	. .	315	310	251	. .	259	. .
rleans:																		
-R.W.R.	287	282	289	284	236	236	243	243	269	264	259	. .	315	310	254	. .	259	. .
.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
.L. (Note Cn)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	248	. .	. .	. .
.L. (Note E)	267	. .	. .	. .	243	. .	254	. .	. .	. .	250	. .	281	. .	243	. .	251	. .
.L. (Note P)	263	. .	. .	. .	. .	. .	. .	. .	. .	. .	247	. .	. .	. .	. .	. .	247	. .
.B.L. (Note C1)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	239	. .	. .	. .
.L. (Item [illegible]0)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
ve	287	282	289	284	236	236	243	243	269	264	259	. .	315	310	256	. .	260	. .
ancisville	287	282	289	284	236	236	243	243	269	264	258	. .	315	310	251	. .	259	. .
ll	287	282	289	284	236	236	243	243	269	264	258	. .	315	310	251	. .	259	. .
n.	287	282	289	284	236	236	243	243	269	264	258	. .	315	310	245	. .	259	. .
MISSISSIPPI																		
een.	256	252	259	255	211	211	218	218	236	232	217	. .	285	281	206	. .	221	. .
man.	275	275	274	269	228	228	235	235	253	248	221	. .	300	295	214	. .	227	. .
	256	252	259	255	211	211	218	218	236	232	214	. .	285	281	206	. .	221	. .
ville.	261	261	265	265	211	211	217	217	246	246	213	. .	282	282	201	. .	221	. .
ont.	278	273	277	272	228	228	235	235	256	251	247	. .	306	301	238	. .	251	. .
nt	256	252	259	255	211	211	218	218	236	232	210	. .	285	281	197	. .	213	. .
ni	275	275	274	269	228	228	235	235	253	248	227	. .	300	295	218	. .	231	. .
haven.	287	282	289	284	236	236	243	243	269	264	244	. .	315	310	237	. .	248	. .
	286	286	295	287	249	249	256	256	277	272	239	. .	315	307	236	. .	243	. .
an City.	265	265	274	266	228	228	235	235	256	251	217	. .	294	286	206	. .	221	. .
n.	275	275	274	269	228	228	235	235	253	248	230	. .	300	295	222	. .	235	. .
eville	287	282	289	284	236	236	243	243	269	264	253	. .	315	310	245	. .	257	. .
eston.	265	265	274	266	228	228	235	235	256	251	224	. .	294	286	214	. .	227	. .
sdale.	265	265	274	266	228	228	235	235	256	251	217	. .	294	286	206	. .	221	. .
oland	265	265	274	266	228	228	235	235	256	251	221	. .	294	286	210	. .	227	. .
bia.	287	282	289	284	236	236	243	243	269	264	247	. .	315	310	238	. .	251	. .
bus.	256	252	259	255	211	211	218	218	236	232	218	. .	285	281	210	. .	224	. .
th	246	246	252	252	207	207	207	207	232	231	205	. .	276	276	190	. .	210	. .
al Springs	287	282	289	284	236	236	243	243	269	264	238	. .	315	310	229	. .	243	. .
ib.	267	263	270	266	219	219	226	226	247	243	237	. .	295	291	238	. .	246	. .
e.	265	265	274	266	228	228	235	235	256	251	213	. .	294	286	204	. .	221	. .
t.	275	275	274	269	228	228	235	235	253	248	226	. .	300	295	218	. .	230	. .
urg.	275	275	274	269	228	228	235	235	253	248	238	. .	300	295	229	. .	243	. .
ric Mills.	259	255	262	258	211	211	218	218	240	236	230	. .	288	284	232	. .	236	. .
er	252	252	265	265	211	211	217	217	246	246	199	. .	282	282	187	. .	207	. .
ick	305	300	307	302	254	254	260	260	287	282	267	. .	333	328	259	. .	273	. .
ood.	287	282	289	284	236	236	243	243	269	264	247	. .	315	300	236	. .	251	. .
n.	271	267	274	270	230	230	233	233	250	246	220	. .	299	295	213	. .	228	. .
ville.	287	282	289	284	236	236	243	243	269	264	238	. .	315	300	229	. .	243	. .
ville.	265	265	274	266	228	228	235	235	256	251	227	. .	294	286	218	. .	231	. .
wood	265	265	274	266	228	228	235	235	256	251	221	. .	294	286	214	. .	227	. .
da	265	265	274	266	228	228	235	235	256	251	217	. .	294	286	206	. .	221	. .
pert.	278	273	277	272	228	228	235	235	256	251	251	. .	306	301	247	. .	251	. .
	275	275	274	269	228	228	235	235	253	248	226	. .	300	295	218	. .	231	. .
iesburg	278	273	277	272	228	228	235	235	256	251	244	. .	306	301	236	. .	251	. .
nville	287	282	289	284	236	236	243	243	269	264	240	. .	315	310	233	. .	246	. .
y Bluff	278	278	283	278	236	236	243	243	265	257	231	. .	306	301	222	. .	237	. .
y Springs	252	252	265	265	211	211	217	217	246	246	207	. .	282	282	193	. .	213	. .
Lake	242	242	265	265	211	211	217	217	246	246	207	. .	282	282	193	. .	210	. .
ton	265	265	274	266	228	228	235	235	256	251	213	. .	294	286	204	. .	221	. .

AR - All Rail.
RWR - Rail-Water and Rail.

Add to Page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff, as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended,																	
	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)																	
MISSISSIPPI - Cont.																		
Hurley	299	294	298	293	249	249	256	256	287	282	274	. .	327	322	266	. .	273	. .
Iuka	246	246	252	252	207	207	207	207	232	231	203	. .	276	276	194	. .	207	. .
Jackson	275	275	252	247	228	228	235	235	253	248	234	. .	300	295	226	. .	239	. .
Kioto	287	282	289	284	236	236	243	243	269	264	249	. .	315	310	242	. .	255	. .
Kokomo	287	282	266	261	236	236	243	243	266	261	249	. .	312	307	242	. .	255	. .
Laurel	268	263	277	272	228	228	235	235	256	251	240	. .	306	301	233	. .	251	. .
Leakesville	290	281	292	285	237	237	245	241	270	261	264	. .	318	309	259	. .	264	. .
Lena	275	275	274	269	228	228	235	235	253	248	234	. .	300	295	226	. .	239	. .
Louisville	275	275	274	269	228	228	235	235	253	248	226	. .	300	295	218	. .	230	. .
Lucedale	278	273	277	272	228	228	235	235	256	251	244	. .	306	301	245	. .	251	. .
Lumberton	278	273	277	272	228	228	235	235	256	251	249	. .	306	301	242	. .	251	. .
Macon	259	255	262	258	211	211	218	218	240	236	226	. .	288	284	235	. .	238	. .
Marks	265	265	274	266	228	228	235	235	256	251	213	. .	294	286	204	. .	221	. .
Mathiston	265	265	274	266	228	228	235	235	256	251	218	. .	294	286	210	. .	224	. .
Meadville	305	300	307	302	254	254	260	260	287	282	267	. .	333	328	259	. .	271	. .
Meridian	259	255	262	258	211	211	218	218	240	236	234	. .	288	284	235	. .	238	. .
Mineral Wells	252	252	265	265	211	211	217	217	246	246	207	. .	282	282	207	. .	210	. .
Moorhead	265	265	274	266	228	228	235	235	256	251	224	. .	294	286	214	. .	227	. .
Natchez	287	282	289	284	236	236	243	243	269	264	249	. .	315	310	242	. .	255	. .
New Albany	252	252	265	265	211	211	217	217	246	246	207	. .	282	282	194	. .	213	. .
New Augusta	278	273	277	272	228	228	235	235	256	251	247	. .	306	301	[illegible]	. .	251	. .
Newton	275	275	274	269	228	228	235	235	253	248	231	. .	306	301	222	. .	235	. .
Pascagoula	278	273	277	272	228	228	235	235	256	251	251	. .	306	301	251	. .	251	. .
Pelahatchie	275	275	274	269	228	228	235	235	253	248	238	. .	300	295	229	. .	243	. .
Picayune	287	282	289	284	236	236	243	243	269	264	257	. .	315	310	247	. .	259	. .
Port Gibson	287	282	289	284	236	236	243	243	269	264	240	. .	315	310	233	. .	246	. .
Prentiss	305	300	307	302	254	254	260	260	287	282	258	. .	333	328	251	. .	263	. .
Prichard	252	252	265	265	211	211	217	217	246	246	210	. .	282	282	197	. .	213	. .
Quitman	269	260	271	262	216	216	224	220	249	240	237	. .	297	288	229	. .	243	. .
Reimers	275	275	274	269	228	228	235	235	253	248	234	. .	300	295	226	. .	239	. .
Richton	278	273	277	272	228	228	235	235	256	251	247	. .	300	295	236	. .	251	. .
Rolling Fork	288	278	285	278	236	236	243	243	262	257	231	. .	306	301	222	. .	235	. .
Rosedale	265	265	274	266	228	228	235	235	256	251	221	. .	294	286	210	. .	227	. .
Roxie	287	282	289	284	236	236	243	243	269	264	247	. .	315	310	238	. .	251	. .
Ruleville	265	265	274	266	228	228	235	235	256	251	221	. .	294	286	210	. .	224	. .
Sand Hill	277	277	274	269	228	228	235	235	253	242	234	. .	300	295	226	. .	239	. .
Saratoga	278	273	277	272	228	228	235	235	256	251	240	. .	306	301	233	. .	251	. .
Senatobia	252	252	265	265	211	211	217	217	246	246	210	. .	282	282	197	. .	213	. .
Silver Creek	287	282	289	284	236	236	243	243	269	264	244	. .	315	310	236	. .	248	. .
Sumrall	285	280	294	289	246	246	253	253	274	269	265	. .	324	319	259	. .	269	. .
Swan Lake	265	265	274	266	228	228	235	235	256	251	217	. .	294	286	207	. .	224	. .
Tunica	252	252	265	265	211	211	217	217	246	246	210	. .	282	282	197	. .	217	. .
Tupelo	256	252	259	255	211	211	218	218	236	232	210	. .	285	281	198	. .	217	. .
Tylertown	287	282	289	284	236	236	243	243	269	264	258	. .	315	310	251	. .	259	. .
Union	275	275	274	269	228	228	235	235	253	248	230	. .	300	295	222	. .	235	. .
Vicksburg:																		
A.R.-R.W.R.	278	278	285	278	236	236	243	243	262	257	238	. .	306	301	229	. .	243	. .
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	228	. .	. .	. .
F.B.L. (Note E)	281	. .	. .	. .	. .	. .	253	. .	. .	. .	251	. .	. .	. .	221	. .	237	. .
F.B.L. (Note F)	262	. .	. .	. .	. .	. .	234	. .	. .	. .	228	. .	. .	. .	. .	. .	234	. .
M.V.B.L. (Note C1)	260	. .	255	. .	224	. .	232	. .	248	. .	226	. .	261	. .	216	. .	238	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
Wanilla	287	282	289	284	236	236	243	243	269	264	240	. .	315	310	233	. .	246	. .
Water Valley	252	252	265	265	211	211	217	217	246	246	210	. .	282	282	200	. .	217	. .

AR - All Rail.
RWR - Rail-Water and Rail.

te Page 300 of Tariff:

SECTION 1-A - Continued

nd From Stations own on pages 96 to 3, inclusive of Tar- f, as amended, taking te Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.																	
	Glovers-ville		Grafton		Hagers-town		Harris-burg		Hempstead		Johnson-burg		Lake Placid		Ligonier		Lyndon-ville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)																	
MISSISSIPPI - Conc.																		
easboro.	269	260	271	262	216	216	224	220	249	240	240	. .	297	288	233	. .	243	. .
t Point.	256	262	259	255	211	211	218	218	256	232	218	. .	285	281	210	. .	224	. .
Not	277	273	280	276	229	229	236	236	257	253	251	. .	305	301	253	. .	256	. .
gins	278	273	277	272	228	228	235	235	256	251	249	. .	306	301	242	. .	251	. .
ona.	265	265	274	266	228	228	235	235	256	251	221	. .	294	286	214	. .	227	. .
dville	287	282	289	284	236	236	243	243	269	264	259	. .	315	310	254	. .	260	. .
oo City.	275	275	274	269	228	228	235	235	253	248	230	. .	300	295	222	. .	235	. .
NORTH CAROLINA																		
nklin.	225	218F	226	219F	165	161K	165	161K	203	196F	213	213	254	247F	214	214	225	225
SOUTH CAROLINA																		
en	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
endale	219	210	218	209	171	166H	173	169K	198	189	203	199	243	234	206	202	217	213
erson.	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	207
rews	205	198F	208	201F	160	156K	160	156K	181	174F	189	189	233	226F	194	194	204	204
nwell.	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
esburg	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
ton.	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	207
nettsville	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
acksburg.	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	193
ackville.	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
enheim.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
Buffalo	221	217K	221	217K	177	173K	177	173F	194	190K	203	203	250	246K	211	211	220	220
Buffalo	205	201K	205	201K	160	156K	160	156K	173	169K	186	186	233	229K	194	194	204	204
lhoun Falls	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	207
mden.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
rlisle.	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	204
tawba	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	193
arleston.	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	204
eraw.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
ester	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	193
esterfield.	204	200K	208	204K	164	160K	164	160K	180	176K	189	189	236	232K	192	192	203	203
inton	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	204
io.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
lumbia.	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	204
nway.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
osaw.	219	210	218	209	171	166H	173	169K	198	189	203	199	243	234	206	202	217	213
rdesville	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	204
rlington.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
nmark	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
llon.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
gefield	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	207
till.	219	210	218	209	171	166H	173	169K	198	189	203	199	243	234	206	202	217	213
irfax	219	210	218	209	171	166H	173	169K	198	189	203	199	243	234	206	202	217	213
orence.	200	196K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
rt Lawn	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	193
orgetown.	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	204
aniteville.	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
eat Falls	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	193
eenville.	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	204
eenwood	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	207
A S. Jct.	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	207
rdeeville	219	210	218	209	171	166H	173	169K	198	189	203	199	243	234	206	202	217	213
rtsville.	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	193
lly Hill.	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	204
Jackson	219	210	218	209	171	166H	173	169K	198	189	203	199	243	234	206	202	217	213

AR - All Rail.
RWR - Rail-Water and Rail.

Add to Page 389 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff, as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended																	
	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyn-vill	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended																	
SOUTH CAROLINA - Conc.																		
Kingville	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	
Lake City	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	
Lancaster	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	
Lando	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	
Lanes	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	
Laurens	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	
McBee	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	
McColl	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	
McCormick	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	
Marion	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	
Meggetts	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	
Mullins	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	
Newberry	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	
North Augusta	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	
Orangeburg	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	
Pageland	223	219K	210	206K	166	162K	166	162K	183	179K	191	191	238	234K	194	194	206	
Perry	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	
(209) Pittsburg	211	198	212	199	169	160	169	162F	188	175	194	194	241	228	197	197	207	
(205) Pittsburg	232	219	233	220	190	181	190	183F	209	196	215	215	262	249	218	218	228	
Poston	194	190	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	
Pregnall	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	
Richburg	215	211K	208	204K	161	157K	161	157K	181	177K	186	186	233	229K	189	189	201	
Rock Hill	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	
Russellville	213	206F	216	209F	166	164K	166	164K	190	183F	197	197	241	234F	202	202	211	
Saluda	221	208	225	212	179	170	179	172F	201	188	206	206	252	239	207	207	220	
Seneca	211	201K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	
Spartanburg	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	
Sumter	194	190K	198	194K	154	150K	154	150K	170	166K	179	179	226	222K	182	182	193	
Tillman	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	
Union	205	201K	205	201K	160	156K	160	156K	177	173K	186	186	233	229K	194	194	204	
Walterboro	211	198	215	202	169	160	169	162F	191	178	196	196	242	229	197	197	210	
Ware Shoals	211	207K	212	208K	169	165K	169	165K	188	184K	194	194	241	237K	197	197	207	
Winnsboro	205	198F	208	201F	160	156K	160	156K	182	175F	189	189	233	226F	194	194	204	
Yemassee	219	210	218	209	171	166H	173	169K	198	189	205	199	243	234	206	202	217	
York	197	193K	200	196K	154	150K	154	150K	173	169K	178	178	226	222K	182	182	193	
TENNESSEE																		
Arlington	252	252	265	265	211	211	217	217	246	246	203	. .	282	282	190	. .	207	. .
Armona	223	216F	223	216F	178	178	185	181K	203	196F	182	. .	250	243F	175	. .	199	. .
Ashland City	239	. .	255	255	192	. .	206	. .	239	239	190	. .	270	270	179	. .	209	. .
Athens	223	216F	223	216F	178	178	185	181K	203	196F	190	. .	250	243F	180	. .	198	. .
Bells	242	. .	251	251	199	. .	210	. .	240	240	196	. .	267	267	181	. .	203	. .
Brownsville	246	. .	257	257	199	. .	210	. .	240	240	196	. .	270	270	184	. .	207	. .
Bruceton	239	. .	251	251	189	. .	199	. .	230	230	189	. .	267	267	175	. .	196	. .
Carthage	237	237	250	250	201	201	201	201	227	227	200	. .	267	267	190	. .	208	. .
Carthage Jct.	237	237	250	250	201	201	201	201	227	227	198	. .	267	267	190	. .	208	. .
Centreville	246	246	252	252	207	207	207	207	232	231	189	. .	276	276	183	. .	196	. .
Chattanooga	223	216F	229	222F	178	178	185	181K	203	196F	190	190	250	243F	184	184	198	
Clarksville	235	. .	242	242	179	. .	193	. .	226	226	176	. .	257	257	166	. .	185	. .
Cleveland	223	216F	223	216F	178	178	185	181K	203	196F	194	. .	250	243F	187	. .	200	. .
Columbia	236	236	242	242	194	194	194	194	219	218	186	. .	267	267	178	. .	191	. .
Cookeville	239	239	252	252	204	204	204	204	229	228	201	. .	270	270	184	. .	211	. .
Copperhill	223	216F	223	216F	178	178	185	181K	203	196F	198	. .	250	243F	182	. .	204	. .
Cordell	219	219	225	225	168	168	174	174	198	198	168	. .	247	247	182	. .	175	. .
Covington	249	. .	257	257	207	. .	217	. .	248	248	199	. .	274	274	190	. .	207	. .
Crossville	226	226	230	230	176	176	181	181	206	206	190	. .	256	256	185	. .	198	. .
Dayton	223	216F	223	216F	178	178	185	181K	203	196F	182	. .	250	243F	175	. .	198	. .

AR. - All Rail.
RWR - Rail-Water and Rail.

to Page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 73, inclusive of Tariff, as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff, as amended.																	
	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndonville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 464, inclusive of Tariff as amended.)																	
TENNESSEE - Con.																		
rose	236	236	242	242	194	194	194	194	219	218	194	. .	267	267	186	. .	199	. .
ckson	233	. .	249	249	189	. .	195	. .	223	223	186	. .	265	265	176	. .	189	. .
alap.	236	236	242	242	194	194	194	194	219	218	201	. .	267	267	194	. .	207	. .
ersburg	239	. .	247	247	199	. .	207	. .	238	238	193	. .	264	264	184	. .	199	. .
st Jamestown.	219	219	223	223	168	168	174	174	198	198	170	. .	247	247	164	. .	176	. .
in.	229	. .	246	246	185	. .	196	. .	230	230	179	. .	260	260	172	. .	185	. .
owah.	223	216F	223	216F	176	176	185	181K	205	196F	190	. .	250	243F	180	. .	196	. .
yetteville.	236	236	242	242	194	194	194	194	219	218	194	. .	267	267	186	. .	199	. .
rk Mountain	219	219	223	223	168	168	174	174	198	198	175	. .	247	247	167	. .	186	. .
rk Ridge.	215	. .	212	212	167	. .	167	. .	194	194	167	. .	241	241	154	. .	176	. .
llatin.	229	229	242	242	194	194	194	194	219	218	175	. .	260	260	165	. .	179	. .
rnt.	219	219	223	223	168	168	174	174	198	198	168	. .	247	247	162	. .	175	. .
en Mary	219	219	223	223	168	168	174	174	198	198	168	. .	247	247	162	. .	175	. .
and Jct	252	252	265	265	211	211	217	217	246	246	203	. .	282	282	190	. .	207	. .
eenville.	207	203K	209	205K	157	157	161	157K	187	183K	170	. .	237	233K	168	. .	185	. .
rriman.	219	219	223	223	168	168	174	174	198	198	175	. .	247	247	167	. .	180	. .
rtsville.	229	229	242	242	194	194	194	194	219	218	178	. .	260	260	168	. .	182	. .
rmitage	229	229	242	242	194	194	194	194	219	218	180	. .	260	260	170	. .	185	. .
ckory Point	235	. .	250	250	187	. .	201	. .	235	235	184	. .	265	265	174	. .	190	. .
henwald	246	246	252	252	207	207	207	207	232	231	194	. .	276	276	186	. .	196	. .
mboldt.	242	. .	251	251	196	. .	207	. .	240	240	193	. .	267	267	181	. .	199	. .
ckson	229	. .	254	254	199	. .	210	. .	240	240	196	. .	271	271	181	. .	203	. .
llico	219	219	221	221	168	168	174	174	198	198	167	. .	247	247	159	. .	173	. .
nwood	226	. .	243	243	180	. .	194	. .	227	227	182	. .	258	258	175	. .	183	. .
oxville	207	203K	209	205K	157	157	161	157	187	183K	178	. .	237	233K	172	. .	185	. .
Follette.	219	219	223	223	168	168	174	174	198	198	170	. .	247	247	164	. .	176	. .
ke City	219	219	223	223	168	168	174	174	198	198	175	. .	247	247	167	. .	180	. .
wrenceburg.	246	246	252	252	207	207	207	207	232	231	194	. .	276	276	186	. .	199	. .
banon	229	229	242	242	194	194	194	194	219	218	185	. .	260	260	175	. .	189	. .
noir City	223	216F	223	216F	176	176	185	181K	205	196F	186	. .	250	243F	179	. .	192	. .
wisburg	236	236	242	242	194	194	194	194	219	218	190	. .	267	267	184	. .	194	. .
xington.	243	. .	259	259	196	. .	207	. .	236	236	196	. .	273	273	181	. .	199	. .
berty Hill.	207	203K	209	205K	157	157	161	157K	187	183K	178	. .	237	233K	172	. .	185	. .
Kenzie.	238	. .	246	246	193	. .	203	. .	233	233	189	. .	263	265	175	. .	196	. .
Minnville	236	236	242	242	194	194	194	194	219	218	196	. .	267	267	190	. .	203	. .
disonville.	223	216F	223	216F	176	176	185	181K	205	196F	190	. .	250	243F	180	. .	196	. .
han	219	219	223	223	168	168	174	174	198	198	175	. .	247	247	167	. .	180	. .
rtin.	226	. .	254	254	186	. .	194	. .	225	225	183	. .	251	251	171	. .	188	. .
ryville	223	216F	223	216F	176	176	185	181K	205	196F	183	. .	250	243F	176	. .	188	. .
mphis:																		
A.R.-R.W.R.	252	252	265	265	211	211	217	217	246	246	207	. .	282	282	193	. .	210	. .
F.S.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	183	. .	. .	. .
M.V.B.L. (Note C1).	237	. .	241	. .	203	. .	205	. .	233	. .	189	. .	267	. .	179	. .	194	. .
A.B.L. (Item 90).	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .
ddleton	252	252	265	265	211	211	217	217	246	246	[illegible]	. .	282	282	187	. .	207	. .
lan	239	. .	245	245	196	. .	207	. .	236	236	185	. .	264	264	176	. .	199	. .
nterey.	229	229	233	233	176	176	184	184	208	208	187	. .	257	257	169	. .	202	. .
rristown.	207	203K	209	205K	157	157	161	157K	187	183K	178	. .	237	233K	166	. .	185	. .
scoe.	252	252	265	265	211	211	217	217	246	246	203	. .	282	282	190	. .	210	. .
rfreesboro.	236	236	242	242	194	194	194	194	219	218	196	. .	267	267	176	. .	189	. .
shville	229	229	242	242	194	194	194	194	219	218	178	. .	260	260	168	. .	185	. .
wport	207	203K	209	205K	157	157	161	157K	207	203K	182	. .	237	233K	173	. .	191	. .
ckens Creek	219	219	223	223	168	168	174	174	198	198	170	. .	247	247	164	. .	176	. .
ris	225	. .	244	244	189	. .	189	. .	233	233	165	. .	261	261	178	. .	193	. .

AR - All Rail.
RWR - Rail-Water and Rail.

Add to Page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff, as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended																	
	Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Johnsonburg		Lake Placid		Ligonier		Lyndo-ville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amend																	
TENNESSEE - Con.																		
Petros	219	219	225	225	165	165	174	174	196	196	178	. .	247	247	172	. .	165	
Pulaski	236	236	242	242	194	194	194	194	219	218	194	. .	267	267	186	. .	199	. .
Scottsboro	248	. .	256	256	195	. .	206	. .	241	241	195	. .	265	263	180	. .	198	. .
Selmer	246	246	258	258	207	207	207	207	232	231	199	. .	276	276	187	. .	207	. .
Sevierville	227	223K	229	225K	177	177	181	177K	207	203K	201	. .	257	253	195	. .	208	. .
Shooks	223	219K	225	221K	174	174	178	174K	204	200K	196	. .	254	250K	189	. .	202	. .
Somerville	252	252	265	265	211	211	217	217	246	246	205	. .	282	282	187	. .	207	. .
South Pittsburgh	236	236	242	242	194	194	194	194	219	218	194	. .	267	267	187	. .	200	. .
Sparta	236	236	242	242	194	194	194	194	219	218	204	. .	267	267	194	. .	207	. .
Springfield	225	. .	242	242	179	. .	195	. .	222	222	176	. .	257	257	166	. .	168	. .
Surgoinsville	197	197	201	201N	140	. .	149	. .	176	176	170	. .	240	240N	160	. .	179	. .
Tiprell	207	203K	209	205K	157	157	161	157K	187	183K	178	. .	237	233K	172	. .	180	. .
Tiptonville	240	. .	248	248	199	. .	208	. .	239	239	196	. .	265	265	184	. .	199	. .
Tracy City	236	236	242	242	194	194	194	194	219	218	200	. .	267	267	190	. .	203	. .
Tullahoma	236	236	242	242	194	194	194	194	219	218	192	. .	267	267	183	. .	195	. .
Union City	223	. .	232	232	186	. .	191	. .	222	222	180	. .	249	249	171	. .	186	. .
Watertown	236	236	249	249	200	200	200	200	226	225	195	. .	266	266	185	. .	202	. .
Waverly	236	. .	252	252	190	. .	196	. .	226	226	189	. .	267	267	177	. .	198	. .
White Bluff	233	. .	246	246	187	. .	196	. .	223	223	185	. .	265	263	175	. .	189	. .
Whiteville	252	252	265	265	211	211	217	217	246	246	199	. .	282	282	187	. .	207	. .
Wilder	230	230	234	234	179	179	185	185	209	209	201	. .	258	258	194	. .	207	. .

AR - All Rail.
RWR - Rail-Water and Rail.

e page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

d From Stations m on pages 96 173, inclusive tariff as ended, taking e Basis shown low:	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
ALABAMA																
	254	250	236	232	231	227	251	. . .	253	253	219	. . .	243	239	235	. . .
ander City	230	225	212	205	207	200	221	221	254	230	213	213	219	212	219	219
eville	254	250	236	232	231	227	254	. . .	253	253	221	. . .	243	239	233	. . .
ona.	240	233	222	215	217	210	209	209	240	240	201	201	229	222	207	207
lusia.	257	246	239	228	234	223	241	241	266	259F	234	234	246	235	236	235
stop	227	220	212	205	207	200	209	209	234	230	200	200	219	212	207	207
re	263	254	245	236	240	231	248	. . .	266	259	239	. . .	252	243	246	. . .
u La Batre	263	254	245	236	240	231	248	. . .	266	259	248	. . .	252	243	255	. . .
ingham	240	233F	222	215F	217	210F	215	215	240	236K	207	207	229	222F	213	213
ton.	240	233	222	215	217	210	221	221	240	236	210	210	229	222	219	219
sburg.	240	233	222	215	217	210	218	218	240	236	207	207	229	222	216	216
	240	233	222	215	217	210	209	209	240	236	198	198	229	222	207	207
gee.	254	250	236	232	231	227	255	. . .	253	255	221	. . .	243	239	228	. . .
	252	248	254	250	248	244	279	. . .	271	271	243	. . .	261	257	252	. . .
tley	257	246	239	228	234	223	239	239	266	259F	230	230	246	235	235	235
ton.	257	246	239	228	234	223	241	241	266	259F	237	237	246	235	242	242
liant.	250	246	232	228	227	223	224	. . .	248	248	216	. . .	239	235	228	. . .
nville	271	267	253	249	248	244	244	. . .	269	269	234	. . .	260	256	243	. . .
	250	246	232	228	227	223	226	. . .	248	248	219	219	239	235	228	. . .
ank.	284	275	266	257	261	252	221	. . .	287	280	257	. . .	273	264	. . .	. . .
ra	240	233F	222	215F	217	210F	221	221	240	236K	210	210	229	222F	217	217
ert.	263	254	245	236	240	231	248	. . .	266	259	239	. . .	252	243	246	. . .
iff.	240	233	222	215	217	210	218	218	240	236	207	207	229	222	216	216
rollton	266	264	251	247	245	241	269	. . .	267	267	235	. . .	257	253	242	. . .
r Bluff.	230	225	212	205	207	200	206	206	234	230	201	201	219	212	204	204
on	286	277	268	259	263	254	271	. . .	289	282	264	. . .	275	266	270	. . .
sea.	240	233F	222	215F	217	210	218	218	240	236K	210	210	229	222F	216	216
rokee	246	245	228	227	225	222	207	. . .	231	231	199	. . .	235	234	211	. . .
dersburg	240	233F	222	215F	217	210	215	215	240	236K	210	210	229	222F	213	213
staw City	283	274	265	256	260	251	256	. . .	286	279	246	. . .	272	263	254	. . .
aton.	240	233F	222	215F	217	210	224	224	240	236K	213	213	229	222F	222	222
a.	240	233	222	215	217	210	218	218	240	236K	210	210	229	222	219	219
well	272	268	254	250	248	244	279	. . .	271	271	246	. . .	261	257	251	. . .
man.	240	233	222	215	217	210	208	208	240	236K	199	199	229	222	211	211
atur.	233	232	215	214	210	209	205	. . .	231	231	196	. . .	222	221	205	. . .
polis.	254	250	236	232	231	227	256	. . .	253	253	278	. . .	243	239	231	. . .
an	247	233	229	215	224	210	226	217	257	246	237	237	236	222	233	233
a	257	246	239	228	234	223	241	241	266	259	239	239	246	235	243	243
rprise	257	246	239	228	234	223	241	241	266	259	237	237	246	235	241	241
ula.	236	223	218	205	215	200	230	210	253	242	230	230	225	210	215	209
tte,	250	246	232	228	227	223	224	. . .	248	248	216	. . .	239	235	225	. . .
n Bank.	250	246	232	228	227	223	225	. . .	248	248	217	. . .	239	235	228	. . .
aton	263	254	245	236	240	231	244	. . .	266	259	237	. . .	252	243	242	. . .
rala.	257	246	239	228	234	223	241	241	266	259	239	239	246	235	243	243
rance	246	245	228	227	225	222	205	. . .	231	231	195	. . .	235	234	207	. . .
ey.	263	254	245	234	240	231	248	. . .	266	259	246	. . .	252	243	255	. . .
klin	247	233	229	215	224	210	226	217	257	246	221	221	236	222	223	223
sco City.	263	254	245	236	240	231	244	. . .	266	259	237	. . .	252	243	242	. . .
sden.	230	225	212	205	207	200	209	209	234	230	198	198	219	212	207	207
ery	240	233F	222	215F	217	210F	221	221	240	236K	210	210	229	222F	219	219
eva	247	236	239	228	234	223	241	241	266	259F	239	239	246	235	243	243
ensboro	254	250	236	232	231	227	255	. . .	253	253	219	. . .	243	239	228	. . .
enville	257	246	239	228	234	223	235	235	266	259F	228	228	246	235	232	232
ley	233	232	215	214	210	209	206	. . .	231	231	196	. . .	222	221	204	. . .
see Junction.	240	233	222	215	217	210	218	218	240	236	210	210	229	222	219	219

AR - All Rail.
RWR - Rail-Water and Rail.

1101

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amend														
	Montauk		New Egypt		New York		Hiverton		Ogdensburg		Oil City		Patchogue		Pat
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amend														
ALABAMA - Cont.															
Halawaka	236	221	218	203	213	198	220	210	253	242	219	219	225	210	215
Haleyville	250	246	232	228	227	223	211	. . .	248	248	205	. . .	230	235	215
Hardaway	247	233	229	215	224	210	226	217	257	246	225	225	236	222	228
Hartford	257	246	236	228	234	225	241	241	266	259F	239	239	246	235	240
Headland	247	233	229	215	224	210	226	217	257	246	237	237	236	222	233
Heflin	230	223	212	205	207	200	212	212	234	230	204	204	219	212	210
Huntsville	233	232	215	214	210	209	203	. . .	231	231	195	. . .	222	221	207
Hurtsboro	247	233	229	215	224	210	226	217	257	246	225	225	236	222	223
Jamestown	230	223	212	205	207	200	200	200	234	230	192	192	219	212	198
Jasper	240	233	222	215	217	210	218	218	240	236	210	210	229	222	219
Kimbrough	263	254	245	236	240	231	235	. . .	266	259	228	. . .	252	243	233
La Fayette	230	223	212	205	207	200	221	221	234	230	219	219	219	212	217
Lanett	236	221	218	203	213	198	230	210	253	242	215	215	225	210	215
Lehigh	240	233	222	215	217	210	215	215	240	236	204	204	229	222	213
Linden	263	254	245	236	240	231	235	. . .	266	259	228	. . .	252	243	233
Luverne	257	246	239	228	234	225	239	239	266	259F	228	228	246	235	235
Madrid	254	240	236	222	231	217	239	219	269	248	239	239	243	229	235
Maplesville	240	233F	222	215F	217	210	224	224	240	236K	216	216	229	222F	222
Margaret	240	233F	222	215F	217	210F	231	231	240	236K	210	210	229	222F	219
Marigold	261	254	243	236	238	231	236	236	261	257	228	228	250	243	240
Marion Junction	240	233F	222	215F	217	210F	226	226	240	236K	221	221	229	222F	231
Maylene	240	233F	222	215F	217	210F	221	221	240	236K	213	213	229	222F	222
Mobile:															
A.R.-R.W.R	263	254	245	236	240	231	248	. . .	266	259	243	. . .	252	243	261
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	. . .	. . .	. . .	. . .	. . .	. . .	256	. . .	273	. . .	252	. . .	. . .	. . .	. . .
F.B.L. (Note E)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	271	. . .	247	. . .	. . .	. . .	261
Monroeton	263	254	245	236	240	231	239	. . .	266	259	230	. . .	252	243	237
Monroeville	263	254	245	236	240	231	242	. . .	266	259	234	. . .	252	243	242
Montgomery	247	233	229	215	224	210	226	217	257	246	219	219	236	222	228
Nadawah	263	254	245	236	240	231	235	. . .	266	259	228	. . .	252	243	233
Opelika	236	221	218	203	213	198	220	210	253	242	219	219	225	210	215
Opp	257	246	239	228	234	225	241	241	266	259F	237	237	246	235	241
Ozark	247	233	229	215	224	210	226	217	257	246	234	234	236	222	233
Panola	274	270	256	252	251	247	278	. . .	273	273	245	. . .	263	259	249
Pell City	240	233F	222	215F	217	210F	215	215	240	236K	204	204	229	222F	213
Phenix City	236	221	218	203	213	198	220	210	253	242	219	219	225	210	215
Piedmont	230	223	212	205	207	200	206	206	234	230	201	201	229	222	204
Pittsview	247	233	229	215	224	210	226	217	257	246	225	228	236	222	228
Red Bay	250	246	232	228	227	223	209	. . .	248	248	201	. . .	239	235	216
Reform	250	246	232	228	227	223	226	. . .	248	248	219	219	239	235	228
Riverview	236	221	218	203	213	198	220	210	253	242	216	216	225	210	215
Roanoke	230	223	212	205	207	200	221	221	234	230	216	216	219	212	217
Samson	257	246	239	228	234	225	239	239	266	259F	239	239	246	235	243
Satsuma	263	254	245	236	240	231	248	. . .	266	259	243	. . .	252	243	249
Selma	240	233F	222	215F	217	210F	226	226	240	236K	219	219	229	222F	228
Silas	289	285	270	266	266	262	287	. . .	288	285	255	. . .	278	274	265
Sipsey	240	233	222	215	217	210	229	229	240	236	213	213	229	222	219
Stevenson	233	232	215	214	210	209	199	. . .	234	224	188	. . .	222	221	198
Suggsville	263	254	245	236	240	231	242	. . .	266	259	234	. . .	252	243	240
Sylacauga	230	223	212	205	207	200	218	218	234	230	210	210	219	212	216
Talladega	230	223	212	205	207	200	212	212	234	230	207	207	219	212	210
Tallassee	264	250	246	232	240	226	243	234	274	263	239	239	252	236	249
Troy	247	233	229	215	224	210	226	217	257	246	228	228	236	222	232
Tuscaloosa	240	233	222	215	217	210	224	224	240	236	213	213	229	222	222
Tuskegee	264	250	246	232	240	226	243	234	274	263	239	239	252	236	237
Union Springs	247	233	229	215	224	210	226	217	257	246	225	225	236	222	225

AR - All Rail.
RWR - Rail-Water and Rail.

1676

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended. Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
ALABAMA - Conc.																
lley Head	230	225	212	205	207	200	199	199	234	230	188	188	219	212	198	198
egar Bend	263	254	245	236	240	231	248	...	266	259	243	...	252	243	249	...
rrior	240	233	222	215	217	210	215	215	340	236	207	207	229	222	219	219
tsville	240	233F	222	215F	217	210F	212	212	340	236K	204	204	229	222F	210	210
field	250	246	232	228	227	225	224	...	248	248	206	216	239	235	225	...
ntley	271	267	253	249	248	244	280	...	271	271	247	...	260	256	258	...
lande	240	233	222	215	217	210	221	221	240	236	210	210	229	222	219	219
k	234	230	236	232	231	227	258	...	253	253	225	...	243	239	231	...
ARKANSAS																
lena:																
A.R.-R.W.R	270	265	252	247	247	242	215	...	250	250	205	...	259	254	222	...
F.B.L. (Note E)	...	...	...	...	...	...	...	...	...	...	214	...	...	...	...	...
F.B.L. (Note P)	...	...	...	...	...	...	...	...	...	...	197	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
FLORIDA																
achua	244	230	226	212	221	207	229	225	260	250	258	258	233	219	227	221
tha	257	246	239	228	234	223	241	241	266	259F	246	246	246	235	243	243
alachicola	244	230	228	212	221	207	229	225	260	250	257	257	233	219	227	221
cadia	276	264	258	246	253	241	264	262	285	277	289	289	265	253	262	258
on Park	267	255	249	237	244	232	255	253	276	267	285	285	256	244	253	249
rrineau Park	263	254	245	236	240	231	248	...	266	259	239	...	252	243	246	...
rtow	267	255	249	237	244	232	255	253	276	267	281	281	256	244	253	249
xter	233	216	215	198	210	193	212	206	250	237	239	239	222	205	208	199
ll	244	230	226	212	221	207	229	225	260	250	264	264	233	219	227	221
lleglade-Chosen	276	264	258	246	253	241	264	262	285	277	301	301	265	253	262	258
ountstown	257	246	239	228	234	223	241	241	281	274F	248	248	246	235	242	242
adenton	267	255	249	237	244	232	255	253	276	267	278	278	256	244	253	249
anford	244	230	226	212	221	207	229	225	260	250	256	256	233	219	227	221
ewster	267	255	249	237	244	232	255	253	276	267	285	285	256	244	253	249
ooksville	258	245	240	227	235	222	246	243	269	260	274	274	247	234	245	240
nker Hill	283	273	265	255	260	250	272	272	293	286F	301	301	272	262	270	268
mpbellton	254	240	236	222	231	217	229	219	269	248	239	239	243	229	235	235
nter Hill	258	245	240	217	235	222	246	243	269	260	270	270	247	234	245	240
ntury	263	254	245	236	240	231	244	...	266	259	237	...	252	243	242	...
ttahoochee	250	235	232	217	227	212	226	216	263	252	248	248	239	224	222	...
uluota	258	245	240	227	235	222	246	243	269	260	278	278	247	234	245	240
earwater	267	255	249	237	244	232	255	253	276	267	285	285	256	244	253	249
ewiston	276	264	258	246	253	241	264	262	285	277	301	301	265	253	262	258
ttondale	254	240	236	222	231	217	229	219	269	248	243	243	243	229	235	235
estview	257	246	239	228	234	223	241	241	266	259F	243	243	246	235	246	248
ose City	244	230	226	212	221	207	229	225	260	250	266	266	233	229	227	221
ytona Beach	249	236	231	218	226	213	238	235	266	256	266	266	238	225	236	231
Funiak Springs	257	246	239	228	234	223	241	241	266	259F	248	248	246	235	248	248
wling Park	244	230	226	212	221	207	229	225	260	250	256	256	233	219	227	221
exel	258	245	240	227	235	228	246	243	269	260	278	278	247	234	245	240
ifton	250	235	232	217	227	212	226	216	263	252	248	248	239	224	222	216
nellon	249	236	231	218	226	213	238	235	266	256	266	266	238	225	236	231
erglades	283	273	231	221	260	250	272	272	293	286F	308	308	272	262	270	268
irfield	244	230	226	212	221	207	229	225	260	250	263	263	233	219	227	221
llmore	280	268	262	258	257	245	269	267	289	280	299	299	269	257	267	263
rnandina	233	216	215	198	210	193	212	206	250	237	237	237	222	205	208	199
. Lauderdale	283	273	265	255	260	250	272	272	293	286F	308	308	272	262	270	268
. Myers	283	273	265	255	260	250	272	272	293	286F	296	296	272	262	270	268
. Pierce	267	255	249	237	244	232	255	253	276	267	293	293	256	244	253	249
inesville	244	230	226	212	221	207	229	225	260	250	258	258	233	219	227	221

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amend

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amend

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Peter
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
FLORIDA - Cont.															
Graceville	257	246	239	228	234	223	241	241	266	259F	243	243	246	235	239
Green Cove Springs	236	222	218	204	215	199	220	216	253	242	254	254	225	211	211
Greenville	240	225	222	205	217	200	218	211	256	243	246	246	229	212	215
Greenwood	270	256	252	238	247	233	250	241	281	270	263	265	259	245	257
Haines City	256	245	240	227	235	222	246	243	269	260	281	281	247	234	245
Hastings	244	230	226	212	221	207	229	225	200	250	258	258	233	219	227
Hawthorne	244	230	226	212	221	207	229	225	260	250	258	258	233	219	227
High Springs	244	230	226	212	221	207	229	225	260	250	258	258	233	219	227
Hilliard	233	216	215	198	210	193	212	205	250	237	237	237	222	205	203
Homestead	292	282	274	264	269	259	281	281	302	296F	315	315	281	271	279
Hosford	244	230	226	212	221	207	229	225	260	250	248	248	233	219	227
Jacksonville	233	216	215	198	210	193	212	205	250	237	239	239	222	205	203
Jamieson	250	235	232	217	227	202	226	216	263	252	243	243	239	224	232
Jasper	233	216	215	198	210	193	212	205	250	237	243	243	222	205	203
Jupiter	276	264	258	246	253	241	264	262	285	277	296	296	265	253	262
Kenansville	267	255	249	237	244	232	255	253	276	267	279	279	256	244	253
Kissimmee	256	245	240	227	235	222	246	243	269	260	278	278	247	234	245
Lake Butler	236	222	218	204	213	199	220	216	253	242	255	255	225	211	211
Lake City	233	216	215	198	210	193	212	205	250	237	246	246	222	205	203
Lakeland	267	255	249	237	244	232	255	253	276	267	281	281	256	244	253
Lake Wales	267	255	249	237	244	232	255	253	276	267	281	281	256	244	253
Lawtey	236	222	218	204	213	199	220	216	253	242	254	254	233	219	211
Leesburg	249	236	231	218	226	213	238	235	266	256	269	269	238	225	226
Live Oak	240	223	222	205	217	200	218	211	256	243	246	246	229	212	215
Madison	240	223	222	205	217	200	218	211	256	243	246	246	229	212	215
Marianna	254	240	236	222	231	217	229	219	269	248	243	243	243	229	225
Mayo	244	230	226	212	221	207	229	225	260	250	259	259	233	219	227
Maytown	249	236	231	218	226	213	238	235	266	256	275	275	238	225	236
Melbourne	256	245	240	227	235	222	246	243	269	260	285	285	247	234	245
Miami	283	273	265	255	[illegible]	250	272	272	293	286F	311	311	272	262	270
Milton	257	246	239	228	[illegible]	223	242	242	266	259F	248	248	246	235	248
Naples	283	273	265	255	[illegible]	250	272	272	293	286F	301	301	272	262	270
Newberry	244	230	226	212	221	207	229	225	260	250	265	265	233	219	227
Ocala	249	236	231	218	226	213	238	235	266	256	264	264	238	225	236
Okeechobee	276	264	258	246	253	241	264	262	285	277	293	293	265	253	262
Opal	276	264	258	246	253	241	264	262	285	277	293	293	265	253	262
Orlando	256	235	240	227	235	222	246	243	269	260	277	277	247	234	245
Otter Creek	249	236	231	218	226	213	238	235	266	256	269	269	238	225	234
Palatka	244	230	226	212	221	207	229	225	260	250	258	258	233	219	227
Palmdale	276	264	258	246	253	241	264	262	285	277	293	293	265	253	262
Panama City	257	246	239	228	234	223	241	251	266	259F	248	248	246	235	247
Pensacola	265	254	245	236	240	231	248	248	266	259	243	243	252	243	251
Perry	244	230	226	212	221	207	279	225	260	250	257	257	233	219	227
Pierson	249	236	231	218	226	213	238	235	266	256	264	264	238	225	236
Pinetta	240	223	222	205	217	200	218	211	256	243	243	243	229	212	215
Pinetta	261	244	243	226	238	221	239	232	277	274	260	260	250	233	238
Plant City	267	255	249	237	244	232	255	253	276	267	276	276	256	244	253
Port St. Joe	257	246	239	228	234	223	242	232	266	259F	257	257	246	235	248
Potatoville	244	230	226	212	221	207	229	225	260	250	259	259	233	219	227
Quincy	250	235	232	217	227	212	226	216	263	252	248	248	239	224	232
St. Augustine	244	230	226	212	221	207	229	225	260	250	254	254	233	219	227
St. Catherine	256	245	240	227	235	222	246	243	269	260	270	270	247	234	245
St. Petersburg	267	255	249	237	244	232	255	253	276	267	288	288	256	244	253
Sanderson	233	216	215	198	210	193	212	205	250	237	243	243	222	205	203
Sanford	249	236	231	218	226	213	238	235	266	256	270	270	238	225	236

AR - All Rail.
RWR - Rail-Water-Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

nd From Stations own on pages 96 173, inclusive tariff as ended, taking te Basis shown low:	Montauk		New Egypt		New York		Riverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 348 to 404, inclusive of Tariff as amended.)															
FLORIDA - Conc.																
sota	276	264	258	246	253	241	264	262	285	277	289	289	265	253	268	259
y Grove	244	230	226	212	221	207	229	225	260	250	253	253	233	219	227	221
h Boca Grande	283	273	265	255	260	250	272	272	295	286F	296	296	272	262	270	268
h Jacksonville	236	222	218	204	213	199	220	216	253	242	246	246	225	211	211	205
ahassee	250	235	232	217	227	212	236	216	265	252	248	248	230	224	228	216
a	267	255	249	237	244	232	256	253	276	267	281	281	257	245	253	249
sville	258	245	240	227	235	222	246	243	269	260	277	277	247	234	245	240
lla	244	230	226	212	221	207	229	225	260	250	256	256	233	219	227	221
Palm Beach	283	273	265	255	260	250	272	272	295	286F	301	301	272	262	270	268
iston	249	236	231	218	226	213	238	235	266	256	265	265	238	225	236	231
er Garden	258	245	240	227	235	222	246	243	269	260	277	277	247	234	245	240
er Haven	267	255	249	237	244	232	255	253	276	267	281	281	256	244	253	249
gstown	257	246	239	228	234	223	241	241	266	259F	246	246	246	235	243	243
n	236	222	218	204	213	199	220	216	255	242	246	246	225	211	211	205
GEORGIA																
ville	233	216	215	198	210	193	212	205	250	237	230	230	222	205	208	199
ny	236	221	218	203	213	198	220	210	253	242	230	230	225	210	215	209
	222	205	204	187	199	182	208	201	244	231	234	234	211	194	206	198
icus	236	221	218	203	213	198	220	210	253	242	228	228	225	210	215	209
ngton	236	221	218	203	213	198	220	210	253	242	237	237	225	210	215	209
ns	219	212F	201	194F	196	189F	203	203	237	233K	213	213	208	201F	201	201
nta	219	212F	201	194F	196	189F	203	203	237	233K	206	206	208	201F	201	201
sta	212	203	194	185	189	180	192	188	231	223	210	210	201	192	188	184
bridge	236	221	218	203	213	198	220	210	253	242	246	246	225	210	215	209
ey	222	205	204	187	199	182	208	201	244	231	234	234	211	194	206	198
Ridge	217	210F	199	192F	194	187F	197	197	227	227	192	192	206	199F	196	196
ire	233	216	215	198	210	193	212	205	250	237	221	221	222	205	208	199
en	222	215F	204	197F	199	192F	203	203	231	227K	204	204	211	204F	201	201
en	222	215F	204	197F	199	192F	203	203	231	227K	204	204	211	204F	201	201
Bridgeboro	236	221	218	203	213	198	220	210	253	242	234	234	225	210	215	209
Bridgeboro	257	242	239	224	234	219	241	231	274	263	251	251	246	231	236	230
wick	222	205	204	187	199	182	208	201	244	231	230	230	211	194	206	198
a Vista	236	221	218	203	213	198	220	210	253	242	225	225	225	210	215	209
rd	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F	201	201
x	219	212F	201	194F	196	189F	203	203	237	233K	216	216	208	201F	201	201
ton	219	212F	201	194F	196	189F	203	203	237	233K	213	213	208	201F	201	201
on	222	215F	204	197F	199	192F	203	203	231	227K	201	201	211	204F	201	201
ollton	222	215F	204	197F	199	192F	203	203	231	227K	204	204	211	204F	201	201
ersville	222	215F	204	197F	199	192F	200	200	231	227K	198	198	211	204F	198	198
Spring	222	215F	204	197F	199	192F	203	203	231	227K	198	198	211	204F	201	201
rtown	222	215F	204	197F	199	192F	203	203	231	227K	198	198	211	204F	201	201
hat	217	210F	199	192F	194	187F	194	194	220	220	185	185	206	199F	192	192
worth	222	215F	204	197F	199	192F	194	194	231	227K	192	192	211	204F	192	192
ton	219	203	201	185	196	180	199	191	237	222	225	225	208	192	196	186
Clyattville	230	223	222	206	217	200	218	211	256	243	243	243	229	212	215	206
Clyattville	261	244	243	226	238	221	239	232	277	274	260	260	250	233	236	227
	212	203	194	185	189	180	192	188	231	223	213	213	201	192	188	184
abus	236	221	218	203	213	198	220	210	253	242	219	219	225	210	215	209
rce	219	212F	201	194F	196	189F	203	203	237	233K	213	213	208	201F	201	201
ole	233	216	215	198	210	193	212	205	250	237	228	228	222	205	208	199
ella	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F	201	201
gton	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F	201	201
eta	236	221	218	203	213	198	220	210	253	242	221	221	225	210	215	209
ert	236	221	218	203	213	198	220	210	253	242	234	234	225	210	215	209
on	222	215F	204	197F	199	192F	194	194	231	227K	188	188	211	204F	192	192

AR - All Rail.
RWR - Rail-Water and Rail.

Add to Page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive, of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as													
	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as													
GEORGIA - Con.														
Dames Ferry	219	212F	201	194F	196	189F	203	203	237	233K	216	216	208	201F
Dawson	236	221	218	203	213	198	220	210	253	242	230	230	225	210
Douglas	233	216	215	198	210	193	212	206	250	237	237	237	222	206
Dublin	222	213	204	195	199	190	199	195	240	232	225	225	211	202
Durand	236	221	218	203	213	198	220	210	253	242	215	215	225	210
Durham	230	223	212	206	207	200	199	199	234	230	188	138	219	212
Egypt	212	203	194	185	189	180	192	188	231	223	225	225	201	192
Elberton	219	212F	201	194F	196	189F	203	203	237	233K	206	206	208	201F
Empire	233	216	215	198	210	193	212	206	250	237	225	226	222	205
Fitzgerald	233	216	215	198	210	193	212	206	250	237	234	234	222	206
Folkston	233	216	215	198	210	193	212	206	250	237	237	237	222	206
Fort Gaines	236	221	218	203	213	198	220	210	253	242	237	237	225	210
Fort Valley	219	212F	201	194F	196	189F	203	203	237	233K	219	219	208	201F
Gainesville	219	212F	201	194F	196	189F	203	203	237	233K	213	213	208	201F
(204) Garfield	222	213	204	195	199	190	199	195	240	232	223	223	211	202
(205) Garfield	243	234	225	216	220	211	220	216	262	254	244	244	232	223
(204) Gracewood	222	213	204	195	199	190	199	195	240	232	206	206	211	202
(205) Gracewood	243	234	225	216	220	211	220	216	262	254	226	226	232	223
Griffin	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F
Hartwell	219	212F	201	194F	196	189F	203	203	237	233K	213	213	208	201F
Haylow	233	216	215	198	210	193	212	206	250	237	239	239	222	206
Hazlehurst	233	216	215	198	210	193	212	205	250	237	234	234	222	206
Helena	233	216	215	198	210	193	212	206	250	237	228	228	222	206
Hooker	217	210F	199	192F	194	187F	194	194	221	221	185	185	206	199F
Hoschton	219	212F	201	194F	196	189F	203	203	237	233K	213	213	208	201F
Jefferson	219	212F	201	194F	196	189F	203	203	237	233K	216	216	208	201F
Jeffersonville	219	212F	201	194F	196	189F	203	203	237	233K	221	221	208	201F
Jesup	222	205	204	187	199	182	208	201	244	231	228	228	211	194
Junction City	236	221	218	198	213	198	220	210	253	242	219	219	225	210
(204) Keysville	222	213	204	195	199	190	199	195	240	232	211	211	211	202
(205) Keysville	243	234	225	216	220	211	220	216	262	254	233	233	232	223
Kildare	212	203	194	189	189	180	192	188	231	223	221	221	201	192
La Grange	236	221	218	203	213	198	220	210	253	242	215	215	225	210
Lakeland	250	233	232	216	227	210	228	221	267	254	243	243	239	222
Lavonia	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F
Lawrenceville	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F
Louisville	222	213	204	195	199	190	199	195	240	232	221	221	211	202
McDonough	213	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F
Machen	219	212F	201	194F	196	189F	203	203	237	233K	216	216	208	201F
Macon	219	212F	201	194F	196	189F	203	203	237	233K	219	219	208	201F
Madison	219	212F	201	194F	196	189F	203	203	237	233K	216	216	208	201F
Manlo	230	223	212	205	207	200	200	200	234	230	192	192	219	212
Midville	222	213	204	195	199	190	199	195	240	232	221	221	211	202
Milledgeville	219	212F	201	194F	196	189F	203	203	227	233K	219	219	208	201F
Millen	212	203	194	185	189	180	192	188	231	223	219	219	201	192
Milstead	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F
Montezuma	236	221	218	203	213	198	220	210	253	242	221	221	225	210
Moultrie	236	221	218	203	213	198	220	210	253	242	237	237	225	210
(206) Nashville	233	216	215	198	210	193	212	205	250	237	242	242	222	205
(207) Nashville	254	237	236	219	231	214	233	226	271	258	260	260	243	226
Newman	219	212F	201	194F	196	189F	203	203	237	233K	207	207	208	201F
Oakfield	236	221	218	203	213	198	220	210	253	242	230	230	225	210
Offerman	222	205	204	187	199	182	208	201	244	231	230	230	211	194
(206) Pavo	233	218	215	200	210	195	220	210	253	242	253	253	222	207
(207) Pavo	254	239	236	221	231	216	241	231	274	268	274	274	243	228

AR - All Rail.
RWR - Rail-Water-and Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.															
	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
GEORGIA - Conc.																
ham	236	221	218	203	213	198	220	210	253	242	237	237	225	210	215	209
itman.	233	216	215	198	210	193	212	206	250	237	239	239	222	206	208	199
④ Relee.	233	216	215	198	210	193	212	206	250	237	239	239	222	206	208	199
⑤ Relee.	254	237	236	219	231	214	233	226	271	258	260	260	[illegible]	226	229	220
ceboro	219	203	201	186	196	180	199	171	237	222	225	225	208	191	196	187
chland	236	221	218	203	213	198	220	210	253	242	225	225	225	210	215	209
ckmart	222	215F	204	197F	199	192F	203	203	231	227K	198	198	211	204F	201	201
e	222	215F	204	197F	199	192F	200	200	231	227K	195	195	211	204F	198	198
. George	233	216	215	198	210	193	212	206	250	237	239	239	222	206	[illegible]	199
. Marys.	251	234	233	216	228	211	230	223	268	255	254	254	240	223	226	217
⑥ Sale City.	236	221	218	203	213	198	220	210	253	242	237	237	225	210	215	209
⑦ Sale City.	257	242	239	224	234	219	241	231	274	263	258	258	246	231	236	230
andersville	222	213	204	195	199	190	199	195	240	232	228	228	211	202	196	192
rdis	212	203	194	185	189	180	192	188	231	223	216	216	201	192	188	184
vannah	212	203	194	185	189	180	192	186	231	223	219	219	201	192	188	184
nola	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F	201	201
perton	222	213	204	195	199	190	199	195	240	232	228	228	211	202	196	192
atesboro	219	203	201	186	196	180	199	191	237	222	221	221	208	191	196	188
④ Swainsboro	222	213	204	195	199	190	199	196	240	232	221	221	211	202	196	198
⑤ Swainsboro	243	234	225	216	220	211	220	216	262	254	249	249	232	223	217	213
llulah Falls	222	215F	204	197F	199	192F	203	203	231	227K	213	213	211	204F	201	201
nnille	222	213	204	195	199	190	199	195	240	232	225	225	211	202	196	192
omaston.	219	212F	201	194F	196	189F	203	203	237	233K	216	216	208	201F	201	201
omasville.	236	221	218	203	213	198	220	210	253	242	239	239	225	210	215	209
⑥ Ticknor.	236	221	218	203	213	198	220	210	253	242	237	237	225	210	215	209
⑦ Ticknor.	257	242	239	224	234	219	241	231	274	263	256	256	246	231	236	230
fton	233	216	215	198	210	193	212	206	250	237	234	234	222	206	208	199
omsboro.	222	213	204	195	199	190	199	195	240	232	221	221	211	202	198	192
peka Jct	219	212F	201	194F	196	189	203	203	237	233K	213	213	208	201F	201	201
renton.	230	223	212	206	207	200	195	195	234	227	185	185	219	212	196	196
rion.	222	215F	204	197F	199	192F	199	199	231	227K	188	188	211	204F	198	198
nion Point.	219	212F	201	194F	196	1 9F	203	203	237	233K	219	219	208	201F	201	201
④ Uvalda	222	213	204	195	199	190	199	195	240	232	234	234	211	202	196	192
⑤ Uvalda	243	234	225	216	220	211	220	216	262	254	251	251	232	223	217	213
ldosta	233	216	215	198	210	193	212	206	250	237	239	239	222	206	208	199
aughn	219	212F	201	194F	196	189F	203	203	237	233K	210	210	208	201F	201	201
idalia.	222	213	204	195	199	190	199	195	240	232	230	230	211	202	196	192
ashington	219	212F	201	194F	196	189F	203	203	237	233K	221	221	208	201F	201	201
aycross	222	206	204	187	199	182	208	201	244	231	234	234	211	194	206	196
aynesboro	212	203	194	185	189	180	192	188	231	223	216	216	201	192	188	184
oodbine	233	216	215	198	210	193	212	206	250	237	230	230	222	206	208	199
oodbury	236	221	218	203	213	198	220	210	253	242	215	215	225	210	215	209
oodcliff.	233	224	215	206	210	201	213	209	252	244	237	237	222	[illegible]	209	206
rightsville	232	223	214	205	209	200	209	205	250	242	235	235	221	[illegible]	206	202
LOUISIANA																
aite.	283	278	266	260	260	255	256		275	275	248		272	267	262	
aton Rouge:																
A.R.-R.W.R	283	278	266	260	260	256	263		275	275	254		272	267	269	
F.B.L. (Note B)																
F.B.L. (Note Ca)																
F.B.L. (Note E)			263		257		253		263		246				261	
F.B.L. (Note F)											241					
M.V.B.L. (Note C1)											240					
A.Bel. (Item 90)																
aluma	283	278	266	260	260	255	256		275	275	248		272	267	261	
ithemite.	282	[illegible]	266	269	260	250	264		275	275	257		272	267	263	
inton	283	[illegible]	266	260	260	256	259		275	275	250		272	267	266	

AR - All Rail.
RWR - Rail-Water-Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amend														
	Montauk		New Egypt		New York		Riverton		Ogdensburg		Oil City		Patchogue		Peter
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amend														
LOUISIANA - Conc.															
Franklinton	283	278	265	260	260	255	259	. . .	275	275	250	. . .	272	267	265
Hammond	283	278	265	260	260	255	259	. . .	275	275	250	. . .	272	267	253
Mandeville	283	278	265	260	260	255	263	. . .	275	275	254	. . .	272	267	260
New Orleans:															
A.R.-R.W.R	283	278	265	260	260	255	264	. . .	275	275	257	. . .	272	267	265
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	266	. . .	252	. . .	. . .	. . .	261
F.B.L. (Note E)	. . .	. . .	. . .	. . .	. . .	. . .	256	. . .	263	. . .	247	. . .	. . .	. . .	. . .
F.B.L. (Note P)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	259	. . .	244	. . .	. . .	. . .	. . .
M.V.B.L. (Note C1)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	243	. . .	. . .	. . .	. . .
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Reserve	283	278	265	260	260	255	264	. . .	275	275	259	. . .	272	267	267
St. Francisville	283	278	265	260	260	255	263	. . .	275	275	254	. . .	272	267	259
Slidell	283	278	265	260	260	255	263	. . .	275	275	254	. . .	272	267	260
Wilson	283	278	265	260	260	255	255	. . .	275	275	248	. . .	272	267	262
MISSISSIPPI															
Aberdeen	250	246	232	228	227	223	218	. . .	248	248	209	. . .	239	235	224
Ackerman	267	262	249	244	244	239	225	. . .	254	254	217	. . .	256	251	251
Amory	250	246	[illegible]	228	227	223	217	. . .	248	248	209	. . .	239	235	224
Batesville	260	260	242	242	237	237	215	. . .	237	237	203	. . .	249	249	219
Beaumont	270	265	252	247	247	242	250	. . .	269	269	241	. . .	259	254	251
Belmont	250	[illegible]	[illegible]	228	227	223	212	. . .	248	248	199	. . .	239	235	215
Belzoni	267	262	249	244	244	239	229	. . .	254	254	221	. . .	256	251	236
Brookhaven	283	278	265	260	260	255	246	. . .	275	275	239	. . .	272	267	251
Bruce	291	[illegible]	273	268	268	263	241	. . .	271	271	251	. . .	280	275	247
Calhoun City	270	265	252	247	247	242	218	. . .	250	250	209	. . .	259	254	234
Canton	267	262	249	244	244	239	233	. . .	254	254	225	. . .	256	251	240
Centreville	283	278	265	260	260	255	255	. . .	275	275	248	. . .	272	267	262
Charleston	[illegible]	[illegible]	[illegible]	247	247	242	226	. . .	250	250	217	. . .	259	254	252
Clarksdale	[illegible]	[illegible]	[illegible]	247	247	242	218	. . .	250	250	209	. . .	259	254	234
Cleveland	[illegible]	[illegible]	[illegible]	247	247	242	222	. . .	250	250	213	. . .	259	254	226
Columbia	[illegible]	278	265	260	260	255	250	. . .	275	275	241	. . .	272	267	257
Columbus	[illegible]	[illegible]	[illegible]	228	227	223	221	. . .	248	248	213	. . .	239	235	228
Corinth	[illegible]	[illegible]	[illegible]	227	223	222	204	. . .	231	231	193	. . .	235	234	208
Crystal Springs	[illegible]	[illegible]	265	260	260	255	241	. . .	275	275	233	. . .	272	267	245
DeKalb	[illegible]	[illegible]	243	239	239	234	265	. . .	261	261	231	. . .	250	246	247
Dundee	270	265	252	247	247	242	215	. . .	250	250	206	. . .	259	254	222
Durant	267	262	249	244	244	239	229	. . .	254	254	221	. . .	256	251	236
Edinburg	267	262	249	244	244	239	241	. . .	254	254	233	. . .	256	251	248
Electric Mills	254	250	236	231	231	227	256	. . .	253	253	225	. . .	243	239	240
Falkner	260	260	242	242	237	237	201	. . .	237	237	189	. . .	249	249	206
Fenwick	301	296	283	278	278	273	271	. . .	295	293	263	. . .	290	285	278
Fernwood	283	278	265	260	260	255	250	. . .	275	275	241	. . .	272	267	257
Fulton	264	260	246	242	241	237	224	. . .	265	265	216	. . .	253	249	231
Gatesville	283	278	265	260	260	255	241	. . .	275	275	233	. . .	272	267	246
Greenville	270	265	252	247	247	242	229	. . .	250	250	221	. . .	259	254	236
Greenwood	270	265	252	247	247	242	225	. . .	250	250	217	. . .	259	254	232
Grenada	270	265	252	247	247	242	216	. . .	250	250	209	. . .	259	254	224
Gulfport	270	265	252	247	247	242	256	. . .	269	269	250	. . .	259	254	258
Gwin	267	262	249	247	244	239	229	. . .	254	254	221	. . .	256	251	236
Hattiesburg	270	265	252	247	247	242	246	. . .	269	269	239	. . .	259	254	249
Hermanville	283	278	265	260	260	255	244	. . .	275	275	256	. . .	272	267	251
Holly Bluff	276	271	258	253	253	248	233	. . .	265	265	225	. . .	265	260	240
Holly Springs	260	260	242	242	237	237	205	. . .	237	237	195	. . .	249	249	211
Horn Lake	260	260	242	242	237	237	209	. . .	237	237	194	. . .	249	249	211
Houston	270	265	252	247	247	242	215	. . .	250	250	205	. . .	259	254	220

AR - All Rail.
RWR - Rail-Water and Rail.

s to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Montauk		New Egypt		New York		Riverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
MISSISSIPPI - Con.																
rley	301	296	283	278	278	273	276	...	290	290	269	...	290	285	276	...
is	246	245	228	227	223	222	205	...	251	231	197	...	235	234	211	...
kson	267	262	249	244	244	239	236	...	254	254	229	...	256	251	243	...
otc.	283	278	265	260	260	255	253	...	275	275	245	...	272	267	260	...
komo	294	289	262	257	257	252	233	...	272	272	245	...	269	264	258	...
urel	270	265	252	247	247	242	244	...	269	269	236	...	259	254	246	...
akesville	284	275	266	257	261	252	269	...	287	280	257	...	273	264	270	...
na	267	262	249	244	244	239	236	...	254	254	229	...	256	251	243	...
uisville	267	262	249	244	244	239	229	...	254	254	221	...	256	251	233	...
cedale	270	265	252	247	247	242	248	...	269	269	237	...	259	254	249	...
mberton	270	265	252	247	247	242	253	...	267	267	245	...	259	254	251	...
con	254	250	236	232	231	227	254	...	253	253	221	...	243	239	233	...
rks	270	265	252	247	247	242	215	...	250	250	205	...	259	254	222	...
thiston	270	265	252	247	247	242	221	...	250	250	213	...	259	254	228	...
adville	301	296	283	278	278	273	269	...	293	293	262	...	290	285	276	...
ridian	254	250	236	232	231	227	262	...	253	253	228	...	243	239	237	...
neral Wells	260	260	242	242	237	237	208	...	237	237	196	...	249	249	211	...
orehead	270	265	252	247	247	242	228	...	250	250	217	...	259	254	222	...
tchez	283	278	265	260	260	255	253	...	275	275	245	...	272	267	260	...
Albany	260	260	242	242	237	237	208	...	257	237	197	...	249	249	212	...
Augusta	270	265	252	247	247	242	256	...	269	269	241	...	259	254	251	...
ton	267	262	249	244	244	239	253	...	254	254	225	...	256	251	240	...
scagoula	270	265	252	247	247	242	256	...	269	269	251	...	259	254	258	...
lahatchie	267	262	249	244	244	239	241	...	254	254	233	...	256	251	246	...
cayune	283	278	265	260	260	255	259	...	275	275	250	...	272	267	258	...
rt Gibson	283	278	265	260	260	255	244	...	275	275	236	...	272	267	251	...
entiss	301	296	283	278	278	273	261	...	293	293	254	...	290	285	268	...
ichard	260	260	242	242	237	237	212	...	237	237	199	...	249	249	215	...
itman	263	254	245	236	240	231	241	...	266	259	230	...	252	243	240	...
imers	267	262	245	240	244	239	236	...	254	254	229	...	256	251	243	...
ichton	270	265	252	247	247	242	246	...	269	269	239	...	259	254	249	...
lling Fork	276	271	258	253	253	248	233	...	263	263	225	...	265	260	240	...
sedale	270	265	252	247	247	242	222	...	260	260	213	...	259	254	228	...
xie	283	278	265	260	260	255	250	...	275	275	241	...	272	267	257	...
leville	270	265	252	247	247	242	228	...	250	250	213	...	259	254	228	...
nd Hill	267	262	249	244	244	239	236	...	254	254	229	...	256	251	243	...
ratoga	270	265	252	247	247	242	244	...	269	269	236	...	259	254	251	...
natobia	260	260	242	242	237	237	212	...	237	237	199	...	249	249	215	...
lver Creek	283	278	265	260	260	255	246	...	275	275	239	...	272	267	253	...
mrall	288	283	270	65	265	260	258	...	286	286	260	...	277	272	270	...
nica Lake	270	265	252	247	247	242	218	...	250	250	209	...	259	254	225	...
nica	260	260	242	242	237	237	212	...	237	237	199	...	249	249	215	...
pelo	250	246	232	228	227	223	212	...	248	248	201	...	239	235	216	...
lertown	283	278	265	260	260	255	262	...	275	275	254	...	272	267	249	...
ion	267	262	249	244	244	239	233	...	254	254	225	...	256	251	240	...
icksburg:																
A.R.-R.M.R	276	271	258	253	253	248	241	...	263	263	233	...	265	260	248	...
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	...	...	...	...	...	...	234	...	...	...	226	...	...	...	242	...
F.B.L. (Note P)	...	...	...	...	...	...	...	...	...	...	233	...	...	...	...	...
M.V.S.L. (Note C1)	263	...	244	...	238	...	229	...	252	...	221	...	257	...	237	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
aillia	283	278	265	260	260	255	244	...	275	275	236	...	272	267	251	...
ter Valley	260	260	242	242	237	237	212	...	257	237	203	...	249	249	213	...

1683

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended														
	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Peters
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended														
MISSISSIPPI - Conc.															
Waynesboro	263	254	245	236	240	231	244	. . .	266	259	236	. . .	252	243	246
West Point	250	246	232	228	227	223	241	. . .	248	248	213	. . .	239	235	225
Why Not	271	267	253	249	248	240	280	. . .	271	271	247	. . .	280	256	256
Wiggins	270	265	252	247	247	242	253	. . .	269	269	245	. . .	259	254	255
Winona	270	265	252	247	247	242	225	. . .	250	250	217	. . .	259	254	251
Woodville	283	278	265	260	260	255	264	. . .	275	275	257	. . .	272	267	271
Yazoo City	267	262	249	244	244	239	233	. . .	254	254	[illegible]	. . .	256	251	240
NORTH CAROLINA															
Franklin	217	210	199	192F	194	187F	203	203	237	237	219	219	206	199F	201
SOUTH CAROLINA															
Aiken	205	192	187	174	182	169	189	185	224	216	203	203	194	181	187
Allendale	212	203	194	185	189	180	192	188	231	223	210	210	201	192	188
Anderson	202	198K	184	180K	179	175K	189	189	221	217K	201	201	191	187K	187
Andrews	196	189F	178	171F	173	166F	181	181	217	213K	194	194	185	178F	178
Barnwell	205	192	187	174	182	169	189	185	224	216	203	203	194	181	187
Batesburg	205	192	187	174	182	169	189	185	224	216	201	201	194	181	187
Belton	202	198K	184	180K	179	175K	189	189	221	217K	201	201	191	187K	187
Bennettsville	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Blackburg	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170
Blackville	205	192	187	174	182	169	189	185	224	216	201	201	194	181	187
Blenheim	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
(208) Buffalo	208	204K	198	194K	185	181K	188	188	230	226K	210	210	197	193K	194
(209) Buffalo	187	183K	169	165K	164	160K	181	181	213	209K	196	196	176	172K	178
Calhoun Falls	202	198K	184	180K	179	175K	189	189	221	217K	201	201	191	187K	187
Camden	184	180K	166	162K	161	157K	172	172	207	203K	189	189	173	169K	170
Carlisle	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	178
Catawba	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170
Charleston	196	189F	178	171F	173	166F	181	181	217	213K	203	203	185	178F	178
Cheraw	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Chester	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170
Chesterfield	194	190K	176	172K	171	167K	182	182	217	213K	193	193	183	179K	180
Clinton	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	176
Clio	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Columbia	196	189F	178	171F	173	166F	181	181	217	213K	194	194	185	178F	178
Conway	184	180K	166	162K	161	157K	172	172	207	203K	193	193	173	169K	170
Coosaw	212	203	194	185	189	180	192	188	231	223	216	216	201	192	188
Cordesville	196	189F	178	171F	173	166F	181	181	217	213K	196	196	185	178F	178
Darlington	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Denmark	205	192	187	174	182	169	189	185	224	216	201	201	194	181K	187
Dillon	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Edgefield	202	198K	184	180K	179	175K	189	189	221	217K	206	206	191	187K	187
Estill	212	203	194	185	189	180	192	188	231	223	213	213	201	192	188
Fairfax	212	203	194	185	189	180	192	188	231	223	210	210	201	192	188
Florence	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Fort Lawn	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170
Georgetown	196	189F	178	171F	173	166F	181	181	217	213K	196	196	185	178F	178
Graniteville	205	192	187	174	182	169	189	185	224	216	203	203	194	181	187
Great Falls	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170
Greenville	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	178
Greenwood	202	198K	184	180K	179	175K	189	189	221	217K	201	201	191	187K	187
H.& B. Jct	205	192	187	174	182	169	189	185	224	216	207	207	194	181	187
Hardeeville	212	203	194	185	189	180	192	188	231	223	219	219	201	192	188
Hartsville	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170
Holly Hill	196	189F	178	171F	173	166F	181	181	217	213K	199	199	185	178F	178
Jackson	212	203	194	185	189	180	192	188	231	223	210	210	201	192	188

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 36 - FREIGHT TARIFF NO. 44-I.

o page 300 of Tariff:

SECTION 1-A - Continued

nd From Stations own on pages 96 173, inclusive tariff as nded, taking te Basis shown low:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
OUTH CAROLINA - Conc.																
ville.	196	189F	178	171F	173	166F	181	181	217	213K	196	196	185	178F	178	178
City.	196	189F	178	171F	173	166F	181	181	217	213K	194	194	185	178F	178	178
aster.	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170	170
o.	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170	170
s.	196	189F	178	171F	173	166F	181	181	217	213K	194	194	185	178F	178	178
ens.	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	178	178
es.	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170	170
ll	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170	170
rmick.	202	198K	184	180K	179	175K	189	189	221	217K	201	201	191	187K	187	187
on	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170	170
etts	205	192	187	174	182	169	189	185	224	216	203	203	194	181	187	182
ins.	184	180K	166	162K	161	157K	172	172	207	203K	185	185	173	169K	170	170
erry.	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	178	178
h Augusta.	212	203	194	185	189	180	192	188	231	223	210	210	201	192	188	184
ngeburg	196	189F	178	171F	173	166F	181	181	217	213K	196	196	185	178F	178	178
land	197	193K	179	175K	174	170K	194	194	219	215K	198	198	186	182K	182	182
y.	205	192	187	174	182	169	189	185	224	216	201	201	194	181	187	182
Pittsburg.	202	189	184	171	179	166	189	185	221	213	201	201	191	178	187	182
Pittsburg.	223	210	205	192	200	187	210	206	242	234	220	220	212	199	208	203
ton	184	180K	166	162K	161	157K	172	172	207	203K	189	189	173	169K	170	170
gnall	196	189F	178	171F	173	166F	181	181	217	213K	203	203	185	173F	178	178
nburg	195	191K	177	173K	172	168K	180	180	214	210K	209	209	184	180K	178	178
k Hill.	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170	170
sellville	204	197F	186	179F	181	174F	189	189	225	221K	201	201	193	186F	188	186
uda	215	202	197	184	192	179	199	195	234	226	211	211	204	191	197	192
eca	202	198K	184	180K	179	175K	189	189	221	217K	201	201	191	187K	187	187
rtanburg.	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	178	178
ter	184	180K	166	162K	161	157K	172	172	207	203K	193	193	173	169K	170	170
lman.	212	203	194	185	189	180	192	188	231	223	216	216	201	192	188	188
on.	191	187K	173	169K	168	164K	181	181	213	209K	194	194	180	176K	178	178
terboro	205	192	187	174	182	169	189	185	224	216	210	210	194	181	187	182
e Shoals.	202	198K	184	184	179	175K	189	189	221	217K	201	201	191	197K	187	187
nsboro.	196	189F	178	171F	173	166F	181	181	217	213K	194	194	185	178F	178	178
assee	212	203	194	185	189	180	192	188	231	223	213	213	201	192	188	184
k.	187	183K	169	165K	164	160K	172	172	207	203K	185	185	176	172K	170	170
TENNESSEE																
ington.	260	260	242	242	237	237	204	. . .	237	237	189	. . .	249	249	208	. . .
ona.	217	210F	199	192F	194	187F	179	. . .	213	213	176	. . .	206	199F	177	. . .
land City	253	253	235	235	230	230	191	. . .	223	. . .	177	. . .	242	242	196	. . .
ens	217	210F	199	192F	194	187F	186	. . .	220	220	185	. . .	206	199F	184	. . .
lls.	254	254	236	236	231	. . .	198	. . .	227	. . .	182	. . .	243	243	201	. . .
ownsville.	254	254	236	236	231	. . .	198	. . .	231	. . .	185	. . .	243	243	196	. . .
ceton	244	244	226	226	221	. . .	190	. . .	224	. . .	179	. . .	233	233	194	. . .
rthage	241	240	223	222	218	217	201	. . .	228	228	191	. . .	230	229	204	. . .
rthage Jct	241	240	223	222	218	217	201	. . .	227	227	191	. . .	230	229	204	. . .
ntreville.	246	245	228	227	223	222	191	. . .	231	231	180	. . .	235	234	196	. . .
attanooga.	217	210F	199	192F	194	187F	194	194	220	220	185	185	206	199F	192	192
arksville.	247	240	222	222	217	217	178	. . .	210	. . .	164	. . .	229	229	182	. . .
eveland.	217	210F	199	192F	194	187F	190	. . .	224	224	188	. . .	206	199F	188	. . .
lumbia.	233	232	215	214	210	209	187	. . .	221	221	179	. . .	222	221	191	. . .
okeville	243	242	225	224	220	219	206	. . .	234	234	196	. . .	232	231	207	. . .
pperhill	217	210F	199	192F	194	187F	194	. . .	227	227	192	. . .	206	199F	192	. . .
rdell	212	212	194	194	189	189	173	. . .	203	203	182	182	201	201	174	. . .
vington.	262	262	244	244	239	. . .	204	. . .	233	. . .	189	. . .	251	251	205	. . .
ossville	220	220	202	202	197	197	195	. . .	223	223	184	. . .	209	209	196	. . .
yton	217	210F	199	192F	194	187F	187	. . .	213	213	176	. . .	206	199F	188	. . .

AR - All Rail.
RWR - Rail-Water and Rail.

1685

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-1.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS — And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended														
	Montauk		New Egypt		New York		Niverton		Ogdensburg		Oil City		Patchogue		Peter
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended														
TENNESSEE - Con.															
Delrose	233	232	215	214	210	209	196	. . .	224	224	187	. . .	222	221	188
Dickson	237	237	219	219	214	. . .	185	. . .	217	. . .	177	. . .	226	226	188
Dunlap	233	233	215	214	210	209	205	. . .	227	227	195	. . .	222	221	201
Dyersburg	252	252	234	234	229	. . .	198	. . .	222	. . .	171	. . .	241	241	201
East Jamestown	212	212	194	194	189	189	175	. . .	203	203	165	. . .	201	201	177
Erin	244	244	226	226	221	. . .	181	. . .	213	. . .	169	. . .	253	253	188
Etowah	217	210F	199	192F	194	187F	186	. . .	221	221	165	. . .	206	199F	184
Fayetteville	233	232	215	214	210	209	196	. . .	224	224	187	. . .	222	221	199
Fork Mountain	212	212	194	194	189	189	180	. . .	207	207	168	. . .	201	201	180
Fork Ridge	208	208	190	190	185	. . .	173	. . .	203	. . .	155	. . .	197	197	174
Gallatin	233	232	215	214	210	209	175	. . .	210	. . .	166	. . .	222	221	179
Gernt	212	212	194	194	189	189	173	. . .	203	203	162	. . .	201	201	174
Glen Mary	212	212	194	194	189	189	173	. . .	203	203	162	. . .	201	201	174
Grand Jct.	260	260	241	241	237	237	204	. . .	237	237	189	. . .	249	249	208
Greenville	201	197K	183	179K	178	174K	161	. . .	203	. . .	172	. . .	190	186K	159
Harriman	212	212	194	194	189	189	180	. . .	207	207	168	. . .	201	201	180
Hartsville	233	232	215	214	210	209	175	. . .	210	. . .	169	. . .	222	221	182
Hermitage	233	232	215	214	210	209	181	. . .	213	. . .	169	. . .	222	221	185
Hickory Point	247	247	229	229	224	224	186	. . .	218	. . .	171	. . .	236	236	180
Hohenwald	246	245	228	227	223	222	195	. . .	231	231	185	. . .	235	234	189
Humboldt	254	254	236	236	231	. . .	194	. . .	227	. . .	182	. . .	243	243	201
Jackson	254	254	236	236	231	. . .	198	. . .	230	. . .	182	. . .	243	243	201
Jellico	212	212	194	194	189	189	170	. . .	203	203	160	. . .	201	201	170
Kenwood	241	241	223	223	218	218	182	. . .	211	. . .	165	. . .	230	230	182
Knoxville	201	197K	183	179K	178	174K	179	. . .	210	. . .	172	. . .	190	186K	177
LaFollette	212	212	194	194	189	189	173	. . .	203	203	165	. . .	201	201	174
Lake City	212	212	194	194	189	189	177	. . .	207	207	168	. . .	201	201	179
Lawrenceburg	246	245	228	227	223	222	195	. . .	231	231	187	. . .	235	234	199
Lebanon	233	232	215	214	210	209	184	. . .	217	217	176	. . .	222	221	188
Lenoir City	217	210F	199	192F	194	187F	182	. . .	216	216	180	. . .	206	199F	180
Lewisburg	233	232	215	214	210	209	201	. . .	221	221	185	. . .	222	221	196
Lexington	250	250	232	232	227	227	198	. . .	227	. . .	184	. . .	239	239	201
Liberty Hill	201	197K	183	179K	178	174K	181	. . .	208	208	172	. . .	190	186K	180
McKenzie	247	247	229	229	224	224	190	. . .	222	. . .	176	. . .	236	236	194
McMinnville	233	232	215	214	210	209	199	. . .	227	227	191	. . .	222	221	202
Madisonville	217	210F	199	192F	194	187F	186	. . .	220	220	186	. . .	206	199F	184
Mahan	212	212	194	194	189	189	180	. . .	207	207	168	. . .	225	201	180
Martin	239	239	221	221	216	216	185	. . .	210	. . .	178	. . .	228	228	192
Maryville	217	210F	199	192F	194	187F	179	. . .	213	213	176	. . .	206	199F	177
Memphis:															
A.R.-R.W.R	260	260	242	242	237	237	204	. . .	237	237	193	. . .	249	249	211
F.B.L. (Note E)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
M.V.B.L. (Note C1)	248	. . .	228	. . .	223	. . .	192	. . .	224	. . .	183	. . .	236	. . .	200
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Middleton	260	260	242	242	237	237	201	. . .	237	237	189	. . .	249	249	208
Milan	250	250	232	232	227	227	194	. . .	225	. . .	179	. . .	239	239	197
Monterey	222	222	204	204	199	199	202	. . .	229	229	190	. . .	211	211	203
Morristown	201	197K	183	179K	178	174K	165	. . .	207	207	172	. . .	190	186K	164
Moscow	260	260	242	242	237	237	204	. . .	237	237	194	. . .	249	249	208
Murfreesboro	233	232	215	214	210	209	185	. . .	217	217	177	. . .	222	271	189
Nashville	233	232	215	214	210	209	178	. . .	213	. . .	169	. . .	222	221	188
Newport	221	217K	183	179K	198	174K	174	. . .	211	211	178	. . .	190	186K	173
Nicks Creek	212	212	194	194	189	189	175	. . .	203	203	165	. . .	201	201	177
Paris	247	247	229	229	224	224	181	. . .	220	. . .	175	. . .	236	236	191

AR - All Rail.
RWR - Rail-Water and Rail.

to page 300 of tariff:

SECTION 1-A - Continued

nd From Stations own on pages 96 173, inclusive f tariff as mended, taking ate Basis shown elow:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.															
	Montauk		New Egypt		New York		Riverton		Ogdensburg		Oil City		Patchogue		Petersburg	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)															
TENNESSEE - Cont.																
rse	212	212	194	194	189	189	183	. . .	210	210	172	. . .	201	201	184	. . .
aski	233	232	215	214	210	209	195	. . .	224	224	187	. . .	222	221	199	. . .
ttsboro	255	255	237	237	232	232	192	. . .	226	. . .	180	. . .	244	244	195	. . .
mer	246	245	228	227	223	222	201	. . .	231	231	189	. . .	235	234	205	. . .
ierville	221	217K	213	199K	198	194K	199	. . .	233	233	196	. . .	210	204K	197	. . .
oks	218	214K	200	196K	195	191K	193	. . .	228	228	190	. . .	207	203K	191	. . .
erville	260	260	242	242	237	237	201	. . .	237	237	189	. . .	249	249	208	. . .
th Pittsburg	233	232	215	214	210	209	199	. . .	224	224	188	. . .	222	221	198	. . .
rta	233	232	215	214	210	209	203	. . .	231	231	195	. . .	222	221	207	. . .
ringfield	236	236	218	218	213	213	178	. . .	213	. . .	164	. . .	225	225	182	. . .
rgoinsville	190	190	172	172	167	167	161	. . .	207	207	165	. . .	179	179	159	. . .
pprell	201	197K	183	179K	178	174K	181	. . .	208	208	172	. . .	190	186K	180	. . .
ptonville	253	253	236	236	230	230	198	. . .	224	. . .	179	. . .	242	242	205	. . .
acy City	233	232	215	214	210	209	199	. . .	227	227	191	. . .	222	221	203	. . .
llahoma	233	232	215	214	210	209	191	. . .	221	221	184	. . .	222	221	196	. . .
ion City	236	236	218	218	213	213	183	. . .	208	. . .	175	. . .	225	225	190	. . .
tertown	240	239	222	221	217	216	196	. . .	222	222	186	. . .	229	228	199	. . .
verly	240	240	222	222	217	217	189	. . .	221	. . .	178	. . .	229	229	196	. . .
ite Bluff	237	237	219	219	214	214	184	. . .	217	. . .	176	. . .	226	226	205	. . .
itsville	260	260	242	242	237	237	201	. . .	237	237	189	. . .	249	249	205	. . .
lder	223	223	205	205	200	200	206	. . .	233	233	196	. . .	212	212	206	. . .

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as													
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Readin
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as													
ALABAMA														
Akron	218	218	217	247	243	217	. . .	220	219	237	231	272	268	218
Alexander City	199	194	191	224	217	204	204	201	196	216	207	250	243	199
Aliceville	218	218	217	247	243	221	. . .	220	219	237	231	272	268	218
Altoona	206	202	199	234	226	192	192	208	204	224	215	260	252	206
Andalusia	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Anniston	199	194	191	224	217	192	192	201	196	216	207	250	243	199
Atmore	227	224	221	257	248	230	. . .	225	219	247	236	278	269	231
Bayou La Batre	227	224	221	257	248	230	. . .	225	219	247	236	278	269	231
Birmingham	206	202K	199E	234	226	198	198	208	204K	224	215	260	252	206
Blocton	206	202	199	234	226	201	201	208	204	224	215	260	252	206
Blossburg	206	202	199	234	226	198	198	208	204	224	215	260	252	206
Boaz	206	202	199	234	226	189	189	208	204	224	215	260	252	206
Boligee	218	218	217	247	243	217	. . .	220	219	237	231	272	268	218
Boyd	236	236	235	265	261	239	. . .	238	237	254	248	290	286	236
Brantley	224	216	213A	253	241	221	221	216	208	244	231	271	259	224
Brewton	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Brilliant	218	218	217	244	240	206	. . .	220	219	234	228	269	265	218
Brownville	239	239	238	265	261	225	. . .	241	241	255	249	290	286	239
Buhl	218	218	217	244	240	210	. . .	220	219	234	228	269	265	218
Burbank	248	245	242	278	269	251	. . .	246	240	268	257	299	290	252
Calera	206	202K	199E	234	226	201	201	208	204K	224	215	260	252	206
Calvert	227	224	221	257	248	230	. . .	225	219	247	236	278	269	231
Cardiff	206	202	199	234	226	198	198	208	204	224	215	260	252	206
Carrollton	233	233	232	262	258	236	. . .	235	234	251	245	286	282	233
Cedar Bluff	199	194	191	224	217	191	191	201	196	216	207	250	243	199
Chatom	250	247	244	280	271	223	. . .	248	242	270	259	301	297	254
Chelsea	206	202K	199E	234	226	201	201	208	204K	227	215	260	252	206
Cherokee	215	215	215	234	234	188	. . .	216	216	227	227	263	263	215
Childersburg	206	202K	199E	234	226	201	201	208	204K	224	215	260	252	206
Choctaw City	247	244	241	277	268	232	. . .	245	239	267	256	298	289	251
Clanton	206	202K	199E	234	226	204	204	208	204K	224	215	260	252	206
Colta	206	202	199	234	226	201	201	208	204	224	215	260	252	206
Cromwell	238	238	237	265	261	246	. . .	238	237	254	248	290	286	236
Cullman	206	202	199	234	226	190	190	208	204	224	215	260	252	206
Decatur	202	202	202	224	224	186	. . .	203	203	217	217	253	253	202
Demopolis	218	218	217	247	243	221	. . .	220	219	237	231	272	268	218
Dothan	210	198	195	240	226	215	215	208	196	234	218	262	248	213
Elba	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Enterprise	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Eufaula	203	191	188	234	219	215	213	200	188	226	207	253	238	208
Fayette	218	218	217	244	240	207	. . .	220	219	234	228	269	265	218
Fern Bank	218	218	217	244	240	206	. . .	220	219	234	228	269	265	218
Flomaton	227	224	221	257	248	228	. . .	225	219	247	236	278	269	231
Florala	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Florence	215	215	215	234	234	186	. . .	216	216	227	227	263	263	215
Foley	227	224	221	257	248	237	. . .	225	219	247	236	278	269	231
Franklin	210	198	195	240	226	215	215	208	196	234	218	262	248	213
Frisco City	227	224	221	257	248	228	. . .	225	219	247	236	278	269	231
Gadsden	199	194	191	224	217	189	189	201	196	216	207	250	243	199
Genbry	206	202K	199E	234	226	201	201	208	204K	224	215	260	252	206
Geneva	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Greensboro	218	218	217	247	243	217	. . .	220	219	237	231	272	268	218
Greenville	224	216	213A	253	241	219	219	216	208	244	231	271	259	224
Gurley	202	202	202	224	224	186	. . .	203	203	217	217	253	253	202
Gurnee Junction	206	202	199	234	226	201	201	208	204	224	215	260	252	206

AR - All Rail.
RWR - Rail-Water and Rail.

1689

page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS.

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

From Stations n on pages 96 73, inclusive ariff as amended, ng Rate Basis n below:	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
ALABAMA - Con.															
ka.	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
ville.	218	218	217	244	240	194		220	219	234	228	269	265	218	218
way.	210	198	195	240	226	215	218	208	196	234	218	262	248	213	203
ord.	224	216	213A	253	241	223	223	216	208	244	231	271	259	224	219H
and.	210	198	195	240	2[illegible]	215	215	208	196	234	218	262	248	213	203
n.	199	194	191	224	217	195	195	201	186	216	207	250	243	199	195
ville.	202	202	202	224	224	186		203	203	217	217	253	253	202	202
boro	210	198	195	240	226	215	218	208	196	234	218	262	248	213	203
town	199	194	191	224	217	184	184	201	186	216	207	250	243	199	195
r.	206	202	199	234	226	201	201	206	204	224	215	260	252	206	202
rough	227	224	221	257	248	219		225	219	247	236	278	269	231	227
ayette.	199	194	191	224	217	210	210	201	186	216	207	250	243	199	195
t.	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
h.	206	202	199	234	226	195	195	208	204	224	215	260	252	206	202
n.	227	224	221	257	248	219		225	219	247	236	278	269	231	227
rne	224	216	213A	253	241	219	219	216	208	244	231	271	259	224	219H
ld.	217	205	202	247	233	223	223	208	196	240	224	262	248	221	211
esville	208	202K	199E	234	226	207	207	208	204K	224	215	260	252	206	202K
aret.	206	202K	199E	234	226	201	201	208	204K	224	215	260	252	206	202K
gold.	227	223	220	255	247	219	219	219	215	245	236	281	273	220	216
on Junction	206	202K	199E	234	226	213	213	208	204K	224	215	260	252	206	202K
ene	206	202K	199E	234	226	204	204	208	204K	224	215	260	252	206	202K
le:															
R.-R.W.R.	227	224	221	257	248	237		225	219	247	236	278	269	231	227
B.L. (Note B)						240									
B.L. (Note Ca)						235									
B.L. (Note E)															
roeton	227	224	221	257	248	221		225	219	247	236	278	269	231	227
roeville	227	224	221	257	348	225		225	219	247	236	278	269	231	227
tgomery.	210	198	195	240	226	215	215	208	196	234	218	262	248	213	203
awah	227	224	221	257	248	219		225	219	247	236	278	269	231	227
lika	203	191	188	237	222	215	213	200	188	224	207	253	238	203	194
.	224	216	213A	253	241	223	223	216	208	244	231	271	259	224	219H
rk	210	198	195	240	226	215	215	208	196	234	218	262	248	213	203
nola.	238	238	237	267	263	245		240	239	257	251	292	286	238	238
l City	206	202K	199E	234	226	195	195	208	204K	224	215	260	252	206	202K
nix City	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
edmont.	199	194	191	224	217	192	192	201	196	216	207	250	243	199	195
ttsview	210	198	195	240	226	218	215	208	204	234	218	262	248	213	203
d Bay	218	218	217	244	240	190		220	219	234	228	269	265	218	218
form.	218	218	217	244	240	210		220	219	234	228	269	265	218	218
verview	203	191	180	234	219	215	213	200	188	224	207	253	238	203	194
anoke	199	194	191	224	217	207	207	201	196	216	207	250	243	199	195
mson.	224	216	213A	253	241	223	223	216	208	244	231	271	259	224	219H
tumma	227	224	221	257	246	234		225	219	247	236	278	269	231	227
lma	206	202K	199E	234	226	210	210	208	204K	224	215	260	252	206	202K
llas	252	252	251	282	278	246		250	249	273	267	304	300	256	256
ipsey.	206	202	199	234	226	204	204	206	204	224	215	260	252	206	202
Stevenson.	202	202	202	224	224	179		203	203	217	217	253	253	202	202
uggsville.	227	224	221	257	248	226		225	219	247	236	278	269	231	227
yiacauga	199	194	191	224	217	201	201	201	196	216	207	250	243	199	195
alladega	199	194	191	224	217	198	198	201	196	216	207	250	243	199	195
allassee	227	215	212	257	243	231	231	225	213	250	234	279	265	230	220
Troy.	210	198	195	240	236	215	215	208	196	234	218	262	248	213	203
uscaloosa.	206	202	199	234	226	204	204	208	204	224	215	260	252	206	202
uskegee.	227	215	212	257	243	231	231	225	213	250	234	279	265	230	220
nion Springs	210	198	195	240	226	215	215	208	196	234	218	262	248	213	203

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff													
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Readi
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff													
ALABAMA - Conc.														
Valley Head	199	194	191	224	217	179	179	201	196	218	207	250	243	199
Vinegar Bend	227	224	221	257	248	230	...	225	219	247	236	278	269	231
Warrior	206	202	199	234	226	198	198	208	204	224	215	260	252	208
Wattsville	206	202K	199E	234	226	196	196	206	204K	224	215	260	252	208
Winfield	218	218	217	244	240	206	...	220	219	234	226	269	265	218
Yantley	236	236	235	265	261	245	...	238	237	254	248	290	286	236
Yolande	206	202	199	234	226	201	201	208	204	224	215	260	252	208
York	218	218	217	247	243	221	...	220	219	237	231	272	268	218
ARKANSAS														
Helena:														
A.R.-R.W.R.	235	235	233	253	253	196	...	237	235	250	248	284	276	235
F.B.L. (Note E)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note P)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
FLORIDA														
Alachua	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Altha	224	216	213A	253	241	224	224	216	208	244	231	271	259	224
Apalachicola	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Arcadia	246	241H	238D	268	255	269	265	247	238	263	249	287	274	246
Avon Park	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237
Barrineau Park	227	224	221	257	248	230	...	225	219	247	236	278	269	231
Bartow	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237
Baxter	196	182	179	227	209	215	206	192	178	221	202	246	228	199
Bell	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Belleglade-Chosen	246	241H	238D	268	255	269	265	247	238	263	249	287	274	246
Blountstown	224	216	213A	253	241	224	224	216	208	244	231	271	259	224
Bradenton	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237
Branford	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Brewster	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237
Brooksville	228	222G	219C	250	236	251	246	229	219	245	240	275	261	228
Bunker Hill	254	251	248	276	265	277	275	255	248F	270	258	293	282	254
Campbellton	217	205	202	247	233	223	223	208	196	240	224	262	248	221
Center Hill	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228
Century	227	224	221	257	248	228	...	225	219	247	236	278	269	231
Chattahoochee	213	201	198	244	229	223	213	200	188	234	217	253	238	217
Chuluota	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228
Clearwater	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237
Clewiston	246	241H	238D	268	255	269	265	241	232	263	249	287	274	246
Cottondale	217	205	202	247	233	223	223	208	196	240	224	262	248	221
Crestview	224	216	213A	253	241	223	223	216	208	244	231	271	259	224
Cross City	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Daytona Beach	219	213G	210C	244	230	243	238	220	210	236	221	269	256	219
DeFuniak Springs	224	216	213A	253	241	224	224	218	208	244	231	271	259	224
Dowling Park	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Drexel	228	222G	219E	250	236	251	246	229	219	245	230	275	261	228
Drifton	212	201	198	244	229	223	213	200	188	234	217	253	238	217
Dunnellon	219	213G	210C	244	230	243	238	220	210	236	221	269	256	219
Everglades	254	251	248	276	265	277	275	255	248F	270	258	293	282	254
Fairfield	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210
Fellsmere	250	245H	261D	273	260	274	270	251	242	267	253	291	278	251
Fernandina	196	182	179	227	209	215	206	192	178	221	202	246	228	199
Ft. Lauderdale	254	251	248	276	265	277	275	255	248F	270	258	293	282	254
Ft. Myers	254	251	248	276	265	277	275	255	248F	270	258	293	282	254
Ft. Pierce	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237
Gainesville	210	203F	200B	240	225	234	228	211	200	231	215	266	251	210

AR - All Rail.
RWR - Rail-Water and Rail.

o page 300 of Tariff.

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

d From Stations wn on pages 96 173, inclusive tariff as amended, king Rate Basis wn below:	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
FLORIDA - Cont.															
evville	224	216	213A	255	241	225	225	216	206	244	231	271	259	224	219H
n Cove Springs	201	194	191B	251	216	225	219	202	191	224	208	257	242	203	194
nville	203	189	186	254	216	225	206	193	179	227	208	246	228	207	195
nwood	255	221	218	265	249	236	235	251	219	257	241	265	271	236	226
ee City	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228	220
ings	210	205F	200B	240	225	254	228	211	200	231	215	266	251	210	201
horne	210	205F	200B	240	225	254	228	211	200	231	215	266	251	210	201
Springs	210	205F	200B	240	225	254	228	211	200	231	215	266	251	210	201
iard	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
stead	265	260	257	286	274	266	284	264	257F	279	267	302	291	263	258H
ord	210	205F	200B	240	225	254	228	211	200	230	219	266	251	216	207
onville	196	182	179	227	209	215	206	192	178	221	202	246	229	199	187
eson	213	201	196	244	229	228	213	200	188	234	217	253	238	217	208
er	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
ter	246	241H	238D	266	256	269	265	247	238	265	249	287	274	246	239H
nsville	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237	230F
immee	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228	220
Butler	201	194F	191B	251	216	225	219	202	191	224	208	257	242	203	194
City	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
land	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237	230F
Wales	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237	230F
tey	201	194F	191B	251	216	225	219	202	191	224	208	257	242	203	194
sburg	219	213G	210C	244	230	243	238	220	210	236	221	269	255	219	211
Oak	203	189	186	254	216	225	206	193	179	227	208	246	228	207	195
ison	203	189	186	254	216	225	206	193	179	227	208	246	228	207	195
ianna	217	205	202	247	233	235	223	208	196	240	224	262	248	221	211
o	210	205F	200B	240	225	254	228	211	200	231	215	266	251	210	201
town	219	213G	210C	244	230	243	238	220	210	236	221	269	255	219	211
bourne	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228	220
ni	254	251	248	276	265	277	275	255	248F	270	258	293	282	254	249H
ton	224	216	213A	255	241	225	225	216	206	244	231	271	259	224	219H
les	254	251	248	276	265	277	275	255	248F	270	258	293	282	254	249H
berry	210	205F	200B	240	225	254	228	211	200	251	215	266	251	210	201
la	219	213G	210C	244	230	243	238	220	210	236	221	269	255	219	211
chobee	246	241H	238D	266	256	269	265	247	238	265	249	287	274	246	239F
l	246	241H	238D	266	256	269	265	247	238	265	249	287	274	246	239F
ando	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228	220
er Creek	219	213G	210C	244	230	243	238	220	210	236	221	269	255	219	211
atka	210	205F	200B	240	225	254	228	211	200	251	215	266	251	210	201
dale	246	241H	238D	266	256	269	265	247	238	265	249	287	274	246	239F
ma City	224	216	213A	255	241	227	227	216	206	244	231	271	259	224	219H
sacola	227	224	221	257	248	234	234	225	219	247	236	276	269	231	227
rry	210	205F	200B	240	225	254	228	211	200	231	215	266	251	210	201
rson	219	213G	210C	244	230	243	238	220	210	236	221	269	255	219	211
Pinetta	203	189	186	254	216	225	206	193	179	227	208	246	228	207	195
Pinetta	224	210	207	256	237	244	227	218	201	248	229	268	250	228	216
nt City	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237	230F
rt St. Joe	224	216	213A	255	241	234	234	216	208	244	231	271	259	224	219H
atesville	210	205F	200B	240	225	254	228	211	200	251	215	266	251	210	201
incy	213	201	196	244	229	228	213	200	188	234	217	253	238	217	208
. Augustine	210	205F	200B	240	225	254	228	211	200	251	215	266	261	210	201
. Catherine	228	222G	219C	250	236	251	246	229	219	245	230	275	261	228	220
. Petersburg	237	232H	229D	259	246	260	256	238	229	254	240	278	265	237	230F
nderson	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
nford	219	213G	210C	244	230	243	238	220	210	236	221	269	255	219	211

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 308 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations Taking same Rates as shown on pages 17 to 95, inclusive of Tariff as												
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as												
FLORIDA - Conc.													
Sarasota	246	241H	238D	268	255	269	265	247	238	263	249	287	274
Shady Grove	210	203F	200B	240	225	234	228	211	200	231	215	266	251
South Boca Grande	254	251	248	276	265	277	275	255	248F	270	258	293	282
South Jacksonville	201	194F	191B	231	216	225	219	202	191	224	208	257	242
Tallahassee	213	201	198	244	229	223	213	200	188	234	217	253	238
Tampa	237	232H	229D	259	246	260	256	238	229	254	240	278	265
Titusville	228	222G	219C	250	236	251	246	229	219	245	230	275	261
Wakulla	210	203F	200B	240	225	234	228	211	200	231	215	266	251
West Palm Beach	254	251	248	276	265	277	275	255	248F	270	258	293	282
Williston	219	213G	210C	244	230	243	238	220	210	236	221	269	255
Winter Garden	228	222G	219C	250	236	251	246	229	219	245	230	275	261
Winter Haven	237	232H	229D	259	246	260	256	238	229	254	240	278	265
Youngstown	224	216	213A	253	241	224	224	216	208	244	231	271	259
Yukon	201	194F	191	231	216	225	219	202	191	224	208	257	242
GEORGIA													
Abbeville	196	182	179	227	209	215	206	192	178	221	202	246	228
Albany	203	191	188	234	219	215	213	200	188	224	207	253	238
Alma	189	175	172	221	203	215	206	188	174	213	194	242	224
Americus	203	191	188	234	219	215	213	200	188	224	207	253	238
Arlington	203	191	188	234	219	215	213	200	188	224	207	253	238
Athens	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Atlanta	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Augusta	173	167G	164C	207	198	198	194	172	166G	199	188	224	215
Bainbridge	203	191	188	234	219	215	213	200	188	224	207	253	238
Baxley	189	175	172	221	203	215	206	188	174	213	194	242	224
Blue Ridge	185	181K	178E	211	204F	184	184	187	183K	204	197F	234	227F
Bonaire	196	182	179	227	209	215	206	192	178	221	202	246	228
Bowden	185	181K	178E	217	210F	195	195	187	183K	210	203F	243	236F
Bremen	185	181K	178E	217	210F	195	195	187	183K	210	203F	243	236F
([illegible]) Bridgeboro	203	191	188	234	219	215	213	200	188	224	207	253	238
([illegible]) Bridgeboro	224	212	209	255	240	236	234	221	209	245	228	274	259
Brunswick	189	175	172	221	203	215	206	188	174	213	194	242	224
Buena Vista	203	191	188	234	219	215	213	200	188	224	207	253	238
Buford	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Camak	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Campton	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Canton	185	181K	178E	217	210F	192	192	187	183K	210	203F	243	236F
Carrollton	185	181K	178E	217	210F	195	195	187	183K	210	203F	243	236F
Cartersville	185	181K	178E	217	210F	189	189	187	183K	210	203F	243	236F
Cave Spring	185	181K	178E	217	210F	189	189	187	183K	210	203F	243	236F
Cedartown	185	181K	178E	217	210F	189	189	187	183K	210	203F	243	236F
Cenchat	185	181K	178E	211	204F	176	176	187	183K	204	197F	234	227F
Chatsworth	185	181K	178E	217	210F	184	184	187	183K	210	203F	243	236F
Claxton	179	166	163	217	201	206	196	179	166	207	189	232	216
([illegible]) Clyattville	203	189	186	234	216	223	206	195	179	227	208	246	228
([illegible]) Clyattville	224	210	207	255	237	244	227	215	201	248	229	268	250
Clyo	173	167G	164C	207	198	198	194	172	166G	199	188	224	215
Columbus	203	191	188	234	219	215	213	200	188	224	207	253	238
Commerce	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Cordele	196	182	179	227	209	215	206	192	178	221	202	246	228
Cornelia	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Covington	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F
Cusseta	203	191	188	234	219	215	213	200	188	224	207	253	238
Cuthbert	203	191	188	234	219	215	213	200	188	224	207	253	238
Dalton	185	181K	178E	217	210	179	179	187	183K	210	203F	243	236F

AR - All Rail.
RWR - Rail-Water and Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
GEORGIA - - Cont.															
es Ferry	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
son.	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
uglas	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
blin.	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	186K
rand.	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
rham.	199	194	191	224	217	179	179	201	196	216	207	250	243	199	195
ypt	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
berton.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
pire.	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
tzgerald.	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
lkston.	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
rt Gaines	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
rt Valley	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
inesville	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
Garfield.	185	179G	176C	213	204	206	206	179	173G	210	199	232	223	185	181K
Garfield.	206	200G	197C	234	225	227	227	200	194G	231	220	253	244	206	202K
Gracewood	185	179G	176C	213	204	206	206	179	173G	210	199	232	223	185	181K
Gracewood	206	200G	197C	234	225	227	227	200	194G	231	220	253	244	206	202K
iffin	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
rtwell.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
ylow.	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
zlehurst.	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
lena.	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
oker.	185	181K	178E	211	204F	176	176	187	183K	204	197F	234	227F	185	181K
echton.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
fferson	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
ffersonville.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
sup	189	175	172	221	205	215	206	188	174	213	194	242	224	193	181
nction City	205	191	188	234	219	215	205	200	188	224	207	253	238	203	194
Keysville	185	179G	176C	213	204	206	206	179	173G	210	199	232	223	185	181K
Keysville	206	200G	197C	234	225	227	227	200	194G	231	220	253	244	206	202K
ldare	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
Grange	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
ksland.	213	199	196	243	225	231	222	209	195	238	219	263	245	216	204
vonia	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
wrenceville	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
uisville.	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	186K
Donough	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
chen.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
con	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
dison	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
nlo	199	194	191	224	217	184	184	201	196	216	207	250	243	199	195
dville.	185	179G	176C	213	204	206	206	179	173G	210	199	232	223	189	186K
lledgeville	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
llen.	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
lstead.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
ntezuma	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
ultrie.	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
Nashville	196	182	179	227	209	215	206	201	187	221	202	246	228	199	187
Nashville	217	205	201	248	230	236	227	214	200	242	223	268	250	220	208
wnan.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
kfield.	205	191	188	234	219	215	213	200	188	224	207	253	238	203	194
fferman.	189	175	172	221	205	215	206	188	174	213	194	242	224	193	181
Pavo.	205	191	188	234	219	215	213	200	188	224	207	253	238	205	194
Pavo.	224	212	209	255	240	236	234	221	209	245	228	274	259	224	215

AR - All Rail.
RWR - Rail-Water and Rail.

1119

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended,														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.														
GEORGIA - Conc.															
Pelham	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
Quitman	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
(204) Relee	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
(205) Relee	217	203	201	248	240	236	227	214	200	242	223	268	250	220	209
Riceboro	179	166	163	217	201	206	196	179	166	207	189	232	216	185	176
Richland	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
Rockmart	185	181K	178E	217	210F	189	189	187	183K	210	203F	243	236F	189	183K
Rome	185	181K	178E	217	210F	186	186	187	183K	210	203F	243	236F	189	183K
St. George	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
St. Marys	214	200	197	244	226	233	224	210	196	239	220	264	246	217	205
(206) Sale City	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
(207) Sale City	224	212	209	255	240	236	234	221	209	245	228	274	259	224	215
Sandersville	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	183
Sardis	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	173
Savannah	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	173
Senoia	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
Soperton	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	183
Statesboro	179	166	163	217	201	206	196	179	166	207	189	232	216	185	174
(204) Seminsboro	185	179G	176	213	204	206	206	179	173G	210	199	232	223	189	183
(205) Seminsboro	206	200G	197	234	225	227	227	200	194G	231	220	253	244	210	205
Tallulah Falls	185	181K	178E	217	210F	203	206	187	183K	210	203F	243	236F	189	183K
Tennille	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	183
Thomaston	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
Thomasville	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
(206) Ticknor	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
(207) Ticknor	224	212	209	255	240	236	234	221	209	245	228	274	259	224	215
Tifton	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
Toomsboro	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	183K
Topeka Jct.	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
Trenton	199	194	191	224	217	176	176	201	196	216	207	250	243	199	195
Trion	185	181K	178E	217	210F	179	179	187	183K	210	203F	243	236F	189	183K
Union Point	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
(204) Uvalda	185	179G	176C	213	204	206	206	179	173G	210	199	232	223	189	183K
(205) Uvalda	206	200G	197C	234	225	227	227	200	194G	231	220	253	244	210	205K
Valdosta	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
Vaughn	185	181K	178E	213	206F	206	206	185	181K	207	198	239	232F	185	181K
Vidalia	185	179G	176C	217	208	206	206	179	173G	210	199	232	223	189	183K
Washington	185	181K	178E	213	206F	206	206	185	181K	20[illegible]	198	239	232F	185	181K
Waycross	189	175	172	221	203	215	208	188	174	21[illegible]	194	242	224	193	181
Waynesboro	173	167G	164	207	198	198	194	172	166G	19[illegible]	188	224	215	176	173K
Woodbine	196	182	179	227	209	215	206	192	178	221	202	246	228	199	187
Woodbury	203	191	188	234	219	215	213	200	188	224	207	253	238	203	194
Woodcliff	194	188G	186C	228	219	219	215	194	188	220	209	246	237	197	185K
Wrightsville	195	189	186C	227	218	216	216	189	183G	220	209	242	233	199	185K
LOUISIANA															
Amite	247	247	245	275	270	237	...	245	243	266	259	299	294	247	267
Baton Rouge:															
A.R.-R.W.R.	247	247	245	275	270	243	...	245	243	266	259	299	294	247	267
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	266	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	251	...	...	271	...	233	...	253	...	266	...	...	...	251	...
F.B.L. (Note P)	...	...	...	249	...	229	...	...	...	...	...	...	...	...	...
M.Y.B.L. (Note Ci)	...	...	...	...	...	228	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Bogalusa	247	247	245	275	270	237	...	245	243	266	259	299	294	247	267
Braithwaite	247	247	245	275	270	246	...	245	243	266	259	299	294	247	267
Clinton	247	247	245	275	270	237	...	245	243	266	259	299	294	247	267

AR - All Rail.
RWR - Rail-Water and Rail.

1694

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended. Philadelphia AR	Philadelphia RWR	P-Port RWR	Phoenicia AR	Phoenicia RWR	Pittsburgh AR	Pittsburgh RWR	Popes Creek AR	Popes Creek RWR	Port Jervis AR	Port Jervis RWR	Portland AR	Portland RWR	Reading AR	Reading RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.														
LOUISIANA - Conc.															
Franklinton	247	247	245	275	270	239	. . .	245	243	266	259	299	294	247	247
Hammond	247	247	245	275	270	239	. . .	245	243	266	259	299	294	247	247
Mandeville	247	247	245	275	270	243	. . .	245	243	266	259	299	294	247	247
New Orleans:															
A.R.-R.W.R.	247	247	245	275	270	246	. . .	245	243	266	259	299	294	247	247
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	266	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	. . .	. . .	. . .	. . .	. . .	240	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note E)	. . .	. . .	. . .	271	. . .	235	. . .	. . .	. . .	268	. . .	. . .	. . .	251	. . .
F.B.L. (Note P)	. . .	. . .	. . .	249	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
M.V.B.L. (Note Ci)	. . .	. . .	. . .	. . .	. . .	231	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Reserve	247	247	245	275	270	248	. . .	245	243	266	259	299	294	247	247
St. Francisville	247	247	245	275	270	243	. . .	245	243	266	259	299	294	247	247
Slidell	247	247	245	275	270	243	. . .	245	243	266	259	299	294	247	247
Wilson	247	247	245	275	270	237	. . .	245	243	266	259	299	294	247	247
MISSISSIPPI															
Aberdeen	218	218	217	244	240	198	. . .	220	219	234	228	269	265	218	218
Ackerman	235	235	233	263	263	206	. . .	237	235	253	248	284	279	235	235
Amory	218	218	217	244	240	198	. . .	220	219	234	228	269	265	218	218
Batesville	224	224	224	240	240	193	. . .	220	220	251	251	272	272	224	224
Beaumont	237	237	235	266	261	230	. . .	237	235	257	250	287	282	237	237
Belmont	218	218	217	244	240	189	. . .	220	219	234	228	269	265	218	218
Belzoni	235	235	233	263	263	210	. . .	237	235	253	248	284	279	235	235
Brookhaven	247	247	245	275	270	228	. . .	245	243	266	259	299	294	247	247
Bruce	256	256	254	274	274	228	. . .	256	256	271	269	306	298	256	256
Calhoun City	235	235	233	253	253	198	. . .	237	235	250	248	284	276	235	235
Canton	235	235	233	263	263	214	. . .	237	235	253	[illegible]	284	279	235	235
Centreville	247	247	245	275	270	237	. . .	245	243	266	259	299	294	247	247
Charleston	235	235	233	253	253	200	. . .	237	235	250	248	284	276	235	235
Clarksdale	235	235	233	253	253	198	. . .	237	235	250	248	284	276	235	235
Cleveland	235	235	233	253	253	202	. . .	237	235	250	248	284	276	235	235
Columbia	247	247	245	275	270	230	. . .	245	243	266	259	299	294	247	247
Columbus	218	218	217	244	240	202	. . .	220	219	234	228	269	265	218	218
Corinth	215	215	215	234	234	182	. . .	216	216	227	227	263	263	215	215
Crystal Springs	247	247	245	275	270	221	. . .	245	243	266	259	299	294	247	247
DeKalb	226	226	225	256	251	230	. . .	228	227	244	238	280	276	226	226
Dundee	235	235	233	253	253	198	. . .	237	235	250	248	284	276	235	235
Durant	235	235	233	263	263	210	. . .	237	235	253	248	284	279	235	235
Edinburg	235	235	233	263	263	221	. . .	237	235	253	248	284	279	235	235
Electric Mills	218	218	217	247	243	224	. . .	220	219	237	251	272	268	218	218
Falkner	224	224	224	240	240	179	. . .	220	220	251	251	272	272	224	224
Fenwick	264	264	262	293	288	251	. . .	263	261	284	277	317	312	264	264
Fernwood	247	247	245	275	270	230	. . .	245	243	266	259	299	294	247	247
Fulton	233	233	232	259	256	206	. . .	235	234	248	242	283	279	233	233
Gatesville	247	247	245	275	270	221	. . .	245	243	266	259	299	294	247	247
Greenville	235	235	233	253	253	210	. . .	237	235	250	248	284	276	235	235
Greenwood	235	235	233	253	253	206	. . .	237	235	250	248	284	276	235	235
Grenada	235	235	233	253	253	198	. . .	237	235	250	248	284	276	235	235
Gulfport	237	237	235	266	261	239	. . .	237	235	257	250	287	282	237	237
win	235	235	233	263	263	210	. . .	237	235	153	248	284	279	235	235
Hattiesburg	237	237	235	266	261	228	. . .	237	235	257	250	287	282	237	237
Hermanville	247	247	245	275	270	225	. . .	245	243	266	259	299	294	247	247
Holly Bluff	243	243	241	268	268	214	. . .	245	243	260	256	295	290	243	243
Holly Springs	224	224	224	240	240	186	. . .	220	220	251	251	272	272	224	224
Horn Lake	224	224	224	240	240	186	. . .	220	220	251	251	272	272	224	224
Houston	235	235	233	263	263	198	. . .	237	235	250	248	284	276	235	235

AR - All Rail.
RWR - Rail-Water and Rail.

1121

Add to page 300 of Tariff:

SECTION [illegible] - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
MISSISSIPPI - Cont.															
Hurley	258	258	256	287	282	258	...	258	256	278	271	309	304	258	258
Iuka	216	216	216	234	234	206	...	216	216	227	227	263	268	216	216
Jackson	236	236	233	263	263	218	...	237	236	253	248	284	279	236	236
Kioto	247	247	245	275	270	234	...	245	243	266	264	300	294	247	247
Kokomo	247	247	245	275	270	234	...	245	243	266	264	299	294	247	247
Laurel	237	237	235	266	261	225	...	237	235	257	250	287	282	237	237
Leakesville	248	245	242	278	269	251	...	246	240	266	257	299	290	252	252
Lena	236	236	233	263	263	218	...	237	236	253	248	284	279	236	236
Louisville	236	236	233	263	263	210	...	237	236	253	248	284	279	236	236
Lucedale	237	237	235	266	261	237	...	237	236	257	250	287	282	237	237
Lumberton	237	237	235	266	261	234	...	237	236	257	250	287	282	237	237
Macon	218	218	217	247	243	227	...	220	219	237	231	272	268	218	218
Marks	236	236	233	263	263	196	...	237	235	250	248	290	282	261	261
Mathiston	236	236	233	263	263	202	...	237	235	250	248	284	276	236	236
Meadville	264	264	262	293	288	251	...	263	261	284	277	317	312	264	264
Meridian	218	218	217	247	243	227	...	220	219	237	231	272	268	218	218
Mineral Wells	224	224	224	240	240	189	...	220	220	231	231	272	272	224	224
Moorhead	236	236	233	253	253	206	...	237	236	250	248	284	276	236	236
Natchez	247	247	245	275	270	234	...	245	243	266	259	299	294	247	247
New Albany	224	224	224	240	240	186	...	220	220	231	251	272	272	224	224
New Augusta	237	237	236	266	261	230	...	237	236	257	250	287	282	237	237
Newton	236	236	233	263	263	214	...	237	235	253	248	284	279	236	236
Pascagoula	237	237	236	266	261	243	...	237	236	257	250	287	282	237	237
Pelahatchie	236	235	233	263	263	221	...	237	235	253	248	284	279	236	236
Picayune	247	247	245	275	270	259	...	245	243	266	259	299	294	247	247
Port Gibson	247	247	245	275	270	225	...	245	243	266	259	299	294	247	247
Prentiss	264	264	262	293	288	243	...	263	261	284	277	317	312	264	264
Prichard	224	224	224	240	240	189	...	220	220	231	231	272	272	224	224
Quitman	227	224	221	257	248	221	...	225	219	247	236	278	269	221	221
Reimers	236	236	233	263	263	218	...	237	236	253	248	284	279	236	236
Richton	237	237	235	266	261	228	...	237	236	278	271	287	282	237	237
Rolling Fork	243	243	241	266	266	214	...	245	243	260	255	293	286	243	243
Rosedale	236	236	233	263	253	202	...	237	235	250	248	284	276	236	236
Roxie	247	247	245	275	270	230	...	245	243	266	259	299	294	247	247
Ruleville	236	236	233	253	253	202	...	237	236	250	248	284	276	236	236
Sand Hill	236	236	233	263	263	218	...	237	236	253	248	284	279	236	236
Saratoga	237	237	236	266	261	225	...	237	236	257	250	287	282	237	237
Senatobia	224	224	224	240	240	189	...	220	220	251	251	272	272	224	224
Silver Creek	247	247	245	275	270	228	...	245	243	266	259	299	294	247	247
Sumrall	266	266	263	273	268	261	...	266	263	275	269	305	300	266	266
Swan Lake	236	236	233	253	253	199	...	237	236	250	248	284	276	236	236
Tunica	224	224	224	240	240	189	...	220	220	231	231	272	272	224	224
Tupelo	218	218	217	244	240	190	...	220	219	234	228	269	265	218	218
Tylertown	247	247	245	275	270	243	...	245	243	266	259	299	294	247	247
Union	236	236	233	263	263	214	...	237	236	253	248	284	279	236	236
Vicksburg:															
A.R.-R.W.R.	243	243	241	266	266	221	...	245	243	260	255	293	286	243	243
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	218	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	...	...	...	...	...	213	...	...	...	268	...	...	...	...	...
F.B.L. (Note P)	...	...	...	248	...	...	...	...	...	249	...	...	...	254	...
M.V.B.L. (Note C1)	252	...	...	247	...	208	...	234	...	247	...	...	...	252	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	261	...	...	...
Wanilla	247	247	245	275	270	225	...	245	243	266	259	299	294	247	247
Water Valley	224	224	224	240	240	192	...	220	220	251	251	272	272	224	224

AR - All Rail.
RWR - Rail-Water and Rail.

- 1696

to page 300 of Tariff:

SECTION 1-A - Continued

ed From Stations own on pages 96 o 173, inclusive f tariff as amended, king Rate Basis own below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Pepes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
. MISSISSIPPI - Conc.															
msboro.	227	224	221	257	248	225	. . .	225	219	247	238	278	269	231	227
Point.	218	218	217	244	240	202	. . .	220	219	254	225	269	265	218	218
Hot	236	236	235	265	261	245	. . .	238	237	254	248	290	286	236	236
gias	257	257	255	266	261	254	. . .	257	255	257	250	287	282	257	257
ma.	235	235	233	253	253	206	. . .	237	235	250	248	284	276	235	235
ville	247	247	245	275	270	248	. . .	245	243	268	259	299	294	247	247
e City.	235	235	233	263	263	216	. . .	237	235	253	248	284	279	235	235
NORTH CAROLINA															
klin.	186	181K	178E	213	206F	206	206	187	183K	204	197F	234	227F	186	181K
SOUTH CAROLINA															
el	169	159	156	199	186	189	189	170	160	193	178	223	210	170	163F
ndale	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
rson.	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
rews	160	156K	153E	193	186F	186	186	161	157K)	182	173	215	206F	161	157K
well.	169	159	156	199	186	189	189	170	160	193	178	223	210	170	163F
eburg	169	159	156	199	186	189	189	170	160	193	178	223	210	170	163F
ton.	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
etteville	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
kaburg.	154	150K	147E	185	181K	174	174	155	151K	175	172K	207	203K	154	150K
kville.	169	159	156	199	186	189	189	170	160	193	178	223	210	170	163F
heim.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
Buffalo	177	173K	170E	209	205K	203	203	178	174K	199	195K	231	227K	178	174K
Buffalo	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
oun Falls	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
en.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
isle.	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
mbe	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
leston.	160	156K	153E	193	186F	186	186	161	157K	182	173	215	206F	161	157K
aw.	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
ter	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
terfield.	164	160K	154E	192	188K	184	184	165	161K	185	179K	217	213K	164	160K
ton	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
mbia.	160	156K	153E	193	186F	186	186	161	157K	182	173	215	206F	161	157K
ay.	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
ae.	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
esville	160	156K	153E	193	186F	186	186	161	157K	182	173	215	206F	161	157K
ington.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
ark	169	159	156	199	186	189	189	170	160	193	178	223	210	170	163F
m.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
field	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
ll.	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
fax	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
ence.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
Lawn	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
gstown.	160	156K	153E	193	186F	186	186	161	157K	182	173	215	206F	161	157K
lteville.	169	159	156	199	186	189	189	170	160	193	178	225	210	120	163F
t Falls	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
ville.	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
wood	169	165K	162E	199	195K	189	189	170	166K	189	185K	225	219K	169	165K
D. Jct.	169	159	156	199	186	189	189	170	160	193	178	225	210	170	163F
esville	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
sville.	154	150K	147E	182	178K	174	174	155	151K	175	167G	207	203K	154	150K
y Hill.	160	156K	153E	193	186F	186	186	161	157K	182	173	215	206F	161	157K
son	173	167G	164C	207	198	198)	194	172	166G	199	188	224	215	176	172K

.AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amende														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	R
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
SOUTH CAROLINA - Conc.															
Kingville	160	156K	153E	193	186F	186	186	161	157K	182	173	215	208F	161	157F
Lake City	160	156K	153E	193	186F	186	186	161	157K	182	173	215	208F	161	157F
Lancaster	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
Lando	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
Lanes	160	156K	153E	193	186F	186	186	161	157K	182	173	215	208F	161	157F
Laurens	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
McBee	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
McColl	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
McCormick	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
Marion	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
Meggetts	169	159	156	199	186	189	189	170	160	193	178	223	210	170	167
Mullins	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
Newberry	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
North Augusta	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172
Orangeburg	160	156K	153E	193	186F	186	186	161	157K	182	173	215	208F	161	157F
Pageland	166	162K	159E	194	190K	186	186	167	163K	186	182K	219	215K	166	162K
Perry	169	159	156	199	186	189	189	170	160	193	178	223	210	170	167
(204) Pittsburg	169	158	155	199	186	189	189	170	160	189	174	223	210	169	167
(205) Pittsburg	190	180	177	220	207	210	210	191	181	210	195	244	231	190	187
Postoh	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
Pregnall	160	156K	153E	193	186F	186	186	161	157K	182	173	215	208F	161	157F
Richburg	161	157K	154E	203	199K	181	181	162	158K	180	176K	215	211K	161	157K
Rock Hill	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
Russellville	168	164K	161E	201	194F	194	194	169	165K	190	181	222	215F	169	165K
Saluda	179	169	166	200	187	199	199	180	170	203	188	233	220	180	[illegible]
Seneca	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
Spartanburg	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
Sumter	154	150K	147E	182	178K	174	174	155	151K	173	167G	207	203K	154	150K
Tillman	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
Union	160	156K	153E	193	189K	186	186	161	157K	182	178K	215	211K	161	157K
Walterboro	169	159	156	199	186	189	189	170	160	193	178	223	210	170	167
Ware Shoals	169	165K	162E	199	195K	189	189	170	166K	189	185K	223	219K	169	165K
Winnsboro	160	156K	153E	193	186F	186	186	161	157K	182	173	215	208F	161	157K
Yemassee	173	167G	164C	207	198	198	194	172	166G	199	188	224	215	176	172K
York	154	150K	147E	185	181K	174	174	155	151K	176	172K	207	203K	154	150K
TENNESSEE															
Arlington	224	224	224	240	240	182	. . .	220	220	231	231	272	272	224	224
Armona	185	181K	178E	211	204F	167	. . .	187	183K	204	197F	234	227F	185	181K
Ashland City	216	216	216	230	. . .	171	. . .	207	207	227	. . .	263	263	213	. . .
Athens	185	181K	178E	211	204F	172	. . .	187	183K	204	197F	234	227F	186	181K
Bells	217	217	217	231	. . .	173	. . .	207	207	227	. . .	257	257	216	. . .
Brownsville	221	221	221	234	. . .	176	. . .	207	207	231	. . .	264	264	217	. . .
Bruceton	210	210	210	227	. . .	167	. . .	197	197	224	. . .	257	257	210	. . .
Carthage	210	210	210	225	. . .	182	. . .	210	210	221	221	258	258	210	. . .
Carthage Jct	210	210	210	225	. . .	182	. . .	210	210	221	221	258	258	210	. . .
Centreville	215	215	215	234	234	175	. . .	216	216	227	227	263	263	215	215
Chattanooga	185	181K	178E	211	204F	176	176	187	183K	204	197F	234	227F	185	181K
Clarksville	203	203	203	217	. . .	158	. . .	193	193	213	. . .	250	250	199	. . .
Cleveland	185	181K	178E	211	204F	179	. . .	187	183K	204	197F	234	227F	185	181K
Columbia	202	202	202	224	224	170	. . .	203	203	217	217	253	253	202	202
Cookeville	212	212	212	227	227	186	. . .	213	213	223	223	260	260	212	212
Copperhill	185	181K	178E	211	204F	184	. . .	187	183K	204	197F	234	227F	186	181K
Cordell	182	182	182	207	207	154	. . .	177	177	199	199	234	234	182	182
Covington	227	227	227	237	. . .	182	. . .	213	213	233	. . .	264	264	222	. . .
Crossville	190	190	190	214	214	175	. . .	185	185	207	207	242	242	190	190
Dayton	185	181K	178E	211	204F	167	. . .	187	183K	204	197F	234	227F	186	181K

AR - All Rail.
RWR - Rail-Water and Rail.

1698

SUPPLEMENT NO. 3[illegible] - FREIGHT TARIFF NO. 44-I.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	ARW	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
TENNESSEE - Cont.															
Delrose	202	202	202	224	224	178	...	205	205	217	217	253	253	202	202
Dickson	206	206	206	221	...	166	...	202	202	222	...	255	253	201	...
Dunlap	202	202	202	224	224	186	...	205	205	217	217	253	253	202	202
Dyersburg	221	221	221	229	...	176	...	210	210	223	...	254	254	212	...
East Jamestown	182	182	182	207	207	156	...	177	177	199	199	234	234	182	182
Erin	207	207	202	221	...	164	...	196	196	217	...	253	253	203	...
Etowah	185	181K	178E	211	204F	172	...	187	183K	204	197F	234	227F	185	181K
Fayetteville	202	202	202	224	224	178	...	205	205	217	217	253	253	202	202
Fork Mountain	182	182	182	207	207	159	...	177	177	199	199	234	234	182	182
Fork Ridge	174	174	174	205	...	146	...	162	162	191	...	224	224	174	...
Gallatin	202	202	202	217	217	157	...	205	205	213	213	250	250	202	202
Gernt	182	182	182	207	207	154	...	177	177	199	199	234	234	182	182
Glen Mary	182	182	182	207	207	154	...	177	177	199	199	234	234	182	182
Grand Jct	224	224	224	240	240	188	...	220	220	251	251	272	272	224	224
Greeneville	170	166K	163E	195	191K	160	...	166	162K	188	184K	221	217K	170	166K
Harriman	182	182	182	207	207	159	...	177	177	199	199	234	234	182	182
Hartsville	202	202	202	217	217	160	...	205	205	213	213	250	250	202	202
Hermitage	202	202	202	217	217	162	...	205	205	213	213	250	250	202	202
Hickory Point	211	211	211	224	...	166	...	201	201	221	...	256	...	207	...
Hohenwald	215	215	215	234	234	178	...	216	216	227	227	265	265	215	215
Humboldt	217	217	217	231	...	173	...	205	205	237	...	257	257	213	...
Jackson	217	217	217	231	...	173	...	200	200	236	...	261	261	217	...
Jellico	182	182	182	207	207	151	...	177	177	199	199	234	234	182	182
Kenwood	204	204	204	218	...	165	...	194	194	214	...	251	251	200	...
Knoxville	170	166K	163E	195	191K	164	...	166	162K	188	184K	224	220K	170	166K
LaFollette	182	182	182	207	207	156	...	177	177	199	199	234	234	182	182
Lake City	182	182	182	207	207	159	...	177	177	199	199	234	234	182	182
Lawrenceburg	215	215	215	234	234	178	...	216	216	227	227	265	265	215	215
Lebanon	202	202	202	217	217	167	...	205	205	213	213	250	250	202	202
Lenoir City	185	181K	178E	211	204F	171	...	187	183K	204	197F	234	227F	185	181K
Lewisburg	202	202	202	224	224	178	...	205	205	217	217	253	253	202	202
Lexington	213	213	213	231	...	173	...	206	206	231	...	265	265	213	...
Liberty Hill	170	166K	163E	195	191K	164	...	166	162K	188	184K	221	217K	170	166K
McKenzie	213	213	213	226	...	167	...	199	199	222	...	253	253	210	...
McMinnville	202	202	202	224	224	182	...	205	205	217	217	253	253	202	202
Madisonville	185	181K	178E	211	204F	172	...	187	183K	204	197F	234	227F	185	181K
Mahan	182	182	182	207	207	159	...	177	177	199	199	234	234	182	182
Martin	208	208	208	216	...	165	...	202	202	210	...	241	241	199	...
Maryville	185	181K	178E	211	204F	167	...	187	183K	204	197F	234	227F	185	181K
Memphis:															
A.R.-R.W.R.	224	224	224	240	240	185	...	220	220	231	231	272	272	224	224
F.B.L. (Note E)	...	...	...	...	...	175	...	...	...	...	...	...	...	...	...
M.V.B.L. (Note C1)	214	...	...	224	...	171	...	215	...	224	...	247	...	214	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Middleton	224	224	224	240	240	179	...	220	220	251	251	272	272	224	224
Milan	213	213	213	227	...	170	...	205	205	223	...	254	254	212	...
Monterey	192	192	192	217	217	181	...	187	187	209	209	244	244	192	192
Morristown	170	166K	163E	195	191K	160	...	166	162K	188	184K	221	217K	170	166K
Moscow	224	224	224	240	240	188	...	220	220	251	251	272	272	224	224
Murfreesboro	202	202	202	224	224	168	...	205	205	217	217	253	253	202	202
Nashville	202	202	202	217	217	160	...	205	205	213	213	250	250	202	202
Newport	170	166K	163E	195	191K	165	...	166	162K	188	184K	221	217K	170	166K
Nicks Creek	182	182	182	207	207	156	...	177	177	199	199	234	234	182	182
Paris	213	213	213	224	...	164	...	199	199	220	...	251	251	209	...

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 390 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended,														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)														
TENNESSEE - Conc.															
Petros	182	182	182	207	207	184	. . .	177	177	199	199	254	254	182	[illegible]
Pulaski	202	202	202	224	224	176	. . .	205	205	217	217	253	253	202	[illegible]
Scottsboro	218	218	218	232	. . .	172	. . .	209	209	237	. . .	265	265	215	. . .
Selmer	215	215	215	234	234	179	. . .	216	216	227	227	245	245	215	[illegible]
Sevierville	190	186K	185K	215	211K	187	. . .	186	182K	206	204K	244	240K	190	[illegible]
Shooks	188	184K	181K	211	207K	181	. . .	182	178K	206	202K	242	238K	187	[illegible]
Somerville	224	224	224	240	240	179	. . .	220	220	251	251	272	272	224	[illegible]
South Pittsburg	202	202	202	224	224	179	. . .	205	205	217	217	255	255	202	[illegible]
Sparta	202	202	202	224	224	186	. . .	205	205	217	217	255	255	202	[illegible]
Springfield	199	199	199	213	. . .	158	. . .	190	190	213	. . .	250	250	199	. . .
Burgoinsville	156	156	156	185	185	152	. . .	145	145	174	174	213	213K	156	[illegible]
Tiprell	170	166K	163K	195	191K	164	. . .	166	162K	188	184K	221	217K	170	[illegible]
Tiptonville	222	222	222	250	250	176	. . .	210	210	234	. . .	255	255	213	. . .
Tracy City	202	202	202	224	224	182	. . .	205	205	217	217	253	253	206	[illegible]
Tullahoma	202	202	202	224	224	175	. . .	205	203	217	217	253	253	202	[illegible]
Union City	206	206	206	213	. . .	165	. . .	180	180	208	. . .	259	259	197	. . .
Watertown	209	209	209	224	224	177	. . .	209	209	220	220	256	256	209	[illegible]
Waverly	206	206	206	224	. . .	169	. . .	205	205	234	. . .	260	260	205	. . .
White Bluff	206	206	206	221	. . .	167	. . .	201	201	217	. . .	255	255	201	. . .
Whiteville	224	224	224	240	240	179	. . .	220	220	251	251	272	272	224	[illegible]
Wilder	194	194	194	218	218	186	. . .	186	186	210	210	246	246	194	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

1700

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richwood		Rochester		Russell.		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
ALABAMA														
Akron	213	...	238	238	209	...	231	231	214	...	260	256	238	238
Alexander City	207	207	222	222	204	204	211	207	209	209	237	230	221	217
Aliceville	221	...	238	...	215	...	231	231	260	...	260	256	238	238
Altoona	195	195	213	213	191	191	217	213	196	196	247	239	228	224
Andalusia	226	226	244	244	224	224	237	233K	229	229	262	250	253	249K
Anniston	195	195	213	213	192	192	211	207	197	197	237	230	221	217
Atmore	234	...	243	243	230	...	240	240	235	...	269	260	250	250
Bayou La Batre	243	...	243	243	240	...	240	240	245	...	269	260	250	250
Birmingham	201	201	219	219	197	197	217	213K	202	202	247	239	228	224K
Blocton	207	207	221	221	201	201	217	213	206	206	247	239	228	224
Blossburg	204	204	219	219	197	199	217	213	204	204	247	239	228	224
Boaz	195	195	210	210	190	190	217	213	195	195	247	239	228	224
Boligee	221	...	238	238	212	...	231	231	217	...	260	256	238	238
Boyd	240	...	256	256	234	...	248	248	239	...	278	274	256	256
Brantley	223	223	244	244	222	222	237	233K	227	227	262	250	253	249K
Brewton	230	230	244	244	226	226	237	233K	231	231	262	250	253	249K
Brilliant	216	...	227	...	209	...	227	227	214	...	257	253	231	231
Brownville	230	...	248	...	224	...	248	248	229	...	278	274	252	252
Buhl	216	...	228	...	209	...	227	227	214	...	257	253	231	231
Burbank	258	...	264	...	252	...	261	261	257	...	290	281	271	271
Calera	207	207	221	221	201	201	217	213K	206	206	247	239	228	224K
Calvert	234	...	243	243	230	...	240	240	235	...	269	260	250	250
Cardiff	204	204	219	219	199	199	217	213	204	204	247	239	228	224
Carrollton	230	...	243	...	226	...	245	245	230	...	275	271	243	243
Cedar Bluff	192	192	213	213	187	189	211	207	194	194	237	230	221	217
Chatom	258	...	263	263	252	...	263	263	259	...	288	283	273	273
Chelsea	204	204	221	221	201	201	217	213K	206	206	247	239	228	224K
Cherokee	199	...	208	...	192	...	219	219	197	...	260	250	215	...
Childersburg	201	201	221	221	200	200	217	213K	205	205	247	239	228	224K
Choctaw City	243	...	263	263	236	...	260	260	241	...	289	280	270	270
Clanton	210	210	225	225	204	204	217	213K	209	209	247	239	228	224K
Colta	207	207	221	221	201	201	217	213	206	206	247	239	228	224
Cromwell	239	...	256	256	235	...	248	248	240	...	278	274	256	254
Cullman	199	199	211	211	192	192	217	213	197	197	247	239	228	224
Decatur	195	...	207	...	186	...	216	216	191	...	240	240	208	...
Demopolis	219	...	238	238	218	...	231	231	223	...	260	256	238	238
Dothan	221	221	231	227	220	220	224	217F	225	225	253	239	240	230
Elba	229	229	244	244	228	228	237	233K	233	233	262	250	253	249K
Enterprise	229	229	244	244	228	228	237	233K	233	233	262	250	253	249K
Eufaula	221	218	227	223	201	198	217	207	206	203	244	229	237	226
Fayette	213	...	228	...	209	...	227	227	214	...	257	253	231	231
Fern Bank	216	...	228	...	211	...	227	227	216	...	257	253	231	231
Flomaton	230	...	243	243	226	...	240	240	231	...	269	260	250	250
Florala	231	231	244	244	228	228	237	233K	233	233	262	250	253	249K
Florence	195	...	207	...	189	...	219	219	194	...	250	250	213	...
Foley	243	...	243	243	236	...	240	240	241	...	269	260	250	250
Franklin	211	211	231	227	212	212	224	219F	217	217	253	239	240	230
Frisco City	230	...	243	243	226	...	240	240	231	...	269	260	250	250
Gadsden	195	195	210	210	189	189	211	207	194	194	237	230	221	217
Gomery	207	207	221	221	200	200	217	213K	206	205	247	239	228	224K
Geneva	231	231	244	244	228	228	237	233K	233	233	262	250	253	249K
Greensboro	216	...	238	238	210	...	231	231	215	...	260	256	238	238
Greenville	221	221	244	244	218	218	237	233K	223	223	262	250	253	249K
Gurley	192	...	207	...	186	...	210	210	191	...	240	240	208	...
Gurnee Jct.	207	207	221	221	200	200	217	213	205	205	247	239	228	224

AR - All Rail.
RWR - Rail-Water and Rail.

1127

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richwood		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
ALABAMA - Con.														
Halawaka	219	216	227	223	201	198	217	207	206	203	244	229	237	229
Haleyville	203	. . .	215	. . .	195	. . .	227	227	200	. . .	257	253	231	231
Hardaway	216	216	231	227	215	215	224	217F	220	220	253	239	240	230
Hartford	229	229	244	244	228	228	237	233K	233	233	262	250	253	246K
Headland	221	221	231	227	220	220	224	217F	225	225	253	239	240	230
Heflin	198	198	216	216	195	195	211	207	200	200	237	230	221	217
Huntsville	195	. . .	207	. . .	189	. . .	213	213	194	. . .	240	240	208	. . .
Hurtsboro	214	214	231	227	215	215	224	217F	220	220	253	239	240	230
Jamestown	181	181	204	204	182	182	211	207	187	187	237	230	221	217
Jasper	207	207	221	221	201	201	217	213	206	206	247	239	228	224
Kimbrough	221	. . .	243	243	218	. . .	240	240	223	. . .	269	260	250	250
La Fayette	208	208	221	221	209	209	211	207	214	214	237	230	221	217
Lanett	219	216	227	223	201	198	217	207	206	203	244	229	237	229
Lehigh	201	201	216	216	195	195	217	213	200	200	247	239	228	224
Linden	221	. . .	243	243	218	. . .	240	240	223	. . .	269	268	250	250
Luverne	223	223	244	244	218	218	237	233K	223	223	262	250	253	246K
Madrid	229	229	244	232	228	228	234	227F	233	233	253	239	253	[illegible]
Maplesville	210	210	228	228	206	206	217	213K	211	211	247	239	228	246K
Margaret	207	207	221	221	201	201	217	213K	206	206	247	239	228	246K
Marigold	228	228	239	239	221	221	238	234	226	226	268	260	249	246
Marion Jct.	219	219	228	228	213	213	217	213K	218	218	247	239	228	246K
Maylene	210	210	225	225	203	203	217	213K	208	208	247	239	228	246K
Mobile:														
A.R.-R.W.R.	239	. . .	243	243	235	. . .	240	240	240	. . .	264	260	250	250
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.I. (Note Ca)	250	. . .	239	. . .	238	. . .	. . .	. . .	244	. . .	. . .	. . .	. . .	[illegible]
F.B.I. (Note E)	248	. . .	234	. . .	. . .	. . .	267	. . .	. . .	. . .	. . .	. . .	251	. . .
Monroeton	225	. . .	243	243	221	. . .	240	240	228	. . .	269	260	250	250
Monroeville	230	. . .	243	243	224	. . .	240	240	229	. . .	269	260	250	250
Montgomery	216	216	231	227	210	210	224	217F	215	215	253	239	240	230
Nadawah	221	. . .	243	243	218	. . .	240	240	223	. . .	269	260	250	250
Opelika	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Opp	229	229	244	244	228	228	237	233K	231	231	262	250	253	246K
Ozark	221	221	231	227	220	220	224	217F	225	225	253	239	240	230
Panola	238	. . .	258	. . .	235	. . .	251	251	340	. . .	280	276	258	258
Pell City	201	201	216	216	195	195	217	213K	200	200	247	229	228	224K
Phenix City	219	216	227	223	201	198	217	207	206	203	244	229	237	229
Piedmont	192	192	213	213	191	191	211	207	198	196	237	230	221	217
Pittsview	217	217	231	227	218	218	224	217F	223	223	253	239	240	230
Red Bay	204	. . .	211	. . .	195	. . .	227	227	200	. . .	257	253	231	231
Reform	216	. . .	228	. . .	209	. . .	227	227	214	. . .	257	253	231	231
Riverview	219	216	227	228	201	198	217	207	206	203	244	229	237	228
Roanoke	207	207	221	221	206	206	211	207	211	211	237	230	221	217
Samson	231	231	244	244	228	228	237	233K	233	233	262	250	253	246K
Sateuma	237	. . .	243	243	233	. . .	240	240	238	. . .	269	260	250	250
Selma	216	216	228	228	210	210	217	213K	215	215	247	239	228	246K
Silas	253	. . .	268	268	246	. . .	261	261	251	. . .	294	290	275	276
Sipsey	207	207	225	225	203	203	217	213	208	208	247	239	228	224
Stevenson	186	. . .	200	. . .	180	. . .	204	204	185	185	240	240	208	. . .
Suggsville	228	. . .	243	243	224	. . .	240	240	229	. . .	269	260	250	250
Sylacauga	204	204	221	221	201	201	211	207	206	206	237	230	221	217
Talladega	198	198	219	219	197	197	211	207	202	202	237	230	221	217
Tallassee	229	229	248	244	230	230	241	234F	235	235	270	256	257	247
Troy	220	220	231	227	218	218	224	217F	223	223	253	239	240	230
Tuscaloosa	210	210	225	225	204	204	217	213	209	209	247	239	228	224
Tuskegee	226	226	238	234	226	226	241	234F	223	223	270	256	266	256
Union Springs	217	217	231	227	216	216	224	217F	221	221	253	239	240	230

1'

AR - All Rail.
RWR - Rail-Water and Rail.

1702

ed to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)

o and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	Richmond		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
ALABAMA - Conc.														
Valley Head	186	186	200	200	180	180	211	207	185	186	237	230	221	217
Vinegar Bend	237	...	243	243	233	...	240	240	235	...	269	260	250	250
arrior	207	207	219	219	199	199	217	213	204	204	247	239	228	224
attsville	198	198	216	216	195	195	217	213K	200	200	247	239	228	224K
infield	213	...	227	...	207	...	227	227	212	...	257	253	231	231
antley	246	...	256	...	239	...	248	248	244	...	278	274	256	256
olande	207	207	221	221	200	200	217	213	205	205	247	239	228	224
ork	219	...	236	236	215	...	231	231	230	...	260	256	236	236
ARKANSAS														
elena:														
A.R.-R.W.R.	208	...	221	...	199	...	240	240	204	...	272	264	234	...
F.B.L. (Note E)	...	...	225	...	207	...	...	...	214	...	...	...	...	...
F.B.L. (Note P)	...	...	208	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
FLORIDA														
lachua	236	235	244	236	232	229	227	219	237	234	253	238	244	234
ltha	231	231	244	244	228	228	237	233K	233	233	262	250	253	249K
palachicola	230	227	244	236	232	229	227	219	237	234	253	238	244	234
rcadia	271	270	279	273	266	267	259	253G	273	272	275	262	275	267
von Park	263	262	270	264	259	256	250	243F	264	263	266	253	266	257
arrineau Park	234	...	243	243	230	...	240	240	235	...	269	260	250	250
artow	266	257	270	264	259	258	250	243F	264	263	266	253	266	257
arter	217	211	231	222	213	207	213	202	218	212	238	220	234	221
ell	257	254	244	236	232	229	227	219	237	234	253	236	244	234
elleglade-Chosen	271	270	279	273	266	267	259	253G	273	272	275	262	275	267
lountstown	234	234	244	244	238	228	237	233K	233	233	262	250	253	249K
radenton	263	262	270	264	259	258	250	243F	264	263	266	253	266	257
radford	236	233	244	236	232	229	227	219	237	234	253	236	244	234
rewster	263	262	270	264	259	258	250	243F	264	263	266	253	266	257
rooksville	254	252	261	254	250	248	241	234F	255	253	263	249	257	248
unker Hill	279	279	287	283	276	275	267	262H	280	280	281	270	283	276F
mpbellton	229	229	244	232	228	228	234	227F	233	233	253	239	253	235
enter Hill	256	254	261	254	250	248	241	234F	255	253	263	249	257	248
entury	230	...	243	243	226	...	240	240	231	...	269	260	250	250
hattahoochee	221	218	244	237	230	217	231	221	226	222	244	229	247	236
huluota	254	252	261	254	250	248	241	234F	255	253	263	249	257	248
learwater	263	262	270	264	259	258	250	243F	264	263	266	253	266	257
lewiston	271	270	279	273	266	267	259	253G	273	272	275	262	275	267
ottondale	227	227	244	232	228	228	234	227F	233	233	253	239	253	235
restview	236	236	244	244	228	228	237	233K	233	233	262	250	253	249K
ross City	236	235	244	236	232	229	227	219	237	234	253	238	244	234
aytona Beach	245	243	255	246	241	239	233	225	246	244	257	243	248	238
eFuniak Springs	236	236	244	244	228	228	237	233K	233	233	262	250	253	249K
owling Park	243	240	244	236	232	229	227	219	237	234	253	236	244	234
rexel	254	252	261	254	250	248	241	234F	255	253	263	249	257	248
rifton	219	216	244	237	230	217	231	221	226	222	244	229	247	236
nnellon	246	243	255	246	241	239	233	225	246	244	257	243	248	238
verglades	279	279	287	283	276	275	267	262H	280	280	281	270	283	276F
airfield	229	228	244	236	232	229	227	219	237	234	253	238	244	234
ellsmere	276	275	284	282	272	271	264	257F	277	276	280	267	279	270
ernandina	214	208	231	221	213	207	213	202	218	212	238	220	234	221
t.Lauderdale	279	279	287	283	276	275	267	262H	280	280	281	270	283	276F
t.Myers	279	279	287	283	276	275	267	262H	280	280	281	270	283	276F
t.Pierce	271	270	270	264	259	258	250	243F	264	263	266	253	266	257
ainesville	236	235	244	236	232	229	227	219	237	234	253	236	244	234

AR - All Rail.
RWR - Rail-Water and Rail.

1129

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richmond		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
FLORIDA - Con.														
Graceville	237	237	244	244	228	228	237	233K	233	233	262	250	253	[illegible]
Green Cove Springs	229	226	237	229	223	220	217	208	228	226	244	229	237	[illegible]
Greenville	217	211	240	231	218	212	221	210	223	217	236	220	240	[illegible]
Greenwood	246	246	254	250	243	243	247	240F	248	248	276	262	265	[illegible]
Haines City	259	257	261	254	250	248	241	234F	255	253	263	249	257	[illegible]
Hastings	236	233	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Hawthorne	236	233	244	236	232	229	227	219	237	234	253	236	244	[illegible]
High Springs	236	233	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Hilliard	217	211	231	222	213	207	213	202	218	212	236	220	234	[illegible]
Homestead	288	288	296	292	284	284	276	272K	289	289	290	279	281	[illegible]
Hosford	230	227	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Jacksonville	217	211	231	222	213	207	213	202	218	212	233	220	234	[illegible]
Jamieson	230	227	244	237	220	217	231	221	225	222	244	229	247	[illegible]
Jasper	217	211	231	222	213	207	213	202	218	212	236	220	234	[illegible]
Jupiter	271	270	279	273	268	267	259	2530	273	272	275	262	275	[illegible]
Kenansville	280	279	270	264	259	258	250	243F	264	263	266	253	266	[illegible]
Kissimmee	249	247	261	254	250	248	241	234F	255	253	263	249	257	[illegible]
Lake Butler	227	224	237	229	223	220	217	208	226	225	244	229	237	[illegible]
Lake City	217	211	231	222	213	207	213	202	218	212	236	220	234	[illegible]
Lakeland	263	262	270	264	259	256	250	243F	264	263	266	253	266	[illegible]
Lake Wales	263	262	270	264	259	258	250	243F	264	263	266	253	266	[illegible]
Lawtey	226	223	237	229	223	220	217	208	228	225	244	229	237	[illegible]
Leesburg	245	243	253	246	241	239	233	225	246	244	257	243	248	[illegible]
Live Oak	217	211	240	232	218	212	221	210	223	217	236	220	240	[illegible]
Madison	212	206	240	231	218	212	221	210	223	217	236	220	240	[illegible]
Marianna	229	229	244	232	228	228	234	227F	233	233	253	239	253	[illegible]
Mayo	244	241	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Maytown	245	243	253	246	241	239	233	225	246	244	257	243	248	[illegible]
Melbourne	264	262	261	254	250	248	241	234F	255	253	263	249	257	[illegible]
Miami	279	279	287	283	276	275	267	262K	280	280	281	270	283	[illegible]
Milton	229	229	244	244	228	228	237	233K	233	233	262	250	253	[illegible]
Naples	279	279	287	283	276	275	267	262K	280	280	281	270	283	[illegible]
Newberry	248	245	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Ocala	245	243	253	246	241	239	[illegible]	225	246	244	257	243	248	[illegible]
Okeechobee	271	270	279	273	268	267	[illegible]	2530	273	272	275	262	275	[illegible]
Opal	271	270	279	273	268	267	259	2530	273	272	275	267	275	[illegible]
Orlando	254	252	261	254	250	248	241	234F	255	253	263	249	257	[illegible]
Otter Creek	250	248	253	246	241	239	233	225	246	244	257	243	248	[illegible]
Palatka	236	233	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Palmdale	271	270	279	273	268	267	259	2530	273	272	275	262	275	[illegible]
Panama City	235	235	244	244	228	228	237	233K	233	233	262	250	253	[illegible]
Pensacola	235	235	243	243	234	234	240	240	239	238	259	250	260	[illegible]
Perry	234	234	244	236	232	229	227	219	237	234	253	238	244	[illegible]
Pierson	245	243	253	246	241	239	[illegible]	225	246	244	257	243	248	[illegible]
(203) Pinetta	215	209	240	231	218	212	221	210	223	217	236	220	240	[illegible]
(205) Pinetta	236	230	261	252	239	233	242	231	244	238	259	241	[illegible]	[illegible]
Plant City	259	256	270	264	259	256	250	243F	264	263	266	256	266	[illegible]
Port St.Joe	233	230	244	244	232	229	237	233K	237	234	262	250	253	[illegible]
Potatoville	236	233	244	236	232	229	227	219	237	234	253	236	244	[illegible]
Quincy	219	216	244	237	220	217	231	221	225	222	244	229	247	[illegible]
St.Augustine	236	233	244	236	232	229	227	219	237	234	253	236	244	[illegible]
St.Catherine	254	252	261	254	250	248	241	234F	255	253	263	249	257	[illegible]
St.Petersburg	263	262	270	264	259	256	250	243F	264	263	266	256	266	[illegible]
Sanderson	217	210	231	222	213	207	213	202	218	212	236	220	234	[illegible]
Sanford	241	239	253	246	241	239	233	225	246	244	257	243	248	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

1704

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richwood		Rochester		Russell		Scranton		Sunset		Stanford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
FLORIDA -Conc.														
Sarasota	271	270	279	273	268	267	259	253G	273	272	275	262	275	267
Shady Grove	230	227	244	236	232	229	227	219	237	234	253	238	244	234
South Boca Grande	279	279	287	283	275	275	267	262H	280	280	281	270	283	276F
South Jacksonville	227	224	237	229	223	220	217	208	228	225	244	229	237	228
Tallahassee	221	218	244	237	220	217	231	221	226	222	244	229	247	236
Tampa	263	262	270	264	259	256	250	243F	264	263	266	253	266	257
Titusville	254	252	261	254	250	248	241	234F	255	253	263	249	257	248
Wakulla	238	235	244	236	232	229	227	219	237	234	253	238	244	234
West Palm Beach	279	279	287	283	275	275	267	262H	280	280	281	270	283	276F
Williston	245	243	253	246	241	239	233	225	246	244	257	243	248	238
Winter Garden	254	252	261	254	250	248	241	234F	255	253	263	249	257	248
Winter Haven	263	262	270	264	259	256	250	243F	264	263	266	253	266	257
Youngstown	231	231	244	244	228	228	237	233K	233	233	262	250	253	249K
Yukon	227	224	237	229	223	220	217	208	228	225	244	229	237	228
GEORGIA														
Abbeville	212	206	231	222	213	207	213	202	218	212	238	220	234	221
Albany	215	212	227	223	201	198	217	207	206	203	244	229	237	226
Alma	213	211	224	215	209	207	207	196	214	212	233	215	227	214
Americus	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Arlington	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Athens	198	198	213	213	194	194	199	195K	199	199	227	220F	221	216H
Atlanta	190	190	213	213	191	191	199	195K	196	196	227	220F	221	216H
Augusta	196	196	210	206	192	192	208	204K	197	197	216	209	210	202
Bainbridge	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Baxley	213	211	224	215	209	207	207	196	214	212	233	215	227	214
Blue Ridge	184	184	204	204	180	180	201	201	186	186	221	214F	213	213
Bonaire	212	206	231	222	213	207	213	202	218	212	238	220	234	221
Bowdon	194	194	211	211	194	194	203	199K	199	199	231	224F	217	213K
Bremen	200	200	211	211	191	191	203	199K	196	196	231	224F	217	213K
[illegible] Bridgeboro	219	206	227	223	201	198	217	207	206	203	244	229	226	217
[illegible] Bridgeboro	240	227	248	244	222	219	239	229	227	224	265	250	249	238
Brunswick	213	211	224	215	209	207	207	196	214	212	233	215	227	214
Buena Vista	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Buford	196	196	213	213	197	197	199	195K	202	202	227	220F	221	216H
Camak	201	201	213	213	197	197	199	195K	202	202	227	220F	221	216H
Campton	199	199	213	213	197	197	199	195K	202	202	227	220F	221	216H
Canton	189	189	211	211	189	189	203	199K	194	194	231	224F	217	213K
Carrollton	194	194	211	211	194	194	203	199K	199	199	231	224F	217	213K
Cartersville	186	186	210	210	186	186	203	199K	190	190	231	224F	217	213K
Cave Spring	189	189	210	210	189	189	203	199K	194	194	231	224F	217	213K
Cedartown	189	189	210	210	189	189	203	199K	194	194	231	224F	217	213K
Conchat	180	180	196	196	175	175	186	198	180	180	227	220F	206	205
Chatsworth	180	180	204	204	180	180	203	199K	185	185	231	224F	217	213K
Claxton	205	205	221	214	199	199	199	190	204	204	223	207	221	205
[illegible] Clyattville	215	209	240	231	216	212	221	210	223	217	238	220	240	227
[illegible] Clyattville	236	230	261	252	239	233	242	231	244	238	259	241	258	246
Clyo	194	194	210	206	192	192	208	204K	197	197	216	209	210	202
Columbus	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Commerce	198	198	213	213	197	197	199	195K	202	202	227	220F	221	216H
Cordele	212	206	231	222	213	207	213	202	218	212	238	220	234	221
Cornelia	194	194	213	213	191	191	199	195K	198	196	227	220F	221	216H
Covington	196	196	213	213	197	197	199	195K	202	202	227	220F	221	216H
Cusseta	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Cuthbert	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Dalton	180	180	200	200	180	180	205	198K	186	186	231	224F	217	213K

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended,													
	Richwood		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
GEORGIA -Cont.														
Dames Ferry	202	202	213	213	205	205	199	195K	208	208	227	220F	221	[illegible]
Dawson	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
Douglas	217	211	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Dublin	200	200	221	219	199	199	205	199K	204	204	225	214	221	[illegible]
Durand	209	206	227	225	201	198	217	207	206	205	244	229	237	[illegible]
Durham	178	178	200	200	180	180	211	207	185	185	237	230	221	217
Egypt	199	199	210	206	192	192	205	204K	197	197	216	207	210	[illegible]
Elberton	191	191	213	213	187	187	199	195K	192	192	227	220F	221	[illegible]
Empire	212	206	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Fitzgerald	212	206	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Folkston	217	211	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Fort Gaines	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
Fort Valley	202	202	213	213	205	205	199	195K	208	208	227	220F	221	[illegible]
Gainesville	196	196	213	213	194	194	199	195K	199	199	227	220F	221	[illegible]
[illegible] Garfield	200	200	221	219	199	199	205	199K	204	204	225	214	221	[illegible]
[illegible] Garfield	221	221	243	241	220	220	224	220K	225	225	244	235	243	[illegible]
[illegible] Gracewood	200	200	221	219	199	199	203	199K	204	204	223	214	221	212
[illegible] Gracewood	224	224	243	241	220	220	224	220K	225	225	244	235	243	[illegible]
Griffin	196	196	213	213	197	197	199	195K	202	202	227	220F	221	[illegible]
Hartwell	196	196	213	213	194	194	199	195K	199	199	227	220F	221	[illegible]
Haylow	217	211	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Hazlehurst	217	211	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Helena	212	206	231	222	213	207	213	202	218	212	238	220	234	[illegible]
Hooker	180	180	196	196	175	175	201	201	180	180	221	214F	209	[illegible]
Hoschton	199	199	213	210	200	200	199	195K	205	205	227	220F	221	[illegible]
Jefferson	201	201	213	213	197	197	199	195K	202	202	227	220F	221	[illegible]
Jeffersonville	205	205	213	213	203	203	199	195K	208	208	227	220F	221	[illegible]
Jesup	213	211	224	215	209	207	207	196	214	212	235	215	227	214
Junction City	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
[illegible] Keysville	203	203	221	219	199	199	203	199K	204	204	223	214	221	[illegible]
[illegible] Keysville	224	224	243	241	220	220	224	220K	225	225	244	235	243	[illegible]
Kildare	203	203	210	206	192	192	205	204K	197	197	215	206	210	[illegible]
La Grange	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
Lakeland	234	228	248	239	230	224	229	218	235	229	238	230	251	[illegible]
Lavonia	195	195	213	213	191	191	196	195K	196	196	227	219F	221	[illegible]
Lawrenceville	196	196	213	213	197	197	199	195K	202	202	227	220F	221	[illegible]
Louisville	200	200	221	219	199	199	205	199K	204	204	225	215	221	[illegible]
McDonough	195	196	213	213	197	197	199	195K	202	202	227	220F	221	[illegible]
Machen	202	202	213	213	200	200	199	195K	205	205	227	220F	221	[illegible]
Macon	205	205	213	213	203	203	199	195K	208	208	227	220F	221	[illegible]
Madison	201	201	213	213	197	197	199	195K	202	202	227	220F	221	[illegible]
Menlo	181	181	204	204	182	182	211	207	187	187	237	230	221	217
Midville	200	200	221	219	199	199	205	199K	204	204	225	214	221	[illegible]
Milledgeville	202	202	213	213	203	203	199	195K	208	205	227	220F	221	[illegible]
Millen	196	196	210	206	192	192	208	204K	197	197	216	207	210	[illegible]
Milstead	194	194	213	213	194	194	199	195K	199	199	227	220F	221	[illegible]
Montezuma	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
Moultrie	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
[illegible] Nashville	211	205	231	222	213	207	213	202	218	212	238	220	234	[illegible]
[illegible] Nashville	235	227	252	245	234	228	234	225	239	233	[illegible]	241	[illegible]	[illegible]
Newnan	196	196	213	213	197	197	199	195K	202	202	227	220F	221	[illegible]
Oakfield	219	216	227	225	201	198	217	217	206	205	244	229	237	[illegible]
Offerman	213	211	224	215	209	207	207	196	214	212	235	215	227	214
[illegible] Pavo	219	216	227	225	201	198	217	207	206	205	244	229	237	[illegible]
[illegible] Pavo	246	237	248	244	222	219	[illegible]	[illegible]	237	[illegible]	[illegible]	250	[illegible]	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

to page 300 of Tariff:

SECTION 1-A - Continued

and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richwood		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
GEORGIA -Conc.														
lham.	217	214	227	223	201	198	217	207	206	205	244	229	237	226
itman	212	206	231	222	213	207	213	202	218	212	238	220	234	221
Relee	219	213	231	222	213	207	213	202	218	212	238	220	234	221
Relee	240	234	252	243	234	228	234	223	239	233	259	241	255	248
ceboro.	210-	203	221	214	199	199	199	190	204	204	223	207	221	205
chland.	219	216	227	223	201	198	217	207	206	205	244	229	237	226
ckmart.	189	189	210	210	189	189	203	199K	194	194	231	224F	217	213K
me.	186	186	207	207	185	185	203	199K	190	190	231	224F	217	213K
.George	217	211	231	222	213	207	213	202	218	212	238	220	234	221
.Marys.	235	217	249	240	231	225	231	220	236	230	256	237	252	239
Sale City	219	216	227	223	201	198	217	207	206	205	244	229	237	226
Sale City	240	237	248	244	222	219	239	229	227	224	265	250	258	247
andersville.	213	213	221	219	199	199	203	199K	204	204	223	214	221	212
ardis.	194	194	210	206	192	192	208	204K	197	197	216	207	210	202
avannah.	196	196	210	206	192	192	208	204K	197	197	216	207	210	202
enola.	196	196	213	213	197	197	199	195K	202	202	227	220F	221	216H
perton.	203	203	221	219	199	199	203	199K	204	204	223	214	221	212
atesboro.	203	205	221	214	199	199	199	190	204	204	223	207	221	205
Swainsboro.	199	199	221	219	199	199	203	199K	204	204	223	214	221	212
Swainsboro.	224	224	243	241	220	220	224	220K	225	225	244	235	243	254
allulah Falls.	213	213	216	216	194	194	203	199K	199	199	231	224F	217	213K
ennille.	200	200	221	219	199	199	203	199K	204	204	223	214	221	212
omaston	198	198	213	213	203	203	199	195K	208	208	227	220F	221	216H
omasville	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Ticknor	219	216	227	223	201	198	217	207	206	203	244	229	237	226
Ticknor	240	237	248	246	222	219	239	229	227	224	265	250	258	247
ifton.	212	206	231	222	213	207	213	202	218	212	238	220	234	221
omsboro	198	198	221	219	199	199	203	199K	204	204	223	214	221	212
opeka Jct.	199	199	213	213	200	200	199	195K	205	205	227	220F	221	216H
renton....	184	184	196	196	175	175	211	207	180	180	237	230	221	217
rion	186	186	200	200	180	180	203	199K	185	185	231	224F	217	213K
ion Point	204	204	213	213	200	200	199	195K	205	205	227	220F	221	216H
Uvalda.	203	203	221	219	199	199	203	197K	204	204	223	214	221	212
Uvalda.	224	224	243	241	220	220	224	220K	225	225	244	235	243	234
aldosta.	215	215	231	222	213	207	213	202	218	212	236	220	234	221
aughn.	196	196	213	213	197	197	199	195K	202	202	227	220F	221	216H
idalia	203	203	221	219	199	199	203	199K	204	204	223	214	221	212
ashington.	207	207	213	213	203	203	199	195K	208	208	227	220F	221	216H
aycross.	213	211	224	215	209	207	207	196	214	212	233	215	227	214
aynesboro.	196	196	210	206	192	192	208	204K	197	197	216	207	210	202
oodbine.	216	210	231	222	213	207	213	202	218	212	238	220	234	221
oodbury.	219	216	227	223	201	198	217	207	206	203	244	229	237	226
oodcliff	221	221	231	227	213	210	229	225K	218	218	237	228	231	223
rightsville.	214	214	231	229	209	209	213	209K	214	214	233	224	231	222
LOUISIANA														
aite	250	...	257	...	242	...	257	257	247	...	287	282	259	259
aton Rouge:														
A.R.-R.W.R.	257	...	259	...	248	...	257	257	253	...	287	282	259	259
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	248	...	251	...	238	...	249	...	244	...	271	...	251	...
F.B.L. (Note P)	...	...	247	...	...	...	245	...	...	...	...	...	247	...
M.V.B.L. (Note C1)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
ogalusa.	248	...	257	...	242	...	257	257	247	...	287	282	259	259
raithwaite	251	...	260	...	246	...	257	257	253	...	287	282	259	259
linton	254	...	259	...	244	...	257	257	249	...	287	282	259	259

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.

APPLY RATE BASIS NUMBERS (For Rates, see pages 380 to 404, inclusive of Tariff as amended.)

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	Richmond		Rochester		Russell		Scranton		Sunset		Stamford		Syracus
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
LOUISIANA -Cons.													
Franklinton	254	. . .	259	. . .	244	. . .	257	257	249	. . .	257	252	[illegible]
Hammond	251	. . .	259	. . .	244	. . .	257	257	249	. . .	257	252	259
Mandeville	248	. . .	259	. . .	244	. . .	257	257	240	. . .	257	252	259
New Orleans:													
A.R.-R.W.R.	251	. . .	259	. . .	248	. . .	257	257	255	. . .	257	252	259
F.B.L. (Note B)	. . .	. . .	. . .	. . .	. . .	. . .	265	. . .	260	. . .	. . .	. . .	. . .
F.B.L. (Note Ca)	248	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
F.B.L. (Note E)	. . .	. . .	251	. . .	255	. . .	267	. . .	244	. . .	. . .	. . .	251
F.B.L. (Note F)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	247
N.V.B.L. (Note Ci)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Reserve	255	. . .	260	. . .	251	. . .	257	257	256	. . .	257	252	250
St.Francisville	257	. . .	259	. . .	246	. . .	257	257	253	. . .	257	252	259
Slidell	246	. . .	259	. . .	242	. . .	257	257	247	. . .	257	252	259
Wilson	250	. . .	259	. . .	242	. . .	257	257	247	. . .	257	252	259
MISSISSIPPI													
Aberdeen	212	. . .	221	. . .	205	. . .	257	257	206	. . .	257	253	251
Ackerman	219	. . .	227	. . .	211	. . .	244	244	216	. . .	272	257	244
Amory	212	. . .	221	. . .	205	. . .	257	257	206	. . .	257	253	251
Batesville	206	. . .	221	. . .	197	. . .	251	251	206	. . .	255	263	224
Beaumont	259	. . .	251	. . .	234	. . .	247	247	[illegible]	. . .	275	270	257
Belmont	202	. . .	215	. . .	195	. . .	257	257	196	. . .	257	253	251
Belzoni	224	. . .	251	. . .	215	. . .	244	244	220	. . .	272	267	244
Brookhaven	259	. . .	249	. . .	255	. . .	257	257	255	. . .	257	252	250
Bruce	235	. . .	245	. . .	225	. . .	261	261	230	. . .	255	255	255
Calhoun City	212	. . .	221	. . .	205	. . .	240	240	208	. . .	272	264	254
Canton	226	. . .	235	. . .	219	. . .	244	244	224	. . .	272	267	244
Centreville	250	. . .	257	. . .	252	. . .	257	257	257	. . .	267	252	259
Charleston	220	. . .	227	. . .	211	. . .	240	240	216	. . .	275	264	234
Clarksdale	212	. . .	221	. . .	205	. . .	240	240	206	. . .	272	264	234
Cleveland	216	. . .	227	. . .	207	. . .	240	240	212	. . .	272	264	234
Columbia	245	. . .	251	. . .	235	. . .	257	257	240	. . .	257	252	259
Columbus	216	. . .	224	. . .	207	. . .	227	227	212	. . .	257	253	231
Corinth	194	. . .	210	. . .	185	. . .	224		190	. . .	250	250	215
Crystal Springs	236	. . .	245	. . .	236	. . .	257	257	251	. . .	257	255	259
DeKalb	235	. . .	246	. . .	225	. . .	236	236	230	. . .	266	264	246
Dundee	206	. . .	221	. . .	199	. . .	240	240	204	. . .	272	254	254
Durant	224	. . .	230	. . .	215	. . .	244	244	220	. . .	272	257	244
Edinburg	236	. . .	243	. . .	226	. . .	244	244	251	. . .	272	257	244
Electric Mills	228	. . .	228	. . .	219	. . .	251	251	224	. . .	280	256	229
Falkner	192	. . .	207	. . .	184	. . .	251	251	189	. . .	265	265	254
Fenwick	266	. . .	275	. . .	256	. . .	275	275	261	. . .	305	300	277
Fernwood	245	. . .	251	. . .	235	. . .	257	257	240	. . .	257	[illegible]	259
Fulton	219	. . .	228	. . .	210	. . .	241	241	215	. . .	275	[illegible]	246
Gatesville	256	. . .	243	. . .	228	. . .	257	257	251	. . .	257	[illegible]	259
Greenville	224	. . .	251	. . .	215	. . .	240	240	230	. . .	272	264	254
Greenwood	220	. . .	237	. . .	211	. . .	240	240	216	. . .	272	264	234
Grenada	212	. . .	221	. . .	205	. . .	240	240	205	. . .	272	264	234
Gulfport	246	. . .	251	. . .	242	. . .	247	247	247	. . .	275	270	257
Gwin	224	. . .	231	. . .	215	. . .	244	244	250	. . .	272	257	244
Hattiesburg	237	. . .	251	. . .	251	. . .	247	247	255	. . .	275	270	257
Hermanville	230	. . .	246	. . .	230	. . .	257	257	255	. . .	257	[illegible]	259
Holly Bluff	235	. . .	237	. . .	219	. . .	255	255	224	. . .	261	276	249
Holly Springs	196	. . .	215	. . .	190	. . .	231	231	195	. . .	265	265	254
Horn Lake	196	. . .	210	. . .	187	. . .	251	251	192	. . .	265	265	254
Houston	208	. . .	221	. . .	199	. . .	240	240	204	. . .	272	264	254

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

to page 300 of Tariff:

SECTION 1-A - Continued

FROM AND TO THE FOLLOWING BASING POINTS

and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richwood		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR.	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
MISSISSIPPI - Cont.														
rlby.	284	...	273	...	260	...	268	268	265	...	296	291	279	275
ka.	199	...	207	...	191	...	221	221	196	...	250	250	213	...
ckson	231	...	239	...	225	...	244	244	226	...	272	267	244	244
oto	248	...	255	...	239	...	257	257	244	...	287	282	260	260
kcomo,	246	...	255	...	239	...	257	257	244	...	284	279	260	260
urel.	234	...	251	...	226	...	247	247	231	...	275	270	257	253
akesville	258	...	264	...	252	...	261	261	257	...	290	281	271	271
na.	231	...	239	...	223	...	244	244	228	...	272	267	244	244
uisville.	221	...	230	...	215	...	244	244	230	...	272	267	244	244
cedale.	237	...	251	...	226	...	247	247	233	...	275	270	257	253
mberton	239	...	251	...	235	...	247	247	240	...	275	270	257	253
con	221	...	238	...	215	...	231	231	220	...	260	256	238	238
rks	208	...	221	...	199	...	240	240	204	...	272	284	234	...
thiston	216	...	224	...	207	...	240	240	212	...	272	284	234	...
adville	264	...	271	...	256	...	275	275	261	...	305	300	277	277
ridian.	225	...	238	...	219	...	231	231	224	...	260	260	238	238
neral Wells	198	...	210	...	190	...	231	231	195	...	263	263	224	...
orhead.	220	...	227	...	211	...	240	240	216	...	272	264	234	...
tchez	248	...	256	...	239	...	257	257	244	...	287	282	259	259
w Albany.	200	...	213	...	191	...	231	231	196	...	263	263	224	...
w Augusta	239	...	251	...	234	...	247	247	239	...	275	270	257	253
wton.	228	...	235	...	219	...	244	244	224	...	272	267	244	244
scagoula.	246	...	251	...	242	...	247	247	247	...	275	270	257	253
lahatchie	234	...	243	...	226	...	244	244	231	...	272	267	244	244
cayune.	246	...	259	...	242	...	257	257	247	...	287	282	259	259
rt Gibson	239	...	246	...	230	...	257	257	236	...	287	282	259	259
entiss.	256	...	263	...	248	...	275	275	253	...	306	300	277	277
ichard.	202	...	213	...	193	...	231	231	198	...	263	268	224	...
itman	228	...	243	...	222	...	240	240	227	...	269	260	250	250
imers	231	...	239	...	223	...	244	244	228	...	272	267	244	244
chton	237	...	251	...	231	...	247	247	236	...	275	270	257	253
lling Fork.	228	...	236	...	219	...	253	253	224	...	281	276	249	249
eedale.	216	...	227	...	207	...	240	240	212	...	272	264	234	...
xie	245	...	251	...	235	...	257	257	240	...	287	282	259	259
leville	216	...	224	...	207	...	240	240	212	...	272	264	234	...
nd Hill	231	...	239	...	223	...	244	244	228	...	272	267	244	244
ratoga.	239	...	251	...	230	...	247	247	235	...	275	270	257	253
natobia	202	...	213	...	193	...	231	231	198	...	263	263	224	...
lver Creek.	241	...	248	...	233	...	257	257	238	...	287	282	259	259
rall	258	...	269	...	252	...	264	264	257	...	292	287	275	270
n Lake	212	...	224	...	203	...	240	240	208	...	272	264	234	...
nica.	202	...	212	...	194	...	231	231	199	...	263	263	224	...
pelo.	204	...	217	...	196	...	227	227	200	...	257	253	231	231
lertown	257	...	259	...	248	...	257	257	253	...	287	282	259	259
ion	228	...	235	...	219	...	244	244	224	...	272	267	244	244
cksburg:														
A.R.-R.W.R.	236	...	243	...	226	...	253	253	231	...	281	276	249	249
F.B.L. (Note B)	...	...	...	...	...	...	...	...	238	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	245	...	237	...	219	...	260	...	224	...	...	...	244	...
F.B.L. (Note P)	...	...	234	...	...	...	241	...	...	...	...	...	241	...
M.V.B.L. (Note Ci)	224	...	232	...	214	...	239	...	219	...	252	...	239	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
nilla	239	...	246	...	230	...	257	257	235	...	287	282	259	259
ter Valley	206	...	217	...	197	...	231	231	202	...	263	263	224	...

AR - All Rail.
RWR - Rail-Water and Rail

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richmond		Rochester		Russell		Scranton		Sunset		Stamford		Syracus	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
MISSISSIPPI - Cont.														
Waynesboro	234	...	243	...	226	...	240	240	251	...	269	260	[illegible]	[illegible]
West Point	216	...	224	...	207	...	229	227	212	...	257	253	[illegible]	[illegible]
Why Not	246	...	256	...	239	...	248	248	244	...	278	274	[illegible]	[illegible]
Wiggins	243	...	251	...	236	...	247	247	241	...	275	270	[illegible]	[illegible]
Winona	219	...	227	...	211	...	240	240	216	...	272	264	234	...
Woodville	259	...	260	...	251	...	257	257	256	...	287	282	[illegible]	[illegible]
Yazoo City	228	...	236	...	219	...	244	244	224	...	272	267	244	[illegible]
NORTH CAROLINA														
Franklin	221	221	221	221	200	[illegible]	208	199K	205	205	224	217F	[illegible]	[illegible]
SOUTH CAROLINA														
Aiken	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Allendale	196	196	210	206	192	192	208	204K	197	197	216	207	210	[illegible]
Anderson	192	192	203	203	189	189	184	180K	194	194	210	206K	[illegible]	[illegible]
Andrews	187	187	196	196	183	183	176	172K	188	188	206	199F	[illegible]	[illegible]
Barnwell	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Batesburg	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Belton	192	192	203	203	189	189	184	180K	194	194	210	206K	[illegible]	[illegible]
Bennettsville	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Blacksburg	179	179	189	189	175	175	169	165K	180	180	198	194K	[illegible]	[illegible]
Blackville	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Blenheim	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
[illegible] Buffalo	204	204	212	212	200	200	193	189K	205	205	224	220	[illegible]	[illegible]
[illegible] Buffalo	187	187	196	196	183	183	176	172K	188	188	206	199K	[illegible]	[illegible]
Calhoun Falls	192	192	203	203	189	189	184	180K	194	194	210	206K	[illegible]	[illegible]
Camden	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Carlisle	187	187	196	196	183	183	176	172K	188	188	203	199K	[illegible]	[illegible]
Catawba	179	179	189	189	175	175	169	165K	180	180	198	194K	[illegible]	[illegible]
Charleston	187	187	196	196	183	183	176	172K	188	188	206	199F	[illegible]	[illegible]
Cheraw	176	176	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Chester	179	179	189	189	175	175	169	165K	180	180	198	194K	[illegible]	[illegible]
Chesterfield	190	190	196	196	185	185	179	175K	190	190	206	202K	[illegible]	[illegible]
Clinton	187	187	196	196	183	183	176	172K	188	188	203	199K	[illegible]	[illegible]
Clio	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Columbia	187	187	196	196	183	183	176	172K	188	188	206	199F	[illegible]	[illegible]
Conway	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Coosaw	196	196	210	206	192	192	208	204K	197	197	216	207	210	[illegible]
Cordesville	187	187	196	196	183	183	176	172K	188	188	206	199F	[illegible]	[illegible]
Darlington	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Denmark	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Dillon	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Edgefield	192	192	203	203	189	189	184	180K	194	194	210	206K	[illegible]	[illegible]
Estill	196	196	210	206	192	192	208	204K	197	197	216	207	210	[illegible]
Fairfax	196	196	210	206	192	192	208	204K	197	197	216	207	210	[illegible]
Florence	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Fort Lawn	176	176	189	189	175	175	169	165K	180	180	198	194K	189	[illegible]
Georgetown	187	187	196	196	183	183	176	172K	188	188	206	199F	[illegible]	[illegible]
Graniteville	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Great Falls	176	176	189	189	175	175	169	165K	180	180	198	194K	[illegible]	[illegible]
Greenville	187	187	196	196	183	183	176	172K	188	188	203	199K	[illegible]	[illegible]
Greenwood	192	192	203	203	189	189	184	180K	194	194	210	206K	[illegible]	[illegible]
H.& B.Jct	192	189	203	194	189	186	185	181K	194	191	213	200	207	[illegible]
Hardeeville	196	196	210	206	192	192	208	204K	197	197	216	207	210	[illegible]
Hartsville	179	179	186	186	175	175	169	165K	180	180	196	192K	[illegible]	[illegible]
Holly Hill	187	187	196	196	183	183	176	172K	188	188	206	199F	[illegible]	[illegible]
Jackson	196	196	210	206	192	192	208	204K	197	197	216	207	[illegible]	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

d to page 300 of Tariff:

SECTION 1-A - Continued

o and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richmond		Rochester		Russell		Scranton		Sunset		Stanford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
SOUTH CAROLINA - Cont.														
ingville	187	187	196	196	183	183	176	172K	188	188	206	199F	196	192K
ake City	187	187	196	196	183	183	176	172X	188	188	206	199F	196	192K
ncaster	179	179	189	189	175	175	169	165K	180	180	198	194K	189	185K
ando	179	179	189	189	175	175	169	165K	180	180	198	194K	189	185K
ney	187	187	196	196	183	183	176	172K	188	188	206	199F	196	192K
aurens	187	187	196	196	183	183	176	172K	188	188	206	199K	196	192K
Bee	179	179	186	186	175	175	169	165K	180	180	196	192K	185	181K
cCall	179	179	186	186	175	175	169	165K	180	180	196	192K	185	181K
cCormick	192	192	205	205	189	189	184	180K	194	194	210	206K	203	199K
rion	179	179	186	186	175	175	169	165K	180	180	196	192K	185	181K
getta	192	189	205	194	189	186	185	181K	194	191	213	200	207	197
llins	179	179	186	186	175	175	169	165K	180	180	196	192K	185	181K
wberry	187	187	196	196	183	183	176	172K	188	188	206	199K	196	192K
rth Augusta	196	196	210	206	192	192	208	204K	197	197	216	207	210	202
angeburg	187	187	196	196	183	183	176	172K	188	188	206	199F	196	192K
gland	191	191	198	198	187	187	181	177K	192	192	208	204K	197	193K
rry	192	189	205	194	189	186	185	181K	194	191	213	200	207	197
Pittsburg	193	189	205	194	189	186	184	180K	191	188	216	202	203	193
Pittsburg	214	211	224	215	210	207	205	201K	212	209	231	218	224	214
ston	179	179	186	186	175	175	169	165K	180	180	196	192K	185	181K
egnall	187	187	196	196	183	183	176	172K	188	188	206	199F	196	192K
chburg	187	187	197	197	183	183	177	173K	188	188	206	202K	196	192K
ck Hill	177	177	189	189	175	175	169	165K	180	180	196	194K	189	185K
ssellville	196	196	205	205	191	191	184	180K	196	196	214	207F	204	200K
luda	202	199	213	204	199	196	195	191K	204	201	223	210	217	207
neca	192	192	205	204	189	189	184	180K	194	194	210	206K	203	199K
artanburg	187	187	196	196	183	183	176	172K	188	188	203	199K	196	192K
ter	179	179	186	186	175	175	169	165K	180	180	196	192K	185	181K
llman	213	213	210	206	192	192	208	204K	197	197	216	207	210	202
ion	187	187	196	196	183	183	176	172K	188	188	206	199K	196	192K
lterboro	193	190	205	194	189	186	185	181K	194	191	213	200	207	197
re Shoals	192	192	205	205	189	189	184	180K	194	194	210	206K	203	199K
nesboro	187	187	196	196	183	183	176	172K	188	188	206	199F	196	192K
massee	196	196	210	206	192	192	208	204K	197	197	216	207	210	202
k	179	179	189	189	175	175	169	165K	180	180	198	194K	189	185K
TENNESSEE														
lington	198	. . .	207	. . .	185	. . .	231	231	188	. . .	263	263	224	224
ens.	185	. . .	186	. . .	184	. . .	182	182	169	. . .	231	214F	197	197
land City	181	. . .	209	. . .	173	. . .	221	. . .	178	. . .	253	253	209	. . .
ms.	172	. . .	196	. . .	169	. . .	190	190	174	. . .	221	214F	205	206
le	179	. . .	202	. . .	175	. . .	219	. . .	180	. . .	249	249	213	. . .
nesville	184	. . .	202	. . .	178	. . .	221	. . .	183	. . .	256	255	213	. . .
eton.	177	. . .	196	. . .	169	. . .	213	. . .	174	. . .	249	249	207	. . .
thage.	191	. . .	205	. . .	186	. . .	225	. . .	190	. . .	248	248	218	. . .
thage Jct.	191	. . .	205	. . .	184	. . .	224	. . .	189	. . .	248	248	218	. . .
treville	184	. . .	196	. . .	176	. . .	213	. . .	181	. . .	250	250	213	. . .
ttanooga	180	180	196	196	175	175	198	198	180	180	227	220F	205	205
rksville	187	. . .	182	. . .	180	. . .	203	. . .	165	. . .	240	240	196	. . .
eland	178	. . .	200	. . .	176	. . .	194	194	181	. . .	221	214F	209	209
mbia.	179	. . .	191	. . .	172	. . .	210	210	177	. . .	240	240	208	. . .
keville.	195	. . .	211	. . .	186	. . .	219	219	191	. . .	250	250	222	. . .
perhill.	180	. . .	204	. . .	180	. . .	198	198	185	. . .	221	214F	213	213
ell	182	. . .	175	. . .	184	. . .	193	193	159	. . .	221	221	185	. . .
ington	189	. . .	207	. . .	181	. . .	226	. . .	186	. . .	255	255	217	. . .
sville.	184	. . .	195	. . .	175	. . .	202	202	180	. . .	228	228	205	205
ton.	176	. . .	186	. . .	167	. . .	194	194	172	. . .	221	214F	197	197

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWI[illegible]ASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended,														
	Richwood		Rochester		Russell		Scranton		Sunset		Stamford		Syracu	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	R
	APPLY RATE BASIS NUMBERS (For Rates, see pages 360 to 404, inclusive of Tariff as amended.)														
TENNESSEE - Cont.														
Delrose	167	. . .	199	. . .	180	. . .	213	213	185	. . .	240	240	208	. . .
Dickson	177	. . .	189	. . .	171	. . .	210	. . .	176	. . .	247	247	199	. . .
Dunlap	189	. . .	207	. . .	186	. . .	207	207	191	. . .	240	240	208	. . .
Dyersburg	182	. . .	199	. . .	178	. . .	[illegible]	. . .	183	. . .	245	245	210	. . .
East Jamestown	165	. . .	176	. . .	156	. . .	196	196	160	. . .	221	221	189	189
Erin	174	. . .	185	. . .	165	. . .	207	. . .	170	. . .	244	244	199	. . .
Etowah	172	. . .	196	. . .	169	. . .	190	190	174	. . .	221	214K	208	[illegible]
Fayetteville	187	. . .	199	. . .	180	. . .	213	213	185	. . .	240	240	208	. . .
Fork Mountain	175	. . .	186	. . .	160	. . .	204	. . .	166	. . .	221	221	195	. . .
Fork Ridge	160	. . .	176	. . .	153	. . .	182	. . .	156	. . .	210	210	185	. . .
Gallatin	166	. . .	179	. . .	159	. . .	199	. . .	164	. . .	240	240	185	. . .
Gernt	162	. . .	175	. . .	154	. . .	192	192	159	. . .	221	221	185	185
Glen Mary	162	. . .	175	. . .	154	. . .	192	192	159	. . .	221	221	185	. . .
Grand Jct	192	. . .	207	. . .	183	. . .	231	231	188	. . .	263	263	224	. . .
Greenville	156	. . .	185	. . .	156	. . .	165	165	161	. . .	207	203K	185	185
Harriman	168	. . .	180	. . .	160	. . .	190	190	165	. . .	221	221	189	189
Hartsville	169	. . .	182	. . .	163	. . .	203	. . .	168	. . .	240	240	196	. . .
Hermitage	171	. . .	185	. . .	164	. . .	207	. . .	169	. . .	240	240	198	. . .
Hickory Point	178	. . .	190	. . .	167	. . .	216	. . .	172	. . .	248	248	204	. . .
Hohenwald	167	. . .	196	. . .	181	. . .	217	. . .	186	. . .	250	250	213	. . .
Humboldt	179	. . .	199	. . .	175	. . .	217	. . .	180	. . .	249	249	210	. . .
Jackson	180	. . .	203	. . .	175	. . .	221	. . .	180	. . .	252	252	213	. . .
Jellico	170	. . .	173	. . .	149	. . .	186	186	154	. . .	221	221	186	. . .
Kenwood	175	. . .	183	. . .	169	. . .	204	. . .	174	. . .	241	241	197	. . .
Knoxville	165	. . .	185	. . .	161	. . .	182	182	166	. . .	207	[illegible]	194	194
LaFollette	162	. . .	176	. . .	163	. . .	190	190	168	. . .	221	221	189	. . .
Lake City	167	. . .	180	. . .	156	. . .	189	189	161	. . .	221	221	189	189
Lawrenceburg	187	. . .	199	. . .	180	. . .	213	. . .	185	. . .	250	250	213	. . .
Lebanon	176	. . .	189	. . .	169	. . .	203	. . .	174	. . .	240	240	199	. . .
Lenoir City	168	. . .	192	. . .	169	. . .	186	186	174	. . .	221	214F	201	201
Lewisburg	184	. . .	194	. . .	175	. . .	210	210	180	. . .	240	240	205	. . .
Lexington	186	. . .	199	. . .	177	. . .	221	221	182	. . .	257	257	210	. . .
Liberty Hill	168	. . .	185	. . .	161	. . .	186	186	166	. . .	207	203K	194	194
McKenzie	174	. . .	196	. . .	169	. . .	213	. . .	174	. . .	244	244	207	. . .
McMinnville	191	. . .	203	. . .	183	. . .	216	216	178	. . .	240	240	208	. . .
Madisonville	172	. . .	196	. . .	169	. . .	190	190	174	. . .	221	214F	205	205
Mahan	168	. . .	180	. . .	160	. . .	190	190	165	. . .	221	221	189	189
Martin	176	. . .	188	. . .	170	. . .	202	. . .	175	. . .	232	232	197	. . .
Maryville	165	. . .	188	. . .	164	. . .	182	182	169	. . .	221	214F	197	197
Memphis:														
A.R.-R.W.R.	194	. . .	210	. . .	185	. . .	231	231	190	. . .	263	263	224	. . .
F.B.L. (Note E)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
M.V.B.L. (Note Ci)	187	. . .	194	. . .	177	. . .	214	. . .	182	. . .	238	. . .	208	. . .
A.B.L. (Item 90)	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Middleton	192	. . .	207	. . .	184	. . .	231	231	189	. . .	263	263	224	. . .
Milan	176	. . .	199	. . .	172	. . .	216	. . .	177	. . .	245	245	210	. . .
Monterey	190	. . .	202	. . .	182	. . .	208	208	161	. . .	231	231	211	211
Morristown	156	. . .	185	. . .	156	. . .	170	170	161	. . .	207	203K	189	189
Moscow	196	. . .	210	. . .	187	. . .	231	231	192	. . .	263	263	224	. . .
Murfreesboro	177	. . .	189	. . .	171	. . .	207	207	176	. . .	240	240	208	. . .
Nashville	176	. . .	185	. . .	163	. . .	203	. . .	168	. . .	240	240	196	. . .
Newport	160	. . .	191	. . .	161	. . .	178	178	166	. . .	207	203K	196	186
Nicks Creek	165	. . .	176	. . .	155	. . .	196	196	160	. . .	221	221	189	. . .
Paris	171	. . .	193	. . .	166	. . .	210	. . .	171	. . .	242	242	205	. . .

AR - All Rail.
RWR - Rail-Water and Rail.

1712

1712

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive, of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.													
	Richmond		Rochester		Russell		Scranton		Sunset		Stamford		Syracuse	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended.)													
TENNESSEE - Conc.														
Petros.	172	. . .	185	. . .	165	. . .	190	190	170	. . .	221	221	194	194
Pulaski	187	. . .	199	. . .	180	. . .	213	213	185	. . .	240	240	208	. . .
Scottsboro.	180	. . .	198	. . .	174	. . .	221	. . .	179	. . .	256	256	211	. . .
Selmer.	192	. . .	207	. . .	183	. . .	234	. . .	188	. . .	250	250	213	. . .
Sevierville	185	. . .	208	. . .	184	. . .	202	202	189	. . .	227	223X	217	217
Shooks.	179	. . .	202	. . .	179	. . .	198	198	184	. . .	223	219X	212	212
Somerville.	192	. . .	207	. . .	183	. . .	251	251	188	. . .	263	263	224	. . .
South Pittsburg . . .	186	. . .	200	. . .	180	. . .	204	204	185	. . .	240	240	206	. . .
Sparta.	194	. . .	207	. . .	169	. . .	219	219	194	. . .	240	240	208	. . .
Springfield	169	. . .	182	. . .	160	. . .	203	. . .	165	. . .	240	240	196	. . .
Surgoinsville	148	. . .	179	. . .	149	. . .	165	165	154	. . .	199	199X	185	185
Tiprell	168	. . .	180	. . .	161	. . .	186	186	166	. . .	207	203X	194	194
Tiptonville	182	. . .	199	. . .	178	. . .	217	. . .	183	. . .	246	246	210	. . .
Tracy City.	191	. . .	205	. . .	184	. . .	210	210	159	. . .	240	240	208	. . .
Tullahoma	184	. . .	195	. . .	176	. . .	209	209	161	. . .	240	240	206	. . .
Union City.	176	. . .	186	. . .	168	. . .	200	. . .	173	. . .	230	230	195	. . .
Watertown	187	. . .	202	. . .	180	. . .	219	219	185	. . .	247	247	213	. . .
Waverly	184	. . .	195	. . .	174	. . .	213	. . .	179	. . .	250	250	207	. . .
White Bluff	176	. . .	189	. . .	169	. . .	207	. . .	174	. . .	244	244	199	. . .
Whiteville.	189	. . .	207	. . .	181	. . .	251	251	186	. . .	263	263	224	. . .
Wilder.	194	. . .	207	. . .	186	. . .	212	212	191	. . .	232	232	216	216

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on pages 17 to 95, inclusive of Tariff as amended. Wakefield AR	Wakefield RWR	Washington AR	Washington RWR	Waterbury AR	Waterbury RWR	Watertown AR	Watertown RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
ALABAMA								
Akron	265	261	211	210	260	256	244	244
Alexander City	242	235	189	187	237	230	228	224
Aliceville	265	261	211	210	260	256	244	244
Altoona	252	244	199	195	247	239	235	231
Andalusia	267	255	207	199	262	250	260	256K
Anniston	242	235	189	187	237	230	228	224
Atmore	274	265	216	210	269	260	257	252
Bayou La Batre	274	265	216	210	269	260	257	252
Birmingham	252	244	199	195	247	239	235	231K
Blocton	252	244	199	195	247	239	235	231
Blossburg	252	244	199	195	247	239	235	231
Boaz	252	244	199	195	247	239	235	231
Boligee	265	261	211	210	260	256	244	244
Boyd	282	276	229	228	276	274	261	261
Brantley	267	255	207	199	262	250	260	256K
Brewton	267	255	207	199	262	250	260	256K
Brilliant	262	258	211	210	257	253	239	239
Brownville	283	279	232	231	278	274	262	262
Buhl	262	258	211	210	257	253	239	239
Burbank	285	286	237	251	280	281	272	261
Calera	252	244	199	195	247	239	235	231K
Calvert	274	265	216	210	269	260	257	252
Cardiff	252	244	199	195	247	239	235	231
Carrollton	279	275	226	225	275	271	254	254
Cedar Bluff	242	235	189	187	237	230	228	224
Chatom	287	286	239	235	282	285	280	275
Chelsea	252	244	199	195	247	239	235	231K
Cherokee	256	255	205	. .	250	250	221	. .
Childersburg	252	244	199	195	247	239	235	231K
Choctaw City	294	285	236	230	289	280	277	272
Clanton	252	244	199	195	247	239	235	231K
Colta	252	244	199	195	247	239	235	231
Cromwell	282	276	229	228	276	274	261	261
Cullman	252	244	199	195	247	239	235	231
Decatur	245	245	192	. .	240	240	227	227
Demopolis	265	261	211	210	260	256	244	244
Dothan	258	244	199	187	253	239	250	239
Elba	267	255	207	199	262	250	260	256K
Enterprise	267	255	207	199	262	250	260	256K
Eufaula	249	234	191	179	244	229	212	201
Fayette	262	258	211	210	257	253	239	239
Fern Bank	262	258	211	210	257	253	239	239
Flomaton	274	265	216	210	269	260	257	252
Florala	267	255	207	199	262	250	260	256K
Florence	256	255	205	. .	250	250	221	. .
Foley	274	265	216	210	269	260	257	252
Franklin	258	244	199	187	253	239	250	239
Frisco City	274	265	216	210	269	260	257	246
Gadsden	242	235	189	187	237	230	228	224
Gamery	252	244	199	195	247	239	235	231K
Geneva	267	255	207	199	262	250	260	256K
Greensboro	265	261	211	210	260	256	244	244
Greenville	266	254	207	199	262	250	260	256K
Gurley	245	245	192	. .	240	240	221	221
Gurnee Jct.	252	244	199	195	247	239	235	231

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended. Wakefield AR	Wakefield RWR	Washington AR	Washington RWR	Waterbury AR	Waterbury RWR	Watertown AR	Watertown RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
ALABAMA - Con.								
Halawaka	249	234	191	179	244	229	212	201
Haleyville	262	258	211	210	257	253	239	239
Hardaway	258	244	199	187	253	239	250	239
Hartford	267	255	207	199	262	250	260	256K
Headland	258	244	199	187	253	239	250	239
Heflin	242	235	189	187	237	230	228	224
Huntsville	245	245	192	. .	240	240	221	221
Hurtsboro	258	244	199	187	253	239	250	239
Jamestown	242	235	189	187	237	230	228	224
Jasper	252	244	199	195	247	239	235	231
Kimbrough	274	265	216	210	269	260	257	252
La Fayette	242	235	189	187	237	230	228	224
Lanett	249	234	191	179	244	229	212	201
Lehigh	252	244	199	195	247	239	235	231
Linden	274	265	216	210	269	260	257	252
Luverne	267	255	207	199	262	250	260	256K
Madrid	258	244	199	187	253	239	250	239
Maplesville	252	244	199	195	247	239	235	231K
Margaret	252	244	199	195	247	239	235	231K
Marigold	273	[illegible]	220	216	[illegible]	[illegible]	[illegible]	[illegible]
Marion Jct.	252	244	199	195	247	239	235	231K
Maylene	252	244	199	195	247	239	235	231K
Mobile:								
A.R.-R.W.R.	274	265	216	210	269	260	257	252
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Cx)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	[illegible]	. .
Monroeton	274	265	216	210	269	260	257	252
Monroeville	274	265	216	210	269	260	257	252
Montgomery	258	244	199	187	253	239	250	239
Nadawah	274	265	216	210	269	260	257	252
Opelika	249	234	199	187	244	229	212	201
Opp	267	255	207	199	262	250	260	256K
Ozark	258	244	199	187	253	239	250	239
Pansia	265	261	251	250	260	276	266	[illegible]
Pell City	252	244	199	195	247	239	235	231K
Phenix City	249	234	191	179	244	229	212	201
Piedmont	242	235	189	187	237	230	228	224
Pittsview	258	244	199	187	253	239	250	239
Red Bay	262	258	211	210	257	253	239	239
Reform	262	258	211	210	257	253	239	239
Riverview	249	234	199	187	244	229	212	201
Roanoke	242	235	189	187	237	230	228	224
Samson	267	255	207	199	262	250	260	256K
Satsuma	274	265	216	210	269	260	257	252
Selma	252	244	199	195	247	239	235	231K
Silas	300	296	241	240	294	290	278	[illegible]
Sipsey	252	244	199	195	247	239	235	231
Stevenson	245	245	192	. .	240	240	215	215
Suggsville	274	265	216	210	269	260	257	252
Sylacauga	242	235	189	187	237	230	228	224
Talladega	242	235	189	187	237	230	228	224
Tallassee	276	270	216	204	270	264	266	[illegible]
Troy	258	244	199	187	253	239	250	239
Tuscaloosa	252	244	199	195	247	239	235	231

AR - All Rail.
RWR - Rail-Water and Rail.

1714

d to page 300 of Tariff:

SECTION 1-A - Continued

o and From Stations shown on pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
ALABAMA - Cont.								
uskegee	274	260	216	204	270	256	266	256
nion Springs	258	244	199	187	253	239	260	239
alley Head	242	226	189	187	237	230	228	224
inegar Bend	274	265	216	210	269	260	257	252
arrior	258	244	199	196	247	239	235	231
attsville	252	244	199	196	247	239	235	231K
infield	262	258	211	210	257	253	259	259
antley	285	279	229	228	276	274	261	261
olande	252	244	199	196	247	239	235	231
ork	265	261	211	210	260	256	244	244
ARKANSAS								
elena:								
A.R.-R.W.R.	277	269	228	226	272	264	240	240
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note F)	. .	. .	. .	. .	. .	. .	. .	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .
FLORIDA								
lachua	258	243	202	191	253	238	253	242
ltha	267	255	207	199	262	250	260	256K
palachicola	258	243	202	191	253	238	253	242
rcadia	280	267	238	229	275	262	284	273
von Park	271	258	229	220	266	253	274	265
arrineau Park	274	265	216	210	269	260	257	252
artow	271	258	229	220	266	253	274	265
arter	243	225	184	170	238	220	240	227
ell	258	243	202	191	253	238	253	242
elleglade-Chosen	280	267	238	229	275	262	284	273
lountstown	267	255	207	199	262	250	260	256K
radenton	271	258	229	220	266	253	274	265
ranford	258	243	202	191	253	238	253	242
rewster	271	258	229	220	266	253	274	265
rooksville	268	254	219	209	263	249	265	254
unker Hill	286	275	246	239	281	270	291	281
ampbellton	258	244	199	187	253	239	265	242
enter Hill	268	254	219	209	263	249	265	254
entury	274	265	216	210	269	260	257	252
hattahoochee	249	234	193	181	244	229	257	246
huluota	268	254	219	209	263	249	265	254
learwater	271	258	229	220	266	253	274	265
lewiston	280	267	238	229	275	262	284	273
ottondale	258	244	199	187	253	239	265	242
restview	267	255	207	199	262	250	260	256K
ross City	258	243	202	191	253	238	253	242
aytona Beach	262	248	211	201	257	243	257	246
eFuniak Springs	267	255	207	199	262	250	260	256K
owling Park	258	243	202	191	253	238	253	242
rexel	268	254	219	209	263	249	265	254
rifton	249	234	193	181	244	229	257	246
unnellon	262	248	211	201	257	243	257	246
verglades	286	275	246	239	281	270	291	281
airfield	258	243	202	191	253	238	253	242
ellsmere	286	272	242	235	280	267	277	273

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
FLORIDA - Cont.								
Fernandina	243	225	184	170	238	220	240	227
Ft. Lauderdale	286	275	246	239	281	270	291	281
Ft. Myers	286	275	246	239	281	270	291	281
Ft. Pierce	271	258	229	220	266	253	274	265
Gainesville	258	243	202	191	253	238	253	242
Graceville	267	255	207	199	262	250	260	256K
Green Cove Springs	249	234	194	183	244	229	247	236
Greenville	243	225	186	171	238	220	250	237
Greenwood	281	267	225	211	276	262	273	262
Haines City	268	254	219	209	263	249	265	254
Hastings	258	243	202	191	253	238	253	242
Hawthorne	258	243	202	191	253	238	253	242
High Springs	258	243	202	191	253	238	253	242
Hilliard	243	225	184	170	238	220	240	227
Homestead	295	284	255	246	290	279	300	291
Hosford	258	243	202	191	253	238	253	242
Jacksonville	243	225	184	170	238	220	240	227
Jamieson	249	234	193	181	244	229	257	246
Jasper	243	225	184	170	238	250	240	227
Jupiter	280	267	238	229	275	262	284	273
Kenansville	271	258	229	220	266	253	274	265
Kissimmee	268	254	219	209	263	249	265	254
Lake Butler	249	234	194	183	244	229	247	236
Lake City	243	225	184	170	238	220	240	227
Lakeland	271	258	229	220	266	253	274	265
Lake Wales	271	258	229	220	266	253	274	265
Lawtey	249	234	194	183	244	229	247	236
Leesburg	262	248	211	201	257	243	257	246
Live Oak	243	225	186	171	238	220	250	237
Madison	243	225	186	171	238	220	250	237
Marianna	258	244	199	187	253	239	265	242
Mayo	258	243	202	191	253	238	253	242
Maytown	262	248	211	201	257	243	257	246
Melbourne	268	254	219	209	263	249	265	254
Miami	286	275	246	239	281	270	291	281
Milton	267	255	207	199	262	250	260	256K
Naples	286	275	246	239	281	270	291	281
Newberry	258	243	202	191	253	238	253	242
Ocala	262	248	211	201	257	243	257	246
Okeechobee	280	267	238	229	275	262	284	273
Opal	280	267	238	229	275	262	284	273
Orlando	268	254	219	209	263	249	265	254
Otter Creek	262	248	211	201	257	243	257	246
Palatka	258	243	202	191	253	238	253	242
Palmdale	280	267	238	229	275	262	284	273
Panama City	267	255	207	199	262	250	260	256K
Pensacola	274	265	216	210	269	260	257	252
Perry	258	243	202	191	253	238	253	242
Pierson	262	248	211	201	257	243	257	246
[illegible] Pinetta	243	225	186	171	238	220	250	237
[illegible] Pinetta	264	246	206	192	259	241	271	258
Plant City	271	258	229	220	266	256	274	265

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
FLORIDA - Conc.								
Port St. Joe	267	255	207	199	262	250	260	256K
Potatoville	258	243	202	191	253	238	253	242
Quincy	249	234	193	181	244	229	257	246
St. Augustine	258	243	202	191	253	238	253	242
St. Catherine	268	254	219	209	263	249	265	254
St. Petersburg	271	258	229	220	266	253	274	263
Sanderson	243	225	184	170	238	220	240	227
Sanford	262	248	211	201	257	243	257	246
Sarasota	280	267	238	229	275	262	284	273
Shady Grove	258	243	202	191	253	238	253	242
South Boca Grande	286	275	246	239	281	270	291	281
South Jacksonville	249	234	194	183	244	229	247	236
Tallahassee	249	234	193	181	244	229	257	246
Tampa	271	258	229	220	266	253	274	263
Titusville	268	254	219	209	263	249	265	254
Wakulla	258	243	202	191	253	238	253	242
West Palm Beach	286	275	246	239	281	270	291	281
Williston	262	248	211	201	257	243	257	246
Winter Garden	268	254	219	209	263	249	265	254
Winter Haven	271	258	229	220	266	253	274	263
Youngstown	267	256	207	199	262	250	260	256K
Yukon	249	234	194	183	244	229	247	236
GEORGIA								
Abbeville	243	225	184	170	238	220	240	227
Albany	249	234	191	179	244	229	212	201
Alma	238	220	179	165	233	215	234	221
Americus	249	234	191	179	244	229	212	201
Arlington	249	234	191	179	244	229	212	201
Athens	232	225F	176	172	227	220F	227	223K
Atlanta	232	225F	176	172	227	220F	227	223K
Augusta	221	212	164	158	216	207	221	213
Bainbridge	249	234	191	179	244	229	212	201
Baxley	238	220	179	165	233	215	234	221
Blue Ridge	226	219F	176	176	221	214F	221	221
Bonaire	243	225	184	170	238	220	240	227
Bowdon	236	229F	176	176	231	224F	221	217K
Bremen	236	229F	176	176	231	224F	221	217K
(204) Bridgeboro	249	234	191	179	244	229	212	201
(205) Bridgeboro	270	255	212	200	265	250	234	223
Brunswick	238	220	179	165	233	215	234	221
Buena Vista	249	234	191	179	244	229	212	201
Buford	232	225F	176	172	227	220F	227	223K
Camak	232	225F	176	172	227	220F	227	223K
Campton	232	225F	176	172	227	220F	227	223K
Canton	236	229F	176	176	231	224F	221	217K
Carrollton	236	229F	176	176	231	224F	221	217K
Cartersville	236	229F	176	176	231	224F	221	217K
Cave Spring	236	229F	176	176	231	224F	221	217K
Cedartown	236	229F	176	176	231	224	221	217K
Cenchat	236	219F	176	176	221	214F	211	211
Chatsworth	236	229F	176	176	231	224F	221	217K
Claxton	228	212	170	157	223	207	231	216
(204) Clyattville	243	225	185	171	238	220	250	237

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Waterto	
	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
GEORGIA - Cont.								
(205) Clyattville	264	248	206	192	259	241	271	[illegible]
Clyo	221	212	164	158	216	207	221	213
Columbus	249	234	191	179	244	229	212	201
Commerce	232	225F	176	172	227	220F	227	223K
Cordele	243	225	184	170	238	220	240	227
Cornelia	232	225F	176	172	227	220F	227	223K
Covington	232	225F	176	172	227	220F	227	223K
Cusseta	249	234	191	179	244	229	212	201
Cuthbert	249	234	191	179	244	229	212	201
Dalton	236	229F	176	176	231	224F	221	217K
Dames Ferry	232	225F	176	172	227	220F	227	223K
Dawson	249	234	191	179	244	229	212	201
Douglas	243	225	184	170	238	220	240	227
Dublin	228	219	170	164	223	214	231	225
Durand	249	234	191	179	244	229	212	201
Durham	242	235	189	187	237	230	228	224
Egypt	221	212	164	158	216	207	221	213
Elberton	232	225F	176	172	227	220F	227	223K
Empire	243	225	184	170	238	220	240	227
Fitzgerald	243	225	184	170	238	220	240	227
Folkston	243	225	184	170	238	220	240	227
Fort Gaines	249	234	191	179	244	229	212	201
Fort Valley	232	225F	176	172	227	220F	227	223K
Gainesville	232	225F	176	172	227	220F	227	223K
(204) Garfield	228	219	170	164	223	214	231	225
(205) Garfield	249	240	191	185	244	235	252	244
(204) Gracewood	228	219	170	164	223	214	231	225
(205) Gracewood	249	240	191	185	244	235	252	244
Griffin	232	225F	176	172	227	220F	227	223K
Hartwell	232	225F	176	172	227	220F	227	223K
Haylow	243	225	184	170	238	220	240	227
Hazlehurst	243	225	184	170	238	220	240	227
Helena	243	225	184	170	238	220	240	227
Hooker	226	219F	176	176	221	214F	211	211
Hoschton	232	225F	176	172	227	220F	227	223K
Jefferson	232	225F	176	172	227	220F	227	223K
Jeffersonville	232	225F	176	172	227	220F	227	223K
Jesup	238	220	179	165	233	215	234	221
Junction City	249	234	191	179	244	229	212	201
(204) Keysville	228	219	170	164	223	214	231	225
(205) Keysville	249	246	191	185	244	235	252	244
Kildare	221	212	164	158	216	207	221	213
La Grange	249	234	191	179	244	229	212	201
Lakeland	243	225	200	186	236	220	207	[illegible]
Lavonia	232	225F	176	172	227	220F	227	223K
Lawrenceville	232	225F	176	172	227	220F	227	223K
Louisville	228	219	170	164	223	214	231	225
McDonough	232	225F	176	172	227	220F	227	223K
Machen	232	225F	176	172	227	220F	227	223K
Macon	232	225F	176	172	227	220F	227	223K
Madison	232	225F	176	172	227	220F	227	223K
Menlo	242	235	189	187	237	230	228	224
Midville	228	219	170	164	223	214	231	225
Milledgeville	232	225F	176	172	227	220F	227	223K
Millen	221	212	164	158	216	207	221	213

AR - All Rail.
RWR - Rail-Water and Rail.

dd to page 300 of Tariff;

SECTION 1-A - Continued

o and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
GEORGIA - Cont.								
Milstead	232	225F	176	172	227	220F	227	223K
Montezuma	249	234	191	179	244	229	212	201
Moultrie	249	234	191	179	244	229	212	201
(204) Nashville	232	214	184	170	238	220	240	227
(205) Nashville	253	235	206	191	259	241	261	248
Newman	232	225F	176	172	227	220F	227	223K
Oakfield	249	234	191	179	244	229	212	201
Offerman	238	220	179	165	233	215	234	221
(206) Pavo	249	234	191	179	244	229	212	201
(207) Pavo	270	255	212	200	265	250	234	223
Pelham	249	234	191	179	244	229	212	201
Quitman	243	225	184	170	238	220	240	227
(204) Relee	243	225	184	170	238	220	240	227
(205) Relee	264	246	205	191	259	241	261	248
Riceboro	228	212	170	157	223	207	231	216
Richland	249	234	191	179	244	229	212	201
Rockmart	236	229F	176	176	231	224F	221	217K
Rome	236	229F	176	176	231	224F	221	217K
St. George	243	225	184	170	238	220	240	227
St. Marys	260	242	201	187	255	237	258	245
(206) Sale City	249	234	191	179	244	229	212	201
(207) Sale City	270	255	212	200	265	250	234	223
Sandersville	228	219	170	164	223	214	231	223
Sardis	221	212	164	158	216	207	221	213
Savannah	221	212	164	158	216	207	221	213
Senoia	232	225F	176	172	227	220F	227	223K
Soperton	228	219	170	164	223	214	231	223
Statesboro	228	212	170	157	223	207	231	216
(204) Swainsboro	228	219	170	164	223	214	231	223
(205) Swainsboro	249	240	191	185	244	235	252	244
Tallulah Falls	236	229F	176	176	231	224F	221	217K
Tennille	228	219	170	164	223	214	231	223
Thomaston	232	225F	176	172	227	220F	227	223K
Thomasville	249	234	191	179	244	229	212	201
(206) Ticknor	249	234	191	179	244	229	212	201
(207) Ticknor	260	245	212	200	265	250	234	223
Tifton	243	225	184	170	238	220	240	227
Toomsboro	228	219	170	164	223	214	231	223
Topeka Jct.	232	225F	176	172	227	220F	227	223K
Trenton	242	235	189	187	237	230	228	224
Trion	236	229F	176	176	231	224F	221	217K
Union Point	232	225F	176	172	227	220F	227	223K
(204) Uvalda	228	219	170	164	223	214	231	223
(205) Uvalda	249	240	191	185	244	235	252	244
Valdosta	243	225	184	170	238	220	240	227
Vaughn	232	225F	176	172	227	220F	227	223K
Vidalia	228	219	170	164	223	214	231	223
Washington	232	225F	176	172	227	220F	227	223K
Waycross	238	220	179	165	233	215	234	221
Waynesboro	221	212	164	158	216	207	221	213
Woodbine	243	225	184	170	238	220	240	227
Woodbury	249	234	191	179	244	229	212	201
Woodcliff	242	233	185	179	237	228	242	234
Wrightsville	238	229	180	174	233	224	241	233

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
LOUISIANA								
Amite	292	287	236	234	287	282	269	269
Baton Rouge:								
A.R.-R.W.R.	292	287	236	234	287	282	269	269
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	243	. .	. .	. .	258	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	258	. .
M.V.B.L. (Note C1)	. .	. .	. .	. .	. .	. .	. .	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .
Bogalusa	292	287	236	234	287	282	269	269
Braithwaite	292	287	236	234	287	282	269	269
Clinton	292	287	236	234	287	282	269	269
Franklinton	292	287	236	234	287	282	269	269
Hammond	292	287	236	234	287	282	269	269
Mandeville	292	287	236	234	287	282	269	269
New Orleans:								
A.R.-R.W.R.	292	287	236	234	287	282	269	269
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	258	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	254	. .
M.V.B.L. (Note C1)	. .	. .	. .	. .	. .	. .	. .	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .
Reserve	292	287	236	234	287	282	269	269
St. Francisville	292	287	236	234	287	282	269	269
Slidell	292	287	236	234	287	282	269	269
Wilson	292	287	236	234	287	282	269	269
MISSISSIPPI								
Aberdeen	262	258	211	210	257	253	239	239
Ackerman	277	272	228	226	272	267	250	250
Amory	262	258	211	210	257	253	239	239
Batesville	268	268	209	. .	263	263	231	. .
Beaumont	280	275	228	226	275	270	263	263
Belmont	262	258	211	210	257	253	239	239
Belzoni	277	272	228	226	272	267	250	250
Brookhaven	292	287	236	234	287	282	269	269
Bruce	298	290	249	247	293	285	261	261
Calhoun City	277	269	228	226	272	264	240	240
Canton	277	272	228	226	272	267	250	250
Centreville	292	287	236	234	287	282	269	269
Charleston	277	269	228	226	272	264	240	240
Clarksdale	277	269	228	226	272	264	240	240
Cleveland	277	269	228	226	272	264	240	240
Columbia	292	287	236	234	287	282	269	269
Columbus	262	258	211	210	257	253	239	239
Corinth	255	255	205	. .	250	250	221	. .
Crystal Springs	292	287	236	234	287	282	269	269
DeKalb	273	269	219	218	268	264	251	251
Dundee	277	269	228	226	272	264	240	240
Durant	277	272	228	226	272	267	250	250
Edinburg	277	272	228	226	272	267	250	250
Electric Mills	265	261	211	210	260	256	244	244
Falkner	268	268	209	. .	263	263	231	. .
Fenwick	310	305	254	252	305	300	287	287

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
MISSISSIPPI - Cont.								
Fernwood	292	287	256	254	287	282	269	269
Fulton	277	275	226	225	272	268	254	254
Gatesville	292	287	256	254	287	282	269	269
Greenville	277	269	226	226	272	264	240	240
Greenwood	277	269	226	226	272	264	240	240
Granada	277	269	226	226	272	264	240	240
Gulfport	280	275	226	226	275	270	265	265
Gwin	277	272	226	226	272	267	250	250
Hattiesburg	280	275	226	226	275	270	265	265
Hermanville	292	287	256	254	287	282	269	269
Holly Bluff	287	282	256	254	281	276	257	257
Holly Springs	268	268	209	. .	263	263	251	. .
Horn Lake	268	268	209	. .	263	263	251	. .
Houston	277	269	226	226	272	264	240	240
Hurley	301	296	249	247	296	291	284	284
Iuka	255	255	205	. .	250	250	221	. .
Jackson	277	272	226	226	272	267	250	250
Kioto	292	287	256	254	287	281	266	266
Kokomo	289	284	256	254	284	279	266	266
Laurel	280	275	226	226	275	270	265	265
Leakesville	296	286	257	251	290	281	272	267
Lena	277	272	226	226	272	267	250	250
Louisville	277	272	226	226	272	267	250	250
Lucedale	280	275	226	226	275	270	265	265
Lumberton	280	275	226	226	275	270	265	265
Macon	265	261	211	210	260	256	244	244
Marks	277	269	226	226	272	264	240	240
Mathiston	277	269	226	226	272	264	240	240
Meadville	310	305	257	255	305	300	287	287
Meridian	265	261	211	210	260	256	244	244
Mineral Wells	268	268	201	. .	263	263	251	. .
Moorhead	277	269	226	226	272	264	240	240
Natchez	292	287	256	254	287	282	269	269
New Albany	268	268	209	. .	263	263	251	. .
New Augusta	280	275	226	226	275	270	265	265
Newton	277	272	226	226	272	267	250	250
Pascagoula	280	275	226	226	275	270	265	265
Pelahatchie	277	272	226	226	272	267	250	250
Picayune	292	287	256	254	287	282	269	269
Port Gibson	292	287	256	254	287	282	269	269
Prentiss	310	305	254	252	305	300	287	287
Prichard	268	268	209	. .	263	263	251	. .
Quitman	274	265	216	210	269	260	257	252
Reimers	277	272	226	226	272	267	250	250
Richton	280	275	226	226	275	270	265	265
Rolling Fork	286	281	236	234	281	276	257	257
Rosedale	277	269	226	226	272	264	240	240
Roxie	292	287	256	254	287	282	269	269
Ruleville	277	269	226	226	272	264	240	240
Sand Hill	277	272	226	226	272	267	250	250
Saratoga	280	275	226	226	275	270	265	265
Senatobia	268	268	209	. .	263	263	251	. .
Silver Creek	292	287	256	254	287	282	269	269
Sumrall	297	292	246	244	292	287	281	281
Swan Lake	277	269	226	226	272	264	240	240

To and From Stations shown on pages 96 to 173, inclusive of tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POI And Stations taking same Rates as sh on pages 17 to 95, inclusive of T iff as amended.							
	Wakefield		Washington		Waterbury		Watert	
	AR	RWR	AR	RWR	AR	RWR	AR	
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclu sive of Tariff as amended)							
MISSISSIPPI - Conc.								
Tunica	268	268	209	. .	263	263	251	. .
Tupelo	262	258	211	210	257	253	[illegible]	[illegible]
Tylertown	292	287	256	254	287	282	269	[illegible]
Union	277	272	226	226	272	267	250	[illegible]
Vicksburg:								
A.R.-R.W.R.	286	281	236	234	281	276	257	[illegible]
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	. .	. .
M.V.B.L. (Note C1)	258	. .	224	. .	252	. .	247	. .
A.B.L. (Item 90)	. .	. .	. .	. .	. .	. .	. .	. .
Manilla	292	287	256	254	287	282	269	[illegible]
Water Valley	268	268	209	209	263	263	251	. .
Waynesboro	274	265	216	200	269	260	257	[illegible]
West Point	262	258	211	210	257	253	[illegible]	[illegible]
Why Not	283	279	229	228	278	274	261	[illegible]
Wiggins	280	275	226	226	275	270	265	[illegible]
Winona	277	269	226	226	272	264	240	[illegible]
Woodville	292	287	256	254	287	282	269	[illegible]
Yazoo City	277	272	226	226	272	267	250	[illegible]
NORTH CAROLINA								
Franklin	229	222F	176	176	224	217F	220	[illegible]
SOUTH CAROLINA								
Aiken	218	205	161	151	213	200	213	[illegible]
Allendale	221	212	164	158	216	207	221	[illegible]
Anderson	215	211K	161	161	210	206K	213	[illegible]
Andrews	211	204F	152	148	206	199F	207	[illegible]
Barnwell	218	205	161	151	213	200	213	[illegible]
Batesburg	218	205	161	151	213	200	213	[illegible]
Belton	215	211K	161	161	210	206K	213	[illegible]
Bennettsville	201	197K	142	141	196	192K	196	[illegible]
Blacksburg	203	199K	142	142	198	194K	199	[illegible]
Blackville	218	205	161	151	213	200	213	[illegible]
Blenheim	201	197K	142	141	196	192K	196	[illegible]
[illegible] Buffalo	224	220K	169	169	219	215K	224	[illegible]
[illegible] Buffalo	208	204K	152	152	203	199K	207	[illegible]
Calhoun Falls	215	211K	161	161	210	206K	213	[illegible]
Camden	201	197K	142	141	196	192K	196	[illegible]
Carlisle	208	204K	152	152	203	199K	207	[illegible]
Catawba	203	199K	142	142	198	194K	199	[illegible]
Charleston	211	204F	152	148	206	199F	207	[illegible]
Cheraw	201	197K	142	141	196	192K	196	[illegible]
Chester	203	199K	142	142	198	194K	199	[illegible]
Chesterfield	211	207K	152	152	206	202K	202	[illegible]
Clinton	208	204K	152	152	203	199K	207	[illegible]
Clio	201	197K	142	141	196	192K	196	[illegible]
Columbia	211	204F	152	148	206	199F	207	[illegible]
Conway	201	197K	142	141	196	192K	196	[illegible]
Coosaw	221	212	164	158	216	207	221	[illegible]
Cordesville	211	204F	152	148	206	199F	207	[illegible]
Darlington	201	197K	142	141	196	192K	196	[illegible]
Denmark	218	205	161	151	213	200	213	[illegible]
Dillon	201	197K	142	141	196	192K	196	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

Add to page 300 of Tariff:

SECTION 1-A - Continued

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
SOUTH CAROLINA - Cont.								
Edgefield	215	211K	161	161	210	206K	213	209K
Estill	221	212	164	158	216	207	221	213
Fairfax	221	212	164	158	216	207	221	213
Florence	201	197K	142	141	196	192K	196	192K
Fort Lawn	205	199K	142	142	198	194K	199	195K
Georgetown	211	204F	152	148	206	199F	207	205K
Graniteville	218	205	161	161	213	200	213	205
Great Falls	205	199K	142	142	198	194K	199	195K
Greenville	208	204K	152	152	205	199K	207	205K
Greenwood	215	211K	161	161	210	206K	213	209K
N.& B. Jct.	218	205	161	161	213	200	213	205
Hardeeville	221	212	164	158	216	207	221	213
Hartsville	201	197K	142	141	196	192K	196	192K
Holly Hill	211	204F	152	148	206	199F	207	205K
Jackson	221	212	164	158	216	207	221	213
Kingville	211	204F	152	148	206	199F	207	205K
Lake City	211	204F	152	148	206	199F	207	205K
Lancaster	205	199K	142	142	198	194K	199	195K
Lando	205	199K	142	142	198	194K	199	195K
Lanes	211	204F	152	148	206	199F	207	205K
Laurens	208	204K	152	152	205	199K	207	205K
McBee	201	197K	142	141	196	192K	196	192K
McColl	201	197K	142	141	196	192K	196	192K
McCormick	215	211K	161	161	210	206K	213	209K
Marion	201	197K	142	141	196	192K	196	192K
Meggetts	218	205	161	161	213	200	213	205
Mullins	201	197K	142	141	196	192K	196	192K
Newberry	208	204K	152	152	205	199K	207	205K
North Augusta	221	212	164	158	216	207	221	213
Orangeburg	211	204F	152	148	206	199F	207	205K
Pageland	213	209K	155	155	208	204K	204	200K
Perry	218	205	161	161	213	200	213	205
[illegible] Pittsburg	215	208	161	161	210	197	213	206
[illegible] Pittsburg	236	223	182	172	231	218	234	226
Poston	201	197K	142	141	196	192K	196	192K
Pregnall	211	204F	152	148	206	199F	207	205K
Richburg	211	207K	150	150	208	202K	207	203K
Rock Hill	205	199K	142	142	198	194K	199	195K
Russellville	218	211F	160	156	214	207F	215	211K
Saluda	228	215	171	161	223	210	223	215
Seneca	215	211K	161	161	210	206K	213	209K
Spartanburg	208	204K	152	152	205	199K	207	205K
Sumter	201	197K	142	141	196	192K	196	192K
Tillman	221	212	164	158	216	207	221	213
Union	208	204K	152	152	205	199K	207	205K
Walterboro	218	206	161	161	213	200	213	205
Ware Shoals	215	211K	161	161	210	206K	213	209K
Winnsboro	211	204F	152	148	206	199F	207	205K
Yemassee	221	212	164	158	216	207	221	213
York	205	199K	142	142	198	194K	199	195K

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
TENNESSEE								
Arlington	268	268	209	. .	265	265	251	. .
Armona	226	219F	176	176	221	214F	205	205
Ashland City	258	258	198	. .	255	255	228	. .
Athens	226	219F	176	176	221	214F	211	211
Bells	254	254	199	. .	249	249	221	. .
Brownsville	260	260	199	. .	256	256	221	. .
Bruceton	254	254	192	. .	249	249	213	. .
Carthage	255	255	208	. .	248	248	225	225
Carthage Jct.	253	253	208	. .	248	248	224	224
Centreville	255	255	205	. .	250	250	221	. .
Chattanooga	226	219F	176	176	221	214F	211	211
Clarksville	245	245	185	. .	240	240	205	. .
Cleveland	226	219F	176	176	221	214F	215	215
Columbia	245	245	192	. .	240	240	210	. .
Cookeville	255	256	202	. .	250	250	226	226
Copperhill	226	219F	176	176	221	214F	219	219
Cordell	226	226	168	. .	221	221	195	195
Covington	260	260	207	. .	255	255	224	. .
Crossville	233	233	174	. .	228	228	214	214
Dayton	226	219F	176	176	221	214F	205	205
Delrose	245	245	192	. .	240	240	215	215
Dickson	252	252	195	. .	247	247	210	. .
Dunlap	245	245	192	. .	240	240	219	219
Dyersburg	250	250	205	. .	245	245	217	. .
East Jamestown	226	226	166	. .	221	221	196	196
Erin	249	249	191	. .	244	244	207	. .
Etowah	226	219F	176	176	221	214F	211	211
Fayetteville	245	245	192	. .	240	240	215	215
Fork Mountain	226	226	168	. .	221	221	196	196
Fork Ridge	215	215	158	. .	210	210	196	. .
Gallatin	245	245	192	. .	240	239	199	. .
Gernt	226	226	168	. .	221	221	193	193
Glen Mary	226	226	166	. .	221	221	195	195
Grand Jct	268	268	209	. .	265	265	251	. .
Greeneville	212	208K	154	154	207	203K	196	196
Harriman	226	226	168	. .	221	221	199	199
Hartsville	245	245	192	. .	240	240	203	. .
Hermitage	245	245	192	. .	240	240	207	. .
Hickory Point	253	253	193	. .	248	248	211	. .
Hohenwald	255	255	205	. .	250	250	221	. .
Humboldt	254	254	196	. .	249	249	221	. .
Jackson	257	257	196	. .	252	252	221	. .
Jellico	226	226	168	. .	221	221	193	193
Kenwood	246	246	186	. .	241	241	204	. .
Knoxville	212	208K	154	154	207	203K	205	205
LaFollette	226	226	166	. .	221	221	196	196
Lake City	226	226	168	. .	221	221	196	196
Lawrenceburg	255	255	205	. .	250	250	221	. .
Lebanon	245	245	192	. .	240	240	207	. .
Lenoir City	226	219F	176	176	221	214F	207	207

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 300 of Tariff:

SECTION 1-A - Concluded

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY. RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
TENNESSEE - Cont.								
Lewisburg	245	245	192	..	240	240	210	210
Lexington	262	262	201	..	257	257	221	..
Liberty Hill	212	208K	154	164	207	203K	199	199
McKenzie	249	249	195	..	244	244	213	..
McMinnville	245	245	192	..	240	240	219	219
Madisonville	226	219F	176	176	221	214F	211	211
Mahan	226	226	166	..	221	221	196	196
Martin	237	237	197	..	232	232	206	..
Maryville	226	219F	176	176	221	214F	203	203
Memphis:								
A.R.-R.W.R.	268	268	209	..	263	263	231	..
F.B.L. (Note E)	..	..	..	..	..	..	..	..
M.V.B.L. (Note C1)	244	..	203	..	238	..	214	..
A.B.L. (Item 60)	..	..	..	..	..	..	..	..
Middleton	268	268	209	..	263	263	231	..
Milan	254	250	196	..	245	245	217	..
Monterey	236	236	176	..	231	231	221	221
Morristown	212	208K	154	..	207	203K	199	199
Moscow	268	268	209	..	263	263	231	..
Murfreesboro	245	245	192	..	240	240	207	..
Nashville	245	245	192	..	240	240	203	..
Newport	212	212	154	..	207	207	203	203

To and From Stations shown on pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended)							
TENNESSEE - Conc.								
Nicks Creek	226	226	166	..	221	221	206	206
Paris	247	247	195	..	242	242	213	..
Petros	226	226	166	..	221	221	199	199
Pulaski	245	245	192	..	240	240	215	..
Scottsboro	261	261	196	..	256	256	222	..
Selmer	255	255	205	..	250	250	221	..
Sevierville	232	228K	174	174	227	223K	227	227
Shooks	228	224K	172	172	223	219K	221	221
Somerville	268	268	209	..	263	263	231	..
South Pittsburg	245	245	192	..	240	240	215	215
Sparta	245	245	192	..	240	240	221	221
Springfield	245	245	185	..	240	240	203	..
Burgoinsville	204	204H	140	..	199	199H	196	196
Tiprell	212	208K	154	164	207	203K	199	199
Tiptonville	251	251	205	..	246	246	219	..
Tracy City	245	245	192	..	240	240	219	219
Tullahoma	245	245	192	..	240	240	213	213
Union City	235	235	195	..	230	230	202	..
Watertown	252	252	190	..	247	247	219	..
Waverly	255	255	198	..	250	250	213	..
White Bluff	249	249	194	..	244	244	207	..
Whiteville	268	268	209	..	263	263	231	..
Wilder	237	237	177	..	232	232	225	225

AR - All Rail.
RWR - Rail-Water and Rail.

hange on Page 301 of Tariff and Page 14 of Supplement No. 11.

SECTION 2

If the charge accruing under Section 4 of Tariff, as amended, according to its application is higher han the charge accruing under this Section, on the same shipment, the charge accruing under Section 4 of ariff, as amended, will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in EXCEP- IONS TO SOUTHERN CLASSIFICATION, to the extent provided for in Item 5 of Tariff, subject to applicable ules and other provisions in Exceptions to Southern Classification and to applicable rules and other pro- isions, except ratings, in Southern Classification, EXCEPT that:

These Rate Base Numbers will ALSO apply:

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and ourth Section Order No. 12272, as amended, in arriving at class rates referred to therein, under ratings in outhern Classification.

2. In connection with commodity rate columns to the extent provided for on pages 198 to 201 of Tariff s amended.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with order f the Interstate Commerce Commission in Dockets Nos. 26488, 21373, 21373 (Sub.-No.1), 21665 and 21665 Sub.-No.1), and are permitted by authority of the Interstate Commerce Commission Fourth Section Orders Nos. 2370 and 12516, except to or from points in the State of Kentucky rates are permitted by authority of nterstate Commerce Commission Supplemental Fourth Section Order No. 11200. (File N-16974).

ALL CHANGES RESULTING FROM THE USE OF RATE BASE NUMBERS IN THIS SECTION ARE REDUCTIONS

Add to Page 339 of Tariff:

SECTION 2A

If the charge accruing under Section 4A according to its application is higher than the charge accru
un - this Section, on the same shipment, the charge accruing under Section 4A will apply.

Rate Base Numbers named in this Section apply only where applicable rating is published in SOUTH CLASSIFICATION, subject to applicable rules and other provisions in Southern Classification and to appli rules and other provisions, except ratings, in Exceptions to Southern Classification, EXCEPT that:

These Rate Base Numbers WILL NOT Apply.

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at Class Rates referred to therein. Section 2 Ra Base Numbers will apply.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended and are permitted by Authority of Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

1722

...te page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

...and From Stations ...hown on pages 96 ...173 of Tariff ...amended, inclu- ...ive, taking Rate ...asis shown below:	Albany		Altoona		Baltimore		B-Port	Bangor	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
KENTUCKY																
...hor	195	195	161	...	155	155	155	244	143	...	157	...	237	237	230	230
...rdstown	175	...	141	...	161	161	161	221	131	...	143	...	208	208	200	200
...l Farm	203	203	161	...	177	177	177	249	140	...	160	...	237	237	227	227
...ton	193	...	162	...	178	178	178	241	153	...	167	...	228	228	219	219
...ling Green	196	...	161	...	184	184	184	246	149	...	163	...	235	235	228	228
...annon	170	...	136	...	156	156	156	224	122	...	138	...	204	204	195	195
...rnside	193	...	153	...	163	163	163	239	130	...	148	...	231	231	222	222
...iz	214	...	182	...	199	199	199	262	172	...	183	...	252	252	244	244
...pbellsville	187	...	153	...	163	163	163	235	130	...	148	...	229	229	221	221
...eyville	187	...	153	...	173	173	173	235	143	...	155	...	229	229	221	221
...rrollton	167	...	128	...	147	147	147	216	118	...	129	...	195	195	186	186
...yce	204	...	174	...	190	190	190	246	165	...	176	...	233	233	224	224
...ntral City	194	...	162	...	179	179	179	242	152	...	163	...	234	234	227	227
...overport	183	...	149	...	168	168	168	239	139	...	150	...	226	226	218	218
...rbin	195	195	156	...	155	155	155	244	131	...	156	...	234	234	224	224
...rydon	183	...	151	...	168	168	168	227	141	...	153	...	213	213	206	206
...nville	176	...	136	...	146	146	146	228	113	...	132	...	215	215	206	206
...izabethtown	175	...	141	...	161	161	161	221	131	...	143	...	206	206	200	200
...kton	227	...	191	...	213	213	213	275	170	...	190	...	264	264	257	257
...lmouth	160	...	120	...	140	140	140	208	110	...	122	...	187	187	178	178
...mingsburg	176	...	136	...	155	155	155	224	119	...	138	...	204	204	195	195
...mingsburg Jct	172	...	132	...	152	152	152	220	116	...	134	...	199	199	190	190
...rd	173	...	133	...	143	143	143	219	110	...	128	...	211	211	202	202
...rdsville	187	...	153	...	173	173	173	235	143	...	155	...	234	234	221	221
...ankfort	177	...	138	...	147	147	147	228	114	...	131	...	211	211	202	202
...lton	199	...	169	...	186	186	186	245	161	...	171	...	235	235	227	227
...orgetown	173	...	133	...	143	143	143	219	110	...	128	...	204	204	195	195
...lbertsville	193	...	162	...	178	178	178	241	153	...	167	...	230	230	221	221
...asgow	195	...	161	...	180	180	180	243	146	...	160	...	232	232	224	224
...thrie	206	...	170	...	191	191	191	254	158	...	169	...	243	243	235	235
...rlan	175	...	147	...	138	138	138	216	128	...	143	...	244	244	186	186
...zard	203	...	161	...	173	173	173	253	137	...	157	...	237	237	231	231
...ckman	207	...	177	...	194	194	194	263	168	...	179	...	249	249	240	240
...pkinsville	196	...	166	...	184	184	184	246	156	...	168	...	239	239	231	231
...rse Cave	187	...	153	...	173	173	173	235	143	...	155	...	228	228	220	220
...rvine	180	...	141	...	151	151	151	227	118	...	136	...	218	218	209	209
...ckson	196	...	156	...	167	167	167	243	128	...	148	...	231	231	222	222
...ffersontown	172	...	136	...	157	157	157	216	128	...	139	...	202	202	195	195
...grange	171	...	136	...	154	154	154	216	121	...	138	...	202	202	195	195
...wrenceburg	177	...	138	...	147	147	147	223	114	...	133	...	206	206	199	199
...banon	178	...	144	...	164	164	164	227	121	...	139	...	221	221	213	213
...banon Jct	171	...	138	...	158	158	158	216	127	...	138	...	208	208	195	195
...ot	203	203	161	...	161	161	161	245	157	...	157	...	257	257	227	227
...nch	188	...	161	...	161	151	161	229	140	...	156	...	247	247	199	199
...Roberts	213	...	170	...	188	188	188	260	148	...	164	...	244	244	237	237
...disonville	188	...	154	...	172	178	178	234	144	...	156	...	221	221	213	213
...nchester	203	...	161	...	158	162	158	239	137	...	157	...	240	240	227	227
...yfield	193	...	162	...	176	176	176	241	153	...	167	...	230	230	221	221
...ddlesboro	179	179	152	...	142	142	142	220	152	...	147	...	234	230	190	190
...dway	173	...	133	...	143	143	143	219	110	...	128	...	199	199	180	190
...rganfield	182	...	150	...	167	167	167	237	140	...	151	...	213	213	206	206
...unt Vernon	188	...	149	...	158	154	158	234	125	...	144	...	228	228	219	219
...rray	201	...	171	...	187	187	187	260	168	...	176	...	239	239	230	230
...wtown	173	...	133	...	143	143	143	219	110	...	128	...	204	204	195	195
...ensboro	186	...	154	...	172	172	172	232	144	...	156	...	219	219	211	211

AR - All Rail.
RWR - Rail-Water and Rail.

1149

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS - And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Albany		Altoona		Baltimore		B-Port	Bangor	Bellington		Berkeley Springs		Berlin	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).													
KENTUCKY - Cons.														
Paris	172	. . .	132	. . .	143	143	143	219	110	. . .	128	. . .	199	199
Pine Knot	203	203	158	. . .	174	174	174	249	137	. . .	157	. . .	234	234
Princeton	196	. . .	166	. . .	184	184	184	246	156	. . .	168	. . .	240	240
Providence	189	. . .	157	. . .	175	175	175	236	147	. . .	159	. . .	228	228
Richmond	180	. . .	141	. . .	151	151	151	227	118	. . .	136	. . .	215	215
Russellville	206	. . .	167	. . .	189	189	189	254	155	. . .	166	. . .	243	243
Scottsville	233	253	175	. . .	196	196	196	. . .	171	. . .	176	. . .	270	270
Shelbyville	171	. . .	136	. . .	151	151	151	216	118	. . .	136	. . .	202	202
Spottsville	183	. . .	146	. . .	166	166	166	227	141	. . .	152	. . .	213	213
Sturgis	190	. . .	158	. . .	176	176	176	236	149	. . .	160	. . .	224	224
Switzer	177	. . .	138	. . .	147	147	147	223	114	. . .	133	. . .	211	211
Thompsonville	209	. . .	177	. . .	196	196	196	256	167	. . .	179	. . .	250	250
Walton	161	. . .	121	. . .	141	141	141	209	111	. . .	125	. . .	198	198
West Point	172	. . .	136	. . .	157	157	157	216	128	. . .	139	. . .	202	202
Whitesburg	210	. . .	167	. . .	179	179	179	260	145	. . .	166	. . .	244	244
Wickliffe	191	. . .	162	. . .	178	178	178	236	153	. . .	163	. . .	228	228
Williamsburg	201	201	158	. . .	158	158	158	242	134	. . .	157	. . .	237	237
Williamstown	160	. . .	120	. . .	140	140	140	208	110	. . .	122	. . .	187	187
Worthville	168	. . .	129	. . .	149	149	149	216	119	. . .	130	. . .	196	196
NORTH CAROLINA														
Aberdeen	175	168X	149	149	128	124X	121X	217	140	140	142	142	203	196X
Ahoskie	123	120X	125	125	98	94X	91X	178	127	127	118	118	160	156X
Albemarle	175	168X	146	146	128	124X	121X	217	137	137	139	139	203	[illegible]
Almond	205	199X	179	179	164	160X	157X	255	169	169	172	172	231	227X
Andrews	207	203X	182	182	169	165X	162X	257	176	176	177	177	244	240X
Arthur	158	154X	143	143	116	112X	109X	205	143	143	136	136	189	185X
Arthur	152	148X	137	137	111	107X	106X	197	137	137	130	130	184	180X
Asheboro	170	166X	143	143	122	118X	115X	213	134	134	136	136	199	195X
Asheville	193	189X	164	164	148	144X	141X	240	154	154	157	157	223	219X
Ashford	186	182X	157	157	140	136X	133X	237	151	151	152	152	208	204X
Barber	175	168X	146	146	125	121X	118X	217	137	137	139	139	202	198X
Bayboro	167	163X	158	158	130	126X	123X	210	155	155	151	151	196	192X
Bayboro	153	149X	145	145	120	116X	113X	198	145	145	141	141	182	178X
Belhaven	155	151X	146	146	118	112X	109X	203	149	149	139	130	185	181X
Belhaven	143	139X	134	134	[illegible]	98X	98X	191	137	137	127	127	173	169X
Black Mountain	189	185X	164	164	143	139X	136X	240	152	152	154	154	221	217X
Broadway	175	171X	151	151	131	127X	124X	224	139	139	141	141	205	201X
Burlington	164	160X	140	140	119	115X	112X	209	131	131	133	133	189	185X
Burnsville	193	189X	165	165	150	146X	143X	236	156	156	156	156	214	210X
Cairo	164	160X	145	145	118	114X	111X	210	131	131	136	136	[illegible]	188X
Cairo	167	163X	137	137	111	107X	104X	205	125	125	130	130	189	185X
Chapel Hill Station	164	160X	140	140	119	115X	112X	208	131	131	133	133	186	182X
Charlotte	176	172X	152	152	131	127X	124X	221	140	140	142	142	207	203X
Clarkton	179	175X	155	155	135	131X	128X	224	149	149	159	153	210	206X
Cliffside	185	181X	161	161	144	140X	137X	231	151	151	154	154	217	213X
Clinton	167	163X	152	152	122	118X	115X	213	146	146	142	142	189	185X
Columbia	155	151X	146	146	116	112X	109X	199	149	149	136	136	185	181X
Columbia	142	138X	134	134	105	98X	98X	187	137	137	124	124	173	169X
Cove	158	154X	142	142	119	115X	112X	210	142	142	130	130	193	189X
Cranberry	162	162	153	. . .	120	120	120	. . .	118	. . .	128	. . .	189	189
Cranberry	180	180	151	. . .	138	138	138	220	135	. . .	146	. . .	207	207
Crestmont	212	208X	187	187	174	170X	167X	. . .	176	176	. . .	. . .	208	204X
Dunn	167	163X	146	146	119	115X	112X	210	137	137	130	130	196	192X
Durham	156	152X	135	135	114	110X	107X	202	125	125	128	128	182	178X
Eagle Springs	176	172X	150	150	136	132X	129X	221	144	144	145	145	207	203X

AR - All Rail.
RWR - Rail-Water and Rail.

1724

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

to page 329 of Tariff:

SECTION 2A - Continued.

and From stations tions on pages 96 to 173 of Tariff as amended, inclusive, taking Rate asis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive. Albany AR	Albany RWR	Altoona AR	Altoona RWR	Baltimore AR	Baltimore RWR	B-Port RWR	Bangor AR	Belington AR	Belington RWR	Berkeley Springs AR	Berkeley Springs RWR	Berlin AR	Berlin RWR	Boston AR	Boston RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Con.																
Eagle Springs.	170	166K	145	145	129	125K	125K	213	136	136	137	137	200	196K	178	174K
t La Port	196	192K	175	175	159	155K	155K	250	167	167	167	167	232	228K	215	211K
Edenton.	148	145K	140	140	110	105K	105K	198	143	143	136	136	175	171K	158	154K
Edenton.	138	134K	130	130	100	96K	96K	186	133	133	126	126	164	160K	147	143K
Elizabeth City	144	140K	139	139	110	104K	105K	199	141	141	133	133	171	167K	154	150K
Elizabeth City	134	130K	128	128	101	97K	94K	179	130	130	123	123	161	157K	144	140K
rville.	167	163K	145	145	113	109K	109K	205	143	143	136	136	189	185K	170	166K
Perrington	164	160K	140	140	119	115K	115K	210	139	139	133	133	196	192K	176	172K
Perrington	167	163K	135	135	115	109K	109K	205	131	131	126	126	189	185K	169	165K
etteville	170	166K	149	149	123	118K	118K	213	140	140	142	142	199	195K	182	178K
ntana.	207	203K	179	179	160	160K	160K	257	171	171	175	175	240	236K	224	220K
est City.	189	185K	161	161	144	140K	137K	231	150	150	164	164	223	219K	196	192K
land.	176	172K	155	155	129	128K	[illegible]	221	146	146	148	148	203	199K	185	181K
tonia	179	175K	155	155	130	[illegible]	[illegible]	234	144	144	145	145	210	206K	195	189K
son	176	172K	155	155	128	[illegible]	[illegible]	234	143	143	148	148	207	203K	189	185K
dsboro.	161	157K	145	145	116	112K	105K	205	140	140	136	135	186	182K	171	167K
nsboro	158	155K	135	135	114	110K	107K	200	125	125	125	125	182	178K	166	162K
nville	167	163K	141	141	113	105K	105K	201	141	141	136	136	183	179K	164	160K
let	176	172K	153	153	121	107K	106K	221	143	143	145	145	207	203K	169	165K
nville	255	251K	230	230	187	183K	180K	274	194	194	195	195	261	254F	244	237F
derson.	145	141K	129	129	105	101K	98K	189	125	125	116	116	171	167K	155	151K
dersonville	169	165K	157	157	150	146K	146K	247	158	158	160	160	223	219K	206	202K
rietta.	165	161K	161	161	144	140K	137K	221	151	151	156	156	213	209K	196	192K
h Point	164	160K	140	140	116	112K	112K	226	128	128	130	130	189	185K	174	170K
dale	165	162K	130	130	124	120K	117K	211	131	131	133	133	193	189K	179	175K
sonville	175	171K	165	165	139	135K	135K	225	163	163	156	156	211	207K	193	189K
apolis	164	160K	146	146	125	121K	118K	200	137	137	139	139	199	195K	179	175K
lford.	148	138K	135	135	105	101K	98K	197	132	132	127	127	168	164K	149	145K
nsonville.	181	177K	165	165	130	126K	126K	212	160	160	156	156	213	209K	195	189K
ston.	161	157K	146	146	119	115K	112K	227	149	149	139	139	190	186K	171	167K
n.	174	170K	145	145	128	124K	125K	215	139	139	140	140	196	192K	185	179K
Grange.	164	160K	148	148	116	112K	109K	210	140	140	139	139	196	192K	176	172K
e Toxaway	199	195K	175	175	150	146K	139K	250	164	164	167	167	232	228K	215	211K
ilter	161	157K	143	143	126	112K	109K	225	144	144	136	136	186	182K	171	167K
rinsburg	176	172K	155	155	131	127K	124K	221	146	146	148	148	207	203K	189	185K
ndale	191	187K	164	164	149	145K	142K	236	157	157	159	159	222	218K	206	202K
nsville	147	143K	124	124	106	102K	96K	191	114	114	116	116	173	169K	157	153K
ir	182	178K	155	155	138	134K	131K	227	146	146	148	148	210	206K	205	201K
lston	148	135K	132	132	107	106K	100K	197	135	135	127	127	168	164K	149	145K
ington.	167	163K	145	145	122	118K	115K	213	131	131	133	133	196	192K	179	175K
Lillington	167	163K	148	148	122	118K	115K	213	134	134	139	139	196	192K	179	175K
Lillington	169	165K	139	139	115	111K	108K	205	127	127	132	132	189	185K	171	167K
oleston	179	175K	155	155	129	125K	122K	224	144	144	145	145	210	206K	195	189K
isburg.	148	144K	132	132	108	104K	101K	195	129	129	127	127	174	170K	158	154K
rton.	176	172K	155	155	129	125K	122K	221	146	146	149	149	207	203K	189	185K
on	185	181K	158	158	140	136K	133K	[illegible]	146	146	151	151	215	211K	201	197K
ball	195	191K	177	177	149	145K	145K	240	158	158	160	160	224	220K	210	206K
on	176	172K	158	158	129	125K	125K	221	146	146	149	149	207	203K	185	181K
Midland.	179	175K	159	159	140	136K	133K	234	149	149	151	151	207	203K	189	185K
Midland.	178	168K	151	151	134	130K	128K	217	142	142	144	144	201	197K	182	178K
on	167	143K	134	134	106	102K	96K	185	114	114	117	117	174	170K	158	154K
Minnella	155	151K	148	148	115	111K	108K	198	149	149	139	139	185	181K	164	160K
Minnella	145	138K	134	134	105	98K	98K	187	137	137	127	127	173	169K	152	148K

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive													
	Albany		Altoona		Baltimore		B-Port	Bangor	Bolington		Berkeley Springs		Berlin	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive)													
NORTH CAROLINA - Con.														
Monroe	182	178K	155	155	136	132K	129E	224	144	144	148	148	210	206K
Mooresville	176	172K	149	149	128	124K	121E	220	137	137	139	139	209	205K
Mt. Airy	173	169K	143	143	128	124K	121E	217	134	134	136	136	205	201K
Murphy	210	206K	185	185	169	165K	162E	257	176	176	177	177	244	240K
New Bern	164	160K	150	150	126	122K	119E	207	150	150	146	146	195	191K
New Bern	150	146K	141	141	117	113K	110E	195	141	141	137	137	180	176K
Newport	174	170K	158	158	134	130K	127E	211	158	158	161	161	203	199K
Newton	179	175K	152	152	131	127K	124E	224	140	140	145	145	207	203K
North Wilkesboro	179	175K	152	152	131	127K	124E	224	140	140	141	141	207	203K
Oakboro	183	179K	155	155	138	134K	131E	221	146	146	147	147	207	203K
Oakboro	176	172K	148	148	131	127K	124E	214	139	139	141	141	200	196K
Oxford	144	140K	129	129	103	99K	96E	190	121	121	125	125	169	165K
Pembroke	173	169K	155	155	128	124K	121E	221	143	143	148	148	203	199K
Pinetops	160	156K	143	143	116	112K	109E	204	143	143	139	139	185	181K
Pittsboro	167	163K	143	143	122	118K	115E	213	134	134	138	138	196	192K
Plymouth	150	146K	143	143	113	109K	106E	198	146	146	138	138	179	175K
Plymouth	141	137K	131	131	102	98K	95E	186	135	135	135	135	167	163K
Potecasi	142	138K	132	132	105	101K	98E	187	132	132	127	127	168	164K
Putnam	170	166K	149	149	130	126K	123E	217	140	140	142	142	199	195K
Putnam	163	159K	142	142	123	119K	116E	210	133	133	135	135	192	188K
Raeford	173	169K	152	152	128	124K	121E	217	143	143	146	146	203	199K
Raleigh	157	153K	140	140	116	112K	109E	201	131	131	133	133	183	179K
Ramseur	167	163K	140	140	122	118K	115E	211	131	131	133	133	193	189K
Reidsville	147	143K	124	124	106	102K	99E	191	114	114	116	116	173	169K
Roanoke Rapids	136	132K	120	120	93	89K	86E	180	120	120	115	115	162	158K
Robbinsville	207	. . .	182	. . .	169	. . .	. . .	253	176	. . .	177	. . .	244	. . .
Rockton	164	160K	143	143	116	112K	109E	210	134	134	136	136	196	192K
Rockton	157	153K	136	136	108	104K	101E	202	126	126	130	130	189	185K
Rocky Mount	144	140K	129	129	100	96K	93E	186	128	128	125	125	169	165K
Roxboro	144	140K	125	125	103	99K	96E	191	116	116	123	123	169	165K
St. Paul	183	179K	159	159	135	131K	128E	228	150	150	152	152	215	211K
Salisbury	170	166K	143	143	125	121K	118E	217	134	134	136	136	199	195K
Sanford	167	163K	146	146	122	118K	115E	213	134	134	136	136	196	192K
Scotland Neck	145	141K	129	129	101	97K	94E	189	129	129	124	124	171	167K
Selma	161	157K	143	143	116	112K	109E	199	134	134	136	136	186	182K
Shelby	183	179K	158	158	140	136K	133E	227	148	148	150	150	213	209K
Siler City	167	163K	143	143	122	118K	115E	213	131	131	133	133	196	192K
Siloam	173	169K	143	143	125	121K	118E	217	131	131	133	133	201	197K
Star	173	169K	149	149	131	127K	124E	217	140	140	142	142	203	199K
Star	167	163K	142	142	125	121K	118E	210	133	133	135	135	197	193K
Statesville	173	169K	149	149	128	124K	121E	221	137	137	139	139	203	199K
Sylva	199	195K	175	175	158	154K	151E	250	164	164	166	166	232	228K
Tarboro	149	145K	132	132	105	101K	98E	193	132	132	127	127	173	169K
Taylorsville	176	172K	152	152	131	127K	124E	221	140	140	142	142	207	203K
Vanceboro	161	157K	146	146	119	115K	112E	210	149	149	140	140	196	192K
Vanceboro	152	148K	138	138	111	107K	104E	202	141	141	138	138	189	185K
Vandemere	164	160K	149	149	122	118K	115E	210	142	142	142	142	189	185K
Varina	167	163K	143	143	119	115K	112E	210	131	131	135	135	193	189K
Wadesboro	179	175K	158	158	131	127K	124E	224	145	145	146	146	207	203K
Wallace	170	166K	152	152	122	118K	115E	215	146	146	145	145	199	195K
Walnut Cove	167	163K	137	137	122	118K	115E	211	128	128	130	130	191	187K
Warrenton	141	137K	124	124	100	96K	93E	186	121	121	119	119	166	162K
Washington	158	154K	145	145	116	112K	109E	205	144	144	138	138	183	179K
Weldon	136	132K	120	120	93	89K	86E	180	120	120	115	115	162	158K
Whiteville	182	178K	161	161	137	133K	130E	224	152	152	156	156	210	206K
Wilmington	176	172K	158	158	129	125K	122E	221	152	152	150	150	203	199K

AR - All Rail.
RWR - Rail-Water and Rail.

1726

to page 339 of Tariff:

SECTION 2A - Continued.

and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	Albany		Altoona		Baltimore		B-Port	Bangor	Bellington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Conc.																
eon	155	146K	136	136	109	105K	102E	197	136	136	131	131	178	174K	163	159K
nsor	158	154K	148	148	122	118K	115E	205	151	151	133	133	184	180K	164	160K
ston-Salem	167	163K	140	140	119	115K	112E	211	131	131	133	133	193	189K	177	173K
TENNESSEE																
berland Gap	179	179	152	...	142	142	142	220	132	...	147	...	234	230K	190	190
zabethton	163	163	134	...	121	121	121	204	119	...	129	...	191	191	174	174
in	166	166	136	...	124	124	124	207	119	...	133	...	195	195	177	177
ston	166	166	136	...	124	124	124	207	119	...	133	...	195	195	177	177
son City	163	163	134	...	121	121	121	204	119	...	129	...	191	191	174	174
sport	166	166	[illegible]	...	124	124	124	207	119	...	133	...	195	195	177	177
Roan Mountain	162	162	133	...	120	120	120	...	118	...	128	...	189	189	172	172
Roan Mountain	180	180	151	...	138	138	138	...	136	...	146	...	207	207	189	189
VIRGINIA																
lachia	175	175	147	...	138	138	138	216	128	...	143	...	232	230N	186	186
le	140	140	110	110	98	98	98	183	103	103	106	106	164	164	150	150
ville	130	130N	120	120	95	91K	88E	175	123	123	115	115	156	156N	136	136
tham	141	141	118	118	99	99	99	185	108	108	110	110	166	166	151	151
rtsville	136	136	120	120	96	92K	89E	184	113	113	115	115	162	162N	146	146
ville	140	140	117	117	98	98	91E	184	107	107	108	108	165	165	150	150P
vale	169	169	160	...	150	150N	150N	...	152	...	157	...	221	217K	203	199K
niston	140	140N	117	117	98	96N	91E	186	107	107	112	112	165	165N	147	147N
widdie	138	138	121	121	97	97	97	182	118	118	116	116	163	163	147	147
field	165	165	156	...	145	145	145	...	147	...	152	...	221	221N	199	199N
ria	129	129N	112	112	85	85N	78E	173	112	112	107	107	154	154	139	139N
ng	179	179	152	...	142	142	142	220	132	...	147	...	234	230K	190	190
t Blackmore	166	166	136	...	116	116	116	207	119	...	133	...	195	195	177	177
klin	130	130N	120	120	95	88N	88E	175	123	123	115	115	156	156N	136	136
City	162	162	151	...	140	140	140	...	142	...	147	...	217	217	196	196
n	136	136	113	113	95	95	95	180	103	103	105	105	162	162	151	151
ard Springs	164	164	134	...	124	124	124	216	116	...	133	...	211	207K	179	179
Inlet	134	134	128	128	102	102	96E	179	134	134	123	123	161	161	144	144
Inlet	127	127	121	121	95	95	88E	172	127	127	115	115	153	153	136	136
ville	129	129	112	112	88	88	81E	176	106	106	107	107	154	154	139	139
Grosse	133	133	117	117	92	92	[illegible]	177	113	113	112	112	158	158	143	143
vers	136	136	113	113	95	95	[illegible]	180	103	103	105	105	162	162	146	146
ville Jct	147	143K	126	126	106	103K	99E	195	116	116	117	117	173	169K	157	153K
ig	136	136	113	113	95	95	92N	183	103	103	106	106	162	162N	143	143
nney	133	133	117	117	92	92	92	177	113	113	112	112	158	158	144	144
insville	151	151	121	121	109	109	109	194	114	114	116	116	175	175	161	161
en	165	165	156	...	145	145	145	...	147	...	152	...	217	217N	199	199N
ota	179	179	149	...	137	137	137	...	144	...	144	...	207	207	189	189
se	169	169	159	...	149	149	149N	...	150	...	155	...	221	217K	199	195K
Pleasant Ridge	134	134	128	128	102	102	95E	179	134	134	123	123	161	161	144	144
Pleasant Ridge	127	127	120	120	95	95	88E	172	127	127	115	115	153	153	136	136
y Mount	144	144	114	114	102	102	102	187	108	108	110	110	168	168	154	154
St. Brides	134	134	128	128	102	102	95E	179	134	134	123	123	161	161	144	144
St. Brides	127	127	120	120	95	95	88E	172	127	127	115	115	153	153	136	136
Charles	182	182	165	...	155	155	155		157	...	162	...	221	221	203	203
h Boston	141	140N	118	118	99	95N	92E	187	108	108	113	113	166	165N	151	150N
re Ferry	164	164	128	...	116	116	116	207	119	...	133	...	195	195	177	177
y Creek	129	129	112	...	85	85	85	187	112	112	107	107	154	154	139	139
ley	130	128N	120	120	95	94N	88E	175	123	123	115	115	156	156N	136	136

AR - All Rail.
RWR - Rail-Water and Rail.

1153

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS															
	And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive,															
	Branchton		Buffalo		Calais	Caribou	Cincinnatus		Clarksburg		Corry		Cumberland		Eri	
	AR	RWR	AR	RWR	AR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 486 of Tariff as amended, inclusive).															
KENTUCKY																
Anchor	152	...	161	...	255	297	195	...	134	...	156	...	152	...	148	...
Bardstown	134	...	141	...	235	279	175	...	121	...	134	...	139	...	131	...
Bell Farm	152	...	161	...	265	309	205	...	137	...	156	...	155	...	148	...
Benton	155	...	160	...	251	295	193	...	148	...	155	...	162	...	150	...
Bowling Green	152	...	164	...	259	305	198	...	140	...	156	...	159	...	140	...
Brannon	130	...	136	...	234	278	170	...	118	...	130	...	135	...	127	...
Burnside	146	...	155	...	251	295	188	...	137	...	146	...	143	...	[illegible]	...
Cadiz	172	...	182	...	274	318	214	...	164	...	172	...	170	...	[illegible]	...
Campbellsville	146	...	153	...	248	298	187	...	137	...	146	...	146	...	[illegible]	...
Caneyville	146	...	155	...	248	292	187	...	135	...	146	...	150	...	[illegible]	...
Carrollton	121	...	128	...	226	270	167	...	100	...	121	...	124	...	118	...
Cayce	165	...	171	...	262	306	204	...	155	...	160	...	171	...	[illegible]	...
Central City	152	...	162	...	254	298	194	...	143	...	152	...	168	...	[illegible]	...
Cloverport	142	...	149	...	234	268	183	...	130	...	142	...	146	...	[illegible]	...
Corbin	140	...	156	...	257	301	195	...	138	...	140	...	151	...	[illegible]	...
Corydon	141	...	151	...	243	287	188	...	134	...	141	...	158	...	[illegible]	...
Danville	120	...	140	...	234	278	178	...	110	...	120	...	127	...	[illegible]	...
Elizabethtown	134	...	141	...	235	279	175	...	121	...	134	...	138	...	[illegible]	...
Elkton	162	...	165	...	257	301	207	...	170	...	155	...	165	...	170	...
Falmouth	113	...	120	...	218	262	160	...	108	...	113	...	117	...	110	...
Flemingsburg	130	...	138	...	234	278	178	...	116	...	130	...	138	...	127	...
Flemingsburg Jct	125	...	132	...	230	274	172	...	113	...	125	...	135	...	[illegible]	...
Ford	127	...	136	...	231	275	173	...	107	...	127	...	135	...	[illegible]	...
Fordsville	146	...	153	...	248	292	187	...	128	...	146	...	150	...	[illegible]	...
Frankfort	131	...	141	...	235	279	177	...	111	...	131	...	138	...	[illegible]	...
Fulton	161	...	168	...	257	301	198	...	151	...	161	...	168	...	157	...
Georgetown	127	...	136	...	231	275	173	...	107	...	127	...	135	...	[illegible]	...
Gilbertsville	153	...	160	...	251	295	193	...	146	...	155	...	162	...	[illegible]	...
Glasgow	154	...	161	...	255	299	195	...	140	...	154	...	165	...	[illegible]	...
Guthrie	161	...	170	...	266	310	208	...	140	...	164	...	164	...	[illegible]	...
Marion	141	...	164	...	228	272	175	...	134	...	151	...	159	...	[illegible]	...
Hazard	152	...	161	...	266	410	205	...	131	...	155	...	165	...	[illegible]	...
Hickman	168	...	174	...	265	309	207	...	158	...	168	...	174	...	[illegible]	...
Hopkinsville	156	...	166	...	259	303	199	...	149	...	156	...	165	...	[illegible]	...
Horse Cave	146	...	155	...	248	292	187	...	135	...	146	...	150	...	[illegible]	...
Irvine	134	...	144	...	239	285	180	...	114	...	134	...	131	...	[illegible]	...
Jackson	151	...	155	...	255	299	198	...	135	...	148	...	148	...	[illegible]	...
Jeffersontown	131	...	142	...	232	276	170	...	118	...	131	...	124	...	[illegible]	...
Lagrange	130	...	136	...	232	276	171	...	110	...	131	...	125	...	[illegible]	...
Lawrenceburg	131	...	141	...	235	279	177	...	111	...	131	...	138	...	[illegible]	...
Lebanon	138	...	144	...	239	283	179	...	116	...	138	...	134	...	[illegible]	...
Lebanon Jct.	130	...	136	...	231	275	171	...	117	...	130	...	133	...	[illegible]	...
Lot	152	...	161	...	257	301	[illegible]	...	134	...	155	...	152	...	[illegible]	...
Lynch	161	...	170	...	241	285	188	...	135	...	164	...	151	...	[illegible]	...
McRoberts	161	...	170	...	272	316	213	...	145	...	164	...	150	...	[illegible]	...
Madisonville	146	...	154	...	246	290	188	...	138	...	144	...	151	...	[illegible]	...
Manchester	155	...	164	...	251	295	205	...	134	...	152	...	155	...	[illegible]	...
Mayfield	153	...	160	...	251	295	193	...	146	...	153	...	162	...	[illegible]	...
Middlesboro	156	...	164	...	257	271	[illegible]	179	138	...	156	...	162	...	[illegible]	...
Midway	127	...	138	...	230	274	173	...	107	...	127	...	135	...	[illegible]	...
Morganfield	140	...	150	...	242	286	182	...	128	...	140	...	148	...	[illegible]	...
Mount Vernon	148	...	152	...	246	290	189	...	122	...	142	...	135	...	[illegible]	...
Murray	162	...	168	...	260	304	201	...	149	...	162	...	171	...	[illegible]	...
Newtown	127	...	138	...	230	274	173	...	107	...	127	...	130	...	[illegible]	...
Owensboro	144	...	154	...	246	290	188	...	128	...	144	...	151	...	[illegible]	...

AR - All Rail.
RWR - Rail-Water and Rail.

1728

o page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).

nd From Stations own on pages 96 173 of Tariff amended, inclu-ve, taking Rate sis shown below:	Branchton		Buffalo		Calais	Caribou	Cincinnatus		Clarksburg		Corry		Cumberland		Erie	
	AR	RWR	AR	RWR	AR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
KENTUCKY - Conc.																
s.	135	...	132	...	250	274	172	...	107	...	125	...	123	...	122	...
y Kent.	149	...	156	...	282	306	205	...	134	...	152	...	152	...	146	...
nston.	158	...	166	...	259	305	196	...	150	...	156	...	165	...	153	...
vidence	147	...	157	...	250	294	189	...	141	...	147	...	154	...	144	...
quand	134	...	144	...	239	285	180	...	114	...	134	...	131	...	134	...
allville	158	...	167	...	266	310	206	...	146	...	161	...	161	...	155	...
tteville.	171	...	177	...	...	...	255	...	159	...	171	...	171	...	166	...
hgville.	130	...	136	...	231	275	171	...	114	...	130	...	131	...	127	...
tteville.	141	...	151	...	243	287	185	...	135	...	141	...	147	...	158	...
rgis.	149	...	158	...	251	295	190	...	142	...	149	...	155	...	145	...
tser.	131	...	141	...	235	279	177	...	111	...	131	...	128	...	131	...
ssonville.	167	...	177	...	270	314	209	...	160	...	167	...	174	...	164	...
on	114	...	121	...	242	286	161	...	102	...	114	...	116	...	111	...
t Point	131	...	138	...	232	276	172	...	118	...	131	...	134	...	128	...
sburg	169	...	167	...	269	313	210	...	141	...	161	...	161	...	158	...
cliffe.	155	...	158	...	250	294	191	...	145	...	155	...	158	...	150	...
liamsburg	158	...	161	...	254	298	201	...	151	...	158	...	152	...	146	...
liamstown	115	...	120	...	218	262	160	...	101	...	115	...	117	...	110	...
chville	122	...	129	...	227	271	168	...	110	...	122	...	125	...	119	...
ORTH CAROLINA																
rdeen	178	178	188	188	251	275	176	172K	149	149	179	179	137	137	179	179
kie.	135	135	141	141	190	234	140	136K	127	127	145	145	113	113	145	145
marle.	178	178	188	188	251	275	179	178K	146	146	176	176	134	134	179	179
ond	205	205	215	215	266	310	210	206K	175	175	207	207	167	167	205	205
rons.	207	207	217	217	269	313	210	208K	176	176	207	207	172	172	207	207
Arthur	164	164	175	175	217	261	167	162K	149	149	170	170	151	151	175	175
Arthur	157	157	168	168	212	256	161	157K	143	143	165	165	125	125	168	168
sboro	167	167	179	179	227	271	175	168K	145	145	175	175	151	151	175	175
eville.	167	167	189	189	255	297	196	192K	161	161	185	185	152	152	195	195
ford.	167	167	186	186	239	285	186	182K	151	151	177	177	147	147	175	175
her	170	170	188	188	251	275	176	172K	146	146	176	176	134	134	176	176
Bayboro.	175	175	182	182	224	268	175	169K	156	156	179	179	146	146	182	182
Bayboro.	164	164	172	172	210	254	165	160K	146	146	169	169	136	136	172	172
Belhaven	165	165	176	176	215	257	164	160K	149	149	175	175	134	134	176	176
Belhaven	150	150	164	164	201	245	152	148K	137	137	161	161	122	122	164	164
k Mountain	180	180	199	199	252	296	195	189K	158	158	190	190	149	149	189	189
dway	174	174	185	185	240	284	185	176K	146	146	179	179	136	136	182	182
lington	167	167	171	171	220	264	167	162K	156	156	170	170	128	128	167	167
eville	175	175	188	188	237	281	192	188K	156	156	165	165	153	153	165	165
Cairo.	167	167	176	176	221	265	170	166K	145	145	175	175	131	131	175	175
Cairo.	161	161	169	169	214	256	165	160K	137	137	166	166	125	125	166	166
pel Hill Station.	157	157	171	171	220	264	167	162K	140	140	167	167	128	128	167	167
rlotte.	178	178	185	185	234	278	182	178K	148	149	179	179	137	137	182	182
rton	185	185	195	195	237	281	189	185K	158	158	189	189	146	146	189	189
ffside.	185	185	196	196	240	284	193	189K	161	161	189	189	149	149	193	193
ston.	175	175	179	179	227	271	175	166K	155	155	176	176	137	137	182	182
Columbia	165	165	175	175	215	257	164	159K	149	149	170	170	131	131	176	176
Columbia	150	150	161	161	201	245	152	148K	137	137	156	156	119	119	164	164
e	160	160	176	176	221	265	164	160K	145	145	170	170	134	134	173	173
Cranberry.	155	155	165	165	...	...	162	...	116	116	149	...	123	...	151	...
Cranberry.	158	158	171	171	234	278	180	...	132	132	167	...	141	...	169	...
tment.	184	184	205	205	...	...	214	214	174	174	194	194	178	178	191	191
s	167	167	178	178	224	268	170	166K	146	146	176	176	134	134	176	176
ton	152	152	166	166	211	255	160	156K	135	135	160	160	123	123	160	160
Eagle Springs.	175	175	185	185	231	275	179	175K	149	149	179	179	140	140	179	179

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	Branchton		Buffalo		Calais	Caribou	Cincinnatus		Clarksburg		Corry		Cumberland		Eri	
	AR	RWR	AR	RWR	AR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Cont.																
Eagle Springs	165	165	177	177	225	267	178	168K	141	141	171	171	132	132	171	171
East La Port	199	199	219	219	263	307	208	196K	170	170	205	205	162	162	198	[illegible]
Edenton	158	158	165	165	206	250	158	151K	146	146	167	167	131	131	169	[illegible]
Edenton	142	142	154	154	195	239	144	140K	135	135	157	157	121	121	157	[illegible]
Elizabeth City	147	147	161	161	201	245	151	147K	141	141	164	164	128	128	164	[illegible]
Elizabeth City	138	138	151	151	191	235	141	137K	131	131	154	154	118	118	154	[illegible]
Farmville	157	157	173	173	217	261	164	160K	147	147	170	170	131	131	171	[illegible]
Farrington	164	164	178	178	207	251	170	166K	140	140	170	170	128	128	170	[illegible]
Farrington	157	157	171	171	200	244	163	159K	133	133	163	163	121	121	163	[illegible]
Fayetteville	176	176	182	182	227	271	176	172K	149	149	179	179	137	137	179	[illegible]
Fontana	205	205	213	213	266	310	210	206K	173	173	207	207	170	170	205	[illegible]
Forest City	184	184	196	196	240	284	193	189K	158	158	187	187	149	149	189	[illegible]
Garland	179	179	186	186	231	275	179	175K	155	155	185	185	143	143	185	[illegible]
Gastonia	179	179	189	189	237	281	185	181K	152	152	182	182	140	140	185	[illegible]
Gibson	179	179	189	189	234	278	182	178K	155	155	182	182	143	143	185	[illegible]
Goldsboro	161	161	171	171	217	261	164	160K	147	147	170	170	131	131	171	[illegible]
Greensboro	150	150	163	163	212	256	160	156K	130	130	160	160	120	120	160	[illegible]
Greenville	157	157	167	167	213	257	161	157K	144	144	167	167	131	131	167	[illegible]
Hamlet	179	179	189	189	234	278	182	178K	152	152	182	182	140	140	182	[illegible]
Hayesville	226	226	237	237	273	317	228	224K	194	194	226	226	190	190	237	[illegible]
Henderson	145	145	155	155	201	245	149	145K	132	132	155	155	111	111	155	[illegible]
Hendersonville	190	190	205	205	257	301	199	195K	161	161	196	196	155	155	195	[illegible]
Henrietta	185	185	196	196	240	284	193	189K	156	156	189	189	150	150	189	[illegible]
High Point	157	157	171	171	220	264	167	163K	137	137	167	167	125	125	167	[illegible]
Huntdale	147	147	166	166	223	267	166	162K	131	131	157	157	128	128	157	[illegible]
Jacksonville	187	187	195	195	231	275	184	180K	169	169	190	190	151	151	188	[illegible]
Kannapolis	159	159	176	176	228	272	176	172K	146	146	176	176	134	134	176	[illegible]
Kelford	142	142	158	158	199	243	149	145K	135	135	158	158	122	122	158	[illegible]
Kenansville	187	187	195	195	227	271	187	183K	169	169	190	190	151	151	195	[illegible]
Kinston	164	164	176	176	221	265	170	166K	152	152	175	175	134	134	176	[illegible]
Kona	155	155	174	174	227	271	174	170K	139	139	165	165	135	135	165	[illegible]
La Grange	170	170	176	176	221	265	170	166K	152	152	179	179	134	134	176	[illegible]
Lake Toxaway	199	199	210	210	263	307	207	203K	170	170	205	205	162	162	199	[illegible]
Lassiter	161	161	171	171	217	261	164	160K	147	147	170	170	131	131	171	[illegible]
Laurinburg	179	179	189	189	234	278	182	178K	155	155	182	182	145	145	185	[illegible]
Lawndale	190	190	201	201	249	293	198	194K	163	163	195	195	154	154	197	[illegible]
Leaksville	141	141	154	154	204	248	151	147K	121	121	151	151	111	111	151	[illegible]
Lenoir	182	182	195	195	237	281	189	185K	155	155	185	185	145	145	185	[illegible]
Lewiston	142	142	156	156	199	243	149	145K	135	135	156	156	122	122	156	[illegible]
Lexington	164	164	176	176	227	271	173	169K	140	140	170	170	128	128	175	[illegible]
Lillington	170	170	179	179	224	268	173	169K	143	143	173	173	136	136	173	[illegible]
Lillington	163	163	171	171	216	260	166	162K	137	137	166	166	127	127	166	[illegible]
Lincolnton	179	179	189	189	237	281	185	181K	152	152	182	182	140	140	185	[illegible]
Louisburg	149	149	156	156	205	249	152	148K	135	135	156	156	122	122	156	[illegible]
Lumberton	182	182	189	189	234	278	182	178K	155	155	185	185	144	144	189	[illegible]
Marion	174	174	195	195	245	289	189	185K	155	155	184	184	146	146	184	[illegible]
Marshall	184	184	202	202	253	297	199	195K	159	159	189	189	155	155	189	[illegible]
Marton	179	179	185	185	231	275	179	175K	155	155	185	185	144	144	185	[illegible]
Midland	179	179	189	189	234	278	182	178K	155	155	182	182	146	146	182	[illegible]
Midland	175	175	182	182	227	271	176	172K	148	148	176	176	139	139	176	[illegible]
Milton	142	142	154	154	205	249	151	147K	132	132	146	146	112	112	146	[illegible]
Misselle	163	163	175	175	213	257	164	160K	149	149	170	170	134	134	176	[illegible]
Misselle	150	150	161	161	201	245	158	146K	137	137	158	158	122	122	164	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

d to page 339 of Tariff:

SECTION 2A - Continued.

e and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	Branchton		Buffalo		Calais	Caribou	Cincinnatus		Clarksburg		Corry		Cumberland		Erie	
	AR	RWR	AR	RWR	AR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Cont.																
nroe	179	179	189	189	237	281	185	161K	155	155	182	182	143	143	185	185
oresville	162	162	182	182	231	275	179	175K	146	146	176	176	134	134	179	179
t.Airy	167	167	179	179	231	275	176	172K	143	143	173	173	131	131	173	173
rphy	207	207	217	217	269	313	213	209K	176	176	210	210	172	172	207	207
D) New Bern	173	173	179	179	221	265	170	166K	155	155	176	176	141	141	179	179
D) New Bern	164	164	170	170	207	251	161	157K	146	146	167	167	132	132	170	170
wport	176	176	182	182	227	271	176	172K	161	161	182	182	156	156	185	185
wton	176	176	189	189	234	278	182	178K	152	152	179	179	140	140	182	182
rth Wilkesboro	176	176	185	185	234	278	179	175K	149	149	176	176	136	136	179	179
D) Oakboro	176	176	185	185	226	270	183	179K	151	151	179	179	142	142	182	182
D) Oakboro	170	170	179	179	219	263	176	172K	145	145	172	172	136	136	175	175
xford	144	144	154	154	200	244	147	143K	128	128	154	154	118	118	154	154
mbroke	179	179	185	185	231	275	179	175K	155	155	182	182	143	143	185	185
inetops	161	161	170	170	217	261	163	159K	146	146	170	170	133	133	170	170
ittsboro	164	164	177	177	224	268	173	169K	143	143	173	173	131	131	174	174
D) Plymouth	153	153	169	169	210	254	160	156K	146	146	169	169	131	131	169	169
D) Plymouth	141	141	157	157	198	242	147	143K	134	134	157	157	120	120	157	157
otecasi	142	142	158	158	199	243	149	145K	135	135	153	153	122	122	153	153
D) Putnam	173	173	182	182	227	271	176	172K	146	146	176	176	137	137	176	176
D) Putnam	166	166	175	175	220	264	169	165K	139	139	170	170	130	130	170	170
eaford	176	176	185	185	131	275	179	175K	152	152	182	182	140	140	182	182
leigh	157	157	167	167	213	257	161	157K	140	140	167	167	128	128	167	167
amseur	161	161	174	174	223	267	171	167K	140	140	170	170	128	128	171	171
idsville	141	141	154	154	204	248	151	147K	121	121	151	151	111	111	151	151
anoke Rapids	136	136	146	146	193	237	140	136K	123	123	146	146	110	110	146	146
bbinsville	207	. . .	217	. . .	274	318	213	. . .	176	. . .	210	. . .	172	. . .	207	. . .
D) Rockton	167	167	173	173	220	264	167	163K	143	143	180	180	131	131	180	180
D) Rockton	160	160	166	166	211	255	160	156K	136	136	174	174	125	125	174	174
cky Mount	144	144	154	154	200	244	147	143K	131	131	154	154	118	118	154	154
xboro	142	142	154	154	200	244	147	143K	125	125	152	152	118	118	152	152
.Paul	188	188	195	195	231	275	190	186K	159	159	189	189	147	147	189	189
lisbury	167	167	179	179	227	271	176	172K	143	143	173	173	131	131	176	176
nford	167	167	179	179	224	268	173	169K	143	143	173	173	131	131	176	176
otland Neck	145	145	155	155	201	245	149	145K	132	132	155	155	119	119	155	155
lma	161	161	171	171	217	261	164	160K	146	146	170	170	131	131	171	171
elby	182	182	195	195	240	284	189	185K	155	155	185	185	145	145	189	189
ler City	164	164	177	177	227	271	173	169K	140	140	170	170	128	128	173	173
loam	164	164	179	179	231	275	173	169K	143	143	170	170	128	128	173	173
D) Star	173	173	176	176	231	275	179	175K	146	146	176	176	137	137	176	176
D) Star	166	166	169	169	225	269	173	169K	139	139	170	170	130	130	170	170
atesville	173	173	185	185	231	275	179	175K	146	146	176	176	134	134	179	179
lva	196	196	207	207	260	304	203	199K	167	167	187	187	161	161	196	196
rboro	149	149	158	158	205	249	152	148K	135	135	156	156	122	122	158	158
ylorsville	176	176	189	189	234	278	182	178K	149	149	171	171	137	137	182	182
D) Vanceboro	170	170	176	176	224	268	170	166K	152	152	173	173	135	135	179	179
D) Vanceboro	163	163	168	168	216	260	163	159K	144	144	165	165	127	127	171	171
ndemere	173	173	179	179	224	268	173	169K	155	155	176	176	137	137	182	182
rina	161	161	176	176	223	267	170	166K	143	143	170	170	131	131	171	171
desboro	176	176	189	189	234	278	182	178K	152	152	182	182	140	140	182	182
llace	176	176	179	179	227	271	173	169K	156	156	179	179	140	140	182	182
lnut Cove	154	154	171	171	223	267	167	163K	137	137	164	164	125	125	164	164
rrenton	141	141	151	151	197	241	144	140K	128	128	151	151	114	114	151	151
shington	161	161	171	171	217	261	164	160K	147	147	170	170	131	131	171	171
ldon	136	136	146	146	193	237	140	136K	123	123	146	146	110	110	146	146
iteville	185	185	193	193	237	281	185	181K	161	161	189	189	151	151	193	193
lmington	179	179	185	185	231	275	179	175K	161	161	182	182	145	145	189	189

AR - All Rail.
RWR - Rail-Water and Rail.

1157

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS
And stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Branchton AR	Branchton RWR	Buffalo AR	Buffalo RWR	Calais AR	Caribou AR	Cincinnatus AR	Cincinnatus RWR	Clarksburg AR	Clarksburg RWR	Corry AR	Corry RWR	Cumberland AR	Cumberland RWR	Eri AR	Eri RWR
NORTH CAROLINA - Conc.																
Wilson	153	153	163	163	209	253	156	152K	140	140	163	163	128	128	161	[illegible]
Windsor	161	161	174	174	210	254	164	160K	151	151	175	175	128	128	175	[illegible]
Winston-Salem	161	161	174	174	225	267	170	166K	140	140	170	170	128	128	170	[illegible]
TENNESSEE																
Cumberland Gap	155	...	164	...	227	271	179	179	129	...	155	...	142	...	158	...
Elizabethton	139	...	149	...	215	259	163	163	116	...	140	...	124	...	139	...
Erwin	141	...	152	...	218	262	166	166	118	...	141	...	128	...	141	...
Holston	141	...	149	...	218	262	166	166	118	...	141	...	128	...	141	...
Johnson City	139	...	149	...	215	259	163	163	116	...	140	...	124	...	139	...
Kingsport	141	...	149	...	218	262	166	166	118	...	141	...	128	...	141	...
(202) Roan Mountain	138	138	153	153	...	...	162	...	115	115	149	...	125	...	151	...
(203) Roan Mountain	156	156	171	171	...	...	180	...	132	132	167	...	141	...	169	...
VIRGINIA																
Appalachia	149	...	164	...	228	272	175	175	124	...	151	...	158	...	161	...
Apple	127	127	143	143	195	239	140	140	110	110	136	136	100	100	136	[illegible]
Carrsville	130	130	146	146	187	251	136	136N	123	123	146	146	110	110	146	[illegible]
Chatham	134	134	147	147	197	241	144	144	114	114	144	144	105	105	144	[illegible]
Clarksville	136	136	146	146	193	257	140	140P	120	120	146	146	110	110	146	[illegible]
Danville	133	133	146	146	196	240	143	143	113	113	143	143	105	105	143	[illegible]
Delvale	160	...	170	...	...	...	189	189	140	...	178	178	152	...	155	...
Denniston	133	133	150	150	196	240	143	143N	117	117	143	143	107	107	143	[illegible]
Dinwiddie	138	138	147	147	194	238	141	141	124	124	147	147	111	111	147	[illegible]
Duffield	162	...	171	...	...	...	185	185	141	...	162	...	147	...	159	...
Emporia	129	129	138	138	185	229	132	132	116	116	139	139	102	102	139	[illegible]
Ewing	155	...	168	...	227	271	179	179	129	...	155	...	142	...	155	...
Fort Blackmore	141	...	149	...	218	262	166	166	118	...	157	...	128	...	141	...
Franklin	130	130	146	146	187	251	136	136N	123	123	146	146	110	110	146	[illegible]
Gate City	160	...	169	...	...	...	182	182	140	...	160	...	142	...	158	...
Gretna	130	130	143	143	193	257	140	140	110	110	140	140	100	100	140	[illegible]
Hubbard Springs	136	...	149	...	228	272	170	170	113	...	151	...	128	...	137	...
(200) Inlet	141	141	151	151	191	235	141	141	134	134	154	154	118	118	154	[illegible]
(201) Inlet	133	133	145	145	184	228	133	133	127	127	146	146	110	110	146	[illegible]
Keysville	129	129	139	139	185	229	132	132	112	112	139	139	102	102	139	[illegible]
La Crosse	133	133	143	143	189	233	136	136	120	120	143	143	107	107	143	[illegible]
Lawyers	130	130	143	143	193	257	140	140	110	110	140	140	100	100	140	[illegible]
Leaksville Jct	142	142	155	155	205	249	151	147K	122	113	152	152	112	112	152	[illegible]
Lennig	130	130	146	146	193	257	140	140P	113	113	140	140	105	105	140	[illegible]
McKenney	133	133	143	143	189	233	136	136	120	120	143	143	107	107	143	[illegible]
Martinsville	138	138	154	154	206	250	151	151	121	121	147	147	111	111	147	[illegible]
Maytown	157	...	166	...	...	...	185	185	136	...	157	...	147	...	154	...
Mendota	167	...	174	...	...	...	179	179	144	...	165	...	139	...	161	...
Pardee	160	...	169	...	...	...	189	189	140	...	160	...	150	...	159	...
(200) Pleasant Ridge	141	141	151	151	191	235	141	141	134	134	154	154	118	118	154	[illegible]
(201) Pleasant Ridge	133	133	145	145	184	228	133	133	127	127	146	146	110	110	146	[illegible]
Rocky Mount	131	131	147	147	199	243	144	144	114	114	141	141	105	105	141	[illegible]
(200) St. Brides	141	141	151	151	191	235	141	141	134	134	154	154	118	118	154	[illegible]
(201) St. Brides	133	133	145	145	184	228	133	133	127	127	146	146	110	110	146	[illegible]
St. Charles	165	...	174	...	...	...	192	192	144	...	169	...	157	...	161	...
South Boston	134	134	151	151	197	241	144	143N	118	118	144	144	108	108	144	[illegible]
Speers Ferry	141	...	155	...	218	262	166	166	118	...	157	...	128	...	141	...
Stony Creek	129	129	139	139	185	229	132	132	116	116	139	139	102	102	139	[illegible]
Whaley	130	130	146	146	187	251	136	136N	123	123	146	146	110	110	146	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

1732

SUPPLEMENT NO. 38 - FREIGHT TARIFF NO. 44-I

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 494 of Tariff as amended, inclusive).

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Evergreen		Geneseo		Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Houlton
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
KENTUCKY															
Anchor	159	159	170	...	207	...	232	232	149	...	158	158	189	189	281
Bardstown	165	165	147	...	187	...	202	202	147	...	157	...	186	186	265
Bell Farm	181	181	170	...	215	215	229	229	167	...	176	...	207	207	295
Benton	182	182	167	...	205	...	221	221	167	...	175	...	207	207	279
Bowling Green	188	188	171	...	210	...	230	230	167	...	180	...	209	209	287
Brannon	160	...	146	...	182	...	197	197	143	...	153	...	185	185	262
Burnside	167	167	164	...	205	...	224	224	153	...	165	...	195	195	279
Cadiz	203	203	188	...	228	...	245	245	188	...	197	...	228	228	302
Campbellsville	167	167	160	...	199	...	223	223	153	...	163	...	195	195	276
Caneyville	177	177	160	...	199	...	223	223	160	...	169	...	198	198	276
Carrollton	151	151	138	...	179	...	188	188	134	...	144	...	176	176	254
Cayce	194	194	179	...	216	...	226	226	179	...	186	...	216	216	290
Central City	183	183	168	...	206	...	229	229	168	...	177	...	208	208	288
Cloverport	172	172	155	...	195	...	220	220	155	...	165	...	194	194	282
Corbin	159	159	167	...	207	...	219	219	149	...	161	...	189	189	265
Corydon	172	172	157	...	195	...	208	208	157	...	166	...	197	197	271
Danville	150	150	150	...	188	...	208	208	136	...	146	...	176	176	262
Elizabethtown	165	165	147	...	187	...	202	202	147	...	157	...	186	186	263
Elkton	217	217	201	...	239	...	259	259	201	...	210	...	241	241	315
Falmouth	144	144	130	...	172	...	180	180	127	...	136	...	169	169	246
Flemingsburg	159	159	146	...	188	...	197	197	143	...	155	...	185	185	262
Flemingsburg Jct	156	156	142	...	184	...	192	192	139	...	149	...	181	181	256
Ford	147	147	146	...	185	...	204	204	133	...	145	...	171	171	250
Fordsville	177	177	160	...	199	...	223	223	160	...	169	...	198	198	276
Frankfort	151	151	151	...	189	...	204	204	138	...	147	...	177	177	268
Fulton	190	190	168	...	211	...	229	229	175	...	185	...	211	211	285
Georgetown	147	147	145	...	185	...	197	197	133	...	145	...	173	173	250
Gilbertsville	182	182	167	...	205	...	223	223	167	...	176	...	207	207	279
Glasgow	184	184	167	...	207	...	226	226	167	...	177	...	206	206	285
Guthrie	195	195	179	...	218	...	237	237	179	...	189	...	220	220	294
Harlan	142	142	169	...	187	...	188	188	131	...	141	...	170	170	256
Hazard	177	177	170	...	215	...	233	233	161	...	173	...	208	208	284
Hickman	198	198	183	...	219	...	242	242	183	...	190	...	219	219	295
Hopkinsville	188	188	173	...	210	...	233	233	173	...	182	...	213	213	287
Horse Cave	177	177	160	...	199	...	222	222	160	...	169	...	198	198	276
Irvine	156	155	154	...	192	...	211	211	141	...	151	...	181	181	267
Jackson	171	171	164	...	208	...	224	224	155	...	167	...	197	197	283
Jeffersontown	161	161	144	...	184	...	197	197	144	...	154	...	183	183	260
Lagrange	158	158	144	...	183	...	197	197	143	...	153	...	182	182	260
Lawrenceburg	151	151	151	...	189	...	201	201	138	...	147	...	177	177	268
Lebanon	158	158	151	...	190	...	215	215	144	...	154	...	184	184	267
Lebanon Jct.	160	160	143	...	183	...	197	197	143	...	153	...	182	182	259
Lot	165	165	170	...	215	...	229	229	156	...	164	...	198	198	286
Lynch	156	155	182	...	200	...	201	201	144	...	154	...	183	183	269
McRoberts	186	186	179	...	225	...	239	239	170	...	182	...	216	216	300
Madisonville	176	176	161	...	198	...	215	215	161	...	169	...	200	200	274
Manchester	162	162	173	...	215	...	229	229	152	152	161	...	195	195	279
Mayfield	182	182	167	...	205	...	223	223	167	...	176	...	207	207	279
Middlesboro	146	146	173	...	191	...	192	192	136	...	145	145	174	174	265
Midway	147	147	146	...	185	...	192	192	133	...	143	...	173	173	258
Morganfield	171	171	156	...	194	...	208	208	156	...	165	...	196	196	270
Mount Vernon	182	182	161	...	200	...	221	221	149	...	158	...	188	188	274
Murray	191	191	176	...	213	...	232	232	176	...	186	...	216	216	288
Newtown	147	147	146	...	185	...	197	197	133	...	143	...	173	173	256
Owensboro	176	176	161	...	198	...	213	213	161	...	169	...	200	200	274

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive. Evergreen		Genesee		Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Houlton
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
KENTUCKY - Concl.															
Paris	147	147	142	. . .	184	. . .	192	192	133	. . .	143	. . .	175	175	259
Pine Knot	178	178	170	. . .	215	. . .	229	229	164	. . .	174	. . .	204	204	280
Princeton	188	188	173	. . .	210	. . .	234	234	175	. . .	182	. . .	213	213	287
Providence	179	179	164	. . .	201	. . .	224	224	164	. . .	173	. . .	204	204	276
Richmond	155	155	150	. . .	192	. . .	208	208	141	. . .	151	. . .	181	181	267
Russellville	193	193	176	. . .	218	. . .	236	236	176	. . .	189	. . .	219	219	294
Scottsville	200	200	185	185	245	245	254	254	194	194	196	196	230	230	. . .
Shelbyville	155	155	143	. . .	183	. . .	197	197	141	. . .	151	. . .	181	181	259
Spottsville	172	172	157	. . .	195	. . .	208	208	157	. . .	166	. . .	197	197	271
Sturgis	180	180	165	. . .	202	. . .	219	219	165	. . .	174	. . .	205	205	279
Switzer	151	151	151	. . .	189	. . .	204	204	136	. . .	147	. . .	177	177	263
Thompsonville	199	199	184	. . .	221	. . .	244	244	184	. . .	193	. . .	224	224	298
Walton	145	145	131	. . .	173	. . .	181	181	140	. . .	138	. . .	170	170	270
West Point	161	161	144	. . .	184	. . .	197	197	144	. . .	154	. . .	183	183	280
Whitesburg	183	183	176	. . .	222	. . .	236	236	167	. . .	179	. . .	216	216	297
Wickliffe	182	182	167	. . .	203	. . .	221	221	167	. . .	175	. . .	204	204	278
Williamsburg	162	162	170	. . .	213	. . .	229	229	152	. . .	164	. . .	194	194	282
Williamstown	144	144	130	. . .	172	. . .	180	180	127	. . .	136	. . .	169	169	246
Worthville	153	153	139	. . .	180	. . .	189	189	135	. . .	145	. . .	177	177	265
NORTH CAROLINA															
Aberdeen	132	128K	167	167	185	181K	184	180K	128	124K	137	133K	161	157K	259
Ahoskie	97	93K	133	133	145	141K	142	138K	103	99K	107	103K	122	118K	218
Albemarle	132	128K	167	167	185	181K	187	183K	128	124K	140	136K	164	160K	259
Almond	168	164K	199	199	215	211K	226	222K	160	156K	170	166K	196	192K	294
Andrews	173	169K	203	203	219	215K	229	222K	167	163K	176	172K	203	196K	297
[illegible] Arthur	120	116K	155	155	170	166K	172	168K	122	118K	125	121K	149	145K	245
[illegible] Arthur	115	111K	149	149	164	160K	166	162K	116	112K	120	116K	144	140K	240
Asheboro	126	122K	164	164	182	178K	184	180K	122	118K	134	130K	158	154K	255
Asheville	152	148K	185	185	205	201K	208	204K	146	142K	155	151K	182	178K	251
Ashford	144	140K	177	177	198	194K	197	193K	140	136K	151	147K	176	172K	267
Barber	129	125K	167	167	185	181K	184	180K	125	121K	137	133K	161	157K	259
[illegible] Bayboro	134	130K	164	164	179	175K	178	174K	135	131K	140	136K	158	154K	256
[illegible] Bayboro	124	120K	154	154	165	161K	164	160K	125	121K	130	126K	144	140K	228
[illegible] Belhaven	120	116K	158	158	177	173K	169	165K	122	118K	128	124K	143	139K	241
[illegible] Belhaven	107	103K	146	146	155	151K	157	153K	110	106K	116	112K	131	127K	229
Black Mountain	147	143K	185	185	201	197K	208	204K	139	135K	165	151K	179	175K	280
Broadway	135	131K	170	170	187	183K	190	186K	131	127K	140	136K	167	163K	269
Burlington	123	119K	157	157	176	172K	176	172K	119	115K	131	127K	153	149K	248
Burnsville	154	150K	183	183	204	200K	202	198K	147	143K	153	149K	165	161K	255
[illegible] Cairo	122	118K	158	158	176	172K	178	174K	122	118K	128	124K	152	148K	249
[illegible] Cairo	115	111K	152	152	169	165K	171	167K	116	112K	121	117K	145	141K	242
Chapel Hill Station	123	119K	158	158	176	172K	176	172K	119	115K	128	124K	155	151K	248
Charlotte	135	131K	170	170	188	184K	191	187K	131	127K	140	136K	167	163K	262
Clarkton	139	135K	173	173	191	187K	195	191K	140	136K	145	141K	170	166K	255
Cliffside	148	144K	182	182	197	193K	198	194K	144	140K	152	148K	177	173K	266
Clinton	126	122K	164	164	179	175K	181	177K	128	124K	134	130K	156	154K	256
[illegible] Columbia	120	116K	155	155	167	163K	166	162K	122	118K	128	124K	143	139K	241
[illegible] Columbia	107	103K	148	148	155	151K	154	150K	110	106K	116	112K	131	127K	229
Cove	123	119K	158	158	170	166K	175	171K	122	118K	128	124K	149	145K	249
[illegible] Cranberry	124	. . .	153	. . .	174	. . .	174	170K	117	. . .	127	. . .	155	. . .	. . .
[illegible] Cranberry	142	. . .	171	. . .	192	. . .	191	187K	134	. . .	144	. . .	173	. . .	262
Crestmont	178	174K	185	185	224	220K	214	210K	174	174	178	178	204	200K	. . .
Dunn	123	119K	161	161	179	175K	176	172K	125	121K	131	127K	155	151K	252
Durham	118	114K	154	154	168	164K	166	162K	114	110K	125	121K	150	146K	240
[illegible] Eagle Springs	140	136K	170	170	188	184K	187	183K	136	132K	144	140K	165	161K	259

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-1.

Add to page 339 of Tariff;

SECTION 2A - Continued. -

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 35 of Tariff as amended, inclusive.														
	Evergreen		Genesee		Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Houlton
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
NORTH CAROLINA - Con.															
Eagle Springs	133	129K	162	162	182	178K	180	176K	128	124K	136	132K	157	153K	251
East La Port	163	159K	196	196	211	207K	217	213K	157	153K	166	162K	191	187K	291
Edenton	114	110K	152	152	161	157K	160	156K	116	112K	122	118K	140	136K	234
Edenton	104	100K	141	141	150	146K	149	145K	106	102K	112	108K	131	127K	223
Elizabeth City	114	110K	147	147	156	152K	156	152K	116	112K	119	115K	134	130K	229
Elizabeth City	105	101K	138	138	146	142K	146	142K	107	103K	110	106K	125	121K	219
Farmville	117	113K	154	154	169	165K	172	168K	119	115K	125	121K	146	142K	245
Farrington	123	119K	158	158	176	172K	178	174K	119	115K	128	. . .	155	151K	235
Farrington	117	113K	153	153	169	165K	171	167K	112	108K	122	. . .	149	145K	228
Fayetteville	126	122K	164	164	182	178K	184	180K	126	124K	134	130K	158	154K	255
Fontana	170	166K	199	199	219	215K	226	219F	162	158K	171	167K	219	215K	294
Forest City	148	144K	182	182	201	197K	196	194K	141	137K	152	148K	176	172K	266
Garland	133	129K	170	170	188	184K	187	183K	134	130K	140	136K	164	160K	259
Gastonia	140	136K	176	176	191	187K	196	191K	136	132K	146	142K	170	166K	265
Gibson	136	132K	173	173	188	184K	191	187K	140	136K	143	139K	167	163K	262
Goldsboro	120	116K	154	154	173	169K	173	169K	110	106K	128	124K	150	146K	245
Greensboro	118	114K	150	150	168	164K	168	164K	114	110K	123	119K	145	141K	240
Greenville	117	113K	151	151	169	165K	166	162K	119	115K	124	120K	146	142K	241
Hamlet	135	131K	170	170	188	184K	191	187K	134	130K	141	137K	164	160K	262
Hayesville	191	187K	221	221	237	233K	246	[illegible]	185	181K	194	190K	219	2130	301
Henderson	109	105K	142	142	157	153K	157	153K	110	106K	116	112K	138	134K	229
Hendersonville	154	150K	189	189	208	204K	208	204K	148	144K	158	154K	185	181K	285
Henrietta	148	144K	179	179	197	193K	198	194K	144	140K	151	147K	176	172K	266
High Point	123	119K	157	157	176	172K	176	172K	119	115K	131	127K	153	149K	248
Huntdale	128	124K	157	157	178	174K	181	177K	121	117K	131	127K	160	156K	251
Jacksonville	140	136K	175	175	187	183K	195	191K	140	136K	146	142K	166	162K	259
Kannapolis	129	125K	157	157	176	172K	181	177K	125	121K	132	128K	154	150K	256
Kelford	109	105K	142	142	154	150K	151	147K	110	106K	116	112K	131	127K	227
Kenansville	140	136K	176	176	193	189K	195	191K	142	138K	148	144K	172	168K	255
Kinston	123	119K	158	158	173	169K	173	169K	125	121K	128	124K	149	145K	249
Kona	136	132K	165	165	186	182K	185	181K	129	125K	139	135K	167	163K	255
La Grange	120	116K	158	158	176	172K	178	174K	122	118K	128	124K	152	148K	249
Lake Toxaway	163	159K	196	196	211	207K	217	213K	157	153K	166	162K	191	187K	291
Lassiter	120	116K	154	154	173	169K	173	169K	122	118K	128	124K	150	146K	245
Laurinburg	135	131K	170	170	188	184K	191	187K	136	132K	140	136K	164	160K	262
Lawndale	153	149K	186	186	203	199K	208	204K	149	145K	158	154K	182	178K	277
Leaksville	110	106K	141	141	159	155K	159	155K	106	102K	114	110K	133	129K	232
Lenoir	142	138K	178	178	194	190K	207	203K	138	134K	146	142K	173	169K	265
Lewiston	111	107K	148	148	154	150K	151	147K	112	108K	116	112K	128	124K	227
Lexington	126	122K	161	161	179	175K	181	177K	122	118K	131	127K	156	152K	255
Lillington	126	122K	161	161	179	175K	181	177K	126	. . .	131	127K	155	151K	252
Lillington	119	115K	153	153	171	167K	173	169K	119	. . .	124	120K	147	143K	244
Lincolnton	140	136K	175	175	191	187K	195	191K	136	132K	144	140K	170	166K	265
Louisburg	112	108K	145	145	161	157K	160	156K	113	109K	119	115K	141	137K	233
Lumberton	133	129K	170	170	188	184K	191	187K	134	130K	140	136K	164	160K	262
Marion	144	140K	179	179	197	193K	203	199K	140	136K	149	145K	176	172K	273
Marshall	153	149K	189	189	208	204K	212	208K	146	142K	158	154K	185	181K	281
Maxton	133	129K	170	170	188	184K	187	183K	134	130K	140	136K	164	160K	259
Midland	144	140K	175	175	191	187K	191	187K	140	. . .	149	145K	169	165K	268
Midland	138	134K	167	167	184	180K	184	180K	134	. . .	142	138K	163	159K	256
Milton	110	106K	142	142	159	155K	160	156K	106	102K	116	112K	138	134K	253
Mizzelle	120	116K	165	165	167	163K	166	162K	122	. . .	128	124K	143	139K	241
Mizzelle	107	103K	143	143	155	151K	154	150K	110	. . .	116	112K	135	131K	229

1735

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.														
	Evergreen		Genesee		Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Hazlto
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
NORTH CAROLINA - Con.															
Monroe	140	136K	176	176	194	190K	180	176K	138	135K	146	142K	170	166K	[illegible]
Mooresville	132	128K	170	170	188	184K	191	187K	138	134K	140	136K	164	160K	[illegible]
Mt. Airy	132	128K	164	164	185	181K	181	177K	122	118K	134	130K	164	160K	[illegible]
Murphy	173	169K	205	205	222	218K	213	209K	167	163K	176	172K	203	199K	257
[illegible] New Bern	130	126K	161	161	176	172K	175	171K	131	127K	136	132K	155	151K	248
[illegible] New Bern	121	117K	152	152	168	156K	168	156K	122	118K	127	123K	144	140K	[illegible]
Newport	138	134K	167	167	186	182K	184	180K	139	136K	144	140K	165	161K	[illegible]
Newton	136	131K	175	175	191	187K	179	175K	131	127K	145	136K	167	163K	[illegible]
North Wilkesboro	135	131K	170	170	191	187K	191	187K	129	125K	140	136K	167	163K	[illegible]
[illegible] Oakboro	142	136K	170	170	195	191K	191	187K	138	134K	146	142K	167	163K	254
[illegible] Oakboro	135	131K	165	165	188	184K	184	180K	131	127K	139	135K	160	156K	247
Oxford	107	105K	141	141	156	152K	156	152K	109	105K	114	110K	137	133K	[illegible]
Pembroke	138	136K	170	170	185	181K	167	165K	134	130K	140	136K	164	160K	[illegible]
Pinetops	120	116K	155	155	172	168K	172	168K	121	117K	127	123K	149	145K	245
Pittsboro	136	132K	161	161	179	175K	181	177K	125	121K	131	127K	158	164K	[illegible]
[illegible] Plymouth	117	115K	155	155	164	160K	162	158K	119	115K	125	121K	142	138K	[illegible]
[illegible] Plymouth	108	106K	141	141	155	149K	149	145K	108	104K	115	109K	130	126K	[illegible]
Potecasi	109	106K	142	142	154	150K	151	147K	112	108K	116	112K	131	127K	237
[illegible] Putnam	134	130K	164	164	182	178K	184	180K	131	127K	140	136K	161	157K	[illegible]
[illegible] Putnam	127	125K	157	157	175	171K	177	173K	125	121K	133	129K	155	151K	240
Raeford	132	128K	167	167	185	181K	167	163K	131	127K	137	133K	164	160K	[illegible]
Raleigh	120	116K	154	154	169	165K	169	165K	122	118K	125	121K	150	146K	241
Ramseur	126	122K	161	161	179	175K	179	175K	122	118K	131	127K	156	152K	[illegible]
Reidsville	110	106K	141	141	159	156K	159	156K	106	102K	114	110K	137	133K	[illegible]
Roanoke Rapids	96	92K	130	130	148	144K	148	144K	98	94K	105	98K	126	122K	[illegible]
Robbinsville	175	. . .	205	. . .	219	. . .	220	. . .	167	. . .	176	. . .	205	. . .	[illegible]
[illegible] Rockton	120	116K	158	158	176	172K	175	171K	122	118K	128	124K	152	148K	[illegible]
[illegible] Rockton	112	108K	150	150	169	165K	168	164K	114	110K	120	116K	144	140K	[illegible]
Rocky Mount	104	100K	136	136	156	152K	156	152K	106	102K	111	107K	135	131K	[illegible]
Roxboro	107	105K	141	141	156	152K	156	152K	107	105K	114	110K	137	133K	[illegible]
St. Paul	139	135K	171	171	195	191K	197	193K	141	137K	145	141K	168	164K	[illegible]
Salisbury	129	125K	164	164	182	178K	184	180K	125	121K	134	130K	158	154K	[illegible]
Sanford	126	122K	161	161	179	175K	181	177K	125	121K	131	127K	158	154K	[illegible]
Scotland Neck	105	101K	139	139	157	153K	154	150K	107	103K	112	108K	134	130K	[illegible]
Selma	120	116K	154	154	173	169K	175	169K	122	118K	128	124K	150	146K	[illegible]
Shelby	144	140K	179	179	194	190K	198	194K	140	136K	149	145K	173	169K	[illegible]
Siler City	126	122K	164	164	179	175K	181	177K	122	118K	134	130K	158	154K	[illegible]
Siloam	129	125K	164	164	185	181K	184	180K	122	118K	134	130K	161	157K	[illegible]
[illegible] Star	135	131K	167	167	185	181K	187	183K	131	127K	140	136K	161	157K	[illegible]
[illegible] Star	129	125K	160	160	179	175K	180	176K	125	121K	133	129K	155	151K	[illegible]
Statesville	132	128K	170	170	185	181K	187	183K	128	124K	140	136K	161	157K	[illegible]
Sylva	164	160K	195	195	211	207K	217	213K	155	151K	164	160K	188	184K	[illegible]
Tarboro	109	106K	142	142	161	157K	160	156K	110	106K	116	112K	138	134K	[illegible]
Taylorsville	135	131K	175	175	188	184K	191	187K	131	127K	145	138K	157	153K	[illegible]
[illegible] Vanceboro	125	118K	161	161	178	169K	178	174K	125	121K	131	127K	149	145K	[illegible]
[illegible] Vanceboro	115	111K	154	154	165	161K	170	166K	117	113K	123	119K	141	137K	234
Vandemere	126	122K	164	164	176	172K	178	174K	128	124K	134	130K	155	151K	[illegible]
Verina	124	120K	161	161	179	175K	178	174K	122	118K	131	127K	155	151K	[illegible]
Wadesboro	135	131K	175	175	191	187K	191	187K	131	127K	143	139K	167	163K	[illegible]
Wallace	126	122K	164	164	182	178K	181	177K	128	124K	134	130K	158	154K	[illegible]
Walnut Cove	126	122K	157	157	179	175K	179	175K	116	112K	128	124K	158	155K	[illegible]
Warrenton	104	100K	139	139	155	149K	155	149K	106	102K	111	107K	135	132K	[illegible]
Washington	120	116K	154	154	170	166K	169	165K	122	118K	129	124K	149	145K	[illegible]
Weldon	96	92K	130	130	148	144K	148	144K	98	94K	105	98K	129	125K	[illegible]
Whiteville	141	137K	176	176	194	190K	195	191K	141	137K	147	143K	170	166K	[illegible]
Wilmington	133	129K	170	170	188	184K	187	183K	134	130K	140	136K	164	160K	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 373 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.														
	Evergreen		Genesee		Gloversville		Grafton		Hagerstown		Harrisburg		Hempstead		Houlton
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
NORTH CAROLINA - Conc.															
Wilson	113	109K	146	146	165	161K	165	161K	114	110K	120	116K	142	138K	237
Windsor	128	124K	158	158	170	166K	166	162K	128	124K	131	127K	145	141K	236
Winston-Salem	123	119K	161	161	179	175K	179	175K	119	115K	131	127K	156	152K	251
TENNESSEE															
Cumberland Gap	146	146	173	...	191	191	192	192	135	...	145	145	174	174	255
Elizabethton	125	125	157	...	176	176	176	176	118	...	128	128	156	156	243
Erwin	128	128	162	...	179	179	179	179	121	...	131	131	160	160	246
Bolston	128	128	158	...	179	179	179	179	121	...	131	131	160	160	246
Johnson City	125	125	157	...	176	176	176	176	118	...	128	128	156	156	243
Kingsport	128	128	158	...	178	178	179	179	121	...	131	131	160	160	246
Roan Mountain	124	...	153	...	174	...	174	174	117	...	127	...	155	...	...
Roan Mountain	142	...	171	...	192	...	191	191	134	...	144	...	173	...	...
VIRGINIA															
Appalachia	142	142	169	...	187	187	188	188	131	...	141	141	170	170	258
Apple	102	102	130	130	158	152	158	158	98	92	103	103	132	132	225
Carrsville	99	95N	130	130	142	142P	138	138	100	94N	105	99K	119	119N	215
Chatham	105	105	134	134	155	155	155	155	99	99	108	108	130	130	228
Clarksville	100	100	135	135	148	148P	148	148N	101	101	107	107N	129	129	221
Danville	108	108	138	138	152	152	152	152	98	98	107	107N	129	129	224
Delvale	154	154	176	...	201	201	205	201K	148	...	156	156	183	185	...
Denniston	108	108N	138	138	152	152N	149	148N	98	98	110	110N	132	132N	224
Dinwiddie	101	101	134	134	130	130	149	149	108	102	108	108	130	130	222
Duffield	149	149	177	...	197	197	201	201N	140	...	149	149	176	176	...
poria	89	89	122	122	141	141	141	141	90	90	97	97N	118	118	215
wing	146	146	174	...	191	191	192	192	135	...	145	145	174	174	255
ort Blackmore	130	130	158	...	178	178	179	179	121	...	128	128	152	152	246
ranklin	99	95N	130	130	142	142P	138	138	100	94N	105	99K	119	119N	215
ate City	144	144	178	...	194	194	198	198	138	...	146	146	173	173	...
retna	99	99	130	130	146	146	155	155	95	95	105	105	126	126	221
bbard Springs	138	138	158	...	176	176	181	181	122	...	128	128	171	171	256
Inlet	107	107	138	138	147	147	146	146	108	108	111	111	128	128	219
Inlet	99	99	130	130	140	140	139	139	100	100	105	105	120	120	212
eysville	98	98	135	135	141	141	141	141	94	94	99	99	121	121	218
La Crosse	96	96	130	130	145	145	145	145	98	98	105	105	126	126	217
awyers	99	99	130	130	148	148	148	148	95	95	105	105	126	126	221
ville Jct	110	109K	141	141	159	155K	159	155K	108	108K	114	110K	133	129K	233
enig	99	99	135	135	148	148P	145	145	95	95	107	107	129	129	221
Kenney	96	96	130	130	145	145	146	146	98	98	105	105	126	126	217
rtinsville	113	113	141	141	165	165	165	165	105	105	114	114	145	145	234
[illegible]	149	149	178	...	197	197	201	201N	140	...	149	149	176	176	...
[illegible]	141	141	171	...	181	181	181	181	131	...	141	141	168	168	...
[illegible]	153	153	176	...	201	201	201	197K	144	...	154	154	180	180	...
Pleasant Ridge	107	107	138	138	147	147	146	146	108	108	111	111	128	128	219
Pleasant Ridge	99	99	130	130	140	140	139	139	100	100	105	105	120	120	212
ky Mount	106	106	134	134	156	156	156	156	97	97	108	106	137	137	227
St. Brides	107	107	138	138	147	147	146	146	108	108	111	111	128	128	219
St. Brides	99	99	130	130	140	140	139	139	100	100	105	105	120	120	212
Charles	159	159	179	...	204	204	205	205	148	...	159	159	186	186	...
th Boston	105	105N	138	138	155	155N	155	155N	98	98	111	110N	135	135N	225
re Ferry	130	130	158	...	176	176	179	179	119	...	128	128	152	152	246
y Creek	89	89	122	122	141	141	141	141	90	90	96	96	118	118	213
ley	99	95N	130	130	142	142P	138	138	100	94N	105	99K	119	119N	215

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 172 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.													
	Johnsonburg		Lake Placid		Ligonier		Lyndonville		Madawaska	Mars Hill	Millinocket	Montauk		New Egypt	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	AR	AR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
KENTUCKY															
Anchor	164	...	247	247	151	...	173	...	302	290	253	203	203	185	185
Bardstown	144	...	218	218	132	...	151	...	284	272	235	200	200	182	182
Bell Farm	164	...	247	247	151	...	162	...	314	302	265	221	221	205	205
Benton	162	...	238	238	154	...	162	...	300	288	251	221	221	205	205
Bowling Green	167	...	245	245	154	...	173	...	308	296	259	223	223	205	205
Brannon	140	...	206	206	128	...	146	...	283	271	234	199	...	181	...
Burnside	156	...	241	241	144	...	144	...	300	288	251	207	207	189	189
Cadiz	185	...	262	262	183	...	188	...	323	311	274	242	242	224	224
Campbellsville	156	...	239	239	144	...	165	...	297	285	248	207	207	189	189
Caneyville	156	...	239	239	144	...	165	...	297	285	248	212	212	194	194
Carrollton	131	...	205	205	119	...	138	...	275	263	226	190	190	172	172
Cayce	174	...	243	243	165	...	179	...	311	299	262	230	230	212	212
Central City	165	...	244	244	154	...	168	...	303	291	254	222	222	204	204
Cloverport	152	...	236	236	140	...	158	...	303	291	254	208	208	190	190
Corbin	161	...	244	244	148	...	152	...	306	294	257	203	203	185	185
Corydon	154	...	223	223	146	...	157	...	292	280	243	211	211	193	193
Danville	140	...	225	225	128	...	150	...	283	271	234	190	190	172	172
Elizabethtown	144	...	218	218	132	...	151	...	284	272	235	200	200	182	182
Elkton	194	...	274	274	161	...	208	...	336	324	287	255	255	237	237
Falmouth	123	...	197	197	111	...	130	...	267	255	218	183	183	165	165
Flemingsburg	140	...	214	214	128	...	146	...	283	271	234	199	199	181	181
Flemingsburg Jct	136	...	209	209	124	...	142	...	279	267	230	195	195	177	177
Ford	136	...	221	221	125	...	146	...	280	268	231	187	187	169	169
Fordsville	156	...	240	240	144	...	163	...	297	285	248	212	212	194	194
Frankfort	141	...	221	221	129	...	151	...	284	272	235	191	191	173	173
Fulton	169	...	245	245	162	...	175	...	306	294	257	225	225	207	207
Georgetown	136	...	214	214	125	...	145	...	280	268	231	187	187	169	169
Gilbertsville	158	...	240	240	154	...	167	...	300	288	251	221	221	203	203
Glasgow	164	...	242	242	151	...	171	...	304	292	255	220	220	202	202
Guthrie	173	...	253	253	160	...	180	...	315	303	266	234	234	216	216
Harlan	161	...	254	254	136	...	169	...	277	265	228	184	184	166	166
Hazard	164	...	247	247	151	...	170	...	315	303	266	222	222	204	204
Hickman	177	...	259	259	170	...	183	...	314	302	265	233	233	215	215
Hopkinsville	169	...	249	249	161	...	173	...	308	296	259	227	227	209	209
Horse Cave	156	...	238	238	144	...	163	...	297	285	248	212	212	194	194
Irvine	144	...	228	228	132	...	154	...	288	276	239	195	195	177	177
Jackson	158	...	241	241	145	...	164	...	304	292	255	211	211	193	193
Jeffersontown	141	...	212	212	129	...	147	...	281	269	232	197	197	179	179
Lagrange	140	...	212	212	128	...	146	...	281	269	232	196	196	178	178
Lawrenceburg	141	...	218	218	129	...	151	...	284	272	235	191	191	173	173
Lebanon	147	...	231	231	136	...	154	...	288	276	239	198	198	180	180
Lebanon Jct	140	...	212	212	128	...	146	...	280	268	231	196	196	178	178
Lot	164	...	247	247	151	...	173	...	306	294	257	212	212	194	194
Lynch	173	...	257	257	160	...	182	...	290	278	241	197	197	179	179
McRoberts	173	...	254	254	160	...	179	...	321	309	272	230	230	212	212
Madisonville	157	...	231	231	140	...	161	...	295	283	246	214	214	196	196
Manchester	167	...	250	250	154	...	173	...	300	288	251	207	207	189	189
Mayfield	162	...	240	240	154	...	167	...	300	288	251	221	221	203	203
Middlesboro	165	...	244	244	155	...	173	...	276	264	227	189	189	170	170
Midway	136	...	209	209	125	...	146	...	279	267	230	187	187	169	169
Morganfield	153	...	223	223	148	...	156	...	291	279	242	210	210	192	192
Mount Vernon	152	...	236	236	140	...	162	...	285	273	236	203	203	184	184
Murray	171	...	249	249	165	...	176	...	309	297	260	230	230	212	212
Newtown	136	...	214	214	125	...	146	...	279	267	230	187	187	169	169
Owensboro	157	...	229	229	140	...	161	...	295	283	246	214	214	196	196

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.																
	Johnsonburg		Lake Placid		Ligonier		Lyndonville		Madawaska	Mars Hill	Millinocket	Montauk		New Egypt			
	AR	RMR	AR	RMR	AR	RMR	AR	RMR	AR	AR	AR	AR	RMR	AR	RMR		
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).																
KENTUCKY ○ - Gone																	
Paris	125	...	209	209	134	...	142	...	279	287	250	187	187	169	169		
Pine Knot	164	...	244	244	148	...	170	...	311	299	262	218	218	200	200		
Princeton	169	...	250	250	161	...	175	...	308	296	259	227	227	209	209		
Providence	161	...	258	258	152	...	164	...	298	287	260	218	218	200	200		
Richmond	144	...	225	225	132	...	154	...	288	276	239	195	195	177	177		
Russellville	170	...	253	253	157	...	179	...	315	305	296	235	235	215	215		
Scottsville	180	...	280	280	170	...	185	...	...	...	...	244	245	226	225		
Shelbyville	140	...	212	212	128	...	146	...	280	266	251	195	195	177	177		
Spottsville	154	...	225	225	146	...	157	...	292	280	245	211	211	195	195		
Sturgis	152	...	234	234	155	...	166	...	300	288	251	219	219	201	201		
Switzer	141	...	221	221	129	...	151	...	284	272	235	191	191	175	175		
Thompsonville	161	...	260	260	172	...	164	...	319	307	270	235	235	220	220		
Walton	124	...	196	196	113	...	131	...	291	279	242	184	184	166	166		
West Point	141	...	212	212	120	...	147	...	281	269	252	197	197	179	179		
Whitesburg	170	...	254	254	158	...	176	...	318	308	269	230	230	212	212		
Wickliffe	162	...	238	238	154	...	167	...	299	287	250	218	218	200	200		
Williamsburg	164	...	247	247	151	...	170	...	308	291	254	208	208	190	190		
Williamstown	125	...	197	197	111	...	130	...	287	255	218	185	185	165	165		
Worthville	132	...	206	206	120	...	139	...	278	264	227	191	191	175	175		
NORTH CAROLINA																	
Aberdeen	167	167	209	205K	166	166	165	165	280	268	251	175	171K	157	153K		
Ahoskie	136	136	162	158K	138	136	150	150	239	227	190	136	132K	116	114K		
Albemarle	164	164	209	205K	163	163	165	165	280	268	251	178	174K	160	156K		
Almond	196	196	241	237K	197	197	213	213	316	305	298	210	206K	192	188K		
Andrews	199	199	264	250K	201	201	217	217	318	305	290	217	211G	199	1950		
Arthur	158	158	193	189K	160	160	175	175	266	254	217	163	159K	145	141K		
Arthur	152	152	186	182K	155	155	168	168	261	249	212	158	154K	140	136K		
Asheboro	161	161	202	198K	160	160	182	182	275	264	227	172	168K	154	150K		
Asheville	182	182	235	229K	181	181	205	205	302	290	256	196	192K	176	172K		
Ashford	174	174	215	211K	175	175	189	189	285	276	239	190	186K	172	168K		
Barber	164	164	206	202K	165	165	165	165	290	268	251	175	171K	157	153K		
Bayboro	167	167	206	202K	169	169	182	182	275	261	224	172	168K	164	160K		
Bayboro	157	157	192	188K	158	158	172	172	259	247	210	158	154K	140	136K		
Belhaven	161	161	191	187K	165	165	176	176	262	250	213	157	153K	159	155K		
Belhaven	149	149	178	174K	160	160	164	164	250	238	201	145	141K	157	153K		
Black Mountain	182	182	229	224K	161	161	199	199	301	289	252	195	189K	175	171K		
Broadway	170	170	209	205K	166	166	186	186	289	277	240	181	177K	163	159K		
Burlington	154	154	195	189K	155	155	174	174	269	257	220	167	163K	149	145K		
Burnsville	180	180	224	220K	166	166	195	195	296	274	257	199	195K	181	177K		
Cairo	161	161	200	196K	160	160	176	176	270	258	221	166	162K	148	144K		
Cairo	156	156	195	189K	155	155	169	169	258	251	214	159	155K	141	137K		
Chapel Hill Station	157	157	195	189K	155	155	174	174	269	257	220	169	165K	151	147K		
Charlotte	170	170	216	212K	166	166	189	189	288	271	234	181	177K	163	159K		
Clarkton	176	176	220	216K	176	176	195	195	289	274	237	184	180K	166	162K		
Cliffside	179	179	227	223K	178	178	199	199	289	277	240	191	187K	173	169K		
Clinton	167	167	208	198K	166	166	182	182	278	264	227	172	168K	154	150K		
Columbia	161	161	191	187K	165	165	176	176	262	250	213	157	153K	139	135K		
Columbia	149	149	178	174K	150	150	164	164	250	238	201	145	141K	127	123K		
Cove	156	156	203	199K	157	157	176	176	270	258	221	163	159K	145	141K		
Cranberry	145	...	199	195K	157	...	160	...	...	...	...	169	...	151	...		
Cranberry	162	...	217	213K	155	...	179	...	285	271	254	187	...	169	...		
Crestmont	200	200	228	224K	190	190	209	209	...	...	...	218	214K	200	196K		
Dunn	164	164	199	195K	165	165	179	179	275	261	264	180	166K	151	147K		
Durham	150	150	185	181K	148	148	165	166	261	249	218	165	161K	145	141K		
Eagle Springs	167	167	217	213K	166	166	189	189	280	268	231	179	175K	161	157K		

AR - All Rail.
RMR - Rail-Water and Rail.

1739

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Johnsonburg		Lake Placid		Ligonier		Lyndonville		Madawaska	Mars Hill	Millinocket	Montauk		New Egypt	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	AR	AR	AR	RWR	AR	RWR
NORTH CAROLINA - Cont.															
Eagle Springs	160	160	210	208K	158	158	165	165	272	260	228	171	167K	158	[illegible]
East La Port	195	195	248	[illegible]	190	190	210	210	312	300	265	205	201K	187	[illegible]
Edenton	155	155	177	175K	157	157	169	169	255	248	206	154	150K	138	[illegible]
Edenton	144	144	174	170K	147	147	158	158	244	[illegible]	195	146	141K	137	[illegible]
Elizabeth City	151	151	175	169K	158	158	164	164	250	[illegible]	201	148	144K	130	[illegible]
Elizabeth City	141	141	168	159K	142	142	154	154	240	228	191	139	135K	121	[illegible]
Farmville	157	157	188	168K	159	159	171	171	256	254	217	160	156K	148	[illegible]
Farrington	158	158	200	196K	157	157	176	176	256	244	207	169	165K	151	[illegible]
Farrington	151	151	198	190K	150	150	169	169	240	237	200	158	159K	145	[illegible]
Fayetteville	167	167	208	202K	166	166	182	182	278	264	227	172	168K	154	[illegible]
Fontana	196	196	250	246K	197	197	217	217	315	303	266	[illegible]	226K	215	211
Forest City	170	179	250	[illegible]	178	178	199	199	259	277	240	190	186K	178	[illegible]
Garland	175	175	218	209K	172	172	189	189	280	268	251	178	174K	160	[illegible]
Gastonia	175	175	220	216K	178	178	195	195	256	274	257	184	180K	166	[illegible]
Gibson	175	175	217	215K	178	178	189	189	285	271	234	181	177K	168	[illegible]
Goldsboro	157	157	189	185K	159	159	171	171	256	254	217	164	160K	146	[illegible]
Greensboro	146	146	165	161K	158	158	166	166	251	249	212	159	156K	141	[illegible]
Greenville	154	154	166	162K	155	155	167	167	252	250	215	160	156K	142	[illegible]
Hamlet	170	170	216	212K	169	169	189	189	265	271	234	176	174K	160	[illegible]
Hayesville	217	217	271	267K	230	230	255	255	[illegible]	310	275	235	[illegible]	215	[illegible]
Henderson	142	142	174	170K	147	147	165	165	250	[illegible]	201	152	148K	134	[illegible]
Hendersonville	155	155	[illegible]	[illegible]	184	184	207	207	306	294	257	199	195K	181	[illegible]
Henrietta	179	179	[illegible]	218K	175	175	199	199	259	277	240	190	186K	172	[illegible]
High Point	154	154	193	189K	155	155	176	176	259	257	220	167	163K	149	[illegible]
Hunsdale	154	154	[illegible]	196K	155	155	169	169	272	260	225	174	170K	156	[illegible]
Jacksonville	176	176	221	217K	180	180	195	195	280	268	251	180	176K	162	[illegible]
Kannapolis	161	161	209	205K	165	165	176	176	277	265	228	168	164K	150	[illegible]
Kelford	145	145	171	167K	147	147	158	158	248	255	199	145	141K	127	[illegible]
Kernersville	161	161	219	215K	180	180	195	195	276	254	227	166	162K	148	[illegible]
Kinston	161	161	195	[illegible]	154	154	176	176	270	256	221	165	159K	145	141
Kona	162	162	208	196K	165	165	177	177	276	264	227	181	177K	163	[illegible]
La Grange	161	161	200	196K	165	165	176	176	270	256	221	166	162K	148	[illegible]
Lake Toxaway	195	195	248	[illegible]	190	190	210	210	312	300	265	205	201K	187	[illegible]
Lassiter	157	157	189	185K	159	159	175	175	266	264	217	164	160K	146	[illegible]
Laurinburg	175	175	217	213K	178	178	189	189	285	271	234	178	174K	160	[illegible]
Lawndale	165	165	[illegible]	[illegible]	184	184	205	205	290	280	249	190	186K	178	[illegible]
Leaksville	155	155	178	175K	159	159	157	157	253	241	204	151	147K	[illegible]	[illegible]
Lenoir	175	175	220	216K	172	172	196	196	285	274	257	167	[illegible]	[illegible]	[illegible]
Lewiston	145	145	171	167K	147	147	158	158	248	258	199	145	141K	127	[illegible]
Lexington	161	161	199	[illegible]	157	157	179	179	276	264	227	172	168K	154	[illegible]
Lillington	164	164	205	201K	160	160	179	179	279	261	224	169	165K	151	[illegible]
Lillington	156	156	196	[illegible]	155	155	171	171	255	258	216	161	157K	148	[illegible]
Lincolnton	175	175	220	216K	169	169	195	195	[illegible]	274	257	184	180K	166	[illegible]
Louisburg	145	145	177	173K	150	150	158	158	254	246	205	155	151K	137	[illegible]
Lumberton	175	175	216	212K	178	178	189	189	285	271	234	178	174K	160	[illegible]
Marion	170	176	[illegible]	217K	175	175	195	195	[illegible]	[illegible]	[illegible]	190	[illegible]	178	[illegible]
Marshall	165	165	[illegible]	[illegible]	184	184	205	204	[illegible]	290	[illegible]	199	[illegible]	181	[illegible]
Maxton	175	175	216	[illegible]	178	178	189	189	280	268	251	178	[illegible]	160	[illegible]
Midland	170	170	217	[illegible]	178	178	195	195	[illegible]	271	234	168	[illegible]	[illegible]	[illegible]
Midland	165	165	211	207K	165	165	185	185	276	264	227	177	[illegible]	[illegible]	[illegible]
Milton	150	150	176	172K	152	152	167	167	254	248	205	158	[illegible]	[illegible]	[illegible]
[illegible]	161	161	161	[illegible]	[illegible]	[illegible]	176	176	[illegible]	[illegible]	213	157	[illegible]	[illegible]	[illegible]
[illegible]	145	145	176	174K	150	150	164	164	250	[illegible]	201	140	[illegible]	[illegible]	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

1740

1166

e to page 339 of Tariff:

SECTION 2A - Continued.

and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.														
	Johnsonburg		Lake Placid		Ligonier		Lyndonville		Madawaska	Mars Hill	Millinocket	Montauk		New Egypt	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	AR	AR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
NORTH CAROLINA - Cont.															
erce	175	175	220	216K	172	172	195	195	[illegible]	274	237	184	180K	166	162K
oresville.	167	167	219	215K	166	166	185	185	280	258	231	178	174K	160	156K
.Airy	161	161	209	205K	160	160	182	182	280	255	231	178	174K	160	156K
rphy	205	205	254	250K	201	201	221	221	318	306	289	217	211G	199	195G
D) New Bern	164	164	205	199K	166	166	170	179	270	258	221	169	165K	151	147K
D) New Bern	156	156	190	186K	157	157	170	170	256	244	207	158	154K	140	136K
port.	170	170	215	209K	175	175	185	185	276	264	227	179	175K	161	157K
ton	170	170	216	212K	169	169	189	189	285	271	234	181	177K	163	159K
rth Wilkesboro	167	167	216	212K	166	166	189	189	285	271	234	181	177K	163	159K
D) Oakboro	170	170	217	213K	166	166	189	189	275	263	226	181	177K	163	159K
D) Oakboro.	165	165	210	206K	162	162	182	182	269	256	219	174	170K	156	152K
ford	141	141	175	169K	142	142	154	154	249	237	200	151	147K	133	129K
mbroke	175	175	212	206K	172	172	185	185	280	266	231	178	174K	160	156K
netops	156	156	189	185K	159	159	170	170	266	254	217	163	159K	145	141K
ttsboro	161	161	199	195K	160	160	179	179	275	261	224	172	168K	154	150K
D) Plymouth	156	156	182	178K	158	158	169	169	259	247	210	156	152K	139	134K
D) Plymouth	144	144	169	165K	147	147	158	157	247	235	198	144	140K	126	122K
ocasf	145	145	171	167K	147	147	158	158	248	236	199	145	141K	127	123K
D) Putnam	164	164	209	205K	165	165	182	182	276	264	227	175	171K	157	153K
D) Putnam	156	156	202	198K	156	156	175	175	269	257	220	169	165K	151	147K
eford.	170	170	212	208K	169	169	185	185	280	268	231	178	174K	160	156K
leigh.	154	154	186	182K	155	155	167	167	262	250	213	164	160K	146	142K
nseur.	156	156	196	192K	157	157	176	176	272	260	223	170	166K	152	148K
idsville	138	138	176	172K	144	144	157	157	253	241	204	151	147K	133	129K
anoke Rapids	135	135	165	161K	135	135	146	146	242	230	193	140	136K	122	118K
binsville	199	. . .	204	. . .	201	. . .	221	. . .	325	311	274	217	. . .	199	. . .
D) Rockton.	161	161	200	196K	160	160	176	176	269	257	220	166	162K	148	144K
D) Rockton.	155	155	198	[illegible]	153	153	169	169	260	248	211	158	154K	140	136K
cky Mount.	141	141	175	169K	142	142	154	154	249	237	200	146	[illegible]	129	125K
xboro.	141	141	175	169K	140	140	154	154	249	237	200	151	147K	135	127K
.Paul.	180	180	220	216K	178	178	192	192	280	268	231	182	178K	164	160K
lisbury.	161	161	202	198K	160	160	182	182	276	264	227	175	171K	157	153K
nford.	164	164	199	195K	160	160	179	179	278	261	224	172	168K	154	150K
tland Neck.	148	148	174	170K	148	148	155	155	250	238	201	148	144K	130	126K
lma.	157	157	169	165K	159	159	171	171	266	254	217	164	160K	146	142K
elby	176	176	225	219K	175	175	195	195	289	277	240	167	165K	169	165K
er City	161	161	199	195K	160	160	179	179	276	264	227	172	168K	155	149K
lean	161	161	205	201K	160	160	179	179	280	268	231	175	171K	157	153K
D) Star	164	164	212	208K	165	165	185	185	280	268	231	175	171K	157	153K
D) Star	158	158	207	203K	155	155	176	176	274	262	225	169	165K	151	147K
atesville.	167	167	212	208K	166	166	185	185	280	268	231	175	171K	157	153K
ura.	185	185	233	229K	190	190	210	210	309	297	260	202	198K	184	180K
boro.	145	145	177	173K	154	154	158	158	254	242	205	152	148K	134	130K
lorsville	170	170	216	212K	169	169	189	189	285	271	234	181	177K	163	159K
D) Vanceboro.	164	164	205	201K	162	162	176	176	273	261	224	165	159K	145	141K
D) Vanceboro.	156	156	190	186K	155	155	168	168	265	253	216	155	151K	137	133K
boro.	167	167	202	198K	165	165	179	179	273	261	224	169	165K	151	147K
rlina	161	161	195	191K	159	159	179	179	272	260	223	169	165K	151	147K
boro.	170	170	215	211K	169	169	189	189	285	271	234	181	177K	163	159K
llace.	167	167	208	204K	169	169	188	188	276	264	227	172	168K	154	150K
lnut Cove.	164	164	190	186K	164	164	171	171	272	260	223	170	166K	152	148K
renton.	138	138	159	155K	142	142	151	151	248	236	197	147	143K	129	125K
shington	157	157	189	185K	159	159	171	171	266	254	217	163	159K	145	141K
adon	135	135	165	161K	135	135	146	146	242	230	193	140	136K	122	118K
lteville	179	179	220	216K	179	179	195	195	280	274	237	184	180K	166	162K
lmington	175	175	215	209K	175	175	189	189	290	268	231	178	174K	160	156K

AR - All Rail.
RWR - Rail-Water and Rail.

1741

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.												
	Johnsonburg		Lake Placid		Ligonier		Lyndonville		Madawaska	Mars Hill	Millinocket	Montauk	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	AR	AR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).												
NORTH CAROLINA - Conc.													
Wilson	150	150	182	178K	157	157	165	165	256	246	209	156	152K
Windsor	161	161	189	185K	162	162	174	174	259	247	210	159	155K
Winston-Salem	157	157	196	192K	157	157	177	177	272	260	223	170	166K
TENNESSEE													
Cumberland Gap	165	...	244	240K	155	...	173	...	276	264	227	188	188
Elizabethton	146	...	201	201	136	...	161	...	264	252	215	170	170
Erwin	149	...	205	205	140	...	161	...	267	255	218	174	174
Holston	146	...	205	205	140	...	161	...	267	255	218	174	174
Johnson City	146	...	201	201	136	...	161	...	264	252	215	170	170
Kingsport	146	...	205	205	140	...	161	...	267	255	218	174	174
Roan Mountain	145	...	199	195K	137	...	160	...	...	...	...	169	...
Roan Mountain	162	...	217	213K	155	...	178	...	...	...	...	187	...
VIRGINIA													
Appalachia	161	...	242	240N	148	...	169	...	277	265	228	184	184
Apple	127	127	168	168	128	128	143	143	244	232	195	146	146
Carrsville	133	133	156	156N	135	135	135	135	236	224	187	133	133N
Chatham	131	131	169	169	132	132	151	151	246	234	197	144	144
Clarksville	133	133	165	165	136	136	146	146	242	230	193	143	143
Danville	130	130	168	168	131	131	150	150	245	233	196	143	143
Delvale	167	...	231	227K	157	...	182	...	...	...	...	197	197N
Denniston	133	133	168	168N	131	131	150	150	245	233	196	146	146P
Dinwiddie	134	134	166	166	139	139	147	147	243	231	194	144	144
Duffield	168	...	231	231N	156	...	182	...	...	...	...	190	190
Emporia	125	125	157	157	127	127	139	139	234	222	185	132	132
Ewing	165	...	244	240K	155	...	174	...	276	264	227	188	188
Fort Blackmore	147	...	205	205	140	...	161	...	267	255	218	166	166
Franklin	130	130	156	156N	135	135	146	146	236	224	187	133	133N
Gate City	167	...	227	227	157	...	176	...	...	...	...	187	187
Gretna	127	127	165	165	128	128	146	146	242	230	193	140	140
Hubbard Springs	146	...	221	217K	135	...	168	...	277	265	228	169	169
Inlet	141	141	163	163	105	105	155	155	240	228	191	143	143
Inlet	133	133	155	155	97	97	146	146	233	221	184	135	135
Keysville	125	125	157	157	130	130	139	139	234	222	185	135	135
La Crosse	130	130	162	162	135	135	143	143	236	224	189	140	140
Lawyers	127	127	165	165	[illegible]	128	146	146	242	230	193	140	140
Leaksville Jct.	139	139	172	168K	140	140	158	158	254	242	205	151	147K
Lennig	130	130	165	165	128	128	146	146	242	230	193	143	143
McKenney	130	130	162	162	135	135	143	143	236	224	189	140	140
Martinsville	138	138	179	179	139	139	154	154	255	243	206	157	157
Maytown	162	...	227	227N	158	...	175	...	...	...	...	190	190
Mendota	164	...	217	217	160	...	179	...	...	...	...	182	182
Pardee	167	...	231	227K	157	...	176	...	...	...	...	194	194
Pleasant Ridge	141	141	163	163	105	105	154	154	240	228	191	143	143
Pleasant Ridge	133	133	155	155	97	97	146	146	233	221	184	135	135
Rocky Mount	151	151	173	173	132	132	147	147	248	236	199	151	151
St. Brides	141	141	163	163	105	105	154	154	240	228	191	143	143
St. Brides	133	133	155	155	97	97	146	146	233	221	184	135	135
St. Charles	170	...	231	231	160	...	179	...	...	...	...	200	200
South Boston	134	134	166	166N	132	132	151	151	246	234	197	147	146P
Speers Ferry	146	...	205	205	140	...	161	...	267	255	218	166	166
Stony Creek	125	125	157	157	127	127	146	146	234	222	185	132	132
Whaley	133	133	156	156N	135	135	146	146	236	224	187	133	133N

AR - All Rail.
RWR - Rail-Water and Rail.

to page 339 of Tariff:

SECTION 2A - Continued.

and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate basis shown below:	New York		Hiverton		Oak-Field	Ogdensburg		Oil City		Patchogue		Petersburg		Phila-delphia		P-Port
	AR	RWR	AR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	RWR
KENTUCKY																
bor	160	160	166	. . .	273	199	199	152	. . .	191	191	164	. . .	167	167	167
dstown.	177	177	146	. . .	255	172	. . .	134	. . .	189	189	150	. . .	169	169	169
l Farm.	196	196	166	. . .	285	199	199	152	. . .	210	210	167	. . .	190	190	190
ton	196	196	167	. . .	271	189	. . .	153	. . .	210	210	174	. . .	187	187.	187
ling Green.	200	200	166	. . .	279	195	. . .	152	. . .	212	212	170	. . .	193	193	193
nnon.	176	176	141	. . .	254	173	. . .	130	. . .	188	. . .	145	. . .	166	166	166
nside	184	184	158	. . .	271	189	. . .	146	. . .	196	196	155	. . .	176	176	176
is.	219	219	187	. . .	294	210	. . .	172	. . .	231	231	190	. . .	208	208	208
pbellsville	184	184	158	. . .	268	184	. . .	146	. . .	196	196	160	. . .	176	176	176
yville	189	189	158	. . .	268	184	. . .	146	. . .	201	201	162	. . .	176	176	176
rrollton	167	167	133	. . .	246	164	. . .	121	. . .	179	179	136	. . .	157	157	157
ce.	207	207	179	. . .	282	201	. . .	165	. . .	219	219	183	. . .	198	198	198
tral City	199	199	167	. . .	274	190	. . .	152	. . .	211	211	170	. . .	188	188	188
verport	185	185	154	. . .	274	179	. . .	142	. . .	197	197	157	. . .	177	177	177
bin	180	180	163	. . .	277	196	. . .	149	. . .	191	191	163	. . .	167	167	167
ydon.	188	188	156	. . .	263	179	. . .	141	. . .	200	200	164	. . .	177	177	177
ville	167	167	141	. . .	254	173	. . .	130	. . .	179	179	139	. . .	160	160	160
zabethtown.	177	177	146	. . .	255	172	. . .	134	. . .	189	189	150	. . .	169	169	169
ton	232	232	196	. . .	307	224	. . .	182	. . .	244	244	197	. . .	221	221	221
mouth	160	160	125	. . .	238	156	. . .	113	. . .	172	172	129	. . .	150	150	150
ingsburg	176	176	141	. . .	254	173	. . .	130	. . .	188	188	145	. . .	166	166	166
ingsburg Jct	172	172	137	. . .	250	168	. . .	125	. . .	184	184	141	. . .	162	162	162
d	164	164	138	. . .	251	169	. . .	127	. . .	176	176	135	. . .	156	156	156
dsville	189	189	158	. . .	268	184	. . .	146	. . .	201	201	162	. . .	182	182	182
nkfort.	168	168	145	. . .	255	174	. . .	131	. . .	180	180	140	. . .	161	161	161
ton	202	202	174	. . .	277	197	. . .	161	. . .	214	214	178	. . .	194	194	194
rgetown	164	164	138	. . .	251	169	. . .	127	. . .	176	176	135	. . .	156	156	156
bertsville.	196	196	167	. . .	271	189	. . .	153	. . .	210	210	174	. . .	187	187	187
sgow.	197	197	166	. . .	275	191	. . .	154	. . .	209	209	167	. . .	189	189	189
hrie.	211	211	175	. . .	286	202	. . .	161	. . .	223	223	176	. . .	200	200	200
lan	161	161	152	. . .	248	189	. . .	151	. . .	173	173	150	. . .	147	147	147
ard	199	199	166	. . .	286	199	. . .	152	. . .	211	211	164	. . .	189	189	189
man.	210	210	182	. . .	285	205	. . .	168	. . .	222	222	186	. . .	201	201	201
kinsville	204	204	171	. . .	279	195	. . .	156	. . .	216	216	175	. . .	193	193	193
ree Cave	189	189	158	. . .	268	184	. . .	146	. . .	201	201	162	. . .	182	182	182
vine.	172	172	146	. . .	259	177	. . .	[illegible]	. . .	184	184	143	. . .	164	164	164
kson.	188	188	160	. . .	275	194	. . .	151	. . .	200	200	155	. . .	180	180	180
fersontown.	174	174	143	. . .	252	168	. . .	131	. . .	186	186	146	. . .	166	166	166
range	173	173	141	. . .	252	168	. . .	130	. . .	185	185	145	. . .	165	165	165
renceburg	168	168	145	. . .	255	174	. . .	131	. . .	180	180	140	. . .	161	161	161
anon.	175	175	149	. . .	259	175	. . .	138	. . .	187	187	146	. . .	167	167	167
anon Jct.	173	173	141	. . .	251	167	. . .	130	. . .	185	185	145	. . .	165	165	165
.	189	189	168	. . .	277	199	199	152	. . .	201	201	164	. . .	173	173	173
on.	174	174	168	. . .	261	202	. . .	161	. . .	186	186	165	. . .	161	161	161
berts.	207	207	175	. . .	282	210	. . .	161	. . .	219	219	171	. . .	196	196	196
isonville	191	191	159	. . .	268	183	. . .	144	. . .	205	205	163	. . .	180	180	180
chester	184	184	165	. . .	271	205	205	156	. . .	196	196	164	. . .	170	170	170
field	198	198	167	. . .	271	189	. . .	153	. . .	210	210	174	. . .	182	182	182
lensboro.	165	165	157	. . .	247	183	184	155	. . .	177	177	154	. . .	152	152	152
ay	164	164	139	. . .	250	169	. . .	127	. . .	176	176	135	. . .	156	156	156
ingfield.	187	187	155	. . .	262	178	. . .	140	. . .	199	199	158	. . .	176	176	176
nt Vernon	179	179	154	. . .	266	185	. . .	142	. . .	191	191	151	. . .	172	172	172
ray	207	207	176	. . .	280	198	. . .	162	. . .	219	219	183	. . .	196	196	196
son.	164	164	139	. . .	250	169	. . .	127	. . .	176	176	135	. . .	156	156	156
sboro.	191	191	159	. . .	266	185	. . .	144	. . .	203	203	163	. . .	180	180	180

FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusiv New York		Riverton		Oak-field	Ogdensburg		Oil City		Patchogue		Petersburg		Phila-delphia	
	AR	RWR	AR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended; inclusiv).														
KENTUCKY - Conc.															
Paris	164	164	137	. . .	260	168	. . .	125	. . .	176	176	135	. . .	156	156
Pine Knot	195	195	163	. . .	282	199	. . .	149	. . .	207	207	164	. . .	187	187
Princeton	204	204	171	. . .	279	195	. . .	156	. . .	216	216	175	. . .	193	193
Providence	195	195	162	. . .	270	186	. . .	147	. . .	207	207	166	. . .	184	184
Richmond	172	172	146	. . .	259	177	. . .	134	. . .	184	184	143	. . .	164	164
Russellville	210	210	172	. . .	286	202	. . .	158	. . .	222	222	173	. . .	199	199
Scottsville	221	221	180	. . .	. . .	213	. . .	171	. . .	233	233	183	. . .	202	202
Shelbyville	172	172	141	. . .	251	167	. . .	130	. . .	184	184	143	. . .	164	164
Spottsville	188	188	151	. . .	263	179	. . .	141	. . .	200	200	159	. . .	177	177
Sturgis	196	196	163	. . .	271	187	. . .	149	. . .	208	208	167	. . .	185	185
Switzer	168	168	143	. . .	255	174	. . .	131	. . .	180	180	140	. . .	161	161
Thompsonville	215	215	182	. . .	290	206	. . .	167	. . .	227	227	186	. . .	204	204
Walton	161	161	126	. . .	262	157	. . .	114	. . .	173	173	130	. . .	151	151
West Point	174	174	143	. . .	262	168	. . .	131	. . .	186	186	146	. . .	166	166
Whitesburg	207	207	172	. . .	289	207	. . .	159	. . .	219	219	173	. . .	193	193
Wickliffe	195	195	167	. . .	270	189	. . .	153	. . .	207	207	170	. . .	186	186
Williamsburg	185	185	163	. . .	274	199	. . .	152	. . .	197	197	164	. . .	173	173
Williamstown	160	160	125	. . .	238	156	. . .	113	. . .	172	172	129	. . .	150	150
Worthville	168	168	134	. . .	247	165	. . .	122	. . .	180	180	137	. . .	156	156
NORTH CAROLINA															
Aberdeen	152	148K	154	154	251	199	195K	173	173	164	160K	149	149	140	136K
Ahoskie	113	109K	128	128	210	156	152K	143	143	125	121K	125	125	101	97K
Albemarle	155	151K	151	151	251	199	195K	173	173	167	163K	146	146	140	136K
Almond	187	183K	184	184	286	227	223K	203	203	199	195K	179	179	176	172K
Andrews	194	188G	187	187	289	231	227K	207	207	206	200G	184	184	181	177K
(200) Arthur	140	136K	148	148	237	189	185K	167	167	152	148K	143	143	125	121K
(201) Arthur	135	131K	142	142	232	183	179K	161	161	147	143K	137	137	119	115K
Asheboro	149	145K	148	148	247	179	175K	167	167	161	157K	143	143	137	133K
Asheville	173	169K	169	169	273	217	213K	189	189	165	161K	164	164	159	155K
Ashford	167	163K	162	162	259	200	196K	177	177	179	175K	159	159	155	151K
Barber	152	148K	151	151	251	196	192K	170	170	164	160K	146	146	140	136K
(200) Bayboro	149	145K	163	163	244	193	189K	176	176	161	157K	158	158	139	135K
(201) Bayboro	135	131K	153	153	230	179	175K	164	164	147	143K	148	148	125	121K
(200) Belhaven	134	130K	151	151	253	185	181K	170	170	146	142K	146	146	122	118K
(201) Belhaven	122	118K	139	139	221	174	170K	158	158	134	130K	134	134	110	106K
Black Mountain	170	166K	169	169	272	213	209K	189	189	182	178K	161	161	156	152K
Broadway	158	154K	156	156	260	200	196K	175	175	170	166K	149	149	143	139K
Burlington	144	140K	145	145	240	184	180K	161	161	156	152K	140	140	134	130K
Burnsville	176	172K	168	168	257	206	202K	183	183	178	174K	165	165	163	159K
(200) Cairo	143	139K	148	148	241	189	185K	167	167	155	151K	143	143	131	127K
(201) Cairo	136	132K	142	142	234	182	178K	161	161	148	144K	137	137	124	120K
Chapel Hill Station	146	142K	145	145	240	186	182K	164	164	158	154K	140	140	131	127K
Charlotte	158	154K	157	157	254	203	199K	176	176	170	166K	149	149	143	139K
Clarkton	161	157K	163	163	257	203	199K	185	185	173	169K	160	160	148	144K
Cliffside	168	164K	166	166	260	210	206K	185	185	180	176K	161	161	155	151K
Clinton	149	145K	157	157	247	197	193K	173	173	161	157K	149	149	134	130K
(200) Columbia	134	130K	151	[illegible]	253	182	178K	167	167	146	142K	143	143	119	115K
(201) Columbia	122	118K	139	139	221	171	167K	156	156	134	130K	131	131	107	103K
Cove	140	136K	147	147	241	185	181K	160	160	152	148K	146	146	129	125K
(202) Cranberry	146	146	138	. . .	. . .	176	. . .	138	. . .	158	. . .	135	. . .	133	133
(203) Cranberry	164	164	156	. . .	264	194	. . .	156	. . .	176	. . .	153	. . .	149	149
Crestmont	195	191K	192	192	. . .	229	229	194	194	207	203K	190	190	187	183K
Dunn	146	142K	151	151	244	193	189K	170	170	158	154K	146	146	131	127K
Durham	143	139K	138	138	232	178	174K	156	156	155	151K	135	135	127	123K
(200) Eagle Springs	156	152K	157	157	251	203	199K	173	173	168	164K	152	152	146	142K

AR - All Rail.
RWR - Rail-Water and Rail.

d to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

o and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	New York		Riverton		Oak-field	Ogdensburg		Oil City		Patchogue		Petersburg		Phila-delphia		P-Port
	AR	RWR	AR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Con.																
D) Eagle Springs	148	144K	150	150	243	196	192K	165	165	160	156K	144	144	139	135K	132E
ast La Port	182	178K	178	178	263	224	220K	199	199	194	190K	174	174	169	165K	162E
D) Edenton	131	127K	145	145	226	175	171K	162	162	143	139K	143	143	116	112K	109E
D) Edenton	122	118K	135	135	215	164	160K	151	151	134	130K	133	133	106	102K	99E
D) Elizabeth City	125	121K	143	143	221	171	167K	157	157	157	133K	140	140	112	108K	105E
D) Elizabeth City	116	112K	133	133	211	161	157K	147	147	128	124K	130	130	102	98K	95E
armville	137	133K	148	148	237	180	176K	164	164	149	145K	143	143	125	121K	118E
D) Farrington	146	142K	145	145	227	189	185K	164	164	158	154K	140	140	131	127K	124E
D) Farrington	140	136K	133	133	220	182	178K	157	157	152	148K	133	133	124	120K	117E
ayetteville	149	145K	154	154	247	196	192K	176	176	161	157K	149	149	137	133K	130E
ontana	210	206K	184	184	286	227	223K	203	203	222	218K	182	182	177	173K	170E
orest City	167	163K	166	166	260	210	206K	185	185	179	175K	161	161	155	151K	148E
arland	155	151K	160	160	251	199	195K	179	179	167	163K	155	155	141	137K	134E
astonia	161	157K	160	160	257	207	203K	179	179	173	169K	152	152	147	143K	140E
ibson	158	154K	160	160	254	203	199K	179	179	170	166K	155	155	144	140K	137E
oldsboro	141	137K	148	148	237	184	180K	164	164	153	149K	143	143	128	124K	121E
reensboro	136	132K	138	138	232	176	172K	151	151	148	144K	132	132	127	123K	120E
reenville	137	133K	146	146	233	180	176K	161	161	149	145K	143	143	122	118K	115E
amlet	155	151K	157	157	254	199	195K	179	179	167	163K	152	152	143	139K	136E
ayesville	210	2040	206	206	293	249	245K	226	226	222	217K	202	202	199	195K	192E
enderson	129	125K	134	134	221	168	164K	149	149	141	137K	123	123	116	112K	109E
endersonville	176	172K	172	172	277	217	213K	193	193	188	184K	167	167	161	157K	154E
enrietta	167	163K	166	166	260	210	206K	185	185	179	175K	162	162	155	151K	148E
igh Point	144	140K	145	145	240	184	180K	164	164	156	152K	137	137	131	127K	124E
untdale	151	147K	143	143	243	180	176K	157	157	163	159K	140	140	138	134K	131E
acksonville	157	153K	168	168	251	204	200K	187	187	169	165K	163	163	148	144K	141E
annapolis	145	141K	151	151	248	189	185K	159	159	157	153K	146	146	136	132K	129E
elford	122	118K	137	137	219	165	161K	152	152	134	130K	134	134	110	106K	103E
enansville	163	159K	168	168	247	207	203K	187	187	175	171K	163	163	148	144K	141E
inston	140	136K	151	151	241	187	183K	170	170	152	148K	146	146	128	124K	121E
ona	158	154K	150	150	247	188	184K	165	165	170	166K	147	147	145	141K	138E
a Grange	143	139K	151	151	241	189	185K	170	170	155	151K	146	146	128	124K	121E
ake Toxaway	182	178K	178	178	263	224	220K	199	199	194	190K	174	174	169	165K	162E
asseiter	141	137K	148	148	257	184	180K	164	164	153	149K	143	143	128	124K	121E
aurinburg	155	151K	160	160	254	203	199K	179	179	167	163K	155	155	143	139K	136E
awndale	173	169K	169	169	269	216	212K	190	190	185	181K	166	166	159	155K	152E
eaksville	128	124K	129	129	224	167	163K	144	144	140	136K	123	123	118	114K	111E
enoir	164	160K	160	160	257	207	203K	182	182	176	172K	155	155	149	145K	142E
ewiston	122	118K	137	137	219	165	161K	152	152	134	130K	134	134	110	106K	103E
exington	149	145K	148	148	247	190	186K	167	167	161	157K	140	140	134	130K	127E
D) Lillington	146	142K	151	151	244	193	189K	170	170	158	154K	146	146	134	130K	127E
D) Lillington	138	134K	143	143	236	185	181K	163	163	150	146K	139	139	127	123K	120E
incolnton	161	157K	160	160	257	207	203K	179	179	173	169K	152	152	147	143K	140E
uisburg	132	128K	137	137	225	172	168K	152	152	144	140K	134	134	119	115K	112E
umberton	155	151K	160	160	254	203	199K	182	182	167	163K	156	156	143	139K	136E
arion	167	163K	163	163	265	207	203K	184	184	179	175K	158	158	152	148K	145E
arshall	176	172K	182	182	273	217	213K	189	189	188	184K	167	167	161	157K	154E
axton	155	151K	160	160	251	199	195K	179	179	167	163K	156	156	141	137K	134E
D) Midland	160	156K	163	163	254	203	199K	179	179	172	168K	158	158	151	147K	144E
D) Midland	154	150K	156	156	247	196	192K	173	173	166	162K	151	151	145	141K	138E
ilton	129	125K	129	129	225	168	164K	145	145	141	137K	124	124	118	114K	111E
D) Mizzelle	134	130K	151	151	233	185	181K	167	167	146	142K	146	146	122	118K	115E
D) Mizzelle	126	122K	139	139	221	173	169K	156	156	138	134K	134	134	110	106K	103E

AR - All Rail.
RWR - Rail-Water and Rail.

1171

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive. New York,		Riverton		Oak-field	Ogdensburg		Oil City		Patchogue		Petersburg		Phila-delphia	
	AR	RWR	AR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).														
NORTH CAROLINA - Con.															
Monroe	161	157K	160	160	257	207	203K	179	179	173	169K	155	155	147	143K
Mooresville	155	151K	154	154	251	199	199	162	162	167	163K	146	146	140	136K
Mt. Airy	155	151K	148	148	251	197	193K	170	170	167	163K	143	143	140	136K
Murphy	194	186G	190	190	289	221	217K	207	207	206	200G	184	184	161	177K
(200) New Bern	146	142K	155	155	241	193	189K	173	173	158	154K	153	153	135	131K
(201) New Bern	135	131K	146	146	227	179	175K	164	164	147	143K	144	144	124	120K
Newport	156	152K	163	163	247	194	190K	176	176	168	164K	168	168	146	142K
Newton	158	154K	157	157	254	203	199K	176	176	170	166K	149	149	143	139K
North Wilkesboro	158	154K	157	157	254	199	195K	176	176	170	166K	148	148	146	142K
(200) Oakboro	158	154K	160	160	246	203	199K	176	176	170	166K	154	154	149	[illegible]
(201) Oakboro	151	147K	153	153	239	196	192K	170	170	163	159K	148	148	142	138K
Oxford	128	124K	133	133	220	167	163K	147	147	140	136K	130	130	114	110K
Pembroke	155	151K	160	160	251	199	195K	179	179	167	163K	156	156	140	136K
Pinetops	140	136K	148	148	237	183	179K	163	163	152	148K	145	145	129	125K
Pittsboro	149	145K	148	148	244	193	189K	170	170	161	157K	143	143	134	130K
(200) Plymouth	133	129K	148	148	230	176	172K	163	163	145	141K	143	143	119	115K
(201) Plymouth	121	117K	136	136	218	164	160K	151	151	133	129K	132	132	108	104K
Potecasi	122	118K	137	137	219	165	161K	152	152	134	130K	134	134	110	105K
(200) Putnam	152	148K	154	154	247	196	192K	173	173	164	160K	149	149	140	136K
(201) Putnam	146	142K	147	147	240	189	185K	166	166	158	154K	142	142	133	129K
Raeford	155	151K	157	157	251	199	195K	176	176	167	163K	152	152	140	136K
Raleigh	141	137K	145	145	233	180	176K	161	161	153	149K	140	140	128	124K
Ramseur	147	143K	145	145	243	187	183K	164	164	159	155K	140	140	134	130K
Reidsville	128	124K	129	129	224	167	163K	144	144	140	136K	123	123	118	114K
Roanoke Rapids	117	113K	125	125	213	160	156K	140	140	129	125K	122	122	107	103K
Robbinsville	194	...	187	...	294	231	...	207	...	206	[illegible]	184	...	161	...
(200) Rockton	143	139K	148	148	240	189	185K	167	167	155	[illegible]	143	143	128	124K
(201) Rockton	135	131K	141	141	231	182	178K	160	160	147	[illegible]	137	137	121	117K
Rocky Mount	124	120K	133	133	220	167	163K	147	147	136	[illegible]	130	130	114	110K
Roxboro	128	124K	130	130	220	167	163K	149	149	140	[illegible]	130	130	114	110K
St. Paul	159	155K	164	164	251	210	206K	190	190	171	167K	159	159	151	147K
Salisbury	152	148K	148	148	247	194	190K	170	170	164	160K	143	143	137	133K
Sanford	149	145K	151	151	244	193	189K	170	170	161	157K	143	143	134	130K
Scotland Neck	125	121K	134	134	221	168	164K	149	149	137	133K	131	131	113	109K
Selma	141	137K	147	147	237	184	180K	164	164	153	149K	143	143	128	124K
Shelby	164	160K	163	163	260	207	203K	182	182	176	172K	157	157	150	146K
Siler City	149	145K	148	148	247	190	186K	167	167	161	157K	140	140	134	130K
Siloam	152	148K	148	148	251	193	189K	167	167	164	160K	140	140	137	133K
(200) Star	152	148K	154	154	251	199	195K	173	173	164	160K	149	149	142	138K
(201) Star	146	142K	147	147	245	192	188K	166	166	158	154K	142	142	136	132K
Statesville	152	148K	154	154	251	199	195K	173	173	164	160K	146	146	140	136K
Sylva	179	175K	178	178	280	217	213K	196	196	191	187K	173	173	169	165K
Tarboro	129	125K	137	137	225	172	168K	152	152	141	137K	134	134	118	114K
Taylorsville	158	154K	157	157	254	203	199K	176	176	170	166K	149	149	143	139K
(200) Vanceboro	140	136K	151	151	244	189	185K	170	170	152	148K	147	147	131	127K
(201) Vanceboro	132	128K	143	143	236	181	177K	163	163	144	140K	140	140	124	120K
Vandemere	146	142K	154	154	244	193	189K	173	173	158	154K	149	149	131	127K
Varina	146	142K	148	148	243	189	185K	167	167	158	154K	143	143	131	127K
Wadesboro	158	154K	157	157	254	203	199K	176	176	170	166K	152	152	146	142K
Wallace	149	145K	157	157	247	196	192K	176	176	161	157K	152	152	137	133K
Walnut Cove	147	143K	142	142	243	184	180K	161	161	159	155K	137	137	134	130K
Warrenton	124	120K	129	129	217	164	160K	144	144	136	132K	128	136	111	107K
Washington	140	136K	148	148	237	184	180K	164	164	152	148K	143	143	125	121K
Weldon	117	113K	125	125	213	160	156K	140	140	129	125K	122	122	107	103K
Whiteville	161	157K	166	166	257	207	203K	185	185	173	169K	163	163	149	145K
Wilmington	155	151K	163	163	251	199	195K	179	179	167	163K	157	157	140	136K

AR - All Rail.
RWR - Rail-Water and Rail.

1746

1172

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	New York		Niverton		Oakfield	Ogdensburg		Oil City		Patchogue		Petersburg		Philadelphia		P-Port
	AR	RWR	AR	RWR	AR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	RWR
NORTH CAROLINA - - Conc.																
Wilson	135	129K	141	141	229	176	172K	156	156	145	141K	139	139	125	119K	116E
Windsor	136	132K	153	153	230	181	177K	168	168	148	144K	140	140	126	122K	119E
Winston-Salem	147	143K	145	145	243	187	183K	164	164	159	155K	140	140	134	130K	127E
TENNESSEE																
Cumberland Gap	165	165	157	...	247	194	194	155	...	177	177	154	...	152	152	152
Elizabethton	147	147	139	...	235	177	177	139	...	159	159	136	...	134	134	134
Erwin	151	151	143	...	238	180	180	141	...	163	163	140	...	138	138	138
Holston	151	151	143	...	238	180	180	141	...	163	163	140	...	138	138	138
Johnson City	147	147	139	...	235	177	177	139	...	159	159	136	...	134	134	134
Kingsport	151	151	143	...	238	180	180	141	...	163	163	140	...	138	138	138
[illegible] Roan Mountain	146	146	138	...	...	176	...	138	...	158	...	135	...	133	133	133
[illegible] Roan Mountain	164	164	156	...	...	194	...	156	...	176	...	153	...	149	149	149
VIRGINIA																
Appalachia	161	161	152	...	248	173	173	149	...	173	173	150	...	147	147	147
Apple	123	123	115	115	215	156	156	133	133	135	135	112	112	110	110	110
Carrsville	110	110P	125	125	207	153	153P	140	140	122	122P	122	122	98	98	91E
Chatham	121	121	123	123	217	161	161	138	138	133	133	117	117	111	111	111
Clarksville	120	120	125	125	213	160	160N	143	143	132	132	122	122	107	107N	100E
Danville	120	120	122	122	216	160	160N	136	136	132	132	115	115	110	110	103E
Delvale	174	174M	165	...	...	207	207	160	...	186	186N	164	...	161	161	161M
Denniston	123	123N	122	122	216	162	162P	140	140	135	135P	119	119	110	110N	103E
Dinwiddie	121	121	126	126	214	161	161	141	141	133	133	123	123	108	108	108
Duffield	167	167	161	...	...	203	203	162	...	179	179	159	...	156	156	156
Emporia	109	109	117	117	205	152	152	132	132	121	121	114	114	99	99	92E
Ewing	165	165	157	...	247	194	194	155	...	177	177	154	...	152	152	152
Fort Blackmore	143	143	143	...	238	180	180	141	...	155	155	140	...	128	128	128
Franklin	110	110P	125	125	207	153	153P	140	140	122	122P	122	122	98	98	91E
Gate City	164	164	156	...	...	199	199	160	...	176	176	154	...	151	151	151
Gretna	117	117	118	118	213	156	156	133	133	129	129	112	112	107	107	107
Hubbard Springs	146	146	139	...	248	189	189	136	...	158	158	140	...	132	132	132
(200) Inlet	118	118	133	133	211	161	161	147	147	130	130	131	131	102	102	95E
(201) Inlet	110	110	126	126	204	153	153	140	140	122	122	123	123	95	95	88E
Keysville	112	112	117	117	205	152	152	125	135	124	124	114	114	99	99	92E
La Crosse	117	117	122	122	209	156	156	136	136	129	129	119	119	103	103	96E
Lawyers	117	117	118	118	213	156	156	133	133	129	129	112	112	107	107	107
Leaksville Jct	128	124K	130	130	225	167	163K	145	145	140	136K	124	124	118	114K	111E
Lennig	120	120	118	118	213	158	158	136	136	132	132	115	115	107	107N	104M
McKenney	117	117	122	122	209	156	156	136	136	129	129	119	119	103	103	103
Martinsville	134	134	126	126	226	167	167	144	144	146	146	123	123	121	121	121
Maytown	167	167	161	...	...	203	203	157	...	179	179	159	...	156	156	156
Mendota	159	159	153	...	...	199	199	167	...	171	171	152	...	148	148	148
Pardee	171	171	164	...	...	203	203	160	...	183	183N	162	...	159	159	159
(200) Pleasant Ridge	118	118	133	133	211	161	161	147	147	130	130	131	131	102	102	95E
(201) Pleasant Ridge	110	110	125	125	204	153	153	140	140	122	122	123	123	95	95	88E
Rocky Mount	128	128	119	119	210	161	161	138	138	140	140	117	117	114	114	114
(200) St. Brides	118	118	133	133	211	161	161	147	147	130	130	131	131	102	102	95E
(201) St. Brides	110	110	125	125	204	153	153	140	140	122	122	123	123	95	95	88E
St. Charles	177	177	170	...	...	203	203	165	...	189	189	169	...	166	166	166
South Boston	124	124M	123	123	217	163	163N	141	141	136	136N	120	120	111	110N	104E
Spears Ferry	143	143	143	...	238	180	180	141	...	155	155	140	...	128	128	128
Stony Creek	109	109	117	117	205	152	152	132	132	121	121	114	114	99	99	99
Whaley	110	109N	125	125	207	153	152N	140	140	122	122R	122	122	98	97P	91E

1747

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive															
	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading		Richmond		Rochester	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
KENTUCKY																
Anchor	196	196	143	...	155	155	187	187	239	239	167	...	137	...	170	...
Bardstown	177	177	124	...	164	164	175	...	208	208	164	...	136	...	147	...
Bell Farm	205	205	143	...	177	177	198	198	235	235	165	...	143	...	170	...
Benton	196	196	146	...	182	182	195	...	228	228	182	...	160	...	162	...
Bowling Green	200	200	146	...	187	187	198	...	235	235	187	...	152	...	171	...
Brannon	176	176	120	...	160	160	173	...	204	204	160	...	125	...	146	...
Burnside	193	...	136	...	165	165	184	...	231	231	179	...	133	...	164	...
Cadiz	219	219	175	...	205	205	214	...	252	252	205	...	176	...	188	...
Campbellsville	187	...	136	...	165	165	184	...	229	229	176	...	137	...	160	...
Caneyville	189	189	136	...	176	176	187	...	229	229	176	...	146	...	160	...
Carrollton	167	167	111	...	151	151	164	...	195	195	151	...	124	...	136	...
Cayce	207	207	157	...	193	193	204	...	233	233	191	...	171	...	179	...
Central City	199	199	146	...	183	183	194	...	234	234	183	...	152	...	168	...
Cloverport	185	185	132	...	172	172	183	...	226	226	167	...	145	...	155	...
Corbin	195	195	140	...	155	155	187	187	234	234	167	...	134	...	167	...
Corydon	188	188	138	...	172	172	183	...	213	213	172	...	147	...	157	...
Danville	176	...	120	...	146	146	176	...	215	215	165	...	128	...	150	...
Elizabethtown	177	177	124	...	164	164	175	...	208	208	164	...	138	...	147	...
Elkton	232	232	173	...	224	224	227	...	264	264	216	...	182	...	201	...
Falmouth	160	...	108	...	143	143	156	...	187	187	143	...	117	...	130	...
Flemingsburg	176	...	120	...	155	155	173	...	204	204	160	...	119	...	146	...
Flemingsburg Jct	172	...	116	...	154	154	168	...	199	199	155	...	119	...	142	...
Ford	173	...	117	...	143	143	164	...	211	211	162	...	113	...	146	...
Fordsville	189	189	136	...	176	176	187	...	229	229	176	...	149	...	160	...
Frankfort	177	...	121	...	147	147	168	...	211	211	166	...	118	...	151	...
Fulton	202	202	154	...	188	188	199	...	235	235	188	...	166	...	158	...
Georgetown	173	...	117	...	143	143	164	...	204	204	160	...	113	...	146	...
Gilbertsville	196	196	146	...	182	182	193	...	230	230	182	...	160	...	167	...
Glasgow	197	197	143	...	184	184	195	...	232	232	184	...	149	...	167	...
Guthrie	211	211	152	...	195	195	206	...	243	243	195	...	161	...	179	...
Harlan	175	...	141	...	136	136	167	...	197	197	147	...	128	...	169	...
Hazard	203	...	143	...	176	176	199	...	240	240	179	...	137	...	170	...
Hickman	210	210	162	...	196	196	207	...	249	249	196	...	174	...	185	...
Hopkinsville	204	204	153	...	187	187	198	...	239	239	187	...	161	...	173	...
Horse Cave	189	189	136	...	176	176	187	...	228	228	176	...	146	...	160	...
Irvine	180	...	124	...	151	151	172	...	218	218	167	...	121	...	154	...
Jackson	196	...	137	...	167	167	188	...	231	231	173	...	131	...	164	...
Jeffersontown	174	174	121	...	161	161	172	...	202	202	161	...	133	...	144	...
Lagrange	173	173	120	...	154	154	171	...	202	202	160	...	124	...	144	...
Lawrenceburg	177	...	121	...	147	147	168	...	208	208	164	...	118	...	151	...
Lebanon	176	...	128	...	154	154	175	...	221	221	167	...	124	...	151	...
Lebanon Jct	173	173	120	...	160	160	171	...	202	202	160	...	133	...	143	...
Lot	203	203	143	...	161	161	196	196	235	235	173	...	137	...	170	...
Lynch	188	...	162	...	151	151	180	...	210	210	161	...	141	...	182	...
McRoberts	213	...	152	...	182	182	210	...	253	253	169	...	150	...	179	...
Madisonville	191	191	141	...	175	175	186	...	221	221	175	...	151	...	161	...
Manchester	203	...	146	...	158	158	190	190	236	236	170	170	140	...	175	...
Mayfield	196	196	146	...	182	182	193	...	230	230	182	...	160	...	167	...
Middlesboro	179	179	145	...	142	142	172	172	201	201	152	152	132	...	173	...
Midway	173	...	117	...	143	143	164	...	199	199	160	...	113	...	146	...
Morganfield	187	187	134	...	171	171	182	...	213	213	171	...	146	...	158	...
Mount Vernon	188	...	132	...	164	164	179	...	228	228	173	...	129	...	161	...
Murray	207	207	155	...	190	190	201	...	239	239	190	...	166	...	178	...
Newtown	173	...	117	...	143	143	164	...	204	204	160	...	113	...	146	...
Owensboro	191	191	141	...	175	175	186	...	219	219	175	...	151	...	161	...

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Phoenicia AR	Phoenicia RWR	Pittsburgh AR	Pittsburgh RWR	Popes Creek AR	Popes Creek RWR	Port Jervis AR	Port Jervis RWR	Portland AR	Portland RWR	Reading AR	Reading RWR	Richmond AR	Richmond RWR	Rochester AR	Rochester RWR
	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
KENTUCKY - Conc.																
Paris	172	. . .	116	. . .	143	143	164	. . .	199	199	155	. . .	113	. . .	142	. . .
Pine Knot	205	. . .	140	. . .	174	174	195	195	235	235	182	. . .	140	. . .	170	. . .
Princeton	204	204	153	. . .	187	187	198	. . .	240	240	187	. . .	161	. . .	173	. . .
Providence	195	195	144	. . .	176	176	189	. . .	230	230	176	. . .	154	. . .	164	. . .
Richmond	180	. . .	124	. . .	151	151	172	. . .	215	215	164	. . .	122	. . .	154	. . .
Russellville	210	210	149	. . .	195	195	206	. . .	243	243	193	. . .	156	. . .	176	. . .
Scottsville	225	225	162	. . .	205	205	213	213	261	261	202	202	186	186	185	185
Shelbyville	172	172	120	. . .	160	160	171	. . .	202	202	160	. . .	121	. . .	143	. . .
Spottsville	186	186	138	. . .	172	172	183	. . .	213	213	172	. . .	147	. . .	157	. . .
Sturgis	196	196	145	. . .	179	179	190	. . .	224	224	179	. . .	155	. . .	165	. . .
Switzer	177	. . .	121	. . .	147	147	168	. . .	211	211	166	. . .	118	. . .	151	. . .
Thompsonville	215	215	164	. . .	198	198	209	. . .	250	250	196	. . .	172	. . .	184	. . .
Walton	161	. . .	105	. . .	144	144	157	. . .	186	186	144	. . .	118	. . .	131	. . .
West Point	174	174	121	. . .	161	161	178	. . .	202	202	161	. . .	134	. . .	144	. . .
Whitesburg	210	. . .	150	. . .	182	182	207	. . .	244	244	185	. . .	146	. . .	176	. . .
Wickliffe	195	195	146	. . .	180	180	191	. . .	226	226	180	. . .	158	. . .	167	. . .
Williamsburg	201	. . .	143	. . .	[illegible]	[illegible]	194	194	235	235	170	. . .	137	. . .	170	. . .
Williamstown	160	160	105	. . .	[illegible]	[illegible]	[illegible]	. . .	167	167	149	. . .	117	. . .	130	. . .
Worthville	168	. . .	112	. . .	[illegible]	[illegible]	165	. . .	196	196	152	. . .	125	. . .	139	. . .
NORTH CAROLINA																
Aberdeen	175	169K	158	158	129	125K	164	160K	196	192K	143	139K	155	155	176	176
Ahoskie	133	129K	130	130	99	95K	123	119K	153	149K	107	103K	143	143	143	143
Albemarle	173	169K	155	155	129	125K	164	160K	199	195K	143	139K	155	155	179	179
Almond	205	199K	189	189	167	163K	195	191K	224	220K	176	172K	176	176	207	207
Andrews	207	203K	195	193	173	169K	199	195K	227	223K	181	177K	179	179	210	210
[illegible] Arthur	158	154K	152	152	116	112K	149	145K	182	178K	128	124K	161	161	167	167
[illegible] Arthur	152	148K	147	147	110	106K	143	139K	176	172K	122	118K	156	156	161	161
Asheboro	170	166K	152	152	122	118K	161	157K	194	190K	140	136K	149	149	173	173
Asheville	193	189K	173	173	149	145K	182	178K	215	211K	161	157K	164	164	196	196
Ashford	186	182K	167	167	146	142K	177	173K	202	198K	157	153K	154	154	184	184
Barber	173	169K	155	155	125	121K	164	160K	196	192K	140	136K	152	152	176	176
[illegible] Bayboro	167	163K	161	161	139	135K	158	154K	189	185K	144	140K	169	169	173	173
[illegible] Bayboro	153	149K	150	150	122	118K	144	140K	175	171K	130	126K	159	159	163	163
[illegible] Belhaven	155	151K	155	150	116	112K	146	142K	179	175K	125	121K	167	167	167	167
[illegible] Belhaven	143	139K	142	142	103	99K	134	130K	166	162K	113	109K	155	155	155	155
Black Mountain	189	185K	175	175	145	141K	179	175K	215	211K	158	154K	161	161	195	195
Broadway	175	171K	156	156	130	126K	167	163K	200	196K	146	142K	158	156	179	179
Burlington	164	160K	147	147	119	115K	154	150K	184	180K	134	130K	146	146	167	167
Burnsville	192	188K	176	176	153	149K	183	179K	208	204K	163	159K	160	160	190	190
[illegible] Cairo	164	160K	152	152	119	115K	155	151K	169K	165K	134	130K	149	149	170	170
[illegible] Cairo	157	153K	147	147	112	108K	148	144K	182K	178K	127	123K	144	144	165	165
Chapel Hill Station	164	160K	147	147	119	115K	155	151K	186	182K	134	130K	146	146	167	167
Charlotte	176	172K	156	156	131	127K	167	163K	203	199K	146	142K	156	156	171	171
Clarkton	179	175K	167	167	158	154K	170	166K	203	199K	150	146K	167	167	185	185
Cliffside	185	181K	170	170	146	142K	179	175K	210	206K	158	154K	164	164	195	195
Clinton	167	163K	158	158	122	118K	161	157K	193	189K	137	133K	161	161	175	175
[illegible] Columbia	155	151K	155	155	116	112K	146	142K	179	175K	125	121K	167	167	167	167
[illegible] Columbia	143	139K	142	142	111	107K	134	130K	166	162K	113	109K	156	155	155	155
Core	158	154K	149	149	122	118K	149	145K	189	185K	134	130K	156	156	170	170
[illegible] Cranberry	166	162	129	. . .	125	. . .	158	153	169	165	135	. . .	116	. . .	160	. . .
[illegible] Cranberry	182	182	147	. . .	141	. . .	171	171	200	200	151	. . .	136	. . .	177	. . .
Crestmont	212	208K	182	182	182	178K	205	201K	221	217K	187	183K	178	178	209	209
Dunn	167	163K	155	155	119	115K	158	154K	190	186K	134	130K	152	152	170	170
Durham	156	152K	140	140	114	110K	150	146K	178	174K	130	126K	140	140	160	160
[illegible] Eagle Springs	176	172K	156	156	136	132K	167	163K	199	195K	149	145K	156	156	179	179

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading		Richmond		Rochester	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Con.																
Eagle Springs	170	166K	150	150	129	125K	159	155K	192	188K	142	138K	150	150	172	172
East La Port	190	196K	182	182	161	157K	193	189K	223	219K	170	166K	165	165	203	203
Edenton	149	145K	149	149	116	112K	139	135K	168	164K	122	118K	161	161	162	162
Edenton	138	134K	139	139	106	102K	128	124K	157	153K	111	107K	151	151	151	151
Elizabeth City	144	140K	144	144	112	108K	134	130K	164	160K	116	112K	157	157	157	157
Elizabeth City	134	130K	134	134	102	98K	124	120K	154	150K	107	103K	147	147	147	147
Farmville	157	153K	151	151	116	112K	147	143K	182	178K	128	124K	161	161	164	164
Farrington	164	160K	149	149	119	115K	155	151K	193	189K	134	130K	146	146	170	170
Farrington	157	153K	142	142	112	108K	148	144K	186	182K	128	124K	139	139	163	163
Fayetteville	170	166K	158	158	122	118K	161	157K	196	192K	140	136K	158	158	175	175
Fontana	210	206K	189	189	168	164K	196	192K	237	233K	177	173K	176	176	210	210
Forest City	189	185K	170	170	144	140K	175	171K	215	211K	157	153K	161	161	193	193
Garland	176	172K	164	164	131	127K	167	163K	199	195K	145	141K	161	161	179	179
Gastonia	179	175K	164	164	136	132K	173	169K	203	199K	149	145K	161	161	185	185
Gibson	176	172K	164	164	134	130K	170	166K	203	199K	147	143K	161	161	182	182
Goldsboro	161	157K	151	151	116	112K	151	147K	180	176K	131	127K	156	156	164	164
Greensboro	156	152K	146	146	114	110K	146	142K	176	172K	130	126K	140	140	160	160
Greenville	157	153K	147	147	113	109K	147	143K	177	173K	128	124K	157	157	161	161
Hamlet	176	172K	161	161	131	127K	167	163K	203	199K	146	142K	161	161	182	182
Hayesville	225	221K	212	212	190	186K	217	213K	254	250K	199	195K	197	197	228	228
Henderson	145	141K	139	139	105	101K	139	135K	168	164K	119	115K	142	142	149	149
Hendersonville	196	192K	176	176	154	150K	165	161K	215	211K	164	160K	167	167	199	199
Henrietta	185	181K	167	167	144	140K	176	172K	210	206K	158	154K	164	164	195	195
High Point	164	160K	147	147	119	115K	154	150K	184	180K	134	130K	146	146	167	167
Huntdale	166	162K	147	147	128	124K	157	153K	187	183K	138	134K	134	134	164	164
Jacksonville	175	171K	172	172	139	135K	166	162K	207	203K	151	147K	161	161	181	181
Kannapolis	164	160K	155	155	125	121K	155	151K	193	189K	139	135K	152	152	170	170
Kelford	142	138K	139	139	107	103K	132	128K	162	158K	116	112K	149	149	152	152
Kenansville	171	167K	172	172	136	132K	172	168K	207	203K	151	147K	175	175	187	187
Kinston	161	157K	146	146	119	115K	152	148K	184	180K	131	127K	164	164	170	170
Kona	174	170K	155	155	135	131K	165	161K	190	186K	145	141K	142	142	172	172
La Grange	164	160K	155	155	119	115K	155	151K	189	185K	134	130K	156	156	170	170
Lake Toxaway	199	195K	182	182	161	157K	193	189K	223	219K	170	166K	173	173	203	203
Lassiter	161	157K	151	151	116	112K	151	147K	180	176K	131	127K	161	161	164	164
Laurinburg	176	172K	164	164	134	130K	167	163K	199	195K	147	143K	161	161	182	182
Lawndale	191	187K	176	176	149	145K	182	178K	217	213K	162	158K	171	171	198	198
Leaksville	147	143K	131	131	106	102K	138	134K	167	163K	121	117K	131	131	151	151
Lenoir	182	178K	164	164	138	134K	173	169K	207	203K	152	148K	161	161	189	189
Lewiston	142	138K	139	139	107	103K	132	128K	162	158K	116	112K	155	155	152	152
Lexington	167	163K	149	149	122	118K	158	154K	190	186K	137	133K	149	149	173	173
Lillington	167	163K	152	152	122	118K	158	154K	193	189K	137	133K	152	152	170	170
Lillington	159	155K	145	145	115	111K	151	147K	185	181K	129	125K	145	145	163	163
Lincolnton	179	175K	161	161	136	132K	170	166K	203	199K	151	147K	161	161	185	185
Louisburg	149	145K	142	142	108	104K	142	138K	172	168K	122	118K	145	145	152	152
Lumberton	176	172K	164	164	131	127K	167	163K	199	195K	146	142K	164	164	182	182
Marion	185	181K	167	167	140	136K	176	172K	209	205K	155	151K	158	158	189	189
Marshall	196	192K	176	176	149	145K	185	181K	219	215K	164	160K	161	161	199	199
Maxton	176	172K	164	164	131	127K	164	160K	199	195K	145	141K	161	161	179	179
Midland	179	175K	164	164	140	136K	170	166K	203	199K	155	151K	164	164	182	182
Midland	172	168K	157	157	134	130K	163	159K	197	193K	148	144K	157	157	176	176
Milton	147	143K	131	131	106	102K	139	135K	168	164K	121	117K	131	131	151	151
Mizzelle	155	151K	155	155	116	112K	146	142K	179	175K	125	121K	167	167	167	167
Mizzelle	143	139K	142	142	103	99K	134	130K	166	162K	113	109K	155	155	155	155

AR - All Rail.
RWR - Rail-Water and Rail.

1750

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading		Richmond		Rochester	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Con.																
Monroe	182	178K	164	164	136	132K	175	160K	207	203K	149	145K	161	161	185	185
Mooresville	176	172K	158	158	128	124K	164	160K	203	199K	143	139K	155	155	179	179
Mt.Airy	173	169K	152	152	128	124K	164	160K	199	195K	143	139K	149	149	173	173
Murphy	210	206K	195	195	172	168K	199	195K	237	233K	181	177K	179	179	213	213
New Byrn	164	160K	156	156	129	125K	155	151K	189	185K	140	136K	166	166	173	173
New Bern	150	146K	149	149	120	116K	141	137K	176	172K	127	123K	157	157	164	164
Newport	174	170K	165	165	137	133K	165	161K	196	192K	149	145K	174	174	176	176
Newton	179	175K	161	161	131	127K	170	166K	203	199K	146	142K	158	158	182	182
North Wilkesboro	179	175K	156	156	134	130K	170	166K	203	199K	146	142K	155	155	179	179
Oakboro	183	179K	160	160	138	134K	167	163K	203	199K	151	147K	160	160	182	182
Oakboro	176	172K	154	154	131	127K	160	156K	196	192K	145	141K	154	154	175	175
Oxford	144	140K	134	134	103	99K	138	134K	167	163K	118	114K	138	138	147	147
Pembroke	173	169K	164	164	129	125K	164	160K	199	195K	145	141K	161	161	179	179
Pinetops	160	156K	151	151	119	115K	150	146K	179	175K	133	129K	160	160	163	163
Pittsboro	167	163K	152	152	122	118K	158	154K	193	189K	137	133K	152	152	173	173
Plymouth	152	148K	150	150	116	112K	143	139K	173	169K	122	118K	163	163	163	163
Plymouth	141	137K	139	139	105	101K	131	127K	161	157K	110	106K	151	151	151	151
Potecasi	142	138K	139	139	107	103K	132	128K	162	158K	116	112K	149	149	152	152
Putnam	170	166K	157	157	130	126K	161	157K	196	192K	142	138K	155	155	176	176
Putnam	163	159K	148	148	123	119K	155	151K	189	185K	136	132K	148	148	169	169
Raeford	173	169K	161	161	129	125K	164	160K	199	195K	143	139K	156	156	179	179
Raleigh	157	153K	147	147	116	112K	151	147K	180	176K	131	127K	147	147	161	161
Ramseur	167	163K	149	149	122	118K	157	153K	187	183K	137	133K	149	149	171	171
Reidsville	147	143K	136	136	106	102K	138	134K	167	163K	121	117K	131	131	151	151
Roanoke Rapids	117	113K	127	127	96	92K	127	123K	156	152K	110	106K	136	136	140	140
Robbinsville	207	...	193	...	172	...	199	...	237	...	181	...	179	...	213	...
Rockton	164	160K	152	152	118	114K	155	151K	189	185K	131	127K	152	152	167	167
Rockton	157	153K	145	145	111	107K	147	143K	181	177K	125	121K	145	145	160	160
Rocky Mount	144	140K	134	134	103	99K	134	130K	164	160K	118	114K	144	144	147	147
Roxboro	144	140K	132	132	103	99K	138	134K	167	163K	118	114K	132	132	147	147
St.Paul	183	179K	168	168	136	132K	175	171K	209	205K	153	149K	168	168	187	187
Salisbury	170	166K	152	152	125	121K	161	157K	194	190K	140	136K	152	152	176	176
Sanford	167	163K	152	152	122	118K	158	154K	193	189K	137	133K	152	152	173	173
Scotland Neck	145	141K	135	135	105	101K	135	131K	165	161K	119	115K	145	145	149	149
Selma	161	157K	151	151	116	112K	151	147K	180	176K	131	127K	152	152	164	164
Shelby	182	178K	167	167	140	136K	173	169K	207	203K	154	150K	164	164	189	189
Siler City	167	163K	152	152	122	118K	161	157K	190	186K	137	133K	149	149	173	173
Siloam	173	169K	158	158	125	121K	164	160K	196	192K	140	136K	149	149	173	173
Star	173	169K	155	155	131	127K	168	164K	196	192K	146	142K	155	155	176	176
Star	167	163K	148	148	125	121K	154	150K	189	185K	139	135K	148	148	170	170
Statesville	173	169K	158	158	128	124K	167	163K	199	195K	143	139K	155	155	179	179
Sylva	199	195K	182	182	160	156K	189	185K	223	219K	169	165K	170	170	205	205
Tarboro	149	145K	146	146	108	104K	139	135K	168	164K	122	118K	149	149	152	152
Taylorsville	176	172K	161	161	131	127K	170	166K	203	199K	146	142K	158	158	182	182
Vanceboro	161	157K	155	155	123	119K	152	148K	189	185K	135	131K	167	167	176	176
Vanceboro	153	149K	147	147	115	111K	144	140K	181	177K	127	123K	159	159	169	169
Vandemere	164	160K	156	156	122	118K	155	151K	189	185K	137	133K	170	170	173	173
Varina	167	163K	151	151	119	115K	158	154K	189	185K	134	130K	149	149	170	170
Wadesboro	179	175K	161	161	131	127K	170	166K	203	199K	149	145K	158	158	182	182
Wallace	170	166K	161	161	122	118K	161	157K	196	192K	140	136K	164	164	173	173
Walnut Cove	167	163K	146	146	122	118K	157	153K	187	183K	137	133K	145	145	164	164
Warrenton	141	137K	134	134	100	96K	134	130K	164	160K	114	110K	138	138	144	144
Washington	158	154K	151	151	116	112K	149	145K	180	176K	131	127K	161	161	164	164
Weldon	136	132K	127	127	96	92K	127	123K	156	152K	110	106K	136	136	140	140
Whiteville	182	178K	170	170	140	136K	173	169K	207	203K	152	148K	167	167	185	185
Wilmington	176	172K	167	167	131	127K	167	163K	199	195K	145	141K	167	167	179	179

AR - All Rail.
RWR - Rail-Water Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive. Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading		Richmond		Rochestr	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Conc.																
Wilson	153	149K	149	149	112	106K	143	139K	173	169K	127	125K	153	153	156	156
Windsor	158	154K	154	154	122	118K	148	144K	177	173K	131	127K	168	168	168	168
Winston-Salem	167	163K	149	149	122	118K	157	153K	187	183K	137	133K	146	146	170	170
TENNESSEE																
Cumberland Gap	179	179	145	...	142	142	172	172	201	201	152	152	132	...	175	...
Elizabethton	163	163	130	...	124	124	154	154	185	185	134	134	119	...	161	...
Erwin	166	166	132	...	128	128	157	157	188	188	138	138	122	...	161	...
Holston	166	166	132	...	128	128	157	157	188	188	138	138	122	...	161	...
Johnson City	163	163	130	...	124	124	154	154	185	185	134	134	119	...	161	...
Kingsport	166	166	132	...	128	128	157	157	188	188	138	138	121	...	161	...
● Roan Mountain	162	162	129	...	125	...	153	153	183	183	135	...	118	...	160	...
● Roan Mountain	180	180	147	...	141	...	171	171	200	200	151	...	136	...	177	...
VIRGINIA																
Appalachia	175	175	140	...	138	138	167	167	182	182	147	147	128	...	169	...
Apple	140	140	120	120	98	98	130	130	162	162	110	110	117	117	138	138
Carrsville	130	130N	127	127	95	92N	120	120N	150	150R	108	105P	140	140	140	140
Chatham	141	141	124	124	99	99	131	131	161	161	114	114	124	124	144	144
Clarksville	136	136	130	130	96	96N	130	130	160	160N	110	110	130	130	140	140
Danville	140	140	123	123	98	98	130	130	160	160N	113	113	123	123	143	143
Delvale	189	189	149	...	150	150	179	179	217	213K	161	161	167	...	182	...
Denniston	140	140N	123	123	98	98N	133	133N	162	162N	113	113N	123	123	143	143
Dinwiddie	138	138	131	131	97	97	131	131	161	161	111	111	134	134	141	141
Duffield	185	185	150	...	145	145	174	174	213	213N	156	156	168	...	182	...
Emporia	129	129N	119	119	88	88	119	119	149	149N	102	102	129	129	132	132
Ewing	179	179	145	...	142	142	172	172	201	201	152	152	132	...	174	...
Fort Blackmore	166	166	132	...	116	116	156	155	188	188	131	131	145	...	164	...
Franklin	130	130N	127	127	95	92N	120	120N	150	150R	108	105P	140	140	140	140
Gate City	182	182	149	...	140	140	170	170	210	210N	151	151	167	...	176	...
Gretna	136	136	120	120	95	95	127	127	156	156	110	110	120	120	140	140
Hubbard Springs	164	164	127	...	124	124	155	155	196	196	134	134	119	...	158	...
● Inlet	134	134	138	138	102	102	124	124	154	154	108	108	147	147	147	147
● Inlet	127	127	130	130	95	95	117	117	146	146	100	100	140	140	140	140
Keysville	129	129	122	122	88	88	122	122	152	152	102	102	122	122	132	132
La Crosse	133	133	127	127	92	92	127	127	156	156	107	107	130	130	136	136
Lawyers	136	136	120	120	95	95	127	127	156	156	110	110	120	120	140	140
Leaksville Jct	147	143K	132	132	106	102K	138	134K	167	163K	121	117K	132	132	152	152
Lenning	136	136	120	120	95	95	130	130	156	156	110	110	120	120	140	140
McKenney	133	133	127	127	92	92	127	127	156	156	107	107	130	130	136	136
Martinsville	151	151	131	131	109	109	141	141	173	173	121	121	128	128	147	147
Maytown	185	185	145	...	145	145	174	174	213	211N	156	156	162	...	179	...
Mendota	179	179	152	...	137	137	167	167	205	205	148	148	170	...	176	...
Pardee	189	189	149	...	149	149	177	177	213	209K	159	159	167	...	176	...
● Pleasant Ridge	134	134	138	138	102	102	124	124	154	154	108	108	147	147	147	147
● Pleasant Ridge	127	127	130	130	95	95	117	117	146	146	100	100	140	140	140	140
Rocky Mount	144	144	124	124	102	102	134	134	166	166	114	114	121	121	141	141
● St. Brides	134	134	138	138	102	102	124	124	154	154	108	108	147	147	147	147
● St. Brides	127	127	130	130	95	95	117	117	146	146	100	100	140	140	140	140
St. Charles	192	192	152	...	155	155	184	184	217	217	166	166	170	...	179	...
South Boston	141	140N	124	124	99	99N	134	134N	163	163N	114	114N	124	124	144	144
Speers Ferry	164	164	132	...	116	116	155	155	188	188	131	131	145	...	161	...
Stony Creek	129	129	119	119	88	88	120	120	149	149	102	102	129	129	132	132
Whaley	130	129N	127	127	95	94P	120	119N	150	149P	105	102P	140	140	140	140

AR - All Rail.
RWR - Rail-Water and Rail.

1178

dd to page 339 of Tariff:

SECTION 2A - Continued.

o and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	Russell		Sayre		Scranton		Stamford		Sunset		Syracuse		Trenton		Wakefield	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
KENTUCKY																
nchor	139	. . .	182	. . .	177	. . .	230	230	144	. . .	182	. . .	180	180	235	235
ardstown	126	. . .	161	. . .	166	. . .	200	200	131	. . .	161	. . .	177	177	205	205
ell Farm	142	. . .	182	. . .	187	. . .	227	227	147	. . .	182	. . .	198	198	232	232
enton	151	. . .	176	. . .	184	. . .	219	219	156	. . .	176	. . .	198	198	224	224
owling Green	145	. . .	184	. . .	189	. . .	228	228	150	. . .	184	. . .	200	200	233	233
rannon	123	. . .	156	. . .	163	. . .	195	195	128	. . .	156	. . .	176	176	200	200
urnside	132	. . .	176	. . .	176	. . .	222	222	137	. . .	176	. . .	184	184	227	227
adiz	169	. . .	197	. . .	205	. . .	244	244	174	. . .	197	. . .	219	219	249	249
ampbellsville	132	. . .	173	. . .	176	. . .	221	221	137	. . .	173	. . .	184	184	226	226
aneyville	138	. . .	173	. . .	178	. . .	221	221	143	. . .	173	. . .	189	189	226	226
arrollton	114	. . .	147	. . .	154	. . .	186	186	119	. . .	147	. . .	167	167	191	191
ayce	160	. . .	187	. . .	195	. . .	224	224	165	. . .	187	. . .	207	207	229	229
entral City	148	. . .	177	. . .	185	. . .	227	227	153	. . .	177	. . .	199	199	232	232
loverport	134	. . .	161	. . .	171	. . .	218	218	139	. . .	161	. . .	185	185	223	223
orbin	133	. . .	179	. . .	177	. . .	224	224	138	. . .	179	. . .	180	180	222	222
orydon	139	. . .	166	. . .	174	. . .	206	206	144	. . .	166	. . .	188	188	211	211
anville	115	. . .	160	. . .	160	. . .	206	206	120	. . .	160	. . .	167	167	211	211
lizabethtown	126	. . .	161	. . .	166	. . .	200	200	131	. . .	161	. . .	177	177	205	205
lkton	175	. . .	210	. . .	218	. . .	257	257	180	. . .	210	. . .	232	232	262	262
almouth	107	. . .	140	. . .	146	. . .	178	178	111	. . .	140	. . .	160	160	163	163
lemingsburg	121	. . .	156	. . .	163	. . .	195	195	126	. . .	156	. . .	176	176	200	200
lemingsburg Jct	118	. . .	152	. . .	158	. . .	190	190	123	. . .	152	. . .	172	172	195	195
ord	112	. . .	156	. . .	156	. . .	202	202	117	. . .	156	. . .	164	164	207	207
ordsville	138	. . .	173	. . .	178	. . .	221	221	143	. . .	173	. . .	189	189	226	226
rankfort	116	. . .	161	. . .	161	. . .	202	202	121	. . .	161	. . .	168	168	207	207
ulton	156	. . .	185	. . .	197	. . .	227	227	161	. . .	185	. . .	202	202	232	232
eorgetown	112	. . .	156	. . .	162	. . .	195	195	117	. . .	156	. . .	164	164	200	200
ilbertsville	151	. . .	176	. . .	184	. . .	221	221	156	. . .	176	. . .	198	198	226	226
lasgow	145	. . .	180	. . .	186	. . .	224	224	150	. . .	180	. . .	197	197	229	229
uthrie	154	. . .	189	. . .	197	. . .	235	235	159	. . .	189	. . .	211	211	240	240
arlan	129	. . .	175	. . .	167	. . .	186	186	134	. . .	175	. . .	161	161	191	191
azard	136	. . .	182	. . .	189	. . .	231	231	141	. . .	182	. . .	199	199	236	236
ickman	165	. . .	190	. . .	199	. . .	240	240	170	. . .	190	. . .	210	210	245	245
opkinsville	154	. . .	182	. . .	189	. . .	231	231	159	. . .	182	. . .	204	204	236	236
orse Cave	140	. . .	173	. . .	179	. . .	230	230	145	. . .	173	. . .	189	189	235	235
rvine	119	. . .	164	. . .	164	. . .	209	209	124	. . .	164	. . .	172	172	214	214
ackson	130	. . .	176	. . .	180	. . .	222	222	135	. . .	176	. . .	186	186	227	227
effersontown	123	. . .	157	. . .	165	. . .	195	195	128	. . .	157	. . .	174	174	200	200
agrange	123	. . .	156	. . .	162	. . .	195	195	128	. . .	156	. . .	173	173	200	200
awrenceburg	116	. . .	161	. . .	161	. . .	199	199	121	. . .	161	. . .	168	168	204	204
ebanon	123	. . .	164	. . .	167	. . .	213	213	128	. . .	164	. . .	175	175	218	218
ebanon Jct.	122	. . .	156	. . .	162	. . .	195	195	127	. . .	156	. . .	173	173	200	200
ot.	139	. . .	182	. . .	186	. . .	227	227	144	. . .	182	. . .	189	189	232	232
ynch	143	. . .	188	. . .	171	. . .	199	199	148	. . .	188	. . .	174	174	204	204
cRoberts	150	. . .	188	. . .	199	. . .	237	237	155	. . .	188	. . .	207	207	242	242
adisonville	143	. . .	169	. . .	177	. . .	213	213	148	. . .	169	. . .	191	191	218	218
anchester	139	. . .	185	. . .	180	. . .	227	227	144	. . .	185	. . .	184	184	232	232
ayfield	151	. . .	178	. . .	185	. . .	221	221	156	. . .	178	. . .	198	198	226	226
iddlesboro	134	. . .	179	179	185	188	190	190	139	. . .	179	179	185	185	195	195
idway	112	. . .	156	. . .	156	. . .	190	190	117	. . .	156	. . .	164	164	195	195
organfield	138	. . .	165	. . .	173	. . .	206	206	143	. . .	165	. . .	187	187	211	211
ount Vernon	127	. . .	178	. . .	178	. . .	219	219	132	. . .	178	. . .	179	179	224	224
urray	168	. . .	195	. . .	203	. . .	230	230	173	. . .	195	. . .	207	207	235	235
ewtown	112	. . .	156	. . .	156	. . .	195	195	117	. . .	156	. . .	164	164	200	200
wensboro	143	. . .	169	. . .	177	. . .	211	211	148	. . .	169	. . .	191	191	216	216

AR - All Rail.
RWR - Rail-Water and Rail.

1753

1179.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive. Russell		Sayre		Scranton		Stamford		Sunset		Syracuse		Trenton		[illegible]	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	[illegible]
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
KENTUCKY - Conc.																
Paris	112	. . .	152	. . .	156	. . .	190	190	117	. . .	152	. . .	164	164	195	[illegible]
Pine Knot	139	. . .	179	. . .	187	. . .	227	227	144	. . .	179	. . .	195	195	232	[illegible]
Princeton	155	. . .	182	. . .	189	. . .	232	232	160	. . .	182	. . .	204	204	237	[illegible]
Providence	146	. . .	173	. . .	180	. . .	222	222	151	. . .	173	. . .	195	195	227	[illegible]
Richmond	119	. . .	164	. . .	164	. . .	206	206	124	. . .	164	. . .	172	172	211	[illegible]
Russellville	151	. . .	189	. . .	196	. . .	234	234	156	. . .	189	. . .	210	210	239	[illegible]
Scottsville	164	. . .	176	. . .	203	. . .	252	252	169	. . .	196	. . .	221	220	257	[illegible]
Shelbyville	119	. . .	156	. . .	162	. . .	195	195	124	. . .	156	. . .	172	172	200	[illegible]
Spottsville	140	. . .	166	. . .	174	. . .	206	206	145	. . .	166	. . .	186	186	211	[illegible]
Sturgis	147	. . .	174	. . .	182	. . .	217	217	152	. . .	174	. . .	196	196	222	[illegible]
Switzer	116	. . .	161	. . .	161	. . .	202	202	121	. . .	161	. . .	168	168	207	[illegible]
Thompsonville	165	. . .	193	. . .	200	. . .	242	242	170	. . .	193	. . .	215	215	247	[illegible]
Walton	107	. . .	141	. . .	[illegible]	. . .	179	179	112	. . .	141	. . .	161	161	184	[illegible]
West Point	123	. . .	157	. . .	[illegible]	. . .	195	195	128	. . .	157	. . .	174	174	200	[illegible]
Whitesburg	146	. . .	189	. . .	196	. . .	234	234	151	. . .	189	. . .	207	207	239	[illegible]
Wickliffe	148	. . .	175	. . .	184	. . .	219	219	153	. . .	175	. . .	195	195	224	[illegible]
Williamsburg	136	. . .	182	. . .	184	. . .	227	227	141	. . .	182	. . .	185	185	232	[illegible]
Williamstown	106	. . .	140	. . .	146	. . .	178	178	111	. . .	140	. . .	160	160	183	[illegible]
Worthville	115	. . .	149	. . .	155	. . .	187	187	120	. . .	149	. . .	168	168	192	[illegible]
NORTH CAROLINA																
Aberdeen	154	154	164	160K	158	154K	164	160K	159	159	176	172K	143	139K	167	[illegible]
Ahoskie	132	132	130	126K	120	116K	123	119K	137	137	140	136K	112	108K	146	[illegible]
Albemarle	151	151	164	160K	158	154K	164	160K	156	156	179	175K	143	139K	180	[illegible]
Almond	178	178	196	192K	189	185K	196	192K	183	183	210	206K	165	161K	229	[illegible]
Andrews	181	181	199	195K	193	189K	199	195K	186	186	210	206K	185	179K	232	[illegible]
[illegible] Arthur	154	154	152	148K	146	142K	149	145K	159	159	167	163K	128	124K	175	[illegible]
[illegible] Arthur	146	146	147	143K	140	136K	143	139K	153	153	161	157K	122	118K	169	[illegible]
Asheboro	148	148	161	157K	155	151K	161	157K	153	153	173	169K	140	136K	167	[illegible]
Asheville	166	166	182	178K	176	172K	182	178K	171	171	196	192K	164	160K	211	[illegible]
Ashford	156	156	174	170K	167	163K	177	173K	161	161	186	182K	158	154K	200	[illegible]
Barber	161	161	161	157K	158	154K	164	160K	156	156	176	172K	143	139K	167	[illegible]
[illegible] Bayboro	163	163	161	157K	156	152K	158	154K	168	168	173	169K	144	140K	181	[illegible]
[illegible] Bayboro	153	153	151	147K	142	138K	144	140K	158	158	163	159K	130	126	167	[illegible]
[illegible] Belhaven	154	154	155	151K	143	139K	146	142K	159	159	164	160K	125	121K	172	[illegible]
[illegible] Belhaven	142	142	142	138K	130	126K	134	130K	147	147	152	148K	113	109K	160	[illegible]
Black Mountain	163	163	179	175K	173	169K	179	175K	168	168	193	189K	161	157K	211	[illegible]
Broadway	153	153	167	163K	161	157K	167	163K	156	156	182	178K	143	139K	195	[illegible]
Burlington	143	143	154	150K	151	147K	154	150K	148	148	167	163K	137	133K	179	[illegible]
Burnsville	161	161	180	180K	173	169K	183	179K	166	166	192	192K	166	162K	205	[illegible]
[illegible] Cairo	148	148	155	151K	149	145K	155	151K	153	153	170	166K	134	130K	181	[illegible]
[illegible] Cairo	142	142	148	144K	143	139K	148	144K	147	147	163	159K	128	124K	174	[illegible]
Chapel Hill Station	145	145	154	150K	149	145K	155	151K	150	150	167	163K	134	130K	179	[illegible]
Charlotte	154	154	167	163K	161	157K	167	163K	159	159	182	178K	149	145K	194	[illegible]
Clarkton	163	163	170	166K	164	160K	170	166K	168	168	189	185K	150	146K	196	[illegible]
Cliffside	166	166	176	172K	170	166K	179	175K	171	171	193	189K	158	154K	201	[illegible]
Clinton	160	160	158	154K	152	148K	161	157K	165	165	173	169K	140	136K	184	[illegible]
[illegible] Columbia	154	154	152	148K	143	139K	146	142K	159	159	164	160K	125	121K	169	[illegible]
[illegible] Columbia	148	148	139	135K	130	126K	134	130K	147	147	152	148K	113	109K	157	[illegible]
Cove	151	151	155	151K	146	142K	149	145K	156	156	164	160K	125	121K	175	[illegible]
[illegible] Cranberry	120	. . .	150	. . .	143	. . .	155	155	125	. . .	162	. . .	131	131	177	[illegible]
[illegible] Cranberry	137	. . .	168	. . .	161	. . .	171	171	142	. . .	170	. . .	150	150	194	[illegible]
Crestmont	151	151	182	182	196	196	205	201K	184	184	214	214	167	163K	217	[illegible]
Dunn	151	151	156	151K	152	148K	158	154K	156	156	170	166K	137	133K	181	[illegible]
Durham	138	138	146	142K	143	139K	150	146K	143	143	160	156K	130	126K	171	[illegible]
[illegible] Eagle Springs	154	154	164	160K	161	157K	167	163K	159	159	179	175K	151	147K	190	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

1754)

to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS

And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).

and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Russell		Sayre		Scranton		Stamford		Sunset		Syracuse		Trenton		Wakefield	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
NORTH CAROLINA - Con.																
Eagle Springs	146	146	156	152K	155	151K	159	155K	151	151	172	168K	141	137K	183	179K
st La Port	175	175	193	189K	165	161K	193	189K	180	180	203	199K	175	171K	220	216K
Edenton	151	151	149	145K	137	135K	139	135K	156	156	155	151K	119	115K	163	159K
Edenton	140	140	138	136K	127	125K	128	124K	145	145	144	140K	109	106K	152	148K
Elizabeth City	146	146	144	140K	134	130K	134	130K	151	151	151	147K	116	112K	159	155K
Elizabeth City	136	136	134	130K	124	120K	124	120K	141	141	141	137K	105	101K	149	145K
armville	152	152	151	147K	144	140K	147	143K	157	157	164	160K	131	127K	175	171K
Farrington	145	145	156	151K	149	145K	155	151K	150	150	170	166K	134	130K	181	177K
Farrington	138	138	148	144K	143	139K	148	144K	143	143	163	159K	128	124K	174	170K
ayetteville	154	154	161	157K	155	151K	161	157K	159	159	176	172K	140	136K	187	183K
ontana	178	178	196	192K	189	185K	196	192K	183	183	210	206K	180	176K	229	225K
orest City	162	162	176	172K	170	166K	179	175K	166	166	193	189K	168	164K	201	197K
arland	160	160	164	160K	161	157K	167	163K	165	165	179	175K	146	142K	190	186K
astonia	157	157	170	166K	164	160K	173	169K	162	162	185	181K	152	148K	198	194K
ibson	160	160	167	163K	161	157K	170	166K	165	165	182	178K	149	145K	194	190K
oldsboro	152	152	151	147K	146	142K	151	147K	157	157	164	160K	134	130K	176	172K
reensboro	135	135	146	142K	143	139K	146	142K	140	140	160	156K	130	126K	171	167K
reenville	149	149	147	143K	144	140K	147	143K	154	154	161	157K	128	124K	169	165K
amlet	157	157	167	163K	161	157K	167	163K	162	162	182	178K	146	142K	194	190K
ayesville	199	199	217	213K	211	207K	217	213K	204	204	228	224K	202	1950	249	242F
enderson	137	137	134	130K	132	128K	139	135K	142	142	149	145K	119	115K	160	156K
endersonville	166	166	185	181K	179	175K	185	181K	151	151	199	195K	166	162K	211	207K
enrietta	163	163	176	172K	170	166K	176	172K	168	168	193	189K	158	154K	201	197K
igh Point	142	142	154	150K	149	145K	154	150K	147	147	167	163K	137	133K	179	175K
untdale	136	136	154	150K	147	143K	157	153K	141	141	166	162K	141	137K	184	180K
Jacksonville	174	174	172	168K	163	159K	166	162K	179	179	184	180K	151	147K	198	194K
Kannapolis	139	139	155	151K	150	146K	155	151K	156	156	176	172K	139	135K	184	180K
Kelford	140	140	139	135K	129	125K	132	128K	145	145	149	145K	116	112K	154	150K
Kenansville	174	174	172	168K	166	162K	172	168K	169	169	187	183K	151	147K	198	194K
Kinston	157	157	155	151K	149	145K	152	148K	162	162	170	166K	131	127K	176	172K
Kona	144	144	162	158K	155	151K	165	161K	149	149	174	170K	149	145K	188	184K
La Grange	157	157	155	151K	149	145K	155	151K	162	162	170	166K	134	130K	181	177K
Lake Toxaway	175	175	193	189K	185	181K	193	189K	180	180	207	203K	175	171K	220	216K
Lassiter	152	152	151	147K	146	142K	151	147K	157	157	164	160K	134	130K	176	172K
Laurinburg	160	160	167	163K	161	157K	167	163K	165	165	182	178K	147	143K	194	190K
Lawndale	168	168	182	178K	176	172K	182	178K	173	173	198	194K	163	159K	211	207K
Leaksville	126	126	139	135K	134	130K	138	134K	131	131	151	147K	122	118K	162	158K
Lenoir	160	160	173	169K	167	163K	173	169K	165	165	189	185K	152	148K	210	206K
Lewiston	140	140	139	135K	129	125K	132	128K	145	145	149	145K	116	112K	154	150K
Lexington	145	145	158	154K	152	148K	158	154K	150	150	173	169K	140	136K	184	180K
Lillington	146	146	158	154K	152	148K	158	154K	153	153	173	169K	137	133K	184	180K
Lillington	142	142	150	146K	144	140K	151	147K	147	147	166	162K	129	125K	176	172K
Lincolnton	157	157	170	166K	164	160K	170	166K	162	162	185	181K	152	148K	198	194K
Louisburg	140	140	139	135K	136	131K	142	138K	145	145	152	148K	122	118K	163	159K
Lumberton	160	160	167	163K	161	157K	167	163K	165	165	182	178K	146	142K	194	190K
Marion	160	160	176	172K	170	166K	176	172K	165	165	189	185K	155	151K	206	202K
Marshall	163	163	185	181K	179	175K	185	181K	168	168	199	195K	167	163K	215	211K
Maxton	160	160	167	163K	161	157K	164	160K	165	165	179	175K	146	142K	190	186K
Midland	160	160	170	166K	167	163K	170	166K	165	165	182	178K	155	151K	194	190K
Midland	153	153	163	159K	160	156K	163	159K	158	158	176	172K	148	144K	187	183K
Milton	127	127	138	134K	134	130K	139	135K	132	132	151	147K	121	117K	163	159K
Mizzelle	154	154	152	148K	143	139K	146	142K	159	159	164	160K	125	121K	169	165K
Mizzelle	142	142	139	135K	130	126K	134	130K	147	147	152	148K	113	109K	157	153K

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

FROM AND TO THE FOLLOWING BASING POINTS
And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	Russell		Sayre		Scranton		Stamford		Sunset		Syracuse		Trenton		Wakefield	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Con.																
Monroe	160	160	170	166K	164	160K	173	169K	165	165	185	181K	152	148K	183	[illegible]
Mooresville	139	139	164	160K	158	154K	164	160K	156	156	179	175K	146	142K	194	[illegible]
Mt. Airy	148	148	161	157K	155	151K	164	160K	153	153	176	172K	143	139K	190	[illegible]
Murphy	181	181	199	195K	196	192K	199	195K	186	186	213	209K	165	179K	216	[illegible]
(200) New Bern	160	160	158	154K	151	147K	155	151K	165	165	170	166K	141	137K	178	[illegible]
(201) New Bern	151	151	149	145K	138	134K	141	137K	156	156	161	157K	132	128K	165	[illegible]
Newport	166	166	165	161K	161	157K	165	161K	171	171	176	172K	149	145K	187	[illegible]
Newton	157	157	167	163K	161	157K	170	166K	162	162	182	178K	149	145K	182	[illegible]
North Wilkesboro	154	154	164	160K	158	154K	170	166K	159	159	179	175K	149	145K	194	[illegible]
(200) Oakboro	156	156	167	163K	164	160K	167	163K	161	161	182	178K	151	147K	194	[illegible]
(201) Oakboro	150	150	161	157K	157	153K	160	156K	155	155	175	171K	145	[illegible]	187	[illegible]
Oxford	133	133	134	130K	131	127K	138	134K	138	138	147	143K	118	114K	159	[illegible]
Pembroke	160	160	164	160K	158	154K	164	160K	165	165	179	175K	146	142K	190	[illegible]
Pinetops	151	151	150	146K	146	142K	150	146K	156	156	163	159K	133	129K	175	[illegible]
Pittsboro	148	148	158	154K	152	148K	158	154K	153	153	173	169K	137	133K	184	[illegible]
(200) Plymouth	151	151	150	146K	140	136K	143	139K	156	156	160	156K	122	118K	165	[illegible]
(201) Plymouth	139	139	138	134K	128	124K	131	127K	144	144	147	143K	110	106K	152	[illegible]
Potecasi	140	140	126	122K	129	125K	132	128K	145	145	149	145K	116	112K	154	[illegible]
(200) Putnam	151	151	161	157K	155	151K	161	157K	156	156	176	172K	142	138K	187	[illegible]
(201) Putnam	144	144	154	150K	149	145K	155	151K	149	149	169	165K	136	132K	180	[illegible]
Raeford	157	157	164	160K	158	154K	164	160K	162	162	179	175K	143	139K	190	[illegible]
Raleigh	145	145	147	143K	144	140K	151	147K	150	150	161	157K	131	127K	172	[illegible]
Ramseur	145	145	157	153K	152	148K	157	153K	150	150	171	167K	137	133K	182	[illegible]
Reidsville	126	126	138	134K	134	130K	138	134K	131	131	151	147K	121	117K	162	[illegible]
Roanoke Rapids	128	128	127	123K	123	119K	127	123K	133	133	140	136K	110	106K	151	[illegible]
Robbinsville	181	...	199	...	193	...	199	...	186	...	213	...	185	...	232	...
(200) Rockton	148	148	152	148K	149	145K	155	151K	153	153	167	163K	134	130K	178	[illegible]
(201) Rockton	141	141	145	141K	143	139K	147	143K	146	146	160	156K	128	124K	171	[illegible]
Rocky Mount	136	136	134	130K	131	127K	134	130K	141	141	147	143K	118	114K	159	[illegible]
Roxboro	130	130	138	134K	131	127K	138	134K	135	135	147	143K	118	114K	159	[illegible]
St. Paul	164	164	175	171K	168	164K	175	171K	169	169	190	186K	150	146K	200	[illegible]
Salisbury	148	148	161	157K	155	151K	161	157K	153	153	176	172K	140	136K	187	[illegible]
Sanford	148	146	158	154K	152	148K	158	154K	153	153	173	169K	137	133K	184	[illegible]
Scotland Neck	137	137	135	131K	132	128K	135	131K	142	142	149	145K	120	116K	157	[illegible]
Selma	151	151	151	147K	146	142K	151	147K	156	156	164	160K	134	130K	176	[illegible]
Shelby	160	160	173	169K	167	163K	173	169K	165	165	189	185K	155	151K	201	[illegible]
Siler City	145	145	158	154K	152	148K	161	157K	150	150	173	169K	140	136K	184	[illegible]
Siloam	148	148	158	154K	152	148K	164	160K	153	153	173	169K	143	139K	187	[illegible]
(200) Star	151	151	164	160K	158	154K	168	164K	156	156	179	175K	146	142K	190	[illegible]
(201) Star	144	144	158	154K	151	147K	154	150K	149	149	173	169K	139	135K	183	[illegible]
Statesville	151	151	164	160K	158	154K	167	163K	156	156	179	175K	146	142K	190	[illegible]
Sylva	172	172	189	185K	182	178K	189	185K	177	177	203	199K	172	168K	220	[illegible]
Tarboro	140	140	139	135K	136	131K	139	135K	145	145	152	148K	122	118K	163	[illegible]
Taylorsville	154	154	167	163K	161	157K	170	166K	159	159	182	178K	149	145K	194	[illegible]
(200) Vanceboro	157	157	155	151K	149	145K	152	148K	162	162	170	166K	134	130K	161	[illegible]
(201) Vanceboro	149	149	147	143K	141	137K	144	140K	154	154	163	159K	127	123K	173	[illegible]
Vandemere	160	160	158	154K	152	148K	155	151K	165	165	173	169K	134	130K	181	[illegible]
Varina	148	148	155	151K	149	145K	158	154K	153	153	170	166K	137	133K	181	[illegible]
Wadesboro	157	157	167	163K	164	160K	170	166K	162	162	182	178K	149	145K	194	[illegible]
Wallace	160	160	161	157K	155	151K	161	157K	165	165	173	169K	140	136K	184	[illegible]
Walnut Cove	142	142	154	150K	147	143K	157	153K	147	147	167	163K	137	133K	182	[illegible]
Warrenton	133	133	134	130K	128	124K	134	130K	138	138	144	140K	114	110K	156	[illegible]
Washington	153	153	151	147K	146	142K	149	145K	157	157	164	160K	128	124K	172	[illegible]
Weldon	128	128	127	123K	123	119K	127	123K	133	133	140	136K	110	106K	151	[illegible]
Whiteville	166	166	173	169K	167	163K	173	169K	171	171	185	181K	152	148K	198	[illegible]
Wilmington	166	166	164	160K	161	157K	167	163K	171	171	179	175K	146	142K	190	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

s to page 339 of Tariff:

SECTION 2A - Continued.

and From stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.															
	Russell		Sayre		Scranton		Stamford		Sunset		Syracuse		Trenton		Wakefield	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).															
NORTH CAROLINA - Conc.																
lson	145	145	143	139K	140	136K	143	139K	150	150	156	152K	127	123K	168	164K
ndsor	156	156	154	150K	144	140K	148	144K	161	161	164	160K	132	128K	169	165K
nston-Salem	145	145	157	153K	152	148K	157	153K	150	150	170	166K	137	133K	182	178K
TENNESSEE																
mberland Gap	134	. . .	179	179	162	162	190	190	139	. . .	179	179	165	165	195	195
lizabethton	121	. . .	154	154	144	144	157	157	126	. . .	163	163	141	141	179	179
win	123	. . .	158	158	147	147	162	162	128	. . .	166	166	145	145	183	183
lston	123	. . .	158	158	147	147	162	162	128	. . .	166	166	145	145	183	183
nson City	121	. . .	154	154	144	144	157	157	126	. . .	163	163	141	141	179	179
ngsport	123	. . .	158	158	147	147	162	162	128	. . .	166	166	145	145	183	183
② Roan Mountain	120	. . .	150	. . .	143	. . .	153	153	125	. . .	163	. . .	131	131	[illegible]	177
③ Roan Mountain	137	. . .	168	. . .	161	. . .	171	171	142	. . .	160	. . .	150	150	194	194
VIRGINIA																
palachia	129	. . .	170	170	157	157	167	167	134	. . .	175	175	158	158	191	191
ple	115	115	127	127	120	120	130	130	120	120	140	140	113	113	155	155
rreville	128	128	127	123K	117	117N	120	120N	133	133	136	136N	103	103P	141	141
atham	119	119	131	131	128	128	131	131	124	124	144	144	114	114	156	156
arksville	125	125	130	130P	123	123	130	130	130	130	140	140P	110	110	151	151
nville	118	118	130	130	127	127N	130	130	123	123	143	143	113	113	155	155
lvale	157	. . .	185	185	170	170	179	175K	150	. . .	189	189	174	174N	206	204K
nniston	122	122	130	130R	127	127P	133	133N	127	127	143	143N	113	113N	152	152N
nwiddie	129	129	128	128	124	124	131	131	134	134	141	141	111	111	152	152
ffield	152	. . .	182	182	165	165	174	174N	151	. . .	182	182	167	167	204	204P
poria	121	121	119	119	116	116P	119	119	126	126	132	132	102	102	144	144
ing	134	. . .	176	176	162	162	172	172	139	. . .	179	179	164	164	196	196
rt Blackmore	133	. . .	152	152	147	147	155	155	128	. . .	166	166	136	136	182	182
anklin	128	128	127	123K	117	117N	120	120N	133	. . .	136	136N	103	103P	141	141
te City	147	. . .	178	178	161	161	170	170	150	. . .	179	179	164	164	[illegible]	201
etna	115	115	127	127	123	123	127	127	120	. . .	140	140	110	110	156	156
bbard Springs	133	. . .	158	158	149	149	155	155	123	. . .	170	170	145	145	184	184
⑩ Inlet	140	140	134	134	124	124	124	124	145	145	141	141	106	106	150	150
⑪ Inlet	132	132	127	127	117	117	117	117	138	138	133	133	100	100	142	142
ysville	117	117	122	122	116	116	122	122	122	122	132	132	102	102	144	144
Crosse	125	125	123	123	120	120	127	127	130	130	136	136	107	107	148	148
wyers	115	115	127	127	123	123	127	127	120	120	140	140	110	110	151	151
akeville Jct	127	127	139	135K	134	130K	138	134K	132	132	151	147K	122	118K	162	158K
nnig	118	118	127	127R	123	123	130	130	123	123	140	140P	110	110	147	147
Kenney	125	125	123	123	120	120	127	127	130	130	136	136	107	107	149	149
rtinsville	126	126	138	138	131	131	141	141	131	131	151	151	124	124	166	166
ytown	152	. . .	180	180	165	165	174	174N	146	. . .	182	182	167	167	204	204P
ndota	149	. . .	194	194	158	158	167	167	154	. . .	179	179	159	159	194	194
rdee	155	. . .	185	185	168	168	177	173K	150	. . .	185	185	171	171	204	200K
⑩ Pleasant Ridge	140	140	134	134	124	124	124	124	145	145	141	141	106	106	150	150
⑪ Pleasant Ridge	132	132	127	127	117	117	117	117	138	138	133	133	100	100	142	142
cky Mount	119	119	131	131	124	124	134	134	124	124	144	144	118	118	159	159
⑩ St. Brides	140	140	134	134	124	124	124	124	145	145	141	141	108	108	150	150
⑪ St. Brides	132	132	127	127	117	117	117	117	138	138	133	133	100	100	142	142
. Charles	162	. . .	188	188	175	175	184	184	154	. . .	185	185	177	177	208	208
uth Boston	123	123	131	130N	128	127P	134	134N	128	128	144	143N	114	114N	156	156P
eers Ferry	133	. . .	152	152	147	147	155	155	128	. . .	166	166	136	136	182	182
ony Creek	121	121	119	119	116	116	119	119	126	126	132	132	102	102	144	144
aley	128	128	127	123K	117	116R	120	120	133	133	136	136N	103	102P	141	140N

AR - All Rail.
RWR - Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Continued.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.					
	Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).					
KENTUCKY						
Anchor	149	...	250	250	195	...
Bardstown	157	...	200	200	166	...
Bell Farm	171	...	227	227	193	...
Benton	176	...	219	219	182	...
Bowling Green	179	...	226	226	169	...
Brannon	152	...	195	195	163	...
Burnside	156	...	222	222	182	...
Cadiz	197	...	244	244	205	...
Campbellsville	156	...	221	221	178	...
Caneyville	169	...	221	221	178	...
Carrollton	144	...	186	186	154	...
Cayce	176	...	224	224	193	...
Central City	177	...	227	227	185	...
Cloverport	165	...	218	218	174	...
Corbin	149	...	224	224	189	...
Corydon	166	...	206	206	174	...
Danville	140	...	206	206	165	...
Elizabethtown	157	...	200	200	166	...
Elkton	210	...	257	257	218	...
Falmouth	136	...	178	178	146	...
Flemingsburg	149	...	195	195	163	...
Flemingsburg Jct.	147	...	190	190	158	...
Ford	136	...	202	202	162	...
Fordsville	169	...	221	221	178	...
Frankfort	141	...	202	202	166	...
Fulton	185	...	227	227	188	...
Georgetown	126	...	195	195	162	...
Gilbertsville	176	...	221	221	182	...
Glasgow	177	...	224	224	186	...
Guthrie	189	...	255	255	197	...
Harlan	131	...	186	186	184	...
Hazard	167	...	231	231	193	...
Hickman	190	...	240	240	196	...
Hopkinsville	182	...	231	231	189	...
Horse Cave	169	...	220	220	178	...
Irvine	144	...	209	209	169	...
Jackson	161	...	222	222	185	...
Jeffersontown	154	...	195	195	163	...
Lagrange	147	...	195	195	162	...
Lawrenceburg	141	...	199	199	166	...
Lebanon	147	...	213	213	169	...
Lebanon Jct	153	...	195	195	162	...
Lot	155	...	227	227	193	...
Lynch	144	...	199	199	197	...
McRoberts	176	...	257	257	199	...
Madisonville	147	...	213	213	177	...
Manchester	152	...	227	227	188	183
Mayfield	176	...	221	221	182	...
Middlesboro	136	135	190	190	186	186
Midway	136	...	190	190	162	...
Morganfield	165	...	208	208	175	...
Mount Vernon	152	...	219	219	177	...
Murray	179	...	250	250	190	...
Newtown	126	...	195	195	162	...
Owensboro	169	...	211	211	177	...

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.					
	Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).					
KENTUCKY - Conc.						
Paris	136	...	190	190	188	...
Pine Knot	167	...	227	227	159	...
Princeton	182	...	252	252	189	...
Providence	173	...	222	222	180	...
Richmond	144	...	206	206	169	...
Russellville	185	...	254	254	186	...
Scottsville	193	...	252	252	205	...
Shelbyville	144	...	195	195	158	...
Spottsville	166	...	206	206	174	...
Sturgis	174	...	217	217	188	...
Switzer	141	...	202	202	186	...
Thompsonville	193	...	242	242	200	...
Milton	138	...	179	179	147	...
West Point	164	...	193	193	165	...
Whitesburg	173	...	254	254	196	...
Wickliffe	175	...	219	219	180	...
Williamsburg	162	...	227	227	189	...
Williamstown	136	...	178	178	146	...
Worthville	145	...	187	187	155	...
NORTH CAROLINA						
Aberdeen	119	119	167	163K	189	[illegible]
Ahoskie	90	90	127	123K	150	[illegible]
Albemarle	119	119	167	163K	189	[illegible]
Almond	158	158	210	206K	217	[illegible]
Andrews	164	164	213	209K	221	[illegible]
Arthur	107	107	155	141K	179	[illegible]
Arthur	101	101	149	145K	174	[illegible]
Asheboro	116	116	164	160K	185	[illegible]
Asheville	141	141	196	192K	207	[illegible]
Ashford	134	134	184	180K	191	[illegible]
Barber	119	119	167	163K	189	[illegible]
Bayboro	126	126	161	157K	185	[illegible]
Bayboro	116	116	147	143K	175	[illegible]
Belhaven	110	110	152	148K	176	[illegible]
Belhaven	98	98	140	136K	164	[illegible]
Black Mountain	136	136	196	192K	205	[illegible]
Broadway	121	121	173	169K	195	[illegible]
Burlington	113	113	161	157K	177	[illegible]
Burnsville	143	143	189	185K	197	[illegible]
Cairo	111	111	161	157K	179	[illegible]
Cairo	106	106	155	151K	172	[illegible]
Chapel Hill Station	110	110	161	157K	177	[illegible]
Charlotte	124	124	173	169K	195	[illegible]
Clarkton	131	131	176	172K	196	[illegible]
Cliffside	137	137	182	178K	203	[illegible]
Clinton	113	113	164	160K	189	[illegible]
Columbia	114	114	149	145K	178	[illegible]
Columbia	101	101	127	123K	161	[illegible]
Cove	114	114	158	154K	189	[illegible]
Cranberry	113	...	164	164	197	...
Cranberry	131	...	182	182	185	...
Crestmont	170	170	212	208K	220	[illegible]
Dunn	113	113	161	157K	185	[illegible]
Durham	106	106	153	149K	169	[illegible]

AR - All Rail.
RWR - Rail-Water and Rail.

d to page 339 of Tariff:

SECTION 2A - Continued.

o and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.					
	Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).					
NORTH CAROLINA - Cont.						
Eagle Springs	129	129	170	166K	193	189K
Eagle Springs	122	122	161	157K	186	182K
st La Port	161	161	207	203K	213	209K
Edenton	102	102	145	141K	165	161K
Edenton	92	92	134	130K	154	150K
Elizabeth City	102	102	140	136K	161	157K
Elizabeth City	93	93	131	127K	151	147K
rmville	106	106	155	151K	174	170K
Farrington	110	110	161	157K	179	175K
Farrington	103	103	155	151K	172	168K
yetteville	116	116	164	160K	185	181K
ontana	159	159	210	206K	221	217K
orest City	137	137	196	192K	203	199K
rland	125	125	170	166K	193	189K
stonia	129	129	176	172K	196	192K
ibson	127	127	173	169K	193	189K
oldsboro	106	106	157	153K	174	170K
reensboro	107	107	153	149K	169	165K
reenville	109	109	151	147K	171	167K
mlet	124	124	176	172K	193	189K
yesville	181	181	231	227K	239	235K
nderson	97	97	142	138K	158	154K
ndersonville	145	145	199	195K	210	206K
nrietta	137	137	182	178K	203	199K
igh Point	110	110	161	157K	177	173K
untdale	118	118	177	173K	172	168K
cksonville	131	131	178	174K	207	203K
nnapolis	118	118	161	157K	175	171K
olford	99	99	135	131K	158	154K
nansville	129	129	178	174K	199	195K
inston	110	110	157	153K	180	176K
na	125	125	177	173K	179	175K
a Grange	111	111	161	157K	179	175K
ake Toxaway	154	154	207	203K	213	209K
assiter	106	106	157	153K	174	170K
aurinburg	127	127	173	169K	193	189K
ndale	141	141	188	184K	208	204K
aksville	98	98	144	140K	161	157K
noir	131	131	179	175K	207	203K
wiston	99	99	135	131K	158	154K
exington	113	113	164	160K	184	180K
Lillington	116	116	164	160K	182	178K
Lillington	107	107	156	152K	174	170K
incolnton	129	129	176	172K	196	192K
ouisburg	100	100	145	141K	162	158K
mberton	125	125	173	169K	193	189K
arion	140	140	190	186K	198	194K
rshall	140	140	196	192K	208	204K
xton	125	125	170	166K	193	189K
Midland	134	134	176	172K	196	192K
Midland	127	127	169	165K	190	186K
ilton	96	96	145	141K	161	157K
Mizzelle	110	110	149	145K	173	169K
Mizzelle	96	96	137	133K	161	157K
[illegible]	129	129	176	172K	196	192K
[illegible]	121	121	170	166K	177	173K

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.					
	Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).					
NORTH CAROLINA - Cont.						
Mt. Airy	119	119	170	166K	185	181K
Murphy	164	164	213	209K	224	220K
(200) New Bern	122	122	158	154K	182	178K
(201) New Bern	113	113	145	141K	173	169K
Newport	130	130	170	166K	185	181K
Newton	125	125	173	169K	193	189K
North Wilkesboro	125	125	173	169K	193	189K
(200) Oakboro	131	131	173	169K	193	189K
(201) Oakboro	125	125	167	163K	186	182K
Oxford	96	96	141	137K	157	153K
Pembroke	122	122	170	166K	189	185K
Pinetops	111	111	156	152K	173	169K
Pittsboro	113	113	164	160K	182	178K
(200) Plymouth	106	106	146	142K	169	165K
(201) Plymouth	87	87	134	130K	157	157K
Potecasi	99	99	135	131K	158	154K
(200) Putnam	122	122	167	163K	189	185K
(201) Putnam	115	115	160	156K	182	178K
Raeford	122	122	170	166K	189	185K
Raleigh	106	106	154	150K	171	167K
Ramseur	113	113	164	160K	180	176K
Reidsville	98	98	144	140K	161	157K
Roanoke Rapids	88	88	133	129K	150	146K
Robbinsville	164	. . .	213	. . .	224	. . .
(200) Rockton	111	111	158	154K	179	175K
(201) Rockton	105	105	151	147K	172	168K
Rocky Mount	96	96	141	137K	157	153K
Roxboro	96	96	141	137K	157	153K
St. Paul	129	129	177	173K	199	195K
Salisbury	116	116	167	163K	185	181K
Sanford	113	113	164	160K	184	180K
Scotland Neck	96	96	139	135K	158	154K
Selma	106	106	157	153K	174	170K
Shelby	132	132	179	175K	199	195K
Siler City	113	113	164	160K	184	180K
Siloam	119	119	167	163K	184	180K
(200) Star	125	125	170	166K	189	185K
(201) Star	118	118	163	159K	183	179K
Statesville	121	121	170	166K	189	185K
Sylva	161	161	203	199K	213	209K
Tarboro	100	100	145	141K	162	158K
Taylorsville	124	124	173	169K	193	189K
(200) Vanceboro	115	115	161	157K	179	175K
(201) Vanceboro	107	107	153	149K	171	167K
Vandemere	113	113	161	157K	185	181K
Varina	110	110	161	157K	180	176K
Wadesboro	125	125	173	169K	193	189K
Wallace	116	116	164	160K	185	181K
Walnut Cove	113	113	149	145K	174	170K
Warrenton	92	92	138	134K	154	150K
Washington	106	106	154	150K	174	170K
Weldon	88	88	133	129K	150	146K
Whiteville	132	132	176	172K	196	192K
Wilmington	125	125	170	166K	193	189K
Wilson	102	102	150	146K	166	162K

All Rail.
Rail-Water and Rail.

Add to page 339 of Tariff:

SECTION 2A - Concluded.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.					
	Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff, as amended, inclusive).					
NORTH CAROLINA - Conc.						
Windsor	115	115	151	147K	174	170K
Winston-Salem	113	113	164	160K	180	176K
TENNESSEE						
Cumberland Gap	135	...	190	190	188	188
Elizabethton	114	...	164	164	168	168
Erwin	118	...	168	168	172	172
Holston	118	...	168	168	172	172
Johnson City	114	...	164	164	168	168
Kingsport	118	...	168	168	172	172
(202) Roan Mountain	113	...	164	164	162	...
(203) Roan Mountain	131	...	182	182	185	...
VIRGINIA						
Appalachia	131	...	186	186	184	184
Apple	92	92	136	136	146	146
Carrsville	87	87	123	123	146	146N
Chatham	91	91	138	138	154	154
Clarksville	88	88	133	133	150	150P
Danville	90	90	136	136	153	153
Delvale	146	...	196	191K	196	196
Denniston	92	92	136	136P	153	153N
Dinwiddie	88	88	134	134	151	151
Duffield	140	...	191	191N	196	196
Emporia	79	79	125	125	142	142
Ewing	135	...	190	190	188	188

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive.					
	Washington		Waterbury		Watertow	
	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive).					
VIRGINIA - Conc.						
Fort Blackmore	110	...	159	159	172	172
Franklin	87	87	123	123	146	146
Gate City	136	...	187	187	193	193
Gretna	87	87	133	133	150	150
Hubbard Springs	118	...	167	167	179	179
(200) Inlet	97	97	131	131	151	151
(201) Inlet	89	89	123	123	143	143
Keysville	79	79	125	125	142	142
La Crosse	84	84	130	130	146	146
Lawyers	87	87	133	133	150	150
Leaksville Jct.	98	98	144	140K	161	[illegible]
Lennig	89	89	133	133	150	150
McKenney	84	84	130	130	146	146
Martinsville	103	103	147	147	157	157
Maytown	140	...	191	191N	193	193
Mendota	131	...	184	184	189	189
Pardee	144	...	195	191K	196	196
(200) Pleasant Ridge	97	97	131	131	151	151
(201) Pleasant Ridge	89	89	123	123	143	143
Rocky Mount	97	97	141	141	151	151
(200) St. Brides	97	97	131	131	151	151
(201) St. Brides	89	89	123	123	143	143
St. Charles	149	...	201	201	196	196
South Boston	94	94	138	137N	154	[illegible]
Speers Ferry	106	...	159	159	172	172
Stony Creek	79	79	125	125	150	150
Whaley	92	92	123	123R	146	146

AR - All Rail.
RWR - Rail-Water and Rail.

1760

Change Page 340 of Tariff:

SECTION 3

TABLE OF RATES

Applicable in connection with Rate Basis Numbers provided for in Section 1, 1A, 2 and 2A of Tariff as amended.

The Class Rates published in this Section are Governed by the Southern Classification and Exceptions thereto as provided for on the Title pages of Sections 1, 1A, 2 and 2A of Tariff, as amended.

ALTERNATIVE APPLICATION OF COMBINATION RATES

For Alternative Application of Combination Rates, see Rule as shown in Item No. 10 of Tariff, as amended.

◆Add to pages 341 to 404, inc., of Tariff, as amended.

SECTION 3

For Application, see page 340 of Tariff as amended.

RATES IN CENTS PER 100 POUNDS

RATE BASIS NUMBERS (As shown on pages 203 to 339, inc., of Tariff, as amended).	CLASSES																								
	300	250	200	150	125	1 or 100	2 or 85	77½	75	3 or 70	65	60	4 or 55	50	5 or 45	6 or 40	37½	7 or 35	32½	8 or 30	‡ 27½	‡9 or 25	‡10 or 22½	†11 or 20	†12 or 17½
	COMMODITY RATE COLUMNS																								
	300	250	200	150	125	1 or 100	2 or 85	77½	75	3 or 70	65	60	4 or 55	50	5 or 45	6 or 40	37½	7 or 35	32½	8 or 30	‡ 27½	‡9 or 25	‡10 or 22½	†11 or 20	†12 or 17½
70	210	175	140	105	88	70	60	54	53	49	46	42	39	35	32	28	26	25	23	21	19	18	16	14	12
71	213	178	142	107	89	71	60	55	53	50	46	43	39	36	32	28	27	25	23	21	20	18	16	14	12
72	216	180	144	108	90	72	61	56	54	50	47	43	40	36	32	29	27	25	23	22	20	18	16	14	13
73	219	183	146	110	91	73	62	57	55	51	47	44	40	37	33	29	27	26	24	22	20	18	16	15	13
74	222	185	148	111	93	74	63	57	56	52	48	44	41	37	33	30	28	26	24	22	20	19	17	15	13
75	225	188	150	113	94	75	64	58	56	53	49	45	41	38	34	30	28	26	24	23	21	19	17	15	13
76	228	190	152	114	95	76	65	59	57	53	49	46	42	38	34	30	29	27	25	23	21	19	17	15	13
77	231	193	154	116	96	77	65	60	58	54	50	46	42	39	35	31	29	27	25	23	21	19	17	15	13
78	234	195	156	117	98	78	66	60	59	55	51	47	43	39	35	31	29	27	25	23	21	20	18	16	14
100K	300	250	200	150	125	100	85	78	75	70	65	60	55	50	45	40	38	34	32	29	27	24	23	20	18
108E	324	270	216	162	135	108	92	84	81	76	70	65	59	54	49	43	40	37	34	32	29	26	24	22	19
111E	333	278	222	167	139	111	94	86	83	78	72	67	61	56	50	44	41	38	35	33	30	27	25	22	19
112P	336	280	224	168	140	112	95	87	84	78	73	67	62	56	50	45	42	39	36	34	31	28	25	22	20
118M	354	295	236	177	148	118	100	91	89	83	77	71	65	59	53	47	44	41	38	35	32	30	27	24	21
119B	357	298	238	179	149	119	101	92	89	83	77	71	65	60	54	47	44	41	38	35	32	29	27	24	21
119E	357	298	238	179	149	119	101	92	89	83	77	71	65	60	54	48	45	41	38	35	32	29	27	24	21
122R	366	305	244	183	153	122	104	95	92	85	79	73	67	61	55	49	46	43	40	37	34	31	27	24	21
128P	384	320	256	192	160	128	109	99	96	90	83	77	70	64	56	51	48	45	42	38	35	32	29	26	22
130E	390	325	260	195	163	130	111	101	98	91	85	78	72	65	59	52	49	45	42	39	36	31	29	26	23
132E	396	330	264	198	165	132	112	102	99	92	86	79	73	66	59	53	50	46	43	40	36	33	30	26	23
133K	399	333	266	200	166	133	113	105	100	95	86	80	73	67	60	53	49	46	43	39	36	32	30	27	23
135P	405	338	270	203	169	135	115	105	101	95	88	81	74	68	61	54	51	47	44	41	37	34	30	27	24
141E	423	353	282	212	176	141	120	109	106	99	92	85	78	71	63	56	53	49	45	41	38	34	32	28	25
142P	426	355	284	213	178	142	121	110	107	99	92	85	78	71	64	57	53	50	46	43	39	36	32	28	25
144K	432	360	288	216	180	144	122	112	108	101	94	86	79	72	65	57	54	50	46	42	39	35	32	29	25
146P	438	365	292	219	183	146	124	113	110	102	95	88	80	73	66	58	55	51	47	44	40	37	33	29	26
148M	444	370	296	222	185	148	126	115	111	104	96	89	81	74	67	59	56	52	48	44	41	37	33	30	26
148P	444	370	296	222	185	148	126	115	111	104	96	89	81	74	67	59	56	52	48	44	41	37	33	30	26
149M	447	373	298	224	186	149	127	115	112	104	97	89	82	75	67	60	56	52	48	45	41	37	34	30	26
150M	450	375	300	225	188	150	128	116	113	105	98	90	83	75	68	60	56	53	49	45	41	38	34	30	26
152E	456	380	304	228	190	152	129	118	114	106	99	91	84	76	68	61	57	53	49	46	41	37	34	30	27
155C	465	388	310	233	194	155	132	120	116	109	101	93	85	78	70	62	58	54	50	46	42	39	35	31	27
155K	465	388	310	233	194	155	132	120	116	109	101	93	85	78	70	62	58	54	50	46	42	39	35	31	27
158O	474	395	316	237	198	158	134	122	119	111	103	95	87	79	71	63	59	55	51	47	43	39	36	32	28
161M	483	403	322	242	201	161	137	125	121	113	105	97	89	81	72	64	60	56	52	48	44	40	36	32	28
162F	486	405	324	243	203	162	138	126	122	113	106	97	89	81	73	65	61	57	53	49	44	40	36	32	28
162O	486	405	324	243	203	162	138	126	122	113	106	97	89	81	73	65	61	57	53	48	44	40	36	32	28
163C	489	408	326	245	204	163	139	126	122	114	106	98	90	82	73	65	61	57	53	49	44	40	37	33	29
163E	489	408	326	245	204	163	139	126	122	114	106	98	90	81	73	65	61	57	52	48	44	40	37	33	29
163F	489	408	326	245	204	163	139	126	122	114	106	98	90	81	73	65	61	57	53	49	45	41	37	33	29
164C	492	410	328	246	205	164	139	127	123	115	107	98	90	82	74	66	62	57	53	49	45	40	37	33	29
165C	495	413	330	248	206	165	140	128	124	116	107	99	91	83	74	66	62	58	54	49	45	41	37	33	29
166F	498	415	332	249	208	166	141	129	125	116	108	100	91	83	75	66	62	58	54	50	46	41	37	33	29
166O	498	415	332	249	208	166	141	129	125	116	108	100	91	83	75	66	62	58	54	50	46	42	37	33	29
166H	498	415	332	249	208	166	141	129	125	116	108	100	91	83	75	66	62	58	54	49	45	41	37	33	29
166K	498	415	332	249	208	166	141	129	125	116	108	100	91	83	75	66	62	58	54	49	45	41	37	33	29
167C	501	418	334	251	209	167	142	129	125	117	109	100	92	84	75	67	63	58	54	50	45	41	38	33	29
167O	501	418	334	251	209	167	142	129	125	117	109	100	92	84	75	67	63	58	54	50	46	41	38	33	29
169E	507	423	338	254	211	169	144	131	127	118	110	101	93	85	76	67	63	59	54	50	45	41	38	33	30
170O	510	425	340	255	213	170	145	132	128	119	111	102	94	85	77	68	64	60	55	51	46	42	38	34	30
171F	513	428	342	257	214	171	145	133	128	120	111	103	94	86	77	68	64	60	56	51	47	43	38	34	30
171O	513	428	342	257	214	171	145	133	128	120	111	103	94	86	77	68	64	60	56	51	47	42	38	34	30
172F	516	430	344	258	215	172	146	133	129	120	112	103	95	86	77	69	65	60	56	52	47	43	39	34	30
173F	519	433	346	260	216	173	147	134	130	121	112	104	95	87	78	69	65	61	56	52	48	43	39	35	30
173O	519	433	346	260	216	173	147	134	130	121	112	104	95	87	78	69	65	61	56	52	47	43	39	35	30

◆ Reduction.

† Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Company, Philadelphia & Norfolk Steamship Co., or Bull Steamship Line.

‡ Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Co., or Philadelphia & Norfolk Steamship Co.

1188

7

Add to pages 341 to 404, inc. of Tariff, as amended.

SECTION 3

For Application, see page 340 of Tariff as amended.

RATES IN CENTS PER 100 POUNDS

RATE BASIS NUMBERS (As shown on pages 203 to 339, inc., of Tariff, as amended).	CLASSES 300	250	200	150	125	1 or 100	2 or 85	77½	75	3 or 70	65	60	4 or 55	50	5 or 45	6 or 40	37½	7 or 35	32½	8 or 30	‡ 27½	‡9 or 25	‡10 or 22½	†11 or 20	†12 or 17½
	COMMODITY RATE COLUMNS 300	250	200	150	125	1 or 100	2 or 85	77½	75	3 or 70	65	60	4 or 55	50	5 or 45	6 or 40	37½	7 or 35	32½	8 or 30	‡ 27½	‡9 or 25	‡10 or 22½	†11 or 20	†12 or 17½
173H	519	433	346	260	216	173	147	134	130	121	112	104	95	87	78	69	65	60	56	51	47	43	39	35	30
174C	522	435	348	261	218	174	141	135	131	122	113	104	96	87	78	70	65	61	56	52	47	43	39	35	30
174E	522	435	348	261	218	174	141	135	131	122	113	104	96	87	78	69	65	60	56	51	47	42	39	35	30
174F	522	435	348	261	218	174	141	135	131	122	113	104	96	87	78	70	65	61	57	52	48	43	39	35	30
175F	525	436	350	263	219	175	149	136	131	123	114	105	96	88	79	70	66	61	57	53	48	44	39	35	31
175G	525	438	350	263	219	175	149	136	131	123	114	105	96	88	79	70	66	61	57	52	48	43	39	35	31
176C	528	440	352	264	220	176	150	136	132	123	114	106	97	88	79	70	66	62	57	53	48	43	40	35	31
177G	531	443	354	266	221	177	150	137	133	124	115	106	97	89	80	71	66	62	57	53	48	44	40	35	31
178F	534	445	356	267	223	178	151	138	134	125	116	107	98	89	80	71	67	62	58	53	49	44	40	36	31
179G	537	448	358	269	224	179	152	139	134	125	116	107	98	90	81	72	67	63	58	54	49	44	40	36	31
182F	549	458	366	275	229	183	156	142	137	128	119	110	101	92	82	73	69	64	59	55	50	46	41	37	32
183H	549	458	366	275	229	183	156	142	137	128	119	110	101	92	82	73	69	64	59	54	50	45	41	37	32
183N	549	458	366	275	229	183	156	142	137	128	119	110	101	92	82	73	69	64	59	55	50	46	41	37	32
184C	552	460	368	276	230	184	156	143	138	129	120	110	101	92	83	74	69	64	60	55	50	45	41	37	32
185C	555	463	370	278	231	185	157	143	139	130	120	111	102	93	83	74	69	65	60	55	50	46	42	37	32
186C	558	465	372	279	233	186	158	144	140	130	121	112	102	93	84	74	70	66	60	56	51	46	42	37	33
186N	558	465	372	279	233	186	158	144	140	130	121	112	102	93	84	74	70	65	60	56	51	47	42	37	33
187F	561	468	374	281	234	187	159	145	140	131	122	112	103	94	84	75	70	66	61	56	51	47	42	37	33
187J	561	468	374	281	234	187	159	145	140	131	122	112	103	94	84	75	70	66	61	56	51	46	42	37	33
187N	561	468	374	281	234	187	159	145	140	131	122	112	103	94	84	75	70	65	60	56	51	46	42	37	33
188C	564	470	376	282	235	188	160	146	141	132	122	113	103	94	85	75	71	66	61	56	51	46	42	37	33
188G	564	470	376	282	235	188	160	146	141	132	122	113	103	94	85	75	71	66	61	56	51	47	42	37	33
191B	573	478	382	287	239	191	162	148	143	134	124	115	105	96	86	76	72	67	62	57	52	47	43	38	33
191G	573	478	382	287	239	191	162	148	143	134	124	115	105	96	86	76	72	67	62	57	52	47	43	38	33
191M	573	478	382	287	239	191	162	148	143	134	124	115	105	96	86	76	72	67	62	57	53	48	43	38	33
192E	576	480	384	288	240	192	163	149	144	134	125	115	106	96	86	77	72	67	62	57	52	47	43	39	34
194H	582	485	388	291	243	194	165	150	146	136	126	116	107	97	87	78	73	68	63	58	53	48	44	39	34
195G	585	488	390	293	244	195	166	151	146	137	127	117	107	98	88	78	73	68	63	58	53	48	44	39	34
196F	588	490	392	294	245	196	167	152	147	137	127	118	108	98	88	78	74	69	64	59	54	49	44	39	34
197C	591	493	394	296	246	197	167	153	148	138	128	118	108	99	89	79	74	69	64	59	54	49	44	39	34
197F	591	493	394	296	246	197	167	153	148	138	128	118	108	99	89	79	74	69	64	59	54	49	44	39	34
197N	591	493	394	296	246	197	167	153	148	138	128	118	108	99	89	79	74	69	64	59	54	49	44	39	34
198F	594	495	396	297	248	198	168	153	149	139	129	119	109	99	89	79	74	69	64	59	54	49	45	40	35
198P	594	495	396	297	248	198	168	153	149	139	129	119	109	99	89	79	74	69	64	59	54	49	45	40	35
199A	597	498	398	299	249	199	169	154	149	139	129	119	109	100	90	80	75	70	65	60	55	50	45	40	35
199K	597	498	398	299	249	199	169	154	149	139	129	119	109	100	89	79	74	69	64	59	54	49	45	40	35
199N	597	498	398	299	249	199	169	154	149	139	129	119	109	100	90	80	75	70	65	60	55	50	45	40	35
200B	600	500	400	300	250	200	170	155	150	140	130	120	110	100	90	80	76	70	65	60	55	50	45	40	35
201N	603	503	402	302	251	201	171	156	151	141	131	121	111	101	90	80	75	70	65	60	55	50	45	40	35
203F	609	508	406	305	254	203	173	157	152	142	132	122	112	102	91	81	76	71	66	61	56	51	46	41	36
204P	612	510	408	306	255	204	173	158	153	143	133	122	112	102	92	82	77	71	66	61	56	51	46	41	36
207P	621	518	414	311	259	207	176	160	155	145	135	124	114	104	93	83	78	72	67	62	57	52	47	41	36
208D	624	520	416	312	260	208	177	161	156	146	135	125	114	104	94	83	78	73	67	62	56	51	47	42	36
210C	630	525	420	315	263	210	179	163	158	147	137	126	116	105	95	84	79	74	68	63	57	52	47	42	37
210K	630	525	420	315	263	210	179	163	158	147	137	126	116	105	94	84	78	73	68	62	57	52	47	42	37
210N	630	525	420	315	263	210	179	163	158	147	137	126	116	105	95	84	79	74	68	63	58	53	47	42	37
211N	633	528	422	317	264	211	179	164	158	148	137	127	116	106	95	84	79	74	69	63	58	53	47	42	37
213A	639	533	426	320	266	213	181	165	160	149	138	128	117	106	95	85	79	74	69	64	59	53	48	43	37
213G	639	533	426	320	266	213	181	165	160	149	138	128	117	106	95	85	79	74	69	64	58	53	48	43	37
213N	639	533	426	320	266	213	181	165	160	149	138	128	117	106	95	85	79	74	69	64	59	53	48	43	37
216F	648	540	432	324	270	216	184	167	162	151	140	130	119	108	97	86	81	76	70	65	59	54	49	43	38
217H	651	543	434	326	271	217	184	168	163	152	141	130	119	109	98	87	81	76	70	65	59	54	49	43	38
217N	651	543	434	326	271	217	184	168	163	152	141	130	119	109	98	87	81	76	71	65	60	54	49	43	38
218F	654	545	436	327	273	218	185	169	164	153	142	131	120	109	98	87	82	76	71	65	60	54	49	44	38
221K	663	553	442	332	276	221	188	171	166	155	144	133	122	111	99	88	82	77	71	66	60	54	50	44	39

♦ Reduction.

† Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Company, Philadelphia & Norfolk Steamship Co., or Bull Steamship Line.

‡ Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Co., or Philadelphia & Norfolk Steamship Co.

1763

◆Add to pages 341 to 404, inc., of Tariff, as amended.

SECTION 3

For Application, see page 340 of Tariff, as amended.

RATES IN CENTS PER 100 POUNDS

RATE BASIS NUMBERS (As shown on pages 203 to 339, inc., of Tariff, as amended).	CLASSES																							
	300	250	200	150	125	1 or 100	2 or 85	77½	75	3 or 70	65	60	4 or 55	50	5 or 45	6 or 40	37½	7 or 35	32½	8 or 30	‡ 27½	‡9 or 25	‡10 or 22½	†11 or 20
	COMMODITY RATE COLUMNS																							
	300	250	200	150	125	1 or 100	2 or 85	77½	75	3 or 70	65	60	4 or 55	50	5 or 45	6 or 40	37½	7 or 35	32½	8 or 30	‡ 27½	‡9 or 25	‡10 or 22½	†11 or 20
224F	672	560	448	336	280	224	190	174	168	157	146	134	123	112	101	90	84	78	73	67	62	56	50	45
229D	687	573	458	344	286	229	195	177	172	160	149	137	126	115	103	92	86	80	74	69	63	57	52	46
229F	687	573	458	344	286	229	195	177	172	160	149	137	126	115	103	92	86	80	74	69	63	57	52	46
232H	696	580	464	348	290	232	197	180	174	162	151	139	128	116	104	93	87	81	75	70	64	58	52	46
232K	696	580	464	348	290	232	197	180	174	162	151	139	128	116	104	93	87	81	75	70	64	58	52	46
236B	708	590	472	354	295	236	201	183	177	165	153	142	130	118	106	94	89	83	77	71	65	59	53	47
240F	720	600	480	360	300	240	204	186	180	168	156	144	132	120	108	96	90	84	78	72	66	60	54	48
240N	720	600	480	360	300	240	204	186	180	168	156	144	132	120	108	96	90	84	78	72	66	60	54	48
242F	726	605	484	363	303	242	206	188	182	169	157	145	133	121	109	97	91	85	79	73	67	61	54	48
243K	729	608	486	365	304	243	207	188	182	170	158	146	134	122	109	97	91	85	79	73	67	61	55	49
245G	735	613	490	368	306	245	208	190	184	172	159	147	135	123	110	98	92	86	80	74	67	61	55	49
245H	735	613	490	368	306	245	208	190	184	172	159	147	135	123	110	98	92	86	80	74	67	61	55	49
256K	768	640	512	384	320	256	218	198	192	179	166	154	141	128	115	102	96	90	83	77	70	64	58	51
261D	783	653	522	392	326	261	222	202	196	183	170	157	144	131	117	104	98	91	85	78	72	65	59	52
267K	801	668	534	401	334	267	227	207	200	187	174	160	147	134	120	107	100	93	87	80	73	67	60	53
272K	816	680	544	408	340	272	231	211	204	190	177	163	150	136	122	109	102	95	88	81	74	67	61	54
285D	855	713	570	428	356	285	242	221	214	200	185	171	157	143	128	114	107	100	93	86	78	71	64	57

◆ Reduction.

† Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Company, Philadelphia & Norfolk Steamship Co., or Bull Steamship Line.

‡ Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Company, Philadelphia & Norfolk Steamship Co.

Change Page 405 of Tariff:

SECTION 4

MINIMUM CHARGES

The rates named in this section apply only where applicable rating is published in Section 2 of the EXCEPTIONS TO OFFICIAL CLASSIFICATION Agent W.S. Curlett's Tariff No. 141-A (See Item 620), subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and other provisions, except ratings, in Official Classification, EXCEPT that:

These Rates will ALSO apply:

On traffic routed from, to or via the American Barge Line Company in connection with Ratings, Rules and other provisions in Official Classification.

The minimum charges provided for in this section will only apply between points for which rates are provided in Sections 1 and 2.

If the charge accruing under Section 1 or Section 2, according to their application is higher than the charge accruing under this section, on the same shipment, the charge accruing under Section 1 or Section 2, according to their application will apply.

Where actual weight of shipment is in excess of minimum weight shown in connection with minimum charges, actual weight should be used in computing the charges obtained under the minimum rate provided in this section.

The rate base numbers shown on pages 406 to 438 of Tariff, as amended, will not apply:

1. On traffic moving via American Barge Line Co. as provided for on pages 439 to 445 of Tariff.
2. On Fish and Oysters as provided for on pages 446 to 453 of Tariff.
3. On Asphalt as provided for on page 486 of Tariff.
4. On Gypsum Lath as provided for on page 486 of Tariff.

∅NON-APPLICATION OF MINIMUM CHARGES

Minimum charges provided in this section will not apply on shipments of Cotton Linters or Regins and Cottonseed Hull Fibre or Shavings from Southern Stations to Northern Stations as described in Item No. 46610 of W.S. Curlett, Agent, Tariff No. 141-A (See Item 620).

Minimum charges provided in this section will not apply on shipments of Naval Stores, as described in Item No. 33132♦ of W.S. Curlett, Agent, Tariff No. 141-A (See Item 620).

Minimum charges provided in this section will not apply on shipments of Cottonseed, Pitch and/or Tar, as described in Item No. 46625 of W.S. Curlett, Agent, Tariff No. 141-A (See Item 620), from Southern Stations to Northern Stations.

♦ Increase.

∅ The non-application of Minimum Charges on shipments moving at less carload or any quantity rates is hereby cancelled. (♦Provisions of Tariff, as amended, will apply.)

SECTION 4

TABLE OF RATES

(In Cents Per 100 Pounds)

(See Rule under Caption "Alternative Application of Combination Rates" as shown in Item No. 10 of Tariff)

RATE BASIS NUMBERS (As shown on pages 406 to 453, inc. of Tariff).	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R25 or 70	65	60	57	R26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	27.5	25	22.5	20
Classes 110,80,77.5, 63,57.5 and 455 added. See Pages 142 and 143 of this Supplement and Page 19 of Supplement No. 11:																				
Add to Pages 454 to 481 of Tariff:																				
370	37	31	29	28	26	24	22	21	20	19	16	14	13	12	11	10	9	8	8	7
510	51	43	40	38	36	33	31	29	28	26	23	20	19	17	16	15	13	12	11	10
770	77	69	60	58	54	50	46	44	42	39	34	30	28	26	24	22	20	18	12	15
810	81	69	63	61	57	53	49	46	45	41	36	32	30	28	26	24	21	19	18	16
840	84	71	65	63	59	55	50	48	46	42	38	33	31	29	27	24	22	20	19	17
870	87	74	67	65	61	57	52	50	48	44	39	35	33	30	28	25	23	21	20	17
910	91	77	71	68	64	59	55	52	50	46	41	36	34	31	29	27	24	22	20	18
920	92	78	71	69	64	60	55	52	51	50	41	37	34	32	29	27	24	22	21	18
940	94	80	73	71	66	61	56	54	52	47	42	37	35	32	30	27	25	22	21	19
950	95	81	74	71	67	62	57	54	52	48	43	38	35	33	30	28	25	23	21	19
1010	101	86	78	76	71	66	61	58	56	51	45	40	37	35	32	30	27	24	23	20
1040	104	88	81	78	73	68	62	59	57	52	47	41	39	36	33	30	28	25	23	21
1060	106	90	82	80	74	69	64	60	58	53	48	42	39	37	34	31	28	25	24	21
1100	110	94	85	83	77	72	66	63	61	55	50	44	41	38	35	32	29	26	25	22
1160	116	99	90	87	81	75	70	66	64	58	52	46	43	40	37	34	31	28	26	23
1210	121	103	94	91	85	79	73	69	67	61	54	48	45	42	39	36	32	29	27	24
1290	129	110	100	97	90	84	77	74	71	65	58	51	48	45	41	38	34	31	29	26
1340	134	114	104	101	94	87	80	76	74	67	60	53	50	46	43	39	36	32	30	27
1530	153	130	119	115	107	99	92	87	84	77	69	61	57	53	49	45	41	37	34	31
1620	162	138	126	122	113	105	97	92	89	81	73	65	60	56	52	48	43	39	36	33
1880	188	160	146	141	132	122	113	107	103	94	84	75	70	65	60	56	51	46	42	38
1980	198	168	153	149	139	129	119	113	109	99	89	79	74	69	64	59	54	49	45	40
2090	209	178	162	157	146	136	125	119	115	105	94	83	78	73	67	62	57	51	47	42
2110	211	179	164	158	148	137	127	120	116	106	95	84	79	73	68	63	57	53	47	42
2170	217	184	168	163	152	141	130	124	119	109	97	86	81	75	70	64	59	53	49	43
2220	222	189	172	167	155	144	133	127	122	111	100	88	83	77	71	66	60	56	50	44
2240	224	190	174	168	157	146	134	128	123	112	101	89	84	78	72	66	61	56	50	45
2270	227	193	176	170	159	148	136	129	125	114	102	90	85	79	73	67	62	56	51	45
2380	238	202	184	179	167	155	143	136	131	119	107	95	89	83	77	71	65	59	54	48
2400	240	204	186	180	168	156	144	137	132	120	108	96	90	83	77	71	65	59	54	48
2470	247	210	191	185	173	161	148	141	136	124	111	98	92	88	80	73	67	61	56	49
2490	249	212	193	187	174	162	149	142	137	125	112	99	93	87	80	74	68	61	56	50
2510	251	213	195	188	176	163	151	143	138	126	113	100	94	87	81	75	68	62	56	50
2520	252	214	195	189	176	164	151	144	139	126	113	100	94	88	81	75	68	62	57	50
2530	253	215	196	190	177	164	152	144	139	127	114	101	94	88	82	75	69	62	57	51
2550	255	217	198	191	179	166	153	145	140	128	115	102	96	89	82	76	69	63	57	51
2570	257	218	199	193	180	167	154	146	141	129	115	102	96	89	83	76	70	63	58	51
2580	258	219	200	194	181	168	155	147	142	129	116	103	96	90	83	77	70	64	58	52
2590	259	220	201	194	181	168	155	148	142	130	116	103	97	90	83	77	70	64	58	52
2610	261	222	202	196	183	170	157	149	144	131	117	104	97	91	84	78	71	64	59	52
2630	263	224	204	197	184	171	158	150	145	132	118	105	98	91	85	78	71	65	59	53
2660	266	226	206	200	186	173	160	152	146	133	120	106	99	93	86	79	72	66	60	53
2670	267	227	207	200	187	174	160	152	147	134	120	106	100	93	86	79	73	66	60	53
2690	269	229	208	202	188	175	161	153	148	135	121	107	100	94	87	80	73	66	61	54
2710	271	230	210	203	190	176	163	154	149	136	122	108	101	94	87	81	74	67	61	54
2750	275	234	213	206	193	179	165	157	151	138	124	110	103	96	89	82	75	68	62	55
2820	282	240	219	212	197	183	169	161	156	141	127	112	106	98	91	84	77	70	63	56
2860	286	243	222	215	200	186	172	163	157	143	129	114	102	100	92	65	78	71	64	57
298	298	253	231	224	209	194	179	170	164	149	134	119	112	104	97	89	82	75	67	60
299	299	254	232	224	209	194	179	170	164	150	135	120	112	105	97	90	82	75	67	60
300	300	255	233	225	210	195	180	171	165	150	135	120	113	105	98	90	83	75	68	60
301	301	256	233	226	211	196	181	172	166	151	135	120	113	105	98	90	83	75	68	60
302	302	257	234	227	211	196	181	172	166	151	136	121	113	106	98	91	83	76	68	60
303	303	258	235	227	212	197	182	173	167	152	136	121	114	106	98	91	83	76	68	61
304	304	258	236	228	213	198	182	173	167	152	137	122	114	106	99	91	84	76	68	61
305	305	259	236	229	214	198	183	174	168	153	137	122	114	107	99	92	84	76	69	61
306	306	260	237	230	214	199	184	174	168	153	138	122	115	107	99	92	84	77	69	61
307	307	261	238	230	215	200	184	175	169	154	138	123	115	107	100	92	84	77	69	61
308	308	262	239	231	216	200	185	176	169	154	139	123	116	108	100	92	85	77	69	62
309	309	263	239	232	216	201	185	176	170	155	139	124	116	108	100	93	85	77	70	62

SECTION 4 - Concluded

TABLE OF RATES - Concluded

(In Cents Per 100 Pounds)

(See Rule under Caption "Alternative Application of Combination Rates" as shown in Item No. 10 of Tariff)

RATE BASIS NUMBERS (As shown on pages 406 to 453, Inc. of Tariff)	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R25 or 70	65	60	57	R26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	27.5	25	22.5	20
lasses 110,80,77.5, 63, 57.5 and 45$ added. See Pages 142 and 143 of this Supplement and Page 19 of Supplement No. 11:																				
dd to Pages 478 to 481 of Tariff:																				
10	310	264	240	233	217	202	186	177	171	155	140	124	116	109	101	93	85	78	70	62
11	311	264	241	233	218	202	187	177	171	156	140	124	117	109	101	93	86	78	70	62
12	312	265	242	234	218	203	187	178	172	156	140	125	117	109	101	94	86	78	70	62
13	313	266	243	235	219	203	188	178	172	157	141	125	117	110	102	94	86	78	70	63
14	314	267	243	236	220	204	188	179	173	157	141	126	118	110	102	94	86	79	71	63
15	315	268	244	236	221	205	189	180	173	158	142	126	118	110	102	95	87	79	71	63
16	316	269	245	237	221	205	190	180	174	158	142	126	119	111	103	95	87	79	71	63
17	317	269	246	238	222	206	190	181	174	159	143	127	119	111	103	95	87	79	71	63
18	318	270	246	239	223	207	191	181	175	159	143	127	119	111	103	95	87	80	72	64
19	319	271	247	239	223	207	191	182	175	160	144	128	120	112	104	96	88	80	72	64
20	320	272	248	240	224	208	192	182	176	160	144	128	120	112	104	96	88	80	72	64
21	321	273	249	241	225	209	193	183	177	161	144	128	120	112	104	96	88	80	72	64
22	322	274	250	242	225	209	193	184	177	161	145	129	121	113	105	97	89	81	72	64
23	323	275	250	242	226	210	194	184	178	162	145	129	121	113	105	97	89	81	73	65
24	324	275	251	243	227	211	194	185	178	162	146	130	122	113	105	97	89	81	73	65
25	325	276	252	244	228	211	195	185	179	163	146	130	122	114	106	98	89	81	73	65
26	326	277	353	245	228	212	196	186	179	163	147	130	122	114	106	98	90	82	73	65
27	327	278	253	245	229	213	196	186	180	164	147	131	123	114	106	98	90	82	74	65

1767

1193

SECTION 4

TABLE OF RATES

(In Cents Per 100 Pounds)

(See Rule under Caption "Alternative Application of Combination Rates")
as shown in item No. 10 of Tariff.)

Add to Pages 454,458,462,466,470,474,478 of Tariff:

δRate Basis No.	CLASSES					δRate Basis No.	CLASSES					δRate Basis No.	CLASSES					δRate Basis No.	CLASSES				
	110	80	77.5	63	57.5		110	80	77.5	63	57.5		110	80	77.5	63	57.5		110	80	77.5	63	57.5
33.	36	26	26	21	19	800	88	64	62	50	46	116	128	93	90	73	67	1460.	161	117	113	92	84
330	36	26	26	21	19	81.	89	65	63	51	47	117	129	94	91	74	67	147	162	118	114	93	85
34.	37	27	26	21	20	82.	90	66	64	52	47	1170.	129	94	91	74	67	1470.	162	118	114	93	85
35.	39	28	27	22	20	820	90	66	64	52	47	118	130	94	91	74	68	1475.	162	118	114	93	85
36.	40	29	28	23	21	83.	91	66	64	52	48	1180.	130	94	91	74	68	148	163	118	115	93	85
37.	41	30	29	23	21	830	91	70	64	52	48	119	131	95	92	75	68	1480.	163	118	115	93	85
38.	42	30	29	24	22	835	91	70	64	52	48	120	132	96	93	76	69	149	164	119	115	93	86
39.	43	31	30	25	22	84.	92	67	65	53	48	1200.	132	96	93	76	69	1490.	164	119	115	93	86
40.	44	32	31	25	23	85.	94	68	66	54	49	121	133	97	94	76	70	150	165	120	116	95	86
41.	45	33	32	26	24	850	94	68	66	54	49	1210.	133	97	94	76	70	1500.	165	120	116	95	86
42.	46	34	33	26	24	86.	95	69	67	54	49	122	134	98	95	77	70	151	166	121	117	95	87
43.	47	34	33	27	25	860	95	69	67	54	49	123	135	98	95	77	71	1510.	166	121	117	96	87
44.	48	35	34	28	25	87.	96	70	67	55	50	1230.	135	98	95	77	71	152	167	122	118	96	87
45.	50	36	35	28	26	88.	97	70	68	55	51	124	136	99	96	78	71	1520.	167	122	118	96	87
46.	51	37	36	29	26	880	97	70	68	55	51	1240.	136	99	96	78	71	153	168	122	119	96	88
460	51	37	36	29	26	89.	98	71	69	56	51	125	138	100	97	79	72	1530.	168	122	119	96	88
47.	52	38	36	30	27	890	98	71	69	56	51	1250.	138	100	97	79	72	154	169	123	119	97	88
48.	53	38	37	30	28	90.	99	72	70	57	52	126	139	101	98	79	72	1540.	169	123	119	97	88
49.	54	39	38	31	28	91.	100	73	71	57	52	1260.	139	101	98	79	72	155	171	124	120	98	89
50.	55	40	39	32	29	92.	101	74	71	58	53	127	140	102	98	80	73	156	172	125	121	98	90
51.	56	41	40	32	29	920	101	74	71	58	53	1270.	140	102	98	80	73	1560.	172	125	121	98	90
52.	57	42	40	33	30	93.	102	74	72	59	53	128	141	102	99	81	74	157	173	126	122	99	90
53.	58	42	41	33	30	94.	103	75	73	59	54	1280.	141	102	99	81	74	1570.	173	126	122	99	90
54.	59	43	42	34	31	940	103	75	73	59	54	129	142	103	100	81	74	158	174	126	122	100	91
55.	61	44	43	35	32	95.	105	76	74	60	55	1290.	142	103	100	81	74	1580.	174	126	122	100	91
56.	62	45	43	35	32	96.	106	77	74	60	55	130	143	104	101	82	75	159	175	127	123	100	91
57.	63	46	44	36	33	960	106	77	74	60	55	1300.	143	104	101	82	75	1590.	175	127	123	100	91
58.	64	46	45	37	33	97.	107	78	75	61	56	131	144	105	102	83	75	160	176	128	124	101	92
59.	65	47	46	37	34	970	107	78	75	61	56	1310.	144	105	102	83	75	1600.	176	128	124	101	92
60.	66	48	47	37	35	98.	108	78	76	62	56	132	145	106	102	83	76	161	177	129	125	102	92
61.	67	49	47	38	35	99.	109	79	77	62	57	1320.	146	106	102	83	76	1610.	177	129	125	101	93
62.	68	50	48	39	36	990	109	79	77	62	57	133	146	106	103	84	76	162	178	130	126	102	93
63.	69	50	49	40	36	995	109	79	77	62	57	1330.	146	106	103	84	76	1620.	178	130	126	102	93
64.	70	51	50	40	37	100	110	80	78	63	58	134	147	107	104	84	77	163	179	130	126	103	94
640	70	51	50	40	37	1000.	110	80	78	63	58	1340.	147	107	104	84	77	1630.	179	130	126	103	94
65.	72	52	50	41	37	101	111	81	78	64	58	135	149	108	105	85	78	164	180	131	127	103	94
66.	73	53	51	42	38	102	112	82	79	64	59	1350.	149	108	105	85	78	1640.	180	131	127	103	94
67.	74	54	52	42	39	1020.	112	82	79	64	59	136	150	109	105	86	78	165	182	132	128	104	95
68.	75	54	53	43	39	103	113	82	80	65	59	1360.	150	109	105	86	78	1650.	182	132	128	104	95
69.	76	55	53	43	40	104	114	83	81	66	60	137	151	110	106	86	79	166	183	133	129	105	95
690	76	55	53	43	40	105	116	84	81	66	60	1370.	151	110	106	86	79	167	184	134	129	105	96
70.	77	56	54	44	40	1050.	116	84	81	66	60	138	152	110	107	87	79	1670.	184	134	129	105	96
700	77	56	54	44	40	106	117	85	82	67	61	1380.	152	110	107	87	79	168	185	134	130	106	97
71.	78	57	55	45	41	107	118	86	83	67	62	1385.	152	110	107	87	79	1680.	185	134	130	106	97
710	78	57	55	45	41	1070.	118	86	83	67	62	139	153	111	108	88	80	169	186	135	131	106	97
72.	79	58	56	45	41	108	119	86	84	68	62	1390.	153	111	108	88	80	1690.	186	135	131	106	97
720	79	58	56	45	41	109	120	87	84	69	63	140	154	112	109	88	81	170	187	136	132	107	98
73.	80	58	57	46	42	1090.	120	87	84	69	63	1400.	154	112	109	88	81	1700.	187	136	132	107	98
730	80	58	57	46	42	110	121	88	85	69	63	141	155	113	109	89	81	171	188	137	133	108	98
74.	81	59	57	47	43	1100.	121	88	85	69	63	1410.	155	113	109	89	81	1710.	188	137	133	108	98
75.	83	60	58	47	43	111	122	89	86	70	64	142	156	114	110	89	82	172	189	138	133	109	99
750	83	60	58	47	43	1110.	122	89	86	70	64	1420.	156	114	110	89	82	1720.	189	138	133	109	99
76.	84	61	59	48	44	112	123	90	87	71	64	143	157	114	111	90	82	173	190	138	134	109	99
760	84	61	59	48	44	113	124	90	88	71	65	1430.	157	114	111	90	82	1730.	190	138	134	109	99
77.	85	62	60	49	44	1130.	124	90	88	71	65	144	158	115	112	91	83	174	191	139	135	110	100
78.	86	62	60	49	45	114	125	91	88	72	66	145	160	116	112	91	83	1740.	191	139	135	110	100
79.	87	63	61	50	45	1140.	125	91	88	72	66	1450.	160	116	112	91	83	175	193	140	136	110	101
790	87	63	61	50	45	115	127	92	89	72	66	146	161	117	113	92	84	1750.	193	140	136	110	101
80.	88	64	62	50	46	1150.	127	92	89	72	66												

δ As shown on pages 406 to 453 inc. of Tariff as amended.

1768

SECTION 4

TABLE OF RATES

(in Cents Per 100 Pounds)

(See Rule under Caption "Alternative Application of Combination Rates")
as shown in Item No. 10 of Tariff.)

Add to Pages 454,458,462,466,470,474,478 of Tariff:

δRate Basis No.	CLASSES					δRate Basis No.	CLASSES					δRate Basis No.	CLASSES				
	110	80	77.5	63	57.5		110	80	77.5	63	57.5		110	80	77.5	63	57.5
176	194	141	136	111	101	207	228	166	160	130	119	242	266	194	188	152	139
1760	194	141	136	111	101	2070	228	166	160	130	119	2420	266	194	188	152	139
177	195	142	137	112	102	208	229	166	161	131	120	243	267	194	188	153	140
178	196	142	138	112	102	2080	229	166	161	131	120	244	268	195	189	154	140
1780	196	142	138	112	102	209	230	167	162	132	120	2440	268	195	189	154	140
179	197	143	139	113	103	210	231	168	163	132	121	245	270	196	190	154	141
1790	197	143	139	113	103	211	232	169	164	133	121	246	271	197	191	155	141
180	198	144	140	113	104	212	233	170	164	134	122	2460	271	197	191	155	141
1800	198	144	140	113	104	2120	233	170	164	134	122	247	272	198	191	156	142
181	199	145	140	114	104	213	234	170	165	134	122	248	273	198	192	156	143
1810	199	145	140	114	104	2130	234	170	165	134	122	249	274	199	193	157	143
182	200	146	141	115	105	214	235	171	166	135	123	250	275	200	194	158	144
1820	200	146	141	115	105	2140	235	171	166	135	123	2500	275	200	194	158	144
183	201	146	142	115	105	215	237	172	167	135	124	251	276	201	195	158	144
1830	201	146	142	115	105	2150	237	172	167	135	124	252	277	202	195	159	145
184	202	147	143	116	106	216	238	173	167	136	124	253	278	202	196	159	145
1840	202	147	143	116	106	2160	238	173	167	136	124	254	279	203	197	160	146
185	204	148	143	117	106	217	239	174	168	137	125	255	281	204	198	161	147
1850	204	148	143	117	106	218	240	174	169	137	125	256	282	205	198	161	147
186	205	149	144	117	107	2180	240	174	169	137	125	2560	282	205	198	161	147
1860	205	149	144	117	107	219	241	175	170	138	126	257	283	206	199	162	148
187	206	150	145	118	108	220	242	176	171	139	127	259	285	207	201	163	149
1870	206	150	145	118	108	2200	242	176	171	139	127	260	286	208	202	164	150
188	207	[illegible]	146	118	108	221	243	177	171	139	127	2600	286	208	202	164	150
189	208	151	146	119	109	222	244	178	172	140	128	261	287	209	202	164	150
1890	208	151	146	119	109	223	245	178	173	140	128	262	288	210	203	165	151
190	209	152	147	120	109	2230	245	178	173	140	128	263	289	210	204	166	151
1900	209	152	147	120	109	224	246	179	174	141	129	264	290	211	205	166	152
191	210	153	148	120	110	225	248	180	174	142	129	265	292	212	205	167	152
1910	210	153	148	120	110	2250	248	180	174	142	129	266	293	213	206	168	153
192	211	153	149	121	110	226	249	181	175	142	130	267	294	214	207	168	154
1920	211	153	149	121	110	2260	249	181	175	142	130	268	296	214	208	169	154
193	212	154	150	122	111	227	250	182	176	143	131	270	297	216	209	170	155
1930	212	154	150	122	111	228	251	182	177	144	131	271	298	217	210	171	156
194	213	155	150	122	112	2280	251	182	177	144	131	272	299	218	211	171	156
1940	213	155	150	122	112	229	252	183	177	144	132	273	300	218	212	172	157
195	215	156	151	123	112	2290	252	183	177	144	132	274	301	220	213	173	158
1950	215	156	151	123	112	230	253	184	178	145	132	275	303	221	214	173	158
196	216	157	152	123	113	2300	253	184	178	145	132	276	304	222	215	174	159
1960	216	157	152	123	113	231	254	185	179	146	133	277	305	222	215	175	159
197	217	158	153	124	113	2310	254	186	179	146	133	278	306	223	216	175	160
1970	217	158	153	124	113	232	255	186	180	146	133	279	307	225	218	176	160
198	218	158	153	125	114	233	256	186	181	147	134	281	309	225	219	177	162
199	219	159	154	125	114	2330	256	186	181	147	134	282	310	226	219	178	162
200	220	160	155	126	115	234	257	187	181	147	135	283	311	227	220	178	163
2000	220	160	155	126	115	2340	257	187	181	147	135	284	312	228	221	179	163
201	221	161	156	127	116	235	259	188	182	148	135	285	314	229	221	180	164
2010	221	161	156	127	116	2350	259	188	182	148	135	286	315	230	222	180	164
202	222	162	157	127	116	236	260	189	183	148	136	287	316	230	223	181	165
2020	222	162	157	127	116	2360	260	189	183	148	136	288	317	231	224	181	166
203	223	162	157	128	117	237	261	190	184	149	136	289	318	232	225	182	166
2030	223	162	157	128	117	2370	261	190	184	149	136	290	319	232	225	183	167
204	224	163	158	129	117	238	262	190	184	150	137	292	321	234	226	184	168
2040	224	163	158	129	117	239	263	191	185	151	137	293	322	234	227	185	168
205	226	164	159	129	118	2390	263	191	185	151	137	294	323	235	228	165	169
2050	226	164	159	129	118	240	264	192	186	151	138	295	325	236	229	186	170
206	227	165	160	130	118	241	265	193	187	152	139	296	326	237	229	186	170
2060	227	165	160	130	118	2410	265	193	187	152	139	297	327	238	230	187	171

δ As shown on pages 406 to 453, inc., of Tariff as amended.

ALL RATES RESULTING FROM THE USE OF THE RATE BASE NUMBERS IN THIS SECTION ARE INCREASES

Add to Page 486 of Tariff:

SECTION 4A

MINIMUM CHARGES

The rates named in this Section apply only where applicable rating is published in OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, except ratings, in Section 2 of the Exceptions to Official Classification, Agent W.J. Curlett's Tariff No. 141-A (See Item 620), EXCEPT that:

These rates will NOT apply:

On traffic routed from, to or via the American Barge Line Company in connection with Ratings Rules and other provisions in Official Classification. Section 4 Rate Basis Numbers will apply.

The minimum charges provided for in this section will only apply between points for which rates are provided in Sections 1A and 2A.

If the charge accruing under Section 1A or Section 2A, according to their application is higher than the charge accruing under this section, on the same shipment, the charge accruing under Section 1A or Section 2A, according to their application will apply.

Where actual weight of shipment is in excess of minimum weight shown in connection with minimum charges, actual weight should be used in computing the charges obtained under the minimum rate provided this section.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended.

to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To rthern tations own on ges 17 o 95, tariff amended nclusive, aking te Basis mbers under eading ction 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 464 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1	152	152	152	152	152	149	149	149	171	171	171	125	171	171	171	142	171	171	171	158	171
2	152	152	152	152	152	149	149	149	171	171	171	125	171	171	171	142	171	171	171	158	171
3	149	149	149	149	149	149	149	149	168	168	168	125	168	168	168	142	168	168	168	158	171
4	92	88D	117	117	112D	122	122	118D	145	143	139D	158	158	158	154D	174	174	174	170D	190	206
5	92	88D	117	117	113D	122	122	118D	145	143	139D	158	158	158	154D	174	174	174	170D	190	206
6	91	87D	113	113	109D	120	120	116D	145	143	139D	158	158	158	154D	174	174	174	170D	190	206
7	92	88D	113	113	109D	117	117	113D	141	141	137D	158	158	158	154D	174	174	174	170D	190	206
8	87	83D	111	111	107D	120	120	116D	141	141	137D	158	158	158	154D	174	174	174	170D	190	206
9	85	81D	108	108	104D	120	120	116D	143	143	139D	164	164	164	160D	178	178	178	174D	190	209
10	84	80D	108	108	104D	120	120	116D	145	145	141D	164	164	164	160D	178	178	178	174D	190	209
11	81	77D	108	108	104D	117	117	113D	141	141	137D	164	164	164	160D	178	178	178	174D	190	209
12	80	76D	106	106	102D	117	117	113D	136	136	132D	164	164	164	160D	178	178	178	174D	190	209
13	84	80D	108	108	104D	120	120	116D	141	141	137D	164	164	164	160D	178	178	178	174D	190	209
14	87	83D	111	111	107D	120	120	116D	143	143	139D	164	164	164	160D	178	178	178	174D	190	209
15	88	84D	113	113	109D	122	122	118D	145	143	139D	158	158	158	154D	174	174	174	170D	190	206
16	88	84D	113	113	109D	122	122	118D	145	143	139D	164	164	164	160D	178	178	178	174D	190	209
17	117	113D	114	125	121D	129	129	125D	152	152	148D	166	165	165	161D	180	180	180	176D	196	209
18	101	97D	113	113	109D	117	117	113D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
19	101	97D	113	113	109D	117	117	113D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
20	99	95D	111	111	107D	113	113	109D	134	134	130D	154	154	154	150D	169	169	169	165D	185	200
21	99	95D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
22	99	95D	106	106	102D	106	106	104D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
23	99	95D	106	106	102D	106	106	104D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
24	101	97D	106	106	102D	106	106	104D	129	129	125D	154	154	154	150D	169	169	169	165D	185	200
25	101	97D	101	101	97D	106	106	102D	129	129	125D	154	154	154	150D	169	169	169	165D	185	200
26	99	95D	101	101	97D	106	106	102D	125	125	121D	141	141	141	137D	160	160	160	156D	177	189
27	99	95D	99	99	95D	101	101	97D	125	125	121D	141	141	141	137D	160	160	160	156D	177	189
28	96	92D	96	96	92D	99	99	96	122	122	120	141	141	141	137D	160	160	160	156D	177	189
29	95	91D	95	95	91D	99	99	96	120	120	120	141	141	141	137D	160	160	160	156D	177	189
30	92	88D	92	92	88D	96	96	96	120	120	120	141	141	141	137D	160	160	160	156D	177	189
31	88	84D	91	91	87D	96	96	96	117	117	120	141	141	141	137D	160	160	160	156D	177	189
32	99	95D	99	99	95D	99	99	96	122	122	120	141	141	141	137D	160	160	160	156D	177	189
33	99	95D	99	99	95D	99	96	96	120	120	120	141	141	141	137D	160	160	160	156D	177	189
34	99	95D	99	99	95D	99	99	96	120	120	110	141	141	141	137D	160	160	160	156D	177	189
35	96	95D	99	99	95D	101	101	97D	122	122	120	141	141	141	137D	160	160	160	156D	177	189
36	99	95D	99	99	95D	101	101	97D	125	125	121D	141	141	141	137D	160	160	160	156D	177	189
37	101	97D	101	101	97D	99	99	96	122	122	120	141	141	141	137D	160	160	160	156D	177	189
38	101	97D	101	101	97D	99	96	96	120	120	120	134	134	134	130D	155	155	155	149D	169	186
39	99	95D	99	99	95D	96	96	96	120	120	120	134	134	134	130D	155	155	155	149D	169	186
40	101	97D	99	99	95D	96	96	96	120	120	120	129	129	129	125D	147	147	147	143D	165	177
41	101	97D	99	99	95D	96	96	96	120	120	120	134	134	134	130D	155	155	155	149	169	186
42	101	97D	99	99	95D	95	96	96	117	117	120	129	129	129	125D	147	147	147	143	165	177
43	106	102D	99	99	95D	96	96	96	117	117	120	129	129	129	125D	147	147	147	143	165	177
44	106	102D	99	99	95D	96	96	96	117	117	120	129	129	129	125D	147	147	147	143	165	177
45	106	102D	96	96	92D	92	92	96	117	117	120	129	129	129	125D	147	147	147	143	165	177
46	106	106	99	99	99	96	96	96	117	117	120	129	129	129	129	147	147	147	147	165	177
47	106	106	99	99	99	96	96	96	120	120	120	129	129	129	129	147	147	147	147	165	177
48	106	106	101	101	101	99	99	99	120	120	120	129	129	129	129	147	147	147	147	165	177
49	106	106	101	101	101	99	99	96	120	120	120	129	129	129	129	147	147	147	147	165	177
50	111	111	101	101	101	99	96	99	122	122	122	129	129	129	129	147	147	147	147	165	177
51	113	113	106	106	106	101	101	101	125	125	125	129	129	129	129	147	147	147	147	165	177
52	113	113	106	106	106	101	101	101	125	125	125	129	129	129	129	147	147	147	147	165	177
53	113	113	106	106	106	106	106	106	125	125	125	129	129	129	129	147	147	147	147	165	177
54	117	117	111	111	111	106	106	106	129	129	129	129	129	129	129	149	149	149	149	166	179

AR - All Rail.
RWR - Rail, Water, Rail.

1197

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A.

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 484 to 48E of tariff as amended, inclusive).

From and To Northern Stations	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
55	120	120	113	113	113	111	111	111	131	131	131	129	131	129	129	149	149	149	149	165	176
56	113	113	108	108	108	106	106	106	125	125	125	120	125	125	125	141	141	141	141	156	171
57	117	117	108	108	108	106	106	106	129	129	129	120	129	129	129	141	141	141	141	156	171
58	117	117	111	111	111	108	108	108	129	129	129	120	129	129	129	141	141	141	141	156	171
59	120	120	113	113	113	111	111	111	131	131	131	120	131	131	131	141	141	141	141	156	171
60	122	122	113	113	113	111	111	111	134	134	134	120	134	134	134	141	141	141	141	156	171
61	125	125	117	117	117	113	113	113	141	141	141	120	141	141	141	141	141	141	141	156	171
62	125	125	117	117	117	113	113	113	141	141	141	120	141	141	141	141	141	141	141	156	171
63	125	125	117	117	117	113	113	113	136	136	136	120	136	136	136	141	141	141	141	156	171
64	129	129	120	120	120	113	113	113	136	136	136	120	136	136	136	141	141	141	141	156	171
65	106	102D	95	95	91D	91	91	96	113	113	120	129	129	129	125D	147	147	147	143D	165	177
66	106	102D	92	92	88D	88	88	96	113	113	120	129	129	129	125D	147	147	147	143D	165	177
67	101	97D	88	88	84D	86	86	96	111	111	120	129	129	129	125D	147	147	147	143D	165	177
68	129	129	120	120	116D	113	113	109D	131	131	127D	106	131	131	127D	124	131	131	127D	141	[illegible]
69	131	131	120	120	120	113	113	113	131	131	131	113	131	131	131	131	131	131	131	147	[illegible]
70	131	131	113	113	113	111	111	111	131	131	131	113	131	131	131	131	131	131	131	147	[illegible]
71	134	134	113	113	113	111	111	111	131	131	131	113	131	131	131	131	131	131	131	147	[illegible]
72	129	129	120	120	120	113	113	113	134	134	134	106	134	134	134	124	134	134	134	141	[illegible]
73	131	131	120	120	120	117	117	117	131	131	131	106	131	131	131	124	131	131	131	141	[illegible]
74	131	131	120	120	120	117	117	117	129	129	129	101	129	129	129	124	129	129	129	141	[illegible]
75	131	131	120	120	120	117	117	117	134	134	134	106	134	134	134	124	134	134	134	141	[illegible]
76	134	134	120	120	120	117	117	117	134	134	134	106	134	134	134	124	134	134	134	141	[illegible]
77	134	134	120	120	120	117	117	117	131	131	131	106	131	131	131	124	131	131	131	141	[illegible]
78	131	131	120	120	120	117	117	117	129	129	129	101	129	129	129	124	129	129	129	141	[illegible]
79	134	134	113	113	113	111	111	111	129	129	129	120	129	129	129	136	136	136	136	154	[illegible]
80	136	136	117	117	117	113	113	113	131	131	131	120	131	131	131	136	136	136	136	154	[illegible]
81	141	141	117	117	117	113	113	113	125	125	125	120	125	125	125	136	136	136	136	154	[illegible]
82	143	143	120	120	120	117	117	117	129	129	129	120	129	129	129	136	136	136	136	154	[illegible]
83	145	145	122	122	122	120	120	120	129	129	129	120	129	129	129	136	136	136	136	154	[illegible]
84	149	149	125	125	125	122	122	122	131	131	131	120	131	131	131	136	136	136	136	154	[illegible]
85	134	134	122	122	122	120	120	120	129	129	[illegible]	101	129	129	129	124	129	129	129	141	[illegible]
86	134	134	122	122	122	120	120	120	129	129	129	99	129	129	129	124	129	129	129	141	[illegible]
87	136	136	122	122	122	120	120	120	129	129	129	99	129	129	129	124	129	129	129	141	[illegible]
88	136	136	122	122	122	120	120	120	125	125	125	96	125	125	125	124	125	125	125	141	[illegible]
89	141	141	125	125	125	120	120	120	125	125	125	96	125	125	125	124	125	125	125	141	[illegible]
90	141	141	125	125	125	120	120	120	122	122	122	96	122	122	122	124	124	124	124	141	[illegible]
91	141	141	129	129	129	120	120	120	129	129	129	95	129	129	129	124	129	129	129	141	[illegible]
92	141	141	129	129	129	117	117	117	129	129	129	91	129	129	129	124	129	129	129	141	[illegible]
93	141	141	131	131	131	117	117	117	129	129	129	91	129	129	129	124	129	129	129	141	[illegible]
94	129	129	120	120	120	113	113	113	134	134	134	108	134	134	134	124	134	134	134	141	[illegible]
95	134	134	122	122	122	120	120	120	136	136	136	108	136	136	136	124	136	136	136	141	[illegible]
96	134	134	122	122	122	120	120	120	136	136	136	106	136	136	136	124	136	136	136	141	[illegible]
97	136	136	125	125	125	122	122	122	136	136	136	106	136	136	136	124	136	136	136	141	[illegible]
98	136	136	125	125	125	122	122	122	134	134	134	101	134	134	134	124	134	134	134	141	[illegible]
99	141	141	129	129	129	125	125	125	134	134	134	101	134	134	134	124	134	134	134	141	[illegible]
100	117	117	108	108	108	106	106	106	129	129	129	120	129	129	129	141	141	141	141	156	[illegible]
101	122	122	113	113	113	111	111	111	131	131	131	120	131	131	131	141	141	141	141	156	[illegible]
102	122	122	113	113	113	111	111	111	131	131	131	119	131	131	131	136	136	136	136	150	[illegible]
103	122	122	113	113	113	111	111	111	134	134	134	119	134	134	134	136	136	136	136	150	[illegible]
104	122	122	117	117	117	113	113	113	134	134	134	119	134	134	134	136	136	136	136	150	[illegible]
105	125	125	117	117	117	113	113	113	136	136	136	119	136	136	136	136	136	136	136	150	[illegible]
106	129	129	120	120	120	117	117	117	141	141	141	119	141	141	141	136	141	141	141	150	[illegible]
107	125	125	120	120	120	117	117	117	136	136	136	119	136	136	136	136	136	136	136	150	[illegible]
108	129	129	120	120	120	117	117	117	141	141	141	119	141	141	141	136	141	141	141	150	[illegible]

AR - All Rail.
RWR - Rail, Water, Rail.

1772

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
109	129	129	122	122	122	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146	160
110	131	131	122	122	122	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146	160
111	131	131	122	122	122	120	120	120	141	141	141	116	141	141	141	130	141	141	141	146	160
112	131	131	122	122	122	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146	160
113	131	131	122	122	122	120	120	120	141	141	141	116	141	141	141	130	141	141	141	146	160
114	131	131	125	125	125	122	122	122	141	141	141	116	141	141	141	130	141	141	141	146	160
115	131	131	125	125	125	122	122	122	141	141	141	111	141	141	141	130	141	141	141	146	160
116	131	131		125	125	122	122	122	141	141	141	111	141	141	141	124	141	141	141	141	156
117	134	134	122	122	122	120	120	120	136	136	136	111	136	136	136	124	136	136	136	141	156
118	134	134	120	120	120	120	120	120	134	134	134	108	134	134	134	124	134	134	134	141	156
119	145	145	141	141	141	136	136	136	157	157	157	119	157	157	157	134	157	157	157	150	167
120	145	145	141	141	141	136	136	136	155	155	155	119	155	155	155	134	155	155	155	160	167
121	149	149	145	145	145	141	141	141	164	164	164	125	164	164	164	141	164	164	164	156	171
122	149	149	143	143	143	141	141	141	164	164	164	125	164	164	164	141	164	164	164	156	171
123	145	145	141	141	141	136	136	136	157	157	157	125	157	157	157	141	157	157	157	156	171
124	129	129	108	108	108	96	96	96	108	108	120	92	108	108	120	113	113	113	113	129	145
125	129	129	108	108	108	96	96	96	108	108	120	92	108	108	120	113	113	113	113	129	145
126	131	131	111	111	111	99	99	99	111	111	120	96	111	111	120	117	117	117	117	131	145
127	134	134	113	113	113	101	101	101	113	113	120	99	113	113	120	120	120	120	120	134	149
128	134	134	113	113	113	101	101	101	113	113	120	120	120	120	120	136	136	136	136	164	168
129	136	136	117	117	117	106	106	106	117	117	120	120	120	120	120	136	136	[illegible]	136	154	168
130	141	141	120	120	120	108	108	108	120	120	120	120	120	120	120	136	136	136	136	154	168
131	131	131	111	111	111	108	108	108	129	129	129	113	129	129	129	131	131	131	131	147	164
132	131	131	108	108	108	108	108	108	131	131	131	113	131	131	131	131	131	131	131	147	164
133	129	129	108	108	108	106	106	106	125	125	125	113	125	125	125	131	131	131	131	147	164
134	125	125	120	120	120	117	117	117	141	141	141	120	141	141	141	141	141	141	141	156	171
135	125	125	120	120	120	117	117	117	136	136	136	120	136	136	136	141	141	141	141	156	171
136	129	129	122	122	122	120	120	120	141	141	141	120	141	141	141	141	141	141	141	156	171
137	131	131	122	122	122	120	120	120	141	141	141	120	141	141	141	141	141	141	141	156	171
138	131	131	122	122	122	120	120	120	136	136	136	141	136	136	136	124	136	136	136	141	156
139	141	141	143	141	141	136	136	136	160	160	160	141	160	160	160	155	160	160	160	169	182
140	143	143	143	143	143	141	141	141	160	160	160	141	160	160	160	155	160	160	160	169	182
141	129	126D	125	125	121D	122	122	118D	146	146	141D	125	146	146	141D	146	146	146	141D	164	176
142	131	127D	125	125	121D	122	122	118D	146	146	141D	125	146	145	141D	146	146	145	141D	164	176
143	131	127D	125	125	121D	122	122	118D	143	143	139D	125	143	143	139D	146	146	146	141D	164	176
144	141	141	141	141	141	136	136	136	160	160	160	130	160	160	160	146	160	160	160	152	173
145	136	136	141	141	141	136	136	136	157	157	157	130	157	157	157	145	157	157	157	162	173
146	136	136	141	141	141	136	136	136	157	157	157	125	157	157	157	145	157	157	157	158	173
147	138	136	136	136	136	134	134	134	157	157	157	125	157	157	157	145	157	157	157	158	173
148	134	134	136	136	136	134	134	134	155	155	155	125	155	155	155	143	155	155	155	158	176
149	134	134	134	134	134	131	131	131	155	155	155	155	155	155	152D	155	155	155	155	169	182
150	134	130D	134	134	130D	131	131	127D	152	152	152D	141	152	152	152D	155	155	155	151D	169	182
151	136	136	141	141	141	136	136	136	157	157	157	141	157	157	157	155	157	157	157	169	182
152	136	138	136	136	138	134	134	134	157	157	157	141	157	157	157	155	157	157	157	169	182
153	134	134	134	134	134	131	131	131	155	155	155	125	155	155	155	143	155	155	155	168	173
154	138	138	134	134	134	131	131	131	155	155	155	125	155	155	155	143	155	155	155	158	173
155	136	136	131	131	131	129	129	129	152	152	152	119	152	152	152	134	152	152	152	160	167
156	138	136	134	134	134	131	131	131	152	152	152	119	152	152	152	134	152	152	152	160	167
157	136	136	131	131	131	129	129	129	149	149	149	116	149	149	149	134	149	149	149	150	168
158	141	141	134	134	134	131	131	131	152	152	152	116	152	152	152	134	152	152	152	150	168
159	138	136	131	131	131	129	129	129	149	149	149	122	149	149	149	141	149	149	149	158	173
160	149	149	149	149	149	145	145	145	168	168	168	130	168	168	168	145	168	168	168	162	173
161	152	152	152	152	152	149	149	149	168	168	168	135	168	168	168	145	168	168	168	162	173
162	152	152	149	149	149	149	149	149	168	168	168	130	168	168	168	145	168	168	168	162	173

AR All Rail.
RWR Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95 of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR
163	149	149	149	149	149	145	145	145	166	166	166	125	166	166	166	142	166	166	166	158
164	149	149	145	145	145	143	143	143	166	166	166	120	166	166	166	136	166	166	166	155
165	155	155	155	155	155	152	152	152	171	171	171	120	171	171	171	136	171	171	171	155
166	152	152	149	149	149	149	149	149	168	168	168	130	168	168	168	145	168	168	168	162
167	149	145D	145	145	141D	143	143	139D	164	164	160D	120	164	164	160D	136	164	164	160D	155
168	134	134	129	129	129	125	125	125	149	149	149	122	149	149	149	141	149	149	149	158
169	145	145	141	141	141	136	136	136	160	160	160	125	160	160	160	141	160	160	160	156
170	143	143	136	136	136	134	134	134	155	155	155	125	155	155	155	141	155	155	155	156
171	136	136	131	131	131	129	129	129	152	152	152	119	152	152	152	134	152	152	152	150
172	141	141	136	136	136	134	134	134	155	155	155	125	155	155	155	141	141	155	155	156
173	136	136	134	134	134	131	131	131	152	152	152	125	152	152	152	141	152	152	152	156
174	134	136	129	129	129	125	125	125	145	145	145	116	145	145	145	134	145	145	145	150
175	136	136	131	131	131	129	129	129	149	149	149	116	149	149	149	134	149	149	149	150
176	131	131	125	125	125	122	122	122	143	143	143	116	143	143	143	134	143	143	143	150
177	131	131	125	125	125	122	122	122	143	143	143	116	143	143	143	134	143	143	143	150
178	136	136	129	129	129	125	125	125	149	149	149	119	149	149	149	134	149	149	149	150
179	143	143	134	134	134	131	131	131	155	155	155	119	155	155	155	134	155	155	155	150
180	117	113D	125	125	121D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196
181	134	134	129	129	129	125	125	125	145	145	145	122	145	145	145	141	145	145	145	158
182	134	134	129	129	129	125	125	125	145	145	145	120	145	145	145	141	145	145	145	156
183	131	131	125	125	125	122	122	122	143	143	143	120	143	143	143	141	143	143	143	156
184	111	107D	122	122	118D	125	125	121D	141	141	137D	165	165	165	161D	180	180	180	176D	196
185	113	109D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196
186	111	107D	122	122	118D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196
187	111	107D	120	120	116D	122	122	118D	145	145	141D	165	165	165	161D	180	180	180	176D	196
188	117	113D	122	122	118D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196
189	117	113D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196
190	117	113D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196
191	120	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196
192	113	109D	125	125	121D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196
193	113	109D	125	125	121D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196
194	113	109D	122	122	118D	122	122	118D	145	145	141D	154	154	154	150D	169	169	169	165D	185
195	111	107D	120	120	116D	120	120	116D	143	143	139D	154	154	154	150D	169	169	169	165D	185
196	111	107D	120	120	116D	120	120	116D	143	143	139D	154	154	154	150D	169	169	169	165D	185
197	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	185
198	113	109D	122	122	118D	122	122	118D	143	143	139D	146	146	146	140D	165	165	165	161D	180
199	113	109D	122	122	118D	122	122	118D	143	143	139D	146	146	146	140D	165	165	165	161D	180
200	117	113D	122	122	118D	122	122	118D	143	143	139D	146	146	146	140D	165	165	165	161D	180
201	113	109D	122	122	118D	120	120	116D	143	143	139D	146	146	146	140D	165	165	165	161D	178
202	117	113D	122	122	118D	120	120	116D	143	143	139D	146	146	146	140D	165	165	165	161D	178
203	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	140D	165	165	165	161D	178
204	120	116D	125	125	121D	122	122	118D	145	145	141D	146	146	146	140D	165	165	165	161D	178
205	120	116D	125	125	121D	122	122	118D	145	145	141D	146	146	146	140D	165	165	165	161D	178
206	120	116D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	165	165	165	161D	178
207	120	116D	125	125	121D	122	122	118D	145	145	141D	146	146	146	140D	165	165	165	161D	178
208	120	116D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	165	165	165	161D	178
209	120	116D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	165	165	165	161D	178
210	122	118D	129	129	125D	125	125	121D	145	145	141D	146	146	146	142D	161	161	161	157D	182
211	122	118D	125	125	121D	122	122	118D	145	145	141D	146	146	146	142D	161	161	161	157D	182
212	122	118D	129	129	125D	125	125	121D	145	145	141D	146	146	146	142D	161	161	161	157D	182
213	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182
214	125	121D	131	131	127D	129	129	125D	149	149	145D	146	149	149	145D	161	161	161	157D	182
215	113	109D	122	122	118D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196
216	113	109D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196

AR - All Rail.
RWR - Rail, Water, Rail.

1774

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
217	111	107D	120	120	116D	122	122	118D	145	145	141D	165	165	165	161D	180	180	180	176D	196	208
218	111	107D	120	120	116D	122	122	118D	145	145	141D	164	164	164	160D	180	180	180	176D	196	208
219	113	109D	122	122	118D	125	125	121D	145	145	141D	164	164	164	160D	180	180	180	176D	196	208
220	111	107D	120	120	116D	122	122	118D	143	143	139D	164	164	164	160D	180	180	180	176D	196	206
221	111	107D	120	120	116D	122	122	118D	145	145	141D	161	161	161	157D	178	178	178	174D	194	205
222	108	104D	117	117	113D	120	120	116D	143	143	139D	161	161	161	157D	178	178	178	174D	194	205
223	108	104D	120	120	116D	122	122	118D	143	143	139D	161	161	161	157D	178	178	178	174D	194	205
224	108	104D	120	120	116D	122	122	118D	143	143	139D	161	161	161	157D	178	178	178	174D	194	205
225	88	84D	91	91	87D	94	94	96	117	117	120	141	141	141	137D	160	160	160	156D	177	189
226	117	113D	125	125	121D	122	122	118D	145	145	141D	154	154	154	150D	169	169	169	165D	185	200
227	156	151D	164	164	160D	166	166	162D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
228	143	139D	149	149	145D	145	145	141D	168	168	164D	154	168	168	164D	168	168	168	164D	183	195
229	141	141	141	141	141	136	136	136	160	160	160	125	160	160	160	143	160	160	160	158	173
230	117	117	111	111	111	108	108	108	131	131	131	120	131	131	131	141	141	141	141	156	171
231	145	145	149	149	149	145	145	145	166	166	166	130	166	166	166	145	166	166	166	162	173
232	145	145	149	149	149	145	145	145	166	166	166	135	166	166	166	150	166	166	166	166	178
233	145	145	145	145	145	143	143	143	166	166	166	135	166	166	166	150	166	166	166	166	178
234	125	121D	131	131	127D	129	129	125D	152	152	148D	146	152	152	148D	161	161	161	157D	182	194
235	125	121D	131	131	127D	129	129	125D	152	152	148D	146	152	152	148D	161	161	161	157D	182	194
236	131	127D	136	136	132D	134	134	130D	157	157	153D	146	157	157	153D	161	161	161	157D	182	194
237	134	130D	141	141	137D	136	136	132D	160	160	156D	154	160	160	156D	168	168	168	164D	183	195
238	131	127D	136	136	132D	134	134	130D	157	157	153D	146	157	157	153D	161	161	161	157D	177	188
239	134	130D	141	141	137D	136	136	132D	157	157	153D	154	157	157	153D	168	168	168	164D	183	195
240	134	130D	141	141	137D	136	136	132D	160	160	156D	154	160	160	156D	168	168	168	164D	183	195
241	136	132D	143	143	139D	141	141	137D	164	164	160D	154	164	164	160D	168	168	168	164D	183	195
242	141	137D	145	145	141D	143	143	139D	164	164	160D	154	164	164	160D	168	168	168	164D	183	195
243	141	137D	145	145	141D	143	143	139D	166	166	162D	154	166	166	162D	168	168	168	164D	183	195
244	141	137D	145	145	141D	143	143	139D	166	166	162D	160	166	166	162D	173	173	173	169D	186	200
245	143	139D	149	149	145D	145	145	141D	168	168	164D	160	168	168	164D	173	173	173	169D	186	200
246	143	139D	152	152	148D	149	149	145D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
247	141	137D	152	152	148D	149	149	145D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
248	143	139D	152	152	148D	152	152	148D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
249	143	139D	156	156	151D	152	152	148D	173	173	169D	160	173	173	169D	173	173	173	169D	186	200
250	141	137D	149	149	145D	152	152	148D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
251	141	137D	149	149	145D	152	152	148D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
252	136	132D	145	145	141D	149	149	145D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
253	136	132D	145	145	141D	149	149	145D	168	168	164D	160	168	168	164D	173	173	173	169D	186	200
254	141	137D	145	145	141D	149	149	145D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
255	141	137D	149	149	145D	152	152	148D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
256	141	137D	149	149	145D	152	152	148D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
257	141	137D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
258	146	142D	155	155	151D	158	158	154D	179	179	175D	169	179	179	175D	183	183	183	179D	196	209
259	150	146D	160	160	156D	162	162	158D	180	180	176D	169	180	180	176D	183	183	183	179D	196	209
260	150	146D	162	162	158D	165	165	161D	184	184	180D	169	184	184	180D	183	184	184	180D	196	209
261	154	150D	162	162	158D	165	165	161D	184	184	180D	179	184	184	180D	191	191	191	187D	205	218
262	155	151D	166	166	162D	169	169	165D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
263	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
264	147	143D	157	157	153D	160	160	156D	178	178	174D	169	178	178	174D	183	183	183	179D	196	209
265	149	145D	158	158	154D	161	161	157D	183	183	179D	169	183	183	179D	183	183	183	179D	196	209
266	145	141D	155	155	151D	157	157	153D	179	179	175D	166	179	179	175D	179	179	179	175D	193	206
267	155	151D	157	157	153D	160	160	156D	179	179	175D	166	179	179	175D	179	179	179	175D	193	206
268	150	146D	160	160	156D	162	162	158D	180	180	176D	179	180	180	176D	191	191	191	187D	205	218
269	136	132D	155	155	151D	158	158	154D	179	179	175D	166	179	179	175D	179	179	179	175D	193	206
270	136	132D	155	155	151D	158	158	154D	179	179	175D	166	179	179	175D	179	179	179	175D	193	206

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued
(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95 of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																			
	A		B	C		D	E		F	G		H	J	K		L	M	N		O
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of Tariff as amended, inclusive).																			
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR
271	149	145D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	206
272	152	148D	157	157	153D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	206
273	154	150D	162	162	158D	166	166	162D	184	184	180D	179	184	184	180D	191	191	191	187D	206
274	152	148D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	206
275	155	151D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	206
276	155	151D	166	166	162D	168	168	164D	185	185	181D	179	185	185	181D	191	191	191	187D	206
277	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	206
278	160	156D	168	168	164D	171	171	167D	188	188	184D	179	188	188	184D	191	191	191	187D	206
279	160	156D	168	168	164D	171	171	167D	191	191	187D	179	191	191	187D	191	191	191	187D	206
280	164	160D	174	174	170D	177	177	173D	196	196	191D	179	196	196	191D	191	196	196	191D	206
281	168	164D	176	176	172D	178	178	174D	196	196	192D	179	196	196	192D	191	196	196	192D	206
282	168	164D	178	178	174D	176	176	172D	196	196	192D	179	196	196	192D	191	196	196	192D	206
283	166	162D	171	171	167D	168	168	164D	186	186	181D	160	186	186	181D	174	185	185	181D	190
284	168	164D	173	173	169D	171	171	167D	190	190	186D	179	190	190	186D	191	191	191	187D	206
285	164	160D	171	171	167D	173	173	169D	194	194	190D	179	194	194	190D	191	194	194	190D	206
286	120	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196
287	120	116D	129	129	125D	131	131	127D	155	155	151D	165	165	165	161D	180	180	180	176D	196
288	117	113D	129	129	125D	129	129	125D	147	147	143D	165	165	165	161D	180	180	180	176D	196
289	117	113D	129	129	125D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196
290	120	116D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196
291	113	109D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	186
292	117	113D	125	125	121D	125	125	121D	149	149	145D	154	154	154	150D	169	169	169	165D	186
293	113	109D	122	122	118D	122	122	118D	145	145	141D	154	154	154	150D	169	169	169	165D	186
294	113	109D	122	122	118D	122	122	118D	145	145	141D	154	154	154	150D	169	169	169	165D	186
295	113	109D	122	122	118D	122	122	118D	136	136	132D	154	154	154	150D	169	169	169	165D	185
296	117	113D	125	125	121D	129	129	125D	149	149	145D	154	154	154	150D	169	169	169	165D	185
297	120	116D	129	129	125D	131	131	127D	152	152	148D	154	154	154	150D	169	169	169	165D	185
298	122	118D	131	131	127D	131	131	127D	152	152	148D	154	154	154	150D	169	169	169	165D	185
299	122	118D	131	131	127D	131	131	127D	152	152	148D	154	154	154	150D	169	169	169	165D	185
300	125	121D	131	131	127D	129	129	125D	152	152	148D	146	152	152	148D	161	161	161	157D	[illegible]
301	122	118D	131	131	127D	129	129	125D	143	143	139D	146	146	146	142D	161	161	161	157D	[illegible]
302	125	121D	131	131	127D	129	129	125D	149	149	145D	146	149	149	145D	161	161	161	157D	[illegible]
303	125	121D	134	134	130D	131	131	127D	152	152	148D	146	152	152	148D	161	161	161	157D	[illegible]
304	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	[illegible]
305	122	118D	125	125	121D	122	122	118D	143	143	139D	142	143	143	139D	160	160	160	156D	175
306	120	116D	122	122	118D	120	120	116D	141	141	137D	142	142	142	138D	160	160	160	156D	176
307	120	116D	122	122	118D	120	120	116D	141	141	137D	142	142	142	138D	160	160	160	156D	[illegible]
308	120	116D	120	120	116D	117	117	113D	141	141	137D	142	142	142	138D	160	160	160	156D	176
309	120	116D	120	120	116D	117	117	113D	141	141	137D	142	142	142	138D	160	160	160	156D	176
310	117	113D	120	120	116D	117	117	113D	136	136	132D	134	136	136	132D	155	155	155	149D	[illegible]
311	129	125D	134	134	130D	131	131	127D	156	155	151D	146	156	155	151D	161	161	161	157D	[illegible]
312	131	127D	136	136	132D	134	134	130D	155	155	151D	146	155	155	151D	161	161	161	157D	[illegible]
313	131	127D	136	136	132D	134	134	130D	157	157	153D	146	157	157	153D	161	161	161	157D	[illegible]
314	134	130D	141	141	137D	136	136	132D	157	157	153D	146	157	157	153D	161	161	161	157D	177
315	136	132D	136	136	132D	134	134	130D	157	157	153D	146	157	157	153D	161	161	161	157D	177
316	136	132D	141	141	137D	136	136	132D	157	157	153D	141	157	157	153D	155	157	157	153D	[illegible]
317	141	141	141	141	141	136	136	136	160	160	160	141	160	160	160	155	160	160	160	[illegible]
318	134	130D	134	134	130D	131	131	127D	155	155	151D	141	155	155	151D	155	155	155	151D	[illegible]
319	136	136	136	136	136	134	134	134	157	157	157	141	157	157	157	155	157	157	157	[illegible]
320	141	141	143	143	143	141	141	141	160	160	160	141	160	160	160	155	160	160	160	[illegible]
321	143	143	143	143	143	141	141	141	164	164	164	141	164	164	164	155	164	164	164	[illegible]
322	143	143	143	143	143	141	141	141	164	164	164	135	164	164	164	150	164	164	164	[illegible]
323	143	143	145	145	145	143	143	143	164	164	164	135	164	164	164	150	164	164	164	[illegible]
324	145	145	145	145	145	143	143	143	166	166	166	135	166	166	166	150	166	166	166	[illegible]

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
325	145	145	149	149	149	145	145	145	166	166	166	135	166	166	166	150	166	166	166	166	178
326	152	152	155	155	155	149	149	149	171	171	171	125	171	171	171	142	171	171	171	158	171
327	155	155	155	155	155	152	152	152	168	168	168	125	168	168	168	142	168	168	168	156	171
328	134	130D	141	141	137D	136	136	132D	160	160	156D	146	160	160	156D	161	161	161	157D	177	188
329	136	132D	143	143	139D	141	141	137D	160	160	156D	146	160	160	156D	161	161	161	157D	177	188
330	141	137D	143	143	139D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	177	188
331	141	137D	143	143	139D	141	141	137D	164	164	160D	141	164	164	160D	155	164	164	160D	169	182
332	143	139D	145	145	141D	143	143	139D	166	166	162D	141	166	166	162D	155	166	166	162D	169	182
333	143	139D	145	145	141D	143	143	139D	166	166	162D	146	166	166	162D	161	166	166	162D	177	188
334	143	139D	145	145	141D	143	143	139D	166	166	162D	141	166	166	162D	155	166	156	162D	169	182
335	143	139D	149	149	145D	145	145	141D	168	168	164D	141	168	168	164D	155	168	168	164D	169	182
336	145	141D	152	152	148D	149	149	145D	168	168	164D	141	168	168	164D	155	168	168	164D	169	182
337	149	145D	156	156	151D	152	152	148D	171	171	167D	141	171	171	167D	155	171	171	167D	169	182
338	136	132D	143	143	139D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	177	188
339	141	137D	145	145	141D	143	143	139D	164	164	160D	146	164	164	160D	161	164	164	160D	177	188
340	141	137D	145	145	141D	143	143	139D	164	164	160D	146	164	164	160D	161	164	164	160D	177	188
341	143	139D	149	149	145D	145	145	141D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
342	145	141D	152	152	148D	149	149	145D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
343	143	139D	149	149	145D	145	145	141D	168	168	164D	154	168	168	164D	168	168	168	164D	183	196
344	145	141D	152	152	148D	149	149	145D	171	171	167D	154	171	171	167D	168	171	171	167D	183	196
345	145	141D	152	152	148D	149	149	145D	171	171	167D	147	171	171	167D	161	171	171	167D	177	188
346	120	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
347	117	113D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
348	117	113D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
349	120	116D	131	131	127D	134	134	130D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
350	120	116D	131	131	127D	134	134	130D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
351	122	118D	131	131	127D	134	134	130D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
352	122	118D	131	131	127D	134	134	130D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
353	122	118D	134	134	130D	136	136	132D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
354	122	118D	131	131	127D	131	131	127D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
355	129	125D	136	136	132D	136	136	132D	160	160	156D	157	160	160	156D	174	174	174	170D	191	202
356	129	125D	141	141	137D	136	136	132D	160	160	156D	157	160	160	156D	174	174	174	170D	191	202
357	129	125D	141	141	137D	136	136	132D	157	157	153D	157	157	157	153D	174	174	174	170D	191	202
358	131	127D	141	141	137D	136	136	132D	157	157	153D	157	157	157	153D	174	174	174	170D	191	202
359	129	125D	134	134	130D	131	131	127D	152	152	148D	146	152	152	148D	161	161	161	167D	182	194
360	131	127D	141	141	137D	136	136	132D	157	157	153D	146	157	157	153D	161	161	161	167D	182	194
361	134	130D	141	141	137D	136	136	132D	160	160	156D	146	160	160	156D	161	161	161	157D	182	194
362	136	132D	143	143	139D	141	141	137D	160	160	156D	146	160	160	156D	161	161	161	157D	182	194
363	129	125D	131	131	127D	131	131	127D	155	155	151D	146	155	155	151D	161	155	155	151D	182	194
364	143	143	143	143	143	141	141	141	164	164	164	130	164	164	164	145	164	164	164	162	173
365	149	149	149	149	149	145	145	145	168	168	168	135	168	168	168	150	168	168	164	166	178
366	143	143	145	145	145	143	143	143	164	164	164	130	164	164	164	145	164	164	164	162	173
367	145	145	145	145	145	143	143	143	164	164	164	130	164	164	164	145	164	164	164	162	173
368	152	152	152	152	152	149	149	149	171	171	171	130	171	171	171	145	171	171	171	162	178
369	145	145	145	145	145	143	143	143	166	166	166	135	166	166	166	142	166	166	166	156	171
370	145	145	145	145	145	143	143	143	166	166	166	125	166	166	166	142	166	166	166	156	171
371	157	153D	169	166	162D	169	169	165D	190	190	186D	166	190	190	186D	183	190	190	186D	197	209
372	144	140D	155	156	151D	158	158	154D	177	177	173D	169	177	177	173D	183	183	183	179D	196	209
373	147	143D	156	156	152D	160	160	156D	180	180	176D	169	180	180	176D	183	183	183	179D	196	209
374	146	142D	155	155	151D	158	158	154D	179	179	175D	169	179	179	175D	183	183	183	179D	196	209
375	122	122	120	120	120	117	117	117	141	141	141	131	141	141	141	150	150	150	150	166	178
376	125	125	120	120	120	117	117	117	141	141	141	131	141	141	141	150	150	150	150	166	178
377	125	125	117	117	117	113	113	113	136	136	136	131	136	136	136	150	150	150	150	166	178
378	122	122	117	117	117	113	113	113	134	136	136	131	134	134	134	150	150	150	150	166	178

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued.
(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR
379	122	122	118	113	113	111	111	111	134	134	134	120	134	134	134	141	141	141	141	188
380	157	157	160	160	160	157	157	157	176	176	176	125	176	176	176	142	176	176	176	158
381	145	145	141	141	141	136	136	136	160	160	160	125	160	160	160	141	160	160	160	158
382	117	113D	125	125	121D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	186
383	113	109D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	186
384	113	109D	120	120	116D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	176
385	117	113D	122	122	118D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	178
386	117	113D	122	122	118D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	180
387	117	113D	122	122	118D	120	120	116D	145	145	139D	146	146	146	142D	165	165	165	161D	180
388	117	113D	125	125	121D	125	125	121D	149	149	145D	154	154	154	150D	169	169	169	165D	186
389	122	118D	131	131	127D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196
390	111	107D	120	120	116D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	180
391	113	109D	120	120	116D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	180
392	113	109D	120	120	116D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	180
393	111	107D	120	120	116D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	178
394	113	109D	117	117	113D	113	113	109D	136	136	132D	146	146	146	142D	165	165	165	161D	178
395	113	109D	120	120	116D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	178
396	113	109D	120	120	116D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	178
397	120	116D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178
398	120	116D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178
399	113	109D	122	122	118D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	178
400	113	109D	122	122	118D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	178
401	120	116D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	165	165	165	161D	178
402	129	125D	131	131	127D	129	129	125D	149	149	145D	146	149	149	145D	161	161	161	157D	188
403	129	125D	134	134	130D	131	131	127D	152	152	148D	146	152	152	148D	161	161	161	157D	182
404	129	125D	134	134	130D	131	131	127D	155	155	151D	142	155	155	151D	160	160	160	156D	178
405	131	127D	134	134	130D	131	131	127D	155	155	151D	142	155	155	151D	160	160	160	156D	178
406	131	127D	134	134	130D	131	131	127D	155	155	151D	142	155	155	151D	160	160	160	156D	178
407	131	127D	131	131	127D	129	129	125D	152	152	148D	142	152	152	148D	160	160	160	156D	178
408	131	127D	131	131	127D	129	129	125D	149	149	145D	142	149	149	145D	160	160	160	156D	178
409	129	125D	129	129	125D	125	125	121D	149	149	145D	142	149	149	145D	160	160	160	156D	178
410	129	125D	131	131	127D	129	129	125D	149	149	145D	142	149	149	145D	160	160	160	156D	178
411	134	130D	134	134	130D	131	131	127D	155	155	151D	142	155	155	151D	160	160	160	156D	178
412	143	139D	143	143	139D	141	141	137D	164	164	160D	141	164	164	160D	155	164	164	160D	188
413	152	152	152	152	152	149	149	149	168	168	168	136	168	168	168	150	168	168	168	186
414	152	152	152	152	152	149	149	149	171	171	171	130	171	171	171	145	171	171	171	186
415	145	141D	149	149	145D	145	145	141D	168	168	164D	146	168	168	164D	161	168	168	164D	177
416	149	145D	155	155	151D	152	152	148D	171	171	167D	146	171	171	167D	161	171	171	167D	177
417	141	137D	141	141	137D	136	136	132D	160	160	156D	146	160	160	156D	161	161	161	157D	177
418	141	137D	145	145	141D	141	141	137D	160	160	156D	146	160	160	156D	161	161	161	157D	177
419	145	141D	149	149	145D	145	145	141D	166	166	162D	141	166	166	162D	156	166	166	162D	180
420	149	145D	152	152	148D	149	149	145D	168	168	164D	141	168	168	164D	156	168	168	164D	180
421	149	145D	152	152	148D	149	149	145D	168	168	164D	141	168	168	164D	156	168	168	164D	180
422	108	104D	117	117	113D	120	120	116D	143	143	139D	164	164	164	160D	180	180	180	176D	[illegible]
423	124	120D	134	134	130D	136	136	132D	160	160	156D	173	173	173	169D	189	189	189	185D	[illegible]
424	130	126D	140	140	136D	142	142	138D	165	165	161D	178	178	178	174D	194	194	194	190D	[illegible]
425	148	144D	140	140	136D	154	154	150D	177	177	173D	180	180	180	176D	205	205	205	201D	[illegible]
426	85	81D	111	111	107D	120	120	116D	141	141	137D	158	158	158	154D	174	174	174	170D	180
427	88	84D	113	113	109D	122	122	118D	143	143	139D	158	158	158	154D	174	174	174	170D	180
428	99	95D	101	101	97D	105	105	101D	125	125	121D	141	141	141	137D	160	160	160	156D	177
429	101	97D	105	105	101D	108	108	104D	129	129	125D	154	154	154	150D	169	169	169	165D	186
430	105	101D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	186
431	108	104D	111	111	107D	111	111	107D	134	134	130D	154	154	154	150D	169	169	169	165D	186
432	106	102D	108	108	104D	108	108	104D	129	129	125D	140	140	140	136D	155	155	155	151D	178

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued
(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
633	131	131	135	135	135	133	133	133	143	143	143	113	143	143	143	130	143	143	143	146	160
634	134	134	138	138	138	132	132	132	141	141	141	111	141	141	141	124	141	141	141	141	156
635	136	136	135	135	135	135	135	136	141	141	141	113	141	141	141	124	141	141	141	141	156
636	134	134	135	135	135	132	132	132	145	145	145	113	145	145	145	130	145	145	145	146	160
637	145	145	141	141	141	136	136	136	160	160	160	125	160	160	160	141	160	160	160	156	171
638	155	161D	136	136	139D	141	141	137D	160	160	158D	165	165	165	161D	160	160	160	176D	196	208
639	129	155D	138	138	155D	141	141	137D	160	160	166D	165	165	165	161D	160	180	180	176D	196	208
640	131	157D	141	141	157D	141	141	137D	164	164	160D	165	165	165	161D	160	180	180	176D	196	208
641	131	157D	145	145	139D	145	145	139D	166	166	162D	165	166	166	162D	160	180	180	176D	196	208
642	134	150D	145	145	139D	145	145	141D	166	166	162D	165	166	166	162D	160	180	180	176D	196	208
643	136	152D	145	145	141D	149	149	145D	166	166	164D	165	166	168	164D	179	179	179	176D	193	206
644	141	157D	149	149	145D	157	152	146D	173	173	169D	160	173	173	169D	173	173	173	169D	186	200
645	141	137D	152	152	146D	156	156	151D	173	173	169D	160	173	173	169D	173	173	173	169D	186	200
646	141	137D	152	152	146D	156	156	151D	173	173	169D	154	173	173	169D	166	173	173	169D	183	195
647	143	139D	152	152	146D	156	156	151D	176	176	172D	154	176	176	172D	166	176	176	172D	183	195
648	145	141D	155	155	151D	152	152	146D	173	173	169D	154	173	173	169D	166	173	173	169D	183	195
649	145	141D	155	155	151D	152	152	146D	171	171	167D	154	171	171	167D	166	171	171	167D	183	195
650	145	141D	149	149	145D	145	145	141D	166	166	162D	141	166	166	162D	155	166	166	162D	169	182
651	156	156	157	157	157	156	156	156	173	173	173	125	173	173	173	142	173	173	173	156	173
652	155	155	156	156	156	152	152	152	173	173	173	130	173	173	173	145	173	173	173	166	173
653	160	160	160	160	160	157	157	157	176	176	176	125	176	176	176	142	176	176	176	156	176
654	157	157	160	160	160	157	157	157	176	176	176	125	176	176	176	142	176	176	176	156	176
655	157	157	157	157	157	156	156	156	176	176	176	130	176	176	176	145	176	176	176	162	176
656	157	157	157	157	157	156	156	156	173	173	173	130	173	173	173	145	173	173	173	162	173
657	156	155	156	156	155	152	152	152	171	171	171	130	171	171	171	145	171	171	171	162	173
658	152	152	152	152	152	149	149	149	168	168	168	125	168	168	168	150	168	168	168	166	176
659	149	145D	149	149	145D	145	145	141D	168	168	164D	125	168	168	164D	150	168	168	164D	166	176
660	149	145D	149	149	145D	145	145	141D	168	168	164D	141	168	168	164D	155	168	168	164D	169	182
661	145	141D	152	152	145D	149	149	145D	168	168	164D	141	168	168	164D	155	168	168	164D	169	182
662	152	145D	156	156	151D	152	152	146D	173	173	169D	146	173	173	169D	161	173	173	169D	177	188
663	149	145D	155	155	151D	155	155	148D	171	171	167D	146	171	171	167D	161	171	171	167D	177	188
664	152	145D	157	157	152D	155	155	151D	176	176	172D	150	176	176	172D	165	176	176	172D	182	193
665	155	151D	160	160	156D	157	157	152D	176	176	172D	150	176	176	172D	165	176	176	172D	182	193
666	157	152D	164	164	156D	160	160	156D	179	179	175D	160	179	179	175D	174	179	179	175D	190	202
667	149	145D	155	155	151D	155	155	148D	171	171	167D	160	171	171	167D	174	174	174	170D	190	202
668	157	153D	164	164	160D	160	160	155D	179	179	175D	160	179	179	175D	174	179	179	175D	190	202
669	155	151D	164	164	161D	160	160	156D	179	179	175D	160	179	179	175D	174	179	179	175D	190	202
670	160	156D	166	166	162D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	202
671	164	160D	168	168	164D	166	166	162D	185	185	181D	160	185	185	181D	174	185	185	181D	190	202
672	157	153D	164	164	160D	160	160	156D	179	179	175D	160	179	179	175D	165	179	179	175D	182	193
673	152	148D	157	157	153D	156	156	151D	176	176	172D	150	176	176	172D	165	176	176	172D	182	193
674	149	148D	155	155	151D	156	156	148D	173	173	169D	150	173	173	169D	165	173	173	169D	182	193
675	164	160D	168	168	164D	166	166	160D	185	185	181D	160	185	185	181D	174	185	185	181D	190	202
676	160	156D	166	166	160D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	202
677	166	160D	171	171	167D	168	168	164D	185	185	181D	160	185	185	181D	174	185	185	181D	190	202
678	166	164D	171	171	167D	168	168	164D	188	188	184D	160	188	188	184D	174	188	188	184D	190	202
679	149	148D	157	157	153D	156	156	151D	171	171	167D	154	171	171	167D	168	171	171	167D	183	195
680	149	148D	157	157	153D	156	156	151D	173	173	169D	154	173	173	169D	168	173	173	169D	183	195
681	152	148D	157	157	152D	155	155	151D	173	173	169D	154	173	173	169D	166	173	173	169D	183	195
682	155	151D	160	160	156D	157	157	153D	176	176	172D	160	176	176	172D	174	176	176	172D	190	202
683	155	151D	160	160	156D	157	157	153D	179	179	175D	160	179	179	175D	174	179	179	175D	190	202
684	160	156D	173	173	169D	171	171	167D	188	188	184D	160	188	188	184D	174	188	188	184D	190	202
685	171	167D	176	176	174D	176	176	174D	196	196	192D	160	196	196	192D	174	196	196	192D	190	202
686	175	169D	176	176	174D	176	176	176D	188	188	186D	160	188	188	186D	174	188	188	186D	190	202

AR - All Rail.
RWR - Rail, Water, Rail.

1779

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RW
487	122	118D	131	131	127D	134	134	130D	157	157	153D	173	173	173	169D	185	185	185	181D	196	212
488	125	121D	134	134	130D	136	136	132D	157	157	153D	173	173	173	169D	185	185	185	181D	196	212
489	129	125D	136	136	132D	141	141	137D	160	160	156D	173	173	173	169D	185	185	185	181D	196	212
490	129	125D	136	136	132D	141	141	137D	164	164	160D	173	173	173	169D	185	185	185	181D	196	212
491	131	127D	141	141	137D	143	143	139D	166	166	162D	173	173	173	169D	185	185	185	181D	196	212
492	134	130D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	196	212
493	134	130D	143	143	139D	145	145	141D	166	166	162D	166	166	166	162D	179	179	179	175D	193	206
494	134	130D	143	143	139D	145	145	141D	166	166	162D	166	166	166	162D	179	179	179	175D	193	206
495	136	132D	145	145	141D	149	149	145D	168	168	164D	166	168	168	164D	179	179	179	175D	193	206
496	136	132D	145	145	141D	145	145	141D	168	168	164D	166	168	168	164D	179	179	179	175D	193	206
497	136	132D	145	145	141D	145	145	141D	168	168	164D	166	168	168	164D	179	179	179	175D	193	206
498	125	121D	134	134	130D	136	136	132D	160	160	156D	173	173	173	169D	185	185	185	181D	196	212
499	143	139D	143	143	139D	141	141	137D	164	164	160D	141	164	164	160D	155	164	164	160D	169	182
500	141	137D	143	143	139D	141	141	137D	160	160	156D	141	160	160	156D	155	160	160	156D	169	182
501	141	137D	143	143	139D	143	143	139D	160	160	156D	141	160	160	156D	155	160	160	156D	169	182
502	141	137D	141	141	137D	136	136	132D	160	160	156D	141	160	160	156D	155	160	160	156D	169	182
503	136	136	141	141	141	136	136	136	157	157	157	141	157	157	157	155	157	157	157	169	182
504	129	125D	131	131	127D	129	129	125D	149	149	145D	141	149	149	145D	155	155	155	151D	169	182
505	129	129	131	131	131	129	129	129	149	149	149	134	149	149	149	153	153	153	153	168	178
506	129	125D	129	129	125D	125	125	121D	145	145	141D	134	145	145	141D	153	153	153	149D	166	178
507	125	121D	125	125	121D	122	122	118D	145	145	141D	134	145	145	141D	153	153	153	149D	166	178
508	122	118D	125	125	121D	122	122	118D	143	143	139D	134	143	143	139D	153	153	153	149D	168	178
509	125	121D	125	125	121D	122	122	118D	145	145	141D	134	145	145	141D	153	153	153	149D	168	178
510	125	121D	129	129	125D	125	125	121D	145	145	141D	134	145	145	141D	153	153	153	149D	168	178
511	129	125D	129	129	125D	125	125	121D	145	145	141D	134	145	145	141D	153	153	153	149D	168	178
512	131	131	129	129	129	125	125	125	149	149	149	134	149	149	149	153	153	153	153	168	178
513	134	134	129	129	129	125	125	125	145	145	145	125	145	145	145	145	145	145	145	164	178
514	131	131	125	125	125	122	122	122	145	145	145	125	145	145	145	145	145	145	145	164	178
515	131	131	125	125	125	122	122	122	143	143	143	125	143	143	143	145	145	145	145	164	178
516	131	131	125	125	125	122	122	122	143	143	143	125	143	143	143	145	145	145	145	164	178
517	136	136	136	136	136	134	134	134	157	157	157	125	157	157	157	143	157	157	157	158	173
518	131	131	125	125	125	122	122	122	143	143	143	122	143	143	143	141	143	143	143	158	173
519	136	136	129	129	129	125	125	125	149	149	149	122	149	149	149	141	149	149	149	168	173
520	149	149	143	143	143	141	141	141	157	157	157	119	157	157	157	134	157	157	157	150	167
521	145	145	141	141	141	136	136	136	155	155	155	119	155	155	155	134	155	155	155	150	167
522	141	141	136	136	136	134	136	136	155	155	155	119	155	155	155	134	155	155	155	150	157
523	141	141	136	136	136	134	134	134	155	155	155	119	155	155	155	134	155	155	155	150	[illegible]
524	141	141	134	134	134	131	131	131	155	155	155	113	155	155	155	131	155	155	155	150	[illegible]
525	129	125D	136	136	132D	136	136	132D	160	160	156D	165	165	165	161D	180	180	180	176D	196	181
526	129	125D	141	141	137D	141	141	137D	164	164	160D	165	165	165	161D	180	180	180	176D	196	208
527	129	125D	136	136	132D	141	141	137D	164	164	160D	165	165	165	161D	180	180	180	176D	196	208
528	129	125D	136	136	132D	136	136	132D	160	160	156D	157	160	160	156D	174	174	174	170D	191	203
529	131	127D	141	141	137D	141	141	137D	164	164	160D	157	164	164	160D	174	174	174	170D	191	203
530	129	125D	136	136	132D	141	141	137D	160	160	156D	157	160	160	156D	174	174	174	170D	191	203
531	131	127D	141	141	137D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	182	186
532	134	130D	141	141	137D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	182	186
533	134	130D	141	141	137D	136	136	132D	157	157	153D	146	157	157	153D	161	164	164	160D	182	186
534	136	132D	143	143	139D	136	136	132D	164	164	160D	164	164	164	160D	168	168	168	164D	183	185
535	141	137D	145	145	141D	143	143	139D	164	164	160D	154	164	164	160D	168	168	168	164D	185	185
536	143	139D	149	149	145D	145	145	141D	166	166	162D	154	166	166	162D	168	168	168	164D	185	185
537	143	139D	149	149	145D	145	145	141D	166	166	162D	146	166	166	162D	161	166	166	162D	177	188
538	145	141D	152	152	148D	152	152	148D	168	168	164D	146	168	168	164D	161	168	158	154D	177	188
539	149	145D	152	152	148D	149	149	145D	171	171	167D	146	171	171	167D	161	171	171	167D	177	188
540	108	104D	120	120	116D	122	122	118D	143	143	139D	165	165	165	161D	180	180	180	176D	196	208

AR - All Rail.
RWR - Rail, Water, Rail.

dd to page 486 of Tariff:

SECTION 4A - Continued.
(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
541	108	104D	117	117	113D	120	120	116D	143	143	139D	165	165	165	161D	180	180	180	176D	196	208
542	108	104D	117	117	113D	120	120	116D	143	143	139D	160	160	160	156D	180	180	180	176D	196	208
543	113	109D	122	122	118D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196	208
544	111	107D	120	120	116D	122	122	118D	145	145	141D	165	165	165	161D	180	180	180	176D	196	208
545	108	104D	117	117	113D	120	120	116D	141	141	137D	156	156	156	152D	173	173	173	169D	190	202
546	106	104D	113	113	109D	117	117	113D	141	141	137D	156	156	156	152D	173	173	173	169D	190	202
547	106	102D	113	113	109D	117	117	107D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
548	111	107D	120	120	116D	122	122	118D	143	143	139D	156	156	156	152D	173	173	173	169D	190	202
549	113	109D	122	122	118D	125	125	121D	145	145	141D	156	156	156	152D	173	173	173	169D	190	202
550	113	109D	122	122	118D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	185	200
551	108	104D	117	117	113D	120	120	116D	143	143	139D	156	156	156	152D	173	173	173	169D	190	202
552	108	104D	117	117	113D	120	120	116D	141	141	137D	156	156	156	152D	173	173	173	169D	190	202
553	106	102D	117	117	113D	120	120	116D	141	141	137D	156	156	156	152D	173	173	173	169D	190	202
554	108	104D	117	117	113D	120	120	116D	141	141	137D	161	161	161	157D	178	178	178	174D	194	205
555	108	104D	117	117	113D	120	120	116D	141	141	137D	164	164	164	160D	180	180	180	176D	196	208
556	113	109D	122	122	118D	125	125	121D	149	149	145D	164	164	164	160D	180	180	180	176D	196	208
557	117	113D	125	125	121D	129	129	125D	149	149	145D	164	164	164	160D	180	180	180	176D	196	208
558	106	102D	113	113	109D	113	113	109D	136	136	132D	154	154	154	150D	180	180	169	165D	185	200
559	106	102D	113	113	109D	113	113	109D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
560	106	102D	113	113	109D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
561	101	97D	111	111	107D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
562	99	95D	108	108	104D	111	111	107D	134	134	130D	154	154	154	150D	169	169	169	165D	185	200
563	108	104D	111	111	107D	111	111	107D	131	131	127D	146	146	146	142D	165	165	165	161D	130	194
564	111	107D	111	111	107D	108	108	104D	131	131	127D	140	140	140	136D	155	155	155	161D	173	185
565	106	102D	111	111	107D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
566	108	104D	113	113	109D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
567	108	104D	111	111	107D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
568	108	104D	108	108	104D	108	108	104D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
569	108	104D	111	111	107D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
570	108	104D	111	111	107D	111	111	107D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
571	111	107D	113	113	109D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
572	108	104D	111	111	107D	108	108	104D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
573	111	107D	111	111	107D	108	108	104D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
574	111	107D	111	111	107D	108	108	104D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
575	108	104D	117	117	113D	117	117	113D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
576	106	102D	117	117	113D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
577	108	104D	117	117	113D	113	113	109D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
578	111	107D	120	120	116D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	180	194
579	111	107D	120	120	116D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
580	111	107D	113	113	109D	111	111	107D	131	131	127D	140	140	140	136D	155	155	155	151D	173	185
581	113	109D	113	113	109D	111	111	107D	134	134	130D	140	140	140	136D	155	155	155	151D	173	185
582	117	113D	117	117	113D	113	113	109D	136	136	132D	140	140	140	136D	155	155	155	161D	173	185
583	120	116D	120	120	116D	117	117	113D	136	136	132D	140	140	140	136D	155	155	155	151D	173	185
584	120	116D	120	120	116D	117	117	113D	141	141	137D	131	141	141	137D	150	150	150	146D	166	178
585	122	118D	122	122	118D	120	120	116D	141	141	137D	131	141	141	137D	150	150	150	146D	166	178
586	122	118D	122	122	118D	120	120	116D	141	141	137D	131	141	141	137D	150	150	150	146D	166	178
587	122	118D	120	120	116D	117	117	113D	141	141	137D	131	141	141	137D	150	150	150	146D	166	178
588	122	118D	122	122	118D	120	120	116D	141	141	137D	131	141	141	137D	150	150	150	146D	166	178
589	125	121D	122	122	118D	120	120	116D	141	141	137D	120	141	141	137D	141	141	141	137D	156	171
590	129	129	120	120	120	117	117	117	141	141	141	120	141	141	141	141	141	141	141	156	171
591	129	129	122	122	122	120	120	120	141	141	141	120	141	141	141	141	141	141	141	156	171
592	129	129	122	122	122	120	120	120	141	141	141	120	141	141	141	141	141	141	141	156	171
593	129	129	120	120	120	117	117	117	136	136	136	120	136	136	136	141	141	141	141	156	171
594	125	125	117	117	117	113	113	113	136	136	136	120	136	136	136	141	141	141	141	156	171

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages [illegible] to 485 of Tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR
595	122	122	113	113	113	111	111	111	134	134	134	120	134	134	134	141	141	141	141	169
596	122	122	117	117	117	113	113	113	134	134	134	120	134	134	134	141	141	141	141	158
597	120	120	111	111	111	106	106	106	131	131	131	120	131	131	131	141	141	141	141	166
598	129	129	122	122	122	120	120	120	141	141	141	125	141	141	141	145	145	145	145	164
599	131	131	129	129	129	125	125	125	149	149	149	134	149	149	149	155	155	155	155	169
600	131	131	125	125	125	122	122	122	145	145	145	125	145	145	145	145	145	145	145	164
601	131	131	122	122	122	120	120	120	143	143	143	120	143	143	143	141	143	143	143	158
602	136	136	131	131	131	129	129	129	149	149	149	119	149	149	149	134	149	149	149	150
603	131	131	122	122	122	120	120	120	143	143	143	120	143	143	143	141	143	143	143	158
604	129	129	120	120	120	117	117	117	141	141	141	116	141	141	141	134	141	141	141	150
605	129	129	122	122	122	120	120	120	141	141	141	116	141	141	141	134	141	141	141	150
606	134	134	129	129	129	125	125	125	149	149	149	106	149	149	149	125	149	149	149	141
607	120	116D	122	122	116D	120	120	116D	143	143	139D	142	143	143	139D	160	160	160	156D	170
608	117	113D	120	120	116D	117	117	113D	136	136	132D	134	136	136	132D	155	155	155	151D	168
609	120	116D	122	122	116D	120	120	116D	141	141	137D	134	141	141	137D	155	155	155	151D	168
610	120	116D	120	120	116D	117	117	113D	141	141	137D	134	141	141	137D	155	155	155	151D	168
611	120	116D	120	120	116D	117	117	113D	136	136	132D	131	136	136	132D	150	150	150	151D	164
612	120	116D	120	120	116D	117	117	113D	141	141	137D	134	141	141	137D	155	155	155	151D	168
613	122	118D	122	122	118D	120	120	116D	143	143	139D	134	143	143	139D	155	155	155	151D	168
614	122	118D	122	122	118D	120	120	116D	143	143	139D	142	143	143	139D	160	160	160	156D	176
615	122	118D	122	122	118D	120	120	116D	141	141	137D	134	141	141	137D	155	155	155	151D	168
616	131	131	134	134	134	131	131	131	152	152	152	134	152	152	152	155	155	155	155	168
617	136	136	141	141	141	136	136	136	157	157	157	125	157	157	157	145	157	157	157	168
618	143	143	141	141	141	136	136	136	160	160	160	125	160	160	160	141	160	160	160	166
619	145	145	136	136	136	134	134	134	157	157	157	119	157	157	157	134	157	157	157	180
620	141	141	134	134	134	131	131	131	155	155	155	119	155	155	155	134	155	155	155	180
621	101	97D	111	111	107D	113	113	109D	134	134	130D	154	154	154	150D	169	169	169	165D	185
622	101	97D	111	111	107D	113	113	109D	136	136	132D	154	154	154	150D	169	169	169	165D	185
623	96	92D	106	106	104D	111	111	107D	134	134	130D	158	158	158	154D	174	174	174	170D	185
624	106	102D	106	106	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185
625	99	95D	99	99	95D	101	101	97D	125	125	121D	141	141	141	137D	160	160	160	156D	177
626	99	95D	99	99	95D	101	101	97D	125	125	121	141	141	141	137D	160	160	160	156D	177
627	99	95D	106	106	104D	111	111	107D	134	134	130D	154	154	154	150D	169	169	169	165D	185
628	101	97D	106	106	104D	111	111	107D	134	134	130D	154	154	154	150D	169	169	169	165D	185
629	101	97D	106	106	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185
630	96	92D	106	106	104D	111	111	107D	134	134	130D	154	154	154	150D	169	169	169	165D	185
631	96	92D	106	106	104D	111	111	107D	134	134	130D	158	158	158	154D	174	174	174	170D	180
632	92	88D	106	106	104D	111	111	107D	134	134	130D	158	158	158	154D	174	174	174	170D	180
633	96	92D	111	111	107D	113	113	109D	136	136	132D	158	158	158	154D	174	174	174	170D	180
634	101	97D	113	113	109D	117	117	113D	136	136	132D	158	158	158	154D	174	174	174	170D	180
635	96	92D	113	113	109D	117	117	113D	141	141	137D	158	158	158	154D	174	174	174	170D	180
636	92	88D	111	111	107D	113	113	109D	136	136	132D	158	158	158	154D	174	174	174	170D	180
637	88	84D	111	111	107D	117	117	113D	141	141	137D	158	158	158	154D	174	174	174	170D	180
638	88	84D	111	111	107D	113	113	109D	136	136	132D	158	158	158	154D	174	174	174	170D	180
639	87	83D	111	111	107D	117	117	113D	141	141	137D	158	158	158	154D	174	174	174	170D	180
640	92	88D	113	113	109D	122	122	118D	145	145	141D	158	158	158	154D	174	174	174	170D	180
641	87	83D	111	111	107D	122	122	118D	143	143	139D	164	164	164	160D	178	178	178	174D	180
642	87	83D	111	111	107D	122	122	118D	145	145	141D	164	164	164	160D	178	178	178	174D	180
643	88	84D	111	111	107D	122	122	118D	145	145	141D	164	164	164	160D	178	178	178	174D	180
644	87	83D	111	111	107D	120	120	116D	141	141	137D	158	158	158	154D	174	174	174	170D	180
645	88	84D	111	111	107D	120	120	116D	141	141	137D	164	164	164	160D	178	178	178	174D	180
646	101	97D	101	101	97D	106	106	102D	129	129	125D	141	141	141	137D	160	160	160	156D	177
647	101	97D	101	101	97D	106	106	102D	129	129	125D	141	141	141	137D	160	160	160	156D	177
648	106	102D	106	106	102D	106	106	102D	129	129	125D	141	141	141	137D	160	160	160	156D	177

AR - All Rail.
RWR - Rail, Water, Rail.

to page 486 of Tariff:

SECTION 4A - Continued.
(For Application, see page 455 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of tariff as amended, inclusive, Taking the Following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 488 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A	A	B	C	C	D	E	E	F	G	G	H	J	K	K	L	M	N	N	O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
. . . . .	106	103D	106	106	103D	106	106	104D	129	129	125D	141	141	141	137D	160	160	160	156D	177	189
. . . . .	106	103D	106	106	103D	106	106	104D	130	130	126D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	106	103D	106	106	103D	106	106	103D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	106	103D	106	106	103D	106	106	103D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	106	103D	106	106	103D	106	106	103D	125	125	121D	134	134	134	130D	153	153	153	149D	169	185
. . . . .	106	103D	106	106	103D	101	101	97D	122	122	120	134	134	134	130D	153	153	153	149D	169	185
. . . . .	108	104D	111	111	107D	108	108	104D	131	131	127D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	108	104D	111	111	107D	108	108	104D	131	131	127D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	108	104D	111	111	107D	108	108	104D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	117	113D	117	117	113D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	178	194
. . . . .	117	113D	117	117	113D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	178	194
. . . . .	117	113D	117	117	113D	113	113	109D	134	134	130D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	120	116D	120	120	116D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	178	194
. . . . .	120	116D	122	122	118D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	178	194
. . . . .	131	127D	131	131	127D	129	129	125D	152	152	148D	141	152	152	148D	155	155	155	151D	169	182
. . . . .	143	140D	143	143	139D	143	143	139D	164	164	160D	141	164	164	160D	155	164	164	160D	169	188
. . . . .	149	145D	149	149	145D	145	145	141D	166	166	162D	135	166	166	162D	150	166	166	162D	166	178
. . . . .	108	104D	117	117	113D	120	120	116D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	111	107D	120	120	116D	122	122	118D	146	146	141D	164	164	164	160D	180	180	180	176D	196	208
. . . . .	111	107D	111	111	107D	108	108	104D	135	135	131D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	111	107D	108	108	104D	108	108	103D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
. . . . .	108	104D	108	108	103D	101	101	97D	122	122	120	140	140	140	136D	155	155	155	151D	173	185
. . . . .	108	104D	101	101	97D	99	99	96	122	122	120	140	140	140	136D	155	155	155	151D	173	185
. . . . .	108	104D	101	101	97D	99	99	96	120	120	120	140	140	140	136D	155	155	155	151D	173	185
. . . . .	75	71D	101	101	97D	115	115	109D	134	134	130D	164	164	164	160D	178	178	178	174D	190	208
. . . . .	75	71D	101	101	97D	115	115	109D	134	134	130D	164	164	164	160D	178	178	178	174D	190	208
. . . . .	75	71D	101	101	97D	115	115	109D	134	134	130D	164	164	164	160D	178	178	178	174D	190	208
. . . . .	75	71D	101	101	97D	115	115	109D	134	134	130D	164	164	164	160D	178	178	178	174D	190	208
. . . . .	85	81D	91	91	97D	101	101	97D	135	135	131D	164	164	164	160D	178	178	178	174D	190	208
. . . . .	41	37D	88	88	79D	96	96	96	130	130	130	154	154	154	150D	172	172	172	168D	182	196
. . . . .	75	71D	101	101	97D	115	115	109D	134	134	130D	164	164	164	160D	178	178	178	174D	190	208
. . . . .	145	145	145	145	145	148	148	148	166	166	166	130	168	168	166	145	166	166	166	162	178
. . . . .	145	145	134	134	134	151	151	151	155	155	155	117	155	155	155	134	155	155	155	152	164
. . . . .	129	129	120	120	120	117	117	117	141	141	141	118	141	141	141	130	141	141	141	146	160
. . . . .	145	145	136	136	136	134	134	134	157	157	157	135	157	157	157	143	157	157	157	156	175
. . . . .	108	104D	117	117	113D	120	120	116D	148	148	144D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	111	107D	120	120	116D	122	122	118D	146	146	141D	164	154	154	150D	169	169	169	165D	185	200
. . . . .	108	103D	115	115	109D	120	120	116D	135	135	130D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	108	104D	117	117	113D	120	120	116D	148	148	139D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	108	104D	117	117	113D	120	120	116D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	111	107D	120	120	116D	120	120	116D	145	145	139D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	111	107D	117	117	113D	115	115	109D	135	135	132D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	111	107D	117	117	113D	115	115	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	111	107D	115	115	109D	111	111	107D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	111	107D	120	120	116D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	111	107D	120	120	116D	120	120	116D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	113	109D	120	120	115D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	178	194
. . . . .	111	107D	120	120	116D	120	120	116D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
. . . . .	113	109D	120	120	116D	117	117	113D	135	135	132D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	113	109D	117	117	113D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	113	109D	113	113	109D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	111	107D	113	113	109D	105	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	113	109D	117	117	113D	113	113	109D	135	135	132D	146	146	146	142D	165	165	165	161D	180	194
. . . . .	117	113D	120	120	116D	117	117	113D	135	135	132D	146	146	146	142D	165	165	165	161D	178	194

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
703	106	102D	117	117	113D	120	120	116D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
704	106	104D	117	117	113D	120	120	116D	143	143	139D	165	165	165	161D	180	180	180	176D	196	[illegible]
705	106	104D	113	113	109D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
706	106	104D	111	111	107D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
707	111	107D	120	120	116D	117	117	113D	143	143	139D	146	146	146	142D	165	165	165	161D	180	194
708	113	109D	120	120	116D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	180	194
709	120	116D	122	122	118D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
710	122	118D	122	122	118D	120	120	116D	143	143	139D	143	143	143	139D	160	160	160	156D	178	190
711	108	104D	120	120	116D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	185	200
712	111	107D	120	120	116D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	185	[illegible]
713	106	104D	106	106	104D	106	106	102D	125	125	121D	140	140	140	136D	155	155	155	151D	173	[illegible]
714	106	104D	106	106	102D	101	101	97D	125	125	121D	140	140	140	136D	155	155	155	151D	173	[illegible]
715	106	102D	113	113	109D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	180	194
716	106	102D	113	113	109D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
717	101	97D	111	111	107D	113	113	109D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
718	106	102D	117	117	113D	120	120	116D	141	141	137D	161	161	161	157D	178	178	178	174D	194	[illegible]
719	106	102D	113	113	109D	117	117	113D	141	141	137D	161	161	161	157D	178	178	178	174D	194	[illegible]
721	106	102D	106	106	102D	108	108	104D	131	131	127D	141	141	141	137D	160	160	160	156D	177	[illegible]
722	129	125D	129	129	125D	125	125	121D	149	149	145D	145D	149	149	145D	160	160	160	156D	176	[illegible]
723	101	97D	101	101	97D	106	106	102D	125	125	121D	134	134	134	130D	153	153	153	149D	169	[illegible]
724	106	102D	106	106	102D	101	101	97D	122	122	120	134	134	134	130D	153	153	153	149D	169	[illegible]
725	106	102D	101	101	97D	99	99	96	120	120	130	134	134	134	130D	153	153	153	149D	169	[illegible]
726	120	120	113	113	113	111	111	111	131	131	131	117	131	131	131	136	136	136	136	154	[illegible]
727	122	122	113	113	113	111	111	111	131	131	131	117	131	131	131	136	136	136	136	154	[illegible]
728	122	122	113	113	113	111	111	111	134	134	134	117	134	134	134	136	136	136	136	154	[illegible]
729	125	125	113	113	113	111	111	111	131	131	131	117	131	131	131	136	136	136	136	154	[illegible]
730	125	125	113	113	113	111	111	111	131	131	131	117	131	131	131	136	136	136	136	154	[illegible]
731	129	129	111	111	111	108	108	108	131	131	131	117	131	131	131	136	136	136	136	154	[illegible]
732	129	129	106	106	106	106	106	106	129	129	129	117	129	129	129	136	136	136	136	154	[illegible]
733	129	129	108	108	108	106	106	106	129	129	129	117	129	129	129	136	136	136	136	154	[illegible]
734	129	129	108	108	108	106	106	106	129	129	129	120	129	129	129	136	136	136	136	154	[illegible]
735	125	125	106	106	106	101	101	101	125	125	125	120	125	125	125	136	136	136	136	154	[illegible]
736	125	125	106	106	106	101	101	101	125	125	125	120	125	125	125	136	136	136	136	154	[illegible]
737	125	125	106	106	106	101	101	101	122	122	122	120	122	122	122	136	136	136	136	154	[illegible]
738	122	122	101	101	101	99	99	99	122	122	122	120	122	122	122	136	136	136	136	154	[illegible]
739	120	120	99	99	99	99	99	99	120	120	120	120	120	120	120	136	136	136	136	154	[illegible]
740	131	131	111	111	111	108	108	108	129	129	129	120	129	129	129	136	136	136	136	154	[illegible]
741	125	121D	134	134	130	136	136	132D	160	160	156D	165	165	165	161D	180	180	180	176D	196	[illegible]
742	129	125D	136	136	132D	141	141	137D	167	167	163D	165	167	167	163D	180	180	180	176D	196	[illegible]
743	129	125D	136	136	132D	136	136	132D	160	160	156D	165	165	165	161D	180	180	180	176D	196	[illegible]
744	131	127D	141	141	137D	143	143	139D	164	164	160D	165	165	165	161D	180	180	180	176D	196	[illegible]
745	131	127D	141	141	137D	143	143	139D	164	164	160D	165	165	165	161D	179	179	179	175D	195	[illegible]
746	134	130D	143	143	139D	145	145	141D	166	166	162D	165	166	166	162D	179	179	179	175D	195	[illegible]
747	134	130D	143	143	139D	145	145	141D	168	168	164D	165	168	168	164D	179	179	179	175D	195	[illegible]
748	134	130D	143	143	139D	145	145	141D	168	168	164D	160	168	168	164D	173	173	173	169D	185	[illegible]
749	141	137D	152	152	148D	155	155	151D	173	173	169D	154	173	173	169D	168	173	173	169D	185	[illegible]
750	145	141D	155	155	151D	155	155	151D	176	176	172D	154	176	176	172D	168	176	176	172D	185	[illegible]
751	145	141D	155	155	151D	152	152	148D	171	171	167D	154	171	171	167D	168	171	171	167D	185	[illegible]
752	120	116D	129	129	125D	129	129	125D	152	152	148D	154	154	154	150D	169	169	169	165D	185	[illegible]
753	122	118D	131	131	127D	129	129	125D	152	152	148D	154	154	154	150D	169	169	169	165D	185	[illegible]
754	122	118D	129	129	125D	125	125	121D	149	149	145D	154	154	154	150D	169	169	169	165D	185	[illegible]
755	125	121D	122	122	118D	122	122	118D	143	143	139D	142	143	143	139D	160	160	160	156D	178	[illegible]
756	125	121D	125	125	121D	122	122	118D	145	145	141D	142	145	145	141D	160	160	160	156D	178	[illegible]

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 488 of Tariff:

SECTION 4A - Continued
(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
757	125	121D	125	125	121D	122	122	116D	145	145	141D	142	145	145	141D	160	160	160	156D	176	190
758	129	125D	129	129	125D	125	125	121D	149	149	145D	142	149	149	145D	160	160	160	156D	176	190
759	129	125D	131	131	127D	129	129	125D	149	149	145D	142	149	149	145D	160	160	160	156D	176	190
760	149	145D	160	160	156D	164	164	160D	182	182	178D	179	182	179	175D	191	191	191	187D	206	218
761	149	145D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	206	218
762	145	141D	155	155	151D	157	157	153D	179	179	175D	179	179	179	175D	191	191	191	187D	206	218
763	145	141D	155	155	151D	157	157	153D	176	176	172D	179	179	179	175D	191	191	191	187D	206	218
764	143	139D	152	152	148D	155	155	151D	176	176	172D	179	179	179	175D	191	191	191	187D	206	218
765	141	137D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	206	218
766	141	137D	149	149	145D	152	152	148D	177	171	167D	173	173	173	169D	185	185	185	181D	198	212
767	141	137D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	206	218
768	141	137D	152	152	148D	155	155	151D	174	174	170D	173	174	174	170D	185	185	185	181D	198	212
769	141	137D	152	152	148D	155	155	151D	173	173	169D	173	173	173	[illegible]	185	185	185	181D	198	212
770	141	137D	149	149	145D	152	152	148D	171	171	167D	166	171	171	[illegible]	179	179	179	175D	193	206
771	138	132D	149	149	145D	149	149	145D	171	171	167D	166	171	171	[illegible]	179	179	179	175D	193	206
772	152	148D	160	160	156D	164	164	160D	185	185	181D	179	185	185	[illegible]	191	191	191	187D	206	218
773	152	148D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	206	218
774	155	151D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	206	218
775	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	206	218
776	155	151D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	206	218
777	157	153D	166	166	162D	168	168	164D	185	185	181D	179	204	185	181D	191	191	191	187D	206	218
778	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	206	218
779	157	153D	166	166	162D	171	171	167D	188	188	184D	179	188	188	184D	191	191	191	187D	206	218
780	160	156D	168	168	164D	171	171	167D	188	188	184D	186	188	188	184D	197	197	197	193D	210	224
781	164	160D	171	171	167D	173	173	169D	191	191	187D	186	191	191	187D	197	197	197	193D	210	224
782	164	160D	173	173	169D	176	176	172D	194	194	190D	186	194	194	190D	197	197	197	193D	210	224
783	160	156D	168	168	164D	171	171	167D	188	188	184D	186	188	188	184D	197	197	197	193D	210	224
784	153	149D	172	172	168D	174	174	170D	195	195	191D	179	195	195	191D	191	191	191	187D	206	218
785	153	149D	172	172	168D	174	174	170D	195	195	191D	186	195	195	191D	197	197	197	193D	210	224
786	168	164D	176	176	172D	178	178	174D	196	196	192D	186	196	196	192D	197	197	197	193D	210	224
787	172	168D	182	182	178D	185	185	181D	204	204	200D	186	204	204	200D	[illegible]	204	204	200D	210	224
788	152	148D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	206	218
789	157	153D	168	168	164D	171	171	167D	188	188	184D	179	188	188	184D	191	191	191	187D	206	218
790	157	153D	168	168	164D	168	168	164D	190	190	186D	179	190	190	186D	191	191	191	187D	206	218
791	160	156D	168	168	164D	168	168	164D	190	190	186D	179	190	190	186D	191	191	191	187D	206	218
792	162	158D	171	171	167D	173	173	169D	193	193	189D	179	193	193	189D	191	193	193	189D	206	218
793	166	162D	165	165	161D	168	168	164D	186	186	182D	179	186	186	182D	191	191	191	187D	206	218
794	149	145D	157	157	153D	160	160	156D	182	182	178D	179	182	182	178D	191	191	191	187D	206	218
795	149	145D	157	157	153D	160	160	156D	182	182	178D	173	182	182	178D	185	185	185	181D	198	212
796	143	139D	155	155	151D	157	157	153D	176	176	172D	173	176	176	172D	185	185	185	181D	198	212
797	160	156D	168	168	164D	168	168	164D	191	191	187D	186	191	191	187D	197	197	197	193D	210	224
798	164	160D	172	172	168D	174	174	170D	191	191	187D	179	191	191	187D	191	191	191	187D	206	218
799	165	161D	173	173	169D	176	176	172D	196	196	192D	179	196	196	192D	191	196	196	192D	206	218
800	172	168D	179	179	175D	182	182	178D	200	200	196D	186	200	200	196D	197	200	200	196D	210	224
801	172	168D	179	179	175D	182	182	178D	200	200	196D	179	200	200	196D	191	200	200	196D	206	218
802	168	164D	176	176	172D	178	178	174D	196	196	192D	179	196	196	192D	191	196	196	192D	206	218
803	178	174D	186	186	182D	186	186	182D	205	205	201D	186	205	205	201D	197	205	205	201D	210	224
804	176	172D	183	183	179D	186	186	182D	205	205	201D	186	205	205	201D	197	205	205	201D	210	224
805	176	172D	183	183	179D	186	186	182D	205	205	201D	186	205	205	201D	197	205	205	201D	210	224
806	174	170D	182	182	178D	185	185	181D	204	204	200D	186	204	204	200D	197	204	205	201D	210	224
807	141	137D	149	149	145D	152	152	148D	173	173	169D	173	173	173	169D	185	185	185	181D	198	212
808	143	139D	152	152	148D	155	155	151D	176	176	172D	173	176	176	172D	185	185	185	181D	198	212
809	145	141D	155	155	151D	157	157	153D	179	179	175D	173	179	179	175D	185	185	185	181D	198	212
810	145	141D	157	157	153D	160	160	156D	179	179	175D	173	179	179	175D	185	185	185	181D	198	212

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																			
	A		B	C		D	E		F	G		H	J	K		L	M	N		O
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive)																			
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR
811	161	157D	169	169	165D	172	172	168D	189	189	185D	179	182	182	178D	191	191	191	187D	205
812	165	161D	173	173	169D	176	176	172D	193	193	189D	179	193	193	189D	191	193	193	189D	205
813	177	173D	186	186	182D	189	189	185D	207	207	203D	179	207	207	203D	191	207	207	203D	205
814	172	168D	182	182	178D	185	185	181D	204	204	200D	179	204	204	200D	191	204	204	200D	205
815	172	168D	179	179	175D	182	182	178D	200	200	196D	179	200	200	196D	191	200	200	196D	205
816	136	132D	145	145	141D	149	149	145D	171	171	167D	179	179	179	175D	191	171	171	167D	205
817	174	170D	182	182	178D	185	185	181D	204	204	200D	186	204	204	200D	197	204	204	200D	210
818	141	137D	149	149	145D	152	152	148D	171	171	167D	179	179	179	175D	191	191	191	187D	205
819	141	137D	149	149	145D	152	152	148D	173	173	169D	179	179	179	175D	191	191	191	187D	205
820	141	137D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	205
821	169	165D	177	177	173D	179	179	175D	200	200	196D	179	200	200	196D	191	200	200	196D	205
822	174	170D	182	182	178D	184	184	180D	202	202	198D	179	202	202	198D	191	202	202	198D	205
823	173	169D	180	180	176D	183	183	179D	201	201	197D	179	201	201	197D	191	201	201	197D	205
824	169	165D	179	179	175D	182	182	178D	201	201	197D	179	201	201	197D	191	201	201	197D	205
825	171	167D	178	178	174D	180	180	176D	197	197	193D	179	197	197	193D	191	197	197	193D	205
826	174	170D	184	184	180D	188	188	184D	206	206	202D	179	206	206	202D	191	206	206	202D	205
827	173	169D	180	180	176D	183	183	179D	201	201	197D	179	201	201	197D	191	201	201	197D	205
828	147	143D	160	160	156D	162	162	158D	182	182	178D	182	182	182	178D	194	194	194	190D	207
829	169	165D	177	177	173D	179	179	175D	197	197	193D	186	197	197	193D	197	197	197	193D	210
830	173	169D	180	180	176D	184	184	180D	202	202	198D	186	202	202	198D	197	202	202	193D	210
831	177	173D	186	186	181D	188	188	184D	206	206	202D	186	206	206	202D	197	206	206	202D	210
832	182	178D	190	190	186D	194	194	190D	212	212	208D	186	212	212	208D	197	212	212	208D	210
833	178	174D	186	186	182D	189	189	185D	207	207	203D	186	207	207	203D	197	207	207	203D	210
834	178	174D	186	186	182D	189	189	185D	207	207	203D	186	207	207	203D	197	207	207	203D	210
835	171	167D	173	173	169D	171	171	167D	191	191	187D	180	191	191	187D	174	191	191	187D	190
836	145	141D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	206
837	173	169D	184	184	180D	184	184	180D	202	202	198D	186	202	202	198D	197	202	202	198D	210
838	174	170D	182	182	178D	184	184	180D	204	204	200D	186	204	204	200D	197	204	204	200D	210
839	172	168D	179	179	175D	182	182	178D	200	200	196D	179	200	200	196D	191	200	200	196D	205
840	145	141D	154	154	150D	157	157	153D	178	178	174D	182	182	182	178D	194	194	194	190D	207
841	122	118D	134	134	130D	136	136	132D	167	167	163D	173	173	173	169D	185	185	185	181D	198
842	125	121D	134	134	130D	136	136	132D	160	160	156D	173	173	173	169D	185	185	185	181D	198
843	129	125D	136	136	132D	141	141	137D	164	164	160D	173	173	173	169D	185	185	185	181D	198
844	129	125D	136	136	132D	141	141	137D	160	156D	173	173	173	169D	185	185	185	181D	181D	198
845	129	125D	141	141	137D	143	143	139D	164	164	160D	173	173	173	169D	185	185	185	181D	198
846	129	125D	141	141	137D	143	143	139D	164	164	160D	173	173	173	169D	185	185	185	181D	198
847	122	118D	143	143	139D	145	145	141D	168	168	164D	173	173	173	169D	185	185	185	181D	198
848	131	127D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	198
849	136	132D	145	145	141D	149	149	145D	171	171	167D	173	173	173	169D	185	185	185	181D	198
850	136	132D	145	145	141D	149	149	145D	168	168	164D	173	173	173	169D	185	185	185	181D	198
851	134	130D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	198
852	134	130D	145	145	141D	149	149	141D	168	168	164D	173	173	173	169D	185	185	185	181D	198
853	143	139D	152	152	148D	155	155	151D	173	173	169D	173	173	173	169D	185	185	185	181D	198
854	134	130D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	198
855	136	132D	145	145	141D	149	149	145D	168	168	164D	179	179	179	175D	191	191	191	187D	205
856	131	127D	141	141	137D	143	143	139D	166	166	162D	173	173	173	169D	185	185	185	181D	198
857	141	137D	149	149	145D	152	152	148D	173	173	169D	173	173	179	175D	191	191	191	187D	205
858	141	137D	152	152	148D	155	155	151D	175	175	171D	179	179	179	175D	191	191	191	187D	205
859	149	145D	157	157	153D	157	157	153D	179	179	175D	179	179	179	175D	191	191	191	187D	205
860	149	145D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205
861	157	153D	168	168	164D	168	168	164D	188	188	184D	188	188	188	184D	197	197	197	193D	210
862	157	153D	168	168	164D	168	168	164D	188	188	184D	188	188	188	184D	197	197	197	193D	210
863	157	153D	168	168	164D	168	168	164D	188	188	184D	188	188	188	184D	197	197	197	193D	210
864	158	[illegible]	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205

AR - All Rail.
RWR - Rail, Water, Rail.

to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

To and From Southern stations shown on pages 96 to 173 of Tariff as amended, inclusive taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 484 to 485 of Tariff as amended, inclusive).

rom nd To rthern tions wn on ges 17 o 95, f tariff amended, lusive, king te Basis mbers under ading ction 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
. . . .	131	127D	141	141	137D	143	143	139D	166	166	162D	173	173	173	169D	185	185	185	181D	198	212
. . . .	131	127D	143	143	139D	143	143	139D	166	166	162D	173	173	173	169D	185	185	185	181D	198	212
. . . .	134	130D	145	145	141D	143	143	139D	168	168	164D	173	173	173	169D	193	193	193	189D	198	212
. . . .	131	127D	141	141	137D	143	143	139D	164	164	160D	173	173	173	169D	185	185	185	181D	198	212
. . . .	129	125D	136	136	132D	141	141	137D	164	164	160D	165	165	165	161D	180	180	180	176D	196	208
. . . .	129	125D	136	136	132D	141	141	137D	164	164	160D	173	173	173	169D	185	185	185	181D	198	212
. . . .	125	121D	134	134	130D	136	136	132D	160	160	156D	165	165	165	161D	180	180	180	176D	196	208
. . . .	122	118D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	198	212
. . . .	178	174D	186	186	182D	189	189	185D	207	207	203D	179	207	207	203D	191	207	207	203D	205	218
. . . .	171	167D	180	180	176D	180	180	176D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
. . . .	169	165D	177	177	173D	179	179	175D	197	197	193D	179	197	197	193D	191	197	197	193D	205	218
. . . .	166	162D	174	174	170D	177	177	173D	194	194	190D	179	194	194	190D	191	194	194	190D	205	218
. . . .	162	158D	171	171	167D	173	173	169D	193	193	189D	179	193	193	189D	191	193	193	189D	205	218
. . . .	161	157D	169	169	165D	172	172	168D	191	191	187D	179	191	191	187D	191	191	191	187D	205	218
. . . .	157	153D	166	166	162D	169	169	165D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
. . . .	157	153D	167	167	163D	169	169	165D	189	189	185D	179	189	189	185D	191	191	191	187D	205	218
. . . .	155	151D	167	167	163D	169	169	165D	189	189	185D	179	189	189	185D	191	191	191	187D	205	218
. . . .	150	146D	160	160	156D	162	162	158D	184	184	180D	179	184	184	180D	191	191	191	187D	205	218
. . . .	150	146D	160	160	156D	157	157	153D	180	180	176D	179	180	180	176D	191	191	191	187D	205	218
. . . .	141	137D	152	152	148D	152	152	148D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
. . . .	141	137D	149	149	145D	152	152	148D	171	171	167D	166	171	171	167D	179	179	179	175D	193	206
. . . .	177	173D	182	182	178D	186	186	184D	204	204	200D	179	204	204	200D	191	204	204	200D	205	218
. . . .	176	172D	183	183	179D	186	186	182D	205	205	201D	179	205	205	201D	191	205	205	201D	205	218
. . . .	176	172D	183	183	179D	186	186	182D	206	206	201D	179	205	205	201D	191	205	205	201D	205	218
. . . .	174	170D	182	182	178D	184	184	180D	202	202	198D	179	202	202	198D	191	202	202	198D	205	218
. . . .	149	149	145	145	145	141	141	141	160	160	160	119	160	160	160	134	160	160	160	150	167
. . . .	113	109D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	185	200
. . . .	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
. . . .	136	132D	141	141	137D	136	136	132D	157	157	153D	146	157	157	153D	161	161	161	157D	177	188
. . . .	136	132D	143	143	139D	136	136	132D	160	160	156D	146	160	160	156D	161	161	161	157D	182	194
. . . .	122	122	117	117	117	113	113	113	134	134	134	120	134	134	134	141	141	141	141	156	171
. . . .	129	125D	134	134	130D	131	131	127D	152	152	148D	146	152	152	148D	161	161	161	157D	182	194
. . . .	131	127D	143	143	139D	143	143	139D	166	166	162D	165	166	166	162D	180	180	180	176D	196	208
. . . .	157	153D	164	164	160D	160	160	156D	179	179	175D	150	179	179	175D	165	179	179	175D	182	193
. . . .	125	121D	136	136	132D	136	136	132D	157	157	153D	157	157	157	153D	174	174	174	170D	191	202
. . . .	113	109D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	185	200
. . . .	106	102D	117	117	113D	117	117	113D	136	136	132D	156	156	156	152D	173	173	173	169D	190	202
. . . .	120	116D	129	129	125D	125	125	121D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
. . . .	120	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
. . . .	141	141	134	134	134	131	131	131	155	155	155	125	125	125	125	141	155	155	155	156	171
. . . .	143	143	143	143	143	141	141	141	164	164	164	125	164	164	164	142	164	164	164	156	171
. . . .	149	149	149	149	149	145	145	145	166	166	166	125	166	166	166	142	166	166	166	156	171
. . . .	157	153D	160	160	156D	157	157	153D	179	179	175D	150	179	179	175D	165	179	179	175D	182	193
. . . .	157	153D	157	157	153D	160	160	156D	179	179	175D	150	179	179	175D	165	179	179	175D	182	193
. . . .	157	153D	164	164	160D	160	160	156D	179	179	175D	150	179	179	175D	165	179	179	175D	182	193
. . . .	152	148D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	205	218
. . . .	143	139D	152	152	148D	154	154	150D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
. . . .	147	143D	156	156	152D	145	145	141D	178	178	174D	166	178	178	174D	179	179	179	175D	193	206
. . . .	155	151D	166	166	162D	168	168	164D	185	185	181D	178	185	185	181D	191	191	191	187D	205	218
. . . .	136	132D	145	145	141D	149	149	145D	171	171	167D	166	171	171	167D	179	179	179	175D	193	206
. . . .	157	153D	166	166	162D	168	168	164D	186	186	181D	186	186	186	182D	197	197	197	193D	210	224
. . . .	131	127D	143	143	139D	143	143	139D	166	166	162D	165	166	166	162D	180	180	180	176D	196	208
. . . .	81	77D	108	108	104D	117	117	113D	141	141	137D	164	164	164	160D	178	178	178	174D	190	206
. . . .	99	95D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200

AR - All Rail.
RWR - Rail, Water, Rail.

1213

6

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR
919	96	92D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185
920	96	95D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185
921	92	88D	92	92	88D	96	96	96	120	120	120	141	141	141	137D	160	160	160	156D	177
922	101	97D	101	101	97D	101	101	101D	125	125	121D	141	141	141	137D	160	160	160	156D	177
923	106	102D	99	99	95D	96	96	96	120	120	120	129	129	129	125D	147	147	147	143D	165
924	106	102D	99	99	95D	96	96	96	117	117	117	129	129	129	125D	147	147	147	143D	165
925	101	97D	96	96	92D	92	92	92	117	117	117	129	129	129	125D	147	147	147	143D	165
926	106	106	101	101	101	99	99	99	120	120	120	129	129	129	129	147	147	147	147	165
927	101	97D	96	96	92D	92	92	92	117	117	117	129	129	129	125D	147	147	147	143D	165
928	106	102D	95	95	91D	91	91	91	113	113	113	129	129	129	125D	147	147	147	143D	165
929	131	131	113	113	113	111	111	111	131	131	131	113	131	131	131	131	131	131	131	147
930	131	131	111	111	111	108	108	108	131	131	131	113	131	131	131	131	131	131	131	147
931	131	131	111	111	111	108	108	108	129	129	129	113	129	129	129	131	131	131	131	147
932	134	134	120	120	120	117	117	117	129	129	129	113	129	129	129	131	131	131	131	147
933	134	134	117	117	117	113	113	113	129	129	129	113	129	129	129	131	131	131	131	147
934	134	134	117	117	117	113	113	113	129	129	129	113	129	129	129	131	131	131	131	147
935	134	134	117	117	117	113	113	113	125	125	125	120	125	125	125	131	131	131	131	147
936	134	134	113	113	113	111	111	111	129	129	129	120	129	129	129	136	136	136	136	154
937	136	136	117	117	117	113	113	113	125	125	125	120	125	125	125	136	136	136	136	154
938	136	136	117	117	117	113	113	113	122	122	122	120	122	122	122	136	136	136	136	154
939	136	136	117	117	117	111	111	111	122	122	122	120	122	122	122	136	136	136	136	154
940	141	141	120	120	120	113	113	113	125	125	125	120	125	125	125	136	136	136	136	154
941	134	134	113	113	113	120	120	120	134	134	134	108	134	134	134	124	134	134	134	141
942	136	136	122	122	122	120	120	120	134	134	134	106	134	134	134	124	124	134	134	141
943	136	136	122	122	122	120	120	120	122	122	122	106	122	122	122	124	124	124	124	141
944	134	134	120	120	120	117	117	117	131	131	131	106	131	131	131	124	131	131	131	141
945	117	117	108	108	108	106	106	106	129	129	129	120	129	129	129	141	141	141	141	156
946	120	120	111	111	111	108	108	108	129	129	129	120	129	129	129	141	141	141	141	156
947	125	125	117	117	117	113	113	113	134	134	134	119	134	134	134	136	136	136	136	150
948	125	125	120	120	120	117	117	117	136	136	136	119	136	136	136	136	136	136	136	150
949	131	131	122	122	122	120	120	120	143	143	143	113	143	143	143	130	143	143	143	146
950	131	131	122	122	122	120	120	120	136	136	136	111	136	136	136	124	136	136	136	141
951	129	129	120	120	120	117	117	117	141	141	141	113	141	141	141	130	141	141	141	146
952	129	129	122	122	122	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146
953	129	129	122	122	122	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146
954	129	129	122	122	122	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146
955	149	149	143	143	143	141	141	141	164	164	164	125	164	164	164	141	164	164	164	156
956	143	143	136	136	136	134	134	134	157	157	157	125	157	157	157	141	157	157	157	156
957	145	145	141	141	141	136	136	136	157	157	157	125	157	157	157	141	157	157	157	156
958	143	143	141	141	141	136	136	136	157	157	157	125	157	157	157	141	157	157	157	156
959	136	136	117	117	117	108	108	108	117	117	117	120	120	120	120	136	136	136	136	154
960	141	141	120	120	120	111	111	111	120	120	120	120	120	120	120	136	136	136	136	154
961	136	136	117	117	117	111	111	111	122	122	122	120	122	122	122	136	136	136	136	164
962	131	131	111	111	111	108	108	108	129	129	129	113	129	129	129	131	131	131	131	147
963	131	131	111	111	111	108	108	108	129	129	129	113	129	129	129	131	131	131	131	147
964	131	131	111	111	111	108	108	108	129	129	129	113	129	129	129	131	131	131	131	147
965	129	125D	125	125	121D	122	122	118D	145	145	141D	125	145	145	141D	145	145	145	141D	166
966	141	141	141	141	141	136	136	136	157	157	157	125	157	157	157	143	157	157	157	158
967	141	141	141	141	141	136	136	136	157	157	157	141	157	157	157	155	157	157	157	169
968	136	136	136	136	136	134	134	134	155	155	155	125	155	155	155	143	155	155	155	158
969	136	136	136	136	136	134	134	134	155	155	155	125	155	155	155	143	155	155	155	156
970	136	136	131	131	131	129	129	129	152	152	152	119	152	152	152	134	152	152	152	155
971	136	136	131	131	131	129	129	129	152	152	152	119	152	152	152	134	152	152	152	150
972	136	136	131	131	131	129	129	129	152	152	152	116	152	152	152	134	152	152	152	150

AR - All Rail.
RWR - Rail, Water, Rail.

1788

d to page 486 of Tariff:

SECTION 4A - Continued
(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 172 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
73	141	141	134	134	134	131	131	131	152	152	152	116	152	152	152	134	152	152	152	150	166
74	143	143	134	134	134	131	131	131	155	155	156	116	155	155	155	134	155	155	155	150	166
75	149	149	149	149	149	145	145	145	168	168	168	130	168	168	168	145	168	168	168	162	173
76	149	149	152	152	152	149	149	149	168	168	168	130	168	168	168	145	168	168	168	162	173
77	149	149	152	152	152	149	149	149	168	168	168	130	168	168	168	145	168	168	168	162	173
78	149	149	149	149	149	145	145	149	166	166	166	125	166	166	166	142	166	166	166	158	171
79	138	138	143	143	143	141	141	141	164	164	164	125	164	164	164	141	164	164	164	[illegible]	[illegible]
980	145	145	141	141	141	138	138	136	157	157	157	125	157	157	157	141	157	157	157	[illegible]	[illegible]
981	143	143	136	136	136	134	134	134	157	157	157	125	157	157	157	141	157	157	157	[illegible]	[illegible]
982	138	138	134	134	134	131	131	131	152	152	152	119	152	152	152	134	152	152	152	[illegible]	[illegible]
983	131	131	129	129	129	125	125	125	145	145	145	122	145	145	145	141	145	145	145	158	172
984	136	136	134	134	134	131	131	131	152	152	152	119	152	152	152	134	152	152	152	[illegible]	167
985	120	120	129	129	129	125	125	125	145	145	145	116	145	145	145	134	145	145	145	[illegible]	[illegible]
986	134	134	129	129	129	125	125	125	145	145	145	116	145	145	145	134	145	145	145	[illegible]	[illegible]
987	134	134	125	125	125	122	122	122	145	145	145	116	145	145	145	134	145	145	145	[illegible]	168
988	134	134	125	125	125	122	122	122	145	145	145	120	145	145	145	141	145	145	145	156	171
989	131	131	125	125	125	122	122	122	143	143	143	120	143	143	143	141	143	143	143	156	171
990	131	131	125	125	125	122	122	122	143	143	143	120	143	143	143	141	143	143	143	156	171
991	131	131	125	125	125	122	122	122	143	143	143	[illegible]	143	143	143	141	143	143	143	[illegible]	171
992	113	109D	122	122	118D	125	125	121D	149	149	145D	[illegible]	165	165	161D	180	180	180	176D	196	208
993	111	107D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
994	117	113D	125	125	121D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
995	117	113D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
996	120	116D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
997	113	109D	122	122	118D	122	122	118D	145	145	141D	154	154	154	150D	169	169	169	165D	185	200
998	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	185	200
999	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	185	200
000	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	180	194
001	120	116D	125	125	121D	122	122	118D	145	145	141D	146	146	146	142D	165	165	165	161D	178	194
002	120	116D	129	129	125D	125	125	121D	145	145	141D	146	146	146	142D	161	165	161	157D	182	194
003	122	118D	129	129	125D	125	125	121D	145	145	141D	146	146	146	142D	161	161	161	157D	182	194
004	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182	194
005	120	116D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
006	120	116D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
007	113	109D	120	120	116D	122	122	118D	143	143	139D	161	161	161	157D	178	178	178	174D	194	[illegible]
008	111	107D	122	122	118D	125	125	121D	145	145	141D	164	164	164	[illegible]	180	180	180	176D	196	208
009	141	141	136	136	136	134	134	134	155	155	155	125	155	155	155	141	155	155	155	156	171
010	141	141	136	136	136	134	134	134	155	155	155	125	155	155	155	143	155	155	155	158	171
011	141	141	134	134	134	131	131	131	155	155	155	120	155	155	155	141	155	155	155	156	171
012	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182	194
013	125	121D	131	131	127D	129	129	125D	155	152	148D	146	152	152	148D	161	161	161	157D	182	194
014	141	137D	149	149	145D	149	149	145D	171	171	167D	160	171	171	167D	173	173	173	169D	[illegible]	194
015	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	197	[illegible]
016	154	150D	162	162	158D	165	165	161D	184	184	180D	179	184	184	180D	191	191	191	187D	206	[illegible]
017	[illegible]	163D	176	176	172D	177	177	173D	196	196	192D	179	196	196	192D	191	196	196	[illegible]	205	[illegible]
018	[illegible]	156D	171	171	167D	173	173	169D	191	191	187D	179	191	191	187D	191	191	191	[illegible]	206	[illegible]
019	[illegible]	116D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	[illegible]
[illegible]	[illegible]	109D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
[illegible]	[illegible]	[illegible]	129	129	[illegible]	[illegible]	131	127D	[illegible]	152	148D	165	165	165	161D	180	180	180	176D	196	[illegible]
[illegible]	[illegible]	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
[illegible]	[illegible]	116D	129	129	125D	131	131	127D	[illegible]	[illegible]	151D	165	165	165	161D	180	180	180	176D	196	208
[illegible]	[illegible]	[illegible]	129	129	125D	129	129	125D	[illegible]	[illegible]	145D	165	165	165	161D	180	180	180	176D	196	208
[illegible]	[illegible]	[illegible]	129	129	125D	129	129	125D	[illegible]	149	145D	165	[illegible]	165	161D	180	180	180	176D	196	208
[illegible]	[illegible]	[illegible]	129	129	125D	129	129	125D	[illegible]	152	149D	165	[illegible]	[illegible]	161D	180	180	180	176D	196	[illegible]

Add to page 486 of Tariff.

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95 of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1027. . . .	120	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
1028. . . .	117	113D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	186	200
1029. . . .	117	113D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	186	200
1030. . . .	113	109D	122	122	118D	122	122	118D	145	145	141D	154	154	154	150D	169	169	169	165D	186	200
1031. . . .	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	186	200
1032. . . .	117	113D	125	125	121D	125	125	121D	149	149	145D	154	154	154	150D	169	169	169	165D	186	200
1033. . . .	117	113D	125	125	121D	129	129	125D	149	149	145D	154	154	154	150D	169	169	169	165D	186	200
1034. . . .	122	118D	131	131	127D	129	129	125D	152	152	148D	146	152	152	148D	161	161	161	157D	182	194
1035. . . .	125	121D	131	131	127D	129	129	125D	152	152	148D	146	152	152	148D	161	161	161	157D	182	194
1036. . . .	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182	194
1037. . . .	131	127D	136	136	132D	134	134	130D	155	155	151D	146	155	155	151D	161	161	161	157D	182	194
1038. . . .	136	132D	141	141	137D	136	136	132D	157	157	153D	141	157	157	153D	155	157	157	153D	169	182
1039. . . .	149	149	149	149	149	145	145	145	168	168	168	130	168	168	168	145	168	168	168	162	173
1040. . . .	152	152	155	155	155	149	149	149	171	171	171	125	171	171	171	142	171	171	171	158	171
1041. . . .	152	152	152	152	152	149	149	149	171	171	171	125	171	171	171	142	171	171	171	158	171
1042. . . .	136	132D	143	143	139D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	177	186
1043. . . .	141	137D	145	145	141D	143	143	139D	166	166	162D	146	166	166	162D	161	166	166	162D	177	189
1044. . . .	120	116D	129	129	125D	131	131	127D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
1045. . . .	122	118D	134	134	130D	134	134	130D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
1046. . . .	125	121D	134	134	130D	134	134	130D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
1047. . . .	125	121D	134	134	130D	134	134	130D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
1048. . . .	125	121D	134	134	130D	136	136	132D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
1049. . . .	125	121D	134	134	130D	134	134	130D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
1050. . . .	131	127D	136	136	132D	134	134	130D	157	157	153D	146	157	157	153D	161	161	161	157D	182	194
1051. . . .	131	127D	134	134	130D	134	134	130D	155	155	151D	146	155	155	151D	161	161	161	157D	182	194
1052. . . .	134	130D	141	141	137D	136	136	132D	160	160	156D	146	160	160	156D	161	161	161	157D	182	194
1053. . . .	136	132D	134	134	130D	134	134	130D	157	157	154D	141	157	157	153D	156	157	157	153D	169	182
1054. . . .	136	132D	134	134	130D	134	134	130D	157	157	154D	141	157	157	153D	156	157	157	153D	169	182
1055. . . .	143	139D	143	143	139D	141	141	137D	164	164	160D	141	164	164	160D	155	164	164	160D	169	182
1056. . . .	141	141	141	141	141	136	136	136	160	160	160	141	160	160	160	155	160	160	160	169	182
1057. . . .	141	141	141	141	141	136	136	136	160	160	160	141	160	160	160	155	160	160	160	169	182
1058. . . .	152	152	152	152	152	149	149	149	171	171	171	130	171	171	171	145	171	171	171	162	173
1059. . . .	152	152	152	152	152	149	149	149	171	171	171	125	171	171	171	142	171	171	171	158	171
1060. . . .	145	145	145	145	145	143	143	143	166	166	166	130	166	166	166	145	166	166	166	162	173
1061. . . .	143	143	143	143	143	141	141	141	164	160	160	130	164	160	160	145	164	164	164	162	173
1062. . . .	143	143	143	143	143	141	141	141	164	160	160	130	164	160	160	145	164	164	164	162	173
1063. . . .	143	143	145	145	145	143	143	143	164	160	160	125	164	160	160	142	164	164	164	156	171
1064. . . .	145	145	143	143	143	143	143	143	164	160	160	125	164	160	160	142	164	164	164	156	171
1065. . . .	141	141	134	134	134	131	131	131	152	152	152	125	152	152	152	143	152	152	152	158	173
1066. . . .	141	141	134	134	134	131	131	131	155	155	155	125	155	155	155	143	155	155	155	158	173
1067. . . .	120	116D	129	129	125D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
1068. . . .	141	141	136	136	136	134	134	134	155	155	155	119	155	155	155	134	155	155	155	150	167
1069. . . .	145	145	136	136	136	134	134	134	157	157	157	119	157	157	157	134	157	157	157	150	167
1070. . . .	122	118D	131	131	127D	131	131	127D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
1071. . . .	117	113D	122	122	118D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	180	194
1072. . . .	113	109D	122	122	118D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	180	194
1073. . . .	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	186	200
1074. . . .	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	186	200
1075. . . .	113	109D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1076. . . .	113	109D	122	122	118D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196	208
1077. . . .	111	107D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1078. . . .	113	109D	122	122	118D	122	122	118D	143	143	139D	154	154	154	150D	169	169	169	165D	186	200
1079. . . .	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1080. . . .	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff.

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95, of tariff, as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1081. . . .	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1082. . . .	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1083. . . .	117	113D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1084. . . .	113	109D	122	122	118D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1085. . . .	120	116D	122	122	118D	120	120	116D	141	141	137D	146	141	141	137D	165	165	165	161D	178	194
1086. . . .	120	116D	129	129	125D	125	125	121D	146	146	141D	146	146	146	142D	165	165	165	161D	178	194
1087. . . .	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	165	165	165	161D	178	194
1088. . . .	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	165	165	165	161D	178	194
1089. . . .	129	125D	134	134	130D	131	131	127D	155	155	151D	146	155	155	151D	161	161	161	157D	182	194
1090. . . .	129	125D	134	134	130D	131	131	127D	152	152	148D	142	152	152	148D	160	160	160	156D	176	190
1091. . . .	141	137D	141	141	137D	136	136	132D	157	157	153D	141	157	157	153D	155	157	157	153D	169	182
1092. . . .	143	139D	143	143	139D	141	141	137D	164	164	160D	135	164	164	160D	150	164	164	160D	166	178
1093. . . .	146	141D	145	145	141D	143	143	139D	164	164	160D	141	164	164	160D	155	164	164	160D	169	182
1094. . . .	145	141D	145	145	141D	143	143	139D	166	166	162D	141	166	166	162D	155	166	166	162D	169	182
1095. . . .	146	141D	145	145	141D	143	143	139D	164	164	160D	135	164	164	160D	150	164	164	160D	166	178
1096. . . .	149	149	149	149	149	145	145	145	168	168	168	135	168	168	168	150	168	168	168	166	178
1097. . . .	149	149	149	149	149	145	145	145	166	166	166	135	166	166	166	150	166	166	166	166	178
1098. . . .	149	149	149	149	149	145	145	145	166	166	166	130	166	166	166	145	166	166	166	162	173
1099. . . .	155	155	155	155	155	152	152	152	173	173	173	125	173	173	173	142	173	173	173	158	173
1100. . . .	136	132D	136	136	132D	134	134	130D	155	155	151D	141	155	155	151D	155	155	155	151D	169	182
1101. . . .	141	137D	143	143	138D	141	141	137D	160	160	156D	141	160	160	156D	155	160	160	156D	169	182
1102. . . .	143	139D	145	145	141D	143	143	139D	166	166	162D	141	166	166	162D	155	166	166	162D	169	182
1103. . . .	143	139D	149	149	145D	145	145	141D	166	166	162D	146	166	166	162D	161	166	166	162D	177	183
1104. . . .	143	139D	149	149	145D	145	145	141D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
1105. . . .	145	141D	152	152	148D	149	149	145D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
1106. . . .	145	141D	145	145	141D	143	143	139D	164	164	160D	141	164	164	160D	155	164	164	160D	169	182
1107. . . .	145	141D	145	145	141D	143	143	139D	166	166	162D	141	166	166	162D	155	166	166	162D	169	182
1108. . . .	131	131	125	125	125	122	122	122	141	141	141	113	141	141	141	130	141	141	141	146	160
1109. . . .	131	131	125	125	125	122	122	122	141	141	141	113	141	141	141	130	141	141	141	146	160
1110. . . .	134	134	122	122	122	120	120	120	136	136	136	111	136	136	136	124	136	136	136	141	156
1111. . . .	120	116D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1112. . . .	120	116D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1113. . . .	117	113D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1114. . . .	113	109D	122	122	118D	125	125	121D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1115. . . .	122	118D	131	131	127D	134	134	130D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
1116. . . .	122	118D	134	134	130D	136	136	132D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
1117. . . .	145	141D	155	155	151D	155	155	151D	176	176	172D	154	176	176	172D	163	176	176	172D	183	195
1118. . . .	146	141D	152	152	148D	149	149	145D	171	171	167D	146	171	171	167D	161	171	171	167D	176	186
1119. . . .	146	141D	149	149	145D	146	146	141D	168	168	164D	141	168	168	164D	155	168	168	164D	169	182
1120. . . .	145	141D	149	149	145D	145	145	141D	166	166	162D	141	166	166	162D	155	166	166	162D	169	182
1121. . . .	152	152	149	149	149	145	145	145	168	168	168	130	168	168	168	145	168	168	168	162	173
1122. . . .	152	152	152	152	152	149	149	149	168	168	168	130	168	168	168	145	168	168	168	162	173
1123. . . .	149	149	149	149	149	149	149	149	171	171	171	130	171	171	171	146	171	171	171	162	173
1124. . . .	152	152	152	152	152	149	149	149	171	171	171	130	171	171	171	145	171	171	171	162	173
1125. . . .	149	145D	156	156	151D	152	152	148D	173	173	169D	146	173	173	169D	161	173	173	169D	177	188
1126. . . .	152	148D	155	155	151D	152	152	148D	173	173	169D	146	173	173	169D	161	173	173	169D	177	188
1127. . . .	145	141D	152	152	148D	149	149	145D	171	171	167D	146	171	171	167D	161	171	171	167D	177	188
1128. . . .	149	145D	155	155	151D	152	152	148D	173	173	169D	146	173	173	169D	161	173	173	169D	177	188
1129. . . .	149	145D	156	155	151D	152	152	148D	173	173	169D	146	173	173	169D	161	173	173	169D	177	188
1130. . . .	152	148D	157	157	153D	155	155	151D	176	176	172D	150	176	176	172D	165	176	176	172D	182	193
1131. . . .	155	151D	160	160	[illegible]	157	157	153D	179	179	175D	150	179	179	175D	165	179	179	175D	182	193
1132. . . .	157	153D	164	164	160D	160	160	156D	179	179	175D	150	179	179	175D	165	179	179	175D	182	193
1133. . . .	149	145D	155	155	151D	152	152	148D	171	171	167D	150	171	171	167D	165	171	171	167D	182	193
1134. . . .	164	160D	166	166	162D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	202

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended.)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1135. . . .	164	160D	166	166	164D	166	165	162D	185	185	181D	160	185	185	181D	174	165	185	181D	190	202
1136. . . .	160	156D	166	166	162D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	202
1137. . . .	164	160D	166	166	162D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	209
1138. . . .	160	156D	166	166	162D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	202
1139. . . .	160	156D	166	166	162D	164	164	160D	182	182	178D	160	182	182	178D	174	182	182	178D	190	202
1140. . . .	166	162D	171	171	167D	166	166	164D	185	185	181D	160	185	185	181D	174	185	185	181D	190	208
1141. . . .	166	162D	171	171	167D	168	168	164D	188	188	184D	160	188	188	184D	174	188	188	184D	190	208
1142. . . .	126	121D	134	134	130D	136	136	132D	157	157	153D	173	173	173	169D	186	186	186	181D	196	212
1143. . . .	134	130D	143	143	139D	145	145	141D	166	166	162D	166	166	166	162D	179	179	179	175D	183	209
1144. . . .	141	137D	141	141	137D	136	136	132D	157	157	153D	141	157	157	153D	156	157	157	153D	169	182
1145. . . .	136	132D	136	136	132D	134	134	130D	157	157	153D	141	157	157	153D	156	157	157	153D	169	182
1146. . . .	136	132D	136	136	132D	134	134	130D	157	157	153D	141	157	157	153D	156	157	157	153D	169	182
1147. . . .	131	127D	131	131	127D	129	129	125D	152	152	148D	141	152	152	148D	156	156	156	151D	169	182
1148. . . .	129	125D	129	129	125D	125	125	121D	145	145	141D	134	145	145	141D	153	153	153	149D	168	179
1149. . . .	131	131	125	125	125	122	122	122	145	145	145	125	145	145	145	145	145	145	145	164	179
1150. . . .	131	131	129	129	129	125	125	125	145	145	145	125	145	145	145	145	145	145	145	164	179
1151. . . .	134	134	131	131	131	129	129	129	149	149	149	125	149	149	149	143	149	149	149	158	179
1152. . . .	134	134	134	134	134	131	131	131	152	152	152	125	152	152	152	143	152	152	152	158	179
1153. . . .	134	134	134	134	134	131	131	131	152	152	152	125	152	152	152	143	152	152	152	158	179
1154. . . .	131	131	134	134	134	131	131	131	152	152	152	125	152	152	152	143	152	152	152	158	179
1155. . . .	134	134	125	125	125	122	122	122	145	145	145	122	145	145	145	141	145	145	145	156	178
1156. . . .	131	131	125	125	125	122	122	122	143	143	143	122	143	143	143	141	143	143	143	156	178
1157. . . .	134	134	129	129	129	125	125	125	145	145	145	122	145	145	145	141	145	145	145	158	178
1158. . . .	134	134	125	125	125	122	122	122	145	145	145	122	145	145	145	141	145	145	145	156	178
1159. . . .	145	145	141	141	141	136	136	136	157	157	157	119	157	157	157	134	157	157	157	180	178
1160. . . .	145	145	141	141	141	136	136	136	157	157	157	119	157	157	157	134	157	157	157	180	178
1161. . . .	141	141	134	134	134	131	131	131	156	156	156	119	156	156	156	134	156	156	156	180	178
1162. . . .	126	121D	134	134	130D	134	134	130D	157	157	153D	166	166	166	161D	180	180	180	176D	196	208
1163. . . .	129	125D	141	141	137D	141	141	137D	164	164	160D	165	165	165	161D	180	180	180	176D	196	208
1164. . . .	131	127D	141	141	137D	141	141	137D	164	164	160D	157	164	164	160D	174	174	174	170D	191	202
1165. . . .	136	132D	143	143	139D	141	141	137D	164	164	160D	154	164	164	160D	166	166	166	164D	177	198
1166. . . .	136	132D	143	143	139D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	177	198
1167. . . .	145	141D	152	152	148D	149	149	145D	168	168	164D	146	168	168	164D	161	168	168	164D	177	198
1168. . . .	120	116D	129	129	125D	129	129	125D	152	152	148D	165	166	165	161D	180	180	180	176D	196	208
1169. . . .	120	116D	129	129	125D	129	129	125D	152	152	148D	166	166	166	161D	180	180	180	176D	196	208
1170. . . .	120	116D	129	129	125D	129	129	125D	152	152	148D	166	166	166	161D	180	180	180	176D	196	208
1171. . . .	117	113D	125	125	121D	125	125	121D	149	149	145D	154	154	154	150D	169	169	169	165D	185	200
1172. . . .	111	107D	120	120	116D	122	122	118D	143	143	139D	165	165	165	161D	180	180	180	176D	196	208
1173. . . .	106	102D	113	113	109D	117	117	113D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1174. . . .	106	102D	113	113	109D	117	117	113D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
1175. . . .	111	107D	122	122	118D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196	208
1176. . . .	106	102D	113	113	109D	106	106	102D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1177. . . .	106	102D	113	113	109D	106	106	102D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1178. . . .	101	97D	111	111	107D	113	113	109D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1179. . . .	101	97D	111	111	107D	113	113	109D	134	134	130D	154	154	154	150D	169	169	169	165D	185	200
1180. . . .	101	97D	111	111	107D	113	113	109D	134	134	130D	154	154	154	150D	169	169	169	165D	185	200
1181. . . .	99	95D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
1182. . . .	96	92D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
1183. . . .	101	97D	111	111	107D	113	113	109D	134	134	130D	146	146	146	146	165	165	165	161D	180	184
1184. . . .	101	97D	111	111	107D	113	113	109D	134	134	130D	146	146	146	146	165	165	165	161D	180	184
1185. . . .	106	102D	111	111	107D	113	113	109D	134	134	130D	146	146	146	146	165	165	165	161D	180	184
1186. . . .	106	104D	111	111	107D	111	111	107D	131	131	127D	146	146	146	146	165	165	165	161D	180	184
1187. . . .	106	102D	111	111	107D	111	111	107D	131	131	127D	146	146	146	146	165	145	165	161D	180	184
1188. . . .	106	104D	113	113	109D	111	111	107D	134	134	130D	146	146	146	146	165	165	165	161D	180	184

AR - All Rail.
RWR - Rail, Water, Rail.

SUPPLEMENT NO. 38 - FREIGHT TARIFF NO. 44-I

Add to page 486 of Tariff:

SECTION 4A - Continued.
(For Application, see page 485 of tariff as amended)

From and To northern stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1189	145	141D	149	149	145D	145	145	141D	166	166	162D	135	166	166	162D	150	166	166	162D	166	178
1190	106	102D	113	113	109D	117	117	113D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
1191	106	102D	113	113	109D	117	117	113D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
1192	108	104D	117	117	113D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
1193	108	104D	117	117	113D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
1194	111	107D	120	120	116D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	180	194
1195	113	109D	122	122	118D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	161D	176	194
1196	120	116D	120	120	116D	117	117	113D	141	141	137D	131	141	141	137D	150	141	141	137D	166	178
1197	125	121D	122	122	118D	120	120	116D	141	141	137D	120	141	141	137D	141	141	141	137D	156	171
1198	125	125	120	120	120	117	117	117	136	136	136	120	136	136	136	141	141	141	141	156	171
1199	129	129	125	125	125	122	122	122	143	143	143	125	143	143	143	145	145	145	145	164	176
1200	131	131	129	129	129	125	125	125	149	149	149	134	149	149	149	153	153	153	153	168	178
1201	134	134	125	125	125	122	122	122	143	143	143	113	143	143	143	130	143	143	143	146	160
1202	131	131	122	122	122	120	120	120	143	143	143	120	143	143	143	141	143	143	143	156	171
1203	136	136	129	129	129	125	125	125	149	149	149	122	149	149	149	141	149	149	149	158	172
1204	129	129	122	122	122	120	120	120	141	141	141	120	141	141	141	141	141	141	141	156	171
1205	131	131	122	122	122	120	120	120	143	143	143	116	143	143	143	134	143	143	143	150	166
1206	131	131	125	125	125	122	122	122	143	143	143	116	143	143	143	134	143	143	143	150	166
1207	122	118D	122	122	118D	120	120	116D	141	141	137D	142	142	142	138D	160	160	160	156D	176	190
1208	122	118D	125	125	121D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1209	125	121D	125	125	121D	122	122	118D	143	143	139D	134	143	143	139D	153	153	153	149D	168	178
1210	122	118D	122	122	118D	120	120	116D	143	143	139D	142	143	143	139D	160	160	160	156D	176	190
1211	122	118D	122	122	118D	120	120	116D	141	141	137D	134	141	141	137D	153	153	153	149D	168	178
1212	125	121D	125	125	121D	122	122	118D	145	145	141D	134	145	145	141D	153	153	153	149D	168	178
1213	141	141	141	141	141	138	138	138	157	157	157	125	157	157	157	143	157	157	157	158	175
1214	141	141	136	136	136	134	134	134	155	155	155	125	155	155	155	141	155	155	155	156	171
1215	141	141	136	136	136	134	134	134	155	155	155	125	155	155	155	141	155	155	155	156	171
1216	143	143	143	143	143	141	141	141	160	160	160	125	160	160	160	141	160	160	160	156	171
1217	143	143	143	143	143	141	141	141	164	164	164	125	164	164	164	142	164	164	164	156	171
1218	149	149	149	149	149	145	145	145	166	166	166	130	166	166	166	145	166	166	166	162	173
1219	143	143	134	134	134	131	131	131	160	160	160	119	160	160	160	134	160	160	160	150	167
1220	143	143	149	149	149	134	134	134	160	160	160	119	160	160	160	134	160	160	160	150	167
1221	143	143	149	149	149	134	134	134	157	157	157	119	157	157	157	134	157	157	157	150	167
1222	136	136	134	134	134	131	131	131	152	152	152	119	152	152	152	134	152	152	152	150	167
1223	99	95D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
1224	99	95D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
1225	108	104D	108	108	104D	111	111	107D	131	131	127D	154	154	154	150D	169	169	169	165D	185	200
1226	92	88D	95	95	91D	99	99	99	120	120	120	141	141	141	137D	160	160	160	156D	177	189
1227	95	91D	96	96	92D	99	99	99	122	122	122	141	141	141	137D	160	160	160	156D	177	189
1228	101	97D	111	111	107D	113	113	109D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1229	99	95D	108	108	104D	111	111	107D	122	122	122	154	154	154	150D	169	169	169	165D	185	200
1230	101	97D	111	111	107D	113	113	109D	136	136	132D	158	158	158	154D	174	174	174	170D	190	206
1231	96	92D	111	111	107D	113	113	109D	136	136	132D	158	158	158	154D	174	174	174	170D	190	206
1232	92	88D	113	113	109D	117	117	113D	141	141	137D	158	158	158	154D	174	174	174	170D	190	206
1233	88	84D	113	113	109D	120	120	116D	141	141	137D	158	158	158	154D	174	174	174	170D	190	206
1234	88	84D	113	113	109D	120	120	116D	143	143	139D	158	158	158	154D	174	174	174	170D	190	206
1235	88	84D	108	108	104D	120	120	116D	141	141	137D	164	164	164	160D	178	178	178	174D	190	206
1236	88	84D	108	108	104D	120	120	116D	141	141	137D	164	164	164	160D	178	178	178	174D	190	206
1237	84	80D	108	108	104D	120	120	116D	141	141	137D	164	164	164	160D	178	178	178	174D	190	206
1238	80	76D	106	106	102D	117	117	113D	136	136	132D	164	164	164	160D	178	178	178	174D	190	206
1239	106	102D	106	106	102D	108	108	104D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
1240	101	97D	106	106	102D	101	101	97D	122	122	118D	134	134	134	130D	153	153	153	149D	169	185
1241	111	107D	111	111	107D	108	108	104D	131	131	127D	140	140	140	136D	156	156	155	151D	173	185
1242	113	109D	113	113	109D	111	111	107D	134	134	130D	140	140	140	136D	156	156	156	151D	173	185

To and From Southern stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A:																			
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1243. . . .	117	113D	117	117	113D	113	113	109D	134	134	130D	140	140	140	136D	155	155	155	151D	173	185
1244. . . .	117	113D	120	120	116D	117	117	113D	136	136	132D	140	140	140	136D	155	155	155	151D	173	185
1245. . . .	101	97D	111	111	107D	113	113	109D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1246. . . .	111	107D	120	120	116D	122	122	118D	143	143	139D	161	161	161	157D	178	178	178	174D	194	205
1247. . . .	113	109D	122	122	118D	125	125	121D	149	149	145D	164	164	164	160D	180	180	180	176D	196	206
1248. . . .	106	102D	117	117	113D	120	120	116D	141	141	137D	161	161	161	157D	178	178	178	174D	194	205
1249. . . .	106	102D	117	117	113D	120	120	116D	141	141	137D	161	161	161	157D	178	178	178	174D	194	205
1250. . . .	106	102D	117	117	113D	120	120	116D	143	143	139D	161	161	161	157D	178	178	178	174D	194	205
1251. . . .	113	109D	122	122	118D	125	125	121D	149	149	145D	164	164	164	160D	180	180	180	176D	196	206
1252. . . .	111	107D	106	106	102D	101	101	97D	122	122	122	140	140	140	136D	155	155	155	151D	173	185
1253. . . .	106	102D	96	96	92D	92	92	92	117	117	117	129	129	129	125D	147	147	147	143D	165	177
1254. . . .	80	76D	111	111	107D	117	117	113D	136	136	132D	164	164	164	160D	178	178	178	174D	190	206
1255. . . .	80	76D	106	106	102D	117	117	113D	136	136	132D	164	164	164	160D	178	178	178	174D	190	206
1256. . . .	81	77D	106	106	102D	117	117	113D	136	136	132D	164	164	164	160D	178	178	178	174D	190	206
1257. . . .	143	143	136	136	136	134	134	134	157	157	157	119	157	157	157	134	157	157	157	150	167
1258. . . .	143	143	136	136	136	134	134	134	157	157	157	119	157	157	157	134	157	157	157	150	167
1259. . . .	145	145	145	145	145	143	143	143	164	164	164	130	164	164	164	145	164	164	164	162	173
1260. . . .	143	143	145	145	145	143	143	143	164	164	164	130	164	164	164	145	164	164	164	162	173
1261. . . .	145	145	145	145	145	143	143	143	164	164	164	130	164	164	164	145	164	164	164	162	173
1262. . . .	141	141	134	134	134	131	131	131	152	152	152	125	152	152	152	141	152	152	152	156	171
1263. . . .	111	107D	113	113	109D	111	111	107D	134	134	130D	146	146	146	142D	165	165	165	161D	180	194
1264. . . .	111	107D	111	111	107D	108	108	104D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
1265. . . .	113	109D	120	120	116D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	178	194
1266. . . .	111	107D	120	120	116D	120	120	116D	143	143	139D	154	154	154	150D	169	169	169	165D	185	200
1267. . . .	117	113D	120	120	116D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	178	194
1268. . . .	108	104D	117	117	113D	120	120	116D	143	143	139D	154	154	154	150D	169	169	169	165D	185	200
1269. . . .	111	107D	120	120	116D	120	120	116D	143	143	139D	154	154	154	150D	169	169	169	165D	185	200
1270. . . .	106	102D	117	117	113D	120	120	116D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
1271. . . .	106	102D	117	117	113D	120	120	116D	141	141	137D	156	156	156	152D	173	173	173	169D	190	202
1272. . . .	111	107D	117	117	113D	120	120	116D	143	143	139D	156	156	156	152D	173	173	173	169D	190	202
1273. . . .	106	102D	117	117	113D	117	117	113D	141	141	137D	154	154	154	150D	169	169	169	165D	185	200
1274. . . .	106	102D	117	117	113D	117	117	113D	136	136	132D	154	154	154	150D	169	169	169	165D	185	200
1275. . . .	113	109D	122	122	118D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196	208
1276. . . .	111	107D	117	117	113D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	180	194
1277. . . .	111	107D	111	111	107D	108	108	104D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
1278. . . .	108	104D	108	108	104D	106	106	102D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
1279. . . .	113	109D	120	120	116D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1280. . . .	120	116D	122	122	118D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1281. . . .	113	109D	122	122	118D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1282. . . .	122	118D	125	125	121D	122	122	118D	143	143	139D	142	143	143	139D	160	160	160	156D	176	190
1283. . . .	108	104D	128	128	124D	120	120	116D	141	141	141	154	154	154	150D	169	169	169	165D	185	200
1284. . . .	111	107D	108	108	104D	106	106	102D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
1285. . . .	111	107D	108	108	104D	106	106	102D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
1286. . . .	106	102D	117	117	113D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
1287. . . .	106	102D	113	113	109D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	180	194
1288. . . .	106	102D	117	117	113D	120	120	116D	141	141	137D	161	161	161	157D	178	178	178	174D	194	205
1289. . . .	113	109D	122	122	118D	125	125	121D	149	149	145D	164	164	164	160D	180	180	180	176D	202	208
1290. . . .	145	145	143	143	143	141	141	141	164	164	164	125	164	164	164	141	164	164	164	156	171
1291. . . .	149	149	145	145	145	143	143	143	164	164	164	125	164	164	164	141	164	164	164	156	171
1292. . . .	131	127D	134	134	130D	131	131	127D	152	152	148D	142	152	152	148D	160	160	160	156D	176	190
1293. . . .	106	102D	101	101	97D	99	99	99	120	120	116D	134	134	134	130D	153	153	153	149D	169	185
1294. . . .	106	102D	106	106	102D	106	106	102D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
1295. . . .	125	125	113	113	113	111	111	111	131	131	131	117	131	131	131	136	136	136	136	154	168
1296. . . .	120	116D	128	128	124D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	206

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff.

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95 of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1297. . . .	145	141D	152	152	148D	155	155	151D	176	176	172D	154	176	176	172D	168	176	176	172D	183	196
1298. . . .	145	141D	155	155	151D	152	152	148D	173	173	169D	154	173	173	169D	168	173	173	169D	183	195
1299. . . .	149	145D	155	155	151D	145	145	141D	173	173	169D	154	173	173	169D	168	173	173	169D	183	195
1300. . . .	145	141D	149	149	145D	149	149	145D	168	168	164D	146	168	166	164D	161	168	168	164D	177	188
1301. . . .	143	139D	149	149	145D	145	145	141D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
1302. . . .	149	149	149	149	149	145	145	145	168	168	168	135	168	168	168	150	168	168	168	166	178
1303. . . .	155	155	155	155	155	132	152	152	171	171	171	130	171	171	171	145	171	171	171	162	173
1304. . . .	155	155	155	155	155	152	152	152	171	171	171	125	171	171	171	142	171	171	171	158	171
1305. . . .	120	116D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
1306. . . .	125	[illegible]	125	126	121D	122	122	118D	145	145	141D	142	145	145	141D	160	160	160	156D	176	190
1307. . . .	149	145D	160	160	186D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1308. . . .	149	145D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1309. . . .	145	141D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1310. . . .	143	139D	152	152	148D	155	155	151D	176	176	172D	179	179	179	175D	191	191	191	187D	205	218
1311. . . .	141	137D	149	149	145D	152	152	148D	171	171	167D	173	173	173	169D	185	185	185	181D	198	212
1312. . . .	136	132D	149	149	145D	152	152	148D	171	171	167D	173	173	173	169D	185	185	185	181D	198	212
1313. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	185	181D	193	206
1314. . . .	155	151D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	205	218
1315. . . .	152	148D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	205	218
1316. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1317. . . .	149	145D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1318. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1319. . . .	164	160D	171	171	167D	173	173	169D	191	191	187D	186	191	191	187D	197	197	197	193D	210	224
1320. . . .	155	151D	164	164	160D	166	166	162D	185	185	181D	179	185	185	181D	191	191	191	187D	205	218
1321. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1322. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1323. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1324. . . .	155	151D	166	166	162D	168	168	164D	185	185	181D	179	185	185	181D	191	191	191	187D	205	218
1325. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1326. . . .	165	161D	173	173	169D	176	176	172D	193	193	189D	179	193	193	189D	191	193	193	189D	205	218
1327. . . .	152	148D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1328. . . .	149	145D	157	167	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1329. . . .	145	141D	155	155	151D	157	157	153D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1330. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	205	218
1331. . . .	149	145D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1332. . . .	149	145D	157	157	153D	160	160	156D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1333. . . .	143	139D	155	155	151D	157	157	153D	176	176	172D	179	179	179	175D	191	191	191	187D	205	218
1334. . . .	152	148D	157	157	153D	164	164	160D	180	180	176D	179	182	182	178D	191	191	191	187D	205	218
1335. . . .	145	141D	155	155	151D	157	157	153D	176	176	172D	173	176	176	172D	185	185	185	181D	198	212
1336. . . .	141	137D	149	149	145D	152	152	148D	171	171	167D	160	171	171	167D	173	173	173	169D	186	200
1337. . . .	156	152D	165	165	161D	168	168	164D	185	185	181D	179	186	186	182D	191	191	191	187D	205	218
1338. . . .	157	153D	166	166	162D	168	168	164D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1339. . . .	164	160D	172	172	168D	174	174	170D	191	191	187D	179	191	191	187D	191	191	191	187D	205	218
1340. . . .	166	162D	173	173	169D	176	176	172D	194	194	190D	186	194	194	190D	197	197	197	193D	210	224
1341. . . .	165	161D	173	173	169D	176	176	172D	196	196	192D	179	196	196	192D	191	196	196	192D	205	218
1342. . . .	168	164D	176	176	172D	178	178	174D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
1343. . . .	141	137D	149	149	145D	152	152	148D	173	173	169D	173	173	173	169D	185	185	185	181D	198	212
1344. . . .	143	139D	152	152	148D	155	155	151D	176	176	172D	173	176	176	172D	185	185	185	181D	198	212
1345. . . .	145	141D	155	155	151D	157	157	153D	179	179	175D	173	179	179	175D	185	185	185	181D	198	212
1346. . . .	165	161D	173	173	169D	176	176	172D	196	196	192D	179	196	196	192D	191	196	196	192D	205	218
1347. . . .	143	139D	155	155	151D	157	157	153D	176	176	172D	179	179	179	175D	191	[illegible]	171	187D	205	218
1348. . . .	174	170D	182	182	178D	184	184	180D	202	202	198D	179	202	202	198D	191	202	202	198D	205	218
1349. . . .	167	163D	178	178	174D	180	180	176D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
1350. . . .	167	163D	178	178	174D	180	180	176D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95, of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1351. . . .	171	167D	178	178	174D	180	180	176D	201	201	197D	179	201	201	197D	191	201	201	197D	205	218
1352. . . .	172	168D	179	179	175D	182	182	178D	202	202	198D	179	202	202	198D	191	202	202	198D	205	218
1353. . . .	166	162D	176	176	172D	178	178	174D	196	196	192D	179	196	196	192D	191	196	196	192D	205	218
1354. . . .	166	162D	173	173	169D	176	176	172D	196	196	192D	179	196	196	192D	191	196	196	192D	205	218
1355. . . .	173	169D	180	180	176D	184	184	180D	202	202	198D	186	202	202	198D	197	202	202	198D	210	224
1356. . . .	178	174D	186	186	182D	186	186	182D	205	205	201D	186	205	205	201D	197	205	205	201D	210	224
1357. . . .	178	174D	186	186	182D	186	186	182D	205	205	201D	186	205	205	201D	197	205	205	201D	210	224
1358. . . .	173	169D	180	180	176D	183	183	179D	201	201	197D	179	201	201	197D	191	201	201	197D	205	218
1359. . . .	164	160D	171	171	167D	173	173	169D	194	194	190D	179	194	194	190D	191	194	194	190D	205	218
1360. . . .	168	164D	176	176	172D	178	178	174D	196	196	192D	186	196	196	192D	197	197	197	193D	210	224
1361. . . .	174	170D	182	182	178D	185	185	181D	204	204	200D	186	204	204	200D	197	204	204	200D	210	224
1362. . . .	172	168D	182	182	178D	185	185	181D	204	204	200D	186	204	204	200D	197	204	204	200D	210	224
1363. . . .	180	176D	189	189	185D	189	189	185D	207	207	203D	186	207	207	203D	197	207	207	203D	210	224
1364. . . .	129	125D	141	141	137D	143	143	139D	164	164	160D	173	173	173	169D	185	185	185	181D	198	212
1365. . . .	134	130D	143	143	139D	145	145	141D	166	168	164D	173	173	173	169D	185	185	185	181D	198	212
1366. . . .	129	125D	136	136	132D	141	141	137D	164	164	160D	173	173	173	169D	185	185	185	181D	198	212
1367. . . .	131	127D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	198	212
1368. . . .	134	130D	143	143	139D	145	145	141D	166	166	162D	173	173	173	169D	185	185	185	181D	198	212
1369. . . .	143	139D	155	155	151D	157	157	153D	176	176	172D	179	179	179	175D	191	191	191	187D	205	218
1370. . . .	145	141D	155	155	151D	157	157	153D	176	176	172D	179	179	179	175D	191	191	191	187D	205	218
1371. . . .	149	145D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1372. . . .	149	145D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1373. . . .	160	156D	168	168	164D	171	171	167D	188	188	184D	186	188	188	184D	197	197	197	193D	210	224
1374. . . .	160	156D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1375. . . .	160	156D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1376. . . .	160	156D	157	157	153D	160	160	156D	182	182	178D	179	182	182	178D	191	191	191	187D	206	218
1377. . . .	134	130D	143	143	139D	145	145	141D	168	168	164D	173	173	173	169D	185	185	185	181D	198	212
1378. . . .	152	148D	155	155	151D	157	157	153D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1379. . . .	145	141D	157	157	153D	160	160	156D	179	179	175D	179	179	179	175D	191	191	191	187D	205	218
1380. . . .	136	132D	145	145	141D	149	149	145D	168	168	164D	173	173	173	169D	185	185	185	181D	198	212
1381. . . .	131	127D	143	143	139D	143	143	139D	166	166	162D	173	173	173	169D	185	185	185	181D	198	212
1382. . . .	173	169D	178	178	174D	178	178	174D	197	197	193D	160	197	197	193D	174	197	197	193D	190	208
1383. . . .	173	169D	179	179	175D	177	177	173D	195	195	191D	160	195	195	191D	174	195	195	191D	190	202
1384. . . .	167	163D	178	178	174D	180	180	176D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
1385. . . .	161	163D	169	169	165D	172	172	168D	191	191	187D	179	191	191	187D	191	191	191	187D	205	218
1386. . . .	155	151D	164	164	160D	166	166	162D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1387. . . .	150	146D	160	160	156D	162	162	158D	180	180	176D	179	180	180	176D	191	191	191	187D	205	218
1388. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
1389. . . .	174	170D	182	182	178D	185	185	181D	204	204	200D	179	204	204	200D	191	204	204	200D	205	218
1390. . . .	176	172D	183	183	179D	188	188	184D	206	206	201D	179	205	205	201D	191	206	205	201D	206	218
1391. . . .	195	191D	201	201	197D	204	204	200D	221	221	217D	216	221	221	217D	226	226	226	222D	239	251
1392. . . .	195	191D	204	204	200D	204	204	200D	221	221	217D	216	221	221	217D	226	226	226	222D	239	251
1393. . . .	202	198D	208	208	204D	212	212	208D	230	230	226D	216	230	230	226D	226	230	230	226D	239	251
1394. . . .	206	202D	216	216	212D	216	216	212D	233	233	229D	216	233	233	229D	226	233	233	229	239	251
1395. . . .	209	205D	219	219	215D	221	221	217D	240	240	236D	216	240	240	236D	226	240	240	236D	239	251
1396. . . .	218	214D	224	224	220D	227	227	223D	244	244	240D	240	244	244	240D	250	250	250	246D	263	276
1397. . . .	221	217D	230	230	226D	233	233	229D	251	251	247D	240	251	251	247D	250	251	251	247D	263	276
1398. . . .	228	224D	233	233	229D	236	236	234D	255	255	251D	240	255	255	251D	250	255	255	251D	263	276
1399. . . .	230	226D	240	240	236D	240	240	236D	257	257	253D	250	257	257	253D	259	259	259	255D	273	286
1400. . . .	232	228D	242	242	238D	244	244	240D	263	263	259D	250	263	263	259D	259	263	263	259D	273	286
1401. . . .	239	235D	244	244	240D	246	246	242D	265	265	261D	261	265	265	261D	270	270	270	266D	283	297
1402. . . .	240	236D	250	250	246D	253	253	249D	271	271	267D	261	271	271	267D	270	271	271	267D	283	297
1403. . . .	246	242D	253	253	249	256	256	252D	275	275	271D	261	275	275	271D	270	275	275	271D	283	297
1404. . . .	250	246D	259	259	255D	262	262	258D	279	279	275D	268	279	279	275D	278	279	279	275D	292	306

AR - All Rail.
RWR - Rail, Water, Rail.

SUPPLEMENT NO. 30 - FREIGHT TARIFF NO. 44-I

Add to page 486 of Tariff.

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95 of tariff, as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1405. . . .	255	251D	264	264	260D	267	267	263D	286	286	282D	275	286	286	282D	285	286	286	282D	298	311
1406. . . .	261	257D	270	270	266D	273	273	269D	290	290	286D	275	290	290	286D	285	290	290	286D	298	311
1407. . . .	129	129	106	106	106	106	106	106	125	125	125	120	125	125	125	136	136	136	136	154	168
1408. . . .	129	129	108	108	108	106	106	106	129	129	129	120	129	129	129	136	136	136	136	154	168
1409. . . .	131	131	111	111	111	108	108	108	131	131	131	120	131	131	131	136	136	136	136	154	168
1410. . . .	134	134	113	113	113	113	113	113	134	134	134	120	134	134	134	136	136	136	136	154	168
1411. . . .	136	136	117	117	117	113	113	113	136	136	136	120	136	136	136	136	136	136	136	154	168
1412. . . .	134	134	113	113	113	111	111	111	129	129	129	113	129	129	129	131	131	131	131	147	164
1413. . . .	136	136	117	117	117	113	113	113	122	122	122	120	122	122	122	136	136	136	136	154	168
1414. . . .	141	141	129	129	129	122	122	122	134	134	134	101	134	134	134	124	134	134	134	141	156
1415. . . .	120	120	111	111	111	108	108	108	131	131	131	120	131	131	131	141	141	141	141	156	171
1416. . . .	125	125	117	117	117	113	113	113	136	136	136	119	136	136	136	136	136	136	136	150	166
1417. . . .	149	149	145	145	145	141	141	141	160	160	160	125	160	160	160	141	160	160	160	156	171
1418. . . .	141	141	120	120	120	108	108	108	120	120	120	120	120	120	120	136	136	136	136	154	168
1419. . . .	136	136	117	117	117	111	111	111	120	120	120	120	120	120	120	136	136	136	136	154	168
1420. . . .	134	134	113	113	113	111	111	111	125	125	125	120	125	125	125	136	136	136	136	154	168
1421. . . .	136	136	117	117	117	111	111	111	125	125	125	120	125	125	125	136	136	136	136	154	168
1422. . . .	141	141	141	141	141	136	136	136	157	157	157	125	157	157	157	143	157	157	157	158	173
1423. . . .	136	136	134	134	134	131	131	131	155	155	155	125	155	155	155	143	155	155	155	158	173
1424. . . .	136	136	131	131	131	129	129	129	149	149	149	119	149	149	149	134	149	149	149	150	167
1425. . . .	141	141	131	131	131	129	129	129	149	149	149	116	149	149	149	134	149	149	149	150	166
1426. . . .	117	113D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1427. . . .	117	113D	129	129	125D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
1428. . . .	117	113D	125	125	121D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176D	196	208
1429. . . .	117	113D	125	125	121D	125	125	121D	145	145	141D	154	154	154	150D	169	169	169	165D	185	200
1430. . . .	113	109D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1431. . . .	113	109D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1432. . . .	111	107D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1433. . . .	117	113D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	208
1434. . . .	141	141	141	141	141	136	136	136	160	160	160	125	160	160	160	143	160	160	160	158	173
1435. . . .	117	117	111	111	111	106	106	106	129	129	129	120	129	129	129	141	141	141	141	156	171
1436. . . .	117	117	125	125	125	129	129	129	149	149	149	165	165	165	165	180	180	180	180	196	208
1437. . . .	136	132D	145	145	141D	141	141	137D	164	164	160D	146	164	164	160D	161	164	164	160D	177	188
1438. . . .	131	127D	134	134	130D	134	134	130D	155	155	151D	146	155	155	151D	161	161	161	157D	182	194
1439. . . .	136	132D	134	134	130D	131	131	127D	152	152	148D	119	152	152	148D	134	152	152	148D	150	167
1440. . . .	117	113D	122	122	118D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1441. . . .	122	118D	131	131	127D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182	194
1442. . . .	129	125D	131	131	127D	129	129	125D	152	152	148D	146	152	152	148D	161	161	161	157D	182	194
1443. . . .	122	118D	129	129	125D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182	194
1444. . . .	120	116D	125	125	121D	125	125	121D	145	145	141D	146	146	146	142D	165	165	165	161D	178	194
1445. . . .	145	141D	145	145	141D	143	143	139D	166	166	162D	135	166	166	162D	150	166	166	162D	166	178
1446. . . .	143	139D	145	145	141D	145	145	141D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
1447. . . .	143	139D	143	143	139D	141	141	137D	160	160	156D	141	160	160	156D	155	160	160	156D	169	182
1448. . . .	143	139D	145	145	141D	143	143	139D	164	164	160D	141	164	164	160D	155	164	164	160D	169	182
1449. . . .	131	131	125	125	125	122	122	122	143	143	143	113	143	143	143	130	143	143	143	146	160
1450. . . .	131	131	122	122	122	122	122	122	143	143	143	113	143	143	143	130	143	143	143	146	160
1451. . . .	131	131	120	120	120	120	120	120	143	143	143	113	143	143	143	130	143	143	143	146	160
1452. . . .	149	149	145	145	145	145	145	145	168	168	168	125	168	168	168	150	168	168	168	166	178
1453. . . .	156	156	156	156	156	152	152	152	173	173	173	125	173	173	173	142	173	173	173	158	173
1454. . . .	157	157	157	157	157	155	155	155	173	173	173	125	173	173	173	142	173	173	173	158	173
1455. . . .	166	162D	171	171	167D	168	168	164D	188	188	184D	160	188	188	184D	174	188	188	184D	190	202
1456. . . .	171	167D	178	178	174D	177	177	173D	196	196	192D	160	196	196	192D	174	196	196	192D	190	202
1457. . . .	134	130D	136	136	132D	131	131	127D	155	155	151D	141	155	155	151D	155	155	155	151D	169	182
1458. . . .	129	129	125	125	125	122	122	122	145	145	145	134	145	145	145	153	153	153	153	168	178

AR - All Rail.
RWR - Rail, Water, Rail.

1797

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95 of tariff, as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1459. . . .	134	134	129	129	129	125	125	125	149	149	149	125	149	149	149	145	149	149	149	164	178
1460. . . .	134	134	129	129	129	125	125	125	145	145	145	122	145	145	145	141	145	145	145	158	172
1461. . . .	134	134	125	125	125	122	122	122	145	145	145	122	145	145	145	141	145	145	145	158	172
1462. . . .	134	134	125	125	125	122	122	122	145	145	145	122	145	145	145	141	145	145	145	158	172
1463. . . .	134	134	125	125	125	125	125	125	145	145	145	122	145	145	145	141	145	145	145	158	172
1464. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	195	206
1465. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	206	218
1466. . . .	122	118D	120	120	116D	117	117	113D	141	141	137D	131	141	141	137D	150	150	150	146D	166	178
1467. . . .	125	121D	136	136	132D	136	136	132D	157	157	153D	165	165	165	161D	180	180	180	176D	196	208
1468. . . .	129	125D	134	134	130D	131	131	127D	155	155	151D	146	155	155	151D	161	161	161	157D	182	194
1469. . . .	122	118D	131	131	127D	125	125	121D	149	149	145D	146	149	149	145D	161	161	161	157D	182	194
1470. . . .	120	116D	131	131	127D	131	131	127D	152	152	148D	165	165	165	161D	180	180	180	176D	196	206
1471. . . .	117	113D	125	125	121D	129	129	125D	149	149	145D	165	165	165	161D	180	180	180	176D	196	206
1472. . . .	108	104D	117	117	113D	122	122	118D	143	143	139D	165	165	165	161D	180	180	180	176D	196	206
1473. . . .	111	107D	120	120	116D	125	125	121D	145	145	141D	165	165	165	161D	180	180	180	176D	196	206
1474. . . .	108	104D	108	108	104D	111	111	107D	131	131	127D	146	146	146	142D	165	165	165	161D	180	194
1475. . . .	129	129	120	120	120	117	117	117	141	141	141	120	141	141	141	141	141	141	141	156	171
1476. . . .	125	125	120	120	120	117	117	117	136	136	136	120	136	136	136	141	141	141	141	156	171
1477. . . .	129	129	125	125	125	122	122	122	145	145	145	134	145	145	145	153	153	153	153	168	178
1478. . . .	134	134	129	129	129	125	125	125	149	149	149	122	149	149	149	141	149	149	149	158	172
1479. . . .	131	131	125	125	125	122	122	122	143	143	143	120	143	143	143	141	143	143	143	156	171
1480. . . .	134	134	125	125	125	122	122	122	145	145	145	122	145	145	145	141	145	145	145	158	172
1481. . . .	131	131	125	125	125	122	122	122	143	143	143	120	143	143	143	141	143	143	143	156	171
1482. . . .	131	131	125	125	125	122	122	122	143	143	143	113	143	143	143	130	143	143	143	146	160
1483. . . .	131	131	125	125	125	122	122	122	143	143	143	116	143	143	143	134	143	143	143	150	166
1484. . . .	120	116D	120	120	116D	117	117	113D	141	141	137D	134	141	141	137D	153	153	153	149D	168	178
1485. . . .	129	125D	129	129	125D	125	125	121D	145	145	141D	125	145	145	141D	145	145	145	141D	164	178
1486. . . .	143	143	141	141	141	136	136	136	157	157	157	125	157	157	157	141	157	157	157	156	171
1487. . . .	146	142D	154	154	150D	150	150	146D	173	173	169D	165	173	173	169D	180	180	180	176D	196	208
1488. . . .	143	143	143	143	143	141	141	141	164	164	164	125	164	164	164	142	164	164	164	156	171
1489. . . .	152	152	152	152	152	149	149	149	168	168	168	130	168	168	168	145	168	168	168	162	178
1490. . . .	152	148D	145	145	141D	143	143	139D	164	164	160D	125	164	164	160D	145	164	164	160D	156	171
1491. . . .	152	148D	145	145	141D	143	143	139D	160	160	156D	125	160	160	156D	142	160	160	156D	162	178
1492. . . .	157	153D	155	155	151D	152	152	148D	171	171	167D	130	171	171	167D	142	171	171	167D	162	178
1493. . . .	136	136	134	134	130D	131	131	127D	155	155	151D	125	155	155	151D	143	155	155	151D	155	178
1494. . . .	99	95D	106	106	102D	108	108	104D	129	129	125D	154	154	154	150D	169	169	169	165D	166	200
1495. . . .	101	97D	106	106	102D	108	108	104D	131	131	127D	154	154	154	150D	169	169	169	165D	186	200
1496. . . .	87	83D	111	111	107D	120	120	116D	143	143	139D	158	158	158	154D	174	174	174	170D	190	205
1497. . . .	88	84D	111	111	107D	122	122	118D	143	143	139D	158	158	158	154D	174	174	174	170D	190	205
1498. . . .	85	81D	111	111	107D	120	120	116D	143	143	139D	164	164	164	160D	178	178	178	174D	190	208
1499. . . .	85	81D	111	111	107D	120	120	116D	143	143	139D	164	164	164	160D	178	178	178	174D	190	208
1500. . . .	88	84D	113	113	109D	122	122	118D	145	145	141D	164	164	164	160D	178	178	178	174D	190	208
1501. . . .	129	125D	129	129	125D	125	125	121D	145	145	141D	134	145	145	141D	153	153	153	149D	168	178
1502. . . .	145	141D	145	145	141D	143	143	139D	166	166	162D	[illegible]	166	166	162D	150	166	166	162D	168	178
1503. . . .	111	107D	106	106	102D	101	101	97D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
1504. . . .	141	141	134	134	134	131	131	131	155	155	155	125	155	155	155	141	155	155	155	156	171
1505. . . .	129	129	120	120	120	120	120	120	141	141	141	113	141	141	141	130	141	141	141	146	160
1506. . . .	131	131	125	125	125	122	122	122	143	143	143	113	143	143	143	130	143	143	143	146	160
1507. . . .	143	143	145	145	145	141	141	141	164	164	164	130	164	164	164	145	164	164	164	162	178
1508. . . .	143	143	143	143	143	141	141	141	164	164	164	125	164	164	164	142	164	164	164	156	171
1509. . . .	145	145	143	143	143	141	141	141	160	160	160	125	160	160	160	141	160	160	160	156	171
1510. . . .	136	136	134	134	134	131	131	131	155	155	155	125	155	155	155	143	155	155	155	158	176
1511. . . .	111	107D	117	117	113D	117	117	113D	141	141	137D	146	146	146	142D	165	165	165	161D	180	[illegible]
1512. . . .	113	109D	120	120	116D	120	120	116D	141	141	137D	146	146	146	142D	165	165	165	165	178	194

AR - All Rail.
RWR - Rail, Water, Rail

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95 of tariff, as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 486 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1513. . . .	106	102D	117	117	113D	117	117	113D	141	141	137D	156	156	156	152D	173	173	173	169D	190	202
1514. . . .	111	107D	106	106	102D	101	101	97D	125	125	121D	140	140	140	136D	155	155	155	151D	173	185
1515. . . .	117	113D	122	122	118D	120	120	116D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1516. . . .	117	113D	129	129	125D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1517. . . .	117	113D	129	129	125D	122	122	118D	143	143	139D	146	146	146	142D	165	165	165	161D	178	194
1518. . . .	111	107D	106	106	104D	106	106	102D	129	129	125D	140	140	140	136D	155	155	155	151D	173	185
1519. . . .	129	125D	129	129	125D	125	125	121D	145	145	141D	134	145	145	141D	153	153	153	149D	168	178
1520. . . .	101	97D	101	101	97D	106	106	102D	125	125	121D	141	141	141	137D	160	160	160	156D	177	189
1521. . . .	101	97D	106	106	102D	106	106	102D	125	125	121D	134	134	134	130D	153	153	153	149D	169	185
1522. . . .	106	106	99	99	99	96	96	96	120	120	120	129	129	129	129	147	147	147	147	165	177
1523. . . .	120	120	111	111	111	108	108	108	131	131	131	120	131	131	131	141	141	141	141	156	171
1524. . . .	120	120	111	111	111	108	108	108	129	129	129	120	129	129	129	141	141	141	141	156	171
1525. . . .	108	104D	106	106	102D	101	101	97D	122	122	118D	140	140	140	136D	156	155	156	151D	173	185
1526. . . .	108	104D	106	106	102D	108	106	102D	125	125	121D	140	140	140	136D	156	156	156	151D	173	185
1527. . . .	143	139D	145	145	141D	145	145	141D	168	168	164D	146	168	168	164D	161	168	168	164D	177	188
1528. . . .	131	131	111	111	111	108	108	108	131	131	131	113	131	131	131	131	131	131	131	147	164
1529. . . .	145	145	145	145	145	143	143	143	166	166	166	135	166	166	166	150	166	166	166	166	178
1530. . . .	152	152	152	152	152	149	149	149	168	168	168	135	168	168	168	145	168	168	168	162	173
1531. . . .	156	155	155	155	155	152	152	152	173	173	173	125	173	173	173	142	173	173	173	168	173
1532. . . .	117	113D	125	125	121D	129	129	125D	152	152	148D	165	165	165	161D	180	180	180	176	196	208
1533. . . .	125	121D	125	125	121D	122	122	118D	143	143	139D	142	143	143	139D	160	160	160	156	176	190
1534. . . .	167	163D	176	176	172D	178	178	174D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
1535. . . .	157	153D	168	168	164D	171	171	167D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1536. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	205	218
1537. . . .	152	148D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1538. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
1539. . . .	165	161D	173	173	169D	176	176	172D	197	197	193D	179	197	197	193D	191	197	197	193D	205	218
1540. . . .	171	167D	178	178	174D	180	180	176D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
1541. . . .	167	163D	176	176	172D	178	178	174D	198	198	194D	179	198	198	194D	191	198	198	194D	205	218
1542. . . .	174	170D	182	182	178D	184	184	180D	206	206	202D	179	206	206	202D	191	206	206	202D	205	218
1543. . . .	173	169D	180	180	176D	183	183	179D	202	202	198D	179	202	202	198D	191	202	202	198D	205	218
1544. . . .	169	165D	179	179	175D	182	182	178D	200	200	196D	179	200	200	196D	191	200	200	196D	205	218
1545. . . .	141	137D	152	152	148D	152	152	148D	173	173	169D	179	179	179	175D	191	191	191	187D	205	218
1546. . . .	145	141D	155	155	151D	157	157	153D	176	176	172D	179	179	179	175D	191	191	191	187D	205	218
1547. . . .	152	148D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1548. . . .	152	148D	160	160	156D	164	164	160D	182	182	178D	179	182	182	178D	191	191	191	187D	205	218
1549. . . .	131	127D	143	143	139D	143	143	139D	166	166	162D	173	173	173	169D	165	165	165	161D	198	212
1550. . . .	136	132D	149	149	145D	149	149	145D	171	171	167D	173	173	173	169D	165	165	165	161D	198	212
1551. . . .	171	167D	178	178	174D	177	177	173D	196	196	192D	160	196	196	192D	174	196	196	192D	190	202
1552. . . .	162	158D	171	171	167D	173	173	169D	193	193	189D	179	193	193	189D	191	193	193	189D	205	218
1553. . . .	155	151D	164	164	160D	166	166	162D	188	188	184D	179	188	188	184D	191	191	191	187D	205	218
1554. . . .	145	141D	147	147	143D	157	157	153D	176	176	172D	179	179	179	175D	191	191	191	187D	205	218
1555. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	166	173	173	169D	179	179	179	175D	193	206
1556. . . .	171	167D	180	180	176D	183	183	179D	201	201	197D	179	201	201	197D	191	201	201	197D	205	218
1557. . . .	174	170D	182	182	178D	184	184	180D	206	206	202D	179	206	206	202D	161	206	206	202D	205	218
1558. . . .	143	139D	152	152	148D	155	155	151D	173	173	169D	179	179	179	175D	191	191	191	187D	205	218
1559. . . .	162	158D	173	173	169D	176	176	172D	193	193	189D	179	193	193	189D	191	193	193	189D	205	218
1560. . . .	131	131	111	111	111	99	99	99	111	111	111	96	111	111	113	117	117	117	117	135	149
1561. . . .	167	167	157	157	157	155	155	155	176	176	176	125	176	176	176	142	176	176	176	158	176
1562. . . .	140	136D	147	147	143D	147	147	143D	168	168	164D	165	168	168	164	180	180	180	176D	196	208
1563. . . .	135	131D	145	145	141D	146	146	142D	171	171	167D	165	171	171	167D	180	180	180	176D	196	208
1564. . . .	120	116D	129	129	125D	131	131	127D	155	155	151D	165	165	165	161D	180	180	180	176D	196	208
1565. . . .	120	120	111	111	111	108	108	108	131	131	131	120	131	131	131	141	141	141	141	156	171
1566. . . .	120	116D	125	125	121D	125	125	121D	145	145	141D	146	146	146	142D	165	165	165	161D	176	194

AR - All Rail.
RWR - Rail, Water, Rail.

1223

Add to page 486 of Tariff:

SECTION 4A - Continued

(For Application, see page 486 of Tariff as amended)

From and To Northern Stations shown on pages 17 to 96 of Tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 313 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																			
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of Tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1567.	113	109D	120	120	116D	117	117	113D	136	136	132D	146	146	146	142D	165	165	165	161D	178	194
1568.	117	113D	125	125	121D	129	129	125D	149	149	145D	164	164	164	160D	180	180	180	176D	196	208
1569.	140	136D	147	147	143D	147	147	143D	171	171	167D	165	171	171	167D	180	180	180	176D	196	208
1570.	146	142D	154	154	150D	150	150	146D	173	173	169D	165	173	173	169D	180	180	180	176D	196	208
1571.	136	136	131	131	131	129	129	129	149	149	149	119	149	149	149	134	149	149	149	150	167
1572.	134	[illegible]	129	129	129	125	125	125	146	145	145	113	145	145	145	130	145	145	145	146	160
1573.	129	129	108	108	108	96	96	96	108	108	108	92	108	108	108	113	113	113	113	129	145
1574.	140	136D	147	147	143D	150	150	146D	174	174	170D	165	174	174	170D	180	180	180	176D	196	208
1575.	129	129	120	120	120	117	117	117	141	141	141	113	141	141	141	130	141	141	141	14	160
1576.	134	134	117	117	117	113	113	113	129	129	129	113	129	129	129	131	131	131	131	14	164
1577.	143	139D	152	152	148D	150	150	146D	174	174	170D	165	174	174	170D	180	180	180	176D	196	208
1578.	129	129	108	108	108	96	96	96	108	108	108	92	108	108	108	113	113	113	113	[illegible]	145
1579.	131	131	111	111	111	99	99	99	111	111	111	96	111	111	111	117	117	117	117	135	149
1580.	125	125	106	106	106	101	101	101	125	125	125	120	125	125	125	136	136	136	136	154	168
1581.	129	129	117	117	117	113	113	113	134	134	134	106	134	134	134	134	134	134	134	141	158
1582.	200	196D	206	206	202D	208	208	204D	227	227	223D	216	227	227	223D	226	227	227	223D	239	252
1583.	190	186D	200	200	196D	202	202	198D	220	220	216D	202	220	220	216D	213	220	220	216D	227	240
1584.	182	178D	188	188	184D	191	191	187D	209	209	205D	202	209	209	205D	213	213	213	209D	227	240
1585.	177	173D	185	185	161D	188	188	184D	206	206	202D	202	206	206	202D	213	213	213	209D	227	240
1586.	183	179D	193	193	189D	195	195	191D	213	213	209D	202	213	213	209D	213	213	213	209D	227	240
1587.	206	202D	212	212	208D	215	215	211D	232	232	228D	216	232	232	228D	226	232	232	228D	239	252
1588.	186	182D	195	195	191D	198	198	194D	217	217	213D	202	217	217	213D	213	217	217	213D	227	240
1589.	207	203D	216	216	212D	216	216	212D	233	233	229D	216	233	233	229D	226	233	233	229D	239	252
1590.	204	200D	209	209	205D	213	213	209D	231	221	227D	216	231	231	227D	226	231	231	227D	239	252
1591.	189	185D	195	195	191D	198	198	194D	217	217	213D	202	217	217	213D	213	217	217	213D	227	240
1592.	201	197D	209	209	205D	209	209	205D	228	228	224D	216	228	228	224D	226	228	228	224D	239	252
1593.	201	197D	207	207	203D	210	210	206D	229	229	225D	216	229	229	225D	226	229	229	225D	239	252
1594.	179	175D	188	188	184D	191	191	187D	209	209	205D	202	209	209	205D	213	213	213	209D	227	240
1595.	173	169D	180	180	176D	184	184	180D	202	202	198D	186	202	202	198D	197	202	202	198D	210	224
1596.	194	190D	200	200	196D	202	202	198D	220	220	216D	202	220	220	216D	213	220	220	216D	227	240
1597.	200	196D	206	206	202D	208	208	204D	227	227	223D	216	227	227	223D	226	227	227	223D	239	252
1598.	194	190D	202	202	198D	205	205	201D	220	220	216D	202	220	220	216D	213	220	220	216D	227	240
1599.	186	182D	195	195	191D	195	195	191D	213	213	209D	202	213	213	209D	213	213	213	209D	227	240
1600.	176	172D	184	184	180D	186	186	182D	205	205	201D	202	205	205	201D	213	213	213	209D	227	240
1601.	204	200D	213	213	209D	216	216	212D	233	233	229D	216	233	233	229D	226	233	233	229D	239	252
1602.	177	173D	185	185	181D	188	188	184D	206	206	202D	202	206	206	202D	213	213	213	209D	227	240
1603.	179	175D	188	188	184D	188	188	184D	206	206	202D	202	206	206	202D	213	213	213	209D	227	240
1604.	179	175D	188	188	184D	191	191	187D	209	209	205D	202	209	209	206D	213	213	213	209D	227	240
1605.	183	179D	193	193	189D	195	196	191D	213	213	209D	202	213	213	209D	213	213	213	209D	227	240
1606.	186	182D	195	195	191D	198	198	194D	217	217	213D	202	217	217	213D	213	213	217	213D	227	240
1607.	186	182D	195	195	191D	198	198	194D	217	217	213D	202	217	217	213D	213	217	217	213D	227	240
1608.	189	185D	195	195	191D	198	198	194D	217	217	213D	202	217	217	213D	213	217	217	213D	227	240
1609.	194	190D	202	202	198D	206	206	202D	224	224	220D	202	224	224	220D	213	224	224	220D	227	240
1610.	190	186D	200	200	196D	202	202	198D	220	220	216D	202	220	220	216D	213	220	220	216D	227	240
1611.	194	190D	202	202	198D	206	206	202D	224	224	220D	202	224	224	220D	213	224	224	220D	227	240
1612.	194	190D	202	202	198D	202	202	198D	220	220	216D	202	220	220	216D	213	220	220	216D	227	240
1613.	186	182D	193	193	189D	195	195	191D	213	213	209D	216	216	216	212D	226	226	226	222D	239	252
1614.	186	182D	195	195	191D	198	198	194D	217	217	213D	216	217	217	213D	226	226	226	222D	239	252
1615.	196	192D	206	206	202D	206	206	202D	227	227	223D	216	227	227	223D	226	227	227	223D	239	252
1616.	196	192D	206	206	202D	206	206	202D	224	224	220D	216	224	224	220D	226	226	226	222D	239	252
1617.	198	194D	207	207	203D	210	210	206D	229	229	225D	216	229	229	225D	226	229	229	225D	239	252
1618.	204	200D	209	209	205D	213	213	209D	231	231	227D	216	231	231	227D	226	231	231	227D	239	252
1619.	201	197D	207	207	203D	210	210	206D	229	229	225D	216	229	229	225D	226	229	229	225D	239	254
1620.	204	200D	213	213	209D	216	216	212D	233	233	229D	216	233	233	229D	226	233	233	229D	239	252

AR - All Rail.
RWR - Rail, Water, Rail.

1800

Add to page 486 of Tariff:

SECTION 4A - Continued.

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 77 to 95, of tariff as amended, inclusive, Taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																			
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
1621. . . .	99	920	99	99	920	101	101	106	125	125	120	141	141	141	1340	160	160	160	1530	177	189
1622. . . .	101	940	113	113	1060	117	117	1100	136	136	1290	154	154	154	1470	169	169	169	1620	185	200
1623. . . .	99	920	101	101	940	106	106	990	125	125	120	141	141	141	1340	160	160	160	1530	177	189
1624. . . .	106	990	113	113	1060	117	117	1100	141	141	1340	154	154	154	1470	169	169	169	1620	185	200
1625. . . .	106	990	113	113	1060	117	117	1100	136	136	1290	154	154	154	1470	169	169	169	1620	185	200
1626. . . .	106	990	113	113	1060	117	117	1100	141	141	1340	154	154	154	1470	169	169	169	1620	185	200
1627. . . .	106	990	113	113	1060	117	117	1100	141	141	1340	154	154	154	1470	169	169	169	1620	185	200
1628. . . .	106	990	113	113	1060	106	106	990	136	136	1290	154	154	154	1470	169	169	169	1620	185	200
1629. . . .	178	174D	186	186	182D	189	189	185D	207	207	203D	179	207	207	203D	191	207	207	203D	205	218
1630. . . .	174	170D	184	184	180D	188	188	184D	206	206	202D	206	206	206	202D	185	206	206	202D	198	212
1631. . . .	145	141D	155	155	151D	152	152	148D	171	171	167D	154	171	171	167D	168	171	171	167D	183	195
2000. . . .	143	130	134	134	134	123	123	123	131	131	131	101	131	131	131	120	131	131	131	136	149
2001. . . .	143	143	134	134	134	123	123	123	131	131	131	101	131	131	131	120	131	131	131	136	149
2002. . . .	141	141	129	129	129	118	118	118	131	131	131	99	131	131	121	117	131	131	131	134	149
2003. . . .	134	134	129	129	129	125	125	125	149	149	149	106	149	149	149	125	149	149	149	141	155
2004. . . .	145	145	136	136	136	134	134	134	155	155	155	117	155	155	155	134	155	155	155	152	164
2005. . . .	157	157	149	149	149	145	145	145	160	160	160	111	160	160	160	129	160	160	160	143	160
2006. . . .	152	152	143	143	143	141	141	141	155	155	155	111	155	155	155	129	155	155	155	145	157
2007. . . .	152	152	143	143	143	141	141	141	155	155	155	113	155	155	155	129	155	155	155	145	157
2008. . . .	155	155	156	155	155	152	152	152	171	171	171	120	171	171	171	136	171	171	171	156	171
2009. . . .	149	149	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	168
2010. . . .	155	155	155	155	155	152	152	152	168	168	168	125	168	168	168	142	168	168	168	158	171
2011. . . .	149	149	145	145	145	145	145	145	166	166	166	120	166	166	166	136	155	155	155	158	166
2012. . . .	152	152	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	168	158	168
2013. . . .	152	152	149	149	149	149	149	149	168	168	168	120	168	168	168	136	168	168	168	158	168
2014. . . .	152	152	149	149	149	149	149	149	168	168	168	120	168	168	168	136	168	168	168	152	168
2015. . . .	155	155	152	152	152	149	149	149	166	166	166	117	166	166	166	134	155	155	155	152	166
2016. . . .	152	152	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	168	155	168
2017. . . .	149	149	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	168
2018. . . .	152	152	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	168	155	168
2019. . . .	152	152	149	149	149	145	145	145	166	166	166	120	166	166	166	136	166	166	166	155	166
2020. . . .	152	152	149	149	149	145	145	145	160	160	160	117	160	160	160	134	160	160	160	149	164
2021. . . .	155	155	149	149	149	145	145	145	160	160	160	113	160	160	160	131	160	160	160	149	160
2022. . . .	155	155	149	149	149	145	145	145	160	160	160	113	160	160	160	131	160	160	160	149	160
2023. . . .	155	155	145	145	145	143	143	143	157	157	157	113	157	157	157	131	157	157	157	145	160
2024. . . .	152	152	145	145	145	143	143	143	157	157	157	113	157	157	157	131	157	157	157	145	160
2025. . . .	149	149	143	143	143	141	141	141	157	157	157	113	157	157	157	131	157	157	157	145	160
2026. . . .	149	149	143	143	143	141	141	141	157	157	157	117	157	157	157	134	157	157	137	149	160
2027. . . .	149	149	143	143	143	141	141	141	155	155	155	111	155	155	155	129	155	155	155	143	157
2028. . . .	155	155	149	149	149	145	145	145	166	166	166	120	166	166	166	136	156	166	166	152	166
2029. . . .	157	157	153	153	153	149	149	149	166	166	166	120	166	166	166	136	166	166	166	152	166
2030. . . .	157	157	155	155	155	152	152	152	164	164	164	117	164	164	164	134	164	164	164	149	164
2031. . . .	134	134	129	129	129	125	125	125	149	149	149	106	149	149	149	125	149	149	149	141	155
2032. . . .	149	149	140	140	140	136	136	136	155	155	155	111	155	155	155	129	155	155	155	143	157
2033. . . .	157	157	152	152	152	149	149	149	160	160	160	113	160	160	160	129	160	160	160	145	160
2034. . . .	157	157	152	152	152	149	149	149	160	160	160	113	160	160	160	131	160	160	160	145	160
2035. . . .	157	157	155	155	155	152	152	152	164	164	164	117	164	164	164	134	164	164	164	149	164
2036. . . .	157	157	155	155	155	152	152	152	164	164	164	117	164	164	164	134	164	164	164	149	164
2037. . . .	155	155	152	152	152	149	149	149	164	164	164	117	164	164	164	134	164	164	164	149	164
2038. . . .	157	157	155	155	155	152	152	152	168	168	168	120	168	168	168	136	168	168	168	152	168
2039. . . .	157	157	155	155	155	152	152	152	168	168	168	120	168	168	168	136	168	168	168	155	168
2040. . . .	149	149	141	141	141	136	136	136	155	155	155	111	155	155	155	129	155	155	155	148	157
2041. . . .	149	149	141	141	141	136	136	136	155	155	155	111	155	155	155	129	155	155	155	143	157
2042. . . .	149	149	143	143	143	141	141	141	157	157	157	[illegible]	157	157	157	131	157	157	157	145	160
2043. . . .	149	149	143	143	143	141	141	141	157	157	157	113	157	157	157	131	157	157	157	145	160
2044. . . .	152	152	145	145	145	143	143	143	166	166	166	122	166	166	166	136	166	166	166	156	168
2045. . . .	149	149	145	145	145	143	143	143	164	164	164	122	164	164	164	136	164	164	164	155	168

AR - All Rail.
RWR - Rail, Water, Rail.

Add to page 486 of Tariff:

SECTION 4A - Continued.
(For Application, see page 486 of Tariff, as amended)

To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.

APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 485 of tariff as amended, inclusive).

From and To Northern Stations shown on pages 17 to 95 of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
2046. . . .	149	149	143	143	143	141	141	141	164	164	164	120	164	164	164	136	164	164	164	155	166
2047. . . .	149	149	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	152	166
2048. . . .	152	152	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	152	166
2049. . . .	152	152	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	152	164
2050. . . .	152	152	145	145	145	143	143	143	164	164	164	117	164	164	164	134	164	164	164	152	164
2051. . . .	155	155	152	152	152	149	149	149	166	166	166	117	166	166	166	134	166	166	166	152	166
2052. . . .	149	149	145	145	145	143	143	143	164	164	164	125	164	164	164	136	164	164	164	155	168
2053. . . .	149	149	145	145	145	143	143	143	164	164	164	122	164	164	164	136	164	164	164	155	168
2054. . . .	149	149	143	143	143	141	141	141	164	164	164	122	164	164	164	141	164	164	164	155	168
2055. . . .	149	149	143	143	143	141	141	141	164	164	164	125	164	164	164	141	164	164	164	156	171
2056. . . .	145	145	143	143	143	141	141	141	160	160	160	125	160	160	160	141	160	160	160	156	171
2057. . . .	141	141	134	134	134	131	131	131	152	152	152	113	152	152	152	131	152	152	152	149	164
2058. . . .	143	143	134	134	134	131	131	131	155	155	155	113	155	155	155	134	155	155	155	149	164
2059. . . .	134	134	129	129	129	125	125	125	149	149	149	113	149	149	149	125	149	149	149	141	155
2060. . . .	143	143	134	134	134	131	131	131	155	155	155	117	155	155	155	134	155	155	155	152	166
2061. . . .	143	143	136	136	136	134	134	134	155	155	155	117	155	155	155	136	155	155	155	152	166
2062. . . .	145	145	136	136	136	134	134	134	157	157	157	117	157	157	157	136	157	157	157	152	166
2063. . . .	149	149	141	141	141	136	136	136	160	160	160	120	160	160	160	136	160	160	160	152	166
2064. . . .	140	140	129	129	129	129	129	129	149	149	149	106	149	149	149	122	149	149	149	136	152
2065. . . .	143	143	134	134	134	131	131	131	155	155	155	117	155	155	155	134	155	155	155	152	164
2066. . . .	143	143	136	136	136	134	134	134	155	155	155	117	155	155	155	136	155	155	155	152	166
2067. . . .	149	149	145	145	145	145	143	143	166	166	166	120	166	166	166	136	166	166	166	155	168
2068. . . .	155	155	152	152	152	149	149	149	171	171	171	120	171	171	171	136	171	171	171	155	171
2069. . . .	152	152	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	165	155	168
2070. . . .	149	149	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	168
2071. . . .	143	143	129	129	129	118	118	118	131	131	131	101	131	131	131	120	131	131	131	136	152
2072. . . .	152	152	143	143	143	141	141	141	155	155	155	111	155	155	155	129	155	155	155	145	157
2073. . . .	155	155	152	152	152	149	149	149	171	171	171	120	171	171	171	136	171	171	171	155	171
2074. . . .	145	145	143	143	143	141	141	141	164	164	164	120	164	164	164	136	164	164	164	155	168
2075. . . .	149	149	143	143	143	141	141	141	164	164	164	120	164	164	164	136	164	164	164	155	166
2076. . . .	155	155	152	152	152	152	152	152	171	171	171	120	171	171	171	136	171	171	171	155	171
2077. . . .	145	145	143	143	143	141	141	141	164	164	164	120	164	164	164	136	164	164	164	155	168
2078. . . .	149	149	143	143	143	141	141	141	164	164	164	120	164	164	164	136	164	164	164	155	168
2079. . . .	155	155	152	152	152	149	149	149	171	171	171	120	171	171	171	136	171	171	171	155	171
2080. . . .	152	152	145	145	145	143	143	143	166	166	166	120	166	166	166	136	166	166	166	155	166
2081. . . .	155	155	149	149	149	145	145	145	166	166	166	120	166	166	166	136	166	166	166	155	166
2082. . . .	155	155	149	149	149	145	145	145	164	164	164	117	164	164	164	134	164	164	164	149	164
2083. . . .	157	157	152	152	152	149	149	149	166	166	166	120	166	166	166	136	166	166	166	152	166
2084. . . .	157	157	152	152	152	149	149	149	160	160	160	113	160	160	160	129	160	160	160	145	160
2085. . . .	155	155	152	152	152	149	149	149	168	168	168	120	168	168	168	136	168	168	168	152	168
2086. . . .	155	155	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	168	152	168
2087. . . .	155	155	149	149	149	145	145	145	166	168	168	120	168	168	168	136	168	168	168	155	168
2088. . . .	157	157	152	152	152	149	149	149	160	160	160	113	160	160	160	131	160	160	160	145	160
2089. . . .	155	155	155	155	155	152	152	152	171	171	171	[illegible]	171	171	171	136	171	171	171	152	171
2090. . . .	152	152	149	149	149	145	145	145	164	164	164	120	164	164	164	136	164	164	164	152	164
2091. . . .	155	155	152	152	152	149	149	149	164	164	164	113	164	164	164	131	164	164	164	145	164
2092. . . .	155	155	152	152	152	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	[illegible]
2093. . . .	152	152	145	145	145	149	149	149	164	164	164	120	164	164	164	136	164	164	164	155	[illegible]
2094. . . .	152	152	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	[illegible]
2095. . . .	152	152	145	145	145	143	143	143	160	160	160	120	160	160	160	136	160	160	160	152	[illegible]
2096. . . .	155	155	149	149	149	145	145	145	164	164	164	120	164	164	164	136	164	164	164	152	[illegible]
2097. . . .	155	155	152	152	152	149	149	149	164	164	164	120	164	164	164	136	164	164	164	152	[illegible]
2098. . . .	143	143	134	134	134	131	131	131	155	155	155	117	155	155	155	134	155	155	155	152	[illegible]
2099. . . .	145	145	136	136	136	134	134	134	155	155	155	117	155	155	155	136	155	155	155	152	[illegible]

AR - All Rail.
RWR - Rail, Water, Rail.

to page 486 of Tariff:

SECTION 4A - Concluded

(For Application, see page 486 of Tariff, as amended)

From and To Northern Stations shown on pages 17 to 95 of tariff as amended, inclusive, taking Rate Basis Numbers under Heading Section 4A	To and From Southern Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking the following Rate Basis Letters under Heading Section 4A.																				
	A		B	C		D	E		F	G		H	J	K		L	M	N		O	P
	APPLY RATE BASIS NUMBERS (For Rates, see Section 4, pages 454 to 486 of tariff as amended, inclusive).																				
	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR	AR	RWR	AR RWR	AR RWR
2100. . . .	134	134	129	129	129	125	125	125	149	149	149	101	149	149	149	120	149	149	149	136	149
2101. . . .	155	155	152	152	152	152	152	152	171	171	171	120	171	171	171	136	171	171	171	155	171
2102. . . .	155	155	152	152	152	149	149	149	168	168	168	120	168	168	168	136	168	168	168	152	168
2103. . . .	145	145	143	143	143	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	166
2104. . . .	155	155	155	155	155	152	152	152	171	171	171	120	171	171	171	136	171	171	171	155	171
2105. . . .	157	157	156	155	155	152	152	152	166	166	166	120	166	166	166	136	166	166	166	152	166
2106. . . .	155	155	[illegible]	152	152	149	149	149	171	171	171	120	171	171	171	136	171	171	171	155	171
2107. . . .	149	149	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	168	155	168
2108. . . .	155	155	149	149	149	145	145	145	164	164	164	120	164	164	164	136	164	164	164	152	166
2109. . . .	155	155	155	155	155	152	152	152	171	171	171	120	171	171	171	136	171	171	171	155	171
2110. . . .	155	155	149	149	149	145	145	145	160	160	160	117	160	160	160	134	160	160	160	149	164
2111. . . .	157	157	155	155	155	152	152	152	171	171	171	120	171	171	171	136	171	171	171	155	171
2112. . . .	152	152	145	145	145	143	143	143	160	160	160	117	160	160	160	134	160	160	160	152	164
2113. . . .	155	155	149	149	149	145	145	145	168	168	168	120	168	168	168	136	168	168	168	155	166
2114. . . .	152	152	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	166
2115. . . .	134	134	129	129	129	125	125	125	149	149	149	106	149	149	149	125	149	149	149	141	155
2116. . . .	152	152	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	166
2120. . . .	152	152	145	145	145	143	143	143	164	164	164	120	164	164	164	136	164	164	164	155	166
2121. . . .	142	142	135	135	135	133	133	133	153	153	153	121	153	153	153	136	153	153	153	154	167

AR - All Rail.
RWR - Rail, Water, Rail.

Item No. 1475D Cancels Item No. 1475C.

ROUTING RESTRICTIONS
(Applicable only in connection with rates in Sections 1 and 1A)

Rates named in tariff will not apply via routes over which the distances exceed those shown in Cal B below, opposite the corresponding rates shown in Column A, which is applicable on first class betwee points in question. (Note).

NOTE - In applying Maximum Circuity under this item the first class rate will be that obtained fr the use of the Rate Base Numbers shown in Section 1.

The provisions of this Item will not apply:

(a) The provisions of this item will not apply via routes shown in Items 1970, 2020, 2045, 20 2094, 2095, 2096 paragraph (b), 2140 and 2145 from and to the following points:

Memphis, Tenn.
Helena and West Helena, Ark.
Natchez and Vicksburg, Miss.
Baton Rouge, North Baton Rouge, New Orleans, Port Chalmette and Three Oaks, La.

Stations on the L&A Ry. North Maryland, La. (Station 465) to Shrewsbury, La. (Station inclusive.

Stations on the LB New Home Spur (Station 20) to Braithwaite, La. (Station 40), inclus

(b) From or to points in Kentucky, Virginia and North Carolina.

(c) From or to points in Tennessee, as follows:

1. Stations on the Southern Ry. between Bristol, Va.-Tenn., and Johnson City, Tenn., b inclusive, also Stations Click and Holston, Tenn.
2. Stations on the Southern Ry. between Bristol, Va.-Tenn., and Elizabethton, Tenn., b inclusive.
3. Stations on the Carolina, Clinchfield & Ohio Ry.
4. Stations on the East Tennessee and Western North Carolina R.R. between Johnson Cit Tenn., and Elizabethton, Tenn., both inclusive.

(d) In connection with shipments moving via or in connection with Federal Barge Lines, Missis Valley Barge Line, or in connection with joint rail-motor or joint rail-motor-water routes.

(e) - 1. To the extent routing is specified in Routing Guide, Agent W.S. Curlett's Tariff 118- I.C.C. A-547, Agent I.N. Doe's I.C.C. 332, Agent R.H. Hoke's I.C.C. 225, between points that are named is-

A. For account of carriers parties thereto, except the L&N.

B. For account of the L&N on NORTHBOUND traffic and then only on cottonseed cake or (including crushed or ground cake or screenings).

2. Except as otherwise provided in sub-paragraph 1 above, rates are subject to the provi sions of this item.

(File 20000-167, RA 90015)

(f) In connection with shipments moving between the points indic Item No. 1978 when ro via the route specified in that Item.

Where, under the lawfully applicable transit tariffs on file with the Interstate Commerce Commissio it is provided that the rate from origin to destination or the rate from origin to transit point or the rate from transit point to destination, whichever is highest, shall be applied, such rates shall be subject to the routing restrictions published herein in connection with and attaching to the first class ra from origin to destination, or from origin to transit point, or from transit point to destination which is highest, and the first class rate so used shall, for the purpose of this routing restriction, be dee the first-class rate from origin to destination. Authority of Interstate Commerce Commission Fourth Section Order No. 12783 of May 12, 1937.

(File 8-17200, DA 9998)

On traffic via rail-water-rail via Virginia and South Atlantic Ports on the one hand and from, to through North Atlantic Ports on the other, the following mileages will be observed in computing circuity

BETWEEN / AND	Boston and Providence	New York	Philadelphia	Baltimore
Norfolk . . . . Va.	300	220	200	140
Richmond. . . . . Va.	. .	. .	200	. .
West Point. . . . . Va.	. . .	. . .	. . .	140
Charleston. . . . . S.C.	475	395	375	315
Savannah. . . . . Ga.	475	395	375	315
Jacksonville. . . . . . . Fla.	500	420	400	340

For distances see R.H. Hoke's Freight Tariff No. 201-B, I.C.C. 651 and tariffs referred to in Item 1490 of Tariff as amended.

Departure from the terms of Rule 4 (k) of Tariff Circular No. 20, Interstate Commerce Commission, Authorized by opinion and order of the Commission in Fourth Section Application No. 13470.

Authority Interstate Commerce Commission Fourth Section Order No. 11200.

Authority Interstate Commerce Commission Fourth Section Order Nos. 12370 dated June 13, 1936, and 1 dated May 17, 1937.

The maximum distance via which a rate increased under the provisions of Tariff of Increased Rates Charges No. X-148, Agent W.S. Curlett's I.C.C. No. A-742, MF-I.C.C. No. A-34, C.T.C. No. A-496, Agent I. Doe's I.C.C. No. 454, MF-I.C.C. No. 53, C.T.C. No. 389, Agent B.T. Jones' I.C.C. No. 3889, MF-I.C.C. No. C.T.C. No. 1801 and Agent R.H. Hoke's I.C.C. No. 765, MF-I.C.C. No. 229, supplements thereto or successi issues thereof, may be applied, is the maximum distance applicable to the rate disregarding the increase authorized in the Tariff of Increased Rates and Charges No. X-148, referred to above.

(Concluded on next page)

Item No. 1475D Cancels Item No. 1475C.-(Concluded)

ROUTING RESTRICTIONS - Concluded
(Applicable only in connection with rates in Section 1 and 1A).

EXAMPLE:-Rate 89 cents, maximum distance via which such rate is applicable, 230 miles, increased rate under Tariff of Increased Rates and Charges referred to above, 94 cents, maximum distance via which such rate is applicable, 230 miles.

Column		Column		Column		Column		Column		Column		Column		Column		Column		Column		Column		Column	
A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
89	230	114	380	140	580	165	780	190	1025	216	1275	240	1525	265	1775	290	2050	316	2300	341	2550	366	2800
90	230	116	380	141	580	166	780	191	1050	217	1300	241	1550	266	1800	292	2050	317	2300	342	2550	367	2825
91	240	117	380	142	600	167	800	193	1050	218	1300	242	1550	267	1800	293	2050	318	2325	343	2575	369	2825
92	240	118	400	143	600	168	800	194	1050	219	1325	243	1550	268	1825	294	2075	319	2325	344	2575	370	2850
94	240	119	400	144	600	169	825	195	1075	220	1325	244	1575	270	1825	295	2075	320	2350	345	2600	371	2850
95	260	120	420	145	620	171	825	196	1075	221	1350	245	1575	271	1850	296	2100	321	2350	347	2600	372	2850
96	260	121	420	146	620	172	850	197	1100	222	1350	246	1600	272	1850	297	2100	322	2350	348	2625	373	2875
97	260	122	440	147	640	173	850	198	1100	223	1350	248	1600	273	1850	298	2125	323	2375	349	2625	374	2875
98	280	123	440	149	640	174	850	199	1125	224	1375	249	1625	274	1875	299	2125	325	2375	350	2650	375	2900
99	280	124	440	150	660	175	875	200	1125	226	1375	250	1625	275	1875	300	2150	326	2400	351	2650	376	2900
100	280	125	460	151	660	176	875	201	1150	227	1400	251	1650	276	1900	301	2150	327	2400	352	2650	377	2925
101	300	127	460	152	680	177	900	202	1150	228	1400	252	1650	277	1900	303	2150	328	2425	353	2675	378	2925
102	300	128	480	153	680	178	900	204	1150	229	1425	253	1650	278	1925	304	2175	329	2425	354	2675	380	2950
103	300	129	480	154	680	179	925	205	1175	230	1425	254	1675	279	1925	305	2175	330	2450	355	2700	381	2950
105	320	130	500	155	700	180	925	206	1175	231	1450	255	1675	280	1950	306	2200	331	2450	356	2700	382	2950
106	330	131	500	156	700	182	950	207	1200	232	1450	256	1700	282	1950	307	2200	332	2450	358	2725	383	2975
107	320	132	520	157	720	183	950	208	1200	233	1450	257	1700	283	1950	308	2225	333	2475	359	2725	384	2975
108	[illegible]	133	520	158	720	184	950	209	1225	234	1475	259	1725	284	1975	309	2225	334	2475	360	2750	385	3000
109	340	134	520	160	740	185	975	210	1225	235	1475	260	1725	285	1975	310	2250	336	2500	361	2750	. .	. .
110	340	135	540	161	740	186	975	211	1250	236	1475	261	1750	286	2000	311	2250	337	2500	362	2775	. .	. .
111	360	136	540	162	760	187	1000	212	1250	237	1500	262	1750	287	2000	312	2250	338	2525	363	2775	. .	. .
112	360	138	560	163	760	188	1000	213	1250	238	1500	263	1750	288	2025	314	2275	339	2525	364	2775	. .	. .
113	360	139	560	164	760	189	1025	215	1275	239	1525	264	1775	289	2025	315	2275	340	2550	365	2800	. .	. .

Column A - First Class rates in cents per 100 pounds.

Column B - Miles.

Item No. 1480C Cancels Item No. 1480B.

DISTANCE TABLES AND STATION LISTS OF PARTICIPATING CARRIERS FOR USE IN CONNECTION WITH ITEM NO. 1475 OF TARIFF AS AMENDED

For distance tables in connection with points on the following railroads, shown in this tariff, see the following Tariffs:

CARRIERS	Carrier No.	I.C.C. No.	CARRIERS	Carrier No.	I.C.C. No.
Alton.	260-E	89	L&N	G.F.O. 18-C	A-15965
AT&SF.	6900-C	12714	M&C		C-4567
B&O.	2360	23392	M-I	1-D	F-214
B&OCT.		466	MP.	§	§
BRofC.	129-E	162	Mongh	G.F.D. 426	281
BAR.		A-2660	Montour		89
CN-E	D-25		NB&WR.		I
CP-E	CPR-2750-B	E-2509	MosV.		#
CofNJ.		G-6083	MarP.		#
CVt.		A-6234	NYC (B)		9227
C&O.	2100-B	12837	NYC (E)	A-1458	NYC 16802
C&EI	3-A	40	NYC (W)	2801	LS-1536
C&IM	20-D	B-290	NYC (C)	21	(C)-8515
C&NW	G.F.D. 14260-D	11014	NYC (M)	G.F.D. 9630-A	MC-5196
CB&Q	G.F.D. 9000-C	19967	NYC (WB).	Cir. No. A-1238	WB-7040
CIAL	1150-E	4752	NYC&StL	G.F.D. 264-J	5978
CRI&P.	33300	C-11924	NYNH&H.		F-3050
CStPM&O	79-D	159	NYO&W		9930
D&H	G.F.D. 1666	22030	N&W	G.F. 1-C	8872
D&TSL	21-C	1116	P&I	G.F.O. 9000-C	CB&Q 19967
DT&I	1228-J	499	PRR	500-A	398
DL&W	106-C	2199	PM.	5906	3761
Erie (E)	G.O. 2162-B	19096	P&LE.	B-3240	2942
Erie (W)	665	A-5434	PC&Y.		162
FR		#	QC	1486	411
GM		78	Read.		1110
GT (E)	D. 3-J	239	Rut		5560
GT (W)	526-C	A-2960	StJ&LC		63
GTW	9200	B-808	SLSF		11274
IC	13131-C	A-10441	SV.		28
IC	36-E	7614	Sou		A-10500
IllT	365-F	6	S&SW.	1-C	57
IHB		942	STP&W.	62X	77
L&NE		55	UER.		#
LAFW		59	Wab.		6442
LANA		A-6609	WMd	F.D.T. 3	9392
LV		C-8328	W&LE.		1854
MAP	3391-J	413	WPB		#

(File SC.000-167)

§ See Agent J. R. Peel's Tariff No. 4-D, I.C.C. No. 3390.
◆ Reduction.
See NYNH&H.
I See [illegible]

1231

THE CHANGES IN RATES PUBLISHED HEREIN ARE INCREASES.

Special Supplement No. .... to **K. R. C. No.** .... **P. S. C. - N. Y. No.** .... **Ohio No.** .... **Pa. P. U. C. No.** .... shown herein	**Special Supplement No.** .... to **Vt. - P. S. C. No.** .... **P. U. C. - N. J. No.** .... shown herein	**Special Supplement No.** .... to **I. C. C. No.** .... **MF - I. C. C. No.** .... **C. T. C. No.** .... **P. S. C. - W. Va. No.** .... shown herein

SUPPLEMENTS TO TARIFFS

W. S. CURLETT and I. N. DOE, Agents

TRUNK LINE TARIFF BUREAU

APPLYING IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN IN TARIFFS AND SUPPLEMENTS THERETO

REVISED "TABLE OF RATES"

(CANCELS PRESENT "TABLE OF RATES")

ALSO REVISED NOTES INDICATED HEREIN

Number of This Supple-	TO									
	I.C.C. Nos.	M.F.-I.C.C. No.	Tariff Nos.	C.T.C. Nos.	K.R.C. Nos.	P.U.C.-N.J. Nos.	P.S.C.-N.Y. Nos.	Ohio Nos.	Pa. P.U.C. Nos.	Vt. P.S.C. Nos.	P.S.C.-W.Va. Nos.
②31	A-766	......	60-A	A-511	A-13	......	......	......	A-113	......	......
②38	A-755	......	68-A	A-504	......	......	A-129	A-22	A-111	......	A-76
②40	A-744	A-35	71-A	A-497	......	......	A-123	A-20	......	A-20	......
	①459	①54	......	①391	......	......	①52	......	......	①33	......
③7	A-819	......	72-B	A-558	......	A-26	A-138	A-26	......	......	......

① I. N. DOE, Agent.

② Subject, except as otherwise provided herein, to tariff of Increased Rates and Charges No. X-148, Agent W. S. Curlett's I.C.C. No. A-742, MF-I.C.C. No. A-34, C.T.C. No. A-495, K.R.C. No. A-10, P.S.C.-N.Y. No. A- 122, Pa.P.U.C. No. A-105, Vt.-P.S.C. No. A-19, P.S.C.-W.Va. No. A-73 Agent I. N. Doe's I.C.C. No. 454, MF-I.C.C. No. 53, C.T.C. No. 389, P.S.C.-N.Y. No. 51, Vt.-P.S.C. No. 32, supplements thereto or successive issues thereof, except "additional charges" applying to or from stations on the B.&M.T. Co. See note below.

Note.—The operation of the provisions referring to this note as to rates or charges published in this supplement is suspended on the effective dates of such rates or charges (but not before May 15, 1943 as to rates or charges shown herein as reissued effective prior to May 15, 1943) until January 1, 1946, except as otherwise provided in Item No. R-148, and will become operative January 1, 1946.

The form of this publication is authorized by special permission of the Interstate Commerce Commission, No. 15585 of April 24, 1943, as amended.

③ Subject to Item No. X-148 or successive issues thereof.

ISSUED OCTOBER 25, 1945. **EFFECTIVE NOVEMBER 30, 1945.**

Issued in compliance with order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended.

The form of this publication is authorized by special permission of the Interstate Commerce Commission No. 26345 of September 17, 1945.

Authority Interstate Commerce Commission, Fourth Section Order No. 15410 of October 19, 1945.

I. N. DOE, Agent,
Room 524, South Station,
Boston 10, Mass.

RECEIVED		
Month	Day	Year

(Printed in U. S. A.)

Issued by
W. S. CURLETT, Agent,
143 Liberty Street,
New York 6, N. Y.

(017721-F)

(BLANKET SUPPLEMENT No. 4[illegible])

(27,000)

BLANKET SUPPLEMENT NO. 424

EXPLANATION OF COLUMNS A AND B REFERRED TO HEREIN

Applicable only where reference is made to Column A in Table of Rates Herein.

Column A - The rates named in Column A apply only where applicable rating is published in EXCEPTIONS TO OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and other provisions, except ratings, in Official Classification, EXCEPT that:

These rates will ALSO apply:

1. Where the applicable rating is published in Official Classification and the applicable carload minimum weight is published in the Exceptions to Official Classification.

2. In connection with provisions of I.C.C. Second Supplemental Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at class rates referred to therein, under ratings in Official Classification.

3. On export, import, forwarding, reforwarding, coastwise or intercoastal traffic where domestic rates apply on such traffic and rates are arrived at under ratings published in Official Classification.

Applicable only where reference is made to Column B in Table of Rates Herein.

Column B - The rates named in Column B apply only where applicable rating is published in OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, except ratings, in Exceptions to Official Classification, EXCEPT that:

These rates will NOT apply:

1. Where the applicable rating is published in the Official Classification and the applicable carload minimum weight is published in the Exceptions to Official Classification. Column A rates apply.

2. In connection with provisions of I.C.C. Second Supplemental Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at class rates referred to therein. Column A rates apply.

3. On export, import, forwarding, reforwarding, coastwise or intercoastal traffic.

EXPLANATION OF NOTES

Amend Tariffs, (Except I.C.C.No.A-766), as amended, to which this is a Supplement, as indicated below:

Change "Note" now shown against stations on the Castleman River R.R. to read as follows:

Note - Apply Worth, Pa. (Niverton, Pa. Rate Basis) rates plus the following arbitraries in cents per 100 pounds (see Exception):

CLASSES (Footnote)

1 or 100	2,R25,3 or 87 to 70	R26, 4 or 65 to 50	5 or 47.5 to 30	6 or 29.5 to 16
♀5-1/2	♀4-1/2	♀3-1/4	♀2-1/4	♀1
‡6	‡5	‡3-1/2	‡2-1/2	‡1

Exception - From stations on the Castleman River R.R.

Class Rates provided herein will not apply on Forest Products including articles manufactured from Wood, as per List No. 27 in Agent W.S. Curlett's Exceptions to the Official Classification, Tariff No. 90-J, I.C.C. No. A-797, C.L. minimum weight 36,000 pounds, from stations on the Castleman River R.R.

The rate on Forest Products including articles manufactured from Wood will be the same as those published herein from Worth, Pa., (Niverton, Pa. Rate Basis), B.& O.R.R.

Departure from the terms of Rule 4 (1) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 164319 of October 25, 1937 and No. 6133 of December 9, 1941.

Amend I.C.C. No.A-744, as amended, as indicated below:

NOTE 5 - A - Except as provided in Paragraph B below, rates between stations on B.& O. (Index Nos. 3705A Strouds, W.Va. to 3705I Muddlety, W.Va.) and stations shown on pages 86 to 99 of Tariff, and as amended, will be made by adding to the Curtin, W.Va. (Richwood, W.Va. Rate Basis) rates, the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
♀6-1/2	♀5-1/2	♀5	♀4-1/2	♀4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
♀3-1/2	♀3	♀2-1/2	♀2	♀1-1/2	♀1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

B - FROM Stations on B.& O. (Index Nos. 3705A. Strouds, W.Va. to 3705I, Muddlety, W.Va.), rate on Forest Products including articles manufactured from Wood as per List No. 27 shown in Agent W.S.Curlett's Exceptions to the Official Classification Tariff No.90-J, I.C.C.No.A-797, C.L. minimum weight 36,000 pounds, will be the same as that published herein on Forest Products including articles manufactured from Wood from Allingdale, W.Va. (Richwood, W.Va. Rate Basis).

Departure from the terms of Rule 4(1) of Tariff Circular No.20 is authorized under permission of the Interstate Commerce Commission No.6133 of December 9,1941 and No.24821 of April 24,1945.

♀ Applicable only in connection with rates shown under Column A on pages 7 to 30.
‡ Applicable only in connection with rates shown under Column B on pages 7 to 30.
FOOTNOTE - Includes letter suffixed Classes bearing same number, e.g., Classes 100K and 100P are subject to the same arbitraries as Classes 1 or 100.

EXPLANATION OF NOTES

Amend I.C.C. No. A-744, as amended, as indicated below:

NOTE 9 - Apply Curtin,W.Va. (Rate Basis Richwood,W.Va.) rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
?6-1/2 ‡7	?5-1/2 ‡6	?5 ‡5-1/2	?4-1/2 ‡5	?4 ‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
?3-1/2 ‡3-3/4	?3 ‡3-1/4	?2-1/2 ‡2-3/4	?2 ‡2-1/4	?1-1/2 ‡1-3/4	?1 ‡1

NOTE 10 - [illegible]wan,W.Va. (Rate Basis Camden-on Gauley,W.Va.) rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
?6-1/2 ‡7	?5-1/2 ‡6	?5 ‡5-1/2	?4-1/2 ‡5	?4 ‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
?3-1/2 ‡3-3/4	?3 ‡3-1/4	?2-1/2 ‡2-3/4	?2 ‡2-1/4	?1-1/2 ‡1-3/4	?1 ‡1

Amend I.C.C. No. A-755, as amended, as indicated below:

NOTE 5 - Except as provided in Exceptions A and B, rates between stations on B.& O. (Index Nos.3705-A Strouds, W.Va. to 3705-I Muddlety,W.Va.) and stations shown on pages 6 to 91 of tariff, and as amended, will be made by adding to the Curtin, W.Va. (Richwood,W.Va. Rate Basis) rates, the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
?6-1/2 ‡7	?5-1/2 ‡6	?5 ‡5-1/2	?4-1/2 ‡5	?4 ‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
?3-1/2 ‡3-3/4	?3 ‡3-1/4	?2-1/2 ‡2-3/4	?2 ‡2-1/4	?1-1/2 ‡1-3/4	?1 ‡1

Exception A - Apply Rate Basis Numbers as shown below, between stations on B.& O. (Index Nos. 3705A Strouds,W.Va. to 3705I Muddlety,W.Va.) and stations on B.& O. (See Exception B).

BETWEEN Stations on B&O shown on pages 6 to 91, of Tariff, and as amended, taking Rate Basis	AND Stations on the B&O (Index Nos.3705A Strouds,W.Va. to 3705-I M ty,W.Va.) shown on pages 6 to 91 of Tariff and as amended. A Rate Basis Numbers (For rates see pages 676 to 690 of Tariff)
Barlow, W.Va.	79
Blue Creek, W.Va.	77
Camp, W.Va.	81
Charleston, W.Va.	79
Shelton, W.Va.	81
Turner, W.Va.	81

Exception B - FROM stations on the B&O (Index Nos.3705-A Strouds,W.Va. to 3705-I Muddlety,W.Va.)
Except to stations on B&O taking Index Numbers 4095 to 4240, rate on Forest Products including articles manufactured from Wood as per List No.27 shown in Agent W.S.Curlett's Exceptions to the Official Classification,Tariff No.90-J,I.C.C.No.A-797,C.L.,minimum weight 36,000 pounds,will be the same as that published herein on Forest Products including Articles manufactured from Wood,from Allingdale,W.Va.,B&O. (Richwood,W.Va. Rate Basis).

o Departure from the terms of Rule 4(1) of Tariff Circular No.20 is authorized under permission of the Interstate Commerce Commission No.6133,as amended,and No.24821 of April 24,1945.

? Applicable only in connection with rates shown under Column A on pages 7 to 30.
‡ Applicable only in connection with rates shown under Column B on pages 7 to 30.
FOOTNOTE - Includes letter suffixed Classes bearing same number, e.g.; Classes 100X and 100P are subject to the same arbitraries as Classes 1 or 100

EXPLANATION OF NOTES

Amend I.C.C. No. A-755, as amended, as indicated below:

NOTE 11 - Apply Curtin,W.Va. (Richwood,W.Va. Rate Basis) rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
?6-1/2	?5-1/2	?5	?4-1/2	?4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
?3-1/2	?3	?2-1/2	?2	?1-1/2	?1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

NOTE 12 - Apply Cowen,W.Va. (Camden-on-Gauley,W.Va. Rate Basis) rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
?6-1/2	?5-1/2	?5	?4-1/2	?4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
?3-1/2	?3	?2-1/2	?2	?1-1/2	?1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

Amend I.C.C. No. A-766, as amended, as indicated below:

NOTE 2 - Apply Carroll Street Station (Cincinnati),Ohio (Index No.10939), rates plus the following arbitraries (in cents per 100 pounds.)

CLASSES (Footnote)

	1, 2, 3, R26, 4 or 100 to 50	5, 6 or 47.5 to 16
Arbitraries	?3-1/4 ‡3-1/2	?2-1/4 ‡2-1/2

NOTE 17. **BASIS FOR RATES FROM STATIONS ON THE CASTLEMAN RIVER R.R.**

Apply Cumberland (G1),Md. rates except to stations in the following Rate Groups (See Exception):

Akron (G1 to G26), Ohio
Ashtabula (G1 to G35), Ohio
Cambridge (G1 to G23), Ohio
Canton (G1 to G31), Ohio
Chillicothe (G1 to G29), Ohio
Cleveland (G1 to G19), Ohio
Columbus (G1 to G60), Ohio
Gallipolis (G1 to G12), Ohio
Logan (G1 to G29), Ohio
Mansfield (G1 to G38), Ohio
Marion (G1 to G23), Ohio
Midland City (G1 to G5), Ohio
Newark (G1 to G7), Ohio
Painesville (G1 to G8), Ohio
Portsmouth (G1 to G25), Ohio
Sandusky (G1 to G53), Ohio
Uhrichsville (G1 to G45), Ohio
Washington C.H. (G1 to G15), Ohio
Youngstown (G1 to G50), Ohio
Zanesville (G1 to G23), Ohio

Apply Worth,Pa.,rates (Cumberland (G41), Md. Rate Basis) plus the following arbitraries (See Exception):

CLASSES (Footnote)

1 or 100	2,R25,3 or 87 to 70	R26, 4 or 65 to 50	5 or 47.5 to 30	6 or 29.5 to 16
?5-1/2	?4-1/2	?3-1/4	?2-1/4	?1
‡6	‡5	‡3-1/2	‡2-1/2	‡1

Exception - Rates on Forest Products including articles manufactured from wood as per List No. 27 shown in Agent Curlett's Exceptions to Official Classification, Tariff No.90-J,I.C.C.No.A-797,C.T.C.No.A-537, C.L. minimum weight 36,000 pounds, will be the same as those published herein on Forest Products including articles manufactured from Wood from Worth,Pa. (Cumberland (G41), Md. Rate Basis) to all stations shown on pages 88 to 147 of Tariff, as amended.

Departure from the terms of Rule 4(1) of Tariff Circular No.20 is authorized under permission of the Interstate Commerce Commission No. 164319 of October 25, 1937.

? Applicable only in connection with rates shown under Column A on pages 7 to 30.
‡ Applicable only in connection with rates shown under Column B on pages 7 to 30.
FOOTNOTE - Includes letter suffixed Classes bearing same number, e.g., Classes 100X and 100P are subject to the same arbitraries as Classes 1 or 100.

EXPLANATION OF NOTES

Amend I.C.C. No. A-766, as amended, as indicated below:

NOTE 19 - A - Except as provided in Paragraph B, rates from stations on B.& O. (Index Nos. 3705-A Strouds, W.Va. to 3705-I Muddlety, W.Va.) to stations shown on pages 83 to 147 of Tariff, and as amended, will be made by adding to the Curtin, W.Va. (Richwood (G1), W.Va. Rate Basis) the following arbitraries in cents per 100 Pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
♀6-1/2	♀5-1/2	♀5	♀4-1/2	♀4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
♀3-1/2	♀3	♀2-1/2	♀2	♀1-1/2	♀1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

B - FROM stations on B.& O. (Index Nos. 3705-A Strouds, W.Va. to 3705-I Muddlety, W.Va.) rates on Forest Products including articles manufactured from wood as per List No. 27 shown in Agent Curlett's Exceptions to the Official Classification Tariff No. 90-J, I.C.C. No. A-797, C.T.C. No. A-537, C.L. minimum weight 36,000 pounds, will be the same as that published herein on Forest Products including articles manufactured from wood from Allingdale, W.Va., B.& O. (Richwood (G1), W.Va. Rate Basis).

Departure from the terms of Rule 4(1) of Tariff Circular No.20 is authorized under permission of the Interstate Commerce Commission Nos.164319 of October 25,1937, as amended and 24821 of April 24,1945.

NOTE 30 - Apply Curtin, W.Va. (Richwood (G1), W.Va. Rate Basis) rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
♀6-1/2	♀5-1/2	♀5	♀4-1/2	♀4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
♀3-1/2	♀3	♀2-1/2	♀2	♀1-1/2	♀1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

NOTE 31 - Apply Cowen, W.Va. (Richwood (G8), W.Va. Rate Basis) rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
♀6-1/2	♀5-1/2	♀5	♀4-1/2	♀4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
♀3-1/2	♀3	♀2-1/2	♀2	♀1-1/2	♀1
‡3-3/4	‡3-1[illegible]	‡2-3/4	‡2-1/4	‡1-3/4	‡1

♀ Applicable only in connection with rates shown under Column A on pages 7 to 30.
‡ Applicable only in connection with rates shown under Column B on pages 7 to 30.
FOOTNOTE - Includes letter suffixed Classes bearing same number, e.g., Classes 100K and 100P are subject to the same arbitraries as Classes 1 or 100 to 86.

18

1236

BLANKET SUPPLEMENT NO. 424

EXPLANATION OF NOTES

Amend I.C.C. No. A-819, as amended, as indicated below:

NOTE 14 - A - Except as provided in Paragraph B, rates between stations on the B&O (Index Nos.3705-A Strouds,W.Va. to 3705-I Muddlety,W.Va.)and stations shown on pages 7 to 99 of Tariff, and as amended, will be made by adding to the Curtin,W.Va., rates the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
†6-1/2	†5-1/2	†5	†4-1/2	†4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
†3-1/2	†3	†2-1/2	†2	†1-1/2	†1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

B - From stations on the B&O (Index Nos. 3705-A Strouds,W.Va. to 3705-I Muddlety,W.Va.)rate on Forest Products including articles manufactured from Wood, as per List No. 27 shown in Agent W.S. Curlett's Exceptions to the Official Classification, Tariff No. 90-J, I.C.C. No. A-797, C.L. minimum weight 36,000 pounds,will be the same as that published herein on Forest Products including articles manufactured from Wood from Allingdale,W.Va.,B&O (Curtin,W.Va.,Rate Basis).

Departure from the terms of Rule 4(1) of Tariff Circular No.20 is authorized under permission of the Interstate Commerce Commission Nos.164319 of October 25,1937,as amended and 24821 of April 24,1945. (GRD)

NOTE 19 - Apply Curtin,W.Va., rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
†6-1/2	†5-1/2	†5	†4-1/2	†4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
†3-1/2	†3	†2-1/2	†2	†1-1/2	†1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

NOTE 20 - Apply Cowen,W.Va., rates plus the following arbitraries in cents per 100 pounds.

CLASSES (Footnote)

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
†6-1/2	†5-1/2	†5	†4-1/2	†4
‡7	‡6	‡5-1/2	‡5	‡4-1/2

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
†3-1/2	†3	†2-1/2	†2	†1-1/2	†1
‡3-3/4	‡3-1/4	‡2-3/4	‡2-1/4	‡1-3/4	‡1

---

† Applicable only in connection with rates shown under Column A on pages 7 to 30.
‡ Applicable only in connection with rates shown under Column B on pages 7 to 30.
FOOTNOTE - Includes letter suffixed Classes bearing same number, e.g., Classes 100K and 100P are subject to the same arbitraries as Classes 1 or 100.

1811

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES 1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 R25 or 70	
COLUMN	A	B	A	A	A	B	A	A	A	B	A	B	A	A	A	B
33.	33	36	32	29	28	31	27	26	26	28	25	27	24	24	23	25
34.	34	37	33	30	29	31	27	27	26	29	26	28	25	24	24	26
35.	35	39	34	30	30	33	28	28	27	30	26	29	26	25	25	27
36.	36	40	35	31	31	34	29	29	28	31	27	30	26	26	25	28
37.	37	41	36	32	31	35	30	30	29	32	28	31	27	27	26	29
39.	39	43	37	34	33	37	32	31	30	33	29	32	29	28	27	30
40.	40	44	38	35	34	37	33	32	31	34	30	33	29	29	28	31
41.	41	45	39	36	35	38	33	33	32	35	31	34	30	30	29	32
42.	42	46	40	37	36	39	34	34	33	36	32	35	31	30	29	32
43.	43	47	41	37	37	40	35	34	33	36	32	35	32	31	30	33
44.	44	48	42	38	37	41	36	35	34	37	33	36	32	32	31	34
44A	44	48	42	38	37	41	36	35	34	37	33	36	32	32	31	34
45.	45	50	43	39	38	43	37	36	35	39	34	38	33	33	32	36
46.	46	51	44	40	39	43	38	37	36	40	35	38	34	33	32	36
46A	46	51	44	40	39	43	38	37	36	40	35	38	34	33	32	36
47.	47	52	45	41	40	44	39	38	36	40	35	39	35	34	33	36
47A	47	52	45	41	40	44	39	38	36	40	35	39	35	34	33	36
48.	48	53	46	42	41	45	39	38	37	41	36	40	35	35	34	37
50.	50	55	47	44	43	47	40	40	39	43	38	41	37	36	35	39
50A	50	55	47	44	43	47	40	40	39	43	38	41	37	36	35	39
51.	51	56	48	44	43	48	41	41	40	43	38	42	37	37	36	39
51A	51	56	48	44	43	48	41	41	40	43	38	42	37	37	36	39
52.	52	57	49	45	44	48	42	42	40	44	39	43	38	37	36	40
53.	53	58	50	46	45	49	43	42	41	45	40	44	39	38	37	41
53A	53	58	50	46	45	49	43	42	41	45	40	44	39	38	37	41
54.	54	59	51	47	46	50	44	43	42	46	41	44	40	39	38	41
54A	54	59	51	47	46	50	44	43	42	46	41	44	40	39	38	41
55.	55	61	53	48	47	52	45	44	43	47	41	46	40	40	39	43
56.	56	62	54	49	48	53	45	45	43	48	42	47	41	40	39	43
57.	57	63	55	50	48	54	46	46	44	49	43	47	42	41	40	44
58.	58	64	56	50	49	54	47	46	45	50	44	48	43	42	41	45
59.	59	65	57	51	50	55	48	47	46	50	44	48	43	42	41	46
61.	61	67	58	53	52	57	49	49	47	52	46	50	45	44	43	47
62.	62	68	59	54	53	58	50	50	48	53	47	51	46	45	43	48
63.	63	69	60	55	54	59	50	50	49	53	47	52	46	45	44	48
64.	64	70	61	56	54	60	51	51	50	54	48	53	47	46	45	49
65.	65	72	62	57	55	61	53	52	50	56	48	54	48	47	46	50
66.	66	73	63	57	56	62	54	53	51	57	50	55	49	48	46	51
67.	67	74	64	58	57	63	55	54	52	57	50	56	49	48	47	52
68.	68	75	65	59	58	64	56	54	53	58	51	56	50	49	48	53
69.	69	76	66	60	59	65	57	55	53	59	52	57	51	50	48	53
70.	70	77	67	61	60	65	57	56	54	60	53	58	51	50	49	54
72.	72	79	68	63	61	67	58	58	56	61	54	59	53	52	50	55
73.	73	80	69	64	62	68	59	58	57	62	55	60	54	53	51	56
74.	74	81	70	64	63	69	60	59	57	63	56	61	54	53	52	57
75.	75	83	71	65	64	71	61	60	58	64	56	62	55	54	53	58
76.	76	84	72	66	65	71	62	61	59	65	57	63	56	55	53	59
77.	77	85	74	67	65	72	63	62	60	66	58	64	57	55	54	60
78.	78	86	75	68	66	73	63	62	60	67	59	65	57	56	55	60
79.	79	87	76	69	67	74	64	63	61	67	59	65	58	57	56	61
80.	80	88	77	70	68	75	65	64	62	66	60	66	59	58	56	62
81.	81	89	78	70	69	76	66	65	63	69	61	67	60	58	57	63
83.	83	91	79	72	71	77	67	66	64	71	62	68	61	60	58	64
84.	84	92	80	73	71	78	68	67	65	71	63	69	62	60	59	64
85.	85	94	81	74	72	80	68	68	66	73	64	71	62	61	60	66
86.	86	95	82	75	73	81	69	69	67	74	65	71	63	62	60	67
87.	87	96	83	76	74	82	70	70	67	74	65	72	64	63	61	67
88.	88	97	84	77	75	82	71	70	68	75	66	73	65	63	62	68
89.	89	98	85	77	76	83	72	71	69	76	67	74	65	64	62	69
90.	90	99	86	78	77	84	74	72	70	77	68	74	66	65	63	69

For Explanation of Column A and Column B, see page 2 herein.

1238

BLANKET SUPPLEMENT NO. 424

mend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																			
	65		63	63E	62K	60		60E	60K	57.5	57		[illegible] or 55		55J	56K	52	4 or 50		50J
	COLUMN																			
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B	A
33. . .	21	23	21	26½	20	20	22	25½	19	19	19	21	18	20	17	18	17	17	18	16
34. . .	22	24	21	26½	20	20	22	25½	20	20	19	21	19	20	17	18	18	17	19	16
35. . .	23	25	22	27½	21	21	23	26½	20	20	20	22	19	21	18	19	18	18	20	16
36. . .	23	26	23	28½	21	22	24	27½	21	21	21	23	20	22	18	19	19	18	20	17
37. . .	24	27	23	28½	22	22	25	27½	21	21	21	23	20	23	19	20	19	19	21	17
39. . .	25	28	25	30½	23	23	26	28½	22	22	22	25	21	24	19	20	20	20	22	18
40. . .	26	29	25	30½	23	24	26	29½	23	23	23	25	22	24	20	21	21	20	22	18
41. . .	27	29	26	31½	24	25	27	30½	23	24	23	26	23	25	20	21	21	21	23	19
42. . .	27	30	26	31½	25	25	28	30½	24	24	24	26	23	25	21	22	22	21	23	19
43. . .	28	31	27	32½	25	26	28	31½	24	25	26	27	24	26	21	22	22	22	24	20
44. . .	29	31	28	33½	26	26	29	31½	25	25	25	27	24	26	22	23	23	22	24	20
44A . .	29	31	28	33½	26	26	29	31½	25	25	25	27	24	26	22	23	23	22	24	20
45. . .	29	33	28	33½	26	27	30	32½	26	26	26	29	25	28	23	24	23	23	25	21
46. . .	30	33	29	34½	27	28	31	33½	26	26	26	29	25	28	23	24	24	23	26	21
46A . .	30	33	29	34½	27	28	31	33½	26	26	26	29	25	28	23	24	24	23	26	21
47. . .	31	34	30	35½	28	28	31	33½	27	27	27	30	26	29	24	25	24	24	26	22
47A . .	31	34	30	35½	28	28	31	33½	27	27	27	30	26	29	24	25	24	24	26	22
48. . .	31	34	30	35½	28	29	32	34½	27	28	27	30	26	29	24	25	25	24	27	22
50. . .	33	36	32	37½	29	30	33	35½	28	29	29	31	28	30	25	26	26	25	28	23
50A . .	33	36	32	37½	29	30	33	35½	28	29	29	31	28	30	25	26	26	25	28	23
51. . .	33	36	32	37½	30	31	34	36½	29	29	29	32	28	31	25	26	27	26	28	23
51A . .	33	36	32	37½	30	31	34	36½	29	29	29	32	28	31	25	26	27	26	28	23
52. . .	34	37	33	38½	30	31	34	36½	29	30	30	32	29	31	26	27	27	26	29	24
53. . .	34	38	33	38½	32	32	35	37½	30	30	30	33	29	32	26	27	28	27	29	24
53A . .	34	38	33	38½	32	32	35	37½	30	30	30	33	29	32	26	27	28	27	29	24
54. . .	35	38	34	39½	32	32	35	37½	30	31	31	34	30	32	27	28	28	27	30	25
54A . .	35	38	34	39½	32	32	35	37½	30	31	31	34	30	32	27	28	28	27	30	25
55. . .	36	40	35	40½	33	33	37	38½	32	32	31	35	30	34	28	29	29	28	31	25
56. . .	36	40	35	40½	34	34	37	39½	33	32	32	35	31	34	28	29	29	28	31	26
57. . .	37	41	36	41½	34	34	38	39½	33	33	32	36	31	35	29	30	30	29	32	26
58. . .	38	42	37	42½	35	35	38	40½	34	33	33	36	32	35	29	30	30	29	32	27
59. . .	38	42	37	42½	35	35	39	40½	34	34	34	37	32	36	30	32	31	30	33	27
61. . .	40	44	38	43½	36	37	40	42½	35	35	35	38	34	37	30	32	32	31	34	28
62. . .	40	44	39	44½	37	37	41	42½	36	36	35	39	34	37	31	33	32	31	34	28
63. . .	41	45	40	45½	37	38	41	43½	38	38	36	39	35	38	31	33	33	32	35	29
64. . .	42	46	40	45½	38	38	42	43½	37	37	36	40	35	39	32	34	33	32	35	29
65. . .	42	47	41	46½	39	39	43	44½	37	37	37	41	36	40	32	34	34	33	36	30
66. . .	43	47	42	47½	39	40	44	45½	38	38	38	42	36	40	33	35	34	33	37	30
67. . .	44	48	42	47½	40	40	44	45½	39	39	38	42	37	41	34	35	35	34	37	31
68. . .	44	49	43	48½	40	41	45	46½	39	39	39	43	37	41	34	36	35	34	38	31
69. . .	45	49	43	48½	41	41	46	46½	40	40	39	43	38	42	35	37	36	35	38	32
70. . .	46	50	44	49½	42	42	46	47½	40	40	40	44	39	42	35	37	36	35	39	32
72. . .	47	51	45	50½	42	43	47	48½	41	41	41	45	40	43	36	38	37	36	40	33
73. . .	47	52	46	51½	43	44	48	49½	42	42	42	46	40	44	36	38	38	37	40	33
74. . .	48	53	47	52½	44	44	49	49½	42	43	42	46	41	45	37	39	38	37	41	34
75. . .	49	54	47	52½	44	45	50	50½	43	43	43	47	41	46	37	39	39	38	42	34
76. . .	49	55	48	53½	45	46	50	51½	43	44	43	48	42	46	38	40	40	38	42	35
77. . .	50	56	49	54½	45	46	51	51½	44	44	44	48	42	47	39	41	40	39	43	35
78. . .	51	56	49	54½	46	47	52	52½	45	45	44	49	43	47	39	41	41	39	43	36
79. . .	51	57	50	55½	47	47	52	52½	45	45	45	50	43	48	40	42	41	40	44	36
80. . .	52	57	50	55½	47	48	53	53½	46	46	46	50	44	48	40	42	42	40	44	37
81. . .	53	58	51	56½	48	49	53	54½	46	47	46	51	45	49	41	43	42	41	45	37
83. . .	54	59	52	57½	49	50	55	55½	47	48	47	52	46	50	41	43	43	42	46	38
84. . .	55	60	53	58½	49	50	55	55½	48	48	48	52	46	51	42	44	44	42	46	38
85. . .	55	61	54	59½	50	51	56	56½	48	49	48	54	47	52	42	44	44	43	47	39
86. . .	56	62	54	59½	50	52	57	57½	49	49	49	54	47	52	43	45	45	43	48	39
87. . .	57	62	55	60½	51	52	58	57½	49	50	50	55	48	53	43	45	45	44	48	40
88. . .	57	63	55	60½	53	53	58	58½	50	51	50	55	48	53	44	46	46	44	49	40
89. . .	58	64	56	61½	53	53	59	58½	51	51	51	56	49	54	45	47	46	45	49	41
90. . .	59	64	57	62½	54	54	59	59½	51	52	51	56	50	54	45	47	47	45	50	41

For Explanation of Column A and Column B see page 2 herein.

1813

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																	
	50K	47.5	47.5 K	47K	45		45K	45S	44	42.5	42.5 K	40		40J	40K	40L	37.5	
	COLUMN																	
	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A	B
33.	16	16	15	15	15	16	15	17	15	14	14	13	14	14	13	12	12	14
34.	17	16	16	16	15	17	15	17	15	14	14	14	15	14	13	12	13	14
35.	17	17	16	16	16	18	15	17	15	15	15	14	16	14	14	13	13	15
36.	18	17	17	17	16	18	16	18	16	15	15	14	16	15	14	13	14	15
37.	18	18	17	17	17	18	16	18	16	16	15	15	16	15	15	14	14	15
39.	19	19	18	17	18	19	17	19	17	17	16	16	17	16	15	14	15	16
40.	19	19	18	18	18	20	17	19	18	17	16	16	18	16	15	14	15	17
41.	20	19	19	18	18	20	18	20	18	17	17	16	18	17	16	15	15	17
42.	20	20	19	19	19	21	18	20	18	18	17	17	18	17	16	15	16	17
43.	21	20	20	19	19	21	19	21	19	18	18	17	19	18	17	16	16	18
44.	21	21	20	20	20	22	19	21	19	19	18	18	19	18	17	16	17	18
44A	21	21	20	20	20	22	19	21	19	19	18	18	19	18	17	16	17	18
45.	22	21	20	20	20	23	19	21	20	19	18	18	20	18	17	16	17	19
46.	22	22	21	21	21	23	20	22	20	20	19	18	20	19	18	17	17	19
46A	22	22	21	21	21	23	20	22	20	20	19	18	20	19	18	17	17	19
47.	23	22	21	21	21	23	20	22	21	20	19	19	21	19	18	17	18	20
47A	23	22	21	21	21	23	20	22	21	20	19	19	21	19	18	17	18	20
48.	23	23	22	22	22	24	21	23	21	20	20	19	21	20	19	18	18	20
50.	24	24	22	22	23	25	21	23	22	21	20	20	22	20	19	18	19	21
50A	24	24	22	22	23	25	21	23	22	21	20	20	22	20	19	18	19	21
51.	24	24	23	23	23	25	22	24	22	22	21	20	22	21	19	18	19	21
51A	24	24	23	23	23	25	22	24	22	22	21	20	22	21	19	18	19	21
52.	25	25	23	23	23	26	22	24	23	22	21	21	23	21	20	19	20	21
53.	25	25	24	24	24	26	23	25	23	23	21	21	23	22	20	19	20	22
53A	25	25	24	24	24	26	23	25	23	23	21	21	23	22	20	19	20	22
54.	26	26	24	24	24	27	23	25	24	23	22	22	24	22	21	20	20	22
54A	26	26	24	24	24	27	23	25	24	23	22	22	24	22	21	20	20	22
55.	26	26	25	25	25	27	24	26	24	23	22	22	24	23	21	20	21	23
56.	27	27	25	25	25	28	24	26	25	24	23	22	25	23	21	20	21	23
57.	27	27	26	25	26	28	24	26	25	24	23	23	25	23	22	21	21	24
58.	28	28	26	26	26	29	25	27	26	25	24	23	26	24	22	[illegible]	22	24
59.	28	28	27	26	27	29	25	27	26	25	24	24	26	24	23	[illegible]	22	24
61.	29	29	27	27	27	30	26	28	27	26	24	[illegible]	27	25	23	22	23	25
62.	29	29	28	27	28	31	26	28	27	26	25	[illegible]	27	25	23	22	23	26
63.	30	30	28	28	28	31	27	29	28	27	26	[illegible]	28	26	24	23	24	26
64.	30	30	29	28	29	32	27	29	28	27	26	26	28	26	24	23	24	26
65.	32	31	29	29	29	32	28	30	29	28	26	26	29	27	25	24	24	27
66.	32	31	30	29	30	33	28	30	29	28	27	26	29	27	25	24	25	27
67.	33	32	30	30	30	33	28	30	29	28	27	27	30	27	25	24	25	28
68.	33	32	30	30	31	34	29	31	30	29	27	27	30	28	26	25	26	28
69.	34	33	32	32	31	34	29	31	30	29	28	28	30	28	26	26	26	29
70.	34	33	32	32	32	35	30	32	31	30	28	28	31	29	27	26	26	29
72.	35	34	33	33	32	36	30	32	32	31	29	29	32	29	27	26	27	30
73.	35	35	33	33	33	36	32	34	32	31	29	29	32	30	27	26	27	30
74.	36	35	34	33	33	36	32	34	33	31	29	30	32	30	28	27	28	30
75.	36	36	34	34	34	37	33	35	33	32	30	30	33	31	28	27	28	31
76.	37	36	35	34	34	38	33	35	33	32	30	30	34	31	29	28	29	32
77.	37	37	35	35	35	38	34	36	34	33	32	31	34	32	29	28	29	32
78.	38	37	36	35	35	39	34	36	34	33	32	31	34	32	29	28	29	33
79.	38	38	36	36	36	39	34	36	35	34	33	32	35	32	30	29	30	33
80.	39	38	37	36	36	40	35	37	35	34	33	32	35	33	30	29	30	33
81.	39	38	37	37	36	40	35	37	36	34	33	32	36	33	32	30	30	33
83.	40	39	38	37	37	41	36	38	37	35	34	33	36	34	32	30	31	[illegible]
84.	40	40	38	38	38	41	36	38	37	36	34	34	37	34	32	30	32	[illegible]
85.	41	40	39	38	38	42	37	39	37	36	35	34	38	35	33	31	32	[illegible]
86.	41	41	39	39	39	43	37	39	38	37	35	34	38	35	33	31	32	35
87.	42	41	40	39	39	43	38	40	38	37	36	35	38	36	34	32	33	35
88.	42	42	40	40	40	44	38	40	39	37	36	35	39	36	34	32	33	36
89.	43	42	40	40	40	44	38	40	39	38	36	36	39	36	34	32	33	37
90.	43	43	41	41	41	45	39	41	40	38	37	36	40	37	35	33	34	37

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

d "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(in Cents Per 100 Pounds)

TE his s.	CLASSES																					
	37.5 K	37.5 L	37.5 M	37	36.5	36	5 or 35		35K	35L	32.5		32.5 J	32.5 K	32	32B	30		29.5	29	6 or 27.5	
	COLUMN																					
	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A	A	B
	12	12	12	12	12	12	12	13	12	11	11	12	10	11	11	11	10	11	10	10	9	10
	13	12	13	13	12	12	12	13	12	11	11	12	10	11	11	11	10	11	10	10	9	10
	13	12	13	13	13	13	12	14	12	11	11	13	10	11	11	11	11	12	10	10	10	11
	13	13	13	13	13	13	13	14	13	12	12	13	11	12	12	12	11	12	11	10	10	11
	14	13	14	14	14	13	13	14	13	12	12	13	11	12	12	12	11	12	11	11	10	11
	14	13	14	14	14	14	14	15	13	12	13	14	11	12	12	12	12	13	12	11	11	12
	15	14	15	15	15	14	14	15	14	13	13	14	12	13	13	13	12	13	12	12	11	12
	15	14	15	15	15	15	14	16	14	13	13	15	12	13	13	13	12	14	12	12	11	12
	15	14	15	16	15	15	15	16	14	13	14	15	12	13	13	13	13	14	12	12	12	13
	16	15	16	16	16	15	15	16	15	14	14	15	13	14	14	13	13	14	13	12	12	13
	16	15	16	16	16	16	15	17	15	14	14	16	13	14	14	14	13	14	13	13	12	13
	16	15	16	16	16	16	15	17	15	14	14	16	13	14	14	14	13	14	13	13	12	13
	16	15	16	17	16	16	16	18	15	14	15	16	13	14	14	14	14	15	13	13	12	14
	17	16	17	17	17	17	16	18	16	15	15	17	14	15	15	14	14	15	14	13	13	14
	17	16	17	17	17	17	16	18	16	15	15	17	14	15	15	14	14	15	14	13	13	14
	17	18	17	17	17	17	16	18	16	15	15	17	14	15	15	15	14	16	14	14	13	14
	17	18	17	17	17	17	16	18	16	15	15	17	14	15	15	15	14	16	14	14	13	14
	18	17	18	18	18	17	17	19	16	15	16	17	14	15	15	15	14	16	14	14	13	15
	18	17	18	19	18	18	18	19	17	16	16	18	15	16	16	15	15	17	15	15	14	15
	18	17	18	19	18	18	18	19	17	16	16	18	15	16	16	15	15	17	15	15	14	15
	18	17	18	19	19	18	18	20	17	16	17	18	15	16	16	16	15	17	15	15	14	15
	19	17	18	19	19	18	18	20	17	16	17	18	15	16	16	16	15	17	15	15	14	15
	19	16	19	19	19	19	18	20	17	16	17	19	15	16	17	16	16	17	15	15	14	16
	19	18	19	20	19	19	19	20	18	17	17	19	16	17	17	16	16	17	16	15	15	16
	19	18	19	20	19	19	19	20	18	17	17	19	16	17	17	16	16	17	16	15	15	16
	19	18	20	20	20	19	19	21	18	17	18	19	16	17	17	17	16	18	16	16	15	16
	19	18	20	20	20	19	19	21	18	17	18	19	16	17	17	17	16	18	16	16	15	16
	20	19	20	20	20	20	19	21	19	18	18	20	16	17	18	17	17	18	16	16	15	17
	20	19	20	21	20	20	20	22	19	18	18	20	17	18	18	17	17	19	17	16	15	17
	21	20	21	21	21	21	20	22	19	18	19	20	17	18	18	18	17	19	17	17	16	17
	21	20	21	21	21	21	20	22	20	19	19	21	17	18	19	18	17	19	17	17	16	18
	21	20	22	22	22	21	21	23	20	19	19	21	18	19	19	18	18	20	17	17	16	18
	22	21	22	23	22	22	21	23	20	19	20	22	18	19	20	19	18	20	18	18	17	18
	22	21	22	23	23	22	22	24	21	20	20	22	18	19	20	19	19	20	18	18	17	19
	22	21	23	23	23	23	22	24	21	20	20	22	19	20	20	19	19	21	19	18	17	19
	23	22	23	24	23	23	22	25	21	20	21	23	19	20	20	20	19	21	19	19	18	19
	23	22	24	24	24	23	23	25	22	21	21	23	19	20	21	20	20	22	19	19	18	20
	24	23	24	24	24	24	23	26	22	21	21	24	20	21	21	20	20	22	19	19	18	20
	24	23	24	25	24	24	23	26	22	21	22	24	20	21	21	21	20	22	20	19	18	20
	24	23	25	25	25	24	24	26	23	22	22	24	20	21	22	21	20	23	20	20	19	21
	25	24	25	26	25	25	24	27	23	22	22	25	20	21	22	21	21	23	20	20	19	21
	25	24	26	26	26	25	25	27	23	22	23	25	21	22	22	21	21	23	21	20	19	21
	25	24	26	27	26	26	25	28	24	23	23	26	21	22	23	22	22	24	21	21	20	22
	26	25	26	27	27	26	26	28	24	23	24	26	21	22	23	22	22	24	22	21	20	22
	26	25	27	27	27	27	26	28	24	23	24	26	22	23	24	22	22	24	22	21	20	22
	27	26	27	28	27	27	26	29	25	24	24	27	22	23	24	23	23	25	22	22	21	23
	27	26	28	28	28	27	27	29	25	24	25	27	22	23	24	23	23	25	22	22	21	23
	27	26	28	28	28	28	27	30	26	25	25	28	23	24	25	23	23	26	23	22	21	23
	28	27	28	29	28	28	27	30	26	25	25	28	23	24	25	24	23	26	23	23	21	24
	28	27	29	29	29	28	28	30	26	25	26	28	23	24	25	24	24	26	23	23	22	24
	28	27	29	30	29	29	28	31	27	26	26	29	24	25	26	24	24	26	24	23	22	24
	29	28	30	30	30	29	28	31	27	26	26	29	24	25	26	25	24	27	24	23	22	24
	29	28	30	31	30	30	29	32	27	26	27	30	24	25	27	25	25	27	24	24	23	25
	29	29	30	31	31	30	29	32	28	27	27	30	25	26	27	25	25	28	25	24	23	25
	30	29	31	31	31	31	30	33	28	27	28	31	25	26	27	26	26	28	25	25	23	26
	30	29	31	32	31	31	30	33	28	27	28	31	25	26	28	26	26	29	25	25	24	26
	32	30	32	32	32	31	30	34	29	28	28	31	26	27	28	26	26	29	26	25	24	26
	32	30	32	33	32	32	31	34	29	28	29	32	26	27	28	27	26	29	26	26	24	27
	32	30	32	33	32	32	31	34	29	28	29	32	26	27	28	27	27	29	26	26	24	27
	33	31	33	33	33	32	32	35	30	29	29	32	27	28	29	27	27	30	27	26	25	27

For Explanation of Column A and Column B, see page 2 herein.

5

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

	CLASSES																
RATE BASIS NOS.	27.5J	27.5K	27.5L	27.5M	26	25		25J	25K	25L	25N	23.5	23.5K	23J	23N	22.5	
	COLUMN																
	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A	B
33. . . .	10	9	9	8	9	8	9	10	8	8	9	8	8	9	8	7	8
34. . . .	11	10	9	9	9	9	9	10	8	8	9	8	8	10	9	8	8
35. . . .	11	10	10	9	9	9	10	10	8	8	9	8	9	10	9	8	9
36. . . .	11	10	10	9	9	9	10	10	8	8	9	8	9	10	9	8	9
37. . . .	11	10	10	9	10	9	10	11	9	9	10	9	9	10	9	8	9
39. . . .	12	11	11	10	10	10	11	11	9	9	10	9	9	11	10	9	10
40. . . .	12	11	11	10	10	10	11	11	9	9	10	9	9	11	10	9	10
41. . . .	12	11	11	10	11	10	11	11	9	9	10	10	10	11	10	9	10
42. . . .	12	11	12	10	11	11	12	12	11	10	11	10	10	11	10	9	10
43. . . .	13	12	12	11	11	11	12	12	11	10	11	10	10	11	11	10	11
44. . . .	13	12	12	11	11	11	12	12	11	10	11	10	10	11	11	10	11
44A . . .	13	12	12	11	11	11	12	12	11	10	11	10	9	11	11	10	11
45. . . .	13	12	12	11	12	11	13	12	11	10	12	11	11	11	11	10	11
46. . . .	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	10	11
46A . . .	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	10	11
47. . . .	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	11	12
47A . . .	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	11	12
48. . . .	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	11	12
50. . . .	14	13	14	12	13	13	14	13	12	11	12	12	12	12	11	11	12
50A . . .	14	13	14	12	13	13	14	13	12	11	12	12	12	12	11	11	12
51. . . .	15	14	14	13	13	13	14	14	13	12	13	12	12	13	12	11	13
51A . . .	15	14	14	13	13	13	14	14	13	12	13	12	12	13	12	11	13
52. . . .	15	14	14	13	14	13	14	14	13	12	13	12	12	13	12	12	13
53. . . .	16	14	15	13	14	13	15	14	13	12	13	12	12	13	12	12	13
53A . . .	16	14	14	13	14	13	15	14	13	12	13	12	12	13	12	12	13
54. . . .	15	14	15	13	14	14	15	14	13	12	13	13	13	13	12	12	13
54A . . .	15	14	15	13	14	14	15	14	13	12	13	13	13	13	12	12	13
55. . . .	16	15	15	14	14	14	15	15	14	13	14	13	13	14	13	12	14
56. . . .	16	15	15	14	15	14	16	15	14	13	14	13	13	14	13	13	14
57. . . .	16	15	16	14	15	14	16	15	14	13	14	13	13	14	13	13	14
58. . . .	17	16	16	15	15	15	16	15	14	13	15	14	13	15	14	13	14
59. . . .	17	16	16	15	15	15	16	16	15	14	15	14	14	15	14	13	15
61. . . .	17	16	17	15	16	15	17	16	15	14	15	14	14	16	14	14	15
62. . . .	17	16	17	15	16	16	17	16	15	14	15	15	14	15	14	14	15
63. . . .	18	17	17	16	16	16	17	16	15	14	16	15	14	16	15	14	16
64. . . .	18	17	18	16	17	16	18	17	16	15	16	15	15	16	15	14	16
65. . . .	18	17	18	16	17	16	18	17	16	15	16	15	15	16	15	15	16
66. . . .	19	18	18	17	17	17	18	17	16	15	17	16	15	16	16	15	16
67. . . .	19	18	18	17	17	17	19	17	16	16	17	16	15	16	16	15	17
68. . . .	19	18	19	17	18	17	19	18	17	16	17	16	16	16	16	15	17
69. . . .	19	16	19	17	18	17	19	18	17	16	17	16	16	16	16	16	17
70. . . .	20	19	19	18	18	18	19	18	17	16	18	16	16	17	17	16	17
72. . . .	20	19	20	18	19	18	20	18	17	16	18	17	16	17	17	15	18
73. . . .	20	19	20	18	19	18	20	19	18	17	18	17	17	17	17	16	18
74. . . .	20	19	20	18	19	19	20	19	18	17	18	17	17	17	17	17	18
75. . . .	21	20	21	19	20	19	21	19	18	17	19	18	17	18	17	17	19
76. . . .	21	20	21	19	20	19	21	19	18	17	19	18	17	18	17	17	19
77. . . .	21	20	21	19	20	19	21	20	19	18	19	18	17	18	17	17	19
78. . . .	22	21	21	20	20	20	22	20	19	18	20	18	18	19	18	18	19
79. . . .	22	21	22	20	21	20	22	20	19	18	20	19	18	19	18	18	20
80. . . .	22	21	22	20	21	20	22	20	19	18	20	19	18	19	18	18	20
81. . . .	22	21	22	20	21	20	22	21	20	19	20	19	16	19	18	18	20
83. . . .	23	22	23	21	22	21	23	21	20	19	21	20	19	20	19	19	20
84. . . .	23	22	23	21	22	21	23	21	20	19	21	20	19	20	19	19	21
85. . . .	23	22	23	21	22	21	24	21	20	19	21	20	19	20	19	19	21
86. . . .	24	22	24	21	22	22	24	22	21	20	21	20	19	20	19	19	21
87. . . .	24	23	24	22	23	22	24	22	21	20	22	20	20	21	20	20	22
88. . . .	24	23	24	22	23	22	24	22	21	20	22	21	20	21	20	20	22
89. . . .	24	23	24	22	23	22	25	22	21	20	22	21	20	21	20	20	22
90. . . .	25	24	25	23	23	23	25	23	22	21	23	21	20	22	21	20	22

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES													
	22.5J	22.5K	22.5L	22.5M	21	20		20J	19	18	17.5	17.5J	17.5K	16
	COLUMN													
	A	A	A	A	A	A	B	A	A	A	A	A	A	A
33. . .	9	8	7	8	7	7	7	8	6	6	6	6	7	5
34. . .	9	8	7	8	7	7	7	8	6	6	6	6	7	5
35. . .	9	8	7	8	7	7	8	8	7	6	6	7	8	6
36. . .	9	8	7	8	8	7	8	9	7	6	6	7	8	6
37. . .	10	9	8	9	8	7	8	9	7	7	6	7	8	6
39. . .	10	9	8	9	8	8	9	9	7	7	7	7	8	6
40. . .	10	9	8	9	8	8	9	9	8	7	7	7	8	6
41. . .	10	9	8	9	9	8	9	9	8	7	7	7	8	7
42. . .	11	10	9	10	9	8	9	10	8	8	7	8	9	7
43. . .	11	10	9	10	9	9	9	10	8	8	8	8	9	7
44. . .	11	10	9	10	9	9	10	10	8	8	8	8	9	7
44A . .	11	9	9	10	9	9	10	10	8	8	8	8	9	8
45. . .	11	10	9	10	9	9	10	10	9	8	8	8	9	7
46. . .	11	10	9	10	10	9	10	10	9	8	8	8	9	7
46A . .	11	9	9	10	10	9	10	10	9	8	8	8	9	8
47. . .	12	11	10	11	10	9	10	11	9	8	8	9	10	8
47A . .	12	11	10	11	10	9	10	11	9	8	8	9	10	8
48. . .	12	11	10	11	10	10	11	11	9	9	8	9	10	8
50. . .	12	11	10	11	11	10	11	11	10	9	9	9	10	8
50A . .	12	11	10	11	11	10	11	11	10	9	9	9	10	8
51. . .	12	11	10	11	11	10	11	11	10	9	9	9	10	8
51A . .	12	11	10	11	11	10	11	11	10	9	9	9	10	8
52. . .	13	12	11	12	11	10	11	11	10	9	9	9	10	8
53. . .	13	12	11	12	11	11	12	12	10	10	9	9	10	8
53A . .	13	12	11	12	11	11	12	12	10	10	9	9	10	8
54. . .	13	12	11	12	11	11	12	12	10	10	9	10	11	9
54A . .	13	12	11	12	11	11	12	12	10	10	9	10	11	9
55. . .	13	12	11	12	12	11	12	12	10	10	10	10	11	9
56. . .	13	12	11	12	12	11	12	12	11	10	10	10	11	9
57. . .	14	13	12	13	12	11	13	12	11	10	10	10	11	9
58. . .	14	13	12	13	12	12	13	13	11	10	10	10	11	9
59. . .	14	13	12	13	12	12	13	13	11	11	10	10	11	9
61. . .	14	13	12	13	13	12	13	13	12	11	11	11	12	10
62. . .	15	14	13	14	13	12	14	13	12	11	11	11	12	10
63. . .	15	14	13	14	13	13	14	13	12	11	11	11	12	10
64. . .	15	14	13	14	13	13	14	14	12	12	11	11	12	10
65. . .	15	14	13	14	14	13	14	14	12	12	11	11	12	10
66. . .	16	15	14	15	14	13	15	14	13	12	12	12	13	11
67. . .	16	15	14	15	14	13	15	14	13	12	12	12	13	11
68. . .	16	15	14	15	14	14	15	14	13	12	12	12	13	11
69. . .	16	15	14	15	14	14	15	15	13	12	12	12	13	11
70. . .	16	15	14	15	15	14	15	15	13	13	12	12	13	11
72. . .	17	16	15	16	15	14	16	15	14	13	13	12	13	12
73. . .	17	16	15	16	15	15	16	15	14	13	13	13	14	12
74. . .	17	16	15	16	16	15	16	15	14	13	13	13	14	12
75. . .	17	16	15	16	16	15	17	16	14	14	13	13	14	12
76. . .	18	17	16	17	16	15	17	16	14	14	13	13	14	12
77. . .	18	17	16	17	16	15	17	16	15	14	13	13	14	12
78. . .	18	17	16	17	16	16	17	16	15	14	14	13	14	12
79. . .	18	17	16	17	17	16	17	16	15	14	14	14	15	13
80. . .	18	17	16	17	17	16	18	17	15	14	14	14	15	13
81. . .	19	18	17	18	17	16	18	17	15	15	14	14	15	13
83. . .	19	18	17	18	17	17	18	17	16	15	15	14	15	13
84. . .	19	18	17	18	18	17	18	17	16	15	15	14	15	13
85. . .	19	18	17	18	18	17	19	17	16	15	15	14	15	14
86. . .	20	19	18	19	18	17	19	18	16	15	15	15	16	14
87. . .	20	19	18	19	18	17	19	18	17	16	15	15	16	14
88. . .	20	19	18	19	18	18	19	18	17	16	15	15	16	14
89. . .	20	19	18	19	19	18	20	18	17	16	16	15	16	14
90. . .	20	19	18	19	19	18	20	18	17	16	16	15	16	14

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents per 100 Pounds)

RATE BASIS NOS.	CLASSES																
	1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 R25 or 70		70K
	COLUMN																
	A	B	A	A	A	B	A	A	A	B	A	B	A	A	A	B	A
91	91	100	87	79	77	85	75	73	71	78	68	75	67	66	64	70	62
92	92	101	88	80	78	86	75	74	71	78	69	76	68	66	64	71	63
93	93	102	89	81	79	87	76	74	72	79	70	77	68	67	65	71	63
94	94	103	89	82	80	88	76	75	73	80	71	77	69	68	66	72	65
95	95	105	90	83	81	89	77	76	74	81	71	79	70	68	67	74	65
96	96	106	91	84	82	90	78	77	74	82	72	80	71	69	67	74	64
97	97	107	92	84	82	91	79	78	75	83	73	80	71	70	68	75	65
98	98	108	93	85	83	92	80	78	76	84	74	81	72	71	69	76	65
99	99	109	95	86	84	93	81	79	77	84	74	82	73	71	69	76	66
100	100	110	96	87	85	94	81	80	78	85	75	83	74	72	70	77	67
101	101	111	97	88	86	94	82	81	78	86	76	83	74	73	71	78	67
102	102	112	98	89	87	95	83	82	79	87	77	84	75	73	71	78	68
103	103	113	99	90	88	96	84	82	80	88	77	85	76	74	72	79	69
104	104	114	100	90	88	97	85	83	81	88	78	86	76	75	73	80	70
105	105	116	100	91	89	99	85	84	81	90	79	87	77	76	74	81	70
106	106	117	101	92	90	99	86	85	82	91	80	88	78	76	74	82	70
107	107	118	102	93	91	100	86	86	83	91	80	89	79	77	75	83	71
108	108	119	103	94	92	101	87	86	84	92	81	89	79	78	76	83	72
109	109	120	104	95	93	102	88	87	84	93	82	90	80	78	76	84	72
110	110	121	105	96	94	103	89	88	85	94	83	91	81	79	77	85	74
111	111	122	106	97	94	104	90	89	86	95	83	92	82	80	78	85	75
112	112	123	107	97	95	105	91	90	87	96	84	92	82	81	78	86	75
113	113	124	108	98	96	105	92	90	88	96	85	95	83	81	79	87	76
114	114	125	109	99	97	106	92	91	88	97	86	94	84	82	80	88	77
115	115	127	110	100	98	108	93	92	89	98	86	96	85	83	81	89	78
116	116	128	110	101	99	109	93	93	90	99	87	96	86	84	81	90	78
117	117	129	111	102	99	110	95	94	91	100	88	97	86	84	82	90	78
118	118	130	112	103	100	111	96	94	91	101	89	98	87	86	83	91	79
119	119	131	113	104	101	111	97	95	92	102	89	98	87	86	83	92	80
120	120	132	114	104	102	112	98	96	93	102	90	99	88	86	84	92	80
121	121	133	116	105	103	113	99	97	94	103	91	100	89	87	85	93	81
122	122	134	117	106	104	114	99	98	95	104	92	101	90	88	85	94	82
123	123	135	118	107	105	116	100	98	95	105	92	101	90	89	86	95	82
124	124	136	119	108	105	116	101	99	96	105	93	102	91	89	87	95	85
125	125	138	120	109	106	117	102	100	97	107	94	104	92	90	88	97	84
127	127	140	121	110	108	119	103	102	98	109	95	105	93	91	89	98	85
128	128	141	122	111	109	120	104	103	99	109	96	106	94	92	90	99	85
129	129	142	123	112	110	121	104	103	100	110	97	107	95	93	90	99	86
130	130	143	124	113	111	122	105	104	101	111	98	107	95	94	91	100	87
131	131	144	125	114	111	122	106	105	102	112	98	108	96	94	92	101	87
131A	131	144	125	114	111	122	106	105	102	112	98	108	96	94	92	101	87
132	132	145	126	115	112	123	107	106	102	112	99	109	97	96	92	102	88
133	133	146	127	116	113	124	108	106	103	113	100	110	98	96	93	102	89
134	134	147	128	117	114	125	109	107	104	114	101	110	98	96	94	103	89
135	135	149	129	117	115	127	110	108	105	115	101	112	99	97	95	104	90
136	136	150	130	118	116	128	110	109	105	116	102	113	100	98	95	105	91
136A	136	150	130	118	116	128	110	109	105	116	102	113	100	98	95	105	91
138	138	152	131	120	117	129	111	110	107	118	104	114	101	99	97	106	92
139	139	153	132	121	118	130	112	111	108	119	104	115	102	100	97	107	92
140	140	154	133	122	119	131	113	112	109	119	105	116	103	101	98	108	93
140A	140	154	133	122	119	131	113	112	109	119	105	116	103	101	98	108	93
141	141	155	134	123	120	132	114	113	109	120	106	116	104	102	99	109	93
142	142	156	135	124	121	133	116	114	110	121	107	117	104	102	99	109	94
142A	142	156	135	124	121	133	116	114	110	121	107	117	104	102	99	109	95
143	143	157	137	124	122	133	117	114	111	122	107	118	105	103	100	110	96
144	144	158	138	125	122	134	117	116	112	122	108	119	106	104	101	111	97
145	145	160	139	126	123	136	118	116	112	124	109	120	107	104	102	112	97
145A	145	160	139	126	123	136	118	116	112	124	109	120	107	104	102	112	97
146	146	161	140	127	124	137	119	117	113	125	110	121	107	106	102	113	98
147	147	162	141	128	125	138	120	118	114	126	110	122	108	106	103	113	99
147A	147	162	141	128	125	138	120	118	114	126	110	122	108	106	103	113	99
148	148	163	142	129	126	139	121	119	115	126	111	122	109	107	104	114	100
149	149	164	142	130	127	139	121	119	115	127	112	123	110	107	104	116	100
150	150	165	143	131	128	140	122	120	116	128	113	124	110	108	105	116	100
151	151	166	144	131	128	141	122	121	117	129	113	125	111	109	106	116	101
152	152	167	145	132	129	142	123	122	118	129	114	125	112	109	106	117	102
153	153	168	146	133	130	143	124	123	119	130	116	126	113	110	107	118	103
154	154	169	147	134	131	144	125	123	119	131	116	127	113	111	108	118	103
155	155	171	148	135	132	145	126	124	120	133	116	128	114	112	109	120	104
156	156	172	149	136	133	146	127	125	121	133	117	129	115	112	109	120	104

For explanation of Column A and Column B, see page 2 herein.

10

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																			
	65		63	63E	62K	60		60E	60K	57.5	57		R26 or 55		55J	55K	52	4 or 50		50J
	COLUMN																			
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B	A
91.	59	65	57	62½	54	55	60	60½	53	52	52	57	50	55	48	48	47	46	50	42
92.	60	66	58	63½	55	55	61	60½	53	53	53	58	51	56	48	46	48	46	51	42
93.	60	66	59	64½	56	56	61	61½	54	53	53	58	51	56	47	49	48	47	51	43
94.	61	67	59	64½	56	56	62	61½	54	54	54	59	52	57	47	49	49	47	52	43
95.	62	68	60	65½	56	57	63	62½	55	55	54	60	52	58	47	49	49	48	53	43
96.	62	69	60	65½	57	58	64	63½	55	55	55	60	53	58	48	50	50	48	53	44
97.	63	70	61	66½	58	58	64	63½	56	56	55	61	53	59	48	50	50	49	54	44
98.	64	70	62	67½	58	59	65	64½	56	56	56	62	54	59	49	51	51	49	54	45
99.	64	71	62	67½	59	59	65	64½	57	57	56	62	54	60	50	53	51	50	55	45
100.	65	72	63	68½	59	60	66	65½	58	58	57	63	55	61	50	53	52	50	55	46
101.	66	72	64	69½	60	61	67	66½	58	58	58	63	56	61	51	54	53	51	56	46
102.	66	73	64	69½	61	61	67	66½	59	59	58	64	56	62	51	54	53	51	56	47
103.	67	73	65	70½	61	62	68	67½	59	59	59	64	57	62	52	55	54	52	57	47
104.	68	74	66	71½	62	62	68	67½	60	60	59	65	57	63	52	55	54	52	57	48
105.	68	75	66	71½	62	63	70	68½	60	60	60	66	58	64	52	55	55	53	58	48
106.	69	76	67	72½	63	64	70	69½	61	61	60	67	58	64	53	56	55	53	59	48
107.	70	77	67	72½	63	64	71	69½	61	62	61	67	59	65	53	56	56	54	59	49
108.	70	77	68	73½	64	65	71	70½	62	62	62	68	59	65	54	57	56	54	60	49
109.	71	78	69	74½	64	65	72	70½	62	63	62	68	60	66	54	57	57	55	60	50
110.	72	79	69	74½	65	66	73	71½	63	63	63	69	61	67	55	58	57	55	61	50
111.	72	79	70	75½	66	67	73	72½	64	64	63	70	61	67	56	59	58	56	61	51
112.	73	80	71	76½	66	67	74	72½	64	64	64	70	62	68	56	59	58	56	62	51
113.	73	81	71	76½	67	68	74	73½	65	65	64	71	62	68	57	60	59	57	62	52
114.	74	81	72	77½	67	68	75	73½	65	66	65	71	63	69	57	60	59	57	63	52
115.	75	83	72	77½	68	69	76	74½	66	66	66	72	63	70	58	61	60	58	64	53
116.	75	83	73	78½	68	70	77	75½	66	67	66	73	64	70	58	61	60	58	64	53
117.	76	84	74	79½	69	70	77	75½	67	67	67	74	64	71	58	31	61	59	65	53
118.	77	85	74	79½	69	71	78	76½	67	68	67	74	65	72	59	62	61	59	65	54
119.	77	85	75	80½	70	71	79	76½	68	68	68	75	65	72	59	62	62	60	66	54
120.	78	86	76	81½	71	72	79	77½	68	69	68	75	66	73	60	63	62	60	66	55
121.	79	86	76	81½	71	73	80	78½	69	70	69	76	67	73	61	64	63	61	67	56
122.	79	87	77	82½	72	73	80	78½	70	70	70	76	67	74	61	64	63	61	67	58
123.	80	88	77	82½	72	74	81	79½	70	71	70	77	68	74	62	65	64	62	68	56
124.	81	88	78	83½	74	74	82	79½	71	71	71	78	68	75	62	65	64	62	68	57
125.	81	90	79	84½	75	76	83	80½	71	72	71	79	69	76	63	66	65	63	69	57
127.	83	91	80	85½	75	76	84	81½	72	73	72	80	70	77	63	66	66	64	70	58
128.	83	92	81	86½	76	77	85	82½	74	74	73	80	70	78	64	67	67	64	71	58
129.	84	92	81	86½	77	77	85	82½	74	74	74	81	71	78	64	67	67	65	71	59
130.	85	93	82	87½	77	78	86	83½	75	75	74	82	72	79	65	68	68	65	72	59
131.	85	94	83	88½	78	79	86	84½	75	75	75	82	72	79	65	68	68	66	72	60
131A	85	94	83	88½	78	79	86	84½	75	75	75	82	72	79	66	68	68	66	72	60
132.	86	94	83	88½	78	79	87	84½	76	76	75	83	73	80	66	69	69	66	73	60
133.	86	95	84	89½	79	80	88	85½	77	76	76	83	73	80	67	70	69	67	73	61
134.	87	96	84	89½	80	80	88	85½	77	77	76	84	74	81	67	70	70	67	74	61
135.	88	97	85	90½	80	81	89	86½	78	78	77	85	74	82	68	71	70	68	75	62
136.	88	98	86	91½	81	82	90	87½	78	78	78	86	75	83	68	71	71	68	75	62
136A	88	98	86	91½	81	82	90	87½	78	78	78	86	75	83	68	71	71	68	75	62
138.	90	99	87	92½	82	83	91	88½	79	79	79	87	76	84	69	72	72	69	76	63
135.	90	99	88	93½	82	83	92	88½	80	80	79	87	76	84	69	72	72	70	77	63
140.	91	100	88	93½	83	84	92	89½	80	81	80	88	77	85	70	74	73	70	77	64
140A	91	100	88	93½	83	84	92	89½	80	81	80	88	77	85	70	74	73	70	77	64
141.	92	101	89	94½	83	85	93	90½	81	81	80	88	78	85	70	74	73	71	78	64
142.	92	101	89	94½	84	85	94	90½	81	82	81	89	78	86	71	75	74	71	78	65
142A	92	101	89	94½	84	85	94	90½	81	82	81	89	78	86	71	75	74	71	78	65
143.	93	102	90	95½	85	86	94	91½	82	82	82	89	79	86	72	76	74	72	79	65
144.	94	103	91	95½	85	86	95	91½	83	83	82	90	79	87	72	76	75	72	79	66
145.	94	104	91	96½	86	87	96	92½	83	83	83	91	80	88	73	77	75	73	80	66
145A	94	104	91	96½	86	87	96	92½	83	83	83	91	80	88	73	77	75	73	80	66
146.	95	105	92	97½	86	88	97	93½	84	84	83	92	80	89	73	77	76	73	81	67
147.	96	105	93	98½	87	88	97	93½	84	85	84	92	81	89	74	78	76	74	81	67
147A	96	105	93	98½	87	88	97	93½	84	85	84	92	81	89	74	78	76	74	81	67
148.	96	106	93	98½	88	89	98	94½	85	85	84	93	81	90	74	78	77	74	82	68
149.	97	107	94	99½	88	89	98	94½	85	86	85	93	82	90	74	78	77	75	82	68
150.	98	107	95	100½	89	90	99	95½	86	86	86	94	83	91	75	79	78	75	83	68
151.	98	108	95	100½	89	91	100	96½	86	87	86	95	83	91	75	79	79	76	83	69
152.	99	109	96	101½	90	91	100	96½	87	87	87	95	84	92	76	80	79	76	84	69
153.	99	109	96	101½	90	92	101	97½	87	88	87	96	84	92	76	80	80	77	84	70
154.	100	110	97	102½	91	92	101	97½	88	89	88	96	85	93	77	81	80	77	85	70
155.	101	111	98	103½	91	93	103	98½	88	89	88	97	85	94	78	82	81	78	86	71
156.	101	112	98	103½	92	94	103	99½	89	90	89	98	86	95	78	82	81	78	86	71

For explanation of Column A and Column B, see page 2 herein.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																	
	50K	47.5	47.5K	47K	45		45K	45B	44	42.5	42.5K	40		40J	40K	40L	37.5	
	COLUMN																	
	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A	B
91	44	43	41	41	41	45	39	41	40	39	37	36	40	37	35	33	34	36
92	44	44	42	41	41	45	40	42	40	39	38	37	40	38	36	34	35	36
93	45	44	42	42	42	46	40	42	41	40	38	37	41	38	36	34	35	38
94	46	45	42	42	42	46	40	42	41	40	38	38	41	38	36	34	35	39
95	45	45	43	42	43	47	41	43	42	40	39	38	42	39	36	34	36	39
96	46	46	43	43	43	48	41	43	42	41	39	38	42	39	37	35	36	40
97	46	46	44	43	44	48	42	44	43	41	39	39	43	40	37	35	36	40
98	47	47	44	44	44	49	42	44	43	42	40	39	43	40	38	36	37	41
99	47	47	45	44	45	49	43	45	44	42	40	40	44	41	38	36	37	41
100	48	48	45	45	45	50	43	45	44	43	41	40	44	41	38	36	38	41
101	48	48	46	45	45	50	43	45	44	43	41	40	44	41	39	37	38	42
102	49	48	46	46	46	50	44	46	45	43	42	41	45	42	39	37	38	42
103	49	49	47	46	46	51	44	46	45	44	42	41	45	42	[illegible]	38	39	42
104	50	49	47	47	47	51	45	47	46	44	42	42	46	43	40	38	39	43
105	50	50	47	47	47	52	45	47	46	45	42	42	46	43	40	38	39	44
106	50	50	48	47	48	53	45	47	47	45	43	42	47	43	40	38	40	44
107	51	51	48	48	48	53	46	48	47	45	43	43	47	44	41	39	40	44
108	51	51	49	48	49	54	46	48	48	46	44	43	48	44	41	39	41	45
109	53	52	49	49	49	54	47	49	48	46	44	44	48	45	42	40	41	45
110	53	52	50	49	50	54	47	49	48	47	45	44	48	45	42	40	41	45
111	54	53	50	49	50	55	47	49	49	47	45	44	49	45	42	40	42	46
112	54	53	50	50	50	55	49	50	49	48	45	45	49	46	43	41	42	46
113	55	54	51	50	51	56	48	50	50	48	46	45	50	46	43	41	42	47
114	55	54	51	51	51	56	49	51	50	48	46	46	50	47	44	42	43	47
115	56	55	53	51	52	57	49	51	51	49	47	46	51	47	44	42	43	48
116	56	55	53	51	52	58	49	51	51	49	47	46	51	47	44	42	44	48
117	56	56	53	53	53	58	50	52	51	50	47	47	52	48	44	42	44	48
118	57	56	54	53	53	59	50	52	52	50	47	47	52	48	45	43	44	49
119	57	57	54	54	54	59	51	53	52	51	48	48	52	49	45	43	45	49
120	58	57	55	54	54	59	51	53	53	51	48	48	53	49	46	44	45	50
121	58	57	55	55	54	60	53	56	53	51	49	48	53	50	46	44	45	50
122	59	58	56	55	55	60	53	56	54	52	49	49	54	50	46	44	46	50
123	59	58	56	56	55	61	53	56	54	52	50	49	54	50	47	45	46	51
124	60	59	57	56	56	61	54	56	55	53	50	50	54	51	47	45	47	51
125	60	59	57	57	56	62	54	56	55	53	50	50	55	51	48	46	47	52
127	61	60	58	57	57	63	55	57	56	54	51	51	56	52	48	46	48	53
128	61	61	58	58	58	63	56	57	56	54	51	51	56	52	48	46	48	53
129	62	61	59	58	58	64	56	58	57	55	53	52	57	53	49	47	48	53
130	62	62	59	58	59	64	56	58	57	55	53	52	57	53	49	47	49	54
131	63	62	60	59	59	65	57	59	58	56	54	52	58	54	50	48	49	54
131A	63	62	60	59	59	65	57	59	58	56	54	52	58	54	50	48	49	54
132	63	63	60	59	59	66	57	59	58	56	54	53	58	54	50	48	50	54
133	64	63	60	60	60	66	57	59	59	57	54	53	58	54	50	48	50	55
134	64	64	61	60	60	66	58	60	59	57	55	54	59	55	51	49	50	55
135	65	64	61	61	61	67	58	60	59	57	55	54	60	55	51	49	51	56
136	65	65	62	61	61	68	59	61	60	58	56	54	60	56	53	50	51	56
136A	65	65	62	61	61	68	59	61	60	58	56	54	60	56	53	50	51	56
138	66	66	62	62	62	68	59	61	61	59	56	55	61	56	53	50	52	57
139	66	66	63	62	63	69	60	62	61	59	57	56	61	57	53	50	52	57
140	67	67	63	63	63	69	60	62	62	60	57	56	62	57	54	51	53	58
140A	67	67	63	63	63	69	60	62	62	60	57	56	62	57	54	51	53	58
141	67	67	64	63	63	70	61	63	62	60	57	56	62	58	54	51	53	58
142	68	67	64	64	64	70	61	63	62	60	58	57	62	58	55	52	53	59
142A	68	67	64	64	64	70	61	63	62	60	58	57	62	58	55	52	53	59
143	68	68	65	64	64	71	62	64	63	61	58	57	63	59	55	52	54	59
144	69	68	65	65	65	71	62	64	63	61	59	58	63	59	55	52	54	59
145	69	69	66	65	65	72	62	64	64	62	59	58	64	59	56	53	54	60
145A	69	69	66	65	65	72	62	64	64	62	59	58	64	59	56	53	54	60
146	70	69	66	66	66	72	63	65	64	62	60	58	64	60	56	53	55	60
147	70	70	67	66	66	73	63	65	65	62	60	59	65	60	57	54	55	61
147A	70	70	67	66	66	73	63	65	65	62	60	59	65	60	57	54	55	61
148	71	70	67	66	67	73	64	66	65	63	60	59	65	61	57	54	56	61
149	71	71	67	66	67	74	64	66	66	63	60	60	66	61	57	54	56	62
150	71	71	68	67	68	74	64	66	66	64	61	60	66	61	57	54	56	62
151	72	72	68	67	68	75	65	67	66	64	61	60	66	62	58	55	57	62
152	72	72	69	68	68	75	65	67	67	65	62	61	67	62	58	55	57	63
153	74	73	69	68	69	76	66	68	67	65	62	61	67	63	59	56	57	63
154	74	73	70	69	69	76	66	68	68	65	63	62	68	63	59	56	58	63
155	75	74	70	69	70	77	66	68	68	66	63	62	68	63	59	56	58	64
156	75	74	70	70	70	77	67	69	69	66	63	62	69	64	60	57	59	[illegible]

For explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

mend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																					
	37.5K	37.5L	37.5M	37	36.5	36	5 or 35		35K	35L	32.5		32.5J	32.5K	32	32S	30		29.5	29	6 or 27.5	
	COLUMN																					
	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A	A	B
91	33	31	33	34	33	33	32	35	30	29	30	33	27	28	29	28	27	30	27	26	25	28
92	34	32	34	34	34	33	32	35	30	29	30	33	27	28	29	28	28	30	27	27	25	28
93	34	32	34	34	34	33	33	36	32	30	30	33	28	29	30	28	28	31	27	27	26	28
94	34	32	34	34	34	34	33	36	32	30	31	33	28	29	30	28	28	31	28	27	26	28
95	34	32	34	35	35	34	33	37	32	30	31	34	28	29	30	29	29	32	28	28	26	29
96	35	33	35	36	35	35	34	37	32	30	31	34	28	29	31	29	29	32	28	28	26	29
97	35	33	35	36	35	35	34	37	33	31	32	35	29	30	31	29	29	32	29	28	27	29
98	35	33	36	36	36	35	34	38	33	31	32	35	29	30	31	29	29	32	29	28	27	30
99	36	34	36	37	36	36	35	38	34	32	32	35	29	30	32	30	30	33	29	29	27	30
100	36	34	36	37	37	36	35	39	34	32	33	36	30	32	32	30	30	33	30	29	28	30
101	37	35	37	37	37	36	35	39	34	32	33	36	30	32	32	30	30	33	30	29	28	31
102	37	35	37	38	37	37	36	39	35	33	33	36	30	32	33	32	31	34	30	30	28	31
103	37	35	38	38	38	37	36	40	35	33	33	37	31	33	33	32	31	34	30	30	28	31
104	37	35	38	38	38	37	36	40	35	33	34	37	31	33	33	32	31	34	31	30	29	31
105	38	36	38	39	38	38	37	41	35	33	34	38	31	33	34	32	32	35	31	30	29	32
106	38	36	38	39	39	38	37	41	36	34	34	38	31	33	34	33	32	35	31	31	29	32
107	38	36	39	40	39	39	37	41	36	34	35	38	32	34	34	33	32	35	32	31	29	32
108	39	37	39	40	39	39	38	42	36	34	35	39	32	34	35	33	32	36	32	31	30	33
109	39	37	40	40	40	39	38	42	37	35	35	39	32	34	35	34	33	36	32	32	30	33
110	40	38	40	41	40	40	39	42	37	35	36	39	33	35	35	34	33	36	32	32	30	33
111	40	38	40	41	41	40	39	43	37	35	36	40	33	35	36	34	33	37	33	32	31	34
112	40	38	41	41	41	40	39	43	38	36	36	40	33	35	36	35	34	37	33	32	31	34
113	41	39	41	42	41	41	40	43	38	36	37	40	33	35	36	35	34	37	33	33	31	34
114	41	39	42	42	42	41	40	44	38	36	37	41	34	36	36	35	34	38	34	33	31	34
115	41	39	42	43	42	41	40	44	39	37	37	41	34	36	37	36	35	38	34	33	32	35
116	41	39	42	43	42	42	41	45	39	37	38	42	34	36	37	36	35	38	34	34	32	35
117	42	40	42	43	43	42	41	45	39	37	38	42	34	36	37	36	35	39	35	34	32	35
118	42	40	43	44	43	42	41	46	39	37	38	42	35	37	37	36	35	39	35	34	32	36
119	43	41	43	44	43	43	42	46	40	38	39	43	35	37	38	37	36	39	35	35	33	36
120	43	41	44	44	44	43	42	46	40	38	39	43	35	37	38	37	36	40	35	36	33	36
121	43	41	44	45	44	44	42	47	41	39	39	43	36	38	39	37	36	40	36	35	33	37
122	44	42	44	45	45	44	43	47	41	39	40	44	36	38	39	38	37	40	36	35	34	37
123	44	42	45	46	45	44	43	47	41	39	40	44	36	38	39	38	37	41	36	36	34	37
124	44	42	45	46	45	45	43	48	42	40	40	44	37	39	40	38	37	41	37	36	34	37
125	45	43	46	46	46	45	44	48	42	40	41	45	37	39	40	38	38	41	37	36	34	38
127	45	43	46	47	46	46	44	49	42	40	41	46	37	39	41	39	38	42	37	37	35	39
128	46	44	46	47	47	46	45	49	43	41	42	46	38	40	41	39	38	42	38	37	35	39
129	46	44	47	48	47	46	45	50	43	41	42	46	38	40	41	39	39	43	38	37	35	39
130	46	44	47	48	47	47	46	50	43	41	42	46	38	40	42	40	39	43	38	38	36	39
131	47	45	48	48	48	47	46	50	44	42	43	47	39	41	42	40	39	43	39	38	36	40
131A	47	45	48	48	48	47	46	50	44	42	43	47	39	41	42	40	39	43	39	38	36	40
132	47	45	48	49	48	48	46	51	44	42	43	47	39	41	42	40	40	44	39	38	36	40
133	47	45	48	49	49	48	47	51	44	42	43	47	39	41	43	41	40	44	39	39	37	40
134	48	46	49	50	49	48	47	51	45	43	44	48	40	42	43	41	40	44	40	39	37	40
135	49	46	49	50	49	49	47	52	45	43	44	48	40	42	43	41	41	45	40	39	37	41
136	49	47	50	50	50	49	48	53	45	43	44	49	40	42	44	42	41	45	40	39	37	41
136A	49	47	50	50	50	49	48	53	45	43	44	49	40	42	44	42	41	45	40	39	37	41
138	49	47	50	51	50	50	48	53	46	44	45	49	41	43	44	42	41	46	41	40	38	42
139	49	47	50	51	51	50	49	54	46	44	45	50	41	43	44	42	42	46	41	40	38	42
140	50	48	51	52	51	50	49	54	46	44	46	50	41	43	45	43	42	46	41	41	39	42
140A	50	48	51	52	51	50	49	54	46	44	45	50	41	43	45	43	42	46	41	41	39	41
141	50	48	51	52	51	51	49	54	47	45	46	50	42	44	45	43	42	47	42	41	39	43
142	50	48	52	53	52	51	50	55	47	45	46	51	42	44	45	43	43	47	42	41	39	43
142A	50	48	52	53	52	51	50	55	47	45	46	51	42	44	45	43	43	47	42	41	39	43
143	51	49	52	53	52	51	50	55	48	46	46	51	42	44	46	44	43	47	42	41	39	43
144	51	49	52	53	53	52	50	55	48	46	47	51	43	45	46	44	43	47	42	42	40	43
145	53	50	53	54	53	52	51	56	48	46	47	52	43	45	46	44	44	48	43	42	40	44
145A	53	50	53	54	53	52	51	56	48	46	47	52	43	45	46	44	44	48	43	42	40	44
146	53	50	53	54	53	53	51	56	49	47	47	52	43	45	47	45	44	48	43	42	40	44
147	53	50	54	54	54	53	51	57	49	47	48	53	44	46	47	45	44	49	43	43	40	45
147A	53	50	54	54	54	53	51	57	49	47	48	53	44	46	47	45	44	49	43	43	40	45
148	54	51	54	55	54	53	52	57	49	47	48	53	44	46	47	45	44	49	44	43	41	45
149	54	51	54	55	54	54	52	57	49	47	48	53	44	46	48	45	45	49	44	43	41	45
150	54	51	54	56	55	54	53	58	50	48	49	54	44	46	48	46	45	50	44	44	41	45
151	54	51	55	56	55	54	53	58	50	48	49	54	45	47	48	46	46	50	45	[illegible]	42	46
152	55	52	55	56	55	55	53	58	50	48	49	54	45	47	49	46	46	50	45	44	42	46
153	55	52	56	57	56	55	54	59	51	49	50	56	45	47	49	46	46	50	45	44	42	46
154	56	53	56	57	56	55	54	59	51	49	50	56	46	48	49	47	46	51	45	45	42	46
155	56	53	56	57	57	56	54	60	51	49	50	56	46	48	50	47	47	51	46	45	43	47
156	56	53	57	58	57	56	55	60	53	50	51	56	46	48	50	47	47	52	46	45	43	47

* For explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	27.5J	27.5K	27.5L	27.5M	26	26		25J	25K	25L	25N	23.5	23.5K	23J	23N	22.5
	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A
91.	25	24	25	23	24	23	25	23	22	21	23	21	21	22	21	20
92.	25	24	25	23	24	23	25	23	22	21	23	22	21	22	21	21
93.	26	24	26	23	24	23	26	24	22	21	23	23	21	22	21	21
94.	26	24	26	23	24	24	26	24	22	21	23	22	21	22	21	21
95.	26	25	26	24	25	24	26	24	23	22	24	22	21	22	22	21
96.	26	25	26	24	25	24	27	24	23	22	24	23	21	22	22	22
97.	27	25	27	24	25	24	27	24	23	22	24	23	22	23	22	22
98.	27	25	27	24	25	25	27	25	23	22	24	23	22	23	22	22
99.	27	26	27	25	26	25	27	25	24	23	25	23	22	23	23	22
100.	28	26	28	25	26	25	28	25	24	23	25	24	22	24	23	23
101.	28	26	28	25	26	25	28	25	24	23	25	24	23	24	23	23
102.	28	27	28	26	27	26	28	26	24	23	26	24	23	24	24	23
103.	28	27	28	26	27	26	28	26	25	24	26	24	23	24	24	23
104.	29	27	29	26	27	26	29	26	25	24	26	24	23	25	24	23
105.	29	27	29	26	27	26	29	26	25	24	26	25	23	25	24	24
106.	29	27	29	26	28	27	29	27	25	24	26	25	24	25	24	24
107.	29	28	29	27	28	27	30	27	25	24	27	25	24	25	24	24
108.	30	28	30	27	28	27	30	27	26	25	27	25	24	26	24	24
109.	30	28	30	27	28	27	30	27	26	25	27	26	24	26	24	25
110.	30	29	30	28	29	28	30	28	26	25	28	26	25	26	25	25
111.	31	29	31	28	29	28	31	28	26	25	28	26	25	26	25	25
112.	31	29	31	28	29	28	31	28	27	26	28	26	25	26	25	25
113.	31	29	31	28	29	28	31	28	27	26	28	27	25	26	25	25
114.	31	30	31	29	30	29	31	29	27	26	29	27	25	26	26	26
115.	32	30	32	29	30	29	32	29	27	26	29	27	26	27	26	26
116.	32	30	32	29	30	29	32	29	27	26	29	27	26	27	26	26
117.	32	30	32	29	30	29	32	29	28	27	29	27	26	27	26	26
118.	32	30	32	29	31	30	33	30	28	27	29	28	26	27	26	27
119.	33	32	33	30	31	30	33	30	28	27	30	28	26	28	27	27
120.	33	32	33	30	31	30	33	30	28	27	30	28	27	28	27	27
121.	33	32	33	30	31	30	33	30	29	28	30	28	27	28	27	27
122.	34	33	34	31	32	31	34	31	29	28	31	29	27	29	28	27
123.	34	33	34	31	32	31	34	31	29	28	31	29	27	29	28	28
124.	34	33	34	31	32	31	34	31	29	28	31	29	28	29	28	28
125.	34	33	34	31	33	31	35	31	30	29	31	29	28	29	28	28
127.	35	34	35	32	33	32	35	32	30	29	32	30	28	30	29	29
128.	35	34	35	32	33	32	35	32	30	29	32	30	28	30	29	29
129.	35	34	35	32	34	32	36	32	30	29	32	30	28	30	29	29
130.	36	34	36	32	34	33	36	33	32	30	32	31	29	31	29	29
131.	36	35	36	33	34	33	36	33	32	30	33	31	29	31	30	29
131A	36	35	36	33	34	33	36	33	32	30	33	31	29	31	30	29
132.	36	35	36	33	34	33	36	33	32	30	33	31	29	31	30	30
133.	37	35	37	33	35	33	37	33	32	30	33	31	29	31	30	30
134.	37	36	37	34	35	34	37	34	33	31	34	31	30	31	30	30
135.	37	36	37	34	35	34	37	34	33	31	34	32	30	31	30	30
136.	37	36	37	34	35	34	38	34	33	31	34	32	30	31	30	31
136A	37	36	37	34	35	34	38	34	33	31	34	32	30	31	30	31
138.	38	36	38	34	36	35	38	35	33	31	34	32	30	32	30	31
139.	38	37	38	35	36	35	38	35	34	32	35	33	32	32	32	31
140.	39	37	39	35	36	35	39	35	34	32	35	33	32	33	32	32
140A	39	37	39	35	36	35	39	35	34	32	35	33	32	33	32	32
141.	39	37	39	35	37	35	39	35	34	32	35	33	32	33	32	32
142.	39	37	39	36	37	36	39	36	34	32	35	33	32	33	32	32
142A	39	37	39	35	37	36	39	36	34	32	35	33	32	33	32	32
143.	39	38	39	36	37	36	39	36	35	33	36	34	33	33	33	32
144.	40	38	40	36	37	36	40	36	35	33	36	34	33	34	33	33
145.	40	38	40	36	38	36	40	36	35	33	36	34	33	34	33	33
145A	40	38	40	36	38	36	40	36	35	33	36	34	33	34	33	33
146.	40	39	40	37	38	37	40	37	35	33	37	34	33	34	34	33
147.	40	39	40	37	38	37	41	37	36	34	37	35	33	34	34	33
147A	40	39	40	37	38	37	41	37	36	34	37	35	33	34	34	33
148.	41	39	41	37	38	37	41	37	36	34	37	35	34	35	34	33
149.	41	39	41	37	39	37	41	37	36	34	37	35	34	35	34	34
150.	41	39	41	37	39	38	41	38	36	34	37	35	34	35	34	34
151.	42	40	42	38	39	38	42	38	36	34	38	35	34	36	35	34
152.	42	40	42	38	40	38	42	38	37	35	38	36	34	36	35	34
153.	42	40	42	38	40	38	42	38	37	35	38	36	35	36	35	34
154.	42	41	42	39	40	39	42	39	37	35	39	36	35	36	36	35
155.	43	41	43	39	40	39	43	39	37	35	39	36	35	37	36	35
156.	43	41	43	39	41	39	43	39	38	36	39	37	35	37	36	35

For explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

ng "Table Of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES													
	22.5J	22.5K	22.5L	22.5M	21	20		20J	19	18	17.5	17.5J	17.5K	16
	COLUMN													
	A	A	A	A	A	A	B	A	A	A	A	A	A	A
	21	20	19	20	19	18	20	19	17	16	16	16	17	15
	21	20	19	20	19	18	20	19	17	17	16	16	17	15
	21	20	19	20	20	19	20	19	18	17	16	16	17	15
	21	20	19	20	20	19	21	19	18	17	16	16	17	15
	21	20	19	20	20	19	21	19	18	17	17	16	17	15
	22	21	20	21	20	19	21	19	18	17	17	16	17	15
	22	21	20	21	20	19	21	20	18	17	17	16	17	16
	22	21	20	21	21	20	22	20	19	18	17	17	18	16
	22	21	20	21	21	20	22	20	19	18	17	17	18	16
	23	21	20	21	21	20	22	20	19	18	18	17	18	16
	23	22	21	22	21	20	22	20	19	18	18	17	18	16
	23	22	21	22	21	20	22	21	19	18	18	17	18	16
	23	22	21	22	22	21	23	21	20	19	18	17	18	16
	24	22	21	22	22	21	23	21	20	19	18	18	19	17
	24	22	21	22	22	21	23	21	20	19	18	18	19	17
	24	23	22	23	22	21	23	21	20	19	19	18	19	17
	24	23	22	23	22	21	24	21	20	19	19	18	19	17
	24	23	22	23	23	22	24	22	21	19	19	18	19	17
	25	23	22	23	23	22	24	22	21	20	19	18	19	17
	25	24	23	24	23	22	24	22	21	20	19	19	20	18
	25	24	23	24	23	22	24	22	21	20	19	19	20	18
	25	24	23	24	24	22	25	22	21	20	20	19	20	18
	25	24	23	24	24	23	25	23	21	20	20	19	20	18
	26	24	23	24	24	23	25	23	22	21	20	19	20	18
	26	25	24	25	24	23	25	23	22	21	20	19	20	18
	26	25	24	25	24	23	26	23	22	21	20	19	20	19
	26	25	24	25	25	23	26	23	22	21	20	20	21	19
	27	25	24	25	25	24	26	24	22	21	21	20	21	19
	27	25	24	25	25	24	26	24	23	21	21	20	21	19
	27	26	25	26	25	24	26	24	23	22	21	20	21	19
	27	26	25	26	25	24	27	24	23	22	21	20	21	19
	27	26	25	26	26	24	27	24	23	22	21	20	21	20
	28	26	25	26	26	25	27	25	23	22	22	21	22	20
	28	26	25	26	26	25	27	25	24	22	22	21	22	20
	28	27	26	27	26	25	28	25	24	23	22	21	22	20
	29	27	26	27	27	25	28	25	24	23	22	21	22	20
	29	27	26	27	27	26	28	26	24	23	22	21	22	20
	29	27	26	27	27	26	28	26	25	23	23	21	23	21
	29	28	27	28	27	26	29	26	25	23	23	22	23	21
	29	28	27	28	28	26	29	26	25	24	23	22	23	21
	29	28	27	28	28	26	29	26	25	24	23	22	23	21
	30	28	27	28	28	26	29	26	25	24	23	22	23	21
	30	28	27	28	28	27	29	27	25	24	23	22	23	21
	30	28	27	28	28	27	29	27	25	24	23	22	23	21
	30	29	28	29	28	27	30	27	26	24	24	23	24	22
	31	29	28	29	29	27	30	27	26	24	24	23	24	22
	31	29	28	29	29	27	30	27	26	24	24	23	24	22
	31	29	28	29	29	28	30	28	26	25	24	23	24	22
	31	29	28	29	29	28	31	28	26	25	24	23	24	22
	32	30	29	30	29	28	31	28	27	25	25	23	25	22
	32	30	29	30	29	28	31	28	27	25	25	23	25	22
	32	30	29	30	30	28	31	28	27	25	25	23	25	23
	32	30	29	30	30	28	31	28	27	26	25	24	25	23
	32	30	29	30	30	28	31	28	27	26	25	24	25	23
	32	30	29	30	30	29	31	29	27	26	25	24	25	23
	32	30	29	30	30	29	32	29	27	26	25	24	25	23
	33	32	30	31	30	29	32	29	28	26	25	24	25	23
	33	32	30	31	30	29	32	29	28	26	25	24	25	23
	33	32	30	31	31	29	32	29	28	26	26	24	26	23
	33	32	30	31	31	29	32	29	28	26	26	24	26	24
	33	32	30	31	31	29	32	29	28	26	26	24	26	24
	34	32	30	32	31	30	33	30	28	27	26	25	26	24
	34	32	30	31	31	30	33	30	28	27	26	25	26	24
	34	33	31	32	32	30	33	30	29	27	26	25	26	24
	34	33	31	32	32	30	33	30	29	27	26	25	26	24
	34	33	31	32	32	30	33	30	29	27	27	25	27	24
	34	33	31	32	32	31	34	31	29	28	27	25	27	24
	35	34	32	33	32	31	34	31	29	28	27	26	27	25
	35	34	32	33	33	31	34	31	29	28	27	26	27	25
	35	34	32	33	33	31	34	31	30	28	27	26	27	25

For explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(in Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																
	1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 A25 or 70		70
	COLUMN																
	A	B	A	A	A	B	A	A	A	B	A	B	A	A6	A	B	A
157	157	173	150	137	133	147	128	126	122	134	118	130	115	113	110	121	105
158	158	174	151	137	134	148	128	126	122	135	119	131	116	114	111	122	106
159	159	175	152	138	135	149	129	127	123	136	119	131	117	114	111	123	107
160	160	176	152	139	136	150	129	128	124	136	120	132	118	115	112	123	107
161	161	177	153	140	137	150	130	129	125	137	121	133	118	116	113	124	107
162	162	178	154	141	138	151	131	130	126	138	122	134	119	117	113	125	108
163	163	179	155	142	139	152	132	130	126	139	122	134	120	117	114	125	109
164	164	180	156	143	139	153	133	131	127	140	123	135	121	118	115	126	109
165	165	182	158	144	140	155	134	132	128	141	124	137	121	119	116	127	110
166	166	183	159	144	141	156	134	133	129	142	125	137	122	120	116	128	111
167	167	184	160	145	142	156	135	134	129	143	125	138	123	120	117	129	111
168	168	185	161	146	143	157	137	134	130	143	126	139	123	121	118	130	112
169	169	186	162	147	144	158	138	135	131	144	127	140	124	122	118	130	113
170	170	187	163	148	145	159	139	136	132	145	128	140	125	122	119	131	114
171	171	188	163	149	145	160	139	137	133	146	128	141	126	123	120	132	114
172	172	189	164	150	146	161	140	138	133	146	129	142	126	124	120	132	114
173	173	190	165	151	147	162	140	138	134	147	130	143	127	125	121	133	116
174	174	191	166	151	148	162	141	139	135	148	131	143	[illegible]	125	122	134	117
175	175	193	167	152	149	164	142	140	136	150	131	145	129	126	123	135	117
176	176	194	168	153	150	165	143	141	136	150	132	146	129	127	123	136	118
177	177	195	169	154	150	166	144	142	137	151	133	146	130	127	124	137	119
178	178	196	170	155	151	167	145	142	138	152	134	147	131	128	125	137	119
179	179	197	171	156	152	167	146	143	139	153	134	148	132	129	125	138	120
180	180	198	172	157	153	168	146	144	140	153	135	149	132	130	126	139	121
181	181	199	173	157	154	169	147	145	140	154	136	149	133	130	127	139	122
182	182	200	173	158	155	170	147	146	141	155	137	150	134	131	127	140	122
183	183	201	174	159	156	171	148	146	142	156	137	151	135	132	128	141	122
184	184	202	175	160	156	172	149	147	143	157	138	152	135	132	129	141	123
185	185	204	176	161	157	173	150	148	143	158	139	153	136	133	130	143	124
186	186	205	177	162	158	174	151	149	144	159	140	154	137	134	130	144	124
187	187	206	179	163	155	175	152	150	145	160	140	155	137	135	131	144	125
188	188	207	180	164	160	176	152	150	146	160	141	155	138	135	132	145	126
189	189	208	181	164	161	177	153	151	146	161	142	156	139	136	132	146	126
190	190	209	182	165	162	178	154	152	147	162	143	157	140	137	133	146	127
191	191	210	183	166	162	179	155	153	148	163	143	158	140	138	134	147	128
193	193	212	184	168	164	180	156	154	150	164	145	159	142	139	135	148	129
194	194	[illegible]	185	169	165	181	158	155	150	165	146	160	143	140	136	149	129
195	195	215	186	170	166	183	158	156	151	167	146	161	143	140	137	151	130
196	196	216	187	171	167	184	159	157	152	167	147	162	144	141	137	151	131
197	197	217	188	171	167	184	160	158	153	168	148	163	145	142	138	152	131
198	198	218	189	172	168	185	161	158	153	169	149	164	146	143	139	153	132
199	199	219	190	173	169	186	162	159	154	170	149	164	146	143	139	153	133
200	200	220	191	174	170	187	163	160	155	171	150	165	147	144	140	154	133
201	201	221	192	175	171	188	164	161	156	171	151	166	148	145	141	155	134
202	202	222	193	176	172	189	164	162	157	172	152	167	148	145	141	155	135
203	203	223	194	177	173	190	165	162	157	173	152	167	149	146	142	156	137
204	204	224	194	177	173	190	165	163	158	174	153	168	150	147	143	157	137
205	205	226	195	178	174	192	166	164	159	175	154	170	151	148	144	158	137
206	206	227	196	179	175	193	167	165	160	176	155	170	151	148	144	159	138
207	207	228	197	180	176	194	168	166	160	177	155	171	152	149	145	160	139
208	208	229	198	181	177	195	169	166	161	177	156	172	153	150	146	160	139
209	209	230	200	182	178	196	170	167	162	178	157	173	154	150	146	161	140
210	210	231	201	183	179	196	170	168	163	179	158	173	154	151	147	162	141
211	211	232	202	184	179	197	171	169	164	180	158	174	155	152	148	162	141
212	212	233	203	184	180	198	172	170	164	181	159	175	156	153	148	163	142
213	213	234	204	185	181	199	173	170	165	181	160	176	157	153	149	164	143
215	215	237	205	187	183	201	174	172	167	184	161	178	158	155	151	166	144
216	216	238	206	188	184	202	175	173	167	184	162	179	159	156	151	167	144
217	217	239	207	189	184	203	175	174	168	185	163	179	159	156	152	167	145
218	218	240	208	190	185	204	176	174	169	186	164	180	160	157	153	168	145
219	219	241	209	191	186	205	177	175	170	187	164	181	161	158	153	169	146
220	220	242	210	191	187	206	179	176	171	188	165	182	162	158	154	169	147
221	221	243	211	192	188	207	180	177	171	188	166	182	162	159	155	170	148
222	222	244	212	193	189	207	181	178	172	189	167	183	163	160	155	171	148
223	223	245	213	194	190	208	182	178	173	190	167	184	164	161	156	172	149
224	224	248	214	195	190	209	182	179	174	191	168	185	165	161	157	172	150
226	226	249	215	197	192	212	183	181	175	193	170	187	166	163	158	174	151
227	227	250	216	197	193	213	184	182	176	194	170	188	167	163	159	175	151
228	228	251	217	198	194	213	185	182	177	195	171	188	166	164	160	176	152
229	229	252	218	199	195	214	186	183	177	195	172	189	168	165	160	176	153

For explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																			
	65		63	63E	62K	60		60E	60K	57.5	57		R26 or 55		55J	55K	52	4 or 50		50J
	COLUMN																			
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B	A
157	102	112	99	104½	93	94	104	99½	90	90	89	99	86	95	79	83	82	79	87	72
158	103	113	100	105½	93	95	104	100½	90	91	90	99	87	96	79	83	82	79	87	72
159	103	114	100	105½	95	95	105	100½	91	91	91	100	87	96	80	84	83	80	88	73
160	104	114	101	106½	95	96	106	101½	91	92	91	100	88	97	80	84	83	80	88	73
161	105	115	101	106½	96	97	106	102½	92	93	92	101	89	97	80	84	84	81	89	73
162	105	116	102	107½	96	97	107	102½	92	93	92	101	89	98	81	85	84	81	89	74
163	106	116	103	108½	97	98	107	103½	93	94	93	102	90	98	81	85	85	82	90	74
164	107	117	103	108½	97	98	108	103½	93	94	93	103	90	99	82	86	85	82	90	75
165	107	118	104	109½	98	99	109	104½	95	95	94	104	91	100	83	87	86	83	91	75
166	108	119	105	110½	99	100	110	105½	96	95	95	104	91	101	83	87	86	83	92	76
167	109	120	105	110½	99	100	110	105½	96	96	95	105	92	101	84	88	87	84	92	76
168	109	120	106	111½	100	101	111	106½	97	97	96	106	92	102	84	88	87	84	93	77
169	110	121	106	111½	100	101	112	106½	97	97	96	106	93	102	85	89	88	85	93	77
170	111	122	107	112½	101	102	112	107½	98	98	97	107	94	103	85	89	88	85	94	78
171	111	122	108	113½	101	103	113	108½	98	98	97	107	94	103	85	89	89	86	94	78
172	112	123	109	113½	102	103	113	108½	99	99	98	108	95	104	86	90	89	86	95	78
173	112	124	109	114½	102	104	114	109½	99	99	99	108	95	105	86	90	90	87	95	79
174	113	124	110	115½	103	104	115	109½	100	100	99	109	96	105	87	91	90	87	96	79
175	114	125	110	115½	104	105	116	110½	100	101	100	110	96	106	87	91	91	88	97	80
176	114	126	111	116½	104	106	116	111½	101	101	100	111	97	107	88	92	92	88	97	80
177	115	127	112	117½	105	106	117	111½	102	102	101	111	97	107	89	93	92	89	98	81
178	116	127	112	117½	105	107	117	112½	102	102	101	112	98	108	89	93	93	89	98	81
179	116	128	113	118½	106	107	118	112½	103	103	102	112	98	108	90	95	93	90	99	82
180	117	129	113	118½	107	108	119	113½	103	104	103	113	99	109	90	96	94	90	99	82
181	118	129	114	119½	107	109	119	114½	104	104	103	113	100	109	91	96	94	91	100	83
182	118	130	115	120½	107	109	120	114½	104	105	104	114	100	110	91	96	95	91	100	83
183	119	131	115	120½	108	110	121	115½	105	105	104	115	101	111	91	96	95	92	101	83
184	120	131	116	121½	109	110	121	116½	105	106	105	116	101	111	92	97	96	92	101	84
185	120	133	117	122½	109	111	122	116½	106	106	105	116	102	112	92	97	96	93	102	84
186	121	133	117	122½	110	112	123	117½	106	107	106	117	102	113	93	98	97	93	103	85
187	122	134	118	123½	110	112	124	117½	107	108	107	117	103	113	94	99	97	94	103	85
188	122	135	118	123½	111	113	124	118½	108	108	107	118	103	114	94	99	98	94	104	86
189	123	135	119	124½	112	113	125	118½	108	109	108	119	104	114	95	100	98	95	104	86
190	124	136	120	125½	112	114	125	119½	109	109	108	119	105	115	95	100	99	95	105	87
191	124	137	120	125½	113	115	126	120½	109	110	109	120	105	116	96	101	99	96	105	87
193	125	138	122	127½	114	116	127	121½	110	111	110	121	106	117	96	101	100	97	106	88
194	126	138	122	127½	114	116	128	121½	111	112	111	121	107	117	97	102	101	97	107	88
195	127	140	123	128½	116	117	129	122½	111	112	111	123	107	118	97	102	101	98	108	89
196	127	140	123	128½	116	117	130	123½	112	113	112	123	108	119	98	103	102	98	108	89
197	128	141	124	129½	117	118	130	123½	112	113	112	124	108	119	98	103	102	99	109	90
198	129	142	125	130½	118	119	131	124½	113	114	113	124	109	120	99	[illegible]	103	99	109	90
199	129	142	125	130½	118	119	131	124½	114	114	113	125	109	120	100	105	103	100	110	91
200	130	143	126	131½	119	120	132	125½	114	115	114	125	110	121	100	105	104	100	110	91
201	131	144	127	132½	119	121	133	126½	116	116	115	126	111	122	101	106	105	101	111	92
202	131	144	127	132½	120	121	133	126½	116	116	116	127	111	122	101	106	105	101	111	92
203	132	145	128	133½	121	122	134	127½	117	117	116	127	112	123	102	107	106	102	112	93
204	133	146	129	134½	121	122	134	127½	117	117	116	128	112	123	102	107	106	102	112	93
205	133	147	129	134½	121	123	136	128½	118	118	117	129	113	124	102	107	107	103	113	93
206	134	148	130	135½	122	124	136	129½	118	118	117	129	113	125	103	108	107	103	114	94
207	135	148	130	135½	123	124	137	129½	119	119	118	130	114	125	103	108	108	104	114	94
208	135	149	131	136½	123	125	137	130½	119	120	119	131	114	126	104	109	108	104	115	95
209	136	150	132	137½	124	125	138	130½	120	120	119	131	115	127	105	110	109	105	115	95
210	137	150	132	137½	124	126	139	131½	121	121	120	132	116	127	105	110	109	105	116	96
211	137	151	133	138½	125	127	139	132½	121	121	120	132	116	128	106	111	110	106	116	96
212	138	151	134	139½	126	127	140	132½	122	122	121	133	117	128	106	111	110	106	117	97
213	139	152	134	139½	126	128	140	133½	122	122	121	135	117	129	107	112	111	107	117	97
215	140	154	135	140½	127	129	142	134½	123	124	123	135	118	130	107	112	112	108	119	98
216	140	155	136	141½	128	130	143	135½	124	124	123	136	119	131	108	113	112	108	119	98
217	141	155	137	142½	128	130	143	135½	124	125	124	136	119	131	108	113	113	109	120	99
218	142	156	137	142½	129	131	144	136½	125	125	124	137	120	132	109	114	113	109	120	99
219	142	157	138	143½	129	131	145	136½	125	126	125	137	120	133	109	114	114	110	121	100
220	143	157	139	143½	130	132	145	137½	126	127	125	138	121	133	110	116	114	110	121	100
221	144	158	139	144½	131	133	146	138½	127	127	126	139	122	134	111	117	115	111	122	101
222	144	159	140	145½	131	133	146	138½	127	128	127	139	122	134	111	117	116	111	122	101
223	145	159	140	145½	132	134	147	139½	128	128	127	140	123	136	112	116	116	112	123	102
224	146	160	141	146½	132	134	148	139½	128	129	128	140	123	136	112	116	116	112	123	102
226	147	162	142	147½	133	136	149	141½	129	130	129	142	124	137	113	119	118	113	125	103
227	148	163	143	148½	134	136	150	141½	130	131	129	143	125	138	113	119	118	114	125	103
228	148	163	144	148½	134	137	151	142½	130	131	130	143	125	138	114	120	119	114	126	104
229	149	164	144	149½	135	137	151	142½	131	132	131	144	126	139	114	120	119	115	126	104

For Explanation of Column A and B, see page 2 herein.

1251

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(in Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																	
	50K	47.5	47.5 K	47K	45		45K	45B	44	42.5	42.5 K	40		40J	40K	40L	37.5	
	COLUMN																	
	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A	B
157	76	75	71	70	71	78	67	69	69	67	64	63	69	64	60	57	59	65
158	76	75	71	71	71	78	68	70	70	67	64	63	70	65	61	58	59	65
159	77	76	72	71	72	79	68	70	70	68	66	64	70	65	61	58	60	66
160	77	76	72	71	72	79	68	70	70	68	65	64	70	65	61	58	60	66
161	77	76	72	72	72	80	69	71	71	68	65	64	71	66	61	58	60	66
162	78	77	74	72	73	80	69	71	71	69	65	65	71	66	62	59	61	67
163	78	77	74	74	73	81	70	72	72	69	66	65	72	67	62	59	61	67
164	79	78	75	74	74	81	70	72	72	70	66	66	72	67	63	60	62	68
165	79	78	75	75	74	82	71	73	73	70	67	66	73	68	63	60	62	68
166	80	79	76	75	75	82	71	73	73	71	67	66	73	68	63	60	62	69
167	80	79	76	75	75	83	71	73	73	71	68	67	74	68	64	61	63	69
168	81	80	77	76	76	83	72	74	74	71	68	67	74	69	64	61	63	69
169	81	80	77	76	76	84	72	74	74	72	68	68	74	69	65	62	63	70
170	82	81	78	77	77	84	74	76	75	72	69	68	75	70	65	62	64	70
171	82	81	78	77	77	85	74	76	75	73	69	68	75	70	65	62	64	71
172	82	82	78	77	77	85	74	76	76	73	69	69	76	70	65	62	65	71
173	83	82	79	78	78	86	75	77	76	74	70	69	76	71	66	63	65	71
174	83	83	79	78	78	86	75	77	77	74	70	70	76	71	66	63	65	72
175	84	83	80	79	79	87	76	78	77	74	71	70	77	72	67	64	66	72
176	84	84	80	79	79	87	76	78	77	75	71	70	78	72	67	64	66	73
177	85	84	80	80	80	88	76	78	78	75	71	71	78	72	67	64	66	73
178	85	85	81	80	80	88	77	79	78	76	72	71	78	73	68	65	67	74
179	86	85	81	81	81	89	77	79	79	76	72	72	79	73	68	65	67	74
180	86	86	82	81	81	89	78	80	79	77	74	72	79	74	69	66	68	74
181	87	86	82	82	81	90	78	80	80	77	74	72	80	74	69	66	68	75
182	87	86	82	82	82	90	78	80	80	77	74	73	80	74	69	66	68	75
183	87	87	[illegible]	82	82	90	79	81	81	78	75	73	80	75	69	66	69	75
184	88	87	83	83	83	91	79	81	81	78	75	74	81	75	70	67	69	76
185	88	88	84	83	83	92	80	82	81	79	75	74	82	76	70	67	69	77
186	89	88	84	83	84	92	80	82	82	79	76	74	82	76	71	68	70	77
187	89	89	85	84	84	93	81	83	82	79	76	75	82	77	71	68	70	77
188	90	89	85	84	85	93	81	83	83	80	77	75	83	77	71	68	71	78
189	90	90	86	85	85	94	81	83	83	80	77	76	83	77	72	69	71	78
190	91	90	86	85	86	94	82	84	84	81	78	76	84	78	72	69	71	78
191	91	91	87	86	86	95	82	84	84	81	78	76	84	78	74	70	72	79
193	92	92	87	86	87	95	83	85	85	82	78	77	85	79	74	70	72	80
194	92	92	88	87	87	96	83	85	85	82	79	78	85	79	74	70	73	80
195	93	93	88	87	88	97	84	86	86	83	79	78	86	80	75	71	73	81
196	95	93	89	88	88	97	84	86	86	83	80	78	86	80	75	71	74	81
197	95	94	89	88	89	98	85	87	87	84	80	79	87	81	76	72	74	81
198	95	94	90	89	89	98	85	87	87	84	81	79	87	81	76	72	74	82
199	96	95	90	89	90	99	85	87	88	85	81	80	88	81	76	72	75	82
200	96	95	90	90	90	99	86	88	88	85	81	80	88	82	77	73	75	83
201	97	95	91	90	90	99	86	88	88	85	82	80	88	82	77	73	75	83
202	97	96	91	90	91	100	87	89	89	86	82	81	89	83	78	74	76	83
203	98	96	92	91	91	100	87	89	89	86	83	81	89	83	78	74	76	84
204	98	97	92	91	92	101	87	89	90	87	83	82	90	83	78	74	77	84
205	98	97	92	91	92	102	88	90	90	87	83	82	90	84	78	74	77	85
206	99	98	93	92	93	102	88	90	91	88	83	82	91	84	79	75	77	85
207	99	98	93	92	93	103	89	91	91	88	84	83	91	85	79	75	78	86
208	100	99	95	93	94	103	89	91	92	88	84	83	92	85	80	76	78	86
209	100	99	96	93	94	104	90	92	92	89	85	84	92	86	80	76	78	86
210	101	100	96	95	95	104	90	92	92	89	85	84	92	86	80	76	79	87
211	101	100	96	95	95	104	90	92	93	90	86	84	93	86	81	77	79	87
21[illegible]	102	101	97	96	95	105	91	93	93	90	86	85	93	87	81	77	80	87
21[illegible]	102	101	97	96	96	105	91	93	94	91	86	85	94	87	82	78	80	88
215	103	102	98	97	97	107	92	94	95	91	87	86	95	88	82	78	81	89
216	103	103	98	97	97	107	92	94	95	92	87	86	95	88	82	78	81	89
217	104	103	99	98	98	108	93	95	95	92	88	87	96	89	83	79	81	90
218	104	104	99	98	98	108	93	96	95	93	88	87	96	89	83	79	82	90
219	105	104	100	99	99	108	96	97	96	93	89	88	96	90	84	80	82	90
220	105	105	100	99	99	109	96	97	97	94	89	88	97	90	84	80	83	91
221	106	105	100	99	99	109	96	97	97	94	89	88	97	90	84	80	83	91
222	106	105	101	100	100	110	96	98	98	94	90	89	98	91	85	81	83	92
223	107	106	101	100	100	110	96	98	98	95	90	89	98	91	85	81	84	92
224	107	106	102	101	101	111	[illegible]	99	99	95	91	90	98	92	86	82	84	92
226	108	107	102	102	102	112	97	99	99	96	91	90	100	92	86	82	85	93
227	108	108	103	102	102	113	98	100	100	96	92	91	100	93	86	82	85	94
228	109	108	103	103	103	113	98	100	100	97	92	91	100	93	87	83	86	94
229	109	109	104	103	103	113	99	101	101	97	92	92	101	94	87	83	86	96

For Explanation of Column A and Column B, see page 2 herein.

1826

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(in Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																					
	37.5 K	37.5 L	37.5 M	37	36.5	36	5 or 35		35K	35L	32.5		32.5 J	32.5 K	32	32S	30		29.5	29	6 or 27.5	
	COLUMN																					
	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A	A	B
157.	57	54	57	58	57	57	55	61	53	50	51	58	46	48	50	48	47	52	46	46	43	48
158.	57	54	58	58	58	57	55	61	53	50	51	57	47	49	51	48	47	52	47	46	43	48
159.	57	54	58	59	58	57	56	61	54	51	52	57	47	49	51	48	48	53	47	46	44	48
160.	57	54	58	59	58	58	56	62	54	51	52	57	47	49	51	48	48	53	47	46	44	48
161.	58	55	58	60	58	58	56	62	54	51	52	58	47	49	52	49	48	53	47	47	44	49
162.	58	55	59	60	59	58	57	62	54	51	53	58	48	50	52	49	49	53	48	47	45	49
163.	59	56	59	60	59	59	57	63	55	52	53	58	48	50	52	49	49	54	48	47	45	49
164.	59	56	60	61	60	59	57	63	55	52	53	59	48	50	52	50	49	54	48	48	45	50
165.	59	56	60	61	60	59	58	64	56	53	54	59	49	51	53	50	50	55	49	48	45	50
166.	60	57	60	61	61	60	58	64	56	53	54	59	49	51	53	50	50	55	49	48	46	50
167.	60	57	61	62	61	60	58	64	56	53	54	60	49	51	53	51	50	55	49	48	46	51
168.	60	57	61	62	61	60	59	65	57	54	55	60	50	53	54	51	50	56	50	49	46	51
169.	61	58	62	63	62	61	59	65	57	54	55	60	50	53	54	51	51	56	50	49	46	51
170.	61	58	62	63	62	61	60	65	57	54	55	61	50	53	54	52	51	56	50	49	47	51
171.	61	58	62	63	62	62	60	66	57	54	56	61	50	53	55	52	51	56	50	50	47	52
172.	62	59	62	64	63	62	60	66	58	55	56	61	51	54	55	52	52	57	51	50	47	52
173.	62	59	63	64	63	62	61	67	58	55	56	62	51	54	56	52	52	57	51	50	48	52
174.	62	59	63	64	64	63	61	67	58	55	57	62	51	54	56	53	52	57	51	50	48	53
175.	63	60	64	65	64	63	61	68	59	56	57	63	52	55	56	53	53	58	52	51	48	53
176.	63	60	64	65	64	63	62	68	59	56	57	63	52	55	56	53	53	58	52	51	48	53
177.	63	60	64	65	65	64	62	68	59	56	58	63	52	55	57	54	53	59	52	51	49	54
178.	64	61	65	66	65	64	62	69	60	57	58	64	53	56	57	54	53	59	53	52	49	54
179.	64	61	65	66	65	64	63	69	60	67	58	64	53	56	57	54	54	59	53	52	49	54
180.	65	62	66	67	66	65	63	69	60	57	59	64	53	56	58	54	54	59	53	52	50	54
181.	65	62	66	67	66	65	63	70	61	58	59	65	54	57	58	55	54	60	53	52	50	55
182.	65	62	66	67	66	66	64	70	61	58	59	65	54	57	58	55	55	60	54	53	50	55
183.	65	62	66	68	67	66	64	70	61	58	59	65	54	57	59	55	55	60	54	53	50	55
184.	66	63	67	68	67	66	64	71	61	58	60	66	54	57	59	55	55	61	54	53	51	56
185.	66	63	67	68	68	67	65	71	62	59	60	66	55	58	59	56	56	61	55	54	51	56
186.	66	63	68	69	68	67	65	72	62	59	60	67	55	58	60	56	56	62	55	54	51	56
187.	67	64	68	69	68	67	65	72	63	60	61	67	55	58	60	56	56	62	55	54	51	57
188.	67	64	68	70	69	68	66	72	63	60	61	67	56	59	60	57	56	62	55	55	52	57
189.	68	65	69	70	69	68	66	73	63	60	61	68	56	59	60	57	57	62	56	55	52	57
190.	68	65	69	70	69	68	67	73	64	61	62	68	56	59	61	57	57	63	56	55	52	57
191.	68	65	70	71	70	69	67	74	64	61	62	68	57	60	61	58	57	63	56	55	53	58
193.	69	66	70	71	70	69	68	74	64	61	63	69	57	60	62	58	58	64	57	56	53	58
194.	69	66	70	72	71	70	68	75	65	62	63	69	57	60	62	58	58	64	57	56	53	59
195.	69	66	71	72	71	70	68	75	65	62	63	70	58	61	62	59	59	65	58	57	54	59
196.	70	67	71	73	72	71	69	76	65	62	64	70	58	61	63	59	59	65	58	57	54	59
197.	70	67	72	73	72	71	69	76	66	63	64	71	58	61	63	59	59	65	58	57	54	60
198.	71	68	72	73	72	71	69	76	66	63	64	71	59	62	63	60	59	65	58	57	54	60
199.	71	68	72	74	73	72	70	77	66	63	65	71	59	62	64	60	60	66	59	58	55	60
200.	71	68	73	74	73	72	70	77	67	64	65	72	59	62	64	60	60	66	59	58	55	61
201.	72	69	73	74	73	72	70	77	67	64	65	72	59	62	64	61	60	66	59	58	55	61
202.	72	69	74	75	74	73	71	78	67	64	66	72	60	63	65	61	61	67	60	59	56	61
203.	72	69	74	75	74	73	71	78	68	65	66	72	60	63	65	61	61	67	60	59	56	61
204.	72	69	74	75	74	73	71	78	68	65	66	73	60	63	65	61	61	67	60	59	56	62
205.	74	70	74	76	75	74	72	79	68	65	67	73	60	63	66	62	62	68	60	59	56	62
206.	74	70	75	76	75	74	72	79	68	65	67	74	61	64	66	62	62	68	61	60	57	62
207.	75	71	76	77	76	75	72	80	69	66	67	74	61	64	66	62	62	68	61	60	57	63
208.	75	71	76	77	76	75	73	80	69	66	68	74	61	64	67	62	62	69	61	60	57	63
209.	75	71	76	77	76	75	73	81	70	67	68	75	62	65	67	63	63	69	62	61	57	63
210.	76	72	76	78	77	76	74	81	70	67	68	75	62	65	67	63	63	69	62	61	58	64
211.	76	73	77	78	77	76	74	81	70	67	69	75	62	65	68	63	63	70	62	51	58	64
212.	76	72	77	78	77	76	74	82	71	68	69	76	63	66	68	64	64	70	63	61	58	64
213.	77	73	78	79	78	77	75	82	71	68	69	76	63	66	68	64	64	70	63	62	59	64
215.	77	73	78	80	78	77	75	83	71	68	70	77	63	66	69	64	65	71	63	62	59	65
216.	78	74	78	80	79	78	76	83	72	69	70	77	64	67	69	65	65	71	64	63	59	65
217.	78	74	79	80	79	78	76	84	72	69	71	78	64	67	69	65	65	72	64	63	60	66
218.	78	74	79	81	80	78	76	84	72	69	71	78	64	57	70	65	65	72	64	63	60	66
219.	79	75	80	81	80	79	77	84	74	70	71	78	65	68	70	66	66	72	65	64	60	66
220.	79	75	80	81	80	79	77	85	74	70	72	79	65	68	70	66	66	73	55	64	61	67
221.	79	75	80	82	81	80	77	85	74	70	72	79	65	68	71	66	66	73	65	64	61	67
222.	80	76	81	82	81	80	78	85	75	71	72	79	66	69	71	67	67	73	65	64	61	67
223.	80	76	81	83	81	80	78	86	75	71	72	80	66	69	71	67	67	74	66	65	61	67
224.	81	77	82	83	82	81	78	86	75	71	73	80	66	59	72	67	67	74	66	65	62	68
226.	81	77	82	84	82	81	79	87	76	72	73	81	67	70	72	68	68	75	67	66	62	68
227.	81	77	82	84	83	82	79	88	76	72	74	81	67	70	73	68	68	75	67	66	62	69
228.	82	78	83	84	83	82	80	88	76	72	74	82	67	70	73	68	68	75	67	66	63	69
229.	82	78	83	85	84	82	80	88	77	73	74	82	68	71	73	69	69	75	68	66	63	69

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES																
	27.5 J	27.5 K	27.5 L	27.5 M	26	25		25J	25K	25L	25N	23.5	23.5 K	23J	23N	22.5	
	COLUMN																
	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A	
157. .	43	41	43	39	41	39	43	39	38	36	39	37	36	37	36	35	39
158. .	43	42	43	40	41	40	44	40	38	36	40	37	36	37	37	36	39
159. .	44	42	44	40	41	40	44	40	38	36	40	37	36	37	37	36	39
160. .	44	42	44	40	42	40	44	40	38	36	40	38	36	37	37	36	40
161. .	44	42	44	40	42	40	44	40	39	37	40	38	36	37	37	36	40
162. .	45	42	45	40	42	41	45	41	39	37	40	38	37	38	37	36	40
163. .	45	43	45	41	42	41	45	41	39	37	41	38	37	38	38	37	40
164. .	45	43	45	41	43	41	45	41	39	37	41	39	37	38	38	37	41
165. .	45	43	45	41	43	41	46	41	40	38	41	39	37	38	38	37	41
166. .	46	44	46	42	43	42	46	42	40	38	42	39	37	39	38	37	41
167. .	46	44	46	42	43	42	46	42	40	38	42	39	38	39	38	38	41
168. .	46	44	46	42	44	42	46	42	40	38	42	39	38	39	38	38	42
169. .	46	44	46	42	44	42	47	42	41	39	42	40	38	39	38	38	42
170. .	47	45	47	43	44	43	47	43	41	39	43	40	38	40	39	38	42
171. .	47	45	47	43	44	43	47	43	41	39	43	40	38	40	39	38	42
172. .	47	45	47	43	45	43	47	43	41	39	43	40	39	40	39	39	43
173. .	48	45	48	43	45	43	48	43	41	39	43	41	39	41	39	39	43
174. .	48	45	48	43	45	44	48	44	42	40	43	41	39	41	39	39	43
175. .	48	46	48	44	46	44	48	44	42	40	44	41	39	41	40	39	43
176. .	48	46	48	44	46	44	49	44	42	40	44	41	40	41	40	40	44
177. .	49	46	49	44	46	44	49	44	42	40	44	42	40	42	40	40	44
178. .	49	47	49	45	46	45	49	45	43	41	45	42	40	42	41	40	44
179. .	49	47	49	45	47	45	49	45	43	41	45	42	40	42	41	40	44
180. .	50	47	50	45	47	45	50	45	43	41	45	42	41	43	41	41	45
181. .	50	47	50	45	47	45	50	46	43	41	45	43	41	43	41	41	45
182. .	50	47	50	45	47	46	50	46	43	41	45	43	41	43	41	41	45
183. .	50	48	50	46	48	46	50	46	44	42	46	43	41	43	42	41	45
184. .	51	48	51	46	48	46	51	46	44	42	46	43	41	43	42	41	45
185. .	51	48	51	46	48	46	51	46	44	42	46	43	41	43	42	42	46
186. .	51	48	51	46	48	47	51	47	44	42	46	44	42	43	42	42	46
187. .	51	49	51	47	49	47	52	47	45	43	47	44	42	43	43	42	46
188. .	52	49	52	47	49	47	52	47	45	43	47	44	42	44	43	42	47
189. .	52	49	52	47	49	47	52	47	45	43	47	44	42	44	43	43	47
190. .	52	50	52	48	49	48	52	48	45	43	48	45	43	44	44	43	47
191. .	53	50	53	48	50	48	53	48	46	44	48	45	43	45	44	43	47
193. .	53	50	53	48	50	48	53	48	46	44	48	45	43	45	44	43	48
194. .	53	50	53	48	50	49	53	49	46	44	48	46	43	45	44	44	48
195. .	54	51	54	49	51	49	54	49	46	44	49	46	44	46	44	44	48
196. .	54	51	54	49	51	49	54	49	47	45	49	46	44	46	44	44	49
197. .	54	51	54	49	51	49	54	49	47	45	49	46	44	46	44	44	49
198. .	54	53	54	50	51	50	55	50	47	45	50	47	44	46	45	45	49
199. .	55	53	55	50	52	50	55	50	47	45	50	47	45	47	45	45	49
200. .	55	53	55	50	52	50	55	50	48	46	50	47	45	47	45	45	50
201. .	55	53	55	50	52	50	55	50	48	46	50	47	45	47	45	45	50
202. .	56	54	56	51	53	51	56	51	48	46	51	47	45	48	46	45	50
203. .	56	54	56	51	53	51	56	51	48	46	51	48	45	48	46	46	50
204. .	56	54	56	51	53	51	56	51	48	46	51	48	45	48	46	46	50
205. .	56	54	56	51	53	51	57	51	49	47	51	48	46	48	46	46	51
206. .	57	54	57	51	54	52	57	52	49	47	51	48	46	48	46	46	51
207. .	57	55	57	52	54	52	57	52	49	47	52	49	46	48	47	47	51
208. .	57	55	57	52	54	52	57	52	49	47	52	49	46	48	47	47	52
209. .	57	55	57	52	54	52	58	52	50	48	52	49	47	48	47	47	52
210. .	58	56	58	53	55	53	58	53	50	48	53	49	47	49	48	47	52
211. .	58	56	58	53	55	53	58	53	50	48	53	50	47	49	48	47	52
212. .	58	56	58	53	55	53	58	53	50	48	53	50	47	49	48	48	52
213. .	59	56	59	53	55	53	59	53	51	49	53	50	48	50	48	48	53
215. .	59	57	59	54	56	54	59	54	51	49	54	51	48	50	49	48	53
216. .	59	57	59	54	56	54	60	54	51	49	54	51	48	50	49	49	54
217. .	60	57	60	54	56	54	60	54	51	49	54	51	48	51	49	49	54
218. .	60	57	60	54	57	55	60	55	53	50	54	51	49	51	49	49	54
219. .	60	58	60	55	57	55	60	55	53	50	55	51	49	51	50	49	54
220. .	61	58	61	55	57	55	61	55	53	50	55	52	49	52	50	50	54
221. .	61	58	61	55	57	55	61	55	53	50	55	52	49	52	50	50	55
222. .	61	59	61	56	58	56	61	56	54	51	56	52	49	52	51	50	55
223. .	61	59	61	56	58	56	61	56	54	51	56	52	50	52	51	50	55
224. .	62	59	62	56	58	56	62	56	54	51	56	53	50	53	51	50	55
226. .	62	59	62	56	59	57	62	57	54	51	56	53	50	53	51	51	56
227. .	62	60	62	57	59	57	63	57	55	52	57	53	50	53	51	51	56
228. .	63	60	63	57	59	57	63	57	55	52	57	54	51	54	51	51	56
229. .	63	60	63	57	60	57	63	57	55	52	57	54	51	54	51	52	57

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES													
	22.5 J	22.5 K	22.5 L	22.5 M	21	20		20J	19	18	17.5	17.5 J	17.5 K	16
	COLUMN													
	A	A	A	A	A	A	B	A	A	A	A	A	A	A
157	35	34	32	33	33	31	35	31	30	28	27	26	27	[illegible]
158	36	34	32	33	33	32	35	32	30	28	28	26	28	[illegible]
159	36	35	33	33	33	32	35	32	30	29	28	26	28	25
160	36	35	33	34	34	32	35	32	30	29	28	26	28	26
161	36	35	33	34	34	32	35	32	31	29	28	27	28	26
162	36	35	33	34	34	32	36	32	31	29	28	27	28	26
163	37	35	33	34	34	33	36	33	31	29	29	27	29	26
164	37	36	34	35	34	33	36	33	31	30	29	27	29	26
165	37	36	34	35	35	33	36	33	31	30	29	27	29	26
166	37	36	34	35	35	33	37	33	32	30	29	27	29	27
167	38	36	34	35	35	33	37	33	32	30	29	28	29	27
168	38	36	34	35	35	34	37	34	32	30	29	28	29	27
169	38	37	35	36	35	34	37	34	32	30	30	28	30	27
170	38	37	35	37	36	34	37	34	32	31	30	28	30	27
171	38	37	35	36	36	34	38	34	32	31	30	28	30	27
172	39	37	35	36	36	34	38	34	33	31	30	28	30	28
173	39	37	35	36	36	35	38	35	33	31	30	28	30	28
174	39	38	36	37	37	35	38	35	33	31	30	29	30	28
175	39	38	36	37	37	35	39	35	33	32	31	29	31	28
176	40	38	36	37	37	35	39	35	33	32	31	29	31	28
177	40	38	36	37	37	35	39	35	34	32	31	29	31	28
178	40	38	36	37	37	36	39	36	34	32	31	29	31	28
179	40	39	37	38	38	36	39	36	34	32	31	30	31	29
180	41	39	37	38	38	36	40	36	34	32	32	30	32	29
181	41	39	37	39	38	36	40	36	34	33	32	30	32	29
182	41	39	37	38	38	36	40	36	35	33	32	30	32	29
183	41	39	37	38	38	37	40	37	35	33	32	30	32	29
184	41	40	38	39	39	37	40	37	35	33	32	30	32	29
185	42	40	38	39	39	37	41	37	35	33	32	30	32	30
186	42	40	38	39	39	37	41	37	35	33	33	32	33	30
187	42	40	38	39	39	37	41	37	36	34	33	32	33	30
188	42	40	38	39	39	38	41	38	36	34	33	32	33	30
189	43	41	39	40	40	38	42	38	36	34	33	32	33	30
190	43	41	39	40	40	38	42	38	36	34	33	32	33	30
191	43	41	39	40	40	38	42	38	36	34	33	32	33	31
193	43	41	39	40	41	39	42	39	37	35	34	33	34	31
194	44	42	40	41	41	39	43	39	37	35	34	33	34	31
195	44	42	40	41	41	39	43	39	37	35	34	33	34	31
196	44	42	40	41	41	39	43	39	37	35	34	33	34	31
197	44	42	40	41	41	39	43	39	37	35	34	33	34	32
198	45	43	41	42	42	40	44	40	38	36	35	34	35	32
199	45	43	41	42	42	40	44	40	38	36	35	34	35	32
200	45	43	41	42	42	40	44	40	38	36	35	34	35	32
201	45	43	41	42	42	40	44	40	38	36	35	34	35	32
202	45	43	41	42	42	40	44	40	38	36	35	34	35	32
203	46	44	42	44	43	41	45	41	39	37	36	34	36	32
204	46	44	42	43	43	41	45	41	39	37	36	34	36	33
205	46	44	42	43	43	41	45	41	39	37	36	35	36	33
206	46	44	42	43	43	41	45	41	39	37	36	35	36	33
207	47	44	42	43	43	41	46	41	39	37	36	35	36	33
208	47	45	43	44	44	42	46	42	40	37	36	35	36	33
209	47	45	43	44	44	42	46	42	40	38	37	35	37	33
210	47	45	43	44	44	42	46	42	40	38	37	35	37	34
211	47	45	43	44	44	42	46	42	40	38	37	36	37	34
212	48	45	43	44	45	42	47	42	40	38	37	36	37	34
213	48	46	44	45	45	43	47	43	40	38	37	36	37	34
215	48	46	44	45	45	43	47	43	41	39	38	36	38	34
216	49	46	44	45	45	43	48	43	41	39	38	36	38	35
217	49	46	44	45	46	43	48	43	41	39	38	36	38	35
218	49	47	45	46	46	44	48	44	41	39	38	37	38	35
219	49	47	45	46	46	44	48	44	42	39	38	37	38	35
220	50	47	45	46	46	44	48	44	42	40	39	37	39	35
221	50	47	45	46	46	44	49	44	42	40	39	37	39	35
222	50	47	46	46	47	44	49	44	42	40	39	37	39	36
223	50	48	46	47	47	45	49	45	42	40	39	38	39	36
224	50	48	46	47	47	45	49	45	43	40	39	38	39	36
226	51	48	46	47	47	45	50	45	43	41	40	38	40	36
227	51	48	46	47	48	45	50	45	43	41	40	38	40	36
228	51	49	47	48	48	46	50	46	43	41	40	38	40	36
229	52	49	47	48	48	46	50	46	44	41	40	38	40	37

For Explanation of Column A and Column B, see page 2 herein.

1255

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(in Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES 1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 R25 or 70		70K
	COLUMN A	B	A	A	A	B	A	A	A	B	A	B	A	A	A	B	A
230	230	253	219	200	196	215	187	184	178	196	173	190	169	166	161	177	153
231	231	254	221	201	196	216	188	185	179	197	173	191	170	166	162	178	154
232	232	255	222	202	197	217	188	186	180	198	174	191	171	167	162	179	155
233	233	256	223	203	198	218	189	186	181	198	175	192	171	168	163	179	155
234	234	257	224	204	199	218	190	187	181	199	176	193	172	168	164	180	156
235	235	259	225	204	200	220	191	188	182	201	176	194	173	169	165	181	158
236	236	260	226	205	201	221	192	189	183	202	177	195	173	170	165	182	159
237	237	261	226	206	201	222	192	190	184	202	178	196	174	171	166	183	159
238	238	262	227	207	202	223	193	190	184	203	179	197	175	171	167	183	[illegible]
239	239	263	228	208	203	224	193	191	185	204	179	197	176	172	167	184	160
240	240	264	229	209	204	224	194	192	186	205	180	198	176	173	168	185	161
241	241	265	230	210	205	225	195	193	187	205	181	199	177	174	169	186	161
242	242	266	231	211	206	226	196	194	188	206	182	200	178	174	169	186	162
243	243	267	232	211	207	227	197	194	188	207	182	200	179	175	170	187	163
244	244	268	233	212	207	228	198	195	189	208	183	201	179	176	171	188	163
245	245	270	234	213	207	228	200	196	190	209	184	203	180	176	172	189	164
246	246	271	235	214	208	230	200	197	191	210	185	203	181	177	172	190	165
247	247	272	236	215	209	230	201	198	191	211	185	204	182	178	173	190	166
248	248	273	236	216	210	231	201	198	192	212	186	205	182	179	174	191	166
249	249	274	237	217	211	232	202	199	193	213	187	206	183	179	174	192	166
250	250	275	238	218	212	233	203	200	194	214	188	206	184	180	175	193	167
251	251	276	239	218	213	234	204	201	195	215	188	207	184	181	176	193	168
252	252	277	240	219	213	235	205	202	195	215	189	208	185	181	176	194	168
253	253	278	242	220	214	235	206	202	196	216	190	209	186	182	177	195	169
254	254	279	243	221	215	236	206	203	197	218	191	209	187	183	178	195	170
255	255	281	244	222	216	237	207	204	198	219	191	211	187	184	179	197	170
256	256	282	245	223	217	239	208	206	198	219	192	212	188	184	179	197	171
257	257	283	246	224	218	240	209	206	199	220	193	212	189	185	180	198	172
258	258	284	247	224	219	241	210	206	200	220	194	213	190	186	181	199	173
259	259	285	247	225	220	242	210	207	201	221	194	215	190	186	181	200	175
260	260	286	248	226	221	243	211	208	202	222	195	215	191	187	182	200	173
261	261	287	249	227	222	244	211	209	202	223	196	215	192	188	183	201	174
262	262	288	250	228	223	245	212	210	203	224	197	216	193	189	183	202	175
263	263	289	251	229	224	246	213	210	204	225	197	217	193	189	184	202	175
264	264	290	252	230	224	247	214	211	205	225	198	218	194	190	185	203	176
265	265	292	253	231	225	248	215	212	205	226	199	219	196	191	186	204	177
266	266	293	254	231	226	249	216	213	206	227	200	220	196	192	186	205	177
267	267	294	255	232	227	250	217	214	207	228	200	221	196	192	187	206	179
268	268	295	256	233	228	251	217	214	208	229	201	221	197	193	188	207	180
269	269	296	257	234	229	252	218	215	208	[illegible]	202	222	198	194	188	207	181
270	270	297	257	235	230	252	218	216	209	230	203	223	198	194	189	208	181
271	271	298	258	236	230	253	219	217	210	231	203	224	199	195	190	209	181
272	272	299	259	237	231	254	221	218	211	232	204	224	200	196	190	209	182
273	273	300	260	238	232	255	222	218	212	233	205	225	201	197	191	210	183
274	274	301	261	238	233	[illegible]	223	219	212	233	206	226	201	197	192	211	183
275	275	303	263	239	234	258	224	220	213	235	206	227	202	198	193	212	184
276	276	304	264	240	235	258	224	221	214	236	207	228	203	199	193	213	185
277	277	305	265	241	235	259	225	222	215	236	208	229	204	199	194	214	185
278	278	306	266	242	236	260	226	222	215	237	209	230	204	200	195	214	186
279	279	307	267	243	237	261	227	223	216	238	209	230	205	201	195	215	187
280	280	308	268	244	238	262	228	224	217	239	210	231	206	202	196	216	188
281	281	309	268	244	239	263	228	225	218	239	211	232	207	202	197	216	188
282	282	310	269	245	240	264	229	226	219	240	212	233	207	203	197	217	188
283	283	311	270	246	241	264	229	225	219	241	212	233	208	204	198	218	189
284	284	312	271	247	241	265	230	227	220	242	213	234	209	204	199	218	190
285	285	314	272	248	242	267	231	228	221	243	214	236	209	205	200	220	190
286	286	315	273	249	243	268	232	229	222	244	215	236	210	206	200	221	191
287	287	316	274	250	244	269	233	230	222	245	215	237	211	207	201	221	192
288	288	317	275	251	245	269	234	230	223	246	216	238	212	207	202	222	192
289	289	318	276	251	246	270	235	231	224	246	217	239	212	208	202	223	193
290	290	319	277	252	247	271	235	232	225	247	218	239	213	209	203	223	194
291	291	320	278	253	247	272	236	233	226	248	218	240	214	210	204	224	195
292	292	321	278	254	248	273	236	234	226	249	219	241	215	210	204	225	196
293	293	322	279	255	249	274	237	234	227	250	220	242	215	211	205	225	196
294	294	323	280	256	250	275	238	235	228	250	221	242	216	212	206	226	196
295	295	325	281	257	251	276	239	236	229	252	221	244	217	212	207	228	197
296	296	326	282	258	252	277	240	237	229	253	222	245	218	213	207	228	197
297	297	327	[illegible]	259	252	278	242	238	230	253	223	246	218	214	208	229	198

For Explanation of Column A and Column B, see page 2 herein.

1830

BLANKET SUPPLEMENT NO. 424

end "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(In Cents Per 100 Pounds)

ATE BAS IS NOS.	CLASSES-																			
	65		63	63E	62K	60		60E	60K	57.5	57		R26 or 55		55J	56K	52	4 or 50		50J
	COLUMN																			
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B	A
0.	150	164	145	150½	137	138	152	143½	131	132	131	144	127	139	115	121	120	115	127	105
1.	150	165	146	151½	137	139	152	144½	132	133	132	145	127	140	116	122	120	116	127	105
2.	151	166	146	151½	138	139	153	144½	133	133	132	145	128	140	116	122	121	116	128	106
3.	151	166	147	152½	138	140	154	145½	133	134	133	146	128	141	117	123	121	117	128	106
4.	152	167	147	152½	139	140	154	145½	134	135	133	146	129	141	117	123	122	117	129	107
5.	153	168	148	153½	140	141	155	146½	134	135	134	148	129	142	118	124	122	118	130	107
6.	153	169	149	154½	140	142	156	147½	135	136	135	148	130	143	118	124	123	118	130	108
7.	154	170	149	154½	140	142	157	147½	135	136	135	149	130	144	118	124	123	119	131	108
8.	155	170	150	155½	141	143	157	148½	137	137	136	149	131	144	119	125	124	119	131	108
9.	155	171	151	156½	142	143	158	148½	137	137	136	150	131	145	119	125	124	120	132	109
0.	156	172	151	156½	142	144	158	149½	138	138	137	150	132	145	120	126	125	120	132	109
1.	157	172	152	157½	143	145	159	150½	138	139	137	151	133	146	120	126	125	121	133	110
2.	157	173	152	157½	143	145	160	150½	139	139	138	152	133	146	121	127	126	121	133	110
3.	158	174	153	158½	144	146	160	151½	140	140	139	152	134	147	122	128	126	122	134	111
4.	159	174	154	159½	145	146	161	151½	140	140	139	153	134	147	122	128	127	122	134	111
5.	159	176	154	159½	145	147	162	152½	141	141	140	154	135	149	123	129	127	123	135	112
6.	160	176	155	160½	146	148	163	153½	141	141	140	154	135	149	123	129	128	123	136	112
7.	161	177	156	161½	147	148	163	153½	142	142	141	155	136	150	124	130	128	124	136	113
8.	161	177	156	161½	147	149	164	154½	142	143	141	156	136	150	124	130	129	124	137	113
9.	162	178	157	162½	147	149	164	154½	143	143	142	156	137	151	124	130	129	125	137	113
0.	163	179	158	163½	148	150	165	155½	143	144	143	157	138	151	125	131	130	125	138	114
1.	163	179	158	163½	148	151	166	156½	144	144	143	157	138	151	125	131	131	126	138	114
2.	164	180	159	164½	149	151	166	156½	144	145	144	158	139	152	126	132	131	126	139	115
3.	164	181	159	164½	150	152	167	157½	145	145	144	158	139	153	127	133	132	127	139	115
4.	165	181	160	165½	150	152	167	157½	146	146	145	159	140	153	127	133	132	127	140	116
5.	166	183	161	166½	151	153	169	158½	146	147	145	160	140	155	128	134	133	128	141	116
6.	166	183	161	166½	151	154	169	159½	147	147	146	161	141	155	128	134	133	128	141	117
7.	167	184	162	167½	152	154	170	159½	147	148	146	161	141	156	129	135	134	129	142	117
8.	168	185	163	168½	153	155	170	160½	148	148	147	162	142	156	129	135	134	129	142	118
9.	168	185	163	168½	153	155	171	160½	148	149	148	162	142	157	129	136	135	130	143	118
0.	169	186	164	169½	153	156	172	161½	149	150	148	163	143	157	130	137	136	130	143	118
1.	170	187	164	169½	154	157	172	162½	149	150	149	164	144	158	130	137	136	131	144	119
2.	170	187	165	170½	155	157	173	162½	150	151	149	164	144	158	131	138	136	131	144	119
3.	171	188	166	171½	155	158	173	163½	150	151	150	165	145	159	131	138	137	132	145	120
4.	172	189	166	171½	156	158	174	163½	151	152	150	165	145	160	132	139	137	132	145	120
5.	172	190	167	172½	156	159	175	164½	152	152	151	166	146	161	133	140	138	133	146	121
6.	173	190	168	173½	158	160	176	165½	152	153	152	167	146	161	133	140	138	133	147	121
7.	174	191	168	173½	159	160	176	165½	153	154	152	168	147	162	134	141	139	134	147	122
8.	174	192	169	174½	159	161	177	166½	153	154	153	168	147	162	134	141	139	134	148	122
9.	175	192	169	174½	160	161	178	166½	154	155	153	169	148	163	135	142	140	135	148	123
0.	176	193	170	175½	160	162	178	167½	154	155	154	169	149	163	135	142	140	135	149	123
1.	176	194	171	176½	161	163	179	168½	155	156	154	170	149	164	135	142	141	136	149	123
2.	177	194	171	176½	161	163	179	168½	155	156	155	170	150	164	136	143	141	136	150	124
3.	177	195	172	177½	162	164	180	169½	156	157	156	171	150	165	136	143	142	137	150	124
4.	178	196	173	178½	162	164	181	169½	156	158	156	172	151	166	137	144	142	137	151	125
5.	179	197	173	178½	163	165	182	170½	158	158	157	173	151	167	138	145	143	138	152	125
6.	179	198	174	179½	164	166	182	171½	159	159	157	173	152	167	138	145	144	138	152	126
7.	180	198	175	180½	164	166	183	171½	159	159	158	174	152	168	139	146	144	139	153	126
8.	181	199	175	180½	165	167	184	172½	160	160	158	174	153	168	139	146	145	139	153	127
9.	181	200	176	181½	165	167	184	172½	160	160	159	175	153	169	140	147	145	140	154	127
0.	182	200	176	181½	166	168	185	173½	161	161	160	176	154	169	140	147	146	140	154	128
1.	183	201	177	182½	166	169	185	174½	161	162	160	176	155	170	140	147	146	141	155	128
2.	183	202	178	183½	167	169	186	174½	162	162	161	177	155	171	141	148	147	141	155	128
3.	184	202	178	183½	167	170	187	175½	162	163	161	177	156	171	141	148	147	142	156	129
4.	185	203	179	184½	168	170	187	175½	163	163	162	178	156	172	142	149	148	142	156	129
5.	185	204	180	185½	169	171	188	176½	163	164	162	179	157	173	142	149	148	143	157	130
6.	186	205	180	185½	169	172	189	177½	164	164	163	180	157	173	143	150	149	143	158	130
7.	187	206	181	186½	170	172	190	177½	165	165	164	180	158	174	144	151	149	144	158	131
8.	187	206	181	186½	170	173	190	178½	165	166	164	181	158	174	144	151	150	144	159	131
9.	188	207	182	187½	171	173	191	178½	166	166	165	181	159	175	145	152	150	145	159	132
0.	189	207	183	188½	172	174	191	179½	166	167	165	182	160	175	145	152	151	145	160	132
1.	189	208	183	188½	172	175	192	180½	167	167	166	182	160	176	146	153	151	146	160	133
2.	190	209	184	189½	172	175	193	180½	167	168	166	183	161	177	146	153	152	146	161	133
3.	190	209	185	190½	173	176	193	181½	168	168	167	184	161	177	146	153	152	147	161	133
4.	191	210	185	190½	174	176	194	181½	168	169	168	184	162	178	147	154	153	147	162	134
5.	192	211	186	191½	174	177	195	182½	169	170	168	185	162	179	147	154	153	148	163	134
6.	192	212	186	191½	175	178	196	183½	169	170	169	186	163	179	148	155	154	148	163	135
7.	193	213	187	192½	175	178	196	183½	170	171	169	186	163	180	149	156	154	149	164	136

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	50K	47.5	47.5K	47K	45		45K	45B	44	42.5	42.5K	40		40J	40K	40L	37.5
	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A
230.	110	109	104	104	104	114	99	101	101	98	93	92	101	94	88	84	86
231.	110	110	105	104	104	114	100	102	102	98	93	92	102	95	88	84	87
232.	111	110	105	104	104	115	100	102	102	99	95	93	102	96	88	84	87
233.	111	111	106	105	105	115	100	102	103	99	95	93	102	96	89	85	87
234.	112	111	106	105	105	116	101	103	103	99	96	94	103	96	89	85	88
235.	112	112	107	106	106	117	101	103	103	100	96	94	104	96	90	86	88
236.	113	112	107	106	106	117	102	104	104	100	96	94	104	97	90	86	88
237.	113	113	107	106	107	117	102	104	104	101	96	95	104	97	90	86	89
238.	113	113	108	107	107	118	102	104	105	101	97	95	105	97	90	86	89
239.	114	114	108	107	108	118	103	105	105	102	97	96	105	98	91	87	90
240.	114	114	109	107	108	119	103	105	106	102	98	96	106	98	91	87	90
241.	116	114	109	108	108	119	104	106	106	102	98	96	106	99	92	88	90
242.	116	115	110	108	109	120	104	106	106	103	99	97	106	99	92	88	91
243.	117	115	110	109	109	120	104	106	107	103	99	97	107	99	92	88	91
244.	117	116	110	109	110	121	105	107	107	104	99	98	107	100	93	89	92
245.	118	116	111	110	110	122	105	107	108	104	100	98	108	100	93	89	92
246.	118	117	111	110	111	122	106	108	108	105	100	98	108	101	95	90	92
247.	119	117	112	111	111	122	106	108	109	105	101	99	109	101	95	90	93
248.	119	118	112	111	112	123	106	108	109	106	101	99	109	101	95	90	93
249.	119	118	112	111	112	123	107	109	110	106	101	100	110	102	95	90	93
250.	120	119	113	112	113	124	107	109	110	106	101	100	110	102	96	91	94
251.	120	119	113	112	113	124	108	110	110	107	102	100	110	103	96	91	94
252.	121	120	114	113	113	125	108	110	111	107	102	101	111	103	97	92	95
253.	121	120	114	113	114	125	109	111	111	108	103	101	111	104	97	92	95
254.	122	121	115	114	114	126	109	111	112	108	103	102	112	104	97	92	95
255.	122	121	116	114	115	126	109	111	112	108	104	102	112	104	98	93	96
256.	123	122	117	116	115	127	110	112	113	109	104	102	113	105	98	93	96
257.	123	122	117	116	116	127	110	112	113	109	104	103	113	105	99	94	96
258.	124	123	118	116	116	128	111	113	114	110	105	103	114	106	99	94	97
259.	124	123	118	116	117	128	111	113	114	110	105	104	114	106	99	94	97
260.	124	124	118	117	117	129	111	113	114	111	105	104	114	106	99	94	98
261.	125	124	119	117	117	129	112	114	115	111	106	104	115	107	100	95	98
262.	125	124	119	118	118	130	112	114	115	111	106	105	115	107	100	95	98
263.	126	125	120	118	118	130	113	115	116	112	107	105	116	108	101	96	98
264.	126	125	120	119	119	131	113	115	116	112	107	106	116	108	101	96	99
265.	127	126	120	119	119	131	113	115	117	113	107	106	117	108	101	96	99
266.	127	126	121	120	120	132	114	116	117	113	108	106	117	109	102	97	100
267.	128	127	121	120	120	132	114	116	117	113	108	107	118	109	102	97	100
268.	128	127	122	121	121	133	115	118	118	114	109	107	118	110	103	98	101
269.	129	128	122	121	121	133	116	118	118	114	109	108	118	110	103	98	101
270.	129	128	122	121	122	134	116	118	119	115	109	108	119	110	103	98	101
271.	129	129	123	122	122	134	117	119	119	115	110	108	119	111	103	98	102
272.	130	129	123	122	122	135	117	119	120	116	110	109	120	111	104	99	102
273.	130	130	124	123	123	135	118	120	120	116	110	109	120	112	104	99	102
274.	131	130	124	123	123	135	118	120	121	116	111	110	120	112	105	100	103
275.	131	131	125	124	124	136	119	121	121	117	111	110	121	113	106	100	103
276.	132	131	125	124	124	137	119	121	121	117	112	110	122	113	106	100	104
277.	132	132	126	124	125	137	119	121	122	118	112	111	122	113	106	101	104
278.	133	132	126	125	125	138	120	122	122	118	113	111	122	114	106	101	104
279.	133	133	127	125	126	138	120	122	123	119	113	112	123	114	107	102	105
280.	134	133	127	126	126	139	121	123	123	119	113	112	123	115	107	102	105
281.	134	133	127	126	126	139	121	123	124	119	113	112	124	115	107	102	106
282.	134	134	128	126	127	140	121	123	124	120	114	113	124	115	107	102	106
283.	135	134	128	127	127	140	122	124	125	120	114	113	124	116	108	103	106
284.	135	135	129	127	128	140	122	124	125	121	115	114	125	116	108	103	107
285.	137	136	129	128	128	141	123	125	125	121	116	114	126	117	109	104	107
286.	137	136	130	128	129	142	123	125	126	122	117	114	126	117	109	104	107
287.	138	136	130	129	129	142	123	125	126	122	117	115	126	117	109	104	108
288.	138	137	130	129	130	143	124	126	127	122	117	115	127	118	110	106	108
289.	139	137	131	130	130	143	124	126	127	123	118	116	127	118	110	106	108
290.	139	138	131	130	131	144	125	127	128	123	118	116	128	119	111	106	109
291.	140	138	132	131	131	144	125	127	128	124	119	116	128	119	111	106	109
292.	140	139	132	131	131	144	125	127	128	124	119	117	128	119	111	106	110
293.	140	139	132	131	132	145	126	128	129	125	119	117	129	120	111	106	110
294.	141	140	133	131	132	145	126	128	129	125	119	118	129	120	112	107	110
295.	141	140	133	132	133	146	127	129	130	125	120	118	130	121	112	107	111
296.	142	141	134	132	133	147	127	129	130	126	120	118	130	121	113	108	111
297.	142	141	134	133	134	147	128	130	131	126	121	119	131	122	113	108	111

For Explanation of Column A and Column B, see page 2 herein.

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES 37.5K	37.5L	37.5M	37	36.5	36	5 or 35		35K	35L	32.5		32.5J	32.5K	32	32B	30		29.5	29	6 or 27.5	
COLUMN	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A	A	B
230.	82	78	84	85	84	83	81	89	77	73	75	82	68	71	74	69	69	76	68	67	63	70
231.	83	79	84	85	84	83	81	89	77	74	75	83	68	71	74	69	69	76	68	67	64	70
232.	83	79	84	86	85	84	81	89	78	74	75	83	69	72	74	70	70	77	68	67	64	70
233.	84	80	85	86	85	84	82	90	78	74	76	83	69	72	75	70	70	77	69	68	64	70
234.	84	80	85	87	85	84	82	90	79	75	76	84	69	72	75	70	70	77	69	68	64	71
235.	84	80	86	87	86	85	82	91	79	75	76	84	70	74	75	70	71	78	69	68	65	71
236.	85	81	86	87	86	85	83	91	79	75	77	85	70	74	76	71	71	78	70	68	65	72
237.	85	81	86	88	87	85	83	91	79	75	77	85	70	74	76	71	71	78	70	69	65	72
238.	85	81	86	88	87	86	83	92	80	76	77	85	70	74	76	71	71	79	70	69	65	72
239.	85	81	87	88	87	86	84	92	80	76	78	85	71	75	76	71	72	79	71	69	66	72
240.	86	82	87	89	88	86	84	92	80	76	78	86	71	75	77	72	72	79	71	70	66	73
241.	86	82	88	89	88	87	84	93	81	77	78	86	71	75	77	72	72	80	71	70	66	73
242.	87	83	88	90	88	87	85	93	81	77	79	86	72	76	77	72	73	80	71	70	67	73
243.	87	83	88	90	89	87	85	93	81	77	79	87	72	76	78	73	73	80	72	70	67	73
244.	87	83	89	90	89	88	85	94	82	78	79	87	72	76	78	73	73	80	72	71	67	74
245.	88	84	89	91	89	88	86	95	82	78	80	88	72	76	78	73	74	81	72	71	67	74
246.	88	84	90	91	90	89	86	95	82	78	80	88	73	77	79	74	74	81	73	71	68	75
247.	88	84	90	91	90	89	86	95	82	79	80	88	73	77	79	74	74	82	73	72	68	75
248.	88	84	90	92	91	89	87	96	83	79	81	89	73	77	79	74	74	82	73	72	68	75
249.	88	85	90	92	91	90	87	96	83	79	81	89	73	77	80	74	75	82	73	72	68	75
250.	89	85	91	93	91	90	88	96	83	79	81	89	74	78	80	75	75	83	74	73	69	76
251.	90	86	91	93	92	90	88	97	84	80	82	90	74	78	80	75	75	83	74	73	69	76
252.	90	86	92	93	92	91	88	97	84	80	82	90	74	78	81	75	76	83	74	73	69	76
253.	90	86	92	94	92	91	89	97	85	81	82	90	75	79	81	76	76	83	75	73	70	76
254.	91	87	92	94	93	91	89	98	85	81	83	91	75	79	81	76	76	84	75	74	70	87
255.	91	87	93	94	93	92	89	98	85	81	83	91	75	79	82	76	77	84	75	74	70	77
256.	91	87	93	95	93	92	90	99	86	82	83	92	76	80	82	77	77	85	76	74	70	78
257.	92	88	94	95	94	93	90	99	86	82	84	92	76	80	82	77	77	85	76	75	71	78
258.	92	88	94	95	94	93	90	99	86	82	84	92	76	80	83	77	77	85	76	75	71	78
259.	92	88	94	96	95	93	91	100	86	82	84	93	76	80	83	77	78	86	76	75	71	78
260.	93	89	94	96	95	94	91	100	87	83	85	93	77	81	83	78	78	86	77	75	72	79
261.	93	89	95	97	95	94	91	100	87	83	85	93	77	81	84	78	78	86	77	76	72	79
262.	93	89	95	97	96	94	92	101	87	83	85	94	77	81	84	78	79	86	77	76	72	79
263.	95	90	96	97	96	95	92	101	88	84	95	94	78	82	84	78	79	87	78	76	72	79
264.	95	90	96	98	96	95	92	102	88	84	86	94	78	82	84	79	79	87	78	77	73	80
265.	95	90	96	98	97	95	93	102	88	84	86	95	78	82	85	79	80	88	78	77	73	80
266.	96	91	97	98	97	96	93	103	89	85	86	95	79	83	85	79	80	88	78	77	73	81
267.	96	91	97	99	97	96	93	103	89	85	87	96	79	83	85	80	80	88	79	77	73	81
268.	97	92	98	99	98	96	94	103	89	85	87	96	79	83	86	80	80	89	79	78	74	81
269.	97	92	98	100	98	97	94	104	90	86	87	96	80	84	86	80	81	89	79	78	74	81
270.	97	92	98	100	99	97	95	104	90	86	88	97	80	84	86	80	81	89	80	78	74	82
271.	97	92	98	100	99	98	95	104	90	86	88	97	80	84	87	81	81	89	80	79	75	82
272.	98	93	99	101	99	98	95	105	90	86	88	97	80	84	87	81	82	90	80	79	75	82
273.	98	93	99	101	100	98	96	105	91	87	89	98	81	85	87	81	82	90	81	79	75	83
274.	98	93	100	101	100	99	96	105	91	87	89	98	81	85	88	82	82	90	81	79	75	83
275.	99	94	100	102	100	99	96	106	92	88	89	98	81	85	88	82	83	91	81	80	76	83
276.	99	94	100	102	101	99	97	106	92	88	90	99	82	86	88	82	83	91	81	80	76	84
277.	100	95	101	102	101	100	97	107	92	88	90	99	82	86	89	83	83	92	82	80	76	84
278.	100	95	101	103	101	100	97	107	93	89	90	99	82	86	89	83	83	92	82	81	76	84
279.	100	95	102	103	102	100	98	107	93	89	91	100	83	87	89	83	84	92	82	81	77	84
280.	101	96	102	104	102	101	98	108	93	89	91	100	83	87	90	84	84	92	83	81	77	85
281.	101	96	102	104	103	101	98	108	93	89	91	100	83	87	90	84	84	93	83	81	77	85
282.	101	96	102	104	103	102	99	109	95	90	92	101	83	87	90	84	85	93	83	82	78	85
283.	101	96	103	106	103	102	99	109	95	90	92	101	84	88	91	84	85	93	83	82	78	86
284.	102	97	103	106	104	102	99	109	95	90	92	101	84	88	91	85	85	94	84	82	78	86
285.	102	97	104	106	104	103	100	110	96	91	93	102	84	88	91	85	86	94	84	83	78	86
286.	103	98	104	106	104	103	100	110	96	91	93	102	85	89	92	85	86	95	84	83	79	87
287.	103	98	104	106	105	103	100	111	96	91	93	103	85	89	92	86	86	95	85	83	79	87
288.	103	98	105	107	105	104	101	111	97	92	94	103	85	89	92	86	86	95	85	84	79	87
289.	104	99	105	107	106	104	101	111	97	92	94	103	86	89	92	86	87	95	85	84	79	87
290.	104	99	106	107	106	104	102	112	97	92	94	104	86	90	93	86	87	96	86	84	80	88
291.	104	99	106	108	106	105	102	112	98	93	95	104	86	90	93	87	87	96	86	84	80	88
292.	104	99	106	108	107	105	102	112	98	93	95	104	86	90	93	87	88	96	86	85	80	88
293.	105	100	106	108	107	106	103	113	98	93	96	105	86	90	94	87	88	97	86	85	81	89
294.	105	100	107	109	107	106	103	113	98	93	96	105	87	91	94	87	88	97	87	85	81	89
295.	106	101	107	109	108	106	103	114	99	94	96	106	87	91	94	88	89	98	87	86	81	89
296.	106	101	108	110	108	107	104	114	99	94	96	106	87	91	95	88	89	98	87	86	81	90
297.	106	102	108	110	108	107	104	114	100	95	97	106	88	92	95	88	89	98	88	86	82	90

For Explanation of Column A and Column B, see page 2 herein.

1833

BLANKET SUPPLEMENT NO. 424

Amend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds.)

RATE BASIS NO.	CLASSES 27.5J	27.5K	27.5L	27.5M	26	25		25J	25K	25L	25N	23.5	23.5K	23J	23N	22.5
	COLUMN A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A
230	63	60	63	57	60	58	63	58	55	52	57	54	51	54	51	52
231	64	61	63	58	60	58	64	58	56	53	58	54	51	54	53	52
232	64	61	63	58	60	58	64	58	56	53	58	55	53	54	53	52
233	64	61	64	58	61	58	64	58	56	53	58	55	53	54	53	52
234	64	62	64	59	61	59	64	59	56	53	59	55	53	54	54	53
235	65	62	64	59	61	59	65	59	57	54	59	55	53	55	54	53
236	65	62	65	59	61	59	65	59	57	54	59	55	54	55	54	53
237	65	62	65	59	62	59	65	59	57	54	59	56	54	55	54	53
238	65	62	65	59	62	60	66	60	57	54	59	56	54	55	54	54
239	66	63	65	60	62	60	66	60	57	54	60	56	54	56	55	54
240	66	63	65	60	62	60	66	60	58	55	60	56	54	56	55	54
241	66	63	66	60	63	60	66	60	58	55	60	57	54	56	55	54
242	67	64	66	61	63	61	67	61	58	55	61	57	55	57	56	54
243	67	64	66	61	63	61	67	61	58	55	61	57	55	57	56	55
244	67	64	67	61	63	61	67	61	59	56	61	57	55	57	56	55
245	67	64	67	61	64	61	68	61	59	56	61	58	55	57	56	55
246	68	65	67	62	64	62	68	62	59	56	62	58	56	58	57	56
247	68	65	68	62	64	62	68	62	59	56	62	58	56	58	57	56
248	68	65	68	62	64	62	68	62	59	56	62	58	56	58	57	56
249	68	65	68	62	65	62	69	62	60	57	62	59	56	58	57	56
250	69	65	68	62	65	63	69	63	60	57	62	59	56	59	57	56
251	69	66	68	63	65	63	69	63	60	57	63	59	57	59	58	56
252	69	66	69	63	66	63	69	63	60	57	63	59	57	59	58	57
253	70	66	69	63	66	63	70	63	61	58	63	59	57	60	58	57
254	70	67	69	64	66	64	70	64	61	58	64	60	57	60	58	57
255	70	67	70	64	66	64	70	64	61	58	64	60	58	60	58	57
256	70	67	70	64	67	64	71	64	61	58	64	60	58	60	58	58
257	71	67	70	64	67	64	71	64	62	59	64	60	58	60	58	58
258	71	68	71	64	67	65	71	65	62	59	65	61	58	60	59	58
259	71	68	71	65	67	65	71	65	62	59	65	61	58	60	59	58
260	72	68	71	65	68	65	72	65	62	59	65	61	58	61	59	59
261	72	68	71	65	68	65	72	65	62	59	65	61	59	61	59	59
262	72	68	71	65	68	66	72	66	63	60	65	62	59	61	59	59
263	72	69	72	66	68	66	72	66	63	60	66	62	59	61	60	59
264	73	69	72	66	69	66	73	66	63	60	66	62	59	62	60	59
265	73	69	72	66	69	66	73	66	63	60	66	62	60	62	60	60
266	73	70	73	67	69	67	73	67	64	61	67	63	60	62	61	60
267	73	70	73	67	69	67	74	67	64	61	67	63	60	62	61	60
268	74	70	73	67	70	67	74	67	64	61	67	63	60	63	61	60
269	74	70	74	67	70	67	74	68	64	61	67	63	61	63	61	61
270	74	70	74	67	70	68	74	68	64	61	67	63	61	63	61	61
271	75	71	74	68	70	68	75	68	65	62	68	64	61	64	62	61
272	75	71	74	68	71	68	75	68	65	62	68	64	61	64	62	61
273	75	71	74	68	71	68	75	68	65	62	68	64	61	64	62	61
274	75	71	75	68	71	69	75	69	65	62	68	64	62	64	62	62
275	76	72	75	69	72	69	76	69	66	63	69	65	62	65	63	62
276	76	72	75	69	72	69	76	69	66	63	69	65	62	65	63	62
277	76	72	76	69	72	69	76	69	66	63	69	65	62	65	63	62
278	76	74	76	70	72	70	77	70	66	63	70	65	62	65	64	63
279	77	74	76	70	73	70	77	70	67	64	70	66	63	65	64	63
280	77	74	77	70	73	70	77	70	67	64	70	66	63	65	64	63
281	77	74	77	70	73	70	77	70	67	64	70	66	63	65	64	63
282	78	74	77	70	73	71	78	71	67	64	70	66	63	66	64	63
283	78	75	77	71	74	71	78	71	67	64	71	67	63	66	65	64
284	78	75	77	71	74	71	78	71	68	65	71	67	64	66	65	64
285	78	75	78	71	74	71	79	71	68	65	71	67	64	66	65	64
286	79	76	78	72	74	72	79	72	68	65	72	67	64	67	65	64
287	79	76	78	72	75	72	79	72	68	65	72	67	64	67	65	65
288	79	76	79	72	75	72	79	72	69	66	72	68	65	67	65	65
289	79	76	79	72	75	72	80	72	69	66	72	68	65	67	65	65
290	80	77	79	73	75	73	80	73	69	66	73	68	65	68	66	65
291	80	77	80	73	76	73	80	73	69	66	73	68	65	68	66	65
292	80	77	80	73	76	73	80	73	69	66	73	69	65	68	66	66
293	81	77	80	73	76	73	81	73	70	67	73	69	66	69	66	66
294	81	77	80	73	76	74	81	74	70	67	73	69	66	69	66	66
295	81	78	80	74	77	74	81	74	70	67	74	69	66	69	67	66
296	81	78	81	74	77	74	82	74	70	67	74	70	66	69	67	67
297	82	78	81	74	77	74	82	74	71	68	74	70	66	70	67	67

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT NO. 424

mend "Table of Rates" shown in Tariffs, as amended, to which this is a supplement, to read as follows:-

TABLE OF RATES
(In Cents Per 100 Pounds)

RATE BASIS NOS.	CLASSES													
	22.5J	22.5K	22.5L	22.5M	21	20		20J	19	18	17.5	17.5J	17.5K	16
	COLUMN													
	A	A	A	A	A	A	B	A	A	A	A	A	A	A
230.	52	49	47	49	48	46	51	46	44	41	40	39	40	37
231.	52	49	47	49	49	46	51	46	44	42	40	39	40	37
232.	52	49	47	49	49	46	51	46	44	42	41	39	41	37
233.	52	50	48	50	49	47	51	47	44	42	41	39	41	37
234.	53	50	48	50	49	47	51	47	44	42	41	39	41	37
235.	53	50	48	50	49	47	52	47	45	42	41	39	41	38
236.	53	50	48	50	50	47	52	47	45	42	41	40	41	38
237.	53	50	48	50	50	47	52	47	45	43	41	40	41	38
238.	54	51	49	51	50	48	52	48	45	43	42	40	42	38
239.	54	51	49	51	50	48	53	48	45	43	42	40	42	38
240.	54	51	49	51	50	48	53	48	46	43	42	40	42	38
241.	54	51	49	51	51	48	53	48	46	43	42	40	42	39
242.	54	53	50	53	51	48	53	48	46	44	42	41	42	39
243.	55	53	50	53	51	49	53	49	46	44	43	41	43	39
244.	55	53	50	53	51	49	54	49	46	44	43	41	43	39
245.	55	53	50	53	51	49	54	49	47	44	43	41	43	39
246.	55	53	50	53	52	49	54	49	47	44	43	41	43	39
247.	56	54	51	54	52	49	54	50	47	44	43	41	43	40
248.	56	54	51	54	52	50	55	50	47	45	43	41	43	40
249.	56	54	51	54	52	50	55	50	47	45	44	42	44	40
250.	56	54	51	54	53	50	55	50	48	45	44	42	44	40
251.	56	54	51	54	53	50	55	50	48	45	44	42	44	40
252.	57	55	52	55	53	50	55	50	48	45	44	42	44	40
253.	57	55	52	55	53	51	56	51	48	46	44	42	44	40
254.	57	55	52	55	53	51	56	51	48	46	44	42	44	41
255.	57	55	52	55	54	51	56	51	48	46	45	43	45	41
256.	58	55	52	55	54	51	56	51	49	46	45	43	45	41
257.	58	56	53	56	54	51	57	51	49	46	45	43	45	41
258.	58	56	53	56	54	52	57	52	49	46	45	43	45	41
259.	58	56	53	56	54	52	57	52	49	47	45	43	45	41
260.	59	56	53	56	55	52	57	52	49	47	46	43	46	42
261.	59	56	53	56	55	52	57	52	50	47	46	43	46	42
262.	59	57	54	57	55	52	58	52	50	47	46	44	46	42
263.	59	57	54	57	55	53	58	53	50	47	46	44	46	42
264.	59	57	54	57	55	53	58	53	50	48	46	44	46	42
265.	60	57	54	57	56	53	58	53	50	48	46	44	46	42
266.	60	57	54	57	56	53	59	53	51	48	47	44	47	43
267.	60	58	55	58	56	53	59	53	51	48	47	45	47	43
268.	60	58	55	58	56	54	59	54	51	48	47	45	47	43
269.	61	58	55	58	56	54	59	54	51	48	47	45	47	43
270.	61	58	55	58	57	54	59	54	51	49	47	45	47	43
271.	61	58	55	58	57	54	60	54	51	49	47	45	47	43
272.	61	59	56	59	57	54	60	54	52	49	48	45	48	44
273.	61	59	56	59	57	55	60	55	52	49	48	45	48	44
274.	62	59	56	59	58	55	60	55	52	49	48	46	48	44
275.	62	59	56	59	58	55	61	55	52	50	48	46	48	44
276.	62	59	56	59	58	55	61	55	52	50	48	46	48	44
277.	62	60	57	60	58	55	61	55	53	50	48	46	48	44
278.	63	60	57	60	58	56	61	56	53	50	49	46	49	44
279.	63	60	57	60	59	56	61	56	53	50	49	46	49	45
280.	63	60	57	60	59	56	62	56	53	50	49	47	49	45
281.	63	60	57	60	59	56	62	56	53	51	49	47	49	45
282.	63	61	58	61	59	56	62	56	54	51	49	47	49	45
283.	64	61	58	61	59	57	62	57	54	51	50	47	50	45
284.	64	61	58	61	60	57	62	57	54	51	50	47	50	45
285.	64	61	58	61	60	57	63	57	54	51	50	47	50	46
286.	64	62	59	62	60	57	63	57	54	51	50	48	50	46
287.	65	62	59	62	60	57	63	57	55	52	50	48	50	46
288.	65	62	59	62	60	58	63	58	55	52	50	48	50	46
289.	65	62	59	62	61	58	64	58	55	52	51	48	51	46
290.	65	62	59	62	61	58	64	58	55	52	51	48	51	46
291.	66	63	60	63	61	58	64	58	55	52	51	48	51	47
292.	66	63	60	63	61	58	64	58	55	53	51	48	51	47
293.	66	63	60	63	62	59	64	59	56	53	51	49	51	47
294.	66	63	60	63	62	59	65	59	56	53	51	49	51	47
295.	66	63	60	63	62	59	65	59	56	53	52	49	52	47
296.	67	64	61	64	62	59	65	59	56	53	52	49	52	47
297.	67	64	61	64	62	59	65	59	56	53	52	49	52	48

For Explanation of Column A and Column B, see page 2 herein.

335

Amend Tariffs (Except I.C.C. No. A-819) as amended, to which this is a Supplement, as indicated belo

RATE TABLE SHOWING MULTIPLES OF 1ST CLASS RATES

Change "Headings" to read as follows:

§When 1st Class Rate is	1¼ times Class Rate	1½ times Class Rate	1¾ times Class Rate	2 times Class Rate	2½ times Class Rate	3 times Class Rate	4 times Class Rate	§When 1st Class Rate is	1¼ times Class Rate	1½ times Class Rate	1¾ times Class Rate	2 times Class Rate	2½ times Class Rate	3 times Class Rate

RATES IN CENTS PER 100 POUNDS

§ - Apply as basic 1st Class rates the 1st Class rates shown under "Column A" or "Column B" acco to their application, in arriving at multiples thereof.

Amend I.C.C. No. A-819, as amended, as indicated below:

RATE TABLE SHOWING MULTIPLES OF 1ST CLASS RATES

Change "Headings" to read as follows:

§When 1st Class Rate is	4x1st Class Rate	3x1st Class Rate	2½x1st Class Rate	2x1st Class Rate	1¾x1st Class Rate	1½x1st Class Rate	1¼x1st Class Rate	§When 1st Class Rate is	4x1st Class Rate	3x1st Class Rate	2½x1st Class Rate	2x1st Class Rate	1¾x1st Class Rate	1½x1st Class Rate

RATES IN CENTS PER 100 POUNDS

§ - Apply as basic 1st Class rates the 1st Class rates shown under "Column A" or "Column B", acco to their application, in arriving at multiples thereof.

183

1262

THE CHANGES IN RATES, PUBLISHED HEREIN, ARE INCREASES

SUBJECT, EXCEPT AS OTHERWISE PROVIDED HEREIN, TO TARIFF OF INCREASED RATES AND CHARGES No. X-148, AGENT W. S. CURLETT'S I. C. C. No. A-742, C. T. C. No. A-495, K. R. C. No. A-10, P. S. C.-Md. No. A-44, P. U. C.-N. J. No. A-20, P. S. C.-N. Y. No. A-122, Pa. P. U. C. No. A-106, Vt.-P. S. C. No. A-19, Va. C. C. No. A-55, P. S. C.-W. Va. No. A-73, SUPPLEMENTS THERETO OR SUCCESSIVE ISSUES THEREOF. See Note below.

Note:—The operation of the provisions referring to this Note as to rates or charges published in this supplement is suspended on the effective date of such rates or charges (but not before May 15, 1943, as to rates or charges shown herein as reissued effective prior to May 15, 1943), until January 1, 1946, except as otherwise provided in Item No. R-148, and will become operative January 1, 1946.

The form of this publication is authorized by special permission of the Interstate Commerce Commission, No. 15585 of April 24, 1943, as amended.

Special Supplement No.........
to
K. R. C. No..........
P. S. C.-N. Y. No..........
Pa. P. U. C. No..........
shown herein

Special Supplement No.........
to
Vt.-P. S. C. No..........
P. S. C.-Md. No..........
P. U. C.-N. J. No..........
shown herein

Special Supplement No.........
to
I. C. C. No..........
C. T. C. No..........
Va. C. C. No..........
P. S. C.-W. Va. No..........
shown herein

SUPPLEMENTS TO TARIFFS

W. S. CURLETT, Agent

TRUNK LINE TARIFF BUREAU

APPLYING IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN IN TARIFFS AND SUPPLEMENTS THERETO

REVISED "TABLE OF RATES"

(CANCELS PRESENT "TABLE OF RATES")

ALSO REVISED NOTES AND FOOTNOTES INDICATED HEREIN

Number of This Supplement	Cancels Supplement No.	TO										
		I. C. C. Nos.	Tariff Nos.	C. T. C. Nos.	K. R. C. Nos.	P. S. C.-Md. Nos.	P. U. C.-N. J. Nos.	P. S. C.-N. Y. Nos.	Pa. P. U. C. Nos.	Vt. P. S. C. Nos.	Va. C. C. Nos.	P. S. C.-W. Va. Nos.
142	88	A-331	61	A-188				A-41		A-1		
132	82	A-332	62				A-2	A-42				
136	85	A-333	63	A-189				A-43	A-40			
139	86	A-334	64			A-5	A-3		A-41			
134	86	A-335	65	A-190		A-6		A-44	A-42			
138	90	A-336	66	A-191		A-7			A-43			A-29
143	89	A-337	67			A-8			A-44		A-12	A-30
156	99	A-339	69	A-193		A-11					A-13	A-32
146	93	A-340	70	A-194	A-2				A-46		A-14	A-33

ISSUED OCTOBER 25, 1945 **EFFECTIVE NOVEMBER 30, 1945**

Issued in compliance with order of the Interstate Commerce Commission in Docket No. 28300 of May 14, 1945, as amended.

The form of this publication is authorized by special permission of the Interstate Commerce Commission No. 26345 of September 17, 1945.

Authority Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

RECEIVED		
Month	Day	Year

MADE IN U. S. A.

Issued by
W. S. CURLETT, Agent
143 Liberty Street,
New York 6, N. Y.

1837

(7124)

(BLANKET SUPPLEMENT No. 423 CANCELS 388)

(20,000)

EXPLANATION OF COLUMNS A AND B REFERRED TO HEREIN.

Applicable only where reference is made to Column A in Table of Rates herein

COLUMN A. The rates named in Column A apply only where applicable rating is published in EXCEPTIONS TO OF CLASSIFICATION, subject to applicable rules and other provisions in Exceptions to Official Classification and to applical and other provisions, except ratings, in Official Classification, EXCEPT that:

These rates will ALSO apply:

1. Where the applicable rating is published in the Official Classification and the applicable carload minimum is published in the Exceptions to Official Classification.

2. In connection with provisions of I. C. C. Second Supplemental Fourth Section Order No. 9800 and Fourth Order No. 12272, as amended, in arriving at class rates referred to therein, under ratings in Official Classification

3. On export, import, forwarding, reforwarding, coastwise or intercoastal traffic where domestic rates apply traffic and rates are arrived at under ratings published in Official Classification.

Applicable only where reference is made to Column B in Table of Rates herein.

COLUMN B. The rates named in Column B apply only where applicable rating is published in OFFICIAL CL CATION, subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisi cept ratings, in Exceptions to Official Classification, EXCEPT that:

These rates will NOT apply:

1. Where the applicable rating is published in the Official Classification and the applicable carload minimum is published in the Exceptions to Official Classification. Column A rates apply.

2. In connection with provisions of I. C. C. Second Supplemental Fourth Section Order No. 9800 and Fourth Order No. 12272, as amended, in arriving at class rates referred to therein. Column A rates apply.

3. On export, import, forwarding, reforwarding, coastwise or intercoastal traffic.

EXPLANATION OF NOTES

Amend Tariffs, as amended, to which this is a Supplement, as indicated below:

Change "Note" or "Footnote" now shown against stations on the Castleman River R. R. to read as follows

Note or Footnote.—Apply Worth, Pa., rates plus the following arbitraries in cents per 100 pounds (see Exception):

§CLASSES

1 or 100	2, R25, 3 or 87 to 70	R26, 4 or 65 to 50	5 or 47.5 to 30	6 or 29.5 to 16
♦5½ ‡6	♦4½ ‡5	♦3¼ ‡3½	♦2¼ ‡2½	♦1 ‡1

Exception.—From stations on the Castleman River R. R.

Class Rates provided herein will not apply on Forest Products including articles manufactured from Wood, as per List No Agent W. S. Curlett's Exceptions to the Official Classification, Tariff No. 90-J, I. C. C. No. A-797, C. L. minimum weight 36,000 p from stations on the Castleman River R. R.

The rate on Forest Products including articles manufactured from Wood will be the same as those published herein from Wort B. & O. R. R.

Departure from the terms of Rule 4 (i) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerc mission No. 164319 of October 25, 1937, as amended.

---

§ Includes letter suffixed classes bearing same number, e.g., Classes 100K and 100P are subject to the same arbitraries as C or 100.

♦ Applicable only in connection with rates shown under Column A on pages 5 to 22 hereof.
‡ Applicable only in connection with rates shown under Column B on pages 5 to 22 hereof.

EXPLANATION OF NOTES—Continued.

d Tariffs (Except I. C. C. No. A-340), as amended to which this is a supplement, as indicated below:

Change "Note" now shown against B. & O. R. R. Stations Index No. 3575-A Strouds, W. Va., to Index No. 3575-L Muddlety, W. Va., and Index No. 3591 Sewell Chief, W. Va., to Index No. 3594-1 Gwathmey, W. Va., inc.

Note.—Apply Curtin, W. Va., rates plus the following arbitraries in cents per 100 pounds.

§CLASSES

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
*6½	*5½	*5	*4½	*4
‡7	‡6	‡5½	‡5	‡4½

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
*3½	*3	*2½	*2	*1½	*1
‡3¾	‡3¼	‡2¾	‡2¼	‡1¾	‡1

d Tariffs, as amended to which this is a Supplement, as indicated below:

Change "Note" now shown against B. & O. R. R. Station Index No. 3580 Johnson Run, W. Va., to read as follows:

Note.—Apply Cowen, W. Va., rates plus the following arbitraries in cents per 100 pounds.

§CLASSES

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
*6½	*5½	*5	*4½	*4
‡7	‡6	‡5½	‡5	‡4½

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
*3½	*3	*2½	*2	*1½	*1
‡3¾	‡3¼	‡2¾	‡2¼	‡1¾	‡1

nd I. C. C. No. A-340, as amended as indicated below:

Note 11.—Except as provided for in Exceptions A, B, C and D, rates between stations on the B. & O. Index No. 3575-A Strouds, Va. to Index No. 3575-I Muddlety, W. Va., and stations shown on pages 24 to 160 of Tariff, and as amended, will be made by adding he Curtin, W. Va., rates the following arbitraries in cents per 100 pounds.

§CLASSES

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
*6½	*5½	*5	*4½	*4
‡7	‡6	‡5½	‡5	‡4½

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
*3½	*3	*2½	*2	*1½	*1
‡3¾	‡3¼	‡2¾	‡2¼	‡1¾	‡1

(Concluded on next page)

---

* Applicable only in connection with rates shown under Column A on pages 5 to 22 hereof

‡ Applicable only in connection with rates shown under Column B on pages 5 to 22 hereof

§ Includes letter suffixed classes bearing same number, e.g., Classes 100K and 100P are subject to the same arbitraries as Classes 1
0

EXPLANATION OF NOTES—Continued.

Amend I. C. C. No. A-340 as amended as indicated below:

Note 11—Concluded.

Exception A.—Apply Rate Basis numbers as shown below between stations on B. & O. and stations on B. & O. (Index Nos. 3575- Strouds, W. Va., to Index No. 3575-I Muddety, W. Va.) (see Exception B).

From and To Stations on B. & O. R. R. shown on pages 5 to 160 of Tariff, and as amended, taking Rate Basis.	To and From Stations on B&O Index No. 3575-A Strouds, W. Va., to Index No. 3575-I Muddlety, W. Va., shown on pages 5 to 160 of Tariff, and as amended. Apply Rate Basis Numbers	From and To Stations on B. & O. R. R. shown on pages 5 to 160 of Tariff, and as amended, taking Rate Basis.	To and From Stations on B&O Index No. 3575-A Strouds, W. Va., to Index No. 3575-I Muddlety, W. Va., shown on pages 5 to 160 of Tariff, and as amended. Apply Rate Basis Numbers	From and To Stations on B. & O. R. R. shown on pages 5 to 160 of Tariff, and as amended, taking Rate Basis.	To and Fro Stations on B& Index No. 3575- Strouds, W. V to Index N 3575-I Muddlety W. Va., show on pages 5 to 1 of Tariff, and amended. Apply Rate Basis Numbe
Adrian W. Va.	64	Flatwoods W. Va.	51	Norton W. Va.	68
Alexander W. Va.	66	Gassaway W. Va.	62	O'Brien W. Va.	66
Arden W. Va.	70	Gillespie W. Va.	51	Orlando W. Va.	59
Arnold W. Va.	58	Gilmer W. Va.	57	Otter W. Va.	70
Belington W. Va.	64	Glendon W. Va.	66	Pembroke W. Va.	62
Buckhannon W. Va.	64	Grafton W. Va.	70	Peterson W. Va.	58
Burnsville W. Va.	56	Hampton W. Va.	64	Philippi W. Va.	70
Byron W. Va.	68	Heaters W. Va.	56	Pickens W. Va.	70
Camden-on-Gauley W. Va.	37	Highpoint W. Va.	68	Red Rock W. Va.	64
Centralia W. Va.	49	Holly Junction W. Va.	49	Richwood W. Va.	41
Clarksburg W. Va.	68	Ira W. Va.	66	Roanville W. Va.	62
Consolidation No. 37 W. Va.	70	Jane Lew W. Va.	64	Sago W. Va.	64
Copen W. Va.	57	Lost Creek W. Va.	64	Strader W. Va.	66
Cowen W. Va.	44	Mabie W. Va.	70	Sutton W. Va.	64
Curtin W. Va.	⨍ 41	Midvale W. Va.	66	Ten Mile W. Va.	66
Dundon W. Va.	70	Moatsville W. Va.	70	Tygart Junction W. Va.	68
Elkins W. Va.	64	Mt. Royal W. Va.	70	Walkersville W. Va.	59
Erbacon W. Va.	44	Murphy W. Va.	68	Weston W. Va.	62
		Newlon W. Va.	70		

⨍ Will not apply to or from Allingdale, W. Va.

Exception B.—From stations on B. & O. Index No. 3575-A Strouds, W. Va., to Index No. 3575-I Muddlety, W. Va.

Except to stations on B. & O. R. R. taking Index Numbers 2410 to 2600, 3120 to 3610, 10290 to 10670, rate on Fore Products including articles manufactured from Wood as per List No. 27 shown in Agent W. S. Curlett's Exceptions to the Offici Classification, Tariff No. 90-J, I. C. C. No. A-797, C. L. minimum weight 36,000 pounds will be the same as that published here on Forest Products including articles manufactured from Wood from Allingdale, W. Va., B. & O. R. R. (Rate Basis Curtin, W. Va.

Exception C.—Apply Rate Basis No. 37 from and to stations on B. & O., viz.: Clear Fork, Hoffstot Mine, Muddlety and Sug Run, W. Va., to and from stations on B. & O., viz.: Delphi, Morton, Strouds, Ticoal and Tioga, W. Va.

Exception D.—Apply Rate Basis No. 32 between stations on B. & O., viz.: Allingdale, Delphi, Morton, Strouds, Ticoal an Tioga, W. Va. (File 69, B. & O.-1-1.)

Departure from the terms of Rule 4 (i) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Co mission No. 164319 of October 25, 1937, as amended and 24821 of April 24, 1945. (File 83971.)

Amend I. C. C. No. A-340, as amended as indicated below:

Note 18—Apply Curtin, W. Va., rates plus the following arbitraries in cents per 100 pounds.

§CLASSES

1 or 100	2 or 87 to 85	80 to 73.5	3, R25 or 72 to 70	65 to 60
♀6½ ‡7	♀5½ ‡6	♀5 ‡5½	♀4½ ‡5	♀4 ‡4½

R26, 4 or 57.5 to 50	47.5 to 42.5	5 or 40 to 35	6 or 32.5 to 27.5	26 to 20	19 to 16
♀3½ ‡3¾	♀3 ‡3¼	♀2½ ‡2¾	♀2 ‡2¼	♀1½ ‡1¾	♀1 ‡1

♀ Applicable only in connection with rates shown under Column A on pages 5 to 22 hereof.
‡ Applicable only in connection with rates shown under Column B on pages 5 to 22 hereof.
§ Includes letter suffixed classes bearing same number, e.g., Classes 100K and 100P are subject to the same arbitraries as Class or 100

BLANKET SUPPLEMENT No. 423.

mend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																
	1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 R 25 or 70		70K
	COLUMN																
	A	B	A	A	A	B	A	A	A	B	A	B	A	A	A	B	A
30	33	36	32	29	28	31	27	26	26	28	25	27	24	24	23	25	22
31	34	37	33	30	29	31	27	27	26	29	26	28	25	24	24	26	23
32	35	39	34	30	30	33	28	28	27	30	26	29	26	25	25	27	23
33	36	40	35	31	31	34	29	29	28	31	27	30	26	26	25	28	24
34	37	41	36	32	31	35	30	30	29	32	28	31	27	27	26	29	25
35	39	43	37	34	33	37	32	31	30	33	29	32	29	28	27	30	26
36	40	44	38	35	34	37	33	32	31	34	30	33	29	29	28	31	26
37	41	45	39	36	35	38	33	33	32	35	31	34	30	30	29	32	27
38	42	46	40	37	36	39	34	34	33	36	32	35	31	30	29	32	28
39	43	47	41	37	37	40	35	34	33	36	32	35	32	31	30	33	28
40	44	48	42	38	37	41	36	35	34	37	33	36	32	32	31	34	29
41	45	50	43	39	38	43	37	36	35	39	34	38	33	32	32	35	30
42	46	51	44	40	39	43	38	37	36	40	35	38	34	33	32	36	30
43	47	52	45	41	40	44	39	38	36	40	35	39	35	34	33	36	32
44	48	53	46	42	41	45	39	38	37	41	36	40	35	35	34	37	33
45	50	55	47	44	43	47	40	40	39	43	38	41	37	36	35	39	34
46	51	56	48	44	43	48	41	41	40	43	38	42	37	37	36	39	34
47	52	57	49	45	44	48	42	42	40	44	39	43	38	37	36	40	35
48	53	58	50	46	45	49	43	42	41	45	40	44	39	38	37	41	36
49	54	59	51	47	46	50	44	43	42	46	41	44	40	39	38	41	36
50	55	61	52	48	47	52	45	44	43	47	41	46	40	40	39	43	37
51	56	62	54	49	48	53	45	45	43	48	42	47	41	40	39	43	38
52	57	63	55	50	48	54	46	46	44	49	43	47	42	41	40	44	38
53	58	64	56	50	49	54	47	46	45	50	44	48	43	42	41	45	39
54	60	65	57	51	50	55	48	47	46	50	44	49	43	42	41	46	40
55	61	67	58	53	52	57	49	49	47	52	46	50	45	44	43	47	41
56	62	68	59	54	53	58	50	50	48	53	47	51	46	45	43	48	41
57	63	69	60	55	54	59	50	50	49	53	47	52	46	45	44	48	42
58	64	70	61	56	54	60	51	51	50	54	48	53	47	46	45	49	43
59	65	72	62	57	55	61	53	52	50	56	49	54	48	47	46	50	43
60	66	73	63	57	56	62	54	53	51	57	50	55	49	48	46	51	44
61	67	74	64	58	57	63	55	54	52	57	50	56	49	48	47	52	45
62	68	75	65	59	58	64	56	54	53	58	51	56	50	49	48	53	45
63	69	76	66	60	59	65	57	55	53	59	52	57	51	50	48	53	46
64	70	77	67	61	60	66	57	56	54	60	53	58	52	50	49	54	47
65	72	78	68	63	61	67	58	58	56	61	54	59	53	52	50	55	48
66	73	80	69	64	62	68	59	58	57	62	55	60	54	53	51	56	48
67	74	81	70	64	63	69	60	59	57	63	56	61	54	53	52	57	49
68	75	83	71	65	64	71	61	60	58	64	56	62	55	54	53	58	50
69	76	84	72	66	65	71	62	61	59	65	57	63	56	55	53	59	50
70	77	85	74	67	65	72	63	62	60	66	58	64	57	55	54	60	51
71	78	86	75	68	66	73	63	62	60	67	59	65	57	56	55	60	53
72	79	87	76	69	67	74	64	63	61	67	59	65	58	57	55	61	53
73	80	88	77	70	68	75	65	64	62	68	60	66	59	58	56	62	54
74	81	89	78	70	69	76	66	65	63	69	61	67	60	58	57	62	55
75	83	91	79	72	71	77	67	66	64	71	62	68	61	60	58	64	56
76	84	92	80	73	71	78	68	67	65	71	63	69	62	60	59	64	56
77	85	94	81	74	72	80	68	68	66	73	64	71	62	61	60	66	57
78	86	95	82	75	73	81	69	69	67	74	65	71	63	62	60	67	58
79	87	96	83	76	74	82	70	70	67	74	65	72	64	63	61	67	58
80	88	97	84	77	75	82	71	70	68	75	66	73	65	63	62	68	59
81	89	98	85	77	76	83	72	71	69	76	67	74	65	64	62	69	60
82	90	99	86	78	77	84	74	72	70	77	68	74	66	65	63	69	60
83	91	100	87	79	77	85	75	73	71	78	68	75	67	66	64	70	61
84	92	101	88	80	78	86	75	74	71	78	69	76	68	66	64	71	62
85	94	103	89	82	80	88	76	75	73	80	71	77	69	68	66	72	63
86	95	105	90	83	81	89	77	76	74	81	71	79	70	68	67	74	63
87	96	106	91	84	82	90	78	77	74	82	72	80	71	69	67	74	64
88	97	107	92	84	82	91	79	78	75	83	73	80	71	70	68	75	65
89	98	108	93	85	83	92	80	78	76	84	74	81	72	71	69	76	65

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT No. 423.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																			
	65		63	63E	62K	60		60E	60K	57 5	57		R26 or 55		55J	55K	52	4 or 50		50J
	COLUMN																			
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B	A
30	21	23	21	26½	20	20	22	25½	19	19	19	21	18	20	17	18	17	17	18	15
31	22	24	21	26½	20	20	22	25½	20	20	19	21	19	20	17	18	18	17	19	16
32	23	25	22	27½	21	21	23	26½	20	20	20	22	19	21	18	19	18	18	20	16
33	23	26	23	28½	21	22	24	27½	21	21	21	23	20	22	18	19	19	18	20	17
34	24	27	23	28½	22	22	25	27½	21	21	21	23	20	23	19	20	19	19	21	17
35	25	28	25	30½	23	23	26	28½	22	22	22	25	21	24	19	20	20	20	22	18
36	26	29	25	30½	23	24	26	29½	23	23	23	25	22	24	20	21	21	20	22	18
37	27	29	26	31½	24	25	27	30½	23	24	23	26	23	25	20	21	21	21	23	19
38	27	30	26	31½	25	25	28	30½	24	24	24	26	23	25	21	22	22	21	23	19
39	28	31	27	32½	25	26	28	31½	24	25	25	27	24	26	21	22	22	22	24	20
40	29	31	28	33½	26	26	29	31½	25	25	25	27	24	26	22	23	23	22	24	20
41	29	33	28	33½	26	27	30	32½	26	26	26	29	25	28	23	24	23	23	25	21
42	30	33	29	34½	27	28	31	33½	26	26	26	29	25	28	23	24	24	23	26	21
43	31	34	30	35½	28	28	31	33½	27	27	27	30	26	29	24	25	24	24	26	22
44	31	34	30	35½	28	29	32	34½	27	28	27	30	26	29	24	25	25	24	27	22
45	33	36	32	37½	29	30	33	35½	28	29	29	31	28	30	25	26	26	25	28	23
46	33	36	32	37½	30	31	34	36½	29	29	29	32	28	31	25	26	27	26	28	23
47	34	37	33	38½	30	31	34	36½	29	30	30	32	29	31	26	27	27	26	29	24
48	34	38	33	38½	32	32	35	37½	30	30	30	33	29	32	26	27	28	27	29	24
49	35	38	34	39½	32	32	35	37½	30	31	31	34	30	32	27	28	28	27	30	25
50	36	40	35	40½	33	33	37	38½	32	32	31	35	30	34	28	29	29	28	31	25
51	36	40	35	40½	34	34	37	39½	33	32	32	35	31	34	28	29	29	28	31	26
52	37	41	36	41½	34	34	38	39½	33	33	32	36	31	35	29	30	30	29	32	26
53	38	42	37	42½	35	35	38	40½	34	33	33	36	32	35	29	30	30	29	33	27
54	38	42	37	42½	35	35	39	40½	34	34	34	37	32	36	30	32	31	30	33	27
55	40	44	38	43½	36	37	40	42½	35	35	35	38	34	37	30	32	32	31	34	28
56	40	44	39	44½	37	37	41	42½	36	36	35	39	34	37	31	33	32	31	34	28
57	41	45	40	45½	37	38	41	43½	36	36	36	39	35	38	31	33	33	32	35	29
58	42	46	40	45½	38	38	42	43½	37	37	36	40	35	39	32	34	33	32	35	29
59	42	47	41	46½	39	39	43	44½	37	37	37	41	36	40	32	34	34	33	36	30
60	43	47	42	47½	39	40	44	45½	38	38	38	42	36	40	33	35	34	33	37	30
61	44	48	42	47½	40	40	44	45½	39	39	38	42	37	41	34	36	35	34	37	31
62	44	49	43	48½	40	41	45	46½	39	39	39	43	37	41	34	36	35	34	38	31
63	45	49	43	48½	41	41	46	46½	40	40	39	43	38	42	35	37	36	35	38	32
64	46	50	44	49½	42	42	46	47½	40	40	40	44	39	42	35	37	36	35	39	32
65	47	51	45	50½	42	43	47	48½	41	41	41	45	40	43	36	38	37	36	40	33
66	47	52	46	51½	43	44	48	49½	42	42	42	46	40	44	36	38	38	37	40	33
67	48	53	47	52½	44	44	49	49½	42	46	42	46	41	45	37	39	38	37	41	34
68	49	54	47	52½	44	45	50	50½	43	43	43	47	41	46	37	39	39	38	42	34
69	49	55	48	53½	45	46	50	51½	43	44	43	48	42	46	38	40	40	38	42	35
70	50	55	49	54½	45	46	51	51½	44	44	44	48	42	47	39	41	40	39	43	35
71	51	56	49	54½	46	47	52	52½	45	45	44	49	43	47	39	41	41	39	43	36
72	51	57	50	55½	47	47	52	52½	45	45	45	50	43	48	40	42	41	40	44	36
73	52	57	50	55½	47	48	53	53½	46	46	46	50	44	48	40	42	42	40	44	37
74	53	58	51	56½	48	49	53	54½	46	47	46	51	45	49	41	43	42	41	45	37
75	54	59	52	57½	49	50	55	55½	47	48	47	52	46	50	41	43	43	42	46	38
76	55	60	53	58½	49	50	55	55½	48	48	48	52	46	51	42	44	44	42	46	38
77	55	61	54	59½	50	51	56	56½	48	49	48	54	47	52	42	44	44	43	47	39
78	56	62	54	59½	50	52	57	57½	49	49	49	54	47	52	43	45	45	43	48	39
79	57	62	55	60½	51	52	58	57½	49	50	50	55	48	53	43	45	45	44	48	40
80	57	63	55	60½	53	53	58	58½	50	51	50	55	48	53	44	46	46	44	49	40
81	58	64	56	61½	53	53	59	58½	51	51	51	56	49	54	45	47	46	45	49	41
82	59	64	57	62½	54	54	59	59½	51	52	51	56	50	54	45	47	47	45	50	41
83	59	65	57	62½	54	55	60	60½	53	52	52	57	50	55	46	48	47	46	50	42
84	60	66	58	63½	55	55	61	60½	53	53	52	58	51	56	46	48	48	46	51	42
85	61	67	59	64½	56	56	62	61½	54	54	54	59	52	57	47	49	49	47	52	43
86	62	68	60	65½	56	57	63	62½	55	55	54	60	52	58	47	49	49	48	53	43
87	62	69	60	65½	57	58	64	63½	55	55	55	60	53	58	48	50	50	48	53	44
88	63	70	61	66½	58	58	64	63½	56	56	55	61	53	59	48	50	50	49	54	44
89	64	70	62	67½	58	59	65	64½	56	56	56	62	54	59	49	51	51	49	54	45

For Explanation of Column A and Column B, see page 3 herein

"Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

ATE BASIS UMBERS	CLASSES																	
	50K	47.5	47.5K	47K	45		45K	45S	44	42.5	42.5K	40		40J	40K	40L	37.5	
	COLUMN																	
	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A	B
	16	16	15	15	15	16	15	17	15	14	14	13	14	14	13	12	12	14
	17	16	16	16	15	17	15	17	15	14	14	14	15	14	13	12	13	14
	17	17	16	16	16	18	15	17	15	15	15	14	16	14	14	13	13	15
	18	17	17	17	16	18	16	18	16	15	15	14	16	15	14	13	14	15
	18	18	17	17	17	18	16	18	16	16	15	15	16	15	15	14	14	15
	19	19	18	17	18	19	17	19	17	17	16	16	17	16	15	14	15	16
	19	19	18	18	18	20	17	19	18	17	16	16	18	16	15	14	15	17
	20	19	19	18	18	20	18	20	18	17	17	16	18	17	16	15	15	17
	20	20	19	19	19	21	18	20	18	18	17	17	18	17	16	15	16	17
	21	20	20	19	19	21	19	21	19	18	18	17	19	18	17	16	16	18
	21	21	20	20	20	22	19	21	19	19	18	18	19	18	17	16	17	18
	22	21	20	20	20	23	19	21	20	19	18	18	20	18	17	16	17	19
	22	22	21	21	21	23	20	22	20	20	19	18	20	19	18	17	17	19
	23	22	21	21	21	23	20	22	21	20	19	19	21	19	18	17	18	20
	23	23	22	22	22	24	21	23	21	20	20	19	21	20	19	18	18	20
	24	24	22	22	23	25	21	23	22	21	20	20	22	20	19	18	19	21
	24	24	23	23	23	25	22	24	22	22	21	20	22	21	19	18	19	21
	25	25	23	23	23	26	22	24	23	22	21	21	23	21	20	19	20	21
	25	25	24	24	24	26	23	25	23	23	21	21	23	22	20	19	20	22
	26	26	24	24	24	27	23	25	24	23	22	22	24	22	21	20	20	22
	26	26	25	25	25	27	24	26	24	23	22	22	24	23	21	20	21	23
	27	27	25	25	25	28	24	26	25	24	23	22	25	23	21	20	21	23
	27	27	26	25	26	28	24	26	25	24	23	23	25	23	22	21	21	24
	28	28	26	26	26	29	25	27	26	25	24	23	26	24	22	21	22	24
	28	28	27	26	27	29	25	27	26	25	24	24	26	24	23	22	22	24
	29	29	27	27	27	30	26	28	27	26	24	24	27	25	23	22	23	25
	29	29	28	27	28	31	26	28	27	26	25	25	27	25	23	22	23	26
	30	30	28	28	28	31	27	29	28	27	25	25	28	26	24	23	24	26
	30	30	29	28	29	32	27	29	28	27	26	26	28	26	24	23	24	26
	32	31	29	29	29	32	28	30	29	28	26	26	29	27	25	24	24	27
	32	31	30	29	30	33	28	30	29	28	27	26	29	27	25	24	25	27
	33	32	30	30	30	33	28	30	29	28	27	27	30	27	25	24	25	28
	33	32	30	30	31	34	29	31	30	29	27	27	30	28	26	25	26	28
	34	33	32	32	31	34	29	31	30	29	28	28	30	28	26	25	26	29
	34	33	32	32	32	35	30	32	31	30	28	28	31	29	27	26	26	29
	35	34	33	33	32	36	30	32	32	31	29	29	32	29	27	26	27	30
	35	35	33	33	33	36	32	34	32	31	29	29	32	30	27	26	27	30
	36	35	34	33	33	36	32	34	33	31	29	30	32	30	28	27	28	30
	36	36	34	34	34	37	33	35	33	32	30	30	33	31	28	27	28	31
	37	36	35	34	34	38	33	35	33	32	30	30	34	31	29	28	29	32
	37	37	35	35	35	38	34	36	34	33	32	31	34	32	29	28	29	32
	38	37	36	35	35	39	34	36	34	33	32	31	34	32	29	28	29	32
	38	38	36	36	36	39	34	36	35	34	33	32	35	32	30	29	30	33
	39	38	37	36	36	40	35	37	35	34	33	32	35	33	30	29	30	33
	39	38	37	37	36	40	35	37	36	34	33	32	36	33	32	30	30	33
	40	39	38	37	37	41	36	38	37	35	34	33	36	34	32	30	31	34
	40	40	38	38	38	41	36	38	37	36	34	34	37	34	32	30	32	35
	41	40	39	38	38	42	37	39	37	36	35	34	38	35	33	31	32	35
	41	41	39	39	39	43	37	39	38	37	35	34	38	35	33	31	32	36
	42	41	40	39	39	43	38	40	38	37	36	35	38	36	34	32	33	36
	42	42	40	40	40	44	38	40	39	37	36	35	39	36	34	32	33	36
	43	42	40	40	40	44	38	40	39	38	36	36	39	36	34	32	33	37
	43	43	41	41	41	45	39	41	40	38	37	36	40	37	35	33	34	37
	44	43	41	41	41	45	39	41	40	39	37	36	40	37	35	33	34	38
	44	44	42	41	41	45	40	42	40	39	38	37	40	38	36	34	35	38
	45	45	42	42	42	46	40	42	41	40	38	38	41	38	36	34	35	39
	45	45	43	42	43	47	41	43	42	40	39	38	42	39	36	34	36	39
	46	46	45	43	43	48	41	43	42	41	39	38	42	39	37	35	36	40
	46	46	44	43	44	48	42	44	43	41	39	39	43	40	37	35	36	40
	47	47	44	44	44	49	42	44	43	42	40	39	43	40	38	36	37	41

or Explanation of Column A and Column B, see page 2 herein.

1269

BLANKET SUPPLEMENT No. 433.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																				
	37.5K	37.5L	37.5M	37	36.5	36	5 or 35		35K	35L	32.5		32.5J	32.5K	32	32S	30		29.5	29	6 or 27.5
	COLUMN																				
	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A	A
30	12	12	12	12	12	12	12	13	12	11	11	12	10	11	11	11	10	11	10	10	9
31	13	12	13	13	12	12	12	13	12	11	11	12	10	11	11	11	10	11	10	10	9
32	13	12	13	13	13	13	12	14	12	11	11	13	10	11	11	11	11	12	10	10	10
33	13	13	13	13	13	13	13	14	13	12	12	13	11	12	12	12	11	12	11	10	10
34	14	13	14	14	14	13	13	14	13	12	12	13	11	12	12	12	11	12	11	11	10
35	14	13	14	14	14	14	14	15	13	12	13	14	11	12	12	12	12	13	12	11	11
36	15	14	15	15	15	14	14	15	14	13	13	14	12	13	13	13	12	13	12	12	11
37	15	14	15	15	16	15	14	16	14	13	13	15	12	13	13	13	12	14	12	12	11
38	15	14	15	16	15	15	16	16	14	13	14	15	12	13	13	13	13	14	12	12	12
39	16	15	16	16	16	15	15	16	15	14	14	15	13	14	14	13	13	14	13	12	12
40	16	15	16	16	16	16	15	17	15	14	14	16	13	14	14	14	13	14	13	13	12
41	16	15	16	17	16	16	16	18	15	14	15	16	13	14	14	14	14	15	13	13	12
42	17	16	17	17	17	17	16	18	16	15	15	17	14	15	15	14	14	15	14	13	13
43	17	16	17	17	17	17	16	18	16	15	15	17	14	15	15	15	14	16	14	14	13
44	18	17	18	18	18	17	17	19	16	15	16	17	14	15	15	15	14	16	14	14	13
45	18	17	18	19	18	18	18	19	17	16	16	18	15	16	16	15	15	17	15	15	14
46	18	17	18	19	19	18	18	20	17	16	17	18	15	16	16	16	15	17	15	15	14
47	19	18	19	19	19	19	18	20	17	16	17	19	15	16	17	16	16	17	15	15	14
48	19	18	19	20	19	19	19	20	18	17	17	19	16	17	17	16	16	17	16	15	15
49	19	18	20	20	20	19	19	21	18	17	18	19	16	17	17	17	16	18	16	16	15
50	20	19	20	20	20	20	19	21	19	18	18	20	16	17	18	17	17	18	16	16	15
51	20	19	20	21	20	20	20	22	19	18	18	20	17	18	18	17	17	19	17	16	16
52	21	20	21	21	21	21	20	22	19	18	18	20	17	18	18	18	17	19	17	17	16
53	21	20	21	21	21	21	20	22	20	19	19	21	17	18	19	18	17	19	17	17	16
54	21	20	22	22	22	21	21	23	20	19	19	21	18	19	19	18	18	20	17	17	16
55	22	21	22	23	22	22	21	23	20	19	20	22	18	19	20	19	18	20	18	18	17
56	22	21	22	23	23	22	22	24	21	20	20	22	18	19	20	19	19	20	18	18	17
57	22	21	23	23	23	23	22	24	21	20	20	22	19	20	20	19	19	21	19	18	17
58	23	22	23	24	23	23	22	25	21	20	21	23	19	20	20	20	19	21	19	19	18
59	23	22	24	24	24	23	23	25	22	21	21	23	19	20	21	20	20	22	19	19	18
60	24	23	24	24	24	24	23	26	22	21	21	24	20	21	21	20	20	22	19	19	18
61	24	23	24	25	24	24	23	26	22	21	22	24	20	21	21	21	20	22	20	19	18
62	24	23	25	25	25	24	24	26	23	22	22	24	20	21	22	21	20	23	20	20	19
63	25	24	25	26	25	25	24	27	23	22	22	25	20	21	22	21	21	23	20	20	19
64	25	24	26	26	26	25	25	27	23	22	23	25	21	22	22	21	21	23	21	20	19
65	25	24	26	27	26	26	25	28	24	23	23	26	21	22	23	22	22	24	21	21	20
66	26	25	26	27	27	26	26	29	24	23	24	26	21	22	23	22	22	24	22	21	20
67	26	25	27	27	27	27	26	28	24	23	24	26	22	23	24	22	22	24	22	21	20
68	27	26	27	28	27	27	26	29	25	24	24	27	22	23	24	23	23	25	22	22	21
69	27	26	28	28	28	27	27	29	25	24	25	27	22	23	24	23	23	25	22	22	21
70	27	26	28	28	28	28	27	30	26	25	25	28	23	24	25	23	23	26	23	22	21
71	28	27	28	29	28	28	27	30	26	25	25	28	23	24	25	24	23	26	23	23	21
72	28	27	29	29	29	28	28	30	26	25	26	28	23	24	25	24	24	26	23	25	22
73	28	27	29	30	29	29	28	31	27	26	26	29	24	25	26	24	24	26	24	23	22
74	29	28	30	30	30	29	28	31	27	26	26	29	24	25	26	25	24	27	24	23	22
75	29	28	30	31	30	30	29	32	27	26	27	30	24	25	27	25	25	27	24	24	23
76	30	29	30	31	31	30	29	32	28	27	27	30	25	26	27	25	25	28	25	24	23
77	30	29	31	31	31	31	30	33	28	27	28	31	25	26	27	26	26	28	25	25	23
78	30	29	31	32	31	31	30	33	28	27	28	31	25	26	28	26	26	29	25	25	24
79	32	30	32	32	32	31	30	34	29	28	28	31	26	27	28	26	26	29	26	25	24
80	32	30	32	33	32	32	31	34	29	28	29	32	26	27	28	27	26	29	26	26	24
81	32	30	32	33	32	32	31	34	29	28	29	32	26	27	28	27	27	29	26	26	24
82	33	31	33	33	33	32	32	35	30	29	29	32	27	28	29	27	27	30	27	26	25
83	33	31	33	34	33	33	32	35	30	29	30	33	27	28	29	28	27	30	27	26	25
84	34	32	34	34	34	33	32	35	30	29	30	33	27	28	29	28	28	30	27	27	25
85	34	32	34	35	34	34	33	36	32	30	31	33	28	29	30	28	28	31	28	27	26
86	34	32	34	35	35	34	33	37	32	30	31	34	28	29	30	29	29	32	28	28	26
87	35	33	35	36	35	35	34	37	32	30	31	34	28	29	31	29	29	32	28	28	26
88	35	33	35	36	35	35	34	37	33	31	32	35	29	30	31	29	29	32	29	28	27
89	35	33	36	36	36	35	34	38	33	31	32	35	29	30	31	29	29	32	29	28	27

For Explanation of Column A and Column B, see page 2 herein.

1844

BLANKET SUPPLEMENT No. 422.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES 27.5J	27.5K	27.5L	27.5M	26	25		25J	25K	25L	25N	23.5	23.5K	23J	23N	22.5	
COLUMN	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A	B
30	10	8	9	8	9	8	9	10	8	8	8	8	7	9	7	7	8
31	11	9	9	9	9	9	9	10	8	8	9	8	7	10	8	8	8
32	11	9	10	9	9	9	10	10	8	8	9	8	8	10	8	8	9
33	11	9	10	9	9	9	10	10	8	8	9	8	8	10	8	8	9
34	11	9	10	9	10	9	10	11	9	9	9	9	8	10	8	8	9
35	12	11	11	10	10	10	11	11	9	9	10	9	8	11	9	9	10
36	12	11	11	10	10	10	11	11	9	9	10	9	8	11	9	9	10
37	12	11	11	10	11	10	11	11	9	9	10	10	9	11	9	9	10
38	12	11	11	10	11	11	12	12	11	10	11	10	9	11	9	9	10
39	13	12	12	11	11	11	12	12	11	10	11	10	9	11	11	10	11
40	13	12	12	11	11	11	12	12	11	10	11	10	9	11	11	10	11
41	13	12	12	11	12	11	13	12	11	10	11	11	11	11	11	10	11
42	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	10	11
43	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	11	12
44	14	13	13	12	12	12	13	13	12	11	12	11	11	12	11	11	12
45	14	13	14	12	13	13	14	13	12	11	12	12	12	12	11	11	12
46	15	14	14	13	13	13	14	14	13	12	13	12	12	13	12	11	13
47	15	14	14	13	14	13	14	14	13	12	13	12	12	13	12	12	13
48	15	14	14	13	14	13	15	14	13	12	13	12	12	13	12	12	13
49	15	14	15	13	14	14	15	14	13	12	13	13	13	13	12	12	13
50	16	15	15	14	14	14	15	15	14	13	14	13	13	14	13	12	14
51	16	15	15	14	15	14	16	15	14	13	14	13	13	14	13	13	14
52	16	15	16	14	15	14	16	15	14	13	14	13	13	14	13	13	14
53	17	16	16	15	15	15	16	15	14	13	15	14	13	15	14	13	14
54	17	16	16	15	15	15	16	16	15	14	15	14	14	15	14	13	15
55	17	16	17	15	16	15	17	16	15	14	15	14	14	15	14	14	15
56	17	16	17	15	16	16	17	16	15	14	15	15	14	15	14	14	15
57	18	17	17	16	16	16	17	16	15	14	16	15	14	16	15	14	16
58	18	17	17	16	17	16	18	17	16	15	16	15	15	16	15	14	16
59	18	17	18	16	17	16	18	17	16	15	16	15	15	16	15	15	16
60	19	18	18	17	17	17	18	17	16	15	17	16	15	16	16	15	16
61	19	18	18	17	17	17	19	17	16	15	17	16	15	16	16	15	17
62	19	18	19	17	18	17	19	18	17	16	17	16	16	16	16	15	17
63	19	18	19	17	18	17	19	18	17	16	17	16	16	16	16	16	17
64	20	19	19	18	18	18	19	18	17	16	18	16	16	17	17	16	17
65	20	19	20	18	19	18	20	18	17	16	18	17	16	17	17	16	18
66	20	19	20	18	19	18	20	19	18	17	18	17	17	17	17	18	18
67	20	19	20	18	19	19	20	19	18	17	18	17	17	17	17	17	18
68	21	20	20	19	20	19	21	19	18	17	19	18	17	18	17	17	19
69	21	20	21	19	20	19	21	19	18	17	19	18	17	18	17	17	19
70	21	20	21	19	20	19	21	20	19	18	19	18	17	18	17	17	19
71	22	21	21	20	20	20	22	20	19	18	20	18	18	19	18	18	19
72	22	21	22	20	21	20	22	20	19	18	20	19	18	19	18	18	20
73	22	21	22	20	21	20	22	20	19	18	20	19	18	19	18	18	20
74	22	21	22	20	21	20	22	21	20	19	20	19	18	19	18	18	20
75	23	22	23	21	22	21	23	21	20	19	21	20	19	20	19	19	20
76	23	22	23	21	22	21	23	21	20	19	21	20	19	20	19	19	21
77	23	22	23	21	22	21	24	21	20	19	21	20	19	20	19	19	21
78	24	22	23	21	22	22	24	22	21	20	21	20	19	20	19	19	21
79	24	23	24	22	23	22	24	22	21	20	22	20	20	21	20	20	21
80	24	23	24	22	23	22	24	22	21	20	22	21	20	21	20	20	22
81	24	23	24	22	23	22	25	22	21	20	22	21	20	21	20	20	22
82	25	24	25	23	23	23	25	23	22	21	23	21	20	22	21	20	22
83	25	24	25	23	24	23	25	23	22	21	23	21	21	22	21	20	23
84	25	24	25	23	24	23	25	23	22	21	23	22	21	22	21	21	23
85	26	24	26	23	24	24	26	24	22	21	23	22	21	22	21	21	23
86	26	25	26	24	25	24	26	24	23	22	24	22	21	22	22	21	24
87	26	25	26	24	25	24	27	24	23	22	24	23	21	22	22	22	24
88	27	25	26	24	25	24	27	24	23	22	24	23	22	23	22	22	24
89	27	25	27	24	25	25	27	25	23	22	24	23	22	23	22	22	24

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT No. 433.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES													
	22.5J	22.5K	22.5L	22.5M	21	20		20J	19	18	17.5	17.5J	17.5K	16
	COLUMN													
	A	A	A	A	A	A	B	A	A	A	A	A	A	A
30	9	7	7	8	7	7	7	8	6	6	6	6	7	5
31	9	7	7	8	7	7	7	8	6	6	6	6	7	5
32	9	7	7	8	7	7	8	8	7	6	6	7	8	6
33	9	7	7	8	8	7	8	9	7	6	6	7	8	6
34	10	8	8	9	8	7	8	9	7	7	6	7	8	6
35	10	8	8	9	8	8	9	9	7	7	7	7	8	6
36	10	8	8	9	8	8	9	9	8	7	7	7	8	6
37	10	8	8	9	9	8	9	9	8	7	7	7	8	7
38	11	9	9	10	9	8	9	10	8	8	7	8	9	7
39	11	9	9	10	9	9	9	10	8	8	8	8	9	7
40	11	9	9	10	9	9	10	10	8	8	8	8	9	7
41	11	9	9	10	9	9	10	10	9	8	8	8	9	7
42	11	9	9	10	10	9	10	10	9	8	8	8	9	7
43	12	11	10	11	10	9	10	11	9	8	8	9	10	8
44	12	11	10	11	10	10	11	11	9	9	8	9	10	8
45	12	11	10	11	11	10	11	11	10	9	9	9	10	8
46	12	11	10	11	11	10	11	11	10	9	9	9	10	8
47	13	12	11	12	11	10	11	11	10	9	9	9	10	8
48	13	12	11	12	11	11	12	12	10	10	9	9	10	8
49	13	12	11	12	11	11	12	12	10	10	9	10	11	9
50	13	12	11	12	12	11	12	12	10	10	10	10	11	9
51	13	12	11	12	12	11	12	12	11	10	10	10	11	9
52	14	13	12	13	12	11	13	12	11	10	10	10	11	9
53	14	13	12	13	12	12	13	13	11	10	10	10	11	9
54	14	13	12	13	12	12	13	13	11	11	10	10	11	9
55	14	13	12	13	13	12	13	13	12	11	11	11	12	10
56	15	14	13	14	13	12	14	13	12	11	11	11	12	10
57	15	14	13	14	13	13	14	13	12	11	11	11	12	10
58	15	14	13	14	13	13	14	14	12	12	11	11	12	10
59	15	14	13	14	14	13	14	14	12	12	11	11	12	10
60	16	15	14	15	14	13	15	14	13	12	12	12	13	11
61	16	15	14	15	14	13	15	14	13	12	12	12	13	11
62	16	15	14	15	14	14	15	14	13	12	12	12	13	11
63	16	15	14	15	14	14	15	15	13	12	12	12	13	11
64	16	15	14	15	15	14	15	15	13	13	12	12	13	11
65	17	16	15	16	15	14	16	15	14	13	13	12	13	12
66	17	16	15	16	15	15	16	15	14	13	13	13	14	12
67	17	16	15	16	16	15	16	15	14	13	13	13	14	12
68	17	16	15	16	16	15	17	16	14	14	13	13	14	12
69	18	17	16	17	16	15	17	16	14	14	13	13	14	12
70	18	17	16	17	16	15	17	16	15	14	13	13	14	12
71	18	17	16	17	16	16	17	16	15	14	14	13	14	12
72	18	17	16	17	17	16	17	16	15	14	14	14	15	13
73	18	17	16	17	17	16	18	17	15	14	14	14	15	13
74	19	18	17	18	17	16	18	17	15	14	14	14	15	13
75	19	18	17	18	17	17	18	17	16	15	15	14	15	13
76	19	18	17	18	18	17	18	17	16	15	15	14	15	13
77	19	18	17	18	18	17	19	17	16	15	15	14	15	14
78	20	19	18	19	18	17	19	18	16	15	15	15	16	14
79	20	19	18	19	18	17	19	18	17	16	15	15	16	14
80	20	19	18	19	18	18	19	18	17	16	15	15	16	14
81	20	19	18	19	19	18	20	18	17	16	16	15	16	14
82	20	19	18	19	19	18	20	18	17	16	16	15	16	14
83	21	20	19	20	19	18	20	19	17	16	16	16	17	15
84	21	20	19	20	19	18	20	19	17	17	16	16	17	15
85	21	20	19	20	20	19	21	19	18	17	16	16	17	15
86	21	20	19	20	20	19	21	19	18	17	17	16	17	15
87	22	21	20	21	20	19	21	19	18	17	17	16	17	15
88	22	21	20	21	20	19	21	20	18	17	17	16	17	16
89	22	21	20	21	21	20	22	20	19	18	17	17	18	16

For Explanation of Column A and Column B, see page 2 herein.

1272

BLANKET SUPPLEMENT No. 423.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES 1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 R 25 or 70		70K
COLUMN	A	B	A	A	A	B	A	A	A	B	A	B	A	A	A	B	A
90	99	109	95	86	84	93	81	79	77	84	74	82	73	71	69	76	66
91	100	110	96	87	85	94	81	80	78	85	75	83	74	72	70	77	67
92	101	111	97	88	86	94	82	81	78	86	76	83	74	73	71	78	67
93	102	112	98	89	87	96	83	82	79	87	77	84	75	73	71	78	68
94	103	113	99	90	88	96	84	82	80	88	77	85	76	74	72	79	69
95	105	116	100	91	89	99	85	84	81	90	79	87	77	76	74	81	70
96	106	117	101	92	90	99	86	85	82	91	80	88	78	76	74	82	70
97	107	118	102	93	91	100	86	86	83	91	80	89	79	77	75	83	71
98	108	119	103	94	92	101	87	86	84	92	81	89	79	78	76	83	72
99	109	120	104	95	93	102	88	87	84	93	82	90	80	78	76	84	72
100	110	121	105	96	94	103	89	88	85	94	83	91	81	79	77	85	74
101	111	122	106	97	94	104	90	89	86	95	83	92	82	80	78	86	75
102	112	123	107	97	95	105	91	90	87	95	84	92	82	81	78	86	75
103	113	124	108	98	96	105	92	90	88	96	85	93	83	81	79	87	76
104	114	125	109	99	97	106	92	91	88	97	86	94	84	82	80	88	77
105	116	128	110	101	99	109	93	93	90	99	87	96	85	84	81	90	78
106	117	129	111	102	99	110	95	94	91	100	88	97	86	84	82	90	78
107	118	130	112	103	100	111	96	94	91	101	89	98	87	85	83	91	79
108	119	131	113	104	101	111	97	95	92	102	89	98	87	86	83	92	80
109	120	132	114	104	102	112	98	96	93	102	90	99	88	86	84	92	80
110	121	133	116	105	103	113	99	97	94	103	91	100	89	87	85	93	81
111	122	134	117	106	104	114	99	98	95	104	92	101	90	88	85	94	82
112	123	135	118	107	105	115	100	98	95	105	92	101	90	89	86	95	82
113	124	136	119	108	105	116	101	99	96	105	93	102	91	89	87	95	83
114	125	138	120	109	106	117	102	100	97	107	94	104	92	90	88	97	84
115	127	140	121	110	108	119	103	102	98	109	95	105	93	91	89	98	85
116	128	141	122	111	109	120	104	102	99	109	96	106	94	92	90	99	85
117	129	142	123	112	110	121	104	103	100	110	97	107	95	93	90	99	86
118	130	143	124	113	111	122	105	104	101	111	98	107	96	94	91	100	87
119	131	144	125	114	111	122	106	105	102	112	98	108	96	94	92	101	87
120	132	145	126	115	112	123	107	106	102	112	99	109	97	95	92	102	88
121	133	146	127	116	113	124	108	106	103	113	100	110	98	96	93	102	89
122	134	147	128	117	114	125	109	107	104	114	101	110	98	96	94	103	89
123	135	149	129	117	115	127	110	108	105	115	101	112	99	97	95	104	90
124	136	150	130	118	116	128	110	109	105	116	102	113	100	98	95	105	91
125	138	152	131	120	117	129	111	110	107	118	104	114	101	99	97	106	92
126	139	153	132	121	118	130	112	111	108	119	104	[illegible]	102	100	97	107	92
127	140	154	133	122	119	131	113	112	109	119	105	116	103	101	98	108	93
128	141	155	134	123	120	132	114	113	109	120	106	116	104	102	99	109	95
129	142	156	135	124	121	133	116	114	110	121	107	117	104	102	99	109	95
130	143	157	137	124	122	133	117	114	111	122	107	118	105	103	100	110	96
131	144	158	138	125	122	134	117	115	112	122	108	119	106	104	101	111	97
132	145	160	139	126	123	136	118	116	112	124	109	120	107	104	102	112	97
133	146	161	140	127	124	137	119	117	113	125	110	121	107	105	102	113	98
134	147	162	141	128	125	138	120	118	114	126	110	122	108	106	103	113	99
135	149	164	142	130	127	139	121	119	115	127	112	123	110	107	104	115	100
136	150	165	143	131	128	140	122	120	116	128	113	124	110	108	105	116	100
137	151	166	144	131	128	141	122	121	117	129	113	125	111	109	106	116	101
138	152	167	145	132	129	142	123	122	118	129	114	125	112	109	106	117	102
139	153	168	146	133	130	143	124	122	119	130	115	126	112	110	107	118	102
140	154	169	147	134	131	144	125	123	119	131	116	127	113	111	108	118	103
141	155	171	148	135	132	145	126	124	120	133	116	128	114	112	109	120	104
142	156	172	149	136	133	146	127	125	121	133	117	129	115	112	109	120	104
143	157	173	150	137	133	147	128	126	122	134	118	130	115	113	110	121	105
144	158	174	151	137	134	148	128	126	122	135	119	131	116	114	111	122	106
145	160	176	152	139	136	150	129	128	124	136	120	132	118	115	112	123	107
146	161	177	153	140	137	150	130	129	125	137	121	133	118	116	113	124	107
147	162	178	154	141	138	151	131	130	126	138	122	134	119	117	113	125	108
148	163	179	155	142	139	152	132	130	126	139	122	134	120	117	114	125	108
149	164	180	156	143	139	153	133	131	127	140	123	135	121	118	115	126	108

For Explanation of Column A and Column B, see page 2 herein.

1847

BLANKET SUPPLEMENT No. 422.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																			
	65		63	63E	62K	60		60E	60K	57.5	57		R26 or 55		55J	55K	52	4 or 50		N
	COLUMN																			
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B	A
90	64	71	62	67½	59	59	65	64½	57	57	56	62	54	60	50	53	51	50	55	[illegible]
91	65	71	63	68½	59	60	66	65½	58	58	57	63	55	61	50	53	52	50	56	[illegible]
92	66	72	64	69½	60	61	67	66½	58	58	58	63	56	61	51	54	53	51	56	[illegible]
93	66	73	64	69½	61	61	67	66½	59	59	58	64	56	62	51	54	53	51	56	[illegible]
94	67	73	65	70½	61	62	68	67½	59	59	59	64	57	62	52	55	54	52	57	[illegible]
95	68	75	66	71½	62	63	70	68½	60	60	60	66	58	64	52	55	55	52	58	[illegible]
96	69	76	67	72½	63	64	70	69½	61	61	60	67	58	64	53	56	55	53	59	[illegible]
97	70	77	67	72½	63	64	71	69½	61	62	61	67	59	65	53	56	56	54	59	[illegible]
98	70	77	68	73½	64	65	71	70½	62	62	62	68	59	66	54	57	56	54	60	[illegible]
99	71	78	69	74½	64	65	72	70½	62	63	62	[illegible]	60	66	54	57	57	55	60	50
100	72	79	69	74½	65	66	73	71½	63	63	63	69	61	67	55	58	57	55	61	50
101	72	79	70	75½	66	67	73	72½	64	64	63	70	61	67	56	59	58	56	61	51
102	73	80	71	76½	66	67	74	72½	64	64	64	70	62	68	56	59	58	56	62	51
103	73	81	71	76½	67	68	74	73½	65	65	64	71	62	68	57	60	59	57	63	52
104	74	81	72	77½	67	68	75	73½	65	66	65	71	63	69	57	60	59	57	63	52
105	75	83	73	78½	68	70	77	75½	66	67	66	73	64	70	58	61	60	58	64	53
106	76	84	74	79½	69	70	77	75½	67	67	67	74	64	71	58	61	61	59	65	53
107	77	85	74	79½	69	71	78	76½	67	68	67	74	65	72	59	62	61	59	66	54
108	77	85	75	80½	70	71	79	76½	68	68	68	75	65	72	59	62	62	60	66	54
109	78	86	76	81½	71	72	79	77½	68	69	68	75	66	73	60	63	62	60	66	55
110	79	86	76	81½	71	73	80	78½	69	70	69	76	67	73	61	64	63	61	67	55
111	79	87	77	82½	72	73	80	78½	70	70	70	76	67	74	61	64	63	61	67	56
112	80	88	77	82½	72	74	81	79½	70	71	70	77	68	74	62	65	64	62	68	56
113	81	88	78	83½	74	74	82	79½	71	71	71	78	68	76	62	65	64	62	68	57
114	81	90	79	84½	75	75	83	80½	71	72	71	79	69	76	63	66	65	63	69	57
115	83	91	80	85½	75	76	84	81½	72	73	72	80	70	77	63	66	66	64	70	58
116	83	92	81	86½	76	77	85	82½	74	74	73	80	70	78	64	67	67	64	71	58
117	84	92	81	86½	77	77	85	82½	74	74	74	81	71	78	64	67	67	65	71	59
118	85	93	82	87½	77	78	86	83½	75	75	74	82	72	79	65	68	68	65	72	59
119	85	94	83	88½	78	79	86	84½	75	75	75	82	72	79	65	68	68	66	72	60
120	86	94	83	88½	78	79	87	84½	76	76	75	83	73	80	66	69	69	66	73	60
121	86	95	84	89½	79	80	88	85½	77	76	76	83	73	80	67	70	69	67	73	61
122	87	96	84	89½	80	80	88	85½	77	77	76	84	74	81	67	70	70	67	74	61
123	88	97	85	90½	80	81	89	86½	78	78	77	85	74	82	68	71	70	68	75	62
124	88	98	86	91½	81	82	90	87½	78	78	78	86	75	83	68	71	71	68	75	62
125	90	99	87	92½	82	83	91	88½	79	79	79	87	76	84	69	72	72	69	76	63
126	90	99	88	93½	82	83	92	88½	80	80	79	87	76	84	69	72	72	70	77	63
127	91	100	88	93½	83	84	92	89½	80	81	80	88	77	85	70	74	73	70	77	64
128	92	101	89	94½	83	85	93	90½	81	81	80	88	78	86	70	74	73	71	78	64
129	92	101	89	94½	84	85	94	90½	84	82	81	89	78	86	71	75	74	71	78	65
130	93	102	90	95½	85	86	94	91½	82	82	82	89	79	86	72	76	74	73	79	65
131	94	103	91	96½	85	86	95	91½	83	83	82	90	79	87	72	76	75	73	79	66
132	94	104	91	96½	86	87	96	92½	83	83	83	91	80	88	73	77	75	73	80	66
133	95	105	92	97½	86	88	97	93½	84	84	83	92	80	89	73	77	76	73	81	67
134	96	105	93	98½	87	88	97	93½	84	85	84	92	81	89	74	78	76	74	81	67
135	97	107	94	99½	88	89	98	94½	85	85	85	93	82	90	74	78	77	75	82	68
136	98	107	95	100½	88	90	90	95½	86	86	86	94	83	91	75	79	78	75	83	68
137	98	108	95	100½	89	91	100	96½	86	87	86	95	83	91	75	79	79	76	83	69
138	99	109	96	101½	90	91	100	96½	87	87	87	95	84	93	76	80	79	76	84	[illegible]
139	99	109	96	101½	90	92	101	97½	87	88	87	96	84	93	76	80	80	77	84	[illegible]
140	100	110	97	102½	91	92	101	97½	88	89	88	96	85	93	77	81	80	77	85	[illegible]
141	101	111	98	103½	91	93	103	98½	89	89	88	97	85	94	78	82	81	78	86	[illegible]
142	101	112	98	103½	92	94	103	99½	89	90	89	98	86	95	78	82	81	78	86	[illegible]
143	102	112	99	104½	93	94	104	99½	90	90	89	99	86	95	79	83	82	79	87	[illegible]
144	103	113	100	105½	93	95	104	100½	90	91	90	99	87	96	79	83	82	79	87	[illegible]
145	104	114	101	106½	95	96	106	101½	91	92	91	100	88	97	80	84	83	80	88	[illegible]
146	105	114	101	106½	96	97	106	102½	92	93	92	101	89	97	80	84	84	81	88	[illegible]
147	105	116	102	107½	96	97	107	102½	92	93	92	101	89	98	81	85	84	81	89	[illegible]
148	106	116	103	108½	97	98	107	103½	93	94	93	102	90	98	81	85	85	82	90	[illegible]
149	107	117	108	108½	97	98	108	103½	93	94	93	103	90	99	82	86	85	83	90	[illegible]

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT No. 423.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																	
	50K	47.5	47.5K	47K	45		45K	45S	44	42.5	42.5K	40		40J	40K	40L	37.5	
	COLUMN																	
	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A	B
90	47	47	45	44	45	49	43	45	44	42	40	40	44	41	38	36	37	41
91	48	48	45	45	45	50	43	45	44	43	41	40	44	41	38	36	38	41
92	48	48	46	45	45	50	43	45	44	43	41	40	44	41	39	37	38	42
93	49	48	46	46	46	50	44	46	45	43	42	41	45	42	39	37	38	42
94	49	49	47	46	46	51	44	46	45	44	42	41	45	42	40	38	39	42
95	50	50	47	47	47	52	45	47	46	45	42	42	46	43	40	38	39	44
96	50	50	48	47	48	53	45	47	47	45	43	42	47	43	40	38	40	44
97	51	51	48	48	48	53	46	48	47	45	43	43	47	44	41	39	40	44
98	51	51	49	48	49	54	46	48	48	46	44	43	48	44	41	39	41	45
99	53	52	49	49	49	54	47	49	48	46	44	44	48	45	42	40	41	45
100	53	52	50	49	50	54	47	49	48	47	45	44	48	45	42	40	41	45
101	54	53	50	49	50	55	47	49	49	47	45	44	49	45	42	40	42	46
102	54	53	50	50	50	55	48	50	49	48	45	45	49	46	43	41	42	46
103	55	54	51	50	51	56	48	50	50	48	46	45	50	46	43	41	42	47
104	55	54	51	51	51	56	49	51	50	48	46	46	50	47	44	42	43	47
105	56	55	53	51	52	58	49	51	51	49	47	46	51	47	44	42	44	48
106	56	56	53	53	53	58	50	52	51	50	47	47	52	48	44	42	44	48
107	57	56	54	53	53	59	50	52	52	50	47	47	52	48	45	43	44	49
108	57	57	54	54	54	59	51	53	52	51	48	48	52	49	45	43	45	49
109	58	57	55	54	54	59	51	53	53	51	48	48	53	49	46	44	45	50
110	58	57	55	55	54	60	53	55	53	51	49	48	53	50	46	44	45	50
111	59	58	56	55	55	60	53	55	54	52	49	49	54	50	46	44	46	50
112	59	58	56	56	55	61	53	55	54	52	50	49	54	50	47	45	46	51
113	60	59	57	56	56	61	54	56	55	53	50	50	54	51	47	45	47	51
114	60	59	57	57	56	62	54	56	55	53	50	50	55	51	48	46	47	52
115	61	60	58	57	57	63	55	57	56	54	51	51	56	52	48	46	48	53
116	61	61	58	58	58	63	55	57	56	54	51	51	56	52	48	46	48	53
117	62	61	59	58	58	64	56	58	57	55	53	52	57	53	49	47	48	53
118	62	62	59	58	59	64	56	58	57	55	53	52	57	53	49	47	49	54
119	63	62	60	59	59	65	57	59	58	56	54	52	58	54	50	48	49	54
120	63	63	60	59	59	65	57	59	58	56	54	53	58	54	50	48	50	54
121	64	63	60	60	60	66	57	52	59	57	54	53	58	54	50	48	50	55
122	64	64	61	60	60	66	58	60	59	57	55	54	59	55	51	49	50	55
123	65	64	61	61	61	67	58	60	59	57	55	54	60	56	51	49	51	56
124	65	65	62	61	61	68	59	61	60	58	56	54	60	56	53	50	51	56
125	66	66	62	62	62	68	59	61	61	59	56	55	61	56	53	50	52	57
126	66	66	63	62	63	69	60	62	61	59	57	56	61	57	53	50	52	57
127	67	67	63	63	63	69	60	62	62	60	57	56	62	57	54	51	53	58
128	67	67	64	63	63	70	61	63	62	60	57	56	62	58	54	51	53	58
129	68	67	64	64	64	70	61	63	62	60	58	57	62	58	55	52	53	59
130	68	68	65	64	64	71	62	64	63	61	58	57	63	59	55	52	54	59
131	69	68	65	65	65	71	62	64	63	61	59	58	63	59	55	52	54	59
132	69	69	66	65	65	72	62	64	64	62	59	58	64	59	56	53	54	60
133	70	69	66	66	66	72	63	65	64	62	60	58	64	60	56	53	55	60
134	70	70	67	66	66	73	63	65	65	62	60	59	65	60	57	54	55	61
135	71	71	67	66	67	74	64	66	66	63	60	60	66	61	57	54	56	62
136	71	71	68	67	68	74	64	66	66	64	61	60	66	61	57	54	56	62
137	72	72	68	67	68	75	65	67	66	64	61	60	66	62	58	55	57	62
138	72	72	69	68	68	75	65	67	67	65	62	61	67	62	58	55	57	63
139	74	73	69	68	69	76	66	68	67	65	62	61	67	63	59	56	57	[illegible]
140	74	73	70	69	69	76	66	68	68	65	63	62	68	63	59	56	58	63
141	75	74	70	69	70	77	66	68	68	66	63	62	68	63	59	56	58	64
142	75	74	70	70	70	77	67	69	69	66	63	62	69	64	60	57	59	65
143	76	75	71	70	71	78	67	69	69	67	64	63	69	64	60	57	59	65
144	76	75	71	71	71	78	68	70	70	67	64	63	70	65	61	58	59	65
145	77	76	72	71	72	79	68	70	70	68	65	64	70	65	61	58	60	66
146	77	76	72	72	72	80	69	71	71	68	65	64	71	66	61	58	60	66
147	78	77	74	72	73	80	69	71	71	69	65	65	71	66	62	59	61	67
148	78	77	74	74	73	81	70	72	72	69	66	65	72	67	62	59	61	67
149	79	78	75	74	74	81	70	72	72	70	66	66	72	67	63	60	62	68

For Explanation of Column A and Column B, see page 2 herein.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																			
	37.5K	37.5L	37.5M	37	36.5	36	35 or 36		35K	35L	32.5		32.5J	32.5K	32	32S	30		29.5	29
	COLUMN																			
	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A
90	36	34	36	37	36	36	35	38	34	32	32	35	29	30	32	30	30	33	29	29
91	36	34	36	37	37	36	35	39	34	32	33	36	30	32	32	30	30	33	30	29
92	37	35	37	37	37	36	36	39	34	32	33	36	30	32	32	30	30	33	30	29
93	37	35	37	38	37	37	36	39	35	33	33	36	30	32	33	[illegible]	31	34	30	30
94	37	35	38	38	38	37	36	40	35	33	33	37	31	33	33	32	31	34	30	30
95	38	36	38	39	38	38	37	41	35	33	34	38	31	33	34	32	32	35	31	30
96	38	36	38	39	39	38	37	41	36	34	34	38	31	33	34	33	32	35	31	31
97	38	36	39	40	39	39	37	41	36	34	35	38	32	34	34	33	32	35	32	31
98	39	37	39	40	39	39	38	42	36	34	35	39	32	34	35	33	32	36	32	31
99	39	37	40	40	40	39	38	42	37	35	35	39	32	34	35	34	33	36	32	32
100	40	38	40	41	40	40	39	43	37	35	36	39	33	35	35	34	33	36	32	32
101	40	38	40	41	41	40	39	43	37	35	36	40	33	35	36	34	33	37	33	32
102	40	38	41	41	41	40	39	43	38	36	36	40	33	35	36	35	34	37	33	32
103	41	39	41	42	41	41	40	43	38	36	37	40	33	35	36	35	34	37	33	33
104	41	39	42	42	42	41	40	44	38	36	37	41	34	36	36	35	34	38	34	33
105	41	39	42	43	42	42	41	44	39	37	38	42	34	36	37	36	35	38	34	34
106	42	40	42	43	43	42	41	45	39	37	38	42	34	36	37	36	35	39	35	34
107	42	40	43	44	43	42	41	46	39	37	38	42	35	37	38	36	35	39	35	34
108	43	41	43	44	43	43	42	46	40	38	39	43	35	37	38	37	36	39	35	35
109	43	41	44	44	44	43	42	46	40	38	39	43	35	37	38	37	36	40	35	35
110	43	41	44	45	44	44	42	47	41	39	39	43	36	38	39	37	36	40	36	35
111	44	42	44	45	45	44	43	47	41	39	40	44	36	38	39	38	37	40	36	35
112	44	42	45	46	45	44	43	47	41	39	40	44	36	38	39	38	37	41	36	36
113	44	42	45	46	45	45	43	48	42	40	40	44	37	39	40	38	37	41	37	36
114	45	43	46	46	46	45	44	48	42	40	41	45	37	39	40	38	38	41	37	36
115	45	43	46	47	46	46	44	48	42	40	41	46	37	39	41	39	38	42	37	37
116	46	44	46	47	47	46	45	49	43	41	42	46	38	40	41	39	38	42	38	37
117	46	44	47	48	47	46	45	50	43	41	42	46	38	40	41	39	39	43	38	37
118	46	44	47	48	47	47	46	50	43	41	42	46	38	40	42	40	39	43	38	38
119	47	45	48	48	48	47	46	50	44	42	43	47	39	41	42	40	39	43	39	38
120	47	45	48	49	48	48	46	51	44	42	43	47	39	41	42	40	40	44	39	38
121	47	45	48	49	49	48	47	51	44	42	43	47	39	41	43	41	40	44	39	39
122	48	46	49	50	49	48	47	51	45	43	44	48	40	42	43	41	40	44	40	39
123	48	46	49	50	49	49	47	52	45	43	44	48	40	42	43	41	41	45	40	39
124	49	47	50	50	50	49	48	52	45	43	44	49	40	42	44	42	41	45	40	39
125	49	47	50	51	50	50	48	53	46	44	45	49	41	43	44	42	41	46	41	40
126	49	47	50	51	51	50	49	54	46	44	45	50	41	43	44	42	42	46	41	40
127	50	48	51	52	51	50	49	54	46	44	46	50	41	43	45	43	42	46	41	41
128	50	48	51	52	51	51	49	54	47	45	46	50	42	44	45	43	42	47	42	41
129	50	48	52	53	52	51	50	55	47	45	46	51	42	44	45	43	43	47	42	41
130	51	49	52	53	52	51	50	55	48	46	46	51	42	44	46	44	43	47	42	41
131	51	49	52	53	53	52	50	55	48	46	47	51	43	45	46	44	43	47	42	42
132	53	50	53	54	53	52	51	56	48	46	47	52	43	45	46	44	44	48	43	42
133	53	50	53	54	53	53	51	56	49	47	47	52	43	45	47	45	44	49	43	42
134	53	50	54	54	54	53	51	57	49	47	48	53	44	46	47	45	44	49	43	43
135	54	51	54	55	54	54	52	57	49	47	48	53	44	46	48	45	45	49	44	43
136	54	51	54	56	55	54	52	58	50	48	49	54	44	46	48	46	45	50	44	44
137	54	51	55	56	55	54	52	58	50	48	49	54	45	47	48	46	45	50	45	44
138	55	52	55	56	55	55	53	58	50	48	49	54	45	47	49	46	46	50	45	44
139	55	52	56	57	56	55	54	59	51	49	50	55	45	47	49	46	46	50	45	44
140	56	53	56	57	56	55	54	59	51	49	50	55	46	48	49	47	46	51	45	45
141	56	53	56	57	57	56	54	60	51	49	50	56	46	48	50	47	47	51	46	45
142	56	53	57	58	57	56	55	60	53	50	51	56	46	48	50	47	47	52	46	45
143	57	54	57	58	57	57	55	61	53	50	51	56	46	48	50	48	47	52	46	46
144	57	54	58	58	58	57	56	61	53	50	51	57	47	49	51	48	47	52	47	46
145	57	54	58	59	58	58	56	62	54	51	52	57	47	49	51	48	48	53	47	46
146	58	55	58	60	59	58	56	62	54	51	52	58	47	49	52	49	48	53	47	47
147	58	55	59	60	59	58	57	62	54	51	53	58	48	50	52	49	49	53	48	47
148	59	56	59	60	59	59	57	63	55	52	53	58	48	50	52	49	49	54	48	47
149	59	56	60	61	60	59	57	63	55	52	53	59	48	50	52	50	49	54	48	48

For Explanation of Column A and Column B, see page 2 herein.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																
	27 5J	27 5K	27 5L	27 5M	26	25		25J	25K	25L	25N	23 5	23 5K	23J	23N	22 5	
	COLUMN																
	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A	B
90	27	26	27	25	26	25	27	25	24	23	25	23	22	24	23	22	25
91	28	26	27	25	26	25	28	25	24	23	25	24	22	24	23	23	25
92	28	26	28	25	26	25	28	25	24	23	25	24	23	24	23	23	25
93	28	27	28	26	27	26	28	26	24	23	26	24	23	24	24	23	25
94	28	27	28	26	27	26	28	26	25	24	26	24	23	24	24	23	25
95	29	27	29	26	27	26	29	26	25	24	26	25	23	25	24	24	26
96	29	27	29	26	28	27	29	27	25	24	26	25	24	25	24	24	26
97	29	28	29	27	28	27	30	27	25	24	27	25	24	25	24	24	27
98	30	28	29	27	28	27	30	27	26	25	27	25	24	26	24	24	27
99	30	28	30	27	28	27	30	27	26	25	27	26	24	26	24	25	27
100	30	29	30	28	29	28	30	28	26	25	28	26	25	26	25	25	27
101	31	29	30	28	29	28	31	28	26	25	28	26	25	26	25	25	27
102	31	29	31	28	29	28	31	28	27	26	28	26	25	26	25	25	28
103	31	29	31	28	29	28	31	28	27	26	28	27	25	26	25	25	28
104	31	30	31	29	30	29	31	29	27	26	29	27	25	27	26	26	28
105	32	30	32	29	30	29	32	29	27	26	29	27	26	27	26	26	29
106	32	30	32	29	30	29	32	29	28	27	29	27	26	27	26	26	29
107	32	30	32	29	31	30	33	30	28	27	29	28	26	27	26	27	29
108	33	32	32	30	31	30	33	30	28	27	30	28	26	28	27	27	29
109	33	32	33	30	31	30	33	30	28	27	30	28	27	28	27	27	30
110	33	32	33	30	31	30	33	30	29	28	30	28	27	28	27	27	30
111	34	33	33	31	32	31	34	31	29	28	31	29	27	29	28	27	30
112	34	33	34	31	32	31	34	31	29	28	31	29	27	29	28	28	30
113	34	33	34	31	32	31	34	31	29	28	31	29	28	29	28	28	31
114	34	33	34	31	33	31	35	31	30	29	31	29	28	29	28	28	31
115	35	34	35	32	33	32	35	32	30	29	32	30	28	30	29	29	32
116	35	34	35	32	33	32	35	32	30	29	32	30	28	30	29	29	32
117	35	34	35	32	34	32	36	32	30	29	32	30	28	30	29	29	32
118	36	34	35	32	34	33	36	33	32	30	32	31	29	31	29	29	32
119	36	35	36	33	34	33	36	33	32	30	33	31	29	31	30	29	32
120	36	35	36	33	34	33	36	33	32	30	33	31	29	31	30	30	33
121	37	35	36	33	35	33	37	33	32	30	33	31	29	31	30	30	33
122	37	36	37	34	35	34	37	34	33	31	34	31	30	31	30	30	33
123	37	36	37	34	35	34	37	34	33	31	34	32	30	31	30	30	34
124	37	36	37	34	35	34	38	34	33	31	34	32	30	31	30	31	34
125	38	36	38	34	36	35	38	35	33	31	34	32	30	32	30	31	34
126	38	37	38	35	36	35	38	35	34	32	35	33	32	32	32	31	34
127	39	37	38	35	36	35	39	35	34	32	35	33	32	33	32	32	35
128	39	37	38	35	37	35	39	35	34	32	35	33	32	33	32	32	35
129	39	37	39	35	37	36	39	36	34	32	35	33	32	33	32	32	35
130	39	38	39	36	37	36	39	36	35	33	36	34	33	33	33	32	35
131	40	38	39	36	37	36	40	36	35	33	36	34	33	34	33	32	36
132	40	38	40	36	38	36	40	36	35	33	36	34	33	34	33	33	36
133	40	39	40	37	38	37	40	37	35	33	37	34	33	34	34	33	36
134	40	39	40	37	38	37	41	37	36	34	37	35	33	34	34	33	36
135	41	39	41	37	39	37	41	37	36	34	37	35	34	35	34	34	37
136	41	39	41	37	39	38	41	38	36	34	37	35	34	35	34	34	37
137	42	40	41	38	39	38	42	38	36	34	38	35	34	36	35	34	37
138	42	40	41	38	40	38	42	38	37	35	38	36	34	36	35	34	38
139	42	40	42	38	40	38	42	38	37	35	38	36	35	36	35	34	38
140	42	41	42	39	40	39	42	39	37	35	39	36	35	36	36	35	38
141	43	41	42	39	40	39	43	39	37	35	39	36	35	37	36	35	38
142	43	41	43	39	41	39	43	39	38	36	39	37	35	37	36	35	39
143	43	41	43	39	41	39	43	39	38	36	39	37	36	37	36	35	39
144	43	42	43	40	41	40	44	40	38	36	40	37	36	37	37	36	39
145	44	42	44	40	42	40	44	40	38	36	40	38	36	37	37	36	40
146	44	42	44	40	42	40	44	40	39	37	40	38	36	37	37	36	40
147	45	42	44	40	42	41	45	41	39	37	40	38	37	38	37	36	40
148	45	43	44	41	42	41	45	41	39	37	41	38	37	38	38	37	40
149	45	43	45	41	43	41	45	41	39	37	41	39	37	38	38	37	41

For explanation of Column A and Column B, see page 2 herein.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES 22.5J	22.5K	22.5L	22.5M	21	20	20	20J	19	18	17.5	17.5J	17.5K	16
COLUMN	A	A	A	A	A	A	B	A	A	A	A	A	A	A
90	22	21	20	21	21	20	22	20	19	18	17	17	18	16
91	23	21	20	21	21	20	22	20	19	18	18	17	18	16
92	23	22	21	22	21	20	22	20	19	18	18	17	18	16
93	23	22	21	22	21	20	22	21	19	18	18	17	18	16
94	23	22	21	22	22	21	23	21	20	19	18	17	18	16
95	24	22	21	22	22	21	23	21	20	19	18	18	19	17
96	24	23	22	23	22	21	23	21	20	19	19	18	19	17
97	24	23	22	23	22	21	24	21	20	19	19	18	19	17
98	24	23	22	23	23	22	24	22	21	19	19	18	19	17
99	25	23	22	23	23	22	24	22	21	20	19	18	19	17
100	25	24	23	24	23	22	24	22	21	20	19	19	20	18
101	25	24	23	24	23	22	24	22	21	20	19	19	20	18
102	25	24	23	24	24	22	25	22	21	20	20	19	20	18
103	25	24	33	24	24	23	25	23	21	20	20	19	20	18
104	26	24	23	24	24	23	25	23	22	21	20	19	20	18
105	26	25	24	25	24	23	26	23	22	21	20	19	20	19
106	26	25	24	25	25	23	26	23	22	21	20	20	21	19
107	27	25	24	25	25	24	26	24	22	21	21	20	21	19
108	27	25	24	25	25	24	26	24	23	21	21	20	21	19
109	27	26	25	26	25	24	26	24	23	22	21	20	21	19
110	27	26	25	26	25	24	27	24	23	22	21	20	21	19
111	27	26	25	26	26	24	27	24	23	22	21	20	21	20
112	28	26	25	26	26	25	27	25	23	22	22	21	22	20
113	28	26	25	26	26	25	27	25	24	22	22	21	22	20
114	28	27	26	27	26	25	28	25	24	23	22	21	22	20
115	29	27	26	27	27	25	28	26	24	23	22	21	22	20
116	29	27	26	27	27	26	28	26	24	23	22	21	22	20
117	29	27	26	27	27	26	28	26	25	23	23	21	23	21
118	29	28	27	28	27	26	29	26	25	23	23	22	23	21
119	29	28	27	28	28	26	29	26	25	24	23	22	23	21
120	30	28	27	28	28	26	29	26	25	24	23	22	23	21
121	30	28	27	28	28	27	29	27	25	24	23	22	23	21
122	30	28	27	28	28	27	29	27	25	24	23	22	23	21
123	30	29	28	29	28	27	30	27	26	24	24	23	24	22
124	31	29	28	29	29	27	30	27	26	24	24	23	24	22
125	31	29	28	29	29	28	30	28	26	25	24	23	24	22
126	31	29	28	29	29	28	31	28	26	25	24	23	24	[illegible]
127	32	30	29	30	29	28	31	28	27	25	25	23	25	[illegible]
128	32	30	29	30	30	28	31	28	27	25	25	23	25	[illegible]
129	32	30	29	30	30	28	31	28	27	26	25	24	25	[illegible]
130	32	30	29	30	30	29	31	29	27	26	25	24	25	[illegible]
131	32	30	29	30	30	29	32	29	27	26	25	24	25	[illegible]
132	33	32	30	32	30	29	32	29	28	26	25	24	25	[illegible]
133	33	32	30	32	31	29	32	29	28	26	26	24	26	[illegible]
134	33	32	30	32	31	29	32	29	28	26	26	24	26	[illegible]
135	34	32	30	32	31	30	33	30	28	27	26	25	26	[illegible]
136	34	33	31	33	32	30	33	30	29	27	26	25	26	[illegible]
137	34	33	31	33	32	30	33	30	29	27	26	25	26	[illegible]
138	34	33	31	33	32	30	33	30	29	27	27	25	27	[illegible]
139	34	33	31	33	32	31	34	31	29	28	27	25	27	[illegible]
140	35	34	32	34	32	31	34	31	29	28	27	26	27	[illegible]
141	35	34	32	34	33	31	34	31	29	28	27	26	27	[illegible]
142	35	34	32	34	33	31	34	31	30	28	27	26	27	[illegible]
143	35	34	32	34	33	31	35	31	30	28	27	26	27	[illegible]
144	36	34	32	34	33	32	35	32	30	28	28	26	28	[illegible]
145	36	35	33	35	34	32	35	32	30	29	28	26	28	[illegible]
146	36	35	33	35	34	32	35	32	31	29	28	27	28	[illegible]
147	36	35	33	35	34	32	36	32	31	29	28	27	28	[illegible]
148	37	35	33	35	34	33	36	33	31	29	29	27	29	[illegible]
149	37	36	34	36	34	33	36	33	31	30	29	27	29	[illegible]

For Explanation of Column A and Column B see page 2 herein.

ed "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																
	1 or 100		100K	87	2 or 85		85K	80	77.5		75		73.5	72	3 R 25 or 70		70K
	COLUMN																
	A	B	A	A	A	B	A	A	A	B	A	B	A	A	A	B	A
	165	182	158	144	140	155	134	132	128	141	124	137	121	119	116	127	110
	166	183	159	144	141	156	134	133	129	142	125	137	122	120	116	128	111
	167	184	160	145	142	156	135	134	129	145	125	138	123	120	117	129	111
	168	185	161	146	143	157	137	134	130	143	126	139	123	121	118	130	112
	169	186	162	147	144	158	138	135	131	144	127	140	124	122	118	130	113
	171	188	163	149	145	160	139	137	133	146	128	141	126	123	120	132	114
	172	189	164	150	146	161	140	138	133	146	129	142	126	124	120	132	114
	173	190	165	151	147	162	140	138	134	147	130	143	127	125	121	133	116
	174	191	166	151	148	162	141	139	135	148	131	143	128	125	122	134	117
	175	193	167	152	149	164	142	140	136	150	131	145	129	126	123	135	117
	176	194	168	153	150	165	143	141	136	150	132	146	129	127	123	136	118
	177	195	169	154	150	166	144	142	137	151	133	146	130	127	124	137	119
	178	196	170	155	151	167	145	142	138	152	134	147	131	128	125	137	119
	179	197	171	156	152	167	146	143	139	153	134	148	132	129	125	138	120
	180	198	172	157	153	168	146	144	140	153	135	149	132	130	126	139	121
	182	200	173	158	155	170	147	146	141	155	137	150	134	131	127	140	122
	183	201	174	159	156	171	148	146	142	156	137	151	135	132	128	141	122
	184	202	175	160	156	172	149	147	143	157	138	152	135	132	129	141	123
	185	204	176	161	157	173	150	148	143	158	139	153	136	133	130	143	124
	186	205	177	162	158	174	151	149	144	159	140	154	137	134	130	144	124
	187	206	179	163	159	175	152	150	145	160	140	155	137	135	131	144	125
	188	207	180	164	160	176	152	151	146	160	141	155	138	135	132	145	126
	189	208	181	164	161	177	153	151	146	161	142	156	139	136	[illegible]	146	126
	190	209	182	165	162	178	154	152	147	162	143	157	140	137	[illegible]	146	127
	191	210	183	166	163	179	155	153	148	163	143	158	140	138	134	147	128
	193	212	184	168	164	180	156	154	150	164	145	159	142	139	135	148	129
	194	213	185	169	165	181	158	155	150	165	146	160	143	140	136	149	129
	195	215	186	170	166	183	158	156	151	167	146	161	143	140	137	151	130
	196	216	187	171	167	184	159	157	152	167	147	162	144	141	137	151	131
	197	217	188	171	167	184	160	158	153	168	148	163	145	142	138	152	131
	198	218	189	172	168	185	161	[illegible]	153	169	149	164	146	143	139	153	132
	199	219	190	173	169	186	162	[illegible]	154	170	149	164	146	143	139	153	133
	200	220	191	174	170	187	163	160	155	171	150	165	147	144	140	154	133
	201	221	192	175	171	188	164	161	156	171	151	166	148	145	141	155	134
	202	222	193	176	172	189	164	162	157	172	152	167	148	145	141	155	135
	204	224	194	177	173	190	165	163	158	174	153	168	150	147	143	157	137
	205	226	195	178	174	192	166	164	159	175	154	170	151	148	144	158	137
	206	227	196	179	175	193	167	165	160	176	155	170	151	148	144	159	138
	207	228	197	180	176	194	165	166	160	177	155	171	152	149	145	160	139
	208	229	198	181	177	195	169	166	161	177	156	172	153	150	146	160	139
	209	230	200	182	178	196	170	167	162	178	157	173	154	150	146	161	140
	210	231	201	183	[illegible]	196	170	168	163	179	158	173	154	151	147	162	141
	211	232	202	184	179	197	171	169	164	180	158	174	155	152	148	162	141
	212	233	203	184	180	198	172	170	164	181	159	175	156	153	148	163	142
	213	234	204	185	181	199	173	170	165	181	160	176	157	153	149	164	143
	215	237	205	187	183	201	174	172	167	184	161	178	158	155	151	166	144
	216	238	206	188	184	202	175	173	167	184	162	179	159	156	151	167	144
	217	239	207	189	184	203	175	175	168	185	163	179	159	156	152	167	145
	218	240	208	190	185	204	176	174	169	186	164	180	160	157	153	168	146
	219	241	209	191	186	205	177	175	170	187	164	181	161	158	153	169	146
	220	242	210	191	187	206	179	176	171	188	165	182	162	158	154	169	147
	221	243	211	192	188	207	180	177	171	188	166	182	163	159	155	170	148
	222	244	212	193	189	207	181	178	172	189	167	183	163	160	155	171	148
	223	245	213	194	190	208	182	178	173	190	167	184	164	161	156	172	149
	224	246	214	195	190	209	182	179	174	191	168	185	165	161	157	172	150
	226	249	215	197	192	212	183	181	175	193	170	187	166	[illegible]	158	174	151
	227	250	216	197	193	213	184	182	176	194	170	188	167	163	159	175	151
	228	251	217	198	194	213	185	182	177	195	171	188	168	164	160	176	152
	229	252	218	199	195	214	186	183	177	195	172	189	168	165	160	176	153
	230	253	219	200	196	215	187	184	178	196	173	190	169	166	161	177	153

For Explanation of Column A and Column B, see page 2 herein.

1279

BLANKET SUPPLEMENT No. 422.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	65	65	63	63E	62K	60	60	60E	60K	57½	57	57	R26 or 55	R26 or 55	55J	55K	52	4 or 50	4 or 50
	A	B	A	A	A	A	B	A	A	A	A	B	A	B	A	A	A	A	B
150	107	118	104	109½	98	99	109	104½	96	95	94	104	91	100	83	87	86	88	91
151	108	119	105	110½	99	100	110	105½	96	95	95	104	91	101	83	87	86	88	92
152	109	120	105	110½	99	100	110	105½	96	96	95	105	92	101	84	88	87	84	92
153	109	120	106	111½	100	101	111	106½	97	97	96	105	92	102	84	88	87	84	93
154	110	121	106	111½	100	101	112	106½	97	97	96	106	93	102	85	89	88	85	93
155	111	122	108	113½	101	103	113	108½	98	98	97	107	94	103	85	89	89	86	94
156	112	123	108	113½	102	103	113	108½	99	99	98	108	95	104	86	90	89	86	96
157	112	124	109	114½	102	104	114	109½	99	99	99	108	95	105	86	90	90	87	96
158	113	124	110	115½	103	104	115	109½	100	100	99	109	96	105	87	91	90	87	96
159	114	125	110	115½	104	105	116	110½	100	101	100	110	96	106	87	91	91	88	97
160	114	126	111	116½	104	106	116	111½	101	101	100	111	97	107	88	92	92	88	97
161	115	127	112	117½	105	106	117	111½	102	102	101	111	97	107	89	93	92	89	98
162	116	127	112	117½	105	107	118	112½	102	102	101	112	98	108	89	93	93	89	98
163	116	128	113	118½	106	107	118	112½	103	103	102	112	98	108	90	95	93	90	99
164	117	129	113	118½	107	108	119	113½	103	104	103	113	99	109	90	95	94	90	99
165	118	130	115	120½	107	109	120	114½	104	105	104	114	100	110	91	96	95	91	100
166	119	131	115	120½	108	110	121	115½	105	105	104	115	101	111	91	96	95	92	101
167	120	131	116	121½	109	110	121	115½	105	106	105	115	101	111	92	97	96	93	101
168	120	133	117	122½	109	111	122	116½	106	106	105	116	102	112	92	97	96	93	102
169	121	133	117	122½	110	112	123	117½	106	107	106	117	102	113	93	98	97	93	103
170	122	134	118	123½	110	112	124	117½	107	108	107	117	103	113	94	99	97	94	103
171	122	135	118	123½	111	113	124	118½	108	108	107	118	103	114	94	99	98	94	104
172	123	135	119	124½	112	113	125	118½	108	109	108	119	104	114	95	100	98	95	104
173	124	136	120	125½	112	114	125	119½	109	109	108	119	105	115	95	100	99	96	105
174	124	137	120	125½	113	115	126	120½	109	110	109	120	105	116	96	101	99	96	105
175	125	138	122	127½	114	116	127	121½	110	111	110	121	106	117	96	101	100	97	106
176	126	138	122	127½	114	116	128	121½	111	112	111	121	107	117	97	102	101	97	107
177	127	140	123	128½	116	117	129	122½	111	112	111	123	107	118	97	102	101	98	108
178	127	140	123	128½	116	118	130	123½	112	113	112	123	108	119	98	103	102	98	108
179	128	141	124	129½	117	118	130	123½	112	113	112	124	108	119	98	103	102	99	109
180	129	142	125	130½	118	119	131	124½	113	114	113	124	109	120	99	104	103	99	109
181	129	142	125	130½	118	119	131	124½	114	114	113	125	109	120	100	105	103	100	110
182	130	143	126	131½	119	120	132	125½	114	115	114	125	110	121	100	105	104	100	110
183	131	144	127	132½	119	121	133	126½	116	116	115	126	111	122	101	106	105	101	111
184	131	144	127	132½	120	121	133	126½	116	116	115	127	111	122	101	106	105	101	111
185	133	146	129	134½	121	122	134	127½	117	117	116	128	112	123	102	107	106	102	112
186	133	147	129	134½	121	123	136	128½	118	118	117	129	113	124	102	107	107	103	113
187	134	148	130	135½	122	124	136	129½	118	118	117	129	113	125	103	108	107	103	114
188	135	148	130	135½	123	124	137	129½	119	119	118	130	114	126	103	108	108	104	114
189	135	149	131	136½	123	125	137	130½	119	120	119	131	114	126	104	109	108	104	115
190	136	150	132	137½	124	125	138	130½	120	120	119	131	115	127	105	110	109	105	115
191	137	150	132	137½	124	126	139	131½	121	121	120	132	116	127	105	110	109	105	116
192	137	151	133	138½	125	127	139	132½	121	121	120	132	116	128	106	111	110	106	116
193	138	151	134	139½	126	127	140	132½	122	122	121	133	117	128	106	111	110	106	117
194	138	152	134	139½	126	128	140	133½	122	122	121	133	117	129	107	112	111	107	117
195	140	154	135	140½	127	129	142	134½	123	124	123	135	118	130	107	112	112	108	118
196	140	155	136	141½	128	130	143	135½	124	124	123	136	119	131	108	113	112	108	119
197	141	155	137	142½	128	130	143	135½	124	125	124	136	119	131	108	113	113	109	120
198	142	156	137	142½	129	131	144	136½	125	125	124	137	120	132	109	114	113	109	120
199	142	157	138	143½	129	131	145	136½	125	126	125	137	120	133	109	114	114	110	121
200	143	157	139	144½	130	132	145	137½	126	127	125	138	121	133	110	116	114	110	121
201	144	158	139	144½	131	133	146	138½	127	127	126	139	122	134	111	117	115	111	122
202	144	158	140	145½	131	133	146	138½	127	128	127	139	122	134	111	117	115	111	122
203	145	159	140	145½	132	134	147	139½	128	128	127	140	123	135	112	118	116	112	123
204	146	160	141	146½	132	134	148	139½	128	129	128	140	123	136	112	118	116	112	123
205	147	162	142	147½	133	136	149	141½	129	130	129	142	124	137	113	119	118	113	124
206	148	163	143	148½	134	136	150	141½	130	131	129	143	125	138	113	119	118	114	125
207	148	163	144	149½	134	137	151	142½	130	131	130	143	125	138	114	120	119	114	126
208	149	164	144	149½	135	137	151	142½	131	132	131	144	126	139	114	120	119	115	126
209	150	164	145	150½	137	138	152	143½	131	132	131	144	127	139	115	121	120	115	127

For Explanation of Column A and Column B see page 2 herein.

1854

BLANKET SUPPLEMENT No. 423.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																	
	50K	47.5	47.5K	47K	45		45K	45S	44	42.5	42.5K	40		40J	40K	40L	37.5	
COLUMN	A	A	A	A	A	B	A	A	A	A	A	A	B	A	A	A	A	B
150	79	78	75	75	74	82	71	73	73	70	67	66	73	68	63	60	62	68
151	80	79	76	75	75	82	71	73	73	71	67	66	73	68	63	60	62	69
152	80	79	76	75	75	83	71	73	73	71	68	67	74	68	64	61	63	69
153	81	80	77	76	76	83	72	74	74	71	68	67	74	69	64	61	63	69
154	81	80	77	76	76	84	72	74	74	72	68	68	74	69	65	62	63	70
155	82	81	78	77	77	85	74	76	75	73	69	68	75	70	65	62	64	71
156	82	82	78	77	77	85	74	76	76	73	69	69	76	70	65	62	65	71
157	83	82	79	78	78	86	75	77	76	74	70	69	76	71	66	63	65	71
158	83	83	79	78	78	86	75	77	77	74	70	70	76	71	66	63	65	72
159	84	83	80	79	79	87	76	78	77	74	71	70	77	72	67	64	66	72
160	84	84	80	79	79	87	76	78	77	75	71	70	78	72	67	64	66	73
161	85	84	80	80	80	88	76	78	78	75	71	71	78	72	67	64	66	73
162	85	85	81	80	80	88	77	79	78	76	72	71	78	73	68	65	67	74
163	86	85	81	81	81	89	77	79	79	76	72	72	79	73	68	65	67	74
164	86	86	82	81	81	89	78	80	79	77	74	72	79	74	69	66	68	74
165	87	86	82	82	82	90	78	80	80	77	74	73	80	74	69	66	68	75
166	87	87	83	82	82	90	79	81	81	78	75	73	80	75	69	66	69	75
167	88	87	83	82	83	91	79	81	81	78	75	74	81	75	70	67	69	76
168	88	88	84	83	83	92	80	82	81	79	75	74	82	76	70	67	69	77
169	89	88	84	83	81	92	80	82	82	79	76	74	82	76	71	68	70	77
170	89	89	85	84	84	93	81	83	82	79	76	75	82	77	71	68	70	77
171	90	89	85	84	85	93	81	83	83	80	77	75	83	77	71	68	71	78
172	90	90	86	85	85	94	81	83	83	80	77	76	83	77	72	69	71	78
173	91	90	86	85	86	94	82	84	84	81	78	76	84	78	72	69	71	78
174	91	91	87	86	86	95	82	84	84	81	78	76	84	78	74	70	72	79
175	92	92	87	86	87	95	83	85	85	82	78	77	85	79	74	70	72	80
176	92	92	88	87	87	96	83	85	85	82	79	78	85	79	74	70	73	80
177	93	93	88	87	88	97	84	86	86	83	79	78	86	80	75	71	73	81
178	93	93	89	88	88	97	84	86	86	83	80	78	86	80	75	71	74	81
179	95	94	89	88	89	98	85	87	87	84	80	79	87	81	76	72	74	81
180	95	94	90	89	89	98	85	87	87	84	81	79	87	81	76	72	74	82
181	96	95	90	89	90	99	85	87	88	85	81	80	88	81	76	72	75	82
182	96	95	90	90	90	99	86	88	88	85	81	80	88	82	77	73	75	83
183	97	95	91	90	90	99	86	88	88	85	82	80	88	82	77	73	75	83
184	97	96	91	90	91	100	87	89	89	86	82	81	89	83	78	74	76	83
185	98	97	92	91	92	101	87	89	90	87	83	82	90	83	78	74	77	84
186	98	97	92	91	92	102	88	90	90	87	83	82	90	84	78	74	77	85
187	99	98	93	92	93	102	88	90	91	88	83	82	91	84	79	75	77	85
188	99	98	93	92	93	103	89	91	91	88	84	83	91	85	79	75	78	86
189	100	99	95	93	94	103	89	91	92	88	84	83	92	85	80	76	78	86
190	100	99	95	93	94	104	90	92	92	89	85	84	92	86	80	76	78	86
191	101	100	96	95	95	104	90	92	92	89	85	84	92	86	80	76	79	87
192	101	100	96	95	95	104	90	92	93	90	86	84	93	86	81	77	79	87
193	102	101	97	96	95	105	91	93	93	90	86	85	93	87	81	77	80	87
194	102	101	97	96	96	105	91	93	94	91	86	85	94	87	82	78	80	88
195	103	102	98	97	97	107	92	94	95	91	87	86	95	88	82	78	81	89
196	103	103	98	97	97	107	92	94	95	92	87	86	95	88	82	78	81	89
197	104	103	99	98	98	108	93	95	95	92	88	87	96	89	83	79	81	90
198	104	104	99	98	98	108	93	95	96	93	88	87	96	89	83	79	82	90
199	105	104	100	99	99	108	95	97	96	93	89	88	96	90	84	80	82	90
200	105	105	100	99	99	109	95	97	97	94	89	88	97	90	84	80	83	91
201	106	105	100	99	99	109	95	97	97	94	89	88	97	90	84	80	83	91
202	106	105	101	100	100	110	96	98	98	94	90	89	98	91	85	81	83	92
203	107	106	101	100	100	110	96	98	98	95	90	89	98	91	85	81	84	92
204	107	106	102	101	101	111	97	99	99	95	91	90	98	92	86	82	84	92
205	108	107	102	101	102	112	97	99	99	96	91	90	100	92	86	82	85	93
206	108	108	103	102	102	113	98	100	100	96	92	91	100	93	86	82	85	94
207	109	108	103	102	103	113	98	100	100	97	92	91	100	93	87	83	86	94
208	109	109	104	103	103	113	99	101	101	97	92	92	101	94	87	83	86	95
209	110	109	104	103	104	114	99	101	101	98	93	92	101	94	88	84	86	95

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT No. 423.

Amend "Table of Rates" shown in [illegible]ffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	37.5K	37.5L	37.5M	37	36.5	36	5 or 35	5 or 35	35K	35L	32.5	32.5	32.5J	32.5K	32	32S	30	30	29.5	29
COLUMN	A	A	A	A	A	A	A	B	A	A	A	B	A	A	A	A	A	B	A	A
150	59	56	60	61	60	59	58	64	56	53	54	59	49	51	53	50	50	55	49	48
151	60	57	60	61	61	60	58	64	56	53	54	59	49	51	53	50	50	55	49	48
152	60	57	61	62	61	60	58	64	56	53	54	60	49	51	53	51	50	55	49	48
153	60	57	61	62	61	60	59	65	57	54	55	60	50	53	54	51	50	56	50	49
154	61	58	62	63	62	61	59	65	57	54	55	60	50	53	54	51	51	56	50	49
155	61	58	62	63	62	62	60	66	57	54	56	61	50	53	55	52	51	56	50	50
156	62	59	62	64	63	62	60	66	58	55	56	61	51	54	55	52	52	57	51	50
157	62	59	63	64	63	62	61	67	58	55	56	62	51	54	55	52	52	57	51	50
158	62	59	63	64	64	63	61	67	58	55	57	62	51	54	56	53	52	57	51	50
159	63	60	64	65	64	62	61	68	59	56	57	63	52	55	56	53	53	58	52	51
160	63	60	64	65	64	63	62	68	59	56	57	63	52	55	56	53	53	58	52	51
161	63	60	64	65	65	64	62	68	59	56	58	63	52	55	57	54	53	59	52	51
162	64	61	65	66	65	64	62	69	60	57	58	64	53	56	57	54	53	59	53	52
163	64	61	65	66	65	64	63	69	60	57	58	64	53	56	57	54	54	59	53	52
164	65	62	66	67	66	65	63	69	60	57	59	64	53	56	58	54	54	59	53	52
165	65	62	66	67	66	66	64	70	61	58	59	65	54	57	58	55	55	60	54	53
166	65	62	66	68	67	66	64	70	61	58	59	65	54	57	59	55	55	60	54	53
167	66	63	67	68	67	66	64	71	61	58	60	66	54	57	59	55	55	61	54	53
168	66	63	67	68	68	67	65	71	62	59	60	66	55	58	59	56	56	61	55	54
169	66	63	68	69	68	67	65	72	62	59	60	67	55	58	60	56	56	62	55	54
170	67	64	68	69	68	67	65	72	63	60	61	67	55	58	60	56	56	62	55	54
171	67	64	68	70	69	68	66	72	63	60	61	67	56	59	60	57	56	62	55	55
172	68	65	69	70	69	68	66	73	63	60	61	68	56	59	60	57	57	62	56	55
173	68	65	69	70	69	68	67	73	64	61	62	68	56	59	61	57	57	63	56	55
174	68	65	70	71	70	69	67	74	64	61	62	68	57	60	61	58	57	63	56	55
175	69	66	70	71	70	69	68	74	64	61	63	69	57	60	62	58	58	64	57	56
176	69	66	70	72	71	70	68	75	65	62	63	69	57	60	62	58	58	64	57	56
177	69	66	71	72	71	70	68	75	65	62	63	70	58	61	62	59	59	65	58	57
178	70	67	71	73	72	71	69	76	65	62	64	70	58	61	63	59	59	65	58	57
179	70	67	72	73	72	71	69	76	66	63	64	71	58	61	63	59	59	65	58	57
180	71	68	72	73	72	71	69	76	66	63	64	71	59	62	63	60	59	65	58	57
181	71	68	72	74	73	72	70	77	66	63	65	71	59	62	64	60	60	66	59	58
182	71	68	73	74	73	72	70	77	67	64	65	72	59	62	64	60	60	66	59	58
183	72	69	73	74	73	72	70	77	67	64	65	72	59	62	64	61	60	66	59	58
184	72	69	74	75	74	73	71	78	67	64	66	72	60	63	65	61	61	67	60	59
185	72	69	74	75	74	73	71	78	68	65	66	73	60	63	65	61	61	67	60	59
186	74	70	74	76	75	74	72	79	68	65	67	73	60	63	66	62	62	68	60	59
187	74	70	75	76	75	74	72	79	68	65	67	74	61	64	66	62	62	68	61	60
188	75	71	75	77	76	75	72	80	69	66	67	74	61	64	66	62	62	68	61	60
189	75	71	76	77	76	75	73	80	69	66	68	74	61	64	67	62	62	69	61	60
190	75	71	76	77	76	75	73	81	70	67	68	75	62	65	67	63	63	69	62	61
191	76	72	76	78	77	76	74	81	70	67	68	75	62	65	67	63	63	69	62	61
192	76	72	77	78	77	76	74	81	70	67	69	75	62	65	68	63	63	70	62	61
193	76	72	77	78	77	76	74	82	71	68	69	76	63	66	68	64	64	70	63	61
194	77	73	78	79	78	77	75	82	71	68	69	76	63	66	68	64	64	70	63	62
195	77	73	78	80	78	77	75	83	71	68	70	77	63	66	69	64	65	71	63	62
196	78	74	78	80	79	78	76	83	72	69	70	77	64	67	69	65	65	71	64	63
197	78	74	79	80	79	78	76	84	72	69	71	78	64	67	69	65	65	72	64	63
198	78	74	79	81	80	78	76	84	72	69	71	78	64	67	70	65	65	72	64	63
199	79	75	80	81	80	79	77	84	74	70	71	78	65	68	70	66	66	72	65	64
200	79	75	80	81	80	79	77	85	74	70	72	79	65	68	70	66	66	73	65	64
201	79	75	80	82	81	80	77	85	74	70	72	79	65	68	71	66	66	73	65	64
202	80	76	81	82	81	80	78	85	75	71	72	79	66	69	71	67	67	73	65	64
203	80	76	81	83	81	80	78	86	75	71	72	80	66	69	71	67	67	74	66	65
204	81	77	82	83	82	81	78	86	75	71	73	80	66	69	72	67	67	74	66	65
205	81	77	82	84	82	81	79	87	76	72	73	81	67	70	72	68	68	75	67	66
206	81	77	82	84	83	82	79	88	76	72	74	81	67	70	73	68	68	75	67	66
207	82	78	83	84	83	82	80	88	76	72	74	82	67	70	73	68	68	75	67	66
208	82	78	83	85	84	82	80	88	77	73	74	82	68	71	73	69	69	76	68	66
209	82	78	84	85	84	83	81	89	77	73	75	82	68	71	74	69	69	76	68	67

BLANKET SUPPLEMENT No. 423.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued

(In Cents per 100 Pounds.)

CLASSES

RATE BASIS NUMBERS	27.5J	27.5K	27.5L	27.5M	26	25		25J	25K	25L	25N	23.5	23.5K	23J	23N	22.5	
COLUMN	A	A	A	A	A	A	B	A	A	A	A	A	A	A	A	A	B
150	45	43	45	41	43	41	46	41	40	38	41	39	37	38	38	37	41
151	46	44	45	42	43	42	46	42	40	38	42	39	37	39	38	37	41
152	46	44	46	42	43	42	46	42	40	38	42	39	38	39	38	38	41
153	46	44	46	42	44	42	46	42	40	38	42	39	38	39	38	38	42
154	46	44	46	42	44	42	47	42	41	39	42	40	38	39	38	38	42
155	47	45	47	43	44	43	47	43	41	39	43	40	38	40	39	38	42
156	47	45	47	43	45	43	47	43	41	39	43	40	39	40	39	39	43
157	48	45	47	43	45	43	48	43	41	39	43	41	39	41	39	39	43
158	48	45	47	43	45	44	48	44	42	40	43	41	39	41	39	39	43
159	48	46	48	44	46	44	48	44	42	40	44	41	39	41	40	39	43
160	48	46	48	44	46	44	49	44	42	40	44	41	40	41	40	40	44
161	49	46	48	44	46	44	49	44	42	40	44	42	40	42	40	40	44
162	49	47	49	45	46	45	49	45	43	41	45	42	40	42	41	40	44
163	49	47	49	45	47	45	49	45	43	41	45	42	40	42	41	40	44
164	50	47	49	45	47	45	50	45	43	41	45	42	41	43	41	41	45
165	50	47	50	45	47	46	50	46	43	41	45	43	41	43	41	41	45
166	50	48	50	46	48	46	50	46	44	42	46	43	41	43	42	41	45
167	51	48	50	46	48	46	51	46	44	42	46	43	41	43	42	41	45
168	51	48	50	46	48	46	51	46	44	42	46	43	41	43	42	42	46
169	51	48	51	46	48	47	51	47	44	42	46	44	42	43	42	42	46
170	51	49	51	47	49	47	52	47	45	43	47	44	42	43	43	42	46
171	52	49	51	47	49	47	52	47	45	43	47	44	42	44	43	42	47
172	52	49	52	47	49	47	52	47	45	43	47	44	42	44	43	43	47
173	52	50	52	48	49	48	52	48	45	43	48	45	43	44	44	43	47
174	53	50	52	48	50	48	53	48	46	44	48	45	43	45	44	43	47
175	53	50	53	48	50	48	53	48	46	44	48	45	43	45	44	43	48
176	53	50	53	48	50	49	53	49	46	44	48	46	43	45	44	44	48
177	54	51	53	49	51	49	54	49	46	44	49	46	44	46	44	44	48
178	54	51	53	49	51	49	54	49	47	45	49	46	44	46	44	44	49
179	54	51	54	49	51	49	54	49	47	45	49	46	44	46	44	44	49
180	54	53	54	50	51	50	55	50	47	45	50	47	44	46	45	45	49
181	55	53	54	50	52	50	55	50	47	45	50	47	45	47	45	45	49
182	55	53	55	50	52	50	55	50	48	46	50	47	45	47	45	45	50
183	55	53	55	50	52	50	55	50	48	46	50	47	45	47	45	45	50
184	56	54	55	51	53	51	56	51	48	46	51	47	45	48	46	45	50
185	56	54	56	51	53	51	56	51	48	46	51	48	45	48	46	46	50
186	56	54	56	51	53	51	57	51	49	47	51	48	46	48	46	46	51
187	57	54	56	51	54	52	57	52	49	47	51	48	46	48	46	46	51
188	57	55	56	52	54	52	57	52	49	47	52	49	46	48	47	47	51
189	57	55	57	52	54	52	57	52	49	47	52	49	46	48	47	47	52
190	57	55	57	52	54	52	58	52	50	48	52	49	47	48	47	47	52
191	58	56	57	53	55	53	58	53	50	48	53	49	47	49	48	47	52
192	58	56	58	53	55	53	58	53	50	48	53	50	47	49	48	47	52
193	58	56	58	53	55	53	58	53	50	48	53	50	47	49	48	48	52
194	59	56	58	53	55	53	59	53	51	49	53	50	48	50	48	48	53
195	59	57	59	54	56	54	59	54	51	49	54	51	48	50	49	48	53
196	59	57	59	54	56	54	60	54	51	49	54	51	48	50	49	49	54
197	60	57	59	54	56	54	60	54	51	49	54	51	48	51	49	49	54
198	60	57	59	54	57	55	60	55	53	50	54	51	49	51	49	49	54
199	60	58	60	55	57	55	60	55	53	50	55	51	49	51	50	49	54
200	61	58	60	55	57	55	61	55	53	50	55	52	49	52	50	50	54
201	61	58	60	55	57	55	61	55	53	50	55	52	49	52	50	50	55
202	61	59	61	56	58	56	61	56	54	51	56	52	49	52	51	50	55
203	61	59	61	56	58	56	61	56	54	51	56	52	50	52	51	50	55
204	62	59	61	56	58	56	62	56	54	51	56	53	50	53	51	50	55
205	62	59	62	56	59	57	62	57	54	51	56	53	50	53	51	51	56
206	62	60	62	57	59	57	63	57	55	52	57	53	50	53	51	51	56
207	63	60	62	57	59	57	63	57	55	52	57	54	51	54	51	51	56
208	63	60	62	57	60	57	63	57	55	52	57	54	51	54	51	52	57
209	63	60	63	57	60	58	63	58	55	52	57	54	51	54	51	52	57

For Explanation of Column A and Column B, see page 2 herein.

BLANKET SUPPLEMENT No. 425.

Amend "Table of Rates" shown in tariffs, as amended, to which this is a supplement, to read as follows:

TABLE OF RATES—Continued.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES													
	22.5J	22.5K	22.5L	22.5M	21	20		20J	19	18	17.5	17.5J	17.5K	16
	COLUMN													
	A	A	A	A	A	A	B	A	A	A	A	A	A	A
150	37	36	34	36	35	33	36	33	31	30	29	27	29	26
151	37	36	34	36	35	33	37	33	32	30	29	27	29	27
152	38	36	34	36	35	33	37	33	32	30	29	28	29	27
153	38	36	34	36	35	34	37	34	32	30	29	28	29	27
154	38	37	35	37	35	34	37	34	32	30	30	28	30	27
155	38	37	35	37	36	34	38	34	32	31	30	28	30	27
156	39	37	35	37	36	34	38	34	33	31	30	28	30	28
157	39	37	35	37	36	35	38	35	33	31	30	28	30	28
158	39	38	36	38	37	35	38	35	33	31	30	29	30	28
159	39	38	36	38	37	35	39	35	33	32	31	29	31	28
160	40	38	36	38	37	35	39	35	33	32	31	29	31	28
161	40	38	36	38	37	35	39	35	34	32	31	29	31	28
162	40	38	36	38	37	36	39	36	34	32	31	29	31	28
163	40	39	37	39	38	36	39	36	34	32	31	30	31	29
164	41	39	37	39	38	36	40	36	34	32	32	30	32	29
165	41	39	37	39	38	36	40	36	35	33	32	30	32	29
166	41	39	37	39	38	37	40	37	35	33	32	30	32	29
167	41	40	38	40	39	37	40	37	35	33	32	30	32	29
168	42	40	38	40	39	37	41	37	35	33	32	30	32	30
169	42	40	38	40	39	37	41	37	35	33	33	32	33	30
170	42	40	38	40	39	37	41	37	36	34	33	32	33	30
171	42	40	38	40	39	38	41	38	36	34	33	32	33	30
172	43	41	39	41	40	38	42	38	36	34	33	32	33	30
173	43	41	39	41	40	38	42	38	36	34	33	32	33	30
174	43	41	39	41	40	38	42	38	36	34	33	32	33	31
175	43	41	39	41	41	39	42	39	37	35	34	33	34	31
176	44	42	40	42	41	39	43	39	37	35	34	33	34	31
177	44	42	40	42	41	39	43	39	37	35	34	33	34	31
178	44	42	40	42	41	39	43	39	37	35	34	33	34	31
179	44	42	40	42	41	39	43	39	37	35	34	33	34	32
180	45	43	41	43	42	40	44	40	38	36	35	34	35	32
181	45	43	41	43	42	40	44	40	38	36	35	34	35	32
182	45	43	41	43	42	40	44	40	38	36	35	34	35	32
183	45	43	41	43	42	40	44	40	38	36	35	34	35	32
184	45	43	41	43	42	40	44	40	38	36	35	34	35	32
185	46	44	42	44	43	41	45	41	39	37	36	34	36	33
186	46	44	42	44	43	41	45	41	39	37	36	35	36	33
187	46	44	42	44	43	41	45	41	39	37	36	35	36	33
188	47	44	42	44	43	41	46	41	39	37	36	35	36	33
189	47	45	43	45	44	42	46	42	40	37	36	35	36	33
190	47	45	43	45	44	42	46	42	40	38	37	35	37	33
191	47	45	43	45	44	42	46	42	40	38	37	35	37	34
192	47	45	43	45	44	42	46	42	40	38	37	36	37	34
193	48	45	43	45	45	43	47	42	40	38	37	36	37	34
194	48	46	44	46	45	43	47	43	40	38	37	36	37	34
195	48	46	44	46	45	43	47	43	41	39	38	36	38	34
196	49	46	44	46	45	43	48	43	41	39	38	36	38	35
197	49	46	44	46	46	43	48	43	41	39	38	36	38	35
198	49	47	45	47	46	44	48	44	41	39	38	37	38	35
199	49	47	45	47	46	44	48	44	42	39	38	37	38	35
200	50	47	45	47	46	44	48	44	42	40	39	37	39	35
201	50	47	45	47	46	44	49	44	42	40	39	37	39	35
202	50	47	45	47	47	44	49	44	42	40	39	37	39	36
203	50	48	46	48	47	45	49	45	43	40	39	38	39	36
204	50	48	46	48	47	45	49	45	43	40	39	38	39	36
205	51	48	46	48	47	45	50	45	43	41	40	38	40	36
206	51	48	46	48	48	45	50	45	43	41	40	38	40	36
207	51	49	47	49	48	46	50	46	43	41	40	38	40	36
208	52	49	47	49	48	46	50	46	44	41	40	38	40	37
209	52	49	47	49	48	46	51	46	44	41	40	38	40	37

For Explanation of Column A and Column B, see page 2 herein.

Amend Tariffs, as amended, to which this is a supplement, as indicated below

RATE TABLE SHOWING MULTIPLES OF 1ST CLASS RATES.

Change Heading to read as follows:

§When 1st Class Rate is	4 x 1st Class Rate	3 x 1st Class Rate	2½ x 1st Class Rate	2 x 1st Class Rate	1¾ x 1st Class Rate	1½ x 1st Class Rate	1¼ x 1st Class Rate	§When 1st Class Rate is	4 x 1st Class Rate	3 x 1st Class Rate	2½ x 1st Class Rate	2 x 1st Class Rate	1¾ x 1st Class Rate	1½ x 1st Class Rate	1¼ x 1st Class Rate

Rate in Cents per 100 Lbs.

---

§—Apply as basic 1st Class Rates the 1st Class Rates shown under "Column A" or "Column B," according to their application, n arriving at multiples thereof.

1285

THE CHANGES IN RATES, PUBLISHED HEREIN, ARE INCREASES

SUBJECT, EXCEPT AS OTHERWISE PROVIDED HEREIN, TO TARIFF OF INCREASED RATES AND CHARGES No. X-148, AGENT W. S. CURLETT'S I. C. C. No. A-742, P. U. C.-N. J. No. A-20, P. S. C.-N. Y. No. A-122, SUPPLEMENTS THERETO OR SUCCESSIVE ISSUES THEREOF. SEE NOTE BELOW:

NOTE.—The operation of the provisions referring to this Note as to rates or charges published in this Supplement is suspended on the effective date of such rates or charges until January 1, 1946, except as otherwise provided in Item X-148, and will become operative January 1, 1946.

The form of this publication is authorized by Special Permission of the Interstate Commerce Commission, No. 15665 as amended, December 12, 1944.

THE OPERATION OF PORTIONS OF TARIFF, REFERRED TO IN ITEMS Nos. 1, 2 AND 3 OF TARIFF, AS AMENDED, IS SUSPENDED AS PROVIDED IN SAID ITEMS OR SUCCESSIVE ISSUES THEREOF.

SUPPLEMENT No. 87 To P. U. C.-N. J. No. A-23 P. S. C.-N. Y. No. A-133	SUPPLEMENT No. 87 To I. C. C. No. A-788

Supplements Nos. §5, 22, ⊕33, †34, ⊕41, ƒ42, 60, =69, Ø65, ¶72, 73, ♀76, ‡77, ⊕79, ⊕80, ⊕83, ‡84, ⊕85, 86 and 87 contain all changes from the original Tariff.

‡ Service Order No. 68.
§ Service Order No. 70.
† Service Order No. 240.
ƒ Postponement Supplement—Ex Parte 148 reopened.
Ø Service Order No. 180 (Revised).
¶ Service Order No. 112 (Revised).
⊕ Vacating Supplement.
♀ Service Order No. 293.
= Service Order No. 301.

TRUNK LINE TARIFF BUREAU

W. S. CURLETT, Agent

SUPPLEMENT No. 87
To

FREIGHT TARIFF No. 116-B

LOCAL, JOINT AND PROPORTIONAL FREIGHT TARIFF
NAMING

LIGHTERAGE AND TERMINAL REGULATIONS
IN
New York Harbor and Vicinity
INCLUDING
Rates, Rules and Charges for Grain, Live Stock and Storage, Deliveries and Handling of Freight between Terminals
ON
Domestic, Import, Export, Coastwise and Intercoastal Freight.

IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN ON PAGE 3 OF TARIFF AND PAGE 2 OF SUPPLEMENT No. 23

THIS TARIFF WILL NOT APPLY ON COAL OR COKE
(the direct products of Coal) (Note)

NOTE.—This tariff will apply on Coal or Coke (the direct products of Coal) for account of B. & O., C. of N. J. and P. R. R. except as otherwise provided herein, and for account of the B. E. D. T., Bush T., Jay S. C., N. Y. C. (R.), N. Y. C. (W. S.) and N. Y. O. & W., where specifically provided.

Unless otherwise specifically provided for in this tariff, the rates, rules and regulations herein will apply only to each carrier party to this tariff insofar as its stations and facilities as shown herein are concerned.

Issued October 24, 1945	Effective November 30, 1945

Issued in compliance with order of the Interstate Commerce Commission in Docket No. 28300 of May 18, 1945, as amended.
The form of this publication is authorized by special permission of the Interstate Commerce Commission No. 38845 of September 17, 1945.
Authority Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

Issued by
W. S. CURLETT, Agent.
143 Liberty Street,
New York 6, N. Y.

RECEIVED		
Month	Day	Year

PRINTED IN U. S. A.

(5,000)

(71870)

1286

INDIVIDUAL CARRIERS' TARIFF NUMBERS.

CARRIERS	Tariff No.	Agents Index No.
Central R. R. of N. J.	G. F. O. 1641	
Pennsylvania R. R.		48

EXPLANATION OF NOTES.

Change on page 17 of Tariff, and pages 4 and 5 of Supplement No. 22:

Note 1.—Where reference is made to this Note charges will be assessed at the following class rates in cents per 100 pounds, governed by the Official Classification and by Exceptions to Official Classification as provided for in the explanation of Column A and Column B.

COLUMN

	1 or 100		100K	87	2 or 85		85K	80	77.5		75		72.5
	A	B	A	A	A	B	A	A	A	B	A	B	A
#	44	48	42	38	37	41	36	35	34	37	33	36	32
¶	34	37	33	30	29	32	27	27	26	29	26	29	25

COLUMN

	72	3 R25 or 70		70K	65		63	62S	62K	60		60S
	A	A	B	A	A	B	A	A	A	A	B	A
#	32	31	34	29	29	32	28	33⅓	26	26	29	31⅓
¶	24	24	26	23	22	24	21	26⅓	20	20	22	25⅓

COLUMN

	60K	57.5	57		R26 or 55		55J	55K	52	4 or 50		50J	50K	47.5
	A	A	A	B	A	B	A	A	A	A	B	A	A	A
#	25	25	25	28	24	26	22	23	23	22	24	20	21	21
¶	20	20	19	21	19	21	17	18	18	17	19	16	17	16

COLUMN

	47.5K	47K	45		45K	45S	44	42.5	42.5K	40		40J	40K
	A	A	A	B	A	A	A	A	A	A	B	A	A
#	20	20	20	22	19	21	19	19	18	18	20	18	17
¶	16	16	15	17	15	17	15	14	14	14	15	14	13

COLUMN

	40L	37.5		37.5K	37.5L	37.5M	37	36.5	36
	A	A	B	A	A	A	A	A	A
#	16	17	19	16	15	16	16	16	16
¶	12	13	14	15	12	13	13	12	12

COLUMN

	5 or 35		35K	35L	32.5		32.5J	32.5K	32	32S	30	
	A	B	A	A	A	B	A	A	A	A	A	B
#	15	17	15	14	14	15	13	14	14	14	13	14
¶	12	13	12	11	11	12	10	11	11	11	10	11

(Concluded on next page)

xplanation of Column A and Column B:

Column A.—The rates named in Column A apply only where applicable rating is published in EXCEPTIONS TO OFFICIAL LASSIFICATION, subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and ther provisions, except ratings, in Official Classification.

Column B.—The rates named in Column B apply only where applicable rating is published in OFFICIAL CLASSIFICATION, ubject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, except ratings, in xceptions to Official Classification.

Rates shown opposite this reference mark do not apply from Hoboken, N. J., Jersey City, N. J., or Weehawken, N. J., to storage oints in New Jersey, except on carload traffic loaded into car by or at the expense of carrier.

¶ Rates shown opposite this reference mark apply only from Hoboken, N. J., Jersey City, N. J., or Weehawken, N. J., to storage oints in New Jersey except on carload traffic loaded into car by or at the expense of carriers. (R. A. 51390, S-119.)

For Explanation of other Reference Marks and Notes, see pages 17 to 26 of Tariff, as amended.

EXPLANATION OF NOTES—Concluded.

Change on page 17 of Tariff, and pages 4 and 5 of Supplement No. 22:

Note 1.—Where reference is made to this Note charges will be assessed at the following class rates in cents per 100 pounds, govern by the Official Classification and by Exceptions to Official Classification as provided for in the explanation of Column A and Column B.

	29.5	29	6 or 27.5		27.5J	27.5K	27.5L	27.5M	26
COLUMN	A	A	A	B	A	A	A	A	A
#	13	13	12	13	13	12	12	11	11
¶	10	10	9	10	11	9	9	9	9

	25		25J	25K	25L	25N
COLUMN	A	B	A	A	A	A
#	11	12	12	11	10	11
¶	9	10	10	8	8	9

	23.5	23.5K	23J	23N	22.5		22.5J	22.5K	22.5L
COLUMN	A	A	A	A	A	B	A	A	A
#	10	9	11	11	10	11	11	9	9
¶	8	7	10	8	8	9	9	7	7

	22.5M	21	20		20J	19	18	17.5
COLUMN	A	A	A	B	A	A	A	A
#	10	9	9	10	10	8	8	8
¶	8	7	7	8	8	6	6	6

	17.5J	17.5K	16
COLUMN	A	A	A
#	8	9	8
¶	6	7	5

Explanation of Column A and Column B:

Column A.—The rates named in Column A apply only where applicable rating is published in EXCEPTIONS TO OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and other provisions, except ratings, in Official Classification.

Column B.—The rates named in Column B apply only where applicable rating is published in OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, except ratings, i Exceptions to Official Classification.

Rates shown opposite this reference mark do not apply from Hoboken, N. J., Jersey City, N. J., or Weehawken, N. J., to storag points in New Jersey, except on carload traffic loaded into car by or at the expense of carrier.

¶ Rates shown opposite this reference mark apply only from Hoboken, N. J., Jersey City, N. J., or Weehawken, N. J., to storag points in New Jersey except on carload traffic loaded into car by or at the expense of carriers. (R. A. 51390, S-119.)

For Explanation of other Reference Marks and Notes, see pages 17 to 26 of Tariff, as amended.

1862

1288

POSTPONEMENT SUPPLEMENT

Special Supplement No. to T. L. T. B. Tariff No. , I. C. C. No.

Special Supplement to I. C. C. Nos., C. T. C. Nos., State Commission Nos., shown herein

TRUNK LINE TARIFF BUREAU

W. S. CURLETT, Agent

SPECIAL SUPPLEMENT TO TARIFFS LISTED HEREIN
ISSUED BY

W. S. Curlett, I. N. Doe, R. H. Hoke and B. T. Jones, Agents

APPLYING IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN IN TARIFFS AND SUPPLEMENTS THERETO ENUMERATED HEREIN

POSTPONEMENT NOTICE.

By authority of Special Permission of the Interstate Commerce Commission and State Commission permissions noted below, the effective date of matter indicated below IS HEREBY POSTPONED FROM NOVEMBER 30, 1945 UNTIL JANUARY 1, 1946.

Number of this Supplement	Postpones Effective Date of Matter Contained in Supplement No.	I. C. C. No.	MF-I. C. C. No.	C. T. C. No.	Tariff No.	State Commission Nos.
33	30	A-800 ①507 ③3858 ④928	A-51 ①64 ③116 ④314	A-540 ①428 ③1892	44-I	
32	31	A-766		A-511	60-A	K. R. C. A-13, Pa. P. U. C. A-113.
143	142	A-331		A-188	61	P. S. C.-N. Y. A-41, Vt. P. S. C. A-1.
133	132	A-332			62	P. U. C.-N. J. A-2, P. S. C.-N. Y. A-42.
137	136	A-333		A-189	63	P. S. C.-N. Y. A-43, Pa. P. U. C. A-40.
140	139	A-334			64	P. S. C.-Md. A-5, P. U. C.-N. J. A-3, Pa. P. U. C. A-41.
135	134	A-335		A-190	65	P. S. C.-Md. A-6, P. S. C.-N. Y. A-44, Pa. P. U. C. A-42.
139	138	A-336		A-191	66	P. S. C.-Md. A-7, Pa. P. U. C. A-43, P. S. C.-W. Va. A-29.
144	143	A-337			67	P. S. C.-Md. A-8, Pa. P. U. C. A-44, Va. C. C. A-12, P. S. C.-W. Va. A-30.
39	38	A-755		A-504	68-A	P. S. C.-N. Y. A-129, Ohio A-22, Pa. P. U. C. A-111, P. S. C.-W. Va. A-76.
157	156	A-339		A-193	69	P. S. C.-Md. A-11, Va. C. C. A-13, P. S. C.-W. Va. A-32.
147	146	A-340		A-194	70	K. R. C. A-2, Pa. P. U. C. A-46, Va. C. C. A-14, P. S. C.-W. Va. A-33.
41	40	A-744 ①459	A-35 ①54	A-497 ①391	71-A	Ohio A-20, P. S. C.-N. Y. A-123, V. P. S. C. A-20. P. S. C.-N. Y. 52, V. P. S. C. 33.
8	7	A-819		A-558	72-B	P. U. C.-N. J. A-26, P. S. C.-N. Y. A-136, Ohio A-26.
88	87	A-788			116-B	P. U. C.-N. J. A-23, P. S. C.-N. Y. A-133.

① I. N. Doe, Agent. ③ B. T. Jones, Agent. ④ R. H. Hoke, Agent.

The form of this supplement is authorized under permission of the Interstate Commerce Commission No. 26847, dated November 1, 1945, and under authority of Permission named below.

ISSUED NOVEMBER 19, 1945 **EFFECTIVE NOVEMBER 29, 1945**

Issued on five days' notice under permission of the Interstate Commerce Commission No. 26847, dated November 1, 1945, and under authority of:

Kentucky Railroad Commission Short Notice No. 729 of November 2, 1945, amended.
Public Service Commission of Maryland, Order No. 41553 of November 8, 1945.
Board of Public Utility Commissioners, State of New Jersey, Permission dated November 7, 1945.
Public Service Commission, State of New York, Special Permission Order No. 14758 of November 16, 1945.
Effective upon less than statutory notice by Special Permission of the Pennsylvania Public Utility Commission No. 21700 of November 14, 1945.
Vermont Public Service Commission Special Order No. 408 of November 5, 1945.
Public Service Commission of West Virginia, Informal Order No. 3774 of November 13, 1945.

Issued by

B. T. JONES, Agent,
608 South Dearborn Street,
Chicago 5, Ill.

R. H. HOKE, Agent,
101 Marietta Street,
Atlanta 3, Ga.

I. N. DOE, Agent,
Room 534, South Station,
Boston 10, Mass.

W. S. CURLETT, Agent,
143 Liberty Street,
New York 6, N. Y.

RECEIVED		
Month	Day	Year

Printed in U. S. A.

(59,000) (71591) (Blanket Supplement No. 426) (File No. 8365)

1863

1289 **THE CHANGES IN RATES, PUBLISHED HEREIN, ARE INCREASES**

Subject, except as otherwise provided herein, to **TARIFF OF INCREASED RATES AND CHARGES No. X-148, Agent W. S. Curlett's I. C. C. No. A-742, C. T. C. No. A-496, supplements thereto or successive issues thereof, as provided in Item X-148 of Supplement No. 33**. See Note below.

Note. The operation of the provisions referring to this note as to rates or charges published in this supplement is suspended on the effective date of such rates or charges (but not before May 15, 1943 as to rates or charges shown herein as reissued effective prior to May 15, 1943) until January 1, 1946, except as otherwise provided in Item No. R-148, and will become operative January 1, 1946.

The form of this publication is authorized by special permission of the Interstate Commerce Commission, No. 15686 of April 24, 1943, as amended.

Supplement No. 51
to
C. T. C. No. A-395

Supplement No. 51
to
I. C. C. No. A-609

Supplements Nos. 33, δ35, ⊕39, ∅48, 49, 50 and 51 contain additions and changes.
Supplement No. Ұ47 contains other matter as indicated.

Ұ Closing of Navigation Supplement.
δ Blanket Supplement 378 (Great Lakes Transit Corp.)
⊕ Suspension Notice—Ex Parte 148, reopened.
∅ Postponement Supplement—Ex Parte 148, reopened.

W. S. CURLETT, Agent

TRUNK LINE TARIFF BUREAU

SUPPLEMENT No. 51
TO

FREIGHT TARIFF No 76-B

Joint, Proportional and Coastwise, Intercoastal and Import Freight Tariff

OF

RAIL-AND-LAKE and RAIL-LAKE-AND-RAIL CLASS RATES

FROM STATIONS IN		TO STATIONS IN	
DELAWARE DISTRICT OF COLUMBIA MARYLAND NEW JERSEY	NEW YORK PENNSYLVANIA VERMONT VIRGINIA WEST VIRGINIA	ILLINOIS INDIANA IOWA MICHIGAN	MISSOURI OHIO WISCONSIN
As named on Pages 7 to 77 of Tariff, and as amended		As named on Pages 78 to 101 of Tariff, as amended	

Also provision for substitution of Motor Carrier Service as provided in Item No. 680 of Tariff, as amended.

In connection with Participating Carriers shown on pages 3 to 6 of Tariff, pages 3 to 6 of Supplement No. 49 and page 2 of Supplement No. 50.

Governed, except as otherwise provided herein, by the Official Classification, I. C. C.-O. C. No. 60, C. T. C.-O. C. No. 60, (A. H. Greenly, Agent), and by exceptions to said classification as provided in Agent W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C. No. A-537.

ISSUED NOVEMBER 20, 1945 **EFFECTIVE JANUARY 1, 1946**

Issued in conformity with order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended.
The form of this publication is authorized by special permission of the Interstate Commerce Commission No. 28845 of September 17, 1945.
Authority Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

RECEIVED		
Month	Day	Year

(Printed in U. S. A.)

Issued by
W. S. CURLETT, Agent,
143 Liberty Street,
New York 6, N. Y.

(2,000)

(71540)

1864

Add to page 104 of Tariff:

ITEM No. 1 (New).

APPLICATION OF RATES.

EXPLANATION OF COLUMNS A AND B REFERRED TO ON PAGES 118 TO 129 OF TARIFF, AS AMENDED.

COLUMN A. The Rate Base Numbers named in Column A apply only where applicable rating is published in EXCEPTIONS TO OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and other provisions, except ratings, in Official Classification, EXCEPT that:

These Rate Base Numbers will ALSO apply:

Where the applicable rating is published in Official Classification and the applicable carload minimum weight is published in the Exceptions to Official Classification.

COLUMN B. The Rate Base Numbers named in Column B apply only where applicable rating is published in OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, except ratings, in Exceptions to Official Classification, EXCEPT that:

These Rate Base Numbers will NOT apply:

Where the applicable rating is published in the Official Classification and the applicable carload minimum weight is published in the Exceptions to Official Classification. Column A rates apply.

RATE TABLE SHOWING MULTIPLES OF 1ST CLASS RATES.

When 1st Class Rate is	4x1st Class Rate	3x1st Class Rate	2½x1st Class Rate	2x1st Class Rate	1¾x1st Class Rate	1½x1st Class Rate	1¼x1st Class Rate	When 1st Class Rate is	4x1st Class Rate	3x1st Class Rate	2½x1st Class Rate	2x1st Class Rate	1¾x1st Class Rate	1½x1st Class Rate	1¼x1st Class Rate
Rate in Cents per 100 Pounds															
Add to page 117 of Tariff:															
210	840	630	525	420	368	315	263	**221**	884	663	553	442	387	332	276
211	844	633	528	422	369	317	264	**222**	888	666	555	444	389	333	278
212	848	636	530	424	371	318	265	**223**	892	669	558	446	390	335	279
213	852	639	533	426	373	320	266	**224**	896	672	560	448	392	336	280
214	856	642	535	428	375	321	268	**225**	900	675	563	450	394	338	281
215	860	645	538	430	376	323	269	**226**	904	678	565	452	396	339	283
216	864	648	540	432	378	324	270	**227**	908	681	568	454	397	341	284
217	868	651	543	434	380	326	271	**228**	912	684	570	456	399	342	285
218	872	654	545	436	382	327	273	**229**	916	687	573	458	401	344	286
219	876	657	548	438	383	329	274	**230**	920	690	575	460	403	345	288
220	880	660	550	440	385	330	275								

SUPPLEMENT No. 51 FREIGHT TARIFF No. 76-B.

RATE BASIS NUMBERS APPLICABLE ON DOMESTIC TRAFFIC.

Cancel Rate Basis Numbers shown on pages 118 to 126, inc., of Tariff, as amended, and substitute the following Rate Basis Numbers
Rate Basis Numbers now shown on those pages.

TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis:		Appleton, Wis.		Aurora, Ill.		Bloomington, Ill.		Burlington, Iowa		Champaign, Ill.		Chicago, Ill.		Chiport, Ill.		Clinton, Iowa		Clyman Jct., Wis.		Danville, Ill.	
		Column		Column		Column		Column		Column		Column		Column		Column		Column		Column	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
		APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended)																			
Albany	N. Y.	341	26B	361	1B	357	2B	360	3B	340	4B	364	5B	60	463B	350	6B	338	11B	361	
Altoona (G1 to G32)	Pa.	273	31B	271	32B	272	30B	273	31B	271	32B	274	33B	39A	151B	275	34B	623	37B	274	33
Atlantic City	N. J.	440	51B	441	49B	442	50B	440	51B	441	49B	443	52B	72	473B	444	53B	445	158B	443	52
Baltimore	Md.	427	536B	428	469B	428	469B	442	494B	429	481B	429	481B	61	464B	441	493B	441	113B	430	482
Batavia (G1 to G17)	N. Y.	253	45B	255	33B	264	72B	265	46B	266	73B	267	74B	37	449B	249	75B	257	42B	251	77
Bellefonte (G1 to G22)	Pa.	284	93B	283	88B	285	89B	286	90B	281	91B	278	92B	46	454B	284	93B	292	97B	278	92
Berwick	Pa.	311	122B	334	111B	317	112B	325	113B	321	114B	306	115B	55	549B	326	116B	320	126B	306	115
Binghamton	N. Y.	316	141B	335	134B	328	127B	326	116B	336	121B	309	135B	51	457B	310	136B	317	112B	318	136
Boston	Mass.	444	538B	455	508B	449	501B	456	509B	453	506B	433	485B	74	474B	457	510B	449	537B	455	50
Bridgeton	N. J.	445	158B	443	52B	451	62B	448	58B	436	149B	443	52B	72	473B	447	57B	444	53B	439	151
Cape Charles	Va.	388	539B	378	162B	391	163B	380	164B	369	165B	369	165B	79	476B	385	166B	626	180B	370	168
Clearfield (G1 to G26)	Pa.	277	38B	271	32B	283	82B	622	84B	289	183B	274	33B	40	452B	277	38B	623	37B	274	33
Connellsville (G1 to G42)	Pa.	241	196B	242	194B	243	195B	241	196B	244	197B	245	198B	35	448B	246	199B	247	205B	248	201
Cumberland (G1 to G51)	Md.	295	95B	272	218B	280	102B	290	219B	276	92B	271	220B	44	453B	622	221B	282	227B	291	222
Driftwood (G1 to G30)	Pa.	277	38B	271	32B	283	82B	284	35B	271	32B	274	33B	40	452B	277	38B	623	37B	301	78
Easton	Pa.	337	62B	357	244B	354	245B	359	57B	357	244B	340	246B	66	467B	356	65B	339	250B	340	246
Elkton (G21 and G22)	Va.	304	431B	305	257B	306	115B	367	139B	308	258B	309	135B	51	457B	310	136B	311	122B	312	260
Elmira (G1 to G55)	N. Y.	292	97B	278	108B	287	105B	293	266B	288	270B	272	218B	48	455B	290	219B	277	101B	278	108
Franklin City	Va.	368	413B	391	163B	391	163B	380	164B	369	165B	369	165B	79	476B	385	166B	626	180B	370	168
Frederick	Md.	304	431B	319	119B	334	111B	329	291B	305	257B	306	115B	55	459B	326	116B	307	139B	318	139
Geneva (G1 to G27)	N. Y.	287	105B	297	301B	285	89B	290	219B	283	88B	271	220B	44	453B	292	97B	288	400B	297	301
Glens Falls	N. Y.	453	65B	432	254B	451	62B	445	158B	436	149B	463	310B	68	469B	460	153B	455	62B	432	254
Gloversville	N. Y.	453	65B	432	254B	455	69B	448	58B	436	149B	463	310B	68	469B	447	57B	455	47B	432	25
Grafton (G1 to G33)	W. Va.	258	533B	244	197B	255	210B	249	202B	259	328B	248	201B	33	447B	250	215B	250	215B	260	330
Greenwood	Del.	446	48B	433	250B	451	62B	445	458B	436	149B	432	254B	70	472B	460	153B	444	53B	432	25
Hagerstown (G1 to G24)	Md.	330	294B	318	138B	306	115B	307	139B	308	258B	309	135B	51	457B	310	136B	322	129B	312	26
Harrisburg (G1 to G45)	Pa.	327	118B	321	114B	319	119B	327	118B	305	257B	318	138B	54	458B	307	139B	311	122B	318	138
Hudson	N. Y.	350	6B	348	17B	344	25B	366	366B	345	20B	436	367B	64	466B	347	368B	344	25B	348	1
Johnsonburg (G1 to G58)	Pa.	268	43B	255	33B	264	72B	265	46B	243	78B	267	74B	37	449B	249	75B	250	44B	244	38
Johnstown (G1 to G18)	Pa.	265	46B	255	33B	256	32B	263	34B	255	33B	267	74B	37	449B	261	37B	250	44B	267	7
Lewistown (G1 to G9)	Pa.	307	277B	314	270B	318	104B	316	398B	308	89B	332	88B	49	450B	816	219B	316	219B	332	8
Long Branch	N. J.	440	51B	441	49B	442	50B	440	51B	441	49B	443	52B	72	473B	444	53B	445	158B	443	5
Malone	N. Y.	339	15B	346	367B	345	20B	347	368B	348	17B	349	410B	62	465B	350	6B	354	13B	346	36
Middletown	N. Y.	456	65B	443	452B	442	50B	440	51B	441	49B	439	254B	69A	471B	474	53B	459	63B	443	2
Mineola	N. Y.	385	178B	378	162B	376	177B	377	112B	378	162B	372	174B	79A	475B	388	161B	383	175B	372	17
Montauk	N. Y.	392	541B	390	416B	400	417B	401	418B	399	416B	402	419B	90A	478B	327	520B	396	421B	402	
New York	N. Y.	449	537B	441	493B	442	494B	440	492B	441	493B	443	495B	72	473B	444	496B	453	[illegible]	443	
Ogdensburg	N. Y.	339	15B	348	367B	345	20B	344	368B	348	17B	349	410B	62	465B	370	6B	354	1B	346	
Olean (G1 to G4)	N. Y.	250	44B	255	33B	264	72B	265	46B	266	73B	267	74B	37	449B	249	75B	261	72B	251	
Oneonta	N. Y.	311	122B	319	119B	315	125B	304	131B	317	112B	305	237B	57	460B	313	124B	315	127B	319	
Patchogue	N. Y.	384	540B	381	432B	375	433B	627	434B	381	432B	373	520B	83	477B	377	521B	387	522B	373	
Philadelphia	Pa.	449	537B	439	491B	437	489B	437	490B	435	487B	438	490B	66	467B	453	509B	453	[illegible]	438	
Piercefield	N. Y.	339	15B	346	435B	345	20B	347	368B	348	17B	349	540B	62	465B	350	6B	354	13B	346	
Pittsfield	Mass.	337	130B	348	126B	344	488B	366	502B	345	481B	346	409B	64	466B	347	507B	341	118B	348	
Port Jervis	N. Y.	337	62B	348	151B	339	250B	358	[illegible]	358	[illegible]	340	246B	66	467B	347	148B	353	49B	340	

For Explanation of Columns A and B, see Item No. 1, page 2 hereof.

RATE BASIS NUMBERS APPLICABLE ON DOMESTIC TRAFFIC—Continued.

Cancel Rate Basis Numbers shown on pages 118 to 126, inc., of Tariff, as amended, and substitute the following Rate Basis Numbers for Rate Basis Numbers now shown on those pages.

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis:	TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS Appleton, Wis. Column		Aurora, Ill. Column		Bloomington, Ill. Column		Burlington, Iowa Column		Champaign, Ill. Column		Chicago, Ill. Column		Chipport, Ill. Column		Clinton, Iowa Column		Clymen Jct., Wis. Column		Danville, Ill. Column	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended)																				
Pottsville Pa.	344	118B	364	111B	363	144B	352	128B	364	117B	365	121B	58	461B	353	113B	345	116B	365	121B
Poughkeepsie N. Y.	453	65B	443	52B	442	50B	440	51B	441	49B	439	151B	69A	471B	444	53B	452	63B	443	52B
Punxsutawney (G1 to G34) Pa.	268	43B	255	33B	256	32B	258	38B	255	33B	267	74B	37	449B	252	180B	250	44B	267	74B
Reading Pa.	337	372B	361	8B	351	531B	352	23B	361	8B	362	12B	59A	462B	353	18B	359	15B	362	12B
Richmond Va.	367	375B	346	17B	351	531B	360	3B	361	8B	361	8B	62	465B	355	532B	347	368B	362	12B
Richwood (G1) W. Va.	298	534B	285	89B	285	89B	295	95B	272	218B	272	218B	48	455B	273	98B	294	90B	299	100B
Rochester (G1 to G39) N. Y.	280	44B	301	78B	283	82B	284	187B	289	71B	274	33B	40	452B	277	38B	283	82B	301	78B
Rockwood (G1 to G18) Pa.	282	46B	269	39B	297	76B	275	34B	291	236B	302	80B	39A	450B	279	41B	278	29B	303	74B
Scranton Pa.	357	9B	349	530B	351	531B	352	23B	361	8B	362	12B	59A	462B	339	15B	348	17B	362	12B
Springfield Mass.	449	537B	441	493B	442	494B	440	492B	441	493B	443	495B	72	473B	444	496B	453	535B	443	495B
Syracuse (G1 to G27) N. Y.	292	97B	278	108B	287	105B	293	269B	288	400B	272	218B	48	455B	290	219B	277	101B	278	108B
Trenton N. J.	449	60B	437	245B	433	250B	444	53B	437	245B	435	244B	69	470B	449	60B	453	65B	435	244B
Utica N. Y.	316	141B	335	134B	328	127B	326	116B	336	121B	309	135B	51	457B	310	136B	317	112B	318	138B
Watertown N. Y.	310	136B	336	121B	316	141B	329	291B	334	111B	318	138B	54	458B	326	116B	323	144B	336	121B
Wellsville (G1 to G23) N. Y.	287	43B	271	32B	283	82B	284	187B	289	71B	274	33B	40	462B	277	38B	280	44B	301	78B
Williamsport (G1 to G36) Pa.	316	219B	314	400B	306	105B	320	269B	314	400B	332	88B	49A	456B	316	219B	317	98B	333	108B

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis:	TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS Decatur, Ill. Column		Dubuque, Iowa Column		Feehanville, Ill. Column		Fond du Lac, Wis. Column		Forrest, Ill. Column		Freeport, Ill. Column		Galesburg, Ill. Column		Geneseo, Ill. Column		Green Bay, Wis. Column		Janesville, Wis. Column	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended)																				
Albany N. Y.	357	9B	356	10B	364	5B	341	26B	340	4B	354	13B	355	14B	339	15B	340	4B	348	17B
Altoona (G1 to G32) Pa.	272	30B	284	35B	271	32B	282	46B	276	36B	623	37B	277	38B	623	37B	272	43B	287	40B
Atlantic City N. J.	442	50B	446	55B	441	49B	440	51B	441	49B	447	57B	448	58B	447	57B	449	60B	449	60B
Baltimore Md.	428	460B	442	494B	428	460B	442	132B	431	483B	443	495B	441	493B	443	495B	451	431B	432	484B
Batavia (G1 to G17) N. Y.	264	72B	268	43B	267	74B	253	45B	243	78B	247	30B	241	41B	250	44B	266	39B	266	73B
Bellefonte (G1 to G22) Pa.	285	89B	295	95B	283	88B	284	93B	283	88B	292	97B	273	98B	275	99B	623	226B	277	101B
Berwick Pa.	317	112B	323	118B	319	119B	311	122B	336	121B	311	122B	313	123B	320	115B	316	141B	315	125B
Binghamton N. Y.	314	127B	307	150B	309	135B	316	141B	336	121B	316	141B	320	126B	322	129B	306	115B	319	119B
Boston Mass.	449	501B	458	511B	433	485B	444	538B	453	506B	450	502B	459	512B	445	497B	452	128B	454	507B
Bridgeton N. J.	451	62B	448	58B	443	52B	445	158B	443	52B	454	66B	460	153B	427	154B	427	154B	427	154B

For Explanation of Columns A and B, see Item No. 1, page 2 herein.

RATE BASIS NUMBERS APPLICABLE ON DOMESTIC TRAFFIC—Continued.

Cancel Rate Basis Numbers shown on pages 118 to 125, inc., of Tariff, as amended, and substitute the following Rate Basis Numbers Rate Basis Numbers now shown on those pages.

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis:	TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS																	
	Decatur Ill.		Dubuque Iowa		Fechanville Ill.		Fond du Lac Wis.		Forrest Ill.		Freeport Ill.		Galesburg Ill.		Geneseo Ill.		Green Bay Wis.	
	Column		Column		Column		Column		Column		Column		Column		Column		Column	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
	APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended)																	
Cape Charles .... Va.	391	163n	380	164n	378	162n	382	413n	371	170n	385	166n	385	166n	375	171n	380	164n	375
Clearfield (G21 and G26) .... Pa.	283	82n	292	185n	271	32n	277	38n	276	36n	623	37n	277	38n	623	37n	623	37n	278
Connellsville (G1 to G42) .... Pa.	243	195n	249	202n	242	194n	250	215n	251	204n	247	205n	252	206n	253	207n	253	207n	254
Cumberland (G1 to G51) .... Md.	280	102n	290	219n	272	218n	284	93n	272	218n	287	105n	292	97n	277	101n	292	97n	623
Driftwood (G1 to G30) .... Pa.	283	82n	292	234n	271	32n	277	38n	276	36n	623	37n	277	38n	623	37n	285	189n	278
Easton .... Pa.	354	245n	343	60n	340	246n	337	62n	357	244n	350	69n	360	154n	350	69n	338	151n	339
Elkton (G21 and G22) .... Va.	306	115n	307	139n	305	257n	313	123n	314	262n	315	125n	310	136n	316	125n	307	139n	316
Elmira (G1 to G55) .... N. Y.	287	105n	294	272n	272	218n	292	97n	285	89n	292	221n	295	95n	284	93n	623	226n	287
Franklin City .... Va.	391	163n	380	164n	391	163n	382	413n	371	170n	385	166n	385	166n	375	171n	384	414n	375
Frederick .... Md.	334	111n	327	118n	319	119n	327	118n	336	121n	320	126n	330	294n	320	126n	326	116n	315
Geneva (G1 to G27) .... N. Y.	285	89n	273	98n	271	220n	287	105n	278	108n	279	104n	622	221n	282	227n	280	102n	280
Glens Falls .... N. Y.	451	62n	448	58n	463	310n	453	65n	436	149n	452	63n	450	61n	454	66n	443	149n	441
Gloversville .... N. Y.	455	69n	444	53n	463	310n	453	65n	436	149n	453	65n	460	153n	454	66n	443	52n	451
Grafton (G1 to G33) .... W. Va.	255	[illegible]	261	331n	244	197n	249	202n	244	197n	247	205n	246	199n	264	332n	269	338n	247
Greenwood .... Del.	451	62n	448	58n	433	250n	446	48n	433	250n	447	57n	450	61n	449	60n	454	66n	427
Hagerstown (G1 to G24) .... Md.	306	115n	307	139n	318	138n	311	122n	314	262n	316	141n	310	136n	316	141n	315	125n	328
Harrisburg (G1 to G45) .... Pa.	319	119n	313	123n	321	114n	330	294n	336	121n	310	136n	326	116n	310	136n	315	125n	323
Hudson .... N. Y.	344	25n	358	370n	346	367n	350	6n	345	20n	337	372n	343	373n	352	23n	345	20n	341
Johnsonburg (G1 to G45) .... Pa.	264	32n	268	43n	255	33n	250	44n	243	78n	246	40n	268	43n	250	44n	269	82n	264
Johnstown (G1 to G18) .... Pa.	256	32n	265	46n	255	33n	261	37n	262	391n	246	40n	268	43n	250	44n	250	44n	264
Lewistown (G1 to G9) .... Pa.	318	104n	315	272n	314	270n	322	90n	308	89n	328	93n	323	95n	328	93n	323	95n	321
Long Branch .... N. J.	442	50n	446	55n	441	49n	440	51n	441	49n	447	57n	448	58n	447	57n	449	60n	449
Malone .... N. Y.	345	20n	356	10n	361	1n	339	15n	351	411n	341	26n	352	23n	353	18n	357	2n	357
Middletown .... N. Y.	442	50n	446	55n	439	284n	456	65n	441	49n	453	65n	448	58n	447	57n	443	149n	451
Mineola .... N. Y.	376	177n	382	413n	372	174n	385	178n	378	162n	385	166n	384	414n	385	166n	386	176n	374
Montauk .... N. Y.	400	417n	397	421n	402	419n	392	541n	399	416n	398	422n	403	423n	398	422n	400	426n	404
New York .... N. Y.	442	494n	446	498n	443	495n	449	537n	441	493n	447	499n	448	500n	447	499n	451	431n	453
Ogdensburg .... N. Y.	345	20n	356	10n	349	410n	339	15n	351	411n	341	26n	352	23n	353	18n	357	2n	357
Olean (G1 to G4) .... N. Y.	264	72n	268	43n	242	430n	250	44n	243	78n	246	40n	241	41n	250	44n	257	36n	254
Oneonta .... N. Y.	315	125n	325	113n	305	257n	311	122n	317	112n	311	122n	327	118n	326	116n	328	127n	322
Patchogue .... N. Y.	375	433n	388	522n	373	520n	384	540n	381	432n	384	523n	628	524n	384	523n	383	527n	385
Philadelphia .... Pa.	437	489n	449	501n	439	491n	449	537n	435	487n	455	508n	427	479n	455	508n	451	431n	441
Piercefield .... N. Y.	345	20n	356	10n	349	530n	339	15n	351	531n	341	26n	352	23n	353	18n	357	2n	357
Pittsfield .... Mass.	344	488n	358	513n	346	469n	337	130n	345	484n	337	503n	343	501n	352	504n	338	116n	341
Port Jervis .... N. Y.	339	250n	358	153n	340	246n	337	62n	354	245n	355	50n	347	148n	355	50n	338	151n	339
Pottsville .... Pa.	363	144n	355	132n	364	111n	344	118n	364	111n	357	122n	339	291n	338	139n	351	136n	351
Poughkeepsie .... N. Y.	442	50n	446	48n	439	151n	453	65n	441	49n	453	150n	448	58n	447	57n	436	149n	451
Punxsutawney (G1 to G34) .... Pa.	256	32n	241	41n	255	33n	250	44n	255	33n	247	30n	261	37n	269	82n	252	189n	264
Reading .... Pa.	351	531n	355	532n	361	8n	337	372n	361	8n	354	13n	337	372n	341	26n	354	13n	338
Richmond .... Va.	340	531n	360	3n	348	17n	358	370n	346	435n	350	6n	355	532n	353	18n	356	10n	353
Richwood (G1) .... W. Va.	278	108n	294	272n	285	89n	300	398n	272	218n	275	90n	622	221n	622	221n	295	219n	284
Rochester (G1 to G39) .... N. Y.	283	82n	292	185n	274	33n	280	44n	276	36n	278	40n	275	34n	279	41n	272	30n	297
Rockwood (G1 to G18) .... Pa.	287	76n	282	46n	299	30n	623	37n	299	39n	280	44n	277	38n	285	189n	285	189n	283
Scranton .... Pa.	351	531n	330	6n	362	12n	357	9n	361	8n	345	20n	337	372n	341	26n	361	8n	351
Springfield .... Mass.	442	494n	446	498n	443	495n	449	537n	441	493n	447	499n	448	500n	447	499n	451	431n	453
Syracuse (G1 to G27) .... N. Y.	287	105n	294	272n	272	218n	292	97n	285	89n	292	97n	295	95n	284	93n	622	226n	287
Trenton .... N. J.	433	250n	450	61n	437	245n	449	60n	437	245n	453	150n	447	57n	453	150n	441	49n	451
Utica .... N. Y.	328	127n	307	139n	309	135n	316	141n	336	121n	316	141n	320	126n	322	129n	306	115n	319
Watertown .... N. Y.	316	141n	327	118n	318	138n	310	136n	319	119n	315	125n	330	294n	311	122n	328	127n	317
Wellsville (G1 to G23) .... N. Y.	283	82n	292	185n	299	39n	287	43n	276	36n	623	37n	275	34n	279	41n	278	29n	272
Williamsport (G1 to G36) .... Pa.	306	105n	345	272n	314	400n	316	219n	308	89n	316	219n	323	95n	334	221n	305	101n	319

For Explanation of Columns A and B, see Item No. 1, page 2 herein.

1294

SUPPLEMENT No. 51—FREIGHT TARIFF No. 76-B.

RATE BASIS NUMBERS APPLICABLE ON DOMESTIC TRAFFIC—Continued.

Cancel Rate Basis Numbers shown on pages 118 to 126, inc., of Tariff, as amended, and substitute the following Rate Basis Numbers for Rate Basis Numbers now shown on those pages.

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis:	TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS Litchfield, Ill. Column		Madison, Wis. Column		Mattoon, Ill. Column		Milwaukee, Wis. Column		Monroe, Wis. Column		Oconto, Wis. Column		Pana, Ill. Column		Peoria, Ill. Column		Plymouth, Wis. Column	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
	APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended.)																	
Albany, N. Y.	353	18B	357	9B	357	9B	364	5B	354	13B	340	4B	354	13B	345	20B	340	4B
Altoona (G1 to G32), Pa.	279	41B	623	37B	272	30B	276	42B	287	43B	287	43B	280	44B	280	44B	287	43B
Atlantic City, N. J.	447	57B	450	61B	451	62B	452	63B	447	57B	419	60B	453	65B	454	66B	449	60B
Baltimore, Md.	432	484B	433	485B	431	483B	434	486B	433	485B	451	431B	434	486B	435	487B	451	431B
Batavia (G1 to G17), N. Y.	249	75B	256	32B	264	72B	267	74B	247	30B	266	39B	269	82B	253	45B	266	39B
Bellefonte (G1 to G22), Pa.	275	99B	292	97B	280	102B	280	102B	296	93B	623	226B	279	104B	287	105B	623	226B
Berwick, Pa.	311	122B	320	126B	328	127B	319	119B	326	116B	316	141B	322	129B	315	125B	316	141B
Binghamton, N. Y.	320	126B	319	119B	328	127B	309	135B	316	141B	306	115B	323	144B	316	141B	306	115B
Boston, Mass.	446	498B	449	501B	449	501B	433	485B	450	502B	452	128B	444	496B	460	513B	452	128B
Bridgeton, N. J.	454	66B	447	57B	436	149B	455	69B	454	66B	427	154B	453	65B	452	63B	427	154B
Cape Charles, Va.	374	173B	385	166B	372	174B	374	173B	385	166B	380	164B	373	176B	376	177B	380	164B
Clearfield (G1 to G26), Pa.	287	43B	623	37B	283	82B	276	36B	623	37B	623	37B	285	489B	280	44B	623	37B
Connellsville (G1 to G42), Pa.	247	205B	247	205B	255	210B	255	210B	253	207B	253	207B	256	212B	257	213B	253	207B
Cumberland (G1 to G51), Md.	277	101B	277	101B	283	88B	283	88B	282	227B	292	97B	285	89B	279	104B	292	97B
Driftwood (G1 to G30), Pa.	277	38B	623	37B	283	82B	276	36B	623	37B	285	189B	288	75B	280	89B	285	189B
Easton, Pa.	350	69B	353	49B	338	151B	340	246B	352	63B	338	151B	344	149B	353	49B	338	151B
Elkton (G21 and G22), Va.	317	112B	315	125B	318	138B	319	119B	320	126B	307	139B	321	114B	319	119B	307	139B
Elmira (G1 to G55), N. Y.	273	98B	287	105B	287	105B	272	218B	292	97B	623	226B	275	99B	282	227B	623	226B
Franklin City, Va.	374	173B	385	166B	372	174B	386	285B	385	166B	384	414B	373	176B	376	177B	384	414B
Frederick, Md.	310	136B	311	122B	319	119B	328	127B	307	139B	326	116B	316	141B	323	144B	326	116B
Geneva (G1 to G27), N. Y.	292	97B	280	102B	285	89B	271	220B	279	104B	280	102B	287	105B	623	226B	280	102B
Glens Falls, N. Y.	449	60B	451	62B	451	62B	463	310B	452	63B	443	149B	453	65B	442	56B	443	149B
Gloversville, N. Y.	447	57B	451	62B	455	69B	463	310B	453	65B	443	52B	453	65B	452	63B	443	[illegible]
Grafton (G1 to G33), W. Va.	254	209B	246	199B	244	197B	266	334B	246	199B	269	338B	262	336B	256	212B	269	338B
Greenwood, Del.	449	60B	447	57B	441	49B	451	62B	447	57B	454	66B	452	63B	453	65B	454	66B
Hagerstown (G1 to G24), Md.	317	112B	322	129B	318	138B	305	257B	315	125B	315	125B	321	135B	319	119B	315	125B
Harrisburg (G1 to G45), Pa.	315	125B	310	136B	321	114B	319	119B	311	122B	315	125B	317	112B	316	141B	315	125B
Hudson, N. Y.	356	10B	344	25B	344	25B	346	367B	337	372B	345	20B	350	6B	353	18B	345	20B
Johnsonburg (G1 to G58), Pa.	261	37B	253	45B	264	72B	243	78B	246	40B	269	82B	246	40B	253	45B	269	82B
Johnstown (G1 to G18), Pa.	250	44B	246	40B	256	32B	243	78B	250	44B	250	44B	247	30B	253	45B	250	44B
Lewistown (G1 to G9), Pa.	334	221B	328	93B	314	270B	335	226B	317	98B	323	95B	305	101B	328	227B	323	95B
Long Branch, N. J.	447	57B	450	61B	451	62B	452	63B	447	57B	449	60B	453	65B	454	66B	449	60B
Malone, N. Y.	350	6B	357	9B	345	20B	349	410B	341	26B	357	2B	344	25B	341	26B	357	2B
Middletown, N. Y.	447	57B	455	69B	451	62B	439	151B	453	65B	445	149B	453	52B	453	52B	445	149B
Mineola, N. Y.	385	166B	383	415B	373	176B	372	174B	385	166B	386	176B	374	173B	375	171B	386	176B
Montauk, N. Y.	398	422B	405	425B	406	426B	402	419B	398	422B	400	426B	404	424B	623	427B	400	426B
New York, N. Y.	447	499B	427	179B	451	503B	443	495B	447	499B	451	431B	453	506B	454	507B	451	431B
Ogdensburg, N. Y.	350	6B	357	2B	345	20B	349	410B	341	26B	357	2B	344	25B	341	26B	357	2B
Olean (G1 to G4), N. Y.	249	75B	253	45B	264	72B	242	430B	246	40B	257	39B	269	82B	253	45B	257	39B
Oneonta, N. Y.	313	123B	322	129B	315	125B	305	257B	311	122B	328	127B	311	122B	320	125B	328	127B
Patchogue, N. Y.	384	523B	387	526B	374	527B	373	520B	384	523B	383	527B	385	525B	620	528B	383	527B
Philadelphia, Pa.	455	508B	452	504B	439	491B	437	489B	452	504B	451	431B	436	488B	441	493B	451	431B
Pierrefield, N. Y.	350	6B	357	2B	345	20B	349	410B	341	26B	357	2B	344	25B	341	26B	357	2B
Pittsfield, Mass.	356	506B	344	488B	344	488B	346	409B	337	503B	338	110B	350	508B	353	493B	338	110B
Port Jervis, N. Y.	356	150B	339	250B	341	52B	340	246B	355	50B	338	151B	337	62B	353	50B	338	151B
Pottsville, Pa.	354	294B	338	139B	363	144B	349	112B	345	116B	351	136B	348	126B	348	128B	[illegible]	[illegible]
Poughkeepsie, N. Y.	447	57B	455	47B	451	62B	439	151B	453	150B	436	149B	453	150B	[illegible]	[illegible]	436	[illegible]
Punxsutawney (G1 to G34), Pa.	250	44B	253	45B	256	32B	243	78B	247	30B	252	189B	247	30B	257	46B	[illegible]	[illegible]
Reading, Pa.	341	26B	339	15B	346	437B	340	4B	344	25B	354	13B	357	2B	345	20B	[illegible]	[illegible]
Richmond, Va.	354	13B	350	6B	340	435B	354	13B	342	25B	356	10B	348	17B	345	20B	356	[illegible]

For Explanation of Columns A and B, see Item No. 1, page 2 hereof.

1569

RATE BASIS NUMBERS APPLICABLE ON DOMESTIC TRAFFIC—Continued.

Cancel Rate Basis Numbers shown on pages 118 to 125, inc., of Tariff, as amended, and substitute the following Rate Basis Numbers
Rate Basis Numbers now shown on those pages.

TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis		Litchfield Ill. Column A	Litchfield Ill. Column B	Madison Wis. Column A	Madison Wis. Column B	Mattoon Ill. Column A	Mattoon Ill. Column B	Milwaukee Wis. Column A	Milwaukee Wis. Column B	Monroe Wis. Column A	Monroe Wis. Column B	Oconto Wis. Column A	Oconto Wis. Column B	Pana Ill. Column A	Pana Ill. Column B	Peoria Ill. Column A	Peoria Ill. Column B	Plymouth Wis. Column A	Plymouth Wis. Column B
		APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended)																	
Richwood (G1)	W. Va.	277	101B	295	95B	272	218B	277	101B	295	95B	295	219B	285	189B	277	101B	295	
Rochester (G1 to G39)	N. Y.	287	43B	281	45B	283	82B	274	33B	278	40B	272	30B	285	189B	280	44B	272	
Rockwood (G1 to G18)	Pa.	285	189B	288	75B	289	71B	289	71B	623	37B	285	189B	281	45B	278	40B	285	
Scranton	Pa.	341	26B	348	17B	346	435B	362	12B	345	20B	361	8B	357	2B	345	20B	361	
Springfield	Mass.	460	513B	427	479B	442	494B	443	495B	447	499B	451	431B	453	506B	453	507B	451	
Syracuse (G1 to G27)	N. Y.	273	98B	287	105B	287	105B	272	218B	292	97B	622	226B	275	99B	282	227B	622	
Trenton	N. J.	453	150B	453	150B	443	52B	437	245B	454	148B	441	49B	451	62B	442	50B	441	
Utica	N. Y.	320	126B	319	119B	328	127B	309	135B	316	141B	306	115B	323	144B	316	141B	306	
Watertown	N. Y.	307	139B	316	141B	316	141B	318	138B	315	125B	328	127B	315	125B	322	120B	328	
Wellsville (G1 to G23)	N. Y.	287	43B	285	189B	283	82B	290	39B	623	37B	278	29B	285	189B	280	44B	278	
Williamsport (G1 to G36)	Pa.	317	98B	317	98B	318	104B	335	226B	322	90B	305	101B	321	99B	335	227B	305	

TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS

FROM Stations shown on pages 7 to 77, inc., of Tariff, as amended, taking Rate Basis		Quincy Ill. Column A	Quincy Ill. Column B	Rockford Ill. Column A	Rockford Ill. Column B	Roodhouse Ill. Column A	Roodhouse Ill. Column B	St. Louis Mo. Column A	St. Louis Mo. Column B	Sheboygan Wis. Column A	Sheboygan Wis. Column B	Springfield Ill. Column A	Springfield Ill. Column B	Sterling Ill. Column A	Sterling Ill. Column B	Streator Ill. Column A	Streator Ill. Column B	Warren Ill. Column A	Warren Ill. Column B	Watertown Wis. Column A	Watertown Wis. Column B
		APPLY RATE BASIS NUMBERS. (For Rates, see pages 132 to 171 of Tariff, as amended)																			
Albany	N. Y.	359	22B	348	17B	352	23B	356	10B	364	5B	344	25B	341	26B	357	2B	344	25B	346	
Altoona (G1 to G32)	Pa.	273	31B	281	45B	275	34B	282	46B	283	82B	280	44B	623	37B	272	30B	287	43B	278	
Atlantic City	N. J.	440	51B	453	65B	444	53B	444	53B	452	63B	454	66B	447	57B	455	69B	448	58B	449	
Baltimore	Md.	442	494B	435	487B	436	488B	436	488B	437	294B	435	487B	443	495B	438	490B	441	493B	432	
Batavia (G1 to G17)	N. Y.	270	84B	256	32B	268	43B	265	46B	267	74B	250	44B	246	40B	257	36B	269	82B	255	
Bellefonte (G1 to G22)	Pa.	286	40B	287	105B	284	93B	284	93B	288	400B	287	105B	275	99B	278	108B	273	98B	277	
Berwick	Pa.	325	113B	315	125B	313	123B	313	123B	319	119B	315	125B	320	126B	319	119B	313	123B	323	
Binghamton	N. Y.	327	118B	319	119B	307	139B	326	116B	309	135B	315	125B	316	141B	319	119B	322	129B	306	
Boston	Mass.	461	514B	454	507B	462	515B	458	511B	433	291B	448	500B	444	496B	444	501B	449	500B	448	
Bridgeton	N. J.	445	158B	485	69B	447	[illegible]	444	53B	455	47B	154	66B	454	66B	441	49B	460	153B	427	
Cape Charles	Va.	380	164B	374	173B	390	178B	390	178B	390	178B	376	177B	375	171B	373	176B	626	180B	385	
Clearfield (G1 to G26)	Pa.	622	84B	281	45B	275	34B	282	46B	278	29B	280	44B	288	75B	272	30B	287	43B	278	
Connellsville (G1 to G42)	Pa.	241	196B	256	212B	246	199B	246	199B	254	209B	257	213B	247	205B	243	195B	250	215B	254	
Cumberland (G1 to G51)	Md.	290	219B	285	89B	292	97B	292	97B	623	226B	279	104B	277	101B	281	91B	292	97B	623	
[illegible] (G1 to G30)	Pa.	295	239B	281	45B	292	231B	292	234B	281	45B	623	37B	285	241B	272	30B	287	[illegible]	278	

For Explanation of Columns A and B, see Item No. 1, page 2 herein.

SUPPLEMENT No. 51 FREIGHT TARIFF No. 76-B

RATE BASIS NUMBERS APPLICABLE ON DOMESTIC TRAFFIC—Continued.

ncel Rate Basis Numbers shown on pages 116 to 125, inc., of Tariff, as amended, and substitute the following Rate Basis Numbers for Rate Basis Numbers now shown on those pages.

FROM Stations shown on pages to 77, inc., of Tariff, amended, taking Rate sis:	TO STATIONS SHOWN ON PAGES 78 TO 101 OF TARIFF, AS AMENDED, TAKING RATE BASIS Quincy Ill. Column A	Quincy Ill. Column B	Rockford Ill. Column A	Rockford Ill. Column B	Roodhouse Ill. Column A	Roodhouse Ill. Column B	St. Louis Mo. Column A	St. Louis Mo. Column B	Sheboygan Wis. Column A	Sheboygan Wis. Column B	Springfield Ill. Column A	Springfield Ill. Column B	Sterling Ill. Column A	Sterling Ill. Column B	Streator Ill. Column A	Streator Ill. Column B	Warren Ill. Column A	Warren Ill. Column B	Watertown Wis. Column A	Watertown Wis. Column B
	APPLY RATE BASIS NUMBERS. (For Rates, see pages 133 to 171 of Tariff, as amended)																			
ston Pa.	359	57n	344	149n	356	65n	356	65n	340	246n	353	49n	350	69n	345	254n	356	65n	354	245n
kton (G21 and G22) Va.	307	139n	317	112n	322	129n	322	129n	315	125n	319	119n	323	144n	305	257n	320	126n	323	144n
mira (G1 to G55) N. Y.	296	277n	287	105n	295	95n	294	278n	272	218n	622	221n	292	97n	623	226n	284	93n	285	89n
anklin City Va.	380	164n	374	173n	390	178n	390	178n	374	178n	376	177n	375	171n	373	176n	626	180n	385	172n
ederick Md.	329	291n	323	144n	307	139n	307	139n	315	125n	323	144n	320	126n	334	111n	307	139n	315	125n
neva (G1 to G27) N. Y.	294	272n	280	102n	284	93n	295	95n	271	220n	277	101n	287	105n	285	89n	277	101n	272	218n
ens Falls N. Y.	457	316n	441	49n	444	53n	448	58n	463	310n	454	154n	453	65n	451	62n	454	154n	443	52n
oversville N. Y.	440	51n	451	49n	444	53n	448	171n	463	310n	454	154n	453	65n	451	62n	454	66n	443	52n
afton (G1 to G33) W. Va.	249	202n	266	334n	269	338n	269	338n	247	205n	243	195n	264	332n	251	204n	269	358n	242	205n
eenwood Del.	440	51n	453	65n	450	61n	450	61n	442	50n	453	65n	454	66n	451	62n	450	61n	427	154n
agerstown (G1 to G24) Md.	307	139n	319	119n	322	129n	322	129n	334	111n	319	119n	316	141n	306	115n	310	136n	328	127n
rrisburg (G1 to G45) Pa.	327	118n	316	141n	307	139n	307	139n	328	127n	316	141n	310	136n	319	119n	307	139n	323	144n
dson N. Y.	367	376n	341	26n	359	22n	358	370n	346	367n	355	14n	350	6n	344	25n	355	14n	338	11n
nsonburg (G1 to G58) Pa.	270	84n	264	72n	268	43n	265	46n	256	32n	250	44n	246	40n	243	78n	249	75n	264	70n
nstown (G1 to G18) Pa.	263	34n	264	72n	241	41n	241	41n	264	76n	253	45n	246	40n	254	183n	249	75n	264	76n
wistown (G1 to G9) Pa.	310	398n	336	227n	316	219n	316	219n	336	227n	336	227n	328	93n	335	226n	323	95n	321	99n
ng Branch N. J.	440	51n	453	65n	444	53n	444	53n	452	63n	454	66n	447	57n	455	69n	448	58n	449	60n
alone N. Y.	358	370n	357	9n	352	23n	347	368n	349	530n	353	18n	344	25n	357	9n	344	25n	340	4n
ddletown N. Y.	440	51n	451	62n	444	53n	444	53n	449	151n	454	66n	447	57n	455	69n	454	66n	436	149n
neola N. Y.	400	412n	374	173n	380	164n	380	164n	371	174n	375	171n	385	166n	386	285n	626	180n	386	285n
ontauk N. Y.	401	418n	396	424n	395	420n	395	420n	402	419n	629	427n	398	422n	393	428n	394	429n	393	428n
w York N. Y.	440	492n	453	506n	444	496n	444	496n	443	123n	454	507n	447	499n	455	508n	450	502n	455	130n
densburg N. Y.	358	370n	357	2n	352	23n	347	368n	349	530n	353	18n	344	25n	357	2n	344	25n	340	4n
ean (G1 to G4) N. Y.	270	84n	254	183n	268	43n	265	46n	242	79n	250	44n	246	40n	257	36n	249	75n	254	71n
eonta N. Y.	324	294n	322	129n	325	113n	304	431n	305	257n	326	116n	311	122n	322	120n	326	116n	228	127n
tchogue N. Y.	627	434n	385	525n	400	521n	400	521n	386	520n	626	528n	384	523n	383	446n	382	520n	383	446n
iladelphia Pa.	447	499n	436	488n	453	506n	453	506n	437	294n	441	493n	455	508n	432	484n	453	506n	441	113n
rcefield N. Y.	358	370n	357	166n	352	23n	347	368n	349	530n	353	18n	344	25n	357	2n	344	25n	340	4n
ttsfield Mass.	367	497n	341	495n	359	499n	358	513n	363	129n	355	494n	350	508n	344	488n	355	494n	338	139n
rt Jervis N. Y.	342	58n	339	250n	343	60n	343	60n	340	246n	355	50n	355	50n	344	149n	356	150n	345	70n
ttsville Pa.	352	128n	340	125n	353	113n	353	113n	349	112n	348	128n	348	128n	349	112n	341	123n	351	130n
ughkeepsie N. Y.	440	51n	451	62n	444	53n	444	53n	439	151n	454	148n	447	57n	455	47n	454	148n	436	149n
nxsutawney (G1 to G34) Pa.	258	38n	256	32n	261	37n	252	189n	204	72n	247	82n	247	82n	262	286n	250	44n	264	70n
ading Pa.	352	23n	348	17n	353	18n	353	18n	348	17n	345	20n	341	26n	363	365n	339	15n	354	13n
chmond Va.	352	23n	344	25n	337	372n	339	15n	350	6n	357	2n	353	18n	338	11n	352	23n	350	6n
chwood (G1) W. Va.	294	272n	277	101n	622	221n	622	221n	273	98n	623	228n	275	99n	285	89n	273	98n	284	93n
chester (G1 to G39) N. Y.	295	239n	297	76n	275	34n	292	185n	274	33n	623	87n	285	189n	272	30n	285	189n	289	71n
ckwood (G1 to G18) Pa.	275	34n	272	30n	279	41n	279	41n	283	82n	278	40n	278	40n	280	71n	279	41n	282	82n
nton Pa.	356	10n	351	531n	353	18n	353	18n	362	12n	345	20n	341	26n	363	365n	341	26n	363	365n
ingfield Mass.	462	515n	453	506n	445	497n	446	498n	443	123n	449	501n	447	499n	442	494n	450	502n	455	120n
racuse (G1 to G27) N. Y.	296	277n	287	105n	295	95n	294	272n	272	218n	622	221n	292	97n	623	226n	284	93n	285	89n
nton N. J.	444	53n	451	62n	449	60n	449	60n	437	245n	442	50n	453	150n	436	149n	447	57n	451	62n
a N. Y.	327	118n	319	119n	307	130n	326	116n	309	135n	315	125n	316	141n	319	119n	322	120n	306	115n
rtown N. Y.	331	120n	317	112n	330	294n	329	291n	318	136n	320	126n	310	136n	328	127n	320	120n	319	119n
llsville (G1 to G23) N. Y.	295	239n	272	30n	275	34n	292	185n	299	29n	623	37n	285	189n	272	30n	287	43n	272	30n
liamsport (G1 to G26) Pa.	324	288n	[illegible]	97n	323	95n	323	95n	335	226n	334	221n	334	221n	335	226n	322	60n	321	99n

For Explanation of Columns A and B see Item No. 1, page 2 herein.

1871

Add to pages 132 to 171 of Tariff

TABLE OF RATES

(In Cents Per 100 Pounds)

CLASSES

RATE BASIS NUMBERS (As shown on pages 118 to 130 of Tariff, as amended.)	1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
1B	159	136	123	119	111	104	95	91	88	79	71	64	60	55	52	48	43	40	36	[illegible]
2B	166	141	129	124	116	108	99	95	91	83	75	67	62	58	54	50	45	42	37	[illegible]
3B	182	155	141	136	128	119	109	104	100	91	82	77	72	66	58	55	50	46	41	[illegible]
4B	163	139	126	122	114	106	98	93	90	81	73	65	61	57	53	49	44	41	37	[illegible]
5B	155	132	120	116	109	101	93	89	85	77	70	62	58	54	51	46	42	39	35	[illegible]
6B	177	151	137	133	124	116	106	101	96	88	80	71	66	62	58	53	48	45	40	[illegible]
7B	151	128	117	113	106	99	90	86	83	76	68	61	57	53	49	45	41	38	34	[illegible]
8B	159	136	123	119	111	104	95	91	88	79	71	64	60	56	52	48	43	40	36	[illegible]
9B	166	141	129	124	116	108	99	95	91	83	75	67	62	58	54	50	45	42	37	[illegible]
10B	181	154	140	136	127	118	108	104	100	90	81	73	68	63	59	54	49	46	41	[illegible]
11B	167	142	130	125	117	109	100	96	92	83	75	67	63	58	55	50	46	42	38	[illegible]
12B	[illegible]	131	119	115	108	101	92	88	85	77	69	62	58	53	50	46	42	39	35	[illegible]
13B	170	134	122	118	110	103	94	90	87	78	71	63	59	55	51	47	43	40	35	[illegible]
14B	178	151	138	133	125	116	107	102	98	89	80	71	67	62	58	53	49	45	40	[illegible]
15B	173	147	134	130	121	113	104	99	95	86	78	69	65	60	56	52	47	44	39	[illegible]
16B	147	125	114	110	103	96	88	84	81	73	66	59	55	51	48	44	40	37	33	[illegible]
17B	165	140	128	124	116	108	99	94	91	82	74	66	62	57	54	49	45	42	37	[illegible]
18B	175	149	136	131	123	114	105	100	96	87	79	70	66	61	57	52	48	44	39	[illegible]
19B	156	133	121	117	109	102	93	89	86	78	70	63	58	54	51	47	42	39	35	[illegible]
20B	169	144	131	127	118	110	101	97	93	84	76	68	63	59	55	51	46	43	38	[illegible]
21B	153	130	119	115	107	100	92	88	84	76	69	61	57	53	50	46	42	39	34	[illegible]
22B	185	157	143	139	130	121	111	106	102	92	83	74	69	64	60	55	50	47	42	[illegible]
23B	180	153	140	135	126	117	108	103	99	90	81	72	67	63	59	54	49	45	40	[illegible]
24B	140	119	109	105	98	91	84	80	77	70	63	56	52	49	46	42	38	35	31	[illegible]
25B	172	146	133	129	121	112	103	98	95	86	77	69	64	60	56	52	47	43	39	[illegible]
26B	171	145	133	128	120	112	102	98	94	85	77	69	64	59	56	51	47	43	38	[illegible]
27B	145	123	112	109	102	95	87	83	80	72	65	58	54	50	47	43	39	37	33	[illegible]
28B	150	128	116	112	105	98	90	86	83	75	67	60	56	53	49	45	41	38	34	[illegible]
29B	145	123	112	108	102	94	87	82	79	73	65	58	54	50	47	44	40	36	33	[illegible]
30B	142	120	110	106	99	92	85	81	78	71	63	57	53	49	46	43	39	35	32	[illegible]
31B	161	136	125	120	113	104	97	91	88	81	72	64	60	56	53	48	44	40	36	[illegible]
32B	136	115	105	102	95	88	82	77	74	68	61	54	51	47	44	41	37	34	31	[illegible]
33B	132	112	102	99	92	85	79	75	72	66	59	53	49	46	43	40	36	33	30	[illegible]
34B	156	132	121	117	109	101	94	89	85	78	70	62	58	54	51	47	43	39	35	[illegible]
35B	159	135	123	119	111	103	95	90	87	80	71	64	59	55	52	48	43	39	36	[illegible]
36B	139	118	107	104	97	90	83	79	76	70	62	56	52	48	45	42	38	34	32	[illegible]
37B	150	127	116	112	105	97	90	85	82	75	67	60	56	52	49	45	41	37	34	[illegible]
38B	154	130	119	115	108	100	92	87	84	77	69	62	58	53	50	46	42	38	35	[illegible]
39B	135	114	104	101	95	87	81	77	74	68	60	54	50	47	44	41	37	34	31	[illegible]
40B	145	123	112	108	102	94	87	82	79	73	65	58	54	50	47	44	40	36	33	[illegible]
41B	151	128	117	113	106	98	91	86	83	76	67	60	56	52	49	45	41	37	34	[illegible]
42B	139	118	107	104	97	90	83	79	76	70	62	56	52	48	45	42	38	34	32	[illegible]
43B	152	129	118	114	106	98	91	86	83	76	68	61	57	53	50	46	42	38	34	[illegible]
44B	146	124	113	109	102	94	88	83	80	73	65	58	55	51	48	44	40	36	33	[illegible]
45B	143	121	111	107	100	92	86	81	78	72	64	57	53	50	47	43	39	35	32	[illegible]
46B	155	131	120	116	109	100	93	88	85	78	69	62	58	54	51	47	42	38	35	[illegible]
47B	176	150	136	132	123	115	106	100	97	88	80	70	66	62	57	53	48	44	40	[illegible]
48B	192	163	149	144	134	125	116	109	106	96	87	76	72	67	62	58	53	48	43	[illegible]
49B	174	148	135	130	122	113	105	99	96	87	79	69	66	61	56	52	48	43	39	[illegible]
50B	177	150	137	132	124	115	107	101	97	89	80	70	67	62	57	53	49	44	40	[illegible]
51B	193	164	149	144	135	126	116	110	106	97	87	77	73	67	62	58	53	48	44	[illegible]
52B	170	144	132	127	119	111	102	97	93	85	77	68	64	59	55	51	47	42	38	[illegible]
53B	188	160	146	141	131	122	113	108	103	94	85	75	71	66	61	57	52	47	42	[illegible]
54B	192	163	149	144	134	125	116	109	106	96	87	76	72	67	62	58	53	48	43	[illegible]
55B	184	156	142	138	129	120	111	105	101	92	83	73	69	64	59	55	50	46	42	[illegible]
56B	190	161	147	142	133	124	114	108	104	95	86	76	72	66	61	57	52	47	43	[illegible]
57B	183	155	142	137	128	119	110	104	100	93	83	73	69	64	59	55	50	45	41	[illegible]
58B	187	159	145	140	131	122	113	107	103	94	84	74	70	66	60	56	51	46	42	[illegible]
59B	175	149	135	131	122	114	105	100	96	88	79	70	66	61	56	53	48	43	40	[illegible]
60B	179	152	139	134	125	116	108	102	98	90	81	71	67	63	58	54	49	44	40	[illegible]

to pages 132 to 171 of Tariff:

TABLE OF RATES—Continued.

(In Cents Per 100 Pounds)

RATE BASIS NUMBERS (As shown on pages 118 to 130 Tariff, as amended.)	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
B	157	133	122	117	110	102	95	89	86	79	71	62	59	55	51	47	43	39	35	31
B	180	153	139	135	126	117	108	103	99	90	81	72	68	63	58	54	49	45	41	36
B	182	155	141	136	127	118	109	104	100	91	82	72	69	64	59	55	50	45	41	36
7B	151	128	117	113	106	98	91	86	83	76	68	60	57	53	49	46	41	47	34	30
8B	161	137	125	120	113	105	97	92	88	81	73	64	61	56	52	49	44	40	36	32
9B	176	150	136	132	123	115	106	100	97	88	80	70	66	62	57	53	48	44	40	35
0B	168	143	130	126	117	109	101	96	92	84	76	67	63	59	54	51	46	42	38	33
1B	137	116	106	102	96	89	82	78	75	69	61	55	51	47	45	41	37	34	31	27
2B	140	119	108	105	98	91	84	80	77	70	63	56	52	49	46	42	38	35	32	28
3B	135	114	104	101	95	87	81	77	74	68	60	54	50	47	44	41	37	33	31	27
4B	126	107	97	94	88	81	76	72	69	63	56	50	47	44	41	38	34	31	29	25
5B	148	125	114	111	104	96	89	84	81	74	66	59	55	51	48	44	40	37	34	30
6B	140	119	108	105	98	91	84	80	77	70	63	56	52	49	46	42	38	35	32	28
7B	131	111	101	98	92	85	79	74	72	66	58	52	49	45	43	39	36	32	30	26
8B	134	113	104	100	94	87	80	76	73	67	60	54	50	46	44	40	37	33	30	27
9B	130	110	101	97	92	84	78	74	71	65	58	52	49	45	43	39	36	32	30	26
[illegible]	131	111	101	98	92	85	79	74	72	66	58	52	49	45	43	39	36	32	30	26
B	129	109	100	96	90	83	77	73	70	65	58	52	48	45	42	39	35	32	29	26
2B	144	122	111	108	101	93	86	82	79	72	64	58	54	50	47	43	39	36	33	29
3B	125	106	97	93	88	81	75	71	68	63	56	50	47	43	41	38	34	31	28	25
4B	158	134	122	118	111	102	95	90	86	79	71	63	59	55	52	47	43	39	36	32
5B	122	103	94	91	85	79	73	69	67	61	54	49	46	42	40	37	33	30	28	24
6B	114	96	88	85	80	74	68	65	62	57	51	46	43	39	37	34	31	28	26	23
8B	143	122	110	108	100	93	85	82	79	71	64	58	54	50	46	43	39	36	33	29
9B	146	124	113	110	102	95	87	83	80	73	66	59	55	51	47	44	40	36	33	29
0B	163	139	126	123	114	106	97	93	90	81	73	66	61	57	53	49	45	41	37	33
01B	142	121	110	107	99	92	85	81	78	71	64	57	53	50	46	43	39	35	32	29
02B	138	118	106	104	96	90	82	79	76	69	62	56	52	48	44	42	38	34	32	28
03B	158	135	122	119	110	103	94	90	87	79	71	64	59	55	51	48	43	39	36	32
04B	162	138	125	122	113	105	97	93	89	81	73	65	61	57	52	49	45	40	37	33
97B	156	133	120	117	109	102	93	89	86	78	70	63	59	54	50	47	43	39	36	31
98B	160	136	124	120	112	104	96	91	88	80	72	64	60	56	52	48	44	40	36	32
99B	155	132	120	117	108	101	93	89	85	77	70	62	58	54	50	47	43	39	35	31
00B	134	114	103	101	94	87	80	77	74	67	60	54	50	47	43	41	37	33	31	27
01B	153	130	118	115	107	100	91	87	84	76	69	62	58	53	49	46	42	38	35	31
02B	145	124	112	109	101	94	87	83	80	72	65	58	55	51	47	44	40	36	33	29
04B	150	128	116	113	105	98	90	86	83	75	67	60	56	52	48	45	41	37	34	30
06B	151	129	117	114	105	98	90	86	83	75	68	61	57	53	49	46	42	38	34	30
07B	133	113	103	100	93	87	79	76	73	66	60	54	50	46	43	40	37	33	30	27
08B	144	123	111	108	101	94	86	82	79	72	65	58	54	50	46	44	40	36	33	29
10B	151	129	117	113	106	98	91	86	83	76	68	60	56	53	49	45	42	38	34	31
11B	156	133	121	117	110	101	94	89	86	78	71	62	58	55	51	46	43	39	35	32
12B	159	135	124	119	112	104	96	90	87	80	72	63	59	56	52	47	44	40	35	32
13B	176	150	137	132	124	114	106	100	96	88	80	70	66	62	57	52	49	44	39	36
14B	154	131	120	116	108	100	93	88	84	77	70	61	57	54	50	46	43	39	34	31
15B	150	128	117	113	105	97	[illegible]	85	82	75	68	60	56	53	49	45	42	38	33	30
16B	179	152	132	128	119	110	102	97	93	85	77	68	63	60	55	51	47	43	38	34
17B	137	117	106	103	96	89	82	78	75	69	62	55	51	48	44	41	38	34	31	28
18B	173	147	134	130	122	112	104	98	95	87	78	69	64	61	56	52	48	43	39	35
19B	155	132	120	116	109	101	93	88	85	78	70	62	58	54	50	46	43	39	35	31
0B	134	114	104	101	94	87	81	76	73	67	61	53	50	47	43	40	37	34	30	27
1B	153	130	119	115	108	[illegible]	92	87	84	77	69	61	57	54	50	46	42	38	34	31
2B	167	142	130	125	117	108	100	95	91	84	76	67	62	59	54	50	46	42	37	34
3B	172	146	134	129	121	112	103	98	94	86	78	69	64	60	56	51	48	43	38	35
4B	163	139	127	122	115	106	98	93	89	82	74	65	61	57	53	49	45	41	36	33
5B	164	140	127	123	115	106	99	93	90	82	74	65	61	58	53	49	45	41	37	33
6B	166	141	129	125	117	108	100	94	91	83	75	66	62	58	54	49	46	42	37	34
7B	157	134	122	118	110	102	94	89	86	79	71	63	58	55	51	47	43	39	35	32
8B	181	154	141	136	127	117	109	103	99	91	82	72	67	64	59	54	50	45	40	37
9B	163	138	126	122	114	105	97	92	89	81	73	65	60	57	53	48	45	41	38	33

Add to pages 132 to 171 of Tariff:

TABLE OF RATES—Continued.

(In Cents Per 100 Pounds)

RATE BASIS NUMBERS (As shown on pages 118 to 130 of Tariff, as amended.)	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
130B	178	152	138	134	125	116	107	101	98	89	81	71	66	63	58	53	49	45	40	36
131B	140	119	109	105	98	91	84	80	77	70	63	56	52	49	45	42	39	35	31	28
132B	179	152	139	134	126	116	108	102	98	90	81	71	67	63	58	53	50	45	40	36
133B	143	122	111	107	101	93	86	81	78	72	65	57	53	50	46	43	40	36	32	29
134B	148	126	115	111	104	96	89	84	81	74	67	59	55	52	48	44	41	37	33	30
135B	144	123	112	108	101	93	87	82	79	72	65	57	54	51	47	43	40	36	32	29
136B	165	140	128	124	116	107	99	94	90	83	75	66	61	58	54	49	46	41	37	33
138B	149	127	116	112	105	97	90	85	82	75	67	59	55	52	48	44	41	37	33	30
139B	168	143	131	126	118	109	101	96	92	84	76	67	63	59	55	50	47	42	38	34
141B	160	136	124	120	112	104	96	91	88	80	72	64	60	56	52	48	44	40	36	32
142B	135	115	105	101	95	88	81	77	74	68	61	54	50	47	44	40	37	34	30	27
144B	161	137	125	121	113	104	97	92	88	81	73	64	60	57	52	48	44	40	36	33
146B	130	111	101	98	91	84	78	74	71	65	59	52	48	46	42	39	36	33	29	26
148B	182	155	141	136	127	118	109	104	100	91	82	72	69	64	59	55	50	45	41	36
149B	171	145	132	128	120	111	103	97	94	86	77	68	64	60	55	52	47	42	39	34
150B	180	153	139	135	126	117	108	103	99	90	81	72	68	63	58	54	49	45	41	36
151B	166	141	129	124	116	108	100	95	91	83	75	66	63	58	54	50	46	41	38	33
153B	186	158	144	139	130	121	112	106	102	93	84	74	70	65	60	56	51	46	42	37
154B	181	154	140	135	127	118	109	103	99	91	82	72	68	63	58	55	50	45	41	36
155B	163	138	126	122	114	106	98	93	89	82	74	65	61	57	53	49	45	40	37	32
158B	191	162	148	143	134	124	115	109	105	96	86	76	72	67	62	58	52	47	43	38
159B	159	135	123	119	111	103	96	91	87	80	72	63	60	56	51	48	44	39	36	32
161B	184	156	142	138	128	119	110	114	101	92	83	74	69	65	60	55	51	46	42	37
162B	181	154	140	136	126	117	108	103	100	90	81	72	68	64	59	54	50	45	41	36
163B	180	153	139	135	126	117	108	102	99	90	81	72	67	63	58	54	50	45	41	36
164B	195	166	151	147	136	127	117	111	108	97	88	78	73	69	63	58	54	49	44	39
165B	176	149	136	132	123	114	106	100	97	88	79	70	66	62	57	52	49	44	40	35
166B	192	163	148	144	134	125	115	109	106	96	86	77	72	67	62	[illegible]	53	48	44	38
167B	175	149	135	132	122	114	105	99	97	87	79	70	65	62	57	52	48	44	40	35
168B	173	147	134	130	121	112	104	98	95	86	78	69	65	61	56	51	48	43	39	35
169B	164	139	127	123	114	106	98	93	90	82	74	66	61	58	53	49	46	41	37	33
170B	179	152	138	135	125	116	107	102	99	89	80	72	67	63	58	53	49	45	41	36
171B	190	161	147	143	133	123	114	108	105	95	85	76	71	67	62	57	52	47	43	38
172B	192	163	148	144	134	125	115	109	106	96	86	77	72	67	62	57	53	48	44	38
173B	187	159	145	141	130	121	112	107	103	93	84	75	70	66	61	56	52	47	42	37
174B	178	151	138	134	124	115	107	101	98	89	80	71	66	63	58	53	49	44	40	36
175B	160	136	124	120	112	104	96	91	88	80	72	64	60	56	52	48	44	40	36	32
176B	182	154	141	137	127	118	109	103	100	91	82	73	68	64	59	54	50	45	41	36
177B	185	157	143	139	129	120	111	105	102	92	83	74	69	65	60	55	51	46	42	37
178B	191	162	148	144	133	124	115	108	105	95	86	76	71	67	62	57	53	48	43	38
179B	172	146	133	129	120	112	103	98	95	86	77	69	64	60	56	51	47	43	39	34
180B	194	165	150	146	135	126	116	110	107	97	87	78	72	68	63	58	53	48	44	39
181B	165	140	128	124	115	107	99	94	91	82	74	66	62	58	54	49	46	41	38	33
182B	119	101	92	89	83	77	71	68	65	60	53	48	44	41	39	36	32	29	27	24
183B	137	116	106	102	96	89	82	78	75	69	61	55	51	47	45	41	37	34	31	27
184B	117	99	90	87	82	76	70	66	64	59	52	47	44	40	38	35	32	29	27	23
185B	157	133	121	117	110	102	94	89	86	79	70	63	59	54	51	47	43	39	35	31
186B	124	105	96	93	87	80	74	70	68	62	55	50	46	43	41	37	34	31	28	25
187B	159	135	123	119	111	103	95	90	87	80	71	64	59	55	52	48	43	39	36	32
189B	147	124	114	110	103	95	88	83	80	74	66	59	55	51	48	44	40	36	33	29
194B	131	111	102	98	92	85	79	75	72	65	59	52	50	46	43	39	37	33	30	26
195B	135	114	105	101	95	88	81	77	74	67	61	54	51	47	44	40	38	34	30	27
196B	152	129	118	114	107	99	92	87	84	76	68	60	57	53	49	45	42	38	34	30
197B	129	109	100	97	91	84	78	74	71	64	58	51	49	45	42	38	36	33	29	26
198B	125	106	97	94	88	81	75	71	69	62	56	50	47	44	41	37	35	32	28	25
199B	146	124	113	109	103	95	88	83	80	73	66	58	55	51	47	44	41	37	33	29
201B	123	104	95	92	86	80	74	70	68	61	55	49	47	43	40	37	34	31	28	24
202B	149	126	115	112	106	97	90	85	82	74	67	60	56	52	48	44	41	38	34	30
204B	132	112	102	99	93	86	80	75	73	66	59	52	50	46	43	39	37	33	30	26
206B	143	121	111	107	100	93	86	82	79	71	64	57	54	50	46	43	40	36	32	28

Add to pages 132 to 171 of Tariff:

TABLE OF RATES—Continued
(In Cents Per 100 Pounds)

RATE BASIS NUMBERS (As shown on pages 118 to 130 of Tariff, as amended.)	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
206B	148	125	115	111	104	96	89	84	81	74	67	59	56	52	48	44	41	37	33	29
207B	144	122	112	108	101	93	87	82	79	72	65	57	54	51	47	43	40	36	32	29
208B	130	110	101	97	91	84	78	74	71	65	59	52	49	46	42	39	36	33	29	26
209B	138	117	107	103	97	90	83	79	76	69	62	55	52	48	45	41	38	35	31	27
210B	133	113	103	100	93	86	80	76	73	66	60	53	50	47	43	40	37	34	30	26
212B	137	116	106	103	96	89	83	78	75	68	62	54	52	48	44	41	38	35	31	27
213B	140	119	108	105	98	91	84	80	77	70	63	56	53	49	45	42	39	35	32	28
214B	125	106	97	94	88	81	75	71	69	63	56	50	47	44	41	37	35	32	28	25
215B	147	125	114	110	103	95	89	84	81	73	66	58	56	52	48	44	41	37	33	29
216B	141	120	109	106	98	92	84	81	78	70	63	57	53	49	45	43	39	35	32	28
218B	161	137	124	121	112	105	96	92	89	80	72	65	61	56	52	49	44	40	37	32
220B	135	115	104	102	94	88	81	77	74	67	61	54	51	47	43	41	37	34	31	27
221B	157	134	121	118	110	102	94	90	86	78	71	63	59	55	51	47	43	39	36	32
223B	133	113	102	99	93	86	79	76	73	66	59	53	50	46	42	40	36	33	30	27
226B	149	127	115	112	104	97	89	85	82	74	67	60	56	52	48	45	41	37	34	30
227B	154	131	119	116	108	100	92	88	85	77	69	62	58	54	50	47	42	38	35	31
224B	157	133	121	117	110	102	94	89	86	79	70	63	59	54	51	47	43	39	36	31
228B	133	113	103	99	93	86	80	76	73	67	59	53	50	46	43	40	36	33	30	27
229B	163	138	126	122	114	105	98	93	89	82	73	65	61	57	53	49	45	40	37	33
231B	147	124	114	110	103	95	88	83	80	74	66	59	55	51	48	44	40	36	33	29
233B	158	134	122	118	110	103	95	90	87	79	71	63	60	55	51	48	43	39	36	31
234B	165	140	128	123	115	107	99	94	90	83	75	66	62	58	53	50	45	41	37	33
235B	169	144	131	126	118	110	102	96	93	85	76	67	64	59	54	51	46	42	38	34
236B	163	138	125	121	113	105	98	92	89	81	73	64	61	57	52	49	44	40	37	32
237B	155	132	120	116	108	101	93	88	85	78	70	62	58	54	50	47	42	38	35	31
239B	150	127	116	112	105	98	90	85	82	75	68	60	57	52	48	45	41	37	34	30
240B	172	146	133	129	120	112	104	98	94	86	78	68	65	60	55	52	47	43	39	34
242B	146	124	113	109	102	95	88	83	80	73	66	58	55	51	47	44	40	36	33	29
244B	168	143	130	126	117	109	101	96	92	84	76	67	63	59	54	51	46	42	38	33
246B	152	129	118	114	106	99	92	87	83	76	69	60	57	53	49	46	42	38	34	30
247B	152	129	118	114	107	99	91	86	83	76	69	61	57	53	49	45	42	38	34	31
248B	146	123	113	109	102	94	87	82	79	73	66	58	54	51	47	43	40	36	32	29
250B	141	120	110	106	99	91	85	80	77	71	64	56	52	50	46	42	38	35	31	29
252B	146	124	113	110	103	95	88	83	80	73	66	58	54	51	47	43	40	37	33	30
260B	167	142	129	126	117	109	100	95	92	83	75	67	63	58	54	50	46	42	38	34
270B	147	125	113	111	103	96	88	84	81	73	66	59	55	51	47	44	40	37	34	30
272B	165	141	127	124	115	107	99	94	91	83	74	66	62	58	53	50	45	41	38	33
277B	169	144	131	127	118	110	101	97	93	84	76	63	64	59	55	51	47	42	39	34
278B	164	141	127	124	115	107	99	94	91	83	74	66	62	58	53	50	45	41	38	33
279B	127	108	98	96	89	83	76	73	70	63	57	51	48	44	41	38	35	32	29	26
288B	183	155	141	138	128	119	110	104	101	91	82	73	68	64	59	54	50	46	42	37
289B	169	143	131	127	118	110	101	96	93	84	76	68	63	59	55	50	47	42	38	34
91B	174	148	135	131	122	113	105	99	96	87	79	69	65	61	56	52	48	44	39	35
94B	171	146	133	128	120	111	103	97	94	86	77	68	64	60	55	51	47	43	38	35
00B	136	116	105	102	95	89	81	78	75	68	61	55	51	47	44	41	37	34	31	27
01B	139	119	107	105	97	91	83	80	77	69	63	56	52	49	45	42	38	35	32	28
04B	131	112	101	99	91	85	78	75	72	65	59	53	49	46	42	40	36	33	30	26
07B	122	104	94	92	86	79	73	70	67	61	55	49	46	43	39	37	34	30	28	25
[illegible]	164	139	127	123	115	107	99	93	90	83	74	65	62	57	53	49	45	41	37	33
[illegible]	154	131	119	115	108	100	93	88	84	77	70	61	58	54	50	46	42	38	35	31
[illegible]	194	165	150	145	136	126	117	111	108	97	88	77	73	68	63	58	53	48	44	39
[illegible]	148	126	115	111	103	96	89	84	81	74	67	59	56	52	48	45	41	37	33	29
[illegible]	153	130	118	114	107	100	92	87	84	77	69	61	58	53	49	46	42	38	35	30
[illegible]	126	107	98	94	89	82	76	72	69	63	57	50	48	44	41	38	35	32	28	25
[illegible]	120	103	93	90	84	78	72	69	66	60	54	48	45	42	39	36	33	30	27	24
[illegible]	151	128	117	113	106	98	91	86	83	75	68	60	57	53	49	45	42	38	34	30
[illegible]	141	120	109	106	99	92	85	81	78	70	64	56	53	50	46	42	39	36	32	28
[illegible]	136	116	106	102	96	88	83	78	75	68	61	54	51	48	44	41	38	34	31	27
[illegible]	134	114	104	100	94	87	81	77	74	67	60	53	51	47	43	40	37	34	30	27
[illegible]	145	123	112	109	102	94	87	83	80	72	65	58	55	51	47	43	40	37	33	29

Add to pages 132 to 171 of Tariff:

TABLE OF RATES Continued

(In Cents Per 100 Pounds)

RATE BASIS NUMBERS (As shown on pages 118 to 130 of Tariff, as amended.)	CLASSES 1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57.5	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
341B	173	147	134	129	121	113	104	99	95	87	78	69	65	60	56	52	47	46	39	[illegible]
347B	160	136	124	120	112	104	96	91	88	80	72	64	60	56	52	48	44	40	36	[illegible]
354B	142	121	110	107	100	92	85	81	78	71	64	57	53	50	46	42	39	36	32	[illegible]
365B	160	136	124	120	112	104	96	92	88	80	72	64	60	56	52	48	44	40	36	[illegible]
366B	188	160	146	141	132	123	113	108	104	94	64	75	70	65	61	56	51	47	42	[illegible]
367B	161	137	125	121	113	105	96	92	89	80	72	65	60	56	53	48	44	41	36	[illegible]
368B	183	156	142	137	128	119	109	105	101	91	82	73	69	64	60	55	50	46	41	[illegible]
369B	142	121	110	106	100	93	85	81	78	71	64	57	53	49	46	43	39	36	32	[illegible]
370B	187	159	145	140	131	122	112	107	103	93	84	75	70	65	61	56	51	47	42	[illegible]
371B	149	127	116	112	104	97	89	85	82	74	67	60	56	52	49	45	41	38	33	[illegible]
372B	176	150	136	132	123	115	105	101	97	88	79	71	66	61	57	53	48	44	40	[illegible]
373B	184	156	143	138	129	120	110	105	101	92	83	74	69	64	60	55	50	46	41	[illegible]
374B	152	129	118	114	107	99	91	87	84	76	68	61	57	53	50	46	41	38	34	[illegible]
375B	143	122	111	107	100	93	86	82	79	71	64	57	54	50	47	43	39	36	32	[illegible]
376B	192	163	149	144	135	125	115	110	106	96	86	77	72	67	63	58	53	48	43	[illegible]
377B	139	118	108	104	97	91	83	80	77	69	62	56	52	48	45	42	38	35	31	27
378B	144	122	112	108	101	94	86	82	79	72	65	58	54	50	47	43	39	36	32	[illegible]
381B	128	108	99	96	90	83	77	73	70	64	57	51	48	44	42	38	35	32	29	[illegible]
386B	123	104	95	92	86	79	74	70	67	62	55	49	46	43	40	37	34	30	28	25
391B	133	113	103	99	93	86	80	76	73	67	59	53	50	46	43	40	36	33	30	27
396B	166	141	128	125	116	108	99	95	91	83	75	67	62	58	54	50	46	41	38	[illegible]
400B	147	125	113	111	103	96	88	84	81	73	66	59	55	51	47	44	40	37	34	30
405B	140	119	108	105	98	91	84	80	77	70	63	56	53	49	45	42	39	35	32	28
410B	158	134	123	118	111	103	95	90	87	79	71	63	59	55	52	47	43	40	35	31
411B	164	139	127	123	115	107	98	94	90	82	74	66	61	57	54	49	45	41	37	32
412B	201	171	155	151	140	130	121	114	111	100	90	80	75	71	65	60	55	50	46	40
413B	200	170	155	150	140	130	120	114	110	100	90	80	75	70	65	60	55	50	45	40
414B	197	167	152	148	137	128	118	112	109	98	88	79	74	69	64	59	54	49	45	39
415B	189	160	146	142	132	123	113	107	104	94	85	76	71	66	61	56	52	47	43	38
416B	196	167	152	147	137	127	118	111	108	98	88	78	74	69	63	59	54	49	44	40
417B	200	170	155	150	140	130	120	114	110	100	90	80	75	70	65	60	55	50	45	40
418B	215	183	167	161	150	140	129	122	119	107	96	86	81	76	69	65	59	54	48	43
419B	192	164	149	144	134	125	115	109	106	96	86	77	72	67	62	58	52	48	43	39
420B	211	180	164	158	148	137	127	120	116	105	95	83	80	74	68	63	58	53	47	42
421B	214	182	166	160	150	139	129	122	118	107	96	85	81	75	69	64	59	54	48	42
422B	207	176	161	155	145	135	124	118	114	103	93	83	78	72	67	62	57	52	46	42
423B	212	181	164	159	149	138	127	121	117	106	95	85	80	74	68	64	58	53	48	[illegible]
424B	202	172	157	151	141	131	121	115	111	101	91	81	76	71	65	61	55	51	45	[illegible]
425B	203	173	158	152	142	132	122	115	112	101	91	81	77	71	66	61	56	51	46	[illegible]
426B	198	169	154	148	139	129	119	113	109	99	89	79	75	69	64	60	54	50	44	[illegible]
427B	204	174	158	153	143	133	123	116	113	102	91	81	77	71	66	61	56	58	46	[illegible]
428B	199	170	154	149	139	129	120	113	110	99	89	79	75	70	64	60	54	50	45	[illegible]
429B	210	179	163	157	147	137	126	119	116	108	94	84	79	73	68	63	57	53	47	[illegible]
430B	130	110	101	97	91	84	78	74	71	65	58	52	49	45	43	39	36	32	30	[illegible]
431B	177	151	137	133	124	115	106	101	97	89	80	71	66	62	57	53	49	44	40	[illegible]
432B	185	157	144	139	130	121	111	106	102	93	83	74	69	64	60	55	51	46	41	[illegible]
433B	189	160	147	142	133	123	113	108	104	96	85	76	71	66	62	57	53	47	42	[illegible]
434B	204	173	159	153	143	133	122	116	113	102	92	82	77	71	67	61	57	51	46	[illegible]
435B	161	137	125	121	113	105	96	92	89	80	72	65	60	56	53	48	45	41	36	[illegible]
436B	185	158	144	139	129	120	111	105	102	92	83	74	70	65	60	56	51	47	41	[illegible]
437B	182	155	141	136	127	118	109	103	100	91	82	73	69	64	59	55	50	46	41	[illegible]
438B	178	152	138	123	128	116	107	101	98	89	80	71	67	63	57	54	49	45	40	[illegible]
439B	173	148	134	130	121	113	104	98	96	86	78	69	65	61	56	52	47	44	39	[illegible]
440B	179	153	139	134	125	116	107	102	99	89	80	71	68	63	58	54	49	45	40	[illegible]
441B	175	148	136	131	123	114	105	100	98	88	79	70	66	61	57	52	49	44	39	[illegible]
442B	172	146	134	129	121	112	103	98	94	86	78	69	66	60	56	51	48	43	38	[illegible]
443B	168	142	131	126	118	110	100	96	93	84	76	68	63	58	55	50	47	42	37	[illegible]
444B	163	138	127	122	114	106	97	93	89	82	74	66	61	57	53	49	46	41	36	[illegible]
445B	169	143	131	127	119	110	101	96	93	85	76	68	63	59	55	51	47	42	38	[illegible]
446B	188	159	146	141	132	123	112	107	103	94	85	76	71	66	61	56	52	47	42	[illegible]

Add to pages [illegible] to 171 of Tariff:

TABLE OF RATES—Continued.

(In Cents Per 100 Pounds)

RATE BASIS NUMBERS (As shown on pages 118 to 130 of Tariff, as amended.)	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
447B	119	101	92	89	83	77	71	68	65	60	54	48	45	42	39	36	33	30	27	24
448B	121	103	94	91	85	79	73	69	67	61	54	48	45	42	39	36	33	30	27	24
449B	122	104	95	92	85	79	73	70	67	61	55	49	46	43	40	37	34	31	27	24
450B	127	108	98	95	89	83	76	72	70	64	57	51	48	44	41	38	35	32	29	25
451B	128	109	99	96	90	83	77	73	70	64	58	51	48	45	42	38	35	32	29	26
452B	128	109	99	96	90	83	77	73	70	64	58	51	48	45	42	38	35	32	29	26
453B	131	111	102	98	92	85	79	75	72	66	59	52	49	46	43	39	36	33	29	26
454B	134	114	104	101	94	87	80	76	74	67	60	54	50	47	44	40	37	34	30	27
455B	137	116	106	103	96	89	82	78	75	69	62	55	51	48	45	41	38	34	31	27
456B	139	118	108	104	97	90	83	79	76	70	63	56	52	49	45	42	38	35	31	28
457B	140	119	109	105	98	91	84	80	77	70	63	56	53	49	46	42	39	35	32	28
458B	145	123	112	109	102	94	87	83	80	73	65	58	54	51	47	44	40	36	33	29
459B	146	124	113	110	102	95	88	83	80	73	66	58	55	51	47	44	40	37	33	29
460B	148	126	115	111	104	96	89	84	81	74	67	59	56	52	48	44	41	37	33	30
461B	149	127	115	112	104	97	89	85	82	75	67	60	56	52	48	45	41	37	34	30
462B	151	128	117	113	106	98	91	86	83	76	68	60	57	53	49	45	42	38	34	30
463B	152	129	118	114	106	99	91	87	84	76	68	61	57	53	49	46	42	38	34	30
464B	153	130	119	115	107	99	92	87	84	77	69	61	57	54	50	46	42	38	34	31
465B	155	132	120	116	109	101	93	88	85	78	70	62	58	54	50	47	43	39	35	31
466B	158	134	122	119	111	103	95	90	87	79	71	63	59	55	51	47	43	40	36	32
467B	160	136	124	120	112	104	96	91	88	80	72	64	60	56	52	48	44	40	36	32
468B	156	133	121	117	109	101	94	89	86	78	70	62	59	55	51	47	43	39	35	31
469B	162	138	126	122	113	105	97	92	89	81	73	65	61	57	53	49	45	41	36	32
470B	163	139	136	122	114	106	98	93	90	82	73	65	61	57	53	49	45	41	37	33
471B	164	139	127	123	115	107	98	93	90	82	74	66	62	57	53	49	45	41	37	33
472B	166	141	129	125	116	108	100	95	91	83	75	66	62	58	54	50	46	42	37	33
473B	168	143	130	126	118	109	101	96	92	84	76	67	63	59	55	50	46	42	38	34
474B	170	145	132	128	119	111	102	97	94	85	77	68	64	60	55	51	47	43	38	34
475B	177	150	137	133	124	115	106	101	97	89	80	71	66	62	58	53	49	44	40	35
476B	175	149	136	131	123	114	105	100	96	88	79	70	66	61	57	53	48	44	39	35
477B	181	154	140	136	127	118	109	103	100	91	81	72	68	63	59	54	50	45	41	36
478B	193	164	150	145	135	125	116	110	106	97	87	77	72	68	63	58	53	48	43	39
479B	183	156	142	137	129	119	110	104	100	92	83	73	68	64	59	55	51	46	41	37
480B	161	137	125	121	113	105	97	92	89	81	73	65	60	57	53	48	45	41	36	33
481B	157	134	122	118	110	102	94	89	86	79	71	63	58	55	51	47	43	39	35	32
482B	154	131	120	116	108	100	93	88	84	77	70	61	57	54	50	46	43	39	34	31
483B	160	136	124	120	112	104	96	91	88	80	72	64	60	56	52	48	44	40	36	32
484B	170	145	132	128	119	110	102	97	93	85	77	68	63	60	55	51	47	43	38	34
485B	174	148	135	131	122	113	105	99	96	87	79	69	65	61	56	52	48	44	39	35
486B	165	140	128	124	116	107	99	94	90	83	75	66	61	58	54	49	46	41	37	33
487B	167	142	130	125	117	108	100	95	91	84	76	67	62	59	54	50	46	42	37	34
488B	175	147	134	130	122	112	104	98	95	87	78	69	64	61	56	51	48	43	39	35
489B	171	145	133	128	120	111	103	97	94	86	77	68	64	60	55	51	47	43	38	35
490B	164	140	127	123	115	106	99	93	90	82	74	65	61	58	53	49	45	41	37	33
491B	168	143	131	126	118	109	101	96	93	84	76	67	63	59	55	50	47	42	38	34
492B	196	166	151	146	137	127	117	111	107	98	88	78	73	68	63	58	54	49	44	39
493B	176	150	137	132	124	114	106	100	96	88	80	70	66	62	57	52	49	44	39	36
494B	179	152	139	134	126	115	108	102	98	90	81	71	67	63	58	53	50	45	40	36
495B	172	146	134	129	121	112	103	98	94	86	78	69	64	60	56	51	48	43	38	35
496B	190	162	148	143	133	123	114	109	104	95	86	76	71	67	62	57	53	48	42	38
497B	193	164	150	145	136	125	116	110	106	97	87	77	72	68	63	58	53	48	43	39
498B	194	165	151	146	136	126	117	110	106	97	88	77	72	68	63	58	54	49	43	39
499B	186	158	144	140	131	121	112	106	102	93	84	74	69	65	60	55	51	47	42	38
500B	192	163	149	144	135	125	115	109	105	96	87	77	72	67	62	57	53	48	43	39
501B	185	157	144	139	130	120	111	105	101	93	84	74	69	65	60	55	51	46	41	37
502B	189	161	147	142	133	123	114	108	104	95	85	75	70	66	61	56	52	47	42	38
503B	177	151	137	133	124	115	106	101	97	89	80	71	66	62	57	53	49	44	40	36
504B	181	154	141	136	127	117	109	103	99	91	82	72	67	64	59	54	50	45	40	37
505B	182	155	141	137	128	118	109	104	100	91	82	73	68	64	59	54	50	46	41	37
506B	184	157	143	138	129	119	110	105	101	92	83	73	69	65	60	55	51	46	41	37

1303

Add to pages 132 to 171 of Tariff.

TABLE OF RATES Concluded.

(In Cents Per 100 Pounds)

RATE BASIS NUMBERS (As shown on pages 118 to 130 of Tariff, as amended.)	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R 25 or 70	65	60	57	R 26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
508B	178	152	138	134	125	116	107	101	98	89	81	71	66	63	58	53	49	45	40	36
509B	201	171	156	151	141	130	121	114	110	101	91	80	75	71	65	60	56	50	45	41
510B	196	167	152	147	138	127	118	112	107	98	89	78	73	69	64	58	54	49	44	40
511B	200	170	155	150	140	130	120	114	110	100	90	80	75	70	65	60	55	50	45	40
512B	197	168	153	148	138	128	118	112	108	99	89	79	73	69	64	59	54	49	44	40
513B	188	160	146	141	132	122	113	107	103	94	85	75	70	66	61	56	52	47	42	38
514B	205	174	159	154	144	133	123	117	112	103	93	82	76	72	67	61	57	51	46	41
515B	198	169	154	149	139	129	119	113	109	99	90	79	74	70	64	59	55	50	44	40
516B	164	127	116	112	106	98	90	85	82	75	68	60	57	52	48	45	41	37	34	30
517B	183	145	132	127	119	111	102	97	94	85	76	68	64	59	55	51	46	43	30	34
519B	187	148	135	130	122	114	104	100	96	84	78	70	65	60	57	52	47	44	39	34
520B	181	153	141	136	127	118	108	103	99	91	82	73	68	63	59	54	50	45	40	36
521B	200	170	155	150	140	130	120	114	110	100	90	80	75	70	65	60	55	50	45	40
522B	203	172	158	152	142	132	121	116	111	102	92	82	76	71	66	61	56	51	45	41
523B	196	166	152	147	137	128	117	112	108	98	88	79	74	68	64	59	54	49	44	39
524B	201	170	156	151	141	131	120	115	110	101	91	81	75	70	66	60	56	50	45	40
525B	191	162	148	143	134	125	114	109	105	96	86	77	72	66	62	57	53	48	43	38
526B	192	163	149	144	135	125	115	110	105	96	87	77	72	67	63	57	53	48	43	39
527B	186	158	145	140	130	121	111	107	102	93	84	75	70	65	61	56	52	47	41	37
528B	193	164	150	145	135	126	115	110	106	97	87	78	72	67	63	58	53	48	43	39
529B	199	169	155	149	140	130	119	114	109	100	90	80	75	69	65	60	55	50	44	40
530B	158	134	123	118	111	103	95	90	87	79	71	63	59	55	52	47	43	40	35	31
531B	164	139	127	123	115	107	98	94	90	82	74	66	61	57	54	49	45	41	37	32
532B	178	151	138	133	125	116	107	102	98	89	80	71	67	62	58	53	49	45	40	35
533B	155	131	120	116	109	101	93	88	85	77	70	62	59	54	50	46	43	39	35	31
534B	171	146	132	129	119	111	102	98	94	85	77	69	64	60	55	52	47	43	39	34
535B	182	155	141	137	128	118	109	104	100	91	82	73	68	64	59	54	50	46	41	37
536B	183	156	142	137	129	119	110	104	100	92	83	73	68	64	59	55	51	46	41	37
537B	185	157	144	139	130	120	111	105	101	93	84	74	69	65	60	55	51	46	41	37
538B	190	162	148	143	133	123	114	109	104	95	86	76	71	67	62	57	53	48	42	38
539B	204	173	158	153	142	132	122	116	112	102	92	82	76	72	66	61	56	51	46	41
540B	194	165	151	146	136	127	116	111	107	97	88	78	73	68	63	58	54	49	43	39
541B	205	175	159	154	143	133	123	117	113	102	92	82	77	72	66	62	56	52	46	41

1878

1304

SUBJECT TO ITEM No. X-148 OR SUCCESSIVE ISSUES THEREOF.

THE OPERATION OF PORTIONS OF TARIFF REFERRED TO IN ITEM No. 1 IS SUSPENDED AS PROVIDED IN SAID ITEM.

Rates published in tariff and as amended applicable on Petroleum Products are subject to reductions as provided in Item No. 152 of tariff.

SUPPLEMENT No. 34
to
C. T. C. No. A-540 W. S. Curlett, Agent
C. T. C. No. 428 I. N. Doe, Agent
C. T. C. No. 1892 B. T. Jones, Agent
(Cancels Supplement No. 25)

SUPPLEMENT No. 34
to
I. C. C. No. A-800 W. S. Curlett, Agent
I. C. C. No. 507 I. N. Doe, Agent
I. C. C. No. 3858 B. T. Jones, Agent
I. C. C. No. 928 R. H. Hoke, Agent
MF-I. C. C. No. A-51 W. S. Curlett, Agent
MF-I. C. C. No. 64 I. N. Doe, Agent
MF-I. C. C. No. 116 B. T. Jones, Agent
MF-I. C. C. No. 314 R. H. Hoke, Agent
(Cancels Supplement No. 25)

Supplements Nos. 11, ‡13, 14, 18 21, Ø26, Ø28, §29, 30, 32, δ33 and 34 contain all changes from the original tariff.

§Discontinuance of Navigation Supplement.
ØService Order No. 66.
‡Postponement Supplement - Ex Parte 148, Reopened.
δPostponement Supplement (Dkt. 28300)

W. S. CURLETT, I. N. DOE, R. H. HOKE and B. T. JONES, Agents

TRUNK LINE TARIFF BUREAU

SUPPLEMENT No. 34
TO

TARIFF No. 44-I

(Cancels Supplement No. 25)

ALL-RAIL, RAIL-WATER-RAIL, BARGE-RAIL, RAIL-BARGE AND RAIL-BARGE-RAIL JOINT AND PROPORTIONAL FREIGHT TARIFF OF CLASS AND COMMODITY RATES

In connection with participating carriers shown on pages 7 to 15 of Tariff, page 4 of Supplement No. 11, page 2 of Supplement No. 14, page 2 of Supplement No. 18 and pages 2 and 3 of Supplement No. 21.

BETWEEN NORTHERN STATIONS IN	AND SOUTHERN STATIONS IN
CONNECTICUT DELAWARE DISTRICT OF COLUMBIA MAINE MARYLAND MASSACHUSETTS NEW BRUNSWICK NEW HAMPSHIRE NEW JERSEY NEW YORK OHIO PENNSYLVANIA RHODE ISLAND VERMONT VIRGINIA WEST VIRGINIA As shown on pages 17 to 95, inc., of tariff as amended.	ALABAMA ARKANSAS FLORIDA GEORGIA KENTUCKY LOUISIANA MISSISSIPPI NORTH CAROLINA SOUTH CAROLINA TENNESSEE VIRGINIA As shown on pages 96 to 173, inc., of tariff as amended

ALSO

JOINT RAIL-MOTOR AND JOINT RAIL-MOTOR-WATER RATES

From or To Points Served By The Gulf Transport Company, the C. & P. Transportation Company and the Saluda Motor Lines, Inc.

Rates published herein via the Gulf Transport Company are authorized by order of the Interstate Commerce Commission in Docket MC 86761, Sub. 1 of November 29, 1939.

Also provision for substitution of Motor Carrier Service as provided in Item No. 165 of tariff.

Governed, except as otherwise provided herein, by Southern Classification No. 59, I. C. C. No. 92, MF-I.C.C. No. 21, C.T.C.-S.C. No. 28 (A. H. Carson, Alternate Agent), supplements thereto or successive issues thereof and by exceptions to said classification as indicated in Item No. 6 of tariff.

DISCONTINUANCE AND RESTORATION OF SERVICE

Transportation service in connection with:

Inland Waterways Corporation is subject to discontinuance and restoration of service as indicated in Item No. 20 of tariff.

ISSUED NOVEMBER 26, 1945.

EFFECTIVE JANUARY 1, 1946.
(Except as otherwise provided for herein)

Departure from the terms of Rule 28 (a) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 154801 of July 3, 1936.

Departure from the terms of Rule 9(e) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission, No. 7920 of March 17, 1942.

I. N. DOE, Agent,
Room 524 South Station,
Boston 10, Mass.

B. T. JONES, Agent,
608 South Dearborn Street,
Chicago 5, Ill.

RECEIVED
Month Day Year

(Printed in U.S.A.)

Issued by
W. S. CURLETT, Agent,
143 Liberty St.,
New York 6, N. Y.

R. H. HOKE, Agent,
101 Marietta Street,

1879

INDIVIDUAL CARRIERS' TARIFF NUMBERS

CARRIERS	Tariff No.		Authority File No.	Station Tariff File No.	Agent's Index No.	Mailing List No.
Alton Railroad Company		F-2383-J				
Atlanta, Birmingham and Coast Railroad		15-44-I		1		
Atlantic Coast Line Railroad		15-44-I				
Central of Georgia Railway	G.F.O.	683-I				
Chesapeake and Ohio Railway		1889-J				
Chicago and Eastern Illinois Railway		3690-I				
Clinchfield Railroad	G.F.O.	1902		6		
Fernwood, Columbia & Gulf Railroad	G.F.O.	353				
Florida East Coast Railway		535-H				8
Grand Trunk Rys., Lines East	G.T.Ry.	U-220-2				
Gulf, Mobile and Ohio Railroad	G.F.O.	5414				
Illinois Central System		2544-J				
Louisville and Nashville Railroad	G.F.O.	739-J				
Mississippi Central Railroad		1442-J		Case 3		
Nashville, Chattanooga & St. Louis Railway				13		
New York, Chicago & St. Louis R.R	G.F.O.	1277-I				
Norfolk Southern Railroad	F.T.D.	3114				
Pennsylvania Railroad					411	
Piedmont & Northern Railroad Company - Durham & Southern Railway Company	G.F.O. Box No. 23					
Seaboard Air Line Railway	G.F.O.	206	70051	8 (r)		
Southern Railway System	G.F.O.	30				
Tennessee Central Railway		478-1		10		601
Western Railway of Alabama		1940-H 1940-I				

ALPHABETICAL LIST OF NORTHERN STATIONS FROM AND TO WHICH RATES APPLY

STATIONS	Railroad	Apply Rate Basis in Sections Nos.		Index No.	STATIONS	Railroad	Apply Rate Basis in Sections Nos.		
		1, 1A, 2 and 2A	4 and 4A				1, 1A, 2 and 2A	4 and 4A	
Amend page 23 of Tariff:					Amend page 48 of Tariff:				
MARYLAND					NEW YORK				
BALTIMORE:					25 ø Indian Castle. . . . (File 60000-8)(RA 90882)	NYC(MB).	Albany . . .	750	3510
25 ø δ Canton.	WMd. . .	Baltimore . ♦ B.Port. .	625 1621	5	Amend page 69 of Tariff:				
25 ø δ City Block. . .	WMd. . .	Baltimore . ♦ B.Port. .	625 1621	7	PENNSYLVANIA				
25 ø δ Millen.	WMd. . .	Baltimore . ♦ B.Port. .	625 1621	10	25 ø Indian Crossing . .	PB&N . .	ƒRochester. §Genesee. .	1217	237
25 ø δ Jackson's Wharf	WMd. . .	Baltimore . ♦ B.Port. .	625 1621	8	Amend page 86 of Tariff:				
(File C73 WMd-1-1, RA 90903)					25 ø Wigmore	PB&N . .	ƒRochester. §Genesee. .	1217	230
					(File N-2300-RA-90829)				

ALPHABETICAL LIST OF SOUTHERN STATIONS TO AND FROM WHICH RATES APPLY

STATIONS	Railroad	Apply Rate Basis in Sections Nos.		Index No.	STATIONS	Railroad	Apply Rate Basis in Sections Nos.		
		1 and 1A	4 and 4A				1 and 1A	4 and 4A	
Amend page 96 to 173 of Tariff:					Amend Pages 96 to 173 of Tariff and page 2 of Supplement No. 25:				
ALABAMA		ALABAMA			MISSISSIPPI		MISSISSIPPI		
25 I Milldale . . . . . (File 69 L&N)	L&N. . .	Tolande. .	N	3215	25 I Keen. . . . . . . (File 69-GM&O)	GM&O . .	Columbia . .	P	1842
25 I Robbins . . . . . (File 69 Sou-4-1)	Sou. . .	Florence . .	P	9971	25 X Lime Plant. . . . (File 69-C&G Ry)	C&G. . .	West Point .	P	40
					TENNESSEE		TENNESSEE		
					25 I Indian Creek. . . . (File 69-Tenn)	Tenn . .	Fork Mountain	J	115
					‡ North Chattanooga . (File N-8721)	CNO&TP .	Chattanooga.	[illegible]	59

δ Not applicable on traffic routed via the Baltimore & Ohio R.R., in connection with the Western Maryland Railway.

ƒ Applicable only in connection with Rate Basis Number shown in Section 1 and 1A.

§ Applicable only in connection with Rate Basis Numbers shown in Section 2 and 2A.

‡ Not to apply in connection with the AB&CRR, ACLRR, C&WCRy, Clinchfield RR, CM&LRR, GA&FRR, GM&ORR, SALRy, StL-SFRy, [illegible].

♦ Applicable only on traffic routing through the port of Baltimore via the Bull Steamship Line, Baltimore Steam Packet Co., Merchants & Miners Transportation Co.

For explanation of other Reference Marks, see page 3 herein.

SUPPLEMENT NO. 34 - FREIGHT TARIFF NO. 44-1

EXPLANATION OF REFERENCE MARKS AND NOTES

▲ Reduction. ☒ Addition. ♦ Increase. Ø Change.
23 Reissued from Supplement No. 23, effective August 30, 1945.
25 Reissued from Supplement No. 25, effective September 20, 1945.

ds to Page 179 of Tariff:

NOTE 29.

♦ Rates to, from or via Baton Rouge, La. will apply only when booking has been confirmed by the MVBL., under provisions of Item 145 of MVBL, Tariff 1-F, ICC No.79. Booking number must be shown on bill of lading.

APPLICATION OF RATES

5 Item No. 20A Cancels Item No. 20

APPLICATION OF BARGE-RAIL AND RAIL-BARGE RATES IN CONNECTION WITH THE FEDERAL BARGE LINES

Restoration and Discontinuance of Water Service North of St.Louis, Mo.

Shipements will be accepted by carriers parties to this tariff during the periods from March 5 to eptember 15, inclusive, of each year, on northbound traffic, and March 15 to September 15, inclusive, of each ear, on southbound traffic, for transportation on the barges of the Federal Barge Lines north of St.Louis, Mo. hipments also will be accepted from September 15, until the dates announced by supplements to this tariff, ubject to the condition that all freight left on hand at the port of transshipment after the closing of avigation for lack of space on the barges sailing after the arrival of such freight, and all freight reaching the port of transshipment after the last sailing of each season of navigation will be forwarded via ater-rail-routes and be subject to the tariff rates applicable via such water-rail-routes in effect on ate of shipment from the point of origin of the shipment. On such shipments, accepted from September 15, or transportation north of St.Louis, Mo., until the dates announced by supplement to this tariff, shipping eceipts, bills of lading and waybills must bear the following notation;

"Route via which this shipment will be handled and rates applicable will be in accordance with tariff provisions respecting restoration and discontinuance of water-service north of St.Louis, Mo."

Supplements announcing the final date upon which shipments will be accepted for transportation, under his tariff and effective supplements thereto, will be filed with the Interstate Commerce Commission and osted at points from which the rates apply not less than one day in advance of such date.

NOTE - In applying the provisions of the preceding paragraph, the date on which final instructions are received for transportation via the Federal Barge Lines will be considered the date of acceptance of the shipment via that line. The rate to be applied will be the rate in effect on date the shipments are received for transportation at points of origin.
Departure from the terms of Rule 12 (b) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 185790 of September 23, 1940, amended. (GR)

(File TC-2831)

5 Item No. 58B Cancels Item No. 58A

FREIGHT NOT ACCEPTED FOR SHIPMENT VIA FEDERAL BARGE LINES

The following commodities will not be accepted for handling under this publication, except as specifially provided in tariff, as amended:

Articles having an offensive odor which are liable by their nature to injure or impregnate other freight.
Automobiles, except for dock delivery (Note B).
Boats, as described in Items 4575 through 4785 of Consolidated Freight Classification No. 16, I.C.C. Nos. 92 and 29 of Agents E.H. Dulaney and R.C. Fyfe, respectively, and I.C.C.-O.C. No. 8 of Agent A.H. Greenly, when in excess of 4,000 pounds each.
Bulk or loose freight (Note A and Exceptions 1 and 2).
Liquid Freight in bulk (except in packages as provided in tariff, as amended).
Live Stock.
Perishable Freight.
Scrap rubber or old rubber tires (Exception 3).
Stoves and Ranges (Exception 4).

NOTE A - Bulk or loose freight includes such commodities as are loose or in mass and must be shoveled, scooped or forked in the handling, and that which is neither in packages nor in units of sufficient size to admit of being readily handled piece by piece.

NOTE B - Rates will not include absorption of switching or carloading expense.

EXCEPTION 1 - Shipments of sheet iron or sheet steel will be accepted loose when so specifically stated in tariff, as amended, only when individual pieces weight 75 pounds or more. Individual pieces weighing less than 75 pounds will be accepted only when in boxes or crates or clamped together in bundles weighing not less than 75 pounds per package.

EXCEPTION 2 - Shipments of iron or steel articles (except sheet iron or sheet steel) will be accepted loose when so specifically stated in tariff, as amended, only when weighing 25 pounds or over each piece or when wired together in bundles weighing 25 pounds or over each bundle.

EXCEPTION 3 - Shipments of scrap rubber or old rubber tires will be accepted only when tendered in machine-pressed or compact bales or bundles.

EXCEPTION 4 - Shipments of stoves and ranges will be accepted only when in boxes or crates.

(File No. N-11237, R.A. 69566 - Sup. 1)

APPLICATION OF RATES.

■‡Item No. 902 Cancels Item No. 900.

APPLICATION OF RATES IN CONNECTION WITH THE AMERICAN BARGE LINE COMPANY

(a) Basis for rates between Northern Stations shown on pages 17 to 95, inc., except as provided for in (b), located in the States of Connecticut, Massachusetts, New Jersey, New York, Pennsylvania and Rhode Island, subject to Rate Bases Albany, Altoona, Berlin, Boston, Branchton, Buffalo, Corry, Erie Gloversvill Grafton, Harrisburg, Hempstead, Johnsonburg, Lake Placid, Lyndonville, Montauk, New Egypt, New York, Hivert Ogdensburg, Oil City, Patchogue, Philadelphia, Phoenicia, Pittsburgh, Port Jervis, Portland, Reading, Rochester, Scranton, Stamford, Syracuse, Wakefield, Waterbury and Watertown and Baton Rouge, La., Helena, Ar Memphis, Tenn., New Orleans, La., and Vicksburg, Miss., in connection with the American Barge Line Company, will only apply via Aliquippa, Pa., Conway, Pa., or Glassport, Pa., except as provided for in (b) and rail lines parties hereto, or as same may be amended.

First class rates between Northern Stations shown on pages 17 to 95, inc., located in the States of Connecticut, Massachusetts, New Jersey, New York, Pennsylvania, and Rhode Island, subject to Rate Bases named in the preceding paragraph and Baton Rouge, La., Helena, Ark., Memphis, Tenn., New Orleans, La., and Vicksburg, Miss., are the through all-rail first class rates arrived at by use of Rate Basis Numbers shown in Section 1 or 1A, or as same may be amended, less the first class differentials shown below.

For rates on other classes or commodity columns, apply to the first class rate ascertained as above, the rates for the other classes or commodity columns, as shown opposite that first class rate.

TO AND FROM	FIRST CLASS DIFFERENTIALS (in Cents Per 100 Pounds) Via ¶Aliquippa, Pa. §Conway, Pa. ∅Glassport, Pa.		TO AND FROM	FIRST CLASS DIFFERENTIALS (in Cents Per 100 Pounds) Via ¶Aliquippa, Pa. §Conway, Pa. ∅Glassport, Pa.	
	Section 1	Section 1A		Section 1	Section 1A
Baton Rouge . . . . La.	49	49	New Orleans . . . . La.	50	49
Helena . . . . Ark.	39	39	Vicksburg . . . . Miss.	45	44
Memphis . . . . . . Tenn.	36	37			

Rates will apply via routes as provided in W.S. Curlett's Freight Tariff No. 87, I.C.C. No. A-382, Agent I.N. Doe's I.C.C. No. 191, to and from Aliquippa, Conway and Glassport, Pa., except for account of the following lines rates will apply via all lines parties to this tariff: B&LE, Erie, JW&NW (via Erie, NYC(W or NYC&StL), Montour, NYC(W), P&LE (Note), P&WV, PC&Y, WA, Rates will only apply via routes authorized therein.

Note - Except routing from Glassport and Aliquippa, as provided in Agent W.S. Curlett's Tariff No. 87, I.C.C. No. A-382 and from and to stations on the P&LE taking Index Nos. 560 to 695 and 861 to 911, shown on pages 17 to 95, incl., where routing is provided for in Agent W.S. Curlett's I.C.C. No. A-382.

While shipments moving under rates herein, are in the possession of the American Barge Line Company, the bill of lading terms and conditions of that line as set forth in their Tariff Circular No. 3-B, I.C.C. No. 24, to govern.

(b) Basis for rates between stations shown on pages 17 to 95, inc., of Tariff as amended, taking Index Numbers:

B&O	PRR	P&WV	W&LE
6270 to 6290	21040 to 21135 21150 to 21190 23550, 23555	40	360 to 380 391 to 405

and Baton Rouge, La., Helena, Ark., Memphis, Tenn., New Orleans, La., and Vicksburg, Miss., in connection with the American Barge Line Company will apply via Louisville, Ky.

Rates will apply via all carriers parties to this Tariff.

TO AND FROM	First Class Differentials (in Cents Per 100 Pounds) Via Louisville, Ky.	
	Section 1	Section 1A
New Orleans . . . . La.	39	39
Baton Rouge . . . . La.	39	38
Vicksburg . . . . Miss.	34	34
Helena . . . . Ark.	27	30
Memphis . . . . Tenn.	27	27

While shipments moving under rates herein, are in the possession of the American Barge Line Company, the bill of lading terms and conditions of that line as set forth in their Tariff Circular No. 3-B, I.C.C. No. 24, will apply subject to exceptions shown below.

(Concluded on next page)

---

‡ Issued in compliance with order of the Interstate Commerce Commission in Docket Ex Parte No. 102 of March 11, 1932.

¶ Routes will only apply on traffic in open top cars.

§ Will not apply on any freight from, to or via the P&LE.

∅ Routes when from, to or via the PRR will apply on traffic in box cars only.

■ Departure from the terms of Rule 4(1) of Tariff Circular No. 20 is authorized under permission of the Interstate Commerce Commission No. 172132, of December 14, 1938, as amended.

APPLICATION OF RATES - Concluded

I Item No. 90E Cancels Item No. 90D - Concluded

EXCEPTIONS

Freight inherently incapable of handling by, or/transfer from or to barges; no through rates in effect, e., commodities, in bulk, Live Stock, Perishable Freight; Liquid Freight; unless in packages; commodities isted in Note A.

Note A - Articles which cannot be handled by barge:

- Acid, dangerous, as defined in Alternate Agent G.I. Falkenburg's I.C.C. No. 4;
- Apples;
- Articles, in excess of;
  - (a) 8 tons per package;
  - (b) 16 ft. wide and 13 ft. high;
  - (c) 30 ft. long, except pipe;
- Articles requiring refrigeration;
- Articles having an offensive odor or liable by their nature to injure other freight; also high explosives or dangerous chemicals;
- Automobiles, except for dock delivery. (See Note 1);
- Barrels and Drums, empty, having previously been filled with Gasoline, Benzine or other Dangerous liquids;
- Brick;
- Butter;
- Cement, unless in sacks;
- Coal, in bulk;
- Creosoted articles;
- Eggs;
- Excelsior, unless in bales;
- Fertilizers;
- Fibre, unless in bales;
- Fireworks;
- Fish, unless in cans, boxes;
- Foundry Facing, unless in packages;
- Fruit, Fresh;
- Grain or Products, in bulk;
- Glue Stock;
- Hemp, unless in bales;
- Hides, green salted;
- Household Goods, unless in boxes, barrels or crates;
- Laundry Tubs, Trays, Cement or Slate, unless boxed or crated;
- Lemons;
- Lime;
- Lumber;
- Logs;
- Meats, unless in cans, boxes;
- Moss, unless in bales;
- Oils;
  - Mineral;
  - Vegetable;
  - Fish, unless in packages;
  - Paper, Stock, or waste, unless in bales;
  - Petroleum and Products, unless in packages;
  - Pipe exceeding 50 ft. in length;
  - Poultry, live or dressed;
  - Rags, unless in bales;
  - Shavings, unless in bales;
  - Sisal, unless in bales;
  - Slate, roofing, unless in packages;
  - Tankage, dried blood or garbage;
  - Tanners' Fleshings;
  - Tin, unless in packages;
  - Tin plate, unless boxed or crated;
  - Traction Engines, set up, except Tractors (Note).
    - Note - Tractors which can be transferred between car and barge will be accepted upon authority of agents of the American Barge Line Company.
- Turpentine, unless in packages;
- Vegetables, fresh;
- Waste, unless in bales.

Note 1 - Rates will not include absorption of switching or carloading expenses.

Rates are established under authority of Interstate Commerce Commission Fourth Section Order Nos. 952 and 10953, of June 8, 1932.

For minimum charges to be applied in connection with rates between stations on the American Barge Line nd Northern Stations shown on pages 17 to 95, inc., see minimum charge specifically provided for the erican Barge Line Company in Section 4 or 4A. (File No.16975. N-8365-3)

NON-APPLICATION OF RATES

Item No. 400

NON-APPLICATION OF RATES VIA NORFOLK AND WESTERN RAILWAY

The rates published in tariff and as amended will not apply over the Norfolk and Western Ry., when via e routes shown below, or via these routes in the reverse direction.

Via Bristol, Va.-Tenn., Norton, Va. or St. Paul, Va., N&W, thence -

(1) Lynchburg, Sou. Ry., Potomac Yard, Va. and connections.
(2) Burkeville, Va., Sou. Ry., Richmond, Va., RF&P, Potomac Yard, Va., and connections, or
(3) Petersburg, Va., ACL or SAL, Richmond, Va., RF&P, Potomac Yard, Va., and connections.

(File 73 N&W-4-1-R.A. 90940)

I Issued in compliance with order of the Interstate Commerce Commission in Docket Ex Parte No. 102 of th 11, 1932.

** Departure from the terms of Rule 4(1) of Tariff Circular No. 20 is authorized under permission of e Interstate Commerce Commission No. 172102, of December 14, 1938, as amended.

For explanation of other Reference Marks, see page 3 herein.

Change on Page 202 of Tariff and Page 8 of Supplement No. 30 to read as follows:

SECTION 1

If the charge accruing under Sections 4 or 4A, of Tariff, as amended, according to their application, is higher than the charge accruing under this Section, on the same shipment, the charge accruing under Sections 4 or 4A, of Tariff, as amended, according to their application, will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in EXCEPTIONS TO SOUTHERN CLASSIFICATION, to the extent provided for in Item No. 5 of Tariff, subject to applicable rules and other provisions in Exceptions to Southern Classification and to applicable rules and other provisions, except ratings, in Southern Classification, Except that:

These Rate Base Numbers will ALSO apply:

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at class rates referred to therein, under ratings in Southern Classification.

2. In connection with commodity rate columns to the extent provided for on pages 198 to 201 of Tariff, as amended.

Rates resulting from the use of Rate Base numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 13494 and except as otherwise specifically provided are permitted by authority of the Interstate Commerce Commission Fourth Section Orders Nos. 9700, 11200 (except to or from points in State of Kentucky) and 8680 (covering rates to and from points on the Tennessee Central Railway).

ALL CHANGES RESULTING FROM THE USE OF RATE BASE NUMBERS IN THIS SECTION ARE REDUCTIONS.

Change on Page 300 of Tariff and Page 9 of Supplement No. 30:

SECTION 1A

If the charge accruing under Sections 4 or 4A, according to their application, is higher than the charge accruing under this Section, on the same shipment, the charge accruing under Sections 4 or 4A, according to their application, will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in Southern Classification, subject to applicable rules and other provisions in Southern Classification and to applicable rules and other provisions, except ratings, in Exceptions to Southern Classification, EXCEPT that:

These Rate Base Numbers WILL NOT apply.

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at Class Rates referred to therein. Section 1 Rate Base Numbers will apply.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended and are permitted by authority of Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

---

nd Page 300 of Tariff and Pages 11 to 94 of Supplement No. 30:

SECTION 1-A.

and From Stations hown on Pages 96 to 73, inclusive of tariff as amended, taking ate Basis shown below	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.														
	Albany		Altoona		Baltimore		B-Port	Belington		Berkeley Springs		Berlin		Boston	
	AR	RWR	AR	RWR	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amended).														
ALABAMA															
lle:															
.R.-R.W.R	257	248	243		217	211	208	239		244		287	278	269	260
.B.L. (Note B)	257														
.B.L. (Note Ca)															
.B.L. (Note E)	239		221					221							
ARKANSAS															
ena:															
.R.-R.W.R	253	253	210		229	227	224	208		215		284	276	272	264
.B.L. (Note E)															
.B.L. (Note P)															
.B.L. (Item 90)															
LOUISIANA															
on Rouge:															
.R.-R.W.R	275	270	257		237	235	232	257		282		306	300	287	282
.B.L. (Note B)															
.B.L. (Note Ca)										230					
.B.L. (Note E)	238		220		219			220							
.B.L. (Note P)	235		217												
.V.B.L. (Notes C1 and 29)															
.B.L. (Item 90)															
Orleans:															
.R.-R.W.R	275	270	259		237	235	232	251		256		306	300	287	282
.B.L. (Note B)															
.B.L. (Note Ca)								220							
.B.L. (Note E)	238		221							237					
.B.L. (Note P)	235		218												
.V.B.L. (Note C1															
.B.L. (Item 90)															
MISSISSIPPI															
ksburg:															
.R.-R.W.R	266	246	236		236	234	231	236		241		296	291	281	276
.B.L. (Note B)															
.B.L. (Note Ca)															
.B.L. (Note E)	250		206					203		225					
.B.L. (Note P)	230		200												
.V.B.L. (Note C1)	229		199		199			189		204		259		244	
.B.L. (Item 90)															
TENNESSEE															
phis:															
.R.-R.W.R	240	240	199		211	211	211	194		204		272	272	263	263
.B.L. (Note E)															
.V.B.L. (Note C1)	211		170		182			165		175		243		234	
.B.L. (Item 90)															

SUPPLEMENT NO. 34 - FREIGHT TARIFF NO. 44-I

Amend Page 300 of Tariff and Pages 11 to 94 of Supplement No. 30:

SECTION 1-A

To and From Stations shown on Pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.															
	Branchton		Buffalo		Cincinnatus		Clarksburg		Corry		Cumberland		Erie		Evergreen	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amended).															
ALABAMA																
Mobile:																
A.R.-R.W.R.	243		243	243	257	257	230		243		239		237		221	215
F.B.L. (Note B)																
F.B.L. (Note Ca)	224		221				211		224		223		218			
F.B.L. (Note E)	219		221		238				219		221		213			
ARKANSAS																
Helena:																
A.R.-R.W.R.	206		210		253		194		206		210		200		257	256
F.B.L. (Note E)	191		196				180		191				186			
F.B.L. (Note P)	175		180						175				170			
A.B.L. (Item 90)																
LOUISIANA																
Baton Rouge:																
A.R.-R.W.R.	254		257		275	273	243		254		257		248		241	229
F.B.L. (Note B)																
F.B.L. (Note Ca)							211									
F.B.L. (Note E)	217		220		239		206		217		220		211		223	
F.B.L. (Note P)	214		217		235				214				208			
M.V.B.L. (Notes C1 and 29)	213		216						213				207		[illegible]	
A.B.L. (Item 90)																
New Orleans:																
A.R.-R.W.R.	257		258		275	273	243		257		251		251		241	229
F.B.L. (Note B)																
F.B.L. (Note Ca)	224						211		224		220		218			
F.B.L. (Note E)	219		221		238		206		219				213			
F.B.L. (Note P)	216		218		235				216				210			
M.V.B.L. (Note C1)	216		218						216				210			
A.B.L. (Item 90)																
MISSISSIPPI																
Vicksburg:																
A.R.-R.W.R.	233		236		268	268	221		233		236		228		240	238
F.B.L. (Note B)											217					
F.B.L. (Note Ca)	205						193						200			
F.B.L. (Note E)	200		203		250		188		217		203		195			
F.B.L. (Note P)	197		200		230				197				192			
M.V.B.L. (Note C1)	196		199		229		184		196		199		191		203	
A.B.L. (Item 90)																
TENNESSEE																
Memphis:																
A.R.-R.W.R.	193		218		240		180		198		199		189		215	215
F.B.L. (Note E)	169		179				158		172				165			
M.V.B.L. (Note C1)	164		174		211		151		167		170		160		186	
A.B.L. (Item 90)																

1886

o Page 300 of Tariff and Pages 11 to 94 of Supplement No. 30:

SECTION 1-A

ed From Stations own on Pages 96 to 3, inclusive of Tariff as amended, taking te Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.																	
	Glovers-ville		Grafton		Hagers-town		Harris-burg		Hempstead		Johnson-burg		Lake Placid		Ligonier		Lyndon-ville	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404, inclusive of Tariff as amended).																	
ALABAMA																		
lle:																		
.R.-R.W.R	269	260	271	262	218	216	224	220	249	240	243		297	288	245		243	243
.B.L. (Note B)	349												277					
B.L. (Note Ca)	253												281		221		222	
B.L. (Note E)	251										221		279		216		222	
ARKANSAS																		
na:																		
R.-R.W.R	265	265	274	266	228	228	236	236	256	251	218		294	286	204		221	
B.L. (Note E)															190		207	
B.L. (Note P)																	191	
B.L. (Item 90)																		
LOUISIANA																		
n Rouge:																		
R.-R.W.R	287	282	289	284	236	236	243	243	289	284	258		315	310	251		259	
B.L. (Note B)							222											
B.L. (Note Ca)							227											
B.L. (Note E)	250				218						221				214		222	
B.L. (Note P)	247										218				211		219	
V.B.L. (Notes C1 and 29)															210			
B.L. (Item 90)																		
Orleans:																		
R.-R.W.R	287	282	289	284	236	236	243	243	289	284	259		315	310	254		259	
B.L. (Note B)																		
B.L. (Note Ca)															221			
B.L. (Note E)	250				218		227				221		277		216		222	
B.L. (Note P)	247										218						219	
V.B.L. (Note C1)															213			
B.L. (Item 90)																		
MISSISSIPPI																		
ksburg:																		
R.-R.W.R	278	278	283	278	256	256	243	243	262	257	238		308	301	229		243	
B.L. (Note B)																		
B.L. (Note Ca)															201			
B.L. (Note E)	262						227				206				196		210	
B.L. (Note P)	242						207				202						207	
V.B.L. (Note C1)	241		246		199		206		225		201		269		192		206	
B.L. (Item 90)																		
TENNESSEE																		
ie:																		
R.-R.W.R	252	252	266	265	211	211	217	217	246	246	207		282	282	193		210	
B.L. (Note E)															169			
V.B.L. (Note C1)	213		256		182		188		217		175		253		164		181	
B.L. (Item 90)																		

Amend Page 300 of Tariff and Pages 11 to 94 of Supplement No. 30:

SECTION 1-A

To and From Stations shown on Pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amend														
	Montauk		New Egypt		New York		Niverton		Ogdensburg.		Oil City		Patchogue		Peters
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amend														
ALABAMA															
Mobile:															
A.R.-R.W.R	263	254	245	236	240	231	248		266	259	243		252	243	251
F.B.L. (Note B)															
F.B.L. (Note Ca)							226		250		224				
F.B.L. (Note E)									248		219				253
ARKANSAS															
Helena:															
A.R.-R.W.R	270	265	252	247	247	242	216		250	250	206		259	254	222
F.B.L. (Note E)											191				
F.B.L. (Note P)											175				
A.B.L. (Item 90)															
LOUISIANA															
Baton Rouge:															
A.R.-R.W.R	283	278	265	260	260	256	263		275	275	254		272	267	269
F.B.L. (Note B)															
F.B.L. (Note Ca)															
F.B.L. (Note E)			247		242		226		238		217				232
F.B.L. (Note P)											214				
M.V.B.L. (Notes C1 and 29)											213				
A.B.L. (Item 90)															
New Orleans:															
A.R.-R.W.R	283	278	265	260	260	256	264		275	275	257		272	267	263
F.B.L. (Note B)															
F.B.L. (Note Ca)									242		224				232
F.B.L. (Note E)							226		238		219				
F.B.L. (Note P)									234		216				
M.V.B.L. (Note C1)											216				
A.B.L. (Item 90)															
MISSISSIPPI															
Vicksburg:															
A.R.-R.W.R	276	271	258	253	253	248	241		263	263	253		265	260	248
F.B.L. (Note B)							222								
F.B.L. (Note Ca)															
F.B.L. (Note E)							206				200				216
F.B.L. (Note P)											197				
M.V.B.L. (Note C1)	239		221		216		204		224		196		228		211
A.B.L. (Item 90)															
TENNESSEE															
Memphis:															
A.R.-R.W.R	260	260	242	242	237	237	204		237	237	185		249	249	211
F.B.L. (Note E)											169				
M.V.B.L. (Note C1)	231		213		208		175		208		164		220		182
A.B.L. (Item 90)															

1888

SUPPLEMENT NO. 34 - FREIGHT TARIFF NO. 44-I

SECTION 1-A

ange Heading on Page 68 of Supplement No. 30 to read as follows:

o and From Stations shown on Pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended.														
	Philadelphia		P-Port	Phoenicia		Pittsburgh		Popes Creek		Port Jervis		Portland		Reading	
	AR	RWR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amended).														
mend Page 300 of Tariff and Pages 11 to 94 of Supplement No. 30:															
ALABAMA															
Mobile:															
A.R.-R.W.R.	227	224	221	257	248	237		225	219	247	[illegible]	276	269	231	227
F.B.L. (Note B)															
F.B.L. (Note Ca)						213									
F.B.L. (Note E)						208									
ARKANSAS															
Helena:															
A.R.-R.W.R.	235	235	233	253	253	196		237	235	250	248	284	276	236	235
F.B.L. (Note E)						182									
F.B.L. (Note P)															
A.B.L. (Item 90)															
LOUISIANA															
Baton Rouge:															
A.R.-R.W.R.	247	247	245	275	270	243		245	243	266	259	299	294	247	247
F.B.L. (Note B)										245					
F.B.L. (Note Ca)															
F.B.L. (Note E)	229			257		206		227		248				229	
F.B.L. (Note P)				235		203									
M.V.B.L. (Notes C1 and 29)						202									
A.B.L. (Item 90)															
New Orleans:															
A.R.-R.W.R.	247	247	245	275	270	246		245	243	266	259	299	294	247	247
F.B.L. (Note B)										245					
F.B.L. (Note Ca)						213									
F.B.L. (Note E)				257		208				248				229	
F.B.L. (Note P)				235											
M.V.B.L. (Note C1)						206									
A.B.L. (Item 90)															
MISSISSIPPI															
Vicksburg:															
A.R.-R.W.R.	243	243	241	266	266	221		245	243	260	256	293	288	243	243
F.B.L. (Note B)															
F.B.L. (Note Ca)						193									
F.B.L. (Note E)						188				244					
F.B.L. (Note P)				230						224				207	
M.V.B.L. (Note C1)	206			229		184		208		223		256		206	
A.B.L. (Item 90)															
TENNESSEE															
Memphis:															
A.R.-R.W.R.	224	224	224	240	240	185		220	220	231	231	272	272	224	224
F.B.L. (Note E)						181									
M.V.B.L. (Note C1)	196			211		156		191		202		243		195	
A.B.L. (Item 90)															

SUPPLEMENT NO. 34 - FREIGHT TARIFF NO. 44-I

Amend Page 300 of Tariff and Pages 91 to 94 of Supplement No. 30:

SECTION 1-A

To and From Stations shown on Pages 96 to 173, inclusive of Tariff as amended, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on Pages 17 to 95, inclusive of Tariff as amended													
	Richmond		Rochester		Russell		Scranton		Sunset		Stamford		Syracus	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RWR	AR	RW
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amended).													
ALABAMA														
Mobile:														
A.R.-R.W.R	230	...	243	243	235	...	240	240	240	...	264	260	250	25
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note Ca)	223	...	222	...	211	...	...	...	218	...	...	...	...	...
F.B.L. (Note E)	221	...	222	...	...	...	238	...	...	...	...	...	222	...
ARKANSAS														
Helena:														
A.R.-R.W.R	208	...	221	...	199	...	240	240	204	...	272	264	234	...
F.B.L. (Note E)	...	...	207	...	185	...	...	...	190	...	...	...	...	...
F.B.L. (Note P)	...	...	191	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
LOUISIANA														
Baton Rouge:														
A.R.-R.W.R	257	...	259	...	248	...	257	257	253	...	287	282	259	25
F.B.L. (Note B)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	220	...	222	...	211	...	220	...	218	...	269	...	222	...
F.B.L. (Note P)	...	...	219	...	...	...	217	...	...	...	...	...	219	...
M.V.B.L. (Notes C1 and 29)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
New Orleans:														
A.R.-R.W.R	251	...	259	...	246	...	257	257	253	...	287	282	259	25
F.B.L. (Note B)	...	...	...	...	...	...	236	...	232	...	...	...	...	...
F.B.L. (Note Ca)	220	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. [illegible]e E)	...	...	222	...	211	...	236	...	216	...	...	...	222	...
F.B.L. [illegible] P)	...	...	219	...	...	...	...	...	...	...	...	...	219	...
M.V.B.L. (Note C1)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
MISSISSIPPI														
Vicksburg:														
A.R.-R.W.R	236	...	243	...	228	...	253	253	231	...	281	276	249	249
F.B.L. (Note B)	...	...	...	...	...	...	...	...	212	...	...	...	...	...
F.B.L. (Note Ca)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
F.B.L. (Note E)	220	...	210	...	193	...	237	...	198	...	...	...	216	...
F.B.L. (Note P)	...	...	207	...	...	...	217	...	...	...	...	...	213	...
M.V.B.L. (Note C1)	199	...	206	...	189	...	216	...	194	...	[illegible]	...	212	...
TENNESSEE														
Memphis:														
A.R.-R.W.R	194	...	210	...	186	...	231	231	190	...	263	263	224	...
F.B.L. (Note E)	...	...	...	...	...	...	...	...	...	...	...	...	...	...
M.V.B.L. (Note C1)	166	...	181	...	156	...	202	...	181	...	234	...	196	...
A.B.L. (Item 90)	...	...	...	...	...	...	...	...	...	...	...	...	...	...

SUPPLEMENT NO. 34 - FREIGHT TARIFF NO. 44-I

Amend Page 300 of Tariff and Pages 11 to 94 of Supplement No. 30:

SECTION 1-A

To and From Stations shown on Pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amended)							
ALABAMA								
Mobile:								
A.R.-R.W.R. . .	274	265	216	210	269	260	257	252
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	232	. .
ARKANSAS								
Helena:								
A.R.-R.W.R. . .	277	269	228	226	272	264	240	240
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	. .	. .
A.B.L. (Item 90). .	. .	. .	. .	. .	. .	. .	. .	. .
LOUISIANA								
Baton Rouge:								
A.R.-R.W.R. . .	292	287	236	234	287	282	269	269
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	218	. .	. .	. .	232	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	229	. .
M.V.B.L. (Notes C1 and 29)	. .	. .	. .	. .	. .	. .	. .	. .
A.B.L. (Item 90). .	. .	. .	. .	. .	. .	. .	. .	. .
New Orleans:								
A.R.-R.W.R. . .	292	287	236	234	287	282	269	269
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	232	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	229	. .
M.V.B.L. (Note C1). .	. .	. .	. .	. .	. .	. .	. .	. .
A.B.L. (Item 90). .	. .	. .	. .	. .	. .	. .	. .	. .

To and From Stations shown on Pages 96 to 173, inclusive of Tariff as amended taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same rates as shown on Pages 17 to 95, inclusive of Tariff as amended.							
	Wakefield		Washington		Waterbury		Watertown	
	AR	RWR	AR	RWR	AR	RWR	AR	RWR
	APPLY RATE BASIS NUMBERS (For Rates, see Pages 340 to 404, inclusive of Tariff as amended)							
MISSISSIPPI								
Vicksburg:								
A.R.-R.W.R. . .	286	281	256	254	281	276	257	252
F.B.L. (Note B)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note Ca)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .
F.B.L. (Note P)	. .	. .	. .	. .	. .	. .	. .	. .
M.V.B.L. (Note C1). .	248	. .	199	. .	244	. .	230	. .
A.B.L. (Item 90). .	. .	. .	. .	. .	. .	. .	. .	. .
TENNESSEE								
Memphis:								
A.R.-R.W.R. . .	268	268	209	. .	265	263	231	. .
F.B.L. (Note E)	. .	. .	. .	. .	. .	. .	. .	. .
M.V.B.L. (Note C1). .	239	. .	180	. .	234	. .	202	. .
A.B.L. (Item 90). .	. .	. .	. .	. .	. .	. .	. .	. .

(File N-6365-3)

1317

Change on Page 301 of Tariff, Page 14 of Supplement No. 11 and Page 95 of Supplement No. 30:

SECTION 2

If the charge accruing under Sections 4 or 4A of Tariff, as amended, according to their application is higher than the charge accruing under this Section, on the same shipment, the charge accruing under Sections 4 or 4A of Tariff, as amended, will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in EXCEPTIONS TO SOUTHERN CLASSIFICATION, to the extent provided for in Item 5 of Tariff, subject to applicable rules and other provisions in Exceptions to Southern Classification and to applicable rules and other provisions, except ratings, in Southern Classification, EXCEPT that:

These Rate Base Numbers will ALSO apply:

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at class rates referred to therein, under ratings in Southern Classification.

2. In connection with commodity rate columns to the extent provided for on pages 198 to 201 of Tariff as amended.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with order of the Interstate Commerce Commission in Dockets Nos. 26488, 21373, 21373 (Sub.-No. 1), 21665 and 21665 (Sub.-No. 1), and are permitted by authority of the Interstate Commerce Commission Fourth Section Order Nos. 12370 and 12516, except to or from points in the State of Kentucky rates are permitted by authority of Interstate Commerce Commission Supplemental Fourth Section Order No. 11200. (File N-1697)

ALL CHANGES RESULTING FROM THE USE OF RATE BASE NUMBERS IN THIS SECTION ARE REDUCTIONS

Change Page 339 of Tariff and Page 96 of Supplement No. 30:

SECTION 2A

If the charge accruing under Sections 4 or 4A according to their application is higher than the charge accruing under this Section, on the same shipment, the charge accruing under Sections 4 or 4A will apply.

The Rate Base Numbers named in this Section apply only where applicable rating is published in SOUTHERN CLASSIFICATION, subject to applicable rules and other provisions in Southern Classification and to applicable rules and other provisions, except ratings, in Exceptions to Southern Classification, EXCEPT that:

These Rate Base Numbers WILL NOT Apply.

1. In connection with provisions of Interstate Commerce Commission Fourth Section Order No. 9800 and Fourth Section Order No. 12272, as amended, in arriving at Class Rates referred to therein. Section 2 Rate Base Numbers will apply.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended and are permitted by Authority of Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

To and From Stations shown on pages 96 to 173 of Tariff as amended, inclusive, taking Rate Basis shown below:	FROM AND TO THE FOLLOWING BASING POINTS And Stations taking same Rates as shown on pages 17 to 95 of Tariff as amended, inclusive															
	New York		Niverton		Oakfield	Ogdensburg		Oil City		Patchogue		Petersburg		Philadelphia		P-Port
	AR	RMR	AR	RMR	AR	AR	RMR	AR	RMR	AR	RMR	AR	RMR	AR	RMR	RMR
	APPLY RATE BASIS NUMBERS (For Rates, see pages 340 to 404 of Tariff as amended, inclusive															
NORTH CARLOINA																
Change on Page 339 of Tariff and Page 118 of Supplement No. 30:																
Durham	140	136K	138	138	232	178	174K	156	156	155	151K	135	135	127	123K	120K

1892

1318

SUPPLEMENT NO. 34 - FREIGHT TARIFF NO. 44-I

SECTION 3

For Application, see page 340 of Tariff as amended

RATES IN CENTS PER 100 POUNDS.

RATE BASIS NUMBERS (As shown on pages 203 to 339, inc.)	CLASSES																							
	55K	53½	52	50	50H	50L	50M	49	47½	47	5 or 45	45K	44	42	41	41M	6 or 40	40K	40L	39½	37½	37	36M	7 or 35
	COMMODITY RATE COLUMNS																							
	55K	53½	52	50	50H	50L	50M	49	47½	47	45	45K	44	42	41	41M	40	40K	40L	39½	37½	37	36M	35
Amend Page 370 of Tariff:																								
200. . . .	105	107	104	100	105½	98	91	98	95	94	90	88	88	88	[illegible]	[illegible]	80	77	77	79	†75	74	68	70
								(File N-16974-RA 91290)																

RATE BASIS NUMBERS (As shown on pages 203 to 339, inc.)	CLASSES																	
	‡22½ M	‡22	‡22M	†21	†11 or 20	†20M	†19	†18½	†18½ L	†18	†18K	†12 or 17½	†17½ K	†17	†16	†15	†14K	†13
	COMMODITY RATE COLUMNS																	
	‡22½ M	‡22	‡22M	†21	†20	†20M	†19	†18½	†18½ L	†18	†18K	†17½	†17½ K	†17	†16	†15	†14K	†13
▨ Change on Page 396 of Tariff to the extent shown below:																		
296	60	65	59	62	59	54	56	55	53	53	50	52	49	50	47	44	40	38
									(File N-16974)									
▨ Change on Page 400 of Tariff to the extent shown below:																		
2960.	60	65	59	62	59	54	56	55	53	53	50	52	49	50	47	44	40	38
									(File N-16974)									

† Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Company, Philadelphia & Norfolk Steamship Co., or Bull Steamship Line.

‡ Rates published herein will not apply via Rail-Water-and-Rail routes in connection with the Agwilines, Inc. (Clyde-Mallory Lines), Eastern Steamship Lines, Inc., Merchants & Miners Transportation Company, or Philadelphia & Norfolk Steamship Co.

For explanation of other Reference Marks, see page 3.

1893

1319

SECTION 3

PERCENTAGES OF CLASS RATES

Add to Page 404 of Tariff:

Where ratings in the Southern Classification, or exceptions thereto, provide for percentages of Class Rates, rates will be in accordance with the following table

PERCENTAGES OF CLASS RATES

When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90%	When Class Rate is	90
1	..	31	28	61	55	91	82	121	109	151	136	181	163	211	190	241	217	271	244
2	2	32	29	62	56	92	83	122	110	152	137	182	164	212	191	242	218	272	245
3	3	33	30	63	57	93	84	123	111	153	138	183	165	213	192	243	219	273	246
4	4	34	31	64	58	94	85	124	112	154	139	184	166	214	193	244	220	274	247
5	5	35	32	65	59	95	86	125	113	155	140	185	167	215	194	245	221	275	248
6	5	36	32	66	59	96	86	126	113	156	140	186	167	216	194	246	221	276	248
7	6	37	33	67	60	97	87	127	114	157	141	187	168	217	195	247	222	277	249
8	7	38	34	68	61	98	88	128	115	158	142	188	169	218	196	248	223	278	250
9	8	39	35	69	62	99	89	129	116	159	143	189	170	219	197	249	224	279	251
10	9	40	36	70	63	100	90	130	117	160	144	190	171	220	198	250	225	280	252
11	10	41	37	71	64	101	91	131	118	161	145	191	172	221	199	251	226	281	253
12	11	42	38	72	65	102	92	132	119	162	146	192	173	222	200	252	227	282	254
13	12	43	39	73	66	103	93	133	120	163	147	193	174	223	301	253	228	283	255
14	13	44	40	74	67	104	94	134	121	164	148	194	175	224	202	254	229	284	256
15	14	45	41	75	68	105	95	135	122	165	149	195	176	225	203	255	230	285	257
16	14	46	41	76	68	106	95	136	122	166	149	196	176	226	203	256	230	286	257
17	15	47	42	77	69	107	96	137	123	167	150	197	177	227	204	257	231	287	258
18	16	48	43	78	70	108	97	138	124	168	151	198	178	228	205	258	232	288	259
19	17	49	44	79	71	109	98	139	125	169	152	199	179	229	206	259	233	289	260
20	18	50	45	80	72	110	99	140	126	170	153	200	180	230	207	260	234	290	261
21	19	51	46	81	73	111	100	141	127	171	154	201	181	231	208	261	235	291	262
22	20	52	47	82	74	112	101	142	128	172	155	202	182	232	209	262	236	292	263
23	21	53	48	83	75	113	102	143	129	173	156	203	183	233	210	263	237	293	264
24	22	54	49	84	76	114	103	144	130	174	157	204	184	234	211	264	238	294	265
25	23	55	50	85	77	115	104	145	131	175	158	205	185	235	212	265	239	295	266
26	23	56	50	86	77	116	104	146	131	176	158	206	185	236	212	266	239	296	266
27	24	57	51	87	78	117	105	147	132	177	159	207	186	237	213	267	240	297	267
28	25	58	52	88	79	118	106	148	133	178	160	208	187	238	214	268	241	298	268
29	26	59	53	89	80	119	107	149	134	179	161	209	188	239	215	269	242	299	269
30	27	60	54	90	81	120	108	150	135	180	162	210	189	240	216	270	243	300	270

1894

Change Page 405 of Tariff and Page 139 of Supplement No. 30:

SECTION 4

MINIMUM CHARGES

The rates named in this section apply only where applicable rating is published in Section 2 of the EXCEPTIONS TO OFFICIAL CLASSIFICATION Agent W.S. Curlett's Tariff No. 141-A (See Item 620), subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and other provisions, except ratings, in Official Classification.

The minimum charges provided for in this section will only apply between points for which rates are provided in Sections 1, 1A, 2 or 2A.

If the charge accruing under Sections 1, 1A, 2 or 2A, according to their application is higher than the charge accruing under this section, on the same shipment, the charge accruing under Sections 1, 1A, 2, or 2A, according to their application will apply.

Where actual weight of shipment is in excess of minimum weight shown in connection with minimum charges, actual weight should be used in computing the charges obtained under the minimum rate provided in this section.

The rate base numbers shown on pages 406 to 438 of Tariff, as amended, will not apply:

1. On traffic moving via American Barge Line Co. for which rate basis numbers are provided for on pages 439 to 445 of Tariff.
2. On Fish and Oysters as provided for on pages 446 to 453 of Tariff.
3. On Asphalt as provided for on page 486 of Tariff.
4. On Gypsum Lath as provided for on page 486 of Tariff.

øNON-APPLICATION OF MINIMUM CHARGES

Minimum charges provided in this section will not apply on shipments of Cotton Linters or Regins and Cottonseed Hull Fibre or Shavings from Southern Stations to Northern Stations as described in Item No. 46610 of W.S. Curlett, Agent, Tariff No. 141-A (See Item 620).

Minimum charges provided in this section will not apply on shipments of Naval Stores, as described in Item No. 33132 of W.S. Curlett, Agent, Tariff No. 141-A (See Item 620).

Minimum charges provided in this section will not apply on shipments of Cottonseed, Pitch and/or Tar, as described in Item No. 46625 of W.S. Curlett, Agent, Tariff No. 141-A (See Item 620), from Southern Stations to Northern Stations.

ALL RATES RESULTING FROM THE USE OF THE RATE BASE NUMBERS IN THIS SECTION ARE INCREASES

Change on Page 486 of Tariff and Page 144 of Supplement No. 30:

SECTION 4A

MINIMUM CHARGES

The rates named in this Section apply only where applicable rating is published in OFFICIAL CLASSIFICATION, subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, except ratings, in Section 2 of the Exceptions to Official Classification, Agent W.S. Curlett's Tariff No. 141-A (See Item 620).

The minimum charges provided for in this section will only apply between points for which rates are provided in Sections 1, 1A, 2 or 2A.

If the charge accruing under Sections 1, 1A, 2 or 2A, according to their application is higher than the charge accruing under this section, on the same shipment, the charge accruing under Sections 1, 1A, 2 or 2A, according to their application will apply.

Where actual weight of shipment is in excess of minimum weight shown in connection with minimum charges, actual weight should be used in computing the charges obtained under the minimum rate provided in this section.

The rate base numbers shown on pages 486 of Tariff and Pages 144 to 177 of Supplement No. 30 will not apply on traffic moving via American Barge Line Co. for which rate basis numbers are provided for on Pages 18 to 24 of this Supplement.

Rates resulting from the use of Rate Base Numbers in this Section are issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended.

♦ Increase.

ø The non-application of Minimum Charges on shipments moving at less carload or any quantity rates is hereby cancelled. (♦Provisions of Tariff, as amended, will apply).

Add to Page 486 of Tariff:

SECTION 4-A

The Rate Basis Numbers shown below will only apply between Northern Stations shown on pages 17 to 9 inclusive of tariff, as amended taking Index Numbers shown below and Southern Stations on the American Ra Line Company shown on pages 96 to 173, inclusive, of tariff, as amended.

Northern Stations Index Nos.	‡Apply Rate Basis No.
A.& A.	
5 to 45. .	99
45,50.	96
B.& O.	
5 to 90. .	125
135 to 310. .	113
6597	80
6600 to 6630. .	77
6635	75
6640 to 6660. .	75
6665,6670. . . .	70
6685 to 6740. .	75
6745	70
6750 to 6810. .	73
6815	70
6820	68
6825 to 6890. .	70
6910 to 6955. .	75
6970 to 6995. .	73
7005 to 7085. .	70
7090 to 7140. .	67
7155 to 7185. .	68
7195	64
7305 to 7320. .	64
7325 to 7345. .	62
7445	62
7515 to 7555. .	59
7560 to 7600. .	62
7615	63
7730 to 7950. .	59
7965	63
7990 to 8030. .	65
8075 to 8085. .	65
8090	68
8185,8190. . . .	55
8195,8200. . . .	52
8210 to 8260. .	55
8265,8270. . . .	52
8275 to 8295. .	51
8300,8310. . . .	47
8322 to 8330. .	51
8335 to 8355. .	47
8357 to 8485. .	40
8487 to 8495. .	41
8500 to 8540. .	45
8550 to 8580. .	52
8625 to 8735. .	40
8740 to 8780. .	47
8790 to 8820. .	51
8830,8835. . . .	55
8840 to 8880. .	56
8885	62
8890 to 8935. .	67
8940 to 8990. .	70
8995 to 9040. .	75
9045 to 9065. .	77

Northern Stations Index Nos.	‡Apply Rate Basis No.
B.& O.-Cont.	
9070 to 9090. .	80
9100,9107. . . .	81
9110 to 9130. .	84
9185 to 9210. .	59
9220 to 9245. .	64
9280 to 9315. .	64
9325	65
9345	65
9350 to 9385. .	70
9390 to 9400. .	73
9405 to 9435. .	65
9440 to 9455. .	63
9465 to 9540. .	68
9545	63
9550 to 9650. .	59
9655	56
9660 to 9710. .	63
9760,9770. . . .	65
9790,9795. . . .	73
9820 to 9835. .	70
9845 to 9875. .	75
9880 to 9890. .	77
9895 to 9940. .	81
9945 to 9990. .	85
10010 to 10025. .	88
10030 to 10055. .	91
10060 to 10090. .	92
10105 to 10125. .	95
10130 to 10155. .	96
10165 to 10180. .	99
10190 to 10210. .	95
10215 to 10260. .	96
10275	73
10290	70
10305 to 10380. .	75
10400,10410 . . .	70
10445,10460 . . .	73
10465,10485 . . .	73
10500	77
10505,10515 . . .	80
10520	81
10525 to 10540. .	84
10545	85
10550	87
10560 to 10580. .	87
10590 to 10630. .	88
10635 to 10645. .	92
10650 to 10670. .	95
10675 to 10700. .	99
10705 to 10725. .	96
10735 to 10745. .	95
10750 to 10790. .	99
10810	99
10815 to 10825. .	101
10830	99
10835 to 10870. .	101

Northern Stations Index Nos.	‡Apply Rate Basis No.
B.& O.-Con.	
10880 to 10930. .	106
10945 to 10980. .	48
10985	51
10990	48
10995	51
B.& H.	
3010,3015. . . .	101
3020	106
B.C	
5 to 70. .	84
75	81
B.& L.E.	
5	80
125	70
130 to 150. .	73
225 to 250. .	62
260 to 300. .	63
305 to 325. .	62
330	55
345 to 385. .	51
390 to 415. .	48
422 to 445. .	44
455 to 540. .	40
Bush T.	
5 to 25. .	125
C.& I.	
5,10.	64
23	63
24a.	64
45 to 65. .	68
100 to 125. .	64
145	68
C.of N.J.	
1 to 133. .	125
136	122
139 to 151. .	125
160 to 184. .	122
187 to 223. .	120
226 to 235. .	120
238,241	117
244 to 310. .	120
334,337	117
358 to 382. .	113
386 to 412. .	111
415 to 454. .	108
457 to 463. .	106
469 to 481. .	108
487,490	108
493	111
496 to 502. .	108
505	111
508 to 544. .	108

Northern Stations Index Nos.	‡Apply Rate Basis No.
C.of N.J.-Con.	
547 to 568. .	106
571 to 601. .	108
604 to 625. .	122
631 to 724. .	125
730 to 751. .	122
753 to 769. .	125
772 to 802. .	122
805 to 829. .	120
832 to 841. .	122
844 to 871. .	125
874 to 883. .	122
Ch.R.	
10 to 15. .	108
20 to 30. .	111
C.& Pit.	
5 to 35. .	147
C.River	
10	75
15 to 30. .	77
C.& P.A.	
5	87
15 to 40. .	91
45 to 75. .	95
D.& Mt.H.	
10 to 45. .	101
D.& H.	
1	106
2	106
3,4	106
5 to 15. .	108
16,17. . . .	111
18 to 22. .	111
27 to 30. .	113
31	111
32,33. . . .	111
34 to 36. .	113
37 to 39. .	117
40 to 44. .	120
45 to 47. .	122
48 to 50. .	125
51 to 54. .	129
55 to 57. .	125
58 to 64. .	129
65,66. . . .	131
68 to 76. .	125
77 to 84. .	131
85	129
87 to 89. .	131
90	134
91 to 94. .	138
95	142
96 to 98. .	145

---

‡ For Rates, see Section 4 pages 454 to 485, inclusive, of Tariff, as amended.

1896

1322

Add to Page 486 of Tariff:

SECTION 4-A - Continued.

The Rate Basis Numbers shown below will only apply between Northern Stations shown on pages 17 to 95, inclusive, of tariff, as amended, taking Index Numbers shown below and Southern Stations on the American Barge Line Company shown on pages 96 to 173, inclusive of tariff, as amended.

Northern Stations Index Nos.	‡Apply Rate Basis Nos.	Northern Stations Index Nos.	‡Apply Rate Basis Nos.	Northern Stations Index Nos.	‡Apply Rate Basis Nos.	Northern Stations Index Nos.	‡Apply Rate Basis Nos.
D.& H.-Con.		**D.L.& W.-Conc.**		**Erie-Con.**		**Erie-Conc.**	
99	145	464 to 497.	113	1255 to 1285.	106	3405	81
100,101	146	506 to 514.	111	1315 to 1325.	99	3415,3420.	80
102,103	134	520,527	108	1330 to 1360.	101	3430 to 3440.	75
104,105	140	529 to 569.	108	1365 to 1400.	106	3445	73
106	141	573,584	106	1405 to 1415.	101	3475 to 3495.	73
107,108	136	591 to 609.	101	1420	101	3500	70
109,110	141	610 to 628.	101	1430	99	3505 to 3525.	73
118,119	145	632 to 638.	106	1435 to 1440.	101	3530 to 3540.	68
122 to 125.	141	643 to 675.	101	1450	99	**F.J.& G.**	
126	134	678 to 688.	106	1455 to 1475.	101	10 to 25.	145
127,128	141	692 to 706.	101	1480 to 1490.	106	**G.& J.**	
129 to 132.	143	709 to 723.	99	1495 to 1505.	101	40	141
133	145	725 to 745.	96	1510 to 1550.	106	50 to 60.	142
135	143	747 to 771.	113	1582 to 1625.	106	75,80.	141
136,137	143	781	113	1635 to 1655.	101	**G.& W.**	
138 to 141.	145	785	111	1660 to 1710.	99	10 to 50.	106
142 to 144.	149	787 to 818.	113	1715 to 1725.	101	**G.T.-E.**	
145,146	152	823 to 840.	117	1730 to 1755.	99	76 to 78.	96
148	152	841 to 867.	120	1760 to 1865.	96	**H.M.R.R.**	
149 to 154.	158	872	117	1870,1875.	101	5	125
155 to 158.	156	874 to 891.	113	1880,1885.	99	**H.& B.T.M.**	
160,161	154	896 to 909.	117	1890 to 1900.	96	15	81
170	143	915,920	120	1905,1910.	95	20 to 40.	84
171,172	145	922 to 946.	122	1915,1920.	92	50 to 195.	85
173,174	152	947 to 963.	125	1925 to 1935.	91	205	84
177 to 179.	155	965 to 977.	122	1940 to 1975.	88	**Int.**	
180 to 184.	122	**E.J.R.R.& T.**		1985 to 2035.	87	5 to 25.	106
D.L.& W.		5	125	2050 to 2065.	84	**I.R.R.**	
1 to 29.	125	**Erie**		2070;2075.	81	5 to 40.	111
31 to 41.	122	8 to 275.	125	2080,2090.	68	45 to 55.	113
42 to 62.	125	280;285	122	2110 to 2140.	73	**J.W.& N.W.**	
63,66.	122	335 to 520.	125	2155,2161.	75	5 to 120.	87
68 to 89.	125	535 to 600.	129	2166	65	125	85
91 to 100.	122	605	122	2175	88	**L.& W.V.**	
103 to 125.	120	625 to 655.	125	2236,2239.	96	5 to 75.	108
130,132	120	660 to 675.	122	2685 to 2715.	108	**L.E.F.& C.**	
135	117	687 to 710.	125	2716 to 2718.	111	5	68
141 to 148.	120	725,750	122	**N.Y.S.& W.**		10	70
152,154	120	755,765	125	2245 to 2405.	125	45 to 95.	73
157	117	780	122	2415 to 2450.	122	**L.& H.R.**	
159 to 183.	120	790	120	2455 to 2550.	120	5 to 75.	122
186	117	795	122	2555 to 2575.	117	80 to 150.	120
188,190	117	800 to 820.	125	2580	113	155 to 175.	117
192 to 197.	117	840 to 850.	122	**N.J.& N.Y.**		**L.& N.E.**	
201	113	860,865	120	2725 to 2745.	125	1 to 11.	106
203,208	117	875	117	2765 to 2830.	129	15	106
212 to 249.	113	880,910	117	2850 to 2860.	129	25 to 35.	106
254,259	117	920 to 955.	113	**Erie**		37 to 44.	111
263 to 303.	117	960	113	2900 to 2945.	125	46	108
306 to 327.	113	965 to 980.	111	2955 to 3005.	129	53,54.	111
328	111	985,990	108	3170 to 3200.	96	64 to 90.	113
335	111	995,996	111	3225 to 3242.	92	94 to 98.	117
337	108	1000 to 1020.	108	3245 to 3255.	91		
346,349	111	1030	117	3260	88		
353	111	1035 to 1065.	120	3280 to 3295.	92		
355 to 370.	108	1070 to 1090.	117	3300	88		
373,375	108	1100 to 1155.	113	3335	91		
378 to 404.	106	1165	111	3340,3345.	88		
409 to 420.	101	1175 to 1200.	113	3355	88		
423 to 440.	99	1205 to 1225.	111	3360,3365.	87		
446	96	1235 to 1250.	108	3370,3375.	85		
449 to 457.	111			3390 to 3400.	84		

‡ For Rates, see Section 4, pages 484 to 486, inclusive, of tariff, as amended.

1897

Add to Page 486 of Tariff.

SECTION 4-A - Continued.

The Rate Basis Numbers shown below will only apply between Northern Stations shown on pages 17 to 95, inclusive, of tariff, as amended, taking Index Numbers shown below and Southern Stations on the American Barge Line Company shown on pages 96 to 173, inclusive, of tariff, as amended.

Northern Stations Index Nos.	‡ Apply Rate Basis Nos.
L.& N.E.-Conc.	
106 to 132.	120
140 to 228.	113
231,235	111
245,255	113
274	111
275	113
L.V.	
1½ to 35.	125
36 to 52.	122
54 to 57.	125
58,59	122
60 to 70.	120
72 to 87.	117
88 to 111.	113
113 to 131.	111
135	106
137 to 141.	111
142 to 152.	108
153 to 161.	106
162,164	106
165 to 178.	108
180	108
182 to 185.	106
185½ to 189.	106
190	106
191	108
192	106
193 to 208.	108
209 to 231.	106
233 to 246.	101
246½ to 253½.	108
257 to 263.	108
265,266	106
267 to 294.	108
295	106
296 to 315.	108
316 to 318.	106
324	101
325 to 326.	108
327 to 336.	111
337 to 345.	113
346 to 350.	111
351	108
352	111
353 to 357.	106
358 to 360.	106
361 to 372.	101
373 to 384.	106
385 to 388.	108
391 to 401.	111
402 to 405.	108
406 to 413.	111
414	108
415,416	111
416½	113
417,419	108
420 to 425.	111
428	113
429 to 431.	111
432	106
433 to 435.	106
L.V.-Conc.	
436	106
437	108
438 to 453.	106
454 to 458.	101
A459	99
459 to 472.	96
473 to 475.	101
488 to 495.	111
497 to 499.	113
500 to 507.	117
508 to 513.	120
521½ to 525.	108
526 to 533.	111
535 to 550.	113
552 to 557.	111
559 to 564.	113
565	111
567,568	113
L.I.	
5 to 98.	125
100 to 110.	134
125 to 145.	125
155,160	134
190	140
235 to 245.	134
265 to 415.	140
460 to 510.	140
515 to 600.	152
620 to 690.	125
705 to 730.	134
735	125
750 to 910.	140
915 to 1040.	152
1060 to 1220.	125
M.& F.	
165 to 190.	111
195 to 240.	108
245 to 295.	101
M.& U.	
5 to 30.	122
35	120
M.& E.	
5 to 30.	122
Mongh.	
15	55
20 to 50.	58
60 to 98.	62
105	62
110 to 160.	65
189b.	73
275 to 360.	59
370	62
405 to 415.	62
430 to 445.	63
450	64
Montour	
5	37
10 to 180.	41
200 to 215.	40
N.Y.& L.B.	
5	125
15,20.	122
25 to 125.	125
N.Y.C.(E)	
5 to 100.	125
103 to 141.	131
145	129
148 to 163.	131
168 to 187.	134
191 to 227.	131
233	129
237 to 253.	131
257 to 263.	129
267 to 274.	125
280 to 296.	122
299 to 315.	120
318 to 329.	117
332 to 348.	113
351,354	111
357 to 365.	111
369,371	108
374 to 398.	106
402 to 411.	101
413	99
418 to 465.	96
471 to 487.	117
490,493	113
496 to 502.	111
506	108
509 to 516.	111
519 to 524.	108
527 to 541.	108
547	106
555,557	108
579	106
585 to 594.	101
596	99
602,606	101
610 to 620.	99
626 to 647.	106
650 to 656.	101
659 to 673.	96
686 to 694.	101
697 to 711.	106
714 to 736.	111
739	108
755 to 766.	108
769,771	111
774,777	[illegible]
779 to 791.	[illegible]
794 to 804.	117
810 to 818.	120
819,821	117
830 to 862.	120
868 to 908.	122
911 to 920.	125
N.Y.C.(E)-Con.	
922 to 959.	129
963 to 971.	131
976 to 992.	134
998,1001.	131
1005	125
1010 to 1016.	131
[illegible],1026.	129
1032 to 1046.	125
1055 to 1062.	129
1079 to 1088.	131
1094	129
1098 to 1108.	131
1112,1118.	134
1124 to 1132.	131
1135 to 1170.	134
1173,1177.	136
1185	135
1194 to 1205.	129
1213	125
1227 to 1233.	129
1236 to 1249.	131
1274 to 1283.	134
1285 to 1308.	136
1312 to 1348.	143
1350	147
1358,1361.	140
1491,1493.	140
1557 to 1573.	125
1575 to 1583.	131
1586 to 1629.	134
1632 to 1648.	136
1651 to 1678.	134
1695 to 1700.	125
1702 to 1714.	131
1721 to 1752.	134
1767,1771.	111
1780 to 1800.	108
1811 to 1828.	106
1831 to 1848.	101
1850	99
1855 to 1869.	96
1871,1873.	95
1897 to 1904.	99
1906,1908.	96
1910	95
1916,1925.	99
1931	85
1933	82
1939 to 1963.	95
1966,1968.	91
1978	88
1981 to 1989.	91
2002,2006.	88
2008 to 2017.	87
2022	87
2025 to 2045.	84
2047 to 2065.	80
2067,2069.	77
2075	75
2081 to 2087.	80
2093 to 2112.	84
2136 to 2146.	80

‡ For Rates, see Section 4, pages 454 to 485, inclusive, of tariff, as amended.

d to Page 486 of Tariff:

SECTION 4-A - Continued.

The Rate Basis Numbers shown below will only apply between Northern Stations shown on pages 17 to 96, clusive, of tariff, as amended, taking Index Numbers shown below and Southern Stations on the American rge Line Company, shown on pages 96 to 173, inclusive, of Tariff, as amended.

orthern Stations Index Nos.	‡Apply Rate Basis Nos.
N.Y.C.(E)-Conc.	
2148,2151.	77
2154	75
2164	77
2193,2208.	75
2214 to 2234.	73
2236,2238.	68
2240 to 2256.	70
2262 to 2300.	75
2307	70
2310,2312	73
2400,2402.	129
2410 to 2428.	132
2456 to 2468.	132
2472	128
2475 to 2505.	131
2510 to 2523.	128
2530	120
N.Y.C.(W.S.)	
3005,3103.	125
3106 to 3145.	129
3148 to 3151.	125
3154 to 3182.	129
3186 to 3200.	125
3209 to 3269.	131
3272	129
3276 to 3295.	131
3298 to 3310.	129
3313 to 3323.	125
3330 to 3350.	122
3352 to 3359.	120
3365	117
3369 to 3373.	120
3377	117
3401 to 3408.	117
3411 to 3424.	113
3428,3432.	111
3435 to 3444.	111
3447	108
3451 to 3480.	106
3483 to 3495.	99
3498 to 3537.	96
N.Y.C.(R)	
4001 to 4027.	153
4028 to 4030a	152
4031 to 4035.	153
4036 to 4040.	152
4042 to 4051.	149
4052,4053	152
4064	149
4065 to 4068.	145
4070	145
4071 to 4079.	143
4080 to 4082.	138
4085 to 4090.	141
4091 to 4096.	138
4097 to 4107.	134
N.Y.C.(W.)	
5605 to 5615.	80
5620 to 5630.	81
5635 to 5650.	85
5655,5660.	87
5665,5670.	88

Northern Stations Index Nos.	‡Apply Rate Basis Nos.
N.Y.C.(W.)-Conc.	
5675 to 5685.	91
5690 to 5900.	92
5905	96
6800 to 6815.	65
6820	64
6825 to 6855.	70
6865,6870.	73
6895 to 6910.	70
6930 to 6965.	73
6970	67
7000 to 7030.	70
7210 to 7245.	91
7250 to 7260.	87
7270,7275.	85
7280 to 7290.	84
7295 to 7305.	81
7310 to 7335.	80
7340	75
N.Y.C.(M.)	
13310,13615,13620	96
N.Y.C.& St.L.	
5,15.	96
20 to 35.	92
40 to 47.	91
50 to 65.	88
70,75.	87
90 to 105.	85
120 to 140.	81
145 to 155.	80
N.Y.D.	
5 to 15.	125
N.Y.O.& W.	
1A to 19.	125
20 to 30.	122
31 to 39.	125
40 to 42.	129
43 to 45.	122
46 to 48.	120
49 to 62.	122
63 to 67.	120
68 to 75.	117
76 to 79.	113
80 to 88.	111
89 to 91.	108
92 to 96.	120
97 to 101.	122
102 to 106.	120
107,108	117
109	120
116 to 122.	117
123 to 126.	120
127 to 147.	122
148 to 165.	120
166	117
N.& B.	
5,10.	111
15 to 35.	113

Northern Stations Index Nos.	‡Apply Rate Basis Nos.
P.& A.	
5 to 75.	120
P.R.R.	
52 to 229.	125
233 to 261.	122
263 to 281.	120
297 to 323.	117
327,329	113
333,337	117
340 to 432.	113
441	117
455 to 509.	120
514	527
541 to 550.	113
561	117
569	125
577 to 593.	122
595 to 613.	120
615 to 627.	122
632 to 637.	125
640 to 669.	120
673	117
679 to 695.	120
706 to 741.	117
747	117
750 to 758.	113
778 to 863.	120
865 to 877.	122
927 to 932.	122
934 to 969.	125
1033 to 1137.	113
1141 to 1165.	111
1169 to 1181.	113
1187 to 1209.	117
1220 to 1250.	111
1260 to 1272.	108
1274 to 1286.	106
1288 to 1294.	111
1296 to 1306.	106
1308 to 1323.	111
1332	108
1346	101
1348	99
1350 to 1360.	108
1362 to 1410.	106
1415 to 1461.	101
1476,1496.	99
1503 to 1516.	101
1517 to 1529.	99
1531	96
1532	99
1533	[illegible]
1534 to 1541.	99
1542 to 1545.	96
1603 to 1639.	113
1641 to 1675.	111
1677 to 1724.	108
1726 to 1745.	108
1751	99
1759,1779.	98
1783 to 1820.	95
1822 to 1845.	91
1858	87
1860 to 1886.	85

Northern Stations Index Nos.	‡Apply Rate Basis Nos.
P.R.R.-Con.	
1888 to 1894.	84
1906 to 1921.	80
1929,1933.	77
1935 to 1943.	80
1946	77
1955,1962.	80
1963,1969.	77
1994,1996.	77
2015	73
2027 to 2037.	75
2064 to 2057.	77
2062 to 2076.	80
2125,2126.	77
2127 to 2132.	80
2133,2134.	81
2136 to 2138.	84
2159 to 2164.	81
2156 to 2178.	80
2182	77
2184	80
2205,2209.	77
2260	77
2264	77
2266 to 2276.	80
2278 to 2304.	84
2317	87
2320 to 2332.	87
2333 to 2344.	84
2346 to 2356.	87
2371,2373.	80
2391	80
2399	77
2423	77
2449 to 2481.	77
2511 to 2519.	77
2531,2535.	77
2541 to 2567.	77
2616,2617.	77
2644 to 2647.	77
2672 to 2681.	77
2699	77
27[illegible],2791.	80
2795	80
2827 to 2847.	80
2849,2851.	77
2865	75
2879 to 2891.	75
2910 to 2918.	75
2931,2937.	75
2943,2945.	75
2969,2975.	75
3061,3062.	73
3084 to 3094.	73
3106 to 3142.	70
3164 to 3239.	75
3244 to 3256.	73
3277	73
3287 to 3350.	73
3358,3363.	68
3366,3377.	70
3388,3400.	70
3416	70
3423,3426.	70
3437 to 3441.	68

---

‡ For Rates, see Section 4, pages 464 to 485, inclusive, of tariff, as amended.

Add to Page 486 of Tariff:

SECTION 4-A - Continued.

The Rate Basis Numbers shown below will only apply between Northern Stations shown on pages 17 to 95, inclusive, of tariff, as amended, taking Index Numbers shown below and Southern Stations on the American Barge Line Company shown on pages 96 to 173, inclusive, of tariff, as amended.

Northern Stations Index Nos.	‡Apply Rate Basis Nos.
P.R.R.-Con.	
3[illegible] to 3461.	66
3470	69
3474 to 3490.	63
3494	56
3522	73
3526,3530.	70
3534,3542.	70
3567	70
3573,3576.	70
3579	65
3580 to 3613.	70
3625,3631.	73
3637,3642.	70
3667	73
3671	65
3674,3679.	63
3692,3700.	63
3702 to 3711.	58
3716 to 3728.	55
3736 to 3744.	55
3761	51
3766	52
3797 to 3839.	51
3844 to 3900.	47
3914,3916.	44
3922	40
3926 to 3934.	45
3936,3938.	48
3942 to 4041.	40
4061,4063.	48
4097 to 4113.	47
4115	48
4121 to 4165.	51
4169,4170.	48
4173 to 4180.	48
4183 to 4196.	52
4231	56
4237	52
4249,4256.	55
4259 to 4289.	59
4336	59
4337 to 4339.	62
4352	62
4357 to 4439.	40
4443	44
4445 to 4463.	45
4469 to 4471.	52
4483 to 4487.	52
4495	47
4501 to 4506.	51
4510 to 4516.	55
4524 to 4541.	56
4545 to 4566.	59
4569,4572	55
4574 to 4603.	58
4615	55
4619,4621.	56
4625 to 4645.	59
4649 to 4656.	55
4661	48
4686 to 4725.	51
4729,4733.	45
P.R.R.-Con.	
4758 to 4774.	51
4781 to 4802.	45
4806 to 4821.	41
4829 to 4940.	40
4945 to 4972.	41
4979 to 4984.	45
5020 to 5047.	99
5051 to 5075.	101
5081 to 5122.	106
5133,5138.	108
5159 to 5177.	101
5187 to 5267.	106
5282,5285.	101
5289,5292.	106
5302,5305.	96
5311 to 5326.	95
5332 to 5347.	91
5362	87
5365 to 5389.	88
5392	87
5405	96
5410,5415.	96
5420 to 5467.	95
5470 to 5496.	88
5499 to 5516.	85
5518,5519.	96
5520 to 5529.	99
5530 to 5532.	101
5535	96
5539	96
5543	92
5556 to 5574.	91
5579	91
5584 to 5594.	88
5597	87
5616 to 5667.	87
5671 to 5687.	84
5690,5694.	81
5698 to 5704.	84
5716 to 5730.	81
5736,5742.	80
5748	77
5763,5766.	75
5775,5778.	73
5824	80
5827 to 5896.	81
5899,5906.	84
5910	84
5914,5918.	81
5921	80
5934	81
5945,5954.	81
5961	80
5969	84
5991	80
6005,6012.	85
6021 to 6027.	87
6033 to 6039.	88
6042 to 6061.	87
6062	84
6064	88
6066 to 6072.	91
P.R.R.-Con.	
6079	92
6082 to 6094.	95
6097 to 6103.	96
6107 to 6116.	99
6122 to 6153.	96
6175	92
6178 to 6202.	96
6205 to 6246.	101
6248 to 6280.	106
6296	106
6304,6311.	91
6315,6317.	86
6319,6322.	87
6337,6339.	88
6343	91
6348,6354.	86
6356 to 6362.	87
6364	85
6369,6413.	85
6426	84
6428 to 6463.	81
6465 to 6487.	77
6497 to 6506.	73
6514,6525.	75
6538,6548.	77
6568,6570.	81
6585 to 6591.	85
6593 to 6611.	87
6615	87
6621 to 6626.	88
6631 to 6640.	91
6642 to 6660.	92
6662 to 6681.	96
6705 to 6732.	48
6735 to 6744.	51
6747 to 6762.	56
6765 to 6793.	62
6796	63
6805	67
6829	70
6832,6838.	73
6843	59
6849 to 6864.	63
6867	59
6873 to 6881.	64
6886 to 6920.	68
6931 to 6949.	73
6951,6954.	70
6964 to 6976.	75
6978	77
6982 to 6994.	81
7001 to 7080.	113
7178 to 7190.	108
7192 to 7207.	106
7404 to 7430.	113
7432 to 7444.	117
7453 to 7513.	113
7516	111
7521 to 7527.	113
7531 to 7562.	111
8254 to 8302.	106
8306 to 8315.	101
P.R.R.-Con.	
8318 to 8330.	106
8342	101
8350 to 8359.	101
8422 to 8437.	101
8444 to 8480.	101
8486	99
8494,8504.	99
8508 to 8532.	99
8546 to 8560.	101
8570,8574.	99
8578	96
8582,8592.	96
8604 to 8629.	99
8650 to 8685.	101
8705 to 8746.	96
8751	96
8763 to 8780.	99
8784 tc 8849.	101
8857 to 8882.	106
8886 to 8911.	108
8917	108
8920 to 8966.	111
8973 to 8989.	106
8991 to 8994.	111
20060 to 20125.	40
20130 to 20140.	41
20155 to 20180.	44
20185,20195	45
20220,20225	48
21005,21010	44
21015,21020	45
21025	47
21030	48
21035	51
21405 to 21610.	48
21625 to 21635.	52
23105 to 23120.	40
23130	37
23135 to 23145.	40
23155,23160	41
23165	44
23175 to 23190.	45
23195 to 23205.	41
23210	40
23305 to 23335.	41
23345 to 23355.	45
23370	47
23380	45
23385	47
23395, 23400.	51
P.R.S.L.	
30 to 50.	113
60 to 89.	117
93	113
99 to 111.	117
115 to 135.	117
139	113
141 to 171.	120
179	122
181 to 197.	120
209,215	122
217 to 225.	120

‡ For Rates, see Section 4 pages 454 to 466, inclusive, of tariff, as amended.

1900

s to Page 486 of Tariff:

SECTION 4-A - Continued.

The Rate Basis Numbers shown below will only apply between Northern Stations shown on pages 17 to 95, nclusive, of tariff, as amended, taking Index Numbers shown below and Southern Stations on the American rge Line Company shown on pages 96 to 173, inclusive, of tariff, as amended).

rthern Stations Index Nos.	‡Apply Rate Basis Nos.
P.R.S.L.-Conc.	
231 to 243.	122
247 to 261.	120
267 to 281.	122
287 to 301.	125
305	120
307 to 313.	122
315	120
321 to 337.	125
349 to 373.	117
379,381	120
385	120
427 to 449.	117
451 to 469.	120
472,473	120
477 to 487.	122
511	125
517 to 539.	122
543 to 610.	125
620 to 624.	129
P.M.	
3515 to 3525.	98
P.& L.E.	
285 to 440.	37
455 to 480.	45
485 to 510.	47
525,530	51
535 to 545.	51
560 to 590.	52
610 to 650.	56
683,696	55
720 to 730.	40
740,745	44
750 to 780.	45
785 to 800.	47
805	48
815 to 855.	51
905,911	55
P.& S.	
1A to 20.	73
21 to 33.	68
38 to 43.	64
57	59
59,60.	56
63 to 69.	56
70A to 83.	51
P.& W.V.	
65 to 135.	47
140 to 150.	41
155 to 170.	40
175 to 205.	37
250 to 460.	40
525	47
535	48
560	55
P.C.& Y.	
5 to 110.	40
P.S.& N.	
5	101
10 to 20.	101
25	99
45 to 55.	101
70 to 110.	99
115,117	98
120 to 160.	96
155 to 170.	91
200	91
215	91
237	91
240 to 255.	88
260,265	87
270,285	85
310,325	84
370,388	80
405	77
440,442	75
445,450	80
465 to 490.	77
495,525	75
P.R.C.	
5 to 45.	108
R.V.	
5 to 15.	125
20 to 30.	122
R.R.	
10 to 240.	122
Read.	
2 to 19.	113
20 to 26.	111
27 to 46.	108
47 to 52.	106
54 to 78.	113
79 to 87.	111
88 to 96.	113
98 to 104.	111
104b to 108.	108
109 to 114.	106
115 to 123.	101
124 to 131.	99
133	108
134 to 148.	111
149 to 155.	106
156 to 156a	108
160 to 174.	106
176 to 195.	111
199 to 205.	106
206 to 212.	101
214 to 216.	99
217 to 233.	106
234,235	101
236a to 291.	113
292 to 300.	117
301 to 308.	113
309 to 322.	116
323 to 331.	120
331a to 333.	113
Read.-Conc.	
333a to 353.	117
354 to A363.	120
363a.	122
363b to 363d	125
364 to 368.	108
369 to 378.	106
379	101
384 to 386.	113
387	101
390 to 392.	108
394 to 411.	111
413 to 415.	106
416,417	101
C.R.R.	
418 to 425.	101
Read.-Con.	
426,427	99
428 to 443.	101
444,445	99
446 to 451a	108
452 to 457.	106
458,459	101
460 to 469.	101
470	99
470a to 481.	101
482	96
483 to 488.	99
489 to 492.	96
493,494	95
495 to 499.	106
500 to 503.	108
504 to 510.	101
511 to 513a	99
513b to 513g	101
514 to 518.	99
519	96
520 to 524.	95
526	92
527,528	95
529,530	91
532	111
533 to 566.	113
568 to 583.	117
584 to 602.	101
606 to 614.	108
615 to 618.	111
619 to 633.	108
634 to 642.	111
643	113
659a.	113
659b.	117
660	113
S.& T.	
10 to 60.	85
S.B.	
25 to 50.	125
S.I.R.T.	
5	122
20 to 185.	125
S.R.R.	
10 to 40.	108
U.V.	
10 to 35.	122
40 to 75.	120
95,100	122
Wab.	
5,15.	96
W.A.	
72 to 115.	55
120 to 130.	63
W.Md.	
126 to 137.	96
141 to 150.	99
167,170	98
465 to 497.	106
510	101
512,514	106
515 to 536.	101
537 to 544.	99
Win.	
5 to 20.	48
B.& M.	
1 to 9.	153
10 to 18.	157
19	153
21 to 43.	157
44	153
45 to 51.	157
52 to 54.	153
55 to 63.	157
64 to 70.	153
72	157
74 to 78.	153
79	157
80 to 93.	153
94 to 108.	157
113 to 117.	157
123	157
144 to 150.	157
168	153
169,170	155
171,172	153
173 to 176.	149
177 to 180.	157
181,182	153
254 to 256.	157
404	153
406	157
413 to 416.	157
420,421	155
422 to 429.	152
440	149

‡ For Rates, see Section 4, pages 464 to 485, inclusive, of Tariff, as amended.

Add to Page 486 of Tariff:

SECTION 4-A - Continued.

The Rate Basis Numbers shown below will only apply between Northern Stations shown on Pages 17 to 9 inclusive, of tariff, as amended, taking Index Numbers shown below and Southern Stations on the American Barge Line Company shown on pages 96 to 173, inclusive, of Tariff, as amended.

Northern Stations Index Nos.	‡Apply Rate Basis Nos.	Northern Stations Index Nos.	‡Apply Rate Basis Nos.	Northern Stations Index Nos.	‡Apply Rate Basis Nos.	Northern Stations Index Nos.	‡Appl Rat Bas No
B.& M.-Conc.		G.& U.		N.Y.N.H.& H.-Con.		N.Y.N.H.&H.-Conc.	
441 to 445.	153	5250 to 5270.	155	1030	145	3960 to 3975.	14
447 to 453.	149			1060 to 1070.	143	3980 to 4070.	14
455 to 459.	145	G.T.-E.		1075,1080.	140	4075 to 4425.	15
460 to 468.	143	68,69.	143	1095	143	4455,4460.	14
469 to 472.	141	70	140	1125,1130.	140	4565,4575.	14
475 to 477.	136			1135 to 1185.	145	4630 to 4640.	13
		Mos.V.					
479 to 480.	136	6000	153	1210 to 1230.	140	4740,4765.	13
482 to 488.	134			1235 to 1300.	146	4975 to 5020.	12
490	131	Nar.P.		1315 to 1505.	143	5025 to 5060.	13
491 to 493.	134	5500 to 5515.	154	1510 to 1565.	152	5090 to 5140.	12
494	136			1585 to 1600.	155	5145,5150.	12
495,496	134	N.Y.N.H.& H.		1615 to 1625.	153		
						Rut.	
497	140	70 to 135.	125	1645 to 1670.	149	5	13
498 to 502.	131	150 to 335.	134	1675 to 1700.	152	10 to 20.	13
503 to 511.	145	350 to 405.	136	1705 to 2120.	153	25 to 35.	14
512 to 520.	149	425,430	141	2125 to 2160.	155	40	14
529 to 535.	145	455	136	2165 to 3105.	153	45,50.	14
		460	134	3120 to 3190.	164	55,60.	14
C.Vt.							
50 to 95.	143	464 to 471.	140	3205	153	65,70.	14
100 to 145.	145	480 to 625.	136	3220 to 3325.	164	80 to 105.	15
150 to 190.	149	640,645	140	3340 to 3365.	157	110 to 120.	15
195,200	145	660 to 790.	141	3370 to 3385.	153	465 to 535.	13
205 to 220.	149	805 to 815.	140	3405	152	540	13
230 to 240.	145	820	141	3410 to 3860.	153		
730	156						
		835 to 945.	143	3875,3880.	141		
F.R.		960 to 985.	145	3895 to 3910.	143		
5	153	990 to 993.	147	3915,3920.	140		
				3940 to 3955.	145		

EXPLANATION OF GATEWAY NUMBERS

23 Item No. 1845A Cancels Item No. 1845

No.	Gateways
1	Hagerstown Junction,Md.
2	Hagerstown,Md.
3	Norfolk,Va.
4	Pinners Point,Va.
5	Port Norfolk,Va.
6	Portsmouth,Va.
7	Potomac Yard,Va.
8	Richmond,Va.
8A	Doswell,Va.
9	Shenandoah Jct.,W.Va.
10	Strasburg Junction,Va.
11	Brooksport,Ill.
12	Cairo,Ill.
12A	Flinton,Ill.
12B	Kellogg,Ill.
13	Cincinnati,Ohio
14	Covington,Ky.
15	East St.Louis,Ill.
16	Evansville,Ind.
17	Gale,Ill.
18	Jeffersonville,Ind.
19	Deepwater Bridge,W.Va. Kenova,W.Va.
19A	Deepwater Bridge,W.Va. Huntington,W.Va.
20	Lexington,Ky.
21	Deepwater Bridge,W.Va. Limeville,Ky.
22	Louisville,Ky.
23	Metropolis,Ill.
24	Mounds,Ill.
25	New Albany,Ind.
26	Newport,Ky.
27	Owensboro,Ky.
28	Paducah,Ky.
29	Thebes,Ill.
30	Thebes Transfer,Ill.
31	Winchester,Ky.

---

‡ For Rates, see Section 4, pages 454 to 485, inclusive, of Tariff, as amended.

1902

1328

SUBJECT, EXCEPT AS OTHERWISE PROVIDED HEREIN, TO TARIFF OF INCREASED RATES AND CHARGES o. X-148, AGENT W. S. CURLETT'S I. C. C. No. A-742, MF-I. C. C. No. A-34, C. T. C. No. A-496, AGENT I. N. DOE'S I. C. C. o. 444, MF-I. C. C. No. 53, C. T. C. No. 380 AND AGENT L. E. KIPP'S I. C. C. No. A-3366, MF-I. C. C. No. A-117, C. T. C. o. A-880, SUPPLEMENTS THERETO OR SUCCESSIVE ISSUES THEREOF. See Note below.

Note.—The operation of the provisions referring to this note as to rates or charges published in this supplement is suspended n the effective dates of such rates or charges (but not before May 15, 1943 as to rates or charges shown herein as reissued effec-ve prior to May 15, 1943) until January 1, 1946, except as otherwise provided in Item No. R-148, and will become operative anuary 1, 1946.

The form of this publication is authorized by special permission of the Interstate Commerce Commission, No. 15555 of pril 24, 1943, as amended.

SUPPLEMENT No. 42
To
C.T.C. No. A-512, W. S. Curlett, Agent.
C.T.C. No. 404, I. N. Doe, Agent.
C.T.C. No. A-904, L. E. Kipp, Agent.

SUPPLEMENT No 42
To
I.C.C. No. A-767, W. S. Curlett, Agent.
I.C.C. No. 479, I. N. Doe, Agent.
I.C.C. No. A-3449, L. E. Kipp, Agent.
MF-I. C. C. No. A-38, W. S. Curlett, Agent.
MF-I. C. C. No. 57, I. N. Doe, Agent.
MF-I. C. C. No. A-140, L. E. Kipp, Agent.

Supplements Nos. ⊕8, ⊕10, 29, 30, Ø31, 35, 36, 40, 41 and 42 contain all changes.

⊕ Suspension Notice—Ex Parte 148, reopened.
Ø Postponement Supplement—Ex Parte 148, reopened.

W. S. CURLETT, I. N. DOE and L. E. KIPP, Agents

TRUNK LINE TARIFF BUREAU

SUPPLEMENT No 42
To

FREIGHT TARIFF No. 107-C

JOINT, PROPORTIONAL, EXPORT, IMPORT, INTERCOASTAL, COASTWISE, ALL-RAIL AND RAIL-OCEAN-AND-RAIL

CLASS RATES

BETWEEN Eastern Stations In

CONNECTICUT
DELAWARE
DISTRICT OF COLUMBIA
KENTUCKY
MAINE
MARYLAND
MASSACHUSETTS
NEW BRUNSWICK
NEW HAMPSHIRE
NEW JERSEY
NEW YORK
NORTH CAROLINA
PENNSYLVANIA
RHODE ISLAND
TENNESSEE
VERMONT
VIRGINIA
WEST VIRGINIA

Named on pages 11 to 98 of tariff, as amended

AND Western Stations In

COLORADO
IDAHO
IOWA
KANSAS
MICHIGAN (Upper Peninsula)
MINNESOTA
MISSOURI
MONTANA
NEBRASKA
NORTH DAKOTA
ONTARIO
SOUTH DAKOTA
UTAH
WISCONSIN
WYOMING

Named on pages 99 to 186 of tariff, as amended

ALSO

Basis for rates between stations in Eastern States named above and stations in Canada (as provided in Item No. 46 of Tariff, as amended)

Including Basis for Rates to United States and Canadian Ports for Export and Intercoastal Traffic as provided in Section 4 of Tariff, as amended

AND

COMMODITY RATES

AS PROVIDED IN SECTION 8 OF TARIFF, AS AMENDED

ALSO

JOINT RAIL-MOTOR RATES FROM OR TO POINTS SERVED BY CHICAGO AND NORTH WESTERN RAILWAY COMPANY (M. V. O.) AND MINNEAPOLIS & ST. LOUIS RAILROAD COMPANY (M. V. S.)

ALSO

PROVISIONS FOR SUBSTITUTION OF MOTOR CARRIER SERVICE AS PROVIDED IN ITEM No. 95, PAGE 196 OF TARIFF

In connection with Participating Carriers shown on pages 5 to 10 of Tariff, pages 2 to 7 of Supplement No. 29, page 3 of Supplement No. 30, page 2 of Supplement No. 35 and page 2 of Supplement No. 40.

Governed by Classifications and Exceptions thereto as indicated in Items Nos. 5 and 5½, page 191 of Tariff, as amended also by Exceptions to Official Classification published in tariffs listed in Item No. 460, page 207 of Tariff.

ISSUED NOVEMBER 29, 1945 EFFECTIVE JANUARY 1, 1946

Issued in compliance with Order of the Interstate Commerce Commission in Docket No. 28300 of May 15, 1945, as amended.

The form of this publication is authorized by Special Permission of the Interstate Commerce Commission No. 26345 of September 17, 1945.

Authority Interstate Commerce Commission Fourth Section Order No. 15410 of October 19, 1945.

L. E. KIPP, Agent,
516 West Jackson Blvd.,
Chicago 6, Ill

I. N. DOE, Agent,
Room 524, South Station,
Boston 10, Mass

Issued by
W. S. CURLETT, Agent,
143 Liberty Street,
New York 6, N. Y

(8,000)

(71533)

RECEIVED

Month	Day	Year

PRINTED IN U. S. A.

1903

Change on Title Page of Tariff, as amended:

Governed by Classifications and Exceptions thereto as indicated in Items Nos. 5 and 5½, page 191 of Tariff, as amended, Exceptions to Official Classification published in tariffs listed in Item No. 460, page 207 of Tariff.

EXPLANATION OF NOTES.

Change on Page 186 of Tariff, and page 2 of Supplement No. 35:

Note 3.—Class Rates published in Sections 1, 1-A, 2, 2-A, 3, 3-A, 4, 4-A, 5, 5-A of Tariff, and as amended, to or from Minn. (Note A) (except as otherwise provided), will also apply to or from Armstrong, Fort William, Port Arthur and West Fort Ont., on traffic to or from Fort Frances, Dryden, Superior Jct., Ont., and points west thereof in Canada.

Class Rates to or from Armstrong, Fort William, Port Arthur and West Fort William, Ont., locally, will be made by following arbitraries to the rates published to or from Duluth, Minn.

These rates are competitive and will not apply to or from intermediate points in Canada.

CLASSES

(In Cents per 100 Pounds)

Governed by Official Classification but Not governed by Exceptions thereto
(RA 90417)

1 or 100 to 86	2 or 85 to 71	3 or 70 to 56	R26 or 55 to 51	4 or 50 to 41	5 or 40 to 31	6 or 30 to 13
25	22	18	14	13	9	6½

ROUTING.

Routes TO Armstrong, Fort William, Port Arthur and West Fort William, Ont., from Eastern stations shown on pages of Tariff, and as amended, will be as provided for in Items Nos. 9000 to 9070 of Tariff, and as amended.

Routes FROM Armstrong, Fort William, Port Arthur and West Fort William, Ont., to Eastern stations shown on pages of Tariff, and as amended, routes will apply as follows:

From Armstrong, Ont. (CNRys) will be via CNRys or via CNRys Cochrane, Ont., Tem&NO, thence routes from Bay, Ont., authorised in CNRys Routing Guide No. G-10, I. C. C. No. E-395, C. T. C. No. E-2058.

From CNRys stations Fort William, Port Arthur and West Fort William, Ont., will be via CNRys, thence routes from Bay, Ont., authorised in CNRys Routing Guide No. G-10, I. C. C. No. E-395, C. T. C. No. E-2058.

From CPRys stations Fort William, Port Arthur and West Fort William, Ont., will be via CPRys, thence routes from bury, Ont., authorised in CPRys Routing Guide No. E-2901, I. C. C. No. E-2502, C. T. C. No. E-4703.

Note A.—Rates published in Sections 1, 1-A, 2, 2-A, 3, 3-A, 4, 4-A, 5, 5-A of Tariff applicable to or from Duluth, Minn., cation to or from Armstrong, Fort William, Port Arthur, and West Fort William, Ont., on traffic destined to points beyond in are governed by Official Classification and Exceptions thereto. (Rates in Sections 1½, 1½-A, 2½, 2½-A will not apply.)

APPLICATION OF RATES.

n No. 5D Cancels Item No. 5C.

APPLICATION OF GOVERNING CLASSIFICATION AND EXCEPTIONS THERETO.

Applicable only to Rates Published in Sections 3, 4, 5 and 6 of Tariff, as amended. (See Item 5½ of Tariff, as amended, for Application Governing Sections 1, 1½, 2 and 2½.)

Except as otherwise specifically provided, rates shown in this Tariff, and as amended, are governed by Classification and Exceptions ereto as provided below or as provided in Item No. 5½ of Tariff, as amended.

FROM	TO	GOVERNED BY (See Exceptions 1 to 7 herein)
stern Stations shown on pages 11 to 98 of Tariff, and as amended.	Iowa (points named in Note B). Michigan (Upper Peninsula). Minnesota (points named in Note A). Wisconsin.	Official Classification and Exceptions thereto as published in Agent W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C. No. A-537, Agent I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C. No. 434.
	Colorado (except stations named in Note C and D&SL Stations Index Nos. 187 to 280). Iowa (except points in Note B). Kansas. Minnesota (except points named in Note A). Missouri. Nebraska. North Dakota. South Dakota. Wyoming (except stations named in Note C).	Western Classification and Exceptions thereto as provided in Section 1 and Section 2 (Column A) of Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925, Agent W. S. Curlett's I. C. C. No. A-798, C. T. C. No. A-538, Agent I. N. Doe's I. C. C. No. 506, C. T. C. No. 427.
lorado (except stations in Note C and except D&SL Stations Index Nos. 187 to 280). wa. nsas. chigan (Upper Peninsula). innesota. issouri. braska. rth Dakota. uth Dakota. sconsin. yoming (except stations in Note C).	Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	Official Classification and Exceptions thereto as published in Agent B. T. Jones' Tariff No. 545-I, I. C. C. No. 3768, C. T. C. No. 1851, Agent L. E. Kipp's I. C. C. No. A-3465.
stern Stations shown on pages 11 to 98 of Tariff, and as amended.	Colorado, stations in Note C and D&SL Stations Index Nos. 187 to 280. Utah. Wyoming (Stations in Note C).	Western Classification. (See Exceptions 3 and 5.)
lorado Stations in Note C and D&SL Stations Index Nos. 187 to 280. tah. yoming (stations in Note C.)	Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	Official Classification. (See Exceptions 4 and 6.)

Exception 1.

For governing Classifications and exceptions thereto applicable to minimum charges in Sections Nos. 3-A, 4-A, 5-A, see application rovided in those sections.

Exception 2.

Arbitraries named in Section 6 of this Tariff are governed by Western Classification and Exceptions thereto as published in Section 2 (Column A), Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925.

Exception 3.

From Eastern Stations named on pages 11 to 98 of Tariff, and as amended, to stations in Wyoming west of Cheyenne, Wyo., on ie Union Pacific R. R., rates are governed by Western Classification and Exceptions thereto as published in Item No. 2640 of Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925.

Exception 4.

From stations in Colorado and Wyoming shown in Note C to Eastern Stations named on pages 11 to 98 of Tariff, and as amended, ates are also governed by exceptions to Official Classification published in Item No. 2600 of Agent B. T. Jones' Tariff No. 545-I, I. C. C. No. 3768, C. T. C. No. 1851.

(R. A. 88979.) (File N-2834.)

Exception 5.

From Eastern Stations named on pages 11 to 98 of Tariff, and as amended, to stations in Colorado and Wyoming shown in Note C, stations in Utah, rates are also governed by Western Classification and Exceptions thereto on Blasting Caps or Electric Blasting Caps, L. C. L., as published in Item No. 2010 of Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925.

Exception 6.

From Stations in Colorado and Wyoming shown in Note C, also stations in Utah to Eastern Stations named on pages 11 to 98 of Tariff, and as amended, rates are governed by exceptions to Official Classification, on Blasting Caps or Electric Blasting Caps as published n Item No. 4910 of Agent B. T. Jones' Tariff No. 545-I, I. C. C. No. 3768, C. T. C. No. 1851.

(R. A. 89606.) (File 76744.)

Exception 7.

See Note 3 of Tariff, as amended.

For Explanation of Notes A to C, see Item No. 6 of Tariff.

1905

Item No. 5½ (New).

APPLICATION OF RATES Continued.

APPLICATION OF GOVERNING CLASSIFICATION AND EXCEPTIONS THERETO.

Applicable only to Rates Published in Sections 1, 1½, 2 and 2½ of Tariff, as amended.
(See Item No. 5 of Tariff, as amended for application governing Sections 3, 4, 5 and 8.)

Except as otherwise specifically provided, rates shown in this Tariff, and as amended, are governed by Classification and Excep thereto as provided below or as provided in Item No. 5:

FROM	TO	GOVERNED BY (See Exceptions 1 to 7 herein)
Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	Iowa (points named in Note B). Michigan (Upper Peninsula). Minnesota (points named in Note A). Wisconsin.	Rates in Sections Nos. 1 and 2 are governed by Excepti to Official Classification as published in Agent W. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. No. A-537, Agent I. N. Doe's Tariff No. 30-K, I. C. No. 515, C. T. C. No. 434. (Note D.) Rates in Sections Nos. 1½ and 2½ are governed by Offi Classification. (Note E.)
	Colorado (except stations named in Note C and D&SL Stations Index Nos. 187 to 280). Iowa (except points in Note B). Kansas. Minnesota (except points named in Note A). Missouri. Nebraska. North Dakota. South Dakota. Wyoming (except stations named in Note C.)	(a) Rates in Sections Nos. 1 and 2 are governed by Excepti to Western Classification as provided in Section 1 Section 2 (Column A) of Agent L. E. Kipp's Tariff 338-J, I. C. C. No. A-3529, C. T. C. No. A-925, Ag W. S. Curlett's I. C. C. No. A-798, C. T. C. No. A- Agent I. N. Doe's I. C. C. No. 506, C. T. C. No. (Note D.) (b) To stations in Wyoming taking other than Cheye Wyo. Basis, rates in Sections 1 and 2 are also governed Western Classification. Rates in Sections Nos. 1½ and 2½ are governed by West Classification. (Note E.)
Colorado (except stations in Note C and except D&SL Stations Index Nos. 187 to 280). Iowa. Kansas. Michigan (Upper Peninsula). Minnesota. Missouri. Nebraska. North Dakota. South Dakota. Wisconsin. Wyoming (except stations in Note C).	Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	(a) Rates in Section No. 1 are governed by Exception Official Classification as published in Agent B. T. Jon Tariff No. 545-I, I. C. C. No. 3768, C. T. C. No. 18 Agent L. E. Kipp's I. C. C. No. A-3465. (Note D.) (b) From stations in Wyoming taking other than Cheye Wyo. basis, rates in Section 1 are also governed by Offic Classification. Rates in Section No. 1½ are governed by Official Classifi tion. (Note E.)
Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	Colorado, stations in Note C and D&SL Stations Index Nos. 187 to 280. Utah. Wyoming (Stations in Note C).	Rates in Sections Nos. 1 and 2 are governed by West Classification. (See Exceptions 3 and 5.)
Colorado Stations in Note C and D&SL Stations Index Nos. 187 to 280. Utah. Wyoming (stations in Note C).	Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	Rates in Sections Nos. 1 and 2 are governed by Official Cla fication. (See Exceptions 4 and 6.)
Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	Idaho. Montana.	Rates in Sections Nos. 1 and 2 are governed by West Classification, also Exceptions thereto to the extent spe fied in Agent L. E. Kipp's Tariff No. 338-J, I. C. C. N A-3529, C. T. C. No. A-925, Agent W. S. Curlett's I. C. No. A-798, C. T. C. No. A-538, Agent I. N. Doe's I. C. No. 506, C. T. C. No. 427.
Idaho (Exception 6). Montana.	Eastern Stations shown on pages 11 to 98 of Tariff, and as amended.	

Exception 1.

For governing Classifications and Exceptions thereto applicable to minimum charges in Sections Nos. 1-A, 1½-A, 1-B, 1½-B, 1- 2-A and 2½-A, see application provided in those sections.

Exception 2.

Arbitraries named in Section 6 of this Tariff are governed by Western Classification and Exceptions thereto as published in Sect 2 (Column A), Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925.

Exception 3.

From Eastern Stations named on pages 11 to 98 of Tariff, and as amended, to stations in Wyoming west of Cheyenne, Wyo. the Union Pacific R. R., rates are governed by Western Classification and Exceptions thereto as published in Item No. 2640 of Ag L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925.

Exception 4.

From stations in Colorado and Wyoming shown in Note C to Eastern Stations named on pages 11 to 98 of Tariff, and as amen rates are also governed by exceptions to Official Classification published in Item No. 2600 of Agent B. T. Jones' Tariff No. 545-I, I. C No. 3768, C. T. C. No. 1851. (R. A. 88979.) (File N-2834.)

Exception 5.

From Eastern Stations named on pages 11 to 98 of Tariff, and as amended, to stations in Colorado and Wyoming shown in Not also stations in Utah, rates are also governed by Western Classification and Exceptions thereto on Blasting Caps or Electric Bla Caps, L. C. L., as published in Item No. 2010 of Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925.

Exception 6.

From Stations in Colorado and Wyoming shown in Note C, also stations in Utah and Idaho to Eastern Stations named on pa 11 to 98 of Tariff, and as amended, rates are governed by exceptions to Official Classification, on Blasting Caps or Electric Blasting C as published in Item No. 1910 of Agent B. T. Jones' Tariff No. 545-I, I. C. C. No. 3768, C. T. C. No. 1851.
(R. A. 89606.) (File 76744.)

Exception 7.

See Note 3 of Tariff, as amended.

For Explanation of Notes A to C, see Item No. 6 of Tariff. For Explanation of Notes D and E, see Item No. 6½ of Tarif amended.

APPLICATION OF RATES—Concluded.

dd to page 192 of Tariff, as amended:

Item No. 6½ (New) EXPLANATION OF NOTES D AND E REFERRED TO IN ITEM No. 6½ OF TARIFF.

Note D.—Where reference is made to this note rates in Sections Nos. 1 and 2 will apply only where applicable rating is published n Exceptions to the Governing Classification, subject to applicable rules and other provisions in Exceptions to the Governing Classification and to applicable rules and other provisions, except ratings, in governing classification, except that:

Rates in Sections Nos. 1 and 2 will also apply:

1. Where the applicable rating is published in the governing classification and the applicable carload minimum weight is published in Exceptions to the Governing Classification.

2. Rates in Sections 1 and 2 will also apply, subject to governing Classification and governing Exceptions to Classification, where reference is made to this tariff in tariffs naming commodity rates for alternation of such commodity rates with class rates named in this tariff.

Rates in Sections 1 and 2 will also apply, subject to governing Classification, when tariffs naming Exceptions to Classification provide for alternation of ratings therein with ratings in governing Classification.

3 (Applicable to all western stations, except stations on the SooRy.) Rates in Section 2 will also apply subject to Governing Classification and governing Exceptions to Classification.

Note E.—Where reference is made to this note rates in Sections Nos. 1½ and 2½ will apply only where applicable rating is published in the governing classification, subject to applicable rules and other provisions in the governing classification and to applicable rules and other provisions, **except ratings**, in Exceptions to Governing Classification, except that:

Rates in Sections Nos. 1½ and 2½ will NOT apply:

1. Where the applicable rating is published in the governing classification and the applicable carload minimum weight is published in Exceptions to the Governing Classification. Rates in Sections Nos. 1 and 2 will apply.

2. Rates named in Sections 1½ and 2½ do not alternate with commodity rates published in other tariffs nor with class rates determined by ratings published in other tariffs as Exceptions to Classifications. Any provisions for alternation of such rates or ratings with class rates in this tariff will not apply in connection with rates in Sections 1½ or 2½ (see Sections 1 or 2 for class rates to apply for alternative purposes).

1907

Amend page 221 of Tariff, as amended:

SECTION 1

ALL RAIL STANDARD RATES

Subject to the provisions of Item 5½ of tariff, as amended.

See Section 1½ of tariff, as amended, for additional all rail standard rates, subject to the provisions of Item No. 5½ of tari amended.

(a) If the charge accruing under Sections 1-A, 1½-A, 1-B, 1½-B or 1-C of this tariff, is higher than the charge accruing unde Section, on the same shipment via the same route, the charge accruing under Sections 1-A, 1½-A, 1-B, 1½-B or 1-C of this tarif apply.

(b) If the charge accruing under the provisions of Section 6 of this tariff, is lower than the charge accruing under this Sectio the same shipment via the same route, the charge accruing under Section 6 of this tariff, will apply, except as provided in paragrap

The rates in this Section are subject to maximum application of rates as provided in Section 7 of this tariff.

Note.—Except as otherwise provided in Section 3 of this tariff, rates published in this Section will not apply via rail-co routes.

Supplement No. 42—Freight Tariff No. 107-C.

Change headings on pages 222 to 266 of Tariff, as amended, now reading:

SECTION 1.

(For Governing Classification and Exceptions thereto, see Item No. 5, page 191.)

To read:

SECTION 1.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191.)

Amend pages 222 to 266 of Tariff, as amended:

SECTION 1.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For rates, see pages 267 to 340 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Albany, N. Y.	Altoona, Pa.	Atlantic City, N. J.	Baltimore, Md.	Bangor, Me.	Batavia, N. Y.	Bellefonte, Pa.	Berwick, Pa.	Bluefield, W. Va.	Bluefield A., W. Va.	Bluemont, Va.	Boston, Mass.	Bridgeton, N. J.	Bristol, Va.	Calais, Me.	Cape Charles, Va.	Caribou, Me.	Clearfield, Pa.	Connellsville, Pa.	Covington, Va.
WYOMING																				
Keeline (Note A)	365	340	378	366	409	334	344	359	342	342	372	387	376	370	422	386	471	340	333	345
New Castle (Note B)	367	343	382	369	411	338	348	361	347	347	374	387	380	372	425	389	473	343	336	352
Wendover (Note C)	367	341	380	364	411	338	345	360	340	∮	370	389	377	∮	425	384	473	341	333	345

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For rates, see pages 267 to 340 of Tariff, as amended).

	Croghan, N. Y.	Cumberland, Md.	Driftwood, Pa.	Easton, Pa.	Elkins, W. Va.	Elkton, Va.	Endeavor, Pa.	Ervin, W. Va.	Franklin City, Va.	Frederick, Md.	Geneva, N. Y.	Glens Falls, N. Y.	Gloversville, N. Y.	Grafton, Mass.	Grafton, W. Va.	Greenwood, Del.	Hagerstown, Md.	Harrisburg, Pa.	Hendricks, W. Va.	Hinton, W. Va.
Keeline (Note A)	369	344	342	370	344	355	344	347	386	361	342	375	373	389	333	378	355	356	347	342
New Castle (Note B)	372	349	343	373	349	359	349	351	388	363	345	377	376	392	338	382	358	360	351	347
Wendover (Note C)	372	344	343	371	342	353	347	347	384	359	345	377	376	392	331	380	353	358	344	340

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For rates, see pages 267 to 340 of Tariff, as amended.)

	Houlton, Me.	Hudson, N. Y.	Johnsonburg, Pa.	Johnstown, Pa.	Lewistown, Pa.	Ligonier, Pa.	Long Branch, N. J.	Lynchburg, Va.	Madawaska, Me.	Malone, N. Y.	Marion, Va.	Mars Hill, Me.	Mayhill, W. Va.	Middletown, N. Y.	Midway, Va.	Mineola, N. Y.	Montauk, N. Y.	New York, N. Y.	Norfolk, Va.	Norton, Va.	Oakfield, Me.
Keeline (Note A)	453	372	336	338	349	340	378	361	476	366	362	463	355	377	361	385	400	377	381	351	444
New Castle (Note B)	455	374	340	341	352	342	382	364	479	370	366	465	360	375	363	386	402	378	384	355	447
Wendover (Note C)	455	374	338	338	350	340	380	359	479	370	∮	465	353	378	359	386	402	378	378	∮	447

∮ For rates to apply, see Agent L. E. Kipp's Tariff No. 385, I. C. C. No. A-3020.

Note A.—For additional Rate Basis Numbers applicable from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc., see Section 1½.

Note B.—For additional Rate Basis Numbers applicable from or to CB&QRR stations taking Index Nos. 8165 to 8175, inc., see Section 1½.

Note C.—For additional Rate Basis Numbers applicable from or to CB&QRR stations taking Index Nos. 9515 to 9535, inc., and U. P. stations taking Index Nos. 1194 to 1218, inc., see Section 1½.

Change headings on pages 222 to 266 of Tariff, as amended, now reading:

SECTION 1.
(For Governing Classification and Exceptions thereto, see Item No. 5, page 191.)

To read:

SECTION 1.
(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191.)

Amend pages 222 to 266 of Tariff, as amended:

SECTION 1.
(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

AND Western Stations shown on pages 99 to 188, inc., of Tariff, as amended, taking Rate Basis:	Ogdensburg ... N. Y.	Olean ... N. Y.	Oneonta ... N. Y.	Patchogue ... N. Y.	Petersburg ... W. Va.	Philadelphia ... Pa.	Piercefield ... N. Y.	Pig Point ... Va.	Pittsfield ... Mass.	Port Jervis ... N. Y.	Portland ... Me.	Pottsville ... Pa.	Poughkeepsie ... N. Y.	Punxsutawney ... Pa.	Reading ... Pa.	Richmond ... Va.	Richwood ... W. Va.	Roanoke ... Va.	Roanoke A ... Va.	Rochester ... N. Y.
	APPLY RATE BASIS NUMBERS (For rates, see pages 267 to 340 of Tariff, as amended.)																			
WYOMING																				
Keeline (Note A)	365	334	360	389	356	370	365	392	372	372	395	363	377	334	363	372	349	354	354	33
New Castle (Note B)	369	340	363	391	359	373	369	393	374	372	397	366	375	333	366	375	353	350	359	341
Wendover (Note C)	369	338	363	391	354	371	369	387	374	373	397	364	378	336	364	370	347	352	#	341

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

AND Western Stations shown on pages 99 to 188, inc., of Tariff, as amended, taking Rate Basis:	Rockwood ... Pa.	Schohaire ... N. Y.	Schuyler ... Va.	Scranton ... Pa.	Springfield ... Mass.	Syracuse ... N. Y.	Taylors Valley ... Va.	Trenton ... N. J.	Tuckerdale ... N. C.	Utica ... N. Y.	Watertown ... N. Y.	Wellsville ... N. Y.	West Jefferson N. C.	West Point ... Va.	White Top ... Va.	Williamsport ... Pa.	Williamson ... W. Va.	Woodlawn ... Va.
	APPLY RATE BASIS NUMBERS (For rates, see pages 267 to 340 of Tariff, as amended.)																	
Keeline (Note A)	338	384	385	363	378	345	376	374	385	352	355	338	388	377	381	348	332	375
New Castle (Note B)	341	386	388	363	381	349	381	375	389	355	359	344	393	381	385	353	337	378
Wendover (Note C)	338	386	383	364	381	349	#	375	#	355	359	341	#	375	#	349	330	373

Change headings on pages 267 to 308 of Tariff, as amended, now reading:

SECTION 1.
TABLE OF RATES.
Governed by OFFICIAL Classification and Exceptions Thereto.
(In Cents per 100 Pounds.)

To read:

SECTION 1.
TABLE OF RATES.
Governed by OFFICIAL Classification or Exceptions Thereto as Provided in Item No. 5½ of Tariff, as Amended.
(In Cents per 100 Pounds.)

Change headings on pages 309 to 347 of Tariff, as amended, now reading:

SECTION 1.
TABLE OF RATES.
Governed by WESTERN Classification and Exceptions Thereto.
(In Cents per 100 Pounds.)

To read:

SECTION 1.
TABLE OF RATES.
Governed by WESTERN Classification or Exceptions Thereto as Provided in Item No. 5½ of Tariff, as Amended.
(In Cents per 100 Pounds.)

For rates to apply, see Agent L. E. Kipp's Tariff No. 385, I. C. C. No. A-3020.

Note A.—For additional Rate Basis Numbers applicable from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc., Section 1½.

Note B.—For additional Rate Basis Numbers applicable from or to CB&QRR stations taking Index Nos. 8165 to 8175, inc., Section 1½.

Note C.—For additional Rate Basis Numbers applicable from or to CB&QRR stations taking Index Nos. 9515 to 9535, inc., U. P. stations taking Index Nos. 1194 to 1218, inc., see Section 1½.

ALL CHANGES RESULTING FROM THE USE OF RATE BASE NUMBERS IN THIS SECTION ARE REDUCTIONS.

d to page 347 of Tariff, as amended:

SECTION 1½

ALL RAIL STANDARD RATES

Subject to the provisions of Item No. 5½ of tariff, as amended.

(a) If the charge accruing under Sections 1-A, 1½-A, 1-B, 1½-B or 1-C of this tariff, is higher than the charge accruing under this ction, on the same shipment via the same route, the charge accruing under Sections 1-A, 1½-A, 1-B, 1½-B or 1-C of this tariff, will pply.

(b) If the charge accruing under the provisions of Section 6 of this tariff, is lower than the charge accruing under this Section, on e same shipment via the same route, the charge accruing under Section 6 of this tariff, will apply, except as provided in paragraph (a).

The rates in this Section are subject to maximum application of rates as provided in Section 7 of this tariff.

Note.—Except as otherwise provided in Section 3 of this tariff, rates published in this Section will not apply via rail-ocean-rail utes.

NOTICE

The rates named in this Section will not apply on a commodity on which there is a published single-factor commodity rate or a blished single-factor rate determined by the use of ratings published as exceptions to the Classification between the same points vi y all-rail, rail-motor or motor-rail route.

1337

Supplement No. 43—Freight Tariff No. 107-C.

Add to page 347 of Tariff:

SECTION 1½.

(For Governing Classification and Exceptions thereto, see Item No. 6½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	Bluemont Va.	Boston Mass.	Bridgeton N. J.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.	Covington Va.	Croghan N. Y.	Cumberland Md.	Driftwood Pa.	Easton Pa.
COLORADO																						
Akron	314	290	325	311	354	287	294	308	288	316	334	323	365	327	409	290	284	291	318	293	293	317
Amherst	304	280	315	301	344	277	284	298	279	306	324	313	356	317	400	280	274	284	308	284	284	307
Bethune	319	293	328	314	358	291	297	311	288	319	338	326	370	329	414	293	285	293	322	296	296	320
Branson	347	322	356	343	387	320	326	339	319	348	367	354	399	357	443	322	315	322	245	325	326	348
Cheyenne Wells	315	288	323	309	355	288	293	306	284	314	335	321	366	323	410	288	281	286	319	291	293	315
Colorado Springs	338	313	347	334	378	312	317	330	310	339	358	345	390	348	434	313	306	313	342	316	317	339
Crest	327	302	337	323	366	300	306	320	300	328	347	335	378	338	422	302	295	303	331	305	306	329
Denver	338	313	347	334	378	312	317	330	310	339	358	345	390	348	434	313	306	313	342	316	317	339
Eads	320	293	328	314	359	293	297	311	288	319	330	326	372	328	416	293	286	291	324	296	297	320
Holly	315	288	323	309	355	288	293	306	284	314	335	321	366	323	410	288	281	286	319	291	293	315
Keota	323	299	334	320	363	296	303	317	296	325	343	332	374	336	418	299	293	300	327	302	301	326
La Junta	329	303	338	324	369	303	307	320	298	329	349	336	382	338	426	303	296	301	334	306	307	329
Limon	325	299	334	320	365	298	303	317	295	325	345	332	376	335	420	299	293	299	329	302	303	326
Lolita	329	303	338	324	369	303	307	320	298	329	349	336	382	338	426	303	296	301	334	306	307	329
Peoria	330	305	339	326	370	304	309	323	302	331	350	337	383	340	427	305	298	305	335	308	309	332
Pritchett	320	294	329	314	360	293	298	312	287	319	340	327	373	328	417	294	286	290	325	296	298	320
Pueblo	338	313	347	334	378	312	317	330	310	339	358	345	390	348	434	313	306	313	342	316	317	339
Sterling	314	290	325	311	354	287	294	308	288	316	334	323	365	327	409	290	284	291	318	293	293	317
Trinidad	338	313	347	334	378	312	317	330	310	339	358	345	390	348	434	313	306	313	342	316	317	339
Wild Horse	319	293	328	314	358	293	297	311	288	319	338	326	370	328	414	293	286	293	323	296	297	320
IOWA																						
Albia	204	180	216	200	240	176	185	195	178	205	220	213	252	216	296	180	172	182	208	182	180	207
Algona	229	206	241	231	273	196	210	220	207	236	251	239	286	252	330	206	199	213	233	210	206	232
Atlantic	237	211	249	234	282	207	217	228	210	239	260	246	295	253	339	210	203	217	241	215	212	240
Audubon	237	211	249	237	282	207	217	228	213	242	260	246	295	253	339	211	206	217	241	217	212	240
Carnarvon	240	210	252	237	284	207	217	231	210	242	262	250	297	260	341	210	203	217	239	213	213	243
Carroll	237	210	249	237	282	207	216	228	210	242	260	246	295	253	339	207	199	217	239	213	210	240
Cedar Rapids	193	172	205	193	232	166	176	186	173	198	212	202	243	210	287	172	164	176	199	175	172	196
Centerville	204	180	216	200	240	176	185	195	178	205	220	213	252	216	296	180	172	182	208	182	180	207
Charles City	213	189	225	215	255	183	193	206	191	220	234	223	267	232	311	189	183	194	216	194	189	218
Cherokee	244	217	257	244	293	210	224	237	217	249	266	255	306	266	350	213	207	224	243	221	217	247
Clarinda	242	213	253	239	288	210	221	233	210	244	266	251	301	260	345	213	203	217	246	217	213	245
Corydon	223	198	232	217	267	196	201	215	196	222	243	230	281	235	325	196	189	201	229	200	199	223
Creston	230	205	242	227	276	200	209	221	203	232	254	240	289	248	333	205	196	210	234	201	205	233
Decorah	208	186	220	206	244	178	189	200	187	211	224	218	257	223	301	184	176	189	211	188	184	211
Des Moines	221	197	231	217	262	193	201	212	198	222	242	229	274	235	318	197	189	201	225	200	197	222
Fairfield	194	173	206	190	232	165	177	187	171	195	213	204	243	209	287	172	162	174	199	173	172	197
Fort Dodge	229	204	241	229	273	199	208	220	207	234	251	239	286	245	330	204	196	210	233	209	204	232
Grinnell	207	185	219	207	246	179	189	200	186	212	227	217	259	222	303	185	178	188	212	189	185	210
Herndon	229	204	241	229	273	199	208	220	203	234	251	239	286	245	330	203	196	210	233	209	204	232
Iowa City	189	168	201	189	229	163	173	184	169	194	209	199	240	207	284	168	161	173	196	172	168	193
Iowa Falls	217	195	229	217	255	189	199	210	196	222	235	227	267	233	311	195	187	198	222	198	195	220
Manchester	185	163	196	184	223	157	167	177	164	189	204	194	234	201	278	163	155	167	190	166	163	188
Marquette	202	180	215	200	239	170	184	195	182	205	219	212	252	218	296	178	171	184	206	183	178	206
Marshalltown	215	193	227	215	255	187	197	208	195	220	235	224	267	232	311	193	185	197	221	196	193	218
Mason City	219	195	231	221	261	189	199	212	197	226	240	229	273	238	317	195	189	206	222	200	195	222
New Hampton	211	187	223	213	253	182	191	205	189	218	232	221	265	230	309	187	182	193	214	193	187	215
Oelwein	198	175	210	197	235	169	179	190	177	202	216	206	248	215	292	175	166	179	203	178	175	201
Osceola	221	197	231	217	262	193	201	212	198	222	242	229	274	235	318	197	189	201	225	200	197	222
Oskaloosa	207	185	219	207	246	179	189	200	186	212	227	217	259	222	303	185	178	188	212	189	185	210
Ottumwa	199	176	211	195	237	172	180	190	175	200	217	209	249	212	293	176	167	178	205	178	176	202
Oxford Jct.	183	161	194	182	220	155	165	175	162	187	200	191	231	199	275	160	152	165	188	164	160	186
Red Oak	242	213	253	239	288	210	221	233	210	244	266	251	301	260	345	213	207	217	246	217	213	245
Shenandoah	242	217	254	239	288	212	221	233	213	244	266	252	301	260	345	213	207	221	246	219	217	245
Sioux City	249	224	261	250	295	217	230	241	224	255	272	259	308	272	352	224	217	231	249	227	227	252
Spencer	240	213	252	240	284	203	220	231	213	245	260	250	297	262	341	213	207	221	236	217	216	243

1912

41 to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations own on pages 99 to 8, inc., of Tariff, as ended, taking Rate sis:	Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	Bluemont Va.	Boston Mass.	Bridgeton N. J.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.	Covington Va.	Croghan N. Y.	Cumberland Md.	Driftwood Pa.	Easton Pa.
IOWA—Conc.																						
an Wert	221	197	231	217	262	193	201	212	198	222	242	229	274	235	318	197	189	201	225	200	197	222
ashington	194	173	206	190	232	165	177	187	171	195	213	204	243	209	287	172	162	174	199	173	172	197
aterloo	205	184	217	205	244	178	188	198	186	210	224	215	256	221	300	184	175	188	210	186	184	208
aukon	202	180	215	200	239	173	184	196	182	205	219	212	252	218	296	178	171	184	206	183	178	206
ebster	198	175	210	195	235	171	179	190	175	200	216	208	246	213	290	175	167	178	203	178	175	201
KANSAS																						
nthony	277	250	285	271	322	250	259	268	247	276	299	283	334	286	378	250	244	250	281	254	255	277
rkansas City	272	245	279	265	319	245	248	263	241	270	293	277	332	281	376	245	238	245	276	247	248	272
tchison	240	211	249	234	284	210	216	230	207	239	263	246	297	252	341	211	204	213	243	215	216	240
arnard	276	240	284	270	316	249	254	267	246	275	296	282	330	284	374	249	243	248	280	253	254	276
arnes	243	231	269	253	308	227	237	250	224	258	284	267	322	272	366	231	221	231	262	231	231	260
axter Springs	256	229	264	248	305	229	233	247	225	253	281	262	319	275	363	229	220	229	260	230	233	257
azar	246	231	269	253	308	227	237	250	224	258	284	267	324	272	368	231	221	231	262	231	234	260
azine	281	261	295	283	328	261	266	279	257	288	308	293	340	296	384	261	255	259	292	265	266	288
ellaire	275	248	284	269	319	248	253	266	246	274	296	282	334	285	378	248	240	249	278	250	251	275
eloit	271	245	279	266	316	245	248	263	240	271	293	277	330	281	374	245	238	244	276	248	246	271
elvidere	293	266	300	285	332	265	269	284	259	290	312	298	344	300	388	266	257	264	296	267	269	293
rownell	288	261	295	283	328	261	266	279	257	288	308	293	340	296	384	261	255	259	292	265	266	288
ucklin	293	266	300	285	332	265	269	284	259	290	312	298	344	300	388	266	257	264	296	267	269	293
urr Oak	279	253	288	275	319	253	257	271	250	280	299	286	332	290	376	253	246	255	283	256	257	280
aldwell	277	250	285	271	319	250	259	268	247	276	297	283	334	286	378	250	244	250	281	254	255	277
herryvale	260	227	266	250	305	227	234	260	218	255	281	264	322	266	366	227	217	224	259	227	234	257
offeyville	260	227	269	250	308	227	234	263	221	255	284	267	322	269	366	231	221	227	262	231	231	260
olby	302	275	310	295	342	275	279	293	268	300	322	308	354	309	398	275	267	271	306	277	279	302
oncordia	266	237	275	257	313	234	244	257	227	262	290	273	327	278	371	234	227	234	269	237	237	266
odge City	294	267	302	288	334	267	271	285	263	293	314	300	346	302	390	267	260	266	298	270	271	294
lkhart	312	285	320	305	352	284	289	303	278	310	332	318	364	319	408	285	277	281	316	287	289	312
mporia	257	227	266	247	305	224	231	247	217	252	281	264	319	266	363	227	217	224	259	227	227	257
nglewood	302	275	310	295	342	275	279	293	269	300	322	308	354	310	398	275	267	274	306	287	279	302
ureka	263	231	269	253	311	231	237	250	221	258	284	267	324	269	368	231	221	231	262	231	234	260
ort Scott	250	217	257	240	299	217	224	237	210	245	275	255	313	260	357	217	210	217	252	221	221	250
ort Scott #3	244	210	250	234	290	210	217	231	203	239	266	248	308	253	[illegible]	210	199	210	243	210	213	240
owler	300	274	308	293	339	273	277	291	268	298	320	306	352	308	396	274	266	[illegible]	305	275	277	300
rankfort	257	227	266	247	305	224	231	247	224	252	281	264	319	269	363	224	217	224	259	227	227	257
redonia	263	231	269	250	308	227	234	250	221	255	284	267	322	269	366	231	221	227	262	231	234	260
alatia	281	255	289	275	322	255	258	273	251	280	301	287	337	289	381	255	248	254	286	237	258	281
arden City	302	275	310	295	342	275	279	293	268	300	322	308	354	309	398	275	267	271	306	277	279	302
arnett	253	221	271	244	302	221	227	240	210	249	275	268	316	263	360	221	210	217	252	221	224	250
oodland	309	284	318	304	348	281	287	301	278	309	329	316	360	319	404	284	275	284	312	286	286	310
arper	277	250	285	271	322	250	259	268	247	276	297	283	334	286	378	250	244	250	281	254	255	277
ays	284	257	291	277	324	257	260	275	253	282	303	289	337	291	381	257	249	256	287	259	260	284
erington	255	231	269	253	311	231	237	250	221	258	284	267	324	272	368	231	224	231	262	231	234	263
oisington	276	249	284	270	319	249	254	267	237	275	296	282	334	284	378	249	243	248	280	253	254	276
orace	310	284	318	304	349	284	287	301	277	309	329	316	362	318	406	284	276	280	314	286	287	310
orton	250	217	235	240	296	217	224	237	210	245	272	233	309	260	353	217	210	217	249	221	221	250
utchinson	272	240	278	263	316	240	247	260	237	268	293	276	332	281	376	240	234	240	272	244	245	269
ola	257	224	262	247	302	224	231	244	213	252	278	261	319	263	363	224	213	221	256	224	227	253
etmore	291	265	299	285	330	265	268	283	260	290	311	297	343	299	387	265	257	264	296	267	268	291
iowa	284	257	293	278	324	257	261	275	254	283	304	291	337	293	381	257	250	257	288	260	261	284
irwin	279	253	287	274	322	253	257	270	248	279	299	285	337	287	381	253	246	251	283	256	257	279
arned	283	256	290	276	324	256	259	274	251	281	302	288	337	290	381	256	248	255	287	258	259	283
awrence	250	217	257	240	296	213	224	237	210	245	272	255	309	260	353	217	207	217	249	217	221	247
eavenworth	240	211	249	234	284	210	216	230	207	239	263	246	297	252	341	211	204	213	243	215	216	240
enora	291	265	299	285	330	265	268	283	260	290	311	297	343	299	387	265	257	264	296	267	268	291
iberal	305	278	313	299	345	278	283	296	275	304	325	311	356	313	400	278	271	277	309	281	283	305
ost Springs	263	231	269	253	308	231	237	250	224	258	284	267	324	272	368	231	221	231	262	231	234	260

Add to page 247 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:																				
	Albany, N. Y.	Altoona, Pa.	Atlantic City, N. J.	Baltimore, Md.	Bangor, Me.	Batavia, N. Y.	Bellefonte, Pa.	Berwick, Pa.	Bluefield, W. Va.	Bluemont, Va.	Boston, Mass.	Bridgeton, N. J.	Calais, Me.	Cape Charles, Va.	Caribou, Me.	Clearfield, Pa.	Connellsville, Pa.	Covington, Va.	Croghan, N. Y.	Cumberland, Md.	Driftwood, Pa.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																				
KANSAS—Conc.																					
Lucas	275	246	281	266	319	246	250	264	241	271	296	279	334	284	378	246	239	245	277	248	249
Manhattan	260	227	266	250	305	227	234	247	221	255	281	264	322	269	366	227	217	227	259	227	231
Manter	311	284	319	304	350	284	288	302	277	309	330	317	362	318	407	284	276	280	315	286	288
Norton	288	260	297	283	328	260	266	280	257	288	308	295	340	295	384	260	254	261	291	264	265
Oakley	302	275	310	295	342	275	279	293	268	300	322	308	354	309	398	275	267	271	306	277	279
Oberlin	294	266	303	288	334	266	271	286	264	293	314	301	346	304	390	266	259	267	297	269	270
Osborne	275	245	279	266	319	245	250	263	240	271	296	277	334	284	376	245	238	244	276	248	248
Ottawa	250	217	257	240	299	217	224	237	210	245	275	255	312	260	356	217	210	217	252	221	221
Paola	250	217	257	240	295	217	224	237	207	245	272	255	306	257	352	217	207	213	249	217	221
Pittsburg	253	221	260	244	302	221	227	240	210	249	275	258	310	263	360	221	210	217	256	221	224
Plainville	284	257	291	277	324	257	260	275	253	282	303	289	337	291	381	257	249	256	287	259	260
Pratt	283	257	291	276	322	256	260	275	249	281	303	289	337	290	381	257	248	255	287	258	260
St. Francis	303	279	314	300	343	276	284	297	277	305	322	312	355	316	398	279	273	281	307	282	282
Salina	266	237	275	257	313	234	240	257	229	262	290	273	327	275	371	237	227	234	269	237	237
Satanta	302	275	310	295	342	275	279	293	268	300	322	308	354	309	398	275	267	271	306	277	279
Scott City	302	275	310	295	342	275	279	293	268	300	322	308	354	309	398	275	267	271	306	277	279
Severy	266	234	272	253	311	231	237	253	224	258	287	270	324	272	368	234	224	231	265	234	237
Stockton	278	250	287	271	324	250	255	269	248	276	299	285	337	287	381	250	253	250	281	254	255
Strong City	260	227	266	250	306	227	234	247	221	255	[illegible]	264	322	269	366	227	221	227	262	231	231
Studley	293	266	301	286	333	266	270	284	260	291	313	299	345	300	389	266	258	264	297	268	270
Topeka	253	221	260	244	299	217	227	240	213	249	275	258	310	263	360	221	210	221	252	221	224
Turkey Creek	308	281	316	301	347	280	285	299	275	306	328	314	358	315	402	281	274	277	312	284	285
Vaughn	287	260	295	281	327	260	265	278	257	286	307	293	340	295	384	260	254	259	291	264	265
Wakeeney	290	264	298	284	329	264	267	281	258	289	310	298	342	298	386	264	257	261	295	266	267
Waaneta	266	235	272	257	313	235	240	253	230	262	287	270	327	275	371	235	227	234	269	238	239
Whiting	250	221	260	240	296	217	227	240	210	245	274	258	309	262	353	217	210	217	252	221	221
Wichita	269	237	275	260	316	237	244	257	233	265	290	273	330	278	374	237	231	237	272	240	240
Wilson	275	245	281	266	319	245	250	263	240	271	296	279	332	284	376	245	238	244	276	248	248
Wolf	302	275	310	295	342	275	279	292	268	300	322	308	354	309	398	275	267	271	306	277	279
MICHIGAN																					
Calumet	213	203	237	228	256	179	207	212	211	233	234	234	270	249	314	203	196	215	215	207	196
Escanaba	176	163	198	189	212	147	167	175	173	194	193	196	223	208	267	163	157	176	181	168	162
Iron Mountain	176	163	198	189	212	147	167	175	173	194	193	196	223	208	267	163	157	176	181	168	162
Ironwood	213	202	237	228	253	179	208	212	208	233	230	234	270	244	314	202	196	211	215	207	196
Marquette	194	184	217	208	231	164	187	193	197	213	211	215	242	227	286	178	178	199	198	188	178
Munising	176	163	198	189	212	147	167	175	173	194	193	196	223	208	267	163	157	176	181	168	162
Sault Ste. Marie	171	164	194	185	208	138	163	168	182	190	187	191	220	206	264	158	162	180	170	165	154
Sidnaw	196	183	218	209	232	167	187	195	193	214	212	218	243	228	287	183	177	196	201	185	182
Watersmeet	200	188	224	224	238	172	193	199	196	229	217	221	252	232	296	188	182	199	201	194	187
MINNESOTA																					
Albert Lea	227	205	242	230	271	193	209	220	205	235	249	240	284	244	328	203	196	206	225	210	205
Bemidji	247	237	269	260	296	219	240	247	240	265	272	267	311	284	355	234	227	247	250	240	228
Brainerd	240	227	263	253	290	211	231	240	231	258	266	251	305	278	349	224	221	234	243	231	221
Crookston	263	247	281	272	308	236	250	260	251	277	283	279	322	296	366	246	240	257	267	250	244
Delano	231	213	253	240	278	196	221	227	217	245	253	251	296	266	340	213	207	224	229	217	210
Detroit Lakes	253	237	272	263	299	218	244	250	237	268	275	270	313	284	357	234	227	244	252	240	231
Duluth	227	213	248	237	272	193	217	227	221	242	260	245	285	262	329	213	206	224	229	217	207
Eldon	244	231	266	257	290	211	234	240	234	262	266	264	308	281	352	227	224	240	243	228	224
Ely	244	231	263	257	290	210	234	240	234	262	266	261	308	278	352	227	221	240	243	[illegible]	224
Fairmont	234	210	253	237	283	199	217	231	213	242	257	251	296	256	340	210	203	217	236	213	213
Faribault	227	206	244	231	272	193	212	224	210	236	250	242	285	251	329	207	199	213	229	211	207
Fergus Falls	250	234	269	260	296	218	240	247	237	265	272	267	312	284	357	231	227	240	249	237	231
Floodwood	234	221	257	247	284	199	224	234	227	252	260	255	299	272	343	221	212	231	236	224	213
Fosston	255	240	275	266	302	227	244	253	247	271	275	273	340	290	384	249	234	250	255	244	236
Glenwood	240	227	263	253	290	207	234	240	231	258	266	261	305	278	349	224	221	234	243	231	221

e page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 4½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 21 to 98, inc., of Tariff, as amended, taking Rate Basis

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations n on pages 99 to inc., of Tariff, as ded, taking Rate	Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	[illegible]	Boston Mass.	Bridgeton N. J.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.	Covington Va.	Cloghan N. Y.	Cumberland Md.	Driftwood Pa.	Easton Pa.
NESOTA—Conc.																						
d Rapids	240	227	260	253	287	207	231	237	231	258	[illegible]	258	303	275	349	224	217	237	239	231	221	247
ite Falls	240	227	263	253	290	207	234	240	227	278	266	251	303	275	349	224	217	234	243	231	221	247
emarck	247	234	269	260	296	215	237	247	237	266	272	267	311	284	355	231	227	240	249	237	227	253
aley	228	215	248	237	272	197	219	227	221	247	[illegible]	[illegible]	255	262	329	213	206	226	231	217	210	234
by	237	221	257	247	284	199	227	234	227	252	260	257	299	272	343	221	213	234	236	224	213	240
nternational Falls	250	237	272	263	298	221	240	247	240	266	277	272	313	287	357	234	227	247	251	240	231	257
Falls	237	224	260	250	287	204	231	237	218	255	262	258	295	272	346	221	213	231	239	227	221	247
reger	234	221	257	247	284	199	227	234	227	252	260	257	299	272	343	221	213	234	236	224	213	240
lia	232	216	254	241	281	203	220	231	217	248	[illegible]	[illegible]	296	269	340	213	207	222	226	221	216	242
kato	231	211	249	237	277	196	216	227	213	242	257	247	290	259	334	210	203	221	233	217	209	235
nall	244	224	263	250	293	210	231	244	227	253	266	262	308	277	352	224	217	231	246	227	224	250
n	234	221	257	244	284	199	224	234	221	249	257	255	299	269	343	217	210	227	230	224	213	240
eapolis	224	210	247	232	272	189	215	224	210	238	250	243	285	255	329	207	199	217	225	218	207	232
s	247	231	266	257	293	214	237	244	231	262	268	264	305	278	352	227	221	237	246	234	227	253
ood	234	217	253	241	279	196	222	231	217	246	257	251	293	263	337	213	207	224	233	221	210	237
stone	247	227	266	253	296	213	234	247	227	258	277	264	311	275	355	224	217	234	249	231	227	253
Wing	219	204	239	223	263	185	206	215	202	228	211	227	276	244	320	199	193	208	222	204	199	222
er	240	227	263	253	290	207	231	240	231	258	263	261	305	278	349	224	221	237	236	231	221	247
ester	213	199	234	223	261	185	204	210	201	228	240	232	274	240	315	199	192	204	219	204	199	221
Cloud	234	221	257	244	284	199	224	234	221	249	260	255	299	269	343	217	210	227	230	224	213	240
ain	240	221	260	247	287	207	227	237	221	252	263	258	303	269	349	217	210	227	239	224	221	247
g Valley	218	197	234	221	261	185	201	210	198	228	240	232	[illegible]	247	318	197	190	200	219	201	199	221
l River Falls	263	247	280	272	305	236	250	257	251	277	281	275	319	293	363	246	239	257	267	250	244	259
ma	237	224	260	240	287	203	227	237	227	255	262	258	302	275	346	221	217	234	236	227	217	244
nk	244	231	266	257	293	211	237	244	231	262	269	264	308	278	352	227	221	237	246	234	227	253
wi	277	260	295	283	317	250	265	274	266	288	297	291	330	305	374	260	255	273	281	265	258	281
bar	237	224	260	250	287	203	231	237	224	255	264	255	302	272	346	221	213	231	239	227	217	244
a	208	187	223	211	249	176	191	199	187	216	226	221	262	230	306	187	180	194	211	191	187	216
rbud	234	221	257	244	284	199	227	234	221	249	260	255	299	269	343	217	210	227	236	224	213	240
hington	244	221	266	247	290	216	227	231	221	252	266	258	305	269	350	217	210	227	243	224	221	250
MISSOURI																						
ville	212	187	221	206	254	186	191	204	182	211	[illegible]	[illegible]	267	224	311	187	178	186	219	189	189	212
sin	212	187	221	206	254	186	191	204	182	214	230	219	267	224	311	187	178	186	219	189	189	212
ilton	223	198	232	217	267	196	201	215	191	222	243	230	281	235	325	198	189	196	229	199	200	223
icothe	218	193	227	211	259	190	196	209	188	216	234	224	272	229	316	193	184	191	222	194	195	218
a	223	198	232	217	264	196	201	215	189	222	240	230	277	234	321	198	189	196	228	199	200	223
ore	194	167	202	186	231	166	172	184	162	191	210	200	244	205	288	167	158	166	199	169	169	194
al Jct	204	178	212	197	243	176	182	195	174	202	220	210	256	215	300	176	169	177	208	179	180	204
tteville	223	198	232	217	264	196	201	215	193	222	240	230	277	234	321	198	189	197	228	199	200	223
en	231	205	240	224	273	202	208	217	199	229	251	238	286	242	330	205	196	205	234	206	207	231
son City	212	187	221	206	254	186	191	204	182	211	230	219	267	224	311	187	178	186	219	189	189	212
sas City	240	211	249	234	284	210	216	230	203	239	263	246	297	252	341	210	203	210	243	213	213	240
ville	204	178	212	197	243	176	182	195	174	202	220	210	256	215	300	176	169	177	208	179	180	204
ak	194	167	202	186	231	166	172	184	162	191	210	200	244	205	288	167	158	166	199	169	169	194
n	204	178	212	197	243	176	182	195	174	202	220	210	256	215	300	176	169	177	208	179	180	204
rn	200	175	209	194	239	173	178	191	171	198	217	207	252	211	296	173	166	174	205	176	177	200
n	212	187	221	206	254	186	191	204	182	211	230	219	267	224	311	187	178	186	219	189	189	212
rly	204	178	212	197	243	176	182	195	174	202	220	210	256	215	300	176	169	177	208	179	180	204
ng	194	167	202	186	231	166	172	184	162	191	210	200	244	205	288	167	158	166	199	169	169	194
seph	240	211	249	234	284	210	216	230	203	239	263	246	297	252	341	210	203	210	243	213	213	240
uis	212	187	221	206	254	186	191	204	182	211	230	219	267	224	311	187	178	186	219	189	189	212
a	223	198	232	217	264	196	201	215	193	222	240	230	277	234	321	198	189	197	228	199	200	223
on	223	198	232	217	267	196	201	215	191	222	243	230	281	235	325	198	189	196	229	199	200	223
ris	223	198	232	217	264	196	201	215	193	222	240	230	277	234	321	198	189	197	228	199	200	223
ce	223	198	232	217	264	196	201	215	193	222	240	230	277	234	321	198	189	197	228	199	200	223

Add to page 347 of Tariff

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis,

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended):

	Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	Bluemont Va.	Boston Mass.	Bridgeton N. J.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.	Covington Va.	Croghan N. Y.	Cumberland Md.	Driftwood Pa.
NEBRASKA																					
Albion	266	237	275	263	311	231	244	257	234	268	287	273	324	281	368	234	227	240	265	240	237
Alliance	314	290	325	311	354	287	294	308	289	316	334	323	365	328	409	290	284	293	318	293	291
Auburn	253	224	263	247	300	221	231	244	217	252	275	261	314	266	358	224	217	224	252	224	224
Beatrice	260	231	269	253	308	227	237	[illegible]	224	258	284	267	322	272	366	231	224	231	262	231	231
Belmar	302	278	313	299	342	275	283	[illegible]	276	304	322	311	354	315	398	278	271	281	306	281	280
Belvidere	266	237	275	257	313	234	244	257	231	262	287	273	327	278	371	234	227	237	265	237	237
Bridgeport	314	290	325	311	354	287	294	308	288	316	334	323	365	327	409	290	284	293	318	293	293
Broken Bow	278	250	287	272	322	248	257	269	248	277	299	285	334	290	378	250	244	254	278	254	253
Burwell	275	247	284	272	319	244	253	266	248	277	296	282	334	290	378	247	240	250	275	250	249
Callaway	281	253	290	275	324	248	260	272	250	280	302	288	340	296	[illegible]	250	244	257	281	254	253
Campbell	272	244	281	266	319	240	250	263	238	271	293	279	332	284	376	240	237	244	272	247	244
Columbus	260	231	269	257	305	227	237	250	227	262	281	267	322	275	366	227	224	234	259	234	231
Crawford	318	293	329	315	357	290	296	312	296	320	338	327	369	336	413	293	287	301	321	297	295
Falls City	250	221	260	249	297	217	227	240	213	254	275	258	310	263	354	221	210	221	252	221	221
Fremont	253	224	263	250	300	221	231	244	221	255	275	261	314	269	358	224	217	[illegible]	252	227	224
Grand Island	266	240	278	263	313	234	244	257	234	268	290	276	327	281	371	237	231	233	269	244	240
Hastings	269	240	278	263	313	234	247	260	234	268	290	276	330	281	374	237	231	233	269	244	240
Holdrege	275	247	284	269	319	244	253	266	245	274	296	282	334	290	378	246	239	250	275	250	248
Imperial	312	288	323	308	352	285	293	306	286	314	332	321	364	325	408	288	281	290	316	291	291
Jovian	275	251	287	273	322	248	257	269	249	278	299	285	334	290	378	251	245	255	279	255	255
Keatney	272	244	281	269	319	240	250	263	240	274	293	279	332	287	376	244	237	247	272	247	244
Lincoln	257	227	266	250	302	224	234	247	224	255	278	264	318	272	362	224	217	231	256	231	227
Loup City	272	244	281	269	316	240	250	263	240	274	293	279	332	287	376	240	234	247	272	247	244
Lyons	253	227	266	250	300	221	231	244	224	253	278	264	314	272	358	224	217	231	256	231	227
McCook	290	266	301	287	329	264	270	284	264	292	310	299	342	303	386	266	259	268	295	269	268
Moorefield	284	259	294	280	327	257	264	277	259	285	305	292	342	299	386	259	253	264	287	263	261
Mullen	294	270	305	291	334	267	275	288	268	296	314	303	346	307	390	270	264	274	298	274	271
Nebraska City	248	221	260	244	290	217	226	239	217	249	268	257	304	263	346	221	213	224	251	224	224
Newport	267	247	284	269	311	240	250	263	245	274	287	282	324	290	368	244	237	251	271	250	246
Norfolk	260	235	272	260	305	231	240	253	231	265	281	270	322	281	356	234	227	237	259	237	237
North Platte	289	264	300	286	329	263	269	284	264	291	309	298	342	302	396	266	258	268	293	268	267
Omaha	248	221	260	244	290	217	226	239	217	249	268	257	304	263	348	217	213	224	249	224	221
Ord	272	244	284	269	319	240	250	263	245	274	296	282	332	287	376	244	237	247	275	247	247
Plainview	260	237	275	260	308	227	240	253	234	265	281	273	322	281	366	234	227	240	262	240	237
Pleasanton	272	247	284	269	319	240	253	263	244	274	296	282	327	287	371	244	237	247	275	250	247
Sanborn	303	279	314	300	343	276	284	297	277	305	323	312	355	316	399	279	273	281	307	283	283
Sargent	275	249	284	272	322	247	254	267	250	277	296	282	334	290	378	249	243	254	278	253	253
Scottsbluff	319	295	329	316	358	293	299	313	293	321	338	327	370	332	414	295	288	298	323	298	297
Sidney	314	290	325	311	354	287	294	308	288	316	334	323	365	327	409	290	284	292	318	293	293
Smeed	323	299	334	320	363	296	303	317	297	325	343	332	374	336	418	299	293	301	327	302	301
Spalding	266	240	278	263	313	234	247	257	237	268	290	276	327	284	371	237	231	244	269	244	[illegible]
Stapleton	293	268	303	289	333	266	273	296	266	294	313	301	345	306	389	268	261	271	296	271	271
Superior	269	240	278	263	316	237	247	260	234	268	290	276	330	281	374	240	231	259	269	240	240
Valentine	286	264	298	287	324	259	267	281	265	292	306	286	337	307	381	264	257	271	290	269	266
Wallace	295	271	306	293	335	268	275	289	271	298	315	304	347	308	391	271	265	275	299	275	274
York	263	234	[illegible]	257	308	234	240	253	231	262	284	270	324	278	368	231	224	237	262	237	234
NORTH DAKOTA																					
Antler	307	293	327	314	347	280	297	304	298	319	327	325	358	337	402	293	286	303	311	296	290
Beach	326	312	347	334	365	299	316	324	318	339	346	345	377	356	421	312	306	323	330	316	311
Bisbee	286	271	306	293	326	252	275	284	276	298	306	304	338	316	382	271	266	283	290	275	269
Bismarck	293	279	314	301	333	266	284	291	286	306	313	312	345	325	389	279	274	290	297	284	278
Cannon Ball	299	285	320	307	338	273	289	297	293	312	319	318	350	329	394	285	270	296	303	289	284

Supplement No. 42—Freight Tariff No. 107-C.

ded to page 347 of Tariff:

SECTION 1½—Continued

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations hown on pages 99 to 8, inc., of Tariff, as mended, taking Rate Basis:	Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	Bluemont Va.	Boston Mass.	Bridgeton N. J.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.	Covington Va.	Croghan N. Y.	Cumberland Md.	Driftwood Pa.	Easton Pa.
NORTH DAKOTA Conc.																						
Conway	297	257	289	278	313	244	260	266	264	283	290	287	327	302	371	256	251	268	275	260	254	275
Crosby	320	307	342	329	360	294	311	319	313	334	340	340	373	352	417	307	301	318	325	311	306	328
Devils Lake	280	264	298	285	320	253	267	275	269	290	300	296	332	308	376	264	257	275	283	267	261	284
Dickinson	312	298	333	320	352	285	302	310	305	325	332	331	364	342	408	298	293	309	316	302	297	319
Drake	286	271	307	294	326	259	275	284	278	299	306	305	338	317	382	271	266	284	290	276	269	293
Fargo	257	240	278	266	302	227	247	253	244	271	278	276	319	290	363	240	234	250	257	244	237	263
Gascoyne	315	295	330	319	355	285	299	311	300	324	335	328	366	339	410	295	289	305	317	300	295	320
Glenullen	303	289	324	311	343	276	293	301	296	316	323	322	355	333	399	289	284	300	307	293	288	310
Grand Forks	266	250	285	275	311	239	255	263	257	280	286	283	324	299	368	250	245	263	270	255	248	271
Grenora	334	319	354	340	374	307	323	330	327	345	354	352	385	365	429	319	313	332	338	323	318	339
Hannaford	266	251	287	275	311	239	257	264	257	280	287	285	327	299	371	251	246	264	270	256	249	273
Hannah	284	269	303	290	324	257	274	280	277	295	304	301	337	315	381	269	266	283	288	273	267	289
Hansboro	288	271	306	[illegible]	328	260	275	284	277	298	308	304	340	316	384	271	266	284	291	275	269	293
Havana	258	244	281	269	305	231	250	257	247	274	281	279	322	293	366	244	237	251	262	247	240	266
Hazen	306	293	327	314	346	279	296	304	298	319	326	325	357	336	401	293	286	302	310	296	291	313
Hillsboro	260	247	281	272	308	233	253	260	249	277	284	279	322	293	366	245	239	257	263	250	243	269
Jamestown	268	255	289	278	313	240	260	266	259	283	290	287	327	299	371	255	248	266	272	258	253	275
Kenmare	308	294	329	316	347	281	298	306	301	321	328	327	359	338	403	294	288	306	312	298	293	315
Killdeer	318	304	338	326	357	291	308	316	308	331	338	336	369	347	413	304	298	313	322	308	302	325
Lake Williams	281	267	302	289	320	254	271	279	274	294	301	300	334	311	378	267	261	278	286	271	266	288
Lansford	305	290	325	312	345	278	294	302	298	317	325	323	356	335	400	290	285	302	309	294	289	311
Leeds	285	268	303	290	325	257	273	280	275	295	305	301	337	313	381	268	263	280	288	273	266	289
Marmarth	324	304	340	329	354	293	308	320	308	334	344	338	375	349	419	304	297	314	326	309	304	330
Max	298	284	319	306	338	271	288	296	293	311	318	317	349	329	393	284	278	296	302	288	283	305
Minot	298	294	319	306	338	271	288	296	293	311	318	317	349	329	393	284	278	296	302	288	283	305
Moffit	288	275	309	296	322	261	278	286	280	301	308	307	339	318	383	275	268	285	292	278	274	295
[illegible]	285	269	304	291	325	258	274	281	277	296	305	302	337	316	381	269	264	284	289	274	267	290
New England	312	298	333	320	352	285	302	310	305	325	332	331	364	342	408	298	293	309	316	302	297	319
New Leipzig	307	286	320	309	347	280	290	301	290	314	327	318	358	329	402	286	281	295	311	291	286	311
New Rockford	275	259	295	283	316	248	264	273	266	288	294	293	332	305	376	259	254	273	278	265	257	281
[illegible]	260	247	281	272	308	233	250	260	251	277	281	279	322	293	366	246	239	258	263	250	244	267
[illegible]	296	281	316	303	336	269	285	293	287	308	316	314	347	326	391	281	275	293	300	285	279	302
[illegible]	279	264	298	285	319	253	267	275	271	290	299	296	332	310	376	264	257	277	283	267	261	284
St. John	289	275	309	296	329	263	278	286	279	301	309	307	340	319	384	275	268	285	293	278	273	295
[illegible]	311	297	332	319	350	284	301	309	305	324	330	330	363	342	407	297	291	309	315	301	295	318
[illegible]	291	275	309	296	330	264	278	286	280	301	311	307	343	319	387	275	268	286	295	278	273	295
[illegible]	309	294	329	316	348	283	298	306	302	321	329	327	360	338	404	294	289	306	313	298	293	315
[illegible]	297	276	311	299	337	270	280	291	280	304	317	309	348	320	392	276	271	285	301	281	276	301
[illegible]	279	266	300	287	319	253	269	277	270	292	299	298	334	310	378	266	259	275	283	269	264	286
[illegible]	279	266	300	287	319	253	269	277	270	292	299	298	330	310	374	266	259	275	283	269	264	286
[illegible]	291	276	312	299	330	265	280	289	283	304	311	310	343	322	387	276	270	289	296	281	275	298
Valley City	263	250	284	272	311	235	253	263	254	277	284	282	324	296	368	248	243	260	267	253	247	269
Wahpeton	253	238	275	263	299	226	244	250	243	268	275	273	316	287	360	238	231	249	257	241	236	260
[illegible]	290	274	309	296	329	264	278	286	283	301	310	307	342	320	386	275	268	288	295	278	273	295
Watford City	334	319	354	340	374	307	323	330	327	345	354	352	385	365	429	319	313	332	338	323	318	339
[illegible]	315	301	336	323	355	288	305	313	307	328	335	334	366	346	410	301	295	312	319	305	300	322
[illegible]	320	307	342	329	360	294	311	319	313	334	340	340	373	352	417	307	301	318	325	311	306	328
[illegible]	293	279	314	301	[illegible]	266	284	291	286	306	313	312	345	323	389	279	274	290	297	284	278	300
[illegible]	279	266	300	287	319	253	269	277	270	292	299	298	330	310	374	266	259	275	283	269	264	286

Supplement No. 43—Freight Tariff No. 107-C.

Add to page 347 of Tariff.

SECTION 1½—Continued

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis

AND

Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 207 to 340 of Tariff, as amended)

	Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	Bluemont Va.	Boston Mass.	Bridgeton N. J.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.	Covington Va.	Croghan N. Y.	Cumberland Md.	Driftwood Pa.
SOUTH DAKOTA																					
Aberdeen	264	253	281	272	311	240	253	260	247	277	284	279	324	293	368	244	238	253	268	256	244
Belle Fourche	318	298	324	320	358	291	300	314	300	325	338	332	370	338	414	290	290	306	322	301	296
Belvidere	289	268	303	291	329	261	273	279	270	298	309	301	340	310	384	268	261	276	293	274	268
Bristol	257	240	278	266	305	229	250	257	244	271	278	276	319	290	363	240	234	250	260	244	237
Chamberlain	266	244	281	269	313	234	250	263	244	274	287	279	327	290	371	244	237	250	265	247	247
Conata	300	279	314	302	339	273	284	293	281	307	320	312	352	325	396	279	273	286	303	284	279
Cottonwood	302	281	316	304	342	275	285	296	284	309	322	314	354	322	398	281	276	288	306	286	281
Deadwood	313	293	328	316	353	285	297	308	294	321	333	326	365	334	409	293	288	290	316	298	293
Edgemont	324	303	338	325	364	297	307	318	303	330	344	336	375	343	419	303	294	308	328	307	303
Fairfax	275	253	290	275	322	244	257	269	250	290	298	298	334	298	378	250	244	257	279	257	253
Faith	310	291	326	314	350	284	295	306	296	319	330	324	363	345	407	291	288	301	315	296	291
Faulkton	271	251	287	275	313	244	256	266	256	280	291	285	327	290	371	250	247	260	275	254	251
Gettysburg	278	257	283	278	319	250	261	273	261	283	298	291	332	290	376	257	251	266	281	259	257
Granville	268	250	285	273	308	239	257	263	256	278	285	283	324	298	368	250	245	261	269	255	250
Highmore	271	250	287	272	313	237	253	266	256	277	291	285	330	290	374	240	244	259	276	254	250
Huron	260	240	278	266	308	228	247	260	240	271	284	276	322	287	366	237	231	247	262	239	240
Isabel	301	280	315	303	350	275	284	286	284	308	320	313	353	324	397	290	275	289	305	285	279
Lemmon	306	286	320	308	346	285	290	301	291	314	326	318	357	329	401	288	280	284	307	291	288
Madison	253	231	262	257	299	221	247	250	231	262	275	267	310	278	360	231	224	247	252	234	231
Midland	287	266	301	289	327	260	270	281	270	298	307	299	338	310	382	266	261	275	291	271	266
Milbank	250	234	272	266	298	218	240	247	237	265	272	270	313	284	357	231	227	244	249	237	231
Mitchell	257	237	275	260	305	224	240	253	244	267	281	273	319	281	363	234	227	240	259	240	237
Mobridge	287	266	301	288	327	260	270	281	270	290	307	299	338	310	382	266	261	275	291	271	266
Nowlin	298	275	310	296	336	266	279	288	277	301	318	308	347	315	391	275	268	285	303	278	275
Owanka	305	285	320	306	346	275	286	297	287	313	325	318	357	328	401	285	279	293	309	289	285
Pierre	284	264	298	285	324	257	267	275	267	288	304	298	336	305	380	264	258	270	288	265	264
Platte	266	244	281	269	311	234	250	263	244	274	287	279	327	290	371	240	234	250	261	247	244
Rapid City	309	288	324	312	348	281	293	304	290	317	329	322	360	329	404	288	283	295	312	294	288
Redfield	263	244	281	269	311	233	250	263	245	274	284	279	324	290	368	244	237	250	263	247	244
Sioux Falls	250	227	266	253	298	217	234	245	227	258	272	264	310	275	354	224	221	234	249	231	227
Vivian	275	253	290	278	319	247	260	272	256	283	298	288	334	290	378	253	247	266	278	256	253
Watertown	253	234	272	266	302	221	240	253	237	265	275	270	316	281	360	234	227	240	256	237	234
Winner	281	257	293	283	324	254	263	275	260	288	[illegible]	291	340	302	384	257	253	266	266	261	259
Yankton	253	231	272	257	302	221	237	250	238	262	275	270	316	278	360	231	224	237	256	234	234

WISCONSIN (For Rate Basis Numbers, see pages 38 to 42 of this supplement.)

WYOMING (For Rate Basis Numbers, see pages 38 to 42 of this supplement.)

dd to page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to [illegible], inc., of Tariff, as amended, taking Rate Basis:	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton [illegible]	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.	Houlton Me.	Hudson N. Y.	Johnsonburg Pa.	Johnstown Pa.	Lewistown Pa.	Ligonier Pa.	Long Branch N. J.
BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis—																					
APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 297 to 340 of Tariff, as amended)																					
COLORADO																					
Akron	293	301	295	327	306	294	323	322	336	283	325	301	305	294	288	393	320	287	287	298	290	325
Amherst	283	291	286	317	296	284	313	312	326	273	315	291	295	284	279	384	310	277	277	288	280	315
Bethune	293	304	298	329	309	298	328	327	340	284	328	304	308	295	288	398	325	291	289	301	291	328
Branson	323	335	327	357	338	328	356	356	368	313	356	333	337	325	319	427	354	320	319	329	321	356
Cheyenne Wells	289	299	293	323	304	295	324	323	337	279	323	299	303	291	284	394	320	288	285	296	287	323
Colorado Springs	314	324	318	348	329	319	347	347	360	304	347	324	328	316	310	418	345	312	310	320	312	347
[illegible]	304	313	307	338	318	307	336	335	349	294	337	313	317	305	300	408	333	300	299	310	302	337
Denver	314	324	318	348	329	319	347	347	360	304	347	324	328	316	310	418	345	312	310	320	312	347
Eads	294	304	298	328	309	300	329	328	341	284	328	304	308	296	288	400	326	293	290	301	292	328
Holly	289	299	293	323	304	295	324	323	337	279	323	299	303	294	284	394	320	288	285	296	287	323
Keota	300	310	304	336	315	303	332	331	345	290	334	310	314	302	296	402	329	295	295	307	298	334
La Junta	304	314	308	338	319	310	338	338	351	294	338	314	318	306	298	410	336	303	300	311	302	338
Limon	300	310	304	335	316	305	334	332	347	290	334	310	314	302	295	404	330	298	298	307	299	334
[illegible]	304	314	308	338	319	310	338	338	351	294	338	314	318	309	298	410	336	303	300	311	302	338
[illegible]	306	316	310	340	322	311	339	339	352	296	339	316	320	308	302	411	337	304	302	313	304	339
Pritchett	294	304	298	328	309	301	329	329	342	284	328	304	309	296	287	401	327	294	290	302	292	329
Pueblo	[illegible]	324	318	348	329	319	347	347	360	304	347	324	328	316	310	418	345	312	310	320	312	347
Sterling	293	301	295	327	306	294	323	322	336	283	325	301	305	294	288	393	320	287	287	298	290	325
Trinidad	314	324	318	348	329	319	347	347	360	304	347	324	328	316	310	418	345	312	310	320	312	347
Wild Horse	294	304	298	328	309	299	328	327	340	284	328	304	308	296	288	398	325	293	290	301	292	328
IOWA																					
Albia	182	190	184	216	195	183	212	210	222	171	212	190	195	184	178	290	205	176	176	187	178	210
Algona	207	222	212	252	228	207	234	236	253	199	241	220	224	213	207	314	234	202	203	213	205	241
Atlantic	210	223	217	253	228	215	248	241	262	203	249	223	228	213	207	325	243	207	207	220	210	249
Audubon	215	228	[illegible]	255	231	215	246	244	262	[illegible]	249	226	228	217	[illegible]	323	[illegible]	[illegible]	[illegible]	220	212	249
Carnarvon	210	232	215	260	231	213	244	246	264	203	250	227	231	213	207	327	244	207	207	221	[illegible]	252
Carroll	210	226	215	228	231	213	241	244	262	203	247	224	227	213	207	322	244	[illegible]	[illegible]	220	[illegible]	249
Cedar Rapids	175	183	177	210	187	174	202	200	214	164	202	183	186	177	173	271	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	205
Centerville	182	190	184	216	195	183	212	210	222	171	212	190	195	184	178	290	[illegible]	[illegible]	[illegible]	[illegible]	178	216
Charles City	194	204	196	232	210	191	223	221	236	183	226	204	204	196	191	296	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	225
Cherokee	217	237	222	263	237	221	247	249	266	210	253	231	234	221	213	334	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	210	230	219	260	231	220	247	250	[illegible]	203	253	227	231	213	207	329	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	196	[illegible]	202	235	212	204	232	231	245	189	231	207	212	199	193	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	222
[illegible]	203	[illegible]	203	248	221	208	240	238	256	195	242	216	221	207	199	317	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Decorah	188	196	190	223	200	186	216	213	226	177	217	196	199	[illegible]	190	285	212	[illegible]	[illegible]	[illegible]	[illegible]	220
Des Moines	199	208	202	235	211	200	231	229	244	189	231	207	212	202	196	302	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	231
Fairfield	174	182	177	209	186	174	204	201	215	163	202	182	187	176	171	271	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fort Dodge	207	218	211	245	223	208	237	236	253	[illegible]	239	218	220	210	[illegible]	314	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	241
Grinnell	189	197	191	222	201	187	217	214	229	178	217	197	199	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	191	[illegible]	219
[illegible]	207	218	211	245	223	208	239	236	[illegible]	[illegible]	[illegible]	218	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	202	241
Iowa City	172	179	174	207	184	171	199	197	211	161	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	167	207
Iowa Falls	198	207	200	233	211	197	227	224	237	187	229	207	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	201	[illegible]	225
Manchester	166	174	[illegible]	201	178	165	194	193	206	155	[illegible]	174	177	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marquette	183	190	[illegible]	218	195	180	210	206	221	172	[illegible]	190	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marshalltown	196	205	[illegible]	232	209	195	224	222	237	185	224	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mason City	199	210	[illegible]	236	216	197	227	227	242	[illegible]	230	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Hampton	193	202	[illegible]	230	206	189	221	219	234	182	222	202	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	225
Oelwein	178	187	180	[illegible]	191	178	206	206	218	167	207	187	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	182	172	210
[illegible]	199	[illegible]	202	[illegible]	211	200	231	229	244	189	231	207	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	195	231
Oskaloosa	186	197	191	222	201	187	217	214	229	178	217	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	191	184	219
Ottumwa	178	186	180	[illegible]	189	179	209	207	219	167	208	186	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	184	[illegible]	211
[illegible]	164	172	166	199	179	163	191	189	202	153	191	172	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	167	[illegible]	194
[illegible]	210	230	219	260	223	220	247	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	224	[illegible]	[illegible]
[illegible]	213	230	221	260	233	220	[illegible]	[illegible]	[illegible]	207	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	224	247	[illegible]	[illegible]	244	224	257	[illegible]	274	217	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Supplement No. 42—Freight Tariff No. 107-C.

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS. (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton Mass.	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.	Houlton Me.	Hudson N. Y.	Johnsonburg Pa.	Johnstown Pa.	Lewistown Pa.	Ligonier Pa.
IOWA—Conc.																					
Van Wert	199	208	202	235	211	200	231	229	244	189	231	207	212	202	196	302	228	194	195	205	195
Washington	174	182	175	209	186	174	204	201	215	163	202	182	187	176	171	271	200	166	167	179	168
Waterloo	187	195	188	221	199	185	213	212	226	176	216	195	198	189	185	284	210	179	180	190	181
Waukon	183	190	185	218	195	180	210	209	221	172	211	190	194	185	180	280	207	173	176	186	177
Webster	178	185	180	213	190	178	208	206	218	167	207	185	189	180	175	274	205	171	172	182	173
KANSAS																					
Anthony	251	261	256	290	266	257	286	286	301	241	285	261	266	254	247	362	284	250	248	258	250
Arkansas City	245	255	249	284	259	251	280	281	295	235	279	255	259	247	241	360	277	245	241	253	244
Atchison	210	223	217	252	229	218	250	247	265	201	249	223	228	213	207	328	246	211	208	220	210
Barnard	250	260	255	284	266	257	285	285	298	240	284	260	265	253	246	358	283	249	247	257	249
Barnes	224	244	233	275	244	237	263	269	286	217	266	240	247	227	221	350	263	227	224	240	227
Baxter Springs	228	238	232	269	243	236	265	265	283	218	264	238	244	230	225	347	261	229	224	237	228
Bazar	224	244	233	275	244	237	266	269	286	217	266	240	247	227	221	352	266	227	224	240	227
Bazine	263	273	267	296	277	268	297	298	310	253	296	273	276	265	257	368	294	261	258	269	261
Bellaire	249	260	252	290	265	235	284	282	298	239	284	259	264	251	246	362	280	248	245	257	246
Beloit	246	256	250	284	260	251	280	279	295	236	279	256	259	248	240	358	277	245	241	253	244
Belvidere	266	275	269	300	280	273	301	300	214	256	300	275	280	267	259	372	298	266	260	274	263
Brownell	263	273	267	296	277	268	297	298	310	253	296	273	276	265	257	368	294	261	258	269	261
Bucklin	266	275	269	300	280	273	301	300	314	256	300	275	280	267	259	372	298	266	260	274	263
Burr Oak	255	265	258	290	269	259	288	287	301	245	288	265	268	257	250	360	285	253	249	261	252
Caldwell	251	261	256	287	266	257	286	286	299	241	285	261	266	254	247	362	284	250	248	258	250
Cherryvale	221	240	229	272	244	234	263	265	283	213	263	237	244	224	218	350	263	224	221	237	223
Coffeyville	225	240	233	275	266	237	263	269	286	231	266	240	247	227	220	350	263	227	224	237	227
Colby	275	285	279	309	290	283	311	310	324	266	309	285	290	277	268	382	308	275	271	284	273
Concordia	231	250	239	281	250	244	269	275	292	224	272	247	253	234	227	355	269	234	237	250	233
Dodge City	268	278	272	302	284	275	303	302	316	258	302	278	283	270	263	374	300	267	265	275	266
Elkhart	285	295	289	319	300	293	320	320	334	275	319	295	300	287	278	392	318	285	281	293	283
Emporia	221	240	229	272	240	234	260	265	283	213	263	237	244	224	217	347	260	224	221	234	223
Englewood	275	285	289	310	290	283	311	310	324	266	310	285	290	277	269	382	308	275	270	284	273
Eureka	224	244	233	275	247	237	266	269	286	217	266	240	247	227	221	352	266	227	224	240	227
Fort Scott	213	231	223	263	234	227	253	259	277	207	257	227	234	217	207	341	253	217	213	227	216
Fort Scott #3	207	224	212	257	227	217	247	249	268	[illegible]	247	221	227	210	199	336	247	207	203	221	205
Fowler	274	284	277	308	288	280	309	308	322	264	308	284	288	275	268	380	306	274	269	281	272
Frankfort	221	240	229	272	240	234	260	265	283	213	263	237	244	224	217	347	260	224	221	234	223
Fredonia	224	244	233	275	244	237	266	269	286	217	266	240	247	227	218	350	266	227	224	237	227
Galatia	256	266	259	290	270	261	290	289	303	246	289	266	269	257	250	365	287	255	251	263	254
Garden City	275	285	279	309	290	283	311	310	324	266	309	285	290	277	268	382	308	275	271	284	273
Garnett	213	234	223	266	237	227	257	259	277	207	257	231	237	217	210	344	257	217	213	231	216
Goodland	283	294	288	319	299	288	318	317	331	273	318	294	298	284	278	388	315	280	279	291	281
Harper	251	261	256	286	266	257	286	286	299	241	285	261	266	254	247	362	284	250	248	258	250
Hays	257	267	261	293	273	264	293	291	305	248	291	257	271	259	253	365	289	257	254	265	255
Herington	229	244	233	275	247	237	266	269	286	219	269	240	247	231	221	352	266	227	227	240	230
Hoisington	250	260	255	287	266	257	285	289	298	240	284	260	265	253	246	362	283	249	247	257	249
Horace	284	294	288	318	299	290	319	318	331	275	318	294	298	286	277	390	316	284	280	291	282
Horton	213	234	223	262	234	224	253	256	274	207	257	227	237	217	207	337	253	213	213	227	216
Hutchinson	241	253	246	284	257	248	276	278	295	231	275	251	257	244	237	360	275	240	238	250	240
Iola	217	237	226	269	240	231	260	262	280	210	260	234	240	221	213	347	260	221	217	234	219
Jetmore	266	275	269	299	280	271	300	299	313	256	299	275	279	267	260	371	297	265	261	273	263
Kiowa	258	268	262	293	274	265	293	292	306	248	293	268	273	260	254	365	290	257	254	266	256
Kirwin	254	264	258	290	268	259	288	287	301	244	287	264	267	256	248	365	285	253	249	260	252
Larned	257	266	260	293	271	263	291	290	304	247	290	266	270	258	251	365	288	256	253	264	254
Lawrence	210	231	219	262	231	224	253	256	274	203	253	227	234	213	207	337	253	213	210	227	213
Leavenworth	210	223	217	252	229	218	250	247	265	201	249	223	228	213	203	325	246	211	208	[illegible]	210
Lenora	266	275	269	299	280	271	300	299	313	256	299	275	279	267	260	371	297	265	261	273	263
Liberal	279	289	283	313	294	285	314	313	327	269	313	289	293	281	275	384	311	278	275	286	277
Lost Springs	229	244	233	275	247	237	266	269	286	219	266	240	247	230	221	352	266	227	224	240	227

1920

Supplement No. 48—Freight Tariff No. 107-C.

dd to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations own on pages 99 to 98, inc., of Tariff, as nended, taking Rate asis:	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton Mass.	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.	Houlton Me.	Hudson N. Y.	Johnsonburg Pa.	Johnstown Pa.	Lewistown Pa.	Ligonier Pa.	Long Branch N. J.
KANSAS—Conc.																						
ucas	247	257	250	287	261	253	281	281	298	237	280	257	260	248	241	362	278	246	243	254	245	281
lanhattan	221	240	229	272	244	234	263	265	283	213	263	237	244	224	217	350	263	224	221	237	223	266
lanter	284	294	288	318	299	291	320	319	332	275	318	294	299	286	277	391	317	284	280	293	282	319
orton	261	273	266	298	277	267	297	296	310	251	297	273	276	264	257	368	294	260	257	269	260	297
akley	275	285	279	309	290	283	311	310	324	266	309	285	290	277	268	382	308	275	271	284	278	310
berlin	267	278	271	304	284	274	303	302	316	257	303	278	283	269	264	374	300	266	263	275	265	303
sborne	246	257	250	287	260	251	280	281	298	236	281	256	260	248	240	362	278	245	241	253	244	284
ttawa	213	234	223	265	234	227	253	259	277	207	257	227	237	217	210	340	253	217	213	227	216	260
aola	210	231	219	261	231	224	253	256	274	203	253	227	234	213	207	336	253	213	210	227	213	257
ittsburg	213	234	223	266	237	231	257	259	277	207	257	231	237	217	210	344	257	221	213	231	216	263
lainville	257	267	261	293	273	264	293	291	305	248	291	267	271	259	253	365	289	257	254	265	255	291
ratt	257	266	260	290	271	263	293	290	305	247	290	266	271	258	249	365	289	257	251	265	254	291
. Francis	281	290	285	316	295	284	312	311	325	271	314	290	294	284	277	383	309	276	276	287	279	314
alina	234	250	239	281	250	244	269	275	292	224	272	247	253	236	229	355	269	234	231	244	233	275
atanta	275	285	279	309	290	283	311	310	324	266	309	285	290	277	268	382	308	275	271	284	278	31
cott City	275	285	279	309	290	283	311	310	324	266	309	285	290	277	268	382	308	275	271	284	273	310
every	227	247	236	278	247	240	269	272	289	221	269	244	250	231	221	352	269	231	227	240	230	272
tockton	251	263	256	293	266	257	286	287	301	241	285	261	266	254	248	365	284	250	248	258	259	287
trong City	224	244	233	275	244	237	263	269	286	217	266	234	247	227	217	350	263	227	224	237	227	[illegible]
udley	266	276	270	300	281	274	302	301	315	257	300	276	281	268	260	373	299	266	263	275	264	[illegible]
opeka	213	234	223	266	237	227	257	259	277	207	257	231	237	217	210	344	257	217	213	231	216	[illegible]
urkey Creek	281	291	286	315	296	288	317	316	330	271	315	291	296	284	275	386	314	281	277	289	280	316
aughn	261	271	266	295	276	267	296	296	309	251	295	271	275	264	257	368	293	260	257	268	260	295
akeeney	265	275	268	298	279	270	299	298	312	255	298	275	278	266	258	370	296	264	260	271	263	298
auneta	235	247	240	278	250	244	270	275	289	225	269	245	250	237	230	355	269	235	231	244	233	275
hiting	213	221	223	262	234	227	253	259	276	207	257	231	237	203	210	337	253	217	210	227	216	260
ichita	237	250	242	281	253	247	272	278	292	227	275	247	253	239	233	358	272	237	234	247	237	278
ilson	246	257	250	287	260	251	280	281	298	236	279	256	260	[illegible]	240	360	277	245	241	253	244	281
olf	275	285	279	309	290	283	311	310	324	266	309	285	290	277	268	382	308	275	271	284	273	310
MICHIGAN																						
alumet	207	221	209	245	221	193	221	221	236	199	237	215	219	210	210	298	220	193	199	213	202	234
scanaba	172	183	170	207	183	156	185	184	195	161	197	176	177	174	173	251	182	156	162	173	163	198
on Mountain	172	183	170	207	183	156	185	184	195	161	197	176	177	174	173	251	182	156	162	173	163	198
onwood	207	218	209	244	221	193	221	221	232	199	237	215	219	210	207	298	218	191	199	212	202	234
arquette	191	206	190	223	202	173	202	202	213	180	216	196	196	194	196	270	199	175	180	190	184	217
unising	172	183	170	207	183	156	185	184	195	161	197	176	177	174	173	251	182	156	162	173	163	198
ult Ste. Marie	177	187	167	201	178	147	179	178	189	166	191	173	172	179	177	248	176	151	161	169	168	194
dnaw	191	202	190	227	202	176	205	193	214	[illegible]	217	196	197	194	193	271	201	176	182	193	183	218
atersmeet	197	206	196	231	208	181	209	208	219	186	222	201	203	199	198	280	206	180	186	198	189	224
MINNESOTA																						
lbert Lea	203	219	212	244	224	199	231	233	251	196	242	219	221	207	203	312	217	199	199	213	202	242
midji	237	260	242	278	253	226	256	256	274	231	269	250	250	240	237	339	253	227	231	244	233	265
rainerd	227	250	233	272	247	218	247	249	268	221	263	244	244	231	228	333	244	217	224	237	227	257
rookston	260	269	252	290	266	243	271	270	285	240	281	260	263	253	251	350	268	243	244	257	246	280
elano	213	237	219	260	234	203	234	236	255	207	253	231	231	217	213	324	234	207	210	224	213	247
troit Lakes	237	260	242	281	253	227	255	259	277	231	272	250	253	240	234	341	253	231	231	247	233	266
uluth	217	232	219	256	232	203	231	235	252	209	248	228	230	221	217	313	231	203	210	222	212	244
don	234	257	236	275	250	218	247	249	268	224	266	244	247	228	231	336	247	221	224	240	230	260
y	231	253	236	275	250	217	247	249	268	224	266	244	247	234	231	336	247	221	224	241	227	257
rmont	210	230	215	256	231	210	237	243	250	203	250	227	231	213	210	324	237	207	207	221	209	250
ribault	207	220	213	251	227	203	231	235	252	196	244	220	223	210	207	313	231	203	203	216	[illegible]	244
rgus Falls	234	257	239	278	253	225	255	256	274	227	272	247	250	237	234	341	253	227	231	244	233	264
lwood	224	246	226	266	240	210	237	243	262	217	257	237	237	227	224	327	237	210	217	231	219	250
eton	244	266	246	284	260	234	264	262	277	233	278	253	257	247	244	368	260	235	237	250	240	273
nwood	227	250	233	272	247	217	244	249	268	221	263	240	244	231	227	333	244	221	221	237	227	257

Supplement No. [illegible]—Freight Tariff No. 107-C.

Add to page 347 of Tariff

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton Mass.	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.	Houlton Me.	Hudson N. Y.	Johnsonburg Pa.	Johnstown Pa.	Lewistown Pa.	Ligonier Pa.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																				
MINNESOTA—Conc.																					
Grand Rapids	227	250	233	269	247	213	244	246	265	221	263	240	240	231	227	333	244	217	221	237	223
Granite Falls	227	247	233	272	244	217	244	249	268	217	263	240	244	231	224	333	244	221	221	237	225
Hackensack	234	257	239	278	253	224	253	256	274	227	269	247	250	237	234	339	250	224	231	244	233
Hinckley	217	232	219	256	232	206	237	235	252	209	248	226	230	221	217	313	234	209	210	222	212
Hornby	224	246	226	266	240	210	237	243	262	217	257	237	237	227	224	327	237	213	217	231	219
International Falls	240	263	242	281	257	228	257	256	274	231	272	250	253	244	239	341	254	227	231	247	[illegible]
Little Falls	224	247	229	269	244	213	244	248	265	217	260	237	240	227	224	330	240	217	217	234	219
McGregor	224	247	226	266	240	210	237	243	252	217	257	237	237	227	224	327	237	213	217	231	219
Madelia	217	230	223	257	235	210	240	243	262	209	253	230	232	221	213	324	240	213	210	224	213
Mankato	213	229	219	257	231	207	234	239	257	203	249	226	228	217	210	318	234	208	207	220	209
Marshall	224	247	229	272	244	221	247	252	268	217	263	237	244	227	224	336	247	221	221	234	221
Milaca	221	240	226	266	237	210	237	243	259	210	257	234	237	224	217	327	237	210	213	227	216
Minneapolis	210	226	215	255	229	199	231	233	252	203	247	222	227	213	210	313	227	203	203	219	205
Morris	231	253	236	275	250	221	250	252	271	224	266	244	247	234	231	336	250	224	224	234	227
Norwood	217	233	223	263	237	207	234	239	259	207	253	230	234	221	213	321	234	210	210	227	213
Pipestone	224	247	233	272	244	224	250	256	274	217	263	240	244	227	224	339	250	221	221	234	224
Red Wing	203	215	206	244	219	196	227	227	243	194	239	212	218	207	203	304	226	199	197	210	199
Remer	231	253	233	272	247	217	244	246	265	224	263	240	244	234	231	333	244	217	224	237	227
Rochester	203	212	206	240	218	196	224	225	242	193	234	212	215	207	199	302	224	196	196	208	199
St. Cloud	221	240	226	266	237	210	237	243	262	210	257	234	237	224	217	327	237	210	213	227	216
Sanborn	217	240	226	266	237	213	244	246	265	210	257	234	237	221	217	333	244	213	213	231	216
Spring Valley	199	210	203	237	216	196	224	225	242	190	234	210	213	203	197	302	224	195	195	206	196
Thief River Falls	250	269	252	288	263	243	271	270	283	240	280	260	260	253	251	347	268	243	244	254	245
Virginia	225	250	229	269	244	213	240	243	262	217	260	237	240	231	227	330	240	213	221	234	225
Wadena	231	253	236	275	250	221	250	252	271	224	266	244	247	234	228	336	247	224	224	240	227
Warroad	266	281	267	303	277	257	286	286	295	256	295	273	275	267	266	358	284	257	258	268	261
Willmar	224	247	229	269	240	213	240	246	265	217	260	237	240	227	221	330	240	217	217	234	219
Winona	193	200	193	230	207	186	217	216	231	182	223	200	202	195	190	290	215	187	185	195	186
Winthrop	217	240	226	266	237	210	237	243	262	210	257	234	237	221	217	327	237	213	213	227	216
Worthington	221	240	226	266	240	217	247	249	268	213	244	234	237	224	217	334	247	217	213	231	216
MISSOURI																					
Boonville	188	196	191	224	201	195	222	220	232	177	220	196	200	190	182	295	219	186	184	193	184
Bucklin	188	196	191	224	201	195	222	220	232	177	220	196	200	190	182	295	219	186	184	193	184
Carrollton	196	207	201	235	212	204	232	231	245	187	231	207	211	200	194	309	229	196	194	204	195
Chillicothe	193	201	196	229	207	197	227	224	236	182	226	201	206	195	188	300	223	182	188	198	190
Eldon	193	207	201	234	212	204	232	231	242	185	231	207	211	196	185	305	229	196	193	204	195
Gilmore	168	176	171	205	182	175	202	201	212	157	200	176	182	171	162	272	199	167	164	174	164
Glenwood Jct	178	197	181	215	193	183	212	210	222	167	211	187	191	180	174	284	209	176	174	184	175
Higginsville	198	207	201	234	212	204	232	231	242	187	231	207	211	200	193	305	229	196	194	204	195
Holden	203	215	208	242	220	210	240	239	253	194	239	215	219	207	196	314	237	202	200	211	202
Jefferson City	188	196	191	224	201	195	222	220	232	177	220	196	200	190	182	295	219	186	184	193	184
Kansas City	207	223	215	252	227	218	247	247	265	199	249	221	227	210	199	325	246	210	207	220	209
Kirksville	178	187	181	215	193	183	212	210	222	167	211	187	191	180	174	284	209	176	174	184	175
Labadie	168	176	171	205	182	175	202	201	242	157	200	176	182	171	162	272	199	167	164	174	164
Macon	178	187	181	215	193	183	212	210	222	167	211	187	191	180	174	284	209	176	174	184	175
Mexico	175	184	178	211	189	179	209	207	219	164	208	184	188	177	171	280	206	173	171	180	172
Milan	188	196	191	224	201	195	222	220	232	177	220	196	200	190	182	295	219	186	184	193	184
Moberly	178	187	181	215	193	183	212	210	222	167	211	187	191	180	174	284	209	176	174	184	175
Moscow	168	176	171	205	182	175	202	201	212	157	200	176	182	171	162	272	199	167	164	174	164
St. Joseph	207	223	215	252	227	218	247	247	265	199	249	223	225	210	203	325	246	210	207	220	209
Salisbury	188	196	191	224	201	195	222	220	232	177	220	196	200	190	182	295	219	186	184	193	184
Sedalia	196	207	201	234	212	204	232	231	242	187	231	207	211	[illegible]	193	305	229	196	194	204	195
Trenton	198	207	201	[illegible]	212	204	232	231	215	187	231	207	211	[illegible]	194	309	229	196	194	204	[illegible]
Waverly	196	207	201	[illegible]	212	204	232	231	242	187	231	207	211	[illegible]	188	305	228	[illegible]	194	204	195
Windsor	198	207	201	234	212	204	232	231	242	182	231	207	211	200	193	[illegible]	229	[illegible]	191	204	[illegible]

1922

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 288, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:																					
	Elkins W. Va	Elkton Va	Erwin W. Va	Franklin City Va	Frederick Md	Geneva N. Y	Glens Falls N. Y	Gloversville N. Y	Grafton Mass	Grafton W. Va	Greenwood Del	Hagerstown Md	Harrisburg Pa	Hendricks W. Va	Hinton W. Va	Houlton Me	Hudson N. Y	Johnsonburg Pa	Johnstown Pa	Lewistown Pa	Ligonier Pa	Long Branch N. J
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																					
NEBRASKA																						
Albion	234	253	242	281	253	240	269	272	289	227	272	250	253	237	231	352	269	231	231	247	233	275
Alliance	293	301	296	328	306	294	323	322	336	283	325	301	305	294	289	393	320	287	287	298	290	325
Auburn	217	237	226	269	240	231	257	262	277	210	260	234	240	221	213	342	257	221	217	234	223	263
Beatrice	224	244	233	275	247	237	263	269	286	217	266	240	247	227	221	350	263	227	224	240	230	269
Belmar	279	298	283	315	294	283	311	310	324	269	313	289	293	281	276	382	308	275	275	398	277	313
Belvidere	231	250	239	281	250	240	260	272	289	224	272	247	253	234	227	355	260	234	231	244	233	275
Bridgeport	293	301	295	327	306	294	323	322	336	283	325	301	305	294	288	393	320	287	287	298	290	325
Broken Bow	255	266	256	293	266	255	284	284	301	245	285	261	266	257	248	362	280	248	248	290	250	287
Burwell	248	263	252	290	266	250	279	281	298	239	281	260	263	250	248	362	278	246	244	255	248	287
Callaway	255	269	256	296	269	257	284	287	304	245	287	266	269	257	248	368	284	250	248	263	250	290
Campbell	240	260	249	287	260	250	275	278	295	234	278	253	260	244	238	360	275	240	240	253	243	284
Columbus	227	247	236	275	250	234	263	265	283	221	266	244	247	231	224	350	263	227	224	240	230	272
Crawford	296	307	299	336	310	297	327	326	340	286	329	305	307	298	296	397	324	291	291	301	293	329
Falls City	213	234	223	266	244	227	253	259	277	207	257	231	237	217	210	338	253	217	213	231	216	260
Fremont	224	243	229	269	244	231	257	262	277	217	263	237	240	227	221	342	257	221	221	234	223	266
Grand Island	237	257	246	284	257	244	269	275	292	231	275	250	257	240	234	355	269	234	234	247	237	278
Hastings	237	257	246	284	257	244	272	275	292	231	275	250	257	240	234	358	272	234	234	250	237	278
Holdrege	248	263	252	290	263	250	278	281	298	238	281	260	263	249	245	362	278	244	243	257	245	284
Imperial	290	299	293	325	304	293	320	320	334	280	323	299	303	293	286	392	318	285	285	272	287	323
Inman	254	266	257	293	267	256	284	284	301	244	286	263	266	256	249	362	281	250	248	250	251	287
Kearney	240	260	249	287	263	250	275	278	295	234	281	257	260	244	237	360	275	240	240	253	243	284
Lincoln	224	244	233	272	244	231	260	262	280	217	263	240	244	227	221	346	260	224	221	237	223	266
Loup City	240	260	249	287	263	247	275	278	295	234	278	257	260	244	239	360	275	240	237	253	240	281
Lyons	224	243	233	272	244	231	257	262	280	217	263	240	244	227	221	342	257	221	221	234	223	266
McCook	266	277	271	303	283	270	299	298	312	258	301	277	281	270	264	370	296	264	263	275	265	301
Moorefield	261	272	265	299	275	264	293	291	307	251	294	270	275	264	259	370	289	257	257	267	259	294
Mullen	274	281	276	307	286	275	303	302	316	264	305	281	285	275	268	374	300	267	267	278	270	305
Nebraska City	217	233	226	263	239	226	253	255	270	210	260	233	237	221	213	332	253	217	217	230	219	260
Newport	247	266	252	290	263	248	276	276	289	237	281	260	263	248	245	352	274	240	240	253	243	278
Norfolk	234	253	239	281	253	234	263	265	283	227	272	247	253	237	231	350	263	231	231	244	233	275
North Platte	266	276	270	302	281	269	298	297	311	257	300	276	280	268	264	370	296	264	263	274	264	300
Omaha	217	233	226	263	237	224	253	255	270	210	257	233	237	221	213	332	253	217	213	230	219	260
Ord	244	263	249	290	263	250	275	281	298	237	281	257	263	247	241	360	275	240	240	253	243	284
Plainview	234	257	242	281	253	237	263	269	283	227	272	250	253	237	234	350	263	231	231	244	233	275
Pleasanton	245	263	252	290	263	250	278	281	298	237	281	257	263	247	244	355	275	241	240	253	243	284
Sanborn	281	290	285	316	295	284	312	311	325	271	314	290	294	284	277	383	309	276	278	287	279	314
Sargent	251	269	255	286	266	250	283	284	298	241	284	260	265	254	250	362	279	248	247	257	249	287
Scottsbluff	297	308	300	332	311	311	328	327	340	287	329	306	310	299	293	398	325	293	291	303	294	329
Sidney	293	301	295	327	306	306	323	322	336	283	325	301	305	294	288	393	320	287	287	298	290	325
[illegible]	301	310	304	336	315	315	332	331	345	291	334	310	314	303	297	402	329	295	298	307	299	334
Spalding	237	257	246	284	257	248	272	275	292	231	275	253	257	240	234	355	269	234	234	247	237	278
Stapleton	270	279	278	305	284	284	301	300	315	260	303	279	284	273	266	375	298	267	268	276	267	308
Superior	234	253	242	284	253	247	272	275	292	227	275	250	257	237	231	358	272	237	234	327	237	278
Valentine	267	277	271	308	288	263	296	295	308	257	298	277	278	269	265	365	293	260	260	271	263	298
Wallace	274	288	277	308	287	287	304	303	317	264	306	282	286	275	271	375	301	268	268	279	271	306
[illegible]	231	250	239	278	250	238	266	[illegible]	[illegible]	224	269	247	250	234	227	352	296	231	227	244	230	272
NORTH DAKOTA																						
[illegible]	297	309	298	[illegible]	309	287	318	315	329	287	327	304	307	299	298	386	313	289	290	300	292	327
[illegible]	317	321	318	355	329	308	335	334	348	307	347	324	327	318	318	405	332	310	310	320	312	347
[illegible]	276	288	277	314	298	296	[illegible]	296	308	290	305	284	286	278	276	366	293	267	269	279	272	306
[illegible]	294	296	286	322	296	274	302	301	315	275	314	291	294	286	286	373	299	276	277	287	280	314
[illegible]	295	302	[illegible]	328	302	279	308	298	321	280	320	297	[illegible]	293	293	378	305	283	284	293	285	320

Add to page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto see Item No. 8½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton Mass.	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.	Houlton Me.	Hudson N. Y.	Johnsonburg Pa.	Johnstown Pa.	Lewistown Pa.	Ligonier Pa.
NORTH DAKOTA—Conc.																					
Conway	259	278	262	297	272	250	279	278	292	250	289	266	270	261	264	355	276	253	255	264	257
Crosby	312	324	313	346	324	301	329	329	342	302	338	319	322	314	313	401	327	305	305	315	307
Devils Lake	268	281	269	306	280	259	289	288	302	253	298	275	278	270	269	360	286	259	261	271	263
Dickinson	303	315	304	340	315	293	320	320	334	293	333	310	313	305	305	392	318	296	296	306	299
Drake	277	290	278	315	289	266	295	295	308	267	307	284	287	279	278	366	293	268	269	279	272
Fargo	243	263	246	287	260	234	261	262	280	234	278	253	260	245	243	347	260	235	237	250	240
Gascoyne	300	311	302	338	314	293	324	323	337	290	330	309	311	302	300	394	320	293	293	304	295
Glenullen	294	306	298	332	306	284	312	311	325	284	324	301	304	296	296	383	309	287	287	297	290
Grand Forks	256	272	257	293	269	247	275	275	288	246	285	263	266	257	257	352	273	248	248	260	251
Grenora	324	338	325	362	336	314	343	341	356	314	354	330	334	326	327	413	339	317	317	327	319
Hannaford	257	272	258	296	268	247	275	275	289	247	287	266	269	258	257	355	273	248	249	260	252
Hannah	274	288	275	311	285	265	293	292	306	264	303	280	284	275	277	365	290	266	268	277	272
Hansboro	276	289	277	314	288	267	297	296	310	266	306	284	286	278	277	368	294	267	269	279	272
Havana	246	266	249	290	263	239	267	267	283	237	281	253	263	248	245	350	265	238	240	253	243
Hazen	297	308	298	335	309	286	315	314	328	287	327	304	307	299	298	385	312	289	290	300	292
Hillsboro	249	269	252	290	266	239	268	269	286	240	281	260	263	251	249	350	266	241	243	257	245
Jamestown	259	275	260	297	272	248	277	277	292	249	289	266	269	261	259	355	275	251	253	263	254
Kenmare	299	312	300	335	311	288	317	346	330	289	327	306	309	301	301	387	314	293	293	302	294
Killdeer	308	319	310	347	320	298	327	326	340	298	338	316	319	310	308	397	324	301	302	312	304
Lake Williams	273	284	273	310	284	260	290	289	303	263	302	279	283	275	274	362	287	265	266	275	267
Lansford	295	308	296	333	307	285	314	313	327	285	325	302	305	297	298	384	311	288	289	298	291
Leeds	274	286	275	311	285	265	294	293	307	264	303	280	284	275	275	365	291	266	266	276	269
Marmarth	308	320	311	348	324	301	333	332	346	298	340	318	320	310	308	403	329	301	300	313	303
Max	289	302	290	327	301	278	307	306	320	279	319	296	299	291	293	377	304	281	283	293	284
Minot	289	302	290	327	301	278	307	306	320	279	319	296	299	291	293	377	304	281	283	293	284
Moffit	279	291	280	317	291	268	297	296	310	269	309	286	289	281	280	367	294	271	273	283	274
Neche	275	289	276	312	286	266	294	293	307	265	304	281	284	276	277	365	291	266	267	277	270
New England	303	315	304	340	315	293	320	320	334	293	333	310	313	305	305	392	318	296	296	306	299
New Leipzig	291	301	293	329	304	287	316	315	329	281	320	299	301	293	290	386	313	284	284	294	287
New Rockford	266	278	267	303	277	255	284	282	296	256	295	273	275	263	266	360	280	257	257	267	260
Oakes	251	269	252	290	264	239	269	269	283	241	281	260	263	254	251	350	266	244	244	257	245
Omemee	286	298	287	324	298	276	305	305	318	276	316	293	296	288	287	375	302	278	279	289	281
Pembina	268	284	269	306	280	259	288	287	301	258	298	275	278	270	271	360	285	260	261	271	263
St. John	279	291	280	317	291	269	298	297	311	269	309	286	289	281	279	368	295	270	273	283	274
Sanish	302	315	303	339	314	291	320	319	332	293	332	309	312	304	305	391	317	294	295	305	297
Sarles	279	293	280	317	291	270	300	299	313	269	309	286	289	281	280	371	297	270	273	283	274
Sherwood	299	312	300	337	311	289	318	317	331	289	329	306	309	301	302	388	315	293	293	302	295
Shields	281	291	283	319	294	277	306	305	319	271	311	289	291	284	280	376	303	274	275	284	277
Steele	270	281	271	308	283	259	288	287	301	260	300	277	280	273	270	362	285	261	263	274	265
Streeter	270	281	271	308	283	259	288	287	301	260	300	277	280	273	270	358	285	261	263	274	265
Turtle Lake	283	295	283	320	294	271	300	299	313	273	312	289	293	284	283	371	297	274	275	284	276
Valley City	254	269	255	293	266	241	271	272	286	244	284	263	266	256	254	352	268	246	247	257	249
Wahpeton	243	260	243	281	257	233	261	260	277	233	275	250	253	245	243	344	258	235	236	247	237
Walhalla	279	294	280	317	291	270	299	296	312	269	309	286	289	281	282	370	296	271	273	283	274
Watford City	324	338	325	362	336	314	343	341	356	314	354	330	334	326	327	413	339	317	317	327	319
White Earth	306	318	307	340	318	295	324	323	337	296	333	313	316	308	307	394	320	299	299	309	301
Williston	312	324	313	346	324	301	329	329	342	302	338	319	322	314	313	401	327	305	305	315	307
Wilton	284	296	286	322	296	274	302	301	315	275	314	291	294	286	298	373	299	276	277	287	280
Wishek	270	281	271	308	283	259	288	287	301	260	300	277	280	273	270	358	285	261	263	274	265

1924

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 286, inc., of Tariff, as amended, taking Rate Basis:	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton Mass.	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.	Houlton Me.	Hudson N. Y.	Johnsonburg Pa.	Johnstown Pa.	Lewistown Pa.	Ligonier Pa.	Long Branch N. J.
	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:																					
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																					
SOUTH DAKOTA																						
Aberdeen	248	266	252	290	263	244	273	271	286	238	281	260	263	250	247	352	269	240	240	257	244	277
Belle Fourche	310	312	303	339	316	298	328	326	340	291	334	311	313	303	300	398	325	293	293	304	296	334
Belvidere	273	283	276	310	286	263	298	297	311	263	303	281	284	275	270	368	295	265	266	276	267	303
Bristol	241	263	246	287	260	236	265	265	280	234	278	257	260	244	241	347	261	235	237	250	240	272
Chamberlain	245	263	249	290	263	244	269	275	289	237	281	257	263	247	241	355	269	240	240	253	243	281
Conata	284	293	286	320	297	280	305	308	322	274	314	293	294	285	281	380	306	275	276	287	279	314
Cottonwood	286	294	288	322	299	283	311	310	324	276	316	294	296	288	284	382	308	277	280	289	282	316
Deadwood	297	306	300	334	311	293	322	321	335	287	328	306	308	299	294	393	319	289	290	301	292	328
Edgemont	306	315	309	343	320	304	333	332	346	296	338	315	318	308	303	403	329	299	299	311	300	338
Fairfax	254	272	259	296	269	253	280	284	298	244	287	266	269	256	250	352	278	247	248	260	250	281
Faith	296	307	298	334	311	291	320	319	332	286	326	304	306	298	296	391	317	288	290	299	292	326
Faulkton	255	269	256	294	269	250	280	278	293	245	286	264	266	257	256	355	277	248	248	259	253	286
Gettysburg	260	275	261	299	274	257	287	286	300	250	293	268	273	263	261	360	284	255	255	266	257	293
Grenville	256	269	257	293	267	246	275	273	287	246	285	263	266	257	256	352	271	248	248	258	251	285
Highmore	255	269	256	293	266	251	280	279	293	245	285	263	266	257	256	358	277	248	248	258	250	285
Huron	240	260	241	284	260	237	264	269	286	234	275	253	257	244	240	350	260	237	234	250	237	275
Isabel	285	295	287	323	298	281	310	309	322	275	315	293	295	287	284	381	307	277	278	288	281	315
Lemmon	291	302	293	329	304	284	315	314	328	281	320	299	301	293	291	385	312	284	284	294	286	320
Madison	231	253	236	275	250	227	257	259	277	224	269	244	247	234	227	344	257	227	227	240	230	269
Matra	271	281	273	309	284	267	296	296	309	261	301	279	281	274	270	366	293	264	265	275	267	301
Milbank	234	257	239	278	253	225	254	256	274	227	272	247	250	237	234	341	253	227	231	244	233	266
Mitchell	234	257	242	281	253	234	260	265	283	227	272	250	253	237	234	347	260	231	231	241	233	272
Mobridge	271	281	273	309	284	267	296	296	309	261	301	279	281	274	270	366	293	264	265	275	267	301
Nowlin	279	288	280	315	291	276	305	305	318	269	310	286	290	281	277	375	302	271	273	284	274	310
Owanka	290	298	292	326	303	286	315	314	328	280	320	298	300	293	287	385	312	281	284	293	285	320
Pierre	266	276	267	303	277	265	293	292	306	257	298	273	278	268	267	364	290	260	259	271	262	298
Platte	244	263	249	287	263	240	269	272	289	237	278	257	260	247	249	355	269	240	237	253	240	251
Rapid City	293	302	296	329	307	289	318	317	331	284	324	302	304	295	290	388	315	285	286	297	289	324
Redfield	244	266	249	287	263	240	268	269	286	250	281	257	260	247	245	352	266	240	240	253	243	278
Sioux Falls	227	245	233	272	247	224	253	256	274	221	263	240	244	231	224	338	253	224	224	237	227	266
Vivian	257	272	260	296	272	255	284	282	298	248	288	266	269	259	256	362	280	250	249	263	253	288
Watertown	234	257	239	281	253	231	257	262	277	227	272	247	253	237	234	344	257	231	231	244	233	269
Winner	261	275	263	300	277	260	290	289	304	251	293	273	273	264	260	368	287	256	257	266	259	293
Yankton	231	253	236	278	250	231	257	262	280	224	269	247	250	234	227	344	257	227	227	240	230	269

WISCONSIN (For Rate Basis Numbers, see pages 38 to 42 of this supplement)

WYOMING (For Rate Basis Numbers, see pages 38 to 42 of this supplement)

1925

Supplement No. 43—Freight Tariff No. 407-C.

Add to page 347 of Tariff

SECTION 1¼—Continued

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 287 to 340 of Tariff, as amended).

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis	Lynchburg Va	Madawaska Me	Malone N Y	Mars Hill Me	Marybill W Va	Middletown N Y	Midway Va	Mineola N Y	Montauk N Y	New York N Y	Norfolk Va	Oakfield Me	Ogdensburg N Y	Olean N Y	Oneonta N Y	Patchogue N Y	Petersburg W Va	Philadelphia Pa	Piercefield N Y	Pig Point Va	Pittsfield Mass
COLORADO																					
Akron	301	411	316	402	302	324	306	331	345	324	322	385	315	287	310	336	302	317	315	330	320
Amherst	293	405	306	393	293	314	296	321	335	314	312	376	305	277	300	325	293	307	305	320	310
Bethune	303	419	320	407	303	327	309	334	348	327	324	390	319	291	313	338	305	320	319	332	326
Branson	332	448	349	436	333	356	338	363	377	356	353	419	348	320	344	367	334	348	348	361	354
Cheyenne Wells	297	415	317	403	299	322	304	329	343	322	317	386	316	288	311	333	300	315	316	325	320
Colorado Springs	323	439	340	427	324	347	329	354	368	347	344	410	339	312	335	358	325	339	339	352	345
Crest	313	427	329	415	314	336	318	343	357	336	334	398	328	300	323	347	314	329	328	342	333
Denver	323	439	340	427	324	347	329	354	368	347	344	410	339	312	335	358	325	339	339	352	345
Eads	301	421	322	409	304	327	309	334	348	327	322	392	320	293	310	338	305	320	320	330	326
Holly	296	415	317	403	299	322	304	329	343	322	317	386	316	288	311	333	300	315	316	325	320
Keota	310	423	325	411	310	333	315	340	354	333	330	394	324	296	319	344	311	326	324	338	329
La Junta	311	431	332	419	314	337	319	344	358	337	332	402	330	303	326	348	315	329	330	340	336
Lamar	309	425	327	413	310	333	315	340	354	333	329	396	326	298	320	344	311	326	326	337	330
Limon	311	431	332	419	314	337	319	344	358	337	332	402	330	303	326	348	315	329	330	340	336
[illegible]	315	432	333	420	316	338	321	345	359	338	336	403	332	304	327	349	317	332	332	344	337
Pritchett	301	422	323	410	304	328	309	335	349	328	322	393	322	293	317	339	305	320	322	330	327
Pueblo	323	439	340	427	324	347	329	354	368	347	344	410	339	312	335	358	325	339	339	352	345
Sterling	301	414	316	402	302	324	306	331	345	324	322	385	315	287	310	335	302	317	315	330	320
Trinidad	323	439	340	427	324	347	329	354	368	347	344	410	339	312	335	358	325	339	339	352	345
Wild Horse	302	419	320	407	304	327	309	334	348	327	323	390	320	293	315	338	305	320	320	331	325
IOWA																					
Albia	193	301	206	289	193	215	195	222	236	215	210	272	205	176	198	226	191	207	205	218	209
Alton	227	335	238	323	213	237	225	247	261	240	246	306	227	202	224	251	221	232	231	254	235
Atlantic	228	344	239	332	217	248	228	255	269	248	248	315	239	207	232	259	224	240	239	256	243
Audubon	228	344	239	332	221	248	231	255	269	248	248	315	239	207	232	259	227	240	239	256	243
Carnarvon	231	346	242	331	217	247	232	258	272	251	256	317	237	207	234	262	224	243	240	264	246
Carroll	227	344	239	332	213	247	229	255	269	248	248	315	237	207	232	259	224	240	238	256	243
Cedar Rapids	187	292	198	280	186	204	188	211	225	204	205	263	195	166	188	215	184	198	195	213	190
Centerville	193	301	206	289	193	215	195	222	236	215	210	272	205	176	198	226	191	207	205	218	209
Charles City	205	316	215	304	203	218	209	231	245	224	226	287	213	187	209	235	205	216	213	234	220
Cherokee	234	355	247	343	221	250	236	264	278	257	260	326	247	213	237	268	231	250	244	268	250
Clarinda	231	350	244	338	217	256	232	260	274	253	253	321	240	210	238	264	224	245	244	261	250
Corydon	212	330	227	318	203	231	212	238	252	231	236	301	227	196	219	242	208	223	227	238	229
Creston	222	338	232	326	210	241	221	248	262	241	242	309	232	200	226	252	217	233	232	250	238
Decorah	200	306	210	294	199	219	201	226	240	219	218	277	206	179	201	230	197	211	208	226	212
Des Moines	212	323	223	311	207	230	212	237	251	230	230	294	223	193	217	241	208	222	223	238	228
Fairfield	185	292	197	280	185	205	187	212	226	205	201	263	197	165	189	216	183	197	197	209	200
Fort Dodge	221	335	231	323	210	240	223	247	261	240	240	306	231	202	224	251	219	232	231	248	235
Grinnell	199	308	210	296	199	218	202	225	239	218	217	279	210	179	202	229	198	210	210	225	213
Herndon	221	335	231	323	210	240	223	247	261	240	240	306	231	199	24	251	217	232	231	248	235
Iowa City	189	289	193	277	183	200	184	207	221	200	201	260	193	163	85	211	180	193	193	209	196
Iowa Falls	209	316	219	304	203	228	212	235	249	228	228	287	219	189	212	239	208	220	219	236	223
Manchester	178	283	187	271	177	196	179	203	217	196	196	254	186	157	197	207	175	188	186	204	190
Maquoketa	195	301	205	289	193	213	195	220	234	213	212	272	200	174	197	224	191	206	202	220	207
Marshalltown	208	316	219	304	199	226	210	233	247	226	227	287	219	187	210	237	206	218	219	235	221
Mason City	211	322	221	310	207	224	215	237	251	230	232	293	219	193	215	241	211	222	219	240	226
New Hampton	204	314	213	302	199	217	207	229	243	222	224	285	211	185	207	233	204	215	211	232	218
Oelwein	190	297	200	285	189	200	192	216	230	209	209	268	199	190	194	220	188	201	199	217	202
Osceola	212	323	223	311	207	230	212	237	251	230	230	294	223	193	217	241	208	222	223	238	228
Oskaloosa	199	308	210	296	196	218	202	225	239	218	217	279	210	179	202	229	198	210	210	225	213
Ottumwa	189	299	201	289	189	240	191	217	231	210	207	269	201	172	195	221	187	202	201	215	206
[illegible]	175	[illegible]	185	268	175	193	177	201	215	191	194	251	184	155	177	205	173	186	184	202	188
[illegible]	231	350	244	338	[illegible]	250	232	260	274	253	254	321	240	210	238	264	224	247	244	262	250
Shenandoah	[illegible]	356	244	[illegible]	221	253	231	264	268	247	254	321	240	212	238	258	227	245	246	262	250
[illegible]	241	377	251	338	231	257	242	267	281	260	267	428	247	221	244	271	247	252	248	275	256
[illegible]	231	356	240	334	221	244	232	237	251	256	256	317	236	207	234	261	227	243	237	264	243

1926

Supplement No. 42—Freight Tariff No. 107-C.

…to page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis

AND Western Stations shown on pages 99 to [illegible] inc., of Tariff, as amended, taking Rate Basis

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 26 to 340 of Tariff, as amended)

	Lynchburg Va.	Madawaska Me.	Malone N. Y.	Mars Hill Me.	Marybill W. Va.	Middletown N. Y.	Midway Va.	Mineola N. Y.	Montauk N. Y.	New York N. Y.	Norfolk Va.	Oakfield Me.	Ogdensburg N. Y.	Olean N. Y.	Oneonta N. Y.	Patchogue N. Y.	Petersburg W. Va.	Philadelphia Pa.	Piercefield N. Y.	Pig Point Va.	Pittsfield Mass.	Port Jervis N. Y.
IOWA—Conc.																						
Van Wert	212	323	223	311	207	230	212	237	251	230	230	294	223	193	217	241	208	222	223	238	228	228
Washington	185	292	197	280	185	205	187	212	226	205	201	263	197	165	189	216	183	197	197	209	200	200
Waterloo	196	305	207	293	196	216	200	223	237	216	216	276	207	178	200	227	196	208	207	224	210	211
Waukon	195	301	205	289	194	213	195	220	234	213	212	272	200	174	197	224	191	206	202	220	207	208
Webster	189	295	200	283	189	209	190	216	230	209	208	266	200	171	194	220	186	201	200	216	205	204
KANSAS:																						
Anthony	260	383	279	371	261	284	266	291	305	284	281	354	278	250	274	295	263	277	278	289	284	280
Arkansas City	255	381	275	369	255	278	260	288	302	281	275	352	273	245	269	292	256	272	273	283	278	275
Atchison	226	346	242	334	223	248	228	255	269	248	244	317	241	213	235	259	224	240	247	252	246	250
Barnard	258	379	278	367	260	284	265	291	305	284	279	350	277	249	273	295	261	276	247	287	285	279
Bazine	244	371	263	359	231	259	245	279	293	272	268	342	257	227	257	283	237	263	267	274	266	268
Baxter Springs	238	368	260	356	238	263	243	273	287	266	260	339	257	229	253	277	239	257	260	268	253	260
Bazaar	244	373	266	361	231	269	245	279	293	272	266	344	260	227	257	283	237	263	262	274	269	266
Beattie	270	389	290	377	273	295	278	302	316	295	291	360	289	261	286	306	274	288	289	298	294	291
Belaire	260	383	278	371	259	283	264	291	305	284	280	354	275	248	270	295	260	275	275	288	281	278
Beloit	254	379	274	367	256	278	261	288	302	281	275	350	273	245	267	292	257	271	276	283	277	275
Belvidere	274	393	294	381	275	299	280	306	320	299	294	364	293	265	288	310	276	294	293	302	298	295
Brownell	270	389	290	377	273	295	278	302	316	295	291	360	289	261	286	306	274	288	289	299	294	291
Bucklin	274	393	294	381	275	299	280	306	320	299	294	364	293	265	288	310	276	293	293	302	298	295
Burr Oak	274	381	281	369	265	287	270	294	308	287	285	352	280	253	275	298	266	280	280	293	285	284
Caldwell	260	383	279	374	261	284	266	291	305	284	281	354	278	250	274	295	263	277	278	289	284	280
Cherryvale	237	371	263	359	230	256	242	276	290	269	263	342	257	227	253	280	234	260	260	271	266	263
Coffeyville	240	371	263	359	235	260	245	276	290	269	263	342	257	231	257	280	237	260	263	271	266	263
Colby	281	405	304	391	285	309	290	316	330	309	302	374	303	275	298	320	286	302	303	310	308	305
Concordia	247	376	269	364	238	272	252	282	296	275	272	347	263	234	298	286	244	266	269	280	272	272
Dodge City	275	395	296	383	278	301	283	308	322	301	296	366	295	267	290	312	279	294	295	304	300	297
Elkhart	293	413	314	401	295	319	300	326	340	319	313	384	313	284	308	330	296	312	313	321	318	315
Emporia	237	368	260	356	227	26	242	273	287	266	263	339	253	224	253	277	234	257	260	271	263	263
Englewood	284	403	304	391	285	309	290	316	330	309	304	374	303	275	298	320	286	302	303	312	308	305
Eureka	240	373	266	361	231	269	245	279	293	272	266	344	260	227	257	283	240	263	263	274	269	266
Fort Scott	231	362	253	350	218	257	232	267	281	260	253	333	247	217	247	271	227	250	253	261	257	253
[illegible]	221	357	247	345	210	250	226	260	274	253	250	328	240	207	237	264	221	244	244	256	250	247
Fowler	281	401	302	389	284	307	289	314	328	307	302	372	301	273	296	318	284	300	301	310	306	303
Frankfort	217	368	260	356	227	263	242	273	287	266	263	339	253	224	253	274	234	257	260	271	263	263
Fredonia	240	371	266	359	231	266	245	276	290	269	266	342	260	227	257	280	237	260	263	274	266	266
Galena	264	386	284	374	266	288	271	295	309	288	284	357	283	253	277	299	266	281	283	292	284	284
Garden City	283	403	304	391	285	309	290	316	330	309	303	374	303	275	298	320	286	302	303	311	308	305
Garnett	231	365	257	353	221	260	236	270	284	263	257	336	250	217	247	274	231	253	253	265	260	257
Goodland	293	409	311	397	293	317	299	324	338	317	314	380	309	281	305	328	295	310	309	322	315	313
Harper	260	383	279	371	261	284	266	291	305	284	281	354	278	250	274	295	263	277	278	289	284	280
Hays	266	390	285	374	267	290	272	297	311	290	286	357	284	257	279	301	268	284	284	294	290	288
Herington	244	373	266	361	239	269	245	279	293	272	269	344	266	227	257	283	240	263	263	277	269	266
Hoisington	258	383	278	371	260	284	265	291	305	284	279	354	277	249	277	295	261	276	277	287	283	279
Horace	291	411	312	399	294	317	299	324	338	317	312	382	311	284	306	328	295	310	311	320	316	313
Horton	231	358	253	346	217	257	232	267	281	260	256	329	247	213	244	271	227	250	250	264	257	253
Hutchinson	250	381	275	369	251	278	256	288	302	281	275	352	269	240	266	292	253	269	272	283	275	275
Iola	234	368	260	356	224	263	239	273	287	266	260	339	253	221	250	277	234	257	257	268	263	260
Jetmore	274	392	293	380	275	298	280	305	319	298	294	363	293	265	287	309	276	291	293	302	297	294
Kinsley	267	386	286	374	268	291	273	298	312	291	288	357	285	257	280	302	269	284	285	296	290	287
Kiowa	261	386	281	374	264	288	269	294	308	287	284	357	280	253	275	298	265	279	280	292	285	282
Larned	265	386	284	374	266	289	271	298	310	289	285	357	284	256	278	300	267	283	284	293	288	285
Lawrence	241	358	250	346	217	257	233	267	281	260	253	329	247	213	244	271	224	250	250	261	257	253
Leavenworth	226	346	242	334	213	248	228	255	269	248	244	317	241	210	235	259	224	240	241	252	246	243
Lebanon	274	392	293	380	275	298	280	305	319	298	294	363	293	265	235	309	276	291	293	302	297	294
Liberal	287	405	307	393	289	312	294	319	333	312	308	376	306	278	301	323	290	305	306	316	311	308
Lost Springs	244	373	266	361	239	269	245	279	293	272	266	344	260	227	257	283	240	263	263	274	269	266

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 287 to 346 of Tariff, as amended)

	Lynchburg Va.	Madawaska Me.	Malone N. Y.	Mars Hill Me.	Maryhill W. Va.	Middletown N. Y.	Midway Va.	Mineola N. Y.	Montauk N. Y.	New York N. Y.	Norfolk Va.	Oakfield Me.	Ogdensburg N. Y.	Olean N. Y.	Oneonta N. Y.	Patchogue N. Y.	Petersburg W. Va.	Philadelphia Pa.	Piercefield N. Y.	Pig Point Va.	Pittsfield Mass.
KANSAS—Conc.																					
Lucas	257	383	278	371	257	281	262	291	305	284	278	354	274	246	269	295	257	275	275	286	281
Manhattan	240	371	263	359	228	266	242	276	290	269	263	342	257	224	253	280	237	260	260	271	266
Manter	291	412	313	400	294	318	299	325	339	318	312	383	312	284	307	329	295	311	312	320	317
Norton	273	389	290	377	271	296	278	303	317	296	293	360	288	260	284	307	274	289	288	301	294
Oakley	281	403	304	391	285	309	290	316	330	309	302	374	303	275	298	320	286	302	303	310	306
Oberlin	278	395	296	383	277	302	283	309	323	302	296	366	294	266	290	313	279	295	294	307	300
Osborne	257	383	278	371	256	281	261	291	305	284	281	354	273	245	269	295	257	275	275	289	281
Ottawa	231	361	253	349	217	257	232	267	281	260	257	332	247	217	247	271	227	250	253	265	257
Paola	227	357	253	345	217	257	232	264	278	257	253	328	247	213	244	268	224	247	250	261	257
Pittsburg	231	365	257	353	221	260	236	270	284	263	257	336	250	217	247	274	231	253	257	282	260
Plainville	266	390	285	374	267	290	272	297	311	290	286	357	284	257	279	301	268	284	284	294	289
Pratt	265	386	284	374	266	290	271	297	311	290	285	357	284	256	278	301	267	284	284	293	289
St. Francis	293	404	305	392	291	313	296	320	334	313	311	375	304	276	299	324	291	305	304	319	309
Salina	247	376	269	364	244	272	252	282	296	275	272	347	263	234	263	285	245	266	269	280	272
Satanta	283	403	304	391	285	309	290	316	330	309	303	374	303	275	298	320	288	302	303	311	306
Scott City	283	403	304	391	285	309	290	316	330	309	303	374	303	275	298	320	298	302	303	311	308
Severy	244	373	269	361	230	269	249	279	293	272	269	344	263	231	260	283	240	263	266	277	269
Stockton	260	386	281	374	261	284	266	294	308	287	284	357	278	250	275	298	263	278	279	292	284
Strong City	240	371	263	359	230	266	239	276	290	269	266	342	257	227	257	284	237	260	263	274	266
Studley	274	394	295	382	276	300	281	307	321	300	294	365	294	266	289	311	277	293	294	302	290
Topeka	234	365	257	353	221	260	236	270	284	263	257	336	250	217	247	274	227	253	253	265	260
Turkey Creek	287	407	310	395	291	315	296	322	336	315	308	378	309	280	304	328	293	308	309	316	314
Vaughn	269	389	289	377	271	294	276	301	315	294	290	360	288	260	284	305	273	287	288	298	293
Wakeeney	271	391	293	379	275	297	280	304	318	297	293	362	291	264	298	308	275	290	291	301	296
Waunets	245	376	269	364	245	272	250	282	296	275	269	347	263	235	263	286	246	266	266	277	272
Whiting	231	358	253	346	221	257	236	267	281	260	256	329	247	217	247	271	227	250	253	264	257
Wichita	247	379	272	367	247	275	252	285	299	278	275	350	266	237	266	289	248	269	269	283	275
Wilson	254	381	275	369	256	278	261	288	302	281	278	352	273	243	269	292	257	272	275	286	278
Wolf	283	403	304	391	285	309	290	316	330	309	303	374	303	275	298	320	288	302	303	311	306
MICHIGAN																					
Calumet	226	319	217	307	213	223	220	235	249	228	249	290	213	185	209	219	216	228	217	257	220
Escanaba	187	272	179	260	183	185	181	196	210	189	208	243	178	149	172	200	177	159	178	216	182
Iron Mountain	187	272	179	260	183	185	181	196	210	189	208	243	178	150	172	200	177	160	178	216	182
Ironwood	222	319	218	307	213	223	220	235	249	228	244	290	213	185	209	239	216	228	217	252	218
Marquette	209	291	199	279	202	204	201	215	229	208	227	262	193	158	199	219	197	208	197	235	199
Munising	187	272	179	260	183	185	181	196	210	189	208	243	178	150	172	200	177	184	178	216	182
Sault Ste. Marie	190	269	172	257	188	180	178	192	206	185	206	240	167	145	166	196	174	185	171	214	[illegible]
Sidnaw	207	292	196	280	202	207	201	216	230	209	228	263	196	159	181	220	197	209	198	236	201
Watersmeet	240	301	218	289	207	210	206	222	236	215	232	272	204	174	196	228	202	218	204	240	206
MINNESOTA																					
Albert Lea	219	333	229	321	210	233	224	245	259	238	239	304	224	196	221	249	217	233	227	247	233
Bemidji	257	360	250	348	245	257	255	270	284	263	281	331	247	225	244	274	250	263	250	289	253
Brainerd	247	354	244	342	236	250	245	264	278	257	272	325	239	217	237	268	240	257	244	269	247
Crookston	267	371	265	359	260	268	265	280	294	273	290	342	264	241	256	284	269	275	264	286	268
Delano	234	345	234	333	221	237	236	251	265	244	260	316	227	199	224	255	227	247	231	258	237
Detroit Lakes	257	362	253	350	244	260	255	271	287	266	281	323	247	224	247	277	247	266	253	269	257
Duluth	237	334	230	322	224	234	231	246	260	239	256	305	224	196	223	250	227	239	227	264	234
Elsdon	253	357	247	345	237	250	249	264	278	257	278	328	240	217	237	268	244	260	244	266	250
Ely	253	357	247	345	237	250	249	264	278	257	278	328	240	213	237	268	244	257	244	266	250
Fairmont	231	345	237	333	217	240	232	257	271	250	251	316	231	203	231	261	224	244	237	259	240
Faribault	224	334	230	322	213	234	225	246	260	239	244	305	224	196	223	250	221	235	228	252	234
Fergus Falls	253	362	253	350	244	257	252	270	284	263	278	323	247	224	244	274	247	263	250	286	257
Floodwood	244	348	237	336	231	244	242	257	271	250	269	316	231	203	231	261	234	250	237	277	240
Fosston	263	369	257	[illegible]	[illegible]	260	258	276	[illegible]	266	287	340	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	255	285	[illegible]
Glenwood	247	354	244	342	234	250	245	264	278	257	279	325	237	219	237	268	237	257	244	260	247

Supplement No. 48—Freight Tariff No. 107-C.

Add to page 247 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 8½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:																							
	Lynchburg Va.	Madawaska Me.	Malone N. Y.	Mars Hill Me.	Maryhill W. Va.	Middletown N. Y.	Midway Va.	Mineola N. Y.	Montauk N. Y.	New York N. Y.	Norfolk Va.	Oakfield Me.	Ogdensburg N. Y.	Olean N. Y.	Oneonta N. Y.	Patchogue N. Y.	Petersburg W. Va.	Philadelphia Pa.	Piercefield N. Y.	Pig Point Va.	Pittsfield Mass.	Port Jervis N. Y.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																					
MINNESOTA—Cont.																						
Grand Rapids	250	354	240	342	234	247	245	280	274	253	275	325	237	210	254	264	237	253	240	283	244	244
Granite Falls	247	354	244	342	231	250	245	294	278	257	272	325	237	213	237	268	237	257	240	280	247	247
Hackensack	253	360	250	348	242	257	252	270	284	263	278	331	244	221	244	274	247	263	250	286	253	253
Hinckley	237	334	230	322	224	240	231	246	260	239	256	306	228	203	223	250	227	239	228	264	234	234
Hornby	244	348	237	336	231	244	242	257	271	250	269	319	231	207	231	261	234	250	237	277	240	240
International Falls	260	362	253	350	246	257	255	270	284	263	284	333	248	227	244	274	250	266	250	292	257	253
Little Falls	244	351	240	339	231	247	242	260	274	253	269	322	234	210	234	264	237	253	240	277	244	244
McGregor	244	348	237	336	231	244	242	257	271	250	269	319	231	207	231	261	234	250	237	277	240	240
Madelia	233	345	240	333	221	244	235	257	271	250	253	316	234	207	231	261	231	245	237	261	244	240
Mankato	233	339	234	327	217	240	231	251	265	244	253	310	227	203	227	255	224	240	233	261	237	237
Marshall	244	357	247	345	231	250	242	267	281	260	269	328	235	213	240	271	237	257	244	277	250	250
Milaca	240	348	237	336	224	240	239	257	271	250	266	319	231	203	231	261	221	250	234	274	240	240
Minneapolis	230	334	227	322	213	234	227	246	260	239	250	306	221	196	221	250	223	239	227	258	231	231
Morris	250	357	247	345	239	253	240	267	281	260	275	328	244	220	240	271	244	260	247	283	250	250
Norwood	237	342	234	330	221	240	235	253	267	246	257	313	227	203	227	257	227	246	234	265	237	237
Pipestone	247	360	250	348	231	257	245	257	271	250	269	331	244	221	244	261	237	257	250	277	253	253
Red Wing	219	325	221	313	210	226	217	237	251	230	239	296	219	193	215	241	213	230	219	247	226	223
Remer	250	354	244	342	237	247	245	280	274	253	275	325	237	211	234	264	240	257	240	283	247	247
Rochester	215	323	220	311	207	224	217	236	250	222	234	294	217	189	213	240	213	226	219	242	224	222
St. Cloud	240	348	237	336	224	244	239	257	271	250	266	319	231	203	231	261	231	250	237	274	240	240
Sanborn	240	354	244	342	224	247	239	280	274	254	264	325	247	210	234	264	231	250	240	271	247	244
Spring Valley	211	323	220	311	207	224	215	236	250	229	231	294	217	189	213	240	211	226	219	239	224	222
Thief River Falls	269	368	265	356	260	268	265	280	294	273	280	339	284	241	258	284	258	273	264	298	268	266
Virginia	247	351	240	339	234	244	242	257	271	250	272	322	234	207	231	261	237	253	237	280	244	244
Waseca	250	357	247	345	237	253	246	267	281	260	275	328	240	217	240	271	244	260	247	283	250	250
Warroad	285	379	279	367	275	284	278	294	308	287	302	350	278	257	274	298	274	287	278	310	284	281
Willmar	244	351	240	339	227	247	242	260	274	253	269	322	234	210	234	264	234	253	240	277	244	244
Winona	205	311	210	299	199	215	205	225	240	219	224	282	209	182	204	230	201	215	209	232	215	212
Winthrop	240	348	237	336	224	244	239	257	271	250	263	319	231	207	231	261	231	250	237	271	240	240
Worthington	240	355	247	343	224	250	239	264	278	257	264	326	244	213	237	268	234	253	244	271	250	247
MISSOURI																						
Boonville	197	316	216	304	196	220	201	227	241	220	213	287	216	186	208	231	197	212	216	221	219	217
Bucklin	197	316	216	304	196	220	204	227	241	220	213	287	216	186	208	231	197	212	216	221	219	217
Carrollton	208	330	227	318	203	231	212	238	252	241	226	301	227	196	219	242	208	223	227	234	229	228
Chillicothe	204	321	220	309	204	226	206	233	247	226	219	292	219	190	212	237	202	218	219	227	223	222
Eldon	208	326	228	314	199	231	212	238	252	231	226	297	224	196	219	242	207	223	224	234	229	228
Fillmore	177	293	197	281	179	201	181	208	222	201	194	264	196	166	189	212	177	194	196	202	190	197
[illegible] Jct.	189	305	206	293	189	211	192	218	232	211	205	276	205	176	198	222	188	204	205	213	209	208
Higginsville	206	326	228	314	203	231	212	238	252	231	226	297	224	196	219	242	208	223	224	234	229	228
Holden	217	335	233	323	210	239	220	246	260	239	234	306	232	202	227	250	216	231	232	242	237	224
Jefferson City	197	316	216	304	198	220	201	227	241	220	213	287	216	186	208	231	197	212	216	221	219	217
Kansas City	224	346	242	334	210	248	228	255	269	248	244	317	240	210	235	259	221	240	241	252	246	243
Kirksville	189	305	206	293	189	211	192	218	232	211	205	276	206	176	198	222	188	204	205	213	209	208
Labadie	177	293	197	281	179	201	181	208	222	201	194	264	196	166	189	212	177	194	196	202	199	197
Macon	189	305	206	293	189	211	192	218	232	211	205	276	205	176	198	222	188	204	205	213	209	208
Mexico	185	301	202	289	186	208	189	215	229	208	201	272	201	173	195	219	185	200	201	209	206	205
Miami	197	316	216	304	190	220	201	227	241	220	213	287	216	186	208	231	197	212	216	221	219	217
Moberly	189	305	206	293	189	211	192	218	232	211	205	276	205	176	198	222	188	204	205	213	209	208
Monroe	177	293	197	281	179	201	181	208	222	201	194	264	196	166	189	212	177	194	196	202	199	197
St. Joseph	224	346	221	334	213	248	228	255	269	248	244	317	240	210	235	259	221	240	241	252	246	243
Salisbury	197	316	216	304	196	220	201	227	241	220	213	287	216	186	208	231	197	212	216	221	219	217
Sedalia	206	326	228	314	203	231	212	238	252	231	226	297	224	196	219	242	208	223	224	234	229	228
Trenton	208	330	227	318	203	231	212	[illegible]	252	231	226	301	227	196	219	242	208	223	227	234	229	228
Waverly	206	326	228	314	203	231	212	[illegible]	252	231	226	297	224	196	219	242	208	223	224	234	229	228
Windsor	206	326	228	314	207	231	212	238	252	231	226	297	224	196	219	242	208	223	224	234	229	228

1355

Supplement No. 42—Freight Tariff No. 107-C

Add to page 247 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Ba

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis.

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

	Lynchburg Va.	Madawaska Me.	Malone N. Y.	Mars Hill Me.	Marybill W. Va.	Middletown N. Y.	Midway Va.	Mineola N. Y.	Montauk N. Y.	New York N. Y.	Norfolk Va.	Oakfield Me.	Ogdensburg N. Y.	Olean N. Y.	Oneonta N. Y.	Patchogue N. Y.	Petersburg W. Va.	Philadelphia Pa.	Piercefield N. Y.	Pig Point Va.	Pittsfield Mass.	Port Jervis N. Y.
NEBRASKA																						
Albion	253	373	266	361	240	272	255	285	299	278	275	344	263	231	260	289	247	266	266	283	269	26
Alliance	305	414	316	402	302	324	306	331	345	324	323	385	315	287	310	335	302	317	315	331	320	32
Auburn	237	363	257	351	224	260	239	273	287	266	263	334	250	221	250	277	234	257	253	271	260	25
Beatrice	244	371	263	359	231	269	245	279	293	272	266	342	257	227	257	283	287	263	263	274	266	26
Belmar	293	403	304	391	289	312	294	319	333	312	310	374	303	275	298	323	290	305	303	318	306	30
Belvidere	247	376	269	364	237	272	252	282	296	275	272	347	263	234	260	286	244	266	266	280	272	26
Bridgeport	304	414	316	402	302	324	306	331	345	324	322	385	315	287	310	335	302	317	315	330	320	32
Broken Bow	265	383	278	371	265	284	266	294	308	287	287	354	275	338	272	298	263	278	278	295	281	28
Burwell	263	383	278	371	258	281	265	294	308	287	287	354	272	244	269	298	260	278	275	295	281	27
Callaway	266	389	276	377	265	287	271	300	314	293	290	360	278	338	275	304	263	284	281	298	287	28
Campbell	257	381	275	369	249	278	258	291	305	284	281	352	269	240	266	295	253	275	272	289	276	27
Columbus	247	371	263	359	234	266	249	279	293	272	272	342	257	227	253	283	244	263	260	280	266	26
Crawford	313	418	320	406	306	328	310	335	349	328	330	389	318	290	314	339	306	320	318	338	324	33
Falls City	234	359	253	347	221	260	236	270	284	263	257	330	247	217	247	274	231	253	253	265	257	25
Fremont	240	363	257	351	227	260	242	273	287	266	266	334	250	221	250	277	237	257	253	274	260	25
Grand Island	253	376	269	364	240	275	255	286	299	278	278	347	263	234	263	289	250	269	269	286	272	27
Hastings	253	379	272	367	240	275	255	285	299	278	278	350	266	234	263	289	250	269	269	286	272	27
Holdrege	260	383	278	371	257	281	266	294	308	287	284	354	272	244	269	298	257	278	275	292	281	27
Imperial	301	413	314	401	300	322	304	329	343	322	320	384	313	285	308	333	306	315	313	328	318	31
Jovian	266	385	278	371	264	285	268	294	308	287	287	354	276	249	272	298	264	278	278	295	281	28
Kearney	260	381	275	369	250	278	262	291	305	284	284	352	269	240	266	295	257	275	272	292	290	27
Lincoln	240	367	260	355	231	263	245	276	290	269	267	338	253	224	250	280	237	260	257	274	263	26
Loup City	260	381	275	369	249	278	262	291	305	284	281	352	269	240	266	295	253	275	272	289	278	27
Lyons	244	363	257	351	231	263	245	273	287	266	266	334	250	221	250	277	237	257	257	274	260	26
McCook	280	391	283	379	278	300	282	307	321	300	298	362	291	264	286	311	278	293	251	306	296	29
Moorefield	274	391	287	379	271	293	275	303	317	296	293	362	284	257	279	307	271	287	284	301	290	28
Mullen	284	395	296	383	284	304	286	311	325	304	302	366	295	267	290	315	283	297	296	310	300	30
Nebraska City	237	353	250	341	224	259	238	266	280	259	257	324	247	217	243	270	234	251	249	265	254	25
Newport	265	373	269	361	257	277	265	285	299	278	287	344	268	240	264	289	258	275	268	293	274	27
Norfolk	250	371	263	359	240	269	252	279	283	272	275	342	257	231	253	283	247	266	260	283	266	26
North Platte	279	391	291	379	276	299	284	306	320	299	297	362	290	263	285	310	277	293	290	305	295	29
Omaha	237	353	250	341	224	257	238	266	280	259	257	324	247	217	243	270	231	251	249	265	254	25
Ord	260	381	275	369	253	278	262	291	305	284	284	352	260	240	269	295	257	275	275	292	278	27
Plainview	253	371	263	359	240	272	255	282	296	275	278	342	257	231	257	286	247	266	260	286	266	26
Pleasanton	260	376	275	364	255	281	262	291	305	284	284	347	260	240	269	295	257	275	275	292	278	27
Sanborn	293	404	305	392	291	313	295	320	334	313	311	375	304	276	299	324	291	306	304	319	309	30
Sargent	269	383	278	371	261	284	265	294	308	287	287	354	275	247	272	298	261	278	275	295	281	27
Scottsbluff	309	419	320	407	307	329	311	335	350	329	327	398	320	293	315	340	307	322	320	335	325	32
Sidney	304	414	316	402	[illegible]	324	306	331	345	324	322	385	315	287	310	335	302	317	315	330	320	32
Sneed	312	423	325	411	[illegible]	333	315	340	354	333	330	394	324	299	319	344	311	326	324	338	329	32
Spalding	253	376	269	364	244	275	258	285	299	278	278	347	263	234	263	289	250	269	269	286	272	272
Stapleton	283	394	294	382	280	302	284	309	323	302	300	365	293	266	288	313	280	295	293	308	298	29
Superior	250	379	272	367	240	275	255	288	302	281	275	350	266	237	263	292	247	269	269	283	275	272
Valentine	284	386	288	374	277	297	282	304	318	297	302	357	287	259	283	308	278	290	287	310	293	29
Wallace	285	396	297	384	284	305	288	312	326	305	303	367	296	268	291	316	284	298	296	311	301	301
York	247	378	266	361	237	269	252	282	296	275	272	344	260	231	257	286	244	266	263	280	269	26
NORTH DAKOTA																						
Antler	314	407	309	395	307	315	309	326	340	319	332	358	308	286	303	330	305	319	308	340	313	31
Beach	333	426	328	414	327	335	329	345	359	338	350	397	327	305	322	349	325	338	327	358	332	33
Bisbee	293	387	288	375	296	294	289	305	319	298	311	358	287	266	283	309	284	298	287	319	293	29
Bismarck	300	394	295	382	294	302	296	313	327	306	318	365	294	273	289	317	293	306	294	326	299	30
Cannon Ball	306	399	301	387	300	308	302	319	333	312	324	370	300	278	286	323	298	312	300	332	305	30

1930

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5¼, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 188, inc., of Tariff, as amended, taking Rate Basis:	Lynchburg, Va.	Madawaska, Me.	Malone, N.Y.	Mars Hill, Me.	Marybill, W. Va.	Middletown, N.Y.	Midway, Va.	Mineola, N.Y.	Montauk, N.Y.	New York, N.Y.	Norfolk, Va.	Oakfield, Me.	Ogdensburg, N.Y.	Olean, N.Y.	Oneonta, N.Y.	Patchogue, N.Y.	Petersburg, W. Va.	Philadelphia, Pa.	Piercefield, N.Y.	Pig Point, Va.	Pittsfield, Mass.	Port Jervis, N.Y.
NORTH DAKOTA—Conc.																						
Conway	278	376	273	364	269	277	271	288	302	281	299	347	271	249	266	292	267	281	271	307	276	275
Crosby	329	422	323	410	322	329	324	341	355	334	347	393	322	300	317	345	320	334	322	355	327	328
Devils Lake	285	381	283	369	278	286	280	297	311	290	303	352	280	257	276	301	276	290	280	311	286	284
Dickinson	319	413	314	401	313	320	315	332	346	325	337	384	313	291	308	336	311	325	313	345	318	319
Drake	294	387	288	375	287	295	289	306	320	299	312	358	287	266	283	310	285	299	287	320	293	293
Fargo	263	368	260	356	253	263	258	276	290	269	284	339	254	231	250	280	253	272	257	292	263	260
Gascoyne	317	415	316	403	310	323	314	334	348	327	335	386	314	289	311	338	310	323	315	343	320	320
Glenullen	310	404	305	392	304	312	306	323	337	316	328	375	304	283	299	327	302	316	304	336	309	310
Grand Forks	273	373	267	361	266	274	268	284	298	277	293	344	267	246	263	288	264	278	267	301	273	271
Grenora	343	434	336	422	334	342	335	353	367	346	360	405	335	313	329	357	332	346	335	368	339	339
Hannaford	274	378	269	364	266	275	271	285	299	278	291	347	267	246	263	289	265	281	267	299	273	273
Hannah	293	388	286	374	284	291	285	302	316	295	310	357	285	264	280	306	281	295	285	318	290	289
Hansboro	293	389	290	377	286	294	289	305	319	298	311	360	288	265	284	309	284	298	288	319	294	293
Havana	266	371	263	359	256	266	258	276	290	269	287	342	259	236	255	280	257	275	260	295	266	264
Hazen	313	406	308	394	307	315	309	326	340	319	316	377	307	285	302	330	305	319	307	324	312	313
Hillsboro	266	371	263	[illegible]	259	269	265	278	292	271	290	342	260	239	257	282	260	275	263	298	266	266
Jamestown	276	376	270	364	269	277	271	288	302	281	296	347	269	247	265	292	267	281	269	304	275	275
Kenmare	316	408	310	396	309	317	311	327	341	320	334	379	309	287	304	331	307	320	309	342	314	315
Killdeer	325	418	320	406	318	327	321	337	351	330	343	389	319	297	314	341	317	330	319	351	324	325
Lake Williams	288	383	284	371	283	290	284	301	315	294	306	354	283	259	277	305	280	294	283	314	287	288
Lansford	312	405	307	393	305	318	307	324	338	317	329	376	306	284	301	328	303	317	306	337	311	311
Leeds	290	386	287	374	284	291	285	302	316	295	308	357	285	261	281	306	281	295	285	316	291	289
Marmarth	327	424	326	412	318	333	323	344	358	337	345	395	323	298	320	348	319	333	324	353	329	330
Max	306	398	300	386	299	307	301	318	332	311	324	369	299	277	294	322	297	311	299	332	304	305
Minot	306	398	300	386	299	307	301	318	332	311	324	369	299	277	294	322	297	311	299	332	304	305
Moffit	295	388	290	376	289	297	291	308	322	301	313	359	289	267	284	312	287	301	289	321	294	295
Neche	293	386	287	374	284	293	286	303	317	296	311	357	286	265	281	307	283	296	286	319	291	290
New England	319	413	314	401	313	320	315	332	346	325	337	384	313	291	308	336	311	325	313	345	318	319
New Leipzig	307	407	309	395	301	313	304	324	338	317	325	378	308	284	303	328	300	313	308	333	313	311
New Rockford	283	381	276	369	275	284	278	294	308	287	300	352	275	254	270	298	274	287	275	308	280	281
Oakes	268	371	263	359	261	269	265	282	296	275	290	342	260	239	257	286	259	275	260	[illegible]	266	267
Onemee	303	396	298	384	296	304	298	315	329	308	320	367	297	275	293	319	294	308	297	328	302	302
Pembina	287	381	281	369	278	286	280	297	311	290	305	352	280	258	275	301	276	290	280	313	285	284
St. John	296	389	291	377	289	297	291	308	322	301	314	360	290	265	285	312	287	301	290	322	295	295
Sanish	319	412	313	400	312	320	314	331	345	324	337	383	312	290	307	335	310	324	312	345	317	318
Sarles	296	392	293	380	289	297	291	308	322	301	314	363	291	267	287	312	287	301	291	322	297	295
Sherwood	316	409	311	397	309	317	311	[illegible]	341	320	334	380	310	288	305	331	307	320	310	342	315	315
Shields	297	397	299	385	291	303	294	314	328	307	315	368	298	274	293	318	290	303	298	323	303	301
Steele	287	383	281	371	280	288	282	300	314	293	305	354	280	258	275	304	278	293	280	313	285	286
Streeter	287	379	281	367	280	288	282	300	314	293	305	350	280	258	275	304	278	293	280	313	285	286
Turtle Lake	290	392	293	380	293	300	294	311	325	304	317	363	293	270	287	315	290	304	293	325	297	298
Valley City	270	373	266	361	264	271	268	285	299	278	293	344	264	240	260	289	261	278	264	301	269	269
Wahpeton	259	365	257	353	253	260	255	273	287	266	281	336	254	231	248	277	250	266	254	289	260	258
Walhalla	298	391	293	379	289	297	291	308	322	301	316	362	291	269	286	312	287	301	291	324	296	295
Watford City	343	434	336	422	334	342	335	353	367	346	360	405	335	313	329	357	332	346	335	368	339	339
White Earth	323	415	317	403	316	324	318	335	349	328	340	386	316	294	311	339	314	328	316	348	320	322
Williston	329	422	323	410	322	329	324	341	355	334	347	393	322	300	317	345	320	334	322	355	327	328
Wilton	300	394	295	382	294	302	296	313	327	306	318	365	294	273	289	317	293	306	294	326	299	300
Wishek	287	379	281	367	280	288	282	300	314	293	305	350	280	258	275	304	278	293	280	313	285	286

1931

1357

9

Add to page 347 of Tariff

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

AND

Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

SOUTH DAKOTA	Lynchburg Va.	Madawaska Me.	Malone N. Y.	Mars Hill Me.	Marybill W. Va.	Middletown N. Y.	Midway Va.	Mineola N. Y.	Montauk N. Y.	New York N. Y.	Norfolk Va.	Oakfield Me.	Ogdensburg N. Y.	Olean N. Y.	Oneonta N. Y.	Patchogue N. Y.	Petersburg W. Va.	Philadelphia Pa.	Piercefield N. Y.	Pig Point Va.	Pittsfield Mass.	Port Jervis N. Y.
Aberdeen	266	373	266	361	257	269	265	281	295	274	287	344	265	239	259	285	257	275	265	295	269	267
Belle Fourche	317	419	320	407	311	326	316	336	350	329	335	390	319	294	314	340	312	326	319	343	325	324
Belvidere	287	389	291	377	283	295	286	306	320	299	305	360	290	265	285	310	283	295	290	313	295	290
Bristol	263	368	260	356	251	263	262	279	293	272	284	339	257	233	253	283	253	272	257	292	263	263
Chamberlain	263	376	269	364	255	272	262	285	299	278	287	347	263	237	263	289	257	275	269	295	272	272
Conata	298	401	302	389	293	306	298	317	331	310	316	372	300	275	296	321	293	306	300	324	306	304
Cottonwood	299	403	304	391	296	308	299	319	333	312	317	374	303	278	298	323	295	308	303	325	308	306
Deadwood	311	414	315	402	307	320	311	331	345	324	329	385	313	288	309	335	307	320	313	337	319	318
Edgemont	320	424	326	412	316	329	320	341	355	334	338	396	325	[illegible]	320	345	316	330	325	346	329	328
Fairfax	269	383	278	371	264	281	271	297	311	290	290	354	273	[illegible]	272	301	264	281	278	298	281	281
Faith	312	412	313	400	306	318	309	329	343	322	329	383	312	287	307	333	305	318	312	337	317	316
Faulkton	273	376	273	364	265	278	269	290	304	283	290	347	271	248	266	294	265	278	271	298	277	276
Gettysburg	276	381	279	369	270	284	273	295	309	288	296	352	278	255	274	299	269	284	278	304	284	283
Grenville	273	373	267	361	266	274	268	284	298	277	293	344	266	245	261	288	264	277	266	301	271	271
Highmore	269	379	274	367	265	277	268	288	302	281	290	350	273	247	267	292	263	278	273	298	277	275
Huron	260	371	263	359	248	269	258	282	296	275	284	342	257	234	257	286	253	272	263	292	266	266
Isabel	301	402	303	390	295	307	298	318	332	311	319	373	302	277	297	322	294	307	302	327	307	305
Lemmon	307	406	306	394	301	313	304	324	338	317	325	377	304	279	302	328	300	313	306	333	312	311
Madison	250	365	257	353	238	260	249	273	287	266	275	336	250	224	247	277	244	263	253	283	260	257
Maira	287	387	289	375	281	293	284	304	318	297	305	358	288	264	284	308	280	293	288	313	293	291
Milbank	253	362	253	350	243	257	252	270	284	263	278	333	247	224	244	274	247	266	250	286	257	253
Mitchell	253	368	260	356	240	266	255	279	293	272	278	339	253	231	253	283	247	266	260	286	263	263
Mobridge	287	387	289	375	281	293	284	304	318	297	308	358	288	264	284	308	280	293	288	313	293	291
Nowlin	293	396	298	[illegible]	289	302	291	313	327	306	310	367	297	273	293	317	287	302	297	318	302	300
Okaton	303	406	308	394	300	312	303	323	337	316	320	377	306	281	302	327	299	312	306	328	312	310
Pierre	280	385	286	373	276	290	278	301	315	294	298	356	285	260	280	305	274	290	285	306	290	288
Platte	263	376	269	[illegible]	249	272	262	285	299	278	284	347	263	237	260	289	257	275	266	292	272	269
Rapid City	307	409	311	[illegible]	303	316	307	327	341	320	325	380	309	284	305	331	303	316	309	333	315	314
Redfield	263	373	266	[illegible]	254	269	262	282	296	275	287	344	260	235	257	286	257	275	263	295	269	266
Sioux Falls	247	359	253	347	231	257	[illegible]	270	284	263	269	[illegible]	247	221	244	274	240	260	250	277	257	253
Vivian	271	383	276	371	267	281	271	294	308	287	293	354	275	249	270	298	267	284	275	301	281	278
Watertown	253	362	257	353	240	260	252	276	290	269	278	336	250	224	250	280	247	266	257	286	260	260
Winner	277	389	284	377	271	291	278	300	314	293	297	360	283	254	277	304	274	284	290	305	287	286
Yankton	253	365	257	353	237	263	252	276	290	260	275	336	250	227	250	280	244	263	257	283	260	260

WISCONSIN (For Rate Basis Numbers, see page 38 to 43 of this supplement).

WYOMING (For Rate Basis Numbers, see pages 38 to 42 of this supplement)

1932

1358

Supplement No. 48—Freight Tariff No. 107-C.

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 8½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis: Portland Me.	Pottsville Pa.	Poughkeepsie N. Y.	Punxsutawney Pa.	Reading Pa.	Richmond Va.	Rickwood W. Va.	Roanoke Va.	Rochester N. Y.	Rockwood Pa.	Schuyler Va.	Scranton Pa.	Springfield Mass.	Syracuse N. Y.	Trenton N. J.	Utica N. Y.	Watertown N. Y.	Wellsville N. Y.	West Point Va.	Williamsport Pa.	Williamson W. Va.	Woodson Va.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																					
COLORADO																						
Akron	340	311	324	285	311	312	297	297	290	287	324	312	326	297	320	303	306	290	317	297	279	315
Amherst	330	301	314	275	301	303	287	290	280	277	315	302	316	287	311	293	296	280	308	287	270	306
Bethune	346	314	327	287	314	314	298	299	294	289	326	315	330	302	324	308	310	294	319	302	279	317
Branson	374	343	356	317	343	343	327	328	324	319	355	344	359	330	353	337	333	324	348	330	310	346
Cheyenne Wells	342	309	322	284	309	307	293	293	291	285	319	310	327	298	319	304	307	291	312	298	275	310
Colorado Springs	365	334	347	308	334	334	318	319	315	310	346	335	350	322	344	328	330	315	339	322	301	337
Crest	354	323	336	297	323	324	308	309	303	299	336	324	338	310	333	316	319	303	329	310	291	327
Denver	365	334	347	308	334	334	318	319	315	310	346	335	350	322	344	328	330	315	339	322	301	337
Eads	347	314	327	288	314	312	298	297	298	290	324	315	332	303	324	309	312	296	317	303	279	315
Holly	342	309	322	284	309	307	293	293	291	285	319	310	327	298	319	304	307	291	312	298	275	310
Keota	349	320	333	293	320	320	304	306	299	295	332	320	335	306	329	312	315	299	325	306	287	323
La Junta	356	324	337	298	324	322	308	307	306	300	334	325	342	313	334	319	322	306	327	313	289	325
Limon	352	320	333	294	320	320	304	305	301	296	332	320	337	308	329	314	317	301	325	308	286	323
Lolita	356	324	337	298	324	322	308	307	306	300	334	325	342	313	334	319	322	306	327	313	289	325
Peoria	357	326	338	300	326	326	310	311	307	302	338	327	343	314	336	320	323	307	331	314	293	329
Pritchett	347	315	328	289	315	312	298	296	297	290	324	316	333	304	325	310	313	297	317	304	278	315
Pueblo	365	334	347	308	334	334	318	319	315	310	346	335	350	322	344	328	330	315	339	322	301	337
Sterling	340	311	324	285	311	312	297	297	290	287	324	312	326	297	320	303	306	290	317	297	279	315
Trinidad	365	334	347	308	334	334	318	319	315	310	346	335	350	322	344	328	330	315	339	322	301	337
Wild Horse	346	314	327	288	314	313	298	298	295	290	325	315	330	306	324	308	311	295	318	302	279	316
IOWA																						
Alba	226	201	215	175	201	202	185	188	180	176	214	199	215	187	211	191	196	180	207	187	168	205
Algona	259	227	240	199	227	238	213	222	199	205	250	224	242	210	237	217	221	207	243	214	196	241
Atlantic	267	234	248	203	234	239	217	223	210	208	251	232	251	218	244	224	229	210	244	218	196	242
Audubon	267	234	248	206	234	239	220	223	210	210	251	232	251	218	244	224	229	210	244	218	199	242
Carnarvon	270	237	247	203	237	243	217	224	210	210	256	235	253	221	247	227	227	213	249	221	196	247
Carroll	267	234	247	203	234	239	217	223	210	207	251	232	251	218	244	224	227	210	244	218	196	242
Cedar Rapids	218	191	204	166	191	196	178	183	169	168	208	190	207	177	200	182	187	169	201	177	163	199
Centerville	226	201	215	175	201	202	185	188	180	176	214	199	215	187	211	191	196	180	207	187	168	205
Charles City	240	211	218	184	211	216	197	201	187	188	228	211	226	194	215	201	204	189	221	199	181	219
Cherokee	275	240	253	210	240	250	224	231	213	213	262	240	257	224	250	231	231	217	255	227	203	254
Clarinda	274	237	253	207	240	244	217	224	213	210	256	238	257	223	247	230	234	213	249	223	196	247
Corydon	250	218	231	193	218	222	203	208	199	195	234	219	235	207	228	211	217	199	227	207	179	225
Creston	262	228	241	199	228	233	210	217	204	200	245	226	245	211	238	218	222	204	238	211	189	230
Decorah	230	206	219	178	206	209	191	196	182	182	221	205	219	190	216	196	199	182	214	190	177	212
Des Moines	248	218	230	193	218	222	203	208	196	195	234	217	235	204	227	209	213	196	227	204	182	225
Fairfield	218	193	205	166	193	194	177	180	168	167	206	191	207	177	201	182	187	168	199	177	161	197
Fort Dodge	259	227	240	198	227	232	210	217	203	202	244	224	242	211	239	217	221	205	237	211	193	235
Grinnell	232	206	218	179	206	209	192	195	183	183	221	205	220	190	215	195	200	183	214	190	176	212
Herndon	259	227	240	198	227	232	210	217	204	202	244	224	242	211	239	217	221	205	237	211	193	235
Iowa City	215	189	200	163	189	193	175	179	166	165	205	188	202	174	197	178	184	166	198	174	160	196
Iowa Falls	241	215	226	189	215	219	201	205	193	193	231	215	230	200	224	205	210	193	224	200	185	222
Manchester	209	183	196	157	183	187	169	174	161	160	199	182	197	168	191	173	178	161	192	168	154	190
Marquette	224	200	213	173	200	204	186	190	176	176	216	199	213	185	210	190	194	176	209	185	172	207
Marshalltown	241	212	226	185	212	218	199	204	190	190	230	212	227	199	222	202	209	190	223	199	179	221
Mason City	246	217	224	190	217	222	203	207	193	194	234	217	232	200	221	207	210	195	227	205	187	225
New Hampton	239	209	217	183	209	215	196	199	185	186	227	209	224	193	213	199	202	187	220	197	179	218
Oelwein	221	195	209	169	195	200	181	186	173	173	212	195	209	182	206	186	191	173	205	182	167	203
Osceola	248	218	230	193	218	222	203	208	196	195	234	217	235	204	227	209	213	196	227	204	182	225
Oskaloosa	232	206	218	179	206	209	192	195	183	183	221	205	220	190	215	195	200	183	214	190	173	212
Ottumwa	222	197	210	171	197	199	181	185	175	173	211	195	211	183	207	187	193	175	204	183	165	202
Oxford Jct	206	180	194	154	180	185	167	172	158	157	197	179	195	166	189	171	176	158	190	167	152	188
Red Oak	274	237	253	207	240	244	217	224	213	210	256	238	257	223	247	230	234	213	249	223	196	247
Shenandoah	274	240	253	210	240	245	221	227	216	212	257	238	257	223	250	230	234	216	249	223	199	248
Sioux City	281	246	257	217	249	257	231	227	221	221	269	244	263	230	256	237	237	223	262	233	210	265
Spencer	269	237	247	207	238	247	221	227	207	213	259	234	250	217	248	224	224	213	252	221	199	250

1933

1359

Add to page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis: Portland, Me.	Pottsville, Pa.	Poughkeepsie, N. Y.	Punxsutawney, Pa.	Reading, Pa.	Richmond, Va.	Richwood, W. Va.	Roanoke, Va.	Rochester, N. Y.	Rockwood, Pa.	Schuyler, Va.	Scranton, Pa.	Springfield, Mass.	Syracuse, N. Y.	Trenton, N. J.	Utica, N. Y.	Watertown, N. Y.	Wellsville, N. Y.	West Point, Va.	Williamsport, Pa.	Williamson, W. Va.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																				
IOWA—Conc.																					
Van Wert	248	218	230	193	218	222	203	208	196	195	234	217	235	204	227	209	213	196	227	204	185
Washington	218	193	205	166	193	194	177	180	168	167	206	191	207	177	201	182	187	168	199	177	161
Waterloo	230	204	216	178	204	208	190	195	182	180	220	202	216	188	212	193	198	182	213	188	176
Waukon	224	200	213	173	200	204	186	190	176	176	216	199	213	185	210	190	194	176	209	185	172
Webster	221	196	209	169	196	199	181	185	174	172	211	195	210	182	206	186	191	174	204	182	165
KANSAS																					
Anthony	308	271	284	246	271	271	255	257	254	248	283	273	289	260	281	266	269	254	276	260	238
Arkansas City	302	266	281	239	266	266	249	250	248	241	278	266	284	255	275	260	264	248	271	255	233
Atchison	271	240	248	206	234	237	215	220	213	208	249	234	254	221	244	228	231	213	242	221	193
Barnard	303	270	284	245	270	269	254	255	253	247	281	271	288	259	280	266	268	253	274	259	237
Barnes	293	253	269	224	253	257	231	237	231	227	269	257	272	244	263	250	250	231	262	244	210
Baxter Springs	287	249	266	224	249	249	232	235	231	224	261	250	269	239	259	245	248	231	254	239	216
Bazar	293	253	269	224	253	257	231	237	234	227	269	257	275	244	263	250	250	234	262	244	210
Basine	315	283	296	257	283	281	267	266	265	258	293	284	300	271	293	277	280	265	286	271	248
Bellaire	305	269	283	244	269	271	253	256	250	245	283	270	287	257	279	264	266	250	276	257	237
Beloit	302	266	278	239	266	266	250	249	248	241	278	266	284	255	275	260	264	248	271	255	231
Belvidere	322	286	299	260	286	284	270	269	268	260	296	287	304	275	296	281	284	268	289	275	250
Brownell	315	283	296	257	283	281	267	266	265	258	293	284	300	271	293	277	280	265	286	271	248
Bucklin	322	286	299	260	286	284	270	269	268	260	296	287	304	275	296	281	284	268	289	275	250
Burr Oak	306	275	287	248	275	276	259	260	256	249	288	275	291	263	284	268	271	256	281	263	241
Caldwell	305	271	284	246	271	271	255	257	254	248	283	273	289	260	281	266	269	254	276	260	238
Cherryvale	290	250	266	221	250	250	227	231	231	224	262	253	272	240	260	247	247	231	255	240	209
Coffeyville	293	250	269	224	253	253	245	234	231	227	265	253	272	244	263	250	250	231	258	240	211
Colby	329	296	309	270	296	293	280	277	278	271	305	297	314	285	306	291	294	278	298	285	259
Concordia	296	260	275	231	260	263	238	244	237	234	275	263	278	247	269	253	257	237	268	247	217
Dodge City	320	288	301	263	288	286	272	271	270	265	298	289	306	277	298	284	286	270	291	277	254
Elkhart	338	306	319	280	306	303	289	287	288	281	315	307	324	295	316	301	304	288	308	205	269
Emporia	290	250	266	221	250	250	227	231	227	224	262	253	269	240	260	247	247	227	255	237	203
Englewood	332	296	309	270	296	294	280	279	278	270	306	297	314	285	306	291	294	278	299	285	260
Eureka	293	270	272	224	253	253	231	234	234	227	265	257	275	244	263	250	250	234	258	244	209
Fort Scott	281	240	260	213	244	244	221	224	221	213	256	244	263	231	253	237	240	221	249	231	196
Fort Scott #3	275	234	250	203	234	237	210	217	213	207	249	237	257	224	244	231	231	213	242	224	189
Fowler	328	294	307	268	294	293	278	277	276	269	305	295	312	284	304	289	293	276	298	284	259
Frankfort	287	250	266	221	250	253	227	231	227	224	265	253	269	237	260	244	247	227	258	237	207
Fredonia	293	253	269	224	253	253	231	234	334	227	265	257	275	244	263	250	250	234	258	240	209
Galatia	308	275	288	249	275	275	260	259	257	251	287	276	293	265	285	270	274	257	280	265	243
Garden City	329	296	309	270	296	293	280	277	278	271	305	297	314	285	306	291	294	278	298	285	259
Garnett	284	244	263	213	244	247	221	227	224	217	259	247	266	234	253	240	240	224	252	234	199
Goodland	336	304	317	277	304	304	287	289	284	279	316	305	320	293	314	298	300	284	309	293	269
Harper	305	271	284	246	271	271	255	257	254	248	283	273	289	260	281	266	269	254	276	260	238
Hays	311	277	290	251	277	276	262	261	259	254	288	278	295	266	287	273	275	259	281	266	244
Herington	293	253	272	224	257	257	233	237	244	227	269	257	275	244	263	250	250	234	262	244	212
Hoisington	305	270	284	245	270	269	254	255	253	247	281	271	288	259	280	266	268	253	274	259	238
Horace	337	304	317	278	304	302	289	286	286	280	314	305	322	293	314	299	302	286	307	293	268
Horton	281	240	257	210	244	244	221	224	221	217	256	244	263	231	253	237	237	221	249	231	196
Hutchinson	302	263	278	236	263	266	245	247	244	238	278	266	284	253	272	260	260	244	271	250	228
Iola	287	247	263	217	247	247	224	227	227	221	259	250	269	237	257	244	244	227	252	237	200
Jetmore	318	285	298	259	285	284	270	269	267	261	296	286	303	275	295	280	284	267	239	275	251
Kiowa	311	278	291	253	278	278	262	264	260	254	290	279	296	267	288	274	276	260	283	267	245
Kirwin	308	274	286	248	274	273	258	257	256	249	285	275	291	263	284	268	271	256	278	263	239
Larned	309	276	289	250	276	275	261	260	258	253	287	277	294	266	286	271	275	258	280	266	243
Lawrence	281	240	257	210	240	244	217	224	221	213	256	244	263	231	250	237	237	221	249	231	196
Leavenworth	271	234	248	206	234	237	215	220	221	208	249	234	254	221	244	228	231	213	242	221	193
Lenora	318	285	298	259	285	284	270	269	267	261	296	286	303	275	295	280	284	267	289	275	251
Liberal	332	299	312	274	299	298	283	284	281	275	310	300	317	288	309	294	297	281	303	288	266
Lost Springs	293	253	269	224	253	257	233	237	234	227	269	257	275	244	263	250	250	234	262	244	212

1934

Supplement No. 42—Freight Tariff No. 107-C.

Add to page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

	Portland, Me.	Pottsville, Pa.	Poughkeepsie, N. Y.	Punxsutawney, Pa.	Reading, Pa.	Richmond, Va.	Richwood, W. Va.	Roanoke, Va.	Rochester, N. Y.	Rockwood, Pa.	Schuyler, Va.	Scranton, Pa.	Springfield, Mass.	Syracuse, N. Y.	Trenton, N. J.	Utica, N. Y.	Watertown, N. Y.	Wellsville, N. Y.	West Point, Va.	Williamsport, Pa.	Williamson, W. Va.	Woodson, Va.
KANSAS—Conc.																						
Lucas	305	266	281	240	266	269	251	250	248	243	281	269	287	257	276	263	265	248	274	257	233	272
Manhattan	290	250	266	221	250	253	227	234	231	224	265	253	272	240	260	247	247	231	258	240	207	256
Manter	338	305	318	279	305	302	289	286	287	280	314	308	323	294	315	300	303	287	307	294	268	306
Norton	315	284	296	257	284	284	265	267	264	257	296	284	300	270	293	277	279	264	289	271	248	287
Oakley	329	296	309	270	296	293	280	277	278	271	305	297	314	285	308	291	294	278	298	285	259	296
Oberlin	320	289	302	263	289	289	271	274	269	263	301	290	306	276	299	284	285	269	294	277	255	292
Osborne	305	266	281	239	269	269	250	260	248	241	281	269	287	257	275	263	264	248	274	255	231	272
Ottawa	281	240	260	213	244	244	221	224	221	217	256	244	263	231	253	237	240	221	249	231	196	247
Paola	281	240	257	210	240	240	217	224	221	213	252	244	263	231	250	237	237	221	245	227	193	243
Pittsburg	284	244	263	213	244	247	221	227	224	217	259	247	266	234	253	240	244	224	252	234	199	250
Plainville	311	277	290	251	277	276	262	261	259	254	288	278	295	266	297	273	275	259	281	266	244	279
Pratt	310	277	290	251	277	275	261	260	258	251	287	278	295	266	287	271	275	258	280	266	240	278
St. Francis	329	300	313	275	300	302	285	287	279	276	314	301	315	286	310	293	295	279	307	286	268	305
Salina	299	260	275	231	260	260	238	240	237	234	272	263	278	250	269	257	257	237	265	247	220	263
Satana	329	296	309	270	296	293	280	277	278	271	305	297	314	285	308	291	294	278	298	285	259	296
Scott City	329	296	309	270	296	293	280	277	278	271	305	297	314	285	308	291	294	278	298	285	259	296
Severy	296	257	272	227	257	257	235	237	237	231	269	260	278	247	266	253	253	237	262	244	210	260
Stockton	308	271	287	246	272	272	255	257	254	248	284	273	290	280	281	266	269	254	277	260	239	275
Strong City	290	250	269	224	253	253	231	234	231	227	265	253	272	240	263	247	250	231	238	240	207	256
Studley	329	287	300	261	287	284	271	269	269	263	296	288	305	276	297	283	285	269	289	276	251	287
Topeka	284	244	260	213	244	247	221	227	232	217	259	247	266	234	253	240	240	224	252	234	199	250
Turkey Creek	335	302	315	276	302	298	285	284	284	277	310	303	320	291	312	297	300	284	303	291	266	301
Vaughn	314	281	294	346	281	280	265	266	264	257	292	283	299	270	291	276	279	255	285	270	251	283
Wakeeney	317	284	297	258	284	283	269	267	266	260	295	285	302	274	294	279	283	266	288	274	249	286
Wauneta	296	257	278	231	257	260	239	240	238	231	272	260	278	247	266	253	257	238	265	247	221	263
Whiting	281	244	260	213	244	245	221	227	221	217	257	246	263	231	253	237	240	221	250	231	199	248
Wichita	299	260	278	234	263	263	241	244	240	234	275	263	281	250	272	257	260	240	268	250	224	268
Wilson	305	266	281	239	266	269	250	250	248	241	281	269	287	257	275	263	264	248	274	255	231	272
Wolf	329	296	309	270	296	293	280	277	278	271	305	297	314	285	308	291	294	278	298	285	259	296
MICHIGAN																						
Calumet	242	217	223	196	223	237	213	221	185	201	249	212	228	196	228	201	203	193	242	204	199	240
Escanaba	198	178	185	160	185	196	175	183	151	163	208	175	189	161	189	165	169	155	201	168	163	199
Iron Mountain	198	178	185	160	185	196	175	183	151	163	208	175	189	161	189	165	169	155	201	168	163	199
Ironwood	239	217	223	196	223	233	213	218	185	201	245	212	228	196	228	203	203	193	238	204	196	236
Marquette	217	197	204	178	200	218	194	206	168	184	230	193	208	178	208	185	186	173	223	187	187	221
Munising	198	178	185	160	185	196	175	183	151	163	208	175	189	161	189	165	169	155	201	168	163	199
Sault Ste. Marie	194	172	180	158	176	196	180	187	142	164	208	168	185	151	185	157	158	147	201	163	172	199
Sidnaw	218	198	205	179	205	216	194	202	171	183	228	195	209	180	209	185	189	175	221	188	183	219
Watersmeet	224	204	210	184	210	220	200	206	176	188	232	198	215	184	215	190	194	180	236	192	186	223
MINNESOTA																						
Albert Lea	256	228	233	196	228	230	210	215	196	203	242	222	240	207	235	213	213	203	235	216	193	233
Bemidji	281	257	257	227	257	272	245	253	221	234	284	244	260	231	260	237	238	227	277	240	228	275
Brainerd	272	244	250	221	250	263	235	244	214	224	275	237	253	221	253	227	231	219	268	231	219	266
Crookston	290	263	269	240	266	281	254	264	239	244	293	252	275	246	273	251	255	244	296	253	243	284
Delano	263	234	237	207	237	250	221	221	199	210	262	[illegible]	244	210	244	217	217	207	255	221	203	253
Detroit Lakes	281	253	260	227	260	269	245	250	221	234	281	247	263	231	263	237	240	227	274	244	224	272
Duluth	257	229	234	207	233	248	223	232	198	[illegible]	260	224	240	207	239	213	217	203	253	217	207	251
[illegible]	275	247	250	224	250	266	238	247	213	227	278	240	257	224	257	231	231	221	271	234	221	269
Ely	275	247	250	221	250	266	238	247	218	227	278	237	257	224	257	231	231	217	271	234	221	269
Fairmont	266	234	244	203	237	242	217	227	203	213	254	231	247	213	247	221	224	210	247	224	199	245
Faribault	257	229	234	199	230	235	213	213	196	205	247	224	240	207	238	213	217	203	240	217	196	238
Fergus Falls	281	253	257	227	257	269	241	250	221	221	281	244	263	231	263	237	237	226	274	240	224	272
Floodwood	266	237	244	213	244	260	231	240	203	229	272	231	247	213	247	221	224	210	265	231	213	263
Fosston	284	257	263	234	260	278	247	260	230	240	[illegible]	250	266	237	266	244	246	235	283	245	235	281
Glenwood	275	244	250	221	250	263	235	244	210	224	275	237	253	224	257	231	231	217	268	234	217	266

1361

Add to page 347 of Tariff: SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 8½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Portland Me.	Pottsville Pa.	Poughkeepsie N. Y.	Punxsutawney Pa.	Reading Pa.	Richmond Va.	Richwood W. Va.	Roanoke Va.	Rochester N. Y.	Rockwood Pa.	Schuyler Va.	Scranton Pa.	Springfield Mass.	Syracuse N. Y.	Trenton N. J.	Utica N. Y.	Watertown N. Y.	Wellsville N. Y.	West Point Va.	Williamsport Pa.	Williamson W. Va.
MINNESOTA—Conc.																					
Grand Rapids	272	244	247	217	247	263	235	244	210	224	275	234	253	221	253	227	227	213	268	231	217
Granite Falls	275	244	250	217	250	260	231	240	210	224	272	237	253	224	253	231	231	221	265	234	213
Hackensack	278	250	257	227	257	269	241	250	218	234	281	244	260	227	260	234	237	224	274	237	224
Hinckley	257	229	234	210	233	248	223	232	201	210	260	227	237	209	239	216	210	207	253	217	207
Hornby	266	237	244	213	244	260	231	240	203	221	272	231	247	213	247	221	224	210	265	227	213
International Falls	281	253	257	226	257	272	245	253	224	234	284	247	263	231	263	237	239	229	277	240	230
Little Falls	272	240	247	213	247	257	231	237	210	221	269	234	250	221	253	227	227	213	262	231	212
McGregor	266	237	244	213	244	260	231	240	203	221	272	231	247	213	247	221	224	210	265	227	213
Madelia	268	239	244	210	239	244	223	229	207	213	256	231	250	217	248	224	224	210	249	224	203
Mankato	263	232	240	203	234	244	217	227	199	210	256	227	244	213	242	221	221	207	249	222	199
Marshall	275	247	253	217	250	257	231	240	213	224	269	240	257	224	257	231	234	221	262	234	213
Milaca	266	237	244	213	240	253	224	234	203	217	265	231	247	213	247	221	224	210	258	224	207
Minneapolis	257	227	234	199	233	241	217	224	196	207	253	221	237	207	239	213	213	199	246	217	196
Morris	278	250	253	224	253	263	238	247	217	227	275	240	257	227	260	234	234	221	268	237	221
Norwood	265	234	240	210	240	249	221	231	199	213	261	227	244	213	244	221	221	207	254	224	203
Pipestone	281	250	257	217	250	260	231	240	217	224	272	244	260	231	260	237	237	224	265	240	213
Red Wing	249	220	226	196	224	230	208	215	193	197	242	215	232	200	230	207	210	196	235	208	193
Remer	272	244	250	221	247	263	238	247	210	224	275	237	260	221	253	227	227	217	268	231	221
Rochester	246	217	224	193	220	226	207	210	189	197	238	213	231	199	227	206	207	195	231	207	189
St. Cloud	266	237	244	210	244	253	224	234	203	217	265	231	247	213	247	221	224	210	258	224	207
Sanborn	272	244	247	210	244	253	224	234	210	217	265	237	253	221	253	227	227	217	258	231	207
Spring Valley	246	217	224	193	220	222	204	207	189	195	234	213	231	199	227	206	207	195	227	207	188
Thief River Falls	290	263	268	240	266	281	254	264	239	244	293	257	275	246	273	251	255	244	286	250	243
Virginia	269	240	247	217	244	260	231	244	213	221	272	234	25	217	250	224	224	213	265	227	217
Wadena	278	247	253	224	253	263	238	247	217	227	275	240	257	227	260	234	234	221	268	237	221
Warroad	304	277	284	256	281	293	270	278	254	258	305	273	289	260	287	266	269	258	298	267	257
Willmar	272	240	247	213	247	257	231	237	207	221	269	234	250	221	250	227	227	213	262	231	210
Winona	234	206	215	183	209	216	196	200	182	185	228	202	221	189	217	196	199	186	221	196	180
Winthrop	269	237	244	210	244	253	224	234	203	217	265	231	247	217	250	224	224	210	258	227	207
Worthington	275	244	250	213	244	253	227	234	213	217	265	237	257	227	253	231	231	217	258	234	207
MISSOURI																					
Boonville	235	208	220	180	208	207	191	193	189	184	219	208	224	197	217	200	207	189	212	197	172
Bucklin	235	208	220	180	208	207	191	193	189	184	219	208	224	197	217	200	207	189	212	197	172
Carrollton	250	218	231	191	218	218	201	202	199	194	230	219	235	207	228	211	217	199	223	207	179
Chillicothe	240	212	226	186	212	212	196	198	195	188	224	213	229	201	222	206	210	195	217	201	178
Elston	245	218	231	191	218	218	199	204	199	194	230	219	234	207	228	211	216	199	223	207	176
Gilmore	21	188	201	161	188	187	171	173	169	164	199	188	205	177	198	183	187	169	192	177	152
Glenwood Jct	226	198	211	172	198	198	181	184	180	174	210	199	215	187	208	191	196	180	203	187	164
Higginsville	245	218	231	191	218	218	201	204	199	194	230	219	234	207	228	211	216	199	223	207	182
Holden	257	226	239	198	226	227	208	211	206	200	239	226	243	213	235	219	222	206	232	213	185
Jefferson City	235	208	220	180	208	207	191	193	189	184	219	208	224	197	217	200	207	189	212	197	170
Kansas City	271	234	248	206	234	237	213	217	213	207	249	234	254	221	244	228	231	213	242	221	189
Kirksville	226	198	211	172	198	198	181	184	180	174	210	199	215	187	208	191	196	180	203	187	164
Labadie	216	188	201	161	188	187	171	173	169	164	199	188	205	177	198	183	187	169	192	177	152
Macon	226	198	211	172	198	198	181	184	180	174	210	199	215	187	208	191	196	180	203	187	164
Mexico	222	195	208	168	195	195	178	180	176	171	207	196	211	184	205	188	193	176	200	184	161
Milan	235	208	220	180	208	207	191	193	189	184	219	208	224	197	217	200	207	189	212	197	172
Moberly	226	198	211	172	198	198	181	184	180	174	210	199	215	187	208	191	196	180	203	187	164
Moscow	216	188	201	161	188	187	171	173	169	164	199	188	205	177	198	183	187	169	192	177	152
St. Joseph	271	234	248	206	234	237	213	220	213	208	249	231	254	221	244	228	231	213	242	221	193
Salisbury	235	208	220	180	208	207	191	193	189	184	219	208	224	197	217	200	207	189	212	197	172
Sedalia	245	218	231	191	218	218	201	204	199	194	230	219	234	207	228	211	216	199	223	207	179
Trenton	250	218	231	191	218	218	201	202	199	194	230	219	234	207	228	211	217	199	223	207	182
Waverly	245	218	231	191	218	218	201	204	199	194	230	219	234	207	228	211	216	199	223	207	179
Windsor	245	218	231	191	218	218	201	204	199	194	230	219	234	207	228	211	216	199	223	207	182

1936

Add to page 347 of Tariff:

SECTION 1¼—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 196, inc., of Tariff, as amended, taking Rate Basis:	Portland Me.	Pottsville Pa.	Poughkeepsie N.Y.	Punxsutawney Pa.	Reading Pa.	Richmond Va.	Richwood W. Va.	Roanoke Va.	Rochester N. Y.	Rockwood Pa.	Schuyler Va.	Scranton Pa.	Springfield Mass.	Syracuse N. Y.	Trenton N. J.	Utica N. Y.	Watertown N. Y.	Wellsville N. Y.	West Point Va.	Williamsport Pa.	Williamson W. Va.	Woodson Va.
NEBRASKA																						
Albion	296	260	272	227	260	266	241	247	237	234	278	260	278	247	269	253	253	237	271	247	221	269
Alliance	340	311	324	285	311	315	297	299	290	287	327	312	326	297	320	303	306	290	320	297	280	318
Auburn	284	247	263	217	250	250	224	231	224	221	262	250	266	234	257	240	240	224	255	237	203	253
Beatrice	293	253	269	224	257	257	231	237	231	227	269	257	272	244	263	250	250	231	262	244	210	260
Belmar	329	299	312	274	299	303	283	287	278	275	315	300	314	285	309	291	294	278	308	285	267	306
Belvidere	296	260	275	231	260	263	238	244	237	234	275	263	278	247	269	253	253	237	268	247	217	266
Bridgeport	340	311	324	285	311	314	297	299	290	287	326	312	326	297	320	303	306	290	319	297	279	317
Broken Bow	308	272	284	246	272	275	259	259	250	248	287	273	287	260	281	266	266	250	280	260	239	278
Burwell	305	269	281	241	269	275	[illegible]	257	247	244	287	269	287	257	278	263	263	247	280	257	239	278
Callaway	311	275	287	246	275	281	259	263	253	250	293	275	293	263	284	269	269	253	286	263	239	284
Campbell	302	266	281	237	269	269	248	250	244	240	281	269	284	253	275	260	260	244	274	257	229	272
Columbus	290	253	266	224	253	260	235	240	231	227	272	257	272	240	263	247	247	231	265	240	213	263
Crawford	345	314	328	289	314	323	300	307	293	291	335	316	329	300	325	307	309	293	328	301	287	326
Falls City	283	244	260	213	247	247	221	227	221	217	259	247	263	234	253	240	240	221	252	234	199	250
Fremont	284	247	263	217	250	253	231	234	224	221	265	250	266	234	260	240	240	224	258	237	207	256
Grand Island	299	263	275	231	263	266	245	247	237	237	278	263	278	250	272	257	257	240	271	250	221	269
Hastings	299	263	278	231	263	266	245	247	240	237	278	263	281	250	272	257	257	240	271	250	221	269
Holdrege	305	269	281	240	269	275	252	253	247	244	287	269	287	257	273	263	263	247	280	257	236	278
Imperial	338	309	322	284	309	311	294	296	288	285	323	310	324	295	319	301	304	288	316	295	277	314
Jovian	308	273	285	247	273	275	258	260	251	248	287	274	288	260	288	266	267	251	280	260	240	278
Kearney	302	266	281	237	269	272	248	253	244	240	284	269	284	253	278	260	260	244	277	257	228	275
Lincoln	287	250	263	221	250	257	231	237	227	224	269	250	269	237	260	244	244	227	262	237	210	260
Loup City	302	266	278	237	266	272	248	253	244	240	284	266	284	253	275	260	260	244	277	253	230	275
Lyons	286	250	263	217	250	257	231	237	224	224	269	250	266	237	260	244	244	227	262	237	210	260
McCook	317	287	300	261	287	290	272	275	266	263	302	288	302	274	297	279	283	266	295	274	255	293
Moorefield	313	280	293	255	280	284	265	269	259	257	296	281	296	266	290	273	275	259	289	266	250	287
Mullen	320	291	304	266	291	294	278	279	270	267	305	293	306	277	301	284	286	270	299	277	259	297
Nebraska City	276	244	259	213	244	249	224	231	221	217	261	343	260	229	253	235	239	221	254	229	203	252
Newport	294	266	281	237	269	275	251	257	244	244	287	269	279	250	275	257	259	244	280	253	236	278
Norfolk	290	257	266	227	260	266	241	247	231	234	278	260	272	240	269	247	247	234	271	247	221	269
North Platte	316	286	299	260	286	289	271	275	266	263	301	287	301	273	296	278	281	286	294	273	255	292
Omaha	276	244	259	213	244	249	224	231	221	217	261	243	260	229	253	235	237	221	254	229	203	252
Ord	302	266	281	237	269	272	251	253	244	244	284	269	284	253	278	260	263	247	277	257	233	275
Plainview	290	260	269	227	260	266	241	247	231	234	278	260	272	240	269	247	250	237	271	247	221	269
Pleasanton	305	269	281	238	269	272	251	253	247	244	284	269	284	257	278	263	263	247	277	257	235	275
Sanborn	329	300	313	275	300	302	285	287	279	276	314	301	315	286	310	293	295	279	307	286	268	305
Sargent	305	270	284	245	272	275	255	259	249	247	287	272	287	257	281	263	266	249	280	260	241	278
Scottsbluff	346	316	329	290	316	319	301	304	295	291	331	317	330	302	326	308	311	295	324	302	284	322
Sidney	340	311	324	285	311	314	297	299	290	287	326	312	326	297	320	303	306	290	319	297	279	317
Sneed	349	320	333	294	320	322	305	307	299	295	334	320	335	306	329	312	315	299	327	306	288	325
Spalding	299	263	275	231	263	269	245	250	240	237	281	263	278	250	272	257	257	240	274	250	224	272
Stapleton	320	289	302	264	289	293	274	277	268	266	305	290	305	275	299	281	284	268	298	275	257	296
Superior	299	263	278	234	266	266	241	247	240	237	278	266	281	250	272	257	257	240	271	253	221	269
Valentine	313	284	297	258	284	294	271	277	263	260	306	285	298	269	294	275	278	263	299	270	256	297
Wallace	322	293	305	266	293	295	278	281	271	268	307	293	307	278	302	284	287	271	300	278	263	298
York	293	257	269	227	257	263	238	244	234	231	275	257	275	244	266	250	250	234	268	244	217	266
NORTH DAKOTA																						
Antler	334	309	315	287	313	324	301	309	284	290	336	304	319	290	319	296	290	288	329	297	280	327
Beach	353	329	335	307	333	343	321	329	302	310	355	329	338	309	338	315	318	307	348	316	309	340
Bisbee	313	288	294	266	293	303	280	288	263	269	315	284	298	269	298	275	278	267	[illegible]	276	269	[illegible]
Bismarck	320	296	302	275	300	310	286	286	260	277	322	291	306	276	306	[illegible]	[illegible]	[illegible]	315	284	277	313
Cannon Ball	326	302	308	280	306	316	294	302	275	284	328	297	312	283	312	[illegible]	[illegible]	290	321	289	284	319

1363

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 96, inc., of Tariff, as amended, taking Rate Basis:

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

NORTH DAKOTA—Conc.	Portland Me.	Pottsville Pa.	Poughkeepsie N. Y.	Punxsutawney Pa.	Reading Pa.	Richmond Va.	Richwood W. Va.	Roanoke Va.	Rochester N. Y.	Rockwood Pa.	Schuyler Va.	Scranton Pa.	Springfield Mass.	Syracuse N. Y.	Trenton N. J.	Utica N. Y.	Watertown N. Y.	Wellsville N. Y.	West Point Va.	Williamsport Pa.	Williamson W. Va.	Va.
Conway	299	269	277	250	275	288	264	275	247	255	300	266	283	254	281	259	263	251	293	260	255	281
Crosby	347	324	329	302	328	338	316	324	297	305	350	319	334	304	334	310	313	302	343	311	304	341
Devils Lake	307	280	286	258	284	295	267	281	256	261	307	275	293	263	290	269	271	260	300	270	260	[illegible]
Dickinson	338	315	320	293	319	329	307	315	288	296	341	310	325	295	325	301	304	293	334	302	296	332
Drake	313	289	295	266	293	304	281	290	263	269	316	284	299	269	299	275	278	267	309	276	269	307
Fargo	287	260	263	234	263	275	248	256	229	240	287	253	269	237	269	244	245	234	280	247	234	273
Gascoyne	342	317	323	290	317	327	304	311	288	293	339	313	327	296	325	303	305	293	332	305	291	330
Glenullen	329	306	312	284	310	320	298	306	279	287	332	301	316	286	316	293	295	284	325	293	287	323
Grand Forks	293	267	274	246	271	284	260	268	243	248	296	263	278	249	277	256	258	248	280	257	248	287
Grenora	360	336	342	314	339	353	328	338	310	317	365	330	346	317	346	323	326	315	358	324	318	356
Hannaford	296	269	275	247	273	284	261	269	243	250	296	264	278	249	278	256	258	248	289	257	248	287
Hannah	311	284	291	265	287	302	278	288	260	268	314	280	296	267	295	274	276	266	307	275	268	305
Hansboro	315	288	294	266	293	303	280	289	264	269	315	284	300	270	298	277	279	268	308	278	268	306
Havana	290	263	266	237	266	278	251	260	234	244	290	257	272	241	272	248	250	239	283	250	236	281
Hazen	333	309	315	287	313	323	301	308	283	290	335	304	319	289	319	295	298	287	328	296	289	326
Hillsboro	293	261	269	239	269	278	254	260	236	244	290	257	272	244	275	250	251	240	283	253	240	281
Jamestown	299	271	277	249	275	286	263	273	244	253	298	266	281	251	281	257	260	248	291	260	250	289
Kenmare	335	311	317	289	315	326	303	312	284	293	338	306	320	291	320	297	300	289	331	298	293	339
Killdeer	345	320	327	299	325	335	312	319	294	302	347	316	330	301	330	307	310	299	340	308	299	335
Lake Williams	308	284	290	263	288	298	277	284	257	266	310	279	294	265	294	270	274	261	303	271	265	301
Lansford	332	307	313	285	311	322	299	308	281	289	334	302	317	288	317	294	297	286	327	295	289	335
Leeds	312	285	291	264	289	300	278	286	260	266	312	280	297	267	295	275	276	266	305	275	266	308
Marmarth	350	327	333	299	327	337	312	320	296	300	349	323	336	305	335	313	314	301	342	316	299	340
Max	325	301	307	279	305	316	293	302	275	283	328	296	311	281	311	287	290	279	321	288	284	310
Minot	325	301	307	279	305	316	293	302	275	283	328	296	311	281	311	287	290	279	321	288	284	310
Moffit	315	291	297	269	295	305	283	291	265	273	317	286	301	271	301	277	280	269	310	278	271	309
Neche	312	286	293	265	290	303	279	289	261	267	315	281	297	268	296	275	277	266	308	275	268	305
New England	338	315	320	293	319	329	307	315	288	296	341	310	325	295	325	301	304	293	234	302	296	332
New Leipzig	334	307	313	281	307	317	295	301	284	284	329	303	319	290	315	296	299	287	322	295	281	330
New Rockford	302	277	284	255	281	293	270	278	250	257	305	273	287	257	287	264	266	256	298	266	257	296
Oakes	290	264	269	240	267	278	253	265	236	245	290	258	274	243	274	249	251	240	283	250	243	281
Omemee	323	298	304	276	302	313	290	298	273	279	325	293	308	279	308	285	288	277	318	286	278	316
Pembina	306	280	286	258	284	297	272	284	256	261	309	275	291	263	290	268	271	260	302	269	263	300
St. John	316	291	297	269	295	306	283	291	266	273	318	286	301	273	301	278	281	270	311	279	270	309
Sanish	338	314	320	293	318	329	307	316	287	295	341	310	324	294	324	300	303	293	334	301	296	332
Sarles	318	291	297	269	295	306	283	293	266	273	318	286	303	274	301	280	283	271	311	281	271	309
Sherwood	336	311	317	289	315	326	303	312	285	293	338	306	320	293	320	298	301	290	331	299	293	329
Shields	324	297	303	271	297	307	285	291	274	275	319	293	309	280	305	286	289	277	312	285	271	310
Steele	306	283	288	260	286	297	274	281	256	263	309	277	293	263	293	268	271	260	302	269	261	300
Streeter	306	283	288	260	286	297	274	281	256	263	309	277	293	263	293	268	271	260	302	269	261	300
Turtle Lake	318	294	300	271	298	309	287	295	267	275	321	289	304	275	304	280	284	273	314	281	274	312
Valley City	293	266	272	244	269	281	258	266	238	247	293	260	275	246	275	251	255	243	286	253	245	284
Wahpeton	284	257	250	233	258	272	247	256	229	236	284	249	266	236	266	241	245	234	277	244	234	275
Walhalla	317	291	297	269	295	308	283	294	266	273	320	286	302	274	301	279	283	271	313	280	274	311
Watford City	360	336	342	314	339	353	328	338	310	317	365	330	346	317	346	323	326	315	358	324	318	356
White Earth	342	318	324	296	322	333	310	318	291	299	345	313	328	298	328	304	307	296	338	305	298	336
Williston	347	324	329	302	328	338	316	324	297	305	350	319	334	304	334	310	313	302	343	311	304	341
Wilton	320	296	302	275	328	322	289	296	269	277	334	291	306	276	306	282	285	275	327	284	277	325
Wishek	306	283	288	260	286	297	274	281	256	263	309	277	293	263	293	268	271	260	302	269	261	300

1938

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 8½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 188, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:																					
	Portland Me.	Pottsville Pa.	Poughkeepsie N. Y.	Punxsutawney Pa.	Reading Pa.	Richmond Va.	Richwood W. Va.	Roanoke Va.	Rochester N. Y.	Rockwood Pa.	Schuyler Va.	Scranton Pa.	Springfield Mass.	Syracuse N. Y.	Trenton N. J.	Utica N. Y.	Watertown N. Y.	Wellsville N. Y.	West Point Va.	Williamsport Pa.	Williamson W. Va.	Woodson Va.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																					
SOUTH DAKOTA																						
Aberdeen	293	266	269	238	269	278	252	260	239	244	290	260	275	247	275	253	256	244	283	253	238	281
Belle Fourche	346	320	326	285	320	327	306	312	294	293	339	316	330	301	328	307	310	298	332	307	291	330
Belvidere	316	289	295	264	289	297	277	283	265	266	309	281	301	273	297	278	281	268	302	277	261	300
Bristol	287	260	266	234	263	275	248	257	231	240	287	253	269	239	272	245	248	237	280	247	233	278
Chamberlain	296	266	275	237	269	275	251	257	237	244	287	263	284	247	375	253	253	244	280	257	283	278
Conata	327	300	306	275	300	308	288	293	275	276	320	295	312	284	308	289	291	279	313	288	273	311
Cottonwood	329	302	308	276	302	309	290	294	278	280	321	298	314	285	310	291	294	283	314	290	275	312
Deadwood	339	314	320	288	314	320	301	305	288	290	332	310	325	296	322	302	304	293	325	302	285	323
Edgemont	350	325	329	298	325	329	310	314	300	299	341	320	336	307	332	313	316	303	334	311	294	332
Fairfax	298	275	284	244	275	281	258	263	247	250	293	272	287	257	284	263	264	253	286	263	241	284
Faith	338	312	318	286	312	322	300	307	287	290	334	308	323	294	320	300	303	291	327	300	287	325
Faulkton	298	273	278	247	273	283	259	266	247	248	295	268	284	254	280	259	263	251	288	260	247	286
Gettysburg	305	278	284	253	278	286	264	271	254	255	298	275	290	260	286	266	269	258	291	266	253	289
Grenville	293	271	274	246	271	283	260	267	241	248	295	263	277	248	277	255	257	247	288	256	247	286
Highmore	299	272	277	246	272	281	259	266	248	248	293	267	284	254	281	260	264	251	286	260	247	284
Huron	290	263	269	234	263	272	248	253	231	237	284	257	272	240	272	247	250	237	277	250	228	275
Isabel	328	301	307	275	301	311	289	295	277	278	323	297	313	284	309	290	293	281	316	289	275	314
Lemmon	333	307	313	281	307	317	295	302	279	284	329	303	318	287	315	293	295	284	322	293	283	320
Madison	284	253	260	224	257	263	238	244	234	227	275	250	266	234	263	240	240	231	268	244	217	266
Madra	314	287	293	261	287	297	275	281	264	265	309	284	299	270	295	276	279	267	302	275	261	300
Milbank	281	253	257	227	257	269	241	250	221	231	281	247	263	231	263	240	237	227	274	240	225	272
Mitchell	287	260	266	227	260	266	241	250	227	234	278	253	269	240	269	247	247	234	271	247	224	269
Mobridge	314	287	293	261	287	297	275	281	264	265	309	284	299	270	295	276	279	267	302	275	261	300
Newlin	323	296	302	270	296	302	283	288	273	273	314	293	308	279	304	285	288	276	307	284	268	305
Owanka	333	306	312	280	306	313	294	298	281	284	325	302	318	289	314	295	297	286	318	294	278	316
Pierre	311	284	290	258	284	290	271	276	260	259	302	280	296	267	293	274	276	265	295	273	258	293
Platte	296	266	272	237	266	275	251	257	242	240	287	263	278	247	275	253	249	244	280	253	231	278
Rapid City	336	310	316	284	310	317	298	301	284	286	329	306	320	293	318	298	300	289	322	298	281	320
Redfield	293	266	272	237	269	275	264	257	236	240	287	260	275	244	275	250	251	240	280	253	236	278
Sioux Falls	281	250	257	221	250	260	235	240	221	224	272	247	263	231	260	237	237	227	265	240	213	263
Vivian	305	275	281	248	275	284	262	266	249	250	296	269	287	257	284	264	266	254	289	263	247	287
Watertown	284	257	263	227	260	266	241	250	224	234	278	250	266	234	266	240	244	231	271	244	224	260
Winner	311	278	291	253	281	287	265	273	287	257	299	278	293	265	290	270	274	257	292	269	251	290
Yankton	287	257	263	224	257	263	238	244	224	231	275	250	266	237	266	244	244	231	268	244	217	266

WISCONSIN (For Rate Basis Numbers, see pages 38 to 42 of this supplement)

WYOMING (For Rate Basis Numbers, see pages 38 to 42 of this supplement)

1939

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 8½, page 181 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis: Albany N. Y.	Altoona Pa.	Atlantic City N. J.	Baltimore Md.	Bangor Me.	Batavia N. Y.	Bellefonte Pa.	Berwick Pa.	Bluefield W. Va.	Bluefield A W. Va.	Bluemont Va.	Boston Mass.	Bridgeton N. J.	Bristol Va.	Calais Me.	Cape Charles Va.	Caribou Me.	Clearfield Pa.	Connellsville Pa.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																		
WISCONSIN																			
Ashland	221	210	244	237	265	185	213	220	213	ǂ	242	242	242	ǂ	278	256	322	207	199
Bancroft	190	178	211	200	227	161	173	186	182	ǂ	205	207	209	ǂ	238	221	282	172	169
Beaver Dam	167	150	188	174	204	139	154	163	156	ǂ	179	184	186	ǂ	215	195	259	149	142
Calamine	178	160	195	182	216	150	166	177	161	ǂ	187	195	190	ǂ	227	200	271	157	151
Camp Douglas	188	172	210	196	226	160	176	188	174	ǂ	201	206	208	ǂ	237	213	281	172	164
Eau Claire	211	196	222	219	251	176	197	207	199	ǂ	224	231	230	ǂ	262	240	306	193	187
Fennimore	183	165	200	189	219	158	172	182	167	ǂ	194	199	198	ǂ	230	207	274	165	157
La Crosse	208	187	223	211	249	173	191	199	190	ǂ	216	229	221	ǂ	262	230	306	187	180
Ladysmith	213	199	237	224	252	176	200	209	203	ǂ	229	232	234	ǂ	263	246	307	196	189
Marshfield	199	185	220	208	235	164	187	195	190	ǂ	213	219	218	ǂ	246	230	290	180	176
Masomanie	176	158	197	183	212	146	164	175	163	ǂ	188	193	195	ǂ	223	202	267	158	152
Merrillan	199	185	220	208	235	169	187	195	190	ǂ	213	219	218	ǂ	246	230	290	180	176
Owen	207	193	231	219	251	170	196	207	196	ǂ	224	231	229	ǂ	262	240	306	189	182
Portage	176	158	197	183	212	146	164	175	163	ǂ	188	193	195	ǂ	223	202	267	158	152
Prairie du Chien	194	173	208	194	233	166	176	188	175	ǂ	199	211	206	ǂ	245	211	289	172	164
Prentice	210	199	234	224	252	176	200	209	203	ǂ	229	232	232	ǂ	263	246	307	196	189
Readstown	201	180	216	201	241	173	184	196	183	ǂ	206	219	213	ǂ	253	219	297	179	172
Rhinelander	190	177	213	204	227	162	182	189	187	ǂ	209	207	211	ǂ	238	222	282	177	173
Shawano	175	163	196	187	209	146	165	172	167	ǂ	192	190	194	ǂ	221	205	265	161	154
Turtle Lake	221	207	244	233	269	185	210	217	210	ǂ	238	244	242	ǂ	285	255	329	208	199
Waupaca	183	171	204	193	219	153	173	178	174	ǂ	198	199	201	ǂ	232	212	276	164	162
Wausau	191	179	212	204	227	163	182	181	184	ǂ	209	207	210	ǂ	238	221	282	177	171
Wisconsin Rapids	190	178	214	200	227	162	179	186	182	ǂ	205	207	209	ǂ	238	221	282	172	169
WYOMING																			
Cheyenne	332	308	343	329	372	305	312	326	305	ǂ	334	352	341	ǂ	383	345	427	308	301
Keeline (Note A)	329	306	340	329	368	301	310	323	308	308	334	348	338	333	380	347	424	306	300
New Castle (Note B)	330	309	344	332	370	304	313	325	312	312	337	348	342	335	383	350	427	309	302
Wendover (Note C)	330	307	342	328	370	304	311	324	306	ǂ	333	350	340	ǂ	383	346	427	307	300

ǂ For rates to apply, see Agent L. E. Kipp's Tariff No. 385, I. C. C. No. A-3020.

Note A.—Applicable only from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc.

Note B.—Applicable only from or to CB&Q stations taking Index Nos. 8165 to 8175, inc.

Note C.—Applicable only from or to CB&Q stations taking Index Nos. 9515 to 9535, inc., and U. P. stations taking In Nos. 1194 to 1218, inc.

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:																		
	Croghan N. Y.	Cumberland Md.	Driftwood Pa.	Easton Pa.	Elkins W. Va.	Elkton Va.	Erwin W. Va.	Franklin City Va.	Frederick Md.	Geneva N. Y.	Glens Falls N. Y.	Gloversville N. Y.	Grafton Mass.	Grafton W. Va.	Greenwood Del.	Hagerstown Md.	Harrisburg Pa.	Hendricks W. Va.	Hinton W. Va.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)																		
WISCONSIN																			
Ashland	222	213	203	229	213	227	215	253	230	196	227	229	244	207	244	223	224	217	213
Bancroft	196	180	172	196	183	195	182	218	195	171	199	198	209	172	210	188	190	185	182
Beaver Dam	173	154	149	172	154	167	156	195	165	147	176	175	186	144	187	163	166	158	156
Calamine	184	162	157	187	164	174	164	200	176	158	187	187	197	153	193	172	175	155	161
Camp Douglas	196	175	172	195	178	185	177	213	189	[illegible]	198	196	208	167	207	185	188	180	174
Eau Claire	211	198	190	217	196	210	200	240	213	189	217	219	233	189	231	207	212	199	196
Fennimore	187	168	165	190	172	179	170	207	183	162	191	190	201	161	200	178	180	174	167
La Crosse	211	191	187	210	193	200	193	230	207	185	213	216	231	182	223	200	202	195	189
Ladysmith	211	203	193	221	203	218	205	243	219	185	217	219	234	193	235	212	216	207	199
Marshfield	201	187	179	205	190	200	189	227	204	176	207	207	221	179	219	196	199	193	189
Mazomanie	181	163	158	182	167	173	165	202	177	155	185	184	195	156	195	172	175	169	163
Merrillan	205	187	180	205	190	200	189	227	204	179	208	207	221	179	219	196	199	193	189
Owen	205	196	185	213	196	210	198	240	213	[illegible]	210	211	233	185	231	207	210	196	196
Portage	181	163	158	182	167	173	165	202	177	165	185	184	195	156	195	172	175	169	163
Prairie du Chien	199	176	171	199	176	184	178	211	188	174	204	201	213	165	205	184	187	178	174
Prentice	211	203	189	221	199	218	205	243	217	185	213	219	234	195	234	212	213	203	199
Readstown	207	184	178	207	184	191	186	219	196	182	211	209	221	173	212	191	195	186	182
Rhinelander	198	183	176	198	186	197	185	221	197	171	199	198	209	175	211	190	191	188	187
Shawano	181	167	158	180	166	179	169	205	179	156	184	181	192	155	194	175	175	168	167
Turtle Lake	219	210	199	227	194	226	212	253	227	196	224	225	246	199	244	221	224	213	207
Waupaca	187	173	164	188	175	185	175	211	187	162	191	190	201	164	202	180	184	177	174
Wausau	197	184	175	197	183	196	186	221	197	172	200	198	209	172	210	191	191	185	184
Wisconsin Rapids	196	180	172	196	183	195	182	218	195	158	199	198	209	172	210	188	190	185	182
WYOMING																			
Cheyenne	336	311	310	335	309	319	313	345	324	312	340	340	354	299	343	319	323	311	305
Keeline (Note A)	332	310	308	333	310	320	312	347	325	308	338	336	350	300	340	320	320	312	308
New Castle (Note B)	335	314	309	336	314	323	316	349	327	311	339	339	350	304	344	322	324	316	312
Wendover (Note C)	335	310	309	334	308	318	312	346	323	311	339	339	352	298	342	318	322	310	306

Note A.—Applicable only from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc.

Note B.—Applicable only from or to CB&Q stations taking Index Nos. 8165 to 8175, inc.

Note C.—Applicable only from or to CB&Q stations taking Index Nos. 9515 to 9535, inc., and U. P. stations taking Index Nos. 1194 to 1218, inc.

1367

Add to page 347 of Tariff.

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 6½, page 191 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Houlton Me	Hudson N. Y	Johnsonburg Pa	Johnstown Pa	Lewistown Pa	Ligonier Pa	Long Branch N. J	Lynchburg Va	Madawaska Me	Malone N. Y	Marion Va	Mars Hill Me	Marshall W. Va	Middletown N. Y	Midway Va	Mineola N. Y	Montauk N. Y	New York N. Y	Norfolk Va	Norton Va
WISCONSIN																				
Ashland	306	224	199	203	221	205	237	231	327	223	♯	315	221	231	228	242	256	235	253	♯
Bancroft	266	196	169	173	186	175	211	199	287	193	♯	275	193	199	193	209	223	202	218	♯
Beaver Dam	243	173	142	145	158	148	188	172	264	169	♯	252	167	176	168	186	200	179	190	♯
Calamine	255	184	153	154	167	157	193	176	276	183	♯	264	175	188	177	200	214	193	196	♯
Camp Douglas	265	195	165	167	180	170	210	188	286	193	♯	274	189	198	190	209	223	202	208	♯
Eau Claire	290	217	187	193	206	193	231	215	311	213	♯	299	203	219	212	230	244	223	235	♯
Fennimore	258	188	158	160	174	163	200	182	279	186	♯	267	183	193	183	204	218	197	201	♯
La Crosse	290	213	185	185	195	186	223	205	311	210	♯	299	196	215	205	226	240	219	224	♯
Ladysmith	291	217	189	193	210	195	213	222	312	217	♯	300	207	221	217	234	248	227	244	♯
Marshfield	274	205	176	180	194	182	220	205	295	201	♯	283	196	207	201	218	232	211	224	♯
Masomanie	251	182	154	154	168	158	197	177	272	178	♯	260	178	186	177	197	211	190	197	♯
Merrillan	274	205	178	180	194	182	220	205	295	201	♯	283	196	207	201	218	232	211	224	♯
Owen	290	210	182	173	203	188	224	215	311	210	♯	299	203	213	212	228	242	221	235	♯
Portage	251	182	154	154	168	158	197	177	272	178	♯	260	178	186	177	197	211	190	197	♯
Prairie du Chien	273	200	166	169	179	170	208	188	294	196	♯	282	187	205	189	212	226	205	206	♯
Prentice	291	213	189	193	207	195	227	222	312	213	♯	300	207	221	217	234	248	227	244	♯
Readstown	281	208	174	177	187	178	216	196	302	204	♯	290	195	212	196	219	233	212	213	♯
Rhinelander	266	196	171	176	187	178	213	201	287	194	♯	275	197	200	195	212	226	205	222	♯
Shawano	249	180	155	157	173	160	196	184	270	178	♯	258	177	183	180	194	208	187	205	♯
Turtle Lake	313	224	196	203	217	205	237	227	334	224	♯	322	213	227	226	241	255	234	250	♯
Waupaca	260	188	162	165	179	168	204	188	281	185	♯	269	186	190	185	202	216	195	208	♯
Wausau	266	197	172	174	187	177	212	200	287	195	♯	275	194	199	196	211	225	204	221	♯
Wisconsin Rapids	266	196	169	173	186	175	211	199	287	193	♯	275	193	199	193	209	223	202	218	♯
WYOMING																				
Cheyenne	411	338	303	304	316	307	343	319	432	334	♯	420	319	342	324	349	363	342	339	♯
Keeline (Note A)	408	335	306	304	314	306	340	325	429	329	326	417	320	336	325	346	360	339	343	316
New Castle (Note B)	411	337	306	307	317	308	344	328	432	333	329	420	324	338	327	347	361	340	346	320
Wendover (Note C)	411	337	304	304	315	306	342	323	432	333	♯	420	318	340	323	347	361	340	340	♯

♯ For rates to apply, see Agent L. E. Kipp's Tariff No. 385, I. C. C. No. A-3020.

Note A.—Applicable only from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc.

Note B.—Applicable only from or to CB&Q stations taking Index Nos. 8165 to 8175, inc.

Note C.—Applicable only from or to CB&Q stations taking Index Nos. 9515 to 9535, inc., and; U. P. stations taking In Nos. 1194 to 1218, inc.

1942

1368

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 101 of Tariff, as amended.)

BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis:

APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	Ogdensburg N. Y.	Olean N. Y.	Oneonta N. Y.	Patchogue N. Y.	Petersburg W. Va.	Philadelphia Pa.	Piercefield N. Y.	Pig Point Va.	Pittsfield Mass.	Port Jervis N. Y.	Portland Me.	Pottsville Pa.	Poughkeepsie N. Y.	Punxsutawney Pa.	Reading Pa.	Richmond Va.	Richwood W. Va.	Roanoke Va.	Roanoke A Va.	Rochester N. Y.
WISCONSIN																				
Ashland	217	193	217	246	224	235	223	261	227	227	251	224	231	199	231	242	221	227	♦	193
Bancroft	193	165	186	213	189	202	193	226	196	195	212	190	199	171	195	209	186	195	♦	165
Beaver Dam	169	142	163	190	166	179	169	198	173	172	189	168	176	142	172	182	158	167	♦	142
Calamine	179	153	175	204	173	187	189	204	184	186	201	177	188	150	180	187	167	174	♦	153
Camp Douglas	189	165	184	213	186	201	190	216	195	196	211	190	198	165	196	199	181	185	♦	165
Eau Claire	210	182	207	234	208	223	213	243	218	216	237	211	219	187	217	226	203	210	♦	182
Fennimore	182	158	178	208	179	195	184	209	188	189	205	184	193	158	186	194	175	179	♦	158
La Crosse	207	179	204	230	201	215	209	232	215	212	234	206	215	182	209	216	196	200	♦	179
Ladysmith	210	182	207	238	213	227	213	252	221	217	238	215	221	189	220	233	207	217	♦	179
Marshfield	199	170	195	222	197	211	201	232	205	204	221	198	207	178	204	216	193	200	♦	170
Mazomanie	177	152	172	201	173	188	177	205	182	183	198	178	186	154	184	188	170	173	♦	152
Merrillan	201	173	195	222	197	211	201	232	205	204	221	198	207	178	204	216	193	200	♦	173
Owen	203	173	199	232	207	223	207	243	213	210	237	210	217	182	213	226	199	210	♦	173
Portage	177	152	172	201	173	188	177	205	182	183	198	178	186	154	184	188	170	173	♦	152
Prairie du Chien	195	167	189	216	185	199	195	214	200	199	218	193	205	166	193	197	179	184	♦	169
Prentice	207	179	207	238	210	227	213	252	217	217	238	213	221	189	220	233	209	217	♦	179
Readstown	202	175	197	223	193	207	202	221	208	207	226	200	212	174	200	205	187	191	♦	177
Rhinelander	193	164	186	216	191	205	193	230	196	197	212	193	200	174	199	210	189	197	♦	166
Shawano	178	151	169	198	176	187	178	213	180	179	195	176	183	157	182	191	169	179	♦	152
Turtle Lake	217	189	213	245	221	237	221	258	227	224	253	224	227	199	227	241	213	224	♦	189
Waupaca	185	156	178	206	182	195	185	216	188	187	205	182	190	163	187	199	178	185	♦	156
Wausau	195	166	186	215	193	204	195	229	197	196	212	193	199	175	198	208	188	196	♦	166
Wisconsin Rapids	193	165	186	213	189	202	193	226	196	195	212	190	199	171	195	209	186	195	♦	165
WYOMING																				
Cheyenne	333	305	328	353	320	335	323	347	338	338	358	329	342	302	329	329	313	315	♦	308
Keeline (Note A)	329	301	324	350	320	333	329	351	335	335	356	327	339	301	327	335	314	319	319	304
New Castle (Note B)	332	306	327	351	323	336	332	354	337	335	357	329	338	300	329	338	318	323	323	307
Wendover (Note C)	332	304	327	351	319	334	332	348	337	336	357	328	340	302	328	333	312	317	♦	307

♦ For rates to apply, see Agent L. E. Kipp's Tariff No. 385, I. C. C. No. A-3020.

Note A.—Applicable only from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc.

Note B.—Applicable only from or to CB&Q stations taking Index Nos. 8165 to 8175, inc.

Note C.—Applicable only from or to CB&Q stations taking Index Nos. 9515 to 9535, inc., and U. P. stations taking Index Nos. 1194 to 1218, inc.

1943

1369

Add to page 347 of Tariff:

SECTION 1½—Continued.

(For Governing Classification and Exceptions thereto, see Item No. 6½, page 191 of Tariff, as amended.)

AND Western Stations shown on pages 99 to 186, inc., of Tariff, as amended, taking Rate Basis:	BETWEEN Eastern Stations shown on pages 11 to 98, inc., of Tariff, as amended, taking Rate Basis: Rockwood Pa.	Schuyler Va.	Scranton Pa.	Springfield Mass.	Syracuse N. Y.	Taylors Valley Va.	Trenton N. J.	Tuckerdale N. C.	Utica N. Y.	Watertown N. Y.	Wellsville N. Y.	West Jefferson N. C.	West Point Va.	White Top Va.	Williamsport Pa.	Williamson W. Va.
	APPLY RATE BASIS NUMBERS (For Rates, see Section 1, pages 267 to 340 of Tariff, as amended)															
WISCONSIN																
Ashland	207	254	217	234	203	‡	235	‡	209	210	196	‡	247	‡	211	203
Bancroft	173	221	186	202	174	‡	202	‡	178	184	171	‡	214	‡	179	172
Beaver Dam	145	194	163	179	152	‡	179	‡	156	161	147	‡	185	‡	156	146
Calamine	157	199	177	193	164	‡	190	‡	168	172	157	‡	192	‡	171	151
Camp Douglas	171	211	188	202	173	‡	202	‡	178	189	169	‡	204	‡	180	164
Eau Claire	193	238	207	224	193	‡	222	‡	199	199	189	‡	231	‡	199	185
Fennimore	164	206	182	197	166	‡	196	‡	172	175	163	‡	199	‡	175	157
La Crosse	185	228	202	221	189	‡	217	‡	196	199	185	‡	221	‡	196	179
Ladysmith	196	245	207	227	198	‡	227	‡	199	199	189	‡	238	‡	203	189
Marshfield	182	228	195	211	182	‡	211	‡	187	189	176	‡	221	‡	188	179
Mazomanie	157	200	175	190	160	‡	190	‡	164	169	155	‡	193	‡	168	153
Merrillan	182	228	195	211	183	‡	211	‡	187	193	177	‡	221	‡	188	179
Owen	189	238	203	221	185	‡	221	‡	193	193	179	‡	231	‡	196	182
Portage	157	200	175	190	160	‡	190	‡	164	169	165	‡	193	‡	168	153
Prairie du Chien	169	209	193	206	177	‡	201	‡	182	187	169	‡	202	‡	179	165
Prentice	196	245	207	224	193	‡	227	‡	199	199	185	‡	238	‡	203	189
Readstown	177	217	200	213	185	‡	209	‡	189	195	177	‡	210	‡	187	173
Rhinelander	177	222	189	205	175	‡	205	‡	179	184	169	‡	215	‡	183	177
Shawano	158	203	172	187	160	‡	187	‡	163	169	156	‡	196	‡	164	157
Turtle Lake	203	253	217	234	199	‡	234	‡	207	207	196	‡	246	‡	210	196
Waupaca	167	211	178	195	165	‡	195	‡	171	175	162	‡	204	‡	172	164
Wausau	175	220	188	204	175	‡	204	‡	179	185	173	‡	213	‡	180	174
Wisconsin Rapids	173	221	186	202	174	‡	202	‡	178	184	171	‡	214	‡	179	172
WYOMING																
Cheyenne	304	341	329	344	315	‡	338	‡	320	324	308	‡	334	‡	315	296
Keeline (Note A)	304	347	327	340	311	338	337	346	317	320	304	349	340	343	313	299
New Castle (Note B)	307	350	327	343	314	343	338	350	320	323	310	354	343	347	318	303
Wendover (Note C)	304	345	328	343	314	‡	338	‡	320	323	307	‡	338	‡	314	297

---

‡ For rates to apply, see Agent L. E. Kipp's Tariff No. 385, I. C. C. No. A-3020.

Note A.—Applicable only from or to C&NWRy stations taking Index Nos. 7775 to 7785, inc.

Note B.—Applicable only from or to CB&Q stations taking Index Nos. 8165 to 8175, inc.

Note C.—Applicable only from or to CB&Q stations taking Index Nos. 9515 to 9535, inc., and U. P. stations taking Ind Nos. 1104 to 1218, inc.

mend page 368 of Tariff and page 16 of Supplement No. 30 to read:

SECTION 1-A

ALL RAIL STANDARD MINIMUM CHARGES

Between Eastern Stations and Western Stations.

overned by the Exceptions to the OFFICIAL Classification as Provided for in Note on Page 371 of Tariff and page 44 of this Supplement except as otherwise provided in Note C thereof.

If the charge accruing under Sections 1, 1½, 1-B or 1½-B of this Tariff is higher than the charge accruing under this Section, on e same shipment via the same route, the charge accruing under Sections 1, 1½, 1-B or 1½-B will apply.

Note.—Except as otherwise provided in Section 3-A, rates named in this Section will not apply via rail-ocean-and-rail routes.

SECTION 1-A.

hange heading on pages 353 to 370 of Tariff, as amended to read:

TABLE OF RATES.

Governed by OFFICIAL Classification or Exceptions Thereto as provided in Note on page 371 of Tariff, as amended, and page 44 of this Supplement.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R25 or 70	65	60	57	R26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
dd to pages 353 to 370 of Tariff:																				
	286	243	222	215	200	186	172	163	157	143	129	114	107	100	93	86	79	72	64	57
	289	246	224	217	202	188	173	165	159	145	130	116	108	101	94	87	79	72	65	58
	290	247	225	218	203	189	174	165	160	145	131	116	109	102	94	87	80	73	65	58
	292	248	226	219	204	190	175	166	161	146	131	117	110	102	95	88	80	73	66	58
	295	251	229	221	207	192	177	168	162	148	133	118	111	103	96	89	81	74	66	59
	296	252	229	222	207	192	178	169	163	148	133	118	111	104	96	89	81	74	67	59
7	297	252	230	223	208	193	178	169	163	149	134	119	111	104	97	89	82	74	67	59
	298	253	231	224	209	194	179	170	164	149	134	119	112	104	97	89	82	75	67	60
	299	254	232	224	209	194	179	170	164	150	135	120	112	105	97	90	83	75	67	60
11	311	264	241	233	218	202	187	177	171	156	140	124	117	109	101	93	86	78	70	62
	322	274	250	242	225	209	193	184	177	161	145	129	121	113	106	97	89	81	72	64
	328	280	255	247	230	214	197	188	181	165	148	132	123	115	107	99	90	82	74	66
	334	284	259	251	234	217	200	190	184	167	150	134	125	117	109	100	92	84	75	67

1945

Change Note on page 371 of Tariff:

NOTE

SECTION 1-A.

EXPLANATION OF NOTE REFERRED TO ON PAGES 368 TO 370, AND PAGE 43 OF THIS SUPPLEMENT.

1. Rates resulting from the rate basis numbers published in Section 1-A of Tariff as amended between Eastern stations and Western sta tions are governed by:

Exceptions to Official Classification as follows: **(See Notes A and C).**

(a) On traffic from Eastern Stations to Western Stations:

In connection with rates resulting from Rate Basis Numbers shown in Columns 1 to 2-D, inc., apply Exceptions applicable fro the Same Origin to Territory R in Agent W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C. No. A-537, and Exceptio applicable From the Same Origin to Territory R in Agent I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C. No. 434.

In connection with rates in Columns 3 to 12, inc., apply Exceptions applicable from the Same Origin to Territory C in Age W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C., No. A-537 and Exceptions applicable from the Same Origin to Territory in Agent I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C No. 434, also Exceptions published in Item Nos. 600 and 610.

In connection with rates in Columns 13 to 17, inc., apply Exceptions applicable from the Same Origin to Territory E in Age W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C. No. A-537 and exceptions from the Same Origin to Territory H in Age I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C. No. 434.

(b) On traffic from Western Stations to Eastern Stations:

In connection with rates resulting from Rate Basis Numbers shown in Columns 1 to 2-D, inc., apply Exceptions published Agent B. T. Jones' Tariff No. 545-I, I. C. C. No. 3768, C. T. C. No. 1851, Agent L. E. Kipp's I. C. C. No. A-3465.

In connection with rates in Columns 3 to 17, inc., apply Exceptions published in Agent B. T. Jones' Tariff No. 130-C, I. C. C. No. 3926, C. T. C. No. 1918, as now applicable from "Central Freight Association" territory, also from points in Wisconsin (see Exceptions), also Exceptions published in Item Nos. 600 and 610.

Exception.—Will not apply to or from the following points in Wisconsin:

Kewaunee	Marinette	C&NW Stations Siding No. 6 to Newton (Stations Nos. 2600 to 2680), Milwaukee a points named in Note 65, page 81 of Agent B. T. Jones' Tariff No. 130-C, I. C. C. No. 3926, C. T. C. No. 1918.
Manitowoc	Sheboygan	
	Two Rivers	

2. Rates resulting from the Rate Basis Numbers published in Section 1½A of Tariff, as amended, between Eastern Stations and Weste Stations are governed by:

Official Classification **(See Notes B and C).**

Note A.—Where reference is made to this Note rates in Section 1A will apply only where applicable rating is published in Exceptions to Official Classification subject to applicable rules and other provisions in Exceptions to the Official Classification and to applica rules and other provisions, **except ratings**, in Official Classification, **except that**

Rates in Section 1A will also apply where the applicable rating is published in Official Classification and the applica carload minimum weight is published in Exceptions to the Official Classification.

Note B:—Where reference is made to this Note rates in Section 1½A will apply only where the applicable rating is published the Official Classification subject to applicable rules and other provisions in Official Classification and to applicable rules and other provisions, **except ratings**, in Exceptions to Official Classification, **except that**

Rates in Section 1½A will not apply where the applicable rating is published in Official Classification and the applica carload minimum weight is published in Exceptions to Official Classification. Rates in Section 1-A will apply.

Note C.—For the purpose of determining minimum charges for rates in Section 1 applicable under the provisions of Note D, paragraph 2 of Item No. 6½, minimum charges named in Section 1-A are subject to Official Classification and Exceptions thereto name in paragraph (1) of "Note" above. Minimum charges in Section 1½-A will not apply.

For the purpose of determining minimum charges to or from stations shown below, rates in Section 1-A are governed by Offic Classification and Exceptions thereto:

D&SL—Stations Index Nos. 187 to 280.
LNP&W—All Stations.
S&EV—All stations.
U. P.—Stations Index Nos. 1680 to 2230; 7485 to 7690.
Stations in Utah.
Stations in Wyoming other than those taking Cheyenne, Wyo., basis.

anges resulting from the use of rate basis numbers in this section result in increases, reductions or no change in rates.
d to page 372 of Tariff:

SECTION 1½A

ALL RAIL STANDARD MINIMUM CHARGES.

Between Eastern Stations and Western Stations.

overned by the OFFICIAL Classification as provided in Note on page 371 of Tariff and page 44 of this Supplement except as otherwise provided in Note C thereof.

If the charge accruing under Sections 1, 1½, 1-B or 1½-B of this Tariff is higher than the charge accruing under this Section, on e same shipment via the same route, the charge accruing under Sections 1, 1½, 1-B or 1½-B will apply.

Add to page 373 of Tariff:

SECTION 1½A.
MINIMUM CHARGES.

Between Eastern Stations shown on pages 11 to 98 of Tariff, as amended, and Western Stations shown on pages 99 to 186 of Tariff, as amended, opposite Index Nos. shown below, inclusive.	Apply Rate Basis Numbers shown on pages 48 and 49 of this supplement under Column.
Alton	
980 to 1195	6
AT&SF	
320 to 520	6
635 to 4370	6
4460 to 4520	6
6235 to 6730	6
6775 to 7070	6
BAM	
5 to 145	5-A
B&G	
5, 30, 35, 40, 45	5-A
Bev&S	
10 to 15	6
CN-W	
137 to 155	1
CR&IC	
5	3
6 to 50	4
CCW	
5	2-B
10 to 25	5
40 to 50	2-B
C&NW	
1430 to 1445	17
1450 to 1525	14
1530 to 1570	13
1660 to 2520	16
2525 to 2540	13
2805 to 3260	13
3315 to 3390	15
3395 to 3585	13
3625 to 3656	15
3657 to 3693	13
3695, 3697	16
3725 to 4100	13
4185 to 4315	10
4320 to 4340	9
4345 to 4365	13
4385, 4390	9
4415	13
4423 to 4467	17
4585 to 4605	13
4610 to 4670	8
4695 to 4775	7
4850 to 4910	4
4925	3
4940 to 5180	5
5195 to 5295	4
5315 to 5620	5
5625	2-B
5630 to 5730	2-D
5755 to 5995	5
6000 to 6025	2-D
6030 to 6037	5
6050 to 6065	2-D
6110 to 6520	5
6545, 6550	13
6555 to 6640	2-A
6642 to 6795	2-C
6815 to 6845	2-A
6885 to 7090	2-C
7095 to 7150	2
7155 to 7240	2-C
7245	2
7255 to 7270	2-C
7275	1
7280 to 7290	2-C
C&NW—Con.	
7295 to 7310	2
7315 to 7345	1
7355 to 7394	2
7400 to 7445	2-D
7450 to 7785	5
7790 to 7875	5-A
7880 to 8030	5
8035 to 8100	6
8250 to 8520	5
8525 to 8564	2
8600, 8605	2
8655 to 8730	2
C&NW(MVO)	
8615	2
8762 to 8835	5-A
CB&Q	
2330 to 2435	9
2440 to 2595	13
2710 to 2775	4
2790 to 2995	5
3000 to 3080	4
3130 to 3195	4
3220 to 3310	5
3315 to 3455	6
3460 to 3535	5
3585 to 3625	5
3630 to 3680	6
3685 to 3760	5
4135 to 4190	6
4270 to 4330	4
4345 to 4525	6
4530 to 4675	5
4690 to 5140	6
5145 to 5165	5
5185 to 5220	6
5225	5
5230 to 5260	6
5265 to 5282	6
5310 to 5325	6
5565 to 5690	5
5700 to 5795	6
5800	5
5805 to 6278	6
6280 to 6625	5
6630 to 7715	6
7720 to 8175	5
8180 to 8415	5-A
8580 to 8925	5-A
8930 to 9125	5
9130 to 9330	2
9335 to 9460	5
9465 to 9475	6
9477 to 9510	5
9515 to 9535	5
9540 to 9570	5-A
9585 to 9655	5
CGW	
200 to 295	3
300 to 480	5
485 to 640	6
645 to 660	3
665 to 710	2-B
720 to 810	2-A
815 to 835	13
840 to 855	3
856 to 917	5
918 to 925	2-B
926, 927	2-A
928 to 1065	5
CGW—Con.	
1185 to 1195	2-B
1200 to 1260	2-A
1310	13
1315 to 1360	2-A
1365	13
1370 to 1415	2-A
1420 to 1440	2-C
CMStP&P	
1260 to 1385	10
1470 to 1490	9
1580 to 1670	7
1760 to 1860	17
1866, 1870	10
1880 to 1920	9
1980 to 2015	9
2020 to 2050	10
2066 to 2835	13
3065	17
3080 to 3090	14
3105, 3110	17
3125 to 3134	14
3150 to 3170	14
3190 to 3220	17
3580 to 3590	15
3595 to 3680	16
3705 to 4270	16
4300 to 4400	13
4505 to 4685	9
4700 to 4745	2-B
4760 to 4790	9
4795 to 4870	13
4872 to 4877	2-A
4880 to 4935	13
5030 to 5050	2-A
5085 to 5155	4
5160	3
5165 to 5430	5
5500 to 5555	4
5560 to 5615	3
5620 to 5715	4
5735 to 5965	5
6005 to 6055	4
6060	5
6070	4
6072 to 6115	5
6120 to 6255	6
6315, 6320	3
6325 to 6400	5
6420 to 6575	2-B
6580 to 6775	2-D
6790 to 6815	5
6835 to 6855	2-D
6860 to 6885	2
6900 to 7020	2-B
7027 to 7240	2-A
7245, 7250	13
7280 to 7355	2-B
7358	2-A
7359 to 7365	2-B
7385 to 7455	2-D
7460	2-C
7475 to 7625	2-D
7630 to 7677	2-C
7690 to 7725	2-D
7730, 7735	2
7762 to 7830	2-A
7835 to 7980	2-C
7985 to 8355	1
8370 to 8390	2
8405 to 8495	1
CMStP&P—Con.	
8500 to 8570	2
8585 to 8665	2-
8670 to 8980	5
8995 to 9100	2
9115 to 9240	13
10010 to 10160	1
11600 to 11875	1
CRI&P	
535 to 605	4
650 to 795	4
800 to 930	3
935 to 975	2-
985 to 1015	5
1030 to 1045	2-B
1050	2-B
1065 to 1180	2-A
1185 to 1250	13
1265 to 1335	3
1350 to 1380	2-B
1395 to 1585	5
1590 to 1700	2-D
1705 to 1750	5
1755 to 2035	2-D
2040 to 2085	2-C
2100 to 2205	4
2210 to 2585	5
2590 to 2605	2-D
2620 to 2890	5
2925 to 3020	4
3025 to 3080	5
3095 to 3130	4
3135 to 3155	5
3200 to 3305	4
3310 to 3325	6
3345, 3350	4
3355 to 3435	5
3460	4
3465 to 3485	5
3490 to 3997	6
4025 to 4300	6
4350 to 4410	5
4415 to 5540	6
5585 to 5685	6
CSPM&O	
5 to 605	13
615 to 640	17
650	10
675 to 1440	13
1460 to 1485	2-A
1490 to 1540	2-C
1545 to 2015	2-D
2020	2
2040 to 2065	2-D
2070 to 2470	5
C&SE	
5, 10	6
C&S	
5 to 135	5-A
142 to 490	5
495 to 1290	6
C&W	
120	6
160 to 185	6-A
CR	
5 to 40	13
45 to 80	16
95 to 127	13
130 to 295	16

to page of Tariff

SECTION 1½A.
MINIMUM CHARGES.

tween Eastern tions shown on es 11 to 98 of ff, as amended, Western Sta- shown on es 99 to 186 of ff, as amend- opposite Index shown below, clusive.	Apply Rate Basis Numbers shown on pages 48 and 49 of this supplement under Column.
D&RGW	
5 to 490	6
500 to 527	6
60, 655	6
80 to 3785	5-A
95 to 3810	5-A
30 to 3870	5-A
210 to 4290	5-A
453, 4455	5-A
475 to 4770	5-A
775 to 4925	5-A
935 to 4950	5-A
960	5-A
70 to 5148	5-A
153 and 5155	5-A
165 and 5170	6-A
D&SL	
10	6
67 to 280	5-A
DM&CI	
to 190	5
DM&IR	
10, 15	13
20 to 110	4
35 to 165	13
80 to 505	1
20 to 525	13
30 to 860	1
DSS&A	
5 to 370	13
95 to 590	16
615 to 665	11
670 to 695	13
725 to 875	12
995, 1005	16
1025 to 1110	13
1155 to 1195	12
DW&P	
5 to 20	13
5 to 220	1
E&LS	
5 to 225	16
FG&S	
4705 to 4755	1
FDDM&S	
5 to 225	5
GCW	
5 to 35	6
GN	
10 to 310	13
325 to 590	1
600	13
615, 620	1
635 to 695	2-[illegible]
710 to 885	1
925 to 985	2-C
990 to 1100	2-D
1105 to 1140	5
1175 to 1275	2-D
1280 to 1310	2-C
1350, 1355	2-D
1360 to 1400	5
1425 to 1485	1
1490 to 1620	2-C

Between Eastern Stations shown on pages 11 to 98 of Tariff, as amended, and Western Stations shown on pages 99 to 186 of Tariff, as amended, opposite Index Nos. shown below, inclusive.	Apply Rate Basis Numbers shown on pages 48 and 49 of this supplement under Column.
GN—Con.	
1650 to 3245	1
3310 to 3325	13
3330 to 4030	1
4150 to 4320	1
4400 to 4665	1
4800 to 4865	1
5000 to 5705	1
5730 to 5785	1
GW	
5 to 35	6
40 to 170	5
190 to 235	6
GB&W	
12 to 25	15
30 to 235	13
Hill&NE	
5	10
IC	
3575 to 3760	3
3765 to 3815	2-B
3820	2-B
3845, 3850	2-B
3875	3
3880 to 4305	5
4310 to 4365	2-D
4385 to 4405	5
J-P	
10 to 185	6
KCKV	
5 to 85	6
KCS	
5 to 95	6
185 to 375	6
377a to 378d	6
KOG	
10, 11	6
LS&I	
5 to 295	16
420 to 480	11
490 to 585	16
610 to 770	13
LNP&W	
15 to 70	5-A
M&On	
5, 10	3
M&LS	
30 to 165	13
MT&W	
5 to 90	13
MC&CL	
5	2-B
7 to 20	2-D
MidC	
5 to 50	1
MV	
1 to 14	6

Between Eastern Stations shown on pages 11 to 98 of Tariff, as amended, and Western Stations shown on pages 99 to 186 of Tariff, as amended, opposite Index Nos. shown below, inclusive.	Apply Rate Basis Numbers shown on pages 48 and 49 of this supplement under Column.
MinR	
1275 to 1515	16
M&StL	
5 to 25	13
30 to 110	2-A
115	2-B
117 to 150	2-D
155 to 280	5
295 to 305	2-C
310 to 380	2-D
425	2-D
430 to 510	5
525 to 755	2-C
760 to 775	1
875 to 905	2-B
910 to 1070	5
1075 to 1145	4
1275 to 1305	5
1320 to 1575	5
M&StL(MVS)	
790, 795	2-C
800 to 855	2
MA&CR	
5 to 35	13
40 to 85	1
MN&S	
5 to 30	13
45 to 217	2-A
520	13
SooRy	
370 to 450	13
455 to 470	14
475 to 540	17
555 to 2640	13
2650 to 2700	15
2760 to 2795	13
2830 to 3055	16
3075 to 3115	11
3170 to 3240	11
3245 to 3395	12
3415 to 3682	13
3685 to 4350	1
4402 to 4485	13
4495 to 6080	1
MD&W	
5 to 135	1
MinnW	
25 to 295	2-C
MKT	
20 to 855	6
895 to 1275	6
1695 to 1730	6
MP	
50 to 1420	6
1425 to 1480	5
1505 to 1520	6
1525 to 1700	5
1725 to 2470	6
2755 to 5160	6
NEO	
46	6
50 to 143	6

Between Eastern Stations shown on pages 11 to 98 of Tariff, as amended, and Western Stations shown on pages 99 to 186 of Tariff, as amended, opposite Index Nos. shown below, inclusive.	Apply Rate Basis Numbers shown on pages 48 and 49 of this supplement under Column.
NP	
5 to 890	13
920 to 3261	1
RCBH&W	
5 to 70	2
RPI&N	
5	6
SL&U	
5 to 210	5-A
SLSF	
65 to 180	6
645 to 830	6
3365 to 3740	6
4045 to 4055	6
4153 to 4370	6
4470 to 4535	6
4577 to 4860	6
4875 to 4905	6
5720 to 5735	6
S&EV	
10 to 60	5-A
SIa	
5 to 55	5
Tama&T	
5 to 15	5
UP	
5 to 230	5
235 to 330	6
345 to 835	5
850 to 860	6
880 to 1192	5
1194 to 1218	5
1222 to 1262	5-A
1264 to 1675	5
1680 to 2230	5-A
2235 to 2390	5-A
2405 to 4075	6
4080 to 4380	5
5000 to 5315	6
5560 to 5685	5-A
5695 to 5730	5-A
7485 to 7690	5-A
16630 to 16700	5-A
16710 and 16715	5-A
16780 to 16807	5-A
16945	5-A
16980 to 16990	5-A
UnElec	
5 to 110	6
Wab	
2375 to 2445	5
2450 to 2880	6
2895 to 3010	5
3030 to 3065	4
3075 to 3445	6
WCF&N	
5 to 130	3
WP	
877 to 890	5-A
895	5-A
WRy	
5 to 35	5-A

1375

Add to page 372 of Tariff:

SECTION 1½-A

MINIMUM CHARGES—Continued

(Footnote)

AND Western Stations Shown on Pages 46 and 47 of this Supplement

Apply Rate Basis Numbers (For rates, see Section 1-A, pages 353 to 370 of Tariff, as amended)

BETWEEN Eastern Stations shown on pages 11 to 96 of Tariff, as amended, taking Rate Basis:	Column 1	Column 2	Column 2-A	Column 2-B	Column 2-C	Column 2-D	Column 3	Column 4	Column 5	Column 5-A	Column 6	Column 6-A	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13	Column 14	Column 15	Column 16
DELAWARE																						
Greenwood	248	247	223	211	247	223	204	205	207	188	207	188	198	206	204	198	208	198	206	206	196	191
MAINE																						
Bangor	272	272	249	239	272	249	233	234	239	217	239	217	224	227	231	219	226	217	224	224	215	208
Calais	285	285	262	252	285	262	245	246	251	228	251	228	237	239	245	231	238	230	237	237	227	220
Caribou	329	329	306	296	329	306	299	300	304	276	304	276	289	292	299	285	290	283	289	289	279	274
Houlton	313	313	290	280	313	290	279	281	285	259	285	259	270	273	279	265	271	264	270	270	261	254
Madawaska	334	334	311	301	334	311	305	306	310	282	310	282	295	298	305	290	297	289	295	295	286	279
Mars Hill	322	322	299	289	322	299	290	292	295	268	295	268	281	283	290	276	282	275	281	281	271	266
Oakfield	305	305	282	272	305	282	270	271	275	250	275	250	261	263	270	255	262	254	261	261	251	244
Portland	257	257	234	224	257	234	218	219	222	202	222	202	208	210	218	204	209	201	208	208	198	193
MARYLAND																						
Baltimore	237	233	211	200	233	211	191	191	191	174	191	174	186	194	191	186	200	191	195	191	189	183
Cumberland	217	213	191	183	213	191	172	172	172	156	172	156	165	171	172	164	178	167	173	169	167	160
Frederick	232	229	207	195	229	207	185	186	186	169	186	169	180	186	[illegible]	179	194	184	189	185	182	176
Hagerstown	226	222	200	190	222	200	180	180	180	164	180	164	176	182	[illegible]	174	188	178	183	179	176	168
MASSACHUSETTS																						
Boston	250	250	229	219	250	229	212	213	217	197	217	197	201	205	212	197	204	194	202	202	193	186
Grafton	252	252	231	221	252	231	215	216	219	199	219	199	204	207	215	199	206	196	205	205	195	188
Pittsfield	234	231	215	207	231	215	200	201	205	186	205	186	189	193	200	185	190	182	190	190	182	174
Springfield	240	237	221	213	237	221	206	207	210	191	210	191	198	202	206	195	200	191	197	197	189	184
NEW JERSEY																						
Atlantic City	248	247	223	215	247	223	206	207	207	188	207	188	198	206	206	201	209	201	207	207	197	193
Bridgeton	245	245	221	212	245	221	198	204	205	186	205	186	196	204	204	198	206	197	205	205	195	190
Long Branch	244	240	223	215	240	223	206	207	207	188	207	188	198	206	206	201	209	201	207	207	197	193
Trenton	239	239	217	210	239	217	201	202	202	184	202	184	196	201	201	194	200	191	197	197	188	183
NEW YORK																						
Albany	227	224	208	202	224	208	194	195	198	180	198	180	183	186	194	179	184	176	184	184	176	168
Batavia	193	189	176	170	189	176	162	165	168	153	168	153	152	154	162	146	152	140	153	153	145	136
Croghan	229	225	211	206	225	211	196	201	205	186	205	186	190	193	200	186	190	177	191	191	184	176
Geneva	203	199	186	180	199	186	171	172	176	160	176	160	161	164	171	156	161	150	162	162	156	146
Glens Falls	231	231	217	210	231	217	204	205	208	189	208	189	193	196	204	189	194	185	194	194	185	178
Gloversville	235	233	216	209	233	216	202	204	207	188	207	188	194	196	202	189	195	185	194	194	184	178
Hudson	231	227	215	207	227	215	200	201	205	186	205	186	189	193	200	185	190	182	190	190	182	174
Malone	230	227	210	205	227	210	200	197	201	183	201	183	184	186	194	179	184	176	186	186	179	171
Middletown	234	234	215	213	234	215	206	207	207	185	207	188	194	197	206	190	196	186	194	194	185	180
Mineola	246	246	226	220	246	226	215	216	216	196	216	196	207	210	215	204	208	200	206	206	197	188
Montauk	260	260	240	234	260	240	219	232	232	211	232	211	224	228	231	220	226	217	222	222	215	209
New York	239	239	219	213	239	219	206	207	207	188	207	188	198	202	206	195	200	191	197	197	189	184
Ogdensburg	224	221	209	200	221	209	194	196	200	182	200	182	184	185	194	179	183	171	186	186	179	171
Olean	196	196	182	174	196	182	162	165	168	153	168	153	155	160	162	153	156	144	156	156	149	140
Oneonta	223	221	204	197	221	204	188	189	193	175	193	175	179	182	188	174	180	171	179	179	169	164
Patchogue	250	250	230	224	250	230	219	220	220	200	220	200	212	216	219	208	218	205	210	210	202	197
Piercefield	227	227	209	202	227	209	194	196	200	182	200	182	184	186	194	179	184	176	186	186	179	169
Port Jervis	234	231	212	208	231	212	200	200	204	185	204	185	191	194	200	186	191	180	189	189	180	176
Poughkeepsie	234	234	215	213	234	215	206	207	207	188	207	188	194	197	206	190	196	186	194	194	185	180
Rochester	196	196	182	176	196	182	167	169	173	157	173	157	155	160	167	153	155	144	156	156	152	143
Syracuse	207	207	189	185	207	189	176	178	180	164	180	164	167	168	176	162	167	154	167	167	160	152
Utica	213	213	196	190	213	196	180	182	185	168	185	168	172	174	180	167	174	161	172	172	162	158
Watertown	217	213	199	194	213	199	185	186	190	173	190	173	176	178	185	172	176	162	177	177	169	161
Wellsville	203	199	186	176	199	186	167	169	173	157	173	157	160	165	167	157	161	150	162	162	155	145

Footnote.—Will not apply on Dairy Products as described in Item No. 620 to the extent minimum charges are specifically publ in Item No. 630.

1950

1376

dd to page 373 of Tariff:

SECTION 1½-A
MINIMUM CHARGES—Continued.
(Footnote)

BETWEEN astern Stations hown on pages 11 o 98 of Tariff, as mended, taking ate Basis:	AND Western Stations Shown on Pages 46 and 47 of this Supplement																						
	Column 1	Column 2	Column 2-A	Column 2-B	Column 2-C	Column 2-D	Column 3	Column 4	Column 5	Column 5-A	Column 6	Column 6-A	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13	Column 14	Column 15	Column 16	Column 17
	Apply Rate Basis Numbers (For rates, see Section 1-A, pages 368 to 370 of Tariff, as amended)																						
ENNSYLVANIA																							
Altoona	213	210	187	180	210	187	169	171	171	155	171	155	162	167	169	160	174	162	171	165	162	154	160
Bellefonte	217	215	191	184	215	191	173	174	174	158	174	158	169	174	173	167	177	165	169	169	160	158	167
erwick	227	224	199	195	224	199	173	188	188	171	188	171	182	185	185	178	183	173	179	179	172	167	178
Clearfield	213	207	187	178	207	187	167	168	168	153	168	153	160	167	167	160	167	154	164	164	160	155	160
Connellsville	206	199	180	171	199	180	158	161	161	146	161	146	153	158	158	152	167	154	161	156	153	147	152
Driftwood	207	207	187	178	207	187	167	169	173	157	173	157	160	167	167	160	167	154	164	164	157	153	160
aston	232	232	210	206	232	210	197	198	198	180	198	180	193	195	197	188	191	182	189	189	180	176	186
Harrisburg	230	227	202	194	227	202	184	185	185	168	185	168	179	184	184	177	189	177	185	183	176	169	179
ohnsonburg	203	208	187	173	203	187	162	165	168	153	168	153	155	160	162	153	165	154	162	156	154	146	156
ohnstown	210	208	185	176	203	185	165	166	166	151	166	151	156	162	165	155	171	154	165	160	156	150	156
ewistown	222	219	195	186	219	195	176	177	177	161	177	161	171	177	176	169	183	174	180	174	173	165	172
igonier	212	205	186	177	205	186	166	168	168	153	168	153	160	166	166	158	174	161	168	164	160	155	158
hiladelphia	239	239	215	206	239	215	197	198	198	180	198	180	193	200	197	193	200	191	197	197	189	183	194
ottsville	229	227	206	200	227	206	191	193	193	175	193	175	182	188	191	180	188	177	185	185	177	171	182
unxsutawney	207	199	183	173	199	183	161	164	164	149	164	149	152	160	161	153	167	154	162	156	157	150	156
Reading	233	233	209	200	233	209	191	193	193	175	193	175	185	190	191	186	191	182	189	189	183	178	186
ockwood	210	207	185	176	207	185	165	166	166	151	166	151	160	166	165	158	173	160	165	160	157	154	155
cranton	224	221	202	199	221	202	190	193	194	176	194	176	182	185	190	178	[illegible]	173	179	179	172	167	178
illiamsport	217	217	196	185	217	196	176	178	178	162	178	162	174	178	176	171	177	165	172	172	164	160	171
IRGINIA																							
luemont	242	238	216	205	238	216	197	197	197	179	197	179	193	200	197	193	206	197	201	197	195	189	194
Cape Charles	262	255	230	218	255	230	210	210	210	191	210	191	207	213	210	207	226	215	219	215	210	206	209
Covington	224	217	194	184	217	194	171	171	168	153	168	153	169	174	171	167	189	180	180	176	172	167	171
lkton	232	226	200	190	226	200	180	180	180	164	180	164	178	183	180	176	197	189	189	184	180	176	179
ranklin City	256	255	230	218	255	230	210	210	210	191	210	191	207	213	210	207	217	209	215	215	212	202	209
ynchburg	237	230	205	195	230	205	185	184	183	166	183	166	180	185	185	178	201	193	194	189	185	180	183
idway	231	227	205	195	227	205	186	183	186	169	186	169	182	188	186	180	194	184	189	185	182	174	180
orfolk	256	250	224	212	250	224	205	202	200	182	200	182	202	207	205	200	220	215	215	209	208	204	205
ig Point	264	258	232	220	258	232	202	212	209	190	209	190	212	216	213	209	230	223	224	219	218	213	215
ichmond	248	241	216	204	241	216	195	195	193	175	193	175	193	198	195	190	210	204	205	200	194	190	196
oanoke	232	224	200	190	224	200	180	179	177	161	177	161	178	183	180	176	197	189	189	184	180	176	179
chuyler	260	253	228	216	253	228	209	209	207	188	207	188	207	213	209	205	226	218	219	215	208	205	210
est Point	253	246	221	209	246	221	201	201	196	178	196	178	196	202	201	194	217	209	208	204	197	195	200
eedon	251	244	219	207	244	219	198	198	196	178	196	178	196	202	198	194	215	207	208	204	197	194	200
EST VIRGINIA																							
uefield	221	210	190	182	210	190	171	167	166	151	166	151	164	169	171	162	188	176	177	172	167	165	165
lkins	217	210	193	183	210	193	168	171	171	155	171	155	166	173	168	166	180	168	174	169	166	166	167
rvin	219	215	193	185	215	193	174	174	174	158	174	158	167	173	174	166	180	169	176	172	169	162	167
rafton	209	203	182	179	203	182	160	158	158	144	158	144	155	162	160	155	169	158	164	158	154	152	156
endricks	221	213	195	185	213	195	173	171	173	157	173	157	171	178	173	171	185	174	179	174	169	168	172
inton	217	210	190	180	210	190	168	166	166	151	166	151	164	169	168	162	185	174	177	172	167	165	165
etersburg	227	223	201	191	223	201	182	182	182	165	182	165	179	185	182	178	191	179	186	183	179	173	178
ichwood	223	217	196	186	217	196	176	173	176	160	176	160	173	180	176	173	189	179	182	177	172	171	174
illiamson	207	196	180	172	196	180	157	155	155	141	155	141	153	158	157	152	176	166	166	161	156	157	154

Footnote.—See page 48 of this Supplement.

1951

1377

Change on page 373 of Tariff, as amended:

SECTION 1-B

ALL RAIL STANDARD MINIMUM CHARGES

Governed by Exceptions to Western Classification (except as otherwise provided in Note on pages 374 to 376, inc., of Tariff, as ame and page 50 of this Supplement.)

Applicable on traffic between Eastern Stations shown on pages 11 to 98, and Western Stations in Wisconsin and Michigan, and Stat in Iowa and Minnesota shown in Notes A and B of Item No. 6, page 198.

(a) If the charge accruing under Sections 1, 1½, 1-A or 1½-A of this Tariff is higher than the charge accruing under this Sect on the same shipment via the same route, the charge accruing under Sections 1, 1½, 1-A or 1½-A will apply.

(b) If the charge accruing under Section 4 of this Tariff (on Export, Intercoastal and Coastwise Traffic) is higher than the ch accruing under this Section, on the same shipment via the same route, the charge accruing under Section 4 will apply.

EXCEPTION.

The provisions of this Section will not apply where specific minimum charges are provided in Section 1-C of this Tariff.

Change "Note" shown at foot of pages 374 to 376 of Tariff, as amended, to read:

Note.—Rates resulting from the rate basis numbers published in Section 1-B of Tariff, as amended, between Eastern Stations a Western Stations will apply only to the extent provided for in Section 2 (Column B) of Exceptions to Western Clas cation Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925 subject to applicable rules a other provisions, except ratings, of Western Classification.

Rates resulting from the rate basis numbers published in Section 1½-B of Tariff, as amended, between Eastern Statio and Western Stations are governed by Western Classification.

EXCEPTIONS.

For the purpose of determining minimum charges for rates in Section 1 applicable under the provisions of Note D, paragraph Item No. 6½, minimum charges named in Section 1-B are subject to Western Classification and Exceptions thereto published in Sectio (Column B) of Agent L. E. Kipp's Tariff No. 338-J, I. C. C. No. A-3529, C. T. C. No. A-925. Minimum charges in Section 1½-B not apply.

Add to pages 374 to 376 of Tariff:

SECTION 1-B.

Governed by WESTERN Classification and Exceptions Thereto (Note).
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																	
	1 or 100	2 or 85	77.5	75	3 R25 or 70	65	60	57	4 or 55	50	A or 45	40	5 or 37.5	35	B or 32.5	C or 30	27.5	25	D or 22.5
56	56	49	45	44	41	38	35	33	32	29	26	23	22	20	19	17	16	15	13
95	95	81	74	71	67	62	57	54	52	48	43	38	36	33	31	29	26	24	21
98	98	83	76	74	69	64	59	56	54	49	44	39	37	34	32	29	27	25	22
103	103	88	80	77	72	67	62	59	57	52	46	41	39	36	33	31	28	26	23
107	107	91	83	80	75	70	64	61	59	54	48	43	40	37	35	32	29	27	24
113	113	96	88	85	79	73	68	64	62	57	51	45	42	40	37	34	31	28	25
115	115	98	89	86	81	75	69	66	63	58	52	46	43	40	37	35	32	29	26
118	118	100	91	89	83	77	71	67	65	59	53	47	44	41	38	36	32	30	27
122	122	104	95	92	85	79	73	70	67	61	55	49	46	43	40	37	34	31	27
129	129	110	100	97	90	84	77	74	71	65	58	52	48	45	42	39	35	32	29
136	136	116	105	102	95	88	82	78	75	68	61	54	51	48	44	41	37	34	31
137	137	116	106	103	96	89	82	78	75	69	62	55	51	48	45	41	38	34	31
140	140	119	109	105	98	91	84	80	77	70	63	56	53	49	46	42	[illegible]	35	32
141	141	120	109	106	99	92	85	80	78	71	63	56	53	49	46	42	39	35	33
149	149	127	115	112	104	98	89	85	82	75	67	60	56	52	48	45	41	37	34
154	154	131	119	116	108	100	92	88	85	77	69	62	58	54	50	46	42	39	35
156	156	133	121	117	109	101	94	89	86	78	70	62	59	55	51	47	43	39	35

Note.—For Explanation, see pages 374 to 376, inc. of Tariff, as amended, and page 50 of this Supplement.

1952

hanges resulting from the use of rate basis numbers in this Section are reductions.

to page 377 of Tariff:

SECTION 1½-B

ALL RAIL STANDARD MINIMUM CHARGES

erned by Western Classification (except as otherwise provided in Note on pages 374 to 376 of Tariff, as amended, and page 50 of this upplement.)

licable on traffic between Eastern Stations shown on pages 11 to 98 of Tariff, as amended, and Western Stations in Wisconsin and ichigan, and Stations in Iowa and Minnesota shown in Notes A and B of Item No. 6, page 192 of Tariff, as amended.

(a) If the charge accruing under Sections 1, 1½, 1-A or 1½-A of this Tariff is higher than the charge accruing under this Section, he same shipment via the same route, the charge accruing under Sections 1, 1½, 1-A or 1½-A will apply.

(b) If the charge accruing under Section 4 of this Tariff (on Export, Intercoastal and Coastwise Traffic) is higher than the charge ruing under this Section, on the same shipment via the same route, the charge accruing under Section 4 will apply.

EXCEPTION.

The provisions of this Section will not apply where specific minimum charges are provided in Section 1-C of this Tariff.

d to page 377 of Tariff:

SECTION 1½-B.

MINIMUM CHARGES.

(Footnote)

Between Western Stations shown pages 99 to 186 of Tariff, as ended, taking Rate Basis shown low and all Eastern Stations own on pages 11 to 98 of Tariff, as ended.	Apply Rate Basis Numbers. For Rates, see Section 1-B, pages 374 to 376 of Tariff, as amended, and page 50 of this Supplement.
IOWA	
Marquette	107
MICHIGAN	
alumet	154
scanaba	131
ron Mountain	128
ronwood	146
Marquette	140
unising	115
ault Ste. Marie	58
idnaw	140
atersmeet	140
MINNESOTA	
uluth	157
inckley	156
inneapolis	145
ed Wing	137
inona	125

Between Western Stations shown on pages 99 to 186 of Tariff, as amended, taking Rate Basis shown below and all Eastern Stations shown on pages 11 to 98 of Tariff, as amended.	Apply Rate Basis Numbers. For Rates, see Section 1-B, pages 374 to 376 of Tariff, as amended, and page 50 of this Supplement.
WISCONSIN	
Ashland	149
Bancroft	114
Calamine	95
Camp Douglas	113
Eau Claire	131
Fennimore	109
La Crosse	121
Ladysmith	136
Marshfield	125
Mazomanie	98
Merrillan	125
Owen	129
Portage	103
Prairie du Chien	107
Prentice	136
Rhinelander	131
Shawano	118
Turtle Lake	141
Waupaca	114
Wausau	125
Wisconsin Rapids	122

Footnote.—Will not apply on Dairy Products, as described in Item No. 700 to the extent minimum charges are specifically provided Item No. 710.

1953

1379

Change page 382 of Tariff, as amended:

SECTION 2

ALL—RAIL DIFFERENTIAL RATES

(Applying From Eastern Stations to Western Stations.)

**Subject to the provisions of Item No. 5½ of Tariff, as amended. See Section 2½ of Tariff, as amended, for additional al-
differential rates subject to the provisions of Item 5½ of Tariff, as amended.**

**(a) If the charge accruing under Sections 2-A or 2½-A of this Tariff, is higher than the charge accruing under this Section, on
same shipment via the same route, the charge accruing under Sections 2-A or 2½-A of this Tariff will apply.**

(b) (Applicable to Western Stations named on pages 99 to 186 of Tariff, as amended, except to Stations on the SooRy.)

**If the charge accruing under Section 1½ of this Tariff, as amended, is lower than the charge accruing under this Sectio
the charge accruing under Section 1½ of this Tariff, as amended, will apply.**

**(c) If the charge accruing under the provisions of Section 6 of this Tariff, is lower than the charge accruing under this Section,
the same shipment via the same route, the charge accruing under Section 6 of this Tariff, will apply, except as provided in paragraph**

The rates in this Section are subject to maximum application of rates as provided in Section 7 of this Tariff.

EXCEPTION.

The rates named in this Section, will NOT apply from points on the following carriers:

B&O
BEDT
Bush T
CofNJ
DL&W
EJRR&T
Erie
G&J
HMRR
JaySC
L&HR
L&NE
LV
LI
M&E
NJ&NY
NY&LB
NYC(E)(WS)
NYD
NYO&W
NYS&W
P&A
PRR
RV
RR
Read
SB
SIRT
TPT(Read)
Wh&N

1954

Supplement No. 43—Freight Tariff No. 107-C.

Add to pages 391 to 406 of Tariff:

SECTION 2.
TABLE OF RATES.
GOVERNED BY OFFICIAL CLASSIFICATION AND EXCEPTIONS THERETO.

(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																			
	1 or 100	2 or 85	77.5	75	3 R25 or 70	65	60	57	R26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
187	187	159	145	140	131	122	112	106	103	94	84	75	70	65	60	56	52	47	42	▲ 38
209	209	178	162	157	147	136	125	119	115	104	94	84	78	73	68	62	58	53	47	▲ 42
231	231	197	179	173	162	150	139	132	127	116	104	92	87	81	75	69	64	58	52	▲ 46
236	236	200	182	176	165	153	141	134	129	117	106	94	88	82	76	70	65	59	53	▲ 47
242	242	206	187	181	170	158	145	138	133	121	109	97	91	84	78	72	67	61	55	48
243	243	207	188	182	171	158	146	138	134	121	110	97	91	85	79	72	67	61	55	49
253	253	215	196	190	178	165	152	144	139	126	114	101	95	88	82	75	70	64	57	51
261	261	222	202	196	183	170	157	149	143	130	118	104	98	91	84	78	72	66	59	52
264	264	224	204	198	185	172	158	150	144	131	119	106	99	92	85	79	73	66	60	53
274	274	233	212	205	192	178	164	156	151	137	124	110	103	96	89	82	76	69	62	55
276	276	234	213	206	193	179	165	157	152	137	124	110	103	96	89	82	76	69	62	55
284	284	241	220	213	199	185	170	162	156	142	128	114	106	99	92	85	78	71	64	57
286	286	243	222	214	201	186	172	163	157	143	129	114	107	100	93	85	79	72	64	57
297	297	252	230	223	208	193	178	169	163	148	134	119	111	104	96	89	82	75	67	59
300	300	255	232	225	211	195	180	171	165	150	135	120	112	105	97	90	83	75	68	60
307	307	261	238	230	215	200	184	175	169	153	138	123	115	107	99	92	85	77	69	61
308	308	262	239	231	216	200	185	175	169	154	139	123	115	108	100	92	85	77	69	62
309	309	263	239	232	217	201	185	176	170	154	139	124	116	108	100	92	85	78	70	62
310	310	264	240	233	218	202	186	177	170	155	140	124	116	108	100	93	86	78	70	62
315	315	268	244	236	221	205	189	179	173	157	142	126	118	110	102	94	87	79	71	63
317	317	270	246	238	222	206	190	181	174	158	143	127	119	111	103	95	88	80	71	63
324	324	276	251	243	227	211	194	185	178	162	146	130	121	113	105	97	89	81	73	65
329	329	280	255	247	231	214	197	187	181	164	148	132	123	115	107	98	91	83	74	66
212A	212	182	165	160	150	139	128	121	118	107	95	84	79	73	69	63	58	53	48	42
219A	219	187	170	164	154	143	131	124	121	110	98	87	81	76	71	65	59	55	49	43
226A	226	192	175	170	159	147	135	128	125	113	101	90	84	78	73	67	61	57	51	45
205C	205	175	159	154	144	134	123	117	113	102	93	82	77	72	66	61	57	52	46	41
208C	208	177	161	156	146	135	125	118	114	104	94	83	78	73	67	62	58	52	47	42
212C	212	180	164	159	148	138	127	121	116	106	96	85	79	74	69	63	59	53	48	42
215C	215	183	167	161	151	140	129	122	118	107	97	86	81	75	70	64	60	54	49	43
219C	219	186	170	164	154	143	131	125	120	109	99	88	82	76	71	65	61	55	49	44
222C	222	189	172	166	156	145	133	126	122	111	100	89	83	77	72	66	61	56	50	44
226C	226	192	175	169	159	147	136	129	124	113	102	90	85	79	73	67	63	57	51	45

Add to pages 406 to 453 of Tariff:

SECTION 2.
TABLE OF RATES.
Governed by WESTERN Classification and Exceptions Thereto.
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	CLASSES																		
	1 or 100	2 or 85	77.5	75	3 R26 or 70	65	60	57	4 or 55	50	A or 45	40	5 or 37.5	35	B or 32.5	C or 30	27.5	25	D or 22.5
209	209	178	162	157	147	136	125	119	115	104	94	84	78	73	68	62	58	53	47
242	242	206	187	181	170	158	145	138	133	121	109	97	91	84	78	72	67	61	55
264	264	225	204	198	185	172	158	150	145	132	119	106	99	92	85	79	73	66	60
275	275	234	213	206	193	179	165	157	151	137	124	110	103	96	89	82	76	69	62
286	286	243	222	214	201	186	172	163	157	143	129	114	107	100	93	86	79	72	64
297	297	253	230	223	208	193	178	169	163	148	134	119	111	104	96	89	82	75	67
308	308	262	239	231	216	200	185	175	169	154	139	123	115	108	100	92	85	77	69
319	319	271	247	239	224	208	191	182	175	159	144	128	120	111	103	96	88	80	72
330	330	281	256	247	232	215	198	188	181	165	149	132	124	115	107	99	91	83	74
341	341	290	264	256	239	222	205	194	187	170	154	136	128	119	110	102	94	86	77
352	352	299	273	264	247	229	211	200	193	176	159	141	132	123	114	106	97	88	79
363	363	309	281	272	255	236	218	207	199	181	164	145	136	127	118	109	100	91	82
374	374	318	290	280	262	243	224	213	206	187	169	150	140	131	121	112	103	94	84
385	385	328	298	289	270	251	231	219	212	192	174	154	144	135	125	116	106	97	87
396	396	337	307	297	278	258	238	226	218	198	178	158	148	138	128	118	109	99	89
407	407	346	315	305	285	265	244	232	224	203	183	163	153	142	132	122	112	102	92
418	418	355	324	313	293	272	249	238	230	209	188	167	157	146	136	125	115	105	94
429	429	365	332	322	301	279	257	244	236	214	193	172	161	150	139	129	118	108	97
239A	239	204	185	179	168	156	143	136	132	120	107	95	90	82	77	71	65	60	54
249A	249	212	193	187	175	162	149	141	137	125	112	99	93	86	81	74	68	62	56
261A	261	222	202	196	183	170	156	148	144	131	117	104	97	90	84	78	71	65	59
279A	279	237	216	209	196	182	167	159	154	140	126	111	104	96	90	83	76	70	63
283A	283	241	220	212	199	184	170	161	156	142	127	112	106	98	92	84	77	71	63
294A	294	251	228	221	206	191	176	167	162	147	132	117	109	102	96	88	80	74	66
305A	305	260	237	229	214	198	183	173	168	153	137	121	113	106	99	91	83	76	68
316A	316	269	245	237	221	206	189	180	174	158	142	126	118	109	102	94	86	79	71
328A	328	280	254	246	230	213	197	187	181	164	147	130	122	114	106	98	89	82	74
338A	338	288	262	254	237	220	203	192	186	169	152	134	126	117	109	101	92	85	76
195C	195	166	151	146	137	127	117	111	107	97	88	78	73	68	63	58	54	49	44
212C	212	180	164	159	149	138	127	121	116	106	96	85	79	74	69	63	59	53	48
226C	226	192	175	169	159	147	136	129	124	113	102	90	85	79	73	67	63	57	51
239C	239	[illegible]	185	179	168	156	143	136	131	119	106	96	90	83	77	71	66	60	54
242C	242	206	187	181	170	158	145	138	133	121	109	97	91	84	78	72	67	61	55
248C	248	211	192	186	174	161	149	141	136	124	112	99	93	87	80	74	69	62	56
253C	253	215	196	190	178	165	152	144	139	126	114	101	95	88	82	76	70	64	57
264C	264	225	204	198	185	172	158	150	145	132	119	106	99	92	85	79	73	66	60
275C	275	234	213	206	193	179	165	157	151	137	124	110	103	96	89	82	76	69	62
279C	279	237	216	209	196	182	167	159	153	139	126	112	106	97	90	83	77	70	63
280C	280	238	217	210	197	182	168	159	154	140	126	112	106	98	91	84	77	70	63
286C	286	243	222	214	201	186	172	163	157	143	129	114	107	100	93	86	79	72	64
297C	297	253	230	223	208	193	178	169	163	148	134	119	111	104	96	89	82	75	67
308C	308	262	239	231	216	200	185	175	169	154	139	123	115	108	100	92	85	77	69
319C	319	271	247	239	224	208	191	182	175	159	144	128	120	111	103	96	88	80	72
330C	330	281	256	247	232	215	198	188	181	165	149	132	124	115	107	99	91	83	74
373C	373	317	289	280	262	243	224	212	206	186	168	149	140	130	121	111	103	94	84

1382

All changes resulting from the use of Rate Basis Numbers in this Section are reductions.

Add to page 483 of Tariff:

SECTION 2½

ALL-RAIL DIFFERENTIAL RATES.

(Applying From Eastern Stations to Western Stations. NOTE.)

NOTE. RATES NAMED IN THIS SECTION WILL ONLY APPLY TO SOO RY STATIONS NAMED ON PAGES 99 TO 186 OF TARIFF AS AMENDED TAKING RATE BASIS NAMED IN THIS SECTION AND WILL ONLY APPLY VIA JUNCTIONS BETWEEN EASTERN AND WESTERN LINES, VIZ.:
CHICAGO, ILL., MANITOWOC, ~~WIS.,~~ MANISTIQUE, WIS., MILWAUKEE, WIS., OR SAULT STE. MARIE, MICH., AND ONLY WHEN TRAFFIC IS ROUTED WEST OF THOSE JUNCTIONS VIA SOORY.

Subject to the provisions of Item No. 5½ of Tariff, as amended.

(a) If the charge accruing under Sections 2-A or 2½-A of this Tariff, is higher than the charge accruing under this Section, on the same shipment via the same route, the charge accruing under Sections 2-A or 2½-A of this Tariff, will apply.

(b) If the charge accruing under the provisions of Section 6 of this Tariff, is lower than the charge accruing under this Section, on the same shipment via the same route, the charge accruing under Section 6 of this Tariff, will apply, except as provided in paragraph (a).

The rates in this Section are subject to maximum application of rates as provided in Section 7 of this Tariff.

EXCEPTION.

The rates named in this Section, will NOT apply from points on the following carriers:

B&O
BEDT
Bush T
CofNJ
DL&W
EJRR&T
Erie
G&J
HMRR
JaySC
L&HR
L&NE
LV
LI
M&E
NJ&NY
NY&LB
NYC(E)(WS)
NYD
NYO&W
NYS&W
P&A
PRR
RV
RR
Read
SB
SIRT
TPT(Read)
Wh&N

NOTICE.

The rates named in this Section will not apply on a commodity on which there is a published single-factor commodity rate or a published single-factor rate determined by the use of ratings published as exceptions to the Classification between the same points via any all-rail, rail-motor or motor-rail route.

1957

1383

Add to page 458 of Tariff:

SECTION 2½.

Rate Basis Numbers Via All Rail Differential Routes.

(For Governing Classification and Exceptions thereto, see Item No. 5½, page 191 of Tariff, as amended.)

TO Western Stations shown on pages 99 to 186 of Tariff, as amended, taking Rate Basis:	FROM Eastern Stations Shown on Pages 11 to 98 of Tariff, as amended, Taking Rate Basis: Bangor, Me.	Boston, Mass.	Calais, Me.	Caribou, Me.	Glens Falls, N. Y.	Grafton, Mass.	Houlton, Me.	Hudson, N. Y.	Madawaska, Me.	Mars Hill, Me.	New York, N. Y.	Oakfield, Me.	Pittsfield, Mass.	Portland, Me.	Poughkeepsie, N. Y.
	APPLY RATE BASIS NUMBERS. (For Rates, see Section 2, pages 391 to 458 of Tariff, as amended.)														
MICHIGAN															
Escanaba	207	188	218	262	180	190	246	177c	267	255	181A	238	177c	193	180
Iron Mountain	207	188	218	262	180	190	246	177c	267	255	181A	238	177c	193	180
Ironwood	248	225	265	309	216	227	293	213c	314	302	220A	285	213c	234	218
Munising	207	188	218	262	180	190	246	177c	267	255	181A	238	177c	193	180
Sault Ste Marie	203	182	215	259	174	184	243	171c	264	252	177A	235	171c	189	175
MINNESOTA															
Bemidji	291	267	306	350	251	269	334	248c	355	342	255A	326	248c	276	252
Brainerd	285	261	300	344	242	263	328	239c	349	337	249A	320	242c	267	245
Crookston	303	278	317	361	266	280	345	263c	366	354	265A	337	263c	285	264
Delano	273	248	291	335	229	250	319	229c	340	328	236A	311	232c	258	232
Detroit Lakes	294	270	308	352	250	272	336	248c	357	345	258A	318	252c	276	255
Duluth	267	245	280	324	226	247	308	226c	329	317	231A	300	229c	252	229
Fergus Falls	291	267	308	352	250	269	336	248c	357	345	255A	318	252c	276	252
Fosston	297	270	335	379	259	272	363	255c	384	372	261A	355	255c	279	258
Glenwood	285	261	300	344	239	263	328	239c	349	337	249A	320	242c	270	245
Granite Falls	285	261	300	344	239	263	328	239c	349	327	249A	320	242c	270	245
McGregor	279	255	294	338	232	257	322	232c	343	331	242A	314	235c	261	239
Minneapolis	267	245	280	324	226	247	308	222c	329	317	231A	300	226c	252	229
Red Wing	258	236	271	315	222	238	299	221c	320	308	222A	291	221c	244	231
Remer	285	258	300	344	239	260	328	239c	349	337	245A	320	242c	267	245
Thief River Falls	300	276	314	358	266	278	342	263c	363	351	265A	334	263c	285	263
Willmar	282	258	297	341	235	260	325	235c	346	334	245A	317	239c	267	242
NORTH DAKOTA															
Bisbee	321	301	333	377	290	303	361	288c	382	370	290A	353	288c	308	289
Bismarck	328	308	340	384	297	310	368	294c	389	377	298A	360	294c	315	297
Conway	306	285	322	366	274	281	350	271c	371	359	273A	342	271c	294	272
Crosby	355	335	368	412	324	337	396	322c	417	405	326A	388	322c	342	324
Devils Lake	315	295	327	371	284	297	355	281c	376	364	282A	347	281c	302	281
Drake	321	301	333	377	290	303	361	288c	382	370	291A	353	288c	308	290
Fargo	297	273	314	358	256	275	342	255c	363	351	261A	334	258c	282	258
Grand Forks	306	281	319	363	270	283	347	268c	368	356	269A	349	268c	288	269
Grenora	369	349	380	424	338	351	408	334c	429	417	338A	400	334c	355	337
Hannaford	306	282	322	366	270	284	350	268c	371	359	270A	342	268c	291	270
Hannah	319	299	332	376	288	301	360	285c	381	369	287A	352	285c	306	286
Hansboro	323	303	335	379	292	305	363	289c	384	372	290A	355	289c	310	289
Havana	300	276	317	361	262	278	345	260c	366	354	261A	337	261c	285	261
Jamestown	306	285	322	366	272	287	350	270c	371	359	273A	342	270c	294	272
Kenmare	342	323	354	398	312	325	382	309c	403	391	312A	374	309c	329	312
Lansford	340	320	351	395	309	322	379	306c	400	388	309A	371	306c	327	308
Leeds	320	300	332	376	289	302	360	286c	381	369	287A	352	286c	307	286
Max	333	313	344	388	302	315	372	299c	393	381	303A	364	299c	320	302
Minot	333	313	344	388	302	315	372	299c	393	381	303A	364	299c	320	302
Moffit	317	303	334	378	292	305	362	289c	383	371	293A	354	289c	310	292
New Rockford	311	289	327	371	279	291	355	275c	376	364	279A	347	275c	297	279
Oakes	303	276	317	361	264	278	345	261c	366	354	267A	337	261c	285	264
Omemee	331	311	342	386	300	313	370	297c	391	379	300A	362	297c	318	299
Pembina	314	294	327	371	283	296	355	280c	376	364	282A	347	280c	301	281
Sanish	345	325	358	402	315	327	386	312c	407	395	316A	378	312c	333	315
Valley City	306	279	319	363	266	281	347	263c	368	356	270A	339	264c	288	267
Wahpeton	294	270	311	355	256	273	339	253c	360	348	258A	331	255c	279	245
Wilton	328	308	340	384	297	310	368	294c	389	377	298A	360	294c	315	297
Wishek	314	294	326	369	283	296	353	280c	374	362	285A	345	280c	301	283

d to page 453 of Tariff:

SECTION 8½.

Rate Basis Numbers Via All Rail Differential Routes.

(For Governing Classification and Exceptions thereto, see Item No. 8½, page 191 of Tariff, as amended.)

FROM Eastern Stations Shown on Pages 11 to 98 of Tariff, as amended, Taking Rate Basis:

APPLY RATE BASIS NUMBERS. (For Rates, see Section 2, pages 391 to 453 of Tariff, as amended.)

TO Western Stations shown on ges 99 to 186 of Tariff, as mended, taking Rate Basis:	Bangor, Me.	Boston, Mass.	Calais, Me.	Caribou, Me.	Glens Falls, N. Y.	Grafton, Mass.	Houlton, Me.	Hudson, N. Y.	Madawaska, Me.	Mars Hill, Me.	New York, N. Y.	Oakfield, Me.	Pittsfield, Mass.	Portland, Me.	Poughkeepsie, N. Y.	Springfield, Mass.
SOUTH DAKOTA																
Grenville	303	280	319	363	270	282	347	266c	368	356	269A	339	266c	288	269	272
Madra	322	302	333	377	291	304	361	288c	382	370	289A	353	288c	309	288	294
WISCONSIN																
Ashland	260	237	273	317	222	239	301	219c	322	310	227A	293	222c	246	226	229
Bancroft	222	202	233	277	194	204	261	191c	282	270	194A	253	191c	207	194	197
Eau Claire	246	226	257	301	212	228	285	212c	306	294	215A	277	213c	232	214	219
Ladysmith	247	227	258	302	212	229	286	212c	307	295	219A	278	216c	233	216	222
Marshfield	230	214	241	285	202	216	269	200c	290	278	203A	261	200c	216	202	206
Merrillan	230	214	241	285	203	215	269	200c	290	278	203A	261	200c	216	202	206
Owen	246	226	257	301	205	228	285	205c	306	294	213A	277	208c	232	212	216
Portage	207	188	218	262	180	190	246	177c	267	255	182A	238	177c	193	181	185
Prentice	247	227	258	302	208	229	286	208c	307	295	219A	278	212c	233	216	219
Rhinelander	222	202	233	277	194	204	261	191c	282	270	197A	253	191c	207	195	200
Shawano	204	185	216	260	179	187	244	175c	265	253	179A	236	175c	190	178	182
Turtle Lake	264	239	280	324	219	241	308	219c	329	317	226A	300	222c	248	222	227
Waupaca	214	194	227	271	186	196	255	183c	276	264	187A	247	183c	200	185	190
Wausau	222	202	233	277	195	204	261	192c	282	270	196A	253	192c	207	194	199
Wisconsin Rapids	222	202	233	277	194	204	261	191c	282	270	194A	253	191c	207	194	197

Change on page 454 of Tariff, as amended:

SECTION 2-A

ALL RAIL DIFFERENTIAL MINIMUM CHARGES

Governed by Exceptions to Official Classification as provided in Note on page 460 of Tariff and page 60 of this Supplement, exce as otherwise provided in Note C thereof.

If the charge accruing under Sections 2 or 2½ of this Tariff is higher than the charge accruing under this Section, on the sam shipment via the same route, the charge accruing under Sections 2 or 2½ will apply.

EXCEPTIONS.

The rates named in this Section will not apply from points on the following carriers:

B&O
BEDT
BushT
C&NJ
DL&W
EJRR&T
Erie
G&J
HMRR
JaySC
L&HR
L&NE
LV
LI
M&E
NJ&NY
NY&LB
NYC(E)(WS)
NYD
NYO&W
NYS&W
P&A
PRR
RV
RR
Read
SB
SIRT
TPT(Read)
Wh&N

pages 456 to 469 of Tariff;

SECTION 2-A.

TABLE OF RATES.

Governed by OFFICIAL Classification and Exceptions Thereto. (NOTE).
(In Cents per 100 Pounds.)

RATE BASIS NUMBERS	1 or 100	2 or 85	77.5	75	3 R25 or 70	65	60	57	R26 or 55	4 or 50	45	40	37.5	5 or 35	32.5	30	6 or 27.5	25	22.5	20
	191	163	148	143	134	124	115	109	105	96	86	76	72	67	62	57	53	48	43	38
	196	167	152	147	138	128	118	112	108	98	88	78	73	68	63	58	54	49	44	39
	197	168	153	148	138	128	118	112	108	98	89	79	74	69	64	59	55	50	44	39
	207	176	160	155	145	135	124	118	114	103	93	83	78	72	67	62	57	52	47	41
	215	183	167	161	151	140	129	122	118	107	97	86	81	75	70	64	60	54	49	43
	221	188	171	166	155	144	133	126	121	110	100	88	83	77	71	66	61	56	50	44
	222	189	172	166	156	145	133	126	122	111	100	89	83	77	72	66	61	56	50	44
	225	192	174	169	158	147	135	128	124	112	102	90	84	79	73	67	62	57	51	45
	228	194	177	171	160	148	137	130	125	114	103	91	85	80	74	68	63	57	51	46
	239	203	185	179	168	156	143	136	131	119	108	96	90	83	77	71	66	60	54	48
	256	218	198	192	180	167	154	146	141	128	115	102	96	89	83	76	71	64	58	51
	269	229	208	202	189	175	161	153	148	134	121	108	101	94	87	80	74	68	61	54
	270	230	209	202	190	176	162	154	148	135	122	108	101	94	87	81	75	68	61	54
	274	233	212	205	192	178	164	156	150	137	124	110	103	96	89	82	76	69	62	55
	275	234	213	206	193	179	165	157	151	137	124	110	103	96	89	82	76	69	62	55
	277	236	215	208	194	180	166	158	152	138	125	111	104	97	90	83	77	70	62	55
	281	239	218	211	197	183	169	160	154	140	127	112	105	98	91	84	78	71	63	56
	284	242	220	213	199	185	170	162	156	142	128	114	106	99	92	85	78	71	64	57
	285	243	221	214	200	186	171	162	157	142	129	114	107	100	92	85	[illegible]	72	64	57
	287	244	222	215	201	187	172	163	158	143	129	115	108	100	93	86	79	72	65	57
	290	247	225	217	204	189	174	165	159	145	131	116	109	101	94	87	80	73	65	58
	291	248	225	218	204	189	175	166	160	145	131	116	109	102	94	87	80	73	66	58
	292	248	226	219	205	190	175	166	160	146	132	117	109	102	95	87	81	73	66	58
	293	249	227	220	206	191	176	167	161	146	132	117	110	102	95	87	81	74	66	59
	294	250	228	220	206	191	176	167	161	147	133	118	110	103	95	88	81	74	66	59
	296	252	229	222	208	193	178	169	163	148	133	118	111	103	96	88	82	74	67	59
	300	255	232	225	211	195	180	171	165	150	135	120	112	105	97	90	83	75	68	60
	306	260	237	229	215	199	184	174	168	153	138	122	115	107	99	91	85	77	69	61
	308	262	239	231	216	200	185	175	169	154	139	123	115	108	100	92	86	77	69	62
	317	270	246	238	222	206	190	181	174	158	143	127	119	111	103	95	88	80	71	63
	324	276	251	243	227	211	194	185	178	162	146	130	121	113	105	97	89	81	73	65
	329	280	255	247	231	214	197	187	181	164	148	132	123	115	107	98	91	83	74	66
	181	155	140	136	127	118	108	103	100	91	81	72	67	62	58	54	49	45	41	36
	183	156	142	137	129	119	110	104	101	92	82	72	68	63	59	54	50	46	41	36
	186	159	144	140	131	121	111	106	103	93	83	74	69	64	60	55	50	47	42	37
	187	160	145	140	132	122	112	106	103	94	84	74	69	64	60	56	51	47	42	37
	189	161	147	142	133	123	113	107	104	95	85	75	70	65	61	56	51	47	42	37
	190	162	147	143	134	124	114	108	105	95	85	75	70	65	61	56	51	48	43	38
	192	164	149	144	135	125	115	109	106	96	86	76	71	66	62	57	52	48	43	38
	194	166	151	146	136	126	116	110	107	97	87	77	72	67	63	58	53	49	43	38
	198	169	154	149	139	129	119	112	109	99	89	78	73	68	64	59	54	50	44	39
	199	171	154	149	140	130	119	113	110	100	89	79	74	68	64	59	54	50	45	39
	169	144	131	127	119	110	101	96	93	84	76	68	63	59	55	50	47	43	38	34
	180	153	139	135	127	117	108	102	99	90	81	72	67	63	58	54	50	45	41	36
	184	157	142	138	129	120	110	105	101	92	83	74	69	64	59	55	51	46	42	37
	185	158	143	139	130	121	111	105	102	93	84	74	69	65	60	55	51	47	42	37
	188	160	146	141	132	122	113	107	103	94	85	75	70	66	61	56	52	47	42	38
	195	166	151	146	137	127	117	111	107	97	88	78	73	68	63	58	54	49	44	39
	196	167	152	147	138	128	118	112	108	98	88	78	73	68	63	58	54	49	44	39
	200	170	155	150	141	130	120	114	110	100	90	80	75	70	65	60	55	50	45	40
	222	189	172	166	156	145	133	126	122	111	100	89	83	77	72	66	61	56	50	44
	226	192	175	169	159	147	136	129	124	113	102	90	85	79	73	67	63	57	51	45

Note.—For Explanation of Note, see page 469 of Tariff, as amended.

1387

SECTION 2-A.

Change Note on Page 469 of Tariff, as amended:

NOTE:

EXPLANATION OF NOTE AS SHOWN ON PAGES 456 TO 469 OF TARIFF, AS AMENDED.

1. Rates resulting from the rate basis numbers published in Section 2-A of Tariff, as amended from Eastern stations to Wester stations are governed by:

Exceptions to Official Classification as follows (**See Notes A and C**):

(a) In connection with rates resulting from Rate Basis Nos. shown in Columns 1 to 2-D, inc., apply Exceptions applicable **FRO THE SAME ORIGIN** to Territory R in Agent W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C. No. A-537, and Exceptio applicable **FROM THE SAME ORIGIN** to Territory R in Agent I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C. No. 434.

(b) In connection with rates in Columns 3 to 12, inc., apply Exceptions applicable **FROM THE SAME ORIGIN** to Territory Agent W. S. Curlett's Tariff No. 90-J, I. C. C. No. A-797, C. T. C. No. A-537, and Exceptions applicable **FROM THE SAME ORIG** to Territory E in Agent I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C. No. 434.

(c) In connection with rates in Columns 13 to 17, inc., apply Exceptions applicable **FROM THE SAME ORIGIN** to Territory E Agent W. S. Curlett's Tariff No. 90-J, I.C.C. No. A-797, C.T.C. No. A-537 and Exceptions **FROM THE SAME ORIGIN** to Territory in Agent I. N. Doe's Tariff No. 30-K, I. C. C. No. 515, C. T. C. No. 434.

2. Rates resulting from the Rate Basis Nos. published in Section 2½-A of Tariff, as amended from Eastern stations to W stations are governed by:

Official Classification (**See Notes B and C**)

Note A—Where reference is made to this note, rates in Section No. 2-A will apply only where applicable rating is publishe Exceptions to the Official Classification, subject to applicable rules and other provisions in Exceptions to Official Classification and to applicable rules and other provisions, **except ratings**, in Official Classification,

Except that

Rates in Section No. 2-A will **also** apply:

Where the applicable rating is published in the Official Classification and the applicable carload minim weight is published in Exceptions to the Official Classification.

Note B—Where reference is made to this note, rates in Section No. 2½-A will apply only where applicable rating is publis in the Official Classification, subject to applicable rules and other provisions in the Official Classification to applicable rules and other provisions, **except ratings**, in Exceptions to Official Classification,

Except that

Rates in Section No. 2½-A will **not** apply:

Where the applicable rating is published in the Official Classification and the applicable carload minim weight is published in Exceptions to the Official Classification. Rates in Section No. 2½-A will app

Note C—For the purpose of determining minimum charges for rates in Section 2 applicable under the provisions of Note paragraph 2 of Item No. 6½, minimum charges named in Section 2-A are subject to Official Classification Exceptions thereto named in Paragraph 1 of this Note. Minimum charges in Section 2½-A will not apply

For the purpose of determining minimum charges to or from stations shown below, rates in Section 2-A are governed by Offic Classification and Exceptions thereto:

D&SL—Stations Index Nos. 187 to 280.
LNP&W—All stations.
S&EV—All stations.
U. P.—Stations Index Nos. 1680 to 2230; 7485 to 7690.
Stations in Utah.
Stations in Wyoming other than those taking Cheyenne, Wyo. basis.

1962

changes resulting from the use of Rate Basis numbers in this Section result in increases, reductions or no change in rates.

to page 469 of Tariff:

SECTION 2½-A

ALL RAIL DIFFERENTIAL MINIMUM CHARGES (Note)

Governed by Official Classification as provided in "Note" page 469 of Tariff and page 60 of this Supplement, except as otherwise uided in Note C thereof.

If the charge accruing under Sections 2 or 2½ of this tariff is higher than the charge accruing under this Section, on the same ment via the same route, the charge accruing under Sections 2 or 2½ will apply.

EXCEPTIONS.

The rates named in this Section will not apply from points on the following carriers:

- B&O
- BEDT
- BushT
- CofNJ
- DL&W
- EJRR&T
- Erie
- G&J
- HMRR
- JaySC
- L&HR
- L&NE
- LV
- LI
- M&E
- NJ&NY
- NY&LB
- NYC(E)(WS)
- NYD
- NYO&W
- NYS&W
- P&A
- PRR
- RV
- RR
- Read
- SB
- SIRT
- TPT (Read)
- Wh&N

Note.—Minimum charges in this Section are applicable only to SooRy stations to the extent rates are provided in Section 2½ of Tariff, as amended.

1389

Add to page 469 of Tariff:

SECTION 2½-A.

MINIMUM CHARGES.

FROM EASTERN STATIONS shown on pages 11 to 96 of Tariff, as amended, taking Rate Basis	TO Western Stations shown on pages 349 and 350 of Tariff, as amended, taking							
	Column 1	Column 11	Column 12	Column 13	Column 14	Column 15	Column 16	Colum 17
6	APPLY RATE BASIS NUMBERS (For rates, see Section 2-A, pages 456 to 469 of Tariff, as amended)							
MAINE								
Bangor	A-267	A-221	A-212	A-219	A-219	A-210	A-203	A-214
Calais	A-280	A-233	A-225	A-232	A-232	A-222	A-215	A-226
Caribou	A-324	A-285	A-278	A-284	A-284	A-274	A-269	A-280
Houlton	A-308	A-276	A-259	A-265	A-265	A-256	A-249	A-260
Madawaska	A-329	A-292	A-284	A-290	A-290	A-281	A-274	A-285
Mars Hill	A-317	A-277	A-270	A-276	A-276	A-266	A-260	A-271
Oakfield	A-300	A-257	A-249	A-256	A-256	A-246	A-239	A-250
Portland	A-252	A-204	A-196	A-203	A-203	A-193	A-188	A-199
MASSACHUSETTS								
Boston	A-245	A-199	A-189	A-197	A-197	A-188	A-181	A-193
Grafton	A-247	A-201	A-191	A-200	A-200	A-190	A-183	A-194
Pittsfield	C-229	C-185	C-177	C-185	C-185	C-177	C-169	C-180
Springfield	A-235	A-195	A-186	A-192	A-192	A-184	A-179	A-189
NEW YORK								
Glens Falls	A-226	A-189	A-180	A-189	A-189	A-180	A-173	A-184
Hudson	C-226	C-185	C-177	C-185	C-185	C-177	C-169	C-180
New York	B-231	B-192	B-183	B-189	B-189	B-181	B-176	B-186
Poughkeepsie	A-229	A-191	A-181	A-189	A-189	A-180	A-175	A-188

1390

POSTPONEMENT SUPPLEMENT

Special Supplement No. . . . . to T. L. T. B. Tariff No. . . . . , I. C. C. No.

Special Supplement to I. C. C. Nos., C. T. C. Nos., State Commission Nos. shown herein

TRUNK LINE TARIFF BUREAU

W. S. CURLETT, Agent

SPECIAL SUPPLEMENT TO TARIFFS LISTED HEREIN
ISSUED BY

W. S. Curlett, I. N. Doe, R. H. Hoke, B. T. Jones and L. E. Kipp Agents

APPLYING IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN IN TARIFFS AND SUPPLEMENTS THERETO ENUMERATED HEREIN

POSTPONEMENT NOTICE

By authority of Special Permission of the Interstate Commerce Commission and State Commission permissions noted below, e effective date of matter indicated below (except as specifically noted) IS HEREBY POSTPONED FROM JANUARY 1, 1946, NTIL THE FURTHER ORDER OF THE INTERSTATE COMMERCE COMMISSION.

The provisions of this supplement are NOT applicable on Kentucky, New Jersey, New York or ennsylvania Intrastate traffic.

umber f this upplement	Cancels Supplement No.	Postpones Effective Date of Matter Contained in Supplement No.	I. C. C. No.	MF-I. C. C. No.	C. T. C. No.	Tariff No.	State Commission Nos.
37	33	30, 934	A-800 ①507 ②3858 ③928	A-51 ①64 ②116 ③314	A-540 ①428 ②1892	44-I	
35	32	31	A-766		A-511	60-A	K. R. C. A-13, Pa. P. U. C. A-113.
145	143	142	A-331		A-188	61	P. S. C.-N. Y. A-41, Vt. P. S. C. A-1.
135	133	132	A-332			62	P. U. C.-N. J. A-2, P. S. C.-N. Y. A-42.
139	137	136	A-333		A-189	63	P. S. C.-N. Y A-43, Pa. P. U. C. A-40.
142	140	139	A-334			64	P. S. C.-Md. A-5, P. U. C.-N. J. A-3, Pa. P. U. C. A-41.
137	135	134	A-335		A-190	65	P. S. C.-Md. A-6, P. S. C.-N. Y. A-44, Pa. P. U. C. A-42.
141	139	138	A-336		A-191	66	P. S. C.-Md. A-7, Pa. P. U. C. A-43, P. S. C.-W. Va. A-29.
146	144	143	A-337			67	P. S. C.-Md. A-8, Pa. P. U. C. A-44, Va. C. C. A-12, P. S. C.-W. Va. A-30.
41	39	38	A-755		A-504	68-A	P. S. C.-N. Y. A-129, Ohio A-22, Pa. P. U. C. A-111, P. S. C.-W. Va. A-76.
159	157	156	A-339		A-193	69	P. S. C.-Md. A-11, Va. C. C. A-13, P. S. C.-W. Va. A-32.
149	147	146	A-340		A-194	70	K. R. C. A-2, Pa. P. U. C. A-46, Va. C. C. A-14, P. S. C.-W. Va. A-33.
44	41	40	A-744 ①459	A-35 ①54	A-497 ①391	71-A	Ohio A-20, P. S. C.-N. Y. A-123, V. P. S. C. A-20. P. S. C.-N. Y. 52, V. P. S. C. 33.
10	8	7	A-819		A-558	72-B	P. U. C.-N. J. A-26, P. S. C.-N. Y. A-138, Ohio A-26.
53		51	A-609		A-395	76-B	
47		42	A-769 ①479 ④A-3449	A-38 ①57 ④A-140	A-512 ①404 ④A-904	107-C	
100	88	87	A-788			116-B	P. U. C.-N. J. A-23, P. S. C.-N. Y. A-133.

① I. N. Doe, Agent. ② B. T. Jones, Agent. ③ R. H. Hoke, Agent. ④ L. E. Kipp

Except as follows:
All matter shown on Page 2 thereof;
Explanation of Reference Marks "▨" and "▨" and Items 20A and 58B shown on Page 3 thereof;
Item 400 shown on Page 5 thereof;
All matter shown on Pages 15 and 16 thereof;
Item 1845A shown on Page 24 thereof.

The form of this supplement is authorized under permission of the Interstate Commerce Commission No. 27460, dated cember 27, 1945, and under authority of Permission named below.

ISSUED DECEMBER 28, 1945 **EFFECTIVE DECEMBER 31, 1945**

Issued on one (1) day's notice under permission of the Interstate Commerce Commission No. 27460, dated December 27, 1945, and under authority of:
Public Service Commission of Maryland, Order No. 41738 of December 27, 1945.
Vermont Public Service Commission Special Order No. 408 of December 27, 1945.
Public Service Commission of West Virginia, Informal Order No. 3790 of December 28, 1945.

Issued by

T. JONES, Agent,
608 South Dearborn Street,
Chicago 5, Ill.

R. H. HOKE, Agent,
101 Marietta Street,
Atlanta 3, Ga.

I. N. DOE, Agent,
Room 524, South Station,
Boston 10, Mass.

W. S. CURLETT, Agent,
143 Liberty Street,
New York 6, N. Y.

E. KIPP, Agent,
516 West Jackson Blvd.,
Chicago 6, Ill.

RECEIVED		
Month	Day	Year

1965

Printed in U. S. A.

70,000) (71635) (Blanket Supplement No. 432) (File No. 8365) [fol. 1966] **TRUNK LINE ASSOCIATION**

143 Liberty Street,
New York 6, N. Y.,
December 24, 1945.
File: ——.

W. S. Curlett, Agent.
C. W. Boin, Alternate Agent.

Application for Special Permission

T. L. T. B. No. 977

To the Interstate Commerce Commission,
Washington 25, D. C.:

W. S. Curlett, for and on behalf of all Agents and carriers in Official and Illinois Territories, respondents in Class Rate Investigation, 1939, Docket No. 28,300, and Consolidated Freight Classification, Docket No. 28,310, for and on behalf of such respondents and other carriers participating in the rates published pursuant to and in relation to the Interstate Commerce Commission's decision and order in the above entitled proceedings, hereby make application to the Commission for authority to postpone indefinitely the effective date of the tariffs establishing such rates now published to become effective January 1, 1946.

These tariffs were filed under compulsion of the Commission's orders in the Class Rate Investigation, 1939, Docket No. 28,300. They supersede tariffs publishing rates prescribed by the Commission and still required to be maintained by outstanding orders in the Eastern Class Rate Investigation and other class rate cases specifically referred to at great length in the Commission's report in Class Rate Investigation, 1939.

There is attached hereto a copy of an Interlocutory Injunction issued by the District Court of the United States for the Northern District of New York on December 20, 1945, filed in the office of the Clerk on December 21, 1945, copy of which has just been made available to petitioners. This Interlocutory Injunction enjoins and suspends until the further order of the Court the orders of the Commission of May 15, 1945, and October 30, 1945, in Docket No. 28,300, and the Commission and the United States are enjoined from taking any action to enforce compliance with said orders.

The Court found that the present class rates in all territories were prescribed by orders of the Commission in various proceedings as maximum reasonable rates and these orders would be operative to maintain the present rates if the orders attacked in the suit should be suspended. It further found that greater disturbance and confusion will result if the changed rates ordered by the Commission should be permitted to go into effect and the Commission's orders should thereafter be held to be invalid and en- [fol. 1967] joined.

As a conclusion of law the Court found that the fact that the railroads under compulsion of the Commission's orders have already filed tariff schedules providing rates in conformity therewith to take effect January 1, 1946, did not render the suit moot or deprive the Court of power to grant effective relief by interlocutory injunction.

A further conclusion of law is that "There is greater justification for continuing in effect temporarily the present class rates which the Commission has prescribed and under which business has been done for a number of years than for permitting a sudden change in rates required by new orders, the validity of which is open to question."

And, finally, as a conclusion of law the Court found that "Considering the doubt as to the validity of the Commission's reports and orders, and balancing the conveniences and equities of the situation, the Court in its discretion should issue an interlocutory injunction enjoining and suspending the enforcement of the Commission's orders pending final determination herein."

It is obvious, therefore, that in order to meet the findings of fact and conclusions of law incorporated by the Court in its decree of December 20, 1945, it is necessary that the tariffs already filed by the petitioning carriers pursuant to the terms of the Commission's orders in the Class Rate Investigation, 1939, should be postponed pending the final determination of the Court.

Practically all of the State Commissions in the states embraced within Official Territory, pursuant to their statutory powers, have suspended the intrastate rates which were filed by petitioners to conform with the interstate rates prescribed by the Interstate Commerce Commission.

This application is filed in keeping with and upon the understanding this order of the Court contemplates that the rates ordered in by the Commission, including rates related thereto and collateral revisions should not at this time be made effective.

Wherefore, petitioners respectfully request that pursuant to Section 6 (3) of the Interstate Commerce Act the Commission grant them authority to file on one day's notice supplements indefinitely postponing the effective date of all the tariffs which have been filed in compliance with the Commission's order in the Class Rate Investigation, 1939.

—— ——, Alternate Agent.

Subscribed and sworn to before me this 24th day of December, 1945. —— ——, Notary Public.

[fol. 1968] TRUNK LINE ASSOCIATION

W. S. Curlett, Agent. 143 Liberty Street
C. W. Boin, Alternate Agent. New York 6, N. Y.
December 26, 1945

W. S. Curlett, for and on behalf of all Agents and carriers under the jurisdiction of your Commission, respondents in Interstate Commerce Commission Class Rate Investigation, 1939, Docket No. 28,300, and Consolidated Freight Classification, Docket No. 28,310, for and on behalf of such respondents and other carriers participating in the rates published pursuant to and in relation to the Interstate Commerce Commission's decision and order in the above entitled proceedings, hereby make application to your Commission for authority to postpone indefinitely the effective date of the tariffs establishing such rates on *intrastate traffic* now published to become effective January 1, 1946.

These tariffs were filed under compulsion of the Interstate Commerce Commission's orders in their Class Rate Investigation, 1939, Docket No. 28,300. They supersede tariffs publishing rates prescribed by the Interstate Commerce Commission and still required to be maintained by outstanding orders in the Eastern Class Rate Investigation and other class rate cases specifically referred to at great length in the Interstate Commerce Commission's report in Class Rate Investigation, 1939.

There is attached hereto a copy of an Interlocutory Injunction issued by the District Court of the United States for the Northern District of New York on December 20, 1945, filed in the office of the Clerk on December 21, 1945, copy of which has just been made available to petitioners. This Interlocutory Injunction enjoins and suspends until the further order of the Court the orders of the Interstate Commerce Commission of May 15, 1945, and October 30, 1945, in Docket No. 28,300, and the Interstate Commerce Commission and the United States are enjoined from taking any action to enforce compliance with said orders.

The Court found that the present class rates in all territories were prescribed by orders of the Interstate Commerce Commission in various proceedings as maximum reasonable rates and these orders would be operative to maintain the present rates if the orders attacked in the suit should be suspended. It further found that greater disturbance and confusion will result if the changed rates ordered by the Interstate Commerce Commission should be permitted to go into effect and the Interstate Commerce Commission's [fol. 1969] orders should thereafter be held to be invalid and enjoined.

As a conclusion of law the Court found that the fact that the railroads under compulsion of the Interstate Commerce Commission's orders have already filed tariff schedules providing rates in conformity therewith to take effect January 1, 1946, did not render the suit moot or deprive the Court of power to grant effective relief by interlocutory injunction.

A further conclusion of law is that "There is greater justification for continuing in effect temporarily the present class rates which the Interstate Commerce Commission has prescribed and under which business has been done for a number of years than for permitting a sudden change in rates required by new orders, the validity of which is open to question."

And, finally, as a conclusion of law the Court found that "Considering the doubt as to the validity of the Interstate Commerce Commission's reports and orders, and balancing the conveniences and equities of the situation, the Court in its discretion should issue an interlocutory injunction enjoining and suspending the enforcement of the Interstate Commerce Commission's orders pending final determination herein."

It is obvious, therefore, that in order to meet the findings of fact and conclusions of law incorporated by the Court in its decree of December 20, 1945, it is necessary that the tariffs already filed by the petitioning carriers pursuant to the terms of the Interstate Commerce Commission's orders in their Class Rate Investigation, 1939, should be postponed pending the final determination of the Court.

Wherefore, petitioners respectfully request that your Commission grant authority to file on one day's notice supplements indefinitely postponing the effective date of all the tariffs which have been filed with your Commission applicable on *intrastate traffic* in compliance with the Interstate Commerce Commission's orders in their Class Rate Investigation, 1939.

—— ——, Alternate Agent.

[fol. 1970] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

INTERLOCUTORY INJUNCTION

The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, having filed their verified petition in this Court praying a permanent injunction forever annulling and enjoining enforcement of certain orders of the Interstate Commerce Commission in a proceeding before it entitled Class Rate Investigation, 1939, Docket No. 28300, and praying also an interlocutory injunction enjoining the enforcement of said order pending final determination of its petition; and service of said petition having been made as required by law upon the Attorney General of the United States and the Interstate Commerce Commission; and the Interstate Commerce Commission having intervened as a defendant herein; and the Governors of the New England States and various Western railroads having intervened in this proceeding as additional parties plaintiff; the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Kansas, Oklahoma, [fol. 1971] Arkansas, Texas, Nebraska, North Dakota and South Dakota, and other parties having intervened as defendants; and the Honorable Harrie B. Chase, Circuit Judge, and the Honorable John C. Knox, District Judge, having been called to the aid of Honorable Stephen W. Brennan, Judge of this District, as required by Title 28, U. S. Code, Section 47; and an order to show cause having issued and been served upon the Attorney General of the United States and the Interstate Commerce Commission requiring them to show cause before this Court so constituted at a hearing to be held in Room 110, United States Court House in the City of New York, N. Y., on December 13, 1945, at 2:00 P. M., why the interlocutory injunction prayed for by plaintiffs should not issue; and at least five days' notice of said hearing having been given as required by law; and said hearing having been had, the Court sitting in New York City for the convenience of and with the consent and by stipulation of all parties; and plaintiffs and intervening plaintiffs having been heard by counsel and having filed various affidavits with the Court; and the United States having been heard by its Assistant Attorney General, and having filed affidavits with the Court, the Interstate Commerce Commission by its Chief Counsel, and other interveners by their respective counsel; and the Court having considered the verified petition and the affidavits presented to it and the arguments of counsel, the undersigned as such Court now make the following findings of fact and conclusions of law:

[fol. 1972] Findings of Fact

1. This is a suit brought under the provisions of Title 28, U. S. Code, Sections 41 and 43 to 48 inclusive, seeking an injunction annulling and enjoining orders of the Interstate Commerce Commission in a proceeding entitled *Class Rate Investigation, 1939,* Docket Nos. 28300 and 28310 on the Commission's docket.

2. Plaintiffs are sovereign states and bring this action both as shippers and receivers of freight, on which rates affected by the Commission's orders are charged, and also in their sovereign capacities on behalf of their citizens

and communities because of the effect of the Commission's orders upon the states, their citizens and communities.

3. The orders of the Interstate Commerce Commission sought to be enjoined would require, effective January 1, 1946, an increase of ten per cent in the class rates charged by the railroads for the transportation of class rate freight within Official Territory and a reduction of ten per cent in the class rates charged by the railroads for the transportation of such freight as moves under class rates within Southern, Southwestern and Western territories and between the several territories.

4. The class rates are charged by the railroads in Official Classification Territory for the transportation by them of a large variety of manufactured articles, products of industry and agricultural products. The report of the Interstate Commerce Commission dated May 15, 1945 indicated [fol. 1973] that 5.8 per cent of all carload freight transported in Official Territory moves at class rates. A ten per cent increase in these class rates would impose upon industry, shippers and receivers of freight transported within Official Territory an increased freight-cost of many million dollars a year.

5. The ten per cent increase if required and permitted to be charged by the railroads for transportation within Official Classification Territory pending final determination of this suit would subject industries, shippers and receivers of freight, and the citizens and communities of the states in Official Territory to great injury, for which they will have no redress in the event the Commission's orders should finally be held invalid and permanently enjoined, in that the increased charges on shipments at class rates will increase the cost to industries of shipping and receiving their products, will increase the cost of products to consumers, will discourage production and conversion to peacetime operation, and will tend to cause unemployment and consequent local distress.

6. The present class rates in Official Territory which would be continued in effect if an interlocutory injunction should issue suspending the effect of the Commission's orders were prescribed by the Interstate Commerce Commission in 1930, and there has been no complaint in the proceedings before the Commission against these rates and no

demand by any shipper, receiver, community or state that these rates be increased.

7. The injury which would be suffered by the industries, shippers, receivers, communities and citizens in Official [fol. 1974] Territory would greatly exceed any injury to shippers and communities or states in other sections of the country from withholding the reductions in rates ordered by the Commission, pending final determination herein, for the reason that a much greater volume of freight is transported by the railroads within Official territory upon which the class rates are charged, which would be increased ten per cent, than the volume of freight upon which the Commission's orders would require a reduction in the freight rates. The Commission found that the class rates are charged on 5.8 per cent of the carload freight transported within Official Territory, on only 1.8 per cent of the carload freight transported in Southern Territory, .6 per cent of the freight transported in Western Trunk Line Territory, .9 per cent of the freight transported from Southern to Official Territory, and 3.1 per cent of the freight transported from Western Trunk Line to Official Territory. In addition to this, the higher percentage in Official Territory is to be applied to a much greater volume of freight. The Commission found that in a period of two days the carload freight transported within Official Territory aggregated 111,914 carloads, while the carload movement within Southern Territory was only 23,512 carloads, and within Western Trunk Line Territory was only 32,889 carloads. The movement from Southern to Official Territory amounted to only 15,989 carloads and from Western Trunk Line to Official Territory to 12,120 carloads. Computations contained in affidavits presented to the Court indicate that the ten per cent increase in the class rates for transportation within Official Territory of both carload and less-carload freight [fol. 1975] would cause an increase in freight charges to shippers and receivers of freight in that territory of over $15,000,000 annually, as compared with reductions in the charges for shippers in Southern territory of not more than one-tenth of this figure.

8. Greater disturbance and confusion would result if the changed rates ordered by the Commission should be permitted to go into effect and the Commission's orders should thereafter be held to be invalid and enjoined.

9. The reduced rates ordered by the Commission with respect to freight transported by the Western railroads would cause a very substantial reduction in their revenues, which they would have no means of recouping, if the Commission's orders should finally be held to be invalid and permanently enjoined.

10. The present class rates in all territories were prescribed by orders of the Commission in various proceedings as maximum reasonable rates and these orders would be operative to maintain the present rates in effect if the orders attacked in this suit should be suspended.

11. Although tariff schedules have already been filed with the Commission by the railroads providing rates to become effective January 1, 1946, in conformity with the Commission's orders sought to be enjoined, the Official Classification railroads and the Western railroads by their counsel have advised the Court that such tariff schedules [fol. 1976] have been filed only under compulsion of the Commission's orders and that if such compulsion is removed by the suspension and enjoining of said orders, they will take appropriate steps to continue in effect their present class rates.

Conclusions of Law

1. Plaintiffs have capacity to maintain this suit both as shippers and receivers of freight, the rates on which would be affected by the Commission's orders sought to be enjoined. The question as to whether plaintiffs in their sovereign capacities are otherwise proper parties hereto is not now decided.

2. The fact that the railroads under compulsion of the orders have already filed tariff schedules providing rates in conformity therewith, to take effect on January 1, 1946, does not render this suit moot or deprive this Court of power to grant effective relief by interlocutory injunction.

3. There are reasonable grounds for believing that the reports and orders of the Commission may be erroneous, contrary to and without adequate support in the evidence, and should be permanently annulled and their enforcement enjoined. This cannot, however, be determined until final hearing herein and upon examination of the evidence before the Commission which will then be before the court.

4. There is greater justification for continuing in effect temporarily the present class rates which the Commission [fol. 1977] has prescribed and under which business has been done for a number of years than for permitting a sudden change in rates required by new orders, the validity of which is open to question.

5. Considering the doubt as to the validity of the Commission's reports and orders, and balancing the conveniences and equities of the situation, the Court in its discretion should issue an interlocutory injunction enjoining and suspending the enforcement of the Commission's orders pending final determination herein.

Wherefore, good cause appearing therefor, it is Ordered, Adjudged and Decreed that an interloutory injunction be and it is hereby granted enjoining and suspending until further order of this Court the order of the Interstate Commerce Commission dated May 15, 1945 as amended, and its order dated October 30, 1945, in its Docket Nos. 28300 and 28310; and until further order of this Court, said orders of the Interstate Commerce Commission are hereby enjoined and suspended and shall have no force or effect.

And It Is Further Ordered that the United States and the Interstate Commerce Commission and their several officials, agents, servants and attorneys be and they are hereby enjoined from taking any action to enforce compliance with said orders of the Interstate Commerce Commission or [fol. 1978] prosecuting any alleged violation thereof pending further order of this Court.

Let plaintiffs file a stipulation for costs in the sum of $5,000.

Harrie B. Chase, U. S. D. J.; John C. Knox, U. S. D. J.; Stephen W. Brennan, U. S. D. J.

Dated: December 20, 1945.

Original filed December 21, 1945, 5:05 P. M. Clerk's Office at Utica, N. Y.

[fol. 1979] Copy

INTERSTATE COMMERCE COMMISSION

WASHINGTON

No. 27460

At a General Session of the Interstate Commerce Commission held at its office in Washington, D. C., this 27th day of December, 1945.

In the Matter of APPLICATION FOR SPECIAL PERMISSION T. L. T. B. No. 977 of W. S. Curlett, Agent, No. 396 of L. E. Kipp, Agent and No. 3282 of R. H. Hoke and W. P. Emerson, Agents

Postponement of effective date of rates and provisions published in purported compliance with Dockets Nos. 28300 and 28310.

Waiver of Statutory Notice and Tariff Publishing Rules.

It is ordered, That under the applications for special permission dated December 24, 1945 and December 26, 1945 (T. L. T. B. No. 977), (No. 396), and (No. 3282), filed by W. S. Curlett, L. E. Kipp, R. H. Hoke and W. P. Emerson, respectively, Agents, for and on behalf of carriers and their tariff-publishing agents who have filed rates and provisions in purported compliance with the Commission's orders in Dockets Nos. 28300 and 28310 and rates and provisions related thereto, the said carriers and publishing agents are hereby authorized to publish and file with the Commission consecutively numbered supplements or revised pages to tariffs, such supplements or pages to postpone or suspend until the further order of the Commission the effective date of rates and provisions published in purported compliance with the Commission's orders in Dockets Nos. 28300 and 28310, and rates and provisions related thereto, upon not less than one day's notice to the Commission and the general public by posting and filing in the manner required by law.

It is further ordered, That the said carriers and their tariff-publishing agents are hereby authorized to provide for the postponement or suspension of rates and provisions by short form method of publication and to depart from the Commission's tariff-publishing rules to the extent necessary.

It is further ordered, That supplements issued hereunder shall be exempt from the terms of Rule 9(e) of Tariff Circular No. 20 or similar rules of other tariff circulars during their effectiveness.

It is further ordered, That supplements or revised pages issued hereunder shall bear the notation:

Issued on one day's notice under permission of the Interstate Commerce Commission, No. 27460 of December 27, 1945.

[fol. 1980] and supplements issued hereunder departing from the tariff-publishing rules shall bear the further notation:

The form of this publication is authorized by permission of the Interstate Commerce Commission No. 27460 of December 27, 1945.

And it is further ordered, That except as otherwise provided, this permission does not modify any outstanding formal orders of the Commission, nor waive any of the requirements of its published rules relative to the construction and filing of tariff publications, nor modify any of the provisions of the Interstate Commerce Act, except as to the notice to be given. This permission is granted responsive to the order of the District Court of the United States for the Northern District of New York in Cause Civil No. 2311, the States of New York, Delaware, et al., vs. the United States of America, filed in the office of the clerk of that court on December 21, 1945.

By the Commission.

W. P. Bartel, Secretary. (Seal.)

To: Mr. W. S. Curlett, Agent, 143 Liberty Street, New York 6, N. Y.

Mr. R. H. Hoke, Agent, 101 Marietta Street, Atlanta 3, Georgia.

Mr. L. E. Kipp, Agent, 516 West Jackson Boulevard, Chicago 6, Illinois.

Mr. W. P. Emerson, Jr., Agent, 305 Baronne Street, New Orleans, Louisiana.

[fol. 1981] EXHIBIT —

INTERSTATE COMMERCE COMMISSION

Bureau of Transport Economics and Statistics

Ratio of out-of-pocket plus solely related expenses to revenues on less-carload class rate traffic—Western District, Interstate Commerce Commission, Docket 28300

Section A. Ratio of out-of-pocket expenses[1] to revenues for all L.C.L. Western Territory traffic (262 ICC 447, 585)

1. Out-of-pocket costs, all L.C.L. traffic, 1939[2]	$115,038,109
2. Revenues, all L.C.L., 1939	88,797,938
3. Ratio of costs to revenues	$\frac{130 \text{ (exp.)}}{100 \text{ (rev.)}}$
4. Approximate increased revenues reflecting increase of minimum charge per shipment from 55 cents to 75 cents[3]	$3,000,000
5. Adjusted revenues (line 2 plus line 4)	91,797,938
6. Adjusted ratio of cost to revenues (line 1 ÷ line 5)	$\frac{125 \text{ (exp.)}}{100 \text{ (rev.)}}$

---

[1] All out-of-pocket costs referred to herein include the constant expenses solely related to L.C.L. traffic.

[2] The term out-of-pocket costs as used herein includes the solely related constant costs chargeable to less-carload traffic.

[3] Computed as follows: The ratio of the revenues from minimum-charge shipments to revenues from total L.C.L. shipments computed by territories from the A.A.R. one-week study made in September 1939, was applied to the total territorial L.C.L. revenues. The estimated annual revenue from minimum-charge shipments thus obtained was increased in the proportion that the proposed 75-cent minimum charge bears to the present 55-cent minimum charge. Result in Western Territory is $3,358,765 increase. The round figure of $3,000,000 is used.

[fol. 1982] Section B. Percent of first class at which all L.C.L. traffic moves (Exhibit 135, p. 28)

Type of traffic (1)	Distribution in pounds excluding duplications 1/ (millions) (2)	Percent of first-class rate (3)
7. Class rate	122.4	[2] 70.67
8. Exceptions	34.7	[3] 66.07
9. Commodity	57.3	[4] 43.67
10. Total	214.4	[5] 6271
11. Percent by which level of the rate per 100 pounds on class rate traffic exceeds level of the rate for all L.C.L. traffic ((70.67 ÷ 62.71) — 100)		13%

---

[1] Computed from Exhibit 135, page 28. Sum of intraterritorial traffic, plus interterritorial. Interterritorial originated computed by deducting from total pounds originated the total intraterritorial pounds. Interterritorial terminated computed by deducting from total pounds terminated the intraterritorial pounds.

[2] Average of rate level for traffic moving at the regular stated classification ratings, i.e., 100, 85, 70, 55, 50, 40, and 30. Also includes all traffic rated over 100 percent of first class.

[3] Average rate level for traffic moving at rates above or between the regular stated classes, but in no instance including traffic moving at rates over 99 percent of first class.

[4] Computed by dividing average revenue per 100 pounds for intraterritorial commodity traffic by average revenue per 100 pounds for intraterritorial traffic moving at first class. From L.C.L. analysis prepared by Association of American Railroads.

[5] Weighted average computed by multiplying entries in column (2) by corresponding entries in column (3) and dividing the sum of the products by the total pounds (column (2)).

[fol. 1983] Section C. Adjustment of ratio of expenses to revenues to reflect the higher than average level of the revenues on class rate traffic compared to all L.C.L. traffic, i.e. 13%, plus the 10% decrease under the ad interim order

12. Ratio of out-of-pocket expenses to revenues, all L.C.L. traffic from line 6	125 (exp.) 100 (rev.)
13. Adjustment of revenues to reflect first, a rate level on class rate traffic which is 13 percent higher than the average on all L.C.L. traffic, and second, the 10 percent decrease under the ad interim decision (i.e., the expenses remain unchanged but the relative level of the revenues is increased by 13 percent, or from 100 to 113, and this latter figure is then decreased by 10 percent or from 113 to 102	125 (exp.) 102 (rev.)
14. New ratio of expenses to revenues for class rate traffic (125 ÷ 102)	123%

Section D. Adjustment of costs to reflect 8-ton load per car in lieu of the load of 4.3 tons experienced in 1939 and on which the costs were based

15. Ratio of out-of-pocket expenses to revenues for class rate traffic from line 13	125 (exp.) 102 (rev.)
16. Decrease in average out-of-pocket L.C.L. costs based on change from 4.3-ton load to an 8.0-ton load	[1] 26%
17. New ratio of out-of-pocket expenses to revenues to reflect decreased cost based on an 8-ton load (the figure for revenues of 102 from line 15 remains unchanged but the expenses figure of 125 from line 15 is reduced by 26 percent)	93 (exp.) 102 (rev.)
18. Adjusted ratio of out-of-pocket costs to revenues for class rate traffic (93 ÷ 102)	91%

---

[1] L.C.L. cost from Exhibit 196, Western Territory, for 4.3-ton load, 500-mile haul, is 107.8 cents per 100 pounds, and for an 8-ton load 80.2 cents. The decrease is 26 percent.

[fol. 1984] Section E. Adjustment of out-of-pocket costs for an 8-ton load to reflect a rate of return of 2.47 percent in lieu of 4 percent actually used in compiling costs

19. Ratio of out-of-pocket cost to revenues for class rate traffic when costs are reduced to reflect a rate of return of 2.47 percent (which was experienced by the carriers in 1939, Western Territory) in lieu of the figure of 4 percent actually used in compiling the cost (relative cost figure of 93 from line 17 would be decreased 3 percent.[1] Revenue figure of 102 from line 15 remains unchanged.) . . . . 90 (exp.) / 102 (rev.)

20. Adjusted ratio of out-of-pocket costs to revenues for class rate traffic based on an 8-ton load and 2.47 percent return (90 ÷ 102) 88%

Section F. Adjustment of out-of-pocket costs to reflect a 10-ton load[2] in lieu of the load of 4.3 tons experienced in 1939 and on which the costs were based

21. Decrease in average out-of-pocket L.C.L based on change from a 4.3-ton load to a 10.0-ton load . . . . [3] 32%

22. New ratio of out-of-pocket expenses to revenues for class rate traffic to reflect decreased cost based on a 10-ton load (the figure for revenue of 102 from line 13 remains unchanged but the expense figure of 125 (line 13) is reduced by 32 percent) 85.0 (exp.) / 102.0 (rev.)

---

[1] Cost for an 8-ton load, 500 mile haul, and 4-percent return is 80.2 cents per 100 pounds. Cost based on 2.47-percent return is 78.0 cents or a decrease of 3 percent.

[2] Average L.C.L. loading in October 1942 was 10.6 tons (262 ICC 447, 584). Order No. 1 of the Office of Defense Transportation (still in effect) requires with certain exceptions, a minimum load of 10 tons of less-than-carload freight.

[3] L.C.L. costs from Exhibit 196 for 4.3-ton load, 500-mile haul, are 107.8 cents per 100 pounds and for a 10-ton are 73.8 cents per 100 pounds. The decrease is 32 percent.

23. Adjusted ratio of expenses to revenues for class rate traffic based on a 10-ton load (85 ÷ 102) 83%

[fol. 1985] Section G. Adjustment of out-of-pocket costs for a 10-ton load to reflect a rate of return of 2.47 percent in lieu of 4 percent actually used in compiling costs

24. Ratio of out-of-pocket costs to revenues for class rate traffic when costs are reduced to reflect a rate of return of 2.47 percent (which was experienced by carriers in 1939, Western Territory) in lieu of the figure of 4 percent actually used in compiling the costs. Relative cost figure of 85 from line 22 would be decreased 2 percent.[1] Revenue figure of 102 from line 22 remains unchanged .... 83 (exp.) / 102 (rev.)

25. Adjusted ratio of out-of-pocket costs to revenues for class rate traffic based on 10-ton load and 2.47-percent return (83 ÷ 102) 81%

[fol. 1986] EXTRACT FROM MINUTES OF HEARING

Feb. 20, 1946.

Mr. Miller: Then there is one more point I would like to make to the Court, and that is, I don't think it is necessarily conclusive that this class rate traffic on less carloads is going to result in the terrible possible loss to the carriers which they are so concerned about. I would like to take just a moment, if the Court please, by handing up this computation which is made from the record.

I would like to go over a part of it, if I may, directing the Court's attention to certain things in it.

---

[1] L.C.L. cost for 10-ton load, 500-mile haul, and 4-percent return are 73.8 cents per 100 pounds. Costs based on 2.47-percent return are 72.0 cents per 100 pounds or a decrease of 2 percent.

[fol. 1987] (Mr. Miller hands document to Mr. Smith.)

Feb. 21, 1946.

Mr. Miller: That is the revised one I have just handed to you.

Mr. Smith: Have you handed it to the Court?

Mr. Miller: No. I was going to.

Justice Chase: Why don't we take that. This is a good time now.

Mr. Miller: That is the latest one. The last three pages have been changed.

Mr. Smith: I cannot look at this one quickly enough to see just — has been done. But I think I can explain the other one.

Mr. Miller: If you will excuse me a second, Mr. Smith, I might advise the Court, as I understand it, the only change made in it is to take the 10% reduction into account that necessitated recomputing the last three pages.

[fol. 1988] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

CONTENTS OF BOX CONTAINING RECORD BEFORE INTERSTATE COMMERCE COMMISSION IN DOCKETS NOS. 28300 AND 28310 AND RECEIVED IN EVIDENCE AS EXHIBIT NO. 5 IN THE ABOVE ENTITLED PROCEEDINGS (R. 289)

Transcript of Testimony

Item					
1	Pages	1	to	298	
2	"	299	"	1264	
3	"	1265	"	1355	(includes Exhibits 71 to 75)
4	"	1356	"	2175	
5	"	2176	"	3232	

Transcript of Testimony

6	“	3233	“	4571	
7	“	4572	“	5490	
[fol. 1989]					
8	“	1	“	7	
9	“	8	“	18	
10	“	19	“	49	
11	“	50	“	70	
	“	71	“	75	(included in Item 3)
12	“	76	“	107	
13	“	108	“	135	
14	“	136	“	158	
15	“	159	“	193	
16	“	194	“	231	

Other Documents

17 Analysis of L.C.L. traffic of Class 1 railroads for period September 8 to 14, 1931, filed April 19, 1940, in Dockets Nos. 28300 and 29310. (R. 12)

18 Certified pages of portions of transcript of testimony and of oral argument containing stipulation that various documents in Commission's files should be considered part of record. The documents in question are set forth in the next succeeding item.[*]

19 Statement No. 4114—year 1940
Statement No. 4220—year 1941
Statement No. 4323—year 1942
Statement No. 4419—year 1943
Statement No. 4518—year 1944
Statement No. M-500—months of January and February 1945
Statement No. Q-550—years 1940, 1941 and 1942
Statement No. M-550—years 1943 and 1944, and month of January 1945

---

[*] The stipulation in question refers to a document designated as A. A. R. C. S. 554-A, supposedly issued by the American Association of Railroads. No document so designated has been issued by that organization. Consequently the Commission's record contains no such document.

Statement No. M-100—December 1940, 1941, 1942, 1943 and 1944; and January to October, 1945, inclusive

[fol. 1990]

19 Statement No. M-125—December 1940, 1941, 1942, 1943 and 1944; and January to October, 1945, inclusive

Statement No. M-211—December 1940, 1941, 1942, 1943 and 1944; and January to October, 1945, inclusive

Statement No. M-215—December 1940, 1941, 1942, 1943 and 1944; and January to October, 1945, inclusive

Statement No. M-220—December 1940, 1941, 1942, 1943 and 1944; and January to October, 1945, inclusive

Statistics of Railways in the United States—years 1939, 1940, 1941, 1942 and 1943

Preliminary Abstract of Railway Statistics—years 1940, 1941, 1942, 1943 and 1944

20 Petition of the western railroads for reconsideration (R. 177).

[fol. 1991] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTE FE RAILWAY CO., et al., Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

OPINION—Filed May 9, 1946

Before Chase, Circuit Judge; Knox and Brennan, District Judges.

Two suits brought pursuant to 28 U. S. C. A. Pars. 41 (28) and 43-48 inclusive and also under the general jurisdiction of the court in equity to enjoin annul, set aside and suspend orders of the Interstate Commerce Commission. Petitions dismissed.

Parker McCollester, New York City.
Frank J. Clark, New York City, Special Assistant Attorneys General, for the State of New York.
Herbert T. Ferguson, Madison, Wisconsin, Assistant Attorney General for the State of Wisconsin.
Kenneth L. Sater, Columbus, Ohio for the State of Ohio.
[fol. 1992] Robert Peacock, for the State of New Jersey, Deputy Attorney General.
Henry E. Foley, Boston, Mass. for New England Governors.
Vincent G. Hart, New York City in behalf of Department of Law of the State of New York.
H. C. Barron, Chicago, Ill. for Western Railroads.
Edward H. Miller, Special Assistant to the Attorney General, Washington, D. C. for the United States of America.

Daniel W. Knowlton, Chief Counsel to the U. S. Interstate Commerce Commission, Washington, D. C. for Interstate Commerce Commission.

George T. Simpson, St. Paul, Minn, for J. A. A. Burnquist, Attorney General, and the State of Minnesota.

J. V. Norman, Louisville, Kentucky, for the Southern States and Southern Governors' Conference.

Byron M. Gray, Topeka, Kansas, for States of North Dakota, South Dakota, Kansas, Nebraska, Oklahoma, Texas and Arkansas, and their respective State Commissions.

C. E. Logwood, Public Service Commission of South Carolina, Columbia, South Carolina, for Public Service Commission.

Robert F. Park, Montgomery, Alabama, for Alabama Public Service Commission.

Douglas F. Smith, Chicago, Ill., for Western Railroads.

Lewis Petteway, Tallahassee, Florida for Florida Railroad Commission.

Karl J. Stipher, Deputy Attorney General of Indiana, Indianapolis, Indiana.

Hugh S. Jenkins, Columbus, Ohio, for State of Ohio.

J. C. Murray, Little Rock, Arkansas, for State of Arkansas, the Governor of Arkansas, and the Arkansas Public Service Commission.

Neal E. Williams, Fargo, North Dakota, Solicitor for Nels G. Johnson, Attorney General of North Dakota, and Public Service Commission, State of North Dakota.

H. Emerson Kokjer, Deputy Attorney General of Nebraska, Lincoln, Nebraska, Solicitor for State of Nebraska and Nebraska State Railway Commission.

[fol. 1993] Duane T. Swanson, State Capitol Bldg., Lincoln, Nebraska, for State Railway Commission.

C. B. Bee, Oklahoma City 5, Oklahoma, for Governor Robert S. Kerr; State of Oklahoma, Corporation Commission, and Western and Southwestern States.

Walter R. McDonald, Georgia Public Service Commission, Atlanta, Georgia, for Southeastern Association of R. R. and Utilities Commissioners.

Jerry W. Carter, Tallahassee, Florida, for Florida Railroad Commission.

David O. Mathews, Special Assistant to the Attorney General of the United States, of Counsel for the United States.

D. Robert Thomas, Chicago, Ill., for Western Railroads.

James Noel, Assistant Attorney General, Austin, Texas, for State of Texas and Railroad Commission of Texas.

STATEMENT AND FINDINGS OF FACT BY THE COURT

These two suits put in issue the validity of the same orders of the Interstate Commerce Commission and were consolidated for hearing before a court of three judges constituted in accordance with provisions of the Urgent Deficiencies Act, 38 Stat. 29.

The first was brought against the United States by the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin, and The Commonwealth of Pennsylvania to enjoin, set aside, annul and suspend orders of the Interstate Commerce Commission requiring an increase of ten per cent in what are called the class rates charged by the railroads for transporting freight in the so-called Official Territory and a decrease of ten per cent in the class rates charged by railroads for transporting freight in the so-called Southern Territory, Western Trunk Line Territory and Southwestern Territory and corresponding [fol. 1994] changes in the in-territorial rates. Parties in interest were permitted to intervene[1] and, after hearing, an injunction pendente lite was granted.

---

[1] Horace A. Hildreth, Governor of Maine; Charles M. Dale, Governor of New Hampshire; Mortimer R. Proctor, Governor of Vermont; Maurice J. Tobin, Governor of Massachusetts; John A. Pastore, Governor of Rhode Island; Raymond E. Baldwin, Governor of Connecticut. (Referred to as the New England Governors.) Intervening Plaintiffs.

The Atchison, Topeka and Sante Fe Railway Company; Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company; and Joseph B. Fleming and Aaron

Thereafter the Atchison, Topeka and Sante Fe Railway Company and others which will be referred to as the Western Lines,[2] brought another petition against the United States in which the same relief was sought in respect to the same orders. Interested parties were allowed to intervene.[3]

The Western States and their respective Commissions; The Southeastern Association of Railroad and Utilities Commissioners, Defendant Intervenors.

[fol. 1996] These two suits were heard as a consolidated action, all questions relating to venue having been waived.

In order to understand the issues here presented, as well as the action of the Commission and the relevancy of the facts found by it, some preliminary statement of what was in 1939 apparently the prevailing situation in this country in respect to freight classifications and freight rates is necessary.

For the purpose of fixing freight rates the country was, and now is, divided into the four territories already mentioned and one other which is called Mountain-Pacific Territory, and which is not involved in these suits. It covers the States of Montana, New Mexico, the western portions

---

Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company; Fort Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Sante Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and of Colorado and Wyoming, and all the States west of them. The other territories, which are all involved in these suits, may be roughly described as follows: Western Trunk Line Territory includes the States east of Mountain-Pacific Territory, north of Oklahoma and Arkansas, and west of the Mississippi River and the greater part of Wisconsin and the northwestern portion of Michigan. Southwestern Territory includes the country south of Western Trunk Line Territory and west of the Mississippi River. Southern Territory consists of the country lying east of the Mississippi and south of the Ohio and Potomac rivers. Official Territory comprises the remainder of the country lying north

---

[2] The plaintiffs were the Western Railroads, supra, footnote 1.

[3] The States of New York and Ohio;

The New Engalnd Governors (listed above), Plaintiff Intervenors.

The Interstate Commerce Commission;

The Southern States and The Southern Governors' Conference; (listed above).

Arkansas Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Sante Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; Union Pacific Railroad Company; The Texas and Pacific Railway Company; The Wichita Valley Railway Company, Intervening Plaintiffs.

The United States, Defendants.

The Interstate Commerce Commission;

[fol. 1995] The Southern States; Alabama, Florida, Georgia; Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee; and

The Southern Governors' Conference, a voluntary organization of the Governors of the Southern States;

The States of Arkansas, Kansas, Nebraska, North Dakota, Oklahoma, South Dakota, and Texas, and their respective State Commissions:

The Arkansas Public Service Commission, The State Corporation Commission of Kansas, The Kansas Industrial Development Commission, The Nebraska State Railway Commission, The Public Service Commission of the State of North Dakota. The Corporation Commission of the State of Oklahoma, The Public Utilities Commission of the State of South Dakota, and The Railroad Commission of the State of Texas;

The State of Minnesota; and

The Southeastern Association of the Railroad and Utilities Commissioners, Intervening Defendants.

of the Ohio and Potomac rivers and east of the western boundary of Lake Michigan and a line drawn diagonally therefrom to the western bank of the Mississippi River opposite Illinois. Official Territory has two subdivisions one of which includes all of New England and the other of which, known as Zone C, takes in the northern part of Michigan [fol. 1997] and a small part of Wisconsin. In the Southern Territory the greater part of Florida is a subdivision and in Western Trunk Line Territory there are Zones I, II, III, and IV. In each of these subdivisions rate differentials are applicable which vary the class rates from those in force elsewhere in the territories.

There are different freight rates in all the territories and these are known as class rates, exceptions to class rates, column rates and commodity rates. Only the class rates are involved in these suits. They are rates based on published classifications which are lists of commodities by name grouped in designated classes. To compute a freight charge under class rates it is necessary to know the classification, the rate for that classification and then take into account factors like weight of the shipment and distance to be carried. The basic rate so fixed for Class I is applicable percentagewise to the other classes, the rates for them being higher or lower than for Class I as the case may be. Commodity rates are special rates which have been fixed for designated commodities transported between specified points regardless of the class rates; column rates are special rates for certain named commodities which are based upon a given percentage of the class rates; and exception rates are, as their name implies, variations from the class rates. There are also key rates which apply to certain so-called key points. These differing rates, of which all but the class rates will hereafter be called for convenience special rates, have come into being because of various considerations among which have been competition between the railroads themselves, between railroads and carriers by water and by motor truck, orders issued by the Interstate Commerce Commission, which will hereafter be called the Commission, composition and amount of traffic available for [fol. 1998] carriage, cost of operation and other like relevant factors. The result is more or less of a hodge podge at least so far as class rates are concerned and various efforts have been made to secure greater uniformity and simplicity in rate making ever since the Commission was created. Despite the efforts of the Commission and the cooperation of the railroads these efforts have heretofore been mainly fruitful only in respect to improving conditions in regard to intraterritorial rates.

Not only have the class rates varied among the territories but the classifications published for the several territories have been so different that like articles were, and are, often classified in one class in one territory and in a different class in the others or in one of them. All this has brought about a most complex system of class rate fixing which has, generally speaking, produced lower class rates for Official Territory than for the others though that appears not to hold true in respect to special rates. Another result has been that a greater proportion of all freight in Official Territory moves on class rates than in the others where exception, column and commodity rates have become more prevalent, though it has come about that in all the territories only a comparatively small percentage of the entire freight carried has been on class rates. What is so carried moves both in carload, and in less-than-carload, lots and the cost of its transportation varies accordingly throughout the territories and also varies somewhat because of dissimilar conditions affecting cost of operation.

Although the products of farm, mine and forest are by no means negligible within Official Territory, that portion [fol. 1999] of the country does in some respects stand apart from the remainder because it is there that the greatest concentration of industrial plants, population, and buying power is found. The larger and better markets which producers in general wish to reach are found there and the prevailing lack of uniformity in classifications and in class rates, in so far as they directly bear upon the cost of transportation by freight within Official Territory and interterritorially between it and the other territories, and indirectly through the special rates, was thought by many to be on the whole more favorable to Official Territory, and to shippers and receivers of freight therein, than to the other territories and their shippers and receivers of freight.

It was against this general background that the Commission determined to institute two investigations and on July 29, 1939, issued orders which, as later modified, resulted in prolonged hearings by Division 2 of the Commission upon due notice to all parties in interest, as to the lawfulness of the classifications and of the class rates in each of the territories now involved. These investigations known as Docket No. 28300 which dealt with the rates and Docket No. 28310 which dealt with the classifications were so related that they were conducted simultaneously. The cooperation of the state commissions was sought in accordance with Par. 13 of the Interstate Commerce Act (49 U. S. C. A. Par. 13), and a committee representing such commissions sat with the Division. The investigation became extremely comprehensive and a large amount of evidence was received which was reviewed by the full Commission. It filed a [fol. 2000] proposed report in No. 28310 providing for the creation of a uniform classification for all the territories, including that part which is now subject to what is called the Illinois classification which has some interstate application in a border area between Official Territory and Western Territory but has no interterritorial effect, to be compiled by the Commission or by the railroads for the approval of the Commission provided the railroads were willing to undertake the task. The railroads indicated their willingness to do so and the classification is now being made. That will require an enormous amount of work and will take a considerable time, perhaps years. No issues respecting that classification which is dealt with in Part I of the Report are raised now.

Without serving a proposed report in No. 28300, the Commission filed a comprehensive report dealing with class rates to become effective when the classification is prepared and approved. This report contained numerous findings as to the characteristics of the existing rate structures, the importance of interterritorial traffic, the relative levels of class rates in each territory and the indirect results of the proposed revision. Evidence afforded by intricate and detailed cost studies made by employees of the Commission to show the relative cost of the carriage of freight in the several territories was also received and considered following revisions of the studies made in response to criticisms by interested parties. Findings were made as to interterritorial class rates, the relative levels of revenue from all freight in the Southern and Official Territories, the effect of applying the Official Territory level of all freight rates to all freight moved in Southern Territory, the relative costs and composition of all freight moved in South- [fol. 2001] ern Territory, and the rates of return. The Commission also made findings as to the effect of the class rates on shippers in Southern Territory, the relative costs and composition of the traffic, the rates of return and their effect on the economic development of that territory. Findings on similar or kindred subjects were made respecting the other territories and the interterritorial freight movement among them. The costs of carload and less-than-carload service were considered and findings made as to each. Findings were made as to the effect of motor truck and water-borne freight competition, as to the effect of the special rates on movement of freight taking class rates, and of the discrepancies in the existing class rates on the attainment of uniformity in classification. There is an area geographically within Official Territory which is served by the so-called Pocahontas lines, which are predominantly coal carrying roads, that is for statistical purposes at times treated separately from the remainder of Official Territory because, though those railroads do carry freight at class rates, the bulk of their freight, being coal, is quite different in respect to the means and cost of carriage from the kinds of freight which characterize the carriage elsewhere in the territory. For like reasons Kentucky in the Southern territory was at times likewise treated separately from the remainder of Southern territory in the Report.

The Commission then found as follows:

> "1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) of the act.
>
> "2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
>
> [fol. 2002] "3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and

Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

"4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(a) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

(b) The rates herein prescribed are to — applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(c) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates,* 164 I. C. C. 1,282 contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by dropping those less than one-half and by increasing those of one-half cent or more to the next whole cent.

(d) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rate revisions.

> (e) That such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.
>
> (f) That such revised uniform class rates and classification ratings shall be made applicable simultaneously."

[fol. 2003] No order putting the class rates found to be just and reasonable for the future has been, or will be, made until the new classification becomes effective and no issue is now directly raised as to such rates with which the Commission dealt, but not unanimously, in Part II of its Report.

What the Commission, also not unanimously, did which is now attacked was to provide in Part III of its Report for an ad interim class rate revision which with certain designated minima class I rates provides in general for a 10 per cent increase in class rates in Official Territory and for a 10 per cent decrease in such rates in the other territories involved herein with corresponding changes in interterritorial class rates as already mentioned. The Commission said in part:

> "In parts I and II of this report we have found the classification ratings and class rates involved in this proceeding to be an unjust and unreasonable, and unduly and unreasonably preferential and advantageous, as well as unduly and unreasonably prejudicial and disadvantageous in certain respects for the reasons therein stated. It is our duty under Section 15 (1) of the act to determine and prescribe what will be the just and reasonable rates and charges, and what classification will be just, fair, and reasonable, to be hereafter followed.
>
> "The record herein is extensive, but from the very nature of these proceedings the comprehensive basis of just and reasonable rates cannot at this time be established in connection with a uniform classification such as we have found to be required as just, fair, and reasonable, until that classification is brought into being. The comprehensive rate revision and classification, unification and revision should be accomplished simultaneously, if possible. From our prior expe-

rience with extensive rate readjustments and classification proceedings, and from the record in this proceeding, we know that necessarily considerable time must elapse before the respondents can formulate and tender for our approval a classification which will conform to our findings with respect to justness, fairness, and reasonableness. The many complexities inherent in a task of such character and magnitude are inevitable. The shipping public and rate-making authorities of the States should be afforded opportunity for participation in the undertaking as far as their interests are con- [fol. 2004] cerned. And as shown by the record, and as within our common knowledge, there is at the present time a shortage of men who may be devoted to such task by the respondent carriers, public authorities, including this Commission, and by shippers and their organizations. This latter condition is a direct consequence of the withdrawal of such experts from their former employment for active participation in the war.

"We find, however, that in the circumstances it is possible and practicable to make certain readjustments in the existing basis of class rates, predicated upon the continued application of the existing classifications, which will be just and reasonable, which will have the effect of bringing to the minimum the preferences and prejudices which we have found to be unlawful, as completely as it is practicable now to eliminate such violations. This finding is based upon the peculiar circumstances of the present time, largely the result of the war, and because time will be needed to effectuate a classification revision and application of a scale or scales of class rates as our findings in part I and part II hereof contemplate. The adoption of the simple and direct method of rate revision which we are about to outline will conserve time, and will obviate many tariff publishing difficulties without complete revision of the classifications before us and the determination and prescription of new scales of rates based thereon.

"Our general conclusions and findings heretofore made have emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures under consideration closer together in level and more upon the same pattern or scheme. We have also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The basis which we shall not outline is in harmony with that objective, and will approach, as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair, and reasonable.

"We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

"We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories as those territories have heretofore been described in this report, and interritorially between those territories, and also between those territories, and official territory, as hereinbefore described, will be unjust and un- [fol. 2005] reasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding. In applying the scale of minimum rates, the distances between groups or blocks of stations upon which the present class rates are based are to be observed, rather than the actual distances to or from such station, when differing therefrom. (The table of rates included at this point in the report is here omitted.)

"We find and determine that simultaneously as a part of the adjustment hereinbefore outlined, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maximum scales, superseding the intraterritorial official class-rate scale heretofore prescribed or authorized by us, subject to the qualifications hereinafter indicated, and that as so increased those scales will be just and reasonable as maxima. The increase of maximum class rates applicable within official territory is to be made by using the present current applicable class I rates as a base, and increasing them 10 percent. The rates on the other classes should be correspondingly increased by observing the same percentage relations to the maximum class I rates as thus increased that such classes bear to the currently applied class I rates. No changes in existing exception rates or column rates are contemplated by this finding. The same provision with respect to disposition of fractions of a cent, as to groupings, and as to the ascertainment of distance hereinbefore stated with respect to the reductions within and between other territories and between those territories and official territory, shall in like manner apply to the increases in the maximum [fol. 2006] class-rate charge without additional charge therefor. We also find and determine that such pick up and delivery service has been extended in scope largely since our findings and orders in the various proceedings hereinbefore recited which prescribed or approved the class rates in issue in this proceeding. We find and determine from the evidence of record in this proceeding, that when such service is performed the applicable class rate with the existing minimum charge as stated does not yield the out-of-pocket costs incident to the transportation service which it purports to cover. We further find that to the extent the minimum charge per shipment is less than 75 cents, it is below a just and reasonable minimum rate and charge. Upon the record as it stands, and predicated upon the adjustments for the interim period hereinbefore found to be just and reasonable, we determine and find that the minimum charge per shipment, whether pick-up and delivery service is afforded or not, whenever such charge is below 75 cents, is below the minimum of a just and reasonable rate and charge and that 75 cents is and will be a just and reasonable minimum charge to be made.

"The foregoing findings and determinations are made as of the date when the order to be entered herein becomes effective. Inasmuch as these proceedings will necessarily be held open upon our docket, and as our power to suspend, modify, or set aside our orders is recognized by the act, we do not now prescribe a specified period of time during which these findings as to the interim adjustment shall continue in force, but make them as continuing until our further order.

"In certain States the applicable intrastate class rates are held to a basis prescribed by us in orders entered in proceedings under section 13 (3) and (4) of the act. No special consideration has been given to such intrastate rates in this proceeding. If any modification of our outstanding orders seems necessary, it should be sought by appropriate action as contemplated by our general rules of practice.

"Our outstanding orders will be modified to the extent necessary to enable the carriers which are bound thereby to publish and file schedules embodying such increases and decreases; and authority will be given by appropriate order under section 6 of the act for the publication of simple forms of supplements to existing schedules to effectuate such increases and decreases. If carriers need relief under the provision of section 4 of the act, we will give prompt consideration to applications therefor."

And order was entered making this ad interim revision effective as of January 1, 1946 but was suspended pendente lite by order of this Court.

[fol. 2007] We find that the facts found by the Commission are supported by substantial evidence and adopt them as our findings. Their inclusion herein by reference to the Commission's Report is to be understood.

The Western Lines were allowed at the final hearing in this court, over the objection of the defendant, to introduce some evidence on the question of the confiscatory character of the ad interim order as to them. This was received subject to a motion to strike on which decision was reserved at the close of the hearing. The motion to strike is now denied on the authority of Baltimore & Ohio R. R. v. United States, 298 U. S. 349 and we make the following findings on the evidence thus received.

A very large number of different commodities are carried at one time or another in less-than-carload lots by the so-called Western Lines within the rate territories here involved west of the Mississippi River. Some of this traffic, though what percentage was not definitely shown, moves on exception rates and some on commodity rates but a substantial amount of it is carried on class rates. The average loading per cars of this traffic for the year 1939 was 4.3 tons and that is close to what it had been for some six years previously, though on the whole the year 1939 showed a little decline mainly due to competition by carriers by motor truck and to the greater combining of shipments into carload lots. Because of an order of the Office of Defense Transportation issued in 1942 the minimum per car loading of the less-than-carload traffic was set at 10 tons and that more than doubled the previous average loading per car. That order was still in effect at the time of the hear- [fol. 2008] ing. When it is rescinded the railroads intend to return to pre-order practices and may have to cut the average loading to move the freight more quickly though that will depend upon the impact of competition and the volume offered for such carriage. There are some items in what is known as Consolidated Freight Classification No. 16, and the supplements thereto, which are rated fourth class, column 55, to which no commodity or exception ratings are applicable in less-than-carload lots. That is also true in respect to some third class ratings, column 70. There is a substantial movement of such commodities in Southwestern Territory and there is no major railroad, other than the so-called Burlington Lines, which relies for its revenues exclusively on its operations within the Western Trunk Line and Southwestern Territories which has not been in some sort of a receivership or bankruptcy proceeding within the last five years. The raising of rates, other than class rates, for less-than-carload lots as suggested by the Commission in its report for consideration by the railroads has not been done since that has not been thought feasible in view of the probable loss of traffic it would cause.

There was evidence indicating that the carriage of the commodities above referred to which are not carried by the railroads within Western Trunk Line and Southwestern Territories other than on class rates in less-than-carload lots will not produce enough revenue to pay the cost of their carriage when the ad interim reduction in class rates becomes effective but we are unable to find that to be a fact proved. The statistical evidence to support that contention was based on the assumption that the average car [fol. 2009] loadings would be as low as 4.3 tons, which was a low point average, and apparently did not take into account that part of the Commission's order which requires a minimum charge of 75 cents per shipment less-than-carload instead of the 55 cent minimum charge heretofore. We have not sufficient confidence in that type of evidence to be satisfied that it proves that deficit carriage is required by the ad interim order, though we find from the evidence that costs of the carriage have for some time been increasing and will probably show additional increases.

Chase, Circuit Judge:

The Commission acted, in making the investigations and the resulting orders, pursuant to its conception of its duties as the agency created to administer the Interstate Commerce Act (49 U. S. C. A. Par 1), which will hereinafter be called the Act. Its action was taken particularly with reference to Par. 1 (4) which imposes upon every railroad which is a common carrier in interstate commerce the duty

"to provide and furnish transportation upon reasonable request therefor, and to establish * * * just and reasonable rates, fares, charges and classifications applicable thereto; * * *".

And to Par. 1 (5) (a) which provides that:

"All charges made for any service rendered or to be rendered in the transportation of passengers or property, * * * or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful."

Also to Par. 3 (1), which, as amended by the Transportation Act of 1940 (49 U. S. C. A. (Supp.) Par. 3 (1), provides that it shall be unlawful:

[fol. 2010] "For any common carrier * * * to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever; * * * ."

"That whenever, after full hearing, upon a complaint made as provided in section 13 of this part, or after full hearing under an order for investigation and hearing made by the Commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the Commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this part for the transportation of persons or property as defined in the first section of this part, or that any individual or joint classification, regulation or practice whatsoever of such carrier or carriers subject to the provisions of this part, is or will be unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of this part, the Commission is hereby authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates, fares, or charges, to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classi- [fol. 2011] fication, regulation or practice is or will be just, fair and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation other than the rate, fare, or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation or practice so prescribed."

The inquiries were commenced, the reports filed, and the order made as provided in Pars. 13 (2), 14 (1) and 15 (1) of the Act.

In the first of the two suits which were brought the plaintiffs and the intervenors who support them attack the ad interim order on the grounds that it is an attempt to regulate industrial conditions by means of rate making; that it is the result of political agitation; that findings essential to support the order are lacking and that the evidence does not support the findings made, in that there is no proof of facts to support so-called ultimate findings above quoted to keep them from being merely arbitrary and capricious. These so-called preliminary findings which are lacking and of which proof is also lacking are said to be that there is no finding of a threatened rate war which would jeopardize the revenues of the railroads in Official Territory; or that the existing class rates are not fully compensatory to railroads in Official Territory for the transportation services for which they are charged; or that they are so low as to cast an undue burden upon other traffic. Also it is argued that the finding of undue prejudice [fol. 2012] and preference created as between territories by the present class rates is arbitrary because not based upon preliminary findings made on proof by means of substantial evidence to the effect that the class rates published are the rates at which the freight moves; because findings and proof of a competitive relationship between the party preferred and the party prejudiced are lacking; because findings and proof of substantial injury to the party found to be prejudiced and of substantial benefit to the party found to be preferred are lacking; because findings and proof that the same carrier or carriers are responsible for or control both the preferential and prejudicial rates are lacking; because findings and proof that the carriers charge existing class rates on the same kinds of freight moved into Official Territory which is carried at class rates within Official Territory are lacking; because findings and proof that similar freight is carried under similar conditions in each territory are lacking; and perhaps there are other grounds of similar nature. The suit brought by the Western Lines and supported by the intervenors aligned with them adds the ground that the ad interim reduction in the class rates in the West is confiscatory.

The potency of much of the argument in support of the ground relied on by the plaintiffs depends upon the effect to be given the before mentioned amendment to Par. 3(1) of the Act by the Transportation Act of 1940 and to Par. 5 (b) of the latter. The change thus made in Par. 3(1) of the Act was the addition of the words "region", district, territory" following "transit point" in the enumeration of the persons, places and traffic as to which preference and [fol. 2013] prejudice was expressly made unlawful and prohibited. In accordance with what has become a somewhat common practice, the Transportation Act of 1940 contains a declaration of policy which in part is "to encourage the establishment and maintenance of reasonable charges for transportation service without unjust discriminations, undue preferences or advantages or unfair or destructive competitive practices." And in Par. 5 (b) is found what is known as the Ramspeck Resolution where it is provided that:

> "The Interstate Commerce Commission is authorized and directed to institute an investigaton into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory, and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: * * *."

The Commission undertook to carry out the mandate of this statute by means of the investigations it had already initiated as above set forth. It found, however, that, because of conditions largely attributable to the war, it was advisable to confine its investigation and orders to classifications and class rates established and maintained by common carriers by rail and accordingly did so.

But it is earnestly argued by the plaintiff, especially by the Western Lines, that the Commission misinterpreted [fol. 2014] the above changes in the statute to amount to a mandate requiring it to bring about an equalization and uniformity of rates for like kinds and amounts of commodities mile for mile among the various rate territories of the country and to increase its powers so to do. It is recalled that the Commission had previously mistakenly construed the so-called Hoch-Smith Resolution to give it added powers to correct what it found to be unjust discriminations "as between the various localities and parts of the country." And it is pointed out that if such a mistaken interpretation has been made the order which is the result of it is erroneous and must be set aside. Ann Arbor R. R. v. United States, 281 [illegible]. S. 658; Atchison, T., & S. F. Ry. v. United States, 284 U. S. 248, 262. That the same mistake has been made is thought to be apparent because the words "parts of the country" in the above quotation from the Hoch-Smith Resolution are as broad and comprehensive as "regions, districts, territories" added by the 1940 Amendment to Par. 3 (1). Yet even if this premise be true, it does not follow that the same mistake has now been made. It does not appear that the Commission has herein acted upon any assumption that the 1940 changes altered the basic principles governing its action. On the contrary, it appears that in determining the existence of discriminatory rates it has construed the changes in the statute to mean that where it is found that class rates are different in the different territories, and interterritorially, and those differences cannot be justified under recognized principles of rate making by proof of sufficient differences in costs of transportation, composition and amount of traffic, competition by common carriers other than railroads, and the like, those rates may [fol. 2015] be found unjustly preferential or prejudicial because unduly discriminatory and consequently unlawful as between regions, districts and territories.

We think this interpretation of Par. 3 (1) of the Act as amended is supported by the legislative history. The original Interstate Commerce Act was primarily aimed at the elimination of unjust discriminations of various kinds. Louisville & Nashville R. R. v. United States, 282 U. S. 740, 749-50. Yet it did not until the amendment of Par. 3 (1) in 1940 expressly prohibit unjust discriminations against any region, district or territory as such. "Territory" had become a word of art denoting the several rate territories which had grown up and, by adding region and district, parts of such territories were included to amplify the words "locality, port, port district, gateway, transit point" which had previously been the only designation of what might be called geographical units in the specific reference in the statute to a person, company, firm, corporation, association, * * *, or particularly description of traffic" as to which unjust preference and prejudice and discrimination were made unlawful. These words had proved to be, in their effect upon geographical designation as such, of somewhat restricted application as was shown by Texas & Pacific Ry. v. United States, 289 U. S.

This amendment to Par. 3(1) appeared in S. 2009. In the report made by the Senate Committee on Interstate Commerce[5] it was said as to Par. 3(1), "There has been [fol. 2016] no substantial change therein, except that the words 'region, district and territory' appearing in lines 20 and 23 on page 26 have been inserted." And the chairman of the committee said in part in explanation of the amendment, "The previous provision with regard to 'discrimination' simply referred to discrimination as to 'locality, port, port districts, gateway, transit point' without specifying the region, district or territory. So, we felt that by broadening the language we would at least take away that excuse, and we would provide expressly that the Commission should not discriminate in its rate structures."[6] In the discussion of the bill in the Senate the chairman of the committee in charge of it was asked if he thought the proposed amendment of Par. 3(1) would make toward the equalization of rates in the various regions. And he replied, "I do not [fol. 2017] think there is any doubt about it at all, because that is the purpose of the bill; it is the intention of the bill."[7] We think Par. 3(1) as thus amended does add new factors to be taken into account by the Commission in determining, under the old and well recognized principles which were before guides to decision in such matters, whether existing rates are unlawful. These new factors are whether such rates are unjustly preferential, prejudicial and discriminatory as between regions, districts or territories; and, in our opinion, Par. 3(1) now empowers the Commission to find such rates unlawful even though they would have been lawful in the light of all relevant considerations before the amendment. We may, indeed, take it for granted that they were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission. That the Commission correctly interpreted its powers and duties after the amendment appears to be shown by the following quotation from its report: "By the amendment to the substantive antidiscrimination provisions of section 3(1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected."

---

[5] Report No. 433, 76 Cong. 1st Session at page 11.

[6] Cong. Rec. Vol. 84, Part 6, p. 5889, 76th Cong., 1st Sess.

[7] Cong. Rec., Vol. 84, part 6, p. 6072.

[fol. 2018] We, therefore, hold that the Commission correctly decided that the ad interim order under review was within the scope of its statutory power and proceed to determine whether the order was erroneous in any respect on the other grounds advanced for setting it aside.

First, there should be a brief allusion to the contention that the plaintiff States have no standing to sue as parens patriae but only as shippers and receivers of freight. This point has become more or less academic since there are states who are parties plaintiff who plainly may sue as freight shippers and consignees directly affected by the order. But all the States who are parties are political entities which are also regions or districts within the rate-making territories involved and they are directly affected as such and have an interest in behalf of their citizens and communities above and apart from the rights of any particular shipper or receiver of freight to a continuance of existing rates or the maintenance of others. This we think distinguishes such cases as Oklahoma v. Atchison, T., & S. F. Ry., 220 U. S. 277, 286; Sprunt & Son, Inc. v. United States, 281 U. S. 249; and Alabama Power Co. v. Ickes, 302 U. S. 464, and gives these States standing to sue as parens patriae to preserve or enhance the welfare of their citizens by securing to them the proper administration of federal laws under the principles applied in Georgia v. Pennsylvania R. R., 324 U. S. 439, 446-52.

Our review of orders made by the Commission within the scope of its authority is limited to the following broad considerations and matters incidental thereto: (1) Whether the order is based upon adequate findings; (2) Whether there is substantial evidence in the record to support the findings made; and, (3) Whether the record was made as the result of adequate hearings of which due notice was given to all interested parties and at which those who appeared were fairly permitted to present their evidence and be heard in argument. Board of Trade v. United States, 314 [fol. 2019] U. S. 534; Rochester Telephone Corp. v. United States, 307 U. S. 125, 140; Atchison, T., & S. F. Ry. v. United States, 284 U. S. 248; Merchants Warehouse Co. v. United States, 283 U. S. 501.

We may dispose of the last of these quickly. It is apparent that the Commission did give due notice to all interested parties; that it did conduct numerous and lengthy hearing in various parts of the country involved; and that it did admit into the record and give proper consideration to, after giving a fair opportunity for argument, such relevant evidence as was offered.

In considering the second we are limited to a search for substantial evidence to support such findings as were made. There is such evidence. While it is not uncontradicted, the over-all weight of the evidence cannot be determined by us but is for the sole consideration of the Commission. Questions pertaining to the effect of rates and to rate making are extremely involved and highly technical matters and have to be decided after evaluating intricate evidence which is often based in part upon assumptions. Persons unskilled in those matters are much handicapped in dealing with such subjects and the well established rule is that the expert knowledge of the Commission and its experience, when resorted to and given effect in sufficiently supported findings which are the result of adequate and properly conducted proceedings, should be left undisturbed by the courts under the doctrine of administrative finality. Rochester Telephone Corp. v. United States, supra; Interstate Commerce Commission v. Illinois C. R. R., 215 U. S. 452; Chicago, St. P., M. & O. Ry. v. United States, 322 U. S. 1; Gregg Cartage & S. Co. v. United States, 316 U. S. 74.

In considering the first, we must decide whether the so-called primary findings and proof to support them are indispensable to establish the kind of unlawfulness here found by the Commission in the light of the above-mentioned [fol. 2020] amendment of the Act.

Such primary findings need not be listed again. We now refer to them as set forth in the above statement. They relate in one way or another to what have been held essential to be proved to establish a basis for findings of preference, or prejudice or discrimination as to rates before the amendment of 1940 to Par. 3(1) of the Act. They are matters which are still pertinent and if evidence to support findings to supply the lack pointed out as to this record had, or could have been, offered it would undoubtedly have been admissible and findings in accord with it would have given added support to the order made. But it is quite another thing to say that all such findings are needed to support the so-called ultimate findings made and the ad interim order based on them. For instance, it has been argued that there can be no increase in class rates in Official Territory unless there is first a so-called primary finding, supported by substantial evidence that the present rates are not compensatory. While that fact, if proved, would have been of much significance the failure to prove it and the consequent lack of a finding that present rates are confiscatory does not leave the Commission's finding that the rates are unlawful unsupported by substantial evidence. It weighed all the evidence and found that it tipped the scales in favor of its ultimate finding that the present rates were unlawful. That basic conclusion if supported sufficiently by other evidence, was enough to justify the exercise of the Commission's statutory power to alter the rates as needed to make them lawful for the future. Pennsylvania R. Co. v. United States, 323 U. S. 588; Chicago, B. & Q. R. R. v. United States, 60 F. Supp. 580; Scandrett v. United States, 32 F. Supp. 995, aff'd. 312, U. S. 661; Jefferson Island Salt Mining Co. v. [fol. 2021] United States, 6 F. (2) 315. We think enough was proved and found to warrant such basic conclusion.

There was ample evidence on which the Commission found that the class rates in the various territories involved and the interterritorial class rates among those territories were on different levels within the existing classification as well as based upon differing classifications. The Commission found on substantial evidence many so-called primary facts, which need not be enumerated here but which appear in its report, showing transportation costs, composition of traffic, kinds of markets, natural resources, commodities produced or manufactured in the various territories and the parts thereof, and found preference, prejudice, and discrimination as above set forth. Having found the basic facts as pointed out, the Commission was under the duty to exercise its judgment and discretion in determining their effect upon the territories. We may not agree with its decision and we may not agree with the wisdom of the ad interim order but we have no power to set the order aside because of any such disagreement and substitute our own judgment for that of the Commission. Norfolk & Western Ry. v. United States, 287 U. S. 134. For instance, it would be unlawful because discriminatory to try to equalize clearly inherently unequal business conditions, not due to existing freight [fol. 2022] rates in the various territories or any regions or districts therein, by manipulating rates. Anchor Coal Co. v. United States, 25 F. (2d) 462. We might think that the probable import of this order, but we are bound by the Commission's action in justifiably finding facts to give another, and a lawful, basis for it. Again it is well known that there is a zone of reasonableness between the maxima and minima in rate making in which a carrier may usually set the rates it charges. United States v. Chicago, M., St. P. & P. R. R., 294 U. S. 499. We might think these existing class rates are within such a zone, but again we may not interfere with the order for that reason. Nor can other like considerations prevail to brush aside the statutory control over rates which has been confided to the Commission.

It has been earnestly argued that the investigations and order under review are the result of political agitation having for its ultimate object the dislocation of industry from Official territory and its establishment in the other territories, principally in the Southern, and that does appear plausible. Yet such a question is not within the bounds of judicial cognizance but relates to matters of legislative policy. Whether such policy is wise or the opposite is not for us to determine. We can only be concerned with decision as to whether or not the Commission's action was within its power properly exercised under statutory authority which does not go beyond Constitutional limitations. Chicago, B. & Q. R. R. v. McGuire, 219 U. S. 549; Rochester Telephone Corp v. United States, supra.

The contention that the order should be set aside as to the Western Lines because confiscatory as to them raises a question of Constitutional limitation under the Fifth Amendment upon the statutory authority which can be conferred upon the Commission. The railroads in Southern territory make no such contention and it would seem that the Western Lines came somewhat late to rely upon any violation of Constitutional safeguards as to them.

[fol. 2023] From the cost studies relied upon by the Commission after it decided what weight should be given them, the Commission found that what is called less-than-carload traffic is not, when war-time loading is excluded, "yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight." It is, therefore, argued that the confiscatory nature of the ordered reduction in class rates moving in less-than-carload lots is self-evident and that as it does not produce its out-of-pocket costs no trial period is necessary to determine the unlawfulness of the order since an increase in traffic brought about by the lowered rates would obviously but increase the out-of-pocket costs and increase the deficit.

It will be remembered that the Western Lines carry only .6 of one per cent of their total freight at rates affected by this order. We don't suggest that even that is less than enough to entitle them to relief if they can show that they will be compelled to carry it in the future for less than actual cost. But this less-than-carload traffic to which the cost studies relate is not by any means wholly carried on class rates and in its supplemental report of October 30, 1945 the Commission correctly said:

"The cost data on less-than-carload traffic relates to such traffic as a whole and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception and commodity rates. Obviously, the class-[fol. 2023a] rate traffic bears the highest rates. Consequently, even if under present condition less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such a result is due in large measure to the maintenance of exception and commodity rates. In any event, data based only on averages for all this traffic do not necessarily demonstrate the impropriety of reductions in the highest level of rates. Even as to class rates on less-than-carload traffic, the record shows that in western trunk-line and southwestern territories many intrastate class rates are maintained which are lower than the corresponding reduced interstate class rates required by our interim order.''

The attempt in this court by the Western Lines to break down less-than-carload lot carriage into parts carried wholly on class rates and parts as to which the above finding of the Commission is correct, and to show that the part carried wholly on class rates would not pay its way under the ad interim order has failed in our judgment to measure up to the required standard of certainty by way of proof as to transportation costs for particular commodities. Compare, Baltimore & Ohio R. R. v. United States, supra. There is too much assumption and opinion involved in such evidence to justify definite findings, in advance of a trial period, to the effect that the ad interim rates will be confiscatory. See St. Joseph Stock Yards Co. v. United States, 298 U. S. 38; Minnesota Rate Cases, 230 U. S. 352; Willcox v. Consolidated Gas Co., 212 U. S. 19; City of Knoxville v. Knoxville Water Co., 212 U. S. 1.

[fol. 2024] Nor is the order erroneous because the carriers were not allowed any alternative method for the removal of the discriminations which make the present class rates unlawful. This was a rate order made under Par. 15 and not an order under Par. 3 in which an alternative must be provided as held in Texas & Pacific Ry. v. United States, supra.

The denial by the Commission of the application to reopen the proceedings and receive additional evidence especially as to conditions subsequent to 1939 was not an abuse of its discretion. It is inevitable in such matters that an order by the Commission cannot be based on strictly up-to-the-minute proof. There must be unusual circumstances, not here present, to justify the reversal of an order such as this on the ground that it was based on a stale record. Interstate Commerce Commission v. City of Jersey City, 322 U. S. 503. But see, Atchinson T. & S. F. Ry. v. United States, 284 U. S. 248 as limited by United States v. Northern Pacific Ry., 288 U. S. 490.

A decree will be entered dismissing the petitions in each case but the dismissal of the petition by the Western Lines will be without prejudice to another suit to restrain the enforcement of the ad interim rates if they are found, after a fair test, to be confiscatory. See, Darnell v. Edwards, 244 U. S. 564.

If any of the parties desire findings of fact in addition to those made, proposed findings may be submitted to the court within fifteen days.

May 9, 1946.

Harrie B. Chase, U. S. Circuit Judge. Jno. C. Knox, U. S. District Judge. Stephen W. Brennan, U. S. District Judge.

[fol. 2025] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

NOTICE OF HEARING ON MOTION—Filed May 17, 1946

To counsel for the parties in the above-captioned consolidated cause:

Notice is hereby given that the United States and Interstate Commerce Commission will call up for hearing their motion for entry of an order vacating, dissolving and setting aside the interlocutory injunction issued in the case on December 20, 1945, and for entry of judgment upon the findings of fact and conclusions of law filed in the proceeding, [fol. 2026] a copy of which motion is attached hereto, before the Honorable Harrie B. Chase, United States Circuit Judge, John C. Knox and Stephen W. Brennan, United States District Judges, at 12:30 p. m. on Thursday, May 23, 1946, or as soon thereafter as counsel may be heard, in Room 110, United States Court House, Foley Square, New York, N. Y.

Dated this 15th day of May, 1946.

Edward H. Miller, David O. Mathews, Special Assistants to the Attorney General, Department of Justice, Washington 25, D. C. Daniel W. Knowlton, Chief Counsel, Interstate Commerce Commission.

I certify that true copies of the attached notice and motion were this day mailed to all counsel of record in this proceeding.

Dated this 15th day of May, 1946.

David O. Mathews, Special Assistant to the Attorney General.

[fol. 2027] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

MOTION TO DISSOLVE INTERLOCUTORY INJUNCTION AND FOR ENTRY OF JUDGMENT—Fild May 17, 1946

Come now the United States and Interstate Commerce Commission, defendants in the above-captioned consolidated cause, and move the Court for entry of an order vacating, dissolving and setting aside the interlocutory injunction issued herein on December 20, 1945, restraining the operation and effect of the order of the Interstate Commerce Commission dated May 15, 1945, as amended, and its order dated [fol. 2028] October 30, 1945, made in its Docket Nos. 28300 and 29310; and for entry of judgment upon the findings of fact and conclusions of law filed by the Court in this proceeding.

Dated this 15th day of May, 1946.

Edward H. Miller, David O. Mathews, Special Assistants to the Attorney General, Department of Justice, Washington 25, D. C. Daniel W. Knowlton, Chief Counsel, Interstate Commerce Commission.

[fol. 2029] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

NOTICE—Filed May 18, 1946

To Counsel for all Parties:

Please Take Notice that the plaintiffs in Civil Action No. 2311, of whom the States of New York and Ohio are also interveners in Civil Action No. 2337, by their counsel, will petition the Court at a session to be held in Room 1705, United States Court House, Foley Square, New York, N. Y., on Thursday, May 23, 1946, at 12:30 P. M., Honorable Harrie B. Chase, Circuit Judge, and Honorable John C. Knox and Honorable Stephen W. Brennan, District Judges, sitting, or as soon thereafter as counsel can be heard, for continuance of the interlocutory injunction heretofore granted, or if such interlocutory injunction [fol. 2030] shall be dissolved by order of the Court then for an order reinstating the interlocutory injunction or an order staying the orders of the Interstate Commerce Commission, dated May 15, 1945 and October 30, 1945, pending the perfecting by petitioners of an appeal to the United States Supreme Court or until the expiration of the time involved for the filing of such an appeal, and if such an appeal shall be taken and perfected within the time allowed then pending final determination of the appeal by the United States Supreme Court and the entry of order pursuant thereto. A copy of plaintiffs' petition is attached hereto.

Dated: May 17, 1946.

Parker McCollester, Frank J. Clark, Kenneth L. Sater, of Counsel for Plaintiffs in Civil Action No. 2311.

I certify that true copies of the attached notice and petition are this day being mailed to all counsel of record in this proceeding.

Dated at New York, N. Y., this 17th day of May, 1946.

Parker McCollester, of Counsel for Plaintiffs in Civil Action No. 2311.

[fol. 2031] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

PETITION FOR CONTINUANCE OR REINSTATEMENT OF INTERLOCUTORY INJUNCTION OR FOR STAY PENDING APPEAL—Filed May 18, 1946

To the Honorable Harrie B. Chase, Circuit Judge, Honorable John C. Knox and Stephen W. Brennan, District Judges, sitting as a statutory court for the Northern District of New York:

Now come petitioners, plaintiffs in Civil Action No. 2311 of whom the States of New York and Ohio are also interveners in Civil Action No. 2337, by their counsel and respectfully represent:

1. On May 9, 1946 this Court filed its opinion in these suits, wherein it held that the petitions should be dismissed and the interlocutory injunction heretofore granted by order of this Court dated December 20, 1945 should be dissolved.

[fol. 2032] 2. Under the provisions of the Judicial Code, U. S. Code Annotated, Title 28, Section 47a, an appeal lies from the decision and order of this Court to the United States Supreme Court, provided such appeal be taken and perfected within sixty days after entry of the final judgment or decree of this Court. Petitioners believing that the decision and opinion of this Court were in error in various respects and that petitioners and their citizens will be greatly injured thereby, intend to take an appeal within sixty days after the entry of the final order or decree of this Court.

3. If the orders of the Interstate Commerce Commission whose lawfulness is in issue in this suit are not enjoined and their enforcement stayed pending appeal and final determination thereon, the Commission will be at liberty to demand compliance with its orders on the part of the railroads, defendants in the proceeding before it, and as a result the railroads in Official territory, so-called, contrary to their wishes expressed in this Court and solely by reason of compulsion of the Commission's orders will be required to file and make effective tariff schedules increasing by 10 per cent their class rates charged by them for the transportation of class rate freight between points in Official territory, including points in plaintiff States, and to join in the establishment of class rates from points in other territories to destinations in Official territory 10 per cent less than the class rates now maintained.

4. Petitioners believe and allege that if the orders of the Commission are not so enjoined and their enforcement stayed pending appeal and final determination thereon and if the railroads under the compulsion of said orders [fol. 2033] establish and thereafter charge rates in compliance therewith, great and irreparable injury will be done to plaintiffs as shippers and receivers of freight upon which increased class rates will be charged and to the citizens, communities and industries in plaintiff States, who will be compelled to pay increased charges without any reasonable means of securing redress or refund if, as the result of the appeal, the orders of the Commission are determined to be unlawful and invalid. On the contrary, in the event that the decision of this court should be affirmed and the orders of the Commission upheld on appeal, nevertheless little injury would be done to Southern

and Western States and shippers located therein by enjoining and staying the Commission's orders pending appeal. This is so, first, because in contrast with the situation in Official territory, where a very large volume of freight is subject to the class rates which would be increased, there is a negligible volume of freight transported in the South and West and from the South and West to Official territory upon which class rates are charged, the railroads having provided commodity or exception rates for a large proportion of the traffic in these territories, which in Official territory is subject to class rates. It is so, second, because to the small extent that the existing class rates would be charged on any shipments transported within the South and West or from the South and West into Official territory, shippers paying such present rates would be entitled to demand and receive reparation in the form of the difference between the rates charged and the rates pursuant to the Commission's orders and a simple procedure is available for the presentation and payment of their claims if the Commission's orders shall ultimately [fol. 2034] be held lawful and valid. These orders would constitute a determination that the present class rates within these territories and from these territories to Official territory are unreasonable to the extent that they exceed rates 10 per cent less. Moreover, petitioners believe and allege that much greater business disturbance and dislocation would be caused if the rates required by the Commission's orders should be made effective at once and if the orders should thereafter be held to be invalid than would result if the present rates are continued for the limited period necessary to prosecute an appeal herein and if thereafter the Commission's orders should be upheld.

Wherefore, petitioners pray that this Court, recognizing the great injury to plaintiffs and their citizens and communities and recognizing also that reasonable doubt exists as to the correctness of the decision herein, may, after hearing on this petition, order and decree that the interlocutory injunction heretofore granted by its order of December 20, 1945 shall be and is continued in effect for a period of sixty days from the date of its final order and decree herein and that if within such sixty days an appeal to the United States Supreme Court from the decision and order of this Court shall have been taken and perfected, the said interlocutory injunction shall be further continued pending such appeal and until determination therein and order pursuant thereto or until further order of this Court or of the United States Supreme Court. Or if this Court shall by its final order and decree herein dissolve the interlocutory injunction heretofore granted then petitioners pray that this Court may by order reinstate such interlocutory injunction or may by new order stay the enforcement of the orders of the Interstate Commerce [fol. 2035] Commission dated May 15, 1945 and October 30, 1945, as amended, for a period of sixty days from the date of its final order and decree herein and if during that time an appeal to the United States Supreme Court shall have been taken and perfected, than pending such appeal and determination therein and until final order pursuant thereto or until further order of this Court or the United States Supreme Court. And petitioners pray for such other and further relief as in the premises may be proper.

Dated: May 17, 1946.

Respectfully submitted, Parker McCollester, Frank J. Clark, Kennett L. Sater, of Counsel for Plaintiffs in Civil Action No. 2311.

[fol. 2036] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

NOTICE OF HEARING ON MOTION—Filed May 20, 1946

To counsel for the parties in the above-captioned consolidated cause:

Notice is hereby given that Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State of Vermont, Maurice J. Tobin, Governor of

The Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island, and Raymond E. Baldwin, Governor of the State of Connecticut, plaintiffs-interveners in the above-captioned consolidated cause, will call up for hearing their motion for entry of an order staying [fol. 2037] the operation and effect of the orders of the Interstate Commerce Commission dated May 15, 1945, as amended, and dated October 30, 1945, made in its Docket Nos. 28300 and 28310, and continuing the interlocutory injunction issued in the case on December 20, 1945, pending the hearing and determination of the appeal by the aforesaid plaintiffs-interveners to the Supreme Court of the United States of America from the judgment to be entered upon the findings of fact and conclusions of law filed in the case by the Court on May 9, 1946, a copy of which motion is attached hereto, before the Honorable Harrie B. Chase, United States Circuit Judge, John C. Knox and Stephen W. Brennan, United States District Judges, at 12:30 p. m. on Thursday, May 23, 1946, or as soon thereafter as counsel may be heard, in Room 110, United States Court House, Foley Square, New York, N. Y.

Dated this 18th day of May, 1946.

Henry E. Foley, 10 Post Office Square, Boston 9, Massachusetts, Counsel for Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of the Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut.

I certify that true copies of the attached notice and motion were this day mailed to all counsel of record in this proceeding.

Dated this 18th day of May, 1946.

Henry E. Foley.

[fol. 2038] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

MOTION TO STAY ENFORCEMENT AND TO CONTINUE INTERLOCUTORY INJUNCTION—Filed May 20, 1946

Come now Horace A. Hildreth, Governor of the State of Maine, Charles M. Dale, Governor of the State of New Hampshire, Mortimer R. Proctor, Governor of the State of Vermont, Maurice J. Tobin, Governor of The Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island, and Raymond E. Baldwin, Governor of the State of Connecticut, plaintiffs-interveners in the above-captioned consolidated cause, and move the Court for an order staying the operation and effect of the orders of the Interstate Commerce Commission dated May 15, 1945, as amended, and dated October 30, 1945, made in its Docket Nos. 28300 and 28310, and continuing the interlocutory injunction issued by this Court on December 20, 1945, pending [fol. 2039] the hearing and determination of the appeal by the aforesaid plaintiffs-interveners to the Supreme Court of the United States of America from the judgment to be entered upon the findings of fact and conclusions of law filed by this Court on May 9, 1946, and as grounds therefor respectfully represent to this Honorable Court as follows:

1. Important questions of law are involved in this proceeding, as this Court recognized at the time of granting the interlocutory injunction in this cause.

2. If the orders of the Commission are not stayed and their enforcement not enjoined by this Court, your petitioners believe that upon the entry of this Court's judgment in this cause, the Interstate Commerce Commission will cancel its permission to postpone compliance with its orders contested in this proceeding, and the railroads in Official Territory will be required to increase their class rate charges prior to the final determination of this cause.

3. As this Court found at the time of granting the interlocutory injunction in this cause, the injury which would be suffered by the industries, shippers, receivers, communities and citizens in Official Territory, should the Commission's orders be permitted to go into operation and effect, would greatly exceed any injury to shippers and communities or states in other sections of the country from withholding the reductions in rates ordered by the Commission, pending final determination of this cause. The Commission's order increasing the class rates in Official Territory would cause an estimated increase in freight charges to shippers and receivers of freight in that territory of over $15,000,000 annually, whereas reductions in the charges for shippers in the Southern Territory would not amount to more than one tenth of this figure.

4. As this Court found at the time of granting the interlocutory injunction in this cause, the directed increase if [fol. 2040] required and permitted to be charged by railroads for transportation within Official Territory pending final determination of this suit would subject industries, shippers and receivers of freight, and the citizens and communities of the states in Official Territory to great injury, for which they will have no redress in the event the Commission's orders should finally be held invalid and permanently enjoined.

5. As this Court found at the time of granting the interlocutory injunction in this cause, greate disturbance and confusion would result if the changed rates ordered by the Commission should be permitted to go into effect and the Commission's orders should thereafter be held to be invalid and permanently enjoined.

Dated this 18th day of May, 1946.

Respectfully submitted, Henry E. Foley, 10 Post Office Square, Boston 9, Massachusetts, Counsel for Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of the Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut.

[fol. 2041] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

NOTICE—Filed May 27, 1946

To: Counsel for all parties:

Please take notice that on Thursday, May 23, 1946, at 12:30 P. M., or as soon thereafter as counsel may be heard, we shall appear before the Honorable Harrie B. Chase, Circuit Judge, the Honorable John C. Knox, District Judge, and the Honorable Stephen W. Brennan, District Judge, in Room 1705 Federal Court Building, Foley Square, New York City, New York, and then and there present the motion of the Western Lines, plaintiffs in Civil Action No. 2337, and interveners in Civil Action No. 2311, for an order continuing in effect the interlocutory injunction issued herein pending the perfecting and final determination of the appeal [fol. 2042] from the judgment herein, a copy of said motion being herewith served upon each of you.

You may appear at the aforementioned time and place if so desired.

Dated: May 20, 1946.

H. C. Barron, Douglas F. Smith, D. Robert Thomas, of Counsel for Plaintiffs in Civil Action No. 2337, and Interveners in Civil Action No. 2311.

Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago Illinois.

Ferriss, Burgess, Hughes & Dorrance, First National Bank Building, ~~Utica,~~ New York, Of Counsel.

I certify that true copies of the attached notice and motion were this day mailed to all counsel of record in this proceeding.

Dated: May 20, 1946.

D. Robert Thomas, One of the attorneys for Plaintiffs in Civil No. 2337.

[fol. 2043] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil Action No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

Civil Action No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, et al., Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant.

FINAL DECREE AND ORDER CONTINUING INTERLOCUTORY INJUNCTION—Fileed May 27, 1946

This cause coming on to be heard before the undersigned sitting as a specially constituted court of three judges pursuant to the Urgent Deficiencies Act, 28 U.S.C., Sections 41, 43-48, and full hearing having been had; the pleadings and evidence having been considered and the parties having been heard by counsel in argument and the cause having been submitted for final decree, and this Court having been fully advised in the premises and having filed its opinion, [fol. 2044] findings of fact and conclusions of law, it is ordered, adjudged and decreed:

(1) The petitions of the plaintiffs herein be and they are hereby dismissed.

(2) Dismissal of the petition filed by the plaintiff railroads in Civil Action No. 2337 is without prejudice to another suit to restrain enforcement of the ad interim rates prescribed in the Commission's orders if those rates are found to be confiscatory after a fair test.

And the parties having further been heard upon petition and motions of the plaintiffs and of certain intervenors for continuance of the interlocutory injunction granted by this

Court on December 20, 1945 pending the perfecting and final determination of appeals to the United States Supreme Court and the motion of defendants that said interlocutory injunction be dissolved, the Court hereby makes the following findings of fact and conclusions of law:

Findings of Fact

1. The Court hereby reaffirms and adopts the findings of fact made by it in the order entered herein on December 20, 1945, granting the said interlocutory injunction, as fully as if the said findings of fact were restated herein.

2. If the said interlocutory injunction is not continued pending the perfecting and final determination of the appeals from the final order of the Court herein, the carriers in Official Territory, contrary to their wishes expressed in this Court and solely by reason of the compulsion of the Commission's orders, will be required to file and make effective tariff schedules increasing by ten per cent their class rates charged by them for the transportation of class rate [fol. 2045] freight between points in Official Territory, including points in plaintiff States, and the Western Lines will be required to file and make effective tariff schedules reducing by ten per cent their class rates charged by them for the transportation of class rate freight between points in Western Trunk Line Territory and in Southwestern Territory, and to join with the carriers in Official Territory and Southern Territory in reducing by ten per cent their class rates charged by them for the transportation of interterritorial class rate freight.

3. The relative levels of the class rates in the several rate territories affected by the orders of the Interstate Commerce Commission in this proceeding were established by orders of the Interstate Commerce Commission and have been in effect for many years. If the said interlocutory injunction is not continued pending the perfecting and final determination of the appeals from the final order of this Court, the long established class rate relationships among the rate territories would be materially changed, and if the final order of this Court is thereafter reversed by the United States Supreme Court, the disturbance and disruption of business throughout the country would be of serious proportions. Such disruption would cause more hardship to

business and to the shippers, receivers, and carriers of freight, than would be caused by the continuance of the long established rate relationships pending the final determination of the appeal from the final order of this Court herein.

4. The Commission's orders, if presently enforced with respect to class rates charged on freight transported by the Western Lines, would cause a very substantial reduction in the revenues of the railroads, which they would have no means of recouping if the Commission's orders should [fol. 2046] finally be held to be invalid and permanently enjoined.

5. Great and irreparable injury would be done to plaintiffs, their citizens and communities and to the Western Lines, if on appeal the orders of the Interstate Commerce Commission are held invalid and if pending appeal their enforcement shall not have been stayed and enjoined and such injury appears greater than any injury which defendants or intervening defendants might suffer if the Commission's orders are stayed pending appeal and should finally be held valid.

Conclusions of Law

1. The decision of these consolidated causes necessarily involves the determination of novel questions of law of great importance to the shippers, the carriers, and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions.

2. Considering the reasonable doubts as to the validity of the orders of the Interstate Commerce Commission herein, the novel character of the questions of law to be determined, the fact that the present class rates were established by the Interstate Commerce Commission itself and have been in effect for many years, and considering the equities of the shippers, the carriers, and the public, the Court in its discretion should continue the interlocutory injunction pending the perfecting and final determination of any and all appeals from the final order of the Court herein.

[fol. 2047] And, all facts considered, the Court being of opinion and finding that the enforcement of the Commission's orders should be stayed pending appeal from the decisions of this Court, now, therefore, it is

Ordered, adjudged and decreed that the motion of the United States and the Interstate Commerce Commission to dissolve the interlocutory injunction granted by the decree of this Court dated December 20, 1945, be and it is hereby denied and that the said interlocutory injunction be and it hereby is continued for a period of sixty days from the date hereof, and if during said period plaintiffs or any of them perfect an appeal to the Supreme Court of the United States, said interlocutory injunction be further continued pending such appeal and until final determination on appeal and order pursuant thereto unless and until otherwise ordered by this Court or by the Supreme Court of the United States. If before the expiration of sixty days from the date hereof no appeal shall have been taken and perfected from the final decree and order of this Court dismissing the petitions, the interlocutory injunction shall thereupon be dissolved and shall thereafter be of no effect.

Harrie B. Chase, U.S.C.J., Jno. C. Knox, U.S.D.J., Stephen W. Brennan, U.S.D.J.

Approved as to form only. Edward H. Miller, Special Asst. to the Att'y Gen'l. J. F. Norman, Byron M. Gray, H. Emerson Kokjer.

Dated: May 24, 1946.

[fol. 2048] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

PETITION OF THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN AND OTHERS FOR APPEAL TO THE SUPREME COURT OF THE UNITED STATES—Filed June 25, 1946

To the Honorable the Judges of the District Court of the United States for the Northern District of New York:

Now come Petitioners, the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, plaintiffs in Civil No. 2311, and the States of New York and Ohio, intervening plaintiffs in Civil No. 2337, and considering themselves aggrieved by the final decree and order of this Court, en- [fol. 2049] tered herein on the 27th day of May, 1946, hereby pray that an appeal may be allowed to the Supreme Court of the United States from so much of said final decree and order as dismisses the petition of plaintiffs and intervening plaintiffs in said actions.

Pursuant to paragraph 1 of Rule 12 of the Rules of the Supreme Court of the United States, your petitioners present to this Court herewith a statement disclosing the basis of the jurisdiction of the Supreme Court of the United States upon appeal to review said final decree and order.

The particulars wherein your petitioners consider said final decree and order erroneous are set forth in the Assignment of Errors and Prayer for Reversal filed herewith.

Wherefore said plaintiffs, your petitioners, pray that their appeal to the Supreme Court of the United States may be allowed and a citation be issued as provided by law, and that a transcript of the record, proceedings and documents upon which said decree and order were based, duly authenticated, be transmitted to the Supreme Court of the United States under the rules of said Court in such cases made and provided.

Respectfully submitted, Nathaniel L. Goldstein, Attorney General, Albany, New York; Parker McCollester, Frank J. Clark, Special Assistant Attorneys General, 25 Broadway, New York 4, N. Y., for plaintiff The State of New York; Clair John Killoran, Attorney General, Wilmington, Delaware, for plaintiff The State of Delaware; James [fol. 2050] A. Emmert, Attorney General, Indianapolis, Indiana, for plaintiff The State of Indiana; William Curran, Attorney General, Paul Hammond, Deputy Attorney General, Baltimore, Maryland, for plaintiff The State of Maryland; John R. Dethmers, Attorney General, James W. Williams, Assistant Attorney General, Lansing, Michigan, for plaintiff The State of Michigan; Walter D. Van Riper, Attorney General, Robert Peacock, Deputy Attorney General, Trenton, New Jersey, for plaintiff The State of New Jersey; Hugh S. Jenkins, Attorney General, Kenneth L. Sater, Special Counsel, Columbus, Ohio, for plaintiff The State of Ohio; John Martin, Attorney General, Hugh T. Ferguson, Assistant Attorney General, Madison, Wisconsin, for plaintiff The State of Wisconsin; James H. Duff, Attorney General, E. [fol. 2051] A. Delaney, Deputy Attorney General, Harrisburg, Pennsylvania, for plaintiff The Commonwealth of Pennsylvania.

Dated: June 25, 1946.

[fol. 2052] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

ASSIGNMENT OF ERRORS AND PRAYER FOR REVERSAL—Filed June 25, 1946

Now come the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, plaintiffs in Civil No. 2311, and the States of New York and Ohio, intervening plaintiffs in Civil No. 2337, by their respective counsel, and in connection with their appeals file the following assignment of errors upon which they will rely in the prosecution of their appeals to the Supreme Court of the United States from that part of the final order and decree of this Court entered May 27, 1946 dismissing plaintiffs' petitions.

The District Court erred:

[fol. 2053] 1. In making and entering so much of the order and final decree as dismissed plaintiffs' petitions.

2. In deciding that the orders of the Interstate Commerce Commission in Docket No. 28300, *Class Rate Inves-*

tigation, 1939, dated May 15, 1945 and October 30, 1945, were lawful and valid.

3. In failing to decide that the Commission's orders should be annulled, set aside and enjoined for any one or all of the reasons set forth in plaintiffs' petitions.

4. In failing to decide that the Commission's orders are invalid because they rest upon an erroneous interpretation and application of the provisions of Section 3 of the Interstate Commerce Act and of the 1940 amendment thereto.

5. In failing to decide that the Commission's orders are invalid because in making them the Commission was influenced by an erroneous view of the purpose and effect of Section 5(b) of the Transportation Act, 1940, and of its authority and duty thereunder.

6. In failing to decide (page 23) that in making its orders and in relying upon the 1940 amendment of Section 3 of the Interstate Commerce Act as the statutory basis thereof, the Commission has made the same sort of error and its orders are invalid for reasons similar to those which led the Supreme Court in *Ann Arbor R. R.* v. *United States,* 281 U. S. 658, and *Atchison, T. & S. F. Ry.* v. *United States,* 284 U. S. 248, to hold invalid the orders of the Commission involved in those cases.

7. In failing to decide that the Commission's orders were invalid because based upon error of law by the Commission in that the Commission conceived that class rates are made unlawful because not uniform throughout the several [fol. 2054] territories of the country, and that the Commission is empowered to prescribe uniform class rates, notwithstanding differences in other rates or differences in factors theretofore recognized as justifying and requiring differences in rates.

8. In deciding:

> "That the Commission correctly interpreted its powers and duties after the amendment appears to be shown by the following quotation from its report: 'By the amendment to the substantive antidiscrimination provisions of section 3(1) all discriminations in the form of undue or unreasonable preference or advantage,

or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected.' " (page 26.)

9. In holding (page 27):

> "We, therefore, hold that the Commission correctly decided that the ad interim order under review was within the scope of its statutory power * * *."

10. In failing to decide that the Commission's orders were invalid because they and the ultimate findings and conclusions of the Commission were without support in preliminary findings of fact essential to sustain the ultimate findings, conclusions and orders.

[fol. 2055] 11. In failing to decide that the Commission's orders and ultimate findings were arbitrary and invalid because in conflict with such preliminary findings as the Commission did make.

12. In failing to decide that the Commission's orders were invalid in that they were the result of an arbitrary disregard by the Commission of its own preliminary findings and of the evidence that the long established differences in the levels of the class rates were and are justified by the differences in the rate structures as a whole in the several territories, by the differences in the volumes, compositions, densities and consists of the traffic and the revenue requirements of the carriers in the several territories, and by the differences in rates other than class rates; of the Commission's disregard of its own prior decisions prescribing different levels of class rates in

the light of such differences in factors affecting rates, and of the complete absence of any finding or evidence that such factors have changed since the present class rates were prescribed.

13. In concluding (page 29) that the absence of preliminary findings of the primary facts listed on pages 20 and 21 did not render the Commission's orders invalid:

14. In disregarding the absence of preliminary findings by the Commission as to facts essential to sustain its orders and in relying upon evidence from which the Commission failed to make such findings.

15. In finding and concluding that there was "substantial evidence to support such findings as were made" (page 28).

[fol. 2056] 16. In finding (page 16)

> "that the facts found by the Commission are supported by substantial evidence"

and in adopting such finding as the findings of the District Court.

17. In finding and concluding (page 30) that:

> "There was ample evidence on which the Commission found that the class rates in the various territories involved and the interterritorial class rates among those territories were on different levels within the existing classification as well as based upon differing classifications. The Commission found on substantial evidence many so-called primary facts, which need not be enumerated here but which appear in its report, showing transportation costs, composition of traffic, kinds of markets, natural resources, commodities produced or manufactured in the various territories and the parts thereof, and found preference, prejudice, and discrimination as above set forth."

18. In finding and concluding that the foregoing considerations sustained and rendered valid the ultimate findings and orders of the Commission.

19. In failing to decide that the Commission's orders, in so far as they would require an increase in the class

rates for transportation between points in Official territory, were invalid and should be set aside, annulled and enjoined because not supported by preliminary findings essential to sustain the Commission's ultimate findings and such orders and because there was no evidence before the Commission to justify such preliminary findings.

20. In finding and concluding (pages 29 and 30):

> "For instance, it has been argued that there can be no increase in class rates in Official Territory unless there is first a so-called primary finding, supported by substantial evidence that the present rates are not [fol. 2057] compensatory. While that fact, if proved, would have been of much significance the failure to prove it and the consequent lack of a finding that present rates are confiscatory does not leave the Commission's finding that the rates are unlawful unsupported by substantial evidence. It weighed all the evidence and found that it tipped the scales in favor of its ultimate finding that the present rates were unlawful. That basic conclusion if supported sufficiently by other evidence, was enough to justify the exercise of the Commission's statutory power to alter the rates as needed to make them lawful for the future. Pennsylvania R. Co. v. United States, 323 U. S. 588; Chicago, B. & Q. R. R. v. United States, 60 F. Supp. 580; Scandrett v. United States, 32 F. Supp. 995, aff'd. 312 U. S. 661; Jefferson Island Salt Mining Co. v. United States, 6 F. (2) 315. We think enough was proved and found to warrant such basic conclusion."

21. In failing to decide that the Commission's orders, in so far as they would require a ten per cent increase in the class rates for transportation between points in Official territory embracing plaintiff states were arbitrary, invalid and unlawful because, although the Commission made a pro forma ultimate finding that the present class rates were less than minimum reasonable rates, there was no preliminary finding and no evidence that the present rates are not fully compensatory for this transportation or that the continued maintenance of these rates, which were prescribed a short time ago by the Commission as *maximum* reasonable rates, threatens or is likely to induce

a rate war or will otherwise destroy or impair the financial ability of any carrier to provide efficient transportation service, whereas there were findings and evidence that the present class rates for transportation within Official territory are highly profitable to the carriers in that territory for the transportation for which they are charged.

[fol. 2058] 22. In failing to decide that whereas the Commission attempted to rest its orders requiring a ten per cent increase in the class rates for transportation between points in Official territory upon an ultimate finding regarding the comparative rates of return of the carriers in the several territories upon their respective property investments, there was no preliminary finding and no evidence to support a finding that the relative rates of return of the carriers in the several territories were due to the levels of their class rates or that an increase in class rates would increase the rate of return of the railroads in Official territory.

23. In failing to decide that the Commission's orders requiring that the class rates for transportation between points in Official territory be increased ten per cent were arbitrary, unlawful and beyond the jurisdiction of the Commission in that they constitute an attempt to require the shippers and receivers of freight in Official territory to pay increased rates for the sake of bringing about uniformity of rates without thereby impairing the revenues of the railroads in other territories.

24. In failing to decide that to the extent that the Commission's orders rest upon an ultimate finding of undue prejudice and preference, in violation of Section 3 of the Interstate Commerece Act, or upon a purpose to bring about uniformity of freight charges, its orders are invalid because without support in any preliminary finding that the class rates are charged for the transportation of freight of the same kinds, or of freight of competing shippers in the several territories, because there is no evidence to support such preliminary findings, and because, on the contrary, the evidence shows and the commission found that while the class rates to be increased in Official territory are charged [fol. 2059] on a large volume of freight, there is little freight in the South and West or from those territories on which class rates are charged for the reason that the

railroads have established commodity or exception rates lower than the class rates.

25. In failing to decide that in so far as the Commission's orders would require an increase in the class rates for transportation within Official territory for the supposed purpose of removing undue prejudice and preference, in violation of Section 3, the orders are invalid because there is no finding and no evidence to justify a finding that the differences in the levels of the class rates for transportation between points within Official territory and for transportation from points in the South and West into Official territory represent or result in differences in the freight rates actually charged, or that the differences in levels of the class rates have been or are the cause of substantial or any injury to the South or West as "territories" or to shippers therein.

26. In failing to decide that in so far as the Commission's orders rest upon an ultimate finding of undue prejudice and preference in violation of Section 3 of the Interstate Commerce Act, they are invalid because there is no finding that the same carriers control or are responsible for the levels of the rates in the several territories.

27. In deciding:

> "Nor is the order erroneous because the carriers were not allowed any alternative method for the removal of the discriminations which make the present [fol. 2060] class rates unlawful. This was a rate order under Par. 3 in which an alternative must be provided as held in Texas & Pacific Ry. v. United States, supra." (page 34)

28. In failing to decide that in so far as the Commission's orders rest upon supposed relative costs of transportation, they are lacking in support in the evidence and in necessary preliminary findings because there is no evidence and the Commission made no finding as to the relative costs of transporting freight on which the class rates affected by its orders are charged in the several territories.

29. In failing to find that in so far as the Commission rested its orders upon the evidence and findings as to relative average costs of transportation in the several

territories, the orders are arbitrary, inconsistent and invalid in requiring a ten per cent increase of the class rates in Official territory for the purpose of equalizing such rates with the class rates in Western territory, since the Commission found and the evidence shows that the average costs of transportation are substantially less in Official territory than in Western territory.

30. In failing to decide that the Commission's orders requiring an increase in the present class rates in Official territory, which the evidence shows to be profitable, are inconsistent with and violate the requirements of Section 15a(2); that the Commission, in the exercise of its power to order just and reasonable rates shall "give due consideration to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service;"

[fol. 2061] 31. In finding (page 10):

> "The Commission also made findings as to the effect of the class rates on shippers in Southern Territory, the relative costs * * * of the traffic [if by that is intended the cost of transporting freight upon which class rates are charged] * * * and their effect on the economic development of that [Southern] territory."

and in finding (page 10):

> "Findings on similar or kindred subjects were made respecting the other territories and the interterritorial freight movement among them."

in that the Commission did not make findings as to the "effect" of the class rates on either shippers or territories.

32. In finding (page 10) with respect to the so-called Pocahontas lines that

> "the bulk of their freight, being coal, is quite different in respect to the means and cost of carriage from the kinds of freight which characterize the carriage elsewhere in the territory."

33. In upholding the Commission's orders in the absence of the preliminary finding and evidence previously dis-

cussed while at the same time finding or concluding (page 23):

> "It does not appear that the Commission has herein acted upon any assumption that the 1940 changes altered the basic principles governing its action."

34. In inconsistently concluding that the Commission's interpretation of the statute as described by the Court, which represents a radical departure from previously established and recognized principles, "is supported by the legislative history" (page 24).

[fol. 2062] 35. In inconsistently deciding further (page 26):

> "We think Par. 3(1) as thus amended does add new factors to be taken into account by the Commission in determining, under the old and well recognized principles which were before guides to decision in such matters, whether existing rates are unlawful. These new factors are whether such rates are unjustly preferential, prejudicial and discriminatory as between regions, districts or territories; and, in our opinion, Par. 3(1) now empowers the Commission to find such rates unlawful even though they would have been lawful in the light of all relevant considerations before the amendment."

36. In deciding that the Commission's orders are lawful notwithstanding, as found by the Court (page 26) that:

> "We may, indeed, take it for granted that they [class rates] were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission."

37. In failing to decide that the Commission's orders were invalid and beyond the authority of the Commission as an attempt under the guise of regulating rates to regulate economic and industrial conditions and influence the location of business.

38. In deciding that whether the Commission's orders

> "are the result of political agitation having for its ultimate object the dislocation of industry from Official

> territory and its establishment in the other territories, principally in the Southern"

which the Court found "does appear plausible", is not within the bounds of judicial cognizance (page 31).

[fol. 2063] 39. In not taking judicial notice of the changed conditions caused by the war and reconversion, and in failing to conclude, in the light of such changed conditions, that the Commission's orders, which are to take effect in the post-war period, are invalid because based upon an obsolete record.

40. In deciding that (page 34):

> "The denial by the Commission of the application to reopen the proceedings and receive additional evidence especially as to conditions subsequent to 1939 was not an abuse of its discretion."

Wherefore petitioners pray that the order and decree of the District Court, entered May 27, 1946, in so far as it dismissed plaintiffs' petitions herein, be reversed; and petitioners pray for such other relief as in the premises may be proper.

Respectfully submitted, Nathaniel L. Goldstein, Attorney General, Albany, New York; Parker McCollester, Frank J. Clark, Special Assistant Attorneys General, 25 Broadway, New York 4, N. Y., for Plaintiff The State of New York; Clair John Killoran, Attorney General, Wilmington, Delaware, for Plaintiff The State of Delaware; James A. Emmert, Attorney General, Indianapolis, Indiana, for Plaintiff The State of Indiana; William [fol. 2064] Curran, Attorney General; Paul Hammond, Deputy Attorney General, Baltimore, Maryland, for Plaintiff The State of Maryland; John R. Dethmers, Attorney General; James W. Williams, Assistant Attorney General, Lansing, Michigan, for Plaintiff The State of Michigan; Walter D. Van Riper, Attorney General; Robert Peacock, Deputy Attorney General, Trenton, New Jersey, for Plaintiff The State of New Jersey; Hugh S. Jenkins, Attorney General; Kenneth L. Sater, Special Counsel, Columbus, Ohio, for Plaintiff The

State of Ohio; John Martin, Attorney General; Hugh T. Ferguson, Assistant Attorney General, Madison, Wisconsin, for Plaintiff The State of Wisconsin; James H. Duff, Attorney General; E. A. DeLaney, Deputy Attorney General, Harrisburg, Pennsylvania, for Plaintiff The Commonwealth of Pennsylvania.

[fol. 2065] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, Michigan, New Jersey, Ohio, Wisconsin, and The Commonwealth of Pennsylvania, Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, et al., Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant

Civil No. 2337

ORDER ALLOWING APPEAL—Filed June 25, 1946

In the above consolidated causes the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin, and the Commonwealth of Pennsylvania, plaintiffs in Civil No. 2311, and the States of New York and Ohio, intervening plaintiffs in Civil No. 2337, having made and filed their petition praying for the allowance of an appeal to the Supreme Court of the United States from so much of the final decree and order of this Court entered on the 27th day of May, 1946, as dismisses the petition of the plaintiffs in the above entitled consolidated causes and having also made and filed their assignment of errors and prayer for reversal and statement of jurisdiction and having, in all respects, conformed to the statutes and rules of court in such cases made and provided,

[fol. 2066] It Is Therefore Ordered and Adjudged that the appeal be and the same is hereby allowed as prayed for, and

It Is Further Ordered that a certified transcript of the record, proceedings and documents upon which said final decree and order were based be transmitted to the Supreme Court of the United States under the rules of the Supreme Court in such cases made and provided, and

It Is Further Ordered that a citation issue returnable within forty (40) days from the date hereof, and

It Is Further Ordered that the said petitioners or any one or more of them give bond as security for costs on appeal in the sum of Five Hundred Dollars ($500.00).

Stephen W. Brennan, United States District Judge.

June 25, 1946.

[fols. 2067-2068] Citation in usual form, filed June 25, 1946, omitted in printing.

[fols. 2069-2175] Bond on appeal for $500.00, approved and filed June 25, 1946, omitted in printing.

[fol. 2176] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

PETITION FOR APPEAL—Filed June 25, 1946

Now come your petitioners, The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New Hampshire; The Honorable Mortimer R. Proctor, Governor of the State of Vermont; The Honorable Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; The Honorable

John O. Pastore, Governor of the State of Rhode Island; and The Honorable Raymond E. Baldwin, Governor of the State of Connecticut (hereinafter called your petitioners), interveners in each of the above entitled consolidated proceedings, and considering themselves aggrieved by that portion of the final decre and order of the District Court of the United States for the Northern District of New York made and entered herein on May 27, 1946, and entitled —Final Decree and Order Continuing Interlocutory Injunction—which dismissed the petitions of the plaintiffs in [fol. 2177] said proceedings, hereby pray that an appeal be allowed to the Supreme Court of the United States herein, and for an order fixing the amount of the bond for costs thereon.

Pursuant to paragraph 1 of Rule 12 of the Rules of the Supreme Court of the United States, your petitioners present to this Court herewith a statement disclosing the basis upon which the Supreme Court of the United States has jurisdiction upon appeal to review said final decree and order.

The particulars wherein your petitioners consider said final decree and order erroneous are set forth in the Assignment of Erors and Prayer for Reversal filed herewith.

Wherefore, your petitioners pray that their appeal to the Supreme Court of the United States may be allowed and a citation be issued as provided by law, and that a transcript of the record, proceedings and documents upon which said decree and order was based, duly authenticated, be transmitted to the Supreme Court of the United States under the rules of said Court in such cases made and provided.

Henry E. Foley, Counsel for the Honorable Horace A. Hildreth, Governor of the State of Maine; the Honorable Charles M. Dale, Governor of the State of New Hampshire; the Honorable Mortimer R. Proctor, Governor of the State of Vermont; the Honorable Maurice J. Tobin, Governor of the Commonwealth of Massachusetts; the Honorable John O. Pastore, Governor of the State of Rhode Island; and the Honorable Raymond E. Baldwin, Governor of the State of Connecticut.

Dated June 25, 1946.

[fol. 2178] IN THE DISTRICT COURT OF THE UNITED STATES

Civil Action No. 2311

[Title omitted]

Civil Action No. 2337

[Title omitted]

ASSIGNMENT OF ERRORS AND PRAYER FOR REVERSAL—Filed June 25, 1946

The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New Hampshire; The Honorable Mortimer R. Proctor, Governor of the State of Vermont; The Honorable Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; The Honorable John O. Pastore, Governor of the State of Rhode Island; and The Honorable Raymond E. Baldwin, Governor of the State of Connecticut (hereinafter called your petitioners), interveners in the above-entitled consolidated proceedings, in connection with their petition for appeal to the Supreme Court of the United States from a portion of the final decree and order entitled —Final Decree and Order Continuing Interlocutory Injunction—made and entered in said proceedings on May 27, 1946 by the District Court of the United States for the Northern District of New York (hereinafter called the Dis-[fol. 2179] trict Court), hereby assign error to the record and proceedings herein and to the entry of that portion of said final decree and order which dismissed the petitions of the plaintiffs in said proceedings and state that, in the entry of said final decree and order said District Court committed error to the prejudice of your petitioners in the following particulars:

1. The District Court erred in dismissing the petitions of the plaintiffs in said proceedings.

2. The District Court erred in ruling that the ad interim order of the Interstate Commerce Commission (hereinafter called the Commission) entered May 15, 1945, as amended by the order of the Commission entered October 30, 1945, in the proceeding entitled—Class Rate Investigation, 1939 —and numbered 28,300 in the dockets of the Commission

(said order entered May 15, 1945, as so amended, being hereinafter called the order of the Commission), is lawful and valid.

3. The District Court erred in holding

> "that the Commission correctly decided that the ad interim order under review was within the scope of its statutory power." (P. 27)

4. The District Court erred in failing to rule that the order of the Commission, in so far as it directed an increase in Official Territory intraterritorial class rates, is unlawful and invalid (a) in that such order lacks the support of necessary and adequate preliminary findings of fact, (b) in that the subsidiary findings of fact which the Commission has made are contrary to the ultimate conclusions of the Commission and preclude the making of the preliminary findings of fact which would be necessary to support the order of the Commission, and (c) in that the evidence would not have permitted or supported the making of such necessary and adequate preliminary findings of fact.

[fol. 2180] 5. The District Court erred in ruling implicitly, (a) that the lack of adequate and necessary preliminary findings does not render the order of the Commission invalid, and (b) that the only test of the validity of said order is whether it is supported by substantial evidence.

6. The District Court erred in finding that the facts found by the Commission are supported by substantial evidence, in adopting such findings of fact as findings of the District Court, and in finding that there was substantial evidence to support such findings as the Commission made.

7. The District Court erred in failing to rule that the order of the Commission, in so far as it directs an increase in Official Territory intraterritorial class rates, which the evidence and the preliminary findings of the Commission show to be profitable, is inconsistent with and violative of Section 15a (2) of the Interstate Commerce Act, which requires the Commission, in determining just and reasonable rates, to give due consideration to the need, in the public interest of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service.

8. The District Court erred in failing to rule that the order of the Commission, in so far as it directs an increase in Official Territory intraterritorial class rates, cannot be sustained as a valid order remedying a Section 1 violation.

9. The District Court erred in ruling that it might not properly set aside an order of the Commission requiring increases in rates which are within the so-called zone of reasonableness between reasonable minimum and reasonable maximum rates.

10. The District Court erred in failing to rule that the [fol. 2181] Commission's finding that intraterritorial class rates within Official Territory are unjust and unreasonable in violation of Sections 1 (4) and 1 (5) of the Interstate Commerce Act is not a valid and proper finding, but a mere conclusion which not only is lacking the support of necessary and adequate preliminary findings but is in fact inconsistent with and contrary to the findings which the Commission has made and to the evidence before the Commission.

11. The District Court erred in failing to rule that a finding that rates are unjustly and unreasonably low, in violation of Section 1 of the Act, must, to be valid, be based upon a subsidiary finding, supported by evidence, either that such rates are noncompensatory and so low as to burden other traffic, or that the continuance of such rates will be likely to result in a rate war or otherwise be harmful, from a revenue standpoint, to the carrier publishing the rates or to other and competing carriers.

12. The District Court erred in failing to rule that an order of the Commission, directing increases in rates by reason of a conclusion of a violation of Section 1 of the Act, must be based not only upon a valid finding that such rates are unjustly and unreasonably low but also upon a finding, supported by evidence, that rates lower than the rates required to be established pursuant to the Commission's order either would be noncompensatory and so low as to burden other traffic or would be likely to result in a rate war or otherwise be harmful, from a revenue standpoint, to the carrier publishing the rates or to other and competing carriers.

13. The District Court erred in failing to find that the Commission has not made, and that the evidence would

[fol. 2182] not support any of the preliminary findings of fact required to support a finding that Official Territory intraterritorial class rates are unjustly and unreasonably low in violation of Section 1 of the Act, but that it has, on the contrary, made particular findings of fact which are inconsistent with and contrary to its ultimate finding as aforesaid.

14. The District Court erred in failing to rule that the order of the Commission, in so far as it directs an increase in Official Territory intraterritorial class rates, cannot be sustained as a valid order remedying a Section 3 violation.

15. The District Court erred in failing to rule that the provisions of the Transportation Act of 1940 effect no change in the substantive law with respect to the elements of proof of undue preference and prejudice, and that preliminary findings of fact which were essential to the validity of an ultimate finding of undue preference of and prejudice against an entity entitled to protection against prejudice, prior to the enactment of said 1940 Act, continue to be essential to the validity of such an ultimate finding.

16. The District Court erred in ruling that the absence of the preliminary findings which the Court finds to have been held essential to be proved to establish a basis for findings of preference or prejudice or discrimination as to rates before the 1940 amendment of Section 3(1) of the Act, does not now invalidate a finding of preference and prejudice.

17. The District Court erred in failing to rule that the Commission's finding that Official Territory intraterritorial class rates and class rates into Official Territory from other territories are unduly preferential of Official Territory as a whole and of the shippers and receivers of freight located therein and unduly prejudicial to Southern, Southwestern and Western Territories as a whole and [fol. 2183] shippers and receivers of freight located therein, in violation of Section 3 of the Act, is not a valid and proper finding, but a mere conclusion which not only is lacking the support of adequate preliminary findings, but is in fact inconsistent with and contrary to the findings

which the Commission has made and is not supported by the evidence.

18. The District Court erred in failing to rule that the order of the Commission is invalid and unlawful, in so far as it rests upon the Commission's ultimate finding of undue preference and prejudice (a) in that such an ultimate finding must be based upon a preliminary finding that the allegedly unlawful rates are charged on the same types of freight or the freight of competing shippers, (b) in that the Commission has not made, and the evidence will not support such a finding and (c) in that other preliminary findings which the Commission has made preclude the making of such preliminary finding which is necessary to the validity of its ultimate finding and therefore its order.

19. The District Court erred in failing to rule that the order of the Commission is invalid and unlawful, in so far as it rests upon the Commission's ultimate finding of undue preference and prejudice (a) in that such an ultimate finding must be based upon a preliminary finding that injury results or will result to the allegedly prejudiced territories or the shippers and receivers of freight therein, by reason of the continued maintenance of the allegedly unlawful rates, (b) in that the Commission has not made, and the evidence will not support such a finding and (c) in that other preliminary findings which the Commission has made preclude the making of such preliminary finding which is necessary to the validity of its ultimate finding and therefore its order.

[fol. 2184] 20. The District Court erred in failing to rule that the order of the Commission is invalid and unlawful, in so far as it rests upon the Commission's ultimate finding of undue preference and prejudice arising from lack of territorial class rate uniformity (a) in that such an ultimate finding must be based upon a preliminary finding that transportation conditions do not justify any differences between said allegedly unlawful rates, (b) in that the Commission has not made, and the evidence will not support such a finding and (c) in that other preliminary findings which the Commission has made preclude the making of such preliminary finding which is necessary to the validity of its ultimate finding and therefore its order.

21. The District Court erred in ruling that the Commission's order is not improper and beyond the power and authority of the Commission because of the failure of the order to afford the carriers alternative methods of removing the allegedly found discrimination.

Wherefore, your petitioners pray that said final decree and order of the District Court entered May 27, 1946, in so far as it dismissed the petitions of the plaintiffs in said above-entitled proceedings be reversed, and for such other and appropriate further relief as to the Court may seem just and proper.

Henry E. Foley, Counsel for The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New Hampshire; The Honorable Mortimer R. Proctor, Governor of the State of Vermont; The Honorable Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; The Honorable John O. Pastore, Governor of the State of Rhode Island; and The Honorable Raymond E. Baldwin, Governor of the State of Connecticut.

Dated: June 25, 1946.

[fol. 2185] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil Action No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN, AND THE COMMONWEALTH OF PENNSYLVANIA, Plaintiffs,

vs.

THE UNITED STATES OF AMERICA, Defendant

Civil Action No. 2337

THE ATCHISON, TOPEKA & SANTA FE RAILWAY CO., et al., Plaintiffs,

vs.

THE UNITED STATES OF AMERICA, Defendant

ORDER ALLOWING APPEAL—Filed June 25, 1946

The appellants, The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New Hampshire; The Honorable Mortimer R. Proctor, Governor of the State of Vermont; The Honorable Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; The Honorable John O. Pastore, Governor of the State of Rhode Island; and The Honorable Raymond E. Baldwin, Governor of the State of Connecticut, having filed herein their petition praying for the allowance of an appeal in the above-entitled consolidated proceedings to the Supreme Court of the United States from that portion of the decree made and entered herein on May 27, 1946, which dismisses the petitions of the plaintiffs in said proceedings, and having also made and filed herein their assignment of errors and prayer for reversal, and statement of jurisdiction, pursuant [fol. 2186] to the statutes and rules of the Supreme Court of the United States in such case made and provided;

It is ordered and adjudged that an appeal be, and the same is hereby, allowed as prayed for to the Supreme Court of the United States from this Court in said proceedings, as provided by law, and

It is further ordered that the Clerk of this Court prepare and certify a transcript of the record, proceedings, and decree in said proceedings and transmit the same to the Supreme Court of the United States under the rules of the Supreme Court in such cases made and provided; and

It is further ordered that a citation issue returnable within forty (40) days from the date hereof; and

It is further ordered that said petitioners or any of them give bond as security for costs on appeal in the sum of $500.00.

Stephen W. Brennan, United States District Judge.

Dated: June 25, 1946.

[fols. 2187-2188] Citation in usual form, filed June 25, 1946, omitted in printing.

[fols. 2189-2268] Bond on appeal for $500.00, approved and filed June 25, 1946, omitted in printing.

[fol. 2269] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

PETITION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, et al., FOR APPEAL TO THE SUPREME COURT OF THE UNITED STATES—Filed June 25, 1946

To the Honorable Stephen W. Brennan, District Judge:

Now come The Atchison, Topeka and Santa Fe Railway Company; Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Den- [fol. 2270] ver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company; Fort Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Santa Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Santa Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; The Texas and Pacific Railway Company; Union Pacific Railroad Company; and The Wichita Valley Railway Company, plaintiffs in Civil No. 2337 and intervenors in Civil No. 2311 of the above entitled consolidated causes, and considering themselves aggrieved by the final decree and order of this Court, entered herein on the 27th day of May, 1946, hereby pray an appeal to the Supreme Court of the United States from so much of the said final decree and order as dismissed the petitions of The Atchison, Topeka and Santa Fe Railway Company, et al., in each of the above entitled consolidated causes.

Pursuant to paragraph 1 of rule 12 of the Rules of the Supreme Court of the United States, The Atchison, Topeka and Santa Fe Railway Company, et al., present to this Court herewith a statement showing the basis of jurisdiction of the Supreme Court of the United States to review the said final decree and order.

[fol. 2271] The particulars wherein The Atchison, Topeka and Santa Fe Railway Company, et al., consider the final decree and order erroneous are set forth in the Assignment of Errors and Prayer for Reversal filed herewith.

Wherefore, the said The Atchison, Topeka and Santa Fe Railway Company, et al., pray that their appeal to the Supreme Court of the United States may be allowed and a citation be issued as provided by law, and that a transcript of the record, proceedings and documents upon which said decree and order was based, duly authenticated, be transmitted to the Supreme Court of the United States under the rules of said Court in such cases made and provided.

H. C. Barron, C. W. Feddis, James G. Blaine, H. E. Boe, P. F. Gault, J. A. Gillen, R. G. Hagman, Toll [fol. 2272] R. Ware, G. H. Muckley, Conrad Olson, F. J. Melia, Carson L. Taylor, Robert Thompson, Douglas F. Smith, D. Robert Thomas, Jr., Attorneys for Plaintiffs.

Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago, Illinois.

Ferris, Burgess, Hughes & Dorrance, First National Bank Building, Utica, New York, Of Counsel.

Dated: June 25th, 1946.

[fol. 2273] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

ASSIGNMENT OF ERRORS AND PRAYER FOR REVERSAL—Filed June 25, 1946

I

The Atchison, Topeka and Santa Fe Railway Company; Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company; Combined; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & [fol. 2274] Eastern Railway Company; Fort Dodge, Des

Moines & Southern Railway Company; Fort Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Santa Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Santa Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; The Texas and Pacific Railway Company; Union Pacific Railroad Company; The Wichita Valley Railway Company, intervenors in Civil No. 2311, and plaintiffs in Civil No. 2337, entitled above, in connection with their petition for an appeal to the Supreme Court of the United States, hereby assign error to the record and proceedings and to the entry of so much of the final decree and order of the said District Court entered on May 27, 1946, in the said consolidated causes as dismissed the petitions of the plaintiffs herein, and say that in the entry of the said final decree and order the said District Court committed error to the prejudice of the said The Atchison, Topeka and Santa Fe Railway Company, et al., in the following particulars:

1. The District Court erred in dismissing the petition of The Atchison, Topeka and Santa Fe Railway Company, et al., in Civil No. 2337 and the intervening petition of The Atchison, Topeka and Santa Fe Railway Company, et al., in Civil No. 2311.

2. The District Court erred in failing to set aside and [fol. 2275] perpetually enjoin the enforcement of the order of the Interstate Commerce Commission dated May 15, 1945, as amended, and the order of the Commission dated October 30, 1945, in *Class Rate Investigation*, 1939, Docket No. 28300 on the Commission's docket.

3. The District Court erred in failing to set aside said orders of the Commission on the ground that said orders are not adequately supported by evidence.

4. The District Court erred in failing to set aside said orders of the Commission on the ground that said orders are not adequately supported by findings of the Commission.

5. The District Court erred in failing to hold that the said orders of the Commission were arbitrary and without support in the evidence before the Commission and without support of adequate findings by the Commission.

6. The District Court erred in failing to find that the said orders were invalid on the ground that the Commission, in making its finding that all interstate class rates throughout the nation east of the Rocky Mountains were unlawful, had arbitrarily disregarded the evidence and its own findings to the effect that the costs of transporting such traffic in Western Trunk Line and Southwestern territories were and are far higher in those territories than in Official Territory, Illinois Territory, or Southern Territory, and to the effect that the traffic and transportation conditions in the several rate territories involved are substantially different, one from the other, and because such different conditions prove the legality of the present rates and render unlawful the said orders of the Commission.

[fol. 2276] 7. The District Court erred in failing to find that the said orders were invalid on the ground that the Commission, in holding that the relation between interterritorial class rates from points in Western Trunk Line and Southwestern Territories to points in Official Territory and Illinois Territory and the intraterritorial class rates in Official Territory and Illinois Territory is unlawful, had arbitrarily disregarded the evidence and its own findings to the effect that the costs of transporting such interterritorial traffic were and are substantially higher than the costs of transporting such intraterritorial traffic, and that all the governing traffic and transportation conditions in the several territories were and are substantially unlike.

8. The Court erred in failing to find that the said orders were invalid on the ground that the Commission had arbitrarily disregarded the evidence and its own preliminary findings that the long-established differences in class rates in Official and Illinois Territories, and in Western Trunk Line and Southwestern Territories were and are

justified, under the recognized principles of rate making, by the differences in costs of transportation, composition and consist of traffic, density of traffic, and the revenue needs of the carriers.

9. The District Court erred in failing to hold that the said orders were invalid on the ground that the Commission had misconstrued the Interstate Commerce Act and the Transportation Act of 1940, including the so-called Ramspeck Resolution contained therein, and had based its said orders upon such mistake of law.

10. The District Court erred in failing to hold that the said orders were invalid on the ground that the Commission had misconstrued the Transportation Act of 1940, [fol. 2277] including the so-called Ramspeck Resolution contained therein, to be a mandate and authority to the Commission to establish uniform freight rates in the several rate territories notwithstanding substantial differences in the governing traffic and transportation conditions in the several territories, including the substantial differences found by the Commission in costs of transportation, composition and consist of traffic, density of traffic, and revenue needs of the carriers.

11. The District Court erred in failing to hold that the said orders were invalid on the ground that the Commission had misconstrued the Transportation Act of 1940 as making unlawful the class rates which were prescribed by the Commission itself prior to the enactment of that Act and which were lawful prior to the enactment of that Act.

12. The District Court erred in holding that the class rates which it found "were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission" were made unlawful by the amendment to Section 3(1) of the Interstate Commerce Act (49 U.S.C.A. Sec. 3(1)) contained in the Transportation Act of 1940, and in holding that the said amendment empowered the Commission to find such rates unlawful.

13. The District Court erred in failing to hold that the Commission had acted arbitrarily in finding the class rates to be unjust and unreasonable under Section 1(4) and Section 1(5)(a) of the Interstate Commerce Act notwithstand-

ing (a) that the Commission itself had prescribed such rates, (b) that such rates were lawful and held by the District Court to be lawful prior to the Transportation Act of 1940, (c) that there had been no intervening change in said Section 1(4) and Section 1(5)(a), and (d) that there was no evidence and no finding of any intervening change in transportation conditions of such a nature as to support a finding that the said rates are unjust or unreasonable.

[fol. 2278] 14. The District Court erred in holding the said orders to be valid because the Commission had found facts to give a formal basis for the orders despite the finding by the District Court that the probable import of the orders was "to try to equalize clearly inherently unequal business conditions, not due to existing freight rates in the various territories or any regions or districts therein, by manipulating rates."

15. The District Court erred in holding that the statutory control over rates which has been confided to the Commission is sufficiently comprehensive to empower the Commission to hold rates unlawful solely because of the different levels of such rates, and despite substantial differences in transportation costs and other factors which constitute the lawful and governing standards of rate making.

16. The District Court erred in failing to hold that the class rates prescribed in the Commission's orders for less-than-carload traffic in Western Trunk Line and Southwestern Territories would be confiscatory in violation of the Fifth Amendment to the Constitution of the United States.

17. The District Court erred in holding that the class rates prescribed by the Commission for less-than-carload traffic in Western Trunk Line and Southwestern Territories should be placed in effect for a trial period notwithstanding the fact that the undisputed evidence before the Court proved such rates to be confiscatory in violation of the Fifth Amendment to the Constitution of the United States.

18. The District Court erred in adopting the facts found by the Commission as "ultimate findings" of the Commission and the facts found by the Commission in Part III of its report dated May 15, 1945 in its Docket No. 28300. (262 I. C. C. at 702-706)

[fol. 2279] 19. The District Court erred in failing to hold that the facts found by the Commission as ultimate findings of the Commission and the facts found by the Commission in Part III of its said report (262 I. C. C. at 702-706) were not adequately supported by evidence before the Commission.

20. The District Court erred in failing to hold that the said orders were invalid on the ground that the said orders did not leave the respondent carriers the alternative of removing any discrimination found to exist by increasing the rates found to be preferential or by decreasing the rates found to be prejudicial.

21. The District Court erred in failing to hold that the Commission's orders were invalid under Section 3(1) of the Interstate Commerce Act (49 U. S. C. A., Sec. 3(1)), on the ground that none of the carriers involved in the alleged discrimination has any common control over the interterritorial class rates from Western Trunk Line and Southwestern Territories into Official and Illinois Territories, and the intraterritorial class rates in Official and Illinois Territories.

Wherefore, the said The Atchison, Topeka and Santa Fe Railway Company, et al, respectfully pray that so much of the said final decree and order of the District Court entered May 27, 1946, as dismissed the said petitions of The Atchison, Topeka and Santa Fe Railway Company, et al, in the above entitled consolidated causes be reversed, and for such other and appropriate relief as to the Court may seem just and proper.

[fol. 2280] H. C. Barron, C. W. Feddis, James G. Blaine, H. E. Boe, P. F. Gault, J. A. Gillen, R. G. Hagman, Toll R. Ware, G. H. Muckley, Conrad Olson, F. J. Melia, Carson L. Taylor, Robert Thompson, Douglas F. Smith, D. Robert Thomas, Jr., Attorneys for Plaintiffs.

Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago 3, Illinois. Ferris, Burgess, Hughes & Dorrance, First National Bank Building, Utica, New York, of Counsel.

Dated: June 25th, 1946.

[fol. 2281] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, Michigan, New Jersey, Ohio, Wisconsin, and The Commonwealth of Pennsylvania, Plaintiffs,

vs.

THE UNITED STATES OF AMERICA, Defendant

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, et al., Plaintiffs,

vs.

THE UNITED STATES OF AMERICA, Defendant

ORDER ALLOWING APPEAL—Filed June 25, 1946

In the above-entitled consolidated causes, The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Ralway Company, Combined; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern [fol. 2282] Railway Company; Fort Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Sante Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company;

Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Santa Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; The Texas and Pacific Railway Company; Union Pacific Railroad Company; and The Wichita Valley Railway Company having made and filed their petition praying an appeal to the Supreme Court of the United States from so much of the final decree and order of this Court entered on the 27th day of May, 1946, as dismissed the petitions of The Atchison, Topeka and Santa Fe Railway Company, et al., in the above-entitled consolidated causes, and having also made and filed their assignment of errors and prayer for reversal, and statement of jurisdiction, and having in all respects conformed to the statutes and rules of court in such cases made and provided.

It is therefore ordered and adjudged that the appeal be and the same is hereby allowed as prayed for; and

It is further ordered that a certified transcript of the record, proceedings and documents upon which said final [fol. 2283] decree and order was based be transmitted to the Supreme Court of the United States under the rules of the Supreme Court in such cases made and provided; and

It is further ordered that a citation issue returnable within forty (40) days from the date hereof; and

It is further ordered that the said The Atchison, Topeka and Santa Fe Railway Company, et al., give bond as security for costs on appeal in the sum of $500.00.

Stephen W. Brennan, United States District Judge.

Dated: June 25th, 1946.

[fols. 2284-2286] Citation in usual form, filed June 25, 1946, omitted in printing.

[fols. 2287-2711] Bond on appeal for $500.00, approved and filed June 25, 1946, omitted in printing.

[fol. 2712] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

JOINT PRAECIPE OF APPELLANTS IN ABOVE CAUSES FOR TRANSCRIPT OF RECORD—Filed July 13, 1946

To the Clerk of the above-named Court:

You are hereby requested to prepare a transcript of the record in the above-entitled consolidated causes to be filed in the Supreme Court of the United States pursuant to the three appeals allowed therein on June 25, 1946, this single praecipe being filed on behalf of all of the appellants jointly in connection with their several appeals, and to include in such transcript of record the following, to wit:

1. Petition of plaintiffs, States of New York, Delaware, et al., in Civil No. 2311, filed November 29, and Exhibits [fol. 2713] 1 to 13, inclusive, attached thereto.
2. Order of Judge Stephen W. Brennan, filed December 5, 1945, calling to his assistance Honorable Harrie B. Chase, a Judge of the United States Circuit Court of Appeals, and Honorable John C. Knox, a Judge of the United States District Court, to constitute a special court to hear the cause.
3. Order to show cause, signed by Judge Stephen W. Brennan and filed December 6, 1945.
4. Order granting Chicago and North Western Railway Company, et al., leave to intervene in Civil No. 2311, filed November 29, 1945.
5. Amended petition of Chicago and North Western Railway Company, et al., for leave to intervene in Civil No. 2311, filed January 24, 1946.
6. Petition of States of Kansas, Oklahoma, et al., for leave to intervene in Civil No. 2311, filed December 10, 1945.
7. Acknowledgment by Interstate Commerce Commission, filed December 10, 1945, of service of order to show cause.

8. Motion and application of States of Alabama, Georgia, et al., and of Southern Governors' Committee for leave to intervene in Civil No. 2311, filed December 12, 1945.

9. Intervention of Interstate Commerce Commission in Civil No. 2311, filed December 12, 1945.

10. Petition of New England Governors for leave to intervene in Civil No. 2311, filed December 13, 1945.

11. Affidavits of the following, filed December 13, 1945: [fol. 2714] Floyd Chalfont, Gerrish Gassaway, Walter W. Bacon, George Mace, Mark A. Daly, M. P. Catherwood, Thomas E. Dewey, Charles E. Bell, Parker McCollester, H. C. Barron, Ford K. Edwards, Harvey P. Schneider, Glenn F. Vivian, Raymond E. Baldwin, C. H. Bartels, Ora M. Enyart, William L. Fogleson, Maurice D. Collins, Elliott S. Moore, Cooper C. Clifton and O. F. Heslar.

12. Affidavits on behalf of State of New Jersey, filed December 13, 1945.

13. Affidavits, filed December 15, 1945, of J. W. Bastore, Robert L. Moulton, Maurice F. Otts and Andrew H. Brown.

14. Acknowledgment by United States of service of order to show cause, filed December 15, 1945.

15. Interlocutory injunction granted in Civil No. 2311, filed December 21, 1945, with findings of fact and conclusions of law.

16. Stipulation of plaintiffs in Civil No. 2311 for payment of costs.

17. Answer of Interstate Commerce Commission in Civil No. 2311, filed January 12, 1946.

18. Answer of States of Alabama, Florida, Georgia, et al., and of Southern Governors' Conference, in Civil No. 2311, filed January 14, 1946.

19. Petition of State of Minnesota for leave to intervene in Civil No. 2311, filed January 18, 1946.

20. Answer of United States in Civil No. 2311, filed January 30, 1946.

21. Answer of States of Arkansas, Kansas, et al., in Civil No. 2311, filed February 9, 1946.

22. Answer of State of Minnesota in Civil No. 2311, filed February 13, 1946.

23. Petition of Southeastern Association of Railroad and Utilities Commissioners for leave to intervene in [fol. 2715] Civil No. 2311, filed February 18, 1946.

24. Answer of Southeastern Association of Railroad and Utilities Commissioners in Civil No. 2311, filed February 18, 1946.

25. Petition of The Atchison, Topeka and Santa Fe Railway Company, et al., plaintiffs in Civil No. 2337, and exhibits 1 to 8, inclusive, attached thereto, filed February 1, 1946.

26. Order establishing special court in Civil No. 2337, filed February 4, 1946.

27. Order, filed February 18, 1946, allowing oral motion of The Atchison, Topeka and Santa Fe Railway Company, et al., to amend their petition in Civil No. 2337.

28. Petition of the States of New York and Ohio to intervene in Civil No. 2337, filed February 18, 1946.

29. Order, filed February 18, 1946, granting States of New York and Ohio leave to intervene in Civil No. 2337.

30. Petition of New England Governors for leave to intervene in Civil No. 2337, filed February 18, 1946.

31. Order filed February 18, 1946, granting New England Governors leave to intervene in Civil No. 2337.

32. Intervention in Civil No. 2337 of Interstate Commerce Commission, filed February 18, 1946.

33. Petition of Kansas, et al., for leave to intervene in Civil No. 2337, filed February 18, 1946.

34. Answer of United States to petition in Civil No. 2337, filed February 18, 1946.

35. Answer of Alabama, Florida, Georgia, et al., and Southern Governors Conference to petition in Civil No. 2337, filed February 18, 1946.

[fol. 2716] 36. Answer of Interstate Commerce Commission to petition in Civil No. 2337, filed February 18, 1946.

37. Answer of Kansas, Arkansas, et al., to petition in Civil No. 2337, filed February 18, 1946.

38. Petition of Southeastern Association of Railroad and Utilities Commissioners to intervene in Civil No. 2337, filed February 18, 1946.

39. Answer of Southeastern Association of Railroad and Utilities Commissioners to petition in Civil No. 2337, filed February 18, 1946.

40. Order consolidating Civil No. 2311 and Civil No. 2337, filed February 18, 1946.

41. The following pages, of stenographic minutes of hearing before three-judge court, February 18 to 21, inclusive, containing motions, rulings and stipulations:

Pages 5 to 12, inclusive;
Pages 83 to 91, inclusive, and first three lines of pages 92;
Pages 177 to 178, inclusive;
Page 289 and first three lines of page 290;
Page 470, last four lines;
Page 471, first seventeen lines.

42. All of the evidence before the three-judge court, to wit:

Pages 13 to 82, inclusive, of stenographic minutes of hearing February 18 to 21, inclusive, being the testimony of Messrs. Lawrence R. Capron and Glenn F. Vivian, called as witnesses for plaintiffs in No. 2337, and objections of defendants in No. 2337 to their testimony and motion to strike.

Exhibits 1 and 2 of Witness Capron and Exhibit 3 of Witness Vivian.

Exhibit 4, being copies of railroad tariffs and other documents offered by plaintiffs in No. 2311 and No. 2337 and received in evidence.

Exhibit 5, being certificates of the Secretary of the Interstate Commerce Commission and documents and papers described in said certificates, constituting the entire record [fol. 2717] of testimony and exhibits before the Interstate Commerce Commission including the Association of American Railroads Merchandise Report and Petition of Western Railroads filed with the Interstate Commerce Commission for reopening and reconsideration.

Revised statement marked "Exhibit" and entitled "Interstate Commerce Commission, Bureau of Transport Economics and Statistics, Ratio of Out-of-Pocket Plus Solely Related Expenses to Revenues on Less-Carload Class Rate Traffic," submitted to the Court by the United States.

The last ten lines on page 379 and the first sixteen lines on page 537 of the stenographic minutes of hearing, February 18 to 21, inclusive, being the offer to the Court of the said revised statement marked "Exhibit."

43. Statement of contents of box containing record before the Interstate Commerce Commission in I. C. C. Docket Nos. 28300 and 28310 (Exhibit 5 referred to above).

44. Opinion of Court filed May 9, 1946.

45. Motion of United States and other defendants to dissolve interlocutory injunction, filed May 17, 1946.

46. Motion of States of New York, Delaware, et al., in the consolidated causes, filed May 18, 1946 for continuance of interlocutory injunction.

47. Motion of New England Governors in the consolidated causes, filed May 20, 1946, for continuance of interlocutory injunction.

48. Motion of The Atchison, Topeka and Santa Fe Railway Company, et al., in the consolidated causes, filed May 27, 1946, for continuance of interlocutory injunction.

49. Final decree and order of the Court filed May 27, 1946.

50. Petition for allowance of appeal by the States of New York, Delaware, et al., in both causes, filed June 25, 1946.

[fol. 2718] 51. Assignment of Errors, filed June 25, 1946, by the States of New York, Delaware, et al.

52. Order of the Court filed June 25, 1946, allowing the States of New York, Delaware, et al. to take an appeal.

53. Citation dated and filed June 25, 1946, in connection with the appeal of the States of New York, Delaware, et al.

54. Cost Bond filed June 25, 1946, by the States of New York, Delaware, et al.

55. Jurisdictional Statement filed June 25, 1946, by the States of New York, Delaware, et al.

56. Statement Calling Attention to Provisions of Supreme Court Rule 12 (3) filed June 25, 1946, by the States of New York, Delaware, et al.

57. Acknowledgments of Service of and receipt by appellees of the foregoing appeal papers of the States of New York, Delaware, et al.

58. Certificate of Service of the foregoing appeal papers of the States of New York, Delaware, et al. upon appellees.

59. Petition for allowance of appeal by the New England Governors in both causes, filed June 25, 1946.

60. Assignment of Errors filed June 25, 1946, by the New England Governors.

61. Order of the Court filed June 25, 1946, allowing the New England Governors to take an appeal.

62. Citation dated and filed June 25, 1946, in connection with the appeal of the New England Governors.

63. Cost Bond filed June 25, 1946, by the New England Governors.

64. Jurisdictional Statement filed June 25, 1946, by the New England Governors.

65. Statement Calling Attention to Provisions of Supreme Court Rule 12 (3) filed June 29, 1946, by the New England Governors.

[fol. 2719] 66. Acknowledgments of Service of and receipt by appellees of the foregoing appeal papers of the New England Governors.

67. Certificate of Service upon appellees of the foregoing appeal papers of the New England Governors.

68. Petition for allowance of appeal by The Atchison, Topeka and Santa Fe Railway Company, et al., in both causes, filed June 25, 1946.

69. Assignment of Errors filed June 25, 1946, by The Atchison, Topeka and Santa Fe Railway Company, et al.

70. Order of the Court filed June 25, 1946, allowing The Atchison, Topeka and Santa Fe Railway Company, et al., to take an appeal.

71. Citation dated and filed June 25, 1946, in connection with the appeal of The Atchison, Topeka and Santa Fe Railway Company, et al.

72. Cost Bond filed June 25, 1946, by The Atchison, Topeka and Santa Fe Railway Company, et al.

73. Jurisdictional Statement filed June 25, 1946, by The Atchison, Topeka and Santa Fe Railway Company, et al.

74. Statement Calling Attention to Provisions of Supreme Court Rule 12 (3) filed by The Atchison, Topeka and Santa Fe Railway Company, et al.

75. Certificate of Service filed by The Atchison, Topeka and Santa Fe Railway Company, et al., certifying service of foregoing appeal papers.

76. Joint praecipe filed by appellants, the States of New York, Delaware, et al., the New England Governors and The Atchison, Topeka and Santa Fe Railway Company, et al.

77. Acknowledgments of service of praecipe by appellees.

78. Certificate of Service upon appellees of the praecipe.

79. All docket entries in their appropriate order.

[fol. 2720] Nathaniel L. Goldstein, Attorney General, Albany, New York; Parker McCollester, Frank J. Clark, Special Assistant Attorneys General, 25 Broadway, New York 4, N. Y., for plaintiff The State of New York. Clair John Killoran, Attorney

General, Wilmington, Delaware, for plaintiff The State of Delaware. James A. Emmert, Attorney General, Indianapolis, Indiana, for plaintiff The State of Indiana. William Curran, Attorney General; Paul Hammond, Deputy Attorney General, Baltimore, Maryland, for plaintiff The State of Maryland. John R. Dethmers, Attorney General; James W. Williams, Assistant Attorney General, Lansing, Michigan, for plaintiff The State of Michigan. Walter D. Van Riper, Attorney General; Robert Peacock, Deputy Attorney General, Trenton, New Jersey, for plaintiff The State of New Jersey. Hugh S. Jenkins, Attorney General; [fol. 2721] Kenneth L. Sater, Special Counsel, Columbus, Ohio, for plaintiff The State of Ohio. John Martin, Attorney General; Herbert T. Ferguson, Assistant Attorney General, Madison, Wisconsin, for plaintiff The State of Wisconsin. James H. Duff, Attorney General; E. A. DeLaney, Deputy Attorney General, Harrisburg, Pennsylvania, for plaintiff The Commonwealth of Pennsylvania. H. C. Barron, Douglas F. Smith, D. Robert Thomas, Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago, Illinois; Ferris, Burgess, Hughes & Dorrance, First National Bank Building, Utica, New York, of Counsel for plaintiffs, The Atchison, Topeka and Santa Fe Railway Co., et al. Henry E. Foley, 10 Post Office Square, Boston, Mass., for intervening plaintiffs, the New England Governors.

[fols. 2722-2735a] ACKNOWLEDGMENTS OF SERVICE OF JOINT PRAECIPE OMITTED IN PRINTING

[fol. 2736] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

CERTIFICATE OF SERVICE—Filed July 13, 1946

I hereby certify that a true copy of the joint praecipe filed by plaintiffs in the above entitled proceedings, to wit, the States of New York, Delaware, et al., the New England Governors and The Atchison, Topeka and Santa Fe Railway Company, et al., in connection with the appeals taken by them from the final decree and order of the District Court in said proceedings, the original of which joint praecipe has been filed with the Clerk of the District Court of the United States for the Northern District of New York, was served on this day upon each of the following counsel of record by registered mail:

Wendell Berge, Esq.
Assistant Attorney General of the United States, Department of Justice, Washington, D. C.

[fol. 2737] Edward H. Miller, Esq.
Special Assistant to the Attorney General of the United States
Department of Justice
Washington, D. C.

David O. Mathews, Esq.
Special Assistant to the Attorney General of the United States
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Esq.
Chief Counsel to the United States
Interstate Commerce Commission
Washington 25, D. C.

J. V. Norman, Esq.
Kentucky Home Life Bldg.
Louisville, Ky.

Byron M. Gray, Esq.
608 National Bank of Topeka Bldg.
Topeka, Kansas
George T. Simpson, Esq.
State Capitol Building
St. Paul, Minnesota
C. E. Logwood, Esq.
Public Service Commission of South Carolina
Columbia, South Carolina
Robert F. Park, Esq.
Alabama Public Service Commission
Montgomery, Alabama
Lewis Petteway, Esq.
Florida Railroad Commission
Tallahassee, Florida
J. C. Murray, Esq.
231 Louisiana Street
Little Rock, Ark.
Neal E. Williams, Esq.
Chamber of Commerce
Fargo, North Dakota
H. Emerson Kokjer, Esq.
Deputy Attorney General of Nebraska
State House
Lincoln, Nebraska
Duane T. Swanson, Esq.
State Capitol Building
Lincoln, Nebraska
C. B. Bee, Esq.
State Capitol
Oklahoma City 5, Oklahoma
[fol. 2738] Walter R. McDonald, Esq.
Georgia Public Service Commission
Atlanta, Georgia
Jerry W. Carter, Esq.
Florida Railroad Commission
Tallahassee, Florida
James Noel, Esq.
Assistant Attorney General
Austin, Texas

Dated at New York, N. Y., this 12th day of July, 1946.

Frank J. Clark, Of Counsel.

[fol. 2739] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

AFFIDAVIT OF SERVICE BY MAIL—Filed July 19, 1946

STATE OF NEW YORK,
County of New York, ss:

Frank J. Clark, being duly sworn, deposes and says that he is one of the counsel for the States of New York, Delaware, et al., plaintiffs in Civil No. 2311, and the States of New York and Ohio, intervening plaintiffs in Civil No. 2337 above. That he is over twenty-one years of age and is not a party to the above actions and has an office at 25 Broadway, New York, N. Y. That on the 17th day of July, 1946, he served the attached Notice of Motion and proposed Order [fol. 2740] on behalf of the above named plaintiffs by depositing true copies of the same securely enclosed in postpaid sealed envelopes in a Post Office Box regularly maintained by the United States Government at No. 25 Broadway, New York, N. Y., addressed to the following counsel of record:

Edward H. Miller, Esq.
Special Assistant to the Attorney General of the United States
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Esq.
Interstate Commerce Commission
Washington 25, D. C.

J. V. Norman, Esq.
Kentucky Home Life Bldg.
Louisville, Ky.

Byron M. Gray, Esq.
608 National Bank of Topeka Bldg.
Topeka, Kansas

George T. Simpson, Esq.
State Capitol Building
S. Paul, Minnesota

C. E. Logwood, Esq.
Public Service Commission of South Carolina
Columbia, South Carolina
Robert F. Park, Esq.
Alabama Public Service Commission
Montgomery, Alabama
Lewis Petteway, Esq.
Florida Railroad Commission
Tallahassee, Florida
J. C. Murray, Esq.
231 Louisiana Street
Little Rock, Ark.
Neal E. Williams, Esq.
Chamber of Commerce
Fargo, North Dakota
H. Emerson Kokjer, Esq.
Deputy Attorney General of Nebraska
State House
Lincoln, Nebraska
C. B. Bee, Esq.
State Capitol
Oklahoma City 5, Oklahoma
[fol. 2741] Walter R. McDonald, Esq.
Georgia Public Service Commission
Atlanta, Georgia
Jerry W. Carter, Esq.
Florida Railroad Commission
Tallahassee, Florida
James Noel, Esq.
Assistant Attorney General
Austin, Texas
Henry E. Foley, Esq.
10 Post Office Square
Boston, Mass.
Hugh S. Jenkins, Esq.
State House, Columbus, Ohio
Douglas F. Smith, Esq.
11 South LaSalle Street
Chicago, Illinois

Frank J. Clark.

Sworn to before me this 18th day of July, 1946.
Joseph Paul Catera, Notary Public. Bronx Co. Clk's No. 27, Reg. No. 81-C-8. Cert. filed in N. Y. Co. Clk's No. 656, Reg. No. 472C8. Commission Expires March 30, 1948. (Seal.)

[fol. 2742] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

Sirs:

Please take notice that the undersigned will apply to this Court at the United States District Court House in the Federal Court Building in the City of Syracuse, State of New York, on the 25th day of July, 1946, at 2:30 o'clock in the afternoon of that day, or as soon thereafter as counsel can be heard, for an order, a copy of which is attached hereto, authorizing the transmittal by the Clerk of this Court to the Clerk of the Supreme Court of the United States of the originals of all those portions of the record designated to be prepared as the transcript of record on appeal herein, in [fol. 2743] lieu of copies thereof.

Yours, etc. Parker McCollester, Frank J. Clark, 25 Broadway, New York 4, N. Y., Kenneth L. Sater, 50 East Broad Street, Columbus, Ohio, Of Counsel for Plaintiff States.

To:

G. A. Porter, Esq.,
Clerk of the United States District Court,
Northern District of New York,
Post Office Building,
Utica, New York.

Edward H. Miller, Esq.,
Special Assistant to the Attorney General of the United States
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Esq.,
Chief Counsel to the United States,
Interstate Commerce Commission,
Washingtc . 25, D. C.

J. V. Norman, Esq.,
Kentucky Home Life Bldg.,
Louisville, Ky.

Byron M. Gray, Esq.,
608 National Bank of Topeka Bldg.
Topeka, Kansas

George T. Simpson, Esq.,
State Capitol Building,
St. Paul, Minnesota.
C. E. Logwood, Esq.,
Public Service Commission of South Carolina
Columbia, South Carolina.
Robert F. Park, Esq.,
Alabama Public Service Commission,
Montgomery, Alabama.
Lewis Petteway, Esq.,
Florida Railroad Commission,
Tallahassee, Florida.
J. C. Murray, Esq.,
231 Louisiana Street
Little Rock, Ark.
[fol. 2744] Neal E. Williams, Esq.,
Chamber of Commerce,
Fargo, North Dakota.
H. Emerson Kokjer, Esq.,
Deputy Attorney General of Nebraska,
State House,
Lincoln, Nebraska.
C. B. Bee, Esq.,
State Capitol,
Oklahoma City 5, Oklahoma.
Walter R. McDonald, Esq.,
Georgia Public Service Commission,
Atlanta, Georgia.
Jerry W. Carter, Esq.,
Florida Railroad Commission,
Tallahassee, Florida.
James Noel, Esq.,
Assistant Attorney General,
Austin, Texas
Henry E. Foley, Esq.,
10 Post Office Square,
Boston, Mass.
Hugh S. Jenkins, Esq.,
State House,
Columbus, Ohio.
Douglas F. Smith, Esq.,
11 South LaSalle Street,
Chicago, Illinois.

Dated: July 17, 1946.

[fol. 2745] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

ORDER AUTHORIZING TRANSMITTAL OF THE ORIGINAL RECORD ON APPEAL—Filed July 26, 1946

These consolidated causes coming on to be heard upon motion of the States of New York, Delaware, et al., plaintiffs in Civil No. 2311, and the States of New York and Ohio, intervening plaintiffs in Civil No. 2337, for entry of an order authorizing the transmittal by the Clerk of this Court to the Clerk of the Supreme Court of the United States of the originals of all those parts of the record designated to be prepared as the record on appeal herein, in lieu of copies of the parts of the record so designated, and due notice having been given to all of the parties and the Court being fully advised in the premises,

It is hereby ordered that the originals of all those [fol. 2746] parts of the record designated to be prepared as the transcript of the record on appeal herein for transmittal to the Clerk of the Supreme Court of the United States may be forwarded to the Clerk of the Supreme Court of the United States as the record on appeal herein, in lieu of copies thereof.

Enter: Stephen W. Brennan, United States District Court Judge.

Dated: July 25, 1946.

[fol. 2747] IN THE DISTRICT COURT OF THE UNITED STATES

Civil No. 2311

[Title omitted]

Civil No. 2337

[Title omitted]

ORDER DIRECTING TRANSMITTAL OF THE ORIGINAL RECORD ON APPEAL—Filed July 26, 1946

These consolidated causes, coming on to be heard upon the motion of The Atchison, Topeka and Santa Fe Railway Company, et al., plaintiffs, in connection with the appeal by the said The Atchison, Topeka and Santa Fe Railway Company, et al., allowed herein on June 25, 1946, for entry of an order directing the transmittal by the Clerk of this Court to the Clerk of the Supreme Court of the United States of the originals of all of those portions of the record designated for transmittal to the said Clerk of the Supreme Court of the United States, in lieu of copies thereof, and due notice having been given to all parties, and the [fol. 2748] Court being fully advised in the premises,

It is hereby ordered that, to the extent of those parts of the record in these consolidated causes which shall be included in the record on appeal, the Clerk of this Court may transmit to the Clerk of the Supreme Court of the United States the original record herein, in lieu of copies thereof.

Dated: July 25, 1946.

Enter: —— ——, United States Circuit Court of Appeals Judge;, Stephen W. Brennan, United States District Court Judge; —— ——, United States District Court Judge.

[fol. 2749] IN UNITED STATES DISTRICT COURT

DOCKET ENTRIES

Docket Civil 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, Michigan, New Jersey, Ohio, Wisconsin and The Commonwealth of Pennsylvania, Plaintiffs,

against

THE UNITED STATES OF AMERICA, Defendant;

CHICAGO AND NORTH WESTERN RAILWAY COMPANY; CHICAGO, Burlington & Quincy Railroad Company; The Colorado and Southern Railway Company; Fort Worth and Denver City Railway Company; The Wichita Valley Railway Company; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Great Northern Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Beaver, Meade and Englewood Railroad Company; Guy A. Thompson, Trustee; Missouri Pacific Railroad Company, Debtor; St. Louis Southwestern Railway Company; The Atchison, Topeka and Santa Fe Railway Company; Gulf, Colorado and Santa Fe Railway Company; Panhandle and Santa Fe Railway Company; Henry A. Scandrett, Walter J. Cummings and George I. Haight, Trustees of the Property of Chicago, Milwaukee, St. Paul and Pacific Railroad Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Union Pacific Railroad Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Green Bay and Western Railroad Company; Northern Pacific Railway Company; The Texas and Pacific Railway Company; Chicago Great Western Railway Company; Southern Pacific Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company, Texas and New Orleans Railroad Company; Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; Raymond E. Baldwin, Governor of the State of Connecticut, Intervening Plaintiffs;

THE STATE OF OKLAHOMA; THE CORPORATION COMMISSION, State of Oklahoma; The State of Louisiana, and Arkansas Corporation Commission; The State of Arkansas; The State of Kansas, Corporation Commission of the State of Kansas, and The Kansas Industrial Development Commission; State of Texas and Railroad Commission of Texas; State of Nebraska, and Nebraska State Railway Commission; State of North Dakota, and Public Service Commission of the State of North Dakota; State of South Dakota, and Public Utilities Commission of the State of South Dakota; Interstate Commerce Commission; States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee and the Southern Governors Conference, a Voluntary Organization of the Governors of Said States; State of Minnesota, Southeastern Association of Railroad and Utilities Commissioners; Intervening Defendants

Attorneys

For Defendant: J. A. A. Burquist, 102 State Capital, Saint Paul, Minn. for Deft. State of Minnesota; Ferris, Burgess, Hughes & Dorrance, First Natl. Bk. Bldg., Utica, N. Y.; J. V. Norman, 1512 Kentucky Home Life Bldg., Louisville 2, Ky.; Foley, Hoag & Eliot, 10 P. O. Square, Boston 9, Mass.

For Plaintiff: Parker McCollester, Frank J. Clark, Kenneth L. Slater, Nathaniel L. Goldstein, Attorney General, Albany, N. Y.

[fol. 2750] **Filings—Proceedings**

1945

Nov. 29. Filed Petition.

Nov. 29. Issued Summons.

Nov. 29. Filed Petition of Chicago and North Western Railway Company, et al., for leave to intervene.

1945

Nov. 29. Filed and entered order granting leave to intervene.

Nov. 29. Filed Acknowledgment of service of copy of Plaintiff's Petition.

Dec. 4. Filed Summons served Nov. 29, 1945 on Attorney General of the United States; Nov. 30, 1945 on Irving J. Higbee, U. S. Attorney.

Dec. 5. Filed and entered order establishing Special Court.

Dec. 6. Filed Order to show cause why application for interlocutory Injunction should not issue, etc.

Dec. 10. Filed acknowledgment of service of copy of order to Show Cause by Daniel Knowlton for Interstate Commerce Commission.

Dec. 10. Filed acknowledgment of service of copy of order to show cause by S. Barron for Western Railroads, Interveners.

Dec. 10. Filed Petition for leave to intervene as party defendants by Robert S. Kerr, Governor, Oklahoma City; By C. B. Bee, Special Atty. The Corporation Commission, State of Oklahoma; The State of Louisiana & Arkansas Corp. Commission by J. C. Murray, Special Atty.; Little Rock, Ark., The State of Arkansas by Ben Laney, Governor, Little Rock, Ark.; The State of Kansas, Corporation Commission of the State of Kansas, and the Kansas Industrial Development Commission by Byron M. Gray, Special Atty.; Topeka, Kan.; State of Texas and Railroad Commission of Texas by Grover Sellers, Atty. Genl., Austin, Texas; State of Nebraska and Nebraska State Railway Commission, by Walter R. Johnson, Atty. Gen'l and H. Emerson Hokjer, Deputy Atty. Gen'l, Lincoln, Neb.; State of North Dakota and Public Service Commission of the State of North Dakota by Nels G. Johnson, Atty. Gen'l, Bismarck, N. D. and Neal E. Williams, Special Asst. Atty. Gen'l, Fargo, N. D., State of South Dakota and Public Utilities Commission of the State of South Dakota by Wm. Williamson, Atty. Pierre, S. D.

Dec. 12. Filed intervention of Interstate Commerce Commission.

Dec. 12. Filed Motion and application to intervene as parties defendants of States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee, and the Southern Governors Conference.

1945

Dec. 13. Filed Amended Petition for leave to intervene, of Chicago, and North Western Railway Co. et al. as plaintiffs.

Dec. 13. Hearing on motion for temporary injunction.

Dec. 13. Filed Petition for leave to intervene as plaintiffs by Horace A. Hildreth, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts, John O. Pastore, Governor of the State of Rhode Island~~, Raymond~~ E. Baldwin, Governor of the State of Connecticut.

Dec. 13. Filed Affidavit of Parker McCollester.

Dec. 13. Filed Affidavit of Charles E. Bell.

Dec. 13. Filed Affidavit of Hon. Thomas E. Dewey, Governor of the State of New York.

Dec. 13. Filed Affidavit of M. P. Catherwood.

Dec. 13. Filed Affidavit of Mark A. Daly.

Dec. 13. Filed Affidavit of George Mace.

Dec. 13. Filed Affidavits of Frank S. Farley, Henry W. Peterson, Alfred Rhodes, S. Elwood Griffith, on behalf of State of New Jersey.

Dec. 13. Filed Affidavit of Walter W. Bacon, Governor of Delaware.

Dec. 13. Filed Affidavit of Gerrish Gassaway, Secretary-Manager of the Chamber of Commerce of Delaware.

Dec. 13. Filed Affidavit of Floyd Chalfant, Secretary of Commerce of Penna.

[fol. 2751] Dec. 13. Filed affidavit of O. F. Heslar.

Dec. 13. Filed affidavit of Cooper C. Clifton.

Dec. 13. Filed affidavit of Elliott S. Moore.

Dec. 13. Filed affidavit of Maurice D. Collins.

Dec. 13. Filed affidavit of William L. Fogleson.

Dec. 13. Filed affidavit of Ora M. Enyart.

Dec. 13. Filed affidavit of C. H. Bartels.

Dec. 13. Filed affidavit of Raymond E. Baldwin, Governor of the State of Conn.

Dec. 13. Filed affidavit of H. C. Barron.

Dec. 13. Filed affidavit of Glenn F. Vivian.

Dec. 13. Filed affidavit of Harvey P. Schneiber.

Dec. 13. Filed affidavit of Ford K. Edwards.

1945

Dec. 15. Filed affidavit of Maurice T. Otto.

Dec. 15. Filed affidavit of Andrew H. Brown.

Dec. 15. Filed affidavit of Robert L. Moulton.

Dec. 15. Filed affidavit of J. W. Barton.

Dec. 15. Filed acknowledgment of order to show cause by Wendell Berge for Deft. United States of America.

Dec. 21. Filed and entered Interlocutory Injunction at 5.05 P. M.

Dec. 27. Filed Plaintiffs' Stipulation for Costs.

1946

Jan. 2. Filed Stenographic Minutes of Proceedings—Dec. 13, 1945.

Jan. 12. Filed Answer of Interstate Commerce Commission.

Jan. 14. Filed Answer of the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee and The Southern Governors Conference.

Jan. 18. Filed Petition in Intervention of State of Minnesota, as Defendant.

Jan. 24. Filed Amended Petition for leave to intervene by Chicago and North Western Railway Company; Chicago Burlington & Quincy Railroad Company; The Colorado and Southern Railway Company; Fort Worth and Denver City Railway Company; The Wichita Valley Railway Company; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Denver and Rio Grande Western Railway Company; The Duluth, South Shore and Atlantic Railway Company; Great Northern Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Beaver, Meade and Englewood Railroad Company; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; St. Louis Southwestern Railway Company; the Atchison, Topeka and Santa Fe Railway Company; Gulf, Colorado and Santa Fe Railway Co.; Panhandle and Santa Fe Railway Company; Henry A. Scandrett, Walter J. Cummings and George I. Haight, Trustees of the property of Chicago, Milwaukee, St. Paul & Pacific R. R. Co.; The Chicago, Rock Island and Pacific Railway Co. and Joseph B. Fleming and Aaron

1946

Colnon, Trustees of The Chicago, Rock Island & Pacific Railway Co.; Union Pacific Railroad Co.; Minneapolis, St. Paul & Sault Ste. Marie R. R. Co.; Missouri and Arkansas Railway Co.; Green Bay and Western R. R. Co.; Northern Pacific Railway Co.; The Texas and Pacific Railway Co.; Chicago Great Western Railway Co., Southern Pacific Company, Elgin, Joliet & Eastern Railway Co.; Fort Dodge, Des Moines & Southern Railway Co. and Texas and New Orleans Railroad Co.

Jan. 30. Filed Answer of The United States of America.

Feb. 9. Filed Answer of The States of Arkansas, Kansas, Nebraska, North Dakota, Oklahoma, South Dakota, and Texas; and The Arkansas Public Service Commission (Successor to Arkansas Corporation Commission), The State Corporation Commission of Kansas, The Kansas Industrial Development Commision; The Nebraska State Railway Commission; The Public Service Commission of the State of North Dakota; The Corporation Commission of the State of Oklahoma; The Public Utilities Commission of the State [fol. 2752] of South Dakota, and the Railroad Commission of the State of Texas.

Feb. 13. Filed Answer of The State of Minnesota to Petition of the Plaintiffs.

Feb. 18. Filed Petition of Southeastern Association of R. R. and Utilities Commissioners for leave to intervene as Defts.

Feb. 18. Filed Answer of Southeastern Association of R. R. and Utilities Commissioners.

Feb. 18. Filed and entered order consolidating Civil Actions No. 2311 & No. 2337 (See 2337).

Feb. 18. Filed Exhibits 1 to 5 inclusive (Ex. No. 5—Box) delivered to Judge Chase (See 2337).

Feb. 18-19.

Feb. 20-21. Case tried in New York before Harrie B. Chase, U. S. C. J.; Jno. C. Knox, U. S. D. J. and S. W. Brennan, U. S. D. J. 6

Mar. 8. Filed Minutes of Proceedings Feb. 18, 1946 (see 2337).

Mar. 8. Filed Brief for the Atchison, Topeka and Santa Fe Railway Co. et al. Plaintiffs and intervenors (See 2337).

Mar. 13. Filed Reply Brief on behalf of Defendants, The States of Arkansas, et al. (2337).

1946

Mar. 14. Filed Reply Brief on behalf of Horace A. Hildreth, Governor of State of Maine et al. (2337).

Mar. 15. Filed Brief for the State of Minnesota (2337).

Mar. 15. Filed Reply Brief for the United States (2337).

Mar. 20. Filed Reply Brief for Plaintiffs (2337).

May 9. Filed Opinion, before Chase, Circuit Judge; Knox & Brennan, District Judges (2337).

May 17. Filed Motion to dissolve interlocutory injunction and notice of hearing (2337).

May 18. Filed Notice of Motion and Petition for continuance or reinstatement (2337) of interlocutory injunction or for stay pending appeal (2337).

May 20. Filed Notice of hearing on motion, and motion to stay enforcement and to continue interlocutory injunction (2337).

May 27. Filed Motion for continuance of the Interlocutory Injunction herein (2337).

May 27. Filed Notice of Motion of Western Lines (2337).

May 27. Filed Response of Southern States and Southern Governors Conference, Interveners, to the Petition of Plaintiffs in Civ. Action 2311 for continuance or reinstatement of Interlocutory Injunction or for Stay pending appeal 2337.

May 27. Filed and entered Final Decree and order continuing interlocutory injunction (2337).

June 5. Filed Stenographic hearing of meeting held May 23, 1946 (2337).

June 5. Filed Application of The United States of America et al. for allowance of an appeal to review so much of the Final Decree of District Court for Northern Dist. of N. Y. as continued in effect interlocutory injunction (2337).

June 5. Filed & entered order allowing appeal of United States of America et al. dated May 31, 1946 (2337).

June 5. Filed Assignment of Errors (2337).

June 5. Filed Jurisdictional Statement by Defendant and intervening defendants under Rule 12 of Revised Rules of Supreme Court of the United States (2337).

June 5. Filed Citation on Appeal (2337).

June 5. Filed Certificate of Service (2337).

June 25. Filed Jurisdictional Statement (2337).

June 25. Filed Petition of the States of New York, Delaware, et al. for appeal to the Supreme Court of the United States 2337.

June 25. Filed and entered order allowing appeal (2337).

1946

June 25. Filed Bond on appeal (2337) (Approved Stephen W. Brennan, USDJ.

June 25. Filed Assignment of errors and prayer for reversal (2337).

June 25. Filed Citation on Appeal (2337).

June 25. Filed Statement calling attention to the provisions of Supreme Court Rule 12 (3) (2337).

June 25. Filed Petition of The Hon. Horace A. Hildreth, Governor of the State of Maine, et al. for Appeal (2337).

June 25. Filed and entered order allowing appeal (2337).

June 25. Filed Bond on Appeal (Approved, Stephen W. Brennan, U. S. D. J. 2337.

[fol. 2753]

June 25 Filed Assignment of Errors and prayer for reversal (2337).

June 25 Filed Citation on appeal (2337).

June 25 Filed Statement as to jurisdiction upon appeal (2337).

June 25 Filed Petition of The Atchison, Topeka and Santa Fe Ralway Co. et al., for appeal to the Supreme Court of The United States (2337).

June 25 Filed and entered order allowing appeal (2337).

June 25 Filed Bond on Appeal (2337) Approved, Stephen W. Brennan U. S. D. J.

June 25 Filed Assignment of Errors and prayer for reversal (2337).

June 25 Filed Jurisdictional Statement (2337).

June 25 Filed Citation on Appeal (2337).

June 29 Filed Statement calling attention to the provisions of Supreme Court Rule 12 (3) 2337.

July 1 Filed Certificate of service of papers on appeal (2337).

July 5 Filed Proof of service of appeal papers (2337).

July 13 Filed Joint Praecipe of the appellants designating the portions of the record to be transmitted to the Clerk of the United States Supreme Court (2337).

July 13 Filed Certificate certifying service of the various appeal papers upon counsel for the appellees (2337).

July 13 Filed Certificate certifying service of the joint praecipe upon counsel of record designated in the certificate (2337).

July 13 Filed Acknowledgments of service of appeal papers (2337).

1946

July 17 Filed Acknowledgment of service of appeal papers by Chairman, Georgia Public Service Commission (2337).

July 19 Filed Acknowledgment of service of appeal papers by Edward H. Miller; David O. Mathews, Wendell Berge, Assts. to Atty. General (2337).

July 19 Filed Acknowledgment of service of Joint Praecipe by J. A. A. Bornquist, et al., Special Counsel, State of Minnesota; Duane T. Swanson; Byron M. Gray, Atty. for States of Arkansas, Kansas, et al.; Walter R. Johnson, Atty. Genl.; H. Emerson Kokjer, Dep. Atty. Genl. for State of Nebraska and Nebraska State Ry. Com.; J. C. Murray; R. E. Bruns; Robert F. Park for Alabama Public Service Commission; C. E. Logwood; Daniel W. Knowlton; Wendell Berge, Asst. Atty. Genl. David O. Mathews, Special Asst. to Atty. Genl.; Edward H. Miller, Special Asst. to Atty. General (2337).

July 19 Filed Notice of motion for entry of order directing original record be transmitted to Clerk Supreme Court, propsed order & affidavit of service (2337).

July 20 Filed Notice for order authorizing Clerk to transmit original record (2337).

July 20 Filed Acknowledgments of receipt and service of following papers,—Petition for appeal filed June 25, 1946; Assignment of errors filed June 25, 1946; order allowing appeal entered June 25, 1946, Citation signed and filed June 25, 1946, Bond on Appeal filed June 25, 1946; Statement as to Jurisdiction on appeal filed June 25, 1946; Statement calling attention to the provisions of Supreme Court Rule 12 (3) filed on or about June 28, 1946;—by Wendell Berge, Asst. Atty. Genl.; Edward H. Miller & David O. Mathews, Spec. Asst. to Atty. Genl.; J. V. Norman, Atty. for State of Alabama et al.; D. McDonald, Chairman, Georgia Public Service Com.; James D. Smullen, Asst. Atty. Genl. for State of Texas; William Williamson, Atty. for Public Utilities Com. of S. Dakota; C. E. Logwood; J. A. A. Bornquist, Atty. State of Minnesota; J. C. Murray, Atty. for Gov. of Kansas et al., C. B. Bee, Atty. for Hon. Robert S. Kerr, Gov. of State of Oklahoma et al.; Walter R. Johnson, Atty. Genl. H. Emerson Kokjer, Dep. Atty. Genl. Attys. for State of Nebraska et al.; C. F. Kelsch, Atty. [fol. 2754] for Public Service Com; State of N. Dakota;

1946

Byron M. Gray, Atty. for State of Arkansas et al.; Lewis Petteyway, Atty. for Florida R. R. Com.; Robert F. Park, Atty. for Alabama Public Service Com.; Neal E. Williams, Spec. Asst. Atty. Genl. State of N. Dakota, et al.; Daniel W. Knowlton, Atty. for Interstate Commerce Commission; (2337).

July 22 Filed Acknowledgment of service of Joint Praecipe by C. B. Bee, for Hon. R. S. Kerr, Gov. of Oklahoma, Corporation Commission, State of Oklahoma (2337).

July 22 Filed Acknowledgment of service of Joint Praecipe by Lewis Petteway, Tallahassee, Fla. (2337).

July 22 Filed calling attention to the Provisions of Supreme Court Rule 12(3) by Attys. for The Atchison, Topeka & Santa Fe Ry. Co. et al., (2337).

July 22 Filed Statement of Ratio of out-of-pocket expenses—I. C. C. (2337).

July 22 Filed Statement of contents of Box containing record before Interstate Commerce Commission (2337).

July 22 Filed Notice of Motion for entry of order directing transmittal by Clerk of the District Court, N. D. N. Y. of the original record on appeal (2337).

July 22 Filed Motion for the entry of an order directing the transmittal of the original record on appeal (2337).

July 26 Filed Acknowledgment of service of Joint Praecipe by J. V. Norman, Counsel for the States of Alabama et al., (2337).

July 26 Filed and entered order on behalf of The Atchison, Topeka and Santa Fe Railway Co. et al. directing transmittal of the original record on appeal (2337).

July 26 Filed and entered order on behalf of the States of New York et al., authorizing transmittal of the original record on appeal (2337).

[fol. 2755] IN UNITED STATES DISTRICT COURT

DOCKET ENTRIES

Docket Civil 2337

Title of Case

Attorneys

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY; Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company, and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Chicago, Saint Paul, Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company; Forth Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Santa Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Santa Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; The Texas and Pacific Railway Company; Union Pacific Railroad Company; The Wichita Valley Railway Company, Plaintiffs,

vs.

THE UNITED STATES OF AMERICA, Defendant;

HORACE A. HILDRETH, Governor of the State of Maine; Charles M. Dale, Governor of the State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of the Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island and Raymond E. Baldwin, Governor of the State of Connecticut; States of New York and Ohio; Intervening Plaintiffs;

INTERSTATE COMMERCE COMMISSION; SOUTHEASTERN ASSOCIATION OF RAILROAD AND UTILITIES COMMISSIONERS; States of Kansas, Oklahoma, Arkansas, Texas, Nebraska, North Dakota, South Dakota and the Corporation Commision of the State of Oklahoma, the Arkansas Public Service Commission, the State Corporation Commission of Kansas, the Kansas Industrial Development Commission, the Railroad Commission of Texas, the Nebraska State Railway Commission, the Public Service Commission of the State of North Dakota, and the Public Utilities Commision of the State of South Dakota, Alabama, Florida, Georgia, Louisiana, Missisippi, North Carolina, South Carolina, Tennessee and the Southern Governors Conference, Intervening Defendants

[fol. 2756] Filings—Proceedings

1946

Feb. 1. Filed Complaint.

Feb. 1. Issued summons, 1 original and 3 copies.

Feb. 4. Filed and entered order establishing Special Court.

Feb. 6. Filed Summons served Feb. 4, 1946 on Interstate Commerce Commission (D. W. Knowlton); United States of America, Attorney General, Washington, D. C.; Irving J. Higbee, U. S. Attorney for United States of America.

Feb. 18. Filed Answer of the United States of America.

Feb. 18. Filed Intervention of Interstate Commerce Commission.

Feb. 18. Filed Answer of Interstate Commerce Commission.

Feb. 18. Filed and entered order granting motion to intervene—States of New York and Ohio as party plaintiffs.

Feb. 19. Filed Petition of States of New York and Ohio, for leave to intervene as party plaintiffs.

Feb. 18. Filed Answer of the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee and The Southern Governors Conference.

1946

Feb. 18. Filed Petition of Horace A. Hildreth, Governor of State of Maine; Charles M. Dale, Governor of State of New Hampshire; Mortimer R. Proctor, Governor of the State of Vermont; Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; John O. Pastore, Governor of the State of Rhode Island; and Raymond E. Baldwin, Governor of the State of Connecticut, for leave to intervene as parties plaintiff.

Feb. 18. Filed and entered order granting motion to intervene—to Horace A. Hildreth, Gov. State of Maine; Charles M. Dale, Gov. of State of N. H.; Mortimer R. Proctor, Gov. State of Vermont; Maurice J. Tobin, Gov. of Commonwealth of Mass.; John O. Pastore, Gov. of State of R. I.; and Raymond E. Baldwin, Gov. State of Conn. as party plaintiffs.

Feb. 18. Filed Petition of States of Kansas, Oklahoma, Arkansas, Texas, Nebraska, North Dakota, and South Dakota, and the Corporation Commission of the State of Oklahoma, the Arkansas Public Service Commission, the State Corporation Commission of Kansas, the Kansas Industrial Development Commission, the Railroad Commission of Texas, the Nebraska State Railway Commission, the Public Service Commission of the State of North Dakota, and the Public Utilities Commission of the State of South Dakota, to intervene as Defendants.

Feb. 18. Filed Answer of the States of Arkansas, Kansas, Nebraska, North Dakota, Oklahoma, South Dakota and Texas; and the Arkansas Public Service Commission; The State Corporation Commission of Kansas; The Kansas Industrial Development Commission; The Nebraska State Railway Commission; The Public Service Commission of the State of North Dakota, The Corporation Commission of the State of Oklahoma; The Public Utilities Commission of the State of South Dakota and the Railroad Commission of the State of Texas.

Feb. 18. Filed Petition of Southeastern Association of Railroad and Utilities Commissioners for leave to intervene as Defendants.

Feb. 18. Filed Answer of Southeastern Association of Railroad and Utilities Commissioners.

Feb. 18. Filed and entered order amending Petition.

Feb. 18. Filed and entered order consolidating Civil Actions No. 2311 and No. 2337 (See 2311).

1946

Feb. 18. Filed Exhibits 1 to 5 inclusive (Ex. No. 5—Box delivered to Judge Chase (See 2311).

Mar. 8. Filed Minutes of Proceedings—Feb. 18, 1946 (See 2311).

Mar. 8. Filed Brief for the Atchison, Topeka & Santa Fe Failway Co. et al. plaintiffs & intervenors (2311).

Mar. 13. Filed Reply Brief on behalf of the Defendants—The States of Arkansas, et al. (See 2311).

[fol. 2757] Mar. 14. Filed Reply Brief on behalf of Horace A. Hildreth, Governor of State of Maine et al. (2311).

Mar. 15. Filed Reply Brief for the United States (2311).

Mar. 15. Filed Brief for the State of Minnesota (2311).

Mar. 20. Filed Reply Brief for Plaintiffs (2311).

May 9. Filed Opinion, Chase, Circuit Judge; Knox and Brennan, District Judges (2311).

May 17. Filed Motion to dissolve interlocutory injunction and notice of hearing (2311).

May 18. Filed Notice of Motion and Petition for continuance or reinstatement of interlocutory injunction or for stay pending appeal (2311).

May 20. Filed Notice of Hearing on motion and motion to stay enforcement and to continue interlocutory injunction (2311).

May 27. Motion for continuance of the Interlocutory Injunction herein (2311).

May 27. Filed Notice of Motion of the Western Lines (2311).

May 27. Filed Response of Southern States and Southern Governors Conference, Interveners, in Civ. Action No. 2311 for continuance or reinstatement of Interlocutory Injunction or for stay pending appeal (2311).

May 27. Filed and entered Final Decree and order continuing Interlocutory Injunction (2311).

June 5. Filed Stenographic hearing of meeting held May 23, 1946 (2311).

June 5. Filed Application of United States of America et al. for allowance of an appeal to review so much of the Final Decree of Dist. Court for Northern Dist. of N. Y. as continued in effect interlocutory injunction (2311).

June 5. Filed and entered order allowing appeal of United States of America et al. dated May 31, 1946 (2311).

June 5. Filed Assignment of Errors (2311).

1946

June 5. Filed Jurisdictional Statement by Defendant and intervening defendants under Rule 12 of Revised Rules of Supreme Court of United States (2311).

June 5. Filed Citation on Appeal (2311).

June 5. Filed Certificate of Service (2311).

June 25. Filed Jurisdictional Statement (2311).

June 25. Filed Petition of the States of New York, Delaware, et al. for Appeal to the Supreme Court of the United States (2311).

June 25. Filed and entered order allowing appeal (2311).

June 25. Filed Bond on Appeal (2311) Approved, Stephen W. Brennan, U. S. D. J.

June 25. Filed Assignment of errors and prayer for reversal (2311).

June 25. Filed Citation on Appeal (2311).

June 25. Filed Statement calling attention to the provisions of Supreme Court Rule 12 (3) (2311).

June 25. Filed Petition of the Hon. Horace A. Hildreth, Governor of the State of Maine, et al. for Appeal (2311).

June 25. Filed and entered order allowing appeal (2311).

June 25. Filed Bond on Appeal (Approved, Stephen W. Brennan, U. S. D. J. 2311).

June 25. Filed Assignment of errors and prayer for reversal (2311).

June 25. Filed Citation on Appeal (2311).

June 25. Filed Statement as to jurisdiction upon appeal (2311).

June 25. Filed Petition of The Atchison, Topeka and Santa Fe Railway Co. et al. for appeal to the Supreme Court of the United States (2311).

June 25. Filed and entered order allowing appeal (2311).

June 25. Filed Bond on Appeal (Approved, Stephen W. Brennan, U. S. D. J. (2311).)

June 25. Filed Assignment of errors and prayer for reversal (2311).

June 25. Filed Jurisdictional Statement (2311).

June 25. Filed Citation on Appeal (2311).

June 29. Filed Statement calling attention to the provisions of Supreme Court Rule 12 (3) (2311).

July 1. Filed Certificate of service of papers on appeal (2311).

July 5. Proof of service of appeal papers (2311).

1946

July 13. Filed Joint Praecipe of the appellants designating the portions of the record to be transmitted to the Clerk of the United States Supreme Court (2311).

July 13. Filed Certificate certifying service of the various appeal papers upon counsel for the appellees (2311).

July 13. Filed Certificate certifying service of the joint praecipe upon counsel of record designated in the certificate (2311).

[fol. 2758] July 13. Filed Acknowledgments of service of appeal papers (2311).

July 17. Filed Acknowledgment of service of appeal papers by Chairman—Georgia Public Service Commission (2311).

July 19. Filed Acknowledgment of service of appeal papers by Edward H. Miller, David O. Mathews; Wendell Berge, Assts. to Atty. Genl. (2311).

July 19. Filed Acknowledgments of service of Joint Praecipe by J. A. A. Bornquist et al., Special Counsel, State of Minn.; Duane T. Swanson; Byron M. Gray, Atty. for States of Arkansas, Kansas, et al.; Walter R. Johnson, Atty. Genl.; H. Emerson Kokjer, Dep. Atty. Genl. for State of Nebraska and Nebraska State Railway Com.; J. C. Murray, R. E. Bruns; Robert F. Park for Alabama Public Service Com.; C. E. Logwood; Daniel W. Knowlton; Wendell Berge, Asst. Atty Genl.; David O. Mathews, Special Asst. to Atty. Genl.; Edward H. Miller, Special Asst. to Atty. Genl. (2311).

July 19 Filed Notice of Motion for entry of order directing original record be transmitted to Clerk, Supreme Court, proposed order & affidavit of service (2311).

July 20. Filed Notice of Motion for order authorizing Clerk to transmit original record (2311).

July 20. Filed Acknowledgments of receipt and service of following papers—Petition for Appeal filed June 25, 1946; Assignment of errors filed June 25, 1946; order allowing appeal entered June 24, 1946; Citation signed and filed June 25, 1946; Bond on Appeal filed June 25, 1946; Statement as to Jurisdiction on appeal filed June 25, 1946; Statement calling attention to the provisions of Supreme Court Rule 12 (3) filed on or about June 28, 1946;—by Wendell Berge, Asst. Atty. Genl.; Edward H. Miller & David O. Mathews, Spec. Asst. to Atty. Genl.; J. V. Norman, Atty. for State of Alabama, et al.; D. McDonald, Chairman,

1946

Georgia Public Service Com.; James D. Smullen, Asst. Atty. Genl. for State of Texas; William Williamson, Atty. for Public Utilities Com. of S. Dakota; C. E. Logwood; J. A. A. Bornquist, Atty. State of Minnesota; J. C. Murray, Atty. for Gov. of Kansas et al.; C. B. Bee, Atty. for Hon. Robert S. Kerr, Gov. of State of Oklahoma et al.; Walter R. Johnson, Atty. Genl. H. Emerson Kokjer, Dep. Atty. Genl. Attys. for State of Nebraska, et al.; C. F. Kelsch, Atty. for Public Service Com; State of N. Dakota; Byron M. Gray, Atty. for States of Arkansas, et al.; Lewis Petteyway, Atty. for Florida R. R. Com.; Robert F. Park, Atty. for Alabama Public Service Com.; Neal E. Williams, Special Asst. Atty. Genl., States of N. D. et al.; Daniel W. Knowlton, Atty. for Interstate Commerce Commission (2311).

July 22. Filed Acknowledgment of service of Joint Praecipe by C. B. Bee, for Hon. R. S. Kerr, Gov. of Oklahoma, Corporation Commission, State of Oklahoma (2311).

July 22. Filed Acknowledgment of service of Joint Praecipe, by Lewis Petteway, Tallahassee, Fla. (2311).

July 22. Filed Statement calling at-ention to The Provisions of Supreme Court Rule 12 (3) by Attys. for The Atchison, Topeka and Santa Fe Railway Co. et al. (2311).

July 22. Filed Statement of contents of box containing record before Interstate Commerce Commission (2311).

July 22. Filed Statement of Ratio of out-of-pocket expenses—I. C. C. (2311).

July 22. Filed Notice of Motion for entry of order directing transmittal by Clerk of the District Court, N. D. N. Y. of the original record on appeal (2311).

July 26. Filed Motion for the entry of an order directing the transmittal of the original record on appeal (2311).

July 26. Filed Acknowledgment of service of Joint Praecipe by J. V. Norman, Counsel for the States of Alabama et al. 2311.

July 26. Filed and entered order on behalf of The Atchison, Topeka and Santa Fe Railway Co. et al. directing transmittal of the original record on appeal (2311).

July 26. Filed and entered order on behalf of the States of New York et al. authorizing transmittal of the original record on appeal 2311.

[fol. 2759] Clerk's Certificate to transcript omitted in printing.

[fol. 2760] IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1946

Docket No. 343

[Title omitted]

Docket No. 345

[Title omitted]

NOTICE

To Counsel for all parties:

Please take notice that we are this day forwarding to the Clerk of the Supreme Court of the United States for filing in the above-entitled proceedings, the statement of points upon which The States of New York, Delaware, et al., appellants, in Docket No. 343, and the States of New York and Ohio, appellants, in Docket No. 345, intend to rely, and designation of the parts of the record necessary to be printed for the consideration of the said points, a copy of which is attached hereto and served upon you.

[fol. 2761] Dated this 13th day of August, 1946.

Parker McCollester, 25 Broadway, New York 4, N.Y.; Kenneth L. Sater, 50 East Broad Street, Columbus, Ohio, of Counsel for Appellant States.

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing notice and of the statement of points and designation of parts of the record therein referred to were mailed on this day to the counsel of record in the said cause whose names and addresses are set forth below.

Dated August 13, 1946.

Parker McCollester, of Counsel for Appellant States.

Receipt of a copy of the above notice, together with a copy of the statement of points and designation of parts of the record therein referred to, is hereby acknowledged on the date set opposite our respective names.

August —, 1946.

Wendell Berge, Esq., Assistant Attorney General of the United States, Department of Justice, Washington, D. C.

[fol. 2762] August —, 1946.

Edward H. Miller, Esq., Special Assistant to the Attorney General of the United States, Department of Justice, Washington, D. C.

August —, 1946.

David O. Mathews, Esq., Special Assistant to the Attorney General of the United States, Department of Justice, Washington, D. C.

August —, 1946.

Daniel W. Knowlton, Esq., Chief Counsel to the United States Interstate Commerce Commission, Washington 25, D. C.

August —, 1946.

J. V. Norman, Esq., Kentucky Home Life Bldg., Louisville, Ky.

August —, 1946.

Byron M. Gray, Esq., 608 National Bank of Topeka Bldg., Topeka, Kansas.

August —, 1946.

George T. Simpson, Esq., State Capitol Building, St. Paul, Minnesota.

August —, 1946.

C. E. Logwood, Esq., Public Service Commission of South Carolina, Columbia, South Carolina.

August —, 1946.

Robert F. Park, Esq., Alabama Public Service Commission, Montgomery, Alabama.

[fol. 2763] August —, 1946.

Lewis Petteway, Esq., Florida Railroad Commission, Tallahassee, Florida.

August —, 1946.

J. C. Murray, Esq., 231 Louisiana Street, Little Rock, Ark.

August —, 1946.

Neal E. Williams, Esq., Chamber of Commerce, Fargo, North Dakota.

August —, 1946.

H. Emerson Kokjer, Esq., Deputy Attorney General of Nebraska, State House, Lincoln, Nebraska.

August —, 1946.
Duane T. Swanson, Esq., State Capitol Building, Lincoln, Nebraska.

August —, 1946.
C. B. Bee, Esq., State Capitol, Oklahoma City 5, Oklahoma.

August —, 1946.
Walter R. McDonald, Esq., Georgia Public Service Commission, Atlanta, Georgia.

August —, 1946.
Jerry W. Carter, Esq., Florida Railroad Commission, Tallahassee, Florida.

August —, 1946.
Attorney General of the State of Texas, Austin, Texas.

[fol. 2764] August —, 1946.
Herbert T. Ferguson, Esq., Assistant Attorney General for the State of Wisconsin, 734 State Office Building, Madison, Wisconsin.

August —, 1946.
Kenneth L. Sater, Esq., 50 East Broad Street, Columbus, Ohio.

August —, 1946.
Robert Peacock, Esq., Deputy Attorney General for the State of New Jersey, Trenton, New Jersey.

August —, 1946.
Henry E. Foley, Esq., 10 Post Office Square, Boston, Mass.

August —, 1946.
Vincent G. Hart, Esq., 960 Fifth Avenue, New York, New York.

August —, 1946.
Hugh S. Jenkins, Esq., State House, Columbus, Ohio.

August —, 1946.

Douglas F. Smith, Esq., 11 South LaSalle Street,
Chicago, Illinois.

August —, 1946.

H. C. Barron, Esq., Room 310, Union Station,
Chicago, Illinois.

[fol. 2765] IN THE SUPREME COURT OF THE UNITED STATES

Docket No. 343

[Title omitted]

Docket No. 345

[Title omitted]

STATEMENT OF POINTS TO BE RELIED UPON AND DESIGNATION OF THE RECORD TO BE PRINTED—Filed August 14, 1946

Now come the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, appellants in Docket No. 343, and the States of New York and Ohio, appellants in Docket No. 345, and state:

(1) That said appellants intend to rely in brief and oral argument before this Court upon each of the points made in their assignments of error on their appeals in the above entitled causes, and

(2) That the entire record in these causes as filed in this Court, pursuant to praecipe for the transcript of record, [fol. 2766] is necessary for consideration of the points to be relied upon.

Dated: August 13, 1946.

Parker McCollester, 25 Broadway, New York 4, N.Y.;
Kenneth L. Sater, 50 East Broad Street, Columbus, Ohio, of Counsel for said Appellant States.

[fol. 2767] IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 344

[Title omitted]

STATEMENT OF POINTS TO BE RELIED UPON AND DESIGNATION OF THE PARTS OF THE RECORD TO BE PRINTED—Filed August 14, 1946

Come now The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New Hampshire; The Honorable Mortimer R. Proctor, Governor of the State of Vermont; The Honorable Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; The Honorable John O. Pastore, Governor of the State of Rhode Island; and The Honorable Raymond E. Baldwin, Governor of the State of Connecticut, the appellants herein, and adopt their assignments of error as their statement of points to be relied upon and represent that the whole of the record, as filed, is necessary for the consideration of the case.

Henry E. Foley, 10 Post Office Square, Boston 9, Massachusetts, Counsel for the Appellants.

August 9, 1946.

[fol. 2768] CERTIFICATE OF SERVICE

I, Henry E. Foley, attorney for the appellants in the above-entitled proceeding, hereby certify that true copies of said appellants' statement entitled—Statement of Points to be Relied upon and Designation of the Parts of the Record to be Printed—were mailed on this day to the following:

Wendell Berge, Esq., Assistant Attorney General of the United States, Department of Justice, Washington, D. C.

Edward H. Miller, Esq., Special Assistant to the Attorney General of the United States, Department of Justice, Washington, D. C.

David O. Mathews, Esq., Special Assistant to the Attorney General of the United States, Department of Justice, Washington, D. C.

[fol. 2769] Daniel W. Knowlton, Esq., Chief Counsel to the United States Interstate Commerce Commission, Washington 25, D. C.

J. V. Norman, Esq., Kentucky Home Life Building, Louisville, Kentucky.

Byron M. Gray, Esq., 608 National Bank of Topeka Building, Topeka, Kansas.

George T. Simpson, Esq., State Capitol Building, St. Paul, Minnesota.

C. E. Logwood, Esq., Public Service Commission of South Carolina, Columbia, South Carolina.

Robert F. Park, Esq., Alabama Public Service Commission, Montgomery, Alabama.

Lewis Petteway, Esq., Florida Railroad Commission, Tallahassee, Florida.

J. C. Murray, Esq., 231 Louisiana Street, Little Rock, Arkansas.

Neal E. Williams, Esq., Chamber of Commerce, Fargo, North Dakota.

H. Emerson Kokjer, Esq., Deputy Attorney General of Nebraska, State House, Lincoln, Nebraska.

Duane T. Swanson, Esq., State Capitol Building, Lincoln, Nebraska.

C. B. Bee, Esq., State Capitol, Oklahoma City 5, Oklahoma.

Walter R. McDonald, Esq., Georgia Public Service Commission, Atlanta, Georgia.

Jerry W. Carter, Esq., Florida Railroad Commission, Tallahassee, Florida.

James Noel, Esq., Assistant Attorney General, Austin, Texas.

[fol. 2770] The Attorney General of the State of New York, Albany, New York.

Parker McCollester, Esq., 25 Broadway, New York, New York.

Frank J. Clark, Esq., 25 Broadway, New York, New York.

Herbert T. Ferguson, Esq., Assistant Attorney General for the State of Wisconsin, 734 State Office Building, Madison, Wisconsin.

Kenneth L. Sater, Esq., 50 East Broad Street, Columbus, Ohio.

Robert Peacock, Esq., Deputy Attorney General for the State of New Jersey, Trenton, New Jersey.

Vincent G. Hart, Esq., 960 Fifth Avenue, New York, New York.

Hugh S. Jenkins, Esq., State House, Columbus, Ohio.

H. C. Barron, Esq., 1211 Railway Exchange Building, Chicago, Illinois.

Douglas F. Smith, Esq., 11 South LaSalle Street, Chicago 3, Illinois.

Dated this 10th day of August, 1946.

Henry E. Foley, Counsel for the Appellants in the Above-entitled Cause.

[fol. 2771] IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

Docket No. 345

APPELLANTS' STATEMENTS OF POINTS UPON WHICH THEY INTEND TO RELY AND DESIGNATION OF PARTS OF THE RECORD NECESSARY FOR CONSIDERATION—Filed August 8, 1946

Now come appellants, The Atchison, Topeka and Santa Fe Railway Company, et al., in compliance with Rule 13, Paragraph 9, of the Revised Rules of this Court, and state that:

(1) The said appellants intend to rely upon each of the points set out in the assignment of errors heretofore filed by the said appellants herein, and

[fol. 2772] (2) All parts of the record are necessary for the consideration of the points on which the said appellants rely, and should be embraced within the printed record.

Dated this 6th day of August, 1946.

H. C. Barron, Douglas F. Smith, Attorneys for The Atchison, Topeka and Santa Fe Railway Company, et al., Appellants.

Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago 3, Illinois.

[fol. 2773] IN THE SUPREME COURT OF THE UNITED STATES,

OCTOBER TERM, 1946

Docket No. 345

NOTICE

To Counsel for all parties:

Please take notice that we are this day forwarding to the Clerk of the Supreme Court of the United States for filing in the above-entitled proceedings, the statement of points upon which The Atchison, Topeka and Santa Fe Railway Company, et al., appellants, intend to rely, and designation of the parts of the record necessary to be printed for the consideration of the said points, a copy [fol. 2774] of which is attached hereto and served upon you.

Dated this 6th day of August, 1946.

H. C. Barron, Douglas F. Smith, Attorneys for The Atchison, Topeka and Santa Fe Railway Company, et al., Appellants.

Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago 3, Illinois.

Certificate of Service

I hereby certify that true and correct copies of the foregoing notice and of the statement of points and designation of parts of the record therein referred to were mailed on this day to the counsel of record in the said cause whose names and addresses are set forth below.

Dated August 6, 1946.

Douglas F. Smith, Attorney for The Atchison, Topeka and Santa Fe Railway Company, et al., Appellants.

Receipt of a copy of the above notice, together with a copy of the statement of points and designation of parts of the record therein referred to, is hereby acknowledged on the date set opposite our respective names.

August —, 1946.
Wendell Berge, Esq., Assistant Attorney General of the United States, Department of Justice, Washington, D. C.

[fol. 2775] August —, 1946.
Edward H. Miller, Esq., Special Assistant to the Attorney General of the United States, Department of Justice, Washington, D. C.

August —, 1946.
David O. Mathews, Esq., Special Assistant to the Attorney General of the United States, Department of Justice, Washington, D. C.

August —, 1946.
Daniel W. Knowlton, Esq., Chief Counsel to the United States Interstate Commerce Commission, Washington 25, D. C.

August —, 1946.
J. V. Norman, Esq., Kentucky Home Life Bldg., Louisville, Ky.

August —, 1946.
Byron M. Gray, Esq., 608 National Bank of Topeka Bldg., Topeka, Kansas.

August —, 1946.
George T. Simpson, Esq., State Capitol Building, St. Paul, Minnesota.

August —, 1946.
C. E. Logwood, Esq., Public Service Commission of South Carolina, Columbia, South Carolina.

August —, 1946.

Robert F. Park, Esq., Alabama Public Service Commission, Montgomery, Alabama.

[fol. 2776] August —, 1946.

Lewis Petteway, Esq., Florida Railroad Commission, Tallahassee, Florida.

August —, 1946.

J. C. Murray, Esq., 231 Louisiana Street, Little Rock, Arkansas.

August —, 1946.

Neal E. Williams, Esq., Chamber of Commerce, Fargo, North Dakota.

August —, 1946.

H. Emerson Kokjer, Esq., Deputy Attorney General of Nebraska, State House, Lincoln, Nebraska.

August —, 1946.

Duane T. Swanson, Esq., State Capitol Building, Lincoln, Nebraska.

August —, 1946.

C. B. Bee, Esq., State Capitol, Oklahoma City 5, Oklahoma.

August —, 1946.

Walter R. McDonald, Esq., Georgia Public Service Commission, Atlanta, Georgia.

August —, 1946.

Jerry W. Carter, Esq., Florida Railroad Commission, Tallahassee, Florida.

August —, 1946.

James Noel, Esq., Assistant Attorney General, Austin, Texas.

[fol. 2777] August —, 1946.

The Attorney General of the State of New York, Albany, New York.

August —, 1946.

Parker McCollester, Esq., 25 Broadway, New York, New York.

August —, 1946.

Frank J. Clark, Esq., 25 Broadway, New York, New York.

August —, 1946.

Herbert T. Ferguson, Esq., Assistant Attorney General for the State of Wisconsin, 734 State Office Building, Madison, Wisconsin.

August —, 1946.

Kenneth L. Sater, Esq., 50 East Broad Street, Columbus, Ohio.

August —, 1946.

Robert Peacock, Esq., Deputy Attorney General for the State of New Jersey, Trenton, New Jersey.

August —, 1946.

Henry E. Foley, Esq., 10 Post Office Square, Boston, Mass.

August —, 1946.

Vincent G. Hart, Esq., 960 Fifth Avenue, New York, New York.

August —, 1946.

Hugh S. Jenkins, Esq., State House, Columbus, Ohio.

[fol.2778] SUPREME COURT OF THE UNITED STATES

Nos. 343, 344 and 345, October Term, 1946

[Title omitted]

ORDER NOTING PROBABLE JURISDICTION—October 14, 1946

The statements of jurisdiction, motion to advance, and motion for a diminution of the printed record in these cases having been submitted and considered by the Court, probable jurisdiction is noted. The motion to advance is granted and the cases are assigned for argument on Monday, January 6, next. On consideration of the motion for a diminution of the printed record, it is denied.

[fol. 1] EXHIBIT No. 5

BEFORE THE INTERSTATE COMMERCE COMMISSION

Class Rate Investigation, 1939: Docket No. 28300

Consolidated Freight Classification: Docket No. 28310

Statler Hotel, St. Louis, Missouri, July 10, 1941.

Met, pursuant to notice at 10 o'clock, A. M.

Before Division-2 of the Commission.

Commissioner Clyde B. Aitchison, presiding, Commissioner Walter M. W. Splawn, Commissioner J. Haden Alldredge, and a cooperating committee of the National Association of Railway & Utilities Commissioners, represented by:

Mr. John J. Murphy, South Dakota Public Utilities Commission;

Mr. George McConnaughy, Public Utilities Commission of Ohio;

Mr. H. W. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner. W. J. Koebel, Examiner.

Appearances:

Burt L. Smelker, Washington, D. C., appearing for Interstate Commerce Commission.

Charles A. Root, 311 State Capitol, Salt Lake City, Utah, appearing for Public Service Commission of Utah.

Walter R. McDonald, State Capitol, Atlanta, Georgia, [fol. 2] appearing for Georgia Public Service Commission and Southeastern Association of Railroad and Utilities Commissions.

John J. Bennett, Jr., Albany, New York;

Parker McCollester, 25 Broadway, New York City, New York; and

Charles E. Bell, Investment Building, Washington, D. C., appearing for the State of New York.

Harold E. Davidson; Walter Condran; C. B. Ellis; W. A. McClintock; Carl W. Reed, State House, Des Moines, Iowa, appearing for Iowa State Commerce Commission.

Hugh White, Montgomery, Alabama, appearing for Alabama Public Service Commission.

Robert E. Webb, Frankfort, Kentucky, appearing for Railroad Commission of Kentucky.

C. B. Bee, State Capitol, Oklahoma City, Oklahoma, appearing for Corporation Commission of Oklahoma.

Bennett Bond, State Capitol, Oklahoma City, Oklahoma, appearing for Corporation Commission of Oklahoma.

Cecil C. Cammack, State Capitol, Austin, Texas, appearing for State of Texas; Railroad Commission of Texas; and Attorney General of Texas.

Otto A. Radke, 401 State Office Building, St. Paul, Minnesota, appearing for Minnesota Railroad and Warehouse Commission.

L. R. Bitney, State Office Building, St. Paul, Minnesota, appearing for Minnesota Railroad and Warehouse Commission.

Curtis S. Hunter, State Capitol Building, Topeka, [fol. 3] Kansas, appearing for the State Corporation Commission of Kansas.

Ben C. Larkin and John M. Agreye, Bismarck, North Dakota, appearing for Public Service Commission of North Dakota.

P. A. Frye, Baton Rouge, Louisiana, appearing for State of Louisiana.

Thomas J. Herbert, and Kenneth L. Sater, State House, Columbus, Ohio, appearing for State of Ohio and Public Utilities Commission of Ohio.

Amos A. Betts, Wilson T. Wright, William Peterson, and L. G. Reif, Phoenix, Arizona, appearing for Arizona Corporation Commission.

Ray L. Riley and Howard S. Freas, State Building, San Francisco, California, appearing for California State Railroad Commission.

N. F. Bahrenburg, Supreme Court Building, Cheyenne, Wyoming, appearing for Wyoming Public Service Commission.

J. D. James, H. F. Cholet, and W. A. Weeks, Jefferson City, Missouri, appearing for Missouri Public Service Commission.

H. M. Nicholson, Raleigh, North Carolina, appearing for North Carolina Utilities Commission.

Amos O. Graves, State Building, Lansing, Michigan, appearing for Michigan Public Service Commission.

C. E. Schreiber, and Ivan A. Sherman, State Office Building, Madison, Wisconsin, appearing for Public Service Commission of Wisconsin.

[fol. 4] Frank E. Harrison, Jr., Tallahassee, Florida, appearing for the Governor of Florida, State Road Department of Florida and various shippers.

F. C. Hillyer, 52 West Bay Street, Jacksonville, Florida, and

J. W. Carter, Tallahassee, Florida, and Fred Pettijohn, Tallahassee, Florida, appearing for Railroad Commission of Florida.

J. A. Little; F. A. Good; Duane T. Swanson; Edwin Vail; and H. Emerson Kokjer, State House, Lincoln, Nebraska, appearing for State of Nebraska, and Nebraska State Railway Commission.

J. O. Hendley, War Memorial Building, Nashville, Tennessee, appearing for Railroad & Public Utilities Commission of the state of Tennessee.

J. C. Murray, Gazette Building, Little Rock Arkansas, appearing for State of Arkansas, and as Chairman, Steering Committee, for Southwestern States, Arkansas, Louisiana, Oklahoma and Texas.

T. E. Wood, State Capitol, Little Rock, Arkansas, appearing for Arkansas Corporation Commission.

E. Smith Reed, Room 306 State Capitol Building, Little Rock, Arkansas, appearing for Arkansas Agricultural & Industrial Commission.

H. E. Ketner, State Office Building, Richmond, Virginia, appearing for State Corporation Commission of Virginia.

[fol. 5] R. C. Fyfe, 202 Union Station, Chicago, Illinois, appearing for Western Classification Committee.

W. S. Flint, 143 Liberty Street, New York City, New York, appearing for respondents in Official Classification territory.

E. H. Dulaney and R. E. Boyle, Jr., 101 Marietta Street, Atlanta, Georgia, appearing for Southern Classification Committee.

B. H. Stanage, 816 Frisco Building, St. Louis, Missouri, appearing for St. Louis-San Francisco Railway Co.

Walter J. Kelly, 805 Transportation Building, Washington, D. C., appearing for Association of American Railroads.

J. P. Plunkett, 1120 Great Northern Building, St. Paul, Minnesota, appearing for Great Northern Railway Co.

Glenn F. Vivian, 416 Union Station, Chicago, Illinois, appearing for Western Class 1 Railroads.

L. E. Kipp, 218 Union Station, Chicago, Illinois, appearing for Western Trunk Lines, and Transcontinental Freight Bureau Lines.

Thomas P. Healy, 466 Lexington Avenue, New York City, New York, appearing for Eastern Rail Carriers.

H. C. Barron, 1211 Railway Exchange Building, Chicago, Illinois, appearing for Atchison, Topeka & Santa Fe Railway Co.

W. A. Northcutt, Louisville, Kentucky; % L. & N. R. R.;

C. P. Reynolds, 1110 Shoreham Building, Washington, [fol. 6] D. C.;

W. L. Grubbs, % Louisville & Nashville Railroad, Louisville, Kentucky;

H. E. Spencer, % Illinois Central Railroad, Chicago, Illinois;

Charles Clark, % Southern Railway, Washington, D. C.; and

J. G. Kerr, 101 Marietta Street, Atlanta, Georgia, appearing for rail carriers in Southern Freight Association territory.

Joseph F. Eshelman, 1740 Broad Street Station, Philadelphia, Pennsylvania, appearing for The Pennsylvania Railroad Company and system lines.

M. Carter Hall and Horace L. Walker, 1500 First National Bank Building, Richmond, Virginia, appearing for Chesapeake & Ohio Railway Company; Pere Marquette Railway Company; and New York, Chicago & St. Louis Railway Co.

J. R. Bell, 205 Transportation Building, Washington, D. C., appearing for Texas & New Orleans Railroad Co.

Dana T. Smith, 1416 Dodge Street, Omaha, Nebraska, appearing for Union Pacific Railroad Co.

C. A. Miller, 1120 Tower Building, Washington, D. C., appearing for The American Short Line Railroad Association.

Denver Jordan, 605 Henry Grady Building, Atlanta, Georgia, appearing for Atlanta, Birmingham and Coast Railroad.

W. W. Wolford, 352 Seaboard Air Line Railway Building, Norfolk, Virginia, appearing for Seaboard Airline Railway.

[fol. 7] M. G. Roberts, St. Louis, Missouri, appearing for St. Louis-San Francisco Railway and its Trustee.

H. L. Hanes, Union Station, Nashville, Tennessee, appearing for The Nashville, Chattanooga & St. Louis Railway and other southern lines.

James A. Gillen, Eldon M. Martin, and George Jeck, 547 West Jackson Boulevard, Chicago, Illinois, appearing for Chicago, Burlington & Quincy Railroad Company.

Wallace T. Hughes, 1025 La Salle Street Station, Chicago, Illinois, appearing for Frank O. Lowden, James E. Gorman, and Joseph B. Fleming, Trustees of The Chicago, Rock Island and Pacific Railway Company.

V. A. Roane, Crossett, Arkansas, appearing for Ashley, Drew & Northern Railway Company.

W. M. Carey, and J. A. Gallaher, Equitable Building, Denver, Colorado, appearing for Denver & Rio Grande Western Railroad Company, Wilson McCarthy and Henry Swan, Trustees.

J. Cibulka, 332 South Michigan Avenue, Chicago, Illinois, appearing for Chicago & Eastern Illinois Railroad Co.

Thomas H. Maguire, E. J. Hyett and Carson L. Taylor, 891 Union Station, Chicago, Illinois; and

R. S. Stephenson, 744 Union Station, Chicago, Illinois, appearing for Chicago, Milwaukee, St. Paul & Pacific Railroad Company and its trustees.

C. S. Edmonds, 1002 Fort Worth Club, Fort Worth, Texas, appearing for Fort Worth & Denver City Railway Co.

[fol. 8] J. A. Fisher, 623 Reading Terminal, Philadelphia, Pennsylvania; and

J. W. Hewitt, 405 Reading Terminal, Philadelphia, Pennsylvania, appearing for The Reading Co.

C. L. Ewing, 143 Liberty Street, New York City, New York, appearing for Central Railroad of New Jersey.

L. J. Gosney, 958 Mills Building, San Francisco, California, appearing for The Western Pacific Railroad Company.

A. E. Pfaff, 801 Terminal Tower, Cleveland, Ohio, appearing for New York, Chicago & St. Louis Railroad.

Conrad Olson, Northern Pacific Building, St. Paul, Minnesota, appearing for Northern Pacific Railway Company.

J. C. McGohan, 409 B. & O. Building, Baltimore, Maryland, appearing for The Baltimore and Ohio Railroad Co.

J. P. Ganly, 1540 Railway Exchange Building, St. Louis, Missouri, appearing for Missouri-Kansas-Texas Railroad and Southwestern rail carriers generally.

H. H. Larimore, George W. Holmes, and D. R. Lincoln, 2008 Missouri Pacific Building, St. Louis, Missouri, appearing for Missouri Pacific Railroad Company (Guy A. Thompson, Trustee).

P. H. Daniel, 502 Union Station Building, Galveston, Texas, appearing for Gulf, Colorado & Santa Fe Railway Co.

W. F. Knobeloch, Southwestern Freight Bureau, St. Louis, Missouri, appearing for Southwestern Railroads.

L. R. Nowotny, 1464 Railway Exchange Building, St. [fol. 9] Louis, Missouri, appearing for Wabash Railway Co., (Norman B. Pitcairn and Frank C. Nicodemus, Jr., Receivers).

E. H. Thornton, 310 Board of Trade Building, New Orleans, Louisiana, appearing for New Orleans Joint Traffic Bureau.

Henry G. Stern, 14th and Gentry, North Kansas City, Missouri, appearing for Koch Refrigerators Division, Koch Butchers Supply Co.

H. T. Ratliff, Hamilton, Ohio, appearing for The Champion Paper & Fibre Co.

H. Ignatius, 220 East 42nd Street, New York City, New York; and

C. E. Jones, Mobile, Alabama, appearing for International Paper Co.

Frank G. Moore, Barberton, Ohio, appearing for Pittsburgh Plate Glass Co.; Columbia Cement Division and Columbia Chemical Division, Southern Alkali Corporation.

Thomas W. Titsworth, 2 Rector Street, New York City, New York, appearing for Ebasco Services, Inc.

C. E. Elerick, 29-33 Pearl Street, N. W., Grand Rapids, Michigan, appearing for Grand Rapids Association of Commerce.

E. T. Hayes, 430 West Ohio Street, Chicago, Illinois, appearing for Container Corporation of America.

William H. Ott, Jr., 500 Peshtigo Court, Chicago, Illinois, appearing for Kraft Cheese Company.

M. L. Pieper, 406½ South 5th Street, Springfield, Illinois, [fol. 10] appearing for Chamber of Commerce of Springfield, Ill.

M. C. Lysle, 90 South 2nd Street, Memphis, Tennessee, appearing for Memphis Freight Bureau.

T. C. Maurer, 52 West Bay Street, Jacksonville, Florida, appearing for Florida Rate Conference and Jacksonville Traffic Bureau.

Carl A. Hansen, Savery Hotel, Des Moines, Iowa, appearing for Des Moines Chamber of Commerce.

C. R. Smith, 203 Terminal Building, Waterloo, Iowa, appearing for Waterloo-Cedar Falls Traffic Association.

Leo A. Howe, 106 North Court Street, Ottumwa, Iowa, appearing for Ottumwa Chamber of Commerce.

R. A. Potter, 254 Massachusetts Avenue, Cambridge, Massachusetts, appearing for New England Confectionery Co.

Ed P. Byars, 115 East 9th Street, Fort Worth, Texas, appearing for Forth Worth Freight Bureau, Chamber of Commerce of Fort Worth, and Texas Industrial Traffic League.

Merle D. Perry, Box 1708 Pittsburgh, Pennsylvania, appearing for American Institute of Bolt, Nut and Rivet Manufacturers.

Robert L. Schulz, 4949 West 65th Street, Chicago, Illinois, appearing for Johnson & Johnson.

E. F. Stecher, 1826 Diversey Parkway, Chicago, Illinois, appearing for Stewart-Warner Corporation and subsidiaries.

B. W. La Tourette, 314 North Broadway, St. Louis, Missouri, appearing for Truckmen of Missouri, Inc.; and [fol. 11] American Trucking Associations, Inc.

W. W. Klingensmith, 103 Tulsa Building, Tulsa, Oklahoma, appearing for Tulsa Chamber of Commerce.

A. H. Schwietert, 1 North La Salle Street, Chicago, Illinois, appearing for The Chicago Association of Commerce and Illinois Territory Industrial Traffic League.

C. E. Childe, 924 W. O. W. Building, Omaha, Nebraska, appearing for Mississippi Valley Association and Omaha Development Association.

E. S. De Pass, 2810 Buckingham Building, Chicago, Illinois, appearing for Evaporated Milk Association.

C. S. Connolly, Oconomowoc, Wisconsin, appearing for Carnation Company.

R. A. Ellison, 306 Neave Building, Cincinnati, Ohio, appearing for Cincinnati Chamber of Commerce, Ohio-Kentucky Associated Industries; and Casket Manufacturers Association of America.

H. B. McNeely, 320 North Meridian Street, Indianapolis, Indiana, appearing for Indianapolis Chamber of Commerce.

Herschel A. Hollopeter, 2nd Floor Board of Trade Building, Indianapolis, Indiana, appearing for the Governor of the state of Indiana, and Indiana Chamber of Commerce.

E. H. Berg, Athletic Club Building, St. Paul, Minnesota, appearing for St. Paul Association of Commerce.

Allen Dean, 320 West Lafayette Avenue, Detroit, Michigan, appearing for Detroit Board of Commerce.

[fol. 12] E. L. Hart, 302 Chamber of Commerce Building, Atlanta, Georgia, appearing for Atlanta Freight Bureau.

Charles Donley, Dravo Building, Pittsburgh, Pennsylvania, appearing for City of Pittsburgh, Pennsylvania; Pittsburgh Chamber of Commerce; U. S. Potters Association; The Chain Institute; Clay Sewer Pipe Association; National Electric Products Corporation; and Institute of Nut, Bolt & Rivet Manufacturers.

I. W. Preetorius, 500 North Dearborn Street, Chicago, Illinois, appearing for General Box Co.

W. R. Scott, 1419 Board of Trade Building, Kansas City, Missouri, appearing for The Board of Trade of Kansas City.

R. D. Rynder, 4115 Packers Avenue, Chicago, Illinois; and G. F. Tally, Union Stock Yards, Chicago, Illinois, appearing for Swift & Co.

Frederick F. Kator, 131 North Ludlow Street, Dayton, Ohio, appearing for The Mead Corporation.

H. D. Musick, Kingsport, Tennessee, appearing for Blue Ridge Glass Corporation.

William E. Gayle, 1228 First Huntington National Bank Building, Huntington, West Virginia, appearing for Traffic Bureau, Chamber of Commerce of Huntington.

J. George Mann, 1500 Jackson Street, N. E., Minneapolis, Minnesota, appearing for American Seed Trade Association.

Leslie Lacroix, Evansville, Indiana, appearing for Chamber of Commerce of Evansville.

[fol. 13] G. A. Nimmo, Suffolk, Virginia, appearing for Planters Nut & Chocolate Co.

Neal E. Williams, 1st Avenue and 5th Street, Fargo, North Dakota, appearing for the Attorney General of the State of North Dakota, and Chamber of Commerce of Fargo.

W. G. Burnette, 209 Lynch Building, Lynchburg, Virginia, appearing for Lynchburg Chamber of Commerce.

Paul T. Jackson, 502 Insurance Building, Oklahoma City, Oklahoma, appearing for Oklahoma Millers Association.

Clare B. Tefft, Commodore Perry Hotel, Toledo, Ohio, appearing for Toledo Chamber of Commerce.

Andrew H. Brown, 400 Union Commerce Building, Cleveland, Ohio, appearing for The Cleveland Chamber of Commerce and The Ohio Chamber of Commerce.

S. L. Foote, and W. A. Palmen, 910 Packers Avenue, Madison, Wisconsin, appearing for Oscar Mayer & Company.

T. W. Mackey, Cermak Road and Jefferson Street, Chicago, Illinois, appearing for The Western Shade Cloth Company.

F. E. Potts, Pine Bluff, Arkansas, appearing for Pine Bluff Chamber of Commerce.

K. A. Moore, New Center Building, Detroit, Michigan, appearing for Automobile Manufacturers Association.

Herman Mueller, 1700 City Hall, St. Paul, Minnesota, appearing for Port Authority of St. Paul.

O. H. Weaver, Griffin, Georgia, appearing for Pomona Products Co.

[fol. 14] F. A. Keiser, Duluth, Minnesota, (Medical Arts Building), appearing for Duluth Chamber of Commerce.

L. E. Luth, Winona, Minnesota, appearing for Winona-LaCrosse Joint Traffic Bureau.

Peter J. Naughton, Alliance Life Building, Peoria, Illinois, appearing for Peoria Association of Commerce.

William J. Petersen, 716 Insurance Building, Madison, Wisconsin, appearing for Wisconsin State Chamber of Commerce.

E. P. Daspit, Monroe, Louisiana, appearing for Brown Paper Mill Co., Inc.

A. D. Spottswood, 712 Arnstein Building, Knoxville, Tennessee, appearing for Tennessee Valley Authority.

W. H. Hendling, Spartanburg, South Carolina, appearing for Taylor Colquitt Co.

J. B. Jones, Danville, Virginia, appearing for Danville Chamber of Commerce and Southside, Virginia.

L. F. Orr, Arcade Building, St. Louis, Missouri, appearing for Pet Milk Company.

H. V. C. Wade, 904 East Main Street, Richmond, Virginia, appearing for Richmond Chamber of Commerce.

Harold G. Kazanjean, Naugatuck, Connecticut, appearing for Peter Paul, Inc.

Carl Giessow, 511 Locust Street, St. Louis, Missouri, appearing for St. Louis Chamber of Commerce.

Homer J. Conley, Fort Smith, Arkansas, appearing for Fort Smith Traffic Bureau, Liberty Glass Co., Bartlett-[fol. 15] Collins Co., Kerr Glass Manufacturing Corporation, and National Furniture Traffic Conference.

Edmund A. Nightingale, School of Business Administration, University of Minnesota, Minneapolis, Minnesota, appearing for Minnesota Resources Commission.

A. J. Ribe, 600 Woodward Building, Birmingham, Alabama, appearing for Alabama Iron and Steel Shippers Conference.

R. F. Bohman, 206 Central Street, Gardner, Massachusetts, appearing for Heywood-Wakefield Co.; National Furniture Traffic Conference; and Furniture and Allied Products Traffic Committee of New England.

W. A. Gunn, Nashville, Tennessee, appearing for Ralston Purina Company.

T. M. Henderson, 409 Chamber of Commerce Building, Nashville, Tennessee, appearing for Nashville Freight Bureau, and Southern Traffic League.

Henry J. Saunders, 644 Transportation Building, Washington, D. C., appearing for Southern Governors' Rate Conference.

W. S. Creighton, Charlotte, North Carolina, appearing for North Carolina Traffic League, Southern Traffic League, and Charlotte Shippers & Manufacturers Association.

J. E. Bryan, 28 East Jackson Boulevard, Chicago, Illinois, appearing for Wisconsin Paper & Pulp Manufacturers Traffic Association.

W. J. Williamson, 925 South Homan Avenue, Chicago, Illinois, appearing for Sears Roebuck & Co.

[fol. 16] R. A. Morin, 2670 Elston Avenue, Chicago, Illinois, appearing for the Glidden Company.

W. A. Vahle and H. F. Klocker, 1700 South 2nd Street, St. Louis, Missouri, appearing for Monsanto Chemical Company.

G. E. Mace, 233 Broadway, New York City, New York, appearing for Merchants Association of New York, and Trunk Line Shippers Committee.

John C. Magness, 19 West 44th Street, New York City, New York, appearing for Glass Container Association.

William H. Day, 80 Federal Street, Boston, Massachusetts, appearing for Boston Chamber of Commerce, and New England Traffic League.

James H. Noble, 225 Broadway, New York City, New York, appearing for Wallpaper Institute.

J. R. Hafstrom, Menasha, Wisconsin, appearing for Marathan Paper Mills Co., Menasha Products Co. Division.

Bruce C. Sheron, 1307 University Court, Indianapolis, Indiana, appearing for U. S. Corrugated Fibre Box Co.

C. A. New, Memphis, Tennessee, appearing for Southern Hardwood Traffic Association, and Associated Cooperage Industries of America, Inc.

Warren H. Wagner, 711 Investment Building, Washington, D. C., appearing for Southern Governors Freight Rate Conference.

A. W. Fox, 28 East Jackson Boulevard, Chicago, Illinois, appearing for Wisconsin Paper & Pulp Manufacturers [fol. 17] Traffic Association.

Walter M. Wharton, 1705 W. O. W. Building, Omaha, Nebraska, appearing for Transportation Department, Omaha Chamber of Commerce.

B. E. Reed, 221 North La Salle Street, Chicago, Illinois, appearing for Cudahy Packing Co.

M. J. McMahon, 1801 Pere Marquette Building, New Orleans, Louisiana; and

F. L. Ruland, 111 North 4th Street, St. Louis, Missouri, appearing for Gaylord Container Corporation.

L. M. O'Leary, Fort Dodge, Iowa, appearing for Traffic Bureau, Fort Dodge Chamber of Commerce.

I. G. Bentley, 128 West Grand Avenue, Oklahoma City, Oklahoma, appearing for Oklahoma City Chamber of Commerce.

H. F. Sundberg, Cedar Rapids, Iowa, appearing for Chamber of Commerce Traffic Bureau of Cedar Rapids, and Eastern Interior Iowa Industrial Association.

A. E. Hueneryager, Administration Building, Zion, Illinois, appearing for Confectioners Traffic Association, National Confectioners Association of the United States, Zion Industries, Inc., and Zion Chamber of Commerce.

J. V. Norman, Kentucky Home Life Building, Louisville, *Kentucky Home Life Building, Louisville,* Kentucky, appearing for Southern Governors' Freight Rate Conference, representing the states of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina.

[fol. 18] L. M. Shepardson, Post Office Box 563, Waco, Texas, appearing for Waco Chamber of Commerce.

R. J. Laubenstein, 8 Cady Land Building, Post Office Box 666, Green Bay, Wisconsin, appearing for Green Bay Association of Commerce.

John R. Davy, Sheboygan, Wisconsin, appearing for Wisconsin Manufacturers Association, and Sheboygan Association of Commerce.

G. A. Pendleton, 3rd Street, Three Rivers, Michigan, appearing for The Eddy Paper Corporation.

C. L. Fenstermaker, Kalamazoo, Michigan, appearing for Sutherland Paper Co.

James F. Dougherty, 132 West South Street, Kalamazoo, Michigan, appearing for Michigan Paper Mills Traffic Association.

William A. Moore, 160 Front Street, New York City, New York, appearing for American Zinc Institute, The New Jersey Zinc Company; and Shippers Conference of Greater New York.

Floyd C. Partridge, 401 Crisfield Building, Burlington, Iowa, apeparing for Burlington Shippers Association, Inc.

C. F. Real, Topeka, Kansas, appearing for The Topeka Chamber of Commerce, and Topeka Traffic Association.

W. M. Dyer, 1019 Beacon Building, Wichita, Kansas, appearing for Wichita Chamber of Commerce.

T. J. Slattery, 1028 Baltimore Avenue, Kansas City, Missouri, appearing for The Chamber of Commerce of Kansas [fol. 19] City.

O. J. Shafer, Kansas City, Missouri, appearing for Sheffield Steel Corporation.

Guy M. Springer, Jr., Pueblo, Colorado, appearing for Pueblo Chamber of Commerce.

C. J. Harriss, 604 1st National Bank Building, Enid, Oklahoma, appearing for Board of Trade of Enid, Oklahoma.

W. E. Rosenbaum, 952 Cotton Belt Building, St. Louis, Missouri, appearing for Anheuser-Busch, Inc.; Southern Acid & Sulphur Co.; Pioneer Cooperage Co. and Union Cooperage Co.; Illinois Cereal Mills, Inc.; and Central Illinois District Coal Traffic Bureau.

M. S. Allison, 608 South Dearborn Street, Chicago, Illinois, appearing for Federal-American Cement Tile Co.

E. R. Tanner, 310-12 San Francisco Street, El Paso, Texas, appearing for El Paso Chamber of Commerce, and El Paso Freight Bureau.

Doss H. Berry, 101 City Hall, Beaumont, Texas, appearing for City of Beaumont, Texas; Port of Beaumont, Texas; Beaumont Chamber of Commerce; Beaumont Rice Mills; Comet Rice Mills; and Tyrrell Rice Mills.

Ted Schwachhofer, Muskogee, Oklahoma, appearing for Merchants & Manufacturers Traffic Bureau.

Charles R. Seal, 22 Light Street, Baltimore, Maryland, appearing for Baltimore Association of Commerce, and Trunk Line Shippers Committee.

[fol. 20] T. J. McGinn, 1005 Savannah Bank Building, Savannah, Georgia, appearing for Savannah Port Authority.

E. B. Wilson, Post Office Box 74, Shreveport, Louisiana, appearing for Shreveport Chamber of Commerce.

C. O. Heinley, Hutchinson, Kansas, appearing for Hutchinson Chamber of Commerce.

H. M. Hancock, Salina, Kansas, appearing for Salina Chamber of Commerce.

J. K. Hiltner, Burlington, New Jersey, appearing for U. S. Pipe & Foundry Co., and Cast Iron Institute.

C. C. Hibbard, % Kingan & Co., Indianapolis, Indiana; and

George Patterson Boyle, 10 South La Salle Street, Chicago, Illinois, appearing for Kingan & Company, and Dairy Products Shippers.

Edward F. Ledwidge, Granite City, Illinois, appearing for East Side Manufacturers Association.

H. M. Frazer, Woolworth Building, New York City, New York, appearing for F. W. Woolworth Co.

D. A. Bandeen, Abilene, Texas, appearing for West Texas Chamber of Commerce, and Freight Rate Equality Federation.

John C. Ryan, 409 Victoria Building, St. Louis, Missouri, appearing for Belleville, Illinois, Chamber of Commerce.

H. J. Schroeder, Moline, Illinois, appearing for Deere & Co.

George M. Cummins, % Chamber of Commerce, Daven-
[fol. 21] port, Iowa, appearing for Davenport Chamber of Commerce, and Upper Mississippi River Cities Association.

R. H. Thompson, Newton Iowa, appearing for The Maytag Company.

M. L. Dickerson, Hodge, Louisiana, appearing for Southern Advance Bag & Paper Company, and North Louisiana Oil Traffic Association.

C. E. Widell, 1100 Stahlman Building, Nashville, Tennessee, appearing for Tennessee Manufacturers Association, and Southern States Industrial Council.

R. J. Henderson, Builders Exchange, Minneapolis, Minnesota, appearing for Minnesota & Ontario Paper Company.

L. F. Daspit, 1137 Canal Bank Building, New Orleans, Louisiana, appearing for Brown Paper Mill Co., Inc., et al.

A. F. Versen, 4503 South Kingshighway, St. Louis, Missouri, apeparing for St. Louis Local Meat Packers Association.

Joseph H. Donnell, Chamber of Commerce Building, Tampa, Florida, appearing for Southern Traffic League; Tampa Chamber of Commerce; Tampa Traffic Association; and The Florida Rate Conference.

R. L. Flynn, 38 South Dearborn Street, Chicago, Illinois, appearing for Inland Steel Co.

C. G. Plowman, 735 Continental Oil Building, Denver, Colorado, appearing for Colorado Fuel and Iron Corporation.

C. G. Baker, 1063 39th Street, Des Moines, Iowa, appearing for The Dexter Company, and the Yeager Seed Company.

[fol. 22] Harvey F. Krogman, 209 North Fifth Street, St. Joseph, Missouri, appearing for St. Joseph Chamber of Commerce.

John W. Lowry, 228 Ohio Building, Akron, Ohio, appearing for Akron Chamber of Commerce.

James V. McMahon, 1203 Union National Bank Building, Youngstown, Ohio, appearing for Youngstown Chamber of Commerce.

F. A. Doebber, 300 Majestic Building, Indianapolis, Indiana, appearing for Citizens Gas and Coke Utility.

J. C. Iselin, 2801 Hereford Street, St. Louis, Missouri, appearing for Blackmer & Post Pipe Company.

T. R. Atchison, St. Louis, Missouri, appearing for Ralston Purina Company.

E. M. Hinkle, % Arkansas Fuel Oil Company, Shreveport, Louisiana, appearing for Arkansas Fuel Oil Company.

James J. Hoban, 1214 North 2nd Street, East St. Louis, Illinois, appearing for Hunter Packing Company.

A. G. T. Moore, New Orleans, Louisiana, appearing for Southern Pine Association.

F. A. Cameron, Sullivan Square, Charleston, Massachusetts, appearing for W. F. Schrafft & Sons Corporation.

Edgar Watkins, Jr., Bona Allen Building, Atlanta Georgia, appearing for Southern Motor Carriers Rate Conference and American Trucking Associations.

A. L. Reed, 1902 Santa Fe Building, Dallas, Texas, appearing for Southwestern Motor Freight Bureau, Inc., and American Trucking Associations, Inc.

[fol. 23] J. D. Hughett, 1805 Santa Fe Building, Dallas, Texas, appearing for Southwestern Motor Freight Bureau, Inc.

Chester G. Moore, 616 South Michigan Avenue, Chicago, Illinois, appearing for Central States Motor Freight Bureau, Inc.

C. F. Jackson, 1424 16th Street, N. W., Washington, D. C., appearing for American Trucking Associations, Inc., and National Motor Freight Classification.

J. R. Turney, 1001 15th Street, N. W., Washington, D. C., appearing for Central States Motor Freight Bureau, and American Trucking Associations.

Kenneth G. Foster, Jr., 2437 West 21st Place, Chicago, Illinois, appearing for Foster Freight Lines.

D. C. Stone, 124 West 4th Street, Kansas City Missouri, appearing for Riss & Company, Inc.

Leo E. Golden, 410 Asylum Street, Hartford, Connecticut, appearing for Eastern Motor Freight Conference, Inc., and American Trucking Associations, Inc.

George Shuler, Jr., 701 Jackson Street, Topeka, Kansas, appearing for The Kansas Motor Carriers Association, Inc.

D. T. Waring, Earle Building, Washington, D. C., appearing for Middle Atlantic States Motor Carrier Conference, Inc., and American Trucking Associations, Inc.

Charles E. Cotterill, 70 East 45th Street, New York City, New York, appearing for Middle Atlantic States Motor Carrier Conference, Inc.

[fol. 24] William Roscoe Staggs, Post Office Box 619, Texarkana, Texas, appearing for Southwestern Transportation Co.

C. E. Bellew, 1017 Walnut Street, Des Moines, Iowa, appearing for Western Trunk Line Motor Common Carriers Bureau.

G. M. Brewer, 419 West Second Street, Wichita, Kansas, appearing for The Santa Fe Trail Transportation Company.

G. Lloyd Wilson, Room 122, 2501 Q Street, N. W., Washington, D. C., appearing for Office of Price Administration and Civilian Supply, United States Government.

Frank P. Aughnay, 1957 University Avenue, St. Paul, Minnesota, appearing for Northwest Tariff Bureau, Inc.

L. Roy Wood, Box 2261, Little Rock, Arkansas, appearing for Arkansas State Highway Commision.

[fols. 25-26] Proceedings

Com. Aitchison: The Commission has set for hearing at this time and place Docket No. 28300, Class Rate Investigation, 1939, and Docket No. 28310, Consolidated Freight Classification. Division 2 has sitting with it this morning Commissioners Murphy of South Dakota, McConnaughy of Ohio, and Scott of South Carolina, comprising a Cooperating Committee of State Commissioners. The Commission has designated Mr. Burt L. Smelker, of the Bureau of Inquiry, to appear as attorney for the Commission in this proceeding, and assist in the development of the record. Mr. Smelker will examine the witesses for the Commission whose names are given in the notice of hearing. It is unnecessary to do so, but I will state that Mr. Smelker, who will present the case, will have no part whatever in the decision. The appearances will not be called for, but will be listed by the reporter. Commissioner Splawn will make an announcement with respect to copies of the exhibits which are mentioned in the notice of hearing.

Com. Splawn: As you have been advised, each one who entered an appearance at the pre-hearing conference at Chicago has received copies of the exhibits which will be offered at this hearing. All others who have advised the Secretary of the Commission of their intention to be present and participate in the hearing here, have also been furnished copies. We have decided to limit the distribution here to counsel. Counsel who are here presumably have already [fol. 27] obtained copies. Perhaps other counsel have come in, expecting merely to follow the hearing here, and participate at some later hearing. If you do not have copies of the exhibits, if you will ask Examiner Koebel, he will furnish you with copies. However, assistants to counsel, and those who do not intend to participate as counsel at this or some future hearing, will not ask for copies of the exhibits. After this hearing, if enough of the general public have filed requests, we may have other copies run off; but at this time the number of copies is so limited that we must follow the policy just announced.

Com. Aitchison: Any procedural matters which it is desired to take up, can be taken up with Mr. Koebel or with Mr. Carter, Examiners of the Commission, outside of the hearing room, or in the hearing room after this session has adjourned. Now, if there are no further preliminary matters to be taken up, we will proceed with the examination of the witnesses in the order named in the notice of hearing. Mr. Smelker.

Mr. Smelker: Dr. Stevens, please.

WILLIAM HARRISON SPRING STEVENS was sworn and testified as follows:

Direct examination.

By Mr. Smelker:

Q. Will you state your full name, please.

A. My name is William Harrison Spring Stevens.

Q. What is your present occupation?

A. Assistant director of the Bureau of Statistics, Interstate Commerce Commission.

[fol. 28] Q. How long have you been connected with the Commission?

A. A little less than five years.

Q. Will you state briefly the extent of your education, please.

A. I graduated from Colby College with the degree of A. B.; studied at George Washington University; Cornell; the University of Chicago; and the University of Pennsylvania; receiving the degree of Ph. D. from the University of Pennsylvania.

Q. Have you ever had any other Government connections, other than with the Interstate Commerce Commission?

A. Yes, sir, approximately 20 years with the Federal Trade Commission as Special Expert and Assistant Chief Accountant.

Q. What teaching experience have you had?

A. Approximately 25 to 30 years at various universities, including Columbia University, the University of Pennsylvania, Tulane University; American University; University of Maryland; and Johns Hopkins.

Q. State briefly the extent of your research experience.

A. My research experience covers practically the entire period of my academic and government research work, covering a period of approximately 30 years.

Q. Have you been the author of any writings or publications?

A. Yes, sir, approximately 30-odd articles for various scientific publications, including the Hayard Business Review, Journal of Business of the University of Chicago, Quarterly Journal of Economics, American Economic Review, Columbia Law Review, Georgetown Law Journal, and others.

[fol. 29] Q. Have you made a study of the natural resources of the several freight rate territories of the United States?

A. I have.

Q. And have you set up in the form of an exhibit, the results of that study?

A. I have.

Mr. Smelker: If your Honors please, we now offer for identification the exhibit that has just been referred to by the witness, as exhibit No. 1.

Com. Aitchison: It will be marked.

(Exhibit No. 1, Witness Stevens, marked for identification.)

By Mr. Smelker:

Q. Please state briefly, Dr. Stevens, how this exhibit was prepared.

A. This exhibit was prepared by me, with the assistance of Mr. George M. Saharov, associate economist of the Bureau of Statistics of the Interstate Commerce Commission, and Mr. Edward C. Bryant, junior statistician of the same Bureau. I personally prepared the larger proportion of the exhibit myself, and Mr. Saharov and Mr. Bryant, under my supervision, prepared the remainder of the exhibit.

Q. What have you to say concerning the purpose of the exhibit?

A. The purpose of the exhibit is to lay the foundation for the basic economic conditions prevailing in the different freight rate territories, with regard to natural resources; something that, so far as I know, has never been brought [fol. 30] together in this particular form, previously.

Q. What can you say as to the truth and accuracy of the statements contained in the exhibit?

A. In the main, the statements contained in the exhibit are based entirely upon the tables, which are purely factual, which are presented in the exhibit; and are merely attempts to summarize the figures that are contained in the tables without other comment.

Q. Are the sources of the material that was used in compiling the exhibit, shown in the text?

A. They are.

Q. Have you any other comments, Dr. Stevens, that you desire to make concerning the exhibit?

A. I have not.

Mr. Smelker: You may cross examine.

By Com. Aitchison:

Q. Well, if you were asked separately about the matters and things which are set forth in this exhibit, would your answer be that with respect to each one of them they are, to the best of your knowledge and belief, true and correct?

A. Yes, sir.

Mr. Smelker: If your Honors please, I offer exhibit No. 1 in evidence.

Com. Aitchison: If there is no objection, the exhibit is received.

(Exhibit No. 1, Witness Stevens, received in evidence.)

[fol. 31] Com. Aitchison: Have you anything further Mr. Smelker?

Mr. Smelker: Nothing further, your Honor.

Com. Aitchison: Cross examine. We will hear first from respondents.

Cross-examination.

By Mr. Barron:

Q. Doctor, do I understand that all of the data that is contained in your exhibit No. 1 has been taken from publications of the government, or other sources that you consider authoritative?

A. The great bulk of all of the information that is contained in the exhibit has been drawn from direct government sources or quasi government sources. In other words, a good deal of the data has been taken from reports of the National Resources Planning Board, which you may consider as a governmental or quasi-governmental organization, depending on your opinion. In other instances, some so-called secondary material has been introduced by reason of the fact that direct information from government publications was not as a matter of fact available. In certain instances controversial matters, or matters which are considered as controversial, have been dealt with in this exhibit, —for example, the question of the extent of petroleum reserves, as an illustration. At one point, for example, I introduce the testimony—or rather, I should say, the statement of a noted chemical engineer, who does not believe that the petroleum reserves of the United States are nearly [fol. 32] so far exhausted as a great many people would have us believe. So far as I know, with possibly some minor qualifications, it is the best available information that there is on the particular topics in question.

Q. Throughout your exhibit you have referred to the authority for the figures, have you not?

A. Yes, sir.

Mr. Barron: If the Commission please, I notice that in Dr. Stevens' Exhibit No. 1 he has included Transcontinental territory. It is true, of course, that the issues here are limited to the territory referred to in the notice of hearing, which is east of the Rocky Mountains.

Com. Aitchison: No, that is not correct, as to Docket No. 28310, the Consolidated Freight Classification proceeding.

Mr. Barron: Well, then, in so far as Dr. Stevens' exhibit 1 is concerned, do I understand that that exhibit will go to the entire United States, as far as Docket 28310 is concerned?

Com. Aitchison: It is perfectly obvious that we are going to decide this case on the basis of the issues as they are made and we should not be called upon to state what weight will be given to an exhibit at this stage of the hearing,—other than to say it will be confined to the issues.

Mr. Barron: That is satisfactory. With the explanation of Dr. Stevens, I have no further questions on cross examination.

Com. Aitchison; Is there further cross examination?

[fol. 33] Mr. Bee: I would like to ask just one or two questions, please.

Com. Aitchison: Mr. Bee.

By Mr. Bee:

Q. Dr. Stevens, do you think it not as important to have the actual production of the resource commodities that you treat of, as it is to have the reserves, as you treat of them in your exhibit No. 1?

A. Well, my exhibit No. 1 was based upon the proposition that we would use the actual resource figures where the resource figures were available, and where actual resource figures were not available, we were forced, naturally, to use some other basis. For example, agricultural resources do not lend themselves to a statement of reserves, so consequently throughout we have used the production figures, value of products figures, and data of that sort. I have no question in my own mind but what both sets of figures are pertinent, but we did not feel that, in the case of energy minerals, for example, and in the case of minerals generally, the production was as important as were the reserves. Unfortunnately, the figures for the reserves either of energy minerals or minerals, mineral products themselves, are not in all cases available, and therefore we have introduced, in a number of instances, the production figures as giving the best information of what the resources of the particular territories were. In other words, we have, as we view it, the best available data that there is.

[fol. 34]. Q. Well, do you not think that it would be advisable, and advantageous to the Interstate Commerce Commission, in its consideration of the natural resources, to give the Commission the actual production as well as the reserves? I am not asking you to do it, of course.

A. As far as the minerals are concerned, I would hesitate to express an opinion about that definitely without giving the matter some further consideration. We started with the proposition that we were trying to establish what the natural resources were, which of course led to the definition, in turn, of what the reserves were. We found out before we had progressed very far that we could not get the reserve figures for many of these items, and therefore we decided to use the other figures, where it was necessary to do so. I would not want to say absolutely that figures of the kind you refer to are not material, in a case such as minerals, where we have used basically the reserve figures.

Q. Now, I note that in table 57, you show a potential cotton crop of 32,136,00 bales. Now, would it not be better to go on the actual production, rather than take a potential, which possibly has never been reached in the history of the United States, and never will be reached in the history of the United States?

A. Well, as I say, we started on the theory that we were going to try to find out what the natural resources were, [fol. 35] and therefore, on all agricultural commodities, we have attempted to get at the potential; and the best way to do that, as near as we could figure it, seemed to be to take the maximum acreage of a particular area, or as applied to a particular group, and the maximum production ascertained for the group, and multiply the two together in order to establish the approximate potential capacity for production that the particular area had; and I would be inclined to say that a figure of that kind, if you are attempting to compare the natural resources, would be a preferable figure to the figure of actual production, which necessarily must be related to a specific year.

Q. Well, if your largest year of production was approximately $19,000,000——

Mr. Bell: Bales.

By Mr. Bee:

Q. —or rather, was approximately 19,000,000 bales and you show a potential production of 32,000,000 plus, and you are going to base freight rate revenues, or rail revenues upon a potential production, do we not have a false figure in the record, as a premise, rather than to take at least the maximum production that you have ever had, of a given group within a reasonable period of time in the past?

A. I think that your criticism is justified if it is confined to cotton, but if you consider the thing from the standpoint of the relation of cotton to other agricultural groups, I do not think that the total volume represented by the poten- [fol. 36] tial is particularly material. It is the relationship, as I see it, that is important, from the standpoint of the Commission's decision with regard to these freight rate cases; and not the question of absolute volume as such.

Q. Well, do you not think that it would be advisable, if the Commission were advised as to what the actual production figures were upon these commodities, as well as the potential production of the resources?

A. Just a moment, please. Along with the potential figures in table 67, for many of the groups, we show production for the year 1939; so the potential is related to the production in a number of cases, in a great many cases—I think as a matter of fact in practically all cases.

Q. Now, Dr. Stevens, let me ask you just one more ques- and then I think I am through. Is it logical——

Com. Aitchison: Just a moment, please. Do not debate with the witness what is logical. That is our job.

Mr. Bee: I understood, if the Commissioner please, that he is here as an expert economist.

Com. Aitchison: He is.

Mr. Bee: And I thought that it would be proper for me to get an opinion from an expert.

Com. Aitchison: But he is not an expert on logic. Leave that to us. Table 67, which relates to sorghum, as the witness stated a moment ago, shows production as well as the potential——

[fol. 36a] Mr. Bee: For 1939.

Com. Aitchison: Now, if you wish to show something else, we will be very glad, Mr. Bee, at the proper time, to receive it.

Mr. Bee: Well, if your Hnoor please, we ourselves expect to introduce something along this line, but we saw no objection to asking this witness, who is recognized, I think, throughout the country as one of the experts, as one of the men who really have this class of information, if he did not think this class of information is as valuable as that which he has presented to the Commission. We certainly do not criticize his presentation, or what he did. That is all I have.

Com. Aitchson: All right. Is there any further cross examination? By the way, Mr. Bee, your cross examination has been on behalf of whom, please?

Mr. Bee: The Southwestern Steering Committee, composed of—do you want the members?

Com. Aitchison: Yes, I think it would be well to have the record show them.

Mr. Bee: —Mr. Murray of Arkansas; Mr. Cammack, representing the attorney general and the Railroad Commission of the State of Texas; and Mr. Frey; representing the governor and the Commission of the State of Lousiana. Mr. Murray represents the governor and the Commission of the State of Arkansas; and I represent the governor and [fol. 37] the Commission of the state of Oklahoma. The four represent the Steering Committee.

Com. Aitchison: Hereafter, then, we will understand that that is what is meant by the Southwestern Steering Committee.

Mr. Bee: Yes.

Mr. Norman: If the Commission please.

Com. Aitchison: Mr. Norman.

Mr. Norman: I represent the Southern Governors' Freight Rate Conference, including 7 southern states. I have but a very few questions that I would like to ask the witness.

By Mr. Norman:

Q. Doctor Stevens, referring to table 37, part 4, pages 6-a and 6-b, where you show the classification of land as excellent, good, fair, and so forth: I will ask you if that is not a changing rather than a fixed quantity?

A. Well——

Q. In other words, is it not possible, and is it not often done, that by using certain improved methods, land is changed from fair, we will say, to good, so that its classification would be changed, probably, from year to year?

A. I am not an expert on soil erosion, or on soils, but I would say that only within very, very narrow limits is that true. Of course, irrigation will increase production, so that it can put poor land into good land, or into excellent land, and in the same way, the drainage of swamp land can do the same thing for that type of area. But as I understand it, these particular classifications, aside from factors of that [fol. 38] kind, are not subject to any great changes,—except that land may deteriorate from soil erosion, and otherwise. In other words, the bringing back of the land can in many cases be done if a sufficient expenditure of time, effort, and so forth, is put upon it; but that very seldom, in the course of the development of the country, so far as I know, has been done,—with the qualification, as I say, of swamp land and irrigable land.

Q. Well, of course you know that there are movements on foot, particularly in the south, in connection with the TVA, and the Department of Agriculture, to improve the productivity of the land.

A. That is true.

Q. Now, in the table in part IV, 28a, where you show the value of crops, you make the statement that the value of the crops, the higher value, in the south, is due——

A. Pardon me. What is that table again, please?

Q. On page 28a.

A. In part IV?

Q. Yes.

A. Very well.

Q. —to the higher farm prices, the higher prices of farm crops, in the south. Now is it not also in part due to the kind of crops raised, such as tobacco and cotton?

A. Yes.

Q. As you state on page 21.

[fol. 39] A. That is correct, yes, sir—as stated elsewhere in the record, that statement is correct.

Mr. Norman: That is all.

Com. Aitchison: Is there further cross examination? (No response.) There seems to be none. Have you anything further, Mr. Smelker?

Redirect examination.

By Mr. Smelker:

Q. Have you any further comment to make on your exhibit No. 1, Doctor?

A. I have not.

Mr. Smelker: Then you may step down.

(Witness excused.)

Mr. Smelker: Dr. Edwards.

Ford K. Edwards, was sworn and testified as follows:

Direct examination.

By Mr. Smelker:

Q. You may state your full name, please, Dr. Edwards.

A. Ford J. Edwards.

Q. What is your occupation at the present time?

A. I am principal economist, in charge of the Cost Section of the Bureau of Statistics, Interstate Commerce Commission.

Q. What are your duties, as such?

A. My duties embrace supervision over the analysis of cost data, cost evidence, which is given to the Bureau of [fol. 40] Statistics by the Commission for study and report. They also embrace the design of cost procedures, or cost formulas, in those cases where the Commission, on its own motion, requests or directs the carriers to develop costs in accordance with instructions furnished by the Commission.

Q. Will you state briefly the extent of your education.

A. I have a degree in Electrical Engineering from Iowa State College. For two years I held a Fellowship in Transportation at Yale University. In 1927 I received an M. A. degree from Yale, majoring in transportation; and in 1933 I received my Ph. D. degree from Yale University in the field of economics.

Q. Will you review your past experience in some detail.

A. I have had approximately one and a half years of experience in the plant and engineering department of the Nebraska Bell Telephone Company and the American Telephone & Telegraph Company. I have had about 2 years' experience with the Union Pacific Railroad, first as a clerk in the Authority for Expenditures Bureau of the Maintenance of Way Department, and later, for some months as a signal helper, in signal maintenance work, on various parts of the system. In 1926, I arranged with the Pennsylvania Railroad, during the summer of that year, to take what might be described as a short course in railroad operation. Under this program it was arranged that I should work on each type of job classification in the operating department, and under the program arranged [fol. 41] I worked from a few days to some weeks as a student yard clerk, student yard brakeman, student road brakeman, student fireman, student train dispatcher, student towerman, and I also spent some time in station work in the shops; I spent some time going out with wrecking crews; I made a large number of impact recorder tests; attended safety meetings; and generally, worked on practically all jobs long enough to obtain a brief knowledge of the nature of the operation.

Com. Aitchison: We hope, Doctor, it was not a knowledge so brief but what you remember it still.

The Witness: Perhaps that word "knowledge" was ill-chosen, Mr. Commissioner.

By Mr. Smelker:

Q. Will you go ahead from there, please, Doctor.

A. I might just add, I have had plenty of time to refresh my memory since that period.

Q. Go ahead.

A. One of the conditions of that experience was that I should make a complete report of everything I did, and everything I learned, and I presume that those reports are to be found in the files of the Pennsylvania Railroad. Incidentally, during that period I was carried on the payroll as a master mechanic. The arrangements for that experience were made with Mr. R. C. Morse, who is now vice-president of the Pennsylvania Railroad in the New York zone, and who at that time was general superintendent [fol. 42] of the northern region of the Pennsylvania. I have had about one and one-half years experience with the Motor Transit Company of Southern California, a large operator of trucks and buses, principally the latter. My work for this company required a traffic analysis and cost analysis of the operations of this concern, and also the preparation and presentation of data before the state regulatory body. I also spent about a year and a half with the Pacific Greyhound Lines, working as an assistant to the superintendent of transportation, on problems having to do with the coordination of service of the 16 or 17 bus lines that were being consolidated during the period that I was with that company. Their operations embraced the length of the Pacific Coast. For five years I was assistant professor of Public Utilities & Transportation at the University of Southern California, conducting courses in transportation, traffic management, transportation problems, public utility regulation, public utility valuation, statistics, corporation and finance, money and banking, economics, and various other related subjects. During the period 1934 to 1935, I was chairman of the California State Chamber of Commerce Statewide Committee, that drafted a comprehensive program for truck regulation, which was adopted by the state legislature in 1935. For four years I was Transportation Economist and Examiner with the California Railroad Commission. My work there may be roughly divided somewhat as follows: a period of approxi- [fol. 43] mately one year was spent in developing a cost finding procedure for marine terminals, and the development of a proper rate structure for marine terminal operation. A period of about six months was spent in developing costs for ferryboat operation in San Francisco Bay, and also the development of the proper rate structure for that operation. A similar period of about six months was spent on electric lines. For a period of approximately one year I devoted my time wholly to the subject of rail cost findings. Approximately two or three months were first spent in obtaining a working familiarity with the accounting statistics maintained by the principal carriers in the state of California. This was followed by a period of two or three months, during which I obtained a working familiarity with the train operations and yard operations of those carriers. Another period of two or three months was spent in reviewing the various cost finding procedures and formulas that had been used in proceedings before the California Commission, and also in reviewing the procedure used in the principal cases that were heard before the Interstate Commerce Commission. Following this background, a cost finding formula was developed and introduced in proceedings before the California State Commission. Approximately one month was spent in making a test application of that formula, through what was practically a blanket operation over all of the lines of the Southern Pacific Company. This also involved the making of certain yard studies at the principal terminals in [fol. 44] California, and at certain junction points. I also spent considerable time making an analysis of the cost evidence introduced by rail lines, truck lines, and water lines in cases where competitive rates of those respective carriers were involved. As an Examiner, I heard a substantial number of cases, principally involving abandonment proceedings where cost evidence was involved.

Q. What writings or publications have you authored, Doctor Edwards?

A. I have written a book entitled "Principles of Motor Transportation," published by McGraw-Hill Company, in 1933. I have also made a study entitled "Rail Cost Finding for Ratemaking Purposes," which was published by the California Railroad Commission, and introduced as exhibit No. 2 in case 4402 before that Commission. I have also written a paper entitled "Marine Terminal Cost Finding for Ratemaking Purposes," which was published in the proceedings of the Pacific Coast Association of Port Authorities, for 1939.

Q. Have you prepared a cost study of performing railroad freight service in the various rate territories for 1939, including cost scales by territories and classes of equipment?

A. Yes, sir.

Q. In what form have you prepared the exhibits which comprise this study?

A. This study has been published in two sections. The [fol. 45] first is entitled "Railroad Freight Service Costs in the Various Rate Territories, 1939." This first statement contains the textual or explanatory material. The second statement is entitled "Railroad Freight Service Costs in the Various Rate Territories, 1939; Cost Scales by Territories, and Classes of Equipment." This larger size statement contains the cost scales themselves, and in addition, various supporting tables summarizing the unit costs and other data by territories.

Mr Smelker: If the Commission please, we now offer for identification the two exhibits which the witness has just discussed.

Com. Aitchison: They will be marked as exhibits Nos. 2 and 3, in the order in which you have referred to them.

Mr. Smelker: "Railroad Freight Service Costs in the Various Rate Territories, 1939", will be exhibit No. 2; that is, the smaller of the two exhibits will be exhibit No. 2; and the larger exhibit will be exhibit No. 3.

(Exhibits Nos. 2 and 3, Witness Edwards, marked for identification.)

By Mr. Smelker:

Q. Now, Dr. Edwards, have you anything to say concerning the method of construction of these two exhibits?

A. No, sir, I have not. I believe that the exhibits are self-explanatory. However, much to my regret, I find that there are some typographical errors in the textual data, [fol. 46] which I would like to correct on the record at this time. These corrections have been picked up in the copies which have been distributed this morning, and most of them I believe have been made in the copies which were sent out by mail; but there may be some copies which have not had the corrections made in them.

Q. Is the list of corrections a very long one, Doctor?

A. No, sir, it is not. It is relatively short.

Mr. Smelker: If the Commission please, we would like to have the corrections read into the record at this time.

Com. Aitchison: For the purpose of clarity, I will say that the witness is referring to exhibit No. 2 for identification.

The Witness: Please refer to exhibit No. 2 for identification, page 19. The caption reading "Territorial Rate Comparisons" should be changed to read "Territorial Cost Comparisons". On page 22 of exhibit 2 for identification, in the second paragraph, see sentence beginning with line 10. This should read as follows: "The average loads developed for South and East in this case were 45.0 tons and 50.8 tons respectively." In other words, the two figures that were shown there were reversed. Next see page 100, table 38. The caption of the column which states "Weight of Trains Including Locomotive and Tender (Tons)" should be changed to read "excluding" instead of "including." See page 122, table 3, account No. 401, where the figure for the year 1937 should be changed from [fol. 47] 101.68 to 101.86. For the year 1938 the figure reading 106.74 should be changed to 107.43. The figure for 1939, in the 1939 column, reading 106.74, should be changed to 107.43. See also page 122, table 3, footnote 3, the last line, where the figures reading "3.5-26" should be changed to read "4-26". That completes the corrections. Those corrections do not affect the cost computations.

By Mr. Smelker:

Q. Dr. Edwards, are the sources of material which were used in the compilation of these exhibits, indicated in the text in all cases?

A. Yes.

Q. Now what can you say as to the purpose of these two exhibits?

A. The purpose of this study is to provide territorial cost data that may be used in determining the relative transportation cost in the respective rate territories, and that may be of aid in the development of territorial class rate scales.

Q. Have you any other comments to make on the exhibits, Doctor Edwards?

A. No, sir.

Mr. Smelker: If the Commission please, at this time we offer in evidence exhibits 2 and 3.

Com. Aitchison: Is there objection? (No response.) They are received.

(Exhibits Nos. 2 and 3, Witness Edwards, received in evidence.)

[fol. 48] Com. Aitchison: Have you anything further, Mr. Smelker?

Mr. Smelker: No further questions.

Com. Aitchison: The respondents may cross examine.

Mr. Plunkett: I have a few questions, if the Commission please. I am appearing on behalf of the Western Lines.

Cross-examination.

By Mr. Plunkett:

Q. As I understand it, Doctor, these scales were made under your direction by the Cost Section of the Interstate Commerce Commission. Is that correct?

A. Yes, sir.

Q. They purport to show the average cost of handling freight in the several territories, do they not?

A. Yes.

Q. They do not purport to show the cost of handling any particular commodity, do they?

A. No, sir, except in so far as the cost of handling a particular commodity is governed by the class of equipment in which it is handled, the average net load, and the percentage of empty return for the type of equipment which is used.

Q. And also that it possesses these average characteristics that you have displayed in these cost scales?

A. Yes, sir. This study was designed to reflect average cost, mainline and branch line, through train and way-freight operation, and for all sizes of terminal operation.

Q. They do not purport to show the cost of transporting [fol. 49] a given shipment in one territory, as compared with the cost of transporting the same shipment the same distance in another territory, do they?

A. Well, that depends on what you mean by "a given shipment." They reflect the average cost of handling a given shipment in one territory as related to the average cost of handling that same shipment in other territories—yes, sir.

Q. What they purport to show is the cost of handling the average kind of commodity that is handled, in one territory, compared with the cost of handling the average kind of commodity handled in another territory; is that right?

A. No, sir, I would not say that that was right. I do not know what you mean by "the average kind of commodity."

Q. Well, the average consist of traffic, the average haul, and the like.

A. Perhaps it would make it a little clearer if I stated that in the Pocahontas region there is no doubt but what our average costs are colored by the fact that probably 85 per cent of the traffic consists of coal traffic, that is moved under peculiar conditions that are not also common to merchandise traffic.

Q. That is precisely the point that I was going to bring out, Doctor.

A. Yes.

Q. The fact that the Pocahontas region deals almost exclusively in bituminous coal, which is a low-cost traffic, [fol. 50] colors the cost of handling traffic in that territory. Now, conversely, is it not true, from these exhibits, that the highest-cost territory is the New England region?

A. That is right.

Q. And is that due in part to the fact that in the New England region, the "average commodity" consists of manufactured articles which are a relatively high-cost traffic?

A. That may contribute to that situation, yes, sir.

Q. Well, then, does it not follow, Doctor, that the relative cost in the different territories depends to some extent at least upon the consist of traffic in those territories?

A. The costs, as they are developed, reflect the manner in which the average traffic in a particular territory is handled. In the Pocahontas area, the average traffic consists of coal, and it is true that that traffic is handled in heavier trains than the merchandise traffic. In other regions, I am not convinced that there is any one commodity of such outstanding importance, that is handled in a manner so peculiar, and so different than the average traffic, which as you say would substantially color the average cost that we have developed.

Q. But it would have some effect on the average cost, would it not? Perhaps it would not be so marked as in the Pocahontas region, but it would have some effect at least, would it not?

A. I wish you would explain a little bit further, please, what you mean in that regard.

[fol. 51] Well——

A. Give me an example.

Q. Take the example we have already discussed. Is it not a matter of degree, in other territories, as to the relative importance—or the relative proportion of low-cost traffic and heavy-cost traffic?

A. I would not necessarily say so—if I understand your question—no, sir. There may be some tinge there, however, if you want to put it that way.

Q. Well, is it not also affected by the proportion of main line and branch line operations in the various territories?

A. Yes.

Q. Is it not a fact that it costs a great more per hundred pounds to transport freight in branch line operation than it does in main line operation?

A. Yes, sir, that is correct. The full distributive cost on branch line is greater than it is on main line,—at least, as a rule it is.

Q. Now, Dr. Edwards, I have in mind two operating divisions of the Great Northern Railway, for the purpose of illustration. One is what is known as the Spokane Division, from Spokane, Washington, to the Pacific Coast. That division is 48 per cent branch line. The division just east of that, over the Rocky Mountains, known as the Kalispell Division, is only 7 per cent branch line. We find, from [fol. 52] statistics that have been gathered by the Great Northern Railway, that it costs over twice as much to handle traffic on the Spokane Division, with 48 per cent branch line, as it does to handle traffic on the Kalispell Division, with 7 per cent branch line. Would that conform to your experience, as to relative cost?

A. Well, I do not know about that particular ratio. However, I would say that your implication is correct, that if one division has more branch line, or more branch line traffic than another division, the average cost on the first division will be greater, providing those branch lines are characteristic branch lines, with a light traffic density.

Q. Yes, that is what I had in mind.

A. (Continuing:) Or are operated over with lightweight local trains.

Q. Well, now, Doctor, if you had the relative cost of handling all freight on the Spokane Division, and on the Kalispell Division, would you say that those relative costs would show the relative cost of handling a carload of lumber over the main line of the Spokane Division on the one hand, and over the main line of the Kalispell Division on the other hand?

A. No, sir, they would not show the main line cost. That was not our intent. We were interested in blanket averages or composite weighted averages, that would reflect all operating conditions, assuming that one rate scale for example was applied uniformly at a level which, if applied [fol. 53] to all movements, main line and branch line, would cover all cost of operation, main line and branch line.

Q. To get the average cost, then—or the relative cost of handling a shipment over the main line of the two divisions, you would have to have a more refined cost study than the one you have produced, would you not?

A. Yes, sir. In other words, we would never use the formula which was used in this case, in any case where we were interested in main line operation only, or in the movement of particular trains. We had to develop this formula particularly for this type of cost.

Q. That is what I thought.

A. Yes.

Q. Now, Doctor, I understand that these cost scales are based upon operation for one year; is that right?

A. Yes, sir.

Q. The year 1939.

A. Yes.

Q. Is it not true that a study of operations, based upon one year, is not a reliable guide for the determining of costs?

A. Well, sir, I would not say that, no, sir; I would not say that that necessarily follows. If there has been some drastic change in the nature of railroad operation, or in the volume of traffic handled, since the study was made, then no doubt it would be true that the cost would be [fol. 54] affected,—at least that portion of the cost which is not variable with volume of traffic. Those expenses which are variable with volume of traffic we assume would rise and fall in proportion to changes in the traffic, and hence the cost for those items would remain somewhere near constant.

Q. But the costs that vary with the rise and fall of traffic, as shown by your studies, represent not more than half of your less-than-carload cost, or of your all-inclusive cost, including 5¾ per cent return on investment; that is right, is it not?

A. Yes, sir, that is right. In this connection, however, I might raise another point, and that is this, that we were also faced with the problem, in getting the costs, as to what period to use. Our usual procedure is to take the last available annual accounting period. Now, we realize that by the time we get the studies completed, there may have been a 10 percent or 15 per cent change in the traffic, and that may throw our figures out by a few per cent. So we have to recognize that situation, and possibly make adjustments, or estimates. However, in this case here, we were interested to a substantial extent in the relative cost between the territories, so that the cost for one year gave us some evidence of probative value in the record, even though the following year the cost would be as a whole lesser or greater.

Q. Now in the western district we are dependent to a great extent upon crop situations, are we not?

[fol. 55] A. Yes, sir.

Q. And a crop failure in the year covered by the study, would greatly increase the cost per hundred pounds in that territory, would it not?

A. Well, if your traffic fell away drastically, your managements would no doubt curtail expenses drastically, likewise, so I would not say that there would be a great change, although there might be a change. I know that during the period of the depression, the carriers showed a phenomenal ability to attune their expenditures to their income, or in other words, to their traffic volume. However, your point is correct, particularly when one considers the return upon investment. The value of the property does not change with traffic volume; but if one considers what we have referred to as cost level-*V*, including return upon investment, then the cost would fluctuate with substantial changes in the volume of traffic.

Com. Aitchison: Let me interpose a question right there, Mr. Plunkett.

Mr. Plunkett: Yes, your Honor.

By Com. Aitchison:

Q. With the exception of your last computation, cost basis-*V*, would your exhibits Nos. 2 and 3 lend themselves to being brought down to date simply by the use of the 1940 annual reports, or would further information be necessary?

A. We would probably have to ask the carriers for [fol. 56] some supplemental information concerning the breakdown of their expenses by territories, and the separation of station expense, again, between yard labor and other. We could not rely wholly upon the annual reports. I think we would practically have to repeat our process. However, that can always be done for any period, providing the time is available.

Com. Aitchison: Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. In your exhibits Nos. 2 and 3, Doctor, you have referred to 5 cost levels, *I* to *V* inclusive.

A. Yes.

Q. Your exhibit No. 3 shows cost level *II* only, set forth in the form of a table; is that right?

A. Yes, sir.

Q. Cost level No.-*I*, I understand to be the out-of-pocket cost.

A. Yes, sir.

Q. And you have not shown that anywhere in the exhibit, have you?

A. Not in exhibit 3, no, sir.

Q. And in exhibit 2, you have only shown it by the percentage of cost level-*II*; is that right?

A. Yes, sir. That refers to the figure of 80 per cent.

[fol. 57] Q. Cost level-*II*, which you have shown in detail in your exhibit 3 is neither the out-of-pocket cost nor is it the all-inclusive cost, is that right?

A. That is right. It includes the operating expenses, rents and taxes.

Q. So it could not be used, could it, either for the purpose of determining minimum rates which would refer to out-of-pocket costs, or maxium rates, which would be measured by the all-inclusive costs?

A. That is right. It is merely a base figure from which the other levels can be computed.

Q. So that if a shipper wanted to determine what the cost of handling his shipment was, he could not refer to exhibit No. 3 and get it without some computation, bringing in these factors you have not included?

A. That is right, unless he was referring to cost level-*II*, and that would depend upon the level of cost in which one was interested at the time.

Q. Certain of your cost levels include passenger deficits and L. C. L. deficits?

A. Yes.

Q. Am I correct in that?

A. That is right.

Q. In those you have introduced the element of revenue. [fol. 58] Is revenue a natural part of a cost study?

A. No, sir. It is not a natural part of a cost study. However, I am somewhat of the opinion that a cost study that includes that feature is of limited usefulness. I say that, because in an industry of joint costs, whether it is a packing plant or a railroad, where one distributes the expenses to the various products or services produced on a use basis, on a cost basis, and certain of those services or products fail to cover—that is, the revenues from them fail to cover the expenses distributed to them, then one must take into consideration the lack of revenue or the revenue needs as a supplement to the cost evidence in order to obtain a figure that has economic significance for the purpose of pricing the commodity that must bear and if the industry is to survive has to bear the amounts by which, what we might call the by-products, fail to cover their share.

Q. In arriving at the passenger deficit, for example, you have included as part of the passenger cost not only the out-of-pocket cost, but also interest on investment and taxes, rents, and everything else?

A. That is right.

Q. That same is true, is it not, Dr. Edwards, in determining the cost of handling less than carload traffic, the less than carload deficits?

A. That is true. That is our recognition of the fact that [fol. 59] these other services fail to contribute anything toward a return for the simple reason that they do not even cover their full distributed share of the operating expenses including overhead. That being so, if a carrier is to earn any predetermined rate of return, whether it is 4 per cent, 5 per cent or 5¾ per cent, it inevitably follows that the burden of earning that return must rest upon the carload freight traffic.

Q. I would understand from your exhibit No. 2 that these cost scales were prepared from the studies of about 135 class 1 railroads?

A. That is correct.

Q. How did you select the particular railroads which you studied, Dr. Edwards?

A. We selected the class 1 railroads.

Q. Now, in your exhibit No. 2 you have included in your studies the lines of the Burlington Railroad in Illinois, Montana, and Wyoming, and you have not included the Burlington Lines in Western Trunk Line territory proper, which constitute a great part of the Burlingon Railroad. I was wondering why that was omitted.

A. In the operations entitled "Operations in Northern Illinois," we included all lines of the Chicago, Burlington & Quincy Railroad in the state of Illinois. That is true.

Q. Yes.

[fol. 60] A. In the operations entitled "Western Trunk Line territory," we included all lines of the Chicago, Burlington & Quincy Railroad in the states of Missouri, Iowa, Wisconsin, Nebraska, South Dakota, Kansas and Colorado.

Q. Are you reading from your exhibit No. 2?

A. No, sir.

Q. Oh.

A. I am reading from supplementary information, a supplemenntary statement as to how we broke down by territories those railroads separated by territories.

Q. I got my information for the question from page 16 of your exhibit No. 2, wherein you list the railroads which you have studied in Western Trunk Line territory.

A. Yes.

Q. I do not find the Burlington listed among them.

A. Well, that appears to be an oversight in listing the railroads included in territory No. 8. We included in territory No. 8 the operations of the Chicago, Burlington & Quincy Railroad Company in the states I just mentioned, and also we included in Mountain Pacific territory the operations of the Chicago, Burlington & Quincy Railroad Company up in the states of Montana and Wyoming.

Q. Well, do you wish to correct your exhibit No. 2 to show that with respect to the Burlington?

A. I think that would be very well.

[fol. 61] Mr. Plunkett: I think that would be well, for the record.

The Witness: Please refer to exhibit No. 2, page 16, item 8. There should be added to the lines of railroad at the foot of page 16 the following: "Chicago, Burlington & Quincy Railroad Company, operations in the states of Missouri, Iowa, Wisconsin, South Dakota, Nebraska, Kansas and Colorado."

Com. Aitchison: The exhibit may be so corrected.

By Mr. Plunkett:

Q. Now, Dr. Edwards, I understand that as part of the work of preparing these cost scales, you first made separate cost studies for each railroad that lay entirely in one territory?

A. Yes.

Q. Then you made separate cost studies for each portion of a railroad that lay in more than one territory, if I understand it correctly?

A. Yes.

Q. Where a railroad lay all in one territory, did you obtain all of your information from the annual reports, or was part of it obtained from questionnaires?

A. Part of it was obtained from questionnaires.

Q. Where a railroad lay in more than one territory, the breakdown by territories was obtained from the questionnaires?

A. That is right.

Q. When were these questionnaires sent out, about?

A. These questionnaires were sent out in November.

[fol. 62] Q. When were they required to be answered?

A. I believe the carriers were asked to reply within two weeks.

Q. That was a rather short time, was it not?

A. Yes. A short time.

By Com. Aitchison:

Q. What year?

A. 1940.

By Mr. Plunkett:

Q. Was all of the information called for in the questionnaire of such a character that the carriers had it available, or did some of it have to be estimated?

A. Some of the information had to be estimated.

Q. You have referred to that in your exhibit No. 2, I believe, have you not?

A. Yes. Exhibit No. 2 I think refers to the questionnaire, which provided for certain estimates.

Q. As to the separation of a railroad by territories, that had to be done in various ways, did it?

A. Yes, sir. When we approached this subject, we were faced with the problem of breaking down the statistics and the expenses of about 20 large railroads between territories. In that case we went back to our file in Ex Parte 122. I refer to this case because it was in connection with that case that accountants of the Interstate Commerce Commission visited the offices of all the railroads and obtained a file of their method by which they accrued their statistics.

From that we were able to determine on what basis a rail-[fol. 63] road could give us a breakdown. In one or two instances we found that the railroads had changed their practices since that file had been obtained, in which case we worked out some other basis with them. That was the way we approached that problem.

Q. Now, if the boundary line between two operating divisions coincided with the boundary line of the territories that you were studying, I take it that you used the operating division separation as the basis for separating by territories?

A. Yes.

Q. Is that right?

A. That is right.

Q. Now, in northern Illinois is it not true that the Chicago terminals were included in one or more divisions of the railroads that operate from that state?

A. Yes.

Q. Is that right?

A. That is right.

Q. So that you have placed into northern Illinois all of the terminal expense at Chicago, is that right?

A. Yes. In the territory designated as "northern Illinois", we endeavored to place in there the terminal operations of all the Western Trunk Line railroads operating into Chicago in order that we would be able to group those operations either with the eastern territory or Western Trunk Line territory as might be seen fit at some later date.

[fol. 64] Q. Now, the first step in your study was the separation of expenses between freight and passenger, was it not?

A. Yes. That, however, is provided for in the annual reports. That involves no——

Com. Aitchison: You have answered it, Doctor, when you said "Yes".

The Witness: Pardon me?

Com. Aitchison: You answered it when you said "Yes".

The Witness: Pardon me.

Com. Aitchison: Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. Do you consider the separation between freight and passenger which the carriers make annually in their annual reports as a proper basis for ascertaining freight operating costs in a cost study?

A. I think it is sufficiently accurate for our purposes.

Q. Did you make any check to determine the accuracy of the separation between freight and passenger?

A. No, sir. However, in as much as any amounts too large and too small amounts had been charged against the passenger traffic and passenger revenue failed to cover that, the amount was placed against freight traffic in any event, so that any error in the separation between freight and passenger ultimately has no bearing on the development of what I consider to be the significant cost levels.

Q. That is because the table which would include the passenger deficit did not allow for any errors in the separation [fol. 65] between freight and passenger, is that right?

A. Yes. It washes itself out.

Q. But level No. 2, which is the one you have shown on your exhibit No. 3, would not bring in that factor, would it?

A. No, sir.

Q. Your exhibits show that in making this cost study you followed a formula known as form A?

A. Yes.

Q. Is that right?

A. That is right.

Q. That has not been introduced in evidence.

A. No, sir.

Mr. Plunkett: Mr. Chairman, may it be understood that we can refer to form A as though it were a part of this record, or should it be introduced as part of the record?

Mr. Smelker: If the Commissioners please, we have plenty of copies of the exhibit here and they can be introduced at this time.

Mr. Plunkett: It would seem as though it ought to be part of the record, because we will want to refer to it.

Com. Aitchison: Let Mr. Plunkett have a copy. He can introduce it.

Mr. Smelker: I have a copy here which I can give to Mr. Plunkett.

Mr. Plunkett: Thank you, Mr. Smelker.

Mr. Smelker You can introduce that copy.

[fol. 66] Mr. Plunkett: I will ask that that exhibit be marked for identification as exhibit No. 4.

Com. Aitchison: It may be so identified.

(Exhibit No. 4, Witness Edwards, marked for identification.)

Mr. Plunkett: We now offer in evidence exhibit 4.

Com. Aitchison: Without objection, it is received in evidence.

(Exhibit No. 4, Witness Edwards, received in evidence.)

Com. Aitchison: Off the record.

(Discussion outside the record.)

Com. Aitchison: On the record. Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. Now, in applying form A, which has been introduced in evidence as exhibit No. 4, as I understand it you started off first with maintenance of way, maintenance of equipment and transportation expenses?

A. Yes, sir.

Q. The first step was the separation of those expenses between terminal and line haul or terminal and running, as you have designated them?

A. That is right.

Q. Is that correct?

A. That is right.

Q. There are many expenses, are there not, that do not readily fall into one of those two categories, terminal and line haul, that are common to both?

[fol. 67] A. Yes, such as traffic expenses and general overhead expenses.

Q. I had in mind maintenance of way, maintenance of equipment and transportation.

A. No. Maintenance of way, maintenance of equipment and transportation fall into those categories very well, I think.

Q. Was it not necessary to apply a good many percentages to many of those accounts?

A. Well, with respect to maintenance of way, the carriers currently make a separation of their maintenance between yard tracks, running tracks and way or switching tracks. Are you referring to the carriers' own procedures in making that separation?

Q. No. I refer to your procedure.

A. Oh.

Q. What about station expense, maintenance of stations? Did you not have to make an arbitrary separation there?

A. No. There is no separation of station expense. That was treated on an assignment basis, with the exception, however, of the so-called running portion of station expense, namely, the time of dispatchers and operators engaged in issuing train orders and such, and that——

Q. Did you not arbitrarily—pardon me. Go ahead.

A. —and that constituted the separation between running and terminal.

[fol. 68] Q. Did you not arbitrarily charge 15 per cent of repairs to stations and office buildings to running expenses and 85 per cent to station?

A. Yes. That is right.

Q. And with respect to repairs to freight cars, you assigned 70 per cent to running and 30 per cent to terminal?

A. No, sir.

Q. How did you arrive at the separation of repairs to freight cars between terminal and running?

A. That was separated between the time factor and running factor. The time factor was separated between running and terminal operation on an active car day basis, while the running portion was separated between—the mileage portion on car repairs was separated between running expenses and terminal expenses on an equated car mile basis.

Q. How did you separate between the time basis and the running basis?

A. That was separated on the basis of studies made by the engineering section of the Bureau of Valuation.

Q. Is that where you got the 70 per cent?

A. Yes. That refers to mileage and time, and not to running and terminal.

Q. When was this study made by the engineering section?

A. It was made during the latter part of 1940.

Q. Did it deal with all railroads or certain railroads?

[fol. 69] A. It dealt with several railroads. I would say it dealt with all railroads.

Q. Did you make an arbitrary apportionment of freight car depreciation between time and running the same way?

A. I do not know what you mean by the term "arbitrary apportionment".

Q. I will strike out the word "arbitrary".

A. We made an apportionment based upon a study made by the engineering section of the Bureau of Valuation as to what was the proper separation.

Q. Were those percentages 45 per cent and 55 per cent?

A. Yes.

Q. After you had separated the expenses between terminal and running, you then separated the running expenses between those that you associated with revenue freight car miles and those that you associated with gross ton miles?

A. Yes.

Q. Is that right?

A. That is right.

Q. How did you determine in your own mind which of these expenses should be associated with freight car miles and which with gross ton miles?

A. Those expenses that were associated with revenue car miles were those expenses which were largely independent of the weight of the load in the car, namely, the inter-train [fol. 70] and intra-train switching expenses and interchange switching expenses.

Q. In your table 19 of your exhibit No. 2 you show the extent to which various operating expense accounts vary with traffic, and as you have computed them, for example, you show that 80 per cent of the expense of renewing ties in running tracks vary with traffic and 20 per cent does not; and that no part of the repairs of fences, snow sheds and signs, no part of roadway buildings, telegraph and telephone lines, power plants and several other items were regarded as varying with traffic, is that right?

A. That is right.

Q. That being true, how could you logically determine that those accounts which did not vary with traffic should be apportioned on the basis of freight car miles instead of gross ton miles or some other basis? Why wouldn't one be just as good as the other?

A. Because we feel that the gross ton mile basis is the fairest distribution of those expenses which are not affected by the change in the volume of traffic. We considered distributing them, for example, on a train mile basis, but it did not seem a reasonable and proper distribution, for example, that the use made of right-of-way fence by a two-car train was the same as a 100-car train.

We considered distributing them on a car mile basis, but [fol. 71] it was felt there that the shipper that loads his car places a heavier load in the car and uses one car instead of two, makes a different use than the shipper who uses two cars. We felt that the use varied more with the weight than it did with the car itself.

We also considered distributing them on a ton mile basis, but there again we considered that the car was noting but a packing box for the load itself, and that when we give consideration to the package, we should also give consideration to both the container and the load within the package. We also realized that the train miles, the car miles and net ton miles all varied to more or less degree with the gross ton miles, which is the composite factor reflecting what we might achieve by using all of the other items. As a result, for those reasons, in our judgment we elected to distribute those expenses which are not affected by use on a gross ton mile basis.

Q. Now, you have distributed part of them on a freight car mile basis, have you not?

A. We distributed those expenses, such as inter-train and intra-train switching and interchange switching, which we treated as variable with distance—we treated those on a revenue car mile basis.

Q. Did you assume that depreciation of freight cars varied 100 per cent with use?

[fol. 72] A. Oh. I beg your pardon. I missed your point. Yes. The repairs and depreciation on freight train cars chargeable to the running service were distributed on a car mile basis.

Q. And the non-variable proportion as well as the variable proportion was distributed on the same basis?

A. Yes, because we did not consider that there was any non-variable portion of freight train car maintenance or depreciation, for the reasons stated in the report.

Q. Now, in making the separation by territories was it necessary to indulge in some assumptions, that is, to apply some arbitrary per cents to arrive at the separation?

A. There were a few cases in the distributing of station expenses, for example, where we found that the carriers could give us a satisfactory breakdown of their operating expenses, rents—well, operating expenses, I would say—by territories, but of course we had to have those expenses accompanied by a like separation of their operating statistics, such as gross ton miles, car miles and so forth.

In the case of station expenses, certain — the carriers, while making a statistical and expense breakdown on a basis suitable to us, did not make a comparable breakdown of their cars originated and terminated, in which case we had to use an arbitrary basis. However, our feeling in the matter was that that only dealt with a small portion of the expense on a few railroads and when grouped with [fol. 73] the total territorial expenses, it would not significantly affect the average cost for those territories.

Q. Were there many railroads that did not break down their locomotive repairs by districts?

A. Yes. There were quite a number that did not. I believe—well, I do not want to guess on that. Probably half or more did not.

Q. You say probably half or more did not?

A. I believe half or more did not.

Q. Where they did not break them down, as I understand your form A, you assigned 40 per cent of this expense on the basis of locomotive miles and 60 per cent on the basis of locomotive ton miles?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Where did you get those percentages?

A. Those percentages go back to the study I made while I was with the California Railroad Commission, and reflected findings concerning the operations of the Southern Pacific, Western Pacific and Santa Fe on the Pacific Coast. We also put that question to the engineering section of the Bureau of Valuation and asked them to give us a prorate that would reflect all conditions. Their finding was verified, or was the same as what we had found in [fol. 74] California. Therefore we used those percentages.

Q. Now, to test out that method, I assumed that we did not know what the locomotive repairs expense was on the Great Northern or the Burlington, two railroads that adjoin one another, but I did know the total expense for the two lines. I did know the locomotive miles and the locomotive ton miles. I applied your formula and I found that the computed locomotive repairs expense for the Great Northern was two and a half million dollars and for the Burlington, was three and one-quarter million dollars, whereas, as a matter of fact, the actual expense of the Great Northern was three and a half million dollars and for the Burlington, was only two million three hundred thousand dollars. Would not that indicate that that basis was not accurate for the purpose for which you used it?

A. That basis represents an approximation. That is a problem that we face. We faced the problem of separating the locomotive maintenance between territories for a carrier that operated locomotives in different territories but kept no record by classes of equipment.

Com. Aitchison: I would like to ask a question right there, Mr. Plunkett.

Mr. Plunkett: Certainly.

By Com. Aitchison:

Q. Did the Burlington or the Great Northern make this separation in their questionnaire, or in their return to [fol. 75] the questionnaire?

A. I might ask this gentleman whether they did or not.

Mr. Plunkett: The Great Northern made the separation between Western Trunk Line territory and Mountain Pacific territory, yes. I merely used that as an illustration to test out the accuracy of the formula.

Com. Aitchison: I am trying to develop what your point is. Is your point that the Great Northern made the separation and the witness rejected it, or what?

Mr. Plunkett: My point is that if his formula is accurate, then if we do not know what the locomotive repairs expense was on the Great Northern or on the Burlington, if we do not know the combined expenses of the two, but we know what the traffic units are, locomotive miles and locomotive ton miles, we ought to find his formula coming pretty close to the actual, which of course we do know. So I applied it, and found there was a 40 per cent difference between the computed costs and the actual costs.

Com. Splawn: Is that true with respect to the totals, Mr. Plunkett?

Mr. Plunkett: I beg your pardon?

Com. Splawn: Is that true of the two, the totals of the two?

Mr. Plunkett: That was true as to the totals, yes.

The Witness: I would like to have the opportunity of [fol. 76] checking your figures in that respect, for the reason that of course a system shop maintains locomotives for the entire length and breadth of the system, so that the actual shop expenses are not ascertainable by territories, so the problem is to apportion the expense to each class of locomotive and then to determine the number of miles run by each class of locomotive in each territory. Now, that may be done. In our questionnaire we asked every railroad to give us a breakdown of its costs by classes of locomotives and then also miles run by each class of locomotive in each territory, which I believe to be a fair basis for distribution. Where a railroad had no records or could not reasonably develop that data, then they had the alternative of taking the repair expense for the locomotive and separating it between territories on the basis of the locomotive miles run in each territory, or the locomotive ton miles run in each territory.

We did not feel that the locomotive miles was wholly correct, because it would not reflect the weight of the power, nor did we feel the locomotive ton miles was wholly correct, so we used this composite figure.

Com. Aitchison: Perhaps I missed one step in this sequence. As I was following this, you were talking about a separation between terminal and running.

The Witness: Yes.

Com. Aitchison: Then he went to table 19, which shows [fol. 77] the portion of the expenses treated as out-of-pocket maintenance of equipment and equipment rentals.

The Witness: Yes.

Com. Aitchison: Now you have come to the matter of the separation of the primary accounts as between territories.

Mr. Plunkett: That is correct.

Com. Aitchison: That is something different, is it not?

Mr. Plunkett: I made the separation in asking the question. I asked him if it was not true he had to make some apportionments to develop the expense between territories.

Com. Aitchison: It would be very much clearer to us, considering the number of apportionments that have to be made, for the purpose of following the apportionments and following the distribution, if you can state on the record as you go along just what distribution it is you are referring to.

Mr. Plunkett: I will try to do that.

Com. Atchison: Now, what does that mean in this case?

Mr. Plunkett: Did you ask me that question?

Com. Aitchison: Yes. I want the question clarified.

Mr. Plunkett: My question there went to the separation of the expenses between territories where the railroad did not make the separation currently in their accounts and it had to be done on a percentage basis.

By Mr. Plunkett:

Q. Did you understand the question that way, Dr. Edwards?

[fol. 78] A. Yes, sir.

Com. Aitchison: Then in answer to me the statement was made, as I understand it, that the Great Northern has separated them.

Mr. Plunkett: That is true. I only used that illustration for the purpose of testing the accuracy of his formula as applied to these roads that did not make them. Some of the roads, about 50 per cent I think he said, did not make them, and he had to apply a percentage figure.

Com. Aitchison: This should be a very simple matter.

By Com. Aitchison:

Q. I will ask you, Dr. Edwards, if it is a fact that you can apply any matter of an average and expect to have it trace out and check out with every individual item in the account.

A. No, you cannot. We were interested to determine that ourselves. As to those railroads that made the separation, we checked ourselves for the 60-40 relationship and we found widely varying results. In some cases the locomotive mile basis might be taken to make the separation. In other cases one might have taken the locomotive ton mile basis. Our thought in that matter was that the method which we have used was the best available method to apply to all railroads. 60-40 seemed to come closer than the others.

Q. What basis was used by the Great Northern?

A. The Great Northern used an accurate and proper basis [fol. 79] of giving us the expenses by classes of locomotive and the miles run by each class in each territory, and from that we were able to make a very satisfactory distribution.

Q. You used the actual, then, as far as the Great Northern was concerned?

A. Yes, sir.

Q. Is that correct?

A. Yes.

Q. You took out lines of that character?

A. Yes.

Q. Then the area of uncertainty is what Mr. Plunkett is talking about?

A. Yes.

Q. With respect to the lines that did not answer?

A. Yes.

Q. Or did not answer satisfactorily?

A. Yes.

Q. And the Burlington did not answer?

A. I do not recall. I can check our files and find out.

Com. Aitchison: Mr. Plunkett can tell.

Mr. Plunkett: I do not believe I can, Mr. Commissioner.

Com. Aitchison: Very well.

Mr. Plunkett: May I proceed?

Com. Aitchison: Yes.

By Mr. Plunkett:

Q. Now, after you had made the separation of maintenance of way and maintenance of equipment and transportation between terminal expenses and running expenses and had separated the running expenses between those that varied with freight car miles and those that varied with gross ton miles, the next step, as I understand it, was to add to those expenses something to represent traffic expenses, general expenses, rents, taxes, and rate of return. [fol. 80]

A. Yes.

Q. Is that right?

A. Yes, sir.

Q. That was done on a percentage basis?

A. Yes, sir.

Q. As I understand it.

A. Yes.

Q. As I understand it, so far as taxes are concerned, you took the freight portion of the charges to railway tax accruals and included that as overhead expense in arriving at your percentage to be added to the known expenses?

A. Yes, sir.

Q. Is that correct?

A. Yes, sir.

Q. In that way you added or apportioned payroll taxes on the basis of material as well as labor?

A. Yes.

Q. Is that right?

[fol. 81] A. That is correct.

Q. After this was done, you determined the percentage of non-revenue net ton miles to revenue net ton miles by classes of equipment, is that right, between box cars, gondola cars, flat cars and so forth?

A. Yes.

Q. Now, that separation is not maintained currently by the carriers, is it?

A. No, sir.

Q. Is that not pretty much of a guess as to what the percentage is as applied to any given class of equipment?

A. Oh, it may be somewhat of a guess, but the amount is very small. Our only purpose in doing that was to get the tare weight of the equipment in which you are handling non-revenue traffic, and having got that, the predominant part of which was, of course, was coal and fuel oil, while we allowed the carriers a leeway of 10 per cent in estimating the proportion of non-revenue traffic handled by the classes of equipment, yet any error with respect to that would not amount to anything. It would only affect in some way a very small amount of the tare weight of the equipment in which you were handling non-revenue traffic, which of course is a very small item in the total study.

Q. Then you determined the percentage the empty cars bore to loaded cars by class of equipment?

[fol. 82] A. Yes.

Q. That was also somewhat arbitrary, was it not, Dr. Edwards?

A. I would not say "arbitrary". We asked the carriers to give us figures, and if they did not have them available, to make an estimate. That is all I can say. Our only check of the estimate was that from past experience in other cases we knew about what the percentage of empty return would probably be and where some of the carriers gave us figures that apparently were quite out of line, we wrote back and asked them in many cases if there had been some misinterpretation.

Q. In determining the amount to be added for return on investment, you show in table 87 on page 151 of your exhibit No. 3 the recommended value of property as of December 31, 1939, column 74.

A. What page?

Q. Page 151.

A. Page 151?

Q. Yes.

A. What column?

Q. Column 74.

A. Yes.

Q. Do you have that before you now?

A. Yes, sir.

Q. I believe you stated in your exhibit No. 2 that this was furnished by the Bureau of Valuation?

[fol. 83] A. Yes.

Q. Is that right?

A. Yes. The valuation figures were furnished by the Bureau of Valuation.

Q. I note that the total valuation of railroads of the United States as shown was some $18,166,000,000, is that right?

A. Yes, sir.

Q. Can you say whether that was reproduction cost less depreciation, or cost new less depreciation, or what it was?

A. We asked the Bureau of Valuation for a recommended rate-making value which presumably would encompass all of the factors of property entering into the determination of a value for rate-making purposes of the property, so that ——

Q. Do you think that—pardon me.

A. —so necessarily that includes the items to which you have referred. I presume and am quite certain that it encompasses all of the factors, the proper factors that enter into the determination of a rate base.

Q. You think that these values are net after deducting depreciation?

A. I am sure that depreciation is taken into account, yes, sir.

Q. Depreciation on fixed property was taken into account as well as on equipment, is that right?

A. I am sure that was done, yes.

Com. Aitchison: This refers to Class 1 railroads, does it [fol. 84] not, Mr. Plunkett?

Mr. Plunkett: Yes.

Com. Aitchison: You said "railroads of the United States".

Mr. Plunkett: I stand corrected.

Com. Aitchison: Proceed.

By Mr. Plunkett:

Q. Now, do the railroads charge depreciation on their fixed property as a general practice?

A. No, sir.

Q. Then have you included anything in your cost study to represent this depreciation on fixed property which they have not included in their expenses, but which you have written off in arriving at the value?

A. I should correct my previous statement when I said that the railroads do not charge off depreciation on fixed property. They do not charge depreciation, for example, on track structure, except in instances where it is charged off on bridges. However, that does not mean that there is no allowance for depreciation in there, because it merely means that the charges for depreciation are buried in the operating expenses; and if the carrier maintains its renewals and maintains the property, the depreciation charges are contained within the operating expenses.

The only case where they would not pick up the depreciation charges in that manner would be on a structure with a [fol. 85] long life, such as a bridge, with a life of 70 or 80 years, in which case the depreciation on that would not appear in the operating expenses until the expiration of the service life of the bridge. To that degree and on those items, the expenses you have reflect the depreciation.

Q. Is it not true that every year the railroads of the United States write off a great deal of property that is not replaced, such as branch lines taken up, spur tracks taken up, buildings demolished, and so forth?

A. I do not know what the term "great deal" means. That process is continuous. That is true.

Q. Yes.

A. Yes.

Q. Under the rules of the Commission the cost of property written off because it is not replaced is charged to profit and loss and not to operating expenses.

A. I believe so.

Q. Is that right?

A. I believe that is the rule, yes.

Q. So that even under the retirement method of depreciation, the railroads would not get anything for property that was retired unless it was replaced?

A. Under those circumstances, yes, sir.

Com. Aitchison: Just a minute, please, Mr. Plunkett.

Mr. Plunkett: Yes.

[fol. 86] Com. Aitchison: Off the record.

(Discussion outside the record.)

Com. Aitchison: On the record. Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. Now, after you had the cost per car for terminal service and the cost per car mile and per gross ton mile for running services, you proceeded to make your cost statements?

A. Yes, sir.

Q. First, how did you compute the number of cars to arrive at the cost per car for terminal service?

A. (No answer.)

Q. I believe you stated it in your exhibit No. 2, but I was not clear on that part of it. I think you said that all cars originated and all cars terminated were counted.

A. Yes.

Q. All cars delivered to connecting lines and received from connecting lines were counted if they were originated or terminated on the respondent lines?

A. Yes, sir.

Q. Is that correct?

A. Yes.

Q. Then as to the interchange with connecting lines, instead of figuring one car, you figured 45/100 of a car for each interchange, is that right?

A. Just a minute, please.

[fol. 87] Q. That is on page 105 of your exhibit No. 2.

A. Well, in effect, yes. We did it that way. Our car count was made in the manner in which you have stated. Then in distributing our switching expenses, we gave a weighting to the various classes of switching. The weight of 45/100 of a car, which was given to an interchange movement in the loaded direction, I presume, is what you have reference to.

Q. What weight did you give to a car of coal loaded at the Lake Superior or Lake Michigan docks for transportation to the interior where that coal had been brought into the docks by water lines?

A. We gave that a weight of 1.0.

Q. The same would be true of any traffic interchanged with boat lines at the head of the lakes?

A. That is right.

Q. Now, where did you get that information?

A. The reason why we took the count is that in the annual reports many of the carriers, if not all of them, show such cars as being interchanged with connecting carriers.

Q. Did you make an adjustment on that?

A. Well, that would not be an interchange in our sense of the word. That would be a car originated.

Q. But it would be shown on the ——

A. We would give it a count as a car originated. Now, if the car were turned over to a connecting line, then we [fol. 88] would pick it up as an interchange at the interior point where it was interchanged.

~~Q. Your exhibit No. 2~~ shows that you took your count of cars from schedule 541 of the annual report.

A. Yes.

Q. Columns B, D and F?

A. Yes.

Q. Now, these cars that were interchanged with the lake lines would not be shown in the schedule as cars originated or cars terminated, but rather cars interchanged with connecting lines. Did you make an adjustment to put them into the column representing cars originated or terminated?

A. No, sir, we did not. In that event, they would be given credit as a car interchanged with a weight of 45/100.

Com. Aitchison: I confess I do not understand how you interchange a car with a lake cargo carrier.

Mr. Plunkett: I do not, either, Mr. Commissioner. It is my understanding—I may be wrong—that that was done at the request of the Commission, because otherwise it would show coal originating at Duluth, when everybody knows there is not any coal originating at Duluth. It is brought in from somewhere else.

Com. Aitchison: Is it your contention that there is an error in the item in exhibit No. 3 in that regard?

Mr. Plunkett: It is our contention that there was an [fol. 89] error with respect to traffic interchanged with these boat lines, because they should have been included as cars originated or terminated, whereas they were shown as cars interchanged.

Com. Aitchison: We will call upon the respondents, all of the respondents who serve the Lake Superior docks, to make the changes which they think would be necessary on the basis of their records.

Mr. Smelker: So the record may be clear, does that mean the Lake Erie docks, also, or just the Lake Superior docks? You mentioned the Lake Superior docks only. He mentioned the Erie docks in his question.

Com. Aitchison: He has not developed any error with respect to the Lake Erie docks.

By Mr. Plunkett:

Q. I will ask you, Dr. Edwards, if you followed schedule 541 with respect to the lines serving Lake Erie docks as well as those serving Lake Superior and Lake Michigan docks.

A. The same procedure was uniformly followed.

Mr. Plunkett: I do not know how they headed them in their reports.

Com. Aitchison: I think if there is any error with respect to the apportionment as respects the Lake Erie lines, they will let us know about it.

The Witness: I might say, Mr. Commissioner, that the rule in schedule 541 reads to the effect that in stating the [fol. 90] number of tons received from connecting carriers, all shipments should be included, that, so far as apparent from the information on the waybills or abstracts of waybills, have been received from connecting rail carriers either directly or indirectly. Shipments from boat lines should also be included when identified as having had previous rail transportation. That presumably would exclude any shipments that were water-rail only.

By Com. Aitchison:

Q. It would also exclude any shipments to Lake Erie, would it not, because there is nothing on the waybill to show that it had a previous rail movement interrupted by a water movement?

A. Yes. I presume that would be so, also.

By Mr. Plunkett:

Q. Now, in determining the out-of-pocket costs with respect to carload and less than carload traffic, you have determined the expenses which in your opinion varied directly with traffic?

A. Yes.

Q. Is that right?

A. That is right.

Q. Those are the ones you referred to as out-of-pocket costs?

A. Yes, sir.

Q. In arriving at the costs shown in your tables, which would be cost level 2, you have included all of these additional costs for traffic, general, miscellaneous, rents, taxes, and so forth?

A. Yes, sir.

[fol. 91] Q. Now, when you show the cost per hundred pounds of freight moving in box cars a given distance and the cost per hundred pounds for the same freight moving in refrigerator cars in the same territory, you have added to the cost of moving in refrigerator cars over the cost of moving in box cars not only the out-of-pocket cost of moving the additional tare weight of five tons, or the additional tare weight for empty car miles, but you have also added additional overhead, is that right?

A. I do not know what you mean by "additional overhead."

Q. Well, you have assigned the overhead to all of your expenses, all of your costs, terminal and line haul and every gross ton mile or every freight car mile bears part of the overhead expense?

A. That is right.

Q. Is that correct?

A. Yes.

Q. If there are more gross ton miles in handling freight in refrigerator cars than in box cars because of the greater tare weight of the car, you have assigned to that additional weight part of the overhead expense?

A. Yes. If the refrigerator cars have 5 tons of additional tare weight, it follows they will obtain more overhead. The fact that the five tons is in the tare or in the load does not make any difference. The fuel consumed is in relation to it and the engine crew does not know when the five tons [fol. 92] is in the load and when it is in the tare.

Q. Turn to table 78, please.

Com. Aitchison: Of which exhibit?

Mr. Plunkett: Exhibit 3.

Com. Aitchison: Page 133.

Mr. Plunkett: That is correct.

By Mr. Plunkett:

Q. That table shows that the cost of handling a 40-ton shipment 300 miles is 7.8 cents per hundred pounds?

A. Yes, sir.

Q. That is correct, is it not?

A. Yes.

Q. And the cost of handling a 20-ton shipment the same distance is 13.3 cents per hundred pounds?

A. Yes.

Q. Is that right?

A. Yes, sir.

Q. So if you used two box cars for handling the 40 tons in one instance and one box car in another instance, you would get a cost of 7.8 cents for the shipment if it moved in a single car and 13.3 cents if it moved in two cars?

A. Yes.

Q. Is that right?

A. Yes, sir.

Q. Now, for 40 tons that would be $106.40 for the shipment [fol. 93] moving in two cars, and $62.40 for a shipment moving in one car, if you will accept my arithmetic.

A. All right.

Q. The difference is $44, which the shipper would save by moving 40 tons in one car as compared with two cars if the rates were made upon these costs?

Com. Aitchison: Just a minute, please, Mr. Plunkett.

Mr. Plunkett: Yes.

Com. Aitchison: Let me see if I understand this correctly. Is this supposed to show how much the shipper pays or how must it costs the carrier?

Mr. Plunkett: I said, if the rates were made on these cost figures.

Com. Aitchison: You mean, absolutely equal to the cost.

Mr. Plunkett: Absolutely equal to the cost.

Com. Aitchison: Yes.

The Witness: Yes.

Com. Aitchison: Do you understand that, Doctor?

The Witness: Yes.

Mr. Plunkett: And were exactly the same as the cost.

By Mr. Plunkett:

Q. Is that correct?

A. Yes, sir.

Q. Now, how much would the railroad save in handling a shipment in one car as compared with handling it in two cars? Would it save $44?

[fol. 94] A. The railroad would save something less than that. In other words, to make the type of comparison I think you are implying, one would have to take the out-of-pocket cost scales of these two, to indicate the out-of-pocket difference to the carrier.

Q. All the railroad would save would be the out-of-pocket cost?

A. Yes.

Q. Now, I have divided $44 by 300 miles and I get 14 and two-thirds cents per car mile, which would seem to represent, according to your tables, the cost of handling this additional empty car, because the shipment is moved in two cars instead of one, is that correct?

A. Will you repeat your question, please, Mr. Plunkett?

Mr. Smelker: Let the reporter read the question.

Mr. Plunkett: Read the question, please, Mr. Reporter.

(Question read.)

A. Well, I never thought of it that way. Maybe it is.

By Mr. Plunkett:

Q. Do you know whether or not there are some freight rates that do not pay as much as 14 and two-thirds cents per car mile?

A. (No answer.)

Q. If you do not know, just say so.

A. I do not know.

Q. Do your tables with respect to less than carload traffic include the cost of pickup and delivery?

A. No, sir.

[fol. 95] Q. That cost would be added?

A. Your less than carload cost would have to be—yes. That cost would have to be added, except to this small degree, that where the carrier performs some pickup and delivery service and does not make a segregation of the expense, it is buried in the accounts at various points and it trickles, some part of it, into the less than carload expense: That is a negligible expense item. Your statement is correct. One should add to the less than carload tables the pickup and delivery expense if one wants that.

Q. I believe if I understood your exhibit 2 correctly in computing the less than carload deficit, you did take into account the amount paid to others for performing pickup and delivery service?

A. Yes. We did that in order to make the expenses comparable with the revenue figures with which we had to work.

Q. In adding in the pickup and delivery, I take it that was done on the theory that revenue from less than carload traffic shown in schedule 541 of the annual report was net revenue after deducting payments for pickup and delivery service?

A. Yes, sir.

Q. I believe there are some roads that report—let me withdraw the question and put it this way: on the theory that that was gross, a report of gross income in Schedule 541.

A. (No answer.)

[fol. 96] Mr. Smelker: Do you understand the question?

The Witness: I do not understand the question clearly.

Com. Aitchison: You had better withdraw the question and ask it again.

Mr. Plunkett: I will. Let me withdraw the question.

By Mr. Plunkett:

Q. Will you refer to schedule 541 of the annual report, if you have one before you.

A. The less than carload revenues, as you state, are taken from the annual report, schedule 541, class 710, column L.

Q. Now, do you know whether the amounts shown in the annual report on the line and in the column you have indicated with respect to less than carload traffic represent the gross revenue from that traffic, before deducting pickup and delivery service or net after deducting pickup and delivery service, or expense?

A. My understanding, as we have used it, is that it is the gross.

Q. The gross?

A. Yes.

Q. In your ~~tab~~les I understand you have included two terminals as well as the line haul for every cost figure you have shown?

A. Yes, sir.

Q. Is that correct?

A. Yes.

Q. So that it represents the cost of handling a complete shipment within the territory with both point of origin and [fol. 97] point of destination?

A. Yes, sir.

Q. Then those tables would not show the relative cost of handling traffic that moved across the country where some territory merely acted as bridge lines and did not have either a point of origin or destination?

A. Well, necessarily the cost for a shipment within one territory could not reflect the cost for moving in more than one territory. That is true. To obtain the latter, one would have to take a grouping of the territories, or work with territory 12 and compare that with the figures for any one territory.

Q. My point was that you could not take these tables you have shown in exhibit 3 and from them determine the relative costs in each territory of handling a through shipment from coast to coast?

A. Well, one might do that. In the first place, I would say that territory 12 being a weighted average for all territories, would reflect that. However, you might raise the point that this shipment moved through certain territories that were in 12 which you did not want in 12. However, on the other hand, I think it would be feasible for one to constructively develop that, starting with Mountain Pacific territory and leaving out one terminal handling and probably moving across, and when you came to a territory in which there was merely a bridge movement, leaving out two terminal handlings; and then when you came to the Atlantic [fol. 98] Coast, putting in a terminal handling at the coast for the destination territory.

Mr. Plunkett: That is the point I am getting at.

By Mr. Plunkett:

Q. You could not take these tables just as they stand without adjusting them?

A. No. One would have to take the table of unit costs and having become familiar with it, develop such data.

Q. When you made your comparison in exhibit No. 2 of the cost of handling of a 25-ton shipment in various territories, did you take 300 miles just as a representative haul, or how did you arrive at that?

A. Well, sir, we more or less picked 300 miles out of the air. We have no statistical justification for that. It sounded like a round distance. In some of the territories, the average haul is less; in some, greater. One could pick any length of haul they desired.

Q. Would you get somewhat different figures if you took different lengths of haul?

A. Necessarily; since the relative terminal costs and the relative line haul costs are different by territories, you would get something different for every mileage. However, I do not think there is enough difference for anything near the average haul which 300 miles represents, as a result of which you would get a significant difference. I do not think you would substantially change our conclusions as to the relative cost of the territories, no matter what distance [fol. 99] you took. The maximum distance, of course, is the length of haul you can get across one territory. I do not think even if one took that, they would greatly change the results we have arrived at.

Q. In appendix C of your exhibit No. 2, pages 109 to 112, you have shown the various commodities under the Interstate Commerce Commission classification and the class of car in which you assumed they moved.

A. Yes.

Q. That would not be correct for all territories, would it?

A. No, sir. That would not be correct for all territories.

Com. Aitchison: Are you referring to table 90?

Mr. Plunkett: It is in the smaller exhibit, Mr. Commissioner.

Mr. Smelker: Exhibit No. 2, the smaller exhibit.

Mr. Plunkett: Pages 109 to 112.

Com. Aitchison: Very well. Proceed.

By Mr. Plunkett:

Q. For example, you assumed there that agricultural implements move in box cars.

A. Yes.

Q. It is a fact, is it not, that a large number of them move in flat cars, especially tractors and things of that sort?

A. Yes. That was a problem in arriving at this figure here, as you well realize.

Q. I appreciate that.

A. I spent quite a while evaluating that and discussing [fol. 100] it and talking it over with some of our traffic people in order to get this classification that was different, somewhat, by our individual railroads, or on parts of a railroad. For the purpose of that table, the most significant use we made of it was to arrive at the active car days other than mileage cars in terminals.

In that case, our problem was to segregate the number of cars loaded in tank cars and refrigerated cars. There may be some quarrel as to our assignment of commodities to those cars. However, we arrived at a figure of only 12 or 13 per cent of the total cars in the group within an average territory. If we were off by 10 or 15 per cent, it would only affect by 1 or 2 per cent the remaining car days which was what we were actually after. For other purposes, although it would certainly decrease the approximation, it would not greatly affect the results.

Q. You are acquainted, I assume, with the fact that many of the western lines and some of the southern lines load into refrigerator cars freight that would ordinarily be moved in box cars because the regrigerator cars are moving empty in that direction in which the shipments are to be made?

A. Yes. I understand that. I presume that is the reason why the southwestern railroads showed a lower ratio of return empty for refrigerator cars than the other territories did.

Q. Now, getting back to the determination of the extent to which expenses vary with traffic in connection with the [fol. 101] maintenance of way expenses, you have followed the A. R. E. A. formula with respect to certain accounts and the engineering section formula as to other accounts, is that right?

A. Yes. We asked the engineering section to give us an answer on all of the items. There are certain smaller items that they did not get to, or that they did not have any particular quarrel with, in connection with the A. R. E. A. figures, so we used their figures. Where they were substantial items and they differed, we used the Engineering Section's Recommendations.

By Com. Aitchison:

Q. What engineering section?

A. I beg your pardon?

Q. What engineering section?

A. The engineering section of the Bureau of Valuation.

By Mr. Plunkett:

Q. Is this true, Doctor, that any formula or determination of the extent to which expenses vary with traffic will differ depending upon the density of traffic?

A. Yes. That is true on branch lines. The amount variable is less, substantially less. If you take this form here and apply it to the average railroad with the usual segregation of the expenses between accounts 202 and 220, you will come out with about 71 per cent of the expenses variable. On a branch line where you only have one train a day, that line rots out and rusts out before it wears out. The proportion there will be very much less than 71 per cent, and where we are called upon to develop the out-of [fol. 102] pocket costs on branch lines, we do not use these figures.

By Com. Aitchison:

Q. Is it not also true, Doctor, that it depends somewhat on whether the accountant in question is attempting to justify a minimum rate or attempting to get his rates increased?

A. That may be so.

Q. That is a seriously asked question.

A. Well, whenever we use these figures, we supply the percentages to the party. Whenever the Cost Section of the Bureau of Statistics is asked to develop any cost, we program the complete outline of the study, including the percent variable of each account and supply that to the carrier. If the results appear to vary from the average of the carrier, we make an individual study going back for a number of years for that carrier, and work with our Engineering Section on the matter of maintenance of way. We try to control those items where we are directing the study. The carrier may have a difference of opinion, of course. They can make their own study.

By Com. Splawn:

Q. You mean by "controlling those items", that you try to get accurate information?

A. Yes, sir.

Q. Is that what you mean?

A. Yes.

Com. Aitchison: Well, the cost study is made before you begin this process.

[fol. 103] By Com. Aitchison:

Q. Have accounting officers always agreed on the treatment of these common items?

A. Well, are you referring to the maintenance of way item as a common item?

Q. I am referring to exactly what Mr. Plunkett was referring to in his question.

A. I would say there is wide room for disagreement among accounting officers on many of these subjects.

Q. You find room for making the result conform to the desired aim, is that not a fact?

A. I have heard that is done, Mr. Commissioner. I must say that in our cost studies that have been turned over to us, it is very common to see parties start out with the identical annual reports and end up with costs 50 per cent apart, 20 to 50 per cent apart. Somewhere in there figures have been shoved around. I judge that is what you have been referring to.

Com. Aitchison: Yes.

By Mr. Plunkett:

Q. That shows, does it not, Doctor, that cost accounting is largely a matter of judgment?

A. I would not say it is entirely that. There is no doubt there is judgment in there on certain items. Judgment is inevitable.

By Com. Aitchison:

Q. Has it become any less a matter of judgment since the decision in the North Dakota Lignite case?

A. I think that helped it.

[fol. 104] Com. Aitchison: Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. I believe in determining the extent to which transportation expenses vary with traffic, you took the experience for five years, 1935 to 1939 inclusive, is that right?

A. In dealing with the operating expenses, yes.

Q. If you had taken a longer period, would you have gotten different results, do you think?

A. I do not know what we would have gotten. We were hesitant about taking the longer period, because it took us back into the depression. When we went back into the depression, we found that the carriers were just about controlling their expenses 100 per cent. Some of that was not a reasonable control. They drastically curtailed maintenance of equipment. They drastically curtailed maintenance of way. If traffic fell off 40 per cent, maintenance of way expenses could have gone down 50 or 60 per cent. We do not consider that normal.

In fact, with respect to maintenance of way expenses, we found it very difficult to work with the same type of study we used on the transportation expenses. We found frequently that they are 10 0per cent variable. Maintenance of equipment may well be over 100 per cent variable. That is due to the financial policy of the company and not the cause and effect of traffic changes that occasions that wide variation. So in those cases we have to rely on engineering studies.

[fol. 105] Q. So when you say a certain percentage charged to rails varies with traffic, you mean a certain percentage of the amount which the management determines to expend for renewing rails varies with traffic?

A. No. I do not mean that. You cannot defer transportation expenses.

Q. No.

A. So what the carriers actually expend as a result of whatever change there is in the volume of traffic is a pretty fair index of the maintenance of way. What you say is true. Therefore, in that case, we have to, you might say, first normalize the expenditures to level out or eliminate the effect of financial policy.

Q. You did not do that in this case, though, did you?

A. Well, the maintenance of way expenses and engineering figures reflect that type of study. I do not mean that they carried through a normal maintenance study of the character of the rail-barge case, Docket 26712; but they took into consideration those items.

Q. Do I understand that you did not take the maintenance of way expense figures shown in the annual reports of the carriers, but took something different by the Engineering Section?

A. No. I may have mislead you.

Q. I would like to have you make that clear.

A. No. We used actual expenditures: If in the year 1939 [fol. 106] the carriers expended less or more than reasonably normal, then we have an error to that degree. However, we felt that the carriers were fairly "flush" in 1939, compared to the previous years, so their maintenance expenditures were probably reasonably attuned to their current needs.

Q. In appendix D of your exhibit 2 you show how you arrived at the extent to which transportation expenses varied with traffic. I call your attention to table 2 of that appendix, columns 7 to 9, dealing with dispatching of trains.

A. Yes.

Q. You will note there that the variation is shown to be considerably over 100 per cent, and as high as 235 per cent.

A. Just a minute.

Q. Yes.

A. What column do you refer to, again?

Q. 7 to 9.

A. Yes, sir.

Q. Is that not due to the fact that effective January 1, 1936, there was a change made in the basis for apportioning dispatching of trains between passenger and freight expenses?

A. You are referring to the extent variable shown for the year 1936, are you not?

Q. Yes.

A. Yes. That was one of the reasons why we selected the median, because if there was any particular adjustment [fol. 107] at the start of one year, it probably would not affect our median.

Q. You did not always follow even the median, did you?

A. What do you mean by "follow"?

Q. I notice in table 2 train service expenses are shown to be 85 per cent; that is, they vary 85 per cent.

A. Yes.

Q. Is that right?

A. Yes sir.

Q. But on page 76, table 19 of exhibit No. 2, you used 100 per cent as the variance of traffic?

A. Yes, sir.

Q. So you did not always use the variance that you show there?

A. No, for this reason: the determination of what constitutes the out-of-pocket costs is not subject to nice mathematical determination, as you can judge. We set these tables up in order to have some basis of judgment. We used 100 per cent, recognizing that conceivably the out-of-pocket cost might be less. Wherever there was any doubt, frankly, we tried to take the high side, feeling that if we took 5 or 10 per cent above a range of items, we would probably do less harm than if we took 5 or 10 per cent below.

In other words, we frankly stated that we took the top side of the range, you might say. Also, there is this consideration, that these figures here encompass all operations, both main line and branch. On branch line opera-[fol. 108] tions, we believe that the out-of-pocket proportion is substantially less. We were using these figures on lines, as we stated, representing average density, so that within the figures there are undoubtedly many expenses that are far less variable than 85 per cent. So, when applied to main line through train operation, the figures perhaps should be close to 100 per cent.

Q. A great deal depends, does it not, Doctor, on the extent to which the plant of a railroad is being used to capacity; if the railroad is only being used to 50 per cent of its capacity, the variation of transportation expenses with traffic will be considerably less than if it is using pretty close to 100 per cent?

A. Yes. The closer to capacity used, the closer to 100 per cent. That may be illustrated, as I indicated previously, with branch line operation.

Q. Yes.

A. It would be much less on branch lines than it would be where you have local train operation operating at half capacity and the rails and ties rusting out or rotting out before they are worn out.

On the other hand, we have not allowed anything in here for an increase in the plant of the carrier. We have assumed there is some excess capacity. If the traffic should increase to that point where a railroad of a single track had to double track or a double track railroad had to add [fol. 109] longer or heavier sidings, or go to four-track operation, then the out-of-pocket expenses might conceivably include some allowance for return on additional investment. We have not allowed for that.

Mr. Plunkett: That is all I have, Mr. Commissioner.
Com. Aitchison: Off the record.

(Discussion outside the record.)

Com. Aitchison: We will suspend until 2 o'clock.

(At 12:30 P. M., adjourned to 2 P. M.)

Afternoon Session

The hearing was resumed pursuant to adjournment.

2 o'clock P. M.

Com. Aitchison: Come to order, gentlemen. Shall we proceed.

Ford K. Edwards, resumed:

Com. Aitchison: Mr. Eshelman.

Mr. Eshelman: I have just a few questions. Possibly, Doctor, my not having a Form-A may explain some of my questions; and if the answers are there, you may just so indicate, if you will. They may not be in any special order, but I believe I can handle them in that way, perhaps, to best advantage.

Cross-examination (Cont'd.)

[fol. 110] By Mr. Eshelman:

Q. Turn first to your exhibit No. 2, please, Doctor.

A. Yes, sir.

Q. At page 54, in item 7, there is reference to gross ton miles as well as car miles having been used in ascertaining the less than carload costs. Would you state for what items you used the gross ton mile unit cost, and the reason for that? What I have reference to, Doctor, is in the second paragraph of item 7.

A. In computing the less than carload costs, we necessarily had to multiply the unit of performance in less than carload service by the unit cost, developed per service unit. In the performance of less than carload service we have of course car miles; we have gross ton miles; we have active car days, and so forth. We accumulated the number of service units that were required in the provision of less than carload service and multiplied the aggregate of each service unit by the applicable unit cost, to obtain the total cost, total net carload cost. Now certain of these items of cost, or certain of these elements of cost, were distributed to traffic on the basis of gross ton miles. That included train crew expense, engine crew expense, and maintenance of way expense—that is, maintenance of way expense in running service, including yard. Having taken the aggregate expenses determined on a gross ton mile basis, and divided that by the total gross ton miles in both carload [fol. 111] and less than carload freight service, we obtain a unit per gross ton mile, which, when multiplied by the gross ton miles, consumed in less than carload service, gives us that gross ton mile expense.

Q. Now, there is also in that same paragraph, Doctor, the statement that the empty car miles to loaded car miles for the less than carload, were taken at the same as for all box car equipment.

A. Yes.

Q. Then over at page 107, there is a reference to the ratio of empty to loaded cars at freight houses, of 80 per cent, and yet in appendix-B, there is a reference to a percentage of empty to loaded car miles for box cars as a whole, of about 33.5. Now, is there any inconsistency between those two things, or are they of a different character?

A. They are of a different character, yes, sir. We assumed that the less than carload traffic was handled in box cars. The ratio of empty car miles to loaded car miles in line haul movement approximates about one-third, or 33 per cent. Now that is separate and apart from the switching movement required in switching freight houses. We assumed that in carrier and connection terminal switching, in other words, in switching at teamtracks and industries, for every load spotted there was an empty pulled, or in other words, no shippers reloading. That is not exactly correct. There are a few shippers that do reload without cleaning the car. However, we assumed a ratio for that [fol. 112] purpose of 1-to-1. The reloading of cars made empty is much more common in the handling of less than carload traffic at freight house tracks, than it is in the case of industry tracks and teamtracks, in which case we have computed the ratio of empties spotted and pulled to loads spotted and pulled, as 0.8. Now the first ratio multiplied by 0.33, refers to movements from point to point on the road. The second ratio refers to the ratio of movement of empties to loads, moving in terminal and switching service.

Q. Now, Doctor, if you will refer to page 50, under item No. 3—well, I think perhaps it will be just as well if you will turn to pages 104 and 105. I think that will illustrate my question.

A. Very well.

Q. There is, at pages 104 and 105, as you will recall, the calculation of car miles in switching service, and reference is made to a study by the Engineering Section of the Bureau of Valuation, of the terminal layouts of a number of railroads. May I ask, was the basis for determining the distances, a simple scaling of those yard layouts?

A. We made a request—or rather, let me go back a little further and state that in this cost study, as in most cost studies, no allowance was made for car mile expense attributable to miles operated in yard, because that is not currently kept. However, there is a small amount of that, [fol. 113] although it is very small, as compared with line haul movement. However, the destructive action of cars moved in switching service is somewhat greater than that in line service,—at least, that is the opinion of the engineers in the Engineering Section of the Bureau of Valuation. We asked them to provide us with a weighting, mile for mile, to cover the destructive action, maintenance and depreciation, for road miles versus yard miles. We were also faced with the problem of determining, or obtaining some approximation of the car miles in yard switching service, because there is no available record of any kind kept, in that respect. And yet we felt that even though we made an approximation, that approximation would be better than to ignore the miles made in yard. We therefore made the request upon them to develop that information. They did it by taking the layouts of thirty or forty of the largest terminals in the United States. The members of the Section are thoroughly familiar, through valuation proceedings, and their own inspection trips, with the layouts of those respective terminals; and that group of engineers took their blueprints, and from a knowledge of the operations, approximated the miles in the various classes of switching service. Now they necessarily had to take in switching from the inbound train yard to teamtracks and industry tracks, and they necessarily had to make some approximation of about the center of the industrial area; and what are indicated here represent the accumulation of a large numebr of studies at various points.

[fol. 114] Q. Do you know whether, in arriving at these results, there was any consideration given to rehandling in yard, in so far as that would affect the car miles made in yard?

A. Consideration was given to the fact that a certain portion of the switching is what we call carrier terminal switching where the carrier initiating the line haul terminates the car at an industry on its own track. Consideration was also given to the fact that for a certain proportion of the cars we have what we refer to as connection terminal switching, the line haul carrier delivering the car in interchange to another carrier at the terminal, which performs the switching service. Then we have another class of switching involving connection terminal switching, with an intermediate carrier in between, where there is an intermediate switching carrier between the line haul carrier and the carrier that ultimately spots the car. We have obtained from the Engineering Section an estimate of the miles at the various cities for all three classes of switching and then, on a judgment basis, from the data available, with no relation whatever to the amount or the number of cars handled in each class of switching, we arrived at this composite weighted average figure of 4 miles, which is intended to encompass both carrier terminal switching and connection terminal switching.

Q. My question, Doctor Edwards, was really predicated on the supposition that, for the purpose of this illustration, [fol. 115] we would forget about the connections, terminals, and so forth, and just think about the line haul carrier that was going to do its own switching in this yard. My question really went as to whether the car miles were determined, you might say, just based upon a physical diagraming of the yard from a blueprint basis, or whether there was any consideration given to the fact that you might have handling, with backing and filling, because of the nature of the yard, with the necessity for rehandling the traffic in order to finally make the delivery.

A. Well, allowance has been made for an average or normal amount of so-called backing and filling.

Q. You say that allowance was so made?

A. It was considered, yes, sir, and allowed for.

Q. Now, at page 65 of your exhibit No. 2, there is reference to the distribution of non-revenue freight by classes of equipment. The Pennsylvania Lines, I note there, did not furnish that detail, and the statement indicates that in such cases, the apportionment was made on the basis of the results for five roads in the same territory. Will you state what five roads they were, that were used for that distribution, as far as eastern territory was concerned.

A. I will have to defer answering that question, for the present.

Q. That will be all right.

A. Until I see if I can dig that out of our file.

[fol. 116] Q. Very well.

A. Because I do not have it readily available.

Q. At your convenience, Doctor.

A. There were five large carriers in each territory. We faced that problem in several territories, and we only used that method on these minor items, where it would not affect the study. They consisted of five large carriers in each territory.

Q. However, you would not mind furnishing that information at your convenience, would you, Doctor?

A. Oh, no.

Q. If agreeable to the Commission.

A. I shall be glad to furnish it to you.

Q. For the record.

A. That is, now, for what territory? For all territories?

Q. I was just interested in eastern territory.

A. Very well. I will furnish that.

Com. Aitchison: Can you do that for all of them, Doctor?

The Witness: Yes.

Com. Aitchison: When can you supply that information?

The Witness: I may be able to supply it tonight, if I have here the particular file which I should have here.

Mr. Eshelman: Thank you, sir.

By Mr. Eshelman:

Q. Now, Doctor, at page 104 of your exhibit there is reference to active car days in running service. I take it that that first sentence there, at the top of the page, [fol. 117] "The active car days in running service were computed by multiplying the system train hours, including train switching hours", means that the system train hours do include within themselves the train switching hours; is that not right? That is to say, Doctor, there were not added to the total system train hours, the train switching hours.

A. That is right. That includes them, yes, sir.

Q. So that there was no addition.

A. No.

Q. Or no duplication.

A. No.

Q. Now, in the same paragraph, Doctor, there is reference also to cars handled, loaded and empty cars handled. Would you state what the source of that information was, and how you obtained the cars handled in switching service.

A. Pardon me; will you give the line reference—the page and line reference again, please.

Q. Yes. I am referring to the top of page 104, the first paragraph, under "Car-day Factors". The second sentence of the paragraph reads as follows: "The car days in switching service were computed by multiplying the number of loaded and empty cars handled by the following car-day factors." Now, my question is, what was the source of information as to the cars handled, which were cars handled in switching service, as I understand it.

[fol. 118] A. Pages 105, 106 and 107, I believe, give the complete source of our car count.

Q. And do they show the basis, as to how you obtained the empty cars?

A. Oh. I see your point.

Q. These were loaded and empty cars handled.

A. The cars handled in switching service, that is, the empty cars handled in switching service, were based upon our knowledge gained from various studies that have been introduced before the Commission. Those indicate that the ratio of empties spotted and pulled for industrial and team-track switching, is somewhere between 90 and 100. We have some evidence as to that in various cases, but from the nature of the data adduced, we sometimes felt that the figures used were arbitrary. We arbitrarily used the figure of 1.0, feeling that that might possibly overstate the switching by a very small increment. However, in setting up these ratios, it is to be realized that we do not pick up or drop any expenses at any point. We merely use these ratios to develop the expenses between the classes of switching; and when we use that ratio of 1.0, we also use, in conjunction with it, a ratio of 0.80 for freight house switching. If we shoved one down a little bit, it would automatically raise the other classes of switching by a very small increment.

By Com. Aitchison:

Q. You spoke of these figures having been based upon figures that were supplied in other cases.
[fol. 119] A. Yes.

Q. Who supplied the figures in those other cases?

A: They were supplied by the carriers, principally by the carriers, in the cases listed on page 103.

By Mr. Eshelman:

Q. Turning now for a moment, Doctor, to page 103, and referring particularly to the list of switching services there to which you have allocated various amounts, or values: am I correct in understanding from these first two items that the phrase "Carrier terminal switching" and "Connection terminal switching" is in each instance a caption, and that the 1.00 refers to industries and team tracks?

A. Yes.

Q. And the .80, to freight house tracks ?

A. Yes.

Q. Now, on page 105, in the middle of the page, under the heading "Source", there is reference to an average net load of company material. Will you state what that is, and what its base is? In other words, did you use the average for revenue freight?

A. In obtaining the average load for company material, we asked the carriers to give us the distribution of their ton miles carried in each class of equipment, namely, box cars, gondolas, hopper-bottom cars, and so forth, and then we took the average load of revenue freight applying on traffic customarily moving in those classes of equipment. The preponderance of non-revenue traffic consists of coal for fuel purposes, so that the result was, to a large degree, [fol. 120] that we ended up with a figure something less than the average tonnage handled in coal cars. For the United States as a whole, it came out to a figure for 39 tons. That varies a little as between territories.

Q. I note also that the cars handled were multiplied by 2, apparently on the assumption that these non-revenue loads were principally local to one line. Do you know whether there is a substantial amount of company fuel that moves off-line?

A. We do not know that, but we suspect that that may be true. However, we have no source of information as to company material moving off-line. We believe that the preponderance for the territories, taking the territories as a whole, would be local. However, to the degree that some of that may be interline, then to that degree the count of non-revenue cars switched in terminals is overstated.

Q. I did not hear this morning quite all of your discussion which I think dealt with ex lake ore. Is it a fact that the requirement for statistics, that is, the reporting of statistics, may involve, if used, you might say, for cost purposes, assigning either two units or one unit, a little variation that probably should not be there.

A. If the count of cars is incorrect, appearing in schedule 541, upon which we rely, then our count of cars for terminal switching would be in error.

Q. Well——

[fol. 121] A. I do not know what proportion that would be. It would have to be a significant amount, however, to affect the interterritorial cost. It might be significant in the case of one carrier.

Q. Would you say, for instance, that in the case of ex lake ore that had already been handled, let us say, in a rail movement beyond the lake, even though the final carrier there might report those cars for statistical purposes as having been received from a connection, for your purpose they probably should be counted twice; is that correct?

A. For our purpose they should be counted twice—if you are referring to an ore carrier serving the Lake Erie ports, and moving that ore down to Pittsburgh, for our purposes we would desire to count them twice, yes, sir. Now the error might be that that is not shown as an interchange, in which case we have again reduced the weighting of .45. Now, the switching must be still further reduced, because we have a larger allowance for the return empty.

Q. At table 85 in your exhibit No. 3 there is reference to loss and damage payments by commodities——

Com. Aitchison: Mr. Eshelman, if I may interject before you go to another subject——

Mr. Eshelman: Certainly.

By Com. Aitchison:

Q. You spoke about the returned empties. The cars that Mr. Eshelman is particularly interested in, do not move [fol. 122] back empty, do they? They come back with iron ore in them, do they not?

A. Well, I was referring to the fact that if we treat a car as an interchange movement rather than as an origin or destination movement, we assume that the ratio of loaded to empty movement in switching service is 1.0; we assume that ratio of empty car miles to loaded car miles in running service.

Q. Mr. Plunkett, this morning, inferred that there is an error in your basic data by reason of the fact that you treat as interline the movement of coal from the Lake Superior docks into the interior over the western lines; and he pointed out that the description which you read from the annual report did not contemplate that that same coal, when it moved from the Pittsburgh district, or the Ohio River, or anywhere else, to the Lake Erie Ports, say, would be treated as interline. Now the ore cars moving down to Lake Superior over Mr. Plunkett's line carry no indication on the waybill that they have had a preceding water movement,—and of course there has not been any; but then when they get down to Mr. Eshelman's territory, and the ore moves from Lake Erie to Youngstown or Pittsburgh, it would carry an indication that it had come by water, and it would be treated as interline, would it not?

A. Yes, sir.

Q. Well, now, do not the two just wash out, then, one as against the other, when you balance the movement?

[fol. 123] A. The effect of any change in the count would not affect, you might say the cost study as a whole, or would not affect the cost of the average length haul. The effect of it would be that we would be distributing the terminal expenses on a weighted basis, and if we put in—or rather, if we reduced, erroneously reduced, the count of cars in the weighting of 1.0, and increased the count of cars arbitrarily in the weighting of .45, we would have the effect of throwing into running service some of the expense that should properly be in terminal service. If we could only check the effect upon the entire eastern territory, by getting some indication of the number of cars of that designation, we could then very quickly throw them into the proper column, and determine the amount of error thus arrived at.

Q. Is that the best answer that you can give to my very simple question, as to whether or not they would tend to offset each other?

A. Well, the two areas are in different territories.

Q. Yes, sir?

A. And the two territories do not cancel out.

Q. Well——

A. In other words——

Com. Aitchison: Just a moment, please.

The Witness: Yes.

Com. Aitchison: Just answer my question, and then stop. [fol. 124] In Mr. Plunkett's territory, he was careful to point out the situation with respect to coal. He did not say anything about ore.

Mr. Plunkett: If the Commission please, if I may intrude: I only used that for illustration. The same thing applies to ore in the opposite direction, delivered to the lake carrier. I was merely using that as an illustration.

Com. Aitchison: Well, now, down in Mr. Eshelman's territory, he has pointed out that he is not getting any credit for the coal, with one terminal service, and I am pointing out that on the other side, the ore is treated the way he wants it; so that it would seem to me that you have one right and one partly right, in each territory.

The Witness: I do not believe that they would entirely cancel themselves out, Mr. Commissioner.

Com. Aitchison: All right. Well, then, Mr. Eshelman, if there is any significance to this, will you, for the eastern carriers, if you attach any importance to this, give us a figure which will show just the difference which this item would make to you—not now, of course.

By Mr. Eshelman:

Q. Now, Dr. Edwards, coming to page 145 of your exhibit No. 3, table 85,—which deals with loss and damage payments.

A. Yes.

Q. At the bottom of the sheet there is a note which begins, [fol. 125] "The amounts shown in this table include only the loss and damage payments as reported by the carriers", and so forth. To the extent that some of the carriers accrue their loss and damage claim payments in order to spread them over a period of years, and not be affected too sharply by heavy payments one year and lighter payments another year, there would be a different showing from what you have here, would there not? You have simply shown the total for 1939, have you not, even though they might have accrued those items?

A. Oh, I presume that there are accruals, yes.

Q. On your Form-A,—I cannot tell just where it is, because I do not know, but you doubtless know, with reference to account 323, Floating Equipment Repairs, and account 408, Operating Floating Equipment,—there is provision made for distribution to running service and yard switching, but I think that the form gives no basis for the separation. Could you state, Dr. Edwards, in the first place, what is to be included under yard switching, and then how you made the separation here.

A. With the exception of those carriers operating a lengthy water service, such as across Lake Michigan, we included practically all of the charges to those accounts in terminal operation, as we considered that they were either analogous to terminal switching, or interchange switching, or intertrain or intratrain switching, namely, switching as between cars, or switching between trains; those expenses [fol. 126] were included in terminal expenses, which are distributed among the various classes of switching on a weighted cars-handled basis. There were no railroads in your territory which were not treated on that basis.

Mr. Eshelman: Thank you very much. That is all I have, Mr. Commissioner.

Mr. Reynolds: If the Commission please.

Com. Aitchison: Mr. Reynolds.

Mr. Reynolds: I have no questions to ask, in addition to those which have been asked by Mr. Plunkett and Mr. Eshelman. I merely want to say that the southern carriers find themselves handicapped by not having the underlying data used by Dr. Edwards in preparing his cost study. We therefore ask that all of the underlying data be made available to a small committee of accountants of the southern railroads.

Com. Aitchison: Do I understand that you are picking out the Southern, or did you say "Southern carriers"?

Mr. Reynolds: Southern carriers.

Com. Aitchison: A committee of accountants of the southern carriers?

Mr. Reynolds: Yes, sir.

Com. Aitchison: Do you mean by that, to exclude the carriers in the other districts?

Mr. Reynolds: I am only speaking for the southern carriers, if your Honor please.

[fol. 127] Com. Aitchison: Well, if anything of that sort is done, should it not be done by a committee representing the respondents generally, all of them? That is the way to avoid misunderstandings.

Mr. Reynolds: Well, of course, your Honor, we would have no objection to the other carriers having this information, if they desire it; but we do particularly desire it, and we wish it could be made available, as I say, to a small committee of our accountants.

Mr. Turney: Should it not also be made available to the other parties?

Com. Aitch-son: Of course, we have not had any request on the record as yet, until the present moment. If you are making one now——

Mr. Turney: I had intended to.

Mr. Norman: You were also going to have one from me, if your Honor please, when the proper time came.

Mr. Eshelman: If the Commission please, speaking for the eastern carriers, while I think we would have no objection to having available to the parties, if necessary, such of these studies of the Bureau of Valuation, for instance, as Dr. Edwards has referred to—these special studies, as mentioned in his exhibits—I think we would object to making public in any way the individual data of individual lines. We feel that the issue in this case deals with general ques- [fol. 128] tions of group rate levels and group costs, and we do not think that, in this sort of a case, we ought to make public individual data for individual lines. It may conceivably be that in some case it might become relevant to the issue, and we expect to meet it at that time, but we do not think it ought to be done now.

Mr. Reynolds: Of course, the result as to the different groups, your Honor, as you know, depends on the results as to the individual railroads.

Com. Aitchison: Well, I do not think that we ought to give you a search warrant of the Commission's files.

Mr. Plunkett: I think the western lines would object to having that detail made public.

Mr. Norman: Do you mean, the detail which you furnished in answer to the questionnaire? You are not objecting to the detail that has been prepared by the Bureau of Valuation, I take it. If you are, upon what do you base your objection?

Mr. Plunkett: If those matters relate to any single road, I would object, yes, sir.

Mr. Reynolds: Of course, if the Commission please, speaking for the southern lines, we only want access to the data which was actually used by Dr. Edwards in preparing this cost study; but we do want access to all of that data.

Mr. Turney: If your Honor please, reference to page 49 of exhibit No. 2, to the footnote, will indicate that all of this data has been summarized in the territorial schedules. So [fol. 129] far as the people whom I represent are concerned, that will be sufficient. We do not desire information as to the individual carriers.

Com. Aitchison: Whom are you representing?

Mr. Turney: I represent the Central States Motor Freight Bureau, and the A. T. A.—American Trucking Associations, Inc.; and I am not speaking on behalf of the committee of counsel for the various truck bureaus.

Mr. McCollester: Mr. Commissioner, on behalf of the State of New York, we were going to request, and we do now request, that all of the basic data be made available—that the reports made by individual railroads be made available, and that any other data, such as Form-B, which has not as yet been referred to here, and certain letters which Dr. Edwards received from the railroads, which are mentioned in his report, but are not set forth, be made available to us. Now, as far as the individual railroads are concerned, I would say this: we think that an analysis of the data by individual railroads will show that the presentation made by Dr. Edwards on a territorial basis, conveys an entirely erroneous impression so far as the issues in this proceeding are concerned. We do not know, and we cannot tell, of course, until we see the data; but I would direct the attention of your Honors to the fact that on page 36 of exhibit No. 2, Dr. Edwards himself says, "Very substantial variations exist in the costs for individual railroads [fol. 130] within a territory." As far as grouping is concerned, it will depend also upon the individual railroads which are selected for grouping in one territory rather than another. For example, you will see, by reference to page 15 of the exhibit, that, for the first time in history, so far as I know, the Richmond, Fredericksburg & Potomac has been grouped with the southern lines. Now I am inclined to think that the R. F. & P., as an overhead railroad, is a rather low-cost railroad, and that its inclusion in the southern group operates to reduce the average cost for the southern group; and correspondingly, its elimination from the northern group operates to raise the average for the north. Now, that may or may not be so; we cannot tell until we have the basic data. Furthermore, Dr. Edwards, on that same page 36, where he states, as I mentioned, that there are very substantial variations in costs for individual roads within a territory, has set *forth only five railroads* in the north, and only three railroads in the southern group. Now we think that if in the southern group he had looked at the Louisville & Nashville, and the Illinois Central, he would have found much greater variations in the south than exist between the principal railroads in the north. But those are things which we cannot know until we get at the basic data. It may be that the result of a study of the basic data will be to show that the conclusions as to the particular figures are all right; but, as far as the state of New York is concerned, we certainly cannot consent to [fol. 131] any order being made in this proceeding upon the basis of a showing that the average cost of hauling freight in northern territory is as shown here, or in the south or west, is as shown here, without having an opportunity to examine the basic data, and the reports for the individual railroads.

Com. Aitchison: Mr. McCollester, this witness is testifying that this is his best judgment. Now, of course you have a right to ask him what he bases that judgment upon, but you do not necessarily have a right to make him produce every scrap of paper that he has ever seen, or had.

Mr. McCollester: No, Mr. Commissioner, that is very true; but we certainly do have a right to have him produce the data, the underlying data itself. If he were not the Commission's witness, if he were our witness, or if he were a railroad witness, we could get his work sheets, and examine them. If he had sent out a questionnaire, if he were a railroad accountant and had sent out a questionnaire to the members of the railroad staff along the line, we would have the right to get the returns to that questionnaire and examine them, if his conclusions were to be retained in evidence. I cannot conceive that, simply because he happens to be the Commission's witness, that deprives litigants that will be affected by the Commission's order, of any rights in that regard.

Com. Aitchison: Have you heard any suggestion of any different rule that would apply to him, than would apply [fol. 132] to any other witness?

Mr. McCollester: No, Mr. Commissioner, and I am not making any such suggestion. I am simply asking that the same rule apply to him that would apply to anybody else, any expert witness who wants to draw conclusions from *basic data. The basic* data has not been produced here, and we do not ask that it be produced here, but we do ask that it be made available to us, so that our experts can examine it.

Mr. Walker: If the Commission please, may I ask a question, in order to properly understand Mr. McCollester's request?

Com. Aitchison: Yes.

Mr. Walker: Mr. McCollester, do I correctly understand that you desire the basic data as to valuation that was furnished by the Valuation Department, and also the basic data which was furnished by the Engineering Department, which was used by Dr. Edwards?

Mr. McCollester: Yes, sir, that is correct, and also the returns on Form-A, and the returns on Form-B—which, as I say, has not been referred to as yet, but which is mentioned in exhibit No. 2; and also the answers to the letters that are referred to on page 51 of exhibit No. 2.

Mr. Reynolds: Since I started this argument, if the Commission please, I would like to say this, that the accountants for the southern lines have informed me that it is impossible for them to check the accuracy of Dr. Edwards' cost [fol. 133] study, or to rebut the cost study, without having available to them these underlying data.

Mr. Walker: Would you want also the underlying data of the Bureau of Valuation, where the valuation was fixed by the Bureau, and given to Dr. Edwards?

Mr. Reynolds: Well, I do not know that I am qualified to answer that question just off hand, but if it is necessary, we would want it.

Mr. Walker: I think it is very important for us to know, if the Commission please, if part of the data is going to be made available, as to whether or not it is all going to be made available.

Com. Aitchison: Well, now, Mr. Reynolds, this information, as far as the southern lines are concerned, was furnished by your clients.

Mr. Reynolds: That is right.

Com. Aitchison: Did they not retain any copies?

Mr. Reynolds: Oh, we can get the information that was furnished by the southern lines, if the Commission please; but the big thing, of course, is not merely the intrinsic levels of rates, but the relative level of rates in the different territories; and for that reason we would not only want the basic data which was furnished by the southern carriers, but also the basic data which was furnished by carriers in other territories, which was also used by Dr. Edwards.

[fol. 134] Mr. Turney: There is one point that perhaps I did not make clear, Mr. Commissioner, and that is this, that it is impossible, as I think Dr. Edwards will agree, for anyone to correct this study by a change in the formula unless the basic units, and the expenses by primary accounts, at least by territories, are made available. This study is unique in that it does not contain, at any point, a summary of expenses by primary accounts. Wide groups are all that are shown. For example, on the question as to whether or not a particular expense should be allocated on the basis of gross ton miles, or upon the basis of car miles, there is nothing in the data that have been offered here today that would enable anyone to ascertain or show what difference that would make. Is that not true, Dr. Edwards?

Com. Aitchison: Well, now, you do not need to answer that Dr. Edwards.

Mr. Turney: Well, then, I will state it as a fact myself, that it is true.

Com. Aitchison: Mr. Turney is not cross-examining the witness just at this time. He is making an argument to the Commission.

Mr. Turney: I am trying to do so, at least—under some difficulties.

Mr. Norman: If the Commission please, may I say just a word?

[fol. 135] Com. Aitchison: Mr. Norman.

Mr. Norman: I have quite a list of data here that I was going to ask Dr. Edwards to produce. It is confined to data to which he has made reference in his exhibit, largely in the footnotes thereto. It consists of various reports of the Bureau of Valuation, or its Engineering Department, that have been made, and that have been referred to in his study. Now, I do feel that wherever he states in his study that he has used a certain report, or the results of a certain study made by the Engineering Department of the Bureau of Valuation, we ought to be given access to those reports. As I say, I was prepared to ask for these matters more or less seriatim, but it does seem to me that the matter could be covered by just saying: the reports or studies to which Dr. Edwards has made specific reference in his exhibits.

Com. Aitchison: Have you concluded, Mr. Norman?

Mr. Norman: Yes, your Honor.

Com. Aitchison: Obviously, we will have to give the matter consideration. We will see what can be worked out on it. We are not prepared to pass on it just at this moment. Now, Mr. Reynolds, do you desire to cross examine the witness?

Mr. Reynolds: I have no questions, your Honor.

Com. Aitchison: Is there further cross-examination of the witness?

Mr. Turney: Yes, if the Commissioner please, I have some questions to ask the witness—if this data is not going [fol. 136] to be furnished,——

Com. Aitchison: Please address us, Mr. Turney.

Mr. Turney: I beg your pardon. I am very sorry. If this data is not to be made available to the parties, then it will be necessary for me to request it, or to develop it question by question with respect to certain items. However, I would desire to defer that until the ruling has been made, if that is agreeable to the Commission.

Com. Aitchison: I think you ought to proceed on the basis that the ruling might be adverse to you.

Mr. Turney: Very well.

By Mr. Turney:

Q. Dr. Edwards, will you please turn to page 49 of your exhibit No. 2.

A. Yes, sir.

Q. You state in paragraph 1 there that the division, or allocation of freight maintenance of equipment and rental expenses was on the basis of running, switching and station services. Where are those bases shown?

A. In the formula, Form-A, schedules (a), (b), and (c), —schedule (a), sheet 2; schedule (b), sheet 2; and schedule (c), sheet 2.

Q. Is it possible for anyone, from exhibits 2, 3 and 4, to ascertain the correctness of that allocation?

A. Are you referring now to the mathematical correctness, or the correctness in principle?

Q. I am referring to the statement of the separation of [fol. 137] those expenses,—which I assume is by primary accounts, is it not?

A. Yes.

Q. They were separated by primary accounts?

A. Yes, sir.

Q. And they were separated on certain unit or use factors?

A. Yes, sir.

Q. Now my question is, at any place in any of these exhibits are the amounts of those primary accounts shown?

A. No, sir, they are not. The amounts are shown in our work sheet to Form-A, which means that we applied Form-A to each of the 130-odd railroads. As noted in the exhibit, the blank form-A shows the procedure which anyone might follow with the working data available from the annual reports and questionnaires.

Q. Well, as I understand your note on page 149, then, that indicates that some of the Form-A's were consolidated into large territorial groups by summaries,—were they not?

A. Yes, sir, and those summaries are shown in exhibit 3; the group summaries are shown in exhibit 3.

Q. But not by primary accounts.

A. No.

Q. And it is impossible for anyone to check either the accuracy of the basic data which you used, or the accuracy of the computations which you made, or the effect in dollars and cents upon the cost study of an erroneous basis of allocation, is that not true?

[fol. 138] A. That would be true, but if one devised another formula apportioning on some other basis, then one could apply one's own formula, and compare the result obtained from that formula, and check this result. Necessarily this Form-A calls for certain apportionments, which are all outlined, and made clear, and fully explained. Now, if one wanted to take some other basis of apportionment which one believed to be more proper, one could take this form and apply one's own formula and compare the results.

Q. Did you not state, in answer to a question which was put to you on cross-examination here this morning, that, to check the accuracy of your formula, you frequently used other formulas to see whether it made any difference or not?

A. No, sir.

Q. Well, do you not do that in your exhibit No. 2? Do you not substitute one formula for another to see the effect that a different formula would have had?

A. No, sir.

Q. Well, then, Dr. Edwards, will you please turn to—will you tell me what part of your exhibit No. 2 it is that shows the effect of possible errors on your computations?

A. That is chapter *VI*, beginning on page 82.

Q. Chapter *VI*, page 82.

A. Yes.

Q. Now, you did check to see whether or not the exclusion [fol. 139] of the expenses of switching and terminal companies would have had any effect upon this formula, did you not?

A. Yes, sir. We took a blank Form-A, and filled it out with the expenses in and with the expenses out, and compared the answers. As I said before, anyone can do that, who wanted to add in the switching and terminal expenses, as we did.

Q. Now, Doctor, supposing we turn back for just a moment to page 49 of your exhibit, and see if it is that easy. How did you divide the expenses of trainmen's wages between the different types of service; on what use factor?

A. Well, there are other use factors that are outlined in this formula. Let me refer to schedule (c), sheet 2. Schedule (c), sheet 2, line 13, account 401, column 4, refers to footnote 4. Then there is a table, item 1, showing—well, I need not go further into that, but there is a 3-line table.

Q. Of course I had not ever seen this thing until noon today. Where is your allocation between carload and less than carload expenses for trainmen in your running expenses?

A. We have assigned no running expenses for handling less than carload traffic.

Q. Do you mean that you have no running expenses in your less than carload tables?

A. No, sir. I was referring to—we have running expenses, yes, sir. That separation is carried out throughout the formula. You would have to follow through every [fol. 140] schedule. That is, certain schedules deal with maintenance, others with equipment, others with maintenance of way——

Q. Well, I mean——

Mr. Smelker: Let him finish.

A. —and other schedules deal with traffic. Under that separation, the costs are broken down to a unit basis at various stages, in various places, throughout the formula.

By Mr. Turney:

Q. Have you completed your statement?

A. Yes.

Q. Well, now, I am dealing with a specific account, 392, train enginemen, or 401, trainmen. Now those are expenses which you have in the operation of every train. You have cars in the train that have less than carload in them, and other cars that have carload in them, do you not?

A. Yes.

Q. How is that expense for trainmen allocated between those two kinds of cars?

A. On a gross ton mile basis.

Q. It is correct to say that in many studies it is separated upon a loaded car mile basis, is it not?

A. That may be, but we believe that the gross ton mile basis is the desirable basis, in as much as the expense follows principally the gross ton miles, and not the car miles—that is, the crew and fuel expense.

Q. Well, we were not talking about fuel, Doctor. We were [fol. 141] talking about account 401, trainmen.

A. No, you were talking about account 392, train enginemen.

Q. All right. Let us use 392. However, dealing first with 401, what do the gross ton miles have to do with trainmen's cost?

A. Because the number of trains operated is in proportion to the volume of traffic handled. The volume of traffic handled is then measured in terms of gross ton miles. Gross ton miles in less than carload service versus carload service is a measure of the work performed, and provides a fair distribution, we believe, of the expenses.

By Com. Aitchison:

Q. As a matter of fact, the train ratings are made up on the basis of gross ton miles, are they not?

A. Yes.

By Mr. Turney:

Q. Do you know that to be true of trainmen's wages?

A. I believe that to be true as to all train expenses, yes, sir.

Q. Well, now——

A. —in this type of study.

Q. But we were not talking about the study itself, Doctor. We were talking about the labor schedule. Now will you tell me what the difference is in a conductor's wages for handling a train of 45 less than carload cars, and handling a train of 45 cars of coal.

A. Well, it is not as simple as that.

[fol. 142] Q. My question is.

A. You are asking me as to the difference.

Q. I am asking you if there is any difference in trainmen's wages.

A. Trainmen's wages vary for 100 different reasons. There might well be a wide difference, and there might well be no difference.

Q. Well, let us assume for the moment that there is no difference in the conductor's wages for handling a 50-car train, or a 90-car train, of less than carload traffic, and the same number of cars of coal, the less than carload having a gross weight of some 30 tons per car, and the coal probably twice that, 50 to 60 tons per car. If there is no difference in trainmen's cost, your gross ton mile basis erroneously overstates the expenses which you allocate to the carload traffic as against the less than carload traffic, does it not?

A. Not necessarily, no, sir. We are interested in that proportion of the expenses chargeable to less than carload traffic, handled in the average train in which it is handled. On the basis we have used here, we approximate the cost that would have been arrived at on your less than carload traffic, which may be handled in a mixed train, or handled by itself, but enjoying the same average load factors as are actually experienced in connection with the mixed load.

Q. You will concede, will you not, Doctor, that if the trainmen's cost for a train of a given length is the same, [fol. 143] it is just as logical to allocate that cost upon the basis of loaded cars or total cars, either one or the other, as it is upon the basis of gross ton miles?

A. No, sir, I would not say that. It may be that I am missing your point, Mr. Turney. Perhaps a clear example of what you may be implying may be drawn from the Pocahontas Railroads, where it is true that the gross ton mile cost represents the average cost of trains of perhaps seven or eight thousand tons. Now if less than carload merchandise trains are operated with an average tonnage of only three or four thousand tons, and the cars are switched from point to point, if their number, based on mileage, is the same, then it would follow that the gross ton mile cost on your less than carload would be higher that these studies would indicate.

Q. Well, now, Dr. Edwards, suppose for instance—and let me interrupt to say that I am not in my questions criticizing the formula. The purpose of my questions is simply to point out that in many, many cases there is a choice of formula that has been recognized by statisticians, and that that choice cannot be tested with respect to your study without the underlying data. That is true, is it not?

A. I do no know whether the addition of the underlying data would be of any benefit in that regard or not. I might say that after we developed this formula, we turned it over to the Annual Report Section of the Bureau of Statistics, to [fol. 144] a group of men and women clerks, who had never seen the formula before in their lives, and they took the annual reports, and followed out the instructions; and anyone else who does that would have the same basic data that we had.

Q. Well, now——

Mr. Smelker: Let him finish.

A. (Continuing:) Now having that data does not make it any more clear—that is, I do not know whether it would make it any more clear, or any less clear, to you. However, you can take the annual reports of any carrier and apply them yourself.

By Mr. Turney:

Q. And do the annual reports contain all of this additional data which you obtained by questionnaire from the carriers, and from the Bureau of Valuation of the Commission?

A. They do not contain the valuation data that was supplied by the Bureau of Valuation——

Q. Is it possible——

Mr. Smelker: Just a moment, please, Mr. Turney. Let the witness finish his answer.

A. —nor do they contain the answers to the questionnaire that is shown on page 59. With that exception, the remaining data is in the annual reports, and most of the answers to the questionnaire have been introduced into the study.

By Com. Aitchison:

Q. Dr. Edwards, the Commission in one of the recent increased rate cases, made formal findings with respect to [fol. 145] 60 of these carriers, as of a given date, by groups. Do you have in mind to what extent, if any, they may differ from the figures that were given to you by the Bureau of Valuation?

A. What case was that, Mr. Commissioner?

Com. Aitchison: Ex Parte 115—or Ex Parte 123.
Mr. Bell: Both.
Com. Aitchison: Mr. Bell says in both.

A. There is some difference in the valuation.

By Com. Aitchison:

Q. Is that due to the lapse of time?

A. Yes, sir.

Q. Is it a great difference, or not?

A. No, sir, I do not believe that it is a very great difference.

Com. Aitchison: Do you have in mind, Mr. Bell, what the final figures were for the Class-1 roads as a whole?

Mr. Bell: No, I have not, Mr. Commissioner; I do not recall offhand.

Com. Aitchison: I am wondering whether or not the Commission's figures, in as much as this is largely a comparative study anyhow, should be considered.

Mr. Turney: Well, of course, if the Commission please, the figures to which I was referring were those such as are shown at the top of page 105 here, where special studies were made with respect to switching at some of these terminals.

The Witness: Page 105?

[fol. 146] Mr. Turney: Yes. It is not possible to get that anywhere, except from your worksheets, is it?

Com. Aitchison: I was talking about the figures that were used as the basis for computation of a rate of return. I do not see how there could possibly be very much difference, if any, other than merely additions and retirements, between the figures that the Commission reported, certainly once, and Mr. Bell thinks twice, recently, and these figures.

Mr. Turney: Well, now, I think that is true, so far as the total valuation figures are concerned, Mr. Commissioner, but at the moment, personally, I am interested in this other matter.

By Mr. Turney:

Q. Now while we are on page 105, Doctor, as another illustration——

The Witness: Just a moment, please. Let me answer your question. You asked me a question, Mr. Turney, and I want to answer it.

Mr. Turney: All right.

The Witness: You were asking, as I understood you, where you could get the source of the data on 105.

Mr. Turney: Yes.

The Witness: I think that the sources are all indicated there. It all came from the annul reports, or from Senate Resolution 146, 76th Congress, 1st Session, Volume 1, Statement 6.

[fol. 147] Mr. Turney: Well, I am talking about——

The Witness: If you have those two items, you have all of the sources which we used.

Mr. Turney: I am talking about up at the top of page 105, Dr. Edwards, where you speak of a special study made by the Engineering Session of the Bureau of Valuation.

The Witness: Oh, I see.

By Mr. Turney:

Q. Well, let us go to the bottom of page 105.

A. I might say—pardon me.

Q. Yes?

A. I might say that the study you refer to merely consisted of a statement by the Bureau of Valuation to the effect that they recommended these mileages for the various classes of switching. It was a very simple statement, and the fundamentals are given here. The rest is largely textual statement. The studies themselves that they made, however, were quite comprehensive, and are in the files of the Bureau of Valuation, and we have not seen them.

Q. Oh, I see. These are the mere units, then, which were applied to certain expenses, and certain units which are not shown in any of your exhibits, and without which it is impossible to check the effect of these assumptions upon your study; is that not true?

A. Well, these units, revenue miles and car miles, are shown by territories.

[fol. 148] Q. Well, but let us take the bottom of page 105, Doctor. You used, as I understand it, in ascertaining the less than carload cars for the year, the average load per car during a particular week, during which week there was a peak load of merchandise on the railroad. Is that correct?

A. That month was a heavy month.

Q. Now, the Association of American Railroads publishes weekly the cars that are loaded by the different railroads with less than carload traffic, does it not?

A. Yes.

Q. Would it be possible for someone who wanted to approach the problem of ascertaining the less than carload cars, in a way which might be thought to be more accurate than your method, to use the total cars loaded during the year by the railroads, instead of the cars which you used, which were obtained by dividing the less than carload tons for the year by the average load during an admittedly heavy month? Is that not a reasonable assumption?

A. We used different average loads; we used three average loads——

Com. Aitchison: Answer the question.

The Witness: May I hear the question again?

Mr. Turney: Read it, please.

(Question read.)

[fol. 149] Com. Aitchison: Do you understand the question?

The Witness: Yes. My answer is "No".

By Mr. Turney:

Q. It is not reasonable to assume someone would use the other course?

A. Because they did not permit us to draw off the elements we desired.

Q. Well, am I correct and do I correctly interpret your paragraph 5-C, that you obtained an estimated number of less than carload cars for the year by dividing the total tons of less than carload traffic by the average load of the first week in October, 1940?

A. We divided it as indicated in lines B and C above, but the Forwarder Report provided for three types of carload averages having a difference of as much as a ton apiece, which we used for different purposes in estimating the cars; so when you speak of taking the total cars loaded and total tons, you are not using the average carloads that we used. You could do that, of course, but you would not arrive at the same result that we have.

Q. Doctor, if you will, go back and answer my question. I asked you whether or not you used as indicative of the less than carload cars used by each of the carriers during the year, a sum obtained by dividing the total tons of less than carload traffic for the year as shown in the annual report by the average load per loaded car, that is loaded out of [fol. 150] terminal, as shown in the Forwarder Report referred to in paragraph B, note 5, on page 105.

A. I probably missed the point of your question. Do you ask if we did that?

Q. Yes.

Com. Aitchison: He asked you if you used the sampling process.

The Witness: We used the sampling process. Our results are based upon the one territory.

By Mr. Turney:

Q. Can I not have an answer to my question, that the cars of less than carload traffic which you used for each railroad and for each territory were ascertained by dividing the tons which are reported by the average loading of the cars for one week?

A. No.

Q. Then what did you mean by paragraph 5-C?

A. That is one of the averages we used. You asked me if we did. In this case we did, yes. In two other cases, we did not.

Q. Now, I am talking about the figure which you used as the number of less than carload cars handled or originated, and that is where you got them, is it not?

A. Yes.

Q. You used those less than carload cars to determine the terminal expense or switching, did you not?

[fol. 151] A. We used it to determine the number of less than carload cars.

Q. Did you use it for that purpose?

A. Yes, sir.

Q. If that division understated the total number of less than carload cars that were handled by the carriers during the year, your total expense for handling the less than carload traffic for the year was understated, was it not?

A. It would be understated in a very minor degree. We have already covered that in chapter 6, the effect of 20 per cent error in all less than carload averages.

Q. Well, is it not true——

A. That probably will answer your question directly.

Q. No. It does not answer my question, but we will take it as being only a little error, and let it go, and come to the next one. There is reported by the American Association of Railroads what purports to be an accurate statement of the cars loaded, is there not, for the year?

A. I presume so.

Q. Now, that figure would be identical with your paragraph 5-C, would it not?

A. It may be.

Q. It would be identical——

A. I would have to see their computation. We used three averages. I would have to check their computations to see if it was the same terminology we used. We find that many [fol. 152] statistics purport to be the same, but they are not identical.

Q. The statistics which you report on 5-C is the number of cars loaded, is it not?

A. Yes.

Q. The tons per loaded car which are shown in your 5-B for that week, were taken from the American Association of Railroads statistics, were they not?

A. No.

Q. Are you certain of that?

A. They were taken from a special study made by the Bureau of Statistics in connection with the forwarders' study.

Q. Does not that special study show that those cars for that week came from the American Association of Railroads report for that week?

A. I am not familiar with that point.

Q. Well, assuming that there is extant an actual report by the rail carriers of the number of cars actually loaded with less than carload freight for the year, no one can compare your synthetic figure obtained in this manner without at least the territorial summaries, can be?

A. In order to compare it for individual roads, you would have to either have our work sheets on that road, or apply the formula. If you used the territorial summaries, that would probably be difficult, because the territorial summaries contain a very large number of railroads and some of [fol. 153] those railroads may have their operations broken between territories so that you could not verify it. The best verification would go back to the application by the individual railroad of these formulas.

Q. Will you turn to page 49.

A. Yes.

Q. I will be through in just a second.

A. All right.

Q. In note 1, you speak of a territorial summary consisting of four schedules of 12 pages each.

A. Yes.

Q. I presume that meant 48 pages, taking each territory?

A. Yes.

Q. Is that correct?

A. Yes, sir.

Q. How many accounts do you have to have?

A. 12.

Q. So you would have a total of sheets containing all of the information by primary accounts and all of the units which you used in making this study upon pages that would equal the product of 12 times 48, is that correct?

A. Not by primary accounts, no.

Q. Do I understand these territorial summaries are not by primary accounts?

A. Yes, sir. The territorial summaries are reproduced [fol. 154] in the cost scales. You have the territorial summaries in exhibit 3. The only thing you do not have that we do have in our territorial summaries is the unit cost for each of the 10 to 50 railroads in each territory. We merely drew off the sum total and put them all into one sheet.

Mr. Turney: Just a minute, sir.

By Mr. Turney:

Q. As I understand it, these costs in exhibit 3 contain all freight operating expenses, rents and taxes grouped. In exhibit No. 2, you made a further grouping in which you included first a return on the investment of 4 per cent; then another one with a return on the investment of 5¾ per cent; and then another one with a return on the investment plus deficits in less than carload and passenger traffic. But in none of those tables do you show the detailed figures where it would be possible for anyone who desired to check the accuracy of your formula to do so, is that not so?

Com. Aitchison: I do not believe you exactly mean that. You do not mean the detailed figures to check the accuracy of the formula. You mean, the detailed figures for the purpose of checking the results of the application of the formula.

Mr. Turney: I will accept that amendment.

The Witness: What is the question?

Com. Aitchison: Reframe the question.

By Mr. Turney:

Q. As a matter of fact, Doctor, is it not true that without making a study by primary accounts or having the basic [fol. 155] service units which you used in allocating these accounts between line and terminal and between different sized loads and between different kinds of equipment—is it not true that without having those figures themselves, no one can check this data to determine what effect the use of a different formula for any specific service would have?

A. When we wanted to check——

Q. Doctor, can you answer the question the way I asked it, please, sir?

A. No.

Q. All right.

A. May I amplify that?

Q. Yes.

A. When we wanted to check the effect of using different factors, we merely took this Form-A and applied it once to a selected railroad or any railroad. Then we went back and reapplied it again, using different factors. We might apply it three or four different ways, using different factors and compare the results. We do not have to have our initial working papers. We have an accumulation of three or four thousand working papers. One could use those for a form already worked out, but as you may have noted in chapter 6, we worked out some of these on many cases. We just wanted to fill our store and we kept on using different factors each time. If you wanted to work it out on the basis we did, using our factors or a dozen other different factors, [fol. 156] it merely takes a new form, put in the new factor and apply it. That is only a matter of a day or two's operation after you have become familiar with it.

Q. Do I understand you to say that the only place where the primary accounts and the primary service unit are shown are in the individual reports of the carriers?

A. In the individual formulas, not the reports. There are no reports. They are in the individual applications of the formula.

Q. How did you aggregate into a single territory, for instance, station clerical expense?

A. We aggregated it by adding it up for each railroad in that territory.

Q. You made no statement when you added it up?

A. No. We just added the figures, each formula provides. Form-A provides for the separation between platform and clerical. Having clerical, we added it up for those railroads in the territory.

Q. Do you mean you added it on a comptometer and put the figure down, or you listed them by railroads, so they could be checked?

A. We listed them by railroads. In our summaries we carried forward the individual unit costs of each of our costs, carload and less than carload separately, using table 87. If you will refer to exhibit 3, table 87, you will find a series of groups of costs which shows them for 12 territories plus northern Illinois and southern Missouri. Our [fol. 157] procedure was merely to use a separate table for each territory and instead of listing the 12 or so territories, we inserted the name of the railroad and carried it forward from our Form-A application. When we got them all inserted, we merely added from top to bottom the total expenses or total units and divided the aggregates to get a weighted average unit cost for the territory.

Q. Did you add all of the expenses, for instance, shown in group 2 on table 87 and list them all at one time, or did you list them by primary accounts by railroads?

A. We listed them exactly as they are listed here. These group costs——

Q. That is the total line. What did you have above this line?

A. I do not understand your last question.

Q. You show New England, $556,394,936. The first line is the total, is it not?

A. What page are you referring to?

Q. Table 87, page 147, column No. 5, the first line.

A. That is the total revenue car miles. That is one of many totals.

Q. Now, did you not on your switching expense in group 4, column 12, do that by primary accounts?

A. That is grouped in this way: we grouped all of the expenses of a group 4 nature on schedule 8 of Form-A and merely brought forward the aggregate costs and aggregate units. Within that group of expenses, there are charges [fol. 158] to a very large number of accounts.

Q. But you did not add the primary accounts together?

A. No. That would not be possible.

Q. Why not?

A. You could trace it back and find out, but when you come out with, say, ten million dollars, there may be from a few cents to hundreds of thousands of dollars, a very large number of accounts buried in there. We carried forward our distribution separately for maintenance of way and maintenance of equipment and transportation.

Q. One other thing: you separated station transportation expense between station clerical and station platform, is that true?

A. Yes, sir.

Q. That separation is not made in the annual report form, but you obtained it from the carriers individually?

A. That is right.

Q. Any party to this proceeding has no way of knowing what that expense was?

A. No, sir. Your only alternative would be, which we did in the case of a few railroads, to use the wage divisions in the annual report and outlined in schedule A. That is a less satisfactory method.

Q. After you obtained—I am merely using this as illustrative. After you obtained the station clerical expense [fol. 159] you separated it between carload and less than carload traffic upon the basis of consignment, if I understand the formula correctly?

A. That is right.

Q. But when you came to separating the cost of clerical expense between different loads of less than carload—that is, different quantity shipments—instead of dividing it upon a clerical basis, you divided it upon a ton basis, did you not?

A. We divided it upon a consignment basis. Then we reduced that to a cost per ton in order to ultimately get the cost per hundred pounds. The expenses are distributed on a consignment basis, and for convenience they were reduced to a cost per ton and then per hundred pounds, based upon the carriers' average load per consignment as reported in the questionnaire.

Q. The net effect of that was this, was it not: as between carload and less than carload traffic you separated upon a consignment or bill basis; that is true, is it not?

A. A weighted consignment basis.

Q. What does that mean?

A. We gave a weight to a carload consignment of 5 and a weight of 1 to a less than carload consignment.

Q. A weight of what?

Q. You mean you figured you could make 5 less than carload consignment.

Q. You mean you figured you could make 5 less than carload bills while you made 1 carload bill?

[fol. 160] A. That does not refer to the billing expense. That refers to all station expense chargeable to account 373, including men who are out signing bills of lading, sealing cars and so forth. The actual billing and expense of station work is only a small part of the total. A weight of 5 to 1 would not be applicable there.

Q. Well, let's go on. However you got it, you ultimately divided between carload and less than carload on some weighted consignment basis?

A. Yes.

Q. After you obtained the amount for the less than carload traffic, you then assumed the average weight per shipment and separated that expense between individual shipments on a 100-pound basis?

A. Yes, sir.

Q. Is that correct?

A. Yes.

Q. So that you assigned 10 times as much expense to a less than carload shipment of 1,000 pounds as you did to one of 100 pounds?

A. That is right.

Q. Do you think there is a reasonable ground for statisticians to disagree with you as to whether or not that should not have been carried through on a consignment basis in order to adequately apportion between different sizes of less than carload shipments?

[fol. 161] A. No, sir.

Q. You do not think it would be reasonable for anybody to disagree with you about that?

A. To put it frankly, no. My own opinion is on station work on L. C. L., that the cost follows the consignment. The platform costs follow the tonnage, but the billing costs follow the number of consignments and the billing expense and other station work, clerical work, is not 10 times as great for a shipment of 1,000 pounds as it is for a shipment of 100 pounds. Our assumption is that the clerical work in connection with it—the clerical forces never see that shipment—is equal in either case.

Q. But your tables are based on a 100-pound basis, and when you put it on a 100-pound basis, the net result is to assess against the 1,000-pound shipment 10 times the clerical expense that you assess against the 100-pound shipment, is it not?

A. I will have to check that. I will have to check up on your question there, Mr. Turney, and see whether you have a point there or not.

By Com. Aitchison:

Q. Before you concede that, is it not quite possible that it might be many times 10 times the amount of expense that would be involved if one consignment consisted of a forwarder's car with 500 different shipments in it?

A. Yes, sir. That might be true, too, but that does not necessarily bear on the size of the less than carload traffic.

[fol. 162] By Mr. Turney:

Q. You have not seen a forwarder's consignment consisting of 1,000 pounds with 500 pieces in it, have you?

A. Here again I might state that in this class rate study we are not trying to tie down the cost of individual trains or individual shipments. That can be done by special studies.

Com. Aitchison: I think that testimony which was put in before me at one time indicated there were many forwarder's shipments that would average about 2 pounds.

Mr. Turney: I was not there.

Com. Aitchison: Proceed.

By Mr. Turney:

Q. Mr. Edwards—Dr. Edwards, I beg your pardon—assuming just for the moment that it is possible for there to be a reasonable disagreement as to whether or not the clerical expense of the station should be separated upon a consignment basis as between different sized less than carload shipments and upon a hundred-pound basis, if anyone wanted to check the effect of that difference, he could not do so on the data which is here presented, could he?

A. Are you making that as a statement, or are you asking me the question?

Q. I am asking you the question.

A. My answer is "Yes".

Com. Aitchison: All you need is the formula, Dr. Edwards?

The Witness: I beg your pardon. Where you require a separation, to get an accurate separation of station ex- [fol. 163] penses between clerical and platform on a satisfactory basis, that can only be provided by the carriers themselves.

Com. Aitchison: That is what I am getting at.

By Com. Aitchison:

Q. It does not make any difference who it is that wants to do the checking; if it is a carrier or respondent in this proceeding who is a party to it, as Mr. Turney referred to a few moments ago when he spoke about parties to this proceeding, they have the basic data in their possession to do that, have they not, if they want to?

A. Yes. The carriers have all the data that we worked with.

Q. Were you in error when you suggested acquiescence in answer to Mr. Turney's question that none of the parties to this proceeding would know what the distriubtion between platform and clerical would be?

A. Yes.

Q. The rail carriers are parties to this proceeding.

A. Yes.

Q. And they have the data in their possession, have they not?

A. Yes, sir.

By Mr. Turney:

Q. That is, with respect to each one's own reports?

A. Yes.

Mr. Turney: That is all.

Com. Aitchison: Is there any other cross-examination of Dr. Edwards?

[fol. 164] Mr. McCollester: I have a few questions, if the Commissioner please.

Com. Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Dr. Edwards, am I correct in inferring from pages 6, 7 and 8 of your exhibit No. 2 that in grouping the carriers for the purpose of arriving at average cost figures, it was your aim to start with the rate territories first and then subdivide those rate territories to some extent to arrive at 12 different territorial groups?

A. That is probably a fair statement of it.

Q. Well, now, did you see the map A attached to Dr. Stevens' exhibit No. 1?

A. Yes.

Q. Is that the territorial grouping with which you started and from which you proceeded by various subdivisions of the territories shown there?

Com. Aitchison. Come right to the point, Mr. McCollester. What is wrong about this?

By Mr. McCollester:

Q. Have you not included in southern territory some railroads that are Official territory lines, and are in Official territory for the purpose of classification and for rate-making purposes?

A. We may have done so. You are probably referring to the R. F. & P. That is one example, yes. We put that in Southern territory, believing that was a gateway carrier [fol. 165] to the Southern territory, and that that more properly belong there. We had the alternative of possibly throwing it into the Pocahontas group, but due to the character of the traffic handled by the R. F. & P., being in the nature of general merchandise and being more closely related to that of the Southern Railway and Southern connections, we elected to group it with the Southern carriers.

Q. Was that your own opinion?

A. That was the opinion of the group that worked with me, myself and Mr. Hobbs and a few other men in the Cost Section of the Bureaus of Statistics.

Q. So to the extent the R. F. & P. figures may affect the average in the south and its omission may affect the average in Official territory, you have not produced an average cost of the carriers in which the different classification ratings apply, have you?

A. No. We produced the cost of those carriers indicated in the exhibit.

Q. Is there any reason why a bridge line like the R. F. & P., which handles traffic between Official territory and Southern territory is any more a part of Southern territory than it is of Official territory? It handles traffic moving from one to the other, does it not?

A. That may be so.

Q. When you go out to the western end of Official territory, [fol. 166] I note from page 15 that you have included the entire Southern Railway in Southern territory; that is correct, is it not?

A. Yes, sir.

Q. Now, does not the Southern Railway have a line into St. Louis and into coal mines in Illinois?

A. They have lines reaching into the Eastern territory and we first endeavored to get a breakdown of those lines. The carrier separation was not quite along the lines that we thought adequate and we elected to put it into Southern territory, feeling also that the small operations would not affect either territory, as the operations in question were of a minor extent.

Q. Now, you are talking about "Eastern territory". By that you mean Virginia, their lines in Virginia?

A. I am sorry. I was referring to the map that appears on the inside of the cover page in exhibit No. 3. In referring to Eastern territory, I am referring to the Official territory excluding the Pocahontas carriers and the R. F. & P. and the southern connections to which you have referred.

Mr. McCollester: Well, we may be talking at cross purposes, Dr. Edwards. I was asking you particularly about the line of the Southern Railway to St. Louis and into the Illinois coal fields.

By Mr. McCollester:

Q. There is such a line, is there not?

A. Yes, sir.

Q. Would you not say that that was probably the lowest [fol. 167] cost portion of the Illinois Central Lines?

Mr. Norman: The Southern Railway, you mean.

Mr. McCollester: The Southern Railway Lines.

The Witness: I do not know. It might be.

By Mr. McCollester:

Q. Your study did not so disclose?

A. No, sir.

Q. That is in Official territory?

A. Yes. That would have been theoretically desirable, to put it in there.

Q. In that respect, your treatment of the Southern is different, is it not, from your treatment of the Louisville & Nashville, which you did split as between Southern and Eastern territory, is that not so?

A. Yes.

Q. Is your explanation of having included in Eastern territory the lines of the Louisville & Nashville to East St. Louis and having excluded the lines of the Southern, that the Louisville & Nashville furnished you the data which enabled you to make the segregation, and the Southern did not?

A. I would say both carriers furnished the data, but the separation in the case of the Louisville & Nashville appeared to be a little more sound; it appeared to be on a little sounder basis. The Southern Railway did not have a separation of cars originated and terminated, so we were lacking certain vital statistics. We thought the inclusion or exclusion [fol. 168] of those lines reaching into Official territory would not affect the cost scales in either territory to any material extent.

Q. If it should happen that we might doubt your judgment on that, the only way we can verify or disagree with your judgment is by having access to the basic figures which you considered, is that correct?

A. The only way you can verify that would be to get the Southern Railway to provide you with a separation to see what the effect would be. If the separation as to certain principal accounts is available, and if you had access to the data, you could check it in so far as that was concerned and compute the unit cost, then group those unit costs, exclude those amounts from Southern territory, add them into the Eastern territory, and in that way find out what difference it would make.

Q. The data as to the R. F. & P. which would enable us to compute the effect of shifting that from Official to Southern territory is also in your possession, is it not?

By Com. Aitchison:

Q. It would be a very simple operation for anybody to take the R. F. & P. and figure out its individual costs, would it not, and see how it compared with either Eastern or Southern?——

A. Yes. We already have it in the cost of each group of accounts. That could be——

Q. No. The only way to test whether or not it would make any difference, any material difference, would be to compute [fol. 169] its own costs individually and see how they compare with the average of which it forms a part on the one hand, and with what Mr. McCollester said it should be included on the other hand?

A. Yes, sir.

By Mr. McCollester:

Q. What is your explanation for not having made a segregation of the Southern Railway's cost at the eastern end of the territory where its lines come into the eastern part of Eastern territory? Is that the same explanation, that the data was not available to you, or that you just did not think you would do it that way?

A. What do you mean by the "eastern part of Eastern territory"?

Q. I am referring to Virginia.

A. That is not the eastern part of Eastern territory.

Q. It is the southeastern part of Eastern territory, if you want to put it that way.

A. It is partly both, Mr. McCollester. I am not sure that we even asked the Southern Railway to separate out that portion. I believe we put it into the Southern territory as being—I had to check that to see if we even asked them for it. I note that the separations were not on an entirely satisfactory basis. We decided it was more desirable to place the whole carrier in the one territory.

By Com. Alldredge:

Q. Dr. Edwards, do you understand that the portions of the Southern Railway that Mr. McCollester just referred to are clearly within either one of the territories, locally [fol. 170] as against through traffic?

A. We had a problem trying to determine what was a proper boundary and where the boundary should be drawn. There was no clearcut demarcation or any specific instructions in that regard.

Com. Aitchison: That is one of the questions in this case, Mr. McCollester.

Mr. McCollester: Exactly so, Mr. Commissioner, and that is why, for one reason, it will probably be necessary to have available the basic data for the individual roads, because we have here the question of what roads are to be governed by the Official classification and what by the Southern, and so forth, if there are to be changes in classification.

The Witness: As to this particular point, Mr. McCollester, that you raise, we could not answer. We would have to go back to the Southern Railway and ask for a satisfactory separation, to permit the separation which you desire.

By Mr. McCollester:

Q. Can you say now, or do you know that the data they gave you did not permit of a separation? I mean, if we had access to the data you had, could we make the separation?

A. No, sir.

Mr. McCollester: That is all.

Com. Aitchison: Is there any further cross-examination of Dr. Edwards?

Mr. Norman: I have one or two questions, Mr. Commissioner.

[fol. 171] Com. Aitchison: Mr. Norman.

By Mr. Norman:

Q. Dr. Edwards, you appeared to assent to a statement made by Mr. McCollester that the part of the Southern Railway in southern Indiana and Illinois was the low cost part of the Southern Railway.

Com. Aitchison: No, he did not. He did not assent to anything of the sort.

The Witness: I neither assented nor dissented. I said I did not know.

Mr. Norman: All right.

By Mr. Norman:

Q. Do you happen to know that it is the part that washes out nearly every year and has to be rebuilt?

A. Well, I do not know that.

Com. Aitchison: That is not necessary, Mr. Norman. That is not proper cross-examination.

By Mr. Norman:

Q. Doctor, is it true that whatever assumptions, allocations or methods you have used in arriving at the cost in one territory, you have used exactly the same in arriving at the cost in all territories?

A. Yes, sir.

Q. So that any slight error that might result from one method of allocation as against another, would appear alike in each territory?

A. Yes, sir.

Q. Therefore, the effect on the relative showing will be [fol. 172] practically nil?

A. Yes, sir:

Q. Is that correct?

A. Yes..

Mr. Norman: That is all.

Com. Aitchison: Is there any further redirect?

Mr. Norman: That was the first opportunity I had been given. I would not have called this cross-examination, if I had been given an opportunity to cross-examine him on direct.

Com. Aitchison: Does anyone else wish to cross-examine Dr. Edwards?

Mr. A. L. Reed: I have a few questions, if you please, Mr. Commissioner.

Com. Aitchison: Mr. Reed.

By Mr. A. L. Reed:

Q. Speaking for the Southwestern motor carriers, Doctor, I would like to ask if you would mind giving us the principal service units that make up the difference between a five-ton car of less than carload freight and five-ton car of carload freight, breaking it down as between terminal and line haul. I will illustrate what I have in mind, Doctor. Look at page 73 and page 83 of your exhibit 3.

A. Yes.

Q. The terminal differences between a less than carload car with 5 tons and a carload car with 5 tons, amount to 24.374 cents. You have said in response to one question it [fol. 173] did not include pickup and delivery cost. What we would like to have would be the principal service units that make up that difference.

A. You are referring to a 5-ton load moved a distance of how many miles?

Q. Well, the first one is 10 miles. The difference is 24.5 cents. Your terminal differences, however, are static. They remain the same.

A. Well, it will take me a couple of minutes. Those figures are buried in this trunk here. I will have to get them out.

Q. The main question I desire to ask in connection with that is this: we cannot ascertain that information except from your figures that you have with you? There is nothing in any exhibits that would give us reference to the principal service units that go to make up that difference?

A. I might say that—yes. You can reproduce that yourself. In fact, you can reproduce any cost scale through table 87, and the procedure is shown on pages 151 and 152.

Q. Would that give us——

A. Pardon me.

Q. Yes.

A. I said "table 87". I should have said tables 88 and 89.

Q. Would that give us reference to the units and the divisions which you made as between the service unts?

A. That gives you reference to all sources that we used, that we have used. You can check that difference for any [fol. 174] mileage, for any item of cost and for any weight by setting up——

Q. Pardon me, Doctor.

A. Yes.

Q. I believe you misunderstood me.

Com. Aitchison: Mr. Reed, he is going to be permitted to conclude his answer. After he gets through, you may move to strike if you so desire.

The Witness: By setting up the less than carload and carload cost shown and following the procedure shown on pages 152 and 153, we used the unit costs from Southwestern territory, and we purposely put in table 87 and showed the procedure on page 152 and 153, so as to permit any party that desired to rework the cost scales or any other ratio, such as per cent empty and loaded, or to set up any comparison they desired.

Mr. A. L. Reed: I believe you misunderstood me, Doctor.

By Mr. A. L. Reed:

Q. I wanted to get the principal service units that would make up the difference between a 5-ton carload car and a 5-ton less than carload car, the units of service.

A. The principal difference would be in the terminal service, in the platform work of handling. As to the line haul cost, in either case, if you compare it with a box car movement, the tare weight, the per cent return empty and so forth would be identical, even so far as the car mile costs are concerned, and the gross ton mile costs are concerned. The difference would be in the terminal cost. On the one [fol. 175] hand you would have a lesser switching cost, but on the other hand you would have a higher station cost.

Q. Could you give us briefly a few of the service units in the station cost that make up that difference?

A. In the station cost?

Q. Yes.

A. Group 8 contains—pardon me. May I refer you, in answer to your question, to exhibit 3, page 153, the caption to columns 1 to 9.

Q. Those are rather broad groupings, are they not? They do not give us the principal service units that would be applied, do they?

Com. Aitchison: What do you mean by "principal service units"?

The Witness: Groups 8 and 9 would be the principal service units that would apply.

Com. Aitchison: What do the witness and counsel mean by "principal service units"? Please elucidate.

Mr. A. L. Reed: The Witness, Mr. Commissioner, has used the term in his explanation "service units", that are multiplied by the separated costs. Nowhere in the exhibit have I been able to find the service units that would make up the difference between, for illustrative purposes, the 5-ton less than carload box car and the 5-ton carload box car. There are general broad groupings, but what I desire to [fol. 176] ascertain are the principal items of expense that would make a difference of 24 cents per 100 pounds in the cost of handling a 5-ton less than carload car and a 5-ton carload car.

Com. Aitchison: Does that not involve his going over the whole process of his exhibit again?

Mr. A. L. Reed: No, sir, not if he gives us the principal units of service he used in calculating the difference between them.

Com. Aitchison: Which he cannot do without going through the whole exhibit.

Mr. A. L. Reed: And the point is, which we cannot check without having the information.

The Witness: I think, Mr. Commissioner, I can answer the gentleman's question.

Com. Aitchison: All right. Do that.

The Witness: Group 8 and group 9, all expenses.

By Mr. A. L. Reed:

Q. On page 153 of exhibit 3?

A. Yes, columns 5 and 6.

Q. Now would those items of expense, Doctor, vary with distance?

A. No, sir.

Q. Should the linehaul expense per mile, the cost of handling a box car loaded with 5 tons of less than carload freight and 5 tons of carload freight—should the line haul per mile cost be the same under your formula?

A. I have so indicated. I indicated that a moment ago, [fol. 177] but I was in error. There would be a difference in that we have distributed the transfer cost of less than carload traffic on a mileage basis, a net ton mile basis; so that for every mile the less than carload traffic moves, it picks up a small amount of expense for the transfer cost of less than carload traffic. So for that reason, the less than carload traffic has a higher rate of expense.

Q. Correspondingly, in connection with your carload cost did you give any consideration to the effect of stopover privileges to partially unload or load or transit privileges that would result in a similar stop and similar handling?

A. No, sir.

Mr. A. L. Reed: That is all, thank you.

By Com. Aitchison:

Q. Well, the difference which Mr. Reed referred to would be very largely minimized if in the illustration he gave, you subtracted 19 cents from the less than carload figure, would they not?

Mr. A. L. Reed: According to my calculations, they vary.
Com. Aitchison: They vary a mill or two.
Mr. A. L. Reed: More than that.
The Witness: Yes.
Mr. A. L. Reed: If my calculations are correct. The point I wanted to make, Mr. Commissioner, is we can only check the thing by getting the detailed figures. That is all I have.
Mr. Thornton: I would like to ask one or two questions, if [fol. 178] the Commissioner please.
Com. Aitchison: For whom are you appearing?

Mr. Thornton: The New Orleans interests. We are not ~~lined up~~ either with the south or southwest.

Com. Aitchison: Mr. Thornton.

By Mr. Thornton:

Q. Dr. Edwards, in compiling your cost study, have you used in any case the total tons reported to you as carried by the railroads making the reports to your organization or to your office?

A. In no place did we use total tons.

Q. Have you used total cars either originated or delivered or both?

A. Yes, sir. We have used that, yes, sir.

Q. You realize, do you not, that on a very large volume of traffic transported by the railroads, transit privileges are accorded en route on such traffic and that the railroads count the cars into the transit point as separate and distinct from the cars handled out of the transit point, although it is the same commodity?

A. Yes, sir.

Q. Now, with respect to that duplication of count, would that have any effect upon the cost study?

A. No. That is the type of count we would not want. As to wheat or other items being milled in transit, as far as that shipment is concerned, that car has lost its identity. [fol. 179] That car has received a terminal switching, the work was done and the operation on that particular movement ceased. Now, if three or six months later the grain was again loaded in the car, there would again be a switching movement and we would have another line haul and another terminal. For our purposes, we desired the count to be as it has been made.

Q. This is the question: to obtain the cost to the railroad of handling a carload of a particular commodity accorded transit, we will say a commodity weighing 25 tons, moving 50 miles from initial origin to the transit point and 250 miles from the transit point to destination, your costs shown on page 33 of your exhibit No. 2 would not be the costs for such a movement, would they, for 300 miles total?

A. Our cost follows in the wake of the actual physical operation. If there were two physical operations, then the cost would be the same for two movements for each mileage.

Q. It would be the cost for 50 miles and the cost for 250 miles separate?

A. Yes, provided there would be such a switching movement there and the material was not merely taken out of the car and reloaded back without any additional switching movement between, which I presume would not be the case.

Q. Doctor, have you been requested to make a similar cost study covering ocean-rail and rail-ocean-rail traffic?

A. Similar to this?

[fol. 180] Q. Yes.

A. No, sir.

Mr. Thornton: May I ask, Mr. Commissioner, if such a study will be made?

Com. Aitchison: Nobody has indicated any desire for it up to the present moment.

Mr. Thornton: The reason I asked this question is that the ocean carriers and water carriers are parties to this proceeding and this study is entirely a railroad study.

Com. Aitchison: We may and we may not be able to make rates with respect to rail and ocean. I do not know.

Mr. Thornton: That is all, thank you.

Mr. Bee: Mr. Chairman, I stated this morning that Mr. Camack of the attorney general's office of Texas was a member of our Steering Committee. I should have said Mr. Tanner of El Paso represented the state of Texas. I have one or two questions of Dr. Edwards, if you please.

Com. Aitchison: Proceed.

By Mr. Bee:

Q. Dr. Edwards, as I understand it, your division of so-called territories, such as the southwest, comprises railroads and does not comprise territory, is that correct?

A. May I have the question again, please?

Q. Your designation of territory, such as Southwestern territory, comprises railroads and does not comprise land area or territory or states?

[fol. 181] A. We first set out the desired land areas or states, if you want to put it that way, and then we took the railroad expenses to conform as closely to that land area, and those land area boundaries, as was practicable.

Q. The St. Louis-San Francisco Railroad operates into the large terminals of St. Louis and Kansas City, is that correct?

A. (No answer.)

Q. If you do not happen to know where it does operate, will you accept that statement as correct for the purpose of the question?

A. What was the name of the railroad?

Q. The St. Louis-San Francisco.

A. Yes, sir.

Q. You have assigned the entire St. Louis-San Francisco to the Southwestern region, have you not, or to the Southwestern cost study territory?

A. Yes, sir.

Q. That same statement applies to the Missouri-Kansas-Texas Railroad?

A. Yes. We set that up separately so it could be lifted out. However, as territory 7 is set up, it includes that railroad in its entirety.

Q. You did not set it out in its entirety. You set out part of the Missouri-Kansas-Texas comprising the northern district, did you not?

[fol. 182] A. Yes, sir. However, as you correctly stated, the Southwestern territory includes that railroad in its entirety.

Q. The same statement applies to the Missouri Pacific Railroad?

A. I beg your pardon?

Q. The same statement applies to the Missouri Pacific Railroad?

A. It includes the area south of St. Louis.

Q. Now, the heavy coal division of the Missouri Pacific Railroad, which means all of the coal from Illinois brought into St. Louis or switched at St. Louis, is in the so-called Southwestern region, is it not?

A. Well, I do not know whether it is or not.

Q. Well, you have included the Illinois division, which is that line of the Missouri Pacific running down the eastern side of the Mississippi River, have you not?

A. The Missouri Pacific operations included in Southwestern territory include all lines in Illinois, Missouri east of Poplar Bluff, all lines in Arkansas south of Diaz, and all lines in Oklahoma and Louisiana. Now, I do not know where that line to which you refer——

Q. The Illinois division.

A. If it is in Illinois, then it was included in Southwestern territory.

Q. Yes. So that the terminal expenses in St. Louis and Kansas City of the St. Louis-San Francisco, the Missouri Pacific, and the Missouri-Kansas-Texas and the terminal [fol. 183] expenses in Kansas City of the Kansas City Southern Railway, are all assigned to the Southwestern region?

A. Yes, sir.

Q. Now, the Terminal Railroad Association has been left out of your figures entirely and your calculations, have they not?

A. Yes, sir.

Q. Then to the extent, Dr. Edwards, that the terminal expenses of the Terminal Railroad Association of St. Louis and the Terminal Association of Kansas City have been left out of the calculations and the terminal expenses in St. Louis of the three large lines which I have named and the four large lines at Kansas City are charged to the southwest, would it not have the effect of assigning to the Southwest a higher portion of terminal expense than would otherwise be assigned to the Southwest?

A. It might have that effect.

Mr. Bee: Thank you Doctor. That is all.

The Witness: I would like to amplify that and say that there again there was this problem of what constitutes the southwest, whether the boundary of Southwestern territory should be the state line along the southern boundary of Missouri, or whether it should extend from Kansas City to St. Louis. There has been some discussion as to where the boundary line properly lies.

By Mr. Bee:

Q. Well, you do know for rate purposes that they have always for the last 10 years considered the Rock Island [fol. 184] Line from St. Louis to Kansas City, or from Labadie to in the vicinity of Kansas City has been considered the southern boundary of so-called zone 1 territory?

A. Well, I did not know that.

Mr. Bee: That is all.

Com. Aitchison: Just for the sake of the record, of course, your statement is not evidence, or your question as put is not in the form of evidence.

Mr. Bee: I did not hear you, Mr. Commissioner.

Com. Aitchison: I say, your question is not evidence.

Mr. Bee: I agree with you.

Com. Aitchison: All right.

Mr. Bee: The Commission's own decision is, though, in Docket 13535.

Com. Aitchison: That is not in this record, either.

Mr. Bee: I think it is one you take judicial knowledge of.

Com. Aitchison: It is not one we take judicial notice of unless it is properly called to our attention, and it has not been yet.

Mr. Bee: It will be before the case is over.

Com. Aitchison: Very well. Are there any other questions of Dr. Edwards?

Mr. Weeks: I would like to ask one or two questions, Mr. Commissioner.

By Mr. Weeks:

Q. Dr. Edwards, I understood you in reply to Mr. Bee [fol. 185] to say that the terminal expenses of the Missouri Pacific Railroad were included in the Southwestern figure. If you will refer to your exhibit No. 2, page 17, does that not indicate that the terminal expense of the Missouri Pacific at St. Louis and Kansas City is included in Western Trunk Line, under group 8?

A. May I read to you—perhaps I will have to get a map of the Missouri Pacific to settle this. I would like to read to you the separation we made of the Missouri Pacific Railroad Company, describing it a little more specifically than appears in exhibit 2: the operations included in the Western Trunk Line territory of the Missouri Pacific Railroad Company are all lines in the states of Nebraska, Colorado and Kansas and in Missouri from Kansas City to Joplin and from Poplar Bluff via St. Louis including the lines via Diaz, Arkansas. The operations in Southwestern territory include all lines in Illinois, Missouri east of Poplar Bluff, all lines in Arkansas south of Diaz, and all lines in Oklahoma and Louisiana.

Q. I understood that——

A. Pardon be.

Q. Pardon me.

A. I will have to make a little check to see what the map of the Missouri Pacific shows as to where the Missouri Pacific terminal is, now that you raise the question.

Q. Well, I understood you in reply to Mr. Bee to say [fol. 186] that the switching at St. Louis and at Kansas City of the Missouri Pacific Railroad would be charged to the Southwestern district, whereas in your group 8 on page 17 you assign the St. Louis terminal and Kansas City terminal divisions of that line to the Western Trunk Line.

A. What page is that?

Q. Page 17, under group 8.

A. Yes. It appears I was in error in stating otherwise.

Mr. Weeks: Thank you.

The Witness: These terminal divisions are in territory 8.

Mr. Weeks: That is all.

Com. Aitchison: Is there any further cross examination of Dr. Edwards? (No response.) Have you any other questions, Mr. Smelker?

By Mr. Smelker:

Q. Have you any other comments you wish to make at this time, Dr. Edwards?

A. I might make this comment with respect to access to our working papers by individual railroads: of course, that is not a matter of my concern. It does not make any difference to me. However, I wish to make this observation, that using costs by individual railroads, one must take into consideration this fact: we have made no adjustment for joint facilities in this study, feeling that when we deal with territorial totals, those joint facilities to a very large degree cancel themselves out. The same is true with regard to [fol. 187] switching, where one carrier does more switching for another carrier, than the other carrier does for the first carrier. On a territorial basis, those items cancel themselves out. The instructions in Form-A, which we have set up here, provide that where this formula is to be used to set up cost scales for individual carriers, adjustments for those items should be made. Any party making use of this formula should take that into account. That is all I have.

Mr. Smelker: You may step down.

Com. Aitchison: You are excused.

(Witness excused.)

Com. Aitchison: Call your next witness.

Mr. Smelker: Mr. Hobbs.

Com. Aitchison: Be sworn, Mr. Hobbs.

192

749437
Supr 64

Vol. III

TRANSCRIPT OF RECORD

(Pages 1647 to 2334)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. III

INDEX

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
Ernest S. Hobbs	187	1647
Ford K. Edwards (recalled)	203	1657
Ernest S. Hobbs (recalled)	215	1665
C. G. Jensen	218	1667

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCT. 24, 1946.

—7298

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Caption and appearances—Hearing at Indianapolis, Indiana	299	1719
Testimony of Ford K. Edwards (recalled)	315	1728
Beatrice Aitchison	319	1731
Ford K. Edwards (resumed)	330	1738
Ben F. Morris	351	1750
J. G. Kerr	357	1753
L. V. Crane	464	1816
William F. Kennedy	481	1827
J. S. Tassin	528	1855
J. S. Tassin (resumed)	537	1860
Lewis F. Ormond	555	1871
R. E. Boyle, Jr.	589	1891
John N. Steadwell	647	1926
N. W. Hawkes	667	1938
E. A. Hodkinson	705	1961
W. T. Tannehill	749	1987
W. S. Flint	768	1999
W. E. Emblidge	795	2015
Kenneth A. Moore	797	2016
B. H. Stanage	809	2023
B. H. Stanage (resumed)	849	2047
J. A. Brown	849	2048
L. R. Capron	878	2065
Frank W. Robinson	905	2081
J. L. Heywood	945	2106
N. W. Hawkes (recalled)	973	2123
B. H. Stanage (recalled)	995	2136
E. A. Tharp	1028	2157
James G. Morrison	1072	2184
Glenn F. Vivian	1132	2218
R. C. Fyfe	1135	2220
C. L. Hinnant	1240	2285
E. H. Thornton	1266	2299
W. S. Creighton	1300	2321

Ernest S. Hobbs was sworn and testified as follows:

Direct examination.

By Mr. Smelker:

Q. Will you please state your full name.
A. Ernest S. Hobbs.
Q. What is your present occupation?
A. Statistical analyst, Interstate Commerce Commission.
Q. How long have you been so employed?
A. Since 1929.
Q. State briefly the extent of your education.
A. I was graduated from Northwestern University, having taken courses in economics and courses in transportation economics.

[fol. 188] Mr. Smelker: You had better talk a little louder, Mr. Hobbs.

By Mr. Smelker:

Q. State briefly the extent of your experience as a statistical analyst.
A. My duties as analyst consist of analyzing cost data and other data and exhibits presented in various cases before the commission, preparing cost studies and preparing special studies relating to production and railway traffic.
Q. Have you made a study of the progression in freight rate mileage scales?
A. I have.
Q. Of what did that study consist?
A. This study consists of a survey of the rate scales prescribed and published by the Interstate Commerce Commission in mileage scale form with a view of determining the relative progression.
Q. Have you set up the results of that study in exhibit form?
A. I have.

Mr. Smelker: If the Commissioners please, I now offer for identification the exhibit which has just been described by the witness.

Com. Aitchison: It may be identified as exhibit 5.

(Exhibit No. 5, Witness Hobbs, marked for identification.)

By Mr. Smelker:

Q. Are the sources of your material shown in the text of the exhibit, Mr. Hobbs?

A. Yes, sir.

[fol. 189] Q. What is the purpose of the exhibit?

A. The purpose of the exhibit is to develop the average or typical rate of progression in the various freight rate mileage scales for both class rate and commodity traffic prescribed and published by the Commission in its reports. This study is not concerned directly with the level of the freight rates but with the rate of change in the freight rate in one mileage block over the freight rate in the next lower mileage block of a given scale. The rate of change is expressed as the per cent of increase. Regardless of the general level of the rate scale being investigated, rates of changes were obtained which could be compared and combined with the corresponding rates of change in other scales to obtain a composite progression. The resulting progression obtained is not to be regarded as necessarily ideal. The first composite result obtained was irregular in progression, as might be expected from the combination of a large number of unrelated scales, consequently the sections of the composite scale where irregularity appeared were smoothed out with a minimum disturbance to the characteristic progression in evidence. This adjustment was somewhat minor in character and may be regarded as merely incidental to the study. No external considerations, such as a progression consistent with cost, value of the service to the shipper, competition, and what the traffic would bear, entered into the composition of the progression finally obtained except as they were reflected in the original [fol. 190] scales. No attempt was made to weight the progression in the various scales by the volume of traffic moving thereunder. It would have been impracticable to secure data fully representative of the given scales. These scales are territorial in scope rather than national, and obviously as they are limited to interstate scales, intrastate scales are not represented, which would account for a considerable proportion of the total commodity and class rate traffic. The scales considered in the study are not exhaustive of all the mileage scales applicable to interstate traffic as some scales are initially published by the roads themselves. Any system of weighting would, therefore, have been partial in extent. It is pertinent to observe that the scales selected serve to give a cross section of the rate structures in the several rate territories. They are typical of the prevailing freight rate scale progression to the extent that they represent a fair sampling of the rate structure in effect. Reference to the tables on pages 8, 9 and 10 of the exhibit indicates that the relative progression in the class rate scales at 100 miles, based on 100-mile blocks, is highest in Southern territory, 127 per cent, and lowest in Eastern territory, 87.9 per cent. These percentages are based on the initial rate at 5 miles. At 300 miles the rate of progression is about the same, 20.0 per cent in the east, and 19.6 in the south, but at 400 miles there is a divergence [fol. 191] and the per cent of increase becomes 13.5 in the [illegible]t, and 16.4 per cent in the south. At 500 miles and beyond, the rate of progression is less in the south than in the east except at 800 miles. In Western Trunk Line Zones 1 and 2, the relative progression is higher than in the east except that in Zone 1 at 800, 1000 and 1400 miles, it is less, and in Zone 2, at 1400 miles it is less. In the Southwestern Zone 3 scale, the progression is higher than in the Eastern scale except at 300, 1000 and 1300 miles. At 1500 miles, the highest progression is found in Western Trunk Line Zone 1, 5.4 per cent, and the lowest in the South, 4.7 per cent. While uniformity in the rate of progression in the several territorial class rate scales would be ideal, the factors that enter into the construction of the scales are necessarily different territorially and require adjustment to the local needs of commerce, transportation costs, competition, and so forth, that are peculiar to a given territory. It would appear, however, that a given scale should possess a regular, smooth progression without abrupt changes in the rate of progression, especially at the greater distances. In the absence of a specific rule for projecting the freight rates through the entire scale of distances involved, the composite scale of progression should be useful as a systematic guide to what is conventional in the field of freight rate scale progression.

Q. Do you have any further comment to make on exhibit 5, Mr. Hobbs?

[fol. 192] A. That is all I have.

Mr. Smelker: If the Commissioners please, we now offer in evidence exhibit No. 5.

Com. Aitchison: Is there any objection to the receipt in evidence of exhibit 5? (No response.) Without objection, it is received.

(Exhibit No. 5, Witness Hobbs, received in evidence.)

Com. Aitchison: Before cross examination begins, I would like to ask you this:

By Com. Aitchison:

Q. On page 14, the second paragraph, line 4, "a" is usually a minus quantity, is it not?

A. It could be, yes, sir.

Com. Aitchison: You may cross examine.

Mr. Dana T. Smith: Respondents have no cross examination on this exhibit.

Com. Aitchison: Do any other parties desire to cross examine?

Mr. Wagner: Yes, Mr. Commissioner.

Com. Aitchison: Mr. Wagner. For whom are you appearing?

Mr. Wagner: The Southern Governors Rate Conference.

By Mr. Wagner:

Q. Mr. Hobbs, up to what date did you actually cover by this exhibit?

A. This exhibit was not prepared especially for this case. It was prepared for the Annual Publication last August.

Q. Does it purport to carry scales available up to that [fol. 193] time, generally speaking?

Com. Aitchison: It is all set up on page 1 of the exhibit.

By Mr. Wagner:

Q. Does your exhibit show the 17000 Part 9 livestock rates that were prescribed by the Commission in the entire western district?

A. There is one scale on page 26, in 171 I. C. C. 753, that reflects the Docket 17000 adjustment, I think.

Q. That was the southern 17000 Part 9 scale, was it not?

A. Yes.

Q. I am asking about the western district.

A. Oh, western.

Q. Yes.

A. Your western is not included in there. I have made a calculation to show what the effect of substituting that adjustment for particular scales given for livestock in western territory would be, and turning to page 20, in the second column, showing the actual average per cent of next lower rate, at 100 miles in place of 205.22, I obtained 204.3. At 200 miles, in place of 138.03, I obtained 137.9. Beyond 200 miles, carrying out the computations to one decimal point, there was no change more than one-tenth of one per cent.

Q. Most of the livestock scales in the west, set forth in your exhibit, were substituted by the 17000 Part 1 scale?

A. Yes. I made that substitution.

[fol. 194] Q. Was there any particular reason in using in your class rates 3 of the Western Trunk Line Zone scales and not the 4th, or not including the New Englans Scales in the east, for instance?

A. I omitted the minor rate territory scales, believing we should not give too much weight to their progression. However, I have made computations showing their inclusion, New England Zone A and Zone B, Michigan Zone C, Southern, Western Trunk Line Zone 1 and Zone 2, Southwestern Zone 3 and Zone 4. I have available those exhibits, Mr. Chairman, if you desire to permit them to go into the record.

Com. Aitchison: You might let Mr. Wagner examine them and see if they make enough difference, so as to determine whether it is worth while to put them in or not.

Mr. Wagner: Perhaps the witness can indicate in a word whether or not it affects the progression as he——

Com. Aitchison: There is no point in going to the 4th decimal place in this.

By Mr. Wagner:

Q. Does it make an appreciable change?

A. Well, it makes a considerable change in the shorter distances, but not, of course, for the longer distances.

Com. Aitchison: You had better put it in, then.

Mr. Smelker: If the Commissioner please, we offer for identification as exhibit No. 6, a corrected table that has just been described by the witness.

Com. Aitchison: It may be identified as exhibit 6.

[fol. 195] (Exhibit No. 6, Witness Hobbs, marked for identification.)

Q. Mr. Hobbs, in your exhibit No. 6 you have included all of the class rate scales I referred to and Zone 4, also?

A. Yes, sir.

Mr. Wagner: No other questions.

Mr. Smelker: We offer in evidence at this time, if the Commissioner please, exhibit No. 6.

Com. Aitchison: Is there any objection to the receipt in evidence of exhibit 6? (No response.) Without objection, it is received.

(Exhibit No. 6, Witness Hobbs, received in evidence.)

By Com. Aitchison:

Q. Mr. Hobbs, I notice you have a straight line progression of your corrected scale from 300 miles to 600 miles, is that correct?

A. I did not understand your question. I am sorry.

Q. You have a straight line progression there?

A. A straight line progression, yes.

Q. Yes.

A. That is right.

Q. You have another straight line progression for 200 miles?

A. That is right.

Q. Then a progression for 200 miles at a somewhat higher rate. Your first difference is 18 cents instead of 17?

A. Yes.

[fol. 196] Q. Then you go back to a 17-cent progression?

A. Yes.

Q. So you virtually have a 17-cent progression from 700 miles to 1200 miles?

A. Yes.

Q. Is that correct?

A. Yes, sir.

Q. From 1200 on the progression is a tapering progression?

A. That is right.

Q. You could not fit any parabolic curve to that, could you?

A. I beg your pardon?

Q. You could not fit any parabolic curve to that, could you?

A. No.

Q. Have you any explanation of the abnormality which appears at 900 miles in the average of the actual rates in cents per hundred pounds?

A. No, sir. I have not been able to find the explanation for that.

Q. Have you checked that with care?

A. I beg your pardon?

Q. Have you checked that with care?

A. With the carriers?

Q. No. With care.

A. Yes. It was checked with care, yes.

Q. Is it possible it might be due to the fact that some one [fol. 197] of the lower rated scales ran out at 800 miles?

A. Yes, That is possible, on account of the shorter scale, yes. Not all of them run out at 1500 miles. The New England scales are limited to about 600, I believe.

Com. Aitchison: Well, there is certainly something which calls for explanation as to why the Commission should prescribe a 26-cent increase from 800 to 900 miles with an average of a 15-cent increase for the 100-mile blocks on either side of it.

The Witness: Of course, the Commision did not prescribe this composite scale.

Com. Aitchison: Look further and see if you cannot later find an explanation of the abnormality.

By Com. Aitchison:

Q. That abnormality reflects itself in what I called your attention to, that is, your jump from 17 cents as a first difference, to 18 cents, does it not?

A. Yes, sir.

Q. It is possible to equate out the abnormal 26-cent first difference, 900 miles over 800 miles and still further rectify the scale shown in the right-hand column, is that right?

A. Yes, sir.

Com. Aitchison: Is there any further cross examination of this witness?

Mr. Hollopeter: I have one or two questions, Mr. Commissioner.

Com. Aitchison: Mr. Hollopeter.

[fol. 198] By Mr. Hollopeter:

Q. Mr. Hobbs, in your analyzation or analysis of these scales, you did not break your analysis at the same point or same distance at which the scales themselves break in their rate of progresion, did you?

A. I took the per cent of increase for each 100-mile interval, for all of these various scales.

Q. Yes.

A. I then combined those and divided them by the number of scales included in the column, so that I obtained an average per cent increase for that particular distance.

Com. Alldredge: Why not ask him if he began his progression at a base of 100 miles?

Mr. Hollopeter: I believe that is fair.

By Mr. Hollopeter:

Q. You began your progression at a base of 100 miles, did you not?

A. That is right.

Q. Now, some of these scales at least change their rate of progression around 80 miles and they carry the same rate of progression over the 100-mile block. How much different results would you get, do you think, if you had analyzed these scales under the rate of progression at the exact point at which they break their rate of progression?

A. I am unable to say. I am unable to say what difference that would make.

Q. Do you not think you would have gotten a more [fol. 199] uniform showing or result, perhaps, or might have had the same increase or increment rather than getting a higher increment for some of the longer blocks than the shorter blocks?

A. That is possible, yes.

Com. Aitchison: Now, the crowning insult in medieval dialectics was to deny the other fellow's major premise. Mr. Hollopeter has to show me any scale that the Commission ever made of class rates which did not break on 100 miles and which carried the block over it.

Mr. Hollopeter: It is my understanding that the Eastern Class Rate Scale breaks at 80 miles.

Com. Aitchison: It breaks at 80 miles and it breaks at 100 miles. I am referring to the first class rate as prescribed in 164, I think it was, I. C. C., 56 cents at 100 miles.

Mr. Hollopeter: If I may, I would like to make myself clear on that. I am referring to the mileage blocks which start at 5 miles per block and run up to a certain distance. Then the mileage block increases and the increase in cents for each block decreases. Now, my recollection is that the Eastern Class Rate Scale makes that change around 80 miles, and again around 260 miles, so that these changes do not occur at the 100-mile blocks which have been used in this analysis. I was asking if that would make any difference in the result.

Com. Aitchison: It would in the scale and in the individual blocks within the 100 miles, but it would not make [fol. 200] a bit of difference at the 100 miles.

By Com. Aitchison:

Q. Is that right, Mr. Hobbs?
A. Yes, sir.

Mr. Hollopeter: I think that brings out the particular point I had in mind. We can analyze it a little more thoroughly, I think.

By Com. Aitchison:

Q. Mr. Hobbs, you can get rid of this abnormality I mentioned, which appears on exhibit No. 6, where you have a 7.6 per cent increase at 800 miles and 12.2 at 900 miles, then 6.3 at 1000 miles and 5.9 at 1100 miles by just simply interpolating a per cent there at 900 miles which will scale in with what is before and after it, can you not?
A. I believe that is true.
Q. Either that, or suppose you had worked this on the basis of leaving out the odd numbered hundreds of miles. You would have come to virtually that end, would you not?
A. Yes, sir.
Q. But in that case you would not have this disturbing element of the abnormal first difference at 900 miles?
A. Yes, sir.
Q. That would be cleared up?
A. Yes.

Com. Aitchison: Are there any other questions of this witness?

Mr. Wagner: Following one of your questions, I would [fol. 201] like to ask the witness one question to clarify it.

By Mr. Wagner:

Q. Do the New England scales end at 800 miles?

A. That is my recollection.

Q. By accumulating your various rates at 800 miles and dividing you get a lower average at 800 miles than your next 900-mile average of the higher Western Trunk Line zones and that would make your hump?

A. The averages of the rates themselves?

Q. The averages of the rates themselves, yes.

A. I did not do it that way. I did it by per cent increase in the freight rates and divided the per cent of increase.

Q. I am referring to the figure 26 in your increase in the third column.

A. I put those in just for information.

Q. That is where that 26 would come from?

A. That is right.

By Com. Aitchison:

Q. This exhibit No. 6 compares with what page of your exhibit No. 5?

A. Page 18. Page 18 and page 19.

Q. Well, in as much as on pages 18 and 19 in your composite first class freight rate scale you do not have this abnormality at 900 miles in the shape of a first difference——

A. No.

Q. —it is evident, is it not, that the inclusion of the New England scale and zone 4 scale are responsible for the hump?

[fol. 202] A. That is right.

Q. This exhibit 6, however, to be considered, should be treated as substituted for the tables on pages 18 and 19 of your exhibit No. 5?

A. Well, that is an alternative.

Q. In the alternative?

A. Yes.

Com. Aitchison: Very well. Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Com. Aitchison: We will suspend until 9:30 tomorrow morning.

(At 5 o'clock P. M., July 10, 1941, recessed to 9:30 A. M., July 11, 1941.)

[fol. 203] Hotel Statler, St. Louis, Missouri, July 11, 1941.
Met pursuant to adjournment at 9:30 A. M.

Before: Division 2 of the Commission, Hon. Clyde B. Aitchison, Hon. Walter M. W. Splawn, Hon. J. Haden Alldredge.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; Mr. John J. Murphy, South Dakota; Mr. George McConnaughy, Ohio; and Mr. W. H. Scott, South Carolina, comprising a Cooperating Committee of State Commissions.

Appearances: As heretofore noted.

PROCEEDINGS

Com. Aitchison: Come to order, please.
Mr. Smelker: I will recall Dr. Edwards, please.

Ford K. Edwards, recalled, previously sworn, testified further as follows:

Direct examination.

By Mr. Smelker:

Q. Dr. Edwards, yesterday there was one question left for clarification concerning 5 railroads mentioned on page 65 of your exhibit No. 2. Are you now ready to make that clarification?

A. Yes, sir.

Q. Please proceed to do so.

[fol. 204] A. Referring to page 65 of exhibit No. 2, I was requested to name the 5 railroads that were used in applying certain distributions to those carriers which were unable to give us the desired information. This distribution based on 5 carriers was only used for the purpose of computing the non-revenue gross ton miles. For the New England territory, for the distribution of non-revenue freight by classes of equipment, we used the New York, New Haven & Hartford, the Boston & Albany, the Boston & Maine, the Central of Vermont, and the Bangor & Aroostook. For Eastern territory we used the New York Central, the Erie, the Baltimore & Ohio, the Lehigh Valley and the Delaware & Hudson. For the Southwestern territory we used the Missouri Pacific, the Missouri-Kansas-Texas, the Frisco and the St. Louis-Southwestern. For Western Trunk Line and Mountain Pacific territory we used the Chicago and North Western, the Chicago Great Western, the Chicago, Burlington & Quincy, the Chicago, Milwaukee, St. Paul & Pacific and the Chicago, Rock Island & Pacific.

By Com. Aitchison:

Q. You did not touch up the Mountain Pacific area very much with that combination, did you?

A. Pardon me?

Q. You did not touch up the Mountain Pacific territory with that combination.

A. Well, the last combination of Western Trunk Line and Mountain Pacific territory is based on those five roads, [fol. 205] and the only roads that filed reports were the Great Northern Railway and the Northern Pacific Railway. I find on examing our formulas, that those roads initially indicated they could not provide the desired information. However, we wrote back to them and asked these two railroads if they would supply that information on the basis of a test. Subsequently, after some period of time, the answers came in, whereupon we reworked the formulas for those two railroads and did not use any of these averages for Western Trunk Line or Mountain Pacific territory. Now, if desired, I would like to point out that we did not use the same 5 railroads for the computation of the tare weight of equipment referred to on the bottom of page 66, for the reason that certain of those roads were deficient on certain information; and we had to bring in another road, and drop one road, or in some cases we used 6 roads. If it is felt desirable, I can give the roads that were used for those further computations.

Com. Aitchison: You had better put them in. Somebody will ask for them.

The Witness: The tare weight of equipment for New England territory was based upon the same 5 railroads above referred to in obtaining the distribution of non-revenue freight by classes of equipment. The tare weight for the Eastern territory was based upon the Pennsylvania Railroad, the New York Central, the Erie, the Baltimore & Ohio, the Lehigh Valley and the Delaware & Hudson. For the Southern territory, we used the Southern Railway, the [fol. 206] Louisville & Nashville, the Atlantic Coast Line, the Seaboard Airline, the Florida East Coast and the Central of Georgia. For the Western Trunk Line territory we used the Chicago and North Western, the Chicago Great Western, the Chicago, Burlington & Quincy, the Chicago, Milwaukee, St. Paul & Pacific, and the Chicago, Rock Island & Pacific. For the Southwestern roads we used the Missouri Pacific, the Missouri-Kansas-Texas, the Frisco, the St. Louis-Southwestern, and the Texas & New Orleans. On page 67 we refer to the development of the ratio of empty to loaded car miles. For the New England roads we used the New York, New Haven & Hartford, the Boston & Maine, the Central of Vermont, the Maine Central and the Bangor & Aroostook. For Eastern territory we used the Pennsylvania Railroad, the Baltimore & Ohio, the Erie, the Delaware & Hudson and the Lehigh Valley. For the Southwestern roads, we used the Missouri Pacific, the Missouri-Kansas-Texas, the Frisco and the Kansas City Southern. For the Western Trunk Line and Mountain Pacific territory we used the Chicago and North Western, the Atchison, Topeka & Santa Fe, the Chicago, Milwaukee, St. Paul & Pacific, and the Chicago, Burlington & Quincy. In the latter two cases there are only four roads named. We had included originally in our averages the Chicago, Rock Island & Pacific. However, I find that for some reason we deleted the figure for the Chicego, Rock Island & Pacific. I do not at this moment recall the reason why we did that.

[fol. 207] By Mr. Smelker:

Q. Have you any other comments to make on your exhibits before you conclude, Doctor?

A. Yes. Mr. McCollester raised the question as to what would be the effect if the R. F. & P.—the Richmond, Fredericksburg & Potomac—were included in Eastern territory in lieu of Southern territory as we did in the development of the cost scales. I find that the total operating expenses, rents and taxes of all the R. F. & P. constituted 1.2 per cent of the total territorial cost in Southern territory. I also find, with respect to the unit costs for our various groups, as to some units the R. F. & P. unit costs are higher than the territorial average and in some cases they are lower. However, as to the principal items they are lower; possibly the measure might be around 25 percent for all items, taken as a whole. To carry through the computations would require some work and a calculating machine that was not available, but that is a reasonable estimate. Now, if the R. F. & P. total operating expenses, rents and taxes constitute only 1.2 per cent of the total expenses of the south, and the unit costs are approximately 25 per cent lower than the unit costs for the south, the average unit cost for the south, the elimination of the R. F. & P. from Southern territory would probably affect the unit cost for the Southern territory by 25 per cent of 1.2 per cent, or roughly about three-tenths of one per cent. On the other hand, the R. F. & P. total operating expenses, [fol. 208] rents and taxes constitute approximately three-tenths of one per cent of the total operating expenses, rents and taxes of the railroads included in territory No. 2, which is the Eastern territory, excluding New England and northern Illinois. If we follow the same computation, the effect of including the R. F. & P. would be to lower the cost shown for the Eastern territory by no less than one-tenth of one per cent. Those adjustments would not affect the territorial averages to any significant extent.

Q. Have you anything further?

A. Pardon me?

Q. Have you anything further?

A. Yes. Mr. Turney raised the question as to the treatment of the station clerical expenses on less than carload. He raised the point that the formula provided for the treatment of the cost on an average per ton basis and did not reflect the costs for different weight shipments. He is correct in that respect. We separated the clerical station costs between carload traffic and less than carload traffic on a weighted consignment basis to obtain what we felt was the proper expense chargeable against less than carload traffic. Having done that, we then took the total cost and divided it by the total tons. The result is that we have included in our less than carload cost the average cost, based upon—that is, the average cost per ton based upon the average number of consignments per ton. If, for example, the less than carload consignments aver- [fol. 209] aged six or seven hundred pounds each, that would mean that you would have approximately three consignments per ton, dividing six or seven hundred pounds into 2,000 pounds. That would mean that on the average ton we would allow for probably three consignments. The amount we actually did allow would depend upon the average consignment per ton for the territory. We believe that the procedure is proper, providing the Commission is interested in setting up a single class rate scale for less than carload traffic without a breakdown by weight brackets. However, if the Commission should desire and find it necessary to break down the less than carload rate structure by weight brackets, such as from zero to 200 pounds, 200 pounds to 2,000 pounds, and so forth, this procedure indicated by Mr. Turney would be necessary and desirable. The average cost for less than carload consignments we might assume to be 20 cents. In case we had a 100-pound weight bracket, the cost per hundred pounds for less than carload station expense would be 20 cents. On a 2,000-pound less than carload shipment, the cost would be one-tenth of that, or 2 cents per hundred pounds. That is a very simple computation that can be made if the Commission so desires. The question was also raised as to the number of railroads that failed to provide us with a breakdown of their locomotive repair expenses by classes of equipment. I refer only to those railroads whose operations were separated between territories. I indicated that about half of the railroads did not do so. I find it was only [fol. 210] about one-third of the roads that failed to give us the information. In fact, I find that only 5 railroads failed to give us the information, in which case we used the apportionment factor that the formula provides for distributing locomotive repair and depreciation expenses, 60 per cent on the basis of locomotive ton miles, and 40 per cent on the basis of locomotive miles. Now, there is one more point I would like to cover. The question has been raised as to the accuracy of the study and the need for access to the working papers to verify our computations. Of course, personally it is absolutely immaterial to me whether the parties have access to our working papers or not. They will stand on their own feet and all processes are clearly defined. It makes no difference to us whether they are made available or not. However, in so far as the apportionments are concerned, they are all self-contained in the formula. This formula was worked by a group of clerks and analysts who had never seen a cost formula in their life before, and they simply followed the instructions that appear in the formula itself. As to the accuracy of the computations, of course, the blank form will not cover that. However, the formula provides for two controls. Halfway through the formula in schedule E, sheet 1, when we have completed our computations by primary accounts, we provide for a control wherein we take the total amounts and check back against the annual report. We have a similar control at the application of the formula. In [fol. 211] schedule 8, after all apportionments by groups of expenses have been made, and there only remains the computation of the cost scales, we again cumulate all of the figures and again check them back, or provide for a checkback against the annual report. That check and verification was made by individual roads, by territories and for the United States as a whole. I do not recall what the checks were by territories, but for the United States as a whole, after all the apportionments had been made, we checked back within one-twentieth of one per cent of the total expenses that the carriers reported for that year. I might also indicate that all computations were verified independently by two operators, or by two analysts, I should say. The people who worked on this were the regular employees of the Annual Report Section of the Bureau of Statistics. They are the employees who check all annual reports, and take it up with the carrier where inaccuracies appear. They are parties who are familiar with all statistics and with annual reports. As a further check, for our own interest, we also reasoned that we could work the whole study backwards. In other words, if we took all the commodity movements for the year 1939 for 157 commodities and assigned those commodities to classes of equipment as indicated in the formula, taking each movement in connection with the cost scales, using cost level 2, that we should be able to cumulate the carriers' operating expenses for each commodity and aggregating them together, we should come back to the total amount, that [fol. 212] is, independently come back to the total amount the carriers reported for 1939. We made that check by commodities, carload and less than carload, and our aggregate amount so obtained was 1.1 per cent less than the total expenses the carriers reported in their annual reports for the year.

Mr. Plunkett: May I ask one question at this point, please?

The Witness: Yes.

By Mr. Plunkett:

Q. How did you know the average haul by commodities?

A. The average haul by commodities in that case, and that was the weakness of the study, if you might want to call it that, was obtained from the Coordinator's study. That was the only case in which we made reference to any Coordinator's data. We have not introduced it as an exhibit, but referred to it. However, since the question of accuracy was brought up, I put this statement in for what it was worth.

Mr. Plunkett: That is all.

By Mr. Smelker:

Q. Have you any other comments to make, Dr. Edwards?

A. I think not.

Com. Aitchison: Are there any other questions of this witness? (No response.) You may step aside.

(Witness excused.)

Mr. Smelker: I will recall Mr. Hobbs.

Mr. McCollester: May I say, if the Commissioner please, [fol. 213] I have cited the R. F. & P. simply as illustrative of the necessity of having access to the individual railroad figures, because among other things we will probably want to challenge the grouping of the railroads and the use of territorial averages, which Dr. Edwards has worked out. We may very well want to show you that those territorial averages have no relation to the issues in this proceeding and that some other grouping may be desirable. I have cited the R. F. & P. simply as one illustration of that.

Com. Aitchison: Of course, your citing it as an illustration does not establish the fact that there are other railroads like it.

Mr. McCollester: No. That is why we want access to the individual figures.

Com. Aitchison: I never understood the rule to be that an expert who was giving his best judgment was compelled to submit everything he had ever read that entered into the making up of his judgment to the best of his ability.

Mr. McCollester: No, Mr. Commissioner, but as I see the situation here, it is this: as I understand the law, the Commission may not base a decision upon data in its files not made part of the record and available to the parties. Now, should it so happen——

Com. Aitchison: We do not intend to do that. We put a witness on the stand who is just a human being witness, as [fol. 214] Justice Pierce Butler once said about Director Prouty. He is here for examination just exactly as if he was called by the state of New York, or one of these respondents.

Mr. McCollester: Exactly so, and he is subject to exactly the same limitations, which are that if he has drawn a conclusion from basic data, the basic data must be either made part of the record or must be made available to the parties. I do not ask that it be made part of the record here. It may be that later we will want to introduce some of it. But we certainly have the right to have access to it otherwise. You have this situation, as I see it, or will have it; the Commission will in the long run—suppose it should prescribe class rates in the ratio of these average territorial costs shown by Witness Edwards. You will have the Commission in effect making a decision, while doing it in the form of reliance upon opinion testimony of the witness, actually doing it upon the basis of data in its files which it has secured by the questionnaire method, which is available to it and not to the parties who may be affected.

Com. Aitchison: The Commission will make no use of any information of that character. We are very well acquainted, extremely well acquainted with what occurred in the North Dakota Lignite Case.

Mr. McCollester: I know you are, sir.

Com. Aitchison: And we have been publicly criticized [fol. 215] for our adherence to those principles.

Mr. McCollester: It seems to me, Mr. Commissioner, that the same result for which you were criticized in that case will follow if you base a decision on an opinion of a witness which is predicated upon data which the parties are forbidden to see.

Com. Aitchison: You do not have to have every corpse that has ever been dissected by a medical student produced for examination in order to qualify a doctor's opinion. Proceed.

Ernest S. Hobbs recalled, previously sworn, testified further as follows:

Direct Examination.

By Mr. Smelker:

Q. Mr. Hobbs, yesterday you were instructed to prepare a clarification of your exhibit No. 6 in connection with the 900-mile block shown in column 1 as to the increase shown in column 3 of 15 for 800 miles, 26 for 900 miles, and then 15 for 1,200 miles—or rather, 15 for 1,000 miles. Have you any explanation of that at this time?

A. Yes, I have. The increase of 26 on exhibit 6, shown against the 900 miles in the third column, which resulted in a per cent of increase of 12.2 as compared with 7.6 per cent for 800 miles and 6.3 per cent for 1,000 miles, indicates an irregularity that was not apparent, or was not explained on its face. This irregularity results from the fact of the inclusion of the scales for New England Zone A and New England Zone B, carrying with them a much lower rate of progression than the other scales. For instance, the Eastern scale had a rate of increase of 7.4 per cent at 800 [fol. 216] miles. The Southern scale an increase of 7.8 per cent. The Western Trunk Line Zone 2 scale, an increase of 7.7 per cent. The Southwestern Zone 3, an increase of 7.8 per cent. The situation is that the major rate scales were protected at a much higher rate of increase, whereas, the New England scales introduced afterwards, carried a much lower rate of increase. This information was inserted in exhibit No. 6 and cannot be compared with anything in exhibit No. 5, as corresponding per cents were not shown in the exhibit. Beyond 800 miles, the New England Zone A scale and the New England Zone B scale were discontinued and hence there was a reversion to the progression in the other scales which was much higher.

Q. Is that all?

A. Yes, sir.

By Com. Aitchison:

Q. I wonder if you could not have gotten that out by the use of moving averages after you had gotten your basic data together, including these two New England scales?

A. Moving averages?

Q. Yes.

A. That would have been possible, yes, sir. However, I tried to make it as simple as possible by just using per cents of increase and combining them.

Q. Do you mind stating for the record what the formula would be, approximately, on the basis shown in the first [fol. 217] paragraph of page 14?

A. You refer to the actual figures?

Q. Yes. Put the actual figures in, subject, of course, to check.

A. I do not believe I have the results with me at this time.

Q. All right. But, having obtained your scale as you have by applying the formula shown at the top of page 14, you would be able to smooth these out?

A. Yes. That would give a very close fit to the actual data and could be applied with any given distance to obtain the rates.

Q. It would permit scaling in of intermediate points as well?

A. I beg your pardon?

Q. It would permit scaling in of intermediate points as well?

A. (No answer.)

Q. In other words, the use of the formula at the top of page 14 applied to the final column of sheet 6 would permit a scaling at points intermediate to the 100-mile steps which you have?

A. Yes, sir.

Com. Aitchison: I can quote the formula. The rate is equal to 14.02 times the square root of the miles plus 795 minus 344. Are there any other questions of this witness? (No response.) You may stand aside.

(Witness excused.)

Com. Aitchison: Call your next witness.
Mr. Smelker: Call Mr. Jensen.
Com. Aitchison: Be sworn, please, Mr. Jensen.

[fol. 218] C. G. Jensen was sworn and testified as follows:

Direct examination.

By Mr. Smelker:

Q. Will you state your full name, please.
A. C. G. Jensen.
Q. What is your present occupation?
A. I am now and have been for a good many years a specialist on the staff of the Commission with reference to freight classification matters. I have other duties also, but that is my principal work.
Q. Will you review briefly the nature of your employment with the Commission.
A. Well, my present title is assistant to the Director of the Bureau of Traffic. That has been my designation for the past eight or nine years. Prior to that I was classification agent for about an equal length of time. My work during all of that period of time was, as I have stated, classification work chiefly.
Q. Have you made a study of the present structure of rail class rates in the country and of the classification governing those rates?
A. Yes, sir.
Q. In doing so, you have become familiar with that subject?
A. Yes, sir; reasonably so.
Q. Have you ever testified as a rate or classification expert before a court or other judicial body?
[fol. 219] A. Several times in the United States Court of Claims only.
Q. Were your qualifications as an expert accepted by the court?
A. Yes. They seemed to be.

Q. Have you prepared a pamphlet containing certain suggestions for improvements in rail class rates?

A. I have.

Q. Are the conclusions of fact and opinions expressed therein your own?

A. Yes, sir. They are only my own.

By Com. Aitchison:

Q. Just to clear that up a little further, what instructions were you given by the Commission when you began this study, and what were your instructions while you were following this through?

A. My instructions, as I understood them, were to prepare a paper dealing with suggestions for improvements in railroad class rates.

Q. The Commission gave you no instructions whatever or intimations as to what kind of a report it wanted?

A. Oh, no. No. There were no instructions as to what conclusions I should reach, of course.

Mr. Smelker: If the Commissioners please, we now offer for identification the pamphlet which the witness has just referred to. We offer it as exhibit 7.

Com. Aitchison: It may be marked for identification as exhibit 7.

(Exhibit No. 7, Witness Jensen, marked for identification.)

[fol. 220] By Mr. Smelker:

Q. What can you say, Mr. Jensen, as to the factual sources used in the preparation of exhibit No. 7?

A. Where I have drawn on sources other than my general knowledge, I believe I have in each case indicated the source. I used certain statistics as to traffic density in the southern states compiled by the Commission's Bureau of Statistics. That is true also of the Federal Census of the population and manufacturing. In addition, I drew rather heavily on a report made by the Association of American Railroads covering less than carload traffic moving throughout the country in a certain week in September, 1939. That report has been represented to me as accurate and I have no reason to believe that it is otherwise. I cannot, of course, testify of my own knowledge that it is.

Q. Do you believe that the conclusions you have reached and the opinions you have expressed would be different if based upon a more extensive investigation of the class rate structure of the country?

A. Yes, sir, I do. If all of the material facts were developed, it is reasonably certain that my conclusions would be somewhat different, and they might be quite different. I do not know whether it is proper at this point, or not, to say that while I cannot be certain, of course, I rather think that if all of the necessary facts were developed, they would show the need for a greater reduction in the first class rates in [fol. 221] the south and the west than I have suggested in this paper.

Q. Is there anything further you wish to say with reference to the exhibit, with respect to errors that might have occurred?

A. Nothing except to call attention to a few minor errors, if this is the correct time to do that.

Q. Yes.

A. On page 1, line 1, the date "1931" appears where it should be "1928".

Mr. McCollester: 1928?

The Witness: That is right. On page 7, and again on page 14, the statement is made that the first class rate from New York to the first station in Iowa west of Dubuque is $2.04. Actually the rate is $1.96.

Com. Aitchison: Let us be certain that you make it clear for the record.

By Com. Aitchison:

Q. Page 7 you were referring to?

A. Yes, sir. I think it is page 7 and page 14.

Q. What line number?

A. Line 9.

Mr. Smelker: Line 9.

By Com. Aitchison:

Q. What should the figure be instead of $2.04?

A. It should be $1.96.

Q. Instead of $2.04?

A. Yes.

[fol. 222] Q. What is the other page?

A. Page 14, the 4th line from the bottom.

Q. The same correction?

A. Yes, sir.

Com. Aitchison: Proceed.

The Witness: I should like to say that $2.04 was the rate prescribed by the Commission in the Western Trunk Line Class Rate Case, and afterwards increased under Ex Parte 123; but afterwards, the carriers voluntarily reduced the rate to $1.96. On page 24, about the middle of the page, the statement is made, "However, on interterritorial class rate traffic generally, where the rating in the Southern classification is lower than that in the Official classification, the practice is to observe as a minimum, not the Official territory scale of rates, but merely the Official territory rate from or to the border." Since writing that, I have learned that last October temporary 4th Section relief was granted as to that situation on less than carload traffic only; so that at present the rate under the Southern classification is applied on interterritorial shipments even though that rate is lower than the Official territory rating to and from the border. Then again on page 42, which is the page of tables only, I believe I refer to those as the present rates, whereas in fact, through an oversight, the Ex Parte 123 increases were not included. Lastly, in the comments beginning at [fol. 223] the bottom of page 64 and extending over to page 65, the statement is made, "If a line were drawn from a point on the western border of Tennessee near the town of Halls, northeastward through Nashville to Bristol, the portion of the state to the north and west of the line would include approximately 26 per cent of the total area, 27 per cent of the total population, and 28 per cent of the total ma*un*facturing of the state", and so on. On rechecking that, recently I found I have made certain mistakes there and that actually the area north and west of the line as recomputed is about 23.9 per cent of that of the entire state and includes approximately 25.4 per cent of the population and 25.0 per cent of the manufacturing of the state.

Mr. McCollester: What was that last, please?

The Witness: As recomputed, actually the area north and west of the line is about 23.9 per cent of that of the entire state, and includes approximately 25.4 per cent of the population and 25.0 per cent of the manufacturing of the state.

By Mr. Smelker:

Q. Then at the top of the page, the figure "26" should be "23.9"?

A. The figure "26" should be reduced to 23.9.

Q. What should 27 be?

A. 27 should be 25.4.

Q. And 28?

A. The ~~final~~ figure should be 25.

Q. Is that all you have, Mr. Jensen?

[fol. 224] A. That is all I have to volunteer with reference to the paper.

Mr. Smelker: If the Commissioners please, we now offer in evidence exhibit No. 7.

By Com. Aitchison:

Q. The contents of this are true and correct, are they?

A. Yes, sir, subject to the qualifications we stated.

Com. Aitchison: Is there any objection to the receipt of this exhibit in evidence? (No response.) It is received.

(Exhibit No. 7, Witness Jensen, received in evidence.)

Mr. Smelker: That is all.

Com. Aitchison: You may cross examine.

Mr. Grubbs: I would like to ask a few questions, if the Commissioner please.

Com. Aichison: Mr. Grubbs.

Cross-examination.

By Mr. Grubbs:

Q. In the forepart of your document, you say in substance that in the past there have been broadly two rate patterns observed in this country; that in the east the rates on high-grade commodities have been relatively low and on low-grade commodities, relatively high, and the converse of that has been true in the south and in the west. Is that substantially correct?

A. Yes, sir. I think so. It is not exactly the way I have stated it.

Q. No. That is true. Now, at the top of page 28 you say [fol. 225] that up until about 10 years ago you held to the view that the pattern in the south and in the west was the sounder one and served better the public needs.

A. Yes.

Q. That is correct, is it not?

A. That is correct.

Q. You say a little later on that subsequently, in recent years, by reason of the impact of motor competition on the rate structures, you have altered the view you once held?

A. Yes.

Q. To quote the words that are written on the subject you say "sets at rest any previous doubts as to the mould in which the rail-rate structure must be recast". You do not specifically say what is meant by that statement which I have just quoted, but I take it that what is meant is that the pattern in the south and in the west must in your judgment follow now that which has been observed in Official territory or the east?

A. Yes.

Q. Is that correct?

A. Yes.

Q. In the plans which you unfold in your document following this statement, you have undertaken to give effect to that conception?

A. Yes.

Q. That is a correct statement, is it not?

A. Yes.

[fol. 226] Mr. Grubbs: That is all, thank you, sir.

Com. Aitchison: Is there any further cross-examination?

Mr. Wagner: I have one or two questions.

Com. Aitchison: Do respondents have anything further? (No response.) We will hear from the shippers, then. Mr. Wagner.

By Mr. Wagner:

Q. Mr. Jensen, did you obtain your present average rate levels in large part from the railroads' merchandise traffic study?

A. Yes. The answer is "Yes" as I have indicated in the exhibit.

Q. By means of the merchandise traffic study can you make any computation as to class rate traffic alone? When I speak of "class rate traffic alone", I mean traffic moving on ratings in the classification and the class rates themselves.

A. You cannot, no, sir.

Q. By the merchandise traffic study, can you compare commodity with commodity?

A. You cannot.

Q. Does the merchandise study include any carload traffic?

A. It does not.

Q. Was it merely an estimate on your part, or had you any figures upon which to base your conclusion that the relative rate levels were the same on carload traffic as on less than carload?

A. I had no concrete data upon which to base that statement.

Q. Have you any authoritative figures upon which to [fol. 227] base your estimate that 30 per cent of the commodity rated less than carload traffic in the south is matched by similar traffic in the north?

A. No, sir. I think that the figure of 70 per cent is probably a bit high.

Q. Could you use the merchandise study at all in determining the rate level in the west?

A. No, sir.

Q. How did you arrive at your average haul on column traffic?

A. By computing from the A. A. R. report the average class rate paid in cents per hundred pounds and what percentage of first class that rate represented. From those figures the distance can be ascertained from the Southern class rate scale, 270 miles.

Q. The same with respect to the Eastern scale?

A. The same thing.

Q. As to the commodity-rated traffic, what formula did you use?

A. Could I add a bit to the answer to the previous question?

Q. Yes.

A. While I drew my average distance for class rate traffic from the Southern and Eastern scales respectively, I knew that there was probably a certain amount of New England traffic in the north and Florida traffic in the south, where the normal scale does not apply, but higher scales apply, as we all know, in both territories. I thought that that [fol. 228] would make the average distance, the actual average distance a bit shorter in each territory. Then I stated in this paper I thought it probably would not be enough to affect the result in any event; that what distortion there was in the south would be no greater than the corresponding distortion in the north.

Q. Perhaps you misspoke yourself. It would make the average haul slightly longer, would it not, because of your higher New England rate applied to the lower Eastern scale? Your distance would be a little longer, would it not?

A. The average actual distance would be less than would appear by reference to the Eastern and Southern scales.

Q. If you applied the rate in New England of 115 for a distance, of, we will say, 50 miles and applied that 115 rate to the 100 class rate base, you would have a higher distance, so your average would be a little higher?

A. The averages, as stated in the paper, would be greater than the actual average.

Q. That is right.

A. Yes.

Q. Do you know how the mileages were obtained by the merchandise study—pardon me. You did not answer yet in connection with the commodity rated traffic.

A. The average distance for class and commodity traffic combined can be computed with what I think is a fair approximation of accuracy directly from the A. A. R. report. [fol. 229] Likewise, the average rate paid. Of course, the latter can be computed exactly from the average distance, class and commodity traffic combined, and the average rate paid on such traffic. It is possible, of course, to determine the average percentage of first class which that rate represented. Then with corresponding data with respect to class rate traffic alone, it is of course possible to take the class rate traffic out of that composite, leaving the commodity traffic alone and compute the average distance, the average rate and the average percentage of first class of the commodity rate.

Q. Well, how did you take care of traffic moving 500 or more miles?

A. Well, speaking of the south for illustration, the report shows that the traffic commences to taper off rather sharply after 200 miles, beyond 200 miles, speaking of each 100-mile block. Now, we know that there is no longer haul, short line, wholly within the south than about 1,100 miles; and of course we know also that there would be no less than carload traffic moving from Cairo, Illinois, to Homestead, Florida, so that all of the traffic which is included in the A. A. R. report as moving over 500 miles, has to be disposed of before 1,100 miles is reached. What I did was to plot a curve from the decline of the tonnage beyond 200 miles, extended to 1,100 miles in a way which would dispose of all of it by the time 1,100 miles was reached. In that way I computed, or perhaps I should say I estimated [fol. 230] an average haul for shipments moving more than 500 miles. From that, then, I determined the average for all of them.

Q. In other words, you did the equivalent of creating a distance curve on the basis of what figures you actually had?

A. That is right.

Q. Do you know how the mileages were obtained in connection with the merchandise study itself?

A. The report does not expressly state how the mileages were obtained, but enough appears in the report, I believe, to justify the statement that the distances are short line distances and were obtained by reference to the class rate scale.

Q. By applying the first class rate between two given points to the scale and in that way using the scale distance?

A, Well, I do not know exactly, of course, how it was done, but we do know that in the north and south the first class rate is an index to the short line distance and distances are shown in the A. A. R. report only for the north and the south. They are omitted on interterritorial traffic and in the west where the short line distance cannot be obtained by reference to the first class rate.

Q. Well, then, is this the approximate method whereby they determined the distance: between point A and point B a commodity, we will say, moved on fifth class——

A. Mr. Wagner, I do not know how they obtained the dis- [fol. 231] tance. I am telling you what I have deduced from the report.

Q. Very well. Did the merchandise study include distances in the west or on interterritorial traffic?

A. It did not.

Q. You state that the first class rates in the north and south are much closer together now than they have been at any time in the past. Are not the first class rates in the north and south closer in cents today than they were prior to Ex Parte 123?

A. No. They are further apart. My statement as to that is incorrect. I was thinking in terms of percentage difference.

Q. In fact, are they not further apart in cents now than they were when they were prescribed?

A. Nothing has occurred since the Ex Parte 123 increases, Mr. Wagner.

Q. What is the foundation for your statement that your comparison is commodity for commodity?

A. No other foundation than appears in the exhibit itself. I should like to know more about it, but I believe if 70 per cent of the traffic moving on commodity rates in the south is put aside as uniquely southern traffic, what would remain in the two territories would be comparable traffic.

Com. Aitchison: Off the record.

(Discussion outside the record.)

Com. Aitchison: On the record. Proceed.

By Mr. Wagner:

Q. You state that so long as the southern first class rates [fol. 232] exceed those in the north by a greater percentage than the difference in the actual rate levels in the two territories, it is impossible by any readjustment of classifications or otherwise to devise interterritorial class rates which will enable shippers in the two territories to compete in common markets on an equitable basis. Does that mean that if the relative level of the first class rates is not completely corrected, you will continue to have the same troubles that exist today?

A. Yes, but to the extent that they are corrected, or partly corrected, your troubles will be reduced.

Q. In other words, the same troubles will be there, but in slightly lesser degree?

A. That is correct.

Mr. McCollester: That is assuming that there are troubles.

By Mr. Wagner:

Q. In dividing the south, you referred to some traffic density statistics. Were they prepared by the Commission?

A. Yes, sir.

Q. Are they in a public document?

A. I do not know, sir.

Q. Are they available to us?

A. I believe so. I do not know, Mr. Wagner, but I think they are.

Q. In other words, just recently the Commission has been [fol. 233] obtaining statistics as to traffic density by states?

A. As to traffic originated and terminated.

Q. As to traffic originated and terminated?

A. Per mile of road in each state.

Q. Yes.

A. That is right.

Q. But you are not familiar with whether they are published as a public document as yet, is that right?

A. That is right. I could not say as to that.

Mr. Ribe: That information is shown in a public document, although I am unable to say at this time in just what document it is contained.

By Mr. Wagner:

Q. In connection with your dividing line, can you indicate how we can locate your Tennessee line? Have you available before you the counties which would be north of that line?

A. Yes, I do.

Q. Can you readily read them into the record, or if you will read the counties at the line which are in the north, for instance, you may be able to eliminate some of the counties.

A. Some of them are portions of counties. I have a list here of all the counties or portions of counties north and west of the line as I have sketched it in this exhibit.

Q. Will you read that information into the record, please, Mr. Jensen.

[fol. 234] A. They are as follows: Obion. Dyer. Weakley. Two-thirds of Gibson. Henry. One-half of Carroll. One-half of Benton. Stewart. Houston. One-half of Humphreys. Montgomery. Two-thirds of Dickson. Robertson.

Cheatham. Two-thirds of area and nine-tenths of population and manufacturing of Davidson. Sumner. One-fourth of Wilson. Macon. Trousdale. Two-thirds of Smith. Clay. Two-thirds of Jackson. Overton. Pickett. One-half of Fentress. Two-thirds of Scott. One-half of Campbell. Claiborne. Hancock. One-fourth of Hawkins. One-sixth of area and two-thirds of population and manufacturing of Sullivan. One-third of area and one-sixth of population and manufacturing of Johnson.

[fol. 235] Q. How did you arrive at your progression beyond 500 miles and why did you use that progression?

A. The reasons are stated in the exhibit, Mr. Wagner, all the reasons I have.

Q. Does the exhibit state why you used 13½ cents instead of 12? If it does, I will rely on the exhibit, but I am asking you.

A. It does not state that.

Q. How do your progressions compare with those Mr. Hobbs has in his exhibit 5 and exhibit 6 as rectified, do you know?

A. No, I do not, Mr. Wagner. Mine, however, are not true curves at all.

Q. I beg your pardon?

A. Mine are not curves at all. The progression which I have suggested, setting aside a common terminal element of 25 cents, first class, in all territories—the line haul progression is uniform from a theoretical zero to 500 miles, straight line, and beyond that it is likewise straight line, but at a reduced rate of progression.

Q. You indicate that before unification and merger of the Official with the other two classifications can be accomplished, the first class rates must coincide with accurately measured differences in the average actual rate levels. If that is so, why do you make the south a higher per cent than its actual average relative rate level?

A. Well, Mr. Wagner, I think my suggestions are really quite conservative. I did not have as many facts as I should [fol. 236] like to have had. I am quite convinced that the rates in what we might term the "deep south" should not exceed those in the north by as much as 20 per cent, but I do not know how much less than 20 per cent the excess should be, so I stopped where I did.

Q. In determining your suggested relative rate levels, you used only the existing relative general rate levels as you could compute them, is that correct, and did not use any question of cost or competitive conditions or the like?

A. I did not attempt to consider costs. I should say this, I think: my paper is not altogether clear in that respect. When I spoke of the actual average rate level, I had in mind class traffic and commodities for which distance scales of rates are appropriate. It is hard to say just what that does or does not include, but I did not have in mind coal, for instance. The rate for coal plainly may never be fitted into any class rate scale.

Q. In other words, what you had in mind was all commodities that moved on distance scales, whether it was a class rate scale or related thereto or not related thereto?

A. All commodities for which, as I said, average distance scales are appropriate.

Q. Now, you state that the rates will not be right and that only when the rates are made right will it be possible to unify classification. What do you think would be right?

A. Haven't I answered that fully, Mr. Wagner? I do not [fol. 237] know what would be right.

Q. That is because of insufficient information at hand at the moment?

A. Quite right.

Mr. Wagner: That is all.

Com. Aitchison: Is there any further cross examination?

Mr. Hollopeter: Yes.

Com. Aitchison: Mr. Hollopeter.

By Mr. Hollopeter:

Q. Mr. Jensen, I would like to inquire first with regard to your statement on pages 4 and 5 of exhibit No. 7. At the bottom of the page you make a comparison, as I understand it, between the transportation charges for a shipment moving 700 miles, and on the other hand, two shipments of the same commodity, the same size, moving 350 miles east.

A. Yes.

Q. Is that in any sense to be intended to support the idea that the aggregate of intermediate rates should be applied instead of the through rates?

A. No, sir.

Q. Well, the latter part of the statement seems to imply that there is very little difference in the service, as you illustrate, except for a duplication of the billing and an additional placement for loading and unloading.

A. That is correct.

Q. Is it not a fact that there will be two complete terminals eliminated in the through movement as compared to the two local movements?
[fol. 238]

A. Yes, sir. That is right.

Q. The other thing, perhaps, that causes the lower rate for the through movement of 700 miles compared to the aggregate of the intermediates is this thing you have suggested before, the bending down of the scale on the long distances. Does that take care of the additional difference in the charges?

A. Yes, sir. That accounts for the present very great difference in the charges.

Q. Well, you do not advocate, do you, that this bending down of the scale for the longer distances should be eliminated at this time?

A. I do not. My exhibit is prepared on the basis of a lower progression for the long haul than for the short haul shippers.

Q. Is that lower progression only to the extent you just mentioned a moment ago, that at one point in the scale you reduce your rate of progression? You would eliminate the other break in the progression that is now normally considered and applied in scales?

A. Yes.

Q. Is that correct, Mr. Jensen?

A. Yes.

Q. Can you give us briefly the reason for eliminating all but one break in the rate of progression in your scales?

[fol. 239] A. I have stated my reasons at some length in the paper, Mr. Hollopeter. I think the carriers will have to come more nearly to a straight line progression in the future than they have in the past. As we know, the practice in the past was to impose pretty heavy charges per mile on the short haul shipper on the theory probably that he had a lower total charge in any event than his long haul competitor and that was probably all right, too. But with the trucks here, we know that while the short haul shipper perhaps could still pay, he will not pay any more. He ships by truck.

Q. Now, as to interterritorial rates, you discuss, beginning with page 94 of your paper, the interterritorial rates.

Is it your position that interterritorial rates should be the same in both directions, normally so?

A. In theory and principle, they certainly should be the same.

Q. There might be exceptions. I grant you that. I am not asking you to tie it down entirely.

A. If the rates should be revised along the lines I have proposed here, I think there might still be a necessity in some cases for lower rates from the south to the north than from the north to the south, but the need would be much less than it is today. It might not exist at all.

Q. You are not recommending uniform classification ratings at this time, I understand; is that correct?

A. That is correct. I am not.

[fol. 240] Q. If, as you say, you start on the basis that normally the rates ought to be the same in both directions, yet if you apply ununiform classification ratings, that itself will bring about different levels of rates in different directions, will it not?

A. It will not, unless you applied a different classification in one direction than in the opposite direction.

Q. Isn't that quite frequently the case when you have different classifications in different territories?

A. Where the so-called destination classification principle is used, you do have that frequently.

Q. As long as you have different classifications it would be necessary to arbitrarily apply one classification in preference to another in both directions, unless you would have different rates, is that not true?

A. Yes. That is true. My suggestion here is that the same basic classification be applied in all cases in both directions. But I have said, as I said just now, that it might be necessary to put in exceptions from the south to the north on certain commodities lower than the Southern classification and to apply those exceptions northbound only.

Q. Now, may I develop briefly your position on uniform classification. Would you endeavor to reflect in your classification ratings to any extent revenue needs, or would you reserve that for the rate scale itself?

A. Chiefly, if not altogether, the rate scales.

[fol. 241] Q. Is there any other reason, then, why we could not have uniform classification throughout the entire territory covered in this case that you have in mind?

A. You mean, at present?

Q. No; as a result of this case, we will say.

A. If the class rate scales themselves were harmonized throughout the country—I do not mean by that necessarily that they be put on a common level everywhere—then we could and surely ought to have classification uniformity. I do not think classification uniformity could ever come from the establishment of rates such as I propose here. There would be a much closer approach to uniformity than we have had heretofore, but you could not reach it altogether.

Q. Just why would that result? I mean, if you had a uniform classification, for instance, throughout the entire territory and you needed a rate differently related as between territories, could not that be produced by adjusting the scale without touching the classification?

A. That is right. It could be produced by adjusting the scale and I say the scales ought to be adjusted before you try to impose any uniformity of classification.

Q. Well, as a matter of fact, if you should adjust your scales now with ununiform classifications, any adjustment you might try to make in your scales would be defeated, would it not, by the lack of uniformity in the classifications? [fol. 242] A. I am not sure I know what you mean, exactly.

Com. Aitchison: I am not sure, Mr. Hollopeter, I understand what you are driving at at all. According to Mr. Jensen's report, he proposes to give the section where you live, the lowest rate level basis anywhere in the United States. Why are you trying to tear down his exhibit? I wish you would be frank about it and tell us.

Mr. Hollopeter: I am not trying to tear it down, Mr. Commissioner, and I am not approaching it from the standpoint that the territory in which I live has the lowest or suggested lowest basis of rates. What I am trying to develop is, what is the proper basis; whether that might be higher or lower for one territory than another is not in issue and we should not be so concerned with it at this time. I am simply trying to develop, if I might, the use in the mind of this witness as to a uniform classification. Frankly, we believe that uniformity of classification could be brought about here. I want to develop what he had in mind against it, that is all.

Com. Aitchison: Well, I think the witness perhaps inadvertently acquiesced in one of your statements when he said that the classification should not reflect the revenue needs of the carriers. Certainly to the extent the traffic is of such a grade it will bear a higher classification, it must reflect the revenue needs of the carriers, must it not?

The Witness: Yes, but I think my answer was the [fol. 243] revenue needs should be taken care of chiefly, if not exclusively, in the rate scales. Of course, the two conditions exist together. You can hardly say which it is.

Mr. Hollopeter: I would like to ask just one or two more questions.

Com. Aitchison: Proceed.

By Mr. Hollopeter:

Q. With regard to your suggested scales, Mr. Jensen, page 1 of appendix 1—by the way, in the Eastern territory, under "Proposed scale Trunk Line," you have 10.5 per cent, a 10.5 per cent scale. Is that correct?

A. That is a typographical error. I did not mention it, because it seemed so obviously a typographical error. It is 105 per cent, of course.

Q. It should be 105 per cent?

A. That is right.

Q. Now, you start at 10 miles with exactly the same rate, or rather, 100 per cent rates.

A. Yes.

Q. Do you grade gradually up to reach 5 per cent above the scale at any particular point, or did you attempt to not reach it until you got to the entire end of the scale?

A. I attempted to make the rates 5 per cent higher immediately. Of course, I first set aside the 25-cent terminal charge and the difference in line haul level, 5 per cent difference in line haul level is reflected in all of the rates [fol. 244] shown in the table, however short the haul. In the 10-mile table, you speak of, it just happens due to the disposition of fractions that they come out 25 cents.

Q. That would be true of all the other scales?

A. Yes.

Mr. Hollopeter: That is all.

Com. Aitchison: Is there any further cross-examination?

Mr. Bee: I have a few questions, if the Commissioner please.

Com. Aitchison: Mr. Bee.

By Mr. Bee:

Q. Mr. Jensen, as I understand your study, pages 46, 47 and page 66 of exhibit 7, you found that the rates in Mountain Pacific territory were a certain level as compared to the rates in so-called Central and Official territory, and you reached the conclusion as to what the relationship should be between the rates in Official territory on the one hand and Central and Mountain territory—that is, Mountain Pacific territory east of the Pacific Coast proper—on the other hand; and then you built a ladder or bridge between the two ferritories, one to the other on the pillars that you found supporting the old bridge, is that correct?

Mr. Smelker: Do you understand the question?

The Witness: I did build a ladder, yes, with the rungs not quite so far apart as in the present.

By Mr. Bee:

Q. Do you not say on page 66 that the pillars that [fol. 245] support the foundation or the division lines between zones are not where you yourself would place them, but you found them there and are just going to leave them there?

A. That is right. That is what I say.

Q. Now, you assign the southwest, which is Oklahoma, Texas east of the so-called Zone 4, all of Arkansas, and that portion of Louisiana west of the Mississippi River, roughly, to so-called 130 per cent territory?

A. Yes, sir.

Q. When we use that, we understand those percentages refer only to the line haul relationship?

A. Right.

Q. So we will just use it with that statement?

A. Yes.

Q. What justification or reason did you have, Mr. Jensen, for increasing the percentage relationship 10 points for Oklahoma and Arkansas, as an example, over southern Missouri and Southern Kansas?

A. The only justification I had is stated in the report, or in the exhibit. I start out by saying that the present excess of the Zone 4 and Mountain Pacific first class rates over those in the east is about 80 per cent, and that I believe the excess certainly should not be more than 40 per cent. Then I go on to say that if we build up by reasonable gradations from the highest to the lowest, we would get a much better situation all around than exists [fol. 246] today.

Q. Well, are you aware of any traffic or transportation condition or any other factor going to the maintaining of freight rates that would justify the assessing of a rate 10 percentage points higher in Oklahoma and Arkansas than applies in Southwestern Missouri?

A. I did not analyze that southwestern situation particularly, Mr. Bee.

Q. On page 66 you find that it is unfair to the southern portion of Florida to apply the L-2 arbitraries; and you found in New England it is unfair, although you found that traffic conditions justify it, to apply arbitraries much over the 100 per cent zone, and you took them off. You put Florida into the south on a 120 per cent basis, did you not?

A. In both cases, Mr. Bee, I expressed the view that the retention of the arbitraries would be injurious to the railroads.

Q. Well, do you not think it would be injurious to the railroads to maintain the arbitraries of 10 percentage points to Oklahoma, Arkansas and Texas and western Louisiana when they are so highly competitive with the other territory around it?

A. It would lessen the degree of injury under which they are laboring today by reason of the much greater arbitraries.

Q. Let me call your attention, please, to the language on page 84.

Com. Aitchison: What page?

[fol. 247] Mr. Bee: Page 84. Refer to the lower portion of the page, please. It reads: "That difference is wider than the difference between the average rate levels on class traffic in the two zones, and in consequence the railroads have found it necessary to make their classifications in the southwest somewhat lower than in Western Trunk Line territory. This has given rise to a good deal of fourth section difficulty."

By Mr. Bee:

Q. Now, is that not the same transportation condition or competitive railroad condition that you said you found in Florida?

A. No, sir. That is a different situation, really. The present rates in the southwest I think exceed too greatly those in Western Trunk Line territory and to compensate for that the railroads have found it necessary to put in lower classifications in the southwest than in Western Trunk Line territory. That has made difficulty along the Kansas-Oklahoma border, fourth section difficulty, and that difficulty will continue until the two sets of rates are brought closer together.

Q. Well, do you believe that two territories as closely adjacent as the Southwest and Zone 2 of Western Trunk Line territory are—do you believe that you can work with a different rate level in the two territories, Mr. Jensen?

A. As I said, Mr. Bee, I did not go into the Southwestern situation particularly in preparing this paper. I did not go into it at all, in fact. That, of course, is a very big question in itself, as to just where those boundaries should be drawn in the southwest, or if any should exist. [fol. 248]

Mr. Bee: That is the point I wanted to reach, Mr. Jensen.

By Mr. Bee:

Q. If there are no different transportation or traffic conditions or if the costs are comparatively the same for handling traffic in those territories, then why should there be a difference between those territories in the rate levels?

A. Making all the assumptions you have made, the answer obviously is that there should be no difference.

Q. You know yourself of no difference between those levels?

A. There could be adequate justification for the difference under actual conditions.

Q. I say, you yourself know of none?

A. The fact that I do not know does not mean that there is none existing.

Q. Well, the fact you do not know of them does not mean they do exist, either?

A. No.

Q. On page 77 I note that you use this language: "Nor, of course, could the public fairly be asked to accommodate itself to the abrupt change in shipping practices and relocation of markets which so sharp a break with the past would entail."

A. Yes.

Q. Is it your opinion if the record clearly indicates that [fol. 249] the adjustment is wrong and that a certain territory has been discriminated against, there should be no relief, because the public must not be asked to stand a sharp break from the past?

A. I suppose any readjustment that would give relief to the public would be welcome, even though it might be a sharp break.

Q. Well, it must naturally follow that if someone is to be advantaged, someone probably will be disadvantaged, will they not, Mr. Jensen?

A. Yes, sir.

Q. And if the record should indicate that the relationship has been wrong in the past, simply because it would cause some disruption to someone else, is that any reason why the territory which has been discriminated against should not be now placed on an equal basis of rates?

A. If the record should establish that there is no reason for the difference, of course the difference should be eliminated.

Q. Mr. Wagner asked you something about your pages 77 and 78, and the rate of progression beyond 500 miles. I understand that up to 500 miles you took the Official progression as the Commission fixed it, that is, the total amount of the progression, and then rebroke it into probably more logical steps.

A. Merely converted it into a straight line.

Q. That is what I say. You broke it into more logical steps by converting it into a straight line.

A. I merely converted it into a straight line.

[fol. 250] Q. Beyond 500 miles you gathered something from somewhere and added it to the progression which the Commission had used in the official case and thereby you increased your rates materially for long hauls, and the longer the haul the more you increased them by that reaching out and adding something. Would you tell me why you reached out and got that extra percentage?

A. My answer to you would be the same as to Mr. Wagner. I do not know of any reasons to add to what appear in the report. I see no need for reducing the long haul rates in Official terterritory. Of course, that influenced me somewhat in selecting 15.5 cents for 100 miles as the rate of progression beyond 500 miles.

Q. Under your basis there will never be a haul in Official territory in excess of 600 miles, approximately, is that correct?

A. That is incorrect. There will not be a haul in Central territory in excess of 600 miles.

Q. Yes. By increasing the rate beyond 500 miles 33⅓ per cent, you have little effect upon whatever result may happen in Official territory, do you not? There is little effect because there is only one third increase in the last number of miles, is all it can be, but if you come out to Oklahoma with a haul of probably 900 miles before you get to the river and then anywhere from 400 to 800 miles to get to Texas with an additional 400 or 600 miles, that additional one-third for every mile after you pass 500 miles becomes very material, does it not?

[fol. 251] A. For a haul of 900 miles into the southwest I suggest a 31 per cent reduction from the present first class rate, in Zone 4 of the southwest.

Q. Yes.

A. In Zone 3, 25 per cent reduction.

Q. Yes, but you still give them a much higher relative rate than applies in the east, because you raise that rate of progression one-third after you pass 500 miles, and it does not hurt the east, but it does hurt the south and the southwest, does it not?

A. It surely does not hurt the west at all. In the west, I am suggesting such substantial reductions in the rates that however great the distance, there is always a reduction. Frequently there is a pretty considerable reduction.

Q. Well, you mean that it does not affect them compared to what they have now, but if you had left the eastern progression as you found it, as you did for the first 500 miles, then the change you have made beyond 500 miles does affect the west, does it not?

A. Then the result would have been lower rates.

Q. Yes.

A. Throughout the country.

Q. Yes.

A. Since I used this interterritorial scale basis.

Q. Here is a statement I cannot understand on page 80. [fol. 252] You state: "In Western Trunk Line territory and the Southwest, for reasons presently to be discussed, it is contemplated that existing revenues will be maintained for Zones 2, 3, and 4 as a whole, and that there will be reductions", and so forth.

A. Yes.

Q. Now as I read that, you believe in cutting the rates, and doing something with the classification, or in some other way handling this matter so that the revenues go right back to what they are today?

A. That is right.

Q. What profit would there be to us if our rates are reduced and the way they are to be stated is to be changed back, so we will pay just exactly what we pay today?

A. The profit, as I see it, Mr. Bee, is that a readjustment such as I suggest would permit for the first time the establishment of workable interterritorial class rates.

Com. Aitchison: We are having a very difficult time hearing you, Mr. Jensen.

The Witness: I am sorry.

Com. Aitchison: Read the last answer, please, Mr. Reporter.

(Answer read.)

The Witness: That is right. It would not produce interterritorial class rates which would be altogether right and proper, but I do think they would be greatly better than the interterritorial class rates of today.

[fol. 253] By Mr. Bee:

Q. Mr. Jensen, one of the complaints in our territory has been that we cannot locate a soap factory in the state of Oklahoma because of the competitive rate adjustment from the Eastern territory. Now, if our soap manufacturer is going to have a reduction in rates in the Southwest and then have his commodity picked up from class 4 and put to class 2½ times first class, what profit will there be to him, and how will he be in any better position, with Central Freight Association staying on the classification at fourth class, but the Oklahoma soap man having his classification changed to some place above fourth class necessary to produce that same revenue that was produced under the high rate and lower classification? How can he meet that competition?

A. The situation of the Oklahoma soap maker I think would be improved somewhat in that I suggest, as you pointed out yourself, an alteration in the relation between long and short haul rates. The Oklahoma man being, I presume, a short haul shipper serving the southwest, would certainly find it easier in distributing his product——

Mr. Smelker: Louder.

The Witness: —would certainly find it easier in distributing his product to meet the competition of a soap maker shipping into the southwest from Official territory.

Mr. Bee: I cannot follow that.

By Mr. Bee:

Q. If his rate is going to be reduced and his classification [fol. 254] elevated so that his charge per hundred pounds for shipping soap is going to be identical, how is he going to be in any better position? He might as well keep a low rate and high classification, so long as his total freight charges remain the same.

A. I do not see where you can——

Com. Aitchison: Mr. Bee, I suggest that you ask one question at a time.

Mr. Bee: All right.

By Mr. Bee:

Q. Will you tell me how——

Com. Aitchison: Just a minute.

Mr. Bee: Pardon me.

Com. Aitchison: You have asked a question. You want it answered, do you not?

Mr. Bee: Yes, sir.

Com. Aitchison: Well, go on and answer it, Mr. Jensen.

The Witness: In answer to the previous question I indicated how I thought the Oklahoma soap man would be helped by a readjustment of the class rates as I have suggested. I do not advocate anywhere a reduction of the revenue of the carriers, that the carriers are now collecting on class rate traffic, except possibly in the far west in Mountain Pacific territory, where they move nothing on class rates anyhow. The virtue of my proposal, if it has any, is to simplify the problem——

Com. Aitchison: Off the record.

[fol. 255] (Discussion outside the record.)

Com. Aitchison: On the record.

The Witness: The virtue of my proposal, if it has any, is to simplify the problem of interterritorial class rates and to bring about, as I believe, a better relation between long and short haul rates and an alteration in the relation between long and short haul rates, which I think is compelled by highway competition.

By Mr. Bee:

Q. You intend that Official territory as it now is or as you create it, and what is called Zone 1 of Western Trunk Line territory, shall have the same classification, I take it?

A. I have suggested that the rates within Zone 1 of Western Trunk Line territory and between that zone and the remainder of Official territory as now constituted, be made subject to the official classification.

Q. Yes. Now, then, you provide different classifications as, I understand it, for Zones 2, 3 and 4 of Western Trunk Line territory?

A. Yes, sir.

Q. That means that Oklahoma, Arkansas, Texas, and Louisiana will have one classification, and Central Missouri, Iowa, and Nebraska will have another classification. Now, how can we compete across that territory on our absolute border, one to the other, with two classification bases there?

[fol. 256] A. Your class rates, Mr. Bee, would be brought into much better relation with those of Zone 1 of Western Trunk Line territory than they are today.

Q. Would they be brought into any better relation? I do not care to argue with you, Mr. Jensen, but if you are going to preserve the revenue for a commodity in Oklahoma and you are going to give the territory just north of us the Official classification basis, how could there be any competition between the two territories?

Mr. Smelker: That is about the fourth time Mr. Bee has asked this same question. It seems to me it has been answered.

Mr. Bee: I will pass it, then.

By Mr. Bee:

Q. Refer to page 82 of your exhibit, Mr. Jensen.

A. Yes.

Q. Do I understand it is your suggestion to the Commission that they make some kind of a rate or rating suggestion to the carriers and then discontinue these proceedings and let the carriers go on as they have for the past 20 years to make a uniform classification?

A. My proposal, Mr. Bee, is as stated on the page to which you refer.

Q. Well, you say, "Therefore, in order to permit the work to go forward in an orderly way" and so forth. I think in about 1935 the Commission issued its supplemental 21st order in Dockett 13535 and the carriers were [fol. 257] told in an orderly way to put those commodities upon one uniform basis. This is 1941, and that orderly way has not come about as yet. Is it your intention that the classification shall be unified in that orderly way as it has been in the past, as they have done in other cases, Mr. Jensen, instead of the Commission now giving us a uniform classification?

A. It is not my thought, Mr. Bee, that the Classifications should be or can be made uniform, even if rates should be established such as I suggested.

Q. Well, you do expect that the southwest will have to continue on exceptions on any basis of rates you have suggested in this study, do you not?

A. I think that would be the result, yes, sir.

Q. You do say on page 92 that you think there should be nothing done further now than to merely start this work in the east, leaving the west on exceptions to the classification because of the resulting dislocation of markets. That is about the same statement as you made on page 70-some odd, that the present people who have it must be given more consideration than the ones who have been discriminated against, is that right?

A. No. That is not right.

Mr. Bee: Just one more question.

By Mr. Bee:

Q. You stated on page 97 that the volume of class traffic moving from midwestern Zones 2 and 3 into Official territory was comparatively small. May I ask where you [fol. 258] got that information?

A. I have a pretty definite impression that it is comparatively small, that is, compared with the southeast, and I think there is quite a movement of class traffic on commodity rates. There may not be as much on commodity rates as I have thought.

Q. You say in the next line that it is not greatly important what classification governs the class rates between the Southern zone of the south and the west. May I ask where you got the information that it is not material what classification governs for the traffic from the west to the south?

A. I cannot see where it makes any great difference, Mr. Bee.

Q. Well, if there is a heavy volume of traffic moving across there, Mr. Jensen, would it not be very material to the manufacturers, or those who are trying to be manufacturers in the southwest, to know what their classification was or to have a similar classification to move into the south as the people in Official territory?

A. I am suggesting, of course, that the Southern classification be applied southbound from Official territory.

Com. Aitchison: Please read the answer.

(Answer read.)

The Witness: Into the south. Now, the differences between the Southern and the Western classification it seems to me are not so very great that it would seriously hamper your southwestern man in shipping into the southeast if his traffic were rated under the Western classification.

[fol. 259] Q. Well, is it not your suggestion that we in the southwest must stay up on exceptions at the present time?

A. As I say in the exhibit, I rather think that it will still be necessary to move most of your class traffic in the southwest on exceptions, because I think perhaps that 30 per cent is too great an excess over the Official territory rates and that will have to be compensated for by a lower classification.

Q. Well, now, if you give us 10 points higher in a rate level than the south, wouldn't we have to have exceptions from the west to move from the west to the south to compete with those people?

Mr. Smelker: I object to that. It is argumentative.

Mr. Bee: I do not think it is argumentative at all. I am simply asking as to his opinion of where we have to have classification exceptions.

Com. Aitchison: This has developed into pretty much of a debate between counsel and the witness. I wish you would keep your examination more on a factual basis.

Mr. Bee: It is hard, Mr. Commissioner. There is no factual basis in the report. It is theoretical, and you have to go on theory. I would like for the witness to answer the question, if he would.

Mr. Smelker: Read the question, please, Mr. Reporter.

(Question read.)

[fol. 260] Com. Aitchison: Now, what do you mean by "those people"?

Mr. Bee: I just said, from the Official to the South——

Com. Aitchison: Who are "those people"?

Mr. Bee: The people in Official territory.

Com. Aitchison: Manufacturers?

Mr. Bee: Yes, sir.

Com. Aitchison: He is confining it to manufacturers, now.

The Witness: You would not need exceptions, Mr. Bee. You would not be entitled to them, in my opinion, if there was justification for a 10 per cent difference in the rates. You should still pay the same classification as your competitor from the north and in any event I would point out that under the method of construction of interterritorial rates as I suggest, your 10 per cent inflation would end at the Mississippi River.

By Mr. Bee:

Q. What classification basis would we have to get across there?

A. You would not have the Official under any proposal of mine. I believe it does not make much difference whether it is Southern or Western.

Q. Well, won't the classification depend on the amount of charges we pay regardless of the class rate?

Com. Aitchison: Read the question, please, Mr. Reporter.

(Question read.)

Com. Aitchison: You do not mean that, do you, Mr. Bee?

[fol. 261] Mr. Bee: No. I will withdraw the question.

By Mr. Bee:

Q. Will not the classification govern the total freight charges we will pay regardless of the class rate?

A. That is right.

Q. Now, may I ask you just one more question: in answer to Mr. Wagner you stated it was not intended that your study should apply to coal, I believe. Are there any other general commodities that you could give us that it does not apply to, Mr. Jensen?

A. I should not like to try to name them. There are some, of course.

Q. Was it intended to apply to lumber? I am just trying to get an idea in my own mind.

Com. Aitchison: Livestock?

By Mr. Bee:

Q. Sand and gravel?

A. Of course, each of those commodities would have to be studied separately when the time came. I am inclined to think that the rates for livestock might be fitted into a properly constructed class rate scale. I do not know for sure. So it is with many other commodities. I do not know just where you would have to stop. I mentioned coal as one commodity which is usually out.

Q. What would you say as to sand and gravel and crushed rock and those commodities which usually move short distances?

A. I think they should move on class rates. I have always thought so.

Mr. Bee: Thank you very much.

[fol. 262] Com. Aitchison: Is there any further cross examination?

Mr. Little: I have one or two questions.

Com. Aitchison: Let us avoid repetition as much as we can. Mr. Little.

By Mr. Little:

Q. Mr. Jensen, on page 84, in the third line from the bottom of the page you use the words "classifications in the southwest."

A. Yes.

Q. Am I correct in understanding that the Western classification is the classification in the southwest?

A. The Western classification, of course, is the basic classification in the southwest.

Q. All right. Now, I would like to follow that, Mr. Jensen, by this question: with that fact in mind, when you say "classifications", using the plural form on page 84, and on page 86, when you say "Southwestern classifications", and "Western Trunk Line classifications", in every one of those cases just what are we to understand those terms to mean?

A. I include the exceptions, Mr. Little.

Q. Do I correctly infer from your paper that it would be your purpose to have the respondents, and that you would expect the respondents to make as many classifications or groups of ratings as they might find necessary to substantially maintain their present revenue position?

A. I do not know that I can answer that exactly, Mr. [fol. 263] Little. I think the number of classes, counting as classes all of these column ratings, is much too extended; there are way too many of them. I do not know if the carriers should undertake a revision of their classification such as I have suggested here. I do not know, of course, how many they would bring forward.

Q. But you have stated in this paper in several places that a uniform classification being impossible, practically, at this time, in your opinion the adoption of your new class rate proposal to the territory under investigation would require the respondents to have a pretty free hand in making ratings either higher or lower than those in the present classifications to maintain their revenue position?

A. They would surely have no freer hand, Mr. Little, than they have today. Anything which might be proposed would be subject to complaint or suspension.

Q. Well, now, if you will refer to the last paragraph on the bottom of page 82, is not the process of consideration of this problem by the carriers in substance what I have indicated in my previous question?

A. Mr. Little, in your previous question, as I understood it, you asked whether the railroads would be given a free hand in revising the classification, and my answer was to that that they would not be.

Q. I should not say "free hand" in the sense of being free from restraint. Of course I expect the Commission [fol. 264] and watchful parties and all of the Commission's good staff to function. I do not mean "free" in any improper sense. I meant that it was your expectation in connection with this plan that in due course, the carriers would consider the need of revision of the existing ratings in the various tariffs in which they now occur in order to maintain the present revenue?

A. Quite right.

Q. But as I understand it, to be fair, you say if in the course of investigation and revision they find justification for reductions, you do not inhibit them, is that right?

A. Or increases.

Q. The primary purpose being to maintain existing revenue, is that correct?

A. Yes. That is right, but I would not want to tie them down to that.

Q. Now, at the bottom of page 84 you refer to the 25 per cent difference in the levels of Zone 3 and Zone 1 scales and say, "That difference is wider than the difference between the average rate levels on class traffic in the two zones." Are you informed, Mr. Jensen, whether that statement would be correct if you consider the position of Zone 3 territory in Western Trunk Line territory as distinguished from the application of Zone 3 rates in the southwest?

A. I think that difference would be true of Zone 3 as extended into Western Trunk Line territory.

[fol. 265] Q. Do I infer from that answer that in your opinion the classification exceptions and ratings in Zone 3 territory in Western Trunk Line are identical with those in the Southwest?

A. No, sir, they are not.

Q. Well, do you not take into account, Mr. Jensen, in determining the class rate levels, the effect of the exceptions on rates in cents per hundred pounds in comparing the two territories?

Mr. Smelker: Do you understand the question?

The Witness: I do not understand just what you mean.

Mr. Little: I think we can make it clear in just a minute.

The Witness: All right.

Mr. Little: You say, "That difference"—between Zone 1 and 3—"is wider than the difference between the average rate levels on class traffic in the two zones, and in consequence the railroads have found it necessary to make their classifications in the Southwest somewhat lower than in Western Trunk Line territory.

By Mr. Little:

Q. Now do you differentiate between the Southwest and Western Trunk Line Zone 3?

A. I do.

Q. You do?

A. Yes, sir.

Q. Well, do you have any knowledge presently as to [fol. 266] the relation of classification exceptions as a whole in Western Trunk Line Zone 3 as distinguished from the Southwest?

A. I think that in general the classifications in Western Trunk Line territory including Zone 3, are higher than those in the Southwest. In other words, the Western Trunk Line exceptions extend right on through Zones 1, 2 and 3.

Q. Well, Mr. Jensen, do you know whether the body of class rate exceptions applying in Western Trunk Line Zone 1 east of the Missouri River are the governing basis of classification exceptions in Zone 2 lying immediately adjacent and west of the Missouri River, or in Zone 3, lying immediately west of Zone 2?

A. I answered that a moment ago when I said my impression and understanding was that the exceptions in Zone 1 quite generally extend on through Zone 3.

Q. If you were in error as to the facts in that connection, what effect would it have on your conclusions with respect to rate level adjustments, Zones 2 and 3, as compared with Zone 1?

A. It would depend upon what the error was, Mr. Little.

Q. Mr. Jensen, do you try to keep in touch with proceedings before the Commission from time to time involving these classification questions?

A. Yes, sir.

Q. Do you recall the I. & S. case involving heating apparatus in Western Trunk Line territory?

A. I do not recall any recent case on heating apparatus.

[fol. 267] Q. In that case an effort was made——

Com. Aitchison: He said he did not recall any such case.

Mr. Little: All right.

By Mr. Little:

Q. Do you, in connection with your duties, keep some contact with and are informed as to proposals on the Western Trunk Line Committee docket and other committee dockets?

A. No, sir.

Mr. Little: That is all.

Mr. Childe: I have one or two questions, if the Commissioner please.

Com. Aitchison: I would like to ask one question, to clear up one point.

By Com. Aitchison:

Q. When you spoke about preserving the revenues of the carriers in the Southwestern area, you had in mind, did you not, that by proper alignment of the class scale the rail carriers would be able to regain certain of the traffic which has gone to the trucks?

A. No, sir.

Q. Or didn't you?

A. No.

Q. You did not have that in mind?

A. No. I did not have that in mind. What I had in mind was a reduction in the class rates compensated by increases in classification sufficient to preserve existing revenues as a whole.

[fol. 268] Q. Well, there is one thing which has not been brought out here. Is it your intention that the suggestions you make shall apply to all carriers, or have you had in mind Class 1 carriers?

A. I had not given any thought to distinguishing between classes of carriers. My thought was that these suggestions should apply to whatever carriers are subject to the existing class rate scale.

Q. Well, the basic data from which you worked generally applied to Class 1 roads, but made some allowance for weak lines, did they not, branch lines?

A. I did not undertake to cover by this paper the subject of arbitraries for short or weak lines or arbitraries or differentials for any carrier.

Com. Aitchison: You may proceed, Mr. Childe.

By Mr. Childe:

Q. In your study, Mr. Jensen, did you have in mind that the lower classes should bear approximately the same percentage relation to first class that they do now, or some different relationship?

A. In the south and west, some different relationship.

Q. Can you state what relationship you had in mind?

A. Yes. I had in mind a spread in the classes which would reflect substantially the existing spread between the actual rates now being charged on high-grade and on low-grade traffic. In other words, to put down your first class rates to conform to the realities, put them down to a level where you can commence to charge first class rates again on commodities which on any reasonable theory of [fol. 269] classification belong in first class. That, of course, will result in making your class rates for low-grade traffic a higher percentage of first class than they now are.

Q. Did you have in mind retaining for less than carload traffic substantially the classes 1 to 4 relationships now prevailing?

A. No. I had nothing definite in mind on that, Mr. Childe. I devoted a page or two to a discussion of that very point in the paper. I do not know what I could add to it.

Q. I do not understand how the class 1 rates could start at 25 cents as you suggest, and the revenues could be substantially maintained without a radical alteration of the percentage relationships of classes 2, 3 and 4, and I find nothing in your discussion indicating how you intend that that should be dealt with.

A. I had not thought, Mr. Childe, that any radical alteration woul dbe compelled by the adoption of an initial first class rate of 25 cents for what I have called the terminal element here.

Q. It is obvious, is it not, that if the class rates start with 25 cents and progress as you have suggested, and if the present class relationships are maintained, it would substantially reduce the revenues on class freight, at least for less than carload?

[fol. 270] A. I do not think it would substantially reduce the class revenue. The reductions, of course, would exist only in the short hauls and there usually is very little short haul less than carload traffic today.

Q. In any event, you made no study to determine whether or not the revenues on less than carload traffic as a whole would be maintained or increased or reduced under your proposed scale, as I understand it, is that correct?

A. That is right.

By Com. Aitchison:

Q. How much less than carload traffic moves 5 miles?

A. Nothing.

Q. 10 miles?

A. I assume practically none.

Mr. Childe: Were you through, Mr. Commissioner?

Com. Aitchison: Yes.

By Mr. Childe:

Q. With reference to carload class traffic you indicated that if the cost elements were decidedly different, that on less than carload there should be a separate scale of less than carload class rates, did you not?

A. Yes, sir.

Q. Have you looked at the carload versus less than carload cost elements as developed by Dr. Edwards in his exhibit 3?

A. No, sir.

Q. You have not?

[fol. 271] A. No, sir.

Q. Assuming that his study indicates that the terminal element and also the line haul element for less than carload is radically different than the carload, it would follow that you would recommend separate scales for less than carload, would you not?

A. Yes, sir. I expressly so state in the exhibit.

Q. That being true, would you still retain the present classes and class relationships on carload freight?

A. You mean,—I do not know what would happen.

Com. Aitchison: You mean, the relation between each other——

The Witness: I do not know what would happen.

Com. Aitchison: Just a minute. You mean the relation between each other, or the relation to first class?

Mr. Childe: Both. One would follow the other. If they retained the present relationships, it would be the present in relation to the first class as well as to each other.

Com. Aitchison: Not if they made a separate scale for the highest of the carload classes.

Mr. Childe: Well, as I understand it, the witness would have the present first class relationships retained, but he would have a lower first class for carload than he suggests for less than carload.

By Mr. Childe:

Q. Do I understand you correctly?

A. Yes. That is true in the south and the west ,and [fol. 272] perhaps true also in Official territory. I am uncertain there. I think there is so very little traffic moving on the class rates in the south and west under the ratings in the classification proper that the carriers might well take the reductions in the first class rates which I suggest and use the existing percentage relationships for whatever little traffic is now moving under the classification proper without any appreciable sacrifice of revenue.

Q. In other words, you would continue the present system of exceptions and commodity rates rather than class rates for carload traffic in the western district, would you not?

A. I think it would be necessary to move much traffic in the west under classification exceptions; not so much as at present.

Q. Even if changes in classification were confined to the suggestions you make in your study, it would require a radical alteration of the present consolidated classification both as to ratings in less than carload and carload, would it not?

A. No, sir. I do not think it would result in much change in the classification proper. I say at one point in the report that the classification revision contemplated would consist largely of cancelling or increasing exceptions in Official territory and in the south and west almost exclusively so.

Q. Mr. Jensen, if 25 cents be taken as class 1 for carload traffic and the present carload classes and relationships are maintained, would it not radically change the rate levels [fol. 273] and rate-revenues on carload traffic in the west and south and east alike?

A. It would, as I have said repeatedly, alter the relation between the long and short haul rates.

Q. Would it not also alter the levels of the rates from start to finish in these territories?

A. That surely is no part of my proposal.

Q. Well, if it would have that effect, it was something you did not contemplate or intend in your study, as I understand you?

A. Yes. That is right. Perhaps I can amplify that a bit. In general, the combination of the reduction in class rate and increase in classification would result in maintaining the present rate for hauls of average length on the particular commodity. For hauls shorter than average length, the rate would be reduced, and for hauls longer than average, it would be increased.

Q. Refer to the statement on page 8 of your study that reads, "the rates on many heavy and cheap commodities are higher in the east than they are elsewhere."

A. Yes.

Q. Was that based upon any data in your possession?

A. No, no concrete data.

Q. What is the authority for the table appearing on page 9?

A. That is based on my general knowledge and study of the subject of classification.

Q. Based upon specific data in your possession?

A. No, sir.

[fol. 274] Q. As of what date do these comparative rates and values apply?

A. Apparently 1929. I do not know whether I show that or not. I thought I made that clear.

Q. Have you any up-to-date inforamtion on that subject?

A. On what particular subject?

Q. The relationships as shown in the table on page 9.

Mr. Smelker: He already said that was based on general knowledge he had.

The Witness: Those relationships do not hold good today, Mr. Childe. We all know that. I do not suppose it would be possible to trace out any such pattern as I have tried to draw here today.

By Mr. Childe:

Q. Were you through?

A. No. I wanted to add one more thing.

Q. All right. Go ahead.

A. I say in the middle of page 8, "The ratings shown in the table are those which were considered appropriate for carloads of heavy freight of the indicated values per ton prior to the time, some 10 or 12 years ago, when the rate structure in both territories commenced to disintegrate under the impact of highway competition."

Q. On page 13, in the last paragraph: "classification differences in the two territories in the majority of instances being merely accidental," and so forth. Will you explain what you mean by that?

[fol. 275] A. I would not know how to elaborate on what I have said in the exhibit. I have tried to make clear there that in my opinion, at least, the Western and Southern classifications were constructed on the same basic principles, and if that be true, it would follow that any differences as to individual commodities would be largely accidental.

Q. Now do you know, Mr. Jensen, that the number of classes and the relationship of classes in the two territories are quite widely different, especially on carload freight, and do you consider those differences as unimportant, or what do you mean by the term "accidental"?

A. When I speak of uniformity in classification—or differences in classification, I think always in terms of percentage of first class.

Q. Well, take class 5 in the south: it covers, does it not, an almost completely different set of commodities than class 5 in the west?

A. They are not the same ratings, Mr. Childe.

Q. On page 17 you state, "since the ratings in the Western Classification on the whole are lower than those in Official Classification." Is that based upon any data?

A. No, it is not.

By Com. Aitchison:

Q. Would you not consider the classifications themselves as data?

A. I would, Mr. Commissioner.

[fol. 276] Q. You are familiar with them, are you not?

A. Yes, sir, but in using the term "classifications" here, I include also the exceptions, and I make that clear in a footnote at some early place in the exhibit.

Q. That is on page 15?

A. The bottom of page 15.

Q. You are familiar with the exceptions, are you not?

A. Yes, sir. I have some knowledge of the exceptions.

Com. Aitchison: Proceed.

By Mr. Childe:

Q. On page 71 you state, "The charge for hauling a low-grade commodity should be higher in the north than in the south." Do you state that as a classification principle?

A. Having regard for the principles upon which the Southern and Official classifications have been constructed, that result should logically follow.

Q. You mean, the principles which have resulted in the present class rate adjustment, do you not?

A. Yes.

Q. What I wanted to inquire about is whether you state that as a principle which in your opinion should govern the future classification ratings of the south versus the north.

A. Of course, I say, Mr. Childe, that the differences between the two classifications should be eliminated.

Q. Then if they are eliminated, your statement would no longer hold, would it?

[fol. 277] A. That is right. It would not. The differences, however, could not be eliminated until after the class rates themselves were harmonized. The differences in the classification are the result of the differences in the rates, in my opinion.

Q. At the bottom of page 85 you make the statement that, "Zone 3 is the largely predominating zone from the standpoint of volume of the class rate traffic." Is that based upon any factual data?

A. In the Southwest, I believe I said, did I not?

Q. I believe so, yes.

A. Well, we surely know that there is more traffic in Zone 3 of the Southwest than in either Zone 2 or Zone 4.

Q. You did not intend to make that statement with reference to Zone 3 in Western Trunk Line?

A. I did not.

Q. Why in your opinion in a proceeding involving the question of uniform classification is a discussion premature of attempting a uniform classification? I do not quite get your point of view there. I am referring to your statement on page 92.

Mr. Smelker: What page?

Mr. Childe: Page 92. I quote: "But the writer is definitely of the view that any discussion and study of the proper number of classes and of the spreads between them would, at this juncture, be premature. Nothing more can be accomplished at present, and nothing more should be attempted, than to bring the class rates in the several [fol. 278] territories into better relation with each other."

The Witness: Yes.

Mr. Smelker: Now what is your question, Mr. Childe?

By Mr. Childe:

Q. The question is, why in a proceeding which involves the question of whether those changes should be made, you reach the conclusion in advance that they should not be made? What is your thought in that respect?

A. I think we cannot have uniformity in classification until our rates within the different rate territories are brought into better relation and alignment with each other. The rates in the south and west must be brought closer to the level of those in Official territory. When that is done, I really do not believe uniformity in classification will be a problem any more. It will come about quite naturally. Certainly I did not have in preparing this paper the facts upon which I could conclude just what would be a right level for the rates in the south and the west. All I have done is to suggest that they be reduced, and I think that is the minimum of reduction that should be made; but until a greater reduction is made, there can be no uniformity in classification, in my opinion.

Q. You did not mean to say in this proceeding there should be no attempt made to bring about uniformity, then, as I understand it?

A. Well, of course, it is for the Commission to say [fol. 279] whether they will attempt to do it, or what they will attempt to do. I would not, myself, attempt to readjust the rates sufficiently to permit of the establishment of a uniform classification just now.

Q. Why not?

A. Because in order to determine what the rates should be, it would be necessary, as I see it, to find out just what the railroads in the several territories are hauling on class rates at present, how far they are hauling it and what they are getting for hauling it. I should not say "on class rates." I mean, how much class traffic they are hauling, how far they are carrying it, and what they are getting for hauling it.

By Com. Aitchison:

Q. It would also be necessary to go into the question of [illegible] much they could get, would it not?

[illegible] Well, I said I would want to ascertain how much they are getting. It would take probably two years to collect and digest data of that kind. When it was properly assembled and digested, I believe then we could determine for the first time about what the actual difference is in level on class traffic in the various territories.

Q. That all ignores the existence of competition with other carriers, does it not?

A. It does.

Q. Is that not a practical matter you would have to take into account?

A. Sir?

[fol. 280] Q. Is that not a practical matter you would have to take into account?

A. I think, Mr. Commissioner, in assembling that information, we would find that the rates have already been greatly influenced by competition with other carriers.

Q. Well, your assumption then would be that the present rates are the highest that could be maintained?

A. That is right, yes, sir.

Mr. Childe: Just one or two more questions.

The Witness: Pardon me. I had not quite finished my previous answer.

Mr. Childe: Go ahead.

The Witness: If those facts were assembled and digested, it would be possible to determine for the first time what the actual average difference in level in the several territories is on class traffic. The base class rate, first class, could then be prescribed in the several territories on levels which would reflect the spread. Then, as I have said, we could for the first time have a uniform classification. However, it would take a long time and it would take a lot of money to get all of those facts together, and if it rested with me, it seems to me that in this time of national emergency, the time of the railroad people and others interested could be spent to better advantage than collecting data for a complete revision of the class rates. I do not think, however, that the [fol. 281] present situation should be allowed to stand as it is, and I think that an interim adjustment might be made such as I have proposed here, representing the minimum of what ought to be done. Then the determination of what further should be done might well await the end of the war.

By Mr. Childe:

Q. Your proposal, then, is to be considered purely as a temporary measure and not as a solution of the issues before the Commission in this proceeding? Is that a fair statement?

A. Quite right. I have emphasized that in the exhibit.

Q. You understand, do you not, that there is involved in this proceeding not only the question of rail classification and rail rates, but the classification and rates on motor traffic and on rail and water traffic?

Com. Aitchison: Not in this proceeding.

Mr. Childe: I must be wrong.

Com. Aitchison: We have a separate docket on the motor classification. It is not here before us.

Mr. Childe: It is correct, is it not, Mr. Commissioner, that the relationship with reference to rail and water rates is here involved?

Com. Aitchison: So far as they are covered by the classifications which were named in the notice and order instituting the investigation in Docket 28310, but not otherwise.

By Mr. Childe:

Q. Commissioner Aitchison suggested to you that the [fol. 282] present motor carrier competition should be considered in the readjustment of rates, of rail rates here involved, as I understood him. Is it your thought that there can be a fair settlement on that matter without first considering the question of proper classification and ratings on motor traffic by itself?

A. I do not know as to that, Mr. Childe. I do know, of course, that highway competition is here to stay. I think it will compel a revision of the rates, the class traffic railroad rates along the lines I have here indicated, relatively lower rates for shorter hauls and relatively lower rates for expensive freight.

Mr. Childe: That is all.

Com. Aitchison: Are there any other questions of this witness?

Mr. Freas: I have no questions of this witness, but I should like to make a brief statement, if I may.

Com. Aitchison: Whom do you represent?

Mr. Freas: My name is Howard Freas. I am rate expert for the California State Railway Commission. I make this statement both on behalf of the California State Railway Commission and on behalf of the Arizona Commission.

Com. Aitchison: Proceed.

Mr. Freas: We were informed by the Interstate Commerce Commission through its secretary that rates from, [fol. 283] to and between points in our territory were not in issue in this proceeding. For that reason we have not participated in the cross examination of these witnesses. We are, however, very vitally concerned with either the direct or the indirect effect this proceeding may have upon transportation in our territory. In view of the very specific proposals that are contained in Mr. Jensen's exhibit with respect to transportation in our states, we would like to have the record show that we consider many of those recommendations, if given effect, inimical to the interests of our states and if this proceeding is to be enlarged so as to take in our territory, we at that time desire an opportunity to cross examine these witnesses, and also to offer testimony in rebuttal to what their studies show.

Com. Aitchison: You are bearing in mind that the Transcontinental rates are involved in this proceeding as it stands?

Mr. Freas: I sent a telegram to Mr. Bartel, in which I stated—I think I can substantially quote it—"Studies to be offered by Commission witnesses in Docket 28300 contain proposals respecting rates from, to and between points in California. Advise if such rates are in issue and if so whether witnesses will be available for cross examination following St. Louis hearing." I sent that telegram for the reason that those records with which we had been furnished did not show that we at any time were a party to Docket 28300. I appreciate that California is directly involved in [fol. 284] Docket 28310. Mr. Bartel's reply was in substance: "The rates referred to in your telegram are not in issue." My statement, as I say, included rates from, to and between, which would naturally include Transcontinental rates. It is on that information that we have elected to take the course we have taken.

Com. Aitchison: I am sorry, but Mr. Bartel is our secretary and of course has no power and no right to define issues in formal proceedings before the Commission. Evidently he overlooked the fact that the Transcontinental rates are specifically in issue.

Mr. Freas: In Docket 28300?

Com. Aitchison: I believe they are. Are they, Mr. Koebel?

Exam. Koebel: No, sir.

Mr. J. R. Bell: It is my distinct understanding that the Transcontinental rates and Mountain Pacific rates are not involved.

Com. Aitchison: Let us look at the record, as Al Smith says.

Mr. J. R. Bell: There is no doubt but what the Transcontinental rates and Mountain Pacific rates are not involved, as you so stated in your annual report to Congress.

Com. Aitchison: Well, I probably was mistaken, as I very frequently am. However, we have those Transcontinental rates before us in some manner in this proceeding. What is it?

Mr. J. R. Bell: Not in this case, Mr. Chairman. I do not [fol. 285] know of any other case in which the Transcontinental rates are involved. I could not understand why some of these studies including Dr. Edwards' and including

Mr. Jensen's, included a discussion of Mountain Pacific and Transcontinental rates.

Com. Aitchison: Well, there is no reason why they should not be, of course, because comparisons of rates do not have to be absolutely limited to the particular area where the rates are under attack.

Mr. Norman: At the pre-hearing in Chicago in 28310, it was assumed, or at least as I recall it was your understanding that the classification ratings brought into issue the rates in Transcontinental territory.

Com. Aitchison: The classification ratings are clearly here, of course, as you know.

Mr. Freas: I understand that.

Com. Aitchison: All of this information which has been presented in Mr. Jensen's testimony as to the scales is relevant, more or less, to that issue. Of course, we are not going to make any order with respect to your rates into, between or within these excepted areas without laying a proper jurisdictional predicate.

Mr. Freas: We are very vitally concerned with those rates, particularly the Transcontinental rates. The only purpose of this statement is to have the record show that we propose to take part in that proceeding at the proper time.

[fol. 286] Com. Aitchison: That proceeding evidently is not here. I was mistaken in my assumption. I think I have cleared that up in my own mind. The Transcontinental class rates were involved. They were involved in *in* the all-commodity rate case which the Commission heard, where we specifically asked the carriers to give consideration to revision of the Transcontinental class rates. That is where I was mistaken. I think Mr. Bartel, after all, was right; Is there any other cross examination of this witness?

Mr. Foote: Yes, Mr. Commissioner.

Com. Aitchison: Now, gentlemen, we want to close, if we can, within the next 15 minutes. We have other engagements. This witness has been cross examined until there is hardly a syllable of what he has presented that has not been touched upon. I do not want to shut anybody off, but I do want you to get right down to cases and ask important questions. Do not argue with the witness. Proceed, Mr. Foote.

Mr. Foote: I represent Wisconsin shippers, if the Commissioners please.

By Mr. Foote:

Q. Mr. Jensen, on page 61 you say: "The New England classification exceptions are usually applied in Zones A and B without distinction and the Central territory exceptions are usually applied in Zone C of Michigan."

A. Yes.

Q. No special reference is made anywhere to Zone C in [fol. 287] Wisconsin which has been tied in, as you know, in some of the recent cases with Zone C in Michigan.

A. That is right. Under my proposal, extended Zone C in Wisconsin, and the rates in all of Zone 1 of Western Trunk Line territory would become 10 per cent higher as to the line haul element than those in Central territory and would include, or would be subject to the Official Classification; and extended Zone C would be merged right in with Zone 1 of Western Trunk Line territory.

Q. That is not the case at the present time, is it?

A. At the present time, as I understand it—well, I am not altogether clear about the rate basis in extended Zone C. It seems to me it is 10 per cent higher, I believe 10 per cent higher than the 15879 scale, with the Official Classification applicable on the cross lake traffic, and with the Western Classification applicable otherwise on the traffic that does not cross the boundary line within Wisconsin.

Q. Are you not mistaken about the 10 per cent higher? Extended Zone C in Wisconsin has been accorded the same level of rates as Illinois Freight Association territory, which has been thrown right into Central territory.

A. Perhaps by voluntary action of the railroads. I do not think that has been done by our Commission. I believe our Commission prescribed a basis somewhat higher.

Q. My recollection is the Commission prescribed the same [fol. 288] basis for extended Zone C territory as they did for Illinois Freight Association territory, and that territory now enjoys the same level of rates Illinois Freight Association territory enjoys.

A. I repeat: that is not my understanding, but my understanding is not very definite about Zone C. I think there is a somewhat higher basis of rates there than in Central territory except as the railroads may have reduced it voluntarily. The decisions of the Commission will show, of course, as to that.

Q. Are you acquainted at all with the difference between extended Zone C on the one hand as compared with Zone 1 in Wisconsin on the other hand? Extended Zone C is a largely developed industrial and manufacturing district running from Watertown, Wisconsin, up through Fond du Lac, Green Bay to Marinette, while Zone 1 to the west of that is more especially an agricultural district, with not very much developed manufacturing.

A. Yes.

Q. That accounts for the difference in the treatment which was accorded that district. We in Wisconsin are concerned as to just where this extended Zone C territory will be classified in this proceeding. Do you think it would be fair to include extended Zone C with Illinois Freight Association territory where it now is allocated?

A. That is one of many things which is a pretty big question in itself and certainly would require some study, but which when considered in relation to a proposal to revise [fol. 289] all of the class rates in the country, becomes something of a detail. I did not try to study that out in detail particularly. Your rates in Zone 1 today are approximately 25 per cent higher than those in Central territory. I would make them 10 per cent higher and make those in extended Zone C likewise 10 per cent higher.

Mr. Foote: Just one more question.

By Mr. Foote:

Q. On page 6, appendix 2, you show examples of the application of your formula on rates between New York and the Twin Cities and between Boston and the Twin Cities.

A. Yes.

Q. Do you recall whether you used the short line distances running through Canada in computing and applying your formula?

A. I did not. I used the short line distance wholly within the United States, as well as I could determine it, and on a dry land basis. I did not figure the distance across lakes, which I believe would be somewhat shorter—I mean, across lower Lake Michigan.

Q. Are you acquainted, Mr. Jensen, with the movement of traffic out of Wisconsin and to some extent out of the northwest across Lake Michigan car ferry routes to the east?

A. I know a good deal of traffic does so move, yes.

Q. You realize that a considerable volume of traffic moves that way, do you not, to avoid the bottleneck in going through Chicago?

A. I believe it does, yes, sir.

[fol. 290] Q. In order to secure better service and naturally more equitable rates by the use of those shorter distances?

A. Yes.

Q. Did you give any consideration to the possible use of short line distances through Canadian territory?

A. I did not, no, sir.

Q. Would it be proper under your proposal here to make use of those short line rates that the carriers handling that traffic could use?

A. Well, this suggestion of mine is something the Commission might prescribe. I think, of course, the Commission could not prescribe a rate over any route outside of the United States.

Mr. Foote: That is all.

Com. Aitchison: Is there any further cross examination?

Mr. Foote; I do not care to cross examine, if the Commissioner please, but on behalf of the Public Service Commission of Utah I wish to repeat our request that Western Trunk Line Zone 4 rates be included in this investigation and that the investigation be not confined merely to Zone 3.

Com. Aitchison: Is there any further cross examination of this witness?

Mr. Widell: May I ask one question, please, sir?

Com. Aitchison: For whom are you appearing?

Mr. Widell: I am representing and have entered an appearance for the Tennessee industrial interests generally [fol. 291] included in the Tennessee Manufacturers' Association.

By Mr. Widell:

Q. Mr. Jensen, on page 33 of your paper I find reference to the data collected by the Association of American Railroads and your reference to the traffic moved on class rates aggregating approximately 40,000,000 pounds. I do not think your paper shows the aggregate, or the segregation, rather, in first, second and third class and the lower classes, but the traffic test referred to, of course, does break that down, does it not?

A. Yes.

Q. First, second and third class and the lower classes.

A. Yes.

Q. Just for the purpose of the question, you will perhaps accept my statement that the first, second and third class rated traffic amounted to about 13½ million pounds for the week? That can be confirmed.

A. Yes.

Q. That was for one week's traffic moving under the actual 13494 class rates in Southern territory. Of course, for 52 weeks, you would have then your approximate average annual figure. I just want you to follow me on that, Mr. Jensen.

A. If this were a typical week.

Q. Yes; assuming these things.

A. Yes.

Q. So in speaking of these figures, these figures are average figures, so that would approximate, then, around 700,- [fol. 292] 000,000 pounds per year of first, second and third class rated traffic in the south. Now, just assuming that that is the approximate average tonnage, and going then to the figures in your appendix 1, especially on page 2, where you show the present rates for the various distances in Southern territory together with the proposed rates in both the Northern and Southern Zones, because of the difficulty and almost impossibility of attempting to define this 700,-000,000 pounds of first, second and third class traffic as moving either in the Northern or Southern Zones, let us assume it would all move in the Southern Zone, where we have proposed a 120 per cent scale, because the purpose of my question is just to arrive at an approximate figure. It is difficult, of course, to break down the distances because we do not have the ton mile figures in the traffic test. We have only the 100-mile blocks, as you remember. Your paper suggests an average of 270 miles for class rate traffic, so that even if we just take that average distance, and on the assumption that the reduction would approximate the difference between—well, 270 miles does not appear on page 2 of your appendix 1, but 300 miles does, and that is probably close enough in actual cents to give us a fair conclusion—so that the present rate first class for 300 miles as shown is $1.34; do you follow me, sir?

A. Yes.

Q. The proposed first class rate under the 120 per cent [fol. 293] scale in the Southern Zone would be 89 cents, or a difference of 45 cents per hundred pounds.

A. Yes.

Q. Of course, I presume that on an average of first, second and third class, that would vary somewhere between 35 and 40 cents if we averaged those three classification ratings, is that approximately correct, sir?

A. No. I do not understand that.

Q. Well, if our first class reduction would amount to——

Com. Aitchison: Are you going to ask a question when you get through with your statement?

Mr. Widell: Yes.

Com. Aitchison: You have been making a hypothetical statement here for 15 minutes. It is about time that we got to the question.

Mr. Widell: I am just laying the basis for it. I am just about to get to it.

Com. Aitchison: It is beginning to sound like one of these psychiatrist's questions.

The Witness: I think I understand you now. The answer is "Yes".

By Mr. Widell:

Q. On 700,000,000 pounds, that would approximate, then, a net revenue loss of about $2,000,000? You will accept that figure, sir?

A. If you have calculated it, yes.

[fol. 294] Q. Your paper does not suggest, Mr. Jensen, how this revenue loss would be made up, does it?

A. Oh, yes, it does.

Q. Well, could you say how that would be made up in connection with the illustration we have just been discussing?

A. Yes. By increasing the classification. The chances are that practically all of that freight moving at first, second and third class is freight which on proper classification principles as I understand it, ought to be rated considerably higher. If the rates are reduced as suggested and the classifications are put back more nearly where they belong, the revenue will be preserved.

Mr. Widell: Thank you, sir.

Com. Aitchison: At this time I want to inquire how many more persons present desire to cross examine Mr. Jensen. (No response.) It appears that there is no further desire to cross examine Mr. Jensen.

Mr. Smelker: I would like to ask one more question, if the Commissioner please.

By Mr. Smelker:

Q. Are there any other comments you wish to make before stepping down, Mr. Jensen?

A. Nothing at all.

Mr. Smelker: That is all.

Com. Aitchison: You may step down, Mr. Jensen.

(Witness excused.)

[fol. 295] Com. Aitchison: That concludes the testimony which was to be presented here. Are there any suggestions with respect to when the parties will be prepared to resume the taking of testimony? (No response.) Are there any suggestions as to when the parties will be prepared to resume the taking of testimony?

Mr. Norman: Mr. Chairman, of course under the ordinary procedure, which I suppose will be followed here, it is incumbent upon the respondents to introduce their testimony next. The question is, then, when will the respondents be prepared to go forward, and when can they reasonably be expected to do so?

Mr. Plunkett: Mr. Chairman, dealing with the accounting features of the case, I would say that we perhaps want to put in some rebuttal evidence, but it seems to me it will take us at least a year to get ready for it.

Com. Aitchison: Are there any other suggestions?

Mr. Norman: In response to that, may I say——

Com. Aitchison: You do not need to respond to that.

Mr. Norman: I hope not.

Com. Aitchison: Any suggestion of that character which contemplates a delay of a year is so absurb on its face when it is supported by nothing other than the mere statement that the carriers desire to make such a study and they want a year to do it, is just too preposterous to be given con-[fol. 296]sideration by a tribunal which is attempting to dispense justice in as speedy a manner as possible. You will have to come forward with some other suggestion which is more practical, or we will decide the matter according to what we think is fair and right, unaided by any suggestions from the respondents.

Mr. Walker: Mr. Commissioner, would it be possible for us—I am speaking for the eastern roads now—to advise the Commission within the next few days on that subject? The reason I say that is this: I did not know that question was coming up here and my associates left about 30 minutes ago to catch a train east. I have not had an opportunity to consult with them. If it were permissible, I should like to have the privilege of advising the Commission on the future date of the hearing within 10 days.

Com. Aitchison: That is a reasonable request and it will be granted. There have been a number of requests made, conflicting in nature, for access to underlying information. The Commission will have to study those over, give consideration to them and endeavor to make its determination available to the parties at the earliest possible moment. Is there anything further to be brought up at this time?

Mr. Norman: I would like to say——

Com. Aitchison: Have the Southern carriers anything to say about this? (No response.) I have asked the respondents. I cannot force them to talk.

[fol. 297] Mr. Kerr: Mr. Chairman, it has been a little bit difficult for me to follow this conversation back here, but I understand you are asking now how the Southern carriers feel about this, and when they will be prepared?

Com. Aitchison: That is correct.

Mr. Kerr: So far as the traffic testimony is concerned, I remind you of the statement I made at Chicago at the pretrial conference. Our testimony, if we have to proceed in advance of what I probably improperly termed the "complainants", will be to tell the Commission what we have and how we got it. We want to hear what the complaints are about that rate adjustment which in very large measure—certainly the class rates themselves—have all been prescribed by the Commission, have been reviewed from time to time and only recently were reviewed in the North Carolina case, and effective on July 6th or 7th of this year, we put into effect generally within the south what the Commission said was a proper scale. As to the accounting end of it, that would depend very largely upon what the Commission makes available to our accountants. We are very frank to tell the Commission that right now our accountants are not able to analyze and rebut the testimony presented by Dr. Edwards unless this underlying data is made available to them. Therefore, when they will be prepared to proceed will largely depend on the answer to that request. So far as the traffic testimony is concerned, [fol. 298] that will not take us very long. I assume, of course, you will not have another hearing until some time in the fall. There is another angle to that, Mr. Chairman, and that is the classification question. That is pretty hard to answer at this time, the classification ratings themselves.

Com. Aitchison: Well, we have heard from the carriers from the three territories. Is there anything further to be brought up at this time? (No response.) If not, the hearing will stand recessed.

(At 12:15 P. M., July 11, 1941, hearing adjourned to a time and place to be fixed by the Commission.)

[fol. 299] BEFORE THE INTERSTATE COMMERCE COMMISSION

Class Rate Investigation, 1939

Docket No. 28300

Consolidated Freight Classification

Docket No. 28310

Claypool Hotel, Indianapolis, Indiana,
Tuesday, September 22, 1942.

Met, pursuant to notice, at 10 o'clock A. M.

Before: Division—2 of the Commission, Hon. Clyde B. Aitchison, Chairman of the Commission, presiding, Hon. Walter M. W. Splawn, Commissioner, Hon. J. Haden Alldredge, and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by:

Mr. John J. Murphy, South Dakota Public Utilities Commission;

Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner, W. J. Koebel, Examiner, T. Leo Haden, Examiner.

Appearances: As heretofore noted and the following [fol. 300] additional:

Wallace T. Hughes, Room 310 Union Station, Chicago, Illinois;

H.C. Barron, 1211 Railway Exchange Building, Chicago, Illinois;

B. F. Batts, Cotton Belt Building, St. Louis, Missouri;

J. R. Bell, 205 Transportation Building, Washington, D. C.

James G. Blaine, Frisco Building, St. Louis, Missouri;

A. B. Enoch, LaSalle Street Station, Chicago, Illinois;

P. F. Gault, 400 West Madison Street, Chicago, Illinois;

H. H. Larimore, 2008 Missouri Pacific Building, St. Louis, Missouri;

Eldon M. Martin, 547 West Jackson Boulevard, Chicago, Illinois;

Conrad Olson, Northern Pacific Building, St. Paul, Minnesota;

J. P. Plunkett, 1120 Great Northern Building, St. Paul, Minnesota;

M. G. Roberts, Frisco Building, St. Louis, Missouri;

Dana T. Smith, 1416 Dodge Street, Omaha, Nebraska;

Carson L. Taylor, 891 Union Station, Chicago, Illinois;

and Robert Thompson, T. & P. Building, Dallas, Texas, appearing for Class 1 Railroads in the Western District.

A. P. Domadio, 301 B & O Building, Baltimore, Maryland, appearing for respondents in Official Classification Territory.

[fol. 301] C. B. Kerr, Richard Musenbrock, H. W. Ward, and L. S. Nichols, 7th Floor Northwestern Bank Building, Minneapolis, Minnesota, appearing for The Minneapolis & St. Louis Railroad Co.

L. A. Veroneau, 105 West Adams Street, Chicago, Illinois, appearing for Central Freight Association Lines.

Henry J. Hart, 12 Graham Building, Bangor, Maine, appearing for Bangor and Aroostook Railroad Company, and Canadian Pacific Lines in Maine.

J. P. Harrington, Room 517, South Station, Boston, Massachusetts, appearing for New England Freight Association.

Harry E. Boe, Room 1025-139 West Van Buren Street, Chicago, Illinois, appearing for The Chicago, Rock Island

and Pacific Railway Co. (Frank O. Lowden and James B. Fleming, Trustees.)

Henry Christianson and James A. Gillen, 547 West Jackson Boulevard, Chicago, Illinois, appearing for Chicago, Burlington & Quincy Railroad Company.

Guernsey Orcut, 1740 Broad Street Station Building, Philadelphia, Pennsylvania, appearing for Eastern Rail Carriers.

Robert Thompson and G. A. Ryser, Texas & Pacific Building, Dallas, Texas, appearing for The Texas & Pacific [fol. 302] Railway Company, and Southwestern Lines generally.

J. R. Mac Ananny, 150 Causeway Street, Boston, Massachusetts, appearing for Boston and Maine Railroad, and Maine Central Railroad.

D. Lynch Younger, % Law Department, Norfolk & Western Railway Company, Roanoke, Virginia, appearing for Norfolk & Western Railway Co.

J. E. Flansburg, 400 West Madison Street, Chicago, Illinois, appearing for Chicago and North Western Railway Company, (Charles M. Thomson, Trustee) and Chicago, St. Paul, Minneapolis & Omaha Railway Co.

Elmer A. Smith and Erle J. Zoll, Jr., 135 East 11th Place, Chicago, Illinois, appearing for Illinois Central Railroad Co., The Yazoo & Mississippi Valley Railroad Co., and The Gulf & Ship Island Railroad Co.

J. P. Canny, Midland Building, Cleveland, Ohio, appearing for Respondents in Official Territory.

W. N. Mc Gehee, Southern Railway Building, Washington, D. C., appearing for Southern Railway System Lines.

Frank W. Gwathmey, Shoreham Building, Washington, D. C., appearing for Southern Railroads.

H. D. Boynton, 71 Meadow Street, New Haven, Connecticut, appearing for The New York, New Haven & Hartford Railroad, (H. S. Palmer, James Lee Loomis, and Henry B. Sawyer, Trustees.)

[fol. 303] William Spaulding, 821 LaSalle Street Station, Chicago, Illinois, appearing for Chicago, Rock Island & Pacific Railway Co.

Robert D. Brooks, 466 Lexington Avenue, New York City, New York, appearing for Respondents in Official Classification Territory.

Frank L. McCarthy, 607 Security Trust Building, Lexington, Kentucky, and M. B. Holefield, 112 East Todd

Street, Frankfort, Kentucky, appearing for Commonwealth of Kentucky, and Railroad Commission of Kentucky.

J. E. Marks, 145 East High Street, Lexington, Kentucky, appearing for Kentucky Railroad Commission.

Henry S. Sherman, and T. S. Wood, 318 State Office Building, Denver, Colorado, appearing for Public Utilities Commission of the State of Colorado.

James A. Lucas, State Capitol Building, Des Moines, Iowa, appearing for Iowa State Commerce Commission and the State of Iowa.

H. A. Manning, 5 Exchange Street, Charleston, South Carolina, appearing for South Carolina State Ports Authority.

Timothy Cohan, Albany, New York, appearing for The State of New York.

T. T. Tumbrell, F. C. Hillyer and Jerry W. Carter, Tallahassee, Florida, appearing for Railroad Commission [fol. 304] of Florida, and The State of Florida.

Byron M. Gray, 611 Central Building, Topeka, Kansas, appearing for The Kansas Corporation Commission and The Kansas Industrial Development Commission.

Charles A. Carr, Pierre, South Dakota, and William Williamson, The Capitol, Pierre, South Dakota, appearing for Public Utilities Commission of South Dakota.

L. F. Sherer, Baton Rouge, Louisiana, appearing for Louisiana Public Service Commission and the State of Louisiana.

Olin Culberson, and A. J. Scrivner, Austin, Texas, appearing for Railroad Commision of Texas.

R. B. Willard, Minot, North Dakota, appearing for Public Service Commission, State of North Dakota, and Minot Association of Commerce.

Parker McCollester, 25 Broadway, New York City, New York, appearing for The Chamber of Commerce of the State of New York.

D. O. Moore, Chamber of Commerce Building, Pittsburgh, Pennsylvania, appearing for Pittsburgh Chamber of Commerce.

Samuel H. Williams, 1129 Walnut Street, Philadelphia, Pennsylvania, appearing for Chamber of Commerce and Board of Trade of Philadelphia.

John A. Jacobson, 400 Union Commerce Building, Cleveland, Ohio, appearing for Cleveland Chamber of Commerce.

A. A. Raphael, 60 Battery March Street, Boston, Massachusetts, appearing for New England Paper [fol. 305] & Pulp Traffic Association.

Claude H. Anderson, 601 Illinois Building, Indianapolis, Indiana, appearing for Indianapolis & Southern Motor Express Inc.; Adkins Transfer Co.; O. I. M. Transit Corporation; and Jasper & Chicago Motor Express.

Frank W. Sullivan, 231 South LaSalle Street, Chicago, Illinois, appearing for Great Lakes Transit Corporation.

Paul D. Cook, Hamilton, Ohio, appearing for Champion Paper & Fibre Co.

A. B. Pratt, 15 South 5th Street, Minneapolis, Minnesota, appearing for Northern States Power Co.

Floyd F. Shields, and H. M. Sell, 221 West Roosevelt Road, Chicago, Illinois, appearing for Keeshin Motor Express Co. Inc.; Seaboard Freight Lines, Inc.; and National Freight Lines, Inc.

V. Schaffenburg, P. O. Box 329, New Orleans, Louisiana, appearing for Myles Salt Co. Ltd.

John S. Burchmore, 2106 Field Building, Chicago, Illinois, and R. J. Henderson, Minneapolis, Minnesota, appearing for Minnesota & Ontario Paper Company.

Nuel D. Belnap, 2106 Field Building, Chicago, Illinois, appearing for Inland Waterways Corporation.

Charles J. McCarthy and Robert H. Sheppard, Knoxville, Tennessee, appearing for Tennessee Valley Authority.

[fol. 306] R. A. McCaffrey, Birmingham, Alabama, appearing for United States Pipe & Foundry Co.

E. DeL. Wood ,815 Broad Street, Chattanooga, Tennessee, appearing for Chattanooga Manufacturers Association.

G. W. Baxter & Donald Kirkpatrick, 608 So. Dearborn Street, Chicago, Illinois, appearing for American Farm Bureau Federation.

George H. Cunningham, 170 Varick Street (9th Floor) New York City, New York, appearing for Sterling Products, Inc.

George O. Griffith, 257 Cornelison Avenue, Jersey City, New Jersey, appearing for American Home Products Corporation, and Drug & Toilet Preparations Traffic Conference.

Wilmer M. Wood, c/o United States Pipe & Foundry Co., Burlington, New Jersey, appearing for Cast Iron Pressure Pipe Institute.

George M. Leedom, 400 Chestnut Street, Philadelphia, Pennsylvania, appearing for Florence Pipe Foundry & Machine Co., and Cast Iron Pressure Pipe Institute.

Frank W. Kemp, 901 Hamilton Bank Building, Knoxville, Tennessee, appearing for Candoro Marble Co., Gray Knox Marble Co., Tennessee Marble Inc., Padgett Marble Co., Knox Iron Co., Sanford Day Iron Works, Inc.; and Brooks Equipment & Manufacturing Co.

G. C. Cochran, Birmingham, Alabama, appearing for [fol. 307] various interests.

C. E. Fowler, Birmingham, Alabama, appearing for various interests.

L. A. Gossage, 174 Third Avenue, North, Nashville, Tennessee, appearing for T. L. Herbert & Sons.

H. W. Gehrke, 611 North Broadway, Milwaukee, Wisconsin, appearing for Milwaukee Association of Commerce.

C. A. Mitchell, 90 South Second Street, Memphis, Tennessee, appearing for Memphis Freight Bureau.

C. J. Edelmann, 229 East 6th Street, Cincinnati, Ohio, appearing for The Lumber Traffic Association, and Appalachian Hardwood Manufacturers, Inc.

F. L. DeGroat, Milwaukee, Wisconsin, appearing for Jas. Schlitz Brewing Company.

H. V. Haley, Newark, New Jersey, appearing for P. Ballantine & Sons.

E. D. Hedstrom, 221 North LaSalle Street, Chicago, Illinois, appearing for Pabst Brewing Company.

J. H. Ranney, 833 Park Square Building, Boston, Massachusetts, appearing for Associated Industries of Massachusetts.

J. M. Davison, 4200 Wissahickon Avenue, Philadelphia, Pennsylvania, appearing for The American Pulley Co.

Carl R. Cunningham, 22 Mariette Street Building, Atlanta, Georgia, appearing for American Cotton Manufac- [fol. 308] turers Association.

M. M. Emmert, 310 North Avenue N. W., Atlanta, Georgia, appearing for Coca Cola Co.

L. O. Kimberly, Jr., 22 Marietta Street Building, (Room 815) Atlanta, Georgia, appearing for American Cotton Manufacturers Association; North Carolina Cotton Manufacturers Association; Cotton Manufacturers Association of South Carolina; and Georgia-Alabama Textile Traffic Association.

Norris W. Ford, 436 Capitol Avenue, Hartford, Connecticut, appearing for Manufacturer's Association of Connecticut.

H. J. Fernandez, Monroe, Louisiana, appearing for Monroe Traffic Bureau.

Fred M. Renshaw, 238 Main Street, Buffalo, New York, appearing for Chamber of Commerce at Buffalo.

G. H. Shafer, First National Bank Building, St. Paul, Minnesota, appearing for Weyerhaeuser Sales Co.

Freeman Bradford, 623 Board of Trade Building, Indianapolis, Indiana, appearing for Indianapolis Board of Trade.

G. W. Orewiler, 2nd Floor Board of Trade Building, Indianapolis, Indiana, appearing for Indiana State Chamber of Commerce.

W. Carroll Parks, 4226 Census Building, Washington, D. C., appearing for Leon Henderson, Price Administrator, [fol. 309] and the Office of Price Administration, Interveners.

H. R. Fritz, 619 West Chicago Avenue, Chicago, Illinois, appearing for Montgomery Ward & Co.

R. I. Myles, P. O. Box 2603, Birmingham, Alabama, appearing for American Cast Iron Pipe Co., and Cast Iron Pressure Pipe Institute.

Isaac Born, Indianapolis, Indiana, appearing for E. Rauh & Sons Fertilizer Co., et al.

Thomas C. Grady and F. C. Hillyer, Ingraham Building, Miami, Florida, appearing for The Greater Miami Traffic Association; The City Commission of Miami; and The Dade County Commission of Dade County, Florida.

Philip H. Porter, 1 West Main Street, Madison, Wisconsin, appearing for Wisconsin Manufacturers Association; Oscar Mayer & Co., Green Bay Association of Commerce; and Central Territory Rate Conference.

A. H. Ferguson, P. O. Box 572, New Bedford, Massachusetts, appearing for Boston Chamber of Commerce, New Bedford Board of Commerce, and The New England Traffic League.

Earl Girard, 4724 Walton Street, Chicago, Illinois, appearing for Fred Olson & Sons.

Ferdinand Born, 718 Chamber of Commerce Building, Indianapolis, Indiana, appearing for Chicago Suburban

Motor Carriers Association, Inc., and Wisconsin Motor [fol. 310] Carriers Association, Inc.

George D. Rives, and Donald Macleay, 1001—15th Street, N. W., Washington, D. C., appearing for American Trucking Associations, Inc., and Central States Motor Freight Bureau, Inc.

James P. Haynes, 421 West Market Street, Louisville, Kentucky, appearing for Louisville Board of Trade.

Robert Peacock, State House, Trenton, New Jersey, appearing for Governor Charles A. Edison of New Jersey, and the Board of Commerce & Navigation of New Jersey.

Ralph Merriam, 19 South LaSalle Street, Chicago, Illinois, and A. B. Costello, 310 South Michigan Avenue, Chicago, Illinois, appearing for Morton Salt Company.

C. R. Morrow, 323 Epperson Street, Moberly, Missouri, appearing for Orscheln Brothers Truck Lines, Inc.

G. E. Griffith, Niagara Falls, New York, appearing for The Carborundum Company, and Grinding Wheel Manufacturers Association.

Harry Van Antwerp, Troy, New York, appearing for Behr Manning Co.

Elmer Jones, Worcester, Massachusetts, appearing for the Norton Co.

Harry R. Brashear, Shoreham Building, 15th and H Streets, N. W., Washington, D. C., appearing for Aeronautical Chamber of Commerce of America, Inc.

[fols. 311-312] O. W. O'Berg, First National Bank Building, Austin, Minnesota, appearing for George Hormel Co.

J. Aiden Connors, 1526 Port Authority Building, 111 8th Avenue, New York City, New York, appearing for Seaboard Freight Lines, Inc.

E. J. Bachman, Columbia Building, Louisville, Kentucky, appearing for Jefferson Island Salt Co.

H. W. Wagner, City Hall, Norfolk, Virginia, appearing for Norfolk Port-Traffic Commission.

W. W. Glenn, 403 American National Bank Building, Nashville, Tennessee, appearing for Tennessee Products Corporation.

Clarence D. Lavlin, 16 East Broad Street, Columbus, Ohio, appearing for The Ohio Chamber of Commerce.

[fol. 313] **PROCEEDINGS**

Chairman Aitchison: Come to order. The Commission has set for further hearing at this time and place Docket No. 28300, and Docket No. 28310. Mr. Smelker for the Commission, do you have something to present?

Mr. Smelker: Yes, if the Commission please. At the hearing in this case on July 11, 1941, an exhibit, prepared by Mr. C. G. Jensen, entitled "Some Suggestions for Improvements in Railroad Class Rates," was admitted in evidence as No. 7. On page 33 of the exhibit the statement is made that in the South, during the week which ended September 14, 1939, the average haul of less than carload shipments moving on class rates was 270 miles, and the average haul in the North was 380 miles. Under date of June 11, 1941, soon after the document was made public, Mr. C. E. Widell, Transportation Director, Tennessee Manufacturers Association, Nashville, Tennessee, wrote Mr. Jensen inquiring how the information had been ascertained. The latter answered the inquiry in a three-page letter dated June 13, 1941. In response to an inquiry in that respect, Chairman Aitchison advised Mr. Widell that Mr. Jensen's letter would be offered in evidence at this hearing. Copies of the Jensen letter, with the notice of the Chairman, were placed on the press table in the office of the Secretary of the Commission at Washington, and [fol. 314] copies have been distributed. In accordance with that notice, I now offer the letter in evidence as Exhibit No. 8.

Chairman Aitchison: Is there any objection? (No response.) Received.

(Exhibit No. 8 received in evidence.)

Mr. Smelker: At the St. Louis hearing Exhibit No. 1 was introduced in evidence through the witness, Dr. W. H. Stevens, Assistant Director of the Commission's Bureau of Transport Economics & Statistics. The exhibit is a study of the economic development of the United States by freight rate territories. There has been prepared, under Dr. Stevens' direction and supervision, a second part to the original exhibit which deals with the economic development for the United States by freight rate territories, being a statistical summary of selected data, and a text of explanation. The study consists of tables and charts giving a survey of the data by rate territories and by census years. Table No. 1 Charts 1 and 2, deals with total population; Table 2, Charts 3 and 4, deals with total gainful workers; Table 3, Chart-5 and 6, relates to agriculture; Table 4, Charts 7 and 8, concern mineral industries; Tables 5 and 6, Charts 15 and 16, cover manufacturing industries; Table 7, with the accompanying charts, deals with combined value of farm products and minerals plus the value [fol. 315] added by manufacturing; and Table 8, with the accompanying charts, covers total railway mileage. I now offer Dr. Stevens' study in evidence as Exhibit 9.

Chairman Aitchison: Dr. Stevens is not here, but of course he can be made available for examination, if any one wants to examine him. It hardly seemed worth while to bring him out here, in these throublous times, without any request that he be recalled. However, as I say, he can be made available. Is there any objection to the reception of the exhibit? (No response.) Received.

(Exhibit No. 9, received in evidence.)

Mr. Smelker: Recall Dr. Ford K. Edwards.

FORD K. EDWARDS recalled, previously sworn, testified further as follows:

Chairman Aitchison: You have been previously sworn, Doctor.

The Witness: Yes, sir.

Direct examination.

By Mr. Smelker:

Q. Dr. Edwards, I believe you have prepared or had prepared under your direction, four exhibits, which you now have before you. Will you briefly describe them, each of them, so that we can have them identified in the record.

A. The first exhibit is entitled "Interterritorial Interest of Class 1 Steam Railways."

[fol. 316] Mr. Smelker: We offer this exhibit for identification at this time, as Exhibit No. 10.

(Exhibit No. 10, Witness Edwards, marked for identification.)

The Witness: My second exhibit is entitled "Relative Territorial Costs, 1939 and 1941; Analyses of Switching Costs and other Data."

Mr. Smelker: We offer this exhibit for identification as Exhibit No. 11.

(Exhibit No. 11, Witness Edwards, marked for identification.)

The Witness: My third exhibit is entitled "Territorial Rail Costs Based on a separation of the Out-of-Pocket and Constant Expenses, 1939."

Mr. Smelker: We offer this exhibit for identification as No. 12.

(Exhibit No. 12, Witness Edwards, marked for identification.)

The Witness: My fourth and last exhibit is entitled "Territorial Unit Costs for Railroad Freight Service, 1939."

Mr. Smelker: We offer this exhibit for identification as Exhibit No. 13.

Chairman Aitchison: That is the large exhibit, is it?

The Witness: Yes, sir.

[fol. 317] (Exhibit No. 13, Witness Edwards, marked for identification.)

By Mr. Smelker:

Q. Dr. Edwards, do you have any comment to make on these exhibits?

A. Yes, sir, I have.

Q. You may proceed.

A. The Bureau of Transport Economics and Statistics of the Interstate Commerce Commission has the following four exhibits to introduce at this time. The purpose of the first exhibit, which has been identified as Exhibit No. 10, is to indicate the extent to which carriers serving one territory have operations in other territories. The extent of such interterritorial interest is believed to be pertinent for the reason that if the railways of the United States were operated as one system, the problem of standardizing rate levels and the classification of freight would be considerably simplified, although the problem of adjusting rates to cost would not be eliminated. Any inequalities in the territorial relation of rates to costs would be offset, as all revenues and all expenses would ultimately accrue to one company. On the other hand, if each rate territory were served by a group of railways entirely identified with it, and not with other rate territories, the adjustment of rate levels to costs as a whole for each territory would be of maximum importance, as any losses in one terri — could not [fol. 318] be made up by revenue in another territory. Actually neither of these extremes exists. To show the extent of this interterritorial interest two bases of comparisons are used. The first comparison separates operating expenses, rents and taxes for each territory between those incurred by railways operating wholly within such territory and those incurred by railways whose operations extend into other territories. The second comparison in this exhibits based on the distribution of the tonnage originated and terminated for each carrier by states and by territories.

The second exhibit, which has been identified as Exhibit No. 11, shows the following: First, the change in the relative territorial costs between the years 1939 and 1941.

Chairman Aitchison: Just a moment, Doctor. Do you have copies of that statement?

The Witness: I have approximately 70 or 80 copies.

Chairman Aitchison: Have they been distributed?

The Witness: No, sir, they have not.

Chairman Aitchison: Well, then, you may stand aside until they have been distributed. Our witnesses are going to abide by the rules of the Commission, just as well as anybody else. Please see that a reasonable number are distributed to counsel, and you may stand aside until they [fol. 319] have an opportunity to examine the statement.

The Witness: I might say, Mr. Commissioner, that this statement has been amended in a slight degree, and some of what I have to say will be oral testimony. The statement is a very short one, consisting only of five or six pages.

Chairman Aitchison: I cannot help it. We must observe our own rules, Dr. Edwards. You may stand aside. Call the next witness. You keep within call, Doctor, and pass a reasonable number of copies of your statement down to the counsel tables, and let counsel glance at them, and pass them on.

The Witness: Very well.

(Witness excused.)

Mr. Smelker: Call Dr. Beatrice Aitchison.

Beatrice Aitchison was sworn and testified as follows:

Direct Examination.

By Mr. Smelker:

Q. State your name, please.

A. Beatrice Aitchison.

Q. Your occupation?

A. Associate Economist, Interstate Commerce Commission.

Q. How long have you been connected with the Commission?

A. Off and on, for about four years. In elapsed time, almost two years.

[fol. 320] Q. Will you briefly describe the nature of your employment with the Commission.

A. To collect and analyze data relating to the economic and statistical work of the Commission, and to write reports thereon.

Q. Will you state briefly the extent of your education.

A. I received a Bachelor of Arts degree from Goucher College; Master of Arts, Doctor of Philosophy, in Mathematics, from Johns Hopkins University; and Master of Arts in Economics, from the University of Oregon; and I have also studied at several other universities.

Q. Have you had any teaching experience?

A. Yes, off and on, for nine years, at the University of Richmond, the American University, and the University of Oregon.

Q. State the extent of your research experience.

A. I have been doing research for years in one field or another; in recent years, in transportation; and before that, in mathematics.

Q. Have you offered any writings for publication?

A. Several mathematical papers, published in Polish mathematical journals; and most recently a study of passenger demand, which was released by the Commission last Fall.

Q. Have you prepared an exhibit showing the interterritorial movement of various classes of commodities in car-[fol. 321] load lots?

A. I have.

Q. What was the source of the material used in the preparation of the exhibit?

A. The waybills submitted by the railways to the Office of Defense Transportation, on carload freight originating on their lines May 27th, 1942. These data were used in compiling the study that I have to offer.

Q. Of what does the exhibit consist, briefly?

A. There are 52 pages of tables in all, and 10 pages of text and other explanatory material covering the tables.

Q. Have you any other comments to make on the exhibit at this time, Doctor?

A. No specific comment, no.

Mr. Smelker: If the Commission please, we now offer this exhibit, as described by Dr. Aitchison, in evidence as Exhibit No. 14.

Chairman Aitchison: Is there any objection? (No response.) Received.

(Exhibit No. 14, Witness Aitchison, received in evidence.)

Mr. Smelker: There is just another question.

By Mr. Smelker:

Q. Since compiling this exhibit, Dr. Aitchison, have you secured any further data from the Office of Defense Transportation in the way of other waybills?

[fol. 322] A. No, sir. They are doing a study of them as of today, but we have not had anything in that connection as yet. However, I do have some information from our own commodity statistics, which is rather interesting, in connection with that.

Q. Do you care to give that at this time?

A. If the Commission cares to have it.

Chairman Aitchison: Proceed.

The Witness: The totals of the second quarter commodity statistics for 1942 are available in rough form, as work sheets, for the employees of the Commission. If you will notice on Table 3, page 27 of this exhibit, the percentage that the total Products of Agriculture were of all carload freight originating on that date, was 8.288. The total for the whole second quarter of 1942 was 9.1 per cent, or a difference of .8 per cent. For Animals, on May 27, the percentage was 3.5 per cent, and for the whole second quarter 3.7 per cent. For Mines, May 27th it was 45.6 per cent, and for the whole second quarter, 44.4 per cent. Products of Forests were 8.1 per cent on May 27th, and 7.6 per cent for the whole second quarter of this year. Manufactures & Miscellaneous were 34.5 per cent on the test date, and 35.2 per cent for the whole second quarter. These are given to show how close the percentages on the test date come to the entire quarter, which the test date [fol. 323] was in the middle of.

By Mr. Smelker:

Q. Do you have any further comment to offer?
A. I believe not.

By Chairman Aitchison:

Q. I want to ask if to your knowledge there has been prepared by the Bureau at any other time, any similar statement of the territorial movement of carload freight?
A. I have seen none.

Mr. Smelker: That is all.
Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Bee:

Q. Dr. Aitchison, referring to Table 3, and the relative ratios which you have reference to, for the Products of Agriculture, I note that grain bears a percentage of 2.5 per cent of the total traffic. That might be relatively correct as to the first quarter, or the second quarter, and as to May 27th, but you would not say that would be correct as to the entire year, would you?

A. No. This is just for this date.

Q. That is what I say.

A. I would make no attempt to forecast.

Q. Well, but your familiarity with the statistics of the Interstate Commerce Commission teaches you that the heavy grain movement commences in June, and extends [fol. 324] through the third quarter and into the fourth quarter of the year, does it not?

A. Yes.

Q. Now, again, on the same page, we note that 5.4 per cent, in round figures, of the movement of Manufacturers & Miscellaneous, was petroleum; and by following that out, we find that 4.7 per cent of the petroleum found destination in Official territory. Is that not a very unusual condition?

A. That is not reading this table correctly. This percentage of 4.7 per cent is the percentage of all the commodity movement into Official territory, that was petroleum. It is not 4.7 of all the petroleum movement. The petroleum—refined petroleum and products—comprised 4.7 per cent of all of the traffic that was consigned to Official territory.

Q. That is true, but it is a cross-figure with the 5.39 per cent, is it not?

A. It is a cross-figure, yes, sir, but it has nothing to do with the 5.397.

Q. But 5.3 per cent plus of all traffic originated, was petroleum products, was it not?

A. Yes.

Q. And 4.7 per cent of all traffic terminated in Official territory was petroleum products?

[fol. 325] A. Yes.

Q. And in other sections of your study, you show that a heavy percentage of your petroleum was terminated in Official territory. Now is that not a very unusual condition, that has only existed during the year 1942, Doctor?

A. If I understand your question correctly, as far as the total is concerned of refined petroleum shipments compared to the years 1941 and 1940 in particular—and that is, the total; not Eastern territory particularly—that amount is just about the same; that percentage would run about the same for the past two years in the second quarter. But that is not in this exhibit.

Q. Now let us get that straight, please, Doctor. On page 31 of the exhibit, in Table 3, I believe you show that 24 per cent of the origination in Southwestern territory on May 27th, was refined petroleum and its products. Is that correct?

A. Yes.

Q. And that of that—of all of the petroleum that originated in the Southwest, 47.0 per cent moved to Official territory?

A. No.

Q. No?

A. That is not correct. If you will look at Table 2 on page 25, it shows just about the same percentage, but [fol. 326] that is accidental.

Q. 48 per cent?

A. 48 per cent of all moved to Official territory.

Q. Is that not a very, very unusual condition, that 48 or 50 per cent of all petroleum products, refined petroleum products originating in the Southwest, would move to Official territory?

A. That is something that I would not be able to tell, from the Commission statistics, because they are not set up on a freight rate territory basis.

Q. Well, were you advised that Mr. Ickes had issued an order about that time prohibiting the loading of petroleum, refined petroleum products, in the Southwest, except for certain purposes, and that the Office of Defense Transportation had prohibited the loading of cars in the Southwest for movements of 100 miles?

A. I never heard that at all.

Chairman Aitchison: I think, Mr. Bee, if you have anything of that sort, you had better put it on direct yourself.

Mr. Bee: All right. Thank you.

Chairman Aitchison: Are there any further questions?

Mr. Hughes: I have just one or two questions, if the Commission please; not as cross-examination, but for clarification.

[fol. 327] By Mr. Hughes:

Q. Dr. Aitchison, I simply want to inquire of you as to the method which you followed in separating the commodities which moved on commodity rates, and those which moved on class rates. Now on page 3 of your statement, you leave the impression that you segregated those moving generally on commodity rates. Let me ask you, did the waybills from which you took your information, indicate whether the articles moved on commodity rates or on class rates.

A. No, sir, in some cases, there were not even rates given; and in other cases, there might be a rate, but in order to find out what type of rate it was, we would have had to get the distances, and that was too lengthy a process for what we had at our disposal, for the labor that we had, and the time that we had.

Q. I am interested in developing, and I would appreciate it very much if you would say just what method you followed in separating the articles as between commodity rates and class rates.

A. In the notice to the parties, and to the public, of September 25, 1940, in this proceeding, there was a proposed order, and I believe this proposed order was—I know it was, in fact—from a waybill study; and the second appendix to that proposed order gave a list of commodity groups which the carriers were not to compile the re- [fol. 328] quested information for, because the Commission, afer consulting with the carriers, had decided that those particular commodity classes—those classes of the classification used to report the Q C & S figures to our Bureau of Transport Economics, moved mainly on commodity rates. Those are the ones that I grouped together, and called the commodity rate group. The others that were left comprise the class rate group.

Q. Well, Doctor, how did you treat commodities that might move in a territory on classification exceptions?

A. They would be under the class rate group, I think.

Q. You so treated them?

A. I don't know. I did not check on those rates at all. I just used the list as it was given.

Q. Well, am I correct, then, Doctor, in my impression that you had to resort to certain arbitrary methods here in making your separation?

A. There was not time to go into each waybill, as it were.

Q. If I am correct, then, as I understand you, some you more or less arbitrarily assigned to the commodity rate basis; is that correct?

A. On the basis of the list in this proposed order. Now for instance, Rice, Commodity Class 41, is a small class. It is not in this group, in this list, which indicates that it was considered as moving on class rates. I do not know [fol. 329] whether it moved on class rates or not. I am no expert when it comes to tariffs, or rates. But, for simplification, and because it was a small group, I included it with all of the grain, so it would be treated as a commodity group in this case; and there are one or two other instances of that. They are all mentioned except 60; I think I left out 60, which is Cereal Food Preparations, in my explanation on page 3. That is included also with the commodity group. As a whole, these are small, very small in total, and would not make very much difference from a percentage basis.

Q. In your exploration of these waybills, did you notice any peculiar effects on the movement of this traffic as a result of war conditions?

A. As far as this study goes, the percentage of one class as compared with the percentage that the same class bore to the total in this quarter, the same quarter last year, has been remarkably stable.

Mr. Hughes: Thank you very much.

By Chairman Aitchison:

Q. How many waybills were examined, or embraced in this study, approximately?

A. I have a record of 131,398. There were a few more than that, that for one reason or another were unintelligible, and had to be discarded.

Chairman Aitchison: The railroads might take note of [fol. 330] that.

Mr. Hughes: Pardon me, your Honor. I missed that.

Chairman Aitchison: Is there any further cross examination? (No response.) Have you anything further Mr. Smelker?

Mr. Smelker: No, Mr. Chairman.

Chairman Aitchison: You may stand aside, then, Doctor.

(Witness excused.)

Chairman Aitchison: Now, you may recall Dr. Edwards.

Mr. Smelker: Dr. Edwards' statement is being distributed at this time, Mr. Commissioner.

Chairman Aitchison: Gentlemen, we are distributing copies of Dr. Edwards' statement, for the purpose of permitting counsel to take a look at it before the witness resumes. Let us please refrain from conversation at the moment, while counsel are glancing at the document. All right. You may proceed.

Mr. Smelker: Dr. Edwards.

Ford K. Edwards, resumed:

Direct examination (Continued):

By Mr. Smelker:

Q. You may proceed.

A. I was referring to the purpose of the second exhibit——

By Commissioner Aitchison:

Q. What number?

[fol. 331] A. Pardon me. No. 11. I had stated the first purpose. The second purpose was to show the development of switching factors used in the territorial cost studies based on switching data that have become available to the Bureau of Transport Economics and Statistics subsequent to the introduction of the Bureau's previous exhibits in this proceeding. Third, to show evidence as to the extent of circuity. Fourth, a statement of minor corrections and revisions to data previously introduced in Exhibits 2 and 3. Fifth, to show the extent to which the traffic in each territory consists of heavy-loading traffic, such as coal and ore. Sixth, to show the effect on costs of differences in the weight of trains handling heavy-loading traffic compared to the weight of trains handling other traffic. My third exhibit, which has been identified as Exhibit No. 12, shows the results of further studies made of territorial costs based on data for the year 1939. These studies include the separation of the out-of-pocket costs from the constant expenses and the separate development of the territorial unit costs for each. With the out-of-pocket expenses there is now included a return on that portion of the property value which was found to be variable with traffic. In a previous study in Exhibit 3 introduced by the Bureau of Transport Economics and Statistics, the distribution of the constant expenses followed [fol. 332] the more or less common procedure of apportioning these expenses on the basis of the out-of-pocket costs. For the purpose of determining the full distributed expenses in the present cost study the constant expenses are directly distributed over the revenue producing units of traffic handled, that is, revenue tons and revenue ton-miles. The fourth exhibit, identified as Exhibit No. 13, contains a series of charts providing a comparison by territories of the out-of-pocket costs and the full distributed expenses with the present territorial class rate schedules excluding, however, the adjustments resulting from the Commission's decision in Ex Parte 148. Table 1 of this exhibit shows the territorial unit costs separated between line and terminal and between out-of-pocket costs and constant expenses. The compilation of these unit costs is shown for each territory in Tables 2 to 6 of this exhibit. A general textual description of the procedure followed is shown in Chapter VI of the exhibit entitled "Territorial Rail Costs Based on a Separation of the Out-of-Pocket and Constant Expenses." This exhibit has been identified as Exhibit No. 12. In the previous cost study introduced in *Exhibit 3 there was shown* a series of territorial cost scales for various lengths of haul. It will be noted that in Table 1 of this new exhibit, namely, Exhibit No. 13, there are shown only the terminal costs per 100 pounds accompanied by the line-haul costs per mile for various weight [fol. 333] loads and various types of equipment. To compute the costs for any desired distance and for any given load, multiply the line-haul unit costs by the one-way mileage, and to the product thus obtained add the corresponding terminal cost.

In conclusion, I should like to point out that Tables 1, 2 and 3 of the exhibit entitled "Territorial Rail Costs based on a Separation of the Out-of-Pocket and Constant Expenses"——

By Commissioner Aitchison:

Q. Give us the exhibit number.

A. Exhibit No. 12. —provide a comparison of the results of the previous study with the present study. Any difference in the cost is occasioned first by the inclusion in the out-of-pocket costs of a return upon that portion of the property value which was found to be variable with traffic; and secondly, by the change in the treatment of the constant expenses. While the relationship of the costs between territories varies in some degree with the weight of the load under consideration, the general position of the territories when arranged in the order of their relative cost, remains generally unchanged from that base on the previous study. The principal difference between the two studies is in the full distributed expense for the light-loading and heavy-loading commodities. For example, the direct distribution of the constant expenses [fol. 334] results in a lower full distributed expense for traffic, the weight of which is less than the average. Correspondingly, it results in a higher full distributed expense for traffic, the weight of which is greater than the average. Where the average load of the traffic approximates the territorial average, there is very little change in the cost. It is believed that the distribution of the constant expenses used in the present study, which is Exhibit No. 13, is the more appropriate, in so far as a cost-of-service distribution is concerned. The previous study, that is, Exhibit 3, introduced by myself, is not withdrawn. It still serves to provide territorial comparisons based on a treatment of the constant expenses which has been commonly used in the past.

Mr. Smelker: If the Commission please, we now offer in evidence Exhibits Nos. 10, 11, 12 and 13.

Chairman Aitchison: Is there any objection?

Mr. McCollester: Yes, Mr. Chairman. As far as the State of New York is concerned, we are confronted with the difficulty, first, that we have not been able to read the approximately 90 pages of text which is in all of these exhibits, and which I take it is a part of the exhibits, so that what I have to say at this time by way of objection is perhaps only preliminary. I object to Exhibit No. 11 in so far as there is included therein any data based upon [fol. 335] the switching cost studies that were conducted by Dr. Edwards in connection with the Automobile Case, Docket 28190. The ground of my objection, so far as the rules of evidence are concerned, is that the switching cost study was based upon reports made by the railroads to Dr. Edwards, not part of the regular statistics of the Commission, and that the parties making those reports are not available for cross examination, to explain the bases of their reports. Now, that is very important, for this reason: As was developed in Docket 28190, there was a considerable variation in the method employed by the different railroads in reporting their switching time and switching engine hour costs. It was shown in that proceeding that, on the basis of the figures used by Dr. Edwards, it would take some 18 days to switch the Plymouth plant of the Chrysler Automobile Company at Detroit, placing in and taking out the cars that were moved in and out with one pull; and that the switching operation alone incident to the movement of automobiles from Detroit to Chicago, where there is an over-night haul, would take, as I recall it, some 23 days. Now that was due to the use of the figures reported by one of the railroads, which were improperly used by Dr. Edwards, perhaps as a result of a misunderstanding. The figures for that railroad were quite different, and represented quite different results from the figures for competing railroads. I cite that, [fol. 336] if the Commission please, simply to show that unless we have available for cross examination, so that the record may be complete, the men who made the reports of the basic data upon which Dr. Edwards has predicated his study, his study itself is thoroughly incompetent. I object also to Exhibit No. 12. I have not had an opportunity as yet to read all of the text, but I have glanced through it, and in glancing through it I note that a large part of the text consists of quotations from various people, who are apparently not here; and that a large part of it is argumentative matter, which I understand is not in accordance with the new rules of the Commission with respect to exhibits, namely, that exhibits must not contain argumentative material. I make those objections now, if the Commission please, but I would refer to have your Honors reserve your ruling on the exhibits until we have had an opportunity to read them in their entirety, which we have not had an opportunity to do up to the present moment, for the obvious reason that there is too much in them to read in a few minutes.

Chairman Aitchison: These exhibits have been available for more than a few minutes, Mr. McCollester.

Mr. McCollester: They have been available to the people who happen to live in Washington, and who were "tipped off" that they were to be put on the Commission's press [fol. 337] table. I will be perfectly frank with your Honors, and say that I have had them for two or three days, but even in two or three days I have not had an opportunity to read all of the text.

Chairman Aitchison: You are objecting to Exhibits 10 and 12, are you?

Mr. McCollester: No, 11 and 12.

Chairman Aitchison: I thought you referred to the exhibit showing "Interterritorial Interest"—No. 10.

Mr. McCollester: No, your Honor. No. 11 is the first one that I am objecting to, "Relative Territorial Costs, 1939 and 1941, Analyses of Switching Costs and other Data"—and it is the "Analyses of Switching Costs" that I am objecting to in particular. If any of the data is carried forward from the switching figures testified to by Dr. Edwards in 28190, then I also object to them. If any of that data is carried forward into the other exhibits, I naturally object to the other exhibits.

Chairman Aitchison: Well now, you are either objecting, or you are not.

Mr. McCollester: Well, if your Honor please, until I have had an opportunity to study the exhibits, I cannot tell whether those data have been carried forward or not, and therefore I am asking your Honors to reserve your ruling.

[fol. 338] Commissioner Aitchison: No objection appears to have been made to Exhibits Nos. 10 and 13, and they will be received.

By Mr. McCollester:

Q. May I ask, Dr. Edwards, if any of the switching figures from Docket 28190 have been carried forward into either — your Exhibits 10 or 13 here?

A. No.

Mr. McCollester: Very well.

Chairman Aitchison: Does that satisfy your objection as to those two exhibits, then, Mr. McCollester?

Mr. McCollester: Then I do not object to those exhibits, no, sir.

(Exhibits 10 and 13, Witness Edwards, received in evidence.)

Chairman Aitchison: We will reserve our ruling on the other two exhibits for the time being.

By Mr. Smelker:

Q. Dr. Edwards, have you any other comment that you desire to make?

A. Yes, sir, I have a little additional explanation to offer. I would ask that you refer to Exhibit No. 13, Table 3, pages 1 through 4, lines 1 and 2. This exhibit does not make clear the source of the percentages shown on those lines. I should therefore like to make the following explanation: The rail cost formula, Form A, introduced by myself as Exhibit 4, [fol. 339] was first applied, treating the entire United States as a system, and using the total operating expenses, rent and taxes. The source of the data used is shown in Exhibit 2, page 72, footnote 1. The formula was then reworked for the United States as a system based on the out-of-pocket operating expenses, rent and taxes. The out-of-pocket portion of each account is shown in Exhibit 2, Table 19, page 33. The ratio of the out-of-pocket expenses to total expenses was computed for each expense group listed in Schedule H of the formula. The ratios were next carried forward to line 2 of Table 3 of Exhibit No. 13. The constant portion of the expenses shown in line 1, was computed by subtracting the out-of-pocket percentages from 100. I next have two corrections to make in the exhibits. The first is Exhibit No. 12. If you will refer to Appendix G, Table 2——

Q. What page of the exhibit?

A. Appendix G, at the end of the study, Table 2, page 13 of 13 pages, footnote 1. If you will refer to the third line of the footnote, it states there that the summation of *y* is the sum of the quotients of Column 4 divided by Column 2. That should read: Column 3 divided by Column 1. Subsequent to the setting up of the footnote, there was a change made in the column numbers which was not carried into the footnote. In the fourth line the statement of the summation of *x* is given as the sum of the quotients of Column 3 divided [fol. 340] by Column 2; and that should read—Column 2 divided by Column 1. I should next like to refer to Exhibit No. 13, Table 4, page 2 of 12 pages. The last paragraph on this page should have "Footnote 11" inserted in front of it.

By Commissioner Aitchison:

Q. You can prepare, can you not, Dr. Edwards, a little statement that can be mimeographed, which will embrace these various corrections which you have indicated?

A. I am sorry, Mr. Commissioner, but I did not quite hear that.

Chairman Aitchison: Read it, please.

(Question read.)

A. Yes, sir, I can. We did not find these until we were going over our exhibits last night.

Chairman Aitchison: It would be more convenient if you did that, and then it can be distributed.

The Witness: Very well.

Mr. McCollester: And may it be understood, if the Commission please, that we and the other parties to the proceeding may have access to Dr. Edwards' basic data for these new exhibits, at a reasonable time, to suit his convenience?

Chairman Aitchison: What basic data do you refer to, Mr. McCollester, that the parties have not already [fol. 341] examined?

The Witness: May I say, Mr. Commissioner, that there is practically no basic data involved in the computation of costs, which has not been introduced at this time, in our Exhibit No. 13 or our Exhibit No. 12, in the appendices.

Mr. McCollester: Well, whatever it is, Mr. Commissioner, may we have the understanding that we will be given an opportunity to see whatever computation were made, and whatever worksheets and basic data they are, at Dr. Edwards' convenience and that of his staff? We may not need to, but I think I must make that reservation, so far as my client is concerned.

Chairman Aitchison: You cannot make any reservation unless you say you are going to make an examination. Otherwise your motion is dilatory.

Mr. McCollester: If the Commission please, it is not my intention to delay this proceeding, but there is a mass of figures here that no person under the sun can read and comprehend in three days. I have worked on it, and I submit, in order that we may have the opportunity to comprehend it, and to meet it, if we differ with Dr. Edwards in the use of some of the basic data, we should reserve the right to see his basic data, to see whether he is wrong, or whether he is right. I submit that we are entitled to that opportunity.

[fol. 342] Chairman Aitchison: We cannot reserve anything for anybody who will not say definitely that he wants to examine them.

Mr. McCollester: All right, Mr. Commissioner; I want the privilege, and I will say now, yes, that we do want to examine them.

Chairman Aitchison: Well, why did you not say so some time ago, then? Now, Mr. McCollester, you said something a few moments ago here that does not fit very well on this side of the bench, when you spoke of parties in Washington having been "tipped off." I hold in my hand a copy of the notice to the public and to the parties of record in this proceeding which was distributed by being placed upon the press table, in the usual way, which recites that the studies prepared by Dr. Edwards will be offered in evidence, and those particular studies were placed upon the press table, and that was on September 15th, 1942, one week ago today. In addition to that, the members of our staff carefully consulted the list of appearances, and every person who could be reached by telephone, without cost to the Government, was called, including, I believe, one member of your own staff——

Mr. McCollester: That is quite correct.

Chairman Aitchison: —and that was on September 15th, 1942, as I say. That was certainly not "tipping off" any- [fol. 343] body.

Mr. McCollester: Well, pardon me, Mr. Commissioner; I do not like to quarrel with you. I did not intend any offense, by what I said.

Chairman Aitchison: Your language, Mr. McCollester, certainly was offensive.

Mr. McCollester: Well then, I beg your pardon, if the Commission please. What I meant was that, so far as I knew, there was no written notice. It happened that I was in Washington the day following that circumstance, and Mr. Bell told me about it, and he had obtained copies of the exhibits, but I do think that, in a proceeding of the nation-wide scope of this proceeding, where I have associates in the case, in addition to myself, there should have been time, even on the 15th, for some mailing to be done, or at least for some mail notice to be sent to some of us who did not happen to be in Washington at that time. Now, I say again, if I have offended anybody, I apologize. That was not my intention.

Chairman Aitchison: I might also say that the gentleman who was in Washington, and was notified, had his appearance entered in this proceeding as your co-counsel, as I understand it.

Mr. McCollester: Yes, Mr. Bell was notified.

Mr. J. R. Bell: Just exactly what Bell are you talking [fol. 344] about?

Mr. McCollester: I do not know what more I can do, if the Commission please. I did not intend to say anything offensive, and if I did, I apologize. In using that language, I did not mean it to be offensive. I was merely trying to describe what my impression was of what happened, and not in any offensive sense.

Chairman Aitchison: I say again, when a notice is issued to the parties of record, and to the public, and the studies are placed upon the press table, that is not "tipping off" anybody. Please abstain from the use of such language in the future. Have you any further examination of Dr. Edwards, Mr. Smelker?

Mr. Smelker: Nothing further.

Commissioner Aitchison: Cross examine.

Mr. Plunkett: If the Commission please.

Chairman Aitchison: Mr. Plunkett.

Mr. Plunkett: On behalf of the Western Lines, we would like to defer our cross examination of Dr. Edwards until some later date, during this hearing.

Chairman Aitchison: Dr. Edwards, would it be possible for you to have the working papers, such as there were, which you used, transmitted here to Indianapolis?

The Witness: We have all of the working papers with us right at the present time, if the Commission please.

[fol. 345] Chairman: Aitchison: You could make them available here, then?

The Witness: Yes.

9 Chairman Aitchison: Let them be made available for Mr. McCollester's inspection, then; and please get together with Dr. Edwards, gentlemen, and decide on the time and place.

Mr. Eshelman: If the Commission please, our carriers would also like to join in the request of the Western Lines for an opportunity to cross examine on Dr. Edwards' new studies at some later time.

Chairman Aitchison: Does anyone care to cross examine at this time?

Mr. Bee: I have just one question, if you please.

Cross-examination.

By Mr. Bee:

Q. Dr. Edwards, in your original study, which I believe was introduced as Exhibit No. 3, you made some subdivisions as between Southwestern Territory and Western Trunk Line Territory. In your Exhibit No. 13, you have consolidated those, have you not?

A. Yes.

Q. Have you reached the conclusion, Doctor, that costs in the two territories are approximately identical?

A. I might say that the reason for consolidating the territories, is referred to, or given, in Exhibit No. 12, page 87. [fol. 346] It was, first, because of the time limitation; the reworking of this data required a great deal of time, particularly for the Western Railroads, where we had to split so many systems; and for that reason we did not rework it. In the second place, as I observed before, from Exhibit 3, it would be apparent that there is not a great deal of difference between the costs of the three territories in the West, namely, Southwestern, Western Trunk Line, and Mountain-Pacific, and the costs developed for the consolidation of those territories, namely, Western Territory as a whole.

Q. Then, as I understand it, you now treat everything west of the Mississippi River as one territory; is that correct?

A. We have in Exhibit 13, yes.

Mr. Bee: Thank you.

Mr. A. L. Reed: If the Commision please, speaking for the American Trucking Associations, we would also like to reserve the privilege of examining the data of Dr. Edwards that has been referred to, and we would also like to have the privilege of deferring our cross examination until after the rail carriers have cross examined.

Chairman Aitchison: You say, you want to reserve the privilege. Do you want to examine the data, Mr. Reed?

Mr. Reed: We do want to examine the data, yes, sir.

Chairman Aitchison: All right.

[fol. 347] Mr. Reed: But of course, your Honor, we will not know until we have had an opportunity to examine it, and have heard the cross examination of the rail carriers, whether we will care to cross examine Dr. Edwards or not.

Chairman Aitchison: Very well.

Mr. Reed: Thank you.

Chairman Aitchison: You will have the privilege of examining it.

Mr. Norman: If the Commission please, I assume that when Dr. Edwards is reintroduced for cross examination by counsel who have asked that they be permitted to cross examine later, examination by other counsel, representing other interests, will be permitted, if that is necessary. Am I correct?

Chairman Aitchison: I think it may be assumed, Mr. Norman, that we are going to conduct this hearing in the usual way, and endeavor to get all of the facts, and everybody who desires to develop the facts will have an opportunity to do so.

Mr. Norman: Well, it just seemed to me, your Honor, that everybody wanting an opportunity to cross examine Dr. Edwards later, should say so at this time; and if that is the idea, why, then I will state now that I would also like to examine him later, when he is recalled.

Chairman Aitchison: Well, in that event, Mr. Norman, [fol. 348] of course your cross examination would be limited to ground that had not already been covered. In other words, your examination would really be cross examination upon cross examination. If you have any cross examination of Dr. Edwards, you should either conduct it at this time, or show us some reason why you cannot.

Mr. Norman: Well, I am not prepared to go forward at this time, your Honor, for the same reason that all of the other gentlemen have expressed, namely, that I have not as yet had sufficient opportunity to analyze what Dr. Edwards has produced here in the way of new matter.

Chairman Aitchison: Well, Dr. Edwards will remain here for a reasonable period of time, and we will recall him at the proper time. Have you anything further, Mr. Smelker?

Mr. Smelker: Nothing further.

Chairman Aitchison: You may stand aside, Dr. Edwards.

(Witness excused.)

Chairman Aitchison: Have you any further testimony to offer, Mr. Smelker?

Mr. Smelker: Nothing further.

Chairman Aitchison: According to the notice of June 5th, 1942, we will now hear testimony of respondents. From whom will we hear first?

Mr. Gwathmey: Mr. Chairman, speaking for the Southern [fol. 349] Railroads, subject to the approval of the Commission, it has been agreed among us that, so far as the railroads are concerned, the Southern roads will proceed first, to be followed by the Eastern Lines, and then by the Western roads. We are prepared at this time to proceed with our rebuttal of the testimony which was offered at the St. Louis hearing, in accordance with the notice of the Commission. Our first witness, Mr. Chairman, will be Mr. B. F. Morris. I may say, we did not know just when he would be called, and I am not sure that he has his exhibits distributed. May I consult with him for just one moment, please. Mr. Morris informs me that a large number of his exhibits, and his accompanying statement, have been placed on the table in the hall, and if your Honor would take just a short recess at this time, so that the parties can go out and get them, I am sure that they will all be supplied.

Chairman Aitchison: Very well. We will be in recess for a few moments, then.

(A short recess was taken.)

[fol. 350] Chairman Aitchison: Gentlemen, please come to order. You may proceed, Mr. Grubbs.

Mr. Grubbs: If your Honors please, I think it might be well for me to say in a prefatory way, as the Southern railroads commence their presentation, that they take their stand squarely on the proposition that their present rates are the result of many years of earnest effort and experiment on the part of the Commission, the shippers and these railroads to adjust their rates to meet the needs of commerce; and that they do meet such needs.

To a very large extent, as we shall show, the maximum pegs have been fixed or approved by this Commission after full and assiduous consideration. This being so, the Southern railroads feel that they have every right to rely on the existing rates, many of which are under the maximum levels that have been fixed by the Commission or approved by the Commission as being reasonable and otherwise lawful. They are unacquainted with any shipper complaints of any consequence against such rates and as to whatever complaint there may be against such rates, they feel, as they have earlier expressed themselves in this proceeding, that they are entitled first to hear the nature of that complaint before they undertake to meet it. Accordingly, we shall proceed now to show what we have and how we got it. Thereafter we are prepared to meet the [fol. 351] studies that have been presented by the witness offered by the Commission at the first hearing, namely, the studies presented by Dr. Stevens, Dr. Edwards and Mr. Jensen. I will call Mr. Ben F. Morris.

Chairman Aitchison: Raise your right hand and be sworn.

Ben F. Morris was sworn and testified as follows:

Direct examination.

By Mr. Grubbs:

Q. Will you state your name and address, please?

A. Ben F. Morris, Louisville, Kentucky?

Q. What is your occupation?

A. I am assistant to the traffic vice president of the Louisville & Nashville Railroad.

Q. How long have you been in the traffic department of the Louisville & Nashville Railroad?

A. 35 years.

Q. Briefly, what has been your work and experience in that department in that time?

A. Largely in the handling of rate adjustment matters.

Q. Will you outline briefly the positions you have held, Mr. Morris?

A. Prior to my present position, I was assistant to the freight traffic manager of our railroad for a period of [fol. 352] about ten years. Prior to that time I was engaged in the handling of matters for the traffic department before the Federal Commission and the State regulatory commissions. Prior to that time I served as chief clerk, assistant chief clerk and other positions in the general traffic department. During the period of 1928 to 1931 I was a member of the Fourth Section Committee of the Southern carriers which was engaged in the revision of the Southern commodity rate structure that followed the docket 13494 class rate revision.

Q. Are you familiar with the rates generally that have been maintained by the Southern railroads?

A. I believe I am.

Q. Are you acquainted with the history and development of such rates?

A. Yes, sir.

Q. Have you made a special study for the purposes of this case revealing the history and development of such rates?

A. I have.

Mr. Grubbs: May this be marked for identification as the next exhibit, Mr. Chairman?

Chairman Aitchison: It will be marked for identification as Exhibit No. 15.

(Exhibit No. 15, Witness Morris, marked for identification.)

[fol. 353] By Mr. Grubbs:

Q. Mr. Morris, will you explain briefly what Exhibit No. 15 is?

A. Exhibit No. 15 is a description of the Southern rate adjustment which consists of 30 pages with six appendices.

Q. The first 30 pages constitute a narrative statement of the history and development of the rates, is that correct, Mr. Morris?

A. That is correct.

Q. That narrative is supported by appendices A to F, inclusive, which are statements of rates and the like?

A. That is correct, and the appendices are referred to in the narrative as they are reached.

Q. In short, this book, or this exhibit, tells what the Southern railroads have and how they got it, is that correct?

A. That is the purpose of the exhibit.

Q. Is there any further statement you wish to make concerning it?

A. Except to correct one or two typographical errors I found in the exhibit since it reached Indianapolis yesterday.

Chairman Aitchison: Can you put those in the shape of a statement and then distribute copies of that statement?

The Witness: Yes, sir, I can.

[fol. 354] Chairman Aitchison: You need not take time with that, Mr. Grubbs, unless it becomes necessary to refer to some one of those figures in particular during the course of the witness' testimony.

Mr. Grubbs: Very well, Mr. Chairman.

By Mr. Grubbs:

Q. Is there any further statement you wish to make, Mr. Morris?

A. No, sir.

Mr. Grubbs: The witness is ready for cross-examination. I offer Exhibit 15 in evidence.

Chairman Aitchison: Exhibit 15 is offered in evidence. Do I hear any objection? (No response.) There being no objection, it is received.

(Exhibit No. 15, Witness Morris, received in evidence.)

Chairman Aichison: You may cross-examine.

Mr. Norman: Mr. Chairman, in view of the manner in which this evidence is put in, it is manifestly impossible to cross-examine the witness at this moment, because we have no idea what is in his testimony. His testimony, in the first place, consists of 30 pages of written matter which ordinarily, I take it, would be oral testimony. Then there are those appendices and exhibits which we have had no opportunity to examine. We therefore would like a later opportunity to cross-examine the witness.

[fol. 355] Chairman Aitchison: Will you be available here, Mr. Morris?

The Witness: Yes, sir, at any time.

Chairman Aitchison: You may stand aside then, with the understanding that you will be subject to call, and a reasonable opportunity given to counsel to examine your statement and then recall you for cross-examination.

(Witness excused.)

Chairman Aitchison: Is that all, Mr. Grubbs?

Mr. Grubbs: That is all of this witness, your Honor.

Chairman Aitchison: Do you have other witnesses?

Mr. Grubbs: We have several other witnesses. Mr. Gwathmey will call the next witness.

Chairman Aitchison: You may proceed, Mr. Gwathmey.

Mr. Gwathmey: Mr. Chairman, I would like to call Mr.

J. G. Kerr. Mr. Kerr has several exhibits and a prepared statement. They were distributed at the same time that Mr. Morris' exhibits were distributed, and in the same way.

Mr. McGehee: No.

Mr. Gwathmey: Just a minute, please. I am now informed, Mr. Chairman, that the witness was unable to make that distribution.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: At this time we will suspend until [fol. 356] two o'clock P. M.

(At 12 o'clock M, recess taken to 2 o'clock P. M.)

[fol. 357] Afternoon Session

The hearing was resumed pursuant to recess.

2 P. M.

Chairman Aitchison: Come to order please. You may proceed, Mr. Gwathmey.

Mr. Gwathmey: Mr. Kerr.

J. G. Kerr was sworn and testified as follows:

Mr. Gwathmey: Mr. Chairman, Mr. Kerr has several exhibits. He also has a prepared statement. Copies of both his exhibits and his statement have now been duly distributed to the members of the Commission, opposing counsel and the reporter, in accordance with the requirements of the new rules of practice of the Commission. With the approval of the Presiding Officer, I am going to ask that Mr. Kerr be permitted to make his statement orally, for the record; and then that he be cross-examined at this time.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record. Proceed.

Direct examination.

By Mr. Gwathmey:

Q. Mr. Kerr, will you please proceed to state your qualifications to testify in this case, and then submit such statement as you have prepared and desire to submit.

[fol. 358] A. My name is Joseph G. Kerr; Atlanta, Georgia. I am Chairman of the Southern Freight Association, and have been for five and a half years. I am also Chairman of the Traffic Executive Association—Southern Territory, and Chairman of the Executive Boards of the Southern Classification Committee and the Southern Passenger Association.

During the period 1903 to 1935, I occupied various clerical, supervisory and official positions with the traffic department of the Louisville & Nashville Railroad at Louisville, Kentucky, except for a period of one and a half years during 1918-1920 when I was assistant to the Director of Traffic, United States Railroad Administration, at Washington. From 1923 to 1935, I was assistant to the Traffic Vice President of the Louisville & Nashville Railroad. During the years 1935 and 1936, I was assistant to the Vice President in charge of traffic of the Association of American Railroads, at Washington, D. C.

My traffic experience has been broad and varied, much of it of an analytical character. I am not a statistician or cost expert, but over a long period of years have been familiar with the statistics of railways as covered by the Commission's reports. I feel that I know what they are intended to and do portray, and their value in freight rate making, after making due allowance for the fact that aver- [fol. 359] ages are generally derived from unlike things especially as concerns one territory as compared with another, and after making allowances for many other factors which affect an intelligent use of such averages.

The purpose of this evidence is to rebut statements presented to the effect that studies made indicate that the costs of moving traffic in the South are lower than in Official Territory, and even if such statements were true same cannot be given practical application in fixing rates on classes or commodities to, from, and between points in the South.

I have used 1939 statistics because they are those used by Dr. Edwards in this proceeding. Comparisons I have made for other years develop substantially the same wide difference in composition of traffic and other conditions between the Southern Region and Official Territory.

It is understood, of course, that the Edwards cost study, as stated on page 1 of Chapter 1, "does not reflect those factors which occasion differences in rates which cannot be justified under a strict adherence to a cost of service principle," "such factors including the value of the service, ability to pay, value of the commodity, competitive relationships, degree of manufacture, etc.," also that as stated on page 2 of the same chapter, "rate making, like [fol. 360] all forms of price fixing, is in part an economic problem and not merely an engineering or accounting problem * *"

In the main, the rate structure of the South, as well as in other sections of the country, broadly reflects the circumstances and conditions, economic and otherwise, surrounding the movement of each kind of traffic, from each origin to each destination individually and in general relationship to other origins and destinations, and in reasonable relationship to competitive commodities. It recognizes within reasonable limits the principle of what the traffic will bear and move freely.

An intelligent rate-maker is well informed regarding the average receipts and costs per ton-mile and car-mile. In the light of these averages, produced by many different commodities transported under a great variety of conditions, the rate-maker must weigh all factors connected with the particular traffic in mind, including the length of haul, character of equipment, the character of the commodity, the service required, the empty haul usually involved, probable loading, the gathering or distributing service, and many other factors requiring the use of "common sense and informed judgment" and decide as to the measure of the rate at which the traffic may be profitably undertaken. [fol. 361] The factor of "value of service" is an important one in transportation. Some traffic cannot possibly move other than on basis of lower charges than the average but still will yield more than the out-of-pocket cost. If such traffic is not taken on then the remaining traffic must be called upon to support the plant.

In connection with other traffic, much higher than the average may be charged and not result in unreasonable rates. This is particularly true as to those high-grade commodities on which rates in the South reach as much as 39 per cent greater than in Official Territory for a given distance.

The problem really is that a railroad with a plant constructed to transport a great volume of traffic of many different kinds and under widely varying conditions, faced with the necessity of meeting certain expenses which do not directly fluctuate with volume, must distribute that cost, together with that directly attributable to transportation itself, over all of its traffic (freight, passenger, express and mail) in such a manner as to permit the traffic to move freely and produce revenues in the aggregate adequate to meet all expenses and if possible yield a reasonable return on the investment.

The claim that class and other southern rates should be no higher than those applicable within Official Territory [fol. 362] is usually predicated on the contention that the average ton-mile earnings and average so-called "unit costs" in Southern Territory as developed from the Interstate Commerce Commission's statistics are but little in excess of those developed for Official Territory or as claimed by the Edwards and similar cost studies the unit costs are less, but these claims largely ignore the fact that the volume of traffic in Official Territory is very much greater than that available to Southern carriers; that the average number of tons per car, the average number of cars per train, are very much greater in the North than in the South; that the average hauls are entirely dissimilar being much longer in the South than in the North; and that the volumes of the several kinds of freight particularly high-grade well-paying freight, are very different in the North from those in the South.

By Chairman Aitchison:

Q. May I interrupt you there to ask if by the "North", you mean Official Territory?

A. Yes, sir.

Chairman Aitchison: Continue.

The Witness: In other words, the composition of traffic and the distribution of the so-called transportation burden as between commodities in the South are very different from those found in Official Territory, and this different distribution or composition of traffic is brought about by [fol. 363] very different conditions.

Where some allowance is made, as in the Edwards study, for differences in aggregate volumes, or differences in classes of traffic according to classes of equipment, etc.,

6

there still remains the fact that the averages are produced by wholly unlike things one territory versus another or even one carrier versus another.

On many commodities, some of which are peculiar or which move under conditions peculiar to the South, the rates are either lower, approximately the same as, or but little higher than those applicable within Official territory, and these commodities make up a considerable portion of the traffic transported by southern railroads. In this connection, there may be mentioned, lumber, logs, lime, sand, gravel, and crushed stone, brick, etc. Generally speaking, economic and other conditions will not permit of any higher rates, relatively, to be carried on such commodities.

There is a maximum limit beyond which southern lines may not go in connection with rates on many commodities, particularly low-grade and heavy-loading products of mines, some low-grade manufactured products, low-grade raw materials, logs and other products of the forests, and on agricultural commodities. These articles form a considerable part of the total tonnage of southern lines, and [fol. 364] with these limitations on revenues, as represented by rates, fixed by conditions largely peculiar to the South, the residue of the traffic consisting of the higher grade tonnage generally moving under class rates or commodity rates closely related thereto must, of necessity, be looked to, to contribute the remainder of the necessary aggregate revenue.

The amount of so-called high-grade traffic which can carry relatively high rates is exceedingly limited in Southern Territory both in number of tons and in relation to the total traffic available, but it is very important to southern carriers as concerns its contribution to aggregate revenues. On the other hand, the number of tons of this high-grade traffic available to Official Territory lines, either in tons per mile of road or in relation to total traffic, is very much greater than is the case in the South, so that it follows that in Official Territory this class of traffic is not called upon to shoulder as great a share of the total transportation burden as is the case in Southern Territory, and this unquestionably accounts for the fact that the northern carriers are in a position to operate a lower relative class-rate or merchandise level than are the southern carriers.

With such a wide diversity of traffic densities, distribution or composition of traffic and revenues as between [fol. 365] commodities, competition and commercial conditions, and other factors, as between the South, on the one hand, and Official Territory, on the other hand, together with the limitations referred to, there will be found the explanation of, and the absolute necessity for maintaining, the relatively high class rates and commodity rates on the higher-grade traffic in the South, as contrasted with the North and East, enjoying as the latter do much greater proportions and volumes of such higher-grade traffic.

Except that I do not agree that one can produce unit costs of value for rate-making purposes by averaging numerous unlike factors, I do concur in that part of the Edwards study on page 1 of Chapter I where he concedes there are other factors besides cost of service to be considered in rate-making, such as value of service, ability to pay, value of the commodity, competitive relationships, degree of manufacture, etc. Dr. Edwards went on to say that because of these factors some rates may be above the costs indicated and other rates may be below such costs, but on the average all traffic must earn the amounts shown if the carriers' revenues as a whole are to cover the elements of cost listed. As an abstract statistical proposition I do not disagree with the latter statement.

What Dr. Edwards says in this connection merely con- [fol. 366] firms what I have said, i.e., that while a straight line mileage progression of average unit costs—albeit averages of unlike things—may be built up, the rates on many commodities must necessarily—and due to many different factors—be below the average and those on many others above the average.

The point at which the level of rates on each class or each commodity will fall above or below the average cost line will, of course, vary with each such rate for any given distance, and also according to the territory. It will fall at different points for different carriers within the same territory. If, as is true, the kinds of traffic, their respective volumes, hauls, and other conditions, one territory versus another, are different, it is reasonable then to expect the respective general levels of rates to fall at different points above or below the average cost line.

It so happens that the composition of traffic in the South and the competitive and economic conditions there found are such that as to class rates and the rates applicable on many high-grade commodities, to meet the *the* revenue needs of the carriers the level of such rates is necessarily found farther above the average cost line than is the case in Official Territory.

Stated differently, the volume of high grade traffic in [fol. 367] Official Territory, which can stand relatively high rates, is so great as contrasted with that available to southern roads, that the revenues needed to round out aggregate revenues sufficient to pay all costs may be spread thinner over such traffic in Official Territory—in the shape of lower scales of rates—than is the case in Southern Territory.

Just so long as these very different compositions and volumes of traffic exist—and they cannot be changed by mere changes in rates—then there is no hope that southern carriers can profitably operate under class rate scales as low as those in Official Territory.

If there is justification for ignoring all of the factors which now result in distributing the transportation burden as between commodities and groups of commodities in Southern Territory and transferring the lower northern class rate level to the South, then the northern rate levels on lumber and logs, brick, and everything else should be transferred to the South and in the same disregard of the different economic and other conditions prevailing in the South, and yet it is known that the northern rate level on each class of traffic or each group of commodities would not fit southern conditions. In the end, there would not only be a rate system that did not fit the South and which would [fol. 368] not freely move its traffic, but the inevitable result seen would be complete bankruptcy for all southern railroads.

By Mr. Gwathmey:

Q. Mr. Kerr, it was your intention originally, as I understand it, to introduce eight separate exhibits.

A. Yes, sir.

Q. But you are agreeable to introducing them collectively, as a single exhibit.

A. Yes.

Mr. Gwathmey: May we have Mr. Kerr's Exhibit No. 16, then, consisting of eight pages, identified at this time.

(Exhibit 16, Witness Kerr, marked for identification.)

By Mr. Gwathmey:

Q. Will you deal with the exhibit itself then, Mr. Kerr, as No. 16, and each page separately, for the eight pages.

A. Yes, sir. My exhibit No. 16, consisting of eight pages, is a statement of selected freight and passenger service statistics, year 1939, of Class I railways, separately by regions or districts, the purpose being to show that these statistics or averages, Southern Region versus Eastern District (separately and including the Pocahontas Region) indicate there is no similarity between Official Territory and the Southern Region but, in general, the averages disclose conditions in the former are far superior to those of the South.

[fol. 369] By Chairman Aitchison:

Q. Are these figures taken directly from the statistics of the Commission, or are they a computation?

A. No, Mr. Commissioner, they are taken directly from the reports. Now, I was very careful to say that they are selected, but they were selected merely for the purpose of showing these great differences on individual items. There are other items in the statement which might have been added, and there are probably some here that might be excluded.

Q. These are all to be found in the Blue Book, then, are they?

A. No.

Q. Well then, what is the source of them?

A. Oh, pardon me, Mr. Chairman. I misunderstood your question. They were all taken from the Blue Book, yes.

Q. And they are to be found in the Blue Book, without computation, are they?

A. Yes, sir. Unless some method can be found to equate each and all of those so-called efficiency factors to a common basis or bases, average costs per ton-mile, one region as contrasted with another, are simply mathematical calculations derived from adding together a lot of unlike things, which each differ greatly in value as compared with the other, and then dividing the result by some other factor or [fol. 370] factors.

Q. Is that not exactly what has been done on sheet 1 of the exhibit?

A. Yes.

Q. Then sheet 1 of the exhibit is subject to the same infirmity, as the Edwards study, is it not?

A. Yes, sir. The only thing is, as I see it, the Edwards study carries it a little further, and compounds objections to the averages shown in this exhibit, on page 1. A computation of "average rates per ton mile" or of "average costs per ton per mile" for use in measuring rates on a single commodity, selected groups of rates such as class rates, or the general body of rates, one region compared with another, involves the assumption that the average hauls of each group are approximately the same, that the freight traffic of each group consists of approximately the same kind of commodities and of approximately the same proportions of freight traffic of different kinds, that the manner in which the traffic is handled is the same, and that all other facts which determine rates and earnings on ton-mile and car-mile bases are the same, whereas, in fact, these elements differ widely as between the groups, and as between individual carriers.

The factors which control rates and earnings on ton-mile and car-mile bases and many other factors affect costs in [fol. 371] such a way that in the absence of a satisfactory showing of approximately similarity in all things which have a bearing upon such costs, in my opinion no one can say that average group freight unit costs of one territory are a proper measure of the same units of cost incident to particular classes of traffic one section versus another.

Page 2 of my Exhibit No. 16 is a statement showing for the year 1939, for each of the Eastern District Regions, the Eastern District as a whole and including the Pocahontas Region, and for the Southern Region, the relation in percentage of each important group or class of traffic in tons and revenue to total tons and revenue. The use of percentages shows the relationships far better than would the use of tons or revenues.

These comparisons develop no similarity whatever in the composition of traffic, one of these regions compared with another. The competitive and economic conditions surrounding the production and movement of most of these commodities or commodity groups are vastly different, one section versus another, and the transportation itself is frequently very different in respect to types of equipment used, loaded versus empty hauls, direction of loads, lengths of hauls, loading per car and per train, and many other items that affect transportation costs and revenues.

It is simply impossible, in my opinion, to ignore all of [fol. 372] these factors and strike an average of unlike things as representing the cost of transporting a given commodity, any group or class of commodities, or traffic as a whole.

In this connection, the Edwards study itself apparently recognizes its own deficiencies in this respect.

On page 21, commenting on "comparisons based on the average net load obtaining in Southern and Eastern Territories", after stating that the average weight for traffic handled in box cars varies somewhat between territories, it is then said "in making comparisons it is not possible to base the costs for each territory on the average load for all commodities moving in box cars in that territory as the results would reflect not merely the differences in the unit costs of operation but also the differences in the cost of hauling unlike commodities." While the study goes on to suggest a procedure to overcome this difficulty, I cannot find where in computing the general average costs one territory versus another, the Edwards study has done other than to average unlike things in any one territory or in one territory versus another.

On page 22, the Edwards study in trying to explain away an excess cost Southern territory versus Eastern Territory on traffic customarily moved in gondola and hopper cars, says: "The reason for this unfavorable showing for the [fol. 373] South is the lighter average loading which in turn is occasioned by substantial differences in the character of the gondola traffic in each territory. The traffic moved in the South consists to a large degree of commodities which have like loading characteristics in each territory. On the other hand, the Eastern Territory has substantial movements of certain commodities such as ore which in the South not only move in a relatively smaller volume but also have a lighter loading." This was immediately followed by the significant statement: "Where the consist of the traffic is unlike to the degree here indicated the comparisons have limited significance."

The most remarkable thing about this gondola and hopper car traffic is the statement found at page 22 of the Edwards study, that "although the South's traffic is of lighter average loading, if handled first, in Southern Territory and secondly in the Eastern Territory, the average Southern cost would be 1 or 2 per cent below that for Eastern Territory. But, if one assumed that the consist of the Eastern traffic were moved first in Eastern Territory and secondly in Southern Territory, the result would indicate that the average cost for the South exceeded that for the East by about 7 per cent."

Again, on page 25, it is stated as to comparisons based on 50 ton loads in gondola and hopper cars, "the relatively less favorable position of the Southern Territory is ex- [fol. 374] plained by the relatively high per cent empty return for gondola and hopper cars reported by the Southern roads."

On page 36, it is conceded that very substantial variations exist in the costs for individual railroads within a territory, and although the cost comparisons were based on identical lengths of haul and identical loads, the variations found between carriers in every territory ranged from 10 to 15 per cent, and that the differences in per cent of empty return movement were not great enough to account for more than a very small portion of the differences in costs between carriers.

In a case involving divisions of rates on citrus fruit from Florida to Official Territory, 194 I. C. C. 758, the Commission said Products of Mines and Manufactures and Miscellaneous carload traffic are "categories commonly considered to include commodities affording the best financial return." I concur wholly in that statement.

Page 3 of my Exhibit No. 16 compares the Eastern District and Pocahontas Region with the Southern Region, Products of Mines and Manufactures and Miscellaneous traffic combined, in tons and revenues in percentages of the totals and per mile of road.

The same character of information is shown as to Products of Agriculture and Forests "which are less desirable [fol. 375] from a revenue standpoint."

This exhibit also shows the average number of tons per car originated for the Eastern District, Pocahontas Region and Southern Region, separately as to each carload commodity group.

Page 4 of my Exhibit No. 16 is a graph showing this same information and permits of better visualization.

Even assuming that Dr. Edwards' study is correct in its finding that the average unit cost per ton-mile in the South is less or at least no higher than that in the Eastern District, in my opinion this contention is incorrect, and disregarding the fact that such unit costs are derived from unlike things and that the average hauls in the two sections are wide apart, such unit costs could not safely be used in measuring the reasonableness of individual rates, groups of rates, or general levels, one section versus another, for the reason that the compositions of traffic from which the aggregate revenues are produced are wholly different as is shown by these pages of my Exhibit No. 16.

While there are some items such as brick, fertilizer, and cast iron pipe in the Manufactures and Miscellaneous carload group which take rates in the South no higher than those in the Eastern District, that group is very largely made up of commodities as to which the southern rates are [fol. 376] higher mile-for-mile than the Eastern District rates. Many of the rates on these commodities are either class rates or are closely related thereto in both the Southern Region and Eastern District. They are the commodities which are called upon in all territories to assume a greater share of the transportation burden than other traffic.

In 1939, 29.6 per cent in tons and 41.4 per cent in revenue of the Eastern District's traffic was made up of this relatively high-grade well-paying tonnage. Including the Pocahontas Region the figures are 26.9 and 37.8, respectively. These are contrasted with 27.2 per cent in tons and 34.7 per cent in revenues for the Southern Region. Six or seven percentage points in total revenue is a tremendous difference.

Q. Somewhere in your testimony are you not going to detail what these other commodities are?

A. I do not believe I understand, Mr. Commissioner.

Q. Well, you have been talking about brick, fertilizer, and cast iron pipe in the Manufacturers and Miscellaneous group, taking rates in the South no higher than those in the Eastern District, and then you speak of commodities on which the rates in the South are higher mile for mile than the Eastern District rates, and then you drop down a few lines and say that they are the commodities which are called [fol. 377] upon in all territories to assume a greater share of the transportation burden than other traffic. Now, I am asking you, are you going to tell us what those commodities are?

A. I was talking, Mr. Chairman, about the commodities in the Manufactures and Miscellaneous Group according to the statistics of the Commission.

Q. All of them?

A. No, sir. I said, there are certain commodities, such as brick, fertilizer and cast iron pipe, where our rate level is no higher than that in Official Territory; but for the most part, on the commodities within the Manufactures and Miscellaneous Group, using your own classification, our rates in the South are higher than those in the North and East.

Q. Well, that is as much of a breakdown as you intend to make of that statement, is it?

A. At this time, yes, sir.

Q. All right.

A. I could go to other commodities, now, in other groups such as Products of Forests——

Q. No. I am taking now about the particular statement here, wherein you make this generalization about the class rates on commodities in the Manufactures and Miscellaneous group being higher in the South than in the Eastern District.

[fol. 378] A. I do not intend to go any further than I have as to that, no, Mr. Chairman, because I have said that for the most part the rates are higher in the South than in the North and East,—and I frankly admit it—ranging from a very small percentage up to approximately the difference that you find in the first-class rates themselves. Some of them are quite difficult to compare, because the difference in one mileage block may be quite different from the difference found in connection with another mileage block. For instance, we have a mileage scale on iron and steel in the South which is not directly related to our first-class rates at all, but the general level of the scale is higher than the scale of iron and steel rates in the North and East. I use that merely for the purpose of illustration. May I proceed?

Q. Yes, although I am going to interrupt you again, in just a minute.

A. Pardon me; I did not hear.

Q. I say, yes, go ahead, but I am going to interrupt you again in a minute.

A. While the Eastern District had only 2.4 percentage points greater Manufactures and Miscellaneous C. L. tonnage, this produced 6.7 percentage points greater revenue, this notwithstanding the shorter haul of the Eastern District.

Q. As to this relatively high-rated, well-paying tonnage, [fol. 379] you are not going to give us any better description than you have?

A. As a witness, I am not, no, Mr. Commissioner. Somebody else may do it, but I am not.

Q. Well, you have got it down pretty well. You must have had something in mind, in figuring out these precise percentages, both of tons and revenues; you must have had certain commodities in mind. Now, what were they?

A. Why, I took the Commission's own classification, its own group of commodities, the Manufacturers and Miscellaneous group.

Q. Well, why could you not say so at first, then?

A. It is Commodity Group No. 840.

Q. Well then, we can interpret the statement "In 1939, 29.6 per cent in tons and 41.4 per cent in revenue of the Eastern Districts traffic was made up of this relatively high-grade well-paying tonnage," as simply referring——

A. To 840.

Q. —to Group No. 840.

A. Yes, sir.

Q. But in the preceding paragraph you appear to have taken certain items out of that list.

A. No, Mr. Chairman. I simply have called attention to a few of the items in the list on which I think all of us know, without any specific statement, that the rates in [fol. 380] South are no higher than these in the other groups. For example, the Commission itself, on cast iron pipe, prescribed exactly the same scale of rates in the South as in Official Territory.

Q. Well now we are still talking about this same group, Manufactures and Miscellaneous; and what I want to know is, if you take out the rates which are in the South no higher than those in the East, how, then, would the tonnage and revenue in the case of the remainder, compare?

A. The percentages in favor of the East would be increased—that is, the relative position would be increased.

Of course, the actual figures themselves would be decreased.

Q. But you have not computed them?

A. No, sir. However, Mr. Commissioner, on page 2 of my exhibit you will find substantially the same information by individual commodity groups, and I have done pretty much the same thing as I did here. I have grouped certain iron and steel articles only for the purpose of shortening up this statement. In other words, as to iron and steel articles,—and that is typical of a number of others—I have shown opposite iron and steel articles the totals for Groups 491, 500, 511, 512, and 513. Now, the Eastern District roads had an average of 4,328 tons per mile producing an average of $10,264 per mile of such traffic as compared with only 1,486 tons per mile and $4,079 [fol. 381] per mile for the Southern Region, or substantially less than 50 per cent as much.

The Eastern District lines had almost three times the volume per mile of road of this high-grade traffic over which to spread that part of the total transportation burden, than was the case with the Southern roads, and it undoubtedly accounts for their ability to operate a rate level on such traffic lower than can be operated in the South.

Exact coal rate comparisons are difficult, but it is generally agreed that on the whole, rates on coal from and between points in the South are on no higher level than those in the Eastern District. On many products of mines, Southern rates are lower, some of them substantially less, and the traffic is less desirable than is the same traffic in Official Territory.

The Eastern District roads had an average of this desirable traffic of 58.1 per cent of total tons and 34.9 per cent of total revenues, as contrasted with averages of only 46.4 per cent and 23.7 per cent, respectively, for Southern roads. The Eastern roads enjoyed 8,497 tons per mile and $8,639 per mile, as compared with but 2,533 tons and $2,784 per mile for the Southern roads. When the Pocahontas Region, over which the Official Territory basis of class and general commodity rates is operated, [fol. 382] is consolidated with the Eastern District, the comparisons are even less favorable to Southern roads. If the coal originating on the Illinois Central in Illinois and on the Illinois Central and Louisville & Nashville in Kentucky near the border and moving in tremendous volume to northern points, and which is not generally spread over Southern lines, could be eliminated the showing would be even less favorable to the South. This particular coal tonnage had the effect of greatly depressing the unit cost averages found in the Edwards study for the Southern Region. Under the Edwards study, the cost of handling this particular traffic is just lumped with the Southern Group. Now, I think I should qualify that, because I am not certain that Dr. Edwards included the Illinois part of the Illinois Central and the Southern Group. Public policy, economic and competitive conditions demand that rates on agricultural products be kept on the lowest possible basis. That Southern roads are more heavily dependent upon this class of traffic is indicated by the fact that of the Eastern District roads' total traffic and revenues in 1939, only 6.6 per cent in tons and 8.7 per cent in revenue was of products of agriculture, while Southern roads depended upon it to the extent of 10.8 per cent in tons and 17.7 per cent in revenues.

Products of forest, particularly lumber, logs and pulp- [fol. 383] wood, represent a group upon which Southern roads are heavily dependent, indicated by the fact that it represented 11.4 per cent of total tons and 9.4 per cent of revenues in 1939. On the other hand, the Eastern District roads were dependent only to the extent of 2.4 per cent in tons and 2.8 per cent in revenues.

Taking Agricultural Products and Forest Products together, Eastern District roads not only do not have to depend so heavily as the Southern Region on this less desirable traffic for aggregate revenues, but they have available far greater proportions of the more desirable Mines and Merchandise and Miscellaneous carload tonnage than have the Southern roads. Southern carriers are largely dependent upon agricultural and forest traffic and have little opportunity to recoup a deficiency in profit upon such traffic by recourse to higher rates upon other kinds.

Hauls of 176 and 204 miles, Official and Southern roads, respectively, represent the approximate average hauls of all traffic per road per region in 1939. A shipment may be hauled 400 miles in the South over 2 roads, each transporting it 200 miles. Two 200-mile hauls enter into the general average of 200 miles and not a haul of 400 miles. The average haul per shipment per region is unknown.

We know that the average haul per shipment moving [fol. 384] interterritorially between Official and Southern Territories is approximately 700 miles, divided 300 north and 400 south. I might say there, Mr. Chairman, that that was the result of very elaborate studies, which we made in connection with the Interterritorial Divisions Case 24160. The average haul per shipment in the North is probably somewhere between 176 and 300 miles, and in the South between 204 and 400 miles.

If it is true, as claimed by the Edwards study, that the cost of transporting carload freight in the South, per gross ton or per car mile, including or excluding so-called L. C. L. deficiencies and passenger deficiencies, and allowing for differences in investments, is almost invariably less—sometimes substantially less, than in the Eastern District regions, the Southern roads with their admittedly higher general level of freight rates mile-for-mile should have produced over a long period of years substantially greater rates of returns than the Eastern Districts roads, but such is not the case.

By Mr. Gwathmey:

Q. May I interrupt you there, Mr. Kerr, to ask you this question: Are you referring at this point to the studies which were submitted by Dr. Edwards at the St. Louis hearing?

A. Yes.

Q. And to those studies exclusively?

[fol. 385] A. Yes, sir. I have had no opportunity personally of examining what has been put in here today.

Q. Continue.

A. Mileage scales and other rates generally grade down (rate of progression) as the distances increase—this on the theory that the influence of origin and destination terminal expenses, and the cost of transportation, decrease as the hauls increase. Competition in connection with long hauls also has something to do with it.

In 1939, the average hauls per road per revenue ton-mile were 161 miles Eastern District (176 miles Eastern District including Pocahontas Region), and 204 miles Southern Region. Admittedly, the actual hauls per shipment per region are somewhat greater, but these figures may be used as approximately representing the ration South versus Official Territory.

The present first class rate excluding the Ex Parte 148 increase,—and I do that all the way through—in the South for 204 miles is 114 cents per 100 pounds, equal to 11.12 cents per ton-mile. The present first class rate in Official Territory (Eastern District) for 161 miles is 76 cents per 100 pounds, equal to 9.44 cents per ton-mile.

By Chairman Aitchison:

Q. Does that include the Pocahontas Region?

A. No, it does not, in that case. While it may be true [fol. 386] that the first class rates of the South average about 39 per cent higher for any given distance than the Official Territory rates, it is obvious that the ton-mile revenue of Southern lines for the average haul of 204 miles is only 18.3 per cent higher than that of the Official lines for their average haul of 161 miles.

Q. As related to first class?

A. That is first class entirely, yes, sir. Incidentally, I might say, I do not accept the statement at all that the average level of class rates as prescribed by the Commission in 13494, for the South, is 39 per cent higher than the Official Territory level, because that fails to take into consideration the different relationships to first class, and the fact that, speaking now in percentages of first class rather than numbers, the relationship in one territory may be different from that in another. We have a good many commodities in the South at the present time, that are rated third class less than carload, that are rated first class or second class in Official Territory, so it is perfectly obvious that the first class itself does not depict the relationship between the two scales. Then again, I have seen some figures—I think the Tennessee Valley Authority has gotten them up, and perhaps they will be put in here—where they weight all of the different ratings, the number of ratings in each class, to [fol. 387] get the percentage per hundred pounds. Well, that is just averaging a number of unlike things, because that gives little or no weight—I would say no weight to the different volumes of traffic that are rated first class, second class, third class, and so forth. That is just counting up a lot of numbers, and averaging them. However, I am frank to admit, I do not know how you are going to get it exactly. The traffic is so unlike that I just do not think that you can average it.

To again illustrate, and again using average hauls per road for convenience: The first-class rate (excluding the Ex Parte 148 increase) under the eastern class rate scale for 161 miles is 76 cents equivalent to 9.44 cents per ton per mile. Under the same eastern scale for the average haul of 204 miles in Southern Territory the rate would be 83 cents, or equivalent to 8.14 cents per ton per mile. As the ton-mile revenue for the respective average hauls is 16.0 per cent greater in the East than in the South, it would require a class rates cale in the South approximately 16 per cent greater than the Eastern scale in the South approximately 16 per cent greater than the Eastern scale to even produce the same average ton-mile revenues.

If one should use average hauls per shipment for both the North and South based 50 per cent higher than the [fol. 388] average hauls per shipment per road, we would get substantially the same results, that is to say, based on averages, a class rate scale about 16 per cent higher than the eastern scale would be necessary for the South to produce the same ton-mile revenues as the eastern roads get out of their scale.

It must necessarily follow that the eastern class rate scale if arbitrarily transferred to the South merely because of some claimed similarity of alleged unit costs would produce lower revenue per ton-mile on the average southern class-rate shipment than the same scale would produce on the average eastern class-rate shipment. There is an assumption there that the kind of class rate traffic in the South is the same kind as that in Official Territory. I do not think that necessarily follows, however. From every test that I have ever made, and anything I have seen, based on my own experience of about 40 years, it indicates that our traffic moving on class rates in the South, or on rates closely related to first class, is of a lower grade than that moving in Official Territory.

[fol. 389] In 1939 the average revenue per ton-mile of the Southern Region was 10.15 mills, and the Eastern District was 10.30 mills, or fractionally higher than the South. For the Eastern District and Pocahontas Region combined, the average was 9.50 mills. Inasmuch as the Southern average hauls are longer and rates for longer hauls are generally less per mile than shorter hauls, it required a higher general level of rates in the South than in the East to produce such a result, although it is true that southern shippers and receivers pay southern carriers no more per mile for transporting the average or composite ton than is paid by northern and eastern shippers to railroads in that territory.

The latter statement ignores the fact that the composite ton in the South is not the same as the composite ton in the East. The difference is so marked that the composite ton and, consequently, the average receipts per ton-mile, unit costs, etc., in the two territories are not things comparable to a degree as to justify, or to even suggest, the thought that southern rates should be reduced to the level of northern rates on the same articles. But, as I interpret the Edwards study, a ton is a ton regardless of commodity (except that commodities are grouped according to class of equipment used, length of haul, direction of movement, and many other factors which affect costs and revenues), except that [fol. 390] an attempt is made to work out cost scales graded according to distances.

If these costs are correct and rates generally, or on any commodity or groups, are to be made with more direct relation to such costs, then it is obvious that, if carried to a logical conclusion, instead of the general level of Southern rates being higher than that of the East, the Southern rates would have to be substantially lowered, and this in turn would produce lower average ton-mile revenue for Southern roads, when as a matter of fact these roads are today earning approximately the same average as the Eastern roads.

In my opinion the general rate level within the South is substantially higher than that in the North and East, commonly known as Official Territory. I have been misquoted on that kind of statement before, and lest there be any misunderstanding, when I refer to "general rate level within the South" I mean the general level of freight revenue produced by intraterritorial rates and by divisions of rates on interterritorial traffic, all kinds of traffic.

I base my opinion upon an experience of many years and upon other factors available to me. I am frank to admit that I know of no way by which the question may be determined with exactness, as the traffic of one territory is so unlike [fol. 391] that of the other as to composition, volume, length of hauls, average loadings, tonnage per train, etc., as to result in comparing unlike with unlike.

1. While no definite figures are available, such as we have point to the fact that the average rail haul in Southern

Territory is somewhat greater than that in Official Territory, probably in about the same ratio as developed by the respective average hauls per shipment per road.

2. On the whole, the traffic in the Southern Region appears to be of a lower grade than that of the Official Territory roads. I think that is well demonstrated by the previous pages of my Exhibit 16 which I have specifically referred to.

3. With average hauls longer in the South, and assuming a composition of traffic in the South similar to that of Official Territory, it would be reasonable to expect to find lower average ton-mile revenues in the South, whereas we actually find such revenues to be substantially similar in the two territories over a long period of years. Under any given rate scale, the longer the haul the lower the ton-mile yields. The lower the grade of traffic on the average, the lower would be the ton-mile average yield under any common system of rates. This result is not found here when you [fol. 392] compare the South with Official Territory, and the answer must be that the South's general rate level is higher.

4. Over a period of some years, the Commission's cost accountants and others have claimed that the unit costs—with or without returns on investments, have been less in the South than in Official Territory. During the same periods the "rates of return" of the Southern roads as a group have been less, although not invariably so; than those of Official Territory roads as a group. If as it is claimed, the unit costs in the South are so much lower and our general rate levels are so much higher, why is not the latter reflected in a rate of return for the Southern Group very much in excess of what the figures show?

These facts and results lead me to conclude that the so-called unit costs developed by the Edwards study, averages of unlike things, are of no value in measuring general levels of rates, and they cannot safely be applied in determining proper and reasonable levels of class or other rates one territory versus another.

Page No. 7 of my Exhibit No. 16 is a statement of selected traffic averages, year 1939, of the Louisville & Nashville Railroad and Southern Railway, both Southern Region lines.

It is preesnted solely for the purpose of demonstrating the substantial dissimilarity in traffic conditions frequently [fol. 393] found as to individual large roads in the same general territory, yet Mr. Edwards' computations of average unit costs include the Louisville & Nashville, and Southern, as well as other Southern roads, as one mass or lump. I have previously called attention to the fact that Dr. Edwards' in his study conceded that the differences, one road versus another in that same territory run as much as 10 to 15 per cent.

Operating as they do in the same general territory, and serving many of the same large cities such as Evansville, Louisville, Cincinnati, Lexington, Knoxville, Atlanta, Decatur, Birmingham, Memphis, and New Orleans, and, either directly or in connection with other railroads, other southern cities, it is absolutely necessary that both roads observe generally the same bases of class and commodity rates, and without regard to differences in composition of traffic, traffic densities, or so-called unit costs.

The aim of both roads is to meet as nearly as may be possible the conditions they find in their common territory, and secure aggregate revenues sufficient to pay operating expenses, taxes, etc., and some return on their properties. In neither case is it practicable to determine a so-called unit cost based on past performance and use same as the yardstick for arriving at rates on the traffic transported by each road. Rates would not be produced responsive to [fol. 394] actual necessities.

When it comes to one territory versus another, such as South versus Eastern District, the situation may be and is very different, except where it is absolutely essential for competitive reasons, to establish interterritorial rates on particular commodities reasonably related to the destination levels, such as from the South to the North. Traffic and other conditions are different in the South than the Eastern District, and materially so. The two territories can and should be kept separate to the fullest extent possible, so that the rate adjustment on individual commodities or groups of commodities may reflect the actual conditions within each particular territory, to the end that traffic may move freely and in the aggregate sufficient revenues be produced to pay all costs and some return on investments.

Chairman Aitchison: You spoke of traffic and other conditions being different in the South than the Eastern District.

By Chairman Aitchison:

Q. What are the "other conditions" that you have in mind?

A. Well, the word "traffic" is pretty broad, Mr. Chairman, I admit. Take our Southern Territory: It is practically an island. Except for a few miles at the northeastern end, it is completely surrounded by navigable waters. [fol. 395] Great rivers permeate the territory and some more are being constructed. The Commission itself has found that rates within the South are affected by water competition to a greater degree than any other section of the country. That is one of the conditions.

Q. Those are not traffic conditions, are they?

A. Sir?

Q. Those are not traffic conditions, are they?

A. All right. We will go to another that is typical, one of the great products of the South, and has been for longer than I can remember, lumber and logs. A great market for lumber, southern lumber is in the North and East. If it is going to move there at all, it must move on relatively low rates. If they are going to manufacture this lumber, particularly at the interior points, they must have low rates on logs. In late years our lumber from the South in trying to find markets in the North and East has felt more and more the competition of competitive forms of transportation. That has resulted in a good many changes in our rates. The truck competition has had something to do with it.

Q. Are you speaking about competition in Eastern T[illegible]itory?

[illegible] I am talking about competition, particularly, within Southern Territory.

Q. In your original statement you said that traffic and [fol. 396] other conditions are different in the South than the Eastern District.

A. That is what I just got through trying to explain, Mr. Chairman.

Q. What competition would lumber meet in the South from other territories?

A. I spoke generally, as a whole, about lumber from the South to Official Territory, but answering your question specifically, we have a great deal of competition on Pacific coast lumber in the South.

Q. All right, but you were talking about traffic in the South.

A. In the South. In the South, Mr. Chairman.

Q. You said that traffic and other conditions are different in the South than the Eastern District. I am asking you what the "other conditions" are, traffic conditions, that you have in mind.

A. Well, I tried to explain——

Q. You did not answer me when you told me about an interterritorial movement. That is not within the South and is not within the East.

A. Mr. Chairman, my answer was certainly not limited to interterritorial traffic. I spoke of interterritorial traffic and also traffic within the South, particularly mentioning lumber, and also the truck competition that was found [fol. 397] within the South that made itself felt in a very low scale of rates on lumber as well as logs.

Chairman Aitchison: Well, I have been struck by the fact that you have gone over 20 pages of your statement here and have not referred to any competition with anything except rails.

The Witness: There is intense competition in our territory with water and trunk lines, and competition with other competitive commodities.

Chairman Aitchison: We know that.

By Chairman Aitchison:

Q. You say there are competitive conditions in respect to commodities in the South which are different than in the East. Now, what other conditions are there besides traffic conditions and competitive conditions different in the South than in the East which you had in mind when you made the statement you were just making when I interrupted you?

A. You may well include there economic conditions which can be coupled with your traffic and competitive conditions. For example, in the South we produce a tremendous volume of fruits and vegetables. Now, if those fruits and vegetables are going to be marketed in the great markets of the country, they must move on relatively low rates.

Q. Interterritorially?

A. That is an economic as well as a traffic or competitive [fol. 398] condition.

Q. Still you are talking about interterritorial rates.

A. I am not limiting it at all to interterritorial rates, Mr. Chairman. We serve a great many of these markets with our own rails such as St. Louis, Louisville, Cincinnati, Washington, Atlanta, Nashville and Memphis.

Chairman Aitchison: I understand that, but you are making a comparison here as shown by a statement that you have not yet read. We are trying to keep this in separate compartments. Read your next sentence.

The Witness: The statement I made, if I may be permitted to read it again, was this: Traffic and other conditions are different in the South than the Eastern District, and materially so. The two territories can and should be kept separate to the fullest extent possible, so that the rate adjustment on individual commodities or groups of commodities may reflect the actual conditions within each particular territory, to the end that traffic may move freely and in the aggregate sufficient revenues be produced to pay all costs and some return on investments. That statement certainly was not limited to interterritorial traffic. In fact, I had uppermost in mind our own intraterritorial situation.

Chairman Aitchison: That is what I am getting at, and that is what I have been asking you about. Every time I [fol. 399] asked you about your intraterritorial conditions that are different from the intraterritorial conditions in the Eastern District, you cited to me an interterritorial condition.

By Chairman Aitchison:

Q. I am asking you as plainly as I can with respect to the conditions, other than traffic, which are different in the south than in the Eastern District, and materially so. What are they? You have mentioned the fact you have competition, and I assume you mean competition is different in the South than it is in the East.

A. We have a different kind of traffic moving under different conditions.

Q. That is a traffic condition.

A. No. It is not a traffic condition. Take a very simple case——

Q. Take what?

A. Take a very simple case. Take cotton.

Q. What do you mean by "traffic conditions" there?

A. Well, the word "traffic" is used by different people in different sorts of ways.

Q. In what sense do you use it?

A. I would rather combine it.

Q. In what sense do you use it when you say that "traffic conditions" are different in the South than in the East?

[fol. 400] A. I used it in a rather broad sense.

Q. A broad sense in what way? How broad, and what is your conclusion?

A. I would include in it what other people do not include. They simply speak about a rate.

Q. Do you mean anything at all, when you say "traffic and other conditions" or do you mean just traffic conditions?

A. Mr. Chairman, other people interpret those terms in such a way that I generally include them all, but if you ask me what I regard as "traffic conditions," I will include the whole lot.

Q. The whole lot?

A. It embraces the lot.

Q. The whole lot are included under "traffic conditions"?

A. Everything.

Q. In other words, "other conditions" as far as you are concerned in that statement you read is just surplusage?

A. Just so everybody understands what I mean by "traffic conditions," that would describe it:

Q. Then when you speak about "actual conditions," you mean traffic conditions? I am referring now to the bottom line of your statement on page 21.

A. I would be embraced within "traffic" under that definition, yes, sir.

Chairman Aitchison: All right.

[fol. 401] The Witness: Now, may I go back to my cotton illustration?

Chairman Aitchison: It is all right with me.

The Witness: We have a tremendous volume of cotton moving within the South, produced and moving within the South. Now, it is a matter of common knowledge that Official Territory does not move any cotton. They do not produce any, nor does their rate adjustment mean anything. They may have a few bales now and then from some port into the interior, but for all practical purposes they do not mean anything. Our rates have got to be made to move cotton between points in the South and from points in the South to other territories, and we ought not to be bound by what somebody else —.

Chairman Aitchison: Proceed.

The Witness: Returning to my statement, this necessarily means a difference in distribution of the transportation burden.

Conceding that the general level of Southern rates is higher than that of the East, and as it must be, and as the average ton-mile revenue of Southern lines for an average haul of 204 miles is practically the same as that of the Official lines for an average haul of 161 miles, and as the rates of return of Southern roads have not over a long period of years except for one or two years been in excess [fol. 402] of those of the Eastern District, it must follow that the cost of transporting freight in the South is greater for any given distance than that in the East and that, as found by the Commission in Docket 24160, the difference is not negligible.

The making of rates in general with direct relation to so-called unit costs would mean, if carried to a logical conclusion, different rates on the same commodity between the same points according to the railroad transporting, different rates in separate parts of the same general territory, or if all railroads in a given territory are to be considered as one mass, then on the same commodity there would be rates throughout the country differing only to the extent that there are proven differences in so-called unit costs. There would no longer be the opportunity for Southern roads, for example, to make rates on such commodities as cotton, fertilizer, lumber, logs, pulpwood, road aggregates, and a host of other commodities which fairly reflect the competitive and economic conditions peculiar to the South, if they are forced to reduce their class rates and those on other high-grade commodities to the Official Territory levels merely because some similarity in average unit costs may be claimed.

Conversely, the same similarity would seemingly demand that the Eastern rates on commodities such as I have [fol. 403] named should be reduced to the southern levels even though there is no real necessity therefor. The lowest rate anywhere, regardless of the reasons for its existence, would apparently become the rate everywhere a similarity of so-called unit costs could be claimed. As such unit costs are derived from the mass of traffic without regard to kinds or volumes and many other conditions, it would seem that the same rates would have to be applied alike on all carload traffic, differing only in size according to loading and length of haul.

Page 8 of my Exhibit No. 16 is a statement showing the revenue effect on Southern Region roads determined by redistributing revenues on general groups of commodities on basis of average revenues per ton of Eastern District road as plussed 16 per cent to reflect the greater average haul of Southern roads.

Admittedly, a comparison of this kind requires the use of assumptions but no more violent than those of the Edwards study if those so-called average unit costs can be used in making freight rates, or in determining that the freight rates on classes or selected articles in the South should be no higher than those in Official territory.

I have shown that it would require a class rate scale in the South approximately 16 per cent higher than the Eastern District scale to produce the same ton-mile earnings, [fol. 404] assuming that the average haul per road in the South versus the East approximately represents the relationship of the average hauls per shipment in each district or region. For this reason I have figured that the average revenue per ton per commodity group in the South would have to be 16 per cent above the average revenue per commodity group for the Eastern District to reflect the longer Southern average haul under the same rate basis. This is a maximum figure for the purpose. The use of any lower percentage would greatly increase the measure of losses to the Southern roads shown in this exhibit.

The assumption here is that the same difference in average haul is used for each commodity group although common sense tells one that the average hauls per shipment in each district and region are likely to be radically different and that this is bound to be true as to many of the commodity items that go to make up such groups.

The assumption is not quite so violent when it comes to the grand total, for here at least there can be no question but that the average haul per shipment per road is 161 miles Eastern District and 204 miles Southern Region, but what it is per shipment per district or region we not not know.

If, however, such unit costs as those claimed by the Edwards cost study can be used in arriving at Southern rates generally, or on individual commodities, then apply- [fol. 405] ing that theory to our whole body of traffic, the Eastern rate levels if transplanted to the South would reduce our revenues based on 1939, $39,812,189 per annum, something unthinkable in my opinion.

Com. Splawn: Let me interrupt you right there, Mr. Kerr.

By Com. Splawn:

Q. How did you arrive at that $39,812,189?

A. The $39,000,000 plus?

Q. Yes. How did you arrive at that?

A. I simply determined the average revenue per ton in the Eastern District and plussed it 16 per cent to compensate for the longer average hauls. Now, that is subject to another criticism that runs all the way through, and that is that it includes duplications. There is an assumption here that the amount of the duplications are about the same in each territory.

Q. Do all the tons in each territory to be compared, involved in these procedings, move under the rates being investigated here?

A. That is certainly true, Mr. Commissioner, as to the South and Official Territory. There is some far western section that may be——

Q. Here is what I want to get clear: Do you mean that if the class rates in the East were applied on the traffic in the South which moves on class rates, the Southern roads [fol. 406] would lose $39,000,000?

A. No. I did not limit it to class rates. I took all traffic, sir.

Com. Alldredge: I have difficulty in following the figures in the last column on page 8 of your exhibit.

By Com. Alldredge:

Q. How do you get a $25,000,000 loss under the total of carload traffic when you show above there a loss of $20,-

000,000 on agricultural products and a gain on all of the other traffic?

A. You have anticipated my statement. It is that it just illustrates the absurdities of trying to apply these so-called unit costs derived from unlike things to fix freight rates, without regard to what we have in one territory versus another, and I would like to take each item because I think it is very interesting and right to the point.

Q. I do not see how you can arrive at a $25,000,000 loss when in the same column above that you have only one item of a loss, showing a loss of $20,000,000, and the other items show an appreciable gain. Then when you show the total, it is a loss of $25,000,000.

A. Take the individual groups: You cannot add together the gains and add together the losses and subtract the losses from the gains and get a net loss that corresponds to that which you obtain by taking the traffic as a whole. I say again that that well demonstrates one of the absurd [fol. 407] results you get when you try to give one of these formulas practical application in rate making. I am not condemning Dr. Edwards for that, because he very clearly points out in his own study that there are so many other factors that must be given consideration.

Q. I think I would have to look at this exhibit a little more to see if it is stated correctly.

A. Mr. Commissioner, all the base figures are there. It does look silly, but there it is. I have used the same plan as to each commodity group and as to the whole, and they do not add up to the same.

By Chairman Aitchison:

Q. It simply proves that there is a difference in the commodity consist in the two territories, does it not?

A. Of course, Mr. Chairman. My point is, I have indulged in no more violent assumptions in making that than the assumption that unit costs in one territory are comparable with those in another territory.

By Com. Alldredge:

Q. How did you find this last figure on that page?

A. The last figure?

Q. Yes.

A. The $39,000,000?

Q. Yes.

A. I just found the average revenue per ton in the East- [fol. 408] ern District on carload and less than carload traffic. I plussed that by 16 per cent to compensate for the additional haul in Southern Territory. That is, the longer average haul. I also found what the Southern carriers actually received in revenue from all of the traffic. Then I deducted this estimated figure of $409,000,000 plus from the actual figure of $449,000,000 plus and I obtained a loss of $39,812,189.

Now, as Commissioner Alldredge pointed out—I do not think he got to actual figures,—but I would like to put into the record the fact that taking the individual fixed groups the losses total $46,475,899 and the gains total $19,792,314, or a net loss of $26,683,585, but the total loss on the grand total is $39,812,189. For example, applying that theory on products of mines, we would gain $10,219,018, in theory—products of forests, I should have said—we would gain $10,219,018, but if anybody would come down into that territory and tell us that we can increase our rates on forest products so that we could pick up $10,000,000, he would be——

By Chairman Aitchison:

Q. You tried to do it, did you not?

A. Not $10,000,000, Mr. Chairman. We reduced them.

Q. You wanted to get them up 10 per cent, did you not?

A. I do not know as we would have gained $10,000,000.

Q. As a matter of fact, the difference between the $26,- [fol. 409] 000,000 and the $39,000,000 constitutes about two and a half per cent of the total revenue result, does it not?

A. My mind does not work that fast, Mr. Commissioner. I will accept your statement. The total revenue is approximately $450,000,000. The loss would be about $40,000,000.

Q. I am trying to figure out the difference between the $26,000,000 that you spoke about——

A. The $26,000,000 figure is not the figure to consider. The real and best figure I think is that $39,000,000 figure. That, as I figure it, is about 89 per cent of the total.

Chairman Aitchison: Proceed.

The Witness: Here is another interesting fact: While some of our southern state commissioners and governors, particularly, claim that our rate level on manufactures and miscellaneous, speaking as a group, is so much higher than the North, actually, if you apply this theory, we produce within $400,000 of the same revenue we get today. I believe that is all I have.

By Chairman Aitchison:

Q. This last page shows gross revenue, does it?

A. Yes, sir.

Q. I thought Dr. Edwards' statement related to cost.

A. Sir?

Q. I say, I thought Dr. Edwards' statement related to cost.

[fol. 410] A. I thought so too and I still think so, Mr. Chairman. I am just assuming here that the cost in the South is no greater than the cost in the Eastern District, the unit cost. If it is of any value in rate making, for rate making purposes, I am also assuming that that would justify a rate level in the South no higher than that in the North. I am trying to show, as best I can, the practical results of applying that formula. Certainly results are no good, in my opinion at least, unless you can give them practical application.

Chairman Aitchison: Have you anything further, Mr. Gwathmey?

Mr. Gwathmey: Yes.

By Mr. Gwathmey:

Q. Mr. Kerr, was this exhibit which you have referred to, identified as Exhibit No. 16, prepared by you or under your direction?

A. Yes, sir.

Q. Are the matters and things set forth in that exhibit true to the best of your knowledge and belief?

A. Yes, sir.

Mr. Gwathmey: Mr. Chairman, we ask that the document which has been referred to and identified by the witness as Exhibit No. 16 be received in evidence.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 16? (No response.) It is [fol. 411] received.

(Exhibit No. 16, Witness Kerr, received in evidence.)

Mr. Gwathmey: The witness is now tendered for cross-examination.

Chairman Aitchison: Mr. Norman.

Mr. Norman: I have a few questions, Mr. Chairman, a very few.

Cross-examination.

By Mr. Norman:

Q. Mr. Kerr, a number of times throughout your testimony you referred to the fact there are as great differences, perhaps, as between individual roads, as between the territories in composition of traffic, transportation conditions, costs and so forth, and you filed page 7 of your exhibit as illustrating that as between Louisville & Nashville Railroad and the Southern Railway. I will ask you first if those are not the two largest systems in the South.

A. Are you using that term "largest" in a broad sense, meaning tonnage, and revenues, as well as mileage? If you are, my answer is "Yes."

Q. That is the way I use it.

A. Yes.

Q. You say that it is absolutely necessary that both roads observe generally the same basis of class and commodity rates without regard to differences in the composition of [fol. 412] traffic, traffic densities, or so-called unit costs. Now, if that could be done within a territory as between the two greatest systems in that territory, in order that the shippers may be on an equal basis, why is it that it cannot be done where an arbitrary line is drawn across the country?

A. It could be arbitrarily done, if that is what you have in mind.

Q. No. I said, the only arbitrary thing is the line drawn across the country.

A. The line in my judgment is not arbitrary.

Q. Well, we will say, where a line has been drawn across the country, and we will leave out the word "arbitrary". Now, what is your answer?

A. A line has not been drawn across the country. They have a natural ending point for this group of railroads I represent. Of course, there is a little overlapping, but it is a perfectly natural one.

Q. There are some roads south of the line that have heavier density of traffic and better earnings than some roads north of the line, are there not?

A. That is true.

Q. We will leave out all discussion of the line, why it was drawn, or whether it is arbitrary or not, and I will ask you to answer my question as to why you can absolutely disre-[fol. 413] gard these differences in composition of traffic, traffic density and so forth, as you have shown, as between the two greatest systems in the South in order that the same general system of rates may be maintained by both of them; and yet when you come to this line, you cannot disregard it at all.

A. The chief reason is that we would bankrupt within a few months every southern railroad. You asked a very broad question. I will call your attention to forest products, a commodity that you know a lot about, and you know you cannot operate on the Official Territory basis of rates on lumber and logs in the South.

Q. I do not know anything of the kind. You do not operate on the same basis, but I am not at all sure you operate any lower.

A. Well, I am.

Q. Is that the only answer you want to give to that question, about why you can disregard all of the traffic conditions, the composition of traffic and so forth as between the two greatest systems in the South, and yet when you come to disregard it because a line has been drawn for whatever reason, it cannot be done?

A. I thought you were going to drop this question of a line.

Q. No. I am not dropping it, I am asking the question as to why it was drawn.

[fol. 414] A. I think I very clearly stated why the Southern and the Louisville & Nashville Railroad operating in one common territory, serving the same points, or serving adjacent territory, must of necessity operate on the same level of rates.

Q. Then your answer is that the reason it can be done as between those systems is because it has to be done?

A. No.

Q. And the reason it cannot be done between the two territories is because it does not have to be done?

A. No. There are other reasons, Mr. Norman. I think you know them just as well as I do, and more so probably.

Q. Let's put them in the record.

A. It is going into the record.

Q. All right.

A. I am not talking off the record.

Q. All right.

A. You know that very well. Now, I have forgotten where I left off.

Q. Well, have you any other answer to make to that question?

A. I will say this, Mr. Norman: The more favorable situation on the Louisville & Nashville Railroad, as I stated, is influenced to a very considerable extent by the coal originating in southeastern Kentucky and moving very largely over one or two operating divisions to the Ohio River, [fol. 415] chiefly Cincinnati, and north. Now, you take the rest of the lines of the Louisville & Nashville Railroad, and the situation is not substantially different from that of the Southern Railway.

Q. When you go to get the totals——

A. One pretty nearly equalizes the other.

Q. When you go to get the totals of the results in revenue, you do have for the systems as a whole these differences shown on your page 7 which are as to everything, revenue per ton mile and per mile of road, railway operating income and so on and so forth; then when you come to the composition of traffic, you show how widely it differs, taking it as a whole.

A. Taking the great bulk on the Louisville & Nashville Railroad, you would not find very much difference between it and the Southern Railway. The trouble here, Mr. Norman, is that they take the Louisville & Nashville Railroad with all that tremendous volume of coal traffic, which pays a relatively low revenue, although it moves under very favorable conditions, and they put that all in the mess, put it all in the pot and stir it up with the rest of the South and pull out this average.

Q. You did worse than that. You took the Louisville & Nashville Railroad and with all of this volume of coal, you compared it with just one railroad. Now you are com-

[fol. 416] plaining because somebody else takes it and puts it in with all of the others.

A. Let me finish my answer, Mr. Norman.

Q. All right.

A. Then some people come along with an average arrived at, largely influenced by the movement of coal, and want to reduce class rates in Georgia, Alabama and so forth.

Mr. Norman: Well, let me ask you one other question.

By Mr. Norman:

Q. With respect to your figures, you plussed the rates in the South by 16 per cent because the haul in the South is 16 per cent greater than in the North. Is that right?

A. I did, yes, sir.

Q. In doing that, do you not assume that the expense increases in direct proportion to the increase in length of haul?

A. No, I did not. I did not use it in that sense at all. I said that it came out further in the rate base, using a first class for that purpose, as we produced lower ton-mile earnings. I think it would necessarily follow, speaking generally, that perhaps the cost would be a little bit less, but I say your first class rate and many of your other rates are far above 16 per cent. I simply used 16 per cent and explained how I got it.

Q. But you got it—I think you have to inflate a rate [fol. 417] to compensate for a longer haul, if you are going to produce like ton-mile earnings.

Q. Do you not inflate it in direct proportion to the increase in haul? You had a 16 per cent increase in haul, so you inflated the rate 16 per cent.

A. No. The average haul is longer than that.

Q. That was the way I understood you, Mr. Kerr. Perhaps I misunderstood you.

A. I think it is around 20 odd per cent.

Q. Then how do you arrive at the 16 per cent by which you inflate the rate?

A. I took the two average hauls and I took the two rates in the Eastern scale and the Southern scale, reduced it to a ton-mile basis and found what was necessary to add to one or the other.

Q. So you did——

A. In order to produce the same ton-mile earnings.

Q. You did it on a distance basis then?

A. Distance was the foundation, but it was not in direct relation to distance.

Mr. Norman: That is all.

Chairman Aitchison: Mr. Cotterill.

By Mr. Cotterill:

Q. In several places and in various language you assailed the suggestion, as you understood it that something exactly so or more nearly to a territorial rate parity on [fol. 418] merchandise traffic would be accomplished only in the way of reductions in your rate level. Why did you assume that, instead assuming that that parity, if it were required, should take the form of an increase in Northern Territory where their present rate level is failing to equal even the out-of-pocket cost.

A. Well, the Commission fixed both levels, Mr. Cotterill. I have heard no suggestion from the Eastern lines that their rate level will be increased. I do not know whether they are advocating it now. But I know—I may be anticipating you a little bit—that it is impracticable to bring up many of our rates to the Official Territory level, or some percentage above it.

Q. You said, bring up your rates?

A. Yes, bring up many of our rates.

Q. Is it your assumption that the inability to approach, if not accomplish, territorial uniformity, depends solely upon the absence of any present suggestion from the northern lines that their rate level be raised, or are you ignoring in that regard the presence of their rates in this proceeding subject to order of the Commission as well as your own?

A. Of course, if the northern class rates and the northern commodity rates should be increased above their present level, it would narrow the difference between the northern [fol. 419] levels and the southern.

Q. Yes.

A. That is self-evident.

Q. When, in your discussion of the matter, you merely assumed that that would not be done, it rested only upon the absence of anything you had heard from the northern lines?

A. Yes. I have not any idea that the level is going to be increased.

Q. Now, Mr. Kerr, interestingly, you have undertaken at some length to discuss the question of the extent to which in fact there is a dissimilarity in the consist of traffic in Official Territory and in Southern Territory and wherein that difference should be recognized in a determination of the rate levels in the two territories. I will first ask you to turn to sheet 5 of your Exhibit 16.

A.. Yes.

Q. Considering manufactures and miscellaneous as at least typifying, if not embracing, what you call the higher grade traffic, it is observable that in terms of tons you show 29.6 as the percentage which the tons of manufacturers and miscellaneous bore to all tons in Official Territory and in Southern Territory the percentage was 27.2, to all tons in Southern Territory.

A. Just a minute.

[fol. 420] Mr. Cotterill: I believe I was misinformed as to the page number.

The Witness: Yes.

Mr. Smelker: You are referring to page 3, I believe.

Mr. Cotterill: I meant to refer to page 3 instead of page 5.

The Witness: All right. Now, what was the question?

Chairman Aitchison: Read the question please.

(Question read.)

By Mr. Cotterill:

Q. With those figures before you as to total tons, do you find that small difference in the relative percentage of manufactures to total tons a very startling one, enough to have any significance of consequence favorable to low rates in the North?

A. Yes, sir. While the difference in that case is only two and a half percentage points, two and a half per cent of nearly one billion tons is a mighty big tonnage. Now, I call your attention also, when you come over to revenue, and it is indicative, if not conclusive, of the fact that the manufactures and miscellaneous traffic in the North and East is of a higher grade than manufactures and miscellaneous traffic in the South, we find that in the Eastern District that tonnage produced 41.4 per cent of the total revenue, while in the South it produced only 34.7 per cent. Revenue there is far more important than tons.

[fol. 421] Q. All right. We start with an agreement that in respect to total tons the relative percentages are not greatly different, but in terms of gross revenue the percentages are considerably more different.

A. I do not agree with you on that.

Q. Why?

A. I still say that two and a half per cent of one billion tons is——

Q. It is a lot of tons.

A. —a lot of tons.

Mr. Cotterill: I am speaking of relatively, as I thought you were in the direct testimony.

By Mr. Cotterill:

Q. Speaking only of the gross revenues, why do you assume that the relative per cents of gross revenue derived from that description of traffic to the total is to be accounted for entirely by the far higher grade of manufactured commodities in the North than in the South? May there not be other and perhaps more compelling reasons for the difference?

A. There might be some reasons of which I am not aware, Mr. Cotterill, but I think in my own opinion that the chief reason is the fact that in the North and East the tonnage included in that particular group is generally of a higher grade than in the South. I think that also runs to our less than carload tonnage. On the whole the less than carload [fol. 422] tonnage, most of which moves on class rates, although not all of it, runs a somewhat lower grade than in the North and East.

Q. Well, is it not——

A. May I go on?

Q. I thought you had finished.

A. No.

Q. Pardon me.

A. I am speaking wholly of within the South.

Q. Yes.

A. When we come from the North and East to the South, I think you will find that generally speaking to be of a little higher grade than wholly within the South.

Q. Granting the weight to be attached from your impression, based on long observation, is the matter you just referred to capable of statistical demonstration, if you chose to undertake it?

A. Well, I am doubtful of it, Mr. Cotterill. Of course, all the underlying figures I think could be obtained, but what one might do with them after they got them is another thing. I do not think you can make a comparison worth very much.

Q. As we move along further in connection with your sheet 3 of that exhibit, you appear to be giving expression to these relative percentages in terms of per mile of rail- [fol. 423] road as if to accentuate the greater density of these manufactured commodities in the North than in the South. Why do you choose the factor per mile of railroad to the exclusion of per mile of track and other plant investments which are necessitated in the North by reason of its greater aggregate tons?

A. Of course, when I used the number of tons per mile of railroad, I knew, and I think I conceded, that it was only one of the many things to be taken into consideration. That, standing by itself, did not mean a great deal. You have to take into consideration so many things in connection with the use of any of these figures, and I think it is true of these so-called unit costs developed by Dr. Edwards.

Q. Except as you did exhibit the relative percentages in terms of total tons wherein the difference is two and a half per cent, did you not make selection of the best bases of comparison which only purport to demonstrate your theory?

A. No.

Q. And have you not excluded the other permissible bases of comparison which perhaps would either have altered or certainly modified your theory?

A. No. I do not think I have excluded anything worthwhile, at least not to my knowledge. I used revenues. I [fol. 424] used the relationship between these different groups and even as between the different groups within the larger groups. I used many different things.

Q. What significance do you attach to the mere statement of a given number of tons of a given kind of freight per mile of railroad in one region as compared with another? What does that connote to your mind?

A. It is just another way of indicating what tremendous volume they have of this high-grade well-paying freight on which their class rates generally apply, and what poor folk we are down south when it comes to that traffic.

Q. What would be the significance of the tremendous total volume if, in order to accommodate it, required a proportionately greater railroad plant than you have in the South?

A. That is a factor to be taken into consideration.

Q. You think so?

A. But it does not necessarily require a proportionate increase in investment.

Q. Granted it would not require a proportionate increase in investment, do you think you have presented sufficiently comprehensive data in order to ascertain the full facts concerning this troublesome matter?

A. I have not, Mr. Cotterill.

Q. All right.

A. Of course, I am not the only witness in this case.

[fol. 425] Q. I understand that.

A. I hope your question will be answered.

Mr. Cotterill: However, Mr. Kerr, you are one of the great important witnesses. I am nearly through now.

By Mr. Cotterill:

Q. At any rate, in your own way, you appear to assume, Mr. Kerr, that because there is an established order of things in the North that somehow or another that enables the northern railroads to maintain their prevailing merchandise rates in the territory because the language you used has been that the southern carriers could not afford as well as do the northern lines, a rate level like that in the north. Now, what do you you find to indicate that the northern lines can afford their rate level on merchandise traffic?

A. I do not know whether they can or not.

Q. Have you looked to see, in any respect concerning the Edwards data?

A. I do not understand what you mean.

Q. In other words, sir, when you have examined the Edwards data for that purpose, have you excluded all consciousness of what is demonstrated concerning the inadequacy between cost and revenue of the northern railroads on their merchandise traffic?

A. Mr. Cotterill, to be perfectly frank, I would not know how to go about applying the Edwards cost formula or the [fol. 426] results of that formula to the Eastern class rate level.

Q. I see. So therefore you did not undertake to do so?

A. Of course not.

Q. All right.

A. I do not know how to apply it to our own class rate level.

Q. What is it you apprehend, then, in the way of injury to yourself from anything Dr. Edwards has done?

A. In the first place, I am not satisfied that the formula results in unit costs, one territory versus another, that are fairly comparable, because as I stated, I think he has compared unlike things. I think to a certain extent he recognizes that himself. I do not believe that, having arrived at so-called unit costs, you can apply them in a practical sort of way to individual rates or groups of rates.

Q. Now, Mr. Kerr, is it not true——

A. I do not want my statement to be misinterpreted.

Q. Of course.

A. I think to a certain extent, subject to certain qualifications, perhaps a good many qualifications, they might be considered as a floor, even though I think you have got to measure with this, that and the other.

Q. At any rate, there seems to be implicit in all you have said on this topic, Mr. Kerr, that there is an error in the reasoning of those advocates of territorial equality, [fol. 427] however it is accomplished, in so far as they contend that if there were that equality, there would come about more nearly an equal diffusion of traffic as between manufactures and raw materials. Without myself indicating any point of view on the question, I ask you as a witness: Do you challenge the assertion or contention that equality, however it may be brought about, would have a significant effect on the industrial development of the West and the South?

A. I do not think that the equality some of our friends are talking about would be a good thing, industrially or otherwise, for the South. It would necessarily involve increases in a good many of our rates. Our raw products, raw materials——

Q. Let me ask you right there: You are there assuming it would be brought about by means of reductions in your merchandise rates, is that correct?

A. And with some increases in many of the other rates. In other words, I am assuming you are talking about a leveling process in both territories. Now, it may be——

Q. Mr. Kerr, is it not——

Chairman Aitchison: Just a minute, Mr. Cotterill.

Mr. Cotteril: I beg your pardon.

Chairman Aitchison: Let the witness complete his answer.

[fol. 428] Mr. Cotterill: I am sorry. I misunderstood him. He seemed to pause, and I thought he had completed his answer.

Chairman Aitchison: Proceed, Mr. Kerr.

The Witness: Where was I?

Chairman Aitchison: Mr. Cotterill had asked you whether this process of leveling as between the South and the North would have the effect of making economic changes in the South.

The Witness: I do not think so. As a matter of fact, I think we will show it before we get through. Even under the present adjustment——

Mr. Healy: Louder.

The Witness: Even under the present adjustment the South has shown a greater rate of growth, industrially, and in population growth, if you please, than any other section of the country.

[fol. 429] Chairman Aitchison: That is not what he asked. He asked whether or not the leveling process as between the South and the North would have an effect upon the economy of the South which would change the traffic figures as well as change the economy of the South.

The Witness: A change in traffic figures——

Chairman Aitchison: It is not answered by saying that the economy of the South has changed.

The Witness: Not necessarily due to freight rates. Are you talking about traffic in tons, one commodity versus another?

Chairman Aitchison: He wants to know whether the economy of the South would be changed if the rate levels were placed on an equal basis.

The Witness: I do not think so, Mr. Chairman.

Chairman Aitchison: All right.

The Witness: I think they would be adversely affected in many ways.

By Chairman Aitchison:

Q. That is a change, is it not?

A. Sir?

Q. If it is adversely affected, that is a change, is it not?

A. I was confused. I thought you meant, favorably changed.

Mr. Cotterill: I have one more question, Mr. Kerr.

By Mr. Cotterill:

Q. You seemed to make an observation to the Chairman [fol. 430] in answer to a question of his earlier that among the dissimilar traffic circumstances presenting themselves to the Northern and Southern carriers, was the matter of competition for business between railroads and motor carriers. Was there implied in anything you said the thought that in that respect there is a difference in the two territories?

A. Are you thinking in terms of common carriers, contract carriers, or private carriers?

Q. I would have to say, whatever you had in mind when you made the allusion to motor carriers.

A. I know of no appreciable difference so far as common carriers are concerned, but I do——

Q. All right.

A. May I finish my answer?

Q. Pardon me. Go ahead.

A. —but I do believe that there is a vast difference between our situation in the South and that in the North and East so far as the so-called exempt carriers are concerned.

Q. That is, the agricultural haulers?

A. Yes.

Q. Yes.

A. And that means a great deal to us.

Q. Does it mean anything in class rates?

A. No; not speaking generally, no.

[fol. 431] Q. When you made your additional reference to motor carriers, some of us gathered the impression that you wanted the Commission to think that your present merchandise rate level has been brought about by reason of the circumstances of competition between you and motor carriers for freight traffic. Did you mean that inference?

A. I did not intend to leave that impression, that our merchandise class rate level or merchandise rate level or class rate level was brought about entirely——

Q. No.

A. —or even in large part——

Q. Or even in large part?

A. Let me finish my answer, please.

Q. Pardon me. Go ahead.

A. —or even in large part by motor carrier competition.

Q. Yes?

A. There have been many changes that have been brought about by that reason.

Mr. Cotterill: That is all, thank you.

Chairman Aitchison: Does anyone else have cross-examination of Mr. Kerr?

Mr. Eshelman: I have just a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Eshelman.

By Mr. Eshelman:

Q. On page 14 of your written statement, Mr. Kerr, you [fol. 432] have this statement, referring to the Louisville & Nashville Railroad and the Illinois Central coal tonnage: "This particular coal tonnage has the effect of greatly depressing the unit cost averages found in the Edwards' study for the Southern region." Can you say what was the effect of that tonnage upon the unit costs of the Illinois Central and Louisville and Nashville Railroads themselves?

A. No. I can't tell you. I qualified that by stating that I was probably wrong as to the Illinois Central coal tonnage in Illinois. I do not know what the figure is, but I know if you could have taken several years ago, and I think it is true as late as 1938 or 1939, the Commission's figures as to the average revenues per ton or the average cost per ton miles on the Commission's formula, not the Edwards' study——

Q. Do you mean to state——

A. Just a minute, please.

Chairman Aitchison: Just a minute. Let the witness finish his answer, please.

Mr. Eshelman: Pardon me.

The Witness: As I was saying, if you take the Illinois Central and the Louisville & Nashville by themselves, you get averages that are about two mills lower than for the Southern group as a whole, indicating to me that the South [fol. 433] itself is very much—the group is very much depressed by the influence of this heavy coal tonnage on the Illinois Central and Louisville & Nashville Railroads.

Mr. Eshelman: I understand that.

By Mr. Eshelman:

Q. Now, since you can speak with definiteness your opinion that the region results are depressed by reason of the coal tonnage, what would you say as to the effect upon the unit costs of the Louisville & Nashville and the Illinois Central themselves by reason of that coal tonnage?

A. I think I answered that question before, that when you take out those coal sections, the rest of the Louisville & Nashville Railroad, for example, would not be much different from the Southern Railway. I am not talking about taking out the whole coal tonnage for either railroad. I am only talking about the Louisville & Nashville coal tonnage that moves over one or two operating divisions.

Q. Do I understand it is your view that the presence of the coal tonnage on the Louisville & Nashville and Illinois Central Railroads, makes their unit costs lower than they otherwise would be?

A. For the remainder of those lines?

Q. Yes.

A. I think so.

Q. On page 16 of your statement you refer to average [fol. 434] hauls in 1939 within the East and South of 161 and 204 miles respectively, and then conclude with this statement: "But these figures may be used as approximately representing the ratio South versus Official territory." I take it you mean the ratio of average hauls per shipment within those territories?

A. Yes, sir.

Q. If the actual ratio were narrower than that, would it then be true that the percentage of 16 which you have used, would be reduced?

A. Yes.

Q. Is there any available evidence of a definite character that shows us what are the differences in actual average hauls in any region?

A. I know of nothing and so stated. I should perhaps qualify that, that sometimes reference is made to the so-called 1-Day Study of former Coordinator Eastman. I believe that did show average hauls per shipment, although I am not sure about average hauls per shipment per territory.

Q. That was for the country as a whole, was it not?

A. Yes. That was incomplete. It covered selected points and not all traffic, and I do not think it is worth very much.

Q. Would it be true that if there were a greater number [fol. 435] of carriers participating per shipment in one territory than the other, that the effect would be to produce a statistical average haul shorter than as if there were a fewer number of carriers participating in the same actual length of hauls?

A. That is self-evident, and I think I so stated when I illustrated—well, I did not state it in that way, Mr. Eshelman.

Q. On page 19 of your statement, paragraph 2, you say that on the whole the traffic in the Southern region appears to be of a lower grade than that of Official territory roads. Did you include products of mines in both groups in making that statement?

A. Yes. I also gave consideration to the fact that products of mines tonnage, speaking particularly of coal, was generally regarded as a very desirable tonnage because of the conditions under which it moved.

Q. On page 22 of your statement in the first full paragraph you refer, among other things, to rates of return, and then say that it must follow that the cost of transporting freight in the South is greater for any given distance than in the East, and so forth. In reaching that conclusion, have you not omitted from consideration the effect of any differences in relative profitability or unprofitability of passenger traffic in the two territories?

[fol. 436] A. No. I have not omitted it. I think the Commission itself took it into consideration when they made the statement in Docket 24160 to which I referred.

Q. Well, with respect to your statement, does it not intimate that if in certain years the unprofitability of Southern passenger business should hold down your rates of return as a whole while the reverse might have been true for the Eastern lines, that that would necessarily mean the costs of transporting freight were greater in the South?

A. Whether you put it in or put it out, in my opinion, everything points to the fact that the cost in the South is considerably higher than the cost in the East.

Chairman Aitchison: I will sustain a motion to strike the answer, Mr. Eshelman, as not responsive to the question.

Mr. Eshelman: I make that motion, Mr. Chairman.

Chairman Aitchison: The answer is stricken. Please answer the question, Mr. Kerr.

The Witness: May I have the question again?

Chairman Aitchison: Read the question, please.

(Question read.)

Mr. Eshelman: May I frame another question, please, sir?

Chairman Aitchison: Yes.

[fol. 437] By Mr. Eshelman:

Q. Will the witness agree with me on this, that to whatever extent the effects of passenger traffic are reflected in the rates of return, that to that extent it does not follow in completeness the conclusion which he there announced?

A. It would change the figures. That is the best I can answer you, Mr. Eshelman.

Mr. Eshelman: I think I understand. Thank you.

Chairman Aitchison: Is there any other cross-examination of Mr. Kerr?

Mr. McCarthy: I have one or two questions, Mr. Chairman.

Chairman Aitchison: State your name, please.

Mr. McCarthy: Charles McCarthy.

Chairman Aitchison: Whom do you represent?

Mr. McCarthy: The Tennessee Valley Authority.

Chairman Aitchison: Have you previously appeared in this proceeding?

Mr. McCarthy: No, I have not.

Chairman Aitchison: You are appearing for the Tennessee Valley Authority?

Mr. McCarthy: Yes, sir.

Chairman Aitchison: What is the position of the Tennessee Valley Authority in this case, if you can state it briefly?

[fol. 438] Mr. McCarthy: The Tennessee Valley Authority is a corporate agency of the United States Government. We have been directed by the President of the United States to conduct a number of surveys dealing with economic conditions in the Tennessee Valley and adjoining areas. Those instructions of the President were by an executive order pursuant to authority vested in him by the Tennessee Valley Act. One of the surveys which the Authority has conducted was a survey of the effect of the present class rate structures upon the economy of the Tennessee Valley and adjoining areas. We have here a witness who at the proper time will be prepared to present to the Commission the results of that survey.

Chairman Aitchison: I do not understand the position of the Tennessee Valley Authority. Can you state the position intended to be taken?

Mr. McCarthy: The position which the Authority takes is as follows: These surveys and the data collected in making the surveys indicate that the present freight rate structures being higher in the South than in Official territory are retarding the economic development of the Tennessee Valley and adjoining areas in the South and West, and that this situation should be corrected.

Chairman Aitchison: That is sufficient. That permits us to orient your position in the case.

[fol. 439] Mr. McCarthy: Thank you, sir.

Chairman Aitchison: Proceed.

By Mr. McCarthy:

Q. Mr. Kerr, if I understood your testimony correctly, it is all based on the primary proposition that the traffic distribution in the South is so different from the traffic distribution of the Northern roads that similar standards of rates would not be practical, is that correct?

A. Right.

Q. It is also based on the proposition that that situation is static, and that reductions in class rates on manufactured articles in the South would not result in any greater movement of manufactured articles?

A. Your question, Mr. McCarthy, is double-barreled. I have made no statement that the traffic conditions in the South are static. There has been no inference of that kind. Now, I do not know how I can go ahead and answer your question in an intelligent way when you are assuming something that I did not say.

Mr. Bee: We cannot hear the witness.

The Witness: Will you read the question again, please.

(Question read.)

A. My general answer to the latter part of your question is that you have correctly stated my position. Now, there [fol. 440] are exceptions. Certain reductions on certain commodities would, I think, result in greater movements from the South to the North and East in competition with similar commodities produced in the North and East. There might be added from time to time additional commodities. The Commission dealt with a great number of them in the Southern Governors case, as you know. It dealt with all of those on which any evidence was presented. I would not say that that situation is static. It never has been static in my many years of experience.

By Mr. McCarthy:

Q. Mr. Kerr, your study is all based on the present distribution of traffic, and if it were a fact that reduced freight rates would change that distribution, then it follows, does it not, that that would invalidate your conclusions?

A. No. I do not think that follows. I used 1939 for the same reason Dr. Edwards used it. We had to use some year. We used the last year that was available, and certainly the last normal year. You take 1938, 1937, 1936 or any year back there, and you find differences from one year to another. You will find vast differences in 1940, 1941 and 1942, as we all know. I base my conclusions not merely on what I found for 1939, but what I know to be the situation over a period of years.

Mr. McCarthy: Well, now, perhaps you do not follow [fol. 441] me.

By Mr. McCarthy:

Q. The only point I am making, and this is what I would like to get your views on, is this: Is it not true that if it is a fact that reductions in class rates on manufactured articles in the South would increase the movement of those articles, then your conclusions being all based on the present distribution of traffic, would not be valid?

A. My conclusions are not all based on the present distribution of traffic. They are based in part, at least, on what we might reasonably expect. I do not know, Mr. McCarthy, whether this is a proper answer to your question or not, but the reduction in class rates alone would build up industry and retain industries, and there would not be vast sections of the North and East that showed tremendous decreases in population, 1940 over 1930, and in many cases 1930 over 1920.

Mr. McCarthy: I move that that answer be stricken. I do not believe it is responsive to the question.

Chairman Aitchison: The answer will stand. You have been talking about present rates. The rates upon which his exhibit is based, are 1939.

Mr. McCarthy: I meant to refer to the 1939 rates. I have just one more question.

By Mr. McCarthy:

Q. Are you prepared to testify that a reduction in the [fol. 442] rates on manufactured articles would not lead to an increased movement in the South?

A. It would all depend on the commodity and the circumstances.

Mr. McCarthy: I think that is all.

The Witness: I think you will agree with me on that.

Chairman Aitchison: Is there any further cross-examination?

Mr. McCollester: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Kerr, pursuing the last question of previous counsel just a minute, would you say that if the rates on manufactured articles in the South were reduced and the rates on raw materials in the South were raised to the Official level, it would stimulate the movement of manufactured articles in the South?

A. No. I think that would be more—I would like to have the reporter read that question.

Chairman Aitchison: Read the question, please, Mr. Reporter.

(Question read.)

A. May I ask you a question?

Mr. McCollester: Yes.

The Witness: What do you mean by "in the South"?

[fol. 443] Mr. McCollester: Well, the same South that the previous counsel was talking about.

The Witness: You mean, wholly within the South?

Mr. McCollester: Wholly within the South.

The Witness: That is what confused me, because I did not think he was talking about it there.

Chairman Aitchison: There was no distinction made in the examination by Mr. McCarthy as between interterritorial and within the territory. He made no distinction.

The Witness: I am quite certain that it would not stimulate the movement. That is hardly a complete answer, but I cannot go beyond the question.

Mr. McCollester: One other question, Mr. Kerr.

By Mr. McCollester:

Q. That the record may be clear, should we understand that you have used in your Exhibit No. 16, statistics for the year 1939 because that was the year for which Dr. Edwards took figures, and not because you intend those to represent the facts as they are on the date of this hearing?

A. You are right.

Chairman Aitchison: What are the facts as they are at the date of this hearing?

Mr. Collester: Since 1939——

The Witness: Just a minute. The Chairman is asking you a question.

[fol. 444] Chairman Aitchison: I asked what the facts are as of the date of this hearing.

The Witness: The exhibits put in by Dr. Edwards cover 1939. I believe he has, within the last few days, introduced some figures for 1940 and 1941, but what they are, I do not know.

Chairman Aitchison: You said something about 1939 being the last year for which figures were available.

The Witness: I said it was the last normal year. I do not think that is peculiar to our section, Mr. Chairman.

By Chairman Aitchison:

Q. Do you want us to take 1942 figures?

A. No. I do not think so.

Q. Why not?

A. Because I think traffic conditions, commercial conditions, and economic conditions are so upset today that I do not think it furnishes any guide for the future. We have got today, for example—I think I can go this far, and say that we have traffic moving through the Gulf, Southern Florida and South Atlantic ports in tremendous volume that we never heard of before. I do not want to go any further for some other reasons, but I think that illustrates what I have in mind.

Chairman Aitchison: Proceed, Mr. McCollester.

By Mr. McCollester:

Q. In other words, Mr. Kerr, at the present time because [fol. 445] of the war there has been, has there not, a tremendous change in the nature of commodities moving, in the channels, routes of movement, the movement of passenger traffic and in the general railroad situation?

A. Correct.

Q. Is that not correct?

A. Absolutely right.

Q. Now, based upon your own experience as a railroad traffic man, would you be prepared to prophesy whether the figures for 1939 that you have put in or the general testimony that you have just given as to changed conditions as of today represent what conditions will be when the war is over?

A. I do not know.

Mr. McCollester: Thank you.

By Chairman Aitchison:

Q. What has been the general trend up to the present time contrasted with 1939? Take the two territories you have mentioned, Official territory and the South, and if you can, in a sentence, give us what the situation is.

A. Mr. Chairman, I have not compared them. I do not know.

Q. What is your general observation?

A. I believe, and I do not state it to be a fact, that the conditions are more favorable to the East than to the South because of the tremendous manufacturers up there of [fol. 446] the higher grades of articles and munitions of war. That does not mean that we do not have a tremendous volume of munitions, shells and other movements, but it is awfully hard to see this picture.

Q. Going back to Mr. McCollester's question, you have occasion to make rates at the present time, do you not?

A. Yes.

Q. You do not mean to say that in the South you are not making rates for the future because you can't foresee the result of the war, do you?

A. I am not making this as a facetious answer—I do not want to give an incorrect answer to the question, but I do not want anybody who reads this record to think I gave an improper answer.

Q. In your original statement you took five minutes to tell us that you thought you understood the principles of rate-making.

A. I do.

Q. Is it an accepted principle of rate-making and a sound principle of rate-making that at the present time you cannot make a new rate because you do not know what is going to happen after the war?

A. No, it is not, because we are making thousands of them.

Chairman Aitchison: Are there any other questions on cross-examination?

[fol. 447] Mr. Isaac Born: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Born.

By Mr. Isaac Born:

Q. Mr. Kerr, with respect to your Exhibit No. 16 in which you refer to the percentage of tonnage at the heading and percentage of revenue, the percentage of revenue is only worth while if you know the distances hauled, is that not right, or of value, I mean?

A. I do not understand you, Mr. Born.

Mr. Isaac Born: Read the question, please, Mr. Reporter.

(Question read.)

A. Of course, Mr. Born, if you knew the distance each commodity was hauled on the average in each territory, the comparison would be of far more value, but I think it is of great value for the purpose for which I used it in this particular exhibit which was to merely show the percentage distribution in tons and revenue, one district versus the other.

By Mr. Isaac Born:

Q. The suggestion of particular traffic density does not enter into your conclusion at all, is that right?

A. No, no. These are merely percents of totals.

Q. In reference to the density of traffic which, of course, as I understand it, is a feature upon which you regulate [fol. 448] railroad rates, have you given consideration to the relative situation of revenue ton miles per mile of road in the South as compared to the East?

A. Yes. *They are, in 1939*—and there is not much difference for previous years—slightly higher than the average in the Southern region.

Q. The point is, 1940 would not be materially different than 1939, would it, as to the relative situation?

A. I do not know. I have not made——

Q. Pardon me?

A. I have not made the comparison.

Q. Well, 1940, assuming that it does, because it really does—in the Southern region the revenue ton miles per mile of road was 47.2——

Chairman Aitchison: Mr. Born, I am not going to let you testify that way.

Mr. Isaac Born: I beg your pardon?

Chairman Aitchison: I am not going to let you testify that way.

Mr. Isaac Born: I was not testifying, Mr. Chairman. I was taking his figures.

Chairman Aitchison: 1940?

Mr. Isaac Born: Well, I said "1940". I should have referred to 1939. I will take them for 1939.

By Mr. Isaac Born:

Q. In 1939 the ton mile revenue, freight, per mile of road, [fol. 449] in the Southern region, was 47.59 of the Eastern district.

Chairman Aitchison: What are you talking about, so we can check these figures?

Mr. Isaac Born: I beg your pardon?

Chairman Aitchison: What are you referring to? I notice you have a document before you. What is it?

Mr. Issac Born: You can look at it if you want to, Mr. Chairman. You asked me once before. It has to do with the statistics of railroads prepared by the Interstate Commerce Commission. I have a reference to it in front of me. I will refer to them in detail, if it please your Honor.

Chairman Aitchison: All right.

By Mr. Isaac Born:

Q. According to the 53rd Annual Report on the Statistics of Railroads in the United States for the year ended December 31, 1939, at page 170, Item No. 6. divided by Item No. 8 at the same page, you will find that the quantity of ton-mile revenue per mile of road is 47.59 of the Eastern district. You gave that no consideration in your assembly of opinion, did you, Mr. Kerr?

A. What was that you said?

Q. I beg your pardon?

A. You said, the Southern ton-mile revenue——

Q. The ton-mile revenue per mile of road for the Southern region for the year ending December 31, 1939, as per the [fol. 450] authority to which I just referred and made of record was 47.59. Did you give any consideration to that when you went into the matter of what you concluded the rate relation should be?

A. I told you I had not looked at 1940.

Q. All right.

A. Or 1941.

Mr. Isaac Born: I think I will have to get it into the record again. Pardon me for this repetition, Mr. Chairman.

The Witness: Wait a minute. Are you sure you are correct in saying 47.59 represented the ton-mile revenue?

Mr. Isaac Born: I said that in the year ended December 31, 1939, the ton-mile revenue, freight, per mile of road was 47.59 per cent of the Eastern district. That is what I said.

The Witness: The actual ton-mile revenue?

Mr. Isaac Born: I said, ton-mile revenue, freight, per mile of road. I am going to get to the revenue in just a minute. I just want to point that out and ask you if you gave any consideration to that.

The Witness: The revenue per ton per mile of road?

Mr. Isaac Born: I said the ton-mile revenue per mile of road.

By Mr. Isaac Born:

Q. You know what this is, do you not?

[fol. 451] A. Let me see the figure.

Q. Yes.

A. I do not know what you are talking about.

Q. Certainly you know what ton-mile revenue is.

A. Yes.

Q. You have been a long experienced railroad man, you say.

Chairman Aitchison: Mr. Born, do you not have these figures in an exhibit you are going to put in?

Mr. Isaac Born: I beg your pardon?

Chairman Aitchison: I asked you if you did not have these figures prepared in exhibit form, so you could put them in later?

Mr. Isaac Born: No. I am asking a question from figures which he gave me and which I confirmed from my figures which are exactly correct. I am not putting any exhibits in at the present time, your Honor. I do not know whether I will put in anything.

The Witness: I would have to study this thing. I don't know what it is. I don't know what you are talking about, Mr. Born.

Mr. Isaac Born: Well, you referred to it in your exhibit.

The Witness: No. I did not refer to it at all.

Mr. Isaac Born: Well, that is a matter of fact.

The Witness: I beg your pardon?

[fol. 452] Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Proceed, Mr. Born.

By Mr. Isaac Born:

Q. For the year 1939 the net operating income per mile of road in the Southern district was 49.8 of the net operating income per mile of road in the Eastern district.

Chairman Aitchison: Are you asking him that as a question, Mr. Born?

Mr. Isaac Born: Just a minute. Let me——

Chairman Aitchison: Are you asking him that as a question?

Mr. Isaac Born: Yes. I am asking this as a question. That is, I am making that the basis of my question. I will put it this way:

By Mr. Isaac Born:

Q. Do you know that the operating ratio, or rather, that the net operating income per mile of road in the Southern region was 49.8 per cent of that in the Eastern district?

A. No, I do not.

Q. For the year 1939?

A. No, I do not know it. I have not the figures available.

Q. Do you know that the traffic density, or that the gross [fol. 453] ton mile revenue per mile of road in 1939—do you know what that was in the Southern region?

A. The gross ton mile revenue?

Q. The revenue, gross ton mile, per mile of road in the Southern region. How much was that?

A. I think that is shown on my exhibit, if I correctly understand your question.

Q. Tell me what it is.

A. On page 1.

Q. Pardon me?

A. On page 1 of my Exhibit No. 16 there is shown the gross ton mile revenue in freight trains, revenue and nonrevenue. It shows——

Q. Well, if it is shown there——

A. Will you let me answer the question?

Chairman Aitchison: Let the witness finish his answer, Mr. Born.

Mr. Isaac Born: Pardon me.

The Witness: I assume when you ask a question you want it answered.

Mr. Isaac Born: Go ahead.

The Witness: It shows for the Southern region 3.69 mills——

Mr. Isaac Born: I did not ask you that. I asked you the revenue gross ton miles per mile of road.

[fol. 454] The Witness: I thought you said "revenue".

Mr. Isaac Born: You gave me something about mills. I am not asking for mills.

The Witness: I have not the figure readily available.

Mr. Isaac Born: I understood you to say you had.

The Witness: I have it somewhere around, but I cannot put my finger on it right now. I think it is in Exhibit 1, page 1.

By Mr. Isaac Born:

Q. In other words, you gave no consideration to the net operating income of the railroads and the revenue ton miles carried, is that correct, in your conclusion?

A. I did give consideration in a broad way to both factors, but not specifically.

Q. What I have in mind is, if you gave it consideration, how did you arrive at your figures that the higher grade traffic should pay more in the North, or more in the South, with respect to the final charge? How would you arrive at that unless you know what the particular traffic density is?

A. The traffic density itself is all embraced in the basis figures that are used. I pointed out, Mr. Born, that the average per ton mile in the Southern region was slightly under that in the Eastern district. It is claimed, and I agree with it, that the rate level in the South is higher than that [fol. 455] in the North.

Q. Well, density——

A. However, the haul is longer in the South than it is in the North. At least, everything I have points to that fact. All of those things lead me to conclude——

Q. Actually, if the haul were greater——

A. Wait a minute. I have not finished my answer.

Q. If the haul was greater, the ton miles even on the same level of rates would be greater, would they not?

A. (No answer.)

Q. If the haul was longer it would be greater on the same level of rates, would it not?

A. The tendency would be to reduce the ton-mile revenue if the haul in the South were longer. If the traffic is of a lower grade generally in the South than the North, that would further tend to reduce the ton-mile revenue.

Q. The first premise is undoubtedly correct.

A. Sure.

Q. But it takes your traffic density to determine what your rate levels should be, is that not true?

A. It has a lot to do with it.

Q. It always was true that until this recent investigation your rates in the South were built 40 per cent over the rates in the North, were they not?

A. No.

[fol. 456] Q. And that is what made your income balance?

A. They were not.

Q. Nevertheless, that is what made your income balance, and that is the only way it could balance?

A. That is true only of first class, 39 per cent.

Q. But you made your rates on cotton and food for human consumption higher than 40 per cent, did you not?

A. No, sir.

Q. I beg your pardon?

A. No, sir.

Q. Is it not true that——

Chairman Aitchison: He has answered your question twice now, Mr. Born.

The Witness: He starts out by comparing the Southern level with the Northern level——

Mr. Isaac Born: The Chairman says you have answered the question twice, so there is no necessity for answering it a third time.

By Mr. Isaac Born:

Q. My question was whether traffic density had anything to do with your figures in arriving at your conclusion.

A. Frankly, I do not understand his question, Mr. Chairman.

Mr. Isaac Born: That is all.

Chairman Aitchison: Are there any other questions on cross-examination? (No response.) Is there any redirect [fols. 457-458] examination?

Mr. Gwathmey: No redirect examination.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will adjourn until 9:30 tomorrow morning.

(At 5:15 o'clock P. M. September 22, 1942, adjourned to September 23, 1942, at 9:30 o'clock A. M.)

[fol. 459]

Claypool Hotel,
Indianapolis, Indiana,
September 23, 1942.

Before Division-2 of the Commission

Clyde B. Aitchison, Chairman of the Commission, presiding.

Walter M. W. Splawn, Commissioner.

J. Haden Alldredge, Commissioner.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner; Mr. John J. Murphy, South Dakota; Mr. George McConnaughy, Ohio; and Mr. W. H. Scott, South Carolina, comprising a Cooperative Committee of State Commissions.

Met pursuant to adjournment at 9:30 o'clock A. M.

Appearances: As heretofore noted.

Proceedings

Chairman Aitchison: Come to order. I wish to direct the attention of respondents to the letter from the Commission of July 2nd, 1940, modified by the letter of July 29th, 1940, which have to do with classification matters, referring to advance copies of information called for, to be furnished, with the exception of the matters specified in Paragraph 8 of the July 2nd letter, concerning changes in classification [fol. 460] ratings, or newly-established ratings made on and after June 1, 1940, and stating that it is understood that such data is to be introduced at the hearing, unless requested earlier. It is suggested by the Commission that, with respect to these latter, or later, changes—I think both terms are applicable—the pertinent changes be limited to the first 800 that have been made after June 1, 1940, or up to July 1, 1942, whichever occurred first. Seemingly that request has been overlooked by respondents.

Mr. J. R. Bell: Mr. Chairman.

Chairman Aitchison: Mr. Bell.

Mr. J. R. Bell: I have been requested to make at this time a brief statement on behalf of all Class-I Respondents, which I desire to do at this time. On behalf of all Class-I Railroad Respondents generally, I desire to make a statement of record, by way of reservation, as to figures or amounts concerning value of railroad property incorporated and referred to in exhibits of Dr. Ford K. Edwards presented in this case. The totals of the figures to which I am referring are set out in column 74 on page 151 of Dr. Edwards' Exhibit No. 3. This column is headed "Recommended value of property as of December 31, 1939." It is shown on page 48 of Dr. Edwards' Exhibit No. 2 that the return included in the various apportionments of service [fol. 461] costs is based upon "the recommended ratemaking values furnished by the Bureau of Valuation for the purpose of this study." In the opening paragraph of this exhibit 2, it is stated that "The purpose of this study is to provide territorial cost data that may be used in determining the relative transportation costs in the respective rate territories."

This statement has reference only to these valuation figures. The record will show the position of these carriers in regard to other aspects of Dr. Edwards' exhibits and presentation. The matter of introduction of testimony on valuation in this case has been considered by these respondents. These values furnished by the Bureau of Valuation are of course not the final valuations by the Commission, made prima facie evidence of the value of the property under the provisions of paragraph (i), Section 19a of Part I of the Interstate Commerce Act. The purpose of the use is stated by Dr. Edwards to be for the determination of relative transportation costs. We do not consider that the question of the rate base upon which the carriers are entitled to earn, is presented for consideration as such in this presentation of Dr. Edwards. We are confident that the Commission will recognize and appreciate the fact that it would be an almost interminable matter for the Class I railroad respondents in this case to make a presentation on the subject of the adequate final valuation of their respective [fol. 462] properties, or the total of such final valuation. To seriously enter upon such collateral undertaking would necessitate the presentation of such a mass of detail in order to make a showing considered sufficient by the respondents as to extend this hearing indefinitely, if this would be permitted by the Commission. Presumably, generally speaking, the same methods and processes were used by the Bureau of Valuation in fixing the valuation figures for the carrier in the different territories or sections of the country. It is not thought that the effect of a general increase in the amounts of valuations, as reflected by way of rate of return in the relative or comparative costs in Dr. Edwards' exhibit, if such general increase is substantially the same in the various territories, would justify the respondents in making a thorough presentation of valuation in this case. Further, it will be noted that the values in Dr. Edwards' exhibit are stated to be recommended as of December 31, 1939. It is now the latter part of 1942. In any presentation of value as such in a rate case, obviously it is the true and actual value as of the future time during which the rates prescribed are to be applied. The Commission will doubtless take judicial notice of the fact that there has been an increase or upward trend in cost and prices since December 31, 1939, and since whatever previous pricing period [fol. 463] was employed by the Bureau of Valuation, even if the adequacy of the costs and prices employed by the Bureau of Valuation is assumed.

For the reasons stated, Class I railroad respondents generally have decided not to make here a countrywide presentation on the subject of valuation. Certain individual respondents may have something to say on the subject, as to which at present I am not informed. The purpose of this statement is to make clear that these Class I railroad respondents by refraining from making a valuation presentation in this case, do not agree to or accept as adequate the valuations furnished by the Bureau of Valuation incorporated in Dr. Edwards' exhibits and presentation, and do not concede that such values are the true and actual values of their railroad properties, or that they were reached through the application of correct principles and methods.

We desire the record to show that the course decided upon by these respondents is not to be taken as committing or prejudicing any respondent so far as concerns true and actual value, and in making a presentation on the subject at any future time. I am also requested to include in this reservation, the matter of adequate rate of return, contained in Dr. Edwards' exhibits. Thank you.

Chairman Aitchison: We are ready to continue with the [fol. 464] Southern carriers.

Mr. McGehee: If the Commission please, our next witness will be Mr. L. V. Crane. I wish to state that all of Mr. Crane's exhibits have not arrived, some of them being still on the way; but I have a sufficient number to take care of all parties except that I could not give the Eastern lines their full quota, or the Western lines, and I could not take care of the 48 state Commissions. However, that will be done. I have ten copies for the Commission. All others have now been taken care of.

Chairman Aitchison: Take the stand, Mr. Crane.

L. V. Crane was sworn and testified as follows:

Direct examination.

By Mr. McGehee:

Q. Will you please state your full name, your place of residence, and your occupation.

A. My name is L. V. Crane. I reside in Washington, D. C. I am Freight Traffic Manager of the Southern Railway Company.

Q. Mr. Crane how long have you been in the Traffic Department of the Southern Railway system lines?

A. For more than 30 years.

Mr. McGehee: I think, if the Commission please, that is sufficient to qualify the witness, and I shall proceed no further along that line.

[fol. 465] By Mr. McGehee:

Q. Mr. Crane, have you prepared an exhibit for introduction in this case?

A. I have.

Q. That exhibit consists of 25 typewritten pages, and certain sub-exhibits attached thereto, A to E inclusive; is that correct?

A. Yes, sir.

Mr. McGehee: How does your Honor want that exhibit numbered?

Chairman Aitchison: No. 17.

(Exhibit No. 17, Witness Crane, marked for identification.)

Chairman Aitchison: I notice a lot of argumentative matter scattered through the exhibit that is not supposed to be there, Mr. McGehee.

Mr. McGehee: Well, it is very difficult, of course, if the Commission please, taking the testimony of Mr. Jensen—and this is all related entirely to the testimony of Mr. Jensen—to handle it any other way.

Chairman Aitchison: For instance, at the bottom of page 21 of the exhibit: I do not see how this witness is in a position to say whether it is conceivable or inconceivable that the Commission would do something.

Mr. McGehee: Well I expect, Mr. Chairman, that you will find some argument in the exhibit, and possibly a good deal [fol. 466] of it. I think it is fair to say, however, that in almost every exhibit that is filed, either by Commission's witnesses, or others, there can be found some argument.

Chairman Aitchison: Well, we do not like to have it. We try to keep the exhibits down to the bare facts only.

Mr. McGehee: That is true.

Chairman Aitchison: You are quite competent to argue this case later.

Mr. McGehee: I am very sorry, if the Chairman please, but I did not hear that.

Chairman Aitchison: I say, you are quite competent to argue this case later.

Mr. McGehee: I understand that!

Chairman Aitchison: Proceed.

By Mr. McGehee:

Q. Mr. Crane, was this exhibit No. 17 for identification, prepared by you, with the assistance of others?

A. It was.

Q. Was it prepared under your supervision and direction?

A. Well, aside from the exhibits themselves, it was prepared by me entirely.

Q. The sub exhibits?

A. Yes, sir. The sub exhibits were prepared under my direction and supervision.

[fol. 467] Q. Are the facts therein stated, true and correct, to the best of your knowledge and belief?

A. I did not hear.

Q. I asked you if the facts stated in the exhibit are true and correct, to the best of your knowledge and belief?

A. They are.

Mr. McGehee: If the Commission please, at this time I offer the exhibit in evidence.

Chairman Aitchison: Is there any objection?

Mr. Norman: If your Honor please, I suppose, in the interests of time, that it would be better not to object to the reception of the exhibit into evidence; but just going through the document rather hurriedly here, it looks to me as though the typewritten part of it is the brief. It is not testimony at all, most of it, but just merely argument. Of course we do not like to let such argument as that go unchallenged, but this is not the place to challenge it.

Mr. McGehee: I may say, Mr. Norman, that in so far as there is any argument in the exhibit, I will very probably make exactly the same argument later, and you can challenge it at that time.

Mr. Norman: If it is not made later, it ought not to be made at all. I have not been able, having a few other things to do, of course, to go through the exhibit in detail, so that [fol. 468] I can point out just at this moment to the Commission the exact paragraph in which the argument is contained; but I will say that, just offhand here, it looks to me very much like it is all argument. That being true, I think it would be very much better to let the witness give his testimony, and then when he starts to argue, we can object at that time.

Mr. McGehee: If the Commission please, we have been doing our best here to conserve time. If this exhibit in its present form is not to be admitted in evidence, then I will simply have to withdraw Mr. Crane from the witness stand, and put him on at a later time, and it will probably take us several hours to complete his direct testimony at that time. If that is what is desired, then that is what I will have to do.

Chairman Aitchison: Well, we will admit the exhibit. I think it is only proper, however, to direct the attention of counsel to the fact that it casts upon the Commission the burden of determining what is matter of fact, and what is not. Of course, the line is a little difficult to draw, in the case of an expert witness, but somebody must draw it. We will give consideration to what we consider to be the relevant and material matter contained in the exhibit.

Mr. McGehee: Is the exhibit received, then, your Honor?

[fol. 469] Chair- Aitchison: Yes.

(Exhibit 17, Witness Crane, received in evidence.)

By Mr. McGehee:

Q. Now, Mr. Crane, will you please state whether or not any recent traffic tests have been undertaken, comparing the general rate level on traffic between Official Territory and the South, with the rate level within Official Territory.

A. We have not prepared any such tests recently, no, sir. The preparation of such tests would involve a considerable amount of work, and we have not been able to undertake it under present-day conditions.

Q. Have any tests of this kind been made in the past?

A. Yes, sir, we made and submitted several such tests in the Southern-Official Divisions case. We presented a rather complete showing with respect to the rate level from Official Territory to the South, showing that the difference between that rate level and the Official Territory rate level was about the same as the difference in the first class rate level; that is, in the ratio of the difference. Our showing with respect to northbound traffic from the South to the North, was not as complete as the test in the opposite direction, for the reason, principally, that there are descriptions of traffic which move from the South to the North which do not move [fol. 470] within the North. In that case the Commission estimated that the first class rates between the North and the South were about 30 per cent higher than in the North, but the Commission said that the data submitted were not sufficient to determine what the difference was in the general rate levels between the North and the South.

Q. Now did you undertake to make any other test after the decision of the Commission to which you have just referred?

A. Yes, sir; we did. All of the Southern lines prepared a test of traffic which moved between the North and the South for the months of September, 1938 and March, 1939. That included all traffic except coal, coke and lumber traffic, which was not involved in the Divisions Case. That test was made primarily for the purpose of determining what was the effect of the Commission's decision. Of our own traffic in that test, we took the movement from the North to points on the Southern Railway in the South, and from points in the South on the Southern Railway to points in the North via the Cincinnati and Potomac Yard gateways, and undertook to rerate that tonnage under the Official Territory level. The movement via Cincinnati and Potomac Yard made up the major portion of our movement. On the movement from the North to the South on the Southern Railway via the gateways named, the revenue from that traffic was 27.6 per cent higher than the revenue under the [fol. 471] Official Territory level. On the movement from points in the South on the Southern Railway to the North, we re-rated that tonnage as nearly as we were able to on the Official Territory level, and the revenue actually received on that tonnage was 9.02 per cent higher than it would have been on the Official Territory level, as nearly as we could determine it. Combining the southbound and the northbound movements, the revenue actually received from that tonnage was 19.24 per cent higher than it would have been under the Official Territory level.

Mr. McGehee: That is all with Mr. Crane on direct, your Honor, and the witness is now ready for cross examination.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Cotterill:

Q. Mr. Crane, very briefly: You stated at one place in your testimony that a reduction of class rates from the North to the South would be without value to southern industry, or commerce, or the section itself. Will you please tell the Commission why, in the well known Southern blitzkrieg, you did so reduce the class rates from the North to the South.

A. Will you state that again, please.

Q. Did you understand the question?

A. I really could not hear it at all. I am very sorry.

[fol. 472] Mr. Cotterill: Read it please.

(Question read.)

The Witness: I do not recall that case.

By Mr. Cotterill:

Q. That was not a case, Mr. Crane. It was a Blitzkrieg, if you will recall the instance.

A. Could you be a little more specific, please?

Q. Yes, sir. I refer to the occasion here just relatively recently, on which you slashed practically all of the class rates from the North to the South, in the form of the classification itself, on about 3500 articles of commerce.

A. Well, that did not involve all of the class rates, as you indicate. It involved only a small part of the ratings.

Q. Was it not the class rates on 3500 articles of commerce, then moving or previously moving under the class rates?

A. No, sir, it was not that many articles. There may have been that many ratings on the articles, however.

Q. Well, whatever its scope may have been, would you care, Mr. Crane, to give to the Commission the reasons for thus having reduced the rates from the North to the South?

A. That was done primarily in an attempt to improve the position of the rail lines, the Southern rail lines, in the handling of that particular line of merchandise traffic; or at least, to arrest the decline in the traffic.

Q. And in what way was it thought that the position of the Southern rail carriers would be improved by those sweeping [fol. 473] reductions in their merchandise rates.

A. I do not recall all that was said at the time that those reductions were made. However, it was that particular kind of traffic that was vulnerable to the competition of other means of transportation.

Q. Well, did you gentlemen proceed on the assumption that the relative volume of the traffic to be transported as between the railroads and the motor carriers from the North to the South would be altered by the mere process of your blitzkrieging the rate structure as it then existed? In what way did you assume, in other words, that the rails would in any way derive any benefit from such a slashing of rates, instantly and simultaneously met by the motor carriers?

A. Well, in some cases at least, it removed the situation under which motor carrier rates were less than the rail rates, and from that standpoint it would certainly have improved the position of the rail carriers.

Q. Well, are you suggesting to the Commission that that condition prevailed in a large enough measure to have prompted the reductions on all of those commodities, or nearly all of them—or substantially all of them?

A. Well, I will just give you one illustration. In the case of traffic from the Eastern Seaboard Territory to the South, the motor carrier rates were lower than the all-[fol. 474] rail rates because the motor carriers made their rates the same as the water-and-rail rates.

Q. Yes; and you gentlemen were content with the differential as between yourselves and the rail-and-water routes, were you not?

A. The Commission fixed that.

Q. Yes, but you have not been averse to its continuance, I assume. It has been in existence some 30, 40 or 50 years, has it not?

A. There was not any dispute about that, so far as I know.

Q. No. Well then, except as the motor carriers supplied additional service over and above that which was being performed by the rail-and-water routes between the East and the South, your position was not adverse, was it, by the fact that the motor carriers simply observed the rail-and-water route rates?

A. Oh, yes, it was.

Q. Was it due to the fact that you have a superior service by the motor carrier line?

A. Over the water-and-rail route?

Q. Yes.

A. Yes, sir.

Q. Incidentally, has not the condition of which you speak, now been changed?

A. Yes.

[fol. 475] Q. Your attention is called, Mr. Crane, to the very frank remark in your testimony, that I now wish to ask you about, where you say, I think on sheet 5 of your exhibit—or rather—pardon me—on sheet 15, as follows: "Broadly speaking, the rates of the motor carriers on traffic to, from and between points in the South, are the same as the rates of the rail carriers."

A. That is right.

Q. Now, Mr. Crane, however different the condition formerly was, both before and during the early period of motor carrier regulation, have you not observed that the unification of rail and motor carrier rates has progressed very rapidly, and that, so far as concerns competition for business between the rails and the motor carriers, it has to be fought out on some other basis than mere rate levels?

A. I am sorry, but I am not just sure that I followed that through to its conclusion. May I hear it again.

Mr. Cotterill: Will you read it please.

(Question read.)

Chairman Aitchison: There is a preamble there, that makes two questions out of it. Get that straightened out.

The Witness: If you mean that at the present time——

Chairman Aitchison: I think you had better try to answer those questions separately. The first question was as to whether or not the motor carrier rates and the rail [fol. 476] rates are rapidly getting on the same basis.

A. Yes, sir, that is correct—that is, broadly speaking. Of course, there are some exceptions to that.

Chairman Aitchison: The second question is as to whether or not, generally speaking, competition between rail and motor carriers has to be on some other basis than rates.

A. Oh, very largely, yes, sir.

By Mr. Cotterill:

Q. Is that exempli-ed by Exhibit A which you have introduced?

A That exhibit shows——

Q. Or perhaps we had better refer to it, more correctly, as subdivision A.

A. That exhibit shows what the relationship is of tonnage and revenues.

Q. Yes. Does it there appear that the relationship as between the rail and motor tonnage was unaltered by the blitzkrieg to which we have referred?

Chairman Aitchison: Now just a moment. Let us not talk about any blitzkrieg, because that does not mean anything to us.

Mr. Cotterill: I am very sorry, sir. That is such a well-known term in transportation parlance now that I thought it would be proper to use it.

Chairman Aitchison: Perhaps we are not common men, [fol. 477] supposed to understand what language of that sort means as far as transportation is concerned.

Mr. Cotterill: I am very sorry, sir. It has just worked its way into transportation parlance, and I did not realize that perhaps it might not have any meaning to you.

Chairman Aitchison: Make your language as simple as you can.

Mr. Cotterill: Very well.

By Mr. Cotterill:

Q. Mr. Crane, does your Exhibit A—or sheet A of this exhibit, however you may desire to designate it, demonstrate to your satisfaction that there was no consequential change in the relative tonnage as between the rails and the motor carriers, as the result of those class rate reductions that we have been speaking about, effective September 1, 1940?

A. I could not say as to that, and I do not know as this exhibit demonstrates that, either, Mr. Cotterill. Of course conditions changed very rapidly in 1941, and I do not know how you could take into account exactly the increase in general business that took place.

Q. To the extent that your Exhibit A, or your subdivision A, that we are referring to, sets forth those relatives for the years 1940 and 1941, whatever the contributing reasons, do you not find from that exhibit that there was no change of any consequence in the relative [fol. 478] tonnage and revenue position of the two sets of carriers?

A. That is what the exhibit would indicate, yes.

Q. Yes. Now, finally, Mr. Crane, there appears to be running all thorough your testimony also——

Chairman Aitchison: Ask him a question, Mr. Cotterill. Do not tell him what is running through his testimony. Just ask him a question, the question that you want him to answer.

Mr. Cotterill: I did not think if the Commission please, that the witness would understand the question, if I did not preface it.

Chairman Aitchison: Oh, I think he would. Go ahead, now, and do not try to paraphrase his testimony every time you ask him a question.

Mr. Cotterill: I will of course, your Honor, undertake to comply with your instruction——

Chairman Aitchison: Go ahead and do it then. I have ruled.

By Mr. Cotterill:

Q. Mr. Crane, is there involved in your presentation the assumption that to bring about a territorial unification of merchandise rates, it could be accomplished only by a reduction in the Southern rate levels?

A. I do not think that I have dealt with that at all in my presentation here.

Mr. Cotterill: That is all, sir.

[fol. 479] Chairman Aitchison: Is there further cross examination?

Mr. Norman: Yes, your Honor.

Chairman Aitchison: Mr. Norman.

By Mr. Norman:

Q. Mr. Crane, with respect to the reductions of September 1, 1940, about which you have just testified, I will ask you if it is not true that at the time they were published, and in fact, in response to petitions for suspension, the Southern carriers stated that they would be put into the classification proper, instead of being retained as exceptions?

A. That was the idea, yes, sir.

Q. Why has that not been done?

A. I am not sure that I am able to answer that question, Mr. Norman. We are going to have a classification man on the witness stand a little later on, and he may be able to answer that question for you.

Q. That was in September, 1940?

A. Yes.

Q. Two years ago.

A. Yes, sir.

Mr. Norman: That is all.

Chairman Aitchison: Is there any further cross examination? (No response.) You are excused, Mr. Crane.

(Witnesss excused.)

Mr. Gwathmey: If the Commission please, I will call as [fol. 480] the next witness, Mr. R. E. Boyle, Jr.

Chairman Aitchison: Take the stand, please, Mr. Boyle.

Mr. Gwathmey: May I say at this time, if your Honor please, that the testimony which Mr. Boyle has prepared, relates entirely to the classification feature of Mr. Jensen's Exhibit No. 7. This testimony will consist of several exhibits, and a prepared narrative statement. I am informed that both the exhibits and the statement have been duly distributed, in accordance with the plan that was -greed upon yesterday.

Mr. McCollester: We have not seen either the exhibits, or the statement, Mr. Chairman. What name do they have on them?

Mr. Gwathmey: R. E. Boyle, Jr.

Mr. Norman: Apparently the exhibits and the accompanying statement have not been distributed.

Mr. Gwathmey: I am now informed, your Honor, that they are in the hall. I had understood that they had been distributed. In other to avoid any further confusion at this time, in connection with the parties securing the exhibits, I will ask that I be allowed to withdraw Mr. Boyle, and that another witness be put on.

Chairman Aitchison: Very well.

Mr. Grubbs: Call Mr. William F. Kennedy.

Mr. Gwathmey: If the Commission please, may I state [fol. 481] that Mr. Boyle's exhibits have been made available, in accordance with the plant of yesterday, in the adjoining room, and if the parties will call for them there, they can get them.

Chairman Aitchison: I do not think that we ought to go on with Mr. Boyle until the parties have had a reasonable opportunity to examine documents of this character outside of the hearing room, when the hearing is not in progress.

Mr. Gwathmey: Very well, sir.

Mr. Grubbs: If your Honor please, the next witness, Mr. William F. Kennedy, will respond for the Southern Carriers, to the testimony given by Dr. Edwards. The nature of his testimony is such that we felt it necessary to present it in prepared form, with the interrogatories, and the answers thereto. It was distributed to the parties yesterday. With your permission, we will now proceed.

Chairman Aitchison: Very well. Be sworn, sir.

WILLIAM F. KENNEDY, was sworn and testified as follows:

Direct examination.

By Mr. Grubbs:

Q. Please give your name, residence and occupation.

A. William F. Kennedy, Louisville, Kentucky, Assistant Comptroller of the Louisville and Nashville Railroad [fol. 482] Company.

Q. What, in a general way, has been your experience in the Accounting Department of the Louisville and Nashville Railroad Company?

A. I have been in the service of the Louisville and Nashville Railroad Company Accounting Department for about 40 years and until 1908 filled various clerical positions in the Office of the Auditor of Receipts. From 1908 to 1919 I held the positions of General Clerk, General Bookkeeper, Statistician, and Valuation Accountant successively, in the Office of the Comptroller. From March 1, 1919, to the end of Federal Control, February 28, 1920, I was Auditor for the Louisville and Nashville Railroad Company (Corporation), to March 1, 1921, Auditor of Capital Expenditures, and from that date to the present time, Assistant Comptroller. I am a member and former chairman of the Statistical Committee of the Accounting Division of the Association of American Railroads and Chairman of the Southern Region Accounting Committee, which was appointed to consider and deal with the accounting features involved in this proceeding.

Q. Have you made an analysis of Exhibits Nos. 2 and 3, presented by Dr. Ford K. Edwards, Principal Economist in Charge of Cost Section, Bureau of Statistics, Interstate Commerce Commission, styled Railroad Freight Service [fol. 483] Costs in The Various Rate Territories—1939?

A. I have made such an analysis and with the assistance of the other members of the Accounting Committee have also reviewed the underlying data in the possession of the Bureau of Statistics; and in addition the data which was assembled under Dr. Edwards' direction on the forms prescribed under the Formula styled Rail—Form A, was sent to the Chief Accounting Officer of the individual Southern Region rail lines for review. The results of this investigation, for convenience, have been assembled as the first section of my exhibit. This section consists of 16 sheets and is marked Identification No. 1.

Mr. Grubbs: May we have the exhibit identified at this time, if the Commission please, as Exhibit No. 18.

(Exhibit No. 18, Witness Kennedy, marked for identification.)

By Mr. Grubbs:

Q. Your Exhibit Mr. Kennedy which has just been marked No. 18 for identification, has a blank flyleaf upon its, is that correct?

A. Yes, sir.

Q. And it is in three parts?

A. Yes, sir.

Q. Which are numbered, or marked for identification respectively, as Identification No. 1, Identification No. 2, and Identification No. 3.

A. That is right.

[fol. 484] Q. Now will you describe the more important features of your exhibit.

A. The matter has been arranged under appropriate subject headings, the first of which, designated "A", page 4, relates to the territorial separation of freight service expenses of rail systems operating in more than one territory. It is pointed out that the territorial separation of the rail systems is not complete and the separations that are made are premised to a certain extent on the use of system averages and as a consequence are not representative for the purpose of territorial comparisons.

Q. Now what have you to say about subject B, which appears, beginning at page 6 of your exhibit?

A. Subject B, page 6, deals with the cost formula, designated Rail—Form A, which was developed by Dr. Edwards for the purpose of this study. The more important mechanical or mathematical errors which were found are here listed and, in addition, certain details of the procedure in Rail—Form A, which in my opinion are open to serious question are discussed.

Q. What have you to say about Subject C, which is dealt with commencing at page 10 of the exhibit.

A. Subject C, page 10, deals with certain studies and estimates which were either furnished Dr. Edwards by others or made by him to develop factors for use in the [fol. 485] formula. These studies all appear to have been made from the viewpoint of the United States as a whole, and as a consequence do not reflect territorial differences.

Q. What have you to say about Subject D, which also appears on page 10?

A. Subject D, page 10, deals with the territorial summaries and cost scales. The territorial summaries here referred to are not filed in the record in this case but are part of the underlying data on file in the Bureau of Statistics of the Commission. Under this subject a number of important objections are reviewed. These include several dealing with the count of cars used for the purpose of developing unit costs in connection with switching service and developing, generally, the fact that in the last analysis the cost scales submitted by Dr. Edwards are based to a great extent upon group statistical averages.

Q. Do you have anything in particular relating to the Cost Scales?

A. It is there pointed out that the Cost Scales are constructed to apply to intra-territorial traffic only and it is also pointed out that it is impracticable to apply the territorial cost scales to the traffic handled in the respective territories in the year 1939, for the purpose of establishing their accuracy by comparison with the aggregate territorial expenses, taxes, and rents. One of the many reasons [fol. 486] why this check cannot be made is that an origin and a destination switching expense has been included in the running expenses, which latter are accumulated for the number of miles in the haul, thus resulting in duplication of terminal expenses.

Q. Do you have anything to say in regard to the treatment accorded return on investment and the recommended value which witness Edwards secured from the Bureau of Valuation of the Interstate Commerce Commission?

A. Yes, Items 15 and 16, pages 13 and 14, deal with these matters, and to avoid repetition the reader is respectfully referred to those pages.

Q. Do you have anything to say in regard to the treatment accorded the Pocahontas Region in the Edwards' Exhibits?

A. Yes, This is mentioned on page 14——

Chairman Aitchison: Just a moment please. I do not find my pages numbered. Am I looking in the right place?

The Witness: The number, Mr. Chairman, should appear in the center, at the top. I am referring to page 14, of Identification No. 1, which is the first part of the exhibit, right under the flyleaf.

By Mr. Grubbs:

Q. Continue.

A. —and I might say here that it has long been the position of the Southern Region Carriers that Pocahontas Region should be included as part of the Eastern District, [fol. 487] in view of the fact that it applies the Official Territory basis of rates.

Q. Have you any comments as to Subject E, which is covered on page 14?

A. Subject E, page 14, deals with the development of the relative cost status as between rate territories and to avoid repetition I respectfully refer the reader to what is there set forth.

Q. Now, Mr. Kennedy, what conclusion do you reach as a result of your analysis and study of the Edwards' cost exhibits?

A. My conclusion as a result of this analysis and study, for convenience, is given at page 2. Dr. Edwards, at page 102 of Exhibit No. 2, seems to have been influenced in making this study by a lack of time to conduct necessary field studies and the expense which would have been incurred in making such studies and has proceeded from the viewpoint that it appeared to him desirable to consider, only in a broad way, what are the relative costs among the various rate territories and what part costs should play in the revision of rate scales. He decided that the present study is adequate for this purpose after concluding that the possible errors were of a minor character. The conclusion as to the minor character of possible errors appears to be premised on the fact that the percentage [fol. 488] relationship of the errors appears to be numerically small. As demonstrating the fallacy of Dr. Edwards' conclusion as to the effect of errors, reference should be had to page 3 of my exhibit which shows the effect that numerically small percentages may have upon the Southern Region net railway operating income and upon the net income, after providing for fixed charges but before dividends. My conclusion, for the reasons given in this exhibit, is that the present study is wholly inadequate for the purposes for which the witness advocates its use. The present study is based on the results for one year, 1939. There is serious question as to whether the results for one year are representative, particularly in so far as the territorial comparisons are concerned, and this is dealt with in connection with the next section of my exhibit which is marked Identification No. 2.

By Chairman Aitchison:

Q. I wish you would turn to page 3. I do not understand that at all. I do not see any demonstration of the fallacy of any conclusion there.

A. Page 3?

Q. Yes, under Identification No. 1 of your Exhibit 18.

A. Well throughout Dr. Edwards' narrative, Mr. Chairman, which is in the record as Exhibit No. 2, he has made——

Q. He is talking about compensating errors, and you are trying to show that they do not compensate.

[fol. 489] A. I am very sorry, Mr. Chairman, but I could not hear that.

Q. I say, he is talking about compensating errors, and you are trying to show that they do not compensate, and you produce page 3, to show that. Now how does page 3 show that?

A. The fact in the case is that Dr. Edwards does not show definitely that they are fully compensating. He arrives at the conclusion that the difference may reflect one per cent, two per cent, three per cent, or some per cent up to five per cent; and I am demonstrating here that with five per cent and the expenses and revenues, it would amount to 27 per cent in net railway operating income; a five per cent spread would wipe out the net income.

Q. With respect to your column, Amount of Reduction: What is your 100 per cent?

A. Amount of Reduction?

Q. Yes.

A. That column represents the amount of reduction in freight service revenues, and 100 per cent would amount to $4,370,000 odd. That amount, however, is five and a half per cent of the net railway operating income, and

37.4 per cent of the net income. The main table is set up on that basis.

Q. Well, does it show any more than five and a half times one?

A. That is what it amounts to exactly. An error of one [fol. 490] per cent in the revenues amounts to an error of five and a half per cent in the net railway operating income, and 37.5 per cent in the net income.

Mr. Grubbs: May I proceed, your Honor?

Chairman Aitchison: Proceed.

By Mr. Grubbs:

Q. Please proceed to describe briefly that section of your exhibit, marked Identification No. 2.

A. This section of the exhibit shows the results of operations in the Southern Region compared with the Eastern District, including the Pocahontas Region, for each of the years 1928 to 1939 inclusive, for the 12 years, 1928 to 1939, and for the 10 years 1930 to 1939.

Chairman Aitchison: Is this proffer of testimony made on behalf of the lines in the Pocahontas Region, as well as the Southern District?

Mr. Grubbs: This proffer is solely on behalf of the Southern Railroads, Mr. Chairman.

Chairman Aitchison: Well, that does not answer my question.

Mr. Grubbs: I am very sorry sir. Then I did not understand your question.

Chairman Aitchison: I want to know if the Pocahontas lines are included in your definition of "Southern Lines" or on behalf of what lines this proffer of testimony is made?

[fol. 491] Mr. Grubbs: We have included in the exhibit, which we are now about to talk about, the Pocahontas Region.

Chairman Aitchison: I want to find out who your clients are.

Mr. Grubbs: I say, the Pocahontas Region has been included in the Eastern District.

Chairman Aitchison: That does not answer my question at all. I did not ask you that. This witness is called to the stand on behalf of certain respondents.

Mr. Grubbs: Yes.

Chairman Aitchison: Who are they?

The Witness: The Southern Lines.

Mr. Grubbs: Yes, the Southern Lines.

Chairman Aitchison: Including the Pocahontas Lines?

The Witness: No.

Mr. Grubbs: No, not including the Pocahontas Lines.

Chairman Aitchison: Well then, the answer is "No." All right; go on.

By Mr. Grubbs:

Q. Please tell us briefly what this section discloses?

A. It is designed to disclose three things——

Q. That is, this section?

A. Yes.

Q. Marked Identification No. 2.

A. Yes.

[fol. 492] Q. Proceed.

A. —to show that the rate of return of the Southern Region as appears from Line 16, under the caption "Southern Region," as compared with Line 16, under the caption "Eastern District, including Pocahontas Region," was less than the Eastern District, for each of the years 1928 to 1939, except 1938, which was 1.90 per cent as compared with 1.61 per cent for the Eastern District, and that the Southern Region rate of return was less for the 12 year period and also was less for the 10 year period. Secondly, to show that the Southern Region total freight service operating expenses, taxes, joint facility and equipment rents, and 5¾ per cent return, including passenger operating deficits, per revenue ton-mile, were greater than the Eastern District in every one of the years from 1928 to 1939 inclusive, for the 12 year period, and for the 10 year period, as appears from comparison of Line 19, under the caption "Southern Region" with Line 19, under the caption "Eastern District." The exhibit also shows the ration of the Southern Region per ton-mile results to the Eastern District, including Pocahontas Region, on Line 20, and these ratios are as follows: 1928-1.104; 1929-1.143; 1930-1.143; 1931-1.188; 1932-1.219; 1933-1.195; 1934-1.190; 1935-1.171; 1936-1.113; 1937-1.087; 1938-1.033; 1939-1.062; 12 year [fol. 493] period, 1928 to 1939-1.131; and 10 years, 1930 to 1939-1.134. This exhibit also shows the average haul of a revenue ton in miles, which is substantially greater in the Southern Region than in the Eastern District for the entire period. The nature of the data contained in this section of the exhibit and the sources thereof are set forth on sheet 1.

Q. You mentioned, Mr. Kennedy, that this section of the exhibit is designed to show three things and you have referred to two of them. What is the third?

A. This exhibit illustrates, I think, the fallacy of depending upon the results of any one year for the purpose of making territorial comparisons or for the construction of cost scales designed to apply intraterritorially. For example, it will be noted from Line 20 of sheets 2 and 3, that while the ratio of the Southern Region to the Eastern District, comparing the per ton-mile results, is higher in all of the years 1928 to 1939 inclusive, for the 12 year period, and for the 10 year period 1930 to 1939, the year 1939 is the year in which the ratio of the Southern Region excess is the smallest, except one, which is the year 1938. The Southern Region excess ranges from the high of 21.9 per cent in the year 1932, to the low of 3.3 per cent in the year 1938, with the average for the 10 year period, 1930 to 1939, standing at 13.4 per cent, while the year 1939, the one [fol. 494] selected by Dr. Edwards, to make his study shows only 6.2 per cent excess.

By Chairman Aitchison:

Q. What do you have to say about the trend of those figures?

A. I am very sorry, Mr. Chairman, but I could not hear the question.

Q. I say, what do you have to say if anything, about the trend of these ton-mile ratios?

A. I think the trend is indicated, to a certain extent, by the comparison there of the year 1938 with the year 1939. The trend at that time was upward, in the matter of excess of the Southern Region.

Q. What about the trend as contrasted with every other figure that you have in your exhibit?

A. Well I think, Mr. Chairman, that the complete showing is reflected right there in that comparison for the ton-miles.

Q. Well the trend is downward, obviously, is it not, throughout the period as a whole?

A. Yes, sir, that is correct. Back of that period, however, it was down, and then it was up again.

Q. Well, if you were to project a straight line through there, do you have any idea as to where it would hit, about 1939?

A. No, sir, I have not, and I do not know as that would represent a correct reflection of the situation there.

[fol. 495] Q. It would be a reflection of the trend, would it not?

A. As to that period, yes.

Q. I asked about the trend. I did not ask for a comparison with 1939. ~~That~~ is not the trend.

A. Well my point is that the trend has now changed again, commencing with 1938, and now is up.

Q. How can you state that unless you know what 1940 and 1941 are?

A. You cannot.

Q. This does not show that?

A. No.

Q. Then how can you say that the trend is upward?

A. In my opinion that indicates that the trend at that time was upward. We had very unusual conditions to deal with in 1941 and 1942, that are not representative, and that everybody knows are not representative.

Q. Do you regard the change that you show here as being of significance enough to indicate a change in the trend?

A. I think so.

Chairman Aitchison: Continue.

By Mr. Grubbs:

Q. Mr. Kennedy, had you completed your statement on the subject you were discussing?

A. No, not quite.

Q. Continue, please.

A. In my opinion it is obvious that the relative status [fol. 496] between the Southern Region and the Eastern District is not static, but to the contrary, fluctuates widely from year to year and that a representative comparison can be secured only by considering a period of at least 10 years. It will be observed that the comparative status tends to show greater excess in years of low traffic volume which contrasts with a smaller excess in years of high traffic volume.

By Chairman Aitchison:

Q. Just a moment now, before you leave those last sheets. The ton-miles for the Eastern District, including the Pocahontas Region, and in the Southern Region, are not shown on the exhibit, and would have to be computed; is that correct?

A. The revenue ton-miles appear in line-2, under each of the headings Southern Region and Eastern District respectively.

Q. Well, do I understand that line-20 refers to revenue ton-miles?

A. Line-20 refers to the ratio of operating expenses, taxes, joint facility and equipment rents, per revenue ton-mile, in each district.

Q. Well then, line-20 is a comparison of line-19 under the Eastern District, and line-19 under the Southern Region; is that correct?

A. Yes.

[fol. 497] Q. You do not have anywhere the revenue per ton-mile shown in a similar way, do you?

A. No, sir, not in this statement.

[fol. 498] Q. To what value did you apply your 5¾ per cent?

A. Sir?

Q. You applied your 5¾ per cent to what value?

A. That is applied to investment in road and equipment as carried on the carriers' records, plus cash, material and supplies as shown in their balance sheets.

Q. With respect to Section 19-A of the Act, you gave no attention to that?

A. No, sir, not in this connection. As a matter of fact, that would be a very difficult thing to do because the values where they have been cumulated, are only for perhaps one or two years and it would be very difficult to try to reflect those values back through the periods.

Q. Valuations were made with respect to some of these lines for recapture purposes, were they not?

A. Yes, but that is scattered. It was not made for all of them in the territory.

Q. Section 19-A of the Interstate Commerce Act says that the values so found shall be values for all purposes under the Act. You gave that no attention?

A. No, sir.

Q. If the values so found, at the dates thereof, were exceeded by the book investment, to that extent, both in the Eastern District, including the Pocahontas line, and in the Southern District, your value would be overstated?

[fol. 499] A. Well, I cannot conceive that the value is overstated. I think it has been stated here this morning that the lines in all the territories have exceptions to the valuation proceedings under the Valuation Act, followed by the Commission.

Q. I could not hear your answer.

A. You asked me if I did not agree that the investment in road and equipment was greater than found under the Valuation Act. I said I could not agree with that.

Q. Of course, those speak for themselves, and we will have to take notice of them.

A. I am sorry, but I did not hear you.

Q. I said, we will have to take notice of what they are: They speak for themselves.

A. Yes.

Q. Are you a valuation expert at all?

A. I am an accounting man in connection with valuation.

Q. Did you give consideration to the matters under Section 19-A of the Act, or take them into account at all when you determined whether the book investment, or whatever it was on the books, was the true value of the property for the purpose of rate making?

A. In this statement, no, sir.

Q. It simply depends upon the manner in which the books have been kept as to how much value there is?

[fol. 500] A. That is correct.

Q. I suppose some of these books go back to the Civil War, do they not?

A. They do, yes—well, not quite that far, but they are old.

Q. Do not some of them go back to the Civil War?

A. Well, I suppose that may be a true statement in isolated cases. Systems have been combined, and so forth.

Q. Of course, you are quite aware as a trained accountant, of the numerous criticisms that have been made of untreated book investments, are you not, as a measure of value?

A. The only criticism I know of that has ever been made by the Interstate Commerce Commission was made by the Accounting Section of the Bureau of Valuation. Now, the jurisdiction of the accounts, as I understand it, is under the Bureau of Accounts of the Accounting Section of the Interstate Commerce Commission. There were exceptions taken by the Engineering and Accounting Section at valuation date when the valuation reports were prepared. I think it is significant, however, that none of the carriers have ever been required by the Bureau of Accounts to restate their accounts to the basis of those exceptions, except in one instance.

Q. What case was that?

A. Sir?

[fol. 501] Q. What case was that?

A. I do not believe I made myself clear. Oh, I said except in one instance.

Q. Yes. What case was that?

A. That relates to non-carrier land.

Q. You are not familiar with the case that went to the Supreme Court of the United States, the A. B. & C. Case?

A. No.

Q. Why did you not pay some attention to these 19-A values?

A. I think I pointed out that for the purpose of this statement, it would have been impractical to use those values, even if I knew what they were and agreed with them.

Q. It does not matter whether you agreed with them. They have been adopted and Congress has said that they shall be prima facie evidence in all proceedings under the Interstate Commerce Act as to the value of the properties as of the date thereof. This is a proceeding under the Interstate Commerce Act.

A. It would be impossible to find those values for all of the years with which I am dealing in this exhibit except perhaps 1936 and 1939 where the recommended values are used by Dr. Edwards.

Q. Did you pay any attention to the findings of value that have been made by the Commission in some of these [fol. 502] increased rate cases?

A. The only values I know of where you can use territorial totals are in those two years, 1936 and 1939.

Q. Where will that be found?

A. I think I am correct in stating that 1936 is in Ex Parte 128, and 1939 is presented here by Dr. Edwards.

Q. An exhibit was put in by the Commission in Ex Parte 148. Did you pay any attention to that?

A. There were no values found.

Q. There were elements of value. Did you make any use of them?

A. No, sir.

Q. As a matter of fact, the figures you have here largely exceed any of those figures, do they not?

A. I think that is correct, yes, sir.

Q. Or any combination of them?

A. I would not go that far. I do not know what the situation would be using the cost of reproduction as a single item representing value.

Q. At any rate, you have disregarded every figure with respect to value which this Commission has ever found?

A. I have.

Q. You used instead the judgment of bookkeepers whom you did not know running clear back to before the Civil War in some cases?

[fol. 503] A. Well, for quite a long period back the bookkeepers have made their returns under the direction of the Commission, and——

Q. The Commission was not created until 1887 and we did not have jurisdiction over accounts until a much later time.

A. I said, for quite a long period back; there has been a great deal of money spent since the Commission has had supervision of the accounting, a very substantial amount.

Q. Do you intend to come forward with any cost figures, leaving aside for the moment Dr Edwards' figures, or do you contemplate giving or have you tried to give us any cost figures?

A. My Identification No. 2 gives cost figures, I think, relative to the territorial status.

Q. Those are simply the aggregates, are they not?

A. Yes.

Q. By the way, do they include the class 2 and 3 and switching and terminal lines?

A. No. They are confined to the class 1 lines.

Q. Do you recommend to us that we use the method you have employed on 2 and 3?

A. Yes, sir. I am going into that a little further here.

Chairman Aitchison: Very well.

By Mr. Grubbs:

Q. Now please explain sheet 4.

A. The purpose of sheet 4 of this section of my exhibit [fol. 504] is to develop the extent to which the per ton-mile comparison would be affected if the formula and procedure followed by Dr. Edwards in the preparation of his Exhibit No. 3 had been applied throughout the 10 year period, 1930 to 1939, inclusive. In my opinion there can be no objection to the use of territorial aggregates comprising expenses, taxes, rents, and return, including the passenger operating deficits, reduced to per revenue ton-mile as the unit measure for territorial comparisons where the average haul in the territories compared is approximately the same and the composition of the traffic is approximately the same. However, it is known that the average haul in the Southern Region is substantially greater than in the Eastern District and that the composition of traffic in the Southern Region, the average per ton-mile results are unfavorable to the Southern Region by reason of its longer average haul, but are favorable to the Southern Region because of the relatively smaller tonnage of low grade heavy loading traffic, such as products of mines, included in the composition of its traffic as compared with the Eastern District. One of the principal objectives of the Edwards' procedure is to equalize these conditions and this is sought to be accomplished in the Edwards' procedure by separating the aggregate costs as between terminal and line haul and by further separating [fol. 505] these costs as between types of cars, such as box, gondola and hopper, etc.

Q. Now please explain how you proceeded to apply the Edwards' formula to the results for the 10 years, 1930 to 1939, inclusive.

A. In sheet 4 of my exhibit I have developed, using the separation of expenses given in Edwards' Exhibit No. 3, the percentages of the amounts in the aggregate that have been assigned to terminal and line haul, respectively, for the Southern Region and the Eastern District, including Pocahontas Region. I then used the per ton-mile results shown for the 10 years, 1930 to 1939, on sheet 3 of this exhibit, converted to a cost per ton for the average haul and applied the percentages developed from the Edwards' exhibit to the cost per ton for the Eastern District and for the Southern Region, respectively, this developing the terminal proportions and the line haul proportions. Thereafter the line haul proportion of the cost per ton for the average haul in each of the districts, respectively, was raised to the basis of an average haul of 300 miles in each of the districts. The terminal proportion and the line haul proportion were then added together which produced a cost per revenue ton for a haul of 300 miles in the Eastern District, $3.28, and in the Southern Region, $3.86. For the purpose of making a further adjustment to cause the Southern Region cost per revenue ton for [fol. 506] 300 miles to reflect the Eastern District composition of traffic by car types, I first applied the Southern Region cost per hundred weight for 300 miles, given in Edwards' Exhibit No. 3, by car types, to the tons carried in the Southern Region in the year 1939, by car types, and developed the Southern Region aggregate cost on this basis, which was summarized in two groups; (1) gondola and hopper cars, and (2) all other cars. The revenue tons carried for the 10 years, 1930 to 1939, were then assembled for each district for the purpose of developing the percentage of products of mines which move exclusively in gondola and hopper cars, and all other commodities, practically all of which move in other types of cars. For convenience, the composition of the traffic, as represented by products of mines and all other commodities, respectively, was developed in the form of a ratio related to one ton and it was found that for the Southern Region, .469 moved in gondola and hopper cars, and for the Eastern District, .6351 so moved. The next step was to develop the cost per ton for the Southern Region in 1939 for a haul of 300 miles, based on Edwards' Exhibit No. 3, which shows $2.24 for gondola and hopper cars and $3.43 for all other cars, and $2.75 as the average for all cars. To convert the Southern Region average cost for all cars for 1939 to the basis of the composition of the traffic, as [fol. 507] above described, in the Southern Region for the

10 years, 1930 to 1939, the ratios of the composition per ton were applied to the Southern Region Region cost per ton for gondola and hopper cars and for all other cars, respectively, which produced an average cost for all cars of $2.86 over the 10 year period.

Chairman Aitchison: I do not see how you got that. You have taken the average for gondola and hopper cars, the average cost per ton, and then for all other cars another figure, and you add them together and say that that is the average cost per ton. That does not look right to me.

The Witness: That is shown in the lower group on sheet No. 4.

Chairman Aitchison: That is what I am looking at.

The Witness: We have there developed that the Southern Region cost in 1939 for gondola and hopper cars was $2.24; and for all other cars $3.43. We have also developed that the composition per ton carried in the Southern Region for 1939 was .4769 for the gondolas and .5231, and applying those percentages we get the equivalents which are shown in the fourth column.

Chairman Aitchison: That is the one I am looking at.

The Witness: Yes.

By Chairman Aitchison:

Q. Why did you add the fourth column to that?

[fol. 508] A. Well, that is a mathematical composition. If you include in your total 47.69 per cent at $2.24 and then also include 36.49 per cent at $3.43, the result you thus obtain gives you a total average for all cars of $2.86.

Q. That is your method of weighting?

A. Yes, sir.

Chairman Aitchison: All right.

The Witness: The ratio of the composition of the traffic in the Eastern District for the 10 years was then applied to the Southern Region cost for 1939 for gondola and hopper cars and all other cars, respectively, and this produced a cost of $2.67 per ton, considering the Eastern District composition of traffic. The ratio of $2.67 to $2.86 is .93, which reflects the reduction in the Southern Region cost per ton for 300 miles, which would occur, substituting the Eastern District composition of traffic as represented by products of mines and all other commodities, respectively. Having previously found the Southern Region cost per revenue ton for 300 miles to be $3.86, the ratio of .93 was then applied thereto which produced $3.59 as the average cost per ton for all traffic in the Southern Region for 300 miles, giving consideration to the Eastern District composition of traffic as above described. This compares with the cost per ton for 300 miles in the Eastern District, $3.28. The ratio of the [fol. 509] Southern Region to the Eastern District on this basis is 1.094. In my opinion this demonstrates, though I do not intend it as an endorsement of the Edwards' formula and procedure, that had his formula and procedure been applied for each of the years 1930 to 1939, inclusive, the results would show, considering all traffic, that Southern Region costs for the same average haul of 300 miles and the same composition of traffic as represented by products of mines and all other commodities, respectively, were approximately 9.4 per cent higher than the Eastern District, including the Pocahontas Region.

By Mr. Grubbs:

Q. Now please take up the final section of your exhibit that section being marked for identification No. 3.

A. This section of my exhibit shows the approximate effect of applying to the Southern Region traffic for the year 1939, both intra and interterritorial, the Eastern District average rate levels as represented by the Eastern District revenue per ton-mile, by commodities, for the approximate Southern Region average haul, by commodities.

Q. What do you show would be the effect on the Southern Region of making this application?

A. The aggregate effect for all commodities is shown on the last line of sheet 5 of this exhibit. The Southern Region gross freight revenues for the year 1939, which [fol. 510] appears in the first money column, were $449,393,933. The Southern Region constructive gross revenue at Eastern District rate per ton-mile for Southern Region average haul, shown in the second money column of sheet 5, amounts to $408,990,268. This indicates that the Southern Region freight revenues would be reduced by $40,403,665, if the Eastern District Revenue per ton-mile for the Southern Region average haul is applied to the Southern Region traffic.

Q. Does your exhibit show that the Southern Region constructive gross revenue would be less than the actual for all of the individual commodities?

A. No, as to numerous commodities in the Southern Region actual gross freight revenues are greater than the constructive gross revenues. In the aggregate, the actual revenue from these commodities is $22,112,532 greater than the constructive gross revenue, as shown in the third money column of sheet 5. The aggregate amount that Southern Region constructive gross revenues would be less than the actual, confines to the commodities each of which are less, amounts to $62,516,197.

Q. How would Southern Region net railway operating income be affected if these reductions had been made?

A. The Southern Region net railway operating income for the year 1939 amounted to $79,592,778. The application [fol. 511] of the Eastern District rate levels to the Southern Region traffic, as indicated in the foregoing, would reduce the revenues approximately $40,403,665, which in turn would reduce the Southern Region net railway operating income to $39,189,113.

By Chairman Aitchison:

Q. Did you make any adjustment for income taxes there?

A. No, sir.

Q. That would make a change, would it not?

A. Under present conditions, yes. The Government would lose it, though.

Chairman Aitchison: Proceed.

The Witness: If it developed that Southern Region lines had to apply Eastern District rate levels where they resulted in reductions but could not apply those levels where increases were involved, then the reductions in the Southern Region revenues would aggregate $62,516,197, which would result in practically wiping out the Southern region net railway operating income for the year 1939.

By Mr. Grubbs:

Q. Does your exhibit show the percentage relation of the actual gross freight revenues to the constructive gross revenues, as computed in your exhibit?

A. Yes, the ratio of the Southern Region to the Eastern District is shown in the last column and on the last line of sheet 5 the average for all traffic is developed to be [fol. 512] 109.88 per cent.

Q. Aside from indicating the ratio of the Southern Region actual gross freight revenue to the southern Region constructive gross revenue at Eastern District rate per ton-mile for Southern Region average haul, does this figure have any other significance?

A. Yes, in my opinion it indicates, in a general way, that on the basis of the quantity and composition of Southern Region traffic in the year 1939, that the Southern Region general freight rate level is approximately 9.88 per cent higher than that of the Eastern District.

Q. I want to ask you here if you have undertaken to ascertain in computations you made to what extent the Southern rate level exceeds that of the Eastern District and if those commodities were excluded which move on rates in the South which are no higher than those in Official territory?

A. That computation would show that if those commodities where the actual freight revenues are greater than what the constructive freight revenues would be, the ratio is 1.2427 indicating that as to those commodities the level is approximately 24 per cent higher.

Q. I believe that the first sheet of your exhibit gives a full explanation of the procedure followed in developing the Southern Region constructive gross freight revenue, [fol. 513] but I will ask that you state it briefly.

A. The first step in the procedure was to find the revenue per ton-mile, by commodities, in each of the districts. Revenue ton-miles, by commodities, are not recorded in the existing statistics, so it was necessary to first develop ton-miles by commodities. This was accomplished for carload traffic by applying the average hauls for the year 1932, compiled by the Federal Coordinator of Transportation, and shown in Freight Traffic Report, Volume III, page 125, to the tons carried for the year 1939. For L.C.L. traffic the average hauls were taken from the data used by Dr. Edwards for the year 1939. The revenue ton-miles in the aggregate thus developed for the Eastern District were 100.23 per cent of the actual recorded revenue ton-miles for the year 1939, and for the Southern Region were 98.16 per cent of the actual, which in my opinion, indicates that the use of the 1932 average hauls, by commodities, does not produce any serious distortion. The actual gross revenue per ton-mile was obtained by the use of these ton-miles by commodities. The average hauls differed, comparing the Southern Region with Eastern District for each one of the commodities, so that it was necessary to adjust the revenue per ton-mile to a common level and for the purpose of this statement, the Eastern District was adjusted to the basis of the Southern Region. The average hauls, however, were all computed per road and do not represent [fol. 514] the territorial average hauls. In order to develop, as close as possible, from existing statistics, the true average haul, the ton-miles for each commodity were divided by the number of tons originated or the number of tons terminated, whichever was greatest, for the same commodity for the year 1939. This produced, in every case, average hauls longer than the statistical average hauls per road. The Eastern District revenue per ton-mile for the Eastern District average haul, by commodities, was then adjusted to what it would be for the Southern Region average haul, by commodities, by the use of the progression in the Docket No. 13494 K-2 Scale. This procedure produced an approximation of the Eastern District revenue per ton-mile for the Southern Region average haul for each commodity which compares with the Southern Region actual revenue per ton-mile for the same haul. Thereafter, the development of the Southern Region constructive gross revenue at the Eastern District rate per ton-mile for the Southern Region average haul is merely a matter of mathematics.

Q. Mr. Kennedy, is there any further statement you wish to make?

A. Yes. I mentioned in Identification No. 1 some objections that we had to the count of cars used for the purpose of developing costs in connection with switching service. [fol. 515] The cost of performing intra and inter-terminal switching is included in the aggregate switching costs used by Dr. Edwards, and as well, the cost of making switch deliveries or switch origins for connections on road haul traffic is likewise included. Tariff charges are published for both classes of switching and collected by the line performing the switching. These costs should have been eliminated in stating the costs for performing road haul service. Dr. Edwards has not included the cost of switching performed by the switching and terminal companies and it is proper that they be omitted because of the collection of switching tariff charges. This applies to all of the rate territories and with varying effect on each. For the Southern Region, this requires that about 25 per cent of the origin and destination switching cost and about 21 per cent of the interchange switching cost be excluded from Exhibit 3 in constructing cost scales.

Q. Does that conclude your statement?

A. That concludes my statement.

Mr. Grubbs: I offer Exhibit No. 18 in evidence, if the Commission please.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 18? (No response.) It is received.

(Exhibit No. 18, Witness Kennedy, received in evidence.)

[fol. 516] Chairman Aitchison: You may cross examine. Mr. Norman.

Mr. Norman: I will state that many of the questions I had expected to ask Mr. Kennedy have already been asked of him. I will not undertake to go back over that ground.

Cross-examination.

By Mr. Norman:

Q. I will ask you, Mr. Kennedy, if any place in your study you have undertaken to apply the criticisms and suggested corrections to both the Southern and Northern territory and arrive at what the comparative result would be if that were done?

A. No, sir.

Q. Have you not throughout your exhibits included the Pocahontas lines in the Northern or Eastern District as you call it?

A. Yes, sir.

Q. Referring to sheet 2 of your Identification No. 2 and sheet 3, I will ask you if you have made any effort to determine what would be the effect on the results which are shown had you excluded the Pocahontas lines from both Southern and Northern or Eastern Districts?

A. No, sir.

Q. Do you not know, Mr. Kennedy, from past studies that you have made or that you have seen made, that the exclusion of the Pocahontas lines from both would reverse the [fol. 517] showing made at the bottom of those sheets, and would actually show a lower per ton mile in the South than in the North or East?

A. Well, Mr. Norman, even if that did——

Chairman Aitchison: Please answer the question, and then you may make your explanation.

The Witness: Well, the answer is "no".

Chairman Aitchison: Now, you may make any explanation that is necessary.

The Witness: If that situation were developed as Mr. Norman says, to make a comparison on the basis of the Eastern District only as compared with the Southern Region, the mere fact that those per ton mile earnings similar to the ones I have on line 20 showed that the Eastern District's were under the Southern Region's, would not be conclusive because the Southern Region average haul is longer, and those results must be adjusted for that reason.

Chairman Aitchison: I am not sure I understood just what the question was, and what the answer "no" meant.

Mr. Norman: I understood him to say that he did not know. I asked him if he did not know that that would result, and he said "no". That, I take it, means he does not know.

By Mr. Norman:

Q. That is correct, is it not?

A. Correct.

[fol. 518] Chairman Aitchison: Proceed.

By Mr. Norman;

Q. Now, Mr. Kennedy, you arrive,—you say the average haul would affect it—you arrive in your testimony at the conclusion that the Southern Region costs for the same average haul of 300 miles and the same composition of traffic as represented by products of mines and all other commodities, were 9.4 per cent higher than the Eastern District. There again you have included in the Eastern District the Pocahontas lines, have you not?

A. Yes.

Q. Do you know what would be the effect on that calculation if you took out the Pocahontas Lines from both South and East?

A. I do not.

Q. Is it not true that the Pocahontas lines are the lowest cost per ton mile of any lines in the United States?

A. I think every statistical analysis we have been able to make indicates that.

Q. But you have not undertaken to show what effect on any of these figures you have made, would result from eliminating the Pocahontas lines in your calculations?

A. No, sir.

Q. Now, I think I understood you to say in answer to questions from the Bench that the valuations you have used are the book valuations, and that you have not considered [fol. 519] any of the valuations arrived at by the Interstate Commerce Commission.

A. That is correct.

Q. Is that right?

A. Yes.

Mr. Norman: That is all.

Chairman Aitchison: Mr. A. L. Reed.

By Mr. Reed:

Q. Mr. Kennedy, are we to understand from your testimony and the exhibit that you have not prepared any comparable cost figures with those submitted by Dr. Edwards?

A. Yes. That is correct.

Q. You have tested his cost figures by a theory of your own as to whether or not they meet, in your judgment, the actual costs of handling the traffic?

A. That is right, yes, sir.

Q. What is your judgment as to whether or not the figures submitted by Dr. Edwards for the handling of box car traffic in the South are too high or too low as compared with the actual cost of performing that service?

A. Other than being able to determine that there are a great number of errors in Dr, Edwards' procedure, I would not be able to say just what the effect would be.

Q. From the calculations you have made, you have reached no conclusion as to whether or not his figures for [fol. 520] the handling of box car traffic are too low. That is one question.

A. No, sir.

Q. The next question is, you have made no calculations and have reached no judgment or no opinion as to whether or not the figures are too high for the handling of box car traffic?

A. I pointed out two instances in which they are high. Whether or not that is the final effect, if all of the criticisms and objections I have pointed out here were given effect, I cannot tell.

Q. You are not prepared to give us your final conclusion with respect to the calculations you have made concerning the handling of box car traffic?

A. No, sir.

Mr. Reed: Thank you.

Chairman Aitchison: You have, of course, generally taken exception to the method of the Edwards' exhibit. Then you have made certain specific comparisons with Eastern territory including the Pocahontas Region.

By Chairman Aitchison:

Q. Have you made any comparison, made any checks or reached any conclusions with respect to like comparisons between Southern territory and the Southwest and Western Trunk Line territory?

A. No, sir. I have not done that.

[fol. 521] Q. Why not?

A. Well, the first reason is, I was somewhat embarrassed with the matter of having sufficient time to complete that which I was undertaking. Furthermore, I think it is a fair statement that so far as the interest of the Southern Region lines is concerned, we are more interested with the showing as between it and the Eastern District than otherwise.

Q. The Edwards' exhibit has been in your possession for some time, has it not?

A. Yes. We have been working on it for some time.

Q. In fact, it has been in your possession about 14 months, has it not?

A. I think that is a correct statement.

Q. Yet you have not found time to make any comparison between the Southern rates and those in either Western Trunk Line territory or Southwestern territory, and have confined your criticism entirely to the East?

A. That is correct. I found myself fully occupied, dealing with that situation.

Q. Did you regard it as a matter of no moment, or were you instructed? How did it happen?

A. Oh, no, sir. Not because we considered it of no moment. Simply because our interests were more affected by this comparison than they were by other comparisons. I [fol. 522] devoted as much time as I had to that.

Q. Were you given instructions to devote your time to the comparison between the East, including the Pocahontas Region and the South?

A. No.

Q. Or did you determine that yourself?

A. No. In fact, it was the other way around. I was asked why I had not made the other, and I answered that question the same as I have answered you here.

Q. Somebody else asked you the same question that I asked you?

A. Yes, sir.

Chairman Aitchison: Is there any further cross examination?

Mr. Eshelman: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Eshelman.

Mr. Eshelman: My questions are largely for clarification.

By Mr. Eshelman:

Q. At page 13 of your statement of testimony, not your statistical exhibit, but your statement of testimony, in the second line, you refer to average hauls for the year 1932 as taken from the Coordinator's Study.

A. Yes.

[fol. 523] Q. Are those average hauls for certain commodities or commodity groups?

A. Yes, sir. Those hauls are there stated by commodity groups according to the Commission's Commodity Classification.

Q. Were they individual commodities or were they commodity groups?

A. They were commodity groups, according to the Commission's prescribed Commodity Classification.

Q. Were those average hauls country-wide average hauls or were those regional average hauls?

A. They were regional.

Q. Regional?

A. Yes, sir.

Q. About in the fifth line of that same statement there is a reference to tons carried.

A. Yes.

Q. Are those figures that you there refer to the figures for the individual regions?

A. Yes, sir.

Q. Are those the figures which contain duplications by reason of joint hauls?

A. They are, yes, sir.

Q. Further down on the same page you say in substance that in order to develop as close as possible the true [fol. 524] average haul, you divided the ton-mile for each commodity by the number of tons originated or terminated, whichever were greatest, for 1939. Does your statement show the results for each of those commodities or is this the only statement in general that you make on that?

A. The statement itself, I think, speaks for itself. It is a five-page statement marked Identification No. 3, shown by commodities.

Q. You are more familiar with that than I am. Will you state what the answer is.

A. Yes. The answer I think to your question is "yes." It shows it by commodities.

Q. The difference in the average hauls?

A. Oh, you mean the figures for the average hauls?

Q. Yes, by commodities.

A. No. They are not shown on the statement, although I have them on the work sheet.

Q. Would you say whether the actual average hauls as you have arrived at them by those calculations, show a narrower relationship as between the South and the East than the statistical average hauls per railroad derived from the figures available at the Commission?

A. The relationship there is hardly changed. If I understand what you are asking me, as to a comparison of the spread that exists in the average haul as computed by [fol. 525] roads, and the spread which exists in the average hauls as computed by me, that spread is hardly changed.

Q. I was not talking about the average hauls as computed by roads, but the actual hauls per shipment.

A. (No answer.)

Q. Did this computation you made give you the actual hauls per shipment within the regions?

A. They did, according to the method I have used, yes.

Q. To what extent do your statements rely upon statistical average hauls as commonly reported in arriving at your figures?

A. They rely first, I think, for the purpose of computing ton miles. For example, we applied the hauls as shown in the 1932 Coordinator's Report to the actual tons carried in the year, and thereby got the ton miles. Thereafter, what might be termed the actual territorial average haul by ton-miles as computed, was divided by the tons originated or the tons terminated, whichever was greatest, which then produced a figure higher than the per road haul.

Q. You took no account, I take it, of differences in joint line hauls in the different territories in arriving at your average hauls?

A. Well, the question of joint line hauls was wiped out of the picture, I think, when I used the tonnage originated or tonnage terminated in the territory.

[fol. 526] Q. In the adjustment of your figures do you use your statistical average hauls or the average hauls as you last described them for the purpose of adjusting the costs as between the two groups?

A. No. I used the computed territorial haul. That is the reason I computed the territorial haul.

Mr. Eshelman: Thank you.

By Chairman Aitchison:

Q. Have you any idea what is going to happen to the value figures that you used when the reorganization of these Southern lines is concluded and the books are set up following the Supreme Court's decision in the A. B. & C. case?

A. I have a general idea that the tendency has been to decrease. However, that situation applies, of course, to the whole Southern Region territory and Eastern territory to the extent that reorganization has taken place in those territories.

Q. Is the amount of lines being reorganized in Official territory as great, greater than or smaller than in the South?

A. I am sorry, but I did not get that.

Q. I just want to find out whether or not in Official territory, relatively, there are more lines under reorganization than in the South?

A. Well, I am not prepared to answer that. I have not [fol. 527] checked that.

Chairman Aitchison: Is there any further cross-examination of Mr. Kennedy?

Mr. Smelker: I have two or three questions, Mr. Chairman.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Kennedy, can you make available to the Commission's staff in Washington the car count in switching service upon which you predicated the statement that switching costs in the Edwards' exhibits are in error?

A. Yes, sir.

Q. Can you give us similar access to all of your working papers?

A. Yes, sir.

Q. That includes the papers used in computing the average haul per shipment?

A. Yes, sir.

Q. Are they here?

A. Yes, sir.

Q. The Commission's staff can have access to them here?

A. They may examine them at any time.

Chairman Aitchison: Is that all, Mr. Smelker?

Mr. Smelker: Yes. That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Kennedy? (No response.) Is there [fol. 528] any redirect, Mr. Grubbs?

Mr. Grubbs: No redirect, your Honor.

Chairman Aitchison: You are excused, Mr. Kennedy.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. McGehee: Mr. Tassin.

Chairman Aitchison: Raise your right hand and be sworn.

J. S. TASSIN was sworn and testified as follows:

Direct examination.

By Mr. McGehee:

Q. Please state your name, your residence and your occupation.

A. J. S. Tassin, residence Arlington, Virginia, occupation General Statistician, Southern Railway System Lines.

Q. How long have you been in the accounting department of the Southern Railway System Lines?

A. 39 years.

Q. Without going back 39 years, just state briefly what has been your experience there?

A. Since 1932 I have been General Statistician. From 1920 to 1932 I was Auditor of Valuation. From 1914 to 1920 I was Valuation Accountant. For about four years prior to that time I was Special Accountant.

Q. That is sufficient.

[fol. 529] A. And other positions ahead of that.

Q. Mr. Tassin, have you prepared certain exhibits for introduction in this case?

A. I have.

Mr. McGehee: Mr. Chairman, these exhibits are in 12 sections. Do you want to number those separately, or just number the first one and the others as sub numbers?

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record. Exhibits Nos. 19 to 30, both inclusive, may be marked for indentification.

(Exhibits 19 to 30, both inclusive, Witness Tassin, marked for identification.)

By Mr. McGehee:

Q. Mr. Tassin, did you prepare these exhibits Nos. 19 to 30, both inclusive?

A. I did.

Q. Are the statements made therein true to the best of your knowledge and belief?

A. They are.

Q. Now, have you certain comments which you wish to briefly make?

A. Yes. I wish to make a very brief statement with respect to each of these exhibits. I think they are complete enough and clear enough not to require more. [fol. 530] Exhibit 19 bears the same relation to the other exhibits that the head notes in the Commission's report has to the text. I merely hit the high spots there and it is not intended to be a summary of the other exhibits. With that comment, I pass up Exhibit No. 19.

Mr. Little: Mr. Chairman, may the witness refer to his stamp numbers on these as he goes along for the purpose of sure identification?

The Witness: Identification No. 1 is Exhibit No. 19.

Chairman Aitchison: I will tell you how you can check that, Mr. Little. Just add 18 to the number he has there, and you will have the proper exhibit number.

Mr. Little: Thank you.

By Mr. McGehee:

Q. Proceed, Mr. Tassin.

A. These exhibits, of course, are directed to my position with respect to the cost finding procedure followed by Dr. Edwards in this case and the valuation procedure followed by the Bureau of Valuation in supplying Dr. Edwards with certain transportation values which he has used. My first comment is with respect to Dr. Edwards' Exhibit No. 3 in which he has provided certain cost scales. My comment on that exhibit is that assuming, but not conceding, the correctness of those cost figures, they are, nevertheless, of no value whatever because there is not any traffic moving to which they can be applied.

[fol. 531] Identification No. 2, Exhibit No. 20, is devoted to that purpose. For example, look at the very first sheet lettered "A". We show the roads in the Southern Region. We show the relative participation of those roads in the costs of the Southern Region and I also show with respect to each road how many times it dominates particular commodities and the number of commodities in which it participates; how many of those commodities are more than its participation in cost; and how many of those commodities are less than its participation in cost. For example, let us take commodty No. 163 which, I believe, is sugar beets. In 1939 only one road in the South handled that particular commodity. The cost of the remaining 26 roads had no particular bearing whatever on the cost of handling that particular commodity. Now, that is an extreme case, but it establishes the principle. We cannot sell oranges at the price of apples. The Southern Railway, for example, objects most strongly to only 22 votes in determining costs applied to traffic in which it has a 60 per cent interest.

The intervening pages list each of the commodities, and I wish also to call attention to sheet lettered "G" where I show commodity classes not carried. Commodity No. 163 is not carried by 26 roads. In my opinion the costs of those 26 roads had nothing to do with the determination [fol. 532] of carrying commodity No. 163 in the South in 1939. Commodity No. 162 was not handled by 24 out of 27 carriers. That illustrates generally the nature of the exhibit. There is not a matching of like with like, and for that reason I show that even assuming the correctness of the cost scales, they are of no value because the participation by the roads in the traffic moving is greatly different from the participation of those same roads in the cost which Dr. Edwards has computed. With that comment I will pass up Identification No. 2, Exhibit No. 20. Again, I say, with respect to that exhibit I assumed but did not concede the correctness of the cost scale.

The next exhibit, Identification No. 3, Exhibit No. 21 shows that the cost scales, so far as they applied to, and are computed for, the South are bound to be in error because the result of those cost scales is contradicted by other known facts. We know, for example, that rates in the South are higher than in the North. We know that the revenue unit level in the South is higher than in the North. Now, in view of those two facts, if costs in the South were higher than in the North, we would be obliged to have better operating and cost ratios in the South than in the North, and that has not obtained over the past 21 years.

Q. You mean, if costs were less in the South?

[fol. 533] A. If costs were less in the South than they are in the North, with rates higher and the revenue unit higher, we would be obliged to have better operating and cost ratios in the South over a period of 21 years than we have had. Over that period our ratios are worse than the corresponding ratios in Official territory.

I do not want to take too much time on any of these exhibits, but I would like to call attention to the graphs which establish the comparisons to which I have just alluded. The first is on page No. 5. You will find them all the way through the book. Now, you will also find in this exhibit my solution of the so-called Pocahontas problem. I, of course, included the Pocahontas Region lines in Official territory because they are operating under the same classification and the same general scheme of rates as the other roads in Official Classification territory. You can no more exclude the Pocahontas lines from consideration in connection with that territory because of their heavier coal tonnage than you can afford not to exclude the Pennsylvania and the Baltimore and Ohio and other roads that carry coal in excess tonnage than that carried by the Pocahontas lines. Be that as it may, the question of how properly to deal with the situation like that presented by the volume of coal tonnage by the Pocahontas lines [fols. 534-535a] and by other lines in Official territory or heavy loading commodities, can be dealt with in several ways. There are several simple ways of statistically facing that problem. In arriving at the territorial averages or averages for any group of railroads, we should not limit ourselves to a comparison of the relative standing of those roads with respect to volume of revenues and expenses. For example, from the standpoint of public convenience and necessity—

Chairman Aitchison: I think we had better stop this argument right here, unless you will waive your time on final argument, Mr. McGehee.

Mr. McGehee: I do not think I will waive my time.

Chairman Aitchison: Then I suggest that you proceed to have the witness answer specific questions.

Mr. McGehee: All right.

The Witness: I think the exhibit will be found sufficiently explanatory, and I will proceed, and pass it up.

Chairman Aitchison: It is now noon and the practitioners hold their convention this afternoon commencing at 1:30 P. M. It might be well for us to suspend at this time until 9:30 tomorrow morning.

(At 12 o'clock M., September 23, 1942, adjourned to 9:30 o'clock A. M. September 24, 1942.)

[fol. 536] Claypool Hotel, Indianapolis, Indiana,
September 24, 1942.

Met pursuant to adjournment at 9:30 A. M.

Before: Division-2 of the Commission, Hon. Clyde B. Aitchison, Chairman of the Commission, (presiding); Hon. Walter M. W. Splawn, Commissioner; Hon. J. Haden Alldredge, Commissioner.

Present: Paul O. Carter, Examiner; W. J. Kobel, Examiner; T. Leo Haden, Examiner; Mr. John J. Murphy, South Dakota, Mr. George McConnaughy, Ohio; and Mr. W. H. Scott, South Carolina, comprising a Cooperating Committee of State Commissions.

Appearances: As heretofore noted.

PROCEEDINGS

Chairman Aitchison: Come to order. Mr. Giessow, I understand that you have a motion which you want to submit.

Mr. Giessow: Yes, if the Commission please. I am doing this for Mr. Rosenbaum, of St. Louis.

Chairman Aitchison: If this is to be filed as a document in the proceeding, the parties are entitled to ten days, to answer.

Mr. Giessow: As I say, if the Chairman please, I am not [fol. 537] doing this for myself. Mr. Rosenbaum expected to be here at the beginning of the hearing, but was not able to get here.

Chairman Aitchison: Well, if you want to make an oral request, on the record, that this hearing be deferrd for a particular reason, you may do so, and we will pass on the motion at this time; but if you want to have this document filed as a separate document in the proceedings, I say, the parties are entitled to ten days, in which to answer.

Mr. Giessow: I will make the oral request at this time, then, Mr. Chairman, on behalf of Anheuser-Bush, Inc., of St. Louis, Missouri, for an indefinite postponement of these hearings on the ground that there has been a complete disturbance of the normal movement of traffic, and traffic conditions generally, due to the orders of the various regulatory bodies.

Chairman Aitchison: Motion denied.

Mr. Giessow: Thank you.

Chairman Aitchison: Proceed with Mr. Tassin.

J. S. Tassin, resumed:

Mr. McGehee: If the Commission please, we are very anxious to do all that we can to expedite this hearing. With respect to the further questions concerning which [fol. 538] Mr. Tassin might testify, he has already testified fully and completely before the Commission in the Automobile Case, Docket No. 28190. Therefore, the fundamental facts that we want to bring to the attention of the Commission, in addition to being set forth in Mr. Tassin's exhibits, have already been developed in that record; and with that, I have no further questions to ask of Mr. Tassin, relying on his exhibits, which I have either offered in evidence, or now offer.

Chairman Aitchison: Mr. Reporter, I am not sure that I heard all of Mr. McGehee's statement. Will you read it, please.

(The statement was read.)

Chairman Aitchison: Do you mean that you now offer Mr. Tassin's exhibits 19 to 30?

Mr. McGehee: Yes.

Chairman Aitchison: You understand, of course, that the record in the Automobile case is not before us here.

Mr. McGehee: Yes.

Chairman Aitchison: I think also that some explanation is due the Commission for putting in exhibits which are so extremely argumentative.

Mr. McGehee: Well, if the Chairman please, you indicated yesterday, and you not only indicated, but you made it very clear, that there was no different rule to be applied [fol. 539] to witnesses for the Commission, than the rest of the witnesses. Now, if you say that our testimony, or that our exhibits are argumentative, I direct your attention to the testimony and exhibits of Dr. Edwards. We can only meet argument with argument. When it comes to a question of valuation, which is very highly argumentative, it is difficult to draw the line between argument and factual matter.

Chairman Aitchison: Well, Mr. Tassin here has not only analyzed the Commission's decisions, but he has even changed the rules of law that the Commission has laid down.

Mr. McGehee: Maybe some of them ought to be changed, Mr. Chairman, but he should not undertake, of course, to do that. So far as we are concerned, in this valuation proposition, we are not willing for the Bureau of Valuation to put out a lot of figures not passed upon by the Commission. Before we ever accept any such figures, we want you to pass on them, and we want to bring them to your attention fully. For example, just as one illustration, take the Northern Alabama Railroad, formerly a separate and distinct corporation, but now having been taken over by, and become a part of, the Southern Railway System. Your Valuation Department just discards it as nothing; it is not in here at all; and that is just one of many other [fol. 540] similar items.

Chairman Aitchison: Well, of course, exhibits of this sort simply cast the burden on the Commission, or on any reviewing body, of determining what is factual matter, and what is not.

Mr. McGehee: But you have the same burden cast on you, with respect to your own witnesses, Mr. Chairman.

Chairman Aitchison: And you have the right to object to any portion of any exhibit which is argumentative, or otherwise improper.

Mr. McGehee: And I did not do it in this case, sir, because, in a proceeding of this kind, I do not think it is the thing to do.

Chairman Aitchison: Is there objection to the reception of these exhibits? (No response.) Hearing none, they are received.

(Exhibits 19 to 30, both inclusive, Witness Tassin, received in evidence.)

Mr. McGehee: That is all on direct.
Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. A. L. Reed:

Q. Mr. Tassin, have you examined the underlying data that were utilized by Dr. Edwards in the preparation of his Exhibits 2 and 3?

A. Yes.

[fol. 541] Q. Have you studied his cost figures relating to the handling of boxcar traffic in Southern territory?

A. I have not particularly gone into that feature of it, no, sir.

Q. In any of the exhibits which you have filed, being Nos. 19 to 30, both inclusive, have you submitted any cost figures for the handling of boxcar traffic in Southern territory?

A. I have in my exhibits set forth cost figures pertaining to less than carload freight in boxcars over certain routes, and in certain trains, over the Southern Railway.

Q. Have you prepared comparable cost figures to those submitted by Dr. Edwards in any of the exhibits which you have filed?

A. I have computed costs on my own basis. I do not accept the basis of Dr. Edwards.

Chairman Aitchison: The question is, have you made any separate estimate of the costs counsel is referring to, in the exhibits which you are submitting here?

The Witness: Not to be offered as a substitute, no, sir. I have made independent costs in these exhibits.

Chairman Aitchison: In what exhibits?

The Witness: You will find some in Exhibit No. 25, referring specifically to page 23; but they are scattered all through. Exhibits 25, 26 and 27 deal with less than carload [fol. 542] freight. I have costed the less than carload freight over specific routes, over the Southern Railway System.

By Mr. A. L. Reed:

Q. Have you included in your Exhibits 25, 26 and 27, to which you have just referred, any comparable costs for the handling of boxcar traffic,—and I am not limiting that, now, to less than carload traffic—in Southern territory, to the costs submitted by Dr. Edwards?

A. I will have to answer that question this way, that any costs which I have computed are not in comparison with, but in contrast to, those computed by Dr. Edwards.

Q. Very well. Have you formulated any opinion, based on the studies which you have made, as set forth in your Exhibits 19 to 30, both inclusive, as to whether or not the costs submitted by Dr. Edwards for the handling of boxcar traffic in Southern territory are too high or too low?

A. From my experience, and in the light of the examination that I have made of Dr. Edwards' costs, and his cost-finding procedure, I would say that both suppositions are correct; that is, they may be either too high, or too low; but in either case they are incorrect.

Q. What is your opinion as to whether or not they are too high, or too low?

A. My opinion is that those are the facts.

[fol. 543] Q. Well, you cannot have both opinions.

A. Yes, sir, because, computed the way those costs have been computed, they can lie on either side of the correct determination of costs.

Q. Then you have reached no conclusion as to whether or not any errors which may have been committed would be errors that would produce a cost that was too low to handle boxcar traffic, or too high to handle boxcar traffic; am I correct?

A. It may be either.

Mr. A. L. Reed: If the Chairman please, I asked the witness if he had formulated any opinion. Now, he either has or has not. He cannot say that it may be either, because it cannot be either, if he has formulated any opinion.

Chairman Aitchison: The question is, have you formulated any opinion on that subject?

The Witness: Yes.

Mr. A. L. Reed: All right.

By Mr. A. L. Reed:

Q. Now I will ask you to state whether or not the errors which have been committed show that Dr. Edwards' cost studies for the handling of boxcar traffic in Southern territory are too low?

A. Your question is based on the assumption that there is only one error. The errors are multitudinous.

[fol. 544] Q. That does not answer my question.

Chairman Aitchison: The question is based on the assumption that you have reached a conclusion.

The Witness: But he is assuming that the conclusion is either right or wrong, and that assumption is equally erroneous, because there can be but one conclusion, and that is that the thing is wrong.

By Mr. A. L. Reed:

Q. You have stated that you have reached a conclusion with respect to the matter. Are you unwilling to state that conclusion on this record with respect to the cost of handling boxcar traffic in Southern territory, particularly with respect to whether or not the costs shown by Dr. Edwards are too high or too low?

A. I have been trying my best to tell you that I have formed an opinion, yes, sir, and what my opinion is.

Mr. A. L. Reed: That is all.

Chairman Aitchison: Is there further cross examination?

Mr. Norman: Yes, please.

Chairman Aitchison: Mr. Norman.

By Mr. Norman:

Q. Mr. Tassin, I would like for you to point out, in these rather voluminous exhibits, where you have arrived at any relative cost as between the territories, Southern territory and Northern territory?

A. In Exhibits 21 and 22, in toto.

[fol. 545] Q. The exhibits are very voluminous. Can you tell me what you have set forth there as to the relative cost of transporting traffic in Southern territory as compared with the cost of transporting traffic in Eastern territory?

A. Based on a period of 21 years, as shown on the inside title sheet of Exhibit No. 22, Identification No. 4, based upon the four series of comparisons offered. In the first series the cost in Southern territory is obviously greater than the cost in Official territory, in view of the fact that, where Official territory needs an increase of 10 per cent, Southern territory needs an increase of 13 per cent, in order to put of them on a comparable basis in the matter of earning a return on investment.

Q. So that you arrive, then, at a difference in cost of about 3 per cent; is that correct?

A. 3 per cent of the gross, yes, sir, which is not to be sneezed at.

Q. And in that calculation, where do you put the Pocahontas lines?

A. Where they belong,—in Official territory.

Q. Is it your opinion that, in determining the relative transportation conditions as between other sections of the country, the Pocahontas lines should be used to the advantage of one and the disadvantage of the other?

A. I am not speaking either of advantage or disadvan- [fol. 546] tage. The Pocahontas lines belong in Official territory, let the chips fall where they may.

Q. Have you made any calculations to determine the effect, or the result of leaving the Pocahontas lines entirely out?

A. No, sir, I have not, because I would consider that to be an erroneous assumption.

Q. Have you any informed opinion as to the effect upon this 3 per cent, we will say, of leaving the Pocahontas lines out of Eastern territory?

A. In my studies, I have weighted the participation not only of the Pocahontas lines, but of all lines, on various bases. Sometimes one or the other of those bases gives the correct answer.

Q. I thought you just said that you did not have any comparison. What is the comparison?

A. The comparison is that when you rate those roads in proportion to the greatest common experience, the Pocahontas lines and other very prosperous lines, and also abnormally depressed lines, are practically equated out of the picture.

By Chairman Aitchison:

Q. What do you mean by "common experience"? I do not understand that.

A. I mean, Mr. Chairman, by common experience, taking any ratio, whether it be operating ratio, or full cost ratio, [fol. 547] I take all of the roads that are under review, and I ascertain the greatest number of roads that have had the same experience with respect to that particular ratio,—that have enjoyed the same ratio, or experience with the same ratio. That is the greatest common experience.

Q. Well, do you mean by that, that you take roads having a particular operating ratio of expenses to revenues, and have considered those roads as having had a common experience?

A. That is one of the comparisons that I have offered, yes, sir.

Q. Well, now, I am trying to find out exactly what you mean when you talk about common experience.

A. Well, for example, I would consider——

Q. Answer this question, now: Have you taken roads which happen to have the same ratio, or approximately the same ratio, of operating expenses to operating revenues, and said that those roads have had a common experience?

A. In that respect, yes.

Q. Well, supposing that one of the roads happened to get a new operating officer who was a crackerjack, and he was able to cut that ratio down. That would take that road out then, would it not?

A. Well, as I say, that is only one portion of the comparison.

[fol. 548] Q. Answer the question.

A. Pardon me?

Q. That would take that road out of that particular comparison, would it not?

A. Yes, sir.

Q. Because it would no longer be having a common experience with respect to the operating ratio?

A. But while they enjoy the same operating ratio, they have a comon experience with respect to that ratio.

Q. Supposing something went "sour," so to speak, with one of the roads, so that the operating ratio went up. Could those two roads then be said to have a common experience?

A. Only in the one particular respect, that I have stated. An interruption of the common experience is something else.

Q. In the instance that I have cited, in the case of the one road, the ratio goes up, and in the case of the other, it goes down.

A. I see what you are getting at.

Q. The same thing would happen if one of them got a lot of high grade traffic, and the other one had some severe rate cuts.

A. I see what you are driving at. An identical operating ratio does not imply identical operating conditions, or identical wisdom of management.

Q. Does it imply a common experience?

[fol. 549] A. In respect only to the purpose for which it is to be used,—the experience with the particular ratio.

By Mr. Norman:

Q. Well now, Mr. Tassin, I would like to have you answer me in plain, ordinary language that a layman can understand, and tell me whether or not you have arrived at any conclusion with respect to the effect upon relative costs, as between the North and the South, of leaving the Pocahontas lines out of the Eastern District, and not considering them at all.

A. Well now, that question——

Chairman Aitchison: No. You can answer that question, as to whether you have or have not arrived at any conclusion, and then make your explanation afterwards.

A. I have had no occasion to form such an opinion.

By Mr. Norman:

Q. You have not done it?

A. I wouldn't say that I have none, no sir. I have common sense——

Q. No, I say, you have not done it.

A. Oh. Not specifically, no.

Q. Have you done it so that you can arrive at a conclusion?

A. I can arrive at a conclusion reasonably on the basis of these figures, yes, sir.

Q. Well now, another thing: In classifying these railroads according to common experience, did you find that [fol. 550] they did not fall into various classes with any relation at all as to whether or not they are on one side or the other of this line that separates the two territories.

A. I am very sorry, but I will have to ask you to state that question again.

Chairman Aitchison: Read it, please.

(Question read.)

A. As a layman, I find it very difficult to understand that question. I wish you would simplify it for me, if you will, please, sir.

By Mr. Norman:

Q. Well, you have indicated here that an effort was made to put these different railroads into certain classes, according, let us say, to their operating ratio. Now did you find, in doing that, that all of the ralroads in the North fell in one class, and all of the railroads in the South fell in another, or did you find that they had to be intermingled, irrespective of whether they were north of the line or south of the line?

A. I found that they were intermingled.

Q. So that, when it comes to operating conditions, then, you cannot draw any such line as that, can you?

A. Any such line as what?

Q. As the boundary line between the territories?

A. Certainly you can.

Q. Upon what basis do you draw it, then?

[flo. 551] A. The basis is largely geographical, I would say.

Q. I said, Mr. Tassin, from the standopint of operating conditions, can you draw such a line?

A. From the standpoint of operating conditions?

Q. Yes.

A. From the standpoint of operating conditions, there is no occasion for drawing it.

Mr. Norman: Thank you.

Chairman Aitchison: Is there further cross examination?

Mr. Smelker: I have just one or two questions, Mr. Chairman.

By Mr. Smelker:

Q. Mr. Tassin, referring to the inside cover page of your Exhibit No. 22, I would like to ask you how you have treated the Pocahontas lines with respect to the first column, "Entire Eastern Section", and the second column, "Official Classification Territory"?

A. The Pocahontas lines are included in the first column, "Entire Eastern Section" and the Pocahontas lines are also included in the second column, "Official Classification Territory".

Q. Now, does that indicate that there is only a two per cent difference between the entire Eastern section and the Southern territory?

A. It indicates that Southern Classification territory [fol. 552] needs 3 per cent more additional gross than Official territory needs, or only 2 per cent more than the entire Eastern section needs.

Q. Now, there is just one more question, I believe, Mr. Tassin. Do those percentages include relative costs in the two territories?

A. Those percentages include the costs in both territories, yes, sir. Perhaps you might let me explain just how those percentages are arrived at, and that will explain it thoroughly. On one side I have computed gross railway operating income by adding rents collectible to railway operating revenues. On the other side I have computed the gross railway operating outgo by adding expenses, taxes and rents payable. To the sum of those I have added a 5¾ per cent return on investment in railway property used in transportation service, as reported to the Interstate Commerce Commission in Table 211-N of the annual reports, plus cash, materials and supplies. That means the full extent of revenue needs. When this figure is divided by the gross income figure, and you reach a ratio of 100, that means that the need has been met, and to the extent that you produce a ratio greater than 100, the excess over 100 indicates the percentage that your gross must be raised in order to produce a 5¾ per cent return.

[fol. 553] Q. Can those percentages be treated as indicative of relative costs?

A. Yes, sir, certainly.

Q. Now there is just one additional question, Mr. Tassin. Did you use the Commission's value or the book value?

A. I did not get that.

Q. I say, in your computations, did you use the Commission's value or the book value?

A. I did not use any value. I used book investment.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further cross examination?

Mr. Norman: If the Commission please, might I be indulged to the extent of being permitted to ask one more question?

Chairman Aitchison: Yes.

By Mr. Norman:

Q. Referring to your Exhibit No. 22 again, Mr. Tassin, statement No. 1, I want to ask you this question: First, you show there in column 4, the gross operating outgo. Then in column 5 you show 5¾ per cent return on the book value, as you have just stated——

A. No.

Chairman Aitchison: Book investment.

By Mr. Norman:

Q. —or rather, I mean to say, book investment. Then [fol. 554] in line 6—or in column 6, to arrive at the gross revenue need, you seem to add together those items, gross railway operating outgo, and the 5¾ per cent return, to get the gross revenue need.

A. Certainly, sir. Capital carrying cost is included in a statement of cost—or revenue need.

Q. And by adding together the gross railway outgo, and the 5¾ per cent return, you get the gross revenue need. That means the gross revenue need in order to pay all expenses, and a 5¾ per cent return on book investment; is that correct?

A. Yes, sir.

Mr. Norman: Thank you.

Chairman Aitchison: Is there any further cross examination? Have you anything further of Mr. Tassin, Mr. McGehee?

Mr. McGehee: Nothing.

Chairman Aitchison: You are excused.

(Witness excused.)

Mr. Gwathmey: At this time, if the Commission please, I desire to call Mr. Lewis F. Ormond. Mr. Ormand has nine exhibits, which, however, have been bound together, and can be introduced as one exhibit, if the Commission desires.

Chairman Aitchison: We will take them as one exhibit.

[fol. 555] Mr. Guathmey: Very well.

Chairman Aitchison: You, of course, are familiar with the rules, Mr. Gwathmey, as to exhibits being bound together and numbered consecutively, which are for your convenience, just as well as for ours.

Mr. Gwathmey: Yes.

Chairman Aitchison: They will be received as one exhibit, and you may refer to the various sections, to avoid any renumbering.

Mr. Gwathmey: May we have the exhibit marked for identification, then, as No. 31.

(Exhibit No. 31, Witness Ormond, marked for identification.)

Lewis F. Ormond, was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Mr. Ormond, will you please state your full name, residence and occupation?

A. My name is Lewis F. Ormond; residence, Wilmington, North Carolina; occupation, Assistant Comptroller, Atlantic Coast Line Railroad Company.

Q. Will you please state briefly your experience in railroad accounting and statistical matters?

A. For the past five and a half years approximately I have been occupying my present position. Prior to that [fol. 556] time, for 16 years, I was connected with the Bureau of Accounts of the Interstate Commerce Commission as an examiner of accounts. Prior to that time I occupied various clerical and minor positions in the accounting department of the Santa Fe Railway at Galveston, Texas.

Q. On whose behalf are you appearing in this proceeding?

A. Solely on behalf of Atlantic Coast Line Railroad Company.

Q. To what features of the exhibits which were offered by Dr. Edwards at the St. Louis hearing will your testimony relate, directly?

A. To the use by Dr. Edwards of a ratemaking value of $207,000,000 for the Atlantic Coast Line Railroad Company.

Q. Have you prepared an exhibit, which has been marked for identification as Exhibit No. 31, consisting of 20 pages, for presentation here?

A. Yes, sir.

Q. Was that exhibit prepared by you, or under your direction and supervision?

A. In part, both.

Q. And are the facts therein set forth, true and correct, to the best of your knowledge and belief?

A. They are.

Q. Will you now proceed in your own way, please, Mr. Ormond, to explain this exhibit.

[fol. 557] A. The first ten sheets of this exhibit consist of correspondence between the officers of Atlantic Coast Line Railroad Company and the Bureau of Valuation of the Interstate Commerce Commission, primarily in connection with the Automobile Case, Docket 28190. Those documents are reproduced in this exhibit because, upon examination of Dr. Edwards supporting papers in the instant case, it was found that he had used in this case the valuation of $207,000,000 for the Atlantic Coast Line Railroad Company, which was furnished by the Bureau of Valuation primarily for use in the Automobile Case. That value, in the Automobile Case, purported to be the ratemaking value of the Atlantic Coast Line property used in the service of transportation, as of December 31, 1939. In this case it is described in Dr. Edwards' working papers as an average of the same value, taking December 31, 1939, and December 31, 1940, as the basis. I do not think that it will be necessary to refer further at this time to the first ten pages of the exhibit, but I expect to refer to them incidentally a little later on in my testimony. Sheet 11 of the exhibit I will take up next, or rather, sheets 11 and 12. The purpose of my testimony will be to compare——

Q. Just a moment, please, Mr. Ormond, until we are sure that everybody has those sheets of the exhibit. Will you just state for purposes of identification, please, what [fol. 558] the sheets to which you have just referred, relate.

A. These sheets are headed "Detailed data drawn from valuation docket No. 930 (38) Valuation Report 503, as of June 30th, 1917." This material is introduced in order to form a background for certain comparisons which I will later make between the ratemaking value found by the Commission as of June 30th, 1917, and the value produced by the Bureau of Valuation as of December 31, 1939. If you will look at the exhibit, you will see that it shows, by primary road and equipment accounts, separately, Property Owned and Used, Property Owned but not Used, Total Owned Property, Property Used but not Owned, Total Used Property, Cost of Reproduction New, and Cost of Reproduction Less Depreciation. In the total columns, meaning by that those columns that show Total Owned Property and Total Used Property, the depreciation taken into account by the Commission, and the condition per cent developed by the Commission for each account, are shown. I think it really necessary to call attention to those condition percents by totals, that is, first, for Road Property, which is shown on Sheet 1—or rather, on sheet 11, I should say. It will be observed that for the Total Property Owned in the Road category, the condition percent, as of June 30th, 1917, was found to be 82.634, and for Total Used Property, 82,797. On sheet 12, similar [fol. 559] data are shown, first for Equipment, the condition percent of Owned Equipment having been found to be 64.935, and for all Used Equipment, 64.921. For All Property, the last line on the second page, the condition percent for Owned Property is 78.265, and for Used Property, 78.413. You will understand, of course, that Used Property comprehends Owned Property, and something in addition. Practically all of the property owned by the Atlantic Coast Line Railroad Company is also used, only a small quantity being used by others, and the property used but not owned is not of any very great importance in the case of this railroad. Therefore, when later in my testimony I limit my remarks to Property Owned and Used, it will in effect cover practically all of the property. The next sheet of the exhibit——

Q. 13?

A. Yes, sir, sheet No. 13—or rather, it should be numbered 13—is in effect a summary of the previous two sheets, with something added. It separates the property under the same captions as in the previous statement, and summarizes it by Road, Equipment and General Expenditures, and adds in the value of Land and Rights, as found by the Commission as of June 30th, 1917. This figure of $23,775,032, for Property Owned and Used, and the corresponding figure or the other classifications of property, is added in both of the next columns, to the left of the [fol. 560] depreciation column, for the obvious reason that land does not ordinarily depreciate. By this calculation there is produced a total value on the basis of the figures of the Bureau of Valuation. In order to make sure that you have the right line, let me say that the first money column shows the amount of $186,309,927. Next I have shown the final value found by the Commission, excluding working capital, which was separately reported in the Valuation Docket, and may easily be excluded from the final value. That figure, for Owned and Used Property, is $157,600,000. Here I make certain comparisons. The final value, less working capital for Owned and Used Property, was 84.59 per cent of the total value new, also found by the Commission at 104.30 per cent of the total value less depreciation. I have shown what the percentages are, across the page, and they are very close. Note also that for Total Owned Property, the percentages are respectively 84.53 per cent and 104.29 per cent; and for Total Used Property, 84.71 per cent and 104.26 per cent; very close, you will observe, in each case. Next on the statement, under the Total Owned column, ~~I have~~ shown the ledger value, book investment in road and equipment, from which I have deducted the adjustments which the Bureau of Valuation said, in the Final Valuation Report—or rather, which the Commission said, should be eliminated [fol. 561] from book investment. This is done without admitting at all those adjustments should be made, but merely for clarity of purpose. As to these eliminations, the adjusted book investment as of June 30th, 1917, appears as $160,438,638; and following down the column, it will be found that the adjusted book value was 85.36 per cent of the reproduction cost new of the property, as found by the Commission; was 105.31 per cent of the reproduction cost less depreciation, plus land; and was 100.98 per cent of the final value found by the Commission. This is mentioned, and I would like to give it some emphasis, because it illustrates a condition where the final value found by the Commission, was matched by the book value of the property of the company, as is shown by its records, less the adjustments which the Commission claimed should be made. In the last column I have shown the working capital allowed by the Commission as of June 30th, 1917, $4,550,000, and in contrast with that, I show below that as of that same date, the company had on hand cash amounting to $19,521,000-odd.

By Chairman Aitchison:

Q. How much of that was used for the payment of interest due on July 1st?

A. I cannot answer that question, Mr. Chairman, out of my head. Our interest runs now a little better than $6,000,000 per year. I think it was somewhere in that neighborhood, perhaps, or slightly less, then. Material and [fol. 562] Supplies on Hand were $4,409,819, so that it can be seen that the working capital allowed by the Commission was only slightly greater than the material and supplies on hand.

Q. Do you happen to recall whether or not that was one of the issues that was fought out in the valuation proceeding?

A. It was, yes, Mr. Chairman, and you increased our working capital slightly, as the result of our protest. I mention this, not to raise any argument as regards the June 30th, 1917, figure, but merely to provide a basis for comparing these figures with the situation as of December 31, 1939,—and I will be through with this background very shortly. Just for collateral consideration, it is also shown that the average monthly revenues of the company in the year 1917 amounted to $3,671,000, roughly, the average monthly operating expenses were $2,481,000, and the average accrual for taxes, $188,000 monthly. Now I want to quote very briefly, before leaving this basic valuation, from the remarks of the Commission in the final report——

By Mr. Gwathmey:

Q. Give the docket, please.

A. Valuation Docket No. 930—I have already referred to the volume and page. "We have given careful consideration to all of the facts of record pertaining to the [fol. 563] value of the Coast Line as an economically-developed, well-maintained and seasoned property, in operation as a going concern." Shown in the statement that I have just explained, that careful consideration resulted in the conclusion that all road property owned by the Coast Line had a condition percent of 82, roughly; all road property used, approximately the same per cent; and the other conclusions that I have read to you. I might mention that the Coast Line protested the primary valuation of its property, both generally and specifically, and although those protests were to a considerable extent overruled by the Commission, so far as the railroad is concerned, they still stand. Turn next, if you will, to sheets 14 and 15 of the exhibit.

Chairman Aitchison: You had better read the headings to identify them.

A. They are headed "Changes in Property Owned and Used—July 1, 1917, to December 31, 1939." This statement starts off with Cost of Reproduction New as of June 30th, 1917, merely having brought that figure forward from the previous statement, and except for that figure, the other amounts and totals shown on these sheets are a departure from those previously used, in that they are represented by reports made to the Commission by the carrier under Valuation Order No. 3, on Form BB-588, [fol. 564] which have been checked by the Commission, and incidentally are in accordance with the amounts entered in the Property Accounts on the books of the Company. Therefore there is no disagreement, whatever may have been the case prior to June 30th, 1917, in regard to those subsequent figures. The next column is headed Retirements, from July 1, 1917, to December 31, 1939, and it covers the retirements that have been made in the balance of the year from the property which existed at June 30th, 1917. The next column shows the residue of that property. The next three columns relate to Additions and Betterments made in the interim, first showing gross additions, then the retirements made from those additions, and finally, the net additions. The last column is the sum of the column headed Net Additions, and the column headed Residue of Inventoried Property. It is a figure which is currently being used by the Commission, and referred to as Estimated Original Cost, on the theory that the valuation of June 30th, 1917, at prices from 1910 to 1914, represents about as good an estimate of original cost of the property then in existence, as is available. Of course the actual original cost of the property is not determined. Now dealing with the first sheet here, sheet 14, some interesting comparisons are available as regards road property. Taking the road property existing at [fol. 565] June 30th, 1917, as 100 per cent, it is found that 23.46 per cent of that property has been retired, leaving 76.54 per cent still in existence; and for the additions made since June 30th, 1917, 94.5 per cent remained in existence December 31, 1939. That produces a situation where the property existing at December 31, 1939, existed to the extent of 48.42 per cent of the property that was on hand at June 30th, 1917, and 51.58 per cent of the property which has been added since 1917. I shall not take time to read the other comparisons on the next sheet, Sheet 15, except the total for the whole property. It may be seen that at December 31, 1939, only 65.72 per cent of the inventoried plant remained in existence, and also, in the last line, that the plant existing at December 31, 1939, existed to the extent of 41.55 per cent of the property which had been inventoried at June 30th, 1917, and 58.45 per cent of the property which had been added since the date of the inventory. In other words, 58 per cent of the property which existed as of the last date, had been created by capital expenditures since the date of the valuation. Now having brought my statement down to December 31, 1939, on sheet 16 of the exhibit, I have attempted to make some application of the data thus available. This sheet is headed "Application of Data Furnished with Bureau of Valuation Letter of November 8, 1941." The letter of [fol. 566] November 8, 1941, is reproduced at sheet 9 of the exhibit, and sheet 10 of the exhibit is the data which on sheet 16 I attempt to apply. That was furnished by the Bureau of Valuation at the request of our company. This request was made in connection with the Automobile Case, in order to determine exactly what the value of $207,000,000 consisted of; and the data represents the elements of value—I believe that is the term that the Commission uses—which were considered by the Bureau of Valuation in arriving at that value. I had better interpolate right here, Mr. Chairman, that in furnishing that value, Director Lewis of the Bureau of Valuation, emphasized the fact that it had not been submitted to, or approved by, the Commission. I do not know whether it has ever been so submitted, or approved.

Chairman Aitchison: I think not,—if the answer is of any importance in the record. Of course you will recall, Mr. Ormond, that valuation figures were submitted early this year, in a formal proceeding before the Commission, Ex Parte 148; and if my recollection serves me correctly, it was stipulated of record that Director Lewis would testify before the Commission thereto, if he were called. It was so stipulated to avoid bringing him out to St. Louis.

The Witness: Well, I did not have any part in Ex Parte [fol. 567] 148, Mr. Chairman.

Mr. Gwathmey: If your Honor will permit me to say so, I think you will recall that there was a very definite reservation made on that record, on behalf of the railroads, at that time.

Chairman Aitchison: I believe that is correct. I am simply directing your attention to the situation with respect to those figures.

The Witness: May I proceed?

Chairman Aitchison: Yes.

The Witness: Now, the elements of value thus furnished by the Bureau of Valuation were the original cost, and cost of reproduction, both new and less depreciation; the value of land and rights; and working capital,—all substantial elements of value, which were considered in 1917, although different in amount, of course; so I have taken those elements of value, bearing in mind that we had no separation between road and equipment, and that the present elements of value relate only to property used; and on this sheet 16 I have worked them out so as to produce the depreciation taken into consideration, and the condition percents.

By Mr. Gwathmey:

Q. Before you proceed further with your discussion of sheet 16, Mr. Ormond, we possibly should fill in the blanks appearing on that page of the exhibit, where there are [fol. 568] references to previous sheets of the exhibit.

A. Down there in the line where the second money column begins, the figure being $257,101,272, the reference there should be to sheet 15, instead of the present blank.

By Chairman Aitchison:

Q. And the same immediately below.

A. Yes, sir.

By Mr. Gwathmey:

Q. The same reference.

A. Yes.

By Chairman Aitchison:

Q. Original cost, based on cost of reproduction new, 1910-1914 prices, as of 1917, plus actual additions and betterments; is that correct?

A. Right. That is what the Bureau of Valuation has been terming it, in recent years, for the reasons that I gave previously, and I do not think that anybody has objected to it.

Q. Dr. Lorenz used to say that it would not vary 5 per cent.

A. No, 1910-1914 seemed to average up pretty well, on all costs. Now the first calculation shown here has been to take the cost of reproduction as of December 31, 1939, new, and deduct from it the cost of reproduction less depreciation. This is property owned and used. That indicates that the Bureau of Valuation took into consideration as of December 31, 1939, on further returns, depreciation to the extent of $108,904,227, and produced by that means [fol. 569] a condition per cent of 62.812. The condition per cent of course represents the figure determined by dividing the reproduction cost less depreciation, by the reproduction cost new. The same calculation is made below for property used but not owned, and for total property used. The total there taken into account is develpoed to have been $111,835,410, and the condition per cent, 63.129. Now right here I want to make a statement, with regard to this situation. From my knowledge of the property of the Atlantic Coast Line Railroad Company, as it existed in 1939, together with my experience in handling and supervising the handling of expenditures made on that property, and from studies of its past history, I make the statement, that that condition per cent of 63.129 is not correct, and cannot be justified. The next, or lower section of the exhibit, simply applies to the original cost figure the same series of calculations, and at the bottom, it will be observed that the original cost, amounting to $267,000,000 of the property has depreciated, according to the calculations of the Commission, to the extent of $98,384,878. I had better explain briefly right here the discrepancy between the original cost here used, for property used, amounting to $267,000,000, which I just read, and the figure shown on sheet 10 of the exhibit, furnished by the Commission, that latter figure being $261,000,000, or a discrepancy [fol. 570] of some $5,000,000, or $6,000,000. That came about from a number of reasons. When the Commission worked up its figure, it did not have the 588 return for the year 1939, and used the figures shown in the annual report, which were different. Another reason is that the Commission, in handling the 588 reports, in producing original cost, as I understand it, retires from Engineering and from General Expenditures, proportionately, in accordance with percentages allowed in the valuation, whereas the carrier does not. We make no retirements from those figures. That also would cause the Commission's figure to be considerably lower. Another reason, which I developed by investigation in the office of the Bureau of Valuation, is that in getting up these figures, there was some slight discrepancy, which later was corrected, which tended to lower the Commission's figure. We are in no particular disagreement about this, and the amount involved would not have any material effect, in any event. Now this statement shows that the condition per cent of property used has declined 15 points in 22½ years, and that the property has accumulated additional depreciation to the tune of $76,000,000, roughly, between 1917 and 1939, despite the fact that inventoried property to the extent of over $63,000,000 has been retired in that interval, which normally would cancel the depreciation on that much of the [fol. 571] old property; and also despite the fact that the company has expended $158,000,000 in adding property to the plan. As regards the original cost section of the statement, if we compare that figure with the reproduction cost new, as of June 30th, 1917, which is the basis of the original cost down to that point, we find that the original cost of the property has increased only $39,000,000 in 22½ years, again despite the expenditure of $158,000,000 on the property. Next, let us turn to sheet 17 of the exhibit.

By Mr. Gwathmey:

Q. Read the heading, please.

A. Yes, sir; I am just going to do that. This statement is headed "Summary of Valuation Data Furnished with Bureau of Valuation Letter November 8, 1941, and Comparisons based thereon." Roughly, this is an attempt to reproduce, as of December 31, 1939, the same comparisons that have been previously given as of June 30th, 1917. It is limited, of course, because we do not have a separation between road and equipment, and general expenditures, and also because the only class of property on which we have full data, is total property used.. As I have previously explained, the property owned and used predominate. Here again we have added the amount allowed for value of land and rights to the cost of reproduction, road, equipment and general expenditures, and we have [fol. 572] produced a total value, according to the Bureau of Valuation figures, separately, for owned and used, used but not owned, and total used; and I have also set in, in the last two columns, midway, the final value fixed by the Bureau of Valuation as of December 31, 1939, after having deducted the amount allowed for working capital. That figure is $203,457,200. Now then, we get to the real gist of my testimony. It appears that the final value, less working capital, is 62.76 per cent of the reproduction value new, and 95.81 per cent of reproduction less depreciation. As of June 30th, 1917, the corresponding figures were 84.71, and 104.26. Now this percentage of 95.81 is particularly significant. I have already commented on the low condition percentage of December 31, 1939, obviously the result of continued deductions for depreciation. But I do not see why this percentage of 95.81 is as low as it is. If the value fixed by the Commission December 31, 1917, was 104.26 per cent of the cost of reproduction less depreciation, why should it be 95.81 per cent at December 31, 1939, taking the same factors into consideration? The only explanation, and one upon which I shall comment briefly later, is the land and rights, or the amount allowed for land and rights; but even taking that into consideration, it seems peculiar that the percentage that I have remarked on should be so low. Now let us take the next comparison, [fol. 573] —which I will freely admit is not of a great deal of value. I have set in the ledger value shown by our books for land, road and equipment, of $266,421,850. From that I have developed the same adjustment that was suggested by the Bureau of Valuation at June 30th, 1917, and I have also deducted $1,000,000 flat to represent the figure included there in that total of property owned but not used. We do not know exactly what that is, but that is an approximation of it. The changes in property owned but not used are reported by the using carrier, so as a matter of fact we do not have a very clear idea as to what that is, but $1,000,000 is a fair estimate. That calculation develops that the ledger value of our property is 77.84 per cent of the reproduction value new, and 119 per cent of reproduction less depreciation. In 1939 those percentages were materially different, and very materially different. The next figure shown in this statement is the amount allowed for working capital, in the last column, $3,542,800. Let me recall the fact that $4,550,000 was allowed in 1917 for working capital, well over $1,000,000 different, lower, in 1939. In the meantime, the Atlantic Coast Line Railroad Company's operated property had grown from some 4700 miles to some 5100 miles; it was a larger property, doing a larger business, but it has an allowance of a smaller amount, as it stands here, of about 25 per cent for working [fol. 574] capital. The ledger figure for cash on hand at the same date is shown to have been $7,500,000, and for materials and supplies $3,800,000; so here we have a situation where the working capital is actually less than the materials and supplies on hand. In the year 1939 the average monthly revenues had grown to $3,900,000, and the average monthly operating expenses to $3,055,000. There is an important difference, however. While both revenues and expenses had grown, the net difference between them, which is what would produce increments to working capital, had shrunk very materially. I understand that working capital is developed by the Commission in accordance with a formula, but I do not know what that formula is. I am not going to say anything more about it, except that I would be very curious to see a formula that could produce results such as I have given.

Chairman Aitchison: I thought that was pretty well threshed out in some of the previous cases.

The Witness: Yes, it was, of course, but I just cannot understand how it can be applied, and produce results like these. Now, following up this testimony as to the comparisons at these two different dates, I want to give you some other comparisons, right briefly. Sheet 18 of the exhibit, headed "Some characteristics of railroad plant compared—1917 versus 1939," shows the difference [fol. 575] in operated road milage, upon which I have previously commented, and shows that miles of second main tracks had increased from 331 to 689; miles of all track operated had increased from 6100 to 7300; miles of road protected by automatic block signals had increased from 327 to 839; and miles of track protected by automatic train control, had increased from none to 580. It also shows that the predominant weight per yard of rails in main line track, had increased from 85 pounds to 100 pounds; that the ballast had been changed from pit run gravel to crushed rock and slag; that the maximum permitted speed of freight trains had been increased from 40 miles per hour to 50 miles per hour, and of passenger trains, from 60 to 80 miles per hour; that locomotives in service had decreased, but their aggregate tractive effort had substantially increased; and that freight cars in service had also decreased, but had increased, considering the available. Fruit Growers Express cars, which are used to move a large proportion of the traffic handled by our company. Turn now, please, to sheet 19 of the exhibit, headed "Some indices of railroad performance compared—1917, 1939, 1942." I might explain here that it was necessary to go forward to 1942 to determine what this railroad plant might be capable of doing. 1917 was the best year, in point of volume, that the Atlantic Coast Line Railroad had ever known up to [fol. 576] that time, and in contrast with that, 1939 was rather a poor year; but, as we all know, 1942 probably will top all of the years for most of the railroads. I have produced 1942 figures in rather a rough way, admittedly, by simply multiplying the figures for half of the year, by 2. I think that will set it at a minimum, as conditions now appear. I do not see any point in reading all of these figures into the record. You can see that in 1942 this railroad plant, which the Bureau of Valuation says is in a 63 per cent condition, is handling anywhere from 2 to 3 times as much traffic as it handled in 1917, when it was reported as being in an 84 per cent condition. Almost every index—and they are not selected particularly, because they show favorable results—you will find double or trebled. I do not think it necessary to emphasize it any further.

Mr. Bee: Mr. Ormond, should that dollar mark be there, beside revenue tons carried, on sheet 19?

The Witness: How is that again?

Mr. Bee: I say, you have a dollar sign there, beside revenue tons carried, on that last sheet. Should that be there?

The Witness: No. Will you make that correction, please. Just strike out the dollar mark that is shown at the top of each of these columns. Now let us refer to the [fol. 577] last page——

[fol. 577] By Chairman Aitchison:

Q. Just a moment. Are you going to read into the record the excerpt from one of our decisions? You have referred to it.

A. Read it into the record?

Q. Yes. You have it here.

A. No, sir, I was not going to read into the record. I was just going to refer to it. Sheet 20 is headed "Excerpt from I. C. C. Valuation Docket No. 930-38 Valuation Reports 552-553." I would merely like to call attention to the statement at the bottom of the second paragraph, as follows: "There is nothing in that case that disapproves, directly or by implication, the methods used by us, since they are not the result merely of a straight line calculation. The depreciation reported by us in this case was estimated after an inspection of the property and a consideration of mortality statistics of similar property, in similar use." That was made in response to a protest of the Atlantic Coast Line Railroad, to the effect that the Commission had used straight line depreciation in determining the depreciation existing as of June 30th, 1917. The Commission says that it did not use straight-line depreciation solely.

[fol. 578] The Witness: Now, let me refer to sheet 3 of the exhibit. This is a letter written by the Director of the Bureau of Valuation. I just want to call attention to the last paragraph in which he says that our query as to the low value—or rather, our query as to the low value accorded to the Coast Line brought forth this letter, in the last paragraph of which he says: "It seems rather obvious that in the marshalling of the above standard elements of value, that the differences in thought center in depreciation." Now then, if you will look at sheet 6, sheet 6 is sheet 3 of a Statement of Methods which was furnished by the Bureau of Valuation along with the elements of value as of December 31, 1939. It refers specifically to the Automobile Case and also this case, evidently having been worked out or reproduced, at least for the dual purpose of the two cases. Under the heading "Cost of Reproduction Less Depreciation," the very first line says: "Depreciation has been determined on a straight line basis in accordance with the establishesd practice of the Commission." In Valuation Docket 930 as of June 30, 1917, the Commission says that the straight line basis was not used altogether or without modification. Now, getting back to June 30, 1917, neither I nor anyone else outside of the Commission or the Bureau of Valuation knows exactly how the depreciation that was there taken [fol. 579] into account was computed.

Chairman Aitchison: Will you read that last statement, please, Mr. Reporter.

(Record read.)

The Witness: We know that——

By Chairman Aitchison:

Q. You had a pretty good analysis of methods, did you not?

A. We know the amounts of it, Mr. Chairman.

Q. The methods too. They are all stated in the Analysis of Methods given the parties and referred to in the Texas Midland Valuation Case.

A. I was just about to refer to that.

Q. You had the valuation engineers on the stand?

A. Yes, sir.

Q. Did not the Commission's valuation engineers prepare and submit that information to your company, and were they not given an opportunity to check it?

A. Yes.

Q. Even before the tentative valuations were put out?

A. Yes, and they were protested, but I do not believe, Mr. Chairman, that those condition percents that were there developed were the sole basis for depreciation in the Texas Midland Memorandum that was issued along with that case.

Q. Bulletin 226?

[fol. 580] A. How is that?

Q. Bulletin 226?

A. I think that was it.

Q. It was an engineering report and memorandum 226?

A. They said that straight line depreciation would be used where practicable.

Q. Is it not fair to assume that they had something of that sort in mind on page 3?

A. I think that is possible, but my thought about this thing has centered around this: On a property as old as the Atlantic Coast Line which was unquestionably, to a large extent, anywhere from 40 to 70 years old as of the date of valuation, the straight line method of depreciation must have reached the limits of practicability very soon. Otherwise we could have never emerged with a condition per cent of 84 per cent. My understanding is, and I state it with temerity, of the Bureau of Valuation's procedure, that their engineers accompanied by ours, went out and inspected each and every unit of property. In fact, they drew a picture of it. They developed a condition per cent based on that physical inspection. Those data went into Washington and were passed upon by the Board of Review, and the final condition percent by accounts and in some cases by elements was developed by taking the straight line method and the condition per cent and [fol. 581] using judgment. That is exactly the point I want to make. In 1917 judgment was exercised in fixing the depreciation existing on the property of the Atlantic Coast Line. We do not think it was in 1939.

Q. Because there was no physical inspection made? Is that your point?

A. That is the point, Mr. Chairman. There was an inspection made in December, 1940. I think three gentlemen, very capable men, spent 12 or 13 days going over 5,000 miles of the Atlantic Coast Line, to a considerable extent from the rear end of a passenger train.

Q. That is very similar to the testimony that was given by Mr. John F. Stevens with respect to the valuation of the Northern Pacific in the Spokane Fourth Section case. He stood on a train that went over the line and testified with respect to its value.

A. I am not familiar with that, sir. My point is this: In 1917, I think depreciation was what might be termed an end-product. It represented the difference between a reproduction cost less depreciation developed by physical inspection plus judgment, and a reproduction cost new. In 1939 there has been no such inspection made that was adequate to develop conditions.

Q. I think I can state your point. Let me see if I understand it correctly. Your point is that the Atlantic Coast [fol. 582] Line, being what it is, being made up of different kinds of property, incurs depreciation which has to be taken off by certain methods; that there comes, with respect to each of these classes of property, a time when a certain figure is reached and thereafter, if the property is reasonably well maintained, that particular figure becomes static as to each class. Of course, that would enter into the composite. Your contention as I understand it is that the method which you say Director Lewis said was used, would carry that process of depreciation down below that static position of normal maintenance?

A. That is one angle of it. However, as you know, the Bureau of Valuation on some classes of property, according to my understanding does not carry depreciation down below a certain level which they think would be normal. But that is not the only point. My point is that you cannot figure depreciation with a pencil and paper, when that depreciation is going to affect a ratemaking value which is of paramount importance to the railroad involved. As a matter of fact, I do not want to go into a dissertation on depreciation, but my sole point in pointing out these comparisons as of December 31, 1939, and 1917 is merely this: The Commission cannot have made an adequate inspection, and in computing that depreciation, the property of the Atlantic Coast Line has been depreciated far [fol. 583] below what an adequate inspection would reveal.

Q. Now, is it not a matter of degree, the extent to which you differ with respect to the results obtained by Director Lewis? Assuming there had been perfectly adequate inspection and perfectly adequate methods, satisfactory to you, that had been employed up to 1917, as of 1918 you would be able to take the additions and betterments, the increments to the plant, and so on and so forth, and you would be able, without physical inspection, to arrive at a reasonably satisfactory condition per cent of the property, would you not, with your pencil and paper?

A. With a lapse of only one year, and for any purpose except valuation, I should say yes. But not for 22½ years and for a purpose that is vital to us, fixing a ratemaking value.

Q. Well, you would not expect an engineer to go out and look at a piece of property that was brand new, would you?

A. No, sir. Not if it was brand new, no, sir.

Q. All right. You would not expect him to go out and look at a piece of property that had been retired, would you?

A. No, but it gets down to this: If you have a piece of property that is not brand new and has not been retired, I do not believe—this is my personal opinion—that anybody can say that property, railroad property, is going to depreciate at so much a year from that time on. It leads [fol. 584] you into a ridiculous situation. You will not have any property left at all.

Q. Well, speaking of ridiculous situations, do you not also get into a ridiculous situation under your contention, where you would have a man go out and look at and make an inspection of brand new property, although the cost of reproduction obviously would be exactly the same as the original cost?

A. I just do not see it that way, Mr. Chairman. I expect we are looking at it from different angles.

Q. What in the world would you do? He would look at it and he would say, "This is a brand new piece of property, 100 per cent." He could tell that, could he not?

A. Well, he could not tell with respect to an individual structure that was 50 years old, that was 27 years old as of the date of valuation, where it is entirely conceivable that that individual structure might have a higher condition percent in 1939 than it has in 1917.

Q. Your maintenance accounts show the maintenance work that is done. They show whether there were any additions, betterments, or maintenance put out.

A. Not by structures, sir.

Q. By class of structures.

A. This business of charging off a certain amount in accordance with the straight line theory of depreciation, [fol. 585] year by year, and arriving at a value on the basis thereof—I can never agree to it. As I said before, this question is of vital importance. If rates are to be based and costs are to computed on ratemaking values, thus determined, if we all live long enough, we will soon come to the point where there may not be any ratemaking value. That is particularly true for this reason: In the last two decades the railroad plant has been expanding, at least to some extent. By capital additions the impact of depreciation has been offset, and more than offset. We all know that the railroads are now in a position where their plants are going to not expand, but they are probably going to contract. There will only be the renewal of facilities, and not these heavy capital additions. As long as the straight line theory of depreciation is applied without the judgment factor developed by physical inspection, admitting the impracticability of doing it, your value is going down, down, down, down. It is a ratemaking value, and it is a value on which the railroads have every right to expect adequate consideration.

Q. You have not discussed at all the rate of return, have you?

A. No, sir.

Chairman Aitchison: Proceed.

By Mr. Gwathmey:

Q. Mr. Ormond, will you turn for a moment on sheet 16. [fol. 586] A. Yes.

Q. Apparently this was mimeographed twice, because in some copies the first figure on the sheet is $292,848,883, and in other copies the first figure appears as $282,848,883.

A. Just a minute.

Q. Which is right?

A. $292,000,000 is right.

Mr. Gwathmey: Mr. Chairman, we ask that the exhibit which has been referred to and identified by the witness be received in evidence.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 31? (No response.) It is received.

(Exhibit No. 31, Witness Ormond, received in evidence.)

Mr. Gwathmey: The witness is tendered for cross-examination.

Chairman Aitchison: Is there any cross-examination?

Mr. Smelker: I have one or two questions.

Chairman Aitchison: Mr. Smelker.

Cross-examination.

By Mr. Smelker:

Q. Has your company made an engineering study of the present condition percent of the property as of December 31, 1939?

[fol. 587] A. No, sir.

Q. Then you have no alternative offer to make as far as ratemaking value is concerned?

A. I did not get the question.

Mr. Smelker: Read the question, please, Mr. Reporter.

(Question read.)

A. No, sir, except to state that the ratemaking value furnished by the Bureau of Valuation is much too low.

Mr. Smelker: That is all.

By Chairman Aitchison:

Q. You indicated that there was a sort of cut-off or stabilization point on these various classifications of property beyond which you might not expect the property to depreciate, if you got down, conceivably, to the percentage of the reproduction new and the property was reasonably well maintained and stayed there. Can you indicate what those percentages would be according to the several classes of property as stated by Director Lewis in his letter?

A. No, sir, I could not; I could not indicate any such percentages.

Chairman Aitchison: I see.

The Witness: If I might say so, I think you misinterpreted slightly what I said. I did not make the statement that they—I believe the Bureau of Valuation uses certain of those figures. My position is that depreciation [fol. 588] can only be determined by inspection.

Q. Suppose it is determined by inspection. If the property is reasonably well maintained, would the inspector ever find below a given percentage?

A. Below a certain percentage?

Q. Yes, below a given percentage.

A. I doubt it. I do not think he would.

Q. So there is a cut-off point on a well maintained plant for each class of property?

A. I grant that there must be, and that might be an alternative.

Q. Take ties, for instance, where they are adequately maintained and they have gotten into a cycle and the cycle is not disturbed: You would not expect any more than 50 per cent, would you?

A. Ordinarily it is 50 per cent.

Q. The same would apply with respect to the other classes of property?

A. We could only apply in that sense to a class of property which consisted of a very great many ties that were being renewed constantly and regularly, so to speak. Ties are the best example of it.

Chairman Aitchison: Is there any further cross examination of this witness? (No response.) You are excused, Mr. Ormond.

(Witness excused.)

[fol. 589] Chairman Aitchison: Call your next witness, Mr. Gwathmey.

Mr. Gwathmey: Your Honor, I would like to call Mr. R. E. Boyle, Jr.

Chairman Aitchison: Proceed.

R. E. Boyle, Jr., was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Mr. Boyle, will you please state your name, residence and occupation.

A. My name is R. E. Boyle, Jr., Atlanta, Georgia. I am assistant to the Chairman of the Southern Freight Association.

Q. Please state briefly your experience in respect to rate and classification matters.

A. For more than 21 years I held various positions in the Traffic Department of the Southern Railway System, including those of rate clerk, executive rate clerk, chief clerk, commerce agent, assistant general freight agent, and general freight agent. For two and a half years, beginning January 1, 1940, I was a member of the Southern Classification Commitee. Presently I am assistant to the Chairman of the Southern Freight Association. During all of this period of railroad service, I have been engaged wholly in traffic work, almost entirely with rate adjustment and [fol. 590] classification.

Q. With what particular portion of the testimony offered at the St. Louis hearing will you undertake to deal?

A. My testimony here will deal primarily with the classification features of Exhibit 7 in this proceeding and to a smaller degree with some of the suggestions as set out in Chapters 10, 11, 13, 14 and 15 of Exhibit No. 7.

Q. Exhibit No. 7 being an exhibit which was offered by Mr. Jensen?

A. True.

Q. Have you prepared a total of six exhibits which you desire to offer in connection with your testimony?

A. Yes, I have.

Q. Have you also prepared a narrative statement in explanation of these exhibits and of your testimony?

A. That is true.

Mr. Gwathmey: If your Honor please, I ask that these exhibits be marked for identification.

Chairman Aitchison: They may be marked for identification as Exhibits 32 to 37, both inclusive.

Exhibits 32 to 37, Witness Boyle, marked for identification.)

By Mr. Gwathmey:

Q. Please proceed with the presentation of your prepared testimony, Mr. Boyle.

A. The entire scheme of class rates set forth in Mr. [fol. 591] Jensen's Exhibit No. 7 is predicated on a reclassification so as to preserve existing revenues. All class rates being substantially reduced, he proposes a corresponding increase in classification. The exhibit states that the term "classification" is intended to include not only the classification proper but more particularly all classification exceptions, all mileage scales and, in fact, all rates made on a mileage basis. At pages 81 and 82 of Exhibit 7 it is suggested that since a revision of class rates such as proposed would necessitate extensive classification readjustments, the rates should be published, letting a new classification be fitted into the new class rate adjustment in an orderly way through existing machinery, cancellation of the present rates to occur only when the classification has been completely revised.

Witness Jensen makes it clear that he does not advocate anywhere a reduction of the revenue of the carriers, rather, he has stressed that reductions in the class rates should be compensated by increases in classification sufficient to preserve revenues. We will undertake to show by appropriate exhibits that if preservation of revenues be the sole object, or even if it be only the prime object to be accomplished in fitting a new classification in the proposed system of class rates, a great many undesirable conditions will result. In the first place it will bring [fol. 592] about complete reversal of the basic principles of classification making. Such important elements of classification as bulk, weight, value, volume, risk of carriage, competitive articles, type of container, care required in handling, floor loading, risk of damage to other freight, etc., would of necessity have to be ignored. The distance which freight has moved in the past will be the sole factor in determining its classification if the preservation of revenues is to be accomplished. Such a classification could be made only after extensive, very costly and interminable revenue tests to determine that percentage of the revised first class rates necessary to preserve revenue, and there is no assurance that revenue could be preserved because a classification designed solely to preserve revenue would set up so many serious disruptions in relationship as to almost certainly result in a considerable change in the flow of traffic. Such a classification will destroy any semblance of classification uniformity. Competing articles, and articles which now are and ought to be rated the same, will be rated differently. The classification relationship among articles will be vastly changed. Such a classification would compound the difficulties of the long haul shipper. The proposed rate scales for the longer distances are relatively higher than for the shorter dis- [fol. 593] tances as compared with present class rates. In addition to the rate scale proposed, the suggested classification would add to the burdens of the long haul shipper because the shortest distance which a commodity moves will tend to inflate the classification rating necessary to preserve revenue. The shorter the average haul, the higher the classification will become, and thus the higher the rate to be paid for the longer hauls. A situation of this sort would, among other things, extend the radius or distance of profitable motor truck operation. Witness Jensen expressly stated that in forming his suggested scales the element of highway competition influenced his decision to propose relatively low rates for the short hauls and relatively high rates for long hauls, but if the average hauls be anywhere near the estimate made by Mr. Jensen, that is, 270 miles for class rate and 190 miles for commodity rate traffic, the classification ratings necessary to preserve revenues at these average distances would result in an inflated classification for the longer hauls. The result, apparently, will be preservation of revenues for the relatively short hauls, certainly for hauls under 500 miles, and an increase for the longer hauls. So far as motor truck operation be concerned, the result will be no great change for the relatively short distances but an opportunity for more profitable operation for longer [fol. 594] distances. From — standpoint of the rail lines this is undesirable because it is bound to extend the radius of private truck operation to say nothing of contract and common carrier trucks.

A classification of the kind proposed will not diminish, rather will add greatly to the problem of interterritorial rates. For example, rates from Southern to Official territory where now on substantially the destination level, such as the rates prescribed in I. C. C. Docket No. 27746, will, if revenue be preserved, become actually lower than rates on the same commodities for the same distances within Official territory. Such a situation probably would not be permitted, in which event if such competitive rates from the South to Official territory are continued on the destination level, the rates will be increased, and not only will the rates be increased, but more important the result will be to very substantially increase the present spread of the rates from Southern origins over the rates from competing origins in Official territory. At page 83 of Exhibit 7 it is stated that it will be necessary as at present to compensate the excessive difference in the level of class scales by lower ratings in Southern than in Official Classification. Just the reverse of this statement will result from reclassification designed to preserve revenue. By reason of the much greater reductions proposed in the

Southern classification rate scale than proposed in the [fol. 595] Official scale, it follows that to preserve revenue the classification in the South must be increased a greater amount than in the North. Wherever the ratings presently are anywhere near uniform, the Southern rating will be substantially higher than the Official rating.

At page 84 it is suggested that the Official classification should govern the rates within the Northern zone of Southern territory. The Official rating will be determined by whatever percentage of first class may be necessary to preserve existing revenues in C. F. A. and Trunk Line territories. The Official ratings will be lower than within the South, thus within the proposed Northern zone of Southern territory, from border points, and from all origins in Official territory to the Northern zone of Southern territory the classification as well as the rates will be lower than from competing origins in the South such as Atlanta, Birmingham, Jacksonville, New Orleans, etc., which will have not only a higher rate scale but a higher classification as well It is reasonable to expect that in making the Official classification, the Official lines will determine the ratings necessary to preserve revenue on the tremendous movement of class rate traffic in what is now Official territory, with little or no regard for the preservation of revenue on the very much smaller, yet exceedingly im- [fol. 596] portant, movement of class rate traffic in that part of the South in proposed Zone 1. The result of applying the lower Official rating to the greatly reduced class rates within, from and to Zone 1 will have adverse effect on revenues aside from setting up difficulties for competing shippers in the Southern zone of Southern territory.

In support of the testimony I have given, I desire to present certain exhibits. The first is a statement of 3 pages, marked for identification as Exhibit 32. This exhibit sets forth the several proposed first class rate scales within the various zones of Southern and Official territories, computed on the formulas stated at page 80 of Mr. Jensen's Exhibit 7. For comparison the present Southern and Official first class scales are shown.

Next is a statement of 9 pages marked for identification as Exhibit 33. In this exhibit, and in others to follow, for the purpose of demonstration only, free use has been made of assumed tons and assumed distances. It has been impossible under present conditions to assemble actual revenue and tonnage. If actual movements of traffic had been used instead of assumed movements, the figures would be different and perhaps substantially different, but there would be no change in the resulting conditions. The purpose of this Exhibit 33 is to demonstrate three very undesirable [fol. 597] results: First, that under the proposed plan of reclassification, the distance which it moves and nothing else, will determine the classification of an article, and that a slight change in average distance will give a different classification; second, that articles which now are and under all accepted classification principles, should be rated the same, will be rated differently; and, third, whatever be the classification, the short haul shipper will pay much less than at present, and the long haul shipper will pay substantially more. On traffic presently moving within Southern territory on 3rd class rates, evenly distributed for all distances up to 1,000 miles, 3rd class will become 91% of the proposed first class rates in order to preserve revenue; but if a preponderance of the movement be for distances not exceeding 400 miles; it will require 103% of the proposed first class; and if a preponderance of the movement be for distances in excess of 500 miles, 3rd class will become only 86% of the proposed first class rates. Not all articles rated or classified the same move for the same distances, therefore, since the distances which a commodity moves will largely, if not entirely, determine its rating, classification as such will entirely disappear. Freight classification denotes an orderly and systematic distribution, arrangement, or grouping of commodities.

[fol. 598] Nothing of that sort is possible under the suggested method. Admittedly these difficulties can be mitigated in some measure by the reclassification of large groups of articles, but to do that would certainly bring about undue increases on some articles in the group and unwarranted reductions in others. But most probably shippers generally would insist, and justifiably so, that as to their individual articles of commerce, the railroads should make no higher rating than necessary to maintain present revenues. This would result in some weird and abnormal rate adjustments. For instance, at the present time coal, wood, gas, and electric stoves or ranges are rated the same in Southern Classification, viz: 6th class, carload minimum 24,000 pounds. Within Southern territory the manufacture of coal or wood stoves predominates. By reason of the lower percentage reduction in the proposed interterritorial rates and also because of the influence of the longer haul movement of gas and electric stoves into Southern territory, gas and electric stoves would require a lower rating than coal or wood stoves, if revenues are to be substantially preserved on each kind of stove. To continue the same classification on all these stoves would compel the manufacturers of electric or gas stoves to pay increased rates so as to contribute to the deficit in rates on coal or wood stoves. But [fol. 599] to substantially maintain revenue on each separate kind of stove would make a higher rating on coal or wood stoves than on gas or electric stoves. I don't know how we could justify higher ratings on coal stoves than on electric stoves, nor do I find any justifying reasons for an increase in the rates on electric stoves simply to maintain the revenue on coal or wood stoves. Under the proposed class rate revision and reclassification, we would be compelled to do one or the other. And so it is with a great many other things. Bolts, nuts, washers, staples, nails, spikes, etc., along with scores of other articles of iron and steel are presently rated the same. Each article is listed separately in Southern classification and less carload traffic now moves on the classification rating. To keep revenues intact on each article will result in different ratings, which is contrary to all recognized classification principles. There are no accepted elements or principles of classification-making which would make inflated ratings on bolts, nuts and screws from New England to the South simply in order to held maintain revenues under the ratings on nails made and shipped within the South. Nor are there any recognized or accepted classification principles that would make the rating on nails higher than on nuts and bolts but we would be compelled to do one or the other under the proposed system of rates and classification. In event such a plan [fol. 600] of class rates and reclassification as contemplated by Exhibit 7 be adopted, the classification committee or such other committees as may be delegated, would undertake to reclassify commodities, or groups of commodities, in such a manner as to maintain revenues of the carriers. The result would be, not a classification at all, but a heterogeneous list or catalog of articles and ratings, devoid of all the elements and principles on which classifications have always been built. The substance of these things is shown on Exhibit 33.

I offer next a statement of one page, marked for identification as Exhibit 34. The purpose of this exhibit is to demonstrate that where present ratings are uniform or approximately so, in the several rate territories, such uniformity will be disrupted, in fact, entirely destroyed, and that because of the much greater percentage reduction proposed in the rates in Southern than in Official territory, the classification in the South must be increased a substantially greater amount than in the North if revenues are to be maintained under the proposed class rate revision.

I now offer for the record statement of 12 pages, marked for identification as Exhibit 35. Wherever there is now in effect a competitive adjustment of rates from Southern territory to destinations in Official territory reflecting the [fol. 601] destination level, such as the rates prescribed in I. C. C. Docket 27746, such rates, if fitted into the proposed class rate structure in a manner that will keep revenues intact, will become lower than the rates proposed within Official territory for the same distance. On the other hand, if such competitive adjustment of rates be held to the proposed Official territory level of rates as minimum, then the present rates will be substantially increased, and not only increased, but the differential over competing origins within and along the border of Official territory will be increased. These undesirable consequences are portrayed by Exhibit 35 which shows present and proposed rates and revenues on stoves, carload, from seven Southern manufacturing points to nine representative destinations in Central Freight Association territory. In making the exhibit we have assumed a total movement of 1,000 tons from each origin, distributed among the nine destinations in ratio to population. Some explanation is necessary regarding the rates and revenue resulting from application of the proposed C. F. A. class rate scale. Presently stoves and ranges, carload, within Official territory are rated 5th class or 35% of first class. No one can say what percent of the proposed C. F. A. first class scale is necessary to preserve existing revenue as only an extensive revenue test will develop that figure. However, in [fol. 602] Exhibit 35 we have shown what we compute to be the minimum and maximum percent of the proposed first class C. F. A. scale needed to preserve revenue. Our calculations are shown on pages 8, 9, 10 and 11 of the exhibit. Either the minimum or the maximum proposed C. F. A. rates will increase the present rates on stoves moving from Southern to Official territory, and will also substantially increase the differentials to be paid by the Southern shipper. The only alternative would be to continue rates which will maintain revenue as a whole but to do that would make rates from the South to Official territory lower than for the same distances within Official territory.

In a competitive adjustment of rates, the amount of differential over competing origins is often of greater importance than measure of the rates. If the proposed C. F. A. scale of rates should be applied on any commodity from the South, now having benefit of a competitive adjustment of rates reflecting or approaching the Official territory level, the handicap of the Southern manufacturer would be increased. This comes about because the proposed class rate scales are relatively low for short distances and high for long distances as compared with present class rate scales. This situation with respect to stoves is shown on page 12 of Exhibit 35.

[fol. 603] While this exhibit deals only with stoves, it portrays the situation which would prevail on any and all commodities now having benefit of a competitive adjustment of rates made with relation to the destination level.

In Chapter 14 of Exhibit 7, the third subject or topic, Witness Jensen states at pages 114, 116 and 117, that preference or advantage in freight charges is given to carload shipments in cars 40 feet or greater in length over those in 36 foot cars. It appears this conclusion is based upon the belief stated at pages 114 and 117 that "in general the 36 foot minima can be loaded in 36 foot cars only with difficulty if at all." Exhibit 7 further states that the result has been that the shipper who used a 36-foot car commonly was required to pay freight charges on a greater weight than loaded, while the shipper who used a longer car paid on the actual weight, this being the equivalent of a lower rate per hundred pounds to the shipper who demanded and used longer cars. The witness may have had in mind the carload minimum weights for extremely light and bulky freight but presumably not, because the recommendation set out at pages 122-123 contemplates cancellation of all carload minimum weights regardless of how heavy the commodity. Since these conclusions are based upon the premise, as stated in the exhibit, that generally the minimum weights cannot [fol. 604] be loaded in 36 foot cars, or can only be loaded with difficulty in 36 foot cars, we would like to present the facts regarding the making of minimum weights and the ability to load the published minimum weights in a 36 foot car. The truth is that only rarely are minimum weights made as high as physical loading possibilities, even in 36 foot cars. Occasional exceptions to this statement are the minimum weights on very light and bulky articles on which, regardless of what the maximum loading possibilities are, it is necessary to fix a minimum weight sufficient to yield adequate per car revenue. Such instances are the exception and not the rule. In fixing carload minimum weights the classification committee and the rate committees as well, are governed, not so much by the cubic capacity or axle capacity of equipment, but rather by practical considerations such as commercial necessity, unit of sale, liability to damage of goods by overloading, the type of container, necessity for floor loading, etc. Perhaps the most controlling of these is what we term commercial necessity, or commercial minimum. This simply means that generally the minimum is made with some relation to the unit of sale, the amount the shipper is able to sell, or more often, the quantity the receiver is able to buy or to use. Aluminum is a fair example. The classification minimum weight on all kinds of aluminum [fol. 605] num is 30,000 pounds which, in normal times, is a considerable quantity for any manufacturer of aluminum articles. While the minimum on aluminum is 30,000 pounds, if loaded only 30 inches from the floor of a 36 foot car, aluminum plates, sheets, bars, billets, pigs or blooms would weight well in excess of 100,000 pounds. Commercial necessity has fixed the minimum for aluminum at 30,000 pounds, although by utilizing only a small part of the cubic capacity a car can be loaded to its axle capacity. Another example is canned goods which, if loaded to cubic capacity, would on the average weigh above 100,000 pounds. The minimum generally is 36,000 pounds on canned goods because not many receivers can handle in excess of that amount. To indicate that very generally the published minimum weights are far below physical loading possibilities, we offer a statement marked for identification as Exhibit 36, showing a list of all articles on which classification changes were made last year. While Exhibit 36 embraces only a little more than 300 articles, it is a pretty fair cross section of the classification and of the commodity rate tariffs. This statement shows the classification minimum weight, the average weight per cubic foot and the total weight if loaded to cubic capacity of 36 foot and 40 foot cars. On the average, 36 foot cars contain 2495 cubic feet and 40 foot cars 3171 [fol. 606] cubic feet. For purposes of this exhibit the calculations are based on only 2400 cubic feet for 36 foot cars and 3100 cubic feet for 40 foot cars, these being the figures ordinarily used by the classification committees. The statement shows that save for a relatively few extremely light and bulky articles the published minimum weights are generally very much lower than the quantity which can be loaded in 36 foot cars.

I offer next a statement of 3 pages marked for identification Exhibit 38. This is a statement prepared by the Southern Weighing & Inspection Bureau during 1937. It is the latest information of the sort available to me but the statement shows that even in more normal times very light and bulky articles such as agricultural implements, scrap, jute bagging, tight barrels, corrugated paper boxes, set-up wooden boxes, tin cans, scrap paper, moss, woven wire fencing and the like, can be and are loaded in smaller equipment. While this statement embraces only 307 36 foot cars and 3,444 40 foot cars which were actually loaded or unloaded at points in Southern territory, it is fairly representative. Of the 3,751 cars included in the exhibit, practically every one was loaded in excess of the applicable minimum weight.

At page 115 of Exhibit 7 it is stated that the railroads have aggravated the discrimination or favoritism resulting from the relative ability to load in 36 foot and 40 foot [fol. 607] cars. On the average, 36 foot cars contain 2495 cubic feet and 40 foot cars 3171 cubic feet. For purposes of this exhibit the calculations are based on only 2400 cubic feet for 36 foot cars and 3100 cubic feet for 40 foot cars, these being the figures ordinarily used by the classification committees. The statement shows that save for a relatively few extremely light and bulky articles the published minimum weights are generally very much lower than the quantity which can be loaded in 36 foot cars.

I offer next a statement of 3 pages marked for identification Exhibit 38. This is a statement prepared by the Southern Weighing & Inspection Bureau during 1937. It is the latest information of the sort available to me but the statement shows that even in more normal times very light and bulky articles such as agricultural implements, scrap jute bagging, tight barrels, corrugated paper boxes, set-up wooden boxes, tin cans, scrap paper, moss, woven wire fencing and the like, can be and are loaded in smaller equipment. While this statement embraces only 307 36 foot cars and 3,444 40 foot cars which were actually loaded or unloaded at points in Southern territory, it is fairly representative. Of the 3,751 cars included in the exhibit, practically every one was loaded in excess of the applicable minimum weight.

[fol. 608] At page 115 of Exhibit 7 it is stated that the railroads have aggravated the discrimination or favoritism resulting from the relative ability to load in 36 foot and 40 foot cars by making the minima on 36 foot cars applicable to shipments in 40 foot cars as well. We do not understand how this could be. In the course of time the 40 foot car supplanted the 36 foot car as standard equipment. As of July 1, 1938, there were 127,165 36 foot box cars, and 612,711 40 foot cars, counting as 36 foot cars all box cars not exceeding 37 feet and counting as 40 foot cars all box cars not exceeding 41 feet in length. As stated at page 113 of Exhibit 7 the manufacturers and the shipping public generally have been seeking means for distributing goods in smaller lots, hence, more often than not, the demand has been for box cars carrying the lowest minimum weight. With a growing demand for 36 foot cars and an increasing supply of 40 foot cars the railroads did the practical thing and accommodated the supply to the demand by making the 36 foot minimum applicable on shipments in 40 foot cars. Actually little or no change resulted because it was common practice to supply 40 foot cars where 36 foot cars were ordered, the carriers having an abundance of 40 foot cars and a dearth of 36 foot cars.

All of the discussion and conclusions set out in Chapter 14 of Exhibit 7 relating to carload minimum weights [fol. 609] applicable to box cars of various sizes constitute the foundation for the suggested system of carload rates described in Chapter 15 of Exhibit 7 at pages 122 and 123, viz: discontinuance of all carload minimum weights except for heavy freight ordinarily shipped in bulk at or near weight carrying capacity of the car; the substitution of a minimum carload charge applicable on any and all freight, such minimum charge to be the least amount for which the railroads can move the smallest box cars; all freight in excess of the quantity required to yield the minimum charge to be subject to a percentage discount. Regardless of the merits of such a plan of carload rates there are certain features which are not only objectionable but which might well be disastrous to the railroads. In the first place, and of greatest importance to the railroads is the revenue loss which would result from such a system of carload rates. The proposal contemplates a basic minimum carload charge which would be the same on any and all carload freight, such minimum carload charge to be a fixed multiple of the first class rate from origin to destination and to be equivalent to the least amount for which the railroads can profitably move the smallest box cars in general service today. To begin with, this means very heavy reductions in the present minimum per car charges on all but the very lowest-paying freight. In [fol. 610] other words, a substantial reduction in the minimum per car charge on most of the carload freight now moving. In addition, it is proposed to apply a discount of 25%, or some other amount, on all carload freight over and above the quantity required to yield the minimum charge. The average loading of carload freight is in excess of the present minimum weights. Under the proposed scheme of carload rates the average loading should become even greater. The heavier the loading the lower the charges, hence lower revenue. While Exhibit 7 emphasizes repeatedly that the suggested rate revision is not designed to diminish railway revenues there is simply no way to make effective the proposed system of carload rates described in Chapter 15 of Exhibit 7 without ruinous revenue losses. With a minimum per car charge much less than at present, plus a discount on all freight in excess of the minimum quantity, heavy revenue losses are bound to result.

Another undesirable feature of the proposed system of carload rates is the resulting difference in freight charges for the same quantity of freight loaded in box cars of different size. Under this proposal, whatever the commodity, and whatever may be actual weight of the shipment, invariably the charges will be less on shipments in 36 foot cars than in cars of 40 feet or more. In computing freight charges under this plan, actual weight of the [fol. 611] shipment is multiplied by the carload rate—from the amount thus determined the minimum carload charge is deducted and to the remainder a discount of 25% is applied. Using the example set out in Exhibit 7 at page 123, tinfoil, presently rated Class 50, minimum 30,000 pounds, the present minimum per car revenue is $300.00, assuming a first class rate of $2.00. Under the proposed plan the charges on 30,000 pounds of tinfoil loaded in a 36 foot car would be $255.00, but the same weight of tinfoil if loaded in a 40 foot car would pay $262.50. Shippers will very naturally and properly order and use the size car which will give them benefit of the lowest freight charges, viz: 36 foot cars. Since a preponderance of all carload freight can be loaded to the desired weight in 36 foot cars, the result will be to create a great demand for 36 foot cars, making 40 foot cars less desirable, notwithstanding the railroads have in service about five times as many 40 foot box cars as 36 foot cars.

Another probable result of this kind of carload rate adjustment will be injury to the small shipper or receiver. In Southern territory the communities are relatively small and the smaller receivers predominate. For example, in the 10 states wholly or partly within Southern territory there are but five cities having a population as great as 200,000 and three of these are border points, leaving [fol. 612] but two cities inside the borders of Southern territory with population as great as 200,000. Under the proposal, the heavier the load the lower the rate per hundredweight. In some measure this will operate against the many smaller receivers and to the advantage of the relatively few receivers who are in position to accept very heavy carloads.

Mr. Gwathmey: Mr. Chairman, may I ask that the exhibits that have been identified and explained by the witness now marked Nos. 32 to 37, both inclusive, be received in evidence.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibits 32 to 37, inclusive? (No response.) If not, they are received.

(Exhibits 32 to 37, inclusive, Witness Boyle, received in evidence.)

Mr. Gwathmey: The witness is tendered for cross-examination.

Chairman Aitchison: Mr. A. L. Reed.

Cross-examination.

By Mr. Reed:

Q. Mr. Boyle, your Exhibits 32 to 37, inclusive, will show a comparison of the motor trucks' common carrier class scales in any of the territories as compared with the scales suggested by Mr. Jensen, is that correct? For instance, we will take Southwestern territory or Southern territory.

[fol. 613] A. Compare the existing motor truck scales with Mr. Jensen's scale?

Q. Yes.

Q. I did not prepare any such exhibit.

Q. What is the basis of your statement that his suggestion would maintain, substantially, the existing common carrier motor truck rates for short hauls and increase the rates for the longer hauls?

A. I thought I had stated that in the direct testimony. Mr. Jensen set forth certain average hauls. The computations that we have made, as shown in these exhibits, indicate rather clearly, to us at least, that what actually will happen is largely the preservation of revenue for hauls for the shorter distances, certainly under 500 miles, and very substantial increases for all distances above that.

Q. My question was this: I understand you did make the statement in your direct testimony, and I desire to have the information upon which you predicated that statement.

A. Mr. Reed, would you point to that part of the testimony?

Q. Yes. On page 3, the last sentence, or the next to the last sentence.

A. Just a minute.

Mr. Reed: Would you mind my reading that, Mr. Chair-[fol. 614] man? Chairman Aitchison: You may read it.

Mr. Reed: "So far as motor truck operation be concerned, the result will be no great change for the relatively short distances but an opportunity for more profitable operation for longer distances."

By Mr. Reed:

Q. I desire to know the information that you have upon which you made that statement, where we may find that information.

A. I base that statement on the preceding text, and it is largely opinion on my part.

Q. You have no figures or exhibits that would substantiate that statement with respect to first, the Southern territory, or the Western territory?

A. None, other than those shown in Mr. Jensen's study.

Mr. Reed: Thank you.

Chairman Aitchison: Is there any further cross examination?

Mr. Norman: I have one or two questions.

Chairman Aitchison: Mr. Norman.

By Mr. Norman:

Q. I would like to ask the witness if I am correct in reaching the conclusion from a hasty examination of his testimony and exhibits that he undertakes to show that the proposal of Mr. Jensen is impractical and unworkable.

A. Wholly so.

[fol. 615] Mr. Norman: That is all.

By Mr. Aitchison:

Q. Are you the witness on this classification matter for the Southern Lines?

A. I beg your pardon?

Q. Are you the witness on this classification matter for the Southern Lines?

A. Yes, sir.

Q. What do you propose to do, just continue on with the Southern Classification, or are you going to take any steps looking toward the achievement of uniformity with the other classifications?

A. Do you mean, Mr. Chairman, what are we going to do with our existing class rate scales?

Q. I am referring to the classification.

A. I mean, what shall we do with our existing classification as applied to the present rates?

Chairman Aitchison: I did not say anything about rates at all.

By Chairman Aitchison:

Q. I asked you if you are going to do anything about bringing the classifications into a greater uniformity, or into uniformity. In other words, are you going to do anything about bringing the Southern classification into uniformity with the classifications in the other territories?

A. No, sir.

[fol. 616] Q. You just want to get off in a corner with your Southern Classification, all by yourself?

A. I don't understand——

Q. You know what a uniform classification of the country is, but you are not taking any steps to bring it about. That is what I am asking.

A. No, indeed. We are not taking any steps to bring about a uniform classification in the country. My judgment is that it is undesirable, and that a uniform classification is not responsive to the needs of the shipping public nor to the railroads.

Q. We have a uniform classification as to express, have we not?

A. As to express?

Q. Yes.

A. Yes, sir.

Q. It competes with you; does it not?

A. I do not say that it does compete, no, sir.

Q. For less than carload movement, particularly?

A. I would say that express, perhaps, competes with the highway operators.

Chairman Aitchison: Read the answer, Mr. Reporter.

(Answer read.)

The Witness: During all of my experience, I have never considered that there is competition between railway express [fol. 617] and railway less than carload freight service. They are two separate services.

By Chairman Aitchison:

Q. How about parcel post? They have uniform classification, do they not?

A. Yes.

Q. Does that compete with your less than carload service at all?

A. Very little. It competes with express service and highway service, I would say, but not with less than carload freight service.

Q. Have you not made some changes in the classification of a nation-wide character lately, by putting in any-commodity rates so that the change necessarily becomes uniform whereever it is applied?

A. Numerous so-called all-commodity rates have been extended far and wide, but it was certainly not done as a classification matter. That is anything but classification.

Q. Well, you can have a classification simply by saying "All of our commodities take the same rates". That is a classification.

A. I do not concede that. The Commission has not said so. In 25 I. C. C. they said it was a grouping of commodities according to the transportation characteristics of commodities and other elements.

Q. A grouping of commodities according to transporta- [fol. 618] tion characteristics which entitle them to a given rate basis.

A. Yes.

Q. I know that. We are to take it then that the efforts which have been made in the past running back to 1888 still have not met with any sympathy at all in your Association—that is, the movement for an even greater degree of uniformity in classification—because you think that classification has to be responsive to the needs?

A. We have within recent years done a great deal of work for bringing about classification uniformity as to less than carload freight.

Q. Well, why did you do that? Were you not disregarding the needs of your patrons when you did that?

A. In my judgment we were.

Q. It was an unwise thing to do, was it?

A. In my opinion that is unwise. A classification applicable wholly within some particular territory is not applicable to the needs of the shippers and the railroads in another territory. You have entirely different first class rates to run against.

Q. Are the needs of the shippers and the railroads in your territory sufficiently homogeneous so that you can have a classification of freight which is uniform over that territory?

A. Uniform within our own territory?

[fol. 619] Q. Yes.

A. I think so, largely.

Q. The needs of both carriers and shippers are homogeneous, largely, over the territory?

A. Yes, sir.

Q. You have no exceptions to the classification in your territory?

A. In our territory, the exceptions are the classification.

Q. The exceptions that you refer to have the same territorial scope as the classification itself, do they not?

A. Precisely the same.

Q. And the needs, even with respect to exceptions, are the same the territory over?

A. Generally so.

Chairman Aitchison: In other words, the exceptions are the classification, as you say, having general application.

By Chairman Aitchison:

Q. What investigation have you made as to whether the needs of carriers and the shippers in Official territory may not be identical with the needs of the shippers and the carriers in your territory, so we can have your classification, we will say, extended over to them?

A. I have not made any such investigation within Official territory.

Q. Or any other territory?

A. That is true.

[fol. 620] Q. Then how are you to say that a uniform classification would be to the disadvantage of the shippers in your territory?

A. It would be to the disadvantage of shippers and railroads in our territory to the extent that something else would be proper in the West or the East.

Q. I am not talking about the railroads and the shippers in some other territory. I am confining this to your territory. If the Southern Classification was made the basis of a uniform classification throughout the country, what objection would you have?

A. None whatever.

Q. Is classification such a precise science that absolute justice is done to all commodities and everything that moves, or is it a matter of averages?

A. I am sorry, Mr. Chairman, but I could not hear your question.

Chairman Aitchison: Read the question, please.

(Question read.)

A. It is more nearly a matter of averages. It is not a precise science, sir.

By Chairman Aitchison:

Q. There has to be a certain amount of give and take, then?

A. Yes.

Q. Both by the shippers and by the carriers?

[fol. 621] A. Yes.

Q. As between shippers and different commodities?

A. Yes.

Q. Are you able to tell us whether or not there could not be a give and take here in order to bring about a uniform classification?

A. I think that is within the bounds of possibility.

Q. Your people have not offered to give or take, though, with respect to bringing about a uniform classification, or have not explored its possibilities?

A. Our people, sir, are willing to explore its possibilities.

Q. You have not done it, have you?

A. No, sir, we have not.

Q. The extent you may be willing to explore its possibilities has been given impetus by the fact that the Commission has that question now before it, is that right?

A. Mr. Commissioner, I apologize. I am very sorry, but I am unable to hear you.

Q. What I am getting at is that the thing which is making you say you are willing to consider for the future whether there can be a give and take is the fact that the Commission has in this formal investigation, that very question before it now. Is there anything else that makes you willing to consider a give and take proposition in the interest of a uniform classification?

[fol. 622] A. We certainly would be willing, were there no classification investigation, to cooperate and study the possibility of a uniform classification, but invariably we would hold to what we thought was the best for us and the best for our shippers, regardless of any other classification territory, and in the end we would make our classification, even though it resulted in non-uniformity. I mean, that is my opinion and judgment.

Q. Are you familiar with the history of attempts to get uniform classification in the country?

A. Attempts to get uniform classification?

Q. Yes.

A. Yes, sir. I am more or less familiar with them.

Q. Was there a time when the Southern lines agreed to it?

A. I am sorry, but I do not know.

Q. I take it that your study, then, has not put you in a position to give us any helpful suggestions with respect to what the character of such a uniform classification should be?

A. No, sir.

Q. Either the number of classes, the gradation of the class rates as between the classes, or with respect to the assignment of various commodities to the different classes?

A. No, sir. I made no preparation that would be helpful to the Commission in that respect. Rather, my entire [fol. 623] preparation was to set out from our point of view the impossibility of a classification such as suggested by Mr. Jensen. Beyond that preparation, I did not go.

Q. Mr. Jensen has just made some suggestions. No one is necessarily bound by them. Certainly the Commission is not, because we did not know what he was going to say until he went on the stand.

A. I understand that.

Q. This is an investigation. If you or anyone representing respondents has anything to suggest with respect t this question of uniform classification other than what you have told us, we would be very glad to hear it.

A. I have no suggestion to make to the Commission except to recommend highly the Southern Classification and its exceptions.

Chairman Aitchison: Is there any further cross-examination?

Mr. Norman: May I ask one more question?

Chairman Aitchison: Mr. Norman.

Mr. Norman: I asked a question of a previous witness who said that it could be better answered by the classification witness. I suppose therefore it is proper to ask it of this witness.

By Mr. Norman:

Q. Mr. Boyle, the Southern carriers published, effective September 1, 1940, rates and ratings on many commodities [fol. 624] as exceptions to the classification and in a statement to the Commission represented that those would be put in the classification. It appears that two years have elapsed and that has not been done. Can you tell us why it has not been done and when it will be done?

A. I can give you an explanation of that. It will perhaps take a little bit of background. We published these some 3200 ratings in our exceptions as a temporary expedient. The attempt was ultimately to bring most of them, if not all of them, into the classification proper, but the Commission instituted an investigation on those ratings and that held fire for quite a long time, a year or a year and a half. In addition, we had this classification investigation No. 28310. The present mode of publication being reasonably satisfactory, so far as we know, we simply did not pursue it.

Q. Well, is it your purpose to pursue it?

A. That depends upon what sort of classification may come out of this investigation. We certainly are not going to pursue it until these proceedings are brought to an end.

Q. You knew at the time that you represented to the Commission that you were going to put them in the classification, these proceedings were pending, did you not?

A. I believe so.

Q. Notwithstanding that knowledge, you represented [fol. 625] that you were going to do that?

A. Yes. We represented we were going to bring them into the classification. Bear in mind also that the publication of anything in the Consolidated Freight Classification carries with it the concurrence of all the lines in the West, all the lines in the East and all the lines in the South. I do not know for sure that we would secure that concurrence.

We probably would not secure it, in respect to every item in our exceptions.

Q. Well, you could secure the concurrence in the publication of the rates, could you not?

A. But not the classification.

Q. Why did you represent that you were going to put it in the classification if you did not think you could secure the necessary concurrence to do it?

A. It was our firm intent to bring these exceptions ratings, or most of them, into the Southern Classification, but as I have said, the ratings were put under investigation and we thought as long as that investigation was pending, it would be better to keep the ratings segregated into one book, rather than to scatter them throughout the classification.

By Chairman Aitchison:

Q. Just for the sake of the record, what happened to that investigation?

A. It was dismissed, not very long ago, discontinued.

[fol. 626] Mr. Norman: One more question.

By Mr. Norman:

Q. Is it not a fact, Mr. Boyle, that had you carried out the representation you made to the Commission all those rates and ratings would be involved in this proceeding; and your failure to carry it out causes them to be excluded from this proceeding?

A. I think you are exactly correct.

Q. Did that have anything to do with your failure to carry out your representation?

A. No.

Mr. Norman: That is all.

Commissioner Alldredge: I have one question.

By Commissioner Alldredge:

Q. Mr. Boyle, have the Southern carriers changed their minds about making their ratings permanent?

A. Not to my knowledge. I have heard no complaint about them, and they were designed as permanent ratings. So far as I am informed they are permanent ratings, to the extent that the class rates are permanent, of course.

Q. Inasmuch as you made the statement to the Commission at the prehearing Conference, I think it was, or possibly before the Suspension Board, that you were going to put them in the Classification and you made that statement during the pendency of this investigation, just what is it that caused you to change your mind?

[fol. 627] A. Mr. Commissioner, we have not changed our minds that I know of.

Q. Well, did you not change it to the extent of waiting until these investigations are out of the way?

A. No, sir. We were compelled to hold off our efforts to bring them into the classification because the Commission had every one of the ratings under investigation until a very few months ago.

Q. They were in effect, were they not?

A. Yes.

Q. Did that compel you to put them in exceptions rather than into the main classification?

A. No.

Chairman Aitchison: They were not held up by any suspension or other proceeding of the Commission. You could have put them in on 30 days' notice, if you wanted to.

The Witness: That is true.

Chairman Aitchison: Are there any other questions of this witness?

Mr. Smelker: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Boyle, will you turn to Exhibit 36, page 1, and to the second column headed "Average weight per cubit foot".

[fol. 628] A. Yes.

Q. Very briefly, what was the source of the material used in that column?

A. The average weights per cubic foot shown on Exhibit 36 are the weights furnished by shippers making applications to the Classification Committees for classification changes.

Q. Did you make any checks or physical measurements yourself or did anybody on the Committee?

A. We accepted the information furnished by shippers seeking classification changes. It was not checked by actual measurements or weighing. We did check their computations in every instance.

Q. In your opinion, Mr. Boyle, what are the more important characteristics today governing the classification of any particular commodity?

A. You mean, the most important element of classification?

Q. That is right.

A. There are, perhaps, elements more important than others. There is no one controlling element.

Q. What about density?

A. Perhaps weight density is given as much weight in considering classification as any other one thing.

Q. How about value?

A. Value, of course, is considered and we think properly so, but in recent years we have not let value control to the [fol. 629] extent that it has in other years.

Q. Are you referring now to ten years or fifteen years back?

A. Yes.

Mr. Smelker: That is all, Mr. Chairman.

Chairman Aitchison: Is there anything further of this witness?

Mr. Cotterill: I have a few questions, if the Chairman please.

Chairman Aitchison: Mr. Cotterill.

By Mr. Cotterill:

Q. Mr. Boyle, in view of your discussion of the September 1, 1940, exceptions, will you now kindly advise the Commission your understanding of the reason or reasons why they were brought out at all?

A. Advise the Commission why we made this revision?

Q. Yes. Why did you in that way cause your exceptions to become your classification, virtually?

A. Of course, I cannot give you all of the reasons. They are known only to the individual traffic officers of the lines themselves.

Q. Are you not the principal author of the plan personally?

A. I had nothing whatever to do with the plan. I had only to do with the mechanics of publishing.

Q. Proceed.

A. I know of several reasons which brought about this revision which, incidentally, was in our judgment, modest, [fol. 630] not radical, and altogether proper. Its effect on less than carload revenue was very slight indeed. To begin with, the ratings, approximately one-third of the ratings in the classification were dealt with and two-thirds of the ratings were undisturbed. These less than carload ratings had not been under review for perhaps a generation. Certainly they were not made in the light of modern conditions. They were not even made at all by present day railroad men. They were inherited, largely. They needed review. They needed modernizing. We went very carefully over every item in the classification and we have made these changes for one of several reasons. For example, we found in some instances, in many instances, in fact, three less than carload ratings on the same article; sometimes four. In remote instances, we had five or six less than carload ratings. That sort of classification was not responsive to present day needs of commerce and of transportation, so we tried to make one less than carload rating on an article.

Chairman Aitchison: May I interrupt you there just a minute?

The Witness: Yes.

Chairman Aitchison: As I understand it, those six ratings on less than carload, are still to be found in the Southern Classification?

[fol. 631] The Witness: They are.

Chairman Aitchison: Proceed.

The Witness: Where an article was rated differently in different packages, that we noted more often than not that value to the exclusion of everything else had fixed the higher rating. If the packages were acceptable for freight transportation, we adopted the lower rating for all kinds of acceptable packing, thus giving less weight to the value element. Another change that we made was in some instances, purposely, to reduce the spread between a carload and a less than carload rating. There were instances of first class, less than carload, and seventh or eighth class in carloads. In giving these reasons, Mr. Cotterill, I am going to give you the one you want.

Mr. Cotterill: I hope so, eventually.

The Witness: We had in mind, of course, highway competition. I do not mean by that, that we were compelled to make these changes to meet motor truck rates. That was not true. However, the railroads had known for some time that this particular class of traffic had very largely disappeared, and a preponderance of it had gone from the railroads. That indicated on its face that something was wrong with the price structure of the railroad.

Chairman Aitchison: Did you say gone to the railroads?

The Witness: From them.

[fol. 632] Chairman Aitchison: From them.

The Witness: Yes. That indicated that the pricing of the less than carload service on this group of articles was wrong, for the service involved. That had its influence, but I had said to my principals and to others, that in my judgment many, many of these changes ought to have been made in the classification if there were not a highway or a truck in existence. Good classification making would dictate these reduced ratings in many instances. I will confess, too, that in remote instances we reduced the ratings and they were ill advised. I think if a second study were made we would find a few here and there that ought not to have been changed, but by and large, considering the 3200 ratings, I think they do reflect present day classification trends and necessities.

By Mr. Cotterill:

Q. Having enumerated the reasons why changes were made, will you advise the Commission why those changes took the form of reductions?

A. (No answer.)

Q. If you wanted to bring together six descriptions of a given less than carload shipment, what prompted the conclusion to bring them together by reducing all of the higher to the lowest of the six?

A. That, of course, is an extreme case.

Q. I thought so.

[fol. 633] A. Reducing all of the higher to the lowest of the six.

Q. In the case where you thought——

Chairman Aitchison: Just a minute.

Mr. Cotterill: Pardon me.

Chairman Aitchison: Did you finish your answer?

Mr. Cotterill: I may have misunderstood him. I thought he had finished.

By Mr. Cotterill:

Q. Had you finished?

A. Yes.

Chairman Aitchison: Proceed.

By Mr. Cotterill:

Q. In those cases where you thought the spreads between carload and less than carload ratings were somewhat too wide, why was the reduction of the spread accomplished by a reduction in the higher of the two rates?

A. In effect you are asking why, if we had to make this revision, we did not go up instead of down.

Q. Or perhaps have equalized it. Why did it take the form of a general rate reduction?

A. It took the form of a general rate reduction for precisely the reasons I have stated, compelling the revision. I think it is obvious that we would not have been permitted to have equalized by increasing any great number of ratings, say one-half of them or one-third of them.

Q. You would not have been permitted by whom?

A. The Interstate Commerce Commission, because in [fol. 633] numerous cases the ratings we adopted, the lower ratings, had been fixed by the Commission itself.

Q. Is it always obvious to you what the Interstate Commerce Commission might do under future circumstances?

A. (No answer.)

Q. That is just a pleasantry. Proceed.

A. There was hardly any other way to make this revision.

Q. Have you finished, sir.

A. Yes.

Q. So far as you alluded to your awareness of the existence and the economic consequence of the motor carrier industry, have you gentlemen determined that this wholesale reduction of merchandise rates changed or did not change your tonnage position relative to the motor carriers, having before you Witness Crane's Exhibit 17-A?

A. I have no knowledge of whether these revised merchandise ratings increased the railway less than carload freight. It is my firm conviction that they halted the erosion of the high class less than carload freight which, for a period of years, had continued to flow rapidly away from the railroads.

Q. Were not your reduced rates instantly met by the motor carriers?

A. They were, including all the typographical errors.

Q. That is what you call meeting competition, is it not?

[fol. 635] A. It surely is, but I might add there that the motor carriers in publishing, in photographing our rates went far beyond the publication we made and added lower rates to a great part of Southern territory because they failed to observe the Official territory rates as minimum, so when the revision had taken place, the railroads were in a greater disadvantage from a competitive rate standpoint than before.

Mr. Cotterill: Well then, it did not help you very much from that angle, did it?

By Mr. Cotterill:

Q. In respect to this matter of reducing the less than carload rates and bringing them closer to the level of the carload rates, did that not have the effect, and was not one of the purposes in doing so to preclude the threatened development of greater freight forwarder operations into Southern territory?

A. I never heard of any such reason in connection with this merchandise revision.

Q. Were you a witness in the case before the Interstate Commerce Commission involving a subsequent suspension of all-freight rates which your line put in—I have forgotten the publication to which I have reference dealing with those all-freight rates—from the East to the South?

A. I recall the case. I took no part in it whatever. I did not testify or even read anything about it.

Q. You have no understanding as to what the witnesses [fol. 636] for other railroads in the South in that case and also the Pennsylvania Railroad said was the principal motive underlying that September 1, 1940, slashing of merchandise rates?

A. I do not know what was said, but if it was different from what I have just given you, it is new to me.

Q. Mr. Boyle, in conclusion, having made, quite properly, the observation that your exceptions today constitute your classification——

A. Well, Mr. Cotterill, what I meant——

Q. —in substance, I mean—have you any reasons to advance why there should, at one and the same time, be in existence an artificial classification and a myriad of exceptions upon which the business is moving? Is it not requisite that they be brought together in some proper form—I am not speaking of your particular exceptions now—to make one document out of the class rates?

A. You mean, to gather all of the ratings into one cover?

Q. Is there any excuse for the simultaneous existence of a freight classification and a large mass of exceptions having co-extensive territorial application, I do not care what the nature of the exceptions may be?

A. I agree fully with you, sir.

Mr. Cotterill: Yes.

By Mr. Cotterill:

Q. Is there anything else you can think of in that regard that would distinguish the South from the North or West? [fol. 637] Do you see any sense in this undertaking to make rates through classification exceptions?

A. Oh, yes, I see a lot of sense in making rates through classification exceptions.

Q. In any such wholesale manner as that?

A. Yes, because at the time of the publication of these ratings in the exceptions, they were compelled by necessity. We wanted them quickly. It is comparatively easy to reissue Southern exceptions. It is a far more difficult and intricate thing to reissue the Consolidated Freight Classification. There was very good reason for putting them into the exceptions originally.

Mr. Cotterill: I think that is all. Thank you.

Mr. Norman: Mr. Chairman, I apologize for coming back two or three times, but they keep bringing up new subjects, in the witness' testimony, and I would like to ask the witness one or two more questions with reference to these all-commodity rates.

Chairman Aitchison: Very well.

By Mr. Norman:

Q. You testified that you did not understand that the revenues of the Southern carriers had been increased by these numerous exceptions of September, 1940. Now, what is the fact with respect to this all-commodity rate?

A. Sir, I do not have first hand knowledge of the all-[fol. 638] commodity rates. They started those things after I got off the railroad, and I have not kept abreast of them. I know very little about them, except hearsay. I cannot answer your question.

Q. You do not know the effect of them?

A. No, sir.

Q. Either on revenue or traffic?

A. I do not know.

Mr. Norman: One more question with reference to this concurrence.

By Mr. Norman:

Q. You would not have to get any different concurrence or different kind of concurrence or pursue any different procedure in securing the necessary concurrence to put those exceptions in the classification than in the case of the original publication, would you?

A. Yes. I would have to secure a wholly different concurrence. It would be as different as day and night, the procedure. These exceptions to which we have been referring were not worked out by the Classification Committees at all. The Classification Committees had little or nothing to do with them. They were worked out by rate committees. They were adopted by rate committees in Official and Western territories, but not Classification Committees. Whether or not these ratings would have been acceptable to the classification people I cannot tell.

[fol. 639] Chairman Aitchison: What do you mean by "classification people"?

The Witness: I mean, the members of the several classification committees.

By Chairman Aitchison:

Q. Do they exercise a veto power upon rates and ratings, or rather, classification ratings which are made within Southern territory?

A. Oh, no. They do not exercise any veto powers at all.

Q. Then can you not change and do you not change the ratings in Southern territory constantly without the consent of other classification committees, in Official territory or in Western territory?

A. If I understand your question, Mr. Chairman, it is whether the Southern Classification Committee might make any change it desired in the Southern Classification without the concurrence of the Official and Western Committees.

Q. That is right.

A. We cannot do it because the Southern Classification applies interterritorially. We must have the concurrence of all the lines. The Southern Classification has application from Western Trunk Line territory into the South. It has application in both directions between Official and Southern territories. The other committees have as much of a hand in fixing Southern Classification ratings as does the Southern Classification Committee.

[fol. 640] By Mr. Norman:

Q. You would have to get the concurrence from the same railroads, although it might be a different committee of those railroads?

A. Yes.

Q. Is that it?

A. That is right.

Mr. Norman: That is all.

Chairman Aitchison: Are there any further questions of this witness? Commissioner Splawn has a question.

By Commissioner Splawn:

Q. Mr. Boyle, in recounting your reasons a while ago in response to Mr. Cotterill's question, for your action in 1940, I gathered that you thought the conferences between classification officials and the study of your ratings resulted in valuable improvements. Is that impression correct?

A. We think that this merchandise revision does constitute a valuable improvement in classification.

Q. In order to bring it about you had conferences with officials from different railroads from different parts of Southern territory and a good many compromises, is that right?

A. True.

Q. Now, in response to the Chairman's questions a while ago, I understood that you are somewhat wedded to the [fol. 641] present Southern Classification.

A. (No answer.)

Q. Would you be willing, the people who worked out these changes for the Southern lines, that the Southern lines published, to go into similar conferences with the classification officials of the Official lines, Central Freight Association territory lines and Western lines, with a view to seeing to what extent uniformity could be achieved, advising the Commission wherein it could not be achieved and why?

A. I think that we could not have any objection to such conferences.

Q. If your conferences a few years ago resulting in the tariff that you published in 1940 were so fruitful in your judgment, might not some similar advances and improvements be made on a nationwide scale through cooperation of the officials or the railroads' classification committees?

A. Such an improvement or change might well flow from such conferences and efforts. Of course I have no way of knowing that it would. It might.

Q. So far as you are concerned, you are willing, as a classification expert employed by the railroads to cooperate with others in similar positions in different parts of the country with a view to working out something constructive and bringing it to this Commission?

[fol. 642] A. Yes, sir. I think we would be entirely willing to cooperate in such an effort.

Q. If such an effort as that be entered into with the same enthusiasm and energy with which you have properly undertaken to point out errors in statements by employees of the Commission, may we not hope that as a result of this investigation such improvements in the class rates as will redound to the benefit of the country may be discovered and brought to light and probably eventually be published in the many tariffs?

A. You said "class rates." I take it you meant "classification."

Q. Classification and ratings. I misspoke myself.

A. Bear in mind, Mr. Commissioner, that the answer to that would of necessity have to come from my principals, but speaking personally, it appears to have possibilities, and I see no reason why we should not enter such a program in the spirit of cooperation and wholeheartedly.

Q. You recognize that among the shippers there are experts of great ability and experience who would likewise in a cooperative undertaking enter into such efforts of exploration and discovery for the purpose of informing the judgment of this Commission.

A. Yes, sir. I have great admiration for the abilities of shippers. I think more than any other group, they make [fol. 643] our classification ratings, because they and not the classification people have the benefit of all the information. Each in his own line is an expert, and we largely follow the advice and counsel they give us in adopting new ratings and new descriptions. It would be very helpful.

Q. If this problem can be studied in line with some implication of the questions here by some of counsel working out the correct answer regardless of whether the resulting ratings might increase or decrease in the future, may we not hope within a reasonable time to make some progress in clarifying the questions involved in this investigation?

A. To make sure I give you an accurate answer, Mr. Commissioner, I am going to ask you to have the reporter read the question.

Commissioner Splawn: Read the question, please, Mr. Reporter.

(Question read.)

A. Mr. Commissioner, I doubt that I am qualified to make an answer to that. It seems to me that involves matters of policy and principles which will have to be fixed by the railroads whom I represent.

Commissioner Splawn: I am not asking you to commit them. I am just inquiring as to whether, in your opinion as a classification expert, that is not a practical objective that I have tried to set out.

[fol. 644] The Witness: I think it is a practical objective.

Chairman Aitchison: In other words, the word "cooperation" is defined as your doing the thing the way I want to do it.

By Chairman Aitchison.

Q. I understand from your testimony that the Southern Classification is the one and the only one which meets the needs of the Southern shippers and carriers. Will you not have to change that attitude a little before you can go into a conference such as Commissioner Splawn indicated, and really cooperate?

A. To be sure you would. I want to make it clear that while we feel our classification as it has been modified by the exceptions is more nearly responsive to the needs and the necessities within the South, I have no doubt that the Official and the Western classifications fit just as well in the situations they are in.

Q. You are simply making it clear that unless they also change their point of view, that cooperation Commissioner Splawn indicated would be impossible?

A. I do not know that it is. We have succeeded within the past few years in bringing about complete uniformity as to the first three class ratings throughout the country. How much further we can go beyond that, I do not know. Every time you try it, there are really tough problems to overcome.

[fol. 645] Q. Has anything been done along that line in a concerted way since this proceeding was instituted?

A. Nothing except that we have, in my opinion, made a great improvement in the form of the classification, and we changed a great many ratings, and a great many minimum weights to bring about the uniformity. We tried to make some improvement, but beyond the first three classes, nothing of a substantial nature has been accomplished.

Q. You mean, below?

A. Below, yes.

Q. I still think you are left in this position: You are making these changes just as fast as you can, but you think that the Southern Classification is all right. Nevertheless, you take 3200 exceptions to it.

A. I know we do. In speaking of classification, Mr. Chairman, we use the term in the same sense Mr. Jensen did, that it embraced these exceptions. We have considered that in our classification.

Q. But not for interterritorial application?

A. Oh, they do apply interterritorially.

Q. Provided they are concurred in?

A. The present rates in the exceptions have identically the same application as if they were published in the classification.

Q. The same carriers exactly have concurred?

[fol. 646] A. Precisely.

Q. Water lines and all?

A. That is correct.

Chairman Aitchison: Are there any other questions of Mr. Boyle? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: We will suspend until two o'clock.

(At 12:30 o'clock P. M. recess taken to 2:00 o'clock P. M.)

[fol. 647] AFTERNOON SESSION

The hearing was resumed pursuant to recess.

2 P. M.

Chairman Aitchison: Come to order.

Mr. Smelker: If the Commission please, there were two packages of exhibits lost in transit. One package contained Exhibit No. 9, Dr. Stevens' Exhibit; and the other, Exhibit No. 10, Dr. Aitchison's exhibit. They have now been found, and copies will be distributed to those who did not get them, after this session.

Chairman Aitchison: Proceed.

Mr. Gwathmey: Call Mr. John N. Steadwell.

JOHN N. STEADWELL, was sworn and testified as follows:

Direct-examination.

By Mr. Gwathmey:

Q. Please state your name, residence and occupation.

A. My name is John N. Steadwell. I am a member of the Southern Classification Committee, with headquarters at 101 Marietta Street Building, Atlanta, Georgia.

Q. You are a member of the Southern Classification Committee, are you, Mr. Steadwell?

A. Yes, sir.

Q. Will you please state briefly your experience in classification matters.

[fol. 648] A. Well, I have been since March 1, 1918, attached exclusively to the Southern Classification Committee.

Q. Since when, please?

A. Since March 1, 1918. I was transferred to that committee from the Nashville, Chattanooga & St. Louis Railway, where I served a great many years, leaving there as general freight agent, in charge of rates and divisions. Back of that, I was assistant general freight agent; and back of that, chief clerk, chief rate clerk, and all-around man.

Q. For what purpose are you appearing in this proceeding?

A. I am here to file as exhibits, certain data called for by the Interstate Commerce Commission in connection with this proceeding.

Q. So far as the Southern Rail Lines are concerned, is this the data to which the Chairman referred yesterday?

A. One of the exhibits is, yes, sir; that is the exhibit indicating certain classification statistics, and changes in the classification, since June 1, 1940, up to date. By the way, I might say that I sent Mr. Koebel two copies of that exhibit about a month ago, at Washington, so that he would have a complete file.

Q. You say you sent copies of that particular exhibit to Mr. Koebel?

A. Yes.

[fol. 649] Q. That is Examiner Koebel of the Interstate Commerce Commission?

A. Yes, sir, through Mr. Cleveland's office.

Q. Now, Mr. Steadwell, is this data in the form of several statements, seven altogether, all of them having been bound together in consecutive order?

A. Yes, sir.

Q. Have you also prepared a brief explanatory statement, to be submitted in connection with the exhibits?

A. Yes.

Q. Were both the exhibits and the statement duly distributed to the parties here yesterday?

A. Yesterday morning.

Q. In accordance with the rule that has been adopted here?

A. Yes, sir.

Mr. Gwathmey: If the Commission please, we can have these various documents numbered collectively, as one exhibit, if the Commission prefers that way, but in view of the fact that I have in mind asking that this short statement which has been prepared by Mr. Steadwell, be copied into the record, and since the statement contains reference to various exhibits, it might be well to give them separate numbers. There are seven all together.

Chairman Aitchison: All bound together?

Mr. Gwathmey: Yes, sir. If you prefer that they all [fol. 650] go in under one exhibit number, we will correct the statement so that it will synchronize.

Chairman Aitchison: Well, it is perfectly obvious that you do not intend to pay a bit of attention to our request with respect to the preparation of exhibits, so go ahead in your own way. We will have to get the facts in somehow.

Mr. Gwathmey: Very well.

Chairman Aitchison: If it is more convenient to do it that way, you may.

Mr. Gwathmey: What will be the next number please?

Chairman Aitchison: 38.

Mr. Gwathmey: Then I ask that the exhibits of Mr. Steadwell be numbered consecutively at this time, for identification, 38 to 44, both inclusive.

Mr. McCollester: Does that include the explanatory statement?

Mr. Gwathmey: Pardon me?

Mr. McCollester: I say, does that include the explanatory statements to which you have referred? Is that going in as an exhibit also?

Mr. Gwathmey: Why, if there is no objection, it will be agreeable, as far as the carriers are concerned, for the reporter to simply copy into the record the very brief explanatory statement which Mr. Steadwell has [fol. 651] prepared.

Chairman Aitchison: Before we get to that, let us get the exhibits identified with their proper numbers. Off the record.

(Discussion outside the record.)

Mr. Gwathmey: Now, if it is agreeable to the Commission that the statement which Mr. Steadwell has prepared, simply be copied into the record, that is agreeable to us; or shall the witness make it orally?

Chairman Aitchison: Is there any objection to that course?

Mr. McCollester: Why should it not be filed as an exhibit? We all have copies of it.

Mr. Gwathmey: It is very short.

Mr. McCollester: I know, but why we should we have to pay for it? Not that I have anything against the reporter, but unless there is some particular reason for having the witness read it into the record, it would seem to be an unnecessary expense, since we all have it.

Chairman Aitchison: If it is going to be filed, it ought to be marked as an exhibit.

Mr. Gwathmey: Then I will ask, sir, that the statement also be marked as an exhibit—No. 45 for identification.

(Exhibits 38 to 45, both inclusive, Witness Steadwell, [fol. 652] marked for identification.)

By Mr. Gwathmey:

Q. Now, Mr. Steadwell, were these exhibits, 38 to 45, both inclusive, for identification, prepared by you or under your direction?

A. The big one, which is No. 44, was written out by me, with my own hand. The others were prepared under my supervision and direction.

Q. And are the exhibits true and correct, to the best of your knowledge and belief?

A. Yes, sir.

Mr. Gwathmey: At this time, if the Commission please, we ask that the exhibits that have been identified by Mr. Steadwell, be received.

Chairman Aitchison: Is there any objection? (No response.) They are received.

(Exhibits 38 to 45, both inclusive, Witness Steadwell, received in evidence.)

Mr. Gwathmey: That is all.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Cotterill:

Q. Mr. Steadwell, in your testimony, just received, wherein you speak of the value of commodities requiring less weight in your classification work, in that connection I wish to ask you this question: What is it that is prompt-

[fol. 653] ing you gentlemen in the direction of lessening the significance of the value of commodities in the weighting of elements for classification purposes?

A. Well, that has been in progress for quite a few years.

Q. I so understand.

A. The element of weight density is the element upon which the carriers get their charges.

Q. My question is, Mr. Steadwell, what is prompting you gentlemen in the direction in which you have been going, and evidently wish to continue?

A. Well, I do not know that there has been any prompting.

Mr. Cotterill: We have noticed, though, that it is increasingly becoming a fact that other transportation agencies have somewhat adopted the same plan.

Q. Do you have in mind motor carriers?

A. Yes.

Q. For the purpose of this question, Mr. Steadwell, would you kindly assume that the motor carrier industry does not exist, and, on the basis of that assumption, I will ask you if any condition in the nature of modern facts in the way of economics, has appealed to you gentlemen as a reason for departing from the traditional principle of distributing the transportation burden in accordance with relative ability to pay—leaving out all reference to the motor carrier industry for the moment.

A. I do not know that I quite catch the import of your [fol. 654] question, but if I understand it correctly, we do have regard to that, and we do have regard also to other elements besides weight density.

Q. I so understand, sir.

A. Yes.

Q. But are you not constantly modifying the influence of the value of commodities as an element of considerable weight in classification matters?

A. As I said in my previous statement, to some extent, yes.

Q. And why are you doing so, if there be any reason other than the existince of the motor carriers?

A. Well, the element of weight density has always been the most important, to my mind.

Q. I am sure, Mr. Steadwell, that you feel you have answered my question, but I have the impression that you have not. You think, so far as your mind is concerned, and you always have thought, that weight density is the most important element.

A. To my mind.

Q. But the question that I am pressing now, Mr. Steadwell, is this: What are the considerations, if any, which are prompting the change, and the radical change, in the traditional distribution of the traffic burden in accordance with the tax principle of ability to pay, if there be any reason [fol. 655] therefor other than the existence of the motor carriers?

A. Well, in my opinion, to a very considerable extent at least, the motor carriers have brought that about.

Q. Would you then please inform the Commission in what way the motor carriers have brought it about?

A. By apparently disregarding, to a great extent at least, value as one of the elements, if not the dominant element, of classification.

Q. Do you mean that in their rate structure, they are different from yours?

A. That has been my understanding.

Q. Well now, Mr. Steadwell, Witness Crane told us a short while ago, I believe, that so far as Southern Territory is concerned, the rate structure of the motor carriers and the rate structure of the rail carriers are approximately the same.

A. Well, I could not say as to that. I do not know.

Q. I see. Well then, I will put my final question to you in this form, Mr. Steadwell, appealing to your own judgment individually: If the motor carrier industry itself is able to accomplish the restoration of the traditional principle of distributing the traffic burden with greater regard to ability to pay, as formerly prevailed, and went along with you gentlemen in your traditional view regarding that question, would you prefer that course, as a matter [fol. 656] of sound classification and ratemaking?

A. I still insist that to my mind, the weight density has always been the most controlling element, and value has been more or less a secondary consideration, or element, although also important, to my mind.

Q. Do you prefer the influence of commodity valuation in the future to be like that which is represented in your present classification, or like that which is represented in your present classification exceptions?

A. Well, I cannot speak about the exceptions, because I did not have any hand in making them.

Q. In so far as your classification is concerned, would it be your informed judgment that the weight attributed to the element of commodity valuation, as expressed in your present classification, is the proper weight to be given?

A. Well I might say right there that in our present Consolidated Classification, the element of value has to a great extent been modified in recent years in determining the ratings.

Q. And would you say, about sufficiently so, so far as your judgment carries you?

A. Well of course I cannot keep in mind all of the commodities.

Q. True; I grant that.

A. But I do know that, particularly in connection with [fol. 657] United States War Department materials, the element of value, which is tremendous, has almost disappeared.

Q. Do you have in mind, in that answer, Mr. Steadwell, commodities moving under Government bill of lading?

A. No, sir, commodities moving under commercial bill of lading, as well as Government bill of lading.

Mr. Cotterill: Thank you very kindly.

By Chairman Aitchison:

Q. We know four different kinds of value of service, Mr. Steadwell. Perhaps you can name more. What do you mean by "value of service"?

A. Well, in my own opinion, Mr. Chairman, the value of service, putting it in a bald way, is the element of being able to pay the burden of the transportation cost.

Q. Ability to pay the transportation burden on whose part; the consignor or the consignee?

A. Whoever pays the freight bill. Sometimes it would be the consignor, and sometimes it would be the consignee.

Q. And you do not take into account, then, as a part of the value of service, or as the value of service, what a substitute service can be obtained for?

A. I am very sorry, Mr. Commissioner, but I could not hear that question.

(Question read.)

A. Well, in the old days, Mr. Commissioner, we did, yes, but I do not think that is quite so much the case now;

[fol. 658] I do not think it is so very predominant these days. In the old days, we used to compare how much a man would have to pay, per bale of cotton, to get it to Nashville, and then we would meet that.

By Chairman Aitchison:

Q. No, that is not the question, Mr. Steadwell. That is not what I mean. What I mean by a substitute service, is a substitute for rail service.

A. That is what I mean, yes, sir. I mean that the rails, the railroads—take for example, the Nashville, Chattanooga & St. Louis. Where shipments were moving by wagon, we had to meet that. That was a substitute service, for the rail service.

Q. And you do not now take that into account?

A. Well, of course, we have had——

Q. I mean, in your testimony here?

A. No.

Q. That is what I am talking about.

A. No.

Q. When you were answering Mr. Cotterill about the value element, I wanted to find out just what you meant by the value element. As I understand it, you did not take that into account.

A. No.

Q. But you did take into account how much the man who paid the freight, could afford to pay?

[fol. 659] A. Yes.

Q. Well now, did you take into account the absolute or relative value of the commodity, either at point of origin or point of destination?

A. If I get your inquiry correctly, Mr. Chairman, it is: Do we take into account the value, the actual value, of a commodity?

Q. Yes.

A. Yes, sir.

Q. Well then, that is a second kind, is it not?

A. Yes.

Q. So you take into account how much a man can afford to pay, and also how much the goods are worth.

A. Yes.

Q. Well then, do you take into account how much more the goods are worth at one place, than at another?

A. No, sir. The rate is fixed usually upon the valuation of the shipper; he gives us the value, the weight, the character of the commodity, how it is packed, if it will carry safely in less than carload shipments with other commodities, and all of those various factors go into the determination of the rate.

Q. As a matter of history there used to be a time when those factors were all given some arithmetical content, and they were weighted; is that not the fact?

[fol. 660] A. I am very sorry, Mr. Chairman, but I did not get that.

(Question read.)

A. Well not in so far as the Southern Classification is concerned, no, sir. I believe that in the West, they did have some sort of scheme along that line, however, although I cannot give it to you in detail.

Q. Western Classification 51 Investigation brought that out, did it not?

A. Yes.

Q. But you have no such weighting?

A. No.

Chairman Aitchison: Is there further cross-examination?

Mr. Bee: Yes.

Chairman Aitchison: Mr. Bee.

By Mr. Bee:

Q. Mr. Steadwell, on page 7 of Part 2 of your testimony, or your exhibit, in the answers to the Commission, there is the following statement: "It is obvious, therefore, that uniformity with the Official Classification and uniformity with the Western Classification both, is not a practical thing." Birmingham, Alabama, and Springfield, Missouri, are both located on the St. Louis-San Francisco Railway, are they not?

A. I think so.

Q. Do you know of any reason why the same classification basis should not apply on a shipment from Birmingham, Alabama to Springfield, Missouri, as contrasted with a shipment moving from Birmingham, Alabama, to Jacksonville, Florida, or Asheville, North Carolina?

[fol. 661]

A. Well, of course, when you talk about uniformity of classification, you are covering a very broad field. Perhaps some commodities in all three of the classifications, should be identical. That is true with respect to less than carload ratings, third-class and higher. But there is a Western Classification, there is a Southern Classification, and there is an Official Classification, and they have application in their own several territories.

Q. We know they operate in that manner, sir, and that is one of the things to which the purpose of this hearing is directed; but I am asking you now if you know of any reason why there should be uniformity of application, as far as the classification is concerned, from Birmingham, Alabama to Asheville, North Carolina, or to Jacksonville, Florida, but no uniformity of application from Birmingham, Alabama to Springfield, Missouri, both of which points are located, as you say, on the same line of railroad.

A. Well, the answer to that question would be, I cannot get into any rate discussion, because I am not authorized to discuss rates.

Q. No, I am not asking you that.

A. Well, there is your point right there, that you could [fol. 662] not have complete uniformity, without having uniformity in other respects.

Q. Do you mean by that, Mr. Steadwell, that you cannot have a uniform classification without uniform ratings?

A. Without what?

Q. I mean, uniform rates.

A. Why, you have got to have some sort of coordinated rate schedule, I would assume.

Q. Well then, when the Interstate Commerce Commission changed the form of the rates from Official Territory to the Southwest, did you change all of the classifications?

A. No.

Q. Why not? You had to have some relationship. Why did you not go and change them all?

A. Well, we did not.

Q. And I say, why not?

A. Well, I do not see any connection between the two.

Q. But you said you had to have some uniformity, did you not?

A. Uniformity between class rates——

Chairman Aitchison: Just a moment. The witness has answered the question. He said he did not see any connection between the two.

Mr. Bee: All right.

By Mr. Bee:

Q. Now, Mr. Steadwell, do you know of any more reason [fol. 663] why there should be uniformity of class ratings between Cincinnati, Ohio, on the one hand, and Boston, Massachusetts on the other hand, and the lack of such uniformity of ratings between Cincinnati, Ohio, on the one hand, and Jefferson City, Missouri, on the other hand.

A. Well I think my previous response, my previous answer rather answers that question also.

Q. What do you mean, that you just pull out a territory, and draw a line around it?

A. No. We do not pull anything out.

Q. Well, who did?

A. Well, it has been there for 75 or 80 years.

Q. And you are just going to follow precedent; is that it?

A. What?

Q. You are just going to follow precedent, and that is all; is that it?

A. Follow precedent?

Q. Yes. You say that somebody else drew the line, as a precedent, and the line having been drawn, you are just going to follow it; is that correct?

A. Well, you can interpret it that way, if you want to.

Mr. Bee: That is all.

By Chairman Aitchison:

Q. Mr. Steadwell, I asked a question this morning of Mr. Boyle with respect to whether the attitude of the Southern carriers had always been the same with respect [fol. 664] to uniformity of classification. Do you happen to know?

A. I am very sorry, Mr. Chairman, but I was not able to hear your question.

(Question read.)

A. My answer to that question, Mr. Chairman, is this, that taking the Consolidated Classification——

Q. No. Wait a minute, now. You either know, or you do not know, whether the attitude of the Southern carriers has always been the same with respect to uniformity of classification. I am simply asking you if you happen to know.

A. Well I do not think that I can answer your question definitely, Mr. Chairman. We have done this, however, I might add: We have tried, as far as we can——

Q. I was under the impression that at one time a uniform classification was virtually agreed upon by all of the lines except those in one particular territory.

A. Well I was a member of the Uniform Classification Committee, Mr. Chairman, during 1910, and it was found impracticable in that classification to unify the ratings. They did, however, unify the descriptions of packing specifications, minmum weights and rules. That is the way it stands today, except that there has been a great deal of unification in the ratings themselves since those days.

[fol. 665] Q. In 1910, did you say?

A. Yes. That is when I was on the Committee.

Q. Did that not come during Federal Control?

A. Oh, I see what you mean. Yes. That was throwing the three books together.

Q. Now, that is when we got uniformity in ratings, and so forth, when the three books went together; is that not correct?

A. Well, there was not much uniformity until they threw the three books together; but I am going back, now, to 1910, having in mind the matter of unifying the descriptions, ratings, minimum weights and rules. They were brought into the three books, and consolidated; but the part of the work that I am talking about was going on when I was on the Uniform Classification Committee, back in 1910; and the books were thrown together, as I remember it, on December 30th, 1919,—I believe that was the date. Let me see. Yes, December 30, 1919, under the United States Railroad Administration. That was the Consolidated Classification proceeding, Docket 10204.

Q. You do not remember, then, whether the rail carriers ever got together, with that exception, do you,—I mean, got together far enough to actually put out a uniform classification for consideration, and that it was rejected by certain lines in one particular section?

[fol. 666] A. I do not recall that.

Chairman Aitchison: Is there any further cross-examination? (No response.) Have you anything further, Mr. Gwathmey?

Mr. Gwathmey: Nothing.

Chairman Aitchison: You are excused.

The Witness: Thank you.

(Witness excused.)

Mr. Gwathmey: If the Chairman please, in response to the Commission's notice of hearing, the Southern Rail Carriers have now put in all of the data which they have prepared in the way of rebuttal of the testimony which was given by Dr. Edwards and the other Government witnesses at the St. Louis hearing, except, I am sorry to say, that we still have one witness who will testify briefly about the Florida situation, who was unable to get here until this morning. He is not ready to go on at this time, and I hope that we may be allowed a few minutes after the Western Lines have completed the presentation of their case, in which to examine this witness. The Southern Lines are not prepared at this time to offer any rebuttal to the testimony which has been presented at this hearing by Dr. Edwards and the other Government witnesses.

Mr. Healy: Mr. Chairman.

Chairman Aitchison: Mr. Healy.

[fol. 667] Mr. Healy: At this time I will call Mr. Hawkes to the stand.

N. W. Hawkes was sworn and testified as follows:

Direct examination.

By Mr. Healy:

Q. Mr. Hawkes, please give your full name and address to the reporter.

A. N. W. Hawkes, address, New York City.

Q. What is your position with the Eastern Railroads?

A. Vice-chairman of the Trunk Line Association and Traffic Executive Association, Eastern Territory.

Q. What experience have you had in dealing with traffic matters?

A. Well, I have been in the railroad business since 1900, occupying various positions in the Rate Departments and in a supervisory capacity with the Grand Trunk Railway, and the Central Vermont Railway, at St. Albans; chairman of the New England Freight Association, 1920 to 1924; New England Traffic Manager of the Grand Trunk Railway; system freight traffic manager of the Canadian National Railway; vice president of the Boston & Maine Railroad; and member of the Official Classification Committee. From 1933 on, I have been with the Trunk Line Association, as chairman of the General Freight Committee, and then of the Freight Traffic Managers Committee.

[fol. 668] Q. Have you prepared an exhibit for use in this case?

A. I have.

Q. Will you please identify it at this time. Of how many pages does the exhibit consist?

A. Four sheets.

Q. Is the first sheet of the exhibit headed "Revenue Freight Originated in United States for the year of 1941."?

A. Yes.

Mr. Healy: May the exhibit be marked for identification, if the Commission please, as Exhibit 46.

(Exhibit No. 46, Witness Hawkes, marked for identification.)

Mr. Healy: Now, if the Commission please, the witness has a prepared statement, and in accordance with the rules of practice, that statement has been distributed to the parties. I ask permission that the witness be allowed to read it into the record at this time.

Chairman Aitchison: Proceed.

By Mr. Healy:

Q. Proceed with your statement, please.

A. Shall I read it?

Q. Yes, in accordance with the permission of the Commission.

Mr. McCollester: Mr. Chairman, I do not want to interfere with the method of presentation which the railroads desire to follow, but since we have had in our possession for some time the statement of Mr. Hawkes, I make the suggestion, [fol. 669] to save time, that it be handled as an exhibit, rather than having it read into the record.

Mr. Healy: In this case, if the Commission please, I would like to have the statement made a part of the stenographic transcript, rather than merely going in as an exhibit. I think it belongs in the transcript.

Mr. McCollester: Well then, if counsel wants it to go into the record, I would be perfectly agreeable to having the reporter simply copy it in, to save time.

Mr. Healy: That is agreeable to me also, if that is agreeable to the Commission.

Chairman Aitchison: Is there any objection to that course?

Mr. Norman: Will the witness be available for cross-examination, if that is desired?

Mr. Healy: Yes.

Mr. Norman: I take it he will be excused from the stand at this time.

Mr. Healy: He will be available.

Mr. Norman: All right.

Chairman Aitchison: Then Mr. Hawkes statement, Mr. Reporter, may be copied into the record. (The statement is as follows:

I have been chosen to state the position of the Official Territory Lines with respect to the issues raised by the [fol. 670] Commission's investigation. I will deal, in part, with three principal subjects. First, the rates within Official Classification Territory; second, the rates between that territory and other territories, and third, the suggestions submitted by Mr. Jensen in his testimony and in his Exhibit No. 7 with respect to improvements in railroad class rates.

I. Rates within Official Classification Territory. The boundaries of Official Territory are set forth in the Commission's decision in the Eastern Class Rate Investigation, 164 I. C. C. 314, at page 322. It has three subdivisions, New England, Trunk Line and Central territories. The extent of these territories is quite generally known. Briefly, New England Territory embraces the six New England States and a small portion of New York State, East of the Hudson River. Trunk Line Territory includes the States of New York, New Jersey, Pennsylvania, Maryland, West Virginia, Delaware and the District of Columbia, and that part of the State of Virginia on and north of the Virginian Railway. Those portions of the States of New York, Pennsylvania and West Virginia which are west of a line drawn from Buffalo through Pittsburgh, Pennsylvania, Parkersburg, West Virginia, and Charleston, West Virginia, are in Central Territory. Central Territory includes the portions of New York, Pennsylvania and West Virginia, just described, and the [fol. 671] states of Ohio, Indiana, Illinois, the lower peninsula of Michigan and a portion of Wisconsin adjacent to the west-bank Lake Michigan ports. The history and nature of the rate structures in effect in Official Territory and its three sub-divisions prior to the effective date of the rates prescribed by the Commission in the Eastern Class Rate Case, that is, December 3, 1931, are set forth fully in the Commission's report in that case and no purpose would be served in repeating it now. As the Commission stated in its report, the rate structures within the three divisions of Official Territory and between the three divisions had grown up independently of each other and, for the most part, had little resemblance to each other. The Commission had previously dealt with rates in Central and New England Territories. The investigation which resulted in the Eastern Class Rate Case was instituted upon a petition of a joint committee of shippers and carriers that had been studying the problem for some time. The investigation was actually instituted on May 13, 1924. The principal report in the case was dated May 13, 1930. As stated, the rates became effective December 3, 1931. The rate structure which then became effective bore little or no resemblance to the rate structures which were superseded. The Western Trunk Line Class Rate was decided on the same day as was the Eastern [fol. 672] Class Rate Case. The Southwestern and Southern Cases had already been decided. While the reports of the Commission in these cases indicate that in prescribing these structures the Commission was guided by various considerations, such as the preservation of the carriers' revenuers, reluctance to unduly disrupt long-standing commercial relationships, and others, I think it can be truthfully said that the outstanding principle followed by the Commission was that the use of mileage scales and key-rate adjustments, which reflect distances, should be the controlling factor in prescribing class rates, particularly to remove the many discriminations which were inherent in the old rate structures.

Following the establishment of rates prescribed by the Commission in the Eastern Class Rate Case the carriers then were faced with the tremendous task of revising commodity rates. These rates have been extensively revised in order to adapt them to the class rate pattern and to meet the requirements of the Fourth Section of the Act. This revision, as well as the class rate revision itself, has entailed a tremendous amount of labor, not only on the part of the carriers, but on the part of the interested shippers. The work necessarily has been laborious because it is essential that in adjusting the rates so that they would fit in with the new class rate pattern, as well as meet the Fourth [fol. 673] Section requirements, they also meet the commercial necessities of the shippers who actually use the rates. The Official Territory carriers feel that as a res[illegible] of at least twenty years labor a rate structure has been evolved which, to the best of their knowledge, not only meets the necessities of their shippers but, above all, has removed discriminations. Certainly they have received no complaints of discrimination and no one has appeared at these hearings complaining of any unlawful discriminations existing in our basic rate structure at the present time. Having achieved such results at the expense of so much labor on the part of the carriers and shippers, frankly we shrink from suggestions such as those contained in Mr. Jensen's exhibit that we now embark upon a new and radical change in the rates, as well as in the classification. Only upon the most compelling showing of unlawfulness in our present rate structure should we and the shippers be forced to undertake such a task.

I have spoken of the Commission's reluctance, when it was prescribing the existing rate structures, to unduly disturb long-standing commercial relationships. This consideration should be accepted by the Commission as paramount under the existing circumstances. The eastern structures, both class and commodity, as I have said, are the result of years of painstaking labor by both shippers and [fol. 674] carriers, as well as the Commission. They have been designed to and, we believe, actually do meet the necessities of our shippers who have been operating under the class rates for nearly eleven years and under the revised commodity rates for varying periods since the class rates became effective. Other witnesses will have exhibits illustrating the change in relationship as between shippers which will be brought about should a rate structure such as that proposed by Mr. Jensen be adopted. Not being advised of any complaints as to the unlawfulness of our existing rate structure, one may ask—has it functioned in the face of the great increase in truck and water competition, more particularly the very substantial increase in truck competition?

In our judgment the structure has functioned exceedingly well; certainly it has succeeded as well as could be expected of any general rate structure covering a large territory. So far as less-than-carload traffic is concerned, of course, the truck competition has been met to a large extent by the establishment of pick-up and delivery service without extra charge. On carload traffic the situation has been met in a few instances by reductions in the classification, in others by exceptions to the classification, and in still others by specific commodity rates. Truck competition, [fol. 675] as the Commission so well knows, is so particularized that it can only be met by dealing with specific situations. Service, particularly for the shorter hauls, in many instances is the determining factor. For the most part truck competition cannot be met by territory-wide adjustments of rates without unduly sacrificing the carriers' revenues. I repeat that on the whole, particularly following the establishment of pick-up and delivery service, eastern traffic officers feel that the present structure has functioned as well as any general rate structure could function in meeting truck competition. Furthermore, it has functioned very well under present wartime conditions. Within its structure we have been able to establish whatever rates were needed to move materials to meet all the unusual conditions brought about by the war. But the basic structure still stands; it moves a vast amount of traffic; it has become an integral part of the commercial and transportation interests of the Eastern Territory; and it should not lightly be discarded for some untried method of making rates.

II. Rates between Official Classification Territory and other Territories. I come now to the interterritorial rates. Prior to these general class rate investigations the rates to and from Official Territory and from and to the other major rate territories were generally made on combinations. True, there were very important exceptions [fol. 676] to this general statement. I have in mind particularly the fact that there were joint rates from Trunk

Line Territory to the South and that there were some joint rates from Central Territory to the Southwest. But I think it is accurate to say that prior to these general cases, instituted by the Commission following Federal control, a greater part of the traffic between Official Territory and other territories moved on rates which were actual combinations or were based on combinations. In other words, the carriers in each territory made the rates which they thought were proper and the traffic moved between the territories at the sums of such rates. Under such a system of rate-making each territory developed its own rate structure. It so happened, as everyone knows, that the structure developed in the East was very different from that developed in the West and in the South. The Commission in many cases has pointed out the differences in the several structures. Mr. Jensen has also done so. While the rate structures prescribed by the Commission in each of these major rate territories differ very substantially and in some respects radically from those existing prior to the investigations instituted by the Commission, yet the eastern structure still differs materially from those prescribed by the Commission for the South and West. It seems to us that the difficulty with respect to the interterri- [fol. 677] torial rates has arisen in large part because of the establishment of one-factor rates between these three territories. As long as the southern and western structures differ from the eastern structure there will be difficulty in prescribing rates between the South and the North and between the West and the East. The Commission has recognized this and has so stated in its reports. In its supplemental report in the Southern Class Rate Investigation, 109 I. C. C. 300. The Commission said:

> "It is not too much to say that so long as they exist (Differences in the Southern and Eastern rate structures), and they cannot be eliminated in this proceeding, no basis or bases of interterritorial class rates can be devised which will be free from objectionable features."

Curiously, the southern shippers in that proceeding opposed the interterritorial rates prescribed in the first report of the Commission on the ground that they would give northern manufacturers an undue advantage in sending goods to southern destinations. With the present rates in the three territories we know of no better way of developing one-factor interterritorial rates than the system devised by the Commission. If the rate structures within the West or within the South are changed, we, of course, would have views as to what the interterritorial rates should be. But we are not in a position to express any [fol. 678] views in the absence of knowledge of any changes in those structures.

In dealing with these interterritorial rates, we cannot overlook the fact that, relatively speaking, there has been little complaint about them from shippers. On the whole, the eastern carriers, in cooperation with the carriers operating in other groups, have published rates or participated in rates necessary to meet the necessities of the shippers. Each situation has been dealt with on its merits. Where that has not met with the approval of the shipping interests they have brought complaints before the Commission. The Commission, itself, in treating various commodities, has not followed any particular rule but has dealt with each commodity on its individual merits. Finally, we think it very significant that in the Southern Governors Case, which started out to be very broad in scope, the rates of relatively few commodities were actually brought in issue. Complaints as to some of these were dismissed by the Commission and readjustments were required as to others. I think we can fairly say that we are not advised of a serious complaint on the part of any shipper as to alleged unlawfulness of the interterritorial rates which are actually moving the traffic; neither are we advised of complaints by shippers as to the levels of interterritorial rates which might be said to prevent the flow of traffic between the Eastern Territory and other terri- [fol. 679] tories.

The eastern lines have more at stake with respect to this interterritorial traffic than any other group of carriers. The Commission has prescribed divisions between the East and the South and Southwest following the failure of the carriers to agree on divisions of the rates which the Commission prescribed. With respect to the Western Trunk Line rates most of the western carriers have agreed with the eastern carriers as to divisions and they are now in effect. Six Western carriers have failed to agree and their divisions are now the subject of proceedings before the Commission. The divisions accorded the Southwestern and Southern carriers by the Commission in the view of the Eastern carriers are unduly generous to those carriers and seem to be based in part on the differences in the class rate levels, as well as alleged financial necessities of the carriers in the respective groups. If the differences in class rate levels are narrowed or eliminated, certainly the eastern carriers cannot be expected to make good any losses in revenues which the other groups of carriers may sustain, either through a reduction in the rates within their respective territories, or through reduction in the interterritorial rates. If interterritorial rates are prescribed approximating the eastern level, it should not be done upon any supposition that eastern lines should re- [fol. 680] ceive therefrom any less revenues than would accrue to them under the principle embodied in Finding 3 of the Commission's decision of July 25, 1939, in the Southern Divisions Case. This is commonly known as the equal factor rule.

The making of interterritorial rates on the eastern level would obviously result, not only in a great reduction of carriers' revenues on traffic moving between the territories, but would profoundly affect the rate structures within the South and West. This leads inevitably to the conclusion that this interterritorial rate problem cannot be solved by merely placing interterritorial rates on the so-called destination level. A better system of making one-factor through rates than that now in effect cannot be devised unless the Commission, as well as the interests in the respective territories, recognize the fact that before the interterritorial rate problem can be solved to their satisfaction the entire rate structures within Southern and Western Territories must be revamped along the lines of the Eastern rate structure. In dealing with the broad question of whether one territory is being unduly preferred in the matter of freight rates as against another territory, the entire rate level borne by the shippers in each territory must be considered. Grave injustice will be done if only interterritorial rates are considered in this case without considering the entire body [fol. 681] of rates which the shippers in each territory must bear. The eastern carriers have a further interest in this problem. They think that whatever class rates are prescribed from the South and the West to Official Territory should apply in the reverse direction. We know of no transportation conditions which warrant a higher level of class rates in one direction than in the other.

III. Comments on Mr. Jensen's Testimony and Exhibit No. 7. I desire to make one more general statement with respect to the position of the eastern lines before proceeding with a discussion of Mr. Jensen's suggestions. That has to do with the making of rates based upon cost of service. We ask that, if the Commission makes any change in the rate structure as a result of this proceeding, it prescribe maximum reasonable rates, leaving the carriers free, as they have been in the past, to adjust such rates to meet the necessities of the shippers as well as to meet competitive situations. We see no reason for prescribing precise rates, or minimum rates, based upon costs. In making rates under the stress of conditions which the carriers now face and which will undoubtedly be intensified after the war, the carriers should not be handicapped by the prescription of rates based solely upon the costs of service with no consideration being given to other elements which have always entered into rate making, particularly [fol. 682] the value of the service to the shipper.

The spirit of the Hoch-Smith Resolution seems to be contrary to the establishment of rates solely on the basis of costs because certainly rates can not be made in accordance with the provisions of that Resolution without resulting in the distribution of the transportation burden so that some kinds of freight under just and reasonable rates will earn materially less for the rail carriers than will other rates. This view was confirmed by the Commission in the Western Trunk Line Case, see 164 I. C. C. 189. That has always been true to a greater or less degree and certainly no conditions at the present time or anything that we can foresee in the future will operate to change that fundamental principle. After all, our rate structures have been and undoubtedly will continue to be shaped to a large extent by economic and other forces beyond the control of the carriers. In its notices of January 9, and September 25, 1940, the Commission indicated its desire that the respondents discuss certain questions. Inasmuch as Mr. Jensen's testimony and exhibit cover, in a general way, substantially the same points mentioned in those notices, our discussion of Mr. Jensen's evidence will serve as our response to the wishes of the Commission.

At the outset, I might state that we are somewhat in doubt as to the scope of Mr. Jensen's proposal; that is, [fol. 683] as to how much traffic it is intended to cover. While in many respects his suggestions seem to run only to normal class rate traffic, yet his conception of normal class rate traffic seems much broader than the conception which the carriers have generally held. For instance, we have never considered sand and gravel, and commodities of that character, as class rate traffic, but, from a footnote on page 10 of Exhibit 7, one would gather the impression that Mr. Jensen does. This footnote reads:

"The term 'class traffic' as here used refers to all traffic for which distance rates are appropriate, whether the distance progression conforms to that of the class-rate scale or not."

It is not thought necessary that we deal with all details of Mr. Jensen's proposals, but we do wish to discuss some of the more important objections, as we view them, to the adoption of his proposals. Needless to say, the structure which he suggests differs radically from those prescribed by the Commission within the East and between the East and other territories. In addition, it contemplates a complete change in our classification. Throughout the document Mr. Jensen emphasizes that the carriers' revenues in any section should not be diminished and, furthermore, that no readjustment should be made which would have the effect of sharply changing the rate level on any particular commodity or form of traffic. For [fol. 684] instance, at pages 55 and 56 of Exhibit No. 7, he says:

"No readjustment of class rates should be required which would diminish the aggregate revenues of the railroads in any section because nowhere are they earning as much on their investment as they have a lawful right to do. Neither should a readjustment be made which would have the effect of sharply changing the rate level on any particular commodity or form of traffic."

These statements seem to be contradictory. His proposals would result in very substantial reductions in short-haul rates, accompanied by an increase in the long-haul rates. One of the principal criticisms of the existing rate structures is that the rates for the short hauls are too high and that the rates for the long-hauls are lower than need be. Placing emphasis on the density of loading as against the value of service, as he does, results in a very substantial increase in the rate level on light-loading commodities, such as many of the agricultural products, accompanied by substantial reductions in the rates on heavier loading commodities. We do not know what Mr. Jensen might consider "a sharp change in the rate level," but practically all of his proposals would result certainly in what most shippers and traffic officers would consider substantial changes in the rate levels on [fol. 685] many commodities and groups of commodities, unaccompanied, unfortunately, by any assurance that the adoption of such a radical change in the rate levels would preserve the carriers' revenues. I will deal now with some of the specific objections which occur to us.

First: Mr. Jensen admits that the change-over could not be accomplished except in a piecemeal fashion. On page 82 of Exhibit 7 he makes this statement:

"Therefore in order to permit the work to go forward in an orderly way, the transfer on traffic from the old to the new scales should be effected gradually, by groups of commodities, and complete cancellation of the present class-rate scales should be deferred until the process had been completed."

This means the maintenance, for a protracted period, of two sets of tariffs where one now exists, some commodities or groups of articles being subject to the new tariffs, others being subject to the old tariffs. At the same time the classification ratings would have to be changed in such a way as to insure the preservation of the carriers' revenues. We have had a very unsatisfactory experience with a dual system of rates. We have in mind the maintenance for a number of years subsequent to the Commission's decision in the Eastern Class Rate Case of the alternative application of rates under Finding 12 of the [fol. 686] Commission's decision with respect to the rates on fresh domestic fruits and vegetables and hay. It will be recalled that under this finding where the new class rates meant lower rates on these commodities such rates were to be applied; where the new class rates would result in higher rates the old rates were to be maintained. The Commission had this subject before it in I. & S. Docket No. 4392 and issued two reports, the first 227 I. C. C. 210 and the second 232 I. C. C. 701. The intolerable rate situation was depicted at length by the Commission in these reports and it finally relieved the carriers of the necessity of maintaining the dual basis. Exhibits presented by the carriers in that proceeding showed that in order to maintain the alternative bases of rates required by the Commission's Finding 12 there were over 10,000 effective supplements alone in Trunk Line Teritory at the time of the first hearing in 1938. The original tariffs aggregated nearly 40,000 printed pages, the effective supplements over 30,000 printed pages, or nearly 70,000 printed pages of tariff material, much of which was then over 12 years old. With that most unsatisfactory experience behind us, we see no way to make Mr. Jensen's proposals effective except through a prolonged state of chaotic and intolerable disturbances in the transportation industry similar to the one resulting from Finding 12, but on a much more ex- [fol. 687] tensive scale. When the necessity for the new rates occurs, as it repeatedly will under the stress of post-war conditions, not to speak of present war conditions, the question will arise as to which basis of rates is to be used as the foundation. It is not sufficient to say that much trouble will be avoided if the carriers treat the situation commodity by commodity because, as the Commission well knows, there is in many instances the most powerful competition between producers and shippers of different commodities who are nevertheless competing in common markets. Aside from the above, a most discouraging feature of the proposal is that when this transition from the present structure to the new one has been accomplished the carriers and shipping interests will still find themselves operating under a temporary structure for, as Mr. Jensen states on page 92 of his exhibit—

"Nothing more can be accomplished at present, and nothing more should be attempted than to bring the class rates in the several territories into better relation with each other. They cannot be made altogether right, because the resulting dislocation of markets for many industries would be too severe; they can only be made better. Only when the rates are made right—and a further revision with a view to making them so should surely be undertaken within the next five or ten years—will it be possible [fol. 688] to unify the classifications throughout the country, and then will be the time to consider how many classes should be comprised in the unified classification and how those classes should be related to each other."

No rate structure can be static, but there is no good reason to compel shippers and carriers to do business under rate structures which will be subject to radical revisions for an indefinite period. Incidentally, the method of constructing rates advocated by Mr. Jensen is extremely cumbersome and would require a tremendous amount of clerical and mechanical labor in order to calculate the rates and prepare the tariffs. If anything, it would be more burdensome than the formula prescribed by the Commission for the construction of inter-zone rates in the Vegetable Oil Case, 188 I. C. C. 605. Upon reconsideration of that Case, the Commission in 203 I. C. C. 177 struck out its original Formula.

Second: The proposals criticise the emphasis which the carriers and the Commission have placed upon the element of value in making rates. Mr. Jensen would shift the emphasis to density of loading. We feel that the value of service should continue to be given great weight in the construction of rates. The Commission has followed this principle in many cases. There is a particularly pertinent discussion of the subject in Fertilizer between [fol. 689] Southern Points, 113 I. C. C. at page 420. As we see it, the Commission must give consideration to it under the terms of the Hoch-Smith Resolution. The adoption of Mr. Jensen's proposals would, on much traffic, run directly contrary to the mandate of that Resolution. Under his proposal commodities which, on account of their physical characteristics, are among the lighter loading commodities would pay a higher proportion of the total transportation charges than they do now. There can be no ~~doubt~~ that the adoption of his proposals would result in a very substantial change in the present distribution of the transportation burden.

We have prepared an exhibit, which has been identified as Exhibit No. 46, which on page 1 shows for the year 1941 the number of carloads and number of tons of the reported commodities. We have converted the figures into the number of tons per car and find that three of the six commodities, averaging less than ten tons per car, are farm products, namely, hogs, single deck; sheep and goats, single deck; and live poultry. We also find that twenty-five commodities, of the twenty-nine in the ten to fifteen ton range, are in the agricultural list.

Third: We think that it would be a very serious mistake to divide Official Territory with respect to class rate levels. Mr. Jensen suggests a lower level in Central Territory, the boundaries of which are to be changed, than [fol. 690] that in Trunk Line and New England Territories. Little or no support is advanced by Mr. Jensen for this proposal. The issue of whether there should be one rate level or different rate levels in the various parts of Official Territory was one of the most exhaustively considered subjects dealt with by the Commission in the Eastern Class Rate Case. It prescribed one rate level for Central and Trunk Line Territories. The carriers and the shipping interest accepted that determination as final; have adjusted themselves to it; and have followed it in commodity rate revisions. Furthermore, generally speaking, we know of no one except Mr. Jensen who advocates a reversal of the Commission's finding. There is no substantial difference in the intensity of truck competition within the two territories. Finally, as recognized by the Commission in the Eastern Class Rate Case, the maintenance of different levels of class rates in Central and Trunk Line Territories would simply complicate an already difficult problem with respect to the prescription of interterritorial rates.

Fourth: Exhibit No. 7, pages 69 to 81, deals with the proposal for reducing rates for the shorter hauls and increasing rates for the longer hauls. It seems very doubtful whether a substantial reduction in the short haul rates would increase to any great extent the less-than-carload traffic handled by the carriers over and above [fol. 691] that which they are now handling. It is becoming more difficult to draw a line as to the limits of effective truck competition. But we do know that, certainly within 250 miles or more, the element of service which in many cases is superior to that which the railroads can give, door to door, is the determining factor as to the choice of transportation agency by the shippers. Mere rate reductions would not insure the return of that class of traffic.

On the other hand, a substantial increase in long-haul rates, coupled with a substantial reduction in short-haul rates, would have, in our opinion, the distinct tendency of drying up the long-haul traffic by bringing about further decentralization of distribution centers which has been in progress for quite a few years, particularly since 1920. It must not be overlooked that within relatively short hauls, and in many cases for long hauls, the truck competition which the carriers must meet is not entirely with common carriers but with contract carriers and private carriers. In the final analysis all common and contract carriers must meet the competition of the costs at which the shipper can conduct his own trucking or water operations. The truck competition which we now meet in Official Territory is of many types covering, among other things, the following:

[fol. 692] First: Spot movements of high-grade merchandise traffic where the competition is largely felt between points of greatest population:

Second: On specific manufactured products from the mill or factory to large distributing centers;

Third: In the movement of raw products for short hauls:

Fourth: The contract carrier who selects the type of traffic that he desires to handle and whose competition is felt largely in the rail carload field:

Fifth: And last, but not least, the private trucker who will handle his own goods, in his own trucks unless the common carrier offers rates comparable to his costs.

Private carriers, which are not subject to regulation comparable to the common and contract carriers, have proven to be a major factor of disturbance in breaking down the level of rail rates. They operate under conditions which permit the closest coordination to suit the convenience of industry and can force the contract carrier down to a level often below cost of operation. Industry too frequently does not concern itself with more than getting its tonnage moved with the lowest possible cost to itself. This kind of competition has forced reductions in rail rates below a reasonable maximum level. So long as the private carrier is permitted to use the highway under the existing conditions, the rail carriers will be required from time to time [fol. 693] to meet depressed rates or be deprived of important tonnage, which in normal times they can ill afford to lose.

The rail carriers have constantly been engaged in adjusting their rates and ratings to meet competitive conditions. This has largely been accomplished by reductions in ratings where the competition of trucks is general throughout the territory and not limited to short hauls. Where competition is confined to specific hauls and to specific commodities the rails have in many cases not hesitated to establish point to point commodity rates bearing no percentage relationship to first class rates.

A valid criticism applicable to Mr. Jensen's proposed method of making class rates was stated by the Commission in the Western Trunk Line Class Rate Case at page 190 when dealing with the question of making class rate scales providing for constant progression. The Commission stated that one likely effect of a scale of this character would be to discourage the movement by rail of much class rate traffic in contravention of that clause of the Hoch-Smith Resolution which specifically provides that freight rates shall be so adjusted that traffic would move freely. We think that the observation made by the Commission in that case is as true today as it was at that time, namely, that the customary plan of constructing rate scales appears on the whole to have served well the needs of the country's [fol. 694] commerce. While competing forms of transportation have forced changes in our rate structure it would seem appropriate at this time to review a study made of less-than-carload tonnage in Official Classification Territory for the week September 8 to 14, 1939, and we now refer to page 2 of Exhibit 46.

This page of the exhibit is an analysis of less-than-carload traffic originating and terminating within Official Classification Territory for the period September 8 to September 14, both inclusive, of the year 1939, separated as between shipments less than 10,000 pounds and those of 10,000 pounds and higher.

It indicates that for the week in question, which is the last available period for which such statistics are available, there were 240,123,458 pounds of less-than-carload shipments less than 10,000 pounds, producing $1,710,933. Arbitrarily equating this into a year's business by multiplying the figures for this single week by 52 gives a figure of over 12,486,000 pounds of this type of less-than-carload freight yielding approximately $89,000,000. It also indicates that for the same week there were 22,299,960 pounds of less-than-carload shipments 10,000 pounds and higher producing $103,075. Arbitrarily equating this into a year's business by multiplying the figures for this single week by 52 gives a figure of 1,159,597,920 pounds of this type of less- [fol. 695] than-carload freight yielding approximately $5,307,000. The total of all less-than-carload shipments weighing both less than 10,000 pounds and 10,000 pounds or over, on the equated basis of a year's traffic products over 13,500,000,000 pounds and $94,000,000. In 1939 Eastern lines, including the Pocahontas Lines, originated 7,733,-652 tons of less carload freight. Their revenue on this class of traffic was $115,497,511. In 1941 the respective figures were 10,110,190 tons and $150,263,282. These figures are taken from the Commission's Freight Commodity Statistics Statement 42100 and include only less carload shipments weighing less than 10,000 pounds.

It is difficult to say just when a truck-short-haul ends and a truck-long-haul begins. If we are to consider a long haul to be between 200 and 300 miles for motor carriers, then there are literally hundreds of motor carriers operating within this zone and carrying substantial tonnages, but assuming that a motor truck long haul begins at 300 miles and using Trunk Line Territory, as illustrative, there are numerous motor carriers which operate for distances over 300 miles. An examination of Middle Atlantic States Motor Carrier Conference tariffs MF-I. C. C. A-72 and MF-I. C. C. A-5 reveals that there are many commodity rates between eastern points and points in Western Pennsylvania, Western New York or in West Virginia for distances ranging [fol. 696] from 300 to 500 miles. It is presumed that traffic is actually being handled under these commodity rates, but to indicate that substantial tonnage is actually moving via some of these motor carriers, who are generally recognized as long-haul carriers, I refer herewith to page 3 of Exhibit No. 46, a statement of Class 1 Motor Carriers, taken from reports of the Transport Research, Inc., Washington, D. C.

Coming now to the interzone situation, that is, between Trunk Line-New England Territories, and Central Freight Association Territory, covering what might be described as hauls over 500 miles, attention is called to Agent M. F. Russell's MF-I. C. C. No. A-1, publishing numerous commodity rates between points in Trunk Line-New England Territories and points in Central Freight Association Territory. It is to be presumed that traffic moves under these rates. Further, to indicate that this long haul motor competition is actually with us, attention is called to I. & S. Docket M-1216, Rugs and Matting from the East to Western Trunk Line Territory, and I. & S. Docket M-1445, Linoleum and Related Articles, from the East to Ohio, I. & S. Docket M-1824, Alcoholic Liquors and Wines in Official Territory, and Docket MC-C-309, Liquors and Wines within and between Official and Western Trunk Line Territories. As indicative of the tonnage handled by the long haul [fol. 697] motor carriers, I again refer to page 3 of Exhibit 46, quoting from the Report of Transport Research, Inc., Washington, D. C., showing the tonnages transported by several Class 1 motor carriers operating between Trunk Line-New England Territories and Central Freight Association Territory. In Transport Topics for July 6, 1942, there is published information said to be based on test period from May 3 to May 9, 1942, showing that for 50 carriers reporting in Central Territory, 48 per cent of the tons moved over 300 miles, and in Mid-Atlantic and New England Territories 39.9 per cent moved over 300 miles. Our conclusion is that Mr. Jensen's proposal in this respect would tend to dry up or divert our more profitable long-haul traffic without any assurance that we would be able to secure enough short-haul traffic to compensate us for the loss in long-haul traffic.

On page 99 Mr. Jensen states that the question has been raised as to whether less-than-carload traffic should not be subject to class rate scales wholly separate from those for carload traffic. This question was discussed at some length by the Commission in the Western Trunk Line Case when such a proposal was suggested by some of the parties in that case. This point is discussed at pages 185 to 189 of the Commission's decision in that case and Mr. Jensen repeats the conclusion of the Commission that if no marked [fol. 698] differences in the ratio of increased costs to increased distance can be shown to exist then the added complexity of separate scales ought not to be introduced into the rate structure. In the absence of such a showing, he concludes that the rate spread between carload and less-than-carload should be provided by differences in the classification as at present. The theory is unsound in that it is, as the Commission has said, founded entirely upon the theory of cost plus profit which, can not be used as the sole standard in fixing rates. We see ~~no~~ reason for departing from our present practice of providing for the spreads between C.L. and L.C.L. by differences in classification ratings.

Sixth. The next proposal we wish to deal with is that the minimum charge for less-than-carload shipments be increased from 55 cents to "about 75 cents" and that picked-up and delivery service be made subject to a separate and distinct charge. Nothing is offered in support of this 75 cent minimum charge, but it so happens that the subject has received extensive consideration in the past by the Official Territory lines. They have conferred at length with shippers and have held public hearings. The present minimum charges are generally based on the applicable class or commodity rates for 100 pounds, but in no event is the charge less than 58 cents. The shippers asked that the minimum charge be based on the applicable class or [fol. 699] commodity rates for the actual weight of the shipment. No particular objection was raised to the 55 cent absolute minimum charge then in effect but opposition was voiced to an increase in this minimum to 75 cents.

Seventh: We see no reason for publishing a charge for performing pick-up and delivery service separate from the line-haul rate. The country-wide establishment of pick-up and delivery service was brought about by truck competition. The service of the truck is, of course, from door to door and the universal practice of the truck carriers has been to publish one rate for the complete service. The railroads, in order to participate in this traffic, must meet the competition as much as possible both from a rate standpoint and from a service standpoint. If a separate charge should be set up for the pick-up and delivery service the line-haul rates would have to be adjusted from and to each station so that the sum of such rates and the pick-up and delivery charges would equal the one-factor rates maintained by the trucks. Such a system of rate making would be wholly impracticable and, as we see it, unnecessary.

Eighth: At Page 102 Mr. Jensen presents query as to whether the railroads should graduate less-carload rates according to the weight of the shipment, recognizing that the desirability of such action seems to depend largely [fol. 700] or wholly upon cost considerations. We think that graduated less-carload rates should not be required. In many cases motor truck carriers do apply such graduated rates, but we have no information as to their justification for them. In a few instances some rail carriers have published graduated rates on specific items in competition with motor carriers. So far as we are advised, shippers are divided on this question. Some would like to have such rates on the same basis as maintained by motor carriers, but others are very much opposed to them. Many who oppose them do so because of the effect on the carload as the unit of sale. Obviously, such a scheme of rate making would seriously affect commercial practices. It is our judgment that, certainly under present conditions, the Commission should adhere to the established differentiation between carloads and less-carloads.

Ninth: Mr. Jensen states at page 120 "Tariff rules which permit carload shipments to be stopped en route for further loading or for partial unloading are a development of recent years "and further, that the carriers have devised" a peculiarly illogical basis of charges for the service, which results in greatly restricting its usefulness to the public." While we doubt the wisdom of dealing with transit questions in this proceeding, as long as Mr. Jensen has raised the question we desire to comment on it.

[fol. 701] Mr. Jensen's suggestions run to the point that stopping cars in transit to finish loading or to partially unload should be liberalized for greater benefit to the shipping public. The service of stopping cars in transit to finish loading or to partially unload was never intended for application under such circumstances as are indicated in Mr. Jensen's comments, but rather was a privilege originated by the carriers in portions of the country years ago in order to facilitate the marketing of commodities from or to more or less sparsely settled communities where the volumes of traffic was relatively light and service was infrequent or uncertain. Stopping in transit to partially unload originated with building materials and agricultural implements to encourage settlement and tillage of the soil. Later, to take care of commodities produced in such communities, cars were permitted to be stopped in transit to finish loading—such as dairy products, live poultry, etc., where full carloads could not be accumulated at one point but generally by the same shipper at two or more points located reasonably close one to the other. It is mentioned in early decisions of the Commission, viz. Stopping of Cars in Transit to Complete Unloading, 36 I.C.C. 130; Stoppage in Transit of Farm Wagons, 39 I.C.C. 731; Stop-Over on Cranberries, 128 I.C.C. 425. In Official Territory the stop-off arrangement attained more general application [fol. 702] first in Central Freight Association Territory, which was due, doubtless, to the more intense railroad competition in that territory. We have found instances where the stop-off privilege went as far back as the year 1890 on shipments of live poultry in coops. In 1895 the service was extended to apply on dressed meats. Except for some specific provisions, there were few stop-off arrangements in Trunk Line Territory until more recent years. This practice has naturally grown over a period of many years until now it is more or less uniform but is still used generally where the origin point, for one reason or another, cannot produce a full carload of the commodity in question or where a single destination cannot consume a full carload of the commodity involved.

The stopping of cars to finish loading or to partially unload is quite similar in principle to the interrupted service for the purpose of cleaning, milling, storing, fabricating or re-working a commodity in transit. Stopping of cars in transit to complete loading or to partially unload has frequently been criticised on the ground that the practice produces discrimination or undue prejudice. Thus, it has been contended that such service operates to effect such discrimination or prejudices in one or more of the following ways:

(a) By favoring a large shipper using plants at two [fol. 703] or more points versus a rival shipper with only one plant or only one shipping point;

(b) By giving the benefit of carload rates to final destination to less carload lots although such rates are predicated only on carload shipments from one consignor at one point of origin to one consignee at destination; and

(c) By working to the disadvantage of jobbers receiving carload quantities and distributing through their warehouses in smaller quantities.

There is always a question as to when an adjustment of this type is preferential to shippers who can take advantage of such arrangements and prejudicial to those who cannot. We believe that a more liberal application of this privilege such as that suggested by Mr. Jensen might cause the preferences to become undue. For general application within Trunk Line Territory, stop-off charge of $10,000 was published October 1, 1931. In November, 1932, the charge was reduced to $6.30 on storage batteries and parts. Effective October 1, 1933, the charge was reduced to $6.30 on all freight, this reduction having resulted from public hearing at which shippers appeared and protested that the $10.00 was excessive and that shipments would be handled by motor truck unless the charge was reduced to $6.30, it being pointed out that the truck companies' charge for partial unloading or to complete loading was less than [fol. 704] $6.30 per stop.

We cannot at this time forecast the effect in actual dollars and cents which the suggestions of Mr. Jensen would have on our revenues as a whole since the results would depend largely, if not entirely, upon the nature of the shipment stopped and the location of the stop-off point with reference to the points of origin and destination. I now refer to page 4 of Exhibit 46, showing the effect on a few selected movements, some actual, others suppositions. The wide range of results shown illustrates the difficulties of making any estimate of what would be the effect on our revenues. The indications are that our revenue would be substantially reduced.

Chairman Aitchison: Mr. Hawkes may stand aside, then, until tomorrow morning,—unless you have something further at this time.

Mr. Healy: Only to ask that the exhibit be received in evidence.

By Mr. Healy:

Q. Mr. Hawkes was Exhibit No. 46 for identification prepared by you or under your direction?

A. Under my direction.

Q. Is the information set forth therein true and correct, to the best of your knowledge and belief?

A. Yes.

Mr. Healy: I offer the exhibit in evidence.

[fol. 705] Chairman Aitchison: Is there objection? (No response.) Without objection, it is received.

(Exhibit No. 46, Witness Hawkes, received in evidence.)

Mr. Healy: You may stand aside, please, Mr. Hawkes.

(Witness excused.)

Mr. Healy: Call Mr. Hodkinson.

E. A. HODKINSON was sworn and testified as follows:

Direct examination.

By Mr. Healy:

Q. Mr. Hodkinson, please give your full name and address to the reporter.

A. My name is E. A. Hodkinson; 143 Liberty Street, New York City.

Q. What position do you hold with the Eastern Trunk Lines?

A. Commerce statistician, and a member of the Auxiliary Committee of the Trunk Line Association.

Q. Have you prepared a certain exhibit for use in this proceeding?

A. Yes.

Q. Will you proceed to identify them.

A. What is the next number, please?

Chairman Aitchison: 47.

A. 47 is a map.

By Chairman Aitchison:

Q. A map of what?

A. A map outlining the boundaries of Zones 100 and [fol. 706] 105, as described by Witness Jensen. Exhibit 48 is a table of first class rates and line haul elements for distances named in Zones 100, 105, 110, and 115, based on the Jensen formula. Exhibit No. 49 is the large exhibit, containing 191 sheets, and consisting of seven sections; section 1, between points in Zone 100, comprising Central

Freight Association Territory, which includes points in Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, Ohio and Wisconsin; and section 2, between points in Zone 105; section 3, between points in Zone 115; section 4, between points in Zone 100; section 5, between points in Zone 105; section 6, recapitulation of average equivalents taken from sections 1 to 5 inclusive; and section 7, a statement of examples showing the practical effect of the Jensen formula in connection with representative points in Official Territory.

Exhibit 50 is a two-page exhibit showing a comparison of present first-class rates and the first-class rates proposed by Mr. Jensen between representative points in Official Classification Territory. This exhibit shows the differences between the present rates, and the proposed rates, and the differences in cents per 100 pounds which the Jensen rates are higher or lower than our present rates.

Exhibit 51 contains 19 pages, showing the present first-class and fifth-class rates between New York and Chicago, [fol. 707] and various other representative points in Official Territory. It shows the differences in the rates between localities as of today, and what the differences would be under the rates proposed by Mr. Jensen.

By Chairman Aitchison:

Q. May I inquire at this point as to whether or not any abstract or summary of Exhibit No. 49 has been prepared?

A. No.

Chairman Aitchison: May I remind you, Mr. Healy, that our rules provide that where documents are voluminous, the Officer may require the party, in orderly fashion, to abstract the relevant data from the documents, afford other parties reasonable opportunity to examine both the documents and the abstract, and thereupon offer the abstract in evidence in exhibit form. Certainly you cannot expect us to go through an exhibit consisting of 191 tabulated pages, of this sort.

The Witness: If you please, Mr. Chairman, section 6 of this exhibit is a summary, consisting of a recapitulation of the various averages of sections 1 to 5, and those averages that are set forth in section No. 6 of the exhibit has been used throughout the examples which appear in section 7.

By Comm. Aitchison:

Q. Section 6 begins on page 33, does it?

[fol. 708] A. Section 6 commences on page 33 of the exhibit, yes, Mr. Chairman, and consists of pages 33 and 34; and all of the averages shown in section 6, as I just stated, are carried forward into all of the illustrations that are contained in the following sections, which is section 7.

Q. Well ~~then~~ virtually sections 1 to 5 of your Exhibit 49 are almost the same thing as working papers, are they not?

A. Why, I think that would practically be true, yes, sir, except that they cover specific representative points.

Q. And section 6 is a statement of the preceding averages.

A. Yes.

Q. In sections 6 and 7, you have 157 sheets.

A. Yes.

Q. How, or where, are we going to find what the material and relevant part of this is?

A. Well, in a case of this magnitude, Mr. Chairman, it is almost an impossibility to deal with a formula such as the Jensen formula, and show its effect on every particular point within Official Territory, in any brief way. The formula itself calls for a point-to-point application, based upon actual mileage between the respective points, and it is an impossibility to arrive at any average for the entire territory. Here we have endeavored to show what would result from the application of the Jensen formula, in so far as the particular articles are concerned, or the particu-[fol. 709] lar points are concerned, and the disruption that would be occasioned as the result of this entirely new theory and system of class rates, which Mr. Jensen's proposal would involve.

Chairman Aitchison: Well is it not possible, Mr. Healy, to bring this down to a little sharper focus, and get it more within the range of human vision, than 157 pages of single-spaced typewriting.

Mr. Healy: The only way we can do that, if the Chairman please, would be to cut down the number of illustrations which are used to support the criticism which is made of Witness Jensen's class rate structure. In other words, we have a certain number of illustrations here, showing the effect on the present rates if Mr. Jensen's proposal were adopted, and we have used movements between many of the important points in Official Territory. The only way that the bulk of the exhibit could be cut down would be by eliminating a great many of the examples.

Chairman Aitchison: Or taking some as typical.

Mr. Healy: Or taking some as typical, yes, sir; the difficulty with that being, however, that it is our conclusion, from checking them, that we cannot take any as typical, because Mr. Jensen's proposal affects the rates between the different points in a different manner. The rates, under his proposal, as Mr. Hodkinson has pointed out, have [fol. 710] been made point-to-point.

Chairman Aitchison: All right.

Mr. Healy: Of course you will notice, Mr. Chairman, on sheet 35 of Exhibit 49, we have listed there the points between which these checks have been made, so that all you have to do is to refer to that particular page to find out the effect of the Jensen proposal on the rates between certain points.

Chairman Aitchison: Page 35?

Mr. Healy: Yes.

Chairman Aitchison: I do not believe the witness had finished identifying his exhibits.

Mr. Healy: No, Mr. Chairman.

By Mr. Healy:

Q. Had you completed your identification of your Exhibit No. 51, Mr. Hodkinson?

A. Yes.

Q. All right. Go to Exhibit 52.

A. Exhibit 52 for identification is a revenue study on carload shipments of glass containers, subject to column 27½ rating, per exceptions to Official Classification. The exhibit consists of 19 sheets, and is prepared in four sections. Exhibit No. 53 is a revenue study covering carload shipments of paper and paper articles, subject to column 27½-J rating, per exception to Official Classification. This exhibit is prepared in ten sections, and consists of [fol. 711] 35 sheets. Exhibit No. 54, consists of four sheets, and shows the ratios of commodity group totals to grand total of tons carried for the years 1937 to 1941 inclusive.

By Chairman Aitchison:

Q. Are those tons originated or terminated?

A. Those are tons carried—I beg your pardon, Mr. Chairman. This statement shows the ratios of commodity group totals to the grand total of tons carried.

Q. Both originated and terminated?

A. Both originated and terminated, yes, sir. Exhibit 55 consists of four sheets, and is a statement showing ratios of commodity group totals to grand total freight revenue. This exhibit, like the preceding exhibit, covers the years 1937 to 1941 inclusive. Exhibit No. 56 consists of four pages, and is a statement showing the tons of carload freight originated and terminated by commodity groups and by states, for Class I steam railroads, for the year 1940. Exhibit 57 consists of four pages, and is a statement showing tons originated and freight revenue by groups of commodities and districts for the calendar years 1931 to 1941 inclusive. It also shows the percentage which these particular groups constitute of the United States totals of the groups, and the percentage represented of the total traffic for the various ratings which are covered in the [fol. 712] exhibit.

Mr. Healy: Now, may Exhibits 47 to 57, both inclusive, be marked for identification, please.

(Exhibits 47 to 57, both inclusive, Witness Hodkinson, marked for identification.)

By Mr. Healy:

Q. Now, Mr. Hodkinson, have you prepared a statement, commenting on and explaining your exhibits?

A. Yes.

Mr. Healy: If the Commission please, this statement likewise——

The Witness: Pardon me, Mr. Healy. I might say, in connection with this statement, that there are various blank spaces that have been left for the insertion of exhibit numbers, where reference is made throughout the statement of the various exhibit numbers which have not been previously dealt with.

Mr. Healy: This statement likewise was given to the parties on Tuesday, and I ask permission to have it dealt with in a manner similar to Mr. Hawkes' statement.

Chairman Aitchison: Is there any objection to that course? (No response.)

Mr. Healy: I may ~~say, it~~ deals solely with Witness Jensen's proposal.

Chairman Aitchison: You will see that the proper exhibit numbers are filled in, in the blank spaces referred to [fol. 713] by the witness, will you, Mr. Healy?

Mr. Healy: We will take care of that with the reporter, yes, sir.

Chairman Aitchison: Very well. It may be copied in, then.

The statement is as follows:

I am Commerce Statistician and Member of the Auxiliary Committee of Trunk Line Association. My testimony, which is presented in behalf of the rail carriers serving Official Classification Territory, deals with the suggestions of Witness Jensen and the practical effect they would have upon the rate structure under which we are now working and have worked without material difficulty for years. Under the Jensen proposal Official Territory would be subdivided into zones designated 100 per cent, 105 per cent, 110 per cent and 115 per cent. The initial zone 100 per cent covers Central Territory, which is limited in the proposal, Page 60, Exhibit 7:

"* * * to the plains section west of the Alleghany Mountains by moving the boundary between Central and Trunk Line Territories westward approximately to a line drawn from Cleveland, Ohio, to Huntington, West Virginia."

In view of the necessity for a clearly defined line with crossing points for use in the computation of distances for the determination of inter-zone rates we made a line of demarcation between Zone 100 per and 105 per cent as [fol. 714] shown on map, Exhibit 47. This line was drawn with due regard to the maintenance of the present rate relationships between the points on the line, Akron and Cleveland, for an example. In all of our calculations, Zone 100 rates have been used to and from all points on the line and points in Central Territory west; Zone 100 rates have been used between all points on the line; and Zone 105 rates have been used between all points on the line and Trunk Line and Zone A New England points. At the bottom right-hand corner of the Map the crossing points situated on the line are listed in geographical order from north to south.

In the next Exhibit No. 48, I have compared the first class rates Appendix E, I. C. C. Docket 15879 (increased 10 per cent under ExParte 123) with the sum of the line haul elements for various distances in Zones 100, 105, 110 and 115, plus the terminal of 25 cents. Such line haul elements and terminal are based on the Jensen formula, as outlined at Page 80 of Exhibit No. 7, which provides a terminal element of 25 cents in all territories, plus line haul elements, as indicated: Zone 100; up to 500 miles. 17.8 cents per 100 miles; beyond 500 miles; 13.5 cents per 100 miles. Zone 105; up to 500 miles, 18.69 cents per 100 miles; beyond 500 miles, 14.175 cents per 100 miles. Zone 110, up to 500 miles, 19.58 cents per 100 miles; beyond 500 miles, 14.85 cents per 100 miles. Zone 115, up to 500 miles, 20.47 [fol. 715] cents per 100 miles; beyond 500 miles, 15.525 cents per 100 miles.

The line haul elements to be applied vary with the zones; the distances in each zone; and the total distance from origin to destination. The Jensen formula is fully described in Page 2 of Exhibit No. 48, and Pages 3 and 4 have been devoted to illustrations of the calculations required for the determination of inter-zone rates. Two line haul elements are provided for each zone; the primary for distances from one to 500 miles and the secondary, for distances over 500 miles. However, the secondary line haul element is applied on inter-zone traffic whenever the distance in one or more of the zones traversed exceeds 500 miles. Thus in the case of a shipment having a haul of 510 miles in Zone 100, 50 miles in Zone 105; and 30 miles in Zone 110, the rate would be computed as follows: Primary element for 500 miles, Zone 100, secondary element for 10 miles, Zone 100; secondary element for 50 miles, for Zone 105; secondary element for 30 miles, Zone 110, plus terminal element of 25 cents. Another illustration would cover a haul of 200 miles in Zone 100, 400 miles in Zone 105, and 20 miles in Zane 115. In this case the rate would be computed as follows: Primary element for 200 miles in Zone 100, primary element for 300 miles in Zone [fol. 716] 105, secondary element for 100 miles in Zone 105, and secondary element for 20 miles in Zone 115 plus terminal element of 25 cents.

A further requirement in the determination of interzone rates is the application of the primary line haul elements for the lowest rated zones, in sequence, from the lowest to the highest for the first 500 miles of the total distance. Assuming hauls of 100 miles in Zone 120, 110 miles in Zone 110, 100 miles in Zone 100, 200 miles in Zone 105, 50 miles in Zone 130, and 200 miles in Zone 140, the first-class rate under the Jensen formula would be computed as follows: Primary line haul element for 100 miles in Zone 100, primary line haul element for 200 miles in Zone 105, primary line haul element for 100 miles in Zone 110, primary line haul element for 100 miles in Zone 120, secondary line haul element for 50 miles in Zone 130, and secondary line haul element for 200 miles in Zone 140, plus terminal element of 25 cents.

In all our computations we have also followed Mr. Jensen's formula with regard to the elimination of fractions of cents and the use of the shortest route over which a shipment can be moved without the transfer of lading. Although Witness Jensen's statement at Page 80 of Exhibit No. 7 indicates that he intended the proposed rates under his formula to be arranged in mileage blocks, the formula necessitates point to point computations. All mile- [fol. 717] age scales previously prescribed by the Commission have block progressions which increase with distance. Appendix E Scale of I. C. C. Docket 15879 is a case in point. Up to 100 miles its block progression is 5 miles; from 101 miles to 240 miles its block progression is 10 miles; from 241 miles to 800 miles its block progression is 20 miles; and from 801 miles out its block progression is 25 miles.

To further support the statement that under the Jensen formula point to point computations are required, our examination of the examples of the present and proposed first class rates shown in Appendix 2 of Exhibit No. 7 discloses that all of these rates have been figured on basis of actual point to point short line miles and not on any constructive block system. Assuming 20 mile blocks, an inflation of 38 miles is possible in two zones, and it would be particularly difficult to deal with this inflation because of the upward trend of the line haul elements in the various zones.

If the Appendix E mileage blocks were used there could be instances where an intra-zone 100 per cent rate would be higher for a less distance than for an inter-zone rate

(100 per cent—105 per cent Zone) for a greater distance. Taking a border point and an actual distance of 481 miles in Zone 100 the rate would fall in the 500 mile block and would be $1.14. For a distance of 10 miles in Zone 105 [fol. 718] and 480 miles in Zone 100 the rate would be: Primary Scale for 10 miles, Zone 105, 1,8690 cents; primary scale for 480 miles, Zone 100, 85.440 cents; terminal element, 25 cents; or a total of 112.3090 cents—$1.12. In view of what I have just said and the fact that Mr. Jensen's examples were also figured on a point to point basis, we have made our comparisons on the same basis. Section 1, Exhibit No. 48 comprises Pages 5 to 27, inclusive. In this Section of the Exhibit we have compiled rate tables under the Jensen formula. These tables show the 1st class rates thus obtained for intra-zones distances from 1 mile to 720 miles in Zone 100, 1 mile to 1600 miles in Zone 105, 1 mile to 1,000 miles in Zone 110, and 1 mile to 900 miles in Zone 115, which we figure will take care of all intra-zone distances. As previously stated, the primary scale was used up to 500 miles and the secondary scale thereafter.

The line haul elements shown in Section 1 also have application for building up inter-zone rates as follows: Zone 100—for all distances regardless of the length of the combined haul for all zones. Zones 105—110 and 115 (a) When the combined haul for all Zones is less than 500 miles; and (b) For all distances within the respective Zones, provided no part of the combined distance for all Zones is in a lower rated Zone than 105, 110 or 115, as the [fol. 719] case may be. In addition to showing the line haul element without terminal for each mile progressively, the Exhibit also shows for each mile the sum of these line haul elements and 25 cents terminal. This figure is compared with the I. C. C. Docket Appendix E Scale (increased 10 per cent under Ex Parte 123), and the rates at the mileage break blocks in that scale.

Section 2 of Exhibit No. 48 comprises Pages 29 to 41, inclusive, and is based on the secondary line haul element without terminal proposed by Witness Jensen for distances in excess of 500 miles. It shows the line haul element without terminal for each mile: From 1 to 1100 in Zone 105 per cent, from 1 to 500 in Zone 110 per cent, and from 1 to 420 in Zone 115 per cent. These secondary line haul elements are to be used in the computation of inter-zone rates when the combined distance exceeds 500 miles. The I. C. C. Docket 15879 mileage block breaks are those provided in Appendix E for distances in excess of 500 miles. Among the difficulties created by the Jensen formula one of the most disturbing is the computation of distances inter-zone, especially between Zone 100 to Zone 105 and Zone 105 and 115. Later on I shall deal further with this phase of the question and I mention it now because we do not wish to create the impression that having compiled tables of first class rates and line haul elements, our [fol. 720] labors would be practically over. Before leaving Exhibit No. 48, I again desire to direct attention to the methods to be used in the determination of the first class rates under the Jensen formula, which are outlined in Pages 3 and 4 of the Exhibit. All of the factors used in those examples are contained in Sections 1 or 2 of the Exhibit.

The Jensen proposal has four outstanding features: First, a revised basic first-class rate for all Zones delimited in the proposal; second, the maintenance of the present aggregate revenues of the railroads; third, revision of classification ratings to bring about this preservation of the present aggregate revenues, and fourth, a discount theory applied to carload traffic under the provisions of which the weight in excess of minima would be subjected to a lower rate than that applied in connection with such minima.

Thus far, I have only dealt with the first of these outstanding features and the first class rates shown in my last Exhibit are without regard to the treatment to be accorded them in line with the above qualifications made by Mr. Jensen. In connection with the maintenance of the present aggregate revenues of the railroads, Mr. Jensen said at Page 55 of Exhibit No. 7:

"No readjustment of class rates should be required which would diminish the aggregate revenues of the railroads [fol. 721] in any section, because nowhere are they earning as much on their investment as they have a lawful right to do. Neither, should a readjustment be made which would have the effect of sharply changing the rate level on any particular commodity or form of traffic, because while highway transportation is now available to class rate traffic everywhere, many an industry and factory is still vitally affected for good or ill by changes in the railroad class rates."

The proposed revision of classification ratings to bring about this desired result rests upon the determination of average hauls. In dealing with this phase of the question, Mr. Jensen said, (under cross-examination) at Page 273 of the record:

> "In general the combination of the reduction in class rate and increase in classification would result in maintaining the present rate for hauls of average length on the particular commodity. For hauls, shorter than the average length, the rate would be reduced and for hauls longer than average, it would be increased."

I shall deal with these two phases of the question, but another witness will cover the discount theory. However, it should be apparent that the discount theory adds to the complexity of the problem of revising classification ratings in such a manner as to preserve existing revenues. The [fol. 722] proposed revision is to be based upon an average haul which involves the determination of an average rating for the various articles to the end that carriers revenues will be preserved. Mr. Jensen admits that under his proposal the present rates would be reduced for hauls shorter than average length and increased for hauls longer than the average with parity for hauls of average length. Therefore, while long haul carriers might be able to break even, there is no hope for the short haul carriers. The difficulties facing the rail carriers under the Jensen proposal are readily apparent. Although the figures are not available, no one could seriously claim that the average haul on each commodity is the same for each commodity is the same for each railroad and each Zone. On the contrary, one would expect wide differences, such as exist, between the various carriers in connection with the average haul on all freight.

Each of the major classes contained in the Classification cover numerous items, representing different commodities. In Official Classification No. 58, 2330 items carried first class rating; 3398 items carried second class rating; 4083 items carried third class ratings; 1834 items carried R-26 rating; 2150 items carried fourth class rating; 1077 items carried Column 40 rating; 2495 items carried fifth class rating; and 661 items carried [fol. 723] sixth class rating. It is safe to assume that there would be wide variations in the average hauls for the articles within the same class rating. The only method by which the average haul could be obtained would be through the medium of a traffic study which would be prohibitively costly and out-dated before its completion. The nearest we can come to approximating an average is to determine the per cent which must be applied to the Jensen proposed first class rate to produce the present rate and then strike an average for various distances. We have undertaken to do this by a comprehensive study of the rates proposed for Zones 100, 105 and 115, respectively, and inter-zone between Zones 100, 105 and 115, selecting points between which the short line distances approximate a 25 mile block progression.

In this Exhibit No. 49, our examples are based upon present rates and ratings for 20 classes ranging from 100 per cent down to 16 per cent of first class. These rates and ratings are applicable to representative commodities in Official Classification. All rates shown in this Exhibit are exclusive of Ex Parte 148 increases. Section 1 of this Exhibit covers specific points and distances from 1 to 674 miles in Zone 100 which embraces Central Territory other than Eastern Ohio.

The Exhibit shows present rates, the proposed first class rate under the Jensen formula for the short line distance [fol.724] and percentage of the Jensen first-class rate necessary to yield the present rate under any of the columns indicated. For example, on sheet one from Indianapolis, Indiana, to Bolivar, Indiana, distance 100 miles, the present first-class rate is 62 cents and under the Jensen formula would be 43 cents. An article now rated first class or Column 100 would require re-rating to 144 per cent of first class in order to preserve revenue under a reduced first class rate of 43 cents. An article now taking fourth class or column 50 would be subject to rate of 31 cents and under the proposed first class of 43 cents the article would have to be re-rated at Column 72 or 72 per cent to preserve present rate of 31 cents. An article subject to sixth class Column 27½ would be charged at rate of 17 cents and under proposed first class rate of 43 cents would have to be re-rated at Column 40 to preserve present rate of 17 cents.

Take another example: Chicago to Sandusky, Ohio, a distance of 325 miles. Present first class rate is $1.01 and proposed 83 cents. The inflation necessary in present rating to preserve present revenue is reflected in Column 100 and is 22 per cent. An article now subject to fourth class, Column 50, would have to be advanced to Column 61, and sixth class, Column 27½, would have to be changed to Column 34. Another illustration on Sheet 2, Cairo, Illinois, [fol. 725] to Vassar, Michigan, distance 600 miles. Present first-class is $1.35 and proposed $1.28. Here the increase in ratings would be 5 per cent. An article subject to Column 50 or 68 cents would have to be re-rated at Column 53 and 6th class Column 27½ would go to Column 29.

What has been said with respect to these points is typical of the other examples shown in this Exhibit. It is the purpose to find ratings which would have general application throughout Official Territory, since it would be impracticable to charge on a article now taking Column 50 rate, Column 72—Indianapolis to Bolivar, Column 61, Chicago to Sandusky, and Column 53, Cairo to Vassar. No single rating between two points can of itself fix the basis for general application and an average must be found that will most nearly preserve the present revenues. As previously stated, there are thousands of articles in the Official Classification represented in the twenty classes selected and the average hauls will vary greatly for the individual items.

We have shown averages at 100, 150, 200, 250, 300 and 337 miles. Opposite these average distances are shown the average percentage equivalents of the proposed first class rates that would be necessary to preserve present revenues, if the distribution should be within the range of distances reflected by the averages.

[fol. 726] The figures shown opposite the word average are cumulative. The average of 100 miles represents the sum of the miles for the nine points shown, covering hauls of from 1 to 200 miles, divided by the number of points. The average percents of 100 miles represent the sum of the percents for the nine points shown divided by the number of points. The average of 150 miles covers sum of distances 1 to 300 miles and sum of percents for the thirteen points shown and so forth.

Section 2 of this Exhibit covers points within Zone 105 embracing Central Territory in Eastern Ohio, present Trunk Line Territory and Zone A, New England, for distances of from 1 to 1076 miles. The present rates reflect the higher level of rates prescribed within Zone A, New England, the basic scale per Appendix E within Trunk Line Territory and the Appendix J key rates between basing points. In each instance the proposed rates are based on the exact mileage for application within Zone 105 under the Jensen formula. In the light of the explanation offered in connection with Section 1, it is not necessary to deal with the details of this study. It follows that since the proposed rates are 5 per cent higher than within Central Territory the equivalents necesary to preserve present rates on the average will be slightly less than in Central Territory. In this Exhibit the effect of the Jensen proposal [fol. 727] will be observed for greater distances than obtainable within Zone 100, for example, from Boston, Massachusetts, to Bellaire, Ohio, 725 miles, the present first class is $1.42 (key points basis) and proposed first class $1.50. Here the equivalent percentage to preserve present rates is 95 per cent or a lower column rating than the present rates. Fourth class Column 50 would be preserved by a new rating of Column 47 and sixth class Column 27½ would be preserved by Column 26. Averages have been shown for 100, 150, 200, 250, 300, 350, 400, 450, 500 and 537.

Section 3 covers points within Zone 115 embracing Northern New England, for distances from 1 to 350 miles. In the Eastern Class Rate Case this territory was described as Zone B, New England. This section has been built up along lines similar to the previous sections covering Zones 100 and 105 and shows the present class rates for Columns 100 to 16 inclusive, the proposed first class and equivalent percentage to preserve present rates. It will be noted that the proposed rates within this territory are materially lower than the present rates and the present ratings would, therefore, have to be increased in excess of 50 per cent to maintain present revenues. In this section the proposed rates would produce the most radical changes in Official Territory. Averages have been shown for 100, 150 and 175 miles. In connection with Section 4 of this [fol. 728] Exhibit which covers inter-zone rates, it becomes necessary to explain the formula followed in the computation of the through short line distances, which were figured by the short route over which a shipment can be moved without transfer of lading. This necessitated finding by a process requiring many calculations the contact point on the boundary line between the various Zones via which the short line distances made. We then applied the formula which I explained in connection with Exhibit No. 48.

Section 4 covers representative points in Zones 100 and 105 for distances ranging up to 1291 miles built up in 25 mile block progression. The contact point over which the short line distance is computed, and the distance in each Zone is shown. The points shown in this section of the exhibit were selected with the view of having the greater portion of the distance fall in Zone 100. The examples shown indicate that the equivalent ratings would be as high as 147 per cent at 51 miles and as low as 90 per cent at 1275 and 1291 miles. Average equivalents have been struck at 100, 150, 200, 250, 300, 350, 400, 450, 500, 550, 600 and 650 miles. Section 5 is similar to Section 4 and it also covers representative points in Zones 100 and 105 for distances ranging up to 1291 miles in 25 mile block progression. The points shown in this section of the Exhibit were selected with the view of having the [fol. 729] greater portion of the distance fall in Zone 105.

The laminated basis of construction for the proposed inter-zone rates brings about different rates for the same through distance depending upon whether the preponderance of the haul is in Zone 100 or Zone 105. As examples: Section 4, Cincinnati, Ohio to Sisterville, West Virginia, 250, miles, first class rate, 70 cents. Section 5, Rockwood, Pennsylvania, to Newark, Ohio, 250 miles, first class rate, 71 cents. Section 4, Chicago, Illinois, to Alliance Junction, Ohio, 375 miles, first class rate, 92 cents. Section 5, Rochester, New York, to Newark, Ohio, 374 miles, first class rate, 94 cents. Section 4, Chicago, Illinois, to Tidioute, Pennsylvania, 499 miles, first class rate, $1.15. Section 5, Baltimore, Maryland, to Vernon, Ohio, 499 miles, first class rate, $1.18. These examples depict only a few of hundreds that could be presented showing different rates for equal through distances and requiring different equivalent ratings.

Section 6 contains the summary of the percentages which would have to be applied to the first-class rates proposed by Mr. Jensen in order to produce the present rates. These percents cover the twenty classes from 100 down to 16 per cent for average distances (50 mile blocks) ranging from 100 miles to 650 miles, inclusive. The examples shown in this section of the Exhibit clearly demonstrate the import- [fol. 730] ance of the average haul in connection with the suggested revision of classification ratings to preserve present aggregate revenues. The percentage equivalents required to bring about this result vary with distance. The average equivalent is greatest at 100 miles in Zone 115, at which point it is 153 per cent for first-class and this percentage relationship is reflected in the lower classes. The average equivalent is lowest at 650 miles in Zone 105 to Zone 100 at which point it is 108 per cent for first-class.

The various sections of the Exhibit which I have so far dealt with show the effect of substituting the Jensen proposed rates for the present rates and the disruption that would occur, first in point to point ratings, and second, in rates for average hauls of varying lengths within Zones 100, 105 and 115, respectively, and finally to ratings for average hauls inter-zone. We have not yet been able to even approximate an average haul for any class within Official Territory, which would be necessary if the carriers ever hoped to find the substitute for present ratings, which would preserve their present aggregate revenue. As I have previously stated the twenty classes depicted on this Exhibit represent thousands of items in Official Classification, many of which would undoubtedly move for average hauls varying in distances. Assuming a desire to continue to assemble various articles into a minimum of classes for [fol. 731] general application in Official Territory as at present, in Section 7 of this Exhibit I have shown the effect of applying average equivalent ratings thus far developed to actual rates between important points in Official Territory.

These average equivalents have been determined from rates representing hauls progressed for each 25 miles. The most that can be said for them is that they give some indication as to what would happen to individual rates. It is safe to assume that the average would fall somewhere within the range shown, but the actual effect depends entirely upon where the weight of movement occurs. Ninety-nine sets of examples are shown and the figures are based upon those showing the average distances in each Zone and between Zones 100 and 105. These examples cover representative points in Official Territory and on each sheet is shown the point of origin and destination; short line distance; the zone or zones in which the points are located;

the present published first-class rate and proposed first-class rate under the Jensen formula.

Under Classes 100 to 116 appear the present class rates and the percentage equivalent that would be necessary from the specific point of origin to destination under the proposed first-class rate to yield the same rate per 100 pounds. Since it is necessary to develop an average of rates under [fol. 732] the Jensen plan to preserve carriers' revenue, we show on this exhibit what the effect would be on present rates of applying the averages obtained at 100 miles, 150 miles, 200 miles, etc., to the proposed first-class rates from and to the representative points. The exhibit shows in the following order, the average equivalent ratings, which are percentages of first-class for the various average distances and the rates that would result from such averages applied to the proposed first-class rate under the Jensen formula, and the increases or reductions in cents per 100 pounds that would occur in the present rates. This study sets forth the changes that would be occasioned whether the average hauls be in Zone 100, 105, 115, 100 to 105 or 105 to 100.

For the longer haul between New York and Chicago, while the proposed first-class rate is higher than the present rate and an equivalent column rating of 98 per cent would preserve present revenue, this cannot be used if an average is to be used which will represent the highs and lows of the proposed rates. The general effect would be to materially increase the present rates for this movement of 890 miles. To show how this works let us assume that on a fifth class article taking Column 35 the weighted average haul would be 450 miles in Zone 105. Under the proposed rates this would require the application of Column 40 to preserve [fol. 733] revenues. Applications of Column 40 to the proposed rate of $1.71 from New York to Chicago would produce a rate of 69 cents or 11 cents higher than the present Column 35 rate of 48 cents. On a 40,000 pound shipment this would be $44.00 per car. This example is only typical of what change could take place. The Exhibit shows many other instances where a much greater disturbance would occur.

My next Exhibit No. 50, compares the present first class rates with those that would be obtained under the Jensen formula for the short line distances shown which are computed via lines operating within the United States. The points shown are representative and important points in

Official Territory. In the case of inter-zone movements we have shown the short line mileage in the respective Zones and the border points through which the lowest mileage is obtained.

The purpose of this Exhibit is to show the extent to which the proposed first class rates are higher or lower than the present rates between the same points. In order to avoid repetition when the rates have been shown in one block, we have not reproduced them in the next block. Thus the rates in second block on Page 1 do not include those between Washington, Norfolk, Albany, Rochester, Boston, New York, Philadelphia and Baltimore, because they appear in the first block. The rates not shown in the third block on [fol. 734] Page 2 are shown in blocks 1 and 2 and those not shown in the fourth block, Cincinnati, etc., appear in blocks 1, 2 or 3.

It will be noted that the Jensen proposal would result in reduced first class rates between Washington, D. C., and all points shown in the Exhibit ranging from 20 down to 2 cents. Baltimore shows reductions in all but two instances ranging from 18 down to 1 cent, and the increases would be 2 cents and 1 cent respectively. The greatest increase shown in the Exhibit is 23 cents Boston to Milwaukee and the greatest decrease is 24 cents Boston to New York. Attention is also directed to the different results obtained for approximately the same miles. For 725 miles, between New York and Detroit, the Jensen proposal would produce an increase of 14 cents over the present first class rates. For 724 miles, between New York and Cincinnati, the Jensen proposal would produce a decrease of 1 cent under the present first class rate. For 743 miles, between Washington and Chicago, the Jensen proposal would produce a decrease of 4 cents under the present first class rate. These are typical of many other incongruities depicted in the Exhibit.

In my next Exhibit No. 5, which consists of nineteen pages, I have compared the present and proposed first to sixth (Columns 100 to 27½) domestic class rates between repre- [fol. 735] sentative points in Official Territory. I have also shown on each page the present rate relationship and the extent to which it would be changed. Regardless of any rearrangement of ratings to preserve the carrier's present aggregate revenue, there would still be articles that would fall in Classes 100, 85, 70, 55, 50, 35 and 27½, and under the Jensen proposal the differences between localities in reaching given points would be accentuated. These differences have been watched zealously in the past and any widening in the present spreads would be of vital concern to the public and the railroads.

The present spread in the first class rate between Boston and Chicago, and New York and Chicago is 2 cents, in favor of New York. Under the Jensen proposal it would be increased to 13 cents. The present sixth class rate is the same between Boston and Chicago, and New York and Chicago. Under the Jensen proposal the sixth class rate between Boston and Chicago would be 51 cents which is 4 cents higher than the proposed 6th class rate of 47 cents New Yor[illegible] Chicago. Still comparing New York and Boston, the spreads between those cities and other points is increased, viz: Pittsburgh from 25 to 36 cents; Buffalo, from 10 to 14 cents; Cincinnati, from 13 to 23 cents; St. Louis, from 9 to 18 cents. Every page of this Exhibit shows that the Jensen proposed rates would widen the [fol. 736] present spread in the rates between the points covered.

In my preceding exhibits I have shown the percentages that would have to be applied to Jensen's proposed first class rates to make them equal the present rates. These calculations are all arithmetical and merely show what would happen to point to point rates if the average haul fell within the range of the various averages shown for the several zones. As I said then, the average haul can only be determined by a traffic study which would be costly and out-dated before its completion due to the change in the composition of the total traffic and its flow of movement from month to month and year to year. We have, however, prepared studies covering Glass Containers and paper and Paper Articles.

My next Exhibit No. 52, covers Glass Containers subject to Column 27½ rating per Exceptions to Official Classification having origin and destination within Official Territory. This study covers the traffic of the 11 railroads listed on the title page during the period February 5 to 11, 1942. The exhibit is in four sections covering Zone 100, Zone 105 and Inter-zone between points in Zone 100 and Zone 105 and between points in Zone 105 and Zoe 100, respectively.

In each section we have shown against each origin and destination the underlying factors required for the determination of the percentages of the proposed first class rates necessary to produce present rates. We have also shown the revenues which would be obtained based upon rates made 27½ per cent of the proposed first class rates and based upon rates made 29.95 per cent of the proposed first class rates. This latter figure of 29.95 per cent represents the percentage it will be necessary to apply to the proposed first class rates to produce present aggregate revenue. The significant figures in this exhibit appear in the recapitulation on Page 19. The total revenue received from these 1307 shipments was $141,287.31. The revenue based on 27½ per cent of the Jensen proposed first class rates would be $129,720.03. In view of the provision in the Jensen proposal that carriers' aggregate revenues shall be preserved, it would require a higher percentage than 27½ per cent of the proposed first class rate to bring about this result.

The total present revenue which appears in Column 3 is 108.917 per cent of the revenues which would be obtained based on 27½ per cent of the Jensen proposed first class rates. 27½ per cent of this figure produces the average of 29.95 per cent for the entire territory covered by the exhibit. This 29.95 per cent was applied to each of the proposed first class rates shown in Sections 1 to 4, inclusive, of the Exhibit [fol. 738] and the total revenues determined come within a few dollars of the present revenue. While 29.95 per cent of the proposed Jensen first class rate is required to maintain aggregate revenue for the entire territory covered by the Exhibit, a different percentage would be required in connection with each Zone or Zones covered by Sections 1 to 4, inclusive; the percentages varying from 27.51 per cent in Section 2 to 33.96 per cent in Section 1.

This Exhibit illustrates the disruption that would occur in our present rates as a result of substituting the proposed Jensen first class rate for the present rates prescribed by the Interstate Commerce Commission in the Eastern Class Rate Investigation, I. C. C. Docket 15879. The application of averaging rating of 29.95 per cent of first for present rate of Class 27½ would bring about substantial reductions in revenue for short haul movement and increases for long hauls.

For example, in Section 1, Sheet 2, Indianapolis, Indiana, to Lawrenceburg, Indiana, distance 91 miles, present rate 17 cents—proposed 12 cents. Section 2, Sheet 4, Connellsville, Pennsylvania, to Schenley, Pennsylvania, a distance of 74 miles, present rate 16 cents—proposed 12 cents. Section 2, Sheet 3, Charleston, West Virginia, to Boston, Massachusetts, a distance of 840 miles, present rate 43 cents—proposed 50 cents. Section 3, Sheet 3, [fol. 739] Zanesville, Ohio to Pittsburgh, Pennsylvania, a distance of 144 miles; present rate 20 cents—proposed 16 cents. Section 3, Sheet 2, Alton, Illinois, to Boston, a distance of 1167 miles, present rate 53 cents—proposed 62 cents. Section 4, Sheet 3, Washington, Pennsylvania, to Medina, Ohio, a distance of 154 miles, present rate 20 cents —proposed 16 cents. Section 4, Sheet 2, Baltimore, Maryland, to East St. Louis, Illinois, a distance of 891 miles, present rate 46 cents—proposed 51 cents.

This study is only indicative of those it would be necessary for the carriers to make covering the thousands of commodities now handled by them in order to determine with any degree of accuracy what ratings should be substituted for our present ratings to produce under the Jensen proposal the revenue obtained under our present rates.

My next Exhibit No. 53, is a traffic study covering 1533 carload shipments of Paper and Paper Articles, subject to Column 27½J rating by Exceptions to the Official Classification, having origin and destination at points in Official Territory. This study was compiled from data submitted by the 11 railroads listed on the title page, and covers the period February 5 to February 11, 1942. This exhibit, which consists of 10 sections, was prepared in the same form and manner as explained in connection with my preceding exhibit covering Glass Containers.

[fol. 740] The significant figures appear on the recapitulation sheet, Page 35 of the Exhibit. The total revenue under the present rates is $212,241.56. Under the proposed Class 27½ without treatment to preserve the present revenues, the revenue would be $194,7[illegible].66. As shown in Column 9, Page 35, our present revenue is 108.960 per cent of the revenue which would be obtained by the application of 27½ per cent of Jensen's proposed first class rates. 27½ per cent of 108.960 is 29.96 per cent, which is the per cent which would have to be applied to the proposed Jensen first class rates to produce our present aggregate revenues. This has been done on each sheet of the exhibit, and the small difference between the figure thus obtained which is shown in Column 11 and the present revenue shown in Column 3 is due to disposition of fractions.

This exhibit shows that on the average a higher percentage of the proposed first class rates would be required to equal present revenue. The average percentage equivalent in the various zones varies from 25.28, Section 7, to 42.31 per cent, Section 8. This Exhibit, as did the exhibit covering Glass Containers, demonstrates the disturbance that would be created in our present rate structure if the Jensen proposal should be given effect. Here again the revenues for short hauls would be reduced appreciably and those for longer hauls increased. The application of 29.96 per cent to Jensen's proposed first class rates would involve a reduc- [fol. 741] tion in revenues on the total shipments covered by Sections 1, 2, 5, 6, 8 and 9, while increases and decreases with the increases predominating would result in connection with Sections 3, 4, 7 and 10.

Mr. Jensen recognizes that use of average distance for the determination of revised ratings would bring about reductions for hauls less than the average and increases for hauls in excess of the average. As I previously stated, a long haul carrier might be able to recoup its losses on short haul traffic by its gains on long haul traffic, but the short haul carrier has no such protection under the proposed basis. The traffic studies covering Glass Containers and Paper and Paper Articles, limited as they are in scope, required 2379 man hours for their compilation. This does not include the man hours devoted to the collection of the underlying data by the individual railroads.

The information developed in these studies would be of little, if any, help in progressing additional studies covering other commodities. In my previous testimony I have several times stated that the compilation of a comprehensive traffic study would not only be a costly proposition but that the study itself would be out-dated before its completion. This is due to the fact that the composition of the traffic varies with the various roads from year to year, [fol. 742] and that the flow of traffic is constantly changing.

My next Exhibit, No. 54, is a statement showing ratios of commodity group totals to grand total of tons carried by the Class 1 carriers serving the Eastern District, including the Pocahontas Region. This exhibit depicts the wide variation between the carriers in the ratio of the tons carried in the various commodity groups to the grand total of all tons carried. Taking the year 1941 as illustrative, while the New England ratio of Products of Agriculture to the total tonnage was 13.67 per cent for all roads in that region, that ratio reflects variations ranging from 55.23 per cent for the International Railway Company of Maine down to 6.87 per cent for the Boston & Albany Railroad. The Great Lakes Region ratio, Products of Agriculture, is 5.95 per cent of the total tonnage, but the variations range from 17.37 per cent in the case of the Wabash Railroad down to .07 per cent for the Montour Railroad. For the railroads comprising the Central Eastern Region the ratio, Products of Agriculture, is 3.67 per cent of the total tons, but the variations for the individual roads range from 9.67 per cent in the case of the Chicago & Eastern Illinois Railroad to .10 per cent in the case of the Bessemer and Lake Erie Railroad. The ratio for the roads comprising the Pocahontas Region is 2.23 per cent while the variations [fol. 743] in the individual roads range from 16.35 per cent in the case of the Richmond, Fredericksburg & Potomac Railroad down to 1.05 per cent in the case of the Virginian Railway.

In view of the fact that most of the commodities which would be covered by the Classification re-rating suggested by Witness Jensen would fall into the Manufactures and Miscellaneous group, it is interesting to note the figures in connection with that group. For the roads serving the New England Region the ratio of tons carried to total tons is 44.25 per cent, but the variations range from 51.03 per cent in the case of the Boston & Albany Railroad down to 29.04 per cent in the case of the International Railway Company, of Maine. Much wider variations obtain between the carriers serving the Great Lakes Region. For all roads serving that region the ratio of Manufactures and Miscellaneous tons carried is 30.96 per cent of all tons carried, the variations ran-ing from 40.35 per cent in the case of the Pere Marquette Railway down to .15 per cent in the case of the Cambria & Indiana Railroad, while for the New Jersey & New York Railroad the figure is not expressed because it was less than .01 per cent.

The variations between the carriers serving the Central Eastern District in connection with tons carried, Manufactures and Miscellaneous, range from 62.74 per cent in the case of the Detroit, Toledo & Ironton Railroad down [fol. 744] to 7.54 per cent in the case of the Bessemer &

Lake Erie Railroad, while the ratio for the group was 31.79 per cent. The ratio for the Pocahontas Region was 11.95 per cent and the variations range from 44.92 per cent in the case of the Richmond, Fredericksburg & Potomac Railroad down to 7.15 per cent in the case of the Virginian Railway. It should also be noted that the ratios for the individual lines and for the groups of which they form a part, vary from year to year. In the five years covered by the exhibit the ratio of Manufactures and Miscellaneous fluctuated from a high of 44.25 per cent to a low of 39.71 per cent for the roads in the New England Region; from a high of 30.96 per cent to a low of 25.90 per cent for the carriers in the Great Lakes Region; from a high of 31.79 per cent in 1941 to a low of 28.71 per cent for carriers in the Central Eastern Region; and from a high of 11.95 per cent to a low of 9.26 per cent for carriers in the Pocahontas Region. Similar fluctuations occur in connection with each of the other commodity groups.

My next Exhibit No. 55, is similar to the preceding Exhibit, except that it expresses the ratio of the freight revenue derived from the transportation of the several commodity groups to the total freight revenue. This Exhibit likewise shows the variation in the composition of the traffic for the individual roads. The total freight [fol. 745] revenue for the Eastern District including the Pocahontas Region for the year 1941 was $2,275,125,129.00. In view of this, it will be appreciated that a variation of one percentage point is material.

During the years 1937 to 1941, inclusive, the ratio of the freight revenue derived from the transportation of the articles included in Manufactures and Miscellaneous Group range from a high of 48.73 per cent to a low of 42.03 per cent for the carriers in the New England Region; from a high of 47.50 per cent to a low of 39.61 per cent for carriers in the Great Lakes Region; and from a high of 43.17 per cent to a low of 37.68 per cent for carriers in the Central Eastern Region and from a high of 18.20 per cent to a low of 14.31 per cent for the carriers in the Pocahontas Region. Similar fluctuations are shown in connection with all other commodity groups. These fluctuations for the several regions are not as great as they are between the individual roads serving those regions.

My next Exhibit No. 56, is a statement showing tons of carload freight originated and terminated by commodity groups, by areas and by states, Class 1 Steam Railroads, for the Years 1940 and 1941.

This Exhibit shows the wide difference between the States with regard to composition of traffic, and also serves as an indication of the volume of inter-territorial traffic. [fol. 746] Except as to Manufactures and Miscellaneous Commodity group, the States wholly within Official Territory terminate more tonnage than they originate. As an example, they originated 24.87 per cent of the total Products of Agriculture originated in all areas and terminated 37.90 per cent of the total tons terminated in all areas. In connection with Manufacturers and Miscellaneous Commodity Group, the States wholly within Official Territory originated 58.88 per cent of the total tons originated in all areas, and terminated 55.87 per cent of the total in all areas. This Exhibit serves as a further illustration of the complications that would arise in connection with any attempt to revise classifications so as to produce the present aggregate revenue because of the variations in the composition of the traffic within the various States and between the various States.

My next Exhibit No. 57, is a statement showing number of tons originated and the freight revenue by groups of commodities and districts for the calendar years 1931 to 1941. It consists of four pages and shows as to each district or region the percentage which the tonnage and revenue in the various commodity groups represents of the total for the United States. It also shows the percentages which the tonnage and freight revenue in the various commodity groups represent of the total tons and [fol. 747] freight revenue for the various districts and regions.

As an example, in the year 1941, the carriers in the Eastern District originated 20,771,864 tons which was 20.74 per cent of the total Products of Agriculture, carloads, originated in the United States. The freight revenue derived from the transportation of Products of Agriculture in the Eastern District for the year 1941 was $139,173,448.00, which was 23.72 per cent of the total revenue derived from the transportation of Products of Agriculture by all roads in the United States. The Products of Agriculture tonnage originated by the Eastern District represents 3.98 per cent of the total tons of all traffic originated in that district and the revenue received from the transportation of Products of Agriculture by the roads serving the Eastern District represents 7.02 per cent of the total revenue received for the transportation of all freight by carriers serving the Eastern District. This Exhibit, as did the previous Exhibits, shows the variation in the composition of the traffic from year to year, not only for the carriers as a whole, but also for the various districts into which the United States has been divided by the Commission. As previously stated, we are dealing with large figures so that the variation of one per cent means a material change.

By Chairman Aitchison:

Q. Mr. Hodkinson, your business is to make exhibits [fol. 748] of this sort, is it not?

A. Among other things, yes.

Q. You make up hundreds of them in the course of a year, do you not?

A. Yes.

Q. Why did you not comply with the request of the Commission, and the rules of practice, with respect to the preparation of exhibits?

A. Well, we have endeavored to do so, Mr. Chairman, except perhaps——

Q. Well here you have given us one exhibit, for example, of nearly 200 pages, with no index in it whatsoever.

A. The index is on the title page, Mr. Chairman, and then on page 35 of the exhibit we also have a very comprehensive index, of all the particular points that are covered.

Q. There is nothing, however, to refer anybody who happens to examine the exhibit, to page 35, that I can see.

A. Except, Mr. Chairman, that Section 7 is a statement of the examples, and on the title page of the exhibit we say "See Sheets 35 to 191." Looking then at page 35, which is the very first sheet that one would have to refer to, it shows the index.

Q. Sheet 35 may be an index, but it is buried in the exhibit, and it has taken a considerable amount of the time of everybody here to get that exhibit properly identified in [fol. 749] the record. If you had complied with our request, and with the rules of practice, it could have been done in less than 10 minutes.

A. Mr. Chairman, let me assure you that we will do our very best in the future.

Chairman Aitchison: I am sure you will. Does that conclude the statement of the witness on direct, Mr. Healy?

Mr. Healy: Yes, sir.

Chairman Aitchison: Is there any cross examination? (No response.) If there is no desire to cross examine you, Mr. Hodkinson, you are excused.

(Witness excused.)

Mr. Healy: At this time I offer the exhibits identified by Witness Hodkinson, in evidence.

Chairman Aitchison: Without objection, they are received.

(Exhibits 47 to 57, both inclusive, Witness Hodkinson, received in evidence.)

Mr. Healy: Call Mr. Tannehill.

W. T. TANNEHILL was sworn and testified as follows:

Direct examination.

By Mr. Healy:

Q. Please give your name and address to the reporter.

A. W. T. Tannehill, 608 South Dearborn Street, Chi- [fol. 750] cago, Illinois.

Q. What has been your experience in dealing with traffic matters?

A. I am at the present time a member of the Auxiliary Committee, Central Freight Association. I have been in railroad service for 36 years, in the Operating and Traffic Departments, and about 31 years with the New York Central System, from 1920 in the Traffic Department, in various capacities, including Chief of Tariff Bureau, Division Freight Agent, Assistant General Freight Agent, and General Freight Agent. I have occupied my present position since March 1, 1937.

Q. Have you prepared an exhibit for use in this proceeding?

A. I have.

Q. Please identify it.

A. This exhibit consists of 42 pages. It contains a study of all movements of soda potash from three Central Freight Association origins in Ohio and Michigan, to destinations in Official Territory, showing the present adjustment, and the effect of the Jensen suggested basis upon this movement.

Q. Of how many parts does the exhibit consist?

A. The exhibit has been prepared in parts A to F.

Mr. Healy: May the exhibit be identified at this time as No. 58

[fol. 751] (Exhibit No. 58, Witness Tannehill, marked for identification.)

By Mr. Healy:

Q. Have you prepared a statement, explaining the exhibit?

A. I have.

Mr. Healy: This statement likewise, if the Chairman please, has been distributed to the parties, and I ask that it be treated in a manner similar to the two preceding statements.

By Chairman Aitchison:

Q. Are these commodities such as normally take class rates?

A. In all instances, yes, sir. That was one reason why I took these commodities, because in all instances in Official Territory they take a percentage of the first class rate, without exception.

By Com. Alldredge:

Q. But they are not regular class rates, the rates applying on those commodities, are they?

A. I did not hear your Honor.

Q. I say, the rates that those commodities take are not considered as regular class rates, are they?

A. They are Class 22½, and Class 20; by exception, 22½ per cent of first class, and 20 per cent of first class.

Q. They are not strictly speaking within this case, then, are they?

[fol. 752] A. As I understand it, Mr. Commissioner, Mr. Jensen's formula has sand, gravel, and everything else but coal and iron ore, possibly, in it.

Q. You mean here, then, that you have just carried it on to what you consider it to be its ultimate conclusion; is that right?

A. No, sir, not so far as sand and gravel are concerned. This is a study of the movement of soda products, moving on a specific percentage of first class, by exception.

Q. Under the notice of the Commission, and the order of investigation, do you consider these rates to be involved now in this proceeding?

A. So far as Mr. Jensen's Exhibit No. 7 is concerned, yes, Mr. Commissioner, and that is what this exhibit was made up for, to show the effect of Mr. Jensen's suggestions in his Exhibit No. 7.

Chairman Aitchison: Without recalling Mr. Hodkinson for the purpose of this one question, was that also true of any part of his statement, or did his statement relate entirely to the class rates, as such, do you know, Mr. Healy?

Mr. Healy: Mr. Hodkinson had certain exhibits which deal with the movement of paper products and glass containers.

Chairman Aitchison: Do they take class rates, or [fol. 753] exceptions?

The Witness: Exceptions.

Mr. Healy: The witness can answer that.

Chairman Aitchison: The witness says "Exceptions."

The Witness: Yes.

Chairman Aitchison: Mr. Healy requests that this statement also be copied into the record. Is there any objection to that course? (No response.) Hearing none, it may be done.

(The statement is as follows:)

Following compliance by the Official Classification carries with the report and order in I. C. C. Docket 15879, effective December 3, 1931, the Interstate Commerce Commission then took up the question of Fourth Section Relief and in connection with commodity and exception items, issued denial orders on all old Fourth Section Relief of 1910, 1911, etc., in Fourth Section Order 11752 issued November 22, 1934; this necessitated carriers revising their commodity and exceptions ratings to conform to the class rate relief granted.

Generally speaking, the commodity rates between Central Freight Association Territory on the one hand, and Trunk Line Association and New England Freight Association Territories on the other, were on the McGraham formula basis and commodity rates within Central Freight [fol. 754] Association Territory were specific commodity rates bearing no definite relationship to the class rates, or exceptions items bearing a specific relationship to the class, rates with restricted application. The necessary revision was a tremendous task and was a heavy burden to the carriers and shippers over a period of years. At the present time, with some exceptions, the Official Classification Territory carriers have remodeled their rate structures on commodity and exceptions items so as to bring those rates into conformity with the present class rate relief. This conformity to Fourth Section Order 11752 was brought about in the following manner; either by routing of specific commodity rates which were continued in effect so as to *conrom* to the Fourth Section, or the cancellation of commodity rates or the establishment of uniform exception rating for application throughout Official Classification Territory.

Those percentages of the class rate established by exceptions in lieu of existing commodity rates were the result of endless studies and conferences with those interested in the rates. Among the many commodities so treated and placed upon a single level exceptions basis were soda products, namely, bicarbonate of soda, soda ash, caustic soda and sal soda, as named in Items 9000 and 9001, Central Freight Association Tariff of Excep- [fol. 755] tions to Official Classification No. 130-B, Agent B, T. Jones' I. C. C. 3684, and caustic soda in solution in tank cars, as per Item 9001 of this tariff.

The present rating on these commodities is Class 22-½J except caustic soda in solution in tank cars, which is Class 20-J. The Column 22-½J rating represents Class 22-½ increased 10 per cent, March 28, 1938, under Ex Parte 123 with 22½- per cent of first class plus 2 cents in effect March 27, 1938, as a minimum increase. Caustic soda in solution in tank cars rated

Class 20-J by exceptions to the Official Classification, represents Class 20 in effect March 27, 1938, increased 2 cents under Ex Parte 115 as a minimum.

There is a very heavy production of these soda products in Official Classification Territory at such points as Syracuse (Solvay), Niagara Falls, New York, Detroit, Wyandotte and Midland, Michigan, Painesville and Barberton, Ohio, and Saltville, Virginia. All of the traffic moves on the exceptions ratings. In making study and test of the proposal set forth by Mr. Jensen, his Exhibit 7, we believed that a traffic study of the soda product movement would furnish a fair and impartial picture of the present adjustment and the effect on the adjustment of Mr. Jensen's proposal, inasmuch as these soda products all moved on a percentage of class rate. In making this [fol. 756] study we secured the total movement from three origins for the months of September, October and November, 1941, to all destinations in Official Classification Territory. The three origins selected were Wyandotte, Michigan, Painesville and Barberton, Ohio.

Wyandotte, Michigan, is a point in Mr. Jensen's suggested Zone 100 approximately 135 miles west of Cleveland, Ohio, Barberton, Ohio, is a point on the dividing line between the suggested Zones 100 and 105, and Painesville, Ohio, is located in the proposed Zone 105, approximately 35 miles east of Cleveland, Ohio.

I now desire to introduce my Exhibit 58 consisting of forty-two pages (42), setting forth the results of this study. First, I would like to point out that we have deleted the destinations and have shown the origins as A, B and C, not necessarily in the order of my previous mention. It is appreciated that this Exhibit does not cover the entire movement of soda products for the three months period from all of the origins in Official Classification Territory. The study was made using these origins in order that we might get a cross section of how the Jensen proposal would affect actual movements and disturb existing origin relationships. My Exhibit 58 is divided into six parts. Part A, consisting of sixteen (16) pages, is a statement showing the carload shipments of [fol. 757] caustic soda in drums, soda ash and sodium bicarbonate in containers or in bulk from the three origins previously referred to to destinations in Official Classification Territory, for the months of September, October and November, 1941, showing the number of cars to each destination; the total weight; the present rate; Column 22-½ J, the revenue; the distance; what the Jensen proposed first class rate would be; what 22-½ per cent of the Jensen proposed first class rate would be and the revenue thereunder, and the rate based on an average per cent of the Jensen proposed first class rate, which would result in approximately the same revenue to the carriers as under the existing adjustment.

Each line of Part A represents a destination from the three origins in question. Prior to the increases granted under Ex Parte 115 and Ex Parte 123, 22-½ per cent of first class applied on these soda products since September 1, 1935, at which time the basis was established pursuant to action of the so-called Eastern Commodity Rate Reveision Committee having in hand the readjustment of rates in conformity with Fourth Section Order 11752. Prior to September 1, 1935, generally, 85 per cent of sixth class applied within Central Freight Association territory, or 23.3 per cent of first class. Between Central Freight Association Territory and Trunk Line and New [fol. 758] England Territories rates were on the McGraham formula originally representing approximately 85 per cent of sixth class, using the Chicago-New York rate as a base.

Class 22-½ basis was established September 1, 1935, after something over a year and one-half of conferences with the soda products people, and was as near the then existing level of rates as the carriers could secure commensurate with competitive conditions between producing points and on which the carriers could be assured of a fair share of the tonnage from producing points in competition with other forms of transportation.

Part A of my Exhibit on page 5 shows that from origin A the average weighted haul for a total of 2002 cars was 308.5 miles. The average weighted rate was 21.1 cents per 100 pounds and based upon the Jensen proposal 20.9 cents per 100 pounds would be required to approximate the present revenue. Page 12 of Part A of this Exhibit shows that the average weighted haul from origin B for 2943 cars was 330 miles. The average weighted rate was 21.1 cents per 100 pounds and under the Jensen proposal would be 19.2 cents. Page 16 of Part A of this Exhibit shows that the average weighted haul from origin C for 1454 cars is 402.1 miles, the average weighted rate 23.5 cents and under the Jensen proposal would be 24.8 cents per 100 pounds.

A grand summary of the movement from the three [fol. 759] origins shows 6399 cars with an average weighted rate of 21.1 cents. The exhibit also shows that instead of the present basis of 22-½ per cent of first class, it would require a basis of 27 per cent of the Jensen first class rates to yield subtantially the same gross revenue from the movement of soda products shown. We did not take into consideration Mr. Jensen's suggestion for discount rates in our calculations. It will be noted at the bottom of page 16 the average weights per car of the 6399 car study was 80193 pounds. The Exhibit shows that the lading of many of the cars was only slightly in excess of the minimum weight of 45,000 pounds. The grand total also shows that the revenue for the three months period from those three origins amounted to in excess of $1,000,000.

Part B of this Exhibit is a similar study involving caustic soda in solution in tank cars and shows a total of 1503 cars with an average weight of 112,750 pounds. Part C of this Exhibit, consisting of 15 pages is a breakdown of Part A of the Exhibit covering the study of soda products presently taking Class 22-½J into 25 mile blocks.. It shows the total number of cars moving from origins A, B and C to destinations in each 25 mile block; the present revenue and the revenue necessary under the Jensen proposal to approximate present revenue; the increase or reduction in revenue for each 25 [fol. 760] mile block under the Jensen proposal; and the average increase or reduction in revenue per car under the Jensen proposal. Page 1 of Part C is a summary of this breakdown and the balance of Part C is the detail. It will be noted from Page 1 that reductions occuring in all instances up to 350 miles and above 350 miles increases result.

Part D of this Exhibit, consisting of 5 pages, is a similar breakdown of the movement study of caustic soda in solution in tank cars, as shown in Part B of the Exhibit. Here it will be noted that reductions occur up to the 400 mile block but generally the reductions are in the 375 mile and lower blocks. In other words, the break between reductions under the present revenue and the increases over present revenue approximate the same distance as is shown on Page 1 of Part C of this Exhibit.

Part E of my Exhibit consists of 2 pages, Page 1 is a comparison of the present rates from Barberton, Painesville, Ohio, and Wyandotte, Michigan, to destinations in the study to which there was a movement from two or more of the three origins used. The present rates are compared with the rates under the Jensen formula showing the present relationship of rates as between the origin points and what this relationship would be under the formula. As examples, to Baltimore, Maryland, the present rate from Wyandotte, Michigan, for 589 miles [fol. 761] is 5 cents higher than from Barberton, Ohio, for 413 miles, and this spread would be increased to 7 cents. To Altoona, Pennsylvania, the present rate from Wyandotte for a distance of 399 miles is 3 cents higher than the rate from Barberton for 240 miles. This spread would be increased to 7 cents. To Streator, Illinois, the rate from Pinesville, Ohio, for 414 miles is 2 cents higher than the rate from Wyandotte for 326 miles. This spread would be increased to 5 cents.

Page 2 of Part E of this Exhibit is similar information covering liquid caustic soda.

Part F of this Exhibit, consisting of 1 page, is a breakdown of the movement study shown in Parts A and B divided as to movements within, from and to the Jensen suggested zones in Official Territory and indicates that by far the heaviest movement terminated in Zone 105.

By Mr. Healy:

Q. Was Exhibit 58 for identification prepared by you, Mr. Tannehill, or under your direction?

A. It was prepared both by me, and also under my direction.

Q. Is it true and correct, to the best of your knowledge and belief?

A. Yes, sir.

Mr. Healy: I offer it in evidence.

Chairman Aitchison: Without objection, received.

(Exhibit No. 58, Witness Tannehill received in evidence.)

[fol. 762] ~~Mr. Healy: That is all.~~

By Chairman Aitchison:

Q. The way in which these rates are set up, as going rates, you can change these percentages, can you not? If the class rates were to be changed, to which the percentages apply, and you were not satisfied with the result of continuing to apply the existing exception percentage rates, there is nothing that you know about that would prevent you from filing a tariff, effective on 30 days' notice, which would change that percentage, is there?

A. No, sir; and on page 16, of Part-A, I show that in order to get approximately the same revenue, we would have to go to 27 per cent of the first class rate, instead of 22½; and again, on Page 3 of Part B, it shows, for class 20 traffic, where we would have to go to 22 per cent, to get the same revenue.

Q. Now, let us go to Page 16-A, if you will, kindly.

A. Yes.

Q. You are charging now 22½ per cent of the present first class rate. What would be the percentage of first class that you then would charge, if you were to charge the normal classification rating?

A. Subject to correction, I believe that soda products are fifth class and sixth class, some fifth class, and some sixth class. I do not have the classification before me.

[fol. 763] Q. Well then, am I to understand that Part A covers commodities, some of which are rated fifth class, and some rated sixth class?

A. By the classification?

Q. Yes.

A. Yes, sir, that is quite possible.

Q. Well of course I want to find if you know.

A. Without checking the classification, I would not be able to tell you definitely, Mr. Chairman.

Q. Perhaps somebody interested in the product here can give us some advice, with respect to correcting you if you are wrong. Now, fifth class is what percentage of first class?

A. 35.

Q. And sixth class.

A. 27½.

Q. If you were to rerate these products to class 6, you would then have exactly the Jensen formula, would you not?

A. Approximately.

Q. Then you—not need any exception, would you?

A. That is only part of the exhibit, sir.

Q. I understand.

A. The balance of the exhibit shows an entirely different story. The first part of the exhibit simply brings the figures down to where we can see what they mean. Page 1 of Part C shows that there would be heavy re- [fol. 764] ductions in revenue up to 350 miles, under the Jensen formula, even though we were using your figure of sixth class, or using 27 per cent, and heavy increases over that distance; and I call attention on that page to the fact that every mileage block, every 25-mile mileage block up to 825 miles, had during the three months indicated, a substantial movement of cars.

Q. Now what is the significance of the last page of the exhibit?

A. The last page of the exhibit is simply a further breakdown of the study, to show the destinations, the consuming destinations—that is, within what Zone they are—for these cars; or in other words, a movement totally within Zone 100, of 1499 cars; and from Zone 100 to Zone 105, 844 cars; and within Zone 105, 2907 cars. In other words, out of 6300-odd cars, 3700 and better of them terminated in Zone 105, as to the soda products under the first heading. As to liquid caustic soda, out of some 1500 cars, they all terminated in Zone 105, with the exception of about 300 cars, or slightly in excess of 300 cars.

Q. Well, 105 being the important one, your revenue results are not so unfavorable under the Jensen formula, are they,—as shown in Part F?

A. Oh, not as shown by Part F, no, sir, but it shows [fol. 765] further that the heavy movement was into Zone 105, and, as my statement shows, there are other producing points, and heavy producing points, of soda products at Syracuse, Solvay, and Niagara Falls, New York, and Saltville, Virginia, all of which would be in short-haul territory, in Zone 105, and would have an advantage over the longer-haul points, where the Jensen formula is not bringing the rates up to a higher basis. That is shown as the change in relationship in Part E.

Q. It seems to me, if I look at Part F correctly, that if the Jensen proposal were applied to all of the movements which are set forth in Parts A and B, your revenue would actually be increased.

A. If all of the lines would participate equally in the increase, but there would be a reduction in the short-haul territory, in Zone 105.

By Com. Alldredge:

Q. Why did you select these particular commodities?

A. They were selected, Mr. Commissioner, because there was a heavy movement, and because without exception they move on a percentage of the class rates.

Q. Well you have other commodities that do that, have you not?

A. Oh, yes; if we had had the time, other commodities perhaps could have been selected.

[fol. 766] Q. You used these simply for illustration, then, did you?

A. For illustration.

Q. I see.

A. As to what would happen under the Jensen formula for the class rates, particularly where the commodities all moved on a percentage of the class rates.

Q. Well that is assuming that the Jensen formula would be extended to all of these rates; is that not true?

A. As I understood his suggestion, Mr. Commissioner, it was to extend to anything that moved on a mileage scale.

Q. Well you know, do you not, that the exception ratings are not involved in this proceeding?

A. Not as far as Mr. Jensen's Exhibit No. 7 is concerned, no, sir; I did not understand it that way.

Com. Alldredge: Proceed.

Chairman Aitchison: Have you anything further, Mr. Healy?

Mr. Healy: No.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Tannehill, you have included in this exhibit many commodities that move on exceptions rather than on the classification proper, have you not?

A. I have included in this exhibit, caustic soda in drums, soda ash, bicarbonate of soda, and liquid caustic soda in [fol. 767] solution, in tank cars.

Q. All of which moves——

A. On a percentage of first class, by exception.

Q. By exception.

A. Right.

Q. And all of the caustic soda and other soda products move on rates, on an exception basis, exceptions to the ratings in the Official Classification; is that correct?

A. Within Official Classification Territory, yes, sir; and that is all this covers.

Q. You do not cover any interterritorial movement?

A. I do not cover any interterritorial movement beyond the confines of Official Territory, no, sir.

Mr. Norman: Thank you.

Chairman Aitchison: Is there any further cross examination? (No response.) You are excused, Mr. Tannehill.

(Witness excused.)

Chairman Aitchison: We will take a brief recess at this time.

(A short recess was taken.)

[fol. 768] Chairman Aitchison: Come to order, please, gentlemen. You may call your next witness, Mr. Healy.

Mr. Healy: Mr. Flint.

Chairman Aitchison: Raise your right hand and be sworn.

W. S. **Flint** was sworn and testified as follows:

Direct examination.

By Mr. Healy:

Q. Please give your name and address to the reporter, Mr. Flint.

A. My name is W. S. Flint. I am a member of the Official Classification Committee, with offices at 143 Liberty Street, New York City.

Q. How much experience have you had in dealing with traffic matters?

A. I have been with the Official Classification Committee since July 1, 1915, and a member for the past nine years. Prior to that time I was secretary and assistant to the Chairman, chief clerk, and so on down the line.

Q. Have you prepared certain documents containing information requested by the Commission?

A. I have.

Q. For use in this proceeding?

A. I have.

Q. Will you please identify them.

A. The Interstate Commerce Commission on July 2nd, [fol. 769] 1940, requested respondents to furnish certain information to the Commission. This information with the exception of the one particular feature dealt with by Mr. Steadwell today, has already been furnished. The Commission, however, has recently requested that such information as has heretofore been furnished, should be furnished at the hearing in this case in the form of exhibits. I therefore present two exhibits one of which is entitled, "Reply of Respondent Carriers in Official Territory to Questions 1, 2, 3 and 4 of the Questionnaire of the Interstate Commerce Commission."

Mr. Healy: May that be marked for identification as Exhibit No. 59, Mr. Chairman?

The Witness: That consists of six pages, that exhibit.

Chairman Aitchison: Exhibit No. 59 is a six-page statement, the first portion of which is Question 1 and answer to Question 1.

(Exhibit 59, Witness Flint, marked for identification.)

The Witness: This exhibit contains slight corrections of the information originally submitted to the Commission, and in addition to reproducing the questions has brought the answer to Question No. 3 up to date. The other exhibit is entitled, "800 Changes in Ratings (or the Establishment of Ratings for Articles not theretofore Specifically Classified) in Official, Southern and Western Classifications made immediately prior to June 1, 1940." This is [fol. 770] a photo reduction of the statement originally submitted to the Commission.

By Mr. Healy:

Q. It consists of 35 pages.

A. 35 pages and a cover.

Q. In the lower left hand corner it has "New York, N. Y., October 11, 1940."

A. That is correct.

Mr. Healy: I ask that that be marked for identification as Exhibit No. 60, Mr. Chairman.

Chairman Aitchison: It may be marked for identification as Exhibit No. 60.

(Exhibit 60, Witness Flint, marked for identification.)

By Mr. Healy:

Q. Have you prepared an exhibit dealing with some features of Witness Jensen's Exhibit No. 7?

A. I have, sir.

Q. Will you identify it, please?

A. It is five-section exhibit consisting of 13 pages. Each section of it shows the number of pages in that particular section.

Q. The first sheet is headed "Analysis of Carload Ratings in Official Classification No. 59, I. C. C.-O. C. No. 59, Effective March 17, 1942"?

A. Yes, sir.

Mr. Healy: I ask that this be marked for identification as Exhibit No. 61, Mr. Chairman.

[fol. 771] Chairman Aitchison: It may be so marked.

(Exhibit 61, Witness Flint, marked for identification.)

Chairman Aitchison: Proceed, Mr. Healy.

By Mr. Healy:

Q. Mr. Flint, have you prepared a statement commenting upon this exhibit?

A. Yes, sir.

Q. Will you present that statement for the record, please?

A. In Chapter XIV, Mr. Jensen suggests that respondents should revise their tariffs to remove the advantage and preference in freight charges at present accorded to straight carload over mixed carload shipments. Apparently, Mr. Jensen's conclusion that the present mixing rules give the straight carload shipper the advantage over the mixed carload shipper is because the mixed carload rules provide for charging any deficit in the minimum weight at the highest rate for any article in the mixed carload. In view of the past history of these mixed carload rules, it is difficult to understand how the straight carload shipper has the advantage. Prior to Consolidated Freight Classification No. 1, December 30, 1919, no general mixing rule was published in either the Southern or Western Classifications. The general mixing rule published effective on that date, briefly stated, provided that articles having a carload rate or rating, except livestock, could be shipped in mixed carloads from one consignor to one consignee and destina- [fol. 772] tion at the carload rate applying on the highest rated article and subject to the highest minimum weight attaching to any article in the load. This mixed carload rule is still effective in the Western Classification. When a general mixing rule was proposed in the Western Classification, it was vigorously opposed, particularly by jobbers in Western territory, and the burden of their opposition was that it gave the mixed carload shipper the advantage over the straight carload shipper; see Consolidated Classification Case 54 I. C. C. 1, 16, wherein the Commission recommended the adoption of this mixed carload rule.

The present general mixing rule in Southern and Official territories is published as exceptions to Rule 10 of those classifications, and provides in substance that each article, in the mixed carload, will be charged its own straight carload rate on its actual weight. This modified rule was published in the exceptions to the Official and Southern Classifications for the reason that the Western carriers did not adopt this modified rule for application in their territory and therefore, publication was not made in the

Classification proper. When this modified mixing rule was proposed for all classifications, it was opposed by Western shippers, particularly the jobbers, and some shippers in both Official and Southern territories. Again the protests were that it gave a further advantage to the [fol. 773] mixed carload shipper over the straight carload shipper. As a matter of fact, in publishing this modified rule in Official territories, it was necessary to except some commodities to overcome objections of certain shipping interests who opposed the application of the modified rule to their particular commodities. Mr. Jensen considers the modified rule less onerous than the one it preceded, but contends that it nevertheless subjects mixed carload shipments to rate penalties which he considers in many cases are wholly unreasonable. In support of his view, he refers to an extreme example of a mixed carload, three-fourths of the loading space in a box car taken up by a commodity the straight carload minimum weight for which is 15,000 pounds and the remaining one-fourth of the space with a commodity the straight carload minimum for which is 40,000 pounds. Under the mixed carload rule in the Western Classification and under the modified rule in the Official and Southern territories, the minimum for this mixed carload would be 40,000 pounds, and as this minimum could not be loaded, the deficit would be at the higher rate charged for the 15,000 pound minimum freight. While Mr. Jensen does not name the commodities which might be shipped in his hypothetical and highly improbable mixed carload, the chances are that the less carload rate on the 40,000 minimum commodity would be lower than the carload rate on the 15,000 pound minimum [fol. 774] commodity and, therefore, would be charged for at actual weight and less carload rate as is permitted under both mixing rules.

If there were any advantage and preference in freight charges heretofore existing in favor of straight carload over mixed carload shipments, the action taken by the rail carriers in Official and Southern territories certainly went a long way in removing any possible preference as may have existed, when, in April, 1940, they made effective the modification of Rule 10, the mixed carolad rule. The fact is, the Official territory carriers have had no serious complaint from shippers about the operation of the revised mixed carload rule now in effect. When this revised rule was first proposed by interested shippers, they suggested that the minimum weight be the highest provided for any article in the mixed carload and that any deficit be charged for at the lowest rate provided for any article in the mixture. One of the objections to charging for the deficit at the lowest rate provided for any article in the mixture, is that it would permit the shipper to include a very small amount of very low rated freight in the mixture, providing it did not increase the minimum weight, and in that manner, apply a practically fictitious low rate on the deficit. Another objection was that shippers could do this very thing on straight carload shipments where the actual weight was less than the minimum and in that manner, materially re- [fol. 775] duce the carriers' revenue. There was much precedent for charging the deficit at the highest rate as that principle was employed at that time in various specific mixed carloads published in exceptions to the Classifications. The Interstate Commerce Commission had ordered that the deficit be charged for at the highest rate in Ohio Farm Bureau Federation v. Ahnapee and Western Ry. Co., 197 I. C. C. 70, 76; Vitrolite Co. v. A. T. & S. F. Ry. Co., 204 I. C. C. 304 and Fertilizer Between Southern Points, 205 I. C. C. 17. When the proposed revision of Rule 10 was receiving the consideration of the Classification Committees, very little objection was made to the counter proposal to charge for the deficit at the highest carload rate for any article in the shipment. The all important feature to the interested shippers was charging each article at its own carload rate and actual weight. These shippers stated that they would arrange so that there would be few, if any, cars in which deficits would exist, and the absence of complaints against this feature since the revised rule has been in effect would indicate that this has been done. One important carrier made a check on its railroad and ascertained that in not more than two percent of the mixed carload shipments originated and charged for under revised Rule 10 had there been any deficit in the minimum weight.

Mr. Jensen states, on page III of his Exhibit 7, that to [fol. 776] avoid results so indefensible as he points out, the railroads have found it necessary to continue the numerous mixed carload rates with which their tariffs were filled. This statement is not correct. The reason for many of the specific carload mixtures originally published in Consoli dated Freight Classification No. 1 was that such entries had theretofore been published in the Southern and Western Classifications prior to the time they had a mixed carload rule. The continuation of most of the specific carload mixtures in the Classification today is because the Western carriers did not adopt the revised mixing rule adopted by the Official and Southern territory carriers. As a matter of fact, following the publication of revised Rule 10 in the Official territory, some specific carload mixtures in exceptions to the Official Classification were cancelled and others were permitted to remain in effect because the application of such mixtures in many instances projected into territory where the revised rule did not apply. Since the publication of revised Rule 10, the Western carriers have published a number of specific mixtures conforming to the principles of revised Rule 10. Another reason for continuing specific mixtures is the difficulty in ascertaining whether the revised rule or the specific mixture would make the lower charge. Under these circumstances, it was considered necessary, for the time being, to continue the specific [fol. 777] mixtures to be used alternatively with the carload mixing rule. Any mixing rule is a concession, not a penalty to the shipper. Mr. Jensen's second proposal in Chapter XIV is to reduce the minimum per car charges for relatively heavy and expensive freight. This could, of course, be accomplished by reducing the minimum weights or by reducing the carload rates, or a combination of both. In commenting on the readjustments made by carriers to meet motor truck competition, Mr. Jensen says that in the great majority of cases, the railroads reduced the carload rate rather than the minimum weight, and very frequently they have sought to preserve or even increase their minimum charge per car by combining the reduced rate with an increased minimum weight. It is very apparent that Mr. Jensen considers that the motor truck competitive situation calls as much for reduced minimum weights as for reduced rates. Where circumstances warranted a lower minimum weight on a particular commodity, the carriers have, in many cases, reduced such minimum. Many of the readjustments made in the rail rates or ratings to meet motor truck competition were necessary because the truck rates were lower than the rail rates and a reduction in the rail minima without a reduction in the rail rate would not have met the competitive situation. There are instances where shippers have opposed reductions in minimum weights on their commodities because such reductions would reduce [fol. 778] the accepted unit of sale. In other cases, shippers, seeking lower rates or truck competitive rates, have offered the carriers an increase in the minimum as such shippers no doubt, were able to load and market the extra amount and were primarily interested in securing lower charges per one hundred pounds. The third proposal in Chapter XIV is "remove the preference in freight charges at present given to carload shipments in large cars over those in smaller cars." Mr. Jensen attributes the reluctance of the railroads to reduce carload minimum weights, in part, to the fact that their cars each year are becoming larger. He criticizes the carriers for building these larger cars in view of the public generally seeking and devising means for distributing goods in smaller lots than formerly and suggests that the rail carriers are disabling themselves from meeting that demand, and in effect are forcing traffic from the railroads to the highways, by increasing the size of their cars.

In speaking of the cars becoming larger, Mr. Jensen, no doubt, has reference to the increase in the number of box cars in the so-called forty foot group. This increase has been gradual over a period of years, and while a number of years ago the thirty-six foot box car was considered the standard, now the forty foot six inch car is the recognized standard length car. This transition has taken place [fol. 779] in the equipment of the major roads in Official territory, and is one of the steps taken by the carriers to reduce unit costs of transportation. Any criticism of the railroad program for construction of larger cars appears to lose sight of the fact that our car supply is so arranged as to handle all traffic offered. If the traffic of the country consisted of merchandise traffic alone the construction of smaller cars, similar to cars developed in some foreign countries, might be an answer to the competitive situation. However, our car supply has been developed to handle peak movements of raw commodities, such as cotton, grain, etc., as well as merchandise traffic in the best and quickest way. If our car supply was devised to meet the merchandise situation alone it would be impossible to handle these raw commodities without a congestion that would obstruct the clearing of so many commodities from the producing areas.

The building of the larger cars has certainly proved extremely fortunate because of the present war conditions. On page 114 of his exhibit No. 7, Mr. Jensen mentions more favored treatment in respect of minimum weights and charges which the railroads give to shipments in larger cars. In making this statement he calls attention to the fact that for many years prior to July 15, 1940, the percentage increases in the minimum weights for cars over thirty-six feet, six inches long, were less than the percentage in- [fol. 780] crease in the cubical capacity of such longer cars. He also says that generally the thirty-six foot minima could be loaded in thirty-six foot cars only with difficulty, if at all, but the forty foot and fifty foot minima could readily be loaded in cars of those respective lengths. Mr. Jensen is mistaken in regard to the loading of minimum weights in thirty-six foot cars. Generally speaking, in the Classification, the minimum weights for light and bulky articles subject to Rule 34 of the classification represent minima that can be loaded into a thirty-six foot car. The application forms for change in the classification or for information furnished by the classification committees to the general public for many years specifically request that there be shown on such application the actual weight of the particular article that can be loaded in a car thirty-six feet in length, eight feet six inches wide and eight feet high, inside dimensions. A space is also shown on the forms for information regarding the dimensions of packages or pieces, the weight per package or piece and the weight per cubic foot. This information is utilized by the Classification Committees together with any additional information which may be submitted, in considering the appropriate minimum weight to be provided. Careful consideration has been given so that the minimum weights provided can generally be loaded in thirty-six foot cars. There are, of course, instances [fol. 781] where the published minimum weights cannot be loaded in thirty-six foot cars. This is particularly true of commodities having minimum weights of 10,000 pounds, as that is the lowest carload minimum weight provided in the classification for any article. There are a number of instances where the same minimum weight applies on the article when shipped set-up and knocked-down or nested and not nested. This condition exists where the interested shippers desire to include the set-up with the knock-down or the not nested with the nested. In many of these cases, the minimum weights are generally more than could be loaded in a thirty-six foot car of the set-up or not nested articles, but which could readily be loaded when the article was knock-down or nested. The minimum weights provided for other than light and bulky articles, that is articles not subject to Rule 34, in many cases are considerably less than can be loaded in a thirty-six foot car. In the Classification there are many carload minimum weights which are commercial minimums, that is, weights which represent amounts that are commercial units of sale for carload quantities or because of the peculiar conditions inherent to the particular commodity higher minimums cannot be applied. Mr. Jensen's conclusion that there is now preference in freight charges given to carload shipments in large cars over those in smaller cars appears to be based [fol. 782] wholly on the fact that the minimum weights for the large cars are not increased proportionately to the increase in their cubical capacity. However, cubical capacity is not always the controlling factor as to the quantity of freight which may be loaded in a box car. There are a large number of articles subject to the graduated minimums of Rule 34, the loading of which is regulated not by the cubic capacity of the car, but by the available floor space of the car. Representative articles of this character are agricultural implements, machinery, vehicles, and other freight of such a nature that it cannot be double-decked or cannot be loaded so as to occupy the available cubic capacity of the car. With the possible exception of some freak box cars, the cubical contents increase with the increase in length of the cars. This would indicate a possible increase in the weight of the load. However, many articles in their transportation form have certain rigid dimensions which do not lend themselves to the variations of length or cubical capacity. Many articles are of such length that an additional four or five feet in the length of the car does not make it possible to increase the number of articles shipped in the car. This is also true with respect to articles, which because of their overall size, cannot be loaded heavier merely because the cubical capacity of the car is somewhat greater. Mr. Jensen calls attention to the fact that in July, [fol. 783] 1940, the railroads reduced the forty foot minima to the thirty-six foot basis, and this he claims aggravated what he terms the preference to shipments in large cars. The facts were that the number of thirty-six foot cars with relation to the number of forty foot cars had greatly diminished. The forty foot car became the standard closed car, and, in the majority of cases, when thirty-six foot cars were ordered, forty foot cars were furnished, the result being that the basic minima, subject to Rule 34, had, quite generally applied for some time to shipments in closed cars. Because of the preponderance of forty foot cars, the shipping public demanded that such car and not the thirty-six foot car should be adopted as the car for which the basic minima would apply under the application of Rule 34. In the July 1942 issue of the Official Railway Equipment Register, I. C. C.-R. E. R.-No. 264, there are 863,225 railroad owned class "X" box cars, including Canadian and Mexican roads, and of these, 134,348 or 15.56% were 36 feet six inches or less in length, while 662,751 or 76.78% were over thirty-six feet six inches, but not over forty feet seven inches in length. Beginning at page 117, Mr. Jensen remarks about tariff provisions permitting single shipments to be loaded in more than one car. These tariff provisions are now under suspension by Service Order No. 68 of the Interstate Commerce Commission dated January 30, 1942. [fol. 784] The rail carriers have since the issuance of this order concluded to cancel those Sections of Rule 34 of the Consolidated Classification which permit substitution of equipment and these cancellations have now been published to become effective on October 20, 1942. Chapter XV contains Mr. Jensen's suggested remedies for all the faults he finds in the classifications and in the rate structures. The two principal suggestions in Chapter XV, at least as regards matters discussed in Chapter XIV are substitution of minimum carload charges for the present method of minimum carload weights, and fixing charges than the present method by length.

Mr. Jensen's proposal regarding minimum carload charges is not clear, but his objective seems to be to establish minimum carload charges proportioned to the length of the haul, which are based on the first class rates to be established from point of origin to point of destination, and these charges to be increased in ratio to the increase in the capacity of the cars. In addition to these minimum carload charges, Mr. Jensen suggests that the charges on any carload which exceeds the minimum charges established, will be subject to a discount applied only to the charges above the minimum charges. The object of these discount rates is to encourage heavier loading. Mr. Jensen's plan is to provide that heavy, high-priced freight may be shipped at a less cost than today. However, if car charges [fol. 785] on heavy, high-priced freight are to be reduced, then in order to preserve carriers' revenue, charges on light and bulky freight will have to be increased. Mr. Jensen, in Chapter XV expresses the opinion that the railroads have needlessly handicapped themselves in the solicitation of business from the public in competition with the highway carriers, and believes there are doubtless many methods within the scope of the law by which the railroads could readjust their tariffs in such a manner as to remove these handicaps. One method he suggests is that outlined in the concurring opinion of Commissioner Porter in Middle Atlantic States, MC, vs. C. R. Co. of N. J., 232 I. C. C. 93. On pages 122 and 123 of Exhibit 7, he briefly summarizes the method outlined in the concurring opinion. However, his restatement does not coincide with the plan described in the concurring opinion. The plan described in the opinion contemplates that the minimum charge should be the lowest charge which the railroads can reasonably afford to make for moving a carload of freight. It is there recognized that it is not possible to say precisely what the minimum charge should be, but for forty foot cars, which it is said are taken as the predominating type in service, a charge equivalent to seventy times the first class rate between points where class rates are governed by the Official Classification and sixty times the first class rates [fol. 786] between points where they are governed by the Southern Classification is assumed to be approximately correct. Under the plan described in the opinion, the charge should be expressed simply as a sum of money and not as a rate per 100 pounds applied to a certain number of pounds. Thus, for thirty-six foot cars, the charge would be twenty per cent less and for fifty foot cars, fifty per cent more than for forty foot cars, to correspond with the differences in the loading capacities of the three groups. The plan cites as an example the fact that the Commission has approved as maxima in Official territory, column 25 rates on Waste Paper, subject to a minimum of 24,000 pounds for thirty-six foot cars and that that basis on shipments from Jersey City, New Jersey, to Philadelphia, Pennsylvania, yields minimum revenue of $38.40. The absolute minimum under the plan set forth in the concurring opinion suggested for carload shipments between those points, was $34.72. In addition to the minimum charge, it contemplated that a discount in the charges on any given shipment in excess of the minimum charge should be provided, and concluded that a discount of twenty-five per cent applied only to the charges above the minimum would appear none too great. Mr. Jensen, while he recommends a discontinuance of all carload minimum weights except those for heavy bulk freight which he defines, proposes a substitution of a minimum carload charge uniform for all classes of freight and representing as [fol. 787] nearly as can be determined, the least amount for which the railroads in a given rate territory can profitably move, under billing, the smallest box cars in general service today, namely, those from thirty-six to thirty-seven feet in length and with capacity from 2,400 to 2,500 cubic feet. The minimum charge he recommends is: (A) A fixed multiple of first class rate from point of origin to destination, so as to proportion it properly to the length of the haul. (B) Increased in proper ratio for the larger cars; that is, for cars of capacity from 3,000 to 3,100 cubic feet, (the average 40 foot car), the minimum charge should be 25% higher and for cars of capacity from 4,500 to 4,600 cubic feet, (the average 50 foot car), it should be 87½% higher than the 36 foot car. (C) Assessed separately against each car used regardless of the number of cars combined on one bill of lading. Nowhere in his "suggested remedy" does Mr. Jensen indicate the proper or proposed minimum charge per car for application within Official territory, but as his theory contemplates the method outlined by Commissioner Porter, it is presumed that Mr. Jensen considers that the minimum charge should be seventy times the first class rate between points where class rates are governed by the Official Classification. Mr. Jensen does, apparently, concur in the suggestion contained in the concurring opinion of Commissioner Porter, that a discount [fol. 788] of twenty-five per cent should be applied to the charges above the minimum per car charges. Assuming that I am correct in my understanding of Mr. Jensen's reasoning, and not having anything else to go by, respondents have prepared an exhibit to show the effect this minimum charge per car and discount theory would have on commodities now published in the Official Classification at the carload ratings and minimum weights provided in such Classification, which I now present.

Section 1 of this exhibit is a statement showing the number of carload ratings in each class for the various carload minimum weights published in Official Classification No. 59, I. C. C.—OC No. 59. Section 2 is a statement showing the present 1st, 2nd, 3rd, R26, 4th, 5th and 6th class rates and column 25 and 22½ rates from New York, New York, to Pittsburgh, Pennsylvania. There is no particular significance attached to the fact that this exhibit shows only the rates from New York to Pittsburgh. Any exhibit of more origin or destination points would indicate the same relative effect on the carriers' revenue. This statement also shows the minimum charge per car of seventy times the first class rate; that is $79.80. In addition, it shows the weight necessary to yield this minimum per car charge of $79.80 for each of these classes. Based on Section 1, Section 2 shows the minimum weight as [fol. 789] published in Official Classification No. 59, the rating as published against this minimum weight in such Classification and the number of items subject to that minimum weight and rating; in addition it shows the minimum charges per car based on the present minimum carload weight and carload rate for these nine classes at the minimum weights provided for such nine classes.

Section 3 is a statement showing the effect of Witness Jensen's discount theory applied to present class rates from New York, New York, to Pittsburgh, Pennsylvania, based on the carload ratings and minimum weights published in Official Classification No. 59, I. C. C.—OC No. 59. This section consists of nine pages, each page of which is devoted to each of the major classes covered by Section 2. Section 3 indicates the reductions in per car charges; the discount basis as contrasted with the present minimum car charges based on minimum weight and carload rate. Section 3 does not purport to show the actual loadings of the commodities which are in these various minimum weight and carload rating brackets, but it is needless to say that where the actual loading exceeds the minimum weight, the reductions in per car charges on the discount basis would be greater than shown by this exhibit for each and every one of the combinations.

Section 4 is a statement of cases wherein the Interstate [fol. 790] Commerce Commission has either prescribed or found not unreasonable carload ratings on various commodities, and shows the name of the commodity, citation, average carload weight, minimum weight and rating. It is not possible to estimate the revenue losses that would result from application of discount rates. Many commodities by reason of their nature and of commercial conditions load far in excess of the Classification minimum weights and the discount theory would gain nothing for the rail carriers in the way of additional revenue because of heavier loading, but would result in tremendous losses of revenue. The Commission has prescribed minimum weights far below the average weights and Section 4 of my exhibit is a representative group of commodities treated by the Commission and indicates that the minimum either as published or prescribed was far below the actual average loading.

Section 5 is a statement, consisting of one sheet, illustrating the effect of the Jensen discount plan applied to the average loaded weight of various commodities from and to the points indicated thereon. In each instance reference is shown to decisions of the Commission and the average weight is that stated in the decision.

Mr. Jensen, in proposing a revision of the rate scales, recognizes that the railroads should not be required to sacrifice revenue and in connection with his proposed re- [fol. 791] vision, states that changes in classification ratings should be made to insure that there will be no loss in revenue on the traffic of any commodity. It is his contention that the increase in the Classifications should depend upon what the average haul of the commodity is and how greatly the rates, terminal and line haul elements combined, are to be reduced. If, in adjusting the rate scales, it were possible to change the Classification on commodities sufficiently to preserve the revenues which the carriers derive from the traffic in that commodity as a whole as suggested by Mr. Jensen, respondents know of no method by which they can preserve their revenue if commodities are also to be subjected to minimum per car charges and discounts. It is believed impossible to make further changes in the classification ratings which would preserve the carriers' revenue with respect to any given commodity. In the Classifications, and more particularly in exceptions

thereto and in commodity tariffs, the rating or rate published has a direct bearing on the carload minimum weight for the commodity. The ratings or rates on many commodities have, from time to time, been reduced with an increase in the minimum weight; this by action of the carriers and also by orders of the Interstate Commerce Commission. Therefore, if the minimum per car charge and discounts recommended by Mr. Jensen were put into effect, many of these low ratings and rates which were published [fol. 792] because of heavy loading or increased loading, should be increased.

Mr. Jensen's proposal of minimum per car charges and discounts obviously is only for freight in closed cars. He makes no mention of the treatment to be accorded freight in open top equipment or to tank car freight. Discounts would not encourage heavier loading of freight in tank cars. Rule 35 of the Classification provides generally that liquids in tank cars are subject to a minimum weight computed by multiplying the full shell gallonage capacity of the tank by the weight per gallon of the liquid plus the quantity loaded in the dome. In the Classification, the same carload ratings are generally published for liquids in tank cars as are published for the same liquids in bulk in barrels. The carload ratings in the Classification are the same for open top equipment as they are for the same commodities in closed cars. To adopt the minimum per car charge and discount theory for freight in closed cars only would discriminate against the same freight in open top equipment or in tank cars.

Mr. Healy: Let me ask you one more question, Mr. Flint:

By Mr. Healy.

Q. Were Exhibits 59 to 61, both inclusive, prepared by you or under your direction?

A. Yes.

[fol. 793] Q. Are they correct to the best of your knowledge and belief?

A. They are.

Mr. Healy: I offer in evidence Exhibits 59 to 61, both inclusive, Mr. Chairman.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibits 59 to 61? (No response.) Without objection, they are received.

(Exhibits 59 to 61, both inclusive, Witness Flint, received in evidence.)

Chairman Aitchison: Is that all, Mr. Healy?

Mr. Healy: The witness is tendered for cross examination.

Chairman Aitchison: Is there any cross examination?

Mr. Smelker: Mr. Chairman, I would like to get one point cleared up for the record. That is with respect to the last column on the first page.

Mr. Bee: What exhibit?

Mr. Smelker: Exhibit 60. For example, you show there the figures .01 to .02¼, and then a cent sign after it.

By Mr. Smelker:

Q. Does that mean one hundredth of a cent, or are they in cents?

A. No. That whole column is cents. This is a reproduction of a former stencil. That should have been out of the stencil, but they did not take it out. There should be no "cents" sign at all there. The whole column is value [fol. 794] in cents or dollars as the case may be.

Q. Then the decimal refers to dollars?

A. That is right.

Mr. Smelker: That is all.

Chairman Aitchison: Are there any other questions of Mr. Flint? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Healy: Mr. Chairman, unfortunately one more witness that we had who was to deal with an accounting question presented by Dr. Edwards could not be here today. We expect him in the morning. I would like the privilege of putting him on at the convenience of the other parties.

Chairman Aitchison: Very well.

Mr. Healy: Thank you.

Mr. Bee: Who is that, Mr. Heywood?

Mr. Healy: I might state that the witness to whom I have referred is Mr. Heywood, and his statement has been circulated to the parties.

Mr. Sullivan: I have a witness, Mr. Chairman.

Chairman Aitchison: Call your witness, Mr. Sullivan.

Mr. Sullivan The witness is approaching the stand.

Chairman Aitchison: Please state on whose behalf this presentation is being made.

Mr. Sullivan: This witness is being presented on behalf [fol. 795] of the Great Lakes Transit Corporation, a water carrier upon the Great Lakes.

Chairman Aitchison: Very well.

Mr. Sullivan: Will the witness be sworn.

W. E. Emblidge was sworn and testified as follows:

Direct examination.

By Mr. Sullivan:

Q. Mr. Witness, will you state your full name, address and occupation for the record.

A. W. E. Emblidge, Buffalo, New York, Vice President of Great Lakes Transit Corporation.

Q. Will you please state your experience in the lake rate and traffic field?

A. For the past two years I have held my present position. Prior to that I was Freight Traffic Manager for three years. Seven years prior to that I was General Freight Agent. Two years prior to that I was Assistant General Freight Agent. From 1928 back to 1921 I held various positions in the traffic department.

Q. Have you a short statement to present on behalf of your principal?

A. I have.

Q. Please proceed.

A. During the present season of navigation, ten ships of our fourteen vessel fleet were requisitioned by the [fol. 796] Government in the interest of national defense and have been removed from the Great Lakes. The only vessels left to us are four ships operating in the Grain Trade from Duluth to Buffalo under the direction of the O. D. T.

Recently the O. D. T. authorized us to yield a portion of the grain cargo space to the transportation of flour and related commodities under a limited operation Eastbound from Duluth to Buffalo, and this has been accomplished under O. D. T. approval. We are also handling Government trucks from Detroit to Buffalo under recent approval of O. D. T. After the present emergency we expect to resume our former normal operations.

The position of our Corporation in this proceeding as to rail and lake, lake and rail or rail and lake and rail rates is that, not being aware of what all rail rates may result from this investigation, we cannot talk definitely with respect to the differential relationship of rail and lake rates to the all rail rates but, if the general level of all rail rates will be fixed at levels closely approaching the present ones, we shall be satisfied with the maintenance of the present differentials.

However, if radical changes are made in the all rail rates, so that the maintenance of our existing differentials may work hardships, we may have to rely upon our rights to ask for relief. It follows that our rates should [fol. 797] be governed by the same classification and exceptions thereto as govern the corresponding all rail rates in order to effect the differentials referred to.

Mr. Sullivan: That concludes our presentation, Mr. Chairman.

Chairman Aitchison: Is there any cross examination? (No response.) You may stand aside.

(Witness excused.)

Mr. Sullivan: Thank you very much.

Chairman Aitchison: Who is next?

Mr. Moore: I am ready, Mr. Chairman.

Chairman Aitchison: Raise your right hand and be sworn.

Kenneth A. Moore, was sworn and testified as follows:

Direct examination.

The Witness: My name is Kenneth A. Moore, General Traffic Manager, Automotive Council for War Production, Detroit, Michigan. I occupied the same position with the Automobile Manufacturers Association until April 1, 1942, when the A. C. W. P. took over. Prior to that time I had been employed by the Automobile Manufacturers Association and the previous organization, the National Automobile Chamber of Commerce since June, 1920. Prior to that time I spent 15 years or more with the New [fol. 798] York Central Railroad in various traffic capacities.

The Automotive Counsel for War Production is the wartime organization of the automotive and allied industries, pledged to give their unlimited effort and facilities in aiding all plants in the industry to get out the mass production of war material that will win the war.

The Council has further pledged, on behalf of the entire automotive industry, not only a cooperative spirit in the common task, but complete interchange of mass production information, product improvements, tooling shortcuts, and an exchange of traffic and transportation policies and techniques to the end that members will be thoroughly posted on war traffic developments, governmental decisions and reports, transportation orders and related significant data.

Traffic managers of member companies are 100% absorbed in the many transportation duties required to insure an even flow of war material and prompt distribution of the finished product. Former automobile manufacturers are now engaged 100% in war production. This is shown in recently published data indicating that production and employment in the automotive industry are now substantially above the highest levels ever attained in peacetime. Currently, the industry is producing weapons at an annual rate of 5 billion 400 million dollars. This is 32% ahead of the average rate of production of non-[fol. 799] military items in 1941, the peak peacetime year of the automotive industry. It must be emphasized that current uptrends will continue for many months, barring shortages of material or manpower or other factors beyond the control of the industry.

On August 5, 1941, the Automobile Manufacturers Association stated, in a petition to the Interstate Commerce Commission for postponement or withdrawal of these dockets, that "Traffic departments of the automobile industry, on which the greater part of the extra labor involved in an investigation of this nature would fall," • • • "would have no time to devote to this investigation without hindrance to national defense." All of the statements and predications contained in said petition, which were brief and to the point, have come true.

Numerous new plants have been staffed, requiring the transfer of trained traffic men, thus depleting the regular working force. The Selective Service Act and the increased amount of war work has engaged the personnel of traffic departments seven days a week, with many instances of double shifts and night forces.

In this situation of unlimited demand by the progress of the war, members of the automobile industry may be pardoned for being unable to discern where a general investigation of this kind will have any helpful effect in winning the war.

[fol. 800] Lastly, all our transportation cost during the war period is being borne by the Government. An investigation at this time will doubtless develop a mass of information and statistics on the movement of Government freight which will have no bearing whatever on normal commercial conditions. New industrial plants, branch factories, and assembly plants have been constructed all over the country, without regard to territorial geography or territorial adjustments. Industrial traffic managers have accepted this situation as a war necessity and they have no spare time from their war traffic duties for consideration of post war conditions, which are highly uncertain and entirely unpredictable at this time.

In conclusion, it is obvious that traffic managers of the automotive plants, over 350 in number, scattered from coast to coast and nearly 1000 plants acting as sub-contractors, are not in a position to participate, pro or con, in this proceeding. This then applies with equal force to me, because if the membership has had no time to study the case and present facts, obviously its representative, equally engaged in vital wartime liaison work, is not in a position to draw information from members or to submit testimony which could be subject to cross examination. That is all I have, Mr. Chairman.

Chairman Aitchison: Does that complete your statement?

[fol. 801] The Witness: Yes.

Chairman Aitchison: You may cross examine.

Mr. Bee: If the Commission please, I move that the argument produced by Witness Moore be stricken and put in his brief when he files one.

Chairman Aitchison: That motion is denied. I want to ask you one or two questions, if I may.

By Chairman Aitchison:

Q. You are operating under class rates largely, are you not?

A. At the present time pretty near all the movement is on Government bills of lading.

Q. Well, the traffic is moving on class rates or something based on class rates?

A. I have not studied that, Mr. Chairman. I do not believe that I am able to answer that properly.

Q. Well, you are shipping automobiles that are not moving on Government bills of lading, are you not?

A. Not very many. The majority of the automobiles——

Q. You are shipping some, are you not?

A. Very few.

Q. You are shipping some, are you not?

A. Very few.

Q. You are shipping a few?

A. That is right. I think so. That is correct.

Q. Do they move on class rates?

[fol. 802] A. In some instances, I believe that is correct, and in some instances percentages of the first class ratings, commodity rates, or exceptions.

Q. How long have they been moving on class rates or percentages of class rates, before the war?

A. Well, Mr. Chairman, I must confess that after a year in the war traffic work, I am too foggy on that question to answer it intelligently.

Chairman Aitchison: I see.

By Chairman Aitchison:

Q. When those rates were established that you are paying, were you consulted?

A. I believe the factories were, not the Association.

Q. That is, at the time the rating was put in for automobiles.

A. You mean the classification rating?

Q. Yes, that you pay.

A. I believe for some years there has not been very much moved on the classification rating.

Q. If so, why are you here? Why are you so apprehensive of this investigation?

A. A good many automobile parts, your Honor, move on classification ratings.

Q. I see.

A. The industry, speaking historically, for years, has been attempting to make the classification. We feel that [fol. 803] we have made the classification with respect to automobiles and automobile parts, and we would be very much interested in any proceeding that would tend to upset that classification set up. Those parts move freely all over the country.

Q. What I am getting at is this: You were not consulted when the class rates were made, but you applied for exceptions to the classification too, is that not a fact?

A. Speaking for the Association, that is correct.

Q. Speaking also of the automobile industry, is that not true?

A. I cannot speak for the individual factories.

Q. You do not know?

A. I do not know.

Q. You say, "New industrial plants, branch factories and assembly plants have been constructed all over the country, without regard to territorial geography or territorial adjustments."

A. Yes.

Q. What is going to be done with those plants when the war is over?

A. I am sure I could not answer that.

Q. Is the investment in some of those plants substantial?

A. I believe it is.

Q. Very heavily substantial?

A. Yes, sir.

[fol. 804] Q. Is it the expectation and have the plants been constructed with the evident idea that they are going to be continued in operation after the war?

A. I would not know that, but I doubt it, in many cases.

Q. You think they will be scrapped? I am talking about these plants you have mentioned here.

A. Your Honor, many of those plants were built by the Government and are leased to the firms that are operating them, and I do not believe that the determination of that question with respect to those plants is in the hands of the present operators.

Q. Is it the thought that when the war is over they are not going to be operated, or what?

A. I could not say.

Q. Then what did you bring it in for?

A. The purpose of this statement is to show that the traffic managers of the automotive plants are too busy today in war work to participate pro or con in this proceeding.

Q. I ask you to tell me any proceeding which involved class rates or classifications in which they ever have participated pro or con?

A. Not in proceedings, but we are certainly interested, very deeply interested, in any proceeding which involves the classification. I do not believe in my experience there has been an investigation of this kind threatened with [fol. 805] respect to classification.

Mr. McCollester: Mr. Chairman, may I, since the subject of automobiles has been brought up, step out of my role of attorney for the State of New York for a moment and make a statement on behalf of the Chrysler Corporation for whom I am counsel?

Chairman Aitchison: Yes.

Mr. McCollester: The Chrysler Corporation, along with the other automobile manufacturers, is a party to the Commission's investigation, Docket No. 28190, into the rates on automobiles throughout the United States; and the Chrysler Corporation has put at issue in that proceeding the reasonableness of the classification rating of first class on new automobiles, passenger automobiles. Hearings in that proceeding have gone on for a period of about three years. They have been concluded. We have over 5,000 pages of testimony and 495 exhibits. Briefs are due on the 2nd of November, a month from now. Therefore on behalf of the Chrysler Corporation I want to make a motion that so far as there may be any question of the classification rating of individual commodities involved in this proceeding, that question shall not include new passenger automobiles; and that whatever determination be here made, shall be without prejudice to the determination in Docket 28190 of that very question as to which there has [fol. 806] been a great deal of evidence introduced. I am sure the railroads will have no objection to that motion because they were, of course, parties to that proceeding too.

Chairman Aitchison: 28190 probably will be decided before this case will be.

Mr. McCollester: I do not know about that. It is further along. That is correct.

Chairman Aitchison: With normal diligence on every one's part, it will be.

Mr. McCollester: I make that statement because Chrysler has not introduced any evidence here for the reasons given by Mr. Moore and also because the matter has been gone into with great ful-ness in Docket 28190, the classification of new passenger automobiles.

Chairman Aitchison: In Docket 28190 is it going to be necesary to have these busy traffic managers?

Mr. McCollester: The record has been closed, Mr. Commissioner. Otherwise it would be impossible to take further testimony in 28190.

Chairman Aitchison: There is no motion to reopen or anything of that sort?

Mr. McCollester: No, there is not.

Chairman Aitchison: The record is complete?

Mr. McCollester: The record is closed.

Chairman Aitchison: It is satisfactory, is it?

[fol. 807] Mr. McCollester: The record was satisfactory when it was closed. Whether it will have anything to do with the state of affairs which would exist when the Commission's order comes out, remains to be seen, but we are submitting briefs on the record as made a month from now.

Mr. Norman: You are asking for an order too, are you not?

Mr. McCollester: We are.

By Chairman Aitchison:

Q. With respect to your statement on sheet 3 to which I just referred, Mr. Moore, are you only talking there about automobile plants and plants making parts for automobiles?

A. No. We are talking about war material plants.

Q. Some of those investments run up into the hundreds of millions, do they not?

A. Yes.

Q. Mr. Moore, do you not know that it is intended they shall endeavor to operate after the war?

A. There may be the endeavor. I do not know that it can be done, or that anybody believes it can be done or is sure it can be done.

Chairman Aitchison: I just want to suggest that with respect to those plants, the rate structure after the war might be an extremely important factor in determining whether they are going to be junked, or continue to operate. [fol. 808] How can that be determined? Perhaps some of you gentlemen who are interested, might spend a little time on it. Are there any other questions of Mr. Moore? (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Hughes.

Mr. McCollester: Mr. Chairman, will you rule on my motion?

Chairman Aitchison: No. We will just note it on the record.

Mr. McCollester: All right.

Mr. Barron: Call Mr. Stanage.

Chairman Aitchison: On whose behalf is this presentation?

Mr. Barron: This is on behalf of the Western railroads in general and the Southwestern lines in particular.

Chairman Aitchison: Excluding Mountain Pacific?

Mr. Barron: Excluding Mountain Pacific, Yes, sir. This docket 28300, I do not understand, involves Mountain Pacific territory.

Chairman Aitchison: It is in the Classification Case.

Mr. Barron: Mr. Stanage will not testify in 28310.

Chairman Aitchison: All right.

Mr. Barron: Be sworn, please, Mr. Stanage.

[fol. 809] B. H. Stanage was sworn and testified as follows:

Direct examination.

By Mr. Barron:

Q. Will you state your full name, address and occupation, Mr. Stanage?

A. B. H. Stanage, Assistant Chief Traffic Officer, St. Louis-San Francisco Railway, Frisco Building, Ninth and Olive, St. Louis, Missouri.

Q. Will you briefly recite your traffic experience, Mr. Stanage.

A. I have been connected with the Frisco Railroad since March 18, 1895, and in the traffic department since the Fall of 1904. During the period prior to Federal control I had charge of rates and divisions in the traffic department. During a portion of the period of Federal control I was in the Short Line section of the United States Railroad Administration, handling short line matters. Upon the conclusion of Federal control I returned to the Frisco in charge of rates and divisions and for about a six-year period prior to 1935 I was in charge of their commerce work. Prior to my present employment as Assistant Chief Traffic Officer, I was employed as Freight Traffic Manager in charge of rates and divisions and the general freight development of the Frisco.

Q. Mr. Stanage, have you made a study of the history of the rates in Western Trunk Line and Southwestern territories?

[fol. 810] A. Yes, sir.

Q. Have you prepared two exhibits which you wish to introduce in this proceeding?

A. Yes, sir.

Mr. Barron: What is the next exhibit number, Mr. Chairman?

Chairman Aitchison: 62.

Mr. Barron: The exhibit bearing the symbol "S-1," we ask to have marked for identification as Exhibit No. 62.

Chairman Aitchison: It may be so marked.

(Exhibit 62, Witness Stanage, marked for identification.)

Mr. Barron: The exhibit bearing the symbol "S-2," we ask to have marked for identification as Exhibit No. 63.

Chairman Aitchison: It may be so marked.

(Exhibit 63, Witness Stanage, marked for identification.)

By Mr. Barron:

Q. Mr. Stanage, were these two exhibits prepared by you or under your direction?

A. Yes, sir.

Q. Are they true and correct to the best of your knowledge and belief?

A. They are.

Q. Please proceed with your testimony in your own way, Mr. Stanage.

A. First, I desire to touch on certain features of the general situation. In the Western Trunk Line and South- [fol. 811] western Cases the hearings of which ran for years, one of the major issues was that raised by the Commission here, namely, spread in rate levels within and between territories. The initial hearing in the Consolidated Southwestern Cases was held in Guthrie, Oklahoma, on January 10, 1923. The case was submitted on June 19, 1925, and decided April 5, 1927, 123 I. C. C. 203.

The proceedings which resulted in the Twenty-first supplemental Report in the Southwestern Cases, decided November 22, 1934, 205 I. C. C. 601, were largely attributable to the Commission's original report in Western Trunk Line Rates, 164 I. C. C. 1. The latter proceedings grew out of the proceedings in Docket 17000, Part 1, decided July 14, 1926.

In the latter, the Commission expressed the view that "The least favorable condition in the District (Western) so far as carriers' revenues are concerned appear to exist in Western Trunk Line territory." 113 I. C. C. 37.

Chairman Aitchison: Did that not grow out of Ex Parte 87?

The Witness: Yes.

By Mr. Barron:

Q. Proceed.

A. The initial hearing in the Western Class Rate Case began at Omaha, Nebraska, January 25, 1927, and hearings were concluded at Chicago, Illinois, on May 2, 1928. About [fol. 812] 12,500 pages of testimony were taken and approximately 1,200 exhibits containing more than 12,000 pages were introduced. On May 6, 1930, the Commission handed down its decision, 164 I. C. C. 1.

It will thus be noted that the decisions in the Consolidated Southwestern Cases and Western Trunk Line Class Rate Cases were reached upon evidence submitted prior to 1929. Subsequent to 1929 railroad needs became so acute that the carriers made application to the Commission for horizontal increases in rates, including those prescribed in the cases cited below:

Ex Parte 103, 178 ICC 539, effective January 4, 1932.

Ex Parte 115, 208 ICC 4; 215 ICC 439; 219 ICC 565; effective April 18, 1935.

Ex Parte 123, 226 ICC 41, effective March 28, 1938.

Ex Parte 148, 248 ICC 545, effective March 18, 1942.

The class rates in effect today in Southwestern and Trunk Line territories reflect the result of horizontal advances authorized by the Commission in recognition of the financial distress of the railroads. Such advances were result of petitions and hearings in the cases previously cited.

Competition of motor carriers which had its inception about 1922 continued at an accelerated pace and became a matter of vital importance to the Western carriers within a [fol. 813] few years thereafter, continuing up to the present time.

During the period of depression, 1929 to 1939 inclusive, and until very recently a number of large Western railroads not only were unable to earn anything for their investors on prevailing rates, but some of them for a period did not even earn their operating expenses.

By petition filed on December 13, 1941, in Ex Parte 148, 248 ICC 545, decided March 2, 1942, effective March 18, 1942, the carriers sought increases in rates to enable them to meet extraordinary increases in expenses resulting from wage increases amounting to $441,000,000, annually and granted under the intervention of governmental agencies.

As a result of this proceeding, Western carriers were permitted only a 3% increase in their rates on agricultural products, whether in the raw or processed, and on livestock, including products of livestock, and commodities of particular importance to them.

A reduction at this time in the class rates, including such column rates as are based upon first class, would deprive them of revenue which the authorized rate advances designed them to have to meet their emergency needs. The present growth in the earnings of the carriers has followed an extended period of generally lean years, 1931-1939, 248 ICC 545, and even of struggle.

The prevailing rates, until recent times did not produce [fol. 814] adequate revenues. It may not be said that present earnings are the result of high rates, but of an unexpected and extraordinary volume of tonnage induced by the National Emergency. The tonnage of ordinary commercial articles has been greatly curtailed, with severe limitations upon, or even complete stoppage of their manufacture.

The discontinuance of coastwise service has thrown new traffic to the railroads. The Government's demands have brought new tasks and tonnage to the carriers. It is this kind of tonnage, rather than the measure of the rates, that is producing current revenues. This tonnage may disappear as suddenly as it appeared, so far as any one can judge at this moment. Whether the present rates will in themselves be sufficient or what their volume and pattern should be under future conditions cannot now be foretold.

The Office of Defense Transportation has issued orders affecting the loading and handling of merchandise, ODT No. 1, also carload traffic, ODT No. 18. It is reasonable to expect additional orders will be issued from time to time. The situation is changing rapidly and no one can foretell what future changes we can expect.

I will now give a brief history of the several proceedings in which the Commission considered the class rate structure of the Southwest, beginning with the City of Memphis Case, decided May 9, 1916, 39 ICC 256.

[fol. 815] Chairman Aitchison: I do not think we ought to have to sit here and listen to a long recital of cases we ourselves decided. You can refer to the reports and put them in the record in that way.

Mr. Barron: If that is the way the Chairman wants it, that is the way it will be. We want to show the Commission that this adjustment is the result of their own findings, and it is our position it should be left alone and not disturbed at this time.

Chairman Aitchison: Is the witness giving us anything except what can be gotten out of the reports of the Commission, in these pages 3 to 18, inclusive?

Mr. Barron: No. I think it can all be gotten out of the reports of the Commission.

Chairman Aitchison: Then why spend time reading it here?

Mr. Barron: All right. We will skip over that part.

Chairman Aitchison: We will save time if you just refer to the cases themselves.

Mr. Barron: All right.

Chairman Aitchison: You can expect us to take notice of the reports in the cases to which you make specific reference.

Mr. Barron: All right.

By Mr. Barron:

[fol. 816] Q. Which is the first case you desire to call the Commission's attention to where they adjusted rates from the Southwest, Mr. Stanage? Just give the title of the case and the citation.

Mr. Hughes: Mr. Chairman, if I may interpose, would you have any objection to those pages being incorporated in the transcript as though read, without being read?

Chairman Aitchison: Certainly. I do not think we have to duplicate our series of reports in our transcript. This is an abstract, really, of our reports.

Mr. Barron: It is the decisions that make up the history of these rates.

Chairman Aitchison: I understand.

Mr. Barron: We desire to present that here.

Chairman Aitchison: We will have to take notice of those reports when you refer to them.

Mr. Barron: That is right.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

The Witness: The citations to which we wish to refer are as follows: 39 I. C. C. 256; 43 I. C. C. 121; 55 I. C. C. 515; 77 I. C. C. 473; 62 I. C. C. 596; 123 I. C. C. 203; 48 I. C. C. 312; 52 I. C. C. 105; 40 I. C. C. 619; 101 I. C. C. 308; 139 I. C. C. 535; 164 I. C. C. 1; 204 I. C. C. 595; 173 I. C. C. 637; 178 I. C. C. 619; 181 I. C. C. 301; 296 I. C. C. 494; 197 I. C. C. 57; 109 I. C. C. 300; 181 I. C. C. 259; 205 I. C. C. 601; 211 I. C. C. 575; 226 I. C. C. 497; 218 I. C. C. 11; 231 I. C. C. 539.

[fol. 817] By Mr. Barron:

Q. Proceed.

A. Later, following the modification of the class rate scales prescribed in the 17000 Part 2 Class Rate Case by the Sixth Supplemental Report therein, the rates within Docket 21772 Territory—that is, Missouri—were similarly revised effective to reflect the modified 17000 Part 2 Class Rate Scales and the bridge arbitraries at Memphis and Cairo were eliminated, order dated October 4, 1937, in Docket 21772, etc.

On pages 44 to 66 of Exhibit 62 are shown representative illustrations of the class rates, first, fourth and fifth in effect intraterritorially (a) prior to the first decision in the Consolidated Southwestern Cases shown as just prior to July 13, 1928, (b) rates as amended prior to 21st supplemental report, (c) rates prescribed in the 21st supplemental report as amended, effective April 9, 1937 or later. On pages 3 to 43 of Exhibit 62 similar data is shown of rates in effect interterritorially.

Since the establishment of the Southwestern adjustment filed pursuant to the Commission's decision in the 21st Supplemental Report, effective April 9, 1937, the Southwestern carriers have received no general complaints alleging that any of the class rates are unlawful, unjust, unreasonable, unduly prejudicial or unduly preferential. Neither have [fol. 818] they received any request to change these rates.

Q. In the Commission's notice of January 9, 1940, circulated to the public, in speaking about the class rate structure, they asked the question whether it could be simplified. Have you anything to say about that?

A. Yes. The tariffs would be more simple in their application if the carriers were not required to alternate (a) bridge scales rates (b) combination rates and (c) minimum rates with the specifically published point to point rates which were determined in accordance with the formula.

Experience has shown that it is impossible to publish specific rates to reflect these alternative formulae. It is, therefore, necessary for the tariff user to first determine the specifically published rate and then check the three alternative bases to determine the applicable rate.

It would be of some help if the carriers were granted relief from the aggregate of intermediates provision of the fourth section. Similar relief was granted under supplemental fourth section Order 12844 (237 I. C. C. 7), Supplemental Fourth Section Order 14287, 14633 and Fourth Section Order 13667 (214 I. C. C. 625). These orders applied to carload traffic.

Chairman Aitchison: In what territory?

The Witness: In the Southwest. Of course, some of them were interterritorial.

[fol. 819] By Mr. Barron:

Q. The Commission also asked the question whether a lawful rate structure better suited to existing conditions could be established. What have you to say about that?

A. My answer is no. Under existing changed and abnormal conditions, it would be impossible to prescribe a rate adjustment on class rates that would have a semblance of permanency. In determining a rate adjustment, it is necessary to consider composition and volume of traffic, traffic and operating conditions. The conditions today are not representative of normal conditions. The adjustment must also have regard for the revenue needs of the carriers which no one can prophesy.

Q. The Commission in the same notice also asked whether one rate level or few more closely related rate levels than now exist are lawful and desirable in the territory embraced in docket 28300. What have you to say in answer to that question?

A. Due to dissimilarity in the traffic and transportation conditions, composition and volume of traffic together with the revenue needs of the carriers in the three major rate territories—one rate level is not warranted and would not be lawful or desirable in the territory embraced in Docket 28300.

Fewer and more closely related rate levels are not justified. [fol. 820] Certainly not under present abnormal conditions. It is impossible to determine proper factors. Present conditions are not normal, they are likely to change at any time for reasons which are obvious. In the circumstances, revision of the existing adjustment now would be ill-timed, unwise and most likely not reflective of conditions that would exist at the time a new basis could be made effective.

Q. In the same order the Commission had several numbered questions, the first of which was the present differences between the levels intraterritorially and interterritorially in and between Official, Southern, Southwestern and Western Trunk Line territories on: A, class rates; and B, rates on all other traffic. Have you made a study to see whether or not you could comply with the Commission's desires there?

A. Yes, sir.

Q. What is the result of it?

A. Dealing with question No. 1 as to A, there is shown on page 1 of Exhibit 63, reference to decisions of the Commission wherein are indicated the differences between the levels of class rates intraterritorially and interterritorially. A complete analysis of the various scales in their entirety shows that the situation reflected by the first class rates is not the same as when consideration is given to the entire class scales. The class mileage rates are reproduced in an [fol. 821] exhibit to be introduced later by another witness.

On pages 4 to 14 of Exhibit 63 are shown comparisons of interterritorial first class rates from representative points to destinations in the Southwest compared with the first class rates in other territories for similar distances. In Column 3 is shown the percentage the Southwestern rates bear to the rates in the other territories.

As to (b) the carriers have found it impracticable to ascertain the average rate level on all other traffic, except on class rates, in the several territories. The inability of the carriers to give the Commission a positive answer is due to the fact that there is no uniform basis of commodity rates. We have no data showing a comparison of all of the commodity rates in the different territories or on all interterritorial traffic. It is impracticable to compile such comparisons. We have made a comparison of normal rates on representative commodities such as coal, oil, sand and gravel, lime and brick, to mention only a few. These rates are shown on pages 20 to 50, in Exhibit 63. Unfortunately, one has strayed off. It is on page 108.

In a few instances truck competitive rates are shown. Note comparison of rates on coal shown on pages 21 to 23, on Exhibit 63. These rates apply from origin mine groups, not merely from the origin points shown. That is the customary method used in publishing coal rates. In many [fol. 822] instances the rates shown have destination group application. In some instances the rates are blanketed back on the destination end due to observance of the Fourth Section. Many of the lime rates, pages 24 and 25 of Exhibit 63 in the Southwest are on an origin group basis so as to keep the rates of competing shippers on a parity. Rates on sand and gravel, pages 26 to 29 of Exhibit 63 in many cases have origin group application. Note too the various scales in effect in the territory shown do not apply for the same distances. We do not have information as to the movement in the other territories, therefore, we have not made a comparison of rates for equal distances except to the extent shown.

Under these circumstances it was only possible to tabulate representative rates applicable intraterritorially and interterritorially. Then, too, there are situations where commodity rates are in effect in one territory while in the other territory the class rate is applicable due in some instances to no general movement of the commodity. Frankly, the Western carriers have been unable to answer this question in any other way than as here indicated.

In Witness Hobbs' Exhibit 5, comparisons are shown of rates on many commodities applicable between points in the various territories. It will be noted that these scales do not apply for uniform distances. It is possible to make [fol. 823] individual comparisons but impracticable to determine the average rate level on all traffic other than class rates in the three major territories or interterritorially on traffic between the major territories.

The rate comparisons shown on pages 20 to 50 of Exhibit 63 are submitted not as a complete showing but merely as representative and to show the impracticability of making a positive answer. We know of no way whereby this information may be obtained.

Q. What is your answer to the Commission's question No. 2 in their notice of January 9, 1940?

Chairman Aitchison: What is that question?

Mr. Barron: The question is, the method or methods to be used in the construction of interterritorial class rates if more than one rate level is prescribed.

The Witness: The Western carriers are not here advocating any change in the several methods under which the present rates were prescribed, checked out and published. All formulas are exceedingly complicated. Since the present is already in existence, with its imperfections , it might as well be retained. In principle, interterritorial class rates should reflect the traffic and transportation conditions inherent in the service accorded the traffic.

Where the Commission prescribed interterritorial rates that did not reflect the difference in transportation conditions [fol. 824] tions special circumstances surrounding the traffic accounted for the exception, as in Coke Between Points in Central and Illinois Territories, 194 I. C. C. 640.

There should also be taken into account the value of the service, what the traffic will bear, and the revenue needs of the carriers. Consideration must also be given to the composition of the traffic, as a whole, in order that class rate traffic will contribute its proper proportion of the needed revenues of the carriers so that they may be in a position to render adequate, regular, prompt and efficient service, in accordance with the mandates of the Interstate Commerce Act. Due consideration should be given to the transportation, traffic and economic factors within the respective territories through which the class rates are to be applied. There should be no change in the present rates.

The end sought in any adjustment is a lawful rate level made with regard to the traffic and transportation conditions incident to the granting of the service, with due regard to the rates applicable at points where the adjustment borders that of other territories.

It is a basic principle that the freight rate structure should reflect the transportation, traffic and economic conditions surrounding the production, transportation and distribution of commodities. It is necessary to have avail- [fol. 825] able the differences in the composition of the traffic in various territories.

In 192 ICC 315, decided April 10, 1933, the Commission recognized the principle that class rates in the different territories perform to a considerable extent, different functions. In Official territory, class rates have been applied to the movement of the carload traffic in volume to a much greater degree than in the South.

By Chairman Aitchison:

Q. Is this what the Commission said that you are giving us, or are you paraphrasing it?

A. I have rather paraphrased it. I do not think it is precisely the wording of the Commission. It has been paraphrased slightly.

Q. You refer to it. Is that not enough?

Mr. Barron: Mr. Chairman, it was our thought that in answering these questions it was necessary to indulge in some reference to the Commission's decisions.

Chairman Aitchison: Yes.

Mr. Barron: Where we find language in the Commission's decisions that will support what we are contending for, we, of necessity, have to use it to the best of our ability.

Chairman Aitchison: Then why not introduce an excerpt from it and refer to the page?

Mr. Barron: It just does not make a good story, if you [fol. 826] just say that so-and-so appears on a certain page, and let it go at that. This is not a quotation from the Commission's language, I will admit it is paraphrased.

Chairman Aitchison: You just paraphrase it and then go on and tell us what our duty is.

Mr. Barron: I hope you do not object to that too much. We will skip that, Mr. Stanage. Do not tell the Commission what they are supposed to do. They are supposed to know.

Chairman Aitchison: As far as the help we get at times is concerned heaven help us if we did not.

By Mr. Barron:

Q. Proceed, Mr. Stanage.

A. Rates on freight are not unlike the price of various commodities in commerce. In that both are subject to the law of supply and demand. Competition between rail cariers themselves, competition between markets and competition between commodities are all potent factors which cannot be ignored by the railroads in the establishment of freight rates. The railroads do not have a monopoly of transportation. It is necessary that the railroads keep a constant check on their rates and the movement of traffic, in order that their rates might be kept adjusted to meet the changing needs of commerce based on the many competitive influences.

The Western Trunk Line formula of determining rates in conjunction with the rate level prescribed does not [fol. 827] reflect the average conditions prevailing in the different rate areas; rather it reflects a super refinement, only the most favorable conditions in the different rate areas. If this theory were carried to its logical conclusion, in assuming reflection of varying conditions along route of movement; it would of necessity make different rates for branch and main line movement, different rates for heavy traffic density lines or lines having greater operating costs account grades, etc., within these same territories. That such a cumbersome method of rate making would be wholly unworkable is recognized by the Commission in the W. T. L. case 164, 1-250.

The basic scale there prescribed by the Commission, approximates 106% of the Appendix E first class scale prescribed in Eastern Class Rate Investigation. The Commission in that case recognized the need for a higher scale in the New England territory, and in all of the territories in the East it has recognized the need of short and weak lines.

In Eastern Class Rate Investigation, the Commission, at 164 ICC 314, in its preliminary announcement invited evidence on the following question: "Do conditions warrant a single level of class rates throughout Official Territory? If not, what exceptions, territorial or by classes of carriers should be made and by what differences in traffic, transportation, or commercial conditions are such excep- [fol. 828] tions justified? Shippers as well as carriers generally agreed that a single level of class rates throughout the territory would not be justified but that there should be certain differences reflecting marked variations in cost of operation and density of traffic, such as those found to exist in Michigan and New England."

The Commission did not prescribe one level of class rates for application throughout Official territory. Many factors are taken into consideration and the rate or rating finally determined by the exercise of informed judgment.

In other words, were the laminated formula to be strictly applied it would necessarily follow that it would have to be laminated for the haul in the New England territory and again laminated for the hauls west of the Illinois-Indiana State Line. The fact that the structure of rates in effect prior to the 21st Supplemental Report 205 ICC 601, did not conform to the innovation of a laminated formula, did not alter its substance or render it any less reflective of conditions in the different rate areas. Those rates were based on the same fundamental principles except that the basis used averaged the condition in the interest of simplicity while the laminated formula resorted to super refinements.

Distance scales are frequently criticized on the ground that cost of service is not dependent upon distance alone. [fol. 829] That is true when service is viewed in detail, for other factors affect cost, such as grades, curves, cost of construction, weather conditions and density of traffic.

A longer haul may actually be cheaper because of the type of train used than a shorter haul over the same line. Broadly speaking, however, cost of service undoubtedly does increase as distance increases. In considering an adjustment of rates such as are here in issue detailed consideration of cost is impracticable. Otherwise, rates would vary with the line, the train, the day, and the state of the thermometer. Distance at least measures the quantity of service rendered, furthermore distance scales are based on a theory that is readily understood.

Q. The answers to questions 3 and 4 will be made by another witness, is that correct?

A. Yes, sir.

Q. In the Commission's Question No. 5, they want to know the percentage relation between the various rates and between rates on the various classes. What is your answer to that question?

A. The percentage relations between the rates on the various classes in the standard class scales were prescribed by the Commission. The carriers are disinclined to suggest a marked change in relationships which have been in effect for the past several years. Prior to the decision in the [fol. 830] Consolidated Southwestern Cases and Western Trunk Line Class Rates, there was no uniform percentage relation between classes.

On pages 51 to 57, Exhibit 63, are shown excerpts and charts reproduced from decisions of the Commission relating to percentages of first class beginning with the railroad Commission of Louisiana Case decided July 7, 1916, 41 ICC 83. In the Shreveport Case, 48 ICC, the Commission prescribed the following:

Classes:	1	2	3	4	5	A	B	C	D	E
Percentages:	100	85	70	60	48	52	40	35	30	25

The above percentages were approved in Memphis-Southwestern Investigation and I & S 1269 Case, Extension of Memphis-Southwestern scale.

In Consolidated Southwestern Cases decided April 5, 1927, the Commission prescribed the following class percentages:

Classes	1	2	3	4	5	A	B	C	D	E
Percentages	100	85	70	55	38	45	32.5	27.5	22.5	17.5

In the proceedings on reconsideration 139 ICC 536 decided March 6, 1928, the carriers asked that the percentage assigned to fourth be changed from 55 to 60. They further sought changes on the carload classes, fifth, B to E inclusive, as follows:

5: Prescribed, 38; Sought by Carriers, 40. B: Prescribed [fol. 831] 32.5, Sought by carriers, 35. C: Prescribed, 27.5; Sought by Cariers, 30. D: Prescribed, 22.5, Sought by Carriers, 25. E: Prescribed, 17.5; Sought by Carriers, 20.

The Commission approved 40 on fifth and changed C from 27½ to 30, but declined to change fourth or classes B, D and E. As to the latter classes the Commission found that such changes would defeat one of the important ends sought viz: carload class rates on levels suitable for actual movement of carload traffic.

In Western Trunk Line Class Rates, decided May 6, 1930, the Commission prescribed the same percentage relations to first class for application throughout Western Trunk Line territory as in effect within Southwestern territory except that on fifth class the percentage relation was made 37½ while class 40 was in effect in Southwestern territory. In Consolidated Southwestern Cases, 23rd Supplemental Report, on further hearing decided November 22, 1934, the Commission reduced the percentage relation on fifth class from 40 to 37½ so that today the percentage relations to first class are the same in Southwestern and Western Trunk Line territory. In commenting on its action the Commission pointed out that under its decision on further hearing the first class rates were increased intraterritorially for all distances over 25 miles with few exceptions, while the interterritorial first class [fol. 832] rates were somewhat decreased on the average so that with a reduction in fifth class from 40 to 37½ there would be so far as those features were concerned no decrease in the carriers' revenues.

In the latest class rate decision, 266 I. C. C. 497, Western-Southern Class Rates decided April 5, 1938, the Commission approved for application north or westbound the same percentages as in effect in Southwestern and Western Trunk Line territories. It will thus be noted that uniform percentages of first class now apply to intraterritorial class rates within Southwestern and Western Trunk Line territories as well as to interterritorial class rates, except from Western Trunk Line to Official and Southern territories. These percentages are shown on page 57, Exhibit 63.

In 164, I. C. C. 314 at page 372, the Commission dealt with the question of percentage relations and recognized that the percentage-column plan would permit a closer and more equitable differentiation in rates. In the 21st supplemental report in Consolidated Southwestern Cases, 26 rate-base scales were required to be published, to be available as further occasion may require or as rates may be voluntarily applied.

There would be no purpose in creating all of these columns in addition to the ten standard classes unless the Commission intended that they should be used. It is the present intention of the carriers to add to these classes [fol. 833] as necessity may require. The publication of exceptions or other rates on these bases have been, therefore, within the framework of the Commission's own structure, rates and apparent design. The carriers do not advocate a change in or a reduction in the number of the percentage columns referred to in the Commission's Question No. 5.

The percentages cannot be reduced on any class without either (a) an increase to one of the higher columns, which may serve to divert the traffic from the rail carriers or from one shipper to another or (b) a reduction to one of the lower columns, which would further reduce rates already depressed because of competition of other transportation agencies with resultant loss in carriers' revenues.

Chairman Aitchison: Before you go on, I would like to ask you a question.

By Chairman Aitchison:

Q. You say that the present intention of the carriers is to add to these classes as necessity may require. That is, the ten standard classes.

A. Yes, sir, not for the purpose of changing the pattern of the ten standard classes, but to facilitate the publication of commodity rates by using a higher percentage of first class than any of those currently in effect.

Q. You call those classes for the purpose of your testimony, do you?

A. That is the way they are published.

[fol. 834] Q. How many clases do they have in Official territory now?

A. I cannot tell you accurately, but I think there must be as many as 40.

Q. Would it surprise you to know that in a case I heard it was developed that there were more than 100 classes?

A. I would not doubt it. I have reference to a truck tariff here——

Mr. Barron: The Chairman is talking about rail rates.

The Witness: Yes. The reason I mentioned the trucks is because we have to meet what they do or keep up with them.

By Chairman Aitchison:

Q. You have classes that differ from one another only by one-half of 1 per cent, do you not?

A. That is correct, yes, sir.

Q. Is that not rather carrying things to an absurdity?

A. It is necesary to establish the rates resulting from the application of those percentages in order to properly take care of industry.

Q. In other words, to get the business?

A. Yes, sir, to meet the competition of other transportation agencies.

Q. Is that process going to go on? Is there any reason why you should stop at one-half of 1 per cent, if necessary, to get the business?

A. Of course, they do not use other than halves, so that [fol. 835] results in some restriction as to the number of classes that we have available.

Q. Well, I think it can be found upon an examination of the tariffs, if I am correct, that even where you have the same percentage, the way the percentages are pinched around, they are virtually different classes.

A. That is correct, but you must understand, Mr. Commissioner, that we have to meet the changing needs of commerce. When shippers present certain facts to us which we think justify some change in the current adjustment or some competitive situation arises, it is necessary for us to meet it, and we naturally establish the basis which will move the traffic having regard, of course for all the various features we must watch like Fourth Section situations, whether the rates are compensatory, and so forth.

Q. You do not need, then, the standard classes, do you?

A. Yes, sir.

Q. You can say "10" or "20" just as easily as you can say "E", can you not?

A. Yes. That is true, but 10 has been in effect in Western territory for almost 50 years, I am sure.

Q. You have urged according to your exhibits here, have you not, that those classes are meaningless because of the differences in percentage relations?

A. No, sir. I will not agree that they are meaningless, [fol. 836] because all of those classes I used—of course, in varying degree.

Q. Take Class A, for instance.

A. Yes.

Q. Throughout how much of the territory does Class A exceed the rate on 5th class?

A. I could not tell you with any degree of accuracy. I have determined that classes below 5th, or 5th and other classes are used. The extent to which they are used, of course, varies, but they are not absolute classes.

Q. Do you not know that Class A runs from higher than 5th class to considerably below it in your territory?

A. I do not know of any situations like that except to meet active competition of some other transportation agency such as barge movement or trucks, because we have the adjustment which was prescribed by the Commission——

Q. Yes.

A. —in the 21st Supplemental Report.

Q. Except for that, you had 5th Class and Class A sometimes equal, sometimes one greater and sometimes another?

A. I think those situations, Mr. Chairman, are just happenstances. By that I mean that our normal adjustment is the one the Commission prescribed in the 21st Supplemental Report in the Consolidated Southwestern Cases. That is departed from due to competitive conditions which [fol. 837] the carriers find it necessary to meet in order to secure a proper proportion of the moving traffic. Now, if it so happens that the situation you mentioned results, it is due to the desire of the carriers to meet the competitive conditions rather than a desire merely to make several 5th Class rates or several Class A rates as such.

Q. Why can you not meet your purposes entirely by fixing, for example, a scale on agricultural products and then letting you make your tariff and say that a certain product will take 97 per cent of the scale and another one will take 105 per cent and so forth?

A. The trouble is, the United States is too big to justify the application of a uniform or standard basis of that kind. Unless one studies the moving traffic, it is difficult to comprehend the competitive conditions developing throughout a large territory as large as Southwestern territory. When competitive conditions justify departure from the standard yardstick that the Commision may have prescribed or the carriers may have set up on a given date, say June 1st, it is necessary in order to move the traffic and meet the competition of other transportation agencies on August 1, for example, to make an exception to that basis and the carriers have to meet the changing needs of commerce.

Q. How do you meet that, by changing your classifi- [fol. 838] cation, or taking it out and putting it in exceptions?

A. It can be met in several ways. First, a man who wants a reduction could present an application to the Classification Committee, if he so desired.

Q. The Consolidated Classification Committee?

A. Yes.

Q. Of all three territories?

A. Yes.

Q. He would have to get the consent of all three territories?

A. No. He would make application to them, but I do not think they require the consent of the other two, if Western, for example, gets an application.

Q. You do not agree with the gentleman from the South who said that because his rates have interterritorial application, he was not free to change his Southern Classification?

A. I do not wish to take issue with his statement, but I was answering your question.

Q. Yes.

A. About the consideration of the matter by one classification jurisdiction and requiring the applicant to go to all three. By that I mean I know it to be a fact that when a shipper in the Southwest wants an adjustment in Western [illegible]rritory, he writes Mr. Fyfe about it. He does not at the same time write to the other classification chairmen.

Q. No, but [illegible]s to be concurrence of the other car- [fol. 839] [illegible] according to the testimony this morning.

A. Yes. I [illegible]erstand there has to be.

Q. Yes.

A. So much for the classification.

Q. All right. ~~Now,~~ you meet it sometimes by a change of classification. I am talking about competition now.

A. Yes.

Q. Sometimes you meet it by taking them out of the classification and making exceptions related to first class.

A. Yes, sir.

Q. Sometimes you do it by making sepecific commodity rates?

A. Yes, sir. You understand, Mr. Chairman, that this country is so large——

Chairman Aitchison: I understand how large the country is.

By Chairman Aitchison:

Q. When you endeavor to meet competition by a change in the classification, Mr. Fyfe has to get the concurrence of the Southern and Official Committees as well if he is going to carry it in the Consolidated Classification, does he not?

A. Yes.

Q. Then does it not mean this, that all three committees pass on the question as to whether there should be a change in classification necessitated by competition in one area?

A. Yes, sir.

[fol. 840] Q. Is there anything cumbersome about that?

A. No, sir. The difficulty is this, that the parties desiring an adjustment might want a revision, let us say, from Fort Smith, Arkansas, to St. Louis. They are not interested in the whole United States situation being changed.

Q. Of course not. Now, that just gets right down to this: What business has that sort of thing got in the classification?

A. It is not in the classification as a practical matter. By that I mean this, that if a shipper in Fort Smith, Arkansas, wanted to ship a commodity to St. Louis, he found that the classsification was 5th Class, for example, and he thought that was too high for his commodity, he would ask the Fort Smith-St. Louis line, one of the lines, or jointly, to establish a commodity rate for him and would present his facts. If the railroads felt that he had a just cause, they would docket it for consideration so his competitors would have an opportunity to review what he was seeking, and if they thought it would be proper, they would establish it. They would establish it in perhaps one of two ways: Either by a commodity rate taking care of the Fourth Section, or by classification exceptions, whichever is the most expedient way and practical way and economic way from the point of view of the mechanics of the change, to put it into effect.

[fol. 841] Q. Leaving the classification intact to be preserved according to the accepted principles of classification?

A. Yes. Our commodity rate adjustment, like I have attempted to explain, is not unlike the practice of all commercial houses in having a price list. I guess that is the proper way to designate it, a price list. If a man comes there and they think they would like to attract him as a customer, or the facts warrant them in making a departure from this basis, they make that departure. I differ with the advocates of a uniform basis of rates throughout the United States either as to classification or as rate adjustment because it will not work, for the simple reason the country is too big.

Q. It does work as to the first three classes, does it not?

A. Yes, but that is merely the classification. The commerce moves on exceptions in commodity rates. It is taken care of in a different way. That, apparently, is what the Commission is attempting to overthrow, and I am telling you, it will not work.

Q. We are just giving an opportunity to gentlemen like yourself to assist us with this problem, although I confess that you do not suggest any particular betterment as far as your own testimony is concerned, except you are going to take these more than 100 classifications and add to them.

[fol. 842] A. We are not here—that is the Southwestern Lines—advocating any change for reasons I thought I outlined. We do not stand on the position that no change is ever justified, but it is not justified at the moment because of the conditions with which we are all acquainted, the war situation and so forth.

Q. You would rather, then, as far as the Southwestern Lines are concerned, that we would get the war over with and get into conditions of peace and in the meantime labor along under the present system, than to try to improve it at this time?

A. Yes. That is practically our view, but we go further: We do not believe there are as many of these so-called imperfections as a lot of people are led to believe. I mean, the men who are actually paying the freight come to us, and when their complaint is justified, we remedy it. To be frank about it, there is a lot of smoke here, but there is not a whole lot of substance to some of the complaints I know about. That is just talking plain. That is the fact. We have traffic departments in the Southwest and the Southwestern Freight Bureau. We hear applications for changes in rates, no matter what the need be based on, the conditions they present, and we decide them one way or the other.

Q. Do you attach any importance to what was testified to by one witness this morning, of his finding so many [fol. 843] different classifications in the book that it was a diffcult matter to tell what the real-true rate was?

A. Well, I do not think it was a difficult matter. My criticism of that former situation was this, that a given commodity was classified, let us say, four different ways, primarily or basically because of the different packages in which the shipment was shipped to the public or to the consumer. Now, they had a fine differentiation between packages back in the early classification days.

Q. No. That came after the competition between the shippers themselves became so bitter.

A. I was coming up to that point.

Q. There was a time, of course, when it was a railroad market rather than a shipper's market.

A. Yes.

Q. You could have a broad classification then.

A. Yes.

Q. When things tightened up, each man began scrambling for his fair advantage, is that not a fact?

A. That has something to do with it, but the basic principles of transportation, to my notion, have not been changed. You are handling the traffic by motor truck today in one direction and by railroad in the same direction and by contract truckers in another direction, or by air, but the underlying principles of transportation, to my [fol. 844] notion, have not been changed much within the last 25 years.

Chairman Aitchison: Answer me two more questions, and I will let you go.

By Chairman Aitchison:

Q. The first is, do you think that competition is the thing which ought to be reflected in classification?

A. No, sir.

Q. The second is: What do you say with respect to the desirability of our aiming toward a classification which will apply to all carriers, all transport agencies?

A. I think that is a desirable thing and I think that it is practical. It is workable, and I would like to see it done.

Chairman Aitchison: We are going to suspend now until tomorrow morning. However, there is one matter I would like to discuss before you leave. When will the carriers be prepared to cross examine Dr. Edwards on his latest exhibit, Mr. McCollester and others who indicated they wished to examine the underlying data? The underlying data is here and is subject to examination. I am informed that no one has asked to see it yet.

Mr. McCollester: Mr. Chairman, I talked to Dr. Edwards about that. He said it would suit his convenience to have the underlying data examined in Washington, because we are putting in all of our time reading what goes on here during the day, reading these exhibits and statements.

[fol. 845] Chairman Aitchison: Dr. Edwards was the first witness called. He is sitting around here waiting. He has other things to do. The data is here. Other people may not find it convenient to go to Washington. Could you reasonably examine his data over the week end so you will — prepared to cross examine him Monday morning, and let him go back?

Mr. McCollester: As far as I am concerned, I can do that. I can let him go and examine these data in Washington. Either one is agreeable to me. Up to now I have been fairly busy.

Chairman Aitchison: That, of course, would split the cross-examination.

Mr. McCollester: I do not know that we will have cross-examination of Dr. Edwards. My purpose and desire in examining his data is not necessarily for cross-examination so much as it is to understand his exhibits and perhaps answer them by way of rebuttal rather than by attempting to cross examine. I cannot tell until after I have examined them.

Mr. Hughes: Mr. Chairman, a group of accountants of the Western Lines have been in session here since this hearing started working on the supplementary exhibits of Dr. Edwards. They have been unable as yet to get to a point where they can say definitely what cross-examination should be made of him, and furthermore, they have had to prepare their own testimony concerning Dr. Edwards' [fols. 846-847] original presentation and they have not yet been able to determine, despite very serious differences, to what extent their own testimony will have to be modified. Apparently the fact that Dr. Edwards has introduced new exhibits itself suggests that there must be some sufficient changes in his original proposal to require a very thorough analysis of this. I am saying that in order to make it clear that the Western carriers are unable to say at this time whether they can cross examine Dr. Edwards at any time within the next week or so. This question, of course, I need not remind the Commission, is one of vital importance to the railroads and is something that requires a very thorough investigation and research in order to know exactly where they are. It suggests to me that we will have to, I think, before the week is out, reach somewhat of a more definite decision on the question of whether or not we will have to ask for a postponed hearing within the discretion of the Commission in order to complete this work and make such amendments to the testimony as now prepared in order that when we do present it, it may be a final job and not an intermediate one.

Chairman Aitchison: Well, I simply wanted to call your attention to the fact that he is here with his working papers and he is waiting. We will suspend until 9:30 tomorrow morning.

(At 5:20 o'clock P. M. September 24, 1942, adjourned to 9:30 o'clock A. M. September 25, 1942.)

[fol. 848]

Hotel Claypool,
Indianapolis, Indiana,
Friday, September 25, 1942.

Met pursuant to adjournment at 9:30 A. M.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner.

Hon. J. Haden Alldredge, Commissioner.

Present: Paul O. Carter, Examiner, W. J. Koebel, Examiner, T. Leo Haden, Examiner. Mr. John J. Murphy, South Dakota, Mr. George McConnaughy, Ohio, and Mr. W. H. Scott, South Carolina, comprising a cooperative committee of State Commissioners.

Appearances: As heretofore noted and the following additional:

C. L. Denk, Jr., % Fulton Bag & Cotton Mills, Atlanta, Georgia, appearing for Fulton Bag & Cotton Mills.

L. J. Dorr, State Office Building, Albany, New York, appearing for New York State Department of Agriculture and Markets.

PROCEEDINGS

Chairman Aitchison: May we have order, please.

[fol. 849] Mr. Barron: Mr. Stanage.

B. H. Stanage re[illegible]ed:

Mr. Hughes: If the Commission please, the carriers of the Western District ask permission to withdraw Mr. Stanage for the present, in order to present three other witnesses for the Western Carriers. Upon the conclusion of their testimony, we will then resume the testimony of Mr. Stanage.

Chairman Aitchison: Very well.

Mr. Barron: You may stand aside, Mr. Stanage.

(Witness excused.)

Mr. Hughes: Mr. J. A. Brown.

J. A. BROWN was sworn and testified as follows:

Mr. Hughes: If the Commision please, Mr. Brown has prepared his testimony in written form, and it has been distributed to the parties. I will ask permission at this time that he be allowed to read it into the record. It is very short.

Direct examination.

By Mr. Hughes:

Q. Will you give your name to the reporter please, Mr. Brown, and then proceed to read your statement into the record.

A. My name is J. A. Brown. All of my experience has been in the Traffic Department of the lines presently com- [fol. 850] prising Missouri Pacific System. During the last thirty-two years I have continuously held official positions in the Traffic Department of those lines and I am now Chief Traffic Officer for Guy A. Thompson, Trustee, and vice-president of the corporate lines. In this proceeding I am dealing with the rate situation between points within Southwestern Territory; also, between points in the Southwest and points in other territorial jurisdictions involved in these proceedings. The order of the Commission entered July 29, 1939, institutes an investigation into intraterritorial and interterritorial class rates in Official, Southern, Southwestern, and Western Trunk Line Territories with a view to "determining whether said rates and charges, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, etc."

We are confronted with the fact that whatever the Commission may find, it will take into consideration certain conditions of the country, as those conditions affect, or may affect, the movement of traffic by common carriers. It follows, therefore, that the Commission will necessarily base any findings it shall make upon conditions as they existed on January 9, 1940, or upon conditions such as now exist or upon conditions that conceivably may exist after the termination of the present war.

The carriers on January 9, 1940 were still feeling the [fol. 851] effects of the depression which had prevailed since 1930, and the carriers by railroad were also during that same period confronted with competition by motor trucks in its most acute form, and were also confronted with strong competition on the part of common carriers by water, the latter operating at lower rates than applied to all-rail traffic. Due to this competition the rail carriers, during this depression period, made substantial reductions in rates in an attempt to retain a share of the traffic. As a result of all this, the general level of class rates, including reductions made in intrastate rates in Southwestern Territory, was generally lower than prescribed by the Commission as reasonable maximum rates.

The Commission prescribed this class rate structure in the Southwest and between points in the Southwest, on the one hand, and points in other territorial jurisdictions here involved, on the other hand, after many years of almost continuous hearings. Therefore, it would seem obvious that if this class rate structure is to be changed, such changes must come out of changed conditions which in and of themselves have some reasonable likelihood of permanence. Dealing particularly with rates within the Southwest and to and from the Southwest, and without going into the financial situation of the rail carriers in detail, it should be stated that the net income of the Southwestern [fol. 852] Lines for the year 1928, the year the class rates prescribed in the Southwestern revision became effective, was greater than during the year 1940, being the year the Commission defined its purpose in instituting this investigation. This situation makes it apparent that rates based on necessitities of carriers to enable them to earn fair returns as of January, 1940, should have been on a higher level than they were during the year 1928. From a financial standpoint the year 1929 was one of the best years the rail carriers have ever enjoyed.

Conditions as they exist today are the result of the war and are not the result of any natural evolution of business. Production of consumers' goods, as well as the movement of such goods in commerce, is rapidly declining and the production and movement of heavy goods, generally known as producers' goods, is rapidly increasing. The large increase in existing traffic today is due either to movements made by the United States Government or by contractors engaged in war production. This situation has developed a very heavy tonnage for the railroads. This present abnormal tonnage is temporary and will disappear with the conclusion of the war.

The end of the war will unquestionably mean a sudden stoppage in production of war materials and in consequence a quick drop in the movement of this traffic. No one can [fol. 853] predict how soon consumers' goods will come into volume production following the end of the war, nor can it now be determined where such goods will be produced. Many of the war-time plants, largely financed by the Government, which have ben constructed over the country for the manufacture of war materials, will with the end of the war begin the manufacture of peace time goods. Just what, or when, or where, this will appear is one of the enigmas of the future. Many of these plants have been and are being located in Southwestern Territory.

The railroads are at present without any basis for estimating either the future source of their tonnage, the character of such tonnage, or the volume upon which they must rely for their revenue. The railroads cannot at this time estimate with reasonable accuracy the cost of the service they will be required to render. The rail carriers cannot at this time determine nor estimate the character nor degree of competition they will have to meet in the post-war period, nor what form that competition will take. We do not know whether there will be a surplus of boats, barges, trucks and pipelines, nor how severe the competition will be, nor to what level it may force rates, nor do we know what effect the development of air transport will have on rail tonnage. To reorganize the rate structure for the future under such [fol. 854] circumstances is to base it upon uncertainties and to apply a treatment which may have no relationship to the actual transportation conditions existing in the period for which it is designed.

The foregoing deals in large measure with the question of whether the Commission or the carriers can at this time secure proper data upon which to fix rate levels for the future. We think it fairly obvious that the Commission does not have before it, and cannot at this time procure, testimony from which it can undertake with confidence to say what change, if any, should be made in existing rates. However, our traffic witnesses will deal with existing rate structures.

In its notice of January 9, 1940, the Commission, in defining somewhat its purpose in instituting this investigation, raised the question of whether there could be established a more simplified and uniform basis of class rates. In the Southwestern revision the Commission prescribed a system of class rates within that territory and, also, prescribed a scale of class rates between points in that territory and points in other territories involved in this proceeding. The rates between points in the Southwest, on the one hand, and points in Western Trunk Line, Official Territory and Southern Territory, on the other hand, are made by what might be termed laminated scales, somewhat lower than [fol. 855] the scale prescribed for intraterritorial application in the Southwest and somewhat higher than the scales prescribed for intraterritorial application in the other jurisdictions. The interterritorial scales are constructed having regard for the length of haul of the traffic through the lower rated territory. If class rates should be reduced, necessarily the carriers would have to recoup their losses in revenue through increases in commodity rates; this, in order to preserve their over-all reveues. Such increases in commodity rates would tend to handicap the industrial development in the Southwest more than could be offset by any reduction in the class rates.

It has been the policy of Southwestern Lines to make low rates on raw materials into manufacturing plants, and to adjust rates on manufactured products with relation to other points of manufacture, service considered. A uniform level of rates, if established, would adversely affect, if not entirely destroy, such policy because it would then be impracticable to make rates based upon the competition encountered. Uniformity of levels of rates in all territories and interterritorially is not practical. Such uniformity would either make the rates in the Southwest too low or in other lower rated territories too high, and would destroy the ability of producers to meet competition since such a basis would result in advances where they could not be [fol. 856] absorbed and reductions in cases where reductions would not be necessary from a competitive standpoint.

It is our view that the most important factor involved in transportation charges to producer and shipper of goods is the relationship of his rate to that of his competitor. While the interterritorial rates on manufactured articles between the Southwest and the other territories involved are generally on the same level in both directions, there are some very notable exceptions in favor of important articles manufactured in the Southwest. The principle under which the class rates, and rates made a percentage of class rates, are generally on the same scale northbound as southbound, is the result of the laminated interterritorial scales, and establishes a proper relationship. Important exceptions to this general plan are rates on many articles manufactured in the Southwest where the rates from the Southwest to other territories have been made lower than rates in the opposite direction in order to allow the Southwestern manufacturers and producers to meet competition in other territories.

The class levels, generally, determine the commodity levels on many manufactured articles. Basic commodities like coal, lumber, grain and cotton, and commodities of that character, are not generally fixed with regard to the class [fol. 857] rates, but it stands to reason that if there is a uniform level established on class rates, it will eventually follow that a uniform level would also be established on commodities. If that should take place then the production and movement of certain basic raw materials produced in the Southwest, upon which the Southwest is largely dependent, would be seriously handicapped.

Under the policy of ratemaking in effect in the Southwest and interterritorially there has been a marked development of manufacturing in the Southwest. This in our opinion would not have taken place if the policy had been such as to handicap the manufacturers. It is the belief of the Southwestern Lines that under conditions now existing a change in the existing method of ratemaking between points in the Southwest, and between points in the Southwest, on the one hand, and points in other territories involved in this proceeding, on the other, is not desirable because any such change would necessarily be based upon a condition assumed to take place in the post-war period. We do not believe that any testimony offered at this time would be of value in determining what such post-war condition would be.

Perhaps that ought to be written up somewhat. It might be of some value, but it would not be of controlling value, I should say.

Mr. Hughes: That concludes the direct.

[fol. 858] Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Bee:

Q. Mr. Brown, on Sheet 5 of the prepared statement of your testimony, you say that if the class rates should be reduced, it would be necessary for the carriers to recoup their losses in revenue through increases on the commodities.

A. Yes.

Q. Why do you think that there would be any loss in revenue, if the class rates were reduced?

A. Well, the class rates move a considerable volume of traffic.

Q. But if the class rates were reduced, would it not permit industry to develop in the Southwest and thus increase the amount of traffic, and make unnecessary a change in any rate groups?

A. No, sir, We do not agree with that. It would not.

Q. Do you know that your railroad refuses today to make the same rates on edible beans from Oklahoma to Detroit, as you have from Detroit to Oklahoma? If that is the case, is that helping Southwestern industry?

A. I do not know about that particular case, to which you refer, but we do decline in various instances to make the same rate southbound as we do northbound. Take your paper adjustment, for instance. We do not make the [fol. 859] same rates southbound as we do northbound, in order to enable the paper industry to place its paper in Central Freight Association Territory.

Q. I am speaking now, Mr. Brown, of movements in the opposite direction,—that you will not establish the same rate on edible beans northbound, as you do southbound, having a much lower rate southbound than you have northbound.

A. Well as I stated before, I do not know about that particular commodity, edible beans. I have not kept up with the situation, in that particular matter.

Q. Do you know that your railroad, and other southwestern railroads, have refused many requests from a paint industry at Tulsa, Oklahoma, to give them the same relative rates on paint that you give ~~southbound,~~ that you give into Texas, from beyond Oklahoma? If that is the case, is that helping Southwestern industry to develop?

A. I am sorry, but I am not acquainted with the paint situation, either, to which you refer,—the rates on paint northbound as compared with the rates southbound.

Q. Are you advised that your railroads in Oklahoma have refused to reduce the rates on batteries from the Southwest, but have reduced the rates inbound from beyond the Southwest, and thus permitted manufacturers without the territory to supply the trade?

[fol. 860] A. I do not know about the particular commodity, batteries, that you mention there. I do know about a great many commodities, however, where we have reduced the rates in order to enable you to move business from the Southwest into the East, in order to meet competition in the East, and where it would be to your disadvantage if we reduced the rates intraterritorially, as well as interterritorially.

Q. Except on glassware, would you tell us one commodity, please, upon which the rate from the South to the East is lower than the rate in the reverse direction, Mr. Brown.

A. Well I just spoke of paper, wrapping paper, print paper, and board, which is quite an industry in the Southwest, and which has been built up in the last few years, where we make very low rates on pulpwood into the mills, and where we make very low rates on salt cake, and other raw materials, and where we have made rates into the North on a scale lower than applies southbound, and about which there is complaint from the North at the present time. We make rates from the South into the Northeast lower than the rates southbound, in order to enable our manufacturers to place their paper in that territory in competition with mills up in that territory.

Q. Do you happen to know, Mr. Brown, that you make rates on canned goods into Southern Territory from the North, much lower than the rates from Southern Territory [fol. 861] outbound on canned goods?

A. I do not think that is correct. We make lower rates, and have provided lower rates on canned goods from territory in Southwestern Texas, into Central Freight Association Territory,—Chicago and that territory, lower than applies southbound.

Q. Do you mean on grapefruit juice, and commodities of that kind, that are not produced in the north?

A. I mean on grapefruit juice and canned vegetables, which are produced in other sections of the United States.

Q. I do not know of any canned grape juice—or grapefruit juice that is produced anywhere in the north; do you, Mr. Brown?

A. Canned vegetables, yes.

Q. Canned vegetables.

A. Yes.

Q. Now you also spoke in your prepared statement of some competitive reason for reducing the class rates, less than carload rates, in the Southwest. Did you happen to attend the hearing before the Kansas Corporation Commission, and the Oklahoma Commision, when those rates were reduced?

A. No.

Q. Are you advised that the traffic representatives of your railroad testified under oath that the rates that they were tendering, which were approximately 75 per cent of [fol. 862] the rates prescribed by the Interstate Commerce Commission, were reasonable rates for the territory in which they were offered?

A. No, sir, I am not acquainted with that. I do not know if I follow you completely, but——

Mr. Hughes: Just a moment please, Mr. Brown. I should like, if the Commission please, to object to that question. Counsel is apparently merely undertaking to quote something that somebody is purported to have said, which is unsupported, and concerning which the witness himself is not advised.

Mr. Bee: The witness has made a statement of record here, and I am now merely asking him what his advice is in that connection; that is all.

Mr. Hughes: You asked the witness if he knew about something that some representatives of his company are alleged to have said in some other formal proceeding before two state Commisions.

Mr. Bee: Certainly.

Chairman Aitchison: The objection is overruled.

Mr. Bee: Thank you.

By Mr. Bee:

Q. And you are not advised as to what the reasons were, when those rates were reduced?

Chairman Aitchison: Now he has just said that he does not know anything about it.

[fol. 863] Mr. Bee: Very well.

The Witness: As I stated before, I am not advised with respect to that, and furthermore, I did not follow all that you said.

Chairman Aitchison: That is enough.

Mr. Bee: I will not pursue it.

Chairman Aitchison: There is nothing before the witness.

By Mr. Bee:

Q. Now, those same rates were made applicable interstate—or some of the rates, at least, the rates that were reduced—that is, the class rate level was reduced in the Southwest, and you spoke of that in your statement also, I believe.

A. The reduction in the class rate level in the Southwest?

Q. Yes.

A. Yes.

Q. I presume that you were speaking of what is known as the 213 scale, applicable in the state of Kansas, and applicable in the state of Oklahoma, applicable in southern Missouri, and applicable in a portion of Arkansas, and interstate between those points. I say, I imagine that is what you were speaking of.

A. That is what I had reference to, when I spoke of the rates that have been reduced intraterritorially in the Southwest. Principally, however, those rates were intrastate [fol. 864] rates.

Q. And they apply with like application interstate, do they not?

A. Yes, I think in all instances.

Q. Now then, referring to Sheet 6 of your prepared statement, you make the statement there that class rate levels generally determine the commodity levels on the many manufactured articles. You say "basic commodities like coal, lumber, grain and cotton, and commodities of that character, are not generally fixed with regard to the class rates, but it stands to reason that if there is a uniform level established on class rates, it will eventually follow that a uniform level would also be established on commodities." Will you tell me why that is?

A. Well, I think that it is more or less obvious that what is being sought here is to get reductions in rates, and when you get them in the class rates, you will then ask for reductions in the commodity rates, and set that up as an argument—set the first reduction up as an argument why you should have the other reduction.

Q. Are you advised, Mr. Brown, that the Interstate Commerce Commission, by proper proceedings, has fixed the same level of class rates for the territory south of the Missouri Pacific Railroad in Kansas and in Oklahoma?

A. Right.

[fol. 865] Q. And has the Commission also, in proceedings lawfully before it, fixed the same level of rates on grain, or on coal, or on lumber, or on salt, or on cement?

A. Not so far, no.

Q. Has not the Commission, in each of those instances, fixed different rates in those two territories, one adjoining the other, although it fixed a uniform class rate in the two territories?

A. Yes, I believe that is generally true.

Q. You think, do you, that because the Commission extended the uniformity to class rates, it would go beyond that——

Chairman Aitchison: That is not necessary.

Mr. Bee: All right, sir. That is all.

By Chairman Aitchison:

Q. You told me that you have a uniform class rate system over this territory, but that you have commodity rates which are different in different directions. Now how can you make that line up with your statement that it stands to reason, if there is a uniform level established on class rates, it will eventually follow that a uniform level will be established on commodities, when you yourself have not had it?

A. I think that will be the tendency, Mr. Chairman; I think the tendency will be, to make a more uniform level, to reduce the class rates to the level of the commodity rates which for instance exists in Eastern Territory, where the [fol. 866] class rates are the commodity rates,—or where the commodity rates are on the class basis. Now that would not follow in all instances, but it certainly would be the tendency, it occurs to me. We have quite a number of commodities, a great many other commodities, moving northbound,—chemicals, for example——

Chairman Aitchison: I think you have answered my question.

The Witness: All right, sir.

By Chairman Aitchison:

Q. But is it not the tendency, when you establish commodity rates in one direction, that eventually the commodity rates in the opposite direction will be the same?

A. Absolutely, yes, Mr. Chairman; that is the tendency.

Q. Regardless of whether there is uniformity in the class scales or not?

A. I did not get that.

Q. I say, and that, regardless of whether there is uniformity in the class scale or not.

A. Yes, sir, I think so.

Q. Well then, it is not necessarily true that because there is a uniform level established, as far as class rates are concerned, that fact alone will bring about the establishment of a uniform level, as far as commodity rates are concerned, is it?

[fol. 867] A. Well, may I refer to paper again, Mr. Chairman, for illustration. I know of a complaint—I think there is a complaint before the Commission, where they are trying to get rates on paper southbound, into the Southwest, on the same level on which we make rates from the South into the East, or into Central Freight Association Territory.

Q. Well that does not necessarily depend on whether there is uniformity of the class rates or not, does it?

A. No, sir, it does not, but a uniformity of class rates in both directions, in all territories the same, is necessarily going to force us to get some revenue from some other source than from the class rates. If the class rates are too low in the East, and should be raised to the level of the Southwest, or if they would be too low in the Southwest, and should be raised to the level of the East, the rates would be unnecessarily low in one instance, and unnecessarily high in another.

Q. I do not understand your answer. You have a uniform system of class rates in your territory, have you not?

A. Yes.

Q. Now, what adjustment if any did you make in the commodity rates, in order to get you the necessary revenue?

A. We have a uniform class rate basis in the Southwest, but it has been departed from by exceptions in various states.

[fol. 868] Q. And those were in the way of reductions, were they not?

A. Sir?

Q. Those exceptions were in the way of reductions, were they not?

A. Yes.

Q. Then you did not increase any of your commodity rates in the Southwest, did you, to recoup to yourselves what you lost on your class rates when they were put in on a uniform basis?

A. I am not sure as to that, Mr. Chairman. I do not think we did, but I would not say for sure.

Q. As a matter of fact, your class rates did not reduce your revenue, did they?

A. The class rates that are in effect?

Q. The class rates that were put in in the Consolidated Southwestern Cases did not decrease your revenue, did they?

A. No, sir, but we have had to reduce our class rates in order to recoup to ourselves traffic that was being lost by us to other forms of competition.

Q. They were uniformly too high, then, were they?

A. No, sir, I would not say that they are uniformly too high; I do not think that they are uniformly too high.

Q. Well, shall we say, they were uniformly too high to meet the competition which subsequently developed.

A. Yes.

[fol. 869] Q. They became too high.

A. Yes.

Q. As a matter of fact, it was shown, was it not, by a traffic test which you made, and which you proposed to put into evidence in a court proceeding which I think you instituted, or contemplated instituting, that your revenues were increased? As a result of that traffic test, it was shown that the class rates had increased your revenues, was it not,—And I am now talking about uniform class rates over your territory? Now, is that not a fact?

A. Well, Mr. Chairman——

Q. Now, you can answer that question by yes or no; either that is a fact, or it is not a fact. Answer yes or no, and then explain it.

A. I don't know.

Q. You were not there then?

A. Oh, yes, I was there at that time, Mr. Chairman, but I did not follow that, and I do not know exactly.

Q. Were you in a responsible position with the Missouri Pacific Railroad Company at that time, sir?

A. Yes.

Q. And you did not know about that traffic test being made, or what the result of it was?

A. Yes, I knew that.

Q. What was the result?

[fol. 870] A. Well, if I recall correctly, the result of that traffic test was that our class rates were not too low.

Q. That test showed, did it not, that on the basis of the traffic as it was moving, the effect of the class rates prescribed on the uniform basis by the Commission, was to increase your revenues?

A. Yes.

Q. That is right, is it not?

A. Yes.

Chairman Aitchison: Is there further cross examination of the witness?

Mr. Bee: I just have one or two further questions, if the Chairman please.

Mr. Hughes: If I might interrupt briefly just at this point, Mr. Chairman, if the Chairman will consult Volume 205 of the Commission's reports, in the Consolidated Southwestern Cases, reopened, you will find that the traffic test incorporated into that record, which was made definitely, and not in any haphazard way, as the earlier tests perhaps were made, to which you have referred, showed a loss to the Southwestern carriers of about $5,000,000, and the Commission so found that as the approximate amount that was lost by the readjustment in Docket No. 13535.

Chairman Aitchison: Well, that was after your competition came in, was it not?

[fol. 871] Mr. Hughes: Pardon me, your Honor?

Chairman Aitchison: I say, that was after you met with this other form of competition, was it not?

Mr. Hughes: Well, no, I do not think so, Mr. Chairman. I think you will find that the rates which were prescribed by the Commission itself, as applied to the traffic that moved, produced that loss.

Chairman Aitchison: I know, but if you were not hauling that traffic, and it was going to the trucks, of course, any scale would show a loss. Mr. Bee.

By Mr. Bee:

Q. Mr. Brown, do you, as an officer of the Missouri Pacific Railroad Company, or do any of the Southwestern Lines, have any power over the rates from the Southwest to the Official Territory?

A. I do not know what you mean by "have any" power over the rates." We do not reach Official Territory with our own rails, of course,—except a small part of it.

Q. Can you make the rates into Official Territory? For example, could you make a rate from a point in Oklahoma,—any of the Southwestern Lines—to a point in Michigan?

A. We could not, without the assistance of another railroad, a connecting line, no sir.

Q. It would require a concurrence on the part of the Eastern lines, would it not, Mr. Brown?

A. Yes.

[fol. 872] Q. And they have the concurrence,—or the power of saying what the rates from the South to the North will be, have they not?

A. Yes.

Q. And that is the only way in which they can be made; that is correct, is it not?

A. Yes.

Mr. Bee: That is all.

Mr. Norman: May I proceed, your Honor?

Chairman Aitchison: Mr. Norman.

By Mr. Norman:

Q. Mr. Brown, I just want to ask you a little bit more about this matter of changing the commodity rates if the class rates are changed. Have you at any time in the past, where you have had a revision of your class rates, changed your commodity rates on heavy-moving commodities? Your counsel says that it cost you $5,000,000 per annum, in one instance, but have you in any instance ever changed your commodity rates on such heavy-moving commodities as lumber and grain, because of any changes that were made in the class rate structure?

A. Well I think that perhaps this is a correct answer to that question: Technically, we have, yes, sir.

Q. Technically?

A. Yes, sir, because I think that the rates in the East are based on the class rates, are they not? As I recall it, the [fol. 873] rates in the East are based on the class rates.

Q. What rates?

A. The rates from Cairo to the East,—are they not on the class adjustment?

Q. On lumber?

A. On the class basis, I say.

Q. On lumber, I am speaking of.

A. How?

Q. I am speaking of lumber. I do not know what you are talking about.

A. Yes, sir, lumber,—that is what you refer to, I believe.

Q. That was one of them, was it not, where they applied 22½ per cent of first class?

A. I think, as I recall it now,—and I would not be certain about it, but as I recall it, our rates into the East have been held at a certain level by reason of the combination, the class C combination, using the class rates to the East.

Q. I am talking now about intraterritorially.

A. Oh.

Q. Have you ever changed your commodity rates, as the result of changes which you made in your class rates?

A. I would not say that we have not. I believe that we probably have, but I do not know.

Q. You do not know of any such instance, do you?

[fol. 874] A. Pardon me?

Q. You cannot cite any instance, can you?

A. Not generally.

Q. You did not do it even when you were losing the $5,000,000, from changes in your class rates, did you?

A. I didn't get that.

Q. I say, you did not do it even when you lost this $5,000,000 which has been referred to, from the changes in your class rates, did you?

A. Not generally, no.

Q. Well now let us take the other side of it. You have many times made revisions in your commodity rates, have you not?

A. Yes.

Q. Well, as a result of those revisions in your commodity rates, did you make any revision in your class rates?

A. We are continually resisting doing those things that we are called upon to do. We do not favor that character of ratemaking.

Q. So that if you do that in this instance, then, that is to say, if you change your commodity rates because of changes in your class rates, it will be the first time in history that you have ever done any such thing, will it not?

A. No.

[fol. 875] Q. When did you ever do it before?

A. I could not say when.

Q. You do not know of any instance, do you?

A. Oh, I know that it has been done in some individual instances, yes, sir, but I do not recall offhand what they might be.

Q. You cannot cite to me right now any instance in which you ever did change your commodity rates because of changes in your class rates, or change your class rates because of any changes in your commodity rates, can you?

A. No.

Mr. Norman: That is all.

A. (Continuing) I am not able to think of any particular examples of that just at the present moment.

Chairman Aitchison: Is there any further cross-examination? (No response.)

Mr. Hughes: I have just a further question or two on redirect, Mr. Chairman.

Redirect examination.

By Mr. Hughes:

Q. Mr. Brown, did not the Interstate Commerce Commission in the Consolidated Southwestern Cases, prescribe many commodity rates in relation to the class rates which the Commission prescribed in that case?

A. Oh, yes.

Q. Do you happen to recall how many commodity rates [fol. 876] were so prescribed?

A. No, sir; just at the moment I do not recall what they were, or how many there were, but they were made different percentages of the class rates, I know. For instance, vegetables, I believe, were made various percentages of first class.

Q. Now the representative of the Oklahoma Commission has laid great emphasis upon your rates on edible beans northbound, versus the rates on edible beans southbound, from Michigan. Would you regard edible beans as an industrial product, or a manufactured product?

A. Why, no, sir, it is an edible product; it is a food product, an agricultural product.

Mr. Hughes: It is not my understanding, Mr. Chairman, that that commodity is involved in this case. That is all I have.

Chairman Aitchison: Well, it is not my understanding, either, that the commodity rates are in this case, but he has talked about them.

Mr. Hughes: Well, I do not care to engage in any colloquy on the subject, Mr. Chairman.

Chairman Aitchison: The witness discussed them.

Mr. Hughes: And Mr. Bee brought up the subject of edible beans, and I merely wanted to call attention to the point that that is not a manufactured product, which seemed [fol. 877] to be the bone of his contention, so far as I could understand it.

Com. Alldredge: Well, might that not be a processed product?

Mr. Hughes: Edible beans?

Com. Alldredge: Yes. If they were canned, they would be processed, would they not?

Mr. Hughes: Then they would be canned goods.

Com. Alldredge: Well, they would be processed, a processed product, would they not?

Mr. Hughes: They would be processed, but they would no longer be edible beans as such. In other words, they would be canned goods.

Chairman Aitchison: The witness was talking, not about manufactured products, but basic commodities, like coal, lumber, grain, and so forth, and they would fall right into that category.

Mr. Hughes: I will grant you that they may belong to that category.

Chairman Aitchison: That seems to be all.

The Witness: Thank you.

(Witness excused.)

Mr. Hughes: Mr. Capron.

L. R. Capron was sworn and testified as follows:

[fol. 878] Direct examination.

By Mr. Hughes:

Q. Mr. Capron, will you please give your full name and address to the reporter.

A. L. R. Capron; Chicago, Illinois.

Q. What is your official position with the Burlington Railroad?

A. Vice president, in charge of traffic, of the Burlington System Lines.

Q. Will you state briefly your railroad experience?

Chairman Aitchison: Will not his qualifications be conceded?

Mr. Bee: Yes, they will be, Mr. Chairman, as far as we are concerned.

Mr. Norman: Yes, as far as we are concerned.

Mr. Hughes: Very well.

By Mr. Hughes:

Q. Mr. Capron, what noticeable effect has the war had upon railroad tonnage in Western Territory?

A. Well, the most noticeable effect has been a very substantial increase in tonnage. However, that began long before our entry into the war. It began with the imminence of an outbreak of hostilities in Europe, and it was further accentuated when war actually broke out in Europe, when we started our own defense program, and when that program kept on expanding until the peak, which came after Pearl Harbor, when we actually got into the war. [fol. 879] I think that the best illustration of that will be found in the net ton-miles, which in the Western District, for the year 1938, were 110,709,957,154. In 1939, that went up to 121,867,978,049. In 1940, it rose still further to

134,594,908,000. In 1941 it went up still further, to 177,478,247,000. In the first five months of the present year, 1942, the figure was 88,073,262,000, which compares with 61,128,426,000, in the first five months of 1941. I do not know of any conditions, or prospects, that existed prior to the outbreak of the war in Europe, that would have given ground for any feeling on our part that we were in for any substantial increase in traffic. We were hopeful for an improvement, but no one expected anything other than a moderate improvement, a normal fluctuation. We did not even know that there would be an improvement; things might have gotten worse. In other words, it seems to me that it is correct to say that practically this entire increase is due to the war.

Q. What would you say are the major differences in the nature of the traffic movement today, and those prevailing prior to 1939?

A. One major difference is the drying up of important items of ordinary commercial traffic, items that constitute a very substantial portion of the revenue of the railroads, such as automobiles—passenger automobiles; all manner [fol. 880] of electrical appliances; household equipment, and miscellaneous gadgets of that kind. Anything, any articles manufactured from iron or steel, or other so-called critical materials, have been drying up, and their place has been taken by war materials of various kind, largely a new class of traffic, moving in substantial volume on land-grant rates. There has been, furthermore, a different distribution of the business. In other words, the new business is not going where the old business went. In other words, these war plants have been spread all around the territory, and particularly since Pearl Harbor, and they have been located, quite apparently, for strategic considerations, or reasons, rather than ordinary economic or commercial reasons, and so that has brought about a different distribution situation. Then of course there is the substantial increase in tonnage that has come because of taking the ships out of service. We have this heavy intercoastal business to handle, that formerly moved by water; and there is also intracoastal business, or west coast traffic, that was formerly moved by water, that the railroads are handling at the present time. Then there is the movement of oil by rail, from the Texas fields, and from Wisconsin, to the

North Atlantic Seaboard, which is in part a substitute for oil it formerly moved from Texas by water, and also in part a substitute for oil that moved from South Milwaukee [fol. 881] to the North Atlantic refineries by water. Now, those are just a few of the major items that have changed, and I think I could go on for quite a while, about the manner in which our traffic has been changed, not only in character, but in volume as well.

Q. Then you do not know at this time when the railroads may have to go on a diet; to overcome that adipose tissue, do you?

A. No, sir, I do not, but it seems inevitable that we are going to have our "morning after."

Q. Do you have any basis upon which to form a judgment concerning the character or volume of tonnage to be carried by the Western Railroads at the conclusion of the war?

A. No, sir, I really have no basis upon which to form any judgment at this time. Of course we know that the war industries will slow down, and undoubtedly a lot of them will go out of existence. At the same time, with respect to others, we have been told that they may be continued permanently as part of a new program of national defense, or national preparedness; and as to others, it is stated that it is expected that they will be converted over into commercial use. That is what others say. Now when I say, that is what others say, what I mean by that is this, that the representatives of some of the present concerns operating plants for the Government, have told us that they [fol. 882] hope to lease those plants from the Government after the war, and go into commercial business in those plants. But that is all speculation, of course, just at the present moment; we do not know what the condition is going to be after the war, or what activities will be premitted. Our traffic in the West has been very materially affected in pre war times by Government planning. We do not know what Government planning may be considered necessary in the postwar period. It may all depend upon who is doing it at that particular time.

By Chairman Aitchison:

Q. There is one factor of change which you have not mentioned, Mr. Capron, that is somewhat important, is it not, and that is the way that you have been, by your own acts and by the acts of others, getting rid of a lot of your unprofitable branch line operations?

A. It is a fact, Mr. Chairman, that we have gotten rid of some of our unprofitable branch line operations, yes, sir, and we have been very hopeful of being able to get rid of a lot of others; but to date the majority of our cases are still pending.

Q. Well, that does not make any difference, in the case of a lot of the lines that are being taken up, does it?

A. Sir?

Q. I say, that does not make any difference, with a lot of lines that are being taken up, does it?

[fol. 883] A. I am very sorry, Mr. Chairman, but I do not just follow you in that question.

Q. If the Metals Reserve Corporation wants a line, it takes it, does it not?

A. Oh, yes.

Q. Whether the case is pending before the Commission, or not?

A. Oh, that is true, yes, Mr. Chairman, but we have not been requisitioned as yet.

Q. Well you are speaking now, I suppose, only of the experience of the Western Carriers generally, are you not?

A. Well, right at the present moment, Mr. Chairman, I am speaking of—when I said that we have not been requisitionend as yet, I was speaking for the Burlington Railroad.

Q. Yes, but other lines have been, to your knowledge, have they not?

A. Yes.

Q. And have you been cooperating with the Metals Reserve Corporation in that regard?

A. I am not able to answer that question, Mr. Chairman, because I do not know what, if any, negotiations or discussions we may have with the Metals Reserve Corporation.

Mr. J. R. Bell: If you will pardon the interruption, Mr. Chairman, it is the Army and Navy Departments, and the WPB.

Chairman Aitchison: No, but they take it over as the [fol. 884] Metals Reserve Corporation, do they not?

Mr. Bell: I think not, Mr. Chairman. They requisitioned our Promontory branch, and the Army entered into a contract to take it up. I do not know just what the bookkeeping is.

Chairman Aitchison: Well, there may be some doubt about it, but the WPB has a subsidiary corporation which is known as the Metals Reserve Corporation.

Mr. Bell: There is a Metals Reserve Corporation, yes, sir, but our requisition was by the Army and Navy, upon order of the WPB. I do not know just how the Metals Reserve Corporation enters into it, but they do not do the requisitioning.

Chairman Aitchison: Possibly it is upon their recommendation.

By Chairman Aitchison:

Q. But the thing I am trying to get at, Mr. Capron, is as to whether or not this has been going on with the active coöperation of the major lines in the West, and what the effect is going to be when we enter the postwar period.

A. On that subject, Mr. Chairman, I can speak for the Burlington System Lines only, as to what has been done, and as to that, I will say that we have had abandonment projects under consideration for several years, some of which have been presented, and others of which have [fol. 885] not been presented; but we have simply watched the trend of the traffic, to see whether or not it is going to pick up, with a view to filing abandonment proceedings if it did not pick up; but under these emergency conditions, with the need for rail, undoubtedly we are going to present, and we are at this time presenting, cases for abandonment, with the hope that the need for the rail may have some influence in the decision upon the applications; but of course we are not proposing to abandon any lines that are not a drag on us, that do not represent a loss. In other words, in the language of someone that adequately expresses the situation, we are treating only of the lines that have already *have* been abandoned by the communities that they serve.

Q. Well are you going to the Army and the Navy, or the WPB, or the Metals Reserve Corporation, or whoever it is that does the requisitioning, or that can be induced to requisition, and making suggestions with respect to lines that can be taken up, as part of your plant now in operation?

A. I have no knowledge, Mr. Chairman, as to whether anyone in our Operating Department has done anything of that kind. I know, however, that the Traffic Department has not.

Q. Has, or has not?

A. Has not.

Q. Well, the effect of all of this, if you do get abandonments of that sort, is that you are going to have a more [fol. 886] efficient machine, as far as its relation to traffic is concerned, is it not?

A. To the extent, Mr. Chairman, that we are permitted to abandon lines that we are at the present time operating at a loss, there will be that improvement, yes, sir.

Chairman Aitchison: Continue.

By Mr. Hughes:

Q. Mr. Capron are the freight rates to, from, and in Western Territory today, substantially what they were in 1939, except for the Ex Parte 148 increases of this year?

A. That is true of the rate structure as such, yes, sir. Of course there are continually in progress certain adjustments, always downward, to meet competitive conditions, and some of them came along after 1939; but speaking of the rate structure in general, as a whole, there has been no change, no general change, other than that which was involved in Ex Parte 148.

Q. Would it be the purpose of your railroad, and other Western Railroads, to continue to make current adjustments in freight rates to meet situations as they develop?

A. Yes, sir, that is correct. We could not possibly do business otherwise, because you cannot have a static rate adjustment.

Q. Suppose, Mr. Capron, as Chief Traffic Officer of your railroad, you were called upon at the present time [fol. 887] to fix a rate on a wide group of articles between Omaha, Nebraska, and Cleveland, Ohio, or between Chicago, Illinois, and Denver, Colorado, to become effective in 1944. How would you go about doing that intelligently, and what facts would you use as your base?

A. It could not be done intelligently. In the first place, we do not know what our costs will be in 1944. They are already talking about further wage increases. Furthermore, we do not know what will be the general volume of traffic that we will be handling in 1944, or the character of the traffic. Then furthermore, there is the other feature that I mentioned a moment ago, with respect to the possibility of further Government planning that might be considered necessary in the postwar period, under postwar conditions,—and we are hopeful that 1944 will be a postwar year. For all of those reasons, you just could not intelligently figure at this time any rate or any setup of rates that would be proper in 1944. There are so many possibilities, that you cannot possibly sit down and say, "Well now, this will be about right." You can sit down of course and say, "If so-and-so happens, why, then, this should be about right," and you could make about seven different guesses, and work out seven different rate structures, and maybe not one of those seven different rate structures would prove out to be proper.

[fol. 888] Chairman Aitchison: Mr. Commissioner Splawn wishes to question the witness.

Com. Splawn: I do not know, Mr. Hughes, whether I correctly understood the purpose of your questions, or whether the witness was saying that it is impossible to forecast any changes in rates, or that the Traffic Departments of the railroads are just abandoning the consideration of a rate structure during the war. In 1944, obviously, rates will be charged, and the Traffic Departments of the rails, I take it, will function normally, at that time with respect to the rates to be charged for rail service. This is my question, now, Mr. Capron: Do not these disturbed conditions call for more careful analysis and consideration of rates and charges, than before these extraordinary conditions broke upon us?

The Witness: Have you finished your question, Mr. Commissioner?

Com. Splawn: I am directing that question to you as the Chief Traffic Officer of your railroad.

The Witness: Yes, I understood that, sir, but I was just wondering whether or not you have finished your question.

Com. Splawn: Yes.

The Witness: I will try to answer it, and give you my opinion in the matter, at least, which is this, that as [fol. 889] far as our general rate structure is concerned, it would seem to me to be inadvisable, under these present conditions, to attempt to make any general revision of it, or create any general disturbance in it. However, as I say, the Traffic Departments of the rail carriers will continue to function, and they are functioning; they are all very busy these days, handling the many problems that are confronting them, and many of those are rate problems, that grow directly out of the war effort. Any of these things that are necessary to the furtherance of our conduct of the war, or directly connected with it in any way, will be handled, of course. Now they may require some changes, but as I stated at the outset, it would seem to me that the least possible general disturbance or upsetting of business relations, is extremely desirable. In other words, we are having enough things upset today by national conditions with which we are confronted, without going out of our way just voluntarily to disturb our rate adjustments. Now further in that connection, let me just add, I do not mean of course that we should not handle, and handle promptly, any readjustments that are necessary or of importance, in connection with the war effort.

Com. Splawn: Is not the effect of these extraordinary conditions, in the light particularly of your realistic summary, somewhat like this, that in addition to the normal [fol. 890] work—such as forecasting the commercial and traffic situation, and other normal questions, you have confronting you all of these disturbing problems that are incident to the war effort, which make the normal process of forecasting necessary adjustments, just that much more difficult, and does it not necessarily follow, therefore, that more effort, thought and consideration should be given, and must necessarily be given, to the working out of rate patterns and adjustments for the future, than would be necessary if we did not have these extraordinary and unusual conditions?

The Witness: Oh, undoubtedly.

Com. Splawn: The Commission in this proceeding has called upon the respondents to give thought to, and plan for, the normal movement of commerce, and therefore, approaching the problem in that way, does it necessarily follow that you are being interfered with by the Commission? In other words, can we not, and should we not, approach the problem in this way, that what the Commission has done was started when there was no thought of this war? Now that the war has come upon us, it makes the problem that much more difficult, of course, and even more important, and therefore, is it not in order that we should have all of the cooperation between the Government, industry and the railroads, that can possibly be brought about?

[fol. 891] The Witness: That is always desirable, of course.

Com. Splawn: Particularly in view of these prophecies that are being made, ranging from the most pessimistic, that we will be in bankruptcy a few months, perhaps, after the war is over, to the other extreme, that with the great increase in production that will be necessary to supply a needy world, we will be rolling in wealth,—and the truth, of course, is probably somewhere in between, although now no one can say just what it will be.

The Witness: Yes.

Com. Splawn: Now can we not, in this proceeding, with the benefit of your own vast experience in traffic matters, and that of your associates on other railroads, and in industry, carefully work toward a stable and reasonable adjustment, such as the future conditions which we may have confronting us, may demand, in spite of the fact that we must do some considerable guessing as to conditions following the war? In other words, what I have in mind is this: I think I discern some tendency to consider that we are approaching this problem as litigation, when, the very conditions which you have so clearly recited in your testimony appear as a challenge for cooperation—to work in more of a spirit of compromise, such as perhaps we have never before been able to achieve in this country. We are in the United States of America, and our traffic must move, [fol. 892] from Canada to Mexico, and from the Pacific to the Atlantic; and we realize that nobody wants it to move more freely, or under any more reasonable and just rates, than do you and your associates. I think that is true of all of the counsel and traffic men, and everyone here, that fundamentally, everyone would like to see something constructive achieved, out of this proceeding. Many, however, are apparently beset by fears and misgivings that we may fall into some error which will do more harm than good. Now we can avoid the pitfalls if we all work together, so if we can approach this matter in a spirit of cooperation and compromise, I think we can more clearly analyze the situation correctly, each putting everything before the other, and recognizing the fact that we will have problems in peace as well as in war that may enable us to do something worth while here. I have said what I have said because I had it on my mind, and I shall comment on the situation no further. These matters have been running through my own mind, and they are the background of any question that I would ask you. I would like to have your reaction to the situation as I have just outlined it.

The Witness: Well, Mr. Commissioner, I wish to assure you that there is no lack of desire on the part of the rail carriers, to cooperate. Naturally, as you say, of course, [fol. 893] we want to see a proper rate structure established, but necessarily, along with that, we have to give you our honest opinion. You referred at one stage of your remarks, to my own vast experience. Well, I have had at least an extensive experience. I know that in World War No. 1, we were not able to predict the conditions that were going to prevail after the war. We do know that we never went back to the conditions that existed prior to the war. Rate adjustments were made to meet changed conditions. It was necessary to make a lot of increases in some cases, but there were some very substantial changes in conditions that no one could predict, and I believe there will be some very substantial changes and conditions that no one can predict now. It is my honest conviction that we are going to see a great many changes in the postwar period, that we cannot possibly foresee at the present time, but whatever those changes may be, I am very sure that we cannot expect to see a restoration of prewar conditions; it just is not in the cards; and therefore it seems to me to be utterly futile to attempt at this time to sit down and figure out a rate adjustment, and say, "Now, this is what is going to be proper after the war is over."

By Chairman Aitchison:

Q. Well, these conditions have been going on for some time, have they not,—these conditions that you are speaking about?

[fol. 894] A. Do you mean, the war conditions?

Q. Yes.

A. Yes, sir.

Q. You have known about them for some time, have you not?

A. About the war?

Q. About these disturbed conditions that you have been portraying here.

A. Yes.

Q. Well all that did not deter you from asking the Commission for a 40 per cent increase in your rates, involving a total change in your rate structure, just a few months ago, did it?

A. No, sir, not when the wages were increased; then we asked for a general percentage increase, on that account; and they are talking now about another wage increase, in addition to that. But that of course did not do any particular violence to rate relations. That was just a question of the general level.

Q. As I understand it, then, your position is that the Interstate Commerce Commission, in this long series of cases which fixed the general basis of rates antedating the war—except the increases in Ex Parte 148—was able to devise a set of class rates which so nicely fitted the disturbed conditions, both those that exist now, brought about by the war, and what you can foresee in the future, [fol. 895] that you suggest that no change be made in them; is that correct?

A. I think, Mr. Chairman, that the rates which the Commission fixed were very carefully considered. I do not think that any rate structure that was ever made, would be proper forever, because it has to be changed, to meet changes in conditions; but just at the present moment, conditions are changing so rapidly, and the rate structure itself is of so little relative importance in these days, compared with many other considerations, that I do think that it would not be the course of wisdom to attempt to work out a new rate structure just at this time, based on—the Lord knows what: What might be proper now would not be proper next year, or the year after. We have had more or less experience in these things. Take in our Western Class Rates Case; we had a rate structure worked out there that I thought was a very good one, and a proper one, under the conditions that existed, and on the basis of the testimony that was presented, although the rates for the long hauls were too low; but that case went along for a period of years, and then by the time we got around to placing the rates in effect, they did not meet the practical exigencies of the moment.

[fol. 896] In other words, the short-haul rates had been raised and long-haul rates had been reduced. The trucks were just coming into their own. The raises went in where there should have been reductions, and the reductions went in where they did not do any particular good.

Mr. McCollester: Mr. Chairman, since the subject under discussion has been raised by Commissioner Splawn and by yourself, it may perhaps clarify the atmosphere, or at least let your Honors know the point of view of those whom I represent, if I may be permitted to make a very brief statement. In the first place, I may say that I would not do justice to my clients did I not say that I am frankly somewhat disturbed at the questions from the bench which appear to indicate that the rate structure now in existence is in need of a general revision. I know that there are those who are here who claim that it should be revised, but I can assure the bench that there are, from the standpoint of the communities, the states and the shippers, quite as many who feel that the present rate structure under which business has been going on for a great many years, is entirely satisfactory—with some modifications here and there, of course, which can be dealt with individually—and that a great deal more harm than good to the general national economy would be done by a change in the rate structure designed to shift industry from one [fol. 897] section of the country to the other.

So far as this proceeding is concerned, your Honors of course know that the state of New York that I represent together with other northern states has, with others, made representations to the Commission that this proceeding should not go forward now, because your Honors, whatever may be the merits of the contentions of the complaining interests, cannot make a valid order when this proceeding is through. Now, I appreciate, and we all appreciate, as Commissioner Splawn has said, that business must go on. The making of rates during the war has got to go on. That is the function of the traffic managers of the railroads. I do not conceive that the Commission sits as a traffic manager. It is the position of the state of New York that the Commission stands as a body to correct an unlawful situation; that you can make an order if you find the rates unlawful, and it is our view with all due respect that on a record which could be made here, you cannot find that rates will be unlawful under entirely changed conditions.

I think there is a great difference between cooperating in a voluntary revision of a rate structure, if that be needed, which we deny, and proceedings looking to an order of the Commission which can be predicated only on finding of unlawfulness in existing rates. It is the fact [fol. 898] that, as I see it, such a finding cannot be made here which was our reason for urging that this proceeding should not go on.

Chairman Aitchison: I want to inquire of the witness finally:

By Chairman Aitchison:

Q. How long is it going to take you to make the necessary revisions and when do you anticipate commencing to make them to take care of these new industries and things of that sort that have been dropped in here, there and yonder, as described by Mr. Brown?

A. I am not familiar with the industries Mr. Brown has in the—

Q. You have some on your line.

A. The industries that have been established on our line we are taking care of currently. We always do that. Industries do not locate themselves as a rule without negotiating. That is not true, of course, of war industries that—

Q. When these plants are turned from war to peace, they are not going to be able to go on, on the present basis of rates, are they? They are just going to dry up. Take the $15,000,000 plant at Hastings, Nebraska. Is it going to be able to live on the existing set of rates?

A. I would say no.

Q. When are you going to begin to put in a set of rates [fol. 899] on which it can live?

A. When we know it is going to be doing business. We have no way of telling now whether that plant is going to be doing business after the war, nor do we know where it will expect to do business.

Q. Nor can the lessees or proprietors of that plant know whether they can do business or where they can do business unless they know the rates they are going to have?

A. The rates will be the smallest part of their worry now; because they know if other conditions permit them to do business, or to continue any form of business at that plant, they can get the rates from the railroads that will enable them to do business if such rates can be given to them lawfully.

Q. Those rates cannot be established by you alone, but they have got to be made by you in connection with other carriers, is that not correct?

A. That is right.

Q. When are you going to start making a study as to what is necessary in getting concurrences so as to be able to take care of them after the war? Is there going to be a lag at that time when that plant has to be shut down because of its freight rates?

A. No, sir. We cannot do it now. They are not interested. They do not know where they are at. They do [fol. 900] not know what conditions are going to be.

Q. The Government—

A. We cannot sit down now and formulate any program with respect to that.

Q. The Government is paying the freight rate now and it does not matter what it is as far as the plant is concerned?

A. Well, is that a statement?

Q. I am asking you that question.

A. If it is a question, I should say the Government certainly knows what they are paying. They are after us every day to make adjustments. They are paying a lot of rates that are not in the tariffs.

Q. But you are not making rates for them on the basis of keeping that plant going as a competing plant fairly adjusted with other competing plants, are you?

A. No, sir. We are making rates based on the representations that are made to us by the Government officials as to what rates they want or think they should have. We do not always agree with them 100 per cent, but that is the basis for the consideration. We do not figure that they are competing.

Q. Be frank with me and tell me when it is that you are going to take up the necessary studies to enable you to fix up a proper post-war rate structure.

A. Just as soon as we are confronted with the problem [fol. 901] and know what the problem is going to be.

Q. You are confronted——

A. Mr. Chairman, we have all of these plants. Some of them may never operate and as to others, we do not know what production there will be. It may be one commodity and it may be a different commodity. We do not know what they may try to produce at a given point.

Q. What they try to produce may depend upon the rates that they can count upon, is that not the case?

A. Yes, sir. When they get around to figuring on whether they want to produce anything or not, they will come to us and they will soon find out what they can count upon.

Q. Yes.

A. If we were to set up something now, we would be acting entirely in the dark, and the chances are 99 out of 100 that when an industry got ready to do business or wanted to take over one of these plants and go into some commercial business, they would come around to us and they would say, "Here is the situation: These rates will not do." and they will tell us why.

Q. It is a hundred to one shot then that your judgment would be wrong, is that right?

A. Yes, sir.

Chairman Aitchison: All right.

Mr. McConnaughy: I would like to ask you one ques-
[fol. 902] tion.

By Mr. McConnaughy:

Q. Your counsel stated that you could not anticipate what the conditions were going to be in 1944. Could you in 1930 anticipate what the conditions were going to be in 1933 with reference to economic conditions and the flow of traffic and the volume of traffic? Would you have been able to at that time?

A. No. We certainly knew the trend at that time, but did not think it was going to go down as far as it did in 1932.

Q. Haven't we been in such an economic change in this country since 1930 that there has been no time in the last ten years or twelve years that you could have anticipated three or four years in advance what the economic conditions and the volume of traffic and flow of traffic would be?

A. That is correct, and always will be correct.

Q. Yes.

A. You cannot forecast three or four years ahead and do it intelligently.

Q. Then is that the sole, fundamental reason that you think nothing should be done at this time?

A. (No answer.)

Q. Apparently that is your statement in answer to your counsel's question. Is that the sole, fundamental reason that you think nothing should be done with reference to [fol. 903] this entire situation today?

A. I did not say that nothing should be done. I do not know. I do know that it is no time to upset the entire rate structure for the purpose of trying to fix a post-war rate adjustment. If there is anything that is vital right now, and is wrong, I think it should be corrected right now, but I have not heard of any such.

Mr. McConnaughy: That is all.

Mr. Norman: I would like to ask one question.

Chairman Aitchison: Is Mr. Hughes finished?

Mr. Hughes: No, sir. I thought I had become The Forgotten Man.

Mr. Norman: Mr. Chairman, while I am up, I want to say, I take it there is no response to Mr. McCollester's statement necessary, but I do not want my silence to be taken as in any way agreeing to the position he took.

Mr. Hughes: I think, Mr. Chairman, I will conclude my questioning of the witness and submit him for cross examination.

Chairman Aitchison: Mr. Norman.

Mr. Norman: I just want to ask him one thing about this post-war situation.

Cross-examination.

By Mr. Norman:

Q. Is it not true that if one of these plants is located in Official Territory, it has an adjustment on manufactured [fol. 904] articles under which plants operate and have operated in the past, and no special consideration would have to be given before they could determine whether they could continue in business; whereas, if one of these plants is in the South or West, there has to be some special treatment of it? You recognize that in your statement, do you not?

A. No.

Q. Well, I understand that is what you said, that is, if you found out what they were going to manufacture or wanted to manufacture, you would go in and take up the question of giving them an adjustment if possible under which they could exist?

A. Yes. I am referring to the case of a new industry opening up in the manufacture of a product in a territory where that has not been produced before.

Q. He will have to get special treatment if he is going to do that under the existing rate structure obtaining in the South, and West, and interterritorially?

A. I think he would have to get special treatment in any event.

Q. You think he would have to.

A. I do not think that even if you set up a bunch of rates now—I have never seen anything set up in advance that would satisfy a new industry.

[fol. 905] Q. They have a bunch of rates set up in Official Territory, have they not, that these Official Territory representatives here say are satisfactory to them, whereas quite the contrary is true as to the South and West, is it not?

A. Well, I think you had better talk about Official Territory to some of the representatives of the Official Lines.

Mr. Norman: All right.

Chairman Aitchison: Are there any other questions of this witness? (No response.) You may stand aside.

(Witness excused.)

Mr. Hughes: There will be one more witness of this group, Mr. Chairman.

Chairman Aitchison: Mr. Smith.

Mr. Dana T. Smith: Mr. Robinson be sworn.

Chairman Aitchison: Raise your right hand.

Frank W. Robinson was sworn and testified as follows:

Direct exmaination.

By Mr. Dana T. Smith:

Q. Will you state your full name and residence for the record, please, Mr. Robinson.

A. Frank W. Robinson, Omaha, Nebraska.

Q. What is your connection with the Union Pacific Railroad?

A. Vice president in charge of traffic of the Union Pacific System Lines.

Q. Are you also a director of the company?

[fol. 906] A. Yes, I am.

Q. How long have you been vice president in charge of traffic?

A. I have been—

Chairman Aitchison: I will vouch for Mr. Robinson's traffic qualifications. I have known him for 35 years.

Mr. Dana T. Smith: May he answer that one question as to how long he has been vice president?

Chairman Aitchison: Yes.

The Witness: Since 1927.

By Mr. Dana T. Smith:

Q. Are you familiar with the nature of these proceedings?

A. Yes, I am, in a general way.

Q. You understand that the Commission is also conducting an investigation with respect to the classification?

A. Yes.

Q. As well as class rates?

A. Yes. I understand that also.

Q. Have you any opinion as to the desirability of a uniform classification for application to all the different carriers, rail, water, motor carrier and in all the territory?

A. Yes. I rather think there are some very desirable features if that could be accomplished. The carriers have often discussed the question. They have progressed so far as they have been able to do, and I may say, aggressively [fol. 907] progressed, with a view to accomplishing in so far as they can, a uniform classification; and there have been rather substantial steps forward taken in that direction, but we have found it impossible to adopt uniformity in its entirety because of the effects, revenue effects, that it will have in different areas and territories of the country.

Q. Are you familiar with the class rate adjustment in the territory east of the Rocky Mountains?

A. Yes. Quite generally.

Q. Will you state whether or not the present class rate adjustment is generally satisfactory to the lines operating in the western district?

A. Well, that cannot be answered too briefly. The present class rate structure in effect in the territory, within the territory and interterritorially between the West and the East or South, is one of long history, the result of many years of investigation and what has been prescribed by the Commission. I am referring specifically now to 17,000 Part 2, the 17,000 Part 2 class rate adjustment, which was the last major adjustment, except between the West and the Southeast. That structure as prescribed by the Commission was substantially different, lower than the carriers thought should have been established. It created quite an upheavel in practices and conditions. It required readjustments of industry in many instances and relocation of industry. [fol. 908] That was in 1935, and since then these readjustments have taken place. Industry and the carriers—particularly industry—have adjusted themselves to it and on the whole I would say that the present class rate adjustment could be regarded, if not entirely satisfactory, one that is acceptable and to that extent is satisfactory, and should not further be disturbed by another upheavel or another general revision with the resulting consequences that were entailed when that adjustment became effective.

Q. Are you somewhat familiar with the study introduced by Mr. Jensen in his proposed Exhibit No. 7, or in his Exhibit No. 7, rather?

A. Yes. I have studied it at quite some length, and in some detail. One thing about it is disturbing. While the announced intention of the scale as proposed is to preserve the carriers' revenues, it falls far short of accomplishing that purpose, so far as the class rate adjustment itself is concerned. It is said that there will be accompanying revisions of the classification in order to accomplish this preservation of revenue. A few tests that we have made would indicate that the classification revision would have to be quite substantial, as high as 50 per cent on first class commodities within a given area, to accomplish this preservation of revenues which admittedly was the purpose of the Jensen study.

[fol. 909] Q. Would that be practicable and workable in your opinion?

A. No. I think it would be impracticable. I see no practical way in which a major readjustment of that kind will accomplish the desired result, or the announced result.

Q. You have heard Mr. Capron refer to the change in traffic conditions.

A. Yes.

Q. I assume you are familiar with and have found the same changes to which he referred?

A. That condition is quite prevalent, not only in Western Territory, but in the territory throughout the country. Specifically, with regard to the West, there have been major changes, the entire trend of traffic being changed. For a great many years prior to 1941 the preponderance of east-bound traffic on the Union Pacific was two to one car westbound. Because of the trend and changes in classification and kinds of traffic, that situation has become about equalized, about 50 per cent in each direction. That is not a normal condition, if there is such a thing as a normal condition. Normally and usually the preponderance of east-bound traffic is created because of the very large production of farm products, perishable products, lumber and those articles which are peculiarly produced in the intermountain and Pacific Coast areas. So there is a definite change in the trend of traffic at the [fol. 910] moment which is an abnormal situation.

Q. Do present conditions in your opinion provide a guide as to future readjustments in the class rate structure in the territory under consideration?

A. No. On the contrary, I think any landmarks or measures we have had to guide us have been obliterated. There is not any permanency, to my notion, to the distorted condition with which we are confronted. At the moment the tendency, and very actively and progressively so, is that manufacturers of consumer goods, as we understand them, are being rapidly converted to the manufacture of war necessities. In fact, a recent check indicated that about 80 per cent of our traffic now consisted of war materials and supplies as contrasted to the ordinary movement of commercial products.

Chairman Aitchison: May I interrupt?
Mr. Dana T. Smith: Yes.

By Chairman Aitchison:

Q. You had a responsible position in the Railroad Administration during the first World War?

A. Yes. I happened to be chairman of the Pacific Northwest Advisory Committee, traffic advisory committee at that time.

Q. How do conditions with respect to the matters you have just been discussing, compare at the present time with the conditions which prevailed at that time?

A. They were different only by degree. During the last war period, the movement of war supplies and materials [fol. 911] was largely toward the Atlantic Coast. That called for a decidedly unbalanced movement of traffic. During this emergency, the situation is divided both between the Pacific and the Atlantic, with a very heavy movement of westbound commodities. During the last war there was a great demand for wheat and farm products and food and supplies produced in the west—and lumber. Of course, those moved in larger than usual volume to eastern destinations, so there was not anywhere near the balanced tonnage nor the trend of traffic that is occur-ing during these times.

Q. I have forgotten. Did you have anything to do with putting in General Order No. 28, Mr. Robinson?

A. No. I had nothing to do with it.

Q. While I am on the subject,——

A. While I was in Washington, I had nothing to do with its preparation at all.

Q. Did you have anything to do with the efforts which the Director General made toward getting uniformity first, in classification; and second, in the class scales?

A. No, sir, I did not.

Q. There were some efforts made with respect to class scales which never came to a head. I thought possibly we could get from you, the history of those studies.

A. No.

Q. Nobody seems to know about them.

[fol. 912] A. I did not participate in the discussion at that time, Mr. Chairman. I had some general knowledge of what was going on and some things were put out by the Director General of the railroads at that time which did make for uniformity in certain directions, and on the whole, they were quite helpful; but as to the discussion, I am sorry I could not acquaint you with the details as to just what was done in that respect.

Chairman Aitchison: Proceed.

By Mr. Dana T. Smith:

Q. I believe you stated, Mr. Robinson, that at the present time approximately 80 per cent of the traffic is war materials or Government traffic.

A. Yes.

Q. Has there been a substantial increase in the volume of traffic as a whole?

A. Oh, yes. Very greatly.

Q. I take it that is due to the war effort and war conditions.

A. Entirely so.

Q. Has there also been a substantial increase in the revenues of the carriers as the result of the increased volume of traffic?

A. The increased volume of traffic is reflected into the gross revenue of the carriers, and the increase in the gross revenues is substantially greater than was anticipated as a result of the increases allowed under Ex Parte 148.

[fol. 913] Q. Has there been a substantial part of the gross revenue that has been carried into net during the last year, that is, during 1941 and 1942?

A. Unfortunately that is true. I say "unfortunately", because there was a long period of drought, or a dry spell, as far as the revenues of the carriers were concerned, and it became necessary to get along with what we had. I am rather paraphrasing Mr. Coolidge who said in a speech he made at Los Angeles which I happened to attend, "Southern California has made the most of the best that they have.- That described the condition of the carriers in this period from 1930 to 1939. There was much deferred maintenance, many things we should have done but could not do because of lack of funds. With the increasing of revenue and availability of revenue with which to do, we engaged so far as we could in rehabilitating the properties. Now then, we are confronted with priority requirements and a shortage of labor which prevents us from going ahead with the construction, especially the construction and rehabilitation of the property that had to be carried on. That in turn makes an inflationary net revenue result which is not a true condition and one that is not healthy; but because of the heavy earnings and tremendous movement of traffic and the inability to get materials and supplies and labor, that results automatically.

[fol. 914] Q. In your opinion, can the railroads afford reductions in their rates because of their present earnings?

A. I think that goes a little further than the question of whether we can afford it or not. The question is more as to the reasonableness of the rates. We made an application for an increase in the rates at the time when we were confronted with substantial increases in expenses. The Commission after investigation and thoroughly so, granted somewhat less than the carriers sought. The increase in the revenue is not due to the rate levels so much as it is to the volume of the traffic that is moving. I want to inject there a fact well known, of course, to the Commission, namely, that the increase there permitted was only for the duration and six months thereafter, so that this adjustment is a temporary one for that period. I think there is nothing in the situation that makes for apparently inflated net earnings that would justify the opinion that the rate level is unreasonable, or that it ought to be cut down just because of a temporary condition and a temporary increase in net revenues.

Q. Mr. Robinson, do you know of any serious complaints made by the shippers as to the present adjustment of class rates in the Western District?

A. Well, I have been in close touch with our public. When I say "our public," I mean the shippers who patronize our [fol. 915] railroads. Not only we on the Union Pacific, but also other responsible officers, whether they are traffic or operating officers, endeavor to get around among these communities and keep in touch with our people to sense the atmosphere and the way things are going, to keep contacts with them because we are part and parcel of the communities which we serve. There have been no complaints of a broad general nature that have come to my attention in the territory served by the Union Pacific or generally in the territory in which we operate, that the class rate adjustment is not entirely satisfactory. There have been no complaints about it. I am talking now of broad general complaints.

Q. Yes.

A. There may be specific inquiries, specific complaints, and requests upon us for readjustment of rates here and there, but that is not as I understand it, the purport of your question.

Q. That is right.

A. That is just the garden variety mine-run problems with which we are confronted daily and monthly in the operation of these railroads.

Q. Do you see any real need at this time for any marked readjustment in the class rate structure?

A. Well, there is not only no need for it, as far as I can [fod. 916] see, but I think to undertake a general class rate readjustment of the general structure can find no foundation in fact and no landmarks from which to move and upon which to predicate a readjustment that may fit some post-war conditions that are so highly problematical at the time as to be of no value whatever in trying to gauge the future with the present situation.

By Chairman Aitchison:

Q. Why look at it so pessimistically as that? Suppose we were to make an adjustment during the war very much as the Director General made his Order No. 28, and then war conditions ceased. You recall, do you not, in 1920 how quickly the proper adjustments were made, and we may say that those adjustments were the largest in amount that have ever been made by anybody. Why assume that you could not make the necessary readjustments after this war?

A. General Order No. 28, Mr. Chairman, was a great revenue program. It created an initial 25 per cent increase in the rate structures to meet a 25 per cent increase accorded to labor.

Q. It did much more than that. It took the minimum rates—for example, in your own territory it raised the rate to The Dalles from Portland.

A. Yes, but there was a general upward trend.

Q. I mean, it ironed out inequalities with respect to low [fol. 917] minimums and low initial rates.

A. It dealt with certain minimums, yes, but generally it advanced rates percentage wide throughout the country. The situation between Portland and The Dalles locally might have been one thing, but the general level was very drastically raised. Then it was later raised again by a great advance. Then in the post-war adjustment the Commission prescribed, voluntarily a 10 per cent reduction.

Q. What was the very great increase to which you just referred that was made by the Commission?

A. That was in Ex Parte 74.

Q. Yes.

A. Immediately after the duration of the war.

Q. Yes.

A. That was a further advance.

Q. Yes.

A. Then shortly after that, there was a further reduction.

Q. Not a further reduction.

A. There was a reduction.

Q. There was a reduction of one-half of the advance which had been made.

A. That was a situation that primarily dealt first with the needs of the critical period through which we were then passing, and at last those rates went down to an even lower level than before. As I view this situation, we are now, [fol. 918] except for the Ex Parte 148 increase, at about the same level we have been for a long period of time. There is not any complaint, particularly, about it. The country as a whole is highly prosperous. A tremendous amount of money is finding its way into circulation. There are no complaints. There is no call for a reduction of the revenues of the carriers, or a readjustment of rates.

Q. I am not speaking of that. I am talking to the point that has been made here that we cannot foresee what is going to be the condition in 1944, and thereafter. I was just asking, why be so pessimistic about it when you can look back and recall having had four different levels in four years, from 1918 to 1922, all fixed by competent authority.

A. Those were not anticipated rate adjustments. They were made before or after the fact. The 1918 adjustment was made in the face of a condition that definitely existed. Your Ex Parte increases were made in the face of a condition that then prevailed. Your reductions made by the Commission following that were made under conditions that were then present, and not anticipated. This discussion here this morning relates to how we will judge the conditions three, four, five or six years hence as a measure now for adjusting rate levels in the light of the conditions today prevailing. I am not pessimistic, but I say there is [fol. 919] no landmark, there is no way in which to guide the Commission or ourselves in endeavoring to try to find out a basis which will fit a post-war condition in the light of the revenues now being produced and the traffic that is now moving.

Q. Well, if there were landmarks, I am asking you if the experience of those four years does not indicate that you and we can work pretty fast?

A. We can when conditions require it, if such a condition does prevail and presents itself. It does not prevail now. It does not present itself now.

Q. My recollection is that the Ex Parte 74 increase became effective virtually simultaneously with the increase in wages? Is that right?

A. There or thereabouts.

Q. Yes.

A. I cannot say as to the time of its happening. I feel that the Commission then pursued a very wise and intelligent course. Generally I support that theory yet. I think the Commission will deal with this situation just as intelligently and with just as much care as they have with any of the preceding cases that have been before them. I mean by that, in the light of the conditions that prevail that may call for a general readjustment either upward or downward.

[fol. 920] Q. While I know the rates are not involved here, I would like to get this into the record if I can: Through the Mountain Pacific area the basis of rates that you have—class rates I am speaking of—were originally made about 1912, were they not, plussed, of course, and reduced by the general increases and reductions.

A. I am sorry. I cannot answer that chronologically, because I do not have it in my mind. It has been a long time.

Q. I have in mind the Portland rate case, as you will probably recall.

A. Yes.

Q. About 1912.

A. (No answer.)

Q. You will take my word for it?

A. I will, any time.

Q. That basis of class rates and class relations has remained in effect in that particular area and has been extended generally over the Mountain Pacific area so that it has an age now of something like 28 years.

A. Yes.

Mr. Dana T. Smith: May not the record at the same time show that in Docket 14999, the Commission prescribed them for application from California to Arizona and then later on——

Chairman Aitchison: I was trying to develop that it [fol. 921] had been extended over the territory.

Mr. Dana T. Smith: It was extended by being prescribed by the Commission in that case and in a subsequent case from Salt Lake City, but there is a dual set of class rates which prevails in Mountain Pacific Territory and has during all of these years which is much lower than the 14999 scale. As between the Pacific Coast and Utah Common points, at least from California, the class rates are on a much lower level and I believe classification ratings are different than they are under the 14999 scale.

Chairman Aitchison: Do you have a different classification, virtually, in effect on your Transcontinental class rates than you do on your local class rates?

The Witness: No, sir.

Mr. Dana T. Smith: Not classification.

By Chairman Aitchison:

Q. At one time you had virtually a classification on Transcontinental class rates; do you recall that?

A. Well, if there was, that is so many many years ago I do not recall it clearly. The Transcontinental tariffs are subject to the Official classification.

Q. In both directions?

A. Yes, sir.

Q. The destination theory does not work with respect to the Transcontinental class rates?

[fol. 922] A. Oh, yes. That rule of the Commission applies with respect to whatever classification governs and whatever destination territory the commodity may find rest in.

A. Yes, sir.

Q. I do not quite reconcile that with your statement that the Transcontinental rates are governed by the Official Classification.

A. The transcontinental tariffs are subject to the classification in effect, the Official Classification.

Mr. Fyfe: The Western Classification.

Mr. Dana T. Smith: What was that?

Mr. Fyfe: The Western Classification, both directions.

Mr. Dana T. Smith: Mr. Fyfe says the Western Classification, both ways.

Chairman Aitchison: I see. The destination theory does not apply eastbound?

Mr. Fyfe: That is correct.

The Witness: The tariff will speak for itself. I am not so sure of that. I was under the impression, Mr. Chairman, that the Classification rules as to the destination application would prevail. Mr. Fyfe, if he is correct in that,—he ought to know.

Mr. Fyfe: You had in mind the Western Trunk Line situation where the official applies eastbound.

[fol. 923] The Witness: Frankly, I cannot answer the question, Mr. Chairman.

Mr. Dnan T. Smith: Have you concluded, Mr. Chairman?

Chairman Aitchison: Yes.

By Mr. Dana T. Smith:

Q. Mr. Robinson, the Chairman has referred to these four general rate adjustments which took place during the war and after the war, the first World War. As I understand those increases, general increases and reductions, did they materially change the relation of rates in effect throughout the country?

A. No, not as such, except where a percentage increase or a percentage reduction affected the volume of the rates. For illustration, with respect to the Pacific Coast rates which are the highest rates in the country, the percentage increase created a larger increase in cents per hundred pounds than there was on the same commodity moving from a point in closer proximity to its destination.

Q. Well, they did not have——

A. But as to relationships, no.

Q. They did not have the effect of bringing the level of rates in the various rate territories, such as Official Territory and Western Trunk Line and the Southwest, closer together or more nearly to a common level than they had been prior to that time?

A. They did not. That was not the purpose.

[fol. 924] Mr. Dana T. Smith: You may cross-examine.

By Chairman Aitchison:

Q. You do have, as a result of the various actions taken, virtually a uniform class scale applicable in the western two-fifths of the United States, do you not, with the exception of such matters as Mr. Smith may have mentioned?

A. Basically I think that that might be answered affirmatively. The scale, however, is not observed between Utah and the Coast, the South Pacific Coast. It generally is between Utah and the North Pacific Coast.

Q. Reductions were made to meet motor truck competition, as I understand it.

A. That is correct.

Q. Yes.

A. That is correct. I want to add a little bit, if I may, as to the conditions for the future.

Chairman Aitchison: Proceed.

The Witness: I am concerned about that, and it certainly is a matter of consequence to the Commission in your consideration of a rate structure, class rate structure, at least, that might be more or less uniform, which I think is disastrous because we are going to have such changing conditions. I can visualize, if I permit myself to let my mind run on this thing, conditions that we have not known before at all. All of the intercoastal vessels today are out [fol. 925] of service except a very occasional shipment about which I am not supposed to even think of, that fights its way through. But that is not a commercial operation. That is a special condition that requires its movement in that direction.

There is a very large construction of tonnage, not as fast as it ought to be in the face of the sinkings, but it is going to accelerate. It is going to be a very enormous tonnage that we will have under American registry, of vessels available for service, post-war. That tonnage, that shipping, will find its way into intercoastal and coastwise operation. Probably what we have known before in the way of competitive conditions, waterwise, is going to be pretty tame compared to what will be available in the future because of the large number of vessels seeking employment. Unless thoroughly regulated, there will be severe competition between themselves to secure traffic. There will be a very great increase, also, in the operation on the inland waterways, because there will be so many light vessels of light craft that will be able to operate on the inland lakes, inland rivers, as to make a competitive situation there such as we have never experienced before. There are going to be thousands of airplanes that will be obsolete for passenger service and thousands of pilots who will be seeking employ- [fol. 926] ment, and the problem of air freight cargo being moved at rates substantially less than prevail today and lower than any of us have thought would be possible by air is going to prove a factor in our post-war condition that is going to make the railroad situation extremely difficult to meet. The highways will have been improved and are being improved. The diversion of tonnage from them now, to a lesser degree because of tire, gasoline and fuel requirements, is going to prevent them from breaking down, and where military necessities require, they are going to establish very fine highways. So between the air, the water and the highways, we are going to have a problem. It is going to call for the greatest constructive thinking for self-preservation if you please, on the part of the railroad officers and also the Commission to cope with and meet that situation. In the face of all that and because of all that my judgment is that this is clearly no time upon which to even consider what kind of a rate structure post-war conditions will require, particularly with respect to class rates.

I am afraid that the condition that will prevail postwar will require an entirely different type of thinking than anything which your honorable body can now bring to bear on this situation in the light of what goes on now, and it would be futile if not absolutely dangerous, to the revenues of the rail carriers, to undertake now to prescribe a struc- [fol. 927] ture that in your judgment might prevail some years hence.

Chairman Aitchison: You may cross-examine.

Mr. Norman: I would just like to ask Mr. Robinson one or two questions.

Cross-examination.

By Mr. Norman:

Q. Assuming that you are correct in your belief, which is evidently very earnestly held, that you cannot at this time prescribe the level of rates that should obtain in the post-war period, would you not say that nevertheless, in view of the fact that these war built plants in the different sections of the country will have to determine the question of their existence at the time the war ends, that it would — desirable to establish a framework of a rate structure that would as nearly as may be afford equal opportunity for the continued existence of those plants in the various sections of the country?

A. No, I do not think so, Mr. Norman.

Q. You do not?

A. No.

Mr. Norman: That is all.

The Witness: I did not answer that way just to be evasive.

Mr. Norman: I understand.

The Witness: I did not mean to do that at all.

[fol. 928] Mr. Norman: I understand.

The Witness: My judgment is that there is no condition which prevails at the moment upon which I can say to a plant—I will take one concrete example, for instance. The Chairman referred to one at Hastings, Nebraska. I do not think that is a good example.

Chairman Aitchison: You have one down in the territory south of Salt Lake somewhere, do you not?

The Witness: We have one in that territory producing basic magnesium, which is a sizable operation. The tenants or operators of that plant rather think that in post-war conditions they can produce magnesium and ship it around. Maybe they can. I hope so. We are pretty short of industries of a large nature in our country and we would like to see them come in and settle.

Mr. Norman: Do you think—pardon me.

The Witness: Of course, that would never have been settled out there at this time if it had not been for Government money and war necessities that made it necessary to produce a vital commodity.

Mr. Norman: Do they have——

Chairman Aitchison: Do not interrupt the witness, Mr. Norman.

Mr. Norman: Pardon me.

Chairman Aitchison: He was not through.

[fol. 929] The Witness: What are they going to do after the war? I do not know. I have talked with them very frankly and very candidly, the operators of that plant, about what they can do. I say "Well, I am not going to try to project myself into the future at the present time. You are producing a commodity at Government expense." All of these major plants are. I do not say that critically. It was a creation of necessity and need in a vital situation. There is a lot of that around the country. I do not know what we can do. We may have to do a lot of things and go a lot farther in the adjustment of those rates than I conceive now to be and hope will be necessary. I would like to hold it up. I would like to make some money on it.

By Mr. Norman:

Q. Do those people think that they can manufacture and distribute magnesium in the post-war period on the existing rates that you have out there?

A. Well, I have not talked to them about that. They are probably more concerned at the moment about how much it is going to cost them to produce, and that is a vital thing today.

Q. After they find that they can do that on a competitive basis, then they have got to find out whether they can deliver on a competitive basis?

A. That is right.

Mr. Norman: That is all.

[fol. 930] The Witness: By applying a constructive mind to this situation, I would like to find some way, if possible, for them to continue in operation. If I cannot, it is just too bad.

Mr. Norman: That is all.

Chairman Aitchison: Is there any further cross examination?

Mr. A. L. Reed: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. A. L. Reed.

By Mr. A. L. Reed:

Q. You referred to your experience in connection with the efforts of the carriers to establish a uniform classification and I believe stated that you had in some measure produced a uniformity. Did that refer to uniformity nationwide?

A. Yes.

Q. Would you care to tell us what was the major difficulty that you encountered that prevented you from accomplishing complete uniformity,

A. Yes.

Q. What was it?

A. It was the view of the territorial regions, the South, the West, the East and the Northwest, upon the revenue effect that would follow because of changes. One way to make uniformity is by adopting the lowest application that prevails. To do that in some sections, in which conditions [fol. 931] seem to justify and have created the lowest rate and to apply that nationally in territories where conditions are totally different would be to pull down the classification and revenue to the basis of the lowest. You can always adopt uniformity if you will go to the lowest thing you can find. We do not want to do that. We could not do it.

Q. Did that difficulty grow out of the classification ratings alone, or was it a continuation of the classification ratings and the rate scales in the various territories?

A. The revenue effect is determined first, by the classification to be applied, and then the rate applicable to the classification, but rates themselves are not the controlling factor. Other than that, if by adopting the lowest classification for the sake of uniformity in the far western territory, revenues by the application of the rates prevailing were seriously affected, then of course we do not have any enthusiasm for that uniformity.

Q. May I understand from your answer that you found the difficulty to be a combination of the classification ratings and the application of those ratings to the various rate scales in the three major classification territories.

A. I think that is a fair statement.

Mr. A. L. Reed: Thank you.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Robinson, you referred to the possibility of competition [fol. 932] with the coastwise and intercoastal carriers after the war due to the great volume of ship tonnage that is likely to be available. Now, following the last war was not the situation which confronted the Transcontinental railroads and some of the older intercoastal lines, the competitive situation, very acute because the

Government having ships in its possession disposed of them at bargain prices to operators who were then able to operate at a profit because they had no investment in ships?

A. I think that situation did prevail.

Q. Now, in endeavoring to locate industrial plants on your line of railroad, do you not find that a factor which is of great importance is the extent of the investment in that plant which an industry must have?

A. Yes.

Q. Do you know in the case of the war plants that have located on your line what investment they will represent to industries in private operation after the war?

A. I do not follow the question.

Q. You know, do you not, that it is—as I understand it, at least—a fairly general practice that these war plants are being amortized over a five year life only?

A. Yes.

Q. Therefore at the end of five years they will represent no investment whatsoever?

[fol. 933] A. (No answer.)

Q. Would you not anticipate that a concern could acquire, or would be offered one of these plants at practically no investment, and therefore could do business on a higher level of freight rates than another concern with which it competed which had its own plant investment?

A. I think that is axiomatic, if I might say so.

Q. You do not know now, you do not know now, nor can you foretell what investment will be called upon by those who may operate these present war plants?

A. I thought I tried to make that clear.

Q. Yes.

A. I do not know whether I did or not.

Q. Yes, but that will greatly affect their competitive ability and the rate levels they may need, is that not so?

A. It will be a decided factor, yes.

By Chairman Aitchison:

Q. Do you recall from your past days in my section of the country that in the far west they have quite a different setup of relations, classes to first class of the class scales, do you not?

A. Yes. That is right.

Q. It is quite marked?

A. You mean, the relation between first and the lower classes?

Q. Yes. It is quite marked with respect to fourth, fifth, [fol. 934] A, B, and C, and sometimes D and E.

A. That is right; quite different from some other districts.

Q. Are you familiar with the history of that particular set of class rate relationships?

A. As to why it was developed in that way?

Q. Yes.

A. No. I cannot say that I am.

Q. And what originally resulted in its being projected out into that area?

A. I cannot say that I am, Mr. Chairman.

Q. Have you given any consideration to the reasons which justify its maintenance?

A. (No answer.)

Q. I know it is not in issue here, but the question of what the relation between the classes should be is always in issue in a proceeding of this sort.

A. Well, whenever we have had occasion to get into any discussion on those subjects, it had been my personal view that the adjustment was all right. I have no complaint. Now, with regard to the relationship of classes, one to the other, I cannot answer your question as to just why that was evolved. I do not know.

Q. I think historically it was put in by the northern lines first, and then was adopted by the Washington carriers and spread from that.

[fol. 935] A. I know that in some instances we found it necessary, frequently so, in fact, to depart from the class rate adjustment because of competitive conditions that prevailed. We found that the class rate adjustment needed to be revised if we wer to share in the traffic under the competitive conditions with which we were confronted.

Q. Well, is it not a fact that in that particular area you have, with respect to class rates, a lesser spread between carload and less than carload than you have in your class rates within Western Trunk Line and on the eastern part of your line?

A. I think that is so, because of the higher percentage of the lower classes in that area than prevailed in other areas. For instance, we have a class A that is 65 per cent of first class there, and 55 in Western Trunk Line Territory. Then the spread is lesser between that carload rate and first class or less than carload rate than it will be in the other territory.

Q. I think you have your figure incorrect. It is 50 in the West.

A. I am only trying to give you an illustration.

Q. Yes. You can take the difference between fourth and fifth class and bring that out more sharply.

A. Yes, That would follow.

Q Now, that has had quite an effect, has it not, on the [fol. 936] commercial development in that area? I am not saying it has had an unfavorable effect, but it has had quite an effect, has it not, with respect to the distribution of goods?

A. I do not know that it has had any effect.

Q. That is because you have voluntarily put in exceptions to the class rates?

A. Well, it may be. We do not have any industries in the West that have grown up because of the class rate adjustment generally within that area. The jobbing houses that used to be in existence at Portland and at Seattle, the large ones, have gone out of business. Some of them have developed and gone into the interior, to Walla Walla and Pendleton, where they have branch houses of distributing points. There are no more wholesale houses around anywhere. I think that is due to the competitive conditions, and the ability to move by motor truck. Every merchant at every junction point, or every fair sized city carries a stock and reaches out and supplies his trade within 30 or 40 or 50 miles of his store.

Q. Are there not a good many commodities handled that move less than carload fourth class and carload fifth class?

A. I think that is true.

Q. In the area that we have been discussing the difference between the two is as 60 is to 50, or one-sixth of the [fol. 937] less than the carload rate?

A. Yes.

Q. Now, in Western Trunk Line Territory you have a much wider spread, have you not?

A. I think so. I do not have those percentages in my mind at all.

Q. Well, assume that is a fact. You would expect to find the wholesale distributing business in the smaller communities would not be on as substantial a basis as where they have a wider spread between fourth and fifth class, is that right?

A. That is right. That is the margin by which they do business.

Q. Did that have any effect, do you think, on this historical event of the small jobbing houses going out into the interior?

A. Yes. I think that was one of the factors. We find the same condition prevails at Omaha. The history of the jobbing business in Omaha, Kansas City and St. Joseph, Missouri, is identical with that which has developed and evolved at Portland. They have no more wholesale houses in any of these places as you and I used to know them, as wholesale houses.

Chairman Aitchison: Are there any other questions?

Mr. Norman: I would like to ask one more question [fol. 938] in connection with the questions asked him by Mr. McCollester.

Chairman Aitchison: Mr. Norman.

By Mr. Norman:

Q. Is it not true, Mr. Robinson, that the majority of the plants such as you described in answer to Mr. McCollester's question, these plants that are built by the Government and amortized in five years, are located in Official Territory?

A. Will you let me see if I understand your question? Have the reporter read the question.

Mr. Norman: Let me put it this way:

By Mr. Norman:

Q. Is it not true that the Government building of plants for war purposes has resulted in a very much larger proportion of them being built in Official Territory than in Southern and Western Territory?

Mr. Dana T. Smith: Are you putting that on a per capita basis?

Mr. Norman: I am putting it on a point basis.

Mr. Dana T. Smith: If you have $41,000,000 spent by the Government in Utah, on a per capita basis that is more than it is in the state of New York or elsewhere.

Mr. Norman: I am asking the witness if he knows—well, that is true.

The Witness: I think as far as numbers of plants are concerned, disregarding the question of dollars, there are [fol. 939] more plants engaged in war industries in Official Territory that is Chicago and East, than there are in the West or South.

Mr. Norman: So that the—pardon me.

The Witness: That is just natural, because there have been so many plants converted from commercial industry to Government projects.

By Mr. Norman:

Q. So that when the time comes for the Government to give away plants, it will have more to give away in Official Territory than it will in Southern and Western?

A. In numbers, yes. I think so.

Mr. Norman: That is all.

Chairman Aitchison: Are there any other questions of Mr. Robinson? (No response.) If not, you may stand aside.

(Witness excused.)

Mr. Eshelman: Mr. Chairman, the Western Lines have kindly consented that I might put on Mr. Heywood at this time, if it is agreeable to the Commission. He was not here yesterday when we put on our other witnesses.

Chairman Aitchison: We would rather take the time ourselves, Mr. Eshelman, to make an announcement.

Mr. Eshelman: Very well.

Chairman Aitchison: It is imperative that the members of Division 2 of the Commission should return to Washing- [fol. 940] ton during the next week. We expect to be able to remain here until at least Thursday, and probably a good part of Thursday. Then we will be obliged to return to Washington. It is our expectation to take the testimony, if it can be arranged with counsel of shipper witnesses, persons who may have come here for the purpose of testifying, or who may come, such as those arranged for Monday. It may be necessary to ask some of these gentlemen, if they are willing, to let their testimony be taken before one of the Examiners simultaneously with the main hearing going on here. That will, of course, require the cooperation of counsel. If there are any such persons who would like to be heard in such a way, will they kindly communicate with Mr. Carter and Mr. Koebel and Mr. Haden. Let us have the names and tell us about the length of time their testimony will require and what the general subject is.

While we are obliged, or will be obliged to adjourn the hearing on Thursday next, it is our intention to resume it before the Division as early as we practicably can. A preliminary study of our calendar indicates we can expect to do that probably commencing November 16th. We are not definitely sure yet as to the place, although I think possibly during the day we may be able to learn it. I believe it will be in this general region. We want to go [fol. 941] on with our program just as we have it outlined with the exception of these shippers and others who may have come here and have short statements, or for whom it would be a hardship to come back at a later time. We will go on with the program exactly as indicated, stop and then resume it later. However, we shall expect that any examination of underlying papers and study of exhibits that have been submitted will be made in this interim period so that cross-examination can be completed and witnesses excused and the record closed upon such part of the case. That will mean, therefore, that at this hearing which I have indicated will be held probably in the latter half of November—I think you can count on that pretty well; we will know later in the day—we will expect you to go on to the stage of rebuttal and be able to close the record. Please understand that the individual witnesses must come to the Examiners and identify themselves and give the information, and then we will, before we close the hearing today, interrogate counsel as to whether that can be arranged. Again I want to emphasize what is the spirit and gist of the new rules and was also distinctly agreed on at the prehearing conference in Chicago in this very proceeding with respect to making available all exhibits at the earliest possible moment to all concerned. Mr. Norman.

[fol. 942] Mr. Norman: I just wanted to suggest that the adjourned hearing be held in Louisville, Kentucky, where we have two practically new hotels.

Mr. Bee: I would like to suggest St. Louis.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until 2 o'clock P. M.

(At 12:30 o'clock P. M., hearing adjourned until 2 o'clock P. M.)

[fol. 943] Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock P. M.

Chairman Aitchison: Come to order, gentlemen.

Mr. Norman: If the Chairman please, may I ask if it is to be understood that the adjourned hearing to be held on November 16th is to conclude the hearings in this proceeding?

Chairman Aitchison: Well, we are going to do our best, of course, to get through. Let me again emphasize the necessity for making any necessary examination of underlying data, and so forth, and preparing yourselves for a final and conclusive cross-examination of the witnesses who have been on the stand, and whose cross-examination has been deferred, or not concluded, with respect to any matters concerning which they have testified; and furthermore, the arrangements which were made at the prehearing conference for making exhibits open to the public as soon as possible, ought to be carried out. I want to say one other thing also in this connection, and that is that you will have plenty of time, now, to get your exhibits up in a way that will comply with the Rules of Practice, so that it will not be necessary to waste 30 minutes or more time identifying a long series of exhibits, presented by a single witness, when it ought to be done in 30 seconds.

Mr. Norman: In other words, then, if the Chairman [fol. 944] please, the parties cannot expect to come back for a further hearing, after the adjourned hearing beginning on the 16th has been concluded; is that correct?

Chairman Aitchison: I did not say anything about that. We are going to do justice in the matter, but we want to bring it to a conclusion. I indicated this morning that we will expect the presentation to be completed in the order in which it appears in the notice, including the rebuttal, which normally closes the case. We are going to try to handle the thing in a proper way.

Mr. Bee: If the Chairman please, I thought the statement that you made this morning was absolutely clear, but we had some argument about it during the lunch hour. As I understand it, we are going to run right through until some time on Thursday of next week, and wherever we stop at that time, that is exactly where we are going to commence, at that same point when we resume the hearing on the 16th.

Chairman Aitchison: That is right.

Mr. Bee: And the exhibits that are here now should be distributed, as I understood your Honor, regardless of the fact that they may not comply with the requirements of the Commission Rules of Practice; but all of the exhibits that are to be compiled between now, and the time of the next hearing, should be brought into conformance with the rules.

[fol. 945] Chairman Aitchison: Yes, that is true, but if anybody here has exhibits that do not comply with the rules, there is plenty of time to get them put into such shape as the rules require.

Mr. Bee: As I understood your Honor, we are to distribute the exhibits that we have here now, and let the parties have them.

Chairman Aitchison: Yes, but I think you still have plenty of time to get them in proper shape, and still do that, so that we will not have to take half an hour's time, with all of the confusion that we have had, in identifying a long series of exhibits that should have been disposed of in ten seconds.

Mr. A. L. Reed: Did your Honor state the place?

Chairman Aitchison: I have not stated it as yet, no, but I can say at this time I think it will be in the Hotel Deshler, at Columbus, Ohio. You may continue.

Mr. Eshelman: If the Commission please, on behalf of the Eastern carriers, at this time I will call Mr. Heywood.

J. L. HEYWOOD was sworn and testified as follows:

Direct examination.

By Mr. Eshelman:

Q. Mr. Heywood, please give your full name to the reporter.

A. J. L. Heywood.

[fol. 946] Q. Your present position?

A. Assistant Comptroller, Pennsylvania Railroad.

Q. How long have you held that position?

A. A little over three years.

Q. Would you state what your duties include, and what your previous experience has been?

A. During that period of a little over three years, I have been in direct supervision over the compilation of statistics and cost studies. For nine years prior thereto I was directly connected with the analysis and making of cost studies, particularly in connection with various rate matters. I have been employed in the Accounting Department for 27 years.

Q. In what capacity are you here today?

A. As Chairman of the Eastern Carriers Accounting Committee in Dockets 28300 and 28310.

Q. Will you state whether or not you are familiar with the results of the Committee's analysis of the cost-finding formula known as Rail Form A, submitted by Dr. Edwards as his Exhibit No. 4 at the original hearing in this case?

A. I am.

Q. And also with the cost scales based thereon, which are embodied in Dr. Edwards' Exhibit No. 3?

A. Yes.

Q. And likewise the explanation of such scales, as found [fol. 947] in Dr. Edwards' Exhibit No. 2?

A. Yes, sir.

Q. Have you prepared with the assistance of the Committee, a statement commenting on certain methods employed in Edwards' Exhibit 2, 3 and 4?

A. I have.

Q. Have you committed your testimony to written form?

A. Yes, sir.

Q. Your testimony on direct, that is?

A. Yes.

Q. Have copies of your written testimony been distributed to the parties on Tuesday of this week?

A. Yes.

Mr. Eshelman: Mr. Chairman, with the consent of the Commission, and the parties, I should like to ask that Mr. Heywood's statement be copied into the transcript, as in the case of the other Eastern witnesses.

Chairman Aitchison: Is there any objection to that course? (No response.) It may be done.

(The statement is as follows:)

The following statement which represents my own views in respect to the exhibits referred to, also has the concurrence of the other members of the Committee.

Comments on methods used in Exhibits 2, 3 and 4:—1. Introductory. At the outset of Dr. Edwards' Exhibit 2, [fol. 948] after stating that the purpose of the study is to provide territorial cost data that may be used in determining the relative transportation costs in the respective rate territories, and that may be of aid in the development of territorial class rate scales, the following statement appears:

"The scales of costs shown for each territory are based upon the average operating conditions in each territory. The costs, therefore, represent a weighted average of all conditions, i. e., main line and branch line operation, through train and way train operation, operation of lines of heavy traffic density and lines of light traffic density and the operation of large terminals and small terminals.".

It is thus apparent that the studies are based upon system operating expenses by individual roads, and that the details are consolidated into territorial costs. As further stated at page 1 of Exhibit 2:

"The distribution of the expenses herein has been based on the relative use that the carload and less carload traffic of varying loads makes of the transportation facilities of the carrier."

On page 2 of Exhibit 2 is set forth a description of the different levels of cost developed by the study. The territorial cost scales are based on Cost Level II which embraces freight operating expenses, rents, and taxes. The other levels of costs are predicated on Level II, and may [fol. 949] be summarized as follows: 1—Freight out-of-pocket costs; 3—Cost Level II plus returns of 4 and 5¾% on the property value allocable to such freight traffic; 4—Cost Level II plus l. c. l. and passenger operating deficits but excluding return; and 5—Cost Level IV plus returns of 4% and 5¾% on property value, including the l. c. l. and passenger portions.

Concerning these cost levels and their economic significance, Exhibit 2, at pages 2-3 states: "The respective levels of cost developed in this study indicate the average revenue which each 100 pounds of freight would have had to earn during the period studied (considering the length of haul, net weight of load, per cent of empty return of the equipment, and the tare weight of the equipment) to cover the elements of cost indicated. The nature of the commodity carried receives consideration in these scales only through the variation in load per car, and type of car used. Loss and damage receives separate consideration apart from the scales."

The primary basis used in the development of these costs is the method of separating total operating expenses as among freight, passenger, and other services of individual roads in accordance with the procedure prescribed by the Commission for the keeping of accounts. The adoption of this method does not appear to have been dictated purely [fol. 950] by considerations of accuracy in cost purely and the method does contain many arbitrary allocations of expenses.

In order that the views and criticisms which I shall offer respecting the formula may be better understood, a list of factors used for all roads on a nation-wide basis and a statement of the principal methods used in the formula will be briefly set forth as a basis for the specific comments which will be interpolated. In the case of each example the reference to a particular schedule will be to that indicated in the Formula which was introduced as Dr. Edwards' Exhibit 4. In conclusion some general comments will be offered.

II—Nationwide factors used in developing individual road costs. 1. Cars handled in various switching operations on individual roads are weighted by factors developed from certain switching studies submitted in western switching cases to obtain equated cars handled—(Schedule II—Sheet 3—Column 3) Carrier terminal switching and connection terminal switching, industry and team tracks, including allowance for intermediate switching—1.00. Carrier terminal switching and connection terminal switching, freight house tracks—.80. Interchange switching, including allowances for intermediate switching—.45. Intertrain and intratrain switching—.25.

Comment: These weighting factors are very important [fol. 951] as they produce the equated results used to separate the total yard and train switching expenses of the individual roads into the classes of switching in order to arrive at the switching expenses per car by classes of switching. There are listed nine switching cases in the western portion of the country from which data were obtained, but an examination of the working papers shows that the rail-barge case, Docket 26712, was freely used, also that the opinions of senior members of the cost section were relied upon to a great extent. It is inconceivable that there are no differences in switching operations throughout the various sections of the country compared with the conditions at the limited number of locations covered by the switching cases studied; in fact the following indicates that a decided difference does exist.

The factors are based on the average number of engine minutes required to switch a car in the following services as per Dr. Edwards' work papers:

(a) Carrier terminal switching and connection terminal switching—Industry and Team tracks: 13.5 minutes; weight, 1.00.

(b) Carrier terminal switching and connection terminal switching—freighthouse tracks (80% of 13.5 minutes): 10.8 minutes; weight .80.

(c) Interchange switching: 6.1 minutes; weight .45.

[fol. 952] (d) Intertrain and intratrain switching: 3.3 minutes; weight .25.

If we multiply the minutes shown above by number of cars in the respective switching services as shown in Form A and reduce the result to hours we should approximate the number of switching locomotive hours reported.

We have made this compilation for railroads wholly in Southern territory and wholly in Eastern territory excluding New England and Northern Illinois, and the following comparison results:

Southern Territory: Switching Locomotive Hours Developed on basis of Form A Factors—4,319,735. Reported Train and Yard Switching Hours—3,259,401. Difference—1,060,334-plus. Per cent—32.53-plus.

Eastern Territory (Excluding New England and Northern Illinois): Switching Locomotive Hours developed on basis of Form A Factors—17,364,887. Reported Train and Yard Switching Hours—18,032,594. Difference—667,707-minus. Per cent—3.70-minus.

Thus the time elements which have been used as a base for the factors applied nationwide produce total switching hours that exceed switching hours in the South by 32.53% and fail to equal the Eastern carriers' switching hours by 3.70%.

2. Cars handled in various switching operations on in-[fol. 953] dividual roads are multiplied by car-day factors obtained from the nine switching studies in the west—to develop switching car days. (Schedule A—Sheet 3—Column 7).

Carrier terminal and connection terminal switching, industry, team track and freight houses—0.50 days. Interchange switching per carrier—.33 days. Intertrain and intratrain switching—.33 days. Detention for loading or unloading, but not both, at industry and team tracks—1.75 days. Detention for loading or unloading at freight houses—.50 days.

Comment: The nine western switching studies are again used to determine for the entire country what are the representative number of car days applicable to the various classes of switching. There is no basis for assuming that the eastern roads perform on a parity with the western roads when it comes to handling cars through the different kinds of terminal operations with the delays incident thereto. The total car days for a year was determined through the "serviceable cars on line", and a tabulation by territories in the east shows the disparity between the total of the running and switching car days through the use of the formula factors and the result of serviceable cars multiplied by number of days in a year, as follows:

Eastern Territory (Excluding New England and Northern Illinois): Active Car days from Form A (Schedule [fol. 954] A, Sheet 3, Column 11—114,019,521. Serviceable cars on line x, 365 days, 229,297,745. Difference, 115,278,-224-minus. Per cent, 50.27-minus.

Southern Territory: Active car days from Form A (Schedule A, Sheet 3, Column 11), 32,972,448. Serviceable cars on line x, 365 days, 55,551,905. Difference, 22,579,457-minus. Per cent, 40.65-minus.

Pocahontas Territory: Active car days from Form A (Schedule A, Sheet 3, Column 11), 17,709,290. Serviceable cars on line x, 365 days, 37,742,095. Difference, 20,032,805-minus. Per cent, 53.08-minus.

3. Cars handled in various switching operations on individual roads are multiplied by miles run in normal terminal movements, obtained from an engineering study by Bureau of Valuation, Interstate Commerce Commission from terminal layouts of fifteen terminals in the United States, to develop switching car miles. (Schedule A, Sheet 3, Column 4). Carrier terminal and connection terminal switching, industry and team tracks—4.0 miles. Carrier terminal and connection terminal switching, freight houses—3.5 miles. Interchange switching per carrier—2.75 miles. Intertrain and intratrain switching—1.00 miles.

Comment: The 15 terminal layouts used in the engineering study were in the following cities: 6 in the East, 3 in the South, and 6 in the Western Section, namely: Boston, [fol. 955] Baltimore, Philadelphia (including Camden), Detroit, Cincinnati, St. Louis and East St. Louis, Memphis, New Orleans, Atlanta, San Francisco, Portland, Kansas City, Denver, Houston and Minneapolis. The results of scaling the layouts were totaled for the 15 cities and divided by 15 to obtain a simple average for the country. It will be noted that New York and Chicago are omitted and that the cities in the East were not treated sparately to obtain the average for the East, and the same for the South and West. It is difficult to understand the value of a factor taken from maps by individuals whose familiarity with actual conditions in the terminals must be very limited.

4. Count of cars—For industry and team track switching a factor of 1.0 used as ratio of empties spotted and switched out to loads—(Schedule A, Sheet 3, Column 3.)

Comment: It is stated that this ratio was based on fragmentary evidence appearing in the nine switching cases. The studies showed 10 points out of 24 switching locations where the ratio of empty to load was 1.00, the balance ranging from .53 to .98. No large terminals in the Eastern portion of the country were considered, also as the straight average for the 24 switching locations is .86 it would seem that the ratio is slightly overstated and should not be used on a nationwide basis and certainly does not represent switching conditions on individual railroads. A change in [fol. 956] this ratio could affect the running and terminal costs and the costs of carload and less carload traffic.

5. Count of Cars—For freight house switching a factor of 0.80 used as ratio of empties spotted and switched out of total loads spotted and switched out. (Schedule A Sheet 3—Column 3). Comment: The only evidence available on ratio of empties to loads for freighthouse switching was in the Des Moines Switching case, I & S Docket 4418, which disclosed 95 empties to 176 loads or a ratio of 0.54. Nevertheless, based upon the judgment of the senior members of the Cost Section, the formula uses 0.80.

6. Count of Cars—For non-revenue switching the number of carloads was multiplied by 2 at total loaded cars handled in non-revenue switching. A factor of 1.0 used as ratio of empties to loads to determine total cars handled in non-revenue service. (Schedule A—Sheet 3—Column 3). Comment: The factor of 2.0 assumes that non-revenue loads are local to one line. There are many roads which are dependent on shipments of company materials originating on connecting roads. A nationwide factor is not applicable to non-revenue traffic by individual roads.

7. Count of cars—For intertrain and intratrain switching a factor of 150 miles per switch handling used as a divisor to divide the total loaded car miles for an individual road to obtain number of loaded intertrain and [fol. 957] intratrain switching. (Schedule A—Sheet 3—Column 3). Comment: There were three Western cases used to arrive at the distance between terminal handling—road train to road train. It would seem that the experience

in the Western section of the country for specific commodities would not apply to all shipments moving in the territory of the thickly populated eastern section with its several large and small railroads.

8. Station Service—Separation of clerical expenses (that portion of expenses of station employes—other than platform labor—which has been assigned to station service on basis of factors, 15% running, 85% station service) between carload, clerical and less carload, clerical on basis of consignments applying weight of five to a carload consignment and a weight of one to a less carload consignment. (Schedule D—Sheet 1—Line 2—footnote 1). Comment: These factors were developed from studies made in California, and they were also nationwide and the same in Form B—Automobile Formula—some roads have found other factors more representative of actual conditions on their properties.

III. Methods used to allocate expenses on individual roads. 1. Locomotive Depreciation—Apportioned between road and yard on weight of locomotives as assigned to the two services respectively. A road locomotive is weighted [fol. 957-A] by factor 1.2—A yard locomotive by factor 1.0 (nationwide) (Schedule A, Sheet 2, Line 10). Comment: The assignment basis between road and yard services was taken from Schedule 417, I. C. C. Annual Report, and the weighting was based upon an engineering study by the Bureau of Valuation. The number of locomotives in actual road and yard services reported in the same schedule of the annual report are not the same as the "locomotives assigned."

The following differences are cited as examples and do not indicate that differences do not exist on other railroads:

	Road Service		*Switching Service*	
	Assigned	*In Service*	*Assigned*	*In Service*
P. R. R.	3,644	2,884	624	1,305
B. & O.	1,688	1,481	314	506
C. & O.	682	596	126	197
N. Y. C.	2,218	2,176	948	1,050

2. Train Switching—Apportioned on basis of yard operations. (Schedule A, Sheet 2, Line 20; Schedule C, Sheet 2,

Line 9). Comment: Throughout the formula the development of train switching is mostly on basis of yard operation, by applying the yard unit costs to train switching service. Train switching at way stations is handled by road crews and road locomotives. This would have a tendency to understate the train switching costs as the two operations are not comparable in many respects. It would [fol. 958] seem that running service may retain some of the cost belonging to train switching.

3. Trainmen (account 401)—Apportioned between running and train switching on basis of train miles and train switching miles. (Schedule C, Sheet 2, Line 13). Comment: This apportionment results in understating the portion applicable to train switching due to the difference in running speeds. For example, for the Eastern District the average freight train miles per train hour, including train switching at way stations, is 15.3 for 1939 as per O. S. Series No. 169-A issued by the Association of American Railroads. If the train switching hours at way stations are excluded the average train miles per train hour in running service becomes 21.2 compared with 6 miles per hour for train switching or a ratio of slightly over 3½ to 1. Therefore, the use of train miles to apportion earnings of trainmen could only be justified if the average hourly earnings of trainmen in running service were equal to over three and one-half times the hourly earnings of trainmen in train switching service, which is not the case.

4. Signals and Interlockers—Maintenance and Depreciation—Repairs and depreciation are apportioned all to running service. (Schedule B, Sheet 2, Line 13). Comment: This account would cover any signals or interlockers controlling yards as well as running tracks, therefore, a [fol. 959] separation should be made.

5. Station Service—Number of L. C. L. consignments used to separate clerical expenses between carload and L. C. L. (Schedule D, Sheet 1, Line 11, Footnote 5). Comment: The number of L. C. L. consignments is developed by dividing the L. C. L. tons originated and terminated on the respective railroads reported in Schedule 541 of the Annual Report by the estimated average weight of L. C. L. shipments developed in A. A. R. study September 8 to 14, 1939. The I. C. C. requested the estimated average weight of

L. C. L. shipments under date of November 19, 1940. The P. R. R. advised the average weight was 462 pounds which was the average for all L. C. L. shipments.

In form A, Dr. Edwards overlooked the fact that the L. C. L. tons reported on line 710 Schedule 541 of annual report includes only L. C. L. shipments of less than 10,000 pounds. Therefore, the average weight of L. C. L. shipments of less than 10,000 pounds should have been requested. On the P. R. R. this is 421 pounds and would have resulted in a count of 18,910,613 consignments for the P. R. R. compared with 17,232,398 as shown on Form A or an increase of 1,678,215 consignments.

6. Loss and damage payments for the year was subtracted from total of account 418—Loss and Damage—Freight and remainder was assigned to General Overhead. [fols. 960-961] (Schedule E, Sheet 1, Line 8). Comment: Since some roads charge Loss and Damage on an accrual basis the method of deducting actual payments from total of this account does not produce the true amount of General Overhead. This resulted in an overstatement of $660,382 for the Pennsylvania Railroad as follows: General overhead—Loss and damage—computed as follows:

Account 418—Loss & Damage		$4,465,313
Less actual payments	$3,059,977	
Less Miscellaneous Charges	372,477	3,432,454
(Schedule E, Sheet 1, line 8)		1,032,859

Should be:

Account 418—Loss and Damage	4,465,313
Less: Loss and Damage Reserve Accruals	4,092,836
General Overhead	372,477

7. Switching Expenses apportioned to various switching services. (Schedule H, Sheet 3): Comment: Lines 23 and 24—columns 2-8. Number of cars receiving intertrain and intratrain switching includes non-revenue cars. Since this sheet provides for apportionment of certain switching expenses to various switching services chargeable to revenue traffic, the non-revenue cars should be excluded from the computations in line with footnote 3 providing for omis-

sion of non-revenue cars receiving carrier terminal switching service.

[fol. 962] IV General Comments. (a) The cost scales are based on the experience of the year 1939. The comparison of costs scales for the various territories based on the year 1939 for the purpose of adjusting rates effective in the future is subject to severe criticism as the changes in volume of traffic, wage scales, taxes and material prices affects the different district- in varying degress. This is shown by the percentage changes in amount of Operating Expenses, Taxes and Rents per service units for the year 1941 when compared with 1939:

	Gross ton mile (Cars, contents and cabooses	Loaded Car Mile	Net Ton Mile (Revenue and Non-Revenue
Eastern District	D 3.95%	D 3.34%	D 7.96%
Pocahontas Region	I 6.94	I 6.89	I 4.35
Southern Region	D 3.44	D 0.53	D 8.41
Western District	D 10.16	D 8.32	D 14.69

(D—Decrease; I—Increase.)

It will be noted that the amount of operating expenses, etc., per gross ton mile for the Western District has decreased 10.16% while for the Eastern District the decrease amounts to only 3.95%. A similar condition exists for the other two service units. The difference appears to be due principally to the fact that it was not necessary to increase the number of trains in the Western District to the same extent that it was in the Eastern District to carry [fol. 963] the additional traffic in 1941. This theory is supported by the heavier loading per train mile as shown by the percentage increase of 15.31% in the number of net ton miles per train mile (ordinary and light) in the Western District for 1941 when compared with 1939, while in the Eastern District an increase of only 10.70% existed.

(b) It is an accepted fact that maintenance of way and structure expense for one year is not representative—5-10 or more years are used in most studies. Equipment expenses are equally not representative for one year, therefore, the year 1939, which has been used to develop the cost scales, could not produce results which may be considered as representing average operating conditions on any single road.

(c) In several instances Dr. Edwards applied percentages based on averages of several roads to other individual railroads. This practice ignores the fact that conditions may vary on different railroads.

(d) The Eastern carriers do not subscribe to the valuations for Eastern Lines used by Dr. Edwards in his studies which were developed by the Bureau of Valuation.

(e) The following clerical errors were noted in the compilation of Form A for the Pennsylvania Railroad, which would have an appreciable effect on cost scales for the Eastern Territory:

Schedule A, Sheet 3, footnote 4—car days in running [fol. 964] service—line (e) caboose car days reads 898,285 should read 89,828 line (f) Total car cars reads 6,501,784 should read 5,693,327.

Schedule A, Sheet 3, footnote 8—Loaded cars receiving interchange switching: line (d) tons in thru cars not worked—reads 130,906,002; should read 1,309,060. Line (f) cars not worked at interchange—reads 21,389,870; should read 213,899. Line (g) Total cars—reads 24,334,088; should read 3,158,117.

Schedule A, Sheet 3, line 9, column 3—Empty cars receiving interchange switching: Since the number of empty cars is based on number of loaded cars the above described error affects this item as follows: Total empty cars reads 15,403,478; should read 1,999,088.

The correction of these errors when carried through the cost scales produced the following differences in the terminal costs for carloads in company owned equipment for the Eastern Territory (excluding New England and Northern Illinois).

	Cost Level II Oper. Exp. Rents & Taxes	Cost Level III (b) Oper. Exp.—Rents Taxes—Return 5¾% C. L. Portion	Cost Level V (b) Oper. Exp.—Rents Taxes Pgr. LCLDef. Ret. 5¾% all prop.
Original	$19.12	$24.86	$30.60
Corrected	21.06	27.38	33.70

Mr. Eshelman: That is all with the witness on direct, [fol. 965] Mr. Chairman.

Chairman Aitchison: Cross-examine.

Mr. Smelker: With respect to the detail portion of this statement, Mr. Chairman, I take it that Dr. Edwards will have an opportunity to put in rebuttal at the time the rebuttal testimony is being put in.

Chairman Aitchison: Yes.

Mr. Smelker: I have some questions.

Cross-examination.

By Mr. Smelker:

Q. Will you first refer, if you please, Mr. Heywood, to page 4 of your statement.

A. 4?

Q. Yes.

A. Yes, sir.

Q. Referring to the center of the page there, where you show two columns, one headed "Minutes", and the other headed "Weight"? I believe you understand, do you not, that Dr. Edwards, in preparing his exhibits, used weight only? Do you have any comment to make in that respect?

A. You say he only used weight?

Q. He used weight only, and not minutes.

A. Why, no, sir, I do not have any comment to make. I did not say that he did use minutes.

Q. But in making the computation which you have set forth here, you do use the minutes, do you not?

[fol. 966] A. I simply say here that if we multiply the minutes shown by the number of cars, and reduce the result to hours, we approximate the number of switching locomotives hours reported.

Q. Now will you refer to page 9 of your prepared statement, please.

A. Yes, sir.

Q. At the top of that page, you have four columns set out; two, under Road Service, Assigned and In Service; and similarly under Switching Service, Assigned and In Service.

A. Yes.

Q. Now will you tell me please what is the source of the material used in the first and third columns, under Assigned?

A. The Interstate Commerce Commission's reports.

Q. How?

A. The annual reports of the Interstate Commerce Commission.

Q. Does not the annual report, both for road service and switching service, show locomotives in service only?

A. No, sir. That is not correct. It shows locomotives assigned also.

Q. Now taking the first line, under the right hand heading, Switching Service: You show 624 assigned, and 1305 in service.

A. Yes.

Q. That, then, leaves 681 that have been assigned over in [fol. 967] road service. Will you explain that to us, please.

A. That means to me that road service engines were used in switching service, and are in switching service, even though they were not assigned to switching service.

Q. Then they were switched back?

A. They still continue as road locomotives, as far as our records are concerned, from an assigned standpoint; but they take in use in switching, and that is what "In Service" means.

Q. Is that based on daily operations, or on annual operations, Mr. Heywood?

A. That is based on the requirements of the Commission, in the annual report, but to say now exactly whether that is on the basis of an average daily or monthly, I am not in a position to do at this time.

Q. Which figures then do you believe that we should use; the "In Service" or the "Assigned"?

A. Why in my judgment, I would say that the right ones to use, as between road and switching, would naturally be those that we used in the service.

Q. Is it your understanding, Mr. Heywood, that Dr. Edwards used in his study the "In Service" locomotives rather than the "Assigned"?

A. As I understood it, the "Assigned" were used. However, I do not have the detail here before me at this time.

[fol. 968] Q. In compiling these figures, did you use Classification 417 of the annual report?

A. Yes.

Q. Now down at the middle of the page, it says: "Equipment in Service of respondents." Can you explain the difference in the two columns, after that comment?

A. I might be able to do so if I had the report in front of me here. If I understand your question correctly, you refer to the schedule at the bottom of page 405, as to the average number of locomotives in service. Is that correct?

Q. What we are trying to get clarified now, Mr. Heywood, is just what your criticism is aimed at, in this statement at the top of page 9. Dr. Edwards tells me that in the preparation of his study, he used locomotives in service, as carried in that classification of the annual report, 417.

A. Well, the main point in this so-called criticism of the formula is that the "In Service" as you state were used by Dr. Edwards, and the "Assigned to road and switching Service" were not. There is a considerable difference, in our opinion, in the class of locomotives being used as between road service and switching service, and the difference, as between the "Assigned" and the "In Service" represents the switch of the road and switching locomotives. The proper weight evidently could not have [fol. 969] been given to the fact that switching locomotives are not usually in the class, as far as weight is concerned, of road service locomotives, although we admit that in many instances our road service locomotives are used in certain switching.

Q. Now will you turn to page 13 of your prepared statement please.

A. Yes, sir.

Q. And referring particularly to the statement at the bottom of the page: Did you use less than carload traffic only in making up this statement?

A. Do you mean, under (e)?

Q. I mean, the statement at the bottom of the page.

A. The statement at the bottom of the page is caused by the effect of changes made, due to discrepancies discovered in the detail of the information compiled by the Pennsylvania Railroad.

Q. No. What I am asking you, Mr. Heywood, is this: Does the statement consist of data taken in connection with less than carload traffic, or carload traffic?

A. I do not follow you.

Q. In other words, what I mean is this: Does the correction apply to carload traffic, or less than carload traffic?

A. The correction applies to terminal cost, as displayed for the Eastern territory, of $19.12, in the exhibits filed at St. Louis. With those corrections, we made corrections [fol. 970] to correspond, resulting in a change from $19.12 to $21.06. That indicates, as I recall it, the terminal cost per car.

Q. But you still have not answered my question, Mr. Heywood. The question is, does that cover carload traffic or less than carload traffic? That is, does the correction cover carload or less than carload traffic,—I mean, the correction which you have shown at the bottom, from $19.12 to $21.06?

A. ~~Oh. The correction covers,~~ as far as I am able to recall at the moment, the entire set-up of the cost of moving a car into a terminal, or out. It affects the entire set-up.

Q. Both carload and less than carload?

A. Everything.

Q. Is it not true, Mr. Heywood, that the correction is worked out only in connection with less than carload traffic and not carload traffic?

A. To give you a definite statement as to that just at this moment, Mr. Smelker, I would have to go back to the rough papers,—which I have in my brief case, and which I can dig out for you, if you wish.

Mr. Smelker: That is all.

By Mr. A. L. Reed:

Q. Mr. Heywood, as the result of the studies which you and your Committee made, did you reach any conclusion as to whether or not the cost scales of Dr. Edwards for the handling of boxcar traffic were too high [fol. 971] or too low?

A. I am not a traffic ~~or rate man.~~

Q. My question, Mr. Heywood, related to the studies which you develop concerning the detailed data that Dr. Edwards used in his cost study, and I am speaking now of the cost scales presented by Dr. Edwards.

A. And I am answering you, in that I did not make and I am not going to make, any statement as to whether they are too high or too low. I am simply commenting on the formula, as it has been submitted in evidence, by Dr. Edwards, from an accounting standpoint only.

Q. Now my first question, Mr. Heywood, was if you had reached any conclusion with respect to whether the cost scales of Dr. Edwards for the handling of boxcar traffic were too high or too low. Now, if you have not reached any conclusion, then I will not have any other questions.

Chairman Aitchison: I do not think it is exactly wise, Mr. Witness, for you to say that you are not going to make any statement, until you answer the question and tell us if you know anything about it. ~~You might change your mind.~~

The Witness: I thought I answered his question first, Mr. Chairman, by saying that I am not a traffic man, or a rate man.

Chairman Aitchison: That does not answer the question. The question which counsel asked you first, and which he is [fol. 972] still pressing, was as to whether or not you had come to any conclusion with respect to whether the Edwards' cost figures, with respect to the handling of boxcar traffic, resulted in a scale that was too high or too low. That is not a rate matter at all. Now you either have come to some conclusion in the matter, or you have not.

The Witness: I came to no conclusion.

Mr. A. L. Reed: Thank you. That is all.

Chairman Aitchison: Is there further cross examination?

By Mr. Cotterill:

Q. Mr. Heywood, if the studies were to be corrected in the way you suggest, what would be the effect of the corrections which you do suggest? Would the effect be to increase or lower the net result of the Edwards' computations?

A. I do not know the final answer to that. Some of them would possibly boost the cost, and others would reduce it.

Q. Have you checked the trend of your suggested corrections enough to know whether the net result would be an increase or a reduction?

A. No.

Q. Would there be any perceptible difference, in your opinion?

A. I think, if anything, it might increase the cost.

Mr. Cotterill: I would say so, too. That is all.

Chairman Aitchison: Have you anything further, Mr. [fol. 973] Eshelmen?

Mr. Eshelman: No, Mr. Chairman.

Chairman Aitchison: You may stand aside.

(Witness excused.)

Mr. Norman: If the Commission please, I understand that is all the evidence of the Official Lines. It was understood that Mr. Hawkes would be subject to recall, for cross examination. If this seems to be the appropriate time, I would be glad to ask him a few questions.

Chairman Aitchison: Is Mr. Hawkes available?

Mr. Healy: Yes.

N. W. Hawkes, recalled:

Cross-examination.

By Mr. Norman:

Q. Mr. Hawkes, as I understand it, you presented your testimony on behalf of the Official Territory Lines. Is that correct?

A. Yes.

Q. On page 11 of your prepared statement, you say: "In dealing with these interterritorial rates, we cannot overlook the fact that, relatively speaking, there has been little complaint about them from shippers." What do you mean by "relatively speaking"? Relative to what?

A. Well, I mean by that, that so far as we have knowledge, there have been but very few complaints from shippers.

[fol. 974] Q. You have defended quite a number of them before the Interstate Commerce Commission, have you not?

A. That is probably so, yes.

Q. Well now, when you say "relatively", do you mean to say that there have not been more complaints about interterritorial rates, than there have been about your intraterritorial rates for example?

A. Well, I did not mean to say that there have not been complaints; no, sir, but I meant to say that we have not been deluged with them.

Q. But when you say "relatively speaking", relative to what, do you mean?

A. Well, I am giving you that further explanation, as an interpretation of "relative."

Q. All right. Now let us go to your next sentence. "On the whole, the Eastern carriers, in cooperation with the carriers operating in other groups, have published rates or participated in rates necessary to meet the necessities of the shippers." Now I will ask you if, on the contrary, the Official Territory Lines have not persistently refused to join in rates from the South into Official territory, made on the Official territory basis?

A. Oh, no; I could not subscribe to that.

Q. Well then, will you tell me when and where you have agreed to that?

[fol. 975] A. It has been our purpose all along to cooperate with our Southern carrier friends in making rates from the South to the North. We are always ready to consider any proposal that the Southern carriers submit to us.

Q. Ready to consider it?

A. Yes, and I think we have done so.

Q. Yes, but tell me any instances in which you have agreed with them that would establish such rates?

A. Oh, just at this moment I cannot cite any particular cases, but I can say from my experience that there have been many.

Q. You refused to join with them on all of those commodities that were involved in the so-called Southern Governors' Case, did you not, the case of the State of Alabama against New York?

A. I do not deny that we have sometimes nonconcurred in proposals that we have received, but each one has been disposed of on its individual merits.

Q. Yes, but have they not all been disposed of in the same manner; that is to say, that you would say you would not do it?

A. No, sir, I cannot say that that is true.

Q. Well now, specifically——

Chairman Aitchison: If I may interject.

Mr. Norman: Yes.

[fol. 976] By Chairman Aitchison:

Q. Does the fact that the Monon has been able to participate in the traffic, had anything to do with that determination?

A. I am very sorry, but I could not quite hear all of that.

Q. I asked you if the fact that the Monon was able to participate in the traffic, would have anything to do with the ultimate decision in some of those cases?

A. It might have had.

By Mr. Norman:

Q. And the Illinois Central. But specifically now, have not your lines just recently declined to join the Louisville & Nashville, and the Illinois Central Railroad, in establishing rates from Owensboro, Kentucky, made, not on the straight basis obtaining in Official territory, but made an arbitrary over? You have declined to join in those rates, have you not?

A. I am not prepared to say what we have done in connection with that particular proposition.

Q. Well now, I will leave you with this final question: Can you cite me any instance where, in the last three years you have agreed to it,—and when I say "agreed to it" I mean, where you have agreed to join the Southern lines in rates on manufactured commodities moving on class rates into Official territory from the South, on the Official territory basis?

A. I cannot at this time, without reference to our rec- [fol. 977] ords, cite any particular case where such has been done, but I am quite sure that there have been such cases.

Mr. Norman: That is all.

Chairman Aitchison: Mr. Cotterill.

By Mr. Cotterill:

Q. Mr. Hawkes, to what do you attribute the considerable concentration of industrial manufacturing industries in Official territory?

A. Well, there are lots of things that, I would say, would contribute to that. There are geographical conditions, and markets, and many conditions, including perhaps satisfactory freight rates; but that is not a major feature, as we understand it.

Q. Should we understand that insofar as you mention satisfactory freight rates, you do not attribute the considerable concentration of industry in Official territory to the influence of freight rates?

A. No, I would not put that as one of the prime reasons for such concentration.

Q. Then would it be your alternative conclusion that a change in the freight rate structure would not have any significant consequence in the destiny of the industrial area that you speak of?

A. It depends on how the freight rate might be changed.

Q. Having in mind what, for instance?

A. Well, having in mind this—which perhaps should be [fol. 978] accepted as a modification of the first answer: We do know, from general experience, that there has been a decentralization within Official territory, due somewhat to the change in freight rates as a result of Docket No. 15879; and to the extent, therefore, that freight rates might again be changed there might be that possibility of further relocation of industry.

Q. Well, if a change of freight rates might substantially influence the relocation of industry, could we easily reconcile that fact with your statement that the present location of industry is not the consequence of the present freight rates?

A. Well, I tried to modify my first answer.

Q. Yes.

A. By saying that it does have some place in the picture.

Q. Yes. In other words, you feel that to some substantial extent, perhaps, the existing degree of industrial concentration may be attributable to the freight rate structure.

A. It might have something to do with it, yes, sir.

Q. Yes. Now, have you gentlemen in the North, in the exercise of a certain quantity of veto power, been seeking to perpetuate that condition through your depression of the rate level wholly within Official territory?

A. I would not say so, no, sir. We have endeavored always to be fair—fair to ourselves, as well as to our connec- [fol. 979] tions.

Q. What, in substance, is that test of fairness in connection with the matter we are discussing, namely, the resulting influence of rates on the industrial development, or location?

A. Well, it behooves any railroad or any group of railroads, to keep on their own line or lines, as much of industry as they can, of course, because the situation might very soon be otherwise.

Q. And so, looked at from that angle, you gentlemen have exerted the power you possess, looking to the element of self-interest to which you have referred; is that correct?

A. Naturally. We endeavored to encourage industry to remain with us.

Q. As an indication of that encouragement, I would like to ask you if this is a correct factual statement, very briefly: Apart from the general percentage rate increases of recent years, have you gentlemen not absorbed, out of your then existing merchandise rates, the full expense to which you were put in performing or obtaining collection and delivery service, except on the very, very short hauls?

A. I would not know, because I am not in the accounting end of the business.

Q. Well, did you rearrange your class rate structure in order to make provision for the assumed expense of col- [fol. 980] lection and delivery service?

A. My recollection is that we did not.

Q. Except on the very short hauls, where there was a minimum charge, where you made a 40 to 45-cent minimum charge?

A. Where we fixed a minimum charge—yes.

Q. Yes. Now, in addition to that, have you not in your territory for a period of five or more years, been engaged in constant downward reductions of your intraterritorial rates on merchandise of this character, both less than carload?

A. We have made some reductions. I would not say that they are constant, but there have been reductions, of course.

Q. Have they not been very widespread, and very numerous?

A. I would say, they may have been quite numerous, yes.

Q. Would it be an exaggeration, in your opinion, were it to be suggested that at least 90 per cent of the traffic, merchandise traffic, I am speaking of, provided for in the freight classification, does not move under the freight classification; or if not 90 per cent, would it be 80 per cent, or 85 per cent, or what?

A. I am not sure that I understand your question. If you are asking me if my understanding is that 90 per cent of the merchandise traffic does not move under the classification—is that it?

Q. Yes. Do you think that is too high?

Chairman Aitchison: What do you mean by "merchan- [fol. 981] dise traffic", Mr. Cotterill? That might have one meaning in the accounts of the Commission, and another somewhere else.

Mr. Cotterill: That is an eminently proper inquiry, your Honor. We have been all trying to grope for a suitable term descriptive of what might be called package freight, whether loaded in less than carload or carload quantities.

By Mr. Cotterill:

Q. As so defined, at any rate, Mr. Hawkes, that is what I am speaking of.

A. I am not familiar with statistics showing the relationship of that traffic that you are discussing, as between that covered by straight class rates, and that covered by something other than class rates.

Q. Would you say that you have in effect so-called classification exceptions on literally hundreds of commodities?

A. Yes—moving in carload quantities generally.

Q. And also less than carload quantities?

A. Not to the extent that we have them on carload.

Q. Now then, Mr. Hawkes, putting together the absorption of the collection and delivery expense, and the circumstance of these widespread reductions in rates that have occurred, are they demonstrations of the purpose of you gentlemen to serve your self-interest in building up or retaining industries on your lines?

A. Well, assuming that your statement is correct with [fol. 982] regard to the extent to which this practice has prevailed, I think it is only good business to say that every reasonably fair effort is made by the Official lines to retain industries on their lines and in their territory.

Q. Do you fear a substantial relocation of industry, were your rate level on manufactured articles within Official territory materially increased?

A. I think that is a very possible result.

Q. Is that a circumstance which has restrained you gentlemen from undertaking an increase, despite Dr. Edwards' showing that you are operating on a basis 35% more than your revenue, and are even 15% underneath your out-of-pocket expense?

A. Well, again, I am not an accountant, and I am not prepared to say whether the conclusions which you draw from Dr. Edwards' statement are correct, or not; but assuming that they may be correct——

Chairman Aitchison: They really do not have any part in the question. The question is only as to whether you have been restrained by the desire to see that business is not driven off of your lines by an increase in the rates on this merchandise traffic, regardless of whether it is shown in Dr. Edwards' statement one way or the other. That has nothing to do with it.

The Witness: Well, I understood the question to go as [fol. 983] to the restraint that might have been exercised because of the cost element alone. There are many other things that might restrain us. It would be perfect folly for us to increase our rates on less than carload traffic unless we at the same time had the comfort of knowing that our competitors were likewise increasing their rates.

By Mr. Cotterill:

Q. What is the situation in that regard today, so far as rate levels are concerned, as between you and the motor carriers?

A. I am satisfied today that if we increased our less than carload rates, if you please, it would drive business away from the rail carriers.

Q. And what is it that makes you feel that way?

A. Because we have no assurance that the truck rates, that are competitive with our rail rates, would likewise be increased.

Q. If you had that assurance, would it affect your judgment as to the proper course to follow?

A. We would have to be satisfied, not only with respect to the rates of the common carrier truck operators, but also the contract carriers and the private carriers.

Q. Have you gentlemen undertaken to measure the relative significance of those last two items?

A. In a general way only—yes, sir. We are satisfied that the private carrier causes us considerable trouble, and [fol. 984] the reflection of his rates gets into the contract carrier adjustment, and then up into the common carrier truck adjustment.

Q. Well, would you suggest, Mr. Hawkes, that the potentiality of shipper truck operation is such as to control your entire merchandise rate structure throughout Official territory?

A. I would say that it would, yes, sir, and I would like to add—which I did not have the opportunity to do a moment ago—that we are confronted with a situation intrastate over which the Commission, the Interstate Commerce Commission, has no jurisdiction, in New York State and Pennsylvania, it being very extensive in each instance, and we have considerable trouble in that direction.

Q. Have you been advised by your accountants concerning the sufficiency of your present revenue compared with your out-of-pocket cost on merchandise traffic in Official territory?

A. No.

Q. Have you had no personal concern as to whether or not you are spending $1.10 for each $1 that you take in?

A. Well, if you are talking about the less than carload structure as a whole, we are generally satisfied that we are not losing money by it. You cannot pick and choose, in spots, on less than carload traffic.

Q. Was it your understanding that Dr. Edwards picked [fol. 985] and chose spots, or did he deal with Official Classification Territory as a whole?

A. I have not studied Dr. Edwards' statements, but I have understood that he covered the entire Official territory.

Q. Yes. Well, on that point, as a conclusion, sir, if you were so advised, that, according to his neutral studies, your present rate level on merchandise traffic is more than 30% less than your cost of performing the service, and is nearly 15% more than your extra out-of-pocket cost, is that what you would regard as good business?

Mr. Healy: Just a moment. I object to that question, if the Commission please. I think Mr. Cotterill is drawing the wrong conclusion from Dr. Edwards' exhibits.

Chairman Aitchison: Oh, I think that is a permissible objection.

Mr. Cotterill: I think that is true, your Honor.

Chairman Aitchison: Of course you have got to bear in mind that Mr. Hawkes is simply the agent of these carriers.

Mr. Cotterill: But he is a mighty distinguished and powerful agent.

Chairman Aitchison: I understand that, but I do not think, if Mr. Thurman Arnold were in the room, he would say that Mr. Hawkes' opinion would control.

Mr. Cotterill: No, he probably would not, your Honor, but we have got to fight it out some day, and he has indi-[fol. 986] cated that he is ready to fight, and so are we, so we are in the frame of mind to say, "Come on: let us get it over with.

By Mr. Cotterill:

Q. At any rate, sir, if there is to be followed any more, as now in existence, a class rate structure, should you not treat this multitude of exceptions as forming a part of the present class rate structure? What is left to your class rate structure, in other words, if you try to distinguish it from your exceptions, that simply bear a different percentage to first class than would the more familiar classes?

A. I take it that you are now getting away from less than carload rates and referring more particularly to carload rates; is that correct?

Q. To whatever extent your exceptions apply, either way. I do not care, for the purpose of my question; either one.

A. Well, if I understand your question—and perhaps I do not——

Chairman Aitchison: I do not, either.

Mr. Cotterill: Then I will put it differently.

By Mr. Cotterill:

Q. In your Official Classification provision is made for how many classes?

A. There are six classes, and then there are two other classes, that might make it eight classes.

Q. Yes. And at this time, generally speaking, they bear a determined percentage to each other, and to first class, do [fol. 987] they not?

A. Yes.

Q. Now what have those exceptions done, other than to choose a different percentage of first class for the particular commodities?

A. Well, they have found a rating for the given commodities that will enable the carriers to continue enjoying that traffic, and that rating is expressed in a percentage of first class.

Q. Yes. And when they are so instituted, and considering the fact that there are hundreds of them, wherein do they differ from the classification ratings? I do not mean, now, in the amount, but in principle. Is not a classification rating——

Chairman Aitchison: Just a moment, Mr. Cotterill. One question at a time.

A. I will try to answer the question which I understood you to ask first, with respect to the place that a commodity rating, on a percentage of first class, occupies in the class rate scale. I think it is in fact a part of the class rate scale.

By Mr. Cotterill:

Q. Of course. Now, finally, in your testimony, your direct testimony, you dwelt upon the rapidity with which there has been extended on all merchandise traffic, the stopping of the freight to fill out a load, or to make a par- [fol. 988] tial load, which I think is generally called partial loading or unloading. Would you please advise the Commission whether or not in its present extended form, it amounts to anything more than a breakdown of your less than carload rate structure in an indirect way? What else would explain it?

A. I do not interpret that practice as a breakdown of the less than carload rate structure, no sir.

Q. Well, if a shipment starts out weighing 1,000 pounds and it goes to another place, and there is put another 1,000 pounds into it, and so on ad infinitum, until you have got 15,000 or 20,000 pounds, and then along the route you begin delivering it at the rate of 1,000 pounds per stop, at a succession of stations, is that carload or less than carload service?

A. Well, I hope we do not have to handle any of the traffic in that way.

Q. Your rules provide for it, I believe.

A. I do not know that we have any such experience, where we peddle in those small amounts.

Q. Well there is no limitation upon it, I believe, in your tariff, is there? You make provision for unlimited stops for the purpose of loading and unloading, that would give the benefit of the carload rate to the final weight, subject to a charge, I think, of $5, or something like that. [fol. 989] Is that not a rather considerable break-down of the rate, at least?

Chairman Aitchison: Wait. Give him a chance to answer.

Mr. Cotterill: I was about to ask—pardon me.

By Mr. Cotterill:

Q. Is that a fact?

A. I am not certain that it is a fact, no sir.

Q. All right, sir. What is the fact?

A. My recollection is that we do permit stopoffs in transit to unload, or stopoffs in transit to add to the load, the number of stops for either purpose is limited. The inference that I gained from your statement was that we did it at every station, almost.

Q. Do you recall what you think that limitation is—or what that limitation is, on the number of stops?

A. I can only guess, because—

Chairman Aitchison: Mr. Cotterill, if your purpose is to test the general competency, knowledge and memory of the witness, that is all right; but if you want to show what the practice is, and what the tariffs are, there is a better way.

Mr. Cotterill: Well, if he has not got it readily at hand, I will not press it.

The Witness: I have not.

Mr. Cotterill: That is all.

[fol. 990] Mr. Townsend: I have one or two questions.

Chairman Aitchison: Mr. Townsend.

By Mr. Townsend:

Q. Mr. Hawkes, I have been interested in this statement that you have made, and I wanted to ask you this question: Do you consider that your rates, your interterritorial rates, are static? In other words, are they frozen?

A. No.

Q. You do make changes almost daily, do you not?

A. We make changes wherever we believe they are necessary.

Q. And in response to the needs of commerce?

A. Yes, sir,—providing we get a whole dollar out of it.

Q. Yes. I want to ask you this: Is there any definite policy that you pursue in making your interterritorial rates?

A. The only policy that we pursue is that we treat each proposition on its own merits.

Q. Let me cite you an example. You have quite recently published a rate on ammunition boxes from Minneapolis to Official territory, Trunk Line territory. Do you remember that incident?

A. No, I do not happen to remember. I cannot definitely say.

Q. Let me explain what that rate was,—and it will be later shown in the record by an exhibit. The rate that you [fol. 991] authorized, and which you published, represents 45% of the so-called Docket No. 15879 scale or the Eastern Class Rate scale. The classification in this instance provides for class-45 in Official, class-5 in Southern, and class-A in Western,—and class-A in Western is also column 45. Had they paid the column 45 rate from Minneapolis to New York, for example, the rate would have been very much higher than what you authorized and published, and that is in effect today, because the rate you published reflects 45% of the Eastern Class Rate scale. Now is that the general policy, or was that something that was just adopted in the case of that particular commodity?

A. Why, I presume that the Western Trunk Line carriers presented reasons which justified our joining in the rate which you said we did join in. As I say, I am not familiar with it, but that would be the natural procedure.

Q. Now we have had other instances where our rates from Minneapolis, and from Minnesota, have been adjusted on the same percentage of the class rates that applied locally within Official territory, and instead of applying the so-called laminated scale that applies in connection with our recognized class rates, say, from New York to Minneapolis, or eastbound, you have applied this percentage of the class rates, the so-called 15879 scale, or the Eastern Class Rate scale. Now that has not been your general policy, has it?

[fol. 992] A. Our policy, our general policy, as I say, is to treat each particular proposition on the merits of the particular case.

Q. Well I want to say that what you have done has been helpful, but I wanted to ask you another question. Another thing that has been done is this: You have established rates on decorticated straw, decorticated flax straw, from Minnesota origins to Eastern territory,—that is, straw that is being used for the manufacture of cigarette papers, in the absence of foreign linen, scrap linen coming in from abroad. Now you have given the Minnesota industries the benefit of the so-called 15879 Eastern Class Rate Scale; being the percentage of the rate which was generally applicable in Official territory. Now, that is your general policy, is it not?

A. Our general policy, as I stated before, is to take each proposition that comes to us and measure every argument, and every fact that surrounds that particular proposition, and then dispose of the case on the merits of the particular proposal.

Q. Well, I have had before your Committee another proposal, and recognizing that you had in numerous instances, and that the Commission had in several instances, prescribed through rates from Minnesota, and particularly from Minneapolis, to Trunk Line territory, based on the same percentage of the class rates that applies in Eastern [Fol. 993] territory, not on the laminated scale, but on the so-called 15879 or Eastern Class Rate scale. I had in mind, when I filed this docket on woolen blankets, that I might have gained the same basis. I wanted a rate on woolen blankets in carload lots, because we ship many carloads from our plant at Minneapolis, and I found that they had third class from Southern territory to Trunk Line destinations; but we were obliged to pay first class, and we are continuing to pay first class on full carloads of woolen blankets. Now is there any reason why you should differentiate between woolen blankets and decorticated straw, or any other material, on which we are accorded this Eastern Class Rate scale?

A. No, sir. We want to dispose of each proposal in a fair way, based on the facts that surround each proposal.

Q. Well, is it a fact——

Chairman Aitchison: He has told you, Mr. Townsend, that he does not have any general policy of that sort,—applying a percentage of the Official scale.

By Mr. Townsend:

Q. Well now, I want to ask you if it is a fact that you joined the Southern Railroad in applying third class on woolen blankets from Southern territory into Official territory, and whether that would have any effect on what you would do in another territory, that wanted to have an equal basis in your large consuming market?

[fol. 994] A. To answer that question, I would have to analyze the circumstances that surrounded each of those proposals.

Q. Well, what I am trying to determine is whether I failed to give you all of the facts that you needed, or why I did not get it on the woolen blankets, and I did get it on these other commodities?

A. Well, I am not trying to evade you. I am trying to be as helpful as I can. But the question, as you have presented it, does not include sufficient — for me to give you a precise answer. I would like to have all of the facts on your woolen blankets from the South versus the North,—or the West, before me, and then I might be able to tell you why.

Q. You do not remember that particular docket?

A. No.

Mr. Townsend: What you have done so far has been helpful as far as it has gone, but it has been rather limited. Thank you.

Chairman Aitchison: Is there anything further with Mr. Hawkes?

Mr. Healy: Nothing.

Chairman Aitchison: You are excused, sir.

(Witness excused.)

Mr. Barron: If the Commission please, may we resume with Mr. Stanage at this time?

Commissioner Aitchison: Yes.

[fol. 995] B. H. Stanage recalled:

By Mr. Barron:

Q. Mr. Stanage, when we stopped last night, you had just completed your answer to Question 5 of the Commission's notice of January 9, 1940. Now Question 6 is: "The feasibility of prescribing minimum and maximum, or precise class rates." Now, what have you to say, in answer to that question?

A. In the several class rate territories coming within the scope of this investigation, the Commission prescribed maximum class rates. Carriers have operated under these maximum rates without important difficulties. The Western carriers are opposed to the prescription of minimum or precise class rates; such rates, in effect, place the rates in a straight-jacket.

Where the Commission prescribes minimum rates the carriers are estopped from reducing their rates to meet the changing needs of commerce. The rail carriers no longer have a monopoly on transportation. The rate adjustments prescribed by the Commission should be prescribed as maximum, not precise rates. When the Commission prescribes minimum rates or precise class rates, it places an undue burden upon the carriers in instances where they seek to establish lawful rates to meet competitive conditions, due to the necessity for securing a modification of the order [fol. 996] in each case before different rates may be published. This is burdensome, expensive and results in delay.

The Commission in numerous cases has held that while it has the power to prescribe minimum rates such power should be exercised only in extraordinary circumstances or where it appears that a rate war is imminent. 81 ICC 448-472 (Sugar Cases 1922); 123 ICC 503-504 (Ex-Lake Iron Ore). The rate adjustments should be kept fluid, leaving the carriers free to make any necessary revision under such maximum rates as the Commission may prescribe if and when circumstances and conditions may justify such action. Shippers and receivers have an adequate remedy through protest and request for suspension or through the filing of a formal complaint.

Q. Question No. 7 of the Commission is: "The extent to which the class rate structure of the railroads is affected by competition encountered from motor carriers and water carriers, common, contract and private." What is your reply to that question?

A. There are no data available except as dealt with later which shows the extent to which class rate traffic of the railroads is affected by motor carriers or water carriers, common, contract and private. There are no data available showing what percentage of the total traffic consists of class rate traffic, either for account of the railroads, motor carriers or water carriers except as dealt with later.

[fol. 997] It is an obvious fact that if there were no motor carriers or water carriers the principal traffic handled by those carriers would then be handled by the rail carriers. As the motor carriers and the water carriers handle a very considerable amount of traffic, it is evident that the competition encountered with motor carriers and water carriers has an important effect upon all traffic handled by the rails, also has decided effect upon the level of the rates of the rail carriers. The earliest authentic data showing the extent to which motor carriers participate in the handling of merchandise traffic is contained in Exhibit 111, page 25, Coordinator Eastman's Merchandise Report. This exhibit is reproduced in part on page 59, Exhibit 63. It will be noted that of the total tons of merchandise shipped or received in 1932 the railroads handled 32%, the trucks 54%, forwarders 11% and express agency 3%.

On page 60, Exhibit 63, is shown the volume of merchandise (originated) handled by the railroads of the United States for a series of years, compared with the total tonnage carload and less carload handled. There is also shown the percentage to the total as represented by the less carload traffic originated. Similar data is shown for the Southwestern Region as to traffic terminated.

On page 61, Exhibit 63, is shown the motor truck registrations for the United States and for certain Southwestern [fol. 998] States to the extent the information is available.

On page 62, Exhibit 63, is shown information as to revenue and tonnage handled by Class 1 motor carriers in the Southwestern Region for the years 1938 to 1941, inclusive, taken from the reports of the Commission. The extent to which the class rate traffic of railroads has been affected by the competition from motor and water carriers, common, contract and private, is a question which railroad managements have studied with great care, for that competition has given them great concern. Ever since the advant of motor carrier competition, early in 1922, the Southwestern carriers have encountered severe and growing competition with motor carriers, common, contract and private. For the first six or seven years of the period the trucking industry was unorganized and was handling anything it could get to haul for anything it could get for hauling it, and going anywhere it was directed, wholly unregulated.

Prior to April 16, 1936, the effective date of the Motor Carrier Act of 1935, as to filing of tariffs, the motor common carriers were not required to publish and file their tariffs. As a result a very chaotic condition existed. The rail carriers were unable to accurately determine the level of the motor carrier rates. In their endeavor to participate in the traffic the rail carriers have made substantial reductions in the rail rates. There are no data available to [fol. 999] indicate the amount of these reductions, but they have, in many cases, been substantial.

Since the motor carrier act became effective the carriers have noted that the motor carriers in the different rate territories coordinated their ratemaking organizations and rate publication practices and at present are working closely together toward uniformity in rates, rules and regulations. They are constantly making improvements along these lines. We have noticed a trend toward conservatism. Recently the motor carriers cancelled out certain of their abatement rules. Numerous motor common carriers are now shown as participating carriers in the Consolidated Classification No. 15, Agent R. C. Fyfe's I. C. C. No. 28.

Under regulation motor carriers have come to recognize the need of a comprehensive classification so that the rating of each commodity or article may be readily ascertained, and moreover that such rating may give due consideration to all elements such as value, density and risk, thus borrowing from the extensive and practical experience of the railroads. In the Southwest the motor carriers operate three tariff bureaus, viz: Southwestern Motor Carriers, Middlewest Motor Carriers and Motor Carriers Service. There is a notable tendency toward further stabilization of rates and elimination of subnormal rates and objectionable practices. Just to what extent the carriers revenues have been af- [fol. 1000] fected due to motor carrier competition, it is impossible to approximate. However, the trucks are handling a substantial tonnage.

Through improvement of rail service the rail carriers have regained tonnage and are now handling a larger volume of LCL traffic than they did a year ago. Competition with contract motor carriers is more noticeable in connection with the handling of tonnage which except for such service would move via rail in carloads. It has been impossible for the rail carriers to compete with private motor carriers who operate or own motor vehicles making deliveries to their customers. I refer to manufacturers, jobbers and distributors in the larger centers. Due to this class of service, short haul local business of the rail carriers has practically disappeared. As a practical matter, the rail carriers for relatively short hauls cannot offer the flexibility of service necessary to meet the needs of this class of shippers. The length of haul by private carrier varies according to the trade area served. It is my judgment, generally speaking, that the service by private carriers is limited to hauls within 150 miles. There are exceptions, for example, instances where a wholesale grocery concern will deliver its goods to its customers, and upon the completion of one of its runs its trucks will proceed to some other point to pick up a load of supplies for the return [fol. 1001] haul, the latter goods in many instances being of the type which, without such service, might move by rail in carloads.

On page 63 of Exhibit 63 is shown statement of less carload traffic received and forwarded over the Frisco from representative manufacturing, jobbing and distributing points in the Southwest for a series of years.

On page 64 of Exhibit 63 is shown the less carload tonnage received by rail at Frisco stations located in the Oklahoma City wholesale grocery trade territory by years for the 20 year period ending with 1941. These statements show the decrease in outbound merchandise tonnage from important jobbing and distributing centers in the Southwest. Note a similar showing as to inbound traffic. In my opinion, the decrease is due primarily to competition of private trucks. Figures received from other Southwestern carriers too late to be reproduced reflect the same results. Beyond the range of the shippers' trucks the distributors find the motor common carrier service in many cases, especially for hauls of several hundred miles more flexible and faster than that of the rail carriers.

The freight forwarders in connection with their concentration and distribution system have taken out of the usual package car service of the railroads a substantial annual tonnage which today, while to a large extent handled by [fol. 1002] the rail carriers, moves under so-called all freight carload commodity rates. There is a substantial portion of forwarder freight which is accorded motor carrier service on the origin end of the carload movement. Also there is a movement by motor carrier service beyond the destination break-bulk point. This is due in both instances primarily to more flexible and faster service by the motor carriers than rail particularly for the shorter hauls.

The granting of stop-off privileges on additional commodities so that these privileges now apply on practically all carload package freight has influenced a movement in carload quantities of a substantial volume of freight heretofore handled in LCL service. On pages 65 to 70 of Exhibit 63, is shown a list of the more important commodities on which the stop-off privilege is today authorized. The liberal mixed carload commodity ratings established by the railroads have also resulted in the return to the rails of a substantial volume of less carload traffic formerly handled by the motor carriers as less carload traffic.

The development of chain stores in the distribution of merchandise has resulted in the rail carriers handling a substantial volume of merchandise in pool cars at all freight rates or under commodity mixture carload ratings heretofore handled in less carload service by rail or other [fol. 1003] forms of transportation. All of these situations have contributed to a reduction in the volume of merchandise handled by the rail carriers at less carload rates. In the Southwest the common carrier water lines handle a relatively small volume of the less carload traffic. On page 71 of Exhibit 63 is shown the tonnage handled by one water carrier.

On pages 16 to 19 of Exhibit 63 through error shown out of order in my Exhibit 63, are shown less carload rates established by classification exceptions on numerous commodities for various mileage blocks within Southwestern Scale III Territory. These represent but few of the rates established by the carriers to meet motor carrier competition. On pages 72 to 75 of Exhibit 63 is a similar showing covering carload traffic. Coordinated rail-motor service of the rail carriers who operate subsidiary motor freight lines has enabled those carriers to gain, to hold, and to improve their chances for handling an increasing volume of less carload traffic.

Q. Now, Question No. 8 of the Commission is: "The effect upon the movement of class rate traffic, traffic transported on basis of all-commodity rates, and of traffic handled by forwarder companies." What have you to say as to that?

A. The Southwestern carriers for many years have had in effect so-called all freight rates which are used by the [fol. 1004] freight forwarders, chain store distributors and other large shippers. A history of these rates is shown on pages 76 to 77 of Exhibit 63. On page 78 is shown a table of rates. These rates are designed to meet the competition of common carrier trucks, contract carriers and private carriers.

Exhibit 111, page 25, of the Coordinators Merchandise Report reproduced on page 59 shows a summary of data secured from shippers' questionnaire-replies being received from 35,468 parties or firms, the merchandise tonnage shipped or received by such concerns for the calendar year 1932. The forwarders handled 12,578,131 tons or 11% of the merchandise shipped or received in that year. The freight forwarders assemble carload and LCL traffic by rail or truck at key points where it is consolidated and shipped therefrom under the all freight basis of rates to key points of distribution from which the traffic is shipped in LCL quantities by rail or truck. Prior to the advent of the forwarder, the traffic moved from origin to destination by rail or other modes of transportation or a combination of both.

In Freight Forwarder Investigation, Docket 27365, 229 I. C. C. 201, the Commission reviewed the activities of the forwarder and its relation to the shipping public and to the rail carriers. The effect of the application of all freight rates to all such forwarder traffic has enabled the rail [fol. 1005] carriers to regain and hold and in some instances increase the movement of traffic by rail; in competition with competing transportation agencies. One Southwestern railroad during the calendar year 1941 handled 8,437 cars, approximately 124,000 tons to 36 key-distributing points, average 14.62 tons per car. Of this total the five established freight forwarders handled 7,690 cars 112,974 tons, average tons per car 14.69, average revenue per car $254.52.

By Chairman Aitchison:

Q. Do you have any idea, Mr. Stanage, as to what the average size of those cars was?

A. It is my best judgment, Mr. Commissioner, that they were 40-foot cars. Today, on the Frisco Railway, we rarely use a car other than a standard car; but I made no direct check of that particular data.

Q. And you are very sure that they did not order a standard size car, and get a 50-foot instead?

A. I can assure you that that was not done, Mr. Chairman. We do not permit that, and they do not request it.

Q. Oh, they would not request it, of course.

A. Sir?

Q. I say, they would not request it, of course; but I am asking you if you can tell me what the average size of those cars was, and what the average size was, that was ordered, if there was a written order, or a verbal order?

A. Of course, some of the orders are standing orders, [fol. 1006] but it is my recollection, and I think I am correct, that they were standard 40-foot cars—boxcars.

Q. What are your tariffs based on; 36-foot 6-inch cars, or 40-foot cars?

A. 40-foot, 6-inch cars. There are some cases, Mr. Chairman, where they get two cars for one, under certain conditions.

Q. Well, how did you count those; as one car, or as two cars?

A. Well, of course, there would be two cars, in those instances.

Q. Were they figured as two cars here, in determining the average?

A. Pardon me, Mr. Chairman, but I will have to ask the man who made the statement, to answer that question.

Chairman Aitchison: He indicates "yes."

The Witness: Then the answer is "yes."

Chairman Aitchison: Continue.

A. It is essential that rates of this character be maintained if the carriers are to meet the competition of other transportation agencies. Shippers are constantly striving to reduce their transportation costs and wherever possible shippers of LCL traffic are consolidating their shipments into carloads using either Rule 10 of the Classification, various commodity mixture carload ratings or all- [fol. 1007] freight rates to secure the lowest transportation charges.

By Mr. Barron:

Q. Now, Question No. 9 is: "The desirability of stating separately the charges, or allowances, for pickup and delivery services where those services are performed, or allowances made in lieu thereof, on traffic moving under class rates." What have you to say as to that?

A. When the carriers inaugurated pickup and delivery service in response to insistent demands from the shipping public for a complete service they did so without the addition of a charge in the line haul rates. The result was an enlarged service to the shipper. The effect was to place the cost of this service on the rail carriers. Table 81 Annual Report of Statistics of Railways for the year 1940 shows that the cost to carriers in the Western District during the calendar year 1940 was $10,111,975.00 for pickup and delivery service. Under existing conditions with mounting costs and the rubber tire situation the carriers have given consideration to the desirability of restricting their line haul rates to station to station service, but providing for pickup and delivery service when desired at an extra or plus charge, reasonably related to the out-of-pocket cost of pickup or delivery service at the point where the service is given.

The motor carriers pickup less than carload freight from the premises of the consignor and deliver it to those of the consignee. The adaptability of the highway motor [fol. 1008] truck to a unified transportation service from store-door-to-store-door gives the motor carriers an important advantage which shippers quickly recognize. Until such time as the motor carriers make a separate charge for this service it will be difficult for the rail carriers to make any change in their present practices. Where shippers and receivers perform the pickup and delivery service and allowances are made therefor, it is desirable and in fact necessary that the tariffs definitely state the amount of the allowances paid. Present conditions do not warrant any change in the method of publication, either as to pickup or delivery service or allowances for such services.

Mr. Barron: The other questions pertain to the classification, and they will be answered by a subsequent witness.

By Mr. Barron:

Q. Now, Mr. Stanage, what have you to say about outbound rates from the Southwest?

A. During the Memphis-Southwestern Investigation commodity section hearings, 77 ICC 525, Southwestern carriers advocated the prescription of outbound rates on fruits and vegetables and on commodities produced or manufactured in the Southwest to the border points of St. Louis, Kansas City and Memphis and to points in Official and Western Trunk Line territories on a level that would enable the marketing of such commodities in competition with producers and manufacturers located at the border or in the [fol. 1009] territories mentioned. Among the commodities considered were strawberries, grapes, peaches, canned goods, furniture, window glass, glassware and vinegar. The Commission approved the position advocated by the Southwestern carriers.

In Consolidated Southwestern Cases decided April 5, 1927, 123 ICC 203-406, the Southwestern carriers again sought the same consideration on behalf of their producers and manufacturers and received approval from the Commission. Rates in conformity with these principles have been established and maintained during the past 15 years without serious complaint or objections from anyone. These principles are still observed in the establishment of rates on new commodities produced or manufactured in the Southwest.

Chairman Aitchison: I do not see what that has to do with this case, Mr. Barron.

Mr. Barron: I understand—I hope it is erroneously—that the attack is that the carriers have not given any consideration to the fostering of industry in the Southwest. Now, it is our contention that we have heretofore, do now and will continue; and it is for that purpose we are introducing it. If I am in error, I will be very happy to be corrected.

Chairman Aitchison: You are negativing something that has not yet attempted to be pointed out.

Mr. Barron: All we know, as Will Rogers used to say, [fol. 1010] is what we read in the papers and hear from the gossip. I understand that that is one of the contentions, at least, they are going to make.

Chairman Aitchison: I think we had better wait until the contention is made before you rebut it.

Mr. Barron: Very well.

Mr. Bee: Mr. Chairman: You are not striking pages 82 and 83 of his exhibit, are you, because they are very important, as shown on the statement.

Mr. Barron: I trust they will not be stricken. With that suggestion from the bench, I would like to offer Exhibits 62 and 63 in evidence.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibits 62 and 63? (No response.) They are received.

(Exhibits 62 and 63, Witness Stanage, received in evidence.)

Mr. Barron: Mr. Stanage is ready for cross examination.

Mr. Bee: Mr. Chairman, we tried last night to study Mr. Stanage's exhibits which comprise Exhibits 82 and 83——

Chairman Aitchison: 62 and 63.

Mr. Bee:—62 and 63, and especially those last two pages. They require considerable checking. We would appreciate the privilege of being able to reserve our cross examination [fol. 1011] of Mr. Stanage until the next hearing.

Chairman Aitchison: Is there any objection?

Mr. Barron: I have no objection at all with the understanding that he will be cross examined at the beginning of the next hearing.

Mr. Bee: That is perfectly satisfactory.

Chairman Aitchison: We will see about that.

Mr. Bee: Now I would like to ask Mr. Stanage one question, at this time.

Chairman Aitchison: I said we will see about that.

Mr. Bee: You mean about the beginning of the hearing?

Mr. Barron: The reason I suggested that he be cross examined at the beginning of the hearing, Mr. Chairman, was that I do not want him to have to wait around until the last part of the hearing.

Chairman Aitchison: I know, but we cannot enter into a bargain like that at this time.

Mr. Barron: I appreciate that, but I hope you will give the request some consideration.

Chairman Aitchison: Yes.

Mr. Bee: We will be ready at any time after the hearing starts.

Chairman Aitchison: Proceed, Mr. Bee.

Cross-examination.

By Mr. Bee:

Q. Mr. Stanage, in making rates from the Southwest [fol. 1012] to Official territory, do your lines control the making of those rates?

A. *Not the complete making of them.* We *initiate* the proposal and after it has been approved in the Southwestern Freight Bureau, it is submitted to the Eastern lines for their review and consideration and approval if they care to approve it.

Q. Is it not wholly a matter with them as to whether or not they will approve it?

A. They have the final say on it, yes, sir.

Q. Have all of the through rates from Southwestern to Official been put into effect that you show on page 32 of your statement, as to strawberries, grapes, peaches, canned goods, furniture, window glass, glassware and vinegar?

A. Would you mind repeating the question, please?

Chairman Aitchison: Read the question.

(Question read.)

A. Your page number is wrong, Mr. Bee. Strawberries are on 79. Paper 79. Grapes 80.

Mr. Bee: I am referring to page 32 of your statement.

A. Oh. What is the question now?

Mr. Bee: The question is this:

By Mr. Bee:

Q. Do you have through rates from the producing points in the Southwest on these commodities throughout Official territory?

[fol. 1013] A. If you will refer to page 32 of my testimony —is that what you have reference to, now, Mr. Bee?

Q. Yes. I am referring to page 32 of your testimony.

A. I have not checked the tariffs and I cannot tell you definitely, but I can answer this as a fact, that the rates on the commodities referred to have been established to Official territory to the extent sought or asked for or requested by the shippers of these commodities in the Southwest.

Q. In every instance?

A. Yes, in every instance.

Q. Yes.

A. I do not know of any requests that they made that were not worked out to their satisfaction.

Q. I am asked by one of my interests to ask you to please look at page 5 of Exhibit 62 and advise how you arrive at the rate of $2.95 shown in column 4 as applicable from St. Louis to El Paso.

A. (No answer.)

Q. Do you find that?

A. From St. Louis to El Paso?

Q. Yes.

A. What page is that again?

Q. Exhibit 62, page 5, the third citation from the bottom.

A. I do not have the tariff before me. I can recheck that [fol. 1014] between now and the next meeting and if it is in error, correct it.

Q. I am advised that in 205 I. C. C. page 731, the Commission prescribed $3.25 without the increases, and we are wondering how you secured the $2.95 rate, Mr. Stanage.

A. I will check that.

Q. Will you please check that at your leisure?

A. Yes, I will be glad to check it and report when I am ready for cross examination.

Mr. Bee: You may check other comparisons in the same line. That is all.

Chairman Aitchison: Mr. A. L. Reed.

Mr. A. L. Reed: Mr. Stanage, I have a few questions with respect to your testimony and your exhibits. I would like to say first that the questions I am asking are on behalf of the Southwestern common carrier motor freight lines.

By Mr. A. L. Reed:

Q. In your prepared statement you refer to the fact at page 27 that but for the motor carriers or water carriers, the principal traffic would be handled by rail.

A. Yes.

Q. Did you mean to say by that statement that the truck lines had not themselves developed some traffic?

A. No. I think they have developed some.

Q. On page 61 of Exhibit 63 have you included such trucks [fol. 1015] as farm vehicle or trucks of that character?

A. Yes, sir. That is my understanding. Of course, we took these figures from the Automobile Manufacturers' Year Books, but it is my understanding that the figures shown are registrations of motor trucks without regard to ownership or use.

Q. With reference to pages 16 to 19, inclusive, of Exhibit No. 63, do you know whether or not in connection with the less than carload rates shown there that in some instances those rates were initially negotiated and published by the rail carriers?

A. That is possible. I did not check the records to determine definitely that all of them were based on prior action by the trucks. It is possible that we might have initiated some of those rates because of assumed competition from trucks which might not have been the fact.

Q. At page 78 of Exhibit 63 I believe the railroads initiated the all-freight items into the Southwestern territory?

A. Yes.

Q. Is that correct?

A. Yes. That is correct.

Q. Have you made any estimate of the amount of less than carload tonnage that has been diverted to your carload traffic through the so-called medium of mixing rules and stopover privileges and all-freight items?

[fol. 1016] A. No, sir, other than to the extent I have indicated as to the all-freight tonnage for the year indicated. I made no other computations.

Q. In your written statement you gave the figure of $10,-111,000 as pickup and delivery cost. I would like to ask you if that figure includes allowances made to shippers, and does it include the cost incurred by the rail carriers where they have performed their own pickup and delivery service?

A. I am fairly certain—I do not know definitely, but I am fairly certain that the allowances are included, but I do not know as to the latter feature. These data were taken from the Commission's annual reports on statistics of railways, and I cannot answer accurately as to whether or not it included the expense to the railroads where they performed the pickup and delivery service.

Q. Would you mind by the next hearing checking the items to see whether or not you included the allowance to shippers which you customarily deduct from gross in the item of $10,111,000?

A. Not at all.

Q. Would you mind doing that?

A. No. I would be glad to do that.

By Mr. Barron:

Q. Those figures are taken right from the Commission's statistics, are they not, Mr. Stanage?

[fol. 1017] A. Yes, but the report does not indicate—I am satisfied that it includes the allowance, but I do not think it indicates any cost or approximate cost for the railroads where they do in some instances perform the service themselves. Of course, those instances are rare, but I will be glad to go into the matter and ascertain the fact.

By Mr. A. L. Reed:

Q. Will you be prepared to give a breakdown of that data if it is in there?

A. If I can get it, yes.

Mr. A. L. Reed: Thank you.

Chairman Aitchison: Is there any further cross-examination?

Mr. Dougherty: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Dougherty.

By Mr. Dougherty:

Q. You represent the Frisco, do you not, Mr. Stanage?

A. I am employed by the trustees, but I am here testifying for the Western carriers.

Q. Are you familiar with the actions of the Frisco representative on the Southern Committee?

A. Just with that statement of the matter, I do not believe I am familiar with it.

Q. The testimony here indicates that the Official lines are the ones who turned down the applications of the Southern and Southwestern lines to get into Central and Official territory. Do you know whether or not the Southwestern lines and the Southern lines turned down the applications by Official territory shippers in their attempts to get into the South and Southwest and Western Trunk Line territory on a parity with the rates within those territories?

A. I do not recall the adjustment from the description you have given me of it.

Q. Well, take the paper adjustment for instance.

A. Dealing with the paper adjustment, the rates as I understand it, apparently in effect, were the result of the Minnesota-Ontario paper decision.

Q. No; from Official territory, I meant.

A. I meant from the North.

Q. I am speaking about Official territory.

A. Well, I do not know. I cannot answer you that.

Mr. Dougherty: That is all.

Chairman Aitchison: Is there any further cross-examination?

Mr. Smelker: I have one question.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Stanage, I believe you said in connection with your comments on Question 8, that there are instances where certain shippers get two cars for one, where a larger car is ordered; that is not true since Service Order 68 went into effect, is it?

A. No, but it was true at the time these statistics were [fol. 1019] made up.

Mr. Smelker: That is all.

By Mr. Barron:

Q. Mr. Stanage, when you spoke about the all-commodity rates to the South, you said they were initiated by the rail carriers.

Commissioner Alldredge: The Southwest.

By Mr. Barron:

Q. That was true, was it not?

A. Yes.

Q. Is it also true that the rates were initiated to meet truck competition?

A. Yes. That was one of the reasons.

Mr. Barron: That is all, thank you.

Commissioner Alldredge: Tell me how that could be.

By Commissioner Alldredge:

Q. If you initiated the all-commodity rates, it means that the trucks did not have them in effect. Is that not what that means?

A. No, sir. It means this: Take merchandise moving out of a point like Jackson, Michigan, going to Stroud, Oklahoma, a point on the Frisco about 500 miles southwest of St. Louis. That traffic would be moving all-truck from Jackson, Michigan. Now, the freight forwarders found it desirable to establish service based on having the shipment taken from Jackson, Michigan, to Chicago and there consolidating the car and shipping it direct to a point like Tulsa, which is about 75 miles this side of Stroud, with [fol. 1020] movement from Tulsa to Stroud by motor carrier, because of the flexibility of the service. The railroads established the forwarder rate in order to attract that type of merchandise from the trucks, moving by truck all the way from origin to destination.

Q. Under all-commodity rates?

A. Under all-commodity rates from Chicago to Tulsa. The shipper, however, paid to the freight forwarder the freight forwarder's rate from Jackson, Michigan, to Stroud, Oklahoma, and out of the rate the forwarder secured from the shipper, the consignee or whoever paid the freight forwarder, would pay the cost for getting the shipment from Jackson, Michigan, to Chicago, the all-freight rate from Chicago to Tulsa and the cost of delivery from Tulsa to Stroud. They would have anything that was left, a profit or no profit.

Q. Why do you think it is necessary for the Western carriers to maintain Rule 10 in the Classification as it has been revised, and all-commodity rates too?

A. Because the present Rule 10 was not—I will use the word "sufficiently"—sufficiently low and sufficiently attractive to enable the party who used it like I indicated the forwarders do, to take advantage of it in competition with the trucks hauling traffic from the point of origin to the ultimate destination direct.

Q. Are those all-commodity rates then primarily for the [fol. 1021] use of, or for application to forwarder traffic?

A. No, sir.

Q. Is that it?

A. I would not say that is correct, no. They are used primarily by the forwarders, but as I pointed out here, we find an increasing use by other shippers; for example, chain stores, some of the mail order houses and some other shippers and receivers who find it desirable to use such service and such rates.

Q. May I ask you one further question about it: If the all-commodity rates on the mixtures were not lower than the average of the class rates to which Rule 10 applies, what would be the necessity of operating both Rule 10 and the all-commodity rates?

A. May I have that question again?

Chairman Aitchison: Read the question.

(Question read.)

A. I cannot answer that without further study.

By Commissioner Alldredge:

Q. Well, if the all-commodity rate reflected the average of the class rates to which Rule 10 applies, then in the aggregate the shipper that is using the all-commodity rate would get just as low a charge under Rule 10 as he would under the all-commodity rate, is that not right, on the average?

A. If we base it on that premise, yes; the answer is [fol. 1022] "yes". However, you must bear in mind that the shipper using the all freight rate or the forwarder's service is a different type of shipper than the man using the Rule 10 car. That has been our experience. In other words, the forwarder handles less than carload freight which he secures in a certain origin territory and assembles at a given key point, ships in carloads and distributes from a destination key point to the consignees to whom the goods are consigned; whereas the Rule 10 mixture, according to my experience, is used by manufacturers, for example, of furniture who combine their shipments together in one car, and possibly because of an order including some other articles not akin to furniture, they will include some, what I might term "contraband" other than furniture—I am just using the word "contraband" to mean everything other than furniture—because of the desire of their customers for this accommodation in shipping a small quantity of a commodity other than furniture, and they are willing to pay under the Rule 10 basis.

Q. When you operate on a dual basis—this is a dual basis for mixtures, is it not?

A. Yes.

Q. —do you not put it in the hands of the shippers to play one against the other and pick and choose and mix and remix so as to vary the aggregate rates they pay?

A. Yes. I cannot tell you how it is going to work out.

Q. That is worse than Rule 10, is it not?

[fol. 1023] A. No, sir. I think both types of rates are essential to the rail carriers if they are to meet the competition of other transportation agencies. You see, the railroads today have no monopoly in the handling of traffic. They have a way to meet the competition of other transportation agencies in the instance cited, in the handling of merchandise traffic.

Commissioner Alldredge: All right.

Chairman Aitchison: Are there any other questions?

Mr. Barron: One more question.

By Mr. Barron:

Q. Mr. Stanage, do you know whether or not the United States Quartermaster and other Government departments use the all-commodity rates?

A. They are beginning to use them, yes, sir.

Q. As a traffic man, would you say it would be possible, from day to day, to determine what would be the average rate on a Rule 10 car to be used from one day to another?

A. It would be impossible to do it.

Mr. Barron: That is all.

By Commissioner Alldrege:

Q. Have you ever tried to find out?

A. No, sir.

Q. All right.

[illegible] The difficulty is this: The shipper of a commodity—I will put it this way: My experience has been that the mixtures are handled by one manufacturer who is [fol. 1024] trying to accommodate his consignee by including other articles than the one he generally manufactures in the car, and shipping as a mixed car; whereas the freight forwarder has an established business which the Commission has now come to recognize and which the Interstate Commerce Act has been amended to cover and he has a type of service which the shipping public wants.

Q. Well, can't he use Rule 10?

A. No, because—I will illustrate it again by my shipment from Jackson, Michigan, to Stroud, Oklahoma. We will assume it is a box of goods weighing 300 pounds. The shipper has no way to consolidate that in a Rule 10 car because he does not know anybody shipping from Jackson, Michigan, to Stroud or near that point.

Q. Well, would you not say——

A. Pardon me. May I finish?

Q. Yes.

A. The shipper then contacts the forwarder and says, "What is your rate?" He finds out the rate. He finds he can use the rate. Then he turns the shipment over to the forwarder at Jackson, Michigan, and finally it is delivered to the consignee at Stroud and he does not have to worry about it. He is a different type of shipper than the one using the mixed carload rating. He is a manufacturer and he is trying to accommodate his customers by letting [fol. 1025] go along with his shipment some traffic other than the kind he manufactures, or possibly kindred articles, or in instances where he manufactures a line of articles. It is a manufacturer's distributing plan rather than an individual shipper's plan.

By Mr. Barron:

Q. Well, there is nothing in Rule 10 in and of itself to prevent the forwarder from using it if he could accommodate himself to the rule, is there?

A. There is nothing prohibiting him from using it.

By Commissioner Alldredge:

Q. Every time a forwarder loads a car with miscellaneous freight, he has got to determine a rate from the point where he loaded it to the point where it is going, does he not?

A. Yes. He knows that beforehand.

Q. Now, he could get a rate with Rule 10 just as easily as he could with an all-commodity rate, could he not?

A. No, sir, not and meet the competition of the motor carriers, because on this shipment that I speak of from

Jackson, Michigan, he does not know how many other shipments he is going to receive on the same day, to assemble at Chicago to ship to Oklahoma.

Q. It is a question then of how high the aggregate charge is under Rule 10 as compared to the all-commodity rate, is it not?

A. That is only one factor. There are two different types of traffic and they accommodate two different sets [fol. 1026] of shippers.

By Chairman Aitchison:

Q. How is it working out under the Office of Defense Transportation full car order?

A. No complaints have been brought to my attention.

Q. I mean, how does it actually work? If it is so difficult for a small shipper to find someone else to be able to give him the remainder of a carload so he can take advantage of Rule 10, how is he going to comply with the O. D. T. order?

A. In actual practice, Mr. Chairman, the shipper with a small consignment like I have mentioned, does not fool with Rule 10. He just ships as a less than carload consignment either by motor truck or by rail. However, if he is advised of the fact that he can have better service and possibly a little cheaper rate by combining his freight with other freight that the forwarder has accumulated, he wil take advantage of their offer of a rate.

Q. Under this full car order, how do they go about to get a full car?

A. O. D. T. Order No. 18 has not been in effect yet; that is, it is not in effect now. It is going into effect on the 15th.

Q. The 15th of October?

A. Yes. I cannot tell you how it is going to work out.

Q. That is worse than Rule 10, is it not?

[fol. 1027] A. Well, only experience can tell.

Q. I mean, as far as the ability of the small shipper to combine, to hear the call of his mate in the distance?

A. I cannot prophesy how it is going to work out.

Mr. Barron: He will have to find some friends to ship with him, no doubt.

Chairman Aitchison: Are there any other questions of Mr. Stanage? (No response.) You may stand aside.

(Witness excused.)

Chairman Aitchison: Mr. Gault.

Mr. Gault: Call Mr. E. A. Tharp.

Chairman Aitchison: Is this witness going on for the Western Trunk Lines?

Mr. Gault: He is going on for all the Western lines, but particularly he is going on for the Western Trunk Lines.

Chairman Aitchison: We have heard from the East and South. How about the Pocahontas Lines? Is anybody appearing for them? (No response.) Are they going to put in any testimony?

Mr. Healy. The testimony of the other witnesses for the Eastern lines embraced the Pocahontas lines.

Mr. Norman: What was that?

Mr. Healy: The testimony of the other witnesses for the Eastern lines embraces the Pocahontas lines.

Mr. Norman: I would like to have that clarified. I do [fol. 1028] not know what he means by "embraced."

Mr. Healy: It was presented on their behalf as well as all other lines in Official territory.

Chairman Aitchison: Mr. Healy, would you mind repeating that statement for the record?

Mr. Healy: The testimony of Mr. Hawkes and the other witnesses for Official territory lines was given on behalf of the Pocahontas lines as well as all other lines in Official Classification territory.

Mr. Gault: Be sworn, please, Mr. Tharp.

Chairman Aitchison: Raise your right hand.

E. A. Tharp was sworn and testified as follows:

Direct examination.

By Mr. Gault:

Q. Please state your name, address and occupation for the record, Mr. Tharp.

A. My name is E. A. Tharp. I am Assistant Freight Traffic Manager for the Chicago, Rock Island & Pacific Railway, with headquarters in Chicago.

Q. How long have you been employed by that company?

A. I have been employed by the Rock Island for 17 years.

Q. You have prepared a statement and also an exhibit to introduce of record?

A. Yes, sir.

Mr. Gault: That exhibit, according to my count, will [fol. 1029] be No. 64.

Chairman Aitchison: It may be marked for identification as Exhibit No. 64.

(Exhibit No. 64, Witness Tharp, marked for identification.)

Mr. McCollester: Will you describe that exhibit, please?

Mr. Gault: First for the record I want to say that while I regret it, there is no index to this exhibit. We did not have time to prepare and have one printed, but we will furnish one at the adjourned hearing.

Chairman Aitchison: Very well. Proceed.

By Mr. Gault:

Q. Please proceed with your statement, Mr. Tharp.

A. I have been called as a witness in this proceeding in behalf of the railroads in Western territory. The Commission's Order of July 29, 1939, instituting this investigation represents a continuation of an almost constant procession of class rate cases that have passed in review beginning shortly after the Interstate Commerce Commission was created in 1887.

One of the earliest class rate cases reported covering rates in what is known as Western Trunk Line territory involved a complaint that was filed in September, 1887. It is reported in Volume One of the Interstate Commerce [fol. 1030] Reports on page 630. Only a cursory check of the Commission's reports indicates that since that time there have been released something over 200 reports that involved class rates either to, from, or within Western Trunk Line territory. Those reports embrace approximately 2500 pages of printed matter.

The following cases are perhaps the most important ones so far as the class rates to, from or between points in Western Trunk Line territory are concerned: Burnham, Hanna, Munger Dry Goods Company, et al., vs. CRI & P Ry. Co., et al., 14 ICC 299, decided June 24, 1908. George J. Kindel vs. N. Y. N. H. & H. RR Co., et al., 15 ICC 555, decided March 2, 1909. Warnock Company vs. C. & N. W. Ry. Co., 21 ICC 546, decided November 6, 1911. Class Rates to Watertown, S. D., 26 ICC 635, decided April 7, 1913. State of Kansas Case, 27 ICC 673, decided June 18, 1913. Interior Iowa Cities Case, 28 ICC 64, decided June 17, 1913.

Iowa State Board of RR Commissioners vs. A. E. RR Co., 28 ICC 193, decided June 18, 1913. Colorado Manufacturers Ass'n, vs. A. T. & S. F. Ry. Co., 28 ICC 82, decided June 18, 1913. Interior Iowa Cities Case, 29 ICC 536, decided January 13, 1914. Minneapolis Civic & Commerce Association, 30 ICC 663, decided June 27, 1914. Missouri River-Nebraska Cases, 40 ICC 201, decided July 3, 1916. The Wisconsin Rate Cases, 44 ICC 602, decided April 25, 1917. Commercial Club of Mitchell, S. D., 46 ICC 1, decided July 5, 1917. Interior Iowa Cases, 46 ICC 39, [fol. 1031] decided July 7, 1917. Traffic Bureau of Aberdeen, Com. Club, 56 ICC 147, decided December 11, 1919. Green Bay Ass'n. of Commerce vs. C. & N. W. Ry. Co., 56 ICC 326, decided July 13, 1920. Grand Island Chamber of Commerce vs. A. & R. RR. Co., 85 ICC 502, decided December 18, 1923. Indiana Public Service Commission vs. A. T. & S. F. Ry. Co., 88 ICC 709, decided April 8, 1924. Fargo Commercial Club vs. A. & W. Ry. Co., 98 ICC 691, decided June 2, 1925. Class rates between Missouri and Interstate Points, 100 ICC 274, decided July 14, 1925. Watertown Chamber of Commerce vs. A. & W. Ry. Co., 101 ICC 427, decided July 14, 1925. Watertown Chamber of Commerce vs. C. & N. W. Ry., 101 ICC 441, decided July 14, 1925. Western Trunk Line Class Rates, 164 ICC 1, decided May 6, 1930. Interstate Rates between points in Missouri, 181 ICC 259, decided January 5, 1932. Western Trunk Line Class Rates, 204 ICC 595, decided October 9, 1934. Western-Southern Class Rates, 226 ICC 497, decided April 5, 1938. Western-Southern Class Rates Report on Reconsideration, 231 ICC 315, decided January 9, 1939.

Examination of these cases, as they affected the interterritorial Class rates, demonstrates that in the earlier proceedings as well as in the exhaustive Western Trunk Line Class Rate investigation vigorous efforts were made on behalf of private interests and consumers, also by State Commissions representing the public at large, to obtain [fol. 1032] reduced rates from the East on a long list of manufactured articles consumed in the West.

The present class rate adjustment, generally, within Western Trunk Line territory, between Western Trunk Line territory on the one hand, and Official territory on the other resulted from the Commission's investigation and decisions in Rate Structure Investigation, Part 2—Western

Trunk Line Class Rates, the first report in which is carried in Volume 164 beginning at Page 1. That investigation was instituted by the Commission on October 11, 1926. The hearings were started in January, 1927, and concluded in May, 1928. The Commission's report and order is dated May 6, 1930. The rates prescribed therein became effective on December 3, 1931. The proceedings were reopened for further hearing by the Commission's order of October 28, 1932.

The further hearing began in December, 1932, and was concluded in April, 1933. The decision is dated October 9, 1934. The revisions in the rates prescribed as a result of the further hearings became effective on August 20, 1935. The original and subsequent series of hearings in that proceeding consumed 18,300 pages of transcript and there were submitted about 1700 exhibits. In complying with the Commission's decision in that proceeding a force of 100 to 200 men worked over two years to compute the necessary [fol. 1033] mileages and determine the rates. That work cost the Western Trunk Line railroads in excess of $400,000 in wages alone.

Between points in Western Trunk Line territory, on the one hand and Southern territory on the other, the present Class rate adjustment was prescribed by this Commission as late as April, 1938, in the Western-Southern Class Rates Case, Docket No. 26510 reported in Volume 226 at page 497. These latter rates became effective June 7, 1939.

By Chairman Aitchison:

Q. I wonder why you do not say anything about the prior case, Ex Parte 87, I think it was, revenues in the Western District?

A. That is an important case, of course, Mr. Chairman. The cases I have listed are intended to set forth the history of the Western Trunk Line Class Rate adjustment which, of course, would be covered by the Western Trunk Line Class Rates decision, coming on after Ex Parte 87.

Q. Well, the significance of Ex Parte 87 is that the carriers undertook to get prior rates increased on account of alleged revenue needs and were held not to have made out a case.

A. I appreciate that.

By Mr. Gault:

Q. Continue, please.

A. In the first decision in the Western Trunk Line Class Rates Case, 164 ICC 1, the Commission has set forth on [fol. 1034] pages 23 to 36, inclusive, a broad outline of the historical background of the class rate adjustment obtaining within Western Trunk Line territory prior to December 3, 1931. On pages 36 to 40, inclusive, a similar outline is shown with respect to the class rates between Western Trunk Line territory on the one hand, and Official territory on the other. It is, of course, well known that the class rates, generally, between these latter two territories prior to December 3, 1931, were made on combination of the Eastern and Western factors based on the Mississippi River or other junctions of Eastern and Western lines. One notable exception of long standing *is* the combination basis was the joint one factor class rates that were in effect between Official territory and the Twin Cities and Duluth, also intermediate points in Eastern Minnesota and Wisconsin, and from Trunk Line and New England territories to the Twin Cities and Duluth.

On pages 42 and 43 of the report last mentioned is shown a brief history of the class rates between Western Trunk Line territory on the one hand, and Southern territory on the other, which rates generally were, prior to January 15, 1928, made on combinations over the Mississippi or Ohio Rivers. When on January 15, 1928, the rates resulting from the Commisssion's decision in the Southern Class Rates Case became effective the rates generally continued on the combination basis but many changes in the basing [fol. 1035] points resulted which situation continued until the overhead rates became effective on June 7, 1939, as a result of the Western-Southern Class Rates decision.

I will not go into detail as to the histories of these class rates in view of their being set forth in the reports of the Commission, but I have had prepared statements that will show representative examples of the first and fifth class rates between points in Western Trunk Line territory; between points in Western Trunk Line territory on the one hand, and Official territory on the other; also between Southern territory on the one hand, and Western Trunk Line territory on the other.

Q. You are referring now to the document which has just been given Exhibit No. 64?

A. Yes.

Q. It consists of 109 pages and a cover?

A. Yes.

Q. Proceed.

A. Pages Nos. 1 to 20 of Exhibit No. 64 show representative examples of the first and fifth class rates between points within Western Trunk Line territory in effect on December 2, 1931, just prior to the effective date of the rates resulting from the first decision in the Western Trunk Line Class Rate case, contrasted with the first and fifth class rates that became effective on December 3, 1931, the [fol. 1036] effective date of the Commission's order in the proceedings mentioned. There is also shown first and fifth class rates designated as "present rates," which rates resulted from the Commission's Sixth Supplemental report, or the report on further hearing in the Western Trunk Line Class rate case, and became effective August 20, 1935. These latter rates do not carry the increase authorized in Ex Parte 123 or Ex Parte 148.

Pages Nos. 21 to 62 show representative examples of the first and fifth class rates between points in Western Trunk Line territory on the one hand, and points in Official Classification territory on the other in effect as of December 2, 1931, December 3, 1931, and present rates which became effective August 20, 1935. These rates, too, are without the Ex Parte 123 or 148 increases.

Pages Nos. 63 to 71 show representative examples of the first and fifth class rates beween points in Western Trunk Line territory on the one hand, and Southern Freight Association territory on the other. It shows rates that were in effect on June 6, 1939, the date just prior to the date on which the rates resulting from the Commission's decision in the Western-Southern Class Rates case became effective. The rates shown as "present rates" became effective on June 7, 1939, and are the rates resulting from the decision in the latter proceeding mentioned and do not [fol. 1037] include the Ex Parte increases.

The basic rate structure applying to, from and between points in Western Trunk Line territory had been thoroughly litigated before the Interstate Commerce Commission during the past twenty years. The carriers have constantly had the rates before them, as they apply to individual commodities, in an effort to meet changing conditions and the needs of commerce.

The Western Trunk Line railroads are convinced that only radical changes in basic conditions could alter the considerations upon which the Commission has heretofore acted, or could warrant any change in the basic class rate structure, or any narrowing of the present spreads in the class rate structure to, from or within Western Trunk Line territory. As has been brought out by previous witnesses, conditions at this time are so extraordinary, unstable and unpredictable because of the war it is apparent, the Western Trunk Line Railroads believe, that the territorial spreads in rates should not at this time be altered. These railroads even suggest that after the conclusion of the war it may be found that the territorial spreads should be broader instead of narrower if the Western railroads are to survive and render efficient service to the public.

It is recognized that changes in conditions have taken place after the Western Trunk Line Class rate adjustment [fol. 1038] became effective in August, 1935, but the railroads as well as the Commission already have had occasion thoroughly to consider and deal with such changed conditions in the Ex Parte 123 proceeding decided March 8, 1938, and reported in 226 ICC 41 and in the Ex Parte 148 proceeding decided March 2, 1942, and reported in 248 ICC 545.

The railroads realize that there is a disposition on the part of some to criticize the existing class rate structure as overly complicated. These railroads, however, believe that such criticisms are exaggerated and overlook the complexities inherent in the fixation of rates moving different descriptions of traffic to, from and within territories having different rate making elements. They insist, moreover, that if the railroads are to be in a position to continue to provide service to the public there must be no diminution whatever in revenue from class rate traffic as the result of any attempt to achieve supposed simplicity in tariff construction and application. The railroads must live on the traffic available in the territory they serve. If our critics prevail and reduced class rates result it follows that any loss of revenue from class rate traffic must be offset by increases in the rates on other traffic, such as agricultural products, building materials, farm machinery, and other articles used to sustain the activities of an agricultural region.

[fol. 1039] One aspect of the present class rate structure applicable between Official and Western Trunk Line territory could be simplified both from the standpoint of the rate structure itself as well as from a tariff standpoint. I have reference here to the so-called bridge scale of rates first prescribed by the Commission and set forth in Appendix K of its first report in the Western Trunk Lines Class Rates Case, and modified in its 6th Supplemental Report. That bridge scale was devised for the purpose of fusing the Eastern Class rate structure with the Western Trunk Line structure and its application has resulted in confusing the tariff situation, as well as in the railroads receiving for their services less than the circumstances of transportation warrant.

The present bridge scale formula requires the addition of named arbitraries to the class or commodity rates applicable in the territory east of WTL Zone 1 in the construction of rates between the bridge scale zone of WTL territory on the one hand, and Eastern territory on the other, the resulting rates to apply where lower than the specifically published overhead rates or combination of local rates, but subject to certain minimum rates. The tariffs could be simplified if the bridge scale arbitraries were required to be used only in connection with the class rates, which would permit of making a specific publication [fol. 1040] of such rates as were determined by use of the bridge scales. That method was followed in the first decision in the Class rate case.

One of the principal issues in this proceeding relates to the present difference between the class rate levels within and between the different rate territories, and whether one rate level or fewer and more closely related rate levels than now exist are desirable. These are not new questions. They were important issues in the Western Trunk Line Class Rate Investigation and the Commission devoted much space in its reports to reviewing the evidence and stating its findings and conclusions on the subject.

As an indication of the differences in the class rate scales there is shown on page 72 of Exhibit 64 a comparison of the Eastern first class scale with the basic first class scale prescribed in the first Western Trunk Line Class Rate decision, and the basic first class scale prescribed in the second decision.

On page 73 is shown all of the scales prescribed in the Eastern class rates case on the standard class ratings for application in Central and Trunk Line territory. At this point I want to point out that in New England territory the Commission prescribed scales of class rates which I understand to be about 5 per cent higher in Zone A and about 10 per cent higher in Zone B than the rates prescribed for Central and Trunk Line territory, also for [fol. 1041] Zone C in Michigan a differential scale was prescribed which resulted in rates about 10 per cent higher. I also invite attention to the fact that between the various zones in Eastern territory a formula was prescribed for determining the rates similar to that prescribed in the Western Trunk Line Case. A mere examination of the basic class rate scale in Official territories does not alone indicate the full measure of the level of rates applicable within that territory. On pages 74 and 75 is shown the Western Trunk Line Zone 1 scales prescribed in the first report and on pages 76 and 77 is shown the Zone 1 scales prescribed in the report on further hearing. On pages 78 and 79 is shown the first Zone II scale and on pages 80 and 81 is shown the Zone II scale resulting from the further hearing. On pages 82 and 83 is shown the first Zone III scale and on pages 84 and 85 is shown the Zone III scale on further hearing. On pages 86 and 87 is shown the Southern Class rates scales.

On pages 88 to 91 there have been shown representative examples of the first class rates from points in Eastern territory to points in Western Trunk Line territory to indicate their relationship with constructive first class rates based on the Eastern first class scale. On pages 92 and 93 there have been shown representative examples of the first class rates from points in Southern territory to points in Western Trunk Line territory to indicate how [fol. 1042] those rates are related to constructive first class rates based on the Eastern scale as well as the Southern first class scale.

Pages 1 to 71 of Exhibit No. 64 demonstrate the effect on the class rate structure to, from and within Western

Trunk Line territory of the Western Class rates decisions, which brought about a decided narrowing of the spreads in the rates theretofore in effect. The bridge scale of arbitraries mentioned before was another phase of those decisions that further narrowed the spreads in rates in the border area. The original bridge scale was designed for that purpose and when that scale was reduced and its territorial application extended in the Commission's Supplemental report, 173 ICC 637, a further narrowing of the spreads was effected.

Page 94 of Exhibit 64 shows the original bridge scale, and the modified scale prescribed in 173 ICC 637 which is also the scale represcribed in 204 ICC 595. This page shows the substantial reduction made in the original bridge scale also the extent to which its application was extended into Western Trunk Line territory. Pages 95 to 100 of Exhibit 64 show representative examples of the first class key point rates prescribed in the Western Trunk Line class rates case to apply between points in Eastern territory and bridge-scale territory in Zone 1.

Page 101 of Exhibit 64 is a statement showing repre-
[fol. 1043] sentative examples of specific first class key point rates prescribed by the Commission in its Sixth Supplemental report in the Western Class Rates case compared with first class rates that would have resulted from a strict application of the distance scales and formula there prescribed. After having prescribed distance scales and formula for determining rates on interterritorial traffic which if applied would have made substantial reductions in those rates the Commission made further substantial reductions by prescribing still lower specific key point rates.

Another question raised by the Commission is the method or methods to be used in the construction of interterritorial class rates, if more than one rate level is prescribed. The present Western Trunk Line Class rate structure in its original design was complicated because of the number of distance scales and differential scales prescribed and the formula used in connection therewith for determining the rates. To comply with the requirements of the Commission's decisions millions of computations of mileages and rates were necessary to put the rate structure together. If the Commission should now require a new basic class rate structure a similar procedure for determining the specific rates would be necessary. With the exacting task of complying with the Western Trunk Line decisions already accomplished and the rates published in reasonably simple tariffs the [fol. 1044] Western Trunk Line railroads are convinced that no change in the basic class rate structure is warranted. Interterritorial class rate structures must reflect the different rate making elements in the different territories through which such rates are to apply.

Chairman Aitchison: I do not quite understand what you mean there by "the different ratemaking elements."

The Witness: Well, the different ratemaking elements, as I understand ratemaking elements, must take into account density of traffic, density of population, physical transportation conditions of the different territories; that is what I have in mind when I speak of transportation elements.

Chairman Aitchison: Proceed.

The Witness: The progressions in the present class rate scales applicable in the various rate territories is another question presented. Page 102 of Exhibit 64 shows the progression of the Eastern first class scale, the first WTL Scale, and the second WTL Scale.

The progression in the class rate scales was also an important issue in both the Eastern and Western Class Rate cases. Following the first decision in the Western Trunk Line Class rates case the carriers expressed dissatisfaction with the progression in those scales and the effect such progression would have upon their rates and revenues.

The Western Trunk Line railroads in the further hear- [fol. 1045] ing in the case opposed tapering rates per 100 miles with the increase in distance as wholly theoretical and urged that no rate making element is found in a haul at 700 miles to justify a sudden decline in the rate of progression. The Western carriers have never accepted and do not now accept the theory adopted by the Commission, but in the light of present conditions and uncertainties of the future do not challenge it here. That system of making rates is, of course, decidedly in the interest of the long haul shipper.

The Eastern first class scale reflects a diminishing rate of progression with increased distance. Notwithstanding that, the Commission prescribed a rate from Boston, Massachusetts, to Quincy, Illinois, for example of $1.79 or 9 cents below the scale for 1212 miles, the distance between the two cities. Many such illustrations could be given. That system of making rates had the effect of bringing the Eastern rates right up to the border of Western Trunk Line territory at their relatively lowest levels thus creating disparities at the border points in Western Trunk Line territory. The Western carriers urged that its correction should be brought about by readjusting the Eastern scale and rates as it approaches the border rather than reduce the rates to and from the border area in Western Trunk Line territory. A part of that difficulty was, how- [fol. 1046] ever, solved at the expense of the Western rates by leveling downward the rates to and from Western territory without disturbing the Eastern class rate adjustment.

This situation is called to the Commision's attention to support the position of the Western carriers that the class rates designed for Eastern territory should not be made the base either for a uniform level of class rates or for the narrowing of spreads to, from or within the Western territory.

Another question raised by the Commission is whether the progressions in the class rate scales should be the same for less carload traffic as for carload traffic. This is not a new question. In the Western Trunk Line class rates case, particularly in the first series of hearings, several interests urged such a system of rates and submitted a large amount of exhibits and testimony in support of their position, while other parties opposed it with equal emphasis. After a review and consideration by the Commission of that extensive evidence one system of class rates was prescribed for both less carload and carload traffic. The Western Trunk Line carriers have found nothing to add to their evidence in the former cases on that point and have not developed any subsequent change in conditions that would affect or modify the evidence which has already been considered, or justify any change in the findings of the Commission. Where unusual con- [fol. 1047] ditions arise because of competition from other forms of transportation those particular situations can be dealt with by the railroads by appropriate exceptions to the standard class rate scales.

By Commissioner Alldredge:

Q. Do you know of any place in Western Trunk Line territory that you do not have competition from some other type of carriers?

A. Where we do not have competition?

Q. Yes.

A. I think almost any point you want to reach in Western Trunk Line territory would be affected by truck competition in some form; not between all points, of course.

Q. Instead of being a matter of competition for other agencies of transportation, particularly the motor carriers, it is not a matter to be encountered in special situations, but it is generally encountered everywhere, is it not?

A. I think that is true, that all of the railroads in all of the territories have their share of competition from motor carriers.

Commissioner Alldredge: Go ahead.

The Witness: Involved here also is the question raised by the Commission of percentage relations between the rates on the various classes. That question, too, has had extensive consideration by the Commission in all of the major territories. In Western Classification territory there are [fol. 1048] only ten standard numbered and lettered classes (1 to 5 and A to E). In its first report in the Western Trunk Line Class rate case the Commission set 22 scales lower than first class ranging downward from 92.5 to 13 per cent of first class, and suggested that future needs for more classes should be anticipated. At the present time the tariffs of the Western Trunk Line carriers provide 86 columns of rates lower than first class ranging down to 9 per cent of first class.

Between points in Central territory on the one hand, and Western Trunk Line territory on the other where the Official classification governs the carriers have published 122 column of rates lower than first class and where the Western Classification governs the carriers ~~have~~ published 110 columns of rates lower than first class.

In the Western-Southern class rates case the Commission likewise required publication of 22 scales of rates lower than first class, but in making publication the carriers provided for 49 columns lower than first class south-bound and 46 columns northbound. Since the original publication 44 additional columns have been established southbound making a total of 93 and 20 additional columns have been established northbound making a total of 66. One might ask why so many columns of rates lower than 1st class, or Column 100, have been established. There would be no [fol. 1049] purpose in setting up all those columns of rates, unless it were intended that they should be used. They have all been set up within the framework of the Commission's prescribed rate structure and represent first those columns specifically prescribed by the Commission on the ten standard classes and those to be applied on particular commodities; second, those columns established by the carriers to be applied on commodities on which efforts were being made to meet truck competition; third, those columns established by the carriers for application on various commodities for the purpose of working the percentage increases into the permanent rate structure, which in many cases required intermediate columns.

It was shown in the Western Trunk Line Class rates case that the class rate percentages varied in different parts of the same territory. The Western Trunk Line carriers in that case sought to have the Commission prescribe for fourth class 60 per cent of first class and on fifth class 40 per cent of first class, but the Commission prescribed 55 and 37½ per cent respectively of first class. In the Eastern case the Commission prescribed on fifth class 35 per cent of first class. In the Southern Class Rate Case the Commission prescribed on fifth class rates 45 per cent of first class. The Western lines have already made their con-[fol. 1050] tribution, so far as fifth class is concerned, in the interest of closer uniformity and feel that they should be relieved from further inroads upon their class rate structure and revenue merely for the purpose of a uniform relationship to first class with that of another territory where different traffic, transportation and economic characteristics prevail. The Commission has inquired—before I start on that, I would like to make this comment, that the first column rates as they existed were established as a result of the Commission's orders in the Consolidated Southwestern Cases and the Western Trunk Line Class Rates Case.

By Mr. Gault:

Q. Proceed.

A. The Commission has inquired as to the feasibility of prescribing minimum and maximum or precise class rates. Up to this time the Commission has not deemed it necessary to freeze the class rate structure in any of the major rate territories. If the inquiry were to be answered in the affirmative and the Commission should prescribe either maximum and minimum or precise class rates it would, as we view it, freeze the class rates. The Western Trunk Lines, aside from the question of feasibility do not consider such action as being desirable from the standpoint of the carriers or the shipping public. In the several class rates cases the Commission has prescribed maximum class rates and the carriers have not encountered any substantial [fol. 1051] difficulty in making such rates perform their function. We do not, therefore, object to the label of maximum being attached to such rates. It is, however, our view that the prescription of minimum or precise class rates would be neither desirable or feasible for the reason that such a rate adjustment would prevent the orderly establishment of rates necessary to serve the changing needs of commerce. And would also prevent the orderly establishment of rates to meet competitive conditions created by the different methods of transportation. If such minimum or precise rates were to be prescribed it would be necessary to secure modification of such orders in each and every case where some changing need of commerce or competitive condition required such action. It might be well to invite the Commission's attention to the experience with the minimum rate orders issued covering common carrier truck rates. There I have in mind the minimum rate orders in Ex Parte 123 and Ex Parte 21.

As a general thing the Western Trunk Lines consider such orders as not being feasible except to prevent the establishment of rates that might be a burden on interstate commerce. As a practical matter, except in instances of the kind indicated, the rate adjustment should remain flexible.

The Commission has inquired as to the extent to which the class rate traffic of railroads is affected by the com- [fol. 1052] petition encountered from motor carriers and water carriers. A precise and accurate answer to that question cannot be given since, to my knowledge, there are no data available showing the proportion of the total traffic that moves on class rates, either by the railroads, motor carriers, or water carriers. So far as the railroads are concerned a detailed and costly study of individual waybills would be required to develop that information.

The subject is made more difficult of treatment by reason of the fact that what may be class rate traffic in one territory is commodity rate traffic in another territory. Even within Western Trunk Line teritory certain traffic may move on class rates in one part of the territory and on commodity rates in another part of the territory. That is even true to some extent within individual zones in Western Trunk Line territory. As an illustration of this latter statement, the Commission prescribed class or column rates on Iron and Steel in the Western Trunk Line class rates case, which were established. Later it became necessary to establish commodity rates on Iron and Steel to meet water competition from the Illinois steel producing points to the Twin Cities, which were held as maximum in the territory intermediate thereto, but to other parts of Western Trunk Line territory the class or column rates were continued. It is common knowledge too that both the motor carriers and water [fol. 1053] carriers have handled a very large volume of traffic. It would be a difficult, if not impossible, task to segregate that part of the rail, truck or water traffic to determine which part was subject to competitive influences or to what extent it is subject to such influences.

It is common knowledge that both truck competition and water competition have had a profound effect upon the general rate structure throughout the Western territory. In the past few years the Western Trunk Line railroads have found it necessary to make substantial reductions in their rates on a great many commodities in an effort to retain the business. In some cases the carriers were able to retain the business by such reductions, but in other cases even rate reductions did not arrest the downward trend in that traffic. There are no data available that would give even a rough estimate of the total volume of those rate reductions. However, pages 103 to 108 set forth some examples of the reductions in rates that have been made for that purpose.

The Commission stated in its report on further hearing on page 661 of Volume 204: "This record plainly indicates that respondents will be compelled extensively to maintain rates between points up to 500 miles apart at levels considerably lower than those herein prescribed."

The Commission has likewise made inquiry as to the effect upon the movement of class rate traffic of traffic [fol. 1054] transported on basis of all-commodity rates, and of traffic handled by forwarder companies. We are here confronted with practically the same situation as that in connection with the motor and water carriers because of the lack of detailed information upon which to base an answer. The freight forwarders are now under the regulation of the Interstate Commerce Commission and whatever may have been the effect of that business upon the class rate traffic of the railroads in the past it is at least questionable whether the past records would throw any light upon the situation as it may develop in the future. Their business consists principally of consolidating less carload shipments into carload shipments, a very large part of which move on all-commodity rates. These latter rates are also utilized by the mail order companies and to some extent by the chain store companies, and others.

The Commission has also inquired as to the desirability of stating separately the charges or allowances for pickup and delivery. When the motor carriers came into the transportation field the rates they established contemplated the pickup of traffic at the shipper's door and delivery of that traffic at the store doors. That arrangement prevailed both on less truck load and truck load business. As the competition of the motor carriers developed it became evident to the railroads that so far as less carload traffic was [fol. 1055] concerned a comparable service would be necessary to enable them to stay in that business. It was then thought that it could be treated strictly as a matter of service and that the shipping public would be willing to pay for that service a charge in addition to the line haul rates. The service was established and a charge therefor was published. No allowance was made to a shipper or consignee where he elected to perform that service for himself. It soon became evident that with the trucks performing such service without charge in addition to the line haul rate, the railroads must do likewise as a competitive measure. Up to this time there has been no change in conditions to warrant a change in that practice.

Before closing, I should like to point out that the critics of the present class rate structure have advertised, quite extensively, what is alleged to be the fact that the level of the class rates within Western Trunk Line territory is 147 per cent of the level of the class rates in Eastern territory. Another witness will treat with that but in the meantime I desire to point out that the heaviest traffic in Western Trunk Line territory is in Zone 1, which has the lowest class rate scales in Western Trunk Line territory. Nowhere in that zone are rates as high as 147 per cent of the Eastern scale. The shortest possible distance from St. Louis, Missouri, to Omaha, Nebraska, is 416 miles. For [fol. 1056] that distance, all of which is in Zone 1, the Appendix E scale prescribed in the Eastern class rate investigation would produce a first class rate of $1.01. 147 per cent of that figure would be $1.48. The first class rate prescribed by the Commission in the Sixth Supplemental report from St. Louis to Omaha, is $1.28.

As previously pointed out, the railroads must live on the traffic they carry and the revenue from that traffic, of necessity, must be distributed over the whole body of traffic according to the varying characteristics of that traffic. That principle was recognized in the general increase cases such as Ex Parte 123 and 148 when the Commission allowed different degrees of increase on manufactured articles and agricultural products. As recently as March, 1942, it limited its authorized increases to 3% on the products of agriculture and livestock, while allowing double that amount of increase on manufactured articles generally.

In attempting to set up a basic class rate structure in the Western territory one of the primary considerations should be the character of traffic moving in that territory upon which the railroads depend for their existence. In the Western district the products of agriculture (including livestock and products), products of the forest, products of mines (excluding coal and coke), petroleum and petroleum products make up the major portion of the tonnage [fol. 1057] carried. The commodities in those groups in 1941 comprised 66.71 per cent of the total carload traffic carried in the Western District. In the Eastern District the same groups of commodities comprised 27.43 per cent of the tonnage carried, while in the Southern region the same groups of commodities comprise 45.85 per cent of the carload traffic carried.

In conclusion, it is the judgment of the Western carriers that a general revision of the present basic class rate structure is unnecessary. And that under present conditions such a revision contemplating new theories, new formulas, and further experiments in rate making should not be required.

Mr. Gault: The witness has an oral statement he would like to add, a very brief statement if the Commission please.

By Mr. Gault:

Q. Go ahead, Mr. Tharp.

A. On sheet 19 I point out commodity groups that account for 66.71 of the total carload traffic carried in the Western District. I would like to add that those commodities that make up that 66.71 per cent of the total carload traffic carried produce 56.22 per cent of the carload freight revenue in the Western District. The commodities that make up but 27.43 per cent of the total carload traffic carried in the Eastern District produced but 26.71 per cent of the carload [fol. 1058] freight revenue. The commodities that make up 45.85 per cent of the total carload traffic carried in the Southern Region produced 44.29 per cent of the carload freight revenue.

Q. Does that conclude your statement, Mr. Tharp?

A. Yes, sir.

Mr. Gault: I offer Exhibit No. 64 in evidence, if the Commission please.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit No. 64? (No response). If not, it is received.

(Exhibit No. 64, Witness Tharp, received in evidence.)

Mr. Gault: You may cross-examine.

Chairman Aitchison: Mr. A. L. Reed.

Cross-examination.

By Mr. A. L. Reed:

Q. Mr. Tharp, on pages 103 of your exhibit, through to page 108 you have what I believe you have stated in your direct testimony to be rates made by the rail carriers to meet motor truck competition.

Yes, sir.

Q. Do you know in all instances whether those rates were published first by the rails or by the motor carriers?

A. Well, I cannot tell you whether the precise columns that the rail carriers published were the precise columns published by the motor carriers, but these rates were [fol. 1059] established to meet either common carrier competition by truck, contract carrier competition, or perhaps competition of private truck carriers.

Q. Do you know which of the three modes of truck carriers constituted your competition in any or all of the instances listed on those pages of your Exhibit No. 64?

A. The degree of the competition from one of the three might vary with each item on there, Mr. Reed. I could not attempt to give you a breakdown of that.

Q. Insofar as the common carrier truck lines are concerned you are not able to say at this time whether they published these rates first or the railroads, am I correct in that statement?

A. No, I could not say as to that.

Q. I believe you subscribed to the theory that the common carriers, or some form of motor truck competition is in existence countrywide insofar as the rail carriers are concerned?

A. We have heard about it all over the United States.

Q. I notice that on Exhibit No. 64, page 103, there seems to be some variation in the policy of the carriers in Official territory as compared with Western Trunk Line territory. For example, take the first two items: On abrasives, the policy seems to be uniform. On agricultural implements the Western carriers reduced the rates and established [fol. 1060] an exception, but the Eastern carriers did not. Could you offer some explanation of that difference in policy?

A. The only explanation I can give for it is that the Eastern lines concluded that truck competition did not require making any reductions in their territory.

Q. And the same answer would be given with respect to the other instances of the same character on pages 103 and 108 of Exhibit 64?

A. I think that is true, or the reverse might be true.

Mr. A. L. Reed: Thank you, sir.

The Witness: The Official lines may have lower columns than we have, but for some reason we did not think it necessary to make corresponding reductions, or as great a reduction.

By Chairman Aitchison:

Q. It is not just a bit absurd to find that you put columns in that are just one-half of 1 per cent apart?

A. I do not think so, Mr. Chairman. The Commission has often required us to do that, in some cases.

Q. Well, possibly we were misled. What do you think about it? Do you not think it can be cut down to a smaller number in the interest of simplicity of rates, still considering matters such as alternative aggregates, Fourth Section situations, divisions and the like?

[fol. 1061] A. I think there is a reason for each individual column rating that we have published. Of course, to answer your question as to whether some of those could be eliminated would require an examination of each commodity to determine whether or not that column could be eliminated.

Q. Sometimes it would not make a difference of a dollar in a whole carload, would it?

A: No, but we have had serious complaints whenever we make an effort to eliminate a column from shippers who would wind up with an increase of 1 cent per hundred pounds in their freight rates. I have particularly in mind the linseed cake and meal industry as well as the soy bean cake and meal industry. They have now pending before your Commission a complaint making serious complaint for that very reason. We changed the column which resulted in both increases and reductions. They want those increases eliminated.

Q. You have, sometimes, do you not, columns which are the same percentage of first class, but by reason of conditions that are attached, bring about widely different rates?

A. That is true. In a manner of illustrating, we might have two columns 25. One of them might be column 25-G, if you please, and the other one just straight 25. That column 25-G, if you please, would apply on some agricultural commodity upon which we were permitted to increase the rates only 5% under Ex Parte 123, whereas on the straight [fol. 1062] column 25, that would carry the full 10% increase that was authorized under Ex Parte 123. We have any number of columns in our tariffs that can be accounted for through the changes made in Ex Parte 115 and Ex Parte 123.

Q. Have you been trying to work those down to a smaller number?

[illegible] Pardon me?

Q. [illegible]e you been trying to work those down to a smaller [illegible]mber?

A. Efforts have been made to do that. We are constantly attempting to do that.

~~Q.~~ This matter of multiplicity of columns has been complained about by shippers, has it not?

A. I do not recall that there has been any complaint from a shipper as to the multiplicity of the columns. Their main purpose is to see that their freight rates are not disturbed, or increased by the elimination of some column.

Q. Well, I personally heard a complaint where the allegation was that the alleged favored area had a very much longer list of columns than the area that was doing the complaining.

A. What was that?

Chairman Aitchison: The reporter will read it.

(Record read.)

Chairman Aitchison: Just to be specific, from the East [fol. 1063] to Denver, as contrasted with from the East to Salt Lake.

The Witness: From the East to Denver as compared to from the East to Salt Lake?

Chairman Aitchison: Yes.

The Witness: Of course, I do not understand what the character of the complaint could be. Certainly the number of columns in the tariffs should not have any effect upon the rates that are being paid by the receivers at Denver as compared to the receivers at Salt Lake.

Chairman Aitchison: It was a case where the rates were very much more finely graded.

The Witness: It could be, of course, that the Western Trunk Line railroads, to meet truck competition from Chicago, if you please, to Denver, had established a column on some particular item of commerce that would be lower than the column that would apply from Chicago to Salt Lake City, if the carriers had concluded that the same competition did not exist as between Chicago and Salt Lake City as existed between Chicago and Denver.

By Chairman Aitchison:

Q. Has it been your observation that the demand for multiplicity of columns with fine differentiation in rates is due to the fact that packing requirements were supposed to have become better in the way of avoiding loss and damage claims and so forth, and that that was much more keen at the time when commercial competition was keenest, [fol. 1064] than when there was a lush market for everybody?

A. I think we have just gone through a period when that consideration was important. The packing requirements for rail movement were a little more stringent than were the packing requirements for moving traffic by truck, and of course anything that would increase the cost to the manufacturer of packing his commodities would of course be a factor in his selection of transportation services.

Q. Well, was this not a common historical occurrence in our times when competition between manufacturers was very keen and markets were hard to get: We will say a manufacturer had column 68 and so did his rival. By a very slight improvement in his packing he was able to go to the traffic officers of the lines serving him and make a showing that his article was just a shade more desirable as an article of traffic than his rival's, and thereby he was entitled to and did get 67%?

A. I do not recall any such instances as that. That, it seems to me, would perhaps be more a classification question rather than one of the establishment of rates as between packers.

Q. Did not a lot of these columns come in, in that way?

A. I do not recall a specific instance that had to do with the packing requirements, where the packing requirements [fol. 1065] determined what column would be applied.

Chairman Aitchison: Is there any further cross examination?

Mr. Little: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Little.

By Mr. Little:

Q. Mr. Tharp, will you please refer to page 13, the third paragraph of your statement.

A. Yes.

Q. Is it not a fact, Mr. Tharp, that the class rates applicable as a result of the decision in the Western Trunk Line class rates case between Central territory and Western Trunk Line territory are generally published to apply between the origins and destinations involved?

A. (No answer.)

Q. For example, from Cleveland, Ohio, to Omaha or Lincoln, Nebraska, the class rates are generally published to apply between those points, are they not?

A. The first class rates are, second class and third class.

Q. These scales which you refer to in the third paragraph on page 13 are all based on the prescribed basic first class rates prescribed as key rates in the decision of the Commission, are they not?

A. That is right. Your basic first class rate applies between, and the other columns are geared to those basic first class rates.

[fol. 1066] Q. Is it not also a fact that in the original decision the Commission required the use of the Western Classification to apply to the movement of traffic either east or west-bound between those points?

A. Yes, sir.

Q. Just what, then, is the meaning of your statement and what is the application of the column adjustment referred to in the third paragraph on page 13, in the present rate adjustment?

A. If I understand your question, it means that where the Official Classification governs—in other words, in an eastbound direction—we have in the tariff 122 columns of rates lower than first class; but where the Western Classification governs—that is, westbound—we have 110 columns of rates in the tariffs that are lower than first class, but geared to the first class rates.

Q. Then the situation today is that you have the Official Classification applying one direction and the Western Classification applying the other, with the same basic class rate adjustment with reference to the prescribed first class rate, is that right?

A. That is right.

Q. Are the ratings either resulting from the separate classifications or the exceptions thereto the same on a given commodity eastbound and westbound?

[fol. 1067] A. Not necessarily, no.

Q. Then although the basic class rate adjustment is uniform in both directions with reference to the prescribed first class rate, the rates applicable and the resulting freight charges would vary on shipments between two points, depending upon whether the shipment moved eastbound or westbound; would that not follow?

A. Depending upon the class it took.

Q. When did the carriers first depart from the original requirement that the Western classification should be the basis for the application of these class rates between Central and Western Trunk Line territory?

A. August 20, 1935.

Q. Mr. Tharp, does the present situation with variations in applicable ratings eastbound and westbound result from any change in the original decision of the Commission or does it flow from the action of the carriers involved?

A. I would say both.

Q. Is it in the main the actions of the carriers in simply publishing rates that did not exceed the maximum prescribed basis? Is that the explanation?

A. I think that is one explanation.

Q. Well, would that be the principal explanation?

A. The difference in the columns might be because of rates prescribed by the Commission, westbound or east-[fols. 1068-1069] bound, as the case may be. They might be as a result of voluntary action on the part of the carriers in reducing rates eastbound or westbound as the case may be. I do not know. I could not say just what percentage of the columns would be chargeable to either the Commission or to us, the carriers.

Q. At any rate, you would agree that the situation described in your statement is very different from that resulting from the original decision requiring rates applicable between, and the Western Classification governed in both directions; that is true, is it not?

A. The situation is different from that originally prescribed by the Commission in the first Western Trunk Line Class Rates case in that respect, yes.

Mr. Little: Thank you.

Mr. Gault: Does that conclude the cross examination?

Chairman Aitchison: Is there any further cross examination of this witness? (No response.)

By Mr. Gault:

Q. Is there anything you want to say on redirect?
A. I have nothing further, no, sir.

Mr. Gault: That is all.

Chairman Aitchison: You may stand aside.

(Witness excused.)

Chairman Aitchison: We will suspend until 9:30 tomorrow morning.

(At 5 o'clock P. M. September 25, 1942, adjourned to 9:30 o'clock A. M. September 26, 1942.)

[fol. 1070]

Hotel Claypool,
Indianapolis, Indiana,
Saturday, September 26, 1942.

Met pursuant to adjournment at 9:30 A.M.

Before: Division 2 of the Commission; Hon. Clyde B. Aitchison, Chairman of the Commission, presiding; Hon. Walter M. W. Splawn, Commissioner; Hon. J. Haden Alldredge, Commissioner.

Present: Paul O. Carted, Examiner, W. J. Koebel, Examiner, T. Leo Haden, Examiner.

Mr. John J. Murphy, South Dakota, Mr. George McConnaughy, Ohio; and Mr. W. H. Scott, South Carolina, comprising a cooperative committee of State Commissioners.

Appearances: As heretofore noted and the following additional:

N. W. Hawkes, and E. A. Hodkinson, 143 Liberty Street, New York City, New York, appearing for Rail Carriers in Official Classification Territory.

Proceedings

Chairman Aitchison: Come to order. According to the understanding of yesterday, and the announcement made, Mr. E. H. Thornton of New Orleans, Mr. W. C. Creighton [fol. 1071] of Charlotte, North Carolina, and Mr. Clarence Mitchell of Memphis, Tennessee, desire to get their testimony into the record so that they can get away. If satisfactory to all concerned, that testimony may be taken before Examiner Carter, beginning immediately, in the Club Room on the 9th floor of this hotel. I understand that the exhibits of Mr. Thornton have already been distributed to the parties who desire them.

Mr. McCollester: This presents rather a difficult situation, Mr. Chairman. Being only human, I cannot very well be in two places at once. I would like to know, if I may, please, what is going to be presented here this morning?

Mr. Olson: I can state that the next witness, on behalf of the Western Lines, will be Mr. J. G. Morrison, who will confine his testimony largely to class rates in the states of Minnesota and North Dakota. He will take on direct, I should estimate, not to exceed one hour.

Mr. Norman: May I also state, if the Chairman please, that the exhibits of Mr. Creighton and Mr. Mitchell have also been distributed.

Chairman Aitchison: Well, then, Examiner Carter may proceed immediately to hear the testimony of Mr. Thornton, Mr. Creighton and Mr. Mitchell.

Mr. Norman: May I also say, please, that the exhibits [fol. 1072] of Mr. Hart have been arranged in sets, and are ready for distribution.

Mr. Hollopeter: If the Chairman please, I understand [illegible] the hearing downstairs will involve several exhibits, [illegible] have already been distributed. I wonder if we could have those identified now, so that we may know what exhibits to take down there, and what to leave here?

Chairman Aitchison: Mr. Thornton and Mr. Norman can probably give you that information.

Mr. Olson: May I proceed, your Honor?

Chairman Aitchison: If you will.

Mr. Olson: Mr. Morrison.

JAMES G. MORRISON was sworn and testified as follows:

Direct examination.

By Mr. Olson:

Q. Please state your full name, residence and occupation.

A. James G. Morrison; St. Paul, Minnesota; General Freight Traffic Manager of the Northern Pacific Railway, in charge of rates and divisions.

Q. How long have you held that position?

A. I have held that title for about three years. Prior to that time my title was Freight Traffic Manager. Previous to that, I was General Freight Agent, from 1925 on.

Q. For how many years have you been engaged in traffic [fol. 1073] work, either with the Northern Pacific Railway, or other railroads?

A. About 50 years.

Q. With what phase of this investigation do you propose to deal?

A. My testimony will relate to that part of the state of Minnesota north and west of the Twin Cities, or more specifically, north of the 45th parallel; and the state of North Dakota—that territory being served largely by the Northern Pacific and Great Northern Railways, as well as the Soo Line.

Q. What are the eastern and western termini of the Great Northern and the Northern Pacific Railways?

A. St. Paul-Minneapolis, Duluth, Minnesota, and Superior, Wisconsin.

Q. And the western termini.

A. The Puget Sound cities—Seattle, Tacoma, Portland, Oregon, and Vancouver, British Columbia, in the case of the Great Northern.

Q. What northwestern tier of states do those railways serve?

Chairman Aitchison: Oh, we will take judicial notice of the geography of the United States.

Mr. Olson: Very well.

By Mr. Olson:

Q. Strictly speaking, Mr. Morrison, are the states of [fol. 1074] Minnesota and North Dakota in Western Trunk Line Territory?

A. The southern part of the state of Minnesota has always been so considered, but not Minnesota north of the Twin Cities, nor has North Dakota been considered as a part of Western Trunk Line Territory. The reason for that is—well, first I might say this, that even today neither the Great Northern Railway nor the Northern Pacific Railway is a member of the Western Trunk Line Committee. The Northern Pacific and Great Northern lines were built north and west of the Twin Cities, whereas the Western Trunk Lines were built into the Twin Cities from the south and east. The Western Trunk Lines, or at least two of the most important of them dominate with their rails the state of South Dakota east of the Missouri River, and almost from the beginning, for that reason, South Dakota became a part of Western Trunk Line Territory.

Q. Will you describe briefly the history of the development of the railroads serving Minnesota and North Dakota.

A. Well, as I stated, the Northern Pacific and Great Northern were built from the Twin Cities and the Head of the Lakes, into north-central Minnesota and North Dakota, in the 70's or 80's; and I might add that from the beginning they made their own rates from the Twin Cities into that area independent of the Western Trunk Lines, and quite [fol. 1075] apart from the rate adjustments which were made into the Twin Cities from the East. That general state of affairs continued until recent years. The Minnesota-North Dakota District to which I am referring is a section of light population density as compared with the territory south. There is quite a sharp division of population at the 45th parallel, which extends just north of the Twin Cities, the population north of that parallel being quite a little less than the population south, in the state of Minnesota. To illustrate that statement the population north of the 45th parallel in Minnesota, excluding the population of Ramsey County and Hennepin County, most of which is contributed to by St. Paul and Minneapolis, is 19 per square mile. North of the 45th parallel, if the population of Ramsey and Hennepin Counties is included, the figure is 34. South of the 45th parallel, excluding the population of Ramsey and Hennepin Counties, there are 37 people per square mile; and if the population of those two counties referred to is included, the figure is 76 per square mile. The over-all-population of Minnesota per square mile, using the 1940 census in all of these cases, is 35. In the state of North Dakota, the population is 9 per square mile.

Q. Now, if I may interrupt you right there, Mr. Morrison: Have you caused to be distributed a map of the states of Minnesota and North Dakota, showing the 45th parallel? [fol. 1076] A. Yes, sir.

Mr. Olson: May we have the map identified as the next exhibit number, if the Commission please.

Chairman Aitchison: 65.

(Exhibit No. 65, Witness Morrison, marked for identification.)

By Mr. Olson:

Q. Please proceed.

A. I was going to say something about the rate situation, if that is in order at this time, speaking more particularly with respect to the class rates which are involved in this proceeding. We made our own rates from the Twin Cities and points west on a basis that it was felt was fitted to the requirements of our territory, most of the class rate traffic being shipped from the Twin Cities and the Head of the Lakes, consisting of merchandise, much of which had been received from the East in its original form, but the ownership had been changed at the Twin Cities or the Head of the Lakes, and it was then forwarded into our territory. From the East into the Twin Cities the rates from the very early times were depressed, because of rate wars, and the influence of lake-and-rail competition from the East to the Head of the Lakes. From the territory east of the Twin Cities, overhead through rates were not made or concurred in by the northern lines to Minnesota and North Dakota; for two reasons. In the first place, the measure of the [fol. 1077] rates east of St. Paul, because of the matters I have mentioned was so low that, in our opinion, when those factors were added to our own rates west of the Twin Cities, the resulting two-factor combination through rates were not out of line, or unreasonable. Nor was that situation complained of in any important way until the Fargo case, 98 I. C. C. 691. The characteristics of the country north and west of St. Paul are agricultural, to a very large degree. There is no manufacturing in the territory, outside of the Twin Cities and Duluth, and no industrial activity, the activities of the population being confined to agriculture, except on the Iron Range of Minnesota north of Duluth. The other reason for what we considered to be the proper use of the combination in making overhead through rates, was the fact that an expensive interchange, involving delivery from the eastern roads to the northern lines, took place at Minnesota Transfer, in the Twin Cities group, so that a through shipment from Chicago and New York going out into North Dakota was subjected to interchange costs which in our opinion justified the imposition of the full combination of locals—for reasons which the cost situation contributed to.

Q. Can you give us a little more detailed information with respect to the composition of the traffic on the Northern Pacific, as compared with that of a typical eastern line, [fol. 1078] for example.

A. Well, in the calendar year 1941, the Northern Pacific, as an example, handled 21,877,161 tons of freight, including less than carload, which was divided, according to these percentages: Products of Agriculture, 19.9 per cent; Products of Animals, 2 per cent; Products of Mines, 24.8 per cent; Products of Forests, 29.8 per cent; Manufactures and Miscellaneous, 22.4 per cent; and less than carload, 1.1 per cent. Referring for the moment to Manufactures and Miscellaneous, which made up 22.4 per cent of the tonnage, a very considerable part of that traffic consisted of commodities which in our territory are carried at commodity rates, such, for example, as petroleum, cement, sugar, newsprint paper, canned goods and scrap iron; and if we simply subtract the tonnage of the particular commodities that I have just enumerated from the figure of 22.4 per cent, we are left with a figure, on the Northern Pacific, of 13.9 per cent for Manufactures and Miscellaneous, which perhaps moved at class rates, although even some of that traffic moves at commodity rates. But assuming for the moment that all of the 13.9 per cent would move at class rates, and thus be involved in this proceeding, it can be seen that something over 84 per cent of the Northern Pacific tonange was carried at commodity rates.

By Chairman Aitchison:

[fol. 1079] Q. What area is covered by the 100 per cent.

A. I could not hear that, your Honor.

(Question read.)

A. The entire Northern Pacific System Lines, from Minnesota to the Pacific Ocean.

By Chairman Aitchison:

Q. Well, that is not all before us now.

A. It is not what?

Q. Before us now.

A. No, that is true, it is not; but I was merely attempting to give you, Mr. Chairman, the picture of the traffic on the Northern Pacific, and I was going to say something else about the Manufactures and Miscellaneous, which I have reduced, now, for this purpose, down to 13.9 per cent. I was going to say that most of that is overland traffic, to and from the Pacific Coast, a great majority of which commodities are carried under commodity rates, and in many instances at rates which were made to meet intercoastal competition. The purpose of that, of what I am outlining here, is to indicate that the class rate traffic into the northern Minnesota-North Dakota territory is very small, and in fact it is so small that it may be questionable as to why overhead through rates from the East and South into our territory are warranted, although we know that we have them, and we have had them, under the 17000 Part-2 adjust- [fol. 1080] ment, for the past 11 years; and we are not now suggesting that any change be made in them.

By Mr. Olson:

Q. Do you have comparable figures, Mr. Morrison, for a typical eastern line?

A. Yes, sir, but I would first like to put in the Great Northern figures along with the Northern Pacific figures, if that is agreeable to the Commission. The Great Northern Railway has such a very large tonnage of iron ore from northern Minnesota that the comparable figures of that line might be interesting. In 1941, the figures for that line were as follows: Products of Agriculture, 12.6 per cent; Products of Animals, 0.9 per cent; Products of Mines, 65.1 per cent; Products of Forests, 9.1 per cent; Manufactures and Miscellaneous, 11.7 per cent; and less than carload, .6 per cent.

Q. Those figures are also system figures, are they not?

A. They are also system figures for the Great Northern Railway, yes, sir, taking out the same commodities, as to

Manufactures and Miscellaneous that were taken out in the case of the Northern Pacific a few moments ago, which reduces the Great Northern percentage of figure of Manufactures and Miscellaneous which were perhaps carried at class rates, to 6.5 per cent.

Q. Now, Mr. Morrison, you were going to give us some comparable figures for a typical eastern line.

[fol. 1081] A. Taking the New York Central, for the same year, the system percentages were as follows: Products of Agriculture, 6.1 per cent; Products of Animals, 1.5 per cent; Products of Mines, 57.3 per cent; Products of Forests, 2.6 per cent; Manufactures and Miscellaneous, 31 per cent; and Less than Carload, 1.5 per cent.

Q. Now I believe you mentioned the Fargo case, Mr. Morrison. Was that the first departure from the use of combinations over the Twin Cities on class traffic from the east to the west?

A. Yes, sir, it was. That complaint was filed in '22.

Q. 1922.

A. Yes, sir.

Q. Will you tell us something about the issues involved in that proceeding, and what the determination by the Commission was in that case.

A. Well, there were numerous issues involved in the case, but the primary one, or what I think was the primary issue, was the question of discrimination against Fargo, and preference of Moorhead, Minnesota, in connection with class rates.

Chairman Aitchison: Why not consider the report of the Commission in that case as in evidence here, Mr. Olson?

Mr. Olson: The Chairman suggests, Mr. Morrison, that you omit any comment with respect to the Fargo case. The [fol. 1082] decision will speak for itself.

The Witness: Very well.

By Mr. Olson:

Q. Following the decision in the Fargo case, what action, if any, did the Northern Lines take which eventually led to the Western Trunk Line investigation?

A. The decision in the Fargo case came out about 1925, at a time when Ex Parte 87 was pending, or about the time it had been decided; and the Hoch-Smith Resolution was also quite new at that particular time. It was pretty well understood by the Western Trunk Lines, and by many others as well, that the Western Trunk Line Class Rate structure was subnormal in certain important particulars, and probably in need of important revision, so much so that the Western Trunk Lines embarked upon a program of revising the class rates throughout their territory. While, as I pointed out before, the territory of the northern lines was not strictly speaking within Western Trunk Line territory, we were asked—that is, the northern lines were asked, to join the Western Trunk Lines in their effort to readjust the rates throughout the whole of Western Trunk Line Territory. Some of the Western Trunk Line cities, that is those to which the Western Trunk Lines were able to make rates, were common with the northern lines. Border points and interchange points with the northern lines were being affected; and while we in the north had considerable mis- [fol. 1083] givings as to where we were going to land, we abandoned our original policy and belief that no overhead rates should be made in our territory. As I say, we were persuaded that we should join in that proceeding, although it was very debatable if we could have been left out, anyway; we probably would have been forced in, regardless. In any event, we did join with the Western Trunk Lines, and the proposals were made in Docket 17000 Part-2. The proposals in 17000 Part-2 contemplated a departure from the rate-break over Minnesota Transfer, so far as the intraterritorial feature was concerned, but not as to the interterritorial. The rates prescribed in Docket 17000 Part-2 were, from our point of view, not so unsatisfactory with respect to the intraterritorial feature; that is, they would not have been so unsatisfactory if we had been able to collect those rates, which I think was contemplated by the Commission at the time when the decision was rendered. But the decision in 17000 Part-2 coincided with a change in conditions which was so revolutionary that I do not think it was fully realized at the time. I refer to motor truck competition, which in our territory began to be felt, I would say, along abut 1925 or 1926. Therefore in 1931, December, 1931, when we made the new rates effective in the Northwest from Western Trunk Line Territory, the rates immediately were out of line with rates that we had to make [fols. 1084-1085] as a practical matter, to meet truck competition. Therefore since that time, and since the 6th Supplemental Order in that proceeding, which somewhat revised the original rates, we have been, generally speaking under the 17000 Part-2 basis, except where we make lower rates to meet motor vehicle competition. Now still discussing for the moment, if I may, the effect of the 17000 Part-2 rates on our territory: The interterritorial rates prescribed from the East were somewhat of a shock to us, because of the very heavy reductions that were made from that eastern territory into North Dakota particularly. I have two or three or four very brief illustrations that I would like to give you for the record at this time, if I may. As an example of the December 3, 1931, adjustment, the first class rate from Detroit, Michigan, to Fargo, North Dakota, was reduced from $2.28 to $1.94, or a reduction of 34 cents. From New York to Fargo the old rate was $2.91, and the new rate was $2.54, a reduction of 37 cents. From Detroit to Bismarck, North Dakota, which is in the center of the state of North Dakota, the old first class rate was $3.02, and the new rate was $2.27, or a reduction of 75 cents per hundred pounds, or 24.8 per cent. From Pittsburgh to Bismarck, the old rate was $3.10, and the new rate was $2.52, a reduction of 58 cents, or 18.2 per cent. Now just one more illustration, if you please. Dickinson, [fol. 1086] North Dakota, is in the western part of the state. The old rate from Detroit was $3.43, and the new rate was $2.47, or a reduction of 28 per cent. From New York to Dickinson, the old rate was $3.80, and the new rate $3.07, or a reduction of 81 cents.

Q. Were those reductions, Mr. Morrison, modified somewhat by the 6th Supplemental Report in Docket 17000 Part-2?

A. Yes, sir, they were improved to some extent, so that the ultimate reductions were not quite so great.

By Chairman Aitchison:

Q. Were those reductions absorbed by all participants, or did you take in large part all of the absorptions?

A. They were absorbed by all of the participants, Mr. Chairman.

By Mr. Olson:

Q. Are the Northern lines at the present time suggesting any changes?

A. No, sir, they are not. While we are not entirely satisfied with the present adjustment, we know of no state of affairs in our particular territory that would warrant any basic change. We have had these rates, now, as I stated before, for 11 years, and have gotten more or less used to them; the shippers in our territory have become adjusted to their use; and it is our respectful suggestion that they be left alone.

Q. While the state of Montana of course is not involved [fol. 1087] in these proceedings, I think it might be pertinent if you would point out what effect the 17000 Part-2 rates had on the rates into Montana from eastern points.

A. Well, the very marked change in the overhead rates from territory east of St. Paul to western North Dakota border points, had the effect of creating quite a depression at the North Dakota border, and a corresponding hump just over the border in Montana. It was immediately developed that combinations over the border points, at all stations in North Dakota, into eastern Montana, would reduce the overhead through rates where there were such rates in effect at the time. Another so-called border point which played a very important part in that dislocation of the rates into eastern Montana, was Sheridan, Wyoming, which, as I recall it, was the extreme northwestern point in Wyoming to which the original 17000 Part-2 rates applied. The combination over these border points in North Dakota, one of which was Beach, on the Northern Pacific, another being Montline, on the Milwaukee, and another being Ft. Buford, on the Great Northern, was the same as the lowest aggregate of intermediate rates, and to an eastern Montana point, such as Miles City, would be made over Beach, on the Northern Pacific, in one instance, and again it would be made over Montline, on the Milwaukee, depending on the eastern point of origin. We found some cases where [fol. 1088] even from the same point of origin in the East, the lowest aggregate of intermediates would be over our own border point, at Beach, as to one class, or certain classes, and over the Milwaukee border point of Montline on other classes.

Q. Did this condition prove unsatisfactory both to the shippers and the carriers?

A. Decidedly so, yes, sir. Some temporary adjustments were made by the Carriers,—that is, adjustments that it was hoped would be temporary—and then that entire situation got before the Commission in the Great Falls case, and new rates were prescribed into the eastern half of Montana on the same underlying principle as that which controlled the 17000 Part-2 rates from points further east.

Q. The point that you are now making, I take it, Mr. Morrison, is that if any radical changes are made as the result of this proceeding, we will be confronted with the same situation?

A. Yes, sir, that is correct; we will be confronted with the same situation that we were before, absolutely.

Q. Now will you tell us something about the truck competition that is encountered in Minnesota.

A. Well I referred before to the fact that it got under way along about 1925 or 1926, and by 1930 or 1931 it had expanded very rapidly, one reason being that in the interval before highways in Minnesota had been extended generally, [fol. 1089] a paved highway was completed between the Twin Cities and Duluth, along about 1930, and the motor trucks immediately got organized, and began handling less than carload traffic particularly, and in some cases carload traffic, in competition with the railroads, so that our loss in less than carload traffic was quite substantial between the Twin Cities and Duluth. The depression contributed to some extent to those results, but taking it by and large, throughout our territory, I think I can safely say, from observation and experience over all of that period of time, that the great loss of less than carload traffic, at least in the case of the Northern Pacific, although I think that it will also apply to the other lines up there, was due to motor truck competition. I would like to give for the record at this time a few figures of our own, to illlustrate that, if I may. Using Northern Pacific System figures, in 1922 we carried 618,129 tons of less than carload tonnage, out of a total of all tonnage, carload and less than carload, of 21,451,028. Five years later, in 1927, the less than carload tonnage had been reduced to 500,107, whereas the over-all tonnage for that year was a little larger than in 1922, or 23,000,000. In 1927, the over-all tonnage was 23,102,319, and the less than carload was 531,764. In 1929 the less than carload had dropped to 500,107 tons, as against an over-all tonnage of 23,157,702. Then coming to 1939, [fol. 1090] the less than carload had dropped to 210,248, and the over-all tonnage that year was 17,129,031. In 1941, which is the last year year I have here, the less than carload was 239,485, and the total over-all tonnage handled, carload and less than carload, was 21,877,168. Now just one or two figures to illustrate the effect on the Northern Pacific less than carload tonnage of the completion of the paved highway between the Twin Cities and Duluth, about 1930. In the year 1928 the Northern Pacific handled from Minneapolis to Duluth, 90,215 tons of less than carload freight. Three years later, in 1931, that had dropped to 63,170 tons, or 30 per cent less. Now I admit that part of that loss was due to the depression, the effect of the depression, which was becoming quite a problem in 1931.

Q. Now, Mr. Morrison, will you ~~tell us some~~thing about the rail-lake and rail rates and routes from the East into the Northwestern Territory, leading up to the decision of the Commission in 3662,—without going into detail as to what the Commission did in that proceeding.

A. Well, the lake-and-rail rates from the East to Duluth—and when I say "from the East" I mean, Eastern Trunk Line Territory,—were made in relation to the rate~~s not~~ only rail-and-lake, but all rail to Chicago. The result was, some very low rates lake-and-rail to Duluth; that is, low rates measured by all-rail standards in other territories, [fol. 1091] at least. The Twin Cities had the benefit of overhead rates lake-and-rail made primarily through Duluth, but at one time equalized through Chicago and Milwaukee. Those overhead rates were made in relation to the lake-and-rail rates ~~to~~ Duluth, and also having in mind the all-rail rates from the East to the Twin Cities. In the territory west of Duluth, through rates were not made lake-and-rail, except to the extent that in the Fargo Case the Commission had required the establishment of a proportional scale of rates from Duluth to Fargo, which, added to the lake-and-rail rates east of Duluth, produced an overhead charge that was lower in the case of Fargo than to other points in that general area, that is, west of Fargo, excepting Grand Forks, North Dakota, that was given a relative basis. In Finding 11 of the 17000 Part-2 decision, the railroads were required to readjust their lake-and-rail rates in harmony with the new all-rail adjustment. The interval between the effective date of the all-rail rates, December 3, 1931, and the opening of navigation on the Great Lakes in the spring of 1932, was too short to admit of prolonged negotiations, or consideration, but we did the best we could in that period of time, and after a number of meetings we reached an understanding with the lake lines and the eastern railroads that certain through rates would be put into effect, lake-and-rail, from the East [fol. 1092] to this entire Northwestern area. Those rates were suspended in I & S Docket 3662. As the result of the decision in the latter proceeding, we now have a complete scale of lake-and-rail rates from Eastern Trunk Line Territory to the Northwest. In the early days, in my experience, the lake-and-rail route from the East to the Head of the Lakes, that is, to Duluth, and the Twin Cities, and to some extent into the interior, was used very extensively for the movement of westbound merchandise. In recent years that movement has not been so important in relation to the all-rail movement into the territory generally, and within recent weeks Governmental orders have been issued, the effect of which have been to suspend for the time being the lake-and-rail service.

Q. Now, does the existence of the rail-lake-and-rail route account in part for the use of the Official Classification to and from the Twin Cities and the East.

A. Yes, sir, I think it has been a major influence. The lake-and-rail lines from the East, operating into Duluth, in making their rates in the early days in relation to and in competition with the rates into Chicago, use the Official Classification. The all-rail rates from New York and Boston to the Twin Cities and Duluth were made in competition with the lake-and-rail route, using the Official Classification for the same reason. That is, it was part of the competition which the all-rail lines were meeting. In the [fol. 1093] case of rates from the intermediate territory in the East, all-rail rates, the Official Classification was used. The Official Classification, I might say, so far as the Western Lines are concerned, was something that was considered as belonging entirely to the region east of Chicago, or east of the Mississippi River. The Western Lines always had their own classification. The time was when the Northern Pacific Railway had its own classification up there in the Northwest.

Q. I did not intend to draw you into classification matters, Mr. Morrison. I merely wanted to ask you that one question. I understand that classification matters will be dealt with by a subsequent witness. That is correct, is it not?

A. I understand so.

Q. Well then, before we come to the matters contained in the Commission's notice of January 9, do you have any further general comment to make?

A. I think not.

Mr. Olson: If the Commission please, will it be necessary to repeat each one of these questions?

Chairman Aitchison: We do not have them before us, and therefore I think we would follow you a little better if they were repeated, or at least, if the substance of the questions was suggested.

[fol. 1094] By Mr. Olson:

Q. The first question, Mr. Morrison, is,—and I will quote verbatim from the question—: "The present differences between the levels of, intraterritorially and interterritorially, in and between Official, Southern, Southwestern and Western Trunk Line Territories, (a) Class Rates, and (b) rates on all other traffic." Are you prepared to offer an answer to that question?

A. Well I do not know whether I can satisfactorily answer any of these questions which the Commission has listed for consideration, or not, but I am willing to do the best I can, in my own way, and give my thoughts in this connection. Now, as I stated before, our territory up there we think has had a very good history in the matter of rate-making, and particularly in this, that originally we made our own rates, and the shippers in the territory generally were not interested in what the rates were in the East, or in the Middle West. Take for instance a receiver on our railway up in North Dakota at—well, Steele, North Dakota, will serve as an example, 400 miles west of the Twin Cities. He knew what his rate was from St. Paul-Minneapolis, and incidentally, they were what he looked to for most of his supplies, business relations, and so forth,—either the Twin Cities, or the Head of the Lakes; and the Twin Cities man, in shipping out to Steele, had a certain rate. The present rate is $1.71 first class. The Chicago shipper is twice the [fol. 1095] distance from Steele that the St. Paul man is, but his first class rate, that is, from Chicago, is $2.46, or 44 per cent higher than the rate from St. Paul, for a

100 per cent greater distance. The New York man, shipping to Steele, North Dakota, whose distance is more than four times the distance from St. Paul, pays $3.45 first class, or 100 per cent higher than the rate from St. Paul. Now, it might be suggested, and I think it is true, that such small spreads over the Twin Cities for so much greater service are perhaps unwarranted, particularly when it is remembered that we have this expensive interchange service at the Twin Cities gateway, where, in the case of a carload of freight moving at the class rates, for instance, from Chicago, the Chicago-St. Paul line brings that car into the St. Paul yard, takes it out of its train there, puts that car with other cars making up what is called a transfer, and moves it over to Minnesota Transfer interchange yard, where it is again worked over and handled by the Minnesota Transfer Railway engine to what is called Park Junction on the Northern Pacific, where the Northern Pacific first takes possession of the car, and moves it to its North Town Yard in Minneapolis, where it is again switched around and out into a train going out into North Dakota. The intermediate service, that is, the service between the breakup yard of the Chicago-St. Paul line at St. Paul, and the outgoing yard [fol. 1096] of the Northern Pacific Railway in North Minneapolis, involves several miles, actually about 10 or 12 miles, in the case I have illustrated. Now, in the case of less than carload freight—and of course in this particular Northwestern area most of the class rate traffic is less than carload—the interchange is handled similarly; that is, the Chicago-St. Paul line brings the freight into St. Paul, and in one way or another, must get it over to the outgoing northern line. Now, we who have lived with that situation up there for so many years, are pretty well persuaded, from observation and discussions in the Operating Department, that a shipment from Chicago or some other point east, going out into North Dakota, handled through the Minnesota Transfer or Twin Cities Interchange Yards, is no less expensive in its handling than two separate shipments would be, one from Chicago to St. Paul, and another from St. Paul out into North Dakota. Therefore I say that such a spread in the rate over Minneapolis from New York, of the difference between $1.71 and $3.45, or approximately 100 per cent, seems to us very low. Now, of course, there may be reasons why, in a broad territory such as the territory in the United States east of the Rocky Mountains,

regardless of our local situation, we will have to submit to some sort of overhead rates, just as we have been doing in the last 11 years, but we still have the hope that when [fol. 1097] it comes to making these overhead rates, and working out the technical questions of the progression in the scales, our revenue will not be so affected as it was in 17000 Part-2,—that is, provided that any change at all is going to be made.

Q. Now, have there been any changes in the territory that you have been talking about, other than the advent of truck competition, and perhaps the change in the composition of the traffic due to the war?

A. No, sir, there have not. The principal change that has taken place in the last two years, of course, is the bulge in the traffic that we have experienced here in the last 18 months, due to the war effort. We are feeling that stimulus to quite a degree, in common with the other Pacific Coast Lines. I think perhaps as a group the Pacific Coast Lines have noted a greater increase in their over-all traffic than the lines in the other parts of the country. However, that is just my impression. I have not seen any figures on it. But the great bulk of the increased traffic which we have been handling, and that we are currently handling, is traffic to and from the Pacific Coast. Little or none of it has developed that comes to rest in this near Northwest Territory. We do not have any war plants in northern Minnesota, outside of the Twin Cities area, and the Head of the Lakes—in either northern Minnesota, or North [fol. 1098] Dakota—that I have heard anything about, where there are quite a number of such plants in the Pacific Northwest area; and, as I stated before, this increase in traffic is almost wholly the result of the large overland movement to and from the Pacific Coast. The traffic that we depend upon for our earnings in these times has not increased, on the whole. As a matter of fact, in some important departments of it, there has been a decrease.

Q. Now, what is your answer, if any, Mr. Morrison, to question No. 2, which reads as follows: "The method or methods to be used in the construction of interterritorial class rates, if more than one rate level is prescribed."

A. Well I do not think I have anything to add with respect to that, to what I said in answer to question 1.

Q. Very well. Then I will pass to the next question, question No. 3, which is: "The progressions in the present class rate scales applicable in Official, Southern, Southwestern and Western Trunk Line Territories."

A. Well, I think in general my attempt to answer question No. 1 covers that also. I might illustrate that just briefly, if the Commission wants to go into that any further, by taking a town on the Northern Pacific Railway, say, 100 miles north of St. Paul, which makes it 500 miles from Chicago, roughly, and about 800 miles from Cincinnati. There again we run into the same situation at the [fol. 1099] transfer point, the interchange point, plus the fact that in that case, on an assumed shipment from Cincinnati, there would be another break in the service, in the Chicago District, which would be more or less expensive—perhaps in some respects even more expensive than the other.

Q. Mr. Morrison, have you anything to say with respect to the use of the declining rate of progression when you pass through an expensive terminal, from a low-rated territory into a higher-rated territory?

A. No, sir, I do not think that I care to elaborate upon that subject.

Q. Very well. Going then to question No. 4, which reads as follows: "Shall the progressions in the class rate scales be the same for less than carload or other unit of value, as for carload?"

A. I do not see the occasion for any distinction between the two.

Q. Question 5 reads as follows: "Percentage relation between the rates on the various classes."

A. I think you suggested, Mr. Olson, that the classification witness would probably cover that.

Q. That is my understanding also. Question No. 6 is as follows: "Feasibility of prescribing minimum and maximum, or precise, class rates."

A. We have always worked under the program of being [fol. 1100] held by maximum rates,—that is, broadly speaking, where the Interstate Commerce Commission has taken an interest, and made orders with reference to our rates; and I do not see how we could, as a practical matter, depart from the principle of maximum rates, where made by a regulatory body, because conditions arise daily, or almost daily, where we have, as a business proposition, to make rates depending upon the peculiar conditions that are presented to us in individual cases. Our responsibility of course is to so regulate our freight rates that, within lawful limits, we can secure the maximum amount of traffic for our railroad. That is our primary responsibility, I would say, involving a responsibility to the stockholders, and also to the public. Now, with minimum rates, as I understand the implications of that term, it would mean that we would find it very difficult, to say the least, to revise a particular rate. We had that experience intrastate in the state of Minnesota for a number of years. Under the operation of the rigid distance tariff law, the rates were, as a practical matter, frozen, and the situation was a constant source of irritation. We have got to have flexibility, if we are going to do the right thing by ourselves as well as the shipping public; so I would not want to see precise rates established, nor would I want to see minimum rates required, except, with respect to the latter, in [fol. 1101] the few instances where minimum rates ought to be established.

Q. Question No. 7 is as follows: "The extent to which the class rate traffic of the railroads is affected by competition encountered from motor carriers and water carriers, common, contract and private."

A. Well, I have given figures which I think will show the effect of motor competition on our traffic, and I do not think I have anything to add, except to say that the motor competition is still with us, although we do hear a good deal about the rubber situation, and how trucks are going to be forced off the highways in some cases,—and as a matter of fact that has been the result in a few instances that have been called to my attention. But we still have, over our railroad, a great many subnormal rates which we put into effect for the purpose of holding our traffic, if possible. Now, if motor truck competition ceases entirely for the next few months, or the next year, it might be argued that we could put many of those rates back upon a normal basis,—that is, referring now to the so-called truck-compelled rates. But if we try to do that, we would bring down a hornets' nest around our ears, and of course we are all so busy trying to do our bit in connection with the war effort, that my own personal judgment is that we should leave those rates alone for a period of time. I am only speaking generally, of course. There may be par- [fol. 1102] ticular instances where we might feel that we should depart from that policy.

Q. Now there are two more questions, Mr. Morrison, and question No. 8 is as follows: "The effect upon the movement of class rate traffic, of traffic transported on basis of all-commodity rates, and traffic handled by forwarder companies." Do you care, Mr. Morrison, to venture any answer to that question?

A. Well limiting my answer to this near Northwestern Territory that I have been talking about here, principally, we do not have any freight forwarder traffic in that area. The freight forwarder traffic that we enjoy at the present time is and has been in the far west. We have in the recent years published quite a number of so-called all-commodity rates, or mixed carload rates, or volume rates, and almost invariably such rates were initiated by the trucks, or the trucks initiated conditions which seemed to make the publication of such mixed carload rates advisable and necessary, in fact, if we were to hold our own in competition with the trucks. Some of these all-commodity rates that we have published have been a disappointment in the sense that they have not enabled us to retain traffic, but nevertheless, the carriers in our territory feel that they were warranted in making those rates.

Q. Question No. 9, and the last question, is as follows: [fol. 1103] "The desirability of stating separately the charges or allowances for pickup and delivery services where those services are performed, or allowances made in lieu thereof, on traffic moving under class rates." Do you have any answer to that question?

A. We have a pickup and delivery service established on our railroad, and we have had it, in general, since about 1936. It has always been a problem, and it is becoming increasingly so as the result of present conditions. It presents quite a problem, and I do not know what we are going to be able to do about it. Some of the original contracts that we have made with trucking companies to perform this service for us, have expired, or they are about to terminate, and we are faced with the prospect of having to pay considerably more money in the future in order to get this work done, and get the service performed; the service that we hold out in our tariffs than we have had to pay heretofore. The carriers have been giving a lot of thought, and a good deal of consideration, for that matter, but they have not as yet reached any definite conclusion,—that is, the problem of the pickup and delivery provisions in their tariffs; but in our territory, at least as yet, the carriers have not reached any definite conclusion as to how they can solve the problem.

Q. Mr. Morrison, have you been apprised of the position [fol. 1104] that the Minnesota shippers and the North Dakota shippers' representatives will take in this proceeding?

A. No, sir, I have not. I do not have the slightest idea as to what they are going to do.

Q. So that your statement is necessarily limited to that extent, is it not?

A. Yes.

Q. Have you anything further to add?

A. Nothing further.

Mr. Olson: That concludes the direct testimony of the witness, if the Chairman please, and at this time I offer Mr. Morrison's Exhibit No. 65 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 65, Witness Morrison, received in evidence.)

Mr. Olson: The witness is tendered for cross examination.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. N. E. Williams:

Q. Mr. Morrison, will you turn to your Exhibit No. 65, please, which is a map, I believe.

A. Yes.

Q. Do you have a copy of it before you there?

A. I have.

Q. Now, referring to Bismarck, North Dakota: Is Bismarck located on any other important railroad, other than [fol. 1105] the Northern Pacific?

A. It is on another railroad—the Soo Line.

Q. And is the Soo Line a member of the Western Trunk Line Committee, to your knowledge?

A. Yes, sir, it is, with respect to its lines east of the Twin Cities.

Q. But the Soo Line is a member of the Western Trunk Line Committee, and participates in the activities of the Western Trunk Line Committee; that is correct, is it not?

A. I think so.

Q. Now, Mr. Morrison, will you point us to some other stations in *the* North Dakota that are served by the Soo Line, shown on your map here.

A. Yes, sir. In the far southeastern part of the state, there is Oakes, North Dakota. That is the only one that I notice, until we get up into the north-east central part, where Carrington is located.

Q. How about Minot, which is shown on the map?

A. That is on the Great Northern Railway.

Q. My question, Mr. Morrison, was with reference to your pointing out to us other North Dakota cities that are served by the Soo Line. Minot is shown by your map as being served by the Soo Line, is it not?

A. Yes.

Q. And Devils Lake.

[fol. 1106] A. Yes.

Q. Do you know of any other important Western Trunk Line carrier, that is a member of the Western Trunk Line Committee, serving the state of North Dakota?

A. The Milwaukee Railroad has several branch lines coming up from the south, from South Dakota.

Q. The Milwaukee serves Fargo, does it not?

A. The Milwaukee serves Fargo, yes, sir, by a branch line from Ortonville, Minnesota.

Q. Linton is shown on your map, is it not?

A. What place?

Q. Linton.

A. Linton is the northern end of one of their South Dakota branches.

Q. How about Edgely, North Dakota?

A. Yes, sir, Edgely is in the same situation as Linton, in that it is on another branch.

Q. How about Oakes?

A. Oakes is not served by the Milwaukee.

Q. No; but the Soo Line.

A. Well, I mentioned that, to start with. Oakes is the only town that is reached by the North Western, in North Dakota, of any importance. The North Western has about

20 miles in North Dakota, a branch, of which Oakes is the northern terminus.

[fol. 1107] Q. So that there are not only large and important jobbing communities, as jobbing communities go, in North Dakota located on your line, but they are also located on and served by the Milwaukee and the Soo Line, and in one instance by the North Western; is that correct?

A. The only place of importance, of those that you have referred to, is Fargo, North Dakota. The others, the other points, are not jobbing towns.

Q. Would you say, Mr. Morrison, that Minot, Bismarck, Devils Lake and Oakes, North Dakota, are not important jobbing towns?

A. No, sir, I did not mean to infer that they are not. Perhaps I misunderstood your question. I thought you were referring to North Dakota towns that are reached by the Western Trunk Lines, the Milwaukee Railroad in particular.

Q. Well, ~~all of those~~ towns are served by railroads that are members of the Western Trunk Line Committee, are they not?

A. Yes.

Q. All of the towns that we have just named, that is?

A. Yes, sir, that is true, Mr. Williams, but many of these towns that you have named are on the Soo Line, and the Soo Line is a member of the Western Trunk Line Committee only because of its lines that are located in Wisconsin, Northern Michigan, and Northern Illinois,—typical Western
[fol. 1108] Trunk Line Territory. Their rates, just as ours, west of Minneapolis and St. Paul, out into North Dakota, are not under the jurisdiction of the Western Trunk Line Committee.

Q. Now, Mr. Morrison, if you were moving a shipment, less than carload or carload, from Chicago to any of the points that I have named, it could be handled direct via the Milwaukee, the Soo Line, or the North Western to the respective stations served by those lines in North Dakota, could it not?

A. If could be if the shipper wanted to have it moved that way, yes, sir.

Q. All right. And those three railroads are not confronted with the difficult situation that you have testified concerning, with respect to the Twin Cities terminal situation, that you allege in the case of the Great Northern and Northern Pacific operation, are they?

A. That is correct, except that those railroads do have problems of their own in making interchange as between their own system—parts of their own system.

Q. Your principal Chicago connection is the Burlington, is it not?

A. No, sir. We happen to have a partial ownership in the Burlington, and that is one of our principal connections.

Q. The Great Northern also is a part-owner in the Burlington, is it not?

[fol. 1109] A. Yes.

Q. Now, Mr. Morrison, you have testified with respect to the first class rates being $1.65, prescribed by the Interstate Commerce Commission from Chicago, Illinois, to Fargo, North Dakota, in the Fargo Rate Case, 98 I. C. C. 691. Is that correct?

A. I did not testify about that rate in this hearing, no.

Q. Well you have mentioned here the Chicago-Fargo rate being $1.65. Can you say whether or not that was prescribed in the Fargo Rate Case?

A. I would say that it was, yes.

Q. Now is that the prevailing rate today? Do you know what the first class rate is from Chicago to Fargo, the going rate, the rate that the shippers pay?

A. I can give it to you, if you want me to look it up.

Q. Well if I told you, Mr. Morrison, that it is $2.10 per hundred pounds, would you say that was about correct?

A. I would say that it is pretty close to it.

Q. Now you made quite a point with respect to Steele, North Dakota. Steele, as I recall it, is about 50 miles east of Bismarck, is it not?

A. It is a little further than that east of Bismarck.

Q. About how much?

A. Well, let me see. It is 400 miles from St. Paul, Steele is; and Bismarck, as I recall it, is 445 miles.

[fol. 1110] Q. Well then, it is a little less than 50 miles.

A. Yes.

Q. Bismarck is where you compete with the Soo Line, is it not?

A. Yes.

Q. But at Steele you have the control of the rate structure—that is the Northern Pacific controls the rate structure at Steele, does it not?

A. Not this particular rate, no, sir. That was made for us by the Interstate Commerce Commission.

Q. The Commission prescribed the rate that you are using?

A. Yes.

Mr. Williams: That is all.

Chairman Aitchison: We will take a brief recess at this time.

(A short recess was taken.)

Chairman Aitchison: Shall we resume. Is there further cross examination of the witness?

Mr. Townsend: I have a question or two, if the Chairman please.

Chairman Aitchison: Mr. Townsend.

By Mr. Townsend:

Q. Mr. Morrison, is your testimony here today offered for the Northern Pacific Railway alone, or are you offering testimony for a group of railroads?

Chairman Aitchison: That is a question that should be [fol. 1111] directed to the counsel, Mr. Townsend.

Mr. Olson: The witness is appearing for all of the lines serving the state of North Dakota, and northern and western Minnesota.

By Mr. Townsend:

Q. You have voiced the opinion here that no change should be made in any of the class rates at this time, or at any time in the future,—is that correct?

A. Yes, sir,—having in mind the basic rates; I said that I did not think that any change should be made basically in the rates.

Q. Well now let us take a specific case. The lines that you represent would include the Soo Line, operating to Chicago, would they not?

A. Operating west from Minneapolis; not east to Chicago.

Q. But it does operate down to Chicago, does it not?

A. Yes.

Q. Now still taking the Soo Line, for example: It starts at Chicago, and it applies the Illinois Classification, and what we term the Eastern Class Rate Scale, until it gets into Wisconsin, and then it applies an interstate scale, which is the Western Classification Scale, the so-called Western

Trunk Line scale; and then when it gets across the line of Wisconsin it again reverts to the Official Classification Scale, the so-called 15879 Eastern Class Rate Scale, with [fol. 1112] different relations of the lower classes to the different applicable classifications, continuing through Wisconsin on intrastate as well as interstate traffic, and after it gets across the river, into Minnesota, it again gets on the interstate classification, and applies the Western Classification, with the Western Trunk Line rates, with their class relationship, and then that continues on further west. Now do you think that that is an ideal condition, or a proper condition, to continue?

Chairman Aitchison: Now, Mr. Townsend, are you assuming all that to be a fact, or are you asking the witness if it is a fact?

Mr. Townsend: Pardon me?

Chairman Aitchison: I asked you whether you are assuming that as a fact, or whether you are asking if it is a fact.

Mr. Townsend: Oh, those facts are all shown in the record here.

Chairman Aitchison: Well, possibly, and possibly not.

By Mr. Townsend:

Q. Then I will ask the witness this question, your Honor: Are you familiar with that fact, Mr. Morrison?

Chairman Aitchison: As stated by Mr. Townsend.

A. No, sir, I am not familiar with all of the details that you have outlined in that question,—or that statement.

[fol. 1113] By Mr. Townsend:

Q. Do you know what basis of rates is applied locally within the state of Wisconsin?

A. Intrastate?

Q. Yes.

A. No, sir, I do not. I have forgotten. We have very little mileage in Wisconsin.

Q. But you do maintain joint rates with other lines in Wisconsin, through Superior, do you not?

A. Yes, sir, that is correct, and those rates are on the 17000 Part-2 basis.

Q. If they are intrastate rates, they are not on the 17000 Part-2 scale, are they?

A. Oh, no. I thought that you were referring to the rates from Wisconsin on our own railroad, west.

Q. No. As far as the intrastate rates in Wisconsin are concerned, do you know what scale of rates applies?

A. I have not looked it up.

Q. Do you think that the so-called 17000 Part-2 scale applies?

A. I would hope so.

Q. You would hope so.

A. Yes.

Q. Well of course the record will show differently. Now then, coming from your territory, coming eastbound from North Dakota, for example, to New York, say, you now [fol. 1114] apply the Official Classification, do you not?

A. Yes.

Q. And that was prescribed in the 17000 Part-2 case?

A. Yes.

Q. Westbound, to the same territory, what classification do you apply?

A. The Western Classification, except for the Twin Cities, and certain points in eastern Minnesota.

Q. Assume then, that you have a commodity rate of fifth class, or a commodity rate of fourth class, on shipments moving from Minot, North Dakota, to New York. Have you attempted to justify the difference of, say, five per cent on fourth class, and two and a half per cent on fifth class, eastbound, as compared with the westbound rates from New York to Minot?

A. Why, Mr. Townsend, it is all a part of the rate adjustment.

Mr. Townsend: I understand.

A. The classification is a part of the rate structure.

By Mr. Townsend:

Q. Yes, but do you think it is a good idea to have such a disparity between the rates, one way and the other, and do you want that to continue for the future?

A. We are not suggesting any change in the present rates.

Q. Now you have left the impression here that in the state [fol. 1115] of Minnesota your rates are those prescribed in the 17000 Part-2 case, the Western Trunk Line Class Rate case.

A. They are, Mr. Townsend, except as we have had to make lower rates to meet truck competition. However, if you are speaking now of intrastate traffic, that is another question.

Q. Are not the class rates for the first four classes which you apply in the state of Minnesota, in recognized Zone 2 territory, applied in that territory on intrastate traffic rates that were prescribed by the Minnesota Railroad & Warehouse Commission?

A. Well, the Minnesota Railroad & Warehouse Commission, as I remember it, Mr. Townsend, required the whole state of Minnesota to be put in Zone 1. That is, the Zone 1 rates were applied.

Q. Do you mean, as to the first four classes?

A. Yes.

Q. So that they were not truck competitive, rates, then; but they were prescribed by the Commission, were they not?

A. Yes.

Q. And you have accepted them over a period of years, some 10 years or more, without any objection, have you not? There has been no 13th Section proceeding, has there?

A. Well, as I remember it, such a proceeding was started at one time, but then withdrawn.

[fols. 1116-1117] Q. That was the one that they started in North Dakota. Now coming down into the corner of Iowa, where the Great Northern Railroad operates: Is the same scale of rates in Iowa there applied intrastate, as the Interstate Commerce Commission has prescribed?

A. Well I have not attempted here to testify with respect to Western Trunk Line Territory, and the corner of Iowa to which you have referred is a part of Western Trunk Line Territory.

Q. Well you testified as to the Great Northern Railway, as I understand it, and that is in their territory.

A. Only as to this particular area, where the principal lines of the Great Northern lie in Minnesota and North Dakota.

Q. Very well. Now you spoke about the dire conditions resulting, following the prescription of the overhead class rates from the East to North Dakota, for example. Who was the greatest sufferer, by reason of that action; was it you, or was it the Minneapolis market?

A. Well it certainly was the railroad companies, but to some extent it was the Minneapolis-St. Paul market also.

Q. But you did recoup your losses by building up certain of the communities, like Fargo, North Dakota, through the medium of your rates, did you not?

A. I question that.

Q. Well you did build up a big community there, that [fol. 1118] prospered for years after the through rates were put in, did you not?

Mr. Olson: I object to the question as argumentative, if the Chairman please.

Mr. Townsend: I am merely trying to find out what the witness knows about it.

By Mr. Townsend:

Q. Have you noticed any increase in your tonnage into Fargo in the last few years?

A. Well, there was quite a period when there was a decrease, during the depression years, along about 1930, for four or five years. It has had its ups and downs.

Q. Has there ever been a year when the merchandise products that are warehoused and jobbed, and distributed, throughout all of the territory, Chicago and East, have not increased into Fargo, year after year, since those rates were put in?

A. I would not be able to tell you, without looking up our records.

Q. Now, Mr. Morrison, I want to ask you with respect to the general policy of this group of railroads that you have spoken of. I have found that in some instances they have been willing to cooperate and make rates from Minnesota into eastern territory on a basis comparable with the destination scale of rates, and in other instances they were not willing to do that. You maintain those rates, and are [fol. 1119] parties to the proceedings that result in those rates. Now can you suggest why one class of rates is treated differently than is another class of rates?

A. Are you speaking now of commodity rates?

Q. Commodity rates or rates adjusted at a percentage of the class rates.

A. Well, to the extent that our rates are outside the scope of the rates prescribed in 17000 Part-2, and in other orders of the Commission, we approach the question of making any change in our present rates from the standpoint of what the conditions may warrant. Now, obviously the shippers and their representatives, like yourself, on the one hand, and the carriers on the other hand, are not always in agreement as to the changes that ou-t to be made. However, we try to be fair in all of these matters so far as our own railroads is concerned.

Q. Well, is there any defined policy that you can refer to? For example, would you treat our national resources, the products that are produced in Minnesota, any differently than you would a manufactured product, that we wanted to manufacture in Minnesota?

A. You are asking me?

Q. Certainly. You are the witness.

A. Well, I do not have any defined policy with respect to changing rates, on the Northern Pacific, except, as I stated [fol. 1120] before, that we try to be fair, businesslike, and intelligent.

Q. Now you spoke about the rail-lake-and-rail rates. You take the so-called laminated scale of rates, and progress that from New York clear to the western boundaries of North Dakota, do you not?

A. In the case of New York, rates were specifically prescribed.

Q. Made on the same laminated scale; is that correct?

A. I presume so. There were key points specifically listed.

Q. Well take any point in New York that is not a key point. You take and progress the laminated scale out into North Dakota, do you not?

A. That is true from certain parts of the territory east of Chicago, but all of the rates from Eastern Trunk Line Territory into our area are made according to the formula that was laid down in 17000 Part-2.

Q. And that formula was the application of the so-called laminated scale, using the several different scales prescribed for local application, was it not?

A. Well it has been some years, Mr. Townsend, since I closely examined the technical features of the 17000 Part-2 order, but as I remember it at the moment, the rates from the entire territory east, from the whole state of New York, for instance, were made on a somewhat different technical [fol. 1121] formula than the rates from Chicago.

Q. And as far as the progression of the scale west of Chicago is concerned, or the progression of those rates west of some gateway to the East, they are based upon the Zone-1, 2 and 3 scales, are they not?

A. In general, yes.

Q. Yes. Now then, I want to ask you this, Mr. Morrison: Assuming that we find some fair basis for equating the water haul from Duluth to Buffalo with the rail line haul, would you be willing to join in the extension of those scales through Buffalo and Duluth to your territory, extending the scales through in that manner?

A. I do not know.

Q. You do not know?

A. No, sir. That would depend upon a lot of things.

Q. Now you stated that the use of the Official Classification is due to the rail-lake-and-rail influence.

A. Yes, sir.

Q. But as far back as you can remember, it was actually applied to Minneapolis until the first decision in the Western Trunk Line Class Rate case, was it not?

A. Are you speaking about all-rail, or lake-and-rail?

Q. All-rail.

A. Yes, sir. As far back as 45 years ago, all-rail rates were put in—proportional rates were put in from Sault Ste. [fol. 1122] Marie to Minneapolis and St. Paul, which were subject to the Official Classification, but which were, however, tied in with the rates from the East to 100 per cent territory.

Q. Well, going back for a great many years, the Official Classification, from all of Official Classification Territory to Minneapolis and Duluth, applied for a great many years, did it not?

A. I think you are right about that, yes.

Q. And then there was a change in the first decision, which applied the Western Classification, and then that was corrected in the next decision in the Western Trunk Line Class Rate Investigation, and the Official Classification was applied both eastbound and westbound between the so-called Twin Cities—Duluth Territory, and Official Classification Territory; that is correct, is it not?

A. I think that is right.

Q. Now have you ever had occasion to investigate to see whether or not that was a beneficial situation, with respect to uncertainty as to the classification that applied, where we had that application the first few years after December 3, 1931?

A. I have not made such an investigation. I am not sure that I understand your question.

Q. Well then, let me ask you this question, as a rate ex-[fol. 1123] pert, Mr. Morrrison: Assuming that it is a desirable thing to have the Official Classification apply between——

Chairman Aitchison: Now just a moment, Mr. Townsend. You are talking so fast that I cannot possibly understand what you are saying, and I do not think the witness can either.

Mr. Townsend: I am sorry.

By Mr. Townsend:

Q. Assuming that it is a desirable thing to have the Official Classification apply between the Twin Cities and New York, for example, as representing the Official Territory, do you not think that it would be also a desirable thing to apply the Official Classification scale of rates, that is, the so-called Eastern Scale of Rates?

A. No, sir, I do not. You got the Official Classification originally because of carrier competition.

Q. Well then, would you think then that it is a desirable thing to apply the Official Classification scale of rates locally in the state of Wisconsin, and locally in the state of Illinois, and not apply it when you get west of the Mississippi River at Minneapolis, or east of the Mississippi River, at Minneapolis?

A. Well, I would not want to see it applied in any of those districts.

Q. You would not.

[fol. 1124] A. (Continuing) Subject to the qualification that there might be a reason for applying it in Illinois and not in Minnesota.

Q. I assume that your investigations were for the purpose of remedying the growing inequalities in rates, where it was very apparent, even to a casual observation, that there was something wrong. Has there been any offer of any suggestion made by the carriers, or any effort on their part to iron out some of these things that have been complained of continually.

A. Why, Mr. Townsend, when the 17000 Part-2 rates were ordered into effect in the territory, after all of the investigations, and the rehearings, and so forth, which resulted in the 1935 order, we assumed that we were going to have a basis of rates that would endure for a long period of time;

that they would not be subject to change, every year or so; and that if they were changed, they would not be changed basically, at any rate. We just reconciled ourselves to those new rates, and in a sense, we breathed a sigh of relief, because we thought then that the complaints that had been made from time to time were a thing of the past.

Q. Well then, you would say, would you, that you would rather bear the ills, whatever they were, that were attendant on that situation, than to take any steps to iron them [fol. 1125] out?

A. No, sir, I would not go that far.

Mr. Townsend: Thank you.

Chairman Aitchison: Is there further cross-examination of the witness?

Mr. A. L. Reed: Yes, Mr. Chairman.

Chairman Aitchison: Mr. Reed.

By Mr. A. L. Reed:

Q. Mr. Morrison, you gave some figures in the record with respect to less than carload tonnage and the over-all tonnage, I believe, of the Great Northern Railway, for a certain period of years. I would like to know first if the figures which you gave were the tons originated, or just what were they?

A. That was for the Northern Pacific, and not the Great Northern.

Q. For the Northern Pacific, then.

A. The figures that I gave included both of those, or all of the traffic that we handled, whether we terminated, or originated it, or operated as a bridge line.

Q. It was tons carried, then.

A. Tons handled.

Q. Or, tons handled.

A. Yes.

Q. Do you have published, for the account of your line, in the territory served by you, the so-called stopover [fol. 1126] privileges, to partially load and partially unload?

A. On some commodities, yes, sir.

Q. To what extent have those privileges been published, beginning with about 1930?

A. We had them in effect, as to some commodities, before 1930. There have been some additions, I believe, in the last 10 or 12 years, to the list of commodities which may be stopped to partly unload, at a charge for the stop, in addition to the application of the through rate.

Q. What is your judgment as to whether or not such privileges would have some bearing on whether or not freight would move in less than carload or carload service?

A. That depends on the circumstances. We have been confronted with the argument in the last few years that stopping in transit at the carload rate would divert traffic back to the railroads which have been lost to the trucks. I think that has had quite an influence,—as a matter of fact, I know that it has, in some cases,—in leading to the extension of such privilege.

Q. In such instances the traffic attracted to the rails would be principally less than carload traffic, would it not?

A. No, sir, not necessarily. The argument is made that the communities along our line are too small to receive in every case a carload of their own, and that we can build up [fol. 1127] business in those communities by permitting two or more receivers to join together and buy a carload of freight. That is, freight that would not otherwise move by railroad, at least; that, if it did move, might move by truck.

Q. Well in those instances where the stopover privilege has resulted in the accumulation of small lots into a carload, in order to accommodate the situation that you have just mentioned, the freight would obviously be less than carload freight that was consolidated into the carload lot, would it not?

A. It would be less than carload freight if it were shipped as such, or if some of it was shipped as such, were it not for this stopping-in-transit provision on carload shipments.

Q. To what extent have you published all-commodity freight rates since 1930? Have they not been developed primarily since that date on your line?

A. Since what date?

Q. About 1930.

A. Why, yes, sir. As I indicated on direct, we have been forced to publish quite a few such rates by the previous action of the trucks, common carrier trucks and private trucks.

Q. Do you know whether or not the rails or the trucks first published the all-commodity items?

A. Referring to our territory?

[fol. 1128] Q. Yes.

A. Oh, unquestionably it was the trucks. I do not know of any instance when the railroads, in the old days, before they had truck competition, published what we now describe as all-commodity rates, or mixed carload rates.

Q. Could you give us reference to any truck publication, publishing on truckload lots an all-freight item prior to the publication of such item by the rail lines?

A. Well, I cannot do that just at the moment here, no, sir, but I could give you, if I were elsewhere, reference to the acts by trucking companies resulting in volume rates—what we call volume rates. Now when you speak about tariffs, some of the situations that we had to deal with arose prior to the time when the truck lines were required to publish traiffs. Now I assure you that we have not conscientiously gone any further than what we felt would be necessary, in making these rates; that is, we have not given the shipper something for nothing if we could held it. The effort always was simply to meet our competition as we found it, and in the form in which we found it.

Q. Would you say that the truck volume rate is identical with the so-called all-commodity freight item of the railroads?

A. No.

Q. Did you have in mind, in saying that you published [fol. 1129] the all-freight item to meet truck competition, the idea of meeting motor truck volume rates without regard to whether or not they applied on all-freight items?

A. Well, in both ways,—if I understand your question correctly. Many of those rates antedated the time when it was required that truck tariffs be published. I can recall certain rates that were put in, in a broad, general way, to overcome truck competition.

Q. Beginning with April of 1936, is it not a fact that your principal all-freight items have been published since that time?

A. Well, I do not think that that is true in our territory, no, sir. However, I do not know what the situation is in the South and Southwest.

Q. Do you know whether or not it is true in your territory?

A. I just stated, I do not believe that it is true in our territory, no, sir. I cannot be any more definite than that.

Q. Will you agree that the all-freight items were published primarily as a means of meeting motor carrier less than truckload rates?

A. No, sir.

Q. Will you agree that they were published primarily to meet motor truck volume rates?

A. No, sir, I wouldn't be able to even agree to that. I [fol. 1130] would say that they were published to meet truck competition, sometimes as to volume rates, and again, as to less than carload volume rates.

By Chairman Aitchison:

Q. When you refer to "truck competition," do you mean to include private trucks?

A. Yes, I do.

By Mr. Reed:

Q. Do you include also contract carrier trucks?

A. I include every form of truck competition, yes, sir.

Q. You had private carrier competition and contract carrier competition, truck competition prior, to 1936, did you not?

A. Yes.

Q. Do you have any comparable figures with the ones that you gave, showing less than carload and over-all tonnage, that would reflect the movement of freight via your line moving under the stopover privilege, and under the all-commodity items?

A. No, sir, I have not. That would require a special study, which has not been made.

Q. Are you in a position at this time to say how much of your less than carload freight has been diverted to a carload movement under the stopover privilege, and under the all-commodity items?

A. No, sir.

Mr. Reed: Thank you.

[fol. 1131] Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. I have just one or two questions to ask you, Mr. Morrison. Can you state at least approximately what your present system average costs are for pickup and delivery when such service is performed for you under contract by independent trucking companies?

A. No, sir, I cannot.

Q. You do not know the range, or anything about those costs?

A. No, sir, I do not. The situation is changing very rapidly at the present time. Originally we were hopeful that we could get the service performed for about $1 per ton on each end, but we were disappointed in that, because in some cases we had to pay more than that; but I am not sure, in any case, the we paid less than that.

Q. In no case was it less than $1 per ton?

A. Pardon me?

Q. I say, in no case did you pay less than $1 per ton?

A. I do not think so.

Q. And in most cases, more?

A. Not in most cases more, no, sir. Of course you are referring now to something that happened five years ago; but we tried to make contracts as low as possible, naturally, and that figure of $1 per ton was one that some of the railroads thought at the time might be uniformly worked out, or at least in a fairly uniform manner; but each [fol. 1132] railroad had to do the best it could, and made the best terms that were possible under the circumstances.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further cross examination of the witness? (No response.) Have you any redirect, Mr. Olson?

Mr. Olson: Nothing further.

Chairman Aitchison: You are excused, sir.

(Witness excused.)

Mr. Hughes: Call Mr. Glenn F. Vivian, for the Western Railroads.

Glenn F. Vivian was sworn and testified as follows:

Direct examination.

By Mr. Hughes:

Q. Mr. Vivian, will you please give your full name, address, and occupation.

A. Glenn F. Vivian; manager, Statistical Bureau, Western Lines; Chicago, ~~Illinois~~.

Q. How long have you held that position?

A. Five years.

Mr. Hughes: If the Chairman please, I take it that it is hardly necessary to go into any detail as to Mr. Vivian's qualifications.

Chairman Aitchison: Is there any challenge of them at all? (No response.) Hearing none, you may dispense [fol. 1133] with that.

By Mr. Hughes:

Q. Mr. Vivian, have you prepared an exhibit containing a number of subjects pertinent to the issues in this case?

A. I have.

Mr. Hughes: May we have the exhibit identified, your Honor.

Chairman Aitchison: No. 66.

(Exhibit No. 66, Witness Vivian, marked for identification.)

Mr. Hughes: Now, from this point on, if the Chairman please, the statement of the witness, which has been generally distributed, is more or less of a page-by-page exposition of the exhibit itself, and with your permission, I think it may just be put into the record, without taking the time to read it.

Chairman Aitchison: Has there been a general distribution of it?

Mr. Hughes: Yes.

Chairman Aitchison: Have the parties had an opportunity to look it over?

Mr. Hughes: It was distributed yesterday, your Honor.

Chairman Aitchison: Is there any objection to the document going into the record, in that way? (No response.) Would you rather have it put into the transcript, or would [fol. 1134] you prefer to put it in simply as if it were a deposition, or as an exhibit?

Mr. Hughes: I will leave that to your own judgment, Mr. Chairman. As I stated before, it is a page-by-page exposition of the exhibit, and it may be helpful in following the exhibit page-by-page. I have no particular choice in the matter.

Chairman Aitchison: Very well.

Mr. Reed: We have no objection to its being introduced in the manner described, your Honor, but we would like the privilege of examining the exhibit for the purpose of cross examining Mr. Vivian. In other words, we would like to postpone the cross examination temporarily.

Mr. Hughes: That is perfectly satisfactory, as far as I am concerned.

Chairman Aitchison: We will put it into the record, then, as Exhibit No. 67. There being no objection, it is received.

(Exhibit No. 67, Witness Vivian, received in evidence.)

Mr. Hughes: May I inquire, your Honor, if there are any parties who desire to cross examine Mr. Vivian at this time?

Chairman Aitchison: Does anyone desire to cross-examine Mr. Vivian now? (No response.) You may stand [fol. 1135] aside.

(Witness excused.)

Mr. Hughes: The next witness for the Western Carriers will be Mr. R. C. Fyfe.

R. C. Fyfe was sworn and testified as follows:

Direct examination.

By Mr. Hughes:

Q. Mr. Fyfe, will you please give your name, address and occupation.

[fol. 1136] A. R. C. Fyfe; Union Station Building, Chicago, Illinois; Chairman, Western Classification Committee; 54 years in the railroad business, and 34 years on classification work.

Q. I have in my hand, Mr. Fyfe, a very large exhibit of which you have a copy before you. Will you describe briefly what that exhibit is. Since it is the largest you have, it may be easily identified by all of the parties.

A. This exhibit consists of 45 pages, and contains 800 changes in the classification, made, starting in December of 1930 and ranging back to June of 1928, showing each item as it appeared in the classification prior to the change; or, if it was a new item, it is shown in the column to the left as not specifically provided for. To the right are shown the weight per cubic foot and the value per pound. This is the statement which was called for by the Commission.

Q. Is this statement true and correct, to the best of your knowledge and belief?

A. I personally made the statement, and it is, yes, sir.

Mr. Hughes: At this time, if the Commission please, Exhibit 68 is offered for identification.

(Exhibit 68, Witness Fyfe, marked for identification.)

Mr. Hughes: I should explain, if your Honor please, that there are two other documents that have been distributed that are headed "Exhibit", but which are, as a matter of fact, testimony. One also bears the heading "Testimony [fol. 1137] of R. C. Fyfe; answer to Question 10"; and the other has no main heading, but starts with "Mr. Jensen." As I say, they are really testimony, and have therefore been erroneously designated as exhibits.

Mr. Bee: Are there three of them, did you say, counsel?

Mr. Hughes: No. There is only one exhibit, which is headed "Reference to decisions dealing with classification elements."

By Mr. Hughes:

Q. Now, Mr. Fyfe, will you please proceed with your testimony, starting with the sheet that mentions Mr. Jensen's name in the first line thereof.

A. On page 14 of Mr. Jensen's testimony——

Q. Pardon me, Mr. Fyfe. You refer to Jensen's Exhibit No. 7 in this proceeding, do you not?

A. Yes, sir.

Q. Continue.

A. —we find this: "It is impossible either to unify the Official Classification with the Southern or Western Classification, or to devise interterritorial class rates . . . which will produce a reasonable result, or hardly even a tolerable result." My answer to that is that in the past 20 years efforts have been made to meet the Commission's desire for uniformity. Today greater uniformity exists than ever, but as to the West, it has resulted in serious losses in revenue [fol. 1138] and further uniformity in my opinion can only be accomplished by further losses which must be made up by advances on commodities produced in the West.

By Chairman Aitchison:

Q. I do not understand, Mr. Fyfe, from your statement, whether you are taking exception to Mr. Jensen's statement there, or agreeing with it.

A. Well, I am not taking any exception to it, no, sir. As a matter of fact, in a measure, I am agreeing with it.

Q. Please continue.

A. On page 17 Mr. Jensen refers to ratings in the Western Classification as compared with Official. We do not agree with that statement. Shippers only want uniformity when the revision is downward and oppose uniformity by advances.

Ratings third class and higher are practically uniform except where as in the case of furniture in carloads the Commission undoubtedly realizing the low earnings per car prescribed second class carload minimum weight 12,000 pounds in Official territory and third class (Column 70) in the West and in other cases prescribed second class in Official territory 10,000 pounds and Column 7½ in the West.

Q. Was that done in the 17000 proceeding?

A. No, sir. That was done in the General Investigation Case.

Q. Well, that was 17000.

A. The General Furniture Investigation.

Q. That was Docket 17000, was it not?

A. I do not remember the docket number.

[fol. 1139] Q. The part applying to furniture.

A. Yes. It was the General Furniture Investigation.

Q. Well, that was the 17000 proceeding. Now that was true for some time, was it not—your getting classes 1, 2 and 3 together in the three territories?

9 A. That is true. Now while we arbitrarily, without public hearing, acting under instructions of the Executive Committees of the three territories, unified the first, second and third class ratings, and ratings higher than first class, that resulted in over 700 reductions in Western territory. Following that uniformity in all three territories, the exceptions in the Southeast were made, some 3200 of them, which

proceeded to destroy, in large measure, the uniformity, third class and higher, that we had accomplished, and resulted in a serious loss of revenue, so far as the West was concerned. Now, as to the important classes 4, 5 and A in the Western Classification. There are 1804 less than carload ratings fourth class, or 55% in the West. Of this number only 607 are rated R26 in Eastern territory, or 55% of first class. There are 176 that are higher than the West, and 987 items in the East that are rated fourth class, or 50%, 5% less than the Western group, and 33 are rated Column 40 in the East, which are rated 55 in the West.

Q. What is the percentage in the East?

A. 50%—fourth class. This is pointed out in answer to [fol. 1140] Mr. Jensen's statement, in connection with his formula that the reductions that might be made in the lower classes in the Western Classification would be offset by increasing the Classification to the Official basis. Under fourth class, in Western territory, a large volume of goods moves from jobbing points largely for what might be termed as short distances; and to establish the Official ratings would mean a serious loss in revenue, both to the rail carriers and the motor carriers,—and in this proceeding I am speaking for the motor carriers in Western territory that I represent.

Mr. Hughes: Well, they are not involved in this proceeding, Mr. Fyfe.

The Witness: I understand that, but it would affect their revenue also.

Now as to the Western carload ratings of fourth class, which number 2326: In this group the Official ratings are—first class, 2; third class, 31; Column 65, 1; Column 60, 2; R26, 1253; fourth class, 982; Column 45, 8; Column 40, 4; Column 37½, 8; and Column 35, 6. Here we find, under R26, 1253 out of 2326 items rated alike, both East and West, with their percentage relation 55. In the East they have also rated fourth class, or Column 5, as compared with the West, 55, 982 items.

Class A in the West is an important carload rating in [fol. 1141] this group, and moves machinery of all kinds—Contractors' Outfits, Electrical Machinery, and so forth. Machinery in the Official Classification is largely classified Column 40 or lower. An effort was made to get the Official Classification rating up from fifth class to Column 45, but was unsuccessful, and Column 40 was established. Column 45, was the Western basis, and the increase would have been from 35 to 45, but as I say, it was unsuccessful, and they were only able to get the rating up to Column 40.

By Mr. Hughes:

Q. Let me interrupt you right there, Mr. Fyfe. When you say "they were only able to get the rating up to Column 40", what do you mean by that? Do you mean that the Commission would permit only Column 40?

A. No, sir. I mean that the pressure from the shipping public, and the machinery manufacturers in Eastern territory was so strong that they could not get by with Column 45, and they did not want to fight it out, and litigate it, as had been done with many other items in the machinery list.

Q. Proceed.

A. To make the rating uniform, and save carriers' revenues, it could only be done by advancing the Official Classification. The West has repeatedly justified Class A ratings on Machinery, and numerous items in the Class A group. If the Official Classification basis were applied, with a lower rate scale, what could we advance other than Agricultural [fol. 1142] Products, Livestock, Lumber and other materials produced in the West?

By Chairman Aitchison:

Q. Lumber does not take the classification, does it?

A. No, sir, it does not, but I say, if we lose by reducing these high-class commodities, we have got to recover some of our money some place, and we have got to recover it out of the materials that we produce in the West, the raw materials primarily. Of fifth class in the West, there are 2697 carload ratings—37½, Rocky Mountains and East. In this group the Official Classification ratings are: Third class, on six items; second class, R26, 2; 28 in the group that are rated Column 50; 2, Column 45; 77, Column 40—and that reflects largely the increase that was made in the Machinery; 631, Column 37½—the same as the West; 1847 rated fifth class or Column 35, 2½ higher than the West; 21. Column 30; 78, sixth class, 27½, or 7½ higher than the West; and 3, Column 25. In Class B in the West, Column 32½, we have 295, on the carload rating. Of this group, 138 are rated higher than the West; 6 the same as in the West; and

150 are lower than 32, the Western basis. In Class C in the West, we have 367 carload ratings; and in the Official, in this group 230 are classified lower than the West.

Q. Let us have the percentages there, please, Mr. Fyfe.

A. Class 30 in the West, east of the Rocky Mountains; and [fol. 1143] in the East, 230 are, generally speaking, Column 27½, and in a few instances, Column 25.

Q. Now you have quite a difference between the Western Classification percentage ratings, west of the Rocky Mountains, and east, have you not?

A. Yes.

Q. Taking this grouping that you have here, with respect to Classes 1, 2 and 3: As I understand it, the percentages are the same, 100, 85 and 70, on the first three classes.

A. For the far West?

Q. Both.

A. No; 100, 90, and 80.

Q. Since when?

A. Just a moment. No, I believe you are correct on that — and fourth class is 60, versus 55.

Q. 100, 85 and 70, on first, second and third.

A. And fourth is 60, versus 55.

Q. And fifth and A, are both 50.

A. In the West, yes.

Q. As contrasted with—what?

A. 45, and 37½.

Q. East of the Mountains?

A. Yes.

Q. And Class B, is 40?

A. I am not sure about the lower classes, Mr. Chairman, [fol. 1144] except that when you get down to Class E, it is 17½ East, and 20 out in far Western territory.

Q. Class B is 40. C, is 30.

A. Yes.

Q. D, 25.

A. Yes.

Q. And E, is 20.

A. Yes.

Q. So that on B, you have 32½ east of the Rockies and 40 west; and on C you have—what is your percentage in the portion east of the Rockies?

A. 30%.

Q. As contrasted with 30.

A. Yes.

Q. The same.

A. Yes.

Q. Now how about D and E? You do not show those in the statement at all.

A. No.

Q. Why did you omit them?

A. Because I had practically nothing in Eastern territory, except Column 27½, and I did not put them in, because practically everything that we have in D and E is moving on exceptions in the East.

Q. How about it in your own territory?

[fol. 1145] A. A great portion of it is also moving on exceptions there, made to meet specific conditions; and I do not think, Mr. Chairman, that you can ever get classes in the classification that will remove that situation.

Q. Well now, are you having any difficulty because of this rather marked difference in the relation of the classes from 4 down to C?

A. No.

Q. Why not?

A. I do not know. We have not had any complaint. It may be because the boys have been taken care of under the class rate adjustment; as a matter of fact that has been done in a good many cases, by the Commission.

Q. In the fixation either of a scale itself, or exceptions to the scale.

A. Yes.

Q. In other words, then, it is your deliberate judgment, is it, Mr. Fyfe, that that difference does not cause any particular disadvantage to the territory west of the mountains?

A. That is true.

Q. At least not enough so that there has been complaint about it, as you say?

A. That is true. Taking the recent readjustment that the Commission made in the California rates, they have a [fol. 1146] comparatively low first class rate for a considerable distance.

Q. What commission are you talking about now, with respect to the recent readjustment made in the California rates?

A. I mean, the California Commission,—the readjustment that they made, where they made the scale for both the rails and the motor carriers, and applied the Western classification over both modes of transportation.

Q. That was intrastate?

A. Yes.

Q. In California.

A. Yes, sir.

Q. Now, let me ask you this question right here, on which you may have an opinion, or you may not. When we come to make a class scale, do you think that it would be better for us to start at, say, 4th, and grade each way?

A. I think that is the way that the California scale was made, Mr. Chairman, and perhaps we could improve on it if we started at 4th and built up from there.

Q. Up and down.

A. Yes.

Q. From 4th.

A. Yes.

Q. Is that the rating which moves the bulk of the traffic in your territory?

A. 4th class moves the very heavy local tonnage. I have [fol. 1147] not ridden on any freight trains in 20 years, but from my observation in years past, from past experience, I know that a large part of the less than carload tonnage consists of foodstuffs, feedstuffs, iron and steel, wire and nails, and those are commodities that move out of the jobbing centers to the smaller towns, for relatively short distances. Those commodities do not move long distances, except in the case of a few specialty items, that are widely advertised, and they largely move to distribution points in carload lots, and are then fanned out from those points less than carload, for distances from about 100 miles to 150 miles. But the great bulk of the tonnage is in the commodities classified 3rd class, and 4th class. Of course, under the exceptions, at the present time, there is a different situation, I will admit that; and I am going to deal with some of these exceptions in a few moments.

Q. The comparison which you have made here, with respect to the result of putting the portion of Western classification territory east of the mountains, on the Official basis, would be much more unfavorable if you were to give consideration to putting the portion of Western Classification territory west of the mountains, on that basis, would it not?

A. Well, I think, Mr. Chairman, if you were to put the territory west of the mountains on the same percentage relationship basis as applies east of the mountains, it would [fol. 1148] be a desirable thing to do, but I think, if that were done, that it would require a complete revision of the class rates in that particular territory.

Q. Yes, but what I mean is, assuming that there is no change in the class rates. Then if the matter were to be adjusted by going to the Official classes, translating them, as you say Mr. Jensen suggested, obviously there would be a different result than you have with these ratings here.

A. Oh. Well, that would be absolutely ruinous to us, Mr. Chairman. For instance, Salt Lake City, Ogden, all of the coast cities, and Reno, are large jobbing centers. They move out of there iron and steel, the entire grocery line, and articles that are rated 4th class. Now if you drop the 4th class rating from 60 to 50, it is going to mean a tremendous reduction in earnings to the carriers in the traffic that moves in large volume. Therefore I would qualify my statement, that while it would be desirable to put a uniform relationship in throughout the West, it is going to require an upward revision in some of the class rates in the territory, if you apply a lower percentage relationship than 4th class to the present relationship.

Q. Well now, take your Class 5 that you mention at the top of page 2, where you refer to Class 5 in the West.

A. Yes.

Q. There are 2698 carload ratings, 37½, east of the [fol. 1149] Rocky Mountains, as against 50 west.

A. That is true.

Q. You say "In this group the Official ratings are 3rd class, 6; 2nd class, R26, 2; and 28, Class 50."

A. Yes.

Q. To go, then, to the Official ratings would make a reduction in the classification on everything which follows in the last two paragraphs there, would it not?

A. Yes, sir, that is true, but you would not move any traffic that is moving at Column 50 in that territory today, Mr. Chairman, at any rating of 2nd class, or Column 70. Now in that particular territory the big movement on 5th class and Class A, which are the same, is the machinery group, upon which I know of no commodity rates.

Q. You say, 5th class and Class A—

A. 5th class and A, which are alike today.

Q. Yes?

A. Now, the big movement of items on those two classes in that territory consist of agricultural implements and machinery.

Q. That is, on A.

A. On A, out in that territory.

Q. Yes.

A. But on account of the depressed condition of agriculture, in Docket 17000 the Commission, as you will recollect, [fol. 1150] made Column 40 on agricultural implements in Western Trunk Line and Southwestern territories; so agricultural implements east of the Rocky Mountains are on Column 40, and west of the mountains they are on Column 50, and I know of no carload commodity rates on them.

Q. East of the mountains Class B, and west, Class A?

A. Or 5th.

Q. Or 5th Class.

A. I believe they are both the same; Class A and 5th Class are the same.

Q. You remember, from your own long experience, times and places when Class A was a higher rating than 5th Class, do you not?

A. Yes, sir, and I also remember when it was rated lower than 5th Class, in some parts of the territory.

Q. It has been both ways, in different parts of the territory?

A. Yes, sir. Now on pages 31 and 32, Witness Jensen refers to the great number of exceptions to the classification which have been published. I anticipate that on cross examination the representatives of the State Commissions will bring up that question, and ask why the exceptions are not included in the classification. I want to say that few of these exceptions are warranted. The large volume of them were made, so it is alleged, to meet [fol. 1151] motor truck competition, freight forwarder competition, or the threat of shippers putting their own trucks on the road if the rates were not reduced. The drug and chemical exceptions are a good example.

Q. I do not think, Mr. Fyfe, that you need to go into that topic here.

A. I do not understand.

Q. I say, do not bother to read a quotation from Mr. Jensen. Just make your own comment.

A. That is what I am going to do, Mr. Chairman. Here we find anti-freezing compounds used in automobiles, grouped with Essential Oils, Vanilla Beans, Gas Black, and hundreds of other items, regardless of weight, value or risk. Essential Oils, for example, with a very high value and a limited movement, are rated the same as Bicarbonate of Soda. In 63 ICC 147 the Commission found that on Peppermint Oil, one of the heavier moving essential oils, rated 1½ in cans, in boxes, in bulk in barrels, 1st class was not unreasonable. The average price of Peppermint Oil, at the time that case was decided, was $3.30 per pound. The price in July, 1942, ranged from $5.50 to $6.25 per pound. A few of the other oils which move in volume, comparatively speaking, referring to the high-priced oils, are: Oil of Orange, $1.75 to $3.25 per pound; Oil of Lemon, the California product being the lowest in price, $3.25 per pound; Oil of [fol. 1152] Ginger, $20.00 per pound; Juniper Berry Oil, statement reads: "Lubricating Oil", but it should read "Castor Oil, in bulk and barrels", which is rated 3rd Class. The fellow who made these exceptions ought to have had to drink the castor oil. Vanilla Beans are another example. Prior to the last war, Vanilla Beans were worth in the neighborhood of $5.00 to $7.00 per pound, and our rating was double 1st class. After the war, World War No. 1, the price got down to from $2.50 to $4.00 per pound. On petition of the handlers, the extract people, we reduced the rating to 1½. Today Vanilla Beans are worth $14.00 to $16.00 per pound, and they are moving at the same rating, by exception, as Iron and Steel Hardware.

Q. Is that because of the sources of supply having been largely taken over by our Japanese enemies?

A. Not entirely, no, sir. There are other sources of supply, Africa, Spain and Mexico. At the present time we are getting practically all of our beans out of Mexico. Now we have another list, and that is the Hardware List, and under exceptions we find Cutlery, Electric or Pneumatic Tools, grouped with Horse Collars, Lamp Chimneys, Road Grader Disks, Rules and Rulers, lightweight and heavy-loading commodities regardless of value or weight, all rated 3rd Class.

In the same group we find Milk or Cream Aerating Cans, a light and bulky article, rated 1st Class in both the rail [fol. 1153] and motor classifications, on account of its light weight; and yet, somebody has got it in the exceptions on the same basis as Road Grader Disks.

On pages 53 and 54,—and I am now quoting from Mr. Jensen—Mr. Jensen says: "The function of the Western Classification is to serve as well as may be, the needs of class rate traffic in the wide expanse of territory within which it nominally applies, and it should not be allowed to become almost a dead letter, as it is today, merely in order to protect a special situation existing only between a dozen cities on the Pacific Coast. Moreover, until uniformity of relationship between classes, uniformly expressed, is attained within Western Classification territory, there is no possibility of unifying or merging that classification with either of the other two major Classifications." That statement on the part of Witness Jensen indicates a lack of knowledge of the Western situation.

Q. Well now, regardless of whether he knew the Western situation or not, Mr. Fyfe, what have you to say with respect to the last sentence there which you have quoted? Is that true, or not, in your judgment?

A. I say that the Classifications might possibly be unified. They would have to be unified by stating the column ratings in the classification, like 37½, 35, 42½, and so on, which can be numbered 1 to 10, or 1 to 12, or 1 to 15, whatever might [fol. 1154] be found necessary; and let the rate scales on the Coast fit in with that.

By Mr. Hughes:

Q. In that connection, Mr. Fyfe, you have previously testified that most of the shippers want a unification downward,—have you not?

A. Absolutely, yes, sir, and I will go into that a little further.

Q. Are you therefore making that reservation, when you say that it is possible to unify the classifications?

A. Yes, sir. You have got to unify the ratings upward, unless you give the railroads away.

Chairman Aitchison: Continue.

A. The witness' statement indicates lack of knowledge of the Western situation. As to the Pacific Coast situation, the Coast states all prescribe Western Classification for rail traffic and in California for motor traffic. In Washington and Oregon Western Classification applies over rails, and motor carriers may use either rail or motor classification, which are on the same basis, especially 4th class and higher.

The Coast adjustment of class rates and their percentage relationship, if I am correctly informed, was largely prescribed by the Commission after careful review, and so far as we have knowledge the shippers are satisfied and the statement that the Western Classification should not be allowed to become a dead letter as he alleges it to be to pro- [fol. 1155] tect a dozen cities on the Pacific Coast is not a correct statement. As to exceptions to the Classification on the Pacific Coast, thel are a limited number, nothing to compare with the exceptions in the territory east of the Rocky Mountains.

By Commissioner Aldredge:

Q. Mr. Fyfe, I do not know that I correctly understood your reference to Mr. Jensen's quotation, the quotation from Mr. Jensen's exhibit. The first statement he made was concerning the function of the Western Classification. Do you disagree with that?

A. Absolutely, I do disagree with that, yes, sir.

Q. You think, then, do you, that its purpose is not to serve, as well as may be, the needs of class rate traffic?

A. I disagree with Mr. Jensen, because the Classification is serving the territory. His opinion is that it is not serving the territory, that something else is doing it.

Q. Perhaps I did not correctly understand your statement. What do you conceive to be the function of the Western Classification?

A. To serve the carriers and the shippers in the territory involved.

Q. Well, is that not what he says?

A. No, sir. We believe that it is doing that, and Mr. Jensen says he does not think it is doing it.

Q. Well now, I was just coming to that.

[fol. 1156] A. All right.

Q. He says that is the function of the Classification. I presume he is talking about the Classification proper, when he says that it is becoming a dead letter. He is using rather positive language there, but I understand him to mean that its function is declining. Is that a fact?

A. Not on the Pacific Coast.

Q. No; I mean, in Western Classification territory.

A. It has been destroyed, Mr. Commissioner, to some extent by the publication of exceptions to meet motor truck competition, contract carrier, or so-called private carrier competition, which is moving a large volume of traffic at ridiculously low rates,—and which situation I hope to see corrected some day, getting it back to the classification basis, where it properly belongs.

Q. Well, I would assume then, Mr. Fyfe, that you disagree with Mr. Jensen only as to the degree to which the function of the classification is declining; is that correct?

A. That is true.

Q. In other words, you do not think that it is declining, or has declined, quite as much as he does?

A. I am sure it has not.

Q. Well then, that is the principal thing upon which you disagree with him; is that correct?

A. Yes.

[fol. 1157] Com. Alldredge: Thank you.

Chairman Aitchison: If you are going to take up another subject, now, Mr. Fyfe, I take it we might as well suspend until 2 o'clock.

The Witness: All right, sir.

(At 12:30 P. M. recess until 2:00 o'clock P. M.)

Afternoon Session

The hearing was resumed pursuant to recess.

2:00 o'clock P. M.

Chairman Aitchison: Come to order, gentlemen.

Mr. Hughes: Mr. Fyfe.

R. C. **Fyfe** resumed:

Direct examination (Continued).

By Mr. Hughes:

Q. Mr. Fyfe, have you prepared answers to certain questions submitted by the Commission in its notice of January 9, 1940, relating to Classification subjects?

A. Yes.

Q. Are those questions, in that notice referred to, numbered from 10 to 16, inclusive?

A. Yes.

Q. I will read you the question, first, as it appears in the notice, and then you may make your answer thereto. Question 10: "The Classification principles or elements to be [fol. 1158] considered and employed in the determination of an appropriate classification of articles, and whether they shall be the same for the Motor Classification as for the Rail and Water Classifications."

A. The elements are: The weight per cubic foot of the article, as packed for shipment; liability to damage; liability to damage other goods with which loaded; the value per pound in comparison with analogous articles of like weight and value, comparison with competitive commodity, possible carloading given consideration, as to character of the goods and packing, to determine the extent to which capacity of cars may be used, commercial conditions and unit of sales—trade conditions, and value of the service. These principles, we submit, are sound, and should govern classification for all uses, Rail, Motor or Water. We submit that these elements are proper. For convenience, I submit as my Exhibit No. 69, a limited reference to decisions by the Commission and the Courts dealing with the factors mentioned above.

Q. Is the exhibit to which you refer, Mr. Fyfe, headed "Reference to Decisions Dealing with Classification Elements" etc.?

A. Yes, sir.

Q. Consisting of how many pages?

A. Six pages.

[fol. 1159] Mr. Hughes: At this time, if the Chairman please I should like to have the exhibit marked as Exhibit No. 69 for identification.

Chairman Aitchison: Let it be marked.

(Exhibit 69, Witness Fyfe, marked for identification.)

Mr. Hughes: I think it may as well be offered in evidence at this point, your Honor.

Chairman Aitchison: Without objection, it is received.

(Exhibit 69, Witness Fyfe, received in evidence.)

By Mr. Hughes:

Q. Question No. 11 is as follows: "The number of classes necessary for a classification of freight for Rail, Water and Motor transportation."

A. In my opinion, 10 classes would constitute a sufficient number for Western territory.

Q. Question No. 12 is as follows: "Shall the classification of freight for Rail, Water and Motor Transportation, be revised, to accord more or less importance to a weight-space basis, with less or more regard to value?"

A. In the making of a classification for all forms of transportation, the factors covered by my answer to Question No. 10 must be carefully considered. Weight per cubic foot is an important factor, but other factors must be carefully weighed. Take for example, Nitric Acid in carboys, a cheap acid, with a substantial weight per cubic foot, and [fol. 1160] a low value and yet it is highly dangerous in transportation. The breakage of a carboy of Nitric Acid in a merchandise car usually means a severe fire, and the destruction of the contents of the car. While the value and weight are considerations to be weighed, the fact that no goods can be loaded on top of, or in direct contact with, the packages, must be considered, in view of the loss of loading space between the tops of the carboys and the roof of the car. Because of the fact that the necks of the carboys project beyond, they must be loaded so that nothing comes into contact with them.

Vanilla Beans packed in wooden boxes,—and they are all packed in wood -weigh from 38 to 40 pounds per cubic foot. The current war prices are $14.00 to $16.00 per pound. The normal price is $2.00 to $4.00 per pound. The classification rating is 1½ times first class less than carload, 4th class carload, minimum weight 30,000 pounds. Compare this with Annatto Seed, weighing 40 pounds per cubic foot, with a current value of 6½ per pond, rated less than carload 2nd class, carload 5th class, minimum weight 30,000 pounds. We submit, here are two commodities of approximately equal weight per cubic foot, with a wide spread in the value, which should be taken care of in the rating. Now I might add that the statement has been made, "Oh, well, you never lose any Vanilla Beans." The facts are that during the last war, the North Western Line lost 100 pounds of Vanilla Beans, [fol. 1161] moving from Chicago to Winona, Minnesota, the charge — which was slightly in excess of $1.00. They had to haul all the Vanilla Beans that Watkins Company at Winona would use in two or three years before they ever got that $700 back in freight charges.

The question of liability to breakage and loss must also be considered. Window glass and plate glass weigh approximately the same per cubic foot, and yet there is a wide difference in value. There is also a wide difference in the value of plate glass, predicated upon the size of the plate. There is a much greater hazard involved in moving the large sizes, than there is with the smaller sizes, and consequently the Classification today reflects the difference in the hazard, and the value. Another example which might be considered is the rating on Coal, Ore or Stone Crusher Parts, rough, crude material, made largely of Manganese Steel, practically unbreakable, rated less than carload 4th class. Compare these with Machinery Parts, such as finished Crank Shafts for Machinery, rated 1st and 2nd class. They weigh about the same per cubic foot. Crusher Parts cannot be damaged, but a Crank Shaft, if sprung out of alignment, cannot be used and must be reworked. Both are of substantial weight per cubic foot. There is a wide spread in the value on account of the machine work on the crank shaft. For more than 50 years the classification prin- [fol. 1162] ciples covered by my Exhibit No. 69, have been followed. They are sound and reasonable, and should not be cast lightly aside.

Q. Question No. 13 is as follows: "Shall the description of articles and packing requirements be the same for the Motor Classification as for the Rail and Water Classification?"

A. The description of articles and the packing regulations should be uniform in all classifications. This is to the advantage of shippers as well as carriers. Shippers, in packing and warehousing their goods, may ship by rail, motor or water, and it keeps costs down to have uniform methods.

Q. Question No. 14——

Chairman Aitchison: Now wait a moment, right there.

By Chairman Aitchison:

Q. Does not that principle break down, Mr. Fyfe, when you come to consider something like household goods?

A. That is true, where household goods are moving in truckload quantities, yes, Mr. Chairman. But aside from the household goods, and the furniture, in truckload volume, where they load the material onto the truck, and use pads and blankets, it generally holds good throughout the entire classification.

Q. Well, take your old item of emigrant movables. That was 1st class, was it not?

A. Less than carload, that is true, yes, sir, but that has been split, in the remaking of the classification, and we now [fol. 1163] have an emigrant outfit rating and a household goods rating. We still, in order to try and build up the Western territory, maintain our Class B rating on the emigrant outfits today,—I can give this to you in just a minute, here——

Q. Well, what I was getting at, Mr. Fyfe, is this, that there the packing requirements are very different than they are with respect to the items that collectively make up the outfit, or the shipment of emigrant goods,—are they not?

A. Yes, sir, that is true, and our truck friends have found, to their sorrow, that attempting to handle furniture less than carload, without almost the maximum of packing protection, has not worked out, because claims have taken all of the revenue away from them.

Q. Are there any other articles of a similar character, that you know of, that you can think of at the moment?

A. No, sir, I have none particularly in mind, aside from the household goods and furniture in truckload quantities, where they can stow, and prevent a shifting load,—which situation of course the carriers, rail carriers, could not possibly meet.

By Mr. Hughes:

Q. Question No. 14 is as follows: "To the extent that sizes of railroad car and truck bodies are to be considered in the determination of minimum weights applicable in connection with carload and truckload ratings, what sizes of car and truck body shall be used as the standard?"

[fol. 1164] A. Up until a few years ago, the basis for the minimum weight was the 36-foot car; generally speaking, the car of 2,448 cubic feet. However, in fixing minimum weights, the Classification Committee never did figure on a basis of 2448 cubic feet being used. It gave consideration to the character of the goods, and the character of the package, and it was seldom that more than 2200 cubic feet of average carrier run-of-business, could be loaded into a car. We also gave consideration to commercial conditions, and the unit of sale in certain lines; and in the earlier days we also gave consideration, in our respective territories, as to what was the volume that could be taken in our particular territory. Of course now that we have unified the minimum weights, the packing requirements, and the rules of the classification, those are all out of the picture. At the present time the 40-foot car is almost universally what might be termed the standard car, and while we have not attempted, generally speaking, to predicate minimum weights on the 40-foot car, in putting new commodities into the classification, we have tried to get the minimum weight up as high as we possibly could, in fixing the rating.

Q. Question No. 15—

A. Pardon me, Mr. Hughes, but before you go to the next question, please, I would like to deal with this question of motor freight. It is my position that the volume rating for [fol. 1164a] the motor carriers should be the same as the carload minimum weight for the rail carriers.

Chairman Aitchison: I should be glad to have you amplify your reason for that, Mr. Fyfe.

The Witness: I am coming to that.

Chairman Aitchison: Very well.

A. To make a lower basis for the motor carriers means a breaking down of the carload movement, and the rail carriers would have to meet that situation. If that condition were to exist, with a lower minimum weight for the motor carriers, for truckload movements, then I submit that the truckload rates should be on a somewhat higher basis than the rail carload rate. Now, the difficulty,—and it is confronting us right now; I have a letter from Mr. Blanning on it—is the difference in the truck weight limits in the various states. In the Western states, or a great many of them at least, there is no prohibition against the use of a truck and trailer, with the result that the Western carriers, in the far west particularly, can operate a truck and trailer, and handle a full carload, and even more than a full carload, hauling it behind one tractor. Now how a classification could possibly be readjusted to meet a situation of that sort, is far beyond me, with the difference in the weight limits and the dimension limits, and so forth, in all of the different states.

[fol. 1165] By Com. Splawn:

Q. If I understood your testimony correctly, Mr. Fyfe, you stated that formerly, when fixing the minimum weight for a rail car, you calculated that about 2200 cubic feet was as much as could be loaded into the car; is that correct?

A. That is correct on the general average run of package merchandise, yes, sir.

Q. You thought that was an important consideration, did you not?

A. Yes.

Q. The capacity of the car.

A. Yes, sir.

Q. Now why should the motor carriers ignore the capacity of their vehicles, merely because it would be inconvenient for the railroads to have them publish their tariffs in terms of carload capacity?

A. Well, you have got two types of motor trucks, Mr. Commissioner. I see them passing by my office every day. They are supposed to have a capacity of approximately 1,000 cubic feet, but they are open-top trucks and the load is covered with a tarpaulin, and it is just as high above the side of the truck as they can get it, and get clearance where they are going, I would judge from the looks of the load. I have also seen them going by with a tail gate load, covered with a tarpaulin. Now, are you going to take tail gate loads [fol. 1166] into consideration?

Q. Well now, does your reasoning with respect to the classification for motor cariers follow that same line all the way through?

A. I do not know that I just follow you, Mr. Commissioner.

Q. As I understand it, you advocate the same classification for motor carriers and rail carriers; is that right?

A. Yes, sir, that is true, and the motor carriers have practically got that 99.9 per cent today. We endeavor to keep the motor carriers posted. As a matter of fact, I give Mr. Jackson the proof of every change that we make, in order that the motor carriers can make corresponding changes, and keep the industries on a parity.

Q. That is to say, all of these decisions which you have put in your exhibit, and all of these considerations which must be borne in mind in differentiating one class from another, and dealing with intervening classes, are to be observed, so far as the railroads are concerned, but the economics of the motor carrier industry, I gather from what you have said, are to be ignored, and they are just to follow along and publish whatever you publish. Is that correct?

A. No, not at all, Mr. Commissioner. They can do whatever they please, and we cannot stop them, except through a protest, and asking for suspension. But the same economic factors that enter into the consideration of ratings [fol. 1167] for motor carriers apply with equal force to the rail carriers, and I think that they are beginning to realize that at the present time, with their increased costs.

Q. Well, there is something in the Act about the inherent advantages in each form of transportation. Now if we are to define, after carefully studying and analyzing them, the rail economics, then are we not required to do likewise for the water carriers and the motor carriers?

A. I think so, yes.

Q. And do you think, then, that the answer will be the same, as to classification and ratings?

A. I think basically that will be true, yes, sir, especially with the general line of traffic that moves under the classification.

By Chairman Aitchison:

Q. Well, following your reasoning just a little further, Mr. Fyfe, why should you not have just the same minimum on sugar from New Orleans up, as the barge line?

A. I am not familiar with the situation there, Mr. Chairman. That is all moving under commodity rates.

Q. Well there is a barge line there that has capacities that are a good deal larger than your freight cars. It makes the rate; it has the lowest rate.

A. That is true.

Q. Well now, why should not your volume minimum be [fol. 1168] made on the basis of the barge line minimum if the motor carrier minimum ought to be made on the basis of the carload minimum?

A. Well, I do not know of any reason why the barge line should not make it, because, you might say, they are handling a multiple carload in one barge.

Q. But there is just the one container that it is shipped in?

A. Yes, but they may ship out, when it leaves the barge line, what is in one barge of 300 tons, or 500 tons, in 10 boxcars.

Q. Or it might go directly into a warehouse.

A. Yes, sir, that is true, and then go out on the balance of the through rate in carloads.

Q. And it may go out by truck also?

A. That is true.

Q. Well, would you apply that principle also with respect to your tank car rates? In other words, would you have the minimum for the motor tanks the same as for your tank cars?

A. No, sir.

Q. Why not?

A. Because, as I understand it, there are very few motor truck tanks that are 4500 gallons in capacity.

Q. Well, then, let me ask you this——

A. Just a moment further, Mr. Chairman.

Q. Continue.

[fol. 1169] A. Our tank car rates are all predicated on a rate per hundred pounds. All of the motor carrier rates that I have examined, or seen—and I have seen a lot of them—are predicated on so much per gallon, and so many gallons per truck, and I think that they vary, the rates vary with the size of the equipment that a man is using, from the looks of the rates that I have looked over.

Q. Well, your point, then, really, with respect to merchandise that is moving by truck, is that because there are so many trucks that are able to be hooked up to a tractor, or so many trailers that are able to be hooked up to and be hauled by a tractor, that have a capacity comparable to an ordinary boxcar, the two minima ought to be the same.

A. Yes.

Q. That, really, is your point?

A. Yes, that is true; and further than that, Mr. Commissioner, in the case of some of these commodities, where you have got a commercial minimum, a large truck body will readily carry that minimum weight, say, 20,000 pounds.

Q. The trailer.

A. Yes. That is our difficulty.

By Com. Alldredge:

Q. Mr. Fyfe, is there a standardization of trucks, as there is of freight cars?

A. I am not familiar with that, Mr. Commissioner. That is a question that should be answered by the trucking [fol. 1170] people. I know, when I go into the far West, in Pacific Coast territory, I see very much larger trucks and trailers than I do back in this part of the country. There is a lot of special equipment out there for handling road machinery, and that class of material, over the road, that will take commodities as heavy as anything that we can put on a flat car—big 16-wheel jobs, where the empty vehicle will weigh six or seven thousand pounds alone.

By Mr. Hughes:

Q. Question 15, Mr. Fyfe, is as follows: "The desirability of making less than carload and less than truckload ratings varying with the weight or the volume of the shipment."

A. We do not favor making varying less than carload or less than truckload ratings based upon weight, for example, 2000, 4000 or 6000 pounds. Such an adjustment tends to break down the carload or truckload ratings where published.

By Com. Alldredge:

Q. Let me ask you a question about that.

A. Yes, sir.

Q. The Western lines do have such ratings in their exceptions, do they not?

A. There are some in there, yes, sir, that were made to meet truck competition, as I understand it. However, in these days of stress in transportation, we think that it would be an exceedingly bad policy to set up a general example of what should be done.

[fol. 1171] Q. As a representative of the Classification Committee, then do you not think that that is a sound policy?

A. I do not think it is good policy, no, sir.

By Mr. Hughes:

Q. Question No. 16 is as follows: "The practicability or necessity of a uniform basic classification of freight for all rate territories (a) for all transportation agencies, or (b) for each transportation agency."

A. It is not practicable, in my opinion, nor is it necessary, to make an absolutely uniform classification. While there has been a steady unifying of the less than carload ratings in the three classification territories, as far as ratings of 3rd class and higher are concerned, it has been done at the expense of a considerable loss in revenue to the Western carriers, both rail and motor, with little or no compensating increase in the tonnage carried. For example, when the ratings 3rd class and higher were made uniform by reducing them to the lower basis in effect in the other territories, the rating on machinery, set up, was reduced in the West from 1st class to 2nd class, and K.D., in many instances, from 2nd to 3rd class. That change was made against my best judgment. We had always differentiated between setup and knocked down machinery, but to accomplish uniformity in the less than carload ratings on machinery, we cast aside our previous findings. Now there is an extremely large amount of machinery that moves less than carload in [fol. 1172] Western territory, that is, relatively speaking, and that involved a serious loss. The Western lines are largely granger roads, producing farm products, livestock, products of mines and forests, and reductions on such commodities as machinery were a serious loss. The answer to uniformity is that the shipper desires uniformity where it results in reduction in ratings and opposes uniformity where the results are increases. If the tonnage originating at and destined to each territory was of like kind and character, and moving in equal volume between points in each territory, or interterritorially, then uniformity might be possible; but that condition does not exist, and in my opinion would be difficult of attainment. For example, machinery, carload, in Western territory is rated Class A, minimum weight 24,000 pounds. The Commission in all cases where the rating has been attacked, has upheld the classification of Class A—45%; and yet in Official and Southern territory, which were used for comparison in such cases, Class 40 applies—the Class 40 rating.

Q. That concludes the Commission's questions.

A. I would like to say that after more than 30 years in Western Classification work, the Classification today is on a more reasonable basis than it has been at any time — Western Classification No. 1 was first published, in 1887. It cannot be said that that is alone the work of the rail carriers. It is the work of the shippers, producers, and the [fol. 1173] Interstate Commerce Commission, as well as the carriers. When a manufacturer presents a petition for change, which is publicly docketed, and the classification elements submitted to warrant the change requested, and which revision also has the approval of others, both manufacturers, jobbers and users, this we might term classification made by shippers. There is no more reasonable method or way of making a nondiscriminatory adjustment, than the procedure followed in the past. Now there have been some intimations here, if I understood some of the witnesses correctly, that changes cannot be made unless the other territories agree to them. I do not agree with that statement at all. If we are convinced in Western territory, that our classification is wrong, and that conditions warrant a change, we are going to go ahead and make that change. A good example of that was when we reduced petroleum oil to 4th class, which in a measure was forced—or first started when the Iowa Commission made 4th class at the request of the jobbers at Council Bluffs. That spread to Minnesota, it spread to the Dakotas, it got out into Nebraska, out into Kansas, out into Texas, spreading largely over the territory except in the far West. After looking into the situation I concluded, with the members of the Western Classification Committee, that 4th class might well go into the classification, and the exceptions be cancelled. We notified the [fol. 1174] Southern and the Official Classification Committees of what we were going to do. The rates were uniformly 3rd class in the three classifications. The Southern Classification Committee notified us to make a corresponding change in their territory. They had some exceptions in their territory that were lower than 4th class, in some states. The Official Classification Committee at that time did not make the change; but later, my recollection is—and I can check it in just a minute here—it did come along and make the 4th class rating. Now there are times when subjects are on the docket of the Classification Committee, where somebody wants to make a change that is going to very seriously affect our territory, and affect our adjustment, perhaps not on the particular commodity, but that might force revision on competing commodities, when we will say to the South or to the East, "Now, we object to that. We do not want to do that. If you want to do that in your territory, take care of it by an exception, but do not upset the entire country," and that is what has been done, and that is what will continue to be done, and what should continue to be done. The conditions are so very different in the various territories that the Classification Committee should not be tied down and hamstrung, with a uniformity that will not meet the situation that we have to work under.

By Chairman Aitchison:

Q. Is the tendency now toward a greater refinement in [fol. 1175] gradation in the classification, or the the reverse?

A. I am sorry, but I could not hear that.

(Question read.)

A. Oh, it has been the reverse. I was coming to that in just a few minutes, Mr. Chairman. My Boyle, in his testimony, referred to making the same rates on all types of packages. When the Uniform Committee was established in 1908, to rewrite the classification, the packing specifications in all of the classifications were exceedingly light, and the claim account was going up by leaps and bounds. That committee was instructed to carefully go into the matter of the packing specifications, and go into the rewriting of descriptions. Now you will find in the classification today, many items, especially in the drugs and chemicals group, where the rating is 1st class, but an article under the same name, shipped in bulk, in barrels, will be 3rd class. There is every reason in the world for that. Those two commodities, the one in glass and the one in barrels, are just as different, as to price and quality, as night and day. In other words, the article which goes in glass is the chemically pure article that is going to go to the drug trade, very high in value. The article that is in bulk, in a bulk container, is going to some producer who is going to use it in making something else, for an entirely different purpose. It is not chemically [fol. 1176] pure; it is what is known as "technical" or some other grade, and the price will be 30 to 40% of the higher price. Now that was all reflected in the work that the Uniform Committee did. We are gradually getting away from some of that. We are having commodities in cans, and putting some of them down on the same basis as in bulk, in barrels.

Q. At one time the Western Classification Committee ha[illegible] did it not, some system of giving different numerical weights to the various elements?

A. I was just going to talk about that, Mr. Chairman.

C[illegible]an [illegible]tchison: All right. I seem to be examining th[illegible]ess.

A. Back in the early days of the Western Classification, when Mr. J. T. Ripley was Chairman of the Committee, and did not have very much work to do, he opened a ledger—which by the way was the pride of Commissioner Meyer; he thought a great deal of it—and from the classification records he figured out, on every commodity upon which they had the information, the weight per cubic foot and the value per pound, for each class.
[fol. 1177] Then he would take, say, where they had a double first class rating, the number of cubic feet in 100 pounds, and he added to the number of cubic feet, the value per hundred pounds, and that gave him his classification unit for the double first class rating, and the related articles, other articles, down the line. Now in those days, of about two classification meetings uper year, the chairman would issue rulings which were based on applications that he had from shippers or from railroads, in connection with which he would only have one man's weights and values, and he would rule, "Well, based on this weight and this value per cubic foot, the rating should be so-and-so," and he would make his ruling that way, giving no consideration to packing, liability to damage, or anything else; and then he would publish those rulings. Then when the Classification Committee met at its semi annual meeting, those rulings were passed out to the other gentlemen, who did not know anything about them, except that the chairman had ruled so-and-so, and the rulings of the chairman were approved, and then they would become items in the classification. If you will go back to the old classification, you will find some of those items in there, without any packing regulations at all. Now when we undertook to take over the first uniform classification work—well now just a moment. I am getting a little bit [fol. 1178] ahead of my story, here. In 1907, at the insistence of the Commision, an effort was made to determine whether or not a uniform classification was feasible, just like we are doing now. A committee of 15 was appointed,

5 from the East, 5 from the South, and 5 from the West—and I was one of the Western members—to thoroughly go into the matter, and make a recommendation. We met in Chicago January the 2nd, 1908, and we submitted our report to the three Executive Committees in April, which was to the effect that it was feasible and desirable to make uniform rules, uniform descriptions, uniform packing regulations, and uniform minimum weights. No action was taken on that until along in May, when it was decided to organize a Uniform Classification Committee, to carry out the recommendations, the question of ratings being put aside. It was decided that it was not possible to make uniform ratings. A new committee was then appointed, of which I was one of the members, and started working on September 15th, 1908. That committee was in continuous session. The men were segregated from all of their railroad connections, and put in all of their time on that particular work. They made investigations all over the United States. They dealt with national associations, like the American Chemical Society, and got all of their recommendations, and the descriptions, minimum weights and [fol. 1179] packing requirements that are now in the classification, are practically the work of that committee. Toward the end of the Railroad Administration, the chairmen of the three Classification Committees were called to Washington,—that is, Mr. Collyer, of the Official Classification Committee, Mr. Poe of the Southern Committee, and myself, of the Western Committee;—and we were advised by the Railroad Administration that, after consulting with the members of the Commission, they thought that the time was desirable to get a more simplified and consolidated classification. We three gentlemen were instructed to make that book. The book was gotten up in proposed form, printed, and submitted by Mr. Chambers, Director of Traffic, to the Commission. I think that Mr. Chambers wanted to go ahead and put it into effect, without any hearings. It was the view of the Commission, however, that there should be public hearings. We did have public hearings all the way from the Atlantic Coast to the Pacific Coast. Following that, we got the tentative report of the Commission. Now in that work we had endeavored to iron out some of the low spots, and some of the high spots, but in the final outcome, the book was adopted with practically no change in rates. As a matter of fact the Com-

mission practically told us that that was not the time for a change in rates, and we were not supposed to make any [fol. 1180] such change. Now there has been a gradual unification of the classification. When we are dealing with new items, we try to get the ratings in on a uniform basis, and new items are turning up, and substitute items, every day. You may say, "Well, why do you not do that on all of them?" Because it cannot be done on all of them. There will be an item where we have, say, Class B in the West, 5th class in the East, and Column 35 in the South. Now we might agree on 5th class in all of the territories, or, say, 37-½. But that item is analogous to another item, in one of the classifications, with which it competes, and if we made the rating on the new item higher than the rating on the competing item, there would be a complaint right away. So that we have got to keep away from uniformity in some cases, to keep things lined up that are in competition with each other. The first big attempt, in trying to bring about uniformity, as the Commission says, was in I & S 76, reported in 25 I. C. C. We had thousands of pages of testimony there.

By Chairman Aitchison:

Q. Was that the old Western Classification No. 51?

A. Yes, sir. Now there we tried to correct some of our Western rate situations, and get some of our rates up to where they were in the other territories. There again we were criticised for trying to do too much at one time in advancing the ratings. They said we had better go a [fol. 1181] little slower. As a matter of fact the Commission set us back on our heels pretty hard in the case of some things which we thought we ought to have, but I am frank to say that we have gotten a good part of them since, through cooperation with the shipping public.

Q. Mr. Fyfe, you used to have several state classifications. Are they all out now?

A. No. I was just coming, Mr. Chairman, to the matter of the Illinois Classification.

Chairman Aitchison: Gentlemen, Mr. Fyfe and I have had no understanding at all, as to his testimony. (Laughter.)

The Witness: In Illinois, we have the Illinois Classification, in connection with which I was successful in dealing with the Illinois Commission, in getting them to permit me to put the Illinois ratings into the Consolidated Classification, which meant a saving of approximately $20,000 per year to the carriers and the shipping public. I am the doctor, as to Illinois, and in treating the Illinois rates I am carrying out the agreement made between the Illinois Commerce Commission, the Interstate Commerce Commission, the carriers, and the Illinois Traffic League—or, the Illinois shippers. That agreement was to the effect that, as the predominant production was in Eastern Territory, the Eastern rates must go, in Illinois. If it was a com- [fol. 1182] modity, the production of which was both in Eastern and Western Territory, the lower of the two ratings was to predominate. If it was a commodity that originated wholly or almost wholly in one territory, and that was a higher-rated territory, with which the Illinois shippers had to compete, the higher rating went into effect. Now generally speaking, Illinois is on that basis, except where one or two of my smart industrial traffic friends, when they were checking it in with Mr. Slater, in the old days, in Illinois, slipped in some of the exceptions that they had, that we have not been able to get rid of, but that we hope to get rid of some day.

By Chairman Aitchison:

Q. Are there any other state classifications now, Mr. Fyfe? Iowa at one time had one.

A. No, sir. Iowa has no classification, and Nebraska has none. They got rid of their classifications. Texas got rid of its classification. I understand that they have a little classification in Nebraska now for motor carriers, although I have not seen a late one; my friend has not sent it to me. But in the one that I did see before I wrote him 150 letters, to which I never got any reply, I found that copper washboilers were rated lower than iron or steel barrels.

By Mr. Hughes:

Q. To whom do you refer, Mr. Fyfe, when you say "my friend"?

[fol. 1183] A. My friend Jim Little,—and he is a good friend.

Mr. Little: Since Western Classification 51?

The Witness: Well, since you got into the game.

Mr. Little: Too long ago.

The Witness: That is all I have.

By Mr. Hughes:

Q. That completes your testimony with respect to uniformity, does it, Mr. Fyfe?

A. Yes.

By Com. Splawn:

Q. Mr. Fyfe, if you were called upon to drawn up a uniform classification, how many classes would you have in it?

A. I would not have more than ten or twelve classes, Mr. Commissioner.

Q. You say ten or twelve.

A. I think we might possibly go to twelve.

Q. And what would be the relation?

A. Pardon me?

Q. How would you step them down?

A. Well I would like to give some thought to that matter, Mr. Commissioner. I think, on the first four classes, that I would use 100, 85, 70 and 55. You could tell more about what your relative relation between the classes ought to be, if you knew something more definite about what your first class rate was going to be, because, with the pickup and delivery situation that you have now, and so [fol. 1184] much short-haul business, so much third class and fourth class business, especially fourth class, for short-haul traffic, when you take the pickup and delivery out, and the handling cost, and the terminal charges, you have not got anything left. To my recollection, in 1928, the General Investigation in 1928 of class rates in the West, 17000 Part-2, in the terminal cost study there were something like 140 points, and they were selected, by the way, by the state Commissions; and my recollection is that the terminal cost from origin to destination has averaged out 27.3 cents per 100 pounds. Where there was an intermediate transfer, it brought that up to 35 cents per 100 pounds. Now, if you take the minimum pickup and delivery, where you pay the shipper five cents if he will bring it to you, or give him five cents if he will take it away, and add that minimum of ten cents to the single-line haul, you are getting a cost of 37 cents to start with, on your first class rate. Now, breaking that down, you are just out of luck on anything under, perhaps, 100 miles. Of course, you have got to trust to getting some of the commodities that are going to be moved a little bit more on the higher classes.

By Chairman Aitchison:

Q. Is it generally the rule that, with respect to articles which move less than carload, you will find a corresponding carload rate either one or two classes away?

[fol. 1185] A. Well there are very few of them, Mr. Chairman, that would be only one class away. Generally speaking, they are two or more classes away; and of course when you come into the lower ratings, where you have fourth class, or class C——

Q. Very well. That is sufficient, for the moment. Now take an article that is rated first class, and the first class rate, we will say, is $1. Under the four ratings which you have suggested, the carload rating would normally be 70 cents, or 70 per cent of first class, would it not?

A. No, Mr. Chairman, not of the first class rate. If the minimum weight, say, were 20,000 pounds——

Q. W[illegible]ould it be on an article rated first class, carload?

A. It might be, yes, sir, or it might be first class and fourth class. Say we have a minimum of 24,000 pounds. Take under our old machinery rating; set up with first class, and knocked down with second class; and then we had Class A, 24,000 pounds. But we had machinery which would only load 16,000 pounds, like some of the creamery machinery, where the rating was fourth class; and we have got some of those adjustments today, where we have got first class less than carload and fourth class carload, and second class less than carload and class A carload. We have first class less than carload on certain types of machinery, and Class A in carloads. Now, the first class is predicated upon the fact [fol. 1186] that the machinery is not boxed or crated; it has a high liability to damage; you cannot load anything on top of it——

Q. Well what I am getting at is this, now, Mr. Fyfe: Figuring second class at 85 per cent of first class, and third class at 70 per cent, 70 is almost exactly 85 per cent of 85. Now when you come to make a drop from 70 to 55, you are getting much more of a difference in percentage than 15 per cent. In other words, 60 is almost as close as we can get, in round figures, to 85 per cent of 70. Now, what do you say, as a matter of general principle, with respect to these classes, say, 12 of them being related to each other in relatively close percentages, each to the one above, and each to the one below?

A. I think that would be all right.

Q. Would that in your opinion facilitate the making of adjustments in connection with analogous commodities, and also facilitate the making of adjustments on commodities that in some respect were analogous, but different in others?

A. I think it would, yes, sir, but you would have to take and rework the entire classification, and pick out all of the weights per cubic foot, and the values per pound and everything else. You would have to go back into the history of everyone of those ratings, and find out why it was made. I will give you a good example of that. Recently a big manu- [fol. 1187] facturer came in and said, "Here is a new one that we have got to have a rating on right away." I said, "Chemicals noibn." He said, "That won't do. We have got a new type of solvent."

Q. He had what?

A. A new type of solvent. Our solvents, noibn, are rated the same as the chemicals, but he did not want chemicals, and he did not want solvents noibn. I said, "What is the value of your article?" He said, "20 cents per pound." I said, "What does it weigh?" He said, "32 pounds per cubic foot." Well, the upshot of it was that he wanted the same rating as applied on another article, worth between eight and ten cents per pound. I said, "Now, why?" He said, "Well, when we get into mass production, and we are going to go into mass production very soon, the price is going to be less, or lower than this other one; it is going to do a better job, make a quicker drying job, and it is going to be less dangerous to handle. Now that is why I am asking for the same rating that applies on this other lower-value one." I said, "All right; we will give it to you."

Q. You did not tell him the same thing you told me—"You can have it, if you will shut up"—did you?

(Laughter.)

A. To show you, Mr. Chairman, how things have changed: [fol. 1188] I do not know whether the Commission realizes it or not, but we are making a lot of changes in the classification that never go on the public docket. Matters are too hot these days. Our old agreement with the National Industrial Traffic League was that everything had to go on the docket. Well, we finally got the National Industrial Traffic League to agree that in the case of a hot proposition, involving changing a package, that meant a reduction, we could go ahead and do it without putting it in the docket, and it would be all right. Now, we are making changes every day; we are changing things for the War Department, as you know, on one day's notice, issuing a supplement every week to take care of them. Well, in those same supplements go things that we are taking care of for the shippers also. One of the serious problems that we have confronting us today is the inability to secure packages in which to move a great many commodities. Now, I know that the Commission did not like our test-shipment permit rule when we put it in, but it has been a godsend in this emergency. We handled 15 carloads of frozen eggs on test-shipment permits, where we did not know whether they would carry or not, but the shipper was willing to take a chance, until we got the package tested out, and got them into cold storage, and found out what was good and what was bad; and then we got it in the classification. Now that the all-steel barrels have been [fol. 1189] frozen, and even the shipper that has them cannot use them, subject to the order, what are we doing? We are going in with lubricating oils in a plywood drum. We are working the thing out; we have got them running test shipments, on test-shipment permits, until we know whether it is going to stand up or not, or whether it is going to have to be strengthened a little. We are making all of these changes today, to meet the situation, and right now I ought not to be here at all. I ought to be at my desk in Chicago, handling these Government matters, that take up 90 per cent of my time. It is not a question of rates or ratings today, but it is a question of description, to cover these things. For example, we thought that we had the item of bomb fins all fixed up, but not later than last Saturday I provided for the shipment of bomb fins, not in metal crates, but just said "crates", because they said that they might have to use wooden crates, so we struck out the metal crates, and just said "crates." That is the way this classification work is going, these days.

Q. Well, passing that: What are the mechanics, or what is the mechanical arrangement with respect to conflicts between the committees of the three territories, with respect to getting uniformity, as to packing requirements, descriptions, ratings and the like?

A. The subjects that go on the public docket are heard at [fol. 1190] New York and Chicago. Mr. Youker here reports our meetings, and copies of the verbatim testimony, since 1920, are in the files of the Commission, of every public hearing that we have had. Following the public hearings the committees sit down around the table, and the Western files are available to the other committees, if a question comes up as to whether the statements made as to the weight and value of a given commodity, are representative. In some cases we may have to check back, to see how the conditions have changed, if they have, since the rating was first established.

Q. When you speak of the committee sitting around the table, do you mean the particular committee which has docketed the proposal?

A. No, Mr. Chairman; I mean, all three of the Classification Committees.

Q. All three?

A. Yes, sir—Official, Southern and Western. Each committee has absolute jurisdiction over its own ratings.

Q. When you sit in New York, are there only Official Classifications that are under consideration?

A. No, sir. We hear them all at Chicago and New York. The final hearing is held, one month in New York, and the next month in Chicago; one meeting in New York, and the next meeting is held in Chicago.

[fol. 1191] Q. Where are the Southern meetings held?

A. Pardon me?

Q. Are the Southern meetings held in Atlanta?

A. They have a public hearing at Atlanta, yes, sir, but they attend the other meetings also. The three Committees attend all of the meetings, except the Southern, and we have quit going to the Southern meeting on account of the lack of representation down there. We spend 36 hours in getting to Atlanta, and then there is nobody at the hearing; but we do read the record. Now after all of these public hearings, then, as I say, the three Classification Committees sit down around the table in joint session, and they agree upon what the descriptions will be, and the minimum weights, and the packing requirements; and then each committee fixes its own ratings. We have no voice in the Southern ratings; the Western Committee has no voice in the Official ratings. They may want to do something, and I may cry my head off, telling them that I do not like it; but I do not have any stopper on them. They can go ahead. We try to work things out uniformly; we are trying to work toward uniformity all the time.

Q. Well, on any of these occasions when you are, as you say, crying your head off, Mr. Fyfe, do you ever say to them, "Well, you fellows can go ahead and put in this rating in your territory, if you want to, but we are not going to concur [fol. 1192] in its application to Western Territory, where the destination ratings control"?

A. I have never had that situation come up, Mr. Chairman, because when we tell them, for example, that we are going to do something in Western Territory, it goes into the Classification. On the other hand, I have never had them object to anything that we wanted to do—either the Official Classification Committee or the Southern Classification Committee.

Q. Well then, in connection with movements interterritorially, controlled by classification, if there is a difference between two of the classifications, on a movement into Western Classification Territory, your judgment would control as to the classification which would apply—that is, the judgment of the Western Classification Committee would control, would it not?

A. As far as the West was concerned, yes.

Q. And vice versa?

A. Yes, sir. Now sometimes, when the Official Classification is reduced, when they do something that carries a reduction with it, we will ask them to take care of it by an exception. If it is something that they want to try and get down to the motor truck basis, we will say, "Take care of it in your exceptions, and flag it 'motor truck'." We say, "Do not force it in on us, as a reduced rating in the [fol. 1193] classification."

Q. They have, I believe, 3200 exceptions in the South. As far as the other committees are concerned, would there be any reason why they should not be carried in the classification?

A. Yes, sir, every reason in the world, Mr. Chairman, particularly as far as we are concerned, because we think that they were made without rhyme or reason——

Q. Well, that is your judgment as against theirs.

A. Well, when we question some of them, they admit that they are not all right, and that it would be well to reconsider them; and I will tell you, they would cost us a lot of money.

Q. For the purpose of my question, however, Mr. Fyfe, you will have to assume that they are proper, that they comply with the law, that they are just and reasonable, being subject to attack, and that they have not yet been condemned. Now, is there any reason from the technical standpoint of classification construction, why those exceptions should not be put into the Southern Classification itself?

A. I think if they go into the Southern Classification itself, Mr. Chairman, they are going to force further reductions in the Southern Classification.

Q. Do you mean, by the analogy rule?

A. Yes, sir—and complaints.

[fol. 1194] Q. Complaints of discrimination which would follow?

A. Yes, sir. Those are the complaints that we get in the West, with requests for reductions. A man will think he is entitled to a reduction, and he will say, "Why shouldn't you make this the same as they make it in the South or in the East?"—when conditions are entirely different. Now, I do not know what actuated the South in making those exceptions. It is true that we have some of those exceptions in Western Territory, but there are lots of them that we have not got in there, and if I may say so, I blocked them. And why? Because they were going to wreck our entire adjustment.

Q. But as far as the Southern carriers carrying those exceptions in the classification is concerned, they are not prevented from doing that, as I understand your testimony, by the fact that you would not concur, are they?

A. No, sir, they are not. They can ask us for a concurrence.

Q. Would they have to?

A. No, sir. We have no voice in making any of the ratings in Southern Territory.

By Com. Alldredge:

Q. I judge from what you have stated here, Mr. Fyfe, that it is your view that it might be a good thing if you did have some voice. Is that correct?

A. In some of the things, yes, sir.

Mr. Hughes: If the Commission please, counsel desires [fols. 1195-1196] to express his appreciation of the Chairman's splendid examination of Mr. Fyfe: It has made counsel's task very much easier.

Chairman Aitchison: Oh, Mr. Fyfe and I have been rehearsing these things for a good many years.

The Witness: Yes, we have been through it all, Mr. Chairman.

Mr. Hughes: In the early portion of Mr. Fyfe's testimony, he made some allusion to the Motor Carrier Classification, which may have left the impression that he is appearing here as a witness for the motor carriers. If any such impression has been created, I desire to correct it, on the record, at this time. Mr. Fyfe is here as a witness, called by the Western Railroads exclusively. The witness is now tendered for cross examination.

Chairman Aitchison: Cross examine.

Mr. Townsend: Just one question.

Cross-examination.

By Mr. Townsend:

Q. Mr. Fyfe, I have had an experience in connection with blankets, that I want to ask you a question or two about. As you know, we manufacture blankets in large quantities and ship them in carloads——

A. Mr. Townsend, let us not talk about blankets, because they are before the Interstate Commerce Commission at this time in a formal case.

[fol. 1197] Q. I am not interested in that, Mr. Fyfe. I just want to know what your policy is going to be with respect to similar commodities. I call your attention to the rating on clothing, of ~~equal value, and~~ certainly no heavier in weight, rated second class in carloads. Now, is there any reason why you should take clothing, particularly woolen clothing, and rate it second class, when you will not give us second class on carload movements of blankets?

A. Mr. Townsend, the second class rating on carloads of clothing that is now in the classification was made by the Simplication Committee without rhyme or reason, for the purpose of helping out the freight forwarder, I expect; and if you will look at the rating on the woolen goods on which the clothing is made, you will find that there is no carload rating on the woolen goods; and it is ridiculous to make a carload rating on a manufactured product, and not make a corresponding rating, or a lower rating from the raw material from which it is made. Now as I stated, the entire blanket question is pending before the Interstate Commerce Commission at the present time, in a formal complaint, as to the carload rating——

Q. Oh, this has been in effect for many years, Mr. Fyfe.

Mr. Hughes: If the Commission please!

Chairman Aitchison: Just a moment, Mr. Townsend.

Mr. Hughes: In view of the statement of the witness, that [fol. 1198] there is at the present time pending before the Commission a formal complaint involving the subject that Mr. Townsend is now talking about, I move that all of the testimony bearing on that subject, be stricken from the record.

Mr. Townsend: That does not involve the rates from Minneapolis, if your Honor please, and that is all that I am interested in.

The Witness: It involves the rates all over the country.

Mr. Townsend: That is not a classification complaint.

The Witness: How?

Mr. Townsend: That is not a classification matter.

The Witness: Absolutely. It was filed at Lima, Ohio, attacking the rating, the carload rating on blankets in all territories.

Chairman Aitchison: Well, as we stated, I believe, in various of our notices with respect to this hearing, we do not intend to thresh out individual situations here.

Mr. Townsend: Oh, no, and I am not trying to thresh out any individual situation here, if the Commission please. I am merely trying to find out now from Mr. Fyfe what the policy is.

Chairman Aitchison: Then ask him what the policy is, in general, but do not try to pick out a matter which may be in litigation before us at this time on another record.

Mr. Townsend: When I asked him about the policy, he [fol. 1199] said that somebody went crazy, and put in the clothing rating years ago.

Chairman Aitchison: Well, he answered you that it was not anything that he had to do with.

Mr. Townsend: That is all that I asked him; and if that is the only explanation of the difference in rating between clothing and blankets, that somebody went crazy, so that we have blankets carrying the Official Classification rating, that is all I want to know. Thank you.

Chairman Aitchison: Is there further cross examination?

Mr. Bee: Yes.

Chairman Aitchison: Mr. Bee.

By Mr. Bee:

Q. Mr. Fyfe, there is one question of general information that I would like to ask you, and the commodity to which I am going to refer is found on the second page of your Exhibit No. 68—or rather, I mean to say, the third page. It is a commodity in which I do not have any particular interest, and I am merely using it as an example.

A. The third page, did you say?

Q. Yes, sir.

Mr. Hughes: Of Exhibit 68.

By Mr. Bee:

Q. Yes. It is No. 41, and as I say, I do not have any particular interest in the commodity itself, it is merely an example; so please do not tell me that there is a case pending involving that commodity, or something like that. The [fol. 1200] item that I refer to is headed "Tractor tread pins." It is third class less than carload in all classifications. Would you tell me why it should not have the same carload classification rating in all of the classifications, when it has the same less than carload rating in all of the classifications?

A. Well now just a moment, until we see what it is today.

Q. Understand, Mr. Fyfe, I do not care anything about the item itself. I am taking it merely for example.

A. The same ratings are in effect today. There has been no change in that item. The rating in the West is Class A, the machinery basis. There is no actual carload movement that I ever heard of, of tractor tread pins in straight carloads.

By Chairman Aitchison:

Q. Well, is it important from a mixing standpoint?

A. Just a moment, if you please, Mr. Chairman. They are moved in mixed carloads with Caterpillar tractors. You will note that the weight of 162 pounds per cubic foot would warrant an extremely high minimum weight. The carload rating is on the same basis as the tractors. If we made the carload rating consonant with the 162 pounds per cubic foot, fifth class, which applies in the East, we would have a 36-pound minimum at fifth class; and when the man came to mix them in a mixture carload as repair [fol. 1201] parts, with his caterpillar tractors, he would be paying the caterpillar tractor rate on a minimum weight of 36,000 pounds. Now we gave the caterpillar tractor man just exactly what he asked for. He asked for a rate lower than the general machinery rate, because it is more analogous to hardware, and he wanted the hardware rate on it, and he wanted the machinery carload rate.

Q. Are those pins any more valuable, at 162 pounds per cubic foot, in the Southwest, than they are in the East, Mr. Fyfe?

A. Is your question: Are they any more valuable in the Southwest?

Q. Right.

A. I do not know what they sell them for in the Southwest.

Q. Well then, what difference does it make, whether it is 162 pounds or 412 pounds?

A. I do not understand the question.

Q. I am asking you what the relationship—or rather, why, the relationship of the commodity being third class less than carload in each of the territories, it should not have the same relative class in each of the territories carload.

A. Well I tried to tell you that the Official Classification Committee tried to go up on the machinery and machinery parts items, and the- could not get away with it. Now then, let us see how far they did get, with that one.

[fol. 1202] Q. I can change that illustration, of course, Mr. Fyfe, to a number of other commodities.

A. Oh, yes, you can change it to maybe a hundred commodities, but there is a good reason for all of them, and you know it.

Chairman Aitchison: Well now it seems to me that there is a begging of the question here. There is an assumption that because fifth class has been prescribed in one column, and something else in another, they are different.

Mr. Bee: Well fifth class and A are considerably different, if the Commission please. Fifth class in the Official Classification is 35, and A in the Western Classification certainly is not 35.

Chairman Aitchison: No, but here the relation is one that seems to be technically predicated on third class, rather than first class.

Mr. Bee: Well, I agree with you, Mr. Chairman, but first I wanted to find the relationship of the uniform rating of the third class to first class, and now I am trying to get the relationship of the carload to third class, or to first class, which will be identical.

Chairman Aitchison: Well, then, your question is primarily: Is there a proper relationship between the less than carload and the carload?

Mr. Bee: Absolutely so.

[fol. 1203] The Witness: All right.

Mr. Bee: That is what I want Mr. Fyfe to tell me, Mr. Chairman.

The Witness: Now, Mr. Bee, this does not represent the condition that existed on the carload rating in Official Classification Territory. You are talking about something away back in 1930, now, and conditions have changed. The rating today in Official Classification is Column 40. It is identically the same as the machinery rating on tractors, and it was made Column 40 for the same reason that I explained that our Class A change was made.

By Mr. Bee:

Q. You told me to start with, Mr. Fyfe, that the ratings were identical.

A. Just a moment.

Q. I am not using this particular item because I am interested in it. I told you that I was not interested in the pins themselves. It just represents the point that I am trying to get at, Mr. Fyfe. If a commodity is rated less than carload, third class in Official Classification Territory, and third class in Western Classification Territory, less than carload, why should it not have identically the same rating when moving in carloads, with the same minimum weight?

A. There are a good many reasons.

Q. Give me one.

[fol. 1204] A. You have got to deal with the general situation, with respect to competing commodities. Our rating may be correct, as compared with competing commodities. The Official rating may be wrong, The Official people tried to get all of their machinery ratings up to Column-45, but pressure from the shippers held them at 40. The view of the Official Classification Committee was that Column-45 would be a reasonable rating on the general run of machinery, with few exceptions, and if they had gone to that, if they had been able to go to that, this particular item to which you refer, tractor tread pins, would have been Column 45, the same as the others.

Q. Then may I ask you, Mr. Fyfe, why the three classification territories, or the three sets of railroads, should not forget all about the three classification committees, and fire them all, and put one classification committee in there, looking to a uniformity that will be a real uniformity, with everybody looking, not to what the Official man wants, and not to what the Western man wants, but looking for what is good for the nation as a whole?

A. And the shippers would shoot you.

Q. No, I do not think so.

Chairman Aitchison: Let us not argue with the witness.

Mr. Bee: Let me ask Mr. Fyfe one more question.

By Mr. Bee:

Q. As a matter of fact, Mr. Fyfe, you have as your principal, the railroads, have you not?
[fol. 1205]

A. How is that again?

Q. I say, your principals are the railroads.

A. Yes.

Q. And your principals have another agent who issues the classification exceptions, have they not?

A. Yes.

Q. So that when they desire to undo your work, they undo it through the other agent, do they not?

A. Yes.

Q. And the result today has been that our work has been practically undone, or very largely undone; that is true, is it not?

A. I would not say that, no, sir. May I explain?

Q. Yes.

A. When you talk about mixed carloads, where an industry as a whole comes in and asks for that—take for instance the poultry equipment men, the barn equipment men. We gave those people exactly what they asked for, a reasonable minimum weight, and everything; and the ink was not even dry on the classification before chiselers were before the Rate Committees, putting pressure on the railroads to go down to the agricultural implement basis on an entirely different line of equipment.

Q. Now you spoke of the great percentage, or the large [fol. 1206] percentage of less than carload traffic, or merchandise traffic, as you term it, moving under the third class and fourth class ratings. Are you not advised, Mr. Fyfe, that in the Southwest especially, the railroads have found it advisable, on both their interstate and their intrastate traffic, to use a new set of class rates, to avoid—or not affect the Southwestern scale as fixed by the Commission in Docket 13535, the Consolidated Southwestern cases?

A. No.

Q. You do know however do you not, Mr. Fyfe, that there are special class rates?

A. I do not know anything about that territory.

Q. Are you familiar with the mixtures that are prominent throughout Texas, for example, such as drygoods mixtures, the hardware mixture, and the drug mixture?

A. Well now I am familiar with the drygoods mixture, yes, sir, because that was put in over our protest by the Texas Commission, back in my own days, 35 years ago, in Texas, and I used to say that they had everything but rubber goods and diamonds in that mixture, which was put in to take care of a few jobbers in Texas.

Q. Have you seen the new Missouri mixture?

A. How is that?

Q. I say, have you seen the new Missouri mixture?

[fol. 1207] A. No, sir, I have not, but I expect that it is along the same lines. They try to take care of their people down there, particularly in Texas, and keep everybody else out.

Q. And the railroads try to take care of their people in the other territories, by reducing the rates likewise, do they not,—by making like reductions.

A. Well I think that the railroads have taken pretty good care of the Texas people, and people in the Southwest generally.

Q. Yes?

A. I think that they work very close together.

Q. Now you made the statement that every petroleum rate of the motor transporters that you have ever seen, was in cents per gallon. Are you not advised that the Interstate Commerce Commission itself has fixed interstate rates on petroleum products, refined petroleum products, in cents per 100 pounds, Mr. Fyfe?

A. Well, I am talking about the tariffs that I have seen, and the reports on tariffs that I have had for tank truck movement.

Q. I am speaking now about tank truck movement also, Mr. Fyfe.

A. (Continuing:) Which are published on a gallonage basis.

Q. I am speaking of tank truck movement also, Mr. Fyfe, where the Interstate Commerce Commission itself, as be- [fol. 1208] tween Kansas and Oklahoma, and Kansas and Colorado, out in the far West, has fixed rates in cents per hundred pounds.

A. Well, I have not seen any of those figures. I have seen a lot of figures at pipeline terminals, at various places, however, for tank truck movement.

Q. Not fixed by the Interstate Commerce Commission?

A. No, not fixed by the Interstate Commerce Commission, but they are published by the truckers, and they are published on a gallonage basis.

Q. Have you seen any rates fixed by the Interstate Commerce Commission upon a gallonage basis, in any of the ten or twelve petroleum products cases which have been tried under the Motor Carrier Act?

A. No, I have not.

Q. All right.

A. I do not get those decisions.

Q. Now I think there is just one more question, Mr. Fyfe, and then I am through. You said you think that the motor trucks in naming volume rates, should be required to use the carload minimum of the railroads.

A. Yes, sir—where you handle it in one truck, or two trucks, or a truck and a trailer.

Q. May I ask you, Mr. Fyfe, upon what basis your rule-34 is prescribed,—upon what size car?

A. Rule-34 at the present time, on closed equipment, [fol. 1209] applies to a 40-foot car. The minimum weight was predicated on a 36-foot car, as I testified previously, using about 2200 cubic feet.

Q. Yes?

A. And sometimes less, if the freight was of such a character that it would not topple over.

Q. But at the present time your rule-34 is based on a 40-foot car, or what we today call the standard car, I believe.

A. Yes, sir.

By Chairman Aitchison:

Q. 40-feet, 6-inches?

A. 40-feet, 7-inches. There is one minimum for everything, 40-feet, 7-inches and under, except for open-top equipment. We have a different line of minima in there.

Q. Rule-36 is based upon what?

A. How?

Q. Rule-36.

A. The 36-foot car.

Mr. Bee: No, not Rule-36, if your Honor please. I think that the Chairman has Rule-34 in mind.

By Mr. Bee:

Q. Now, Mr. Fyfe, do you know of any of the states in the Central West that would permit the movement of trucks on its highways that would be equivalent to the contents of a 40-foot car—that is, with a carrying capacity, or with a load, that would be equivalent to the contents of a 40-foot car?

[fol. 1210] A. That would depend entirely upon where it was.

Q. Well, generally speaking.

A. I do not know. I have not got a lineup of the latest information as to the capacity limits, the length limits, or the weight limits. I have looked over some of the figures, and they are Greek to me, because they talk about weight per axle, and everything else. You would almost have to get a mathematician to figure it out for you, and I cannot tell you.

Q. Well do you not know, Mr. Fyfe, as a general proposition, that the total weight of the vehicle and the load is held below 40,000 pounds?

A. Well that would cover a very large portion of the amount of load that was in the vehicle.

Q. I say, the vehicle and the load.

A. What is the weight of the vehicle?

Q. I do not know. You referred to 60,000 pounds a little while ago.

A. No, sir, I did not say that. I said that there are certain types of vehicles for the handling of heavy machinery, like logging equipment, that are 16-wheel vehicles.

Q. Oh.

A. And that will take a load of 60,000 pounds or more.

Q. I misunderstood your statement, then. I thought you [fol. 1211] said that the vehicle itself weighed 60,000 pounds.

A. No.

Mr. Bee: Well that is all I have, then, Mr. Fyfe. Thank you.

Chairman Aitchison: Is there any further cross-examination of Mr. Fyfe?

Mr. Little: I have a few questions, if you please.

Chairman Aitchison: Mr. Little.

By Mr. Little:

Q. Mr. Fyfe, in the outline, or the statement, entitled "Answer to question 10," the first paragraph, I find a statement of the basis upon which you think that classification should be determined—is that correct?

A. Yes, sir. Those are primarily the factors that we have considered in the past, and what the Commission has always given consideration to.

Q. Well, do you know whether or not the same factors are taken into account by the Western, Official, and Southern Classification Committees?

A. They are supposed to be.

Q. Referring now to your previous testimony, that there are joint meetings of the representatives of the three Classification Committees: I assume that a statement of all of those factors that enter into consideration is before the three committees when action is being taken. Is that correct?

[fol. 1212] A. Oh, they have got them all in their heads.

Q. Where?

A. In their heads.

Q. Now, Mr. Fyfe, I notice in that list of items that are important in determining classification, one entitled: "Value per pound."?

A. Yes.

Q. That is more or less self-explanatory, but how do you distinguish between that item, and the value of service, if you do so distinguish?

A. Well, the value of the service comes right back to the value of the goods that you are transporting, their liability to damage, the risk that you are taking, the general condition of the goods, and so forth. Where an article is worth, as vanilla beans are at the present time, $14 to $16 per pound, or some of these other items that the Commission has found reasonable at one and a half times first class, some of these essential oils, even, that are worth $2.50 per pound, the value of the service——

Q. Is this item of value per pound——

A. Just a moment, please, Mr. Little, until I finish my answer.

Chairman Aitchison: Let Mr. Fyfe finish, please.

Mr. Little: Pardon me.

A. I was just going to add, the value of the service in [fol. 1213] transporting those items is more important to the shipper, when there is proper handling, than it would be in the case of iron or steel hardware, and the carriers should have greater compensation than they would receive for transporting 100 pounds of iron or steel hardware, where the risk, value and liability to damage or loss, are very low.

By Mr. Little:

Q. Have you finished?

A. Yes.

Q. Now is this item of value per pound, of primary use to the committees in considering the difference in the liability to loss and damage, and the cost to the carrier, arising from the different rates of loss and damage to the proportion of the tonnage handled of the various commodities?

A. I do not know whether I follow you there or not.

(Question read.)

A. No, sir, it does not go quite that far. In addition to the value, we are giving consideration to all of these other factors also. Now, the value may be very high. To-day, the value of airplane engines in carloads is approximately $240,000, for a 40-foot car.

Q. Well now, that is not what I am asking you, Mr. Fyfe. My question is, just generally——

A. Just a moment please. Let me finish. The value of the service there would be very high, because they are getting [fol. 1214] the same rating as applies on the ordinary gasoline engine, that goes onto the farm, or the ordinary gasoline engine that is shipped on skids. But that higher value of the airplane engine is largely offset by the manner in which that engine is packed for shipment. You could turn over one of those engines, or a carload of them, with practically little or no damage, while if you turned over a carload of ordinary skidded gasoline engines, you would have plenty of damage. You have got to take all of those factors into consideration, in other words.

Q. My question, Mr. Fyfe, was, generally, as to whether you regard value as of primary importance in determining the difference in cost of transportation to the carrier, arising from the higher or lower difference in loss and damage to the particular shipments which are transported?

A. Oh, we give consideration to all of those factors—liability to damage, and all of them, yes, sir.

Q. Well, my question is, Mr. Fyfe, is that the primary basis which the railroads take into consideration—or which the Classification Committees take into consideration——

A. No.

Q. —or is value, in your judgment as a classification expert, of primary importance in determining the ability of the shipper to pay, when the rating is considered?

[fol. 1215] A. No, sir, it is not of primary importance. It is only one of the factors that enters in. Of course, the higher the value, the greater the profit, in the case of a high-valued article as compared with a sack of cement. There should be some difference there. In other words, we ought to get a little of that money, under those circumstances.

Q. In discussing the testimony of the Witness Jensen, and also in your other mimeographed paper, sheet 2, Mr. Fyfe, where you refer to pages 31 and 32, you discuss exceptions to the classification, and you say that the emphasis must be on the value, the high value of the commodity, in proportion to the rating assigned by exception. Is that right?

A. And not only that, but its weight per cubic foot, and the manner in which the item is packed. Do you, as a classification man, think that iron and steel hardware, and lamp chimneys, ought to be on the same basis?

Q. I am asking you now, for example, Mr. Fyfe, with respect to your discussion of the various oils, the value of the various oils, as shipped, under the exceptions, and I am asking you if your criticism is not primarily based on the high value, and the ability of the commodity to stand a higher rating than is assessed by the exceptions, in the case of these particular essential oils?

A. As to these particular essential oils here, yes, sir, and we have got other oils that I have not named, that go into [fol. 1216] the manufacture of vitamins, such as soupfin shark liver oil, and halibut liver oil, and the other oils in that group, worth $70 per gallon; and if anything happens to any of that, somebody has to stand a very heavy loss.

Q. Then do I correctly understand you to say that you think that the ability of the shipper to pay a higher rating for a given service, or in other words, the element of what the traffic will bear, is entitled to proper consideration, in arriving at a classification?

A. Yes.

Q. Now is it not true, Mr. Fyfe, that there have been differences between the judgment of the Classification Committees and the traffic officers of the railroads, in making exceptions, and that those judgments have been different with respect to the importance that is to be assigned to this factor of the value of the commodity, and what the traffic will bear?

A. No, sir. These exceptions on drugs and chemicals, for example, were forced by competition.

Chairman Aitchison: Well that is another way of referring to value of service, because the service is not worth any more than the substitute, if you have an equally efficient substitute.

The Witness: Yes, that is true, Mr. Chairman, but after all, there should be a reasonable adjustment of rates, and [fol. 1217] just because somebody wants to take some tonnage away from somebody else, and they do not take the trouble to find out what they are dealing with, or what is involved, but they just want to cut the rates for the purpose of taking tonnage away from the other fellow, we are getting into a serious condition. As to some of these essential oils, it is true that they do not move in great volume; but take your petroleum oils, upon which the Commission has fixed a reasonable rate in several formal proceedings. The price today is probably three times what it was when the Commission fixed the rate, and still we find it today in third class.

By Mr. Little:

Q. Are you aware, Mr. Fyfe, of the appearance of some of the principal traffic officers, vice presidents and others, on behalf of the Official Lines and the Southern Lines, before the Interstate Commerce Committee of the Senate, at which they discussed this very point, as to the variation between exceptions which they had published, and intended to publish, to the existing classification, and where they testified in substance that they had found it necessary to give less weight to the element of value of service in meeting motor carrier competition, especially considering the operation of private trucks?

Mr. Hughes: Now just a moment, please, Mr. Little. Can you cite for the record where that can be found?

[fol. 1218] Mr. Little: I could if I had the volume.

A. I am not familiar with that.

Mr. Little: I can supply it before the hearing is over.

The Witness: I do not know anything about it.

Chairman Aitchison: Well I submit also that they were using an ambiguous term, when they spoke of value of service, because it has at least four different meanings, as used by economists, and by those in the rate game.

The Witness: I do not know anything about it.

Mr. Little: I appreciate that, your Honor. I intended to inquire about that, and I will now make that inquiry of Mr. Fyfe. Mr. Fyfe, in which sense did those gentlemen use the term, in the proceeding to which you have referred?

Mr. Little: It might be of interest, if the Chairman please, if we would have the witness answer as to whether or not he took into account, under the heading of value of service, the proposition that a given commodity is worth, say $2 per ton at Squedunk, and when delivered at Podunk it may be worth $4.50 per ton on the market.

By Mr. Little:

Q. Do you take into account, Mr. Fyfe, such differences, in connection with value?

A. We take into account what the shipper tells us he can afford to pay. Now what the shipper can afford to pay is the value of the service to him of course, is it not?

[fol. 1219] Q. I am asking you.

Chairman Aitchison: It might be more than that, because he might have some selling expense.

The Witness: That is true.

Chairman Aitchison: In other words, it might cost him something to find a purchaser for the commodity.

The Witness: Yes.

By Mr. Little:

Q. Well now, Mr. Fyfe, if you do take this illustration that I am referring to, as between those two points, where there is a difference in place-value of, say, $2.50 per ton, and you set a classification basis of double first class upon a relatively heavy commodity, a solid-loading commodity, do you not think that you immediately create a situation where, if the shipper has any considerable volume, he will proceed to acquire his own transportation facilities, if his cost, for trucking operations is less than the rates which you offer?

A. He might.

Q. Is it not true that that is one of the important difficulties which has been met by the carriers in all of the Classification Territories, with respect to meeting the competition of highway vehicles?

A. I do not think that is wholly true.

Q. Pardon me?

A. I say, I do not think that is entirely true. I think [fol. 1220] that considerable of this competition has been overdrawn by the shippers. I think that they have worked it to death.

Q. But whatever the weight to be assigned, or that is assigned, to these various factors, would it be your statement that all of these items were considered in arriving at the numerous ratings which are already uniform in the three Classification Territories?

A. No, sir. As I stated before, when we unified the first three classes, we were told to unify them on the lower bases, regardless.

Q. Well, but did you not consider these specific items, in arriving at your decision?

A. No, sir, we did not. Our ratings originally were made, predicated on these specific items, on the items that we put into the classification, and analogous articles; but when we were told to unify third class and higher, we did it without looking to the weight or value of them. It was — mistake.

Q. Well if there is now a great preponderance of uniform less than carload ratings as between the three classificaitons, would it be your testimony that the uniformity has been generally secured by disregarding the classification principles which you have enumerated?

A. Oh, no, not entirely.

[fol. 1221] Q. Well generally, then, Mr. Fyfe, what elements would you say been been disregarded in order to arrive at the uniformity which you show in the Consolidated Classification today?

A. A great number of the ratings were uniform, before we unified the items that were not uniform.

Q. I am asking you——

A. Just a moment.

Chairman Aitchison: Please let Mr. Fyfe complete his answer to the question which you just asked him, Mr. Little.

Mr. Little: Pardon me.

A. (Continuing.) We had a large number of less than carload ratings that were uniform, but we were told to unify everything, third class and higher, where they were not uniform.

Q. All right.

A. Now, that is what was done, with a broadaxe, without any consideration of what the classification elements were.

By Mr. Little:

Q. Well, Mr. Fyfe, with respect to the items upon which you said the ratings were all uniform, when you were given your instructions to unify with a meataxe, or with a broadaxe, as you say, were those ratings which were then uniform, in your judgment, determined with full reference to the list of principles stated?

A. With respect to the ratings, in so far as the Western Committee was concerned, I would say so unqualifiedly, [fol. 1222] yes, sir.

Q. Are you not prepared to say, with respect to the other Classification Committees also——

A. I could not testify for either the Official Classification Committee or the Southern Classification Committee.

Q. I see. You are unable to say, as to them.

A. No, sir. Unfortunately our Southern friends took a lot of those things, that were first class, and second class, and that were uniform in all of the territories, and made them second class and third class, without ever consulting us.

Chairman Aitchison: It is perfectly obvious, Mr. Little, that Mr. Fyfe ought not to be interrogated with respect to what was in the mind of somebody else.

Mr. Little: Well, if the Chairman please, the only reason that I asked the question was——

Chairman Aitchison: Now, do not debate it, please.

Mr. Little: My only point is——

Chairman Aitchison: Please go on to something else. Do not ask Mr. Fyfe to swear to what was in the mind of somebody else.

Mr. Little: The only point I had in mind, if the Chairman please, was this: Mr. Fyfe has testified that these committees have been meeting jointly, as I understand it, and

I thought perhaps he might have some information in the [fol. 1223] matter. That was all I had in mind.

Chairman Aitchison: Oh, he can tell what some other man may have said, but he certainly cannot tell what was in his mind.

By Mr. Little:

Q. Well, Mr. Fyfe, do you in the joint meetings of the three Committees, to which you have referred, refrain from all discussion of joint problems?

A. There is no joint problem element, except arriving at a uniform description of a particular commodity, uniform packing arrangements, or requirements, and a uniform minimum weight.

Q. All right.

A. The uniformity stops there.

Q. I see.

A. And then each committee announces what rating it thinks ought to go in.

Q. Now, Mr. Fyfe, in your judgment, after all of these years of experience, would you see any objection to having this same group of informed and able classification men, discuss at the same time the further question as to whether they should establish a uniform rating in all three territories, as well as uniformity to the limited extent that you have stated?

A. Well, we do discuss uniformity. We try to get uniformity, if the conditions are such that it can be done. [fol. 1224] As I pointed out to you before, in the case of new items, where a new item is going into the book, in 95 per cent of those cases you will find that the ratings are uniform, unless there is a competing item that the new item has got to be lined up with in some territory, where we might believe that a lower rating or a higher rating on the new item should be made. I thought I made that clear here before.

Q. To avoid any undue cross-examination on my part, Mr. Fyfe, as I understood your previous answer, it was that at the joint meetings of these committees there was considered everything, as to any problem of uniformity, except uniform ratings, but your latter answer indicates that you also consider uniform ratings. Now is that correct, or not?

A. Oh, as I stated before, we do try to get uniform ratings, yes, sir, if the conditions are such as will permit our making them; but each territory, as I have also stated before has jurisdiction over its own ratings.

Q. All right. Then is the lack of uniformity flowing from those meetings, based on differences of judgment with respect to these items which you have listed as the principles governing the making of a classification?

A. No, sir. They are primarily based upon differences in conditions, in the respective territories, I should say, and differences in the value or the price of the commodity.

[fol. 1225] Mr. Hughes: If the Commission please, it appears to me that we are wasting a considerable amount of time here, on non-essential matters.

Mr. Little: I do not think so.

Mr. Hughes: I have been hoping that Mr. Little would get on to something speedily that would have some meritorious bearing on the issue here. It strikes me that most of his questions have had relation to extraneous matters. I am reluctant to interrupt with an objection, but it would seem to me that his cross-examination could be very materially shortened.

Mr. Little: Well, if the Commission please, as I understand it, in Docket No. 28310, the sole issue is as to the lawfulness of the rail classification. Mr. Fyfe has testified as a witness here with respect to the effort of the committees, of which he is a joint member, to arrive at uniformity. He has stated the principles, and now I am simply inquiring of him as to the detail.

Chairman Aitchison: Let me rule, please. You may inquire as to matters of fact, and also of opinion, but please do not argue with the witness.

Mr. Little: I am certainly not trying to argue with the witness, your Honor. I am merely trying to arrive at the facts.

Chairman Aitchison: Then frame your questions, please, [fol. 1226] so that they will not have the appearance of arguing with the witness; and ask him for the facts, or for his opinion.

By Mr. Little:

Q. Now, Mr. Fyfe, in applying the Western Classification today, in your own territory, does it make any difference in the ratings that you establish, as to whether the volume out of a particular point of origin is large or small?

A. No, sir. One reason for the organization of the present Classification Committee in the West, was to take away from the backs of the railroads, the pressure of the big shipper, so that the small shipper could get the proper consideration, as well as the large shipper.

Q. Now, Mr. Fyfe, referring to sheet 3 of your mimeographed statement, the portion under "Question No. 16," in the fourth paragraph: I wish you would explain the bearing of equal volume on the problem of classification.

A. Referring to the paragraph beginning: "If the tonnage originating in and destined to each territory"—and so forth?

Q. Right.

A. My opinion there is that if the tonnage originated in each territory was of the same character, you might talk about equality of classification. For instance, out of New England, you have your highly manufactured commodities, and you also get them out of Central Freight Association [fol. 1227] Territory. Now if all of the territory had an equal production of the higher-rated classification tonnage, in equal movement, in all territories, and an equal production of granger products, then you might talk about equality in ratings, and equality of classification. You know of course that your grain rates out in the West are lower than they are in Official Classification Territory. Now, if you are going to get equality, if equality is what you are after, let us get some equality on all of the traffic that we are going to save.

By Chairman Aitchison:

Q. Well, it comes down to this, then, does it not, Mr. Fyfe: You have testified that the classifications reflect, to a certain extent at least, not only the other transportation characteristics which you have enumerated, but also the commercial need with respect to the article itself. In other words, if it is a manufactured article, there is a need for a rating on the manufactured article which would not be found in an area where raw material was largely the product.

A. That is true.

By Mr. Little:

Q. Well then, Mr. Fyfe, when you referred to volume in your latter statement, you did not mean differences in the total tonnage moving in one territory as compared with another, did you?

A. Oh, no.

[fol. 1228] Q. Well, Mr. Fyfe, are you aware of the fact that there are very great differences in the ratings applicable in several portions of Western Trunk Line Territory, and as between the various classification territories, and within those territories at the present time,—arising from differences in the classification and the exceptions?

A. I am not familiar with that situation, no, sir. I know that you have different groups, 1, 2, 3 and 4, and when you get out into the sand hills, your rates are higher for equal distances than they are back in the territory where you have got the heavy tonnage movement. I know that, but I am not familiar with the situation you refer to, no. I understand, however, that you do make rates on airline, in Nebraska.

Q. That is not in issue here.

A. Well, I do not know.

Mr. Little: That is all.

Chairman Aitchison: Is there further cross-examination of the witness?

Mr. Smelker: I have several questions, Mr. Chairman.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Fyfe, the first factor named in your answer to Question No. 10, is weight per cubic foot. Now, is the matter of density important in classification, because it affects cost?

[fol. 1229] A. No. Your weight per cubic foot is your loading factor.

Q. And it has nothing to do with costs?

A. No.

By Chairman Aitchison:

Q. Why not?

A. As far as the Classification Committee is concerned, Mr. Chairman, we do not go into the cost of transportation.

The weight per cubic foot is an important factor, however, when you come to your load, because the greater the load that you get into a car, the greater your cost of your operation.

Q. That is because the ratio of your gross to your net tons is thereby increased, is it not?

A. Yes.

Q. So that it does affect the cost?

A. Yes.

By Mr. Smelker:

Q. Then you do not take into consideration, in making ratings, the matter of cost, in so far as density is concerned, do you?

A. Well, we have in the past, yes sir, especially in connection with some of the lighter-loading commodities. For example, we do not provide a carload rating for any commodity, less than 10,000 pounds, and that 10,000 pounds is our minimum basis, although we do know that certain commodities will not load anywhere near 10,000 pounds, but it is fixed to give us a reasonable minimum charge per car, just like we fix the minimum charge for 100 pounds. [fol. 1230] So that I would say that it is taken into consideration, when we get an item of that kind. Take a rate, for instance, from Chicago to Kansas City, a first class rate, which for a distance of 451 miles, will give us an earning of, say, $140 to $150; but that is not followed through, in connection with everything.

Q. Well, in developing costs of this nature, do you make use of any studies, cost studies, of any sort?

A. No, sir. I only made one cost study in my life, and it was like all the balance of all the cost studies that you gentlemen make. A good part of it was just theory. I made a cost study in the Southwest, to determine the difference between the cost of transporting state business and interstate business; and I rode all of the local freight trains, to take off the tonnage, to take off the money, to take the time, and everything else; but when I got down to the end of it—or when we got down to the end, we just had a lot of factors there that nobody could do anything with.

Chairman Aitchison: Well now, Mr. Fyfe, that really has nothing to do with it. We are talking about classification here.

The Witness: Well I am not making any cost study, Mr. Chairman, because I found out that it could not be done.

By Chairman Aitchison:

Q. Do you take into consideration obvious differences in cost?

[fol. 1231] A. I am sorry, but I did not get that.

(Question read.)

A. Oh, yes.

By Mr. Smelker:

Q. Well then, Mr. Fyfe, I take it from your answer that you more or less use a rule of thumb procedure.

A. Yes.

Q. I believe I understood you to say, Mr. Fyfe,—and if I am wrong, I would like to have you correct me, if you will, please,—that the bulk of the less than carload tonnage moves at third and fourth class rates. Is that correct?

A. That is my opinion—in Western Territory.

Q. Then where does the break come; can you tell us?

A. How is that again?

Q. Where does the break come? Between third and fourth class, or at third class, or where?

A. Oh, that I would not be able to say, without a complete check. I know that we have in Western Territory a large number of distribution points, where the movements out of those points consist largely of foodstuffs, feedstuffs, iron and steel hardware, fencing, and that class of traffic, from the wholesale jobbing houses, as compared with the movement of high-class traffic, like your electric refrigerator, machinery, and that sort of thing, into the smaller communities. Nobody can tell just exactly where the break [fol. 1232] would be, without making a very thorough check, and it would be different in different parts of the territory.

Q. Now in answer to Question No. 14, Mr. Fyfe, you state: "The column minimum weight should be the basis for carload or volume rating."

A. Yes.

Q. Should not consideration be also given to the actual average loading, in addition to the minimum?

A. If I understand your question——

Q. In other words, what I mean is this: It is a rather well-known fact that most carload shipments load higher than the minimum, is it not?

A. We recently, with the war situation coming on, issued a docket, proposing to increase a lot of carload of minimum weights, and we met with very violent objection. It is difficult, especially in these times, to increase any rate or any minimum weight.

Q. That is not my question, Mr. Fyfe.

A. (Continuing:) We are getting a great improvement in carloading by the voluntary cooperation of the shippers, but it is not practicable to make a general increase in the carload minimum weights to more nearly represent the average loading of the United States as a whole——

Mr. Smelker: That is not the question at all, Mr. Fyfe.

[fol. 1233] Chairman Aitchison: You are not answering the question at all.

The Witness: I thought I was.

Chairman Aitchison: No. His question is as to whether or not, when you come to fixing carload ratings, in addition to the minimum, do you take into account your experience, in that customarily a car is loaded in excess of the minimum.

A. No, sir. We would not do that, on the minimum weight.

By Mr. Smelker:

Q. But you think, do you, Mr. Fyfe, that consideration should be given to that fact?

A. Well, I do not think that you could give consideration to it, no, sir, for the reason that, in the heavily-populated district in the East, if you will take the average carloading on a given commodity in that territory, you will find that it is very much higher than the average carloading of the same commodity in Western Territory; and yet, on the other hand, I think that, when you get into grain, you will find that the loadings in the West, of grain, are far higher than they are in the East.

Q. Well, talking about Western Territory by itself, Mr. Fyfe, what would your answer be, if you knew the average loading?

A. "No."

Q. You would not take it into consideration?

[fol. 1234] A. No, sir. We could not maintain uniformity if we based it on the West. The East might have an entirely different situation. In other words, you have got to get a minimum minimum, so to speak, and then depend on getting more.

Q. Are adjustments in the rail classification usually met by corresponding adjustments in the truck classification, by competing truck lines?

A. We have an arrangement with Mr. Jackson, of the American Trucking Associations,—and it is to the advantage of the rail carriers as well as the motor carriers—that we will furnish Mr. Jackson with a proof copy of every change that we make in our classification, and we endeavor to keep Mr. Jackson, and the National Motor Classification Committee informed of the changes that we are making, and the dates upon which the changes are being made; and if we make short-notice application to the Commission, we notify the American Trucking Associations of that, in order that they may act also, and take the same action as the Rail Classification Committees have.

Q. And then what happens, after you give them that notice?

A. They generally follow it.

Q. Is it your experience, Mr. Fyfe, that the rail and truck rates on competitive traffic, tend to be equal? For example will the rails either meet the truck rates, or the trucks meet the rail rates, over a period of time?

[fol. 1235] A. That I do not know. You will have to ask some of the rate men, to tell you that. However, I think, generally speaking, that they do attempt to keep up with each other, but to what extent they succeed, I would not be able to say.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Fyfe? (No response.) Before Mr. Fyfe leaves the stand, Commissioner Alldredge has a matter.

Com. Alldredge: Mr. Fyfe, there has been opinion evidence of a conflicting nature here as to the extent to which the exceptions have broken down the primary classification; and in view of that, I am just wondering if we could find a better way to determine just what the situation is. Would it be possible for you to secure a list of the exception tariffs, with proper reference to them, so that they could be incorporated into this record as evidence?

The Witness: It would be very difficult for me to do that, Mr. Commissioner. At this particular time, particularly, I would not like to undertake that job, much as I would be glad to meet your wishes in the matter, because I am up to my neck in this war work, handling all of this Army material, and I ought to be home, right now, instead of here.

Com. Alldredge: May I inquire of counsel for the car- [fol. 1236] riers, then, if that could be done?

Mr. Hughes: If the Commission, please, speaking for the Western carriers, I can assure you that, in so far as the bureau tariffs are concerned, that can be done; but so far as the issues of individual carriers are concerned, scattered throughout the country, it is a task that I am not at all sure can be accomplished. However, of course, I will do my best to comply, although I cannot assure you that it will be complete.

Mr. Little: If your Honor please, in an exhibit which has already been distributed, and which I shall later introduce, there is reference given to the principal exceptions tariffs issued by agencies operating in the territory lying east of the Rocky Mountains. They are the principal agency tariffs. I believe there are about eight or ten of them.

Com. Alldredge: Well, do you think that is sufficient to show just what the extent of the departure from the primary classification, is?

Mr. Little: I think that those tariffs would show it. My exhibit, however, does not. I have only taken a few typical items, because it has been impossible to make a complete examination, with the force at my disposal.

Com. Alldredge: It occurred to me that that is an important matter, and it has been covered so far by purely [fol. 1237] opinion evidence on both sides; and I am anxious to work out some way to determine the question more accurately.

Mr. Bee: We felt as you did, Mr. Commissioner, the importance of that subject, and we in the Southwest attempted to do that very thing that you have spoken of. We had in mind the same scope, and I think that we got 100 and some odd pages, but then when we tried to go back and get the supplements up to a certain date, and show which one of the territories a particular rating applied in, we found that we could not do it, within the realm of our financial or physical capacity. I think it can be done, but it would be a huge task to make it so that it would be understandable to the average reader, or the average traffic man.

Mr. McCollester: Mr. Commissioner, we have had somewhat the same experience as Mr. Bee. Mr. Bell started out first to make an analysis—which has been distributed—of the classifications, and then it was our intention to proceed further, to the exceptions, but we concluded that it was a well-nigh impossible job, at least within any reasonable expectation of accomplishing it, and particularly so, in view of the shortage of manpower at the present time, and particularly of men who are capable of analyzing tariffs. To take the general agency issues alone, would give you nothing.

Com. Alldredge: Thank you.

[fol. 1238] Chairman Aitchison: You are excused, Mr. Fyfe.

(Witness excused.)

Mr. Hughes: If the Commission please, I ask that Mr. Fyfe's Nos. 68 and 69, be received in evidence.

Chairman Aitchison: Received.

(Exhibits 68 and 69, Witness Fyfe, received in evidence.)

Mr. Hughes: I just have one further statement, if the Commission please, and then we will have concluded the case for the Western carriers. I would like to have incorporated into the record, and I ask leave that it be done, by reference, the reports of the Commission in the Eastern Class Rate Investigation, the Southern Class Rate Investigation, the Consolidated Southwestern Cases, the Western Trunk Line Classification Investigation, and the Western and Southern Class Rate Investigation.

Chairman Aitchison: Are those the ones that Mr. Stanage was talking about?

Mr. Hughes: Mr. Stanage referred to some of them, but he was merely citing them at that time. I want to go further than that, and by reference incorporate those reports into this record. I have the volume and page numbers of them here, but inasmuch as they are rather standard and leading cases, I take it it is unnecessary to refer to them in that detail. They were the foundation of the class rate adjustment which is here under investigation, and therefore [fol. 1239] they present——

Chairman Aitchison: Oh, you need not argue the matter. They are our reports, and of course we will have to take notice of them.

Mr. Norman: What is the ruling, please?

Chairman Aitchison: I say, of course, we will have to take notice of them.

Mr. Hughes: Thank you. That, then, if the Commission please, completes the presentation on behalf of the carriers in the Western District.

Chairman Aitchison: A question came up, I am advised, before Examiner Carter, with respect to whether the traffic study which was made of less than carload traffic for one week in September of 1939, should be considered as in evidence, or be available for use by all parties in this proceeding. I do not think it has been put into the record as yet; it has not been offered. We understand that it is a part of a petition which was filed by the respondents, which has been referred to by Mr. Jensen repeatedly in his testimony, and of course the entire document should therefore be available for the use of any of the parties. It is in the docket of the Commission, and it hardly seems necessary to put it in as an exhibit, because of the wide circulation that has been given to it. Is that satisfactory?

[fol. 1240] Mr. Norman: That is satisfactory as far as I am concerned, yes, sir. The references that my witness made to it can be sustained, then, because it is in the record.

Chairman Aitchison: Yes. From whom do we hear next?

Mr. Gwathmey: Mr. Chairman.

Chairman Aitchison: Mr. Gwathmey.

Mr. Gwathmey: I have one additional witness to present for the Southern Rail Carriers, who was unable to be here when the other witnesses were put on earlier during the week. His testimony will relate exclusively to the rates to and from points in the Florida Peninsula, and I think he will take only about 15 minutes on direct. May I call him at this time?

Chairman Aitchison: Very well.

Mr. Gwathmey: Mr. Hinnant. I may say to your Honor that Mr. Hinnant's exhibit has no cover sheet index, but I will be very glad to supply it.

Chairman Aitchison: Well, it is not so long, that we really need an index, apparently.

C. L. Hinnant was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Mr. Hinnant, will you give your full name, residence, and railroad position, please.

A. C. L. Hinnant; Wilmington, North Carolina, assistant [fol. 1241] freight traffic manager, Atlantic Coast Line Railroad Company.

Q. With what particular feature of Mr. Jensen's testimony, or his Exhibit No. 7, will you undertake to deal?

A. Wholly with that portion thereof wherein he recommends that the Florida arbitraries be discarded.

Q. Do you refer now, Mr. Hinnant to what are commonly known as the Florida Peninsula arbitraries?

A. Yes.

Q. How did those arbitraries originate?

A. They were established under the decision of the Commission in the Southern Class Rate Investigation, Docket No. 13494.

Q. What will be the general purport and intent of your testimony?

A. To show that the conditions surrounding the handling of traffic to and from the Florida Peninsula, and the need of railroad service t the Florida Peninsular, have not changed for the better, at least, since the Docket 13494 scale was established.

Q. Have you prepared an exhibit for presentation here, consisting of 16 pages?

A. Yes, sir.

Mr. Gwathmey: We will ask that the exhibit be identified as No. 70.

[fol. 1242] (Exhibit No. 70, Witness Hinnant, marked for identification.)

By Mr. Gwathmey:

Q. Will you briefly explain please, Mr. Hinnant, what the first five pages of this exhibit show?

A. They show, for the years 1924 through 1940, the revenue results from operations of the three major Florida Peninsula railroads. It will be noted from page 2 that, with respect to the Atlantic Coast Line Railroad for the year 1931 and subsequent, from page 3, with respect to the Florida East Coast Railway for the year 1927 and subsequent, and from pages 4 and 5, with respect to the Seaboard Air Line Railway for the year 1930 and subsequent, that there were deficits from operations for those roads.

Q. The next page of the exhibit, page No. 6, shows the extent to which the Florida railroads have been, and still are, in the hands of receivers or trustees in bankruptcy, does it not?

A. That is right, yes, sir. It shows that for the years 1920 through 1939, and that there has been no change in 1940, from 1939. The Docket 13494 decision came out in 1928—or rather, the rates were made effective early in 1928, under that decision, and for 1927 and 1928 there were no Class 1 Railroads in receivership. Then from 1931 on down, about 50 per cent of the Class 1 mileage in Florida has been in receivership. That has been caused by economic [fol. 1243] conditions.

Q. Now turning to pages 7 to 10, inclusive, of the exhibit, Mr. Hinnant, do those pages show, for the Atlantic Coast Line Railroad Company certain statistics of operation over a period of years?

A. Yes, sir, they do. Pages 7 to 10 inclusive of the exhibit show, for each of the six states through which the Atlantic Coast Line Railroad operates, for the years 1925 through 1940, the revenue freight handled, the miles of road operated in each state, the average tons handled per mile of road, the average ton miles of revenue freight handled per mile of road, and the average freight revenue per mile of road.

Q. In other words, the usual data bearing upon density of traffic, and so forth; is that right?

A. Yes, sir, that is correct. And I would like to mention in particular the fact that the important line here is the one designated by the letter F, "Average ton-mile revenue freight per mile of road."

Q. The exhibit will show, will it not, how Florida compares with other southern states in that respect?

A. How Florida compares with the other southern states served by the Atlantic Coast Line Railroad, yes sir.

Q. Now turning to the next page, Page 11, does that display a somewhat similar showing in terms of percentages?

[fol. 1244] A. The first portion of this page brings forward what is shown on the preceding three pages, in terms of percentages, Florida being given 100 per cent, and the other states being related thereto. In the lower portion I have shown, for each of the states, taking the year 1925 as 100 per cent, how the tonnage has gone up or down,—and it has always been down since 1925—or rather, since 1926; but this is to show that the trend of traffic in Florida has been just about the same as in the other southern states, or southeastern states.

Q. And that fluctuation relationship with respect to the other southern states, has remained virtually the same, has it not?

A. Yes, sir, that is correct—since prior to the decision in Docket 13494.

Q. Now, Mr. Hinnant turning to pages 12 and 13 of the exhibit: I understand they present a similar showing for the Seaboard Airline Railway. Is that true?

A. Yes, sir, that is true, except here the figures for the several states other than Florida could not readily be segregated, so that we have Florida compared with Seaboard Airline System as a whole; but the showing is very much the same as that for the Atlantic Coast Line Railroad. Now, I wish to make a similar statement for account of the Florida East Coast Railway, the other south Florida major road, [fol. 1245] because that system operates wholly within the state of Florida.

Q. Yes, sir. Now, what do the remaining sheets of the exhibit show, commencing with sheet 14?

A. They purport to show that, on traffic handled within, to and from Florida as a whole, the empty car mileage is much greater in relationship to the total loaded car mileage, or total car mileage, than in the balance of the southeastern states served by the Atlantic Coast Line and Seaboard Airline Systems. The Florida East Coast Railway empty car miles and loaded car miles are also shown, and while the Florida East Coast Railway, as I stated before, does not operate outside of the state of Florida, I thought it well enough to show this information, because it shows it almost identically with the percentages that are shown for the state of Florida, for the Atlantic Coast Line. For some reason or other, I do not know why, in one or two instances it does not show up exactly the same for the Seaboard Airline, but they are very close, as to all three.

Q. Is there any further comment you wish to make on this exhibit, Mr. Hinnant?

A. I would just like to mention the fact that while Mr. Jensen has suggested that the Florida arbitraries be waived, on the ground that they might be injurious to the rails serving south Florida, he for some reason or other did [fol. 1246] not make a similar suggestion concerning New England arbitrary territory, nor that territory in the upper peninsula of Michigan, both of which today have arbitraries over adjoining territory; in the case of New England, over the southern portion of New England; and in the case of the upper peninsula of Michigan, over the balance of Central Freight Association Territory. There are quite a number of similarities between upper New England and southern Florida. There is no overhead traffic, to speak of, that we can get to or from southern Florida, except that which may be exported or imported, usually to or from Cuba or the West Indies. In the upper portion of New England, likewise, there is very little overhead traffic, except the small amount that is brought in from Canada.

Q. Have you anything further to say about the exhibit?

A. That is all.

Q. Now, Mr. Hinnant, was this exhibit, which has been marked Exhibit No. 70 for identification, consisting of 16 pages, prepared by you or under your direction?

A. It was prepared by me, and under my direction, both, —yes, sir.

Q. Is it true and correct, to the best of your knowledge and belief?

A. Yes, sir.

Mr. Gwathmey: At this time, Mr. Chairman, we desire [fol. 1247] to offer Exhibit No. 70 in evidence, and ask that it be received.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 70, Witness Hinnant, received in evidence.)

Mr. Gwathmey: The witness is now tendered for cross-examination, your Honor.

By Chairman Aitchison:

Q. Mr. Hinnant, turn to page 3 of your Exhibit, please.

A. Yes, sir.

Q. Column 5 includes, does it not, income taxes, as well as other taxes?

A. Yes, sir. I understand that includes all taxes.

Q. And Column 6 reflects, does in not, the income taxes in Column 5?

A. Well now just let me look back on the other page a moment, please, sir. Yes, sir, it does; that is correct.

Q. And so does Column 7.

A. I understand that is correct.

Q. Column 8 relates to fixed charges.

A. Yes.

Q. I suppose, other than taxes.

A. Yes, sir.

Q. Where is your joint facility account?

A. That comes from four to six, does it not?

[fol. 1248] Q. What is that?

A. That should be in the total operating expenses,—4. It ought to be included in that.

Q. Well, what is the nature of the items which go to make up Column 8?

A. Interest on borrowed money, and so forth.

Q. Well, in this case, for the Florida East Coast Railway, those are which,—accruals, or payments?

A. I would not be able to say as to that offhand, sir. I would have to run that across here.

Q. You show elsewhere here that the Florida East Coast Railway Company is under reorganization.

A. You say, do I show——

Q. You do show that.

A. No, sir, I have not shown that it is under reorganization. It is under a trusteeship at the present time.

Q. You show it as in receivership.

A. Well, trusteeship, I believe it is.

Q. You say, receivership, on page 10.

A. Well, receivership, or trusteeship.

Q. How?

A. I use the term "receivership" as including either or both, including either receivership, or trusteeship.

Q. You do not mean to say, I take it, from this table, that those fixed charges were paid, do you?

[fol. 1249] A. Not necessarily so, no, sir. They certainly accrued, however.

Q. Well, they could scarcely be paid, in view of the deficit, could they?

A. No, sir. That is just what I was about to indicate.

Q. Very well. Now, look, please, if you will, at the Seaboard Airline. The same answers would be made, with respect to that, I take it. Is that correct?

A. The same answers—yes.

Q. Throughout.

A. Yes.

Q. Please look, then, at the last item in the second column, Total Property Investment, Cash, Materials, and Supplies, in the amount, approximately of $324,000,000.

A. Yes.

Q. Will you turn, then, to the Atlantic Coast Line Railroad. The comparable item is $293,000,000, is it?

A. That is what it shows there, yes, sir.

Q. Do you have any comment on that?

A. Well, I would say that the Atlantic Coast Line was a little better financed.

Q. You would say also, would you not, that the figure for the Atlantic Coast Line was closer to the value than the figure for the Seaboard Airline, considering the fact that one is in trusteeship, and the other is not, as well [fol. 1250] as the disparity in investment?

A. I do not believe that I am competent to say that one or the other is more near the actual value.

Q. I see.

A. The Seaboard Airline bought a lot of properties, and built a lot of properties a long while after the Atlantic Coast Line did. The Seaboard Airline is more nearly a new road than the Atlantic Coast Line is.

Q. You do not attempt to relate, then, your Column 2, in the first four tables, to value in any way?

A. No.

Chairman Aitchison: Cross-examine.

Mr. Gwathmey: If the Chairman please, before cross examination, I neglected to inquire as to Mr. Hinnant's qualifications. Perhaps I had better do that at this time,—unless these gentlemen are willing to admit them.

By Mr. Gwathmey:

Q. Will you do that at this time, please, Mr. Hinnant; just state briefly your experience in railroad traffic matters.

[fol. 1251] A. I have been assistant freight traffic manager for the Atlantic Coast Lines since Spetember, 1940. Prior to that I was general freight agent for approximately 11 years. My total railroad experience in the freight traffic departments of southern railroads, principally the Coast Line, is around 34 years.

Mr. Gwathmey: Thank you.

Chairman Aitchison: You may cross examine.

Mr. Hillyer: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Hillyer.

Mr. Hillyer: My name is F. C. Hillyer, Mr. Reporter, appearing for the Railroad Commission of Florida.

Cross-examination.

By Mr. Hillyer:

Q. Do I understand it is your position that there has been no improvement in the condition of the Florida carriers since the Southern Class Rate Investigation. No. 13494?

A. From a financial standpoint that is shown, I believe, by this exhibit.

Q. And that the trend is the same in effect as in the other states traversed by this line?

A. The trend up or down generally is the same; not necessarily the same percentage, but the fluctuation of business from year to year in Florida is approximately that of the other southern states.

[fol. 1252] Q. The Southern Class Rate Investigation rates including the Florida arbitraries went into effect in about 1928, did they not?

A. Either January or February, 1928.

Q. Was that about the time that your decline set in approximately?

A. No, sir. If you will look at Page 2 of Exhibit 2 you will see that for 1929 the Coast Line had a net income better than it did in 1928 or 1927. In 1930 which is the first year reflecting the influence of the crash of October, 1929, the net income of the Coast Line was way off and from that time on down through 1940, we have not had a net income.

Q. Is it your position that within a year or two or a few years after the Florida arbitraries became effective, the Florida lines began to go down in traffic and have continued to have unfavorable operating results because of the loss of traffic?

A. Not Florida alone. Bear in mind, please, sir, that the figures I have shown here are not the operations in Florida alone. They are the operations of the system. We did not have the arbitraries outside of Florida,

Q. In speaking about the lack of improvements since 13494, is it your view of this situation that the tonnage in Florida has been at about a standstill and a low ebb since [fol. 1253] about the year 1930?

A. No, sir.

Q. Is that not what you said, that there had been no improvement since 13494?

A. If I said there had been no improvement from Florida alone, I was probably wrong. There has been a considerable increase in tonnage originating in Florida and some increase in the tonnage terminated in Florida since 1927 and 1928; but also in that time there has been almost completely, the development of truck competition and there has been a great increase in water transportation to and from Florida up until the boats were taken off by the Government for other purposes.

Q. Is it true then that while the rail lines have continued in this trend which you have mentioned in Florida, that in the meantime the truck and water transportation has considerably increased?

A. Truck transportation to and from Florida has almost grown up in its entirety since that time. Water transportation, so far as fruit is concerned, has entirely grown up since that time.

Q. Have you made any effort to ascertain how much coal traffic has been originated and terminated in Florida during this period since about 1930?

A. You mean the total for all modes of transportation?

[fol. 1254] Q: Yes.

A. No, sir. Pages 8 through 10 and page 13 of my statement show how it runs for the Coast Line and for the Seaboard for several years. The Coast Line begins in 1925 and runs through 1940. The Seaboard begins in 1929 and runs through 1940.

Mr. Hillyer: No. I was speaking now of total transportation.

By Mr. Hillyer:

Q. You have not made any attempt to show what the total transportation has been during these years, have you?

A. No, sir, I have not. I do not know that I could possibly find what has gone into the state or out of the state by private truck. I do not see how I could.

Q. With respect to your exhibit, let us take page 2 for the Atlantic Coast Line Railroad.

A. Yes.

Q. You go through the year 1940.

A. Yes.

Q. Why did you stop with the year 1940?

A. Because that is the last normal year we have had.

Q. Did you not have available statistics for 1941?

A. Yes.

Q. Do you not know that there was a marked and tremendous increase in your tonnage and revenues in 1941 as [fol. 1255] compared with 1940?

A. Why, of course, I do, and of course I know what it is attributable to.

By Chairman Aitchison:

Q. Is there not a mistake in your exhibit on sheet 10?

A. 10?

Q. Yes. I am referring to 1940 now, line A, opposite Florida, the figure 676,807. Should that not be 6,768,000?

A. It should be 6,000,000 I think. Something must be incorrect with that.

Q. It could not have dropped off 5,000,000 tons originated in one year.

A. No, sir. There is some figure missing in front of that. I do not know just what that is, but C shows the total that was handled..

Q. C shows the total, and of course the total would only by about 2,600,000. You are about 600,000 off.

A. A should be the difference between B and C.

Mr. Gwathmey: If it is agreeable, we will undertake to have that corrected and advise the parties and the Commission at the next hearing.

Mr. Hillyer: We tried to check that error. We have not been able to do so. There is no obvious transposition of figures. You have to supply the correct figures from your records. I think there is no other way of doing it.

[fol. 1256] The Witness: I will be glad to supply that.

By Mr. Hillyer:

Q. As I understand it, under Column 2 on page 2 for the investment account you have used book investment entirely for each of these three lines;

A. That is correct.

Q. Is that right?

A. Yes.

Q. Do you know what the rate-making value used by the Commission is for the Atlantic Coast Line Railroad in comparison with the figures you have used here?

A. I have not the figures before me. They are in the record, though, most of them.

Q: I think they were shown to be——

A. Around $210,000,000.

Q. $212,000,000?

A. $210,000,000 or $212,000,000.

Q. The use of those figures would change your rate of return materially, would it not?

A. It would increase the rate of return, no doubt. It would be bound to increase it, of course, but it would not bring it up very high.

Q. Have you calculated that to see?

A. No, sir, but even if you cut the last one, 1941, in half, you would only double the rate of return. That would not be very high.

[fol. 1257] Mr. Hillyer: I do not think that would hold true in that ratio. I think you would have to check that figure.

Chairman Aitchison: Proceed.

By Mr. Hillyer:

Q. I spoke of 1941 and an increase in traffic.

A. Yes.

Q. Is it not a fact that in the year 1942 there has been an enormous increase in traffic for the Florida lines over 1941?

A. Absolutely, and also for the lines in the other southern states. It is all brought about by war conditions and is not a temporary proposition at all—I mean, it is not a permanent proposition. It is temporary. At least, we hope so.

Q. As part of those war conditions, has there been a cessation of water transportation generally in Florida?

A. Pretty much so.

Q. Has there been a curtailment of trucking operations of various kinds?

A. To some extent, yes, sir. Not nearly so much, though, as the water. The water is almost wholly out, but not entirely so. We have one river line that operates on the inland waterway. We have some water transportation along the Gulf, or at least we did until very recently. I do not know just what the situation is today. But the trucks, we [fol. 1258] believe, are more and more unable to transport at a saving under rail cost by reason of——

Chairman Aitchison: We do not need to go into that. We know what is going on.

By Mr. Hillyer:

Q. On Page 6 you refer to lines in receivership or trusteeship or reorganization. You include the Georgia & Florida Railway. How many miles of road of that line are in Florida, the Florida Peninsula territory south of the Jacksonville-River Junction Line?

A. 13.

Q. How much?

A. 13.

Q. How many miles of the St. Louis-San Francisco Railroad in Florida are in Florida arbitrary territory?

A. None in Florida arbitrary territory.

Q. How many miles of the Georgia & Florida Railroad in Florida are in Florida arbitrary territory?

A. You just asked that. I said 13.

Q. Excuse me. I meant to say, the Louisville & Nashville Railroad.

A. None of that is in arbitrary territory, and none of it is in receivership.

Q. On Page 13 in the lower right-hand column under Florida you show that for the Seaboard Airline Railway, the average revenue tons per mile of road were 4,625 tons; that [fol. 1259] is under F, the next to the last line to the right under the heading of Florida for 1940.

A. Yes. That is the average tons per mile of road of revenue freight.

Q. At average revenue tons per mile, is it not, per mile of road?

A. That is right. That is the same thing.

Q. Now, is that correct? Did the average for Florida exceed the average of the Seaboard's entire system?

A. That is right, but that, you notice, is under the tons per mile of road, while the tons per mile of road, that is opposite G, for the year 1940, were 518,000 for Florida as against 790,000 for the system for the Seaboard including Florida.

Q. On Page 16 you show your percentage of empty to loaded movement.

A. Yes.

Q. That is refrigerator cars.

A. Yes.

Q. Down at the bottom the Seaboard has 80.6.

A. That is right; for 1940.

Q. Do you not consider that is a pretty good performance for perishable traffic in that territory?

A. Fairly good, yes. It was formerly a bit more than that for the refrigerator cars.

[fol. 1260] Q. Would you say that figure is substantially different for Georgia, for example?

A. No, sir.

Q. So Florida would not be substantially different from other states so far as empty return refrigerator cars are concerned?

A. Very little different, in the amount. It will run from 80 to 85 per cent, or 75 to 85 per cent, usually.

Q. Do you now apply the Florida arbitraries on classes 1 to 7 for hauls within Florida south of the Jacksonville-River Junction Line?

A. On intrastate traffic, we do not, sir.

Q. Did you take those arbitraries out voluntarily?

A. We did, in an effort to meet motor truck competition, private carrier motor truck competition.

Q. Have you found it was impractical to apply the arbitraries on classes 1 to 7 within Florida due to competition?

A. That is correct. We could have made a percentage reduction in the whole thing with the same result.

Q. Then why do you say you disagree with Mr. Jensen, when he says that the Florida arbitraries have been the source of injury rather than benefit to the Florida carriers? Is is not true that they have been a source of injury rather than benefit?

[fol. 1261] A. It is not true, sir. They have been a source of benefit as far as arbitraries apply, on a great deal of the traffic that still continues to move to and from Florida. We have not removed the Florida arbitraries on class rate traffic interstate.

Mr. Hillyer: That is all I have.

Mr. Walker: I would like to make a brief statement if the Commission would indulge me at this moment.

Chairman Aitchison: While this witness is still on the stand?

Mr. Walker: No; after he is withdrawn.

Mr. Smelker: I have one question.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Can your Exhibit No. 70 be used to determine the amount of the disability in Florida without a showing of the unit expenses within and without the state?

A. Will you repeat the question please? I did not hear the last part.

Q. I say, your expense within and without the state, in addition to your traffic statistics.

A. What do you mean by "unit of expense"?

Q. I mean the cost per gross ton mile and other expenses of the same character.

A. We have no cost studies in Florida for the separate units. It is impossible to get it.

[fol. 1262] Q. Then there is not much of a chance to use your exhibit in so far as the cost of operations in Florida by itself is concerned?

A. No, sir. You cannot find the cost of operation in that exhibit, and I do not think anybody can find it in any other one.

Q. Do the Florida arbitraries accrue solely to the Florida Lines?

A. They are supposed to, sir. We sometimes get those

Florida arbitraries in one way and sometimes in another. I mean, sometimes they are deducted specifically before prorating. Other times our percentage of the through rate will be enhanced which may give us slightly more than that or slightly less. However, the Florida arbitraries do accrue solely to the Florida lines.

Mr. Smelker: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Mr. Walker: May it please your Honors, yesterday in answer to a question from the bench as to evidence offered on behalf of the Pocahontas Lines, Mr. Healy stated that the evidence offered on behalf of the Official Lines included the Pocahontas Lines. I would like to elaborate on that statement to the extent of calling attention to the [fol. 1263] fact that in the Eastern Class Rate Investigation the rates therein prescribed were prescribed for application over the Pocahontas Lines as well as over all other lines in Official Territory; and in responding to the order of investigation in this proceeding the Pocahontas Lines having the same level of rates as all other Official Lines see no reason to make a separate presentation, but they participated in the evidence that was offered on behalf of the Official Lines as a whole, and that evidence was offered on their behalf as well as all other lines within Official Territory.

Mr. Gwathmey: Mr. Chairman, I understand that the railroads as a whole have now completed their testimony at this hearing. They will, of course, have additional testimony to offer at the adjourned hearing.

Mr. Bell: I would merely like the record to show that it was impossible to get Dr. Duncan here until October 1st, so Dr. Duncan will appear, so far as the carriers' testimony is concerned, at the further hearing.

Mr. McCollester: May I just say, since the number of counsel is dwindling, that we have distributed at this hearing in accordance with the grouping and the instructions regarding the groups, copies of an exhibit prepared by Mr. Charles E. Bell. It is a large exhibit consisting of an analysis of the classification. If there are any who have [fols. 1264-1265] not gotten their copies I wish they would let me know, but I want to tell everybody that since they have been distributed here, we are not going to bring their copies to the next hearing. We will have a few available at the next hearing, but we cannot undertake to duplicate the distribution made here.

Chairman Aitchison: That, of course, has to be observed with respect to all these exhibits that have been distributed in advance of the presentation. It is done both as a matter of fairness and also courtesy. We ought not to expect to go home and then have additional copies supplied at the forthcoming hearing. We will now suspend until 9:30 Monday morning next, at this place.

(At 5:05 P. M., Saturday, September 26, 1942, hearing adjourned until 9:30 o'clock A. M., on Monday, September 28, 1942.)

[fol. 1266] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

Class Rate Investigation, 1939

Docket No. 28310

Consolidated Freight Classification

Claypool Hotel,
Indianapolis, Indiana,
September 26, 1942.

Met pursuant to adjournment at 10 o'clock A. M.

Before Paul O. Carter, Examiner.

APPEARANCES:

As heretofore noted.

PROCEEDINGS

Exam. Carter: Come to order, gentlemen. Be sworn, Mr. Thornton.

E. H. THORNTON was sworn and testified as follows:

Direct examination:

The Witness: My name is E. H. Thornton. I am general Manager of the New Orleans Joint Traffic Bureau, New Orleans, Louisiana. The New Orleans Joint Traffic Bureau [fol. 1267] is a civic organization representing all of the commercial shipping interests as well as the city and port of New Orleans in all matters pertaining to transportation. My testimony will deal primarily with the rates via ocean-rail and rail-ocean-rail routes through New Orleans and the Texas ports of Houston and Galveston, as contrasted with the all-rail rates.

I have had in excess of 30 years' experience in rate and traffic work in the southwest with the railroads and with shippers' organizations. I have participated in many proceedings before this Commission in connection with general rate investigations, general rate cases, including the Consolidated Southwestern Rate Cases, which also included the ocean-rail section of the Consolidated Southwestern Rate cases, known as Docket 14880, which was consolidated with Docket 13535 and related proceedings.

At the outset I wish to state that at the present time we have no coastwise steamship services operating between the North Atlantic ports on the one hand and New Orleans and other gulf ports on the other. The steamship lines who formerly operated regular service, regular coastwise service, between the North Atlantic and the gulf ports, have been called upon to turn their vessels over to the Government for war purposes and war uses. I cannot say at this time and no one can say at this time when these coast- [fol. 1268] wise lines expect to or will resume services. Of course, we all hope and believe that these coastwise lines will resume service soon after the war ends, and perhaps before, if they get their ships back from the Government. Formerly there were operating regular and dependable coastwise steamship services between New Orleans on the one hand and Boston and New Bedford, Massachusetts, New York, Philadelphia, and Baltimore on the other. Likewise, there were regular dependable coastwise steamship services formerly operated between the Texas ports of Galveston and Houston on the one hand, and Norfolk, Virginia; Baltimore, Maryland; Philadelphia, Pennsylvania; New York, New Bedford and Boston on the other. As stated, however, those services have been discontinued for the reasons I mentioned.

In the Consolidated Southwestern proceedings, particularly the ocean-rail section known as the 14880 proceeding, which was part of the Consolidated Southwestern proceedings, in the 21st and 25th Supplemental Reports this Commission prescribed joint through ocean, ocean-rail and rail-ocean-rail rates between Eastern Trunk Line and New England territories on the one hand, and points in the Southwest on the other.

Mr. Barron: Do you mean the 21st or 23rd and 25th Supplemental Reports? The 21st was the all-rail adjustment was it not?

[fol. 1269] The Witness: The 25th?

Mr. Barron: The 23rd and 25th.

The Witness: The 23rd and 25th. That is correct.

Mr. Barron: Yes.

The Witness: I will stand corrected.

Exam. Carter: Proceed.

The Witness: As to the Mississippi Valley territory, the Commission has never, so far as I know, prescribed any joint through rates between Eastern Trunk Line and New England territories on the one hand, and the Mississippi Valley on the other via the ocean-rail routes. There were some rates voluntarily established and maintained via certain ocean-rail carriers which reflected a differential under the all-rail rates. These joint through rates applied, however, only to that portion of the Mississippi Valley on and south of the Illinois Central, extending from Vicksburg to Jackson, Mississippi, and we had no joint through rates to the territory north of that line via ocean-rail routes. There were, however, prescribed in the Docket 13494 proceedings, known as the Southwestern Class Rate Investigation, joint through all-rail rates, as well as joint through ocean-rail rates through the South Atlantic ports, namely, from Norfolk, Virginia, south to Jacksonville, Florida, between Eastern Trunk Line and New England territories on the one hand, and the Mississippi Valley territory on the other. [fol. 1270] But, as stated in that proceeding, the Commission did not deal with or prescribe any joint through rates via the Gulf route from and to the same points.

If in this proceeding the all-rail rates are to be reduced between Eastern Trunk Line and New England territories on the one hand, and the Mississippi Valley and the Southwest on the other, which are served by the routes through the ports of New Orleans and the Texas ports, then we are urging that the rates via the rail-ocean-rail and rail-ocean routes through the Gulf ports be likewise treated and adjusted, using the same formula or scale as may be used in fixing the all-rail rates from and to the same points. We feel and believe that unless the ocean-rail rates are adjusted and fixed at the same time that the all-rail rates are adjusted and fixed in this proceeding, the resulting effect upon our coastwise services will be disastrous. The ability of the coastwise lines to resume operations after the close of the war will be very problematical. We are fearful that the coastwise lines and the gulf ports will be confronted with an all-rail rate structure which will be lower in level than the ocean-rail rate structure, and as a consequence, of course, the ocean-rail routes will not handle any business where the rates are the same or higher than the all-rail rates.

From our long experience, it has been demonstrated that the coastwise lines must have a differential in rates under [fol. 1271] the all-rail rates in order to participate in the traffic in competition with the all-rail routes. In this case we are not advocating or urging a reduction in the all-rail rates to or from the states of New York, Pennsylvania, West Virginia, Virginia, and states east thereof, which I may, for convenience here, call the Eastern Trunk Line and New England territories. Of course, I can only speak for New Orleans. I cannot speak for shippers and receivers located at any other point except New Orleans. With normal transportation conditions prevailing, we look to and rely upon the coastwise steamship lines who operate regular and dependable steamship services between New Orleans and North Atlantic ports previously mentioned, to provide us with low-cost transportation service and rates commensurate with this service. Such rates are generally no higher than the level applying on lake traffic moving within Eastern Trunk Line and New England territories for comparable hauls or for comparable transportation services. The steamship service operated by these coastwise lines to and from New Orleans and also to and from other Gulf ports, is of material and substantial importance and benefit to the manufacturers, shippers and receivers located not only at the port cities, but at interior points contiguous thereto. That applies both to the southwest and the Mississippi Valley as well as the New England and Eastern Trunk Line territories.

[fol. 1272] I have three exhibits which I wish to have identified at this time. I want to explain to some of you who may have the first distribution of my exhibits, that there is a loose page headed "Table of Distances in Nautical, Statute and Equated Mileage Between Representative North Atlantic and Gulf Ports". That will be known as page 12 of my first exhibit. On the exhibits that were distributed this morning, the single sheet has already been attached to the first exhibit which I will introduce. I just wanted to get that straight before we started discussing it.

Exam. Carter: Off the record.

(Discussion outside the record.)

Exam. Carter: Back on the record.

The Witness: May we have these three exhibits marked for identification, Mr. Examiner?

Exam. Carter: They may be marked for identification as Exhibits Nos. 71, 72 and 73.

(Exhibits Nos. 71, 72 and 73, Witness Thornton, marked for identification.)

Exam. ~~Carter~~: Proceed.

The Witness: My Exhibit No. 71 is a table of short line distance factors to be used in constructing first class rates under formulas proposed by Witness C. G. Jensen, in his Exhibit No. 7, introduced at the July 10-11, 1941, hearing in these proceedings. I have selected as representative, [fol. 1273] origin and destination points in Eastern Trunk Line and New England territories as follows: Albany, New York. Pittsburgh, Pennsylvania. Boston and Springfield, Massachusetts. The exhibit shows the representative points in Louisiana, Texas, Arkansas—Kansas is shown by mistake and may be eliminated—and Oklahoma, that I have selected in applying this formula.

In this Exhibit No. 71, I have shown the short rail distances from the origins named in the Eastern Trunk Line and New England territories to the nearest rate-making North Atlantic port. I have also shown the short rail distances from both New Orleans and from Galveston and Houston to representative points in the Southwest, namely, Texas, Arkansas, Louisiana, and Oklahoma. For the water distances I have equated the distances, the nautical and actual statute mileages, by the use of 3.6 water miles being equivalent to one rail mile. The authority for the use of that equated factor is shown—I will give you the authority for that equated factor later—and was used by the Commission in the Consolidated Southwestern Cases and Tex-Arkan Flour Mill Cases, reference to which proceeding I will give later.

Exam. Carter: Off the record.

(Discussion outside the record.)

Exam. Carter: Back on the record.

The Witness: The citation of the Tex-Arkan Flour Mill [fol. 1274] Case is 241 I. C. C. 257 and 258. The citation of the Consolidated Southwestern Cases is 23rd Supplemental Report, reported in 211 I. C. C. 601. In addition to those citations, I wish to also cite the following cases, in which the Commission referred to various other equated factors, water versus rail distances: Agwi Lines versus the Akron C. & Y. Ry. Co., Docket 27969, 248 I. C. C. 255 at page 266. Southwest Shippers' Traffic Association versus the Atchison, Topeka & Santa Fe Railway Company, et al., 24 I. C. C. 570, 583. Reduced Rates from New York Piers, I. C. C. 81, 312, 323.

In applying the Jensen formula via the ocean-rail routes equated distances obtained under the method and plan shown in my Exhibit No. 71, I treated the equated ocean distances as described, as in 105 per cent territory, or treated that as the same as the rail haul in Eastern Trunk Line and New England territories. There is no previous Commission authority for so treating that haul. The Commission has never, so far as I know, indicated whether the ocean-rail haul, or the ocean haul, equated ocean haul between the Atlantic and Gulf ports, should be treated as equivalent to a rail haul in Eastern Trunk Line and New England territories or as equivalent to a rail haul in Southern territory or equivalent to a rail haul in Southwestern territory. In other words, so far as the Commission is concerned, the reports are silent on that subject. I should point out here [fol. 1275] that on page 12 of Exhibit 71, I have shown the actual nautical miles between North Atlantic ports and representative Gulf ports including New Orleans, Galveston and Houston, and have increased those nautical miles to the statute miles; and as heretofore stated, have equated the statute miles by the use of the factor of 3.6. The authority for the nautical miles shown on page 12 of my Exhibit No. 71 is shown at the bottom of the page.

My Exhibit No. 72 is a statement comparing the present published first class rates, not including the Ex Parte 148 increases, with resulting first class rates constructed under the formulas presented by Witness C. G. Jensen in his Exhibit No. 7, introduced in these proceedings, to representative points in Arkansas and Louisiana located on and east of the Kansas City Southern Lines; also to representative points in Mississippi and to Baton Rouge, Louisiana, and Memphis, Tennessee, all-rail as well as rail-water-rail and via water and rail routes through New Orleans from Pittsburgh, Pennsylvania, Albany and New York, New York, Boston and Springfield, Massachusetts, which points I have selected as being representative of the Eastern Trunk Line and New England territories. Except as noted on this exhibit, the differences shown in the last column under each heading are differences in favor of the Gulf route. I have heretofore explained the method used in applying the Jensen formula via the rail-ocean route. On this exhibit, on [fol. 1276] pages 15 and 16, I show the all-rail routes and junctions used in applying the Jensen formula in constructing the all-rail rates under that same Jensen formula.

As stated at the outset, we are asking this Commission to prescribe via the rail-ocean-rail routes through not only New Orleans, but also through other Gulf ports, the same adjustment that it finally decides to prescribe via all-rail. If the Jensen formula is to be used, then we have shown on page 72 what rates should be prescribed via the rail-ocean and ocean-rail routes through New Orleans to representative destinations in the territory where the route through New Orleans is the rate-making route via the coastwise lines. In my Exhibit No. 71 I showed the distances from, to and via the Texas ports of Galveston and Houston to representative points in Texas and Oklahoma, where the rate-making routes via coastwise lines will be through either Galveston or Houston, so as to give the Commission an opportunity to check in the rates via the Galveston-Houston route to that territory in the southwest where the Galveston-Houston route may be the rate-making route. I did not figure the actual rates. I was in hopes that the ports of Galveston and Houston would have done so.

Mr. Byars: You do show the distances, though?

The Witness: Yes, and the rates under the Jensen formula can be obtained very readily by the application of the for- [fol. 1277] mula to the distances shown there in Exhibit 71. In Exhibit No. 73, consisting of 7 pages, I have shown comparisons similar in some respects to the comparisons shown in Exhibit 72, except in Exhibit 73 I have shown a comparison of the first class rates, present, and under the Jensen formula, via New Orleans as well as via Galveston and Houston, via the coastwise routes to a few representative points in the southwest located on and north of the Texas & Pacific Railway. I have selected Dallas, Texas, Muskogee, Oklahoma, Oklahoma City, Oklahoma, Shreveport, Louisiana, and Texarkana, Arkansas. The routes and junction points used in figuring the all-rail rates under the Jensen formula are shown on pages 3 to 7 inclusive. I have previously explained in detail the routes and distances and junctions used in applying the Jensen formula via coastwise routes through both New Orleans and the Texas ports. That information is shown in detail on my Exhibit No. 71.

At this point I wish to point out that the Government is now constructing a large fleet of cargo vessels for use at present in war transportation and war purposes. We are confident that if and when this war ends, these cargo vessels are going to be made available by the Government to private steamship operators at what Mr. McCollester said yesterday in the examination of Witness Robinson of the Union Pacific, were bargain prices. We know that following World [fol. 1278] War No. 1 the Government had on hand a large number of cargo vessels, which the Government disposed of to private operators at very cheap prices. Vessels that cost the Government as much as $2,000,000 to construct were sold to private operators for as little as $50,000, and on very liberal terms. We are fully confident that similar provisions will be made for the distribution and disposition of these Government boats after the second World War, to private operators, and a number of those boats will find their way into coastwise transportation services between the North Atlantic ports on the one hand, and all Gulf ports, particularly New Orleans, Galveston and Houston, on the other.

If and when these coastwise lines resume their services, we are very anxious to see and have a rate structure that will enable those coastwise lines to handle traffic between Eastern Trunk Line and New England territories on the one hand, and the Mississippi Valley and the Southwest on the other. Unless the Commission prescribes in this proceeding an adjustment in the rates, whether class or commodity or both, via the ocean-rail routes at the same time it prescribes an adjustment in the all-rail rates from and to the points mentioned, we are very fearful that the all-rail rates in most cases will be lower than the existing rail-ocean or ocean-rail rates through New Orleans and other Gulf ports, and that under such an adjustment of [fol. 1279] rates as I have mentioned—as I have just mentioned—the coastwise lines will be prevented from handling any traffic from and to the points that I have heretofore described. The Gulf ports are very much interested in this matter and we beg and ask the Commission to prescribe rates via the ocean-rail and rail-ocean-rail routes just the same as if we now had normal services.

The Commission has, in two recent cases that I participated in, stated that rates should be prescribed via ocean-rail and rail-ocean-rail routes just the same, treating those routes as if they were now normally operated. I refer to the proceeding in I. & S. Docket 4815, known as the Iron Pipe Case, and to the most recent case involving rates on rice from Louisiana and Texas to North Atlantic ports, I. & S. Docket 5086, I think it is. I will give you the correct reference in a few minutes.

By Mr. Thompson:

Q. That is also true, is it not, Mr. Thornton, of the ocean-rail divisions case, Docket 28969, to which you referred?

A. Yes, sir.

By Mr. Barron:

Q. Is that the Agwi Lines Divisions Case you are talking about?

A. Yes, sir.

Exam. Carter: Is there anything further, Mr. Thornton?

Mr. Thornton: I think that completes my direct testi-[fol. 1280] mony.

Exam. Carter: Do you desire to offer in evidence Exhibits 71 to 73 inclusive?

The Witness: Yes. I offer my Exhibits 71 to 73 both inclusive in evidence.

Exam. Carter: Is there any objection to the receipt of these exhibits in evidence? (No response.) If not, they are received.

(Exhibits Nos. 71, 72 and 73, Witness Thornton, received in evidence.)

Exam. Carter: Is there any cross-examination?

Mr. Walker: I would like to ask one or two questions for clarification.

Cross-examination.

By Mr. Walker:

Q. Refer, please, Mr. Thornton, to your Exhibit No. 72.

A. Yes.

Q. To what extent were the rail and water or rail-water-rail differentials shown there prescribed by the Commission?

A. Mr. Walker, the Commission in prescribing the through rates via the the ocean-rail routes—I am speaking of the Southwestern Decision, the 23rd and 25th Supplemental Reports—specifically stated, as I recall, that it was not attempting to fix a differential, rail-ocean-rail versus all-rail.

Q. Well, with respect to the——

[fol. 1281] A. While they had the all-rail rates before them, they did prescribe rates that were lower via rail-ocean-rail than all-rail.

Q. Well, were these rates prescribed, both rail and water and all-rail rates, between the points shown on your Exhibit No. 72?

A. To and from points in the Southwest, Mr. Walker, but not to and from the Mississippi Valley.

Q. I understand that, but these are mostly Southwest points.

A. Yes. You will find, however, Mississippi Valley points are shown on pages 11 to 13 inclusive.

Q. 11 to 13?

A. Yes.

Mr. Walker: Let me see, now. Let's be a little more specific.

By Mr. Walker:

Q. Take page 9.

A. Of this Exhibit 72?

Q. Yes.

A. All right.

Q. Those all-rail rates that you show there from Springfield to points in the Southwest I assume are prescribed in the Consolidated Southwestern Cases.

A. Yes, subject to the increases up to Ex Parte 148.

Q. Yes.

A. We did not include the Exparte 148 increase.

[fol. 1282] Q. Were these rail-water-rail rates also approved or prescribed by the Commission?

A. Yes, sir.

Q. Now, do I understand that in these proceedings you are asking the Commission to increase those differentials to the extent shown on this exhibit?

A. Yes. Mr. Walker, we have never been satisfied with the differences in favor of the coastwise lines; we have never been satisfied that those differences were properly reflected in the Commission's decision in the 23rd and 25th Supplemental Reports, and I might state at this point that the Commission on our petition and other petitions reopened the ocean-rail section of the Consolidated Southwestern proceedings and had about a two weeks' hearing in the south on it. I do not know whether you participated. I think your firm did.

Q. Yes.

A. That case is now pending. Director Hardie heard the reopened proceeding.

Q. Still referring to page No. 9 of Exhibit No. 72, take Crowley, Louisiana.

A. Yes.

Q. As I understand it, the Commission either prescribed or approved both all-rail and rail-water-rail rates from Springfield, Massachusetts, to Crowley?

A. That is right.

[fol. 1283] Q. Which resulted in a difference in favor of rail-water-rail of 51 cents per hundred pounds?

A. The Commission prescribed it, yes.

Q. Now in this case you are asking that the differential be increased rail-water-rail under all-rail to $1.36 per hundred pounds?

A. Mr. Walker, in this case I am asking the Commission to use the same formula or same scale in fixing rates via the ocean-rail route as they use in fixing the all-rail rates. Whatever differences result from that scale in favor of the ocean-rail route we feel we are entitled to.

Q. Well, the result of your proposal is to increase the prescribed differential, or difference, from 51 cents to $1.36 rail-water-rail under all-rail?

A. You might say that the result of the application of the Jensen formula is as I have applied it here, and that would be the best description.

Q. Your answer as to Crowley would be the same as to all other points on the exhibit?

A. Yes.

Mr. Walker: That is all.

Exam. Carter: Are there any other questions?

Mr. McCollester: I have a few questions, Mr. Examiner.

Exam. Carter: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Thornton, in order that I may correctly under- [fol. 1284] stand your position, you do not advocate the application of the Jensen formula to either the all-rail or rail-water-rail, do you?

A. No, sir, but if they are going to use that formula or any other formula in reducing all-rail rates, we want the same formula applied via rail-ocean-rail routes and whatever differences are reflected via the rail-ocean-rail routes by that formula, we are certainly entitled to via the Gulf route.

Q. You do not favor any change in the all-rail rates?

A. I so stated. We are not urging it, and I stated the reason why, because we have already a much cheaper route via rail-ocean-rail. I am speaking only for New Orleans. I cannot speak for anybody else.

Q. If you were applying the Jensen formula to your rail and water routes, why did you put the water portion in 105 per cent territory rather than in 100 per cent territory under Mr. Jensen's formula?

A. Mr. McCollester, I concluded that the water portion of the haul in my judgment was the most economical portion and I thought that it was being more than fair to put it in 105 per cent territory considering the fact that there is no terminal cost between the North Atlantic and the Gulf ports.

Q. But the excuse for the 105 per cent given by Mr. Jensen was the more favorable, as he thought, operating conditions in Central Freight Association territory. There are [fol. 1285] certainly no mountains on the water route, are there?

A. He gave 100 per cent to the Central Freight Association territory.

Q. Yes.

A. I did not apply 100 per cent to the water route.

Q. If you had applied 100 per cent to the water route——

A. I would have gotten a different figure.

Q. —you would have increased the spread under the rail rates?

A. That is right.

Q. So far as the future is concerned, you spoke about the possibility of the war fleet coming into coastwise service. The situation under the law is, is it not, at the present time, that the Maritime Commission cannot dispose of the war fleet at bargain prices of the same sort that were employed following the last war?

A. That may be true, Mr. McCollester, but you and I know what happened following the last war. Pressure can be brought to bear to change that law overnight.

Q. But you are not in a position to prophesy with any definite knowledge upon which this Commission can act, as to what Congress will do, are you?

A. Oh, no.

Q. Is not that very uncertainty in the coastwise situation one of the reasons which makes it impossible to deal with [fol. 1286] the whole north and south rate structure at the present time?

A. Well, that is a very important element there. We do feel and believe there will be coastwise services established following the termination of this war. To what extent we will have that service will depend upon our rate structure, and the competition of all-rail routes.

Q. But it is impossible at the present time to predict the conditions under which that coastwise service can be operated, is that correct?

A. That is true, Mr. McCollester. They are out of business today because the Government took their boats. We do not know when they will get them back. Some of them have been sunk already.

Q. Is it not your position that the ports like New Orleans and the Atlantic Seaboard are interested in the rail-water rates as well as in the all-rail rates and that one should not be changed unless a proper change can be made in the other?

A. That is right, but if the Commission is going ahead in this proceeding and fix all-rail rates, we want to put what evidence we can before the Commission urging them to also fix rates——

Q. I understand that, but I am trying to get you to say that the uncertainties in the coastwise trade are a good reason for the Commission not doing anything to the all-rail rates.

[fol. 1287] A. I would not want them to treat with one, without treating with the other.

Mr. McCollester: That is all I have.
Exam. Carter: Are there any other questions?
Mr. Barron: I have a question or two.
Exam. Carter: Mr. Barron.

By Mr. Barron:

Q. You stated that the Commission in certain cases have used 3.6 as the equating factor to determine water miles versus rail miles.

A. Yes.

Q. Did you mean that?

A. Yes.

Q. They have actually used 3.6?

A. Well, they have referred to it, although I do not say they approved it.

Q. They have also used an average distance, water distance, of 600 miles from the Atlantic ports, the North Atlantic ports, to the Gulf ports, have they not?

A. Not to New Orleans. I think they did in the Corpus Christi case. They grouped the Texas ports, including Corpus Christi, at 600 miles, but they did not group New Orleans in that. That is what you had in mind, I guess.

Q. Inasmuch as the Commission has treated with the all-rail rates as well as with the rail-ocean-rail rates and the rates are so now that they reflect a differential, rail-[fol. 1288] ocean-rail under all-rail, you do not see any reason why that should be changed at this time, do you, Mr. Thornton?

A. Mr. Barron, I believe I stated on direct that we are not satisfied with the differentials reflected under the rates prescribed by the Commission via rail-ocean-rail compared with rates prescribed all-rail. For that reason we petitioned to have the Commission reopen the ocean-rail section of the Southwestern Rate Cases. That case was reopened, and I think you participated in it.

Q. Yes.

A. Director Hardie heard it. There has never been any final hearing or final decision, however.

Q. Now, that was not in 13535 or I. & S. 3130 that that was reopened, was it?

A. The ocean-rail section was reopened and further hearing had. We made the complaint and presented extensive testimony in support of our complaint that the differentials were wrong via the ocean-rail route as compared to the all-rail route.

Q. Are you talking about 13535?

A. The ocean rail section. It is 14880.

Q. That is the original case, but that has been decided. The ocean-rail rate has been decided in 13535.

A. Correct, and the ocean-rail section has been reopened and is now still pending. It has been pending for two or three years.

[fol. 1289] Q. Only in so far as Docket 14880 is concerned?

A. That is the ocean-rail section.

Mr. Barron: We will let that speak for itself.

By Mr. Barron:

Q. In your Exhibit No. 73 you show various rates from New Orleans, Galveston and Houston, to, as you say, representative destinations in the Southwest.

A. I said a few representative destinations.

Q. Yes.

A. That is correct.

Q. Now, those first class rates from New Orleans do not apply by all routes, do they?

A. No. I do not think the Santa Fe participates in them.

Q. They were rates that were put in by a certain line to equalize the Gulf ports, were they not?

A. The rates I show here are not equalized rates. I do not show the equalized rates.

Q. Do you have a present rate from Pittsburgh to Dallas of $3.11?

A. Oh, yes.

Q. Was that a prescribed rate?

A. No. Those are rates that were voluntarily established by the T. & P. Railroad and the L. & A. Railroad.

Q. The same is true as to your rates up into Oklahoma, is it not?

[fol. 1290] A. No. Into Oklahoma the Commission prescribed the rates.

Q. Al[illegible] them?

[illegible]es. We have no voluntary rates in Oklahoma, class ra[illegible].

Q. Do you not have voluntary rates that were established by the L. & A., the Kansas City Southern and some of the other Oklahoma lines?

A. From New Orleans?

Q. From New Orleans, I am talking about.

A. Not through. Where the Houston combination makes less than the through rate, the L. & A., the T. & P. and certain of their Oklahoma connections equalized, but the joint through class rates were prescribed as shown on this exhibit.

Mr. Barron: That is all I have, thank you.

Exam. Carter: Are there any other questions?

Mr. Bee: I have one or two questions.

By Mr. Bee:

Q. Mr. Thornton, did the Commission make port-to-port rates from these New York ports to the Texas and Louisiana ports?

A. Yes, involving rail service beyond the docks.

Q. What was the rate from New York to New Orleans?

A. The Commission did not prescribe any rate—they first prescribed a rate in the Southwestern revision, which was the same as the port-to-port rate prescribed from New York to Houston and Galveston docks, but later, in the later decision, I think the 23rd Supplemental Report, the Commis- [fol. 1291] sion withdrew that and the New Orleans rates that were previously prescribed.

Q. But they left it in to the Texas ports?

A. The prescription, yes.

Q. You would be asking for a combination rate, according to your Exhibit No. 72, of rail-ocean-rail to Morgan City, Louisiana, as an example, that would be lower than the Commission prescribed for a port-to-port rate from New York to Texas ports?

A. No. We want the Commission to prescribe port-to-port rates, too. I did not show those on this exhibit. I can give them to you very readily, if you want them.

Q. I would like to know what you asked to have prescribed.

A. I want the Jensen formula applied to the ports as well as to points beyond the ports.

Q. And the same differential under it?

A. Whatever the Jensen formula makes.

Q. You mean, based on 3.6 miles of ocean to one of rail?

A. That is right. Whatever the Jensen formula fixes, that is what I want.

Q. What about the terminal charge of 25 cents in the Jensen formula? Would that apply?

A. That is included in the formula and fixed in the rates.

Q. You would not want to cut that down by the amount of that terminal charge?

[fol. 1292] A. I did not do that in the application of the formula.

Mr. Bee: That is all I have.

Exam. Carter: Are there any other questions?

Mr. Byars: I have one or two questions, Mr. Examiner, if you please.

Exam. Carter: Mr. Byars.

By Mr. Byars:

Q. Did not the Commission fix the same port-to-port rate, New York to Galveston and Houston and New Orleans?

A. In the first decision, 123 I. C. C.

Q. They followed that in the Bull Steamship Line Case in fixing through rates from the east to the southwest, did they not?

A. In the Bull case, they did not fix any rates to New Orleans. They fixed some rates via New Orleans to Louisiana via Lake Charles, and Beaumont.

Q. Did the Commission change that in a subsequent supplemental report, where originally they prescribed the $1.70 rate from New York to New Orleans, Lake Charles, Houston, Galveston and Texas City?

A. They did not change it in so far as the prescribed rate to Lake Charles, Galveston, Houston and Beaumont was concerned, but the Commission did withdraw its order prescribing the rate to New Orleans in the 23rd Supplemental Report in that same case.

[fol. 1293] Q. Did that have the effect of making the rate lower from New York to New Orleans by water than from New York to Galveston by water?

A. No. The coastwise lines in agreement amongst themselves continued to apply the same coastwise rate to New Orleans port as applied to Galveston and Houston. We did not at that time raise any objection because of the competitive situation.

Q. But the Commission did in the 14880 section of the 13535 proceedings fix the joint water and rail rates into the Southwest so that New Orleans had a differential in its favor as against the other Gulf ports to certain territory about underneath the line of the Kansas City Southern Railroad, did it not?

A. They prescribed—I would not say "a differential". They prescribed the same rate via New Orleans as they prescribed via Galveston and Houston to Shreveport, Texarkana and Muskogee, Oklahoma.

Q. East of that——

A. East of that the rates prescribed via New Orleans were slightly less than the rates prescribed via Galveston and Houston. West of there they prescribed lower rates via Galveston and Houston than via New Orleans.

Mr. Byars: Yes.

By Mr. Byars:

Q. Is it your suggestion that if the Jensen formula is [fol. 1294] used, whatever difference that makes in the differential for and against the Houston-Galveston route, or for and against the New Orleans route, that is what you want?

A. So far as prescription is concerned; but I still maintain that the carriers themselves, if they desire to voluntarily equalize one port route as compared with another, should be permitted to do so.

Q. Yes.

A. I am not asking the Commission to prescribe equalization.

Mr. Byars: That is all.

Exam. Carter: Are there any other questions?

Mr. Grubbs: I have one or two questions, Mr. Examiner.

Exam. Carter: Mr. Grubbs.

By Mr. Grubbs:

Q. You stated you represented the New Orleans interests?

A. Yes.

Q. I take it by that you meant the shippers of New Orleans?

A. Yes, and the port interests, the city and everybody that deals in transportation.

Q. Your organization has been very alert in the matter of securing rate adjustments that you felt were needed by the interests you represent?

A. We do the best job that we can.

Q. Not only for the benefit of existing shippers, but also [fol. 1295] for the benefit of prospective shippers?

A. Oh, yes.

Q. Now, you have expressed the concern that you have for the welfare of the coastwise water carriers which, of course, is quite natural.

A. Yes.

Q. I will ask you if the present time has not brought acutely to your consciousness the importance and the benefit to the shippers of New Orleans of the rail carriers.

A. Oh, yes. Rail carriers are very important factors today.

Q. You are anxious, I take it, that the rail carriers be as efficient as possible?

A. Absolutely.

Q. You want them to adequately meet every need, both today and in peace times.

A. Yes.

Q. Is that not true?

A. Yes.

Q. To be adequate not only for these times, but also in times of peace when the traffic may be much less, you realize that the railroads must be strong, do you not?

A. We are very anxious to see them strong and continue strong.

Q. You do not want them weakened by anything that may be done in this proceeding, do you?

[fol. 1295a] A. No. I do not want to see the railroads weakened in this or any other proceeding if I can help it.

Mr. Grubbs: I will ask you just this one final question, Mr. Thornton:

By Mr. Grubbs:

Q. You studied Mr. Jensen's exhibit, and you doubtless read this statement: no readjustment of class rates should be required which would diminish the aggregate revenue of railroads in any section.

A. Yes.

Q. Do you agree with that?

A. Well, the railroads are fully capable of taking care of themselves in this proceeding. I do not advocate any adjustment of rates that will weaken the railroads' position, financial position. We want strong railroads serving New Orleans.

Mr. Grubbs: Thank you.

The Witness: That means financially.

Mr. Grubbs: Thank you very much.

Exam. Carter: Are there any other questions?

Mr. Tanner: I have one or two questions, please.

Exam. Carter: Mr. Tanner.

By Mr. Tanner:

Q. Mr. Thornton, as I understand your position, it is first that you are dissatisfied with the present relationship in all-rail versus ocean-rail routes, is that correct?

A. I would not say that was our first position. Our first [fol. 1296] position is the fear that the Commission will, as a result of this proceeding, reduce the all-rail rates and not treat with the ocean-rail rates which will place our coastwise lines at a serious disadvantage.

Mr. Tanner: Well, I will ask it this way:

By Mr. Tanner:

Q. Is it your position that at the present time you are dissatisfied with the relationship existing between the all-rail route rates and the ocean-rail route rates?

A. In some respects, yes. We have never been satisfied, and have so stated to the Commission in our petition to reopen the 14880 proceedings. We feel that a different yardstick was used in fixing all-rail rates as compared to fixing ocean-rail rates via New Orleans and the Texas ports.

Q. You would not care whether the relationship that you desired was accomplished in this proceeding or in 14880, would you?

A. We do not want to see two separate orders. We know what that means. We have been up against that. We know how friendly the so-called eastern carriers are to the coastwise lines. They are very friendly in not joining the coastwise lines to make any reductions when rates are reduced. It takes an order from the Commission in a proceeding requiring concurrence. If you give us the first order first, it is all right.

[fol. 1297] Q. You are opposed to the issuance of an order by the Commission in this proceeding changing the charges that are involved?

A. All-rail?

Q. Yes.

A. I am, unless and until they also issue an order making a like change in the rates via the ocean-rail routes from and to the territories I have been describing, in which we are interested.

Q. If they do issue an order reducing the all-rail rates along with the rates through the Gulf ports, are you opposed to it?

A. No. That is the reason I put in my exhibits.

Mr. Tanner: That is all.

Mr. Norman: I have one question.

Exam. Carter: Mr. Norman.

By Mr. Norman:

Q. The rail-lake rates are made on basis of 90 per cent of th[illegible]l-rail rates, are they not?

A. I think in the northern section of the country they have a structure made based 90 per cent of the all-rail rates.

Q. That would not be satisfactory in your case, would it?

A. No, because our water haul represents a greater proportion of the total haul than the Great Lakes water haul does, in our opinion.

Q. Therefore, you think 90 per cent would not be right?

[fol. 1298] A. No. You understand, Mr. Norman, that while I have submitted an exhibit showing the results of the application of the Jensen formula, I am not advocating rigid mileage rates. I think the carriers should make reasonable groupings.

Mr. Norman: Let me ask you this final question:

By Mr. Norman:

Q. You said that in the event the Eastern Trunk Line and New England all-rail rates were reduced, you would want the reduction applied on the formula which you give to the rail-ocean-rail rates?

A. If the Commission uses this formula. If they use some other formula, then I want my rail-ocean-rail rates applied on that formula, or the same yardstick.

Q. Assume as a result of this case the rail rates might be raised: what would you want in that case?

A. If they found that those all-rail rates had to be raised and the same yardstick applied to our route, then I suppose we would have to take the raise also.

Mr. Norman: That is all.

Exam. Carter: Are there any other questions on cross-examination?

Mr. Thompson: I have one question, Mr. Examiner.

Exam. Carter: Mr. Thompson.

By Mr. Thompson:

Q. In answer to a question by Mr. Tanner, you said you are willing to have the all-rail rates reduced under the Jensen formula if you got a corresponding reduction in the [fol. 1299] water rates.

A. I said, if the all-rail rates were reduced. He asked whether I would object to it if the all-rail rates were reduced under the Jensen formula and the rail-water rates were reduced under the Jensen formula. Of course I would not object.

Q. I understood your last answer was that you were advocating a reduction in the all-rail rates.

A. No.

Q. Did I misunderstand you?

A. You misunderstood me, yes.

Mr. Thompson: That is all.

Mr. Barron: May I ask one more question, Mr. Examiner?

Exam. Carter: All right.

By Mr. Barron:

Q. Mr. Thornton, do you advocate that each Gulf port should be given the benefit of its geographic location?

A. No.

Mr. Barron: Thank you.

The Witness: I think the rail and water carriers should be free to equalize as policy dictates.

By Mr. Barron:

Q. As freely as the rail routes equalize one route via another?

A. Yes. There should be the same freedom.

Mr. Barron: That is all.

[fol. 1300] Exam. Carter: Are there any other questions of Mr. Thornton? (No response.) If not, you are excused.

(Witness excused.)

Exam. Carter: Call the next witness.

Mr. Norman: Call Mr, Creighton.

Exam. Carter: Raise your right hand and be sworn.

W. S. Creighton was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Will you state your full name for the record, please, Mr. Creighton.

A. W. S. Creighton.

Q. Your address?

A. 121 West 4th Street, Charlotte, North Carolina.

Q. What is your occupation?

A. I am Traffic Secretary and Manager of the North Carolina Traffic League.

Q. Have you had long experience in traffic matters?

A. Something over 40 years.

Q. You have appeared and testified in many cases before the Interstate Commerce Commission?

A. Yes, quite a few.

Q. Have you prepared a statement of your testimony to be offered in this proceeding?

A. Yes, sir.

[fol. 1300-A] Mr. Norman: Mr. Examiner, this statement of Mr. Creighton's testimony has been distributed.

By Mr. Norman:

Q. By the way, Mr. Creighton, have you prepared an exhibit to accompany this testimony?

A. I have prepared an exhibit, one exhibit consisting of four pages, to accompany the testimony, yes, sir.

Mr. Norman: We ask that that be marked for identification as the next exhibit, if the Examiner please.

Exam. Carter: It may be marked for identification as Exhibit No. 74.

(Exhibit No. 74, Witness Creighton, marked for identification.)

By Mr. Norman:

Q. Mr. Creighton, was this exhibit prepared by you or under your direction?

A. Yes, sir.

Q. Is it correct to the best of your knowledge and belief?

A. Yes, sir.

Q. Please present your statement for the record, the statement of your testimony.

A. On January 9, 1940, the Commission issued an order requiring each Class I railway which reported more than one million dollars of freight revenue received from less than carload traffic in 1937 to make, and preserve until further notice, a record of each freight shipment terminated by it on certain specified days—the items of information to [fol. 1301] be recorded for each shipment were to be those specified in the order, and subject to the instructions set forth in the Commission's order. The date fixed by the Commission for furnishing the information was May 15, 1940.

On April 19, 1940, respondents, Class I carriers, filed a petition with the Commission seeking a modification of the Commission's order to the extent of relieving them from the requirement of making and preserving the information specified. To their petition was attached an appendix, which consisted of copy of letter of July 31, 1939, of vice-presidents Cleveland and Bunnell, of the Association of American Railroads, to chief traffic officers and chief accounting officers of Class I railroads, which outlined in detail the method of conducting a study, known as the Merchandise Report, which was made for the Merchandise Committee of the Association of American Railroads, together with a statement in 19 parts headed "Analysis of LCL Traffic", which shows the results of that study, and four charts, with accompanying memorandum which summarized the revenue and tonnage distribution of intraterritorial traffic within Official and within Southern territories by mileage blocks. The period covered by the Merchandise Report was for the week of September 8-14, 1939, inclusive. Distribution by mileage blocks of 100, 200, 300, 400, 500, and over 500 miles were made within Official and within Southern territories only.

[fol. 1302] Class I railways, in their petition of April 19, 1940, for modification of the Commission's order of January 9, 1940, said that they "do not pretend that the information developed by the study which is herewith submitted is as complete as might be desired if all practical considerations are to be disregarded."

As a result of respondents' petition the requirements in the Commission's order to furnish the information ~~was~~ postponed from time to time until November 25, 1940, at which time the Commission issued its order rescinding that portion of its order of January 9, 1940. That Merchandise Report, filed as an appendix in the respondents' petition of April 19, 1940, constituted a large part of the foundation of Witness Jensen's study filed as Exhibit No. 7 in this proceeding.

Exhibit G, Part 15, Page 9, of the Merchandise Report, shows the details for Official territory, and Exhibit G, Part 16, Page 9, of the Merchandise Report shows the details for Southern Territory. The figures on Sheet 1 of my exhibit have been taken from these two sheets of the Merchandise Report. According to the Merchandise Report, the average rate of all less than carload class and commodity traffic for the test period is 68.6 cents per 100 pounds in Official territory, and 50.5 cents per 100 pounds in Southern territory. These average rates, however, while they may be the average [fol. 1303] rates covering all less than carload class and commodity traffic that moved during the test period within Official and Southern territories, are not fairly comparable for the reason that the average distance of haul is not shown and it is clearly apparent from an examination of the study that the average rates referred to do not cover even approximately the same average distances of haul in the respective territories. To illustrate: on shipments weighing less than 10,000 pounds, in Official territory, 26.4 per cent of the tonnage moved within the first 200 miles, while in Southern territory 49 per cent of the total tonnage moved within the first 200 miles: In Official territory 28.28 per cent of the total tonnage moved for distances over 500 miles, while in Southern territory only 13.37 per cent of the total tonnage moved over 500 miles.

Of shipments weighing 10,000 pounds and over, 25.68 per cent moved within the first 200 miles in Official territory; while in Southern territory 70.7 per cent of the total tonnage moved for distances less than 200 miles; and in Official territory 26.07 per cent of the total traffic moved over 500 miles, while in Southern territory only 1.97 per cent of the total traffic moved over 500 miles. Hence, as previously stated, it is clearly apparent that the average distance of haul in the respective territories is not the same, and it would be unfair to compare an average rate of 68.6 cents [fol. 1304] per 100 pounds in Official territory with a rate of 50.5 cents per 100 pounds in Southern territory.

In Exhibit No. 7, in Chapter IV, entitled "Comparison of Actual Rates Charged in North and South on Like Kinds of Class Traffic", Witness Jensen says: "Certain data collected by the Association of American Railroads as to less than carload traffic during the week which ended September 14, 1939, are of significance in this connection."

The witness then proceeds to say that the average distance of haul in Official territory is 380 miles, in the South 220 miles, without showing where he obtains the figures representing the average length of hauls in the respective territories. Then he proceeds to make equations in order to get average rates in the respective territories for comparable distances, as follows: North, average haul, 380 miles. Average rate, cents: 68.6. Per cent of first class, 64.7. Northern distance equated to southern distance (220 miles): Rate in North, 54.3 cents. Rate in South, 50.5 cents. Excess of northern over southern rate, 7.5 per cent. South: Average haul, 220 miles. Average rate, cents: 50.5. Per cent of first class, 43.1. Southern distance equated to northern distance (380 miles): Rate in North, 68.6 cents. Rate in South, 65.7 cents. Excess of northern over southern rate, 4.4 per cent.

It will be observed, in the case of each comparison, where [fol. 1305] corresponding distance of haul is observed in each territory, that Witness Jensen shows the northern rate to be in excess of the southern rate. Immediately following the above equations Witness Jensen proceeds, at page 35, to discuss excess of southern first class over northern first class rate: at 220 miles, 39.6 per cent. At 380 miles, 43.7 per cent.

At page 36 of his paper, Witness Jensen says: "The A. A. R. report throws no light on the composition of the traffic by commodities in the two territories. It is, however, well known that during the second week of September in each year a large amount of country cotton moves in less than carload freight service to compresses in the south."

Witness Jensen follows this statement by pointing out that a great deal of commodity traffic moves in the south which has no counterpart in the north, such, for example, as cotton, fertilizer, leaf tobacco, grain and grain products.

At page 39 of his exhibit Witness Jensen makes the following equation:

Miles	% Distribution of Tonnage			Average Rates		% Southern Rate is of Northern Rate
	North	South	Composite North and South	North	South	
0–100	9.9	22.9	16.4	32.0	33.9	105.9
[fol. 1306]						
100–200	16.2	29.2	22.7	47.0	43.8	93.2
200–300	17.0	17.1	17.1	58.2	59.7	102.6
300–400	15.6	11.6	13.6	66.2	77.0	116.3
400–500	13.2	7.3	10.2	74.5	100.1	134.3
Over 500	28.1	11.9	20.0	98.5	128.6	130.6
					Average*	—111.7

* Weighted for composite distribution of tonnage in each mileage block.

That equation purports to show that the Southern average rate is 11.7 per cent higher than the northern average rate. And at page 40 of his exhibit, Witness Jensen says that: "Summing up, it may be said that the A. A. R. report indicates as a reasonable approximation that on less than carload traffic, commodity for commodity and mile for mile, the rates in the south are more than 5 per cent but less than 15 per cent higher than those in the north."

Witness Jensen then suggests that the south be divided by drawing a line beginning at the Mississippi River, running thence through northern Tennessee and northern

North Carolina to the Atlantic Ocean; that north of that line the line haul rates should be 110 per cent of his basic scale, and south thereof 120 per cent of the basic scale.

Turning now to my exhibit: Sheet 2 redistributes the [fols. 1307-1308] total Official territory tonnage into the mileage blocks indicated, based upon the Southern per cents, multiplying the new weights thus obtained for the several mileage blocks by the average rate in Official territory as shown on Sheet 1, and having obtained new charges the total weight is divided into the total charges arriving at a total average rate for Official territory of 56.2 cents per 100 pounds to cover the class and commodity traffic moving within Official territory by redistributing the total tonnage in that territory on the basis just explained. This average rate of 56.2 cents per 100 pounds, obtained in the manner which I have just explained, is the rate which is fairly comparable with the average rate of 50.5 cents per 100 pounds for Southern territory as developed in the Merchandise Report.

On Sheet 3 of my exhibit, the total Southern tonnage is redistributed into the mileage blocks indicated, using the per cents for Official territory, and having obtained the proportions of weight in each mileage block in accordance with the Official per cents the new weights are multiplied by the appropriate average Southern rate thus obtaining the new Southern charges, whereupon the total Southern tonnage is divided into the total charge arriving at a total average rate of 68.2 cents per 100 pounds to cover the less than carload class and commodity traffic moving in Southern territory during the test period by redistributing on [fol. 1309] the basis indicated above. This rate of 68.2 cents per 100 pounds for Southern territory is fairly comparable with the rate of 68.6 cents developed in the Merchandise Report as representing the average rate in Official territory.

Sheet 4 of my exhibit shows that in Official territory, shipments weighing less than 10,000 pounds amounted to 91.3 per cent of the total traffic moving in Official territory; shipments weighing more than 10,000 pounds amounted to only 8.7 per cent of the total traffic moving within Official territory. In the South, shipments weighing less than 10,000 pounds amounted to 59.6 per cent of the total less than carload traffic; and shipments weighing more than

10,000 pounds amounted to 40.4 per cent of the Southern tonnage.

At the bottom of sheet 4 of my exhibit it will be observed that when comparing like distances of haul the average rate in Official territory is 56.2 cents per 100 pounds, obtained as explained on Sheet 2 of the exhibit, contrasted with the average rate in the South of 50.5 cents per 100 pounds, which was developed in the Merchandise Report; and that 68.2 cents per 100 pounds, obtained as explained on Sheet 3 of my exhibit, is the average Southern rate to compare with 68.6 cents per 100 pounds in Official territory, developed in the Merchandise Report. Thus it appears that when reconciling the differences in average haul in [fol. 1310] the respective territories the Southern average rate is not higher than the average rate in Official territory.

Since the Merchandise Report was made, effective September 1, 1940, the carriers made many downward revisions in the rates applicable to less than carload shipments. That revision to a large extent makes moot the showing made in the Merchandise Report.

Witness Jensen's conclusions are based so much upon the so-called Merchandise Traffic Study that attention should be called to some of the defects therein: 1. The Merchandise Traffic Study does not cover an average week. It embraced the week which ended September 14, 1939. During that week a greater number of cars of revenue l. c. l. freight were shipped than in any other week during that year. The average number of cars shipped per week that year was 150,595; whereas during the week ended September 14, 1939, there were 162,856 merchandise l. c. l. cars loaded. Statistics furnished by Car Service Division, Association of American Railroads. The Merchandise Traffic Study being for one week, it does not take care of seasonal variation.

2. During September there is a very large movement of cotton, tobacco, fertilizer, and grain moving at l. c. l. commodity rates in the South but not in the North, and not throughout the year, as conceded by Witness Jensen.

3. The Merchandise Traffic Study is not usable to com- [fol. 1311] pare commodity with commodity.

4. By use of the Merchandise Traffic Study you cannot separate traffic moving on class rates and ratings from that moving on exceptions or commodity percentages.

5. By use of the Merchandise Traffic Study you can not ascertain the actual relative class rate levels.

6. Actual mileages were not obtained by the Association of American Railroads from the railroads. The only mileages used were in the 100-mile blocks up to 500 miles and beyond 500 miles constituted another block.

7. In determining into which 100-mile block a given shipment should be placed, the railroads applied the first-class rate between the points under consideration to the eastern scale. This did not produce accurate mileage. To illustrate, consider shipments moving within, to, or from New England: The first class rates applicable thereto are higher than in other parts of Official territory. Those high first class rates applied to the lower Official territory base scale threw many rates into the wrong mileage block.

8. Mr. Jensen had to use many assumptions, and so forth, to arrive at his average distances. His average hauls are very much longer in the north than in the south. Below are Mr. Jensen's average hauls; the average hauls derived by Mr. A. V. Vallandingham, of the Commission's [fol. 1312] Bureau of Statistics, in his summary of replies to questionnaires directed to all Class I steam railways at the request of the Senate Committee on Interstate Commerce in connection with Senate Resolution 146, 76 Congress 1st Session; and the average miles per revenue ton per road set forth in Bureau of Statistics M-220:

Jensen's average haul	South	North
Class l. c. l.	270 (33)	380 (33)
Commodity	190 (35)	380 (35)
Combined	220 (35)	380 (35)
Combined with 30 per cent of commodity	246 (38)	380 (35)
Vallandingham (Senate Resolution 146)		
L. C. L. traffic	275* 283#	262
Forwarder carload traffic	442* 433#	390
L. C. L. and forwarder combined	279* 287#	288
Bureau of Statistics (All traffic)		
1940	202.7*	
	223.5#	158.8
1941	203.9*	
	219.8#	164.4

Figures in parenthesis refer to page of Witness Jensen's Exhibit No. 7.
* Southern region exclusive of Pocahontas Region.
# Southern district including Pocahontas Region.

In conclusion: With the average rates applicable to less than carload traffic being shown to be no higher in [fol. 1313] the South than in the North under Mr. Jensen's own theory there can be no justification for higher class rates in the South than in Official territory. By revising the class rate structure in the eastern half of the United States so that the unjustified differences in first class rates will be gotten rid of, differences in classification ratings removed, and differences in percentage relationships of the lower classes to the first class in official and southern territories done away with, there will be no need for southern carriers to resort to the establishment of innumerable commodity rates and classification exceptions in order to produce a basis which will permit the movement of class rated traffic, which the present basis of class rates does not permit.

Mr. Norman: We offer in evidence Exhibit No. 74, if the Examiner please.

Exam. Carter: Is there any objection to the receipt in evidence of Exhibit 74?

Mr. Cotterill: This exhibit presents an opportunity to obtain a ruling on a matter which is vexing a number of the counsel in the case and therefore in order to obtain the ruling, and for no other purpose, I respectfully submit an objection to its receipt.

Mr. Norman: To the Exhibit's receipt?

Mr. Cotterill: Yes. The basis of the objection is that down at the bottom of it in the left-hand corner, an authority reference is made to the Merchandise [fol. 1314] Report from which, I am informed, the intent is to make reference to certain statistical data gathered by the Association of American Railroads. I am told that some time in the past the commission addressed a communication to the railroad interests in this proceeding on the subject of traffic tests and they were met with the response by the railroads that there were practical reasons why they did not deem it consistent to meet that request. They transmitted to the Commission that American Association report as a substitute, and the order which had originally sought the traffic test, or the direction which originally had sought the traffic test was thereupon revoked. Counsel are unable to recall any formal treatment of the status of that material as part of the record in this case. It was referred to by Witness Jensen in his testimony and has been twice referred to by railroad witnesses.

I am informed by our accountants that for certain purposes of their own, they need to make reference to that material. We therefore would like a ruling as to whether that material is in evidence and may be used by any party in the case in the way Witness Creighton does or not. We personally hope it may be, but this is the opportunity and the means of obtaining a ruling.

Exam. Carter: I will take that question up with the Division, and I assume the chairman will make an announce-[fol. 1315] ment.

Mr. Cotterill: May I make a further factual contribution to your deliberations.

Exam. Carter: Yes.

Mr. Cotterill: I am informed that when the railroad interests undertok to prevail upon the Commission not to go forward with these proceedings, they filed a document—we will call it a motion or a pleading—in which there are recitals embodying this A. A. R. material. Now, perhaps if the document filed then by the railroads be regarded as a pleading in the case, it might happen that under the new rules of practice that material becomes part of the record. If I am correctly advised, the new rule provides that any factual matter recited in a pleading becomes part of the record unless challenged.

Mr. Barron: Those rules certainly do not become retroactive.

Mr. Cotterill: I do not know. That is one of the disturbing questions that I am not advised about.

Mr. Barron: They certainly could not be.

Mr. McCollester: May we be off the record, Mr. Examiner?

Exam. Carter: Off the record.

(Discussion outside the record.)

Exam. Carter: On the record.

[fol. 1316] Mr. Norman: May I make a statement for the record, please, Mr. Examiner?

Exam. Carter: Yes, Mr. Norman.

Mr. Norman: I have proceeded on the theory that this study, if it could be called such, is part of the record. Certainly if it is not, then much of Mr. Jensen's testimony is incompetent. It was filed with the Commission in response to a request for certain information by the Commission and it seems to me that it is clearly part of the record.

I may say, however, that this witness is attacking the showing and undertaking to show it is not representative and that sort of thing. So far as I am concerned, I have no particular desire to have it part of the record, but it seems to me that if the Jensen testimony is to be retained, it must be made part of the record if it has not already been done.

Exam. Carter: Is there any cross-examination of Mr. Creighton?

Mr. Barron: I would like to ask the witness one or two questions, if I may.

Mr. Walker: I have a few questions.

Mr. Barron: Go ahead, Mr. Walker.

Exam. Carter: Proceed, Mr. Walker.

By Mr. Walker:

Cross-examination.

Q. Mr. Creighton, on page 9 of your prepared statement you refer to Vallandingham's Report.

[fol. 1317] A. Yes.

Q. Are those figures included in an official Government publication?

A. (No answer.)

Mr. Norman: Where did you get that Vallandingham Report, Mr. Creighton?

The Witness: That is in response to Senate Resolution 146.

Mr. Norman: That is a public document.

By Mr. Walker:

Q. Where did you get it? Did you get it from a publication?

A. I got it from the Commission.

Mr. Walker: That is all.

Mr. Kerr: I have a question or two for clarification puposes only.

Exam. Carter: Mr. Kerr.

By Mr. Kerr:

Q. Mr. Creighton, is it not true that in arriving at the average rate shown on page 4 of your exhibit, that you have arbitrarily transferred the Official territory tonnage into Southern territory for the purpose of getting your assumed average rate, and likewise arbitrarily transferred the Southern tonnage into Official territory for the purpose of getting your average rate?

A. More precisely, Mr. Kerr, what I did was to redistribute the Official tonnage into the mileage blocks used [fol. 1318] in the Merchandise Report, based upon the proportions on which the Southern tonnage was distributed into those mileage blocks. On sheet 3 the reverse was done, that is to say, the Southern tonnage was put into the mileage blocks based upon the Official proportions.

Q. Did you have any tonnage record taken from the Merchandise Report or from any other report, that would indicate it was proper in your mind to make that arbitrary transfer of tonnage from one territory to another?

A. The redistribution, as I have stated, was of the figures taken from sheet 1, which is copied from the Merchandise Report, and that is all of the data I had for the purpose of making that redistribution.

Q. Assuming that the figures for the Official territory and for the Southern territory as shown in the Merchandise Report are correct—just assuming that for the purpose of this question—the first sheet of your Exhibit No. 74 shows the actual distribution of the Official territory tonnage according to mileage blocks?

A. It does, and it shows also the Southern tonnage in the same way.

Q. In each case you show the percentage distribution as between the mileage blocks?

A. That was shown in the Merchandise Report, yes.

Q. Yes.

[fol. 1319] A. And it is shown there.

Q. On sheet 2 what you have done in effect is to take the Official territory tonnage of 251,000,000 pounds plus shipments less than 10,000 pounds—I use those merely as an example—and you redistribute that using the Southern per cents?

A. That is correct.

Q. Is that right?

A. Yes.

Q. In that way you get an assumed rate?

A. First I got an assumed division of tonnage in those mileage blocks.

Q. But actually in Official territory 9.6 per cent of the tonnage of shipments less than 10,000 pounds was in the mileage block of less than 100 miles, is that not true?

A. In the Merchandise Report, yes, sir.

Q. But in getting your assumed rate in Official territory, you have used, or you have also assumed that 24.54 per cent of the Official territory tonnage moved less than 100 miles?

A. What per cent did you say?

Q. 24.54.

A. Yes.

Q. That is the Southern per cent.

A. Yes.

Q. You apply that to the Official tonnage?

[fol. 1320] A. That is right.

Q. And get an assumed rate in Official territory?

A. That is right.

Q. Is that correct?

A. Yes.

Q. And you carried that all the way through?

A. Yes.

Q. You did not find that in the Merchandise Report, did you?

A. No, sir.

Mr. Kerr: Thank you.

By Mr. Norman:

Q. In other words, you have re-rated the Official territory movement according to Southern rates and re-rated the Southern movement according to Official territory rates?

A. That is correct.

Mr. Norman: That is all.

Exam. Carter: Is there anything further?

Mr. Byars: One more question:

By Mr. Byars:

Q. What was the purpose of that showing, Mr. Creighton?

A. The purpose was to see what the average rate would be where we had figures that would, as nearly as we could get them, give for those rates an equal amount of transportation measured out in miles in the two territories.

Mr. Byars: That is all.

[fol. 1321] Exam. Carter: Mr. Widell.

Mr. Widell: I just have one question, to clarify a little pages 9 and 10 of your statement, beginning at the bottom of page 9, the last sentence, where you say: "By revising the class rate structure in the Eastern half of the United States so that the unjustified differences in first class rates will be gotten rid of", and so forth.

By Mr. Widell:

Q. Do you mean there the differences between the southern 13494 and the eastern 15879 scales?

A. That is what I had reference to, yes.

Q. Now, then, on the next page, page 10, you say that if that could be accomplished by applying the Eastern first class scale instead of the Southern in the south, "there will be no need for Southern carriers to resort to the establishment of innumerable commodity rates and classification exceptions in order to produce a basis which will permit the movement of class rated traffic, which the present basis of class rates does not permit". Now, does that mean that in Official territory where this Eastern scale applies, there are no innumerable commodity rates or classification exceptions? Just what did you mean by that?

A. It does not mean that there are not a great number of exceptions in Official Classification territory.

Q. Well, now, you know, do you not, Mr. Creighton, that in Official territory generally speaking we have about as many [fol. 1322] innumerable commodity rates and classification exceptions as we have in the south?

A. Probably so.

Mr. Widell: Thank you. That is all.

Exam. Carter: Are there any other questions of Mr. Creighton? (No response.) If not, you are excused.

(Witness excused.)

Exam. Carter: Call the next witness.

Mr. Norman: Mr. Mitchell.

Exam. Carter: Raise your right hand and be sworn.

192

749458
Sup. Ct.

Vol. IV

TRANSCRIPT OF RECORD

(Pages 2335 to 3008)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. IV

INDEX

	Original	Print
Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued		
Testimony of—Continued		
C. A. Mitchell	1322	2335
Exhibit 71—Table of short line distance factors to be used in constructing first class rates under formulas proposed by Witness C. G. Jensen	1355-A	2356a
Exhibit 72—Statement showing comparison of present published first class rates in effect prior to ex parte 148 increases of March 18, 1942, etc.	1355-B	2356m

---

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCT. 24, 1946.

—7298

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
Exhibit 73—Statement showing comparison of present published first class rates in effect prior to ex parte 148 increases of March 18, 1942, etc.	1355-C	2356dd
Exhibit 74—Analysis of L. C. L. Traffic—Period of September 8–14, 1939	1355-D	2356kk
Exhibit 75—Statement of distances and present first class rates from Memphis, Tenn., to representative points in states located in official territory, etc.	1355-E	2356oo
Testimony of A. D. Spotswood	1358	2357
Prentice Cooper	1476	2429
J. R. Bachman	1499	2443
Simon Chilewich	1517	2455
R. G. LeTourneau	1528	2462
Charles F. Cates	1533	2465
F. V. Fonville	1540	2469
J. A. Little	1546	2473
J. A. Little (resumed)	1563	2483
E. G. Plowman	1582	2495
O. G. Edwards	1602	2507
R. T. Settles	1614	2515
Lane Mitchell	1620	2518
Henry J. Saunders	1626	2522
Spessard L. Holland	1653	2539
E. L. Hart	1670	2549
J. O. Hendley	1754	2601
Eric Morrell	1773	2612
T. C. Maurer	1791	2624
Joseph H. Donnell	1861	2666
Thomas E. Grady	1903	2691
Roland B. Eutsler	1926	2706
J. C. Murray	1968	2731
J. C. Murray (resumed)	2019	2762
P. A. Frye	2021	2764
C. C. Dehne	2027	2768
H. K. Thatcher	2039	2776
L. A. Henry	2048	2782
E. R. Tanner	2054	2785
Ed. P. Byars	2066	2793
A. J. Scrivner	2083	2803
John H. Frederick	2095	2811
Thomas S. Wood	2124	2830
C. A. Carr	2128	2833
R. B. Willard	2143	2842
John M. Agrey	2154	2848
Caption and appearances—Hearing at Columbus, Ohio	2176	2862
Testimony of Ford K. Edwards (recalled)	2184	2866
J. E. Marks	2228	2892
L. F. Orr	2240	2900
Walter M. Whorton	2247	2905

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
J. D. Hughett	2256	2910
R. F. Sanford	2265	2916
J. F. Stevick	2269	2918
E. B. Dade	2273	2921
John C. Frye	2285	2928
L. F. Duff	2288	2931
R. K. Keas	2300	2938
H. Clyde Filley	2307	2943
Leo N. Christianson	2325	2954
R. K. Keas (recalled)	2342	2963
James P. Haynes	2346	2966
C. F. Real	2352	2970
C. E. Schreiber	2392	2994

C. A. **Mitchell** was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Will you state your full name for the record, please, Mr. Mitchell.

A. C. A. Mitchell.

Q. Your place of residence?

A. Memphis, Tennessee.

Q. What is your occupation?

A. I am Commissioner of the Memphis Freight Bureau and have been since December 15, 1941. Prior to that time for approximately 18 years I was assistant general manager of the New Orleans Joint Traffic Bureau. Prior to that for about four years I was assistant commissioner of the Memphis Freight Bureau, from 1920 to 1924.

[fol. 1323] Q. So you have had many years of experience in traffic work.

A. I have, yes, sir.

Q. Have you prepared an exhibit for presentation in this case?

A. I have.

Mr. Norman: We ask that this be marked for identification as the next exhibit, if the Examiner please.

Exam. Carter: It may be marked for identification as Exhibit No. 75.

(Exhibit No. 75, Witness Mitchell, marked for identification.)

By Mr. Norman:

Q. Of how many pages does this exhibit consist, Mr. Mitchell?

A. It consists of 8 pages.

Q. Please proceed and briefly describe what this exhibit shows.

A. On pages 1 to 3 inclusive are shown representative destinations grouped by states in the several states in Official territory with the distances from Memphis and the class rates actually in effect today from Memphis to those points under the column headed "13494 1st", except that it doe not include the Ex Parte 148 increases which are not included in any of my figures. Opposite that in the following column under the heading "15879 1st" we show what the first class rate would be from Memphis if we had the [fol. 1324] Official scale. Then in the last column headed with a percentage sign we show the per cent that the present first class rate from Memphis is of the 15879 first class rate with the average for each state.

Now, beginning on sheet 4 and running through to sheet 8 inclusive, the pages are headed "Comparison of rates on macaroni, noodles and spaghetti, LCL". I would like to explain—we used this more or less as representative—that there is a fairly large manufacturer of these commodities at Memphis and a wide distribution of them from Memphis. It is one of few commodities, I may say, that moves in both Official and Southern territories on the straight classification rather than on exceptions in less than carload quantities. In the Official Classification territory these commodities less than carload are rated fourth class, which is equal to 50 per cent of the Official territory first class rates and in the Southern territory the rating is 50 per cent in the straight classification. It also so happens that there is an item in the Southern exceptions giving spaghetti in quantities more than 12,000 pounds, class 50. I do not know why that is in there, since the straight classification provides class 50.

Q. Just a minute, please.

A. Yes.

Q. What is the name of this manufacturer at Memphis?

[fol. 1325] A. Robilio & Cuneo.

Q. Are they members of the Memphis Freight Bureau?

A. Yes.

Q. And do you furnish them traffic service?

A. Yes, sir.

Q. Do you know where their competition is located?

A. Yes, sir. Their principal competition is from Chicago and St. Louis.

Q. Yes.

A. There is also a competitor at Louisville, but in the territory affected their principal competition is from Chicago and St. Louis; and I would say that Chicago manufactures and ships more of these commodities than all the other competitors combined. So it is, after all, the biggest competitor. I want to explain this: this firm is very much interested in the rates here involved and in the difference in level of what they call their distributing rates from Memphis compared to Official territory levels. Mr. Cuneo of that firm handled all of their traffic matters in the prior stages of this case and had indicated a very deep interest in this matter. Mr. Cuneo is now in the Army and it was impossible to have a witness directly from that firm because Mr. Robilio does not know anything about rates and says it would be impossible for him to get away. That is why I am putting in the figures for them.

[fol. 1326] Q. Proceed with your explanation of your exhibit, please, Mr. Mitchell.

A. To go on with my explanation of Exhibit No. 75, on page 4 we have selected as destinations, points located on the borderline between Official and Southern territories. Generally speaking, they are Ohio River crossings. Also, Pittsburgh, Pennsylvania, and Wheeling, West Virginia. Now, there we show the distances from Memphis, Chicago and St. Louis, and under column A the first class rates from the three points. Then under column B we show the actual going rates on the commodity macaroni and so forth, less than carload, which is class 50 in the south and fourth class in the north. Under column C we show the actual 15879 scale on the same basis.

You will notice under column C, from Memphis—I just want to take one illustration, Evansville, Indiana. The distance from Memphis to Evansville is 301 miles. The first class rate is $1.36. Our rate on spaghetti is 68 cents. Now, if we had the 15879 scale, our rate from Memphis would be 49 cents. On the other hand, the distance from Chicago to Evansville is 284 miles, slightly less than the distance from Memphis. The first class rate is 96 cents. The class 50 or fourth class rate is 48 cents, applicable on macaroni and so forth. Under column C we show the 15879 scale fourth class rate as being exactly 48 cents. In other [fol. 1327] words, Chicago has the 15879 scale. We show the same figures from St. Louis. I have selected Evansville there to use as an illustration because the distance from Memphis and Chicago is nearly the same. Relatively the showing throughout the exhibit is the same as I have explained as to Evansville.

Q. You say the distances are relatively the same.

A. Yes.

Q. Suppose you just give the present rates that are being paid from Memphis and from Chicago.

Mr. McCollester: It all appears on the exhibit.

The Witness: 68 cents from Memphis and 48 cents from Chicago.

Mr. Norman: All right.

By Mr. Norman:

Q. Proceed.

A. And only 17 miles difference in distance.

Mr. Bee: Just as a matter of explanation, I notice Henderson, Kentucky, is the only point where the actual rate and the class rate are not the same from Chicago and St. Louis.

By Mr. Bee:

Q. Could you explain that?

A. Henderson is on the south side of the Ohio River only 12 miles from Evansville. I have a notion that the river crossing there may have influenced the present rate of 50 cents because the scale rate would be 48 cents to Henderson. I do not know why that is. There is one other point—[fol. 1528] well, no. Henderson is different coming from St. Louis, too.

Q. Yes.

A. But no other points. I just do not know why that is.

Mr. Bee: All right.

By Mr. Norman:

Q. Proceed, Mr. Mitchell.

A. On page 5 we have shown a number of stations in south central Illinois, generally south of the St. Louis territory, with the distances from Memphis and from Chicago, the first class rates, the going rates on macaroni and the 15879 scale which is shown under column C from Memphis, what we would have to these points if we had the scale. From Chicago, I do not know why, but there is a line of commodity rates to those points shown under column D, but except to St. Louis, you will notice those commodity rates are exactly the same as the class rates shown under column B from Chicago. We did not include St. Louis as an origin on this exhibit because these points are so close to St. Louis there would be no basis for comparison there. However, the shorter distances are more nearly comparable with the distances from Memphis. I just want to call attention to one point. Take Metropolis, Illinois. That point is only 179 miles from Memphis, with a rate of 53 cents. It is 355 miles from Chicago, with a rate of 52 cents.

Mr. Byars: Do you say that those column D rates from Chicago to all points except St. Louis are actually the fourth [fol. 1329] class rates under the 15879 scale?

Mr. Norman: It is shown on the exhibit.

Mr. Byars: No. It does not show that.

The Witness: I understand they are. However, this exhibit does not show that particular information.

Mr. Byars: Well, I asked you if you said that. I thought you did say that.

The Witness: No. I said—you will notice there is no column C from Chicago.

Mr. Byars: I notice that.

The Witness: On this exhibit.

Mr. Byars: Yes.

The Witness: That was a mistake. These exhibits were made up at my office since I left there. That is, they were typed, and so forth. I do not know whether that was an error that they were left off, or not. I intended to show the 15879 scale in all cases.

Mr. Byars: On the exhibit showing the 15879 scale from Memphis, the column D is explained as commodity rates applying from Chicago to these points other than St. Louis. I think you stated that they are published as commodity rates, but they are in fact the same as the——

The Witness: Class rates.

Mr. Byars: —class rates?

The Witness: That is right. Under column B, except [fol. 1330] to St. Louis——

Mr. Byars: Yes.

The Witness: —where the commodity rate is different from the class rate, you will notice it is both higher and lower, depending upon the quantity.

Mr. McCollester: In that connection let me ask just one question as a matter of explanation:

By Mr. McCollester:

Q. I notice you show a minimum weight there, but are those all less than carload rates?

A. They are all less than carload rates. That minimum weight just applies in connection with rates to St. Louis. There is a commodity rate to St. Louis of 51 cents from Chicago on quantities less than 10,000 pounds, and 42 cents on quantities 10,000 pounds or more. They are just volume rates, volume less than carload rates.

Q. Are there carload rates besides?

A. You mean, commodity rates?

Q. Or class rates.

A. Not that I know of—oh, certainly there are some class rates, but we did not go into it because commodities are not shipped from Memphis in carloads into this territory. However, I might say that the relative comparison would be the same. The class would probably be sixth or some other class, but the relative difference in rates from Chicago or St. Louis to these destinations versus Memphis would [fol. 1331] be reflected right here in the first class rates.

Exam. Carter: Proceed.

The Witness: Before I go any further, I want to say that the heading of all these pages 4 to 8 just shows a comparison of rates on macaroni, noodles and spaghetti, less than carload, and fails to mention the fact that those pages also carry the distances and the first class rates. Now, page 6 shows equi-distant rates from Memphis, Chicago and St. Louis to destinations north of the Ohio River in all instances. In other words, in the first group there we took Memphis to Indianapolis, 443 miles. Against that we compared Chicago to Pittsburgh, which is 454 miles,——

Exam. Carter: That is all shown on the exhibit, Mr. Mitchell.

The Witness: —and St. Louis to Portsmouth——

Exam. Carter: Just a minute, please, Mr. Mitchell.

The Witness: Yes.

Exam. Carter: Unless you have some particular thing you want to point out, all of that information is shown on the exhibit.

The Witness: This exhibit differs from the others in this respect——

Mr. Norman: This page, you mean?

The Witness: Yes. This page. Under column D we have shown, taking Memphis as 100 per cent, the percentage relation of the distances from Chicago and St. [fol. 1332] Louis to these other points to the distance from Memphis to the points shown. In column E, taking Memphis again as 100 per cent as to the rest, we show the percentage of the rates from Chicago and St. Louis in that column. Page 7 shows four points in eastern Kentucky equi-distant from Memphis and from Chicago. These points are south of the river in Southern territory. We show there the distances, the first class rate and the going rates from Memphis under column B on macaroni and so forth and under column C what we would have under the Docket 15879 scale; and the same information from Chicago.

I just want to call attention to the fact that the Chicago rates as shown under column B are not on the scale to these points in the south because they are not made that way. They are made on the 13494 K-2 scale plus arbitraries. But you will notice that they are much nearer to the 15879 scale than are the rates from Memphis. In other words, they are relatively lower than our rates for the same distances to points south of the Ohio River. Similar information is shown on page 8, except the points are not equi-distance. We just have some additional points shown on there and their actual distances. Of course, Mr. Examiner, this would be representative of any other commodity moving on the same class rate and relatively the showing would be the [fol. 1333] same on any other commodity.

Mr. Walker: Where the rates are the same; that is, where they are rated the same in both territories.

The Witness: Yes. That is correct.

By Mr. Norman:

Q. Was this exhibit prepared by you or under your direction?

A. It was prepared under my direction and supervision.

Q. Is it correct to the best of your knowledge and belief?

A. Yes, sir.

Mr. Norman: We offer in evidence Exhibit No. 75, if the examiner please.

Exam. Carter: Is there any objection to the receipt in evidence of Exhibit No. 75? (No response.) It is received.

(Exhibit No. 75, Witness Mitchell, received in evidence.)

By Mr. Norman:

Q. Have you anything further to add to your testimony, Mr. Mitchell?

A. No.

Mr. Norman: That is all.

Exam. Carter: Is there any cross examination?

Mr. Byars: I would like to ask one or two questions on direct on this page No. 7, Mr. Mitchell.

By Mr. Byars:

Q. Are the column C rates shown there from Memphis the actual going rates applying?

A. Not C. Column B.

[fol. 1334] Q. Column C, I am asking you about.

A. Column C is explained on there as column 50 under the Docket 15879 scale.

Q. I am still asking you if that is the rate that applies from Memphis to the points named in this exhibit.

A. It is not. Column B shows the present rates.

Q. What is the column 50? Is that to show what it would be if you had——

A. If we had the 15879 scale.

Q. All right.

A. That is, the Official territory scale..

Mr. Byars: All right.

Exam. Carter: Is there any cross examination?

Mr. Walker: I have one or two questions.

Exam. Carter: Mr. Walker.

Cross-examination.

By Mr. Walker;

Q. Mr. Mitchell, you have called specific attention to the fact that your rate, the less than carload rate, on macaroni from Memphis to Evansville, is higher than a like rate from Chicago to Evansville.

A. Yes.

Q. Just what do you want done with that situation?

A. We want it equalized.

Q. What do you mean, you want it equalized?

A. We want the same rate, the same level of rates.

[fol. 1335] Q. From Memphis to Evansville?

A. Yes.

Q. As applies in Official territory?

A. Yes.

Mr. Walker: That is all.

Exam. Carter: Mr. McCollester.

By Mr. McCollester:

Q. Does this firm of Robilio & Cuneo ship to all points shown on your exhibit?

A. No, sir. They distribute these commodities widely, but they have been unable to get into the territory north of the Ohio River and generally speaking along the Ohio River, because of the very stiff competition from Chicago and St. Louis. They do distribute through Southern territory, including these points in Kentucky that I mentioned. Then there is some distribution to Ohio River points, of course, but it is not what it would be—at least they think it is not what it would be if they had equal rates with their competitors north of the river.

Q. Do your competitors ship in carload lots?

A. No, sir. In less than carload lots.

Q. Are you sure about that?

A. Well, that is my information.

Q. How much do you know about this Chicago concern?

A. Chicago may also ship in carload lots——

Q. Yes.

[fol. 1336] A. —but certainly my shipper would not expect to get equalization with Chicago's carload rates.

Q. I am asking you what you know.

A. We want equal rates for both carload and less than carload traffic.

Q. Is it not a fact, or do you know, that this largest concern in the country located in Chicago ships in carload lots?

A. I did not say the largest concern in the country was located in Chicago.

Q. I thought you did.

A. There may be half a dozen concerns in Chicago.

Q. Are there? I want to know the fact. I do not care what there may be. I just want to know the fact. What is the fact?

A. Here is the fact as I know it: at Chicago, whether it is one firm or five firms, there is more of this commodity shipped than from any other point that our shipper has met competition from. He has said that Chicago probably ships more than all of the other points combined. Whether it is one firm at Chicago, or ten, I do not know.

Q. And whether it is carload or less than carload, you do not know?

A. They distribute both, as I understand it.

Q. Do you know?

A. (No answer.)

[fol. 1337] Q. Do you know?

A. They say they ship in less than carload quantities. They may also ship in carload quantities.

Q. You do not know but what the competition is carload shipments, do you, that makes the market?

A. No. I do not think it is.

Q. But you do not know?

A. No, not 100 per cent, certainly.

Q. How long has this concern been at Memphis?

A. Many years. I am at somewhat of a disadvantage. I did not ask them about that. I have only been back in Memphis now for about nine months. I just do not remember whether they were located there before when I lived there, possibly back in the 20's, but I should think so. I will tell you why: they are a pretty well established firm manufacturing various commodities under the trade name of Ronco. They are well known around the south. They manufacture some other things along the same line, such as canned ravioli and that sort of thing. Their trade name is pretty well known in our section. I think they must be a pretty old firm.

Q. They have done pretty well, then, have they?

A. They have been restricted to our territory, that is the difficulty, because of competition from other points.

Q. Do you undertake to say that they do not sell at all in Official territory?

[fol. 1338] A. That is my positive advice, that they are unable to get into that territory and they do not even put salesmen up there any more.

Q. There are points in Official territory where they have lower rates in cents per hundred pounds than Chicago, are there not?

A. Well, take Cairo, Illinois, which is on the river. They have a 2-cent lower rate than Chicago has.

Q. Have they never sold in Cairo?

A. I said there was some movement to Ohio River crossings. We have a 2-cent lower rate than Chicago there at Cairo, but our distance is only 166 miles as against Chicago's 365 miles, with only a 2-cent difference in the rate. I think that is the only point where we have an actually lower rate, and that point is not within Official territory, but on the border.

Q. How about Marion, Illinois? There it appears that Memphis has a rate of 43 cents and Chicago has a rate of 49 cents.

A. I beg your pardon. That 43-cent rate shown from Memphis is the 15879 scale rate.

Q. I am sorry.

A. Our actual rate is 63 and Chicago's rate is 49.

Mr. McCollester: My mistake.

By Mr. McCollester:

Q. You could have shown on here plenty of points, could you not, where in cents per hundred pounds your rates [fol. 1339] into Official territory are lower than the rates from Chicago if you had gone about it?

A. No, sir.

Q. You picked the points where from a distance standpoint——

A. Let me finish that answer.

Q. All right. Go ahead.

A. You cannot pick any point in Official territory when you get north of Cairo, Illinois, where Chicago has not got a lower rate.

Q. How about going into Trunk Line territory?

A. What is that?

Q. How about going into Trunk Line territory?

A. Eastern Trunk Line territory?

Q. Yes.

A. Well, I did not make a comparison there, but I do not believe we have cheaper rates than Chicago has in cents per hundred pounds. Wait a minute, now. Let's take New Jersey and New York. That is Trunk Line territory. Our first class rates are 123.7 per cent of the first class rates from Chicago—I mean, in Official territory, and that would be from Chicago. I will say that our rates are higher in Trunk Line territory in all cases. They are substantially higher than from Chicago. I do not know of any point outside of Cairo, Illinois, that you can find where we have a lower rate in cents per hundred pounds, that is, any point [fol. 1340] on or north of the Ohio River.

Q. Do you know on what terms macaroni and so forth are sold?

A. No, I do not.

Q. You do not know whether the buyer pays the freight, or the seller?

A. I am sorry. I do not know.

Mr. McCollester: That is all.

Exam. Carter: Do you have some cross-examination, Mr. Schwietert?

Mr. Schwietert: Most of the questions I was going to ask have been inquired into. I would just like to ask one further question:

By Mr. Schwietert:

Q. Does this firm have any other plants except the one at Memphis?

A. No.

Q. That is the only plant they have?

A. Yes.

Mr. Schwietert: That is all.

Exam. Carter: Are there any other questions?

Mr. Ford: I would like to ask one or two questions.

Exam. Carter: Mr. Ford.

By Mr. Ford:

Q. Do you know, Mr. Mitchell, that macaroni is also manufactured in substantial quantities in Connecticut?

A. No, but I am pretty sure it is. I doubt if there is any state, or if there is any section, rather, that does not [fol. 1341] have a few manufacturers of macaroni and spaghetti. There is one at New Orleans, Louisiana.

Q. So if the freight rate were the controlling factor in the distribution and these points in Trunk Line territory were much closer to Connecticut, you would not expect to sell in those territories even though you had the advantage of the 15879 scale, would you?

A. I do not think we could distribute that far away. At least, I do not think the firm is that well known, that we would be able to meet competition from the north in that far-away territory; but we want, at least, to have the opportunity to do it. We do not want to have two strikes on us if we attempt to sell there by having a difference in freight rates against us that we cannot surmount. We want the opportunity, that is all.

Q. Refer, Mr. Mitchell, to the point of Marion, Illinois, that was mentioned, where the rate from Memphis is 14 cents per hundred pounds greater than from Chicago.

A. Yes.

Q. Would that, in your opinion, be a sufficient difference to preclude the possibility of your selling at that point?

A. We could not take any particular point. When you have a whole territory like this in which you are at such a disadvantage, you cannot put a salesman out just at Marion, Illinois, to see if you can overcome that difference [fol. 1342] at Marion. He would not sell enough business to pay his keep. You have to take the territory as a whole. When they cannot distribute into that teritory in sufficient quantities to pay them to put a man in the territory, then they have to pass it up. They might be able to drum up some business in one point here and another point there, but it would not be enough to pay them.

Q. You could not suggest, could you, what would be the highest differential in freight rates that could be absorbed and still sell macaroni in that territory?

A. I would not attempt to state that, but I do not know of any reason why there should be any differential for equal distances.

Q. Well, regardless of the distances.

A. I could not say what amount of difference they could absorb.

~~Mr. Ford~~: That is all.

Exam. Carter: Are there any other questions of this witness?

Mr. Grubbs: I would like to ask one or two questions, please, Mr. Examiner.

Exam. Carter: Mr. Grubbs.

By Mr. Grubbs:

Q. As I understand your testimony, Mr. Mitchell, before you came to Memphis, or at least before Mr. Cuneo went into the Army, Mr. Cuneo looked after the rate and ~~[fol. 1343]~~ traffic matters of that concern?

A. That is right.

Q. He had considerable experience, I take it?
A. Yes, but it is impossible to get him into the case.

Mr. Grubbs: Yes. I understand.

By Mr. Grubbs:

Q. Now, can you tell me if you undertook to examine the movement figures of this concern before you came here to testify.
A. No. I discussed it with them, but I did not attempt to examine any of their books or anything like that.
Q. The extent of your knowledge was derived from just an oral discussion?
A. It had to be.
Q. Yes.
A. Mr. Robilio himself was the one I talked to. Mr. Cuneo has already gone to the Army. I could not talk with him. They told me——

Exam. Carter: You have answered the question.
The Witness: All right.
Exam. Carter: Let us go to the next question.
The Witness: Pardon me.

By Mr. Grubbs:

Q. I take it, then, you did not develop specifically the volume of movement made by this concern in the past year or in any past period?
A. I did not get any specific figures. I know they do [fol. 1344] distribute widely and I also know from advice from them that they are unable to distribute into Central Freight Association territory, that is, Official territory, and that is as far as I know.
Q. As I understand it, they are able to distribute, however, all over the south?
A. Yes, but they meet some stiff competition from St. Louis and in Kentucky and Tennessee they also meet competition from Chicago.
Q. But they do widely distribute throughout the south?
A. Yes.

Exam. Carter: Try to make your answers as responsive as possible. If there is any explanation, you may give it after answering the question, but I do not think it is necessary to make all of these long statements.

The Witness: All right.

Exam. Carter: Just confine your answers to the questions.

The Witness: All right.

By Mr. Grubbs:

Q. Does this company distribute into the southwest?

A. They do distribute some into the southwest.

Q. How about the Pacific Coast?

A. No. I do not think they ship that far.

Q. Do you know?

[fol. 1345] A. No. I do not know.

Q. Do you know whether they ship in Western Trunk Line territory?

A. I do not know.

Q. But they do ship all over the south widely?

A. Not necessarily all over the south, but I said about five times that they distribute widely. I cannot name the points.

Q. Can you name any specific point?

A. No, sir.

Q. I take it from what you said that you did not examine figures that would enable you to tell us at this time the rate of growth of this company?

A. No.

Q. In the shipment of these commodities.

A. No.

Q. You told us that they did manufacture other articles?

A. What is that?

Q. You told us that they did manufacture other articles, is that not correct?

A. Yes.

Q. Will you name those articles.

A. I said, along the same line, such as canned ravioli and so forth. I do not know whether it is—I know it is packed in glass. I do not know whether it is shipped beyond Memphis or not. I did not ask about that.

[fol. 1346] Q. Do you know any other articles that they manufacture?

A. I would not attempt to name them, but they would be along this same line.

Q. Are they quite numerous, or not?

A. No. I do not think so. Only three or four articles.

Q. Is this the principal article that they manufacture?

A. Yes. I think they also manufacture some canned spaghetti, but I am not certain about it, because I did not want to go into that.

Exam. Carter: Can you not just answer the question? Just tell those things you know, and those things you do not know about, leave out. If you have some definite knowledge, you may state it.

The Witness: I do not have any more advice than I have already stated on direct. That is all I have, and it is a waste of time for them to ask further questions on it.

Exam. Carter: Proceed, Mr. Grubbs.

By Mr. Grubbs:

Q. Is macaroni, spaghetti and vermicelli the principal commodity or commodities manufactured by this company?

A. Yes, sir.

Q. You do know that?

A. Yes, sir.

Q. You said in your testimony that you ship only to this territory in less than carload lots. Do you ship only in [fol. 1347] less than carload lots to the south?

A. I think so; so far as I know.

Q. You do not know——

A. Their principal distribution is less than carload, and I think it is probably all less than carload.

Q. You are unable to state the precise percentage of less than carload shipments?

Mr. Byars: Would that make any difference? I object to it. He is just testing out the witness' familiarity with the business and just filling up the record for nothing.

Exam. Carter: I think he has a right to test the witness' familiarity with the business.

Mr. Walker: He has already stated all he knew about it.

The Witness: So far as this record shows——

Exam. Carter: That will be sufficient. Proceed, gentlemen.

Mr. Byars: What difference does it make whether a man ships only one carload in a month and all the rest of his business is less than carload?

Mr. Grubbs: The witness testified that he thought there was approximately the same difference in less than carload rates as there was in carload rates. Now, I want to know what the significance of that statement is.

The Witness: That is because I was asked about carload rates. That was in reply to a question of Mr. McCollester.

[fol. 1348] By Mr. Grubbs:

Q. Have you examined the carload rates——

A. No.

Q. —sufficiently to enable you to answer any question along that line here?

A. No, sir. I said if they moved on class rates, the same relative difference would obtain and I think we only have class rates, either carload or less than carload.

Q. Do you know whether this concern dominates the southern market?

A. It does not.

Q. You know it does not?

A. Yes, sir.

Q. Who does?

A. Well, I do not know. I expect, Louisville, Kentucky.

Exam. Carter: If you do not know, say so, and let it go at that.

By Mr. Grubbs:

Q. Now, Mr. Mitchell, so much for the macaroni manufacturer. You are here, as I understood your testimony, to speak for Memphis as a whole, and not for this concern in particular.

A. That is right.

Q. Is that correct?

A. Yes.

Q. Did you hear the questions that I asked Mr. Thornton?

A. No, I did not.

[fol. 1349] Q. I take it you recognize especially today the importance of the railroads to Memphis, do you not?

A. Oh, yes.

Q. I take it that you want your railroads to be efficient, is that not true?

A. Absolutely.

Q. You want them to be able to be adequate to meet every need today during emergency conditions and in peacetime conditions also, is that not true?

A. We do.

Q. Do you not realize that for them to be so, the railroads must be strong?

A. I think that is correct. We are not asking for anything, Mr. Examiner, that would cripple the southern lines. We ask for equalization. We do not care which way they bring it about.

Q. As I understand you, you do not want anything done in this proceeding which would weaken to any material extent the lines on which you depend for your railroad transportation?

A. That is correct.

Q. Is that right?

A. Yes.

Mr. Grubbs: Thank you, sir.

By Mr. Tanner:

Q. Mr. Mitchell, do I understand you are asking for an equalization of class rates?

[fol. 1350] A. That is right.

Q. Not only just as to macaroni, but also as to class rates generally?

A. That is right.

Mr. Tanner: That is all.

Exam. Carter: Are there any other questions of Mr. Mitchell?

Mr. Zoll: I have one question, Mr. Examiner.

Exam. Carter: Mr. Zoll.

By Mr. Zoll:

Q. Mr. Mitchell, do you know to what extent this concern in Memphis uses motor carriers to distribute their product?

A. I do not.

Q. Is this concern a jobber or an actual manufacturer at Memphis?

A. A manufacturer.

Q. To what extent is this group of commodities typical? At the outset of your testimony you said you had selected them for a certain reason.

A. I said, so far as rate comparisons are concerned, they are typical of any commodity that would move on the same classification basis north and south of the river. y examples as to macaroni will cover cotton piece goods or anything else where you have the same percentage of first class, whether it be 30, 40, 50, or what.

[fol. 1351] Q. Did you state that these commodities were among the few which moved on that basis?

A. No. There are many commodities under exceptions that might move on class 50, but we were told we could not bring into this case commodities that moved on exceptions. Some of them move on fourth class under exceptions.

Mr. Zoll: That is all.

By Mr. McCollester:

Q. Would you tell me again the trade name of the products of this concern.

A. Ronco.

Q. How do you spell it?

A. R-o-n-c-o.

Q. All of their products are sold under that trade name?

A. So far as I know, yes.

Q. Is flour the principal raw material?

A. Oh, yes. Certainly.

Q. Do you know how their rates on flour compare with the rates on flour in Official territory?

A. No. I did not examine them.

Q. Was this concern the only one of the membership of your organization that asked you to give particular testimony here as to their business?

A. No. I told you that the only reason I put it in for them is because their man has gone into the Army. Shall I go further? We had other witnesses——

[fol. 1352] Mr. Norman: That is what he wants to know. Tell it to him.

A. We had a witness who was very anxious to go on the stand and who prepared many exhibits and had a very nice story to tell you. We had to tell him to stay home because his commodities move generally speaking on third class or class 70, less than carload, and under exceptions—that is, under exceptions both carload and less than carload, and according to the ruling he could not testify. He was prepared to come up here and testify, and we told him not to. That is the Plough Company.

By Mr. McCollester:

Q. Have you finished?

A. Yes.

Q. Now, you referred in your testimony to macaroni as typical. Do you mean to imply that it is typical of the movement or shipment of boots and shoes?

A. No. I said the rates were typical.

Q. In other words, if there is any other commodity that moves at the same rates, these are the rates at which it moves?

A. That is right.

Q. That is all your testimony amounts to?

A. That is right.

Mr. McCollester: That is all.

Mr. Norman: Now, let's see.

By Mr. Norman:

Q. If there are any other commodities that move on [fol. 1353] fourth class in both territories, then those are the rates that you have shown?

A. Yes—well, no. Not fourth class. Fourth class in the south is 55 per cent and in the north 50 per cent on macaroni. We have a class 50 rating in the classification, not fourth class, south of the river.

Q. With respect to any commodity that moves on fourth class in Official territory or class 50 in Southern territory, everything you have shown about macaroni in so far as rates are concerned, would apply as to such commodities?

A. That is right.

Mr. Norman: That is all.

By Mr. Dougherty:

Q. Would that be true if there was an exception, or specific less than carload commodity rates on the other commodities?

A. He did not ask that kind of question.

Q. I beg your pardon?

A. He did not ask that kind of question.

Q. If the rating was column 50 in the classification and there were less than carload commodity rates, then it would not move on the column 50, would it?

A. No.

Q. Then it would not be true, would it?

A. It would be true. I answered his question correctly. He said, moving on those classes.

[fol. 1354] Exam. Carter: I think we know what that question means. Is there anything further?

Mr. Wood: I have one question.

By Mr. Wood:

Q. Mr. Mitchell, do you have a candy manufacturer in Memphis?

A. A very large one.

Q. Do you know what candy moves on in the south?

A. It moves on class rates.

Q. Class rates, or under exceptions?

A. It is probably under exceptions. We ship it in both carloads and less than carloads and we have been having a great deal of difficulty about it.

Q. Is your candy man interested in this case?

A. Very much so.

Mr. Wood: That answers that.

By Mr. Wood:

Q. Now, could you get a candy man up here to testify if his commodity does not move on class rates?

Mr. McCollester: I object to what they could or could not do. You have this witness here, and that is the answer.

The Witness: We can get one here.

Exam. Carter: Let us not go into that, gentlemen.

By Mr. Wood:

Q. You did not mean to say that the macaroni manufacturer was the only one in Memphis that was complaining, did you?

A. No. They are not.

[fols. 1355-1356] Mr. Wood: The difficulty is, he has plenty of manufacturers complaining, but their commodities move on exceptions rather than class rates.

Mr. Norman: I think he has explained all that.

Mr. Wood: That is all.

Exam. Carter: Are there any other questions of Mr. Mitchell? (No response.) You are excused, Mr. Mitchell.

(Witness excused.)

Exam. Carter: If there is nothing further to be presented at this time, the hearing will stand adjourned.

(At 12 o'clock M., September 26, 1942, hearing closed.)

2355-A

I.C.C. DOCKETS 28300 AND 28310

WITNESS Thornton

EXHIBIT NO. 71

Table of Short Line Distance Factors to be Used in Constructing First Class Rates under Formulas Proposed by Witness C. G. Jensen in his Exhibit No. 7 introduced at July 10-11, 1941 - St. Louis, Mo. Hearing-- I.C.C. Dockets 28300 and 28310 on Traffic from Albany and New York, N.Y.; Pittsburgh, Pa; and Boston and Springfield, Mass., representative of Eastern Trunk Line and New England Territories, to representative points in Louisiana, Texas, Arkansas, Kansas and Oklahoma when moving via ocean-rail through North Atlantic and Gulf Ports. (Jensen formulas are shown on page 9 of this Exhibit.)

RAIL DISTANCE FACTORS TO NORTH ATLANTIC PORTS

1) N.Y.N.H.& H. - Boston, Mass. to New York, N.Y.--------227 Miles - 105% Zone.

1) N. Y. C. RR. - Albany, N. Y. to New York, N.Y.--------142 Miles - 105% Zone.

1) N.Y.N.H.& H. - Springfield, Mass. to New York, N.Y.----134 Miles - 105% Zone.

1) B. & O. - Pittsburgh, Pa., to Meyersdale, Pa.--113
1) W.M. - Meyersdale to Cumberland, W. Va.------ 31
1) W.M. - Cumberland to Baltimore, Md.----------166 310 Miles - 105% Zone.

WATER DISTANCES FROM NORTH ATLANTIC PORTS TO GULF PORTS

(2) Equated on basis of 3.6 Statute Miles to 1 Rail Mile. 105% Zone Factors proposed for All distances shown as Equated Miles.

New York, N.Y. to New Orleans, La.	545	Boston, Mass. to New Orleans, La.	598
New York, N.Y. to Galveston, Tex.	604	Boston, Mass. to Galveston, Tex.	657
New York, N.Y. to Houston, Tex.	619.	Boston, Mass. to Houston, Tex.	673

Baltimore, Md. to New Orleans, La.	549
Baltimore, Md. to Galveston, Tex.	578
Baltimore, Md. to Houston, Tex.	594

TO POINTS ON AND EAST OF THE K.C.S. RY.	DISTANCES FROM (4) NEW ORLEANS, LA.	DISTANCES FROM: (4) GALVESTON TEXAS	DISTANCES FROM: (4) HOUSTON, TEXAS
Alexandria, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 105--130% Zone From New Orleans, La. 184	222	228
Bastrop, La.	To Natchez, Miss. 183--120% Zone From Natchez, Miss. 102--130% Zone From New Orleans, La. 285	343	349

(Continued on Page 2)

ICC DKTS. 28300 & 28310
Exhibit No. 1
PAGE 2

TO POINTS ON AND EAST OF K.C.S. RY. (Cont'd.)	DISTANCES FROM (4) NEW ORLEANS, LA.	DISTANCES FROM: (4) GALVESTON, TEXAS	DISTANCES FROM: (4) HOUSTON, TEXAS
lytheville, Ark.	To Memphis, Tenn. 391--120% Zone From Memphis, Tenn. 68--140% Zone From New Orleans, La. 459	621	609
rinkley, Ark.	To Helena, Miss. 362--120% Zone From Helena, Miss. 47--130% Zone From New Orleans, La. 409	525	484
amden, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 283--130% Zone From New Orleans, La. 362	395	347
onway, Ark.	To Vicksburg, Miss. 225--120% Zone From Vicksburg, Miss. 243--130% Zone From New Orleans, La. 468	513	464
rowley, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 88--130% Zone From New Orleans, La. 167	189	195
l Dorado, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 251--130% Zone From New Orleans, La. 330	368	352
unice, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 78--130% Zone From New Orleans, La. 157	186	192
ayetteville, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 553--130% Zone From New Orleans, La. 632	606	557
ordyce, Ark.	To Natchez, Miss. 183--120% Zone From Natchez, Miss. 188--130% Zone From New Orleans, La. 371	418	377
ort Smith, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 490--130% Zone From New Orleans, La. 569	542	494
ope, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 300--130% Zone From New Orleans, La. 379	370	322
ouma, La.	From New Orleans, La. 70--130% Zone	315	321
ennings, La.	From New Orleans, La. 60--130% Zone	171	176

(Continued on Page 3)

ICC DOCKETS 28300 & 28310
Exhibit No. 71
PAGE 4

TO POINTS ON AND EAST OF K.C.S. RY. (Cont'd.)	DISTANCES FROM (4) NEW ORLEANS, LA.	DISTANCES FROM:	
		(4) GALVESTON, TEXAS	(4) HOUSTON, TEXAS
Plaquemine, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 15--130% Zone From New Orleans, La. 94	290	296
Russellville, Ark.	To Vicksburg, Miss. 225--120% Zone From Vicksburg, Miss. 287--130% Zone From New Orleans, La. 512	558	509
Searcy, Ark.	To Helena, Ark. 362--120% Zone From Helena, Ark. 85--130% Zone From New Orleans, La. 447	532	484
Shreveport, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 227--130% Zone From New Orleans, La. 306	281	232
Tallulah, La.	To Vicksburg, Miss. 225--120% Zone From Vicksburg, Miss. 21--130% Zone From New Orleans, La. 246	374	379
Texarkana, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 299--130% Zone From New Orleans, La. 378	353	304
Van Buren, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 496--130% Zone From New Orleans, La. 575	548	500
Vidalia, La.	To Natchez, Miss. 183--120% Zone From Natchez, Miss. 4--130% Zone From New Orleans, La. 187	324	330
Winnfield, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 152--130% Zone From New Orleans, La. 231	269	275

(Continued on Page 5)

ICC DOCKETS 28300 & 28310
Exhibit No. 1

PAGE 3

TO POINTS ON AND EAST OF K.C.S. RY. (Cont'd.)	DISTANCES FROM (4) NEW ORLEANS, LA.	DISTANCES FROM: (4) GALVESTON, TEXAS	DISTANCES FROM: (4) HOUSTON, TEXAS
Jonesboro, Ark.	To Memphis, Tenn. 391--120% Zone From Memphis, Tenn. 64--130% Zone From New Orleans, La. 455	587	558
Kinder, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 104--130% Zone From New Orleans, La. 183	160	166
Lafayette, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 79--130% Zone From New Orleans, La. 158	211	217
Lake Charles, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 137--130% Zone From New Orleans, La. 216	137	143
Little Rock, Ark.	To Vicksburg, Miss. 225--120% Zone From Vicksburg, Miss. 212--130% Zone From New Orleans, La. 437	484	435
Malvern, Ark.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 342--130% Zone From New Orleans, La. 421	439	390
Mansfield, La.	To Baton Rouge, La. 79--120% Zone From Baton Rouge, La. 199--130% Zone From New Orleans, La. 278	252	258
McGehee, Ark.	To Vicksburg, Miss. 225--120% Zone From Vicksburg, Miss. 112--130% Zone From New Orleans, La. 337	413	419
Monroe, La.	To Natchez, Miss. 183--120% Zone From Natchez, Miss. 98--130% Zone From New Orleans, La. 281	319	325
Morgan City, La.	From New Orleans, La. 81--130% Zone	275	281
New Iberia, La.	From New Orleans, La. 126--130% Zone	230	236
Paragould, Ark.	To Memphis, Tenn. 391--120% Zone From Memphis, Tenn. 79--130% Zone From New Orleans, La. 470	602	580
Pine Bluff, Ark.	To Vicksburg, Miss. 225--120% Zone From Vicksburg, Miss. 170--130% Zone From New Orleans, La. 395	457	416

(Continued on Page 4)

ICC DOCKETS 28300 & 28310
Exhibit No. 1

PAGE 6.

TO POINTS WEST OF THE K.C.S. RY. (Continued)		(3) 79 miles 120% Zone is used for haul from New Orleans to Baton Rouge, La., unless otherwise shown.	Except as otherwise shown, the mileage from Galveston and Houston, Texas, is in 130% Zone.	
		DISTANCES FROM (4) BATON ROUGE, LA. (Except as otherwise shown, mileage from Baton Rouge is in 130% Zone.)	DISTANCES FROM	
			(4) GALVESTON, TEXAS	(4) HOUSTON, TEXAS
Corsicana,	Texas	403	236	188
Cushing,	Okla.	616	546	498
Dalhart,	Texas	774	643	596
"	"	(7) 82-140% Zone	(7) 82-140% Zone	(7) 82-140% Zone
Dallas,	Texas	412	290	242
Denison,	Texas	433	363	315
Denton,	Texas	449	328	280
Durant,	Okla.	453	383	335
Eagle Pass,	Texas	475	239	205
" "	"	(5) 164-140% Zone	(5) 165-140% Zon	(5) 165-140% Zone
Eastland,	Texas	546	378	331
Elk City,	Okla.	689	559	511
El Paso,	Texas	750	240	206
" "	"	(8) 308-140% Zone	(5) 615-140% Zone	(5) 615-140% Zone
El Reno,	Okla.	618	517	469
Enid,	Okla.	678	578	530
Farwell,	Texas	761	644	596
"	"	(7) 95-140% Zone	(7) 94-140% Zone	(7) 94-140% Zone
Fort Worth,	Texas	443	306	260
Gainesville,	Texas	463	327	325
Greenville,	Texas	381	329	281
Guthrie,	Okla.	623	545	497

(Continued on Page 7)

TO POINTS WEST OF THE K.C.S. RY. (Continued)		(3) 79 miles 120% Zone is used for haul from New Orleans to Baton Rouge, La., unless otherwise shown. DISTANCES FROM (4) BATON ROUGE, LA. (Except as otherwise shown, mileage from Baton Rouge is in 130% Zone.)	Except as otherwise shown, the mileage from Galveston and Houston, Texas, is in 130% Zone DISTANCES FROM (4) GALVESTON, TEXAS	Except as otherwise shown, the mileage from Galveston and Houston, Texas, is in 130% Zone DISTANCES FROM (4) HOUSTON, TEXAS
Henryetta,	Okla.	577	507	459
Hillsboro,	Texas	462	266	219
Holdenville,	Okla.	547	476	428
Hugo,	Okla.	406	399	351
Jacksonville,	Texas	338	225	177
Laredo,	Texas "	473 (5) 153-140% Zone	213 (6) 157	205 (5) 154
Lawton,	Okla.	584	461	413
Lubbock,	Texas	766	572	524
Lufkin,	Texas	298	167	118
Marshall,	Texas	261	302	254
McAlester,	Okla.	[illegible]	458	410
Miami,	Okla.	627	611	563
Midland,	Texas	751	561	516
Muskogee,	Okla.	546	520	472
Navasota,	Texas	327	118	70
New Braunfels,	Texas	455	230	185
Oklahoma City,	Okla.	591	513	465
Okmulgee,	Okla.	585	521	472
Orange,	Texas	176	100	106

(Continued on Page 8)

ICC DOCKETS 28300 & 28310
Exhibit No. 1

	(3) 79 miles 120% Zone is used for haul from New Orleans to Baton Rouge, La., unless otherwise shown.	Except as otherwise shown, the mileage from Galveston and Houston, Texas, is in 130% Zone	
	DISTANCES FROM (4) BATON ROUGE, LA. (Except as otherwise shown, mileage from Baton Rouge is in 130% Zone.)	DISTANCES FROM	
POINTS WEST OF THE K.C.S. RY. (Continued)		(4) GALVESTON, TEXAS	(4) HOUSTON, TEXAS
Palestine, Texas	365	198	151
aris, Texas	381	374	326
awhuska, Okla.	647	614	566
ecos, Texas	750	561	513
" "	(8) 94-140% Zone	(8) 94-140% Zone	(8) 94-140% Zone
onca City, Okla.	685	608	560
ort Arthur, Texas	206	97	102
anger, Texas	538	370	323
an Angelo, Texas	660	439	392
an Antonio, Texas	475	240	206
an Marcos, Texas	438	213	168
apulpa, Okla.	610	552	504
hawnee, Okla.	566	496	448
herman, Texas	429	354	306
eetwater, Texas	645	456	408
mple, Texas.	432	211	163
rrell, Texas	377	297	249
lsa, Okla.	598	566	518
ler, Texas	329	256	208
alde, Texas	475	239	205
" "	(6) 92-140% Zone	(5) 92-140% Zone	(5) 92-140% Zone

(Continued on Page 9)

ICC DOCKETS 28300 & 28310
Exhibit No. 71

	(3) 79 miles 120% Zone is used for haul from New Orleans to Baton Rouge, La., unless otherwise shown.	Except as otherwise shown, the mileage from Galveston and Houston, Texas, is in 130% Zone	
	DISTANCES FROM (4) BATON ROUGE, LA. (Except as otherwise shown, mileage from Baton Rouge, La., is in 130% Zone.)	DISTANCES FROM	
TO POINTS WEST OF THE K.C.S. RY.		(4) GALVESTON, TEXAS	(4) HOUSTON, TEX.
(Continued):			
Vernon, Texas	602	471	423
Victoria, Texas	398	156	129
Vinita, Okla.	601	585	537
Waco, Texas	645	233	186
Waxahachie, Texas	428	267	219
Wichita, Kans.	760	676	628
Woodward, Okla.	773	643	595
Yoakum, Texas	391	168	121

* * * * * *

JENSEN FORMULAS FOR CONSTRUCTING FIRST CLASS RATES:

A terminal element of 25 cents in all territories, plus line-haul elements as indicated		
Zone	Up to 500 Miles (¢ per 100 Miles)	Beyond 500 Miles (¢ per 100 Miles)
100%	17.8	13.5
105%	18.69	14.175
110%	19.58	14.85
115%	20.47	15.525
120%	21.36	16.2
130%	23.14	17.55
140%	24.92	18.9

(Continued on Page 10)

"In the computation of rates, for all classes and distances, fractions of cents should be eliminated as they are today. The rate-making distance should remain, as at present, that by the shortest route over which a shipment can be moved without transferring it from one car to another."

"Interterritorial Class Rates and Classifications.

"Reverting now to the matter of interterritorial or inter-zone rates, such rates for first class should be constructed by adding to the terminal element of 25 cents the line-haul element in the appropriate scale for the distance traversed in the lowest-rated zone, further adding the line-haul element under the scale for the next higher-rated zone traversed for the total distance in the two zones, less the line-haul element under the same (higher) scale for the distance in the first zone; and so progressively for each additional higher-rated zone traversed. The purpose of the subtraction is to allow for the change in progression of the line-haul element beyond 500 miles. If the total distance from origin to destination is less than 500 miles the rate can be computed by adding to the terminal factor the line-haul element for the distance traversed in each zone at the rate of progression provided in the appropriate scales for distances under 500 miles. Likewise, after a rate has been computed by the method described above for a distance of 500 miles or more, it can be extended through other zones merely by adding the line-haul element at the rate of progression provided in the proper scale for each additional zone traversed."

(JENSEN EXHIBIT NO. 7 - PAGES 80, 81, 94 AND 95)

* * * * *

(See Page 11)

ICC DOCKETS 28300 & 28310
Exhibit No. 1

EXPLANATION OF BRACKETED FIGURES

(1) Distances taken from The Official Guide of The Railways.

(2) Equated miles obtained by multiplying nautical miles by 1.15155 and dividing the resulting statute miles by 3.6. Nautical Distances are shown in Serial No. 444 (Revised 1938 Edition) United States Coast Pilot Series, published by the Department of Commerce, United States Coast and Geodetic Survey.

(3) Distance named in Southwestern Lines' Mileage Table No. 4-D, Tariff No. 264-A, J.R.Peel, Agent, I.C.C. No. 3339.

(4) Distances obtained from Southwestern Lines' Mileage Table No. 4-D, Tariff No. 264-A, J. R. Peel, Agent, I.C.C. No. 3339; Southwestern Lines' Mileage Table No. 2-G, J. R. Peel, Agent, I.C.C. 2321; Texas Lines' Mileage Circular No. 9-J, Ira D. Dodge, Agent, I.C.C. No. 495; and Texas Lines' Short Line Mileage Circular No. 22-A, Ira D. Dodge, Agent, I.C.C. No. 503.

(5) Distance from San Antonio, Texas.

(6) Distance from Odem, Texas.

(7) Distance from Amarillo, Texas.

(8) Distance from Midland, Texas.

* * * * * * *

New Orleans, La.
August 24, 1942

ICC DOCKETS 28300 & 28310
Exhibit No. ___, f___
PAGE 5

TO POINTS WEST OF THE K.C.S. RY.		(3) 79 miles 120% Zone is used for haul from New Orleans to Baton Rouge, La., unless otherwise shown.	Except as otherwise shown, the mileage from Galveston and Houston, Texas is in 130% Zone.	
		(4) DISTANCES FROM BATON ROUGE, LA. (Except as otherwise shown, mileage from Baton Rouge is in 130% Zone.)	DISTANCES FROM	
			(4) GALVESTON, TEXAS	(4) HOUSTON, TEXAS
Abilene,	Texas	604	426	378
Ada,	Okla.	518	448	400
Alpine,	Texas	475	239	205
"	"	(5) 394-140% Zone	(5) 394-140% Zone	(5) 394-140% Zone
Altus,	Okla.	629	489	451
Alva,	Okla.	746	646	598
Amarillo,	Texas	774	644	596
Anadarko,	Okla.	605	498	449
Ardmore,	Okla.	490	412	364
Arkansas City,	Kans.	710	634	586
Austin,	Texas	434	212	164
Bartlesville,	Okla.	648	616	568
Blackwell,	Okla.	703	625	577
Brownsville,	Texas	475	213	204
"	"	(6) 140-140% Zone	(6) 154-140% Zone	(6) 154-140% Zone
Brownwood,	Texas	562	343	295
Chickasha,	Okla.	586	484	436
Childress,	Texas	659	528	480
Cisco,	Texas	538	381	334
Clinton,	Okla.	682	555	507
Corpus Christi,	Tex.	492	230	221

(Continued on Page 6)

1355-B

I.C.C. DOCKETS 28300 and 28310

Witness____________________

Exhibit No.____________________

STATEMENT SHOWING COMPARISON OF PRESENT PUBLISHED FIRST CLASS RATES IN EFFECT PRIOR TO EX PARTE 148 INCREASES OF MARCH 18, 1942, WITH RESULTING FIRST CLASS RATES CONSTRUCTED UNDER FORMULAS PROPOSED BY WITNESS C. G. JENSEN IN HIS EXHIBIT NO.7, INTRODUCED AT THE OPENING HEARING AT ST. LOUIS, MO., JULY 10 AND 11, 1941, TO REPRESENTATIVE POINTS IN ARKANSAS AND LOUISIANA LOCATED ON AND EAST OF KANSAS CITY SOUTHERN LINES, ALSO TO REPRESENTATIVE POINTS IN MISSISSIPPI, AND TO BATON ROUGE, LA., AND MEMPHIS, TENN., VIA ALL-RAIL, ALSO VIA RAIL-WATER-RAIL THROUGH NEW ORLEANS, LA., FROM PITTSBURGH, PA., ALBANY AND NEW YORK, N.Y., BOSTON AND SPRINGFIELD, MASS., REPRESENTATIVE OF EASTERN TRUNK LINE AND NEW ENGLAND TERRITORIES. EXCEPT AS NOTED, DIFFERENCES SHOWN ARE IN FAVOR OF THE GULF ROUTE.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

TO POINTS IN ARKANSAS AND LOUISIANA ON AND EAST OF THE K.C.S. LINES:	FROM PITTSBURGH, PA.								
	(A) PRESENT			(B) JENSEN FORMULAS					
				All-Rail			Rail-Water-Rail	Difference
	All-Rail	Rail-Water-Rail	Difference	Distance	Route	Rate		
Alexandria, La.	284	288	*4	1,128	(1)	220	200	20
Bastrop, La.	263	298	*35	1,017	(1)	201	216	*15
Blytheville, Ark.	199	---	---	842	(2)	166	244	*78
Brinkley, Ark.	227	307	*80	861	(1)	173	235	*62
Camden, Ark.	256	307	*51	999	(1)	197	231	*34
Conway, Ark.	242	318	*76	963	(1)	189	247	*58
Crowley, La.	292	288	4	1,206	(1)	234	197	37
El Dorado, Ark.	260	307	*47	1,019	(1)	201	225	*24
Eunice, La.	292	288	4	1,184	(1)	230	195	35
Fayetteville, Ark.	243	353	*110	965	(2)	192	278	*86
Fordyce, Ark.	248	307	*59	969	(1)	192	231	*39
Ft. Smith, Ark.	257	329	*72	983	(2)	195	267	*72
Hope, Ark.	256	311	*55	1,037	(1)	204	234	*30
Houma, La.	296	261	35	1,296	(1)	250	183	67

(Continued on Page 2)

ICC DKTS.-28300 & 28310
Exhibit No. 72

PAGE 2.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

FROM PITTSBURGH, PA. (Cont'd.)

OINTS IN ANSAS AND ISIANA ON EAST OF K. C. S. ES:	(A) PRESENT			(B) JENSEN FORMULAS				
				All-Rail			Rail-Water-Rail	Difference
	All-Rail	Rail-Water-Rail	Difference	Distance	Route	Rate		
ings, La.	303	288	15	1,217	(3)	236	181	55
sboro, Ark.	206	---	---	850	(2)	172	243	*71
er, La.	303	288	15	1,190	(1)	231	199	32
ayette, La.	292	273	19	1,211	(1)	235	195	40
Charles, La.	303	274	29	1,223	(1)	237	205	32
tle Rock, Ark.	235	307	*72	925	(1)	184	242	*58
vern, Ark.	244	307	*63	969	(1)	192	241	*49
sfield, La.	282	298	*16	1,144	(1)	223	216	7
ehee, Ark.	243	307	*64	937	(1)	187	224	*37
roe, La.	263	298	*35	1,031	(1)	203	215	*12
gan City, La.	299	261	38	1,276	(1)	246	185	61
Iberia, La.	292	273	19	1,230	(1)	238	193	45
agould, Ark.	199	320	*121	871	(1)	176	246	*71
e Bluff, Ark.	242	307	*65	929	(1)	185	235	*50
quemine, La.	282	261	21	1,237	(3)	239	184	55
sellville, Ark.	252	329	*77	996	(1)	197	255	*58
rcy, Ark.	227	320	*93	895	(1)	179	242	*63
eveport, La.	275	298	*23	1,113	(1)	217	221	*4
lulah, La.	254	298	*44	1,033	(4)	200	209	* 9
arkana, Ark.	264	311	*47	1,070	(1)	210	234	*24
Buren, Ark.	257	329	*72	1,023	(2)	202	268	*66
alia, La.	263	288	*25	1,097	(1)	214	199	15
nfield, La.	277	296	*19	1,100	(1)	215	208	7

(Continued on Page 3)

ICC DKTS. 28300 & 28310
Exhibit No. 72
PAGE 3.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

POINTS IN ANSAS AND ISIANA ON EAST OF K. C. S. ES:		FROM NEW YORK, N.Y.							
		(A) PRESENT			(B) JENSEN FORMULAS				
					All-Rail			Rail-Water-Rail	Differ-ence
		All-Rail	Rail Water-Rail	Differ-ence	Dis-tance	Route	Rate		
andria,	La.	314	267	47	1,493	(5)	278	155	119
trop,	La.	309	277	32	1,382	(5)	259	176	83
theville,	Ark.	253	---	--	1,225	(5)	231	203	28
nkley,	Ark.	279	286	*7	1,226	(5)	232	195	37
den,	Ark.	309	286	23	1,364	(5)	256	191	65
ay,	Ark.	295	297	*2	1,318	(5)	248	207	41
wley,	La.	314	267	47	1,571	(5)	292	156	36
Dorado,	Ark.	312	286	26	1,384	(5)	259	185	74
ice,	La.	314	267	47	1,549	(5)	288	155	133
etteville,	Ark.	297	332	*35	1,404	(2)	254	238	16
dyce,	Ark.	300	286	14	1,333	(5)	250	191	59
Smith,	Ark.	310	308	2	1,447	(5)	270	227	43
e,	Ark.	309	290	19	1,402	(5)	262	194	68
a,	La.	309	240	69	1,661	(5)	308	143	65
nings,	La.	327	267	60	1,560	(6)	294	141	153
esboro,	Ark.	261	---	--	1,221	(5)	231	203	28
der,	La.	327	267	60	1,555	(5)	289	159	130
ayette,	La.	304	252	52	1,576	(5)	293	155	138
e Charles,	La.	327	253	74	1,588	(5)	295	165	130
tle Rock,	Ark.	287	286	1	1,290	(5)	243	206	37
vern,	Ark.	296	286	10	1,334	(5)	251	201	50

(Continued on Page 4)

2356p

ICC DKTS. 28300 & 28310
Exhibit No. 72

PAGE 4.

FIRST CLASS RATES IN CENTS PER 100 POUNDS (RATES DO NOT INCLUDE EX PARTE 148 INCREASES)										
OINTS IN NSAS AND SIANA ON EAST OF K. C. S. S:		FROM NEW YORK, N.Y. (Cont'd.)								
		(A) PRESENT			(B) JENSEN FORMULAS					
					All-Rail					
		All-Rail	Rail-Water-Rail	Difference	Distance	Route	Rate	Rail-Water-Rail	Difference
field,	La.	334	277	57	1,509	(5)	281	176	105
hee,	Ark.	289	286	3	1,302	(5)	245	184	61
roe,	La.	309	277	32	1,396	(5)	261	175	86
an City,	La.	312	240	72	1,641	(5)	304	145	159
Iberia,	La.	314	252	62	1,595	(5)	296	152	144
gould,	Ark.	253	299	*46	1,236	(5)	233	205	28
Bluff,	Ark.	295	286	9	1,294	(5)	243	194	49
uemine,	La.	289	240	49	1,602	(6)	298	144	154
ellville,	Ark.	305	308	*3	1,363	(5)	256	215	41
cy,	Ark.	279	299	*20	1,260	(5)	237	202	35
veport;	La.	328	277	51	1,478	(5)	276	181	95
lulah,	La.	289	277	12	1,303	(7)	243	168	75
rkana,	Ark.	318	290	28	1,435	(5)	268	193	75
Buren,	Ark.	310	308	2	1,441	(5)	269	228	41
lia,	La.	289	267	22	1,457	(5)	272	159	113
nfield,	La.	314	275	39	1,465	(5)	273	168	105

(Continued on Page 5)

ICC DKTS. 28300 & 28310
Exhibit No. 72

PAGE 5.

FIRST CLASS RATES IN CENTS PER 100 POUNDS (RATES DO NOT INCLUDE EX PARTE 148 INCREASES)										
POINTS IN ANSAS AND ISIANA ON EAST OF K. C. S. ES:		FROM BOSTON, MASS.								
		(A) PRESENT			(B) JENSEN FORMULAS					
					All-Rail					
		All-Rail	Rail-Water-Rail	Difference	Distance	Route	Rate	Rail-Water-Rail	Difference
xandria,	La.	325	274	51	1,762	(8)	309	167	142
trop,	La.	325	284	41	1,651	(8)	290	183	107
theville,	Ark.	270	---	--	1,432	(9)	273	211	62
nkley,	Ark.	297	293	4	1,495	(8)	262	202	60
den,	Ark.	328	293	35	1,633	(8)	286	198	88
way,	Ark.	314	304	10	1,573	(9)	298	215	83
wley,	La.	325	274	51	1,840	(8)	323	164	159
Dorado,	Ark.	331	293	38	1,653	(8)	290	193	97
ice,	La.	325	274	51	1,818	(8)	319	162	157
etteville,	Ark.	315	339	*24	1,555	(9)	295	246	49
dyce,	Ark.	319	293	26	1,602	(8)	281	198	83
Smith,	Ark.	327	315	12	1,618	(9)	306	234	72
e,	Ark.	328	297	31	1,447	(9)	276	201	75
ma,	La.	320	246	74	1,930	(8)	339	150	189
nings,	La.	338	274	64	1,851	(10)	325	148	177
esboro,	Ark.	277	---	--	1,441	(9)	275	210	65
der,	La.	338	274	64	1,824	(8)	320	167	153
ayette,	La.	316	259	57	1,845	(8)	324	162	162
ke Charles,	La.	338	260	78	1,857	(8)	326	173	153

(Continued on Page 6)

ICC DKTS. 28300 & 28310
Exhibit No. 72

PAGE 6.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

OINTS IN NSAS AND ISIANA ON EAST OF K. C. S. S:		FROM BOSTON, MASS. (Cont'd.)								
		(A) PRESENT			(B) JENSEN FORMULAS					
		All-Rail	Rail-Water-Rail	Difference	All-Rail Distance	All-Rail Route	All-Rail Rate	Rail-Water-Rail	Difference
le Rock,	Ark.	306	293	13	1,546	(9)	293	209	84
ern,	Ark.	315	293	22	1,589	(9)	301	208	93
field,	La.	354	284	70	1,778	(8)	312	183	129
hee,	Ark.	303	293	10	1,571	(8)	275	192	83
oe,	La.	325	284	41	1,665	(8)	292	183	109
an City,	La.	325	246	79	1,910	(8)	335	152	183
Iberia,	La.	325	259	66	1,864	(8)	327	160	167
gould,	Ark.	270	306	*36	1,419	(9)	271	213	58
Bluff,	Ark.	314	293	21	1,663	(8)	274	202	72
uemine,	La.	303	246	57	1,871	(10)	328	151	177
ellville,	Ark.	323	215	8	1,618	(9)	306	222	84
oy,	Ark.	297	306	*9	1,500	(9)	285	209	76
veport,	La.	348	284	64	1,747	(8)	306	188	118
ulah,	La.	303	284	19	1,530	(11)	275	176	99
rkana,	Ark.	337	297	40	1,690	(9)	318	201	117
uren,	Ark.	327	315	12	1,612	(9)	305	235	70
lia,	La.	303	274	29	1,726	(8)	303	166	137
field,	La.	325	282	43	1,734	(8)	304	175	129

(Continued on Page 7)

I.C.C. DOCKETS 28300 and 28310
Witness THORNTON
Exhibit No. 71

TABLE OF DISTANCES IN #NAUTICAL, ØSTATUTE AND *EQUATED MILEAGE BETWEEN REPRESENTATIVE NORTH ATLANTIC AND GULF PORTS.

BETWEEN / AND:	NEW ORLEANS, LA.			GALVESTON, TEX.			HOUSTON, TEX.			BEAUMONT, TEX.			CORPUS CHRISTI, TEXAS			MOBILE, ALA.		
	Nautical	Statute	Equated	Nautical	Statute	Equated	Nautical	Statute	Equated	Nautical	Statute	Equated	Nautical	Statute	Equated	Nautical	Statute	Equated
BOSTON, MASS.	1870	2153	598	2055	2366	657	2103	2422	673	2048	2358	655	2155	2482	690	1821	2097	583
NEW YORK, N.Y.	1703	1961	545	1888	2174	604	1936	2229	619	1861	2166	602	1988	2289	636	1654	1905	529
PHILADELPHIA, PA.	1670	1923	534	1855	2136	593	1903	2191	609	1846	2128	591	1955	2251	625	1621	1867	516
BALTIMORE, MD.	1623	1869	519	1808	2082	578	1856	2137	594	1801	2074	576	1908	2197	610	1574	1813	504
NORFOLK, VA.	1499	1726	480	1684	1939	539	1732	1994	554	1677	1931	416	1784	2054	571	1450	1670	464

- Nautical Distances are those shown in Serial No. 444 - Revised (1938) Edition, United States Coast Pilot Series, published by the Department of Commerce, United States Coast and Geodetic Survey.

Ø - Statute Distances are obtained by multiplying the nautical mileage by 1.15155.

* - Equated Distances are obtained by dividing the statute mileage by 3.6.

New Orleans, La.
August 20, 1942

ICC DOCKETS 28300 & 28310
Exhibit No. 72
PAGE 7

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

TO POINTS IN ARKANSAS AND LOUISIANA ON AND EAST OF THE K. C. S. LINES:	FROM ALBANY, N. Y.							
	(A) PRESENT			(B) JENSEN FORMULAS				
	All-Rail	Rail-Water-Rail	Difference	All-Rail			Rail-Water-Rail	Difference
				Distance	Route	Rate		
Alexandria, La.	325	277	48	1,562	(12)	281	179	102
Bastrop, La.	309	287	22	1,451	(12)	261	196	65
Blytheville, Ark.	245	---	--	1,232	(13)	245	223	22
Brinkley, Ark.	279	296	*17	1,295	(12)	234	215	19
Camden, Ark.	309	296	13	1,433	(12)	258	211	47
Conway, Ark.	295	307	*12	1,373	(13)	269	227	42
Crowley, La.	325	277	48	1,640	(12)	294	176	118
El Dorado, Ark.	312	296	16	1,453	(12)	262	205	57
Eunice, La.	325	277	48	1,618	(12)	290	175	115
Fayetteville, Ark.	290	342	*52	1,355	(13)	266	258	8
Fordyce, Ark.	300	296	4	1,402	(12)	253	211	42
Ft. Smith, Ark.	305	318	*13	1,642	(13)	277	247	30
Hope, Ark.	309	300	9	1,471	(13)	247	214	33
Houma, La.	320	250	70	1,730	(12)	310	163	147
Jennings, La.	338	277	61	1,651	(14)	296	161	135
Jonesboro, Ark.	254	---	--	1,241	(13)	246	223	23
Kinder, La.	338	277	61	1,624	(12)	292	179	113
Lafayette, La.	316	262	54	1,645	(12)	295	175	120
Lake Charles, La.	338	263	75	1,657	(12)	297	185	112

(Continued on Page 8)

ICC DKTS. 28300 & 28310

Exhibit No. 72

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

TO POINTS IN ARKANSAS AND LOUISIANA ON AND EAST OF THE K. C. S. LINES:		FROM ALBANY, N.Y. (Cont'd.)							
		(A) PRESENT			(B) JENSEN FORMULAS				
					All-Rail			Rail-Water-Rail	Difference
		All-Rail	Rail-Water-Rail	Difference	Distance	Route	Rate		
Little Rock,	Ark.	287	296	*9	1,359	(12)	245	222	23
Malvern,	Ark.	296	296	0	1,389	(13)	272	221	51
Mansfield,	La.	334	287	47	1,578	(12)	284	196	88
McGehee,	Ark.	292	296	*4	1,371	(12)	247	204	43
Monroe,	La.	309	287	22	1,465	(12)	264	195	69
Morgan City,	La.	325	250	75	1,710	(12)	307	165	142
New Iberia,	La.	325	262	63	1,664	(12)	299	173	126
Paragould,	Ark.	245	309	*64	1,219	(13)	242	225	17
Pine Bluff,	Ark.	295	295	*1	1,363	(12)	246	214	32
Plaquemine,	La.	303	250	53	1,671	(14)	300	164	136
Russellville,	Ark.	305	318	*13	1,418	(13)	277	235	42
Searcy,	Ark.	279	309	*30	1,300	(13)	257	222	35
Shreveport,	La.	328	287	41	1,547	(12)	278	201	77
Tallulah,	La.	300	287	13	1,445	(15)	263	188	75
Texarkana,	Ark.	318	300	18	1,490	(13)	290	213	77
Van Buren,	Ark.	305	318	*13	1,412	(13)	276	248	28
Vidalia,	La.	303	277	26	1,526	(12)	274	179	95
Winnfield,	La.	325	285	40	1,534	(12)	276	188	88

(Continued on Page 9)

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

TO POINTS IN ARKANSAS AND LOUISIANA ON AND EAST OF THE K. C. S. LINES:	FROM SPRINGFIELD, MASS.							
	(A) PRESENT			(B) JENSEN FORMULAS				
	All-Rail	Rail-Water-Rail	Difference	All-Rail Distance	All-Rail Route	All-Rail Rate	Rail-Water-Rail	Difference
Alexandria, La.	325	274	51	1,627	(16)	297	178	119
Bastrop, La.	322	284	38	1,516	(16)	278	195	83
Blytheville, Ark.	260	---	--	1,359	(16)	250	222	28
Brinkley, Ark.	288	293	*5	1,360	(16)	251	214	37
Camden, Ark.	318	293	25	1,498	(16)	275	210	65
Conway, Ark.	304	304	0	1,452	(16)	267	226	41
Crowley, La.	325	274	51	1,705	(16)	311	175	136
El Dorado, Ark.	321	293	28	1,518	(16)	278	204	74
Eunice, La.	325	274	51	1,683	(16)	307	174	133
Fayetteville, Ark.	305	339	*34	1,457	(13)	281	257	24
Fordyce, Ark.	309	293	16	1,467	(16)	269	210	59
Ft. Smith, Ark.	317	315	2	1,520	(13)	292	246	46
Hope, Ark.	318	297	21	1,536	(16)	281	213	68
Houma, La.	320	246	74	1,795	(16)	327	161	166
Jennings, La.	338	274	64	1,716	(17)	313	160	153
Jonesboro, Ark.	267	---	--	1,343	(13)	261	222	39
Kinder, La.	338	274	64	1,689	(16)	308	178	130
Lafayette, La.	316	259	57	1,710	(16)	312	174	138
Lake Charles, La.	338	260	78	1,722	(16)	314	184	130

(Continued on Page 10)

ICC DKTS. 28300 & 28310

Exhibit No. 72

PAGE 10.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

TO POINTS IN ARKANSAS AND LOUISIANA ON AND EAST OF THE K. C. S. LINES:	FROM SPRINGFIELD, MASS. (Cont'd.)							
	(A) PRESENT			(B) JENSEN FORMULAS				
				All-Rail				
	All-Rail	Rail-Water-Rail	Difference	Distance	Route	Rate	Rail-Water-Rail	Difference
Little Rock, Ark.	296	293	3	1,424	(16)	262	221	41
Malvern, Ark.	305	293	12	1,468	(16)	270	220	50
Mansfield, La.	344	284	60	1,643	(16)	300	195	105
McGehee, Ark.	303	293	10	1,436	(16)	264	203	61
Monroe, La.	322	284	38	1,530	(16)	280	194	86
Morgan City, La.	325	246	79	1,775	(16)	323	163	160
New Iberia, La.	325	259	66	1,729	(16)	315	171	144
Paragould, Ark.	260	306	*46	1,321	(13)	257	224	33
Pine Bluff, Ark.	304	293	11	1,428	(16)	262	213	49
Plaquemine, La.	303	246	57	1,736	(17)	317	163	154
Russellville, Ark.	314	315	*1	1,497	(16)	275	234	41
Searcy, Ark.	288	306	*18	1,394	(16)	256	221	35
Shreveport, La.	338	284	54	1,612	(16)	295	200	95
Tallulah, La.	303	284	19	1,437	(16)	262	187	75
Texarkana, Ark.	327	297	30	1,569	(16)	287	212	75
Van Buren, Ark.	317	315	2	1,514	(13)	291	247	44
Vidalia, La.	303	274	29	1,591	(16)	291	177	114
Winnfield, La.	325	282	43	1,599	(16)	292	187	105

(Continued on Page 11)

ICC DOCKETS 28300 & 28310
Exhibit No. 72
PAGE 11.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

	FROM PITTSBURGH, PA.							
	(A) PRESENT			(B) JENSEN FORMULAS				
				All-Rail				
TO:	All-Rail	Rail-Water-Rail (C)	Difference	Distance	Route	Rate	Rail-Water-Rail	Difference
Baton Rouge, La.	270	(D)	--	1,146	(20)	218	181	37
Brookhaven, Miss.	253	(D)	--	1,033	(20)	210	189	21
Durant, Miss.	233	(D)	--	921	(20)	182	207	*25
Greenville, Miss.	233	(D)	--	943	(20)	186	218	*32
Hattiesburg, Miss.	253	(D)	--	1,026	(20)	211	187	23
Jackson, Miss.	242	(D)	--	979	(20)	191	198	*7
Memphis, Tenn.	200	(D)	--	792	(19)	161	232	*71
Natches, Miss.	260	(D)	--	1,077	(20)	207	198	9
Vicksburg, Miss.	246	(D)	--	1,012	(20)	197	205	8
TO:	FROM NEW YORK, N. Y.							
Baton Rouge, La.	276	238	38	1,402	(23)	260	141	119
Brookhaven, Miss.	276	238	38	1,291	(23)	241	149	92
Durant, Miss.	267	(D)	--	1,218	(24)	229	167	62
Greenville, Miss.	267	(D)	--	1,271	(25)	238	178	60
Hattiesburg, Miss.	267	229	38	1,227	(26)	231	147	84
Jackson, Miss.	267	229	38	1,235	(23)	232	157	75
Memphis, Tenn.	252	(D)	--	1,167	(21)	220	191	29
Natches, Miss.	276	238	38	1,335	(23)	248	158	90
Vicksburg, Miss.	276	238	38	1,282	(23)	240	165	75

(Continued on Page 12)

ICC DOCKETS 28300 & 28310
Exhibit No. 72
PAGE 12.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

	FROM BOSTON, MASS.							
	(A) PRESENT			(B) JENSEN FORMULAS				
				All-Rail				
T O:	All-Rail	Rail-Water-Rail (C)	Difference	Distance	Route	Rate	Rail-Water-Rail	Difference
Baton Rouge, La.	290	255	35	1,631	(28)	292	148	144
Brookhaven, Miss.	290	255	35	1,518	(28)	273	157	116
Durant, Miss.	282	(D)	--	1,445	(29)	261	174	87
Greenville, Miss.	282	(D)	--	1,498	(30)	270	185	85
Hattiesburg, Miss.	282	246	36	1,454	(28)	263	154	109
Jackson, Miss.	282	246	36	1,464	(28)	265	165	100
Memphis, Tenn.	267	(D)	--	1,426	(27)	250	199	51
Natchez, Miss.	290	255	35	1,562	(28)	280	165	115
Vicksburg, Miss.	290	255	35	1,509	(28)	272	172	100
T O:	FROM ALBANY, N. Y.							
Baton Rouge, La.	290	255	35	1,546	(31)	280	161	119
Brookhaven, Miss.	290	255	35	1,433	(31)	261	169	92
Durant, Miss.	276	(D)	--	1,360	(32)	249	187	62
Greenville, Miss.	273	(D)	--	1,413	(33)	258	198	60
Hattiesburg, Miss.	282	246	36	1,369	(31)	251	167	84
Jackson, Miss.	276	246	30	1,379	(31)	252	177	75
Memphis, Tenn.	253	(D)	--	1,226	(34)	222	212	10
Natchez, Miss.	290	255	35	1,477	(31)	268	178	90
Vicksburg, Miss.	285	255	30	1,424	(31)	260	185	75

(Continued on Page 13)

ICC DOCKETS 28300 & 28310
Exhibit No. 72

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES).

	FROM SPRINGFIELD, MASS.							
	(A) PRESENT			(B) JENSEN FORMULAS				
				All-Rail				
TO:	All-Rail	Rail-Water-Rail (C)	Difference	Distance	Route	Rate	Rail-Water-Rail	Difference
Baton Rouge, La.	290	255	35	1,538	(28)	278	160	118
Brookhaven, Miss.	290	255	35	1,425	(28)	260	168	92
Durant, Miss.	282	(D)	--	1,352	(29)	248	186	62
Greenville, Miss.	282	(D)	--	1,405	(30)	257	197	60
Hattiesburg, Miss.	282	246	36	1,361	(28)	250	166	84
Jackson, Miss.	282	246	36	1,371	(28)	251	176	75
Memphis, Tenn.	267	(D)	--	1,291	(35)	238	210	28
Natchez, Miss.	290	255	35	1,469	(28)	267	177	90
Vicksburg, Miss.	290	255	35	1,416	(28)	259	183	76

EXPLANATION OF REFERENCE MARKS:

(A) Rates are those in effect prior to Ex Parte 148 increases of March 18, 1942. All-Rail rates are those published in Southwestern Lines Tariff No. 252-A, J. R. Peel, Agent, I.C.C. No. 3360, and Trunk Lines Tariff Bureau Tariff No. 44-H, W. S. Curlett, Agent, I.C.C. No. A-712. Rail-Water-Rail rates are those published in Trunk Lines Tariff Bureau Freight Tariff No. 121-B, W. S. Curlett. Agent, I.C.C. No. A-732. — Due to interruptions of service over which carriers have had no control, steamship services formerly used in the transportation of freight within the scope of this tariff have been temporarily suspended to the extent indicated in tariff.

(B) Jensen formulas are those proposed by Witness C. G. Jensen in his exhibit No. 7 introduced at the opening hearing at St. Louis, Mo., July 10 and 11, 1941 — I.C.C. Dockets 28300 and 28310. Jensen formulas, and distances used in constructing Rail-Water-Rail rates under such formulas, are shown on Witness ____________________ Exhibit No. _____________.

(Continued on Page 14)

ICC DOCKETS 28300 & 28310
Exhibit No. 72

PAGE 14.

XPLANATION OF REFERENCE MARKS (Continued):

C) Rail-Water-Rail rates shown from New York, Boston, Albany and Springfield, to Baton Rouge, La., Brookhaven, Hattiesburg, Jackson, Natchez and Vicksburg, Miss., are those in effect March 20, 1941, via New Orleans, La., as published in Southern Pacific Co. "Morgan Line" Tariff No. 121-G, I.C.C. No. 1044. Effective March 21, 1941, the tariff was cancelled in its entirety by Supplement No. 39 thereto, account discontinuance of "Morgan Line" service to New Orleans.

D) No Rail-Water-Rail rates in effect.

*--Indicates difference in favor All-Rail rates.

- - - -

Figures in parenthesis, (1) to (35) inclusive, refer to routes via which ensen formula All-Rail rates are figured. See pages 15-16 for the routes.

- - - -

Authorities for distances used in figuring All-Rail Rates under Jensen Formulas:

The Official Guide of the Railways.

Southwestern Lines' Mileage Table No. 4-D Tariff No. 264-A, J. R. Peel, Agent, I.C.C. No. 3339.

Southwestern Lines Mileage Table No. 2-G, J. R. Peel, Agent, I.C.C. No. 2321.

Southern Freight Tariff Bureau Freight Tariff No. 201-B, R. H. Hoke, Agent, I.C.C. No. 651.

L. & N. Railroad Tariff G.F.O. No. 13-C, I.C.C. No. A-15965.

- - - -

(Continued on Page 15)

ICC-DOCKETS 28300 & 28310

Exhibit No. 72

ROUTES VIA WHICH ALL-RAIL RATES UNDER JENSEN FORMULAS ARE FIGURED:

(1) - Via P.R.R. to Columbus, Ohio; B.& O. to Cincinnati; L. & N. to Memphis; J. R. Peel's I.C.C. 3339 from Memphis.

(2) - Via P.R.R. to Columbus, Ohio; N.Y.C. Lines to Dayton; P.R.R. to St. Louis; J. R. Peel's I.C.C. 3339 to Blytheville.

(3) - Via P.R.R. to Columbus; B. & O. to Cincinnati; L.& N. to Memphis; J. R. Peel's I.C.C. 3339 and 2321 beyond Memphis.

(4) - Via P.R.R. to Columbus; B. & O. to Cincinnati; L.& N. to Memphis; J.R.Peel's I.C.C. 3339 and 2321 via Vicksburg to Tallulah.

(5) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. 3339 from Memphis.

(6) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. 3339 and 2321 beyond Memphis.

(7) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Meridian; Y.& M.V. beyond Meridian.

(8) - Via N.Y.C. Lines to Cleveland; N.Y.C. Lines to Cincinnati; L.& N. to Memphis; J. R. Peel's I.C.C. 3339 from Memphis.

(9) - Via N.Y.C. Lines to Albany, Cleveland and Indianapolis; P.R.R. to St. Louis; J. R. Peel's I.C.C. 3339 from St. Louis.

(10)- Via N.Y.C. Lines to Cleveland; N.Y.C. Lines to Cincinnati; L.& N. to Memphis; J. R. Peel's I.C.C. 3339 and 2321 beyond Memphis.

(11)- N.Y.N.H.& H. to New York; (7) from New York.

(12)- Via N.Y.C. Lines to Cleveland and Cincinnati; L.& N. to Memphis; J. R. Peel's I.C.C. 3339 from Memphis.

(13)- Via N.Y.C. Lines to Cleveland and Indianapolis; P.R.R. to St.Louis; J. R. Peel's I.C.C. 3339 from St. Louis.

(14)- Via N.Y.C. Lines to Cleveland and Cincinnati; L.& N. to Memphis; J. R. Peel's I.C.C. 3339 and 2321 beyond Memphis.

(15)- Via N.Y.C. Lines to New York; P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Meridian; Y.& M.V. to Tallulah.

(16)- Via N.Y.N.H.& H. to New York; P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. 3339 from Memphis.

(Continued on Page 16)

ICC DOCKETS 28300 & 28310
Exhibit No. 72

ROUTES VIA WHICH ALL-RAIL RATES UNDER JENSEN FORMULAS ARE FIGURED (Cont'd.):

(17) - Via N.Y.N.H.& H. to New York; P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. No. 3339 and 2321 beyond Memphis.

(18) - Via N.Y.N.H.& H. to New York; (7) from New York.

(19) - Via P.R.R. to Columbus; B.& O. to Cincinnati; L.& N. to Memphis.

(20) - Via P.R.R. to Columbus; B.& O. to Cincinnati; L.& N. to Memphis; I. C. Lines from Memphis.

(21) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; L.& N. to Memphis.

(22) - (21) to Memphis; I. C. Lines from Memphis.

(23) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Meridian; I. C. Lines from Meridian.

(24) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Tuscaloosa; G.M.& O. to Columbus; C.& G. to Winona; I. C. Lines from Winona.

(25) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. to Columbus; C.& G. from Columbus.

(26) - Via P.R.R. to Washington; Sou. to Lynchburg; N.& W. to Bristol; Sou. from Bristol.

(27) - Via B.& A. to Albany; N.Y.C. Lines to Cleveland and Cincinnati; L.& N. from Cincinnati.

(28) - Via N.Y.N.H.& H. to New York; (23) from New York.

(29) - Via N.Y.N.H.& H. to New York; (24) from New York.

(30) - Via N.Y.N.H.& H. to New York; (25) from New York.

(31) - Via N.Y.C. Lines to New York; (23) from New York.

(32) - Via N.Y.C. Lines to New York; (24) from New York.

(33) - Via N.Y.C. Lines to New York; (25) from New York.

(34) - Via N.Y.C. Lines to New York; (21) from New York.

(35) - Via N.Y.N.H.& H. to New York; (21) from New York.

- 0 -

New Orleans, La.
Sept. 1, 1942

1355-C I.C.C. DOCKETS 28300 [illegible]

Witness: THORN

Exhibit No.: 73

Statement showing Comparison of Present Published First Class Rates in Effect Prior to Ex Parte 148 Increases of March 18, 1942, with Resulting First Class Rates Constructed under Formulas Proposed by Witness C. G. Jensen in his Exhibit No. 7, introduced at the Opening Hearing at St. Louis, Mo., July 10 and 11, 1941, to Dallas, Texas, Muskogee and Oklahoma City, Okla., Shreveport, La., and Texarkana, Ark., Representative Southwestern Points, Via All-Rail; also Via Rail-Water-Rail through New Orleans, La., and Galveston and Houston, Texas; From Pittsburgh, Pa., Albany and New York, N. Y., Boston and Springfield, Mass., Representative of Eastern Trunk Line and New England Territories.

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

	(1) PRESENT				(2) JENSEN FORMULAS			
		RAIL-WATER-RAIL VIA GULF PORTS:				RAIL-WATER-RAIL VIA GULF PORTS		
TO DALLAS, TEXAS FROM	A.R.	N.O.	Galv.	Hous.	A.R.	N.O.	Galv.	Hous.
Pittsburgh, Pa.	304	311	311	311	242	253	229	224
New York, N.Y.	360	290	290	290	301	213	189	183
Boston, Mass.	375	297	297	297	348	221	197	191
Albany, N.Y.	353	300	300	300	319	233	210	203
Springfield, Mass.	365	297	297	297	320	232	208	202
TO MUSKOGEE, OKLA. FROM								
Pittsburgh, Pa.	257	341	341	341	204	277	270	264
New York, N.Y.	314	320	320	320	266	237	230	224
Boston, Mass.	325	327	327	327	310	244	237	231
Albany, N.Y.	305	330	330	330	279	257	250	243
Springfield, Mass.	316	327	327	327	293	256	249	243

(Continued on Page 2)

I.C.C. DOCKETS 28300 & 28310
Exhibit No. 73
PAGE 2

FIRST CLASS RATES IN CENTS PER 100 POUNDS
(RATES DO NOT INCLUDE EX PARTE 148 INCREASES)

TO OKLAHOMA CITY, OKLA. FROM	(1) PRESENT				(2) JENSEN FORMULAS			
		RAIL-WATER-RAIL VIA GULF PORTS:				RAIL-WATER-RAIL VIA GULF PORTS:		
	A.R.	N.O.	Galv.	Hous.	A.R.	N.O.	Galv.	Hous.
Pittsburgh, Pa.	277	341	331	331	225	286	269	263
New York, N.Y.	331	320	311	311	287	245	229	222
Boston, Mass.	345	327	318	318	331	252	236	230
Albany, N.Y.	322	330	321	321	299	265	249	243
Springfield, Mass.	337	327	318	318	314	264	248	241
TO SHREVEPORT, LA. FROM								
Pittsburgh, Pa.	275	298	298	298	217	221	228	222
New York, N.Y.	328	277	277	277	276	181	188	181
Boston, Mass.	348	284	284	284	306	188	195	189
Albany, N.Y.	328	287	287	287	278	201	208	202
Springfield, Mass.	338	284	284	284	295	200	207	200
TO TEXARKANA, ARK. FROM								
Pittsburgh, Pa.	264	311	311	311	210	234	241	234
New York, N.Y.	318	290	290	290	268	193	201	194
Boston, Mass.	337	297	297	297	319	201	208	202
Albany, N.Y.	318	300	300	300	293	213	221	214
Springfield, Mass.	327	297	297	297	287	212	220	213

Explanation of Abbreviations and Reference Marks:

A.R. - All-Rail Rates.
N.O. - New Orleans, La.
Galv.- Galveston, Texas.
Hous.- Houston, Texas.

(Continued on Page 3)

I.C.C. DOCKETS 28300 and 28310
Exhibit No.: 73
PAGE 3

Explanation of Abbreviations and Reference Marks (cont'd.):

(1) Rates are those in effect prior to Ex Parte 148 increases of March 18, 1941. All-rail rates are those published in Southwestern Lines Tariff No. 252-A, J.R.Peel, Agent, I.C.C. No. 3360. Rail-Water-Rail rates are those published in Trunk Lines Tariff Bureau Freight Tariff No. 121-B, W. S. Curlett, Agent, I.C.C. No. A-732--Due to interruptions of service over which carriers have had no control, steamship services formerly used in the transportation of freight within the scope of this tariff have been temporarily suspended to the extent indicated in tariff.

(2) Jensen formulas are those proposed by Witness C. G. Jensen in his Exhibit No. 7 introduced at the opening hearing at St, Louis, Mo., July 10 and 11, 1941 - I.C.C. Dockets 28300 and 28310. Jensen formulas, and distance factors used in constructing Rail-Water-Rail rates under such formulas are shown on Witness____________________ Exhibit No.__________

Routes and Distance Factors used in Constructing All-Rail Rates Under Jensen Formulas are as follows:

ITTSBURGH TO DALLAS:

Distance in	100%	Zone -	292
" "	105%	" -	123
" "	110%	" -	284
" "	120%	" -	93
" "	130%	" -	463
OTAL-----------------			1,255

Via PRR to Columbus; B&O to Cincinnati; L&N to Memphis; J.R.Peel's I.C.C. 3339 to Dallas.

EW YORK TO DALLAS:

istance in	100%	Zone -	375
" "	105%	" -	227
" "	120%	" -	555
" "	130%	" -	463
OTAL-----------------			1,620

Via PRR to Washington; Sou. to Lynchburg; N.&W. to Bristol; Sou. to Memphis; J.R. Peel's I.C.C. 3339 to Dallas.

OSTON TO DALLAS:

istance in	100%	Zone -	523
" "	105%	" -	679
" "	130%	" -	655
OTAL-----------------			1,857

Via NYC to Indianapolis; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Dallas.

(Continued on Page 4)

I.C.C. DOCKETS 28300 & 28310
Exhibit No.: 73
PAGE 4

BANY TO DALLAS:

stance in 100% Zone - 523
" " 105% " - 479
" " 130% " - 655
TAL------------------ 1,657

Via NYC to Indianapolis; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Dallas.

RINGFIELD TO DALLAS:

stance in 100% Zone - 375
" " 105% " - 361
" " 120% " - 555
" " 130% " - 463
TAL------------------ 1,754

Via NYNH&H to New York; Same as shown from New York to Dallas.

TTSBURGH TO MUSKOGEE:

stance in 100% Zone - 489
" " 105% " - 123
" " 130% " - 425
TAL------------------ 1,037

Via PRR to Columbus; NYC to Dayton; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Muskogee.

YORK TO MUSKOGEE:

stance in 100% Zone - 489
" " 105% " - 562
" " 130% " - 425
TAL------------------ 1,476

Via PRR to Columbus; NYC to Dayton; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Muskogee.

STON TO MUSKOGEE:

stance in 100% Zone - 523
" " 105% " - 679
" " 130% " - 425
TAL------------------ 1,627

Via NYC to Indianapolis; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Muskogee.

BANY TO MUSKOGEE:

stance in 100% Zone - 523
" " 105% " - 479
" " 130% " - 425
TAL------------------ 1,427

Same lines and junction as shown for Boston to Muskogee.

RINGFIELD TO MUSKOGEE:

stance in 100% Zone - 523
" " 105% " - 581
" " 130% " - 425
TAL------------------ 1,529

Same lines and junction as shown for Boston to Muskogee.

I.C.C. DOCKETS 28300 & 28310
Exhibit No. 73
PAGE 5

ITTSBURGH TO OKLAHOMA CITY:

stance in 100% Zone - 489
" " 105% " - 123
" " 130% " - 541
TAL------------------ 1,153

Via PRR to Columbus; NYC to Dayton; PRR to St. Louis; J.R.Peel's I.C.C. 3339 to Oklahoma City

W YORK TO OKLAHOMA CITY:

stance in 100% Zone - 489
" " 105% " - 562
" " 130% " - 541
TAL------------------ 1,592

Same lines and junctions as shown for Pittsburgh to Oklahoma City.

STON TO OKLAHOMA CITY:

stance in 100% Zone - 523
" " 105% " - 679
" " 130% " - 541
TAL------------------ 1,743

Via NYC to Indianapolis; PRR to St. Louis; J. R. Peel'S I.C.C. 3339 to Oklahoma City.

BANY TO OKLAHOMA CITY:

stance in 100% Zone - 523
" " 105% " - 479
" " 130% " - 541
TAL------------------ 1,543

Same lines and junctions as shown for Boston to Oklahoma City.

RINGFIELD TO OKLAHOMA CITY:

stance in 100% Zone - 523
" " 105% " - 581
" " 130% " - 541
TAL------------------ 1,645

Same lines and junctions as shown for Boston to Oklahoma City.

TTSBURGH TO SHREVEPORT:

stance in 100% Zone - 292
" " 105% " - 123
" " 110% " - 284
" " 120% " - 93
" " 130% " - 321
TAL------------------ 1,113

Via PRR to Columbus; B&O to Cincinnati; L&N to Memphis; J. R. Peel's I.C.C. 3339 to Shreveport.

YORK TO SHREVEPORT:

stance in 100% Zone - 375
" " 105% " - 227
" " 120% " - 555
" " 130% " - 321
TAL------------------ 1,478

Via PRR to Washington; Sou. to Lynchburg; N&W to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. 3339 to Shreveport.

(Continued on Page 6)

I.C.C. DOCKETS 28300 & 28310
Exhibit No. 73
PAGE 6

BOSTON TO SHREVEPORT:

Distance in 100% Zone - 370
" " 105% " - 679
" " 110% " - 284
" " 120% " - 93
" " 130% " - 321
TOTAL---------------- 1,747

Via NYC to Cincinnati; L&N to Memphis; J. R. Peel's I.C.C. 3339 to Shreveport.

ALBANY TO SHREVEPORT:

Distance in 100% Zone - 370
" " 105% " - 479
" " 110% " - 284
" " 120% " - 93
" " 130% " - 321
TOTAL---------------- 1,547

Via same lines and junctions as shown for Boston to Shreveport.

SPRINGFIELD TO SHREVEPORT:

Distance in 100% Zone - 375
" " 105% " - 361
" " 120% " - 555
" " 130% " - 321
TOTAL---------------- 1,612

Via NYNH&H to New York; PRR to Washington; Sou. to Lynchburg; N&W to Bristol; Sou. to Memphis; J.R.Peel's I.C.C. 3339 to Shreveport.

PITTSBURGH TO TEXARKANA:

Distance in 100% Zone - 292
" " 105% " - 123
" " 110% " - 284
" " 120% " - 93
" " 130% " - 278
TOTAL---------------- 1,070

Via PRR to Columbus; B&O to Cincinnati; L&N to Memphis; J. R. Peel's I.C.C. 3339 to Texarkana.

NEW YORK TO TEXARKANA:

Distance in 100% Zone - 375
" " 105% " - 227
" " 120% " - 555
" " 130% " - 278
TOTAL---------------- 1,435

Via PRR to Washington; Sou. to Lynchburg; N&W to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. 3339 to Texarkana.

BOSTON TO TEXARKANA:

Distance in 100% Zone - 524
" " 105% " - 679
" " 130% " - 488
TOTAL---------------- 1,691

Via NYC to Indianapolis; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Texarkana.

(Continued on Page 7)

I.C.C. DOCKETS 28300 & 28310
Exhibit No. 73
PAGE 7

ALBANY TO TEXARKANA:

Distance in 100% Zone -	523
" " 105% " -	479
" " 130% " -	488
TOTAL	1,490

Via NYC to Indianapolis; PRR to St. Louis; J. R. Peel's I.C.C. 3339 to Texarkana.

SPRINGFIELD TO TEXARKANA:

Distance in 100% Zone -	375
" " 105% " -	361
" " 120% " -	555
" " 130% " -	278
TOTAL	1,569

Via NYNH&H to New York; PRR to Washington; Sou. to Lynchburg; N&W to Bristol; Sou. to Memphis; J. R. Peel's I.C.C. 3339 to Texarkana.

Authorities for distances used in constructing All-Rail Rates Under Jensen Formulas:

The Official Guide of The Railways.

Southwestern Lines Mileage Table No. 4-D - Tariff No. 264-A, J. R. Peel, Agent, I.C.C. No. 3339.

Southern Freight Tariff Bureau Freight Distance Table - Freight Tariff No. 201-B, R. H. Hoke, Agent, I.C.C. No. 651.

L. & N. Table of Distances - Tariff G.F.O. No. 18-C, I.C.C. No. A-15965.

* * * * *

New Orleans, La.
September 1, 1947

1355-D

ICC Docket No. 28300, et al
Exhibit No. 74 W S CRE[illegible]
Witness: [illegible]
(4 sheets - sheet 1)

Analysis of LCL Traffic - Period September 8-14, 1939

- Minimum Charges Not Included -

Mileage Analysis

Shipments Less than 10,000 Pounds

	OFFICIAL - Intraterritorial					SOUTHERN - Intraterritorial				
	Pounds	Per-cent	Thru Frt. Charges	Per-cent	Average Rate(1)	Pounds	Per-cent	Thru Frt. Charges	Per-cent	Average Rate(1)
ss than 100 miles	24,179,742	9.60	$ 80,726	4.55	33.4	14,017,237	24.54	$ 36,831	10.48	26.3
& less than 200 miles	41,658,013	16.54	199,944	11.27	48	13,962,269	24.46	66,327	18.86	47.5
& less than 300 miles	42,804,672	17.00	256,359	14.46	59.9	9,939,428	17.40	60,410	17.18	60.8
& less than 400 miles	39,379,135	15.64	266,750	15.04	67.8	6,722,725	11.77	50,050	14.24	74.4
& less than 500 miles	32,590,860	12.94	250,676	14.14	76.9	4,831,351	8.46	44,792	12.74	92.7
miles and over	71,213,146	28.28	718,850	40.54	100.9	7,638,321	13.37	93,165	26.50	122
Total	251,825,568	100.00	$1,773,305	100.00	70.4	57,111,331	100.00	$ 351,575	100.00	61.6

Shipments 10,000 Pounds and Over

	OFFICIAL - Intraterritorial					SOUTHERN - Intraterritorial				
	Pounds	Per-cent	Thru Frt. Charges	Per-cent	Average Rate(1)	Pounds	Per-cent	Thru Frt. Charges	Per-cent	Average Rate(1)
ss than 100 miles	3,111,553	12.96	$ 6,725	5.70	21.6	8,948,376	23.12	$ 29,260	22.05	32.7
& less than 200 miles	3,005,943	12.72	10,063	8.53	33.5	18,414,801	47.58	53,489	40.31	29.1
& less than 300 miles	4,058,276	16.89	16,815	14.25	41.4	7,855,138	20.29	29,444	22.19	37.5
& less than 400 miles	3,704,775	15.42	18,498	15.67	49.9	2,300,943	5.94	11,901	8.97	51.7
& less than 500 miles	3,828,699	15.94	20,660	17.50	54	424,940	1.10	2,603	1.96	61.3
miles and over	6,263,765	26.07	45,277	38.35	72.3	760,626	1.97	5,995	4.52	78.8
Total	24,023,011	100.00	$ 118,038	100.00	49.1	38,704,824	100.00	$ 132,692	100.00	34.3
Grand Total	275,848,579		$1,891,343		68.6	95,816,155		$ 484,267		50.5

thority: Merchandise Report; see Exhibit G, Part 15 - 16, Page 9; see Appendix to petition of Class I Railroads filed with the Commission April 19, 1940, for modification of order of Commission dated Jan. 9, 1940, calling for certain information with respect to the movement of traffic.
(1) In cents per 100 pounds.

OFFICIAL
Intraterritorial

ICC Docket No. 28300, et al
Exhibit No. 74
Witness: E. L. CREIGHTON
(4 sheets - sheet 2)

Analysis LCL Traffic

Period September 8 to 14, 1939, Inc.

Official Tonnage Equated on Basis of Southern Tonnage Distribution.(1)

Shipments less than 10,000 pounds

	Pounds	Percent	Thru Frt. Charges	Percent	Average Rate (2)
Less than 100 miles	61,797,994	24.54	$ 206,405	14.05	33.4
100 & less than 200 miles	61,596,534	24.46	295,663	20.13	48
200 & less than 300 miles	43,817,649	17.40	262,468	17.87	59.9
300 & less than 400 miles	29,639,869	11.77	200,958	13.68	67.8
400 & less than 500 miles	21,304,443	8.46	163,831	11.15	76.9
500 miles and over	33,669,079	13.37	339,721	23.12	100.9
Total	251,825,568	100.00	$1,469,046	100.00	58.3

Shipments 10,000 pounds and over

	Pounds	Percent	Thru Frt. Charges	Percent	Average Rate (2)
Less than 100 miles	5,554,120	23.12	$ 11,997	14.55	21.6
100 & less than 200 miles	11,430,149	47.58	38,291	46.45	33.5
200 & less than 300 miles	4,874,269	20.29	20,179	24.48	41.4
300 & less than 400 miles	1,426,967	5.94	7,121	8.64	49.9
400 & less than 500 miles	264,253	1.10	1,427	1.73	54
500 miles and over	473,253	1.97	3,422	4.15	72.3
Total	24,023,011	100.00	$ 82,437	100.00	34.3
Grand Total	275,848,579		$1,551,483		56.2

Reference Marks: (1) On this sheet the Official tonnage is equated so that the same proportions of the total tonnage will appear in the respective mileage blocks as in the case of the tonnage in Southern territory, as shown on Sheet 1.

(2) In cents per 100 pounds.

SOUTHERN
Intraterritorial

ICC Docket No. 28300, et al
Exhibit No. 74
Witness: A. S. CREIGHTON
(4 sheets - sheet 3)

Analysis LCL Traffic

Period September 8 to 14, 1939, Inc.

Southern Tonnage Equated on Basis of Official Tonnage Distribution.(1)

Shipments less than 10,000 pounds

	Pounds	Percent	Thru Frt. Charges	Percent	Average Rate (2)
Less than 100 miles	5,482,688	9.60	$ 14,419	3.20	26.3
100 & less than 200 miles	9,446,214	16.54	44,870	9.96	47.5
200 & less than 300 miles	9,708,927	17.00	59,030	13.11	60.8
300 & less than 400 miles	8,932,212	15.64	66,456	14.76	74.4
400 & less than 500 miles	7,390,206	12.94	68,507	15.21	92.7
500 miles and over	16,151,084	28.28	197,043	43.76	122
Total	57,111,331	100.00	$ 450,325	100.00	78.9

Shipments 10,000 pounds and over

	Pounds	Percent	Thru Frt. Charges	Percent	Average Rate (2)
Less than 100 miles	5,016,145	12.96	$ 16,403	8.06	32.7
100 & less than 200 miles	4,923,254	12.72	14,327	7.04	29.1
200 & less than 300 miles	6,537,245	16.89	24,515	12.05	37.5
300 & less than 400 miles	5,968,284	15.42	30,856	15.17	51.7
400 & less than 500 miles	6,169,549	15.94	37,819	18.59	61.3
500 miles and over	10,090,347	26.07	79,512	39.09	78.8
Total	38,704,824	100.00	$ 203,432	100.00	52.6
Grand Total	95,816,155		$ 653,757		68.2

Reference Marks: (1) On this sheet the Southern tonnage is equated so that the same proportions of the total tonnage will appear in the respective mileage blocks as in the case of the tonnage in Official territory, shown on Sheet 1.

(2) In cents per 100 pounds.

ICC Docket No. 28300, et al
Exhibit No. 74
Witness: [illegible] CREIGHTON
(4 sheets - sheet 4)

Analysis All LCL Traffic, Except Minimum Charge.

Period September 8 to 14, 1939, Inc.

Intraterritorial.

Shipments	OFFICIAL			SOUTHERN		
Pounds	LCL Class	LCL Commodity	Grand Total	LCL Class	LCL Commodity	Grand Total
Less than 10,000 pounds	240,123,465	11,702,103	251,825,568	36,922,007	20,189,324	57,111,331
10,000 pounds and over	22,298,960	1,724,051	24,023,011	3,133,232	35,571,592	38,704,824
Total Pounds	262,422,425	13,426,154	275,848,579	40,055,239	55,760,916	95,816,155
Through Freight Charges						
Less than 10,000 pounds	$ 1,715,933	$ 57,372	$ 1,773,305	$ 278,640	$ 72,935	$ 351,575
10,000 pounds and over	112,175	5,863	118,038	15,661	117,031	132,692
Total Through Freight Charges	$ 1,828,108	$ 63,235	$ 1,891,343	$ 294,301	$ 189,966	$ 484,267
Average Freight Charges per 100 Pounds						
Less than 10,000 pounds	71.5	49	70.4	75.5	36.1	61.6
10,000 pounds and over	50.3	34	49.1	50	32.9	34.3
All Shipments	69.7	47.1	68.6	73.5	34.1	50.5

Authority: Merchandise Report, Exhibit G, Part 15 and 16, Pages 7 and 8; see Appendix to petition of Class I Railroads filed with the Commission Apr. 19, 1940, for modification of order of Commission dated Jan. 9, 1940, calling for certain information with respect to the movement of traffic.

Average Freight Charges per 100 Pounds Equated	Average Rate resulting from Official tonnage equated on basis of Southern tonnage distribution.	Average Rate resulting from Southern tonnage equated on basis of Official tonnage distribution.
Less than 10,000 pounds	58.3	78.9
Over 10,000 pounds	34.3	52.6
Grand Total	56.2	68,2

Average Rate of 56.2 in Official territory on the equated basis is 111.3 percent of the Average Rate of 50.5 in the South.

Average Rate of 68.2 in Southern territory on the equated basis is 99.4 percent of the Average Rate of 68.6 in Official territory.

[illegible]

1355-E
C.A. MITCHELL
ONE EXHIBIT
8 PAGES

EXHIBIT NO. 75
I.C.C. DOCKET NO. 28300
WITNESS Mitchell

STATEMENT OF DISTANCES AND PRESENT FIRST CLASS RATES FROM MEMPHIS, TENN., TO REPRESENTATIVE POINTS IN STATES LOCATED IN OFFICIAL TERRITORY, AND ALSO THE FIRST CLASS RATES FOR THE SAME DISTANCES WITHIN OFFICIAL TERRITORY, AND THE PERCENTS THE PRESENT RATES FROM MEMPHIS, TENN., BEAR TO RATES UNDER THE OFFICIAL TERRITORY SCALE FOR THE SAME DISTANCES.

In Cents per 100 pounds
(Ex Parte 148 increases to be added)

To		Miles	From Memphis, Tennessee.		
			13454	15879	
			1st	1st	%
	ILLINOIS				
Aurora		521	164	128	128.9
Chicago		531	164	128	128.9
Decatur		371	144	106	135.8
E. St. Louis		313	136	98	138.7
Elgin		437	167	128	130.4
Joliet		504	164	124	132.2
Peoria		444	154	130	128.4
Rockford		545	167	130	128.4
Rock Island		532	164	128	128.9
Springfield		382	144	109	132.1
	Average	463.0	156.8	119.6	131.6
	INDIANA				
Anderson		479	161	119	135.2
Elkhart		576	171	132	129.5
Ft Wayne		581	171	135	126.6
Gary		530	164	128	128.9
Indianapolis		443	152	117	129.9
Kokomo		482	161	122	131.9
Lafayette		458	157	117	134.1
Mishawaka		564	171	132	129.5
Muncie		519	164	124	132.2
Richmond		566	161	128	125.7
	Average	515.8	163.3	125.4	130.4
	OHIO				
Akron		734	194	153	126.7
Cleveland		731	194	153	126.7
Columbus		603	177	138	128.2
Dayton		541	167	130	128.4
Hamilton		512	164	124	132.2
Lima		577	177	132	134.0
Lorain		693	194	149	130.2
Springfield		566	171	132	129.5
Toledo		676	184	145	126.8
Warren		768	200	157	127.3
	Average	659.9	182.2	141.3	129.0

(Continued on Sheet 2)

heet # 2.

EXHIBIT NO. 75

Continued from Sheet, 1)

To		Miles	From Memphis, Tenn. 13494 1st	 15879 1st	 %
	MICHIGAN				
ttle Creek		668	180	145	124.1
y City		790	199	160	124.3
etroit		699	190	149	127.5
lint		752	196	155	126.4
rand Rapids		666	186	145	12[illegible].2
ackson		681	187	149	125.5
alamazoo		620	177	138	128.2
ansing		681	169	151	125.1
uskegon		713	189	151	129.8
ontiac		720	196	151	129.8
	Average	699.0	186.9	149.2	126.6
	PENNSYLVANIA				
llentown		1101	243	196	123.9
ltoona		911	216	174	124.1
arrisburg		1013	234	185	126.4
ohnstown		866	216	168	128.5
ancaster		1036	243	187	129.9
cKeesport		800	200	160	125.0
hiladelphia		1068	243	190	127.8
ittsburg		798	200	160	125.0
eading		1065	243	190	127.8
cranton		1101	243	196	123.9
	Average	975.9	228.1	180.6	126.2
	NEW YORK				
lbany		1199	253	204	124.0
uffalo		912	216	174	124.1
lmira		1031	231	187	123.7
t Vernon		1185	252	204	123.5
ew Rochelle		1188	252	204	123.5
ew York		1160	252	201	125.3
iagara Falls		926	216	176	122.7
ochester		976	223	182	122.5
chenectady		1174	253	201	125.8
yracuse		1055	231	190	121.5
	Average	1080.6	237.9	192.3	123.7
	NEW JERSEY				
tlantic City		1128	252	198	127.2
ayonne		1146	252	198	127.2
loomfield		1151	252	201	125.3
amden		1073	243	190	127.8
lizabeth		1137	243	198	127.2
ersey City		1150	252	198	127.2
ewark		1143	252	198	127.2
aterson		1159	252	201	125.3
erth Amboy		1131	243	198	122.7
renton		1095	252	193	130.5
	Average	1131.3	249.3	197.3	126.5

(Continued on Sheet 3)

Page #3.

EXHIBIT NO. 75

(Continued from Page 2)

To	Miles	From Memphis, Tenn. 13494 1st	15879 1st	%
WEST VIRGINIA				
Bluefield	644	199	143	139.2
Charleston	661	190	143	132.9
Clarksburg	762	200	157	127.3
Fairmont	734	200	160	125.0
Huntington	601	180	138	130.4
Morgantown	622	200	163	122.7
Moundsville	783	200	160	125.0
Parkersburg	681	190	149	127.5
Wheeling	749	200	155	129.0
Williamson	657	190	143	132.9
Average	712.4	194.9	151.1	129.6

EXPLANATION

Tariff Authority:
Agent B.T. Jones' I.C.C. 3636
Agent .S. Mercer's I.C.C. 485
Agent W.S. Curlett's I.C.C. A-712

Distances:
From Memphis I.C.C. Docket No. 13494 distances to Ohio River & Virginia Gateways, I.C.C. Docket No. 15879 distances beyond.

(Continued on Sheet 3)

EXHIBIT 75
I.C.C. DOCKET NO. 23300
WITNESS MITCHELL

COMPARISON OF RATES ON MACARONI, NOODLES AND SPAGHETTI, LCL

In Cents per 100 pounds

(Ex Parte 148 increases to be added)

	FROM											
	MEMPHIS, TENN.				CHICAGO, ILL.				ST. LOUIS, MO.			
TO	MILES	A	B	C	MILES	A	B	C	MILES	A	B	C
Brookport, Ill.	171	119	60	39	363	106	53	53	161	76	38	38
Cairo, Ill.	166	102	51	38	365	106	53	53	147	73	37	37
Cincinnati, Ohio	487	161	81	61	283	96	48	48	339	101	51	51
Evansville, Ind.	301	136	68	49	284	96	48	48	166	76	38	38
Henderson, Ky.	289	134	67	48	296	100	50	48	178	80	40	39
Kenova, W. Va.	583	180	90	68	399	109	55	55	473	119	60	60
Louisville, Ky.	377	149	75	53	291	96	48	48	264	92	46	46
Metropolis, Ill.	179	106	53	39	355	103	52	52	153	74	37	37
Mounds, Ill.	171	117	59	39	356	103	52	52	142	73	37	37
New Albany, Ind.	380	149	75	53	291	96	48	48	264	92	46	46
Paducah, Ky.	165	102	51	38	369	106	53	53	167	76	38	38
Parkerburg, W. Va.	(1)682	190	95	75	407	111	56	56	[illegible]27	128	64	64
Pittsburgh, Pa.	(1)786	200	100	80	454	117	59	59	604	138	69	69
Wheeling, W. Va.	(1)737	200	100	77	417	111	56	56	564	132	66	66

EXPLANATION

A - First-Class rates

B - Present Rates -
Column 50 rates (4th Class in Official-Illinois Territory) applicable on Macaroni, Noodles and Spaghetti, LCL.

C - Column 50 rates for distances under I.C.C. Docket No. 15879 scale.

(1)- Via Cincinnati gateway.

Authority for Distances:
I.C.C. Docket No. 13494 distances from Memphis, Tenn., to gateway, actual distances beyond
I.C.C. Docket No. 15879 distances from Chicago, Ill., and St. Louis, Mo.

Tariff Authority:
Agent B.T. Jones' I.C.C. 2447, 2443 and 3636
Agent W.S. Mercer's I.C.C. 201 and 485
Agent R.H. Hoke's I.C.C. 717
Agent H.S. Curlett's I.C.C. A 712

2356ss

75

I.C.C. DOCKET NO.
WITNESS: **MITCHELL**

COMPARISON OF RATES ON MACARONI, NOODLES AND SPAGHETTI, LCL

In Cents per 100 pounds

(Ex Parte 148 increases to be added)

TO	FROM MEMPHIS, TENN. MILES	A	B	C	CHICAGO, ILL. MILES	A	B	C	ST. LOUIS, MO. MILES	A	B	C
asgow, Ky.	296	134	67	49	(2)392	128	64	55	(1)338	125	63	51
izabethtown, Ky.	336	143	72	51	(2)333	108	54	51	(1)304	106	53	49
merset, Ky.	468	169	85	60	(2)429	141	71	57	(2)402	139	70	56
nchester, Ky.	470	169	85	60	(3)379	122	61	53	(2)367	125	63	53
rbin, Ky.	489	173	87	61	(2)463	149	75	60	(2)436	149	75	57

EXPLANATION

- First-class rates

- Present rates, column 50, applicable on macaroni, noodles and spaghetti, LCL

- Column 50 rates for distances under I.C.C. Docket No. 15879 scale.

) - Via Evansville, Ind., gateway.

) - Via Louisville, Ky., gateway.

)- Via Cincinnati, Ohio gateway.

stances:
From Memphis I.C.C. Docket No. 13494 distances.
From Chicago and St. Louis I.C.C. Docket No. 13494 distances south of Ohio River gateways, and I.C.C. Docket No. 15789 distances north of Ohio River gateways.

riff Authority:
Agent R.H. Hoke's I.C.C. 717.
Agent [illegible].S. Mercer's I.C.C. 465.

235611

EXHIBIT NO. 75
I.C.C. DOCKET NO. 28300
WITNESS MITCHELL

COMPARISON OF RATES ON MACARONI, NOODLES AND SPAGHETTI, LCL

In Cents per 100 pounds

(Ex Parte 148 increases to be added)

TO	FROM MEMPHIS, TENN. MILES	A	B	C	FROM CHICAGO, ILL. MILES	A	B	C
lizabethtown, Ky.	335	143	72	51	(1)333	108	54	51
earns, Ky.	480	166	83	59	(1)460	151	76	59
xton, Ky.	492	169	85	61	(1)490	156	78	60
ddlesboro, Ky.	493	173	87	61	(1)507	158	79	62

EXPLANATION

- [illegible]-class

- Present rates, Column 50, applicable on macaroni, noodles and spaghetti, LCL.

- Column 50 rates under I.C.C. Docket No. 15879 scale.

) - Via Louisville, Ky., gateway.

stances:
From Memphis I.C.C. Docket No. 13494 distances
From Chicago I.C.C. Docket No. 13494 distances south of Ohio River crossing, and I.C.C. Docket No. 15879 distances north of Ohio River crossing.

riff authority:
Agent .H. Koke's I.C.C. 717.
Agent . . Mercer's I.C.C. 485.

EXHIBIT NO. 75
I.C.C. DOCKET NO. 28300
WITNESS MITCHELL

COMPARISON OF RATES ON MACARONI, NOODLES AND SPAGHETTI, LCL

In Cents per 100 pounds

(Ex Parte 148 increases to be added)

FROM	TO	MILES	A	B	C	D	E
Memphis, Tenn.	Indianapolis, Ind.	443	152	76	59	100	100
Chicago, Ill.	Pittsburgh, Pa.	454	117	59	59	102	78
St. Louis, Mo.	Portsmouth, O.	445	119	60	59	101	80
Memphis, Tenn.	Hamilton, O.	512	164	82	62	100	100
Chicago, Ill.	Batavia, N.Y.	531	124	62	62	103	76
St. Louis, Mo.	Cleveland, O.	522	128	64	64	102	78
Memphis, Tenn.	Coulterville, Ill.	263	131	66	46	100	100
Chicago, Ill.	Ashley, Ill.	266	92	46	46	101	70
St. Louis, Mo.	Logansport, Ind.	266	92	46	46	102	70
Memphis, Tenn.	Anna, Ill.	199	121	61	40	100	100
Chicago, Ill.	Effingham, Ill.	199	80	40	40	100	66
St. Louis, Mo.	Greencastle, Ind.	202	83	42	40	101	69
Memphis, Tenn.	Metropolis, Ill.	179	106	53	39	100	100
Chicago, Ill.	Neoga, Ill.	184	79	40	40	104	75
St. Louis, Mo.	Washington, Ind.	170	76	38	39	95	72
Memphis, Tenn.	Evansville, Ind.	301	139	70	49	100	100
Chicago, Ill.	Evansville, Ind.	284	96	48	48	94	69
St. Louis, Mo.	Richmond, Ind.	309	98	49	49	103	70

EXPLANATION

A - First-class rates
(Present Rates
B - Class 50 rates (4th Class in Illinois-Official Territory), applicable on macaroni, noodles and spaghetti, LCL.

C - Column 50 rates under I.C.C. Docket No. 15879 scale.

D - Percentage of distance using Memphis as 100%.

E - Percentage of rate using Memphis as 100%.

Tariff Authority:
Agent R.H. Hoke's I.C.C. 717
Agent W.S. Mercer's I.C.C. 201, 485 and 489
Agent B.T. Jones' I.C.C. 3636, 3642, 2447 and 2448

2356vv

EXHIBIT NO. 75
I.C.C. DOCKET NO. 2356[illegible]
WITNESS MITCHELL

COMPARISON OF RATES ON MACARONI, NOODLES AND SPAGHETTI, LCL
In Cents per 100 pounds
(Ex Parte 148 increases to be added)

	FROM							
	MEMPHIS, TENN.				CHICAGO, ILL.			
TO	MILES	A	B	C	MILES	A	B	D
St. Louis, Mo.	(1)313	136	68	49	276	92	46	x51 y43
Benton, Ill.	(1)248	129	65	45	290	96	48	48
Brookport, Ill.	(1)171	119	60	39	363	106	53	53
Cairo, Ill.	166	102	51	38	365	106	53	53
Carbondale, Ill.	(1)223	127	64	43	308	98	49	49
Eldorado, Ill.	(1)244	127	64	46	298	96	48	48
Johnson City, Ill.	(1)232	129	65	44	303	98	49	49
Joppa, Ill.	(1)204	121	61	42	355	103	52	52
McClure, Ill.	(1)199	122	62	40	349	103	52	52
Marion, Ill.	(1)227	125	63	43	309	98	49	49
Metropolis, Ill.	179	106	53	39	355	103	52	52
Mound City, Ill	(1)174	117	59	39	360	103	52	52
Murphysboro, Ill.	(1)228	127	64	43	313	98	49	49
Pinckneyville, Ill.	(1)231	129	65	45	290	96	48	48
Thebes, Ill.	(1)192	119	60	40	357	103	52	52
West Frankfort, Ill.	(1)232	129	65	44	297	96	48	48

EXPLANATION

A.- First-Class rates

B - Present rates. Class 50 rates (4th Class in Illinois-Official Territory), applicable on macaroni, noodles and spaghetti, LCL.

C - Column 50 rates under I.C.C. Docket No. 15879 scale.

D - Present commodity rates on macaroni, noodles and spaghetti, LCL.

x - Applies between, on less than 10,000 pounds.

y - Applies between, on minimum weight of 10,000 pounds.

(1)- Via Cairo, Ill., gateway.

Distances:
From Memphis I.C.C. Docket No. 13494 distances to gateway, and I.C.C. Docket No. 15879 distances beyond.
From Chicago I.C.C. Docket No. 15879 distances.

Tariff Authority:
Agent H.E. Hoke's I.C.C. 717
Agent [illegible].S. Mercer's I.C.C. 485, 489 and 538

[fol. 1357] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

CLASS RATE INVESTIGATION, 1939

Docket No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Claypool Hotel,
Indianapolis, Indiana,
September 28, 1942.

Met, pursuant to adjournment, at 9:30 o'clock A. M.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner,

Hon. J. Haden Alldredge,

And a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances: As heretofore noted.

Proceedings

Chairman Aitchison: We will resume the hearing. Come [fol. 1358] to order, please. Whom do we hear next?

Mr. Norman: I understand, Mr. Chairman, that the carriers have rested and under the plan we have had among urselves, the Tennessee Valley Authority will proceed ow.

Chairman Aitchison: Before the Tennessee Valley Authority proceed, I understand that there is no desire, Mr. ackson, to cross examine Mr. Vivian. Is that correct?

Mr. Jackson: That is right, sir.

Chairman Aitchison: Mr. Vivian, therefore, may be xcused. Who appears for the Tennessee Valley Authority?

Mr. Charles McCarthy: I have one witness, Mr. Spotsvood. Before proceeding with the testimony of the witness, would like, if I may, to amplify very briefly my previous tatement as to the interest and position of the Tennessee Valley Authority in these proceedings. The Tennessee Valley Authority as a Government agency has no interest in these proceedings in the ordinary sense of the term. We have, however, prepared certain studies which appear to be pertinent to the issues in this proceeding, which we hope may be of some value to the Commission. For that reason, we are appearing here more or less as a friend of the Court for the purpose of presenting the results of those studies for whatever value they may be to the Commission. Mr. Spotswood has a prepared statement which was distributed last Saturday. Be sworn, Mr. Spotswood.

Chairman Aitchison: Raise your right hand.

A. D. Spotswood was sworn and testified as follows:

[fol. 1359] Direct examination.

By Mr. Charles McCarthy:

Q. Will you give your name and address for the record, please, Mr. Spotswood.

A. A. D. Spotswood, Knoxville, Tennessee.

Q. You ~~are an employee~~ of the Tennessee Valley Authority?

A. I am.

Q. What position do you occupy?

A. I am Chief of the Transportation and Industrial Economics Division.

Q. In what fields of economics have you specialized?

A. Transportation and industrial economics. For the past ten years I have specialized in the analysis and interpretation of economic data in these fields.

Q. Where did you receive your academic training?

A. I received a B. S. degree in economics at the University of Alabama in 1921.

Q. In the course of your duties in your present position, have you made certain studies relative to the effect of existing class rate structures on the economy of the Tennessee Valley?

A. I have.

Q. And the south and west generally?

A. I have.

Chairman Aitchison: Just a minute, please, Mr. McCarthy.

By Chairman Aitchison:

Q. You say you are a specialist in transportation eco- [fol. 1360] nomics. That subject breaks up into several distinct branches. What one or ones of them have you specialized in?

A. Mr. Chairman, my work with the Authority has been the analysis of the effect of transportation on the economy of the Valley Region, particularly.

Q. You have not specialized, then, in the operation, location or construction with respect to the traffic end of the subject?

A. No, sir.

Chairman Aitchison: Proceed.

By Mr. Charles McCarthy:

Q. You have before you, Mr. Spottswood, an exhibit of 37 pages, consisting of tables, charts and appendices?

A. Yes, sir.

Q. Was this exhibit prepared under your direction and supervision?

A. It was.

Q. Are the facts stated therein true to the best of your knowledge and belief?

A. They are.

Mr. Charles McCarthy: I would like to have this exhibit marked for identification, if the Chairman please.

Chairman Aitchison: This exhibit will be marked for identification as No. 76.

[fol. 1361] (Exhibit No. 76, Witness Spottswood, marked for identification.)

By Mr. Charles McCarthy:

Q. Do you have a prepared statement setting forth the results of the studies to which you referred?

A. I have.

Q. Proceed.

A. At the very outset I should like to make it clear that I am not a rate expert and that I do not propose to discuss technical rate questions. I intend to discuss the economic consequences of the regional disparities in existing class-rate structures and to show that these regional inequalities are unwholesome in that they help to perpetuate an economic maladjustment which interferes with the orderly development of the resources of the south and west, and, through them, of the whole nation. For convenience, I shall refer to Southern, Southwestern, and Western Trunk Line territories collectively as the South and West.

I shall discuss the following propositions in order: first, the marked degree of specialization as among the several regions or rate territories establishes a relationship between Official territory and the South and West which is substantially that of mother country and colonies. Second, regional and national objectives of full employment, full production and maximum national income will not be [fol. 1362] achieved as long as the present regional specializations survive in the existing exaggerated degree.

Third, the disparity in class rate levels tends to perpetuate present regional specializations, thereby keeping the South and West tied to their long-time overdependence on raw materials production. Fourth, the continued piecemeal adjustment of class rates will not adequately serve the needs of the nation. What is needed is a comprehensive readjustment designed to free the potential productive resources of all the regions.

The first major point I wish to bring out is the relationship of the specializations in the several parts of the country. This I will do in two ways, first, by a brief discussion of predominant occupations; and second, by a fairly detailed analysis of the traffic of the several regions. Many of the statistics I shall use are reported only by states not by rate territories. For this reason, I shall refer throughout to the nearest group of whole states as though they were the actual territories. The groupings I have used appear in chart I, captioned Railroad Freight Rate Territories. That is on page 1 of my exhibit.

The necessity of assigning the whole of territory-divided states to a single territory produces some slight distortions in the figures of absolute quantity. The matters which I am going to bring out, however, have to do with relation- [fol. 1363] ships rather than exact quantities, and tests I have applied to the data show that the assignments I have made have but little effect on these relationships.

Of the five territories, Official is much the most intensively developed. With only 16 per cent of the national land area, its 1940 population was 53 per cent of the national total. By contrast, the South and West, with 48 per cent of the land area, had 37 per cent of the population—Southern 13 per cent of the land area and 16 per cent of the population, Southwestern 14 per cent of the land area and 10 per cent of the population, and Western Trunk Line 21 per cent of land area and 11 per cent of population.

As part B in table 1 of the exhibit shows, Official had nearly 55 per cent of all persons gainfully employed in the United States; but it had about 69 per cent of the persons employed in manufacturing industries.

In sharp contrast to its high position in population, total employment, and manufacturing employment, Official territory has only about 29 per cent of the persons engaged in the so-called extractive occupations, that is, agriculture, forestry, fishing, and mining—the people who produce the foodstuffs and industrial raw materials. Official territory does have important raw materials, resources and production, but they are definitely subordinate, accounting for only about 11 per cent of the total employment in the region. [fol. 1364] Official is thus high in manufacturing, low in raw materials production. The exact opposite is true of the South and West, which have 36 per cent of total national employment and 62 per cent of employment in extractive occupations, but only 23 per cent of the employment in manufacturing. In the South and West, raw materials production is predominant; manufacturing is subordinate.

The final column of table 1 is devoted to trade and service, the importance of which is indicated by the fact that the occupations included in this category give employment to as many people as all other occupations combined. Official territory has something more than its proportionate share of the employment in trade and service; the South and West somewhat less than a share in proportion to their total population.

The part of table 1 marked D is in effect a summary of the whole table. It shows the density of workers in each type of occupation. Each territorial figure in part C is expressed as a per cent of the national average. These occupational specializations naturally result in a net exchange of Official territory manufacturers for southern and western raw materials. This is brought out by an analysis I have had made of the freight traffic of the several regions. There are no complete and precise data on the flow of traffic over any considerable period of time, but a sample suffi- [fol. 1365] ciently accurate for purposes of economic demonstration can be obtained from the carload freight statistics reported by the Bureau of Statistics of this Commission in its statement No. Q-550, entitled Tons of Revenue Freight Originated and Tons Terminated in Carloads by Classes of Commodities and by Geographic Areas—Class I Steam Railways. My analysis deals with the figures for 1940; I have also analyzed the figures for 1941 and they show the same general relationships.

Part I of table 2 shows the absolute tonnages originated and terminated. Part II measures the relative importance of each territory's tonnages in the national total. Part III shows the relative importance of each commodity group in the individual territory totals. Part IV is the ratio of originations to terminations. In tonnage, Official territory originated 608,508,000 tons and terminated 663,779,000. As part IV of the table shows, Official originations were only 92 per cent of its terminations. In the South and West, by contrast, originations were 32 per cent greater than terminations.

Regional specializations begin to show in the breakdown by kinds of commodities, which follows the commodity statistical classification of this Commission. In contrast with every other major class of freight, Official territory originates a greater tonnage of manufacturers and miscellaneous freight than it terminates. The South and West, [fols. 1366-1367] however, had an excess of manufactures terminations, and an excess of originations in every other kind of freight. The net exchange between Official territory and the South and West is therefore manufactured goods for raw materials, foodstuffs, and other commodities only one or two simple stages beyond raw materials.

As it is to be expected in an exchange of manufactured goods for raw materials, the traffic between Official territory and the South and West is in large measure a trade of comparatively small quantities of high-unit-value goods for larger quantities of low-unit-value goods. To bring this point out, the interregional traffic balances—that is, the net figure derived by subtracting terminations from originations—have been broken down into value groups and summarized in table 3, captioned Interregional traffic balances, 1940: value composition. In this table the minus signs indicate a net inbound balance and the plus signs a net outbound balance. Looking at the uppermost group of figures in the first column, it will be noticed that Official territory had a net inbound movement or balance of 55 million tons in freight worth less than $50 per ton, and that it also had a slight inbound balance—less than one million tons—in goods valued between $50 and $150, but that the territory had an outbound balance in goods worth more than $150. The opposite appears for the South and West, with a large outbound balance amounting to 79 million tons in goods worth less than $50, and an inbound [fol. 1368] balance of goods worth more than $50.

The relative "export" and "import" positions in manufactured goods are shown in the final column. Even in manufactured goods, Official territory had an inbound balance in goods worth less than $50; but it had a substantial outbound balance in goods worth between $50 and $150, and a still larger one in goods worth more than $150. Once again, the exact opposite appears in the figures for the South and West. It is perhaps worth special mention that Southwestern territory's outbound or plus-balance of more than five million tons in manufactured goods worth less than $50 per ton would become a substantial inbound or minus-balance if refined petroleum products were eliminated.

In the next step of the analysis, the net tonnage balances for the several territories have been converted into what I shall call for convenience "export", that is, plus, and "import", or minus dollar balances. The results are shown in table 4, captioned Interregional traffic balances, 1940: tonnage, value, and value added by manufacture.

This table was constructed with the same regional groupings used in the others; and the smallest unit of determination is the Commission's system of commodity classes, of which there are 157. It may be helpful if I go a moment into exactly how the table was constructed. As an example, there are 62 commodity classes in the Manufactures and [fol. 1369] Miscellaneous group. Of these classes, Official territory had 30 with net outbound balances, and the aggregate of these balances is the 10,627,000 tons which appears as the second figure from the top in the first column. The remaining 32 Manufactures and Miscellaneous classes showed inbound balances for Official territory amounting to the 8,332,000 tons—second figure down in the first column under the subcaption "Balance of Commodity Groups Net Inbound." All three sets of three columns each in this table are net figures. The 10,627,000 tons I mentioned in the first column is an excess of originations over terminations and the 8,332,000 tons shown further across the page is an excess of terminations over originations. The final set of columns headed "Net balance: outbound minus inbound" shows the final net figures: 10,627,000 tons minus 8,332,000 tons equals the plus-2,295 tons shown there.

The columns headed "Value" are the results of multiplying the tonnage in each of the 157 commodity classes by its average unit value at point of production and totaling the results for Manufactures and Miscellaneous and for All other commodity groups. The columns headed "Value added by manufacture" were derived by multiplying the tonnage in each of the classes by the value added by maufacturing. The bases of unit value and value added by manufacture are shown in detail in Appendix A of the exhibit.

This table is not intended as a complete statement of [fol. 1370] the balance of trade among regions. However, Class I carload freight is so large a proportion of the total freight transported in the United States that it represents fairly well the balance of exchange in physical commodities, in so far as such a balance can be derived from available figures on rail-borne tonnage and value. As the "Net balance: value" column, second from the last on the page, shows, Official territory in 1940 was an "import" region by $742,627,000. Official territory, however, had an "export" balance of manufactured goods amounting to $1,555,264,000. In this "export" of manufactures and "import" of all other goods, Official territory is unlike any other. The South and West had an "export" balance of $1,597,996,000 in non-manufactured goods, but their balance in manufactured products was "import" or net inbound by $1,564,493,000. Furthermore, the outbound manufactured goods tonnage balance of Southwestern territory, which I mentioned a few moments ago as being caused by the mass movement of refined petroleum products, becomes an "import" or inbound value balance of $517,371,000. That is shown in the 1941 line in the second to the last column. In manufactured goods, all the territories except Official are "debtor" regions.

Before discussing the columns headed "Value added", I would like to stress the importance of value added by [fol. 1371] manufacturing. The manner in which this value is created is significant. The exchange values of goods created in a region depend on the kind of uses the people of that region make of the available land, labor, and capital. Value is a built-up thing. The first portion of value is a return for the use of land. The process of building up then commences. The first addition is the income produced in extracting a mineral resource or in planting, cultivating, and harvesting an agricultural crop.

The building up process may stop at this stage, or it may go much further, to include transportation, manufacturing into higher orders of goods, and distributing the products. Each link in the chain of value added is income for someone, whether it be a compensation for a personal service such as a day's labor, a rent for the use of land, or a return on invested capital. Obviously, the longer and more complex the value-adding chain is before products are shipped out of a region, the more income will be created by the people of that region, and the more favorable will be its balance of trade with the rest of the nation.

Among those values added after the crop is harvested or the raw materials dug out of the ground, the ones which come from the physical or chemical processes of manufacturing are especially important. In 1939, the latest year for which Census of Manufactures reports are available [fol. 1372] able, 35 per cent of the total paid-out national income from all sources was created or added by manufacturing—a figure representing the ratio of value added by manufacture to national income, both as reported by the Department of Commerce. Let me stress the fact that the 35 per cent does not include income received by farmers or other raw materials producers at one end of the production chain or by distributors and dealers at the other. It comes from the acts of manufacturing alone.

In 1939, such manufacturing-added values accounted for 42 per cent of the total income in Official territory, but only 24 per cent in the South and West. That is, while manufacturing income plays an important part in the national economic life, its place is especially important in Official territory. Furthermore, secondary sources of income—business, finance, trade, and professional services of all kinds—tend to develop where diversified manufacturing has developed. The demand for services as widely diversified as legal counsel and laundry service is greatest in industrial communities. So while the immediate effect of manufacturing in Official territory is to produce 42 per cent of the regional income, the full effect is much greater.

The seeming anomaly in table 4 of "Value added by manufacture" for commodity groups other than Manufactures and Miscellaneous arises in a difference between the Commission's statistical classification and the Census of [fol. 1373] Manufacturers definition of "manufacture". Thus, flour, fresh meats, and lumber all are the results of manufacturing operations, but in the Commission classification these commodities are a Product of Agriculture, an Animal Product, and a Product of Forests. This difference in practice of course has no effect on the totals shown in table 4.

With this preamble I call attention to the columns in table 4 headed "Value added by manufacture". Inspection of the figures shows that Official Territory, much more than the others, has been able to add values to the things its enterprises produce—that is, to create employment for men and money—before pouring its products into the streams of interregional trade. Official territory has a large inbound tonnage balance and a fairly considerable "import" balance in point of total value, but as the last column of the table shows the manufacturing-added values in the goods Official territory sells to the other regions exceeds such values in the goods it buys from other regions by $346,750,000. The South and West, with a large outbound tonnage and a small "export" value balance, show the opposite tendency.

From this analysis there emerges a principle that has frequently been observed, namely, that the regionalization of production in the United States falls into the pattern of mother country and colonial dependencies. Official territory, the center of manufacturing, trade, and services, [fol. 1374] obtains raw materials in large quantities, intensively adds to their values, and sells them back as high-unit-value manufactured goods. Conversely, the South and West must look to Official territory both as the principal market for their agricultural products and raw materials, and as the major source of supply for finished manufactures.

The detailed ways in which this regionalization of production come into being and is maintained are not in issue here except as the present regionalized structures of freight rates tend to perpetuate it. Before completing my testimony, I shall endeavor to show that the freight rates are a strong force in maintaining the status quo.

The sharp variation from region to region in exchange values and manufacturing-added values shows up still more clearly when expressed in amounts per ton, as has been done in table 5, captioned Interregional traffic balances, 1940: unit value and value added by manufacture. On the average, the kind of goods that Official territory sells to other parts of the country have a value of $125.77 per ton. For the South and West, the average value per outbound ton is only $24.32.

The differences are even more striking in the manufacturing-added values that contribute so heavily to the national income, and especially to the income of Official territory. Thus the average ton outbound from Official terri- [fol. 1375] tory embodies manufacturing-added values of $54.69, which is about 13 times as great as the $4.19 value added to the average ton outbound from the South and West.

The point I am trying to bring out is that Official territory ships goods to the South and West only after intensively enhancing their value. The South and West ship to Official territory far short of this point.

By Chairman Aitchison:

Q. What is there about table 5 that shows any such values?

A. Table 5, sir, is derived from table 4 dividing the tonnages and the value. That is merely another way of expressing the same thing. It brings it out a little more clearly.

Q. I can look back to appendix A, I suppose, and find out what the source is of the value, but can you tell me?

A. The sources of value are the Commission's Bureau of Statistics statement 4045. They are the value at the point of production. Does that answer your question?

Chairman Aitchison: Yes. Proceed.

The Witness: The South and West have developed some industries but these industries are generally producers of rather basic manufactured goods such as feed into factories elsewhere, where they are much more intensively fabricated and processed. Most of the production of aluminum ingot and aluminum sheets, for instance, is in the Southeast. But the aircraft industry and other intermediate and [fol. 1376] final fabricators of aluminum are located principally in the northeastern states and along the West Coast. The largest southern industry is cotton textiles. Although this industry above all others in the south has reached maturity, much of its products go into other regions for further finishing and manufacture. The south has virtually no production of textile machinery, though it has a large part of the national market and all the materials needed for the production of such machinery. The south is a great producer of heavy chemicals, but these chemicals also go largely to industries outside the region for actual combination into end-products. The same situation exists with respect to many other products.

The south's present industrial development is made up mainly of first-stage and second-stage industry—that is, industry tributary to factories elsewhere which do most of the intensive fabricating and creating of income. The tragic effects of the south's long-time dependence on cotton, corn, and tobacco has long been known. The industries of the region have now reached a stage of development where greater diversity of industrial production is needed in almost the same degree as diversification in agriculture. The same is true of the west.

That brings me to my second main proposition. For a number of years our national economy has been out of [fol. 1377] balance, in that the proportion of the people employed in the production of staple agricultural commodities and other raw materials is greater than is necessary to serve the people's needs. This broad occupational maladjustment takes the form of an overdependence on raw materials in the South and West. That overdependence is costly both to these regions and to the country as a whole.

The evidence of maladjustment shows up very plainly in the comparative income statistics for the various states, regions, and rate territories. The income figures for 1940 and 1929 are brought out in table 6, captioned "Territorial division of the national income, 1940, and levels of income, 1940 and 1929." The relationships between regions which are shown for these two years would be substantially the same in any recent year.

It is true that these figures do not include income which never passes through a market and therefore does not get counted—such things as the value of the farmer's shelter, for instance, and the food he grows for himself. With due allowance on this account, however—it is clear that the real income, that is the standard of living, is very much higher in Official territory than it is in the South and West. In dollars, as shown here, the income per gainfully occupied persons is 53 per cent lower in Southern than in Official; that is, $940 is 53 per cent lower than $1988 [fol. 1378] for Official territory as shown under average dollar income per person employed in 1940. It was 41 per cent lower in Southwestern than in Official, and 29 per cent lower in Western Trunk Line.

The differences in regional income can largely be explained by differences between the manner in which Official territory people and southern and western people earn their livings. As I have already brought out, Official territory specializes heavily in manufacturing, trade and services. The South and West are much more dependent on agricultural commodities and other raw and simple materials. Between these differences in specialization and the levels of income there is a tremendously significant relationship.

To bring that relationship out, I call attention to Chart II, captioned "Depressing effect of raw materials specialization on the income level. Chart No. 2 is shown on page 9 of my exhibit. Vertical distances on this chart are in proportion to per capita income. Thus the highest symbol —it actually runs off the limits of the page—is in the upper left-hand corner, representing the District of Columbia with a per capita income of $1063 in 1940.

Chairman Aitchison: I wonder if that is because we do not specialize in raw materials, but rather manufacture in the District of Columbia.

By Chairman Aitchison:

Q. What do we manufacture?

[fol. 1379] A. It is a lack of dependence on raw materials.

Q. It cannot be manufacturing, can it?

A. They manufacture a lot of Government reports and things up there.

Q. Then the value of those must be very high, is that not so?

A. Yes, sir. That, in my opinion, is due to the rather substantial amount of Government payments for the same, for manufacturing the reports.

Q. You might just as well have left that off. That is a peculiar thing, and unique, is it not?

A. Yes, it is. It is a rather extreme case.

Chairman Aitchison: Proceed.

The Witness: The lowest point in the chart represents Mississippi, with $220. Horizontal distances are in proportion to the percentage of the employed population engaged in activities connected with the production of raw materials—that is, in agriculture, forestry, fishing, and mining combined. With the lowest such proportion, the District of Columbia is the farthest point to the left, and with the highest proportion in raw materials, Mississippi is the farthest to the right.

The significance in chart II lies in the very clear downward slope of income as dependence on raw materials increases. Since other conditions affect the level of income, [fol. 1380] this is of course an oversimplification. But it demonstrates an inescapable principle. Income expectations decline with increased emphasis on raw materials.

Or to state the converse, income expectations improve as other activities supplant or supplement the production of raw materials.

While the relationship between income and kind of occupation is clear, there are of course some individual departures from the general rule. Nevada, Wyoming and Montana, for instance, all have high incomes in spite of their also being high in dependence on raw materials. These states are in some ways very different from the bulk of the United States. The exception is therefore not surprising. But in the mass the states do not depart from the general rule. It will be noticed that a horizontal line has been drawn a little more than half-way up the chart. It represents the national average per capita income, which was $579 in 1940. The vertical line about one-third of the way across from the left represents the national average proportion of the population dependent on the production of raw materials—20.8 per cent in 1940. Only one state, Nevada, is very much above average in income and also above average in raw materials, and only two, Maine and Florida, are very much below average in income even though they are also below average in raw materials. The overwhelming remainder of the states conform rather closely to the rule.

[fol. 1381] Another thing this chart brings out is that every state above average in income lies either in Official territory, where the class-rate levels are lowest, or in Mountain-Pacific territory, which is not involved in this proceeding. Without exception, the states of the South and West are below average in income. I do not mean to imply that the regionalization of class rates is solely responsible for the high dependence on raw materials in the south and west or for the relatively low income in these regions but only that these conditions are definitely related.

Such evidence as that contained in chart II suggests very strongly that the prospects for increased income in the South and West do not lie in the increased production of things these regions are already producing in mass quantities. The South can hardly hope to erect a higher and more stable prosperity, to contribute more heavily to the national income, by stepping up its production of cotton. We have so much now that we can scarcely find places to store the surplus. By the same token it will not help the West to increase its production of grain.

In drawing the conclusion that there is a considerable national need to shift resources and energies away from the raw materials occupations into other occupations, I am stating a principle that is accepted by most students of the national economy. Here, for instance, is a statement of the [fol. 1382] agricultural point of view taken from the testimony of George Farrell of the Bureau of Agricultural Economics before the Tolan Committee on National Defense Migration in February of this year.

Chairman Aitchison: Now, I wonder if you want to put in that next statement? Mr. Farrell is not here as a witness and cannot be cross-examined on this, unless this witness accepts this as his own statement.

Mr. Charles McCarthy: I think that is just a reference to an authority in the field. If the Chairman thinks it is improper, we will be glad to strike it.

Chairman Aitchison: If the testimony of Mr. George Farrell in any respect is proper, the parties are entitled to have the whole testimony in, and it is not produced here.

Mr. Charles McCarthy: It is a quotation from an official report.

Chairman Aitchison: No. It is a quotation from his testimony. This witness derives his authority from Mr. Farrell.

Mr. Charles McCarthy: That is true.

Chairman Aitchison: What Mr. Farrell's qualifications are, we do not know. If this gentleman wants to adopt it as his testimony, he can go ahead with it. It has to derive its authority from his competency and not from that of Mr. Farrell, because Mr. Farrell is not here.

[fol. 1383] Mr. McCollester: Mr. Chairman, I move to strike the previous sentence of the witness' testimony to the effect that he is stating a principle accepted by most students of the national economy. I think that is highly improper.

Chairman Aitchison: No. I think that is perfectly proper. He has qualified as a professional economist, and it certainly is competent for him to state what the general view of his profession is, subject, of course, to testing as to what the basis for his opinion is.

Mr. Charles McCarthy: This testimony of Mr. Farrell's, Mr. Chairman, is included in the official report of the Tolan Committee.

Chairman Aitchison: Why do you not produce that report?

By Mr. Charles McCarthy:

Q. Do you wish to adopt that as your own testimony, Mr. Spotswood?

A. I do not think I will adopt that.

Q. Very well. We will just omit that.

Mr. Porter: Mr. Chairman, I object to the next sentence, that what Mr. Farrell says would probably be subscribed to by most agricultural leaders.

Mr. Charles McCarthy: We will omit that also.

Mr. McCollester: In connection with my objection, Mr. Chairman, I would like to cross-examine the witness as to his competency to state what has been accepted by most students of the national economy. I will do it now or later, [fol. 1384] as your Honor rules.

Chairman Aitchison: I think it ought to be done later. He is qualified sufficiently.

Mr. McCollester: Until later?

Chairman Aitchison: Yes.

By Mr. Charles McCarthy:

Q. Proceed, Mr. Spotswood.

A. Among the raw materials occupations, agriculture is by far the largest, employing about nine times as many persons as all the others combined. Most of my remarks on the question of readjusting the national economy to a more useful and more productive basis will therefore be pointed to agriculture.

In agriculture, two kinds of reform are possible and both are needed. The first is a partial substitution of fruits and fresh vegetables, milk and other dairy products, poultry, and meat animals for traditional southern cotton, western grain, and other over-produced staples. There is room for an increase in perishable foodstuffs. Now that purchasing power flows freely, vast surpluses of cotton and grain still go into storage, but there are real scarcities and a strong tendency to rising prices in such things as wool, meat, poultry, butter, eggs, and fresh milk. The expanding demand for such things arises not only out of the demands of the military and naval forces and of Lend-Lease, but also out of the fact that the national diet has actually been [fol. 1385] materially short of the balance and variety that it should have.

The shift within agriculture, however, cannot do the whole job. Under modern farm production techniques the entire population of the country could be properly fed, and there would still be a surplus of human beings in the South and West that agriculture could not comfortably employ. In the southeastern states the surplus of farm population is particularly acute because the average farm unit is too small to produce a decent living. The magnitude of the needed shift of population out of agriculture is suggested in a Bureau of Agricultural Economics estimate that agricultural production equal to the high output of 1929 could have been achieved comfortably in 1940 by 19 per cent fewer persons than were actually farming in 1940.

It is evident, then, that it is sound public policy to clear the way so that large numbers of persons, especially in the South and West, where pressure of population on farm land is greatest, can move out of agriculture into other occupations. That means in the first place that there must be more industrial jobs to absorb some of the people. At this point I might state the rather obvious proposition that the people's desire for more manufactured goods—is much further from satisfaction than their desire for such things as cotton and cereal grains. The potential demand for manufactured goods is almost limitless, and much untapped [fol. 1386] demand will, I believe, be made effective by measures taken to maintain full employment after the war. Unless we do achieve full employment, or something closely approaching it, any other measures of public economic policy will of course be nullified, for the basic economic problem on which all others rest is the adjustment of power to consume with the power to produce.

With the expansion of manufactured goods after the war for peaceful uses will naturally come an expansion of other enterprises. The production of new goods creates demands for transportation service and other public utilities. It creates opportunities for merchants, bankers, lawyers, and so forth. It also creates an augmented demand for services of all sorts—the retailing of gasoline, for instance, and medical, dental, legal, educational and other services. These so-called distributive and service occupations, however, can expand only on an expanding base of physical production. As I have stated, profitable physical expansion is barred in large realms of agriculture and other raw materials. Hence we must seek ways to expand the other kind of physical production, that is, of manufactured goods. When we succeed in that undertaking, the distributive and service occupations may be counted on to expand with them.

To sum up, any expansion in manufacturing has a tendency to cast benefits in two directions. First, it improves [fol. 1387] the market for agricultural commodities and other raw materials, and at the same time draws surplus population from these occupations, so that the net effect is to leave the remaining people engaged in farming, forestry, and mining materially better off than they were before. Second, industrial development creates new purchasing power which encourages the rise of all kinds of trade and service enterprises.

On the need for augmented industrial development in the United States, there is probably little or do disagreement. A question that immediately arises, however, is whether the expanding national industrial establishment should come into being along present geographic lines or somewhat different ones. If present tendencies are continued, Official territory, which has about three-quarters of all existing industrial activity, will account for a similar or even greater proportion of the amount by which industry in the country expands. For reasons that I shall bring out, however, the present trend should not be further encouraged.

By Chairman Aitchison:

Q. What have you shown us in your exhibit which shows a trend?

A. (No answer.)

Q. As I have looked your exhibit through, it seems to me to present a momentary picture rather than a picture of trends. Have I overlooked something?

[fol. 1388] A. Well, we are presenting this rather as representative of conditions. We have not attempted to go back several years, but I believe most of the data presented now would bear the same relationships. As to whether the absolute figures would remain the same or not—they certainly will not.

Q. I am trying to find out where you show what the trend is.

A. In my table I, I have attempted to show occupational specializations and then by succeeding tables analyzing the traffic I show what the net exchange of those regions was, and that presents a picture of the situation as it existed in 1940. It is a rather heavy exchange of non-manufactured goods from the southwest for exchange of manufactured goods from Official territory.

Chairman Aitchison: Continue.

The Witness: On the contrary, the barriers that keep diversified industries from developing their full potentialities in the South and West should be removed. I believe, in short, that the country will come out better in the long run if we can find a way of making industry grow more abundantly in the South and West than if we continue the present tendency to concentrate three-fourths of national manufacturing in Official territory, with an accompanying migration of surplus farm population from the South and West into that territory.

Intensified and diversified industry for the South and [fol. 1389] West does not imply, of course, that factories should be spread evenly over the entire continental surface. In some areas, the lack of sufficient resources or of an adequate consuming market, or both, precludes any marked industrial development. Similarly, some industries should continue to concentrate in or near their present locations because of special natural advantages, such as nearness to uniquely attractive resources. In the total economy of materials, energy, labor power, potential market, and even climatic conditions, however, many industries could develop in parts of the West and South at least as well as in existing industrial regions.

It is almost needless to state that the South and West actually have sufficient resources on which to found a large industrial development. Contrary to popular belief, these regions have the human resources for manufacturing. Rural young men and women with no previous industrial experience have gone from the south in great numbers to places like Detroit and Akron, and in a few months have become efficient factory operatives. Within the South, young men and women with no previous factory experience and very limited educational opportunities have gone into the textile, book printing, chemical, and other industries in great numbers, to be entrusted after a few months with the supervision over delicately adjusted machinery and complex processes. The Tennessee Valley Authority's own [fol. 1390] experience with Southern construction labor has been similar. Supplemented with a very few skilled artisans from other parts of the country, residents of the Tennessee Valley and neighboring areas have done all the skilled and unskilled work in building the TVA dams—and have turned in some of the quickest and most economical jobs in history. The myth that southern labor is inferior still persists in a few quarters, but it is a myth and nothing more. And what is true of southern labor is, of course, equally true of western labor, brought up in a region where educational advantages are at least comparable with the best the country affords.

Nor does Official territory have any monopoly of the material and energy resources. Here are just a few figures for purposes of illustration; they are derived from testimony already put in the record of this case by the Commission's witness, Dr. W. H. S. Stevens. The South and West have nearly 95 per cent of the country's available iron ore. The South and West have 54 per cent of the zinc against Official territory's 24 per cent. The farms are great sources of industrial raw materials; and the South and West have 74 per cent of the agricultural land against Official's 22 per cent. Only 7 per cent of the national stand of saw timber is in Official territory, whereas nearly 24 per cent is in the South and West. The South and West have 30 per cent of [fol. 1391] the coal; Official territory has 25 per cent. Official territory has 3 per cent of the petroleum reserves; Southwestern territory alone has 68 per cent. And so on, through the other material and energy resources. Indeed, the very fact that the South and West provide vast quantities of raw materials for Official territory is the very best proof that these regions are richly endowed for industrial development.

I do not mean to suggest, of course, that the South and West should monopolize the manufacturing of their indigenous resources to the detriment of enterprises already established in Official territory. My point is rather that we have resources great enough to support a great deal more industry than the country now has, and that a much larger proportion of new industry should go into the South and West than has been true of industry established up to now. I shall try to show why such development is superior to the continued disproportionate concentration of manufacturing in Official territory.

In the first place, certain real economic wastes would be avoided. One of them is the waste caused by excessive congestion in the great urban industrial communities of Official territory. Obviously the crowding of people and enterprises into small portions of the country vastly increases the physical burden and hence the cost of providing food supplies and industrial raw materials. In crowded [fol. 1392] communities local transportation is costly and time-wasting. Congestion makes public services complex and expensive.

The continued large-scale migration of surplus raw materials workers would have bad effects in the South and West. It is true that the departure of some of the people from the cotton and wheat belts of the country would help the remainder by leaving a smaller number among whom to divide the total income from these crops. But unless the people who leave cotton and wheat remain in the same general neighborhood, their departure will bring on other difficulties. As population declines, land values generally decline, too. Merchants and professional men in dwindling communities must depend on a smaller patronage. Since the heavy overhead costs of a community, like those of a railroad or a modern factory, remain fairly constant through wide variations in the amount of use they receive, a widespread depopulation of southern and western rural areas would throw an impossibly heavy per capita burden for roads, schools, utilities, and other services on the remaining people. As the burden became impossible, the Federal government would have to assume increasing parts of it. If large numbers of southern and western people are removed to the industrial regions in Official territory, subsidies for the maintenance of overhead services in the rural South and West will inevitably grow very heavy. Hence it is to the advantage of the country as a whole to [fol. 1393] encourage readjustments that will help the South and West stand more firmly on their own feet. Augmented industrial development in these regions is the very core of such readjustments.

An economy which rests on the concentration of most of the nation's industry in one region does not reckon with all the costs. It is sometimes contended that even after allowing for all transportation costs, the location of three-quarters of the country's manufacturing in Official territory is more economical than a more widely dispersed production would be. I do not accept this contention, but even if it were true there would be no net gain to the country if at the same time the apparent economies were offset by other costs not reflected in price scheduls or in profit and loss statements. In very large measure these offsetting social costs are actually being incurred. In their more obvious form they mean the loss to the South and West of their investment in the rearing and education of young people who migrate to other regions.

Mr. Barron: I submit, Mr. Chairman, the last 15 pages of this testimony is purely argument. I move that it be stricken.

Chairman Aitchison: Overruled. I have listened too long to economists put on by the respondents in this case and who have appeared in other proceedings to think that [fol. 1394] it can possibly be immaterial. Continue.

The Witness: They mean the out-of-pocket costs to the migrants themselves of uprooting, moving and resettling. In a more insidious form they mean the unnecessarily rapid depletion of raw materials resources. A very low price for raw materials may be advantageous to some, but cheap raw materials means a return to the producer so low that he cannot properly conserve his portion of the national resources In cotton and wheat production, for instance, the margin between receipts and cost of production is so narrow in most years that the farmer cannot adequately replace plant food elements in his soil and take protective measures against erosion. Resource depletion is a national problem as well as a critical local problem in the South and West, and unless it is solved today we may face pinch of real scarcity tomorrow.

I have mentioned the need for a shift within agriculture from the production of certain staple commodities to fresh foods. Industrial development in the South and West would promote that shift by creating a new demand for fresh foodstuffs in these areas.

The same results could not be gained by moving southern and western people to factories in Official territory. In a wheat-growing neighborhood in Nebraska, for instance, 500 new factory jobs would perhaps mean 1,000 new jobs in the [fol. 1395] community, including the industry-created demand for additional trading and service enterprises. This increase in purchasing power would make it profitable for some of the wheat-growing farmers in the neighborhood to shift in fruits and vegetables, milk and other dairy products, and meats. But the migration of 500 or even 1,000 wheat-growing Nebraskans to a factory in Michigan could not have the same effect. Cost of transportation and intermediate handlings, lack of marketing arrangements, and in some measure the perishability of the product would bar Nebraska from selling much fresh products in the Michigan market. Nor would the people who moved to Michigan be equally well served by Michigan farmers. If, for instance, the growth of a Michigan factory community requires extending its milk supply or its truck gardening area 50 miles beyond the existing limits, the price of the city's entire milk supply or vegetable supply will tend to rise by the cost of transporting goods 50 miles, thereby bringing it beyond the means of some of the people. In these respects, indigenous industrial development in the South and West is far superior to an equal amount of new factory growth in the regions where factories already exist in profusion.

Arguments that the existing extreme specifications by the several regions are good economically also overlook the merits of diversity. So long as the South and West are so [fol. 1396] greatly dependent on raw materials, their people will be subject to heavy upsets and dislocation in the raw material industries and occupations. One-crop production, whether the crop be wheat, cotton, coal, or cotton textiles, is ruinous when a disaster is encountered like the Great Plains dust storms, or the coming of the boll weevil to parts of the South, or a sudden loss of foreign markets. In effect, cotton and wheat have had to go on relief because overseas markets have fallen away, and the wheat and cotton regions had no adequate substitute to take their place.

I should like to refer to the possible effect industrial development in the South and West would have on the raw materials interests of these regions, especially the agricultural interest. Augmented industrial development would benefit farmers, who are the most numerous among the raw materials producers, in several important ways. In districts where the population is greater than the land can support adequately in agriculture, industry would relieve pressure by providing new kinds of jobs. The added purchasing power from industrial wages would encourage agricultural diversification, and, good urban markets nearer the farms would mean better prices realized for farm commodities. Farmers would also benefit as consumers, because the prices of goods farmers buy now include the cost of long-distance transportation of materials to the fac- [fol. 1397] tories and of the return haul on manufactured goods.

I should like to make it clear that the real issue here is not one among regions. It is rather a question whether unnecessary economic bottlenecks shall continue to impair national productivity. It is inconceivable that the South and West could become more prosperous without resultant benefits in the area north of the Ohio and east of the Mississippi.

Mr. Porter: Mr. Chairman, I raise an objection to all the material under Proposition 2 of this witness' thesis. It seems to me it is predicated entirely upon the proposition that freight rates must in some way be made to prevent some economic consequences to the south or to industry in the south, and for that reason it is immaterial.

Chairman Aitchison: We will note your objection. Of course, the question as to the weight that should be given it, you will have to argue before the Commission.

The Witness: I have devoted considerable time to a discussion of the economic ills of the South and West in order to lay the foundation for a showing of the effect the existing class-rate structures have on the economy of these regions. I propose now to show that the high class-rate structure in the South and West acts as a material discouragement to the development of high-grade and diversified industry in these sections, and in this way it tends to perpetuate [fol. 1398] existing economic evils by preventing the South and West from making the most advantageous use of their resources.

The first and perhaps the most important way in which the regional disparities in class-rate levels discourages industrial expansion in the South and West is that rate inequalities encroach on the profit margins of manufacturers in rate-handicapped locations. With comparatively few exceptions, any product made in the South or West can also be obtained from sources of supply located in Official territory.

When one producer's goods incur higher freight charges than another's in reaching a common market, the one with the higher freight charges must absorb the difference. It is of course perfectly fitting and proper that absorptions should fall on producers whose goods will obviously require more transportation service to reach a given market than the goods of another. Absorptions become onerous only when they accrue without regard for the comparative amounts of transportation service.

Such absorptions actually fall on many actual and potential manufactured products of the South and West, and they are large enough to contract profits and narrow markets very materially. The burden often grows heavier with the stage of processing. Some southern and western raw materials move within the South and West and to [fol. 1399] Official territory on rates as low or nearly as low as Official territory rates for the same distance. If these same materials are manufactured before moving, they of course encounter higher rates in the absolute—which is proper. But the spread between raw material rates and manufactured goods rates is generally greater in the South and West and in interterritorial movement than it is in Official territory. When this happens, the opportunity to compete which exists at the raw materials stage is decreased by differentials which generally grow greater with the progressive stages of manufacturing. That is, the rate structure in the South and West and from these regions to Official territory becomes in effect a protective tariff system which permits the easy movement of basic materials, but handicaps the movement of high-grade and diversified manufactures—the kind of manufactured goods the South and West should be producing to counterbalance their excessive dependence on raw materials.

A few examples of this situation as it affects Southern territory are shown in chart III. The rate relationships indicated by the bars of the chart are based on a sample study as shown in appendix C and are considered to be fairly representative of the respective rate levels. Similar examples could be worked out for Southern territory and for Southwestern and Western Trunk Line territories as well.

As figure 1 in this chart shows, the rates on cottonseed [fol. 1400] oil, a basic agricultural commodity, are about 7 per cent higher from Southern to Official than they are within Official. But when the oil is manufactured into oleomargarine, the rates to Official territory become 35 per cent higher than the rates within Official. And when the oil is highly refined and packaged as cooking or salad oil, the handicap rises to an amount equivalent to 37 per cent of the Official territory rate.

The example in figure 2 starts with woodpulp. Pulpwood, the primary material, does not move interterritorially; but the pulp, which comes after a simple manufacturing stage, leaves Southern producing points in quantity. Southern pulp encounters a 9 per cent rate handicap in reaching Official territory, compared with pulp moving the same distances within Official. On pulpboard, paper bags, paper boxes, and wrapping paper, the handicap is a little heavier. On newsprint paper, an industry that Southern and Southwestern territories are trying to develop, the handicap amounts to a ruinous 59 per cent.

On asphalt movements, as shown by figure 3, Southern shippers are not handicapped in reaching Official territory markets. On asphalt roofing, a fabricated product, the Southern producer suffers a 10 per cent rate handicap. If he chooses instead to manufacture asphalt paint, a higher-value commodity, the handicap rises to 53 per cent.

[fol. 1401] The same kind of pattern appears in figures 4 and 5. Ceramic clay is handicapped relatively lightly; china or earthenware, plumber's goods and pottery are handicapped heavily. Pig iron, which is shipped in volume from Alabama and in smaller quantities from other southern furnaces, has been given rates comparable with Official territory producers, distance considered. One stage of processing, that of working the pig iron up into steel plates or sheets, immediately incurs a 29 per cent rate handicap for the southern producer in competition with the producer in Official territory. Carried to a very advanced stage of fabrication, the pig iron, with the addition of other materials, becomes a tractor—and the rate handicap becomes a staggering 40 per cent differential over the Official territory rate for the same distance. If the iron finally becomes a hand tool, the "duty" it must bear becomes still heavier.

Regardless of his location, every producer enjoys certain transportation advantages in a territory surrounding his tory, and in this territory manufacturers at more distant points must expect to absorb a certain amount of freight charges. If we had a nationally uniform scale of rates, the areas of advantage enjoyed by two competing producers would end at a line equally distant between the two. But we lack that national uniformity. Much of the manufactured goods produced in Official territory move [fol. 1402] on lower rates, mileage considered, than the manufactured goods produced in the South and West. In this way, a part of the area actually nearer southern and western producers in amount of transportation service required is actually converted in point of transportation charges to the areas of advantage enjoyed by Official territory producers. The far-reaching effects of offsetting distance advantages by arbitrary rate handicaps is brought out in the charts numbered IV, V, and VI, pages 11, 12 and 13 of my exhibit, one each for a representative commodity produced in Southern, Southwestern, and Western Trunk Line territories in competition with Official territory. The large shaded portion of each map is the area in which the southern and western manufacturer now suffers handicaps which would become advantages if he were accorded the same level of rates as his competitor in Official territory.

The showings in these charts are actually overconservative; the handicap is not confined to the shaded areas. At a point, say, 200 miles short of Oswego, Birmingham producers properly expect to have to absorb freight charges; but under existing conditions, Birmingham's absorption 200 miles short of Oswego is greater than Oswego's absorption 200 miles short of Birmingham. In other words, rate inequalities not only convert distance advantages to arbitrarily created disadvantages, but frequently they also [fol. 1403] make the penetration of Official territory products into the South and West easier than the penetration of southern and western goods into Official territory. Furthermore, the actual disadvantage is often very much larger than the amount of freight charges absorbed. Wherever the absorption exceeds the manufacturer's profit margin, he is shut out of the market entirely. Hence Southern and Western producers of goods subject to these rate inequalities must frequently suffer the additional handicap of reduced sales volume. Lower volume, especially in decreasing cost industries with their large fixed investment in plant, machinery, and overhead services, brings about higher unit costs of production, which lead in a vicious spiral to higher prices and still further contraction of volume.

Regional inequalities in rates either fortify existing distance to market advantages possessed by Official territory manufacturers, or they create advantages where none would otherwise exist. The seriousness of this situation is increased by reason of the Official territory's being a very wide margin the largest market for most kinds of goods. The importance of this market is brought out in chart VII, on page 14, captioned Concentration of National Markets in Official Territory. Official territory is more than one-half the total market for the necessities of existence by virtue of its having more than one-half of the population. [fol. 1404] By virtue of its having more than a proportionate share of the higher incomes, it is a still better market for luxury goods. By virtue of its having more than three-fourths of the manufacturing activity, it becomes a still more concentrated market for raw materials and industrial machinery and equipment of all kinds. With less than one-sixth of the national area, Official territory is an extremely concentrated market, thereby facilitating the mass distribution of goods.

The extent of the handicap the southern and western industries must bear can be illustrated by showing how deeply freight rate absorptions cut into profits when southern and western manufacturers compete with Official territory producers in equ-distant markets.

In terms of price, the amount of freight rate inequality on most common articles is small. This is brought out in a number of examples shown in table 7, on page 15, captioned Burden of absorbed freight charges on profits of southern and western manufacturers in competition with Official territory manufacturers at equidistant markets. It costs only 82½ cents more, for instance, to ship an average size electric water heater, Item 5, from Chattanooga to Peoria than it does to ship a heater from Pittsburgh to Peoria. 82½ cents is only 2 per cent of what the heater is worth in the manufacturer's inventory. But a two per cent reduction in the realized price may be a very large proportion [fol. 1405] tion of the margin between price and cost. In the water heater example, absorption of the superficially small difference in freight charges cuts off one-fifth of the normal profit. The supporting data for this table is shown in appendix E on page 31.

In the water heater example, the competitive market is in Official territory; its being so, however, is not a necessary condition. In a number of instances shown in the table the market is in Southern or Western Trunk Line territory.

The examples in this table were not hand-picked as to either commodity or destination. They reflect, rather, commodities on which average unit weights and values were readily available, and they reflect the more or less accidental working out of destinations equally distant from the two selected producing points. All Official territory producing points shown are actual ones. As far as possible, the same thing is true of points selected in the South and West. In the kinds of goods in which no southern and western production could be found, points where production would be logical have been chosen. The assumed profit margins, ratios of profits to sales, are not those of individual producers in the locations shown, but are representative of selected industries.

Such absorptions cannot be escaped under normal competitive conditions. It is true that absorptions sometimes [fol. 1406] fall not on profit margins but on factory wages, prices paid for raw materials, and the like. But, in whatever form, they are still reductions in the total income of the communities and regions which suffer under them.

Sweet Potato Growers, Inc., a producers' cooperative, located at Laurel, Mississippi, is a good example. It is engaged in the extraction of starch from sweet potatoes for household and industrial use. It happens to be an enterprise which deserves encouragement. The sweet potato thrives in the old cotton areas of the Gulf coastal plain. Cotton production needs to decline in this territory as rapidly as substitute crops, industry, and other sources of income can be developed. Furthermore, the United States has previously had to depend heavily on imports from the Western Pacific war zone for starches of comparable quality. A need for the product plainly exists. There is, however, a competitive situation. Domestic cornstarch is a substitute, and cornstarch will be used instead of sweet potato starch if the delivered cost of the latter gets too far out of line. So the relation of the rates on this southern product to the rates on northern cornstarch is genuinely significant.

The Laurel starch factory opened up in the midst of the depression. Very largely by virtue of a low price paid for raw material potatoes, it began to liquidate its early de- [fol. 1407] velopmental deficits after September 1, 1939. In the seven months ended February 28, 1941, the books showed a net profit of $1,015.31 against gross starch sales of $59,878.92. The details are shown in table 8, page 16. The experience of this seven months period is chosen because it was covered by a thorough audit made by the Farm Security Administration.

To determine whether the rate structure discriminated against the enterprise, the total freight charges actually incurred were compared with what the total would have been if each shipment had moved on the class rate basis applicable on starch within Official territory. Investigation indicated that competitive starches move on commodity rates lower than the class rates between some points within Official territory, so the procedure actually employed tended to under-represent the amount of rate inequality. Actual freight charges during the period on the total railway shipments from this plant amounted to $7,062.02, which is 22 per cent higher than the aggregate at the Official level of rates, amounting to $5,798.06, would have been. In absolute amounts the excess of the actual charges incurred over the equivalent Official basis amounted to $1,263.96. This is only 2 per cent of the total net sales from both starch and by-product pulp and may seem small. But if this saving had been available it could have been devoted to an increase of almost 8 per cent in the price paid for raw materials, or [fol. 1408] a 10 per cent rise in the wages paid, or a 124 per cent increase in net profits. Or the saving could have been used to lower delivered prices and increase production and sales, with the probable long run result of still greater profit because of higher volume operation.

This is only one example. In the light shed by it and table 7, however, and in the light of the rate inequalities which actually exist, I think it is abundantly clear that the prospects for survival and growth in southern and western industries are now materially impaired by the regionalization of freight rates, and that their prospects would be materially improved by a readjustment of rates conferring reasonable equality of marketing opportunity throughout the country.

The present regionalization of freight rates has been developed for and tends to perpetuate the present regional patterns of production. As I have also endeavored to point out, however, there are certain regional and national objectives which can be achieved only imperfectly so long as the present exaggerated regionalization of production survives. From the point of view of the nation, the ideal of full employment, full production, and a maximum national income would be better promoted if a large part of future industrial expansion went into the South and West instead of into the already congested North and East. [fol. 1409] Also from the national point of view, excessive specializations are one factor causing the unnecessarily rapid depletion of natural resources which could last us indefinitely under a more careful husbandry. From these considerations I conclude that the continued tendency in the present direction would be contrary to sound public policy. Since the rate structure imposes handicaps on the full development of the South and West, it tends to continue the present tendency to excessive specialization. Hence these handicaps should be removed.

The means of removal is of great importance. Heretofore the general avenue of relief has been piecemeal adjustment, that is, adjustment in individual instances without the establishing of principles having general application. This procedure is unsatisfactory.

In the first place, piecemeal adjustment does not look toward the future or reckon with traffic which does not already exist. Railway managements tend to take the position that discrimination against unborn or prospective enterprises is an academic question. But because the South and West are industrially deficient regions, much of their industry is yet unborn and much of their traffic is still potential. This situation can too easily result in an impasse in which the railroads promise to consider rate relief when they can see the traffic, and the sponsors of new enterprises [fol. 1410] refuse to invest their money until they are sure that the freight rates will be at a nonpreferential level.

The second fault of piecemeal adjustment is that it is extremely uncertain. Attempts to negotiate rate reductions are imperiled at several points. Although the originating carrier in many instances is willing to make the needed adjustments, the proposed change may be delayed or effectually blocked by protests of competing shippers or competing carriers. Furthermore, nearly all interterritorial traffic and probably a majority of all traffic must move on the lines of more than one company before it can be terminated. In this situation any carrier whose participation is required can refuse to concur in any rate lower than the maximum prescribed by the Commission, thereby forcing the seeker for relief either to resort to the Commission or to accept the published basis, which in the absence of a commodity rate, is the rate stated in the class rate schedules.

Because the details are so familiar, I need hardly take a great deal of time to point out that refusals to concur in lowered interterritorial rates are by no means uncommon.

Indeed, the Official carriers are on record with arguments to the effect that they are duty bound to withhold their concurrences in interterritorial rates which would subject Official territory manufacturers to full and equal competition from Southern and Western manufacturers. See, for [fol. 1411] instance, page 4 in the memorandum brief for carriers operating in Official territory in the proceeding styled Ex Parte No. 116—Interterritorial Rate Bases, in which the following language appears: ". . . The populous Official Territory provides the markets for a large part of the traffic produced elsewhere in the United States. That territory is hemmed in on the South, the Southwest, and the West by territories . . . all seeking to market their products within the territory served by Official lines. In many instances such commodities . . . come into direct competition with the commodities produced in that territory. Official lines, therefore, are in duty bound to protect the geographical or other natural advantages possessed by shippers or producers on their lines, and as a matter of justice and equity, they may not be required to join in such low bases of interterritorial rates as to nullify or neutralize these natural advantages."

The existence of this trade restraining or tariff barrier power has also been testified to on occasion by the Southern carriers. Speaking before this Commission against the acquisition of the Chicago, Indianapolis and Louisville Railroad by the Baltimore & Ohio, Witness E. R. Oliver, vice-president of the Southern Railway, made the following significant statement about Official carriers which interchange with Southern carriers: "The new policy of these [fol. 1412] connections is to build a rate wall at the Ohio and Potomac Rivers which will prevent or greatly curtail the movement of Southern products into Official territory." This statement appears in the record of evidence in Docket 12964, Consolidation of Railroads, at page 2124.

This refusal of Official carriers to concur in interterritorial rates which would set up equal competition is an effort to protect a select group, namely, manufacturers and distributors located along the lines of Official carriers, from the competition of "outsiders". In only one major instance that I know of has the traiff barrier broken down on anything that might be described as a large scale. I shall very briefly introduce that instance for the light it sheds on how the protection works.

As the Commission stated in the Southern Governors' case, 235 I. C. C. 329, the northern carriers as a group effectively control the rates within the North and also the northbound interterritorial rates except to points on and west of the Monon line. The freedom from control by northern carriers in the part of Official territory west of the Monon arises out of a policy on the part of two Official carriers which differs from the policy of the other. The Illinois Central System, which operates between Chicago and the Gulf of Mexico, apparently feels that it has a sufficient stake in northbound and southbound traffic to [fol. 1413] disregard the artificial boundary which its trains cross at the Ohio River. The Monon, which is under the control of two southern carriers, is apparently moved by the same motives as the Illinois Central in giving free access to Official territory for at least a part of their southern-originated traffic. The two carriers have breached the interterritorial tariff barrier for traffic which can be originated or terminated on or within the immediate influence of their lines. This influence extends to the entire area lying between the Illinois Central on the west and the Monon on the east. That is a fair generalization to make because the other Official carriers, which insist that the barrier be maintained elsewhere, have fallen into line on traffic between Southern and this portion of Official territory—the so-called "controlled territory".

In this way competition has opened up a nonpreferential system of rates for much of the traffic between Southern territory and portions of Indiana and Illinois. If the other Official carriers had not fallen into line in this area, the

Illinois Central and the Monon would take all the business. There is a good deal of significance in this instance because the Official carriers and on occasion some other carriers have declared repeatedly that "transportation conditions", which I can only construe as an economist to mean service costs, are so much less favorable in the South and West [fol. 1414] that the interterritorial rate differentials must be maintained.

By Chairman Aitchison:

Q. Before you go any further, please turn back to chart No. 4.

A. Yes.

Q. If the Southern rail lines are in a position to equalize on and west of the Monon, why do they have a shaded area through the states of Illinois, Iowa, Minnesota, North Dakota, South Dakota and Nebraska?

A. The equal rate line is generalized on this chart and that particular example happened to be from the southwest, sir.

Q. No. It is the Burlington.

A. Oh. I had the wrong one. The equal distance line—I see your point sir. In that particular instance I would have to refer to the papers to analyze this situation. I could not say offhand whether that is applicable here or not.

Mr. Charles McCarthy: In that connection, Mr. Chairman, chart 4 and charts 3, 5 and 6 also are, of course, rate charts. I introduced them by this witness since he wished to use them to discuss the economic effects of the rate situations as shown there. Now, the traffic trends appear in the appendix and these charts were prepared by Mr. Robert Sheppard——

Chairman Aitchison: I have no doubt the charts are [fol. 1415] correct. That is not the point. He is saying that that is the fault of the carriers in Official territory, with respect to anything which is east of the Monon. Now, I am asking him why it is that in the area which is west of the line of the Monon, chart 4, you still have a case where the rate situation is in favor of the Official carriers.

Mr. Charles McCarthy: The reason I made that statement, Mr. Chairman, is that Mr. Sheppard is here and we were going to offer him for cross examination on all rate questions involved here.

Chairman Aitchison: This witness has testified with respect to policy of the Official carriers in refusing equalization. I am asking him what his explanation is of chart 4.

Mr. Charles McCarthy: It seems to me offhand that the explanation must be that the Southern carriers in that instance did not agree to equalize. I was merely making that as a suggestion.

Com. Alldredge: Is not that the obvious answer?

The Witness: It is.

By Com. Alldredge:

Q. If the Southern lines are in a position to force adjustments into Official territory through the Monon and the Illinois Central in Western Trunk Line, and they did not do it in this instance, the obvious answer is that the South-[fol. 1416] ern carriers did not care to do it, is that not right?

A. I think that is correct, sir.

Chairman Aitchison: Proceed.

The Witness: I do not mean to suggest that the regionalized freight rate problem should be solved by remaking the corporate connections of the Nation's railroads so as to give Official carriers on the one hand and Southern and Western on the other greater unanimity of interest. I introduced the instance rather as one of the curious anomalies, which inevitably grow out of any system of piecemeal adjustment. The instance does have a moral. It gave this Commission an opportunity to express itself as follows in 185 I. C. C. 403 at page 409: "The importance of the Monon," the Commission said, "in the maintenance of a healthy competition between the North and the South, and the consequent desirability of keeping open existing routes and channels of trade and commerce between these two sections of the country, have convinced us that this property should remain with its present ownership . . ." That is a line of reasoning which may be heartily endorsed for a much more general application. Since competition is healthy in trade between the South and a limited portion of Official territory, it should be equally healthy between all parts of the South and West and all of Official territory.

Continuing on the theme of piecemeal adjustment, this [fol. 1417] procedure favors the great and strong over the small and weak, because the great wield a more effective bargaining power. For the most part, this Commission has held that the exact magnitude of rates is a matter for managerial discretion. Managerial discretion may make rates anywhere within the zone of reasonableness, which is sometimes fairly wide. A large shipper is in a position to interest the railroads in offering rates further down in the zone of reasonableness than is the small shipper.

Furthermore, the large shipper has a great - - freedom of action than the small one. Except in times like the present emergency, he always has the alternative of setting up his own fleet of trucks, or if he chooses to pursue his efforts for lower railway rates, he is better able financially than the small shipper to employ able counsel and to make the best showing possible on the facts he has to act from.

It is true, of course, that once a rate is established between two points, he who ships one carload a year on it is entitled to the rate in the same measure as he who ships one thousand. The only exceptions are the few instances in which the Commission has allowed lower rates on full trainloads. It is also true that once a rate is established, it can be used by all whose traffic flows over the route to which it applies. But small enterprises, especially in the South and West, [fol. 1418] rarely have large neighbors to obtain rates for them.

Because these very large drawbacks exist, I believe that the establishment of class rate levels which benefit no region involved in this proceeding above any other would do much more to encourage orderly industrial development in the South and West than piecemeal adjustment can accomplish even in the best of circumstances. In my considered opinion a system of rates that bestows equality of industrial production and marketing opportunity will materially serve the long run national objective of fuller production, fuller employment, better conservation of resources, and an improved standard of living.

Mr. Charles McCarthy: Mr. Chairman, as stated, the rate data on which charts 3, 4, 5, and 6, and table 7 are based, was prepared by Mr. Sheppard. He is available, and I would like to present him for any cross-examination on the accuracy of the rate data. With that explanation I would like to offer this exhibit in evidence.

Chairman Aitchison: Certain objections have been made to portions of it which, of course, are reserved except as to

Mr. Barron's, which is overruled. Without further objection, the exhibit is received.

(Exhibit No. 76, Witness Spotswood, received in evidence.)

Mr. McCollester: If the Chairman please, I would like to have you reserve ruling until after cross examination, if [fol. 1419] you do not mind.

Chairman Aitchison: I have only ruled on Mr. Barron's objection.

Mr. McCollester: I shall have an objection to materiality which will not come out until cross examination, I think. I know of no way to develop it without cross examining.

Chairman Aitchison: You may move to strike, then. The witness has been on the stand now for an hour and three-quarters. I think he ought to have a recess before we go on. We will take a short recess.

(A short recess was taken.)

Chairman Aitchison: Come to order, please, gentlemen. You may proceed with cross-examination.

The Witness: Mr. Chairman, before we proceed, I would like to make one slight correction. On page 28 of my testimony I made the statement that the industries in the south are actual industries, referring to charts 4, 5 and 6. The Match Company to which I referred in Birmingham has gone out of business since these charts were prepared, or at least it is not now in business.

Chairman Aitchison: Cross examine.

Mr. Porter: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Porter.

Cross-examination.

By Mr. Porter:

Q. Mr. Spotswood, you spoke several times in your [fol. 1420] testimony of the present tendency or present trend of industrial development with the statement that the trend should either be checked or reversed in the national interest. You are aware, are you, that the trend of industrial development in the South, at least, has been relatively favorable as compared with that in Official territory?

A. Yes. I understand the South has gained in the last few years, but it has been in the types of industries that are primary industries, such as paper, heavy chemicals, and things of that nature; not in the diversified industries.

Q. Do you consider paper manufacturing a primary industry, as you call it?

A. Wrapped paper and kraft paper is not an industry that is high valued, diversified. It uses a great deal of labor based on a rather few steps of manufacturing.

Q. A relative improvement in the south is, of course, nothing to be disparaged, is it?

A. No, sir.

Q. That trend is all right?

A. Yes, sir.

Q. Now, you also spoke of the South and West having 95 per cent of the iron ore and 30 per cent of the coal. Is it necessary to bring iron ore and coal together in order to produce iron and steel?

A. Yes, sir.

[fol. 1421] Q. Where is most of that 95 per cent of the iron ore produced?

A. In the Mesabi region.

Q. How does that move into the steel mills?

A. A great portion of it moves by lake.

Q. To get to the South, how would it have to move from the lower lake ports?

A. I did not quite understand your question. I do not understand what you mean.

Q. If you were bringing this iron ore into the South to produce iron and steel, you would have to move it from lower lake ports by rail into the South, would you not?

A. Yes, but I am not advocating moving iron ore to the south.

Mr. Porter: I see.

By Mr. Porter:

Q. You spoke also of there being a greater spread in the rates between raw materials and those on manufactured products in the South than was the case in Official territory or interterritorially.

A. Yes.

Q. Do you recall that?

A. Yes.

Q. Is that because the rates on the raw materials are lower in the south and the rates on the manufactured products are higher in the South than is the case with respect to either of those materials in Official territory? [fol. 1422] A. Generally speaking, I understand that the rates on raw materials suffer a comparatively less burden in moving within the South and from South to North than they do as compared to the rates, distance considered, in Official territory.

Q. Now, have you examined the problem of the southern manufacturer with respect to his entire freight burden, that is, both his raw materials in and his outbound products out, as compared with the Official territory manufacturer, who has a relatively greater burden on his raw materials in, whether they originate in Official territory or in the south, and his outbound finished product out?

A. I have not analyzed that in detail, sir, no.

Mr. Porter: Thank you. That is all.

Mr. Widell: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Widell.

By Mr. Widell:

Q. Mr. Spotswood, turn, please, to your charts 2 and 3 on pages 9 and 10.

A. Yes.

Q. Chart 2 is headed, "Depressing effect of raw materials specialization on the income level", and chart 3 refers to specific commodities apparently under the category of raw materials and manufactured products.

A. Yes.

Q. I do not find in your statement or in this exhibit a specific list of what might be termed raw materials or a [fol. 1423] specific distinction between materials that are either manufactured on the one hand or strictly raw materials on the other. Could you help me on that a little?

A. This is based on population engaged in raw materials production.

Q. That is chart 2?

A. Yes.

Q. Now, turn to chart 3.

A. Yes.

Q. You list certain commodities there and your following pages then deal with those particular commodities.

7

A. Yes.

Q. Does the list that you have in chart 3, Mr. Spotswood, complete your list of so-called raw materials that you have in mind?

A. No, sir. This chart 3 is merely representative; it shows merely some representative examples.

Q. Which of them——

A. It is not important to cover everything.

Q. Which of them are what you would call raw materials on chart 3?

A. That distinction is not necessarily made on chart 3. That shows that as the processing increases, the rates in the south increase disproportionately. We have taken a series of articles and traced them through without [fol. 1424] trying to make any particular distinction there.

Q. Speaking of this processing, with respect to plumbers' goods and chinaware, figure 4, is there an actual production in the South to your knowledge?

A. No, sir. I do not know.

Q. Could you furnish a list of raw materials, a further list of what you would term raw materials, conveniently? That would, I think, help clarify the confusion in much of the economic discussion of raw materials versus manufactured products. Could you do that, sir?

A. I think those distinctions are made in several ways in the statistical publications. The Commission itself has a list of manufactures and miscellaneous. The Census of Manufactures has a long list of manufactured goods and there are certain distinctions between semi-finished and raw. I could furnish a list. Most anybody could furnish a list of raw materials, although I do not see that it makes any difference here.

Q. I am speaking, Mr. Spotswood, more about your own conclusions that you draw from these figures, and so forth, and your own use of them. Many of us might attempt to follow you and yet leave out certain things and arrive at different conclusions. Would it be a very long list that you could furnish of raw materials produced in the South, contributing to this condition you speak of? [fol. 1425] A. I would say it would be a fairly long list, sir.

Q. Could you prepare a list showing a more representative selection of raw materials?

A. In connection with what particular portion of what particular chart are you referring to, Mr. Widell?

Q. Not only your charts. Your charts I think are deficient in connection with your conclusions drawn in your direct testimony.

A. As I understand you, we did not list a long list of what we mean by "raw materials"? Is that what you mean?

Q. You did not list enough of them. Could you give me, say, 12, a representative list of 10 or 12?

A. Just raw materials?

Q. Raw materials.

A. With no relation to their movements between territories or anything?

Q. The point is, Mr. Spotswood——

A. I would like to know what you are leading up to.

Q. Merely the raw materials and the general characteristics that contribute to this economic condition that you spoke of and referred to in your testimony.

A. I would like to have some time to give that study. I am not prepared to furnish it.

Mr. Charles McCarthy: I am not sure from Mr. Widell's question whether he has reference to chart 2 or chart 3. [fol. 1426] If it is chart 3, I would like to suggest that the appropriate procedure would be for him to prepare his own comparisons and put them into the record rather than asking the witness to prepare one for every conceivable raw material. I think that is a matter of rebuttal rather than a proper question for cross examination.

Mr. Widell: Mr. Chairman, may I merely add this: in the witness' direct testimony there were certain conclusions—in fact, all through his entire paper—not only limited to the specific figures here, but to his general investigation of these economic factors and the part that raw materials as a whole play in the retardment of the development of the South and other territories, especially the Southwest and West. Since the direct testimony in my mind went way beyond the facts shown in his exhibit, I wondered whether it would not be possible for him to furnish a further list of raw materials.

By Chairman Aitchison:

Q. May I ask the witness if his conclusions which h expressed were based solely upon the five examples show in chart 3.

A. No, sir.

Chairman Aitchison: I think Mr. Widell might interrogate with respect to other instances of raw materials as contrasted with manufactured products if the witness had that in mind, but I do not think we ought to hold this up [fol. 1427] for the purpose of the preparation of a list.

Mr. Norman: Mr. Chairman, may I suggest that table 2, page 3, discloses that the witness has separated the commodities showing products of agriculture, animals and products, products of mines, products of forest and manufactures and miscellaneous. He has them all there. If he wants to ask him which ones he considers raw materials, that would seem to be appropriate.

Mr. Widell: He has listed pig iron on his chart No. 3.

Chairman Aitchison: The ruling has been made, Mr. Widell.

Mr. Widell: I beg your pardon?

Chairman Aitchison: I said, the ruling has been made.

Mr. Widell: I am sorry, sir, but I did not understand the purport of your ruling.

Chairman Aitchison: I said, you may interrogate with respect to what other raw products he had in mind which he is contrasting with manufactured products as the basis for his opinion, but we should not hold up this investigation for the purpose of having him later prepare a list of those things.

Mr. Widell: Thank you, sir. May I ask you this, then, Mr. Spotswood:

By Mr. Widell:

Q. In connection with your chart 3, you did evidently include pig iron in your category of raw materials, is that [fol. 1428] not correct?

A. As explained before, Chart No. 3 makes no attempt to differentiate as between kinds of materials. We merely show that as the degree of manufacturing progresses, the rates increase disproportionately.

By Com. Alldredge:

Q. But you did include pig iron?

A. Pig iron is a starting point for that particular series, that is all.

By Mr. Widell:

Q. But you did not attempt to begin with what has been mentioned before, iron ore, coal, coke and those primary raw materials?

A. No, sir, we did not, in this chart.

Mr. Widell: Thank you, sir.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Spotswood, should the Commission understand that your Exhibit No. 76 has been prepared with the purpose of showing the economic effect of rates which are involved in this proceeding?

A. Not entirely, sir. I think the examples I have used in chart No. 3, for instance—probably some of those materials do not move on rates that are in this proceeding, but I am drawing general conclusions only from those rates.

Q. Will you turn to appendix C, which is the basic data for the information shown on chart 3.

A. Yes.

[fol. 1429] Q. Point out to me any rates in appendix C which are involved in this proceeding.

A. Mr. McCollester, as I stated at the outset, I am not a rate expert and this supporting data was prepared under my direction by a man who is here for cross examination on those rates.

Q. Did you direct him to make this selection of rates, rates on these commodities?

A. The exhibit and tables were all prepared under my direction and in connection with my staff. I do not recall exactly whether I directed him or not to pick out these particular rates, no, sir.

Q. Will you look, for example, at page 24.

A. Yes.

Q. Tell me if there are any rates shown there which are involved in this proceeding.

A. I am not a rate expert and I could not answer that question.

Mr. McCollester: Mr. Chairman, I move, at least for the present, that Exhibit No. 76, or that chart 3 and appendix C of Exhibit No. 76, be stricken as not shown to be relevant to any isue in this proceeding.

Mr. Norman: Mr. Chairman, if I may be permitted to say so, the evidence offered here by the respondents has certainly not been confined to rates that appear in the [fol. 1430] classification proper. No general view of this situation could be obtained by the Commision if it confined the presentation, or its consideration, to rates appearing in the classification proper. As has already appeared in this evidence, in September, 1940, a very large body of the rates in the South that had theretofore been in the classification proper were taken out and put into exceptions with the promise on the part of the carriers that they would be put back in the classification proper, a promise which has not been fulfilled.

Certainly the going rates on these articles that ordinarily move on class rates are competent for presentation and consideration in this case. If you are going to exclude them, you have left only those things, which you can consider, that the carriers have seen fit to leave in the classification proper; and as one of the carriers' witnesses said, the traffic does not move on class rates, but moves on exceptions to class rates, and that of course is based on class rates.

Chairman Aitchison: Well, we can scarcely take the time now to check this out and see whether these particular rates are class rates or not.

Mr. McCollester: It shows right on their face, Mr. Chairman, in the tariff references on page 24, that they are all exceptions. That is shown on the face of the [fol. 1431] exhibit.

Chairman Aitchison: We have had much testimony about exceptions.

Mr. McCollester: I know we have, Mr. Chairman. That is one of the difficulties.

Chairman Aitchison: Proceed.

By Mr. McCollester:

Q. Mr. Spotswood, are we to understand that the opinion testimony which you have given here as an economist represents your views resulting from an impartial academic study of the economy of the entire country?

A. I have studied the situation from my point of view, as I see it, and this represents my views as I see it.

Q. You have endeavored to be entirely impartial here, have you?

A. I have endeavored to present the case in the light in which I see it.

Q. Is that the best answer you can give to my question?

A. I think that is an adequate answer.

Q. So far as you are informed in your function for the Tennessee Valley Authority, is it within the scope of the Tennessee Valley Authority's functions to participate in matters throughout the country affecting the general welfare of the United States?

Mr. Charles McCarthy: I object to that question, if the Chairman please.

[fol. 1432] Mr. McCollester: I will address the question to counsel.

Mr. Charles McCarthy: I do not think it is a fair question to ask the witness.

Mr. McCollester: I will address it to counsel.

Chairman Aitchison: The question is addressed to counsel. Do you care to answer it?

Mr. Charles McCarthy: I think I have already answered it, Mr. Chairman, in my statement as to the interest and position of the Authority in these proceedings.

Mr. McCollester: I take it that is the best answer I am going to have out of counsel for the Tennessee Valley Authority.

By Mr. McCollester:

Q. It is a fact, of course, is it not, Mr. Spotswood, that an increase in the manufacturing development of the Tennessee Valley and of the portion of the south drawing power from the Tennessee Valley, would improve the financial showing of the Tennessee Valley Authority?

Mr. Charles McCarthy: Mr. Chairman, I object to that question. I do not think it is at all proper.

Chairman Aitchison: He is tendered on behalf of the Tennessee Valley Authority, is he not?

Mr. Charles McCarthy: He is, your Honor.

Chairman Aitchison: The matter affects the interest of the witness. I think he can answer it.

Mr. McCollester: Read the question to the witness, please, [fol. 1433] Mr. Reporter.

(Question read.)

A. I assume that has reference to the fact that an increase in industrialization would mean the sale of more power. I am not in the power end of the Authority's program, but I think it is pretty obvious that if you sell more power, you make more money if your rates are proper.

By Chairman Aitchison:

Q. Well, does it not stand to reason that if the opinion of the Tennessee Valley Authority was that the solution of this matter which you advocate should not be made, you would not be here?

A. I did not hear the last part of your question, Mr. Chairman. I am sorry.

Chairman Aitchison: Read the question.

(Question read.)

A. Yes, sir.

Chairman Aitchison: Proceed, Mr. McCollester.

By Mr. McCollester:

Q. You have never been called as a witness, have you, in any proceeding in which the Tennessee Valley Authority did not stand to gain by the acceptance of your views?

Mr. Charles McCarthy: I would like to have just one more word on this question, if I may, Mr. Chairman.

Chairman Aitchison: Mr. McCarthy.

Mr. Charles McCarthy: As I stated at the outset this [fol. 1434] morning, the Tennessee Valley Authority has no interest in these proceedings in any narrow sense of the word. The Authority has rather broad powers under its statute. One of them relates to the selling of power, but that is only one. It also is engaged in the promotion of navigation, flood control, and has wide powers relative to the general development of the region.

The particular survey which is the basis for Mr. Spotswood's testimony and which was commenced without reference to this proceeding, was made under the powers conferred upon the Authority by executive order of the President pursuant to Section 22 of the Act. It has no relation whatsoever to the power activities of the Authority or to any of its other activities. It is purely a research function which has been conferred upon the Authority. Our only interest in this proceeding is in making the results of that investigation available to the Commission. We have no financial interest in this proceeding and are asserting none. We are here, as I stated this morning, more or less in the position of a friend of the Court.

Mr. McCollester: I would like to have an answer to my question. Read the question to the witness, please, Mr. Reporter.

(Question read.)

Mr. Charles McCarthy: I would like my statement to be [fol. 1435] considered as an objection to that question.

Chairman Aitchison: The question is a very simple one, whether he has ever appeared in any case where the Tennessee Valley Authority did not have an interest which could be benefited by the solution urged, or something of that sort.

Mr. Charles McCarthy: I am sorry, I remembered the wrong question.

The Witness: Naturally if I appear for the Authority, the Authority expects that I present their views, and that they will benefit.

By Mr. McCollester:

Q. You have never appeared in any case where you have expressed views that would not benefit the Authority, have you?

A. I do not recall that I have, sir.

Q. Now, from the standpoint of the country as a whole and this function which your counsel indicates that the Tennessee Valley Authority has of surveying the economic welfare of the nation, have you taken into account whether the nation as a whole would be benefited by an industry locating in the Tennessee Valley or locating at a point where it would get power from the Boulder Dam project?

A. I think my testimony is clear in that respect, that the country as a whole would benefit by the location of an industry in an industry-deficient region.

Q. Where do you expect this industry to come from that [fol. 1436] you want to have located in the South by reason of the rate adjustment you seek?

A. We are not advocating the removal of industry from any part of the country. I think my testimony is clear on that point. We say that industry in the future that will come by virtue of greater production could well be more located in the South than it has been in the past.

Q. So that your testimony relates only to non-existent industry or industry which you hope will be developed, and if developed will locate in the Tennessee Valley rather than in some other section of the country, is that correct?

A. No, sir. That is not correct.

Q. Then what is the fact?

A. I advocate locating industry in the Tennessee Valley.

Q. Or in the South, where it will draw power from the Tennessee Valley Authority?

A. I do not advocate that they locate where they would draw power from the Tennessee Valley Authority.

Q. Where do you advocate that industry locate?

A. I advocate that industry locate in the industry-deficient regions of the South and West.

Q. Rather than in Official territory?

A. If there is going to be an increase in industrial production such as we anticipate after this war, yes.

Q. In other words, is it your opinion that industrially [fol. 1437] Official territory should remain static and whatever new industries there are should locate either in the South or West?

A. I do not advocate any region remaining static. I advocate that more industrialization of the South and West would be beneficial for the nation as a whole.

Q. And less new industrialization of Official territory?

A. We can build on the principle of an expanding economy, and Official territory can expand with the rest of the nation.

Q. What do you consider the proper proportion of new industry which should locate in the South?

A. I have not attempted to say what proportion. That is something I do not think one man or one group of men could pass on.

Q. Then how are you in a position to say that the South is not now getting its proper proportion of new industry?

A. I do not think I said they were not getting their proper proportion. I am merely advocating a greater industrialization in the future.

Q. Do you think the South is getting its proper proportion, then, of new industry?

A. Particularly, the kind of industry I am talking about is the manufacture of higher unit value goods.

Q. Such as what?

A. Well, we will say such as radios, typewriters, and [fol. 1438] commodities of that class that are not now produced in the South. I just picked those at random.

Q. What would you say would be the proportion of typewriter manufacture that should locate in the South?

A. I have no idea. I have not made any study of what the proportion should be. There is none manufactured there now. They could probably get the labor and materials to manufacture some. There is no textile machinery manufactured in the south, for instance, although there is a great market for it.

Q. What proportion of textile machinery do you think should be manufactured in the South?

A. Mr. McCollester, I have not attempted in any category to say what proportion.

Q. Yet you have said very freely that there is a deficiency in the South. How can you say that, if you cannot say what would be the proper proportion?

A. I think you could say there is a deficiency, when one exists, very easily. There is no more than a very small proportion of the textile machinery manufactured in the South. That is a fact that I am testifying to.

Q. I thought you were testifying that there was a deficiency as compared with the economically ideal setup; was that not the purpose of your testimony?

A. I do not believe I set up any economic ideal in my [fol. 1439] testimony.

Q. Then all of your testimony is not to be construed as expressing your views of what is economically sound for the country as a whole?

A. I think just the opposite. I think it expresses what I believe to be sound.

Q. You know that there is a Federal project that has been much discussed in the press, do you not, for power development of the Niagara River?

A. Yes.

Q. You have heard about that, have you not?

A. Yes, sir.

Q. If that should come into being, would that change your idea as to whether the general welfare of the country would be promoted by the movement of industry to the South, or the housing of new industry in the South, rather than in the territory served by the St. Lawrence Power Development?

A. I do not see that that has any relation at all to my testimony.

Q. Supposing there were a new typewriter plant that was looking for a place to locate which would be in the best interests of the country as a whole economically, and supposing the Niagara River power project developed by the Federal government, with Federal funds, like yours, were in operation: should that typewriter factory in the interests [fol. 1440] of the whole country locate in New York State or in the Tennessee Valley?

A. I do not think the location of power developments as you state them has any relationship to typewriter manufacture.

Q. Is it your testimony, then, that it would be in the interests of the country that the new typewriter plant locate in the Tennessee Valley?

A. Not necessarily in the Tennessee Valley.

Q. Or somewhere in the South?

A. The South or West, in an industry-deficient region.

Q. It has been your desire, has it not, to be entirely fair and impartial in your survey?

A. I tried to be fair, yes, sir.

Q. Have you in your discussion of your exhibits as an economist tried to be entirely fair and to give the Commission all of the analyses which an economist should properly put before the body as to the inferences to be drawn from the figures shown in your Exhibit No. 76?

A. Mr. McCollester, that is a rather broad question. All of the testimony that an economist should put in is a mighty broad question. I do not know that I could cover the entire field.

Q. On page 7 of your Exhibit 76, you show the territorial division of national income for 1940.

A. Yes.

[fol. 1441] Q. Does that include corporate income as well as individual income?

A. Yes, sir. I think it does. It is income paid out.

Q. Do you attribute, looking at the line after the State of Delaware, the per capita income of the state of Delaware to the fact that the industries located in that state, actually manufacturing in that state, provided that income for the inhabitants of that state?

A. I think so, yes, sir.

Q. Is it not a fact that Delaware is the corporate home of a great many of our largest corporations?

A. Yes, sir, but these figures have taken that into account. These figures as published by the Department of Commerce, attempt to distribute the income to the residents of the state that received them, and not the place that they were actually paid out.

Q. But I thought you said that corporate income was taken into account.

A. Income that is paid out and received is taken into account.

Q. There are many corporations incorporated in Delaware which report from Delaware, which have plants in the South, are there not?

A. Yes, sir.

Q. Now, you have not told the Commission your views as to the extent to which the per capita income figures shown [fol. 1442] for the several states, and particularly the Official states, are due to the service industries, so-called, rather than to the manufacturing industries. Have you any data or opinion as to that?

A. No, sir. I have not attempted to break that down into its components. The occupational specializations of Official territory are shown in the other table. It gives some idea of that breakdown.

Q. You did not have the slightest idea in the world, then, of having the Commission draw the inference from your page 7 of this exhibit, that the fact the per capita income of the state of Connecticut, for example, $855, Connecticut being the insurance capital of the country, was due entirely to manufacturing industries located there rather than to the income produced by service industries?

A. The table I believe is headed "Territorial division of national income". It shows that division. There is no attempt in this table to show what is the breakdown of that $855 that you referred to, but we have, generally speaking, attempted to show what are the predominant occupations in the several territories. That gives a rather rough idea of the specialization.

Q. It is a fact, is it not, that for example in my state, New York, there is a very large concentration of so-called service industries, banking, professions, and so forth?

[fol. 1443] A. Yes.

Q. They have contributed in very large part, have they not, to the income level of the state?

A. Yes. I think that is true.

Q. Therefore you cannot say from your page No. 7 and you would not want the Commission to infer that the fact the per capita income, average per capita income in New York of $855 exceeds the per capita income of the Southern states, is attributable entirely to the fact that more manufacturing industries have located in the state of New York?

A. I think that is true, that the state of New York has more manufacturing industry than the average southern state.

Q. But it has a larger population also, has it not?

A. It has a larger population, and I think the standard or level of living in New York is much higher than in the south.

Q. And the cost of living is much higher, is it not?

A. Not too much.

Q. Very much, is it not?

A. I do not think——

Q. Can you give me the ratio?

A. The Bureau of Labor Statistics have made some studies which show that the cost of living in groups of northern and southern cities vary only from 3 to 5 per cent, higher in the north.

Mr. McCollester: Well, coming back to my question:

[fol. 1444] By Mr. McCollester:

Q. You do not want the inference drawn by the Commission, I assume, that the difference in the per capita income figures shown on page 7 of your exhibit as between the northern and southern states, is due entirely to the differences in the concentration of manufacturing?

A. Only to the extent that ~~the~~ manufacturing is more concentrated in Official territory than it is in the South, and I think the record shows that 75 per cent is there concentrated..

Q. Did you make any examination in considering New York State, to see how the number of manufacture unemployed in New York States compares with the number of manufacture unemployed in the southern states?

A. No, sir, I did not.

Q. Also, in your desire to be entirely impartial, was it in carrying out that idea that on page 19 of your prepared statement you made the statement to which Mr. Porter ~~has~~ referred, that the South and West have nearly 95 per cent of the country's available ore?

A. That is from Dr. Stevens' exhibit, I believe.

Q. From the standpoint of the South, do you think that that is a fair presentation of the fact?

A. The South, of course, does not have any such proportion as that of the country, that I know of, no.

Q. Now, you have, throughout your testimony, talked about the large volume of raw materials in the south and [fol. 1445] the relative proportion of the raw material industries to the manufactured industries in the south as compared with the North; but the fact is, is it not, Mr. Spotswood, that the raw materials available for manufacturing are in absolute quantity, with some exceptions, very much less in the South than in the northern states? For example, although you have iron, you do not have it in any such quantity as the iron ore available for manufacturing in the North, do you?

A. You have reference there particularly to the South?

Q. Yes, sir.

A. No, we do not. We have quite a large deposit in Birmingham, the Birmingham area, but it is not as large as the Mesabi deposit.

Q. You do not have coal available in such quantities as we have it in the North, do you?

A. I am not prepared to state just what the reserves are, but they are quite large in the South. I think Dr. Stevens shows that in the South and West—he shows what the proportions are.

Chairman Aitchison: Where did Dr. Stevens place the coal of the Pocahontas region, in which area, the South or North?

Mr. McCollecter: I do not recall.

The Witness: I do not recall that, either.

By Mr. McCollecter:

Q. How about sand for glass-making?

[fol. 1446] Mr. Norman: Mr. Chairman, I think he put it in the South, but I would not know definitely.

The Witness: There are quite large deposits of sand suitable for glass-making in the South.

By Mr. McCollester:

Q. But nowhere near the quantity that there is in the north, is that not true?

A. They are undeveloped.

Q. Can you tell me how they compare with northern figures?

A. No, sir, I cannot, but I know there are large deposits that could support a large glass industry if we had one.

Q. Now, is it your general idea that it is in the interests of the country as a whole that instead of raw materials or the semi-manufactured products being transported to markets, manufacture should take place locally in the South and the finished goods transported from the South?

A. I think that would benefit the income of the South and——

Chairman Aitchison: The question is, is that your position?

Mr. McCollister: Yes.

By Mr. McCollester:

Q. Is that your position?

A. I misunderstood you. Would you mind repeating the question?

Mr. McCollester: Read the question to the witness, please, Mr. Reporter.

(Question read.)

[fol. 1447] ~~A. I think~~ that it would be beneficial—my position is it would be beneficial to the nation as a whole to have more manufacturing. A much better base of income could be established for the South and West.

By Mr. McCollester:

Q. Well, now, the outbound movement of the raw materials or the semi-manufactured materials from the South into the North of which you are complaining, could be stopped by raising the rates on the outbound raw materials, could it not, to make it more profitable for industry to manufacture in the South than to buy their raw materials in the South?

A. That would be a rather extreme measure. I suppose it could be done.

Q. Why would it not be a better measure than that which you advocate?

A. I do not think I would subscribe to that position because I am not advocating anything that would make drastic changes.

Q. But you do advocate a drastic change in the rate structure, do you not?

A. I do not advocate it to be done overnight.

Q. Well, how would you have the rate structure changed, then?

A. I am not qualified to say how the rate structure should be changed.

Chairman Aitchison: I thought you did advocate that [fol. 1448] the rate structure should be changed all at once.

The Witness: Well, Mr. *Witness*, I do not think—at least, I do not want my statement to mean that the thing should be done anyway, except as the Commission can work it out. I assume that the Commission will take into consideration the effect that a sudden change would have on the economy of the nation.

Mr. McCollester: Well, I am very glad to hear that.

By Com. Alldredge:

Q. Are you talking about the rate structure as a whole, or just part of it?

A. I thought the Chairman's remarks were intended to mean the part of the rate structure I was discussing in my testimony, which is largely the class rate structure.

Chairman Aitchison: Proceed, Mr. McCollester.

By Mr. McCollester:

Q. Now, the North does not have the kind of agricultural industry that you have in the South, does it?

A. No.

Q, You cannot grow cotton in the North, can you?

A. No, sir.

Q. You cannot grow fruits and vegetables in the North in the wintertime, can you?

A. No, sir, you cannot. You cannot grow fruits and vegetables in a large part of the South in the wintertime.

Q. But you can grow them at times when they cannot be [fol. 1449] grown in the North, can you not?

A. Well, not necessarily. It is not greatly different in parts of the South.

Q. Are you trying to be frank, or are you trying to be clever and dodge me?

A. I am answering your questions.

Q. The fruit and vegetable industry is an important industry for the South, is it not?

A. Yes, some parts of the South.

Q. Yes. So is the cotton industry, is it not?

A. Yes, sir.

Q. Would the South benefit if the purchasing power of the North were so diminished that they could not buy the agricultural products of the South?

A. I do not think the South would benefit under those circumstances, no, sir.

Q. You are not advocating anything that would have that result, are you?

A. No, sir.

Q. You are not advocating anything that would cause a shift of any industry now located in the North, to the South?

A. No, sir.

Q. And you think it would be disastrous for an industry which is now in the North to transfer its production to the South, do you not?

[fol. 1450] A. I did not say it would be disastrous.

Q. It would be unfortunate, would it not?

A. It depends on the circumstances.

Q. Do you sell as many of the products of the South in the city of Utica as you did before the textile industry left Utica and left thousands of unemployed there?

A. I have no personal knowledge of the conditions in Utica.

Q. You do not want to have unemployment created in the North because that would be bad for the South also, is that not correct?

A. That is correct.

Q. Now, in your prepared statement you made a remark which prompted an objection on my part at the time you made it, to the effect that you were stating a principle that is accepted by most students of the national economy.

A. Which page is that on?

Q. The top of page 15, the very top.

A. Yes.

Q. Will you just give me the names of the students of the national economy and their writings that you referred to when you made that statement?

A. Well, I think a good many economists——

Q. I just asked you what their names are, please.

A. I am coming to that.

Q. I do not want a general statement. I want you to [fol. 1451] answer my question correctly.

A. I am coming to some names, if you will give me a chance. Many economists are advocating more or less the same position I have advocated here. I could name [fol. 1452] Alvin Hanson, Gardner C. Means and M. L. Wilson of the Department of Agriculture.

Q. Where are the other gentlemen that you named located?

A. Hanson is with the Federal Reserve Board, I believe, if I am not mistaken.

Q. Where is he located?

A. Washington.

Q. Yes.

A. Gardner Means—I am not sure where he is now.

Q. Do you know what his connection is?

A. I think he is employed by the government, or was at one time. Stewart Chase and David Cushman Coyle, I believe, would subscribe to that.

Com. Alldredge: Where is he located?

The Witness: I think, Washington, the last time I heard of him.

By Mr. McCollester:

Q. Is he a government employee?

A. No, sir.

Q. What is his business connection, if any, or professional connection?

A. He has published a good many publications on economics. I presume he is a practicing economist.

Q. Are those the men you had in mind, or can you name some others?

A. I could, but——

[fol. 1453] Chairman Aitchison: You could name George Farrall, could you not?

The Witness: Yes, sir.

Chairman Aitchison: We will suspend at this time. We are somewhat behind in our schedule. Therefore we will reconvene at 1:30 p.m. instead of 2:00 o'clock p.m.

(At 12:30 o'clock p.m., an adjournment was taken until 1:30 o'clock p.m.)

Afternoon Session

The hearing was resumed pursuant to recess.

1:30 P.M.

Chairman Aitchison: You may proceed, Mr. McCollester.

A. D. Spotswood resumed.

Cross-examination (Continued.)

By Mr. McCollester:

Q. Mr. Spotswood, just that the record may be clear, or at least my understanding of it may be clear, you have testified as I recall that you recognize that the rates on raw materials, pig iron, for example, within the South, are generally on a lower level than the rates on the same raw materials within Official territory?

A. I did not specify lower. I think I said, more or less the same.

Q. But there are a great many rates that are substantially lower, are there not, within the South?

[fol. 1454] A. I am not——

Q. Distance considered?

A. I am not aware of that.

Q. You have not examined to see whether the pig iron rates within the South are lower than the pig iron rates within the North?

A. The level of rates, it is my understanding, on pig iron, are shown on my exhibit.

Q. You have shown rates from the South to the North, but you have not shown rates from the southern pig iron furnaces to users of pig iron in the South, have you?

A. No, sir.

Q. Do you know how those compare with the rates for the movement of pig iron to users of pig iron in the North?

A. I am not generally familiar with them, no, sir.

Q. You are not aware that they are substantially lower?

A. No, sir.

Q. If they are lower, would you advocate that they be brought up to the official level in order to create rate parity within the two territories?

A. My remarks in regard to that question dealt with class rates.

Q. Well, do you think that an equality of economic opportunity will be produced by dealing only with the class rates and not by bringing about an equality of the rates on the raw materials?

[fol. 1455] A. That has to do——

Q. Can't you answer that "Yes" or "No"?

A. I do not think it requires a "Yes" or "No" answer. I would like to clarify it if I may.

Q. All right.

A. Your question had to do with the whole rate structure, as I understand it, and not with the class rates. My remarks, or my testimony deals with the inhibiting effects of the class rate structure and the opportunity that is lacking in the South because of these class rate structures, to develop a diversified manufacturing.

Q. You have not given any attention in your general unbiased economic study to the freight rates on raw materials as they may affect the competitive ability of industries in different parts of the country, is that correct?

A. I have not given a comprehensive study of the rates on raw materials.

Q. Have you given any study to the rates on raw materials within the South?

A. In so far as the rates are shown on my exhibit, yes,

Q. That is the extent of your study?

A. Well, of course, we examined more rates than those particular ones, and I think I stated my position generally, that the rates are more or less on the same level in the South as in the North. That is my understanding of it—[fol. 1456] the rates on raw materials.

Q. If it should so appear that the rates on pig iron or limestone or brick or lumber or other heavy loading raw materials are materially lower in the South than in the North, would you advocate rasing the rates within the South to the Northern level?

A. No, sir.

Q. Do you consider that the rates within the North on manufactured articles like typewriters, to which you have limited your study, should be raised to the Southern level if they are lower, and that whatever adjustment develops, or remaking of the economic map of the country is to be made in freight rates, should be accomplished in that way?

A. I am not qualified to state how the adjustments should be made. My statement, I think, deals with the fact that there should be equality of opportunity.

Q. Did you consider in studying the economy of the country, what the effect on the railroads' revenues would be of bringing about equality by reducing the rates of the Southern railroads?

A. That is a very difficult question to get at, as I did not have any measure of the amount of freight that was affected by the class rates directly.

Q. Your answer is "No", then, is it, Mr. Spotswood?

A. Would you mind repeating the question?

[fol. 1457] Mr. McCollester: I will ask the reporter to read the question.

Chairman Aitchison: The question is whether or not you made any study of the effect of a reduction in the Southern rates on the railroads' revenues.

The Witness: No, sir.

By Mr. McCollester:

Q. The railroads are important factors in the economy of the South as well as of the North, are they not?

A. Yes, sir.

Q. Railroad employees constitute a considerable part of the buying public in both territories, do they not?

A. Yes, sir.

Q. You have not studied the economic effect of any rate change on the railroads in either territory; that is correct, is it not?

A. Because I did not have the material with which to study.

Q. The answer is "No"?

A. The answer is "No".

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Proceed, Mr. McCollester.

By Mr. McCollester:

Q. Is it not a fact, Mr. Spotswood, and have not your exhaustive economic studies indicated to you that the [fol. 1458] measure of the freight rates, or difference in freight rates, is a more important factor in determining ability to ship and therefore in location of plants in the case of low-grade materials than in the case of high-grade finished products that sell at relatively high prices?

A. Ability to ship the low-grade finished products—or rather, the low-grade materials?

Mr. McCollester: Read the question to the witness, please, Mr. Reporter.

(Question read.)

The Witness: My question, Counsel, is whether you had reference to the shipping of low-grade products, or low-grade materials? Is that what you had reference to?

Mr. McCollester: I think my question is perfectly clear, if the witness will listen to it.

Chairman Aitchison: It is not to me.

Mr. McCollester: I can only restate it.

Chairman Aitchison: I cannot figure out from your question whether you are dealing with low-grade manufactured products, or low-grade manufactured products versus high-grade manufactured products.

Mr. McCollester: Well, I will confine my question—let me reframe the question.

Chairman Aitchison: Very well.

By Mr. McCollester:

Q. Is it not a fact that differences in freight rates are [fol. 1459] of less importance in determining ability to sell in the case of high-grade manufactured goods selling at high prices, than in the case of goods where the mar[illegible] between production cost and sales price is very low?

A. Yes, sir.

Q. The commodities, the rates on which you are concerned with here, are the high-grade manufactured products?

A. Yes, sir.

Q. On page 15 of your exhibit 76 you purport to show what you call the burden of absorbed freight charges on profits of Southern and Western manufacturers. I note that you have there one commodity, white laundry soap. Do you know whether climatic conditions are a factor in the commercial manufacture of soap on a large scale? That is, I mean by factories as distinguished from small home soap making.

A. No, sir, I do not.

Q. Is my understanding correct that in the column on that page headed "Per cent impairment of net profit", you have undertaken to show the ratio which the freight rate spread bears to the profit?

A. Yes.

Q. As to each of those commodities?

A. Yes, sir.

Q. That profit which you have shown there is the profit after freight charges have been paid, is it not?

[fol. 1460] A. That is the ratio profit to sales.

Q. Yes. In every one of those instances, the profit figure you have derived from figures as to the statements of profit of the various companies which you have listed which are profits after the payment of freight charges?

A. These figures are taken from the books of the companies and I assume these freight charges are part of the operating expense.

Q. So instead of the profits being impaired, the profits that are shown are profits after freight charges have been paid?

A. I think there is still an impairment.

Q. What is that?

[illegible] I think there is still an impairment.

[illegible] Is it not a fact that Dun & Bradstreet, or whatever authority it is that you used here, shows the net profit of the companies after all of their expenses including any freight they pay?

A. Yes.

Q. You cite one example of a concern producing sweet potato starch. Do you desire to have the Commission conclude that the freight rates have been an impairment to the business of that concern?

A. I think the facts are as stated there. That company is doing business and is making a small profit.

[fol. 1461] Mr. McCollester: Read the question to the witness, please, Mr. Reporter.

(Question read.)

A. There is an impairment to the extent that their competitive position is a little worse than it would have been if they had not had a difference in freight charges.

By Mr. McCollester:

Q. If freight rates, or the measure of the freight rates is important to that concern, how do you account for the fact that by far the greatest volume of its shipments, 153,400 pounds, moved to Lawrence, Massachusetts, which was the next to the most distant point shown on the exhibit?

A. They were able to ship their starch up there because it was a good product.

Q. In spite of the freight rates?

A. Yes, sir.

Q. Yes.

A. I am merely citing this example to show how much better off they would have been if they had a lesser level of freight rates.

[fol. 1462] Q. Now, you have cited the manufacturer of cornstarch as a competitor of this sweet potato starch. Did I understand you correctly?

A. Yes.

Q. Is it not a fact that there is a large cornstarch plant at Kansas City, there is another one at Clinton, Iowa, and there is another at Keokuk, Iowa, or do you know?

A. I do not know.

Q. Your economic study did not go that far?

A. I assume you are correct. I would not deny it.

Q. Now, if it should so happen that the Commission should decide that the rates on typewriters and other high-grade manufactured articles from the South to the North should be reduced, would you consider from an economic standpoint that the same freight rate levels should be made applicable from the North to the South so that the northern manufacturer of those commodities could ship on an equal basis to southern buyers?

A. I think the freight rate should be the same in both directions, yes, sir.

Q. In that regard you speak for the Tennessee Valley authority?

A. Yes, sir. I speak for the Tennessee Valley authority.

Q. Has there been a different view expressed in the past by or on behalf of the Tennessee Valley authority [fol. 1463] advocating the destination rate level?

A. I do not know that it has been advocated, no, sir.

Q. You are familiar with the interterritorial freight rate study to which I refer, are you not?

A. Yes.

Q. Do you disagree with that?

A. That study was merely, as I recall it, in the nature of a suggestion of several ways in which the problem might be solved.

Q. Do you disagree with the destination rate theory?

A. I am not advocating any theory now.

Q. In other words, you neither agree nor disagree, is that right?

A. I do not think I have to take a position on that report.

Mr. McCollester: I did not ask you to take a position on that report.

By Mr. McCollester:

Q. I am asking you what your own views are as an economist. Do you advocate it or do you not?

A. Advocate the destination rate level?

Q. Yes.

A. No, sir.

Q. Do you know an economist by the name of Henry B. Klein?

A. Yes.

Q. Is he an associate of yours?

A. Yes.

[fol. 1464] Q. Did you collaborate with him or he with you in the preparation of your written statement?

A. Yes. He is a member of my staff.

Q. Are you familiar with a paper published by him under the imprint of the Vanderbilt University Press?

A. Yes.

Q. That publication in general follows the line of your prepared statement here, does it not, or your prepared statement follows the line of this essay?

A. The same thesis, I think.

Q. On page 32 of this paper I read the following——

Mr. McCarthy: Mr. Chairman, if counsel is attempting to test the qualifications of the witness by interrogating him as to other works on this subject, we have no objection; but if this cross-examination is designed to quote Mr. Klein as stating the official view of the Tennessee Valley authority, then I will have to object unless it is shown that this is an official publication of the Authority.

Mr. McCollester: I intend to ask the witness if his information is in accordance with what I am about to read.

Chairman Aitchison: You can ask him that question.

Mr. McCollester: What is that?

Chairman Aitchison: Put that in your question.

By Mr. McCollester:

Q. Is your information in accordance with the following which I quote from the paper of Mr. Henry B. Klein whom [fol. 1465] you have identified, who signs himself as

"Associate economist, Tennessee Valley Authority", being published by the Vanderbilt University Press, April, 1942: "If considerations of expediency should somehow make the specific relief"—that is, the readjustment of freight rates discussed—"unwise or infeasible within a reasonable period of time, then it may be confidently expected that the South and West will either seek relief by specific Act of Congress or raise the cry for nationalization of railroad ownership and rates, or both. Such last-ditch measures are not new in southern and western political history". Is that in accordance with your information?

Mr. McCarthy: That is not an expression of any——

Chairman Aitchison: Sustained.

Mr. McCollester: No further questions.

Chairman Aitchison: Are there any other questions of Mr. Spotswood?

Mr. Gwathmey: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Gwathmey.

By Mr. Gwathmey:

Q. Mr. Spotswood, if I correctly understand your testimony, you have stated very frankly that you are not a rate expert and that you are neither opposing nor advocating any specific scheme of rate adjustment for the purpose of bringing about this equalization of industrial opportunity, which you consider desirable. Is that correct?

[fol. 1466] A. That is correct. I am merely advocating that a system which gives equal opportunity be put into effect.

Q. You have further made it very clear that you have made no studies for the purpose of testing the effect of any particular scheme of rate readjustments upon the revenues of the southern railroads, have you not?

A. That is correct.

Q. You have further made it clear that your interest in the welfare of southern industries includes likewise the welfare of southern railroads. I would like to ask you this question: Would you, or your principal, the Tennessee Valley Authority, be disposed to advocate any rate readjustment if its effect would be to impair seriously the revenues of the southern railroads?

A. I think you ask me a question which is a rather broad one in that the words "impair seriously" would have to be determined by the Commission and until such determination of how serious these impairments would be, it would be difficult to answer. What I am trying to say is that when you make a change in rates, naturally it is going to affect the revenues of the railroads to some extent.

Q. Yes.

A. It is a question of degree, I think, and how serious the change would be, I am not in a position to say.

Q. You would not, however, be disposed to see a serious [fol. 1467] disruption and breaking down of the revenues of these railroads, would you?

A. No. I do not think that would be advocated at all.

Mr. Gwathmey: That is all.

Chairman Aitchison: Is there any further cross-examination?

Mr. J. R. Bell: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. J. R. Bell.

By Mr. J. R. Bell:

Q. Mr. Spotswood, you mentioned certain economists who you said agreed with some of your positions. Can you state the names of any who disagree with you?

A. I suppose there are some. Offhand I cannot recall them.

Q. On page 21 of your statement you say that it is sometimes contended that even after allowing for all transportation costs, the location of three-fourths of the country's manufacturing in official territory is more economical than a more widely dispersed production would be. Then you say, "I do not accept this contention". Who made the contention referred to? Is that a position of economists?

A. Yes, it is. The name escapes me for the moment. I can supply it a little later.

Mr. J. R. Bell: I do not care to pursue it if you do not recall.

By Mr. J. R. Bell:

Q. A similar statement appears on page 23, reading as [fol. 1468] follows: "Arguments that the existing extreme specializations by the several regions are good economically also overlook the merits of diversity." Those arguments are arguments made by economists disagreeing with your position?

A. Yes, sir.

Q. As I understood you in response to a question asked you on cross-examination, you say you are not advocating any shift of industry from the North to the South.

A. That is right.

Q. Is that correct?

A. That is correct.

Q. On the first page, at the outset of your statement, you refer to what you call "economic maladjustment which interferes with the orderly development of the resources of the South and West and through them of the whole nation."

A. Yes.

Q. Referring to this statement which I read a moment ago on page 21, how do you reconcile that with your statement on cross-examination that you are not advocating a shift of industry or any part of it from the North to the South?

A. I think that can be easily reconciled. The economic maladjustment I had reference to was only the over dependence of the South and West on raw materials production, keeping those regions in a relatively low income [fol. 1469] position which reflects in the national income. In other words, the South has already been called the No. 1 economic problem. I think it grows out of the fact that these regions need more income, more income from manufacturing. They cannot increase their prosperity, as I have said, by raising more cotton or more grain. They have need of something else. They need to develop their resources. The way to develop their resources is by having manufacturing come down there.

Q. In your opinion that will not reduce similar activities in official territory?

A. Not in an expanding economy.

Q. Now, you refer to the effect upon the nation.

A. Yes.

Q. In your judgment what should be the basis of the apportionment of manufacturing among the 48 states and the District of Columbia in the orderly development referred to by you?

A. I do not propose to solve that problem of how much industry should be located in each state. I do not think I am capable of that.

Q. Do you conceive that there is any difference from the standpoint of fundamental economic principle as between the states of Nevada and New Mexico and the states of Tennessee, Alabama and Georgia, for example?

A. Will you repeat the question, please?

[fol. 1470] Mr. J. R. Bell: The reporter will read it.

(Question read.)

A. I am sorry, sir, but I do not quite understand the question yet.

Mr. J. R. Bell: That is all.

Chairman Aitchison: Mr. Dougherty.

By Mr. Dougherty:

Q. In regard to page No. 24 of your exhibit No. 76——

A. Page 24 of the exhibit?

Q. Of the exhibit, yes.

A. All right.

Mr. Dougherty: We did not receive a copy of your statement.

By Mr. Dougherty:

Q. With respect to page 24 of exhibit No. 76, do you know whether there is a movement of these articles, either wood pulp, boards, wrapping paper, or newsprint between the points you show on your exhibit?

A. I could not be positive, no, sir. There are rates for the movement of those commodities.

Q. Do you know whether they are the same rates that are in effect from the producing points between which there is a movement?

A. Well, I am not a rate expert. I could not answer that question.

Q. Do you know whether the same basis applies, from, [fol. 1471] say, Atlanta, Georgia to Philadelphia, Pennsylvania, or Akron, Ohio as applies from points producing wrapping paper within the South?

A. No, sir.

Q. What do you mean by the term "pulp boards"? What is included in that item, please?

A. Whatever is described in the tariff.

Mr. McCarthy: Mr. Chairman, I think we made it very clear when the witness took the stand that he was not qualified on matters of this kind. As I stated then, Mr. Sheppard is available and we will be glad to present him for cross-examination on these questions.

Mr. Dougherty: He presented the exhibit. He certainly should have some information as to whether or not these commodities moved from these points.

Mr. McCarthy: On that particular question, yes, sir.

By Mr. Dougherty:

Q. Is there a newsprint mill at Memphis, Tennessee?

A. Not that I know of, no, sir.

Q. And no movement from there?

A. Probably not, if there is no production there. There should be one there, though.

Q. Is there a newsprint mill at Laurel, Mississippi?

A. Not that I know of.

Q. Any movement from there?

[fol. 1472] A. Probably not.

Q. Do you know whether there is pulp boards or wall board made at Greenville, Illinois?

A. I know that the Masonite Corporation has a plant at Laurel, Missisipi, but what the exact description of the commodity is, I do not know.

Q. Do you know whether or not there is a different basis of rates on wall board than there is on pulp board?

A. No, I do not.

Q. You do not?

A. No.

Mr. Dougherty: Thank you. That is all.

Chairman Aitchison: Are there any other questions on cross-examination?

Mr. Smelker: There is one question I would like to ask for clarification, Mr. Spotswood.

By Mr. Smelker:

Q. Refer to your page 5 of your exhibit, and to the first, fourth and seventh columns.

A. First, fourth and what?

Q. First, fourth and seventh.

A. Yes.

Q. Then refer to page 6 of your testimony where you speak of 10,627,000 tons and the corresponding figure in the first column is 10,627 tons. Which is correct?

A. Those expressed in thousands as the exhibit shows [fol. 1473] right up under the caption.

Mr. Smelker: I see.

By Mr. Smelker:

Q. Now, you state on page 38 of your statement that the establishment of class rate levels which would benefit no region is desirable. Just what do you visualize by that in so far as rate structure is concerned?

A. I visualize a substantially uniform class rate level that gives an equality of economic opportunity.

Q. What do you think is presently desirable as to general rate changes?

A. Well, my general position is, as I believe I have expressed it, that we are advocating a rate level that affords economic opportunity for all sections of the country to develop industry.

Q. Yes.

A. My testimony shows where, under the present situation, there are certain inhibiting factors.

Q. In other words, you want a gradual change rather than a quick change?

A. It is a question of degree, when you say "gradual" or "quick". The Commission, of course, is the person, or the body which will finally decide that. If the Commission in its wisdom thinks a quick change is desirable, that I think, would be very fine. If it desires to make it over a long period, I think that that would be desirable also.

[fol. 1474] Q. There has been testimony in this hearing to the effect that any downward adjustment of class rates might require some upward adjustment in commodity rates. As an economist have you any general comments to offer in that respect on this record?

A. Yes, sir. I think that a greater prosperity in the region will naturally mean a general creating of prosperity for all of the industries in the region which would result in more buying power and more flow of commodities, so that the railroads would also benefit from any prosperity created by greater industrialization, perhaps as the result of a rate adjustment, and in the long run it would not seriously impair the position of the railroads. I am not making that as a specific statement, but rather as a general long-run statement.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Spotswood? (No response.) Have you any further questions, Mr. McCarthy?

Mr. McCarthy: No.

Chairman Aitchison: You are excused.

(Witness excused.)

Mr. McCarthy: Does anyone desire to cross-examine Mr. Sheppard?

Chairman Aitchison: Mr., who?

[fol. 1475] Mr. McCarthy: Mr. Sheppard.

Chairman Aitchison: Has he testified?

Mr. McCarthy: No, he has not. I suggested, though, that if there was any cross-examination, he would be available.

Chairman Aitchison: Do you desire to interrogate Mr. Sheppard?

Mr. McCollester: Mr. Chairman, I do not desire to interrogate him, but I do move to strike chart 3 and appendix C of exhibit 76 as irrelevant and immaterial unless and until it is shown that the rates there set forth are involved in this proceeding.

Chairman Aitchison: We will take the time later to find out how material they are. Mr. Dougherty, do you want to examine Mr. Sheppard?

Mr. Dougherty: No. I will cover it by rebuttal.

Chairman Aitchison: I beg your pardon?

Mr. Dougherty: I do not desire to examine Mr. Sheppard. I will cover it by rebuttal.

Chairman Aitchison: Apparently Mr. Sheppard's attendance is not desired. Whom do we hear next?

Mr. Norman: Mr. Chairman, as I understand the order that has been tacitly agreed upon, next to be heard is the testimony to be offered on behalf of the Southern Governors Conference. I will call Governor Cooper as our first witness.

[fol. 1476] Chairman Aitchison: Be sworn, please, Governor Cooper.

PRENTICE COOPER was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Governor Cooper, please state your full name and your present position.

A. My name is Prentice Cooper. I am governor of Tennessee and have been since January 16, 1939. I am a member of the Southern Governors' Conference and am also Chairman of the Committee having charge of the presentation to be made in this proceeding on behalf of the Conference. The other members of that Committee are Governor Melville H. Broughton of North Carolina and Governor Spessard L. Holland of Florida. Governor Holland is present with us here today.

If I may be permitted to say so, I personally appreciate the privilege of taking part in this hearing because I believe the revision of the freight rate structure to be one of the most important domestic issues before the United States today, when one considers the far reaching and beneficial results to the nation as a whole incident to the removal of the artificial regional trade barriers caused by discriminatory freight rates.

Our Committee of the Southern Governors' Conference speaks here for all those states in Southern freight rate territory except Kentucky, namely for Alabama, Florida, [fol. 1477] Georgia, Mississippi, North Carolina, South Carolina and Tennessee and in the name of those states we are asking for uniform class rates, mile for mile, east of the Mississippi River, and of course we would like to see just relief from discriminatory freight rates granted to all other regions as well.

Briefly, the organization of the Southern Governors' Conference began at least as early as 1934, when the Governors of the Southern States, because of the complaints of shippers, began to discuss among themselves methods to remedy the evils resulting to those states from an adverse freight rate adjustment. Finally in April, 1937, the Governors met with a large number of Southern manufacturers, mostly small, and industrialists, Public Service Commissions, and Senators, and Members of Congress to consider what might be done; and at that time the Southern Governors' Conference was organized. While the prime purpose for the organization of the Conference was to obtain relief from adverse rate adjustments, yet there were, and are, of course, many other purposes which the Conference seeks to accomplish. But we are here concerned with its activities only with reference to the rate situation. It was agreed at the original meeting that we should proceed before this Commission, rather than by any attempt to remedy the situation through legislation.

The steps we have so far taken in this respect were to [fol. 1478] first institute a case involving certain commodities, which is generally referred to in the South as the Southern Governors' Commodity Rate Case but which is officially reported as State of Alabama et al. versus New York Central Railroad Company, et al.—235 I. C. C. 255. The decision in that case gave relief on a number of commodities, but it did not result in removal of the freight rate barriers generally; and it was decided to press for an investigation such as is now in progress.

Consequently, the Conference did join a movement to secure amendments to the Interstate Commerce Act which would make clear the authority of the Commission to proceed with such an investigation as this and to grant the relief sought in a broad way. The results were the amendments to Section 3 of the Interstate Commerce Act which are contained in the Transportation Act of 1940, and which specifically authorize the Commission to remove discriminations against regions and territories and which authorized such an investigation as this. In this connection, I wish to repeat that it has at all times been the purpose of the Conference to leave the determination of matters involving freight rates to the Interstate Commerce Commission, and the only political or legislative action which we have sought has been such as would give the Commission full authority to grant the relief, from regional trade barriers, which we [fol. 1479] think not only are necessary as a matter of regional justice but necessary for national unity and national economic stability as well.

The Southern Governors' Conference has considered it proper to handle the matter of discriminatory freight rates, rather than leave them to be handled by the individual shippers because in the first place, it was represented to us, as a practical matter, it was not feasible for the individual shippers, and particularly the small shipper to carry on a proceeding necessary to secure relief; and, in the second place, we realized that until general relief is granted it is difficult, if not impossible, to persuade an industry to start in the South when it is confronted by an adverse freight rate adjustment and with no definite knowledge as to how or when relief can be secured. Furthermore, the individual shipper cannot be expected to carry on proceedings for the benefit of the general public, or the promotion of the general economic or industrial welfare; and we felt this should be done by the constituted authorities of the states.

I now wish to review some of the economic conditions prevailing in my state and the other Southern states which should be corrected and which in my judgment a removal of freight rate barriers would tend to correct. In the first place, let me say, of course, that I realize that all of our economic ills are not due to, and will not be corrected by, [fol. 1480] freight rate adjustments. However, we believe that freight rate disadvantages contribute to these conditions, and that the removal of these disadvantages would contribute to their correction.

At the outset it is well to note that the economic ills of the South are not due to any lack of physical resources. That the South possesses a great wealth of natural resources is, of course, well known, and it will be sufficient for our purpose here to refer only briefly to the fact that the South, including the thirteen states generally recognized as such, has one-half of the land where there is a frostless growing season of six months in the year. The soil of the South is rich and of great diversity, growing a wide variety of products. The South contains more than a third of the nation's first-class farming acreage. The South has two-thirds of all the land in America receiving a forty-inch annual rainfall or better. The South possesses forty per cent of the nation's forests. The South has more than three hundred different minerals, contains more than a fifth of the nation's coal, and mines more than a tenth of the nation's iron ore annually. It produces two-thirds of the nation's crude oil; it furnishes one-half of the nation's marble; Texas and Louisiana produce ninety-nine per cent of the nation's sulphur and Florida and Tennessee produce ninety-seven per cent of the nation's phosphates.

[fol. 1481] As was stated by a special committee named by the President of the United States to study economic conditions in the South, which is a report of the National Emergency Council, dated July 25, 1938, which statement I adopt as my testimony:

"The paradox of the South is that while it is blessed by Nature with immense wealth, its people as a whole are the poorest in the country. Lacking industries of its own, the South has been forced to trade the richness of its soil, its minerals and forests, and the labor of its people for goods manufactured elsewhere."

The 1940 United States Census showed that the per capita wealth of the Southern states in Southern freight rate territory is $1,161, which is less than one-half of the national average which is $2,335. This census also shows that the per capita income for the states represented by the Southern Governors' Freight Rate Conference is only $317 per year compared with $573 per year for the nation as a whole.

The Southern state governments themselves are, financially unable to provide such benefits for their citizens as other state governments of the nation are able to provide. For instance, the states in Southern freight rate territory are only able to pay an average of $10.60 for old age assistance, whereas the national average is $21.75. This comes about from the inability of the Southern states to put up [fol. 1482] their half of the money to match Federal funds. The value of school property per enrolled pupil in the states we represent is only $124 as compared to an average for the United States as a whole of $300.

The Southern Governors' believe that the discriminatory freight rates now in effect operate to discourage and exclude industry in the South, and keep the South a raw material producing region and consequently a low-income region, and thus contribute to produce the economic ills of the South.

I again would like to emphasize that the plea of the Southern Governors' is much more than a plea before this Commission for regional justice and equality—it is a plea also for national unity and for national economic stability. It has been well said in House Document 271 of the 76th Congress, that:

"Those who welded the indissoluble union of states found that the policy of creating a national commerce and protecting it from artificial barriers was the touch-stone of the birth and growth of a nation. Allegiance to that fundamental policy today demands the adjustment of these regional freight rate structures to remove discrimination which obstructs and distorts the flow of commerce and inhibits a natural economic development of the national resources."

And again quoting from this document:

"It was also established that a peremptory obstruction [fol. 1483] to nation-wide participation in the fullest economic development is to be found in the differences between the comparatively low level of rates for transporting freight within the principal consuming area of the country, located generally north of the Ohio and Potomac Rivers and east of the Mississippi (known in transportation terms as Official, or Eastern, Territory) and the contrastingly high general level of rates in effect from Southern, Southwestern and Western Trunk-Line Territories to Official Territory. As a result of this discriminatory situation, industrial development in these outlying regions is impeded, leaving the people slight alternative to engage in basic economic pursuits other than raw-material production. * * *"

"* * * lower freight rates are available for the movement of manufactured products, processed goods, and some raw materials from Eastern Canada into Official Territory than are available to shippers in Southern, Southwestern, and Western Trunkline Territories in reaching the principal markets to be found in Official Territory."

I would like now to state some reasons why the Southern Governors have resisted all attempts to have this case delayed or abandoned. As Governor Broughton of North Carolina stated: "We in the South have already waited through two wars and three depressions to get the discriminatory freight rates eliminated and we don't want to wait through another war."

However, I want to say that the members of the Southern [fol. 1484] Governors' Conference are acutely aware of the necessity for an all out prosecution of this war, and, as public officials, would be the last to do anything that would interfere therewith. In fact, we are devoting all of our time and the resources of our states in both materials and manpower, to this end. We have felt, however, that through this proceeding justice could be done by relief from discriminatory freight rates, without detriment to the war effort, and that the relief which we seek will be equally imperative at the conclusion of the war.

The present heavy movement of traffic between freight territories only serves to emphasize the present need to relieve the regions discriminated against by taking down the rate barriers. Also the recent increases in rates served to increase the discrimination in rates from which my section was already suffering.

It should further be taken into account that many war industries have been built throughout the country for the most part with Government financing. While only a relatively small portion of such plants are located in the South as compared with the North, yet there are a sufficient number to make it all-important that they continue in peace-time operation. We have felt that unless a rate pattern is to be established that will be immediately available at the conclusion of the war and will give the plants now engaged [fol. 1485] in war production an opportunity to survive in peace time operation, there would be little hope that such plants would continue to operate. For these reasons we believe an early determination of the issues here involved to be in the national interest.

Q. Does that conclude your statement, Governor?

A. Yes, sir.

Mr. Norman: You may ask him.

Chairman Aitchison: You may cross-examine.

Mr. Bee: I have one question, perhaps more in the line of direct.

Chairman Aitchison: Mr. Bee.

By Mr. Bee:

Q. Governor Cooper, on sheet 1 you state, "We are asking for uniform freight rates, mile for mile"——

Mr. Norman: He changed that to "class rates".

Mr. Bee: —"east of the Mississippi River".

Mr. Norman: He changed that to "class rates".

By Mr. Bee:

Q. Do you mean by that, you are advocating a system to be set up for different rates east and west of the Mississippi River?

A. Of course not. I stated on page 1 that we would be delighted to see just relief from discriminatory freight rates granted to all other regions as well. That includes the southwestern states, the West and the whole country.

Mr. Bee: Thank you.

[fol. 1486] Chairman Aitchison: Mr. McCollester.

Mr. McCollester: Governor Cooper, I have just one question, or one point to ask you about.

Cross-examination.

By Mr. McCollester:

Q. You have throughout your statement referred to the freight rate situation as "discriminatory" and have stated that you seek relief from the discriminatory situation. Now, of course, whether the freight rate structure is discriminatory or not is a question of fact and law to be determined by the Commission here and when you have used that term "discriminatory" in describing it, you are simply expressing your own feeling in the matter, I take it?

A. We know that in many instances—I know personally that many of our rates are unequal. We have seen the, I will say, devastating effect of them in the South, and to that extent I will say that they are discriminatory. Of course, to what extent is left to the Commission.

Q. That we may all understand just where we all do stand on this matter, I assume that the Southern Governors having very properly taken the matter to the Commission, if it should so happen that the Commission should decide that the difference in freight rates is not discriminatory, will bow to that decision as we would have to bow to a different decision?

A. Of course I meant what I said in my statement that our course has been to appeal to this Commission for relief, [fol. 1487] and not to seek legislative relief.

Q. Did you hear the excerpt that I read from an essay by Mr. Henry B. Klein, assistant economist of the Tennessee Valley Authority, in which he stated that it was to be expected that if the Commission did not accord the readjustment of freight rates promptly that they sought, that some form of direct action such as the nationalization of railroads, or otherwise, would be sought?

A. That may reflect Mr. Klein's personal opinion.

Q. I take it that the Southern Governors repudiate that as being an incorrect statement of their position?

A. That is not our position.

Mr. McCollester: Thank you.

Mr. Norman: In that connection, Mr. Chairman, I want to say that I do not want by this examination to permit Mr. McCollester to close the door to me if this Commission should decide this case against me. There are other courses to pursue. I shall go to court and do other things. I do not want the record to indicate that there is nothing further that might be attempted.

Mr. McCollecter: What other courts do you have in mind, Mr. Norman?

Mr. Norman: What?

Mr. McCollester: What other courts do you have in mind?

Mr. Norman: You know what courts constitute the courts [fol. 1488] of the United States, don't you?

Mr. McCollester: Yes. I think that I agree with you. They are open to everybody—I hope.

Chairman Aitchison: I do not think you would have very good luck after the Commission spoke.

Mr. Norman: Which makes it even more necessary for the Commission to be right when it speaks.

Chairman Aitchison: Are there any other questions of Governor Cooper?

Mr. Widell: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. Widell.

Mr. Widell: Governor Cooper, you are my governor.

The Witness: Yes, sir.

Mr. Widell: I hold you in high esteem and due affection, so you will understand that the relatively simple questions I ask are more for clarification of the issues. While it is commonly known that as one of the representatives of the industrial interests in Tennessee, a position perhaps which I have occupied for some years, my views and those of my associates are not directly in accordance with yours, still those are matters of differences of honest opinion, and I make that statement so there will not be any misunderstanding.

The Witness: Yes, sir.

By Mr. Widell:

Q. We wonder, and would like to have you say to the [fol. 1489] Commission in view of the broad statement you have already made on behalf of yourself and the government of Tennessee, a great commonwealth of which I am a member—we would like to have you say to the Commission just what consideration you have given to the effect of substantial reductions in the general class rates on the industrial interests that you already have in Tennessee as well as the South.

A. Well, I understand that the sentiment in my state, and almost unanimously so, supports the position that we have taken for the establishment of uniform class rates, mile for mile, east of the Mississippi River. I have been told and it has been represented to me that we do have within Tennessee—perhaps there are some in some of the other states—those who are fearful that if we secure the relief we seek, thereby the rates may be raised on some commodities that certain interested parties in the South are shipping. All I can say is that considering the general good of the South and of the nation, in my opinion those shippers take a very selfish view of the situation.

Q. Do you know how many of those shippers there are or what proportion of the industrial interests they represent today in Tennessee?

A. I know that the South is a raw material producing area and we ship great quantities of raw materials, while at the same time, our people, although qualified to do so, are [fol. 1490] not able, on account of the freight rate discrimination, to manufacture their raw materials into processed goods in the South.

Q. Do you have in mind, Governor Cooper, any particular commodities?

A. Official territory has, I believe, about 76 per cent of the industries of the nation. As you know, we in the South have a very small portion of tangible assets including tractors and tools with which to manufacture goods.

Q. Well, probably in my mind, as well as, perhaps, in the minds of the Commission is this question: For instance, we know that corn, as an example, may be a factor in the southern agricultural economy that will hold to low income levels unless processed so to speak, and fed to livestock, and then we may reverse the trend and find that there is a higher level of income and greater prosperity. Those are factors that are relatively simple to deal with, are they not, Governor, because you can control the inclination, but when we come to industrialization, we speak of the high grade commodities——

Chairman Aitchison: Just a minute, please, Mr. Widell.

Mr. Widell: Yes.

Chairman Aitchison: Let the Governor answer one question before you put the next one.

Mr. Norman: He has not asked a question yet. He is just making a statement.

[fol. 1491] Mr. Widell: I was about to ask him a question now.

Chairman Aitchison: I thought you did ask him a question.

Mr. Widell: I was going to ask him this——

Chairman Aitchison: You asked him if those were not relatively simple factors to deal with.

Mr. Widell: You are correct, Mr. Chairman.

The Witness: No. I do not think they are simple factors to deal with.

Mr. Widell: I had perhaps in mind, Governor, the question of the agricultural economy.

By Mr. Widell:

Q. That is a relatively simple factor, is it not?

A. Well, it involves the paradox which I have already stated, that the South, while it is blessed by Nature with immense wealth, its people are, as a whole, the poorest in the country, and lacking industries of our own, the South has been forced to trade the richness of its soil and the labor of its people for goods manufactured elsewhere.

Q. Can you tell us, Governor, just how we would accomplish this industrialization that is so highly desirable from many viewpoints?

A. The Southern Governors' Conference thinks that one way is to establish uniform class rates, mile for mile, east of the Mississippi River and throughout all the regions.

[fol. 1492] Q. Do you know whether the northern level, as we call it, within Official territory extends as far as the state of Kentucky?

A. Well, I stated that we are not representing the state of Kentucky, although Kentucky is included in Southern Freight Rate territory.

Q. Yes, but you do know, do you not, Governor, that the state of Kentucky today has practically the northern class rates?

A. I understand that they are not as bad off as the rest of us are.

Q. Have they progressed industrially by reason of those class rates?

A. I am not able to speak for the State of Kentucky.

Q. I mean, have you given consideration to the industrial trend in Kentucky by reason of the application of the northern level of rates within that state?

Mr. Norman: Mr. Chairman, I object to that question on the ground it is based on a false premise.

Chairman Aitchison: Read the question, please, Mr. Reporter.

(Question read.)

Mr. Norman: The northern level of rates which he assumes in his question does not apply in that state except to the Ohio River cities and a very small portion in the eastern section.

[fol. 1493] Chairman Aitchison: Whatever it is. I take it, Governor Cooper, you are not going to be misled much about the rates.

The Witness: No. I have not given particular consideration to the trend in economy.

Mr. Widell: One more question.

By Mr. Widell:

Q. In the very beginning of this agitation, Governor, about what has been termed equality of rates or uniformity, there have been serious suggestions made that equality is just as long or broad as it is wide, and that equality should, therefore, run to practically our whole transportation economy. Now, are those your views, sir?

A. I think I have already stated my position, that we are asking for uniformity of class rates, mile for mile, east of the Mississippi River, and we would be glad to see justice done by all the regional territories in the country.

Q. Then to the extent that the application of the rates you have in mind would produce substantial reductions in class rate traffic and revenues, their loss would have to be made up some place, would they not, Governor?

A. I think it is generally in the interest of the country as a whole, not only our part of the country, to have the rate barriers between regions taken down.

Q. That was not, perhaps, quite responsive to the question, sir.

[fol. 1494] A. I answered the question to the best of my ability.

Chairman Aitchison: The question is very argumentative, Mr. Widell. How did you expect him to answer it?

Com. Alldredge: Would you not first have to establish the fact that there was a loss of revenue before you expect the Governor to tell you what to do about it?

Mr. Widell: The questions and the statements of fact in that respect have been so prevalent throughout the hearing that I assumed we were proceeding on a well established basis. I will withdraw the question if it is objectionable. Thank you, sir.

Chairman Aitchison: Are there any other questions of Governor Cooper?

Mr. Hollopeter: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Hollopeter.

Mr. Hollopeter: The previous interrogator, Governor Cooper, explained to you that he was from your state. Perhaps I should say that I am not. I am from Indiana, by the way, and we are glad to welcome you here, but that is not the reason I came up here.

By Mr. Hollopeter:

Q. You have mentioned, Governor, several times your position that you advocate and seek one level, mile for mile, for class rates east of the Mississippi River. You also mentioned commodity rates on which much traffic moves generally in all territories. I would like to ask you [fol. 1495] this question: Is your position any different with respect to those commodity rates as to one level in that territory than it is with respect to the class rates?

A. Well, of course, the Southern Governors' Conference was glad to have the decision that was made in the Commodity Rate Case. We asked in that case for lower rates on certain commodities. We got them and were very proud that we got them.

By Chairman Aitchison:

Q. You got all of them, did you not, Governor?

A. Sir?

Q. You got all of them, did you not?

A. No. We did not get as much as we would like to have had, but it was the best we could get and we were reasonably well satisfied.

By Mr. Hollopeter:

Q. Governor Cooper, in the approach to the question of the class rates, do you have any view or do you know of any reason why you feel you might take a different position with respect to one level of commodity rates in this area than you would with respect to one level of class rates?

A. I think you are assuming more than I have said.

Q. Do you know of any reason why there should be any different level of commodity rates if you have the same level [fol. 1496] of class rates?

A. Well, I do not understand your question, now.

Q. Well, perhaps I can make it clear by this statement—of course, the class rates are those that are particularly involved here.

A. Yes.

Q. Moving the higher grade traffic.

A. Yes.

Q. Now, on the raw materials and the lower grade traffic which generally moves on commodity rates, do you know of any reason why your position should be any different with respect to commodity rates than the class rates?

A. Well, our section is a raw material producing section and consequently a lower income region. We are concerned with trying to get rates that will encourage industry in the South to give us a balanced economy, and we think that unless we get that, we will remain what has been termed as the nation's economic problem No. 1, in the relation of colony to Mother Country, having our raw materials drained from us, swapping off the richness of our soil and our labor and making uneconomic disposition of our forests, all because we do not have and cannot get industry in the South.

Q. Then do I understand it might be your position that should you get one level of class rates throughout this territory east of the Mississippi River, you might feel that you [fol. 1497] would want to retain some commodity rates in your territory that may now be lower than commodity rates elsewhere in the territory?

A. I do not understand—you just stated that it is class rates we are dealing with here. I do not understand that in this case commodity rates are in issue.

Q. They are not, but you mentioned them, and I just wanted to get your view on that question.

A. I merely mentioned that in an endeavor to try to give a straightforward answer. However, I do not understand that commodity rates are in issue here.

Q. They are not, but I am asking you as to your position. If we are going to deal with class rates, that certainly affects a large portion, or a certain portion, of the carriers' revenue.

A. Well, we do not want to deprive the north of our raw materials, of course.

Mr. Hollopeter: Just one more question, if I may.

By Mr. Hollopeter:

Q. Is your position that the rates should be the same for the South as for the North?

A. With reference to the——

Q. I am talking about class rates, now. That is, the same in both directions.

A. Yes. That is our position.

Mr. Hollopeter: Thank you, sir.

[fol. 1498] By Mr. Norman:

Q. In making that answer you are assuming that there are to be uniform rates?

A. Yes.

Q. Throughout the territory?

A. Yes, of course.

Q. And therefore they would apply uniformly in both directions?

A. Throughout the country and in both directions.

Mr. Hollopeter: May I ask one more question, then.

By Mr. Hollopeter:

Q. Assuming that the class rates should not be the same in both directions in the judgment of this Commission as a result of this case, would you then say that you should have lower rates northbound than the northern shippers have southbound between the same points?

A. We are asking for uniformity of rates. That means that we stand for the proposition of equality as between regions.

Q. Do I understand that "uniformity" means that for the same distance between two points the northern shipper would be entitled to have just as low a rate as you might have?

A. Yes, mile for mile, uniform class rates.

Mr. Hollopeter: That is all, thank you.

Chairman Aitchison: Are there any other questions of Governor Cooper? (No response.) You are excused, sir.

(Witness excused.)

Chairman Aitchison: Call your next witness.

[fol. 1499] Mr. Norman: Mr. Bachman.

Chairman Aitchison: Raise your right hand and be sworn.

J. R. Bachman was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Mr. Bachman, will you state your full name and residence for the record, please?

A. My name is J. R. Bachman. My residence is Atlanta, Georgia.

Q. In what business are you engaged?

A. For the most part my business has been in the milling of grain, having been for forty years in active service engaged in the establishment and operation of a large flour mill in the city of Atlanta.

Q. Mr. Bachman, what connection have you had with transportation affairs?

A. For an equal length of time I have been identified with the activities of the Atlanta Freight Bureau acting for a considerable period of that time as its chairman, most all of the time as a Director and during that period as president of the Atlanta Commercial Exchange.

Q. Do you appear here to testify generally with respect to the issues here involved and not with particular reference to your own industry?

A. I do.

[fol. 1500] Q. Now, Mr. Bachman, you have prepared a statement which has been distributed to counsel?

A. Yes.

Q. I will ask that you proceed to present that statement, Mr. Bachman.

A. The Governor of Georgia has directed me to appear as his representative in this highly important proceeding. Circumstances have denied him the opportunity to appear in person. We feel that in your hands lie the economic destinies of the South and Southwest. We are persuaded that the following conclusions are inescapable:

It is not possible to find the solution of our economic problem through the expansion of agriculture, the maximum development of the livestock movement or the marketing of our raw materials, as such.

The South cannot reasonably hope to maintain even its present precarious economic status, much less obtain levels approximating the National average, unless existing freight rate penalties are removed.

While Southern carriers commonly grant rate concessions to meet competitive requirements, such departures from the prevailing level of authorized maximum rates are designated as competitive rates and as such have not the status of rates prescribed by the Commission. Moreover, Southern carriers are limited by consent of partici-[fol. 1501] pating carriers in other rate territories. A system of this character developed the exercise of influence possessed by powerful corporations, while doors of such opportunity are not opened to small enterprises which lack similar prestige. In any event such basic practice as rate concessions exposes the industries so involved, to the play of inimical influences and the caprice of carrier management. Capital is far too prudent to invest on any large scale with this Damoclesian threat about its head. Despite the alluring incentive of easily available raw materials in rich variety and generous volume, there can be no conversion within the South to consumer uses so long as rate differentials are maintained for the protection of industries located in competitive territories.

It is our belief that within the existing framework of interterritorial rate relationships, are pernicious preferences and prejudices, the continuance of which will operate progressively to the detriment of all the interests involved.

It is further our considered judgment that general parity rate levels within the entire Atlantic and Gulf areas and including also official territory and the entire South-East and South-West will remove existing abnormalities and be conducive to the healthy expansion of industry under terms of generic control as opposed to sectional domination through unnatural rate manipulation. No candid statement, such as this is meant to be, could fail to acknowledge [fol. 1502] that there are other causes contributory to our economic distress, but it is our contention that freed from artificial restraints industry will flourish in the South, greatly help to restore economic health and create improved internal markets which will inure to the benefit of the national economy and the profit of carriers throughout the nation.

It is also our contention that industrial advantages, in any section of our common country, which are supported through restraints upon potential competition from other sections, most be abandoned forth-with and irrevocably if we are to successfully meet the challenge of the stressful years which lie immediately ahead and the imperative need of the full exercise of our combined energies in the era of reconstruction which is to follow.

Whatever barriers may exist to the free movement of traffic from the North into the South we are willing to have removed, as we feel that there should be no such barriers to the free movement of traffic in either direction—or, for that matter, throughout the country. Whether by design or fortuitous circumstances the existing interterritorial rate relationships have effectively prevented industrial development in the South in many cases, despite the abundant and varied resources of mine and field and forest—despite a rich reservoir of man power capable of a high degree of mechanical and technical skill.

[fol. 1503] The bleak, barren years which closed the past century may be regarded as the aftermath of war. Her capital resources exhausted, credit non-existent, the South of necessity found her meager fortunes in the furrows of her fields. It was a period when her commerce moved within narow limits and freight rates were factors of negligible importance.

With the turn of the century there came an awareness of gross intra and intersectional freight rate inequalities and concurrently a realization that the South must provide employment upon a broader scale than agriculture alone afforded.

Out of these considerations and evolutions came the genesis of a struggle to obtain through governmental processes the abatement of existing ills—a struggle which was destined to be long and arduous and often tragic with its delays and disappointments. It may be said to have begun with the memorable A. P. Morgan Grain Company case which was followed by the W. S. Duncan Grain Company case in 1910—cases dealing primarily with intrasectional maladjustments, and the Atlanta Freight Bureau cases, 1911, Dockets 4461 and 4637.

Step by step we have made progress and now at last we stand before this honorable tribunal to ask for the complete overthrow of what we regard as an iniquitous, intolerable and wholly indefensible system of preferential freight rates.

In so far as I may speak for Georgia, let me say that [fol. 1504] we are not now seeking to assess the blame for the unwise and unmerited oppressions of the past nor indeed to give voice to the resentments they naturally incite. We prefer to be guided by the old adage that "he is wiser who lights a candle than he who curses the darkness." We cannot too strongly emphasize the importance of this issue to the nation as a whole.

In the presence of not only grave social and economic perils but even a threat to national integrity and security, national solidarity is the prime essential. Assuredly there is no place for a rate-making system which, whether purposely punitive or the result of conditions which no longer exist, operates to protect a strongly entrenched industrial area from legitimate competition. It cannot be successfully maintained that such a system does not exist. The evidences abound. If I may, I would like to be indulged to quote briefly from a terse comment on this situation by the Assistant United States Attorney General, the Honorable Thurman Arnold, which I adopt as my own. These are his words:

"The industrial East has been the Mother Country. The South and West have been the colonies. The colonies have furnished the Mother Country with raw materials. The Mother Country has been exploiting the colonies by selling them the manufactured necessities at artificially controlled prices. The industrial East has been the prin-[fol. 1505] cipal source of both capital and organization to develop the South and West. Under such conditions it has been natural enough that the South and West have been developed in the way which would contribute the most to the domination of the industrial East. Wherever it has interfered with Eastern industrial domination, the competitive energy of the South and West has been stifled." Quoting further from this address which was delivered on August 22nd, 1941— . . . . "Big business has treated the West and South primarily as a source of raw materials, not as a place to manufacture and sell finished products at competitive prices.

"This is the age-old principle of colonial empires. It is dictated by the necessity of keeping up dividends in the Mother Country against cheaper local competition in the colonies."

These are not the words of a careless or superficial observer nor of a man dominated by sectional bias.

It is contended in some quarters that if the restraints under which the South has writhed are removed many factories would avail themselves of the more favorable operating factors thus afforded and that accordingly the North and East would be afflicted with violent economic disturbance. This, of course, cannot be recognized as a valid reason for the continuance of a rate arrangement which unnaturally represses the energies of other areas, [fol. 1506] denies to them their normal development and vists upon their people and the carriers which serve them, undue difficulties and hardships. Moreover reason and experience justify the belief that to serve a useful purpose all the links in the chain need to be strong.

There would undoubtedly be some migration of industry to the South and the West under the conditions of a free economy. But there would also be notable expansion of productive activity in lines new and old. There would follow new and enriched consumer markets for the products of Northern and Eastern factories and an increase of intersectional traffic upon the tide of which would ride the adequate sustenance of transportation agencies. These results have already been experienced in the progress thus far made toward the goal we now seek.

Finally, the human equation bulks large in this issue: It has long been known that Southern laborers obtain a high degree of proficiency in technical enterprises. In numerous instances where large national manufacturers have established branch plants in the South, it has been found that native Southern labor ranks high in efficiency and dependability.

Under the thrust of an agricultural upheaval in the South many of our people have been driven from the farms to our towns and cities. With the aid of state and federal governments opportunities have been provided for technical training. As a result we know that men and women [fol. 1507] fresh from the farms and the mountains, without previous technical training of any sort, evince unusual aptitude and resourcefulness and soon become adept in the operation of intricate machinery.

Transcending all considerations related to capital investments, is the right of these people to gainful employment. Such opportunity will develop through the operation of natural forces resident in this area if the restraint of unnatural and unnecessary rate barriers is removed.

Mr. Norman: That is all.

Chairman Aitchison: You may cross-examine. Mr. McCollester.

Cross-examination.

By Mr. McCollester:

Q. Mr. Bachman, is it your view or that of the Governor of Georgia for whom you speak, that if the interterritorial freight rates—class freight rates—on manufactured articles are placed on a mile for mile parity with the rates within the North, that there will be a shift of industry to the South including the state of Georgia?

A. I rather anticipate that there would be some migration, gradually. I do not look for any upheaval, at all.

Q. When you express the desire for industrialization of the South, what you have reference to is that hoped for migration of industry to the southern states, is that correct?

A. I rather say that what I hope for is to remove from our own territory the blight of what we consider a rate [fol. 1508] hazard in business, a differential that limits the exercise of our reasonable energy.

Mr. McCollester: Now, you are using words, sir, which I suppose have some meaning; but their meaning has escaped me.

By Mr. McCollester:

Q. You do want to have increased industrial development in the South, do you not?

A. Naturally so.

Q. You hope that this equalization of freight rates will achieve that result?

A. Yes, sir.

Q. You conceive that the result will be achieved by a migration of industry from the North to the South?

A. No, sir. I think I *could* not say that. I do not believe we have reached the point of saturation in our industrial activities in the fields that are open to us.

Q. Then you do not anticipate or do not seek to have a migration of industry from the North?

A. No, sir, I do not. I think if that results as a consequence of equal rates, then it must be accepted as a natural consequence and that any attempt to prevent it would be out of order.

Q: That is not the purpose of seeking an equalization, as you may call it, of freight rates?

A. Not for the purpose of drawing from the North to [fol. 1509] the South any industries there located. We have no desire to impoverish our northern neighbors in any respect.

Q. Where will you get the industries you want to have set up in the South?

A. I would anticipate we would have competitive enterprises located in the South and that capital not now employed would find employment in the development of our own resources and in numerous lines of new endeavor.

Q. Then is it your idea that so far as existing industries are concerned, you desire that they remain in the North any your purpose in bringing this proceeding is to create a condition which will induce new industries to locate in the South rather than the North?

A. No, sir. Our gates are wide open to industries in the North——

Q. Can you answer my question, please, sir?

A. I am trying to do that. Our gates are wide open, as I say, to any northern industry that would find it economically advantageous to operate in the South.

Mr. McCollester: Mr. Reporter, please read the question to the witness.

(Question read.)

A. To answer it again, I wish to say that we hope to create new industries and also receive within our borders any industries located anywhere else who find it advan- [fol. 1510] tageous to operate in the South.

By Mr. McCollester:

Q. Is that the best answer you can give to my rather definite question?

A. Yes.

Chairman Aitchison: You have two questions there.

Mr. McCollester: Yes, but they were both definite, I think.

The Witness: I attempted to make a definite reply. One, I hope it would result in the development——

Chairman Aitchison: I think your answer is sufficient, Mr. Bachman.

The Witness: All right, sir.

By Mr. McCollester:

Q. When those new industries locate in the South, if they do, where do you contemplate that they will market their products?

A. I should hope, of course, that through such energies as we possess, they would go wherever the rate arrangements would allow us to go.

Q. Is not your concern in seeking rate parity here to be able to market those products within the North?

A. We should certainly hope to do so, yes.

Q. That is the market you are looking for, is it not?

A. The densely populated sections would naturally be an attractive market.

Q. The rate structure does not prevent your marketing [fol. 1511] in your own territory at the present time, does it?

A. The rate structure at the present time, I should not say, prevents that. It would prevent operations on any larger than an intraterritorial scale.

Q. Therefore it is the market outside of your territory and notably in Official territory that you are aiming at in this proceeding, is that not true?

A. I do not say that that is exclusively our purpose. We want to enrich our own section and to do it we need a broad expansion of territory in which we can operate. My object, primarily, I think you can discover, or will have discovered, is to provide employment for our people. We are in great distress throughout our whole area. I do not look for any cure for it otherwise than through industrial *development*. *All* we are asking for is equality of opportunity here, not for any advantage.

Q. I have been endeavoring to pierce the mystery of the economic situation here with what little knowledge I have on the subject, but the problem which puzzles me and on which I would like an expression of your views in this proceeding is this: You state that the rate situation which you describe in very graphic terms is bad for the economy of the country as a whole and that the rate equality in the case of interterritorial rates will produce an enriched economy. Do I fairly state your view in that respect?

[fol. 1512] A. Yes.

Q. Now, how will the North be enriched if it buys goods from the South instead from Northern manufacturers?

A. I think in turn it will have a broader and richer market in which to sell its products in the South. There may be some adjustments take place as a result of the operation of natural economic loss. That would be inevitable as respects particular lines of industry.

Q. Can you explain——

A. Broadly speaking I believe that if you improve economic conditions in the South you improve the conditions for your own markets as well as ours.

Q. Can you explain to me how the general wealth of the country will be increased if manufactured goods are produced in the South and sold in the North when the buying power of the North is diminished by the removal of the manufacturing process from the North to the South?

A. I do not know that it can be demonstrated, yet I am confident that there is a sound principle there, that with the improvement of the economic health of any stricken area of the country, you have improved the health of the whole.

Q. Would that be true if another area was thereby injured?

A. I believe it has been demonstrated in the migration of the textile industry to the South. There may have been a shock in certain portions of the North. There was. I be-[fol. 1513] lieve that broadly speaking conditions that prevail today are infinitely better than they were prior to the removal of the textile industries to the South. I believe any losses sustained through the removal of those industries have been more than compensated by the improvement in the buying power of our own area.

Q. Do you think that the buying power of the cities of Utica, Fall River, Providence, Manchester and so forth have been improved by the migration of the textile industry?

A. I was careful to say that in certain areas of the territory there were doubtless instances where there were upsets and upheavals that have not been recovered. However, taking the area as a whole, I think we will have to agree that there is an improved condition generally now as contrasted with the conditions that prevailed in our respective territories prior to that time.

Q. The condition of the South has improved, has it not?

A. Yes, it has.

Mr. McCollester: One more question.

By Mr. McCollester:

Q. It has been stated here and I assume you know that the rates on various raw materials in the South are materially lower, mile for mile, than the rates on the same raw materials within the North. Does your aspiration for over-all rate parity go to the point that you would advocate creating the same economic condition for manufacture [fol. 1514] In the South by raising the rate level in the South to that which obtains in the North?

A. I do not know whether I can answer you, Mr. McCollester. Perhaps I am not apprehending entirely your question, as to what it leads to.

Q. The fact is this, Mr. Bachman, and I think it can be demonstrated: Take pig iron for example. The rates on pig iron within the South are, mile for mile, materially less than in the North.

A. Yes.

Q. A steel manufacturer in the South using pig iron therefore has a low rate on his inbound raw materials and we will agree a higher rate level on his outbound finished product.

A. Yes.

Q. On the other hand, the manufacturer at Albany, New York, making fire hydrants pays a high rate compared to his Southern competitor on pig iron, but then has a relatively lower rate on the finished product, so in the long run perhaps the two wash out. Would your idea of parity, whether they wash out completely or not, go to the point of advocating putting the raw material rates within the South up upon the level of the raw material rates in Official territory?

A. There is a technical aspect of it that I do not know I am competent to speak on. I would imagine that there is a factor of what the traffic will bear that would inevitably [fol. 1515] enter into this matter in determining railroad revenues and the rates that should prevail on raw materials. Of course, as a Southerner and a Southern businessman, I would not want to see our source of supply rendered unavailable to the Northern manufacturer.

Q. I am talking about source of supply to the Southern manufacturer.

A. Yes. Again there should be parity, I should think, parity of rates.

Q. You would agree then——

A. And equality of opportunity.

Q. You would agree then——

A. Yes.

Q. —that the pig iron rates within the South if they are lower than those in the North should be put up to the Northern level if the manufactured goods rates are to be equalized?

A. I would agree that anything that gave the Southern manufacturer any artificial advantage ought to be removed.

Q. Well, is the substance of your answer to my question, then, "Yes"?

A. If it is true that the existing order of things would discriminate the Northern manufacturer, "Yes" is my answer.

Mr. McCollester: Thank you.

Chairman Aitchison: Is there any further cross-examination?

[fol. 1516] Mr. Grubbs: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Grubbs.

By Mr. Grubbs:

Q. Mr. Bachman, your concern, I take it from your statement is for the general welfare of the South?

A. That is true, and of our whole country.

Q. That includes, I take it, the railroads of the South?

A. It does, indeed.

Q. You appreciate the vital character of these railroads to the South?

A. Yes. We have not been denied a share in their times of trial and we have benefited in their times of prosperity.

Q. You want the railroads of the South to be as efficient as they can possibly be, do you not?

A. We consider that essential.

Q. You want to meet not only——

Chairman Aitchison: What difference does all that make?

By Mr. Grubbs:

Q. Do you want the railroads of the South to be weakened to any material extent?

A. No, sir. That would be far from our purpose.

Q. By anything the Commission might do in this case?

A. No.

Mr. Grubbs: I would like to ask you just one further question:

By Mr. Grubbs:

Q. You say the aim that you seek is uniformity. You do not say how that uniformity might be brought about, or [fol. 1517] in your judgment should be brought about. Would it be satisfactory to your interests for the Northern level of rates to be raised rather than for the Southern level of rates to be reduced to bring about that uniformity?

A. I should say as to the manner, it lies entirely within the discretion of the Commission and we are glad to leave it there.

Q. You have no wish to express——

A. No.

Q. —except the wish of uniformity?

A. As to how it is to be accomplished, I think it is entirely within their power.

Mr. Grubbs: Thank you. That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: We will take a short recess.

(A short recess was taken.)

Chairman Aitchison: Gentlemen, we will resume. You may call your next witness, Mr. Norman.

Mr. Norman: Mr. Chilewich.

Chairman Aitchison: Raise your right hand and be sworn.

Simon Chilewich was sworn and testified as follows:

Direct examination.

[fol. 1518] By Mr. Norman:

Q. Will you please state your name, address and occupation?

A. My name is Simon Chilewich. I am Secretary and Treasurer of the Andrews Tanning Company, Inc., at Andrews, North Carolina.

Q. Where were you born?

A. I was born in Russia.

Q. How long have you been in this country?

A. Three years.

Q. Will you please relate briefly the history of your business, naming the kinds of and sources of your raw materials?

A. I have had five years of tanning experience in Russia and Poland. The plant at Andrews had not been in operation for several years, until April, this year, at which time my associates and I took it over and spent considerable time and money in rehabilitating it. We then began to draw in hides, as shown on pages 1 and 2 of my tabulation. These hides are purchased F. O. B., shipping point. We pay the freight.

Mr. Norman: If the Chairman please, I offer for identification exhibit No. 77.

Chairman Aitchison: It may be so marked.

(Exhibit No. 77, Witness Chilewich, marked for identification.)

By Mr. Norman:

Q. Will you please describe briefly the process of tanning?

[fol. 1519] A. Hides are soaked in water for two or three days and then put through a deliming process which requires approximately one week for the purpose of removing hair. Then they are cleaned and trimmed and placed into vats of tanning solution, such as chestnut and querbacho extracts. This process requires approximately sixty days, during which time the hides are transferred from vats containing a weaker solution to vats containing a stronger solution every fifteen days. The strength of the solution actually turns the hides into raw leather. If, at the end of a period of approximately sixty days, the hides were taken out of the tanning liquors and dried in primitive condition, a fairly good piece of leather would result from that process. However, due to methods and standards of modern merchandising leather must not only be useful but it must be ornamental as well and to meet these competitive marketing conditions an additional finishing and bleaching process is necessary, which process requires the application of various compounds, rolling, et cetera, all of which requires about thirty days. The foregoing is a brief description of the general process. Certain types of leather are finished to meet specific conditions, such as soles for army shoes or for belting leather. These types are treated to resist wear and such treatment lengthens the process.

Q. To what part of the country do you ship your products?

A. As previously stated, we began reconditioning the [fol. 1520] plant in April and began processing hides in May, which process requires total time of approximately three months. We are just now beginning to make shipments. We have secured orders for shipments to some of the points shown on page 3 of my tabulation and we are seeking and expect to get business to other points shown on the same statement. Such orders are now subject to priorities. Present negotiations and conditions indicate that most of our business will move in carloads, however, we anticipate some less than carload business.

Q. Where are your competitors located?

A. Almost all of the tanneries in North Carolina and of the South are units of larger organizations or they are controlled by such organizations. We are an independent tannery. Most of the other independent tanneries are located principally in Pennsylvania and Illinois.

Q. Is leather sold F.O.B. plant or on a delivered basis?

A. The usual practice is F.O.B. tannery or warehouse. Most of the tanneries store their leather at the tannery or in nearby warehouses. The Office of Price Administration has promulgated and issued a regulation which permits prices to be quoted F.O.B. tannery and the freight to be paid by the purchaser. We have already experienced considerable difficulty in selling and quoting prices in line with prices quoted from tanneries who are in a position to [fol. 1521] ship at lower freight rates.

Q. Now, will you take your exhibit, please, Mr. Chilewich.

A. Yes.

Q. First I will ask you how this exhibit has been prepared?

A. The exhibit has been prepared at our request by the North Carolina Public Utilities Commission.

Q. Mr. Manning prepared the rate part of it?

A. No. Mr. Nicholson.

Q. Mr. Nicholson?

A. Yes.

Q. The rate part of it?

A. Yes.

Q. Did you furnish him the statement of shipments?

A. Yes. I furnished Mr. Nicholson with all of the bills and bills of lading on these shipments consigned to us as evidenced on sheet No. 1 covering the period from the 21st of May until the 18th of June.

Q. That is the inbound movement of hides?

A. It is only the inbound movement of hides.

Q. Those rates shown there and tonnages are the rates and tonnages actually applied?

A. Actually received and paid for.

Q. Then you show what the basis would be for the same movement in Official territory?

A. Yes.

[fol. 1522] Q. And the difference?

A. The difference, for instance, in the freight rate for 812 miles of freight, carload freight, from New York to Andrews, North Carolina is 61 cents per hundred pounds for green salted hides, whereas for the same 812 miles in Official territory the rate would be 49 cents per hundred pounds, and thereby for the short period and the freight which we have brought in, covering hides only, the difference on dry and green salted hides amounted to about $1,558.82.

Q. The percentage amounted to 25.7?

A. The percentage is about 25.7 per cent.

Q. What is shown on sheet 3?

A. On sheet 3 is a schedule of freight rates, outbound freight rates, and the level from Andrews to various points of destination.

Q. How were those points of destination selected?

A. They include mostly those places to which leather is moving.

Q. Where you would hope to sell?

A. Where we would hope to sell.

Q. Now, just state briefly what that shows. You might take Harrisburg, Pennsylvania.

A. Their freight rate on a minimum carload shipment of leather from Andrews to Harrisburg, Pennsylvania would be 65 cents a pound, or 65 cents per hundred pounds, [fol. 1523] and the distance covered would be 704 miles.

Q. Yes.

A. This is about 8 per cent higher than the freight rate would be for a similar distance up in Official territory.

Q. How would it be on less than carload?

A. On less than carload the difference would be 23 per cent. The freight on less than carload shipments for 704 miles from Andrews would be $1.12—or rather, would be $1.45 whereas in Official territory it would be $1.12.

Q. So that you are going to be at a freight rate disadvantage both on your inbound raw material, hides and on your outbound amnufactured product, leather?

A. That is right.

Mr. Norman: We offer exhibit No. 77 in evidence, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit 77? (No response.) It is received.

(Exhibit No. 77, Witness Chilewich, received in evidence.)

By Mr. Norman:

Q. Mr. Chilewich, is there anything you care to add to your statement?

A. No.

Mr. Norman: You may cross-examine.

Chairman Aitchison: Mr. McCollester.

[fol. 1524] Cross-examination.

By Mr. McCollester:

Q. Mr. Chilewich, did you hear the testimony of previous witnesses to the effect that they want a freight rate structure which will induce the manufacture of goods within the territory in which the raw material is produced?

A. Yes.

Q. You get a substantial part of your hides from New York, do you not? New York lighterage?

A. Imported hides from New York. It so happens today in war time most of the steamers discharge at New York, but ordinarily in peace times we could have them discharged at Norfolk or New Orleans, and thereby secure a considerably lower freight rate.

Q. Looking at your exhibit No. 77, what you are complaining about among other things is your rate from New York down, or up, or whatever you want to call it, to Andrews, North Carolina; and then the rate on your dressed hides right back to New York again, is that right?

A. The leather is sold in New York, St. Louis, Chicago and Philadelphia. Those are the four main markets for finished leather, but as far as the raw material is concerned, we can draw our hides from the domestic supply which is mainly located up in Chicago and Illinois, at Detroit, Michigan and at St. Louis, Missouri, or imported hides. [fol. 1525] As I say, today, no matter which hides we buy, we will still pay a higher freight rate than the Official territory.

Q. You do not use Southern hides, then?

A. There are very few Southern hides produced.

Q. If I remember correctly there is pending before the Commission a complaint called the Shayne Brothers Case in which they are seeking reduced rates on hides from the South to the North to enable them to get rid of their surplus of Southern hides. Are you familiar with that?

A. No. I am not familiar with that, but maybe that covers hides of a different quality or description than we are using.

Q. At any rate, your hides come from New York, Detroit and Chicago and go down to Andrews, North Carolina and then your largest market is back in Official territory?

A. That is right.

Q. Is that correct?

A. Yes.

Q. Where do you get your quer*b*ac-o extract? Is that imported?

A. Yes. We were rather short of time and I did not prepare a tabulation covering the tanning materials, but I had some figures up in the office. I could not bring them up to date, but they show exactly, or even a little bit more drastic difference.

Q. You also use chestnut extract in tanning, do you?

A. Yes, we do. A small percentage.

[fol. 1526] That is produced only in the South, is it not?

A. Yes. It is produced in the South, but the freight rate on chestnut extract because it is a liquid commodity and moves in tank cars only, is so small that it hardly amounts to anything.

Q. Was that a factor which influenced you to locate your plant at Andrews, North Carolina?

A. I did not understand the question.

Mr. McCollester: Read the question.

(Question read.)

A. Not from the angle of freight rates, but from the angle of the supply of chestnut wood. We hope eventually to put in an extract plant within our tanning plant. Due to the very serious situation in connection with rubber tires, we thought it would be better if we just located in the area where the chestnut wood would be most handy.

Q. For that reason you chose Andrews, North Carolina?

A. Not for that reason alone, but——

Q. There were other reasons why that was a desirable location, is that right?

A. That is right.

Q. You looked over the country before you located there?

A. No. I did not have an opportunity to look over the country. It so happened that this plant was just the only plant that we knew of, of the right size and belonged to [fol. 1527] people we knew had a good reputation in the business, and we decided that would be better in spite of the disadvantage of being further from the main market or from the source of supply than to locate in another place at which we perhaps would not have available the necessary supplies with which to carry on our business.

Q. You knew your market and you knew your source of supply when you located there?

A. Yes, and therefore I am not complaining that the freight rate itself is higher for 700 miles than it would be for 300 miles.

Mr. McCollester: That is all, thank you.

Chairman Aitchison: Is there any further cross-examination? (No response.) Have you any redirect, Mr. Norman?

Mr. Norman: Yes.

Redirect examination.

By Mr. Norman:

Q. You are complaining that the rates are higher for the same distance for yourself and for your competitor?

A. Yes. I mean, actually we were not aware at the time when we took the plant that we would have to pay any more for 812 miles than anybody else would have to pay, but it turned out that because we are located in the South, we have to pay about 25 per cent more for freight than if we had been located 800 miles from these sources of supply, [fol. 1528] somewhere else in Official territory.

Mr. Norman: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) You may stand aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Norman: Mr. LeTourneau.

Chairman Aitchison: Raise your right hand and be sworn.

R. G. LeTourneau was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Will you state your full name, residence and occupation for the record, please, Mr. LeTourneau?

A. My name is R. G. LeTourneau, president of the R. G. LeTourneau Corporation, the LeTourneau Company of Georgia and the LeTourneau Company of Mississippi.

Q. In what business are you engaged?

A. Grading machinery, principally. Of course, now we are making ammunition in all the plants as well.

Q. What kind of machinery?

A. Grading machinery, lifting and hoisting specialty machinery for the United States Engineers such as the bomber cranes that you saw in the papers, to pick up a bomber and things like that.

Q. Where is your original plant located?

[fol. 1529] A. Stockton, California.

Q. Have you a plant there now?

A. It is there, but not doing much.

Q. Why not?

A. Well, that is due, naturally, to the disadvantages of the freight situation.

Q. What did that arise from?

Chairman Aitchison: How are we interested in Stockton, California?

Mr. Norman: We are not, but he has moved from there to Illinois.

By Mr. Norman:

Q. Is that correct, Mr. LeTourneau?

A. Yes, sir.

Q. You are operating your plant in Illinois?

A. Full speed ahead.

Q. Where?

A. Peoria.

Q. Then you established plants where, did you say, in the South?

A. Next in Tugalo, Georgia.

Q. Manufacturing the same commodity?

A. Yes.

Q. Where is the third plant located?

A. Vicksburg, Mississippi.

Q. I wish you would state what caused you to locate the [fol. 1530] first plant you located in the South, in Georgia.

A. Well, it was a vast undeveloped region that I thought should be developed and would be developed, and I would like to have a part in developing it. I saw young men who were willing to work and to learn, and I said, "I will make a place for them".

Q. Did you find those men to be readily adaptable to skilled occupations?

A. Yes.

Q. What have you to say with reference to the freight rate disadvantages you suffer in Georgia?

A. I know very little about the technicalities of freight rates. I think we assumed that if they were not right, they would be made right.

Q. Where do you ship your outbound product from the Georgia plant?

Al. All over the world.

Q. That is true of your other plants, I take it?

A. Yes.

Q. I wish you would state, Mr. LeTourneau, a little more fully the theory on which you built your plant down there in Georgia.

A. Perhaps circumstances had something to do with it, like the man who just testified. I have a friend who said "Come down to Georgia and we will find some cheap land [fol. 1531] for you and help you get started", and because I had a vision—he had a school and I had a factory, and doing a little combining of the things, I said "You find me a large tract of land I can buy real cheap and I might take you up on it". I did not know how quick he was going to do it, but he did. I started out with the idea of a very small plant and it has grown tremendously.

Q. Did you find that that is a good place to locate a plant?

A. I have been well satisfied.

Q. What do you have to say as to the natural advantages of a plant, or the natural advantages for a plant such as that in Southern territory?

A. I believe there are tremendous advantages, natural advantages in the Southern territory. I believe they ought to be developed and I would like to have a part in developing them because if they are there, they are for the good of the nation as well as for the South, and the nation will suffer if we do not develop them. We make the cheapest steel in the world in Birmingham. It is the one place in the world where coal, ore and limestone are found in the same mountain. All you have to do is roll it in the furnaces. Naturally our product is made mostly of steel. So that is one of the big advantages. Then, of course, there is the soil, the growing season, the cheapness of housing conditions on account of mild weather, clothing, the lack of necessity for [fol. 1532] fuel in the winter time, and all those things. I guess we all know about them.

The fact of the matter is, I might say that in moving from Stockton to Peoria, Illinois, we got to the source of raw material. Of course, Chicago makes the steel and we were near enough to get our raw material, but we lost the advantages of the California climate you hear so much about. So I said "I will go South where I can have the raw materials and the climate".

Chairman Aitchison: Mr. Norman, I think we will have to ask to have this witness' testimony brought down to the issues here.

Mr. Norman: Mr. Chairman, I think one of the issues here is the natural advantages that are obtainable for manufacturing industries in the South, if they are given an opportunity to develop them. That is what I undertook to show by this witness. He has been a manufacturer in the North and he has gone down there because of those advantages. It seems to me that that is very pertinent to this case, and to these issues.

Chairman Aitchison: Bring it to a head, now.

Mr. Norman: All right. That is all.

Chairman Aitchison: Is there any cross-examination? (No response.) Apparently not. You may stand aside.

(Witness excused.)

[fol. 1533] Chairman Aitchison: Call your next witness.

Mr. Norman: Mr. Cates.

Chairman Aitchison: Raise your right hand and be sworn.

CHARLES F. CATES was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Mr. Cates, will you please state your name, address and occupation.

A. My name is Charles F. Cates, my address is Faison, North Carolina, at which place I am president of Charles F. Cates and Sons, engaged in the production and marketing of cucumber pickles.

Q. Will you please give a brief history of your business?

A. The business began in a small way on a farm in Alamance County approximately 150 miles west of the present plant location. The original location was not in the best cucumber producing area of the state, and in 1929 we moved to our present location at Faison, North Carolina. During the intervening years our production has progressively increased to the point where we are now processing approximately 175,000 bushels of cucumbers annually. Approximately 175 persons are employed in processing, packing and distributing our product.

Q. What raw materials are used in your process and what is the source of such raw materials?

[fol. 1534] A. Pickling cucumbers is almost entirely the only raw material used; however, to a very limited extent we pickle a few other vegetables, namely, onions, pepper, watermelons which are grown within a radius of about 100 miles of the plant. The plant is located near the center of the cucumber growing area of the state, and 95 per cent of such raw materials are drawn by truck from the growers within a radius of approximately 100 miles.

Q. What processing and packing materials and supplies are required and where are such materials obtained?

A. The principal processing materials and packing supplies, their source, terms of purchase, and method of transportation, are listed on page 2 and 3 of my statement.

Mr. Norman: Mr. Chairman, we offer this document as exhibit No, 78 for identification.

Chairman Aitchison: It may be marked for identification as exhibit 78.

(Exhibit No. 78, Witness Cates, marked for identification.)

By Mr. Norman:

Q. Please describe briefly the process of pickling.

A. In our section cucumbers begin to mature on the vine about the first of June and the picking season continues until about the latter part of July. Our contracts with the growers call for delivery at the receiving station within 12 hours [fol. 1535] of the time they are picked from the vine. Upon arrival at the plant they are placed in large vats or tanks covered with brine and remain there for the curing process which takes from three to six months, according to the size of the cucumber. Approximately forty per cent of our production is then shipped in bulk in barrels or tank cars and sold as brine or salt stock, and the remainder is processed further in various combinations of vinegar, sugar, alum, and spices, and then packed in glass or wood, as sweet, sour, dill, mixed or sliced pickles.

Q. What is your approximate annual total production in pounds and how does it divide as between salt stock and finished goods?

A. The approximate total packed weight of our annual production is about 20,000,000 (twenty million) pounds. It now divides about 40 per cent salt stock and about 60 per cent is finished stock.

Q. How does your outbound shipments divide as between rail and truck shipments?

A. Under existing circumstances it is about equally divided between rail and truck shipments. We own and operate three trucks. We have owned as high as five, but three is what we own presently. These engage in transporting outbound shipments of salt stock and finished goods and bringing in materials and supplies on the return trip. The [fol. 1536] weight of the outbound shipments carried on our own trucks combined with the common motor carrier outbound shipments will approximate about 50 per cent of the total.

Q. In what part of the country are your products sold?

A. Much of our brine stock is marketed in the North. Pages 4 and 5 of my statement shows approximately brine stock railroad shipments for 1941 and the first quarter of 1942. Brine stock is usually converted into finished goods, packed and resold by the purchaser. The entire pickling industry sells brine stock on the basis of F.O.B. shipping point, the purchaser pays the freight.

Q. Where are your finished goods sold and on what basis?

A. Our L.C.L. shipments of finished goods are sold principally in Virginia, West Virginia, North Carolina, South Carolina, Georgia and East Tennessee, within a distance range of about 600 miles from Faison. The shipments are usually forwarded collect and the freight is allowed on the invoice. The general custom in the South is to pay or allow a part or all of the freight charges, the general custom in the North is for the customer to pay the charges, however, the prices in both sections of the country are adjusted to reflect something for the cost of outbound transportation. Our present L.C.L. freight rate adjustment in the South was established on a temporary basis to apply from Faison, North Carolina, and two or three other points to meet truck [fol. 1537] competition. When first established it was limited to short distances but later, from time to time it was extended to greater distances, however, the tariff still carries the truck competitive symbol. This basis is illustrated on pages 6, 7 and 8 of my statement. We feel that we are entitled to a normal basis no higher than that applying within the North. We do not want to be faced continually by the threat of an increase back up to the normal level which is substantially higher than the northern rates. That threat is especially serious at this time when the truck competitive situation is diminishing. We ship numerous carloads into the South some of which move further than the L.C.L. shipments, most of these carloads move at truck competitive commodity rates in connection with a minimum weight of 20,000 pounds, however, that adjustment does not extend to all points, a great part of the destination area of our carload movement has a normal carload rate in connection with a carload minimum weight of 36,000 pounds. We also ship a few carloads to Connecticut and Massachusetts. Under O.D.T. Order No. 18, we will be required to load to capacity of the car. We need a basis of carload rates no higher than the basis enjoyed by our northern competitors who ship into the South in large volume. Even our so-called special carload basis is higher than the northern level. We are more concerned about an equality in the rate level than about the carload minimum weights.

[fol. 1538] Q. Where are your principal competitors located?

A. Pickling plants are usually located in the immediate growing area of cucumbers. Some local competitors are located within a radius of 100 miles of our plant. One of them produces in volume about equal to ours. The others are smaller. Other competitors are located in Georgia, Alabama, and Mississippi; however, the annual production of pickling cucumbers in North Carolina exceeds the combined annual production of the three states just named. The North Carolina acreage for 1941 was 7,140 acres with a high yield in bushels per acre. Our keenest competition comes from Michigan with an annual production of about 27,000 acres, and Wisconsin about 14,000 acres, and Indiana and Ohio with about 5,000 acres each year.

Q. Are you required to operate under any conditions different from those of your competitors?

A. None whatever from our competitors in the South, but our keenest competitors, those in the North, enjoy a substantial over-all freight rate advantage over us both as to inbound materials and supplies and outbound shipments of brine stock and finished goods.

Q. Now, Mr. Cates, are the prices in both sections of the country adjusted to reflect something for the cost of outbound transportation?

A. Well, prices are fixed so that the cost of transportation [fol. 1539] is taken into consideration.

Q. Have you had prepared an exhibit showing your shipments and the rate adjustment as it affects you?

A. Yes. I had that prepared.

Q. By whom was it prepared.

A. Mr. Nicholson prepared it. We furnished him the bills and bills of lading on the different shipments and he made up the statement and prepared the freight rates.

Q. He inserted the freight rates outbound on similar shipments in Official territory?

A. Yes, sir. He calculated those shipments. We furnished the freight rates that were paid on the shipments from our point.

Q. And the amount of the shipments and so forth?

A. Yes, and the amount of the shipments.

Mr. Norman: I think, Mr. Chairman, the exhibit is easily understandable. I do not believe it is necessary to explain it any further.

Chairman Aitchison: We will receive it subject to check, if there is no objection.

Mr. Norman: I beg your pardon?

Chairman Aitchison: We will receive it subject to check if there is no objection.

Mr. Norman: I will be glad to submit Mr. Nicholson for any examination on it that they may desire.

[fol. 1540] Chairman Aitchison: Does anybody desire to examine Mr. Nicholson? (No response.) Apparently not. Exhibit 78 is received.

(Exhibit No. 78, Witness Cates, received in evidence.)

Mr. Norman: That completes the direct examination of this witness, Mr. Chairman.

Chairman Aitchison: Is there any cross-examination? (No response.) You may stand aside.

(Witness excused.)

Chairman Aitchison: Call your next witness, Mr. Norman.

Mr. Norman: Mr. Fonville.

Chairman Aitchison: Raise your right hand and be sworn.

F. V. Fonville was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Please state your name, address and occupation.

A. My name is F. V. Fonville, my address is Raleigh, North Carolina, at which place I am engaged in the manufacture and distribution of washboards.

Q. Will you please give a brief history of your business, describing the kind and source of raw materials and the process of manufacture?

A. I began the manufacture of washboards at Raleigh in [fol. 1541] 1933, my raw materials consist chiefly of wood and sheet metal, the wood, principally in the form of poplar logs is drawn from nearby saw mills located within a radius of 150 miles of the factory. The sheet metal is received in carloads from Bessemer, Alabama, it is then corrugated in the factory, at present due to priorities, some substitution of glass and wood for steel is necessary. The weight of the glass in lieu of steel in the finished product is approximately thirty-three and one-third per cent greater than steel thereby increasing the freight charge on the outbound product. The manufacturing process in which approximately 25 men are employed is highly mechanized.

Q. In what parts of the country are washboards used?

A. Washboards are used in every state of the Union and in my opinion in proportion to the population of the states. Sales are on a delivered basis.

Q. Who are your competitors and where are they located?

A. My chief competitors are the National Washboard Company whose main base of production is located at Saginaw, Michigan, with a branch factory at Memphis, Tennessee where they utilize the Mississippi River at differential rates in their distribution. The other competitor is the Columbus Washboard Company at Columbus, Ohio. These two companies are my chief competitors.

Q. Please explain just how the washboard industry [fol. 1542] distributes its products.

A. Sales and shipments are made to jobbers or distributors on a delivered basis, that is, freight is allowed to destination, in my case I am forced to allow only the Chicago rate on shipments west of the Mississippi River, consequently I get very little business in that area. Retail sales are made to consumers through chain stores, department and hardware stores.

Q. Are you faced with distribution limitations other than that you have just referred to with respect to the area west of the Mississippi?

A. My distribution is limited only to the extent of the over-all or average freight rate advantage of my competitors, which advantage aside from the L.C.L. rates is accentuated by their ability to ship a part of their production in carloads.

Q. Do you know of any conditions under which your competitors operate that are different from your conditions?

A. As to the assembling and processing of raw materials, I know of no substantial difference. However, as to distribution expense, as previously stated one of my northern competitors has a branch factory at Memphis, Tennessee, on the Mississippi River. Frankly that competitor gives me less trouble than the other one which is located at Columbus, Ohio. I have had the matter of adjusting the outbound rates [fol. 1543] up with the railroad company on several occasions but nothing has been done.

Q. Have you prepared a statement to illustrate the extent of your distribution?

A. Yes, I have selected all of my rail shipments for a single month, the month of September, 1941, and have made a statement of such shipments. At the time of selecting that month it was representative of both weight and area of distribution. The area of distribution is still approximately the same, but of course there is some variation from month to month. However, in the past few months the tonnage has increased substantially, perhaps with the wave of war prosperity and curtailment of washing machine production, and a great many people are replacing their washing machines and old worn out washboards with new ones.

By Chairman Aitchison:

Q. Is that an entirely correct statement? Are you manufacturing new washing machines now?
A. No, sir.

By Mr. Norman:

Q. Are you manufacturing new washboards, though?
A. Yes.

Chairman Aitchison: Then you should say there at the last that they are replacing their old worn out washboards with new washboards.
The Witness: Yes.
[fol. 1544] By Chairman Aitchison:

Q. That is what I intended to say.

Chairman Aitchison: Proceed.

By Mr. Norman:

Q. You said you had prepared an exhibit showing shipments that you made during a one month period and the freight that you paid thereon?
A. Yes.
Q. Also the basis that would have applied under the Official territory rates?
A. Yes.
Q. And the difference?
A. Yes.

Mr. Norman: If the Chairman please, we ask to have this exhibit marked for identification as exhibit No. 79.
Chairman Aitchison: It may be so marked.

(Exhibit No. 79, Witness Fonville, marked for identification.)

By Mr. Norman:

Q. The total difference on those shipments as shown on page 3 of this exhibit was $45.77?

A. That is a difference on about 25 less-car shipments listed on that page. There was a total freight charge of $158 on those shipments listed on that page, whereas had the rate been equal with the Northern rate, there would have been a freight charge of $112.92, a difference of $45.77 which is approximately 30 per cent.

By Com. Splawn:

[fol. 1545] Q. May I ask if you are unable to sell your washboards, all you can make?

A. No, sir. We cannot sell exactly all we can make.

By Mr. Norman:

Q. Do you desire to sell these washboards in Official territory?

A. Yes, sir.

Q. Have you been able to compete in that territory?

A. Well, sir, we have been forced to compete in that territory solely because we quoted on a delivered price and we have to absorb the difference in freight.

Q. Your business is a small business?

A. Yes, sir.

Q. About what is your annual output?

A. Well, sir, without figuring, our production is about 100 dozen boards a day.

Q. 100 dozen washboards a day?

A. Yes.

Q. Is that all you have?

A. Yes.

Mr. Norman: Mr. Chairman, we offer in evidence exhibit No. 79.

Chairman Aitchison: Without objection, it is received in evidence.

(Exhibit No. 79, Witness Fonville, received in evidence.)

Chairman Aitchison: Is there any cross-examination? [fol. 1546] (No response.) Apparently not. You are excused.

(Witness excused.)

Chairman Aitchison: Whom do we hear next?

Mr. Norman: Mr. Chairman, it was understood, or rather, we had agreed with Mr. Little, who is anxious to get away, that we would step aside at this time and let Mr. Little take the stand, if that is satisfactory to your Honor.

Chairman Aitchison: Very well.

Mr. Kokjer: Be sworn, please, Mr. Little.

Chairman Aitchison: Raise your right hand and be sworn.

J. A. **Little** was sworn and testified as follows:

Direct examination.

By Mr. Kokjer:

Q. Will you please state your name, residence and occupation?

A. My name is J. A. Little. I live at Lincoln, Nebraska where I am employed by the Nebraska State Railway Commission as Director of Transportation in charge of the railroad and truck rate departments.

Q. Will you state briefly the history of your experience as a traffic expert, Mr. Little?

A. I was employed by the Chamber of Commerce at Superior, Wisconsin, in 1910. In 1911 I entered the service of the North Dakota Board of Railroad Commissioners——

Chairman Aitchison: Pardon me, Mr. Little.

[fol. 1547] The Witness: Yes.

Chairman Aitchison: Is there any question about Mr. Little's qualifications? (No response.) They may be taken as conceded.

The Witness: Thank you, Mr. Chairman. I think I might point out that I was a participant in the Western Classification 51 proceedings, I. & S. 76, mentioned by Mr. Fyfe in his testimony.

By Mr. Kokjer:

Q. Do you have any connection with a committee formed to participate in this particular case, Mr. Little?

A. I have been chairman of an informal committee of ratemen and commerce attorneys of Western Trunk Line State Commissions which have been meeting for several years past to consider common problems with respect to transportation including the issues in this proceeding.

Q. In cooperation with that committee have you prepared an exhibit to be presented here?

A. I have.

Q. Who prepared that exhibit, Mr. Little? Was it prepared by you or under your supervision?

A. The entire exhibit was prepared under my direction. I sent out uniform instructions to the cooperating Western Trunk Line State Commissions and to four chambers of commerce in the state of Nebraska which engaged in the rate checking necessary to produce the exhibit.

[fol. 1548] Q. Will you describe the exhibit so the parties here may select it from the group they have, please?

A. The first exhibit is entitled "Joint exhibit of Public Utilities Commission of Colorado, Iowa State Commerce Commission, State Corporation Commission of Kansas, Missouri Public Service Commission, Nebraska State Railway Commission, Public Service Commission of North Dakota, South Dakota Public Utilities Commission, Public Service Commission of Wyoming, and also the Chambers of Commerce at Hastings, Grand Island, Lincoln and Omaha, Nebraska."

Q. Do you know that the statements made in this exhibit are true and correct?

A. They are to the best of my knowledge and belief.

Q. Will you proceed, Mr. Little, to explain and comment upon the exhibit.

A. The first page of the exhibit is an index and explanatory notes. The second page represents an examination of less than carload ratings of all the pages of the current Consolidated Classification. The purpose of this page was to test the present degree of uniformity in the less than carload ratings in the Classification proper. I call attention to the setup of the exhibit. You will notice that we have one column covering articles classified first, second and third or multiples of first class. The second item, or the second column covers articles classified rule 26 and fourth [fol. 1549] class, all 55 per cent of first class. I want to explain that in both Official territory or in Western Trunk Line or Western Classification territory quite generally, with the exception perhaps, of the Pacific Northwest, fourth class is column 55, or 55 per cent of first class, which is the same percentage of first class as rule 26 in the Official Classification.

The next column shows articles classified fourth class which is column 50 in the Official Classification and specifically designated as column 50 for Southern Classification territory and Western fourth class which is column 55 or 55 per cent of first class. In other words, under that heading the articles which are so designated have a uniform classification rating so far as relation to first class goes in the South and Official territory, with Western territory on a higher basis as relates to first class.

The last column is headed "Varied other ratings." The purpose of this division of the check of the items was to more easily group the number of items on each page that were uniform under those headings. To illustrate, on page 3 of the consolidated classification there were 43 items that are classified either first, second, third or multiples of first, uniformly for all Classification territories. There were three items that were uniformly 55 per cent of first class either as rule 26 in Official territory or fourth class in Southern and Western territory. There were two items [fol. 1550] that were 50 per cent of first class as fourth class in the East and column 50 in the South and 55 per cent of first class as fourth class in western territory.

Now, at the bottom of the page there is a summary of the examination of these items. There was a total of 7,990 ratings classified first, second and third or multiples of first class. There was a total of 559 ratings classified rule 26 and fourth class in the Western and Southern territories, all of them being 55 per cent of first class. There was a total of 676 items classified column 50 in Official and Southern territory and column 55, fourth class, in Western territory. There was a total of 768 ratings carrying a variety of dissimilar ratings in the compared territory. The grand total of less than carload ratings involved is 9,993. There was a grand total of 8,549 uniform ratings or a percentage of 85.5 "over-all uniformity." In addition there were 676 items which are uniform as to the South and Official territory with a difference of five points in the scale, Western being higher than the other two territories.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

By Chairman Aitchison:

Q. In view of our off the record discussion, you wish to change the word "items" at the bottom of page 3 of exhibit 80 to "ratings"?

[fol. 1551] A. Yes.

Mr. Bee: Should they not all be items instead of ratings? As you say, there are three ratings but there is only one item.

Chairman Aitchison: Yes.

Mr. Bee: It is rated three times. It is really that many items and not that many ratings.

The Witness: Of course, where the ratings are uniform, that is a single classification designation, in their recent issues of the Consolidated Classification, they do not repeat the rating applied in the three territories as was formerly the case and published in the Classification.

By Chairman Aitchison:

Q. With respect to the column heading, "Page of the Classification Consolidated No. 15, R. C. Fyfe's No. 28", does that refer to the numbers of the Consolidated Classification?

A. That is the page on which the number of items shown opposite each of these lines classified under the headings shown on the exhibit will be found.

Chairman Aitchison: Proceed.

The Witness: With this background of the items embodied in the Classification proper, we undertook to make an examination of the exceptions to the classification in the principal agency exception tariffs in effect in Western Trunk Line, Southwestern, Southern and Official Classi-[fol. 1552] fication territory. That examination encompassed some pretty important and we think typical commodities shown in those exceptions tariffs which are included on pages 4 to 39 of this exhibit.

Take page 4 to illustrate the examination that was made. There you will find the general heading of agricultural implements. We have listed the items in the exceptions tariff on the left hand side, in the left-hand column. The listing of the items for all of the study in the succeeding pages was the listing shown in Agent Kipp's tariff 25-C, his I. C. C. A-3411 which is the caption of the third column from the left-hand side of page 4. It will be noted that that tariff provides column 70 applicable to these agricultural implements in less than carload lots as shown in the item numbers of that tariff which are listed in what is designated as column 2 under that caption down the page opposite each entry covering the various articles which are listed as agricultural implements. In the same way an examination was made of other exceptions tariffs.

I want to make a statement of the application of those tariffs. The exceptions tariff, Agent Kipp's I. C. C. A-3411 shown as the caption of column 2 is published for the Western Trunk Lines as tariff No. 25-C issued by Agent L. E. Kipp and applies between stations in Colorado, Iowa, Kansas, Michigan, Upper Peninsula, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming. [fol. 1553] In the next column to the right, column 3, Agent Peel's I. C. C. 3475, Southwestern Line tariff 1730 applies between stations in Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma and Texas. In column 4, Agent Jones I. C. C. 3639 is C. F. A. tariff 545-H applying from stations in Western Trunk Line territory to points in Central Freight Association, Trunk Line and New England Freight Association territories.

Chairman Aitchison: Do you show the application somewhere else in your exhibit?

The Witness: I am sorry. I directed that that should be done, but it was not.

Chairman Aitchison: I see.

The Witness: For that reason I am making this explanation.

Exam. Aitchison: Very well.

The Witness: In column 5 is Agent Kipp's tariff 338-H, I. C. C. A-3382 applying between stations in Western Trunk Line territory, Central Freight Association territory, Trunk Line and New England Freight Association territories. Now, generally speaking, it might be pointed out in passing that the tariff just mentioned applies to westbound shipments from Official territory to Western Trunk Line destinations, whereas the tariff referred to in column 4 applies to eastbound shipments from Western Trunk Line territory in the reverse direction to Central Freight Associa- [fol. 1554] tion and Trunk Line destinations.

In column 6 is Agent Jones' tariff I. C. C. 3684, tariff 130-B applying between points in Official Classification territory and zone C of Western Trunk Line territory which is immediately adjacent to and for many purposes practically within Official Classification territory. In column 7 is Agent W. S. Curlett's tariff 90-I, I. C. C. A-748 applying from stations in Delaware, District of Columbia, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Vermont, Virginia and West Virginia to stations in Official Classification territory including Canada.

In Column 8 is exceptions tariff issued by W. S. Mercer, alternate agent, his I. C. C. 530, tariff No. 90, applying to points in Southern Classification territory and Official Classification territory. In column 9 is Agent Kipp's tariff 386-C, I. C. C. A-3353, showing exceptions to the Official, Southern and Western Classification, applying between stations in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia and stations in Colorado, Iowa, Kansas, Michigan, Upper Peninsula, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming. In column 10 is Agent Dulaney's I. C. C. 86, tariff No. 21, applying to stations governed by Official and Southern Classification. In column II is Agent Nie- [fol. 1555] mann's tariff I. C. C. A-495, tariff 150-F applying to Federal Barge Line Service.

Within the past day or two of hearing a query was made by Commissioner Alldredge regarding the exceptions tariffs. I believe that the exceptions tariffs involved in this exhibit are the principal agency issues applying in the territory lying east of the Rocky Mountains involved in this proceeding. The exhibit, of course, does not pretend to cover any exception that may be published in a local issue of a particular railroad. I believe the principal movement of traffic, however, is governed by the agency tariffs of which these are the principal tariffs. I think it covers the bulk of the traffic.

Now, I think it will be helpful to show the situation as to uniformity or lack of uniformity in the exceptions ratings by pointing out this comparatively simple fact: Take, for instance, under the general heading of agricultural implements on page 4, the item of corn huskers not otherwise indexed by name, knocked down, loose or in packages. It is shown under column 1 that in the Official, Southern and Western Classification the ratings would uniformly be second class. In Agent Kipp's tariff by exception the rating is made column 70 or third class, in item 1390, and the same exception rating is published in each of these other compared tariffs where you find an [fol. 1556] item number in the corresponding column. So the effect is that as you look at this exhibit and these pages where you see item numbers entered across the page, there is uniformity so far as there is corresponding publication of these exceptions in the designated items in the several territories.

By Chairman Aitchison:

Q. Go down to disc harrows, or rather cultivators K. D., loose or packages. That is the first one. Those are rated third class in the three territories, I believe?

A. Disc harrows.

Q. Yes, or cultivators. Either one?

A. Disc harrows are rated——

Q. K. D.?

A. —K. D. third class, set up, loose or in packages, one and a half.

Chairman Aitchison: I did not ask anything about set up.

By Chairman Aitchison:

Q. The same thing applies to cultivators K. D., third class?

A. That is right.

Q. That is 70 per cent, is it not?

A. That is right.

Q. Then the exception is not an exception, is it?

A. No, but the effect of the exceptions tariff is to make the same rating apply to either set up or knocked down shipments. The exceptions as to the set up classification [fol. 1557] are in the line above, Mr. Chairman.

Q. It has changed the rating on set up, but has not changed it on K. D.?

A. That is right.

Q. And the only way it would affect cultivators is K. D.-

A. Yes. The exceptions tariff does two things. It may provide an exception to the rating and it may provide a more favorable rating, packaging considered, and it may provide a basis for the mixing of the article in mixed car load ratings, which is favorable to the shipper. All of those are elements in varying degree in the exceptions tariffs.

Q. Well, with respect, for instance, to cultivators, what difference does it make?

A. The primary difference is in the application of the exceptions to both set up and knocked down shipments. I might say, your Honor, that the exceptions tariff does not show all of this detail, perhaps, that is shown in this left-hand column. We wanted to show you for the purpose of the comparison just what the classification ratings were as to the several provisions with respect to packaging as to which the exception rating was provided without any reference to packaging.

Q. In other words, the exception shows, for example,——

A. Taking disc harrows——

Q. Let's keep to cultivators.

A. All right. Cultivators. It names the commodity [fol. 1558] without specifying the packaging, and we are setting up the proposition that the classification provides two different ratings. We are showing you what those two different classification bases are.

Q. You did not do that with respect to cultivators. You only show one.

A. There is a limitation in the exceptions tariff so it only applies to one. That is the way it is shown.

Q. Then I do not see that there is a bit of point in showing it with respect to cultivators. You have not changed the percentage of first class that applies and you have not indicated there is any restriction on the territory. You have not said that there is any disturbance of the relation with the set up.

A. Well, if you have a reference in the carload items in another part of the tariff to this agricultural implements list as a basis for the application of those ratings, the inclusion of those items with this listing enables the shipper to include all of these named items in the mixed carload, and it may be important in that connection, even though there is no change in so far as the less than carload ratings are concerned.

Q. Well, what has the mixing rule got to do with the rate?

A. If you have—for example, in the classification you might have agricultural implements subject to class A, [fol. 1559] 24,000 pounds, and in the exceptions tariff you might have a 24,000 pound minimum on these specific agricultural implements listed in the exceptions tariff and a column 40 rating applying to that list of items only, and the items that are not listed in it would be subject to the classification basis.

Q. The mixing rule has been changed all around two or three times, has it not, without disturbance of the ratings themselves?

A. It is not a question of the application of the mixing rule. It is a matter of the designation of what group of articles certain rates will apply to by tariff definition, or by specific tariff application, rather than by rule.

Chairman Aitchison: I will not take any more time on this, but it looks to me like a little bit of padding there.

The Witness: All we did, your Honor, was simply to take all of the items that are in this tariff. If we had omitted that item, we could not have done what we set out to do, namely take all of the items or articles listed in Agent Kipp's tariff 25-C and apply the test we proceeded to apply to this exhibit. Regardless of what the effect may be, the method was uniform, and that is the situation.

Chairman Aitchison: All right.

The Witness: I want to point out that if you look at the various pages, when you see the blank spaces under the various columns, it will be obvious there is a lack of [fols. 1560-1561] uniformity as to the application of a similar rating in the territory covered by the column heading above the blank space. You will find as to some there is a very high degree of uniformity and as to others a very great variation in the uniformity of exceptions ratings. That is quite an obvious and easy at a glance sort of showing that there are very great variations in the application of these tariffs so far as uniformity goes. Now, I think it would be of interest to point out the very great number of ratings on one or two of the groups of commodities.

Chairman Aitchison: Would this be a good place to suspend? It is five o'clock.

The Witness: I will be glad to, any time it suits you.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until tomorrow morning at 9:30 a.m.

(At 5:05 o'clock ~~p.m.~~ September 28, 1942, an adjournment was taken until September 29, 1942, at 9:30 o'clock a.m.)

[fol. 1562] Hotel Claypool, Indianapolis, Indiana,
September 29, 1942.

Met, pursuant to adjournment, at 9:30 o'clock a. m.

Before Division 2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner,

Hon. J. Haden Alldredge, Commissioner, and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by:

Mr. John J. Murphy, South Dakota Public Utilities Commission;

Mr. George McConnaughy, Public Utilities Commission of Ohio; and

Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

APPEARANCES:

As heretofore noted and the following additional:

F. F. Eickhorn, Room 401, State House, Indianapolis, Indiana, appearing for the Public Service Commission of Indiana.

Charles S. Belsterling and Thomas F. Lynch, 71 Broadway, New York City, New York, appearing for Subsidiary mining and manufacturing companies of United States Steel Corporation.

Robert E. Wilson, State Office Building, St. Paul, Minnesota, appearing for the Minnesota Resources Commission

C. F. Kelsch, % North Dakota Public Service Commission, Bismarck, North Dakota, Appearing for North Dakota Public Service Commission.

[fol. 1563]

PROCEEDINGS

Chairman Aitchison: Come to order, please, gentlemen.

J. A. LITTLE resumed.

Direct Examination (Continued).

By Mr. Kokjer:

Q. Mr. Little, do you have some further comment on the document which has been marked exhibit No. 80?

A. Yes.

Q. Please proceed.

A. In one statement yesterday I think I was slightly in error. The general plan of the exhibit was to take the articles listed in Agent Kipp's tariff 25-C which is the Western Trunk Line exceptions tariff and it should be noted that where in other territories under the heading, for example, of machinery and machines, other exceptions tariffs cover additional items, the list was expanded to show the items that were in such exceptions tariffs, but were not covered by the same item in Agent Kipp's tariff; but in every case the items embraced in the exhibit with relation to exceptions to the classification were either the items shown in Mr. Kipp's tariff or the extended list caused by reason of the additional items in other agency tariffs.

I want to point out one group of exceptions ratings that I think would be of interest in the description of hardware on pages 17 to 21 of the exhibit. There it will be found [fol. 1564] that the listing of hardware items includes auto parts, automobile and accessories as listed in a separate list. On pages 22 to 25 are the list of all automobile parts and accessories which, by such reference, take the same exception ratings as the directly listed hardware group. There are a very long list of items of great variety when you include automobile parts and accessories in the category of hardware. I think it might also be pointed out that there are ratings on some of those items provided in the three classsifications as high as double first class and by exception rating becomes column 70.

The general plan of the exhibit is to show, for example, all items of hardware and make a full listing of the heading of application of particular columns for each commodity listing and then, in order to save space in the exhibit, the heading of application has been cut down to merely designate a column number corresponding with the heading which is shown in the beginning of the commodity description in full. The first 39 pages of the exhibit deal with the check of classification uniformity for less than carload ratings on page 1 and certain important exceptions through page 39.

Pages 40, 41 and 42 are statements showing the present rates not including Ex Parte 148 increases, from points in Official Classification territory and from Southern Classification territory to typical Nebraska destinations. Those [fol. 1565] destinations extend from Omaha on the east edge of the state on a line through the northwestern part of the state. The statement of rates shows in each case the first class published rate which is generally that prescribed originally by the Commission in the Western Trunk the percentage relation of the preesnt rate to the Eastern scale for the short route, for moving the carload traffic, and the percentage relation of the present rate to the Eastern scale rate with through mileage. That is the uniform showing of each of the rate comparisons which are made both on important Official Classification territory origins and from the South to typical Nebraska destinations.

Pages 44 and 45 and 46 of the exhibit show rates from Chicago, Burlington and St. Louis for approximately 25-mile gradations across the intervening territory from those origin points to far western Nebraska destinations, Scotts Bluff, Nebraska, close to the Wyoming line, being the most distant point shown. The purpose of showing these rates was to indicate the sort of a rate gradation and approximate scale with reference to mileage that results from the laminated formula for making such rates as compared with Western Trunk Line zone 1, 2 and 3 rates; and also as compared with the Eastern scale. On each page the short distance is shown, the present first class rate, the Eastern scale first class rate for the short route mileage, Western [fol. 1566] Trunk Line zone 1, 2 and 3 scales and then the percentage relation on the right-hand side of the page of the present rates and the zone 1, 2 and 3 rates for the distance to the Eastern scale.

It is well known, of course, to everyone that in addition to the primary Western Trunk Line zone scales, by the laminated formula, depending upon the location of the point of origin and the point of destination in Western Trunk Line territory you get a very great variety of possible rate levels, depending upon the extent to which the movement is in one or the other of the several rate-making zones. The last three pages of this exhibit is a showing of some of the variations of such rates under the laminated formula as compared with the basic scale.

Q. Does that complete your comments with respect to exhibit No. 80, Mr. Little?

A. Yes.

Mr. Bee: May I ask you a question for a more complete understanding of exhibit No. 80?

The Witness: Yes.

Mr. Bee: Someone called my attention to this.

By Mr. Bee:

Q. Refer please, to page 40, Mr. Little.

A. Yes.

Q. The rates from Cincinnati, Cleveland and Indianapolis to Beatrice are shown as averaging from 171 to 189 per cent of the Eastern scale which would be much higher than [fol. 1567]. the zone 3 rate direct. I just wondered if you could check that and give the Commission some explanation, because it looks like an error on its face.

A. I suspect that may be a typographical error. I will have that checked. I do not have the working papers, but I will have that checked and if there is an error we will be prepared to make a correction at the subsequent hearing.

Chairman Aitchison: Proceed.

By Mr. Kokjer:

Q. Mr. Little, have you prepared another exhibit to be presented here?

A. May I make one more comment on this exhibit?

Q. All right. Go ahead.

A. I think it should be stated that taking the rates shown on page 40 of the exhibit, for example, between Alliance and Buffalo, as an illustration, depending upon the commodity or article involved, you might have a full Western Classification basis applicable to the through movement and you might have a different exception rating under an eastbound exception tariff than that applicable under a westbound exception tariff. A great variety of illustrations of differences in resulting rates in cents per hundred pounds and charges on particular shipments could be made by examining the rates and charges on items that might be shipped between any of these points depending upon the accident of whether they were rated in the Classification proper or happened to be in an exception rating in one [fol. 1568] direction and no such rating in the other.

I think it should also be stated that there are exceptions to the classification applying within Western Trunk Line territory upon a lower basis east of the Missouri River than west of the Missouri River. Our examination did not permit us to make a full analysis of all the detail of such variation, although I have one or two illustrations which might be of interest in that connection. Take, for example, small arms ammunition. On a shipment from Chicago, or Chicago rate points to Hastings, Nebraska, if the east of the Missouri River rating were applied to the through shipment on a 40,000 pound minimum to Hastings, the carload rate would be 62 cents per hundred pounds; but applying the rating applicable to shipments moving to west of the Missouri River points, the rate is 86 cents per hundred pounds, a difference of 24 cents per hundred pounds with a minimum of 30,000 pounds applicable to the through rate under the Western rating. In the case of binder twine moving between the same points, on the east of the M[illegible]ouri River basis with a 20,000 pound minimum the ra[illegible] 62 cents while on the west of the river basis with a 24,000 pound minimum, it is 67 cents. The same sort of illustrations could be made with respect to less than carload commodities. As an illustration, baking pans of various sorts, classified column 57 up to east of the Missouri River would [fol. 1569] take a rate of $1.09 if the rate were applied through from Chicago to Hastings, while the actual basis applicable to Hastings is $1.15.

There are a great many articles moving from day to day in interstate commerce where the same situation exists on which there are not only lower class rates in cents per hundred pounds east of the Missouri River, but there are lower ratings provided as well. This is noted in part because of the testimony of Witness Jensen who suggested in his exhibit that there was a certain amount of compensation for higher class rate scales by reason of lower exceptions ratings applicable in the territory where the higher rates in cents per hundred pounds were in effect. The reverse of that situation is true in the case of a great many commodities. I think it should be said, in fairness to the carriers, however, that a great many efforts have been made to bring about greater uniformity in the exceptions ratings within Western Trunk Line territory.

As an illustration of that, within the last two or three years, there was an I. & S. case involving furnace parts and heating apparatus where a rate, as I recall, of 60 per cent of first class had for some years been applicable east of the Missouri River and in Official territory and I think, quite extensively in Southern territory; but the ratings in the territory west of the Missouri River on the items embraced in the description were as high as double first class. The [fol. 1570] carriers published column 60 to apply to Nebraska destinations and a considerable part of Kansas, but the ratings, the reduced ratings, were suspended because of the conflict arising in Southern Kansas with the principals which had been set up by the Commission in the Consolidated Southwestern cases. After the case went to the Commission the rate was finally corrected, but I understand the Western Trunk Line carriers have considered many similar cases where they intended to bring about greater uniformity but ran into a conflict with the Southwestern adjustment at Kansas borderline territory.

I think it should also be said that within the past 60 days the carriers in the South and Southwest and in Western Trunk Line territory, after examining the complaints by Nebraska shippers and the Nebraska Commission concerning rates on various classes of cotton goods, decided that they should extend to Nebraska destinations and to other Western Trunk Line territory the same exceptions basis that generally had been made effective between southern and southwestern points between the South, Southwestern and Official territory and between the South and a considerable part of Western Trunk Line territory. As a result of that decision of the Southern, Southwestern and Western Trunk Line carriers, the tariffs which were published to become effective on September 1st brought about 100 per cent [fol. 1571] uniformity in percentage relation to first class of the ratings on cotton goods, including cotton work clothing which is the largest and a very important commodity.

For example, prior to the publication of this tariff item, shippers in Nebraska had paid very much higher charges in proportion to the first class rates between point of origin and destination than were applicable to Southern Missouri River crossings, St. Joseph to Kansas City inclusive, and to a large number of destinations in the state of Kansas. The apparent discrimination was cured by the extension of 100 per cent uniformity in the exception rating. That is all I have on that.

Q. Now, Mr. Little, please take the exhibit which bears the statement on the cover or title page after the title of the case, "History of the demand for uniform classification of freight and relation of class rate investigation to the problems of uniform freight classification".

A. Yes.

Q. By whom was that exhibit prepared?

A. That exhibit was prepared by me.

Q. For whom was it prepared, or on whose behalf?

A. That exhibit was prepared on the direction of, or with the concurrences of the railway and utility commissioners in the South, Southwest and in Western Trunk Line territory.

Q. Are the facts set forth in this exhibit true and correct? [fol. 1572] A. They are, to the best of my knowledge and belief.

Mr. Kokjer: We ask to have this marked for identification as exhibit No. 81, Mr. Chairman.

Chairman Aitchison: It may be so marked.

(Exhibit No. 81, Witness Little, marked for identification.)

By Mr. Kokjer:

Q. Do you have some comment to make on this exhibit, Mr. Little?

A. I think I should say that in 1940 and 1941 as well as for this current year I have been chairman of a committee of National Association of Railroad and Utilities Commissioners appointed to consider uniform freight classification for railway and motor vehicle carriers. The first part of exhibit No. 81 is a portion of the report which was submitted to the National Association in 1940 by the committee of which I was made chairman; and the second half of the exhibit is an excerpt from the report submitted in 1941. I am not speaking for the National Association, and not as chairman of the committee. I merely point out the source of the material in the exhibit.

Q. Do you wish to go over the exhibit and explain it?

Chairman Aitchison: The exhibit is self-explanatory. It is not necessary to take any time on it.

Witness: I think that is true.

Mr. Kokjer: We offer in evidence exhibits Nos 80 and [fol. 1573] 81, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibits 80 and 81? (No response.) Without objection they are received.

(Exhibits Nos. 80 and 81, Witness Little, received in evidence.)

Mr. Kokjer: You may cross-examine.

Chairman Aitchison: Is there any cross-examination of Mr. Little?

Mr. Smelker: Just two or three questions, Mr. Chairman.

Chairman Aitchison: Mr. Smelker.

Cross-examination.

By Mr. Smelker:

Q. Mr. Little, will you refer to page 8 of your exhibit No. 81.

A. Yes.

Q. I refer you to the sentence at the bottom of the page which reads as follows: "In a recent analysis of classification problems which I believe trustworthy, it appears that 85 per cent of the total freight traffic weighs 20 pounds or more per cubic foot. The same source shows the classification ratings assigned to this important, 20 pounds and over density, group for less than carload or less than truckload quantities." How extensive was this analysis you referred to?

A. It was what I thought was a pretty thorough analysis [fol. 1574] of the traffic moving.

Chairman Aitchison: Who made it?

The Witness: I think it should be stated that the analysis was made by Mr. Orr of the Pet Milk Company. He was here last week. I do not see him in the room now. He made the study. It was published and has been given pretty wide circulation. I think copies of his analysis was put in the hands of many carrier officers and shippers and others, pretty widespread over the country. I think it is reasonably trustworthy, but of course I did not use that percentage, Mr. Smelker, in making the analysis made later as to the importance of weight in relation to bulk in classification problems.

Mr. Smelker: I have one more question to ask concerning page 8.

By Mr. Smelker:

Q. How is the 85 per cent distributed between truck and rail transportation, could you tell me that?

A. The analysis made by Mr. Orr related to the rail end of it. Because of the fact that adequate statistics as to the truck movement are lacking, it is hard to make any such adequate analysis of the truck situation.

Q. Now, refer to page 9 of your statement.

A. Yes.

Does this table at the top of the page refer to tonnage distribution or ratings?

A. It is the number, that is the per cent of the tonnage of [fol. 1575] articles having a density of 20 pounds or over that were classified as distributed in the table at the top of that page. The point is——

Chairman Aitchison: We cannot understand your answer.

The Witness: The point is that here is a group of articles having a density of 20 pounds per cubic foot or over. Instead of their being in one or two classification groups, they are distributed over the entire list from multiples of first class to fourth class.

Chairman Aitchison: Can you not answer his question? Does this percentage relate to tonnage, number of packages, or number of ratings?

The Witness: Tonnage, as I understand it; tonnage of articles having that density distributed in those classification groups.

By Mr. Smelker:

Q. Who made the study at the top of the page?

A. I made that analysis from the tables in Mr. Orr's study.

Q. Do you know how Mr. Orr obtained that data?

A. My understanding is that he obtained it—I have a copy of the statement from which it was taken. Perhaps I ought to refer to it. I am not quite sure. I should not guess about it.

Q. Will you check up on that later?

A. I have got the data in my room. I could make a [fol. 1576] statement that would clear that up a little later, if I might have the opportunity.

Q. Could you make that data available to Dr. Edwards?

A. Yes.

Q. Now, refer, please, to exhibit 80, Mr. Little?

A. Yes.

Q. How about these exceptions, if the class ratings are made uniform? What program do you advocate in connection with these exceptions?

A. I think there should be a uniform classification and generally speaking the exceptions indicate a classification level which is appropriate to the present position of the rail carriers in the competitive field. I think it is well known that originally classification placed very great emphasis on value as an element in the fixing of the rating assignment. Traffic officers of the rail lines in competition both with the regulated motor vehicle carriers and with private truck lines have found that they could not give as great weight to the insurance element or the element of value as indicating what the traffic would bear as it was possible to do when classification ratings were determined some years ago. I think the exceptions indicate a more realistic approach to the proper classification which can be obtained under competitive conditions, especially as against the possible use of shippers' own transportation facilities where the impor- [fol. 1577] tance of insurance, the factor of value, or other use of the idea of value is minimized.

Q. Do you visualize a uniformity of exceptions throughout all the territory?

A. I see no reason why the classification should not be on a uniform basis, and having been correctly determined, the exceptions should disappear. I think that where a difference in transportation charges may be justified in some local areas because of special conditions that exist, it should be expressed in the rates rather than in differences in the classification ratings.

Chairman Aitchison: That would not permit, then, uniform scales, would it?

The Witness: That depends upon whether, if you publish commodity rates, they were justified. I think it is true, Mr. Chairman, that every one of the traffic officers who join in making an exception to cover a particular item would hesitate a long while before making a rate adjustment that would cut his charges to anything like the extent that the charges are actually cut by exceptions. For example, take a commodity rated in the classification first class. The minute the exception puts it in column 70, there is a 30 per cent reduction in the charge that would have accrued if the commodity could move at first class. I do not think there is a traffic manager on any of the lines of these carriers who [fol. 1578] would have cut his rate levels 30 per cent as readily as he would agree to cut his classification basis 30 per cent by an exception, believing that there was justification in so doing because of some of these things which have been pointed out such as over emphasis on value and the insurance element.

By Mr. Smelker:

Q. How would you take care of local conditions, then?

A. I think there would be very few instances where you had a reasonable and proper uniform basis of freight classification made with a view to existing conditions, where you would need any exceptions either by rates or by ratings.

Q. From your study, Mr. Little, can you give the Commission any information as to which less than carload ratings move the bulk of less than carload traffic?

A. Undoubtedly third and fourth class would carry the great bulk of the traffic without any question. As an illustration, when I was in the railroad service, anybody would have assigned all drug items to first class without looking at a tariff, but they are all column 70, very largely, as shown in this exhibit No. 80.

Q. Can you broadly indicate the type of class traffic that does not enjoy exceptions and which still moves under the classification, or classification ratings?

A. That would be pretty hard to do. I think there is a [fol. 1579] great variety of exceptions. We have merely tried to give samples, important samples here, or typical samples of the most important commodity exceptions.

Q. Yes.

A. There are quite a good many others. I think the exceptions have ordinarily been made effective to take care of the heavier tonnage movement and competition as to the heavier tonnage movement such as hardware, drugs, groceries, automobile parts and accessories, and items of that kind that are moving in volume every day in competition between the rail carriers and other types of carriers; and I think that where the volume of the movement from day to day is less, the tendency is to not make an exception on those commodities that do not move in volume, and even there it depends upon whether those commodities are handled incidentally by the shipper of drugs and drug sundries or the shipper of hardware and related articles and maybe some things that are not strictly speaking, hardware. They may came into the list because it comes into the field of competition.

Q. What is the test to be applied as to whether certain commodities may enjoy exceptions or not?

A. I think it is entirely based on the question of trying to find the basis that will move the tonnage in competition.

Mr. Smelker: That is all.

Mr. Kokjer: Mr. Chairman, Mr. Weeks calls my atten- [fol. 1580] tion to the fact that the Orr study just referred to by Mr. Little at the bottom of page 8 and in the table at the top of page 9 of exhibit No. 80 was introduced in Ex Parte MC 23. There will be a record of it there.

The Witness: That is right.

Chairman Aitchison: That is asking a little too much for us to go through the record of that proceeding. That is a pretty big record.

~~The Witness: I will~~ supply a copy of the Orr study to Dr. Edwards later in the day.

Chairman Aitchison: Is there anything further?

The Witness: I would like to make one further statement, since we have gotten into the proposition of the classification principle, Mr. Chairman. When Mr. Fyfe testified in criticism of Mr. Jensen's studies he referred to the prices of certain commodities as an element in classification; and on page two of his mimeographed statement relating to Mr. Jensen's studies he pointed out that for peppermint oil, the average price in 1914-19 was $3.30 per pound and in July, 1942 was $5.50-$6.00-$6.25 per pound. I went to a chain drug outfit in Indianapolis since that testimony was given and was quoted by the druggist in charge of the store a price for peppermint of $11.00 per pound, and he said he believed that was approximately the wholesale jobber's price, although being a chain store layout, they did not [fol. 1581] patronize jobbers. I merely point that out as indicating a considerable spread in price between what Mr. Fyfe has stated with respect to the price as of a recent period and a spot price here in Indianapolis. If you will look at the value of a commodity and look at place value, the value as between places at which Mr. Fyfe has quoted prices and the price here in Indianapolis, and you approach the question of classification trying to determine what rating will be justified on the basis of value, it is quite obvious that a variety of conclusions could be made on price, having little or no relation to cost of transportation. That is all I have, Mr. Chairman.

Chairman Aitchison: Are there any other questions of Mr. Little? (No response.) You are excused.

(Witness excused.)

Mr. Norman: I suppose, Mr. Chairman, I shall now resume. I will call as my next witness Mr. O. G. Edwards.

Chairman Aitchison: Before you do that, Mr. Norman, we have had presented here the statement of Mr. E. G. Plowman of the Colorado Fuel & Iron Corporation. It has been distributed and I assume you have all received copies. Mr. Plowman is anxious to get away. Would there be any objection to putting in his statement and having his exhibit introduced, in order to let him get away?

Mr. McCollester: May we have just a minute, please, Mr. Chairman?

[fol. 1582] Chairman Aitchison: Yes.

Mr. McCollester: We have no objection to that procedure.

Chairman Aitchison: Then we can proceed directly to cross-examination which I presume will not be long. Be sworn, please, Mr. Plowman.

E. G. Plowman was sworn and testified as follows:

Direct examination.

By Chairman Aitchison:

Q. Your name is E. G. Plowman?
A. Yes.
Q. You are traffic manager of the Colorado Fuel and Iron Corporation?
A. Yes, sir.
Q. Residence, Denver, Colorado?
A. Yes, sir.
Q. You have a statement in this matter, have you, and an exhibit which you have prepared?
A. Yes, sir.

Chairman Aitchison: The exhibit will be marked for identification as No. 82.

(Exhibit No. 82, Witness Plowman, marked for identification.)

Chairman Aitchison: You may present your statement for the record, Mr. Plowman.

[fol. 1583] The Witness: I became traffic manager of the Colorado Fuel and Iron Corporation in 1937, after sixteen years of experience in New England and Colorado as a research economist and as an executive. I am not a registered practitioner, and I so indicated on the form that I filled out at the St. Louis hearing last year. I appear here solely on behalf of my employer, the Colorado Fuel and Iron Corporation, and not as an attorney for others. My testimony is based upon my personal studies and observations in the fields of regional economics and traffic. My Ph. D. is from the University of Chicago.

Although the notion that the railroads have plotted against economical development of the west is absurd, it is true that the Western Trunk Line and Southwestern class rate structure is obsolete and should be improved.

The major growth of the United States, prior to about 1910, was across the continent from east to west. When such interior cities as Cincinnati, St. Louis, Chicago, Kansas City, Dallas, and Denver were established, each in turn was the outpost of civilization, beyond which lay the western frontier. As pioneer cities, each faced different problems to their east and to their west. There was always the developed east, with established factories and wholesale enterprises. To the west of each city, during its pioneer days, was the western frontier.

[fol. 1584] The railroads of the United States adjusted themselves to this economic habit of east-to-west shipment of manufactured products, and west-to-east shipment of foodstuffs and raw materials. It was natural and proper for our railroads to seek to move the traffic that was available. That was, and still is very largely, eastern manufactures and western raw materials.

It has been my personal privilege to observe that the western railroads are doing everything possible to aid in development of their part of the country. Western railroads have become aggressive on behalf of their local industries. They are effectively aiding the trend towards decentralization of industry, which trend now dominates our American economy.

The present class rate structure in Western Trunk Line and in Southwestern rate territories is obsolete. It was approved by the Interstate Commerce Commission twelve or more years ago. Since then decentralization of industry has changed the economic picture. A new era of water and truck competition with the railroads is now well developed. My purpose in appearing at this hearing is to outline briefly the facts with respect to the hampering and prejudicial effects of the present Western Trunk Line and Southwestern class rates. I shall make constructive suggestions for your consideration.

[fol. 1585] There is no such thing as a railroad plot to hold back or retard the west. There is frequently an inability on the part of the railroads to help their western industries because of the rigid pattern and rules of the class rates. The constructive suggestions I am here presenting will partially unshackle the western railroads.

The prejudicial effect of the present western and southwestern class rate structure can be visualized by examination of market area maps.

Sections A and B of exhibit 82 provide a visual means of observing some of the problems of Colorado business. Section A has to do with wholesaling and manufacturing located in the metropolitan city of Denver. Section B presents the distribution area of the Colorado Fuel and Iron Corporation around its steel mill at Pueblo, Colorado.

Section A shows the average market area for Denver wholesalers and manufacturers. The boundary line of the Denver Market Area was derived and agreed upon by the Business Research staffs of the Universities of Colorado and Denver. I had the honor to represent the University of Denver in this research undertaking, which checked the actual origin of purchases by thousands of retail stores throughout the Rocky Mountain region.

Section A also contrasts this carefully determined boundary of the Denver Market Area with the mid-way points by [fol. 1586] rail between Denver and its nearest competitors, that is, Minneapolis, Omaha, Kansas City, Dallas and Salt Lake City. It is evident that Denver is not located at the true center of the area. The Denver Market Area does not reach as far east as its geographical location would seem to warrant.

Since Section A represents the average Denver Market Area, it is not possible to measure exactly what is the effect of the present class rate structure; this would require analysis of particular commodities moving at the class rates. It would also require evaluation of the inter-relation of movements of carloads into Denver warehouses and of L.C.L. or truckload shipments outbound.

I have presented Section A because of the striking similarity between the average situation and the characteristics of the distribution area of one concern, the Colorado Fuel and Iron Corporation, shown in Section B. My belief is that the present class rate structure does play some part in determining the eastern boundary of the Denver Market Area. However, I will confine my discussion and proof to one concern, the Colorado Fuel and Iron Corporation.

Section B presents the distribution area for the steel products of the Colorado Fuel and Iron Corporation from its steel mill at Pueblo, Colorado. The controlling factor in location of the eastern boundary of the sales area of the Colorado Fuel and Iron Corporation is freight rates. [fol. 1587] Within the freight rate picture, the arbitrary and prejudicial characteristics of the Western Trunk Line, and the Southwestern class rate structure, have played a large part.

Exhibit B shows that the normal, or peace-time, distribution area of the Colorado Fuel and Iron Corporation extends from Pueblo, Colorado west to the Pacific Coast and south to the Texas portion of the Gulf Coast. To the north, the west and the south, steel products move maximum distances from Pueblo of from 1,000 to over 1,600 miles to important markets.

To the east of Pueblo, Colorado, the distribution area is more confined. In Western Trunk Line territory, the distribution area does not exceed 700 miles. In Southwestern territory, the eastern boundary is somewhat farther from Pueblo, Colorado.

In Western Trunk Line and Southwestern territory, the carload classification basis for most of the steel products of the Colorado Fuel and Iron Corporation is fifth class, or 37½ per cent of first class. By order of the Interstate Commerce Commision, most steel products move 32½ per cent of first class. In general, the few commodity rates that are in use are also related to the basis of column 32½.

In Western Trunk Line territory west of the Missouri River, practically all interstate carload movement of steel is on the column 32½ basis. In Southwest territory, the [fol. 1588] prescribed basis from eastern steel mills is column 32½. Steel originating at Pueblo, Colorado, moves east into Southwestern territory either at column 32½ or at full fifth class rates. Both these rate bases alternate with blanket commodity rates. These latter rates, at their average distance from Pueblo, are related to the column 32½ basis. In summary, it is correct to say that in those portions of Western Trunk Line and Southwestern territories within the distribution area of the Colorado Fuel and Iron Corporation as shown in Section B, almost all interstate movements of steel products are at the fifth class rate or at closely related rates, chiefly 32½ per cent of first class.

The discussion which follows analyzes the retarding effect of the class rate structure upon the east-bound selling efforts of the Colorado Fuel and Iron Corporation. The fifth class rates are used in the computations, in order to have a uniform basis for calculation.

The retarding and prejudicial effect of the present class rate structure upon eastward selling by the Colorado Fuel and Iron Corporation can be estimated by a sampling process.

The reasons why the present class rate structure penalizes the Colorado Fuel and Iron Corporation is because it causes it to pay relatively more for the same distance than has to be paid from an eastern origin to the same destina- [fol. 1589] tion point. The class rate structure is equally responsible whether the steel moves at the full fifth class rate or at 32½ per cent of first class. As a matter of fact, the Colorado Fuel and Iron Corporation pays the full fifth class rate from its mills at Pueblo, Colorado, on most of its shipments to an area in northwestern Oklahoma and Texas that is larger than the six New England states put together.

Section C compares the fifth class rate from Minnequa east-bound and from Chicago or Birmingham westbound to destinations in Nebraska, Kansas, Oklahoma and Texas. This exhibit is a representative sample despite its small number of examples. An increased number of examples should yield approximately the same conclusions.

Section C is in three parts. Page 1 shows the fifth class rates from Pueblo, Colorado, and Chicago, Illinois, to ten destinations in Kansas and Nebraska. Both from Pueblo, eastbound, and from Chicago, westbound, the actual fifth class rate, including the 10 per cent increase of Ex Parte 123, is compared with the Western Trunk Line basic scale fifth class rate. This permits a measure of the amount and per cent of differential in each rate, varying according to the miles traversed through Zones 1, 2 or 3.

To Scott City, Kansas, for example, the eastbound rate from Pueblo works out at 54.4 per cent of the first class rate of the Western Trunk Line basic scale. From Chicago, [fol. 1590] westbound to Scott City the actual fifth class rate is 48.2 per cent of W.T.L. basic first class. Both the eastbound rate from Pueblo and the westbound rate from Chicago contain differential, but there is more in the Pueblo to Scott City rate. As shown in column 5 of the table, the fifth class rate from Pueblo would have to be reduced from the present 48 cents down to 42 cents per hundred pounds, to equalize it with the Chicago to Scott City rate in per cent of differential. The eastbound Pueblo rate carries an extra differential of 13.1 per cent, as shown in column 6, or of 6 cents per hundred pounds, as shown in column 7, compared with the Chicago to Scott City westbound rate.

This added penalty against the eastbound shipper from Colorado, over and above the differential zones, is the reason why the Colorado Fuel and Iron Corporation is unable to distribute its products in peace-time east of the Missouri River.

Almost exactly midway between Pueblo and Chicago is David City, a few miles west of Omaha and Lincoln, Nebraska. To this midway point, the rate from Pueblo is 78 cents per hundred pounds. This is 13 cents per hundred pounds, or 20.0 per cent higher than the westbound rate from Chicago.

At Omaha, Nebraska an important Missouri River point, the penalty against Pueblo is 23.4 per cent or 16 cents per hundred pounds. At Kansas City, Missouri-Kansas, the [fol. 1591] penalty against Pueblo is 25.6 per cent or 17 cents per hundred pounds. I emphasize again that this handicap is solely due to the method of construction of the eastbound class rates.

Chicago is the most important point for steel production, not only in Western Trunk Line territory, but also in the northern part of Southwestern territory. Chicago's base price, plus the carload rate of freight from Chicago, determines the delivered price of steel throughout this area.

Page 2 of Section C shows the fifth class rates from Pueblo, Colorado and Chicago, Illinois, to ten points in Southwestern territory, on and north of the Amarillo-Memphis line of the Chicago, Rock Island and Pacific Railroad. Since Southwestern territory is on a zone 3 basis, the rate from Chicago rises through several zones, just as in Western Trunk Line territory.

At Vinita, Oklahoma, Chicago and Pueblo are equidistant. The penalty against steel originating at Pueblo, as compared to Chicago steel is 18.4 per cent or 13 cents per hundred pounds at this point. This penalty is due solely to the method of construction of the present class rates. At Oklahoma City the penalty against Pueblo steel is 9 cents, at Tulsa is 12 cents and at Muskogee is 11 cents per hundred pounds.

As shown on page 1 of Section C, the average penalty imposed by the class rate structure to ten points in Western [fol. 1592] Trunk Line territory against Pueblo, Colorado, compared with Chicago, Illinois, is 17.2 per cent or 11 cents per hundred pounds. In the northern part of Southwestern territory, shown on page 2 of Exhibit C, the average penalty against Pueblo is 13.0 per cent or 9 cents per hundred pounds, as compared to Chicago.

Throughout most of Southwestern territory south of the Amarillo-Memphis line of the Chicago, Rock Island and Pacific Railroad, Birmingham is nearer than Chicago. In this area, comprising part of Oklahoma and nearly all of Texas, the price of steel is chiefly determined by the base price at Birmingham, Alabama, plus the carload rail rate of freight from Birmingham to the Southwestern destinations.

Since Southwestern class rates are on a zone 3 basis, there is less of a penalty from Pueblo eastbound or advantage from Birmingham westbound. At a midway point such as Fort Worth and Dallas combined, the penalty against Pueblo is only 3 cents per hundred pounds. This is shown on page 3 of Section C.

The prejudicial effect of the present class rates could be largely eliminated, if the destination level of rate-making rule were in effect.

The higher class rate structure, destination and distance considered, that now applies eastbound from Colorado to points in Western Trunk Line territory, and also to the [fol. 1593] northern part of Southwestern ~~territory~~, as compared to that from competitive eastern origins is due to the addition of differentials to the class rate scales, from east towards the west. In general it is true that the farther towards the west, the greater the differential above the Official territory class rates. It follows that anyone wishing to ship east on the class rates, from Western Trunk Line origins west of the Missouri River stands on a high hill of zones of differential. This penalty quickly checks the selling efforts of such a concern as the Colorado Fuel and Iron Corporation, eastbound into Western Trunk Line territory and into the northern part of Southwestern territory.

Acceptance by the Interstate Commerce Commission of the so-called "destination level" rule of rate-making would go far towards curing this present penalty situation in the Western Trunk Line and Southwestern class rate structure. Specifically, I recommend that the rule, as proposed by J. Haden Alldredge, Principal Transportation Economist, and now a member of the Interstate Commerce Commission, be approved with proper modifications. As originally suggested by Mr. Alldredge in T. V. A. report to Congress, June 7, 1937, it reads as follows:

"Suggestion No. 1—Establish a definite rule to the effect that interterritorial rates (a) shall be governed by the same freight classification as that which governs the rates in the [fol. 1594] territory of destination, and (b) that the level of interterritorial rates shall not exceed, distance considered, the level of rates in force and effect in such destination territory." Source: 75th Congress, 1st Session, House Doc. 264, page 65.

It will be noted that the destination level suggestion, as made by Commissioner Alldredge and quoted above, applied only between territories. My request and suggestion is that it also be applied between the several zones of the Western Trunk Line and Southwestern class rates. In this way the differentially higher western rates can be retained on westbound traffic, without penalizing such western concerns as the Colorado Fuel and Iron Corporation, which desires and needs to ship more extensively to eastern destinations.

In Section C, the fifth column of all three pages, I have shown the results upon the actual fifth class rate from Pueblo of adjustment to the destination level basis using Chicago or Birmingham as the origin point. There are, of course, other methods of applying the destination basis rule. I am not appearing here in favor of any one method but rather in favor of the general principle. It is unfair to the Colorado Fuel and Iron Corporation, and it hinders and retards its eastbound selling efforts, to continue the present method of charging a higher class rate eastbound than is charged westbound to the same destination. The [fol. 1595] present method of computation of class rates treats the Pueblo steel mill like a step-child.

A uniform system of classification is a logical next step, if the free movement of commerce eastbound is not to continue to be hampered and retarded by the class rate structure.

The Colorado Fuel and Iron Corporation is a producer of shell body forgings which have been sold direct to the government and shipped on government bills of lading. Recently sales have been made directly to the machine shops producing the finished shells, on a FOB destination basis, and shipped on commercial bills of lading. This change has brought us face to face with the situation outlined in Section D, showing the rates and classification on projectile parts from Pueblo, Colorado and Pittsburgh, Pennsylvania to Omaha, Nebraska and to Chicago, Illinois.

In shipping this necessary war material eastbound, the Colorado Fuel and Iron Corporation is forced by the present class rate structure to absorb two types of penalty, due solely to its western location. First is the penalty due to the differential zone system of Western Trunk Line class rates. This is so great that Pittsburgh can ship fifty per cent farther than Pueblo. The class 45 rate from Pittsburgh, Pennsylvania, for 922 westbound miles is actually less than the same class 45 rate for 601 eastbound miles from [fol. 1596] Pueblo, Colorado to the same destination, that is, Omaha, Nebraska.

The second penalty levied against the Pueblo shipper of projectile parts is due to the difference in classification, class A, or 45 per cent of first class in the Western Classification and class 40 in the Official Classification. The Colorado shipper must pay class 45 to Chicago, Illinois whereas the Pittsburgh shipper of projectile parts pays only class 40. The inequity of thus penalizing an industry simply because of its western location is apparent, and needs no further comment.

Removal of this prejudicial situation requires more than publication of the destination level rule. It is necessary also for the Interstate Commerce Commission to require a uniform system of classification throughout our country. As the western United States becomes industrialized it will ship new commodities. It is unfair for a western-located industry to have to wait until the problem arises only to discover that variations in classification impose an extra and unexpected handicap. The Commission should require uniformity of classification, so as to eliminate such potential penalties against such concerns as the Colorado Fuel and Iron Corporation.

The Interstate Commerce Commission should prescribe a formula, to prevent excessive additions to class rates as a result of ex parte general rate increases.

[fol. 1597] West of the Missouri River and of Central Texas and Oklahoma is the vast western plain that has been called the region of "magnificent distances". In this area, both because of the great distances and because of the method of zones of differential added to the class rates, the effect of percentage increases in freight rates is unfair and harmful.

Section E contrasts the first class rates from Chicago, Illinois, and Pueblo, Colorado, to the equidistant point of David City, Nebraska. As originally prescribed by the Interstate Commerce Commission the westbound first class rate from Chicago to David City contained 23 cents per hundred pounds of zone 1 and zone 2 differential. The eastbound first class rate for the same distance, from Pueblo to David City contained 55 cents per hundred pounds of zone 3 and zone 2 differential.

Ex Parte 123 increased the amount of westbound differential 3 cents, but eastbound differental went up 6 cents. Ex Parte 148 brought these figures up to 4 cents and 9 cents. The effect of percentages has increased the penalty against eastbound traffic, in the first class rates, from 32 cents to 37 cents per hundred pounds. This percentage type of penalty is unfair and prejudicial to the eastbound shipper, such as the Colorado Fuel and Iron Corporation.

On December 30, 1941, the Rocky Mountain Association of [fol. 1598] Distributors, A. M. Hays, Secretary and Registered Practitioner, filed with the Interstate Commerce Commission its complaint in the General Rate Increase Ex Parte 148 proceedings. This complaint protested any additional increase in rates as a prejudicial further burden upon the distributors of iron and steel articles in Colorado Common Point territory. One of the grounds for this complaint was the effect of percentages on the class 32½ rate from Chicago to Colorado.

On April 22, 1942, I appeared before the committee of railroad executives appointed by the carriers in accordance with their announcement at the Ex Parte 148 hearing. I pointed out the additional penalty which had been placed upon both the Colorado Fuel and Iron Corporation and the Colorado distributors of iron and steel articles. I requested equalization of the percentage increases, in Western Trunk Line and Southwestern territories, of both the ex parte 123 and ex parte 148 rate orders. My request, as docketed, was subsequently denied by this committee, as well as by the Western Trunk Line and Southwestern traffic committees.

I now request that the Interstate Commerce Commission, in reviewing and correcting the defects of the present Western Trunk Line and Southwestern class rate structure, include in its findings instructions to the carriers to eliminate the additional penalty caused by the effect of percentage increases in freight rate. I leave to the Interstate Com- [fol. 1599] merce Commission and the carriers formulation of the proper method by which to accomplish this necessary equalization.

It is my carefully considered opinion that the Colorado Fuel and Iron Corporation would not be aided by complete abolition of the present class rate differentials.

I believe in evolution, of the Western Trunk Line and Southwestern class rate structure. Revolution is dislocating and damaging in unforeseen directions. I do not favor going at once from the present system to a uniform set of class rates applying from the Rocky Mountains to the Gulf, the Great Lakes and the Atlantic. Such action would cut western railroad revenue too suddenly. Furthermore, the Colorado Fuel and Iron Corporation would suffer losses through forced reduction of selling prices without corresponding gain in sales volume. I favor and request the Interstate Commerce Commission to modify and improve the present Western Trunk Line and Southwestern class rate structure, as the logical next step towards national uniformity.

I have studied with great interest the thoughtful report prepared by C. C. Jensen entitled "Some Suggestions for Improvements in Railroad Class Rates". This is a part of the record in this present proceedings. I will comment upon one point only, namely the method of construction of the differential zones. In Appendix one of the Jensen report, on pages 2 and 3, I find four zones proposed, each [fol. 1600] to contain 10 per cent of differential instead of the present 15 per cent for each zone.

The Jensen report implies that there should continue to be zones 1, 2 and 3 of differential in Western Trunk Line territory and Zone 3 in Southwestern territory. Zone 3, however, is proposed to have only 30 per cent of differential, rather than 45 per cent, as at present.

I wish to point out that substantially the same result could be obtained, by abolishing the present zone 3, and permitting the present zone 2 rates, containing 30 of differential to extend from the Missouri River west to the Rock Mountains and southwest throughout Southwestern territory. This would reduce the complications and penalties of the present class rate structure very substantially. It would be a step towards simplification of class rates, and fairer treatment of the Colorado Fuel and Iron Corporation in its efforts to develop its eastbound business.

I note that the Jensen report implies the continuance of zone 4, with its excessive penalty against western business enterprises, such as the Colorado Fuel & Iron Corporation.

I urge that zone 4 be discontinued, by specific order of the Interstate Commerce Commission. It has been voluntarily abandoned by the railroads, in both Wyoming and Texas. Its continuance in the tariffs encourages those who dislike to see western industry develop to use it as an argument [fol. 1601] or a threat. They can say, in effect, that western industry has been accustomed to "living on straw", and should not be permitted a more attractive menu.

To sum up, the Colorado Fuel and Iron Corporation offers these constructive criticisms of the present Western Trunk Line and Southwestern class rates in a spirit of helpfulness. The present class rate structure has been outgrown. It is my hope that the Interstate Commerce Commission will order suitable modifications and improvements, as the outcome of this proceeding.

By Chairman Aitchison:

Q. The exhibit which has been marked for identification as No. 82 is true and correct, is it?

A. Yes, sir.

Q. The sources of information are shown on the exhibit?

A. Yes, sir.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit 82? (No response.) Without objection it is received.

(Exhibit No. 82, Witness Plowman, received in evidence.)

Chairman Aitchison: Is there any cross-examination? (No response.) There seems to be none. You are excused.

The Witness: Thank you very much.

(Witness excused.)

Chairman Aitchison: You may proceed, Mr. Norman.

[fol. 1602] Mr. Norman: Call Mr. O. G. Edwards.

Chairman Aitchison: Raise your right hand and be sworn.

O. G. **Edwards** was sworn and testified as follows:

Direct Examination.

By Mr. Norman:

Q. Will you state your full name and place of residence for the record, please, Mr. Edwards?

A. O. G. Edwards, Birmingham, Alabama.

Q. With what company are you connected and in what capacity?

A. With the Perfection Mattress & Spring Company as comptroller.

Q. Where is that company located?

A. Birmingham, Alabama.

Q. What are your duties in the position of comptroller?

A. Generally the supervision of disbursements, payrolls and costs.

Q. In what business is the Perfection Mattress & Spring Company engaged?

A. The manufacture and distributing of household furniture.

Q. How long has it been so engaged?

A. Since 1898.

Q. State the approximate annual output of your company.

A. Well over one and a quarter million dollars.

Q. Describe the materials which the company uses in manufacturing its products.

[fol. 1603] A. Cotton and linters; ticking; inner spring units; burlap; sisal; cartons; lumber; wire; angles; bands; hinges; sheets; steel tubing; paints, and so forth.

Q. From what points are those materials obtained?

A. Cotton and linters from Alabama and Ohio. Ticking from New Hampshire, New York, Massachusetts, Georgia and Alabama. Inner spring units from Holland, Michigan, Detroit and Chicago. Burlap from New Orleans and San Francisco. Sisal from St. Louis. Wire from Chicago, Youngstown, Peoria, Atlanta and Birmingham. Cartons, lumber, steel angles and bands from Alabama. Hinges from Chicago. Steel sheets from Ohio and Alabama. Steel tubing from Ohio. Paints and varnishes from Detroit, Chattanooga and Chicago. Bags from St. Louis.

Q. About what part of your raw materials are obtained from points in Official territory?

A. About 34 per cent.

Q. Prior to the time of the present emergency, to what states did you ship your products?

A. Georgia, Florida, Tennessee, North Carolina, South Carolina, Mississippi, Louisiana, Texas and Alabama.

Q. Were you distributing your products in these states in 1941?

A. Yes.

Q. Are the products which you manufacture and sell of such character as will be used by people generally in all [fol. 1604] sections of the United States?

A. Yes.

Q. Are such products of a grade and type as to make them attractive to a large number of buyers or are they confined to a small number of buyers?

A. They are of such character and type that would make them attractive to a large number of buyers in the territory where they had opportunity to buy.

Q. Did you state how long your company had been engaged in its present business of manufacturing and distributing?

A. About 44 years.

Q. Has your company advertised its product in a wide area, and if so, by what methods?

A. Yes. By newspaper, magazine, radio, direct mail, catalogs, folders, calendars, pencils, yardsticks, and so forth.

Q. Has your company distributed its products in any states in Official territory?

A. No.

Q. Why not?

A. Because of the freight rate structure.

Q. Please state where your principal competitors are located.

A. Louisville. Indianapolis. Cincinnati. Bradford, Illinois. Evansville. Muncie, Indiana. Chicago.

Q. You have referred to your freight rate disadvantage.

A. Yes.

[fol. 1605] Q. Have you prepared two exhibits, or had them prepared, to be filed in this proceeding?

A. Yes.

Mr. Norman: If the Chairman please, we ask to have marked for identification the exhibit entitled "Rates on furniture, L.C.L. from Chicago, Illinois", and so forth.

Chairman Aitchison: It may be marked for identification as exhibit No. 83.

(Exhibit No. 83, Witness Edwards, marked for identification.)

By Mr. Norman:

Q. I will ask you to refer to exhibit No. 83 for identificatioon, Mr. Edwards.

A. Yes.

Q. State briefly what that exhibits shows.

A. It shows the present rates on furniture in less than carload quantities from Chicago, Illinois to points in North Carolina as compared with rates based on the Southern territory level. To illustrate, take the first item: To Charlotte, the present rate from Chicago is $1.46, whereas the Southern territory level for the same distance is $1.60 and so on as to the other points shown.

Q. Is that merely illustrative?

A. That is correct.

Q. That is to illustrate the conditions on which you compete with your competitors located in Chicago for business [fol. 1606] in the Carolinas?

A. That is correct.

Chairman Aitchison: This does not show his rates, does it?

Mr. Norman: Yes, it does, in the disadvantage column, as I understand it.

Chairman Aitchison: That is what I would like to know.

By Chairman Aitchison:

Q. Are those the rates from Birmingham or are they rates for equal mileage?

A. Rates for equal mileage. The distance from Birmingham to Charlotte is not exactly the same as from Chicago to Charlotte.

By Mr. Norman:

Q. That shows what your rates would be if they were on the same scale as the rates from Chicago?

A. For the same distance, yes.

Chairman Aitchison: No, it does not. It shows what the rates would be if they were the same distance from Chicago.

Mr. Norman: That is what I said, is it not?
Chairman Aitchison: No.
Mr. Norman: No. It is not the same thing. You are right.
Chairman Aitchison: Proceed.
Mr. Norman: We will ask to have this second exhibit marked for identification as No. 84.
Chairman Aitchison: It may be so marked.

[fol. 1607] (Exhibit No. 84, Witness Edwards, marked for identification.)

By Mr. Norman:

Q. Take your exhibit No. 84, please, Mr. Edwards, and state briefly what it shows.
A. This is a comparison of rates on furniture from Birmingham, Alabama and Chicago to destinations in Official territory and the rates that would apply by applying this Official territory level from Birmingham.
Q. Take St. Louis, for example, and take furniture rated first class or higher.
A. Yes.
Q. What is the rate from Birmingham, Alabama?
A. $1.74.
Q. What would that rate be if you had the Official territory level?
A. $1.19.
Q. Have you been able to compete in that territory under that rate adjustment?
A. No.
Q. You have not shipped there at all?
A. No. We have not shipped there at all.

Mr. Norman: I believe that is all. You may ask him.
Chairman Aitchison: Do you offer your exhibits?
Mr. Norman: I offer in evidence exhibits Nos. 83 and 84, Mr. Chairman.
[fol. 1608] Chairman Aitchison: Is there any objection to the receipt in evidence of exhibits 83 and 84? (No response.) They are received.

(Exhibits Nos. 83 and 84, Witness Edwards, received in evidence.)

Chairman Aitchison: Is there any cross-examination?

Mr. Gwathmey: I have one or two questions.

Chairman Aitchison: Mr. Gwathmey.

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Edwards, I believe you stated that your company does an annual business of about one and a quarter million dollars, is that correct?

A. That is correct.

Q. How would that compare with the volume of your business, say, ten years ago?

A. I do not have those figures with me, Mr. Gwathmey.

Q. Has the volume of your business shown any increase from year to year over a period of years?

A. It has, since the bottom of the depression, yes.

Q. Has that growth been fairly steady and regular?

A. No.

Q. Is your business today twice as great as it was ten years ago?

A. In 1932?

Q. Along during that period.

[fol. 1609] A. Yes. Our business is quite substantially greater.

Q. On what railroad are you located?

A. We are located on several railroads. Birmingham is a railroad center. We have a number of railroads going through Birmingham.

Q. Have you at any time complained to the railroads about your freight rates to points in the north?

A. Directly?

Q. Yes.

A. No.

Q. Have you ever filed a complaint with the Interstate Commerce Commission about them?

A. No.

Q. Were any of your commodities included in the proceeding known as the Southern Governors' case decided by the Commission several years ago?

A. I am not familiar with the details of that.

Q. Your company was not a party to that proceeding, I take it?

A. I think not.

Q. To what territory do you distribute the greater part of your output?

A. Southern territory.

Q. Do you compete in that territory with Southern manufacturers?

A. Yes.

[fol. 1610] Q. Where are they located?

A. Atlanta, Georgia, New Orleans, Louisiana, Nashville, Tennessee and Memphis, Tennessee.

Q. If your class rates should be reduced to the North, would you be willing to have a reduction made in the rates on your inbound raw materials from points in the South?

Mr. Norman: Do you mean an increase?

Mr. Gwathmey: An increase, I mean.

The Witness: May I have the question again?

Chairman Aitchison: Read the question.

(Question read.)

A. If that was necessary.

Mr. Gwathmey: Thank you.

Mr. Norman: Unless there is further cross-examination, that is all.

Chairman Aitchison: Is there any further cross-examination?

Mr. McCollester: I have a few questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Edwards, is it not a fact that all of your products move on exceptions to the classification?

A. I am not a freight rate expert. I am not qualified to answer that question.

Q. Now, you have identified two exhibits, numbers 83 and 84.

A. Yes.

[fol. 1611] Q. Are you prepared to say or not prepared to say whether or not there are general exceptions applying within the South and interterritorially on furniture?

A. I am not familiar with that. These exhibits, I might say, were prepared by Mr. Hart.

Mr. Norman: Mr. Hart is here; if you want to examine him, we will present him.

By Mr. McCollester:

Q. Is your furniture wooden furniture, mostly?

A. Wooden mostly, and combination.

Q. Among your competitors, do you compete with a concern at High Point?

A. I do not recall any outstanding competitor at High Point.

Q. Chattanooga?

A. Yes.

Q. What is your principal furniture line, high class or low class furniture?

A. We carry a fairly complete line of bedding and mattress springs and pads, studio couches, bedroom suites, dining room and kitchen furniture. A general line.

Q. Both what might be called high grade and low grade?

A. I presume so.

Q. Take a bedroom suite: At what margin of profit do you feel that you have to sell?

A. Gross or net, or what type of profit?

[fol. 1612] Q. I will let you figure it.

A. F. O. B. Birmingham or delivered?

Q. Either one.

A. We endeavor to get a margin of profit of from fifteen to twenty per cent.

Q. Can you reduce that for me—that is F. O. B. your plant, is that right?

A. Yes.

Q. Can you reduce that for me to cents per hundred pounds on a bedroom suite, we will say?

A. They vary in weights depending upon the styles, from 250 to 500 pounds and in price from $40, we will say, to about $150.

Q. On a $40 suite, what measure of profit in dollars or in cents per hundred pounds would you require?

Mr. Norman: Mr. Chairman, I want to object to this line of questioning. The witness has not testified about that on direct. That is certainly a business secret of his. I do not think Mr. McCollester has a right to inquire about it.

Chairman Aitchison: It seems a little remote, Mr. McCollester.

Mr. McCollester: I beg your pardon?

Chairman Aitchison: It seems a little remote.

Mr. McCollester: Mr. Chairman, you will recall the witness testified he could not sell in the North because of [fol. 1613] the freight rate level. Now, I want to find out how much difference in freight rate level prevents him from selling. I believe that it can be demonstrated that even if his rates were put on the Northern level, either he could sell or he could not. In other words, the freight rate level does not make any difference to him. I think I am entitled to question him with respect to it or else have his direct statement stricken from the record.

Chairman Aitchison: The question of the reasonableness of the rates does not depend upon the amount of profit a man is able to get out of it.

Mr. McCollester: I thought the reasonableness of the freight rates—or at least, I understand it was the contention of the complainants that it depended upon ability to compete.

Chairman Aitchison: Ability to compete would be dependent upon freight rates. We do not care to go into the question of profits.

Mr. McCollester: Does the Commission not care to go into the question of whether he can absorb differences in freight rates or not?

Chairman Aitchison: We would have to follow that through, then, if we are going to do that, and take up his raw material prices and determine whether they are reasonable or exorbitant, how much the man who supplies [fol. 1614] the raw material can afford to sell it for, what the wages are, the efficiency of labor and all that sort of thing, and we are not going to do that.

Mr. McCollester: Then, Mr. Chairman, I move to strike his direct statement——

Chairman Aitchison: Motion denied.

Mr. McCollester: —to the effect—exception, please.

Chairman Aitchison: An exception is not necessary under the new rules of practice, Mr. McCollester.

Mr. McCollester: I do not know that it is forbidden, Mr. Chairman.

Chairman Aitchison: Is there any further cross-examination of Mr. Edwards? (No response.) Have you any other questions, Mr. Norman?

Mr. Norman: That is all, Mr. Chairman.
Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.
Mr. Norman: Mr. Settles.
Chairman Aitchison: Raise your right hand and be sworn.

R. T. Settles was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Will you state your full name, residence and occupation for the record, please, Mr. Settles?
[fol. 1615] A. My name is R. T. Settles, residence, Chattanooga, Tennessee. I am treasurer of the Chattanooga Glass Company.
Q. In what business is that company engaged?
A. The manufacture of glass bottles.
Q. At Chattanooga, Tennessee?
A. That is right.
Q. How long has it been so engaged at that point?
A. Since 1901.
Q. For what purposes are those bottles used?
A. They are used for the—our output goes primarily to the carbonated beverage industry, but we also manufacture some jars for medicines and other miscellaneous items.
Q. What is the approximate capacity of your plant?
A. Our capacity today is approximately 11 carloads of bottles daily.
Q. Eleven carloads a day?
A. Yes.
Q. Do you ordinarily operate at capacity?
A. We have up until recent months operated possibly on the basis of some 8 cars.
Q. Per day?
A. Per day.
Q. Where are your principal markets?
A. Of course we would like to think our best market is in the Southeast. However, we go into Central Freight

[fol. 1616] Association territory to dispose of some of our tonnage.

Q. Where are your principal competitors located?

A. They are located in Central Freight Association territory.

Q. Any points in Illinois?

A. I think that Streator and Charleston would be representative, Streator, Illinois and Charleston, West Virginia. They would be representative producing points.

Q. Do they compete with you in the Southeast as well as in Official territory?

A. Yes, sir.

Q. Have you had prepared an exhibit which shows your rates to Official territory compared with what they would be on the Official territory scale and also the rates from Streator, Illinois to certain destinations?

A. Yes, sir.

Mr. Norman: I will ask that that be marked for identification as exhibit No. 85, Mr. Chairman.

Chairman Aitchison: It may be so marked.

(Exhibit No. 85, Witness Settles, marked for identification.)

By Mr. Norman:

Q. Now, suppose we take Indianapolis as a representative point. State what this exhibit shows as to your rate.

A. It shows the distance from Chattanooga to be 422 miles. It shows our regular classification to be 7th class, [fol. 1617] producing a rate of 57 cents, but by reason of a combination rate, we have a rate of 54 cents. At 27½ per cent of Docket 15879, if that were applicable, we would have a rate of 31 cents.

Q. How is the combination rate constructed?

A. It is based on a commodity rate to Cincinnati gateway and 27½ per cent of first class from there to destination.

Q. There is a commodity rate established by the Southern carriers for you?

A. Yes.

Q. To the Ohio River?

A. Yes.

Q. Mr. Settles, have you ever made any effort to get relief from the situation shown by this exhibit, or get rates on an equality with your competitors?

A. Yes. We have talked to the carriers quite a great deal about it and have made some effort to get rates on the same basis.

Q. Have you met with any success?

A. No, sir. We have, of course, gotten this combination rate which they tell us is the best they can do.

Q. Do you know whether or not the Southern carriers have tried to establish the Official basis for you?

A. It is my understanding that they have tried to get better rates, but that they have been unable to do so because they could not get the cooperation of connecting carriers.

[fol. 1618] Q. Have you anything further you want to add?

A. I do not think so.

Q. You are trying to get that situation remedied here, are you?

A. Yes, sir.

Mr. Norman: You may ask him.

Chairman Aitchison: Do you offer this exhibit?

Mr. Norman: I offer in evidence exhibit No. 85, if the Chairman please.

Chairman Aitchison: Without objection, it is received.

(Exhibit 85, Witness Settles, received in evidence.)

Chairman Aitchison: Is there any cross-examination?

Mr. Gwathmey: Just one or two questions.

Chairman Aitchison: Mr. Gwathmey.

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Settles, does your company do any business in the territory west of the Mississippi River?

A. Yes. We ship into the states east of the Rockies.

Q. Approximately what proportion of your total output goes to that territory?

A. I would not be able to state that. We have to be more or less particular with our customers when we go outside of the South. In other words, we just offer a limited amount of tonnage.

[fol. 1619] Q. Do you distribute generally throughout the territory, the Western territory?

A. We travel it, yes, sir.

Q. Approximately how much of your business have you been doing in the North, in a general way?

A. Well, I could not give you those figures. However, if it is germane, I would be very glad to submit——

Q. No. I am not asking you for figures. Do you do as much as one-third or one-half of your business in the North?

A. If I were to make a rough guess, I would say 25 per cent.

Q. Has your movement to this Western territory increased in recent years?

A. Well, yes. We formerly confined all of our operations to the Southeast.

Q. Now you have extended over into the West, is that it?

A. Yes.

Mr. Gwathmey: That is all.

Mr. Norman: And North?

The Witness: And North.

Chairman Aitchison: Is there any further cross-examination? (No response.) Apparently not. You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Norman: Dr. Lane Mitchell.

Chairman Aitchison: Raise your right hand and be sworn.

[fol. 1620] LANE MITCHELL was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Will you state your name, residence, and occupation for the record, please, Dr. Mitchell?

A. My name is Lane Mitchell. I live at Atlanta, Georgia. I am Professor of Ceramics Engineering at the Georgia School of Technology and the head of the department.

Q. How long have you held that position?

A. I have been head of the department for the past year and have been connected with Georgia Tech for six years.

Q. What other experience have you had?

A. For two years I was Assistant State Geologist of the State of Georgia.

Q. What is meant by "ceramics"?

A. By "ceramics" we mean to include all of those fields of endeavor processing non-metallic minerals into products at temperatures above a red heat. All products made by high temperature treatment are either mineral products or ceramic products.

Q. Will you name some such products?

A. All of the clay products. White ware. Crockery. Sanitary ware. Electrical porcelain. All of the glass products. All of the abrasive products that use high temperature in their processing. The refractories industry. Products [fol. 1621] made by coating metals with a vitreous glaze called the enamel industry. All of those are ceramic products.

Q. What are the basic raw materials?

A. The basic raw materials of the clay products industry are clay. In the white ware industry they are kaolin or china clay, ball clay, feldspar and flint. They are the basic raw materials. There may be others, but they are the primary ones.

Q. What deposits of these materials are there in the South?

A. The state of Georgia has the largest known deposit of white clay in the world. This deposit extends across the state of Georgia in a band approximately 30 miles wide and for about 100 miles. It dips over into Alabama on the west and over into South Carolina on the east. Feldspar is produced in North Carolina and Virginia. The largest operations of the feldspar industry are in this territory. The ball clay that is mined in the United States is almost entirely mined in the states of Kentucky and Tennessee. The flint which goes into the ceramic products is mined largely in the South but also in other sections of the country.

Q. What products from those deposits are now produced in the South?

A. If we were to take the white ware industry as an example, there is a white dinnerware plant at Erwin, Tennessee. There is a pottery plant at Atlanta, Georgia. There [fol. 1622] is an electrical porcelain plant at Knoxville, Tennessee. There is a Whitewall tire plant at Macon, Georgia. As far as I know there is no other large producer or average sized producer of white ware in the South.

Q. What products produced from these deposits are not now produced in the South?

A. As far as I know there is no hotel china produced in the South. So far as I know there is no vitreous sanitary ware produced in the South. There is certainly a lack of fulfilling the needs in the dinnerware field in the South, although we have one plant which I spoke of. There is certainly a lack of fulfilling the needs of the South in the matter of electrical porcelain, although there is the one plant I spoke of. There is certainly a lack of fulfilling the needs in the Whitewall tire field in the South, although there is the one plant I spoke of.

Q. Where are these commodities manufactured?

A. These products are at present manufactured in the North, in a band spreading from Ohio across Pennsylvania, a strip of West Virginia and into New Jersey with the principal centers probably located at Trenton, New Jersey and East Liverpool, Ohio.

Q. Are these minerals, if you can call them such—I believe you did call them minerals.

A. Non-metallic minerals.

[fol. 1623] Q. Are these non-metallic minerals shipped in raw state to any great extent out of the South into the North where they are to be manufactured into the finished products?

A. The South is the country's producer of these materials in the main. The clay of Georgia and South Carolina, Florida and North Carolina is shipped into the North. The ball clay of Tennessee and Kentucky is shipped into the North. The feldspar of North Carolina and Virginia is shipped into the North. The flint of the South is shipped some into the North and some consumed in the South.

Q. After being shipped into the North is it then processed or manufactured into these finished articles you have been talking about?

A. Yes, it is.

Q. Do you know why it is, with these extensive deposits of the raw materials, that this industry has not developed in the South?

A. It is something of a mystery to me why we do not have a flourishing ceramics industry in the South with the great advantages of material, but I presume that some of the reasons why the ceramics industry has not grown in the South is because we lack the head start of establishing an industry which the North had. The industry was established in the North many years ago by potters of foreign origin, and the great centers of the ceramics industry were established [fol. 1624] probably by reason of their common origins and also by reason of markets existing at that time. There was no such service established in the South. Now, the South faces the disadvantage of not having an already going concern in ceramics.

The people of the South are generally impoverished and there is a lack of money to buy the products, although there is no lack of desire to buy them. Therefore a great purchasing power has to be developed in the South. If a plant is established, it has to depend for its early success on the ability to market some in other territories. Therefore, the disadvantage of greater distances to reach existing markets is probably a great concern of people investigating the matter of establishing a plant, and in addition to this there is the added disadvantage of having to ship not only over a great distance, but at a greater rate.

Q. Dr. Mitchell, are those deposits that you have described in the South sufficient to support a large manufacturing industry?

A. The ceramic raw material deposits of the South are sufficient to support the industry of the world for many, many years.

Q. The ceramic industry?

A. That is correct.

Mr. Norman: I believe that is all. You may ask him.

Chairman Aitchison: Is there any cross-examination of [fol. 1625] Dr. Mitchell? (No response.) There seems to be no cross-examination. You are excused.

(Witness excused.)

Mr. Norman: Mr. Chairman, I have introduced, as you know, a number of these shipper witnesses, more to show the actual disadvantage which they personally encounter in this rate adjustment, and of course, could have gotten many more of them, but I think this is sufficient to illustrate the purpose. I have one other witness somewhat along that line who will deal with the manufacturing industry in the South as a whole. He will be present tomorrow. It may be possible that at the adjourned hearing in Columbus I may want to present one or two others; but for the present, at least, we are resting as to those witnesses, and will now call Mr. Saunders, a cost accountant.

Chairman Aitchison: Before you do that, we will take a short recess.

(A short recess was taken.)

[fol. 1626] Chairman Aitchison: Come to order, please, gentlemen. You may call your next witness, Mr. Norman.

Mr. Norman: Be sworn, please, Mr. Saunders.

Chairman Aitchison: Raise your right hand.

HENRY J. SAUNDERS was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Mr. Saunders, will you state your full name, residence and occupation for the record.

A. Henry J. Saunders, Consulting Engineer and accounting and statistical analyst, residence, Washington.

Q. Washington, D. C.?

A. Washington, D. C., yes, sir.

Q. Please outline your educational training and professional experience.

A. My experience covers a period of 43 years beginning in 1899. I am a graduate with two engineering degrees from the University of Wisconsin. From 1899 until 1914 my experience was with the Union Pacific Railroad, The United States Reclamation Service and with several engineering companies such as Ford, Bacon and Davis, and the Arnold Company of Chicago. This latter work was largely on irrigation projects covering heavy construction.

In July, 1914 I entered the service of The Interstate Commerce Commission Bureau of Valuation as office engineer [fol. 1627] at San Francisco handling the valuation of railroads in the so-called Pacific District. I later became supervising engineer and in 1921 when the five districts were consolidated I came to Washington as Assistant Supervising Engineer. I was engaged in that capacity until 1928 when I left the commission to engage in private practice. While with the commission I had charge of the cost section of the Bureau of Valuation, and during the period from about 1922 to 1928 when valuation hearings were held I appeared as the Bureau's witness in over one-hundred cases. I was assigned to many special cases such as Docket 15100 "Depreciation Charges of Railroad Companies".

Since 1928 when I entered private practice I have been engaged in valuation cases before United States and State courts, the Interstate Commerce Commission and many of the State Commissions and Boards.

In addition to valuation of various utilities, I have appeared for many organizations in the capacity of accounting and statistical analyst where I have presented studies of costs and other statistical matters. Among many of the larger organizations and government agencies who I have represented, are the U. S. War Department, The Tennessee Valley Authority, State Commissions in the states of Virginia, Florida, North and South Carolina and the District of Columbia, various large packers, coal organizations, lum- [fol. 1628] ber organizations, cotton interests and others. I have represented such large cities as New York, Pittsburgh and Miami, Florida, I have represented steamship lines, air lines, motor carriers and others. I was first retained by the Southern Governors in the so-called Southern Governors' case of 1938 and have represented the Southern Governors' Rate Conference in the present case, Docket 28300, since the beginning. I am a member of the American Society of Civil Engineers, the Washington Society of Engineers, and Chairman of the Committee of the Washington Board of Trade known as The Public Utilities and Transportation Committee.

Q. Now, Mr. Saunders, in connection with your preparation to testify in this case, have you examined the exhibits and testimony of Dr. Ford K. Edwards, already presented in this case?

A. I have, yes, sir.

Q. Have you prepared an exhibit for introduction in this case?

A. Yes, sir, I have.

Mr. Norman: If the Chairman please, I ask that that be marked for identification as exhibit No. 86.

Chairman Aitchison: It may be marked for identification as exhibit No. 86.

(Exhibit No. 86, Witness Saunders, marked for identification.)

[fol. 1629] Mr. Norman: Dr. Saunders also has another exhibit, Mr. Chairman, a small two-page exhibit, which we will ask to have marked for identification as exhibit No. 87.

Chairman Aitchison: It may be marked for identification as exhibit No. 87.

(Exhibit No. 87, Witness Saunders, marked for identification.)

By Mr. Norman:

Q. Dr. Saunders, I wish you would please proceed to explain and comment on your exhibit No. 86.

A. As a preliminary explanation, it might be well to say that this exhibit 86 has been prepared prior to the presentation of Dr. Edwards' exhibits Nos. 11, 12 and 13 presented at this hearing. It, therefore, concerns itself with the exhibits offered at St. Louis in July, 1941 and makes no attempt to analyze the present exhibits, 11, 12 and 13.

Each of the larger sheets 11x17" in the exhibit is explained in the exhibit by one or more letter-sized sheets marked with the same number, but just preceding the larger sheet. Little further explanation is needed than that contained in these descriptive sheets. The endeavor has been, however, to set out a comparison with the various territories, and the various groups of costs applicable to these territories. Particular attention has been paid to the Eastern and the Southern comparison.

In every case, the total costs have been used, so that [fol. 1630] if after studying Dr. Edwards' latest exhibit it is desirable to bring in the subject of "out-of-pocket" costs, it will then be necessary to supplement certain of the exhibits.

Q. Do you care to make any further explanation of page 1 of your exhibit?

A. In Dr. Edwards' exhibit No. 3 there is shown the method adopted for separating the aggregate cost into various groups which are later used as the basis for ascertaining the expenses assignable to line haul which are treated as proportional to the length of haul and a second separation to show expenses which are independent of distance; or in other words, the terminal expenses at either origin or destination.

Chairman Aitchison: Just a minute, please, Dr. Saunders.

The Witness: Yes.

Chairman Aitchison: The witness is now reading the exhibit, Mr. Norman. It is not necessary if you are going to offer the exhibit.

By Mr. Norman:

Q. It is really part of the exhibit, is it not, Dr. Saunders?

A. Yes. Each sheet is explained.

Q. You do not care to now add anything to that written explanation?

A. I think not. I had a short paragraph that is not contained in the explanation on sheet 1 for exhibit 1. It would be at the end of the third paragraph on the first page. I [fol. 1631] would say it is true that groups 1, 2, 3 and 5 are applicable to both carload and less than carload freight; but the proportion of the account used depends upon the relative cars handled, the car miles and the gross ton miles of less than carload movement considered with the carload movement. The total operating expenses, taxes and rent, but excluding the rate of return and several smaller items, is $272,091,021 in the South. The carload is $237,584,633 which constitutes 87 per cent of the total. In the East it is 93 per cent.

Q. Have you any further explanation other than that contained in the sheets appended to each sheet of the exhibit?

A. I believe not, no, sir.

Q. Not as to any of them?

A. No, sir.

Q. Now, refer, please, Dr. Saunders, to your exhibit No. 87 for identification which shows operating revenues of certain lines serving the state of Florida and other information.

A. Yes.

Q. What have you to say with reference to that exhibit?

A. I have prepared this exhibit and am introducing same on behalf of the Railroad Commission of Florida and other Florida interests. The exhibit has been taken from the monthly and annual reports of these railways, namely, the Atlantic Coast Line, the Seaboard Air Line and Florida East Coast. It covers a period of five years plus seven [fol. 1632] months in the year 1942.

The rate-making value shown is that prepared by the Commission's Bureau of Valuation and used by Dr. Ford K.

Edwards in his exhibit 3 pertaining to the year 1939. Starting with the 1939 date, the adjustments prior and subsequent to 1939 are those recorded on the basis of changes in the investment account for each of the years. These adjustments are comparatively small when considered wit' the total value. The return on rate-making value is at the rate computed by dividing the net railway operative income by the rate-making value.

It will be noted that the Seaboard Air Line has the highest return, namely 14.03 per cent for the first seven months of 1942. The Florida East Coast has 11.90 per cent and the Atlantic Coast Line 9.91 per cent. In obtaining the return for seven months, the net railway operative income was adjusted so that instead of 7/12 of the year it was increased at the same rate for the additional five months. The figures shown on the exhibit, however, are for the seven months' period. The rapid change from 1941 to the end of July, 1942 is quite noticeable.

Q. What is the purpose of this exhibit?

A. I was requested by the Florida Railroad Commission to prepare for individual roads, these three individual roads, this statement of revenues, expenses, and the other [fol. 1633] items, so that it would not be necessary to take the territorial comparisons which are also shown in detail in Dr. Edwards' exhibits for the purpose of setting up these figures. The Florida Commission wished to have the Coast Line, the Seaboard and the Florida East Coast as separate railroads in an exhibit which could be presented. The 1939 figures will agree with Dr. Edwards' and the other figures are taken from the Commission's annual reports.

Q. You assume, of course, that they expect to use that exhibit in connection with the arbitrary which is now assessed on Florida traffic?

A. Yes. It was thought that this exhibit could be prepared by me and later used by the Florida Commission's representative.

Q. A good deal has been said about the influence of length of haul on these costs. Have you anything to say on that subject?

A. Several of the exhibits contain comparisons and some of the testimony as I recall, refers to the question of costs varying with the length of haul. I took Dr. Edwards' exhibits which show unit costs by railroads and certain of the groups, groups 1, 2 and 3 particularly, and ascertained the proportion of the cost which varied with the length of haul. Using that as one alternate, and the actual recorded average haul for each railroad separately, I was able to [fol. 1634] make a computation which would show the general trend of the groups of railroads in each district with respect to cost and related to the actual haul within each of those territories. For twenty and thirty ton loads, the variations seem to be about the same using the average haul for each road. In the East, for the haul from 40 to 65 miles, the haul cost decreased at approximately the rate of .513 cents per car mile. From 90 to 200 miles in the East the cost decreased only .024 cents per car mile. For 200 to 280 miles the decrease was .075 cents per car mile. None of these decreases are proportional to the length of haul. In the Southern Region from approximately 80 to 100 miles the decrease was .82 cents per mile. From 100 to 280 miles the cost actually increased .004 cents per mile. Since the terminal costs are constant throughout, the figures I have just given indicate that so far as the average haul cost on each of the roads used in Dr. Edwards' exhibit bears no relation to the decreased length of haul. To illustrate further, we might expect the haul cost between 100 and 200 miles to vary directly with the distance, but on the showing I have just made, the change instead of being one-half the cost per mile is in fact at the rate of .004 cents per mile. If we plotted it on a chart, there would be a very steep decline in the shorter mileages which would gradually approach an almost level cost as we got out to the 280 mile limit, which would be the limit of the roads considered. [fol. 1635] Thus with 12 cents at 100 miles instead of being 6 cents at 200 miles, the average would indicate that 12.4 cents when based on these figures for the average decline or increase in haul cost.

Q. Dr. Saunders' witnesses in this proceeding for the respondents and their figures have generally included the Pocahontas District with the Eastern District.

A. Yes.

Q. Do you consider that proper, and if not, why not?

A. There are several reasons why the inclusion of the Pocahontas Region with the Eastern District gives results that are not comparable. The commodities handled in the Pocahontas Region are made up from 85 per cent to 90 per cent products of mines. In none of the districts is there any figure that approaches that as predominance of any one commodity. That results in the Pocahontas Region in a heavier loading per car, a larger number of cars per train and longer average hauls. There are several other factors which make them entirely dissimilar. Further, the Commission in its monthly and annual reports includes the Pocahontas Region separately, or when combining the statistics into districts, does not place the Pocahontas Region in the Eastern District, but whenever the combination is made, the Pocahontas Region is placed in the Southern District.

Q. Go ahead.

[fol. 1636] A. The group III expenses found by Dr. Edwards which are expenses treated on a gross ton mile basis reduced to .110 per car unit for the Pocahontas Region, which is the lowest of all the regions listed. In the Pocahontas Region these constitute 53.8 per cent of the total expenses. The final effect of including the Pocahontas Region with the Eastern District by this improper comparison is to lower the cost for the Eastern District so that they are below the Southern Region cost.

Q. If you left the Pocahontas District out entirely, what would be the result?

A. If you left the Pocahontas District out entirely of the comparison of the Eastern District with the South, the South immediately is lower than the East on all comparisons that would be made.

Q. Now, have you restated the figures shown on sheet 3 of Kennedy's exhibit No. 18 where he showed the result of a higher cost in the South than in Official Territory by including the Pocahontas Region? Have you restated it, leaving out the Pocahontas Region?

A. I took Mr. Kennedy's exhibit No. 18 as a typical example of the inclusion of the Pocahontas Region with the Eastern District and since he did not present any figures that showed the Pocahontas Region taken out of the Eastern District, I made the comparison on line 19, I believe, of [fol. 1637] sheet 3 of that exhibit. He there showed that the total freight service operating expenses, taxes, joint facility rent and equipment rents, 5¾ per cent return and passenger deficit per revenue ton for the year 1939 in the Southern Region was 12.70; and he also showed in the East, including Pocahontas, for 1939 a figure of 11.96 making the

Eastern District lower than the Southern Region. If we take the Pocahontas Region out of that compilation for the East, we find that the expenses would be 13.16 cents without the Pocahontas Region and the ratio of the East to the South instead of being 1.062 as shown on the last line of sheet 3 of Kennedy's exhibit, would be in fact 96.16, indicating that the Southern Region by that omission of the Pocahontas District was nearly 12 cents lower than the figure obtained by Mr. Kennedy.

If we go further than that, and especially with respect to this investment basis Mr. Kennedy used, and we take the actual valuations as shown in Dr. Edwards' exhibit No. 3 and compare those on the basis of a 4 per cent return which Dr. Edwards has used many times in his exhibits, we find that the East without the Pocahontas Region is 9.34, while the South is 8.56 indicating a ratio of the South to the East of 91.9 per cent, this figure being 96.5 per cent with the investment used by Mr. Kennedy and the 5¾ per cent return.

Q. In other words, in the first calculation in which you arrived at a figure for the Southern costs as compared [fol. 1638] with the Northern costs of 96.5, you used all of Mr. Kennedy's figures, but simply eliminated the Pocahontas District?

A. That is right.

Q. Where you arrived at the figure of relative cost for the South to the North or East of 91.9, you used a different valuation base and also a different rate of return?

A. Yes, sir.

Q. Dr. Saunders, have you been familiar through the years with the various cost studies that have been made particularly by the Bureau of Statistics with reference to relative transportation cost in the various territories?

A. Yes, sir, I am.

Q. You are also familiar with the cost study that has been presented here by Dr. Edwards?

A. Yes, sir.

Q. I will ask you to state what your opinion is as to the relative completeness and value of the cost study here presented.

Mr. McCollester: Before the witness answers that question, I should like to have him specify the other cost studies other than that of Dr. Edwards which he is asked to compare.

The Witness: I do not have a complete list, but I recall the formula used by Dr. Lorenz in Docket 17,000, the grain part of the case; also the formula prepared by [fol. 1639] Dr. Lorenz and Mr. Elmore relating to out-of-pocket cost; and there have been several others by the Commission's bureau. Of course, there are a large number that have been put in by witnesses appearing before the Commission. There is the Reymiller formula that was in the Southwestern Divisions Case, I believe, and there have been formulas presented by the late Dr. White—or Mr. White, I do not know which—of the Commission's Bureau of Statistics. There are innumerable formulas. I can just refer to them all as being prior to Dr. Edwards'.

By Mr. Norman:

Q. Answer the question I asked you, now, please, Dr. Saunders.

A. I would say in answer to your question that the present formula presented by Dr. Edwards does not have the advantage of brevity that some of the other formulas have. It is a voluminous formula and requires many minute calculations to obtain a result. Some of these undoubtedly distribute the costs in a much clearer manner and more exact manner than has ever been done before.

By Chairman Aitchison:

Q. You are referring now to exhibits 2, 3 and 4?

A. Yes, and of course the later ones supplementing those that were first introduced in this case, Nos. 11, 12 and 13.

Q. You are taking those into account also?

A. Yes.

[fol. 1640] By Mr. Norman:

Q. In that statement?

A. Yes.

Q. Go ahead

A. In the earlier formulas that came before the Commission there were many difficulties of separation between the line haul expenses and the terminal expenses. A large part of that difficulty, I think, has been clarified by Dr. Edwards' exhibits and formula. The various distribution of use of different classes of property has been much clarified. All of this, of course, has necessitated a greater amount of work on the part of anyone using those formulas, but that additional work in most cases is warranted by the higher degree of accuracy that is attained. Many of the earlier formulas gave prime consideration to unit costs on a gross ton mile basis as far as haul is concerned. I think in this case the car mile basis with the exception of the group 3 costs is a more accurate way of handling that. The group 3 costs are then, of course, reduced—or expanded to a car mile basis, which brings all the haul costs on a car mile basis.

Chairman Aitchison: Just for the purpose of the record, can you state what the group 3 costs are?

The Witness: The group 3 costs as Dr. Edwards described them are the carload and less than carload running expenses treated on a gross ton mile basis. That is, group 1 and group 2 take care of certain costs on a car mile basis, [fol. 1641] and group 3 takes care of the remaining costs on a gross ton mile basis.

By Mr. Norman:

Q. In other words, group 3 is all of the costs other than those enumerated in groups 1 and 2?

A. Yes, in so far as the line haul is concerned. I believe 5 is in there also.

Q. Had you concluded?

A. On the whole I feel there has been a great deal of progress made in the formula for cost finding by the introduction of these exhibits. No doubt there will be further amendments to the formula as we go along. The only difficulty that practitioners not connected with the Commission would have with it, of course, is that they do not have available the information that the Commission secured by questionnaire, except when the Commission orders it for a particular case like they did the Automobile Case, or this case.

Q. What have you to say about the effect of the amended studies filed by Dr. Edwards at this hearing, which, I believe, are exhibits 11, 12 and 13?

A. That analysis is not complete, as far as I am concerned. I only received the exhibits last Saturday before the hearing opened here. However, it seems to me that there again there is a step in the right direction because there is not the same uniformity there was under the other method where out-of-pocket costs and the constant costs were grouped.

[fol. 1642] Q. In general what is the effect upon the results shown of the change in method as to certain things used in the second study, or exhibits 11, 12 and 13?

A. According to the checks I have had an opportunity to make as far as the territorial comparison goes, the South, under the newer formulas and newer modifications, is still a low cost region, when we leave the Pocahontas Region out of consideration, compared with the East.

Q. Dr. Edwards' study does leave the Pocahontas Region out does it not?

A. Yes.

Q. It does not include it in either the East or South?

A. No.

Q. For comparative purposes?

A. No, sir.

Q. Have you anything you want to add?

A. Nothing further.

Mr. Norman: If the Chairman please, I offer in evidence exhibits 86 and 87.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibits 86 and 87?

Mr. Gwathmey: May I be heard, sir?

Chairman Aitchison: Before the ruling on the exhibits?

Mr. Gwathmey: Yes.

Chairman Aitchison: Very well.

[fol. 1643] Mr. Gwathmey: Mr. Chairman, on behalf of the Southern railroads I first desire to ask that the same protest and reservation which was made by Mr. J. R. Bell with respect to rate-making values used by Dr. Edwards, be considered as made also in connection with the Saunders' exhibits. May that be understood, sir?

Chairman Aitchison: Mr. Saunders has used the same value figures as Dr. Edwards did with simple adjustments from 1939 down to the dates by the consideration of additions, betterments and net changes in property investment.

By Chairman Aitchison:

Q. Is that right.

A. Yes, sir.

Chairman Aitchison: Now, your reservation was somewhat along the line of nolo contendere?

Mr. Gwathmey: Yes. We merely want to have the same reservation considered in connection with the Saunders' exhibits.

Mr. J. R. Bell: On one of the latter pages of the large exhibit, Mr. Chairman, there are shown data which are not shown in Dr. Edwards' exhibit anywhere. Dr. Edwards set out those figures by territorial rate regions. Witness Saunders has set out here what purports to be value separated as to lines in the Eastern and Southern Districts, individual lines.

Mr. Gwathmey: Mr. Chairman, I was further going to make what Mr. Bell has just pointed out the basis of a [fol. 1644] specific objection to that portion of exhibit No. 86 which appears in the exhibit under the caption of "Exhibit 6" and, I believe, "Exhibit 7", upon the ground that although the exhibit purports to be taken from Dr. Edwards' studies, it includes data, particularly the segregation of values by individual railroads, which I do not understand appear anywhere in Dr. Edwards' studies or elsewhere in this record, and therefore are purely hearsay.

Chairman Aitchison: What do you have to say with respect to that, Mr. Norman?

Mr. Norman: With respect to exhibit 87?

Chairman Aitchison: Both 86 and 87, particularly the latter, in connection with the segregation of value by particular lines.

Mr. Norman: I would like to ask the witness this question:

By Mr. Norman:

Q. What is the basis for those figures?

A. At the July, 1941 hearing, permission was granted to the parties to examine all of Dr. Edwards' underlying working papers. I have before me here photostats for the Southern and Eastern Regions of working papers showing by individual lines the actual valuation of each of those lines.

Chairman Aitchison: You mean, the actual valuation as used by Dr. Edwards?

The Witness: Yes.

[fol. 1645] Chairman Aitchison: Proceed.

The Witness: I have also photostatic copies of the letters from the Bureau of Valuation to Dr. Edwards, of the Bureau of Statistics, setting out their determination of these values which are the values used for the individual lines by Dr. Edwards.

By Mr. Norman:

Q. And used by you in preparing exhibits 86 and 87?
A. That is correct.

Mr. Gwathmey: May I ask, Mr. Chairman, as a matter of information, whether Dr. Edwards' work sheets are considered part of the record in this case?

Chairman Aitchison: No. They are not considered part of the record in this proceeding, but the parties were given an opportunity to use any of the data. I understand Mr. Saunders has gone back to that data and is producing these figures on his own responsibility. I presume Dr. Edwards if he had been interrogated about his own exhibit, would have given the same figures Mr. Saunders has used.

Mr. Gwathmey: Do I understand your Honor overrules the objection?

Chairman Aitchison: Yes. We will overrule the objection.

Mr. Gwathmey: While I am on my feet, Mr. Chairman, may I be permitted to ask whether the Southern accountants [fol. 1646] will be afforded an opportunity to examine Mr. Saunders' work sheets?

Chairman Aitchison: We will hear from counsel on that.

Mr. Norman: Let me ask the witness one question.

By Mr. Norman:

Q. Do you have your work sheets here, Dr. Saunders?
A. I have not all the work sheets here, no. A great many of these exhibits are simply compilations transferred directly from Dr. Edwards' to my exhibits. The other sheets which require computations I do not have with me, but they could be made available.
Q. You could make them available in Washington?
A. I will make them available to anyone who is interested in and wants to see them.

Mr. Norman: We will do that.

Mr. Gwathmey: Between now and the time of the Columbus hearing?

Mr. Norman: As soon as you get back to Washington.

Mr. Gwathmey: Thank you.

Chairman Aitchison: Is there any cross-examination of Mr. Saunders?

Mr. McCollester: I have just a couple of questions for information.

Chairman Aitchison: Mr. McCollester.

Cross-examination.

[fol. 1647] By Mr. McCollester:

Q. With respect to statement No. 5 of your exhibit No. 86, in arriving at the segregation you have made there of commodities shown and per cents of total, is my impression correct that what you have done both for the United States and for each district is to start with the commodity representing the greatest percentage of the total, and then take the commodities in the order which their respective percentage bears to the total until you have arrived at enough of them to make up 75 per cent?

A. Yes. I just went through the commodity statistics selecting the highest one first and then gradually went through them and selected those that were next in line until I arrived at the percentage shown on the basis of the cars ordered. The order of tons originated is not quite the same. I took the same commodities and got a greater percentage in the case of the United States.

Q. But for example, if we look at the figures you have shown there, or rather the commodities you have shown there for the Southern Region, there are enough other commodities that you have not shown to make up 25 per cent of the total?

A. Yes.

Q. That is correct, is it not?

A. Yes. It goes down below one per cent, of course, on each of those.

Mr. McCollester: Yes.

[fol. 1648] By Mr. McCollester:

Q. You would have gotten 75 per cent of the total by listing those other commodities instead of all of the commodities beginning with about products of mines and running down to the bottom of your column there, is that right?

A. I am sorry, but I did not understand your question.

Q. You could have gotten a total of 75 per cent of all traffic by a different combination of commodities than that which you have shown here?

A. Well, not on my basis. I was taking the most important commodity. That is the only combination the most important ones could get.

Q. In connection with coal on the Southern Region sheet of statement No. 5, does your figure of bituminous coal which you have attributed to the Southern Region include all bituminous coal tonnage originated by the lines grouped in the Southern Region?

A. Yes.

Q. In other words, it includes coal that originated at Illinois mines on the Illinois Central, Louisville & Nashville and Southern?

A. There might be that duplication, yes.

Q. You have not made any separation, in other words, for those lines who have mines in the territory north of the Ohio River?

A. No. For those few roads—there are about four or five [fol. 1649] of them, I think, that serve one or more territories—the total of originated cars and tons is the total for the road itself.

Chairman Aitchison: May I ask at this point:

By Chairman Aitchison:

Q. Do the figures for the Western District include Mountain Pacific?

A. Yes, sir. The district was taken as a whole.

By Mr. McCollester:

Q. Now, in connection with the Eastern District I note that you show no tonnage of ore originated. Is that for the reason that the heavy movement of ore handled by Official Classification Lines is ore that originates up in the Lake Superior region and therefore is not credited as ore originating to lines in the Eastern District?

A. Yes. I presume that is mostly in the column received from connections, instead of the originating column.

Q. You know there is a very large movement of ore on the Official lines, do you not?

A. Yes.

Mr. McCollester: That is all.

By Chairman Aitchison:

Q. There is quite a little of it that originates, is there not as ore brought in from abroad?

A. According to statistics it is less than one per cent of the total commodities handled.

Chairman Aitchison: Had you finished, Mr. McCollester?

Mr. McCollester: Yes.

[fol. 1650] Chairman Aitchison: Is there any further cross-examination?

Mr. A. L. Reed: I have a few questions, Mr. Chairman.

Chairman Aitchison: Mr. A. L. Reed.

By Mr. A. L. Reed:

Q. Mr. Saunders, in connection with exhibit 86 in the written explanation of page 1, there appears a percentage of 3 per cent with respect to less than carload costs, and in the written explanation on page 2 of exhibit 86 at the bottom there appears a percentage of 7.2 also relating to less than carload expenses. I am not able to understand from your testimony the difference between those two percentages. Would you mind explaining them for me?

A. Well, exhibit 1, designated "exhibit 1"——

Mr. Norman: Page 1.

By Mr. A. L. Reed:

Q. That is page 1, is it not?

A. Yes.

Q. Go ahead.

A. On page 1, I have taken the expenses in the groupings found by Dr. Edwards and have related that entire group of expenses to the total so that that figure would be slightly different than the expenses for line haul and terminal shown on sheet 2. There would be no relation, direct relation, between the two.

Q. I did not understand whether in one instance the 3 per [fol. 1651] cent related only to terminal and in the other instance the seven per cent related only to line haul or vice versa. Which is it?

A. Well, as I see these two sheets, you cannot compare them. One of them is a combination of groups for the purpose of showing the line haul maximum and minimum and average; and the other grouping, the terminal expenses combined to show the maximum, minimum and average. Now, sheet 1 is the total expenses assigned to the group. If we combined those expenses in that manner to produce a cost per mile or per car mile, we could get the result from sheet 1 that we got on sheet 2. There is a different set of computations involved in the two sheets. Therefore they cannot be compared.

Mr. A. L. Reed: Now, I did not understand clearly what you said concerning the effect of the length of haul on cost.

By Mr. A. L. Reed:

Q. Am I to understand from your testimony that there is some variation, in your opinion, in Dr. Edwards' cost study concerning the allocation of expenses to the length of haul in exhibit 3?

A. No. That is not the allegation. The allegation is simply to answer the statements which have been made, that costs should directly vary with the haul distance. That is not attempted in Dr. Edwards' exhibit. As here pointed out, one showing that could be made was to show that costs would vary differently in different sections of haul between [fol. 1652] 10 miles and 300 miles. The lower hauls would vary more nearly directly with the hauled distance, and the higher or longer hauls would vary very slightly with the distance hauled, the unit cost of haul.

Q. It is your conclusion, then, that the method and formula used by Dr. Edwards has produced substantially the correct result with respect to the varying hauls, shown in his exhibit 3?

A. Yes, sir.

Q. Is that correct?

A. Yes.

Q. One further question: From the study you have made would you say that Dr. Edwards' cost figures for handling boxcar traffic, less than carload and carload, are substantially correct?

A. Yes, sir. I feel they are the best efforts that have ever been made along that line, at least.

Mr. A. L. Reed: Thank you.

Chairman Aitchison: Is there any further cross-examination? (No response.) Is there any redirect, Mr. Norman?

Mr. Norman: No redirect.

Chairman Aitchison: Exhibits 86 and 87 are received in evidence.

(Exhibits Nos. 86 and 87, Witness Saunders, received in evidence.)

Chairman Aitchison: You may stand aside, Mr. Saunders.

(Witness excused.)

[fol. 1653] Chairman Aitchison: Call your next witness.

Mr. Norman: Mr. Chairman, we have agreed that we would step aside and let Mr. Hillyer present Governor Holland. I do not know whether the Governor would rather go on now or adjourn till 1:30 and then go on.

Chairman Aitchison: You may call Governor Holland now.

Mr. Hillyer: Be sworn, please, Governor Holland.

SPESSARD L. HOLLAND, was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. Your name is Spessard L. Holland?

A. Yes.

Q. You reside in Tallahassee, Florida?

A. Yes.

Q. You are Governor of the state of Florida?

A. Yes.

Q. Have you a short statement with respect to Florida's position in this case which you would like to make?

A. I have.

Q. Proceed, please.

A. Mr. Chairman, and gentlemen: I am attending this hearing and am delighted to have a chance to do so as a member of the Class Rate Committee of the Southern Governors' Conference of which Governor Cooper of Tennessee testified yesterday as Chairman. I heard Governor Cooper's testimony yesterday in its entirety and I concur [fol. 1654] entirely in his statement. By way of brief comment on it I would like to say that Governor Cooper's statement voices the actual attitude of all members of the Southern Governor's Conference and that the Southern Governor's Conference has been behind the bringing of this case as its principal activity, although not its sole activity.

I have three brief observations I would like to make. First, with respect to the statement made by Governor Cooper, I would like to say that all of the governors and all of the states represented by them appear in the belief that the South as a whole is entitled to relief as prayed for in this matter. The South seeks uniform class rates, mile for mile, north and south, east of the Mississippi River including peninsular Florida; and we are, of course, most willing that the territory west of the Mississippi should share in the benefits of this hearing in seeking to obtain a uniform level. As to what that uniform level should be, it is our judgment that that may be safely left to the judgment of the Commission to be built upon a basis so that the railroads in the aggregate may earn money. We want to make it clear that we are not indulging in a railroad baiting or in an effort to deprive the carriers of the opportunity to make a legitimate profit.

My second observation has to do with my own state [fol. 1655] and is the real occasion for my appearing separately from Governor Cooper. Florida earnestly seeks the removal of the Florida arbitraries, roughly 15 per cent added to the Southern rate, which placed the class rates in our state upon a plateau well above the level of the other Southern class rate scales. We, of course, have had many and widespread complaints in Florida from Florida shippers who feel that they are unjustly discriminated against by reason of that arbitrary. We have caused to be prepared a case by presentation here of several witnesses who will appear and briefly outlining what we shall seek to show by them, we will hope to present satisfactory proof in support of the elimination of the Florida arbitraries on the following points:

We will show that Florida's freight tonnage has grown to enormous proportions since the Southern Class Rate Investigations of 1922-1928 and now constitutes a highly profitable business. That is, even after the elimination of all arbitraries. Second, that the existence of the arbitraries has caused a heavy diversion in our state of freight tonnage to water and motor lines and has, through that means, been injurious to the Florida railroads and Florida brokers. Third, that the railroads themselves recognizing this, have voluntarily removed the arbitraries within Florida on classes 1 to 7, though not as to classes 8 to 12. Lastly, that the Interstate Commerce Commission in its discretion, for which we are thankful, recently prescribed [fol. 1656] rates on livestock from Florida and the South to the North without the imposition of any Florida arbitraries.

Florida earnestly desires restoration to equality with the other Southern states; that is, irrespective of the outcome of the principal petition which in no way would be prejudiced because we think that we and the other Southern states are entitled to the relief prayed in the principal petition and we believe that we shall show ourselves entitled, in the presentation of our own case, to this relief. In short, Florida would very much like to cease the present situation under which we are neither fish, flesh nor fowl and get back to being part of the solid South again.

The third observation which I would like to make briefly is this, and in this matter I voice the attitude of all Southern governors on a point which was discussed by them recently at a conference at Nashville in connection with the National Governors' Conference: We earnestly desire a prompt decision, as quickly as it may be rendered, on this matter. The investigation is now three years' old and the war conditions have made prompt action in our judgment imperative as part of the National Policy and even the war strategy. The directing heads of the war effort both civilian and military have on several occasions appeared at conferences of the Governors and have urged that for [fol. 1657] various military reasons key industries, vital industries, be decentralized and spread out over vast stretches of the country; and as is known to every citizen, that course has been followed very largely up to now and is being followed as rapidly as possible.

It is our view that the taking of prompt action in this case is necessary so that these war industries will have uniform levels of rates so that at the end of the war they can convert to peace-time manufacture, both to prevent maladjustment in labor population and the like, and to keep our nation from getting back into the old rut, the old situation of too many key industries in one region, thus jeopardizing our own security and the peace of the world.

We feel that no American will say that such efforts to carry out this new National Policy of distribution or scattering of industry is other than in the immediate public interest. We feel as well that there is no better time to establish uniform class rates than right now. The railroads are handling an immense volume of traffic, operating at heavy profit, as shown by the exhibit just introduced by Dr. Saunders, and without a great deal of water and truck competition with which, in our region, they have customarily to compete. It is our sincere feeling that in the interests of the nation as a whole and in the interest of justice to the nation as a whole, affirmative action of the granting of the petition in this case should be promptly given.

[fol. 1658] Mr. Hillyer: The witness is tendered for cross-examination.

Chairman Aitchison: Mr. McCollester.

Cross-examination.

By Mr. McCollester:

Q. Governor Holland, we have heard a considerable amount of talk of uniformity, but so far, at least as I am concerned, the record still is not clear as to what is meant by that word as it has been used. Therefore, I ask you, sir, whether it is the desire of the Southern Governors' Committee of which you are a member, that the class rates within Southern territory be put upon the Northern level?

A. It is our desire to proceed under this legislation of 1940, the amendment to the Interstate Commerce Act, in securing reasonable levels which we think would be uniform levels in the territory east of the Mississippi River, of class rates. We believe that these reasonable levels affording reasonable profit would be uniform and we base our opinion upon showings such as that made by Dr. Saunders this morning, and upon the study which he referred to, and upon which he based his analysis of Dr. Edwards' study.

Q. Well, then, I am constrained to ask you——

A. To conclude on that, it would not be my belief or understanding that if a rate were found in Official territory to be unreasonable in that it was too small, that we would be entitled to it as a matter of course. I do not [fol. 1659] think anybody would be entitled to that kind of a rate, but rather, a rate which is fair and reasonable and uniformly applicable in the territory east of the Mississippi. Because of what we believe is an even lesser cost of operation, using the entire all-inclusive tariff in the South as compared with the North, we believe the rates east of the Mississippi should be uniform but not necessarily on an identical level now reflected in the Official rates. That we are perfectly willing to leave to the judgment of the Commission.

Q. In other words, Governor, the concern of the Southern Governors is not with the interterritorial rates alone, but is with the rates within their own territory and it is your desire that there shall be a uniform level of rates both within the respective territories and interterritorially throughout the entire section of the country east of the Mississippi, is that correct?

A. We believe we are entitled to that kind of uniformity, but we do not believe that those rates should simply restate the Official rates. We think they should be based upon a level which would permit the continued operation of the railroads serving the country and the area mentioned in north and south hauls at a reasonable profit.

Q. Can you express an opinion here as to whether that uniformity you refer to should be brought about by increasing the Northern rates?

[fol. 1660] A. I am unable to break that down. My understanding has been that the study made by Dr. Edwards would indicate increases in some of the rates. Certainly, if they do not cover the cost of operation, much less cost plus a reasonable profit, there is no justification for continuing them, in my judgment.

Q. On the other hand, if it appears that the railroads in Official territory are doing fairly well financially, is it your position that the rates in Southern territory should be reduced to the Northern level in order to accomplish uniformity in that way?

A. I think I have already made my position clear, Mr. McCollester. I think we are entitled to uniformity. I think the rate level should be fixed by the Commission on a basis which will allow continued operation at reasonable profit——

Q. And that uniformity——

A. —and that neither industry nor the carriers nor the Commission should be bound by the shibboleth of a rate already fixed, but that it ought to be subject to reexamination as to whether it is reasonable.

Q. That uniformity you would have to extend to Florida so that rates within Florida should be on the level within Official territory?

A. I would want the rates in Florida to be on the same level as rates elsewhere east of the Mississippi because I think the facts would justify it.

[fol. 1661] Q. Would you extend that uniformity to Northern Maine?

A. I am not familiar with that situation.

Q. Northern Maine is east of the Mississippi River, is it not?

A. I am not familiar with the situation in Northern Maine, but am quite willing to abide by the Commission's judgment on that. As I understand it, this legislation requires a re-examination of this whole question in an effort to get fair rates that will get away from the long-time discrimination against the South. If there have been other areas discriminated against, I think exactly the same policy applies.

Q. Now, Governor Holland——

A. And if there have been some industries which, by paying too much, carried others which were not paying the cost of transportation, I have firm confidence that the Commission will know how to straighten that out.

Q. Governor, if some of the Northern states and Northern manufacturers feel that Southern manufacturers have had an advantage which is denied to the North in lower rates on raw materials within the South, is it your position that uniformity in the raw materials rates in the two territories should be brought about?

A. Mr. McCollester, I understand this is a beginning, but not an attempt to do the whole job at once.

Q. If the Southern Governors——

[fol. 1662] A. If there is necessity for reexamining some other rate, I take it for granted that those who are aggrieved by it will have exactly the same access through exactly the same procedure as is being followed in this case.

Q. Have the Southern Governors given any consideration to any rate advantages that they may have in the South in the form of lower rates on raw materials?

A. We tried to get a reasonable understanding of the whole picture, yes.

Q. You realize you have some advantages in lower rates on raw materials than we have in the North, do you not, Governor?

A. If we have rates in the South that do not pay the cost of operation, then I say those who are aggrieved have exactly the same remedy that we have, and I would not think much of them if they did not come to the Commission and ask to have it straightened out.

Q. Do you see any reason why your idea of uniformity, if it is correct, should not be extended to every rate on every pound of freight there is?

A. I would rather leave that to the judgment of the Commission as those matters are presented. Certainly, so far as I am concerned, I would want the railroads to be fairly treated, but I would also want all shippers and all industries to be fairly treated. It is our strong conviction that we have not been so treated in the South for so many years [fol. 1663] that none of us remember to the contrary.

Mr. McCollester: Will you answer the question, please, Governor? Read the question, please, Mr. Reporter.

(Question read.)

A. I am not sufficiently familiar with it to answer that question categorically. I will repeat my answer that I am perfectly willing to let the people who are aggrieved bring their case before the Commission and have the case judged in so far as it affects us by the standard of our willingness to pay a fair rate. We certainly expect to pay a fair rate.

By Mr. McCollester:

Q. Governor, can you tell me any consideration which you rely upon as showing that the class rates within the North and within the South should be uniform which does not likewise indicate that there should be uniformity of rates on raw materials?

Mr. Norman: If the Chairman please, I feel I ought to object to that line of cross-examination. We are not here trying the case of these commodity rates. When that comes on, there will be many things to be said. My guess is that if we ever secure uniformity in class rates, our Northern friends are going to want the commodity rates by which they draw our raw materials to the North, reduced instead of increased, but whatever that may be, that is a question for another time and it does not seem to me this witness has testified anything on direct examination with respect to [fol. 1664] it. It does not seem to me that he ought to be queried about it.

Chairman Aitchison: We want you to have reasonable opportunity ~~and~~ reasonable latitude in cross-examination, Mr. McCollester, but we cannot try out these commodity rates here. We do not want necessarily to commit the parties to what their position is going to be on an issue that is not yet here.

Mr. McCollester: Mr. Chairman, of course our position is that our Southern friends are looking at only one side of the page, and a fair picture requires an examination of both sides. I want to find out whether they have examined both sides and what their conclusions are.

Chairman Aitchison: You can ask that.

Mr. McCollester: I have asked that, I think, in my last question.

Chairman Aitchison: No. Your last question goes further than that.

Mr. McCollester: May I have the question read back?

Chairman Aitchison: Yes.

(Question read.)

Chairman Aitchison: You asked to have the question read.

Mr. McCollester: Yes. Now I would like to have it answered, Mr. Chairman.

Chairman Aitchison: The objection is sustained.

[fol. 1665] Mr. McCollester: Nothing further.

Chairman Aitchison: Are there any other questions of Governor Holland?

Mr. Bee: I have one or two questions.

Chairman Aitchison: Mr. Bee.

By Mr. Bee:

Q. Governor Holland, you have emphasized in your answers, "East of the Mississippi River." If the cost factors before the Commission in these proceedings indicate that the Southwest is on a parity with the South and especially with Florida, would you ask that there be a different treatment east of the river than west of the river to cover the Southwest?

A. Certainly not. I tried to make it clear in the first part of my statement that Governor Cooper had correctly stated the attitude of the Southern Governors as a whole. We want every area to have all the relief in these proceedings which they think they are entitled to have.

Q. Whenever ~~you use~~ the term "East of the Mississippi River," you intend to include the Southwest if the cost data and other factors are the same?

A. No. I do not intend to include anything but east of the Mississippi because we have confined our case to that. But I did intend to say and I do now intend to reiterate that we certainly want every other discriminated against area to have the relief it is entitled to and can show it has a [fol. 1666] right to have.

Mr. Bee: Thank you.

Chairman Aitchison: Is there any further cross-examination?

Mr. J. R. Bell: I have just one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. J. R. Bell.

By Mr. J. R. Bell:

Q. You referred to the subject of decentralization in your direct testimony. Am I correct in my understanding that it is your opinion and the opinion of your associates in this movement that there should be a decentralization of industry, particularly manufacturing now located in Official territory?

A. My statement was this, on that point, that it had frequently been brought officially to the attention of the Governors at Official meetings called for the purpose, by those high in the councils of the nation, the army, navy and civilian authorities, that such decentralization was not only advisable, but highly necessary to promote the national security and that such decentralization was now being accomplished. My further statement was that in my judgment it would be the height of folly not to alleviate this situation until after the war's end. At least as to rates these new plants would have a chance to adapt themselves to peace-time production, both to avoid the displacement that would take place if they simply proved to be "white [fol. 1667] elephants," and also to keep them running for the very reasons for which they have been established, namely, in order that they may be available for the defense of our nation. We have been caught once in this situation. I do not believe that we should idly stand by and allow a setup to continue under which we get right back into that situation.

Q. Now, what is your opinion and the opinion of your associates, if you can speak for them—I think you have undertaken to do so—as to whether there should be a decentralization of industry, particularly manufacturing, now located in Official territory? Can you answer that directly?

A. My own testimony on that point and my own belief is that the matter called to our attention by the national government——

Q. I am asking——

A. I am trying to answer your question.

Q. Pardon the interruption.

A. (Continuing) —had to do not with industry in general, but with basic or key industries from the standpoint of the defense of the nation. I was limiting my statement to those industries and to the decentralization which is now taking place in those industries.

Mr. J. R. Bell: I am sorry, but I have difficulty in following you. Perhaps someone else can understand it, but I find myself unable to.

[fol. 1668] By Mr. J. R. Bell:

Q. Do I now understand you to say when you comment on decentralization that you are not referring to the present location of industry, particularly manufacturing located now in Official territory?

A. Not in the slightest. I am talking about the decentralization which is taking place as a necessary part of the war effort and the feeling on the part of the Southern Governors, and I think on the part of most other good citizens that we should not forget this lesson, but should permit that decentralization to afford us places from which we can in the future, if we need them, immediately begin the production of war goods, vital war commodities.

[fol. 1669] Q. You used the expression "permit that decentralization". I am trying to find out what decentralization you have reference to.

Chairman Aitchison: I think that is clear on this side of the bench. The Governor has gone over it four times.

Mr. J. R. Bell: If it is clear to you, I am sorry. I do not understand it. That is all.

Chairman Aitchison: Is there any further cross examination of Governor Holland? (No response.) Have you anything further, Mr. Hillyer?

Mr. Hillyer: Nothing further.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: ~~We have~~ been asked by several of the participants in the hearing to announce if possible the hour of adjournment on Thursday, so they may guide themselves in making reservations and other business arrangements. We have decided that the hearing must suspend at 3 o'clock sharp on Thursday, so you can count on that in making reservations and other arrangements. Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until 2 o'clock P. M.

(Whereupon at 12:45 P. M., adjourned to 2 P. M.)

[fol. 1670] Afternoon session 2 o'clock P. M.

Chairman Aitchison: Come to order, please, gentlemen. You may proceed.

Mr. Wagner: Mr. Hart.

Chairman Aitchison: Raise your right hand and be sworn.

E. L. Hart was sworn and testified as follows:

Direct examination.

By Mr. Wagner:

Q. Will you state your full name for the record, please, Mr. Hart.

A. My name is E. L. Hart.

Q. Your residence?
A. Atlanta, Georgia.
Q. What is your occupation?
A. I am secretary and traffic manager of the Atlanta Freight Bureau, a non-profit association composed of the principal shippers and receivers of freight in the so-called Atlanta industrial district. My experience embraces a period of some 30 years on both sides of the fence. I have been with my present organization since 1921, occupying my present position since 1932.
Q. Have you prepared an exhibit for presentation at this proceeding, Mr. Hart?
A. I have.

Mr. Wagner: We ask that this exhibit be marked for [fol. 1671] identification as No. 88.

Chairman Aitchison: It may be so marked.

(Exhibit No. 88, Witness Hart, marked for identification.)

By Mr. Wagner:

Q. Since this exhibit was prepared, Mr. Hart, have you found some errors in it?
A. I have prepared an errata which has been distributed, so far as I know, to everyone who is interested.

Mr. Wagner: To avoid confusion, Mr. Chairman, we ask that that be given the next exhibit number.
Chairman Aitchison: I think it might be well to mark it as an exhibit. It will be marked as Exhibit No. 89.

(Exhibit No. 89, Witness Hart, marked for identification.)

By Mr. Wagner:

Q. That exhibit was prepared by you or under your supervision?
A. It was.
Q. Since you have been here, have you put in writing some of your testimony?
A. I have.

Mr. Wagner: If the Chairman please, may we put that in as an exhibit?
Chairman Aitchison: If it is satisfactory to the parties. It has been distributed, has it?

Mr. Wagner: It has been distributed.

Chairman Aitchison: Is there any objection to that procedure?

[fol. 1672] Mr. McCollester: I have no objection to the method of incorporating the testimony in the record if the Chairman rules that the testimony is admissible. I direct your attention, however, to the fact that the discussion in the proposed exhibit is to a large extent argumentative. It contains references to and quotations from the Commission's decisions and attempts to put thoughts into the minds of the members of the Commission. It seems to me that to a large extent it is inadmissible in general, and certainly under the Commission's rules. I object to it for those reasons.

Mr. Wagner: If the Commission please, to show the history of a rate adjustment you have to cite decisions of the Commission, and if Mr. McCollester will point out particular points, we can consider those particular parts.

Chairman Aitchison: This can be copied into the record and Mr. McCollester can point out the parts to which he wishes to direct objections, or it can be marked as an exhibit, either one.

Mr. McCollester: It is very hard to select certain parts, Mr. Chairman, but I would say that from page 4 all the way through, at least, to page 21 or 22, it is very definitely a brief and not testimony.

Chairman Aitchison: It is proper, of course, and a fair thing to do to refer to the decisions of the Commission [fol. 1673] which are being relied on in support of a rate history.

Mr. McCollester: That is correct, but when there are such statements as "Mr. Eastman apparently concedes this" and other similar statements, I submit it is going beyond the realm of testimony within the Commission's new rules of practice.

Chairman Aitchison: They are no different in that regard than they used to be.

Mr. Wagner: We offer this in evidence as an exhibit, Mr. Chairman.

Chairman Aitchison: You want to offer it as an exhibit?

Mr. Wagner: Yes. I think it would save expense, time and effort.

Mr. McCollester: For instance, another shining example, Mr. Chairman, you will find on page 27, where it says, "We come now to the effusions presented by Witness Jensen at the St. Louis hearing in this case." And further: "Mr. Jensen apparently tried to refit the garment," and so forth.

Mr. Wagner: That is testimony.

Chairman Aitchison: What is that?

Mr. Wagner: That is testimony, in effect.

Chairman Aitchison: It is a little too argumentative. We have to credit other people with the same desire to testify correctly as we do ourselves. The objection is [fol. 1674] sustained to the discussion of the dissenting expression of Commissioner Eastman found on pages 20 and 21 of the exhibit, the first two paragraphs of the latter page. I think the word "effusions" is doubtless a misprint for "exhibit", is it not, Mr. Wagner?

Mr. Wagner: Perhaps the witness did get a bit too enthusiastic at that point, Mr. Chairman.

The Witness: I do not know, Mr. Chairman, whether I can recall just what I had in mind when I wrote that.

Chairman Aitchison: It is not courteous to a witness to use language such as that.

The Witness: I will say that I did not mean it in any discourteous way. I will say that.

Chairman Aitchison: Are you willing to change it to "exhibit"?

Mr. Wagner: Yes.

The Witness: Yes.

Chairman Aitchison: The rest of it seems to be clearly competent. This document will be marked for identification as Exhibit No. 90.

(Exhibit No. 90, Witness Hart, marked for identification.)

By Chairman Aitchison:

Q. This Exhibit No. 90 is true and correct, is it, Mr. Hart?

A. Yes, sir.

Chairman Aitchison: Proceed, Mr. Wagner.

[fol. 1675] By Mr. Wagner:

Q. Proceed with your discussion of your exhibit No. 88, please, Mr. Hart.

A. I appear here to present certain rate studies on behalf of the Southern Governors' Conference relating to the issues covered by the Commission's order in Docket 28300 and 28310, so far as it pertains to rates in that section of the country lying east of the Mississippi River.

These studies and the explanation of them necessarily disregard the transportation and economic conditions now apparent because of the war; but, rather, the matter has been approached from the standpoint of normal conditions which we sincerely hope will soo- be restored. In any event, the time is none too early to prepare for the post-war readjustment in which transportation seems destined to become of greater importance than ever before.

The exhibits, primarily, are intended to show only typical illustrations of the inadequacy of the present Southern territorial and interterritorial rate structure as related to Southern industrial development, and to prove the need of a new structure responsive to the immediate needs of the South. On the title page of my exhibit the contents are summarized in a general way. Section 3 is subdivided into four parts, sub section 3-A containing excerpts from the Interstate Commerce Commission, sub section 3-B, a comparison of interterritorial rate levels, sub section 3-C also [fol. 1676] interterritorial rate levels, and sub section 3-D, commodity rate levels. Section 4 is also divided into three sub sections, sub section A covering classification and classification exceptions comparisons, section 4-B class rate comparisons, and section 4-C, rate levels affected by truck competition. Sheet A is a general index to the exhibit. Sheet B is a table of the cases referred to throughout the exhibit. Here I have assembled the citations in the sequence in which they appear in the exhibit, rather than alphabetically.

The sections east of the Mississippi River referred to as Official and Southern territories were originally divided into sub sections, so to speak, by virtue of the control of rate policies by certain carriers or groups of carriers. For instance the rate structure within and between the three subdivisions of Official territory grew up independently of each other and with little common resemblance. Similarity was to be found only in the intraterritorial rates in Central and New England territories, which were built on the principle of distance, with a uniform relation between classes.

The pattern in Official territory was altered somewhat in Investigation & Suspension Docket No. 965, 45 ICC 254 and 46 ICC 476, generally referred to as the CFA Class

Scale Case, and was further overhauled in Eastern Class Rate Investigation.

[fol. 1677] The same character of revolution took place in Southern territory by virtue of the Commission's findings in Southern Class Rate Investigation. For instance, in the South prior to that time, as the map designated as sheet 1 of section 1 will show, there existed three distinct rate territories in which obtained different rate levels that were dictated in the first instance by the influence of particular rail carriers serving these sections of the South, that is, the Mississippi Valley, the Southeast and the Carolinas. In the beginning, the rate policy of the carriers serving these subdivisions of the South was entirely different. In some instances that difference was even greater than is presently apparent between the carriers serving Southern and Official territories.

Additionally in the South, as you will observe from the map, there is a territory designated or described as relating to the Ohio River. In that section of the South the rates both to and from the South were related to the rates to and from the Ohio River crossings. Sheet 2 of section 1 is a map which depicts what we call in the South controlled territory, that is, the territory lying north of the Ohio River generally known as the higher pay territory, which is served by north and south lines operating in Southern territory, such as the Illinois Central, the Louisville & Nashville and the Southern Railway. It is also served by the Monon, which is controlled [fol. 1678] by stock ownership jointly by the Louisville & Nashville and Southern Railway. To this territory, generally speaking, the lines serving the South or the carriers serving the South are usually able to and do accord Southern manufacturers rates that are in most instances, mile for mile, the same as those applied in Official territory.

The next map which is shown as sheet 3 is introduced to show the present framework, so to speak, of the rate structure east of the Rocky Mountains. Some slight modifications have been made in that section of Southwestern territory since this map was drawn. That is, zone 4 in Southwestern territory has been changed to the extent of applying the zone 3 class rates and that was done by voluntary action by the Southwestern lines. Also, the southeast corner of New Mexico has been included in some instances in the Southwestern adjustment; but otherwise the map is a correct picture of the present rate territories in that section of the country lying east of the Rockies.

As a practical matter the old framework so far as Southern and Official territories are concerned, was left to stand. Section 2 relates to the incongruities of the present class rate structure east of the Mississippi River. There are shown typical examples of how ill-fitting is the Southern portion of the rate pattern prescribed in Southern Class [fol. 1679] Rate Investigation. Sheet 1 of this section merely compares the progressions, so to speak, of the two first class mileage scales prescribed by the Commission in the Southern and Eastern cases. The purpose of the exhibit is to show the rapid, or more rapid progression, as I might put it, of the Southern scale compared with the Official territory scale.

Sheet 2 is filed to indicate the difference in the percentage relationship of the lower classes to first class prescribed in the two cases. You will observe that uniformity obtains up to and including third class. Beginning at fourth class and then on down, the scale of the percentage relationships which the Commission prescribed in either case are different. The exhibit also shows the percentage relationship each of these classes bears to the other. At the bottom of the exhibit for convenient reference is shown the prescribed percentage relationships of those two cases.

Sheet 3 is filed to show the incongruities that flow out of the Commission's prescription of interterritorial first class rates in both dockets 13494, the Southern Class Rate Case, and 21665, which is commonly known as the North Carolina Case. I have used representative origins in Official territory and certain representative destinations in the South indicating the varying differences under and over the K-2 scale that the prescribed first class rates represent from [fol. 1680] Official territory to these Southern destinations. You will observe to some points from Chicago, for instance, that the difference is as high as 58 cents on the K-2 scale. We complained about that condition during the pendency of the Southern Class Rate Investigation. Very strenuous opposition was voiced to the Commission about the results of the rates prescribed in that case before they became effective, and we were joined in that opposition by the Southern carriers. We had certain hopes at that time that this condition would be corrected. In other words, from Southern origins to these same destinations, the Southern shippers are required to pay the full K-2 scale and it does not seem altogether right or fair that Official territory shippers should be permitted to come into our own territory on a less relative rate than applies within the South. Nevertheless, that is the result of the Commission's findings in the Southern Class Rate Case. That it is prejudicial to us goes without saying.

Sheet 4 of Section 2 contains similar comparisons. Reference might be made to the first class rates to—well, for example, I might take Durham, North Carolina, shown on the left-hand side about the middle of the exhibit. From Pittsburgh, for instance, the first class rate is 39 cents less than the K-2 scale. From Alabama City, an equi-distant point, to Durham, North Carolina,—both points produce manu- [fol. 1681] factured iron and steel articles that are shipped into Durham—that rate is on the full K-2 scale. It is perfectly obvious that any rate that might be related to that first class rate would be preferential to the Pittsburgh shipper. When you turn that rate around, on the right-hand side of the exhibit, Durham going into Pittsburgh, Durham still has a rate 39 cents under the K-2 first class scale, whereas Alabama City has only 6 cents, or a difference of 33 cents in favor of the North Carolina origins.

On sheet 5 of section 2 are further comparisons along this same line except that we merely compare here the first class rates in the South versus the first class rates in the north for Official territory for equal distances, beginning with short distances around 100 miles, and ending with distances approximately of 1,000 miles shown on sheet 6. You will notice that the last entry on sheet 6 shows the difference between the two first class levels for a distance of 961 miles to be 70 cents per hundred pounds.

Sheet 7 of section 2 is also an exhibit to show the inconsistencies and incongruities apparent in the present interterritorial rate structure by selecting what I would term short haul Official territory origins, St. Louis, for instance, and Columbus, Ohio. I would point out that St. Louis is served for instance, by the Southern Railway. Jacksonville, Florida, which appears middleway on the left-hand [fol. 1682] part of the Exhibit, and Durham, North Carolina, are also served by the Southern Railway. Now, from St. Louis to Jacksonville, Florida, the first class rate is 6 cents higher than the full K-2 scale, whereas, to Durham, North Carolina, the rate, the first class rate, is 50 cents less than the full K-2 scale, all three points being served by one railroad. I have shown similar comparisons with respect to other points. For instance, on the right-hand side of the exhibit we might take Rome and High Point—Rome, Georgia, and High Point, North Carolina. Both of those points are served by the Southern Railway. Both of them manufacture furniture. Both compete at Columbus, Ohio. The rates from both points are made with relation to the first class rate. Rome, Georgia, is one cent over the full K-2 scale, whereas from High Point the first class rate is 32 cents under the K-2 scale.

Sheet 8 is a chart that merely pictures this situation in a little ~~different~~ different way. It is fairly self-explanatory and probably needs no further explanation except that I might point out this, that, for instance, the first class rate from Chicago to Jacksonville, Florida, receives the full K-2 scale by 6 cents per hundred pounds. Now, if there is any merit in the so-called lamination of the lower rates in Official territory with the higher rates in Southern territory, then as to these [fol. 1683] points in Southern Georgia on down to Jacksonville, which are higher than the full K-2 scale are not accorded, the shippers are not accorde- the benefit of the 284 miles in the so-called lower-rated territory. Most of the inconsistencies referred to in this section come about by the improper lamination of the re-made Southern rates with those then in existence in Official territory.

In the sheets I have just been discussing, I have referred primarily to the rates between what is known as Central Freight Association territory or that part of Official territory known as Central Freight Association territory, Illinois Freight Association territory and the South. I now come to the question of first class rates which the Commission prescribed in the Southern Class Rate Case from Eastern Trunk Line and New England territories. In the prescription of first class rates between the South and those territories, the Commission pretty well followed the same territorial lines of demarcation both as to origin and destination that had existed over a period of some 40 or 50 years. Those rates, it was claimed, were controlled by the water and rail routes operating from the North Atlantic ports. However, this adjustment was carried back to as far west as the western termini or the Buffalo-Pittsburgh line. The adoption of this prior plan of the carriers in constructing rates from Trunk Line and New England territories, it is [fol. 1684] my opinion, was a fundamental error. The railroads subsequently set up an all-rail structure based on the laminated or so-called K-2—Q-1 formula from these territories and to which certain rates are now tied. I will put it that way.

Sheet 9 is a picture of the grouping of New England territory, origin territory, to the South. Sheet 10 is a picture of the Trunk Line grouping to the South. Sheet 11 is the Southern grouping in the Trunk Line, New England and Southern structures. These first class rates, as we see it, also cause incongruities both as to origin and destination. I have shown on sheet 12 certain comparisons as between the maximum origin blanket and maximum destination blanket from certain of the origin groups to certain of the destination groups. For instance, with respect to the Boston group, there is an actual difference of 20 miles. There is a destination blanket of 199 miles, so we have there an overall distance of 400 miles on the one rate. Those inconsistencies, of course, are shown more in detail on sheet 3 of section 2.

The chart shown on sheet 13 of Section 2 shows the actual first class rates that are in effect from New York to New Orleans, Louisiana, and in the reverse direction and to the intermediate points both southbound and northbound. You will observe as to the southbound rates the line designated [fol. 1685] as "constructive first class rates". They are the rates that were constructed on the same formula as the rates from Central Freight Association territory and to which certain classes of traffic are related from the South. In other words, we will have a certain class of traffic that will be related to the prescribed first class rates. Others are related to the constructive first class rates.

By Chairman Aitchison:

Q. Will you indicate on that chart where the K-2 scale runs out and the Q-1 begins?

A. Mr. Chairman, it runs out—it meets between Atlanta and LaGrange, Georgia. I am talking now about the constructive first class rate. Then in the opposite direction, the full K-2 scale applies to the border of Southern territory.

Chairman Aitchison: Lynchburg?

The Witness: Lynchburg.

Chairman Aitchison: Yes.

The Witness: Of course, that border has now been moved further down under subsequent decisions of the Commission in the Carolina Case or the Border Cases, but at the time of the prescription, and for that matter the rates today from Atlanta, for instance, from the South to Lynchburg, are on the full K-2 scale. Sheet 14——

Chairman Aitchison: Pardon me just a moment.

The Witness: Yes.

By Chairman Aitchison:

Q. Does the Q-1 scale have the humps in it which are [fol. 1686] shown there?

A. It is not drawn for the purpose of showing comparisons as to progression, Mr. Chairman. This was drawn to show what the situation is at actual points over the direct route from New York to New Orleans and of course the line would not be straight. The purpose of it is to show the inconsistencies of the first class rates which the Commission prescribed in the Southern Class Rate Investigation, as compared with any other mileage basis of ~~rates~~ equally applied.

By Com. Alldredge:

Q. Are these the short line distances?

A. Yes. This is the short line distance.

Q. Then these humps actually do appear, is that right?

A. Those are the actual rates at those points, yes.

Q. Whatever humps they make are actual?

A. That is correct.

Com. Alldredge: That is what the Chairman, I think, was asking.

The Witness: This is a realistic picture, and not a theoretical picture.

By Chairman Aitchison:

Q. As a matter of fact, the movement from New Orleans to New York——

A. Yes.

Q. —might actually be through the points shown on the humps, Washington, Baltimore and Lynchburg?

A. Yes.

[fol. 1687] Chairman Aitchison: Yes.

The Witness: For instance, Mr. Chairman, from New Orleans to New York there are certain classes of traffic that would be related to this lower scale which is indicated as first class rates, Docket 13494. There are certain other rates that would be related to the constructive first class rate which is the top scale. The K-2 scale, if it was applied all the way through, the full K-2 scale, disregarding the distance between New York and Lynchburg, which is shown there as 401 miles—New Orleans does not get any credit for that haul of 400 miles within a lower—what they say is a lower-rated territory, although I do not admit it is a lower rated territory. There may be these lower rates there, but anyway, they do not get any benefit of it. If they had the K-2 scale applying all the way through, they would have a lower rate than they have today, by virtue of attaching to that traffic the relationship of the top line or constructive first class rate.

Sheet 14 of Section 2 merely compares the spread in distance and cents over this same route, although I stopped here with Mobile rather than carrying it on from New Orleans because the paper ran out at Mobile and we just cut it off there. In any event, it shows the inconsistencies and incongruities that flow out of this Trunk Line adjustment into the South. For instance, you will observe that the present [fol. 1688] rate from New York to the first group, which is 98 miles, progresses 19 cents. The next group, including Washington and Orange, Virginia, for a distance of 107 miles, has a progression of 15 cents. Then to Lynchburg, which is the border point, 13 cents. Then it jumps for 112 miles to 25 cents. I want you to observe what it does in the next group for 94 miles, in which Charlotte is an important point to be included. It progresses 31 cents. No such progression comes about by virtue of the scales I have shown to the right of this comparison. In other words, under the appendix E scale, the progression to the Charlotte group would only be 14 cents. Under the 13494 class rate scale it would be only 13 cents and under the ordinary first class scale it would be only 16 cents. There is something manifestly wrong about the progression of these first class rates. It certainly creates undue prejudice.

By Chairman Aitchison:

Q. How are those New York rates made up to Mobile?

A. They are group rates, Mr. Chairman, specific group rates prescribed by the Commission in the Southern Class Rate Investigation. They are key rates.

Q. They do not reflect the 13494 scale from border points?

A. No. The constructive rates shown on this chart do embody the K-2—Q-1 formula, but the prescribed rates do not. They are arbitrarily made with relation to the water rates.

[fol. 1689] Chairman Aitchison: Perhaps I did not give the correct Docket Number. I was speaking of the Eastern case.

By Chairman Aitchison:

Q. The rates from New York to Mobile would be made up of what factors, again?

A. What Eastern case are you referring to?

Q. I beg your pardon?

A. Are you referring to the—when you say "Eastern case", you refer to the Eastern Class Rate Investigation?

Q. Yes.

A. Well, there were no rates prescribed in that case from New York to Mobile.

Q. No. There was a rate prescribed to the border.

A. The rate to Lynchburg was prescribed in that case.

Q. Yes.

A. The appendix E scale applies from New York to Lynchburg.

Q. How is the combination of the Southern class rate plus the 13494 rate to Mobile made, via Lynchburg?

A. You mean, what would be the total of those two factors?

Q. Yes.

A. They would be higher than the first class rates today, but on certain classes of traffic, dependent upon what they are rated in the classification, you would not find that the Lynchburg combination would cut as far back as Mobile, but it would cut as far down as Atlanta on some particular class of traffic, but not first class. For instance, if you had [fol. 1690] an article rated in the South—you see, these interterritorial rates are governed by the Southern classification. If you had, for instance, an article rated sixth class in Southern classification and third class in Official, probably the combination would cut down as far as Atlanta or somewhere in that neighborhoood; but as to first class, of course, it does not have that effect.

Chairman Aitchison: Proceed.

The Witness: I think that the chart shown on sheet 15 pretty well confirms everything I have said about the inconsistency of the Trunk Line-Southern adjustment when we look at the rates from Washington, D. C., to points such as New Orleans. For instance, to all destinations on the Southern Railway over their main line, which is the short route, just out of Charlotte, or between Charlotte and Spartanburg from that point to a point almost to the Alabama line just beyond LaGrange, Georgia, the first class rates today exceed the Southern K-2 scale. ~~I just cannot help but express the observation~~ here that I just do not see any justification for the Southern Railway serving both points carrying rates that are higher than within the South, and they were fixed by the Interstate Commerce Commission. Of course, I think these inconsistencies from Washington come about by an effort on the part of the Commission to carry Washington along with Baltimore rather than adjusting it to the Southern basis.

[fol. 1691] The Commission in the Trunk Line and New England adjustments to the South stated that the purpose of prescribing key rates from that section to the South rather than the so-called laminated formula, was because of the rail competition.

On sheet 16 I have shown a number of destinations both including ports and interior points from New York. Take a port like Wilmington, North Carolina. The first class rates prescribed to New York have a higher relationship to the K-2 scale than some of the interior points. The same is true at Jacksonville and Savannah. Where it would appear that the rates to those ports were controlled by water competition, certainly those rates would be relatively less than the rates to the interior. That further supports my contention that the Commission made a fundamental error when they followed the railroads in the suggestion that the old plan of rate construction between Trunk Line and New England territories to the south be continued. I think they should have made the rates on the same basis all-rail as from the balance of Official territory and then if the water lines or the lines controlling the routes through the North Atlantic and South Atlantic ports saw fit to make rates less than the all-rail rates, naturally I think that was their right and they should have been permitted to do so. That sort of plan, of course, was followed by the Commis- [fol. 1692] sion later on in the Eastern Class Rate Investigation in prescribing rates via rail and lake routes from the same territory to destinations in Central Freight Association and Illinois Freight Association territories. In other words, there they made the rates first via the all-rail routes and then they related the lake route rates to those all-rail rates.

Sheet 17 of section 2 further compares the inconsistencies that come about by the Commission's prescriptions in the two cases I have been talking about. This is the only time I have gone out of the territory east of the Mississippi River. I have here shown to points such as Indianapolis, the rates from points in the Southwest and in the Northwest, from the South, from the North and from Canada to equi-distant points in Official territory. The exhibit shows that shippers located at each of these origins all have a different rate structure to deal with when reaching a common destination such as the city in which we now are.

On sheet 18 I have selected three representative producing points of granite. They are actual producing points and I have selected destinations with which, of my own personal knowledge, certain of these southern origins are concerned, that is, Elberton, Georgia, and Salisbury, North Carolina, who on carload shipments continuously and continually are in competition with such an origin as Barre, Vermont, producing granite very similar to that produced [fol. 1693] in the Elberton district. These differences I have shown on this sheet, of course, all come about by virtue of the first class rates which the Commission prescribed in the Southern Class Rate Investigation and the Eastern Class Rate Investigation about which I have been talking. In other words, with respect to the stone rates from Barre, Vermont, the percentage of first class prescribed in the Eastern Class Rate Case, those rates are shown under the heading of "Barre" in the exhibit. I have adjusted the first class rates from Elberton, Georgia, and Salisbury, North Carolina, from the Southern producing points, to the Barre, Vermont, rate, and shown what the rates would be from the two Southern origins if they were properly adjusted with the Barre, Vermont, first class rate. In the last column is shown the percentage the Southern rates are of the Barre rates. I am talking about the first class rates. Naturally any commodity related to first class would involve the same situation.

For example, take the first point, Fostoria, Ohio. The difference from Elberton is 151 per cent or 51 per cent higher than the Barre rate, mile for mile, although the full measure of the K-2 scale would only give Elberton shippers 138 per cent. There is not a single instance from Elberton where the relationship today on actual movements is anywhere near the full difference between the two first class scales. So as a factual matter, Elberton, Georgia, for [fol. 1694] instance, would be better off today if the rates were made on the full K-2 scale, which they are, as the other part of the exhibit will show. As to Salisbury, due to this laminated formula the Commission has used, you will notice that the rates from Salisbury are somewhat nearer the Barre rates than are the Elberton rates.

Another incongruous condition that flows out of these territorial differences—no. Let me withdraw that.

Chairman Aitchison: Mr. Hart, turn to sheet 18 of section 2.

The Witness: Yes.

Chairman Aitchison: I do not know that I understand this.

By Chairman Aitchison:

Q. You were just talking about Elberton, Georgia, to Fostoria, Ohio?

A. Yes.

Q. The present rate actually being charged, I understand, is $2.16?

A. That is correct.

Q. If the K-2 scale were applied, it would be $2.12?

A. That is correct.

Q. Omit the next column. Then we come to the per cent the present rate is of K-2 first class, and you have 98. Should that not be about 102?

A. Well, you are correct, Mr. Commissioner. That should [fol. 1695] be 102 if 212 and 216 are correct. Your computation is correct. Apparently the present rate is $2.16. Without my worksheets I can't say positively. It may be that the $2.16 is wrong. If $2.16 is correct, the percentage is of course 102. I would like to have the exhibit corrected, unless I make some correction later on.

Mr. Wagner: If the Chairman please, it looks as though those first two figures were transposed.

The Witness: The 741 on the second line of the first column has a K-2 scale rate of 216. For the 740 you are speaking of, I believe it should be 216 instead of 212.

Chairman Aitchison: All right.

The Witness: It is obviously wrong. Just a minute please. The scale is 212 for 740 miles. It must be that the first class rate of 216 is wrong. I cannot say positively whether 216 is correct without checking my worksheets.

Chairman Aitchison: The case is not going to hinge on that anyway.

The Witness: No. The other figures on the way down seem to be correct. Shall I proceed?

Chairman Aitchison: Yes.

The Witness: Other incongruities flow out of these territorial differences that come about by the imposition of horizontal increases that of course penalize the rate structure in the section having higher rates. In other words, [fol. 1696] the Commission for instance, fixes what it concludes to be the proper relationship of rates between different sections of the country and then subsequently, by granting horizontal increases the same in amount, destroys the prior relationship found to be proper and reasonable. Sheet 19 depicts such conditions.

Section 3 relates to the pattern of the class rate structure in and between the South and Official Classification territory. Sub section 3-A contains excerpts from various decisions of the Interstate Commerce Commission wherein alleged differences in transportation conditions require higher rates in Southern territory than in Official territory. In other words, Mr. Chairman, here I was trying to trace back or trace down, so to speak, this term that has been so commonly used not only by the railroads and the shippers and the like, but also by the Commission in the more recent past. That is, transportation conditions being less favorable in Southern territory, the rates on certain classes of traffic should be higher within the South or between the South and the North. For that reason, my conclusion is, from my familiarity with these various decisions that have taken place, that the meaning of this term referred primarily to competition, to meet water competition and competition between carriers, and that it had no other meaning, and certainly did not have the meaning that is attached to it today.

[fol. 1697] Section 3-B was prepared to show the rates in the South and the rates between the South and Official territory on the most important classes of carload traffic that originate in the South. The commodities shown in this section are all commodities that move in the South and interterritorially. I have only in a few instances shown less than carload rates. The exhibit shows that some of the traffic moves on the classification basis. Some moves on a percentage of first class. In any event, the relationship between the Southern and Official territory rates are shown both intra and interterritorially. Now, it is a fact that in preparing this exhibit, for instance, I have included commodities on which the rates, for instance, to the border territory, that is, Ohio River cities, in some instances, St. Louis and the Virginia Cities, are made on the northern level. In other words, the Southern carriers have established on certain of these commodities competitive rates at those border points.

Chairman Aitchison: Do you mind taking sheet 1 and explaining the first item?

The Witness: Well, acetic acid is produced in the South. That would be one of our friend's, Mr. Widell, commodities. The reference there shows there is a commodity adjustment in the Southern section. Otherwise it moves on column 30. In Official territory it moves on column 35, which is the classification basis because you will notice on the right-hand [fol. 1698] side that the Official Classification basis is 35. Now, interterritorially it moves on column 30 from the South to Official territory, which is an exception, and then in the next two columns is shown the percentage relationship between the Southern intraterritorial rate and the interritorial rate. That is 120 per cent of the Official territory in the South and interterritorially to portions of Official territory 120 per cent, and to Trunk Line territory, 110 per cent.

Chairman Aitchison: What I do not understand there is the very last figure on that line, 160 per cent. Perhaps it would be better to take an article like agricultural implements.

The Witness: You are referring now to acetic acid?

Chairman Aitchison: Yes. The same line.

The Witness: Well, now, the classification difference is 160 per cent. In other words, if acetic acid moved in the South and Official territory on the full classification basis, that is 40 per cent in the South and 35 per cent in Official territory, the Southern level would be 160 per cent of the Northern level. I mean, the rate level would be 160 per cent. In other words, I am not comparing classification ratings in percentages here. I am comparing rate levels as the result of these percentages, which have been reduced, of course, by exceptions to the classification.

Mr. McCollester: May I interrupt you right there?

[fol. 1699] The Witness: Yes.

Mr. McCollester: I do not see how we can tell from sheet 1 of section 3 as illustrative which are the class rates or ratings involved here and which are the commodity or exceptions rates or ratings.

The Witness: Well, they are not commodity rates. They are all rates related to first class. It is very easy to look over on the right-hand side and see whether they are the same as the classification. If they are, they are involved here. Otherwise, they are not, technically. But you will find in some instances that the Southern intraterritorial rates are on a column basis or are less than the classification basis, whereas the interterritorial rates are on the classification basis. I can just recall one commodity which is on the last sheet, wine, if you will refer to that.

Chairman Aitchison: Which sheet?

The Witness: Sheet 10. That is a rather heavy moving commodity produced in Atlanta and at other points in Georgia and in the Carolinas. The Southern rates are based on column 40. The classification basis is 55. The Official territory level is Column 44. The Official territory classification basis is also 55. So into Central Freight Association territory and Illinois Freight Association territory we have column 40, which is also less than the classification basis of 55; but when we get into Trunk Line [fol. 1700] territory, we have the full classification basis, which is 55. So to that extent the rates on wine from Atlanta, Georgia, for instance, to New York or Scranton, Pennsylvania, are involved in this proceeding. The only full classification basis on this product is that applying from the South to Trunk Line and New England territories. Is that clear, Mr. McCollester?

Mr. McCollester: Yes. I guess so.

By Mr. McCollester:

Q. In other words, if the first column of figures in the left-hand section and the first column of figures in the right-hand section are lower, then the rates are involved here; otherwise they are not, is that correct?

A. That is true.

Q. And the per cents in the very last column of the page are what per cents?

A. Those per cents represent the difference between the Southern and Official territory levels under the classification proper ratings.

By Chairman Aitchison:

Q. In other words, you have taken this acetic acid item where the Southern classification basis is 40 per cent, multiplied 139 by 40 per cent——

A. No, sir.

Q. ——or by 40——

A. No.

Q. ——and then have taken 35 and multiplied that by 100, subtracted the two and divided by 35 and got 59. You [fol. 1701] added 100 and got 160?

A. I did not split hairs, Mr. Chairman. I made them in round figures. You might find one is 138, 139 or maybe 140. I did not do it that long way. I have a formula of my own. I do not suppose you would care to have me disclose it, but it results in the same figure.

Chairman Aitchison: We do not want to disclose any trade secrets.

The Witness: I do not want to acquiesce in your formula, that is, state that we arrived at it in that manner. I did not do that, but still the figure is the same. I will admit you may find 159 or 160. I made it 160 because it looked better. It does not make any difference for the purpose of the exhibit.

Chairman Aitchison: Substantially what I have just suggested has been done, has it not?

The Witness: I just observed that that was the long way of reaching the conclusion. I had a shorter way, so I did not do it that way.

Mr. McCollester: Just one more question for explanation.

By Mr. McCollester:

Q. Are these rate levels that you show under the column headed "Southern", where they are not the class basis, the levels of rates prevailing within the South, or are they interterritorial?

A. They are the actual going levels in the South and [fol. 1702] interterritorially except where they are abbreviated—I mean, have a symbol above, and then that is explained on the last page. In those instances there are certain commodity adjustments on that particular commodity.

Q. Are there not some instances where your interterritorial level is different from your level within Southern territory?

A. Surely. That is what I am talking about as incongruities and inconsistencies.

Q. Well, will you give me an example of that.

A. Yes. You can find most any sort of thing you want to.

Q. I mean, right on this exhibit, section 3.

A. What is it you want to know about it, Mr. McCollester? What is it that is not clear to you?

Mr. McCollester: Perhaps I can figure it out. Just tell me this:

By Mr. McCollester:

Q. Do the explanation or reference marks on sheet 10 tell us whether the figures relate to rates within the South or interterritorially?

A. No, sir. They do not.

Q. Then how do we find that out?

A. The exhibit itself shows that. It shows the prevailing rate levels.

Q. I see.

A. It is headed that way.

Q. I see.

[fol. 1703] A. It is very clear.

Mr. McCollester: I am sorry. I apologize.

Chairman Aitchison: Proceed, Mr. Hart.

The Witness: Sheets 11, 12 and 13 of this section merely reproduce the tariff authority for the rates shown in the previous sheets. Section 3-C is a similar comparison of the so-called exceptions ratings in Southern territory. In other words, I have here reproduced the actual carload ratings published in exceptions to the Southern classification intraterritorially. I compare those ratings with the classification ratings or the exception ratings as applied on the same class of traffic in Official territory. This exhibit is prepared in the sequence that the Commision uses in its commodity statistics. That was done primarily for the purpose of indicating that there are commodities in all of these groups from raw materials on up to the manufactures and miscellaneous that move on percentages of first class. The raw material rates certainly do not reflect a commodity adjustment as some have inferred here. Pages 1 to 3 are the products of agriculture. Page 4 is products of animals—that is, animals and products. Sheet 5 is products of mines. Sheet 6 does not show for the group, but it should show products of forest. That is one correction I failed to make. That sheet should show products of forest. Sheets 7 to 20 cover manufactures and miscellaneous. All of these carload rates—I would say [fol. 1704] that they cover about 90 per cent of the moving traffic in the South, as to class traffic—are related to the going first class rates.

Section 3-D is prepared to show the situation with respect to commodity rates. In other words, it is our position here that the pattern of the rate structure in Official territory and the South is identical today; wherever the rates in the North are on a percentage basis they are likewise on a percentage basis in the South. When they are on a commodity basis, they are on a commodity basis in the South. I prepared these exhibits to prove that. There is the condition apparent in one or two important commodities as shown in Section 3-D. I have tried to cover all of the important moving traffic in sections 3-B, 3-C and 3-D. I have not included in those sections such commodities as bauxite ore, iron ore, coal, or commodities that would probably have no bearing on this case.

There is a movement of coal interterritorially; but as to bauxite or iron ore, there is not. I have also eliminated grain because most of our grain moves on transit and there is no way in the world to test the level of the grain rates. But by and large this section of my exhibit certainly portrays a picture of the moving traffic in the South and in the North, and shows that the pattern is identical today. There is no such thing as low commodity rates in the South [fol. 1705] on raw materials, where they move in the North on class rates and they move in the South on commodity rates. That is a misnomer as far as that is concerned.

There is in these studies rates, for instance, on plastic. That is an important commodity in the South and the North. We have plants in the South today. In the South it moves on a percentage basis and in the North it moves on a commodity basis As to fresh meats, the situation is exactly reversed. In the North fresh meats move on commodity rates and in the South they move on the column basis, except for certain truck competitive rates that are in effect. There is one other important commodity that moves in the North on a class basis and in the South on a commodity basis, and that is lumber. That is true probably of petroleum products, but with those few exceptions, the pattern is the same.

Section 4 refers or relates to the Jensen proposals. I am here undertaking in this section to criticize, if you will permit that word being used, what Mr. Jensen proposed in this proceeding. Mr. Jensen referred throughout his exhibit No. 7 which he introduced at the St. Louis hearing, apparently, to class traffic or class rate traffic or class rates, and it certainly has been confusing to many of us in attempting to determine or make a little interpretation of that or those terms. Of course, I have approached this subject on the basis that perhaps he referred to all traffic, [fol. 1706] that is, traffic classified in the classification or otherwise, so you may understand why I deal with it from that angle.

Mr. Jensen apparently tried to create an entirely new structure. His proposition in the beginning can best be summed up as follows: one, create a synchronized first class rate structure by taking a base 100 rate (CFA territory) and relating the other rate territories to the Index 100 rate territory by an arbitrary percentage amount, which he assumes to represent the difference in the rate level as a whole in each of the other territories as related to the Base 100 Rate Territory. Two: place practically all traffic on a definite relationship to the Index 100 rates by uniform classification ratings stated in definite percentages of such Index 100 rates. With that conception of Mr. Jensen's proposal, I will just refer briefly to some of the sheets that follow.

Section 4-A contains 8 sheets and shows comparisons of ratings in Southern classification and exceptions thereto. Sheet 1 merely reproduces and compares ratings in Consolidated Classification No. 14. On sheet 2 I have broken down the same ratings that are carried on sheet 1 and compared the Southern and Official territory ratings as to rate levels. In other words, on class 1, for instance, the less than carload ratings numbered 2,074 in the South in carload 202. I have broken those down in Official terri- [fol. 1707] tory as to the ratings in that territory and show what the rate levels would be under the governing classification ratings. That is carried out all the way through to class 12.

Now, on sheet 3 I have compared in a similar way, except I have weighted the averages of the fifth and sixth class carload ratings in Official territory with the ratings on those same classes of traffic, or I may say, the going rates in Southern territory on the same class of traffic. I have selected fifth and sixth class because it is generally speaking fifth and sixth class, so far as classification is concerned, that moves the greater part of the traffic, carload traffic, in Official territory. Those ratings were selected because they are representative of the Official territory carload traffic, and we show what the actual rates are in the South, whether exceptions, classification or otherwise, and show what the relationship is between the two rate levels. This same sort of comparison is carried out on sheet 4 as to the exceptions carried in the Southern exceptions to the classification that were in effect as to carload traffic and less than carload traffic prior to September 1, 1940.

Additionally on sheet 6 I show what those comparisons are as to the less than carload traffic on which the rates were substantially reduced on September 1, 1940, and about which so much has been said here already. I have broken that down. There are actually 2,960 ratings, less than [fol. 1708] carload, that were reduced, and it is not correct to say that those reductions caused the rates in the South on this class of traffic to be lower than in the North. It is very obvious that an examination of this showing will confirm that statement. In other words, the major number of items reduced were in the third class column, which is numbered 18991. There you will find that all but about 450, roughly 450, are still higher in the North than they are in the South—I mean, still higher in the South than they are in the North.

Sheet 7 makes similar comparisons with certain exceptions that are carried in the Southern class rate tariffs rather than in the exceptions sheet. Sheet 1 of section 4-B reproduces the territorial boundaries of Mr. Jensen's proposal. On sheets 2 to 10 inclusive I have shown the result of Mr. Jensen's proposal between Official and Southern territory both as to the 110 per cent zone and the 120 per cent zone in the South. Here again you will find that the long haul rates are relatively high and the short haul rates are relatively low, which causes the same sort of incongruities that are now apparent in the interterritorial rate structure, although I am frank to say it somewhat mitigates those incongruities. Those I think will be shown further on, on sheet 12.

I skipped the map on sheet 11. The map was drawn to merely indicate the line between the territories suggested [fol. 1709] by Mr. Jensen, and it also shows the points which were used in breaking the rates between the different percentage zones in constructing the rates shown on the previous sheets. On sheets, 13, 14, 15, 16 and 17, I have by charts compared various laminated scales that the Commission has prescribed with Mr. Jensen's laminated proposal and also have shown the Southern K-2 first class scale and the appendix E scale prescribed in the Eastern Class Rate case. There, Mr. Commissioner, you will find a comparison—or rather, let me state this: here again I would like to call your attention particularly to sheet 17, which charts these scales between Washington and New Orleans, and ask you to take very careful cognizance of that picture, particularly the progression of Mr. Jensen's scale for the longer distances as compared with the progression of the appendix E scale, and for that matter, with the other scales shown on that chart.

Sheet 18 is rather complicated. I will rather have to admit that. Unless someone wants to ask me questions about its clarification, I do not think I will go into detail in explaining it except to say that I have here selected three granite producing points—the three to which I heretofore referred—Barre, Vermont, Salisbury, North Carolina, and Elberton, Georgia, to show what would happen to the rates from those points on stone or on granite should Mr. Jensen's proposal be adopted, in the event we should [fol. 1710] use the classification basis against the Jensen first class rates. It also shows under the full classification basis, for instance, from the South we would have a mile for mile parity with Official territory on dressed stone, whereas, the Commission came along in the Consolidated Stone Cases and disrupted that parity by reducing the level but increasing the difference between Southern and Official territory rates. This exhibit shows what those differences are under each of the prescriptions. Then the Commission came along in the Southern Governors' Case and gave us parity again. Now Mr. Jensen comes along and he wants to disrupt it again.

A similar showing is made with respect to rates on wine, which I show on sheet 19. In other words, today the rates from Atlanta to Chicago on wine which we ship in carload quantities are 84 cents and from New York, 73 cents. We have a difference of 11 cents in favor of New York. Mr. Jensen does not propose to change that. Under the classification basis we would have 24 cents, but if the appendix E scale applied and the same basis on wine was observed from Atlanta as from New York, the rate would still be 84 cents, but the New York rate would become 94 cents or 10 cents higher. If we used Mr. Jensen's formula, there would be only 1 cent difference between the two rates in the event you used the classification basis. I have shown the same situation at Scranton, Pennsylvania, [fol. 1711] because there is quite a large movement of wines into Scranton, Pennsylvania, which the Southern producer has not been able to participate in because of the fact he has nothing but fourth class rates today and in fact a rate of $1.21 today from Atlanta, Georgia, which is only 7 cents less than the rate from California to Scranton, the rate being $1.28.

Now, section 4-C, which consists of 7 sheets, has been prepared to show that in the South truck competition is just as apparent as in Official territory, and maybe more so. I have merely shown here the very substantial reductions that the Southern railroads have made on important classes of traffic in Southern territory.

Section 5 relates to Mr. Jensen's proposed Index 100 first class rates. Sheet 1 compares the Jensen proposed first class Index 100 rates and their progression with the appendix E Docket 15879 scale and the K-2 Docket 13494 scale. Sheet 2 makes a comparison of Mr. Jensen's proposed Index 100 rates for the long versus the short hauls. It shows that his scale, of course, does not lend itself readily to long haul traffic. In other words, the relationship between the short haul rates and the long haul rates are much greater than either under the K-2 scale or the appendix E scale. Certainly we would interpose serious objection to any change unless it is a betterment in the relationship between the long and short haul [fol. 1712] rates. Sheet 3 is a graphic comparison of the progression of Mr. Jensen's proposed Index 100 rates with the appendix E scale and further shows the very rapid rise in the Jensen proposal because of their straight line progression. May I say, Mr. Chairman, that in my opinion Mr. Jensen's proposal is impractical, inconsistent, unsound and unworkable.

By Mr. Wagner:

Q. Have you completed your discussion of your exhibit, Mr. Hart?

A. Yes.

Q. Would you say that the territorial movement of carload freight on May 27, 1942, could be considered representative of the normal movement throughout the year?

Mr. McCollester: Pardon me, Mr. Wagner. May I hear the question again?

Chairman Aitchison: Read the question.

(Question read.)

A. No, for two reasons: One, in May there is relatively no movement of cotton, tobacco and grain and a lessening of the movement of coal; and in May, 1942, there had begun a large movement of petroleum products by rail to meet the eastern shortage; and, two, the movement of war materials and lease-lend products was large in May and even larger, perhaps, than the first quarter of this year. If we eliminate Sundays and holidays during the first quarter of this year, we find that on basis of Statement [fol. 1713] Q-1 figures, the movement of manufactures and miscellaneous items was between 15 per cent and 20 per cent greater on May 27th than the per day movement of these items during the first quarter of this year.

By Mr. Wagner:

Q. Do you consider the list of commodities set forth in the notice of September 25, 1940, a proper segregation of commodities?

A. I certainly do not.

Q. Would you explain why?

A. While cottonseed, cottonseed meal and salt—Items 100, 101, and 380—move on percentages of first class fixed by the Commission, they are not technically in this proceeding. If they are to be treated as commodity-rated traffic, then many items that are now in the class rate traffic category can be transferred into the commodity group. For example, in the September 25th, 1940, segregation, packinghouse products would not be in the commodity rate list. However, packinghouse products move on Commission-prescribed commodity rates within and to the Southwest, and on percentage columns east of the Mississippi River. Fresh meats nowhere move on the classification basis, and yet under the division embraced by the September 25th, 1940, grouping, they are included in class rate traffic. Fruits and vegetables do not move on classification rates, and yet——

Chairman Aitchison: What is that?

[fol. 1714] The Witness: Fruits and vegetables do not move on classification rates.

Chairman Aitchison: Lots of them move in the Western District on Class C.

The Witness: Of course, Mr. Chairman, I know that in certain instances from the west they do move on class C, but I had more in mind, of course, rates from the South in which case you made a very strenuous separate opinion on account of those rates being related to the first class rates. Now, they all move east of the river on column rates and to a great extent they move on column rates from the Southwest. I will modify my statement to that effect.

Chairman Aitchison: You make your own statement.

The Witness: I am not sure that the September 25, 1940, list was intended to draw the line between commodity rated traffic and class rated traffic. After all, that is the point, Mr. Chairman.

By Chairman Aitchison:

Q. You recognize that the exhibit in question is based upon previous notice of the segregation of the Commission, or rather, the Division in its call for a traffic study?

A. Well, yes.

Q. Was there any objection made to that at the time?

A. No. I do not think there was. Certainly we did not give it very serious thought.

[fol. 1715] Q. Well, if we had gone on with the original study and had the carriers get that data together, we then would have found you exactly where you are now, criticizing the statement of May 27th, is that correct?

A. Perhaps so.

Mr. McCollester: Will you state for the record what the significance is of these two dates that have been referred to?

Chairman Aitchison: May 27th was the date taken for the study made by the Director of Defense Transportation, one day. The other date was the date in the order of Division 2 for a study to be made by the respondents in this proceeding, which subsequently was vacated. Am I correct in that?

The Witness: That is correct.

Mr. Wagner: There were two tentative orders issued and the notice, I believe.

Chairman Aitchison: Two tentative orders?

Mr. Wagner: Yes.

Mr. McCollester: Thank you.

Chairman Aitchison: They were not made.

Mr. Wagner: We offer in evidence Exhibits 88 to 90 both inclusive, if the Chairman please.

Chairman Aitchison: Is there any objection besides the one made by Mr. McCollester, which was sustained in part?

[fol. 1716] Mr. McCollester: Mr. Chairman, the only other objection that I make is to such portions of Exhibit No.

88 as purport to show rates, and particularly interterritorial rates other than the class rates involved in this proceeding.

Chairman Aitchison: Because they do involve rates which are not embraced in the proceeding?

Mr. McCollester: I do not object to their being shown if they have any relevancy at all, but I do think unless some explanation is made, a showing of such ratings as are set forth, for example, in Section 3-B, are immaterial to the present proceeding.

Chairman Aitchison: The objection is overruled. The exhibits are received in evidence with the exception, as previously noted, of certain portions of Exhibit No. 90.

(Exhibits Nos. 88, 89 and 90, Witness Hart, received in evidence.)

Chairman Aitchison: We will take a short recess.

(A short recess was taken.)

Chairman Aitchison: We will resume. You may cross-examine.

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Hart, I may not have fully caught your opening remarks, but did you say for whom you are appearing and testifying in this case?

Chairman Aitchison: Was that not stated by counsel?

[fol. 1717] Mr. Gwathmey: I beg your pardon, sir?

Chairman Aitchison: That was stated, I believe, by counsel, and not the witness.

Mr. Gwathmey: I did not hear anybody say it, sir.

Chairman Aitchison: Ask counsel.

Mr. Norman: You heard counsel for the Southern Governors present him, did you not?

Mr. Wagner: He is a witness on behalf of the Southern Governors' Freight Rate Conference.

By Mr. Gwathmey:

Q. Are you specifically authorized to testify on behalf of any industry or group of industries in the South?

A. I have not any specific authorization from any group, but speaking for my own organization, which is the oldest and largest of its kind in the South, I think we represent more diversified manufacturers than any city in the South, and I am certainly speaking for that interest.

Chairman Aitchison: He is a Commission witness when he goes on the stand here and takes the oath. He is here to tell the truth for everybody and for all purposes. It is for counsel to tell on whose behalf he is testifying.

By Mr. Gwathmey:

Q. Is it not true, Mr. Hart, that there is a substantial group of industries in the South who have particularly directed that none of your remarks be considered as made on their behalf?

[fol. 1718] A. No, sir. I do not know of anyone who has directed me not to make remarks on their behalf. There are a number of so-called heavy commodity shippers in the South who are satisfied with their rates and as I understand it they are pretty well satisfied. They have either parity or something near parity and they are not interested. That is the only group I know anything about. I do know that commercial interests of Charlotte, Nashville, Chattanooga, Memphis, and every commercial organization in the South supports this presentation.

Q. On page 42 of your prepared statement which has been marked as Exhibit No. 90, the following statement occurs: "Speaking for most of Southern industry, we want it clearly understood", and so on and so forth. I want to know your authority for the statement that you are speaking for most of Southern industry.

A. I had corrected that sentence, and I thought it had been corrected by the typist. I changed it to read, "Speaking for a large portion of Southern industry". If you will permit that correction to be made, I think that fairly states my position.

Q. Up to the present time you have mentioned only the particular organization with which you are connected. Do you refer to the Atlanta Freight Bureau?

A. I do.

[fol. 1719] Q. Is the membership of that organization located entirely in Atlanta or in territory adjacent to Atlanta?

A. Well, it includes, for instance, all the marble industry and granite industry in Georgia. We have some outside industries that have their main offices in Atlanta. For instance, the granite industry in the South is pretty well centered in Atlanta. Then, for instance, one of the members has an office in Salisbury, and some in Alabama and some in Tennessee. To that extent I represent what you might term outside interests.

Q. Is there any group or organization of shippers for whom you are speaking in this case other than the Atlanta Freight Bureau?

A. I think so. It seems to me counsel can answer that question. I certainly thought I was speaking for these other commercial groups. They were here as witnesses, and they are here now, most of them.

Q. Your counsel stated you are appearing for the Southern Governors Conference.

Chairman Aitchison: He has appeared as a witness, Mr. Gwathmey. Do not pursue that any further.

Mr. Gwathmey: Very well, sir.

Chairman Aitchison: When he gets on the stand here and takes the oath, it is his duty to tell all the truth.

Mr. Gwathmey: Mr. Chairman, if you will indulge me, [fol. 1720] when the witness makes the statement that he is speaking for a large part of Southern industry, I respectfully submit I am entitled to ask him what principal he is speaking for.

The Witness: I think I have answered your question very fairly. I know there are certain industries down there who are not in sympathy with it for particular reasons. I do not think the Commission here is interested in those reasons. I know what they are. There are those groups—for instance, the iron and steel group in Birmingham is a big industry. I admit that. They are not interested in this thing. I am not speaking for such an industry as that. I have a steel mill in Atlanta, and I am speaking for that steel mill.

Mr. Gwathmey: Very well, sir. Thank you.

Chairman Aitchison: Is that all, Mr. Gwathmey?

Mr. Gwathmey: Yes.

Chairman Aitchison: Is there any further cross examination?

Mr. Porter: I have just one or two points, Mr. Hart, if you please.

Chairman Aitchison: Mr. Porter.

By Mr. Porter:

Q. Will you refer to sheet 2 of section 2.

A. Yes.

Q. On that sheet you show that class 6 of Southern classification is 199.7 per cent of class 6 of Official classification. [fol. 1721] Are those corresponding classes?

A. They are stated as corresponding classes in the classification, but their percentage relationship, as you will notice below, is quite different and that is what causes the difference. In other words, if you had a commodity rated class 6 in Official territory and 6 in the South, the difference would be 199 per cent.

Q. But the correspondence is one, practically speaking, in name only, is it not, only in class 6?

A. I may say that is one of the incongruities of the present rate structure.

Q. Because they call class 6 something in Southern that they do not call it in Official?

A. We think we ought to have unification of classification.

Mr. Porter: That is not what I asked you, Mr. Hart.

By Mr. Porter:

Q. Is it not true that this 199.7 per cent figure is significant only to show that class 6 in Southern is 199.7 per cent——

A. That is all I——

Q. —of a lower class in Official?

A. That is all I prepared it for.

Q. As a matter of fact, commodities rated class 6 in Southern or class 6 in Official are rated class 5?

A. You can find it over here in the further exhibit I have filed.

[fol. 1722] Q. That is true, is it not?

A. Yes.

Q. You have studied that and you know it?

A. Of course I do. What is the question about it?

Q. I beg your pardon?

A. What is the question about it? I do not get your point.

Q. The question I had in mind was the significance of this 199.7.

A. I merely put it down there to show——

Q. It occurs to me that you are trying to indicate that there is a relationship of 199.7 per cent——

A. No.

Q. —Southern to Official.

A. No. The only purpose I filed that was to show the difference in a stated class in one territory as compared with the other translated into a rate level.

Q. Translated into a rate level that is common on two commodities?

A. Yes.

Q. That happen to be rated class 6 in each?

A. I am not claiming there is one or one hundred that are rated the same. The exhibit further on does show how many commodities in the South are rated sixth class and how many in the North.

Q. It shows how many are rated sixth in both?

[fol. 1723] A. That is right. Those commodities would be a difference of 199 per cent.

Q. Are there any that are rated that way?

A. How is that?

Q. Are there any that are rated that way?

A. I think there are a few, but they are inconsequential.

Q. Yes.

A. They do not represent any important moving traffic, of course.

Q. All right.

A. I did not file the exhibit for that purpose.

Q. Refer, please, to sheet 26 of Section 3-D.

A. Yes, sir.

Q. May I ask where you get the rates shown as representing Official levels?

A. I thought the exhibit showed it. I have the underlying data. It is not in here, of course. I did not incorporate it in this exhibit. It is a little voluminous. I will say that it represents the average of the meat rates in Central Freight Association territory and from Central Freight Association territory to Trunk Line territory. In other words, I took the commodity adjustment as it is today out of Chicago and Indianapolis and related it to first class and got an average.

Q. Can you state approximately how many rates you used?

[fol. 1724] A. Well, I used perhaps 100.

Q. Is that the same method you have pursued with respect to other commodities?

A. No.

Q. Where you do not have a mileage scale?

A. No. I did not do that because all of the other exhibits are prepared on a point to point basis. That is the only one you will find. I just happened to have this comparison in the form in which it appears here, and I did not want to change it. I mean, it was a matter of expediency more than anything else. This exhibit does reflect the average level of rates.

Q. Those are rates that you picked?

A. I did not hand-pick them. I just took——

Q. I did not mean to imply you hand-picked them, but they are rates you happened to take?

A. Yes.

[fol. 1725] Q. You then compared those rates to first class and you got a constant percentage?

A. I did, and made a scale out of it.

Q. You got an average percentage, and you made a scale, and that is the scale you set up here?

A. The purpose here is—it does not have any purpose from the standpoint of comparing Official levels with Southern levels.

Q. Oh.

A. I stated in my direct that the purpose of this section was to show that the rate pattern was the same, for instance, fresh meat in the North on a commodity basis and in the South on a percentage basis—or I guess I said it was just the reverse, and except as to those few commodities, the pattern is the same.

Q. Yes.

A. I have not purported to show any rate, and I do not claim that any rate is reasonable or anything else. I just made the comparison to show that the commodity was on a certain basis in Official territory and in the South.

Mr. Porter: There is just one other point I am not sure was made clear on the record, although perhaps it was.

By Mr. Porter:

Q. The Chairman raised a question about the apparent humps in the various class scales as shown on graphs such as represented by sheet 15 of section 2. Those humps are [fol. 1726] caused by the fact that there is no gradation as to mileage in the various blocks of the graph or divisions of the graph rather than any irregularity in the scale, is that not correct?

A. In fact, the scale was not used from the East and that is what causes those conditions. Later on it shows just what that progression is from the East.

Q. Yes.

A. On first class.

Q. Yes.

A. It is caused by the prescription of a key rate structure from the East and as you get down into Washington, of course it is on the lower end of that group, the Baltimore group. It is coupled up with Baltimore. That causes this incongruity I am referring to on the chart.

Q. Is it not also caused or accentuated by the fact that two divisions will, between some points, represent 50 miles, and between others they may represent 75 or nearly 100?

A. Yes, but I was not trying to chart it from that standpoint.

Q. I knew you were not, but I did not think the record was perfectly celar. The incongruities are not established, are they, by the fact that these lines have an irregular trend?

A. No, sir. I was attempting to show the incongruities that flow out of a key adjustment of this character.

Mr. Porter: That is all, thank you.

[fol. 1727] Chairman Aitchison: That is illustrated, I take it, by looking at LaGrange and Montgomery which is 101 miles, and is 20 spaces on the chart, while from Montgomery to Mobile, 178 miles is also 20 spaces.

The Witness: Well, Mr. Chairman, I tried to explain that I was not charting this from a mathematical standpoint. I merely wanted to show on this chart what the first class rates were, for instance, at Spartanburg, Atlanta and LaGrange. I merely took the chart and set it up that way because I thought that would be more effective than putting it down on a piece of paper. A man can see it better. My point is that between points on the Southern Railway's main line between Charlotte and Spartanburg, from that point on down to a point below LaGrange, the first class rates this Commission prescribed are higher than the full K-2 scale. That is all I was trying to show. I was not charting it from a draftsman's standpoint.

Chairman Aitchison: Did you say higher?

The Witness: Yes. It is higher. The lower line is the K-2 scale.

Chairman Aitchison: On sheet 15?

The Witness: Yes. If you will trace that line from about Spartanburg, just north of Spartanburg all the way down below LaGrange, you will find the K-2 scale is lower than the first class rates.

[fol. 1728] Chairman Aitchison: Oh, yes.

The Witness: That is what I am complaining about. I say on the Southern Railway's System from Washington, D. C. we certainly should not be higher than the full K-2 scale. That comes about by the inconsistencies that flow out of a key point adjustment.

Chairman Aitchison: Is there any further cross-examination?

Mr. McCollester: I have a few questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Hart, when Witness Edwards was on the stand he stated that his exhibits 83 and 84 were prepared by you and that I should ask you about them. You did prepare them, did you not?

A. Yes. I supervised their preparation.

Q. You know what they are? They purport——

A. I do not know them by number. I know what they are.

Q. They purport to relate to the rates on furniture?

A. Yes. I can answer questions about them.

Q. Is it not a fact that furniture moves on exceptions to the classification and is not involved, or the rates on it are not involved in this proceeding as you understand it?

A. Not altogether, no, sir.

Q. Well, is it not true——

A. Not interterritorially.

[fol. 1729] Q. Does it not move on exceptions, interterritorially?

A. Not altogether, nor does it move altogether in the South on exceptions. Predominantly it does, but not altogether.

Q. Yes.

A. Take bed rails, for instance, rated third class in the classification, moving on third class.

Q. Will you state the rates on exhibits 83 and 84 which are involved in this proceeding?

A. Well, I would say the rates involved there are those that move on the classification basis.

Q. Can you tell us which ones those are?

A. Interterritorially I think they would be—well, I do not know. I would have to get the list and check them. I do know that, and anyone knows who knows anything about furniture rates, that is a fact, that there are certain furniture items that move on the classification basis.

Q. But generally furniture moves on exceptions, does it not?

A. Yes. Predominantly it moves on exceptions.

Q. Now, Mr. Hart, will you state for the record how long you have been engaged for the purpose of this case in preparing the rate studies that you have prssented here?

A. Well, I do not know that it has anything to do with it, but if you would like the information I would be glad to supply it.

Q. I have asked you the question.

[fol. 1730] A. Shall I answer the question?

Chairman Aitchison: Is there any reason why you should not?

Mr. Norman: I was just going to say, I do not know any reason why he should, but I do not know any reason why he should not.

The Witness: I do not know that that has anything to do with it, but——

Chairman Aitchison: I think it does, if the question is how long you have been working on this. Certainly whether it is dashed off in 15 minutes or 15 years has something to do with its thoroughness.

The Witness: Well, I certainly have not been working on it 15 years, but I have not been working on it 15 months, either. Just making a rough guess without looking at my records, I would say five or six weeks, nights, days and Sundays.

By Mr. McCollester:

Q. Doing practically nothing else in that time, I take it?

A. I had to carry on my regular work, as far as I am personally concerned.

Q. You had a staff working on it too?

A. Yes.

Q. Bearing in mind that the different members of the Southern Governors' Committee on whose behalf you are [fol. 1731] called as a witness here have stated that what the Southern Governors' Committee seeks is a uniform level of rates east of the Mississippi, can you point out in your exhibit anywhere, or any part of the exhibit, where as the basis of the study you have put on the rate situation, you have indicated to the Commission or to us how the basis of rates for the entire section of the country east of the Mississippi River is to be arrived at?

A. No. I have not made any definite proposal in these exhibits, but I have shown the inconsistencies and the incongruities that are now apparent in our rate structure, and should be corrected. They should not have been put there in the beginning. I do not know whether my counsel will agree with this or not, but as far as I am personally concerned, in my own organization, I would say that from the knowledge I have of the rate levels in the two territories, probably the Appendix E scale today as it is with its gradation, its measure, with a unification of the classification would be satisfactory.

Q. In other words, your five weeks' study indicates to you that the solution of the problem of which the Southern Governors complain is the application of the Appendix E scale throughout that part of the United States east of the Mississippi River including the state of Maine and the state of Florida, is that correct?

[fol. 1732] A. I realize, of course, we could not operate a common scale of that character without some readjustment in the classification and the exceptions.

Q. Have you given any consideration to the effect which that would have on the revenues of the railroads?

A. I certainly have.

Q. What would the result be?

A. I have in my own mind pretty well concluded that it would hurt the Southern carriers.

Q. How did you arrive at that conclusion?

A. Well, just from personal knowledge.

Q. Just from a general guess?

A. Informed knowledge, I will say.

Q. A general guess?

A. No. It is not a guess.

Q. How would it affect the New England carriers?

A. Well, perhaps it would not. I mean, there would be some difference. Of course, the New England lines today participate in the common level, for instance, from Barre on stone, and they are less than the Appendix E basis. I do not know without a test whether the New England lines would be hurt at all. I do not know what the bulk of their traffic is, but I know a good deal of it is minerals and I know what the level is on those minerals because they compete with our minerals. I do not believe it would hurt them very much.

[fol. 1733] Q. *Is* minerals the high grade manufactured articles which the Southern states are so anxious to develop in their territory?

A. I thought you were talking about Maine, and just what you mentioned. Of course, when you get down into the lower end of New England, that is a different story. You asked me something about Maine or somewhere up there in that neck of woods.

Q. How about Florida? How would the Appendix E scale affect the rates to Florida?

A. I know what the railroads propose to do in Florida with their class rates in order to foster the freight forwarders. If that is what they have in mind, this would be higher than what they propose themselves.

Q. As compared with the present rates?

A. I would have to have a traffic test. I cannot express an opinion.

Q. You will agree with me, will you not, that we could not tell how that rate basis would work out, or any rate basis would work out, without a traffic test?

A. Before I would hurt the Southern carriers, or New England carriers for that matter, I would be willing to see a higher scale made effective. All I want is uniformity.

Mr. McCollester: That is all, thank you.

The Witness: I am not wedded to the Appendix E scale. [fol. 1734] I thought that was the best thing I had looked at.

Mr. McCollester: That is all.

Chairman Aitchison: Are there any other questions?
Mr. A. L. Reed: I have one question, please.
Chairman Aitchison: Mr. A. L. Reed.

By Mr. A. L. Reed:

Q. Refer, please, Mr. Hart, to section 3-B, sheet 1, of your exhibit No. 88.

A. I did not catch the page to which you referred.

Q. Sheet 1, section 3-B.

A. All right.

Q. The Official territory class relationships are shown at the bottom of the page. Are you not in error in showing fifth class as 50 per cent?

A. Well, if it shows 50 per cent, it is wrong.

Q. Look at it.

A. Apparently that whole line is wrong, Mr. Reed. I am sorry. I did not catch it. Fifth class should be 35 per cent. Sixth class should be 27½. There should not be any seventh class. I do not know how that escaped me.

Q. Fourth class should be 50 per cent?

A. Yes. Fourth class is 50 and rule 26 is 55. Someone got a hold of this and just did not know what they were doing. I do not know why I did not catch it. I am sorry. Everyone knows what those relationships are. I am sorry I did not catch it.

[fol. 1735] Q. Are any of your calculations in error?

A. No, sir. The calculations are made correctly. This is merely a typographical error of some sort.

Mr. A. L. Reed: Thank you.
Chairman Aitchison: Mr. Ribe.

By Mr. Ribe:

Q. Mr. Hart, are all of the rates in your exhibit current rates except for Ex Parte 148?

A. They are. There are certain exceptions, Mr. Ribe, in what I might term the commodity section, which are shown not to include the Ex Parte 123 increases.

Q. How can we distinguish between the rates that are not current and those that are current?

A. I was not trying to compare rates in those sections. We are not dealing here with the rates on those commodities at all. It was merely to show the pattern of the rates. I just happened to take some comparisons that I already had worked up. I saw no reason in the world to increase them under Ex Parte 123, as long as the exhibit indicated it was not on there. I do not care whether they are two dollars or three dollars, as far as the rates are concerned. I was merely attempting to show the pattern of the rates.

Q. Well, where the rates which you have in your exhibit are not the current rates, have you indicated that you did not——

A. The exhibit on the face of it indicates that, unless it is otherwise shown; on the title page, that is.

[fol. 1736] Q. I will ask you to turn to sheet 13 of section 3-D.

A. What sheet?

Q. 13.

A. All right.

Q. The Southern class rates you show there are not the Southern first class rates you show in other sections of your exhibit, are they?

A. Well, Mr. Ribe, I explained to you that if I had increased—the heading of the exhibit shows that. I had this exhibit worked up. I was under compulsion, so to speak, to get these things out. So far as the comparison is concerned, if you wanted to find out the relationship of first class, I could increase both of them and you would get the same answer, so what difference does it make?

Q. Turn to sheet 8, please, sir, of the same section.

A. All right.

Q. With respect to the two columns headed "Ohio" and "Kickapoo Scale"—do they include the 123 increase?

A. No. They show up there the date they were made. It was merely a comparison of the short haul rates just as the exhibit shows between certain scales prescribed by the Commission on road aggregates. The mere fact they were not increased does not change their relationship one iota. For the purpose of this exhibit they do not have to be increased. We are not contesting rates on sand and gravel here at all.

[fol. 1737] Q. In the second column on sheet 8 you show some rates which I am unable to identify. Tell us what those rates are.

A. Now, Mr. Ribe, I am not going to discuss the sand and gravel rates. I told you the purpose of this exhibit was merely to show that there were commodity rates on sand and gravel in the South and commodity rates in the North. That is all it is for. You cannot try your sand and gravel case here.

Q. Is not the second column on sheet 8 supposed to be the Southern scale on these road aggregates plus the 123 increase?

A. It says so.

Q. Is the 123 increase now in the Southern rates?

A. Well, I don't think it is material whether they are or not.

Q. It is a fact that they are not in there, is it not?

A. I do not know. I do not want to answer you because I do not care.

Chairman Aitchison: Well, now, whether you care or not is not the question, Mr. Hart, and whether you think it is material or not makes no difference. As long as the question stands, you answer it.

The Witness: I will, if the Commission wants the information, and believes it will be helpful. I just do not see why Mr. Ribe is trying to find out about the rates on sand and gravel any more than any other commodity.

Chairman Aitchison: The question has been put in a [fol. 1738] proper way, and you should try to answer it unless your counsel objects.

The Witness: What is it you want me to answer?

By Mr. Ribe:

Q. If it is not a fact that the Ex Parte 123 increases have been entirely removed from the Southern rates on road aggregates?

A. Yes.

Q. Now, to find the current rates with the exception of 148, can we refer to the first column of sheet 8 of your exhibit?

A. No, sir. You cannot find anything about current rates in this exhibit. It was not prepared for that purpose.

Q. Look at the heading there, Mr. Hart, and see if you are not wrong.

A. All right. It shows what the level was and what it is.

Q. Is not the date that you show in the heading of the first column the date before the Ex Parte 148 increases?

A. Yes. It says that. It is perfectly plain on the exhibit. I have shown the 17517 scale without any increase, and then in the next column I have plussed it. That is all.

Q. I am trying to find out what is the current scale in the South.

A. It is the first scale you see there, if that is what you want to know.

Q. Are sheets 7 and 8 of section 3-D duplicates of exhibits you recently filed in a 13th section case, I. C. C. Docket [fol. 1739] 28791?

A. Practically, yes.

Q. Was that a case heard in the last several months?

A. Yes.

Q. In that case did you testify that the Southern rate level on road aggregates was no higher than the Northern rate level?

A. For short hauls, I did, and that is true. I proved it in that case.

Q. I will ask you to refer to the first column of sheet 7 and tell us if that is the current Southern scale.

A. The exhibit speaks for itself, Mr. Ribe. I cannot tell you. It is right there before you. You can find it.

Q. Mr. Hart, you know that is not the current Southern scale, do you not?

Mr. Norman: What are you talking about, what commodity?

Mr. Ribe: Sand and gravel, silica and road aggregate.

The Witness: It does not look like it, just to look at it.

By Mr. Ribe:

Q. Well, it is not, if you compare the first column on sheet 8 to the first column on sheet 7, is it?

A. The only trouble is, Mr. Ribe, there are two different dates. You understand that one of those dates might have involved Ex Parte 115. I cannot just answer those questions about these things unless I get my work sheets. I think the one on sheet 7 included the Ex Parte 115 increases, [fol. 1740] and the other one does not. I do not know unless I check it. As I say, I did not come here to try a sand and gravel case. I do not see why I should answer these questions.

Q. Mr. Hart, are you willing to reissue sheets 7 and 8 and bring them down to date and show the current situation with the exception of Ex Parte 148?

A. If the Commission wishes that in this case, I have no objection whatever to doing it, or you can do it. I am perfectly willing to let you put it in here. I did not submit the exhibit to compare any particular rate level at all.

Chairman Aitchison: Mr. Ribe is pointing out what is a possible error in your exhibit.

The Witness: It is not, I do not think, Mr. Chairman, an error.

Chairman Aitchison: That is entirely up to you to say. If you think it is all right, you can say you think it is all right.

The Witness: I think the exhibits are all right. The only thing he is asking me now is to show what the current situation is. I have no objection to showing that.

Chairman Aitchison: Your heading on sheet 8 certainly says "Present rate levels".

The Witness: Yes, and that exhibit is correct. That exhibit is technically correct. In other words, the rates from the first column on out—I mean, the second column on [fol. 1741] out are the current rates. Of course, it may be that in reproducing this exhibit it is not made entirely clear, but I will be glad to clear it up for Mr. Ribe if he wants it done. In other words, I will agree here on the record that the Southern carriers have removed the Ex Parte 123 increase off the Southern scale and that scale is the first scale shown on sheet 7. Will that satisfy your question? That is the current scale in the South up to 300 miles.

By Mr. Ribe:

Q. Do you not mean on sheet 8?

A. Yes. Sheet 8. That is correct.

Q. Yes.

A. Sheet 8. For 360 miles, I will say. That is the single-line scale.

Q. Now, Mr. Hart, turn to sheet 14 of section 3-D of the same exhibit.

A. All right.

Q. Are you not in error in indicating that the scale of rates shown in the second rate column is the Official territory scale on coke?

A. No. I do not think so.

Q. Didn't you take the C. F. A. scale prescribed in I. & S. Docket 3511 and here designate it as the Official territory scale.

A. Well, yes. I think so. For the purpose I used it, I think it was all right,

[fol. 1742] Q. What was the purpose of this exhibit?

A. The purpose of these exhibits and all of this section, Mr. Ribe, is to show that in the North they have commodity rates on coke and in the South they have commodity rates on coke not related to the first class rates. That is the only purpose.

Q. You have not shown the Seaboard scale here that applies over to Eastern Trunk Line?

A. I knew they have a little higher scale in New England, and if I was dealing with the rate levels on coke, I would have had all of that in there.

Q. So in connection with that coke exhibit you are not dealing with rate levels?

A. No, sir.

Q. Thank you.

A. All I wanted to prove by it is that they have commodity rates in the South on coke and commodity rates in the North. It just happened that this exhibit had been worked out and I just put it in there to show that.

Q. Turn to sheet 19 of the same section, please, Mr. Hart.

A. Yes.

Q. You have a column there headed "Southern Compromise Scale".

A. Yes.

Q. Did you participate in numerous conferences with the Southern railroads that led up to that scale?

[fol. 1743] A. I did.

Q. Have you not in your exhibit, or rather on sheet 19, shown that the Southern level and the Official territory level on lumber are approximately the same?

A. Well, they average about the same. The Northern level which has a percentage of first class gradation, is entirely different from the commodity scale in the South. It produces different percentage relationships in different blocks. However, I did not introduce the exhibit to compare the levels at all.

Q. Mr. Hart, is it not a fact that this Southern compromise scale as applied to the movements which were brought out at our conferences, is probably 15 to 25 per cent lower than the Northern level?

A. No. I would not admit that. I think that if you had a weighted average, it would not be far different. The rates are higher, for instance, on a big movement from our mills into the Carolina furniture district. They are all on rates higher than the Northern level in those certain blocks. I do not know what the weighted level would be, but I would guess it would not be far different.

Q. Mr. Hart, why did you run the comparisons on lumber to 1,500 miles?

A. I do not know. I ran out of paper, I expect.

Q. Did you not have to pass 950 miles before you got [fol. 1744] higher than the Official territory level?

A. No. I did not do it for any ulterior motive at all, Mr. Ribe. I just had this comparison handy. I was merely trying to show that in the North lumber moved on class percentage rates, and in the South moved on commodity rates, that is all.

Q. Can you point out one haul in the South on lumber that is as much as 1,500 miles?

A. No, but if you want to go into this lumber question, I will go into it with you. If you take a thousand mile haul from the South interterritorially, you will find all the rates interterritorially are higher on either scale except into Trunk Line territory. That will cut every rate you have into the North, practically. Use either scale you want to use.

Q. These comparisons of yours deal only with the intra-territorial rates, do they not?

A. That is right. I was only trying to show the pattern of the rates in the two territories. There has been a claim by certain people——

Chairman Aitchison: You have answered the question when you said "That is right".

By Mr. Ribe:

Q. Mr. Hart, can you cite a Southern movement of lumber for a distance as great as 950 miles?

A. I would probably think that there would be a movement from the Valley, say, from the Hattiesburg group into [fol. 1445] Eastern North Carolina. I think there is some movement there. That would pretty near reach 900 miles.

Q. Refer to sheet 13 of Section 2. I will ask you whether the answer you have just given is not wrong?

A. Well, I do not know—what do you mean, about distance?

Q. Yes.

A. Well, I may be wrong. I was just trying to—I think from Baton Rouge to some points in Eastern North Carolina the distance is around 800 or 900 miles. I do not know exactly.

Q. Is it not true that from the lower Valley to the Carolina territory and also the Virginia cities the rates are on a group basis and the scale does not apply?

A. Of course I know, but taking rates from Memphis where the big movement occurs of hardwood lumber, and you know it, to the furniture district, Memphis is practically on the scale. There are some departures, but to the large consuming area it is on the scale, practically.

Q. Aren't you mistaken about that?

A. No. I have checked them up. I am saying from my own knowledge that they are not.

Q. Are you positive of that?

A. It is a group adjustment and it just happens that from that particular market to the furniture markets, our friends, the railroads, or their commercial agents saw that it would [fol. 1746] be practically on the scale. I suppose that is what they did. I do not know.

Q. What is the purpose of sheets 22 and 21 of section 3-D of your exhibit with respect to pig iron?

A. Just to show what I have been trying to tell you, that there is a commodity adjustment in the North and there is a commodity adjustment in the South.

Q. Is there any intention there to show the relative levels on pig iron?

A. No. I did not do it, because if I had, I would not have shown it.

Q. Is Atlanta a large consuming point for pig iron?

A. It certainly is.

Q. Where do they get pig iron from?

A. Mostly from Birmingham.

Q. What does sheet 22 show the rate on pig iron to be?

A. You have it there before you. Look at it.

Q. Is the rate on pig iron from Birmingham to Atlanta $1.65 for 166 miles?

A. It is.

Q. Can you find a rate within one dollar of that rate for the same distance on sheet 21?

A. I will answer it this way: I think the Atlanta rate is relatively low for good reasons. I do not know if the Commission wants to hear those reasons, but I will be glad to [fol. 1747] give them to them.

Chairman Aitchison: Can you answer the question?

The Witness: Yes.

Chairman Aitchison: Well, answer it, then.

The Witness: I am going to answer it this way, Mr. Chairman: Yesterday there was a gentleman on the stand who uses the rate on pig iron from Birmingham. The distance is 240 miles. His rate is $3.47. If you test that rate with the rate from Chicago to Peoria where he also said he had a plant and drew pig iron from Chicago, that rate is $1.69. On any measure, if you can get the proper relationship, you reduce the Birmingham-Toccoa rate by not less than 70 cents a ton. That is the practical situation. I do not attach any significance to a paper comparison. If we had the same pig iron rate from Birmingham to Toccoa as we have from Chicago to Peoria, then we would have a lower rate. When you take the Atlanta rate, it reduces the Chicago-Peoria rate.

By Mr. Ribe:

Q. So the comparisons you make on sheets 21 and 22 are paper comparisons?

A. Well, I put them that way because I do not know what the weighted average of the rate is in the South as compared to the North. I do not know whether there is any movement from Cleveland to Buffalo, for instance. I do not suppose there is. But if we had a weighted level it would [fol. 1748] be far different than that paper difference. The only purpose of this exhibit is to show that there are commodity rates in the North.

Q. How did you go about selecting the destinations you have used on sheet 22?

A. I just took three or four and put them down there. I did not particularly pick them at all. I just took points that were in the tariffs.

Q. I am speaking about Southern destinations.

A. I took them out of the pig iron tariff, nearly all of the destinations that seemed to be of any importance.

Q. Tell us how important Barnard, Virginia is.

A. I do not know.

Q. Where is Barnard, Virginia?

A. On the Southern Railway. I do not know why I put Barnard down there. Maybe somebody just put it in there. I did not hand pick them, if that is what you want to know.

Q. How important is Bisco, North Carolina?

A. I do not know. That is what I have been trying to tell you, Mr. Ribe. When this exhibit was prepared, I wanted to try to take the high and low, just to get an average which would be fair. I was not trying to test it here at all from that standpoint. If you took Kansas City, Columbus, Atlanta, Toccoa and points that consume pig iron—there are not so many in the Carolinas, or the South—and if you got a weighted rate to those points, you would [fol. 1749] have a different picture of it, but you just have not got it.

Q. Mr. Hart, please refer to sheet 29 of the same section covering cast iron pipe.

A. Yes.

Q. What is the purpose of that exhibit?

A. The same purpose I have been telling you about.

Q. There was no intention on your part, was there, to indicate that cast iron pipe rates from Alabama to anywhere were made in relation to first class?

A. No. I just wanted to show that the pipe rates in both territories were on a commodity basis. That is the whole purpose.

Q. I believe you said that you favor the Appendix E scale for application within and between Southern and Official territories. Is that correct?

A. I said that is about the best scale I have seen so far, that suited me.

Q. Let me ask you this question: Should the class rates in and between those territories be unified and should any basis higher than the Appendix E scale be used, won't those shippers who obtain relief in the Southern Governors' Rate Case lose that gain either wholly or partly?

A. No. I do not see how they could lose it, if you have a unified scale. You might change the rates——

Mr. Norman: If the Chairman please——

[fol. 1750] The Witness: It might change the rates, but it would not change the relationship.

Mr. Norman: I do not see how you can say that they would lose it either in whole or in part.

The Witness: I do not understand it that way, unless you can amplify it. I do not see how you could.

Chairman Aitchison: If you do not understand the question, do not try to go ahead and answer it.

The Witness: All right.

By Mr. Ribe:

Q. Mr. Hart, if you take the Appendix E scale and plus it 10 per cent, that would raise the long-haul rates from the South more than the short haul rates in Official territory, would it not?

A. They have already been plussed 10 per cent. That has already been done.

Q. I say, if in b inging about this unification that is the way it is done, the result will be to lose part of the gain obtained in the Southern Governors' case?

A. I am sorry, but I cannot go along with you on that.

Mr. Ribe: That is all.

The Witness: I cannot follow you.

Chairman Aitchison: Is there any further cros-examination? (No response.) Do you have anything further, Mr. Wagner?

Mr. Wagner: Nothing further.

[fols. 1751-1752] Mr. Norman: I have one or two questions about how long you have been working on this case.

By Mr. Norman:

Q. How long have you been working on this interterritorial rate situation generally?

A. About twenty years.

Q. Is it not true that a good many of the pages found in this exhibit have been prepared by you at various times in the past?

A. That is correct.

Q. So you did not mean to say that everything you have produced here you have started from scratch on and produced in the last six weeks?

A. No.

Mr. Norman: That is all.

The Witness: I thought the Commission wanted a truthful answer.

Mr. Norman: Yes.

Chairman Aitchison: Are there any other questions of Mr. Hart? (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: We will suspend until 9:30 tomorrow morning.

(At 5:10 o'clock p. m., September 29, 1942, an adjournment was taken until 9:30 o'clock a. m., September 30, 1942.)

[fol. 1753]

Hotel Claypool,
Indianapolis, Indiana,
September 30, 1942.

Met, pursuant to adjournment, at 9:30 o'clock a. m.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner.

Hon. J. Haden Alldredge, Commissioner.

And a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commissioner of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul C. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances: As heretofore noted.

Proceedings

Chairman Aitchison: Come to order, please, gentlemen.

Mr. Wagner: Mr. Hendley will be our next witness, Mr. Chairman. I am now distributing 50 copies of his testimony for counsel only.

Chairman Aitchison: Raise your right hand and be sworn.

[fol. 1754] J. O. HENDLEY was sworn and testified as follows:

Direct examination.

By Mr. Wagner:

Q. Will you state your name for the record, please, Mr. Hendley?

A. My name is J. O. Hendley.

Q. By whom are you employed?

A. The Railroad and Public Utilities Commission of the state of Tennessee.

Q. In what capacity?

A. I am at the head of the Railroad Department.

Q. Approximately how long?

A. For the past 29 years.

Q. Will you state your experience in rate and transportation matters?

A. Prior to the time I had been with the Commission I was connected with the transportation department of the Louisville and Nashville Railroad. From there I went to the General Freight Office of the Southern Railway System, where I spent 13 years, working up from an assistant Rate Clerk to Chief Rate Clerk. I was also General Freight Agent of a short line railroad in North Carolina for two years.

Q. Have you prepared an exhibit?

A. I have.

Mr. Wagner: May that exhibit be marked for identification as exhibit 91, Mr. Chairman?

[fol. 1755] Chairman Aitchison: It may be so marked.

(Exhibit No. 91, Witness Hendley, marked for identification.)

By Mr. Wagner:

Q. Did you prepare this exhibit which has been marked for identification as exhibit 91?

A. I prepared the exhibit myself with possibly two exceptions. One of those was on page 8. The Tennessee River was sketched in on this map in the office of the Tennessee Valley Authority at Knoxville, Tennessee. Page 15 was compiled under my supervision.

Q. The statements made therein are true and correct?

A. They are to the best of my knowledge and belief.

Q. Will you proceed in your own way and explain it?

A. The testimony which I am about to give is my own. I have not collaborated with anyone in its preparation. I am firmly of the opinion that there should be one level of class rates in that territory east of the Mississippi River. The object of my testimony today will be directed to the unjust, unreasonable and discriminatory line across Tennessee which has been suggested by Mr. Jensen. His suggestion (Exhibit No. 7), separates the state of Tennessee into 2 definite rate zones, and if adopted by the Commission would only serve to further complicate, rather than to improve, railroad Class Rates.

It is apparent to me that Mr. Jensen has given too much [fol. 1756] weight to interterritorial traffic between Central territory and the South (including Tennessee), and has not given due consideration to intraterritorial rates in the South, nor has he given due consideration to interterritorial traffic between the South and the East via all rail, or rail and water, nor has he given due consideration to interterritorial rates between the South and the West. Pages 1, 2 and 3 of my exhibit are reproduced for ready reference from Mr. Jensen's exhibit No. 7. These pages contain the data relied upon by him to justify the separation of Tennessee into two separate and distinct rate zones.

I will first direct my testimony to the fact that if there is to be a difference in the level of Class rates in Kentucky as compared with Tennessee, the first three pages of my exhibit will prove conclusively that Tennessee, and not Kentucky, is entitled to the lower level of class rates. Later on I will prove with the same and other data that there is no thinning out of population and manufacturing in passing from north to south in Tennessee, as is stated by Mr. Jensen, but that the exact reverse is true.

Referring to page 2 of my exhibit, comparison is made showing the tons of freight classified by the Commission as manufactures and miscellaneous. The density of this traffic in Tennessee exceeds the density of like traffic in Kentucky by 68.5 per cent. The value of manufactured [fol. 1757] goods for the year 1937 in Tennessee exceeded the value of manufactured goods in Kentucky by 40.2 per cent. The value of manufactured goods per 1,000 square miles of area in Tennessee exceeds the value in Kentucky for a like area by 34.9 per cent. The value of manufactured goods per 100 miles of railroad in Tennessee exceeds the value in Kentucky for a like distance by 40.1 per cent.

Page 3 of my exhibit will show the population trend, showing that the population trend in Tennessee for the past 20 years exceeds the population trend in Kentucky by 38.9 per cent. Using these several different bases which Mr. Jensen used in reaching his decision, you will find that the average for Tennessee exceeds the average in Kentucky by 44.5 per cent.

Page 4 of my exhibit shows the population comparisons for Tennessee and Kentucky only, so you can see at a glance that the trend of population in Tennessee not only exceeds the trend of population in Kentucky by 38.9 per cent, but that in 1920 Tennessee had a less population than Kentucky, and in 1940 Tennessee had a greater population than Kentucky.

Page 5 of my exhibit: The 1927 comparison of revenue ton miles, 1 mile, per mile of road, is taken from my exhibit No. 156 in Docket No. 21373, which was the Kentucky Rate Case. This statement shows that in 1927 the density of traffic on every railroad serving both Kentucky and Ten- [fol. 1758] nessee, with the exception of the Louisville and Nashville Railroad, was greater in Tennessee than in Kentucky. This page of my exhibit also shows the density of class rate traffic in 1937 in Tennessee was 68.5 per cent greater than in Kentucky. To my mind the presumption is, that for the intervening 10 years the trend has not changed.

Page 6 of my exhibit shows that in Tennessee a larger per cent of the population is of the laboring class than in Kentucky and that a larger per cent of the laboring class are employed in Tennessee than in Kentucky. This statement speaks well for Tennessee much better than for Kentucky. Kentucky exceeds Tennessee in the number of laborers on public emergency work, such as W.P.A., and Kentucky also exceeds Tennessee in the number of laborers seeking work. These figures were taken from the 1940 census and speak for themselves.

The geographic location of Tennessee, as well as the location of its railroads, is such that density of class rate traffic in the South reaches its peak in Tennessee, because it is in Tennessee, that northbound and southbound, eastbound and westbound, and northeastbound and southwest-bound class rate traffic all meet. A large portion of rail traffic in Tennessee is east or westbound. The preponderance of Tennessee traffic producing industries are on or south of the proposed line, and not north thereof. My in- [fol. 1759] vestigation convinces me that class rate traffic from manufacturers in Tennessee moves principally to points in the South and West. There is also some movement to the East. The movement of class rate traffic to the north is limited. If we could reach the markets in the North there would not be much occasion for the present investigation. Page 2 indicates tons per mile of railroad of manufactures and miscellaneous articles in Tennessee far exceeds that in any other Southern state. If the proposed suggestions were followed, Nashville would have a lower level of rates than points south of the line on traffic destined to the East, yet that part of the haul in Tennessee from Nashville to the East, via the short line (note 5, page 15), would be entirely in the higher rated territory.

Page 7 of my exhibit is a statement furnished by Mr. Jensen indicating his basis for the line across Tennessee, separating the two rate levels. It shows the area, the population and the value of manufactured articles in million dollars on and north of the proposed line, as compared with the area, population and value of manufactured articles south of the line. There is no doubt in my mind but that points on the line should be treated as neutral territory. These points are neither in Northern area nor are they in the Southern area, and in as much as the preponderance of class rate traffic originating at these border [fol. 1760] points is destined to points in the East, South and West, rather than to points in Central territory, the border points should certainly be classified as such in the Southern as well as in the Northern group, and therefore should be treated as neutral.

Page 8 of my exhibit is a map of the state of Tennessee. The heavy black line is the Jensen line and is based upon Mr. Jensen's letter together with his evidence as shown on page 234 of the record. This map also shows the Tennessee River and its numerous dams, which are used in the production of electric energy. Page 9 of my exhibit is a statement showing the population of the various cities and towns on the proposed line.

Page 10 of my exhibit: I have revamped Mr. Jensen's exhibit on what I consider the proper basis, that is, showing north of the line and on the line separately. This will have the effect of showing the area north of the line as 23.8 per cent of the total area instead of 23.9 per cent, and the population as 17.9 per cent in lieu of 25.4 per cent, and the value of the manufactured articles as only 10.19 per cent in lieu of 25.06 per cent as shown by Mr. Jensen. In arriving at the value of the manufactured articles in neutral territory I have used the actual figures for Nashville and Old Hickory, and for the other points the ratio which the population of points on the line bear to the total population of the county.

[fol. 1761] Page 11 of my exhibit gives my authority for the value of articles manufactured at Old Hickory. Kindly note that for 1941 the value was approximately 25 per cent over 1937, or more than 33 million dollars. Page 12 of my exhibit shows a comparison in the population and value of manufactured articles for the year 1937 in those counties touching the northern border of the state of Tennessee, with those counties touching the southern border of the state of Tennessee, from which you will see that the northern border counties represent 17.94 per cent of the area of the state, 14.81 per cent of the population and only 9.38 per cent of the value of manufactured articles which is much below the average. Those counties touching the southern border of the state represent 19.87 per cent of the area, 28.01 per cent of the population and 39.78 per cent of the value of manufactured articles, or exactly 200 per cent of the average, that is, two times 19.87 per cent which is the per cent of the area. This comparison proves conclusively that the territory south of the line far exceeds in density of population and in the value of manufactured articles that part of the state north of the line. Those counties on the northern border where the value of manufactured articles is omitted have no industries to speak of that I know of, while in Polk County, on the southern border is located one of Tennessee's largest factories, that is, the Tennessee Copper Company, which manufactures not only copper, but as a by-product manufactures sulphuric acid, [fol. 1762] and the value of its by-product according to our latest reports is more valuable than the value of the copper.

Page 13 of my exhibit shows to a marked degree how much better the points south of the line would have shown up in 1939 or 1940 had Mr. Jensen used the 1939 or 1940 figures instead of the 1937. This statement shows the electric energy purchased by industries from the T.V.A., and it will give you some idea as to how those counties south and east of the line must really be progressing from a manufacturing standpoint. The T.V.A. electricity was not in general use in 1937 which accounts for its increased sales from 1937 to 1940. I have not used any later figures because that would be abnormal due to the present emergency conditions. In Blount County is located the American Aluminum Company. In Maury County is located the Victor Chemical Works, the Monsanto Chemical Company and the National Carbon Company Works along with other large interests. In Knox County is located the American Zinc Company's plant. In Polk County the Tennessee Copper Company and in Jefferson County another of the American Zinc Company's plants. These figures represent electrical energy purchased from the T.V.A. by industries. Those municipalities purchasing electrical energy from the T.V.A. such as Knoxville, Chattanooga, Memphis, Nashville, et cetera, furnish industries within their respective [fol. 1763] areas its electrical energy and these cities purchase from the T.V.A.

Returning to page 8 of my exhibit for a moment, your attention is called to the location of dams and electrical generating plants along the Tennessee River Valley. With one exception all of these are located south of the line. In addition to these hydro-electrical generating plants, there are several standby steam plants which in any emergency will be capable of and are necessary in assuring at all times to each and every manufacturer an even flow of electrical energy. I happen to be acquainted with a steam plant which is located at Watts Bar Dam, in Rhea County, Tennessee, and which is in addition to the hydro-electric plant. It does, or will, consist of four units of 60,000 KW each, which if used to their full capacity would be capable of generating more than two billion kilowatt hours of electric energy per annum, and which would consume approximately one million tons of coal per annum. It has a storage facility for 400,000 tons of coal.

Page 14 of my exhibit shows the unusually large movement of cotton piece goods, denims and shirtings into the Nashville Tennessee area, and necessarily of work clothing out of the Nashville area. The entire inbound movement is through southern and eastern Tennessee and of the outbound movement in normal times 80 per cent is within the [fol. 1764] South and West, with not more than 20 per cent in other sections.

Page 15 of my exhibit very clearly demonstrates why it is that Nashville cannot sell work clothing in the North and East, as her rates mile for mile are approximately 31.5 per cent higher than those of her competitors in Central territory. Page 16 of my exhibit is a newspaper clipping from a Nashville paper of August 19, 1941, which will give you some idea of the magnitude of the aluminum plant which was just being completed in Blount County, Tennessee, a point south of the line.

Page 17 of my exhibit gives some idea as to the amount of dairy products manufactured during 1939 in Tennessee, that is, 91,050,076 pounds together with 4,425,172 gallons of ice cream. These dairy products are processed by Borden at its two plants, one in Fayetteville and one in Lewisburg, by the Carnation people at their one plant in Murfreesboro, and by the Pet Milk Company at its plant at Greenville, all of which are south of the line. The Kraft people have several smaller cheese factories at different points in the state.

Page 18 of my exhibit is intended to give weight to my testimony in reference to movements to and from the East. It shows to what extent the rail and water routes are patronized. Traffic to and from Tennessee points when from, or to the East via the rail and water routes never [fol. 1765] gets north of the line in Tennessee. It is strictly an east and west movement so far as Tennessee is concerned.

I find no reasonable justification in the census reports of manufacturing for drawing any line at all, either through Tennessee or elsewhere. Had 1939 figures in lieu of 1937 figures been used by Mr. Jensen, Tennessee would have made a better showing. Our primary purpose in insisting that your Commission go forward and not delay this investigation during the war period is first, changes in rate structures at this particular time could be made effective with much less interference to business than in ordinary times and certainly with no greater interference than the customary ex parte advances.

Second, factories new and old, in Tennessee, are now engaged in the manufacture of war materials and when this war is over these factories could with ease turn to the manufacture of those articles of commerce useful and used in times of peace, the stock of which will be almost, if not completely exhausted. When that time comes the South, the Tennessee River Valley and Tennessee must have just, reasonable and non-discriminatory freight rates or else these factories will close their doors and move to points where better rates are available.

Mr. Wagner: We offer in evidence exhibit No. 91, if the Chairman please.

[fol. 1766] Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit 91? (No response.) Without objection it is received.

(Exhibit No. 91, Witness Hendley, received in evidence.)

Mr. Wagner: You may cross-examine.

Chairman Aitchison: Mr. McCollester.

Cross-examination.

By Mr. McCollester:

Q. Mr. Hendley, referring to your exhibit No. 91, do you quote the excerpt on page 14 as being a correct statement of the facts as you know them?

A. Page 14?

Q. Yes.

A. Yes. I know that Nashville and the area around Nashville does manufacture an immense quantity of work clothing, but I do not know whether it is the largest in the country or not. I am trusting to the Interstate Commerce Commission statement as to that.

Q. Do those concerns sell work clothing to Sears, Roebuck & Company and Montgomery Ward?

A. I do not know.

Q. Do you know to whom they do sell?

A. They tell me they sell about 80 per cent of them to the South.

Q. You do not know to what buyers, though?

[fol. 1767] A. No, I do not.

Q. Do you know whether any work clothing manufactured in New York is sold in Grand Rapids, Michigan?

A. No.

Q. Or whether any work clothing manufactured in New York is sold in Cleveland, Ohio?

A. I do not know.

Q. What difference in freight rates determines whether a concern can sell or cannot sell clothing, work clothing, in a given market? Do you know that?

A. I know that freight rates is one of the elements that must be considered. To what extent, I do not know.

Q. In preparing your page 15 of your exhibit No. 91 in order to show the freight rates which would control the sale of clothing in any given market if freight rates do control the sale of clothing, why did you not in the case of Detroit, Michigan show the freight rate from the nearest point to Detroit instead of from the furthest point to Detroit in Official territory?

A. Well, I was endeavoring to show a point of equal distance from Nashville.

Q. But would it not be a reasonable assumption that a point nearer Detroit and therefore having the lowest freight rate, would set the market in Detroit which the manufacturer both in New York and in Nashville would have to meet?

[fol. 1768] A. If he has natural advantages, they do, of course, have much effect.

Q. In the case of the destinations shown on your exhibit 15, you have not in any instance shown the lowest freight rate into that particular destination from a producing point of clothing, have you?

Mr. Murphy: Page 15, ~~or exhibit~~ 15?

Mr. McCollester: Page 15. Thank you.

The Witness: I have simply shown points in the Northern or Central territory for a like distance as the distance from Nashville to the same points.

By Mr. McCollester:

Q. As far as you know there is not any movement under any of these rates you have shown in Official territory?

A. I know that mile for mile the rates in Central territory, from Nashville, are approximately 31.5 per cent higher than the rates for the same distance in Central territory..

Chairman Aitchison: Please answer the question. You have not answered the question.

The Witness: I do not know where the movement is in Central territory.

Mr. McCollester: That is all.

Chairman Aitchison: Is there any further cross-examination?

Mr. J. R. Bell: I have one question.

[fol. 1769] Chairman Aitchison: Mr. J. R. Bell,

By Mr. J. R. Bell.

Q. Refer to page 13 of your exhibit, please, Mr. Hendley.

A. Yes.

Q. To what extent does private enterprise engaged in the production of electrical energy exist in this territory now?

A. My judgment is that there is not as much private enterprise engaged in that business as there has been in former years.

Q. The major part of it was taken over by the Tennessee Valley Authority, was it not?

A. That is true.

Q. When did that occur?

A. That occurred along about 1937.

Q. So these figures on page No. 13 are not intended to be representative of the comparative consumption of electrical energy as a whole, but merely what has been furnished by the Tennessee Valley Authority, is that correct?

A. I know from my own personal knowledge that industries have been located there for the express purpose of getting Tennessee Valley Authority electricity, especially in my home county of Maury County, Tennessee.

Chairman Aitchison: Please answer the question, Mr. Hendley. You are not answering the question at all.

The Witness: Pardon me. What is the question?

[fol. 1770] Chairman Aitchison: Read the question.

(Question read.)

Mr. J. R. Bell: I withdraw it.

Chairman Aitchison: The question is withdrawn. Is there any further cross-examination?

Mr. Ribe: I have one or two questions, please.
Chairman Aitchison: Mr. Ribe.

By Mr. Ribe:

Q. Mr. Hendley, I gather from your testimony that the principal trouble is the rates from Tennessee to the North?

A. That is part of the trouble, but the rates between points in the South also.

Q. Is Nashville a large producing point for boots and shoes?

A. It is.

Q. Are not the rates today, carload and less than carload, from Nashville to Official territory on a lower level than within Official territory?

A. I do not know.

Q. Well, that is shown on sheet 2 of section 3-B of Mr. Hart's exhibit 88.

A. I have made no study of those rates.

Q. Now, on sheet 9, section 3-B of Mr. Hart's exhibit No. 88 is shown that the less than carload ratings on drygoods from the South to Official territory are 70 per cent of first class and that the Official territory level is 100, or rather, [fol. 1771] first class. Would that not make the rates on drygoods less than carload from Nashville to Official territory less than in Official territory?

A. My study here has reference to the—I am not prepared to answer that question.

Q. The same page shows a carload rate on drygoods from the South to Official territory of 78 per cent of first class and that the Northern level is first class. Would that not make the rates lower from Tennessee than within Official territory?

A. I have not checked them.

Q. You have not checked them?

A. No.

Mr. Ribe: Thank you.
Mr. Widell: I have a few questions, Mr. Chairman.
Chairman Aitchison: Mr. Widell.

By Mr. Widell:

Q. Mr. Hendley, with reference to the rate level that you speak of as so discriminatory, do you know of any concern that has refused to locate in Tennessee by reason strictly of the 13494 class rate adjustment in the South and in Tennessee?

A. We got a list of some of them from the Commercial Club of Nashville, but I do not remember the names. There were some five or six of them that had declined to locate in Tennessee by reason of the fact that the rates were only [fol. 1772] one of the reasons given.

Q. Speaking now of class rates?

A. Yes. Articles that generally take class rates.

Q. Do you know of your own personal knowledge of any concern that has refused to locate in Tennessee because of our first class rate level?

A. I have not made——

Q. Will you answer the question "Yes" or "No"?

Chairman Aitchison: He is trying to answer the question, Mr. Widell. Let him finish.

The Witness: We are not in touch with those people that come to Tennessee and are looking for a location in which to build a plant.

Mr. Widell: I see.

The Witness: We do not come in contact with them. They go to the commercial organizations, and I am, therefore, not familiar with them.

Mr. Widell: Thank you, sir.

Chairman Aitchison: Is there any further cross-examination of Mr. Hendley? (No response.) Have you anything further, Mr. Wagner?

Mr. Wagner: No. That is all.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.

[fol. 1773] Mr. Norman: Call Mr. Eric Morrell.

Chairman Aitchison: Raise your right hand and be sworn.

Eric Morrell was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Will you state your full name, residence, and occupation for the record, please, Mr. Morrell?

A. My name is Eric Morrell, Baltimore, Maryland, editor and director of Research and Statistics for the Manufacturers Record.

Q. What character of publication is the Manufacturers Record?

A. It is an industrial publication that came into existence and still exists for one purpose and one purpose only, the industrial development of the South.

Q. How long has that publication been issued?

A. I do not remember the exact date when it first came into existence, but as a separate publication by itself under that one name, it has been in existence for 60 years.

Q. In connection with your duties in the position which you have stated you occupy, have you made a study of the industries of the South?

A. I have. It is an essential part of my work.

Q. I will ask you to describe the manufacturing industries of the South from the standpoint of the size of the corporations engaged therein.

[fol. 1774] A. That is a rather difficult question to answer in full because there are so many different classifications, but there are one or two very pertinent and interesting phases of it. With respect to large corporations or large plants, whichever term you like to use—actually it is large plants, manufacturing plants—there is less than one and a half per cent of all manufacturing plants in the South and Southwestern territory which, together, have an output of almost 45 per cent of the total value of all manufacturing in that territory.

Q. Now, what about the corporations, say, from $250,000 capitalization to $500,000?

A. The number I do not have specifically, but approximately it is less than 2,000. There are less than 2,000 such plants in the South and interestingly enough, in Official territory, the number is close to 9,000.

Q. What about the small corporations, that is, less than $250,000?

A. Those again I do not have with me at the moment, but I do know that in the South and Southwestern territories, over 36 per cent of all manufacturing plants have an output individually of less than twenty thousand dollars per year.

Q. Now, Mr. Morrell——

A. In other words, there is a preponderance of small local manufacturing.

[fol. 1775] Q. Now, Mr. Morrell, what in your judgment is the explanation of the large number of very small plants and the low number of medium sized plants?

A. The large plants are engaged in what I would term primary manufacturing——

Q. No. I did not mean that class. There are the three classes that you have named, the large ones which produce, or rather, which represent one and a half per cent of the total in number, and produce 45 per cent of the total output——

A. Correct.

Q. —then the medium size and then the small class.

A. Correct.

Q. Just describe the products of the large ones. That is what I understood you to start to do.

A. The large plants are for the most part, what I would term primary manufacturers. That is, they produce from the raw materials, the basic raw materials, for further processing and do not very often engage in the production of finished final manufactured products.

Q. Where do they market this basic or primary product?

A. Well, of course, the vast majority of it I would say, in my opinion, goes into Official territory, in the North and East.

Q. It is there further manufactured?

A. There it is further manufactured into finished products [fol. 1776] on which there is a very much larger margin of profit than on the primary manufacturing.

Q. Now, how do you explain the great number of small plants in the South?

A. That is due very largely to the fact that they supply purely local markets.

Q. How do you explain the division in the medium sized plants?

A. The lack of finished product manufacturing for large markets.

Q. How do you explain the lack of that market?

A. That is a vicious circle, primarily consisting of two factors, each working on the other: One, the so-called low per capita purchasing power of the South; and the other, the freight rate question which has acted toward the non-establishment of the finished product manufacturing. You see, the manufacturers of finished products when they are asked to settle in the South say that there are two things acting against them. One is the low purchasing power of the South; and the other is that to reach a wider market sometimes they have come up against the freight rate question which acts against them.

Q. In your research and work have you made any investigation as to the raw materials of the South and what is done with them?

A. Yes, a very great field, because by far the majority [fol. 1777] of my work for the location of new industries is based upon the South's predominance in the field of raw materials, both mineral and agricultural. In the field of non-metallic minerals——

Mr. McCollester: Will you speak louder, please? We cannot hear you back here.

Mr. Norman: Get a little closer to the microphone and speak louder, so they can all hear you.

The Witness: In the field of non-metallic minerals the South has a great preponderance. Those are what I shall refer to as extractive processes. They do not show up in the field of manufacturing. They come under the heading of mining. So that actually, the raw material production in the South is very much greater than is indicated by the manufacturing statistics alone. Now, in the extractive processes, by far the majority of those processes take the raw materials out of the South and ship them largely into other territories of the country for processing. That is particularly so not only in the first phases of manufacturing, but especially in the realm of the processing of the finished product.

By Mr. Norman:

Q. Have you made efforts to have plants located in the South utilize these raw materials?

A. Yes, indeed, a very great number of efforts and attempts have been made. Some have been successful. Some have not.

Chairman Aitchison: Will you explain just how it is the [fol. 1778] function of the Manufacturers Record to establish industries in one place or another?

The Witness: Yes, Mr. Chairman. That is something on which we have to be very, very careful. As stated, we are concerned with the South. Perhaps I can best illustrate our position by taking a specific example. I cannot give the name of the company involved, however.

A man telephoned me one Friday evening from up North and asked if he could come and see me Saturday morning, which he did. He flew down. He explained his problem and said he wanted to move South to do his manufacturing. He asked if I could suggest where to go. We sat down——

Mr. Norman: Just a minute, please, Mr. Morrell.

The Witness: Yes.

Mr. Norman: I do not think you understand the Chairman's question. He wanted to know why it is a function of a publication such as yours to do this.

The Witness: I am sorry. I misunderstood your question. I cannot explain that except to say that the founder of our publication was a southerner who was fired with a zeal for the South and a belief in its future and a belief that the raw materials there presented an opportunity not only for improving the economic condition of the South, but thereby for improving the wealth of the nation as a whole.

By Mr. Norman:

Q. Your publication has been devoted to that service? [fol. 1779] A. Very definitely.

Q. Now you can proceed with the illustration you started to give.

A. I do not know that there is any point in continuing with that, since I misunderstood the question. I thought the question was, how do we get industries to locate in any specific position.

Q. Then I will ask you that question.

A. This man came down to see me. We sat down and went into an analysis of the factors that would go into his manufacturing, that is raw materials, labor and so forth. We then narrowed the area of the South and Southwest down to those small sections where he might be able to carry on his manufacturing on an equal or better basis than he had been doing elsewhere. We got that down as closely as we could and it resulted in two specific areas. We would not, however, recommend either of them since they appeared to be equal, nor would we recommend any specific site. In that case I sent him on down South.

to those ~~two~~ areas, with introductions to the industrial agents of the railroads, the power companies, the chambers of commerce and other such organizations for them and and him together on the spot to select and make his own choice without interference or over emphasis on our part. We make no attempt to locate a company in any specific [fol. 1780] spot when they come to us, unless there is a very special reason for it. We wish to avoid any possible criticism of favoritism to one area over another.

Mr. McCollester: That is, one section of the South over another section of the South?

The Witness: That is correct.

By Mr. Norman:

Q. Proceed.

A. That is all I have to say on that subject.

Q. Did he locate in the South?

A. No, he did not because in the final analysis it was discovered that the freight rates mitigated against him, or rather, militated against him too greatly. He was already under pressure because competitors in the North on the question of labor had narrowed his profit down to a very, very small margin, and the difference in freight rates,—I do not know what it was, and I would like to interrupt there to say that I am not a freight rate expert. In fact, I know nothing about it, and purposely avoid the subject because it is too complicated and too extensive, and might interfere with our work. The margin he told me was too small in his profit to permit locating in the South in view of the increased freight rates, though the distances were apparently the same.

Q. Have you generally——

Mr. McCollester: Mr. Chairman, I move to strike that [fol. 1781] last statement as hearsay.

Chairman Aitchison: Do you resist?

Mr. Norman: I beg your pardon?

Chairman Aitchison: Do you resist?

Mr. Norman: I think that is competent testimony, for him to state what the reasons are that people give for not locating in the South.

Chairman Aitchison: I think it is one of the seeming exceptions to the hearsay rule. Overruled.

By Mr. Norman:

Q. Had you finished your answer?
Yes.

Q. I will ask you if, in undertaking to locate industries, or get industries to locate in the South, you are given by those whom you seek to interest as a reason for not locating that the freight rate adjustment will not permit them to locate in the South?

A. I can state that in this way, that that is frequently given to me as one of the primary reasons for not locating in the South. It is not always given, nor is it always the only reason. Sometimes it is.

Q. Mr. Morrell, there has been some testimony here with reference to large deposits of clay or kaolin in the South and testimony to the effect that it is shipped out in the raw state to the North. Have you made any efforts to locate plants on those deposits for the purpose of manu-[fol. 1782] facturing into finished articles?

A. Yes. I have done a certain amount, not so much with the kaolin clays as I have with the ball clays, and especially the ball clays of Tennessee. I have worked rather closely with Tennessee on that because they have very large deposits, commercial deposits, and readily accessible. I have also done quite a bit with bentonite.

Q. With what?

A. With bentonite which is of the clay family. Only recently I had an example of a new bentonite deposit that was discovered in Tennessee. Since the Manufacturers Record had been responsible for the location of one corporation to operate a bentonitic deposit previously, I contacted that same corporation with a view to the possibility of them taking over this deposit or part of it. They told me that they were unwilling to go further into it; that the margin was too small and that they could not afford to establish finished product manufacturing in the South; and that most of it was exported into Official territory.

Q. In the raw state?

A. In the raw state.

Q. Unless you have something you particularly want to add, I think that is all.

A. I do not know that I have anything more.

Mr. Norman: The witness is tendered for cross-exam-[fol. 1783] ination.

Chairman Aitchison: Mr. Ellison.

Cross-examination.

By Mr. Ellison:

Q. Mr. Morrell, you mentioned bentonite.

A. That is true.

Q. Where are the principal deposits of bentonite in the United States, if you know?

A. I am sorry. I cannot answer that. I can only speak for the South. The South is the only part of the country in which I am primarily interested because that is where my work is.

Q. Do you know of any deposits in Official Classification territory?

A. I cannot answer that. I am sorry.

Mr. Ellison: That is all.

Chairman Aitchison: Mr. J. R. Bell.

By Mr. J. R. Bell:

Q. I understand you live in Baltimore?

A. That is true.

Q. You publish some paper there?

A. The Manufacturers Record.

Q. Do you distribute that through the South and through Official territory also?

A. Yes, indeed.

Q. Just by way of illustration, you mentioned some man who was contemplating moving from Official territory to the South.

[fol. 1784] A. I did not say he was from Official territory, though it so happens he was.

Q. Are you making an effort to move manufacturing industries from Official territory to the South?

A. I must qualify my answer to that, if you please. There is no point in me or anyone else taking a manufacturing plant from one part of the country to locate in another unless it is economically advisable for the company as a whole. In other words, there is no use in improving the condition of the South at the cost of some other part of the country, and frequently, particularly in recent years as the chemical process industries have developed showing the resources of the South as far as raw materials are concerned, it is sometimes, not always, but sometimes, economically desirable for the benefit of the country as a whole to change. Generally, however, the new industries or plants that we attempt to establish in the South are based upon new industry, not moving an industry from one place to another.

Mr. J. R. Bell: Now, I assume that that was supposed to be directly responsive to my question. Will you please read the question to the witness, Mr. Reporter.

Mr. Norman: I insist that the answer was directly responsive to that question. Every witness I put on the stand, Mr. Bell gets up and says he does not respond to his questions. I ask that the question be read and that the answer be [fol. 1785] read. I insist that it was responsive. He has no right to tell the witness that his answer was not responsive to the question.

Mr. J. F. Bell: I was not aware that I had asked Mr. Norman's witness any additional questions. I thought this was the question——

Chairman Aitchison: Read the question, and the answer, please, Mr. Reporter.

(Record read.)

Chairman Aitchison: The question has been answered.

Mr. J. R. Bell: I asked this witness whether he was making any efforts to move industry from Official territory to the South.

Chairman Aitchison: He answered your question.

Mr. J. R. Bell: He has not answered it.

Chairman Aitchison: Mr. Bell, I have ruled.

By Mr. J. R. Bell:

Q. What was the industry that you gave as an illustration which you say was located in Official territory?

A. I am not very sure of my position here at the moment, but with your permission I should like to refuse to answer that question for one particular reason, and that is that the field of manufacturing is so limited, I believe for me to mention the product would disclose the company involved, and I cannot break my confidence.

[fol. 1786] Chairman Aitchison: I do not think he ought to be pressed to that extent, Mr. Bell.

Mr. J. R. Bell: Do I understand that that is your ruling?

Chairman Aitchison: Yes.

Mr. J. R. Bell: Then I will have to submit to it.

Chairman Aitchison: I am afraid you will, for present purposes, at least.

Mr. J. R. Bell: Just as a matter of record, Mr. Chairman, I move to strike the testimony of the witness where he said that someone endeavored to locate in the South and was not able to do so, in view of the fact it is now developed to be confidential and cannot be pursued on cross-examination. That is all.

Chairman Aitchison: The motion is denied. Is there any further cross-examination?

Mr. McCollester: I have a few questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Morrell, I just want to have the record a little more clearly indicate the exact nature of the statistics that you gave at the beginning of your testimony.

A. Yes.

Q. If I correctly understood what you said, it was to the effect that of the large industries in the South, less than [fol. 1787] one and a half per cent had an output of over 45 per cent of all manufacturing in the South and Southwest, is that correct?

A. No. That is not exactly correct. I am sorry if I did not make myself clear.

Q. Please correct me.

A. My intent was to say——

Mr. Norman: Talk louder, please.

The Witness: My intent was to say that less than one and a half per cent of all manufacturing plants in the South —as a matter of fact, the specific number is 370 out of slightly over 27,000 manufacturing plants—those together had an annual output volume in dollar value of almost 45 per cent of all the value of manufacturing products in the South.

By Mr. McCollester:

Q. Now, when you speak of plants, and those figures of 370 and 27,000, are those figures industrial establishments as listed in the census reports, or is it individual plants, or individual companies? Just what are the figures?

A. That is officially tabulated as number of establishments.

Q. I see.

A. The figures are taken from the United States Census Bureau.

Q. Does the same explanation apply to your figures for the so-called medium plants, of which you said there were less than 2,000 in the South and something like 9,000 in Offi- [fol. 1788] cial territory?

A. That is correct.

Q. What do you include in the South? I believe in one portion of your testimony you referred to the South and Southwest.

A. With respect to these specific figures, and when I refer to the South and Southwest territories, I refer to those areas so designated as freight rate territories with this exception, that as the actual territorial boundaries go through some states for statistical purposes I was obliged to change those slightly. For instance, in the case of Virginia, the actual boundary goes through Virginia, but as most of it is in Official territory I included all of it.

Q. You are looking now at the Tennessee Valley study, are you, in evidence in this case?

A. Yes, I am, I think.

Q. Then with respect to the small plants, so-called, I believe you testified that over 36 per cent had an output of less than $20,000 per year?

A. That is correct.

Q. Did you make any examination to see what the situation was in the state of New York as to what proportion by number of the total number of plants had small dollar output?

A. No. I am sorry, but I did not. It was not done deliberately, but my work is practically confined to the South and [fol. 1789] the only reason I even checked approximately on the medium sized plants was because somebody happened to mention that to me the other day and just for curiosity I checked it, roughly.

Q. From your general study of the industrial situation of the country are you not aware, Mr. Morrell, that New York City represents probably the greatest concentration of very small industrial units in the country, little clothing manufacturers, artificial flower manufacturers, and little manufacturers of that sort?

A. I was not aware of that fact.

Mr. McCollester: That is all, thank you.

Chairman Aitchison: Is there any further cross-examination? (No response.) Have you anything further, Mr. Norman?

Mr. Norman: No.

Chairman Aitchison: You may stand aside.

(Wtness excused.)

Mr. Norman: Mr. Chairman, that concludes the presentation on behalf of the Southern Governor's Conference except for the Florida situation. Mr. Hillyer will deal specifically with that situation, although I may say now that at the postponed hearing we will probably want to introduce some further evidence.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

[fol. 1790] Chairman Aitchison: On the record. Proceed.

Mr. Hillyer: Mr. Chairman, may I say that the Florida testimony relates primarily to the Florida arbitraries. We have four witnesses who will cover four branches of our [illegible]dy. Mr. Maurer will present the technical rate studies. Mr. Donnell will present the traffic studies. Mr. Grady will present the water competitive feature. Dr. Eutsler of the University of Florida will cover the economic study. We have four exhibits which have been distributed to all parties present, as far as I know, and liberal copies of the testimony have been distributed also.

Our first witness is Mr. Maurer. We have his exhibit consisting of 114 pages in a large blue binder. We ask that it be marked for identification as the next exhibit.

Chairman Aitchison: It may be marked for identification as exhibit 92.

(Exhibit No. 92, Witness Maurer, marked for identification.)

Chairman Aitchison: Raise your right hand and be sworn.

[fol. 1791] T. C. MAURER, was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. Will you state your name, residence and occupation, please, Mr. Maurer.

A. My name is T. C. Maurer. I am employed as traffic manager for the Jacksonville Traffic Bureau and others with offices at 227 West Forsyth Street, Jacksonville, Florida.

Q. Have you prepared an exhibit of rate studies for the purpose of this case?

A. I have.

Q. Was that exhibit prepared wholly by you and in part under your direction?

A. It was.

Q. Is it true and correct?

A. To the best of my knowledge and belief, yes.

Q. Has an errata sheet been attached to your testimony correcting certain typographical errors in the exhibit?

A. It has, and it appears as the last sheet of my written testimony.

Q. Please proceed to present your written statement, Mr. Maurer, omitting certain rather non-essential elements.

A. I have been engaged in transportation work since 1919, at which time I was employed by the Seaboard Air Line Railway in its general freight office at Norfolk, Vir- [fol. 1792] ginia. From 1919 until 1927 I held various assignments in the Freight Traffic Department, and in 1927 was appointed Commerce Agent, which position I held until leaving the Seaboard Air Line Railway in 1933 for a similar position with the Florida East Coast Railway in its freight traffic department in St. Augustine, Florida.

Since 1937 I have been traffic manager of the Jacksonville Traffic Bureau and others and my duties have been similar to my duties with the Seaboard Air Line and Florida East Coast Railways. I was admitted to practice before the Interstate Commerce Commission in December, 1929.

My duties as commerce agent for the Seaboard Air Line Railway and commerce assistant to the general freight agent of the Florida East Coast Railway and as traffic manager for the Jacksonville traffic bureau required a study of the various rate adjustments and transportation conditions and the preparation and presentation of testimony and exhibits before the Interstate Commerce Commission and the various state regulatory bodies. My duties required a thorough knowledge of the various rate structures existing in different parts of the country, including the general class rate structure prescribed by the Interstate Commerce Commission, Docket 13494, Southern Class Rate Investigation; Docket 15879, Eastern Class Rate Case; Docket 13535, Consolidated Southwestern Cases; and Docket 17000 Part II, Western Trunk Line Case. I am [fol. 1793] also familiar with the case involving class rates between Southern and Western Trunk Line territories.

On behalf of the Railroad Commission of the state of Florida, I have made some special studies of class rates and ratings between Florida and interstate destinations in Southern territory and official territory. The state of Florida in this proceeding joins with the other Southern states in requesting a uniform basis of class rates and classification ratings and exceptions thereto between the South, including the state of Florida, and the North. The special studies made by me for the Railroad Commission of Florida for this proceeding have two aspects: first, I have prepared rate studies between Jacksonville, Florida, and points in Southern and Northern states using Jacksonville as representative of North Florida points on and north of the Jacksonville-River Junction Line. This is the section of Florida to and from which the interstate rates are upon the Southern basis and do not include the Florida arbitraries.

The second phase of my studies deals with the class rates to and from Peninsula Florida, that is, points south of the Jacksonville-River Junction Line where the class rates are based upon the so-called Florida arbitraries adedd to the Southern class rates, for the lengths of haul in Peninsula Florida. Representative points in Peninsula Florida have been selected as a basis for the studies showing the effect and influence of the Florida arbitraries. My [fol. 1794] studies, based upon Jacksonville, form a part of the picture of the Southern states as a whole.

My studies, as to Peninsula Florida, form a basis for the position of the Florida interests that the Florida arbitraries are no longer practical or justified and should be removed; and that whatever basis of class rates may be prescribed for the South or between the South and the North, should include Florida as a part of the South.

Another reason why special studies have been based upon Jacksonville rates is that in August, 1939, more than three years ago, a separate complaint was filed for the Railroad Commission of the state of Florida and certain Jacksonville industries assailing the class rates from Jacksonville, as a typical North Florida manufacturing point, to destinations in Central and Illinois Freight Association territories. This complaint, called the Jacksonville Interterritorial Class Rate Complaint, was filed under Docket No. 28322, and was, I believe, consolidated, for the purpose of hearing alone, with the General Class Rate Investigation, No. 28300, et al.

Chairman Aitchison: I did not know that we made any such consolidation. Did we?

Mr. Hillyer: Mr. Chairman, it is my understanding that the case is not exactly consolidated with it, but the hearings were postponed because of this proceeding, and it was our understanding that the small, minor Jacksonville com- [fol. 1795] plaint was now swallowed up in the major investigation.

Chairman Aitchison: Perhaps practically, but we have not taken any action to that effect, have we?

My Hillyer: No, sir.

By Mr. Hillyer:

Q. Proceed.

A. Since the filing of the Jacksonville——

Chairman Atichison: Does not the witness want to withdraw this statement, then, that it was consolidated with this proceeding?

Mr. Hillyer: For practical purposes we were unable to get the case to hearing and the carriers asked for a postponement because of the pendency of this proceeding. This proceeding, of course, will dispose of the issues in that case, but the complaint is still pending.

Chairman Aitchison: It has never come to the attention of the Division in charge of this proceeding, as far as I know.

Mr. Hillyer: No. I do not think it has.

Chairman Aitchison: If the witness still wants his statement to stand that that proceeding has been consolidated with this one——

The Witness: I will correct that statement to indicate that it is my information that the issues in that case will be disposed of after the issues in this case have been disposed of. As far as the actual consolidation is concerned, [fol. 1796] I wish to withdraw that portion of it.

Chairman Aitchison: Very well. Proceed.

By Mr. Hillyer:

Q. Proceed with your statement, Mr. Maurer.

A. Since the filing of the Jacksonville Inter-ritorial Class Rate Complaint in 1939, numerous changes have occurred in the rates and ratings so that the actual rates and ratings set out in the Jacksonville complaint are subject to numerous corrections which will appear in my first series of exhibits showing the rates between Jacksonville and Central territory.

These changes which have occurred, affecting the rates set forth in the Jacksonville complaint, have ameliorated to some extent the wide disparities between the rates from Jacksonville to C. F. A. and the rates within the North on like traffic for like distances. However, basic differences remain and are substantial.

The actual class rates on given articles from Jacksonville to points in Central territory are upon substantially higher levels than the rates within the North on like traffic for like distances. The differences cannot be expressed in one composite figure because there are a number of variable elements which enter into the differences between the rates from Jacksonville to C. F. A. and the rates within the north on many, many classes of goods.

There are eight elements which inflate the Florida class rate structure above the level of the Northern class rate [fol. 1797] structure. First: The Southern Class Rate Scale, K-2 is about 40 per cent higher than the Northern or Eastern Class Rate Scale, at 200 miles. This percentage is based on first class rates for 200 miles, approximately the average haul in each territory.

Second: Some of the published class rates from North Florida to certain points within the North are actually higher than the Southern, K-2, scale. Third: Classes 4, 5 and 6 are higher percentages of first class in the South than in the North. Class 4 is 55 per cent in the South and 50 per cent in the North; Class 5 is 45 per cent in the South and 35 per cent in the North; and Class 6 is 40 per cent in the South and 27½ per cent in the North.

Fourth: Some articles which are rated the same in both classifications are given lower percentages of first class by exceptions to the classification in the North and are not accorded like percentages by exceptions in the South. Fifth: Some articles which are accorded exceptions in both classifications are given lower percentages of first class in the North than in the South. Four of these five elements may occur in the actual rates on almost any article from Jacksonville and North Florida points to points in Central territory.

In some instances elements 1 to 5 inclusive are cumulative in their effect and inflate the actual class rates from [fol. 1798] North Florida to C. F. A. territory far above the 40 per cent average difference between the Southern class scale and the Northern scale for 200 miles.

The sixth inflationary element is that some of the actual class rates within the North are lower than the Eastern scale. Another element which widens the spread between the actual class rates on given articles from Florida to Central territory and the actual rates within the North, is the fact that many actual class rates from points in the East, such as New York, New York, and Springfield, Massachusetts, to points in Central territory, such as Indianapolis, and Chicago, are actually less than under the Eastern scale.

Seventh: The Florida arbitraries further inflate the class rates between Peninsula Florida and points in the North. Wherever any of the six elements above inflate North Florida class rates to the North, the same element exists in the rates from Peninsula Florida points, which rates are further inflated by the Florida arbitraries. The rates from Peninsula Florida are inflated by one or more of the six elements above named and all of the class rates from Peninsula Florida points are further inflated by the addition of the Florida arbitraries.

The cumulative effect of these seven inflationary elements in the interterritorial class rate structure results in class rates from Florida to Central territory which bear a much higher percentage relation to the actual rates within the [fol. 1799] North than the percentage by which the Southern first class rates exceed the Eastern first class rates. For example, the actual class rates on grass fibre from Lake Wales, Florida, to St. Louis, Missouri, are 219 per cent of the rates for like distances under the Eastern scale, 98. This does not include inflationary element No. 6, which would make the percentage higher than 219 per cent. My studies which show the effect of these seven inflationary elements have been reproduced in exhibit form and bound in one volume consisting of 112 pages.

The eighth inflationary element is that the emergency increases augment the spreads of the Florida interterritorial rates in cents per 100 pounds above the rates within the North. Throughout my rate analyses I have used the class rates which were in effect prior to the General Emergency Increase of March 18, 1942, of 6 per cent. There are two reasons for this. In the first place, all of my primary rate analyses were prepared prior to the Emergency Increase of 1942; and, in the second place, the Emergency Increases are limited to expire six months after cessation of war. The addition of the emergency six per cent increase to the rates shown in my rate analyses augments the spreads of the Southern and Florida rates in cents per 100 pounds above the rates for like distances within the North.

From my years of experience in the study of rates, traffic [fol. 1800] and transportation conditions, it is my opinion that there are no factors which enter into rate-making which could warrant the existence of class rates from Florida into the North 219 per cent or even 140 per cent of the Eastern scale for like distances.

Dr. Edwards' exhibits, showing comparative cost rate levels in Southern and Eastern territories, show that, for 200 miles, using 20-ton box cars computed under cost Level VI (6b), including cost plus full return in Southern territory, is 15.84 cents per 100 pounds; and, in the North, 17.44 cents. The Eastern cost plus level is higher than the Southern cost plus basis by 10 per cent. Operating conditions in Florida ~~are particularly~~ favorable and traffic originating and terminating in Florida has grown enormously since the traffic tests were made in Docket 13494 covering 1922 and 1923 upon which the Southern Class Rate Structure and the Florida arbitraries were prescribed.

It is my opinion, based upon my studies, that no longer can Florida be classified as a pioneer state—poor in traffic;

but that Florida now should constitute a part of Southern Class Rate territory as a whole; and that no higher level of class rates should prevail from the South, including Florida, to the North than applies within the North for like distances.

Q. Will you state in your opinion what has been the influence of Florida arbitraries upon the intraterritorial [fol. 1801] and interterritorial rates?

A. It is my opinion, based upon my extended experience in studying traffic and transportation in the state of Florida and the South, that the presence of the Florida arbitraries, added to the class rates, has caused a heavy diversion of rail traffic to motor carriers and water carriers; and that the unique water and trunk competitive situation in Florida is so strong that the addition of the Florida arbitraries to the rates can no longer be justified from the standpoint of practical ratemaking.

It is my further opinion that if the Florida arbitraries had not been added to the class rates as a result of the decision in 13494 the Florida carriers would have secured a large share of the millions of tons of freight traffic which have been diverted to motor and water carriers.

This view is based not only upon the studies which I have made for this particular case, but upon the parallel studies which have been made by Mr. Grady of Miami, of the Florida waterborne commerce and of Mr. Donnell's studies of Florida's motorborne commerce, greatly increased rail traffic and greatly increased population. Florida supports Mr. Jensen's recommendations that the Florida arbitraries should be eliminated. My conclusions in this respect are further fortified by certain findings of the Commission's expert, Mr. C. G. Jensen, in his Exhibit [fol. 1802] No. 7, pages 62 to 66 inclusive, in this proceeding, 28300.

Q. To what extent and in what particulars do you agree with Mr. Jensen and his findings with respect to the Florida situation?

A. Mr. Jensen is correct in his showing that Florida ranks fourth among the 8 southern states in 1940 in tons of freight originated or terminated, on page 62; that Florida ranks sixth in tons of freight per mile of railroad, page 63; and that Florida's population in 1940 over 1920 increased 96 per cent, which is more than double the increase of any other Southern state, page 64.

Mr. Jensen stated that Florida's increase in population "doubtless is less intimately connected with an increase in actual or potential freight traffic than is the increase in the other Southern states," page 64.

From my experience I wish to add to Mr. Jensen's statement that the reason for this is that there was an enormous diversion of traffic to motor carriers and water carriers during Florida's great increase in population, which accounts for the fact that Florida's rail tonnage did not increase relatively as fast as its population increased. I attribute this in part to the existence of the Florida arbitraries.

On page 65, Mr. Jensen states that: "the revenue needs of the Florida railroads assuredly are as great now as they were in 1928, but Florida is a flat state and practically [fol. 1803] every form of freight traffic which the Florida railroads carry is vulnerable to water or highway competition or both."

The latter part of that statement is correct, but the first part of that statement, as to the revenue needs of the Florida railroads, in the fall of 1942, is not correct today as the revenue needs of the Florida railroads are substantially less than they were in 1928. With that correction I think that Mr. Jensen's statement above quoted accords with the facts as I have examined them.

Mr. Jensen recommends the abolition of the Florida arbitraries. On page 66 of Mr. Jensen's Exhibit No. 7, he states his conclusion that: "Because of competitive conditions which now confront the railroads of that state, Florida, and which they must face in the future, it is believed that the L-2 arbitraries are a source of injury rather than of benefit to them, the railroads, and it is recommended that the rates to and from Florida be placed on the same level as those to and from the states immediately to the North."

In my opinion this conclusion of Mr. Jensen's is strongly fortified by the facts and figures which have been prepared for the Railroad Commission of Florida and which are to be introduced in evidence in this proceeding. Based upon my daily experience in traffic matters in Florida ever since the addition of the Florida L-2 arbitraries, I can say [fol. 1804] without qualification that those arbitraries have been "a source of injury" to the Florida railroads.

It is my further view, based upon years of experience, that the presence of the Florida arbitraries in the class rate structure has hindered the development of manufacture in Florida; and that conditions have changed so that there is no longer any justification for the Florida arbitraries.

My view in this respect is confirmed by the decision of the Interstate Commerce Commission in the Livestock Investigation, I. & S. 4777, decided August 11, 1942. In that decision the Commission as a whole prescribed rates on livestock from Southern territory, including Florida, to points in the North on a uniform basis for Florida with other Southern states and without the addition of any arbitraries covering hauls in Peninsula Florida.

My special studies for this Investigation consist of analyses of the level of the present class rates between Florida and interstate destinations in Southern territory and Official territory; and of the effect of the Florida class rates upon traffic moving from and to Florida. My rate analyses have been bound in a single volume of 112 stencilled pages, which have been marked for identification Exhibit No. 92.

The first section of my exhibit, pages 1 to 36 inclusive, deals with the existing class rates between points in the [fol. 1805] Southeast and border states and points within the state of Florida, including Jacksonville, and other representative points within the Florida Peninsula. The main object of those analyses is to show the effect of the addition of the Florida arbitraries in the rates from or to different sections of the State. The following cities have been selected as illustrative of the state as a whole: in the Northern section, Jacksonville; in the North Central Section, Gainesville and Ocala; in the South Central Section, Orlando and Lake Wales; in the South West Coast Section, Tampa and Ft. Myers; in the Central East Coast Section, Melbourne; and in the lower East Coast Section, West Palm Beach and Miami.

The Florida arbitraries were thoroughly discussed and illustrated in the Commission's report in Docket 13494, 100 I. C. C. 513 and later supplemental reports. The Florida L-2 arbitraries are shown in a table on pages 35 and 36 of my exhibit.

The term "Florida Peninsula" relates to that portion of the state of Florida lying south of the Seaboard Air Line

Railway between Jacksonville and River Junction. The arbitraries are in effect today on interstate traffic moving on class rates between points in the Florida Peninsula and points in other sections of the country both inter- and intra-territorially. They were fixed by the Interstate Commerce Commission in Docket 13494, Third Supplemental Report, [fol. 1806] 128, I. C. C. 567, page 602. The L-2 arbitraries represent approximately 115 per cent of the K-2 scale of class rates fixed for application in the same proceeding from, to and between points in Southeastern territory on and north of the line of the Seaboard Air Line Railway from Jacksonville to River Junction, Florida.

My pages 1, 2 and 3 of my exhibit show the short-line distances between representative points in Florida and representative points in Southern and border territories. The distance- shown on these pages represent the distances arrived at on the formula laid down by the Interstate Commerce Commission in Docket 13494. They are published by the rail carriers in their various tariffs as rate basis numbers and are designed to represent the shortest available distances over which carload traffic may be handled without transfer of lading.

The tariffs from which the rate basis numbers or distances were taken are shown on page 3. The distances and the rate basis numbers shown in this statement are used throughout the pages of my exhibit dealing with rates between Florida points and Southeastern and border points.

My pages 4, 5 and 6 show the short line distances and the present class rates from 1 to 12, inclusive, between Jacksonville, Florida, and 19 representative Southern, Southeastern and border points. Here the carriers used the [fol. 1807] short-line distances over which carload freight could be handled without transfer of lading and applied the mileage, so arrived at, to the straight prescribed Docket 13494 K-2 class rate scale. As indicated in the right-hand portion of pages 5 and 6, the totals of the rates under the 12 classes are the same, whether based upon the rates actually published or whether based upon the K-2 mileage scale. There is no excess in the present rates from and to North Florida over the K-2 scale. In connection with this showing I call your attention to the fact that here the carriers used the short-line distances and applied the mileage so arrived at to the straight prescribed K-2 scale. There is no excess in the present rates from and to North Florida over the K-2 scale.

The situation illustrated by pages 4, 5, and 6 covering Jacksonville, is the same respecting all points on and north of the line of the Seaboard Air Line Railway between Jacksonville, and River Junction. In other words, that line of the Seaboard Air Line Railway marks the Southern boundary of the flat K-2 scale as applied within Southern territory. The Florida arbitraries do not become a part of the rate structure until a haul south of that boundary is involved.

The effect of the Florida arbitraries, upon the total rates, increases as the distances hauled south of the [fol. 1808] Jacksonville-River Junction line increase. This effect is illustrated by a series of pages showing the rates first from Gainesville, a representative point in the Florida Peninsula, just south of the Jacksonville-River Junction line and continuing down the state as far south as Ft. Myers on the west coast and Miami on the east coast.

The rates from Gainesville, Florida, to 19 representative Southeastern and Southern border points are shown on pages 7, 8 and 9 with rates for like distances under the K-2 scale. Those pages of the exhibit also show the aggregate of the rates under the various classes and the aggregate amount in cents by which the actual rates from Gainesville exceed the aggregate of the rates for like distances under the K-2 scale. The final vertical column to the right shows the percentages by which the actual rates, including the Florida arbitraries from Gainesville to those 19 points exceed rates for like distances under the K-2 scale.

For example, from Gainesville to Macon the addition of the Florida arbitraries for the haul up to the Jacksonville-River Junction line results in an increase of 8 per cent in the total rate over the rate for that distance under the K-2 scale. The difference in the first class rate in this instance due to the addition of the Florida arbitrary is 11 cents per 100 pounds.

The percentages of excess of the actual rates to Gainesville [fol. 1809] over the K-2 scale are by no means constant. They vary depending upon the length of haul north of the Jacksonville-River Junction line, which is not subject to the Florida arbitraries, and also upon that portion of the haul within the Florida Peninsula, which is subject to the Florida arbitraries. Thus the percentages of excess range from 4.5 per cent in the rates between Louisville, Kentucky, and Gainesville, Florida, to 8 per cent in the rates between Macon, Georgia, and Gainesville, Florida.

Pages 10, 11 and 12 are similar analyses of the class rates between Ocala, Florida, and the same Southern points. The Ocala rates exceed the K-2 scale by percentages ranging from 5.6 per cent to 9.3 per cent.

In the column headed "Miles", attention is directed to the fact that in no case is the suffix letter the same as the suffix letters used in connection with the pages covering Gainesville. This is accounted for by the fact that between points in Southern territory and points within the Florida Peninsula the short-line distance is not always arrived at via the same junction, and entails a longer or shorter haul within the Peninsula, depending upon the Southern point under consideration. In other words, on a shipment moving from Mobile, Alabama, to Ocala, Florida, the short-line distance is 495 miles, which is subject to arbitraries within [fol. 1810] the Peninsula governed by suffix L, while on shipments moving from Atlanta, Georgia, the distance of 389 miles is governed by Suffix G, which indicates that the haul within the Peninsula of Florida on a shipment moving via the short-line route from Mobile, Alabama, is greater than the haul within the Peninsula on a shipment moving from Atlanta, Georgia. This accounts for the somewhat greater excess in the total of the 12 classes from the points covered by suffix L than the total of the 12 classes in connection with rates covered by suffix G, which is the suffix generally governing the Gainesville distances and of course the Gainesville rates.

Pages 13, 14 and 15 make similar comparisons of present rates on classes 1 to 12 inclusive between Orlando, Florida, a central Florida representative point, and the same southern and border points. Here the amounts of excess in the 12 actual published class rates over the K-2 scale range from 78 cents to 93 cents and the percentages range from 6.7 per cent to 12 per cent.

Pages 16, 17 and 18 show similarly the rates between Lake Wales, Florida, and the same southern and border points. Lake Wales is a South-Central Florida point, and is approximately 201 miles south of Jacksonville within the Florida Peninsula. Not all of the traffic between Lake

Wales and the points shown would move through Jacksonville.

The percentages by which the L-2 arbitraries inflate the [fol. 1811] K-2 scale rates range from 5.9 per cent to 10.6 per cent. In other words, on a shipment moving between Lake Wales, Florida, and Mobile, Alabama, based upon any of the class rates, 1 to 12 inclusive, the applicable rates under the present method of publication, would be approximately 10.6 per cent higher than if the same movement for a distance of 508 miles had taken place outside of Peninsula Florida and within Southern territory.

Pages 19, 20 and 21 show similarly the rates between Melbourne, Florida, a central east coast point, and the same southern and border points. At Melbourne the percentages of excess range from 6.8 per cent to 10.5 per cent. Pages 22, 23 and 24 show similarly the rates between Tampa, Florida, and the Southern and border points. The percentages of excess over the K-2 scale range from 7. per cent to Cincinnati to 11.2 per cent to Montgomery, Alabama. Pages 25, 26 and 27 show similarly the present rates between Fort Myers and the same Southern and border points. Fort Myers is approximately 292 miles South of Jacksonville-River Junction line on traffic moving through the Jacksonville gateway. The percentages of excess over the K-2 scale range from 7.8 per cent to 12 per cent. Representative of the lower east coast section is the showing made in pages 28, 29 and 30 from West Palm Beach, Florida, 299 miles south of Jacksonville on traffic moving through the [fol. 1812] Jacksonville gateway. The percentages of excess range from 8.3 per cent to Cincinnati and 12.1 per cent to Macon. Pages 31, 32 and 33 show similarly the rates between Miami, Florida, and the same Southern and border points. On a shipment moving between Cincinnati, Ohio, and Miami, Florida, the class rates for 1156 miles would be approximately 8.9 per cent higher than the rate on a similar shipment moving entirely within Southern territory.

On a shipment moving between Macon, Georgia, and Miami, Florida, the class rate would be 112.6 per cent of the rate on a similar shipment moving for the same distance of 593 miles between points outside of Peninsula Florida and wholly within Southern territory.

The pages that have been discussed are representative of the class rate structure which has existed since the publication of rates following the Interstate Commerce Commission's decision in Docket 13494. In other words, since January 15, 1928, the date upon which the Commission's uniform basis of class rates within Southern territory became effective shippers and receivers located within the Peninsula of Florida have had to pay more per mile for transportation of their goods than shippers and receivers located within Southern territory, excluding the Florida Peninsula. The amounts of excess contained in the rates to and from the Florida Peninsula are shown to range from 5 per [fol. 1813] cent to approximately 12 per cent. As previously explained, the amounts of excess vary according to the total distance, the distance north of the Jacksonville-River Junction line and the distance south of the Seaboard Jacksonville-River Junction line.

From my knowledge of the traffic between Peninsula Florida points and the Southern territory, I can state definitely that the presence of the Florida arbitraries in the interstate rates between Peninsula Florida points and points in other Southern states has actually resulted in the diversion of a vast amount of high grade class traffic from the railroads to other modes of transportation, particularly the motor common carriers, contract carriers and private motor vehicles.

Some years ago after the Florida arbitraries were tacked on to the rail class rates, the motor common carriers and motor-water common carriers in Florida succeeded, in a proceeding before the Railroad Commission of Florida in having the Florida arbitraries taken off the motor class rates. Soon thereafter the railroads in Florida voluntarily removed the Florida arbitraries from the Florida intrastate class rates, classes 1 to 7 inclusive, thus recognizing the impracticability of continuing the Florida arbitraries on rail Florida intrastate traffic while no such arbitraries were added to the K-2 scale by the motor or motor-water [fol. 1814] carriers.

It is my opinion that the failure of the carriers to remove the Florida arbitraries from interstate traffic between Florida and the South, voluntarily, as they removed the Florida arbitraries from Florida intrastate commerce, "has been a source of injury to the rail carriers" as stated in the testimony of Mr. Jensen, the Commission's expert, at page 66 of his Exhibit No. 7.

Pages 34, 35 and 36 of my exhibit show in detail the Florida K-2 arbitraries, for each of the classes and for various mileage blocks, which were prescribed by the Interstate Commerce Commission, plus the General Increase of 10 per cent under Ex Parte 123.

Prior to June 15, 1928, there were no through class rates published between points in Florida and points in other states. All rates were made on a combination basis. As to traffic moving from key points in Southern territory, the rates were based upon the combination of local or proportional factors to and from Jacksonville. On traffic moving from points in other territories the rates were generally based upon combination over either the Ohio and Mississippi River gateways, or the Virginia gateways.

Thus on shipments moving from Florida points to a point in Central territory, such as Chicago, Illinois, the class rates would be ascertained up to Jacksonville, the factor [fol. 1815] between Jacksonville and the Ohio River gateways would be determined, and these two factors combined with the factor beyond the gateways to the final destination. It is true that this method was extremely complicated and unsatisfactory in so far as the shipping public was concerned in determining through rates from and to Florida.

In its report in I. C. C. 13494, the Commission condemned the combination method of constructing rates into Florida and in the original report, 100 I. C. C. 513, fixed rates between points in the Florida Peninsula and points in other territories by use of the same method as employed in fixing rates between Southeastern territory and points in the Southeast and other territories, except, however, with respect to Florida the Commission gave consideration to the traffic density and financial condition of the Florida carriers and prescribed the use of arbitraries in order that the reductions reflected under the new scheme of rates on traffic to and from Florida would be somewhat modified. In the original proceeding the Commission fixed arbitraries based upon approximately 110 per cent of the scale prescribed for standard application within Southern territory. However, after further hearing the Commission increased the measure of the arbitraries to 115 per cent of the revised Southern class scale. As pointed out, this revision was covered by the Third Supplemental Report, 128 I. C. C. 567. [fol. 1816] At the time the Commission received testimony and evidence in Docket 13494, Florida was going through a period of great expansion. New railroad lines were in process of construction and rapid industrial development was taking place. In commenting upon this the Commission stated that while this development constituted a reason for departing from the old practice of making rates to and from the Peninsula of Florida on the Jacksonville combination, it also provided a reason for proceeding cautiously with any change in this practice, and that any heavy reduction in railroad revenues might discourage much needed construction. Continuing its consideration the Commission at pages 623, 624 and 625 of 128 I. C. C. stated that taking all of the circumstances and conditions into consideration, it was of the opinion that rates to and from the Florida Peninsula for the present may well be on a somewhat higher level than in other parts of Southern territory.

From the last statement taken from the Commission's Third Supplemental Report, it is my opinion that the Commission did not intend to penalize the state of Florida forever because of its lack of overhead traffic and traffic density prior to the year 1925, but rather fixed the Florida arbitraries on a temporary or transitional basis awaiting the outcome of the railroad and industrial expansion which was taking place within the state at that time.

[fol. 1817] Pages 34, 35 and 36 show the first-class column 100 arbitraries prescribed by the Interstate Commerce Commission for application in the construction of class rates to, from and between points in the Peninsula of Florida lying south of the Seaboard Air Line Railway Jacksonville-River Junction line.

Attention is directed to the left-hand column on pages 34 and 35 which shows the suffix letter used in connection with the rate basis numbers covered by the preceding pages of this exhibit. Each of the suffix letters represents a distance within the Florida Peninsula and these distances are shown in the second column of the statement. In the third column the originally prescribed first-class L-2 arbitraries are shown and in the fourth column the prescribed first class arbitraries increased 10 per cent under Ex Parte 123 are set out. In prescribing the class rate arbitraries the Commission did not undertake to prescribe arbitraries for classes other than first class column 100. The arbitraries for the other classes were worked out on the same percentage relationship to first class that was fixed by the Commission in connection with the class rates for application within Southern territory generally. In this statement the arbitraries have been carried through all of the classes from 1 to 12 inclusive, for all of the prescribed distances from 1 mile to distances over 500 miles. The arbitraries [fol. 1818] thus shown represent the actual amounts by which the K-2 plus L-2 basis of rates from and to Florida Peninsula points exceed the class rates for the same through distance had they been based upon the flat K-2 scale.

Conditions upon which the addition of Florida arbitraries were prescribed have been substantially changed so that in my opinion there is no longer any warrant for the continuation of the Florida arbitraries.

My sheets 37, 38, 39, 40 and 41 show the column 100 Eastern first class mileage scale of rates prescribed by the Interstate Commerce Commission for application in determining the class rates intraterritorially between points in Official territory compared with the scale prescribed intraterritorially between points in Southern territory.

The rates shown in the column headed "Eastern Class Rate Scale" are the rates prescribed by the Commission in Docket 15879, 164 I. C. C. 467, Appendix E, while the rates shown under the column headed "Southern Class Rate Scale" are the K-2 first class scale of mileage rates prescribed for application between points in Southern territory in the Southern Class Rate Investigation, Docket 13494, 113 I. C. C. 207.

In connection with the scale of rates shown under Southern Class Rate Scale column it should be pointed out that the rates shown are those that were in effect prior to July 7, [fol. 1819] 1941, and do not give effect to some slight modifications made in connection with rates for distances up to 190 miles.

In the third column of this statement I have shown the amounts in cents per 100 pounds by which the Southern Class Rate first class scale exceeds the first class scale applicable under the Eastern Class Rate Case, while in the extreme right-hand column I have shown the percentages by which the Southern Class Rate scale exceeds the Eastern Class Rate scale in the first class rates.

It will be noted that in the lower reaches of the scale the Southern Class scale exceeds the Eastern Class Rate scale first class rates by 12 per cent. The excess, Southern over Eastern, increases as the distance increases up to 420 miles at which point the first class rate of 160 cents under the K-2 Southern Class Rate scale exceeds the rate of 111 cents under the Eastern Class Rate scale by 49 cents per 100 pounds, which represents an excess of 44 per cent, Southern over Eastern Class Rate scale. Stated differently, at 420 miles the Southern Class Rate scale is 144 per cent of the Eastern Class Rate scale. From 420 miles on down through the scale the percentage excess Southern over Eastern very gradually diminishes until at 1,500 miles, which represents the maximum distance for which rates were prescribed in both the Eastern and the Southern Class [fol. 1820] Rate cases, the 315 cents first class rate under the Southern scale exceeds the 237 cents first class rate under the Eastern Class Rate scale by 78 cents, which represents an excess, Southern over Eastern, of 32½ per cent.

As already stated, the Commission did not prescribe rates in either the Southern or the Eastern case for distances in excess of 1,500 miles. However, for the purpose of this exhibit I have progressed the scale for distances up to 1,800 miles by observing the same rate of progression that was observed in the prescribed scale for the mileage blocks over 1,400 miles.

In consideration of the showing made in this statement, it should be borne in mind that this statement applies only in connection with the flat K-2 scale and does not take into consideration the additional arbitraries which are added on traffic moving to or from the Florida Peninsula. Had it been possible to devise some means of showing a scale which would give consideration to the additional Florida arbitraries it is obvious that the excess in amounts and percentages shown in the two right-hand columns of the statement would be substantially increased.

Many actual class rates from North Florida to Northern points actually exceed the rates for like distances under the K-2 scale. In its decision fixing class rates within Southern territory, the Interstate Commerce Commission prescribed [fol. 1821] for uniform application, except for short or weak lines, and the Florida Peninsula, the K-2 scale of class rates.

Between Southern territory and points in Central territory the Commission did not prescribe a through mileage scale but instead authorized the establishment of through rates published as single amounts but determined by combining the first-class rate prescribed for intraterritorial application between the points of origin or destination in Southern territory and the Ohio River gateways with the addition of a first class differential determined in the manner provided in Appendix Q-1 of the report for the distance between the points of destination or origin in Official territory and the same Ohio River gateways.

Other classes were related to first class in the same manner and by the same percentage relationship as the other classes were related to first class under the K-2 Southern Class Rate scale.

There was no indication anywhere in the Commission's report that this method of constructing rates was intended to bring about interterritorial rates that would exceed rates constructed by use of the K-2 scale applied for the through distance from origin to destination. However, that is exactly what happened with respect to rates from or to North Florida points. It is my opinion that the Commis- [fol. 1822] sion did not intend that the carriers should publish through all-rail rates from Jacksonville, for example, to points in Central territory which would exceed the level of rates prescribed interterritorially within the South. The fact that a substantial portion of the through haul involves transportation through the lower rated northern territory warranted through interterritorial rates lower than the K-2 scale.

Pages 42 through 46, inclusive, show the published class rates 1 to 6, inclusive, between Jacksonville, Florida, and 16 representative points in Official territory west of the Buffalo-Pittsburgh line. In addition to the first class rates the statement shows the short-line distances and the rates that would have resulted for each of the 6 classes had the carriers observed the K-2 scale as a maximum in publishing interterritorial rates from the South to points in Central territory. The amounts by which the published first class rates exceed the rates that would have resulted from the application of the K-2 scale as maximum are shown in connection with each of the classes. The total of the 6 classes, both under the published rates and the K-2 scale, and also the total amount by which the published rates exceed the K-2 scale for all of the classes are also shown to each destination.

On traffic moving between Jacksonville and Chicago, the [fol. 1823] K-2 scale, if observed as a maximum scale, would produce rates 4 cents per 100 pounds lower than the actual published rates on classes 1 and 2; 3 cents per 100 pounds lower on classes 3 and 4; and 1 cent per 100 pounds lower on classes 5 and 6. The total amount by which the published class rates exceed the K-2 scale rates on all 6 classes is shown as 16 cents in the right-hand column of the statement.

Similar comparisons appear throughout this statement. Attention is directed to the amounts by which the K-2 scale is lower than the published rates on first-class rates to Cleveland, Ohio, where the K-2 scale produces 6 cents lower, Dayton, Detroit, Ft. Wayne, and Grand Rapids, where the first-class rate under the K-2 scale is 7 cents per 100 pounds lower than the published rate and Hamilton, Ohio, and Indianapolis, Indiana, where the published rates exceed the first-class rates based upon the K-2 scale by 8 cents.

The maximum amount of excess of the published rates over K-2 is, in connection with the rates to Hamilton, Ohio, where the first class published rate exceeds the K-2 rate by 8 cents per 100 pounds; second class, 6 cents; third class, 6 cents; fourth, fifth and sixth classes, 4 cents; or a total of 32 cents on the total of the 6 classes.

It is my opinion that the Interstate Commerce Commission in the Southern Class Rate Investigation never intended that the class rates from Jacksonville to cities in [fol. 1824] Central territory should exceed the class rates under the K-2 scale. Many class rates from Peninsula Florida to the North exceed the K-2 scale plus the Florida arbitraries.

My next pages, 47 to 56, inclusive, show the effect of the differences resulting from the application of the Q formula versus the K-2 formula when the Florida arbitraries are added to the interterritorial class rates from points located within the Peninsula of Florida to the North.

Pages 47 through 51, inclusive, show the published class rates, 1 to 6 inclusive, between Lake Wales, Florida, and representative points in Official territory west of the Buffalo-Pittsburgh line. The statement shows the actual rates published by the carriers following Docket 13494 in comparison with the Docket 13494 K-2 scale rates for the same distances.

This statement also shows the amounts in cents by which the published rates exceed the K-2 scale for the 6 classes. The statement also shows the total of the 6 classes, under the actual rates and under the K-2 scale; the excess in the total; and the percentages by which the published rates exceed the K-2 scale rates.

In considering this statement and the showing made therein, it will be necessary to take into consideration the fact that the excesses are somewhat greater than in the case of Jacksonville, Florida, by reason of the fact that in the [fol. 1825] published rates the Florida arbitraries for that portion of the haul lying south of the Seaboard Air Line Railway, Jacksonville to River Junction, have been added. In other words, the excess is brought about not only from the failure to employ the K-2 scale for the entire distance, but also from the inclusion in the through rates of the arbitraries that the Commission provided for the hauls within the Peninsula. It will be noted that the percentages, by which the published rates exceed the flat K-2 scale, range from 7.5 percent between Lake Wales and Milwaukee to 10 per cent between Lake Wales and Hamilton, Ohio.

Stated differently, on a shipment rated first class moving between Lake Wales and Detroit, Michigan, for example, the published rate is 305 cents per 100 pounds whereas the rate based upon the application of the flat K-2 scale for the 1220 miles would have been 278 cents. In this instance the first class rate is 27 cents per 100 pounds higher than the first class rate resulting from the application of the K-2 scale. This 27 cents is composed of the Florida arbitrary of 18 cents plus 9 cents, which represents the amount by which the actual first class rate to Detroit exceeds the K-2 plus L-2 rates for that distance. Similar examples of these pyramiding effects are observed throughout the statement.

Pages 52 to 56 inclusive, is a similar study of class rates [fol. 1826] 1 to 6 inclusive, between Miami, Florida, and the same representative points in Official territory.

Miami has been selected as a representative South Florida point. Miami is 366 miles south of Jacksonville via the Jacksonville gateway. This series of pages shows the further effect of pyramiding and compounding of Florida Peninsula rate disparities as the distances within the Peninsula increase.

These pages show that the percentages, by which the published class rates exceed the rates based upon the through K-2 scale, range from 8.8 per cent in the case of Milwaukee, to 11.5 per cent in the case of Hamilton, Ohio, and Indianapolis, Indiana. In other words, on traffic moving between Miami, Florida, and the points shown in this statement, the rates applicable are from 8.8 per cent to 11.5 per cent higher than the rates would be for a similar movement entirely within Southern territory, if the distances within Southern territory would permit such a comparison to be made.

Again illustrating, on a shipment between Miami and Hamilton, Ohio, freight charges computed on first class rate would be based upon a rate of 307 cents per 100 pounds, which is the published first class rate between the points in question. If, however, the flat K-2 scale had been employed, a rate of 32 cents per 100 pounds lower, or 275 cents would have resulted.

[fol. 1827] From my study of the rate and transportation conditions existing between Florida points and points in other territories, it is my conclusion that the Florida arbitraries, plus the high level of actual interterritorial class rates, which exceed the K-2 basis, have been a very important factor in the rapid development of Florida's water, water-rail and rail-water traffic. My conclusion is supported by the fact that under normal conditions a vast tonnage of various commodities moves to and from Florida via rail-water routes which do not employ a single southern territory rail carrier.

Rates on many important commodities are constructed on a combination basis through the North Atlantic ports on basis of 110 per cent of the combination via the North Atlantic ports, subject to some minimum rate provisions. The Fourth Section Case I have in mind was the order issued in Docket 13918, F. S. O. 11029.

What has been stated here with respect to traffic moving from Central territory to Florida points via the North Atlantic ports is also true, perhaps to a somewhat lesser extent, in connection with traffic moving via rail-water through New Orleans or barge-water through New Orleans to Florida. A great amount of tonnage has been handled via the routes in question in preference to all-rail routes due solely to the high level of the rates to and from points in the [fol. 1828] Florida Peninsula.

My next series of pages, 57 to 71 inclusive, consists of comparisons between the actual published class rates 1 to 6, inclusive, from Florida to northern cities with rates for like distances under the I. C. C. Docket 15879 Appendix E or Eastern scale.

Pages 57 through 62 show the published class rates, 1 to 6 inclusive, between Jacksonville, Florida, and representative points in Official territory. These pages also show the rates which would result from the application of the Docket 15879 Appendix E class rate scale applied to the short-line distances. In addition, the statement shows the amounts in cents by which the published class rates between Jacksonville and the northern points exceed the rates based upon the Docket 15879 scale; and also the percentages which these excesses are of the published K-2 Q-1 formula rates.

In the extreme right-hand column of pages I have shown the total of the 6 classes under the published rates; also the total of the 6 classes had the Eastern scale within Official territory been applied between Jacksonville and the points shown; also the total excess in the Southern actual basis versus the Eastern scale basis; and the percentage excess of the Southern over the Eastern scale level.

This series of pages shows that between Jacksonville, Florida, and the points shown, the excesses in actual first- [fol. 1829] class rates range from 66 cents per 100 pounds, Jacksonville to Columbus, Ohio, to 76 cents per 100 pounds, Jacksonville to Grand Rapids, Michigan. The percentages by which the published Southern first class rates from Jacksonville exceed the Eastern scale level range from 37 per cent to Akron, Ohio, and Youngstown, Ohio, to 44 per cent in the case of Hamilton, Ohio.

At the head of each column of rates on pages 58 to 76, inclusive, I have shown the percentage relationships which classes 2 to 6 under the Southern K-2 Docket 13494 bear to the first class rates, and the like percentage relationships which classes 2 to 6, inclusive, under the Eastern scale bear to first class.

The second and third classes in both Official and Southern territory bear the same relationship to first-class; second classes in both Southern and Official territories are 85 per cent of first; and third classes in both territories are 70 per cent of first class. Classes 4, 5 and 6 bear different relationships to first class in the two territories. The contention has been made by others that no direct comparison should be attempted between the fourth, fifth and sixth class rates in the two territories. This contention can be answered by stating the fact that there are many articles rated fourth class in both territories, others fifth class in both territories; [fol. 1830] and others rated sixth class in both territories.

Therefore, wherever the article rated class 4, 5 or 6 in Southern is also rated the same in Official, the comparisons shown on my pages 57 to 71 inclusive are apt and proper.

These comparisons show to my mind that there is compelling need for uniformity in percentages which the respective classes, lower than first, bear to first, in both territories. The difference in percentage ratings of numbered classes in the two territories have the effect of augmenting the disparities between the rates from the South into the North and the rates within the North for like distances. For example, on page 58, the first class rate from Jacksonville to Dayton, Ohio, is 42 per cent higher than the first class rate under the Eastern scale. On fourth class the South's disability is 56 per cent. On fifth class the South's disability is 83 per cent; and on sixth class the South's disability is 109 per cent. In other words, the sixth class rate from Jacksonville to Dayton, 96 cents, is two hundred nine per cent of the sixth class rate of 46 cents under the Eastern scale. Such spreads are even greater where the actual sixth class rates in the north are lower than the Eastern scale.

My pages 63 to 66, inclusive, show the amounts and percentages by which the rates from Lake Wales to representative northern cities exceed the rates under the Eastern [fol. 1831] Scale for like distances, under classes 1 to 6 inclusive, respectively; also the percentages which the total excess of the 6 classes bear to the like totals under the Eastern scale. The total percentages range from 56 to 62 per cent.

From Lake Wales to Hamilton, Ohio, the first class rate exceeds the Eastern scale by 50 per cent; the fourth class exceeds the Eastern by 66 per cent; the sixth class rate exceeds the Eastern scale by 120 per cent. In other words, the sixth class rate from Lake Wales to Hamilton, Ohio, is 220 per cent of the rate under the Eastern scale.

My pages 67 to 71 inclusive are similar comparisons in rates from Miami to the principal cities in Central territory. The first class rates from Miami to Indianapolis exceed the Eastern scale by 105 cents; the first, second and third class rates exceed the Eastern scale by 50 per cent; the fourth class rate exceeds the Eastern scale fourth class rate by 65 per cent; the fifth class rate exceeds the Eastern scale fifth class rate by 93 per cent. The total rates of the six classes exceed the Eastern scale by 62 per cent. The sixth class rate exceeds the Eastern sixth-class rate by 121 per cent. In other words, the sixth class rate from Miami to Indianapolis is 221 per cent of the Eastern Sixth class rate.

My pages 72 to 76, inclusive, show the first class rates from Jacksonville to central cities, with revenues per ton [fol. 1832] mile, compared with the actual first class rates and revenues from eastern cities to the same destinations in Central territory. On page 74, for example, the distance from Richmond, Virginia, to St. Louis, Missouri, 908 miles, is practically the same as the distance from Jacksonville to St. Louis. The Jacksonville rate yields 53.5 mills per ton mile. The rate from Richmond yields 37.2 mills per ton mile. The revenue from Jacksonville is 44 per cent higher than Richmond.

These pages also show that there is a marked diminution of ton mile revenues as distances increase in the North, under the actual class rates, in accord with the well-known principle in ratemaking. For example, the rate from Baltimore to Akron, page 73, 429 miles, yields 52.3 mills per ton mile for this short haul; and the rate from Boston to Milwaukee, 1050 miles, yields 32.2 mills. Here the ton mile revenues diminish normally with the increased length of haul. But from Jacksonville to South Bend, 1031 miles, the revenue is 50.6 mills. It should not exceed the revenue from Boston to Milwaukee of 32.2 mills.

These comparisons show to my mind that the ton mile revenues under the rates from North Florida to Central territory are excessive in comparison with the ton mile revenues under the actual class rates from eastern cities to the same destinations for like distances.

[fol. 1833] My next series, pages 77 to 99 inclusive, are studies of the differences between the class rates from Florida to the North and the rates within the North which arise from differences in the percentage relationships to first class, and in the exceptions to the classifications. In many instances the differences in percentages of first class, and differences in exceptions, lower in the North and from Florida to the North, augment the spreads between their rates and ours over and above the differences which appear in the actual first class rates.

My page 77 shows the percentage relationship which each class bears to first class in Official and in Southern territory. Pages 78 to 99 inclusive show illustrative classification items, with the descriptions of the articles, in part, the ratings in Official and Southern, the exceptions, and the equivalent classes or percentages of first class in the two territories; with special remarks in the last vertical column. In some instances the ratings are the same in the two territories. In some instances, such as Abrasives, page 80, the articles take exceptions which produce the same percentages of first class in the two territories. For example, abrasive wheels take class 4 by exception in Southern, which is 55 per cent of first class; and 55 per cent by exception in Northern.

On automobile parts, the ratings are the same on 148 items, two are lower in Southern, but on carloads, 65 items [fol. 1834] are lower in Official, 71 are the same and 19 lower in Southern. As to some items, the lower ratings are the same in the two territories, a situation to which I have referred before. For example, certain automobile parts and accessories are rated fifth class in carloads in Southern and Official, page 84. Certain plastics are rated class 4 in carloads in both territories, page 86. Certain fibres are rated class 5 in both territories, page 98. Lime nitrogen in carloads is rated class 6 in both territories. This item No. 10965 in the Classification does not appear in my pages.

Other articles, such as ammunition in carloads, under certain descriptions are rated class 5 or 45 per cent in Southern and 37½ per cent of first in Official; and other kinds of ammunition are rated class 6 or 40 per cent of first in Southern and 37½ per cent in Official. In my opinion these differences in ratings and exceptions where the rates within the North make lower than from Florida to the North, ought to be ironed out and made uniform.

My pages 96 to 90 inclusive illustrate the effect which differences in classification percentages in ratings and exceptions have upon the going rates on particular articles which move at class rates, using rates from Lake Wales as a representative Florida Peninsula point to destinations in Central territory.

For example, on small arms ammunition, in carloads, [fol. 1835] between Lake Wales and Akron, Ohio, the ratings are equivalent percentages in the two classifications, but by exception the rate from Lake Wales is class 5 or 45 per cent of first class, and by exception in the North the rate is 32½ per cent of first class. The resulting rate is 135 cents from Lake Wales, and 67 cents under the Eastern scale for that distance; and these differences in the exceptions to the classification augment the Florida disabilities greatly. The rate from Lake Wales is 102 per cent of the rate for that distance under the Eastern scale, page 97. In other words, the class rate, by exception to the classification on small arms ammunition in carloads between Lake Wales and Akron is 202 per cent of the rate on like traffic for like distances under the Eastern scale. This difference would be augmented where actual rates in Official are lower than the Eastern scale.

On grass fibre, carloads, from Lake Wales to St. Louis, Missouri, the actual class rate would be 219 per cent of the rate for like distances under the Eastern Scale, page 98. On matches, in carloads, the actual class rate between Lake Wales and Chicago is 165 per cent of the rate for like distances under the Eastern Scale.

Many actual first class rates between important cities in Official territory are less than the Eastern Scale rates for like distances. In my exhibits I have used, in most cases, comparisons with the Eastern Scale rates instead of [fol. 1836] actual class rates in the North, due to the inconvenience in selecting actually equidistant points in all cases to compare with the distances from Florida points to Northern points. In such comparisons consideration should be given to the fact that many of the actual class rates between important Northern cities are actually less than the rates for like distances under the Eastern scale. Such comparisons are shown in my pages 100 to 103, inclusive. These spreads, first class actual rates under the Eastern Scale, range from 1 to 20 cents per 100 pounds.

The distance from Jacksonville to Chicago is 1061 miles and the first class rate of 263 cents is 4 cents over the K-2 scale, whereas from Boston to Milwaukee, for 1050 miles, nearly the same distance, the actual first class rate of 169 cents is 18 cents less than the Eastern scale. The Jacksonsville rate is 94 cents higher and 55.6 per cent higher.

The present class rate structure handicaps the development and expansion of high-grade industries in Florida. While Florida is not generally classed as an industrial state, there are within the state numerous small scale industries which heretofore have been stifled by the inability to reach important Northern consuming or manufacturing points with their products on a basis which would enable them to meet competition within that terri- [fol. 1837] tory. In my next series of pages, a few of these typical industries will be dealt with.

Pages 104 and 105 cover the rates on palm or palmetto brush fibre from Jacksonville, Otter Creek and Benson Junction, Florida, actual established Florida producing and shipping points, to representative Central points of consumption. The palm fibres shipped from Florida are used in the manufacture of brushes and compete actively with similar competitive fibres which are shipped from New York to the same destinations. For the purpose of comparison, the rates from New York to the same destinations are also shown.

The rates from Florida points are the full third class rates, without arbitraries so far as Jacksonville is concerned, but including Florida arbitraries so far as Otter Creek and Benson Junction, Florida, are concerned. In all instances the actual rates exceed, by substantial amounts, rates based upon the Eastern scale, applicable intraterritorially within Official territory. The present rates from Florida points exceed the rates under the Eastern Scale by amounts ranging from 50 cents to 66 cents per 100 pounds and by percentages ranging from 38 per cent to 47 per cent.

The disadvantages of the Florida shippers are further increased by the application of import class rates from New York. These import rates are actually lower than the Eastern Scale by amounts ranging from 9 to 12 cents [fol. 1838] per 100 pounds, or percentages ranging from 7.5 per cent to 12.9 per cent. The statement shows that, for a haul from Benson Junction, Florida, to St. Louis, a distance of 1029 miles, the present rate exceeds the rate for a similar haul from New York to St. Louis, 1027 miles, by 58½ per cent.

Pages 106 and 107 of my exhibit deal with the finished fibre brushes which are manufactured in Florida and shipped in competition with brushes manufactured in Official territory. This showing similarly depicts the overwhelming disadvantages that Florida manufacturers must seek to overcome to enable them to compete on the finished products with manufacturers in Northern territory. From Benson Junction to St. Louis, Missouri, for example, the handicap in the rate is 48½ per cent over New York.

Page 108 shows the class 3 rates on candied crystal-ized or glazed citrus fruit from Davenport, Florida, to representative Southern cities, with the amounts in cents, and percentages by which the actual rates exceed the K-2 Southern Scale. The excess in rates ranges from 11 to 14 cents and the actual rates range from 7 to 11 per cent higher than the K-2 scale.

This exhibit could have been expanded to cover points in Official territory, but the rates would be practically the same as those shown on the previous page, 105 for palm fibre, from Benson Junction, which are also class 3. [fol. 1839] On the crystal-ized fruit the rates from Davenport to central territory would exceed the Eastern Scale rates for like distances by about 47 per cent. There is a plant at Davenport which specializes in the manufacture and distribution of candied citrus fruit.

There is a manufacturer of rattan furniture located at Tampa, Florida. This manufacturer produces furniture similar in nature to certain kinds of furniture produced at Gardner, Massachusetts. There is also a manufacturer of bedroom and dining room furniture located at Palatka, Florida.

Pages 109 and 110 of my exhibit illustrate the rate handicap or disadvantages facing the Florida furniture manufacturers in attempting to reach northern markets in competition with producers located within Northern territory. The rates from Tampa and Palatka range from 26 to 32 cents higher and 20 per cent to 24 cent higher than the rates on like traffic for like distances under the Eastern scale.

On the other hand, the rates from Gardner, Massachusetts, to the same respective destinations, for like distances, are in all instances but one less than the Eastern Scale. The rate from Palatka to Chicago, 1102 miles, exceeds the rate from Gardner, Massachusetts, to St. Louis, 1119 miles, by 29 cents, or 21½ per cent.

Pages 111 and 112 deal with the rates on cigars from Jacksonville and Tampa, Florida, compared with the rates [fol. 1840] from New York, New York, to points in Central territory. As shown on the top of page 112, cigars are rated 2nd class in the Southern Classification and 1st class in the Official Classification. Exceptions to the Official Classification, however, provide for the application of 2nd class rates within Official territory. Thus the actual rates in both Southern and Official territories are on the same percentage relation to 1st class, that is, 85 per cent of Column 100 rates.

From Jacksonville and Tampa the actual 2nd class rates exceed the rates made by use of the through K-2 scale and rates from both points are substantially in excess of the rates that would result under the through application of the Eastern Scale 2nd class rates.

The amounts by which the present actual rates exceed the rates based upon the 2nd class Eastern rates range from 60 cents to 81 cents per 100 pounds, and the percentages by which the actual rates exceed the 2nd class Eastern rates range from 38 per cent to 50 per cent.

For comparative purposes, the statement also shows the rates from New York, a competitive point of origin to the same destinations. The actual 2nd class rates from New York are lower than the rates under the Eastern scale by amounts ranging from 2 cents to 10 cents per 100 pounds. From Jacksonville, Florida, to Indianapolis, Indiana, for [fol. 1841] a distance of 890 miles, the rate of 207 cents per 100 pounds exceeds the rate from New York to Chicago for the same distance by 45.8 per cent. The rate of 237 cents from Tampa to Indianapolis for a distance of 1036 miles, exceeds the rate of 157 cents from New York to St. Louis for a distance of 1027 miles, by 80 cents, or 51 per cent.

Some years ago a plant was established in Jacksonville which manufactured safety matches in cardboard strips, which are used as advertising matter. The operation of the plant was successful in its initial stages; but, when the production was expanded to a certain point it was necessary to ship to widely scattered markets throughout the country in less than carload lots and carload lots. Immediately the freight rates became an important factor to the Jacksonville plant in its attempt to sell its matches in the Northern and Central Northern cities in competition with manufacturers located in the North.

A study of the competitive rates on matches into Central territory disclosed such wide differences in the class rates that the Jacksonville Traffic Bureau filed a complaint attacking the class rates on matches, cigars, and other articles from Jacksonville to points in Central territory. That was in 1939. In the meantime and because of our inability to secure prompt relief, the Jacksonville match plant was unable to exist under the handicap in freight [fol. 1842] rates to the North and was closed. It is still closed.

My exhibit, page 58, shows the fifth class rates on matches, in carloads, from Jacksonville to important cities in Central territory; and the percentages by which these rates exceed the Eastern Scale. The rate from Jacksonville to Chicago, 118 cents, is 176 per cent of the Eastern Scale first class rate of 67 cents, and 155 per cent of the going rate of 76 cents in Official territory.

In my opinion the high level of the class rates from Jacksonville into Central territory was one of the primary causes of the discontinuance of the manufacture of safety matches in the Jacksonville plant.

Mr. Hillyer: If the Chairman please, we offer in evidence Exhibit No. 92.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 92? ~~(No response.)~~ Without objection, it is received.

(Exhibit No. 92, Witness Maurer, received in evidence.)

Mr. Gwathmey: Mr. Chairman, I ask that the following be struck——

Chairman Aitchison: In Exhibit 92?

Mr. Gwathmey: I am referring to the narrative statement now.

Chairman Aitchison: All right. You have no objection to Exhibit 92?

[fol. 1843] Mr. Gwathmey: No, sir. At the bottom of page 44 of the witness' narrative statement in which he discusses the business of some match manufacturer located at Jacksonville, the following statement occurs: "In the meantime and because of our inability to secure prompt relief, the Jacksonville match plant was unable to exist under the handicap in freight rates to the north and was closed. It is still closed."

I do not think this witness is competent to testify as to the reason why that plant was closed.

Chairman Aitchison: What do you say as to your knowledge of that, Mr. Witness?

The Witness: The president of the match company told me personally, that unless he could secure rates to reach this Central territory and ship his matches in competition with producers located in Central territory, he would be unable to continue the operation of his plant and would sell out to one of the match concerns located within this territory, and that he did. The plant was closed and it is still closed.

By Mr. Hillyer:

Q. Did the manager of that plant have repeated conferences with you with respect to the rates from Jacksonville outbound to the north?

A. Yes, sir. At his request I attended meetings before the Southern and Official rate committees in an endeavor to straighten out his rate difficulties. In that I was un-[fol. 1844] successful.

Chairman Aitchison: We will let it stand.

By Mr. Hillyer:

Q. Mr. Maurer, has Jacksonville become quite a general manufacturing center?

A. I would say it has, yes, sir.

Q. Will you say roughly how many articles, separate articles are manufactured within the Jacksonville area.

A. A recent survey indicated that there were in the neighborhood of 350 to 400 different articles manufactured in the Jacksonville area.

Q. Do you come in contact with the manufacturers of various high-grade products in Jacksonville in the course of your regular duties?

A. Very frequently, yes, sir.

Q. Do they depend upon your office for rate and traffic service?

A. They do.

Q. Has there been any complaint from them to you with respect to the class rates from Jacksonville into the Northern territory?

A. Yes, many complaints. In fact, that has been the source of more complaints than anything else.

Q. Have you had any complaints with respect to the classification ratings on articles shipped at class rates from Jacksonville?

[fol. 1845] A. Yes; very recently we had a producer of narcissus bulbs come to our office, and he asked me to assist him in securing a reduction in the classification on gladioli bulbs—I said "narcissus". I should have said "gladioli". He asked me to assist him in securing a reduction in the classification on gladioli bulbs to be on the same level as narcissus bulbs. We handled it for him and even though he requested prompt action in view of the fact that the shipping season was right upon him, we have been unable to make any progress through the classification committee towards securing the reduction he sought.

Q. Did the railroad representatives agree with you that there was no basis for a distinction between gladioli bulbs and narcissus bulbs?

A. Yes. The proposition was placed before the classification committee by the railroads serving Jacksonville and they endeavored to progress it but were unable to secure special action and secure the publication of the changes sought.

Q. Is the bulb industry an important high-grade industry in Florida?

A. It is an industry that is making very rapid strides and becoming increasingly important.

Mr. Hillyer: The witness is tendered for cross-examination.

[fol. 1846] Chairman Aitchison: May I ask a question with respect to pages 100 to 103 inclusive.

By Chairman Aitchison:

Q. How did you get the short-line mileage that you say was used on page 102?

A. I have in my files some data which was originally issued by the official carriers which purports to show the shortline distances between points in Official territory. I secured the information from that source. I made no attempt to check it.

Q. Do you know whether these differences between Baltimore, Philadelphia and Richmond on the one hand and New York on the other are due to the establishment and maintenance of the port differentials?

A. Perhaps that has something to do with it, Mr. Chairman.

Q. That was contemplated, was it not, by the report in the Eastern Class Rate Case?

A. Yes. That is true.

Q. Then how can you say that these rates are lower than the class rates that were prescribed in that case if the maintenance of the port differentials were an essential part of the decision in that case?

A. I did not intend for the exhibit to convey the impression that they were lower than the rates prescribed in that case, but I did intend to show by this exhibit that the rates are in effect and are lower rates computed on basis of the [fol. 1847] Eastern Scale.

Q. On the basis of the column 100 appendix E scale?

A. Yes, that is correct.

Q. But it was not contemplated by the Commission, was it,—if you read the report,—that the column 100 appendix E scale should be applied from Baltimore?

A. No, sir. That is right. I have merely prepared this exhibit to illustrate the difference between that condition and the condition from Florida and Jacksonville where the going class rates are considerably in excess of the through K-2 scale, whereas that situation is not true in Official territory with respect to the Eastern scale and those rates shown here are those that were fixed by the Commission in 15879.

Q. Where have you shown a comparison with the K-2 scale from Jacksonville? Is that the following section?

A. It is on pages 43——

Q. 43 of Exhibit 92?

A. Yes—43, 44, 45 and 46. It shows that the present published rates exceed in some instances very substantially, by very substantial amounts, the rates that would have applied had the through K-2 scale been applied.

Q. That is different. You seem to leave the impression, as you read your statement, that the order of the Commission has not been observed. The order of the Com- [fol. 1848] mission was not that the K-2 scale should apply, but that the K-2-Q-1 scale should apply, is that not true?

A. That is true, and it is my belief that the Commission never intended such a result for the reason that part of the haul is through a much lower-rated territory than Southern territory, and I cannot believe that the Commission would fix rates through a lower-rated territory higher than within the higher-rated territory.

Q. Anyway, right or wrong, the decision of the Commission——

A. That is correct.

Q. —was not that the K-2 scale should apply any more than the appendix E scale should apply from Baltimore?

A. Yes. That is true.

Chairman Aitchison: Is there any cross-examination?

Mr. Gwathmey: I have only one question, and that is primarily for the purpose of clarification.

Chairman Aitchison: Mr. Gwathmey.

Cross-examination.

By Mr. Gwathmey:

Q. Will you turn to the pages of your exhibit which commence with page 58.

A. Yes, sir.

Q. Taking, for example, the first point shown, which is Jacksonville, Florida, and Akron, Ohio, as I understand this exhibit, all you are undertaking to show is what the rate would be between Jacksonville and Akron under the application of the Docket 15879 scale for that distance, [fol. 1849] is that correct?

A. That is correct, yes, sir.

Q. Do you want the inference to be drawn from this exhibit that the rates between Jacksonville and Akron are 47 per cent higher than the rates applicable within Official territory for the same distance?

A. This shows, Mr. Gwathmey, the difference with respect to each of the classes and the total in the six classes is 47 per cent. That is correct.

Q. Is your answer to my question "Yes" or "No"? I want to have a direct answer to my question.

A. Perhaps I did not understand your question.

Mr. Gwathmey: Read the question to the witness, please, Mr. Reporter.

(Question read.)

A. No, sir. I do not want to leave that inference. If the exhibit shows that the rates are not 47 per cent higher, but they range from 37 to 100 per cent higher.

By Mr. Gwathmey:

Q. If you want to compare the rates in effect between Jacksonville and Akron and the rates in effect within Official territory and then strike an average of the difference, would you not have to take into account the difference in classification ratings?

A. This study, Mr. Gwathmey, is referred to in other studies and in my testimony. I show in the right-hand text [fol. 1850] that there are many commodities that are rated the same in both territories and the classification has been taken into consideration in preparing this exhibit.

By Chairman Aitchison:

Q. What commodities are rated sixth class in both territories?

A. There are some commodities.

Chairman Aitchison: I have been trying all during this hearing to find out what they are.

The witness: I can refer you to one of them anyway. I went through the classification and found some. Lime nitrogen in carloads is rated sixth class in both territories.

Chairman Aitchison: What is that?

The Witness: Lime nitrogen, and there are others, Mr. Chairman.

By Chairman Aitchison:

Q. How many others?

A. Perhaps not a great number. I would say 25 maybe. Maybe more, maybe less. I believe that is about the right figure.

Mr. Norman: Mr. Chairman, may I say that Mr. Bell has distributed an exhibit that has not been filed yet, which shows as to each and every one of the classes, how many are the same in both.

Chairman Aitchison: I know Mr. Bell has done that.

Mr. Norman: And there is a good deal of that in Mr. Hart's exhibit.

Chairman Aitchison: Mr. Hart did not go into detail on [fol. 1851] it, did he?

Mr. Hart: It shows the number.

Chairman Aitchison: I beg your pardon?

Mr. Hart: It shows the number in each territory.

Chairman Aitchison: You have your exhibit before you there, Mr. Hart.

Mr. Hart: Yes.

Chairman Aitchison: While the witness is testifying, give us a reference to the pages and so forth of the exhibit.

Mr. Hart: All right.

Chairman Aitchison: Continue.

By Mr. Gwathmey:

Q. It is true, is it not, that a very large number of commo--ties, which take sixth class, for example, in the South, take fifth class or some other class in the North?

A. Yes.

Q. Now, if you want to draw a comparison in your exhibit here on page 58 between the actual rates from Jacksonville to Akron and the ~~actual rates~~ for the same distances within Official territory, you would have to take into account those differences in classification ratings, would you not?

A. Yes, in so far as fourth, fifth and sixth classes are concerned.

Q. Yes.

[fol. 1852] A. One, two and three, of course, take the same percentage of first class.

Q. Your rates from Jacksonville to Akron are governed at present by the Southern Classification, are they not?

A. That is true.

Q. You are asking for the Official territory level of rates, as I understand your position?

A. No sir. I have not made any proposal here.

Q. Are you asking or will you ask for any change in the application of the classification, that is, are you asking or will you ask that the Official Classification should be substituted for the Southern?

A. No, sir.

Q. In connection with rates from Jacksonville to Akron?

A. No. I am not asking for anything other than uniformity, regardless of how that uniformity is brought about.

Mr. Gwathmey: That is all.

Mr. Wagner: If the Chairman please, sheet 2 of section 4-A of Mr. Hart's Exhibit No. 88, the lower left-hand corner, shows 37 items are rated sixth class in the two territories.

Chairman Aitchison: Are they enumerated?

Mr. Wagner: I beg your pardon?

Chairman Aitchison: They are enumerated, are they?

Mr. Wagner: No. They are just numbers.

Chairman Aitchison: Is there any further cross-examination? [fol. 1853]

Mr. McCollester: I have a few questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Will you turn to page 107 of your exhibit, please.

A. I have it.

Q. At what points in Official territory are fibre brushes manufactured?

Chairman Aitchison: What is a fibre brush, a broom?

Mr. Hillyer: Mr. Chairman, our economic witness will deal with fibre brushes.

Chairman Aitchison: Well, let this witness tell us what he knows about that.

Mr. Hillyer: This exhibit was prepared for the use of Dr. Eutsler.

Chairman Aitchison: I know, but this witness is put on. He has to vouch for it to some extent. Let us find out what he knows about it.

The Witness: I cannot tell you how many different points. I know there are manufacturers located in the New York area and also in Massachusetts, I believe, and there are manufacturers located in other places, elsewhere perhaps in other northern states.

By Mr. McCollester:

Q. There are manufacturers in the Chicago area, are there not?

[fol. 1854] A. Perhaps there are.

Q. If you know, what difference in transportation expenses will prevent the movement of fibre brushes, prevent their competing in a particular market?

A. I do not know. That feature will be covered by Dr. Eutsler.

Q. Do you have the same answer to similar questions with respect to the other commodities and rates which you cite in the following pages of this exhibit?

A. Yes, I think that would be true.

Q. The rates on furniture which you show on page 110 from Palatka, Florida, and Tampa, Florida, are not class rates, are they, or not on the classification basis?

A. They are on a basis of exceptions to the classification, but you go to the class tariffs to find the rates.

Mr. McCollester: Mr. Chairman, I move to strike the testimony of the witness at page 40 of his prepared statement to this effect, and I will read it: "There are within the state numerous small-scale industries which heretofore have been stifled by the inability to reach important northern consuming or manufacturing points with their products on a basis which would enable them to meet competition within that territory." Then he goes on and gives examples which are covered by the pages of his exhibit to which I have referred as examples of that statement. I move to strike the [fol. 1855] witness' statement.

Mr. Hillyer: May I ask one or two questions?
Chairman Aitchison: Yes.

By Mr. Hillyer:

Q. Mr. Maurer, is there a palmetto fibre plant at Jacksonville?
A. Yes.
Q. Do they manufacture both palmetto fibre and brushes?
A. Yes, sir.
Q. Do you act in the relation of traffic manager for the Wooten Fibre Company at Jacksonville?
A. I do, yes, sir.
Q. Have they discussed with you the importance of shipping their products into the northern states?
A. Frequently, yes.
Q. Did they give you assistance in the preparation of this case?
A. Yes, sir.
Q. Are you familiar with their plant to some extent, and their process of manufacturing?
A. Yes.

Mr. Hillyer: I think the witness is qualified, sir, to speak about this industry.

Mr. McCollester: Mr. Chairman, I direct your attention to the fact that the witness has stated he does not know what difference in freight rates would permit or would pre-

[fol. 1856] vent the movement of any of these commodities.

Chairman Aitchison: I think it has been sufficiently shown that he is in a position to know something about it. The weight which can be attached to it can be developed, if it has not been already.

Mr. McCollester: I move also to strike page 110 of the exhibit relating to the rates on carload furniture. I do that to keep the record clear for the reason not that it is not proper to show rates for comparative purposes, which may not be involved in the proceeding, but for the reason, as the testimony of this witness shows, that those rates are cited as rates which create the condition which they complain of in this proceeding and they are rates that are not involved in this proceeding.

Chairman Aitchison: The facts are here. Of course, they will be used for proper purposes, not for improper purposes.

By Mr. Hillyer:

Q. Mr. Maurer, are there additional items in the furniture list of articles which actually move at class rates from Florida?

A. Yes, sir, there are.

Q. Is this used merely as illustrative of certain descriptions in the furniture list?

A. Yes, and also the fact that regardless of the type of rate, the comparison with the Eastern scale, or with Eastern [fol. 1857] rates—that is 70 per cent of first class—70 per cent is nothing more than a third class rate.

Q. Now, in order to check the rate on these furniture items from one point to another, is it necessary to use the actual class rate tariff?

A. Yes, sir, it is.

Q. There are no rates stated in the exceptions to the classification, are there?

A. No rates in the exceptions or the classification itself. It is necessary to go to the class tariff to develop the rate.

Mr. McCollester: I do not want to prolong the discussion except to say this: the furniture industry is or was an important one in the state of New York until it moved to the south. We do not consider that the rates on furniture are involved in this proceeding. If they are, we should like to be so informed, but furniture moves to a very large extent on exceptions to the classification, and if I correctly understand the rulings that have been made here, the exceptions to the classification are not in issue in this proceeding, or the rates which they produce.

Chairman Aitchison: Well, perhaps furniture ought to be put back in the classification. I do not know.

Mr. McCollester: It does not move on the classification basis.

Chairman Aitchison: That is a fact we are entitled to [fol. 1858] know.

Mr. Norman: As a matter of fact, all the——

Chairman Aitchison: I have ruled with you.

Mr. Norman: All right.

Chairman Aitchison: The motion is denied. It is time for us to suspend now until 1:30.

(At 12:30 P. M., adjourned until 1:30 P. M.)

Afternoon Session 1:30 o'clock P. M.

Chairman Aitchison: We will resume.

Mr. Smelker: I have two or three questions, Mr. Chairman.

Chairman Aitchison: Mr. Smelker.

T. C. Maurer resumed:

Cross-examination (Cont'd.)

By Mr. Smelker:

Q. Mr. Maurer, will you refer to page 1 of your text, your written statement?

A. Yes.

Q. Down at the bottom of the page you state that your past duties required the study of various rate adjustments and transportation conditions.

A. Yes.

Q. Does that term include the cost of transportation, the factors affecting cost?

A. No, sir. It has no relation to cost at all.

[fol. 1859] Q. What does the term "transportation conditions" mean, then, in the light of your testimony?

A. Well, switching arrangements and means of handling traffic within terminals and that type of investigation and study.

Q. Now, considering the Florida arbitraries, have you made any study of the relative cost within the state as compared to other Southern states?

A. No, sir. I have made no studies respecting cost. Those figures have been made by Mr. Saunders.

Q. Will you refer to page 5 of the text of your statement, the second paragraph.

A. Yes.

Q. You say "This percentage is based on first class rates for 200 miles, approximately the average haul in each territory." Is that average per road or per shipment?

A. That is the average haul within Southern territory.

Q. Is that joint haul, or——

A. All classes of haul. I have used 200 as a round figure. It may be a mile one way or the other. That is about the average haul in Southern territory.

Q. How was it computed?

A. I took it from Government statistics. I do not know how it was computed.

Q. What Government statistics were those, do you recall?

[fol. 1860] A. I do not recall the number of the statement offhand, but I can furnish it, I am sure.

Q. Will you furnish it to Dr. Edwards, please.

A. Yes. I will be glad to.

Q. On page 19 of the text you state that on intrastate traffic the motor carriers removed the arbitraries and the railroads voluntarily met the reduction. Have the motor carriers and water carriers similarly removed the arbitraries on interstate traffic?

A. No, sir.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further cross-examination of this witness? (No response.) Have you anything further, Mr. Hillyer?

Mr. Hillyer: No.

Chairman Aitchison: You may stand aside.

(Witness excused.)

[fol. 1861] Mr. Hillyer: Call Mr. Donnell.

Chairman Aitchison: Raise your right hand and be sworn.

Mr. Hillyer: We ask to have marked for identification Mr. Donnell's two exhibits. One is the large exhibit, the printed exhibit of graphs, consiting of 16 pages. The smaller exhibit is stencilled and consists of 10 pages. I ask that the larger exhibit be marked for identification as No. 93.

Chairman Aitchison: It may be so marked.

(Exhibit No. 93, Witness Donnell, marked for identification.)

Mr. Hillyer: I asked that the smaller exhibit be marked for identification as No. 94.

Chairman Aitchison: It may be so marked.

(Exhibit No. 94, Witness Donnell, marked for identification.)

Mr. Hillyer: Mr. Donnell's exhibits and testimony have been distributed in advance to all parties.

Chairman Aitchison: Proceed.

JOSEPH H. DONNELL was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. Will you state your name, address and occupation for the record, please, Mr. Donnell?

A. My name is Joseph H. Donnell. My business address [fol. 1862] is Chamber of Commerce Building, Tampa, Florida. I am manager of the Tampa Traffic Association.

Q. Mr. Donnell, have you made special studies for the purpose of this case?

A. I have.

Q. Have you prepared the two exhibits which have been marked for identification respectively as Nos. 93 and 94?

A. Yes, sir.

Q. Were they prepared by you and under your direction in your office?

A. Yes, they were.

Q. Are the sources of the information on those exhibits shown on the exhibits?

A. On the exhibits, yes.

Q. Are they true and correct to the best of your knowledge and belief?

A. Yes, they are.

Q. Please proceed with the presentation of your testimony.

A. I have had more than thirty years experience in Freight Traffic Management and in the preparation of rate exhibits and traffic studies which have been introduced in evidence in proceedings before the Interstate Commerce Commission, the Railroad Commission of Florida, the Maritime Commission, the Civil Aeronautics Administration, various committees of Congress, and other govern- [fol. 1863] ment agencies. My past experience includes service as a member of the Rate Board of Swift & Company, on the staff of the Interstate Commerce Commission, a land grant rate expert in the Quartermaster Corps of the Army, and on the rate and solicitation staffs of certain trunk line rail carriers in the South. I am at the present time employed as manager of the Tampa Traffic Association, a voluntary non-profit Florida corporation of commercial interests, shippers and receivers of Tampa.

Florida is entitled to both the reduction of basic scale rates and the elimination of the Florida arbitraries. Florida interests in this proceeding are the same as those of the other Southern states, in that its development requires and conditions justify rates comparable with those applicable in Official territory.

Florida, however, has an additional problem peculiarly its own, occasioned by the "Florida arbitraries", which are added to the basic K-2 scale for the distances that shipments are hauled within peninsular Florida. Since the testimony of the Southern witnesses generally, deals with the basic scales, Florida, in this proceeding, has of necessity focused its testimony to a very large extent upon the necessity and justification for the removal of the Florida arbitraries. Because the Commission, in its decision in Docket 13494, predicated its prescription of the Florida [fol. 1864] arbitraries upon dissimilarity of conditions in Florida as compared with the other states of the South, my testimony and studies are devoted to the purpose of showing that however disadvantageously Florida may have compared with other southern states in the past its recent enormous growth and development, as of 1940, has resulted in conditions that are equally as favorable as those in the other Southern states and in many other states throughout the country, including certain states in Official territory.

The removal of the Florida arbitraries is particularly essential. The phase of the subject assigned to me for study and testimony therefor- goes very largely to the Florida arbitraries and more particularly a study of rail and truck traffic and transportation conditions in Florida as they affect, are affected by, or are related to the Florida rate structure, including the Florida arbitraries.

The Florida arbitraries are injurious to the rail carriers. My testimony and exhibits support and sustain the conclusion of the Commission's witness, Mr. C. G. Jensen, which was in part and in substance that the Florida L-2 arbitraries are a source of injury rather than of benefit to the rail carrires and that the rates to and from Florida should be placed on the same level as those to and from the states immediately to the north of Florida.

My exhibits are complementary to those filed by Witness [fol. 1865] Grady, whose studies deal with the geographical position of the state and Florida's water borne tonnage, and should be considered in conjunction with Mr. Grady's studies in order to get a clear picture of the whole. My studies and exhibits are based very largely upon reports of railways to the Interstate Commerce Commission and upon reports of the Commission's Bureau of Statistics. They have been bound in the form of two separate exhibits, one large printed exhibit in graphic form, size 17 x 15 inches, consisting of 16 pages, offered for identification as Donnell's exhibit No. 93; and one stencilled exhibit, size 8½ x 14 inches, consisting of 10 pages, offered for identification as Donnell's exhibit No. 94. The pages in each volume are numbered consecutively and indexed.

My first printed exhibit deals with the matter of grades, employees per mile of line operated, tax accruals and tons of carload revenue freight originated and terminated in Florida. My second stencilled exhibit shows the extent of the use of motor freight vehicles in Florida, increase in Florida's population, commodity groups of carload freight tonnage originated and terminated, and information pertaining to the movement of phosphate rock.

My studies, based upon years of study of Florida traffic, combined with Witness Grady's studies and exhibits, convince me that Florida has grown so greatly in the production [fol. 1866] tion of freight tonnage that the imposition of the Florida arbitraries, which were prescribed by the Interstate Commerce Commission in Docket 13494, are impracticable and unjustified, can only serve to result in heavy diversions of traffic to motor and water carriers, and that the arbitraries should be removed, permitting the same rate structure to apply in Florida as in the other Southern states.

Mr. McCollester: May it please the Commission, I object to this character of testimony and particularly to the statement which is about to follow, I infer, because it appears on page 4 of the prepared statement. I object in general to the prepared statement as being largely argumentative. The witness now proposes to tell what is shown by the testimony of other witnesses and by various exhibits. I submit that the testimony speaks for itself. The facts are there, whatever they may be. I object to the witness testifying as to what somebody else may show.

Com. Splawn: What have you to say, Mr. Hillyer? That seems to be a good objection.

Mr. Hillyer: The statement on page 4, your Honor, is a summary of the points to be developed by his testimony. I think his statement shows that he has had access to the other Florida studies of Mr. Maurer and Mr. Grady, and he bases his, what you might call summarized statement here, on the whole of the Florida testimony.

[fol. 1867] Com. Splawn: Are these summaries arguments to the Commission based upon that testimony?

Mr. Hillyer: No, sir. He is stating merely the ultimate facts which he proposes to show by hs own exhibit.

Com. Splawn: The objection is overruled.

Mr. McCollester: May I just say, if your Honor please, in response to the last statement of Mr. Hillyer, where he says he is stating the ultimate facts to be shown by his own exhibits, that at the very top of page 4 it states, "My exhibits, in conjunction with other exhibits filed or to be filed in this proceeding by other Florida witnesses, reveal that", and then he goes on to list what is revealed by the other exhibits of other witness. I submit it is highly improper.

Com. Splawn: Apparently the witness has undertaken to summarize the facts which have been assembled in collaboration, which I understand is Mr. Hillyer's explanation. I asked Mr. Hillyer if the witness intends to argue or has here argued from those facts. If you point out any argument, the objection to the argument will be sustained.

Mr. McCollester: I point out all of page 4, if your Honor please.

Com. Splawn: We will reserve ruling on that for the moment and let the witness proceed.

Mr. McCollester: There may be other portions when he [fol. 1868] comes to them. I have not had a chance to go through it.

Mr. Hillyer: Mr. Donnell, I ask that you strike from your statement the reference to exhibits filed or to be filed by other Florida witnesses. As so amended I think page 4 relates only to the matters of facts which are shown in your own exhibits.

Mr. McCollester: Well, then, do not the exhibits speak for themselves?

Chairman Aitchison: My own impression is, for what it is worth, that in the case of a voluminous set of facts like this, an informed witness can very properly state his conclusions based upon the facts shown.

Mr. Hillyer: Mr. Donnell, I think that the conclusions which you have summarized here will appear very clearly from your exhibits. I suggest that we eliminate page 4 and proceed with the balance of your statement.

The Witness: I request that page 4 be eliminated.

Chairman Aitchison: Very well.

By Mr. Hillyer:

Q. Proceed, please, Mr. Donnell.

A. My studies of Florida's terrain and climate reveal that there are elements affecting the costs of railroad operations in Florida which are extremely favorable as compared with conditions in other states, that Florida is practically level from one end to the other and that therefore the maximum grades and curvatures are relatively insignificant as com- [fol. 1869] pared with those of other states, particularly the mountainous sections of Vermont, New Hampshire, New York, Pennsylvania, Maryland, Virginia, North Carolina, Georgia and Tennessee. It is also true that the absence of snow, ice and severely cold weather afford year round seasonal operating conditions in Florida more favorable than conditions in other states north of Florida, particularly the states in C.F.A., Trunk Line and New England territories, where climatic conditions frequently necessitate temporary embargos and the employment of a greater number of employees per mile of line than in Florida.

Page 1 of my Exhibit No. 93 is a graph showing maximum grades on the Seaboard Air Line Railway. The Seaboard Air Line was selected because it more nearly approaches a water level route than other roads serving the South. Had the grades on the Seaboard Air Line in Florida been compared with the grades on the Southern Railway in the mountains of Tennessee, North Carolina, Georgia, or Virginia, for example, the differences in favor of Florida would of course have been much more pronounced. As it is, it will be noted from the long black line at the top of the page, that the average maximum grades in the Virginia Division (1.15) and the North Carolina Division (1.17) are more than 100 per cent greater than on the Seaboard's South Florida Division (0.55), and are substantially greater than on the [fol. 1870] Seaboard's North Florida Division (0.78), as shown by the short black lines at the bottom of the page. The relative absence of grades in Florida, as compared with the other states traversed by the Seaboard, connotes relatively lower construction costs and lower operating costs.

Florida has fewer employees per mile of line than in thirty-eight other states. Exhibit No. 93, page 2, is a graph showing the number of employees per mile of line operated by Class 1 Steam railways as of July, 1940. The Florida figures are compared with those of 38 other states. It will be noted that whereas in Maryland there are 16.41 employees, indicated by the long black line at the top of the page, in Florida the rail lines are able to conduct their operations with only 2.61 employees per mile of line, as indicated by the short black line at the bottom of the page. This short Florida line is less than ⅙ the length of the longer Maryland line. It will also be noted that the Florida employees per mile are fewer than in the southern states of Maryland, Kentucky, Virginia, Tennessee, Georgia, North Carolina, Alabama, and Louisiana. This smaller number of employees per mile of line in Florida, of course, contributes to lower operating costs.

Railway taxes in Florida are lower than in 45 other states. My exhibit No. 93, page 3, shows, in graphic form, railway tax accruals per mile of line owned in Florida compared [fol. 1871] with tax accruals in 45 other states for the year 1939, the only year for which the comparative tax figures were available to me. This comparison excludes Federal taxes which are assumed to be uniformly based in the several states. It will be noted that tax accruals in New Jersey, per mile of line, are $9,177.00, and in Florida only $432.00. The New Jersey taxes are more than 21 times those of Florida, as indicated by the extremely long black line at the top of the page as contrasted with the short black line opposite Florida at the bottom of the page. Taxes in New

York ($3,893.00) per mile of line, are nine times the Florida taxes. Florida taxes per mile of line are lower than in any of the Southern states of Kentucky, Virginia, North Carolina, Louisiana, Tennessee, Mississippi, South Carolina, Alabama, Georgia, and are in fact lower than in any other of the 45 states shown on the exhibit. These lower taxes in Florida should, of course, be conducive to lower rather than higher rates in Florida.

Florida rail traffic has increased 112 per cent since 1921. See pages 4 to 16 of exhibit No. 93. It is pertinent and will be helpful to the Commission to touch briefly upon the subject of traffic density, Florida versus the other southern states. The Commission's decision in Docket 13494, which prescribed arbitraries to be added to the basic rates in Florida, on account of the allegedly light traffic density in that state, was of necessity predicated upon traffic tonnage [fol. 1872] information obtaining in the years prior to the 13494 hearings. Traffic tests were made during 1922 and 1923 which showed peninsular Florida traffic density to be 554,934 average revenue ton miles per mile operated, as contrasted with higher traffic densities of varying degree for the other southern states (100 I.C.C. 622). My attempts to procure similar information from the railroads, showing comparative traffic densities in recent years, have been fruitless; moreover, I have been unable to procure figures showing tonnage originated and terminated by states for the years between 1920 and 1930 to compare with similar figures shown in this exhibit for 1940. However, reports made by the Florida railroads to the Florida Railroad Commission and published in the Florida Commission's Annual Reports, reveal the total tons of revenue freight carried in the state of Florida; as follows: 1921—10,667,895 tons. 1940—22,701,663 tons, an increase of 1940 over 1921 of 112 per cent. The greatest significance of this information lies not in the tonnage figures alone, but in the fact that the Florida railroads have reported 1940 tonnage carried, amounting to 212 per cent of the tonnage carried in 1921 or an increase in 1940 over 1921 of 112 per cent. Thus, the traffic density of Florida has shown a commensurately heavy increase over the density obtaining during the course of and prior to the hearings in Docket 13494. This fact of vastly increased [fol. 1873] traffic is proved by figures compiled by the Commission's Bureau of Statistics as set forth on pages 4 to 16 of this exhibit No. 93.

In freight originated and terminated, Florida has changed from a little state to a big state since 1921. Exhibit No. 93, page 4, is a statement showing in graphic form the number of tons of carload revenue freight originated by Class 1 steam railways during the calendar year of 1940. It shows the tonnage originated in Florida compared with that originating in 25 other states, and it will be noted that Florida originated more rail tonnage than any of the other 25 states shown in the exhibit, including even such states as Maryland, Delaware, and New Jersey, which are located in Official territory. In fact, the Florida originated tonnage exceeds that of New Jersey by more than 1,850,000 tons, and exceeds that of Maryland by more than 5,000,000 tons. The long black line opposite Florida at the top of the page is 19½ times as long as the line at the bottom of the page opposite Delaware.

Exhibit No. 93, page 5, is a graph showing the number of tons of carload revenue freight terminated by Class 1 steam railways during the calendar year of 1940. It shows that Florida terminated a substantially greater amount of tonnage than any of the 22 other states included in the statement. The long black line at the top of the page opposite Florida is more than 10½ times as long as the short black [fol. 1874] line opposite New Mexico at the bottom of the page.

Exhibit No. 93, page 6, is a graph comparing the number of tons of carload revenue freight originated by Class 1 steam railways in Florida with similar tonnage originating in five other southern states. It will be noted that Florida originated 14,192,235 tons as compared with 8,331,556 tons in Georgia and that the Florida tonnage also exceeded that of Tennessee, Mississippi, North Carolina and South Carolina by extremely substantial margins. As a matter of fact, a more detailed examination of this data reveals that Florida originated substantially more tonnage than Georgia and South Carolina combined, and more than North Carolina and Mississippi combined. The Florida line at the top of this graph is more than 2½ times as long as the black line opposite South Carolina at the bottom of the page. These facts are certainly illustrative of the manner in which the Florida arbitraries which were first applied in 1928 have since become obsolete and are no longer justified by present conditions.

Exhibit No. 93, page 7, is a graph comparing the number of tons of carload revenue freight terminated by Class 1 steam railways in Florida with similar tonnage terminating in five other southern states. It will be noted that Florida's terminated traffic exceeded that of the other states by the following amounts: Exceeded Georgia by more than 2 [fol. 1875] million tons. Exceeded Kentucky by more than 2½ million tons. Exceeded North Carolina by more than 2¾ million tons. Exceeded South Carolina by more than 7 million tons. Exceeded Mississippi by more than 7¾ million tons. The Commission is respectfully reminded at this point that it is Florida which pays the arbitraries, yet Florida's terminated tonnage is more than that of South Carolina and Mississippi combined.

Florida originates nearly as much freight tonnage as all of the New England states combined. Exhibit No. 93, page 8, compares in graphic form the number of tons of carload revenue freight originated by Class 1 steam railways in Florida with similar tonnage originating in the six New England states. Florida's tonnage is 14,192,235 tons, while that of each New England state averages only 2,399,915 tons, or little more than one-seventh of the Florida tonnage. As a matter of fact, Florida originates within about 200,000 tons as much tonnage as all of the New England states, Maine, Massachusetts, Vermont, New Hampshire, Connecticut and Rhode Island, combined. These facts stand out very clearly in comparing the long black lines opposite Florida and the New England states. The Florida line at the top of the page is nearly six times as long as the short black line at the bottom. This information shows that the Florida arbitraries actually penalize Florida for producing the [fol. 1876] traffic, a result which was never intended and which is paradoxical in the light of Florida's development as a traffic producer.

Exhibit No. 93, page 9, is a graph comparing the number of tons of carload revenue freight terminated by Class 1 steam railways in Florida compared with similar tonnage terminated in the six New England States. The average for each New England state is 5,769,946 tons as compared with more than 14 million tons terminated in Florida.

Florida originates more freight tonnage per mile of railroad than 30 other states. The territory traversed by the Florida railroads is exceedingly productive. Exhibit No. 93, page 10, sets forth in graphic form a comparison taken from a circular issued by the Interstate Commerce Commission's Bureau of Statistics which shows for the first six months of 1940 a comparison of carload revenue freight tonnage originated by Class 1 steam railways per mile of line operated. This statement shows that in 1940 rail tonnage originating in Florida exceeded tonnage originated in 30 other states; and indicates conclusively that mile for mile the territory traversed by the Florida railroads is substantially more productive of traffic than the territory traversed by the railroads in the 30 other states named. For example, Florida originates 1,327 tons per mile of line operated as compared with 1,103 tons per mile of line operated in New England, 850 tons per mile of line in Delaware, 886 tons in Mississippi, 793 tons in South [fol. 1877] Carolina, 734 tons in North Carolina, and 668 tons in Georgia. In fact, Florida originates more traffic per mile of line than the states of North Dakota, Nebraska, New Mexico and Nevada combined, and more than Georgia and Colorado combined. The long black line opposite Florida at the top of the page is nearly 7 times as long as the short black line opposite South Dakota at the bottom of the page.

Since 1921 the Florida list of commodities has become highly diversified and the total tonnage, in and out, fairly well balanced. Exhibit No. 93, pages 11, 12 and 13, are graphs comprising an analysis of tonnage originated in Florida by Class 1 steam railways during the year 1940. There is shown the total number of tons of carload revenue freight of all commodities, the number of tons of each individual commodity and the percentage relationship which each commodity bears to the total volume of all commodities originated. The figures are shown not only for the entire year but are also broken down by quarterly periods. They are also segregated by commodity groups and sub-totals are shown for each group.

Non-seasonal character of Flordia's outbound commodity traffic: Reference to the totals at the bottom of page 13 showing that the preponderance of the traffic, considered as a whole, is not seasonal but is fairly evenly distributed throughout the year. This is particularly true of the first [fol. 1878] three quarters, where it will be observed that the tonnage originated during each quarter amounted to approximately 3,200,000 tons. The tonnage for the fourth quarter (4,465,732 tons) follows the trend prevailing throughout the entire country where traffic peaks are reached in the Autumn of the year. Moreover, the movement of Florida citrus and vegetables begins to accelerate during the last quarter. It is noteworthy that these perishable crops are high revenue bearing, are shipped from Florida in refrigerator cars at a time of the year when normally that type of equipment is plentiful and not required elsewhere.

Diversified character of outbound commodities: Particular attention is invited to the highly diversified character of the traffic originated in Flordia. The information shown on these pages (11, 12 and 13) should effectively banish the widely prevailing misconception that Florida ships little else than fruits and vegetables. For convenience in readily identifying each commodity that constitutes one per cent or more of the total traffic volume, I have placed opposite each such commodity a bar indicating the exact percentage relationship of such commodity to the total volume of all commodities. In Group 1 (Products of Agriculture), which embraces 42 commodities, only two commodities, citrus fruits and vegetables constitute more than one per cent of the total traffic originated. Citrus fruit accounts for 4.3588 [fol.1879] per cent, and vegetables, N. O. S., 1.264 per cent. In Group 2 (Animals and Products), embracing 22 commodities, there is no single commodity that accounts for as much as one per cent of the total traffic volume originated.

In Group 3 (Products of Mines), embracing 18 commodities, there are only 4 commodities, gravel and sand, stone, phosphate rock and mine products, N. O. S., which contribute 1 per cent or more of the total volume. In Group 4 (Products of Forests), embracing 12 commodities, only four amount to 1 per cent or more, and in Group 5 (Manufactures and Miscellaneous), embracing 62 commodities, there are only 5 commodities which account for 1 per cent or more of the total volume originated. Of all of the 156 commodities listed in Groups 1 to 5, inclusive, only 15, or less than 10 per cent, constitute as much as 1 per cent of the total volume of traffic originated. On the other hand, there are 141 commodities, each of which accounts for less than 1 per cent of the total volume of all commodities originated. Thus it is seen that the traffic which Florida originates is highly diversified.

Florida traffic is singularly well-balanced. Reference to the bottom of page 13 discloses that Florida originated a grand total of 14,192,235 tons in 1940. Reference to the bottom of page 16 of this same exhibit reveals that in the same year Florida terminated a grand total of 14,124,996 tons of carload rail traffic. These figures reveal that [fol. 1880] tonnage originated and terminated in Florida is in almost exact balance, the originated tonnage exceeding the terminated tonnage by less than 100,000 tons.

Exhibit No. 93, pages 14, 15 and 16, comprise an analysis in graph form of tonnage terminated in Florida by Class 1 steam railways during the year 1940. There is shown the total number of tons of carload revenue freight of all commodities, the number of tons of each individual commodity, and the percentage relationship which each commodity bears to the total volume of all commodities terminated. The figures are shown not only for the entire year but are also broken down by quarterly periods. They are also segregated by principal commodity groups and sub-totals are shown for each group.

Florida inbound commodity traffic is non-seasonal. Reference to the totals at the bottom of page 16 shows that the preponderance of the traffic terminated in Florida, considered as a whole, is not seasonal but moves in substantial and fairly evenly distributed volume throughout the year. This is particularly true of the first two quarters of the year, when it will be observed that Florida terminated 2,971,000 tons in the first quarter and 2,982,000 tons in the second quarter. The third quarter shows an increase of something less than half a million tons (474,307) over the tonnage of the second quarter, in keeping with the prevail- [fol. 1881] ing seasonal trend obtaining throughout the country as a whole. The substantial increase to 4,713,328 tons terminated during the fourth quarter represents about the only seasonal element to be observed in the traffic to Florida. It is, of course, accounted for in part by the seasonal trend obtaining throughout the entire country when traffic reaches a peak in October, and in part by the fact that Flordia's population is substantially augmented in winter by the presence of hundreds of thousands of tourists from the North whose presence demands the provision and consumption of enormous quantities of supplies of every description. It can be seen, however, that at no time or season of the year is there any dearth of traffic moving to Florida but that throughout the year the traffic is consistently heavy."

Commodity traffic terminated in Florida is diversified in character. Particular attention is invited to the fact that the traffic which Florida terminates is even more highly diversified than the tonnage originating in Florida. Thus, reference to Commodity Group 1, on page 14, reveals that of the 42 commodities listed only one, mill products, constitutes as much as one per cent of the total tonnage and that percentage amounts to less than 1.2 per cent.

In Commodity Group 2 (Animals and Products), consisting of 22 commodities, there is no single commodity that represents as much as one per cent of the total traffic. [fol. 1882] In Commodity Groups 3 and 4, page 15, (Products of Mines and Forests, respectively), the tonnage is of course dominated by a few commodities in Florida, in the same manner that such heavy loading commodity groups or classification reflect a preponderance of individual commodities in every other section of the country. That condition is prevalent everywhere and is attributable particularly to the character of the commodities rather than to geographical considerations.

In Group 5, pages 15 and 16 (Manufacturers and Miscellaneous) it will be observed that of the 62 commodities listed only seven constitute as much as one per cent of the total traffic volume terminated, revealing a high degree of traffic diversity.

The railroads are losing an enormous volume of Florida tonnage to the water and truck lines, as much as 13,000,000 tons of domestic freight tonnage moving by water alone. I think it is pertinent to say at this point that studies covered by pages 4 to 16 of this exhibit No. 93, are complementary to the water traffic studies submitted by Witness Grady and that, although they show a very large volume of carload freight originating and terminating by railroad in the state of Florida (28,317,231 tons), the Commission should not lose sight of the fact that the volume of rail tonnage would have been even larger had not the high rail rates in Florida, including the Florida arbitraries, diverted so much tonnage to the water and truck lines. [fol.1883] Witness Grady's exhibits show that in 1939 more than 13,000,000 tons of Florida domestic freight tonnage moved by water and the truck tonnage was very heavy. The truck tonnage in Florida has grown by leaps and bounds. Due to the unique geographical features of the state of Florida, it is astoundingly easy for shippers to use water and highway transport.

Mr. Hillyer: We offer exhibit No. 93 in evidence, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit 93? (No response.) Without objection, it is received.

(Exhibit No. 93, Witness Donnell, received in evidence.)

By Mr. Hillyer:

Q. Proceed, please, Mr. Donnell.

A. Concerning truck transportation, attention is directed to my second stencilled exhibit of 10 pages, No. 94, pages 1, 2, 3, and 4, which shows the number of truck and truck trailer license tags sold by the state of Florida during the year 1940, by counties and classified by type of vehicle. It will be noted that 101,483 such tags were sold, illustrating that there is no dearth of competition by truck but that, on the contrary, the state abounds with highway freight vehicles, some of which are privately owned and operated, others being "for hire" carriers, either common or contract. [fol. 1884] Exhibit No. 94, page 5, reveals the manner in which truck transportation in Florida has grown astonishingly in a ten year period (1930-1940). Truck and trailer tags sold in 1930, numbering 55,373, had increased in 1935 to 68,451 and in 1940 had increased to 101,483. This represents an increase, 1940 over 1930, of 46,110 vehicles.

Exhibit No. 94, page 6 shows how these 101,483 trucks are divided as between privately operated and "for hire" operated vehicles. It will be noted that only 2,677 vehicles, or 2.6 per cent of the total number are "for hire" and that 98,806 vehicles, or 97.4 per cent are privately operated. This very large number of privately owned and operated trucks constitutes the Florida railroads' principal highway competition on interstate traffic. Since 1921 there has been an enormous development of motor vehicle transportation within, to and from Florida.

Since 1920 Florida has grown faster than any other state. Certain preceding exhibits and pages to which I have alluded in my testimony show the point to which Florida has developed as a traffic producing state. One of the principal reasons for that development is found in Florida's phenominal increase in poulation.

Exhibit No. 94, page 7, is a graph showing population increases and percentages of increase, 1940 over 1930, for the United States and for 12 states in the South Atlantic [fol. 1885] and East South Central Divisions, including Florida. It will be noted that whereas the percentage of increase for ten years for the country as a whole was only 7.2 per cent, Florida's increase of 29.2 per cent far outstripped those of any of the states listed, and by very substantial margins. In fact, Florida's percentage increase was the highest of any state in the Union. Florida's population in 1920 was only 968,470, which was exceeded by its 1940 population by 95.9 per cent. Its population per square mile in 1920 was only 17.7 persons but in 1940 had grown to 35 persons per square mile. It is obvious, of course, that this increased population has necessitated additional housing, additional supplies of clothing, food, implements, utensils, material and other articles of sustenance and has moreover substantially augmented and enhanced the productive capacity of the state. Many of the newcomers to the state have gone into agriculture or industry and have established industries of their own. They are not mere tourists.

Exhibit No. 94, page 8, reveals the phenomenal increases in population of three of Florida's most populous counties, viz: Dade (Miami), Duval (Jacksonville), and Hillsborough (Tampa). Particular attention is invited to the population increase in Dade County, in which Miami is located. The increase for that county, 1930 over 1920, was 234.4 per cent. In fact, Florida is the only state in the Southeast, [fol. 1886] except Tennessee, which now has within its borders as many as three cities of 100,000 or more population. This is all permanent population which is, of course, substantially augmented by tourist visitors to Florida during the winter months and which is, to an ever increasing extent, becoming a year-round movement in ever increasing volume. Florida's large tonnage movement is also brought about by numerous other factors of which the following are typical: The increase in citrus and vegetable production, the establishment of new industries of which the citrus and vegetable canning industry, the Kraft Paper industry, the fishing industry, the box and crate industry, the tung oil industry, and the establishment of permanent military, coast guard and naval bases are representative. These developments are not "flash in the pan" occurrences.

I am able to say of my own knowledge that the production of the citrus canning industry, for example, has grown from 4,322,376 cases produced in the 1935-36 season to 19,142,206 cases produced in the season of 1940-41. There are now 48 canning plants in Florida which have been established subsequent to the 13494 Class Rate hearings when Florida's rate structure was last reviewed. These things are typical of the state's substantial development and explain readily its enhanced traffic producing capacity.

Florida in 1940 ranks second among the southeastern states in traffic production and its commodities are highly [fol. 1887] diversified. Florida's rate level should be no higher than that of the other southern states. Page 9 of my exhibit No. 94, is a statement showing revenue carload freight tonnage originated and terminated by Class 1 steam railways, during 1940, in six southern states, including Florida, classified by principal commodity groups and broken down by quarterly periods. It should be borne in mind that by the decision of the Commission, in Docket 13494, peninsular Florida was separated from the balance of the South by an arbitrary line extending from Jacksonville to River Junction, Florida, along the line of the Seaboard Air Line Railway, and the L-2 arbitraries were prescribed to be added to the basic rates on traffic moving south of that line. This differentiation was predicated on the then existing relative lightness of traffic density in Florida as compared with the other southern states. This exhibit, in conjunction with those that have gone before, shows that Florida development in recent years has placed Florida in a highly favorable comparative position with the states of Alabama, Georgia, Mississippi, North Carolina, and South Carolina in the matter of traffic volume, not only as to products of agriculture, but also as to products of mines, forests, animals, and heavy manufactures, and that as a result thereof the arbitrary line should be removed and Florida should be permitted to assume her rightful position at the side of her sister states in the South, with a rate [fol. 1888] level no higher than accorded those states. Please note the last column on page 9. There the totals for all of the commodity groups are shown, both as to freight originated and freight terminated for all four quarters of 1940. It will be noted that Florida's originated tonnage was exceeded only by that of Alabama in any quarterly period, and in all such periods Florida originated substantially greater volume of tonnage than Georgia, Mississippi, North Carolina or South Carolina; in fact, substantially more than Georgia and North Carolina combined. As to tonnage terminated, Florida's rank among the six southern states named was as follows: First quarter 1940—Ranked 3rd; Second quarter 1940—Ranked 2nd; Third quarter 1940—Ranked 2nd; Fourth quarter 1940—Ranked 1st. Higher rates in Florida than in neighboring states, under the conditions revealed here, are anomalous, are not justified by traffic conditions and my studies have convinced me that the Florida arbitraries are obsolete and should be removed.

High rates from, to and within Florida divert traffic from rail carriage and retard the development of Florida manufactures of high value commodities. It is no answer to this statement to say that Florida's remarkable development in the last 15 years has apparently not been retarded by its higher rate level, because as a matter of fact, that high rate level has compelled Florida to rely in large [fol. 1889] measure upon its water and truck transportation to offset its high rail rates. Moreover, regardless of the development manifested in the shipment of certain commodities, there has been a woeful and lamentable lack of opportunity for Florida to develop the manufactures of those high grade and high value commodities that are described as "Manufactures and Miscellaneous, N. O. S.", commodities which, because of their high monetary value, would bring into the state sums of money disproportionately greater than their physical tonnage volume. This fact is clearly evidenced by the data at the bottom of pages 13 and 16 of exhibit No. 93. Commodities of this description originated in Florida, amounted to only 265,241 tons, or 1.8 per cent of the total tonnage originated, whereas the traffic of this description terminated amounted to 414,937 tons or nearly 3 per cent of the total terminated tonnage. Further proof of this assertion is seen in the fact that during the year 1941, forwarder traffic, consisting principally of higher grade manufactured articles, amounted to only 24 tons originated as against 33,488 tons terminated in Florida (I. C. C. Circular Q-550, 1941). This character of tonnage moves largely on class rates and Florida, with its existing higher level of class rates, has found that its distribution difficulties are not conducive to, but, on the contrary, discourage this type of manufactures and the establishment of this type of industry. This phase [fol.1890] of the subject is covered more fully in the testimony of other Florida witnesses, hence will not be dwelt upon at greater length here.

In conclusion, I would summarize by simply saying that, as in contrast to a few years ago, the situation in Florida today is such that it is now a prolific source of traffic and revenue for the rail carriers, that the unusual and more expensive operating conditions alleged to have existed in Florida in the past are no longer to be found there, but that on the contrary the conditions now existing in Florida, compared with conditions in other states, are distinctly favorable to economical operations, that there is no longer any justification for the continued maintenance of the Florida arbitraries, and they are now operating to the disadvantage of the rail carriers by diverting traffic and revenues to competing forms of transportation. The higher Florida rates are retarding the development of the manufacture of high grade and high value commodities in Florida, which otherwise would be manufactured there and would constitute a source of substantial additional traffic and revenue for the rail carriers.

Mr. Hillyer: If the Chairman please, we offer in evidence exhibit No. 94.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit 94? (No response.) Without objection, it is received.

[fol. 1891] (Exhibit No. 94, Witness Donnell, received in evidence.)

By Mr. Hillyer:

Q. Mr. Donnell, are there many shippers and receivers of high grade freight in Tampa who look to your association for freight traffic service?

A. Yes, sir.

Q. Have there been any complaints in that region with respect to class rates?

A. Yes, numerous complaints.

Q. To what extent have there been complaints as to the class rates?

A. I beg your pardon?

Q. To what extent have there been complaints as to the class rates?

A. Quite extensively; quite vigorously.

Q. How long has that been going on?

A. For the last twelve years, maybe longer. Ever since the last class rate investigation.

Q. Have you had any occasion to visit the Classification Committee seeking changes in ratings on high grade articles?

A. We have had occasion to test the present class rates on high grade articles a number of times before the Florida Railroad Commission and before the railroad committees. We have not complained before the Interstate Commerce Commission because we thought that with a readjustment, a wide-spread readjustment of that kind, it would hardly [fol. 1892] be practicable to have it prosecuted by a single community; that it would have to be in a general proceeding of this kind.

Mr. Hillyer: That concludes the direct examination of this witness, Mr. Chairman.

Chairman Aitchison: Is there any cross-examination?

Mr. Gwathmey: Yes.

Chairman Aitchison: Mr. Gwathmey.

Cross-examination.

By Mr. Gwathmey:

Q. In your opinion do either number of tons of freight originated or number of tons terminated in a given state represent a true index of traffic density in that state?

A. No. I think they represent and show an enormous increase in traffic density. They do not necessarily represent the density itself. That is to say, they do not represent all the freight carried.

Q. If you wished to consider traffic density, should not overhead or trans-state traffic which neither originates nor terminates in the state be included?

A. There is very little over-head traffic in Florida on account of its being a peninsular state, but its traffic originating and terminating builds up the density of the traffic in the Carolinas, Virginia, and Georgia.

Q. Take Florida and North Carolina, for example. On page 4 of your exhibit 93 you draw comparisons as between [fol. 1893] Florida and other states including North Carolina purporting to indicate that the number of tons originated in Florida is about twice what it is in North Carolina.

A. Yes.

Q. That is what your exhibit shows, is it not?

A. Yes; Florida has twice as many.

Q. I call your attention to the fact that in Mr. Hinnant's exhibit No. 70 it is shown that taking the average ton miles of revenue freight per mile of road for the Atlantic Coast Line Railroad for the year 1940 for Florida as compared with North Carolina, the figures are in round numbers for Florida 371,000 and for North Carolina 646,000.

A. Is that Mr. Hinnant's exhibit?

Q. Yes.

A. What is the authority at the bottom of the page there shown to read?

Q. Well, that is what the exhibit purports to show.

A. I know, but what is the authority there shown at the bottom of the page?

Q. Compiled from annual reports filed with the Florida State Commission.

A. Mr. Hinnant and other Florida carrier representatives have testified in many previous cases that those figures bear no relation to the actual fact; that they are predicated on formulas and have no meaning whatever.

[fol. 1894] Q. I am not going to argue with you about the merits of the exhibit at this time. I merely call your attention to that fact.

A. My figures are taken from the Interstate Commerce Commission Bureau of Statistics figures and I think they are correct.

Chairman Aitchison: What question are you asking him about this exhibit?

Mr. Gwathmey: I want to ask him if that difference in revenue ton miles per mile of road operated is not accounted for by the fact that North Carolina has a large volume of over-head or trans-state traffic whereas Florida has none.

The Witness: I am willing to admit that. I said that North Carolina will always, a million years from now, have more density than Florida because the more tonnage we originate the heavier North Carolina's density becomes.

Mr. Gwathmey: Yes.

The Witness: We will never catch up with it.

By Mr. Gwathmey:

Q. One of the principal reasons which the Commission has given for according special treatment to the Florida railroads is the fact that Florida is a peninsular state and has no overhead or trans-state traffic.

A. That was only one of the reasons. It was not the principal reason. The principal reason, as stated by the Commission in its decision in Docket 13494, was that it [fol. 1895] wanted to preserve the revenues of the Florida carriers.

Chairman Aitchison: I do not think we ought to pursue what the Commission had in mind.

By Mr. Gwathmey:

Q. At any rate, has there been any change in that respect since the Commission decided the class rate case in 1928?

A. Change in what?

Q. Florida is still a peninsular state, is it not?

A. Oh, yes. Of course, it still is.

Q. If we build this new canal it will practically be an island, will it not?

A. It is a peninsular state. There is nothing we can do to change it.

Q. Now, in your exhibit on page 2 you draw certain comparisons from the standpoint of number of railway employees per mile of road operated.

A. Number of employees?

Q. On page 2.

A. Page 3?

Q. Page 2.

A. Yes.

Q. Take the first state shown on the exhibit, Maryland. Maryland is a state of relatively small railroad mileage, is it not? It is not a large state, is it?

A. What state?

[fol. 1896] Q. Maryland. I am referring to the first state you show, Maryland.

A. Oh, yes.

Q. Now, is your showing——

A. No.

Q. —as to the number of employees per mile in Maryland affected by the fact that the general offices of the Baltimore & Ohio Railroad are located in Baltimore?

A. I think that has a bearing on it, yes.

Q. Look at Florida, the last state shown.

A. Yes.

Q. Is the number of employees per mile of road in Florida affected by the fact that there is a very large mileage in that state which passes through unproductive territory over which few trains are operated and therefore there are a relatively small number of employees per mile?

A. You are speaking of a condition which existed in the past and which you still assume to exist, but my exhibits show that situation has been done away with very largely. There is very little unproductive territory in Florida today.

Q. There are a great many branch lines of railroad in Florida over which few trains are operated, are there not, at the present time?

A. Well, that is your statement.

Mr. Gwathmey: Very well, sir.

[fol. 1897] By Mr. Gwathmey:

Q. Let us take the matter of railway tax accruals, page 3 of your exhibit.

A. Yes.

Q. The first state you show there is the state of New Jersey.

A. Yes.

Q. Does that heavy volume amount of railway tax accruals per mile in New Jersey reflect the tremendous value of all the terminals on the Jersey side at New York and across from Philadelphia at Camden?

A. I really do not know. It could be.

Q. Would they be included in your figuring of tax accruals per mile of road?

A. I do not think so. I simply took it from the Interstate Commerce Commission report.

Q. Now, you spoke about the diversified tonnage in Florida. I will ask you to look at page 15 of your exhibit.

A. Yes, sir.

Q. I will ask you if it is not true that 35 per cent of the tonnage which you show as originating in Florida——

A. Page 15 shows terminated.

Q. No. Tonnage originated.

A. Possibly you mean page 12.

Q. Page 12. I beg your pardon.

A. I have it now.

Q. That is tonnage originated, is it not?

[fol. 1898] A. That is correct.

Q. I will ask you if it does not appear that 35 per cent of the tonnage originated in Florida consisted of crude phosphate rock.

A. That is shown on the exhibit.

Q. If you will look just above that, you will find that 14 per cent of the tonnage originated consisted of ground or crushed stone, is that not correct?

A. That is also shown on the exhibit.

Q. So fully approximately 50 per cent of all the tonnage originated in Florida was made up of these two heavy loading low grade commodities?

A. They are very fine commodities for railroad haul. In fact, the revenues on the phosphate sweeten up the Florida railroad earnings considerably. If you will refer to the last page of my stencil exhibit, I show there, for example, phosphate rock and representative points from which it moved to Tampa for export. These figures were all taken from Interstate Commerce Commission reports, shown at the bottom of the page. For example, from the points of origin shown beginning with Agricola, extending down to Tampa, the weighted average haul is 32 miles. There is a rate of 75 cents and a ton mile earning of 23.4 mills.

Q. Very well.

A. The railroads have referred to that, from time to time, [fol. 1899] as a gold mine rather than a phosphate mine and I am inclined to agree with them.

Mr. Gwathmey: I am not arguing about that.

By Mr. Gwathmey:

Q. I am talking about your statement as to the diversified tonnage in Florida. According to your own statement 50 per cent of the outbound tonnage is made up of those two commodities, is it not?

A. If you will read the balance of the testimony, everything I have said is warranted.

Mr. Gwathmey: The exhibit speaks for itself, of course. One more question.

By Mr. Gwathmey:

Q. You have spoken about the great prosperity of these Florida railroads in recent years. Do you consider conditions normal at the present time as bearing upon the prosperity of these Florida railroads?

A. I did not say a word about the prosperity of the Florida railroads, but I am glad you mentioned it. They are highly prosperous as Mr. Saunders has shown. The Seaboard Air Line for the first seven months of 1941 is showing a return on investment of in excess of 14 per cent.

Q. That is, according to Mr. Saunders' figures?

A. Yes.

Mr. Gwathmey: All right.

By Mr. Gwathmey:

Q. Now, the Southern Class Rate Case was decided about 1928, was it not, and the testimony was taken——

[fol. 1900] A. The rates went into effect January 15, 1928.

Q. The testimony was taken along in 1926, was it not?

A. It started before then, but it was still being taken in 1927.

Q. At the time when the case was heard, were not the Florida railroads enjoying and had they not enjoyed for a number of years an unprecedented state of prosperity?

A. It is true that the Florida boom brought them a great deal of prosperity. There is no doubt about that. That is quite correct. There was an enormous amount of money in Florida in 1925 and 1926.

Mr. Gwathmey: That is all, sir.

Chairman Aitchison: Is there any further cross-examination?

Mr. McCollester: Just one or two questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. In connection with the showing on pages 2 and 3 of your exhibit No. 93, Mr. Donnell, with respect to employees per mile of line operated in Florida as compared with New York and other Northern states——

A. Employees per mile of line on page 3?

Q. Page 2 is employees per mile of line and page 3 is tax accruals per mile of line.

A. Just a minute.

Q. My question is this——

[fol. 1901] A. I think you are mixing them up—no. You are quite correct. Excuse me. I have it.

Q. My question is this, Mr. Donnell: You would have a very different showing in your graph, would you not, had you compared, instead of employees per mile of line and tax accruals per mile of line, employees and tax accruals per mile of track operated?

A. These particular figures, or this type of figure is never compared the way you suggest, per mile of track.

Q. Will you answer my question, please?

A. For example, in the North——

Q. Will you please answer my question?

A. —you have the——

Q. Will you please answer my question?

Chairman Aitchison: Let the witness finish his answer, Mr. McCollester.

Mr. McCollester: I want him to answer the question responsively, Mr. Chairman.

Chairman Aitchison: He will answer the question.

The Witness: Yes. I will answer it. If it had been per mile of track, it would have shown probably a different result, although I do not know. I would have to compare them.

By Mr. McCollester:

Q. Most of the line of road in Florida is single track, is it not?

[fol. 1902] A. No. Not all of it. The Florida East Coast has a couple of tracks.

Q. Would you not say that the majority of it was single track?

A. Sir?

Q. The majority of it is single track, is it not?

A. I dare say it is.

Q. You know, do you not, that in New York State the majority of the line of road is either double, four or eight tracks?

A. I know that to be true in many—I do not know that the majority of it is, no. I do not think the majority of it is either four or eight tracks. The majority of it is probably double track, with some four and very little eight.

Mr. McCollester: That is all.

Chairman Aitchison: Is there any further cross-examination? (No response.) Have you anything further, Mr. Hillyer?

Mr. Hillyer: No.

Chairman Aitchison: You may stand aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Hillyer: Mr. Grady.

Chairman Aitchison: Raise your right hand and be sworn.

Mr. Hillyer: We ask to have marked for identification Mr. Grady's exhibit which is bound in a blue cover, stencilled, consisting of 47 pages.

Chairman Aitchison: It may be marked for identification [fol. 1903] as exhibit No. 95.

(Exhibit No. 95, Witness Grady, marked for identification.)

[illegible]OMAS E. GRADY was sworn and testified as follows:

Direct examination.

Q. Will you state your name and address for the record, please Mr. Grady?

A. My name is Thomas E. Grady and my business address is Ingraham Building, Miami, Florida.

Q. Was the exhibit which has been marked for identification as No. 95 prepared under your supervision in your office?

A. Yes.

Q. Does your testimony and written statement show the sources from which the information was obtained?

A. Yes, sir.

Q. Is this exhibit true to the best of your knowledge and belief?

A. It is.

Mr. Hillyer: Copies of Mr. Grady's exhibits and testimony have been distributed to all parties.

By Mr. Hillyer:

Q. Please proceed with the presentation of your prepared statement, Mr. Grady.

A. I have had 27 years experience in freight-traffic management, and in the preparation of rate exhibits and traffic [fol. 1904] studies which have been introduced in evidence in cases before the Interstate Commerce Commission, the Railroad Commission of Florida, the Maritime Commission, and other tribunals. At the present time I am employed as the manager of the Greater Miami Traffic Association, a voluntary organization of commercial business men of Miami and its environs, and the City and County Governments.

In this Class Rate Investigation, I.C.C. 28300, I have made certain studies which have a bearing upon the interstate class-rate structure between peninsula Florida and all states north and east of Florida, including Official Classification territory. Special studies which I have made show to my mind that the continuation of the Florida class-rate arbitraries, as additions to the Southern Class Rate scales on interstate class-rate traffic to and from peninsula Florida is impracticable, and no longer justifiable.

The particular phase of this subject which was assigned to me was to study and report to the Florida Railroad Commission upon the competitive influence of water transportation upon the rail movement of traffic to and from points in Florida, and the volume of water-borne commerce handled through Florida ports.

My studies have been prepared in the form of exhibits, which have been numbered consecutively, indexed, and bound together under one cover. The volume has been [fol. 1905] offered for identification as Grady's exhibit No. 95, consisting of 46 pages. These exhibits were prepared in my office in part by me and in part under my direct supervision. Each of the pages of my exhibit bears a notation showing the source of information therein contained. All of the sources of the data and figures which I have accumulated in these exhibits are matters of public record, and are available in the various departments of the Federal Government. Some of the information, as to schedules of sailings and traffic, are based in part upon information from government publications and tariff schedules on file with the I.C.C. or the Maritime Commission, and in part upon my own knowledge, gained by constant and daily study of the movements of traffic to, from and between Florida ports. The facts and figures set forth in my exhibit are true and correct to the best of my knowledge and belief.

These exhibits of mine support the following conclusions of fact, which I have reached: That Florida's unique geographical shape and location have had and will have a marked and controlling competitive influence upon the movement of freight traffic by railroad between Florida and other states; that the existence of the Florida arbitraries, added to the Southern Class-rate scales, has had the effect of diverting vast tonnages of freight traffic from the railroads to the ocean steamship lines and inland waterway carriers; [fol. 1906] and discouraging the development of manufacture in Florida; that the growth of Florida in freight tonnage has been so great that Florida should no longer be considered as a "Differential Territory" in railroad freight rates.

Florida's geographical position is unique. The first two pages of my book of exhibits show that Florida has more deep-water ports, and a far longer ocean coastline, than any other state in the Union. Page 1 is a list of Florida's 18 deep-water ports, commencing with Fernandina, on the north, on the Atlantic Ocean, and extending around to Pensacola, on the Gulf Coast. The distances from each port to the next port are shown in detail. The total ocean-gulf-coast-line distance is one thousand three hundred fifteen miles. This is far greater than the coast-line distance of any other state.

Page 2 of my book of exhibits shows the ocean-line distances of other coastal states on the Atlantic Ocean, the Gulf, and the Pacific Ocean. Of the 22 states bordering upon the Oceans and the Gulf, Florida has the longest ocean-line —1,315 miles. Next comes the state of Washington, with 1,047 miles. All other states have less than 1,000. New Hampshire has only 12 miles. Even the great state of Texas, which has an enormous land-area, has only 602 miles of ocean-line, which is less than half the ocean-line of Florida.

Seventy-seven per cent of Florida's urban population is [fol. 1907] located on navigable waterways. My next pages 3, 4, 5, and 6, show that Florida's unique geographical shape and position bring the entire population of the state within a very short distance of the Atlantic Ocean, the Gulf, or landings or navigable waterways. In this respect Florida stands alone, and is unlike any other state in the Union.

Furthermore, there are actual and extensive water carrier services, or were prior to the present war conditions, available to and availed of by most of the cities and towns of Florida. The water competition is widespread, and highly developed, and is actual and keen—not potential by any means. From my own knowledge I can say positively that in no state of the Union is there so much actual water competition, which the railroads must meet, as in Florida.

Pages 3, 4, and 5 show the cities and towns of Florida having a population of 1,000 persons or over, as reported by the 16th Census of the United States for 1940. The cities are arranged in two groups. The first group consists of cities and towns which are located directly upon navigable waterways. There are 60 cities or towns on page 3, located directly on waterways. Their total population is 879,367 and this constitutes 77 per cent of the total urban population of the state of Florida.

Page 4 and the top section of page 5 show the cities and towns which are not immediately located on waterways; [fol. 1908] together with the distance in miles to the nearest waterway point or port. On page 5 it will be noted that the average distance from Florida towns with 1,000 population or over to the nearest port or waterway is only 39 miles. These interior towns constitute 23 per cent of the urban population of the state. Page 5 also shows, for distances ranging from 10 miles to 90 miles, the percentage of the urban population of the state which is located within a given number of miles of a port or waterway point. Seventy-nine per cent are within 10 miles of waterways; and 96 per cent are within 50 miles, and 99 per cent are within 90 miles of waterways.

Florida's excellent system of highways places practically the entire commercial population of the state within a maximum truck-haul of 90 miles to the nearest deep-water port or point upon a navigable and commercially used waterway point or landing. My examination of the geographical situations in other states discloses that in no other state is there a situation comparable to that portrayed by pages 3, 4, and 5 in Florida.

Page 6 shows deep water ports and waterway points which were used in computing the distances from the interior towns to the nearest waterway point. These are 28 of these waterways, which have actual and existing services of common and contract carriers by water.

Attention is directed to the fact (shown on page 3) that [fol. 1909] every large city within the state of Florida is listed among those which have deep-water port facilities. On pages 4 and 5, it will be noted that Orlando, 36,736, Lakeland 22,068, and Tallahassee 16,240, are the only cities of any substantial size in Florida which are not directly served by water-carriers. These are only 19, 34 and 25 miles respectively from waterways. All other towns in Florida with populations of over 5,000 are directly served by waterway carriers. This situation in Florida is wholly unique, among the states of the Union.

Pages 3 to 6 show that seventy-seven per cent of Florida's urban population is located upon navigable waterways and the remaining twenty-three per cent is within an average truck-haul of thirty-nine miles of navigable waterways. Florida's water-borne tonnage has grown to enormous proportions.

A special study was made of all available statistics to determine the extent and character of Florida's water-borne commerce which has been moving through the Florida ports. The next 8 pages of my exhibits are based upon data contained in a publication of the Corps of Engineers, U. S. Army, entitled, "Port and Terminal Charges at United States Seaports, Miscellaneous Series No. 1, 1940 edition." From that publication I have taken off statistics covering Florida's 12 principal ports,—Fernandina, Jacksonville, [fol. 1910] Ft. Pierce, Palm Beach, Port Everglades, Miami, Key West, South Boca Grande, Tampa, Port St. Joe, Panama City and Pensacola.

Pages 7, 8, 9, 10, 11, 12 and 13 show, for each of these 12 major ports, the water-borne commerce in tons in Florida for the years 1934 to 1940 inclusive, with the break-down of foreign commerce as between imports and exports; with the break-down of domestic commerce as between coastwise receipts and coastwise shipments; and with the internal water commerce, exclusive of local and intraport commerce, with the total tons for each year and for each port.

Page 14 is a summary of the aggregate total tons by years taken from pages 7 to 13 inclusive. The terms used on these pages of exhibits are explained as follows: "Imports and exports"—these terms apply to traffic between the United States and foreign ports, including the Philippine Islands and the Canal Zone. Traffic with Canada on the Great Lakes is supplemented by the term "Canadian" to differentiate it from "overseas" traffic. "Coastwise receipts and coast-wise shipments"—these terms apply to the traffic receiving a carriage over the ocean, the Gulf of Mexico, or important arms of the Oceans or the Gulf of Mexico, with the exception of Chesapeake Bay and Puget Sound localities, and also to traffic with Alaska, Hawaii, and Puerto Rico. Traffic between Great Lakes ports and seacoast ports is also termed "coastwise".

[fol. 1911] "Internal receipts and shipments"—traffic between a port and a tributary waterway is called internal, an example being a movement between Philadelphia and a locality on the Delaware River below. "Local"—movements of freight within the confines of a port, except car ferry, general ferry, and cargoes in transit, are termed "local". The movements are recorded but once and therefore no duplication of the traffic results. The term is also applied to marine products, and gravel taken directly from beds of waterways, the oceans, the Gulf of Mexiso and important arms thereof, and from the Great Lakes.

Pages 7 to 14 show that the grand total tons shown for these 12 ports for the years 1934 to 1940, inclusive, are shown on page 14, about seventy-two million tons in seven years, or an average, for seven years of about ten million three hundred thousand tons at twelve ports. The aggregate total shown on page 14 includes only the tonnage of twelve ports. Statistics are not available for each year for all of the ports. However, we are able to procure the complete water-borne tonnage of the state as a whole including all ports and waterway points for the year 1939. That total, of course, is much in excess of the total of the twelve ports shown on pages 7 to 14 inclusive, for 1939.

Florida's total water-borne commerce for the year 1939: Regarding 1939 as a fair year to be used as the most recent [fol. 1912] of normal years in determining the extent of Florida's total water-borne commerce there has been reproduced on page 15 of my exhibit the total water-borne freight traffic commerce for the state of Florida for the year 1939 taken from the annual report of the Chief of Engineers, U. S. Army, Part II, 1940, showing the separation between exports, imports, coastwise receipts, coastwise shipments or other domestic tonnage except internal and local tonnage. The total is slightly over sixteen million tons.

In my files I have the complete details taken from the U. S. Army Engineer's Report showing the break-down of these tonnages for 1939 according to each of the ports on waterways in Florida and these details are available to anyone who desires to check the figures on my page 15.

Florida ranks high in foreign water-borne commerce among the coastal states. Page 16 of my exhibit has been prepared from the U. S. Maritime Commission's Division of Research Report No. 42 for the year 1937 to show how Florida has grown in importance among the 28 border states of the Union in total water-borne foreign commerce.

This exhibit shows the total foreign commerce, in tons, of each of the border states, broken down between imports and exports. Page 16 shows that Florida ranks 9th among the 28 coastal border states of the United States in water-borne foreign commerce for the year ending June 30th, [fol. 1913] 1937. In total tons of exports and imports Florida ranks ahead of Virginia, Alabama, Georgia, South Carolina, North Carolina, Mississippi, in the order named.

Florida's foreign tonnage for that year was more than double that of Alabama; nearly three times that of Georgia; nearly four times that of South Carolina; and nearly nine times that of North Carolina. Page 16 further shows that Florida's water-borne foreign commerce in 1937 exceeded the combined tonnage of Maine, New Hampshire, Rhode Island, Connecticut, New Jersey and Delaware. The only states between Maine and Florida which exceeded Florida were New York, Maryland, Pennsylvania and Massachusetts. Florida ranks next to Massachusetts. In 1937 Florida ranked 5th on the entire Atlantic Coast from Maine to Florida in tons of foreign water-borne commerce.

Pages 17 to 21, inclusive, show import and export water-borne commerce at 12 principal Florida ports for the year ending June 30, 1937 broken down into the principal commodity groups; and also show the total value and total tons of 2,240 pounds for each of the 12 ports. Pages 22 to 27, inclusive, show the water-borne foreign commerce which moved through the respective Florida ports for the year 1939, in tons of 2,000 pounds, broken down beyond the main commodity groups into individual commodities at each port.

Pages 28 and 29 show a similar breakdown by individual [fol. 1914] commodities of the waterborne foreign commerce moving by Ocean Car Ferry through Port Everglades for the year 1939. Most of this traffic is "overhead" traffic;

that is, traffic moving between other states and Cuba, and contributing to the traffic density in Florida, but not originating or terminating in Florida. The movement in 1939 was 117,839 tons exported and 31,433 tons imported; total, 149,272 tons.

Pages 30 to 35, inclusive, show a similar breakdown by individual commodities of the water-borne foreign commerce moving through the three largest port-cities of Florida, namely Jacksonville, Miami and Tampa, during the year 1939. These exhibits show the wide range and diversification of the articles moving in water-borne foreign commerce through Florida ports. Pages 17 to 35 show the breakdown in tonnage by individual commodities.

Florida's domestic water-borne commerce, coastwise tonnage: My next series of exhibits show the domestic water-borne tonnage moving between Florida ports and other ports. Page 36 shows the tonnage between each principal Florida port and the Atlantic ports for the year 1939 in tons of 2,000 pounds. The aggregate is a little over 3,000,000 tons.

All of this traffic is competitive with all-rail and rail-water routes; and the rail and rail-water rate structures between North Atlantic and Florida ports show marked influences of this water competition via the Atlantic Ocean. [fol. 1915] Page 37 shows the coastwise tonnage between Gulf ports and Florida ports for the year 1939. The aggregate is over three and a half million tons. Page 38 shows the intercoastal tonnage between Florida ports and Pacific Coast ports, moving through the Panama Canal during the years 1937, 1938, 1939.

Much of this water-borne intercoastal traffic is directly competitive with the transcontinental all-rail lines and the transcontinental rate-structure shows the marked influence of this water competition. Some forest products, for example, have been moving both via the Panama Canal and via all-rail routes from the North Pacific Coastal producing points to Florida.

Other studies are available showing the breakdown by commodities of the tonnage moving in Atlantic Coastwise, Gulf and Intercoastal trade to and from Florida ports due to their volume and bulk they were omitted from this series of exhibits. They are available for inspection if desired.

Florida's water carrier services are extensive. My study of the actual and existing water carrier services, just prior to the war conditions brought about by the appearance of German U-boats off the coasts of Florida, shows that: The principal ports on the Atlantic Coast maintaining regular steamship service are Jacksonville, Fort Pierce, Port Palm Beach, Port Everglades, Miami and Key West, Florida, [fol. 1916] while the principal ports on the Gulf Coast maintaining regular steamship service are St. Petersburg, Tampa, St. Marks, Port St. Joe, Apalachicola, Panama City and Pensacola. There is also regular steamship service on the St. Johns River and Lake Monroe at Federal Point, Palatka, Welaka, Fort Gates, Georgetown, Drayton Island, Astor, Deland, and Sanford, Florida. There is a regular steamship service maintained over the intracoastal waterways between Jacksonville and Miami serving the following points: Daytona Beach, Titusville, Cocoa, Melbourne, Vero Beach, Fort Pierce, Port Everglades, and Miami, Florida.

There is water-borne freight traffic on practically all of the waterways in the state of Florida. The traffic from the generally unrecognized ports is transported mainly by companies engaged in business as private or contract carriers. Illustrations of this service *is* shown by the Corps of Engineers, United States Army Transportation Series No. 5, "Transportation Lines on the Atlantic, Gulf, and Pacific Coast, 1940." as follows: Belcher Towing Company: Contract carrier of petroleum products; Jacksonville, Port Everglades, and Key West via intracoastal waterways, New River, South New River Canal, Dania cut-off canal, Lake Okeechobee, Fort Pierce. Daniels Towage & Salvage: Contract and private carrier of bulk freight machinery and equipment; Miami Harbor, intracoastal waterways, [fol. 1917] Jacksonville, Key West, Miami and New River, Port Everglades, Lake Okeechobee, Palm. Beach, South New River Canal. Florida Towing Company: Contract carriers of gasoline, groceries and fertilizer: Jacksonville to Brunswick, Georgia, and Fernandina, Florida, via intracoastal waterways. Mexican Petroleum Corporation: Carriers of petroleum products: Tampa, St. Petersburg, Hillsborough Bay, Port Tampa, Palmetto, Manatee River, Sarasota, Sarasota Sound, Florida. Powell Brothers, Inc.: Contract carriers of equipments, steel, rock, sand, et cetera: South New River Canal, Hollywood Harbor, Miami, New

River, Jacksonville, Tampa, Lake Okeechobee, Caloosahatchee River, Florida. Sea Coast Oil & Supply Company: Private carriers of petroleum products: Savannah, Brunswick, Georgia, Sapelo Island, Beaufort, Port Royal, South Carolina, Fernandina, St. Augustine, New Smyrna, Jacksonville, Florida. Shell Producers Company: Contract and private carriers of petroleum products and construction materials: Galveston, Texas, New Orleans, Louisiana, Mobile, Alabama, Pensacola, St. Marks, Tampa, Fort Myers, Lake Okeechobee, Miami, Jacksonville. Water transportation Terminals, Inc.: Contract carriers of newsprint paper, sugar and bags: Savannah, Georgia, to Clewiston, Florida, via intracoastal waterway and Caloosahatchee River, drainage areas. Citizens Oil Company: Private carriers of petroleum products: New Orleans, Louisiana, to St. Marks, Freeport, and Tarpon Springs.

[fol. 1918] In view of the fact that practically all foreign steamship services, with the exception of lease-lend cargo, have been suspended for the duration, no detailed analysis of the foreign steamship lines operating to and from Florida ports has been included in my exhibits.

My pages 39, 40 and 41 show the coastwise services between Florida ports and the Atlantic Coastal ports, with the sailings per week southbound and northbound. All of these services have been suspended for the duration. Pages 42 and 43 show the coastwise services between Florida ports and Gulf ports with the sailings per week by the various lines.

Pages 44 and 45 show the intercoastal services between Florida ports and the Pacific Coast ports with the names of the steamship lines and the period of the sailings. There was omitted from these pages, due to lack of definite information at the time the exhibits were prepared, the services of the Arrow Line between Florida and the Pacific Coast ports. All of these intercoastal common carrier water services have been discontinued for the duration.

Pages 46 and 47 show the names of the water carriers and the sailings per week between landings and representative inland waterway points in Florida and indicate the through freight interchange services between these waterway points and deep-water ports located on the intercoastal waterway. For example, this page shows the operations between San-[fol. 1919] ford, Florida, and Jacksonville, Florida, on the St. Johns River, with the sailings per week and also the connections made by the River Line with the ocean lines of the Merchants & Miners Transportation Company operating between Jacksonville and North Atlantic Ports. The water lines shown on pages 46 and 47 are common carrier inland waterway lines which publish and file tariffs with the Interstate Commerce Commission and the Railroad Commission of Florida.

In addition, there are all-water inland waterway rates and motor-water rates between Brunswick, Georgia, Jacksonville, Florida, and water-landings at interior Florida, points such as Orlando, Tampa, Ft. Myers, Lake Wales and Naples. These water-motor rates reflect differentials under the all-motor and all-rail rates. The motor rates intrastate do not include the addition of the L-2 arbitraries to the class-rate scale.

This all-water competition extends from Jacksonville to Sanford, Florida, in the central part of the state, 126 miles south of Jacksonville, while the water-motor competition extends to such points as Tampa, Fort Myers, Lake Wales and Naples for distances up to 328 miles south of Jacksonville

Other water rates of common carriers are in effect over other inland waterways and rivers and navigable streams in various portions of the state of Florida. For example, there is water service over the intracoastal waterway by common [fol. 1920] carriers extending all the way from Jacksonville, Florida to Miami, Florida, a rail distance of 366 miles. Many of the rail rates have been reduced to meet water competition within the state of Florida. These inland waterway common carrier services have not been discontinued because of war conditions and are more active than formerly.

In addition there are quite a number of contract and private carriers along the inland waterways on the east and west coasts of Florida and on the other rivers and navigable streams of Florida. These contract and private carriers handle a heavy tonnage of products of various kinds and their operations have been increased, rather than restricted, during the war. Efforts are being exerted in many sources to make greater use of these inland waterways because of the curtailment of coastwise ocean and Gulf steamship services.

These pages 39 to 47, inclusive, portray in a general way, the fact that water competition via ocean and Gulf ports has been keen and important prior to war conditions and that water competition via inland waterways and navigable streams has been a potent factor and is now more important than ever before.

It is my opinion that the existence of the Florida arbitraries in the class rates and articles taking rates based upon the class rates have had a marked influence upon the development of coastwise and inland water transporta- [fol. 1921] tion particularly in the state of Florida, and has resulted in reducing the traffic which the railroads otherwise would have handled, if the Florida arbitraries did not exist.

Q. Mr. Grady, does your Traffic Organization in Miami furnish traffic service to many industries within the greater Miami area?

A. Yes, a great many.

Q. Are there few or many small manufacturing plants within that area?

A. There are quite a few small manufacturing plants in the greater Miami area.

Q. Have any of those plants or their managers made any complaint to you with respect to the class rate level between Miami and Central territory and the North?

A. They have.

Q. How long has that been going on?

A. Ever since I have in Florida, since probably 1926.

Mr. Hillyer: We offer in evidence exhibit No. 95, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit No. 95? (No response.) Without objection it is received.

(Exhibit No. 95, Witness Grady, received in evidence.)

Mr. Hillyer: The witness is tendered for cross-examination.

[fol. 1922] Chairman Aitchison: Mr. Gwathmey.

Cross-examination.

By Mr. Gwathmey:

Q. Mr. Grady, your testimony as I understand it, has been devoted mainly to the purpose of showing that there are exceptional opportunities for water transportation to and from and between points in Florida, is that right?

A. There have been in the past.

Q. At the present time the coastwise water lines are out of business, are they not?

A. That is true.

Q. When they were operating, do you happen to remember what the first class all-water rate was from Miami to Baltimore?

A. No. I do not know. You mean, in connection with rail?

Q. All-water, I said.

A. No. I do not know.

Q. Do you know that the all-water rates from Miami to Baltimore, for example, were very much below the level of the all-rail rates?

A. That is right.

Q. If the Florida arbitrary had been eliminated entirely, would not the all-water rate still have been much below the all-rail rate?

A. From that particular point, yes.

Q. If they had cut the Florida arbitraries out and reduced [fol. 1923] the Florida level 25 per cent, would not those rates be lower than the all-water rates?

A. Are you talking about port to port rates?

Q. Yes.

A. That is true.

Q. You will agree with me, will you not, Mr. Grady, that there are certain limits below which the railroads cannot go in attempting to meet water competition?

A. Well, the railroads in some points have gone pretty far to meet water competition. For instance, take the point you were just talking about, from Baltimore to Miami.

Q. I am asking you if the railroads are not prohibited, if they want fourth section relief, from going to a point which yields them less than the out of pocket cost?

A. That is right.

Q. Are you willing to leave it to the judgment and discretion of the railroad managers to decide for themselves when in their own interest they will or will not undertake to meet water competition?

A. No, sir.

Q. Why not?

A. Well, because the shipper who pays the freight—for instance, down in Miami the members of my organization pay 60 per cent of all freight charges of the Florida East Coast. I am not willing to sit down and let a man from [fol. 1924] the Florida East Coast say when they are going to increase or decrease rates without approval by the Commission on interstate traffic.

Q. Do you think that the Interstate Commerce Commission should require the railroads to reduce their rates—

Chairman Aitchison: That is utterly immaterial.

Mr. Gwathmey: Sir?

Chairman Aitchison: That is utterly immaterial.

Mr. Gwathmey: Very well, sir. One more question.

By Mr. Gwathmey:

Q. Did this same availability of water transportation around Florida which obtains now exist at the time when the Southern Class Rate Case was decided?

A. To a small extent, yes.

Q. Well, the same rivers were there, were they not, and the same harbors and the same ocean?

A. No, not the same harbors and not the same rivers. A great many of the rivers have been developed and a great many harbors have been developed.

Mr. Gwathmey: All right. That is all.

Chairman Aitchison: Is there any further cross-examination?

Mr. McCollester: I have one or two questions.

By Mr. McCollester:

Q. Mr. Grady, in answer to the last question of your counsel you stated that there were a great many industries in the Miami region manufacturing different com-[fol. 1925] modities.

A. Yes.

Q. Will you state what articles are manufactured by those industries?

A. I said, a great many small manufacturers.

Q. Yes.

A. We manufacture in a small way cigars. We manufacture novelties. We manufacture pulp board. We manufacture pocketbooks.

Q. Those are alligator skin pocketbooks?

A. Yes.

Q. Yes.

A. We also manufacture at a small plant diving helmets. In case you want to jump into the Bay, you can use one of those.

Q. Is that all you can think of?

A. (No answer.)

Q. Does that complete your list?

A. That is about it.

Mr. McCollester: Thank you.

Chairman Aitchison: Is there any further cross-examination? (No response.) Mr. Hillyer?

Redirect examination.

By Mr. Hillyer:

Q. Do you not have some small specialized furniture manufacturing plants in the Miami area?

A. Yes.

[fol. 1926] Do you not have quite a number of mill working plants making sash, doors and things of that kind?

A. That is mostly for local consumption, but we have them. We are manufacturing in quite large quantities portable houses that are going all over the state.

Q. Is there quite a large list of commodities made of natural forest products?

A. Yes.

Q. In the Miami area?

Mr. Hillyer: That is all on redirect.

Chairman Aitchison: Are there any other questions of Mr. Grady? (No response.) You may step aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Hillyer: Our next witness will be Dr. Eutsler. Dr. Eutsler has no exhibit for introduction in evidence in this case. His written testimony has been circulated to all parties present and circulated in advance.

Chairman Aitchison: Raise your right hand and be sworn.

ROLAND B. EUTSLER was sworn and testified as follows:

Direct examination.

By Mr. Hillyer:

Q. Dr. Eutsler, will you please proceed with your statement in your own way?

A. My name is Roland B. Eutsler. I live in Gainesville, [fol. 1927] Florida, the seat of the University of Florida. Since 1935 I have been a member of the faculty of the College of Business Administration of the University of Florida and have also served, since 1940, as Director of the Bureau of Economic and Business Research, University of Florida.

I am a native of Danville, Virginia. I attended public schools in Greensboro, North Carolina, and Charlottesville, Virginia, and the University of North Carolina where I received the degree of Bachelor of Science in Commerce and Master of Science in Commerce. I then served as Research Assistant in the Institute for Research in Social Science at the University of North Carolina. I was a member of the faculty in Economics at Washington and Lee University. Later, I attended the University of Pennsylvania and received the degree of Doctor of Philosophy in Economics.

I then became a member of the faculty of the Wharton School of Finance and Commerce of the University of Pennsylvania. At the request of the State Government, I was given a leave of absence to serve as Assistant Director, Division of Research and Statistics, Pennsylvania Emergency Relief Board, where I was employed when I accepted the appointment at the University of Florida.

I am co-author, with G. Lloyd Wilson and James M. Herring, of two books entitled, "Public Utility Industries" and "Public Utility Regulation". I have contributed articles to [fol. 1928] scientific and technical journals including an article entitled "Transportation Developments and Economic and Industrial Changes" in the volume of the Annals of the American Academy of Political and Social Science dealing with "The Coming of Industry to the South".

At the request of the State Government and the Railroad Commission of Florida, upon the President of the University of Florida, I was assigned to making special economic studies of the relation between the development of the manufacture of high grade commodities in Florida and freight rate structures and the influence of freight rates upon the area of distribution of Florida products.

In order to carry out these studies, there were selected several illustrative industries. The manufacture of palmetto fiber is an industry using a Florida produced, weight losing raw material and is in competition with various imported fibers. Rattan furniture was selected as a highly skilled craft industry wherein manufacturers, wherever located in the United States, are dependent upon imported raw materials. Citrus candy was selected as another product using local raw materials and high grade skilled labor. Wood furniture illustrates a machine industry.

In making my studies for the purpose of the Class Rate Investigation, there has been made available to me the technical rate exhibit studies of Mr. T. C. Maurer, Traffic Man- [fol. 1929] ager, Jacksonville, Florida; the traffic studies prepared by Mr. J. H. Donnell, Traffic Manager, Tampa, Florida; and the water commerce studies prepared by Mr. Thomas E. Grady, Traffic Manager, Miami, Florida. I have also had available the exhibits and testimony of Dr. Ford K. Edwards and Mr. Jensen of the Interstate Commerce Commission.

Mr. Gwathmey: I object to all of the testimony contained in this statement commencing at the top of page 3 with the heading "Studies of Particular Manufacturing Plants in Florida", and extending to the end of the statement on the ground it is the purest sort of hearsay testimony. It will be observed that commencing with page 4 the witness takes up certain individual industries. According to his own statement he is a member of the faculty of the University of Florida. He says he has been requested by the Railroad Commission to interview certain manufacturers of commodities who are operating in Florida, and based upon the information which he has obtained from these manufacturers, he undertakes to testify at great length with respect to their costs of production, processes of manufacture, competition, and everything else connected with their business, all leading up to a conclusion that they have been unable to do business on account of certain freight rates. I submit that it is purely hearsay and we have no opportunity whatever to cross-examine this witness or to test the accuracy of the witness' testimony.

[fol. 1930] Chairman Aitchison: Well, if we followed that rule, we would never be able to conclude one investigation.

If it were necessary to call every individual person whose vital statistics figure in a census taken by a responsible public officer, we never would be able to try any proceeding. You would not be able to make out your own case in an increased rate case. It seems to me from a cursory examination of this exhibit, in as much as he says these studies were carried out by personal investigation, that it is entirely competent. You will have ample opportunity to test its weight on cross-examination.

Mr. Gwathmey: May I say one more word, Mr. Chairman?

Chairman Aitchison: Yes.

Mr. Gwathmey: If the facts that are set forth by the witness are conceded to be true and correct, we have no opportunity to cross-examine anyone upon the question as to the bearing which these facts may have had upon the ability of the manufacturer to do business or as to the effect of freight rates on his business.

Chairman Aitchison: You can cross-examine the witness on that.

Mr. McCollester: I join in the objection, if your Honor please. Of course, I realize, as we all do, that in a proceeding before the Commission there must be reasonable latitude in the observation of the rules of evidence; but that [fol. 1931] very necessity for reasonable latitude also puts limits, it seems to me, on what may be permitted. When we have a situation like this where a witness comes here and on the basis of what some manufacturer has told him, attempts to state to this Commission that that manufacturer cannot do business in competition with a manufacturer in the state of New York, I submit that such testimony should not be allowed because we are not in a position to test out the correctness of the statements of the manufacturer.

Chairman Aitchison: He says he went into the——.

Mr. McCollester: It is those statements with which we are concerned.

Chairman Aitchison: He says he went into the records of these corporations, or these companies, whatever they are.

Mr. McCollester: Mr. Chairman, I do not see how, when he talks with a business man and says, "Can you sell your goods in Chicago in competition with the New York manufacturer" he can then come in here and say to you that the manufacturer could not sell in Chicago in competition with the New York manufacturer, and that is to be accepted by you as the basis of the fixing of freight rates. I submit that if ever there was a situation where the hearsay rule should apply in a proceeding before the Commission, it is in this kind of testimony. I join in Mr. Gwathmey's objection.

Chairman Aitchison: I do not think this is hearsay at [fol. 1932] all. This is the result of an investigation by the witness himself where he has had access, as he says here, to facts and figures based upon the original records. He has made a personal investigation. We have to assume that is true, that he has done that, and if so, it is not hearsay. It is primary evidence.

Mr. McCollester: Then your idea, if your Honor please, of what is primary evidence and what is hearsay, is very different from mine. I submit it is plainly objectionable.

Chairman Aitchison: Your objection has been noted on the record.

Mr. Hillyer: In view of the fact that there may be some contest at some future date over this point, may I further qualify the witness?

Chairman Aitchison: Yes.

Mr. Hillyer: It is not necessary in view of the ruling, but I thought perhaps the record should show a little more as to his qualifications.

Chairman Aitchison: Very well.

By Mr. Hillyer:

Q. For several months past, have you devoted your whole time to the investigation of these particular industries described in your testimony?

A. I have devoted much of my time; not my whole time during the last several months, but almost all of the working days during that time.

[fol. 1933] Q. During that time you had no regular class duties at the University?

A. During part of the time I had no regular class duties. During part of the time I was teaching at summer school.

Q. Did you actually go to the various plants which you have named here?

A. I have been to the plants and I went into the plants themselves.

Q. Did you go through the plants and watch the nature of the operations?

A. Yes, sir.

Q. Did the executives of those companies understand the purpose of your investigation?

A. Yes, sir.

Mr. McCollester: Do you know? I submit the witness cannot state what somebody else understood, if your Honor please.

By Mr. Hillyer:

Q. Did you make it plain to them, the purpose of your investigation?

A. Yes, sir.

Q. Did they authorize your appearance here for the purpose of this case?

A. They gave me the facts and figures to present in connection with this case, yes, sir.

Q. In your statement there are certain conclusions as to [fol. 1934] the effect of freight rates on their business.

A. Yes.

Q. Are those conclusions your own based upon the studies which you have made?

A. They are.

Mr. Hillyer: I submit the witness is fully qualifie to draw his conclusions from facts and he is fully able to meet cross-examination.

Chairman Aitchison: Very well. The objections are overruled.

By Mr. Hillyer:

Q. Please proceed with the balance of your statement, Dr. Eutsler.

A. As I have already said, my studies were carried out by personal investigation of the manufacturing processes and the present production and distribution of the products manufactured in the selected industries. The facts and figures which I shall present with respect to these industries are based upon visits to the manufacturing plants located at Jacksonville, Cedar Keys, Benson Junction, Tampa, Palatka, and Davenport, Florida. During these visits, the influence of the class rate structures upon the areas of distribution of the products of these plants was discussed at great length and great detail with the executive officers of the plants. I also went through the plants and viewed the plant operations.

[fol. 1935] Information for the studies was derived by extended cross-table analyses of the intimate affairs of these companies with executives of these companies who have had long years of experience and the records of their businesses were available to them. Facts and figures based upon their original records were made available to me. Some of the facts and figures must be given for the industries as a whole in order not to divulge trade facts of particular plants at particular locations.

The freight rates on the articles comprising these studies were taken from the rate exhibits prepared by Mr. T. C. Maurer, Traffic Manager, Jacksonville, Florida. All of the rates which are used in my computations are taken from Mr. Maurer's exhibits and specific reference will be made to Mr. Maurer's exhibit number as authority for rates, ratings, and descriptions. These special studies were conducted at palmetto fiber plants in Jacksonville, Benson Junction and Cedar Keys (shipping point, Otter Creek); rattan furniture at Tampa, Florida; bedroom and dining room furniture at Palatka, Florida; and crystallized citrus candies at Davenport, Florida.

There are three manufacturers of palmetto fiber in Florida. There are other brush manufacturers located in various parts of the state. My studies of the manufacture and distribution of palmetto fiber were made at Jacksonville, [fol. 1936] Florida, in the plant of the Wooten Manufacturing Company; the plant of the Ox Fiber Brush Company at Benson Junction, Florida, which is near the central portion of the state, near Sanford, Florida; and the plant of the Standard Manufacturing Company at Cedar Keys, Florida, on the Gulf Coast in the central part of the state. The shipping point nearest Cedar Keys is Otter Creek, Florida.

Palmetto is a vegetable fiber produced from the boots (leaf sheaths) of the cabbage palm tree. The cabbage palm is native to Florida and grows extensively in the lowland, swampy areas along both coasts and there are substantial growths in some of the higher land areas of the interior. There is no official estimate of the acreage of land covered by cabbage palms. Various representatives of governmental agencies indicate the supply is virtually inexhaustible since the mature tree grows to a height of forty feet or more and scatters seed over a wide area. The supply of cabbage palms is more than ample to provide raw materials for the quantity of palmetto fiber ordinarily used in the brush trade and a larger proportion of brush fibers could be supplied from this source. A continued supply of Florida palmetto fiber can thus be expected indefinitely.

Palmetto fiber is obtained from the boots (leaf sheaths) of young cabbage palm trees of 5-6 years old. These young trees are called "Cabbage Buds". These "cabbage buds" [fol. 1937] are cut at a height of 4 to 6 feet and are surrounded by boots (leaf sheaths) of which 21, in units of 3, are added each year. The weights of "buds" run from 60 to 100 pounds. They are from 3 to 5 feet in height and 8 to 12 inches in diameter at the base.

The cabbage buds are cut even with the ground, the palmetto leaves trimmed off, and shipped in that form to the fiber plants. Some buds are obtained from lands leased by the manufacturing plants with cutting done by contractors; in some cases the fiber company has its own crew of loggers; and some cabbage buds are bought from independent cutters. Cutting areas for the cabbage buds run along the lowlands of both coasts. Most of the buds on the East Coast are cut from Bunnell southward into the Everglades. On the Gulf Coast, most of the logging is done within a hundred miles north and south of Cedar Keys.

The buds are moved to the manufacturing plants by motor truck; railroad, in car lots; and by barge. Motor truck shipments were extensively used by the Benson Junction factory though at present it receives its supply almost entirely by rail. The Jacksonville plant receives its supply by rail. The factory at Cedar Keys receives its supply by barges operated by itself.

The buds are placed in vats, holding from 400 to 1100 buds, where they are cooked by indirect heat in boiling water [fol. 1938] for 60 hours. This cooking is necessary to permit the boots to be separated from the stalk and to soften the covering of the boot so that the commercial fibers which run lengthwise through it can be separated from the softer tissues and fibers making up the boot. These latter, at present, are waste materials and are burned in the boiler by two of the plants and the third is using it to fill in the land and enlarge the area of his plant located on the Gulf Coast at Cedar Keys. There are possibilities of use of the soft, matty fibers as upholstery filling or padding material but this has not yet been developed. The three plants in Florida have 16 vats for "cooking" the buds, making it possible to handle between 4,000 and 5,000 buds per day. About 1½ per cent of the weight of the bud is commercial fiber and the daily maximum output runs between 5,000 and 7,000 pounds. The annual output is between 1,000,000 and 1,500,000 pounds, though operation to capacity could produce substantially more.

The industry is in no way seasonal. There is nothing about the botannical characteristics of the "cabbage bud" which affects the quality or yield of fiber by being cut at different times of the year. The only supply factor affecting the continued operation of the fiber plants arises from heavy rainfall which makes cutting the buds in the woods difficult and sometimes impossible. Due to the fact that the [fol. 1939] young palmetto bud is comparatively hollow and the "heart" or bud is soft, it begins to decompose in several weeks after being cut and this decay spreads to the boots and ruins the fiber. Storage of a supply of raw material is thus not feasible. Wet conditions limiting the cutting of buds do not occur normally more than several times per year and ordinarily do not last very long.

When taken from the vats, the boots are torn apart and are then run through a mechanical decorticator which shreds out the soft, matty, horizontal, inter-twining fibers. A washing water is directed on the boot during this operation as the stiffer, vertical palmetto fiber is extracted. The vertical fiber runs the entire length of the boot from its base to the outer edge. In each boot, therefore, there will be some short and some long fibers, the maximum length being approximately 24 inches. Some rough sorting of fibers by length can take place in this operation by getting boots of the same length together.

After washing and extraction, the fiber is dried, one factory doing it by a drying machine and the other two by spreading it out in the sun. After drying, the fiber is immersed in paraffine oil to give it resiliency and prevent it from being brittle. It is then sorted by length, color, and size (diameter) since these are the characteristics of the fiber affecting its use. There are no trade specifications [fol. 1940] for the fiber, each manufacturer sorting according to his own specification for the grades which it sets up and which it uses in quoting prices.

Palmetto fiber is of a leather tan, or ox-blood color. It is used primarily in the manufacture of scrub brushes, both household and industrial or machine brushes. It is also used to some extent in whisk brooms and various novelty brushes, such as crumb brushes for dining tables. It is used mostly for hard-back brushes though some twisted wire brushes are made from palmetto fiber. The fiber is stiff and holds up well under water. It is a high quality fiber for scrub brushes where long wear is needed. Household brushes of Florida palmetto fiber are usually higher priced than similar brushes from the competitive, imported fibers. The most extensive use of palmetto fiber is for machine brushes, for washing citrus fruits, milk and butter vats, and the like; for deck brushes (palmetto fiber was specified exclusively for this purpose by the United States Navy until recently); and for street cleaning brushes.

Florida palmetto fiber is the only vegetable brush fiber produced in the United States. The chief competitive fibers are all imported, as istle (Tampico) from Mexico; palmyra from India; bassine from Africa; and piassava from Brazil. Palmyra is similar in color to palmetto and is its chief competitor. Most of the cheaper scrub brushes [fol. 1941] are made from palmyra.

The brush industry has not extensively developed in Florida. In addition to a few small brush plants, each of the fiber manufacturers makes whisk brooms from Florida palmetto fiber. Two of them also manufacture a line of novelty brushes. One, in addition to whisk brooms, makes a twisted wire toilet bowl brush from palmetto fibers.

The bulk of the Florida palmetto fiber output is shipped to brush manufacturers located mostly in Official Classification territory. Two of the Florida producers sell their output, except that used for the manufacture of whisk and novelty brushes, to brush manufacturers. The third plant is part of an integrated brush manufacturing concern and does not ordinarily sell fiber to others. Some of its fiber is manufactured in Florida into whisk and toilet bowl brushes but by far the bulk of it goes to the main brush manufacturing plant in Frederick, Maryland.

The United States Census of Manufactures carries no classification of scrub and industrial brushes to show the materials used so that no estimate can be given of the proportion of the brush output made of Florida palmetto fiber. Brush manufacturing is concentrated primarily in those states located in Official Classification territory. The

United States Census of Manufactures reports 245 brush manufacturing establishments, without any breakdown by [fol. 1942] type. Of this number, 200 or 89.9 per cent were located in Official Classification territory. These manufacturers have 90.6 per cent of the employees in the industry. For brushes of all types, of which scrub and industrial comprise only a part, the manufacturers in Official Classification territory have 79.9 per cent of the total value of the product and they add 79.4 per cent of the value added by manufacture. This means that brush manufacture is highly concentrated in its location in Official Classification territory. The United States Census figures on brush manufacture follow: In the state of Connecticut there are seven establishments employing a total of 668 employees. The totals for value of products and value added by manufacture for the state of Connecticut are not reported in order not to divulge information about particular plants. In the state of Illinois there are 21 establishments employing a total of 492 employees. The value of products was reported as $2,444,046 and the value added by manufacture, $1,122,150. In the state of Indiana there are 5 establishments employing a total of 93 employees. The value of products was reported as $634,419 and the value added by manufacture, $375,872. In the state of Maryland there are seven establishments employing a total of 982 employees. The value of products was reported as $5,025,870 and the value added by manufacture, $2,195,823. In the state of Massachusetts there are 25 establishments employing a total of 2,293 em- [fol. 1943] ployees. The value of products was reported as $9,942,865 and the value added by manufacture, $4,505,007. In the state of Michigan there are seven establishments employing a total of 94 employees. The value of products was reported as $587,297 and the value added by manufacture, $255,952.

In the state of New Hampshire there are four establishments employing a total of 151 employees. The totals for value of products and value added by manufacture for the state of New Hampshire are not reported in order not to divulge information about particular plants. In the state of New Jersey there are 19 establishments employing a total of 635 employees. The value of products was reported as $3,487,759 and the value added by manufacture, $1,390,481. In the state of New York there are 62 establishments employing a total of 2,426 employees. The value of products was reported as $10,526,867 and the value added by manufacture, $4,608,041.

In the state of Ohio there are 16 establishments employing a total of 777 employees. The value of products was reported as $4,118,333 and the value added by manufacture, $2,158,631. In the state of Pennsylvania there are 18 establishments employing a total of 269 employees. The value of products was reported as $1,238,301 and the value added by manufacture, $551,247.

In the state of Rhode Island there are six establishments [fol. 1944] employing a total of 49 employees. The value of products was reported as $134,892 and the value added by manufacture, $78,255. In the state of Vermont there are three establishments employing a total of 167 employees. The value of products was reported as $626,397 and the value added by manufacture, $201,315.

The totals for the states in Official Classification territory are as follows: Number of establishments, 200; total number of employees, 9,096; value of products, $38,758,946; and value added by manufacture, $17,442,774. The totals for all states are as follows: Number of establishments, 245; number of employees, 10,029; value of products, $48,466,966; and value added by manufacture, $23,211,687. The percentages for the states in Official Classification territory are as follows: Number of establishments, 89.9; total number of employees, 90.6; value of products, 79.9, which is exclusive of the two states for which totals are not reported; and value added by manufacture, 79.4, which is exclusive of the states for which totals were not reported. This information has been compiled from the state series, Census of Manufacturers, 1939, 16th Census of United States, and the General Summary Statistics by Industry Groups, Census of Manufactures, 1939, 16th Census of United States.

Florida palmetto fiber is currently selling for 45 cents [fol. 1945] per pound for the better grades to around 30 cents per pound for the poorer grades. It is now averaging 35 to 37 cents per pound. Brush manufacturers buy particular grades or qualities of the fiber depending upon the particular kind of brushes which they manufacture. They buy in quantities needed for their manufacturing schedule and there is wide variation in the quantities bought by different manufacturers. There is no characteristic basis of sale.

A very few shipments run as low as 200 pounds or less. A few are made by car lots. Most of the shipments run between 800 and 2,000 pounds. Fiber moves on class rates. Buyers (brush manufacturers) specify the length of fiber which they want and it is cut to length before packing. It is tied in bundles of about three to four inches in diameter and packed closely and tightly in wooden crates or cardboard cartons. No special handling or care is required in transit. A container 20 inches by 20 inches by 24 inches can pack 200 pounds, giving it a cubic density of 32.6 pounds per cubic foot.

Freight rates on Florida palmetto from the three Florida producing points, Jacksonville, Benson Junction and Otter Creek (Cedar Keys) compared with the rates on imported, competitive fibers are shown in Maurer's exhibit No. 92, pages 104, 105. A distinct disadvantage for the Florida palmetto fiber is shown. From Benson Junction, Florida, [fol. 1946] to St. Louis, Missouri, a brush manufacturing point, the Florida palmetto fiber has to pay 71 cents per 100 pounds, l. c. l. class rates, more than does imported fiber from New York to the same point. New York and Benson Junction are virtually equidistant from St. Louis. This is a differential of 58½ per cent against the Florida shipper. A 58½ per cent disadvantage in freight rates is a serious handicap.

Jacksonville and Otter Creek, Florida, are both substantially nearer St. Louis than is New York, the respective distances being 915 miles from Jacksonville, 933 miles from Otter Creek, and 1,027 miles from New York. Yet, Otter Creek pays 60 cents per 100 pounds, l. c. l. class rates, more than does New York, and Jacksonville pays 51 cents per 100 pounds more than does New York. From the three Florida shipping points this is an average difference of 60 and ⅔ cents per 100 pounds, or more than ½ cent per pound. On an output of about 1,500,000 pounds, at 60 cents per 100 pounds, this means that $9,000 annually has to be absorbed by the Florida shippers in less profits; by laborers in lower wages; or by consumers in higher prices.

The Florida palmetto fiber industry has to face this freight differential. Florida palmetto is the only vegetable brush fiber produced in the United States and it is produced only in Florida. Production in Florida is carried out under national standards setting minimum wages and maximum [fol. 1947] hours. Yet, the industry pays a much higher freight rate than is paid on competitive, imported fibers. The imported, competitive fibers, in fact, are given a rate lower than the Eastern scale set forth in Docket No. 15,879. The differences in the rates, and the particularly low rates on imported fibers actually encourages the importation of fibers produced under low wage conditions. Inducement is given to import fibers rather than to use the only domestically produced vegetable brush fiber, Florida palmetto. The domestic fiber, Florida palmetto, suffers the disability of much higher freight rates and its production and usuage is thereby curtailed.

Differences in the rates on fiber brushes also create a significant disadvantage against the Florida manufacturers. These differences are shown in Maurer's Exhibit No. 92, pages 106, 107. From Benson Junction to St. Louis, the difference is 76 cents per 100 pounds, l.c.l. class rates, or 48½ per cent higher than the rate from New York to St. Louis. There is no technical reason why hard-backed and household and industrial brushes of palmetto fiber could not be manufactured in Florida. The manufacture of whisk and novelty brooms in Florida has to meet the disadvantage in the rates. In doing so, the fiber producers can use the fiber of miscellaneous or off-grades which do not find a ready sale to brush manufacturers. But in brushes, the same differential has proved to be a factor [fol. 1948] which has deterred the development of the industry.

Based upon my study of these fiber producing plants in Florida, it is my opinion that they have been unduly handicapped by reason of the fact that the class rates to northern manufacturing markets are so much higher than the rates for like hauls in the East, and so much higher than the rates on imported competing fiber from New York to destinations in Central territory for like distances. It is my opinion that the present class rate structure constitutes a distinct handicap towards the further development of Florida palmetto fiber. I believe that the industry could be greatly expanded and the uses of palmetto fiber multiplied if the rates on fiber were based upon a level approximating the level of the rates on like traffic, mile for mile, within the North.

It is my opinion based upon my study of this industry that the existing freight rate structure is partly, at least, accountable for the fact that the manufacture of brushes from fiber has been in Official Classification territory and that the manufacture of brushes in Florida near the sources of raw materials is of such relatively insignificant proportions. It is my opinion that if an equitable and uniform basis of rates, mile for mile, were established, the manufacture in Florida of brushes from Florida palmetto fiber could be expanded far beyond the present output. It is [fol. 1949] further my opinion that a reduction in these class rates on brushes from Florida points would also stimulate an expansion of the manufacture in Florida of brushes of various kinds for distribution throughout the Southern states, where the interior Florida manufacturing points now have the disability, as compared with the remainder of the South, due to the addition of the Florida arbitraries.

The manufacture of rattan furniture illustrates an industry in which a high degree of skilled labor is a requisite. Moreover, it has been a type of furniture which has grown in popularity in recent years and the market for it is expanding. The frames for rattan furniture are made by bending rattan to the desired shapes and joining the pieces by screws or other joining hardware. The bending, as done by the manufacturer whose plant was surveyed, is done by hand and requires a high degree of technical skill. The measurements in bending have to be gauged by eye. Many pieces have curved and rounded sections. Some pieces have double curves. It is a highly skilled, craft activity.

Rattan comes from the Dutch East Indies, the Malay Peninsula, and the Philippines. The bulk of the supply is produced in the Dutch East Indies and it was formerly shipped in bundles, mostly from Singapore. Each bundle weighs from 65 to 120 pounds depending upon its thickness which varies from 7 mm. to 35 mm. The upholstery used [fol. 1950] for rattan furniture is usually domestic fabrics, of which sail cloth has been very popular. The filling or stuffing is mostly kapok, another imported material. Except for dowels, screws and nails and springs for cushions, the chief raw materials are imported and all manufacturers must use the same source for their materials.

Rattan is a specialty line and there are so few manufacturers in the United States that the Census does not give an industry classification for it. The total value of output is therefore unknown. There are two rattan furniture manufacturers in Florida. The plant and processes analyzed was that of the ABC Wicker Company, Tampa, Florida. This plant employs five persons, has a gross volume of over $20,000 per year.

Rattan furniture is very light. A two-seat sofa, two large chairs, and one small chair will weigh less than 100 pounds. For shipping it is wrapped in excelsior padding and Kraft paper or packed in cartons. The bulk of the shipments of the Tampa manufacturer are l.c.l. at class rates. They move both by truck and by rail. Some shipments, especially single pieces, move by express since this gives a lower rate than either by rail or truck lines. Virtually all of the rattan furniture manufactured in Florida is sold within the state.

Maurer's exhibit No. 92, pages 109, 110, show the rates [fol. 1951] applicable on this furniture. From Tampa to St. Louis, the rate is 163 cents per 100 pounds and the distance is 1,049 miles. From Gardner, Massachusetts to St. Louis, the rate is 135 cents and the distance is 1,119 miles. This is a difference of 28 cents per 100 pounds, or a difference of 20.7 per cent. The present Southern scale gives difference in excess of the present Eastern scale for selected destinations in Official Classification territory over comparable hauls varying from 20 to 24 per cent. It is my opinion, based on my investigation of the manufacture of rattan furniture, that the higher freight rates materially limit the area of distribution of the Florida manufacturer. Sources of raw material are the same for all manufacturers and the product is primarily one using skilled labor. Manufacture at any point is thus faced with the same source for raw materials. Location of the industry therefore depends upon economic factors of labor supply and costs and freight rates. Additional freight costs deter the development of the Florida industry. It is my further opinion that freight rates on an equal basis, mile for mile, would permit the manufacture of rattan furniture to expand in Florida and enlarge the market area to which it could be shipped.

Florida is an area with large forest resources. There are large stands of pine, gum, cypress and oak. There are also stands of other woods, as maple, magnolia, cherry, and [fol. 1952] others. Raw materials are therefore available for lines of wood furniture. There are many small or specialty furniture plants in Florida. There are three producers of commercial wood furnitures. My investigation covered one of the larger of these three. Florida Industries, Incorporated, Palatka, Florida. Florida Industries manufactures a line of solid wood bedroom and dining room furniture, using pine, gum, maple and magnolia woods.

Originally, Florida Industries manufactured a line of cypress lawn and garden furniture. This furniture sold extensively in Florida and along the entire Atlantic Seaboard to points which could be reached by water or on joint water-rail rates. The all-rail rates were so high that when added to the cost of the furniture, this company's products were excluded from the interior portions of the country. With the curtailment in the market for this furniture during the early years of the depression of the 1930's, Florida Industries turned to its present line of solid wood bedroom and dining room furniture. The manufacturing process is complete. The Palatka plant buys logs, operates its own mill and kilns. Florida woods, produced locally, are used exclusively.

Because of high freight rates and packing requirements, the company undertook to deliver its furniture by its own trucks to Florida dealers. It has gradually expanded this area to a radius of some 500 miles and now delivers by its [fol. 1953] own fleet of four trucks to points as far distant as Birmingham, Alabama. No shipments are made by rail. There are produced, on the average, 300 suites of furniture weekly, or approximately 15,000 suites per year.

My investigation of Florida Industries disclosed that the company has always been limited in its area of distribution by the high freight rates which it has to pay. The level of rates is substantially higher than those prevailing in Official Classification territory. Maurer's exhibit No. 92, pages 109, 110, shows that to Chicago, Illinois, the Palatka Manufacturer would pay 29 cents per 100 pounds, or 21½ per cent more, than would be paid by its competitor from Gardner, Massachusetts, for a comparable haul in Official Classification territory. From Palatka to selected points in Official Classification territory, rates are 20 to 22 per cent higher than are the rates on comparable hauls under the Eastern scale.

It is my opinion that furniture manufacture, using Florida woods which are available and good, could be expanded provided markets could be reached without freight rates in excess of those prevailing for manufacturers in Official Classification territory. It is my further opinion that a wider market would be made available to Florida furniture manufacturers if rates were comparable, mile for mile. Freight rates and transportation costs now limit the market [fol. 1954] area.

Crystallized citrus candies are a high grade, specialty product manufactured in Florida from Florida products. Similar products are glace fruit candies manufactured in California. My investigation of this product was in the plant of one of the larger manufacturers, the C. S. Taylor and Company, Davenport, Florida. This plant is located in the heart of the ridge citrus section in Polk County, Florida.

Much of the output is sold locally in a retail sales room and to establishments throughout Florida catering to tourist trade. It has appeal to tourists since it is a distinctly Florida product. Substantial amounts are shipped to the larger metropolitan centers as New York, Philadelphia, Boston, Pittsburgh, Detroit, Cleveland, and Chicago. The larger cities of the South also are a good market, such as Atlanta, Richmond, Birmingham, New Orleans, and Raleigh. It is particularly popular outside of Florida for the "Holiday Trade". It competes with other high grade candies and crystallized fruits manufactured in the North.

The manufacture of crystallized citrus candies is largely a hand process. The fruit must be peeled and prepared by hand for cooking. It is cooked in large steam cauldrons made of copper. Each batch is cooked for 24 hours. Cooked fruit can be kept in cold storage in its own juice until such time as the finishing process—sugaring and packing—are [fol. 1955] wanted. Before sugaring, the moisture content is reduced in special dehydrating rooms. Packing is done by hand. To get the eye appeal of a colorful package, much skill and care is needed in packing. It requires about one season to train a good packer. The business is seasonal, opening in October and reaching a peak of holiday shipments in November. It then carries a sustained volume on a high level through March when it tapers off to a very small amount. Crystallized citrus candies retail from $1.00 to $1.50 per pound. They average at wholesale about 60 cents per pound.

The C. S. Taylor Company produces normally about 60,000 pounds of crystallized citrus candies. It sells about ⅓ of this amount in its retail sales room and the balance is shipped to other Florida points and to the larger cities in the South and North for the "Holiday Trade". During the peak of the production season, this company employs 40 people. Shipments are made entirely in l.c.l. lots at class rates. Packing is done in Kraft paper cartons. A 100 pound lot of candy will pack about 140 pounds for shipping weight.

Crystallized citrus candies are a distinctly Florida product. Here again is a specialty, skilled craft industry using local raw materials. The market is at present circumscribed by the specialty appeal of this product. It is my opinion, however, that this need not be so. As shown by Maurer's exhibit No. 92, page 108, the present rates from Davenport [fol. 1956] to representative destinations in the South are from 7 to 11 per cent above the K-2 scale class rates. This difference shows the effect of the Florida arbitraries. It is my opinion that a reduction in the freight rate would materially aid in permitting a wider distribution of crystallized citrus candies throughout the South. It is also my opinion that a reduction would stimulate sales into the North. It is my opinion that freight rates are a contributing cause of the high price of the product and that lower rates would result in a more uniform market as well as a widened distribution area.

There are cigar plants located at Tampa or Ybor City, Florida, near Tampa, and at Jacksonville. There was no specific inspection made of these plants for the purposes of this case. I am, however, generally familiar with cigar manufacture in Florida. One of the Jacksonville plants ships in carloads as well as less than carloads, one of its nationally advertised brands (King Edward) all over the country. Cigars are also manufactured in Eastern port cities and compete in Central territory, for example, with cigars made at Jacksonville and Tampa. Cigars are shipped on class rates.

Maurer's exhibit No. 92, pages 111, 112, show the rates on cigars, any quantity, from Jacksonville, Tampa and New York, to representative points in Central territory. The [fol. 1957] rate from Jacksonville to Indianapolis exceeds the rate from New York to Chicago, for a like distance, by sixty-five cents, and is 42 per cent higher than the actual rate from New York to Chicago. The rate from Tampa to Indianapolis exceeds the rate from New York to St.

Louis, for a like distance, by eighty cents, and is 49 per cent higher than the New York rate. In my opinion these higher rates from Florida points than from Eastern points to the central West create a distinct economic disadvantage to the manufacturers of cigars who are located at Jacksonville and Tampa.

Chairman Aitchison: Is it your desire to have this witness stand aside now, and proceed with the Southwestern Case, or do you want to cross-examine at the present time?

Mr. Hillyer: May I make one request, Mr. Chairman?

Chairman Aitchison: Yes.

Mr. Hillyer: The industry pointed out here as typical of Florida industry making products moving at class rates is the fiber and fiber brush industry. We have some samples here we would like to show to the Commission and the parties, so that they may see what this fiber looks like. With your permission we will distribute samples of those little brushes showing the nature of the fiber and the nature of the brush. May we do that now?

Chairman Aitchison: As I understand it, these are articles which have been described in his testimony.

[fol. 1958] Mr. Hillyer: These are samples and show the type of articles actually described.

Chairman Aitchison: We will be glad to see them. I assume they have been properly described.

Mr. Hillyer: Yes. I think we can do this while the proceeding is going ahead, if it is all right with you.

Chairman Aitchison: Very well. Do you wish to cross-examine now, or have Dr Eutsler come back in the morning?

Mr. Gwathmey: Mr. Chairman, so far as I am concerned, I will have no cross-examination of this witness.

Chairman Aitchison: Anyone else?

Mr. McCollester: I will have a few questions, but I do not care when I ask them. I will be governed by your convenience.

Chairman Aitchison: If you are ready, go ahead now. Otherwise he will have to come back.

Mr. McCollester: Very well.

Cross-examinatoion.

By Mr. McCollester:

Q. With respect to these fiber brushes, Dr. Eutsler, what what are they used for?

A. Fiber brushes?

Q. Yes.

A. Most of the brushes made from palmetto fiber are known as scrub or industrial brushes. Scrub brushes are used for cleaning floors and things of that sort. For indus- [fol. 1959] trial brushes they are used for various cleaning purposes such as washing citrus fruit, cleaning milk and butter vats, brewer's brushes, and even some street cleaning brushes and things of that sort.

Q. Where are competing brushes manufactured?

A. Competing brushes are manufactured largely in Official Classification territory.

Q. Are there competing brushes manufactured in Chicago?

A. There are competing brushes manufactured in Illinois.

Q. At what point in Illinois?

A. I cannot answer the question specifically other than to say that Illinois has a substantial number of brush manufacturers. One of the manufacturers, in any event, ships to Chicago so I assume there is a manufacturer in Illinois.

Q. What is his freight rate to Chicago?

A. The freight rate to Chicago—I will have to check my memory on that, sir. His freight rate to Chicago is $1.98 per hundred pounds.

Q. From Illinois to Chicago, $1.98 per hundred pounds?

A. You asked—I understood you to ask me the rate of the Florida shipper to Chicago.

Q. No, no. I asked you the rate of the Illinois manufacturer.

A. Excuse me.

Q. To Chicago.

A. I beg your pardon.

[fol. 1960] Q. I am sorry if you misunderstand me.

A. You want the rate on fiber?

Q. No. The rate on brushes of the Illinois manufacturer into Chicago.

A. From where, sir?

Q. From the Illinois manufacturer's plant.

A. I tried to pick a manufacturer in Chicago. I am sorry.

Q. Well, a manufacturer in Chicago has no freight rate in selling in Chicago, does he?

A. That is true.

Q. If the freight rates in Official territory were raised to the Florida level how would that help you or your Florida manufacturer in selling in Chicago in competition with the Chicago brush manufacturer?

A. It might not help him in meeting competition in Chicago directly, but it would certainly widen the range of distribution where he has to meet competition at other points from a Chicago manufacturer.

Q. There are brushes manufactured in New York, are there not?

A. As far as I know there are.

Q. How would an increase of the Official classification level of the rates on brushes to the Florida level help your man in selling his brushes in New York?

A. It would give him an advantage in going to the New York market—just a minute. May I ask for the question [fol. 1961] to be repeated?

Mr. McCollester: The reporter will read it.

(Question read.)

A. It would give him no particular advantage in going to the New York market, but it would give him an advantage, or give him a better position in competing with the New York manufacturer at other common markets.

By Mr. McCollester:

Q. Do you know whether the New York manufacturer sells in Chicago?

A. I do not.

Q. Do you know that a Chicago manufacturer sells in New York?

A. I do not.

Q. Now, on page 16, of your prepared statement in dealing with furniture you state, "Location of the industry therefore depends upon economic factors of labor supply and costs and freight rates." You are talking, as I understand it, about Florida as compared with Gardner, Massachusetts, is that correct?

A. Gardner, Massachusetts was picked as a representative point for the manufacture of furniture in Official Classification territory.

Q. Do you know how labor costs compare in Florida with those in Gardner, Massachusetts?

A. I do not, except that both of them have a minimum wage which they have to meet.

[fol. 1962] Q. But you do not know how much above the minimum wage the levels may be at each point?

A. Comparatively, I do not.

Q. Do you know where the Gardner manufacturer sells his products?

A. He is one of the largest manufacturers in the United States, so I assume he would sell pretty largely over the United States.

Q. That is just an assumption, however?

A. That is just an assumption, yes.

Q. Do you know whether he ships by rail or by truck?

A. I cannot answer that. I have not examined the Gardner, Massachusetts plant.

Q. Now, with respect to this candy that you are talking about, crystallized citrus candy——

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

By Mr. McCollester:

Q. With respect to this candy that you have talked about, of which a sample carefully covered up is being shown around here, that is what might be called high class candy, is it not?

A. It is a very high grade specialty candy.

Q. It is made out of citrus fruit grown in Florida, I take it?

[fol. 1963] A. Largely, yes, sir.

Q. How would an increase in the freight rates on candy within Official territory to the Florida level aid your candy manufacturer in selling in New York?

A. May I ask if that means that they would be put on a uniformity of rates?

Q. Yes. I said, raise the Official level to the Florida level.

A. It would help the Florida manufacturer in meeting a common market in which he now is at a disadvantage in freight rates.

Q. Is this candy shipped by freight or express?

A. Much of it is shipped by freight.

Q. Carload or less than carload?

A. Less than carload, entirely.

Q. Who are competitors in Official territory?

A. Manufacturers of high grade candy compete with it.

Q. Where are they located?

A. I have not examined the manufacture of candy in Official Classification territory, so I cannot answer the question.

By Chairman Aitchison:

Q. Is this candy shipped by railroad freight or by forwarders?

A. It is shipped by the manufacturer. That is, he ships it by freight.

Q. He does not use the freight forwarder?

A. No, sir. He ships it by freight. He delivers it to the [fol. 1964] local agent and it is moved out less than carload.

Mr. McCollester: I think that is all I have. I renew my objection to the testimony and move to strike it, if your Honor please, on the ground that the witness has shown he has not investigated and has no knowledge of the competition which he is talking about of manufacturers in Official territory.

Chairman Aitchison: Your objection is noted. Is there any further cross-examination?

Mr. J. R. Bell: I have one or two questions.

Chairman Aitchison: Mr. Bell.

By Mr. J. R. Bell:

Q. The various commodities discussed in your testimony and the additional ones mentioned are competitive with similar products produced in Official territory?

A. There are similar products produced in Official territory, yes, sir.

Mr. J. R. Bell: Just one other question.

By Mr. J. R. Bell:

Q. I think you are the author or co-author of certain economic studies, one dealing with the coming of industry to the South?

A. I have an article in the volume of Annals of the American Academy of Political and Social Science entitled The Coming of Industry to the South.

Q. Did you consider, Dr. Eutsler, the development of manufacturing industries in the South that would be com- [fol. 1965] petitive with existing industries, manufacturing industries in Official territory?

A. I am sorry, but I did not understand the question.

Mr. J. R. Bell: Read the question to the witness, please, Mr. Reporter.

(Question read.)

A. My article in that volume dealt entirely with the transportation conditions in the South. I did not deal with manufacturing in general. I tried to show the relationship between the development of transportation facilities and industry in that article.

By Mr. J. R. Bell:

Q. Have you written any article dealing with this subject I mentioned?

A. Not on the development of manufacturing in the South in general, no sir.

Q. You have considered such, have you not?

A. I have been interested in the development of the South, yes, sir.

Q. This investigation here about which you have testified deals primarily and principally with industrial development and manufacturing developments in the South that would be competitive with similar manufacturing activities in Official territory?

A. Those manufacturers are in competition with manufacturers in Official territory, yes, sir.

[fol. 1966] Q. In large part is not that situation the contemplated situation in the South generally speaking?

A. The South wishing to develop competitive industries?

Q. Yes.

A. The South does not wish to take industry away from the North. The South wishes an opportunity to develop industry without facing artificial barriers.

Q. By "taking industry from the North", I suppose you mean transplanting individual concerns, but what is the difference fundamentally, between taking the individual concern and taking the business through competition?

A. The economic development of the country is affected whether it is concentrated in one place or in the other or whether it is decentralized. It should have the opportunity to develop without artificial barriers. If it becomes concentrated under such circumstances there is nothing that can be done about it except artificial stimulation of decentralization by subsidy or some other such method.

Q. You favor decentralization, do you not?

A. I favor the removal of all artificial restraints to trade.

Q. Do you, or do you not favor decentralization?

A. I do.

Mr. J. R. Bell: That is all.

Chairman Aitchison: Are there any other questions of Dr. Eutsler? (No response.) Apparently not. You are excused.

[fol. 1967] (Witness excused.)

Chairman Aitchison: We will take a short recess.

(A short recess was taken.)

Chairman Aitchison: We will resume the hearing.

Mr. Hillyer: That concludes Florida's presentation at this time, Mr. Chairman.

Chairman Aitchison: Mr. Bee.

Mr. Bee: If the Commission please, when this case was instituted by the Interstate Commerce Commission, the governors of the states of Arkansas, Louisiana and Texas had a meeting. At that meeting each state designated a representative to form a steering committee for the purpose of presenting evidence in this case and handling it for account of the official families of those states. Since that time the Railroad Commission of Texas has joined the state family in presenting this case.

The steering committee is composed of Mr. J. C. Murray of Arkansas, Mr. Frye of the Louisiana Commission, Mr. Tanner for the Texas Commission and myself for the Oklahoma interests. It will be our purpose to put witnesses on for the steering committee thus representing all of the states. The first five witnesses I will introduce and Mr. Cammack, Assistant Attorney General of Texas will in- [fol. 1968] troduce the following witnesses who are Texas people, but they are presenting their case as part of the Southwestern case. Our presentation is for the states officially, and as sovereign states. Call Mr. J. C. Murray.

Chairman Aitchison: Raise your right hand and be sworn.

J. C. **Murray** was sworn and testified as follows:

Direct examination.

By Mr. Bee:

Q. Please state your name and address, Mr. Murray.

A. My name is J. C. Murray, address 231 Louisiana Street, Little Rock, Arkansas.

Q. What is your regular position, Mr. Murray?

A. Traffic manager and commerce counsel for the Little Rock Chamber of Commerce.

Q. In these proceedings, what position are you occupying in addition to that?

A. You mentioned that I was Chairman of the Southwestern Steering Committee. In addition I am the authorized representative of the Governor of Arkansas and Consultant to the Arkansas Corporation Commission.

Q. Will you relate briefly your railroad experience, please?

A. My experience in the transportation field of about 35 years includes both practical railroad experience and representation of communities and shipping interests. My railroad experience includes local office, covering rating and [fol. 1969] billing of freight; general office, covering compilation, publication and quotation of rates, with attendant discussions at official rate conferences and supervision of traffic forces. In addition, I operated a railroad 365 miles long as chief operating officer for a period of five years.

Mr. Bee: If the Chairman please, we ask to have Mr. Murray's first exhibit marked for identification as No. 96.

Chairman Aitchison: It may be so marked.

(Exhibit No. 96, Witness Murray, marked for identification.)

By Mr. Bee:

Q. I hand you an exhibit which has been marked for identification as No. 96, Mr. Murray.

A. Yes.

Q. Will you please explain what that exhibit is?

A. As indicated on the title page it is statements of class rates to, from and within Official, Southern, Southwestern and Western Trunk Line territories; and also contains information regarding classification exceptions in addition to comparative statements of commodity rates.

Mr. Bee: Mr. Chairman, we ask to have this six page exhibit marked for identification as exhibit No. 97.

Chairman Aitchison: It may be so marked.

(Exhibit No. 97, Witness Murray, marked for identification.)

[fol. 1970] By Mr. Bee:

Q. I hand you a six page exhibit which has been marked for identification as exhibit No. 97, Mr. Murray.

A. Yes.

Q. I will ask you to state what that is.

A. That is a chart comparing the through interterritorial livestock rates between Eastern and Western territories and was compiled by Charles B. Bowling of the United States Department of Agriculture, Surplus Marketing Administration, Transportation Division.

Mr. Bee: We ask to have this one page exhibit marked for identification as exhibit No. 98, if the Chairman please.

Chairman Aitchison: It may be so marked.

(Exhibit No. 98, Witness Murray, marked for identification.)

By Mr. Bee:

Q. I hand you what has been marked for identification as exhibit No. 98, Mr. Murray.

A. Yes

Q. I will ask you to state what that is.

A. That is an exhibit which shows the rates applicable on fresh meat, packing house products and hides between important shipping and receiving points west of the Mississippi River contrasted with rates applicable on similar commodities moving locally in the Official territory.

Q. Now, take exhibit No. 96 and explain briefly what that exhibit contains, making such explanatory remarks as you [fol. 1971] think are absolutely necessary.

A. The first page inside of the cover is an index to the text. Page 1 is a map showing the present rate territories and needs no explanation, but does need a slight correction. Since this map was made the Great Falls case extended zone 4 into about two-thirds of Montana and that is not shown on the map. Page 2 is self-explanatory and is introduced merely for immediate reference in connection with the pages of the exhibit to follow. It shows the percentage relationship of other classes to first class in effect in the various territories.

Sheets 3 and 4 show a comparison of the first class rates in all of the territories. The rates are shown under column A prior to the Ex Parte 123 increases and in column B they include those increases. In no case are the Ex Parte 148 increases included. As to the Southwest, there are shown two scales, one headed "July 28, 1929" and the other headed "Effective April 9, 1937". The reason for this is that we have two mileage scales in effect within the Southwest. The rates effective July 28, 1828 increased as per column B are used to ascertain rates applicable on commodities taking column bases and do not apply on class traffic. The rates in the second section headed "Zone 3, effective April 9, 1937", are the actual first class rates to be used on class traffic.

These two pages are compiled in mileage blocks so that [fol. 1972] the averages of the total distance to the end of each block may be easily ascertainable. I will limit my comment, but want to point out that as compared with Official territory and using column A of the Southwestern rates, effective April 9, 1937, and column A of Official territory, both of these being prior to the Ex Parte 123 increases, at five miles the Southwest is six cents higher than Official, but by reason of the Ex Parte 123 increases this spread has become seven cents as shown in column B.

Chairman Aitchison: Just how important in your judgment as a traffic man is this five mile rate?

Mr. Bee: He is only going to show two breaks, Mr. Chairman, just to show the start and finish.

Chairman Aitchison: I want to know how important he considers it.

The Witness: I want to show by showing five miles what occurred at the start of the mileage scale and then show how the spread has been increased materially when you get greater distances.

By Chairman Aitchison:

Q. The five mile rate does not move very much of the class rate traffic, does it?

A. No, it does not, but the considerations in the fixing of the five mile rate, which are largely terminal, occur in both distances, the long distances or short distances.

Mr. Bee: It does not mean, Mr. Chairman, that the five [fol. 1973] miles is representative of the movement of any traffic. We are just citing here the beginning and ending of the scale. That was the only purpose.

Chairman Aitchison: Very well. Please proceed.

The Witness: At 1,000 miles the difference in column A using 273 cents in the Southwest and 165 in Official, is 108 which became 118 with the Ex Parte 123 increases. In other words, what I am giving consideration to here is that the spread at 1,000 miles is $1.18 and at five miles it is six cents, but the same terminal charges occur on a less than carload shipment moving under the first class rate, whether it moved 1,000 miles or five miles, and it just seems to me that the spread is too great at 1,000 miles.

Page 4 shows that originally the Southwestern scale as indicated in the first column was progressed 282 points. It started with 36 cents at five miles and at 1,500 miles the rate was 318, with a progression of 282. At that time the total progression in Official territory scale was 185. A comparison effective April 9, 1937 occasioned by the 21st Supplemental Report order, and not including Ex Parte 123 increases, shows the progression in the Southwest was 322 and in Official territory, 185.

Chairman Aitchison: Again, how important is this 1,500 mile figure? You would have difficulty in finding a 1,500 mile haul in either Official or Southwestern territory, would [fol. 1974] you not?

The Witness: A 1,500 mile haul in the Southwest?

Chairman Aitchison: You might get it, of course, from El Paso over to Little Rock or Memphis, but you would not be able to find that in Official territory, would you?

The Witness: Not within Official territory, but you would from Official territory to the Southwest.

Chairman Aitchison: I mean, what would be the area within which these two scales you are talking about would operate? You could not find a 1,500 mile haul within Official territory, could you?

The Witness: You could find a 1,500 mile rate from El Paso, as you said, which is 900 miles across the state of Texas, to a point in Northwest Arkansas near the Missouri line.

Chairman Aitchison: Yes, but with respect to Official territory have you any such haul?

The Witness: Within Official?

Chairman Aitchison: Yes.

The Witness: Not that I know of.

Chairman Aitchison: Proceed.

The Witness: Page 4 also shows a summary which includes the percentage average each mileage scale bears to the Official scale from which it will be noted that the Southwestern Zone 3 scale is 160.4 per cent of the Official scale and the total progression in that scale is 173.5 per cent of the [fol. 1975] Official scale. Page 5 is self-explanatory and is a graph compiled to show as nearly as possible the comparison of Official versus Southwestern first class scales.

By Mr. Bee:

Q. Now, Mr. Murray, at page 5 there are a considerable number of hauls in the Southwest at 800 miles, are there not?

A. Yes, sir.

Q. And the relationship between the Official scale and the Southwestern scale is approximately the same at 800 miles as it is at 1,500 miles, is it not?

Mr. McCollester: We cannot hear counsel back here.

By Mr. Bee:

Q. The comparison or range in the scales between the Southwestern scale and the Official scale as shown on page 5 is approximately the same for 800 miles as it is for 1,500 miles, is it not?

A It levels off about that distance.

Com. Alldredge: Is that the first class scale?

Mr. Bee: Yes.

By Mr. Bee:

Q. Proceed, Mr. Murray.

A. Page 6 of this exhibit——

Q. Before you take up page 6, did you call attention to the correction on page 1?

A. Page 1—I think I did, yes.

Mr. Norman: He did, yes, about Montana.

Mr. Bee: Yes.

[fol. 1976] By Mr. Bee:

Q. Before you explain this, will you call attention to a correction on page 6?

A. Well, it is the same situation. The upper drawing was made before the carriers voluntarily withdrew zone 4 rates from Southwest Texas and Oklahoma.

Q. That caused your No. 4 Southwestern figure shown on page 6 to be what instead of 175?

A. 160.4.

Q. Proceed, please.

A. This graph shows the relationship between the value of manufactured products in each of the territories and the first class rate scales. This impresses me, and I think should impress anyone with the fact that wherever we find the lowest rate adjustment, we find the highest degree of manufacturing, and where we find the highest rates, the lowest degree of manufacturing is evident.

It must be obvious that if the lower level of freight rates causes the concentration of manufacture in one territory, there should be a correction. I use the word "territory" because we now have territorial adjustments. I do not think we should have territories, but to the contrary, so far as transportation costs are concerned, there should be equal opportunity for each state in the United States to develop and process its own resources.

Page 7 shows departures from the mileage scales on pages [fol. 1977] 3 and 4 in that they are the specific prescribed first class rates. In my opinion the rates included on this page are indicative of most severe discrimination against the Southwest. They show that industry in Official territory may distribute its products into the Southwest at lower than the Southwestern normal scale. It is true that the rates apply between, and the Southwest may enter Official territory on the same basis per mile that Official territory may enter the Southwest, but a manufacturer of a commodity in the Southwest shipping to Southwestern points pays the full Southwestern scale, whereas a manufacturer of a similar commodity at Official territory points delivers into the Southwest at less than the full Southwestern scale.

The opposite is true when a manufacturer in the Southwest endeavors to distribute in Official territory. He pays the first class or rates related thereto shown on this page, but he is not permitted to distribute to points in Official territory on the Official territory scale.

Page 8 is a graph. The data thereon was compiled by taking the average of the distances and rates shown on page 7 compared with the average of the distances and first class rates applicable thereto in Official territory between the points shown on this graph. Taking the average of the distances from the four Southwestern points to Buffalo, New York, for instance, it will be noted that the [fol. 1978] cost for the distance from the Southwestern points to Buffalo is about $2.90 while the cost for equal distance, all of which is within Official territory, is slightly over two dollars. The solid black portion shows the cost for the average distance from the Southwestern points to the Official points shown, while the lower sections which are shaded show the cost for the same average distance within Official territory.

Q. By the term "cost" you mean freight rate applicable, Mr. Murray?

A. Applicable in connection with the first class rate, yes.

Q. Yes.

A. Page 9 shows the arbitraries to be added to the class rates to or from Mississippi River crossings, Memphis and south, in making rates between Official and Southern territory on the one hand and points within 170 miles of the west side of the Mississippi River, Memphis and south. These class arbitraries were prescribed by the Commission in the 21st Supplemental Report. At page 656 of that report, the Commission found the arbitraries were necessary to remove rate lumps at the territorial border points. When it prescribed these class arbitraries it also provided that they should apply to the 26 columns, but the columns were eliminated in the 22nd supplemental report for reasons I have heretofore mentioned in connection with pages showing the mileage scales.

[fol. 1979] Chairman Aitchison: On that page, Mr. Murray, I do not understand the meaning of "110" after the words "Distance in miles," in the first line.

By Mr. Bee:

Q. Will you explain what the distance in miles, 110 miles, is, Mr. Murray?

A. That 110 is 110 per cent of first class. The arbitraries are published in that way, Mr. Chairman.

Mr. Bee: The classes break at the dotted line, 110, first class, second 79½, then, third, 75.

The Witness: In other words, 13 is 110 per cent of 12, and the arbitraries are actually published that way in the tariff.

Chairman Aitchison: My point is, to what figures below does that distance in miles refer?

Mr. Bee: Oh. I see your point, Mr. Chairman. The distance in miles refers only to the figures below that.

Chairman Aitchison: Yes.

Mr. Bee: The 110 should fall under the word "classes." 110 per cent of first class is what is intended, Mr. Chairman.

Chairman Aitchison: What would that be, certain articles specially classified?

Mr. Bee: Yes, and that is the way the scales were actually published in response to the Commission's order. You will notice column 77½ and column 75 are shown, and [fol. 1980] Mr. Murray has used it exactly as published. Does that explain it?

Chairman Aitchison: Yes. Proceed.

The Witness: While we were not successful in having the connecting lines publish the first class arbitraries for 170 miles west of the Mississippi River to the 26 commodity columns, the Southeastern lines through negotiations with the railroads serving the 170 mile territory, did agree to make the class arbitraries applicable in connection with certain commodity columns, westbound only. This was accomplished by publishing a list of the Southern tariffs containing rates from Southeastern points to Memphis and other river crossings, in Southwestern lines tariff 254-A which carries the through rates, and providing that in making through rates on the commodities in those tariffs, the class arbitraries west of the river would be used. Then the Southwestern lines included in section 3 of Southwestern lines exceptions 173-O the exceptions to the classification which would be used in connection with the class arbitraries.

In other words, if one of the Southeastern tariffs listed in Southwestern lines tariff 254-A carries a rate on a given commodity of 20 cents from a given point to Memphis and the Southwestern lines exceptions carries that commodity in section 3 at column 50, the rate from the point in the Southeast to a point 100 miles west of Memphis would be made [fol. 1981] by adding 20 cents to the rate from the Southeastern point to Memphis, providing that results in lower than the through published class rate.

The Official territory lines control the rates to and from their territory. Experience has proved that the Southwestern lines may be willing to establish certain bases from the Southwest to Official territory or in the reverse direction and may approve such bases in their general traffic committee meetings, but this gives no assurance that the bases approved by their lines will be adopted by the Official territory lines and in many cases it is not.

In connection with the arbitraries shown on this page, we have been unsuccessful in securing the cooperation of the Official territory lines in even going as far as the Southeastern lines have gone by publishing them in one direction, although we desire that they be published; if our territorial adjustment remains in effect, we would like to have them published both ways.

Pages 11, 12 and 13 show tariffs where the carriers have voluntarily made lower rates on the first four classes within parts of the Southwest than prescribed by the Interstate Commerce Commission, indicating to me at least, that the prescribed rates are too high to move the traffic. I do not think those pages really need any explanation.

By Mr. Bee:

Q. Page 11 applies to traffic in Arkansas and from [fol. 1982] Arkansas to adjacent states?

A. That is correct.

Q. Page 13 applies within Oklahoma and from Oklahoma to Kansas, Missouri and Arkansas, I believe?

A. Yes.

Q. Is that correct?

A. That is correct.

Q. You might call attention to the extreme end of the scales where they trail into the 13535 scale.

A. The scale in Arkansas is commonly called the 70 per cent scale because it starts out at 70 per cent of the Interstate Commerce Commission prescribed basis. It grades into the prescribed basis at 200 miles. My recollection is—I believe I have it on this exhibit. That is true of Arkansas, but it is not true of Oklahoma entirely. The Oklahoma scale grades into the Southwestern scale at a much lower distance than the Arkansas scale.

Q. Just the reverse. Higher, is it not?

A. Oh, yes. It even goes higher, yes.

Q. Yes.

A. Pages 14 to 21 show ratings prescribed by the Interstate Commerce Commission on commodities shown. I have shown the prescribed rating in Southwestern territory and prescribed rating in Official territory and have given the I. C. C. Report citation. The Official territory prescribed [fol. 1983] ratings will largely be found on pages 21 and 22—or rather, beginning on page 20. Page 22 shows classification exceptions in effect generally in connection with the voluntary class rates in Oklahoma and Arkansas and between those points and points in other states as shown on pages 11 and 13. I have here compared them with the exceptions applicable generally throughout the Southwest in Southwestern lines exceptions 173-O. In Oklahoma and between Oklahoma and contiguous points in other states the percentages of first class applicable, generally, interstate in the Southwest have been observed, while in Arkansas and between Arkansas and contiguous points in Louisiana, Oklahoma and Memphis, Tennessee covered by Southwestern lines tariff 220-E and shown in the second column, the percentages of first class are usually lower than the general exceptions covering Southwestern territory.

With respect to pages 23 to 37, these pages contain comparisons of commodity rates within the Southwest, from the Southwest to Official territory, and within Official territory for equal or nearly equal distances as responsive to the Commission's notice to the public of January 9, 1940. At least, the way we have construed the notice, the Commission asked us to show class rates and rates on all other traffic which we have endeavored to do. On page 32——

Mr. Barron: Mr. Chairman, before we leave these last [fol. 1984] few pages, I want to object to the receipt of them for the reason that they are not involved in this proceeding.

Chairman Aitchison: They have not been offered yet.

Mr. Barron: Then I will reserve the objection, or the motion.

The Witness: On page 32 I would like to ask that a correction be made in the column with the capital A in parenthesis, or in connection with those rates. We have shown the fifth class rates and since the exhibit was made I have found that they really are 110 per cent of the rates in Official territory shown in the next column; in other words, 110 per cent of class 27½-J.

Mr. McCollester: That applies to all of the rates bearing the letter "A" preceding them?

The Witness: That is right.

By Mr. Bee:

Q. Proceed, Mr. Murray.

A. Page 38 shows graphically the discriminations existing in rates on fiberboard boxes using Little Rock, Arkansas as a Southwestern origin and New York as an Eastern origin. The left-hand section of the graph shows rates and distances and it shows that Little Rock is compelled to pay 49 cents to ship to Aurora, Illinois, 602 miles, whereas New York may ship 909 miles to that point for 47 cents. I have some more comparisons to read into the record, but I think that page is sufficiently self-explanatory, except that I do [fol. 1985] want to call attention to the fact that the state areas in the lower map are distorted to show the relative spendable income. That spendable income was obtained from the Department of Commerce Reports for the year 1939.

Page 39 is a similar showing on canned foodstuffs, carloads from Fayetteville, Arkansas which is the center of a large producing area in Arkansas with Baltimore, Maryland. Page 40 is a similar showing on work clothes from Little Rock and Boston to various points. Page 41 is a similar showing with respect to furniture and furniture parts, carload, from Fort Smith and Gardner, Massachusetts. Page 42 is a similar statement on finished wooden handles, carload, using Hope, Arkansas, a large manufacturing point of wooden handles and New York as a comparison.

Page 43 shows the authority for the mileages shown on the preceding charts. With respect to page 44, these figures were ascertained by taking Bureau of Statistics Statement No. 40100, first ascertaining the amount of revenue received from each group of commodities and the number of tons handled and dividing one by the other to ascertain how much was received per ton, and then taking similar action as to the Southwestern area and ascertaining what per cent the result in the Southwestern area is of the Eastern district. Page 45——

Mr. Bee: Just a minute.

By Mr. Bee:

Q. On page 44 you did not try to weight the haul in any [fol. 1986] way, but simply took it upon the revenue per ton?

A. That is right.

Q. Proceed.

A. Page No. 45 is a graph to show the local consumption of forest products in Arkansas and the amount and value that is shipped outside of the state. Now, a great deal—I cannot say how much, but a great deal of the forest products shipped outside of the state of Arkansas and noted here as exported, are semi finished materials such as staves, headings, box material and things of that kind. In other words, we cannot finish a lot of our own wood products.

Mr. Bee: Before you proceed any further, Mr. Murray, I would like to offer in evidence exhibit No. 96 because I understand the carriers will have some objections to pages 23 to 37, I believe it is, and if those be sustained, then we will not introduce the next two exhibits. If the objections be overruled, then we desire to introduce the next two exhibits.

Mr. Barron: I object to the receipt of pages 23 to 38 of exhibit 96 for the reason that the rates on the commodities shown are not class rates. They are either commodity rates or rates made by exceptions to the classification. They are not responsive to the Commission's notice of January, 1940.

Chairman Aitchison: Is it your understanding that the only rates which have been shown to us have been those [fol. 1987] which are class rates?

Mr. Barron: No. You have received a lot of rates that are not class rates, but not as far as the Southwestern territory is concerned.

Chairman Aitchison: Did not the respondents show many rates that were not class rates?

Mr. Barron: Yes. Certainly we did, but for an entirely different reason. Whether they are showing these rates for comparison or not, I do not know. They say they are putting them in because they are responsive to your notice of January, 1940.

Chairman Aitchison: I think we have to enforce the same rule both ways. I think we received a lot of testimony with respect to what these raw material rates were in the South, and so forth, by respondents. I do not know why we should not let this go in.

Mr. Barron: The only reason I object, if you will permit me to say so. Mr. Chairman, is this: There are a lot of commodities shown here that are not necessarily raw materials such as wrapping paper and things of that kind. Now, I know there are a lot of the carrier representatives that are a little bit up in the air about just whether or not the Commission is in the proceedings going to consider the question of rates that take a column rating without being specifically a class rating, and if we are not too presumptuous, I would [fol. 1988] like to have the Chairman tell me, at least—maybe everybody else knows it—whether or not you are considering in this proceeding the rates that take a percentage of the class rates, but which are not in and of themselves in the classification, and are not in the exceptions.

Chairman Aitchison: We do not care to amplify the statements which have been made by the Commission and have been put out and served on all of the parties.

Mr. Barron: Thank you.

Chairman Aitchison: That ought to suffice.

Mr. Barron: Thank you.

Chairman Aitchison: The objection is overruled.

By Mr. Bee:

Q. Now, Mr. Murray, present your exhibit No. 97, please.

Mr. McCollester: May I ask Mr. Bee—I think the question should probably be addressed to him—whether he has offered the rate statements and the pages to which objection was made as illustrative of rates which he considers in issue in this proceeding or simply because he thinks that the Commission has asked for them, but regards them as not in issue?

Chairman Aitchison: Will you state the purpose for which the offer is made, Mr. Bee?

Mr. Bee: In the notice of January 9, 1940, the Commission in the numbered paragraph on page 1 asked or suggested, "In order to afford a record for the determination [fol. 1989] of the issues in these proceedings", and so forth, "the present differences between the levels interterritorially and intraterritorially in and between Official, Southern, Southwestern and Western Trunk Line territories of A, class rates and B, rates on all other traffic". We assume that the Commission desired to weigh all traffic and we have presented, so far as it is possible, what we thought were relative rates for that purpose. We tender pages 23 to 37 in that spirit and we will tender exhibits 97 and 98 with that intent in mind. Does that answer your question?

Mr. McCollester: I am afraid not. I do not know whether you think that these are rates as to which you are seeking relief, if I may put it that way, or seeking a change in these proceedings, or whether they are not.

Mr. Bee: I am going to leave that to the Interstate Commerce Commission, to say what issues are involved in the case, at this time. I am presenting the testimony on all matters, and especially those which I think the notice calls attention to. I think in our briefs we may be able to argue what is or what is not involved in the proceeding.

Mr. McCollester: I think the Commission may have called for information for the purpose of itself using rates by way of comparison for testing rates that are in issue.

Chairman Aitchison: I ask counsel to examine the Commission's order of August 1, 1940 in Docket 28300 and advise [fol. 1990] me whether there is any uncertainty about it. Hand it to Mr. McCollester and Mr. Barron and let them see it.

Mr. McCollester: I can read this, Mr. Commissioner, but it does not answer the question I asked of Mr. Bee. As I understand it the rates put in issue are the first class rates and then it is ordered that the order be modified so that the scope of the investigation shall include all rates determined by ratings in the classification proper. I understand these are not in the classification proper. Why the Commission asked for them, I do not know.

Chairman Aitchison: Well, is it possible, for instance, that fiberboard boxes, knocked down, have no rating in the classification?

Mr. McCollester: There may be some other rates in the classification, or rating in the classification, but I do not understand that these rates that are shown in these pages of this exhibit are rates which are in accordance with the classification proper.

Chairman Aitchison: There certainly are ratings in the classification for fiberboard boxes, knocked down, or the ingenuity of our experts is slipping terribly.

Mr. McCollester: If that is the proper interpretation, then I take it that this proceeding involves every rate on every commodity in the classification.

Chairman Aitchison: It certainly involves our fixing a [fol. 1991] proper classification for every article which moves in commerce that we can think about. There may be exceptions to that which are forced by local conditions which we are not inquiring into now, but we want to make a proper classification of every article moving in commerce by these respondents.

Mr. McCollester: I think the difficulty is not one in which I am alone, because I have talked with other counsel and I think we are all in the same boat as to not knowing just what rates are involved.

Chairman Aitchison: We may not be able to take these particular less than carload rates from Little Rock to Chicago which are shown on page 23 and change them. We may not be able to change this exception rating, but that exception rating is the thing which is temporary and we hope that the classification will not be. We want an underlying classification which is fair, just and reasonable and complies with the Act.

Mr. McCollester: I understand, Mr. Chairman, of course, that the classification ratings of all commodities are in issue. I have not heard anyone in the course of the proceeding, so far, however, offer any evidence complaining about the rating in the classification on any particular commodity, or indicating what change in rating should be made. Everybody has talked about rates and not ratings.

Mr. Bee: I think Mr. McCollester is in error there. The [fol. 1992] Commission asked that we not pick any one commodity in the case and give its classification ratings history and what changes we wanted on each of them specifically. We certainly are here asking first, for a uniform classification; and second, for uniform rates for application in connection with those ratings. In that connection, as we will try to show by some specific shippers, we will expect to have some rates that will be uniform throughout the country. Shall I proceed?

Chairman Aitchison: Yes. We see no objection to these pages.

Mr. Bee: Have you accepted exhibit No. 96?

Chairman Aitchison: Exhibit No. 96 is received in evidence.

(Exhibit No. 96, Witness Murray, received in evidence.)

By Mr. Bee:

Q. Mr. Murray, will you now take up and explain your exhibit No. 97?

A. Exhibit No. 97 is an exhibit of six pages and is the exhibit I identified as being compiled by the United States Department of Agriculture.

Q. The first page shows the actual rates prescribed by the Interstate Commerce Commission for intraterritorial application in the three regions, does it not?

A. That is right.

Q. Then the graphs merely show the interterritorial rates [fol. 1993] and how they are made up, and compares them with the intraterritorial rates?

A. Yes. I might explain just one line, and that will, I think, suffice for all of them. Refer to the third page, the first block, the line graph applying to fattened cattle. If you will take the first graph line, it shows that for 500 miles in Western territory the rate is 45 cents. Now, you take the last graph line which is the black one, and it shows that the Eastern territory rate for 500 miles is 42 cents. Using the second graph line the rate from the point of origin in the

West to a point 50 miles in Eastern territory would be 38 plus 15 or 53.

Q. Now, that exhibit was introduced in I. & S. Docket 4779 with all of the supporting data?

A. That is correct.

Q. Is that right?

A. Yes.

Mr. Bee: We simply borrowed it from that docket and introduced it here without the supporting data which we can provide if anyone desires it.

Com. Alldredge: Incidentally, Mr. Bee, the Southern rates have been changed, have they not, since this exhibit was made?

Mr. Bee: Yes. The Southern rates have been changed in Docket I. & S. 4779, but they were not available at the time [fol. 1994] we made this chart.

By Mr. Bee:

Q. Will you take up and explain your exhibit No. 98, please, Mr. Murray?

A. This exhibit No. 98 is a one page mimeographed statement showing rates applicable on fresh meat, packing house products and hides between important shipping points and receiving points west of the Mississippi River contrasted with rates applicable on similar commodities moving locally in the Eastern district. I think the exhibit is self-explanatory.

Mr. Bee: I offer in evidence exhibits Nos. 97 and 98, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibits 97 and 98?

Mr. Barron: To preserve the record I would like to object to the receipt of them because they are commodity rates and in no way related to class rates by exceptions or otherwise.

Mr. Bee: I am not sure there is a classification rating on common livestock in carloads west of the river. As to exhibit No. 98, counsel is sure there are in all of the classification territories in all of the classifications, ratings on fresh meats, packing house products and hides. There can be no question of the admissibility under the previous ruling of exhibit No. 98.

Chairman Aitchison: The objection to exhibit No. 97 is [fol. 1995] sustained, and the objection to exhibit No. 98 is overruled.

(Exhibit No. 98, Witness Murray, received in evidence.)

By Mr. Bee:

Q. Mr. Murray, in its notice of January 9, 1940, the Interstate Commerce Commission included certain matters which might be matters of interest to parties who desired to answer those questions.

A. Yes.

Q. Will you please turn to that and advise if you can answer question No. 2?

A. Well, our committee gave consideration to those questions and we did reach conclusions on some of them. As to No. 2 our conclusion was that there shall be one class rate level prescribed as maximum rates for application throughout the territory involved in these proceedings applied equally, mile for mile, between all points therein.

Q. Now, as to question No. 4: Shall the progression of the class rate scales be the same for less than carload or other unit volumes as for carload?

A. Having suggested only one scale, we could not suggest a different scale for each class of traffic. There necessarily would have to be just one progression.

Q. As to No. 6, the feasibility of prescribing minimum and maximum or precise class rates, what have you to say?

A. Our conclusion was and is that we do not favor the pre- [fol. 1996] scription of minimum or precise class rates.

Q. Now, as to No. 15, the desirability of making less than carload ratings vary with the weight or volume of the shipment, what have you to say?

A. The committee concluded that the ratings should not vary with the weight or volume of the shipment.

Com. Alldredge: May I ask a question right there?
Mr. Bee: Yes.

By Com. Alldredge:

Q. You have a great many of those rates in the West, do you not, and the Southwest?

A. Yes.

Q. Do you think they should come out?

A. That was the view of our committee and that is my view. They were established largely for the purpose of meeting motor truck competition, and in the handling of some of those weights I do not think the railroads really earned their cost—at least it did not appear that way to me—and it tends to discriminate. For instance, a 5,000 pound rate has a tendency to discriminate against a shipper who can only ship 2,000 pounds.

Mr. Bee: We are not answering the question, Mr. Commissioner, as to motor. We are answering it solely as to rail.

Com. Alldredge: Does that mean you might have a different view as to the motor carrier rates?

[fol. 1997] Mr. Bee: May I answer that?

Com. Alldredge: I will not insist upon it.

Mr. Bee: I am going to answer you in just a minute, if I can have the witness answer it.

By Mr. Bee:

Q. As to No. 12, Mr. Murray, shall the classification of freight for rail and water transportation be revised to accord more or less importance to a weight-space basis with less or more regard to value, what have you to say?

A. Our conclusion is that more importance should be given to weight and space with less importance to value.

Q. No. 14: To the extent that sizes of railroad car bodies are to be considered in the determination of minimum weights applicable in connection with carload ratings, what size of car shall be used as a standard?

A. We decided, based upon the greatest availability of equipment, that the 40-foot seven-inch car should be used.

Q. With respect to No. 16, the practicability or necessity of a uniform basis of classification for all territories, what have you to say with respect to that?

A. There should be a uniform classification to apply within the entire territory.

Q. Many of these questions, and especially No. 7 and beyond, use the term "motor" in connection with rail and rail and water. Were any answers made as to the motor part of the questions?

A. No, sir.

[fol. 1998] Q. Why?

A. We understood that the motor classification was involved and then in our further consideration we had information, in fact, an order from the Commission which left the motor carriers out of this particular hearing.

Q. And we did not study the motor portion of the question?

A. That is correct.

Q. Now, then, has it been decided by the committee at this time, or what action did they decide to take as recommending to the Commission the number of classes or the level of the rates to be prescribed?

A. The conclusion of the committee is that we have not sufficient information before us to offer a suggested scale at this time, but based upon the evidence, when the case is concluded, or the hearing is concluded, we may suggest a scale on brief.

Q. Have you anything further to add, Mr. Murray?

A. No.

Mr. Bee: You may cross-examine.

Chairman Aitchison: With respect to exhibit No. 97, it is my duty to develop whether or not you wish to withdraw this.

Mr. Bee: Yes, if the Commission thinks it is not admissible.

Chairman Aitchison: There it is.

[fol. 1999] Mr. Bee: Does that change the exhibit numbers?

Chairman Aitchison: The exhibit numbers are not changed. That is provided for by rule 92, I believe.

Mr. Barron: Is that all?

Mr. Bee: That is all.

Chairman Aitchison: You may cross-examine.

Mr. Barron: I would like to ask a few questions, if I may, please, sir.

Cross-examination.

By Mr. Barron:

Q. Mr. Murray, you stated, I believe, that you were in favor of a uniform classification throughout the Southwest, and I understand you mean the Official classification territory, is that right?

A. I did not say the Southwest. I said, throughout all of the territory involved in these proceedings.

Q. Do you mean by that, that you want the Commission to fix very definite class rates and that there shall be no departure from the class basis that the Commission fixes?

A. Not at the time they fix them. The Commission may find it necessary through formal proceedings of some kind to change some of the class rates later.

Q. Would you have the Commission definitely fix a class rating on a specific article and not permit the carriers, if conditions warrant it, to change that classification by an exception?

[fol. 2000] A. Yes, I would. We have so many exceptions now, we do not know what the rate is.

Q. Then you do not want any exceptions in the Southwest, is that right?

A. Not if we have a proper classification.

Q. Do you speak for all of the shippers in Oklahoma and Texas?

Mr. Bee: Now, if the Commission please, I think we introduced the witness and said who he was representing. Naturally he cannot represent nor speak for all shippers in Oklahoma and Texas. No man could do that.

Chairman Aitchison: He can testify as to what his opinion is. That is as far as he can go.

Mr. Barron: All right, sir.

The Witness: The answer is "No".

Chairman Aitchison: I do not mean as to whether he speaks for everybody. He is not claiming to speak for anybody except himself. After he has taken the oath he is here to tell the facts.

Mr. Barron: I understand that, but I also understood there was a committee appointed and that Mr. Murray was representing that committee who in turn was representing the territory in the Southwest.

Chairman Aitchison: You can ask him what the committee thinks about it, if he knows.

By Mr. Barron:

Q. Do you know whether or not in your committee meet-[fol. 2001] ings it was discussed whether or not there should be a fixed and definite classification throughout the territory involved in these proceedings?

A. I cannot conclude that we meant anything else when we said we want a uniform classification and a uniform class rate scale.

Q. Now, would you expect or do you ask the Commission, I will say, in these proceedings to fix a definite classification on canned goods throughout this territory without any consideration to the situation that exists in Arkansas?

A. Throughout this territory, without considering Arkansas?

Q. Without giving any special consideration to the situation in Arkansas.

A. I do not think any territory has a right to special consideration.

Q. Do you know whether or not there are any conditions in Arkansas as far as the cannery industry is concerned, that is not present in the cannery industry in Indiana and Illinois?

A. To this extent: We do not produce the same quality or the same assortment of canned goods that they do in Illinois and Indiana.

Q. You do produce some commodities in cans in Arkansas that they do in Illinois and Indiana, do you not?

A. Tomatoes, spinach, and probably one more vegetable.

Q. Was there a representative of the canning industry on [fol. 2002] your committee?

A. No, sir.

Q. Then you do not know just how they felt about it, is that correct?

A. No. I do not know how they felt about it.

Mr. Barron: All right.

By Mr. Barron:

Q. Looking at page 6 of your exhibit No. 96, tell me the source of your comparative freight rates in the top block, please.

A. The source?

Q. Yes.

A. I think you will find practically all of it on pages 3 and 4.

Q. In other words, you have drawn those lines and those cliffs from pages 3 and 4?

A. Yes.

Q. Is that correct?

A. Yes, sir.

Q. On page 7 you show rates between certain Central Freight Association points and Eastern points and Southwestern points. You have shown the rate to El Paso. That is the old rate without the elimination of differentials, is it not?

A. What page is that?

Q. Page 7.

A. Which rate are you talking about?

[fol. 2003] Q. Take, for instance, the rate from Chicago to El Paso. You show the first class rate as $3.51. Is that the rate with the differentials added?

A. It is the rate prescribed in the 21st Supplemental Report as explained by the explanation of column B. At least, it was intended to be.

Q. Is it not true that since that time the differentials have been eliminated?

A. They have as to first class. They have not as to some commodities.

Q. Now, could you tell us what percentage of the traffic of the shippers that you represent moves intraterritorially, or interterritorially on strictly class rates?

A. We don't hardly know what a class rate is in our territory; we have too many exceptions.

Q. On page 9 you show the so-called class arbitraries that were prescribed in the 21st Supplemental Report. They became effective in 1937. Do you know of any changed conditions in the territory now that did not exist at the time those rates were put into effect?

A. No material change, no, but we were not satisfied with that adjustment. We did not believe it took care of the conditions that then existed.

Q. That is what you are attacking here, is that right?

A. I am not attacking anything. I am here representing [fol. 2004] my views to this Commission in a proceeding initiated by the Commission.

Q. You are asking the Commission to correct that situation that you do not like?

A. Yes.

Q. Is that right?

A. Yes.

Q. In this proceeding?

A. Yes.

Q. Now, in some of your sheets, from 23 to 38 inclusive, I believe you show rates on cotton.

A. Yes.

Q. Do you know of any rates that move in the Southwest —or rather, cotton that moves in the Southwest on class rates or exceptions to class rates?

A. None that I know of.

Q. Do you know of any furniture moving in the Southwest on class rates or exceptions to class rates?

A. They move on various rates. Some of the minimum weights I believe apply on class rates. Others have commodity columns or commodity rates.

Q. But are they shown as class rates, or as exceptions to the class rates?

A. They are shown as exceptions, usually. Less than carload furniture does move on class rates.

[fol. 2005] Q. How about lumber shown on page 30? Does that move on a class rate or on an exception to a class rate in the Southwest?

A. No. They have commodity tariffs applying on lumber.

Q. As to wrapping paper and paper boxes, how does that move, on what rates?

Chairman Aitchison: Just a minute, on lumber.

Mr. Barron: Yes.

Chairman Aitchison: It may move from producing points on commodity rates, but when it moves from one station to another other than from a producing point, it moves on class rates, does it not?

The Witness: If it moves from one station to another in our territory, Mr. Chairman, it moves on commodity rates.

Chairman Aitchison: Throughout? I am not talking about producing points. I am talking about from one station to another, where a producing point is not involved.

The Witness: I do not know. That is, I am not sure. I would not say.

Chairman Aitchison: Proceed, Mr. Barron.

By Mr. Barron:

Q. On page 32 you show rates on wrapping paper, and paper boxes, for instance, from Crossett, Arkansas to Chicago, Illinois. You show that as 84 cents, the fifth class rate.

Chairman Aitchison: He corrected that to 110.

The Witness: I do not know. That is, I am not sure. I would not say.

Chairman Aitchison: Proceed, Mr. Barron.

By Mr. Barron:

Q. On page 32 you show rates on wrapping paper, and paper boxes, for instance, from Crossett, Arkansas to Chicago, Illinois. You show that as 84 cents, the fifth class rate.

Chairman Aitchison: He corrected that to 110.

[fol. 2006] The Witness: I corrected that to be 110 per cent.

By Mr. Barron:

Q. Do you not know that there is a commodity rate of 40 cents that moves all of that paper out of Crossett?

A. Well, 110 per cent of 42 is 46.

Mr. Barron: I did not know that you had corrected that. I did not hear you.

By Mr. Barron:

Q. In presenting this case to the Commission, is it your idea, Mr. Murray, that the rates that are presently in effect in Official territory should be made to apply in Southwestern territory?

A. No.

Q. Well, what are you asking the Commission to do here?

A. I am asking the Commission to fix a scale that will apply within the entire territory. I am not asking for the present Official scale.

Q. Then you could bring about the result you desire by taking the Southwestern scale and making it apply all over the territory, could you not?

A. It would bring about equality, provided it did not become so high it would not move the traffic, and your competitors would get it, which they are doing in the Southwest.

Q. You say the competitors are getting the business in the Southwest?

A. Yes. Year before last they handled about 1,100 cars of tomatoes, canned tomatoes and other canned goods you [fol. 2007] were talking about from Indiana and Illinois to the state of Arkansas alone by truck.

Q. Do you know whether or not the cannery business in Arkansas in the 1940-1941 season and the 1942 season showed a substantial gain?

A. It did, in 1942. I do not recall what it was in 1941.

Q. Would you want the Commission in order to arrive at this equalized basis, we will call it, to fix for the Southwest the same rates on raw materials as they would fix them for application in Official Classification territory?

A. If the Commission after due investigation found that the rates for a given haul on any commodity should be a certain amount, I would have no objection to that being applied throughout the territory.

Q. Let us take the question of cotton. You are familiar with the rates on cotton, are you not?

A. Yes, sir.

Q. Would you want to see the same rates applicable in the Southwest on cotton as might be found reasonable for application in Official Classification territory?

A. If the circumstances surrounding the gathering of cotton were the same in Official territory, yes.

Q. Well, you know they are not, do you not?

A. I said, if they were, I would not object.

Q. Would you want the Commission to fix a rate from the [fol. 2008] Southwest on cotton on basis of whatever rate they would find as reasonable for application in Official territory?

A. I do not know whether I can answer that.

Q. You can answer it, if you will.

A. You are asking if I will do something, or if I will agree to something, based upon the assumption that there is a possibility that you would have a certain condition with respect to cotton in Official territory.

Q. No.

A. The Commission has found in several cases that cotton requires special treatment.

Q. You understand my question, do you not?

A. Yes. I think I answered it.

Q. All right. That is the answer you want to give to it, is that right?

A. That is right.

Q. Take the question of livestock: Would you want the Commission to fix the same rates on livestock——

Chairman Aitchison: We excluded the exhibit with respect to livestock, Mr. Barron, on your objection. If you go ahead with it, we may have to put it in.

Mr. Barron: I was just carrying this to the extreme to find out how far he wanted to go.

Chairman Aitchison: I want to warn you that if you pursue your examination with respect to livestock, we will have [fol. 2009] to reverse the ruling.

Mr. Barron: Thank you for the warning, sir.

By Mr. Barron:

Q. Let us take the rate on petroleum and its products. Would you have any reason to believe that a rate reasonable for application in Official territory would be reasonable for application from the Mid-Continent territory?

A. I think as to your basic carload commodity, wherever you find a general traffic movement, the same rates ought to apply; the rates ought to be the same.

Q. That is regardless of whether conditions would be the same or not?

A. I said, considering the traffic movement.

Q. Well, is there any difference in the conditions, transportation or otherwise, in the Southwest, than in the Official Classification, that you know of?

A. A very great difference. I tried to explain it. The difference is that the Official territory has an extreme advantage today, in my opinion.

Q. In what respect?

A. In having its lower rate adjustment, its general adjustment.

Q. Do you know of any traffic or transportation conditions that would warrant the Southwest having the same rates as the Official territory?

Chairman Aitchison: Are you talking about petroleum [fol. 2010] now?

Mr. Barron: I am talking about traffic in general.

Chairman Aitchison: When did you change from petroleum?

Mr. Barron: When he said he thought it ought to be the same.

Chairman Aitchison: You are going to discuss the general problem, then?

Mr. Barron: That is what I am asking now.

Chairman Aitchison: Very well.

By Mr. Barron:

Q. Speaking generally, would you say that the traffic and transportation conditions in the Southwestern territory warranted a different level of rates than in Official territory?

A. I think not.

Q. And the reasons are what? What are those reasons?

A. The reasons I gave in the three answers to your last three questions.

Q. Repeat them for me. I did not get them.

A. That wherever the Commission finds traffic conditions similar or wherever they find the general traffic trend similar, the rates should be similar, but there is an additional reason: I have never been able to understand why the Southwestern lines did not really try to industrialize their section which can only be done by giving the manufacturer a rate that will permit that industrialization.

[fol. 2011] Q. Do you know of any manufacturer in the Southwest that has not been given consideration in the rates so as to enable him to distribute his products?

A. I know manufacturers that have been given consideration, but they have not had successful results.

Q. So it was not a question of freight rates as to whether they were prosperous or not, is that correct?

A. You have a rate from Chicago to Wichita, Kansas on paper boxes on a 12,000 pound minimum. The rate from Little Rock is 48 cents, with a 20,000 pound minimum. The railroads serving Little Rock, reaching Wichita, refuse to reduce the rates to the Little Rock manufacturer.

Q. What is the rate from Hutchinson, Kansas on the same commodity?

A. I do not know.

Mr. Barron: That is all.

Chairman Aitchison: Is there anything further with Mr. Murray?

Mr. McCollester: One question.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. If I correctly understood you, it was your direct testimony that the Southwestern Committee of whom you were chairman, answered the Commission's question that there should be one uniform classification throughout the country; is that correct?

[fol. 2012] A. That is correct.

Q. Has your committee given consideration to the question, and if so, what has been its conclusion, as to how uniformity should be arrived at and what the classification should be in those instances where at the present time a particular commodity may be rated differently in one territory from its rating in another territory?

A. On the commodities where they are now rated that way?

Q. Yes.

A. You see, our position is that we want a uniform scale of rates. Now, if we have a uniform classification applied to that uniform scale, there will not be any difference in one territory than in the other, because there will only be one t[illegible]ory.

Q. But which territorial rating would you take as the proper one for the uniform classification? I understand there are some hundreds of instances where there are different ratings in different territories.

A. There are, but we have not decided what to suggest at this time to the Commission as to what the rating should be on each commodity at any particular place.

Mr. McCollester: That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Murray?

Mr. A. L. Reed: I have one or two questions, Mr. Chair-
[fol. 2013] man.

Chairman Aitchison: Mr. A. L. Reed.

By Mr. A. L. Reed:

Q. Mr. Murray, I am interested in your question of uniform classification. Bearing in mind that you have in Official many class relationships that do not exist in the Southwestern or Western territories, how did your committee propose to establish uniformity in those instances where a commodity is rated rule 26 or something of that kind, some rating of that nature, in Official and no such percentage relationship in the Southwest?

A. Well, our idea about that, of course, is that in giving consideration to the rating to apply to a given commodity, the Commission will abolish those exceptions. However, we have not suggested yet what the ratings would be.

Q. I am not speaking of the exceptions. I am speaking of ratings in the Official Classification that do have specific application to their rate scales in Official territory such as rule 26, class 6 or 7 or something of that character, the ratings in Official for which you do not have corresponding percentage relationships in the Southwest.

A. Well, when we have uniformity we may not have rule 26 anywhere.

Mr. A. L. Reed: The question I want to ask you is this:

By Mr. A. L. Reed:

Q. What consideration did your committee give as to how uniformity would be established? Would you take those [fol. 2014] Official ratings and transplant them into the Southwest, or vice versa? What was the idea of the committee on that question?

A. The idea of the committee, Mr. Reed, was that the Commission would arrive at a reasonable classification rating to apply to a given commodity and then apply that rating throughout the territory here involved.

Q. It was your theory then, and that of your committee, that you would have a complete revision of the classification ratings so that uniformity might be established?

A. Not necessarily complete revision. The ratings are alike in the three territories on many commodities.

Q. What I want to know is whether or not your committee gave consideration to the variety in class relationships, Official territory versus the Southwest and how you wanted uniformity established. Do you want the Official relationship or the Southwestern relationship made the basis for establishing uniformity?

A. When I said we had not decided at this time to suggest ratings for the classification, I meant to be understood as saying we have not given it proper consideration.

Q. Then the committee has reached no conclusion as to how it would desire to have uniformity established?

A. No, sir.

Mr. A. L. Reed: One more question.

[fol. 2015] By Mr. A. L. Reed:

Q. You said something in your direct statement about the Commission giving more consideration to density and less consideration to value. Did that relate to less than carload traffic and carload traffic, both, or either?

A. I think it should relate to both.

Q. To what extent would you have the Commission disregard value in fixing less than carload classification ratings on high class manufactured commodities?

A. If you would like my personal view, I would like to give it to you.

Q. I am asking for your view as a witness.

A. I think you ought to have a classification for less than carload freight that would not be more than possibly 50 pages, and carry in that classification only light and bulky articles. The other articles not shown in the classification would take one class. The classification would provide that shipments made under this classification are at shipper's risk, and you would provide an insurance policy on the front of the classification if he wants to insure them. That takes into consideration the space occupied in a car. There is one thing about it which I do not know how it could be overcome, and that is that a railroad or nobody else can avoid his own negligence.

Q. Would it be in the interest of manufacturing industries in the Southewestern territory to have less than carload ratings from Official territory made so as to disregard [fols. 2016-2017] value and ability to pay charges?

A. Well, I did not say, disregard value. My answer to that is "No".

Mr. A. L. Reed: Thank you.

Chairman Aitchison: Is there anything further with Mr. Murray?

Mr. Widell: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until 8:30 tomorrow morning.

(At 5:00 o'clock p. m., September 30, 1942, an adjournment was taken until 8:30 o'clock a. m., October 1, 1942.)

[fol. 2018]

Hotel Claypool,
Indianapolis, Indiana,
October 1, 1942.

Met pursuant to adjournment at 8:30 o'clock A. M.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner.

Hon. J. Haden Alldredge.

And a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances: As heretofore noted.

[fol. 2019]

Proceedings

Chairman Aitchison: Come to order, please, gentlemen. Mr. Murray is still on the stand for cross-examination by Mr. Widell.

J. C. Murray resumed:

Cross-examination (continued):

By Mr. Widell:

Q. Mr. Murray, in your proposal I understand you contemplate the cancellation only of the existing exceptions to the classification, is that true?

A. I did not say that.

Q. Do you contemplate a cancellation of all existing commodity rates as well?

A. I did not say that.

Q. Well, what did you say?

A. I said we wanted a uniform mileage scale of rates with a uniform classification.

Q. Now, are you thinking in terms of the west and southwest and all other sections of the country as well?

A. I am thinking of the territory involved in this proceeding. You are familiar with it, I believe.

Q. Have you given consideration to the effect of that on Southern territory, for instance?

A. Southern territory is involved in this proceeding.

Q. Have you given consideration to the effect on carriers [fol. 2020] and industries in Southern territory?

A. I have made no study of costs, and therefore I have not been able to give consideration to the effect upon the carriers.

Q. Do you have any personal knowledge of industrial conditions in Southern territory?

A. I think I have a fairly good knowledge, yes, sir.

Q. Then you have given some consideration to the effect upon the carriers and industries in the Southern territory?

A. I did not give that any consideration, the effect upon the carriers. As to industry, my position is that we must have a revision in the rates in order to industrialize the Southwest.

Mr. Widell: One more question.

By Mr. Widell:

Q. In achieving this uniformity you speak of, is it correct to assume that that will include all forms of transportation rates, charges and practices?

A. In so far as they are involved in this proceeding being considered here today.

Mr. Widell: Thank you, sir.

Chairman Aitchison: Is there any further cross examination of Mr. Murray? (No response.) Have you anything further, Mr. Bee, with this witness?

Mr. Bee: No.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.

[fol. 2021] Mr. Bee: Mr. Frye.

Chairman Aitchison: Raise your right hand and be sworn.

P. A. Frye was sworn and testified as follows:

Direct examination.

By Mr. Bee:

Q. Will you state your full name for the record, please, Mr. Frye.

A. P. A. Frye.

Q. You are secretary of the Public Service Commission of the state of Louisiana?

A. I am.

Q. You are a member of the Steering Committee of the Southwestern Committee?

A. I am.

Q. Your state is also a party to the Southern Governors Conference presenting this case before the Commission?

A. Yes, sir.

Q. Louisiana happened to be on both sides of the river?

A. Yes, sir.

Q. Have you in your official capacity as secretary of the Louisiana Commission had occasion to study into the rates, ratings and method of rating on synthetic rubber?

A. I have, first.

Q. First will you state to the Commission what the classification ratings are on synthetic rubber.

[fol. 2022] A. You are speaking of carloads?

Q. Yes.

A. Item 39665-A of Consolidated Classification provides classification ratings on rubber, synthetic rubber, carloads, subject to a minimum weight of 40,000 pounds, of fourth class in Official territory, 50 per cent of first class in Western territory and 50 per cent of first class in Southern territory.

Q. Is there now constructed and in operation in the state of Louisiana a plant making and manufacturing synthetic rubber?

A. Yes, sir. There is, at North Baton Rouge, Louisiana.

Q. Are there other plants contemplated?

A. Yes. There are other plants projected at other points in that territory.

Q. When this plant was put into operation and first started shipping, what rates were in effect, if you know, on rubber to consuming points?

A. At the time the plant was first started and began shipping, there was in effect from Southern to Official territory a basis of rates somewhat lower than the Classification basis, that is, 50 per cent of the 13494 scale. I am sorry that I am not in a position to describe the exact basis of those rates, but they were related, as I recall, to the import rates on crude rubber and the import rates on crude rubber, as I recall, are on the basis of 35 per cent of first [fol. 2023] class plus 3 cents per hundred pounds.

Chairman Aitchison: Cannot this be brought to a focus? What is this all about?

Mr. Bee: We are going to attempt to show the Commission the effect of the northern lines, or the power of the northern lines to prevent through rates from the South and Southwest into that territory, and I know of no other way to develop it except to just ask the witness directly to state how. I can lead directly to it that way.

By Mr. Bee:

Q. When the plant was started and under operation, were the special rates cancelled, Mr. Frye?

A. These rates I have just referred to were cancelled effective April 20, 1942.

Mr. Bee: We ask that there be marked for identification, Mr. Chairman, exhibit No. 99.

Chairman Aitchison: It may be so marked.

(Exhibit No. 99, Witness Frye, marked for identification.)

By Mr. Bee:

Q. I hand you herewith an exhibit of one page marked Exhibit No. 99.

A. Yes.

Q. What is that?

A. This is a statement showing short-line distances, routes and rates in cents per hundred pounds on synthetic rubber, carloads, from representative origins in the Southwest to representative destinations in Official and South [fol. 2024] western territory, and rates for the same distances in Official territory. I would like to add that the rates shown on this exhibit are the basic rates. Ex Parte 148 increases have not been added.

Q. Now, on that date in April, 1942, when the special rates were cancelled, the rates shown in column 4 of your exhibit under the designation "Rate Class 50" became effective, did they not?

A. That is correct.

Q. Today the rates in the column following that marked "Rate for same distance in Official territory, class 36" are in effect?

A. They are in effect from Baton Rouge, Louisiana, yes.

Q. Will you explain in your own language what was necessary to secure the application of those rates and how long it took you to do it, as briefly as possible.

A. The plant located at North Baton Rouge was started by the Standard Oil Company of Louisiana some two years ago; that is, the construction of it was started at that time. It has since been greatly enlarged. It started shipping several months ago, or on or about the first of this year. Immediately after they started shipping, they began shipments both carloads and less than carloads to Official territory. Incidentally, there existed in Official territory on synthetic rubber, carloads, an exception to the classifica-[fol. 2025] tion basis of 36 per cent of first class, that is, the 15879 scale subject to a carload minimum weight of 60,000 pounds. After the special rates that I have previously referred to in my testimony were cancelled on April 20th of this year, that only left in effect from the South to Official territory the 50 per cent of the first class 13494 scale. The shippers at that time began——

Chairman Aitchison: You have answered the question. The question was, what rate became effective.

The Witness: 50 per cent of the 13494 scale.

Chairman Aitchison: That answers the question.

Mr. Bee: No. I asked him to describe the proceedings necessary to secure that rate, Mr. Chairman.

Chairman Aitchison: I thought you just asked him what the rate was.

Mr. Bee: No. I asked him to describe in his own language as briefly as possible the proceedings necessary to secure the Eastern basis.

Chairman Aitchison: Proceed.

The Witness: After the special rates were cancelled, the shippers began to negotiate for a new scale of rates. They felt like they were entitled to the Official territory level. They convinced the Southern lines that they were entitled to such a level. A proposal was filed and processed in the usual manner by the Southern lines, who agreed to the [fol. 2026] Official level. When the matter was submitted to the Official lines, the Trunk lines of Official territory issued a non-concurrent report. Subsequently, as a result of certain influences and upon reconsideration the Official lines concurred in the proposal and the new rates were published from North Baton Rouge and are in effect and have been since the 2nd of this month, but they are only published from Baton Rouge proper to destinations in Official territory and not from other prospective producing points in the South and Southwest.

By Mr. Bee:

Q. Then to state it briefly, although it was a war period, it required a going industry from April until September to secure the same rates that its competitor was enjoying?

A. That is correct.

Q. If we had a uniform classification, and a uniform rate scale, it would have been unnecessary, is that true?

A. That is true, yes, sir.

Q. Have you anything further to add, Mr. Frye?

A. I think not.

Mr. Bee: You may cross-examine.

Mr. Barron: Just one question.

Chairman Aitchison: Mr. Barron.

Cross-examination.

By Mr. Barron:

Q. Is there any production at these Southwestern points [fol. 2027] shown in your Exhibit No. 99?

A. I am sorry, but I did not get the question.

Q. Is there any production at these Southwestern points shown on your Exhibit No. 99?

A. I know of no production at these points at this time, but plants are springing up all around, as you know.

Q. They are also spreading around in Western Trunk Line territory, are they not?

A. Yes. I think it is general all over the country.

Mr. Barron: That is all.

Chairman Aitchison: Is there any further cross-examination? (No response.)

Mr. Bee: I ask that Exhibit No. 99 be received in evidence, Mr. Chairman.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 99? (No response.) Without objection, it is received.

(Exhibit No. 99, Witness Frye, received in evidence.)

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Bee: Mr. Dehne.

Chairman Aitchison: Raise your right hand and be sworn.

C. C. DEHNE was sworn and testified as follows:

[fol. 2028] Direct examination.

By Mr. Bee:

Q. Your name is C. C. Dehne?

A. That is right.

Q. State where you live and the business in which you are engaged, Mr. Dehne.

A. Stuttgart, Arkansas, manager of the Arkansas Rice Traffic Bureau.

Mr. Bee: I ask that Mr. Dehne's exhibit be marked for identification as Exhibit No. 100, Mr. Chairman.

Chairman Aitchison: It may be so marked.

(Exhibit No. 100, Witness Dehne, marked for identification.)

By Mr. Bee:

Q. I hand you herewith an exhibit which has been identified as No. 100.

A. Yes.

Q. Will you explain what that is.

A. This is an exhibit prepared by myself which covers rates on rice and its products from the Southwest to territory east of the Mississippi River, principally.

Q. Now, first will you say what your organization is composed of.

A. The Traffic Bureau represents a number of shippers and receivers of freight among whom are rice mills at Carlisle, DeWitt, Harrisburg, Jonesboro, Newport, Stuttgart and Tuckerman, the seven largest rice mills in the state.

Q. Go to the map and explain it very briefly.

A. Page 2 is a map showing the location of the rough [fol. 2029] rice-producing territory within Arkansas, Louisiana and Texas and by star the rice mill locations are shown. In reproducing this map these stars have been rather obliterated. In Arkansas rice mills are located at Carlisle, DeWitt, Harrisburg, Jonesboro, Newport, Stuttgart and Tuckerman.

Q. Give us the rice mills in Louisiana, Mr. Dehne.

A. Abbeville, Church Point, Crowley, Estherwood, Eunice, Gueydan, Jennings, Kaplan, Lake Charles, Mermentau, New Iberia and Rayne.

Q. Give us the mills in Texas.

A. In Texas, Bay City, Beaumont, El Campo, Houston and Orange.

Q. Roughly speaking, the rice production is in the southern portion of the territory shown on the map except the Arkansas production, what is about in the central portion of the map.

A. Yes, as shown by the shaded areas.

Q. Go to page 3, please, Mr. Dehne.

A. Mr. Bee, I would like to explain that rice mills outside of the source of the rough rice production are located at Baton Rouge and New Orleans, Louisiana, Memphis, Tennessee, and St. Louis, Missouri.

Q. Pardon me.

A. It has been necessary to name all of these points because this exhibit is for the rice industry in general.

Q. Explain page 3.

A. Page 3 is the estimated rice consumption by states [fol. 2030] taken from bulletin No. 3, Home Economics Department, Rice Milling Industry, and shows first that within Central Freight Association territory 12.79 per cent of the rice is consumed; in Trunk Line territory, 11.79 per cent; in New England, territory, 2.23 per cent; or within Official territory, a total of 26.81 per cent of the rice consumed within the continental United States.

Q. Turn to page 4 and briefly explain what that shows.

A. Page 4 is a comparison of Official, Southern and Southwestern first class rates and related percentages thereof for equal distances.

Q. Is there a correction on that page to start with, Mr. Dehne?

A. Yes. Under column 8, opposite Southwestern 5th class is shown 40 per cent. I would like that to be corrected to 37½ per cent.

Q. That would change the rates for the entire column, would it not?

A. Yes, sir. That will change the rate opposite "S. W." all the way down that column. At 500 miles, instead of 78 cents it should be 73 cents. At 900 miles, it should be $1.06 instead of $1.13.

Q. Every column shown at the top of the map represents an actual rate that you use somewhere at some time, or that some rice mill uses, is that correct?

[fol. 2031] A. Yes. All of the columns other than first class.

Q. What is the actual classification of rice in the classification?

A. Rice is classified 6th in less than carloads and carloads respectively in the Official classification, 6th and 27½ in the Southern and 4th and 5th in Western classification.

Q. What are the three important columns shown on page 4 to the rice industry or to your portion of the rice industry?

A. Columns 16, 17 and 18 are all important to the rice-milling industry because they are the normal carload ratings on clean rice. Rates in Official territory are class 27½-K, or as shown under column 16. Rates in Southern territory, or from Southern territory to Official territory, are class 27½-V, or as shown under column 17. Rates in Southwestern territory or from Southwestern territory to Official and Southern territories are class 26, or as shown under column 18.

For example, at 500 miles the Official class 27½-K rate is 33 cents. The Southern class 27½-V rate is 45 cents.

The Southwestern class 26 rate is 51 cents. The 5th class Western classification rate is 73 cents.

Q. In the Southwest?

A. Yes, sir. At 900 miles the Official rate is 45 cents, the Southern rate, 62 cents, Southwestern class 26, 73 cents, and Western 5th class rate is $1.06. From rice mill origins [fol. 2032] in Arkansas, Louisiana, Texas, Memphis, Tennessee, and New Orleans, Louisiana, depressed rates are in effect and will be discussed on pages 5, 6 and 7.

Page 5 is a comparision of distances, first class rates, normal rates, and so-called depressed rates on clean rice with per car mile and per ton mile earnings from the five rice mill origin groups to points in Southwestern ~~territory~~ and Mississippi-Missouri river crossings. Page 6 is a similar compilation to destinations——

Q. I think that page is self-explanatory, Mr. Dehne.

A. All right.

Q. Page 7 is a similar one and shows destinations?

A. Yes.

Q. Go to page 8.

A. Page 8 is a comparison of column 26 of the Southwestern scale, column 27½-V or 27½-J of the Southern scale with column 27½-K of the Official scale for equal distances. These rates and distances have been taken from the preceding pages, 5, 6 and 7, and are explained in the first two columns of this exhibit.

Mr. Bee; I would like to have explained at this point, please, what the 27½-K scale is and why you call it the "K" scale. If counsel may make a statement, Mr. Chairman, in Official territory rice should be column 27½. When the Commission authorized in Ex Parte 123 the 10 per [fol. 2033] cent increase, they authorized only a 5 per cent increase on certain commodities, rice being one of them. That caused the carriers to have two 27½ scales, one increased 10 per cent and one increased 5 per cent. Then it goes out of the classification and goes into a classification exception. That is the point I want to make, if the Commission will accept my statement, or if necessary I will put it on through the witness.

Chairman Aitchison: Is there any dissent from that statement? (No response.) That seems to be sufficient.

By Mr. Bee:

Q. Now, take your last page of your exhibit, page 9.

A. Page 9 is a map of the territory involved in this proceeding. I have shown the short-line distance from Stuttgart, Arkansas, to Cairo, Illinois, which is 267 miles, and the class 26 rate is 35 cents. From Cairo, Illinois, to Indianapolis, the distance is 278 miles, and the rate is 24 cents. The through short-line distance from Stuttgart, Arkansas, to Indianapolis, is 526 miles, and the Southwestern class 26 rate is 48 cents. The Official territory rate for that same distance would be 34 cents. Similar comparisons have been made from Crowley, Louisiana, to Cleveland, Ohio and from Houston, Texas, to Jamestown, New York, portraying equal distances, or distances within the same block.

Q. Where it was necessary to go beyond the distances [fol. 2034] for which rates are actually shown in Official territory, you progressed the scale at the same rate that it was progressed for the last 100 miles?

A. Yes, sir. To the best of my ability that was the procedure I tried to follow.

Q. Mr. Dehne, in shipping rice into Official territory, are you able to secure lower than the published railroad rates by authorized interstate carriers, and if so, how?

A. Yes. From one of our mills at Jonesboro, Arkansas, we are transporting rice by contract motor carrier and by a common motor carrier to Cairo, Illinois, at a rate of 18 cents per 100 pounds. That rate added to the Official territory 27½-K rate, for example to Pittsburgh, Pennsylvania, produces a combination of 56 cents against the through rate of 63 cents or defeats the through rate by 7 cents.

Q. You mean, it is lower than the through rate?

A. Yes.

Q. The through rail rate.

A. The combination over Cairo is that much less than the through rate.

Q. Yes.

A. At Buffalo, New York, it is 7 cents, Philadelphia, Pennsylvania, 9 cents, New York City, 9 cents, and Boston, Massachusetts, 11 cents. Those are typical of what takes place at all destinations east of the Buffalo-Pittsburgh line.

[fol. 2035] Q. If you had available from the Southwestern mill points direct to these destinations in Central Freight Association and Trunk Line territories, the same scale that applies in that territory, it would not be advisable or profitable for you to use this truck line, would it?

A. Certainly not.

By Comm. Alldredge:

Q. Do you reship at the border?

A. Yes, sir.

By Mr. Bee:

Q. Will you briefly explain to the Commission the advantage, if any, that a mill at St. Louis has over a mill located at the source of supply in Stuttgart?

A. The rice mill in St. Louis draws rough rice from what we call the north end of the rough rice production territory on a rate of 21 cents. That rate added to the class 27½-K rate beyond St. Louis produces rates which defeat the through rate on clean rice from the Arkansas group at Indianapolis, 4 cents; Chicago, 7 cents; Cincinnati, 5 cents; Detroit, 6 cents; Cleveland, 4 cents; Pittsburgh, 4 cents; Buffalo, 5 cents; Philadelphia, 7 cents; New York, 7 cents; and Boston, 9 cents.

Q. And the mill at St. Louis is using the lawfully published railroad interstate rates?

A. Yes, sir.

Mr. Bee: Before turning this witness over for cross-examination, I would like to direct the Commission's [fol. 2036] attention to the fact that in this instance the Western classification rating on rice is column 50, 50 per cent of first class, and it is not one of the so-called 10 classes. That is, that is the actual rating in the classification, but it is not one of the 10 known classes in the Southwest.

By Mr. Bee:

Q. Have you anything further to add, Mr. Dehne?

A. Only this: it requires 14 pages of classification rules, regulations and classification exceptions, rules and regulations to check a rate on rice. In item 18745 of the Consolidated Classification, under the carload ratings, rice in Official territory takes 6th class, Southern territory 27½, and Western, 5. We think that spread is too great.

Q. You would be agreeable to any rate that was uniform and reasonable, applicable throughout the territories?
A. Yes.

Q. You would like one classification on your rice?
A. Yes, sir.

Mr. Bee: We offer in evidence Exhibit No. 100, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit No. 100? (No response.) Without objection it is received.

(Exhibit No. 100, Witness Dehne, received in evidence.)

The Witness: I would like to add one more thing.
Mr. Bee: All right.
[fol. 2037] The Witness: Throughout Exhibit No. 100, wherever a minimum weight of 20,000 pounds is shown, that rate was cancelled effective September 5, 1942.

By Mr. Bee:

Q. Since the exhibit was prepared?
A. Yes, sir.
Mr. Bee: That is all.

Chairman Aitchison: You may cross-examine.

Mr. J. R. Bell: I have one question.
Chairman Aitchison: Mr. Bell.

Cross-examination.

By Mr. J. R. Bell:

Q. I have not understood that the great bulk of the movement of rice from the Texas and Louisiana producing points was on class rates and class ratings. Is that the situation?
A. Yes, sir.

Q. I thought you had obtained commodity rates that moved a great bulk of that commodity.
A. The commodity rates——

Q. From Texas and Louisiana producing points. I know that the decisions of the Commission are full of Lake Charles rice milling cases, and so forth.

A. These depressed rates do move the bulk of the rice from Louisiana and Texas points.

Q. Those are special commodity rates established by the railroads for the purpose of moving your rice from Texas [fol. 2038] and Louisiana producing points, are they?

A. No, sir. They were established to meet motor truck competition.

Q. They were established by the railroads, were they not?

A. Yes.

Q. Irrespective of what the purpose was, those special commodity rates referred to by you as depressed rates move the great bulk of the rice produced in Texas and Louisiana, is that not correct?

A. Yes, sir.

Mr. J. R. Bell: That is all.

The witness: I might explain——

Mr. Bee: Go ahead.

The Witness: —that these depressed rates have had the effect of breaking down the relationship prescribed by the Commission in Docket 26430, 219 I. C. C. 5.

Chairman Aitchison: Are there any other questions?

Mr. McCollester: I have one question.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. There is no rice grown or milled in the state of New York or Eastern Trunk Line territory, is there?

A. No, sir.

Q. Now, is it not a fact that a great part of the rice from the Texas and Louisiana mills to New York and Eastern [fol. 2039] Trunk Line territory moves by water in normal times?

A. It did, yes, sir.

Mr. McCollester: That is all.

Mr. Barron: One question.

By Mr. Barron:

Q. Mr. Dehne, do you advocate the establishment of the C. F. A. scale of rates on rice from the rice producing points of Arkansas, Louisiana and Texas?

A. I would rather leave the level of the rates up to the Commission.

Q. Are you advocating them? Can't you tell us that?
A. No, sir. I am not advocating that.
Mr. Barron: That is all.

Chairman Aitchison: Is there any further cross-examination of this witness? (No response.) Have you anything further, Mr. Bee?

Mr. Bee: No.

Chairman Aitchison: You may stand aside.

(Witness excused.)

Chairman Aitchison: You may call your next witness.
Mr. Bee: Mr. Thatcher.
Chairman Aitchison: Be sworn.

H. K. Thatcher was sworn and testified as follows:

Direct examination.

By Mr. Bee:

Q. Will you state your full name for the record, please, [fol. 2040] Mr. Thatcher?
A. H. K. Thatcher.

Q. What official position do you hold with the state of Arkansas?

A. I am the Executive Director of the Arkansas Agriculture and Industrial Commission.

Chairman Aitchison: What was that?
The Witness: The Arkansas Agriculture and Industrial Commission.

By Mr. Bee:

Q. In that position what are your duties, largely?
A. My duties largely are to develop and promote agriculture and industry, particularly to develop industries that can make use of our natural resources.

Q. How long have you held that position?
A. My immediate position?

Q. Yes.

A. Five years.

Q. What was your experience prior to that?
A. Well, I have been in Arkansas some 26 years, primarily working either for the state or the Federal govern-

ment, starting in as a county agricultural agent and coming up the line.

Q. What class of work have you been engaged in? What has been the purpose of your work?

[fol. 2041] A. The first part of my work in Arkansas, of course, was entirely devoted to the development of agriculture, but the latter part has been to develop industries.

Q. Have you attempted recently to develop any industries in Arkansas?

A. Yes, sir. For the past five years that has been my sole job.

Q. What has been your experience in that department, Mr. Thatcher?

A. Well, our effort has been to try to show the people, the industrial people, that Arkansas has natural resources, labor and power and what it takes to produce and support industry. Our difficulty has been right along the lone of what this case appears to be, trying to correct inequalities of the freight rates we have had between our location and the populated centers of the north and east.

Q. What has been your success in securing the location of industries for manufacturing purposes in the state of Arkansas?

A. We have not had any too great success. We have always come up against this unequal freight rate proposition. That has been one of the items that kept us from getting capital invested in manufacturing plants.

Q. Will you name some of the larger concerns with whom you have discussed the establishment of plants in the state [fol. 2042] of Arkansas?

A. Well, I suspect that we have had contact with most of the—not all, of course—but we have had contact with all of the big rubber concerns, DuPont, Carbon and Carbide, Guggenheim Brothers, and many others.

Q. What was the result, and if you did not succeed in getting industries, what reason was assigned, if any?

A. Well, in practically every case one of our troubles has been the unequal freight rate. They would ask us when we would get in contact with these concerns, to give them a survey of our conditions, and we would attempt to set out all the advantages and of course the disadvantages, because there is no use trying to be unfair with a man when you are trying to convince him he should spend some money in your locality. In practically every case we have run up against the unequal freight rates as one of the principal factors that has caused the lack of industrial development within the state.

Q. Speaking from your five years' experience as an official of the state of Arkansas whose duty it is and has been to seek industries, is it your opinion that an equalized freight rate throughout the Southwest and Central Freight Association territory or the eastern district and a uniform classification on manufactured articles would lead to a greater building of manufacturing plants in Arkansas?

[fol. 2043] A. I do not believe we are ever going to get proper development without that equalization.

Q. You think that equalization would bring plants to Arkansas?

A. It certainly would help.

Q. Have you anything further to add?

A. I do not know that I have, sir. That is the meat in the cocoanut.

Mr. Bee: That is all.

Chairman Aitchison: You may cross-examine. Mr. J. R. Bell.

Cross-examination.

By Mr. J. R. Bell:

Q. You named a number of concerns or industries engaged in certain production that you said you had contacted.

A. Yes.

Q. As I understand you, you contacted them in an effort to have them locate plants in your territory?

A. Yes, sir.

Q. Were those concerns principally located in Official territory?

A. If I understand Official territory is the north and east—yes.

Q. May I inquire seriously, in view of the fact you gave this testimony, whether you took into consideration whether or not obtaining the location of plants by industries now [fol. 2044] operating in Official territory would be to the best interests of the nation as a whole.

A. I think decidedly it would be.

Q. And you would consider it to be to the best interests of the nation as a whole to obtain industries of any description now operating in Official territory in Arkansas?

A. No, sir. I would not say that.

Q. What would be your exceptions?

A. I think I said a while ago that the type of industries that we sought were the ones that could particularly use our raw materials and be fitted to our particular locality.

Q. Are those manufacturing industries?

A. Some of them, yes, sir.

Q. Would you mind briefly enumerating the manufacturing industries that you have in mind?

A. Well, I would——

Q. Not the concerns. Merely the commodities.

A. I would say any manufacturing concern or processing plant that could use the raw materials of the farm or the forest or our mines.

Q. That would be practically all industries, would it not?

A. I presume it might be, because we produce nearly everything down there, but some of it is not in sufficient quantities to make it so profitable.

Mr. J. R. Bell: That is all.

[fol. 2045] Mr. Barron: I have one or two questions.

Chairman Aitchison: Mr. Barron.

By Mr. Barron:

Q. Mr. Thatcher, is there any commodity that is produced in Arkansas in any quantity that does not today have a commodity rate or moves on exceptions to the class rates?

A. You are asking me something I do not know about, the commodity rates and so forth. The other gentlemen who have testified will have to answer that.

Q. Arkansas is a rather large producer of canned goods, is it not?

A. We produce a good many canned goods there, yes sir.

Q. You do not know anything about the rates on them, do you?

A. I know that the canneries are always complaining about not being able to reach the congested centers of the United States because of the freight rates.

Q. Do you know whether or not there are special commodity rates on canned goods from Arkansas to a large territory?

A. No, sir. I do not know anything specifically about the rates. I know what the result of the rates is.

Q. Arkansas produces quite a large quantity of bauxite ore, does it not?

A. A very large quantity, yes, sir.

Q. Do you know whether the freight rates are retarding the movement of that ore?

[fol. 2046] A. That being about the only place in the United States that ore could come from, I presume it is fixed so it can move very freely.

Q. As a matter of fact, Mr. Thatcher——

A. What our problem is, is to get a manufacturing plant that can produce and make some of the finished goods out of that bauxite ore. That is what our problem has been. We cannot do it.

Q. Do you know of any commodity produced in Arkansas, the movement of which has been retarded because of the freight rate?

A. (No answer.)

Q. I am asking you if you know that of your own knowledge.

A. I do not know how you acquire knowledge in particular, but I know what the other folks tell me is the trouble.

Q. Tell me the commodities that are produced in Arkansas that you have understood the movement of which has been retarded because of the freight rates.

A. Your canned goods is one thing.

Q. What else?

A. Certain classes of lumber, for another.

Q. What else?

A. I presume the same thing would be true of practically every commodity that is either mined or grown on the farms.

Q. With respect to paper boxes, you produce them in [fol. 2047] Arkansas, do you not?

A. Some, yes.

Q. Would it be possible for you—or rather, let me ask you this: are you aware of the fact that the rates on many commodities that are produced in Arkansas are lower than they are in C. F. A. territory and by "C. F. A.," I mean Official territory.

A. That may or may not be so, but it does not alter the fact that we are unable to get capital to invest in manufacturing plants in Arkansas, and I presume the same thing holds true in the Southwest because of that unequal freight rate adjustment.

Q. Would you advocate on behalf of the producers in Arkansas the establishment of the Official classification basis of rates?

A. I do not know anything about what the Official classifications are, but I do know we want a uniform rate so we can compete on equal terms with anybody else.

Q. You would be satisfied if your rates were increased so as to bring about that equalization, is that right?

A. I do not know about increasing or decreasing. I want them equal.

Q. Regardless of how that is done?

A. It does not make any difference to me.

Mr. Barron: Thank you, sir.

[fol. 2048] Chairman Aitchison: Is there any further cross-examination? (No response.) Mr. Bee?

Mr. Bee: One question.

Redirect examination.

By Mr. Bee:

Q. Mr. Thatcher, the primary purpose of your department is to establish industries in the state, is it not?

A. That is correct.

Q. You would like to have some industries that would carry that bauxite ore into the finished pot or pan that goes into the home, is that it?

A. That would seem to be our heritage, yes.

Q. Instead of letting the bauxite ore go out of the state and having the pans come back into the state?

A. That is exactly it.

Mr. Bee: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) You may stand aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Bee: Mr. Henry.

Chairman Aitchison: Raise your right hand and be sworn.

L. A. Henry was sworn and testified as follows:

Direct examination.

[fol. 2049] By Mr. Bee:

Q. Your name is L. A. Henry?

A. That is correct.

Q. Where do you live?

A. Little Rock, Arkansas.

Q. What official position if any do you have with the state?

A. I am Director of the Arkansas State Planning Board.

Q. Would you tell us briefly what the work of that Board is in so far as transportation or the development of industry is concerned.

A. One of the functions of the Board is to keep and assemble facts concerning resources of the state and all of the data that would be related to the development of the state or the development of the institutions of state government.

Q. By reason of your being the Director of the Arkansas State Planning Board, are you a member of any regional planning board?

A. I am a member of several committees of the South Central Region of the National Resources Planning Board.

Q. What is the South Central Region?

A. It consists of the states of Arkansas, Louisiana, Oklahoma and Texas.

Q. The states which generally comprise what is known as the Southwest?

A. Except, of course, for that part of Louisiana east of the river.

[fol. 2050] Q. Except for the part of Louisiana east of the river?

A. Yes.

Q. Did that joint board make certain investigations into the conditions in the Southwest?

A. Yes, they have. They have continuously and continually made investigations of conditions.

Q. What was the general concensus of opinion of that board of which you are a member as to the mineral resources of the Southwest?

A. In a report made in 1942 by a committee known as the Regional Development Council, consisting of a number of representatives of the four states, including myself, there were several statements and conclusions drawn, one of which I should like to call your attention to. That is a report of the Bureau of Mines that normally about one-fourth of the United States' total mineral production based on value comes from the South Central Region or the four states mentioned earlier.

Q. What was the conclusion of the Board as to gas reserves or fuel reserves to be used for manufacturing purposes in the Southwestern Region?

A. It was estimated that the natural gas reserve in the region ranged from forty-seven to fifty-one trillion cubic feet, or about 50 per cent of the total gas reserves of the United States.

[fol. 2051] Q. What was the conclusion or finding of the Board as to industry generally?

A. There was a general statement—before passing, I would also like to mention the fact that 95 per cent of the bauxite originating in the country comes from that region and from the state of Arkansas. That was brought out by a previous witness.

Q. What was said by the Board relative to industry locations or development?

A. This was concluded by the Committee, that the lack of industrial development in the South Central Region as compared with the United States is indicated by several factors. For instance, the Region has nearly 10 per cent of the national population. It has only 5 per cent of the industrial establishments, 3 per cent of all the wage earners in manufacturing establishments, pays less than 3 per cent of the total wages, and produces only 4 per cent by value of all manufactured products. Moreover, the industries of the South Central Region are responsible for only 3 per cent of the nation's total wealth created by manufacturing. In other words, the manufacturing process in the South Central Region adds but 3 per cent to the finished value of its manufactured goods. It is also significant to know that the refining of petroleum was responsible for 38 per cent of this amount.

Q. It is the duty of your Board in your state and similar [fol. 2052] boards in other states to assist the Development Agent such as Mr. Thatcher in seeking industries for the states, is it not?

A. Yes. That is one of our functions.

Q. What part of the work do you do in connection with that?

A. We assemble the data with respect to all the factors necessary for study, such as transportation, raw resources, energy, labor, and other elements that are necessary for consideration in a study of that kind.

Q. In your investigation as a state official and as a member of the four state regional board, joint board, have you reached a conclusion as to whether the state of Arkansas and the Southwest generally is underdeveloped from a manufacturing standpoint.

A. I think the statistics just read bring that conclusion as an obvious result.

Q. Have you anything to add, Mr. Henry?

A. I should like to pursue for a moment the matter brought up by Mr. Thatcher, which I do not think was concluded thoroughly, and that is the fact that bauxite alone offers an enormous possibility for Arkansas, if there were assurances that after capital is invested there, the finished products could move competitively on rates comparable with other sections, where heretofore, before the war froze the manufacture of that particular lot of [fol. 2053] commodities, they were in Official territory largely. For example, there were about ten million tons of Arkansas raw bauxite moving out of the state and bringing in a value of approximately $5:50 per ton before any manufacturing of that ore or processing of the ore took place. Following the processing, the value of the products would be increased from about $22 for four tons of bauxite to anywhere from 15 cents a pound, or $300 a ton to perhaps $3,000, depending upon the things or items into which it was manufactured.

Q. There are now facilities in Arkansas or under construction in Arkansas to further the development of the ore to what stage?

A. There are two plants, one of which will bring it to the stage of aluminum bauxite, and the other would bring it to the stage of ingot metal.

Q. But up to the present time there are no facilities in the state of Arkansas to carry it into usable material?

A. That is correct.

Q. That is one of the things you are asking?

A. That is correct.

Mr. Bee: That is all. You may cross examine.

Chairman Aitchison: Is there any cross examination? (No response.) There seems to be none. You may step aside.

(Witness excused.)

Mr. Bee: That concludes the general presentation on my [fol. 2054] part. Mr. Cammack, Assistant Attorney General of Texas, will now take over.

Chairman Aitchison: Call your next witness.

Mr. Cammack: Mr. Tanner.

Chairman Aitchison: Raise your right hand and be sworn.

E. R. Tanner was sworn and testified as follows:

Direct examination.

By Mr. Cammack:

Q. Will you state your full name and residence for the record, please, Mr. Tanner.

A. My name is E. R. Tanner. I reside at El Paso, Texas.

Q. What position do you hold in El Paso?

A. I am secretary and traffic manager for the El Paso Freight Bureau, which serves as the traffic department of the El Paso Chamber of Commerce.

Q. You were designated by the Attorney General to serve as the Texas representative on the Southwestern Steering Committee, were you not?

A. That is correct.

Q. Are you also appearing here representing any other interest?

A. I am also appearing here as representing the El Paso, Texas Chamber of Commerce and the El Paso Freight Bureau.

Q. Will you briefly state your traffic experience?

Mr. Barron: We will admit his qualifications.

[fol. 2055] Mr. Cammack: Thank you.

The Witness: Thank you.

By Mr. Cammack:

Q. You have prepared a 16-page exhibit in four sections, have you not?

A. Yes, sir.

Mr. Cammack: We ask that that be marked for identification as Exhibit No. 101.

Chairman Aitchison: It may be so marked.

(Exhibit No. 101, Witness Tanner, marked for identification.)

By Mr. Cammack:

Q. Was Exhibit No. 101, marked for identification, prepared by you and under your direction, or under your direction?

A. It was.

Q. Is it true and correct to the best of your knowledge and belief?

A. It is.

Q. In your own way will you explain this exhibit as briefly as possible.

A. While this exhibit is largely self-explanatory, I desire to make a few comments in connection therewith. While there are a great number of textile mills in the Southwest, South and New England, I have selected Dallas, Atlanta and Boston as representative producing points in the various territories. Throughout this exhibit where I have [fol. 2056] shown the column 100 first class rates from Texas, they are the first class rates prescribed in the 21st supplemental report in Consolidated Southwestern Cases plus Ex Parte 123 increases.

I have indicated on pages 2, 3 and 4 of Exhibit No. 101 the column bases applicable on cotton piece goods except that I should have also indicated in connection with the rate from Dallas, Texas, to Omaha, on page 2 under column B, 58 per cent of first class, under column C, 62 per cent. and under column D, 58 per cent plus 5½ cents per hundred pounds. The note on page 6 shows the bases in effect on cotton piece goods from cotton-producing points.

Except to points in Northern and Western territories which generally include points in Western Trunk Line territory, the Commission in I. & S. Docket 5144 suspended the bases of column 50, column 45 and column 50 plus 5½ cents. This leaves in effect to Western Trunk Line territory points column 58 on finished goods, column 52 on unfinished goods, and column 58 plus 5½ cents on sheets, and so forth, except to stations in Illinois, Indiana and Kentucky covered by Agent Peel's I. C. C. 3359 and also to some Wisconsin stations and to Mississippi River crossings in Iowa and Missouri, the general Southwestern bases remain effective.

Pages 7-10 inclusive of Exhibit 101 relate to rates on sulphur. The rates shown on sulphur are all commodity rates unless otherwise indicated. The domestic production [fol. 2057] of crude sulphur in the United States for 1940 was 2,732,088 long tons and the amount shipped was 2,558-742 long tons. 81 per cent came from Texas. Nearly 19 per cent came from Louisiana. Less than 1 per cent was produced in California and Utah. By far the largest production in Texas is at New Gulf, and while I have used Freeport, the distance from New Gulf would be slightly less. The complaint of the Union Sulphur Company reported at 81 I. C. C. 382, contains a general review of the commodity freight rate structure on sulphur.

Pages 11 and 12 relate to the rates on cement. The distance blocks used do not follow the exact gradation of the various prescribed scales and are only intended to be representative of such scales. It is unnecessary to describe in detail the territorial application of the various scales. Their scope may be determined by reference to the decisions cited on page 12 of this exhibit and 128 I. C. C. 63.

All Texas intrastate rates beyond 75 miles were uniformly placed upon Western Cement Scale 3 effective September 16, 1940. Subsequent to said date the scale 3 rates were also established on interstate traffic, which had the effect of eliminating Scale 4 territory so far as Texas, Oklahoma and Kansas are concerned. There have not been included in the exhibit specific point-to-point rates. This was deemed unnecessary after a detailed examination [fol. 2058] of applicable tariffs which disclosed that specific point-to-point published rates for distances involved were on the exact scale bases.

Pages 13 to 16 inclusive deal with rates on grapefruit juice and on citrus fruits. The rates shown are commodity rates and in the main were established to meet truck competition. That is all I have to offer with regard to that exhibit.

Mr. Cammack: Mr. Chairman, I offer in evidence Exhibit No. 101.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 101? (No response.) Without objection, it is received.

(Exhibit No. 101, Witness Tanner, received in evidence.)

By Mr. Cammack:

Q. Mr. Tanner, do you have a statement to make with regard to the so-called differential territory or zone 4 in Texas?

A. I have.

Q. Please proceed.

A. Several witnesses in this proceeding have referred to the revisions of class rates in zone 4, commonly referred to in Texas as diffential territory. Zone 4 was placed on the Zone 3 basis of class rates effective August 16, 1941. This was in response to a petition filed by the railroad companies with the Interstate Commerce Commission on September 7, 1940. They requested authority to make effective [fol. 2059] within so-called zone 4 or differential territory the scale 3 or zone 3 basis of rates.

The petition was granted by the Interstate Commerce Commission in its order in Consolidated Southwestern Cases dated October 16, 1940. Thereafter Director Hardie was requested by the carriers to check out and furnish to them new key rates. This was done as to all differential territory both as to all-rail and rail-water rates. In this connection it might also be pointed out that the rail carriers voluntarily also agreed to cancel the so-called Texas differential rates applicable on traffic in general.

In Docket 28770, the recent Section 13 Texas Grain Case, I submitted an exhibit showing the revenue freight originated and terminated in the Southwestern region for the year ending December 31, 1940, as to commodities in connection with which no differential freight rates now apply, and it indicated that differential rates have been cancelled on 83 per cent of the originated traffic and on approximately 82 per cent of the terminated traffic. I might mention that there are still some differentials applicable in connection with the original class rate scale in the Consolidated Southwestern Cases. There are a few exception ratings carried in section 2 of Southwestern Lines Exception Sheet 173-O, but those rating are being transferred to section 3 of that tariff as rapidly as possible.

[fol. 2060] Q. Does that complete your statement?

A. No. I have something else.

Q. All right.

A. All differential rates have been cancelled on class and commodity traffic intrastate within the state of Texas. This was accomplished at various times, with the last order becoming effective on November 1, 1941. That order was issued under an agreement between the parties to settle a court case pending in the Travis County Court.

A question was asked Witness Murray by Mr. Barron if the rates to El Paso shown on page 7 of Exhibit No. 96 did not include the so-called differential rates. The rates in column B on page 7 do not include differential rates but perhaps they might have looked rather high to Mr. Barron when he arrived at his conclusion that they did not reflect the revised basis.

I would like to mention one additional fact. The industries located in our community have operated, in large part, under a system of rates that did not contain differentials. I refer particularly in this connection to the copper refineries, the smelting works, the oil refineries, the packing plants, work clothes manufacturers, the iron and steel fabricating plants, the foundries and the cottonseed oil mills. These plants have operated generally under a system of rates that did not and do not at this time include [fol. 2061] so-called differentials. There have not been established at El Paso any industries of any particular moment during the last 10 years. I believe that concludes my statement.

Mr. Cammack: You may cross examine.

Chairman Aitchison: Mr. Barron.

Cross-examination.

By Mr. Barron:

Q. Mr. Tanner, would you say generally that your rates on cotton piece goods from Dallas, using Chicago as a representative point of destination, are on a basis lower than the C. F. A. scale?

A. I do not believe that is a correct statement, Mr. Barron. I have not checked that out.

Q. Well, at least your exhibit demonstrates that your rates are no higher or no lower, approximately, than the rates from Boston?

A. Are you talking now particularly with regard to Chicago only?

Q. To what?

A. To Chicago only.

Q. I am using Chicago.

A. (No answer.)

Q. Your exhibit shows it, does it not?

A. Yes.

Q. Now, I want to ask you this: if it is a fact that your rates on cotton piece goods are lower than the C. F. A. [fol. 2082] scale, do I understand your presentation here today is to advocate the establishment of the C. F. A. scale in the Southwest?

A. We advocate equality between the two territories, Mr. Barron.

Chairman Aitchison: Is there any C. F. A. scale on cotton piece goods?

Mr. Barron: When I say "C. F. A. scale," I am talking about a rate that would be for that distance; possibly there is no scale as such.

Chairman Aitchison: As a matter of fact, the whole cotton piece goods adjustment is before the Commission yet, is it not?

The Witness: It is, Mr. Chairman.

Mr. Barron: Yes. That does not take away the fact, however, that the rate in C. F. A. for 931 miles is higher than the rate from Dallas to Chicago.

The Witness: Of course, in that connection, Mr. Barron, you know that the Dallas-Chicago rate was made with relation to the Atlanta-Chicago rate.

Mr. Barron: They are all the same, Boston, Atlanta and Dallas.

The Witness: Yes.

Mr. Barron: They are all the same to Chicago.

The Witness: Yes.

By Mr. Barron:

Q. In effecting this equality, do you have in mind the [fol. 2063] disregarding of all conditions within the Southwest that are different from those in Official territory?

A. No. I do not ask this Commission to disregard any of the existing condition, Mr. Barron.

Q. You would not want to see the rates on raw materials in the Southwest increased just to effect a relationship or equality with the C. F. A., would you?

A. I am not advocating that.

Q. Nor would you want to see the rates on the Official products increased just to effect an equality, would you?

A. I am not advocating any general increases in rates at all on any commodities.

Q. And you are not advocating any general reductions, are you?

A. I am asking for equalization only, and I am not suggesting how that equalization should be brought about.

Q. You do recognize that there are conditions in the Southwest that would necessitate departure from that equality, so-called, do you not?

A. There may be certain conditions that would have to be taken into consideration. I do not think we should ever have an adjustment that freezes the entire rate structure in the United States.

Q. You would not want a rigid classification in the Southwest, would you?

[fol. 2064] A. I want a uniform classification in the Southwest.

Q. But you realize it must be departed from at times?

A. It must be departed from at times in all territories.

Mr. Barron: Thank you, sir.

Chairman Aitchison: Is there any further cross-examination?

Mr. McCollester: I have one or two questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Tanner, have you prepared your Exhibit No. 101 for the purpose of showing rates which you seek to have changed in this proceeding?

A. I offered those for the particular purpose that the Interstate Commerce Commission stated in substance that they would like to have first, the class rates before them; and second, they would like to have the rates on all other traffic before them.

Q. Well, now, with respect to the rates on sulphur, for example, of course there is no sulphur produced in Eastern Trunk Line territory, is there?

A. No, but during normal periods it is stored at the Atlantic Seaboard and then shipped later into the interior?

Q. But it all comes from Texas?

A. It does.

Q. May we understand by showing the sulphur rates here that you are not indicating that you want those rates [fol. 2065] changed in this proceeding?

A. I am not advocating any change in them.

Q. Is the same true with respect to the rates on cement?

A. The same answer.

Q. You also show rates on oranges. No oranges are produced in Eastern Tunk Line territory, are they?

A. That is correct.

Q. So far as the rates on that commodity are concerned, you are not complaining of any rate favoritism to an industry in Trunk Line territory as compared to one in Texas?

A. I am not.

Mr. McCollester: That is all. May it please the Commission, just to keep the record straight, from our standpoint, I move to strike the portions of Exhibit No. 101 which contain rates or a showing of rates that are not in issue here on sulphur, cement, and I believe cotton piece goods also cannot be considered here. Whether the rates on oranges are class rates, I do not know.

The Witness: They are classified in the classification.

Chairman Aitchison: The motion is denied. Are there any other questions of this witness? (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Cammack: Mr. Byars.

[fol. 2066] Chairman Aitchison: Raise your right hand and be sworn.

Ed. P. Byars was sworn and testified as follows:

Direct examination.

By Mr. Cammack:

Q. Will you state your full name and address for the record, please, Mr. Byars.

A. My name is Ed P. Byars, office address 115 East 9th Street, Fort Worth, Texas.

Q. You have prepared at the request of the Southwestern Steering Committee and the Attorney General, an exhibit?

A. Yes.

Mr. Cammack: Mr. Chairman, we ask that this be marked for identification as the next exhibit.

Chairman Aitchison: It may be marked for identification as Exhibit No. 102.

(Exhibit No. 102, Witness Byars, marked for identification.)

Mr. Cammack: I might say that this exhibit is divided into four sections, containing 9 pages.

By Mr. Cammack:

Q. What position do you hold, Mr. Byars?

A. I am traffic manager of the Fort Worth Freight Bureau, the Fort Worth Chamber of Commerce, the Texas Cottonseed Crushers Association, and the Southwestern Peanut Shellers Association.

Q. Are you appearing for any of those parties in this [fol. 2067] proceeding?

A. Yes. I am appearing in this proceeding for the Attorney General of Texas and also for those I named; and also for the West Texas Chamber of Commerce and the Freight Rate Equality Federation, representing 132 counties in western Texas, and having 185 affiliated towns and cities with some 5,000 individuals, farmers, and other business members, including retail merchants, and commercial and civic organizations.

Q. Please proceed with your statement, Mr. Byars.

A. My experience in the handling of traffic matters extends over a period of more than thirty years. At the request of the Attorney General of Texas and the Southwestern Steering Committee, I have prepared an exhibit showing the carload commodity rates on five commodities or groups of commodities, namely: one, gas black, known as carbon black; two, butter, eggs and dressed poultry; three, oil well supplies; four, cottonseed and its products; and five, shelled peanuts.

This exhibit has been offered for identification as my Exhibit No. 102. The cover page, which is page 1, shows the contents of the exhibit with the number of page containing the rates on each of these commodities. The tariff authorities for the rates, routes, and distances are shown on each page of the exhibit. None of the rates shown include the Ex Parte 148 increases.

Page 2 shows the short-line distances and the rates on [fol. 2068] gas black from Amarillo, Texas, and Monroe, Louisiana, which are representative producing and shipping points in the Southwestern Region, to representative consuming points in Western Trunk Line, C. F. A. and Trunk Line territories and to the Missouri and Mississippi River crossings, compared with the rates for the same distances within the C. F. A. and Trunk Line territories.

It will be noted that from the Southwestern Region to these territories there are two rates, one applied in connection with a minimum weight of 40,000 pounds for cars of 40 feet and six inches or less in length, and another and higher rate applied in connection with a minimum weight of 25,440 pounds for cars of the same length. The rates shown as applying within C. F. A. territory, which are the straight 5th class rates, under item 4470 Consolidated Freight Classification No. 15, effective on March 17, 1942, are applicable in connection with a minimum weight of 40,000 pounds for any size car. The heading of the 4th column of figures on the exhibit should be corrected by adding in heading, "Minimum Weight 40,000 pounds". The minimum weights from the Southwest into C. F. A. territory are graduated upward for cars of greater length than 40 feet 6 inches. The scale A rates grade up from 25,440 pounds for cars 40 feet 6 inches in length to 48,000 pounds for cars over 50 feet and 6 inches in length; and the scale B rates carry minimum [fol. 2069] weights grading up from 40,000 pounds to 70,000 pounds for cars over 50 feet and 6 inches in length.

These minimum weights on shipments from the Southwest are carried in agent Peel's I. C. C. 3458. The class scales of rates in C. F. A. territory are carried in C. F. A. tariff 484 Jones' I. C. C. 2448. When a Southwestern shipper ships 40,000 pounds of gas black into C. F. A. territory, loaded in a car over 50 feet 6 inches in length, he is required to pay the rate on 70,000 pounds although he ships only 40,000 pounds, whereas the C. F. A. shipper pays his rate on only 40,000 pounds when he ships that weight in a car of over 50 feet 6 inches in length.

One or two illustrations will suffice to show the differences in the rates, mile for mile, from the Southwest to C. F. A. and Trunk Line territories and within these territories. If we ship a minimum car of 25,440 pounds from Amarillo to Cincinnati, we must pay $1.06 per hundred pounds, the distance being 1143 miles, whereas the C. F. A. shipper would pay for that distance within C. F. A. territory only 69 cents, a difference of 37 cents per hundred pounds. If we ship a minimum car of 40,000 to Cincinnati, we pay 93 cents per hundred pounds and the C. F. A. shipper pays for the same distance on the same minimum weight 69 cents, a difference in favor of the C. F. A. shipper of 24 cents per hundred pounds, or $96 per car.

[fol. 2070] If we use Philadelphia as a representative shipping point in the Pennsylvania oil fields producing and shipping gas black to St. Louis, a distance of 981 miles, we find that the Pennsylvania shipper pays a rate to St. Louis of 64 cents per hundred pounds whereas from Amarillo to Chicago, a distance of 978 miles, the rate is 85 cents per houndred pounds under Scale B minimum weight 40,000 pounds, a difference of 21 cents per hundred pounds. If Amarillo and Philadelphia both ship to Chicago on the minimum weight of 40,000 pounds, the rate from Amarillo is 85 cents and the rate from Philadelphia to Chicago is 57 cents per hundred pounds, a difference of 28 cents per hundred pounds, or $112 per car for a distance of only 167 miles in favor of Philadelphia. The distance from Philadelphia to Chicago is 811 miles, and the 5th class rate is 57 cents per 100 pounds. This distance is not shown on the exhibit but it is the distance by the Pennsylvania Railroad, Valparaiso, Wellsboro on the Grand Trunk Railway, B. & O., Lodi, W. & L. E., Pittsburgh Junction, P. & W. Va., Pittsburgh, Pennsylvania Railroad, Belmont, and Reading Co., taken from Montfort's Short-line Routes.

Page 3 is a comparison of the mileage scales of rates applying within the Southwest and within C. F. A. territory on butter, eggs and dressed poultry. The minimum weight within the Southwestern territory and within C. F. A. [fol. 2071] territory is 20,000 pounds per car. This exhibit reflects the differences in the class rates within the two territories. Within the Southwest, Column 35 or 35 per cent of first class applies, and within C. F. A. territory the column 50-K scale applies. Column 50-K is class 50 or 50 per cent of first class in effect March 27, 1938, plus the 5 per cent increase which was allowed in Ex Parte 123. This page shows that although the rating in C. F. A. territory is considerably higher than the rating within the Southwest, there is very little difference in the two scales up to 100 miles, but beyond that distance the actual rates in C. F. A. territory are lower than those in the Southwest for the same distances. The C. F. A. actual rates range lower than the Southwestern rates by 5 cents per hundred pounds at 200 miles, to 18 cents lower at 1000 miles.

Page 4 shows specific rates on butter, eggs and dressed poultry from the Southwest, to C. F. A. and Trunk Line points compared with the rates within the latter territories, the minimum weight being 20,000 pounds in both origin and destination territories. From Ft. Smith, Arkansas, to Chicago, the rate is 9 cents per hundred pounds lower than for the same distance in C. F. A. territory, but from Ft. Smith to Indianapolis the rate is 28 cents higher than for the same haul within C. F. A. From Ft. Smith to New York the rate is 32 cents higher than for the same haul within C. F. A. [fol. 2072] territory. Similar comparisons are shown with the rates from Oklahoma City, Fort Worth, Texas, and Shreveport, Louisiana. The rate from Fort Worth, Texas, to Baltimore, is 34 cents higher than the rate for the same distance within C. F. A. territory.

The following number of cars of dressed poultry, eggs and butter are shipped each year by Fort Worth Poultry and Egg Company from Fort Worth: to St. Louis, 35 cars; to Chicago, 60 cars; to Cleveland, 15 cars; to Philadelphia, 52 cars; to New York, 112 cars; to Boston, 70 cars; and to all other points in Official Classification territory, 100 cars, the total being 444 cars:

Page 5 is a comparison of the mileage scale rates within the Southwest with those within C. F. A. territory on oil well supplies. The minimum weight is 36,000 pounds in both territories. Here we have a higher percentage of first class in the Southwest than in C. F. A. territory, 42½ per cent in the Southwest and 35 per cent in C. F. A. territory. The rate at 100 miles is 16 cents per hundredweight higher in the Southwest than in C. F. A. territory. At 200 miles, it is 25 cents higher, at 800 miles, 56 cents higher, and at 1000 miles it is 64 cents higher in the Southwest than in C. F. A. territory. Oil well supplies are manufactured and moved from points in the Southwest. We have used Fort Worth and Lufkin, Texas, and Tulsa, Oklahoma, as representative southwestern origin points on page 6. On this page, we show the [fol. 2073] rates from these Southwestern points; also from Parkersburg, West Virginia, as a representative manufacturing and shipping point in C. F. A. territory, to the points shown in the first column on the exhibit which points are representative of the different oil fields. The rate from Fort Worth to Centralia, Illinois, is 99 cents per hundredweight, which is 45 cents per hundredweight higher than the rate would be if the C. F. A. scale, column 35, were applied. On an average car of 40,000 pounds, this is a difference of $180. The rate from Lufkin, Texas, to Centralia, Illinois, is also 45 cents per hundredweight higher than the C. F. A. scale for the same distance. From Tulsa, Oklahoma, to New Iberia, Louisiana, the rate is 47 cents per hundredweight higher than would apply if the C. F. A. scale were applicable. On the extreme right, we show the rates from Parkersburg, West Virginia, to Centralia, Illinois, and also to these Southwestern oil fields; and we also show what the rates would be from Parkersburg to these Southwestern points if the C. F. A. scale applied through.

Page 7 shows the mileage scales of rates on cottonseed, cottonseed cake and meal, cottonseed hulls, cottonseed oil and cotton linters, which apply within Southwestern territory. The rates in the first scale are the rates prescribed by the Interstate Commerce Commission, in Docket 17000 Part 8, 188 I. C. C. 605 for application on both cottonseed and on cottonseed cake and meal. The basis prescribed for the [fol. 2074] Southwest was 18½ per cent of first class, and in the same case the Commisson prescribed 22½ per cent of first class for application within C. F. A. territory, designated as the Northeastern region in that case. The present rates within that territory on Cottonseed and cottonseed cake and meal also soya bean cake and meal are on column 22½-K, which means class 22½ in effect March 27th, 1938, plus the 5 per cent increase allowed in Ex Parte 123. The actual rates now applicable within C. F. A. territory are not shown on this exhibit but at 25 miles the rate in that territory is 8 cents per hundredweight; at 50 miles, 11 cents; at 100 miles, 14 cents; at 150 miles, 16 cents; at 200 miles, 17 cents; at 300 miles, 21 cents; at 400 miles, 23 cents; at 500 miles, 26 cents; at 600 miles, 29 cents; at 700 miles, 32 cents; at 800 miles, 35 cents; at 900 miles, 37 cents; and at 1000 miles, 39 cents. The rates shown in the second column are the rates now applicable within Southwestern territory which were made necessary on account of truck competition. It will be noted that while those rates are lower for the shorter distances than the standard scale, they are higher than the rates within C. F. A. territory from 600 miles to 1000 miles. At 1000 miles, the rates now applying wthin C. F. A. territory are 7 cents per hundredweight lower than the so-called truck compelled scale in the Southwest.

[fol. 2075] On cottonseed oil, the rates within the Southwest are based on 24½ per cent of first class in the Southwest and 32½-J within C. F. A. territory. Column 32½-J in C. F. A. territory means the column 32½ rates prior to the increase on March 28th, 1938, in Ex Parte 123. The Southwestern rates were increased 5 per cent under Ex Parte 123 but C. F. A. rates were not. The rates on cottonseed oil and other vegetable oils in C. F. A. territory are not shown on this exhibit but they are as follows: for 50 miles, 14 cents; 100 miles, 18 cents; 150 miles, 21 cents; 200 miles, 24 cents; 300 miles, 28 cents; 400 miles, 32 cents; 500 miles, 36 cents; 600 miles, 40 cents; 700 miles, 44 cents; 800 miles, 47 cents; 900 miles, 50 cents; and 1000 miles, 54 cents. At 1000 miles, the rate in C. F. A. territory is 14 cents per hundredweight lower than the rates of the same distance in the Southwest.

In the last column of the exhibit, the rates on cotton linters minimum 36,000 pounds are shown. The minimum weight, however, of 45,000 pounds is now applicable on cotton linters in cars over 41 feet in length. This minimum applies in connection with the mileage rates shown in this last column. Within C. F. A. territory, column 27½-L, applies in connection with a minimum weight of 40,000 pounds subject to Rule 34. The rates in C. F. A. territory are: 13 cents for 50 miles; 17 cents for 100 miles; 22 cents for [fol. 2076] 200 miles; 26 cents for 300 miles; 30 cents for 400 miles; 34 cents for 500 miles; 38 cents for 600 miles; 41 cents for 700 miles; 44 cents for 800 miles; 47 cents for 900 miles; and 50 cents for 1000 miles, the later rate being 13 cents below the rate for 1000 miles in Southwestern territory. Column 27½-L in C. F. A. territories means class 27½ in effect March 28, 1938, with class 30 in effect March 27th, 1938, as minimum.

Page 8 shows specific rates on cottonseed and products within Southwestern territory.

Page 9 shows the rates on shelled peanuts from representative Texas and Oklahoma producing and shipping points to consuming points Chicago, St. Louis, and East. These rates are compared with the rates for the same distance within C. F. A. territory where the straight fourth class rate minimum 24,000 pounds applies on shipments in cars 40 feet and 7 inchs and less in length as provided in Consolidated Freight Classification No. 15, the rate being carried in C. F. A. Tariff 484 Jones' I. C. C. 2448. The minimum for a 50-foot car in that territory is 38,880 pounds under Rule 34 which applies.

Mr. Cammack: If the Chairman please, we offer in evidence Exhibit No. 102.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 102? (No response.) Without objection, it is received.

[fol. 2077] (Exhibit No. 102, Witness Byars, received in evidence.)

By Mr. Cammack:

Q. Mr. Byars, you have heard the testimony ~~of some~~ witnesses here concerning the difficulty in getting the concurrence of Official lines from Southwestern territory.

A. Yes.

Q. Have you had any experience along that line?

A. Yes, I have. I happen to be also traffic manager of the Fort Worth Grain & Cotton Exchange. When the ships went out of the Gulf, we undertook to secure a rate on flour to New York and North Atlantic Seaboard territory, which is territory involved in Docket 28090 still pending before the Commission, and we asked for a basis to New York in order to hold the five to seven thousand carloads of business we had there. We asked the Southwestern carriers for a basis which would give them their full local to Memphis and east of Memphis we asked for a proporational rate that would be higher by 3 cents per hundred pounds than the proportional rate aplying from St. Louis on traffic originating in the Southwest. The Southwestern lines agreed to it and we had to get the concurrence of the Southern lines out of Memphis. They readily agreed to it. When it got to the Potomac, or as far as Washington, that is as far as it ever got. The Trunk Lines put their big number 11 foot right down on it, and stopped it.

[fol. 2078] There was another case just recently. We do not know what is going to happen to it. It has gotten that far. It has to do with the rate on peanut flour, which is a new industry established at Fort Worth. We have asked the carriers and the carriers in all the groups in the United States have adopted the basis of the soy bean flour rates on this peanut flour because it is used for the same purposes, the price is the same, and the transportation characteristics are the same. The official lines supply the soy bean flour rates in that territory—I mean, the Trunk Lines —and we have got the rates now applying everywhere, except that we do not know what has happened to it. The last we heard of it was that it was up to the Trunk Lines and that they were waiting to get the concurrence of the Western Trunk Lines. That sounded awfully fishy because we know the Western Trunk Lines approved the proposition because we put it in in their territory, so we do not know what has happened to that.

There was one other remark I wanted to make in connection with my exhibit. On the last page of my exhibit I show the rates on peanuts. In several cases shown on this page 9 we find rates approximately the same. In some places the rates in C. F. A. territory are highger than the rate for the same distance from the Southwest to C. F. A. territory. Now, then, the basis from the Southewest to C. F. A. is a specific commodity rate made on a group basis, groups [fol. 2079] of origins, similar to and in line with the rates made from Georgia into C. F. A. territory, so we have a contrast here between a commodity rate that we have within the Southwest and from the Southwest to C. F. A. compared with a straight class rate in C. F. A.

[fol. 2080] Now, then, the class basis in CFA territory is 4 cents on peanuts. That is for carload traffic. That is because they do not raise any peanuts up there and nobody cares what the rate is, so they apply a less than carload class rate to an important commodity like peanuts in carloads. If anybody wants to know about these differences, that is the reason for them. That is all.

Mr. Cammack: You may cross-examine.
Chairman Aitchison: Mr. Barron.

Cross-examination,

By Mr. Barron:

Q. Mr. Byars, you show rates on carbon black on page 2 of your exhibit 102?

A. Yes.

Q. Is this submitted to show that in your judgment those rates are too high?

A. No. I just show the rates.

Q. That is just like that of the others; you are just showing the rates?

A. That is right, because the Commission said they wanted them.

Q. Now, do you advocate the fixation of a classification or a basis of rates throughout the territory involved in these proceedings, that fixation to be precise rates?

A. No.

Q. Do you agree with Mr. Maurer that because of his [fol. 2081] desire for equality, there should be a fixation by the Commission of definite and certain classifications, and an elimination of all these exceptions to the classification?

A. Mr. Barron, I think the Commission should prescribe the classification. When I answered your question I intended to convey the thought that I would not have the classification, and just say to you, "Here is your classification. That is the maximum and minimum. Here is your uniform scale of rates and they are going to be both maximum and minimum." I do not think that that would work. I do not think that would be proper.

Q. You realize the necessity, do you not, for certain consideration on different commodities in Southwestern territory?

A. Yes. I think the illustration I gave on peanuts is an illustration of that.

Q. In order to do business we must have commodity rates, and we must have exceptions to the classification, must we not?

A. I think we can have a uniform classification. I would not care if we had 20 classes, or 30, if you wanted to grade it out finally and have everything rated. I think it would be advisable to have classification ratings uniform, whatever they are.

Q. Do I gather from that, that you advocate all rates should be made a percentage of the first class rates?

A. No, I do not. There are just bound to be some exceptions, Mr. Barron. [fol. 2082]

Q. Would you advocate that commodity rates should not in any case be related to first class rates?

A. Well, I never did think they should, but I had to take it, and kind of get used to it, but I did not like it.

Mr. Barron: Thank you.

Chairman Aitchison: Are there any other questions on cross-examination? (No response.) Do you have anything further, Mr. Cammack?

Mr. Cammack: One more question.

Redirect examination.

By Mr. Cammack:

Q. When you answered the question concerning the scale, you did not intend to convey the idea that you wanted a maximum and minimum fixed scale, did you?

A. No, indeed. I do not want it to be a maximum and minimum.

Q. Do you favor a maximum scale?

A. A maximum scale.

Mr. Cammack: That is all.

Chairman Aitchison: Do you offer your exhibit?

Mr. Cammack: I offer exhibit No. 102 in evidence, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit No. 102? (No response.) Without objection it is received.

(Exhibit No. 102, Witness Byars, received in evidence.)

[fol. 2083] Chairman Aitchison: You may stand aside, Mr. Byars.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Cammack: Mr. Scrivner.

Chairman Aitchison: Raise your right hand and be sworn.

A. J. **Scriver** was sworn and testified as follows:

Direct examination.

By Mr. Cammack:

Q. Will you state your full name for the record, please, Mr. Scrivner?

A. A. J. Scrivner.

Q. You reside in Austin, Texas?

A. Yes.

Q. What official position do you hold?

A. I am Assis-ant to the Director of the Rate Division of the Railroad Commission of Texas.

Q. How long have you been engaged in traffic work, Mr. Scrivner?

A. For more than thirty years.

Q. At the request of the Steering Committee and the direction of the Railroad Commission of Texas, have you prepared o. had prepared under your direction an exhibit for introduction in this case?

A. Yes, sir.

Mr. Cammack: If the Chairman please, we ask that this [fol. 2084] be marked for identification as exhibit No. 103.

Chairman Aitchison: It may be so marked.

(Exhibit No. 103, Witness Scrivner, marked for identification.)

By Mr. Cammack:

Q. Is the material set forth in exhibit 103 true and correct to the best of your knowledge and belief, Mr. Scrivner?

A. Yes.

Q. Will you please proceed to explain this exhibit in your own way?

A. The exhibit shows classification exception ratings applicable in Central Freight Association territory——

Mr. Barron: We cannot hear the witness, Mr. Chairman.

Chairman Aitchison: Speak up so everyone can hear you, Mr. Scrivner. Get closer to the microphone.

The Witness: This exhibit shows the classification exception ratings applicable in Central Freight Association territory published in B. T. Jones freight tariff 130-B I. C. C. No. 3684 and similar information on Texas intrastate traffic which is published in Ira D. Dodge's tariff No. 60-E, R. C. T. No. 204, which is not filed with the Interstate Commerce Commission. The purpose of the exhibit is to show the very large number of commodities upon which it has been necessary to deviate from classification ratings in both territories and is not intended to attack or complain [fol. 2085] here against the ratings in either territory.

The ratings shown on the exhibit apply on carload traffic except as shown otherwise as less than carload or any quantity. The commodities shown on the exhibit are not inclusive of all commodities that are contained in the items referred to because there are just simply too many to make that character of exhibit. For instance, on page 1 you have drugs, medicines and chemicals under Item 4320 of Jones' tariff 130-B. There are some several hundred different items included in that commodity description.

The cover page of the exhibit explains its contents and need not be repeated. I do desire to direct attention to the fact that in Central Freight Association territory many commodities are subject to classification exception ratings which in Texas are subject to the classification ratings proper. This is shown on pages 5 to 9 inclusive. Conversely, pages 10 and 11 show quite a number of commodities which in Texas are subject to classification exception ratings, or to a commodity mileage scale, and which are not covered, or not published in Jones' tariff 130-B as subject to classification exception ratings. They might move on specific commodity tariffs in Central Freight Association territory, but I am not certain about that.

The classification exceptions or commodity rates have been established for general application on practically all [fol. 2086] carload traffic in Texas, but it has been necessary to go much further than that, and a very large number of specific point to point rates which are even lower than the regular basis have been prescribed. Those are shown on page 12 of the exhibit. The destinations and origins are not shown, but it is just simply a statement of the commodities that move on rates even lower than the exceptions or the commodity mileage basis. Various ratings shown under Texas, many of them, are suffixed with letters. They do not have a direct percentage relationship to the first class basis, and for that reason I have shown those rates to representative destinations on page 13 of the exhibit. In some instances I have shown under the ratings in Texas just the letter "S". That means that they are subject to a commodity mileage scale of rates and are not related to the first class rates.

Based upon the records of the Railroad Commission of Texas and upon my general knowledge of the movement of traffic in Texas, it is my opinion that perhaps less than 10 per cent—I might say 5 percent—of carload traffic moves on class rates subject to the classification ratings; and as to less than carload traffic, also based upon the records of the Commission, there is perhaps less than 50 per cent of the less than carload traffic that moves on class rates and classification ratings.

Com. Alldredge: I am sorry, but I did not hear your statement.

[fol. 2087] By Com. Alldredge:

Q. What percentage did you say moves on rates subject to the classification?

A. My statement was that my belief is less than 10 per cent of the carload traffic moves on the class rates and at the classification ratings.

Mr. Porter: Is that intrastate?

The Witness: Yes, sir.

Com. Alldredge: Thank you.

By Mr. Cammack:

Q. With respect to what you have said about the intrastate exceptions to the classification, what do you know about that with reference to the Southwest territory generally?

A. Generally speaking, in Texas we have the same classification exceptions as apply throughout the Southwestern territory published in Peel's tariff 173-0, I believe. I do not have the I. C. C. reference to it.

Com. Alldredge: May I ask another question about this classification proposition.

By Com. Alldredge:

Q. Is it your conclusion that the function of the primary classification in the Southwest has broken down?

A. Yes. That is true, Mr. Commissioner. We do not have very much use for the classification or the class rates as such. That is true in Texas and I think it is generally [fol. 2088] true throughout the Southwest.

By Mr. Cammack:

Q. Have you anything further to add to your testimony?

A. No. That concludes my direct testimony.

Mr. Cammack: If the Chairman please, we offer in evidence exhibit No. 103.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit 103? (No response.) Without objection it is received.

(Exhibit No. 103, Witness Scrivner, received in evidence.)

Mr. Cammack: The witness is tendered for cross-examination.

Chairman Aitchison: Mr. Barron.

Cross-examination.

By Mr. Barron:

Q. Mr. Scrivner, it has been suggested on the record that in the Southwest we should discontinue volume rates. Do you concur in that suggestion?

A. Are you speaking of the railroads?

Q. Yes, sir. It was not the railroads' suggestion, however.

A. I understand.

Q. Mr. Maurer suggested that we should get rid of the volume rates. Do you concur in that?

A. No. I do not believe I do, Mr. Barron, in general.

Q. You recognize, do you not, as representing the Rail- [fol. 2089] road Commission of Texas that we have situations in the Southwest that necessitate individual and distinct considerations, do you not?

A. Yes. That is true.

Q. Would you like to see established by the Interstate Commerce Commission for the sake of uniformity a rigid classification and a rigid class scale of rates for application throughout this Western territory?

A. Do you mean for application on all traffic?

Q. Yes.

A. Or related to all traffic?

Q. To all traffic that might be involved in this proceeding.

A. I do not believe I could answer that right now without giving it considerable study.

Q. You do realize, do you not, that it would be detrimental to the Southwestern railroads and to Southwestern interests as a whole if any scale of rates would not be flexible so it could be changed as conditions warranted?

A. That has been our experience for years past.

Q. That has been the practice of your Commission in the state of Texas, has it not?

A. Yes. Many, many of the commodity scales that have been established, in many, many sections have been established because you just cannot possibly apply the straight classification ratings and class rates.

[fol. 2090] Chairman Aitchison: I do not recall anybody in this proceeding so far who has suggested the establishment of a classification and class scale that could not be changed.

Mr. Barron: They want equality, and I do not know what "equality" means.

Chairman Aitchison: We can have equality with conditions as they exist today. If conditions tomorrow should change in one section with respect to another so that equality would no longer comply with the law, it would be the duty of the carriers and the Commission alike to change it.

Mr. Barron: That may be perfectly true, Mr. Chairman. I know that the Commission would not attempt to do anything that would be futile, but in my judgment the fixation of a classification or class scale from the standpoint of equality would be futile, because it would not last 24 hours. That is my thought about it.

Chairman Aitchison: At least we would have something to start with, as a base, and the burden is on the carriers under the new Act to justify the reasonableness of any change one way or the other.

By Mr. Barron:

Q. You would not want the Interstate Commerce Commission to prescribe minimum and maximum rates in this proceeding, would you?

A. No, sir.

Mr. Barron: Thank you. That is all.

[fol. 2091] Mr. J. R. Bell: I have one or two questions.

Chairman Aitchison: I have forgotten who you are appearing for.

Mr. J. R. Bell: Pardon me?

Chairman Aitchison: I asked you who you are appearing for.

Mr. J. R. Bell: In one capacity, for all of the railroads in the United States, Class 1, and in another capacity, the Western District. My comments right now are with respect to the Western District.

Chairman Aitchison: Proceed.

By Mr. J. R. Bell:

Q. In response to a question asked from the bench you said that something had broken down. I did not get exactly what it was. Was it the class rates and classification ratings, or what function was it that you said had broken down?

A. The Commissioner, as I understood the question, asked me if the classification as such had not been broken down and my answer was that it has been, in Texas.

Q. He said "the function," as I understood the question, the function of the classification. Was that the question to which you referred?

A. Yes, sir.

Q. Now, in what sense did you mean "function"? What did you conceive, as applied to that question, to be [fol. 2092] the function of the classification?

A. To be used in arriving at rates.

Q. Do I understand that you are opposed to all exceptions to the classification ratings?

A. No, sir. I definitely stated in my testimony that we are not attacking the exceptions ratings or complaining about them. As a matter of fact, they have been very necessary.

Q. Is it not your opinion that the true function of the classification is more or less theoretical than a practical matter?

A. That is correct.

Com. Alldredge: Then why do we need a classification, if it is going to be theoretical?

The Witness: Except to move some of your less than carload traffic, you do not need it very much, Mr. Commissioner.

Mr. J. R. Bell: May I have that last answer read?

Chairman Aitchison: Yes.

(Record read.)

Mr. J. R. Bell: That is all.

Chairman Aitchison: Are there any other questions on cross-examination?

Mr. A. L. Reed: I have a few questions, Mr. Chairman,

Chairman Aitchison: Mr. A. E. Reed.

Mr. A. L. Reed: Mr. Scrivner, I would like to ask a few questions concerning exhibit No. 103 in connection with [fol. 2093] the Southwestern motor carriers.

By Mr. A. L. Reed:

Q. Were you with the Railroad Commission of Texas at the time the so-called grocery mixture was established?

A. No. I was not at that time, Mr. Reed, but participated in the hearings on the adjustment, and I am familiar with it.

Q. You are familiar with the fact that it was made on application of the Texas railroads and protested by common carrier motor trucks, are you not?

A. That is true.

Q. You were with the Commission when the hardware mixture was established?

A. Yes, sir.

Q. That was established on application of the railroads and protested by the motor carriers to the extent of undertaking to enjoin it, I believe, is that not true?

A. That is correct.

Q. The two mixtures I have just described appear on page 10 of your exhibit No. 103, merely designated as grocery store supplies and hardware supplies. I would like to ask you if it is not a fact that as between the two mixtures practically every known commodity moving in less than carload lots between points in Texas has been provided with less than carload ratings?

A. Well, I would not say practically all commodities. I [fol. 2094] will say this: There are many hundreds of commodities named in the two items.

Q. Well, for instance, one or the other of the two items will reduce some of the exceptions which appear at pages 1, 2 and 3 of your exhibit, such as binder twine, for instance, is that not true?

A. That is correct. They are lower in some instances than many of the exception ratings. As a matter of fact, that scale starts out at about column 45, I think, and goes up to about 200 miles and gradually works into third class at about 400 miles.

Q. The grocery mixture has a minimum, I believe, of 500 pounds per shipment?

A. That is right.

Q. Is that correct?

A. Yes, and the hardware mixture of 300 pounds.

Q. Does either one of the minimums per shipment really mean anything in view of the fact you may have split deliveries under both of them?

A. Under the grocery mixture adjustment as many as five consignees may be included in the shipment at the minimum of 500 pounds and for each additional 100 pounds added to the shipment another consignee may be added. As to the hardware mixture, I believe that applies to one consignee only.

Q. Is it not true that in connection with both of them [fol. 2095] the shipper at origin may direct the 300 pounds or 500 pounds to the delivering agency and have the carrier there split it up among any number of consignees at destination?

A. That was shown by you and a number of other witnesses for the Texas Commission some time ago. As I recall, as many as 50 deliveries are made on shipments of that type.

Q. Would you not conclude from those circumstances that both the grocery mixture and hardware mixture are in fact less than carload rates without any minimum requirement of a practical nature?

A. Oh, yes.

Mr. A. L. Reed: Thank you. That is all.

Chairman Aitchison: Are there any other questions on cross-examination? (No response.) Have you anything further, Mr. Cammack?

Mr. Cammack: That is all.

Chairman Aitchison: You may stand aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Cammack: Mr. Frederick.

Chairman Aitchison: Raise your right hand and be sworn.

JOHN H. FREDERICK was sworn and testified as follows:

Direct examination.

By Mr. Cammack:

Q. Will you state your full name for the record, please, [fol. 2096] Mr. Frederick?

A. My name is John H. Frederick.

Q. You live in Austin, Texas?

A. I live in Austin, Texas, yes.

Q. What position do you have in Austin?

A. I am Professor of Transportation and Industry in the School of Business Administration of the University of Texas.

Q. Where were you employed prior to the time you came to Austin?

A. Prior to joining the faculty of the University of Texas I was, for 14 years, on the faculty of the Wharton School of Commerce and Finance of the University of Pennsylvania.

Q. State your educational background in the field of economics.

A. I hold the degrees of Bachelor of Science in Economics conferred in 1918, Master of Arts, conferred in 1925 and Doctor of Philosophy conferred in 1927.

Q. Have you been the author of any books published in the field of economics, marketing and transportation?

A. I am the author of six books dealing with various aspects of transportation and marketing. These are: Federal Regulation of Railway Securities, 1927; The Development of American Commerce, published in 1932; Industrial Marketing, published in 1934; Agricultural Marketing, published in 1937; Public Warehousing, published in 1940; and Commercial Air Transportation, published in 1942. I am also the co-author of Regulation of [fol. 2097] Railroad Finance, published in 1930.

Q. Have you had any articles published in trade journals and such as that?

A. I am also the author of several hundred articles on various aspects of transportation and marketing which have appeared in trade and professional journals since 1929.

Q. What, if any, boards, editorial boards, have you served on?

A. I am now a member of the editorial board of the Journal of Marketing. For a year I was managing editor of Electrical Wholesaling, a publication of the McGraw Hill Publishing Company.

Q. Have you served as consultant for any corporations, or government bureaus in the field of marketing and transportation?

A. Since 1929 I have served in that capacity a number of times. For nearly two years I was Chief of the Distribution of Manufactures Sales, Division of the Census of Business.

Q. Have you had prepared under your direction an exhibit to be introduced in this proceeding?

A. I have.

Q. That exhibit consists of 14 pages and is in two sections?

A. That is correct.

Mr. Cammack: We ask to have this marked for identification as exhibit No. 104, Mr. Chairman.

Chairman Aitchison: It may be so marked.

[fol. 2098] (Exhibit No. 104, Witness Frederick, marked for identification.)

By Mr. Cammack:

Q. Dr. Frederick, will you proceed to explain the preparation of this exhibit and the material and data contained therein?

A. As the content page, the first page, indicates this exhibit consists of two sections, section A being industry studies, a comparison of actual freight charges paid on inbound and outbound shipments of five concerns in Texas with what would have been paid had the Official territory level of rates applied over the same distances.

By Chairman Aitchison:

Q. How did you get the data with respect to the actual payments which were made by these concerns?

A. Mr. Chairman, we visited all of these concerns and had access to all freight bills for inbound and outbound shipments for the period under study. For each concern, we examined those and tabulated the following information: The destination of the shipment; the gross weight of the shipment; and the freight rate paid. After we had taken this off the freight bills, we then took the charges shown on the freight bills actually paid—that is, the charges actually paid—and determined the rate which would have applied from the factory to each destination for outgoing shipments and to the factory from point of origin for [fol. 2099] incoming shipments had those distances been entirely within Official territory.

By Com. Alldredge:

Q. That means that you took into account then, the rates on the raw materials?

A. Yes.

Q. As well as the rates on finished products?

A. Yes, all outgoing shipments and all inbound shipments. From the total freight actually paid we subtracted the amount that would have been paid had the Official rate level prevailed. The difference is what we term the existing ~~economic~~ burden, which, in each case, is the amount shown in column 5 on each of the tables covering the five industry studies.

By Mr. Cammack:

Q. Dr. Frederick, with reference to inbound and outbound shipments, those are separated in the exhibit as to each industry?

A. Yes, they are.

Q. Is that correct?

A. Yes.

Q. And also showing territorial origin or destination?

A. That is correct, as shown in the various tables.

By Com. Splawn:

Q. Dr. Frederick, what was the total increase in burden that you computed?

A. It varied with the different concerns, Mr. Commissioner. For example, with respect to the first one which is the Walker's Austex Chili Company of Austin, Texas which ships canned foods, the grand total of column 5 which we [fol. 2100] considered to be the difference between the actual and Official territory rates—that is, the actual rate paid and what would have been paid had the Official territory rate been applied—amounted to $14,916, or a 33 per cent differential between the two areas. If we look at the next exhibit——

Mr. Cammack: Pardon me, Dr. Frederick.

The Witness: Yes,

Mr. Cammack: I believe the Commissioner has another question.

The Witness: Pardon me.

By Com. Splawn:

Q. Have you added up or made any estimate of the approximate total for the state?

A. No, sir. We were only concerned at the moment with these five industries, because we could not get the information from all the industries in the state.

Q. I believe you mentioned in discussing your qualifications that some years ago you were the co-author with Professor Lloyd Wilson or others of some study of railroad finance?

A. Professor Wilson was not concerned in that, sir. The other authors were Professor Henning of the University of

Pennsylvania and Professor Hites who was then a member of the faculty.

Q. That was a study of railroad finance?

A. Yes.

Q. Have you made a study of the financial condition of [fol. 2101] the railroads of Texas?

A. No, sir.

Q. And their requirements, in the light of this difference between the rates in Official territory and the going rates in Texas?

A. No.

Q. You have made no such study?

A. No, sir.

Q. Are you able to give us any suggestion at all as to whether or not considering the financial requirements of the railroads in Texas, this addition is necessary?

A. I can only give you my own personal opinion, sir, and that is that it is not necessary.

Q. Upon what do you base that opinion?

A. Because there is not a sufficient difference in transportation conditions existing between the Southwestern area and Official territory to warrant such a wide difference in the cost of freight transportation to the industries in the Southwest.

Com. Alldredge: May I ask you a question right there. I want to see if I interpret your figures correctly.

By Com. Alldredge:

Q. In the case of the Walker's Austex Chili Company, do I understand that the total burden of the difference in transportation charges to that company was equivalent to 7.31 per cent of the value of the capitalization?

[fol. 2102] A. Correct. That is correct.

Com. Alldredge: I see.

The Witness: Shall I continue with what I was saying?

By Mr. McCollester:

Q. Right there, when you say "value of capitalization", is that par or market or what?

A. That is the capital stock and surplus.

By Com. Alldredge:

Q. As shown on the books?

A. As shown on the books of the company, yes.

Mr. McCollester: Thank you.

The Witness: Shall I continue?

Mr. Cammack: Yes.

The Witness: It will be noted from this exhibit, section A of exhibit 104, that both the outbound and inbound shipments require these manufacturers to pay more freight than if they had been able to move this tonnage on the Official rate basis. In order to show how important to an individual concern even a relatively small discrimination in freight rates may be, we have expressed the economic burden which is the grand total in column 5 of each exhibit as a percentage in each case of the net scales, cost of goods sold, capital invested, and wages paid labor. These data are shown following the summary table in each case.

Rate inequalities inhibit Southwestern industries. The burden of discrimination is very important to individual [fol. 2103] enterprises. Pages 2, 3, 4, 5, 6 and 7 show this for actual company operations. On both outbound and inbound shipments, producers in the Southwest of which these are examples, pay more freight than if they had been able to move their tonnage on the Official rate basis. This difference varies with the commodities shipped, but the total inbound and outbound traffic in one case runs 64 per cent as shown on page 5. Discriminations of this nature are very important to individual concerns. They amount to a substantial economic burden at times. This burden is shown, as I have mentioned, as column 5 in each of these tables.

For example, had the Walker's Austex Chili Company, pages 2 and 3, moved its outbound and inbound traffic on Official territory rates, it would have spent $14,619 less for freight in 1941. This saving amounts to 2.12 per cent of net sales in 1941 and also is equivalent to 7.31 per cent of the capital stock as just mentioned.

The importance of inbound class rate discriminations on operations of Southwestern concerns is illustrated by the Superior Products Company example on page 5. Their inbound tonnage cost them 73 per cent more for freight than it would have, had it moved under Official territory rates. Now, the payment of inbound freight is particularly important to these people. It is a very important part of this company's operating cost. The total freight they paid [fol. 2104] accounted for 29.09 per cent of the cost of goods sold. The economic disadvantage on inbound and outbound shipments of this company would have been of considerable significance if they had been allowed to use that amount for something else. It amounts, for example, to 7.12 per cent of net sales. It amounts to 300.48 per cent of wages paid labor.

By Mr. Cammack:

Q. Dr. Frederick, at that point, when you speak of 300.48 per cent of wages paid labor, you are there referring to the total charges?

A. The total freight actually paid by this company on inbound and outbound shipments.

Q. Proceed.

A. Now, on page 6 we have the example of the Sche-Rose Manufacturing Company of Dallas, Texas, which manufactures breadmaking compound. This is an example of the burden placed on such a company by high outbound rates, being 63 per cent higher than it would have been for similar distances in Official territory. Just as in the other cases, with the percentage relationship shown at the bottom of each table, either the customers, the workers or the stockholders might enjoy some portion of any saving made in freight charges.

On page 7, take the example of the Round Rock White Lime Company of Round Rock, Texas. That is an example of a comparatively low value commodity where freight rates paid both on inbound and outbound shipments constitute [fol. 2105] a very substantial part of the cost of doing business. In this case it will be seen that this amounted, for total freight charges actually paid on outbound and inbound shipments, to 42.89 per cent of net sales for 1939.

Industrial operations in the Southwest are restricted in their activities, in their earnings or markets by class rate discriminations. The examples in this exhibit are typical. With the exception of the producer of canned foods, pages 2 and 3, Official territory is seen to be the greatest source of inbound tonnage of these companies. This is because the Southwest still depends on Official territory for processed goods, even the industrial products used by the producers under consideration, such as paper boxes from Toledo, Ohio, used by the Round Rock White Lime Company. For outbound shipments it is seen that four out of the five concerns find their chief markets in the Southwest. One of them, pages 2 and 3, that is the Walker's Austex Chili Company, finds its chief market in Southern territory. Official territory is an important market for only two of these manufacturers, but it might be more important were equality of opportunity available.

I will now pass to the second section of exhibit No. 104 which is concerned with certain comparisons based on the Census of Manufactures, pages 8, 9, 10, 11 and 12. These charts show that the Southwest which is included in the [fol. 2106] West South Central Region by the Census Bureau, is far from being industrialized. Page 12 shows the basic statistics of the manufacturing industries in Texas alone for the Census years 1927 to 1937. During this 10-year period the number of establishments in the state rose and fell, but at the end of the period there were only slightly more than at the beginning. Value of product, however, has increased materially, due largely to rise in prices rather than to a change in the nature of manufacturing in the state. With this increase in the value of products and the small increase in the number of establishments, wages paid and number of wage earners have increased only slightly.

The purpose of introducing these exhibits, these statistical exhibits based on the Census of Manufactures, is to point out the present situation in manufacturing in the Southwest and particularly in Texas which emphasizes the fact that for some reason industry has not developed in this area. Freight rates have played a part in this lack of development. This is because any inequality such as that shown by the industrial examples on pages 2 to 7 must somehow be counterbalanced; for consumers will not willingly pay a premium for goods made in the Southwest. This inequality may be made up in reduced profits to the producers or by paying lower wages or if it is an industry using a local raw material, by lower prices paid farmers and other suppliers of such raw materials.

[fol. 2107] The handicap of unequal freight rates narrows markets for Southern and Southwestern manufactured products. This is one reason why industries in these regions often remain small and in a measure accounts for the wide differences in production and wages and salaries in various areas as indicated by these charts just referred to. In certain times the number of jobs and investment opportunities is decidely limited in the West South Central area, and this is particularly so in the state of Texas. Obviously such burdens are bad, not only for Texas and the Southwest, ~~but act~~ually for the nation as a whole. The entire country cannot fully prosper while important parts are suffering.

The handicap of inequality of freight rates might perhaps be lessened if the Southwest could prosper without greater industrial development than they now have, but we cannot. As freight rate inequalities prevent this increase in industrial development, they must be removed. There is not sufficient difference in transportation conditions as between the Southwest and Official territory to warrant a difference in rates, mile for mile.

The income enjoyed by the average citizen living in Official territory is higher than that enjoyed by the average citizen of the South and Southwest. Southwesterners are relatively poor people because the region in which they live is too dependent on the production of staple agricul- [fol. 2108] tural commodities and raw materials. One cure for this situation lies in an increased industrial development in this part of the country. This will help the Southwest stand on its own feet. It will create more income to buy, not only Southern and Western products, but goods produced in other parts of the United States. Finally, it will help restore a wholesome competition among the several regions which in the end, can only benefit both producers and consumers.

Mr. Cammack: One more question.

By Mr. Cammack:

Q. Is the material contained in exhibit 104 true and correct to the best of your knowledge and belief, Dr. Frederick?

A. It is.

Mr. Cammack: We offer in evidence exhibit No. 104, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of exhibit No. 104?

Mr. Barron: I object to exhibit 104 for this reason: It contains nothing in the world but conclusions. There are no facts. There are no rates. There are no origins or destinations shown. We do not know whether the figures are correct. There is no way in the world for us to determine.

Chairman Aitchison: I suppose his work sheets are available for your inspection.

Mr. Cammack: We have the work sheets here available [fol. 2109] and we will be glad to deliver them to counsel for examination if they so desire. It would have been impractical to attempt to reproduce all of these destinations, I think.

Mr. Barron: Well, in view of the time remaining at this hearing, it would be impossible to do it now.

Chairman Aitchison: There is plenty of time between now and the 16th of November.

Mr. Barron: If I can have them during that period, all right. Fine.

Mr. Cammack: We shall be glad to accommodate counsel in that respect.

Mr. Barron: Thank you.

Chairman Aitchison: The objection is overruled. Exhibit No. 104 is received in evidence.

(Exhibit No. 104, Witness Frederick, received in evidence.)

Mr. Cammack: You may cross-examine.

Chairman Aitchison: Mr. Barron.

Cross-examination.

By Mr. Barron:

Q. Dr. Frederick, taking the figures for the five concerns shown on your exhibit No. 104, I add up the difference to be just about $83,000. What would be your best estimate if the same ratio of reductions was to be effected in all the business in the Southwest, if your proposition was approved by the Interstate Commerce Commission? How much would it amount to?

[fol. 2110] A. I do not know that I have made any proposition, but as I understand it, what you are referring to there is what I call the difference between actual and Official territory?

Q. Yes.

A. In other words, you have added up the totals?

Q. Yes. I added them up and arrived at a figure of $83,000.

A. All right. Now, your question then is, how would that affect the railroads in reduced income?

Q. Yes. What would be the reduction in the rail rates if there were an equality and the same rates were put into the Southwest as in Official territory?

A. I cannot say.

Q. It would be a staggering amount, would it not?

A. I would not want to commit myself without an investigation.

Q. What you have done is to take the freight bills or freight papers, determine the origin and destination for these ~~five~~ firms and then you have assumed for that same haul in Official territory what the rate would be, have you not?

A. We have checked with the tariff authorities, and all of that.

Q. Yes.

A. As shown on the last page.

Q. That is the way you did it, is that not true?

A. For the same distance as they moved in Southwestern [fol. 2111] territory, yes.

Q. You have not given any consideration to the fact that if there was a competitor located in Official territory shipping to the same destination territories as you have indicated on this exhibit, that that shipper in Official territory would be paying a substantially different rate than the rate applicable in Official territory, is that not true?

6

A. You mean, a competitor in Official territory?

Q. Yes.

A. Would be paying a different rate than that applicable in Official territory?

Q. Yes, if he was shipping from Official to Transcontinental territory, or as you show here, Mountain Pacific territory.

A. You misunderstand the purpose of this whole thing, I am afraid. We are not trying to match this up with any competitor at all. All we are trying to do is show that here are five concerns in Texas, which, due to the rate situation, had to pay more than we think they should have paid for the equivalent service that they received from the carriers. We took no competitive situation from the standpoint of competitive markets into consideration at all.

Q. I believe you said "equivalent service", did you not?

A. The same, mile for mile haulage. That is what I am talking about.

Q. Yes. Well, now, looking at page 2 of this exhibit, you [fol. 2112] show there that to Mountain Pacific territory which is the highest rated territory of any shown on page 2, you shipped more carload traffic than to any other. How do you account for that, if the freight rates are such a deterrent?

A. I am not saying that the freight rate is a deterrent to these people doing business. This is a different kind of exhibit from some we have had introduced.

Q. Yes.

A. All I am saying is that due to the freight rates these people have to pay, they pay too much. Whether they ship to Mountain Pacific territory or whether they ship to Southern territory or whether most of their traffic is within Southwestern territory, is immaterial from the standpoint of the profit and loss statement of the company.

Q. That excess that you arrived at is the difference between what they paid and what they would have to pay if they were located in Official territory?

A. No. If the Official territory rates had applied to them located where they are.

Q. That is your basis for saying they are unreasonable, is that right?

A. That is my basis for saying they are paying too much.

Mr. Barron: Yes.

By Mr. Barron:

Q. In answer to a question from the bench—I think it was from Commissioner Splawn—you said that you did [fol. 2113] not think the railroads in Texas needed this money over and above what would have been received under the Official rates. You said they did not need that money, did you not?

A. I did not answer it just exactly that way, as I recall it. I believe I said there were not substantial enough differences in transportation conditions to warrant the tremendous or the large differential which now works against the Southwest shippers.

Q. Have you made an investigation as to the transportation conditions in Southwest versus Official territory?

A. I am relying upon the data which has already been introduced in exhibit form in this hearing.

Q. Have you made an investigation, Doctor?

A. Not personally, no, sir.

Q. Do you have any idea as to what the financial situation of the railroads in Texas was from 1931 to 1940?

A. Only a very general idea.

Q. What was that?

A. It was not a healthy situation.

Q. Do you know that for that period they failed by more than one hundred million dollars to earn their operating expenses, taxes, fixed charges, and so forth?

A. I do not know the exact figures.

Q. Yet you think that they do not need this difference, as you answered the Commissioner, is that right?

[fol. 2114] A. I say that conditions there do not warrant this differential which the shippers as shown in this exhibit and other shippers no doubt are having to pay.

Mr. Barron: Thank you.

Mr. J. R. Bell: I have one question, please.

Chairman Aitchison: Mr. J. R. Bell.

By Mr. J. R. Bell:

Q. I have difficulty in applying the showing in your exhibit No. 104 as a practical matter. Did I understand you to say it had been prepared without any consideration whatever for any actual competitive conditions?

A. What I meant there by "competitive conditions", was whether one or the other of these companies might sell more, let us say, in another area, if there were lower rates. That is right. This is purely a statement of what they did pay.

Q. Did you compare this with any information pertaining to similar concerns, say, in Official territory with which these people may compete or do compete?

A. No, sir. Such information would probably not have been available to us.

Q. Then all you have done here is to assume the application of the Official scale and compare what the charges under that scale would be with the existing charges?

A. That is right.

Q. You have given no consideration whatever to the lower cost of production due to these concerns being closer to the [fol. 2115] sources of supply of raw materials, or the materials that are processed by them as contrasted with similar concerns in Official territory, have you?

A. That is quite correct.

Q. All right.

A. This deals only with freight rates paid.

Mr. J. R. Bell: That is all.

By Chairman Aitchison:

Q. Is it true that the concerns in Official territory are further away from the sources of supply?

A. I would not want to say, Mr. Chairman. I am not quite sure whether they are or not.

Q. Take some of these concerns who make chili.

A. I might say, Mr. Chairman, as to the manufacture of chili that he gets his beans and his chili powder from California and he gets his cans from either Houston, Texas or Indianapolis.

Q. Where does he get his tomatoes?

A. He gets his tomato puree from St. Louis.

Chairman Aitchison: Is there any further cross-examination of Dr. Frederick?

Mr. McCollester: I have a few questions, please.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Dr. Frederick, your expression here that these concerns have paid too much freight rests on the simple fact [fol. 2116] of the difference between the freight rate levels in Official territory and Texas as reflected in the computations shown on your exhibit?

A. That is correct.

Q. Is that right?

A. Yes.

Q. If that difference were eliminated by raising the Official rates to the Texas level, then your basis for saying that these concerns paid too high freight charges would be removed, would it not?

A. If we have an equal basis with other parts of the country, that would be so. That is correct.

Q. And to bring about equality by raising freight rates in Official territory would increase the freight expense of these concerns, would it not, by increasing both the rates on their materials that they buy in Official territory and the rates on the outbound products that they may sell in Official territory?

A. That would be so.

Q. You would not advocate that, I assume.

A. Well it would not make very much difference, because of the fact then we would have an artificial sort of situation.

Q. I thought you were simply showing us not the competitive situation, but the freight charges borne by these particular concerns.

[fol. 2117] A. That is what the exhibit shows, just the freight charges borne.

Q. By bringing about equality through raising the Official level would increase the freight charges of these particular concerns, is that not so?

A. On goods moving from the Official area, yes.

Q. Now, I notice that the Brenham Cotton Mills, Inc. shown on page 4 appears to get a greater part of its raw materials, in fact, 54 per cent, in Official territory and to sell more of its product in Official territory than any other territory. Is that correct?

A. No, sir. They buy their cotton locally in the market at Brenham, and there is no rail transportation involved. This 54.1 per cent of total pounds shipped in represents textile machinery and repairs.

Q. Does that not represent their current raw materials?

A. No, sir.

Q. Is it not true that some of the other concerns shown use raw materials purchased locally without transportation?

A. To a very large degree, although the Superior Products Company uses a considerable amount of chemicals, containers, and things of that nature which make up the percentage of inbound tonnage coming from Official territory. They are industrial products which go into the production of their finished articles.

[fol. 2118] Q. What do they manufacture?

A. They manufacture toilet preparations, ink, paste, furniture polish, and about 180 items along that line.

Q. Now, refer to page No. 12 of your exhibit. I want to ask you a question in connection with that so the record will not be confused on that point.

A. All right.

Q. It is correct, is it not, that these statistics for number of establishments do not reflect number of plants?

A. That is the number of plants, yes, sir.

Q. It shows the number of establishments.

A. Number of establishments is the Census term.

Q. Yes.

A. That means a plant producing $5,000 or more worth of goods in any one Census year.

Q. Is that correct, Doctor? If you have two corporations with two plants and they merge, do they not have one establishment for the purpose of the Census?

A. No, sir.

Q. Are you sure?

A. Yes, sir.

Mr. McCollester: I have been informed otherwise.

By Mr. McCollester:

Q. Why did you stop your chart with the year 1937?

A. This is a 10-year comparison which we had made up [fol. 2119] prior to the 1939 Census figures being made available and we felt that it gave a very fair comparison. You can note from the charts previously shown for 1939 that it would not make a great deal of difference. It would not change this comparison very much.

Q. It indicates the trends that have proceeded since 1937?

A. That is the purpose.

Q. You say the same trend has continued since 1937?

A. That is correct.

Q. Now, is it not a fact that Houston has been one of the most rapidly growing industrial cities in the United States?

A. I do not know as you could call it a rapidly growing industrial city, no, sir. There has been a great growth in population.

Q. How about Dallas?

A. I would not say until the establishment of the airplane factories in that region which have occurred since 1939 that Dallas has shown any great increase which would affect this trend as shown on this chart.

Q. Both of those cities are extremely prosperous are they not?

A. Right at the moment, yes.

Q. They have been for several years?

A. I would not say so. I do not think you could say they have been extremely prosperous except, let us say, for the last three or four years.

[fol. 2120] Mr. McCollester: Thank you.

Chairman Aitchison: Is there any further cross-examination?

Mr. Porter: I have one or two questions.

Chairman Aitchison: Mr. Porter.

By Mr. Porter:

Q. Dr. Frederick, I thought at the beginning of your cross-examination that I understood the way in which this exhibit was made up, but I am not sure that I do now. For example, have you taken the rates, we will say, on a shipment from Austin, Texas to a point in Montana and measured those against a corresponding rate from Chicago to New York?

A. No, sir.

Q. Have you taken the rate from Austin, Texas to a point in Montana and measured it against the rate from a point equally distant from the destination in Official territory?

A. That is right.

Q. Now, are there not a good many commodities that were handled by these companies for which you found no particular scale in Official territory?

A. Mostly they are class rated commodities.

Q. So you could measure those against the scale?

A. That is right. That is shown in our work papers here.

Q. Where you had commodities that were covered by point to point rates, how did you discover the Official territory level with respect to those?

[fol. 2121] A. That was done on an equivalent distance basis, by reference to one or the other of the records as shown here from the standpoint of the distance involved, which is also shown in our working papers, if you wish to observe them.

Q. You found, then, a producing point if possible in Official territory?

A. Wherever possible, but otherwise we used an equivalent mileage basis because that is what we are talking about, the equivalent distance that these shipments would move, if the Official territory rates applied in the Southwest.

Q. The distance within Official territory would depend largely upon the location of the destination, would it not?

A. That is right.

Q. For example, if you were going from Austin, Texas to Atlanta, Georgia, you would have to take an origin such as, possibly, Chicago, Illinois or Madison, Wisconsin, or some point about as far from Atlanta, Georgia——

A. That is right.

Q. —as you could find within Official territory?

A. That is right.

Mr. Porter: Thank you. That is all.

Chairman Aitchison: Mr. Grubbs.

By Mr. Grubbs:

Q. Dr. Frederick, did you hear the testimony given by Governor Holland?

A. Yes.

[fol. 2122] Q. You recall, I take it, that he said repeatedly that the Southern Governors did not wish to do anything that would impair the revenues, seriously impair the revenues of the Southern carriers, do you not?

A. I recall he said that, yes.

Q. Do you take any different view with respect to the railroads than that expressed by Governor Holland?

A. No. I would not say it is a different view. It is my personal opinion that if the Southwest was able to ship on equality with, let us say, Official territory, the same rate mile for mile, that in the long run it would not impair the revenues because we would do so much more business down there in the Southwest.

Q. Well, do I understand you are advocating equality or are you here advocating the Official levels of rates?

A. I am advocating one class rate level mile for mile the same in all territories.

Q. You do not care whether that equality is achieved by lowering the Southwestern rates and the rest of the connecting lines of the Southern carriers, or by increasing the level in Official territory?

A. I feel that is a matter for the Commission. I cannot say as to that.

Q. You do not mean to say here that you think the Official carriers have been earning as much as or more than a fair [fol. 2123] return, or the Southwestern carriers?

A. No, sir.

Mr. Grubbs: That is all.

Mr. Barron: One more question, if I may.

By Mr. Barron:

Q. Dr. Frederick, do you know whether or not the firms that you have shown in your exhibit have complained about the freight rates that they now have to pay?

A. I do not know that they have issued a formal complaint. They have complained informally.

Q. Do you represent them at this hearing?

A. No, sir.

Mr. Barron: Thank you.

Chairman Aitchison: Is there any further cross-examination of Dr. Frederick? (No response.) Have you anything further, Mr. Cammack?

Mr. Cammack: No redirect.

Chairman Aitchison: You may stand aside, Doctor.

(Witness excused.)

Mr. Cammack: That concludes the presentation at this hearing for the account of the Southwestern interests.

Chairman Aitchison: Very well.

Mr. Cammack: We had one other witness who could not be here at this time. If we may have an opportunity, we may put him on at Columbus.

Chairman Aitchison: Mr. Wood, will you come forward, [fol. 2124] please.

Mr. Wood: Yes, sir.

Chairman Aitchison: Raise your right hand and be sworn.

Thomas S. Wood was sworn and testified as follows:

Direct examination.

By Chairman Aitchison:

Q. Your name is Thomas S. Wood?
A. That is right.
Q. You are Rate Expert of the Public Utilities Commission of the State of Colorado?
A. Yes, sir.
Q. Mr. Henry S. Sherman is Chairman of that Commission?
A. Yes.
Q. He was here in attendance at the hearing?
A. Yes, sir.
Q. But was compelled to leave?
A. That is right.
Q. Did he leave with you a statement of testimony that he intended to give?
A. He did.
Q. Are the matters to which he refers within your personal knowledge?
A. Yes, sir.
Q. You have that statement ready to be incorporated into the record as both your testimony and as that which [fol. 2125] Mr. Sherman would have given if he were here?
A. I beg your pardon?

Chairman Aitchison: Read the question.

(Question read.)

A. That is right.

Chairman Aitchison: Is there any objection to the incorporation of that statement? (No Response.) That may be done.

The Witness: My only purpose is to state generally the position of Colorado and its Commission with respect to the instant matter. We contend, that the class rates in Colorado authorized in Application No. 814 (our companion case to I. C. C. Docket 17000, Part 2) are in a general way nothing more than paper rates. In the majority of cases where there is a contemplated movement of traffic and the only rates in effect are class rates, the carriers will request our Commission to authorize the publication of a special commodity rate on less than statutory notice to take care of the movement or movements in question.

Prior to the advent of the 17000 Part 2 rates, the class rates between Denver and points in northern and eastern Colorado were not on the same relative level as those between Denver and points south of Denver, on and east of the Colorado Common Points. The 17000 Part 2, Zone 3, scale of rates was made effective in that part of Colorado [fol. 2126] involved in the W. T. L. class rate proceeding; namely, on and east of the Colorado Common Points. After some 30 or 40 days, the carriers serving northern and eastern Colorado out of Denver petitioned our Commission for authority to publish on less than statutory notice reduced rates on 1st, 2nd, 3rd, 4th, 5th, and Classes A and B, to meet truck competition. The aggregate of the reduced rates for all of the involved classes represented approximately 106 per cent of the Western Trunk Line base scale prescribed in Docket 17000, Part 2.

In 1935 our Commission prescribed rates for motor vehicle carriers, among which were class rates on the first four classes, and the rail carriers increased their class rates to the same level as the motor carriers' rates, which were approximately 107 per cent of the W. T. L. Zone 1 rates. We also prescribed rates on the four classes subject to minimum weights of 5000 and 10,000 pounds, which were approximately 76 and 53 per cent, respectively, of the less than truckload rates. The rail carriers also published these rates. However, they also published a notice of protest in their tariffs regarding the level of the rates, which, in substance was that they were extremely low and, in their opinion, were not reasonably compensatory. Nevertheless, they are moving traffic today under these rates, which, in all likelihood, would be moving by truck, had such rates not been published by the rail carriers.

[fol. 2127] This sketch is given to your Commission in order that you may have a picture of the situation in Colorado as it exists today, and it is the opinion of our Commission that the situation in our state is not foreign to that of the rest of the country. In other words, it would appear that the class rates prescribed in Docket 17000, Part 2, have become, to a great extent, obsolete, and should be revised.

It may be argued that a single scale of rates should apply throughout the entire territory involved in this proceeding.

We are inclined to believe that such a change would be quite drastic to the rail carriers' revenues. We further believe that the present method of laminating or pyramiding the rates by zones does not permit a free movement of traffic. The manufacturer located at the extreme end of the adjustment, as we are in Colorado, is at a distinct rate disadvantage in competing with his competitor located at the other end of the adjustment.

If the natural resources of the various sections of the nation are to be developed to the fullest extent, rate barriers must be removed as much as possible in order that all concerned may reach a common market on a relatively equal basis. The states with sparse population, such as Colorado, cannot consume all of their manufactured products, and must find, or attempt to find, a market in the more densely populated section of the nation.

[fol. 2128] We believe that a uniform classification should be established throughout the territory. We have collaborated with the other states in W.T.L. territory, and our position in regard to the classification will be expressed more fully by two exhibits which have been introduced by Mr. J. A. Little of the Nebraska Commission.

Chairman Aitchison: Is there any cross-examination? (No response.) You may stand aside.

(Witness excused.)

Chairman Aitchison: We will take a short recess.

(A short recess was taken.)

Chairman Aitchison: We will resume, gentlemen. You may proceed, Mr. Williamson.

Mr. Williamson: I may state, Mr. Chairman, that I am appearing on behalf of the Public Utilities Commission of the state of South Dakota and the state generally as is the witness whom I am about to call. Be sworn, please, Mr. Carr.

Chairman Aitchison: Raise your right hand.

Mr. Barron: What was that last statement?

Chairman Aitchison: The reporter will read it.

(Record read.)

Chairman Aitchison: Proceed.

C. A. **Carr** was sworn and testified as follows:

Direct examination.

[fol. 2129] By Mr. Williamson:

Q. Will you state your full name for the record, please, Mr. Carr, your residence and occupation?

A. My name is C. A. Carr. I am Rate Expert for the South Dakota Public Utilities Commission.

Mr. Barron: We cannot hear him. I am sorry.

The Witness: I am Rate Expert with the South Dakota Public Utilities Commission, Pierre, South Dakota.

By Mr. Williamson:

Q. Will you state your qualifications, please, Mr. Carr?

A. I have been in that position off and on for the last 14 years. Prior to that time I had various rate and traffic experience with Northwestern Railroads and various chambers of commerce and traffic departments.

Q. Have you prepared an exhibit relative to the matter now under consideration?

A. Yes, I have. I have prepared an exhibit consisting of 35 pages.

Mr. Williamson: May that be marked for identification as exhibit No. 105, Mr. Chairman?

Chairman Aitchison: It may be so marked.

(Exhibit No. 105, Witness Carr, marked for identification.)

By Mr. Williamson:

Q. According to your best knowledge, information and belief, is the data contained in exhibit No. 105 true and correct?

[fol. 2130] A. Yes, sir.

Q. Was it prepared by you or under your direct supervision?

A. It was.

Q. Will you now proceed in your own way and make such explanation of this exhibit as you desire.

A. The state of South Dakota has a population according to the 1940 Census of 642,961. The area of South Dakota is 76,536 square miles, being the 14th state in size in the Union.

Pages 1 to 3 of my exhibit are maps. Page 1 is a map of the United States showing the different rate territories for rate-making purposes, and it shows the location of South Dakota, being mostly in zones 2 and 3 of Western Trunk Line territory. Page 2 is a map of Western Trunk Line territory showing the location of South Dakota and zones 2 and 3, and also a few of the larger jobbing points in the state. Page 3 is a map of the state of South Dakota showing groupings as followed by the carriers in complying with the Commission's decision in 17000 Part 2.

The state of South Dakota has some 468 towns. These 468 towns are grouped for rate-making purposes in Western Trunk Line territory in 148 groups. However, that, as I said, applies only in Western Trunk Line territory. Taking a shipment from Central Freight Association or Eastern Trunk Line territory to South Dakota, the 468 towns are grouped into only 35 rate groups. Pages 4 to 10 cover statistics [fol. 2131] relating to movement by rail of traffic originating and terminating in South Dakota. These are reliable and accurate figures taken from the carriers' reports to the Board and show that South Dakota is an agricultural rather than a manufacturing state. The figures are largely self-explanatory. Page 4 shows the movement originating and terminating of all less than carload traffic for the years 1928 to 1940. I would like, if I may, to read into the record the 1941 figures: Originating, 1941, 49,091 tons. Terminating——

Mr. Hughes: What was that figure?

The Witness: 49,091. Terminating, 93,779. Total tonnage both originated and terminated, 142,870. The percentage of the 1928 figure for 1941 is 29.4 per cent. I do wish on this page to call attention to the gradual and continual drop in tonnage from 1928 to 1941.

By Mr. Williamson:

Q. You are referring to less than carload freight entirely here?

A. Yes, in that particular case.

Q. Go ahead.

A. Page 5 is a graph showing the same figures shown on page 4 only in a different manner. Page 6 covers the rail movement of carload freight to and from South Dakota from 1928 to 1940. I would like, if I may, to read into the record the 1941 figures. Originating, 78,201 cars. Terminating, 93,779 cars. Total, 171,980.

[fol. 2132] Page 7 shows the same information only in graphic form. On page 8 I have segregated the commodities originated and terminated by groups to indicate, as I said before, that South Dakota is an agricultural rather than a manufacturing state. The figures are self-explanatory and the 1941 figures are a little bit higher than the 1940 figures. I do not believe it is necessary to read those into the record. I do wish to say, though, in connection with page 8 that I have taken the grand total from each one of the different groups of commodities and here is the percentage relation of each group to the total: Under products of mines, 7½ per cent of the total; products of forest, 1.7 per cent; products of agriculture, 34.8 per cent; products of animals, 47.7 per cent; and manufactures and miscellaneous, 8.3 per cent. On the other hand the terminated percentages —the percentages I just gave you were originated percentages—are as follows: products of mines, 32.6 per cent; products of forest, 4.9 per cent; products of agriculture, 14.3 per cent; animals and products, 10.8 per cent; and manufactures and miscellaneous, 37.4 per cent.

Page 9 contains similar figures, only shown in graphic form taken from page 8. On page 10 I have shown originating and terminating carload traffic in numbers of tons. The figures are self-explanatory. Pages 11 to 20 deal with the rate levels in the state of South Dakota versus surrounding [fol. 2133] states. On page 11, I have taken the C. F. A. scale—by the way, these rates are not increased 6 per cent according to Ex Parte 148.

[fol. 2134] I have taken the rates in the C. F. A. scale up to 1,500 miles. I have shown the first and fourth class rates. Now, let's take 1,000 miles for instance. The first class rate is $1.82. I have taken that same rate and shown how far the rate would carry under the other scales in the United States, South Dakota being in zones 2 and 3. The $1.82 rate for 1,000 miles in C. F. A. territory would carry the same shipment 520 miles in zone 2 and only 440 miles in zone 3.

Page 12 is a statement showing the level of rates in Western Trunk Line territory, zones 1, 2, 3 and 4, and the other scales. It is just a comparison of percentage relation. Page 13 is practically the same as page 11, only I have dropped the fourth class and have used the present rates increased 6 per cent. Page 14 is a graph showing the different scales of rates. I have used the C. F. A. original scale and the rehearing scale. I have used the Western Trunk Line original, rehearing and present. This shows Western Trunk Line, of course, to be considerably higher than C. F. A. On page 15 I have taken a movement from New York to the Pacific Coast and have shown the first and fourth class rates in jumps of 500 miles. It shows the jump immediately east of Chicago, in Western Trunk Line zones 1, 2, 3 and 4 scales, and then the drop in the Inter-Mountain territory as the result of 172 I. C. C. 306.

[fol. 2135] By Chairman Aitchison:

Q. Am I to understand there are fourth section violations shown here?

A. I do not believe there are fourth section violations. It would indicate that, but——

Q. As a matter of fact, Laramie is intermediate to New York City from Salt Lake and San Francisco, is it not?

A. Those are the rates, Mr. Chairman. I had not thought about fourth section violations.

Chairman Aitchison: I was not aware that any class rate fourth section relief had been granted. I thought that was denied back in about 78 I. C. C.

The Witness: That is true. I will check into that and satisfy my own mind, too. I am not so sure how that works out there, but those are the rates.

By Chairman Aitchison:

Q. Do you think $2 is the first class rate to San Francisco from New York?

A. $2 is the rate under the Utah Scale for 500 miles.

A. Oh. These are not, then, the rates from New York to——

Mr. Williamson: The rates are shown in each case for 500 miles only.

Chairman Aitchison: From where? From each point of origin?

The Witness: I have just taken these points to show the location of the towns and the approximate mileages. But it is true that those are not the first class rates from New [fol. 2136] York to San Francisco and so forth.

Chairman Aitchison: Of course not.

The Witness: No, but they are the 500 mile jump in each territory.

Chairman Aitchison: Proceed.

The Witness: On page 16 I have shown the history of the rates from 1910 down to date, with the exception of the Ex Parte 148 increases from typical jobbing points in Western Trunk Line territory to typical South Dakota points. I would like to just take one example, Chicago to Sioux Falls, for instance. The first class rate in 1910 was 83 cents. It jumped in 1938 to $1.61. The fourth class rate jumped over 150 per cent, from 33½ cents to 56½ cents. Mr. Morrison, who testified for the Northern Pacific Railroad in this hearing indicated that the rates that the carriers put into effect on December 3, 1931, from the Seaboard and C. F. A. to North Dakota——

Mr. Hughes: I am sorry, Mr. Chairman, but we are having a great deal of difficulty in hearing the witness.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Proceed.

The Witness: Mr. Morrison, who testified for the Northern Pacific Railroad at this hearing, indicated that the rates that the carriers put into effect on December 3, 1931, [fol. 2137] constituted quite considerable reductions. Now, on page 17 I have taken some typical rates from C. F. A. and Trunk Line territory to typical South Dakota points and this page indicates that as far as South Dakota is concerned, the carriers have today those rates practically all up, and many times higher than the December 2nd, 1931, reductions, or December 3rd, 1931, reductions.

On page 18 I have taken a shipment from New York to some typical South Dakota points. Let's take Watertown, for instance. The rate from New York to Chicago first class is $1.77. The rate from New York to Watertown is $3.06. The spread in rates over Chicago is $1.26. Using the C. F. A. scale, that spread would be 90 cents as far as Watertown is concerned. The other examples are shown in detail on that page. On page 19 I have taken the carriers' figures for all less than carload tonnage from the year 1928 to date, moving in the United States moving in the Eastern territory, the Western District and the Southern District. While I have not shown on my exhibit the totals of that tonnage, I have totaled them and have figured out the percentage.

Mr. Williamson: Leave out the totals and give us the percentages, to save time.

The Witness: In the Eastern District the tonnage originated was 49.9 per cent of the total United States tonnage, but the revenue paid by shippers in the Eastern District [fol. 2138] was 43½ per cent of the total. In the Southern District the tonnage originated was 20.5 per cent of the United States, while the revenue was 21½ per cent. In our Western District the tonnage originated was 29.7 per cent, but we paid 3.36 per cent of the total revenue.

On page 20 I have shown various formulas in making class rates in Western Trunk Line territory. The first formula is the laminated scale prescribed by the Interstate Commerce Commission in 17000 Part 2. The exhibit is self-explanatory. Our present rate from Chicago to Pierre, of course, is $2.27 without the 6 per cent increase, and I have shown how other formulas prescribed in certain instances by the Commission work out instead of the laminated formula.

I think right here I would like to mention the fact that our rates into Western South Dakota we have always considered, especially in zones 2 and 3, were on too high a level as compared with the rates east of South Dakota. Now, the Commission in prescribing other rates have prescribed, for instance, on livestock—they did not put a system of arbitrarie- in going east on eastbound traffic. In 17000 Part 9 they made one scale of livestock rates from South Dakota to the east and to Chicago. In Docket 12358 they did the same thing. In the Gypsum Case, Docket 23823, the Commission prescribed its scale of rates from Fort Dodge, out into South Dakota, on a single level of [fol. 2139] rates. In the Holmes and Hollowell Case they prescribed coal rates in 60 I. C. C. 687, and so forth, without a system of zoning or arbitraries such as has been done in our class rates. In I. & S. 3659 there were no arbitraries and no zoning prescribed in that case. In our grain rate case, 17000 Part 7, we have no system of zoning or arbitraries.

Chairman Aitchison: Cannot the witness just list those cases and say there are no arbitraries in them?

Mr. Williamson: Yes. I think he might do that.

Chairman Aitchison: May I ask this: have you any arrangement for a division of time with North Dakota? This witness was supposed to be on for 20 minutes. He has been on far longer than that now.

Mr. Williamson: I know.

Chairman Aitchison: Have you any arrangement for a division of time?

Mr. Williamson: No. We have no arrangement as to a division of time. No further than was stated yesterday; as to about how much time it would take. He has been on longer than I thought he would take, from his explanation.

The Witness: I believe I can hurry it up, Mr. Chairman.

Chairman Aitchison: I think that would be very much appreciated by the people ~~who will~~ follow you, as well as us.

The Witness: I would like to mention the Express Case, 83 I. C. C. 606.

[fol. 2140] By Mr. Williamson:

Q. Please conclude the explanation of your exhibit as briefly as possible, Mr. Carr.

A. Pages 21 to 30 cover statistics dealing with the trucking situation in South Dakota. Page 21 shows the registration of automobiles and trucks—or rather, the registration of trucks. Page 22 shows the scale of rates prescribed by our Board for application for class A truckers in the state. Page 3 is that same scale compared with the 17000 part 2 zones 2 and 3 rates.

On page 24 I have taken the mileages from 20 miles up to 160 and shown the first and fourth class rates for common carriers in the different states compared with the 17000 Part 2 zones 2 and 3 scales. On pages 25 and 26 I have shown the situation as far as trucking rates are concerned in Idaho. Page 27 carries——

By Chairman Aitchison:

Q. What is the significance of showing the class rates from Idaho? They are not involved in this proceeding.

A. That is true, Mr. Chairman. The only reason I put those in was to show that throughout the country there were rates much lower than those prescribed by the Commission, truck competitive rates.

Q. Those are rail rates, are they?

A. I have shown those—yes. Those are rail rates, yes, sir. I have shown the tariff authority I believe on the last sheet.

[fol. 2141] Q. They are intrastate rates to a considerable extent?

A. Well, that is true. There are some intrastate rates.

Chairman Aitchison: And the class percentage relation is entirely different. You may take my word for it. Look at Pocatello.

Mr. Williamson: I believe that all the succeeding pages there are self-explanatory and no further statement is required of Mr. Carr.

The Witness: Yes. I believe that is correct. The exhibit contains on pages 31 to 35 a study relating to the different transportation elements affecting transportation in the state of North Dakota. I believe it is self-explanatory.

By Chairman Aitchison:

Q. Well, with respect to that, how did you get the values that you used?

A On page 31, Mr. Chairman?

Q. Yes.

Mr. Hughes: Mr. Chairman, we are unable to hear the witness. Perhaps if he would speak directly into the microphone we could hear him better.

Chairman Aitchison: Try to speak directly into the microphone, Mr. Carr, so everyone can hear you.

The Witness: The values there are as shown in the explanation the average valuation per mile of road for representative lines in Official Classification territory and they [fol. 2142] were taken from the decisions of the Commission in various valuation dockets.

Chairman Aitchison: No. That is not what it says. It says "based upon", which is different from "taken from".

The Witness: Mr. Commissioner, in Witness Saunders' Exhibit 86 he had some figures. As to this exhibit, I do not place too much value on it. It is just one of a group to show the different situations as affecting the elements of transportation in the state.

By Chairman Aitchison:

Q. Was this taken from the Saunders exhibit?

A. No, sir. It was not. The reason I mentioned Saunders' exhibit was that my figures did not agree with some of his figures, and I cannot recall now just the numbers of the citations of the Commission's decisions.

Chairman Aitchison: We will take notice of those valuation decisions. I think we have to under the statute as of the dates thereof, which were some time back.

By Chairman Aitchison:

Q. Your exhibit shows that these values are based upon those old valuations, and I would like to know how you brought them down to whatever time this particular page speaks of.

A. I did not bring them down to date, Mr. Chairman.

Q. Oh. I see. These are all as of valuation date?

A. Yes.

[fol. 2143] Chairman Aitchison: All right. We were talking at cross purposes. I thought you had tried to bring them down.

The Witness: No.

Chairman Aitchison: Proceed.

Mr. Williamson: We had intended to put in some data with reference to South Dakota resources, but in view of the length of time already consumed, we will omit that part of the testimony. Mr. Carr is now ready for cross examination.

Chairman Aitchison: Do you offer in evidence Exhibit No. 105?

Mr. Williamson: Yes. I offer Exhibit No. 105 in evidence, if the Chairman please.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 105, Witness Carr, received in evidence.)

Chairman Aitchison: Is there any cross examination? (No response.) Apparently not. You may stand aside.

(Witness excused.)

Mr. Williams: If the Commission please, I appear here for the state of North Dakota, Public Service Commission, Chamber of Commerce of Fargo, the Minot Association of Commerce, and the Greater Grand Forks Traffic Association. At this time I would like to call Mr. Willard to the stand.

Chairman Aitchison: Raise your right hand and be sworn.

R. B. WILLARD was sworn and testified as follows:

[fol. 2144] Direct examination.

By Mr. Williams:

Q. Will you give your full name to the reporter, please, and state your residence and occupation, Mr. Willard.

A. My name is R. B. Willard, secretary and traffic manager of the Minot Association of Commerce, Minot, North Dakota.

Q. Will you state your qualifications.

A. I have held my present position for one year. Prior to that time I held a similar position with the Association of Commerce of Aberdeen. Prior to that I spent 3½ years with the Mitchell Traffic Bureau, also handling traffic affairs for the City of Yankton. Prior to that time I spent 9½ years as Assistant Commissioner of the Sioux Falls Traffic Bureau.

Q. Your experience briefly dates back to what year in railroad and traffic experience?

A. It dates back to some 44 years ago when I started working with the North Western Railroad in Sioux Falls, including the South Dakota Central Line, which is now part of the Great Northern System.

Chairman Aitchison: Is there any question about his qualifications? (No response.) We will take them as established.

Mr. Williams: Thank you.

By Mr. Williams:

Q. You are a registered practitioner before the Interstate Commerce Commission, are you?

[fol. 2145] A. I am, and have been, since 1930.

Q. Have you made a study of the issues involved in this proceeding and prepared an analysis of the economic, industrial and natural resources in North Dakota over a period of years?

A. Yes, sir.

Mr. Williams: Mr. Chairman, we will ask to have the same marked for identification as the next exhibit.

Chairman Aitchison: It may be marked for identification as Exhibit No. 106.

(Exhibit No. 106, Witness Willard, marked for identification.)

By Mr. Williams:

Q. Mr. Willard, will you take up your exhibit No. 106 and make a brief explanation of the contents thereof.

A. Exhibit No. 106 consists of 38 pages of data properly indexed relating to the population and statistics as reported by the Bureau of Census, 16th Census of the United States, taken in 1940, also manufacturing, wholesale trade, employment and industry figures taken from the same source, and information from the United States Census of Agriculture taken in the same year, 1940. I have also shown the natural resources which are almost wholly undeveloped in the state of North Dakota. Proper authorities for all factual data are shown. This exhibit has been properly distributed and should be in the hands of everyone.

[fol. 2146] Q. Take page 1 of the exhibit.

A. Page 1 of the exhibit relates to the population figures of the state, commencing with the year 1870, the earliest enumeration date, extending to the year 1940, when the last Federal Census was taken. It also shows population trends as between urban and rural districts. The population peak of 680,845 persons was reached in 1930, diminishing to 641,935 in 1940, a decrease of 38,910 persons, or 5.7 per cent.

Q. What is the present situation in North Dakota?

A. The present situation in North Dakota from the figures which I have been able to obtain through different sources indicate- that the population has decreased from 95,000 to 100,000 under the 1940 figure, these people having gone into the armed services, and a great many having migrated to defense industries, of which we have none in North Dakota.

Q. Therefore you have a situation in North Dakota with 10,054 square miles and a population of approximately 550,000 people.

A. That is right.

Q. Is that correct?

Q.

A. That is correct, a density in 1940 of but 9.2 persons per square mile.

Q. Take page 2 of your exhibit and explain that very briefly.

[fol. 2147] A. Page 2 of Exhibit No. 106 is a showing of population increases and decreases for each of the Federal Census periods from 1870 to 1940, the increases being rather substantial to and including the year 1910, with smaller increases for the periods 1920 and 1930, followed by a decrease of 5.7 per cent between 1930 and 1940.

Q. Take up page 3 of your exhibit and explain that very briefly.

A. Page 3 of the exhibit is a showing of population changes in rural territory, indicating a 10.1 per cent or 57,527 person decline in 1940 as compared with 1930, leaving North Dakota with 79.4 per cent of its population in the rural areas. Table 2 commencing on this page and continuing on page 4, shows the trend for the four principal cities. There are only four cities in North Dakota having a population of 10,000 or more. A rather large gain is shown for Bismarck, the capital city, between 1920 and 1930 and between 1930 and 1940, which can be accounted for as Government employees necessary to take care of dispossessed farmers, to carry on several Government programs, and to relieve distressed conditions in the state.

Q. Take up page 5 of your exhibit and explain it very briefly. Hurry along as rapidly as possible.

A. Page 5 needs little comment. It indicates that there are only two counties in the state, Grand Forks and Cass, [fol. 2148] with a wage-earner capacity in excess of 650 per square mile.

Q. You mean 250?

A. 250.

Q. Go ahead.

A. Page 6 indicates that there are only 350 manufacturing establishments in the state. By that is meant manufacturing establishments doing a business of $5,000 or more.

Q. What is the total added value of manufactures for the year 1939?

A. For the year 1939 the total added value of manufactures was $11,102,198.

Q. Take up pages 7 and 8 of this exhibit and explain them very briefly.

A. Pages 7 and 8 show a breakdown of the manufacturing plants by counties. Again we find the value of manufactured products heaviest in Cass and Grand Forks counties where distributing rates into their natural distribution areas are lower than for the other cities in the state on interstate shipments.

Q. Take up page 9 of this exhibit and explain it very briefly, Mr. Willard.

A. Page 9 is a breakdown of manufacturing plants in the four principal cities, Bismarck, Fargo, Grand Forks and Minot. The value added by manufacture for the cities of Fargo and Grand Forks is not shown for reasons ex- [fol. 2149] plained in footnote reference 9.

Q. That is on account of the packing plant situation at Fargo?

A. That is true.

Mr. Olson: It seems to me, Mr. Chairman, this exhibit is self-explanatory. In view of the shortness of time, I wonder if we cannot dispense with this explanation?

Mr. Williams: It is entirely agreeable, Mr. Chairman. I consider this study as purely self-explanatory.

Chairman Aitchison: As a matter of fact, it is not good practice if an exhibit is distributed in advance to simply read the headings on the various pages.

Mr. Williams: As a matter of fact, we are not reading the headings. We are making no conclusions from the evidence shown in the exhibit, but in view of the necessity for shortening the time——

Chairman Aitchison: We do not want anything to be shut out that it is necessary to have developed by oral testimony.

By Mr. Williams:

Q. Mr. Willard, briefly stated, page 10 of your exhibit shows that you have 350 manufacturing establishments in North Dakota, does it?

A. That is right.

Q. How are they distributed? Please turn to your page No. 12 of this exhibit and point out to the Commission [fol. 2150] how they are distributed.

A. It will be noted from page 12 that newspapers and printing establishments account for approximately 25 per cent of the total, 68 newspapers and 12 printing establishments, or a total of 80 out of the 350 grand total. The principal value of newspaper and printing plants as manufacturing establishments is in the wages paid their employees. In addition, there are 150 establishments manufacturing or processing dairy and poultry products, leaving a small total of 155 plants for all other classifications.

Q. Apparently there is plenty of opportunity for industrial development in North Dakota, would you say?

A. There is no industrial development of any consequence at the present time.

Q. Mr. Willard, will you turn to page 19 of your exhibit, which explains the relationship of rural population to urban population in North Dakota.

A. Page 19 shows the total land area and the percentage of total land area in farms to be 84.6 per cent, indicating that the preponderance of North Dakota's population is centered on the farms.

Q. How about the population? You show 84.6 as the percentage of total land area in farms. What is the population?

A. The population?

Q. State the percentage of rural population to total [fol. 2151] population.

A. (No answer.)

Q. Look under the year 1940.

A. 43½ per cent.

Q. For the United States as a whole?

A. For the United States as a whole.

Q. And 79.4 for the state of North Dakota?

A. That is correct.

Q. Take up page 20 of your exhibit.

A. Page 20 shows the details as to tenure of operators on North Dakota farms. It shows very strikingly the list of farms in the state for the years 1920 to 1940 inclusive.

Q. What has happened, Mr. Willard, to the farm values in North Dakota for the year 1920 versus 1940?

A. In the year 1920 we had a farm value of $1,488,521,495,——

Chairman Aitchison: I do not think we need——

Mr. Williams: Mr. Willard——

Chairman Aitchison: I do not think it is necessary——

Mr. Williams: —will you please proceed to——

Chairman Aitchison: Just a minute, Mr. Williams, please: We have heard this story of North Dakota and agriculture so much and so recently, more particularly in Ex Parte 148, that I think you should let the exhibit speak for itself.

Mr. Williams: I would be perfectly willing to that, [fol. 2152] Mr. Chairman, except that I would like the members of this committee of cooperating state commissioners who are sitting in this proceeding to hear it. They perhaps were not in Ex Parte 148. Perhaps they do not understand that we wrote off a cold billion dollars in depreciated farm values from the year 1920 to the year 1940.

By Mr. Williams:

Q. Will you explain, Mr. Willard, page No. 25, which shows the location of the natural resources in North Dakota.

A. Page No. 25 is a map drawn for the State Planning Board. It shows the location of the natural resources in the state, chief among which is the six hundred billion tons of lignite coal located in the northwestern district.

Q. What percentage is that coal of the total coal in the United States, reserves?

A. That is 15 per cent of the total coal reserves of the United States.

Q. North Dakota with six hundred billion tons of lignite lying under the ground actually mines and ships by rail approximately how many tons, as shown on page 27 of your exhibit?

A. It ships approximately 2,176,841 tons—or rather, that is the production. It shipped 1,545,140 tons for the year 1939, in the last reported period.

Q. That tonnage is practically all confined to intrastate [fol. 2153] movement, is it not?

A. That is right. Very little tonnage moves outside of the state of North Dakota.

Q. Now, Mr. Willard, I call your attention to the large deposits of Bentonite, Glauber's Salt, Fuller's Earth and natural gas in North Dakota: what would you say with respect to our natural resources? Are they being developed?

A. Our natural resources are not being developed. Considerable investigation has been made, but there has been no development. The only development there has been in the lignite coal industry, and that only for fuel purposes.

Q. Would you say that North Dakota has demonstrated by this exhibit, — has large and extensive natural resources undeveloped at this time?

A. Yes. North Dakota has a large area of undeveloped resources. They have been almost totally undeveloped up to the present time.

Q. Did you prepare this exhibit No. 106 and is it true and correct to the best of your knowledge and belief?

A. It is to the best of my knowledge and belief, yes, sir.

Mr. Williams: Mr. Chairman, I offer in evidence Exhibit No. 106.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 106? (No response.) Without objection, it is received.

[fol. 2154] (Exhibit No. 106, Witness Willard, received in evidence.)

Mr. Williams: The witness is ready for cross-examination.

Chairman Aitchison: Is there any cross-examination of this witness?

Mr. Olson: We have no cross-examination.

Chairman Aitchison: Apparently there is none. You may step aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.

Mr. Williams: Mr. Agrey.

Chairman Aitchison: Raise your right hand and be sworn.

John M. Agrey was sworn and testified as follows:

Direct examination.

By Mr. Williams:

Q. Will you give your full name to the reporter, please, Mr. Agrey, your residence and occupation.

A. My name is John M. Agrey; I am in charge of the Traffic Department for the Public Service Commission of the State of North Dakota, Bismarck, North Dakota.

Q. How long have you held that position?

Mr. Plunkett: We will concede Mr. Agrey's qualifications.

The Witness: Thank you.

Mr. Williams: Your qualifications have been conceded, Mr. Agrey.

[fol. 2155] By Mr. Williams:

Q. Will you take up the exhibit which you have prepared.

A. Yes.

Mr. Williams: We ask to have this exhibit marked for identification as Exhibit No. 107, if the Chairman please.

Chairman Aitchison: It may be so marked.

(Exhibit No. 107, Witness Agrey, marked for identification.)

By Mr. Williams:

Q. Proceed with your explanation of this exhibit, please, Mr. Agrey, making it as brief as possible.

A. The map on page 2 shows the railroads serving the state. Three of them, namely, the Soo Line, the Milwaukee, and the North Western, have lines extending from Illinois and Wisconsin into North Dakota or through North Dakota.

Chairman Aitchison: I am sorry, but I missed that answer. Will you read it, please, Mr. Reporter.

(The record was read.)

Chairman Aitchison: Proceed.

The Witness: The other two, the Great Northern and Northern Pacific railways, have their termini at the Twin Cities and Duluth on the east and the north Pacific coast ports on the west, and they are both joint owners of the Burlington. The names of the cities that have been circled in black are those shown on subsequent pages of the exhibit, as being representative origin or destination points, [fol. 2156] and are also the most important cities of the state.

By Mr. Williams:

Q. Will you briefly explain page 3, Mr. Agrey.

A. On page 3 I have shown the appendix E scale as extended to a distance of 2,000 miles. I believe that page is self-explanatory.

Q. You also show the scale brought down to date and plussed by the 6 per cent increase in Ex Parte 148?

A. In one instance it shows the Ex Parte 123 increases, and in the other instance the addition of the Ex Parte 148 increases.

Q. Take up pages 4 to 15 both inclusive of your exhibit and explain them briefly.

A. On pages 4 to 15 I have shown the distances and the present first class rates compared with first class rates made by the use of the Eastern Scale shown on page 3, between North Dakota cities on the one hand, and cities in Western Trunk Line, Official, Southeastern and Southwestern territories on the other. There is also shown the spreads in these rates as well as in the distances, North Dakota cities over the Twin Cities.

Q. What have you shown on pages 16 through 22?

A. Pages 16 to 22 show the same relative information, but using fewer origin points outside of North Dakota. In addition to the first class rates shown, there are also [fol. 2157] shown the fifth class rates. It is my opinion that the class rates prescribed by the Commission in the 17000 Part 2 Cases and as subsequently increases are too high to move the traffic. The carriers have not only reduced the charges for the transportation of commodities which should normally move on class rates by the publication of numerous commodity rates, but have lowered the classification ratings as well. This is partly illustrated on pages 25 to 29 inclusive. The heading on page 25 states it is a comparison of prescribed class rates with truck competitive class rates. They are not published as class rates, but are called commodity rates although they have every characteristic of a class rate but the name. These rates and ratings have been in effect for several years and were at one time published to expire on December 31st of each year. However, in the year 1941 the expiration date was removed and they are now published permanently.

Q. This is a permanent basis of rates now?

A. That is right.

Q. Take up pages 27, 28 and 29 of your exhibit.

A. The commodity descriptions shown on those pages are of a general nature, due to the fact that a detailed showing would have enlarged the exhibit considerably and beyond all proportion commensurate with its usefulness.

Q. What is the situation depicted on page 30 of your exhibit with reference to iron and steel rates between [fol. 2158] Chicago and the Twin Cities and North Dakota points?

A. In the Docket 17000 Part 2 Cases the Commission prescribed column 32½ on iron and steel articles, but within a short time after the rates became effective, departures occurred from the prescribed basis. This is shown on this page of the exhibit.

Q. This exhibit shows briefly that on a car of steel moving from Chicago to Wahpeton, where the haul from Chicago was to the Twin Cities and then to destination, the car earns $61.76 more, en route to Wahpeton, than it did when it stopped at the Twin Cities.

A. Yes.

Q. That abnormality of rates has been brought about by the revision of the column 32½ basis so far as the Chicago-Twin Cities rates are concerned?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Take up page 31.

A. The scales of rates shown on page 31 are the various Western Trunk Line scales and Central Freight Association or the Eastern appendix E scale as compared with the North Dakota single line distributing scale.

Q. This page briefly shows that the present North Dakota intrastate rates for 150 miles or less are lower than the [fol. 2159] appendix E scale under the Docket 15879 decision?

A. That is right. The rates on this page do not reflect the 6 per cent Increase granted in Ex Parte 148.

Q. In either comparison, with the North Dakota rates or with the Official scale rates?

A. That is right.

Q. Take up pages——

A. However, while the North Dakota Commission subsequent to a hearing related to the Ex Parte 123 proceeding, granted the carriers an increase of 10 per cent in their class rates, no increases were taken with respect to less than carload traffic.

Chairman Aitchison: Let me ask one question about these distributing rates.

By Chairman Aitchison:

Q. North Dakota still has a practice of putting a lower scale of class rates in from certain points designated as distributing points?

A. They are still published, Mr. Chairman.

Q. In that way?

A. In that way.

Q. Not for general application?

A. No.

By Mr. Williams:

Q. Mr. Agrey, just to clear the record up, the North Dakota distributing scale is a scale applicable from and to some 14 named jobbing points, North Dakota intra- [fol. 2160] state?

A. There are 18 jobbing points, I believe.

Chairman Aitchison: Does the rest of the state tolerate that?

The Witness: There has not been any objection, and furthermore, the class scales were before the Commission in 1929, but have not been since that time. There is an application pending before the Commission, but it has not been pressed by the parties filing it.

By Chairman Aitchison:

Q. If you were going to move—by the way, do you live in one of these distributing towns?

A. I happen to live in one of the distributing towns, yes, sir.

Chairman Aitchison: Yes. You happen to.

By Chairman Aitchison:

Q. Now, to some other non-distributing point in North Dakota your household goods would take first class, would they not?

A. That is correct.

Q. Under this distributing scale.

A. That is right.

Q. But if a man in a small town wanted to move into this distributing point, he would pay a higher rate, would he not?

A. No.

Q. Why not?

A. They are between. They apply as between rates.

[fol. 2161] Q. Do they not govern also a good many movements at intermediate points, or do you have fourth section relief for that?

A. There can be no violation of the fourth section in—I mean, the Commission cannot grant any relief from the fourth section under the North Dakota law.

Q. Then these rates must control the intermediate rates?

A. That is correct.

Chairman Aitchison: Proceed.

By Mr. Williams:

Q. Mr. Agrey, these are the rates prescribed by the North Dakota Commission in the Docket 2255 case?

A. That is correct.

Q. Increased in Ex Parte 123?

A. Authority was permitted the carriers to increase the rates 10 per cent in a proceeding which was related to Ex Parte 123, as I stated before, but the carriers with respect to less than carload traffic did not do so.

Q. They did not take the increase?

A. That is right.

Q. Have they taken the 6 per cent increase recently granted in those rates?

A. They have.

Q. Now, Mr. Agrey, will you——

Chairman Aitchison: Just a minute, please.

[fol. 2162] Mr. Williams: Pardon me.

Chairman Aitchison: Before North Dakota comes here and asks for uniformity in the rate scale, why doesn't she clean her own house?

The Witness: She might do that.

By Mr. Williams:

Q. Mr. Agrey, would you think it proper for the North Dakota Commission to just issue a farte blanc-order directing these railroads to advance their rates over and above the maximum rates which the railroads are seeking?

A. No.

Q. Would that be good regulation?

A. I do not believe so.

Q. In other words, the railroads have not sought any increase in these North Dakota intrastate rates other than the Ex Parte 148 increase, is that true?

Chairman Aitchison: They are not seeking to change those rates in this case, either.

Mr. Williams: We are speaking for North Dakota, Mr. Chairman. We are very thankful that they did not seek an increase in the intrastate distributing rates withn our state. We know from our experience that the truck competition and competition of the private hauler would not permit them to advance these rates, and I think that will be apparent from this witness' testimony, if you will permit us to proceed.

[fol. 2163] By Chairman Aitchison:

Q. Proportionately how much of your intrastate tonnage moves on these so-called distributing class rates as compared to the proportion that moves on class rates of the normal amount?

Mr. Williams: Are you asking me that, Mr. Chairman?

Chairman Aitchison: I am asking the witness.

Mr. Williams: I would say in answer to that question——

Chairman Aitchison: Just a minute, Mr. Williams. I am asking the witness the question.

The Witness: I do not have any specific information on that, but from a general observation and living within the state since about 1919, I would say that most of it moves under the class rates.

By Chairman Aitchison:

Q. Most of it moves under the distributing rates?

A. That is right.

Q. Then it would be a matter of simply bringing the remaining rates down to the distributing rates and perhaps making a very slight advance in the distributing rates and you could get uniformity, could you not?

A. That is correct.

Chairman Aitchison: Proceed.

By Mr. Williams:

Q. Now, Mr. Agrey, with respect to these distributing rates we are talking about, they are governed by the Western Classification, are they not?

[fol. 2164] A. They are.

Q. Are there exceptions to those distributing rates in the large number of instances that exceptions generally prevail throughout the Western District?

A. I will call attention to that later on in my exhibit.

Q. Proceed.

A. These rates in North Dakota shown on page 31 also include the pickup and delivery services, or the allowances in lieu thereof. The level of the North Dakota scale has not necessitated the publication by the carriers of an extensive line of exception ratings such as has been done on interstate traffic. Most of these exceptions are shown on pages 32 and 33, and are compared with ratings in the classification and exceptions applicable on interstate traffic as published in Western Trunk Line Tariff 25-C, Agent L. E. Kipp's I. C. C. No. A-3411.

Q. If I understand correctly, Mr. Agrey, pages 32 and 33 simply indicate the very limited number of exceptions to the Western Classification ratings applicable North Dakota intrastate?

A. That is right.

Q. Take up page 34.

A. The prescribed class rates into Montana do not move a large part of the traffic that normally moves on class rates, and should, therefore, be given little consideration in fixing [fol. 2165] the rates to western North Dakota. The basis of less than carload and volume rates maintained today between the Twin Cities, Minnesota, and various North Dakota points on the one hand, and Montana points on the other, is shown on page 34 and subsequent pages. The rates are published as commodity rates but a glance at page 35 will indicate the tie-in to the classification. The same page indicates exception ratings provided as compared with those in the Western Classification. The descriptions are general in nature and not in the detail provided in the tariff.

Q. Have you anything to say with reference to pages 36 and 37?

A. A more elaborate and relatively lower truck competitive adjustment is maintained from western North Dakota to Montana, and is shown on pages 36 and 37.

Q. What does page 38 show, pages 38 through 43?

A. First, with respect to page No. 35, there should be a correction made.

Q. All right.

A. The numbers 25 and 26 should be changed to "34".

Mr. Williams: May we make that correction, Mr. Commissioner, on page 35? Where is says, "List of exceptions ratings applicable in connection with rates shown on pages Nos. 25 and 26", that should be changed to "No. 34".

Chairman Aitchison: Very well.

[fol. 2166] By Mr. Williams:

Q. Take up pages 38 to 43 of your exhibit, please, Mr. Agrey.

A. The ratings provided in connection with these rates as taken from a representative tariff published by the Great Northern Railway Company are compared to ratings provided in the Western Classification and are shown on pages 38 to 43 inclusive.

Q. The Great Northern tariff is G. F. O. 3526-D I. C. C. A-8008, is it not?

A. That is correct.

Q. Go ahead.

A. Group J corresponds to first class and group M to fourth class in the Western Classification. I have not attempted to show here commodities taking K and L rates which correspond to classes 2 and 3, believing it would only add bulk to the exhibit without serving any substantially useful purpose.

Q. Take up pages 44, 45 and 46. What do they show?

A. Pages 44, 45 and 46 show truck routes in existence in 1936. Since that time there have been changes but not of a substantial nature. In North Dakota, the operations of the authorized fixed route common carriers are more comprehensive than in 1936. In so far as irregular route common carriers are concerned, their numbers have increased.

No information is available as to the scope of operations [fol. 2167] of private motor carriers. I do know, however, from observation that concerns such as Red Owl Stores, Winston-Newell, Gamble-Skogmo, and many others have instituted in recent years their own motor carrier operations.

Q. Can you say whether or not that situation as to the private truck hauler largely contributes to the railroads' attitude in connection with the maintenance of the North Dakota so-called jobbing rates?

A. I believe that has an influence on it.

Q. Take up the balance of your exhibit. It is practically self-explanatory, is it not?

A. That is correct.

Q. Have you any statement to make as to the position of the North Dakota interests in this proceeding?

A. Yes. I wish to state that the North Dakota interests for whom I appear subscribe to the position of the Southeastern traffic witnesses, that one level of uniform rates and ratings should be prescribed in the territory on and east of the Mississippi River. We, however, go one step further and request the Commission to prescribe this level from and to all points in North Dakota east of the Montana-North Dakota state line.

The present North Dakota intrastate rates are lower than the Official Appendix E scale for distances 150 miles and less and include pickup and delivery service or an allowance [fol. 2168] in lieu thereof.

Q. What is that allowance?

A. It is 5 cents for a pickup and 5 cents for a delivery in each instance.

Q. Proceed.

A. This rate adjustment applies throughout the state and accords such jobbing cities as Minot, Williston, Bismarck, Dickinson and Beach a basis of class rates to all of their respective jobbing territories contiguous to them in North Dakota less than the Official Appendix E scale.

Q. What is your solution to that problem?

A. We have no objection to the extension of this Official Appendix E Scale intra- or interterritorially as a solution to this problem.

Q. Does that complete your testimony, Mr. Agrey?

A. That is all I have.

Q. Did you prepare exhibit No. 107, or was the same prepared under your supervision and direction and is the same true and correct to the best of your knowledge and belief?

A. It was compiled under my supervision or direction and is true and correct to the best of my knowledge and belief.

Mr. Williams: We offer in evidence Exhibit No. 107, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit No. 107? (No response.)

[fol. 2169] Without objection, it is received.

(Exhibit No. 107, Witness Agrey, received in evidence.)

Mr. Williams: You may cross-examine.

Mr. Olson: I have no cross-examination. I believe my colleagues have some questions.

Mr. Plunkett: I would like to ask a question or two.

Chairman Aitchison: Mr. Plunkett.

Cross-examination.

By Mr. Plunkett:

Q. Mr. Agrey, you spoke about the fact that the North Dakota railroads did not take advantage of the authority that had been given them to increase their class rates following Ex Parte 123 and Ex Parte 148. Now, is it not a fact that——

Mr. Williams: Pardon me, if I may interrupt, to straighten out the record. Not 148. That was 123, in connection with which he made that statement, but not 148. The 148 increases are already in.

Mr. Plunkett: All right. 123.

By Mr. Plunkett:

Q. Is it not a fact that the North Dakota Commission refused to permit the motor carriers in North Dakota to increase their class rates following Ex Parte 123?

A. No. I will say this, that the North Dakota Commission refused to grant the motor carriers an increase of 10 per cent, but they did permit them an increase ranging up to as high as 5 per cent.

[fol. 2170] Q. Did they make those increases?

A. They did not take them because neither the railroads took them nor the motor carriers took them. Why, I do not know. I do not know who was responsible, but nevertheless they were not published.

Q. At any rate, it was the competition with the motor carriers that made it impossible for the railroad companies to take advantage of the authority that had been given them?

A. You mean, the regulated motor carriers?

Q. Yes.

A. I do not know. They could have published increased rates. They were granted authority.

Q. Now, you subscribe to the position of the Southeastern shippers to the effect that one scale of rates can be applied east of the Mississippi River and you extend it also to apply to and from North Dakota, is that right?

A. A uniform scale, yes.

Q. A uniform scale.

A. Yes.

Q. Did you include in that the intrastate rates in North Dakota?

A. I would be willing to go along on that.

Q. Now, in view of that proposal, what is the significance of that part of your exhibit dealing with motor carriers and the routes that have been authorized? Do you mean by that, [fol. 2171] that this Commission should give consideration to the motor carriers in North Dakota in fixing a uniform level of rates?

A. No, no. It is the competitive factor, that is all. Furthermore, the class rates as such have not been able to move the traffic.

Q. Do you believe that this Commission should give consideration to motor carriers in fixing this uniform level of rates that you want the Commission to adopt?

A. I have not given any thought to that because it is not involved in this hearing, as I understand it.

Q. I thought you had some purpose in including that showing in your exhibit.

A. I believe uniformity is proper for motor carriers as well as for railcarriers, as far as that goes.

Q. But you do not ask this Commission to give consideration to the competition with motor carriers that exists in North Dakota?

A. The Interstate Commerce Commission?

Q. Yes.

A. If it is a competitive factor, yes.

Q. As a competitive factor?

A. Yes.

Q. Suppose that the competitive factor you speak of were different in different parts of this territory. Would you expect the Commission to still make a uniform scale [fol. 2172] throughout the territory?

A. Of course, I do not believe uniformity can be precisely achieved, or ever achieved as such, but I believe we can strive for it and come closer to it than we are now.

Q. North Dakota originates principally products of the farm, is that right?

A. That is correct.

Q. And lignite coal.

A. That is right.

Q. Those two items make up about 97 per cent of the traffic originated by North Dakota?

A. I doubt if the tonnage is that great. The proportion of tonage is shown on the last two pages of the exhibit.

Q. I took it from the last page of your Exhibit 107 for the year 1941.

A. That was terminated, the last page. Page 57.

Q. The next to the last page.

A. That is right.

Q. So that only about 2 or 3 per cent of the traffic originated in North Dakota moves on class rates?

A. Originated?

Q. Yes.

A. Yes. That would be about correct.

Q. Your chief interest is in the rates on agricultural products and on lignite coal, is that right?

[fol. 2173] A. Well, I think the previous witness illustrated that there has not been much money in agriculture. We have a one-industry state. We are, of course, subject to any calamity or condition that may affect it. What we are trying to obtain is some additional industry in the state so there will be some balance within reason.

Q. Would the reduction of the class rates from Chicago and from Eastern territory to your territory aid in building up the industries in North Dakota?

A. In the interest of uniformity, of course it should apply in both directions.

Mr. Plunkett: That is all.

The Witness: We could also go into their territory just as well as they could go into ours.

Mr. Plunkett: That is all.

Mr. Williams: Mr. Chairman, I purposely refrained from having the witness explain the last pages of our exhibit so as to save time. Mr. Plunkett's cross-examination has been primarily concerned with that section of our exhibit.

Redirect examination.

By Mr. Williams:

Q. Mr. Agrey, dealing with this motor truck situation as illustrated on pages 44 and 45, I believe, of your exhibit, the purpose of showing that is to indicate to the Commission the tremendous development in the motor carriers both common and contract, North Dakota intrastate, since the [fol. 2174] Commission's decision in the 17000 Part 2 case?

A. Oh, yes. There has been an incentive to operate motor trucks, not only common carrier but of course private carrier, which is becoming a greater factor now than ever before.

Q. Have you an opinion to express as a traffic expert, as to whether or not the motor trucks operating from the Twin Cities and Duluth into North Dakota, applying as they do the full 17000 Part 2 scale of rates, are waxing plenty fat in our territory?

A. I did not get the last part of the question.

Mr. Williams: Read the question.

Chairman Aitchison: I did not hear it either, Mr. Williams.

Mr. Williams: I said, have you an opinion—

Chairman Aitchison: Just the last part.

By Mr. Williams:

Q. Have they been waxing plenty fat out of those high rates from the Twin Cities and Duluth into our territory?

A. Their earnings are averaging relatively high, or their profits.

Q. Can you say whether or not that was the reason for denying them the increase in North Dakota intrastate following the Ex Parte 123 case, their wonderful financial position?

A. Their financial position was very good.

Mr. Williams: Thank you.

[fol. 2175] Chairman Aitchison: Are there any other questions of this witness? (No response.) You may stand aside.

(Witness excused.)

Mr. Williams: That is all we have. Thank you for the courtesy which you have extended us, Mr. Chairman.

Chairman Aitchison: Is there any further testimony to be produced at this time? (No response.) We will recess until November 16, 1942, at 10 o'clock A. M., Eastern War Time, at the Hotel Deshler, Columbus, Ohio.

(At 12:45 P. M., October 1, 1942, adjourned until November 16, 1942, at 10 o'clock A. M., Eastern War Time, at the Hotel Deshler, Columbus, Ohio.)

[fol. 2176] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

CLASS RATE INVESTIGATION, 1939

Docket No. 28310

CONSOLIDATION FREIGHT CLASSIFICATION

Hotel Deshler,
Columbus, Ohio,
November 16th, 1942.

Met, pursuant to adjournment, at 10:00 o'clock a. m.

Before Division-2 of the Commission.

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner,

Hon J. Haden Alldredge, Commission,

and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by:

Mr. John J. Murphy, South Dakota Public Utilities Commission;

Mr. George McConnaughy, Public Utilities Commission of Ohio; and

Mr. W. H. Scott, South Carolina Public Service Commission.

Present Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

APPEARANCES:

As heretofore noted and the following additional:

[fols. 2177-2178] Rupert L. Murphy, 940 Citizens and Southern Bank Building, Atlanta, Georgia, appearing for Georgia-Alabama Textile Traffic Association.

J. H. Tedrow, Care Chamber of Commerce, Kansas City, Missouri, appearing for Kansas City Chamber of Commerce, Kansas City, Missouri.

[fol. 2179] **Proceedings**

Chairman Aitchison: We will resume the hearing. It would very greatly facilitate our work this week if the gentlemen who expect to testify would take advantage of the long lunch hour that we are going to be compelled to take today, to see Mr. Koebel, and give him an estimate of the time that you expect to consume, or that you expect your witnesses to consume, the names of the witnesses, and so forth. That will enable us to map out at least some sort of a program. The understanding has been that the Commission was to receive 68 copies of exhibits, for its use and that of the State Commissions. That may seem like a rather large number, but by far the greater part are for the use of the State Commissions throughout the country. The 53 copies which we want to take back to Washington with us, we will appreciate if you will securely tie up and deliver to Room 229 on this floor, adjoining the hearing room, where [fol. 2180] the rail carriers are assembling their exhibits; and the 15 copies for our own use can be delivered to Mr. Koebel at the desk here. Are there any preliminary matters to be taken up at this time?

Mr. Hughes: Mr. Chairman.

Chairman Aitchison: Mr. Hughes.

Mr. Hughes: It has been indicated by different witnesses that there might be definite proposals made later for a readjustment of the class rates that are in issue in this proceeding. I have in mind in particular the statement of Witness J. C. Murray, of the Southwestern interests, when, at the conclusion of his testimony, he said in substance that those interests were not prepared at that time to indicate what the proposed readjustment should be, but that they expected to do so later, and perhaps they might include that in the brief. It seems to me that the mere statement that proposition condemns it as unfair, as failing to give to the parties the major and central case which they are presenting. With all briefs due on the same date, we are placed in the position of having no knowledge of what such specific proposals may be; we will not have any opportunity to dissect them; we will have no opportunity to discuss whether or not the evidence supports them; and we will therefore be in the dark until after the briefs have been filed, and particularly the rail carriers' briefs. Although [fol. 2181] I am now speaking specifically for the Western Carriers, I think that the idea which I am presenting should appeal to everyone who is entitled to know the full length and measure of the case, as presented by any interest; and I should like to ask the Commission to rule that anyone having any such definite proposals shall present them at this hearing, during the course of the hearing, but prior to the introduction of rebuttal testimony.

Chairman Aitchison: Well, of course, Mr. Hughes, we cannot anticipate any difficulty until it arrives. Is there anything further of a preliminary character, gentlemen?

Mr. Hughes: If the Chairman please, is it the position of the Bench, then, that no ruling will be made on this matter?

Chairman Aitchison: Not at this moment, sir.

Mr. Hughes: Thank you.

Chairman Aitchison: We have pending before us the offer of Exhibits 11 and 12, of Witness Ford K. Edwards. Mr. McCollester objected, possibly somewhat tentatively, to the admissibility of those exhibits. I do not understand whether Mr. McCollester completed his objection or not. He may not have had sufficient opportunity at the time at least to examine the exhibits, or the basic data.

Mr. McCollester: If the Commission please.

Chairman Aitchison: Mr. McCollester.

[fol. 2182] Mr. McCollester: I do not have my copies of the exhibits referred to with me in the hearing room here just at the moment. They are up in my room. My objection to the exhibits, which was with respect to our having afforded to us an opportunity to examine the basic data thereof, I will withdraw at this time, because we have now had the opportunity to examine the basic data, and we have had very courteous cooperation from Dr. Edwards in that regard. There were some portions of Exhibit No. 12, however, to which I objected, on the ground that those portions constituted expressions of opinion by others not available here for cross examination, and were argumentative, and not properly to be considered as testimony before the Commission in the absence of those who were purported to have made those statements. I shall insist on my objection to those portions of the exhibit, and if the Commission desires that I be more specific, I shall be glad to do so at a later time. I have my memorandum prepared on those objections, but it is not in the hearing room just at the moment.

Chairman Aitchison: Are you able, Mr. McCollester, from looking at the quotations and the sources, to tell whether or not the men quoted are eminent in their profession, and recognized as authorities?

Mr. McCollester: Well, Mr. Chairman, most of the gentlemen I know by name, but even so, as I understand it, while [fol. 2183] that might justify reference to the writings of these gentlemen on argument and brief, it certainly would not justify the inclusion of their expressions of opinion, as opinion testimony in this proceeding. I do not have my notes with me here, so I am not able to be any more specific just at moment, but I will be very glad to do so at a later time, if the Commission desires.

Chairman Aitchison: What I want to know is when you get done making your objection.

Mr. McCollester: I am very sorry, your Honor, but I could not hear that.

Commissioner Aitchison: I say, what I want to know is when you have completed making your objection.

Mr. McCollester: Whenever you want me to, your Honor, I will be done. I will finish the very next time you ask me about it, if you will let me have until I can get my notes, before you ask me again.

Chairman Aitchison: Very well.

Mr. Hughes: There is just one further point, if the Commission please. In the transcript of proceedings for September 25th, 1942, I notice that while Vivian's Exhibit No. 67 is shown as having been offered and received, the companion exhibit, No. 66, is not so shown. I should like to ask at this time that Vivian's Exhibit 66 be shown, nunc pro tunc as having been offered and received.

[fol. 2184] Chairman Aitchison: It will be received now.

(Exhibit 66, Witness Vivian, received in evidence.)

Chairman Aitchison: I think, now, gentlemen, that cleans up the matters that were left in abeyance from the last hearing. Mr. Smelker, do you wish to recall Dr. Edwards at this time?

Mr. Smelker: If the Commission please, Dr. Edwards is ready for further cross-examination at this time, but not for final direct examination.

Chairman Aitchison: Not for final direct examination, did you say?

Mr. Smelker: Or rebuttal, then, if you want to call it rebuttal.

Chairman Aitchison: Dr. Edwards is ready to be recalled for further cross examination, gentlemen. Does anyone care to cross examine him?

Mr. Plunkett: Yes, your Honor.

Chairman Aitchison: Very well. Take the stand, then, Doctor.

Ford K. Edwards recalled:

Cross-examination (Continued):

Mr. Plunkett: First, if the Commission please, may I inquire regarding Exhibits 11 and 12, as to their having [fol. 2185] been received in evidence.

Chairman Aitchison: They have not been received.

Mr. Plunkett: Thank you.

By Mr. Plunkett:

Q. Dr. Edwards, will you turn first to your Exhibit No. 10, please.

A. Yes.

Q. On page 1 of that exhibit you state: "If the railways of the United States were operated as one system the problem of standardizing rate levels and the classification of freight would be considerably simplified, although the problem of adjusting rates to costs would not be eliminated."

A. Yes.

Q. What did you mean by your reference to standardizing rate levels, in that connection?

A. I meant the application of a uniform rate structure.

Q. One rate level?

A. Yes.

Q. Throughout the United States?

A. Yes, sir.

Q. Now, do you mean that you would disregard the relative costs in the various parts of the United States, or would you adjust the rates to the relative costs?

A. In making that statement I did not specifically contemplate any national uniform rate structure. The point intended was that if all of the railroads consisted of only [fol. 2186] one system, the problem of equalizing-rates would be very greatly simplified, for the reason that any losses that might occur on one part of the system might be made up by a greater profit on other parts of the system.

Q. Well, did you give any consideration to the necessity that might exist on the part of the railroads to meet motor truck or water competition, in one part of the country, which would not exist in another part of the country?

A. Not specifically, no.

Q. Well even though all of the railroads of the United States were combined into one system, that situation would still exist, would it not?

A. Yes.

Q .Did you give any consideration to the fact that some communities are located a long way from consuming markets, and might therefore have to have a relatively lower level of rates in order to enable them to compete with those communities located nearer to those markets?

A. I gave no specific consideration to those individual problems, no, sir.

Q. But those situations would exist, even though there was but one system of railroads throughout the country, would they not?

A. Yes.

Q. Now, Doctor, what do you mean by the "interritorial [fol. 2187] interest" of the carriers, as you have used that expression in your Exhibit No. 10?

A. I mean the degree to which the interest of the carriers, expressed in terms of expenses, or expressed in terms of traffic, overlaps the territorial lines, or the territorial boundaries.

Q. And you have attempted to show that in this case in two ways; is that right?

A. Yes.

Q. One, by the use of the distribution of operating expenses.

A. Yes.

Q. And the other, by the relative amount of tonnage originated and terminated in the several territories.

A. Yes, sir.

Q. Now will you turn to table 2, on page 3 of the same exhibit, please.

A. Yes, sir..

Chairman Aitchison: Table 2?

Mr. Plunkett: Yes.

By Mr. Plunkett:

Q. In that table you have included northern Illinois as being in Eastern territory; is that right?

A. Yes, sir.

Q. So that you have shown that the Chicago Great Western Railroad had a 35 per cent interest in Eastern territory, and a 65 per cent interest in Western Trunk Line territory; [fol. 2188] is that correct?

A. Yes, sir.

Q. Now in your Exhibits 2 and 3, which you introduced at the hearing at St. Louis, Missouri, you treated northern Illinois as common territory, common to Western Trunk Line territory and to Eastern territory, did you not?

A. Yes, sir, that is true, it was included with both, under the alternative showing.

Q. But you did not do that in this Exhibit No. 10, did you?

A. No.

Q. The freight operating expenses in that territory include the linehaul as well as the terminal, do they?

A. Yes, sir.

Q. Now turn to table No. 3, please.

A. Yes, sir.

Q. There you have shown the sum of the tonnage originated and terminated by the various railroads in the several territories; is that right?

A. Yes, sir.

Q. Now, the way you have made up this exhibit, if a railroad originated all of its traffic in California, and terminated all of its traffic in northern Illinois, you show that it had a 50 per cent interest in Mountain-Pacific territory, and a 50 per cent interest in Eastern territory; is that right?

[fol. 2189] A. Yes, sir.

Q. And you would not show any interest at all in Western Truck Line territory?

A. Your statement is correct.

Q. You would not?

A. No, sir.

Q. Now, at the bottom of page 7, in the same table——

A. Where?

Q. Rather—pardon me—at the bottom of page 11, you show that the Great Northern Railway had a 64 per cent interest in the State of Minnesota:

A. Yes.

Q. Was that brought about by the heavy movement of iron ore that originates in Minnesota?

A. That is probably correct, yes, sir.

Q. Some 20,000,000 tons having moved in 1940, I believe.

A. Yes, sir. That iron ore movement undoubtedly accounts for that high percentage.

Q. You do not show that tonnage as having terminated in Wisconsin, do you?

A. Pardon me?

Mr. Plunkett: Read the question, please.

(Question read.)

A. No.

By Mr. Plunkett:

Q. Is it not true, Doctor, that all of that tonnage originated by the Great Northern Railway terminated at the docks at Superior, Wisconsin? [fol. 2190]

A. I will accept your statement for that.

Q. I take it the reason why you have omitted that here was because it is shown as having been delivered to other carriers at that point.

A. Yes.

Q. Now, will you turn to your Exhibit No. 11, please.

A. Yes, sir.

Q. On page 1 of that exhibit you state that the purpose of chapter 1 of the exhibit is to determine what changes, if any, have occurred in the relative costs for the respective territories between 1931 and 1941; that is correct, is it not?

A. Yes, sir.

Q. And for that purpose you have prepared table No. 1, showing a comparison between the unit expenses for 1941 and those for 1939; is that correct?

A. Yes.

Q. That table shows in column 1, Transportation Expenses, very little change between 1941 and 1939, in unit costs, does it not?

A. Yes.

Q. Now is that not what we would expect to find in connection with Transportation Running Expenses, which vary [fol. 2191] directly, or almost directly, with the traffic?

A. Yes, that is pretty generally true.

Q. And is that not also true, although to a somewhat lesser extent, with respect to Yard Expenses, column 3?

A. Yes.

Q. Yes.

Q. But when we get to Maintenance of Way Expenses, or Total Expenses, which would include overhead, there is a greater variation than there is with the Transportation Expenses; is that right?

A. (No answer.)

Mr. Smelker: Do you understand that question, Doctor?

The Witness: I do not believe I entirely followed it, no, sir.

Mr. Smelker: Will you read it, please, Mr. Reporter.

(Question read.)

A. I would say that there is, yes, that there has been a greater variation in unit costs.

By Mr. Plunkett:

Q. Now, table No. 1 deals only with operating expenses; is that right?

A. Yes, sir.

Q. You have not included rents, or taxes, or return on valuation there, have you?

A. No, sir.

Q. Is it not true that operating expenses represent only [fol. 2192] about two-thirds of the total expenses, including return on valuation, rents and taxes?

A. Did you say, including rents and taxes?

Q. Yes—and return on valuation.

A. Somewhere around that percentage, yes.

Q. So that table 1, then, does not show the variation in the total unit costs, including return on valuation, between 1941 and 1939, does it?

A. That is right.

Q. And that is where you would expect to find the largest variation, is it not, because of the fixed character of the overhead expenses, which would result in a lower cost per unit of traffic, in the case of high traffic, and a higher cost per unit of low traffic?

A. Yes, sir, that is where we would expect to find the greatest variation in the unit costs.

Q. Yes.

A. However, we did not include the return on value, because we did not anticipate that the value of the carriers would change substantially between 1939 and 1941.

Q. Now, how do you account for the very large change in column 2, Station and Platform Expenses? It seems to be out of proportion to the other columns.

A. Part of that is due to an adjustment in wage levels for station employees, and inasmuch as there is not the oppor- [fol. 2193] tunity to benefit, under the law of increasing returns, in station work, the cost would tend to rise more nearly in proportion to any change in the expenses.

Q. Well now, did you not compile column 2 in a different manner, in table No. 1, from what you did in your Exhibits 2 and 3?

A. Yes. In this table column 2 was computed by reference to certain labor schedules in the annual reports, while the actual study was based to a large degree on data furnished by the carriers. However, in referring to the year 1939 and the year 1941, we have used the same basis of computation for both years, so that the figures would be comparable. In other words, the data for the year 1939, and all of the data in this table, were drawn from a new computation, from the annual reports, and not from the original 1939 data that we used, in order that there would be a comparison of like with like.

Q. Now in chapter 2 of Exhibit 11 you deal with the relative weighting of various classes of freight, as you used them in your Exhibit No. 3; is that right?

A. Yes, sir.

Chairman Aitchison: I just want to call your attention, Mr. Plunkett, to the fact that Exhibit No. 11 has not as yet been received. Therefore your examination at this particular stage, strictly speaking, should be confined to mat- [fol. 2194] ters which may lead up to a further objection to the exhibit.

Mr. Plunkett: That is why I inquired at the beginning, if the Chairman please, whether I should go ahead as though Exhibits 11 and 12 had been received, or not.

Chairman Aitchison: Well, it is a little bit difficult for us, of course, to deal with an objection which has been pending now for about six weeks, and which apparently has not yet been completed.

Mr. Plunkett: If you prefer to have me do so, your Honor, I will withhold any further questioning, outside of that specific matter.

Mr. McCollester: If it will help to simplify matters any, Mr. Chairman, I will withdraw my objection.

Chairman Aitchison: Very well. Then Exhibit No. 11 will be received, and Exhibit 12 also.

(Exhibits 11 and 12, Witness Edwards, received in evidence.)

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. Now, Dr. Edwards, in your Exhibits 2 and 3, is it true that you asume that an intertrain switch of a car is equal to 25 per cent of the car originating and terminating?

A. No, sir, you have not stated that quite correctly. The factor of .25 is correct. In other words, to clarify the [fol. 2195] record, we assumed that the relative cost of switching a car one way, in intertrain or intratrain switching, was equal to 25 per cent of the cost of a one-way switch in terminal and connectional terminal switching.

Q. And likewise you assumed that a car interchange—or rather the cost of interchanging a car was equal to 45 per cent of the cost of originating or terminating the car; is that correct?

A. Well, equal to the cost of the one-way movement of originating or terminating the car, yes, sir; or in other words, the switch in either the loaded or empty direction, but not both.

Q. If you had included it in both, would you then get the same result?

A. No, sir, you would not, because the industry car receives close to 100 per cent empty return in its switch, while the Interchange car receives an empty return of about 60 per cent.

Q. Table 4 of your Exhibit No. 11 was designed to compare the percentages which you assumed in your Exhibit No. 3, with the results of the study in the Automobile Investigation, Docket 28190; is that correct?

A. Yes, sir.

Q. Do you think that the results in the Automobile Case would represent the average of the results that you would obtain if you studied the switching of all commodities?

[fol. 2196] Chairman Aitchison: We of course do not have that study before us.

Mr. Plunkett: Well, the witness has used it, if the Chairman please, in his Exhibit No. 11, and I just wanted to inquire whether or not he thought he had made a valid use of it.

Chairman Aitchison: That is going pretty far, referring to some other study which was made in another case, and is not before us here.

Mr. Plunkett: If the Chairman please, Dr. Edwards has shown in his Exhibit No. 11 the results of the cost study which was made in the Automobile Case, compared with the results which he has shown in his Exhibit 3, in connection with the various assumptions that he has made in Exhibit 3.

Chairman Aitchison: Very well.

The Witness: What is the question?

Mr. Plunkett: Will you read it, please.

(Question read.)

A. Are you referring to the switching and terminal costs now, or just the switching cost?

By Mr. Plunkett:

Q. Well, I am referring now to the originating and terminating cost which you have used, and the intertrain and interchange cost which you have used in your Exhibit 11.

A. As to the automobile traffic we did not know whether [fol. 2197] the precise switching cost, terminal switching cost, would be greater or less, until we made an analysis of all of our studies. The results indicate that there is not a great deal of difference. We had the thought that in the Automobile Case the cost of switching might be less than the territorial average, for the reason that some of the cuts, particularly at the origin points, automobile origin points, are relatively large. On the other hand, apparently the terminating points are located at cities which are of substantial and large size, where a good deal of switching is required. Apparently those two about offset each other. In any event, the switching minutes in the Automobile Case were not very far different from the equated minutes that we developed for all traffic, upon a territorial average basis.

Q. Well, is it not true that the switching study in the Automobile Case was made only at a relatively small number of points in the United States?

A. The points covered by the automobile study were relatively large. I think that there were about 400 points in the United States, for which the carriers provided switching data. That is, I think, a very broad and extensive coverage.

Q. Is it not true, Dr. Edwards, that the carriers were given the option in the Automobile Case of either making a [fol. 2198] switching study, or using the results of some older studies that they might have?

A. That is true, yes, sir, with this qualification, that the study would be believed by the carriers to be representative at the points at which it was used.

Q. Do you know whether or not all of them made new studies, or did some of them use older studies?

A. I do not know definitely as to all of them, but I do know that a very large number of carriers made studies for the purpose of that case,—I believe the majority of them.

Q. If a carrier made a special study for the Automobile Case, it would show the number of minutes required to originate or terminate a car of automobiles, and the number of minutes that it took to make an intertrain movement, or an interchange; is that right?

A. Yes.

Q. Would there not be, and were there not, in fact, large differences between the number of minutes shown by the various carriers?

A. Yes, sir—there were differences as between the carriers, and there were differences as between points.

Q. Yes.

A. Some of the destination points, as I stated before, were large cities, and others were small way points.

Q. But there would be a large variation between the [fol. 2199] railroads and a variation between different points on the same railroad, would there not?

A. There would be a difference between points on the same railroad, yes, sir—if that is your question.

Q. Yes.

A. That is right.

Q. Well then, the relationship between the results in the Automobile Case, and the assumptions which you have made in your Exhibit No. 3, is only accidental, is it not?

A. No, sir, it is not. The assumptions which were made in Exhibit No. 3 here, dealt with territorial average conditions. The switching minutes at Chicago, for example, may be 60 minutes per car, while at Podunkville they might be only ten minutes per car. We were interested in territorial average conditions, and our studies in Exhibit No. 3 were so based. In the Automobile Case we likewise had a wide range of points. We endeavored to reflect the average situation.

Q. Part of chapter 2 of your Exhibit No. 11 also deals with the percentage of circuity. Here again is it not true that you took the percentage of circuity that you found in the Automobile Case, and assumed that that represented the average circuity in the movement of all traffic?

A. We offered the circuity in the Automobile Case for what it might be worth; in other words, as the circuity that existed on the automobile traffic. However, it was our [fol. 2200] belief that the circuity that would exist on about 50,000 cars of automobiles moving between widely separated points, in all parts of the United States, should be a somewhat fair indication of the circuity on other traffic.

Q. It would not represent the circuity, however, on any particular traffic, would it?

A. No.

Q. Pages 34 to 61 of Exhibit No. 11 deal with the relative cost of transporting traffic in heavy and light trains. As I understand the exhibit, you conclude that the difference between the cost of transporting traffic in the two kinds of trains is not of great importance; is that correct?

A. Well, I show the percentages there, of course.

Q. Now, nowhere in your Exhibit No. 3, or in your Exhibit No. 13, which you introduced at the hearing at Indianapolis, do you have any cost figures that would show the cost of moving traffic in a given train. You did not use the train as the unit in any of those computations, did you?

A. No, sir—not in Exhibit 3, nor Exhibit 13, at least.

Q. How?

A. Not in Exhibit 3, or 13.

Q. You used there, the gross ton miles and net ton miles, as units, *do* you not?

A. Yes, sir, that is true, and the effect was to average out all of the trains.

[fol. 2201] Q. Yes. The computations which you have made in your Exhibit No. 11, are necessarily of the same character, are they not,—that is dealing with gross ton miles rather than train cost.

A. The computations in Exhibit 11, covering automobiles and coal, were based upon specific weight trains.

Q. Did you have the cost of operating those trains separately?

A. Yes, sir, we had the separate cost. In the Automobile Case we related the cost to specific weight trains, based on a train-engine mile prorate of engine expense, and engine labor expense, and a train-mile prorate of train car expense; and to that degree it reflected the cost per train, which was the net cost distributed over the specific weight trains in which the automobile traffic moved. In the anthracite cases, the study went further, and drew off the specific wages for the particular trains, which was a further refinement, such cost being distributed over the precise tonnage that moved in those specific trains.

Q. Well of course if you divided your expense, or any part of it, on a train-mile basis, you would consider one train the same as another, would you not,—that is, whether it was a large train, or a small train?

A. Yes, in so far as the train itself is concerned.

Q. Now, will you turn——

[fol. 2202] A. Pardon me. If I may continue——

Q. Go ahead.

A. —I would say that in so far as enginemen and trainmen are concerned, the answer would be "Yes", but in so far as car expenses are concerned, car repairs, and such as that, those were equated to the specific number of cars in the train that we were working with; and the fuel was related to the gross ton miles in the train, so that if we had more cars, we would have more fuel and more freight train car expense charged to the longer train than we would to the shorter train.

Q. Have you completed your answer?

A. Yes, sir.

Q. Will you turn, then, please, Doctor, to your Exhibit No. 12.

A. Yes, sir.

Q. On page 7 of that exhibit you define out-of-pocket cost as that portion of the carriers' expenses which increases or decreases in direct proportion to change in the carriers' traffic. Am I right?

A. Yes, sir.

Q. You say that the portion which is variable depends upon many factors, including the nature of the expense item itself, the extent of the traffic change, the amount of unutilized capacity of the railroad, and whether the study is based upon a short-term or a long-term approach. Is that [fol. 2203] correct?

A. Yes, sir.

Q. Now did you take into consideration, in computing your out-of-pocket expense, the question of whether the given traffic changed to a great extent, or to a small extent?

A. No, sir, we did not. We were working with the average year-to-year change, that carried over a period of years.

Q. Did you take into account the unutilized capacity of the railroad?

A. We took into account the unutilized capacity to the degree that there was unutilized capacity, yes, sir. Perhaps I can explain that by indicating that our out-of-pocket cost studies were ~~largely based of~~ what happened to the expenses over a period of time, when the traffic increased. In other words, we worked with the actual results. If there were no unutilized capacity on one carrier, then to some degree the expense might not have increased in quite the same proportion as it might on another carrier, that did have some unutilized capacity, so I would say, yes, we did give effect to that, because we could not avoid it, working as we were with the actual cost, over a period of years.

Q. Well now, did you take the actual results with respect to Maintenance of Way & Structures, or did you use the engineering formula?

A. We used the view of our engineering section. We [fol. 2204] also work it out actually, but we do use the view of our engineering section, which generally comes out with a substantially lower figure than the actual results.

Q. Well, the engineers' formula was a fixed one, was it not; that did not give any effect to unutilized capacity of any given railroad or group of railroads.

A. That formula reflects the average conditions on an average carrier.

Q. Throughout the United States?

A. Yes.

Q. That is, the average conditions at the time the formula was put out; is that right?

A. Well, it represented average conditions, based on their experience. In other words, when we make a request upon the Engineering Division of the Bureau of Valuation, they go back over a period of time and make an analysis that may run 20 years back; but they figure the cost presumably as of present-day conditions.

Q. Well, do not the engineers say that any factor or percentage of variability of traffic is true only with respect to a given volume of traffic, and if the volume of traffic increases or decreases, your percentage must be changed?

A. Well, the existing volume of traffic goes back again to the unutilized capacity; that is true. However, we were working with the average density of traffic per mile of [fol. 2205] road; and if that density were greatly increased, in other words, if that density were to double tomorrow, say, presumably, the out-of-pocket factor would be somewhat different.

Q. Yes.

A. It would be higher.

Q. It would be less, would it not?

A. No, I should say it would be higher.

Q. Now when you came to Transportation Expenses, as I understand it, you used the actual results of operations over a period of years, five or six years; is that correct?

A. Yes, sir. We rounded off the figure that we got, but it is close to what we thought were the actual operating conditions.

Q. Is it not true that the unutilized capacity would vary with various roads?

A. Yes.

Q. And no two roads would have the same unutilized capacity?

A. Yes, sir, that is true, and it will also vary within one road, from division to division, or from terminal to terminal. If they have just completed a big terminal project at one point, and still have some unutilized capacity there, while they have been deferring needed extentions at another terminal, you will find a little less at the latter point.

Q. Would it not vary from year to year, on the same railroad?

[fol. 2206] A. If the traffic goes up or down, it will vary, yes, sir.

Q. And at different points, for the same year, on the same railroad,—will it not?

A. Yes, sir, it will vary, whether you are dealing with a short-term trend or a long-term trend.

Q. Now was your study based upon a short-term approach or a long-term approach?

A. It was based on the long-term approach. I might say also, in qualification of that, it is sometimes a little bit difficult to speak of exactly what is the short-term approach or the long-term approach, because it is hard to divide, or to draw the line in there; but I would say that we were nearer to representing the long-term approach than we were the short-term approach.

Q. Now, Dr. Edwards, in your Exhibit No. 13, which you have described in Exhibit No. 12, you have set up a new basis for out-of-pocket expenses, in which you have included a return on investment. Is that correct?

A. We have used the old basis in so far as operating expenses are concerned, but we have amplified it to include an allowance for the out-of-pocket portion of return on value.

Q. You have included a return on 100 per cent of the equipment and 50 per cent of the roadway; is that right?

A. Yes, sir.

Q. And that is on the theory that the investment in [fol. 2207] equipment of the railroad, or the valuation of the equipment, would vary directly with the volume of traffic, up or down; is that correct?

A. Yes, sir—over a long-term period.

Q. And that the valuation of its roadway property would vary 50 per cent, with change in traffic?

A. Yes, sir—likewise over the long-term period.

Q. Now is it not true that a railroad must provide for the complete peak volume of traffic that it may expect within a reasonable in the future?

A. Yes.

Q. It must provide facilities in the way of equipment, tracks yards, and so forth?

A. Yes, sir, a railroad must always allow for certain reserves, or have certain reserves to take care of its October peak,—if that is what you are referring to.

Q. And having provided for that peak traffic, if the traffic falls considerably below the peak, does it dispense with its equipment or part of its equipment, or part of its roadbed, or roadway?

A. No, sir, it does not dispense with it on a seasonal basis, certainly. On a seasonal basis, that is, from month to month, May versus October, you would not have an expansion or contraction; but for one October versus a long upward trend of peaks, it has to provide for that. As to [fol. 2208] equipment, the response in both maintenance and ownership of equipment, to traffic variations, is very jagged, if you endeavor to plot it out. You may find, and you do find, as a matter of fact, in connection with Maintenance of Equipment, that it represents a 100 per cent variable. Part of that is due to financial policies covering allowances for maintenance. But coming back to the theme of your question, as I understand it, we have, in allowing for a return on value as part of the out-of-pocket cost, considered the long-term trend, and gone back for a period of years, and noted that, as traffic rose, that is, as the volume of traffic rose, the investment in road and investment in equipment rose also. From year to year, and month to month, you may not have, and in fact you will not have, that correlation.

Q. Well, the largest volume of traffic handled by the railroads of the United States prior to World War No. 2, was around 1929, was it not?

A. Yes.

Q. Just before the depression began?

A. Yes, sir.

Q. Well now, having provided facilities to handle that traffic, did the railroads then reduce their facilities greatly, in 1932 and 1933?

A. Well, they reduced their investment substantially, yes, sir, by failure to make replacements. In other words, [fol. 2209] a railroad does not necessarily have to reduce its plant. I will put it this way, that by the mere process of not making replacements, the investment in plant might shrink.

Q. Could you say that the investment in equipment varies directly with the traffic?

A. On the downturn, investment in equipment does not vary directly with the traffic, no, sir, because, with the rate of depreciation about 3 per cent, they would write off about 3 per cent per year; in other words, about 3 per cent of the equipment would be written off, or retired, per year. Now, if the traffic drops off 10 per cent in one year, it is obvious that the carrier is not going to retire 10 per cent of its equipment. It will retire 3 per cent, or even less; it will retire something less than 3 per cent. In other words, there is some lag in there. But we have noted that the over-all investment varied between 50 and 70 per cent, with the traffic volume, over a period of time. The year-to-year variations would not be and could not be, responsible.

Q. Well, how many years would you have to consider, in order to be able to say that the equipment varied with traffic? Two or three years?

A. Oh, no; you can take a 10-year period, or you can take a three or four-year period. In Exhibit No. 12, chart 16, opposite page 72, we show the trends. Those trends seem [fol. 2210] to be very responsive. In other words, one might take a four or five-year period, but not the year-by-year response—that is, that cannot be said of the year-by-year response. For example, in 1920 when the carriers had a very sharp loss of traffic; but nevertheless, their ownership of freight train cars and locomotives did not drop, but followed pretty well the trend between 1920 and 1930, and then it started downward, after 1928, or 1929.

Q. Well, would you say, referring to your chart 16, that that chart shows that the investment, or valuation,—investment in equipment or valuation of equipment—varied directly with the traffic? I note that for 1930 to 1932, the traffic dropped from 125 down to 60, and the equipment dropped from 122 down to about 118.

A. May I hear that question again, please.

Mr. Plunkett: Will you read it, please.

(Question read.)

A. It certainly does not follow the year-by-year fluctuation, no, sir. Now, as to the longer-term trend, our use of the factor of 100 per cent variable over the longer period, was based upon the assumption that railroad management was normally attuning its ownership of equipment to its long-term traffic needs, allowances for peak traffic in October being taken into consideration. In other words, they normally would not buy more equipment than they [fol. 2211] would need, or allow their ownersip of equipment to fall below their needs. Whereas your investment is broken down into a great number of very small units, such as in the case of freight train cars, or locomotives, so that you can attune your ownership of that property more closely to the trend of your needs than you can the trackage or right-of-way itself.

Q. Well, is it not true, Doctor, that when business falls off, the railroads set their locomotives on a sidetrack, under white lead, as they call it, awaiting the return of traffic?

A. Yes, sir, that is true. They do not melt them down, of course. However, with locomotives being depreciated at —I am not just sure of the rate, but, say, 2 or 3 per cent, if the traffic dropped off, they would not go out and purchase new locomotives during that period, unless it was only a very short drop. In other words, if the traffic went down 9 per cent, and the locomotives were depreciated and retired at the rate of 3 per cent per year, it would be 3 years before the factor of retirement and depreciation would have caught up with the drop in traffic. Then they presumably would level out their equipment needs, due to the loss of traffic. If it started up again, however, toward the old level, then they would have to increase their investment, to take care of their additional needs. Now, I have also pointed out that over a period of time, the carriers [fol. 2212] increase the efficiency of their equipment. We have used a factor 100 per cent. I do not believe it is an exact 100 per cent, however; it may be down around 90 per cent, or somewhere between 90 per cent and 100 per cent; we might even use a factor as low as 80 per cent without affecting the study significantly; because in the last analysis, all that we do is to take the return out of one place, and put it into another, out of one column, or one line, and put it into another; and the difference in distribution has very little effect on the study.

Q. Now, when we come to Roadway Property, the carriers have even less opportunity to reduce their valuation as traffic decreases; that is true, is it not?

A. Yes.

Q. A yard, for example, once having been provided for traffic, is kept intact until there has been some very revolutionary change in the traffic; that is true, is it not?

A. Why, it takes a very substantial change, yes, sir. However, yard tracks that are not needed, do not have the normal tie replacements or rail replacements that they would otherwise have; or they may be taken out of service, and the rail used elsewhere. You can have a shrinkage in traffic taken care of in almost innumerable small ways.

Q. Would you say that would represent 50 per cent of the return on valuation?

[fol. 2213] A. The portion that was variable?

Q. Yes.

A. On the road?

Q. Yes.

A. Yes, sir. Over the period of time covered, our studies of what the carriers actually increased in investment, and the rate at which they were pouring in money during the period we studied, indicated that it came out at—or rather, that that was the rate at which they were increasing their investment.

Q. How is that again, please?

A. In other words, to clarify it, if the traffic increased an average of, say, 3 per cent per year, we found that the carriers were increasing their investment, based on the 1910-1914 dollars, at the rate of about 1½ per cent per year.

Q. Now, Doctor, you have quoted various authorities as substantiating your position with respect to the inclusion of return on valuation and out-of-pocket expenses, and among them was Mr. James J. Hill. Now some of those quotations go back as far as 1885, do they not?

A. I would like to question your statement concerning Mr. Hill. I did not quote him as an authority on our per cent of out-of-pocket expense.

Q. Perhaps not, although I thought you did.

[fol. 2214] A. No, sir; I quoted him, or rather, quoted his statement to the effect that the railroads had reached a bottleneck in their plant, and needed a vast expansion in order to take care of increased traffic.

Q. I thought that you quoted that statement for the purpose of supporting your position.

A. Well, it was to indicate—that is, I quoted that statement for the purpose of indicating that as traffic has grown, the carriers have had to put more money into their plant.

Q. Now is it not true that most of these statements were made at a time when the traffic of the railroads was constantly increasing, say, prior to 1920, when the traffic doubled every ten years?

A. Well, as to the date of it, I would have to refer to the statement itself that Mr. Hill made.

Q. I am not referring now to his statement particularly, Doctor, but I mean the general run of these statements which you have quoted in support of your position. Were they not made, most of them at least, at a time when traffic was increasing at a rather uniform rate, from one decade to another?

A. Oh, no. I would prefer to refer to the statements themselves, but some of the statements to which you are referring now were made in the 20's,—if you are referring to return on value—or if you are referring, rather, to the [fol. 2215] fact that railroad plant does expand as traffic expands.

Q. When did Mr. Elliott make his statement—Mr. Howard Elliott?

A. I did not use Mr. Elliott Jones' statement with respect to plant. Mr. Elliott Jones did not include any allowance——

Chairman Aitchison: No. He said, Howard Elliott.
Mr. Plunkett: Mr. Howard Elliott, Doctor.
The Witness: Oh.
Mr. Smelker: Page 61.
The Witness: 61?
Mr. Smelker: 60 and 61.

A. That was in 1907.

By Mr. Plunkett:

Q. So that was at a time, then, when the traffic was constantly going up, was it not?

A. That may be true.

Q. Now, Doctor, will you turn, please, to page 40.

A. 40?

Q. Yes.

A. Yes, sir.

Q. In line 11, Account No. 371, Superintendence, you show that the average per cent of variation in traffic is 37 for the United States, ranging as high as 45 for the Western District; is that right?

A. Yes, sir.

Q. But you used 50 per cent?

[fol. 2216] A. Yes, sir.

Q. Why did you use 50 per cent?

A. At the time we used the figure of 50 per cent, we had not completed these extensive studies account by account, and the figures used were related back, in part, to previous studies that I had made in California. In some of those accounts the out-of-pocket percentage is greater than what we subsequently found. In other cases, it is less. As a whole, however, the percentage that we used, the percentage that we actually used for the different accounts, was substantially less than the amount that this table would indicate.

Q. Does that account for line 15, where the average was 89, and you used 100?

A. Yes, sir.

Q. And line 16, where the average was 64, and you used 75.

A. Yes, sir.

Q. Now referring to line 14, where the average was 27, and you used 75: How do you account for that?

A. Well, as far as line 14 is concerned—pardon me. I would like to correct my statement. I said that also applies to line 15—you referred to line 15, did you not?

Q. Yes.

A. Well, what I said does not apply to line 15. The percentages indicated are lower than that which we have used. However, we have rounded off the 100 per cent, which, as [fol. 2217] to that account, Yard Expenses, might overstate it in certain territories.

Q. What about General Expenses, in line 34, where the average is 27, and you use 50?

A. Where?

Q. Or, line 35.

A. That is true. On the reverse hand, however, there are other accounts there where we have used under, and yet, year in and year out, our over-all figure of 72 per cent is lower than the total would indicate. In other words, as far as our use, ultimately, of a factor of 72 is concerned—that is what all of our individual factors work out to—it is a little less, equal to or a little less than what we actually worked out, by two or three approaches.

Q. Well, in the final analysis, Doctor, is it not largely a matter of judgment as to what the percentage is that you should use, as indicating the proportion that varies with traffic?

A. Now as a whole, no, sir, I do not think so. However, there is certainly some judgment involved, in connection with an individual account. In other words, if the item comes out at 87, 90, 91, 95, or even 100, there is some element of judgment there. However, we have this check back as to the total variability of expenses, when we take all of the accounts together, and trace them back, and compare [fol. 2218] it with the actual performance of the carriers, showing their operating expenses as a whole; and I think we have a pretty good check there.

Q. Now, Doctor, have you given any consideration to the new order on depreciation in docket 15100?

A. No.

Q. Will you return now to your Exhibit No. 13, please.

A. Yes.

Q. On the first page—or rather, will you refer first, please, to the explanatory notes, with respect to tare weight and empty return, shown on the back of the table of contents. Do you have that before you?

A. Yes, sir.

Q. Is it not true that one of the most important elements in a cost study is the ratio of empty to loaded cars?

A. Yes, sir, that is rather important.

Q. And that is because you determine the running cost for a given movement by taking the cost per gross ton mile and computing the number of gross ton miles involved in the given movement, is it not?

A. That is right,—your gross ton miles, and car miles, and freight train car expenses.

Q. In order to determine the number of gross ton miles you must know the number of miles that would be moved empty, with respect to a given loaded movement, must you not?

[fol. 2219] A. Yes.

Q. Does the ratio of loaded to empty mileage vary between the kind of cars used?

A. Yes, sir.

Q. In other words, are boxcars different from refrigerator cars?

A. Yes.

Q. And does the ratio of empty to loaded vary also with different railroads?

A. For the same kind of equipment——

Q. Yes.

A. —or for the over-all equipment?

Q. For the same kind of equipment.

A. Yes, sir, it does,—that is, there may be some variation, although they are often very close, the percentages by carriers are.

Q. Is it different on different parts of the same railroad?

A. It may be.

Q. For example, on certain portions of a railroad, there may be a movement of refrigerator cars loaded in both directions, whereas, in some other part of the territory, there may be a 100 per cent empty movement; that is correct, is it not?

A. Yes, sir, that is true. Local conditions will undoubtedly affect that, if they get a backhaul between two points.

Q. And is it also true that that the ratio of empty to [fol. 2220] loaded will vary on the same railroad during different parts of the year?

A. Yes.

Q. By reason of seasonal traffic?

A. Yes, sir. We endeavor to take an average of annual conditions, and an average of the length and breadth of the carriers' system, or an average of the length and breadth of the territory.

Q. At the present time, when there is a heavy westbound movement of war materials, the ratio of empty to loaded movement on certain western railroads is much smaller than it was, and very much smaller than it was in 1939; that is true, is it not?

A. Well, it is a little smaller—that is, it certainly is somewhat smaller, yes, sir, although I might take exception to your use of the language, "very much smaller." It certainly is smaller, however.

Q. On the other hand, on certain other railroads, relative railroads, where the preponderance of the loaded traffic was westbound before the war, the increase in westbound loaded traffic brought about by the war would increase their empty car mileage; that is true, is it not?

A. I do not know specifically, but certainly war conditions might do that, yes, sir.

Q. Are railroad records kept in such a way as to show the [fol. 2221] ratio of empty to loaded car miles, in the case of passenger cars?

A. Not usually, no, sir.

Q. Then would it be necessary to estimate those ratios?

A. We asked every carrier to furnish that information, based upon available data, and most of the carriers either had records or had past studies which they furnished us. A few carriers, however, did not.

Q. Well, if they did not have any records, then they had to just make their best guess as to that ratio, did they not?

A. Well, in the case of those that had nothing at all, we simply took the average per cent return empty movement of other carriers in the territory, competing carriers, and we took an average for not less than five carriers. The per cent return empty movement per equipment, was fairly uniform. The returns indicated that.

Q. Now after you had gotten those percentages of empty to loaded movement from the various railroads, in reply to your questionnaire, you had to weight them, did you not, for a given territory?

A. Yes, sir.

Q. That is, in order to get a single ratio for Western Trunk Line territory, or for Mountain-Pacific territory?

A. Yes, sir.

Q. That was done in what way?

[fol. 2222] A. That was weighted on the basis of carloads of traffic handled in each type of equipment by each carrier in the territory.

Q. I believe you state in your exhibit, Doctor, that it was on the basis of cars forwarded.

A. Well, whatever I said is correct. It was either cars forwarded, or carried,—whichever it was.

Q. Do the reports of the carriers to the Interstate Commerce Commission show the class of cars in which the various commodities are shipped?

A. No.

Q. So that it would be necessary for you, then, to assume that a given commodity was always shipped in a given kind of car; is that correct?

A. Yes, sir.

Q. And you have shown how you assumed that in your Exhibit No. 2, I believe.

A. Yes.

Chairman Aitchison: Mr. Plunkett, it will be necessary for us to suspend, now, for a considerable period of time, because this room is needed by the hotel for other purposes during the noon hour.

Mr. Plunkett: I only have a very few further questions, if the Commission please, and I believe, if you will let me continue for just a minute or two, I can get through.

[fol. 2223] Chairman Aitchison: You may continue, then.

By Mr. Plunkett:

Q. Now, Doctor, will you turn to chart 7 of your Exhibit No. 13, please.

A. Chart 7?

Q. Yes.

A. Yes, sir.

Q. In that chart you show the class rates for the first, second, third and fourth classes.

A. Yes.

Q. And what you say is the out-of-pocket cost and the full cost of handling less than carload traffic by the Western Lines; am I right?

A. Well, I would not use the word "full," no, sir. I would say the total out-of-pocket, plus the expenses, constant expenses solely related thereto.

Q. All right. Now, did you compare the first four classes for the reason that those classes move the less than carload traffic?

A. Yes, sir.

Q. Now turn, if you will, please, to sheet 11, table No. 5.

A. Yes.

Q. Do you have that before you?

A. Yes, sir.

Q. On that page, you show that in the Western District the less than carload expenses exceeded the less than carload [fol. 2224] revenue by about 39 per cent. How do you reconcile that with the fact that on chart 7 you show that most of the class rate scales are higher than the expenses?

A. May I ask where you get that figure of 39 per cent? Will you refer to that line again, please. Evidently there is a computation involved there.

Q. I refer to the deficit shown in line 21 of table 5, $34,000,000, and the revenue, as shown in line 20, of $88,800,000. $34,000,000 is 39 per cent of $88,000,000.

A. The chart does not include collection and delivery, whch is not included in the deficit, the item of $9,641,496, shown in line 18, column 5.

Q. Do I understand, now, Doctor, that chart 7 deals only with running expenses?

A. Pardon me?

Q. Do I understand that chart 7 deals only with running expenses, and not with terminal expenses?

A. It includes terminal expenses, but it does not include collection and delivery, which is not included in the deficit.

Q. Do you mean collection and delivery by motor vehicle?

A. Yes.

Q. What we call, pickup and delivery?

A. Yes, sir.

Q. Now, Doctor, in computing the cost data shown in [fol. 2225] Exhibit 13, did you use——

Chairman Aitchison: I am sorry, Mr. Plunkett, but I am afraid we will have to suspend now.

Mr. Plunkett: Very well.

Chairman Aitchison: I repeat that during the noon hour it will be very desirable for those of you who are going to testify, or who are going to have witnesses testify, to get in touch with Mr. Koebel, and let him know how much time you want and when you will be ready. Again I want to emphasize the necessity, in the case of prepared statements, of having copies prepared and circulated in advance. If you are going to use a prepared statement on the witness stand, a "canned" statement, under the rules you must have copies available for the Bench, the reporter, and a reasonable number for counsel.

We will suspend at this time until 2 o'clock this afternoon.

(At 11:30 o'clock a. m. recess taken to 2:00 o'clock p. m.)

Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock p. m.

Chairman Aitchison: Shall we come to order.

Mr. Smelker: Dr. Edwards.

Ford K. Edwards resumed:

[fol. 2226] Chairman Aitchison: Are you ready to proceed?

Mr. Plunkett: Yes, sir.

Cross-examination (Continued).

By Mr. Plunkett:

Q. Dr. Edwards, in preparing your Exhibit No. 13, did you use a different method in the apportioning of your constant expenses, such as return on valuation, and so forth, from what you used in your other exhibits?

A. Yes.

Q. In your Exhibit 13, as I understand it, you apportioned your constant expenses on the basis of revenue ton miles—net ton miles; is that correct?

A. Revenue tons and revenue ton miles.

Q. Revenue tons, in the case of terminal?

A. Yes, sir.

Q. Now, in your Exhibit No. 3, you have apportioned your constant expenses to the functional units, such as gross ton miles, car miles, and cars originated and terminated; is that correct?

A. Yes, sir, which was equivalent to stating them as direct expenses.

Q. Now you have already mentioned the fact that you included in your out-of-pocket expense, a return on investment equal to 100 per cent on equipment, and 50 per cent on fixed property; is that right?

A. Yes, sir.

[fol. 2227] Q. Were there any other changes in your method of preparation of Exhibit 13, as compared to your other exhibits, than the two that I have mentioned?

A. No, sir. I think that the only difference was the difference in the treatment of the constant expenses.

Q. And the computation of out-of-pocket expense?

A. Yes, sir. Of course, Exhibit 2 shows the computation of out-of-pocket operating expenses. We made no change in that.

Q. But Exhibit 3 does not show the out-of-pocket expense.

A. No, sir. The only reference to it is in Exhibit 2, stating that the out-of-pocket expenses were a certain percentage, and we made some rough estimate there of an allowance for return on freight train cars. We merely mentioned that there would be an allowance included, and dropped the matter at that point. The new study carried it out.

Q. Did the change that was made in your method of apportioning the constant expenses, result in any considerable change in the result?

A. It resulted in a difference in the cost, in the full distributed cost on traffic, the weight of which was substantially different from the average.

Mr. Plunkett: That is all I have.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

(Witness excused.)

[fol. 2228] Chairman Aitchison: You may proceed, Mr. McCarthy.

Mr. McCarthy: Mr. Marks, will you take the stand please. May I inquire as to the next exhibit number, if the Chairman please?

Chairman Aitchison: The next exhibit number will be 108, gentlemen.

J. E. Marks was sworn and testified as follows:

Direct examination.

By Mr. McCarthy:

Q. Mr. Marks, will you give your full name to the Commission, please.

A. J. E. Marks.

Q. Where do you reside?

A. Lexington, Kentucky.

Q. For whom are you testifying in this proceeding?

A. I am testifying in this proceeding for the Railroad Commission of Kentucky, and the Commonwealth of Kentucky.

Q. Will you please state briefly for the record your experience in traffic and transportation matters.

A. I have been engaged in handling traffic and transportation matters for approximately 30 years, in the employ both of shippers and carriers. I have participated in numerous cases before this Commission affecting rates to, from and between points in Kentucky; and I feel that I am reasonably familiar with the Kentucky rate adjustment.

[fol. 2229] Q. Will there be another witness for the Commonwealth of Kentucky, besides yourself?

A. Yes, sir, there will be. My exhibit is primarily a class rate exhibit. In addition to this exhibit, Mr. L. F. Orr will present a statistical exhibit. Our testimony will be on behalf of the state as a whole. However, it may be that one or two of the cities in Kentucky will have a representative here, who will speak for his respective city or community.

Q. Now, Mr. Marks, have you prepared an exhibit, which you desire to submit in support of your testimony?

A. Yes, sir, I have prepared one exhibit, consisting of a title page and seven pages, which I would like to submit at this time.

Mr. McCarthy: If the Commission please, we ask that this exhibit be marked as Exhibit 108 for identification.

Chairman Aitchison: Which one is it?

The Witness: 108.

Chairman Aitchison: We have two exhibits here, and I do not know which one it is. Is it the exhibit which deals with rates?

Mr. Orr: It is the rate exhibit, if the Chairman please, as distinguished from the statistical exhibit.

Chairman Aitchison: The one that says at the top "Rate Exhibit."

Mr. Odd: Yes.

[fol. 2230] Chairman Aitchison: Very well.

(Exhibit No. 108, Witness Marks, marked for identification.)

By Mr. McCarthy:

Q. Now, Mr. Marks, will you please proceed in your own way to explain Exhibit 108 for identification.

A. The State of Kentucky is generally portrayed in rate exhibit maps and rate territory maps, as being a part of Southern territory. Such maps almost invariably show the line between Southern territory and Official territory as extending along the Ohio River from Cairo to Kanawha, thence along the Norfolk & Western and Virginian Railways to Norfolk, Virginia. I would like to refer now to sheet 1 of my Exhibit 108 for identification, which is a map of Kentucky, showing what portion of Kentucky is in Official territory, and what portion is in what is known as Southern territory. It will be observed that all of the southbound Ohio River crossings, including Paducah, Henderson, Louisville and Covington, Kentucky, and also all points in eastern and northeastern Kentucky served by the Chesapeake & Ohio Railway, are in Official territory, and the rates between those points are governed by the Official classification. Sheet 2 of the exhibit shows that there are 120 counties in Kentucky, of which 21, or 17 per cent, are served by Official Classification Lines. It further shows [fol. 2231] that 17 per cent of the area of Kentucky is in those counties served by Official Territory Lines, and that 39 per cent of our population is in Official Territory. This, I think, disproves the common impression that Kentucky is wholly within the South.

Q. Now, what efforts, if any, have been made by the State of Kentucky and its Railroad Commission to obtain Official Territory rates for the entire state?

A. For more than 40 years it has been the position of the Railroad Commission of Kentucky, and the Commonwealth of Kentucky, that our rate level in Kentucky should not exceed that prevailing immediately north of the Ohio River, in what is generally known as Central Territory. Much time and effort has been expended in presenting these views to the Interstate Commerce Commission. They were presented in practically every one of the general investigation cases, involving class rates, and a great many of the investigations involving commodity rates, with a view to convincing this Commission that our rates should not be higher than those in Central Territory. Our efforts in this respect have been rewarded with a certain measure of success. For example, in the Southern Class Rate Investigation, or as the result of that investigation, rates which became effective January 15th, 1928, were joint through overhead rates between interior Kentucky points and Official Territory. Those rates were lower relatively than the [fol. 2232] combination basis which had prevailed prior to that time. Immediately after the Southern Class Rate Investigation certain carriers in Kentucky undertook to eliminate some of our central Kentucky points, such as Lexington, which is the third city in the state, Winchester, and certain other points there, from Official Territory, and put them into the South, on the 13494 basis. This was opposed by those central Kentucky cities, and the Commission in its decision entitled Class Rates from Kentucky Points, 146 I. C. C. 115, disapproved of this method, and permitted them to remain in Official Territory. That same basis was confirmed in the Eastern Class Rate Investigation, which became effective in December of 1931. Further progress was made along this line in bringing our interior Kentucky rates more nearly in line with those in Central Territory, in the Western-Southern Class Rate Investigation, and also in the various decisions in the Consolidated Southwestern Cases. In addition to these general investigations, the State of Kentucky brought a complaint of its own in the so-called borderline case, docket No. 21373, the title of which case was Commonwealth of Kentucky versus A & W Railway Company, 213 I. C. C. 297.

Chairman Aitchison: That volume and page again, please.

A. 213 I. C. C. 297. Under the decision in that case the class rates between interior Kentucky points and points in Official Territory were lowered on the whole, I believe about [fol. 2233] 8 per cent, which made them approximately 15 per cent higher—that is, between interior Kentucky points and all of Official Territory—than the Eastern Class Rate scale, where prior to that time they had been approximately 125 per cent of that scale. In other words, we were given that much relief in the so-called Kentucky Interstate Case.

By Mr. McCarthy:

Q. What have you to say, Mr. Marks, about the Kentucky intrastate class rates?

A. As far back as the 90's the Kentucky Commission undertook to bring its Kentucky intrastate class rates more nearly in line with those of Central Territory. Under Mr. Commissioner McChord, who was then chairman of our Kentucky commission, an investigation was held concerning those rates shortly after the turn of the century, and a general basis was prescribed which brought them very nearly to the Central Freight Association basis. Those rates were published, and they were fought by our Kentucky railroads in the courts; and that culminated in the decision of the United States Supreme Court in the case of Louisville & Nashville Railroad versus Seiler, 213 U. S. 175, decided about 1909. In substance that decision held that the Kentucky commission, under the statute then in effect, did not have the power to prescribe a general basis of rates for the state, but that it was confined in its authority to point-to-point rates. That decision had the effect of rather halting [fol. 2234] efforts along that line for some years. Shortly after that, however, efforts were made to change our Kentucky statute, to have it amended, but that was not made effective until 1930. Immediately after 1930, our Kentucky commission instituted investigation of class rates in Kentucky under its docket No. 344—class and commodity rates; and as a result of that investigation rates were prescribed which became effective in 1935. As I will show later by sheet 7 of my exhibit, those rates are very close to the Central Freight Association basis.

Q. Have the Kentucky intrastate class rates been approved by the Interstate Commerce Commission?

A. Yes, sir, in this way: Immediately after our intrastate rates were published and became effective in 1935, this commission, the Interstate Commerce Commission, in a 13th Section investigation, docket No. 27325, reported at 223 I. C. C. 109, found that our intrastate rates were not unlawful.

Q. What has been the result of these various decisions?

A. The decisions which I have just cited have had the result of bringing our rates rather close to the Central Freight Association basis. In any event, they are much closer than those applicable to and from points in the states south of us.

Q. Will you please proceed with your explanation of the ex-bit.

[fol. 2235] A. Sheet 3 of the exhibit shows present class rates between six representative points in Central Territory, and twelve representative points in interior Kentucky, as compared with the Eastern Class Rate scale. It will be noted that between Pittsburgh and these Kentucky cities, the present rates average 12 per cent higher than the scale,—Cleveland 14 per cent, Detroit 15 per cent, Indianapolis 21 per cent, Chicago 15 per cent, and St. Louis 18 per cent; on the whole, about 15 per cent higher.

By Chairman Aitchison:

Q. Do these include the Ex Parte 148 increases?

A. Pardon me?

Q. I say, do these figures here include the Ex Parte 148 increases?

A. The increases under Ex Parte 148 are not included in these rates, no, Mr. Chairman. That is shown on the title page under the note.

Q. Continue.

A. Sheet 4 of the exhibit shows the same information with respect to representative eastern cities, New York and Baltimore, and these same twelve interior Kentucky points. Those interterritorial rates are about 8 per cent higher than the Eastern scale. Sheet 5 shows Kansas City and Denver, two representative points in Western Trunk Line Territory. The Kansas City rates are about 15 per cent higher, [fol. 2236] and the Denver rates are about 3 per cent higher than the rates, for equivalent distances, to and from points in Central Territory. Sheet 6 shows the southwest, Dallas and Oklahoma City, our rates to and from those points being about 3 per cent higher than the rates between the same two cities and points in Central Territory, for equal distances. I come now to sheet 7 of the exhibit, which shows our Kentucky intrastate rates. These rates are governed by the Official Classification basis and exceptions thereto. They have two scales in Kentucky. Scale-A applies in that part of Kentucky shown on sheet 2 as being in Official Territory, that is, between south bank Ohio River crossings and the eastern part of the state, served by the Chesapeake & Ohio Railway, and between the eastern part of the state and south bank Ohio River crossings. Scale-A is exactly the same as the Central Freight Association-Eastern scale, the appendix-E scale. Scale-B applies in the remainder of Kentucky. It is the same as the Eastern scale for 150 miles. Above the distance of 150 miles it grades up into the K-2 scale. In my judgment, at least, 75 per cent of our Kentucky intrastate class traffic moves either on Scale-A, or for distances not over 150 miles, on Scale-B, and therefore gets the full benefit of the Central Freight Association basis. I also believe that not more than 5 per cent of our traffic moves on Scale-B for distances over 500 miles.

[fol. 2237] By Mr. McCarthy:

Q. Will you now please state generally the position of the State of Kentucky in this proceeding before the Interstate Commerce Commission.

A. The State of Kentucky has made considerable progress toward bringing her interstate and intrastate rates nearer the level of the rates in effect in Central Territory. There is no reason why our rates should be any higher than those of Central Territory, governed by the same classification. If this proceeding should result in a general overhauling of the class rate adjustment, it is our view that Kentucky should be accorded rates no higher than those of any other section of the country. We are particularly averse to having our rates made 10 per cent higher than those of Central Territory, as suggested in Witness Jensen's Exhibit No. 7.

Q. Does that complete your testimony?

A. Yes.

Mr. McCarthy: That completes the testimony of the witness on direct, if the Commission please.

Chairman Aitchison: May I ask a question before the cross examination begins.

By Chairman Aitchison:

Q. I did not just get, Mr. Marks, how long you said you have been representing traffic interests in Kentucky.

A. I am very sorry, Mr. Chairman, but I could not hear [fol. 2238] the question.

Q. I asked you how long you have been representing the interest of various people, in a traffic way, down in Kentucky.

A. I have been located in Lexington, Kentucky, since 1923, Mr. Chairman. For approximately five years I was traffic manager——

Q. That is sufficient. You were not there during Federal control, I take it,—were you?

A. No, sir, I was not. I was in the United States Diplomatic Service, in Europe, at that time.

Chairman Aitchison: I will ask you no further questions, then. Thank you.

Mr. McCarthy: The witness is tendered for cross examination, Mr. Chairman.

Chairman Aitchison: You are offering Exhibit 108 in evidence, I take it.

Mr. McCarthy: Yes, Mr. Chairman. Thank you. Mr. Marks' Exhibit 108 is offered in evidence at this time.

Chairman Aitchison: Without objection, it is received.

(Exhibit 108, Witness Marks, received in evidence.)

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Marks, I assume from your testimony that you feel that there is no justification for either a difference in rate [fol. 2239] level or a difference in classification as between Kentucky and Official Territory; is that correct?

A. Yes.

Q. Do you know of any reason why there should be such difference immediately south of Kentucky?

A. Mr. Norman, I have not undertaken to make any study of the states south. As far as any proposal of theirs is concerned, we are not opposing it, nor are we sponsoring it. We feel that those states should make their own case. We are not undertaking to interpose any objection to anything that they might do or say here.

Q. You do want, however, for interior Kentucky, the same adjustment that you have at the present time from Ohio River crossings, and from Lexington east; is that correct?

A. Yes, sir.

Mr. Norman: That is all.

By Chairman Aitchison:

Q. And the same classification which you have north of the river?

A. Yes, sir.

Q. Going clear down to the southern boundary of Kentucky?

A. Yes.

Mr. McCarthy: Clear to the southern border of Kentucky.

The Witness: Yes.

Chairman Aitchison: Is there any further cross examination? (No response.) There seems to be nothing further. [fol. 2240] You are excused,

The Witness: Thank you.

(Witness excused.)

Mr. McCarthy: Call Mr. Orr.

L. F. ORR was sworn and testified as follows:

Direct examination.

By Mr. McCarthy:

Q. Mr. Orr, will you give your full name to the Commission, please.

A. L. F. Orr.

Q. Will you briefly state for the record what experience you have had in the matter of cost accounting.

A. I have had more than 35 years experience in general accounting, cost accounting, and transportation and traffic work. That includes both rail and truck experience.

Q. How long have you been connected with the Commonwealth of Kentucky?

A. Approximately 20 years, and during that period of time I have been making a constant study of the rate structure in Kentucky, as compared with surrounding states; and as well, the operating and other conditions of the railroads serving Kentucky and surrounding states. I might say, that research dates back to the early development of the Kentucky railroads, but that is merely historical.

Q. What has been the result of your studies?

[fol. 2241] A. My studies show that there is no justification, from a transportation standpoint, and I do not know of any other justification, for the rates in the State of Kentucky being any higher than, or on a different basis than the rates immediately north of the Ohio River, based on average traffic conditions of the Southern Region lines in Kentucky as compared with the average traffic conditions of the Official Territory lines as a whole.

Q. Have you prepared an exhibit for presentation in this proceeding?

A. Yes, sir.

Mr. McCarthy: I ask at this time, if the Commission please, that Mr. Orr's Exhibit 109 be marked for identification.

(Exhibit 109, Witness Orr, marked for identification.)

By Mr. McCarthy:

Q. Will you please proceed now, Mr. Orr, to discuss your exhibit, and offer such further testimony as you desire.

A. My Exhibit 109 for identification, I believe, confirms the statement I have just made. I believe the exhibit is largely self-explanatory, being made up of figures covering traffic densities and operating conditions; and I believe it will speak for itself.

Q. Do you think that higher rates in the State of Kentucky, are justified?

[fol. 2242] Chairman Aitchison: Oh, that is not the question here. Any number of witnesses may testify that they are not, and an equal number may testify that they are.

Mr. McCarthy: That is true, Mr. Chairman. I will withdraw that question.

By Mr. McCarthy:

Q. Will you please proceed, Mr. Orr, to make such further explanation of your exhibit as you deem necessary.

A. I would merely like to point out that the railroads—and that includes the railroads in Official Territory—have been losing traffic constantly, both class rate traffic and other traffic, on the present level of rates, to an extent sufficient to indicate to my mind, at least, that no higher level of rates is justified; and not only that, but it would seem to indicate, to the contrary, that many of the present rates should be reduced. The tendency has been to make class rates so high, particularly on the higher classes, as to cause a diversion of the traffic to the trucks. I might say right here that a large part of the intercity movement by truck is due to the arbitrary level of freight rates, rather than any economic conditions that would justify that traffic moving by truck; and that is particularly true beyond 300 miles. To indicate the economic loss from this situation, you can take every pound of truck traffic that is moving at the present time by for-hire carriers intercity, and put [fol. 2243] it into the empty space in the boxcars that are moving at the present time partially loaded, and do that without appreciably increasing gross ton-miles, and it will actually reduce unit costs. That statement is based primarily upon a test made for the first quarter of 1942. Section D of my exhibit covers a test of the first quarter traffic. That shows that there is 66,000,000 tons of empty space, in the closed car equipment that is moving under load. That is only carload traffic. In addition to that, the increase in merchandise loadings since this test was taken has made available some 60,000 to 70,000 boxcars, which would add to this capacity. I might also point out, because it may not be so clear, as to how I made the estimate of truck tonnage. The quarterly reports of class 1 carriers to the Commission show 17,000,000 odd tons of truck traffic moving during the first quarter of 1942. The Commission has estimated—and it is fairly well-established; I have seen the estimate from time to time, and it is generally accepted—that the class-1 traffic is half of the total traffic moving by truck inter-city. That would give you around 34,000,000 tons of truck traffic to load into 66,000,000 tons of space, not counting your 70,000 odd boxcars that are being made available every week by the heavier merchandise loadings.

6

By Chairman Aitchison:

Q. How many of them do you have down in Kentucky? [fol. 2244] A. I am very sorry, Mr. Chairman, but I could not hear the question.

Q. How many do you have down in Kentucky? There is no use talking about how many you have in the country as a whole.

A. Oh, I would say, Mr. Chairman, that Kentucky is about average in the way of loaded and empty space, according to the figures.

Q. Well then, that would argue for a reduction in the rates generally outside of Kentucky, would it?

A. The point that I am now making, Mr. Chairman, is this, that we should not depart too far from what we have here, from what has been developed, through truck-competitive conditions during the past 20 years, to try out something that will too far depart from what we think is the proper type of rates. In other words, I do not say that the present level of rates is perfect, but I mean, the trial-and-error method of putting in truck-competitive rates over the period of the past 20 years, has given us some indication at least of what it takes to move the traffic over the railroads, and hold the traffic to the railroads. That was the main purpose of that part of my exhibit.

Q. Did you say, that is in section D?

A. Yes.

Chairman Aitchison: I have no section D in my exhibit.

The Witness: Oh, I beg your pardon, Mr. Chairman. I [fol. 2245] misspoke. It is in section C. Section C shows the quarterly commodity statistics of the Commission, to which the tests referred to apply.

Chairman Aitchison: Proceed.

By Mr. McCarthy:

Q. Is there any further statement you desire to make for the record, Mr. Orr?

A. I believe not.

Mr. McCarthy: At this time, if the Commission please, we offer Mr. Orr's Exhibit 109 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 109, Witness Orr, received in evidence.)

Mr. McCarthy: The witness is tendered for cross-examination.

Chairman Aitchison. Cross-examine.

Cross-examination:

By Mr. Northcutt:

Q. As I understand it, Mr. Orr, you do not want the existing situation down there in Kentucky changed, the rates having been established, at least in part, to meet truck competition. Is that correct?

A. I would say, Mr. Northcutt, that I see no reason for increasing any of these truck-competitive rates, because, although truck competition may during the present war disappear temporarily, all of the indications are that it will return more severely at the end of the war, or following [fol. 2246] the war, than it now is. I base that statement on improvements in trucking equipment in the way of more efficient motors, lightweight equipment, and so forth.

Q. Well, then, if I understand it, you want the Kentucky rates let alone; is that correct?

A. Well, I would not exactly put it that way either, Mr. Northcutt. I have always contended for the Official Territory level of rates in Kentucky, and I see no reason why the Kentucky rates should not be on the same level as Official Territory, and on the same basis.

By Chairman Aitchison:

Q. And on the same classification?

A. How?

Q. I say, and on the same classification?

A. Yes, sir.

Mr. Northcutt: That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Orr?

Mr. McCollester: Just one or two questions, if the Commission please.

By Mr. McCollester:

Q. Mr. Orr, it is a fact, is it not, that in the Southern Governors' case, the State of Kentucky first joined with the other states as a complainant, and then later withdrew?

A. That is not correct, no, Mr. McCollester. I would prefer not to go into that, but I will simply say this, that [fol. 2247] never did the Southern Governors have the authority to sign the name of the State of Kentucky to that petition.

Q. Well, the State of Kentucky did not participate as a complainant in the Southern Governors' case, did it?

A. I was not present at that proceeding, Mr. McCollester, and as I stated, I would prefer not to go into that. I would prefer that Mr. Marks, who was the witness for the State of Kentucky in that proceeding, should state the position that was taken by the State of Kentucky in that proceeding.

Q. Well, I was asking you.

A. Well, I do not know.

Mr. McCollester: That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Orr? (No response.) Apparently not. You are excused.

(Witness excused.)

Chairman Aitchison: Does that, now, complete your presentation, Mr. McCarthy?

Mr. McCarthy: Yes, sir.

Chairman Aitchison: Mr. Whorton, of Omaha.

Walter M. Whorton was sworn and testified as follows:

Direct examination.

The Witness: My name is Walter M. Whorton. I am manager of the Transportation Department, Omaha [fol. 2248] Chamber of Commerce. I have been with the Chamber of Commerce since 1918. Prior to that time I was for a number of years with the Union Pacific Railroad. I have prepared an exhibit for presentation in this case, consisting of eight pages, a title page and seven other pages, which I ask at this time to have marked as my Exhibit No. 110 for identification.

(Exhibit No. 110, Witness Whorton, marked for identification.)

The Witness: Pages 1, 2, 3 and 4 of the exhibit compare costs in various territories, using as the basis Dr. Edwards' cost study as shown in his Exhibit No. 3. In his Exhibit No. 2, tables 1 to 7, he compares the costs in each of the territories for distances of 300 miles only, less than carload 5 tons and carload 25 tons in boxcars. I have carried those distances out from 1 to 1500 miles, showing that in Eastern Territory the percentage increases with distance, while in Western Territory the percentage decreases with distance. I am referring there to the percentage that the various territories bear to the United States as a whole. Page 5 of the exhibit compares the costs in Eastern Territory and Western Trunk Line Territory, with the first class rates under the Eastern scale and Western Trunk Line zones 1, 2 and 3 scales, and shows that while the cost, based on Dr. Edwards' cost study, in Eastern Territory, greatly exceeds the first class rates the first class rates in Western Trunk Line zones 1, 2 and 3 greatly exceed the cost in those territories. [fol. 2249] Pages 6 and 7 of the exhibit compare the less than carload cost, on 5 tons in boxcars, from specific points of origin to specific destinations, on the first four classes, and the average of the first four classes between the same points, showing that the present rates from eastern points to the western points are considerably lower than the cost plus a return of 5¾ per cent. Page 8 of the exhibit compares the carload cost on fifth class, A, B, and C rates, from and to the same points shown on pages 6 and 7; and shows that the carload costs are actually lower than the through class rates. Now, at the Missouri river, ever since 1931, we have been drying up, as you might call it. We had a lot of jobbing points at the Missouri River prior to 1931, but since December of 1931 our jobbers have been going out of the picture, one after the other. I think, based upon Dr. Edwards' cost study, pages 7 and 8 of this exhibit, possibly state the reason why. They show that eastern points are getting out there at too low a rate, as compared to the carload rates in. I believe that is all I have on direct, Mr. Chairman, and at this time I wish to offer my Exhibit 110 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 110, Witness Whorton, received in evidence.)

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Hughes:

Q. Mr. Whorton, your interest here appears to lie [fol. 2250] primarily in the jobbers of Omaha. Is that correct?

A. Yes.

Q. Is there a conflict ordinarily between the interests of jobbers and manufacturers within a given area?

A. Well somewhat, at times, yes, sir. In other words, the jobbers in our territory bring in carloads and distribute in less than carload quantities, while the manufacturers of course like to distribute in their trade territory.

Q. Now, as I understand it, you are complaining here that the class rates into Omaha from the East are too low, and that has hurt your distribution. Is that correct?

A. The class rates through to our trade territory beyond Omaha, and to Omaha as well, are too low to enable the jobbers to bring in a carload, unload it, put it in their warehouse, and then distribute it to their trade territory. In other words they run right through us with their less than carload rates, on a lesser cost.

Q. Did the Omaha Chamber of Commerce participate in the hearings in the 17,000-Part 2 proceeding?

A. Yes, sir, they ~~did~~; they participated both in the 17,000-Part 1 proceeding, and the 17,000-Part 2 proceeding.

Q. Well, part 2 was a proceeding in which class rates were prescribed, was it not?

A. Yes, sir.

Q. And the class rate to which you refer as being injurious [fol. 2251] to the Omaha jobbers, are those class rates which were prescribed in the 17,000-Part 2 proceeding, are they not?

A. Yes, sir.

Mr. Hughes: That is all.

Chairman Aitchison: Is there further ~~cross~~ examination?

Mr. McCollester: Yes, sir.

~~Chairman Aitchison: Mr. McCollester.~~

By Mr. McCollester.

Q. Mr. Whorton, in the preparation of ~~your~~ Exhibit 110, did you study Dr. Edwards' exhibit from which you have derived your computations, so that you understand the theory of his exhibit?

A. Well, I believe I did, yes, sir. I made a study of it, so that I knew how to apply distance to his less than carload cost, adding to that, then, his terminal cost.

Q. Well, on the basis, then, of your study of Dr. Edwards' computations, is the inference that we should draw from your Exhibit No. 110 here, that for a haul, for example, of 1,000 miles of a car containing five tons of freight, the first class rate in Official territory is 30 cents less than the cost of hauling the car?

A. That is the answer, according to Dr. Edwards' cost study, applying that cost to the actual five ton load.

Q. Did you pursue that any further, to see what other rates of the Official Territory lines would, on that theory, be less than the cost of performing the transportation service?

[fol. 2252] A. Why, I found that the majority of the rates in Official Territory, if you want to stick to Official Territory, are less than this cost plus 5¾ per cent return.

Q. That would indicate that the Official Territory lines, based on Dr. Edwards' study, must be losing money every day that they operate, would it not?

A. Why, I wouldn't say that they are losing money every day they operate, no, sir, but I say that they are not making a 5¾ per cent return. That is my point.

Q. But your computation, based upon Dr. Edwards' study, would lead to the conclusion that the Official Territory lines must be losing money every day they operate, would it not?

A. No, sir, I would not arrive at that conclusion at all. My conclusion would be that they are not paying out, on the entire valuation, plus a 5¾ per cent profit.

Q. How much of a return on their valuation, or on their investment, either one, are they making, according to your computation?

A. Why, I did not compile any figures to show what return the Eastern roads are making.

Chairman Aitchison: I did not understand that he was taking into account Official Territory only. I thought he was making comparison of the movement for the longer distances to the Missouri River.

Mr. McCollester: Well his figures, Mr. Chairman—if [fol. 2253] I understand you correctly—make no distinction between individual lines in Official Territory. Do they, Mr. Horton?

The Witness: Dr. Edwards' cost study, do you mean?

Mr. McCollester: No, I mean the figures which you have used.

A. Well, the figures which I have used, as I stated before, are figures that were taken from Dr. Edwards' cost study.

Mr. McCollester: Yes.

The Witness: That is, taking the average of the lines in that territory.

Mr. McCollester: Official Territory lines.

The Witness: Yes.

Chairman Aitchison: For these distances.

Mr. McCollester: Yes.

The Witness: Yes, and for these weights.

Chairman Aitchison. But Dr. Edwards used other distances which this witness has not taken into account.

Mr. McCollester: Yes, if the Commission please, but I asked Mr. Horton if, for every distance that he could think of, he did not show a greater cost than the rates involved, the first class rates, for Official Territory lines, and if I understood him correctly, he said that he had reached that conclusion.

The Witness: If you want to break down your cost, you can refer to pages 6 and 7 of the exhibit, where you have [fol. 2254] your first class rates, and your first four class rates, and then you have the cost on page 6. If you want to follow that through, you will find that your first four classes from New York to Omaha average 200.5, while your cost from New York to Omaha, plus 5¾ per cent profit, is 272.47.

Q. That is all predicated, is it not, upon the figures which precede, which show costs for different distances, beginning with 100 miles, and which you have extended up to as far as you had to go, to get to Omaha; that is correct, is it not?

A. No, sir. Those figures are all arrived at, as shown at the foot of page 7. It shows what I have used for terminal cost and linehaul cost, using one terminal in Official Territory and one terminal in Western Territory.

Q. Well your conclusion, however, just to put it in a nutshell, is that, using the distances involved in getting to Omaha, based upon average figures for all of the Official Territory lines, the first class rates do not return the Official Territory lines their out-of-pocket expenses, plus a return of 5¾ per cent; is that right?

A. I am afraid, counsel, that you do not correctly understand this exhibit. Apparently you do not.

Q. Maybe I do not.

A. I am using the cost in Official Territory while we are in Official Territory, and the cost in Western Trunk Line Territory while we are traveling through Western Trunk [fol. 2255] Line Territory.

Q. All right.

A. Using the distance in each, and the cost in each.

Q. My question should have been limited to the Official Territory portion of the haul, then. As to that portion of the haul, is the showing which you intend to make here this, that the first class rates of the Official Lines, for their part of the movement from New York to Omaha, which I take it would be practically the entire breadth of Official Territory, for that movement, are less than the cost?

A. Yes, sir.

Q. Is that your conclusion?

A. Yes, sir.

Q. Did you make any study of the carload costs?

A. Yes, sir.

Q. And did you reach the same conclusion with respect to them?

A. I found that the carload costs are exceeded by the rates; the rates exceed the carload costs, and greatly exceed the carload costs.

Mr. McCollester: That is all.

By Chairman Aitchison:

Q. How do you know what divisions the Official Territory lines get, on the movement to Omaha?

A. I am very sorry, Mr. Chairman, but I did not get the first part of the question.

Q. I asked you, how do you know what divisions the [fol. 2256] Official lines get, on the movement to Omaha?

A. I don't know.

Q. Well, does that not determine whether they are making money or losing it?

A. Well, my position is this, Mr. Chairman, that they must be making some money, because they did not go into the hands of receivers, while all of the western lines did, with one or two exceptions; and that is probably based on the matter of division.

Chairman Aitchison: Is there any further cross-examination of the witness? (No response.) There seems to be nothing further. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Reed.

Mr. Reed: Mr. Hughett.

J. D. HUGHETT was sworn and testified as follows:

Mr. Reed: If the Commission please, Mr. Hughett is appearing for the Southwestern Motor Freight Bureau, Inc., Dallas, Texas. He will have one exhibit to submit, which I will ask at this time to have identified as Exhibit No. 111.

(Exhibit 111, Witness Hughett, marked for identification.)

Mr. Reed: Mr. Hughett has a prepared statement of his testimony, and copies of his testimony and his exhibit have been distributed a matter of some two weeks ago [fol. 2257] to all of the parties whose names were given us at the Indianapolis hearing. We do not insist on Mr. Hughett being permitted to read his statement, unless that is desired. We are perfectly willing to have the Reporter incorporate it into the record.

Chairman Aitchison: Is there any desire that the witness be examined orally, or is it agreeable that his statement be copied into the record? (No response.) Without objection, it may be copied in.

(The statement is as follows:)

My name is J. D. Hughett. I reside in Dallas, Texas, and I have resided in that community for nine years. Prior to that time I resided in various points throughout the Southwestern territory, mostly in the State of Texas.

I have had 26 years of traffic and transportation experience, beginning with the railroads and extending from that service into the commercial service representing shippers in a private capacity and as an employee of the traffic and transportation department of various chambers of commerce, and the port authorities, particularly at the ports of Corpus Christi and Orange, Texas.

I have been with the motor carrier freight lines since August, 1934, and I am now the General Manager and Publishing Agent for the Southwestern Motor Freight Bureau, Inc., the agency that publishes the interstate tariffs for the motor common carrier freight lines operating [fol. 2258] within and to and from the Southwestern States of Oklahoma, Texas, New Mexico, Arkansas, Louisiana (west of the Mississippi River), Southeastern Missouri, and between points located in said territory, on the one hand, and Mississippi River Crossings, Memphis, Tennessee, and south thereof, on the other hand. Also this agency publishes rates between points in Southwestern territory, on the one hand, and Colorado and Wyoming, on the other.

In my present capacity as well as in connection with my prior positions I have become thoroughly informed with respect to the railroad rate tariffs and the motor common carrier rate tariffs. I am also familiar with the movement of commodities generally throughout the Southwestern territory and to and from the Southwestern territory.

Particularly am I familiar with the initial publication of rates by the motor common carrier freight lines in this territory for the reason that I participated in proceedings of State Regulation of motor common carrier freight lines and the establishment of their rates prior to the effective date of the Interstate Commerce Act, Part II.

I am particularly informed with respect to the competition which has heretofore existed and which now exists as between the motor common carrier freight lines and the common carrier rail lines. I am familiar with that competition and I am familiar with the competition en- [fol. 2259] countered by both rails and common carriers from other sources such as private carriers and contract carriers.

I am particulary familiar with the history and origin of the so-called Grocery Mixture Rates and the so-called Hardware Mixture Rates now generally applicable in the Southwestern States on both interstate and intrastate commerce. Both of these mixtures, which constitute substantial exceptions from the classification and class rate basis, were initiated by the railroads and over the protest and objection of the motor common carriers. In one instance we actually undertook to appeal the publication of the Exception Mixture Rates to the Courts and to enjoin their application to the traffic in this territory.

The Grocery Mixture exception to the general classification and class rate basis was initiated by railroad through Transport Subsidiaries on November 11, 1931, by the filing of an application with the Railroad Commission of Texas seeking authority to make the general exception applicable to the Grocery Mixture.

The contention was made before the Railroad Commission of Texas that the exception was necessary for the purpose of meeting private carrier competition. The motor common carrier freight lines were subject to the same private carrier competition which might have existed for the transportation of these commodities, and, in fact, [fol. 2260] some of the wholesale grocers were at that time operating their own fleet trucks handling their own commodities to numerous points.

The motor common carrier freight lines, however, were of the opinion that any reduction in rates for package freight in less-than-truckload and less-than-carload lots would not in any way have any bearing upon the private carrier competition for the wholesale distribution of groceries and the supplies ordinarily handled by wholesale grocers.

It was our contention that a reduction in the any-quantity ratings would have no bearing upon this competition. Subsequent events have carried out and established as a fact that our position with respect to the matter was correct. Instead of retrieving the traffic theretofore handled by the wholesale grocers in their fleet trucks the reduction rates did no more than to reduce the revenues of the rails and the motor lines on the small package freight which they had theretofore been handling because it was not of sufficient volume to warrant private carrier operation. Furthermore, after these rates were made effective the wholesale grocers did not abandon their fleet operations but on the contrary continued those that they had been operating theretofore and increased the number of trucks operated in their fleets and continued to handle the truckload traffic and leaving to the common carrier motor lines and the railroads the handling of the package freight under the reduced rates which had theretofore been handled [fol. 2261] by both rail and the motor lines because it was unprofitable to the wholesale grocers to handle it in their fleet operations.

In addition to the wholesale grocers that had and were maintaining fleet operations at the time the exceptions in the form of commodity rates were established known as the Grocery Mixture, other wholesale grocers have, since the publication of the Grocery Mixture, established their own fleet operations for the handling of the truckload traffic and have continued to leave to the railroads and the motor common carriers the handling of the more expensive small package less-than-truckload and less-than-carload freight.

The common carrier trucks have had the same experience in connection with the so-called Hardware Mixture which has been published in a portion of Southwestern territory as exceptions in the form of commodity rates. The mixtures applicable to the Hardware Mixture covers everything from lamp chimneys to door hinges and nails and covers the movement of these commodities in small packages constituting the expensive freight that must be handled in small lots as distinguished from the truckload lots. This mixture was initiated by the railroads through the filing of an application to the Railroad Commission of Texas to make the Hardware Mixture applicable on intrastate traffic. As in the case of the grocery mixture, the rail lines alleged [fol. 2262] that the hardware mixture exception was necessary in order to meet private carrier competition. The motor carriers opposed the application on the ground that no private carrier competition existed for the handling of any-quantity freight, and that reductions in the rates on the small lots any-quantity freight would have no bearing upon the private carrier competition. Subsequent events have confirmed our judgment in the hardware mixture, as it did in connection with the grocery mixture.

In Exhibit No. 111, Section 1, I have presented a statement of the commodities contained in the grocery mixture and compared the present rates on the grocery mixture with the present classification basis and Jensen Scale rates on the same commodities. The items in Section I of Exhibit 111 are the generic descriptions of the commodities, and there are many subdivisions of the commodities listed. In addition, where there were several commodities that would come under the same description, such as dessert preparations, we have used one of the common items frequently moving by common carrier motor lines rather than using all of the dessert preparation descriptions separately. The comparisons are for 50, 100, 150 and 200 mile blocks. Under the heading of "Present Rates," the rates as contained in the commodity description for 50, 100, 150 and 200 miles are shown. These rates on the grocery mixture are applicable on a shipment of 500 pounds, but there can be one [fol. 2263] consignor for each 100 pounds in the 500 pound lot, and there can be as many consignees as you have additional 100 pounds; in fact, the 500 pound minimum applicable in connection with the grocery mixture is altogether meaningless. In the next column of Section I, I have shown the classification rating that is now applicable to the commodities listed in Section I. By applying this classification rating in Section III of the exhibit, the normal classification rates can be established for the distances of 50, 100, 150 and 200 miles. For instance, on fruit jar caps or bottle caps rated first class in the classification, the present rate for 50 miles is 30 cents. The normal classification rating for that distance is 67 cents, and is shown in Section III of this exhibit. By using the classification rating shown in Section I of the exhibit, the full classification basis can be established for the distances shown under the heading, "Present Rates."

Under the heading, "Rates-Jensen Scale," for the 50, 100, 150 and 200 miles, I have shown the rates which would result under the scale proposed by Witness Jensen and applying the full classification rating shown on the exhibit. Attention is called to the fact that the proposed Jensen scale with the full application of the present classification basis would reduce the ridiculously low rates that are now applicable to the grocery mixture in many instances. For instance, canned goods in tin would be reduced at 50 miles [fol. 2264] from 30 cents per 100 pounds to 20 cents per 100 pounds. The 20 cents would just about cover the cost of pickup and delivery at the smaller terminals, but would not cover it in the larger terminals.

Section II of Exhibit 111 contains an identical statement to that set forth in Section I except that it is applicable to the hardware mixture. The same set-up has been presented in connection with the hardware mixture as I have presented in connection with the grocery mixture. The hardware mixture is applicable to shipments of 300 pounds or more.

The grocery mixture and the hardware mixture have been presented as illustrative of the type of publications heretofore made by the railroads, which has not been successful in retrieving the tonnage of private carriers although such publications were made on the alleged basis that they were to regain this tonnage. These two mixtures are the two outstanding mixtures initiated by the railroads for that purpose, and they include a substantial portion of commodities moving in any-quantity lots throughout the Southwestern territory. There are other mixtures similar to these known as drug mixture, furniture mixture, packing house product mixture, dry goods mixture, paper and paper article mixture, etc. The combined effect of these mixtures has been to break down the any-quantity classification rate structure throughout the Southwestern territory. They have all been published on the alleged private-carrier competition [fol. 2265] petition theory, but in our judgment they have not met private carrier competition, and the best evidence of that fact is that the private carriers have continued to operate and continued to handle these commodities when they were available in truckload movements for distribution into the territory ordinarily and customarily served by the private carrier operating his own trucks.

I prepared Exhibit No. 111, Sections I, II and III, and I state that the exhibit is true and correct to the best of my knowledge and belief.

Mr. Reed: The witness is now presented for cross-examination, if the Commission please.

Chairman Aitchison: Does anybody desire to cross-examine Mr. Hughett? (No response.) Apparently not.

Mr. Reed: At this time, I offer Mr. Hughett's Exhibit 111 for identification, in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 111, Witness Hughett, received in evidence.)

Chairman Aitchison: You may be excused.

(Witness excused.)

Mr. Reed: Mr. Sanford.

R. F. Sanford was sworn and testified as follows:

Mr. Reed: If the Commission please, Mr. Sanford has also prepared a statement of his testimony, in which he [fol. 2266] merely concurs in the testimony of the preceding witness, Mr. Hughett, with respect to certain operating features of the Southwest. This statement likewise was distributed more than two weeks ago to all of the parties whose names were given us at the Indianapolis hearing. It is not necessary, so far as we are concerned, to have Mr. Sanford read his statement into the record, unless it is so desired.

Chairman Aitchison: Without objection, this statement also may be copied into the record, as was done with Mr. Hughett's testimony.

(The statement is as follows:)

The Witness: My name is R. F. Sanford. I am Vice President and General Manager of the Red Arrow Freight Lines, Inc., with headquarters in Houston, Texas. I have been connected with that company 11 years. I have had 25 years traffic and transportation experience with railroad, steamship and motor lines in Southwestern territory.

The Red Arrow Freight Lines, Inc., covers most of the principal points in Texas, operating from Dallas and Fort Worth on the north, through Palestine and East Texas into Houston; Fort Worth through Waco into Houston; from Houston through Austin and San Antonio to the Rio Grande Valley; from San Antonio through Stephenville to Dallas and Fort Worth. Our line serves numerous intermediate points between the terminals described.

[fol. 2267] I am familiar with the history of the rates established in connection with the Grocery Mixture and the Hardware Mixture and other such mixtures throughout the Southwestern territory by the rail lines, which rates were met by the common carrier motor lines. I have been connected with the Red Arrow Freight Lines, Inc., during all the period that the Grocery Mixture and the other mixtures have been in effect.

It has been our experience that such rates on less-than-carload and less-than-truckload traffic do not meet private carrier competition and that they have no bearing upon and no effect upon such competition.

It has been our experience that private carrier competition exists for truckload lots within the trade area of a particular industry operating the private vehicle. We have never yet experienced any competition from private carriers for the any-quantity or small lot shipments. On the contrary the industries that do operate their own private transportation vehicles customarily deliver to the common carrier motor lines the small package freight for transportation to destination. Frequently the industries operating private vehicles of their own will haul the truckload freight into the same destination territory to which we haul the small package freight for the same industry.

I have read the testimony of witness Hughett and I have examined the exhibit of Witness Hughett. I state that [fol. 2268] it has been the experience of our line and to my knowledge the experience of other common carrier motor lines in the Southwestern territory that rates such as the Grocery Mixture and the Hardware Mixture do not in any way retrieve traffic from private carriers. Private carrier competition has never existed and does not now exist for the any-quantity lot and the small shipments that customarily move in less than truckload and less than carload lots.

Furthermore it has been the experience of our company and the other carriers generally in the Southwestern territory that rates published in the manner, such as the Grocery Mixture, do not meet contract carrier competition. The contract carrier competition is substantially similar to that of the private carrier and it does not exist for the small package, less than carload and less than truckload freight, such as does move on the Grocery Mixture, Hardware Mixture and mixture rates made on other commodities.

Mr. Reed: The witness is now presented for cross-examination.

Chairman Aitchison: Does anyone desire to cross-examine the witness? (No response.) Apparently not. You are excused.

The Witness: Thank you.

(Witness excused.)

Mr. Reed: If the Commission please, I correctly under-[fol. 2269] stand, do I, that Mr. Sanford's testimony is likewise to be copied into the record by the Reporter.

Chairman Aitchison: Yes.

Mr. Reed: Thank you.

Chairman Aitchison: Now, gentlemen, are there any further witnesses who desire to be heard at this time as an emergency matter?

Mr. Gray: If the Commission please, I am prepared to proceed at this time, for the State of Kansas. There is one witness whom it may be necessary to put on later, some time this afternoon; but I am prepared to go ahead with my other witnesses at this time.

Chairman Aitchison: You may proceed.

Mr. Gray: Mr. Stevick, will you take the stand, please.

J. F. Stevick was sworn and testified as follows:

Direct examination.

By Mr. Gray:

Q. Please state your name.
A. J. F. Stevick.
Q. Your residence?

A. Topeka, Kansas.

Q. What is your occupation?

A. I am acting rate expert for the Kansas State Corporation Commission, Topeka, Kansas.

[fol. 2270] Q. How long have you been engaged as rate expert for the Corporation Commission of Kansas, Mr. Stevick?

A. Since May of this year, I have been taking the place of the regular rate expert for the Commission, who is now in the armed forces of the United States. I have been associated with the Kansas Corporation Commission since 1933, however, as assistant to the rate expert, except for a period of two years, during which time I was with the Springfield, Missouri, Chamber of Commerce.

Q. Over what period of time does your experience as a rate expert extend?

A. Well, prior to 1933 I had five years experience with the Traffic Association of Topeka, Kansas, and prior to that time, I was for several years with the Atchison, Topeka & Santa Fe Railway Company, in the Freight Auditor's department.

Q. You are appearing in this proceeding on behalf of the Kansas Corporation Commission, and the Kansas Industrial Development Commission, are you not?

A. Yes, sir.

Q. Now, have you personally prepared an exhibit, for the purpose of introduction in this proceeding?

A. Yes, sir.

Mr. Gray: At this time, if the Commission please, may we *we* have Mr. Stevick's exhibit marked for identification.

[fol. 2271] (Exhibit 112, Witness Stevick, marked for identification.)

By Mr. Gray:

Q. Mr. Stevick, is the exhibit which has just been identified as Exhibit 112, the exhibit which you prepared?

A. Yes, sir.

Q. Is it fairly self-explanatory?

A. I believe it is self-explanatory, yes, sir.

Q. Do you have any comment to make, then, with respect to any matter that perhaps may not be clearly shown on the face of the exhibit?

A. No, sir, I do not think I have anything to add. I believe that the exhibit is fully self-explanatory.

Mr. Gray: At this time, if the Commision please, I offer Mr. Stevick's Exhibit 112 for identification in evidence.

Chairman Aitchison: Is there any objection? (No response.) Without objection, it is received.

(Exhibit 112, Witness Stevick, received in evidence.)

Mr. Gray: The witness is now ready for cross examination, if the Commission please.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Hughes:

Q. Mr. Stevick, on pages 2 and 3 of your Exhibit 112, you list a number of commodities, and you set out various [fol. 2272] tables as to rates.

A. That is right.

Q. To what extent do the commodities which you list on those pages, move upon class rates?

A. Well, I would not know about that. They are all named in the classification, however.

Q. Well, you cannot state, then, whether the rates that you show as applying to these commodities in your exhibit, that is, the class rates, are the rates upon which the commodities actually move, can you?

A. Well, I might say this, in answer to your question, that these are not the going rates. In other words, what I mean is this, that they are the average rates—or, they are based on the average of the Eastern scale and the Western Trunk Line zone 2 and zone 3 scales.

Q. Well, they are the rates that you can get out of the tariff, but they are not necessarily the rates which apply to the traffic as it moves, as I understand you. Is that correct?

A. Right.

Mr. Hughes: Thank you.

Chairman Aitchison: Is there any further cross examination of the witness? (No response.) You are excused.

(Witness excused.)

Mr. Gray: Mr. Dade, will you take the stand, please.

[fol. 2273] E. B. Dade, was sworn and testified as follows:

Direct examination.

By Mr. Gray:

Q. Please state your name.

A. E. B. Dade.

Q. Your residence?

A. Lawrence, Kansas.

Q. By whom are you employed?

A. I am employed by the University of Kansas, as professor of statistics. I have been employed by the University of Kansas, during the academic year, continuously since 1921.

Chairman Aitchison: Is this confidential? We could not hear a word of the answer up here.

(Answer read.)

By Mr. Gray:

Q. Will you please continue with the statement of your qualifications.

A. I have been employed for special jobs by the Kansas State Corporation Commission and the Kansas Industrial Development Commission during the past summer.

Q. What degrees, if any, do you hold in the fields of mathematics and statistics?

Q. I have an A.B. in economics from the University of Kansas; an A.M. degree in economics from the University of Kansas; and I have done extensive graduate study in mathematics and statistics.

[fol. 2274] Q. You are at the present time teaching statistics in the University of Kansas, are you not?

A. Yes, sir.

Q. Are you the author of any published works, involving statistics?

A. I am coauthor of a book of annuity tables assigned for use by Building & Loan Associations, and other financial institutions.

Mr. Gray: At this time, if the Commission please, may we have the exhibit which will be submitted by the witness marked for identification.

(Exhibit 113, Witness Dade, marked for identification.)

By Mr. Gray:

Q. Have you at the request of the Kansas Corporation Commision and the Kansas Industrial Development Commission, personally prepared the exhibit which has been identified by the reporter as 113, for presentation in this proceeding?

A. Yes.

Q. Is that exhibit in the nature of a comparative cost study, a study of the cost of handling freight traffic in Kansas as compared to the cost of handling freight traffic in the State of Missouri?

A. Yes, sir.

Q. Is the exhibit self-explanatory?

A. Why, I believe that the exhibit is very largely self-[fol. 2275] explanatory, yes, sir.

Q. Is there any comment that you feel ought to be made, to make the exhibit more clear? If so, will you please proceed.

A. Why I think possibly that there might be a few comments made of a general nature, that would be helpful to a better understanding of the study. I might say at the outset that it consists of 54 numbered pages of text, with tables and charts interspersed. The data upon which this study is based were supplied to the Kansas Corporation Commission and the Missouri Public Service Commission, by carriers in Kansas and Missouri, and also data supplied to the Interstate Commerce Commission, as shown in their annual reports. The data are for 1940. The table on page 5 shows the mileages of roads in Kansas and Missouri by companies. These mileage data were included in the exhibit to show the amount of overlap of management between the two states.

Q. All of the tables are fully explained in the text of the exhibit, are they not?

A. Largely so, yes, sir.

Q. Are there any corrections in any part of the text, that ought to be made?

A. There are no corrections to be made in the text, no, sir. There are a few typographical errors associated with some of the tables, I might say. However, those are largely merely a matter of incorrect letters, and probably are not [fol. 2276] even worth taking the time to mention.

Q. Now, will you turn to page 36 of the exhibit, please.

A. Yes, sir.

Q. On that page, at the top of the page, where it says "System" on the right hand side, the numbers that appear directly under the word "System" are wrong, are they not?

A. Not to my knowledge, no, sir.

Q. Should they not be, 46B and 44C,—in other words, carrying those letters, instead of the numbers as they now show?

A. Well, now, I believe that that is correct, yes, sir. In the first table, table XI, on page 22, in the last line of the heading, those figures should be 41B and 40B, instead of 416 and 406, as they now appear. The footnote at the bottom of page 19 of the exhibit——

Chairman Aitchison: Now, just a moment. Let us get this straight. We are going to have some confusion in the record.

The Witness: Pardon me?

Mr. Gray: There are just a few errors in the exhibit, if the Commission please, to which I have asked the witness to call your attention at this time. Will you state the first correction again, please.

The Witness: On page 22 of the exhibit, as shown under the title, in the last line of the title, you see the figure 416 [fol. 2277] divided by 406. That should be 41B divided by 40B.

Mr. Gray: There should not be any third figure there, in other words.

The Witness: Right.

Mr. Hughes: What should it be? 41B?

Mr. Gray: 41B and 40 B.

Mr. Hughes: 41B divided by 40B?

Mr. Gray: Yes.

Mr. Hughes: In other words, the figure "6" should be stricken out in each case, and the letter "B" substituted: is that right?

Mr. Gray: Yes.

By Mr. Gray:

Q. Now, are there any other corrections which should be made in the exhibit, to which you wish to call attention?

A. Yes, sir, there is a correction in table XIX, on page

38, in the footnote. The first sentence in the footnote should read "Estimated by allocating 75 per cent of Kansas taxes to freight service and 6.1 per cent of U. S. payroll taxes to Kansas freight service." In other words, there are some words interspersed there—or rather, out of order there.

Mr. Hughes: How is that again?

The Witness: In the second line of the footnote, it says [fol. 2278] now "payroll add U. S." etc. The "add" comes out, and the "U. S." goes in front of the words "pay roll", which will then make it read "6.1 per cent of U. S. pay roll taxes."

By Mr. Gray:

Q. Does that complete the corrections?

A. Yes, sir.

Q. This exhibit was personally prepared by yourself, was it?

A. Yes, sir.

Mr. Gray: At this time, if the Commission please, I offer Exhibit 113 in evidence.

Chairman Aitchison: Is there any objection?

Mr. Weeks: If the Commission please, I desire to enter an objection to the acceptance of the exhibit, until I have had an opportunity to examine the witness briefly with respect to it.

Chairman Aitchison: You may propound your questions, then.

By Mr. Weeks:

Q. Mr. Dade, I believe you stated that you personally prepared this exhibit. Did I understand you correctly?

A. Yes, sir.

Chairman Aitchison: Just a moment. You are representing whom, please?

Mr. Weeks: The Missouri Public Service Commission.

Chairman Aitchison: Continue.

The Witness: That is correct.

[fol. 2279] By Mr. Weeks:

Q. Will you tell me, please, where you got the information shown in the exhibit as having been taken from Missouri Public Service Commission reports?

A. From the reports which were sent by the Public Service Commission of the State of Missouri, to the Kansas Corporation Commission, in part, and partly from a transcript of the Missouri reports which had been made for the Kansas Corporation Commission.

Q. Who made that transcript?

A. Mr. Gray.

Q. The gentleman who was just examining you?

A. Yes, sir.

Q. Well, then, as a matter of fact, you did not personally prepare the complete exhibit, did you?

A. I did not hear.

Q. I say, in view of your testimony just now, you yourself did not prepare the complete exhibit, did you?

A. The exhibit, as it has been presented here, I did prepare myself, yes, sir.

Q. But you are not certain about the correctness of the underlying data to the exhibit, are you?

A. The only underlying data which were involved in the question you just asked me, have to do with the consist of freight traffic in Missouri.

Chairman Aitchison: Well, the question was, you are [fol. 2280] not sure about the accuracy of the underlying data, are you?

The Witness: Well, I did not do the transcribing myself, your Honor, but I am very confident that the job was accurately done—yes, sir.

By Mr. Weeks:

Q. But you cannot testify, as a matter of fact, to its accuracy yourself, can you?

A. No, sir, I don't want to testify to that.

Mr. Weeks: In view of the testimony of the witness, if the Commission please, I object to the reception of this exhibit into evidence in this proceeding, on the ground that the witness, by his own admission, is not qualified to testify to its accuracy.

Chairman Aitchison: The objection is overruled. If there are any errors in the exhibit, they can be pointed out.

Mr. Weeks: Well, then, if your Honor please, may I ask some further questions about the exhibit?

Chairman Aitchison: Yes.

By Mr. Weeks:

Q. Will you please explain, Mr. Dade, why you have assigned all of the mileage of the Missouri Pacific Railroad in the State of Missouri, to North Missouri?

A. The division of material in the tables is as follows: The Kansas columns include all of the Kansas data. The columns headed "North Missouri" do not refer to North Missouri as a territory, or as a section of the State of Missouri, but to certain railroads designated as North Mis-[fol. 2281] souri Railroads. The material was not broken down by those roads on a North Misouri-South Missouri basis. All of the railroads, the main lines of which are north of the Kansas City-Jefferson City-St. Louis line, were included in the North Missouri set-up. That includes the line of the Missouri Pacific Railroad in the North Missouri group, although the Missouri Pacific line—or system, has a line of railroad operating *south of that line.*

Q. Well now, if that was your basis for assigning these roads to North Missouri and South Missouri, why ~~did you~~ put the Missouri-Kansas-Texas Railway in South Missouri, when the main line of that railway is north of the Missouri River?

Chairman Aitchison: Just a moment. Apparently, now, you are getting away from your objection, which appears to be to the weight of the exhibit.

Mr. Weeks: I am just trying to determine, if your Honor please——

Chairman Aitchison: Let me finish, please.

Mr. Weeks: Pardon me.

Chairman Aitchison: You asked, before the offer of the exhibit was ruled on, to be permitted to examine the witness with respect to the exhibit.

Mr. Weeks: That is correct.

Chairman Aitchison: And you now appear to be getting [fol. 2282] away from that specific matter.

Mr. Weeks: You do not want me to continue to interrogate the witness, then?

Chairman Aitchison: No further along that particular line, no.

Mr. Weeks: Then that is all of the qeustions that I care to ask him at this time, your Honor.

Chairman Aitchison: Is there any further objection to the exhibit, other than the one which has already been overruled?

Mr. Weeks: No further objection.

Chairman Aitchison: Exhibit 113 will be received, then, subject to check.

(Exhibit 113, Witness Dade, received in evidence.)

Mr. Gray: The witness is now ready for cross examination, your Honor.

Chairman Aitchison: Cross examine.

Mr. Weeks: I have some cross examination also, your Honor.

Chairman Aitchison: You may continue.

Cross-examination.

By Mr. Weeks:

Q. Mr. Dade, I did not fully understand why you assigned the Missouri-Kansas-Texas line to South Missouri, when you said you undertook to assign the railroads to [fol. 2283] North Missouri and South Missouri depending upon whether their main lines were north or south of the Missouri River. Will you please explain that further.

A. Well, this particular division of the lines——

Q. A little louder, please.

A. I say, this particular division of the railroad lines was one which I was inclined to believe was customarily followed in the division of railroad lines into these two groups in the State of Missouri.

Q. Well, do you know what difference it might have made in your showing had you assigned the Misouri-Kansas-Texas line to South Missouri, that portion of the Missouri Pacific to South Missouri that is located in South Missouri, and that portion in North Missouri that is located in North Missouri.

A. Well, I am inclined to believe that it would have made very little difference, because the Missouri Pacific particularly was very nearly in line, with respect to either side of the state, in so far as railroad lines are concerned. In my judgment, it would have made very little if any difference one way or the other.

Q. In your comparison of the percentages of gross revenue and gross expenses of these systems, did you give any consideration to the fact that there are large terminals located at Kansas City, Missouri, and St. Louis, Missouri?

A. No data were included in this study, as to terminal [fol. 2284] railroad lines not operated by railroad companies that were included in the exhibit.

Mr. Weeks: I believe that is all I have to ask. Thank you.

Chairman Aitchison: Is there any further cross examination?

Mr. Hughes: Mr. Chairman, the Western carriers would like to reserve their right to cross examine this witness. This exhibit has just been introduced; it is rather complicated; and the Western carriers desire an opportunity to do something more than merely make a cursory examination of it.

Chairman Aitchison: Will you be available?

The Witness: Yes, for a while.

Chairman Aitchison: You had better not go away until you have been finally excused.

The Witness: All right.

Chairman Aitchison: Temporarily, however, you may leave the stand.

(Witness excused.)

Mr. Gray: If the Commission please, I would like to have the cross examination of the last witness concluded just as soon as possible, so that he can get back.

Chairman Aitchison: I know, but you have presented a rather substantial exhibit here.

[fol. 2285] Mr. Gray: But it was distributed at the beginning of the hearing today.

Chairman Aitchison: Well, there has been no opportunity, of course, during the course of the hearing, to carefully examine an exhibit like this. Let us have the next witness, please.

Mr. Gray: Mr. Frye, will you take the stand, please.

John C. Frye was sworn and testified as follows:

Direct examination.

By Mr. Gray:

Q. Mr. Frye, will you give your full name to the Commission, please.

A. John C. Frye.

Q. Where do you live?

A. Lawrence, Kansas.

Q. What is your position?

A. Assistant State Geologist, and Assistant Director of the State Geological Survey of Kansas.

Q. How long have you been engaged in your present position?

A. In the exact position which I am holding at the present time, since the first of this year. However, I have been employed in Geological Survey work in Kansas for four and a half years, prior to the first of this year having been associated with the United States Geological Survey.

Q. Prior to when?

[fol. 2286] A. To the first of January of this year.

Q. Prior to that time you were with the United States Geological Survey?

A. Yes.

Q. Were you at that time located in Kansas?

A. All of my time, during that time, has been spent in Kansas, yes, sir.

Q. Do you hold any degrees in the field of geology?

A. Yes, sir, I have a Bachelor degree, Master of Science, and a Ph.D. degree in geology, the latter two from the University of Iowa, and the former from Marietta College.

Q. In connection with this proceeding, at the request of the Kansas Corporation Commission and the Kansas Industrial Development Commission, have you had prepared, under your supervision and direction, an exhibit?

A. Yes.

Mr. Gray: If the Commission please, may we have Mr. Frye's exhibit marked for identification at this time.

(Exhibit 114, Witness Frye, marked for identification.)

By Mr. Gray:

Q. Is the exhibit which has just been identified by the reporter as Exhibit 114, the exhibit to which you refer?

A. Yes, sir.

Q. Does that exhibit purport to cover, briefly, the mineral resources of the State of Kansas?

[fol. 2287] A. Very briefly, yes.

Q. Now in connection with that portion of the exhibit that deals with aluminum from Kansas clays, referring to page 1: Have there been any developments since that exhibit was prepared, in the field of the aluminum clays of Kansas?

A. The researches on this particular subject have been in progress for some time, but as far as any concrete development is concerned, my answer would have to be "No." In other words, it is still in the experimental—or rather, I should say, in the research stage, and will probably be for some little time yet. Up to the present moment, there has been no concrete development.

Q. Has the University produced any aluminum from Kansas clays, however, in the experimental stages of the research?

A. Yes, sir, on numerous occasions.

Q. Is it your opinion that that does or does not indicate promise of commercial development?

A. Oh, the cost figures that we have arrived at, on a laboratory scale of course, seem to be very favorable. However, we would not be able to make any definite statement in that respect, until it has gone through the pilot plant stage, as we refer to it.

Q. Is that being planned, at the present time?

A. Yes, sir.

Q. Are the matters which are set out in your Exhibit 114 [fol. 2288] for identification, true and correct, to the best of your knowledge and belief?

A. Yes, sir.

Mr. Gray: At this time, if the Commission please, I offer Mr. Frye's Exhibit 114 for identification, in evidence.

Chairman Aitchison: Is there any objection? (No response.) Without objection, it is received.

(Exhibit 114, Witness Frye, received in evidence.)

Mr. Reed: If the Commission please, I would like to know what the exhibit looks like.

Chairman Aitchison: If you will just look inside of the cover, Mr. Reed, and observe that it is all about geology, that will be enough for you. (Laughter.)

Mr. Reed: Dealing with Kansas clays?

The Witness: Yes.

Mr. Reed: Thank you. That is sufficient.

Chairman Aitchison: Is there any cross examination? (No response.) Apparently not. You are excused.

The Witness: Thank you, sir.

(Witness excused.)

Mr. Gray: Mr. Duff, will you take the stand, please.

L. F. Duff was sworn and testified as follows:

[fol. 2289] Direct examination.

By Mr. Gray:

Q. Mr. Duff, will you give your full name to the Commission, please.

A. L. F. Duff.

Q. Where do you reside?

A. Pittsburgh, Kansas.

Q. What is your employment?

A. Office Manager, and Traffic Manager.

Q. For what company?

A. McNally-Pittsburg Manufacturing Corporation.

Q. How long have you been connected with the McNally-Pittsburg Manufacturing Corporation?

A. Approximately 20 years.

Q. What is the nature of the business that is carrier on by that concern?

A. The manufacture of coal preparation plants, and washeries.

Chairman Aitchison: What is the answer?

(Answer read.)

By Mr. Gray:

Q. Mr. Duff, for the benefit of the record, will you please give us a little more detail and complete description of the commodity which is produced by your company; its use, the method of its manufacture, and so forth.

A. It is used in the preparation, breaking down and sizing of coal, and the washing and removing of impurities.

Q. Does your company manufacture the complete unit at [fol. 2290] Pittsburg, Kansas, and ship it from there?

A. Yes, sir.

Q. Is it largely manufactured from iron and steel?

A. Yes, sir.

Q. In your manufacturing process, do you have occasion to receive shipments of iron and steel inbound, which you then fabricate, and ship in the form of the finished product outbound?

A. Yes, sir.

By Com. Alldredge:

Q. Are the units standardized, or made to order?

A. They are made to the specifications of the consumer—or of the purchaser, rather.

By Mr. Gray:

Q. Are the units, as you sell them, installed by your firm?

A. Yes.

Q. In other words, you offer a complete service, then, in the way of building and installing; is that correct?

A. Yes, sir, completely erected.

Q. Now, the prices at which you sell your product: Are they f.o.b. destination?

A. Yes, sir.

Q. So that your company directly pays the freight on the product, as it sells it?

A. Yes, sir.

[fol. 2291] Q. Is the matter of freight expense an important consideration in your business?

A. Very much so.

Q. Do you know what rate your outbound shipments take?

A. Yes, sir, they take a class rate.

Q. What rate?

A. 45 per cent.

Q. 45 per cent of what?

A. Of first class.

Q. That is your outbound rate?

A. Yes, sir.

Chairman Aitchison: Fifth class?

By Mr. Gray:

Q. That is fifth class, is it?

A. Yes.

Q. 45 per cent of first class?

A. Yes, sir.

Q. In Western Trunk Line Territory?

A. Yes, sir.

Q. Now then, when you get over into Eastern Territory, do you know what that rate changes to?

A. 40 per cent.

Q. When you ship into Eastern Territory, the percentage of the rate then becomes 40 per cent, does it?

A. Yes, sir.

Q. Now, do you know what rate applies on the inbound [fol. 2292] shipments of your steel?

A. 32.5 per cent of first class.

Q. Is that a classification rating, or an exception?

A. An exception rating.

Q. At what points are the competitors of your company located, against which your company competes?

A. Chicago, Columbus, West Virginia, and Pittsburgh.

Q. Chicago, Illinois?

A. Yes, sir.

Q. Columbus, Ohio.

A. Yes, sir.

Q. Pittsburgh, Pennsylvania?

A. Yes, sir, and West Virginia.

Q. Now, when your commodity is shipped outbound, under what description does it move?

A. Machinery noibn.

Q. It takes the description of machinery noibn, does it?

A. Yes, sir.

Q. Has your company ever experienced any difficulty in meeting competition from these various points which you have just enumerated, by reason of its freight rate out of Pittsburgh, Kansas, as compared to the freight rates from the points where its competitors are located?

A. Yes.

Q. Do you know of any instances where your company [fol. 2293] has had to forego business because of that difference in freight rates?

A. Yes, sir, I have in mind just at the moment two of them in Pittsburgh.

Q. Pittsburgh, Pennsylvania?

A. Yes, sir. One of them was in connection with the Crucible Steel Company, and the other—well now, right offhand, I cannot think of the name of the other company.

Q. Well, has your company encountered any difficulty in that same regard, at any other points?

A. Yes, sir; we have also runs into some of that in Ohio, and also in West Virginia.

Q. Do you know whether or not your company is at the present time considering moving from Pittsburg, Kansas, into Official Territory?

A. Yes.

Q. Is it, or is it not?

A. Yes, it is.

Q. Do you know whether or not any definite conclusion has as yet been reached by your company, with respect to that?

A. Not definitely.

Q. But you do understand, or do you know, rather, that at the present time the company is considering that matter?

A. Yes, sir.

Q. Does the fact that your freight rate level, the level of [fol. 2294] your class rates, is somewhat higher than the level of the rates in Official Territory, have anything to do with your company considering moving to Official Territory?

A. Oh, yes.

Q. If the level of your rates were relatively the same as the level of rates in Official Territory, would your company still consider moving from Pittsburgh, Kansas, into Official Territory?

Mr. McCollester: Is the witness in a position to answer that question?

By Mr. Gray:

Q. Do you know?

A. Yes, I know.

Q. Knowing that, what is your answer to my question?

A. We would not move, under those circumstances.

Q. Now, Mr. Duff, I will ask you to state whether or not any communities located in Official Territory have ever approached your company, in an endeavor to get it to move from Pittsburg, Kansas, into such community or communities in Official Territory?

A. Yes, sir.

Q. What community or communities have done that?

A. Cincinnati, Ohio.

Q. Now in undertaking to get your company to move from Pittsburgh, Kansas, to Cincinnati, Ohio, did these people who approached your company offer any inducement of any kind?

[fol. 2295] A. Yes.

Q. What?

A. Lower freight rates.

Q. And did they undertake to prove to your company that the freight rates out of Cincinnati, Ohio, were more favorable than they were out of Pittsburg, Kansas?

A. Yes, sir.

Mr. Schwietert: Where to?

The Witness: To our consuming territory.

By Mr. Gray:

Q. To the territory into which you ship your product; is that correct?

A. To Eastern territory.

Chairman Aitchison: Well, if you were in Cincinnati, you would not deprive yourself of that territory, would you?

By Mr. Gray:

Q. What is the destination territory, Mr. Duff, into which your company ships?

A. Oh, we ship to all of the eastern states: Pennsylvania, West Virginia, Ohio, Indiana, and Kentucky. We ship to all of the coal fields.

Q. How about Colorado?

A. Very little in Colorado.

Q. How about Oklahoma?

A. Nothing in Oklahoma.

Q. Arkansas?

A. Nothing.

[fol. 2296] By Chairman Aitchison:

Q. Why not?

A. Sir?

Q. Why do you not go down into Arkansas?

A. Well, about the only answer that I can give you is that we just have not been able to get in there.

Q. They have some coal mines there, have they not?

A. Well, at the time we were considering trying to enter Arkansas, the financial condition there was not so good.

By Mr. Northcutt:

Q. Do they wash coal down there?

A. I presume so.

Q. You do not know?

A. We have no coal washeries in Arkansas.

By Mr. Gray:

Q. How about Alabama?

A. We have some in Alabama.

Mr. Gray: That is all.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Hughes:

Q. Mr. Duff, from what source do you draw the iron and steel which your company uses in the manufacture of these coal washeries, and so forth?

A. That is shipped from Chicago, and also from Granite City.

Q. Illinois?

A. Yes, sir.

Q. You purchase your raw materials, then, in the way of iron or steel, at Chicago or Granite City, Illinois, bring [fol. 2297] them out to Pittsburg, Kansas, fabricate them, and then ship the finished product back into the same territory from which you derive the raw materials; is that correct?

A. Yes, sir.

Q. You are doing no business in Arkansas, as I understand it?

A. No.

Q. And none in Oklahoma?

A. No, sir.

Q. And none in Colorado, or Wyoming?

A. Right.

Mr. Hughes: That is all.

[fol. 2298] By Mr. Barron:

Q. How long have you been located in Pittsburg, Kansas?

A. I have been there since 1918. The plant was just a very small plant when I went there.

Q. Do you know the reasons why your company located at Pittsburg?

A. Well, at the time it was located there, there was a small boiler factory serving the deep shaft mines and the repairing of boilers and tanks and things of that sort.

Q. Your washers are all patented, are they not?

A. That is correct.

Q. You know there is enormous coal production in Colorado and New Mexico, around Raton and Dawson in New Mexico and Colorado City and Walsenburg, Colorado, in southern Colorado?

A. That is right.

Q. Has the freight rate prevented you from distributing your patented article in that territory?

A. We have lost some business there, yes, sir.

Q. To whom?

A. I believe Link Belt.

Q. Link Belt at Chicago?

A. That is right.

Q. Do you know whether the rate from Chicago to Walsenburg, Colorado, or Raton, New Mexico, is higher or lower than from Pittsburg?

[fol. 2299] A. It would be lower, the through rate via Pittsburg, than to Colorado.

Mr. Barron: I do not believe you understood my question.

By Mr. Barron:

Q. I am talking about your patented article from Pittsburg direct to Walsenburg or Raton.

A. Well, the rate from Pittsburg would be cheaper, yes, than from Chicago.

Q. Now, you talked about contemplating locating at Cincinnati.

A. Yes.

Q. You have been considering that for about two years, have you not?

A. Longer than that; three or four years.

Q. You contemplate putting up a branch at Cincinnati, do you not?

A. Our contemplation was to move our plant here, to Cincinnati

Q. But you have not moved it for four years; you have been thinking about it, is that right?

A. Very much so, yes.

Q. That is to take care of the distribution of your patented article in the East, in states such as Illinois, Indiana and Kentucky, is that right?

A. That is right.

Q. You have not any idea of distributing your product [fol. 2300] in the Western Territory?

A. We have had no business in that district.

Q. Have you tried to get business out there?

A. We have a man there.

Q. Do you know the reasons why you do not get it?

A. No. I could not state those.

Mr. Barron: Thank you, sir.

Chairman Aitchison: Are there any other questions ~~of~~ this witness? (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Keas, are you ready to go on now? Raise your right hand and be sworn.

R. K. Keas, was sworn and testified as follows:

Direct-examination.

The Witness: My name is R. K. Keas. Mr. Chairman, I have one exhibit which I would like to have marked for identification at this time.

Chairman Aitchison: It may be marked for identification as Exhibit No. 115.

(Exhibit 115, Witness Keas, marked for identification.)

Chairman Aitchison: Proceed.

The Witness: I am Traffic Manager of Laclede Steel Company, with general offices in St. Louis, Missouri, engaged in the manufacture of iron and steel articles at [fol. 2301] plants in the St. Louis-East St. Louis Industrial District. I have held this position since 1920. During the period of the last twenty years I have been closely in touch with and made a study of carload rates applicable to the transportation of manufactured iron and steel articles in all the rate territories of the United States. The exhibit which I shall present is offered as well for the Granite City Steel Company, also engaged in the manufacture of iron and steel articles in the St. Louis-East St. Louis Industrial District.

The exhibit is marked for identification No. 115. Set A of the exhibit, consisting of three pages marked 1, 2 and 3, is a statement for various mileage blocks from 5 to 1,200, of the following: In the first column, the first class rates prescribed by the Interstate Commerce Commission in the Eastern Class Rate Investigation, Docket 15879. In the second column, the carload rates prescribed by the Commission for the transportation of manufactured iron and steel articles (Docket 17,000, Part 6) for application in the same territory. In the third column, the percentage relationship which the iron and steel rates bear to the first class rates. By averaging these percentages, the manufactured iron and steel articles rates are 27.96 per cent of the first class rates in Official Territory. In the fourth column, the scale of rates prescribed by the Interstate Commerce Commission for application on manufactured [fol. 2302] iron and steel articles, carload, in Zone 3 of Southwestern Territory, in the 21st Supplemental Report of the Consolidated Southwestern Case Docket 13535. In the fifth column, the percentage relationship of Zone 3 iron and steel rates to the rates prescribed for application on manufactured iron and steel articles in Official Classification Territory shown in the second column (marked B). It will be observed that the iron and steel carload rates prescribed for application in Zone 3 bear no uniform relationship to the rates prescribed on such articles for application in Official Classification Territory. The average relationship, however, of the Zone 3 rates to the Official Territory rates for mileage blocks up to 1200 is 171.49 per cent.

The same comparisons are made of the Zone 2 and the Zone 1 rates of Western Trunk Line and Southwestern Territories, applicable on iron and steel, carloads, and which appear in columns marked D and E, with the Official Territory iron and steel rates appearing in Column B. The average of the percentage relationships of the Zone 2 rates and the Zone 1 rates of the Official Territory rates are 156.8 per cent and 138.47 per cent, respectively. None of the rates on this set include the Ex Parte 148 increases.

Set B, consisting of three pages, is similar to Set A, except that the rates in Set B include the Ex Parte 148 increases.

Set C consists of two pages. In prescribing through [fol. 2303] rates between Official Classification Territory and Southwestern and Western Trunk Line Territories, the Commission in the 21st Supplemental Report of Docket 13535 and Rate Structure Investigation, Part 2, Docket 17,000, Western Trunk Line Class Rates, prescribed a basic scale for application through Official Classification Territory, in laminating the rates between that territory and the Southwestern and Western Trunk Line Territories. This set compares the Zone 3 rates prescribed on manufactured iron and steel articles, carload, in the Southwest, with and without the Ex Parte 148 increases, with the basic scale on manufactured iron and steel articles, carload, prescribed for application to Official Classification Territory on traffic moving interterritorially between the Southwest or Western Trunk Line and Official Territory. The percentage relationships of the rates are shown in the two columns at the right of the exhibit. Without the Ex Parte 148 increases the average relationship of the Zone 3 scale to the basic scale is 141.24 per cent, and with the increases 141.15 per cent.

Set D makes the same comparisons, with and without the Ex Parte 148 increases, of the Zone 1 and Zone 2 scales of carload iron and steel rates applicable in Western Trunk Line and Southwestern Territories with the basic scale hereinabove referred to. The percentage relationships of the rates for the various mileage blocks are shown.

[fol. 2304] Set E consists of two pages. In the first column are shown the first class rates applicable in Southern Territory; in the second column the carload iron and steel rates applicable in Southern Territory. Both of these scales of rates have been before the Interstate Commerce Commission for consideration and have either been prescribed or approved by the Commission. Each of these scales have been extended by mileage blocks up to 600 miles as that is practically the extent of Southern Territory from the iron and steel producing points within that territory, the principal manufacturing locations of which are centered around Birmingham, Alabama. It will be observed that the percentage relationship of the carload iron and steel rates to first class rates applicable in Southern Territory are very much below the Column 32½ per cent basis applicable on said articles in the Southwest. The average of the percentage relationships which the iron and steel rates bear to first class for these mileage blocks is 24.8 per cent.

Set F consists of two sections numbered 1 to 5 and 1 to 29 inclusive; a total of 34 pages. This set is intended to show the measure and relationship of the iron and steel rates, carload, to first class rates from California producing points to destinations in Nevada, Arizona and New Mexico to the Texas border, Utah, Idaho, Wyoming and Oregon. Pittsburg, California, and Torrance, California, have been [fol. 2305] selected as representative California producing points, because there are located at such points very large iron and steel manufacturing industries, and the distances from these points are representative of the Pacific Coast iron and steel producing section of the country. In many instances the rates from the Pacific Coast iron and steel manufacturing locations are published to relatively small groups. In such cases the groups are shown and one or more centrally located destinations are used for comparable purposes. Under the heading of each origin the following information is shown:

In the first column, the short tariff distance to the destination, and immediately below it, the short line distance. In the second column, the first class rates appear. In the third column, the rate applicable to carload manufactured iron and steel articles.

In a number of instances there are dual rates applicable on both 40,000 pound and 80,000 pound minimums. In such cases the 40,000 pound minimum rates have been indicated by the Symbol X, and the 80,000 pound minimum rates by the Symbol Y. Following the symbols there is shown in the next column the percentage which the iron and steel carload rate bears to the first class rate. In the last column we have shown what the iron and steel rate would be at 32½ per cent of Zone 3 of the Consolidated Southwestern scale prescribed in the 21st Supplemental Report of that pro- [fol. 2306] ceeding, for the short line distance.

The relationship of all of the iron and steel to all of the first class rates from Pittsburg, California, is 25.71 per cent, and from Torrance, 25.02 per cent. The average of the 32½ per cent rates to all of these destinations, from Pittsburg, is 122.2 per cent, and from Torrance, 131.1 per cent of the average of the present iron and steel rates applicable to 40,000 pound minimum.

It is our opinion, based upon our analysis of the rates on manufactured iron and steel articles, carload, throughout the United States that the Column 32½ per cent rates in the Southwest and Western Trunk Line Territory are in excess of maximum reasonable rates under Section 1 of the Act and are made too high a percentage of the first class rates in that territory.

I offer in evidence Exhibit No. 115.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit No. 115? (No response.) Without objection, it is received.

(Exhibit 115, Witness Keas, received in evidence.)

Chairman Aitchison: Mr. Keas, was your testimony and your exhibit distributed in advance to the parties?

The Witness: They were distributed just now.

Mr. Hughes: We just received them now.

[fol. 2307] Chairman Aitchison: In view of the fact that the parties have not had an opportunity to examine your exhibit and your testimony, I suggest that you return tomorrow morning for cross-examination.

The Witness: I will be glad to do so, Mr. Chairman.

Chairman Aitchison: Is there any objection to that procedure? (No response.) Mr. Keas will be excused for the time being, and will hold himself ready for cross-examination tomorrow morning.

(Witness excused.)

Chairman Aitchison: We will take a few minutes' recess.

(Short recess.)

Chairman Aitchison: Come to order, please, gentlemen. I understand the State of Nebraska is ready to go ahead. You may call your witness, Mr. Kokjer.

Mr. Kokjer: Dr. Filley, will you take the stand, please.

Chairman Aitchison: Raise your right hand and be sworn.

H. Clyde Filley was sworn and testified as follows:

Direct examination.

By Mr. Kokjer:

Q. Dr. Filley, will you please give your full name and address and present occupation to the reporter.

A. My name is H. Clyde Filley. I am in charge of the Department of Rural Economics at the University of Nebraska. I have been connected with that university since 1911.

[fol. 2308] Q. Where do you reside?

A. I reside in Lincoln, Nebraska.

Q. What degrees do you have?

A. I hold Bachelor's and Master's degrees from the University of Nebraska, and I have a Doctor's degree from the University of Minnesota. I majored in agricultural economics, modern economics. I attended school for a time at the University of Chicago and am a graduate student.

Q. Have you had any works published in books or pamphlet form or in scientific journals along the line of your work?

A. I am the author of quite a number of agricultural experiment station bulletins. The largest of these is entitled "The Effects of Inflation and Deflation on Nebraska Agriculture." Several of them deal with farm management topics. I am the author of one book, "Cooperation in Agriculture."

Q. Have you prepared at the request of the Nebraska State Railway Commission an exhibit to be used at this hearing?

A. Professor Miller, in my department, and I, prepared one jointly.

Q. It was prepared by you and under your supervision?

A. Yes, it was.

Q. That is the mimeographed pamphlet entitled at the top "Industrial Resources of Nebraska"?

A. That is correct, in large lettering.

Q. Do you know that the facts and statements therein set [fol. 2309] forth are true and correct?

A. They are to the best of my knowledge and belief.

Mr. Kokjer: May we have a number for this exhibit, Mr. Chairman?

Chairman Aitchison: This exhibit will be marked for identification as Exhibit No. 116.

(Exhibit 116, Witness Filley, marked for identification.)

By Mr. Kokjer:

Q. Will you briefly explain this exhibit No. 116, Dr. Filley?

A. Nebraska is very largely an agricultural state. Practically all of the cereals that are produced in that state except wheat are fed to livestock. Some of the wheat is fed to livestock. Most of our hay is fed within the state to stock and even the sugar beet industry aids the livestock industry because the tops, the pulp, and part of the molasses from the beets are fed to cattle and sheep. So it is a case of producing products and marketing them the best way we have been able to market them at the present time. We do need to ship into the state some protein feeds to supplement the grain.

When crops are good, feed in this area is cheap in comparison to prices in other parts of the United States. From 1925 to 1934 corn sold at an average price of 60 cents a bushel on Nebraska farms. The price on farms in the Chicago area during the same period was 65 to 70 cents a [fol. 2310] bushel. In the Buffalo, New York, area it was 85 cents a bushel. Corn sold for $1.00 a bushel along the West Coast. During the same period the price of wheat averaged approximately 85 cents a bushel in Nebraska. It was $1.05 on the West Coast and $1.10 in the Buffalo area. I have given the data in tables 1 and 2 on the production of cereal products and hay in Nebraska over a period of years. I have given them by 5-year periods and yearly periods for 1941 and 1942. I have given data on livestock in the state on January 1st for a period of years in table 3 and market receipts of the principal classes of livestock, types of livestock, in table 4 on page 3.

Now, the reason why the prices of our grain differ is largely due to the cost of moving grain and other feeds to market. That is one reason there is so much of the feed grains fed, because we can move the livestock to market in the East at a lower price than we can move the grain. We concentrate the grain and hay by feeding them to livestock.

The cost of many important food products used by factory workers is lower in Nebraska than in most industrial centers in the northern half of the United States. In table 5 I present data to show the average 1941 prices of several products in six important industrial centers and 51 cities. Omaha prices, for most of these products, were materially lower in other business centers. We feel that because such [fol. 2311] products as milk and eggs are cheaper in Nebraska than in most other areas, certain areas east of Nebraska, it would be a good location for factories from the standpoint of the cost of living. In years past, one of our difficulties in the state has been with the weather. We have had too many dry seasons and we have occasionally missed crops as a result. That is particularly true in 1934, 1936 and some other years in the early thirties. Because of the period of drouth years——

Chairman Aitchison: Do you not mean the late thirties, Doctor?

The Witness: I beg your pardon?

Chairman Aitchison: Do you not mean the late thirties?

The Witness: It extended into the late thirties, but 1934 and 1936 were the two worst years. We had rather short crops right along through the thirties. You will note here that the 1936-1940 corn production was the lowest of any of the five year periods because that included the short crop in 1936 and some that came later. Wheat was not as low for that period as it was from 1931 to 1935. The short crop period has led to the development of irrigation to a greater extent that it was developed before the drouth years and I have given data upon the expansion of irrigation in table 6 on page 5. Now, in the census period from 1929 to 1939, there was an increase of 246 per cent in the acres irrigated from [fol. 2312] wells. There was a 4 per cent increase in the acreage irrigated from ditches and other similar sources, making a total increase of 15 per cent.

We had in 1939 when the census was taken a number of important irrigation projects in Nebraska in the process of development. Some of those have been much more fully developed since that time, and at the present time are much more fully developed than they were in 1939. The total area in those projects was 397,000 of which only a relatively small amount had been developed up to that time. Part of that has been developed since 1939 and part of it will be developed in the future. In addition to these individual wells that had been put down for irrigating 81,034 acres, we have several pump irrigation projects that cover a considerable area. Those are listed in table 8 on page 6. Together they amount to 100,000 acres. We anticipate that within a relatively short time we will have more than a million acres under irrigation in the State of Nebraska.

Most of the irrigable land in the state is well adapted to alfalfa, corn, sugar beets, potatoes, peas, tomatoes and other vegetable crops. Water applied to broad areas of fertile land will stabilize agricultural production and provide a continuous supply of food for industrial workers and raw materials for factories engaged in processing farm products. We have a canning industry developing in the Scotts Bluff [fol. 2313] area, developing at the present time. We anticipate that a canning industry will develop in the Tri-State project in the vicinity of Hastings and Holdridge and also in the Loup River district, tributary to Columbus.

Chairman Aitchison: Is the Tri-State project included in the Central Nebraska Public Power and Irrigation District?

The Witness: I meant, the Tri-County project.

Chairman Aitchison: The Tri-County project.

The Witness: That is in the Platte Valley Public Power and Irrigation District. I mentioned it by the local name. In connection with these irrigation projects, we have had a great expansion in the production of electric power. In 1930 the installed capacity to produce electric current was 215,000 kilowatts. At present it is 434,534 kilowatts—an increase of 102 per cent in 12 years. The large plants are interconnected through an extensive grid of transmission lines. Producers of current are seeking customers at low rates. On July 27, 1940, the first Nebraska well that yielded paying quantities of oil was brought into production.

Chairman Aitchison: Where?

The Witness: It was near Fall City, Nebraska, Richardson County, in the southeastern corner of the state. Approximately 1,400,000 barrels of crude oil will be produced in 1942.

Six companies now have pipe lines delivering natural gas to Nebraska consumers from heavy producing fields in [fol. 2314] Texas, Oklahoma, Kansas and Wyoming. In 1939, last year for which data are at hand, 54,880 domestic consumers used 964 million cubic feet of natural gas. Commercial consumers used 48 million cubic feet and industrial plants 116 million. Natural gas is available to both domestic and industrial users in most parts of the state.

At the present time Nebraska young people who are not needed on farms are forced to go to remote cities in order to find employment. That has been true in years past. We have some war plants in Nebraska that have taken the surplus. Of course we are in hopes that those war plants will not be needed for very many years in the future; but the state needs industries and private employment to process the farm products and to make articles needed by its people. It possesses the advantages offered by low priced food, cheap raw materials, adequate power and a healthful climate.

By Mr. Kokjer:

Q. Have you anything further in the nature of explanation or comment to make, Dr. Filley?

A. I think not.

Mr. Kokjer: We offer in evidence Exhibit No. 116, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit 116? (No response.) Without objection, it is received.

(Exhibit 116, Witness Filley, received in evidence.)

[fol. 2315] By Chairman Aitchison:

Q. Will you refer please, Dr. Filley, to table 5 on page 4 of your exhibit.

A. Yes.

Q. Will you tell me why apples in Omaha are higher than in any other city?

A. We are not a great apple-producing state,

Q. You used to be, did you not?

A. Yes, but we had a very severe freeze on Armistice Day some two or three years ago and it destroyed a very material part of our commercial orchards, and other apple trees in the state.

Q. How about Mills County, Iowa?

A. I beg your pardon?

Q. What about Mills County, Iowa?

A. Well the southeastern part of Iowa——

Q. The southwestern part.

A. Yes. The southwestern part of Iowa lost most of its apples, too, in that same freeze. A very large part of the apples that are sold in Omaha are shipped in from the Pacific Northwest or from states further to the northeast

Q. That is true, is it not, with respect to some of these other places? I still do not see why Omaha should be the high point.

A. There is at least a shortage of apples there, Mr. Chairman, and we have to ship them in considerable distances. [fol. 2316]. They are shipped in by freight. There is no shipment of apples to Omaha by water.

Q. In 1941 there was not any shipment of apples from the point where you got your apples out on the Pacific Coast, was there?

A. I doubt if there was.

Q. Do you not get apples from Missouri?

A. We get some apples from Missouri, but there have been more Pacific Coast apples sold in Lincoln than there have from Missouri. I suppose that is true in Omaha.

Chairman Aitchison: All right.

Mr. Kokjer: Dr. Filley is tendered for cross-examination.

Chairman Aitchison: Mr. Hughes.

Cross-examination.

By Mr. Hughes:

Q. Dr. Filley, in examining your Exhibit No. 116, I notice you show the great expansion in the irrigation of Nebraska.

A. That is correct.

Q. You state that in 1941 there were 701,952 acres that were under irrigation and there are more irrigation projects which have been approved and are contemplated?

A. That is correct.

Q. Is that correct?

A. That is right. Table 7 shows those that are being [fol. 2317] developed, and the pump projects are shown in table 8.

Q. Would that reasonably be interpreted as indicating that Nebraska is probably more concerned in agriculture than in any other industry?

A. That is correct, but as a matter of course, we want to utilize our agricultural products in the best way possible. If we can manufacture those products otherwise than making them into beef and pork and milk, we wish to do so; and if we can keep our people there, will have a better market for milk than if the people move away to other regions.

Q. Then does it not follow that the freight rate that is of the greatest concern to Nebraska is the freight rate upon agricultural products and livestock and things in that category?

A. We are interested in those rates. We are also interested in the rates on manufactured goods because, as I stated earlier, we wish to process these agricultural products wherever we can.

Q. Will you sacrifice your rates on agricultural products in the hope that some lower rates on manufactured articles will supersede your agriculture rates?

A. It is not my understanding that this is a hearing on commodity rates.

Q. It is a hearing on class rates.

A. Yes. That was my understanding.

[fol. 2318] Q. Yes. Under which a great many manufactured articles move.

A. Yes. And we are interested in an opportunity of developing manufacturing. For example, our canners tell me, canning factory managers, that they have difficulty in shipping the products of those canneries any considerable distance; that they are at a disadvantage——

Q. My question was this——

A. —as compared with men in other territories.

Chairman Aitchison: Just a minute. Let the witness finish his answer, please, Mr. Hughes.

Mr. Hughes: Pardon me, Mr. Chairman.

Chairman Aitchison: Read the witness' answer, please, Mr. Reporter.

(Record read.)

Chairman Aitchison: Proceed.

The Witness: I am going to add one word to that answer, so as to make it read "any considerable distance east." We have shipped some west.

By Mr. Hughes:

Q. Are you familiar with freight rates yourself?

A. No sir. I am not an authority on freight rates.

Q. That is what some canning interests said to you?

A. That is correct.

Q. Do you know what their competition may be?

A. They have competition from canneries located in Iowa, [fol. 2319] Illinois, Indiana and Wisconsin.

Q. Within your own general rate territory, is that not true?

A. A part of them are in our own general rate territory, and a part of them are further east.

Q. My question which I do not think has been answered was this: Considering Nebraska's very decided concern for agriculture, would you be interested in a reduction in rates in the hope that in the future you may get factories, if that endangered your rate adjustment on agricultural products?

A. You have asked me a question that I am not in a position to answer, because to answer it correctly, I would need to know what the volume of manufactured goods as well as the volume of such agricultural products would be.

Chairman Aitchison: Mr. Hughes, is it your contention that he must take a choice between those two alternatives? Is it your position that he is forced to take such a choice?

Mr. Hughes: No. I am not trying to force him to take a choice. I am merely asking him a question. It is optional with him as to what his opinion is.

Chairman Aitchison: It would be equally pertinent to ask him whether, if he can have both, he would like to have both.

Mr. Hughes: That in turn brings up the question as to whether the railroads can afford both, and that is what we are trying to develop in this case. Therefore, I think from [fol. 2320] the standpoint of our own evidence, if it is relevant, and it has been accepted, that the question is relevant.

Chairman Aitchison: Do you know whether you are forced to take a choice?

The Witness: I do not see why it should be a question of taking a choice. We anticipate, with the irrigation and with the things that we know about farming that we did not know even before this drouth began, that we are going to produce a large volume of beef and pork and milk, and we will still have corn left over that could be manufactured into alcohol. We can can vegetables that we could not can to advantage before we had irrigation. It is a case not of giving up the products that we have been interested in, but it is a case of being able to add a large volume of other products to that, to make additional business for the transportation companies.

By Mr. Hughes:

Q. Upon what ~~do~~ you base your assumption that a reduction in rates upon manufactured articles would itself produce factories?

Mr. Kokjer: I object to that question. It assumes something that the witness did not testify about at all.

Mr. Hughes: I think you will find that on page 6 of his memorandum.

Mr. Kokjer: I do not think he mentioned a reduction in rates, did he? I think all he has asked for is equality of [fol. 2321] rates.

Mr. Hughes: That is true. He asks for equality of rates. I will amend my question.

By Mr. Hughes:

Q. Do you mean by "equality of rates", viewing it from the standpoint of Nebraska in the light of your testimony on direct—do you construe "equality of rates" as a reduction in rates, having in mind the canner to whom you referred a little while ago?

A. We would like to be able to ship vegetables, canned in Scotts Bluff County or Adams County or other places in Nebraska at the same ton rate per mile as they are shipped in states in other territories. If we must compete with canners in Maryland, Ohio or Indiana, we would like to compete with them on an equal rate basis.

Q. Is it your view that that would itself produce these plants that you referred to in Nebraska?

A. I stated previously that the canning plant managers have told me that at present they are at a disadvantage with canners in states further east in the matter of freight rates. As I said also before I am not a freight rate expert and I have merely taken their statements.

Mr. Hughes: Let me ask you this question:

By Mr. Hughes:

Q. Is it your view that a freight rate alone will determine the location of a factory anywhere?

A. It is not. If we could not produce good vegetables [fol. 2322] in the North Platte Valley to can, we would not have any factory there. You must have your raw material as well as being able to ship out the raw material when it is processed.

Q. Would you say that certain other items enter into the location of a factory, such, for example, as taxes, availability of labor and the accessibility to raw materials and many other things?

A. That is correct.

Q. Would you say——

Chairman Aitchison: Mr. Hughes, is this being developed for the information or enlightenment of the Commission, or for what purpose?

Mr. Hughes: It is for the purpose of undertaking to develop whether or not this witness' premise, as I understand his testimony, is sound, that the freight rate itself would be controlling in the location of a factory.

Chairman Aitchison: I did not understand him to testify to that.

Com. Alldredge: I did not get that impression from his testimony, and I do not so understand it.

Mr. Hughes: Well, if the Chairman please——

Chairman Aitchison: It does not matter whether it is controlling or not. He is entitled to a reasonable rate. It does not make any difference whether the rates are cut or increased, the class rates, as a result of this. After [fol. 2323] it is all done, he is entitled to reasonable class rates, and nothing else. He is not forced to take a choice. He is entitled to a reasonable rate, what he should have.

Mr. Hughes: We concede that, but we are trying to determine just——

Chairman Aitchison: I want these elementary economics stopped. We have tried a few of these cases in our time. We know something about the matters of the relative importance of taxation, the availability of labor and the accessibility to raw materials in the economic structure.

Mr. Hughes: Very well. That concludes my examination

Mr. McCollester: May we understand, if your Honor please, then, that the testimony offered by the Southern states to the effect that their industrial development has been hampered——

Chairman Aitchison: Not at all.

Mr. McCollester: —by the freight rates, is to be disregarded?

Chairman Aitchison: Not at all. Mr. Hughes here has taken a witness who has testified to certain things and has undertaken to cross-examine him with respect to the basis for a conclusion which the witness has not stated.

Mr. Hughes: May I say this, Mr. Chairman:——

Chairman Aitchison: It is not necessary to go into elementary economics. It is just child's play to take up the [fol. 2324] time here. We know them.

Mr. Hughes: Mr. Chairman, as I understand it, then, the objection to my examination is based upon the fact that I——

Chairman Aitchison: It is based upon prolixity with respect to matters which are elementary. It is virtually an affront to the intelligence of the Commission to assume we do not know the importance of taxation and these other matters in this economic scheme of ours.

Mr. Hughes: We have heard so much in this record connected with that, as Mr. McCollester said, that I do not wish to be foreclosed from pursuing the object if it is in the case.

Chairman Aitchison: When you have a witness who deals with those things, you may examine him with respect to them. This witness has not done so, if I correctly understood his testimony. The witness may tell me whether I am correct or not.

The Witness: I think you are correct.

Chairman Aitchison: Is there anything further from this witness?

Mr. McCollester: I would like to be sure that I understand the purport of his last paragraph in which he states, "The state"—meaning Nebraska—"needs industries to provide employment, to process farm products [fol. 2325] and to make articles needed by its people." If I understand that that is not to be considered as any eveidence bearing upon the rate situation in this proceeding, then it is certainly irrelevant and I move that it be stricken.

Chairman Aitchison: It is unquestionably a fact and it is true. The fact may or may not have a legal bearing. That question can be argued before the entire Commission when this case comes on for submission. We are developing the facts now, not arguing the case, as Mr. Hughes was attempting to do a moment ago. Is there any other cross-examination of this witness? (No response.) Have you any other questions, Mr. Kokjer?

Mr. Kokjer: No. That is all.

Chairman Aitchison: You are excused. You may stand aside.

(Witness excused.)

Chairman Aitchison: Call your next witness.
Mr. Kokjer: Dr. Christianson.
Chairman Aitchison: Be sworn.

Leo N. Christianson was sworn and testified as follows:

Direct examination.

By Mr. Kokjer:

Q. Will you please give your full name, residence and occupation to the reporter.

A. My name is Leo N. Christianson.

[fol. 2326] Mr. Hughes: I did not get the witness' name.

The Witness: My name is Leo N. Christianson. I am Research Executive for the Chemurgy Project at the University of Nebraska, Lincoln.

By Mr. Kokjer:

Q. What degrees do you hold?

A. I hold the degree of Bachelor of Science in chemical engineering and Doctor of Philosophy in chemistry.

Q. How long have you been in the study and use of the learning of chemistry?

A. I have been working in this present field of industrial utilization of farm crops for a little more than 15 years.

Q. Have you been specializing in the utilization of farm crops?

A. That has been my principal work during that period, yes.

Q. Will you please give a statement, Doctor, concerning the industrial utilization of farm crops in Nebraska?

A. I think I can state that best by referring to the testimony which Dr. Filley gave to the effect that in Nebraska we produced last year in the neighborhood of four hundred million bushels of grain, total.

Com. Alldredge: What was the figure you gave?

The Witness: Approximately four hundred million bushels of grain, all grains together. He also mentioned the fact that a great deal of this grain, quite a proportion of it, is in excess of the present markets for grain as such, [fol. 2327] or in other present forms; that we have an excess of production over market demand. An analysis of that situation reflects this important fact, that this surplus or excess is essentially a surplus of starch, not of protein, both of which are ingredients or components of these grains. As Dr. Filley pointed out, in Nebraska we have to import quite a bit of protein supplement in order to carry on a balanced feeding program. From a chemist's viewpoint, the surplus is a surplus of starch, not a surplus of protein.

It is one of the jobs of the Chemurgy project to find something we ~~can do~~ with the starch instead of, as at present, letting a lot of it be carried away by birds, mice and rats from its storage. We need industries. We need the income from this material. I think it is not only of interest in Nebraska, but it is of national interest as well, especially in this war program, to make use of all the materials of that type which we have. We have looked into the possibilities of making some proper, economical and profitable use of this surplus or excess of starch.

One of the things that has been especially interesting has been its use in the fermentation industries, industries which produce industrial chemicals, industrial solvents, which is a very important branch of the present American chemical industry. These fermentation chemicals include ethyl alcohol, acetone, butyl alcohol, and so forth. Ethyl [fol. 2328] alcohol is the one used and needed in largest volume. We have given particular attention in the past year or year and a half to the use of these materials, these surplus grains, or rather the starch of these surplus grains for the manufacture of industrial alcohol.

One of the very large and very important developments in the present war program has been a large increase in the demand for industrial alcohol. Whereas we normally made and used in peace time about one hundred million gallons of this important organic chemical, we now currently need about six hundred million gallons and the demand is increasing so that by the time the war is over, it is thought by some that we may need as much as one thousand million gallons a year which would be ten-fold the normal requirements.

Com. Alldredge: Is that for all purposes?

The Witness: Yes, primarily, although civilian needs are also included in that figure.

Com. Alldredge: Are they increasing now?

The Witness: Civilian needs would increase if we allowed them to. You realize this fact, that industrial ethyl alcohol is one of the materials out of which synthetic rubber is made. The demand for industrial alcohol is for such things as smokeless powder, medicinals, plastics and synthetic rubber. I have named only a few. They are the large ones.

Com. Alldredge: Is it used in the manufacture of paints [fol. 2329] too?

The Witness: It is used in the production of lacquers and solvents. Industrial alcohol is one of the very important organic chemicals.

By Mr. Kokjer:

Q. Is it not being used in some places direct as a substitute for gasoline to be used in propelling motor vehicles?

A. It is in foreign countries, a great deal.

Q. And could be here?

A. And has been at various times and probably is now in this country. I do not know the volume of use at the present time, but it has come in and undoubtedly is in this country at the present time. It is used very largely in the European countries, South America, the West Indies, the Philippine Islands and so forth. In that connection it is interesting to know that one of the Naval officials not very long ago—I believe a Naval board—made the statement that in the event of a shortage of aviation fuel in the Philippines, there was enough alcohol capacity in the Philippine Islands to solve the problem.

Q. Did you state from what products this alcohol is made?

A. No. We can make the industrial alcohol or these other fermentation chemicals—I would like to make that very clear, because it is very important—we can make all of these fermentation chemicals in the same factory from [fol. 2330] the same raw materials. These raw materials may be in grain, sugar beets, potatoes or what have you, and the same factory that processes one can process any and all of them interchangeably and in mixture, so there is a great deal of flexibility in this matter of raw material use. In mentioning the uses to which this alcohol is being put, I mentioned synthetic rubber. In the Baruch Committee's report on the rubber problem which is familiar to many of you here, and the subsequent developments I think probably are also, it was stated that something like 40 to 50 per cent of the synthetic rubber which will be produced in the United States is now scheduled to be made from industrial ethyl alcohol and something like 90 per cent of the total production of industrial alcohol will be from domestically grown grains.

Com. Alldredge: Is my understanding correct that between 40 and 50 per cent of the rubber that is to be made, substitute or synthetic rubber, is coming from alcohol?

The Witness: That is right, from ethyl alcohol produced from our own grains. Those are the figures of the Baruch report.

Com. Alldredge: Has that been changed recently?

The Witness: It is undergoing, I think, rather constant revision. That has been my understanding. There has been no official statement in that connection I think in the last month. The Baruch Committee report indicated prac- [fol. 2331] tically 40 per cent, and unofficially that has been raised somewhat since then which is the reason I said "40 to 50". Of course, the manufacture of synthetic rubber from ethyl alcohol from farm crops is the only commercial production of synthetic rubber any place in the world, with the possible exception of Germany, of which we know little at the present time. Russia's entire synethic rubber production which was, in 1938, 73 per cent of her total requirements, was all from agricultural alcohol.

We expect these industrial plants which would result from the present war program to continue in to the peace time economy. We are not looking at them as purely temporary things. Now, to what extent their development will take place, we do not know exactly at the present time. The Baruch Committee report recommended that one hundred million gallons per year of new production facilities be provided immediately. It also recommended that these new factories be located near the source of supply of grain. Since this report Administrator Jeffers has had several things to say about that, indicating he was following exactly the Baruch Committee's recommendations that something like ten new plants be built, and that they should be near the source of surplus grain which today would be practically along the Missouri River. The Missouri River almost exactly flows through the center of the surplus grain; note [fol. 2332] the "surplus"; not ~~total~~ grain. If that is true, we could expect also that the synthetic rubber factories might be located nearby. Mr. Jeffers has said that the synthetic rubber plants would be near the industrial alcohol plants.

All of that is very interesting and is a very important industrial development, but we are looking beyond that quite a bit, because the same things in general that are needed to make synthetic rubber are also used to make plastics. If ethyl alcohol is used to make rubber, so can it also be used to make ethyl cellulose, cellulose acetate and other important plastics. In looking into the future, into the peace time economies, when we do not know for sure how much synthetic rubber we will make in addition to natural imports, we are not worried at all because we know the tremendous growth the plastics industry will have not only during the war, but immediately after. It has been said by many people, so it is rather common knowledge I think, that the next few years in this country will be an age of plastics and light metals taking quite a bit of the present market for steel.

Q. What are some of the things, Doctor, plastics can be used for?

A. Of course there has been a great deal of popular discussion of plastics for automobile bodies, and as you know, a number of experimental automobile bodies have been made from plastics. I think it is not at all surprising [fol. 2333] to contemplate that we will have automobile bodies made of plastics, and that plastics will go into other large sized objects such as furniture. They may find an important place in the construction of buildings. Those are the things that are being talked about now. Of course, there is no surplus of plastics to use for things like that at the present time. All of the plastics we can possibly produce are going into things like aircraft parts, the nose of the bomber, the turrets, and so forth, into the various parts of aircraft. The uniform buttons, overcoat buttons for the army, I understand, are to be made from ethyl cellulose from now on. The Quartermaster's department announced also that soldiers' mess-kits would be made from a plastic, ethyl cellulose, which is ethyl alcohol plus cellulose. No one can say how far this plastics business is going to go. You can use your imagination and see what the possibilities are. Certainly many of them will materialize.

Q. What about the disposition of the by-products?

A. Well now, that is a very interesting thing. To us it is as interesting as any other feature of it, because in the manufacture of ethyl alcohol or these other chemicals, we will use only the starch of the grain. All of the protein, all of the minerals, all of the vitamins and all of the fat will be left. We do not use that. They are there to go back into our feeding program, to give us a better balanced feed-[fol. 2334] ing program, and a more economical and more efficient production of livestock and dairy products. We are using only the starch which is in surplus now and the starch is simply so much sunshine, air and water. It does not represent anything of soil fertility and does not represent a matter of need in the feeding program at the present time.

Now, we have real hopes for this. We think it is going to be an important industry, not only in the war time, but especially so when the war is over. We are looking forward to an expanding business, one which will continually grow. We do not think of this as a business, as an industry that will take anything away from present business. We do not think of this as an industry which will move from some other area of the country to ours, but rather one to be developed to supplement present industry. It is a new thing in an expanding field. It is quite true that if we — able to go ahead as we expect to do, we will undoubtedly take a larger part of this new business than some established industries hope we might take, but certainly we are not taking anything that presently exists. It is new. We do not know how large it will be. We are thinking in terms of about 500,000 to 1,000,000 tons of new production per year. It may greatly exceed that. We think it is going to be pretty well along the Missouri River east and west, perhaps one hundred or two hundred miles, or so, but that will be approximately [fol. 2335] the center of this new chemical industry.

From the standpoint of power, from the standpoint of supply of water for these industrial uses, from the standpoint of high quality of labor and fine living conditions and from the standpoint of raw materials, there is no place else and no one else in the country that has a better situation than we have. Unless there is some kind of an artificial barrier that is a source of trouble to us, we will certainly develop this new industry. Freight rates that are not properly balanced could be such a barrier, undoubtedly, and so could other things of an artificial character. If we have to depend only upon natural things, we are going to go, and we are going to go in a big way.

Q. What would your desire be as to freight rates, Doctor? Are you seeking some advantage?

A. Certainly we do not need any preferential treatment and would not want to ask for any. We would expect simply to have the same kind of a freight rate structure as to class that would apply to any other producing area. Unless there is some artificial barrier, we are very well situated and will manage very nicely.

Mr. Kokjer: That is all.

Com. Alldredge: Do those products require, not so much in war time as in peace time, a wide area of distribution, more than a regional distribution?

[fol. 2336] The Witness: Ordinarily, in the past, that has been true, yes. Products of this kind have been distributed over a wide area. Looking into the future, as well as we can guess the situation then, we would expect that plastics which we might produce, for example, would be largely shipped east, say, to the center of automobile manufacture, if automobile bodies are made of plastics which seems fairly likely. That is, the markets for these finished things would likely be several hundred miles away from our producing plants.

Chairman Aitchison: Cross-examine.

Mr. J. R. Bell: I have one question.

Chairman Aitchison: Mr. J. R. Bell.

Cross-examination.

By Mr. J. R. Bell:

Q. I understood you to say that this would be a new industry, a supplemental industry.

A. It would be an industry in addition or added to industries of this same character. Perhaps I could have made that more clear if I had said "companies." In other words, we have the production of industrial alcohol in the United States and we have the production of plastics. We hope soon to have the production of synthetic rubber. Ours would be a part of the general production of these things in these classes.

Q. I had reference to your statement that this would be a new industry. You also said that it would supplant a large extent the use of iron and steel along certain lines, [fol. 2337] did you not?

A. Undoubtedly that will be the result, but that is quite a few years into the future. That is not next year or even the year following it.

Mr. J. R. Bell: That is all.

Chairman Aitchison: Is there anything further?

Com. Splawn: I would like to ask one question.

By Com. Splawn:

Q. On what rates does alcohol now move in western Trunk Line Territory?

A. I am sorry, But I do not know. I do not know the freight rates well enough to give you an intelligent answer. In some cases I have known rates, but I am sorry; I cannot give you a definite answer to that question.

Q. Do you know whether the location of these plants along the Missouri River was in order to take advantage of water transportation, and not necessarily to locate at the immediate source of the raw materials?

A. The Baruch Committee report specifically mentioned the desirability of having these plants along navigable rivers. I do not know the basis for that recommendation, but that recommendation is so stated in the report.

Q. If you have water transportation for your alcohol and the alcohol can move in barges on navigable streams, what sort of rate would you have to have on the plastics made from alcohol to reach the market for the plastics?

[fol. 2338] A. I think we could not very well state any definite figure. It would rather be determined by the rate which some other producer in some other area might have to pay. If we did not have to pay a much higher rate than someone else, we would be pretty well off. If we are penalized by having a rate higher than a competitor has, then it would certainly work against us. There is certainly no need for us having a rate lower than a competing area might have.

I would like to answer a little further that question about steel which I was not very clear on, I am afraid. The same principle holds here that holds in these other matters, namely, that there will be, we hope and feel rather confident, an increase in the demand for all sorts of materials of construction for houses and automobiles and lots of things. If we are optimists we can see that. It is not so much that plastics and light metals will replace steel as that they will take a great deal of the new business which otherwise would go to steel. Again it is a matter of which one is going to get the new business rather than which one is going to get business which now exists.

By Mr. J. R. Bell:

Q. If they are competitive, how can you say that?

A. I beg your pardon?

Q. I say, if they are competitive, how can you say that plastics will only get some of the new business?

[fols. 2339-2340] A. Well, the present steel production is, I believe, about 100 million tons a year. I can assure you that we are not going to reach 100 million tons of plastics a year for quite a little while.

Mr. J. R. Bell: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) You may stand aside.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until tomorrow morning at 9:30 A. M.

(At 5:15 o'clock P. M. November 16, 1942, adjournment taken to 9:30 o'clock A. M. November 17, 1942.)

[fol. 2341]

Hotel Deshler,
Columbus, Ohio,
November 17, 1942.

Met, pursuant to adjournment, at 9:30 o'clock a. m.

Before Division 2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner.

Hon. J. Haden Alldredge, Commissioner, and a Cooperating Committee of the National Association of Railway &

Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances:

As heretofore noted and the following additional:

Perry R. Moore, 1100 First National-Soo Line Building, Minneapolis, Minnesota, appearing for Minnesota Resources Commission.

C. H. Ware, Norfolk, Virginia, appearing for Norfolk Southern Railroad.

Arthur J. Dixon, McPherson Square, Washington, D. C. appearing for Southern Railway System.

[fol. 2342] Proceedings

Chairman Aitchison: Please come to order. Mr. Keas is now available for cross-examination.

Mr. Hughes: If the Commission please, before Mr. Keas takes the stand, may I announce that the Western Carriers do not desire any further cross-examination of witness Duff.

Chairman Aitchison: Does anyone desire to further cross-examine Mr. Duff? (No response.) Apparently not. He is excused, then.

R. K. Keas recalled.

Mr. J. R. Bell: I have one or two questions of Mr. Keas, your Honor.

Cross-examination.

By Mr. Bell:

Q. Mr. Keas, will you refer, please, to your Exhibit 115.

A. Yes, sir.

Q. That exhibit is divided into sections by the letters A, B, C, D, and so forth.

A. Yes.

Q. Will you look at the first F, please.

A. Yes, sir.

Q. The pages are not numbered in order, apparently.

A. I have it.

Q. Now, from your first F to the end of the exhibit, you [fol. 2343] are talking about Transcontinental and Mountain-Pacific rates; is that correct?

A. They are used in the exhibit——

Q. Just answer my question, please, Mr. Keas. Is that correct, or not?

A. That question cannot be answered with a yes-or-no answer.

Q. Those rates are Mountain-Pacific and Transcontinental rates, beginning with F, the first F, through the other F's to the end of the exhibit, are they not?

A. They are not Transcontinental rates, no, sir. They are rates from the Pacific Coast steel producing points to practically all of western territory, up as far as Montana, stretching over to the Texas border at El Paso. They are not strictly Transcontinental rates, however, no, sir.

Q. But they are rates applying in territory that is not involved in I. C. C. Docket No. 28300; that is correct, is it not?

A. Yes, sir.

Mr. Bell: For that reason, Mr. Chairman, not having had an opportunity to examine the exhibit in detail, and not knowing just what the contents of the exhibit were at the time it was accepted in evidence yesterday, I now move to strike that portion of the exhibit beginning with the first F, shown in a large letter at the top of the page, to the end of the exhibit.

[fol. 2344] The Witness: I would like to explain——

Mr. Bell: Just a moment, please. My motion is on the ground that that part of the exhibit covers territory that is not involved in the issues in this case in any respect, so far as rates are concerned. The classification ratings are, but this does not involve classification ratings.

Chairman Aitchison: The motion is denied. It is admissible, for comparison.

By Mr. Bell:

Q. Mr. Keas, what was the purpose——

Chairman Aitchison: Well, now, Mr. Bell, it does not matter what the purpose was.

Mr. Bell: Pardon me, your Honor?

Chairman Aitchison: I say, it does not matter what the purpose was. These things are here as facts; they are here for comparison.

Mr. Bell: Well, I am trying to find out, in comparison with what, Mr. Chairman.

Chairman Aitchison: All right.

By Mr. Bell:

Q. What was the purpose of your discussion of rates, for example, on the first page of the exhibit, from Pittsburg, California, and Torrance, California, to the various California and Nevada points indicated, and on the second page, and subsequent pages, Arizona points? I believe that you have even got New Mexico in here somewhere else also, have you not?

[fol. 2345] A. Yes, sir.

Q. What was the purpose of that comparison?

A. The purpose of these comparisons was to show that throughout the entire United States, from the eastern coast to the Pacific coast, there is no section of the country where the elevation of the iron and steel rates prescribed by the Commission in the Consolidated Southwestern Cases was as high as it was in the territory covered by that proceeding; that on all sides of it the rates were very much lower, both in relation to the first class rates, and otherwise.

Q. Are these class rates contained in this portion of the exhibit from F on?

A. No.

Q. They are commodity rates, are they not?

A. Yes, sir, that is true, but they are the rates that move the iron and steel in carload quantities.

Q. You are objecting to the rates prescribed by the Commission in the Consolidated Southwestern Cases, are you?

A. Yes, sir.

Q. That is the purpose of your appearance here, is it?

A. Yes, sir.

Q. Is that the sole purpose of your presentation here?

A. In the Consolidated Southwestern proceedings, and in the 17000—Part 2 proceedings, which involved Western Trunk Line Territory, and which were on a basis similar to [fol. 2346] that in the southwest—yes, sir.

Q. Are you talking now about class or commodity rates in the Consolidated Southwestern Cases, to which you have referred?

A. I am talking about the 32.5 per cent of first class rates which were prescribed in that proceeding, and which the carriers have termed as class rates.

Q. Irrespective of what the carriers have termed them, they are column commodity rates, are they not?

A. I don't know.

Mr. Bell: I renew my objection, and my motion, if the Commission please.

Chairman Aitchison: It will be noted, and the exhibit will stand, subject to the objection.

Mr. Bell: That is all I have.

Chairman Aitchison: Is there any further cross-examination of Mr. Keas? (No response.) Apparently not. You are excused.

The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: Mr. Haynes.

James P. Haynes was sworn and testified as follows:

Direct examination:

The Witness: Mr. Chairman, and members of the Commission: I have prepared a 3-page statement of testimony, [fol. 2347] which I have distributed to the parties; and if it please the Commission, I will read it at this time.

My name is James P. Haynes. I am Manager, Traffic Department, Louisville Board of Trade, Louisville, Kentucky. During the period 1906 to 1942, I have been in traffic work with railroads, including their bureaus, and representing commercial organizations in charge of traffic departments.

Prior to my present position, and for 20 years, I was Traffic Director and Executive Vice-President of the Chicago Association of Commerce in charge of traffic.

My traffic experience has been broad and enabled me to participate in many rate adjustments being reviewed in this proceeding.

The receivers and shippers of Louisville, many of which are national in scope, and ship to and from all territories involved in these proceedings, have no complaint to the basic class rate adjustments now in effect. While many changes are constantly being made in individual cases of rates and ratings to meet changing conditions, it is our position the present territorial freight bureaus and the direct interest of the railroads serving such plants are adequate to keep the class rate structure liquid enough to meet all requirements. We find the actual receivers and shippers are so busily engaged in war work and meeting the many requirements of the Office of Defense Transportation in compliance with the [fol. 2348] twenty-four formal orders, which takes precedence over all peace time rules and regulations, that they have not the time or opportunity to give mature study to the issues here involved.

As most of the war time measures are for the duration and a period of six months thereafter, it is our opinion the tonnage dislocations will be so great, whatever is done now in the way of rate changes may prove, when things are again normal, to be just the opposite of what is needed.

As Louisville is one of the important Ohio River Crossings, the basic rate structure between the North and South, during its entire history prior to 1928 was on the combination of local rates. As a result of the Southern Class Rate Investigation Docket No. 13494—100 I. C. C. 513, "et seq." through class rates lower than the combination of local rates to and from Louisville, and relatively lower than those found reasonable as a maximum for application within southern territory, were established from Official to Southern territory. This was a revolutionary change for Louisville as it abolished the basing point system of rate construction. Several firms who heretofore shipped to the Southeast from Louisville established branch plants within these states and readjusted their entire form of distribution.

Concurrently overhead rates from the Southeast to Official territory were materially reduced on a through rate basis and applicable under the Southern Classification, il- [fol. 2349] lustrated by the Chicago to Atlanta first class rate being reduced from $2.39½ to $1.91. This placed Chicago and related points on practically the same all-rail rate level as New York to Atlanta.

The Louisville commercial interests realized of course mileage is the fundamental basis for class rate construction and accepted this change as a part of the evolution of the rate structure.

The fact remains, however, that the elimination of the basing point principle, which had been in effect at the Ohio River Crossing for many years, materially and adversely affested the business outlook of the Louisville shippers. Such bases of rates between the Central Freight Association-Illinois Freight Association Territories, and the Southeastern States, on mileage scales reflecting a lower level of rates than is applicable within the Southern territory, placed the central middle west on a rate adjustment materially reduced and relatively more favorable than available to Louisville and other Ohio River Crossings. As these revisions were revolutionary, it has changed the status of this market as a wholesale and distributing center.

Inasmuch as the Louisville commercial interests have made the necessary adjustments to an overhead or through rate basis and no complaints are currently made against such basis, we respectfully request no change be made [fol. 2350] other than arranged through the established agencies, such as Southern Freight Association and similar agencies in other territories.

What I have said with respect to the Southern adjustment also applies in connection with class rates established pursuant to the Eastern Class Rate Investigation 164 I. C. C. 314, the Consolidated Southwestern Cases 205 I. C. C. 601 and the Western Trunk Line Class Rates 204 I. C. C. 595. As mileage was the underlying basis for revision within Official and Western Classification Territories, the Louisville shippers have no complaint to these adjustments and believe there is no need for wholesale revisions at this time.

That concludes my statement on direct, Mr. Chairman.

Chairman Aitchison: Cross-examine.

Cross-examination:

By Mr. Norman:

Q. Mr. Haynes, as I understand your position here, it is that there should be no change in the present classification adjustments in the United States, except such as may be made through established railroad bureaus and agencies; is that correct?

A. Yes, sir.

Q. Is it not true that formerly Louisville paid an arbitrary over the Official Classification rates, going north of the Ohio River?

A. Yes.

Q. A bridge toll, in other words?

[fol. 2351] A. That is correct.

Q. And it was not satisfied with that, was it?

A. How?

Q. I say, it was not satisfied until it got placed upon the Official Classification basis, was it?

A. We have rates——

Chairman Aitchison: Oh, now, Mr. Haynes, you can answer that question yes or no.

The Witness: Pardon me, your Honor?

Chairman Aitchison: I say, you can answer yes or no to that question, and then make your explanation.

A. That is correct.

Chairman Aitchison: All right. Now, you may explain, if you desire to do so.

By Mr. Norman:

Q. Let me ask you this question, Mr. Haynes: In what way would Louisville be adversely affected if a uniform level of rates and a uniform classification adjustment were applied throughout the territory east of the Mississippi River?

A. I do not think that Louisville would be adversely affected——

Q. Then why do you object to it?

A. —by uniformity. I simply say that all of the uniformity that is necessary can be worked out in the regular course, ~~through established~~ agencies.

[fol. 2352] Q. Well, then, if you would not be adversely affected, why do you object to its being worked out by the Interstate Commerce Commission, the tribunal appointed by law to do that very thing?

A. Because, when we consider a whole adjustment, such as is proposed here, being made during these particular times, we think it is very unwise, in the light of conditions changing as rapidly as they are.

Q. Then your sole objection is on the ground that it is being done during a war emergency period; is that right? A. Primarily so, yes, sir.

Mr. Norman: That is all.

Chairman Aitchison: Is there any further cross-examination? (No response.) You may stand aside, Mr. Haynes.

(Witness excused.)

Chairman Aitchison: Mr. Real.

C. F. Real was sworn and testified as follows:

The Witness: If the Commission please, before I start in, I might say that I have prepared my testimony in typewritten form, and copies of it have been distributed.

Mr. Dana T. Smith: Mr. Chairman, respondents have no objection to this statement of Mr. Real being copied into the record by the Reporter without being read.

Chairman Aitchison: Is there any desire on the part [fol. 2353] of anybody to have the statement read? Are you willing to have it copied in, Mr. Real?

The Witness: Yes, sir, that is perfectly agreeable to me, Mr. Chairman. However, I have some corrections to make in the exhibits, and also an addition.

Chairman Aitchison: No, we are not going to make any more corrections, or permit any more corrections to be made, on this record.

The Witness: There are only two or three of them, Mr. Chairman.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record.

The Witness: May I have my two exhibits numbered at this time, as 117 and 118.

(Exhibits Nos. 117 and 118, Witness Real, marked for identification.)

(The testimony of Witness Real is as follows:)

My name is C. F. Real.

I am Traffic Commissioner for the Topeka Chamber of Commerce and Topeka Traffic Association, Topeka, Kansas. I have been in my present position since July 1, 1928. Prior to that date I was rate clerk and general clerk for the same two organizations for a number of years; prior to that I was Chief Clerk to the Division Freight Agent, Rock [fol. 2354] Island Lines, Topeka, for a period of seven months; prior thereto I was Assistant Cashier, Citizens State Bank, Manhattan, Kansas, for three months; prior to that I was with the Rock Island Lines for a number of years working on line as Cashier, Claim Clerk, Rate Clerk, Chief Clerk and Agent; prior to my Rock Island service I was with the Santa Fe Railway for a number of years beginning as office boy in the general passenger office, working up to special rate clerk, then on line as day ticket clerk, claim clerk, rate clerk, chief clerk and agent.

Practically all my experience has been along transportation lines.

The Topeka Chamber of Commerce is a corporation organized under the laws of the State of Kansas. The Topeka Traffic Association is a mutual organization of the leading merchants, manufacturers, jobbers, fabricators and distributors of Topeka. Both organizations exist for the mutual benefit of their members and not for profit.

I have prepared my testimony in three parts: Part 1 pertains in the main to the relationship Topeka V, the Missouri River Crossings; Part 2 to Docket No. 28300 generally and Part 3 to Docket No. 28310 in general.

Dealing first with Part I:

The position of the people I represent in these proceedings is that Northeastern Kansas, as I shall hereinafter [fol. 2355] definitely define it, should be included in the same zone for rate purposes; for rating purposes and for classification of commodities as the Commission may place Northern Missouri or Southern Iowa; that is to say, Northeastern Kansas should have the same identical rates mile for mile; the same identical ratings and be governed by the same identical classification and classifications exceptions as may concurrently apply to, from or within Northern Missouri and Southern Iowa on interstate traffic.

Topeka took this same position at the St. Paul, Minnesota, hearing in Western Trunk Lines Class Rates, 164 I. C. C. 1, and also at the Kansas City, Missouri, hearing in the reopened proceeding, 204 I. C. C. 595.

It will be my purpose in these proceedings to definitely show the Commission that Northeastern Kansas, Northern

Missouri and Southern Iowa constitute one homogeneous section wherein practically all conditions are similar, and, moreover, that traffic and transportation conditions have changed materially since the decisions of the Commission in the Class Rate proceedings just immediately above herein referred to.

I have prepared two exhibits which I would like to discuss at this time; the thick exhibit has been marked Exhibit No. 117, and the thin exhibit Exhibit No. 118.

These exhibits were prepared by me or under my direct [fol. 2356] supervision and are true and correct to the best of my knowledge and belief.

I have endeavored to make the two exhibits as self-explanatory as possible but some brief comment is necessary.

Exhibit No. 117 is in twelve sections: Section 1 consists of seven pages; page 1 is a brief outline of the present western and southern boundary of W.T.L. Zone 1, and of Topeka's proposed extension of that boundary; page 2 is a map showing the present western boundary of Zone I and Topeka's proposed extension thereof. Attention is called to the fact that the proposed extension would take the boundary about as far west of the Missouri River as the present southern boundary is south of that river. It would not extend the present boundary as far west as it is proposed by Witness Jensen to extend southward a line for changing the zone in Southern Territory, this is shown graphically on Sheet 11, Section IV-B, Exhibit No. 88, Witness Hart.

Page 3 shows that today Topeka and other points in Northeastern Kansas are in "East of the Missouri River Territory" for rating purposes. Page 4 is a map showing the western boundary of the present "East of the Missouri River Territory." Page 5 is a map which shows plainly that Topeka is east of points north of Topeka that are today included within Zone I.

Page 6 is a map of Western Trunk Line Territory. I [fol. 2357] have outlined in red the present boundaries of Zone I and in green the proposed extension westward. In blue I have rung the Missouri River Crossings and also Lincoln, Nebraska, and Topeka, Kansas.

I should here state that Topeka is directly intermediate between Kansas City and Omaha on two lines that today handle business to those two points on the Zone I rates:

Topeka is intermediate on the Rock Island on shipments received by that line at the St. Louis gateway, destined Omaha. Topeka is intermediate via the Union Pacific Railroad on traffic accepted by that line at Kansas City destined Omaha, or conversely, on business accepted by that line at Omaha for Kansas City. That same situation would also apply to the Rock Island Lines. In view of this situation it is my opinion that the boundary as proposed by Topeka is for all transportation purposes the logical boundary for Zone I.

In this connection the attention of the Commission is respectfully called to Western Trunk Lines Fourth Section Commodity Rates, 241 I. C. C. 366 and ~~also~~ to Commodities Missouri River Points, Union Pacific Railroad Company, 251 I. C. C. 22.

I want to elaborate on page 7, a railroad map of Kansas. At the time the Commission had under consideration the question of revising the rates to, from, and within Kansas, in the Western Trunk Line Class Rate investigation, both [fol. 2358] the original and reopened proceedings thereof, the Commission had before it the proceeding known as Docket 13535, The Consolidated Southwestern Cases, 123 I. C. C. 203. The decision in that proceeding was issued on April 5, 1927. In said decision the Commission found undue prejudice to Oklahoma and undue preference for all of Kansas in the then existing rate structure and the Commission ordered said prejudice and preference removed. The Commission prescribed a method for the removing of the prejudice and preference and it also, for future guidance, prescribed a finding, Finding No. 27, which, succinctly stating it, provided that the railroads might deviate from the findings of the Commission with respect to rates to, from and within the preferred territory, provided said deviation was extended to the Southwest.

Upon petition of the Topeka interests the Commission reopened the proceeding as to the question of prejudice and preference; later upon petition filed by various interests, including one filed by the Corporation Commission of Kansas, the proceeding was reopened as to all of Kansas.

In the Twenty-Fourth Supplemental Report of the Commission, on further hearing, 218 I. C. C. 11, the Commission rescinded its prior finding of prejudice and preference as to Northern Kansas.

I have shown on the map, page 7, Exhibit No. 117, in [fol. 2359] red the dividing line fixed by the Commission. Briefly stated, all points north of that line were relieved of the previous findings of prejudice and preference while all points in Kansas on and south of the line were held to the original findings.

Following the decision of the Commission, in the Supplemental Report, Topeka endeavored to obtain needed rate readjustments but ran into difficulties. Several of the lines serving northern Kansas operate through the non-relieved territory in reaching destinations in the relieved territory and they hesitated to join in any readjustments. After some delay the railroads filed Fourth Section Application No. 17202 with the Commission seeking authority to publish lower ratings to the relieved portion of Kansas without maintaining the lower ratings within the non-relieved territory.

The Commision in Kansas Rates To and From, 234 I. C. C. 500, granted the relief prayed for. In order not to create humps at the border it was provided that the ratings should be graded and Kansas was again divided, the territory lying on and north of the green line, designated as "A" to be accorded ratings applicable in Western Trunk Line Territory; the ratings in the territory "B" which lies south of the green line and north of the red line to be somewhat higher than in "A" territory while the ratings in "C" territory, on and south of the red line [fol. 2360] would be 100 per cent territory, or equal with those applicable to or from Oklahoma.

Following the decision of the Commission in the next above cited cases Northeastern Kansas was placed in "East of the Missouri River Territory" for rating purposes.

Sections II and III need no further explanation.

Section IV, Page 1, shows the counties, principal cities and rivers of Kansas. In operating between Topeka and Kansas City the railroads operate in the valley of the Kaw. The A., T. & S. F. Railway, operating along the south side of that river, while the C., R. I. & P. Railway and the Union Pacific Railroad operate along the north side of the river. Note that in Northeastern Kansas the only sizeable river is the Kaw and that it runs parallel with the railroads.

Generally speaking, the railroads in Kansas run east and west as do the rivers.

Page 2 shows the counties, principal cities and rivers in Missouri. It will be noted that there are many sizeable streams shown in Northern Missouri and that, generally speaking, they run north and south. The railroads in Northern Missouri, generally speaking, run east and west. The red line shows the southern boundary of any of the counties through which any part of the Zone I boundary runs.

Page 3 is a map of Iowa showing the counties, principal rivers and cities. General- speaking, the railroads in Southern Iowa run east and west. It will be noted that [fol. 2361] there are several sizeable streams in Southern Iowa and that they run in a northerly-southerly direction. The red line is the boundary dividing the three tiers of counties that we have used for comparative purposes from the balance of the state.

Sections V, VI, VII and VIII are self-explanatory.

Section IX contains population statistics. Page 9 shows condensed figures for the year 1940. The basic figures were not included for the reason that they are practically the same as the 1930 basic figures which are shown. Note that the population per square mile in Northeastern Kansas is 57.6; that the population of the counties in Missouri lying north of the Missouri River is 32.7; also note that while the population of all the counties lying north of the Zone I dividing line is 75.4, this includes the cities of St. Louis and Kansas City. If those two cities were eliminated and if Kansas City, Kansas, was eliminated from the Northeastern Kansas showing the figures would stand as follows: Northeastern Kansas 44.2 per square mile, Northerr Missouri 41.1. In Iowa the population is 45.3, while in Southern Iowa it is 39.7 per square mile.

Attention is also called to the fact that while the area in Northeastern Kansas represents only 11 per cent of the total area of the state that section of Kansas contains 29 per cent of the state's population. Counties in Missouri [fol. 2362] actually north of the Misouri River have 34 per cent of the land area of that state but only 21 per cent of the population, while in Iowa the Southern three tiers of counties have 29 per cent of the land area and 25 per cent of the population.

Section X shows traffic density statistics: I want to call particular attention to the 1925 comparisons. That is the only year for which the local division figures were obtainable. These density figures should be viewed in the light of the density for the divisions on which Topeka is located and the state as a whole; and also with respect to Northern Missouri, Missouri and Iowa.

The Commision's attention is likewise called to page 18 which shows the condensed figures for the years 1926 to 1938, inclusive, a period of 13 years, also to sheet 19 which is in more of a picture form and more easy to visualize. Sheets 20 to 24 cover the years 1939 and 1940.

An interesting picture is presented on sheet 25, a sheet added after the exhibit was bound. Note that for every year, 1925 to 1940, inclusive, the density in Kansas, for the divisions on which Topeka is located, of the lines serving Topeka, the percentage of the density in Official territory was greater than the percentage of that density for either Northern Missouri or of Iowa.

In connection with this Section, I want to add that I have not been able to obtain tons originated or tons terminated [fol. 2363] by divisions of road so cannot make such a comparison, however, in a study that I made two years ago for the purpose of presenting data to the Civil Aeronautics Board in support of an air line application I determined that the railroads serving Topeka, collectively speaking, handled inbound to Topeka an average of 18,292 carloads of freight yearly for the years 1935 to 1939, inclusive. Outbound they handled yearly an average of 11,558 carloads of revenue freight. The average weight of the inbound shipments was 65,723 pounds, while outbound the average was 60,025.

In the year 1939 the inbound cars numbered 16,697, the outbound 12,672.

We have at Topeka such organizations as the Topeka branch of John Morrell & Co., internationally known meat packers; the Beatrice Creamery Company, makers of the famous Meadow Gold Butter; the Seymour Packing Company, distributors of fancy poultry and eggs; the Topeka Foundry and Iron Works, now making an electric welder that is being shipped to all parts of the world; the Steel Fixture Manufacturing Company, makers of steel furniture, including office, bank and vault furniture, this furniture being shipped to many parts of the country and also the Adams Brothers Company, manufacturers and distributors of paper articles, such as sales tickets, bank deposit pads, printed forms, etc., this company shipping all over the country.

[fol. 2364] Topeka, of course, has the usual line of merchants, manufacturers, fabricators, wholesalers and distributors usually found in a city the size of Topeka.

Section XI shows distances and rates: Sheet 1 is a map of Kansas. On it I have shown an outline of the territory that I believe should be embraced within Zone I; the present boundary dividing Zones II and III, the distance Topeka is from Kansas City, St. Joseph, Omaha and Lincoln, points in which the keenest competitors of Topeka interests are located; also the distances from Topeka to the three principal Kansas jobbing and distributing points, namely Wichita, Hutchinson and Salina. Topeka is only 65 miles from Kansas City; Wichita 200.7 miles; Hutchinson 212.5; and Salina 183.3. From St. Joseph, Topeka is 72 miles; Wichita 220.2; Hutchinson 227.5; and Salina 190.3. Authority W.T.L. 142-C, L. E. Kipp's I.C.C. A-2678. Atchison, Kansas, is also a Missouri River point It is only 51 miles from Topeka.

Summarizing, Topeka is the only important jobbing and manufacturing center adjacent to the lower Missouri River Crossings. It is the only such center in Kansas, intermediate between Omaha and Kansas City.

Sheet 2 shows the distances between the Mississippi River Crossings on the one hand and the Missouri River Crossings and Topeka on the other. The average distance [fol. 2365] to Topeka is 63 miles greater than to Kansas City; 59 miles greater than to St. Joseph; 2 miles greater than to Omaha; and is 57 miles lesser distant than Sioux City. All of the Missouri River Crossings are in Zone I.

Sheets 5 and 6 show a history of the class rates between St. Louis and Topeka compared with St. Louis to Kansas City. I have started with 1912 for the reason that the Commission set the class rates to Topeka with relation to the class rates to Kansas City in State of Kansas vs. A., T. & S. F. Railway Co., 27 I.C.C. 673, decided June 18, 1813.

Attention should here be called to the fact that while the prescribed first class rate St. Louis to Kansas City is shown as $1.13 the going rate is 92 cents as published in W.T.L. 298-F, L. E. Kipp's I.C.C. A-3402.

On sheet 7 is the differential adjustment that Topeka enjoyed for approximately 30 years.

In 1899 a conference was had between representatives of Topeka shippers, railroads and the State Commission with respect to rates to and from Topeka. Shortly following that conference the differential basis was established. On shipments from Topeka to points west of Topeka a certain differential, depending on the class, was deducted from the Missouri River-Kansas destination point rate to arrive at the Topeka-same destination point rate. Lesser differentials were deducted when the destinations were [fol. 2366] points south of Topeka. There were also fixed differentials on commodities such as coffee, sugar, canned goods, syrup and beans. There were also differentials on classes 5 and A, and the lower classes.

Following the decision of the Commission in Consolidated Southwestern Cases the class rates from the Missouri River cities in Missouri to points in Kansas were materially increased; no increases were made in the intrastate rates in Kansas; the differentials applicable in making the rates from Topeka were applied to the rates from the Missouri River cities in Kansas.

This situation brought forth a complaint from the Missouri River cities, Docket 21206, Chamber of Commerce of Kansas City vs. A., T. & S. F. Railway Co., 164 I.C.C. 302. The Commission found prejudice and preference to exist and ordered it removed. Later that order was rescinded; see Western Trunk Lines Class Rates, 204 I.C.C. 595, 606.

Prior to the upheaval created by Docket 13535 the rates on commodities to and from Topeka were pretty closely aligned with those applying to and from Kansas City. As an illustration the rate on butter, eggs and dressed poultry was the same from Topeka to Chicago as from Kansas City to that point, namely 76 cents. The same situation existed with respect to the same commodities destined Memphis. [fol. 2367] On meats, hides and tallow the Commission prescribed a differential of 4 cents per hundred Topeka versus Kansas City on shipments destined Chicago and east. Allied Packers vs. A. & S. Railway Co., 160 I.C.C. 596.

I have dwelt at length on these particular situations to demonstrate to the Commission that prior to July 14, 1928, Topeka had an adjustment fairly competitive with Missouri River cities. That is without doubt the reason why so few complaints amanated from Topeka during that period.

Sheets 8 and 9 are self-explanatory.

Sheets 10 and 11 show the distances between Kansas City, Topeka, Wichita and Salina on the one hand and representative eastern points on the other. Computing the percentage relationship Topeka versus Kansas City I find that at Boston the distance to Topeka is 105 per cent of the distance to Kansas City; New York, 105 per cent; Cleveland, 109 per cent; Detroit and Grand Rapids, 110 per cent; Indianapolis, 113 per cent; Evansville, 115 per cent; Louisville, 112 per cent; Chicago, 116 per cent; and St. Louis, 124 per cent.

Sheets 13 to 22 are self-explanatory.

Section XI-A shows a few comparisons of various scales and the percentage relationship that one bears to the other. Page 1 shows cumulative rates per 100-mile jumps. Zone II ranges from 125 per cent to 146 per cent of the Eastern [fol. 2368] Scale while Zone I ranges from 111 per cent to 128 per cent of that scale. The Basic Scale, the one used as the underlying scale in constructing rates between W.T.L. and the East ranges from 100 per cent to 112 per cent of the Eastern Scale. Sheets 2 and 3 show the scale proposed by Witness Jensen as constructed by Topeka. Sheets 4 and 5 show rates between Kansas City and Topeka on the one hand and representative points in the East on the other constructed by using the specifically prescribed rates and as made by the use of the various scales prescribed or as recommended by Witness Jensen. I have also shown the spread in the rates and the percentage relationship. Ex Parte 123 Increases are not included.

Sheets 6 and 7 show the same information as sheets 4 and 5, except that the Ex Parte 123 Increases have been added. The increases were not added to the rates made by the use of the proposed Jensen scale. Sheets 8, 9 and 10, added after the exhibit was bound, compare the various scales with the Kansas 14180 Scale. The scales were not carried beyond 500 miles because the Kansas Scale ends at that point. The 14180 Scale alternates with the W.T.L. Scales and applies only on l.c.l. traffic. In connection with the 14180 Scale there are published, in the tariff carrying the scale, 59 items of exceptions, these items covering some 1,219 commodities. The 14180 Scale also applies interstate between Kansas on the one hand and the Missouri River [fol. 2369] cities, Southwestern Missouri, Oklahoma and Northwestern Arkansas on the other.

In connection with the rates in Kansas the contract motor carrier may transport l. *t*. l. traffic at a minimum of 80 per cent of the common motor carrier rates, which are the same as the rail rates, and may transport commodities in quantities of 5,000 pounds or more at the rail carload rate existing as of July 1, 1938.

Exhibit No. 118 consists of four pages and the cover pages. Sheet 1 is a topographic map of Eastern Kansas; sheet 2 a topographic map of Northern Missouri and sheet 3 a topographic map of Iowa. A study of these three maps is invited. In my opinion they show a striking similarity of topographic conditions. Sheet 4 is a map of the United States. On this map I have drawn in red the territory involved in Docket 28300; in blue the cities of Kansas City, St. Joseph, Omaha, Lincoln and Topeka; also in blue I have outlined the eastern boundaries of Missouri and Iowa; the northern boundaries of Iowa and Kansas; the western boundary of Kansas and the southern boundaries of Kansas and Missouri. Kansas joins Missouri while Nebraska joins Iowa.

I want briefly to touch on the highway situation. I have traveled over all the highways in Northeastern Kansas and Northern Missouri. I have not traveled in Iowa. My opinion, based on actual traveling experience, is that the [fol. 2370] highways in Northeastern Kansas and Northern Missouri are on a par. From general knowledge I would say the same with respect to a comparison of the highways of Iowa with those of Northeastern Kansas.

Dealing now with Part II:

Witness Jensen at page 92, Exhibit No. 7 suggests that rates cannot be made proper at this time without too drastic a result on business. He then states that the Commission should look forward to another general investigation in from five to ten years.

In my opinion there is not one thing that will upset business as much as the knowledge that there is an investigation of freight rates int he offing, hence it is my candid opinion that the Commission should in these proceedings lay a strong foundation at least for a lasting adjustment.

I do not believe that class rates should be applied to commodities that move in volume. Class rates should apply on l. c. l. traffic and on commodities that move spasmodically and possibly on commodities of great value and bulk. Frequently, as to commodities, for the sale of which there is keen competition, rates made a fixed percentage of first class results in too great a spread. As an illustration the Commission in National Poultry, Butter & Egg Association vs. Aberdeen & R. R. Co., 192 I. C. C. 13, prescribed 60 per cent of first class for application on carload shipments of butter, [fol. 2371] eggs and dressed poultry. The 60 per cent rate from Topeka to New York is $1.60, from Kansas City, $1.49, a spread of 11 cents. The railroads later published a differential of 4.5 cents (now 5.5 cents.) Authority Trunk Line Tariff No. 107-B, W. S. Curlett's I. C. C. No. A-593. In connection with this may I call the attention of the Commission to its decision in Protective Service to Perishable Freight, mimeographed, dated September 8, 1942, wherein at sheets 10 and 11 thereof the Commission calls attention to statement accredited to a representative of a Topeka concern to the fact that in 1940 there moved from the particular plant 284 truckloads of dressed poultry or eggs. This would indicate, in my opinion, that the present spread, while only 50 per cent of the spread originally prescribed by the Commission is still too great to protect the rails.

The destination classification should apply and also the general exceptions applicable in the destination territory.

If different scales are prescribed the interterritorial rates should be constructed by the use of the lowest scale applicable in any part of the territory traversed, as the base scale, and the Jensen theory applied. This method I believe is similar to that prescribed by the Commission in Watertown Chamber of Commerce vs. C. & N. W. Railway Co., 101 I. C. C. 441, 445.

[fol. 2372] Under existing competitive conditions pick-up and delivery should be included in the rate.

I do not believe any stabilized rate structure can be maintained throughout the country so long as there exists differences in Parts I and II of the Interstate Commerce Act as such differences exist today. I refer specifically to the lack of a Section in Part II similar to Section 13 in Part I and to the lack of a section in Part II similar to Section 1, Paragraph 8, Part I of the Act.

As an illustration, the first class rate prescribed by the Commission for Interstate application from St. Louis to Kansas City is $1.13 but because of motor carrier competition the going rate is 92 cents. Authority W. T. L. 298-F, L. E. Lipp's I. C. C. A-3402.

St. Louis and East St. Louis are adjacent cities as are Kansas City, Missouri, and Kansas City, Kansas, and it is impossible, because of competitive conditions, one route being intrastate and another interstate, to protect any rate but the lowest rate for both intrastate and interstate movements.

In connection with the above statement the Commission is respectfully referred to All Freight Between St. Louis and Kansas City, 234 I. C. C. 593.

Frankly stating it, rates should be made to move the traffic.

[fol. 2373] Dealing with Part III:

Consolidated Freight Classification No. 15, R. C. Fyfe's I. C. C. No. 28 contains 316 pages; 241 pages of which are devoted to ratings.

Today very seldom is the classification used for rating purposes; the Exception Tariffs as a rule governing.

As an illustration to what lengths it has been necessary for the railroads to go to with respect to exception ratings, I list below the Exception Tariffs that are on file in our Topeka office:

Agent: I. N. Doe. Tariff number: Rail, 30-J; I. C. C. 475. Territory: New England. Pages: total, 242; ratings, 100.

Agent: W. S. Curlett. Tariff number: rail, 9-I; I. C. C. A-478. Territory: Trunk Line. Pages: total, 341; ratings, 108.

Agent: B. T. Jones. Tariff number: rail, 130-B; I. C. C. 3684. Territory: Central Freight. Pages: total, 339; ratings, 130.

Agent: W. S. Mercer. Tariff number: rail, 80-C; I. C. C. 501. Territory: Illinois Freight. Pages: total, 251; ratings, 74.

Agent: L. E. Kipp. Tariff number: rail, 25-C; I. C. C. A-3411. Territory: Western Trunk Line. Pages: total, 201; ratings, 130.

[fol. 2374] Agent: J. R. Peel. Tariff number: rail, 173-O; I. C. C. 3475. Territory: Southwestern Territory & I. T. Pages: total, 252; ratings, 150.

Agent: W. S. Mercer. Tariff number: rail, 90; I. C. C. 530. Territory: Southern. Pages: Total, 370; ratings, 190.

Agent: B. T. Jones. Tariff number: rail, 604; I. C. C. 6365. Territory: Southern. Pages: total, 379; ratings, 203.

Agent: W. S. Curlett. Tariff number: rail, 141; I. C. C. A-709. Territory: Southern. Pages: total, 257; ratings 127.

Agent: E. H. Dulaney. Tariff number: rail, 21; I. C. C. 86. Territory: Southern. Pages: total, 244; ratings, 187.

Agent: B. T. Jones. Tariff number: rail, 545-H; I. C. C. 3639. Territory: I. T.—W. T. L., East. Pages: total, 219; ratings, 50.

Agent: L. E. Kipp. Tariff number: rail, 338-H; I. C. C. A-3382. Territory: I. T.—W. T. L., East. Pages: total, 182; ratings, 123.

Agent: L. E. Kipp. Tariff number: rail, 386-C; I. C. C. A-3353. Territory: I. T.—W. T. L., South. Pages: total, 316; ratings, 269.

In addition to the general exceptions tariffs there are many agents and individual lines' issues that carry exceptions applicable only to the particular tariff in which published. As an illustration in Western Trunk Lines Tariff [fol. 2375] 275-E, L. E. Kipp's I. C. C. A-3403 applicable intrastate in Kansas and interstate between Kansas points on the one hand and the lower Missouri River crossings on the other, there are 59 Items of Exceptions in which are carried 1,219 exceptions as to various articles. To show how the rates are affected, here are a few samples: berries, bananas and other fruits and vegetables classified first class in the classification are rated third class; fresh meats, rated first in the classification are second class; hardware, generally second, rated third, and so on.

There are seven ratings in the classification proper for Official Territory; twelve in Southern Territory and ten in Western Territory.

The Commission in Consolidated Southwestern Cases prescribed 19 Column Ratings while in Western Trunk Line Class Rates it prescribed 23 Ratings.

Checking several effective tariffs, I find the following ratings:

Territory	*Agent*
Official	B. T. Jones
Southern	F. D. Miller
W. T. L.	L. E. Kipp
I. T.—O.—W. T. L.	W. S. Curlett
I. T.—SOU—W. T. L.	L. E. Kipp

[fol. 2376]

Tariff Number		*No. Column*
Rail	*I. C. C.*	*Ratings*
480	2444	112
717-C	717	128
230-A	A-2592	84
107-B	A- 593	114
385	A-3020.	97

Refining these, I get the following results:

Ratings	*East*	*South*	*West*	*I. T. E.-W.*	*I. T. S.-W.*
100 and over 90	3	2	1	3	1
90 " " 80	3	2	3	3	1
80 " " 70	5	6	6	5	4
70 " " 60	8	7	7	9	7
60 " " 50	9	7	6	10	5
50 " " 40	14	16	13	15	18
40 " " 30	24	22	14	25	18
30 " " 20	33	37	17	32	23
20 " " 10	13	28	15	12	19
10 " " 0	0	1	2	0	1

I believe the following should amply take care of all shipments:

100 95 90 85 80 75 70 65 60 55 50 47½
45 42½ 40 37½ 35 32½ 30 27½ 25 22½ 20 17½
15 12½ 10 9 7½

[fol. 2377] In this connection it is my opinion that until such time as Part II of the Interstate Commerce Act is amended to include a section similar to Section 13 of Part I of the Act and also, to include a section in Part II similar to Section I, paragraphs 8 of Part I of the Interstate Commerce Act the railroads must continue to make extensive use of Classification Exceptions.

At this time, if you please, I wish to offer in evidence my Exhibits 117 and 118.

Chairman Aitchison: Without objection they are received.

(Exhibits Nos. 117 and 118, Witness Real, received in evidence.)

Chairman Aitchison: That completes your direct presentation, does it?

The Witness: Yes, sir.

Chairman Aitchison: Cross-examine.

Mr. Weeks: I have just a question or two, if your Honor please.

Cross-examination.

By Mr. Weeks:

Q. Mr. Real, first, in connection with your Exhibit No. 117, please.

A. Yes, sir.

Q. Referring to Section 6 thereof: you have shown there certain manufacturing data for a number of counties in Kansas and Missouri.

[fol. 2378] A. Yes.

Q. Did you include the manufacturing data for the city of Topeka, Kansas, in these Kansas counties?

A. It is all included, yes, Mr. Weeks. I tried to get the manufacturing data for all of the counties, but the Kansas Employment Bureau—or rather, the Kansas Labor Bureau did not have its data out so that I could get it.

Q. I do not know if I understand your answer or not. It does include Topeka, however, does it?

A. Yes, sir, it includes all of the 16 counties in northeastern Kansas.

Q. Now, will you explain why, in connection with North Missouri Zone 1 information, you eliminated Jackson County and St. Louis County, and the city of St. Louis, from your figures?

A. Well, I have shown them both ways, Mr. Weeks. I eliminated them to show a comparison of northeastern Kansas with northern Missouri and southern Iowa. As far as Kansas City is concerned, Kansas is just as much responsible for Kansas City as is Missouri, and Illinois is just as much responsible for St. Louis as is Missouri; and I wanted to show the general conditions.

Q. But you have not included here the manufacturing data for Jackson County and the city of St. Louis in your figures, have you?

[fol. 2379] A. Yes, it is in there.

Q. But separated from the other north Missouri figures.

A. Yes, sir, it is in there, but separated, later.

Mr. Weeks: That is all.

Chairman Aitchison: Is there further cross?

Mr. Dyers: I would like to ask the witness a question or two, if the Chairman please.

By Mr. Dyer:

Q. Mr. Real, referring first to page 6 of Section 1 of your exhibit 117, please.

A. Yes, sir.

Q. That shows the present western boundary of Zone 1, and the proposed western boundary of Zone 1, does it not?

A. Yes, sir.

Q. Do you have any objection to extending that boundary to points beyond?

A. None.

Q. That is, if it can be justified.

A. No.

Q. Now, will you please refer to page 7 of Section 1 of the same exhibit.

A. Yes, sir.

Q. That is covered by your testimony, on page 12 of your prepared statement—or rather, page 6, I should say. Is that correct?

A. Yes, sir.

[fol. 2380] Q. You make certain statements there with respect to the lines shown in green and red.

A. Yes.

Q. Those lines, as I understand it, are the lines that the Commission set out in Fourth Section Application No. 17202.

A. Yes.

Q. Now, will you please refer again, Mr. Real, to the third paragraph on page 6 of your prepared statement. You say something there with reference to the fact that the Commission had prescribed a new rate level in Kansas. That is correct, is it not?

A. Just a moment.

Q. I might add, that would also take in the next paragraph likewise, would it not?

A. Well, I do not say anything there about any rate level, in either paragraph, Mr. Dyer.

Q. Do you state in your testimony anywhere, anything to the effect that the Commission did in Fourth Section Application No. 17202 establish new rate levels in Kansas?

A. No, sir, I do not. I say that in the Fourth Section Application No. 17202 proceeding, the Commission allowed the northern lines in Kansas to give Topeka the relief it said it was entitled to, in the 24th Supplemental Report in the Consolidated Southwestern Cases.

Q. Is that your understanding, Mr. Real, of what the [fol. 2381] applicant sought in that Fourth Section application?

A. The applicant sought relief, to give northeastern Kansas—or rather, northern Kansas, ratings to and from the Missouri River cities, without observing said ratings in southern Kansas.

Q. Of course, Mr. Real, the report and order of the Commission will speak for itself.

A. That is right.

Q. But did not the carriers in that particular application, seek authority, for the account of those carriers whose routes extended through restricted territory, or the right to meet rates that had been established, or that were to be established, by Direct-line routes in unrestricted territory?

A. Ratings.

Q. I mean to say, ratings.

A. Yes, sir.

Q. So the application applied only to the indirect routes, and not to ratings in connection with direct routes; is that correct?

A. Yes, sir, that is right, but the direct routes had to have relief for the indirect routes, before the direct routes would grant the relief that we asked for.

Q. In other words, that is, before they would accede to your demand; is that correct?

A. Our request.

[fol. 2382] Q. Your request?

A. Yes, sir.

Q. Now, Mr. Real, have you checked the tariffs to determine whether or not these lines are at the present time reflected in tariff publications, in any item?

A. I do not get the question.

Mr. Dyer: Will you read it, please.

(Question read.)

Mr. Witness: I am very sorry, Mr. Dyer, but I still do not understand what you are driving at.

By Mr. Dyer:

Q. Well, this is what I mean, Mr. Real: are there now rates published—or ratings, rather, published to the territory north of the green line, which make it necessary for the indirect routes to use the fourth section relief granted on the movement of traffic through restricted territory, to meet the rates of the direct routes.

A. No, sir, I think that the carriers have only published them to what they call the east-of-the-Missouri-River territory, so-called, which includes northeastern Kansas, as described in my exhibit.

Chairman Aitchison: Are you talking about class rates, now?

Mr. Dyer: Class rates and exceptions.

Chairman Aitchison: We are not dealing with exception ratings here.

[fol. 2383] Mr. Dyer: All right, Mr. Chairman; the class rates only, then.

By Mr. Dyer:

Q. Mr. Real, do any of the lines serving Topeka have routes through restricted Kansas territory?

A. No.

Q. So, then, your statement to the effect that it was necessary for the Topeka lines to secure this relief prior to the granting of relief—Missouri River relief, I will put it that way——

Chairman Aitchison: You had better start your question over again. It is not clear.

Mr. Dyer: All right, sir.

By Mr. Dyer:

Q. Then, Mr. Real, your statement to the effect that it was necessary for the lines serving Topeka, to secure relief in order to afford Topeka the Missouri River basis of ratings, is not grounded on a statement of fact, is it?

A. My statement was correct. The ratings—or rather, I mean to say the carriers, asked for relief to all of Kansas, but they were only accorded relief to what is now termed the east-of-the-Missouri River territory, which includes Topeka.

Q. But that relief was not necessary in order to give you the Missouri River ratings, was it?

A. Yes, sir, that relief was necessary, because the car- [fol. 2384] riers would not give it to us unless the Commission authorized it to the rest of Kansas.

Chairman Aitchison: Now, just a moment. Is it necessary for us to go into all of this? Why not bring a separate complaint, if there is any grievance of that sort? This proceeding here is a broad case, and we cannot go into minutiae of that sort here.

Mr. Dyer: May I say, Mr. Chairman, the reason that I have been cross-examining the witness with respect to these matters, along the line that I have been cross-examining him upon, was because of the statement made by the witness on pages 7 and 8 of his prepared testimony, beginning with the second paragraph on page 7 and ending with the first paragraph on page 8, which in my opinion does not reflect the exact facts. I was fearful lest the Commission might be misled by the statement that the witness had made.

Chairman Aitchison: Pages 7 and 8?

Mr. Dyer: Yes, sir.

The Witness: Well, may I say, Mr. Chairman, that the statement referred to does reflect the exact facts.

Chairman Aitchison: Proceed.

By Mr. Dyer:

Q. Mr. Real, did you participate in the proceedings had under I&S Docket No. 4597, commonly known as the Heating Apparatus case?

A. Yes.

[fol. 2385] Q. You drew a very fine petition in that case, did you not?

A. I drafted a petition.

Q. And in that case the Commission denied the Western Trunk Line carriers the right to establish certain ratings throughout Western Trunk Line Territory, other than restricted territory in Kansas, did it not?

A. Well,——

Q. That is, without extending those rates,—or those ratings to include Wichita, Kansas.

A. That is right.

Q. And as a result, the carriers extending the ratings to Wichita, including the line of the Missouri Pacific Railroad east through El Dorado, Eureka, and Fort Scott; is that correct?

A. Yes, sir.

Q. But they did not extend the ratings to the territory in Kansas south of that line, did they?

A. I think that is correct.

Q. Now, will you refer, please, Mr. Real, to Section 10, page 25 of your exhibit.

A, Yes.

Q. Those figures—and this is largely for clarification purposes, I may say—shown under the column Northeast Kansas for the years 1925 to 1940, are the figures as shown in the preceding pages of this section for the four lines [fol. 2386] serving Topeka, are they not?

A. Yes.

Q. Now, Mr. Real, do those figures reflect the densities of all of the sections of those lines, or all of the divisions of those lines in northeastern Kansas?

A. They reflect all of the figures—that is, the figures for all of the lines within the divisions as described in the exhibit—yes, sir.

Q. But they do not include all sections of the lines in northeastern Kansas of the Rock Island, Missouri Pacific, and Union Pacific, is that correct?

A. Yes, sir. —or, rather, I mean to say, no, sir, that is not correct. They do.

Q. Well, now, I may be mistaken, Mr. Real, but does it extend to, or does it include the section of the Rock Island Railway between Horton and the Kansas-Nebraska line?

A. Yes, sir,—well, now, just a moment. I am not so sure about that either. It includes all of the lines of the Rock Island Railway, as representative, within that division; but I am not just exactly sure as to whether or not it includes that portion of the line from Horton, Kansas, to the Nebraska-Kansas state line.

Q. Well, that particular section of the Rock Island Railway is in northeastern Kansas, is it not?

A. Yes, sir, that is true, but it is a very short section.

[fol. 2387] Q. I was not able to find it in the prior portion of the exhibit.

A. The territory that is covered by the density figures shown is plainly indicated within the exhibit.

Q. That may be true, Mr. Real, but on page 25 of this particular section you head the column "Northeast Kansas."

A. Yes.

Q. My point is this, that the heading which you have set up there is a misnomer, is it not?

A. No.

Q. In other words, there are certain low density traffic lines in northeastern Kansas that are not shown in your figures here; that is correct, is it not?

A. No, sir. I do not believe that there are any low-density traffic lines in northeastern Kansas; and this covers all of northeastern Kansas, as described in the exhibit. Now, as to northeastern Kansas, there are the four lines serving northeastern Kansas, and serving Topeka.

Q. Does it not also include the north branch of the Missouri Pacific, or does it include that section? To shorten it, that is a low traffic density line, is it not?

A. Are you sure of that?

Q. Does it include that line?

A. It includes the Missouri Pacific central branch, which would be from Leeds, Missouri, to Hoisington, Kansas; Fort [fol. 2388] Scott to Topeka; and Gypsum City to Marquette, —shown on page 10 of that section of the exhibit.

Q. And Aitchison to Kansas City,—it includes that, does it not?

A. Just a moment.

Q. Well, it does not include the section of the line west of Atchison—the branch line, from Atchison west, does it?

A. No, sir, I don't think that it includes either one of those, no, sir,—the central branch line.

Q. Well, then, you would modify, would you not, the heading now described as "Northeast Kansas"; shown on page 25 of your exhibit, to include what you have shown in the prior sections—or in the prior figures in the chapter; is that correct?

A. Only to the extent that it includes generally in the exhibit, the sections shown, but it does not include the Missouri Pacific north line, which is not in that division.

Q. And that is a branch line?

A. Yes, sir.

Q. Of course, naturally, if that had been included, your figures would be modified to that extent, at least, would they not?

A. I don't know.

Q. Well, they would have been modified to whatever extent they would have been affected, either up or down, would they not?

[fol. 2389] A. No, sir. They might have been modified, or they might have been the same. I wouldn't be able to say as to that.

Q. All right. Now, will you refer, please, to page 11—or rather, page 10 of Section XI?

A. Yes, sir.

Q. There is a question in my own mind as to whether or not there have been some errors made on that page. I notice, for example, that under Column 110 you show distances of 201 for the first three points after Boston, Massachusetts, while you show 218 miles for that section to Wichita. Now, inasmuch as your route is through Kansas City, would not the sections east of Kansas City—or rather, I mean to say, the figures east of Kansas City, for the section east of Kansas City, be the same for both Kansas City and Wichita.

A. I don't just follow you.

Q. In other words, Mr. Real, what I have in mind is this, that your figure should be 201, rather than 218, should it not?

A. What point are you speaking from?

Q. Pardon me?

A. Between what points, that is, are you speaking?

Q. Boston.

A. Boston and what?

Q. Wichita.

A. Boston and Wichita?

[fol. 2390] Q. Yes—Column 110.

A. The Wichita figures, according to reference (b) on page 11, are shown as applying through Chicago. Your 218 would be through East Ft. Madison.

Q. Well, it is also figured over Kansas City, is it not?

A. Yes, sir, that is right, but it might be figured through a different junction, to all of your zones.

Q. Well, as to your shortline distance east of Kansas City, would not your figures—or rather, would not your route be the same for Wichita as it would be for Kansas City?

A. Why, not necessarily, it would not be, no, sir. However, that is subject to check, of course.

Q. Well, there are some other similar items that I thought to be errors, on that same page.

A. Oh, there may have been an error made somewhere here, I will admit that; but these things are all subject to check.

Q. I thought it might be detrimental to Wichita, and that was the reason that I wanted to bring it out.

A. Well, we do no want to do anything that is detrimental to Wichita, Mr. Dyer, or any other point in Kansas, either.

Mr. Dyer: That is all.

Chairman Aitchison: Is there further cross-examination?

(No response.)

By Com. Alldredge:

Q. By the way, Mr. Real, referring to page 25 of Section X of your exhibit, what is the unit of comparison there, [fol. 2391] please?

A. Page 25?

Q. Yes, Section X.

A. The comparison there, Mr. Commissioner, is between the divisions in Northeastern Kansas of the rails serving Topeka, in the various states shown.

Q. I know, but what unit of comparison do you use? In other words, what do those figures mean?

Mr. Dana T. Smith: Ton miles per mile of line,—are they not?

The Witness: Yes.

By Com. Alldredge:

Q. Is that what they are?

A. Yes, sir.

By Mr. Bee:

Q. Pardon me, Mr. Real, but may I inquire, if those figures are per mile of line, or per mile of road.

A. Per mile of road.

Mr. Bee: Thank you.

Chairman Aitchison: If there is nothing further, you are excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record. Mr. Porter, you may proceed.

Mr. Porter: Mr. Schreiber.

[fol. 2392] C. E. SCHREIBER was sworn and testified as follows:

Direct examination.

By Mr. Porter:

Q. State your name.

A. C. E. Schreiber.

Q. Your residence?

A. Madison, Wisconsin.

Q. Your employment?

A. Transportation statistician for the Public Service Commission of Wisconsin.

Q. Just briefly, Mr. Schreiber, what has been your experience in dealing with transportation and general statistics?

A. I have been engaged for more than 35 years last past in the analysis of transportation and economic statistics and costs. The great bulk of that work has been in connection with either the Railroad Commission of Wisconsin, or the Public Service Commission of Wisconsin; but I have done work of a similar character for other interests as well. Under the Railroad Coordinator I was a member of the Advisory Committee to the Section on Cost Findings.

Q. Have you been engaged, in connection with this case, in collaboration with others from neighboring states, in the gathering of certain statistics to be presented in evidence here?

A. Yes, sir.

Mr. Porter: If the Commission please, may we at this [fol. 2393] time have Mr. Schreiber's exhibit marked as Exhibit 119 for identification.

(Exhibit No. 119, Witness Schreiber, marked for identification.)

By Mr. Porter:

Q. Have the statistics which you have been engaged in compiling, been assembled in the document which has just been marked as your Exhibit No. 119 for identification?

A. Yes, sir.

Q. Is that exhibit true and correct, so far as you know?

A. To the best of my knowledge and belief, the exhibit is true and correct, yes, sir.

Q. Will you please proceed, now, in your own way, Mr. Schreiber, to discuss the exhibit, and to offer such further testimony as you desire to submit.

Chairman Aitchison: Well, now, just a moment. You cannot very well expect us to divine what the purpose of the exhibit is, or what it shows, from just having some 54 pages of this size thrown at us.

Mr. Porter: The witness was just about to proceed to explain the exhibit, if the Commission please.

The Witness: I was just starting in, Mr. Chairman, to give an outline of the exhibit, as briefly as I possibly can.

Chairman Aitchison: That is what we want.

[fol. 2394] By Mr. Porter:

Q. Will you please proceed with that in mind, then, Mr. Schreiber.

A. The main purpose of the exhibit is to develop a difference in the general economies of the various parts of the country; to trace to a limited extent, the trends in those economies, and further, to trace the change in the traffic, as regards amounts of traffic originated, over the period of the last 10 years, particularly, for those commodities which might be described as being of a general class rate nature, rather than the bulk commodities, such as iron, coal and grain,

By Chairman Aitchison:

Q. Well, now, Mr. Schreiber, that may show what the trends are, but how are we going to find out what the trends are? Do you want us to sit down and try to figure those things out?

A. I will try right now to tell you how, Mr. Chairman, from the exhibit itself.

Chairman Aitchison: All right.

A. The data in the exhibit are mainly self-explanatory and I intend to give only enough explanation so that a person may readily understand what the exhibit is. Throughout the exhibit I have used two territorial set-ups; the first by railroads are railroad groups; and the second by states are state groups. The railroad groups are used on pages 17 to 36, inclusive, and they are the standard grouping that is used for general transportation statistical purposes, with [fol. 2395] divisions into districts and regions. However, there is one deviation from what might be called the standard grouping, in that I have shown the Pocahontas region separately, and not as a part of the Southern district. As the result, the totals for the United States, as I show them, are made up of the Eastern district, the Western district, the Southern region, and the Pocahontas region. The reason for setting it up that way was because of the peculiar situation that exists, particularly as regards the type of traffic handled by the Pocahontas lines, and the fact that those lines seem to be more closely related to the northern lines, in general, from a rate and classification standpoint. States or state groups are used throughout the exhibit, and wherever limitations of space did not forbid, the data are shown for individual states. Whereveer a space did not seem to permit, we have used certain state groupings. Those groupings are the standard census groupings, with certain exceptions. The exceptions are that Delaware, Maryland, the District of Columbia, Virginia and West Virginia are taken out of what is ordinarily called the South Atlantic group; and the states of Iowa, Missouri and Minnesota are taken out of what is commonly referred to as the Northwest-Central group. The general purpose of this was to separate out these states from the ones which seem to be the main proponents of radical changes in the class rate set-up throughout the country. [fol. 2396] The reasoning with regard to Virginia and West Virginia, for the separation of the South Atlantic group—and I have set them up as a separate group—was that they correspond roughly to the Pocahontas lines. Delaware, Maryland, and the District of Columbia seem to be more closely related in all respects to the northern states than to the Atlantic states to the South. Minnesota, Iowa and Missouri are the three states lying between the Mississippi River and the Missouri River. They are to a very large extent served by the same railroads that serve the Western Trunk Line territory west of the Missouri River, but their general economic set-ups differ quite materially from the states west of the Missouri River. In this set-up in my exhibit they are combined with the states of Ohio, Indiana, Illinois, Michigan, and Wisconsin, which are ordinarily referred to as the East-North Central group. Professor McCarty and Professor Bentley, in a later exhibit, will present data showing the homogeneous character of the territory covered by the group. Pages 1 and 2 of the exhibit are intended to give a general picture of the relative extent to which the general economy of the various states depends upon manufacture, agriculture, and mineral extraction. The figures for minerals are understatements, inasmuch as it was an impossibility to get data for certain minerals, such as sand and gravel, and other minerals which are not covered by the Mineral Year Book statements.

[fol. 2397] There probably are some duplications in the figures as between the three groups of industries and to avoid that as far as possible I have used for manufacturers, the value added by manufacture rather than the value of manufactured products. For the reason that there are duplications, the totals given in columns 3 and 4 are not really true totals. They are really inserted here for the purpose of getting the percentage distribution between the three separate groups of industries. The per capita figures in column C should not be taken as an increase of income as regards the various territories.

Pages 3 and 4 serve the same general purpose. I have used here the three, what I considered basic occupations and also have added transportation and communication. That is in columns J and K. Frankly, I believe columns J and K could just as well have been combined with all others, inasmuch as transportation, retail and wholesale trading and occupations of that kind, I consider in a general way as industries or occupations superimposed upon the basic industries.

Chairman Aitchison: Now, that is something that might look all right in the World Almanac, but what conclusion is the Interstate Commerce Commission to draw from it?

The Witness: This is to show a picture of the general economic set-up of the country, Mr. Chairman. I think that has a bearing on the issues in this case.

[fol. 2398] Chairman Aitchison: How is it to sway our judgment? What is it to show?

The Witness: I do not care to go into argument.

Chairman Aitchison: No, but we are entitled to know, it seems to me. You are an expert. You qualified as such. We are entitled to know what conclusion you wish us to draw from these statistics.

The Witness: The rate structure of a territory has to be drawn out, to my notion, in accordance with the general economy of the territory.

Chairman Aitchison: Now, does this show what the situation is in the territory you are interested in, in these four states, compared to the rates, or what conclusion can you draw?

The Witness: The main interest or primary interest is manufacturing.

Mr. Porter: May I interrupt right there, Mr. Chairman, to ask a question?

Chairman Aitchison: Yes.

By Mr. Porter:

Q. Does it show, for example, that the territory for which you are speaking is more nearly comparable in economic development and economic activity than the territory, for example, south of the Ohio River?

A. Yes.

Q. And west of the Missouri River?

[fol.2399] A. I think it does, Mr. Porter.

Q. All right. Will you proceed.

A. There were numerous classification changes in the classification of occupations as used in the 1920, 1930 and 1940 censuses. For that reason the absolute drop for any particular region has to be considered in connection with the corresponding drop or change for the entire country. Pages 5 to 7 show general statistics of manufactures with the percentage reduced to a per capita basis on pages 6 and 7.

Chairman Aitchison: Do you draw any inference from those which has any bearing on this case we are trying here?

The Witness: The same way I explained before, Mr. Chairman. That is, these territories for which I am speaking have a heavy interest in manufactures and it is my view that the transportation pattern, or the rate pattern for a territory should take into consideration the general economics of the region. I do not believe that data on pages 5 to 7 requires any further explanation.

Chairman Aitchison: All right. Proceed.

The Witness: In connection with pages 8 to 12, I want to call your attention to a correction that should be made. Columns D F and E relative to wages, value of products and values added by manufacture should all bear the notation that the amounts are in thousands rather than absolute figures. In other words, taking the United States for [fol. 2400] 1939, under wages the amount is given as nine million. It in reality is nine billion. The same applies to value of products. Then the next figure is 56 billion and values added by manufacture is 24 billion.

Com. Splawn: Do you show the character of your manufacturing, whether it is heavy goods, products moving on commodity rates, or finished goods moving on merchandise rates?

The Witness: Not in this connection, Mr. Commissioner. Later on I have divided the railroad traffic in that way, but as to the general statistics of manufactures, it would be very difficult; it is probably possible, but it would be very difficult to make that separation. It would be a long detailed job.

Com. Splawn: Are you undertaking to show a similarity between Illinois, Indiana and Ohio with all of Official Territory?

The Witness: I am showing a general picture for the entire territory from the Missouri River to, roughly, the Buffalo-Pittsburgh line as a single group, Mr. Commissioner. In other words, it is Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa and Missouri combined.

Com. Splawn: Now, within that area, we have much of the manufacturing of the heavy goods of the country, have we not?

The Witness: We have, yes, sir.

Com. Splawn: Does your exhibit throw any light on how [fol. 2401] the manufacture of goods that move on class rates in that area compares with simlar production of manufactured products in other areas?

The Witness: Not this portion of the exhibit, Mr. Commissioner, which is the statistics of manufactures proper. Later in the exhibit I do break the railroad traffic up between what you might call the main bulk commodities and commodities which move on or are influenced by class rates.

In other words, later on I use the distinction, or the appendix 2 list in the proposed order for traffic study as the dividing line between the main or bulk commodities, and those of a class rate nature. I do not believe pages 8 to 12 require any further explanation.

Mr. J. R. Bell: Mr. Chairman, may I ask one question there so I can follow this testimony?

Chairman Aitchison: Yes.

Mr. J. R. Bell: In a number of places in your exhibit you have columns entitled "Wage Earners".

By Mr. J. R. Bell:

Q. Will you state whether or not included in the term "wage earners" is everybody earning a wage? That is the same as the population wage earners, is it not?

A. I am not sure I understand your question, Mr. Bell. It does not include the total personnel of the manufacturing industries inasmuch as executives and officials are excluded. On the other hand it is not anywhere near as broad as the [fol. 2402] general classification of wage earners because it is only the persons engaged directly in manufacturing as reported in connection with the individual industries.

Mr. J. R. Bell: All right.

The Witness: For it is the summation of what is reported in connection with the individual industries.

Chairman Aitchison: Mr. Schreiber, if you are only going to take 45 minutes, you will have to speed it up.

The Witness: I am perfectly willing to cut it as short as possible.

Chairman Aitchison: Proceed.

The Witness: Page 13 is entirely drawn from the preceding 12 pages. It shows the changes for the various parts of the United States and the percentage that each district is of the United States. In that connection I might say it minimizes the changes inasmuch as if I used each individual district, the amount of production, say, in 1929 compared with 1939, you would get a very large figure, in a number of instances as high as 30, 40 or 50 per cent, but the amount of manufacture in that district might be very small. Here it would show as a very small change since it is expressed in per cents of the United States.

Pages 14, 15 and 16 trace for each state and state groups the percentage changes from 1930 to 1940 in population and from 1929 to 1939 in value of manufactured products, whole-[fol. 2403] sale sales and retail sales. The footnote on page 16 explains how the index columns E, I, M and O are derived. In order to take account of the national change which might be due entirely to changes in price levels rather than quantity, it was necessary to make some adjustment for easy comparison. That is accomplished here by using the United States change as 100 per cent and then dividing the changes for each of the individual states or state groups by the percentage change for the United States. In other words, instead of having compared Maine which showed that the 1939 was 82 per cent of the amount for 1929 with the 80.7 relationship for the United States, the United States is reduced to a 100 per cent basis and then the others are in proportion thereto.

Mr. McCollester: May I ask one question?

Chairman Aitchison: Mr. McCollester.

Mr. McCollester: On page No. 14, in the right hand column, the heading appears to be "Per cent of 1930". Does that mean "1929", since the districts seem to be comparing 1939 with 1929?

The Witness: It should be 1929, yes, sir. The population data is for 1930 and 1940 and all of the other data is for 1929 and 1939. Thank you for calling my attention to that, Mr. McCollester. The same error occurs on page 15 in the last column, for the first half, the top half of the page but not for the second half.

[fol. 2404] Mr. Commissioner Splawn, this next portion of the exhibit I think takes up what you had in mind, a breakdown as between the main commodities and other commodities, commodities of a class rate nature. On pages 13 to 32, inclusive, I think it is, there is shown for the individual railroad districts and regions——

Mr. Porter: Page 17.

The Witness: Yes.

Mr. Porter: I think you misspoke.

The Witness: Pages 17 to 32 show for the United States as a whole and for the individual railroad districts and regions the tonnage originated for the three years 1928, 1929 and 1930, compared with like data for 1938, 1939 and 1940, giving us a ten-year spread. As stated before, in appendix 2 of the proposed traffic study order of this proceeding, there were listed certain commodities which were to be given a different type of analysis in the traffic study than were those commodities which were considered as carried on class rates, or else influenced or carried in part on class rates or influenced by the class rate structure. I show here all of the items carried in the manufactures and miscellaneous sub-totals as they are carried in the commodity statistics in the standard publications of the Interstate Commerce Commission. I show in addition other manufactured articles, breaking them up as between those which were and those which were not included in the [fol. 2405] appendix 2 list. Third, or last, I show other products of such a nature that they are influenced by the class rate structure, and that were not included in appendix 2. Then on page 20 for the first group which happens to be the United States, Eastern District and Southern Region, I show a summation of those. Under the caption in the left hand margin, "G", I show all of the items, a summation of the various groups which roughly gives the total manufactures and under "H" a summation for all commodities not appearing in appendix 2.

In that connection I would like to say that I consider the variations here for the individual commodities as probably of more moment than the changes for groups as a whole. First, with respect to a number of commodities, weight is not a measure of the general importance of the commodities, and here weight is the factor, the main factor. Second, a number of commodities move partly on class rates and partly on other rates. In some parts of the country they might move on one and in other parts of the country on another.

Pages 33 to 36 are general statistics, commodity statistics. I do not believe they require any explanation except to call your attention to my second list there where I use a total for all traffic excluding iron ore and coal. The idea in excluding iron ore and coal was not because those items were not entitled to just as much consideration as others, [fol. 2406] but only because there is a wide variation as between carriers in the way in which they report traffic delivered to or received from docks as regards whether they are reported as traffic originated or traffic received from connecting carriers and vice versa as regards the terminated. Pages 37 to the end of the exhibit are set up corresponding to that I used for railroad districts, dividing the traffic of the country as between main bulk commodities and commodities influenced by the class rate structure.

In this connection I might state that pages 37 to 52 inclusive deal with originated tonnage and pages 53 on deal with terminated tonnage.

By Chairman Aitchison:

Q. Please refer to page 33, Mr. Schreiber.

A. 33?

Q. Yes.

A. All right.

Q. The first section is tons originated and the second section is tons terminated, and then you have "Total Terminal Tons", which is the aggregate of the two. What significance does that have?

A. Mr. Chairman, my notion of traffic density is, when we are considering traffic density, that we ought to consider not only the ton miles per mile of road, but also we should consider the terminal tons per mile of road. I think that should have just as much weight as the ton miles per mile.

[fol. 2407] Q. Frankly, I never heard of the term "Terminal Tons". I never heard the term used before. When did it get into the parlance?

A. I was under the impression that Dr. Edwards had used it.

Q. Perhaps he did. What is it, anyway?

A. Terminal tons——

Q. It means one ton twice, does it not?

A. The terminal ton is simply a ton originated or terminated and both originated and terminated, it is two terminal tons.

Q. In other words, it is simply the sum of the originated plus the terminated?

Com. Alldredge: One ton carried, then, might become two tons when it is terminated?

The Witness: When you are dealing with the United States, you presumably would have it counted twice as both originated and terminated. That might not apply to the separate districts, however. If it originated in one district and terminated in another, it would be counted as an originated ton in the one and as a terminated ton in the other.

Chairman Aitchison: You mean then you do not attach any significance to it as related to the districts?

The Witness: Yes, I do.

Chairman Aitchison: Why?

The Witness: In other words, it is a measure of traffic density in the same nature as ton miles per mile of road [fol. 2408] are. Does that answer your question, Mr. Commissioner?

Chairman Aitchison: I presume it does, but it does not mean much to me.

Mr. Porter: I would like to ask you this question, Mr. Schreiber.

By Mr. Porter:

Q. It represents, does it not, the terminal handling either by originating or terminating and then by both, of the tons of traffic of these several classifications?

A. Yes.

Q. Or descriptions?

A. Yes.

Q. In other words, if you have two terminal tons, as you call them, it really means two terminal handlings of the one ton of freight?

A. It does, yes, sir.

Q. Just as the ton miles of transportation per miles of line represent something with respect to the amount of service performed by the railroads, these terminal handlings likewise reflect service performed by the railroads that is not reflected in the ordinary traffic density showing?

A. That is correct, Mr. Porter. Perhaps I might use an illustration of what I had in mind. Take Wyoming where there is probably little traffic originated or terminated, but there is a heavy ton mileage.

[fol. 2409] Mr. Hollopeter: May I ask one question right there?

The Witness: Pardon me, Mr. Hollopeter. Just one second and I will be through.

Chairman Aitchison: Take Duluth, where they get double the amount that flows over the docks, both ways.

The Witness: I am afraid, Mr. Chairman, that I did not get your question.

Chairman Aitchison: I say, take Duluth, for instance, where you have the originated and terminated and originated again all in Minnesota, where the ore flows out. That is three.

The Witness: You would have that if you considered the lake lines as well as the railroads. So far as your movement of iron ore is concerned, you have your iron ore originated primarily in the State of Minnesota.

Chairman Aitchison: And terminated?

The Witness: No. Only a portion of it is terminated in Minnesota. The Duluth & Iron Range delivers its coal at docks in Minnesota. The Great Northern delivers its—I mean, iron ore. The Great Northern delivers its iron ore at docks in Superior. Now, as a matter of fact, the Great Northern, if I recall correctly——

Chairman Aitchison: I am trying to get this simply. I am not fencing with you.

The Witness: I understand.

[fol. 2410] By Chairman Aitchison:

Q. For example, iron ore that moves over the Duluth, Missabe & Northern, terminates in Duluth, does it not?

A. That delivers its iron ore in Duluth.

Q. All right. It originated out at Hibbing.

A. Yes.

Q. That is one.

A. Yes.

Q. It terminates in Duluth. That is two.

A. Yes.

Q. Then if it goes out on a lake carrier, that is three.

A. It would not appear here, though, any data with relation to lake carriers.

Q. Suppose it was bunker coal of a common carrier.

A. No. It would not appear. Data with respect to lake transportation is not included in here.

Mr. McCollester: Would it be terminated traffic even for the rail lines?

The Witness: The point I was trying to bring out before is that the carriers are very inconsistent. In spite of the fact that a large portion of the traffic, after it is moved over the lakes, never moves beyond the lake port, nevertheless it is reported by the Great Northern, I think, not as tonnage terminated at Superior, but as tonnage delivered to connecting carriers. As a result, that is the reason why [fol. 2411] you have an unbalanced total for tonnage originated and tonnage terminated for the country for individual commodities, that and other considerations of a like nature.

Chairman Aitchison: Tonnage originated or terminated in Canada throws it out of balance too.

The Witness: Yes. There are other considerations beyond this dock tonnage, but this dock tonnage is the big item.

By Mr. Hollopeter:

Q. What accounts for the difference between your tons carried and the terminal tons, Mr. Schreiber? You have quite a difference there.

A. Well, presumably if you had all of your traffic perfectly reported for the United States, the terminal tons would be just double the number of tons carried.

Mr. McCollester: Not if you take into account traffic going to Canada or Mexico.

The Witness: I think the portion of that is so small you can forget that.

Mr. Hollopeter: Well, would your tons——

The Witness: I was speaking as a practical matter, not theoretically.

By Mr. Hollopeter:

Q. Would your tons carried include both the tons originated and tons terminated or not?

A. They cover the same traffic, Mr. Hollopeter. Take a ton of iron ore, for instance. It is reported. I will change that. Take a ton of grain. It is reported as a ton originated. [fol. 2412] It is reported also as a ton terminated because it has some terminal, we will assume, in the United States. So we have two terminal tons for that, or two terminal handlings, and it would also be included as a single ton in the reports of the total tons carried.

Q. What my question was directed to was this: Taking the figures on your exhibit, page 33, if you will look at them, the total tons carried is not the sum of the two figures of tons originated and tons terminated.

A. It practically never could be. There is a consideration in there which I——

Q. Do the upper figures include some non-revenue tons or do they not?

A. No, sir. They all relate to revenue tonnage. There is a consideration in there, when you get down to the various districts, and for that matter it would go all the way through, and that is this: Tonnage might be reported twice, the same ton might possibly be reported twice as originated and terminated by several railroads.

Chairman Aitchison: It seems to work the other way.

The Witness: Only if they were reported correctly, that would not be the case.

Chairman Aitchison: You seem to have about two hundred billion, two hundred million tons more than originated or terminated.

[fol. 2413] Mr. McCollester: How about rail-water traffic? It would be originated for a railroad, and if these are only railroad statistics, it would not appear as terminated anywhere, would it?

Chairman Aitchison: At the dock.

The Witness: Yes.

Mr. McCollester: No, because it is delivered to another carrier.

The Witness: The explanation of why the total revenue tons carried is not approximately one-half of the total terminal tons carried is that the total tons carried are reported by the individual carriers and this is a summation of the amounts carried by the individual carriers, whereas presumably in the terminal portion an intermediate carrier would not have any terminal handlings at all, but it would report, if an intermediate or bridge carrier carried the traffic—in other words, if a railroad carried traffic as a bridge carrier, it would not be reported as either tonnage originated or terminated, but it would be reported as tonnage carried. I am afraid I was a little dense. Thank you for calling that to my attention, Dr. Edwards.

Mr. Porter: Is your question answered, Mr. McCollester?

Mr. McCollester: Yes.

The Witness: Now, I want to call your attention to the fact that the mileages used in connection with pages 37 on, [fol. 2414] do not exactly correspond to the tonnage data. I was unable to find any statement of the actual mileage within the individual states. In lieu of getting the actual mileage of class 1 carriers which is what the tonnage represents, I had to use something of a substitute therefor, and the only statement of mileages by states that was fairly complete for all states was the one carried in the Statistics of Railways in the United States, Table 3 on page 6 referring to the 1939 report. I used there the sum of the mileage owned by class 1 carriers, by class 2 carriers and class 3 carriers plus the mileage owned by non-operating companies. It was impossible to distribute the mileage owned by non-operating companies between classes 2 and 3, so I took the summation of all four and it produced a slight distortion. I think there were 233,000 miles as I have used them for the entire country, 9,000 miles of which represent class 2 railroads and a little over 3,000 miles class 3.

Chairman Aitchison: Of course, it is too late to correct that here, but I think an explanation of that sort ought to have been in the exhibit rather than orally. Don't you think so, Mr. Schreiber?

The Witness: It would have been preferable, yes. I agree with you.

Chairman Aitchison: It would help very much if that could be done by others who are preparing exhibits. Let the [fol. 2415] exhibits be self-explanatory.

The Witness: That is all I have to offer in connection with this exhibit.

Chairman Aitchison: Is there anything further, Mr. Porter?

Mr. Porter: Nothing further on direct.

Chairman Aitchison: Do you offer your exhibit?

Mr. Porter: Yes. If you please.

Chairman Aitchison: Is there any objection to the receipt of Exhibit 119 in evidence? (No response.) There being no objection, it is received.

(Exhibit 119, Witness Schreiber, received in evidence.)

Chairman Aitchison: Is there any cross-examination? (No response.) Apparently not. You may stand aside.

(Witness Excused.)

Chairman Aitchison: Mr. McCarthy I believe was next You may proceed, Mr. Davidson.

Mr. Davidson: Will you be sworn, please, Mr. McCarty.

Chairman Aitchison: Raise your right hand.

R.Y. 192

749458
Sup. Ct.

Vol. V

TRANSCRIPT OF RECORD

(Pages 3009 to 3566)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. V

INDEX

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
Harold H. McCarty	2415	3009
Harry F. Sundberg	2426	3016
George M. Cummins	2443	3027
C. R. Smith	2451	3032
L. R. Bitney	2457	3036
O. A. Radke	2489	3056

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCT. 24, 1946.

—7298

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
E. F. Malaney	2520	3075
Edmund A. Nightingale	2522	3076
Homer M. Adkins	2542	3087
Clarence Ford, Jr.	2568	3104
Frank B. Townsend	2594	3120
John R. Davy	2628	3140
Ivan A. Sherman	2638	3147
C. E. Schreiber (recalled)	2652	3156
R. J. Laubenstein	2699	3185
J. C. Huntting	2713	3194
M. D. Perry	2718	3198
R. F. Bohman	2723	3201
R. F. Bohman (resumed)	2734	3207
W. M. Dyer	2746	3214
Charles K. Umbarger	2779	3235
C. F. Jackson	2795	3246
Dabney T. Waring	2845	3276
Charles K. Umbarger (recalled)	2950	3342
G. F. Tally	2952	3343
Charles Gilsten	2960	3348
O. L. Doud	2974	3357
Robert H. Smith	2985	3364
E. L. Hart	2989	3366
Charles V. Hanlon	2991	3368
A. J. Ribe	3024	3389
L. A. Gossage	3082	3424
A. J. Ribe (recalled)	3089	3028
C. E. Wiuell	3105	3438
William W. Glenn	3148	3464
Joseph M. Wells	3153	3468
N. W. Ford	3164	3475
A. H. Ferguson	3171	3479
William J. Russell	3190	3491
George E. Mace	3201	3499
Samuel H. Williams	3207	3503
Ford K. Edwards (recalled)	3209	3505
Ford K. Edwards (recalled)	3235	3520
George B. Robinson	3253	3531
T. W. Van Meter	3287	3552

HAROLD H. MCCARTY was sworn and testified as follows:

Direct examination.

By Mr. Davidson:

Q. Will you give the reporter your full name and occupation, please, Mr. McCarty?

[fol.2416] A. My name is Harold H. McCarty. I live in Iowa City, Iowa. I am associate professor in the college of economics of the State University.

Q. How long have you been associate professor in the college of economics of the State University?

A. I have been engaged for 19 years in teaching and research in economics and geography.

Q. How long have you been associate professor in that department?

A. Four or five years.

Q. Have you written or published any books or pamphlets in connection with the subject of your teaching?

A. Yes. I have made several studies concerning manufacturing in Iowa and the Middle West. I have also written a book on the economic geography of the United States, a text book.

Q. Of course you are familiar with these proceedings, dockets 28300 and 28310, are you not?

A. Yes.

Q. You know something about the purpose of them?

A. Yes.

Q. In connection with these proceedings were you asked to do some research work with regard to the economics in the Middle West?

A. Yes, sir.

Q. Have you prepared either yourself or under your [fol. 2417] direction or in connection with your associates an exhibit for presentation in this case?

A. Professor Bentley and I have prepared an exhibit of maps and tables.

Mr. Davidson: May this exhibit be given a number, Mr. Chairman?

Chairman Aitchison: This exhibit will be marked for identification as Exhibit No. 120.

(Exhibit 120, Witness McCarty, marked for identification.)

By Mr. Davidson:

Q. Your exhibit has been marked for identification, for the record, as No. 120. I will ask you to refer to that, please, and briefly explain the various maps that are contained therein together with the data in the back of the exhibit, if you will, please.

A. Our purpose in preparing these maps was to show in as much detail as possible, geographically, the economic development of the 12 states indicated on the title page.

Chairman Aitchison: Professor, the thing we are interested in is having it shown with as little detail as possible.

The Witness: We believe we have a minimum number of maps, but the distribution geographically is localized as far as we can get it.

By Mr. Davidson:

Q. Your first map is a population map, is it?

[fol. 2418] A. Yes. All of these are conventional dot maps.

Q. Showing the 12 states in the central part of the United States?

A. That is correct.

Q. Each dot——

Chairman Aitchison: We are able to read a dot map, Mr. Davidson.

Mr. Davidson: Very well.

By Mr. Davidson:

Q. The explanations are on the bottoms of each of the maps, are they not?

A. That is correct.

Q. Showing the relative proportion of the dot to the value or to the quantity, is that correct?

A. That is correct.

Q. Now, is there anything else that you want to say in the way of explanation with regard to these maps, other than what is shown on the bottom?

A. I believe they are self-explanatory.

Chairman Aitchison: Do you draw any inference from them?

Mr. Davidson: I am going to ask him that.

By Mr. Davidson:

Q. Going back to the statistical data in the back of the exhibit, there appears to be some 350 commodities shown there with regard to these states, that are manufactured in these states, is that correct?

A. Are you referring now to page 11?

[fol. 2419] Q. Yes.

A. Yes. That is a detailed breakdown of the manufacturing and industries reported by the census for the 12 states.

Q. The purpose of it is to show in detail figures with regard to manufactures in corroboration of the maps on the preceding pages?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Now, I am going to ask you this question, particularly with respect to the State of Iowa, and also for these other states:——

Chairman Aitchison: Just a minute, please, Mr. Davidson.

Mr. Davidson: Yes.

Chairman Aitchison: Have you checked up with Mr. Schreiber's exhibit to see whether or not they correspond?

The Witness: They appear to be comparable.

Chairman Aitchison: Proceed.

By Mr. Davidson:

Q. You are familiar, are you not, with the Western Trunk Line rate territory as prescribed by the Interstate Commerce Commission?

A. Yes, sir.

Q. You are also familiar with Central Freight Association Territory as prescribed by the Interstate Commerce Commission, are you not?

[fol. 2420] A. Yes.

Q. And likewise with zone 1 of Western Trunk Line territory?

A. Yes.

Q. Now, Professor, from the studies you have made, you and Professor Bentley, as shown by this Exhibit No. 120 and from the maps and data contained therein, is there anything to indicate any pronounced differences economically between zone 1 of Western Trunk Line territory and Central

Freight Association territory east of the Mississippi River?

A. There are no pronounced economic differences along those lines.

Q. That is the purpose of this Exhibit No. 120, is it not?

A. It is.

Mr. Davidson: You may cross-examine.

Chairman Aitchison: Is there any cross-examination?

Mr. Hughes: One question.

Cross-examination.

By Mr. Hughes:

Q. Is it correct to say that you have confined your studies in Exhibit No. 120 to what you define as economic differences?

A. Yes. They would all classify as economic differences.

Q. You have not made any corresponding study of what are usually referred to as transportation conditions which would bring the railroads into the picture?

A. No, not in this study.

[fol. 2421] Mr. Hughes: That is all.

Chairman Aitchison: Is there anything further?

Mr. Bee: I would like to ask one question.

Chairman Aitchison: Mr. Bee.

By Mr. Bee:

Q. Professor, did I understand you to say that this study indicates no differences between Eastern territory and zone I of Western territory?

A. No. I intended to say that the lines or boundaries in existence do not marked the significant differences between the territories.

Q. Now, let us look at pages 11, 12 and 13, Professor.

A. Yes.

Q. Take Ohio as in Eastern territory and Missouri as in zone 1 territory.

A. Yes.

Q. Is there a marked difference between the number of manufacturing establishments in those two territories?

A. I would not deny that there are great differences as among the states, but I do not believe that the existing boundaries correctly define the extent of those differences or geographic extent of those differences.

Q. Where will we get the boundary that will describe it definitely?

A. I am afraid that is a problem for the Commission.

Q. Do you know the boundaries of zone 1 territory in [fol. 2422] Western Trunk Line?

A. Yes.

Q. Would you say that there are as many manufacturing industries located, area considered, in zone 1 of Western Trunk Line territory, as there are in Eastern territory that you have depicted on your Exhibit No. 120?

A. There are not as many manufacturing concerns, I believe, in zone 1 territory.

Mr. Bee: Yes.

By Mr. Bee:

Q. Are they as high type manufacturing concerns as the manufacturing concerns you show east of the Mississippi river?

A. By "high type", you mean adding more value?

Q. Yes.

A. In general those west of the Mississippi are not as high type.

Mr. Bee: Thank you very much. That is all.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Professor, if there is any discrepancy between your orally expressed opinion and the statistical showing made by the exhibit and the maps contained in the exhibit, I assume you would agree, would you not, that the exhibit should control being the source of the data?

A. Yes, sir.

Q. For example, will you look at the map, page 10, value [fol. 2423] of manufacturing products.

A. Yes.

Q. Would you want your statement to the effect that there is no economic difference between Central territory and the four states in zone 1 of Western Trunk Line territory to be construed as correctly descriptive of Missouri in relation, we will say, to Ohio?

Chairman Aitchison: He said, pronounced economic difference.

Mr. McCollester: That may be the difference, Mr. Chairman.

Chairman Aitchison: He did not say "any difference".

The Witness: Neither did I say, or neither was I comparing one-half of this territory with the other half. I was rather objecting to the boundary that might be drawn between the different territories.

By Mr. McCollester:

Q. Then you would not take into your description of the zone 1 territory that you consider has no pronounced differences between it and Central Freight Association territory, that part of Missouri lying west of St. Louis?

A. I would not base any conclusion on any single map.

Q. So far as manufacturing products are concerned, the conclusion I have stated would be required, would it not, by your own statistics?

A. Quite true.

[fol. 2424] Q. I beg your pardon?

A. Quite true.

Q. Similarly, when you consider Minnesota, the only portion of Minnesota that is comparable with Ohio would be the region of the Twin Cities so far as manufacturing is concerned?

A. Yes, sir.

Q. Similar comments could be made on most of the other maps shown in the exhibit, is that not correct?

A. No.

Q. Except that when we talk about butter and eggs, perhaps——

A. You would get different groupings in different maps.

Q. From the standpoint of buying income, map No. 2, you certainly would not say, would you, that all of Missouri is comparable with Ohio, Indiana or Illinois?

A. No, sir.

Q. From the standpoint of density of population, may 1, neither is all of Missouri comparable with the Central Freight Association states?

A. That is true.

Mr. McCollester: That is all.

By Mr. Davidson:

Q. With respect to the questions directed to you in connection with zone 1 of Western Trunk Line territory, the statements you have made and the testimony you have given were directed to a comparison of the territories as a whole, is that not true?

[fol. 2425] A. That is correct.

Q. Some of these other maps show various types of industry and agriculture, and how they predominate in the respective territories, and other types of commodities, is that not true?

A. That is right.

Q. The one you have been directed to here on cross-examination as being manufacturing alone does not show the entire picture, does it?

A. No.

Q. That is only a small integral part of the entire economic picture of this territory?

A. Yes.

Q. Is that true?

A. That is right.

Mr. Davidson: That is all.

Mr. J. R. Bell: I have one question.

Chairman Aitchison: Mr. Bell.

By Mr. J. R. Bell:

Q. Are these maps in your exhibit drawn to scale?

A. Yes, sir. These maps are drawn to scale. They are maps from the United States Department of Agriculture.

Chairman Aitchison: Is there anything further, Mr. Bell?

Mr. J. R. Bell: No.

Chairman Aitchison: Are there any other questions of this witness? (No response.) You are excused.

(Witness excused.)

[fol. 2426] Mr. Davidson: I want to offer in evidence Exhibit No. 120.

Chairman Aitchison: Without objection, it is received.

(Exhibit 120, Witness McCarty, received in evidence.)

Mr. Davidson: Now, for the purpose of the record, Professor Bentley who is a professor for the Iowa State College at Ames, Iowa, who prepared the agricultural maps, is here for cross-examination on Exhibit No. 120 if anyone so desires.

Chairman Aitchison: Does anyone desire to cross-examine Professor Bentley? (No response.) Apparently not. Call your next witness.

Mr. Davidson: Mr. Sundberg, please.

Chairman Aitchison: Raise your right hand and be sworn.

HARRY F. SUNDBERG was sworn and testified as follows:

Direct examination.

By Mr. Davidson:

Q. Will you give the reporter your full name, please, Mr. Sundberg?

A. Harry F. Sundberg.

Q. Your residence and occupation, please.

A. Cedar Rapids, Iowa. I am manager of the Chamber of Commerce Traffic Bureau at Cedar Rapids.

Q. How much experience have you had in traffic work?

[fol. 2427] A. I have had 43 years of traffic experience, 10 of it with various railroads and 33 with the present organization.

Q. Are you familiar with these proceedings, dockets 28300 and 28310?

A. Yes, I am.

Q. Have you had experience with cases, perhaps with not as wide a scope as this, but with territorial rates involved and interterritorial rates involved?

A. Yes. I have participated in many cases dating back 25 years, in which this class rate structure has been involved. I am proud to have been associated with such men as Clifford Thorne, Dwight Lewis, Judge Henderson, Walter McCornack and Mr. Wagner.

Q. For the record, for whom do you appear in this proceeding?

Chairman Aitchison: Is that not your state?

Mr. Davidson: Yes. I will say that he is speaking for interior Iowa.

Mr. Hughes: We cannot hear you, Mr. Davidson.

Mr. Davidson: Mr. Sundberg is appearing here speaking for what has been generally recognized as interior Iowa.

Chairman Aitchison: Proceed.

By Mr. Davidson:

Q. Will you state what that territory is for the record, Mr. Sundberg?

A. I am speaking on behalf of the interior Iowa cities because we have a situation where the eastern border of [fol. 2428] Iowa is in Official territory as to some of these rates and in Western Trunk Line territory as to others. Therefore I am not in a position to speak for the Mississippi River cities.

Mr. Davidson: We will have a witness who will, however.

By Mr. Davidson:

Q. Now, will you state what important railroads serve Iowa and where the terminals are?

A. Beginning at the north, we have the Milwaukee Railroad with terminals at Milwaukee and Chicago on the east end and at the Missouri River on the west end. I will go through these hurriedly. We have the Illinois Central with a terminal at Chicago on the east end and at Sioux City, Council Bluffs, and Omaha on the west end.

Chairman Aitchison: We will take judicial notice of the railroads and their locations.

Mr. Davidson: All right.

By Mr. Davidson:

Q. What is and what has been the relative rate level within Iowa in intrastate and interstate commerce?

A. The Iowa intrastate rates have always been related to the rates in adjoining states, particularly in Illinois; and therefore the state rates have never been on the so-called Western Trunk Line zone 1 basis. So far as intrastate traffic is concerned, the rate level has been comparable with what has been referred to here as the Central Freight Association scale.

Q. How is Iowa related to the western states?

[fol. 2429] A. As to the Western territory, we are in Western Trunk Line zone 1 on interstate traffic and we must pay the interstate zone 1 scale.

Q. Now, are you familiar with the general business of Iowa both manufacturing, retail, wholesale, agricultural and so forth?

A. I am.

Q. Will you state whether or not Iowa could confine its business of all these types to its own states and states west of the Missouri River?

A. No. It cannot confine its business to the states nor can it confine its business to the western states. We have developed manufacturing in interior Iowa whose trade is in the entire United States and a substantial export business. Therefore we are very much concerned about the interterritorial rates involved in this proceeding.

Q. And the Iowa-Illinois relationship also?

A. Yes.

Q. Is the Mississippi River a natural transportation boundary line or obstacle, or what is its function, if you know, in this rate structure?

A. The Mississippi River should have no bearing, in my opinion, in this case as a borderline. I started to define the railroads that operate through Iowa for the purpose of bringing out that there are no terminals along the Mis- [fol. 2430] sissippi River opposite Iowa. The only terminals that are along the Mississippi River are at the Twin Cities to the north and at St. Louis to the south and there is an expanse of over 500 miles without any railroad terminals. Yet the Mississippi River from Dubuque to St. Louis is arbitrarily used as a territorial line.

Q. Now, if the borders are necessary, and maybe they are, what do you have to say with regard to the interior or near cities to the Mississippi River? I have reference now to the bridge arbitrary formula.

A. I do not favor any territorial groupings for this class rate adjustment, but if there are to be any territorial boundaries set up, they might more properly be at the Missouri River. However, there are important cities near the Missouri River that should be accorded equitable rates.

Q. You are from Cedar Rapids, are you not?

A. Yes.

Q. You are familiar with the competitive shipping problems there, I assume?

A. I am.

Q. Is Cedar Rapids a representative Iowa city, would you say?

A. Yes. I would say it is.

Q. What is the effect of the inequalities with regard to the shippers in Cedar Rapids, if any exist?

A. Well, we have many transportation problems because [fol. 2431] we have developed manufacturing that must seek trade in the entire United States and particularly in the East where the heavy population exists. Now, for example, take machinery: We have five nationally known machinery manufacturers in Cedar Rapids who ship their products largely in carloads. Their competition is mainly in Illinois, Indiana, Ohio and Michigan, and some competition further east than that. Now, we have other manufacturers I could enumerate, which would make a long list here. For example, we have brass goods and hardware articles all of which have competition in this Eastern territory which has to be considered in the marketing of these products.

Q. Do you know whether or not the carriers have any difficulty in segregating Iowa from Illinois in the movement of traffic?

A. Yes. I think they do. I would like to call attention to the fact that the Illinois Freight Association tariff which names the rates within Illinois is made to apply through eastern Iowa as far west as Oelwein, Cedar Rapids and Ottumwa, then following the Wabash down to St. Louis. In other words, eastern Iowa, that part is considered very proper for operating purposes at the Illinois Freight Association rate level. I would just like to mention how that discriminates against us. For instance, take Dubuque to St. Louis: The first class rate is 98 cents for 318.4 miles, short line.

[fol. 2432] **Chairman Aitchison:** To where?

The Witness: To St. Louis, Dubuque to St. Louis. From Cedar Rapids to St. Louis, almost paralleling the service, the rate is $1.09 for a short line distance of 290 miles. In other words, we are penalized 11 cents per 100 pounds for being 28 miles closer. Now, that is entirely due to this arbitrarial territorial line set up at the Mississippi River. It has no foundation in rate-making that I can see, from more than 30 years of experience.

By Mr. Davidson:

Q. Is not the purpose of the arbitraries on many occasions defeated?

A. Yes.

Q. Could you explain that, or give us an illustration of that.

A. The Commission attempted in the former case to help eastern Iowa by setting up a scale of bridge arbitraries, but they are not related to either the eastern or western scales and therefore result in total rates which are all out of harmony with the competition that exists nearby.

Q. Are commodity rates involved?

A. The tariffs provide that the bridge arbitraries may be added to either class or commodity rates, but very often that is defeated because the carriers have set up a scheme of minimum rates based on classification ratings which remove the commodity rate from calculation and we have called their attention to the fact that the Commission said [fol. 2433] the minimum rate might be the applicable rate on the traffic, but they go outside and reach into the classification and take an artificial class rate to defeat the combination.

Q. Do the official lines make rates to and from Iowa?

A. That is the trouble. You see, the official lines do not publish rates either eastbound or westbound beyond the Mississippi River, yet we have traffic moving in competition with the rates that are in effect east of that borderline. Therefore when we calculate our rates, we first have to go to the classification to find out what the class rate is and then try to break it down by the best combination we can find; and when we are deprived of that bridge arbitrary in that calculation, it works a hardship on the interior Iowa shipper.

Q. What is the effect of the combination rates?

A. Well the combination rates, I think, ought to be out of the picture entirely. I have said this before: They are like an embolism or a blood clot in the stream of commerce.

Q. Is there anything further you want to add about that? Could you give an example of a bridge arbitrary on commodity rates?

A. Yes. I can give you an example.

Q. Please do so.

A. We have molding sand moving from the State of New York to Cedar Rapids for brass foundry purposes. The commodity rate from that New York point to Davenport [fol. 2434] is $4.73. We are compelled to add the full local rate from the Mississippi River to Cedar Rapids in order to get a through rate, a combination of two commodity factors. We are compelled to do this because the bridge arbitrary is defeated because the fixed class minimum rate is 50 cents per hundred pounds or $10 per ton and it is simply out of the picture. Although we have tried to get the Eastern Trunk lines to waive the class minimum on that traffic, they have denied that and we are still paying combination rates.

Q. It is not your position, is it, Mr. Sundberg, that increase should be made in Iowa and the Mississippi River states?

A. No.

Q. That is not your position at all?

A. We are not asking for any increase to the Mississippi River points, but merely pointing out that it is an unnatural and artificial boundary line.

Q. The competition, anyway, is east of there, is it not?

A. Yes, it is.

Q. Have you prepared an exhibit to illustrate how severe the present rate inequalities are?

A. Yes. I have prepared an exhibit.

Q. That has been distributed, has it not?

A. Yes.

Mr. Davidson: May we have this exhibit given a number, please, Mr. Chairman?

[fol. 2435] Chairman Aitchison: It may be marked for identification as Exhibit No. 121.

(Exhibit 121, Witness Sundberg, marked for identification.)

By Mr. Davidson:

Q. Your exhibit has been marked for identification as Exhibit No. 121, Mr. Sundberg.

A. Yes.

Q. I will ask you to make whatever explanation you think is necessary with regard to this Exhibit No. 121.

A. I believe the exhibit is self-explanatory. The purpose of it is to disabuse the minds of anyone that the interterritorial class rates from the East to and from interior Iowa are about 125 per cent of the so-called official basic scale. I have undertaken to show here, for instance, on page 2, the rates from Chicago. The overhead rate is $1 which is 119 per cent of the Central Freight Association scale for that distance, but the purchasing power of that $1 rate in Official territory represents 146.1 per cent service. In other words, the purchasing power of our dollar is greatly diminished as compared to what it will buy in C. F. A. territory. Without going into detail, I might merely say that pages 2, 3, 4, 5 and 6 are like calculations, but using different origin points. Now, we feel that this is a pretty heavy burden to load onto a state that joins onto Official territory. It illustrates what we are complaining about, that our shippers cannot [fol. 2436] expand their trade area with such a handicap on them every day of the week.

Now, on page 7 is a chart to just graphically show what that situation is, using the Indianapolis first class rates. Briefly the chart shows that the rate we pay should purchase service from Indianapolis into Central Iowa as far as Des Moines, Iowa Falls, Mason City and so forth and in the reverse direction, the Cedar Rapids shipper in paying that rate should reach destinations as far as Dayton, Ohio, Toledo, Ohio, Cincinnati, Ohio, and Detroit, Michigan. Now, pages 8 and 9 show similar information and a similar situation, but using the rates from Southern territory, from and to Southern territory, and the same Iowa points. There we find, for instance, on page 8 that the Birmingham-Cedar Rapids rate of $2.17 is 140 per cent of the official scale but in purchasing power it is 171.2 per cent. If you will notice those percents in the right hand column, they are really staggering, and I think that bears out very strongly that there should be a removal of the rate barrier lines at the border points.

By Chairman Aitchison:

Q. With respect to page 9, are you able to find a haul of 1900 miles in Official territory?

A. I would not say there could be such a move. It merely shows what the result is.

Q. Well, could you find the smallest figure there, 1,450?

A. On page 8?

[fol. 2437] Q. On page 9.

A. Page 9?

Q. Yes.

A. No. There would be no distance from eastern Iowa; there probably would be from western Iowa to New England.

Q. That is *now* what your heading says. Your heading says, "Purchasing power within Official of interterritorial rate". I am asking if there is any haul within Official of 1,450 miles.

A. The scale is extended that far. I am not in a position to say that anything would move that far from Iowa.

Q. Iowa is not within Official, and your head says "Within Official".

A. Yes.

Q. Is there any 1,450 mile movement in Official territory?

A. I do not believe there would be, within the territory.

Q. Then what does this mean?

A. It is comparing the official rate that is prescribed for that distance with the rate we pay between Iowa and the southeast.

Q. If there is not any movement for 1,450 miles, then we might as well take the distance to the moon.

A. Well, I do not believe so. I think a mere comparison of a rate, distance for distance, does not tell the story. If we could go back, for a moment, to the Official territory com- [fol. 2438] parison, I believe I could illustrate how that works. We have a power shovel manufacturer at Cedar Rapids that has considerable trade in Central Freight Association territory. They must compete with a manufacturer at Milwaukee who gets more service for his dollar than we do, and therefore our trade area is diminished which is harmful to Cedar Rapids and to the State of Iowa.

Q. If you tried to ship 1,450 miles from Cedar Rapids, you would probably run out at the Atlantic Coast way before you reached 1,450 miles.

A. I suppose you would. I could have used points in Kentucky and confined the mileage within Official territory, and the results would have been very similar.

Q. In other words, there is a maximum mileage within Official territory which can be used?

A. That is right.

Q. And you have disregarded that?

A. I have followed the scale that is published.

Q. The scale does not apply to that distance, and that is like trying to find the square root of a minus quantity.

A. I do not know why the Commission allowed the lines to publish them for that distance, if there is no traffic to move, but they are in the tariff.

Q. We could not prevent it very well.

A. They are in your own reports, Mr. Chairman, for those [fol. 2439] distances.

Q. Well, does it mean anything or doesn't it?

A. I do not imagine there could be any such movement, according to my understanding of the mileage in Official territory. I do not think there would be any service on that length of haul, but the Commission published rates for those distances. That is, they prescribed rates for those distances.

Chairman Aitchison: Have you anything further, Mr. Davidson?

Mr. Davidson: One further question.

By Mr. Davidson:

Q. Is there any explanation you wish to make of Section 2 of this exhibit?

A. Section 2 can be very quickly explained. It is a reproduction of the 1939 census of manufactures as published by the Bureau of Census, Washington, D. C. The map, the first page, is merely to identify the counties that are used in the following pages. An analysis would show that the cities along the Mississippi River do not raise the average for the State of Iowa. The greater manufacturing density is at the interior points. I am not trying to belittle the Mississippi River cities when I say that, but merely to point out that the Mississippi River does not add to our showing. In former cases we were criticized because we included cities like Dubuque, Davenport, Clinton and Burlington in the Iowa showing because they are in Official territory, yet they [fol. 2440] are in Western Trunk Line territory on western traffic. Therefore we felt that we had a right to include them in our showing, but they do not bolster up the showing for the state as a whole. For instance, the eight counties along the Mississippi River from Dubuque south show a total manufacturing value of $128,837,625. Taking the eight interior counties where the cities are located as shown in the exhibit, the total manufacturing is $414,037,982, or more than three times the value of the eight counties along the river.

Q. Does that complete your explanation of the exhibit?

A. I believe that is all.

Q. Have you anything further that you want to state for the record, Mr. Sundberg, in connection with your testimony?

A. I would like to add this, that the rates from Iowa to Western territory are on a level too high for the good of the community, but our relationship with the cities in the Western territory is on a more favorable basis than our relationship with Eastern territory, even though the rate levels in the West are higher.

Mr. Davidson: That is all on direct, Mr. Chairman.

Chairman Aitchison: Do you offer your exhibit in evidence?

Mr. Davidson: I offer Exhibit No. 121 in evidence.

Chairman Aitchison: There being no objection, it is received.

[fol. 2441] (Exhibit 112, Witness Sundberg, received in evidence.)

Chairman Aitchison: Is there any cross-examination?

Mr. Plunkett: I have one or two questions.

Chairman Aitchison: Mr. Plunkett.

Cross-examination.

By Mr. Plunkett:

Q. Mr. Sundberg, will you turn to page 2 of your Exhibit No. 121.

A. Yes.

Q. I want to see if I understand correctly how you arrived at the purchasing power within Central Freight Association territory. Take the first example which is rates between Chicago and Cedar Rapids, Iowa.

A. Yes.

Q. As I understand it, the $1 is the going rate from Chicago to Cedar Rapids, is that right?

A. That is the rate in effect prior to Ex Parte 148.

Q. The distance is 219 miles?

A. That is the short line distance.

Q. The rate under the C. F. A. scale for 219 miles is 84 cents?

A. Yes.

Q. Is that correct?

A. Correct.

Q. The ratio of $1 to 84 cents is 119, is that right?

A. That is right.

[fol. 2442] Q. Now, in the next to the last column, 320 miles is the distance for which, under the C. F. A. scale, the rate is $1, is that right?

A. That is right.

Q. Then you have taken the ratio of 320 to 219 and arrived at 146, is that right?

A. That is correct.

Q. So 146 represents the rate of progression under the C. F. A. scale between 219 miles and 320 miles, is that right?

A. No. It represents the amount more of service that can be bought in C. F. A. territory for that dollar.

Q. It does represent the rate of progression between 219 miles and 320 miles under the C. F. A. scale then, does it not?

A. Yes.

Q. But the ratio of the rate of $1 to the rate of 84 cents, both for 219 miles, is 119?

A. That is correct.

Mr. Plunkett: That is all.

Chairman Aitchison: Are there any other questions of Mr. Sundberg? (No response.) Apparently not. You are excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until 2 o'clock.

(At 12:30 P. M. recess taken to 2:00 P. M.)

[fol. 2443] Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock P. M.

Chairman Aitchison: Shall we proceed.

Mr. Davidson: Mr. Cummins.

George M. Cummins was sworn and testified as follows:

Direct examination.

By Mr. Davidson:

Q. Mr. Cummins, will you please give your name, your place of residence, and your occupation, for the record.

A. My name is George M. Cummins. My residence is Davenport, Iowa. I am traffic commissioner for the Davenport Traffic Bureau, Chamber of Commerce of Davenport, Iowa.

Q. How long have you been engaged in traffic work?

A. For approximately 36 years.

Q. Have you had any other employment in traffic work, other than that with the Traffic Bureau of the Davenport Chamber of Commerce?

A. Yes, sir, I have. For 12 years prior to my employment with the Davenport Traffic Bureau I was engaged in traffic and accounting work with various railroads.

Q. For approximately the last 24 years, then, you have been engaged as you are at the present time?

A. Yes, sir.

[fol. 2444] Q. Now, Mr. Cummins, have you had prepared, or have you yourself prepared, an exhibit to be presented in this proceeding?

A. Yes, sir.

Mr. Davidson: If the Commission please, may we have Mr. Cummins' exhibit identified at this time.

Chairman Aitchison: I want to compliment the witness on having his name put on the cover page of the exhibit.

The Witness: Thank you, sir.

(Exhibit 122, Witness Cummins, marked for identification.)

By Mr. Davidson:

Q. Mr. Cummins, I will ask you now to proceed to give such explanation as you feel may be necessary for a thorough understand of your Exhibit No. 122 for identification.

A. First, may I state that I appear here on behalf of the Davenport Traffic Bureau, and the Upper Mississippi River Cities Association. The Upper Mississippi River Cities Association is a voluntary organization embracing the cities of Dubuque, Iowa; Clinton Iowa; Bettendorf-Davenport, Iowa; Rock Island, Illinois; Moline, Illinois; East Moline, Illinois; Muscatine, Iowa; Fort Madison, Iowa; Burlington, Iowa, and Keokuk, Iowa. All of those cities are located either on the west bank or the east bank of the Mississippi River; those in Iowa, on the west bank of the Mississippi River; and those in Illinois on the east bank of the river. In connection with the named cities in Illinois, they, [fol. 2445] together with Bettendorf and Davenport, Iowa, constitute what is known as the Tri-Cities; and I would like to give for the record now a few facts in connection with the geographical and operating situation relative to the Tri-Cities.

Q. Proceed.

A. The cities on the Illinois side of the river, embracing Rock Island, Moline and East Moline—and there are also some smaller communities over there, such as Silvis, Milan, and Carbon Cliff—are in what is known as the Tri-Cities area. The Rock Island Railway, for example, has its breakup yard at Silvis, Illinois, and in so far as that railway is concerned, the Tri-Cities, both on the Illinois side and on the Iowa side of the Mississippi River, are treated as one operating terminal. Trains are broken at Silvis, and the distribution or picking up of the cars is performed in switching service. With respect to the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, the breakup yard of that line for the Tri-Cities, is in Davenport, that yard being known as their Nahant yard. At that point practically all of the cars are broken out of the through trains, or put into through trains, for the entire Tri-Cities area, and likewise handled in switching service. The Commission has recognized the Tri-Cities as one industrial or commercial area, in the Western Trunk Line Class Rate Case, reported in 164 ICC 1, in that case grouping the Tri-Cities as one area for ratemaking pur- [fol. 2446] poses. In various other cases, such as Bituminous Coal Rates in the State of Illinois, again the Commission found the Tri-Cities to be one industrial area. Therefore in considering Davenport, for example, or Bettendorf, Iowa, we must not forget that they are a part of the same industrial area, known as the Tri-Cities, and we should also include the Illinois cities, on the Illinois side of the river, as well. Now very briefly, my Exhibit 122 for identification, consisting of four pages, shows traffic densities, that is, the ton miles of revenue freight per mile of road, for the various class-1 railroads serving the State of Illinois, broken down first as to individual railroads; secondly, as to the State of Illinois; and thirdly, as to the entire line. I have shown totals and averages for Eastern lines, Western lines and Southern lines. The years 1941, 1940 and 1939 are put into the record to show the situation within the last three years; and on the fourth page, for the year 1927, in so far as the figures for the State of Illinois are concerned, they are the figures that I submitted in the Eastern Class Rate Investigation, Docket No. 15879. The purpose of breaking down the traffic densities in the manner in which I have, first, by separating the State of Illinois from the entire line, and then by assembling the figures for the Eastern lines, Western lines and Southern lines, was because, in the Eastern Class Rate Investigation just referred to, the tentative report of the Commission [fol. 2447] held that the northern section of Illinois, north of the Illinois River and the line of the Atchison, Topeka & Santa Fe Railway from Chicago to Joliet, Illinois, should be plussed by the Appendix-F arbitraries, which were approximately 10 per cent higher than the C. F. A. scale—or rather, which resulted in rates which were approximately 10 per cent higher than the basic C. F. A. scale. The figures shown on page 4 of the exhibit were submitted to the Commission at the hearing after the tentative report was issued, and resulted in eliminating any arbitraries for the northern section of Illinois. The northern section of Illinois is served by the Western railroads generally,—that is, north and west of the Illinois River; and south of the Illinois River, by the Eastern lines; and my exhibit shows that the condition that existed in 1927, still continues to exist today, namely, that the traffic density, judged by ton miles per mile of road, for the Western railroads serving the northern section of Illinois, is in excess, and considerably in excess, of the traffic density, tested by similar units, for the Eastern railroads serving the southern section of Illinois; and that the traffic density of the Western railroads in northern ~~Illinois is very~~ close to the average of the Eastern railroads for their entire system,—those railroads serving Illinois.

Q. Have you anything further, Mr. Cummins?

A. I believe that is all.

[fol. 2448] Q. Might I ask you this further question, please. Are you prepared to say whether or not most of the traffic in northern Illinois is bridge traffic, so called,—that is, traffic that is going further west than the boundary of Illinois?

A. Well, I have no specific figures at hand, with respect to that, but from my general knowledge of the situation I can say that there is a large portion of that traffic that would originate or terminate in northern Illinois territory, destined to or coming from points west of Illinois, or beyond Illinois; and in addition, there is a large volume of what might be termed or considered as overhead traffic, which neither terminates nor originates in the State of Illinois.

Mr. Davidson: At this time, if the Commission please, I offer Witness Cummins' Exhibit No. 122 for identification, in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 122, Witness Cummins, received in evidence.)

Mr. Davidson: I tender Mr. Cummins for cross-examination at this time.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. J. R. Bell:

Q. Mr. Cummins, I notice in your Exhibit 122 you give as authority the annual reports of the carriers to the Illinois Commerce Commission.

[fol. 2449] A. Yes.

Q. Does the Illinois Commerce Commission prescribe some basis, or formula, upon which it requires the railroads in the State of Illinois to report ton miles of revenue freight and ton miles per mile of road?

A. I am not familiar with it, if they do.

Q. The reason I ask you that question, Mr. Cummins, is that I am familiar with certain arbitrary requirements, as I might call them, of certain western states, respecting the reporting of the proportion of revenue that would be assigned to those states.

A. Well, I am familiar with that, yes, sir, but revenue has not been included in any of my figures.

Q. I understand, and that leads me to inquire of you what the requirement is, with respect to that formula, if you know.

Chairman Aitchison: Well, Mr. Bell, can we not shorten it,—unless you just want to show the witness up. Are you now asking him about something that you yourself know?

Mr. Bell: No, Mr. Chairman; I do not know. Does anybody know?

The Witness: It is my understanding—pardon me.

Mr. Bell: I am not trying to show the witness up. I merely wanted the record to show, if he was able to answer the question. I am not trying to show him up.

Chairman Aitchison: Well, why not ask him what infor-[fol. 2450] tion he has, derived from an actual study of individual movements.

Mr. Bell: Can anybody answer the question? (No response.) Apparently not.

The Witness: I think that what you have reference to, Mr. Bell, is the apportionment of revenues, and perhaps certain costs. There is a certain formula, yes, sir.

By Mr. Bell:

Q. Let me ask you this question, please, Mr. Cummins: Do you know whether or not the Illinois railroads actually keep any such statistics as ton miles of revenue freight, or ton miles per mile of road, separated as to the State of Illinois?

A. I do not know, sir.

Q. Now there is another notation there, where you have certain asterisks, or stars, and below, it says "Average."

A. Yes.

Q. Is that a simple average, adding up the column ahead of the starred number, and then dividing by the number of items in the column?

A. No, sir. That is a weighted average.

Mr. Bell: That is all.

Chairman Aitchison: Are there any further questions? (No response.) You are excused, Mr. Cummins.

(Witness excused.)

Mr. Davidson: Mr. Smith.

[fol. 2451] C. R. SMITH was sworn and testified as follows:

Direct examination.

By Mr. Davidson:

Q. Mr. Smith, will you please state for the record your full name, your residence and occupation.

A. My name is C. R. Smith. My residence is Waterloo, Iowa. I am manager of the Waterloo and Cedar Falls Traffic Association.

Q. How long have you held that position?

A. For the past six years.

Q. Prior to that time in what business were you engaged?

A. Prior to that time I was assistant manager of the Chamber of Commerce Traffic Bureau of Cedar Rapids, Iowa.

Q. How long have you been engaged altogether in traffic work?

A. 31 years.

Q. Mr. Smith, have you prepared or caused to be prepared an exhibit for presentation in this proceeding?

A. Yes, sir.

Mr. Davidson: At this time, if the Commission please, may we have Mr. Smith's exhibit marked as No. 123 for identification.

(Exhibit 123, Witness Smith, marked for identification.)

By Mr. Davidson:

Q. Mr. Smith, have you also prepared a brief written statement explaining your Exhibit 123 for identification?

[fol. 2452] A. Yes, sir.

Q. That has been distributed, has it?

A. It has.

Q. Do you desire to make any statement for their record, other than what is contained in your written statement?

A. No, sir.

Mr. Davidson: For the purpose of brevity, if the Commission please, at this time I will offer Mr. Smith's Exhibit 123 in evidence, together with the written statement accompanying the same, which has been distributed, requesting that the statement be copied into the record, if that is agreeable.

Chairman Aitchison: Is there any objection to the written statement of Mr. Smith being copied into the record? (No response.) Without objection, that will be done.

(The statement is as follows:)

The Waterloo and Cedar Falls Traffic Association is a non-profiting organization which was organized in 1936. The membership is composed of jobbers, manufacturers and retailers, they believe they are entitled to a level of class rates comparable with Official Classification Territory.

Waterloo and Cedar Falls, Iowa, are located in Black Hawk County, Waterloo is the county seat and has a population as of 1940 of 58,579 and Cedar Falls population 9,349. The Federal census figures of the Waterloo defined city limits are 51,743. The Chamber of Commerce figures for greater Waterloo for the year of 1941 are 60,696. These [fol. 2453] figures include unincorporated villages which border Waterloo, Iowa. My Exhibit No. 123 on pages 2 to 7, inclusive, shows the industrial manufacturers of Black Hawk County which includes industries located at Cedar Falls, Dunkerton, Gilbertville, Hudson, La Porte City, and Waterloo, Iowa. This exhibit shows that Black Hawk County is industrial and leads all other counties in Iowa, based on industrial payrolls, number of employees, value of the product according to the most recent tabulation made by the United States Department of Commerce. Waterloo, Iowa, exceeds all other cities in Iowa in manufacturing diversified commodities.

Manufacturing located in Black Hawk County provide additional transportation due to the fact that raw material is purchased in Eastern territory and the finished product shipped back into that territory. It is necessary for Black Hawk County industries to meet competition located in Eastern territory. Pages 11 to 15 inclusive of my Exhibit No. 123 show a partial list of industries located in both Waterloo and Cedar Falls, the principal articles manufactured, the normal number of employees and the kind of raw materials received and where from, and where the finished product is shipped to, by states or territory shipped to and where their principal competitor is located with respect to destination, state and territory.

[fol. 2454] Pages 8 to 10, inclusive, shows statistics of Waterloo, Iowa, which includes the population trends of

Waterloo from 1890 to 1940, inclusive, with the percentage of increase. The population figures for 1890 to 1930 are the Federal census, the 1940 population figures are actual population figures for greater Waterloo, Iowa, according to the listing shown in the City Directory of Waterloo.

The industrial figures shown on page 8 and statistics shown on page 9 and 10 depicting public utility users, financial resources, city improvements, transportation, shipping facilities, building permits, valuation of Waterloo, and Educational Facilities are statistics for year 1940.

The statistics show that Waterloo has made some strides in industrial growth, population, city improvement, industrial and home buildings. Waterloo and Black Hawk County are entitled to a level of rates on class rate traffic, comparable with Official Classification territory, Waterloo and Cedar Falls are only 93.3 and 99 miles respectively from and to the western boundary of Official Classification territory.

The level of class rates between the Official Classification territory and Iowa does not permit Iowa industries to purchase interterritorially for the same money the miles of transportation their competitors in Official Classification buy. The present level of first class rates between Waterloo and Cedar Falls on the one hand, and Indianapolis, [fol. 2455] Indiana, on the other hand not including the Ex Parte 148 increases, provides overhead rates of $1.35 and combination based 96 cents to Davenport; 37 cents beyond or $1.01 to Dubuque, 32 cents beyond. These factors to and from the Mississippi River are published in compliance with findings 22, 204, I. C. C. 595. The mileage between Indianapolis and Waterloo, Iowa, is 415 miles as shown on page 691 of the Sixth Supplementary Report 17,000, Part 2. The first class rate $1.33 between Indianapolis, Indiana, and Waterloo, Iowa, in Official Classification territory purchases 580 miles transportation which is equivalent to the distance from Indianapolis, Indiana, to Omaha, Nebraska; or from Waterloo to Ripley, Ohio.

We therefore believe that the interterritorial class rates between Iowa and Official territory should not exceed those within Official territory, and that between the south and Iowa, the class rate level should not exceed that which may be prescribed between the South and Official territory.

By Chairman Aitchison:

Q. Mr. Smith, what you are trying to show here is the situation of the manufacturers of Cedar Falls and Waterloo.

A. Yes.

Q. And the source of their competition.

A. Yes, sir.

Q. Drawing what inference?

[fol. 2456] A. Pardon, your Honor?

Q. And from that, then, I say, you draw what inference?

A. The purpose is to show that our manufacturers have competition to meet, and to show where the raw materials are produced; also to show where they ship their finished products, and where the competition is located.

Mr. Davidson: I think the last paragraph of your statement, Mr. Smith, answers the question of the Chairman,—does it not?

The Witness: Yes, sir.

Mr. Davidson: Mr. Smith is now tendered for cross-examination, your Honor.

Chairman Aitchison: Cross-examine. (No response.) You are excused.

Mr. Davidson: I have offered the exhibit in evidence, your Honor. May the record show that it is received?

Chairman Aitchison: Without objection, Exhibit 123 is received.

(Exhibit 123, Witness Smith, received in evidence.)

(Witness excused.)

Mr. Davidson: If the Commission please, I may have one other witness whom I will request to put on later. For the present, however, that concludes our presentation.

Chairman Aitchison: With the reservation just made, [fol. 2457] then, that concludes, as I understand it, the Iowa presentation. We will turn now to Minnesota.

Mr. Radke: If the Chairman please, Mr. Bitney and I are here for the Minnesota Commission. Mr. Bitney is ready to proceed.

Chairman Aitchison: Come forward, please.

L. R. **Bitney** was sworn and testified as follows:

Chairman Aitchison: Do you have counsel representing you?

The Witness: No, Mr. Chairman.

Chairman Aitchison: Then you may just proceed in your own way, first stating your name, place of residence and occupation.

The Witness: My name is L. R. Bitney. I am statistician for the Minnesota Railroad & Warehouse Commission, which position I have occupied since 1923. For eight years prior to that time I was statistician for the Board of Railroad Commissioners of the State of South Dakota.

Mr. Plunkett: If the Commission please, I shall be very glad to shorten the matter by waiving Mr. Bitney's qualifications, having known him for many years.

Chairman Aitchison: I think that is sufficient. You may proceed with your main statement, then, Mr. Bitney,

The Witness: Preliminary to an explanation of the statis- [fol. 2458] tical tables appearing in the six pages of my exhibit——

Chairman Aitchison: Just a moment, Mr. Bitney. We have no exhibit.

The Witness: It was presented at Indianapolis.

Chairman Aitchison: I am very sorry, but if you want us to follow it, you will have to produce some copies.

The Witness: Very well, your Honor. I have some additional copies here.

Chairman Aitchison: Thank you. We have them before us now, and you may proceed.

The Witness: May the exhibit be marked at this time, if you please, Mr. Chairman, with the next number in order.

Chairman Aitchison: 124.

(Exhibit 124, Witness Bitney, marked for identification.)

Chairman Aitchison: Proceed.

The Witness: I desire first to call attention to the fact that, inclusive of passenger service and less than carload deficits, including a 4 per cent return, the level of the cost scales developed by Dr. Edwards and presented in his exhibit No. 3 for all lines situated in Western Trunk Line territory, is approximately 3 per cent higher than is the general level of rates in the entire Eastern district,—that is, the entire Eastern district exclusive of New England

and northern Illinois. Now, in this proceeding, it is our contention, as it was in I. C. C. Docket No. 17,000, part 2, [fol. 2459] that the operating costs and the rates of return earned by the railroads operating in Minnesota, and other states in the eastern section of Western Trunk Line territory, are more than 3 per cent less than is the general average for the entire Western Trunk Line territory; and also that, if confined to those states, the average level of service costs would be less than in the Eastern district. The six pages of my Exhibit 124 for identification have been designed to show the more favorable operating costs in the State of Minnesota, and in the four states of Minnesota, Iowa, Wisconsin and Missouri. Turning first to page 1 of the exhibit: Page 1 is a statement showing the operating revenues, operating expenses, and net railway operating income derived from freight and allied service operations, by eight Northwestern region carriers for the calendar years 1926, 1939, 1940 and 1941. I have set forth the results for the year 1926 for the reason that the average operating revenues of these Northwestern carriers in 1926 were within one per cent of the average for the eight-year period for 1922 to 1929. Under the Minnesota gross income tax law, 100 per cent of the revenue derived from intrastate traffic, that is, the transportation of intrastate traffic, is assigned directly to the state; and the revenue derived from interstate traffic is prorated to the state upon a mileage prorate basis. On the other hand, all of the expenses incurred in the maintenance and operation of terminals situated in the State of [fol. 2460] Minnesota, are allocated to the state; and the fact that the main terminals of the Great Northern, Minneapolis & St. Louis, Soo Line and Northern Pacific lines are situated in the State of Minnesota, makes it evident that in so far as terminal costs are concerned, the amount so assigned is adequate. Attention it also directed to the figures appearing in the bottom section of the page, showing Minnesota to entire system percentage ratios. For the total mileage operated by the eight systems referred to in 1941, 17.5 per cent were situated in Minnesota, whereas the Minnesota revenue was 21 per cent of the system revenue; expenses 19.9 per cent; and net railway operating income 23.9 per cent. Now, a calculation shows that on a per mile of road basis, the average net income of the eight carriers for Minnesota is 36 per cent higher than is the average for the remainder of the eight systems situated outside the State of Minnesota.

Referring next to page 2 of the exhibit: A recheck of the returns shown on this page of the exhibit discloses a typographical error, which I wish, with the permission of the Commission, to correct at this time, in line 26, column 4, for the year 1940. The average haul in miles there shown is 171.69, which is in error. The same should read 179.69. The statistics appearing on page 2 of the exhibit deal with the same Western Trunk Line carriers that are included on page 1 and sets forth the freight and allied service ex- [fol. 2461] penses, the number of revenue ton miles, and average expenses per revenue ton mile for entire system operations, and operation in the State of Minnesota. Taken as a whole, the decidedly more favorable operating condition in the State of Minnesota are evidenced by the results shown for the year 1941, and similar information shown for the other years. For the eight carriers, the entire system average haul, as set forth in line 29, is 255 miles, compared with an average haul of only 127 miles on the lines situated in Minnesota. On the other hand, the average freight service expense per revenue ton mile, as set forth in column 13, is .6740 for the system, and .648 for Minnesota—that is, cents. In other words, the average expense per revenue ton mile is 26 mills less than is the entire system average—that is, the average expense per revenue ton mile for Minnesota—regardless of the fact that the average haul is only 127 miles, for 50 per cent of the system.

Turning next to page 3 of the exhibit: The returns on this page show the ratemaking values, net railway operating income, and rates of return for 13 Northwestern region railroads, all or a portion of which are lines situated, in whole or in part, in Minnesota. The returns set forth on this page of the exhibit are separated so as to show results from all service operations, and from freight and allied service operations, for the calendar years 1939, 1940 and 1941.

Referring next to page 4 of the exhibit: The purpose of [fol. 2462] the returns set forth on page 4 is to show the more favorable operating conditions on the lines situated in the states of Minnesota, Wisconsin and Iowa, than those which prevail on the lines comprising the balance of the eight Northwestern region railway systems named in the caption. Of the 50,325 miles of road operated by the eight carriers in 1941, 18,912 miles, or 38 per cent, were situated in the three states named, and approximately 17,000 miles, or 34 per cent, in the other six states comprising Western Trunk Line territory. The more favorable transportation conditions, and operating results came from operations, of the eight systems within the three states, as contrasted with the entire system operations, are indicated by the ratios of the three states to the entire system which appear in columns 8, 9 and 10. For example, for 1941 the ratio set forth in column 10 shows that the mileage situated in the three states was 37.58 per cent of the total system mileage, whereas the net railway operating income derived from operations in the three states was 46.62 per cent; the revenue tons originated was 46.51 per cent; and the number of tons terminated was 48.99 per cent,—the latter figure indicating the greater volume of terminal services rendered within the three states as contrasted with the system as a whole. The tons originated per mile of road were 23.77 per cent greater than the entire system average, and the tons terminated were 30.35 per cent greater than was the entire system aver- [fol. 2463] age. Now, while the factors which are cited there are not as satisfactory and conclusive as are cost service scales, such as those presented by Dr. Edwards, nevertheless, they are sufficient to indicate beyond any question of doubt that operating conditions and service costs in the three states are materially more favorable than are the operating conditions and service costs on the lines situated in the other states in Western Trunk Line territory.

Turning now to the next page, page 5, of the exhibit——

By Chairman Aitchison:

Q. Just a moment, please, Mr. Bitney, before you leave that. Do I correctly understand that a comparison is being made here simply of operations throughout the remainder of Western Trunk Line territory?

A. No, Mr. Chairman. The comparison is made with operations for the entire system, on page 4.

Q. That is what I thought.

A. Yes.

Chairman Aitchison: I think you rather misspoke yourself in the answer you made just a moment ago. Will you go back, please, Mr. Reporter, and read the latter portion of Mr. Bitney's previous answer.

(The record was read.)

By Chairman Aitchison:

Q. Do you want those words "in Western Trunk Line territory" to remain in there?

A. Why, I would say, Mr. Chairman, in Western Trunk [fol. 2464] Line territory, and for the balance of the system, for the reason that, as to three of these railroads, a large proportion of their mileage situated outside of Western Trunk Line territory, is located out in the mountainous regions where the service costs are approximately double what the service costs are in Minnesota.

Chairman Aitchison: Continue.

The Witness: Page 5 of the exhibit shows the average number of miles operated, and the freight passenger traffic density, for each state, situated in whole or in part in Western Trunk Line territory; also the total for all states in the Western District. To show the difference in traffic density and revenue in the different portions of Western Trunk Line territory, and in Southwestern territory, I have segregated the states into four groups. Group-1 includes the State of Illinois only; group-2, the states of Minnesota, Iowa, Wisconsin and Missouri, comprising the eastern portion of Western Trunk Line territory; group-3, the five states comprising the western part of Western Trunk Line territory; and group-4 includes the four states situated in Southwestern territory. The revenue ton miles and freight revenue per mile of line are shown in the last two columns.

As there set forth, it will be noted that the revenue ton miles and the freight revenue per mile of line from Minnesota, are substantially greater than is the average for any [fol. 2465] state in Western Trunk Line territory. Compared with group-2 in which Minnesota is included, the revenue ton miles and freight revenue per mile of road exceed those for group-3 and group-4 by the following percentages,—which I should say have been calculated, and are not shown on the exhibit —: Compared with the average for the five Western Trunk Line states in group-3, the increase in revenue ton miles is 38 per cent, and the increase in freight revenue per miles of road is 80 per cent. Compared with the four Southwestern territory states in group-

4, the increase, or the difference, is 35 per cent and 31 per cent respectively.

Turning now to page 6, which is the last page of the exhibit: The returns on page 6 show the rate base values, the net railway operating income, and rates of return on total system values separately for freight and allied service operations, and for all service operations, for the calendar years 1939 and 1940, for class-1 railroads operating in each of the individual regions in the Western and Eastern districts; and for the operation of the ten railroads in the State of Minnesota. Before proceeding further, if you please, Mr. Chairman, I would like to ask leave to make a correction in the figures appearing in columns 10 and 11, in line 16, which, as they are there stated, represent the value of the railroads in question. The amount now set forth in column 10 reads 355,651, and should read 352,698. [fol. 2466] The amount of 64,559 in column 11, should read 62,319. Through inadvertence, the figures included in this line were the values as of the year 1941, instead of 1940. As the result of the changes just cited, the rates of return appearing in line 21 should be corrected as follows: 8.24 should read 8.30; 19.34 should read 20.04; and the rates of return in line 24 should be changed from 6.26 to 6.31, and from 18.20 to 18.86. The rate base valuations appearing in line 1 are based upon the original cost less depreciation, plus present value of land and rights, and working capital, as of January 1, 1940, and were taken from Exhibit No. 11 in Ex Parte No. 148. These figures were prepared by the Bureau of Valuation of the Interstate Commerce Commission, and presented in that hearing at record page 334, volume 2. Rate base values and rates of return are shown for each of the three regions in the Western and Eastern districts, and for the eight carriers operating in the State of Minnesota. From freight and allied service operations, the net railway operating income and rates of return earned in 1939 are shown in lines 5 and 6. As there set forth, you will note that the rate of return earned by all lines in the Northwestern region was 4.53 per cent, compared to the rate of return of 4.36 per cent for all lines in the Great Lakes region of the Eastern district, and 4.69 per cent for all lines in the Eastern district. From the operations of the eight lines in Minnesota, the rate of return was 7.19 [fol. 2467] per cent, and for the two iron ore lines the rate of return was 12.74 per cent. Note that corresponding percentages showing rates of return from passenger and freight services combined, or all service operations, are also shown, and a comparison of the various rates of return on that basis shows a condition not as favorable as for freight service operations only; the reason for that being that the loss from passenger service operations of those eight carriers was substantially greater than was the passenger service deficit for the lines Eastern territory.

This page of the exhibit also shows the average freight service expense per revenue ton mile for 1939 and 1940, in lines 13 and 28. Note that the average expense for all lines in the Northwestern region is less than the average expense for all lines in the Central Western and Southwestern regions of the Western district; whereas the average haul is substantially less. The most significant point that I wish to stress in regard to these ton-mile expense comparisons is the low average expense for the eight lines, from operations in Minnesota, appearing in column 10. Note that for an average haul of only 126 miles, the 1939 average expenses shown in line 13 is 7.42 mills, and that for an identical haul, the average for the New England region is 12.36 mills; and for an average haul of 168 miles, the average expense for the lines in the Great Lakes region is 8.04 mills. At the time this exhibit was prepared, we [fol. 2468] did not have available the reports and statistics of the Interstate Commerce Commission for the 1941 operations. Therefore I have prepared a statement bringing forth the same returns as are shown on page 6 of my Exhibit 124, for the year 1941; and if agreeable to the Commission, I would like to include this latter statement as page 7 of my Exhibit 124.

Chairman Aitchison: No. To avoid difficulty, we had better mark that as your Exhibit 125.

The Witness: Very well.

(Exhibit 125, Witness Bitney, marked for identification.)

The Witness: My Exhibit 125 for identification is a statement setting forth the information just described in connection with page 6 of my Exhibit 124. I would just like to call your attention to the rates of return earned in the Northwestern region as contrasted with the rates of return earned in the Eastern district. For all of the roads in the Northwestern region, which by the way include five roads that are either in the hands of receivers or in process of being taken out of the hands of receivers, it is 7.26 per cent from freight service operations as contrasted with 6.26 per cent for the Great Lakes region of the Eastern district; 6.81 per cent for the Central Eastern region; and 6.77 per cent for all regions in the Eastern district. On the other hand, from operations in Minnesota, the rate of return of the eight railroads was 9.52 per cent, and [fol. 2469] for the two Iron Range railroads, 23.33 per cent. It will also be noted that the average expense per revenue ton mile is most favorable in the Northwestern region, of any of the regions shown in the exhibit, except for the operation of the eight systems in the State of Minnesota.

That completes my explanation of Exhibits 124 and 125, Mr. Chairman, and I now offer them in evidence.

Chairman Aitchison: Is there objection?

Mr. J. R. Bell: Yes, there is an objection, your Honor. May I ask a few questions of the witness, preliminary to stating a specific objection, with respect to the values shown on page 3 of his Exhibit 124 for identification?

Chairman Aitchison: Yes.

The Witness: I am ready for cross-examination, anyway.

Cross-examination.

By Mr. Bell:

Q. Mr. Bitney, have you had any valuation experience?

A. Yes, sir, I have had, I would say, a considerable amount of valuation experience over a period of twenty years.

Q. Will you look at page 3 of your Exhibit 124 for identification, please. Do you have that before you?

A. Yes.

Q. You refer there to Exhibit No. 11, submitted in Ex Parte 148. What was that Exhibit 11; what did it show?

[fol. 2470] A. The exhibit referred to was an exhibit which showed the reproduction cost new of the railroads,—the reproduction cost new, less depreciation; the original cost; the present-day value of land and rights; and working capital.

Q. As of what time?

A. Of January 1, 1940, or December 31, 1939.

Q. As of what time?

(Answer read.)

The Witness: It showed the value, based upon original cost, less depreciation.

By Mr. Bell:

Q. Original cost, less depreciation?
A. Yes, sir, that is right. As I explained, the exhibit shows original cost as determined by the Commission. The amount of depreciation deducted therefrom was the ratio which the depreciated original cost bore to the original cost.
Q. So that, then, the figure which you have set up here is the final valuation upon which you base your computation; is that correct?

Chairman Aitchison: Just a moment. Will your read that preceding answer, please.

(Answer read.)

The Witness: I might say, I made the deduction, and not the Commission.

By Mr. Bell:

Q. That is not shown on the exhibit, is it?

Chairman Aitchison: If I may, please.

[fol. 2471] Mr. Bell: Pardon me.

By Chairman Aitchison:

Q. You mean, do you not, Mr. Bitney, the ratio of depreciated reproduction cost, and not original cost?
A. Did I say "original cost"?
Q. Yes.
A. Pardon me. I misspoke. What I meant to say was that the ratio of the depreciated reproduction cost to reproduction cost, was the ratio which I applied to the original cost, in order to depreciate the original cost.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Now on the record. Continue.

By Mr. Bell:

Q. The percentage of depreciation deducted from cost of reproduction new, you have applied to original cost, and that is your original cost less depreciation. Is that correct?

A. Yes.

Q. These figures which you have set up here as the final valuation, on which you have figured your return, are the original cost figures which you took out of Exhibit 11, in Ex Parte 148, as of January 1, 1940, or December 31, 1939. Is that correct?

A. Yes, sir.

Q. Reduced by that amount of depreciation.

[fol. 2472] A. Yes, sir.

Q. Then you have added to that the present value of land and rights as of December 31, 1939, as shown in Exhibit 11, have you?

A. Yes, sir.

Q. What did you do with the working capital?

A. The working capital also.

Q. How?

A. I added the working capital also.

Q. Now you purport here to show the rate of return for the calendar years 1939, 1940 and 1941.

A. Yes, sir.

Q. How did you arrive at the figures for 1940 and 1941?

A. By adding the net additions made by the company in 1940, less accruals in the depreciation reserve for equipment. For 1941, we used the same value as we determined for 1940.

Q. Did you say "as we determined"?

A. Yes.

Q. Whom do you mean by "we"?

A. I mean, in the manner that I have described. Statistics were not available, to show the amount of property additions for the year 1941.

Q. And you have added nothing for going concern?

A. No.

Q. You have given no consideration whatever to current [fol. 2473] cost of reproduction, less depreciation, have you?

A. No, sir.

Q. Or current cost of reproduction?

A. No.

Q. As of any time?

A. No, sir.

Q. And you have given no consideration to any change in land values as of these various years, have you?

A. Well, if I had, there would have been a reduction.

Q. Well, I say, have you given any consideration to that?

A. No, sir.

Mr. Bell: If the Commission please, the witness has not shown himself to be qualified to value these railroads; he has not shown himself to be sufficiently familiar with the properties to make page 3 of his Exhibit 124, competent; and the methods used by him are entirely incorrect. I therefore object to page 3 of his Exhibit 124, on those grounds, as incompetent, irrelevant and immaterial.

By Chairman Aitchison:

Q. Mr. Bitney, were the original cost figures which you took reported by our Bureau of Valuation?

A. Yes, sir.

Q. Are you familiar with the fact that they reflect a going property?

A. They naturally would, yes, sir.

[fol. 2474] Chairman Aitchison: Without passing upon the ultimate weight to be given it, certainly it is some support for the consideration of these figures; and the objection will be overruled.

By Chairman Aitchison:

Q. Why did you not make a deduction of depreciation before December 31, 1939?

A. Pardon me?

Q. Why did you not deduct accrued depreciation before December 31, 1939, inasmuch as you took that item under consideration thereafter?

A. Well, the reason for not doing that, Mr. Chairman—I had not thought of it, but the accrued depreciation which the Commission found, applied to all classes of property, and of course the accrual in the depreciation reserve at this time is for equipment only.

Q. Are you sure about that?

A. (Continuing.) It so happens that there was no increase in depreciation reserve, and no added amount was deducted for depreciation. The amount deducted was an insignificant sum, so far as that is concerned.

Q. Well, if you would apply to original cost, which is a determined fact, a figure derived by a consideration of cost of reproduction new, less depreciation, you would automatically wipe out all of the investment which is represented by depreciation, during construction, would you not? [fol. 2475] A. I do not just follow you there.

Chairman Aitchison: Read the question.

(Question read.)

A. Well, that would depend, Mr. Chairman, upon how the Commission determined accrued depreciation and reproduction cost new. I have simply taken the ratio which the Commission has determined, and assumed that, whatever the percentages might be, 10 per cent, 15 per cent or 20 per cent, if they found that percentage represented the accruals as of a given date, to be applied to reproduction cost new, a like percentage should apply to original cost.

By Chairman Aitchison:

Q. Well, do you disassociate the condition per cent from working reproduction?

A. No, I don't think so.

Q. Well, take a new property, which is put into operation as of today. It has taken five years to construct. By the inspection method, certain of that property, which cost 100 per cent, has been automatically depreciated by taking out the proportion of the total life which is represented by the five years. That is true, is it not?

A. Yes.

Q. In other words, then, you never can have a balance, from the first day the railroad goes into operation, between value and cost, can you?

A. Do you mean value, or reproduction cost——

[fol. 2476] Q. No.

A. —reproduction cost depreciated, compared to value?

Q. No, no. I am talking about value on the basis which you have used in your exhibit here.

A. If there is no change, at the date the valuation is made, over the prices lawfully prevailing during the period during which the property was being constructed, the result would be exactly the same, and the same percentage should apply, in my opinion, whether you use reproduction cost, or original cost.

Q. Well, I do not agre with you. Now, take the case of a new property. There are certain items in it which were constructed four years ago.

A. Yes.

Q. They necessarily were built that far in advance of the property being opened for operation. Now, when you come to make your engineering estimate on the cost of reproduction basis, if you do it as of the date the property goes into operation, you find that four years of elapsed life have gone; and if it has a twenty-year life, then it has an 80 per cent condition; that is correct, is it not?

A. Yes, sir.

Q. Although it cost 100 per cent.

A. Yes, naturally.

Q. The investment was 100 per cent, but 20 per cent has [fol. 2477] never been recouped.

A. Yes.

Q. And under your system here, which you have used in this exhibit, you write the 100 per cent down to 80 per cent.

A. In that particular instance, yes.

Q. To the extent of the depreciable property which is involved in a plant then existing, applying to the original cost an estimate of the elapsed service life automatically wipes out, without possibility of recoupment, except through dividends, all depreciation accrued during the period of construction, does it not?

A. If I follow you correctly, Mr. Chairman, that would be true where depreciation was computed on a service life basis, instead of an inspection basis,—yes, sir.

Q. Well, is that not the basis which the Commission has stated time and time again, was used?

A. Yes.

Chairman Aitchison: Is there anything further?

Mr. Plunkett: Yes, your Honor.

By Mr. Plunkett:

Q. Mr. Bitney, will you turn to page 1 of your Exhibit No. 124, please.

A. Yes, sir.

Q. What did you include in Total Operating Expenses, which is the heading for the four columns in the center of the page?

A. Total expenses include all operating expenses, taxes [fol. 2478] and rentals,—in other words, everything.

Q. That is, the freight proportion——

A. Yes.

Q. —of operating expenses, taxes and rents?

A. Yes, sir.

Q. How did you determine the freight proportion of the expenses?

A. Pardon me?

Q. Or rather, I mean, of the taxes?

A. As I believe you know, we have required the railroad companies in making their reports to the Commission since 1922, to make a complete separation of all of those items of expense. Where a company failed to make an apportionment of taxes, the amount of state taxes was allocated 100 per cent.

Q. To what?

A. To the state—or to service in the state. Federal income taxes were apportioned on the basis of net income. That is the way we apportioned them, when they were apportioned in our office.

Q. Is that the way in which you apportioned them, between freight service and passenger service?

A. Well, the apportionment between freight and passenger service is done by the companies making the reports.

Q. How do they do it? Do you specify how it shall be done?

A. No, sir, I don't believe we do.

[fol. 2479] Q. Do you require them to apportion their taxes, income taxes, between freight and passenger service?

A. Well, of course, they are required, in the report, to make a complete separation of taxes and rentals. My recollection just offhand here, without being able to refresh my memory at this time, is that we submitted to all of the carriers what is known as the Rock Island formula, which seems to be a very complete formula for the separation of expenses between freight and passenger service, and told each railroad company to use that formula unless it had a different formula which it preferred to use, instead.

Q. Well, did that formula go into the separation of income tax between freight and passenger service?

A. Oh, yes.

Q. It did?

A. Yes, sir. That is required in the reports, the annual reports to the state commission, on the forms that are prepared and furnished by the Interstate Commerce Commission.

Q. Now, Mr. Bitney, you call attention to the relatively large net railway operating income in Minnesota, as compared with the entire systems of the eight railroads to which you referred.

A. Yes.

Q. The largest net railway operating income shown is that of the Great Northern, is it not?

[fol. 2480] A. Yes, sir.

Q. Is it not a fact that that was due very largely to the iron ore traffic of the Great Northern Railway?

A. Oh, iron ore constitutes a substantial proportion of the traffic, because it is a substantial proportion of the traffic handled.

Q. How is that again, please?

A. I say, iron ore constitutes a substantial proportion of the traffic, because the iron ore traffic is a substantial proportion of all of the traffic handled.

Q. And the iron ore traffic is almost 100 per. cent in Minnesota, is it not?

A. Practically, yes.

Q. And it is handled over lines of railways that are devoted almost exclusively to the handling of iron ore traffic; that is true, is it not?

A. Oh, I would not say "exclusively", no.

Q. I say, almost exclusively.

Q. Yes, sir. They also haul grain over the same lines, of course.

Q. Do they haul any grain between Hibbing and Kelly Lake?

A. No, sir, I believe not. There are some portions of the Mesaba division over which practically the entire movement is iron ore, I would say.

Q. Yes.

[fol. 2481] A. But on the other hand there are other branches of the line over which grain does move.

Q. But those portions that are devoted almost exclusively to the handling of iron ore traffic, would not handle any class rate traffic to speak of, would they?

A. Very little.

Q. Very little, if any.

A. Right.

Q. Now will you turn, please, Mr. Bitney, to page 2 of your Exhibit 124.

A. Yes, sir.

Q. And referring to line 15, column 13,—do you have that before you?

A. Yes.

Q. The average freight service expenses per revenue ton mile for the Great Northern Railway are shown as .522.

A. Yes, sir.

Q. And in line 19, the total for the eight lines dealt with is 6.48. Is that right?

A. Yes.

Q. Now is it not true that the 6.48 figure, which is the total for the eight lines, is lower than any one of the lines, except the Great Northern Railway?

A. Yes, sir, that is the lowest.

Q. And the average was brought down by the low average [fol. 2482] of the Great Northern, was it not?

A. Yes.

Q. That again reflects the iron ore traffic, does it not?

A. Yes, sir; the iron ore, together, of course, with the grain and other traffic handled, results in a greater traffic density and lower cost on the Great Northern than on the other lines, many of the other lines being merely branch lines, extending a few miles.

Q. Is the Northern Pacific in Minnesota a branch line?

A. How?

Mr. Plunkett: Read the question, please.

(Question read.)

A. No; I didn't say that the Northern Pacific was.

By Mr. Plunkett:

Q. Well, then, is the Milwaukee a branch line in Minnesota?

A. No.

Q. Is the Minneapolis & St. Louis?

A. Yes, sir, I would consider the line that is operating in Minnesota, a branch line.

Chairman Aitchison: Louder.

A. I say, I would consider the lines that are operated in Minnesota by the Chicago Great Western, the Chicago, St. Paul, Minneapolis & Omaha, and the Minneapolis & St. Louis as—well, I do not know as you would classify them as branch lines, perhaps, but they are lines, I would say, that [fol. 2483] carry very little traffic.

By Mr. Plunkett:

Q. The main line of the Omaha Railway, from the Twin Cities westbound, runs through Minnesota, does it not?

A. Yes, sir, that is correct, but then, that is not a very heavy traffic carrying line.

Q. But it is not a branch line, is it?

A. Oh, no, sir, I would hardly say that it is a branch line. I perhaps did not use quite the proper language with respect to that, in my former answer.

Q. Now, will you turn to page 3 of the exhibit, please. The lower half of that page deals with freight service only; am I right?

A. Yes, sir.

Q. How did you apportion the ratemaking value between freight and passenger services?

A. Well, I did not make any apportionment of the value here. These rates of return are based upon the total value of the entire system in each instance.

Q. I see. The last three lines on that page deal with the return from all services, and not merely from freight service; is that correct?

A. No, sir,—or rather, I mean to say, yes, sir. They are the rates of return from all service operation—or rather, they are the net railway operating income from all service [fol. 2484] operations, and the rates of return on the entire system value. In the upper section, the net railway operating income is the net from freight service operation, and the percentage of return is on the entire system valuation.

Q. In the upper half of that page of the exhibit you show the rate of return on system value that was earned from all services; is that correct?

A. Yes, sir.

Q. And in the lower half of the page, you show the rate of return on the system value that was earned in freight service only; that is right, is it not?

A. Yes, sir.

Q. And the return from freight service is greater than that from all services, because of the passenger deficit; that is true, is it not?

A. Yes, sir.

Q. Now is the average haul in Minnesota affected by the iron ore traffic?

A. Oh, it naturally would be, yes, sir, because the iron ore traffic is a large volume.

Q. Is it a very shorthaul traffic?

A. I think that the Great Northern Railway average haul is 112 miles on iron ore, if I remember correctly, while the average haul for all traffic is 126 miles.

Q. So that when you compare the average haul in Minnesota [fol. 2485] with the system average haul, you are giving effect to these short hauls on iron ore in Minnesota, are you not?

A. Well, only in so far as the returns for the Great Northern Railway are concerned. Average hauls are also computed on the same basis for the other railroads.

Q. If the Great Northern Railway had 25 million tons of iron ore last year, that would have quite an effect upon the average of the eight lines which you have taken, including the branch lines that you spoke of, would it not?

A. Oh, naturally, the average haul—or rather, the haul for iron ore is less than the average for all other traffic, and on account of the volume being greater, it would have a tendency to reduce the average for all lines; but the average haul for all lines is also shown in this exhibit, for each company.

Q. Now on page 4, in line No. 3, you refer to Total Operating Expenses. Do you mean, operating expenses there, or do you mean, operating expenses, rents and taxes?

A. That should read "Total Expenses."

Q. And should include operating expenses, taxes and rentals?

A. Yes, sir.

Q. Now, in column 8, line 16, you show that the average number of tons of freight originated per mile of road in Minnesota was 115 per cent of the sytem; is that correct,—or rather, for Minnesota and Iowa, that is, was 115 per [fol. 2486] cent of the system.

A. Where is that?

Q. Pardon me. Column 6, line 10, that is.

A. Revenue tons originated?

Q. Yes.

A. Yes, sir.

Q. In 1940 that went up to 123.41.

A. Yes, sir.

Q. Would that be affected by the iron ore traffic that was originated in the State of Minnesota?

A. Yes, sir; on account of the increased number of tons of iron ore handled, and the iron ore haul, which I am assuming is less than that of all other traffic, it would be affected to that extent.

Q. As a matter of fact, all of your statements, where you compare Minnesota with other states, show the effect of the iron ore traffic on the Great Northern Railway, and also the D. M. & I. R., do they not?

A. No, sir. The latter is not included in this group of eight carriers. I have excluded the Iron Range roads.

Q. Turn to page 5.

A. Well, on that particular page, I do show figures for all of the companies, that is true.

Q. Yes.

A. But on the other pages of the exhibit, the returns are [fol. 2487] only for the eight Northwestern railroads, excluding the two iron ore roads.

Q. But on page 5 you do include the D. M. & I. R.?

A. Oh, yes.

Q. Now, on page 6 of your exhibit why did you include the D. W. & P.? In column 11, you have included the D. W. & P. with the D. M. & I. R.

A. That was included there for the reason that it is one of the railroads that operates up there, in the northern part of Minnesota, in the Iron Ore region.

Q. But it does not handle any iron ore, though, does it, Mr. Bitney?

A. Oh, it does not handle iron ore to any great extent, I would say, no, sir. By the way, in further answer to your question of a moment ago, about the effect of the iron ore upon average haul, traffic density, and so forth, I might call your attention to the fact that the coal transported in Illinois, and the sand, gravel and other mineral products transported by other lines, have an effect upon the average haul in other states; and, as a matter of fact, taken as a whole, the number of tons of mine products transported on these eight lines, in proportion to the total, is not equal to the proportion that is handled on the lines in the Eastern district; that is, products of mines, to the total.

Q. In addition to the Great Northern, and the Missabe [fol. 2488] Railroad, what other lines in Minnesota handle iron ore?

A. Oh, some of the other lines handle a little iron ore traffic, but not——

Q. Does not the Northern Pacific Railway handle a substantial amount of iron ore traffic?

A. The Northern Pacific, the Soo Line, and the Chicago and North Western,—their operations, of course, are in Wisconsin, but they likewise handle a little iron ore. But my point is this, that there is always so much being said about the transportation of iron ore, and its effect upon traffic density, and so forth, when we are talking about Minnesota; but when we are talking about other traffic density situations, in other sections of the country, especially in the Eastern district, no mention is made of the fact that a far greater proportion of their traffic consists of products of mines, and heavy steel products, that are transported at a very low cost.

Q. Are not the Pocahontas lines kept separate, for that reason?

A. Well, the Pocahontas lines, of course, are not the only lines that carry a large proportion or coal ~~and~~ iron products.

Mr. Plunkett: That is all.

Chairman Aitchison: Is there any further cross examination of Mr. Bitney? (No response.)

The Witness: Does the record show, Mr. Chairman, that [fol. 2489] my two exhibits are received? I offered them, I believe.

Chairman Aitchison: They have been received.

(Exhibits 124 and 125, Witness Bitney, received in evidence.)

Chairman Aitchison: You are excused.

The Witness: Thank you, sir.

(Witness excused.)

O. A. RADKE was sworn and testified as follows:

The Witness: My name is O. A. Radke. My office address is Room 401 State Office Building, St. Paul, Minnesota. I am in charge of the Rate Division of the Minnesota Railroad Commission, and have been so employed for six years. All told, I have had approximately 27 years' experience——

Mr. Olson: If the Commission please, I will admit the qualifications of the witness to testify with respect to traffic matters.

The Witness: Thank you.

Chairman Aitchison: Very well.

The Witness: My testimony will relate principally to rate and classification matters. The interest, or the position, of the State of Minnesota in this proceeding is substantially similar to that of Wisconsin, Iowa and Missouri. I have prepared an exhibit for submission in this case, distribution of which was made at Indianapolis, and I now desire to offer [fol. 2490] the same for identification.

(Exhibit 126, Witness Radke, marked for identification.)

The Witness: In the 17,000-Part 3 rate adjustment, the State of Minnesota was placed in two different rate zones, namely, zone 1 and zone 2, the dividing line starting at Duluth on Lake Superior, and following the line of the Northern Pacific Railway to Hinckley; thence the Great Northern to the Twin Cities, and the Omaha Railway through Mankato to the southwestern corner of the State of Minnesota. Page 1 of my Exhibit 126 for identification is a list of the railroads operating in the State of Minnesota, indicating the number of main roadway miles owned and operated in Minnesota as of June 1, 1942. The exhibit also indicates the number of miles operated in zone 1 and zone 2 territory; and in connection therewith I desire to call your attention to the fact that the financially sound roads, or those having adequate earnings, are those having the greater mileage in the higher rated zone. The Minnesota Commission, in authorizing only one scale of rates for intrastate application, took cognizance of that fact and also the provision of the Minnesota law which prohibits the establishment of dual or unequal rates, except when, in its judgment, it is necessary to harmonize state and interstate rates. One such situation would come about in the rates on grain into the primary market, where, if the intrastate rates were held at a lower level, the bidders on the grain would bid down the price [fol. 2491] to protect themselves on freight bills which were recorded for transit, to obtain the outbound proportional rates. Page 2 of the exhibit is a comparison of the present and Witness Jensen's suggested scales in Eastern territory and Western Trunk Line zones 1 and 2; also the present intrastate scales. The present less than carload and less than truckload scale apply throughout the entire State of Minnesota by all of the railroads and motor carriers, is the zone 1 scale prescribed by this Commission in 17,000-Part 3. [fol. 2492] The scale was prescribed by the Minnesota Commission for motor carriers in February, 1938, after which the railroads sought and obtained authority to apply the same scale of rates for intrastate application.

Chairman Aitchison: Now, that is, you say, a truckload rate or a less than truckload rate?

The Witness: Both.

Chairman Aitchison: I cannot hear you. That last part was quite important, and I missed it.

The Witness: Less than truckload and less than carload, Mr. Chairman.

Chairman Aitchison: How about truckload and carload? Have you attempted to equalize them?

The Witness: No, sir. We did not. I will cover that in just a moment.

Chairman Aitchison: All right.

The Witness: The railroads also published the same scale, less than carload, for interstate application between points in Minnesota and border points in the states of Wisconsin, North Dakota and South Dakota. The carriers did not seek nor were they authorized to apply the Ex Parte 123 increases on the less than carload class rates, nor were the motor carriers permitted to apply the increases at that time, nor were they subsequently authorized to add an increase.

The railroad class rates are governed by the Western [fol. 2493] Classification and the Western ratings in the National Motor Freight Classification are used by the motor carriers. Practically all of the exception ratings maintained by the railroads in Western Trunk Line territory are observed by the railroads and the motor carriers have met those exception ratings. The Minnesota Commission has not prescribed nor authorized for general application truckload rates, but did prescribe scales of volume rates which reflect 80 per cent of the normal first four classes and applicable on shipments subject to a minimum weight of 6,000 pounds. The rail carriers sought and obtained authority to apply the same volume scale on shipments subject to a minimum weight of 10,000 pounds, but shortly thereafter sought and obtained authority to reduce the minimum to 6,000 pounds. Pick-up and delivery services are afforded by both forms of transportation on class and volume rates, or allowances are made to the shippers or receivers of freight when they perform hteir own dray service. I was somewhat surprised at the testimony of Mr. Fyfe by which he discouraged the prescription of less than carload rates graduated according to the weight of the shipment, and proposed instead that the Commission prescribe the same minimum for motor carriers as is maintained by the railroads for carload shipments. The railroads in Minnesota have been before the Minnesota Commission repeatedly and discouraged the prescription of full truckload rates for [fol. 2494] motor carriers. We have in Minnesota approximately 2,300 contract and irregular route common carriers and 54 common carriers.

Com. Alldredge: 54 regular route common carriers?

The Witness: I beg your pardon?

Chairman Aitchison: 54 regular route common carriers, he said.

The Witness: Regular route common carriers, yes, certificated carriers.

Chairman Aitchison: You have irregular route common carriers also, do you not?

The Witness: No. The irregular route common carriers are included with the contract carriers. They come under a section of the law with respect to which provisions are identical.

Chairman Aitchison: Are they not common carriers, some of them?

The Witness: No, sir.

Chairman Aitchison: A common carrier in Minnesota must operate over a fixed route?

The Witness: Yes, and we have only 54 of those.

Chairman Aitchison: Proceed.

The Witness: Of the 2,300 contract and irregular route carriers I just mentioned, approximately 1,700 operate exclusively intrastate and 600 are domiciled in adjoining [fol. 2495] states.

Chairman Aitchison: Those are all contract carriers, are they?

The Witness: Yes, sir.

Chairman Aitchison: What did you do for them, prescribe the minimum rate or the precise rate?

The Witness: We prescribed minimum rates. The rates I just called attention to are minimum rates for contract and irregular route carriers and for the common carriers or certificated carriers, they are specific rates the same as for the rail carriers. Approximately 2,000 of the 2,300 contract or irregular route carriers transport livestock into the South St. Paul livestock market and practically all haul return loads of groceries, farm machinery, binder twine, salt, feed, and so forth.

Chairman Aitchison: For whom?

The Witness: For merchants and farmers out in the state of Minnesota and in the adjoining states.

Chairman Aitchison: But you do not call them common carriers?

The Witness: No, sir. During the calendar year 1940 there were 195,910 truckloads of livestock delivered at South St. Paul which, incidentally, represented 75 per cent of all receipts. Approximately 65 per cent of the contract and irregular route carriers' revenue is obtained from the trans- [fol. 2496] portation of livestock and 35 per cent of the revenue is obtained from the transportation of the commodities I just mentioned and possibly household goods. This would indicate that the bull haulers by no means confine their operations to the transportation of livestock. With an average of approximately 650 to 700 motor carriers, and it reaches as high as 1,800 some days, operating from the Twin Cities metropolitan area, the necessity of a uniform class or volume rate scale is obvious. To permit these motor carriers to transport carload freight outbound from the Twin Cities certainly would be harmful to the railroads.

Chairman Aitchison: Are you speaking of the 54 carriers now?

The Witness: I am speaking of the 2,300.

Chairman Aitchison: 2,300?

The Witness: Yes, of which I mentioned 2,000 transport livestock into the South St. Paul market which is contiguous to the Twin Cities area. Should we permit those operators, give them full truckload rates, I would feel sorry for the railroads. You would have the same condition you have in the transportation of livestock, where those carriers are today, possibly not today, but in normal times did transport 75 per cent or better.

By Com. Alldredge:

Q. How do you control their service? How do you keep them from hauling what you would call carload quantities? [fol. 2497] Is it by limitation in the operating authority or by the rate system you have?

A. Well, the Minnesota laws provide that the Commission has the power to conserve the highways, and they are doing it by not prescribing full truckload rates, or rates comparable with the railroad full carload rates.

Q. You mean by that you do not prescribe a lower scale of rates for truckload quantities——

A. That is right.

Q. —than you have prescribed for less than truckload?

A. That is right. We only have the less than truckload scale or that subject to a minimum of 6,000 pounds, which is 80 per cent of the prevailing class, first four classes.

Q. Is it a less than truckload scale or an any-quantity scale above 6,000 pounds?

A. When you get above 6,000 pounds and apply 80 per cent of your class rates, your charges become exorbitant and the shipper is not going to take advantage of that service unless he needs it promptly. He is going to go to the full carload rate, and take advantage of shipping carloads.

Chairman Aitchison: How do you police the collection of these charges as minimum? Do they file copies of their waybills or tariffs?

The Witness: Yes.

Chairman Aitchison: Or contracts?

[fol. 2498] The Witness: We have prescribed the rates. The Commission has made up the tariff. We have a master tariff, a master copy of that tariff in the office and we have a concurrence form, and as these operators come in to obtain their permits to operate we have them sign a concurrence form to this master tariff on file with the Commission and give the motor operator a copy. We have ten inspectors out throughout the state who stop these trucks on the highways. We call in their freight bills from time to time to see that they are observing these charges as minimum charges.

Chairman Aitchison: Do they always do it?

The Witness: We make about 200 or 300 arrests a year.

Com. Alldredge: Did you say "a day" or "a year"?

The Witness: A year. We make them toe the mark there.

By Com. Alldredge:

Q. Does the Commission itself publish the tariff?

A. Yes. We did make a charge for it prior to last year, but found we did not have a provision in the law to do that, and will have the law corrected in this next session so we can cover the cost of the publication. We have found that is necessary. We did at one time permit them to make up their own tariffs, but we found they attempted to publish rates on envelopes, pieces of toilet paper, and so forth.

Chairman Aitchison: Proceed.

The Witness: Page 3 of my exhibit indicates the scale [fol. 2499] applicable on class traffic within the states named as compared with the scales prescribed by your Commission in Western Trunk Line zones 1 and 2 and the Eastern territory. It will be noted that the present scales in the states of Iowa, Missouri, Minnesota and Wisconsin compare favorably with that of the Eastern territory. Page 4 of the exhibit indicates that the present Iowa scale is 108 per cent of the Eastern scale, Minnesota 110 per cent, Missouri 96, and Wisconsin, 103. I might add that about 2 years ago it was determined from the motor carriers' records who maintain the same exception ratings that are maintained by the railroads, that the application of the exception ratings tended to reduce the gross revenues of those carriers by 7 per cent.

Chairman Aitchison: That is, of the motor carriers?

The Witness: Yes, sir.

Chairman Aitchison: Did you put them in, then?

The Witness: They have gone in from time to time as the railroads have put them in. We attempted to discourage it, but they put them in in interstate commerce, and they crept in, in intrastate. Pages 5 and 6 are a chronological history of the class rates between Chicago and the Twin Cities and St. Louis and the Twin Cities. In connection with page 5 I want to call your attention to the fact that the rates there shown opposite March 28, 1938, today are used mainly on carload shipments. The railroads have established a first [fol. 2500] class rate of $1.16 for application between Chicago and the Twin Cities, which applies only on less than carload traffic or on volume traffic subject to minimum rates of five, ten and sixteen thousand pounds. I do not call attention to the lower classes as I find that there are 31 different bases of rates applying to the Twin Cities and approximately 100 pounds in the Zone 1 territory.

Page 7 of the exhibit indicates that while a first class rate of $1.16 is maintained from Chicago to the Twin Cities, a fourth class rate of 72 cents is maintained which is 62 per cent of the first class rate. Taking another point, Eyota, Minnesota, which also carries a first class rate of $1.16, there is provided a fourth class rate of 64 cents or 55 per cent of first class. Taking these 31 different bases to the Zone 1 territory, all carrying a first class rate of $1.16, I find that under Column 50 the rates range all the way from 50 to 60 per cent, and under Column 45 all the way from 45 to 54 per cent, or a spread of 11 cents in the fourth class rate.

Chairman Aitchison: What is the explanation of that?

The Witness: I cannot give it to you, Mr. Chairman.

Chairman Aitchison: Haven't you had any contact with it?

The witness: None. I did not discover it until I made up these exhibits.

[fol. 2501] Chairman Aitchison: Are they in violation of our order?

The Witness: No. I believe that the carriers received authority to depart from the Fourth Section.

Chairman Aitchison: No. I mean with respect to these percentage relations.

The Witness: Oh, certainly. They are in violation of the order. The percentage relation to first class is not being maintained. I might state that under Column 90 there is a spread of 1 cent, Column 78, 5 cents, Column 75, 1 cent, Column 72, 4 cents, Column 65, 8 cents, Column 63, 6 cents, Column 60, 8 cents, Column 57, 6 cents, Column 52, 10 cents —I have already mentioned Column 50 and 45 being 11 cents—Column 40, 10 cents, Column 37½, 9 cents, and no spread in the Column 27½ rate. I do not understand why we have not heard a blast from Mr. Townsend, but he has not probably been tipped off that the situation exists.

Chairman Aitchison: He has reserved four hours.

The Witness: Perhaps we will hear from him at that time. I also want to call attention to the fact that the tariff providing for these less than carload class rates applying from Chicago, Milwaukee, and Peoria, published in L. E. Kipp's I.C.C. A-3328, also provides for 2,838 exception ratings.

Page 8 of the exhibit is a section of the Minnesota laws [fol: 2502] prohibiting the establishment or authorization of dual or unequal rates. Page 9 of the exhibit is a map prepared by Mr. Bee of Oklahoma. I was authorized to reproduce it. I have checked it and found it to be correct and adopt it as my own. It indicates the scales suggested by Mr. Jensen. Mr. Jensen suggests the continuance of the 110 per cent or Zone 1 territory for the southeastern part of Minnesota and 110 per cent of the C.F.A. scale for the western part of Minnesota. Mr. Jensen also suggests that the Western Classification should govern the rates in Zone 2 territory and the Official Classification in Zone 1 territory. I feel that a requirement of that kind would simply add more confusion to the present condition. We have a large grocery distributing house at Mankato, in Southern Minnesota, which would be directly on the line. When shipping 100 miles east of Mankato, they would be required to observe the Zone 1 scale subject to the Official Classification, and when shipping 100 miles west, Zone 2 subject to the Western Classification. At the present time all rates between Central Freight Association, Trunk Line and New England territories on the one hand and the Twin Cities on the other are governed by the Official Classification. The same is true of the rates from and to Duluth. Between some eastern territories on the one hand and points in Minnesota on the other, other than Duluth or the Twin Cities, eastbound rates are [fol. 2503] governed by the Official Classification and westbound rates are governed by the Western Classification.

I propose that the Commission extend the 100 per cent C.F.A. territory to include the state of Minnesota; that the Official Classification be prescribed as the governing classification; that the carriers be required to cancel all exception ratings and transfer those ratings to the classification; that less than carload rates be graduated according to the weight of the shipment, possibly for minimums of five, ten and sixteen thousand pounds as are presently maintained by the carriers between Chicago, Milwaukee and Peoria on the one hand and points in Minnesota and adjoining states on the other; that the proposed classes be reduced to from 20 to 40. We have in Minnesota at the present time about 40, and the number in effect between Chicago and the points I named and points in Minnesota number 19.

Chairman Aitchison: I think you misspoke yourself there, did you not?

The Witness: No.

Chairman Aitchison: You mean, reduced from 40 and 20 down to what?

The Witness: No. I said that the proposed classes should be reduced to from 20 to 40.

Chairman: I see.

The Witness: 20 would give us blocks of 5 per cent jumps, [fol. 2504] and 40, 2.5 per cent.

Chairman Aitchison: I see.

The Witness: At the present time we have many where the spread is only one-half of 1 per cent, and throughout a scale of 600 miles you arrive at the same rate no matter whether you apply 85 or 85.5 per cent.

Com. Alldredge: May I ask you a question right there.

By Com. Alldredge:

Q. What would you do with rates on less than carload shipments or less than truckload shipments of less than 5,000 pounds?

A. They would take the normal full class rates.

Q. Would you start with a base scale and make something less for 5,000 pounds and something less still for 7,500 pounds?

A. No. I would not recommend that, Mr. Commissioner.

Q. I understood you to say that you advocate less than carload rates beginning with something like a minimum of 5,000 pounds, based upon quantity gradations beginning with a minimum of something like 5,000 pounds?

A. Yes, sir. That is what I suggested.

Q. What would you do for rates if a man shipped less than 5,000 pounds?

A. The alternative application clauses that are usually provided in all of these tariffs would provide that if a charge resulting from a shipment weighing 4,200 or 4,300 pounds was lower than obtained by applying the full class rate, [fol. 2505] that the lower charge would govern.

Q. Suppose he shipped 250 pounds.

A. The full class rate would be applied.

Q. Subject to a minimum weight of 5,000 pounds?

A. No, sir. The class rate basis would apply up to the fade-out point.

Q. You would have to begin with a base rate for the smaller quantity, making a discount, if you want to term it that, for greater quantities; is that the way you would do it?

A. Yes, sir.

Q. That is what I wanted to understand.

A. At the present time the $1.16 rate I called attention to applying from Chicago to the Twin Cities—when the shipment weighs 5,000 pounds, the first class rate under that scale is $1.10. When the shipment weighs 10,000 pounds, the first class rate is reduced to $1.04. When a shipment weighs 16,000 pounds, the first class rate is reduced to 99 cents.

Q. Give me the rate for a 300-pound shipment.

A. 300 pounds, $1.16. You would pay the full $1.16.

Q. $1.16?

A. $1.16 per hundred pounds, or $3.48.

By Chairman Aitchison:

Q. Do you have a provision in your classification intrastate that the minimum for a less than a carload shipment should be 100 pounds, second class, or something like that? [fol. 2506] A. No, sir. We have the same minimum that is provided for in the classification.

Q. What is that?

A. The class governs if the charge—well, any class will govern. As an example, the first class rate between the Twin Cities and Duluth today is 85 cents. If you had a 10-pound shipment rated first class, the minimum would be 85 cents, but in no case is the minimum less than 58 cents. That is with the Ex Parte 148 increase added. We have the same minimum in Minnesota that prevails throughout — entire Western Trunk Line territory.

Q. Am I wrong that the classification carries a provision as to the minimum charge being 100 pounds or second class or something of that sort?

A. I do not know of any such rule, Mr. Chairman.

By Com. Alldredge:

Q. It has an absolute minimum, does it not?

A. I did not understand your question.

Q. It has an absolute minimum?

A. It has an absolute minimum of 58 cents, yes. That prevails throughout the entire Western Trunk Line territory.

By Chairman Aitchison:

Q. How is that built up? Is it 50 cents, plus 10 per cent increase, plus 3 per cent increase?

A. It was originally 45, then by the increase it went to 50 and then by the 10 per cent increase to 55, and now with the [fol. 2507] 6 per cent increase it is 58. I would have no objection to that being increased to 75 cents. In fact, we have permitted some of our motor carriers operating single line, to assess it and in practically all cases the transportation is over two or more carriers.

Com. Alldredge: I just wanted to find out how you made your quantity scales, or how you propose to do it.

By Com. Alldredge:

Q. You would start with a base scale and then discount that scale with increased quantities, is that right?

A. That is right.

Q. Now, what would you think about starting with a base scale, say, for shipments of 500 pounds or more——

A. No.

Com. Alldredge: Pardon me. You did not let me finish.

The Witness: I beg your pardon, Mr. Commissioner. I am sorry.

By Com. Alldredge:

Q. What would you think about starting with a base scale for shipments of 500 pounds or more and discounting it as your quantities increase above 500 pounds and then as the quantity decreases below 500 pounds, increasing the base scale?

A. I fear that your carriers in a short time would suffer. Your pick-up and delivery costs are too high to permit any reduced scale on those small shipments.

[fol. 2508] Com. Alldredge: No. I was just stating it the other way. I was talking about increasing it. Instead of starting with a base scale for shipments from 100 pounds up and then discounting that scale for increased quantities, start it, say at 500 pounds, discounting as you go up the scale of weights, and then increasing it as you come down below 500 pounds.

The Witness: Your steps there of increase or reduction would be too close together.

By Com. Alldredge:

Q. Would you not have better harmony between the freight scales and express scales than you would otherwise have?

A. I do not know whether you could apply the express scale or not.

Q. Is it not a fact that the express scale frequently on some shipments is lower than the freight scale?

A. That is true.

Chairman Aitchison: I wonder if this scale you had in mind would not drive the business to the freight forwarders?

The Witness: I think the freight forwarders are getting about all that they are going to get now. I doubt it, Mr. Chairman.

Chairman Aitchison: Does your scale at the present time have a tendency to drive the smaller quantities of business [fol. 2509] to the freight forwarders? I am talking about your Minnesota scale.

The Witness: No, sir.

Chairman Aitchison: You do not think so?

The Witness: No, sir.

By Com. Alldredge:

Q. Did I understand you to say that intrastate you do not observe the zones effective on interstate traffic?

A. That is right. We do not.

Q. You have a common level of intrastate rates?

A. Yes.

Q. All over the state of Minnesota?

A. Yes. We use the scale that the Commission prescribed for the eastern part of Minnesota.

Q. And then apply that all over the whole state?

A. Yes. That is for less than carload traffic. For carload traffic the Commission prescribed the same scale but permitted the Ex Parte 123 increases and also the Ex Parte 148 increases. The less than carload scale does not reflect the Ex Parte 123 increases.

By Com. Splawn:

Q. Your interests in Minnesota have the same class rates that C.F.A. territory has?

A. Yes.

Q. You would not apply the existing class rates in Central Freight Association territory by specifying how many classes?

[fol. 2510] A. I would like to leave that to the Commission's determination. 20 would be O. K. 40 would be O. K.

Chairman Aitchison: We only have seven now have we not?

The Witness: Officially. We really have not got anything, Mr. Chairman. As I called attention to, with all of the different bases and columns we have between Chicago and the Twin Cities, you don't know where you're at.

By Com. Alldredge:

Q. If you had 20, you would have one class 5 per cent of first class, would you not?

A. You would not have to go that low. I doubt whether it would be necessary to go below 10 per cent.

Q. How about stopping at 15?

A. It all depends on how far the Commission is going to go in throwing low grade commodities into the class rate scale. If they are going to put in sand and gravel, you would probably have to go down quite low.

Chairman Aitchison: Do you have anything further, Mr. Radke?

The Witness: That is all I have.

Chairman Aitchison: Do you want to offer your exhibit in evidence?

The Witness: I offer Exhibit No. 126 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 126, Witness Radke, received in evidence.)

[fol. 2511] Chairman Aitchison: Is there any cross-examination?

Mr. Olson: One or two questions.

Chairman Aitchison: Mr. Olson.

Cross-examination.

By Mr. Olson:

Q. Mr. Radke, rates and changes in rates in Minnesota may go into effect only after approval by the Minnesota Commission, is that not correct?

A. That is correct.

Q. Has not the Minnesota Commission in times past approved the publication of exceptions to the classification?

A. They have.

Q. On numerous occasions?

A. Yes.

Q. On page 8 of your exhibit No. 126 you refer to the so-called Cashman Act, do you not?

A. Yes.

Q. That Act has been amended, has it not, to permit departure therefrom upon application upon the part of the carriers?

A. Yes. It has, to that extent.

Q. Is that a comparatively recent amendment?

A. 1927.

Q. It was not in effect, however, prior to the publication of the 17000, Part 2, class rates, was it?

A. It was in effect. You mean, it was never amended prior to that time?

[fol. 2512] Q. It was not in effect prior to the publication of 17000, was it?

A. The Cashman Act?

Q. The amendment to the Cashman Act.

A. Yes. It became effective in 1927 and the 17000, Part 2, rates became effective December 3, 1931.

Q. Are you not mistaken about that?

A. (No answer.)

Q. Was not the amendment passed in 1937?

A. Are you talking about Section 4719?

Q. I do not know what the number of the section is.

A. Section 4017 to which I have reference was passed in 1923 and amended in 1927, and this section does not make it mandatory upon the Minnesota Commission to harmonize all state and interstate rates.

Q. No, but the Commission may now depart; it is now discretionary, is it not, for the Commission upon application from the carriers to depart from the strict provisions of the Cashman Act?

A. They may depart from it, yes.

Mr. Olson: That is all I have.

The Witness: If in their judgment such departure is necessary.

Mr. Olson: That is all.

Chairman Aitchison: Are there any other questions of [fol. 2513] Mr. Radke?

Mr. A. L. Reed: I have one or two questions.

Chairman Aitchison: Mr. Reed.

By Mr. Reed:

Q. Mr. Radke, I did not understand what you said about the intrastate rates being designed to control the load and protect the highways in Minnesota.

A. Yes.

Q. What is the load limit in Minnesota?

A. A certain amount per axle. I do not have that information with me.

Q. Is it the practice of the Minnesota Commission to deny volume or truckload rates in Minnesota for the purpose of conserving the highways? Is that what you said?

A. Yes, sir.

Q. What did you say concerning the 60,000-pound volume rates? Do you have such in Minnesota?

A. Yes, sir. I said that the Minnesota Commission prescribed that for motor carriers.

Q. Is there any limitation in that order as to the number of 6,000-pound shipments that may be handled in one vehicle?

A. No, sir.

Q. Well, how does that preserve and protect the highways?

A. You would be privileged to load 6,000-pound loads, but you have no rates on bulk commodities such as grain, coal and many others. You do have on petroleum products [fol. 2514] now, due to the emergency.

Q. My question, Mr. Radke, was how the prescription of the rate in the manner you have described served to protect and conserve your highways in view of the fact that there was no limitation on the number of 6,000-pound shipments that might be handled in any one vehicle?

A. It is to conserve them in that we have not prescribed the National Motor Freight classification for general application by motor carriers. I called attention to all of these motor carriers that arrive in the Twin Cities metropolitan area, and if they were permitted to haul back truckload shipments, even those with minimums up to 20,000 pounds—and you know that there are about 2,500 different commodities in the classification subject to those minimums or less—it certainly would involve full truckload transportation on the highways.

Q. My question was Mr. Radke, assuming that you had 24,000 pounds loaded on the truck consisting of four 6,000-pound shipments, what would be the difference between that and a 24,000-pound minimum so far as your highway conservation is concerned?

A. There is none. That could be done.

Mr. A. L. Reed: One other question.

By Mr. A. L. Reed:

Q. What is the difference between the rate on the 6,000-pound volume intrastate in Minnesota and the volume first [fol. 2515] class rate?

A. 20 per cent reduction.

Q. 20 per cent reduction?

A. In other words, the first four classes, subject to the 6,000-pound minimum, are 80 per cent of the normal first four class rates.

Q. You do have truckload rates interstate from points outside of Minnesota into Minnesota, do you not?

A. Yes, sir.

Q. And truckload rates for the privilege of crossing the State of Minnesota on a Minnesota highway?

A. Yes, sir.

Mr. A. L. Reed: That is all, thank you.

Chairman Aitchison: I am not sure, Mr. Reed, I understood your last question. Truckload rates for the privilege of crossing the state of Minnesota?

Mr. A. L. Reed: Truckload rates with the privilege of passing across the state of Minnesota is what I intended to say.

Chairman Aitchison: Very well: I misunderstood one word. Are there any other questions of Mr. Radke?

Mr. Plunkett: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Plunkett.

By Mr. Plunkett:

Q. Mr. Radke, in discussing page 7 of your Exhibit No. [fol. 2516] 26 you called attention to the lack of harmony between rates on Classes 2, 3, and 4, and the first class rates. Is it not true that the rail carriers published the rates to the points you have named to meet the truckers' rates to those same points?

A. I doubt it.

Q. Don't you know that to be a fact?

A. No, sir, I do not.

Q. Why did they publish rates below 17000, Part 2?

A. Well, I have never been able to find that out, but I know it was done immediately after you made an investigation in December, 1939, to determine what class traffic was moving between certain points and at what class rates.

Q. But you do not know why they made that reduction?

A. No, sir.

Q. I do not know that I understood just how you arrived at your suggested rates for Eastern territory shown in the third column on page 2. Is that a percentage reduction of the present rates?

Chairman Aitchison: Is that not the Jensen scale?

The Witness: That is the Jensen scale.

By Mr. Plunkett:

Q. That is the Jensen scale?

A. Yes.

Q. Did I understand you correctly that it is your proposal that the Eastern classification be applied in Minnesota?

[fol. 2517] A. Yes.

Q. What about class exceptions that are now published by the western carriers? Are those to be maintained or dropped?

A. We do not want them dropped. We expect, though, that we are going to have uniform classification to apply to the entire United States within the next few years.

Q. Then your suggestion was that if we have a uniform classification, the exceptions should be included in the classification?

A. Yes, sir.

Q. But you were not proposing to maintain the exceptions now published by the western lines with respect to the application of Eastern rates?

A. No, sir.

Q. Is there any freight forwarder traffic intrastate in Minnesota?

A. Not that I know of.

Mr. Plunkett: That is all.

By Chairman Aitchison:

Q. You suggest the extension of the Official Classification to Minnesota. That has six classes plus the rule, does it not?

A. Yes.

Q. You suggest a minimum of 20 and a maximum of 40 classes. How about the remaining 13 or 33 as the case may be, classes?

[fol. 2518] A. In suggesting 20 to 40 classes, Mr. Chairman, I am following the suggestion of Mr. Jensen in which he suggests that these numerical classes be eliminated and that the classification reflect the exact pecentage of the first class rates to apply to the different articles. For example, instead of classifying an article fourth class, say Column 50, Column 55, whichever the Commission determines that fourth class shall be.

Q. That is your solution of it?

A. Yes, sir.

Q. That would not be the Official Classification.

A. Well, Mr. Jensen was of the opinion, and I am too, that the classifications, the three classifications throughout the United States, cannot be brought together within a year or two; that it is going to take time. However, I do not think it is proper that the carriers should establish exception ratings, some of which, for example, were established in 1935 with expiration dates, and have been extended from year to year and are still in effect.

Q. Well, how are you going to use this seven-class scale over your territory then at the present time?

A. Drop it.

Q. You would drop it?

A. Cancel it and substitute the percentage class for it.

Chairman Aitchison: I misunderstood you. I thought [fol. 2519] you wanted the Official scale with the classification.

The Witness: At the present time we do. If the Official Classification is going to be continued in the East, it is not going to make for harmony if you should authorize or prescribe the Official C. F. A. scale for application in Minnesota without the same classification that prevails in the East.

By Chairman Aitchison:

Q. Based upon your experience, would you say that Official Classification affords a sufficient number of classes to meet the needs of Minnesota?

A. Yes. I believe it does.

By Mr. Hughes:

Q. Did you say you do think so?

A. Yes.

Q. Or that you do not think so?

A. I believe it would provide a sufficient number.

Chairman Aitchison: Is there anything further of Mr. Radke? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Gentlemen, Mr. Nightingale is next on the schedule, but Mr. Donnelly has a witness who has a prepared statement that has been distributed, and this witness must be on his way. Is there any objection to putting him on? (No response.) Apparently not.

Mr. Donnelly: The witness' name is Malaney, and his statement and exhibits have been distributed this forenoon. [fol. 2520] Be sworn, please, Mr. Malaney.

Chairman Aitchison: Raise your right hand and be sworn.

E. F. MALANEY was sworn and testified as follows:

Direct examination.

By Mr. Donnelly:

Q. Will you give the reporter your full name and business address, please, Mr. Malaney?

A. My name is E. F. Malaney. I am Traffic Manager of the Robinson Clay Product Company, Akron, Ohio.

Q. How long have you been so employed?

A. About 24 years.

Q. What is your general experience in the traffic field, Mr. Malaney?

A. I have had 24 years of traffic experience with the Robinsin Clay Product Company. Previous to that I had about 8 years' railroad experience.

Q. For whom are you appearing?

A. I am appearing for the Clay Sewer Pipe Association, Incorporated, located at Pittsburgh, Pennsylvania.

Q. Have you prepared some exhibits or had them done under your supervision?

A. I have.

Q. Are they true and correct to the best of your knowledge and belief?

A. They are.

[fol. 2521] Q. Where are shown in the exhibit the names of the companies you are appearing for?

A. On page 1.

Mr. Donnelly: Mr. Chairman, may we have this marked for identification as the next exhibit?

Chairman Aitchison: It will be marked for identification as Exhibit No. 127.

(Exhibit No. 127, Witness Malaney, marked for identification.)

By Mr. Donnelly:

Q. Approximately what percentage of the total production of sewer pipe is represented by the members that you speak for as shown on page 1?

A. About 65 to 70 per cent of the production in the territory Ohio and East.

Q. Are these located all in Official territory?

A. They are.

Chairman Aitchison: Mr. Donnelly, the understanding was you would cut this short.

Mr. Donnelly: Mr. Chairman, this exhibit includes a statement of facts. Mr. Malaney has prepared it. If there is no objection, it may be submitted with the exhibit which includes the eleven pages.

Chairman Aitchison: If there is no objection, Exhibit No. 127 is received in evidence.

(Exhibit No. 127, Witness Malaney, received in evidence.)

[fol. 2522] Chairman Aitchison: Is there anything further on direct?

Mr. Donnelly: That is all on direct.

Chairman Aitchison: Is there any cross-examination of Mr. Malaney? (No response.) There seems to be none. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Moore.

Mr. Moore: Call Mr. Nightingale.

Chairman Aitchison: Raise your right hand and be sworn.

Edmund A. Nightingale was sworn and testified as follows:

Direct examination.

By Mr. Moore:

Q. Will you state your full name, please?

A. Edmund A. Nightingale.

Q. What is your present occupation?

A. Principal Industrial Specialist, Transportation Branch, War Production Board, Washington, D. C.

Q. How long have you been engaged in that task?

A. Since October 12, when I was asked to come to the Board, for a special assignment.

Q. Prior to October 12 what was your occupation and what were your connections?

A. A member of the staff of the School of Business [fol. 2523] Administration, University of Minnesota, Minneapolis, Minnesota, teaching in the transportation field.

Q. Did you have any connection with any state institution or state organization?

A. I have been a member of the Transportation Committee of the Minnesota Resources Commission since 1939. Since July 1, 1941, I have served the Minnesota Resources Commission as Consulting Transportation Economist.

Q. How long did you say you were on the faculty of the University of Minnesota?

A. For the last 8 years.

Q. What is, briefly, the Minnesota Resources Commission?

A. The Minnesota Resources Commission is an executive agency of the state charged with the development of the resources of the State of Minnesota. It replaced the former Minnesota State Planning Board which came into existence in 1934.

Q. What connection did you have with the Minnesota Resources Commission?

A. My connection with the Minnesota Resources Commission is that of Consulting Transportation Economist.

Q. It is the Minnesota Resources Commission that is making this appearance here, is it not?

A. I am appearing for the Minnesota Resources Commission, yes, sir.

Q. Have you prepared an exhibit, Mr. Nightingale?

[fol. 2524] A. I have.

Q. Is the nature of that exhibit substantially stated correctly on the front as an economic background for the class rate investigation?

A. That is correct.

Q. Does that exhibit contain what might be called two types of exhibits, that is to say those of a general nature and those of a somewhat more specific nature?

A. That is approximately correct.

Mr. Moore: May this exhibit be given a number, Mr. Chairman?

Chairman Aitchison: It will be marked for identification as Exhibit No. 128.

(Exhibit No. 128, Witness Nightingale, marked for identification.)

Mr. Moore: In order to facilitate the presentation, will you indicate briefly the table numbers and the page numbers of the so-called general exhibits or general tables appearing in the exhibit, and make such brief comment on those as you may deem pertinent; and thereafter proceed to identify and explain the specific exhibits.

The Witness: I should say the tables of a more general nature in giving the Interstate Commerce Commission an idea of the resources of Minnesota and the state of present development, might be stated somewhat in this manner: [fol. 2525] Table 1, page 2, shows the population figure of the Western Trunk Line states. In this table we have shown the rates of growth from 1920 to 1930 and also from 1930 to 1940. We have also attempted to indicate, for the population given by the Bureau of the Census for 1940, the breakdown between urban and rural population for the eight states in Western Trunk Line territory. You will note that the population distribution for Minnesota is almost equal between urban and rural. Furthermore, the rates of growth of urban and rural population between 1930 and 1940 in Minnesota are in decided contrast to those of some of the other Western Trunk Line territory states. I am merely pointing out that we have a fairly balanced population in that area. Turning to Table 2—I shall try to shorten this so as not to impose upon the time of the Commission—we have split for the first time the population of the state by Western Trunk Line zones as set out by the Commission in 164 I. C. C. 1.

Q. Is that zone also described on page 1 of the exhibit in that form?

A. Yes.

Q. Go ahead.

A. The map on page 1 indicates the boundaries of Western Trunk Line Zones 1 and 2. I might point out that the important border cities of Minneapolis, St. Paul and Duluth in all cases—by that I mean Table 2 and subsequent tables [fol. 2526] showing breakdowns by Western Trunk Line Zones—have been included in Zone 1. As a matter of fact, those three cities could have been segregated and shown as border points, but we did include them in Zone 1.

Q. What inference is it you wish the Commission to draw from Table 2 divided as it is into zones and counties in the zones?

A. I am sorry, but I did not hear your question.

Chairman Aitchison: Read the question.

(Question read.)

A. I should say that the attempt was merely to indicate the distribution of the Minnesota population between Western Trunk Line Zones 1 and 2. You will note that it is fairly equally divided, notwithstanding the fact that in Western Trunk Line Zone 2 approximately one-quarter of the entire area of the state is in what might be called a state of Nature. I am thinking of the 13 northern cutover counties in the so-called northeastern part of the state. That would be taken into account in interpreting any population densities.

By Mr. Moore:

Q. Proceed with your explanation, please, Mr. Nightingale.

A. Passing to Table 3, I should like to point out the importance of Minnesota in terms of rail tonnages originated and terminated in Western Trunk Line territory and the United States. The detailed breakdown of these tonnages is shown in Table 36 on pages 49 and 50. Passing [fol. 2527] to Table 4, the manufacturing picture in the Western Trunk Line states is given with comparisons for the other states and percentages of Minnesota manufactures, and so forth, to Western Trunk Line and the United States totals. A further breakdown of Minnesota industry, that is of the 4,008 establishments in the state, appears in Table 5. Table 6——

Q. Pardon me.

A. Yes.

Q. What are the prevailing products?

A. I am sorry, Mr. Moore, but I did not hear your question.

Q. Of what type of industry do you have a greater number than any other?

A. The major share, or should I say the largest number —in other words, almost 45 per cent of industrial establishments in Minnesota is engaged in processing food.

Q. Go ahead.

A. Table 6 gives a breakdown of all manufactures in Minnesota by counties and Western Trunk Line zones. Again it should be pointed out from the foot notes on page 11 that we leaned over backward again in the case of Carleton County. Carleton County, so far as population is concerned and agricultural data, was thrown into Western Trunk Line Zone 2, but in view of the fact that the manufacturing establishments just outside of Carleton are given the Carleton rates, although geographically they are beyond Zone 1, we included Carleton County in [fol. 2528] the Zone 1 totals.

Q. Does this table, Mr. Nightingale, show the number of establishments in each of the zones, that is Zone 1 and Zone 2, within Minnesota?

A. Yes. Of the 4,008 manufacturing establishments, 1,302 are located in Western Trunk Line Zone 2.

Q. Proceed.

A. Passing to Table 13 on page 20, I have shown for the United States and the Western Trunk Line states, the per capita income payments which gives one some idea of the purchasing power in these areas and also the change from 1929 to 1940. Table 14, page 21, Table 15, page 22, Table 16, page 23, and Table 17, page 24, are intended to give one complete picture not only of the iron ore shipments in the past 12 years, but also the resources with respect to the various types of ore that are being moved from that state, and what lies under the ground for the future, particularly if one is thinking of the post-war picture.

Table 18 is a general table of land area classified to its productivity in the Western Trunk Line state and the United States, and, of course, by way of passing it might be pointed out that Minnesota has a comparatively large percentage of the best agricultural land of the United States, much of which is located in Zone 2, that accounting in part for the relatively high incomes per farm and per [fol. 2529] acre in Zone 2. Obviously, of course, the incomes in Zone 1 are slightly higher because of the different type of agriculture.

Again, a general table, No. 19, appears on page 26, which is intended to indicate the use of the land area of that state. We have shown also in map 2 on page 27 not only the Western Trunk Line Zones 1 and 2 boundaries, but also the types of farming areas in that state. It will be noticed from an examination of that map, that the types of farming areas do not coincide by any means with the present Zone 1 and Zone 2 boundaries. Passing to Tables 22 and

23, we have shown the principal crops of that state by acreage, production and value of products for the last 3 years for which data is available and in Table 23 on page 35 we have shown the percentage of United States production and the United States rank for the principal crops of the state of Minnesota.

Table 30, page 43, Table 31, page 44, and Table 32, page 45, are intended to show the forest stands of the state and the possibilities, as a matter of fact; the storages or reserves ~~of certain types of timber for the~~ pulpwood production in particular; which is indicated in Table 34. These forest products tables, of course, are particularly pertinent in view of the fact that there is a very considerable utilization of those forest products in manufacture within the [fol. 2530] area, and as spruce becomes increasingly scarce —in fact, the spruce supplies of that area are none too great at the moment—the jack pine and aspen of the Minnesota area becomes of increasing importance for utilization in the mills of Wisconsin which are the principal producers in that area of certain types of paper products, and in the Minnesota mills as well. That, Mr. Moore, concludes the so-called general or general-specific type of table.

Q. Proceed then to the latter portion of the exhibit, those tables which you wish to give some special treatment.

A. I should like to call attention to the table on flaxseed production in the state of Minnesota as an interesting example of a new type of production of a good which formerly went to waste. I am referring to Table 10 on page 15, and Table 11 on page 16. You will note that the flax acreages threshed and the bushel production has been steadily increasing, Minnesota being, of course, the No. 1 state in the United States in flax production. Since 1938 the matter of producing flax tow or partly decorticated flax straw, resulted in the operation of something like 10 mills shown in Table 16. It so happens that the American cigarette paper production at the present time comes entirely from flax tow produced in the United States. Minnesota is supplying at the moment, two-thirds or a little better of that flax tow production. It is a new commodity [fol. 2531] which hitherto was not manufactured in that state. Of course, as time goes on it may become an increasing source of revenue tonnage for the carriers, long-haul tonnage, I might add, also.

Q. Is it true that cigarette paper was formerly imported from France?

A. All American cigarette paper, almost without exception, was imported from France and made basically from linen rags. This is a new American industry. I might call your attention also to the Minnesota dairy statistics, which appear in Table 25 on page 37, Table 26 on page 38, and Table 27 on page 39. Aside from the fact that Minnesota is the No. 1 state in butter production and builds up a very sizeable volume of tonnage available for shipment without the state, particularly in view of the fact now there is no service on the Great Lakes—in general I believe it would be correct to say there is no eastbound movement of butter on the Great Lakes—the tonnage figures indicated in Column 5 of Table 26 are of some significance to the rail carriers. In Table 27 we would like to call attention also to what might be called some of these dairy by-products, such as condensed and evaporated milk, which we have converted into tons, something like 29,463 tons, over 18,000 tons of condensed or dried or powdered buttermilk, 17,000 tons of dried or powdered skimmilk and casein, 3,000 tons. Casein is an indispensible article in the production of so-called slick magazine paper [fol. 2532] and certain types of plastic, and the production of it is on the increase. The figures for 1942 in all cases on the basis of expanding production will be considerably higher.

I should like to call attention, also, briefly, to the studies of the canning industry in Minnesota. The canning industry data appears in Table 18 on page 13, and the location of the canneries in Table 9 on page 14. Again we have tried to show something of the growth of this industry in that state since 1921. As a matter of fact, the growth factor is apparent since 1935. We have shown also the production in terms of tonnage. Now, obviously, all of the production there is not sold without the state. Some, naturally, is even within the state of Minnesota, but there still is a very considerable volume of product shipped out of the state by rail. I should like to call attention also to Table 7——

Q. Just a minute, please, Mr. Nightingale.

A. Yes.

Q. Before leaving that part of the exhibit, briefly, what does Table 9 show.

A. I am sorry. Table 9 is intended to show the location of these various canneries in Minnesota, canneries of corn and peas, basically, by Western Trunk Line zones. You will note that a sizeable number of those canneries is located in Western Trunk Line Zone 2, so-called, higher rated territory for interstate rates.

[fol. 2533] Q. Go ahead.

A. Before turning to Table 7 I should like also to call attention to the fact that the breakdown of agricultural acreage, farms, value of farm products sold or traded, by Western Trunk Line zones in Table 20, is also to be compared with Table 21 on page 32, in which we have included the corresponding agricultural data for the 13 northern Wisconsin counties in Western Trunk Line Zone 1. You will find, generally speaking, that the average of these 13 northern counties in income per farm is $496. The value of farm products sold or traded per acre in 1939 was $4.63. In the Zone 2 tabulation for Minnesota, in Table 20, the so-called northern cut-over counties which are comparable with the 13 northern Wisconsin counties, have in some cases approximately the same income per acre or income per farm. In some cases the northern Minnesota cut-over counties have a higher income per farm and per acre as in the case of St. Louis County. St. Louis County at $4.65 an acre is comparable with a number of those counties in northern Wisconsin. The point is, however, that the 13 northern cut-over counties in Minnesota are in Zone 2, generally speaking, whereas those in northern Wisconsin are in Zone 1.

I should like now to call your attention to Table 7 on page 12, which is an analysis of the questionnaires. As a matter of fact, these questionnaires were prepared and [fol. 2534] submitted at a meeting of leading industrialists of Minnesota a few years ago in order to report to the Senate Interim Committee some of their ideas on Minnesota industry, its progress and development. I would call attention to the fact that of the 28 industrialists of size who were questioned, the reply from 16 of them by types of industry was unsatisfactory. That is to say, the differentials on Minnesota freight rates interstate, compared with those of other regions were unsatisfactory. It is interesting to note with respect to the two favorable replies, that one came from a cooking equipment company and one from a timber conservation organization. There were, of course, satisfactory replies received from the cooperative butter association reported here, the structural steel and woolen textiles organizations, a knit goods house, one woman's apparel house, one paint and varnish organization, one roofing, one sheet metal and one interstate meat packing organization. You will note, however, that another meat packing organization operating on an interstate basis reports an unsatisfactory rate situation from this standpoint. That is all I have to say.

Q. Mr. Nightingale, I do not believe you referred to Table 28.

A. I beg your pardon.

Q. Referring to potato production.

A. That is right.

[fol. 2535] Q. Did you not have some comment to make upon that?

A. We included Table 28 and Table 29 to give some idea of the railway tonnages which were available from the potato crop, and to give some idea of the extent of distribution of Minnesota potatoes.

Q. Has there been any new improvement in the method or manner of handling and processing potatoes?

A. Only recently two dehydration plants have been set up in northwestern Minnesota, the idea being to carry out prepared so-called dehydrated food production for shipment abroad.

Q. Do you know whether, recently, there has also been established a number of egg plants, plants that handle eggs?

A. Yes. In the last year approximately five dried egg plants have been set up. Within the last year approximately five dried egg plants using the so-called spray-dry process have been set up, and before 1942 is completed, it is expected that approximately ten more will be in operation with an annual production of about 25,000,000 pounds, the idea being that one pound of dried eggs is equivalent to three pounds of eggs in the shell.

Q. Have you anything further to say, Mr. Nightingale?

A. No. That is all I have.

Mr. Moore: We offer Exhibit No. 128 in evidence, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt [fol. 2536] in evidence of Exhibit 128? (No response.) Without objection it is received.

(Exhibit No. 128, Witness Nightingale, received in evidence.)

Chairman Aitchison: Is there any cross-examination?

Mr. Hughes: I have a very few questions.

Chairman Aitchison: Mr. Hughes.

Cross-examination.

By Mr. Hughes:

Q. I want to ask you a little bit more about your questionnaire, which you set out in your Table 7. Was that a questionnaire that was submitted and that related to very many factors in the industrial situation other than freight rates?

A. The questionnaire, Mr. Hughes, related to a number of factors, labor, freight rates, taxes, and things of that sort. We thought it pertinent to extract from it—incidentally, I am working from the questionnaires, but the questionnaires were confidential and I am not at liberty to reveal the names of the firms. However, we did tabulate the data concerning the freight rate differential situation.

Q. You excerpted material relating to the freight rates from the rest of the material?

A. Yes.

Q. The rest, you say, is confidential?

A. As a matter of fact, Mr. Hughes, the entire questionnaire is confidential so far as the names of the firms are [fol. 2537] concerned, but this data was published in the Senate Interim inquiry on Minnesota industry, its progress and development, the point being that in the Senate report only the total number of replies with a breakdown of favorable, satisfactory, and unfavorable, were given. I took those questionnaires and analyzed them as to the type of industry making the response. That was my only purpose in setting up this table.

6

Q. Could you state how many individual units of these industries were included in your questionnaire?

A. I would hesitate to say, Mr. Hughes, because that would be revealing confidential information. I said in my earlier testimony that the people who filled out these questionnaires were the largest industrialists in Minnesota.

Q. You list 28 here, and I was wondering whether the units represented would be more, perhaps substantially more, than the 28 that you mentioned here.

A. That is correct. Shall I put it in general terms?

Q. That would be perfectly all right.

A. The 28 organizations here in general operate a great many more plants.

Q. Did you make any investigation to ascertain whether or not the group which you have listed as saying that their freight differentials were unsatisfactory, would be benefitted by a class rate readjustment as distinguished from other rates?

[fol. 2538] A. In some cases, Mr. Hughes, it is obvious that certain of the articles which are processed or manufactured move on commodity rates.

Q. Well, I see that among those articles which are under the heading "Unsatisfactory" are such things as granite.

A. That is correct.

Q. And flour milling.

A. That is correct.

Q. Barn equipment.

A. Yes.

Q. Boat and ship building.

A. Yes.

Q. They would not be apt to be moving under class rates, would they?

A. You must bear in mind in connection with some of those industries, that there is an inbound movement of raw materials which might, in some cases, move under class rates.

Mr. Hughes: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until 9:30 in the morning.

[fols. 2539-2540] (At 5 o'clock p.m., November 17, 1942, adjournment taken until 9:30 o'clock a.m., November 18, 1942.)

[fol. 2541] Hotel Deshler, Columbus, Ohio,
November 18, 1942.

Met, pursuant to adjournment, at 9:30 o'clock a. m.

Before Division 2 of the Commission.

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding. Hon. Walter M. W. Splawn, Commissioner, Hon. J. Haden Alldredge, Commissioner, and a cooperating Committee of the National Association of Railway & Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Price Utilities Commission of Ohio, and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner, W. J. Koebel, Examiner, T. Leo Haden, Examiner.

Appearances: As heretofore noted and the following additional.

H. E. Manghum, Transportation Building, Washington, D. C. appearing for Heywood-Wakefield Co.; National Furniture Traffic Conference; and New England Furniture and Allied Products Manufacturers Traffic Committe.

[fol. 2542] Proceedings.

Chairman Aitchison: Shall we be in order.

Mr. Bee: If the Commission please.

Chairman Aitchison: Mr. Bee.

Mr. Bee: Governor Adkins.

HOMER M. ADKINS was sworn and testified as follows:

Direct examination.

By Mr. Bee:

Q. Please state your name.

A. Homer M. Adkins.

Q. You are Governor of the State of Arkansas?

A. Right.

Q. You are appearing here in your official capacity, as Governor of the State of Arkansas, are you?

A. Yes, sir.

Q. And also as a member of the Southern Governors' Committee, to present certain matters to the Interstate Commerce Commission?

A. Yes, sir.

Q. I believe, Governor, that you have prepared your testimony in typwritten form; is that correct?

A. Yes, sir.

Q. Will you just proceed in your own way, please, Governor, to enter your testimony in the record.

A. Mr. Chairman, and members of the Commission: I [fol. 2543] am very happy to appear at this hearing as Chief Executive of my State. The intricacies of the freight rate structure are such that I may not attempt to qualify as a rate expert. It is of keen interest to Arkansas that the Interstate Commerce Commission has of its own initiative decided to ascertain what may be wrong with this territorial freight rate adjustment. The effect of freight rates is not without my knowledge as I have participated in a great many discussions dealing with this problem as a member of the Southern Governors' Conference. That Conference has given this question active study and consideration. From the information I have it appears that certain parts of this nation are favored with transportation costs so much lower than our section that it is questionable whether under the present theory of rate-making the natural resources of our section may be developed and processed within our area under such circumstances as will permit distribution of the products throughout the nation on a basis competitive with similar production in other sections.

I am a native Arkansan and my experiences have been such that I have been able to observe for many years the lack of normal development of industry in our state. I have spent many years in the field of insurance and for seven years prior to becoming Governor was Collector of Internal Revenue for Arkansas. These activities permitted a general study of our situation.

[fol. 2544] Since assuming direction of our state affairs, most of my time has been spent in the interest of the development of industry and agriculture within our boundaries. My efforts in this direction have caused me to be in contact with industry and in many instances the cost of transportation has created a barrier which in itself has retarded our efforts.

It seems to me that our nation should not be developed sectionally but rather upon a national basis, and to my mind, at least, we cannot have this national development as long as we divide the nation into territories with varied levels of freight rates. I am hopeful that as a result of this investigation, the Commission in its mature judgment will find that not only the present but the post-war development of the nation, as well as the post-war situation confronting employables will warrant equal treatment as to transportation costs to all parts of the territory involved.

We have a number of industries in Arkansas, Oklahoma, Louisiana, and Texas, constructed and operated solely for the manufacture of commodities to be used for war purposes. It would be a disgrace to the nation if these large factories and their equipment may not be used for peacetime manufacture after we have won the victory in this great conflict in which we are engaged.

The most important feature connected with the conversion of these plants to peacetime use is that even before [fol. 2545] the war is over consideration should be given to the adaptability of these plants for the production of certain commodities and this may not be intelligently decided unless there are available freight rates on whatever goods may economically be produced so that the products may be distributed throughout the country on a basis competitive not only with like industry but with industry manufacturing competing commodities. By this I mean that we should not wait until the post-war period to establish such freight rates, even though they may not be used until that time. If we have the same level of class rates, mile for mile, throughout the entire area, and a uniform classification, an intelligent survey may be made. This should permit the workers in these plants to remain in the area and have employment in the same locations; otherwise, we will have a deluge of movement of population back to the large centers, or an insurmountable relief burden.

The Southwest is ideally located geographically and climatically for industrial development. A great deal of our raw materials have been produced with labor paid at or near common labor wages and the manufacture has occurred outside of our state.. The result of this is that we are kept poor. The higher income which accompanies skilled labor wages permits greater social and other developments in the manufacturing areas.

Power. There is and will be ample power available in [fol. 2546] the Southwest for industrial development. Hydro-electric power has been and is being developed in Oklahoma and Texas. Arkansas has two great hydro-electric dams on the Ouachita River contributing to the state's power system. Under construction in Arkansas is the hydro-electric power plant at Norfork which will provide 120,000 Kilowatts and this will be increased through congressional action authorizing construction by 500,000 kilowatts.

Natural Gas. It is a known fact that Southwestern Region has the greatest reserve of natural gas available in the nation. The estimated reserve in the fields of South Arkansas alone is approximately 1,000,000,000,000—one thousand billion—cubic feet and exploration now in progress may extend these estimates in the very near future. This gas carries a large hydrogen-sulphite content and for a while it was doubtful that it could be made commercial. Through competent investigation and experimentation means were devised whereby the extraction of sulphur contained in this gas is entirely practical and several extraction plants are now operating in the state. This has the effect of not only providing the natural gas but also of adding to the nation's supply of sulphur.

Coal. Arkansas and Oklahoma have ample coal reserves. In Arkansas alone the coal reserve or deposits are in excess of 800,000,000 tons. My information is that the principal [fol. 2547] market for our coal is in Kansas,. Nebraska, Iowa, and I am told this is due to the difference in freight rates, Arkansas mines versus other producing mines, and we cannot market east of the Mississippi River. If we may not be privileged to market our coal as such I am not particularly alarmed provided we may industrialize our section in such manner that we may use our coal at home. One or the other must occur. This coal can be converted into electric power which may be transported by wire and thereby avoid these high freight rates on coal and undoubtedly this will occur unless our freight rates are adjusted.

Petroleum: The Southwest is the greatest producer of petroleum. Each of the four states is a heavy producer. Arkansas produces great quantities of petroleum. The railroads are not hauling as much petroleum as they should. A great deal of it is moving by pipe line, some of it by water, and two large pipe lines are now under construction across the state. There can only be one reason for this and that is that the rail transportation costs are sufficiently high that other modes of transportation are warranted economically.

Bauxite. Bauxite is a mineral which in national emergencies such as the present has been found to be invaluable. Arkansas produces 90 per cent of the nation's output. The aluminum which is made from bauxite is vital to many industries. The mines are in the center of the state. Our [fol. 2548] peacetime production, over a period of years, averaged about 475,000 tons annually. This year we will produce one million tons and in 1943 approximately two million tons.

There has been constructed and is now in operation, a plant at Bauxite, Arkansas, for the production of alumina and due to the available water and power, a plant has been constructed and is operating at a point near Malvern and Hot Springs to convert this alumina into aluminum. All these materials are being used in the war effort. Prior to the war the only benefit our state derived from this mineral was the production of the ore and most of this is done by labor paid at practically common labor wages. The ore was then taken to East St. Louis where it was converted into aluminum and then taken to Eastern plants for manufacture into finished product. In other words, we produce the ore and the manufacture into semi-finished and finished articles occurred outside of our state.

If this continued we would ultimately denude our state of bauxite with no appreciable resulting value to us. When the war is over these plants should continue to operate for peacetime purposes and they cannot do this successfully unless our freight rate adjustment is such as will permit competition with plants in other locations using foreign ore. The pots and pans and other aluminum parts of aeroplanes, radios, and other articles, should very well [fol. 2549] be manufactured in our state.

General. There are many commodities which should be manufactured completely in our state. We have cotton and no large cotton mills. Our cotton is shipped outside of the state and all that we have in the way of manufacture is the products of the seed. I think reasonable and nondiscriminatory freight rates would permit manufacture of our cotton, limestone, clay , marble, zinc, lead, and many other resources within our state and the Southwest generally and the manufactured products distributed throughout the area involved in these proceedings.

The fact that the Southeastern and Southwestern states have *have* introduced their evidence separately here does not mean that there is a divergence of views. The Southern Governors Gonference includes the States of Arkansas, Oklahoma, Louisiana and Texas and it is the recorded view of the Conference that discriminations affecting the Southeast and Southwest are having like effect on both regions as is indicated in resolution adopted at its Hot Springs meeting, April 19-21, 1942, copy of which is here presented and made a part of my testimony.

Mr. Bee: If the Commission please, may I introduce the resolution as an exhibit at this time?

Chairman Aitchison: I am sure it is already in the record. [fol. 2550] Mr. Bee: All right.

The Witness: In conclusion I want to again express to the Commission my appreciation for the opportunity of appearing and advising you of my views in regard to the situation confronting our state and the Southwest from a transportation viewpoint in its relation to development. As I said at the outset, I am not a rate expert but it is plain to me at least that there is something wrong with our present freight rate adjustment and I am hopeful that discriminations which exist will be quickly removed so that, with the fine rail and highway systems we have operating in and through our state and the Southwest, the markets of the North and East may be made economically accessible to the products of our agriculture, mineral and forestry resources, when processed at or near their source.

Thank you.

By Mr. Bee:

Q. Have you anything further to add at this time, Governor?

A. Nothing.

Mr. Bee: Governor Adkins is now tendered for cross-examination, if the Commission please.

Chairman Aitchison: Cross-examine.

Mr. Barron: I have one or two questions, please.

Cross-examination.

By Mr. Barron:

[fol. 2551] Governor, I understand from your statement that you do admit at least a passing knowledge of the freight rate adjustment in Arkansas. Is that correct?

A. Why, I cannot say that I have, as an expert; but I do have in a general way, from my own observation.

Q. Yes.

A. As I stated at the outset, however, and I want to repeat now, I am not a rate expert.

Q. Now, you referred to a lack of normal development of industry in Arkansas.

A. Yes.

Q. May I ask you what you mean, please, Governor, by the term "normal development"?

A. Well, as a matter of fact, we have not had, except for war plants, any development industrially in Arkansas.

Q. Well, you mean, then, by "normal development", that you have not had any at all; is that correct?

A. Very little.

Q. You have large canning industries in Arkansas, do you not?

A. Some.

Q. You have some cottonseed mills in Arkansas, have you not?

A. Yes, sir,—cotton oil companies.

Q. And lime plants?

A. Some.

Q. And paper mills.

A. I think we have two.

[fol. 2552] Q. You have some cotton mills in Arkansas, have you not?

A. No large mills. The one at Monticello in particular is a very small mill.

Q. Well, you have one at Malvern also, have you not?

A. Where?

Q. Malvern. There is a textile operation there, that has something to do with shoes,—an enormous plant of the International Shoe Company; that is correct, is it not?

A. No, sir, it is not an enormous plant, because we only produce 5,000 bales of cotton in that county. I happen to live in that particular county.

Q. Now, you spoke generally about your cotton situation in Arkansas.

A. Yes.

Q. You said that you do not have any mills, but you have lots of cotton.

A. I said that we have no large cotton mills.

Q. Do you think that the freight rates on your cotton have in any way retarded the development of the cotton textile industry in Arkansas?

A. They most certainly have, yes, sir.

Q. Would you be surprised, Governor, if I were to tell you that your rates on cotton from Arkansas to Boston, Massachusetts are lower than they are in so-called Official territory.

A. Well, as I stated before, I am not an expert on rates, [fol. 2553] but I do know this, that a great deal of cotton is hauled to Camden, Arkansas, and goes down the Ouachita River, and down that say.

Q. Well, did you know, Governor, that the rate on cotton from Blytheville, Arkansas, to Boston, Massachusetts, is 82 cents, and for the same distance, 1,348 miles, in Official Classification territory, the rate is $1.06?

A. No, sir, I do not know that; and I must repeat again to you that I am not a rate expert, and I have no knowledge of the detail, or the intricacies of these technical matters.

Q. Nor did you know that the rates from your cotton producing points to Chicago are lower than for the same distance in Official Classification territory?

A. I am very sorry, sir, but I was not able to hear the first part of the question.

Mr. Barron: Will you read it, please.

(Question read.)

Com. Alldredge: What do you mean by cotton producing plants? Was that your question?

Mr. Barron: No, your Honor. "Cotton producing points", I thought I said; and I should have said, if I did not. I have in mind, for instance, Little Rock, cotton moving through Little Rock.

Com. Alldredge: Cotton?

Mr. Barron: Yes, sir; cotton; that is exactly what I said. [fol. 2554] A. Well, so far as your Official Territory is concerned, I do not know just what the situation is there. May I ask you if there is any cotton produced in Official Territory? That might have entered into the situation. If I understand it correctly, I do not believe that there is any cotton produced in Official Territory.

By Mr. Barron:

Q. Well, Governor, I am now referring to Exhibit No. 96, that was introduced by the witness Murray, who, as I understand it, is representing the Arkansas interests. Now do I understand you to say that you do not know what Official Classification Territory is?

A. No. I say, I do not know the situation in what you refer to as Official Territory, or the exact boundaries of it, or whether there is any cotton produced there, or not. That is what I was trying to say.

Q. Well, now, what particular freight rates did you have in mind, that you think have caused this retarding, or this inability on the part of Arkansas to develop industrially, Governor?

A. That have caused it not to develop industrially?

Q. Yes. What freight rates do you have in mind?

A. Well, all I know is that in one instance not so long ago the representative of the Sugar Creek Creamery Company from Illinois came to talk to me about locating a plant in Arkansas,—as a matter of fact, I was trying to get them to [fol. 2555] locate a plant in the northeastern part of the state; and he said, "We just cannot do it, because of your freight rates. Because of your freight rate situation we cannot get into St. Louis like we should, from out there."

Q. What commodity or commodities was he going to ship, if you know?

A. Well, I imagine that they are manufacturers of butter, cheese, and so forth, and so on.

Q. Well, now, Governor, you have talked about your rates on cotton, limestone, coal, gravel, zinc, lead, and many of the other resources of your state. If there is an adjustment of the class rates, as is involved in this proceding, do you think that the class rates will affect the rates on those particular commodities?

A. Well, again, you are getting right back to the same point that we have discussed before. However, let me answer your question this way: just purely from a layman's standpoint, it might be well if we had to give up the commodity rates, it might be beneficial to do that, so that we could retain our products within our state, and manufacture them within our own state, which we have not been privileged to do up to the present moment. However, as I say, I am not a rate expert.

Q. Now, you refer to the petroleum industry.

A. Yes.

Q. And you gave, as I understood it, somewhat added [fol. 2556] emphasis to the large pipelines that are being built.

A. Yes.

Q. And I believe you indicated that the contributing factor toward the building of those pipelines, was the high freight rates; is that correct?

A. Well, it is common knowledge, of course, that they are constructing those two pipelines, one over to the Mississippi River, and the other leading up into Illinois.

Q. But you know, do you not, Governor, that that is absolutely and entirely a defense measure; part of the defense program?

A. Partially, I would say.

Q. And you know, do you not, that if the railroads were to haul petroleum from Arkansas to the Atlantic seaboard for nothing, they would not or could not haul any more of it because they do not have the equipment to haul it? You know that to be a fact, do you not?

A. Well, no, sir, I couldn't say that; I am not entirely advised, in that particular connection.

Q. Then you are not familiar with the compliments that have been passed out to the railroads, as to their ability to haul petroleum?

A. Oh, I believe that they are doing the best they can, as far as that is concerned, yes, sir.

Q. Now, you are also quite concerned, as I understand it, with the postwar period, and you believe that you should [fol. 2557] have freight rates established now to move whatever commodity may be manufactured in these plants, these defense plants, after the war, I understood you to say. Is that correct?

A. Yes, sir.

Q. Well, now, Governor, how can you tell today what commodities will be manufactured in these present defense plants after the war?

A. Well, we have a large plant there of Ford, Bacon & Davis, and that plant, taking it for example, would have to be converted after the war; and it certainly would be a great calamity if we were not able to have converted a plant of that sort, a $70,000,000 or $80,000,000 plant, for the postwar period, which undoubtedly would not be done if they knew that the freight rates were not going to be such as would allow them to compete with other territories.

Q. Well, Governor, what I am anxious to find out is how you can determine what commodities are going to be manufactured after the war, and what freight rates will be necessary to move those commodities. You are not advocating to the Commission, I take it——

Chairman Aitchison: Well, now, just a moment. Let him answer one question at a time.

Mr. Barron: All right. Will you answer my first question, then, please.

A. Would you mind stating it again.

[fol. 2558] Mr. Barron: We will have the Reporter read it.

(Question read.)

A. Well, for example, there is an ammonia plant at El Dorado, in the oil field; and the chances are, if rates were established that would enable that plant to continue operation after the war was over, there would be sulphur, and various other things that might be manufactured there.

~~By Mr. Barron:~~

Q. Well, is the ammonia being manufactured at that plant in commercial quantities at the present time?

A. It will be shortly.

Q. Do you know what freight rates have been established, for the movement of the ammonia?

A. No, sir, I do not. I must say to you again, sir, that I am not a rate expert, and I do not pretend to be.

Q. But you know, do you not, Governor, that generally speaking, in your territory, in Oklahoma, in western Louisiana, and in Texas, the rates on the commodities that move in volume are commodity rates, that have been established by the railroads? You know that, do you not?

A. I imagine that is correct, yes.

Chairman Aitchison: The Commission prescribed those rates under the Hoch-Smith Resolution, did it not?

Mr. Barron: It certainly did, Mr. Chairman. One of those commodities was grain; another, livestock; and also petroleum, in 17000, Part 4.

[fol. 2559] Chairman Aitchison: Why put a question to the witness, then, that you know is based on a false premise?

Mr. Barron: I do not know that, Mr. Chairman, and I do not think the question is based on a false premise. Now, Governor, just one or two further questions, if you please.

By Mr. Barron:

Q. You spoke about one creamery company that would not locate in Arkansas because of the freight rate situation.

A. Yes.

Q. Do you happen to know whether or not that particular creamery company asked any of the railroads for an adjustment of freight rates in anticipation of locating in Arkansas?

A. No, sir, I do not, and the gentleman with whom I talked did not say anything about that.

Q. Do you know of your own knowledge of any industry that has not located in Arkansas simply because of the freight rate adjustment, to and from the state of Arkansas?

A. All I know is, as I have stated before, that we have not had any development in the state. We have been shipping our raw materials out of there,—like bauxite, of which Arkansas produces 90 per cent of the nation's supply.

Q. Bauxite ore, you are speaking of?

A. Yes, sir.

Q. The industry which you have there at the present time, as far as that is concerned, is a defense industry, is it not?

[fol. 2560] A. It enters into the defense program, yes, sir.

Q. And you know that the railroads have established trainload rates on bauxite ore from Arkansas to Vancouver, Washington, do you not?

A. No, sir, I do not, because those matters are moving too fast, now, for anybody but an expert to keep up with.

Q. I see.

A. Because of changing conditions.

Mr. Barron: That is all. Thank you.

Chairman Aitchison: Are there any further questions of Governor Adkins?

Mr. Grubbs: Yes, if your Honor please.

By Mr. Grubbs:

Q. Governor Adkins, in your statement concerning alumina, you stated that that is produced in Arkansas and shipped to East St. Louis, Illinois?

A. Yes.

Q. I would like to ask you if it is not true that a very large part of that alumina is shipped to Alcoa, Tennessee, and to Baden, North Carolina?

A. Why, it has been shipped to those points, yes, sir. You see, it has been only recently that we have started to manufacture the alumina. It been the bauxite ore itself that has been shipped, up until recently.

Q. Well, is it not true that both the bauxite ore and the alumina have been largely shipped to the plants of the [fol. 2561] Aluminum Company of America that are located at Alcoa, Tennessee, and Baden, North Carolina?

A. They have been shipping there, but I think that there has been quite a lot shipped also to Alabama, to the Reynolds Company, I believe.

Q. Yes.

A. And to East St. Louis, and various other points.

Q. Well, you do not mean to say by your statement, do you, Governor, that the shipments so far have been largely to East St. Louis?

A. Well, I do not have, of course, any intimate knowledge of the detailed operation of the Aluminum Company of America.. All I know is that I met one of their representatives on the train from Washington, and he told me that they did get a lot of their ore from Bauxite; that their former shipments had been cut off, from South America.

Q. But you have not made any investigation, have you, Governor, to determine the percentage of the shipments that go to East St. Louis, as compared with those that go to points in Southern territory?

A. No, sir, I have not, and I do not have anything definite in mind, as to the tonnage.

Q. No. Now, you stated, Governor, that you cannot move your coal east of the Mississippi River, I believe, and therefore you are anxious to have industry located in Arkansas, [fol. 2562] where it can use the coal that is produced in Arkansas.

A. Yes, sir.

Q. I want to ask you if it is not true that — the present time large quantities of coal are moved into Arkansas from other states, namely, Southern Illinois, Western Kentucky, and Alabama.

A. Well, I would say that there is not a great deal of coal coming into Arkansas, no, sir, because I used to be in the coal business myself, along about 1917, just before we went into the first World War; and there was some coal came in then, but there is very little coming in at the present time, I would say. Our coal companies in Arkansas have been undergoing a very difficult time, for the past several years; as a matter of fact, the majority of them went broke, and owed the government. I know that, because I happened to be Collector of Internal Revenue, and I know how many of them owed the government money, that it could not collect.

Q. Yes, but do you mean to say, Governor, that there are not large quantities of coal moving into Arkansas at the present time from, say, southern Illinois?

A. Why, not to my knowledge, no, sir. There may be, but if there is, I would say that it is very small in quantity, as compared to our own total production.

Q. And would your answer be the same, with respect to coal coming into Arkansas from western Kentucky?

[fol. 2563] A. Oh, there is some, perhaps, coming in—or, at least, there used to be. I do not know about the situation in recent years. I have not been in touch with the coal business since about 1917.

Q. And would your answer be the same with respect to coal from Alabama coming into Arkansas, as that which you have just given me with respect to western Kentucky?

A. From the knowledge that I have, I would say that there is very little coming in from Alabama, either. That is my own judgment in the matter.

Mr. Grubbs: Thank you very much.

The Witness: You are very welcome, sir.

Chairman Aitchison: Is there further cross-examination?
Mr. McCollester: Yes.

By Mr. McCollester:

Q. Governor, in your prepared statement I note that you say that if we have a uniform classification, when the postwar period arrives, an intelligent survey may be made.

A. Yes.

Q. Are you aware of the fact, Governor, that where there are differences between the classification ratings on articles in the different classification territories, generally speaking, it is in the Western and Southern Classifications that the ratings are lower, rather than in Official?

A. Well, now, you are getting right back again to what I [fol. 2564] have stated several times before, here, and what I must state to you again, that I am not an expert, and I know nothing about the intricate details of these situations.

Q. Well, then, when you made that statement, do I understand that you had no idea as to whether a uniform classification should be achieved by increasing the classification ratings in your territory, or not?

A. Well, that, again, of course, is a matter that the experts will have to decide. I am hardly qualified to venture an opinion on that.

Q. When you consider and discuss the competitive situation, and the desire of your state to become industrialized, do you have in mind, for purposes of comparison, the state I represent, which is the state of New York?

A. I do not have the slightest conception of what your rates are as compared with our rates,—no, sir. That is getting back to that same proposition again. I simply know that our raw materials are being shipped out of our state, and we have not been privileged to manufacture them into the finished products within our state.

Q. Well, you do not know, then, do you, Governor, whether you want a uniform rate level with New York State, or not?

A. That gets back to the same question again. You will have to refer that matter to the experts.

Q. Well, Governor, are you aware of the fact that the [fol. 2565] number of persons gainfully employed in manufacturing industries in your state, over the past 10 years, has increased 10 per cent, whereas, there has been a decrease of approximately 10 per cent in the number gainfully employed in manufacturing industries in the State of New York?

A. No, sir.

Q. You have not looked into that?

A. No.

Q. Have you looked into any other statistics as to manufacturing development, to see how your state has compared, over the period of the past 10 years, with states in Northern Territory?

A. No, sir, I have not. I would say this, however, that of course we have been struggling very hard to try to obtain industry for our state, so that we can manufacture our raw materials into the finished products, within our own states, and avail ourselves to better advantage of our own natural resources.

Q. Well, Governor, do you know of any industry which you have failed to obtain, which you went after, which has located in New York State?

A. I am very sorry, sir, but I was not able to hear quite all of the question.

Mr. McCollester: Read it, please.

(Question read.)

[fol. 2566] A. Yes, sir—the Aluminum Company. I tried to get a plant located there, to go right along with the one at Hot Springs, manufacturing alunrinum, either a fabricating plant, or a roller mill, or one thing another. But instead of coming there with a new plant, they enlarged the plant that they now have in New York.

Q. That was because they already had a plant in New York, was it not?

A. Well, I am not advised in detail as to all of the reasons that entered into their failure to establish a plant in Arkansas, but I know that they did locate in New York.

Q. Now, you also spoke about cotton, and how your cotton is shipped outside of the state of Arkansas.

A. Yes.

Q. Where does most of your cotton go?

A. That I am not able to answer you on, sir. However, I presume that it goes to the east coast, very largely. I am not advised definitely as to that, however. We are third, we rank third, in the raising of cotton. I think we will have 1,500,000 bales this year.

Q. You are not aware of the fact that there has been a tragic decline in the textile industry in the North, and a great increase in the textile industry in the South, then, are you?

A. No, sir. It has not come to Arkansas.

Q. Does your cotton go to the north now, or does it go to [fol. 2567] North Carolina?

A. That I cannot say.

Mr. McCollester: That is all; thank you.

Chairman Aitchison: Is there further cross-examination? (No response.)

Mr. Bee: I have just one question on redirect, if the Commission please.

Redirect examination.

By Mr. Bee:

Q. Governor, all that you ask is, equality of freight rates, is it not?

A. Yes.

Q. And that is the only proposition that you are advancing here?

A. Yes, sir, that is right. Let us have an equality of freight rates, and let the chips fall where they may.

Q. And if it means increasing the classification, in order to secure equality, that is what you want, is it not?

A. Yes, sir.

Q. In other words, just stating it flatly, you want equality.

A. Yes, sir.

Mr. Bee: That is all.

Chairman Aitchison: You are excused, Governor.

The Witness: Thank you, sir.

(Witness excused.)

Chairman Aitchison: Now, request has been made that [fol. 2568] Mr. Ford be heard at this time. That is out of order, of course.

Mr. Norman: If the Commission please, we have just this one industrial witness here, who has to get away, and with your permission, if there is no objection, we would like to put him on right now. He will only take a very short time.

Chairman Aitchison: Minnesota has the floor, of course. Let us first find out if it is satisfactory to Minnesota to yield to Mr. Norman to put on one witness.

Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. You may proceed.

Mr. Norman: Call Mr. Ford.

Clarence Ford, Jr., was sworn and testified as follows:

Mr. Norman: If the Commission please, Mr. Ford has two exhibits, that have been distributed, and also a prepared statement. With your permission, Mr. Chairman, I will ask that his exhibits be marked for identification at this time as No. 129 and 130.

(Exhibits Nos. 129 and 130, Witness Ford, marked for identification.)

Mr. Norman: I might state, for purposes of identification, that one of the exhibits, No. 130, shows in the lower right-hand corner of the cover page the words "Witness: [fol. 2569] Walter A. Richards," which have been stricken out, because that is not correct. The witness who will present the exhibit is Mr. Ford, now on the witness stand, but the exhibit was prepared when it was expected that Mr. Richards would testify. However, he is at the present time in the army, so Mr. Ford is going to present the exhibit and testify instead.

Direct examination.

By Mr. Norman:

Q. Mr. Ford, would you give your full — your address and your business to the Commission.

A. Shall I just read from the statement?

Q. Yes, sir, go ahead.

A. My name is Clarence Ford, Jr., and my residence is at Country Club Apartments, Columbus, Georgia. I am Vice President and Sales Manager of the Tom Huston Peanut Company, a Georgia corporation which has its principal offices and plant at Columbus, Georgia. The Tom Huston Peanut Company is engaged in the manufacture and sales of peanut products. Because the company is unique in several particulars, I would like to give you a brief picture of its operations.

In the first place, our plant lies at the northern limits of the largest peanut producing belt in the United States. We operate or own shelling plant. We purchase over $1,000,000 worth of peanuts direct from the farmer as he harvests them and pay him cash upon delivery. Our manufacturing process includes a complete cycle from the raw peanuts taken from the farmer to the finished product [fol. 2570] ready for the consumer and also the consumption — practically all by products. We employ about 950 people in our plant, all of whom are natives who have been trained in our plant.

By Chairman Aitchison:

Q. What do you mean by "natives"?
A. Well, I mean by that, your Honor, people who are born and reared in that immediate vicinity.

Chairman Aitchison: Go ahead.

A. A large percentage are women to whom employment is not ordinarily available.

Because our products are semiperishable, we have our own sales organization of about 500 men who maintain a quick delivery system direct to the retail store.

Chairman Aitchison: Let me see if I understand you. Do you not customarily employ natives down there, or does a person have to be an alien before he or she is employed?

Mr. Norman: I might say, if the Commission please, that it is no different down there from what it is up around Detroit, or Chicago.

A. We happen to have large plants in our vicinity that offer employment to a vast number of people, just like they do in the North and Northwest.

Chairman Aitchison: I thought you stated it in rather peculiar fashion, and I just wanted to see if I understood you, was all.

The Witness: May I continue?

[fol. 2571] Chairman Aitchison: Go ahead.

A. (Continuing:) Our sales volume at present is at the rate of about $5,000,000 per year and our distribution is largely confined to that area lying south of the Mason-Dixon Line and east of the Rockies.

We wanted to give you this brief picture of our business because we believe it typifies the sort of development which is essential to the South if it is to take its proper place in the economic structure of our nation.

By Chairman Aitchison:

Q. Do a lot of those commodities take class rates? If so, what are they?

Mr. Norman: They take 57 per cent of the first class rate in all territories, your Honor.

Chairman Aitchison: Well, are those rates published as class rates, or are they just 57 per cent of first class?

Mr. Norman: 57 per cent of the first class rate.

Chairman Aitchison: It is not a class rate proposition, then?

Mr. Norman: But you have to go to the classification, to get the rate, your Honor.

Chairman Aitchison: Oh, I know, but we have had that up before. If we are going to take in all of the exceptions of that character, we will never get through here.

Mr. Norman: Well, if the Commission please, we have discussed that matter to a considerable extent before, and [fol. 2572] I thought that it had been decided that it was competent to show these rates, which, while they are published as exceptions, were to have been put into the classification, but have not been as yet.

Com. Alldredge: Is the rating in the exceptions, or in the classification itself?

Mr. Norman: The rating is in the exceptions, your Honor, but the rate is a percentage of the first class rate. As far as those exceptions are concerned, as we have discussed here before, the promise was that they were going to be put into the classification, but they have not as yet been put into the classification. Now, to say that we cannot show what the situation is with respect to manufacturing industries that are producing such articles, just seems to me to close the door in our faces.

Chairman Aitchison: It seems to be only a question as to whether or not the exception is a proper one. If it were not for the exception, you would be paying still more.

Mr. Norman: Yes, and so would his competitors. But in both instances it is now 57 per cent of the first class rate, and of course, it is the difference in the first class rates that causes the discrimination. May I suggest, if the Commission please, that if this is not competent on the question of rates——

Chairman Aitchison: It would appear to me to be im- [fol. 2573] material.

Mr. Norman: Well, I was going to say, your Honor, it may be material on the question of classification, if it is not material on the question of rates. I do insist, however, that it is material on the question of rates, because these rates should be in the classification, instead of being published the way they are, as exceptions, and that is one of the things that we want to correct.

Mr. McCollester: That might be said of all exceptions.

Chairman Aitchison: Yes.

Mr. McCollester: That they ought to be in the classification, perhaps.

Chairman Aitchison: The majority of the Commission is clearly of the view that this is not material to the question of class rates, but it may be considered as bearing upon the question of classification only.

Mr. Norman: All right. Thank you.

By Mr. Norman:

Q. Please proceed, Mr. Ford.

A. We take a raw farm product direct from the grower, completely process it with native labor and place it on the retail counter. We create a large cash crop market, we give employment to 1,450 people and we provide a finished manufactured product delivered and consumed largely within our own section of the country. Because of competitive conditions including higher freight rates, [fol. 2574] both inbound and outbound, we have not been able to expand our business to what seems to us to be the logical limits of our natural market.

There are many handicaps incident to the development of manufacturing industries in the south, such as inexperienced labor, the greater distances between consuming markets, the lower purchasing power of our people and the higher freight rates.

Our principal competition comes from the Chicago area and I am submitting as Exhibit No. 129 a map of the United States east of the Rockies.

Chairman Aitchison: Well, now, I doubt very much whether this exhibit bears on the question of classification, Mr. Norman.

Mr. Norman: We all know, your Honor, that these rates are based on the class rates.

Chairman Aitchison: Unless we can try this issue, as to the class rates, by themselves, we will never finish this investigation.

Mr. Norman: Well, if the Commission please, we know that these rates are based on the class rates; they are percentages of the class rates, and you cannot know what you are doing, when you are fixing class rates, unless you know what goes with them.

Chairman Aitchison: But changing the class rates does not necessarily mean that a rate of this sort will be [fol. 2575] changed at all. We have had evidence of that a thousand times. Take vegetables up in New York, for instance. They did not change when the Eastern class rates were changed. They just kept them on the same basis.

Mr. Norman: They would have to change the percentage.

Chairman Aitchison: No. They did not. They kept the old class rates—or kept the same percentage, applied to them.

Mr. Norman: Then they did not use the new class rates. They used the old ones.

Chairman Aitchison: They used the new class rates, but they did not apply them to the vegetables.

Mr. Norman: Well, of course, if your Honor please, the railroads in 1940 took pretty nearly everything out of the classification, and we want to show what the effect on our industry down there has been, of these rates that they took out of the classification, and said they were going to put back, and never have put back, and why there is practically nothing moving in the South on the rates that are reflected here.

Chairman Aitchison: Well, assuming that there is any change to be made, you can take your classification, and if your exception ratings are then too high, they should be reduced.

Mr. Norman: But we are undertaking to show discrimi-[fol. 2576] nation right here, if your Honor please.

Chairman Aitchison: Do you want us to open up this investigation, and let all of these exception ratings in, after other people have come here, and found that they were not involved, and gone away?

Mr. Norman: No, I do not want you to do that.

Chairman Aitchison: Up to this time we have not admitted such evidence as this.

Mr. Norman: You have not?

Chairman Aitchison: No.

Mr. Norman: Why, if your Honor please, I have had a half a dozen witnesses along this same line.

Chairman Aitchison: Pardon me. I say, we have not admitted such evidence as this; and with respect to commodities such as paper, and so forth, the parties have been satisfied with the ruling.

Mr. Norman: Well, there may have been some that have not been admitted, but there has been a lot that has been admitted.

Chairman Aitchison: And what has been admitted, has been admitted for purposes of comparison only.

Mr. Norman: Well, that is what I am submitting this for.

Chairman Aitchison: Oh, no, you are not. You are referring specifically to the rates on peanuts, and this gentle-[fol. 2577] man is here trying to tell us how they affect his interest.

Mr. Norman: Yes, and that was what was done in the other instances also, your Honor. There is no difference between the testimony of this witness, and the testimony of the other witnesses.

Chairman Aitchison: Yes, I think there is a great deal of difference.

Mr. Norman: Well, I do not care to argue it any further with your Honor. We will abide by your ruling.

Chairman Aitchison: Why does he not tell us what his classification is, or would be? What is his classification rating? He has not told us that yet, and you have not asked him that yet.

Mr. Norman: This witness I do not believe knows, your Honor, what his classification rating would be, but his rate is based on 57 per cent of first class.

Chairman Aitchison: 57 per cent.

Mr. Norman: His published rate is 57 per cent of the first class rate in all territories.

Chairman Aitchison: They have a lot of commodity rates down there, and they have classification ratings also. Now, we do not know as yet which this is, on these peanuts.

Mr. Norman: This witness does not ship peanuts, your Honor. He ships candy, peanut candy.

[fol. 2578] Chairman Aitchison: Well, the witness has not told us as yet what his commodity is.

Mr. Norman: He is just coming to that now.

Com. Alldredge: Where does he get his candy rate?

Mr. Norman: That is the rate that we were just talking about, your Honor. It is an exception rating, made 57 per cent of the first class rate.

Com. Alldredge: In all territories?

Mr. Norman: I think that is correct, yes, sir. Is that true, Mr. Hart?

Mr. Hart: Yes, sir, that is correct; stated as a class rate, though, in Official Territory.

Mr. Norman: How is that again?

Mr. Hart: Published as a class rate, by exception to the level of the class rates in Official Territory.

Com. Alldredge: You mean, it is in the exceptions.

Mr. Hart: It is in the exceptions, yes, sir. It is published as Class-57.

Mr. Norman: Well, then, your Honor, is it your ruling that the witness cannot proceed, and that his exhibit will not be accepted?

Chairman Aitchison: Well, let us take a look at the exhibit, before we proceed further.

Mr. Norman: The map exhibit shows the line where he meets the Chicago rate.

[fol. 2579] Chairman Aitchison: Is that what he was referring to?

Mr. Norman: Yes.

Chairman Aitchison: Exhibit 129.

Mr. Norman: Yes.

Chairman Aitchison: It is self-explanatory, is it not?

The Witness: The map?

Chairman Aitchison: Yes, taken in connection with the legend at the bottom.

The Witness: Yes.

Mr. Norman: I would say that it is, your Honor.

Chairman Aitchison: Without objection, Exhibit 129 is received.

(Exhibit No. 129, Witness Ford, received in evidence.)

By Mr. Norman:

Q. You may proceed, then, I take it, with your statement, Mr. Ford.

A. As an example, the distance from Columbus to Sherman, Texas, is 766 miles, while the distance from Chicago is 840 miles. The present rate to Sherman from Columbus is $1.42 against a rate of $1.39 from Chicago or a difference of $.03 in favor of Chicago. The rates from Chicago and Columbus to Nashville are identical, although the distance from Chicago is 76 miles greater than the distance from Columbus. The rate from Chicago to Rocky Mount, North Carolina, is $1.05 with a distance of 916 miles as compared with a rate of $1.04 from Columbus with a distance of 555 miles.

[fol. 2580] I am now submitting Exhibit No. 130 for identification, consisting of eight pages.

By Chairman Aitchison:

Q. These rates of which you have just spoken, from Chicago: what are they, class rates, commodity rates, or what—do you know?

A. I am not in a position to answer that question, no, Mr. Chairman.

Chairman Aitchison: Who prepared this exhibit?

Mr. Norman: I was just going to ask the witness that question myself, your Honor.

By Mr. Norman:

Q. Mr. Ford, who prepared this exhibit?

A. This exhibit, and the statement, were prepared by our traffic manager—or perhaps I should say, our former traffic manager.

Q. In conjunction with Mr. Hart?

A. Yes, sir.

Q. Then Mr. Hart can answer questions with respect to the rates shown therein, can he?

A. I am very sure that he can, yes, sir.

Q. All right. Proceed.

A. Page 1 of this exhibit shows comparison of the rates and distances from Columbus and Chicago to the points along the line shown on the map in the exhibit just previously introduced.

Pages 2 and 3 show the detail of shipments of candy and [fol. 2581] peanuts from Columbus to Official territory during a three-day test period as compared with the rates and charges which would result under the basis of rates applicable on similar commodities between points within Official territory.

Pages 4 to 7, inclusive, show the detail of shipment of candy and salted peanuts from Columbus to destinations in the Southeastern territories during the same period, together with the charges paid, and those which would result under the Official basis.

On page 8 is shown for ready reference the rates upon raw peanuts from the principal peanut markets in Georgia to Columbus and to Chicago as well as the rates on syrup from principal shipping points to Chicago and Columbus.

In order to determine the effect of the freight rates on outbound shipments, an analysis was made of all shipments for a three-day period, March 9, 10 and 11, 1942. As there is very little, if any, seasonal fluctuation in the shipments made by our plant the days selected were considered as reasonably typical of the entire year's operation.

The analysis disclosed a total of 340 separate shipments, of which number 269 included bakery goods, such as peanutbutter crackers, etc., while the remaining 71 shipments consisted exclusively of candy and salted peanuts.

[fol. 2582] *Page 1 of this exhibit shows comparison of the rates and distances from Columbus and Chicago to the points along the line shown on the map in the exhibit just previously introduced. Page 2 and page 3 show the detail of shipments of candy and peanuts from Columbus to Official territory during a three day test period as compared with the rates and charges which would result under the basis of rates applicable on similar commodities between points within Official territory.*

Pages 4 to 7 inclusive, show the detail of shipment of candy and salted peanuts from Columbus to destinations in the Southeastern territories during the same period, together with the charges paid, and those which would

result under the Official basis. On page 8 is shown for ready reference the rates upon raw peanuts from the principal peanut markets in Georgia to Columbus and to Chicago as well as the rates on syrup from principal shipping points to Chicago and Columbus. In order to determine the effect of the freight rates on outbound shipments, an analysis was made of all shipments for a three day period, March 9, 10 and 11, 1942. As there is very little, if any seasonal fluctuation in the shipments made by our plant the days selected were considered as reasonably typical of the entire year's operation.

The analysis disclosed a total of 340 separate shipments of which number 269 included bakery goods, such as peanut [fol. 2583] *butter crackers, etc., while the remaining 71 shipments consisted exclusively of candy and salted peanuts.*

Chairman Aitchison: Let me interrupt at this point. On sheet 8 you show truck-barge rates.

Mr. Norman: Sheet 8?

Chairman Aitchison: Yes.

Mr. Norman: I suppose that is the way part of the movement moves. Can you answer that, Mr. Hart?

Mr. Hart: Most of the movement between our district and Georgia is via barge-rail routes through Guntersville. That is the way it moves. We just show the lower rate there so you will have it.

Chairman Aitchison: This shows truck-barge rates.

Mr. Hart: Well, that is the way it moves.

Chairman Aitchison: Peanuts usually move on a commodity rate, do they not?

Mr. Hart: It is a commodity rate.

Chairman Aitchison: How about corn syrup?

Mr. Hart: Corn syrup moves on a commodity rate.

By Mr. Norman:

Q. Go ahead.

A. While in some cases the rates upon the bakery goods items are the same as those upon candy and peanuts, to other territories a higher basis applies on the bakery goods, and this is particularly true of Official and Western Trunk Line territories. The shipments for the three day period [fol. 2584] consisted of 150,806 pounds of candy and peanuts, with a freight charge of $1,880.88, while the bakery products totaled 67,443 pounds with a freight charge of

$729.63. The weight of the shipments to destinations in Southern territory approximated 65,000 pounds and to Official territory 8,000 pounds, the remaining being to Southwest and Western Trunk Line territories, with the exception of four shipments to Transcontinental territory in the states of New Mexico and Utah. The aggregate freight charge on the outbound shipments for the three day period amounted to $2,610.61. Assuming, as we believe, that the three days for which shipments were analyzed are typical, and that there are 300 working days in the year, the aggregate annual outbound freight charge would be $261,051.00. This figure is equivalent to 38.8 per cent of the total payroll of the Tom Huston Peanut Company. Those figures do not include freight charges on inbound materials used in our manufacturing processes.

The total freight charges paid on shipments to Southeast and Official territories on the three day shipments amounted to $1,054.87, or approximately $105,487.00 annually. Had the same basis of rates been applicable within the Southeast and from the Southeast to Official territory as applies on shipments moving wholly within Official territory the freight charge on the involved shipments would have been $788.34, or a saving of $268.53, and which saving [fol. 2585] on an annual basis would be $26,853.00.

Should the same scale of rates as applies in Official territory be extended to shipments from the Southeast into the Southwest and Western Trunk Line territory the saving would, of course, be materially greater. The difference between the freight charges actually paid and those which would have accrued on basis of the Official territory level on the shipments into the Southeast and into Official territory of $26,853.00 is equivalent to 4 per cent of the total annual payroll or to 3.1 per cent upon the capital stock of the corporation.

Mr. Norman: We offer in evidence Exhibit No. 130, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit No. 130?

Mr. McCollester: I object as irrelevant and immaterial.

Chairman Aitchison: We will let it go in for what it is worth.

(Exhibit 130, Witness Ford, received in evidence.)

Chairman Aitchison: Mr. Norman, if we are going to go into every collateral issue here and take testimony with respect to commodity rates, barge rates and truck rates in this proceeding, we are never going to get through.

Mr. Norman: Mr. Chairman, I realize that is true, but [fol. 2586] here is an industry that is shipping on what normally would be a class rate basis.

Chairman Aitchison: Why don't you tell us what class they normally take? He has not done that yet.

Mr. Norman: Will you state what class——

Chairman Aitchison: I think Mr. Hart can put this in a paragraph and tell us the whole thing.

Mr. Hart: It is already in the record, Mr. Commissioner, on sheet 2 of section 3-B of my Exhibit 88. That shows the exception ratings on candy, both carload and less, in the different territories and what the classification ratings are. It so happens that candy, less than carload, is rated second class or 85 per cent of first and the exceptions are 57, so the difference between the two rate levels is identical, either with the exception rating or the classification rating. It does not make any difference which you take.

Chairman Aitchison: Do we have that 57 per cent basis in all three territories?

Mr. Hart: What is that, Mr. Chairman?

Chairman Aitchison: Is that 57 per cent basis applied in all territories?

Mr. Hart: That applies uniformly east of the Rockies interterritorially and intraterritorially.

Mr. McCollester: Is that on candy, Mr. Hart?

Mr. Hart: Candy.

[fol. 2587] Mr. McCollester: Not on peanuts or some of these other commodities?

Mr. Hart: No. The peanut and glucose comparisons are merely put in there to compare one rate with another. There is no claim made about those rates at all. They are merely put in there to show comparisons as between the raw material rates. They are not on the class basis, either peanuts or glucose. They are merely put in there for comparative purposes. If he had the classification basis on candy, he would be at the same disadvantage that he is with class 57, both being 138 per cent of the other, so far as Official and Southern territories are concerned.

Mr. McCollester: Pages 4 to 7 of Exhibit No. 30 reflecting the results of these test shipments are headed "Candy and Peanuts." That means they show the rates without any separation, do they not?

Chairman Aitchison: Salted peanuts.

Mr. McCollester: Well, are salted peanuts candy?

Mr. Hart: Salted peanuts are in the candy group.

Mr. McCollester: I see.

Mr. Norman: You may ask him.

Chairman Aitchison: Cross examine.

Mr. Grubb: I have one or two questions, Mr. Chairman.

Chairman Aitchison: Mr. Grubbs.

Cross-examination.

[fol. 2588] By Mr. Grubbs:

Q. Mr. Ford, when was your company organized and established? When did it begin business?

A. Our company was organized 17 years ago.

Q. Now, you say your present sales volume is at the rate of about $5,000,000 per year. What was it, say, five years ago?

A. I do not have those figures before me, sir. I could not quote it.

Q. Is it not true that your company has grown steadily and rapidly?

A. Our company has made progress, yes, sir.

Q. From year to year?

A. We have had ups and downs like a lot of other companies.

Q. But generally you have been moving forward?

A. We have been making some progress, yes.

Q. Do you have any figures with you that indicate your volume other than the volume you show at present?

A. No, sir.

Q. Your statement was to the effect that your distribution is largely confined to the east and south of the Mason-Dixon line and east of the Rockies. Do you have any figures with you on your distribution?

A. No, sir.

Q. Did you make any investigation as to what proportion of your movement is to the south?

A. No, sir.

[fol. 2589] Q. And what proportion of it is to the southwest?

A. We have our information. It was not put in this report, sir. I do not have it. I do not have it available at my finger tips.

Q. You do not have the figures, I take it, also for any other territory?

A. Not in this report.

Q. Well, do you have them with you?

A. No, sir.

Q. Are you able to give them to us?

A. I am not able to give them to you offhand.

Q. You say that your business typifies the sort of development that is essential to the south. Are you undertaking to speak for anybody other than your company at this time?

A. Well, being in the heart of the Spanish peanut belt, we have encouraged the farmers to raise more peanuts——

Q. My question is, are you speaking for anybody else other than your own company at this time?

A. No. I am speaking solely for the Tom Huston Peanut Company.

Mr. Grubbs: Yes, sir.

By Mr. Grubbs:

Q. Now, you say your principal competitor is in Chicago?

A. No, I do not think I said that. Our principal competition. We have more than one competitor.

[fol. 2590] Q. Where else are they located besides Chicago?

A. Well, from the way it seems at times, our competition is all over the United States.

Q. Why did you mention Chicago principally?

A. Because our larger competitors are in that area.

Q. Now your competitiors who are located in Chicago are compelled to get their raw peanuts from your back door, are they not?

A. No, sir, not necessarily, because they use primarily a Virginia or Jumbo peanut.

Q. Do they use Georgia peanuts?

A. Some little, but to a very small extent.

Q. Now, in your Exhibit No. 130 you made a comparison on page 8 of the rates on corn syrup to Chicago and to Columbus from various producing points. Where do you get your syrup, your glucose?

A. Here is a very extensive order we got from Decatur, Illinois.

Q. Where do you get it generally?

A. Decatur, St. Louis, Cedar Rapids, Iowa, Clinton, Iowa, and Roby, Indiana.

Q. Do you get any in the south?

A. Not to my knowledge.

Q. Would you know if you did?

A. I would not know that, because, frankly, that comes [fol. 2591] under the purchasing department.

Q. You do not know where the predominant volume of glucose comes from, to your plant?

A. My understanding is that it comes from points that I have mentioned because I have the amount of tonnage we have bought here and I think that that represents a large part of our requirements.

Q. You have there a telegram that tells you the places in Official territory where you get your requirements, am I correct about that?

A. It mentions where we bought glucose and sweetose, principally.

Q. Is it confined to points in Official territory?

A. It is confined to where we buy our products. I do not know whether it is Official or not. I asked for this information and they sent it to me.

Q. What did you ask for?

A. I asked them to send me figures on which our glucose and sweetose comes from.

Q. What did they tell you?

A. That is the reply.

Q. You have given me the essence of it?

A. Yes, sir. I can name the amounts and the points if you are interested in hearing them.

Q. Very well.

[fol. 2592] A. The following are figures on glucose received from May 15 through October 23 of this year: From Decatur, Illinois, 191,600 pounds, value $5,971.03; St. Louis, Missouri, 192,740 pounds, value $6,001.08; Pekin, Illinois, 190,840 pounds, value $5,947.33; Cedar Rapids, 93,569 pounds, value $3,019.16; Clinton, Iowa, 190,780 pounds, value $5,937,27; Roby, Indiana, 96,060 pounds, value $2,988.79. Sweetose: From Decatur, Illinois, 269,075 pounds, value $10,019.05. Nectose: From Cedar Rapids, Iowa, 91,481 pounds, value $3,398.19.

Chairman Aitchison: Just a minute.

The Witness: Yes.

Chairman Aitchison: Is there much more of that?

The Witness: No, sir. Just one more line.

Chairman Aitchison: All right.

The Witness: Chocolate coating from Hershey, Pennsylvania, 72,000 pounds, value $10,988.88.

By Mr. Grubbs:

Q. Are those the sole ingredients that you use in your products, namely, glucose, sweetose, nectose and chocolate coating?

A. Sugar, of course, is not included there. They are some of the principal ingredients we use in the manufacture of our products.

Q. Sugar comes from the south, does it?

A. Yes. We get our sugar largely from Savannah, Georgia, and from New Orleans.

[fol. 2593] Q. You have shown on this same page, page 8 of your Exhibit No. 130, a rate into Columbus compared with a rate into Chicago on the raw peanuts. Do you know how your movements into Columbus take place, whether they move by rail or not?

A. I could not answer that question.

Q. With respect to your distribution on your finished products out of Columbus, is that very largely by rail or very largely by truck?

A. Principally by rail.

Q. Did you introduce this map (indicating)?

A. Yes, sir.

Q. You show a line here that indicated, or a line where you felt you were restricted, where your distribution is restricted. Is that what that is intended to portray?

A. That shows the point at which the less than carload rates on candy and salted peanuts are the same, or within 5 per cent of the same, from both Columbus, Georgia, and Chicago, Illinois.

Q. You do not mean to represent that you do not move your products generally north of that line you have shown there, do you?

A. We do go beyond that line.

Q. Yes. The fact is, you move your products all over this country, do you not?

A. No, sir.

[fol. 2594] Q. What territories don't you move it into?

A. We are not in Maine. We are not in New Hampshire. We are not in Vermont. We are not in Massachusetts.

Mr. Norman: Can't you give a very general answer? Can you not just say, generally speaking, you are not in that Northeastern territory?

The Witness: That is correct, sir.

Mr. Grubbs: That is all, thank you.

Chairman Aitchison: Are there any other questions of this witness? (No response.) Apparently not. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Townsend is next.

Frank B. Townsend was sworn and testified as follows:

Direct examination:

The Witness: My name is Frank B. Townsend. I reside in Minneapolis, Minnesota. I appear here representing the Minneapolis Traffic Association both as a practitioner before this Commission and representing that Association as a witness. I also appear as a witness for the St. Paul Association of Commerce, that organization being a party of record in this proceeding, the appearance having been entered at the St. Louis hearing by Mr. E. H. Berg. I have been requested by Mr. Berg who is ill at the present time, [fol. 2595] having sustained a very serious operation, to present an exhibit he prepared for this case. I have examined the exhibit and before it was prepared I discussed the general nature of the presentation to be made. I have since checked and verified the exhibit and it is substantially correct to the best of my knowledge and belief. I would like to have Mr. Berg's exhibit marked for identification at this time.

Chairman Aitchison: It may be marked for identification as Exhibit No. 131.

(Exhibit 131, Witness Townsend, marked for identification.)

The Witness: I have two other exhibits. The first one has a large gray cover and may be distinguished from the second one because my name as witness does not appear on the first one. The first one begins with the item of population by states from 1870 to 1940. I would like to have that exhibit marked as No. 132.

Chairman Aitchison: It may be so marked.

(Exhibit 132, Witness Townsend, marked for identification.)

The Witness: The second exhibit, prepared since the Indianapolis hearing, copies of which were distributed upon my arrival here at Columbus, is prepared largely for the purpose of reducing the time of the oral testimony. It contains numerous statements and also rate calculations which [fol. 2596] I prepared in such a way that it would take a minimum amount of time to explain them, and had I attempted to do this from the oral testimony, it would have taken considerable time.

Chairman Aitchison: That exhibit may be marked for identification as Exhibit No. 133.

(Exhibit 133, Witness Townsend, marked for identification.)

The Witness: The Minneapolis Traffic Association is an organization maintained by the Chamber of Commerce and the Minneapolis Civic & Commerce Association, the Chamber of Commerce at Minneapolis being our grain and milling trade organization. The Minneapolis Traffic Association represents all of the business interests of the City of Minneapolis in all transportation and traffic matters. At Minneapolis we have about 2,000 members that use the service of the Minneapolis Traffic Association. These members in many instances operate throughout the United States, having branch houses or branch elevators or mills or other industries throughout the United States. For example, we have the Gamble Skogmo Stores who are retail dealers of automotive supplies and sporting goods, who have some 900 stores throughout the United States. We have elevator companies that operate in practically every grain market in the world such as the Cargill Grain Company and the Peavey Company. I mention that only to indicate that our interest in this proceeding is not confined to Minneapolis [fol. 2597] alone, because we have important industries throughout this Northwest territory in particular, in some instances more extensive.

The St. Paul Association of Commerce is the civic organization of that community, and while I do not remember that Mr. Berg made any statement at the previous hearings, I may just state briefly that Mr. Berg is Traffic Commissioner for the St. Paul Association of Commerce and handles traffic and transportation matters for business interests of St. Paul and some of the surrounding communities, such as South St. Paul and North St. Paul and Minnesota Transfer which is politically a part of Minneapolis but designated as a separate station in the tariffs. I might also say that Minnesota Transfer as a separate station is partly within the political limits of the City of Minneapolis.

The statistics of record here show the population not only by states but by cities, and they need no other explanation except that I want to refer to page 1 of Exhibit 132. I have been connected with transportation in these western states for 51 years with the exception of a year and a half spent in Cuba in the Spanish-American war where I served as Regimental Sergeant Major in the 49th Iowa Volunteers. I have been continuously in the transportation service either with railroads or industries, the first 35 years with railroads, having worked myself up from the lowly position of [fol. 2598] office boy or something like that, a little higher than that. I was vice president of a railroad when the sheriff came and got it, and I have had numerous positions since, including chief traffic officer for the receiver.

Chairman Aitchison: You were able to get out just a few minutes ahead of the sheriff?

The Witness: Yes, I went out the other door as he came in. As to the interests of this Northwest territory, and in particular the Twin Cities—I refer to the Twin Cities as including St. Paul and Minneapolis—where we have collectively a population of considerably over a million, with many industries, I want to indicate just as briefly as I can here, why we are here and what we are trying to accomplish. I might say parenthetically that it does not diverge except in the phraseology from the same kind of presentation I have made previously with respect to class rates to and from Minneapolis and this Northwest territory in the original 17,000 Part 2 class rate investigation and in the investigation under I. & S. Docket 3662 which involved the rail-lake-rail class rates.

Minneapolis developed industrially years ago due to favorable freight rates and it had favorable freight rates not because industries sought them, but because the railroads gave them to the market because there was a highly competitive situation. Without going into the detail of the explanation of these exhibits, I merely [fol. 2599] want to cite from Exhibit 133, at page 1, what the class rates were that applied between Chicago and the Twin Cities on June 14, 1890, when we had the so-called 40-cent scale, 40 cents first class; those rates have been increased, and as indicated *there*, including the March 18, 1942, increases, the first class rate is now $1.47 representing an increase of 267½ per cent. The increase on the lower classes was considerably greater. The fourth class increase was from 17 to 64 cents, an increase of 367.5 per cent.

Now, that original scale of rates, the 40-cent scale of rates, was established years ago when we had a highly competitive situation, and was due to the influence of the Soo Line Railroad which was built by Minneapolis capital and extended to Sault Ste. Marie, Michigan. It was afterwards extended into the Northwest wheat fields, but originally that line was built for the purpose of getting favorable rates and getting the flour from Minneapolis mills into the eastern market. I mention it because it is not a case where the shippers have banded together to secure rates and they have not had the influence of large tonnage that is sometimes reflected in some of our rate adjustments, and has been in the past, such as oil, packinghouse products and sometimes iron and steel. The industry grew up under this basis of rates, and I only mention here the rates between Chicago and the Twin Cities.

[fol. 2600] Now if you will turn to page A-1 of Exhibit 132, you will find another history of these class rates between Chicago and the Twin Cities beginning with June 25, 1918, when this scale of rates using the first class rate, for example, had increased from the 40 cent scale to the 60 cent scale. There you will see how those rates progressed over a period of years and what they are today including the so-called Ex Parte 148 increase. These rates reflect to some extent all of our commodity and class rates that would apply upon the products used in manufacturing at the Twin Cities and upon the products of our manufacturing industries not including, of course, flour and linseed meal and linseed oil or direct products of agriculture.

Going back to this population showing at page 1 of Exhibit No. 132, you will notice that our population increased in the State of Minnesota, and that the increases from 1870, the favorable and first increases were due to the development of agriculture in our territory. When agriculture was fairly well developed we still continued to increase up until 1920. With General Order No. 25 of the Director General of Railroads promulgated during the time that the carriers were in the hands of the Federal Government, our very heavy freight increases began. Our increase in population—I am speaking now of Minnesota as a whole—has not progressed since 1920 to the same extent, relatively, as the increase in the United States, or the increase in the more favorably [fol. 2601] located states. There are exceptions to that, where, for example, in some of these eastern states, their population has not shown a very substantial increase. For example, in the continental United States the increase in population from 1930 was 122,775,000 to, in 1940, 131,409,000; but our population during that same period for the State of Minnesota increased only 200,000.

Now, that is due to the fact we had reached maximum agricultural development in Minnesota. There may be in the future, if prices are sustained, cut-over lands devoted to agriculture, but the agricultural development is going to be limited; that is any improvement in it or increase in it is going to be limited. It may be improved by the introduction of new crops such as soy beans which we are now considering on the extension of the soy bean products scale and because of the favorable price for flaxseed, Minnesota is the leading state in the Union producing flaxseed which furnishes the linseed oil. Our production and the production of the four northwest states reflected in these exhibits is necessary because in this country over a period of years we have produced only 50 per cent of the flaxseed required and the balance has been imported from South America and India.

What we are trying to secure for Minnesota as a whole, and I speak particularly for the situation at the Twin Cities, is an adjustment of rates that will, in so far as possible, [fol. 2602] remove our present disadvantage in competing with industry in the more favored territory; I mean, the territory where they have large consuming centers and large populations, that being what we term here as Official territory extending from Illinois through to the Atlantic Coast and north of the Ohio and Potomac Rivers. It is that territory we must reach with a very large per cent of our industry. We have lost industry continually since 1920. It would be unnecessary to recite in detail the names of those industries, but I may say they have moved, all of them that left the City of Minneapolis, to the territory known as Official territory. They have moved to Chicago, Illinois, to Freeport, Illinois, and Peoria, Illinois. They have moved into points in Ohio and Indiana. They have moved because of the disadvantage in freight rates at Minneapolis. Of course, there are other factors affecting the location of industry. Sometimes it is labor. But all of these factors are considered. I have analyzed these very carefully over a period of years as the industries moved away. One moved only in the last few weeks, and one of the controlling factors in determining upon the new location was the freight rate situation.

Now, we do not expect that this Commission can or should try to equalize the disadvantage of location. Unfortunately, as a manufacturing center, we must draw a large part of the material into our manufacture from Chicago and [fol. 2603] the Chicago rate territory and from east of there. That includes iron and steel and all the non-ferrous metals that enter into manufacture, and it includes practically every article of manufacture such as screws, bolts and nuts, hinges and everything that enters into manufacture. Unfortunately, we haul that material from the East and then to Chicago, for example, from Minneapolis. We do not expect this Commission to equalize that disadvantage. If it is a disadvantage of location. However, after having contributed as we do in a substantial way to the progress and earnings of the rail carriers serving that territory by giving them a double haul on an immense amount of traffic, and one that we can readily increase in succeeding years with a favorable rate adjustment, we do think that this discrimination, if I may term it as such, or this disadvantage we are suffering from because we are paying these high rates——

Chairman Aitchison: What high rates, class rates, commodity rates or what?

The Witness: High class rates, Mr. Chairman, if you please.

Chairman Aitchison: You have the official basis, have you not?

The Witness: Not on the rates. For example, for 400 miles our rate from Chicago to Minneapolis, the first class rate, is now $1.47. Under the so-called official classification scale the 400 mile rate is $1.09 plus 5 per cent increase, [fol. 2604] making $1.15. We are at a very substantial disadvantage. We have the Official classification applying in a very peculiar way. We have it between the Official territory east of Chicago and Minneapolis applying in both directions, but when you come from Chicago or Milwaukee or Peoria or St. Louis, the Western classification applies. I expect to mention that if time permits. It is just one of the disadvantages of a rate adjustment that has grown out of the action of the carriers, first, and second, the application of the Commission's decisions in these various cases.

Mr. McConnaughy: Mr. Townsend, may I interrupt you right there?

The Witness: Yes.

Mr. McConnaughy: I do not quite understand your statement about the population by states on page 1, Minnesota suffering by comparison to so-called Official territory.

By Mr. McConnaughy:

Q. Has not Minnesota, since 1930, grown percentagewise substantially more than most of the states in Eastern territory according to your chart?

A. I would not say it has grown substantially more. I am comparing it with the nation as a whole. As I endeavored to indicate, our population from 1930 to 1940 increased only 222,000 and the population of the United States increased 9,000,000. The industry loss at Minneapolis began right after 1920, when these industries started moving away [fol. 2605] from Minneapolis. However, I think it is a fact that from these figures here you could pick out some particular state, for instance, Ohio, where your population has been almost static from 1930 to 1940.

Q. Practically all of Official territory has been, has it not?

A. Yes. I think they have probably reached the saturation point which is why their population did not improve, but we know what affected our situation. We began to lose these important industries, some such important industries as the Caterpillar Tractor Company, which is one of the largest industries in the world, now located at Peoria, Illinois.

Reverting to this freight rate situation, as I have indicated and endeavored to state, this was not an adjustment that the railroads were sandbagged into. This was an adjustment they started voluntarily themselves under a highly competitive situation. We had favorable rates between Minneapolis and Chicago and they were reflected in our rates to and from Official classification territory generally, this 40 cent scale of class rates that originally applied between Chicago and the Twin Cities being the western factor of our rate from New York to the Twin Cities. As the exhibits of record here will show, that was at one time $1.15, first class, and that rate is now increased over 200 per cent. In the same way, originally we had the Official classification between Minneapolis and Official terri- [fol. 2606] tory to this extent: We had it between Minneapolis and Central Freight Association territory; we did not have it between Minneapolis and Trunk Line territory, but we had it westbound from Trunk Line territory to Minneapolis. That was a complicated situation which was corrected in the second decision of the Class Rate case.

I mention this with respect to how these things developed. The first investigation in Docket 17,000, Part 2, was a very extensive investigation, but the public was new to these general investigations made under the Hoch-Smith resolution. The facts were presented, but the importance of preserving the status quo or nearly so was not stressed; and unfortunately we lost very severally in the first scale of rates that were prescribed as a result of the 17,000, Part 2, decision. We lost in this way: Our rates were increased very much. That was reflected in a very substantial increase in our Minnesota intrastate rates which had always been more favorable than the intrastate rates in most of the Western states. Those rates had been published years ago, about 1911, and were subjected to attack by the carriers as being confiscatory, but were sustained by the Supreme Court of the United States as being compensatory. That same scale of rates continued until we got into the 17,000, Part 2, scale, and there, for the purpose of harmonizing the state adjustment with the interstate rates, we accepted the higher scale of rates which Mr. Radke explained on the [fol. 2607] stand here yesterday.

The other unfortunate part of the first decision in the so-called Western Trunk Line class rate case was that the Official classification was taken away from us. Our rates between Eastern territory, westbound from New York, Pittsburgh, Buffalo and all of that important territory, which had always been subject to the Official classification as far back as I can remember, and that is some time, were put on the Western classification basis. Then we had a rehearing in the so-called Western Trunk Line class rate case as a result of which the Official classification was restored to us between recognized Official territory and the Twin Cities. It also applied to and from Duluth and the territory described in the tariffs as the so-called Northwest territory, and that is also referred to in the decision governing those cases. That was some substantial relief, but it left with this very high scale of rates. At that time, after the Eastern class rate investigation, the 400 mile first class rate under the Eastern investigation was 99 cents, and our rate based on the so-called laminated scale, using the so-called Western Trunk Line basic scale, between Chicago and Madison, Wisconsin, then progressing into the so-called zone 1 scale from Madison up to Minneapolis and St. Paul, gave us a rate of $1.26. In other words, we were 27 per cent higher on the first class rate than our important competitors shipping to Chicago. Of course, it [fol. 2608] was reflected in our rates all through, to and from, Eastern territory.

That, however, was not the most serious situation about it. One of the more serious situations about it was that the Official classification scale had 4th class rates at 50 per cent of 1st class, while in the Western territory we were paying 55 per cent 1st class. On the important less than carload traffic moving under class rates, that moves between Minneapolis and Chicago, we were handicapped to the extent of that 5 per cent compounded on a scale that was already 27 per cent too high for that 400 mile haul. It is that condition we seek to relieve.

Over a period of years we have been on the same border of the Official classification scale as has St. Louis, Davenport, Keokuk, Burlington and all of the Mississippi River cities until you get above Dubuque. The traffic transportation conditions between the Twin Cities and Chicago and Milwaukee are more favorable than any territory in the entire western part of the United States, and generally are more favorable than all of the Eastern territory. We feel in view of those facts that we should have the Official classification scale because it is necessary if we are going to continue to develop and expand industrially. We have had—you might say we have had this thing given to us, we developed under it, and it was partially taken away in the [fol. 2609] first case; we got some of it back in the second class rate decision, but we are here today to say that as far as the rates from and to the Twin Cities are concerned—and I may say parenthetically that includes Duluth; Mr. Smith was speaking about Duluth—we feel that everything that may be considered as justifying rates or determining the future of this great adjustment, justifies putting us into the Official classification group and giving us the Official classification scale, the same scale of rates that would apply between Pittsburgh and Chicago, if you please. We cannot ask for more than that, but reasonably we appear to be entitled to that basis upon a study of the conditions which have prevailed in the past.

Now, I have assembled in these exhibits a great deal of statistical data. It is data that is self-explanatory. Instead of laboriously going through the exhibits I am going to submit them very largely as they stand. However, I want to call attention to a few of the things that I think are worthy of consideration in this particular case.

[fol. 2610] In the so-called Western Trunk Line Class Rate case, rates were prescribed that applied between the Official Territory, including everything from New York west to the Illinois-Indiana state line, and the Twin Cities, at Minneapolis, and the Commission found what the rate should be specifically, but we don't get that rate in many instances, and I have tried to illustrate an example of it, just a brief example of it, at the last page, being page 51 of Exhibit 133.

Here is an unfortunate situation that I think the carriers should have given us some relief from. They never did, although it has been the subject of numerous letters and correspondence. There wasn't enough involved to warrant burdening the Interstate Commerce Commission with a formal complaint. The individual shipper that sustained these increases in rates, due to this minimum rate scale as explained at page 51 of this Exhibit 133, has paid more than

$150 or $200 a year excess charges, but that is just one of the burdens we want to get back.

Now, I will explain how those things happen. For instance, the Commission prescribed a scale of rates and the normal scale from Greencastle, Indiana, to Minneapolis, would be $1.70 or $1.75, first class, and the minimum scale is only $1.67. The tariff provides both the normal scale and the minimum scale. Now, the minimum scale comes in [fol. 2611] operation when we get into the difference between the fourth class, because this minimum scale, which is 92 cents fourth class from Greencastle, Indiana, to Minneapolis, is subject to the Western Classification. The normal scale of 88 cents is subject to Official Classification.

I only give those two examples. There are literally thousands of them in the tariff referred to in the case. Now, that comes about in this way: The carriers were granted all the Fourth Section relief they sought in these cases, but they didn't ask Fourth Section relief to cover this particular situation, and therefore we have this anomalous situation, where the Commission has prescribed the Official Classification and specific rates, but yet we pay higher rates and pay the Western Classification in these specific instances where these differences occur.

Now, there are other situations, other than the ones brought about by the difference between 55 per cent of first class for fourth class in the Western and 50 per cent of first class for fourth class in the Official. They are brought about because these minimum scales are applied over circuitous routes.

By Chairman Aitchison:

Q. Is the mileage figured on the circuity?

A. Beg your pardon?

Q. Is the mileage figured on the circuity?

[fol. 2612] A. No, it is just an arbitrary action of the carrier. I will explain how they do it. For instance, take an example from some point in Michigan. It might be Bay City, it might be Detroit. Normally, the route would be either across Lake Michigan, using the car ferry route, or through Chicago. In extreme cases it might be through Peoria, Illinois; but the carrier dragged those rates down to, say, Vincennes, and to get the maximum scale today, would pay the Vincennes rate, because they want to use these circuitous routes to get to Minneapolis. It is a burdensome thing that ought not to have occurred. It should have been condemned and if I hadn't been so busy the last few years, I would have tried to correct it in a formal proceeding. But I only mention it as indicating the rather complexity of this thing we have to contend with.

We have in our office four rate clerks, and I think they are probably the best rate clerks there are in the country, barring a few that are getting so old I can't use them; but we have three trunk line telephones and those men are quoting rates continuously from 8 o'clock in the morning to 4 o'clock in the afternoon and often after that. You would think it was a simple matter to look up the rate, say, from Hamilton, Ohio, to Minneapolis, or ~~in~~ the reverse direction, but it takes an examination of several tariffs to find the rate. You don't have much trouble, you pick up one tariff and you find the rate specifically shown there. [fol. 2613] If you study this a little further, you find it has got a minimum rate scale and you have got to figure that in and there are numerous complications. We have many instances in our office where it takes an expert—I say experts because these boys are experts—I don't attempt to do it—where it takes these boys from half an hour to three-quarters of an hour to figure a single rate. It is a burdensome situation.

Q. Mr. Townsend, you have been talking largely about the rates between Minneapolis and St. Paul and points within Official Territory, haven't you?

A. Yes.

Q. Is the Official Classification, in your judgment, one which has a sufficient number of classes and is flexible enough to permit the use of it in the state of Minnesota and for distances west of the Mississippi ~~River~~ into the state of Iowa, as has been suggested? What is your feeling on that?

A. I am firmly convinced that the Official Classification or any uniform classification is sufficiently flexible in itself, considering, of course——

Q. I didn't get that.

A. You asked if the Official Classification was flexible. I think the Official Classification is flexible enough, but consideration must be given to the fact that outside of the classification itself, there are these column ratings, per-[fol. 2614] centages of class rates that apply on numerous commodities that are below sixth class, and of course we would have to have some treatment in the Western Territory to take care of our class E commodities. We would have to have some treatment in the Western Territory to take care of possibly B, C, D and E, but those commodities more or less generally are getting away from the classification, are getting into commodity rates, and in many instances the columns are almost obsolete so far as their use is concerned, and we could readily adapt ourselves to an Official Classification with these column exceptions for these lower classes that are not there today.

Q. Which can be carried, then, as classes 7, 8, 9, and so on?

A. I would prefer to see it done that way and I would prefer to get as much of it as I could into the classification, get it fixed so that it would be stabilized and so that we wouldn't have to look at dozens, literally dozens of exceptions to classification, because there are individual lines publishing exceptions to classifications besides the rate bureaus, and it is just too complicated a matter.

I want to say this about the Official Classification. There are people who believe, and I have no quarrel with them, that fourth class rates, that is, 55 per cent of first class, are more feasible to a western community than are fourth class rates fixed at 50 per cent of first class, which is the basis in Official, but that comes about from a rather old [fol. 2615] and antiquated idea that the greatest spread you can get between the carload rate and the l.c.l. rate insured the development of warehousing and little jobbers, but the warehousing situation has changed, the jobbing situation has changed with the advent of chain stores, and new methods of distribution and trucks, and the adoption of 55 per cent of first class, for example, for fourth class rates between Minneapolis and Official Territory, where we now have 50, would impose upon our market a very substantial, I mean a very large rate increase over a period of years, if we worked on this present scale of rates, so I am an advocate of 50 per cent of first class. I wouldn't offer any serious objections if you made it all 55 per cent of first class, but I don't believe there is anything that could be found in this record that would justify increasing the fourth class rate up to 55 per cent of first class. I have in mind there is a broad latitude, a broad vale between maximum and minimum rates, and I have in mind that there is a broad zone between articles rated fourth class in the classification and moving on column 50 rates in the Official and column 55 in the Western, where the valuation between the lowest in that group and the highest in that group may be three, four, five hundred per cent; so unless you are going to make a more careful separation of commodities and classes, then, more with relation to value, you will have difficulty. That has been one of the controlling things in [fol. 2616] classification in the past, but it hasn't been followed, to any great extent. As just an example of it, I might indicate——

Chairman Aitchison: Don't bother with the example. We would rather have the generalities right now.

The Witness: Well, I just say that the generality is that with respect to iron and steel articles, you can find a valuation between an iron bar that is worth 5 or 6 cents a pound and a high alloy steel that is probably worth $2 a pound, but it all moves at the same iron and steel rate, practically all over the United States. But I don't advocate that these should go in. The country is built up on this.

In that connection, I might say that I was interested in one of your questions the other day to Mr. Fyfe as to how these classification things occur. Well, I have been a member of the Classification Committee, or was, for many years, on the railroad, before we had these very excellent committees. They are highly efficient, well-posted men, specialists in what they are doing. But before that, we had two classification meetings a year. We would have one in the summer at Charlevoix and one in the winter at New Orleans and Galveston; and I have seen the reflections of these things in years past. I had one rating that I tried to correct for a year, but it finally became so noticeable that it was voluntarily corrected by the cariers. I docketed it but it was turned down, but somebody got remorse about it [fol. 2617] and fixed it afterwards, and that was this: dynamos, what we call you know, just an electric motor, motors made in all sizes and adapted to all types of business. They are rated second class in the classification. We have an industry in Minneapolis making what we call oil burners, in which they add about 500 feet of cast iron and wrought iron pipe, which is worth 8 or 10 cents a pound, to an electric motor that is worth $75 or $80, which took the second class rate, and they raised the rate to first class. When I tried to get second class on that combined motor and cheap equipment or the cheap stuff you manufacture on oil burner out of, one that includes a cast iron base that weighs 25 or 30 pounds, I was turned down; and I went and talked to these fellows about that, and one of them there said—of course, in the old days, a fellow came down to Charlevoix or he went down to Galveston, and the one that had the best disposition or the most pleasing personality and had the largest bank roll, got the best rates. I make no reflection at all, because it is a highly competitive situation; but I do say today, that barring some of the things that I can't understand, these three classification committees today are experts and they are such experts that I never go to one of their meetings because they will laugh you out of court, because they have a cross section of the whole situation. If you are interested in a particular commodity and you [fol. 2618] want to have the classification changed and you think you have got a good case, they will dig you up the same commodity made in Bangor, Maine, that is worth ten times the commodity made by your shipper, and they will laugh you out of court. They are experts at it and I think they are operating efficiently and doing as much as they consistently could for the public; but you must remember that every man has a pride in what he creates and Mr. Fyfe has a pride in his Western Classification and the other men have a pride in theirs, and justly so; but we are getting to the point where it ought to be harmonized in some way so at least future generations won't have to look at three columns where they can get the whole information in one. That is the only point.

By Chairman Aitchison:

Q. I want you to answer one question—I don't want you to take quite so long as you did to answer the last one—and that is: in building up the scale of class rates, what is your thought as to whether or not the logical thing to do is not to start by consideration of fourth class first and then scale the other classes with relation to fourth class, rather than scaling all the classes with relation to first?

A. You mean to divorce the l.c.l. from the carload first?

Q. Yes.

A. Yes. Well, I have thought of that a great deal because the fourth class is rather the predominant tonnage [fol. 2619] that moves under the l.c.l. rates, and you can readily determine or you can come more near to determining the cost of the transportation, and when you get above fourth class, you can adjust these rates so as to allow something for emergency, because you are getting into the realm of commodities that are considerably higher priced, and I have rather favored the thought of working from the fourth class up and then starting again at fifth class, or something that you are going to determine the carload rate, and working down from there. I think, as we get along in the progression that I rather favor the idea of getting as many of our commodities as we can down to some column basis, because there is too much discrimination, there is too much variance of rates within tariffs and interterritorially, when we use this commodity group description. Of course, I am not talking about long-haul, transcontinental rates, where the carriers, because they like this long-haul traffic, have favored the Pacific Coast at the discrimination against the intermediate territory, such as Minneapolis. I am trying to protect some of those, but you may have to have a different treatment for that; or a basis generally applicable, something that approximates the fourth class for the basis, and grade up from that for your higher classes. I think I could get rid of this Official Classification, this Rule 26 and Rule 25.—It is just an abomination of the past, it doesn't have any [fol. 2620] significance today. Some of the rates are practically—well, Rule 25 is the same as second class or third class, I should say.

Q. Now, take with respect to the local situation in Minnesota with which you are very familiar. The tradition in Minnesota was that Class A was a higher rating than fifth class, was it not?

A. That is because the agricultural implements were light and bulky, comparatively, and we put the agricultural implements in Class A and it was about 45 per cent or higher than 37.5 per cent, which was the more or less going basis for fifth class.

Q. Do you think that is justified?

A. It is only justified by the difference in the weights, because we had 20,000-pound minimum for agricultural implements, and it got up to 36,000 pounds generally for carload freight at fifth class. Of course, there are exceptions to that, but that is the general basis: And that is the only thing that was justified. It wasn't justified by the difference in value, because a carload of agricultural implements, even using one of these modern tractors as part of that load, has no greater value than a large per cent of the carload traffic moving at fifth class.

Q. Historically, can you explain why it was that fifth class, I mean Class A was higher than fifth class in Minnesota?

[fol. 2621] A. Just for this reason, because it took care of these light-loading commodities with a low minimum weight and applied the fifth class rates.

Q. Have you completed your statement?

A. Well, I did want to mention two or three things about these exhibits.

Chairman Aitchison: It is going to be necessary for us to suspend at 12 o'clock today.

The Witness: Well, I understand that there is—I have gotten so much in these exhibits, that it just seems to burden the record to try to explain much of it. I did want to mention this and I don't know just how it will be done. I am very much interested in this. Agricultural History, Series No. 4, published in July, 1942 by the Bureau of Agricultural Economics, entitled the "Hoch-Smith Resolution, a Study of Congressional Mandate on Transportation." There are numerous statements in here that I would like to incorporate in the brief. I haven't time now to designate the parts I would like to incorporate, but it is a public document and it is very interesting. I don't agree with all of it but it is a good publication.

By Chairman Aitchison:

Q. If you don't agree with it, do you think you ought to quote it is an authority?

A. I think it is worth quoting because it comes from an eminent authority and it might be helpful in writing up a [fol. 2622] brief, to indicate that there are differences of opinion as to what might be done to correct a situation that is rather complicated.

I want to make this additional statement——

Chairman Aitchison: I think it would be well, wouldn't it, if you comply with the rule and designate what you want?

The Witness: Well, my idea was that——

Chairman Aitchison: Let counsel have an opportunity to examine it.

The Witness: Yes.

Chairman Aitchison: And see whether there is any objection to it.

The Witness: If the gentlemen want to examine this publication——

Chairman Aitchison: I mean the portions you want to use.

The Witness: I will mark them some time during the day and leave this here for such information as you want.

Mr. Hughes: Mr. Chairman, so far as the western carriers are concerned, they have no objection to Mr. Townsend quoting from that in his brief. We ourselves may do the same thing. The document——

Chairman Aitchison: I don't know, maybe you gentlemen ought to get together. The others might have something to say about that.

The Witness: I haven't spoken to anybody about it [fol. 2623] before.

Chairman Aitchison: I think we had better adhere to the rule. It is a good rule for all concerned.

The Witness: I just want to make this one statement about Mr. Berg of the St. Paul Association of Commerce. His exhibit has been submitted and I say I collaborated with him on the preparation of it. I have looked it over. It is substantially correct. But in addition to that, he furnished me a statement of some 10 pages. I don't know why he did it except that he has been ill for some time and he was ill at the time the new rules of practice became effective. And while I would like to incorporate this in the record, of course, it is not my testimony and I can't do it, and I just merely mention it to indicate that I have not ignored his mandate to me to try to get this statement in the record. It is a statement relating to his exhibit but it has certain conclusions that he makes that I haven't any familiarity with.

Chairman Aitchison: Without objection, I take it, Exhibits 131, 132 and 133 will be received.

(Exhibits Nos. 131, 132 and 133, Witness Townsend, received in evidence.)

The Witness: May I just add one more word, Mr. Commissioner? My own thought is that as far as the rail and lake rates and the rail-and-lake rates, between Official Terri- [fol. 2624] tory and the Northwest, that they probably can't receive very much treatment in this proceeding. I do think that our entire Northwest has been deprived of the benefit of its location with respect to our rail and lake rates, which have been made with relation to the all-rail rates. And my own suggestion has been that we find a proper equation for equating the water haul from Buffalo to Duluth and apply such scale of rates as was prescribed between the East and the West so that they would apply through Buffalo and Duluth or in the reverse direction, and this Northwest territory. They would make rates that make the Northwest—and when I say that, I mean the Twin Cities and I mean all of the Northwest, going clear out into Montana, if you please, including important communities like Bismarck and Fargo and Jamestown and Watertown and Abeerdeen. I think all those communities have been deprived of the benefit of their location by the method of adjusting the rail-lake-rail rates. I am not prepared now to say what basis they are going to be, because I don't know what kind of transportation we are going to have on the Great Lakes when these conditions change. We have practically none now, no package carriers of any importance, and I visualize that with the few boats that may come in after this war is over, we will have possibly car ferries and we will have containers for package freight, to avoid the burden of terminal costs. I only men- [fol. 2625] tion that now because I want to indicate that I am not in favor of the present basis of rail-lake-rail rates.

I want to make this one more statement, that I have listened with a great deal of interest to a very excellent presentation having been made here by these various parties, and I can only say that what they seek is wonderful. Whether we can reach Utopia in a proceeding of this kind is more or less doubtful, but whatever has been done, I urge that consideration be given to this statement of mine, that we have been on the edge of this Official Classification Territory, with its classification rates, we have had one foot in the door. We get carried out occasionally. We are back at the door rapping, and we want to get back in.

Thank you.

By Chairman Aitchison:

Q. Would it be feasible, in your judgment, to take the Official Classification boundary from Duluth to the Twin Cities and down the Omaha line, through Omaha, down the

Missouri River to Kansas City and across through the northern part of Missouri to the Mississippi?

A. It would not only be feasible but it would be a treatment of a rather complicated situation that probably, on a record of this kind, is the most that might be done. Now, I appreciate, and this exhibit of mine shows, that Minneapolis and the Twin Cities generally furnish, and the state of Minnesota furnishes probably more tonnage for rail carriers [fol. 2626] than any state of the Union, considering everything. There is a sudden drop-off in industry as you get west of Minneapolis and west of Duluth. I think that the industry we have there, which includes the line you have suggested, includes southern Minnesota, such as Mankato, Winona, Albert Lea and Austin, that that territory is entitled to everything that Minneapolis is entitled to, and I think that the Iowa territory is equally entitled to it. The population of Iowa is so well diffused, going back to the early days when they had the granger laws and didn't encourage the development of large communities, that it is a territory which, when you consider its coal in southern Iowa, when you consider all of its agricultural products and its livestock and you consider its packing house products, scattered throughout the state, its creameries and other industries, that it includes a tonnage that will justify putting it in this group you suggest. I have in mind that southern Indiana is less productive than any foot of soil in Iowa or Minnesota, as a state. You go south of Indianapolis along what we call the JM&I, you find a few canning factories, but you go over to Brown County, it didn't have a railroad until a few years ago, and that entire state is given the Official Classification basis. I don't say here that these rates ought to be reduced, I have deference to the fact that the carriers haven't the revenue——

Q. I wasn't speaking of that; I was speaking of the use of [fol. 2627] Official Classification.

A. Yes, I think the Official Classification would work in that territory and it would be adapted to it. Now, there will be some communities that will adhere to the old theory, they want 55 per cent of first class, but I think it is an exploded theory and one that could well be dropped at that time.

Chairman Aitchison: Cross-examine. (No response.) Evidently you have cross-examined yourself as you went along, (laughter), so you are excused.

The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: We will suspend now until 2 o'clock.

(At 12 noon, November 18, 1942, adjournment taken until 2 o'clock p. m.)

[fol. 2628] Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock P. M.

Chairman Aitchison: Shall we proceed. Mr. Porter, for Wisconsin.

Mr. Porter: At this time, your Honor, I would like to call Mr. John R. Davy.

John R. Davy was sworn and testified as follows:

Direct examination.

By Mr. Porter:

Q. Mr. Davy, will you please state for the record your full name, your residence, and occupation.

A. My name is John R. Davy; my residence is Sheboygan, Wisconsin; and I am at the present time, and for the past 22 years have been, manager of the Traffic Bureau of the Sheboygan, Wisconsin, Association of Commerce.

Q. What other traffic experience, if any, have you had, Mr. Davy?

A. Prior to that time, for 20 years, I had traffic experience with the Chicago and North Western Railway, the Goodrich Transit Company; and the Western Weighing & Inspection Bureau.

Q. Are you familiar with the issues involved in this case?

A. Yes.

Chairman Aitchison: That is more than most of us can say.

(Prolonged laughter.)

[fol. 2629] By Mr. Porter:

Q. What connection, Mr. Davy, if any, do you have with the Wisconsin Manufacturers Association?

A. I am at the present time, and for the past 16 years have been, chairman of the Traffic Committee of the Wisconsin Manufacturers Association. That association is a non-profit corporation, composed of a number of manufacturing industries located throughout the State of Wisconsin. It has about 1200 members, that include all of the important industries in the state.

Q. Has that Traffic Committee been active in following this particular proceeding?

A. Yes.

Q. Now before asking you to state your position, and that of your organization, Mr. Davy, I want to ask you a few questions with respect to the operation of the car ferry routes across Lake Michigan. What lines operate those car ferry routes?

A. The Ann Arbor Railway——

Chairman Aitchison: To shorten it, we will take judicial notice of that.

Mr. Porter: As well as the ports that are reached and served by those routes, your Honor?

Chairman Aitchison: Yes. That is a matter of common knowledge.

Mr. Porter: Very well.

[fol. 2630] By Mr. Porter:

Q. Do the eastern railroads which operate these car ferries, maintain and operate terminals at west bank Lake Michigan ports?

A. Yes.

Q. And do those west bank Lake Michigan ports constitute the western termini of those railroads?

A. Yes, sir.

Q. How many vessels are operated in this car ferry service, Mr. Davy?

A. About 16.

Q. What is their capacity?

A. From 25 to 30 cars per vessel load, depending upon the size of the cars that constitute the load of the particular vessel.

Q. How are the cars handled onto and off of the vessels?

A. They are switched onto the vessels, either at the west bank ports, or vice versa, at the east bank ports. In other words, cars destined to eastern territory are switched onto the car ferries at Manitowoc and other west bank ports, and then they are switched off of the ferries at the east bank ports, on the east side, such as the ports of Ludington, Frankfort, and Muskegon.

Q. Is there any transfer of lading involved in that operation?

A. No, sir, there is not. The cars are not opened; that is, the lading in the cars is not transferred.

[fol. 2631] Q. How frequent is the operation?

A. They operate generally about two round trips per day.

Q. Do they operate throughout the year?

A. Oh, yes.

Q. In the winter as well as the summer.

A. Yes, sir.

Q. How does the winter tonnage compare with the summer tonnage?

A. Well, generally speaking, the winter tonnage exceeds the summer tonnage, and that is principally due to the fact that other lake operations are abandoned during the month of December, and are not restored until about the middle of the following March, so that during that period, generally speaking, the car ferry tonnage exceeds the tonnage during the period of the balance of the year.

Q. Now, Mr. Davy, can you give us some idea as to the proportion of the traffic that is handled by car ferry, to and from the territory immediately tributary to the car ferry termini?

A. Well, for example, citing Sheboygan, Wisconsin, with which I am thoroughly familiar, from 85 to 90 per cent of the carload and less than carload tonnage destined to Eastern Trunk Line and New England territories, moves via the cross-lake car ferry routes. As far as Zone C territory is concerned, including adjacent territory, and the territory immediately north thereof, including Upper Michigan, it would approximate nearly the same percentage.

[fol. 2632] Q. When you refer to Zone C territory, Mr. Davy, do you have reference to extended Zone C territory?

A. I mean, extended Zone C territory in Wisconsin, yes, sir.

Q. Is that territory that is principally tributary to the car ferry operations?

A. Yes.

Q. Are the car ferries important, with respect to the service which is furnished by them to this Wisconsin territory?

A. They are, yes, sir, and very much so. The service via the cross-lake lines, citing Sheboygan again, as a typical example, will conserve, at a minimum, from one to two days, as compared with the route via Chicago.

Q. Now will you state, please, Mr. Davy, whether or not in the past these lines have been used for the making of rates between Wisconsin and the West, on the one hand, and the East, on the other hand?

A. Yes, sir, they have been so used. The car ferry service came into existence in January of 1892, having been first established by the Ann Arbor Railway, operating from Manitowoc to Ludington,—or rather, I mean to say from Manitowoc to Frankfort, Michigan; and since that time, up to the time the Interstate Commerce Commission prescribed class rates from west bank Lake Michigan ports—or rather between west bank Lake Michigan ports on the one hand, and the balance of Official territory on the other hand, the rates from the west bank Lake Michigan [fol. 2633] ports were on a parity with the rates between Chicago and Eastern territory.

Q. Is it your position, Mr. Davy, that these car ferry routes should be recognized in the making of rates?

A. Absolutely, yes, sir.

Q. Now I would like to ask you, Mr. Davy, to state in just a very brief and general way, the position of the Wisconsin interests for whom you are appearing in this proceeding. Are you advocating at this time any sweeping or general revision of the class rates?

A. No, sir, we are not. While we are not entirely satisfied with our present class rate adjustment, and particularly with our relationship to Illinois and Central Freight Association territory, with which we are mostly competitive, rather than see any general revision of the class rate structure undertaken at this time, at a time such as the present time, when production and traffic are so abnormal and the future so uncertain, we would very much prefer to continue under the present rate structure until we know more about what our production after the war will be, and where our competition will be located. For that reason we feel that the present rate structure should be allowed to stand until after the war. If a general revision of the class rates is prescribed at this time, however, we feel that the basic Official territory rates should be extended to [fol. 2634] include at least that part of the State of Wisconsin which lies south of a line drawn from Green Bay to the Twin Cities. This line will be more specifically described later by Mr. Schreiber.

Q. Now, if a geenral revision of the class rate adjustment is undertaken at the present time, Mr. Davy, do you advocate anything with respect to the prescription of class rates in other territories,—that is, other parts of Western Trunk Line territory, the Southwest, or Southern territory?

A. No, sir, we do not, excepting that we do believe that the intraterritorial adjustment should first be made, and that the interterritorial rates between two or more differently rated territories should be arrived at by a blending of the different levels in some manner such as was employed in the Western Trunk Line Class Rate Case, docket 17,000 Part 2, reported in 164 I. C. C. 1; or the use of some other formula which will produce rates reflecting the rates of the respective territories in which interterritorial traffic moves. These rates should apply in both directions.

By Chairman Aitchison:

Q. May I ask, Mr. Davy, if you have had any experience in the use of the so-called laminated scales?

A. Why, we have had, yes, sir, in the making of rates between Eastern territory and that portion of the State of Wisconsin lying in the so-called Zone-1 territory.

Q. Well, what I was trying to get at was as to whether or not you have had any actual personal experience with [fol. 2635] them, so that you know just what it is that you are recommending.

A. Well, Mr. Chairman, no, I have not had anything directly to do with the making of rates constructed on the basis of that principle, except what was used in determination of rates between Official territory and that part of Wisconsin lying within Zone-1 territory; and in addition to that, Mr. Chairman, we have bridge scales that are used in constructing rates to the territory adjacent to lower rated territory, such as Zone-A, and Illinois Freight Association territory in Wisconsin.

By Mr. Porter:

Q. Well you have had experience, have you not, Mr. Davy, with respect to the use of these scales, and the laminating factors in these scales, for the purpose of determining what rates are produced, and comparing them with other rates, in preparation for rate cases?

A. Oh, yes.

Mr. Porter: The witness is tendered at this time, if the Commission please, for cross-examination.

Chairman Aitchison: Is there any cross-examination?

Mr. Norman: I have a question or two.

Cross-examination.

By Mr. Norman:

Q. Mr. Davy, if I understand your testimony correctly, your proposition is that you do not want to make any changes in the class rate structure, but you are just going to change the boundary of Official territory so as to take [fol. 2636] you in; is that correct?

A. That is, providing it is necessary, under the testimony that is presented, to accomplish that, to move our portion of the state over to the line that I have described here, from Green Bay to the Twin Cities.

Q. Well they could satisfy all of us that way, could they not, by just moving the territorial boundaries of Official Classification territory so as to put us all in there; and then we would all be satisfied?

A. Well, there are certain portions of the State of Wisconsin as to which we are not advocating that that principle of making rates be applied, and there are others as to which we are advocating that it be applied, for the reason that they are justly entitled to it, due to certain traffic conditions, volume of traffic, and so forth and so on. In that portion of Wisconsin that I have described here, we feel that they are justly entitled to it.

Q. That is the portion that you are in, is it not?

Q. No, sir, I wouldn't say that.

Q. How?

A. No, sir. We are located on the west bank of Lake Michigan, and are considered as being part and parcel of Official territory today,—as far as Sheboygan is concerned.

Q. You are just going to take in that particular portion of the State of Wisconsin then; is that correct?

[fol. 2637] A. We are going to take in the portion of the state which lies south of the line that has been described here.

Q. What is your objection, if any, to having a uniform basis of rates and classification extended throughout the territory?

A. Throughout what territory?

Q. Well, throughout the territory, let us say, east of the Rocky Mountains.

A. Oh, I am not in a position at this time, Mr. Norman, to state to the Commission my views in connection with that particular matter. I have not made a thorough study of it, and therefore I would not be in a position to state whether that would be proper or not. I think that is up to the interests that are located in those particular territories, to state whether or not that can be accomplished.

Mr. Norman: That is all.

Chairman Aitchison: Is there any further cross-examination? (No response.)

Mr. Porter: I have just one question on redirect, your Honor.

Redirect examination.

By Mr. Porter:

Q. Mr. Davy, I think Mr. Norman misunderstood the statement of your position. You said, did you not, that while you were not in favor of changing the class rate structure at this time, if it were to be changed, then you were advocating the extension of Official territory, in effect, [fol. 2638] to include the Southern part of the State of Wisconsin?

A. Yes, sir.

Mr. Norman: Was that his statement?

Mr. Porter: Yes.

Mr. Norman: Then I did not so understand him.

Mr. Porter: I thought you had misunderstood.

Mr. Norman: Yes, I misunderstood him.

The Witness: That is what I said.

Mr. Porter: Yes.

Mr. Norman: Thank you.

Mr. Porter: That is all.

Chairman Aitchison: You are excused.

The Witness: Thank you.

(Witness excused.)

Mr. Porter: Call Mr. Ivan A. Sherman, please.

Ivan A. Sherman was sworn and testified as follows:

Direct examination.

By Mr. Porter:

Q. Mr. Sherman, will you please state for the record your full name, your residence, and your occupation.

A. My name is Ivan A. Sherman; my address is 543 State Office Building, Madison, Wisconsin. I am at the present time employed by the Public Service Commission of Wisconsin.

Q. What traffic experience have you had?

[fol. 2639] A. I have had several years of railroad experience. For 9 years I was Assistant Director of the Madison Traffic Bureau, a shippers' organization, furnishing traffic service to industries located in and around Madison; and as such I assisted in the preparation for, and participated in, various proceedings before the Interstate Commerce Commission and the Wisconsin Public Service Commission. Since November 15th, 1936, I have been employed by the Public Service Commission of Wisconsin, first as Assistant Chief of the Tariffs Department, and more recently as Supervisor of the Tariffs Section.

Q. Do you feel, Mr. Sherman, that you are familiar with the issues involved in this proceeding?

A. I think so.

Q. Have you prepared, or caused to be prepared under your direction and supervision, an exhibit containing certain matters which bear upon those issues?

A. Yes,sir.

Mr. Porter: If the Commission please, may we have the exhibit marked for identification at this time with the next number in order.

Chairman Aitchison: 134.

(Exhibit 134, Witness Sherman, marked for identification.)

By Mr. Porter:

Q. Mr. Sherman, is the document that has just been marked by the reporter as Exhibit No. 134 for identification, the exhibit to which you refer?

[fol. 2640] A. Yes, sir.

Q. Is the exhibit true and correct, so far as you know?

A. Yes, sir, to the best of my knowledge and belief, the exhibit is true and correct.

Q. Have you also had prepared an explanation of the exhibit, and for further testimony, a statement which you have reduced to writing?

A. Yes, sir.

Q. Is that statement likewise true and correct, so far as you know, and believe, Mr. Sherman?

A. Yes, sir.

Mr. Porter: If the Commission please, we shall be glad to have Mr. Sherman read his prepared statement into the record, or have it copied in, just as you please.

Chairman Aitchison: It has been circulated in advance, has it?

Mr. Porter: Yes, sir.

Chairman Aitchison: Is there any objection to copying it in, gentlemen? (No response.) That may be done.

(The statement is as follows:)

Upon instruction from my superior officers, I am appearing in this proceeding in behalf of the Public Service Commission of Wisconsin and the state as a whole. My testimony is for the purpose of showing the Commission the practical effect of some of Witness Jensen's proposals upon [fol. 2641] the rate structure now in effect between Wisconsin and Official territory.

I have prepared an exhibit which illustrates these effects, and I now offer it for identification. All computations of distances and rates have been made as outlined in Witness Jensen's Exhibit No. 7 as clarified with respect to the Wisconsin situation by his testimony at the St. Louis hearing in this proceeding. It was there stated that extended Zone C in Wisconsin was considered as a part of Zone 1 territory and that it should be treated as being in Zone 110. The witness also stated that the rate proposals contemplated the use of "all-rail" routes, and that "car-ferry routes" across Lake Michigan had not been considered.

In computing the proposed mileages shown on pages 2 to 17, inclusive, of my exhibit, I have therefore used short line routes via Chicago, Illinois. That portion of Wisconsin which has been designated by the Interstate Commerce Commission as forming a part of Illinois Freight Association territory was considered as being located in Zone 100 and the balance of Wisconsin as being located in Zone 110. Official territory was treated as outlined in Witness Jensen's Exhibit No. 7.

Page No. 2 of my exhibit shows a comparison of the present first class rates and the short line distances on which they are based from 14 representative points in Wisconsin to [fol. 2642] Indianapolis, Indiana, with the distances and first class rates proposed by Witness Jensen. Inasmuch as Wisconsin industry generally finds keen competition in the marketing of its products in the East from Chicago, I have used that point as representative of competing points, and shown a comparison of the present spread in rates of the Wisconsin points over Chicago with the spread which would result under the proposed rates and the resulting change in relationship.

Attention is called to the fact that although the proposed mileage via Chicago is the same as the short line distance, the proposed rates would result in reducing the present first class rates by amounts ranging from 15 to 40 cents per 100 pounds. They would also increase the spread over Chicago in the first class rates from Wisconsin points located in Illinois Freight Association and Extended Zone C territories by amounts ranging from one to seven cents, and reduce the present spread of Wisconsin Zone 1 points by amounts ranging from 12 to 18 cents per 100 pounds.

Sheet No. 4 shows a similar comparison of distances and rates to Detroit, Michigan. Here it should be noted that the computation of mileages via Chicago results in increasing the present ratemaking distances from 15 to 134 miles. The proposed rates would result in reductions ranging from 3 to 22 cents from all the Wisconsin points shown except Manitowoc, Green Bay and Marinette, but would increase [fol. 2643] the rates from Manitowoc 3 cents and Green Bay 4 cents and Marinette 11 cents per 100 pounds. The spreads in first class rates over Chicago from Wisconsin Illinois Freight Association and Zone C points would be increased by amounts ranging from 7 to 30 cents as compared with increases of from 1 to 7 cents from Zone 1 points except LaCross and Ashland where the spread would be reduced 3 and 2 cents.

The effect of eliminating car-ferry routes from the computation of short line mileages upon Wisconsin's rate structure is strikingly illustrated on page No. 6. The use of the Chicago gateway increases the distances for ratemaking purposes to Ludington, Michigan, by mileages ranging from 201 to 377. It also results in proposed rates which exceed the present rates by amounts ranging from 4 to 49 cents per 100 pounds, and the spread in first class rates over Chicago would also be increased by amounts ranging from 12 to 57 cents per 100 pounds.

To Cleveland, Ohio, shown on page 8, the proposed first class rates would result in reductions ranging from 5 to 32 cents except from Marinette, Wisconsin. The spread over Chicago from Illinois Freight Association and Zone C points in Wisconsin would be increased by amounts ranging from 3 to 17 cents, and the spreads of Zone 1 Wisconsin points would be reduced by amounts ranging from 7 to 15 cents.

The comparison of present and proposed first class rates [fol. 2644] to Trunk Line and New England points shows a different situation. For the longer distances here involved, the Jensen proposal results generally in increases over the present rates. To Boston, Massachusetts, shown on page 16, the proposed rates result in increases ranging from 3 to 51 cents per 100 pounds except that the La Crosse rate would be reduced 8 cents, and the Eau Claire rate 3 cents per 100 pounds. The increase in spreads would range from 3 to 36 cents, and reductions from 11 to 23 cents.

The situations cited in the exhibit are illustrative only in part of the violent disruption of Wisconsin's rate structure and competive relationship would result under Witness Jensen's proposals.

The comparisons shown deal only with present and proposed first class rates. As a practical matter, the bulk of the traffic moves on rates and ratings other than first class, and in order to make comparisons of present and proposed rates on these other classes of traffic, as well as the present and proposed rates from competing points, it would be necessary to know the proposed ratings for the various descriptions of traffic.

The ratings which would result from Mr. Jensen's proposals are undisclosed by the record. Mr. Jensen, however, did testify that in general there would have to be increases in classification ratings offsetting the suggested reductions [fol. 2645] in the first class rates in order to maintain the carriers' revenues, and that the classification ratings to be adopted should be uniformly applied.

In discussing the controlling principles in the proposed revision of class rates, he said at page 55 of Exhibit No. 7: "No readjustment of class rates should be required which would diminish the aggregate revenues of the railroads in any section, because nowhere are they earning as much on their investment as they have a lawful right to do."

With respect to classification changes, Witness Jensen stated at page 60: "Where there is warrant for a difference in the level of rates on class traffic in two adjoining territories, the first class rates in the respective territories should be made to reflect as nearly as may be that precise difference, and the classifications within and between the two territories should then be made and kept uniform."

At page 71: "As previously outlined, the readjustment here proposed contemplates a reduction of class rates compensated by an increase in classifications." And at page 81: "A revision of class rates such as here proposed, or any other alteration of the bases and level of the existing rates, would necessitate extensive classification readjustments to avoid undue hardship to shippers or carriers, or both."

As before stated, we cannot present a picture as to what [fol. 2646] will happen to Wisconsin's relationship with competing points on various descriptions of traffic until we know what the governing classification rating will be on that traffic. We may, however, conclude from Mr. Jensen's testimony already quoted that there will be increases, generally speaking, in the classification ratings to offset the reductions in first class rates.

These reductions in first class rates as between points within Official Classification territory or territory closely related thereto are for the shorter distances, whereas increases are proposed for the longer distances. For example, from Illinois Freight Association territory and Extended Zone C in Wisconsin to Central Freight Association territory points, my exhibit shows generally proposed reductions in first class rates, whereas on the longer hauls to New England and Trunk Line territories increases are proposed. However, because of the closer relationship in first class rates proposed between Western Trunk Line territory, on the one hand, and Official territory, on the other, reductions, generally speaking, in the proposed first class interterritorial rates result, regardless of the distances involved. Increases in the classification ratings to offset reductions in the rates will result, with respect to traffic other than first class, in magnifying the effect of all of the increases in rates [fol. 2647] shown in my exhibit in minimizing the effect of all of the reductions.

Bearing in mind that Wisconsin's principal markets for class rate traffic are located in Official territory, and that its principal sources of competition in these markets are also located in Official territory with relatively short hauls, increases in the classification ratings will produce effects upon rate relationships with competing producers of greater disadvantage to Wisconsin points than is indicated by a comparison of the first class rates as made in the exhibit.

The present all rail class rates applying between Wisconsin and Official territory are based on short line distances except where key point rates have been established. In the computation of these distances car-ferry routes were considered as all-rail routes, and the carriers have used the short line distances via routes through Canada in determining the rates between Wisconsin and Trunk Line and New England territories.

Therefore, on pages 17 and 23, inclusive, of my exhibit, I have shown similar comparisons of the present first class rates with first class rates obtained by applying the Jensen formula, to short line distances, making use of car-ferry and Canadian routes where appropriate. In the application of the formula, all mileages within Canada were considered in Zone 105. In general, the use of these short line routes in computing the proposed rates results in greater reductions [fol. 2648] on the short haul traffic and reduces the increases in connection with long haul traffic.

My Mr. Porter:

Q. Now, Mr. Sherman, there are just one or two further questions that I would like to ask you. Your exhibit deals primarily with a comparison of the rates which are made cross-lake by the car ferry routes, as compared with the rates which would be made via the Chicago gateway; is that correct?

A. Yes.

Q. And it was prepared because of the suggestion by Mr. Jensen that the cross-lake routes be ignored in making these rates; is that correct?

A. Yes, sir.

Q. Now, will you please state, for the purpose of illustrating this comparison, what the shortline mileage between Milwaukee, Wisconsin, and New York is.

A. 881 miles.

Q. What is the mileage via the Chicago gateway?

A. 975.

Q. Now where would you go in Illinois—

Commissioner Alldredge: Just a moment, please. How is that short line distance made?

Mr. Porter: Pardon me, your Honor?

Commissioner Alldredge: I say, how is that shortline distance made?

[fol. 2649] Mr. Porter: I will ask the witness.

By Mr. Porter:

Q. How was that shortline distance constructed, Mr. Sherman?

A. Cross-lake.

Q. Through Canada?

A. Yes, sir.

Mr. Porter: Does that answer your question, Mr. Commissioner?

Commissioner Alldredge: Yes.

By Mr. Porter:

Q. Now, Mr. Sherman, where would you go in Illinois to find a point equidistant from Milwaukee via the Chicago gateway?

A. The distance from Rockford, Illinois, to New York, via the short line, is 1175 miles.

Q. So that under the proposal of Mr. Jensen, would Rockford to New York take the same rate as Milwaukee to New York?

A. Yes, sir.

Q. And what result would that have, ~~if any~~, on the present relationship, Milwaukee versus Rockford?

A. Well, at the present time—or on the basis of the present adjustment, the Milwaukee rate would be increased 15 cents under the proposed scale of Witness Jensen; and the Rockford, Illinois, rate would be increased only 6 cents.

Q. I do not think you quite understood my question, Mr. Sherman. My question was this: What result would that [fol. 2650] have—or rather let me ask you another question first. What is the present relationship, Milwaukee as compared with Rockford, to New York? What is the spread in the rates?

A. The present spread in the rates is 9 cents per hundred pounds.

Q. Would that spread be wiped out if the proposal of the Witness Jensen were to be adopted?

A. Yes.

Q. With what result?

A. So that the rate from Milwaukee and the rate from Rockford, Illinois, to New York would be the same, namely, $1.82.

Q. Now, let us take just one further example, please. From Sheboygan, Wisconsin, to New York, what is the shortline distance, figured cross-lake, through Canada?

A. 906 miles.

Q. What is the distance via Chicago?

A. 1027 miles.

Q. And where, west of Chicago, would you go to find a point that was likewise 1027 miles, or substantially the distance from New York to Sheboygan?

A. From Clinton, Iowa, to New York the shortline distance is 1028 miles.

Q. Now the present rates from Sheboygan, Wisconsin, and Clinton, Iowa, compare how?

A. The present rate from Clinton, Iowa, is $1.84, and the [fol. 2651] rate from Sheboygan, Wisconsin, is $1.67,—to New York.

Q. A spread of 17 cents?

A. Yes.

Q. And how would the present relationship be affected, if the proposal of the Witness Jensen were to be adopted?

A. Under the proposal of Witness Jensen, the proposed rate from Sheboygan, Wisconsin, to New York, would be $1.90, and from Clinton, Iowa, to New York, $1.87. In other words, the rate from Sheboygan would be 3 cents over the rate from Clinton, Iowa.

Q. You were present in the hearing room just now when Mr. Davy made a statement of the position of his interests in this case, were you not?

A. Yes, sir.

Q. You heard his testimony, did you?

A. Yes, sir.

Q. Does the Public Service Commission of Wisconsin concur in the position as expressed by Mr. Davy?

A. Yes.

Mr. Porter: That is all on direct with Mr. Sherman, if the Commission please.

Chairman Aitchison: You offer the exhibit, do you?

Mr. Porter: Yes. Thank you. Witness Sherman's Exhibit 134 is offered in evidence at this time.

Chairman Aitchison: Without objection, it is received.

[fol. 2652] (Exhibit 134, Witness Sherman, received in evidence.)

Chairman Aitchison: Cross examine.

Mr. McCollester: I would like to ask one question, Mr. Chairman, for the purpose of information only.

By Mr. McCollester:

Q. Mr. Sherman, are these distances across the lake figured in actual land miles?

A. Yes, sir.

Mr. McCollester: Thank you.

Chairman Aitchison: Is there any cross examination? (No response.) Apparently not.

By Mr. Porter:

Q. That is the basis, ~~is it~~ not, Mr. Sherman, that the Commission has customarily used in dealing with car ferry routes?

A. Yes, sir.

Mr. Porter: That is all.

Chairman Aitchison: You are excused.

(Witness excused.)

Mr. Porter: At this time I would like to recall Mr. C. E. Schreiber.

Chairman Aitchison: He has been sworn.

Mr. Porter: Yes, your Honor.

C. E. SCHREIBER recalled:

Direct examination.

By Mr. Porter:

Q. You are the same Mr. Schreiber who was sworn and [fol. 2653] testified here yesterday, are you not?

A. Yes.

Q. You identified yourself for the record at that time.

A. Yes, sir.

Q. Now, Mr. Schreiber, in addition to the exhibit which you presented at the hearing here yesterday, have you also prepared a further exhibit dealing more specifically with the situation in the State of Wisconsin?

A. Yes, sir; that is, a part of the additional exhibit which I have prepared deals more specifically with the situation in Wisconsin.

Q. And the remainder of the exhibit deals with what subject, Mr. Schreiber?

A. The remainder of the exhibit deals generally with the application of cost analysis to class rates.

Q. Now, will you state briefly, please, the general purport of the material which is contained in this exhibit, before you proceed with a detailed explanation of it.

Chairman Aitchison: Supposing we have it identified, so that the record will show what it is he is talking about.

Mr. Porter: Yes, your Honor. I ask at this time that the exhibit be marked for identification with the next number in order.

Chairman Aitchison: 135.

(Exhibit 135, Witness Schreiber, marked for identification.)

[fol. 2654] By Mr. Porter:

Q. Now will you answer my question, please.

A. The main purposes of the Wisconsin portion of Exhibit 135 for identification are to show how the general economy and the trend of that economy, the State of Wisconsin, compare with those of other territories in the country; to show the extent of the changes over the last 10-year period in the amount of traffic originated and terminated in Wisconsin, particularly that traffic which might be termed as of a class rate nature; to show the relationship of Wisconsin, and particularly certain parts of Wisconsin, to adjoining states, and states in the East and South, as regards manufacturing; and to show how Wisconsin is linked to the territory to the east by the car ferry lines. As to that last—you were referring to the Wisconsin portion of the exhibit, were you not?

Q. Yes.

A. Very well, then; that is correct. Now, in the Wisconsin portion of the exhibit, certain portions of it—or rather, I should say, that portion which deals with the general economy of the state in comparison with other territories, is patterned after the exhibit which I introduced here yesterday. At this point probably I had better call attention to the fact that on certain pages of Exhibit 135, there are references to the exhibit which I introduced yesterday. At that time I was unable of course to supply the exhibit number, so that should be perhaps inserted at this time; first, [fol. 2655] on page 1, in the very last line of the notes, of Exhibit 119.

Q. Exhibit 119?

A. Yes, sir.

Chairman Aitchison: Now, you don't mean that, Mr. Schreiber. You mean that the reference to Exhibit 119 should be inserted in the last line, on page 1 of your Exhibit 135, do you not?

The Witness: That is what I was trying to say, Mr. Chairman.

Chairman Aitchison: All right.

The Witness: The same should be entered on page 2 also, of Exhibit 135, in the last line, under the heading "Source"; and also on page 5. Now I think that those cover all of the pages upon which the reference to my exhibit 119 should be entered. If I have missed any, I would appreciate it very much if some one would call them to my attention right now.

By Mr. McCollester:

Q. It is the same exhibit reference in all cases, is it, Mr. Schreiber?

A. Pardon me?

Q. The same exhibit reference is to be inserted, in all cases, is it?

A. Yes, sir.

Q. Wherever there is a blank, in your present exhibit, 135.

A. Yes, sir. The blanks all refer back to the exhibit [fol. 2656] which I introduced yesterday.

Mr. McCollester: Thank you.

By Mr. Porter:

Q. Proceed.

The Witness: Page 1 of My Exhibit 135 corresponds to pages 1 and 2 of my Exhibit 119, which was introduced yesterday. Page 2 of the present exhibit is based on pages 3 and 4 of the earlier exhibit. There have been some additional figures entered here, but they are deductions from what was in the earlier exhibit. The railroad data appearing on pages 3 to 5 of the present exhibit, correspond to the tonnage data by districts and regions appearing on pages 17 to 32, inclusive, of my Exhibit 119, except that for the State of Wisconsin I show here the terminated traffic as well as the originated traffic. Page 6 of the exhibit I believe requires no explanation, being simply a statement of tonnage originated and tonnage terminated by individual railroads. The data appearing on page 7 of this exhibit, except for the Wisconsin data, have been taken directly from the earlier exhibit. I should, however, call your attention to the fact that note 1, at the bottom, applies only to Wisconsin, which is the first item under the heading of the group "Originated," and likewise under the "Terminated"—the note should apply there to Wisconsin; and also to Wisconsin under "Total Terminal Tons." The car ferry tonnages are not included here, mainly for the reason that, from the reports that we had, it was [fol. 2657] impossible to separate out the car ferry tonnages which have been included by other carriers, and those which were not. Further in that connection I would like to call your attention to the fact that the Q-550 statemens of tonnage originated and terminated by individual states, seem to include the car ferry tonnages, but of course, we have that data only for the last—well, starting with 1940. Pages 8, 9 and 10 of the present exhibit show the leading industries, manufacturing industries, of the State of Wisconsin. I have listed here every one, as to which the value of the product constituted over one-half of one per cent of the total for the entire state. In the left hand margin I have listed the rank of each industry within the state. Under column (g) on the right hand margin, I have shown the rank of the State of Wisconsin among the other states, as to whether it is first, second, third, fourth, fifth and so forth. Page 8 is for the year 1939; page 9, for the year 1929; and page 10, for 1919. I forgot—or rather I neglected to call attention to the fact that column (f) shows, for each industry, the percentage that the value of products for the Wisconsin manufactures, was of the national total. In connection further with this data, I would like to mention the fact that a time comparison is very badly hampered by the fact that the same industry classifications have not been adhered to throughout the entire period from 1919 to 1939. [fol. 2658] As an illustration of that, tractors have a separate classification in 1939. In 1929 they were included under Engines, Turbines, Tractors and Water-wheels. In 1919 paper and woodpulp were combined; while in 1929 and 1939, pulp was given separately. Some of the changes are of such a character that combinations to give comparative totals, are impossible. This would apply, not only to what I have used here, that is, each individual classification of which I believe altogether there were some 450, but also the subgrouping thereof. In other words, I found that items would be thrown from one subgroup into another; and for that reason I have not attempted any subgrouping, but have preferred to show the individual items.

Q. And these changes, of course, are changes by the Census Bureau, rather than changes of your own, are they not?

A. The changes are in the classification as established by the Census Bureau, yes, sir.

Q. Continue.

A. Page 11 of the exhibit is a county outline map of Wisconsin, and the Mississippi River border counties of Minnesota and Iowa. This map is intended to afford a better understanding of the statistics which are set out on pages 12 to 18, both inclusive, of the present exhibit. I might call attention to the fact that there is one discrepancy, however, between the map and the statistical data. The line which I have shown on this map as being the north line—or rather, the northern boundary line of the territory which I have [fol. 2659] heretofore roughly described as that on and south of the Green Bay-Twin Cities line, runs through the middle of Shawano County, and thence over to the middle of Marathon County, where the city of Wausau is located. That portion of the line is in error. It follows the line of the Chicago and North Western Railway through Shawano to Wausau, whereas in the statistical statement the line used was the more southerly line of the Green Bay & Western from Green Bay to New London, and thence the line of the Chicago and North Western from New London to Wausau, which would cut through only the extreme southwestern corner of Shawano County. In the statistical tables I have included Shawano County as if it were beyond that line, or north of the line. The dotted lines at the bottom indicate the extent of Illinois Freight Association territory in Wisconsin, and extended Zone-C in Wisconsin. The heavier line, as I have explained, running beyond Green Bay, is the line of demarcation that we have used as the line which has been described as the Green Bay-Twin Cities line. On pages 12 and 13 the information is set forth for the individual counties of Wisconsin, area and population as of 1940, and statistics of manufacturers for 1939. Referring to the left hand margin, where the counties are marked A, B or C, the counties marked A are those that lie within Illinois Freight Association territory, either wholly or in major part, as measured by population. The counties [fol. 2660] marked B are those which lie in extended Zone-C territory, either wholly or in major part as regards population. The counties marked C are other counties lying south of the Green Bay-Twin Cities line. On page 14 I give at the top the corresponding data for Minnesota and Iowa counties which border this territory south of the Green Bay-Twin Cities line, to the west; that is, those which border on the Mississippi River. In the bottom half of the page I show the Wisconsin state totals; the totals for Illinois Freight Association territory; extended Zone C territory in Wisconsin; for all of Wisconsin south of the Green Bay-Twin Cities line; and then that same territory plus the Iowa and Minnesota Mississippi River border counties. In comparison with that, I show data for Ohio, Indiana, Illinois and Michigan, and also Minnesota, Iowa and Missouri.

Now when I make reference in this exhibit to group 3, I am referring to group 3 as used in my previous exhibit, Exhibit 119, which was shown there as being made up of the states of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa and Missouri. On the next page of the present exhibit, the data given on the preceding pages are reduced to averages per square mile and per thousand of population. Pages 16 and 17 of this exhibit give corresponding data relative to cities of over 10,000 population located within the State of Wisconsin, and the Mississippi River border counties of Iowa and Minnesota.

[fol. 2661] By Com. Splawn:

Q. Right there, Mr. Schreiber, let me see if I understand you correctly. In your group 3, have you included Kansas City?

A. No, Mr. Commissioner, I have not; only the Mississippi River border counties, which would be the counties which border on the Mississippi River, from Dubuque, Iowa, up to the Twin Cities in Minnesota. Page 18 of the exhibit shows the extent of concentration in a single county or in a single city, as regards manufactures. for the States of Ohio, Indiana, Illinois and Michigan; and then for each of the various groups of states which I have used in my previous exhibit, No. 119. In the bottom half of page 18 I show the distribution of counties by volume of value of products; that is, the number and the percentage of total, of counties which had a value of manufactured products of over $50,000,000, and between $20,000,000 and $50,000,000. In that connection, Mr. Chairman, I find that there is an error in the exhibit. It states there, in error, 20 to 20. That is in the third column of figures there—or rather, column (d), in the second or lower half of the sheet, where it now says "20 to 20", it should read, "20 to 50".

By Mr. Porter:

Q. Column (c), did you say?

A. No, column (d).

Mr. Porter: Note the correction, please.

A. (Continuing:) I show not only the actual number of [fol. 2662] counties, but also the percentage that this number of counties are, of the total number of counties. I might further explain in connection with this particular portion of the exhibit, Mr. Chairman, that in some instances the census returns did not give the value of products for certain counties, for the reason that that might disclose the returns of individual companies. For such counties, in the event that the census returns did give the number of wage earners, I estimated the value of products for those counties on the basis of the relation of the number of wage earners for those counties to the total for all counties, for which the value of products was not shown, and used the percentage thus derived to the total value of manufactured products for all of those—what I call the undistributed counties. If the number of wage earners for a county was not shown, I assumed that the value of manufactured products was over $1,000,000 for that county. On page 19 of the exhibit I give data corresponding to that set forth on the preceding pages for the Michigan Zone C counties in what I have described as the car ferry territory. I have used, roughly, a line from Frankfort to Bay City—of course the southern boundary of Zone C in Michigan would be fixed by the actual break; and for the northern boundary I have used the line from Frankfort to Bay City, overlooking the more northerly Michigan car ferry ports, in doing that. The bottom half of the sheet I think shows more definitely just what counties are included.

[fol. 2663] Also I have compiled the total for these Michigan Zone C car ferry territory counties, with Extended Zone C in the State of Wisconsin.

Pages 20, 21 and 23 relate to the marine commerce of the main Wisconsin ports. I haven't taken all of the ports but only the main ports. What those ports are are shown on the various pages and data is given for the individual ports. On these pages I have taken the tonnage for the years 1928, 1929, and 1930, as set up in contrast with the years 1938, 1939 and 1940. That is, I compared the totals for those two periods rather than the individual years. I have also broken the total tonnage carrier by the main bulk commodities and all other commodities and the footnote on page 23 states what commodities are included as main bulk commodities and what in all other commodities. For (3), I might say it includes all commodities included in manufactured and miscellaneous—well, railroad commodity classification, and also all other commodities not included as the main bulk commodities. Pages 20 and 21 relate to the general vessel traffic of the Wisconsin ports.

Page 23 relates to the car ferry traffic of the Wisconsin ports. Inserted as page 22 is a map of the car ferry routes across Lake Michigan, together with the main eastern rail lines serving the car ferries, and also the main western lines connecting with the car ferries. West of Lake Michi- [fol. 2664] gan I show also the main routes north from Chicago into Wisconsin.

Page 23, I believe, requires no further explanation. 24 is merely a statement of the truck, tractor and trailer registration in Wisconsin from 1918 to 1940, and the lower half of the page gives the operating revenue and tons carried, in so far as the data could be obtained, for the Wisconsin intrastate common motor carriers of property. An intrastate common motor carrier of property is a common carrier who is authorized to do intrastate business in the state of Wisconsin, independent of whether or not he may conduct also interstate operations.

That is all I have to offer as regards Wisconsin in particular.

Com. Alldredge: Mr. Porter, do you have an explanation of the statistics on page 26?

The Witness: I haven't reached that portion yet, Mr. Commissioner.

Mr. Porter: We were just coming to that.

Com. Alldredge: Is it all right for me to ask a question

Mr. Porter: Yes, surely.

Com. Alldredge: I am struck there with the large amount and the large percentage relation, apparently, of the freight moving on what you show as the minimum charge. You will explain that as you get to it, will you?

[fol. 2665] The Witness: I might state right now, Mr. Commissioner, that all the data used here are taken from the American Association of Railways, the analysis they made of l. c. l. traffic for the week period from September 8, I think, to September 14, 1939, and I have simply used the data as they presented it there. I haven't made any particular explanation of the portions beyond the data for which definite ratings with relation to first class could be ascertained.

By Com. Alldredge:

Q. Then in your analysis of it, were you impressed by the apparent fact that more freight moved at the minimum charge than was usually thought to move?

A. Now, you give me a——

Q. Look at page 26 of your exhibit.

A. Page 26, yes, sir.

Q. Over in the left-hand side——

A. Am I right, you are referring to that figure of 13,544,000 as the minimum charge?

Q. No, the 14,000,000.

A. 14,081,000.

Q. Or 5.3 of the rated total.

A. I would say it was due to the fact there must be a large number of shipments of small weight. That would be the deduction I would make, but I have no direct knowledge. I had no hand, or part in——

Com. Alldredge: That was the deduction I made but I [fol. 2666] was just a little bit startled about the amount of it.

By Mr. Porter:

Q. This is just on your l. c. l. traffic?

A. Oh, yes; all the data on these four pages.

By Com. Alldredge:

Q. It would hardly be in carload traffic, minimum charge.

A. It might be a minimum rate but not minimum charge.

The data on the last five pages of the exhibit are intended to demonstrate, first, that the pattern of cost rates is entirely different from the pattern of class rates and, second, that any assumption that the distribution of class rate traffic is the same or approximaely the same throughout all parts of the country is likely to be erroneous. The outstanding characteristic of class rate structures is that the rates are all tied together by the fact the fixed relationships between the various classes. I might say in that regard, I was very greatly surprised at Mr. Radke's testimony yesterday as to the extent of deviation there was from those fixed percentages. However, I think it is a general principle that there is that fixed relationship between classes.

The data on page 25 shows that du rn aecost basis, the relationship between rates for different loadings, both l.c.l.

and carload, are constantly changing as the distance changes, and, second, that the direction of change for carload traffic is directly opposite to the direction of change for [fol. 2667] l.c.l. traffic.

At the bottom half of the page are shown the percentages that the cost for various loadings, both l.c.l. and c.l., bear to the cost for a two-ton l.c.l. load, the various lengths of haul. The percentages for an eight-ton l.c.l. loading are 63.2 at 10 miles, and 53.6 at 100 miles, 40.5 500 miles, 36.3 at a thousand miles and 32.6 at 3,000 miles. The 3,000-mile percentage of the 8-ton cost to the 2-ton cost is barely half of that for 10 miles. For l.c.l. loadings the percentage drops as the distance increases. For a 30-ton carload loading, the costs are 5.8 per cent at 10 miles, and 6.6 per cent at 100 miles, 7.5 per cent at 500 miles, 7.9 at a thousand miles, and 8.2 at 3,000 miles. Where, for the l.c.l. comparison I made, the percentage for 3,000 miles was barely half of that for 10 miles, for the carload loading that I have picked —and the same would apply to all the others, I am simply using 30 tons as an illustration—the percentage of the 3,000-mile cost to the 10-mile cost, that is, the percentage of the relationship to a 2-ton l.c.l. loading is 136 per cent. In other words, as the distance increases, the percentage increases. If, instead of the cost for a 2-ton l.c.l. loading, the cost for a 5-ton carload loading is used as a 100 per cent base, the percentage relationship for other higher loadings also increase as the distance increases. The figures are not [fol. 2668] shown on the exhibit but the 30-ton l.c.l. costs are 16.9 per cent of the 5-ton carload costs at 10 miles, 19 per cent at 50, 21.4 at 500, 22.3 at a thousand and 23.1 at 3,000 miles.

The point I wish to establish by this is that the general pattern of cost does not correspond to the class rate pattern. In other words, there is nothing approaching a fixed relationship.

By Chairman Aitchison:

Q. Well, that means ~~this, doesn't it~~, that when you are going to have a fixed relation between classes and you have the variation in costs that is shown in the top bracket on page 25, you have got to do some accommodating or you have got to do some decreasing and increasing both, haven't you?

A. I would say it would bring up the second part of this showing, Mr. Chairman. In other words, you can't apply it to the individual parts of the class rate structure.

Q. You will have to talk louder; we can't hear you.

A. I beg your pardon?

Q. That is just it. I beg your pardon; I couldn't hear you.

A. I said that brings up the point of the second part of my analysis here as applied to class rate traffic. That is, in the first part of this page I show—or at least I won't say I show, but I have given a lead in that direction—that it is extremely difficult, if not impossible, to apply cost analysis to individual parts of the class rate structure. Now, in the [fol. 2669] second portion——

Q. Well, this generalization could be made from another page, could it not?

A. I was just bringing that up, in contrast.

Q. Let me see whether or not I have caught your inference, that with respect to the l.c.l., the curve is much flatter than it is for a carload, the curve of costs, as distances increase? Let me illustrate that.

A. Yes, I think it would be, Mr. Chairman. I haven't examined it particularly in that regard.

Chairman Aitchison: Off the record just a minute.

(Discussion off the record.)

The Witness: I think that pages 26, 27 and 28 have a bearing on whether the relative general cost levels in the various territories can, by themselves, be considered as a proper measure from the cost standpoint of what the relative class rate levels in the various territories should be. My definition of class rates is rates which not only properly reflect the cost for each and every one of the operations incident to handling the traffic, but which, when applied back to the actual traffic, will produce revenues equal to the total cost for all the different operations.

To illustrate what I have in mind, and for simplicity, we will confine it to the l.c.l. traffic only.

By Mr. Porter:

Q. Now, will you paraphrase that, Mr. Schreiber. Elab- [fol. 2670] orate somewhat on it so that we can——

A. Cost rates, in general, aren't worth anything if, when you apply them back to the traffic, they won't produce a revenue equal to the total cost which you had to start with and which you then broke up between the different operations in order to get your cost scales. Does that explain it?

Mr. Porter: Yes.

The Witness: Is that what you have in mind?

By Chairman Aitchison:

Q. You said something about applied to each and every rate. I didn't catch that.

A. No, I said reflect the cost for each.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: Cost rates are rates which not only properly reflect the cost for each and every one of the operations incident to handling the traffic—by "operations" I mean such things as platform labor, switching, line-haul costs, and so forth—but I add this proviso, that the cost rates, when applied back to the actual traffic, will produce revenues equal to the total costs, and I say for all the different items, it is simply the total cost with which you started out before you started breaking it up between the different operations.

By Mr. Plunkett:

Q. Mr. Schreiber, when you say will produce revenue, you mean will produce the costs?

[fol. 2671] A. No, I mean revenues equal to the cost. That is how I phrased it here, Mr. Plunkett.

By Chairman Aitchison:

Q. Well, shouldn't it produce 100 per cent of the amount you started to distribute?

A. Yes, that is the point.

Q. That may or may not be revenue. Cost is one thing and revenue is another.

A. No, but my proposition is that the revenue which the cost scales, when applied to the traffic would produce, would produce revenues equal to the total costs. When you apply rates which are cost rates in the form of scales, you produce revenues; you don't produce costs.

Q. You don't produce revenue until you go into business. You just simply produce another figure in your cost study. It is a check back, it is multiplying instead of dividing.

A. All right, we will accept that, but I think you understand what I have in mind, Mr. Commissioner. I do; I hope you do.

Q. I think we do.

A. To illustrate what I have in mind, if you assume that two territories, as regards their l.c.l. traffic, were absolutely identical and had the same total and unit l.c.l. cost, but that all the traffic in one of them, Territory A, moved at first class but that all the traffic in Territory B moved at fourth class, 50 per cent of first class, the traffic in the second region would produce only one-half of the revenues if you applied [fol. 2672] those to determine relative scales within the two territories.

Q. You wouldn't do that, though. You would start out with the premise that there was a million dollars, or whatever it was was the total cost in the one territory, and the million dollars in the other.

A. I think I said not only total but unit, l.c.l. costs. Really, the unit cost is the main proposition.

Chairman Aitchison: Well, go on; let's see where this takes us.

The Witness: Will you read that last.

(Record read:)

The Witness: If you applied that and if those actual costs were the same and then you then assumed that, for that reason, because the unit costs were the same, the first class rates should be the same, why, the traffic in the second territory would actually produce only one-half as much revenue as the traffic in the other. In other words, you have to take into account, when you are dealing with class rate traffic as a whole, the distribution of traffic between classes.

By Com. Splawn:

Q. Assuming that we would adopt what you just read as part of the record, what finding would you then make,—recommend that we make?

A. The finding would have to be that the showing of rela- [fol. 2673] tive costs would not be conclusive in itself as to what proper relative levels of rates should be, but that the levels of costs would have to be taken in conjunction with the distribution of traffic between the various classes. I am afraid I am expressing it pretty crudely, Mr. Chairman.

By Chairman Aitchison:

Q. You would have to include a few other things, would you?

A. Oh, I am just giving the bare outlines.

Q. Such things as balance, service, have some importance?

A. I am speaking from a cost standpoint.

Q. Also a matter of public policy?

A. Finally I think you would have to give consideration to such factors, but when you are speaking strictly from a cost standpoint, you wouldn't take up those factors.

By Mr. Porter:

Q. In other words, your criticism goes merely to the use of average costs for making class rate scales, the use of those and those alone?

A. That is correct, yes.

Q. Now, does the traffic in the various territories which has been reviewed in these pages vary as between the distribution between classs?

A. It does.

Q. In other words, does one territory have the same average class as another?

A. It does not. There is very, very considerable variation [fol. 2674] between the general territories, and then there is the further variation as between individual parts of the broader territories; and to bring out that point is the purpose of the last portion of the exhibit.

The mechanics of the exhibit, referring to pages 26, 27 and 28, using the intraterritorial traffic in Official Territory, for illustration, are this. In Column B are set down the actual accounts of traffic for each percentage of first class rating. In Column D, under the heading "First Class Equivalent Pounds" is set down for each rating the number of pounds that at first class would produce the same revenue as the actual number of pounds for the actual rating. To illustrate further, Column D——

By Chairman Aitchison:

Q. How do you get that? Just explain. We are all anxious to know.

A. I was going a little bit further, Mr. Commissioner. I think it would make that clear.

Q. All right.

A. To illustrate further, Column D shows 58,754,823 pounds, actual pounds carried at a 70 rating. Well, now, 41,828,375 pounds carried at first class would produce the same revenue; in other words, the 41,000 is 70 per cent.

Q. 41,000?

A. Pardon me?

Q. 41,000?

[fol. 2675] A. 41,000,000 is 70 per cent of the 59,000.---. That computation is carried out for each rating.

By Com. Alldredge:

Q. Now, coming back to my minimum charge question, that is half as important as the fourth class rate in determining the revenues on less than carload traffic, isn't it?

A. Well, Mr. Commissioner, I have paid practically no attention to the traffic carried on minimum charges, for the reason that cannot be distributed between classes as it was set up in the AAR study.

Q. I know, but I am just asking you if that isn't what your figure shows here on the exhibit.

A. It shows that the minimum charge traffic in pounds amounted to 5.3 per cent of the total number of pounds for which ratings were given. Does that answer your question?

Q. No, it doesn't answer my question. What I was trying to find out is the relative importance of the minimum charge on less than carload traffic, and I inferred from what you show here that it is about half as important, for instance, as fourth class. Is that right?

A. Why, fourth class here shows 24,000,000—yes, there were 24,000,000 pounds carried at 50 per cent, at a rating of 50 per cent, whereas this shows 14,000,000 carried under minimum charges. That is correct. I didn't catch the drift of your question; my apologies.

[fol. 2676] By Mr. Porter:

Q. Now, does it follow that one would be half as important as the other merely because you had half as much tonnage under a minimum charge as you had under the other?

A. No, it wouldn't. The revenues would be a better measure, and we might say in that connection that this same set-up could be built up from a revenue standpoint. As a matter of fact, we did set this up from a revenue standpoint and our general results coincided close enough, so we thought it would be redundant to give both portions.

By Com. Alldredge:

Q. Well, my purpose was to find out just how important the minimum charge is; so far, to my personal knowledge heretofore, it hasn't been reckoned with, it has been largely overlooked, and I was just trying to get some gauge to determine how important it is. That is the only significance.

A. Mr. Commissioner, I don't know how much of that AAR l. c. l. study has been introduced into the record, but I know that the original record as taken off, that is the original study, I am quite certain showed the revenue derived from minimum charges.

Q. Yes, but basing it——

A. But I haven't got it here.

Q. That is all right, but basing it upon the amount of tonnage that it covers, it is about as important as fourth [fol. 2677] class, is that right?

A. Fourth class—I assume that you are referring to the 50 per cent rating here. Yes, there were 14,000,000 pounds carried under minimum charges and 24,000,000 under a 50 per cent of first class rating.

By Chairman Aitchison:

Q. Instead of revenue, don't you really mean hypothetical revenue?

A. Yes, I have used the—hypothetical, I think, would be better. It would be better to introduce that phrase.

Q. You are not comparing Dr. Edwards' costs as applied in this method with the revenue which was actually derived by the Class I carriers in Official Territory, September 8 to 14, 1939?

A. No, I am only giving the number of pounds, and I simply tried to use that word "revenue" to illustrate what

I meant by "first class equivalent pounds." That was all. As I said, I could just as well have used the revenue portion of the AAR study and derived the hypothetical revenue for the actual number of pounds carried at first class in comparison with the actual revenues for the actual class.

The item I show standing out by itself under Column E, H and K, is what I call the average class. In other words, it is——

Q. Average what?

A. Average class. In other words, it is simply the number [fol. 2678] of first class equivalent pounds derived by the actual number of pounds *derived by the actual number of pounds*. In reality, that 65.9 could properly have been shown under Column C, although it is a per cent of rated total,—no, it isn't properly a per cent of rated total, but it is a relationship of the same type. For the intraterritorial traffic, the average class is shown as 65.9 per cent of first class. For all traffic originated in Official Classification Territory, it was 66.6 per cent, and for all terminated in Official Classification Territory, it was 66.1 per cent. The corresponding average classes for Southern Classification Territory, shown on page 27, are 56.1, 59.0 and 61.1.

Q. Now, were the consists of the movements in the three territories, intraterritorially in each, comparable for these 7 days of 1939?

A. I am not sure I get what you have in mind, Mr. Chairman.

Q. Well, if in one of the territories the preponderating movement was of low-grade and in another high-grade commodities, would it account for these differences in these three figures which you have set up in the columns by themselves?

A. That is the very thing it is intended to show, Mr. Chairman. I thought you might possibly have in mind as to whether the particular period was a representative period. As to that, I cannot say.

Q. Well, it also would reflect what the policy was with [fol. 2679] respect to whether there was a wide or a close distribution of rates according to classes, because these go back not to costs, these are percentages of costs, but they are percentages of rates which were fixed by the carrier or by the Commission?

A. Yes, sir.

Q. Without reference to cost?

A. Yes, sir, you are right.

Q. So that your figure here, your average class is a composite of both costs and charges?

A. I don't see how it is a composite of costs, Mr. Commissioner.

Q. Well, you have used Dr. Edwards' plan, haven't you, here? Oh, I see, you——

A. In this page there is absolutely no reference to Dr. Edwards' studies.

Q. I see. Then you are correct on that. But this, then, does relate to the policy which dictates whether the spread would be wide or narrow between the classes?

A. It would reflect that, yes, sir.

Q. Absolutely. That is the explanation, isn't it?

A. Well, it would reflect policies and also it would reflect what happened to be the class of traffic which was offered.

Q. The two things?

A. The two of them combined.

[fol. 2680] Q. Now, can you segregate those two with respect to their influence on these divergent percentages which you have given?

A. I don't see any way to.

Q. Do you take any exception to this statement, based upon this, that as far as the l. c. l. traffic is concerned, it lies somewhat below third class and above fourth in all of the three territories?

A. It would be above fourth and below third, yes, in all three territories, when you take the territories as a whole. If you take the separate parts of those territories, you will get wider variations.

Q. One other thing. Western Classification Territory includes Mountain Pacific, doesn't it?

A. Yes, sir.

Q. In the remainder of the territory what percentage is fourth class of first?

A. I think that can be derived from the original AAR study, but I have not got the data here. There is this breakdown of the Western Classification Territory as shown at the bottom of the page. That is, I show what the intra-territorial, as directly reported——

Q. You aren't answering my question at all.

A. I am trying to.

Q. In the Mountain Pacific Territory, fourth class is 60 per cent of first. How much is it in your territory?
[fol. 2681] A. 55, I believe.

Mr. Porter: 55.

By Chairman Aitchison:

Q. That makes a difference, too, doesn't it?

A. I have disregarded what the ratings are, so far as this study is concerned.

Q. Yes, I know.

A. That is what fourth class was.

Q. But on your last page but one, you have got two territories mixed; you have got Mountain Pacific and the remainder of the Western Classification Territory, and in one of them your fourth class rate is 60 and in the other 55 per cent of first.

A. Yes. I have given consideration to both ratings here.

By Mr. Porter:

Q. Were you concerned with whether you called it fourth class or some other class or were you concerned with the column or percentage shown?

A. I was concerned with the percentage rating rather than whether you call it a column rating or a class or what.

Chairman Aitchison: Very well.

By Chairman Aitchison:

Q. Now, just take that very suggestion that I made a minute ago and follow it through. On your Western Classification Territory, take a given shipment and a precisely similar shipment in the eastern portion of the Western Classification Territory. Now, if it was in the Mountain [fol. 2682] Pacific Territory, and took fourth class, it would fall in your over 55 and under 70 group, wouldn't it?

A. Yes, I assume——

Q. And in the remainder of the territory, it would fall under the following line, 55 per cent, wouldn't it?

A. Fourth class at 55, yes.

Q. Now, fourth class is the one which carries the bulk of your l. c. l. traffic, isn't it?

A. Are you referring to in general or to a specific territory?

Q. In general. The largest amount of your l. c. l. traffic goes fourth class?

A. I have always been under that—labored under that assumption. Here, for Official Territory——

Q. I am talking about the Western Classification Territory.

A. That was my question, as to whether you were referring to one territory or another or all of them combined.

Q. Oh, I couldn't hear you. It is a little hard to get together.

A. For the Western Territory, the 55 per cent or fourth class accounted for 28 per cent of the total.

Q. And in addition——

A. Intraterritorially.

Q. And, in addition, part of your 7.9 per cent in the line above is also fourth class?

A. Yes. It would be that which related to the inter- [fol. 2683] mountain country, if I am right, that they travel at 60 per cent.

Q. Now, what have you done with your multiple rates? They are just insignificant, are they?

A. Mr. Chairman, when I show a gradation, as I show in here, I have simply taken the summation of individual computations. That is, I would take the actual rating and then take the summation for each of those individual ratings and I show only the summation here, because it would simply spread the sheet out forever if I covered the whole thing.

Q. Well, it came so close to being 12, I wondered if you had taken that?

A. No, I did not. There was an actual computation to carry it out, just exactly as I have here, for the individual classes, for which absolutely definite ratings could be gotten, or given.

Chairman Aitchison: Proceed, Mr. Porter.

By Mr. Porter:

Q. Will you proceed, Mr. Schreiber.

The Witness: Off the record.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: For Western Classification Territory, the average class for intraterritorial traffic was 68.9, for total originated 69.2, and for total terminated 69.5. Now, these figures for average class, of course, were given. In addition to that, there is other traffic which moved under any [fol. 2684] quantity rates and commodity rates and minimum charges and under pick-up and delivery rates.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: For fear they may have been omitted, the figures for Southern Classification Territory were 56.1 for intraterritorial, 59.0 for total originated, and 61.1 for total terminated. I am sure the Official figures were given.

Chairman Aitchison: Yes.

The Witness: Of course, this extra traffic couldn't be given a rating, so I merely show below the rated totals what the relationship of this other traffic is to the rated traffic.

By Chairman Aitchison:

Q. Now, you heard the testimony here with respect to these 2,000 plus exceptions in Southern Territory.

A. I am afraid I didn't, Mr. Commissioner.

Q. Well, assume that there was a very large number of exceptions to the classification basis of l.c.l. charges. There is proportionally more in one tariff than another. The tariff which has the greatest number of those classification ratings would have the smallest percentages which you just quoted, wouldn't it, other things being equal?

A. If they were given ratings of such a character that [fol. 2685] they could be reduced to a percentage of first class and it would affect the average classes, as I have developed them.

Q. It must be that way, mustn't it? Where, in any class rate scale, for instance, do you find l.c.l. ratings under 20, under the classification?

A. I couldn't answer that. I am not familiar enough with the classifications in and of themselves to tell you whether there is any rating which is under 20 or not.

Q. That is along about Class E normally, isn't it?

A. I couldn't tell you. I don't know the lower classes at all. Incidentally, except in Southern, there is very little traffic carried at under 20.

The traffic which could not be rated for Official Classification Territory amounted to 10.4 per cent of the traffic for which ratings were given. Of that 10 per cent, 5.1 per cent were made up of tonnage carried at commodity rates and 5.3 per cent of tonnage carried under minimum charges. For the corresponding intraterritorial traffic in Southern Classification Territory, the non-rated traffic amounted to 143.9 per cent of the rated traffic, and of this 143.9 per cent, 139.2 per cent represented traffic carried at commodity rates and 4.7 per cent carried at minimum charges. For the intraterritorial traffic of Western Classification Territory, the non-rated traffic, as I have used the term here, amounted to 47.5 per cent of the rated total, of which 40 per cent was made up of commodity—traffic moving [fol. 2686] under commodity rates, 7.4 under minimum charges and .1 per cent under pick-up and delivery. I am giving only the figures for the intraterritorial. The figures for the other total originated and total terminated also appear.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

By Chairman Aitchison:

Q. I am wondering whether or not there haven't some any-quantity movements gotten into your upper brackets there, in these two territories, Southern and Western, which would possibly account for these abnormalities of finding l.c.l. rates down to 20 per cent or below.

A. I don't know, Mr. Chairman.

By Mr. Porter:

Q. Does that complete your explanation of the exhibit, Mr. Schreiber?

A. Yes, except I might add, the details by the individual origins and so forth are shown at the bottom of the pages and that these show wider variations as regards average class than do the totals as carried in the upper portion.

By Chairman Aitchison:

Q. I don't get that. I thought we were talking about intraterritorial.

A. The last, Mr. Chairman——

Q. The last two columns are your interterritorials, is that correct?

A. Well, my last statement related to the data in general, and of course, there is less detail to the intraterritorial [fol. 2687] than there is to the originated or the terminated. Incidentally, the total originated for Official Classification Territory, as shown here, consisted first of the intraterritorial traffic as reported by the eastern lines, second, the intraterritorial traffic is carried by the group known as the B. roads, which, if I remember right, was the Great Northern, Northern Pacific, and Milwaukee. It is a very small amount. The third item is the traffic which originated in Official Classification Territory but moved to Southern Territory and then so on through. I don't think it requires any further explanation, but I will go further with it if you so desire.

Q. Could you tell the amount of interterritorial traffic by substracting the total of the first block from either of the other totals?

A. Except in one instance—wait just one second, pardon me.

Q. I can't hear you, Mr. Schreiber.

A. For the Official Territory, you have to subtract the first two items as regards originated traffic. For Southern Territory, you can get the interterritorial by substracting the first item only. But for Western Classification Territory, you have to subtract the first three items.

Q. You and I aren't talking about the same thing. I am talking about the sections of your exhibit up and down. [fol. 2688] The first is marked "Intraterritorial", the next is "Total Originated" and "Total Terminated." Now, how can we get the interterritorial from those figures, or can we get it?

A. Oh, well, let me see just a second, Mr. Chairman. Well, it amounts to the same thing, the horizontal and vertical. You can subtract from the total originated the intraterritorial, which shows the tonnage originated in Official Territory but moving into other territories. Then subtracting the intraterritorial from the total terminated, you would get the amount from other territories which moved into Official Territory, but it so happens that same combination can be made at the bottom of the page. That is the reason——

Chairman Aitchison: Proceed.

Mr. Porter: Is that clear, Mr. Chairman?

Chairman Aitchison: Yes.

The Witness: That is all I have to offer on that.

By Mr. Porter:

Q. Is the exhibit true and correct, to the best of your knowledge and belief, Mr. Schreiber?

A. It is.

Mr. Porter: We offer it in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 135, Witness Schreiber, received in evidence.)

Mr. Porter: The witness is ready for cross-examination.

Mr. McCollester: I have just a couple of questions.

[fol. 2689] Cross-examination.

By Mr. McCollester:

Q. Mr. Schreiber, if, from your Exhibit 135, we wanted to find the progress, either backward or forward, in industrial development of the different sections of the country in recent years, is it to page 2 that we should turn?

A. Well, Mr. McCollester, that data is developed at far greater length in Exhibit 119.

Q. That may be so. But that is the purpose of page 2, is it not, of your exhibit, as well?

A. The last portion of the exhibit, the portion which vertically starts with, Changes in percentage of total 1920-1940, yes, that portion of it would trace trend as regards only occupations.

Q. Yes. Now, I want to be sure that I correctly interpret the showing on this exhibit. Having in mind the claim of the Southern states that the rate structure has hampered their industrial development, do you show or attempt to show on this exhibit that, as compared with the period from 1920 to 1940, the year 1940, for the states of Carolina, Georgia, and Florida, reflected a 6.6 per cent increase in workers employed in manufacturing and mechanical establishments as compared with a 3.6 per cent decrease for Group II, including my state, and a 3.1 per cent decrease for Wisconsin?

A. Will you excuse me just a second, Mr. McCollester.

[fol. 2690] Q. I am only asking you because I want to know how we should interpret the exhibit and see if my interpretation is correct.

A. Yes, I think your interpretation is correct. The 6.6, for instance, for the Carolinas, Georgia and Florida, relates to percentages of all occupations. If you mean it in the sense that it represents a 6.6 per cent increase in the number of persons engaged in manufacture, it does not mean that.

Q. That is what I wanted to find out. Then it does indicate, does it not, that those states have been turning to manufacuring, industry, because there has been a decrease of 20.6 per cent in the portion of their population engaged in agricultural pursuits and an increase of 6.6 per cent of those engaged in manufacturing, is that correct?

A. Those percentages have to be taken in connections with the changes for the United States as a whole, because the United States, the industry classification or occupational classification changed to some extent.

[fol. 2691] Q. In the United States as a whole, if I now correctly interpret this page of the exhibit—for the United States as a whole there was a decrease of .9 of 1 per cent in 1940 as compared with the 20-year period, of those engaging in manufacturing pursuits, that is gainfully employed, and a decrease of 7.5 per cent of those engaged in agriculture, forestry and fishing?

A. That is right.

Q. Is that correct?

A. That is right, yes.

Q. Whereas in the four southern states I named there has been a much greater decrease in the number engaged in agricultural pursuits and an increase in the proportion engaged in manufacturing?

A. That is correct, Mr. McCollester.

Q. Is that right?

A. Yes.

Q. There has been a decrease in the proportion engaged in manufacturing of 5.8 per cent in New England and 3.6 per cent in the Middle Atlantic states, is that right?

A. That is the showing, yes.

Q. Now, so far as the cost——

A. That is, if you use the words "percentage change" in the sense in which I have used them.

Q. In connection with the population?
[fol. 2692] A. Yes.

Mr. McCollester: Yes.

By Mr. McCollester:

Q. Now, so far as the matter of cost dealt with in the second portion of your exhibit is concerned, do I fairly state the conclusion which you reached and which you were endeavoring to support by the showing made in that portion of the exhibit, if I say that it is your conclusion that computed figures showing average cost of handling all freight cannot be made the basis of determining the relative levels as between different sections of the country of class rates or of the rates on any particular part of the total traffic movement of that part of the country?

A. There will be a lot of qualifications in there, Mr. McCollester. In general, the answer would be "yes". That is, your statement would coincide with my position, but as I say, there are a lot of qualifications, and it would take a half hour to cite them all. I do not know whether I could even think of them all or not.

Mr. McCollester: Let me put it to you this way, Mr. Schreiber:

By Mr. McCollester:

Q. If we have a showing that the average cost of handling all freight in the South is approximately the same as the computed average cost for handling all freight in Official territory, is it your opinion that on the basis of that showing and nothing more the Commission may properly order [fol. 2693] that the class rates in the South and in Official territory should be on the same level, mile for mile?

A. It is not.

Chairman Aitchison: Is that not our jurisdiction, to determine what we should properly do?

Mr. McCollester: I thought you might like the advice of an expert witness on the subject.

Chairman Aitchison: We will hear him on argument on that, but not in testimony.

Mr. McCollester: I thought he was called as an expert.

Chairman Aitchison: I know, but you just read the Union Pacific case, 222, and you will find that the reasonableness of rates involves too many considerations to be proved by the categorical answers of expert witnesses.

Mr. McCollester: I think it is proper.

Chairman Aitchison: I do not. It involves the conclusion of the witness on the ultimate question which we are to determine here, and it is not helpful to us to have it.

Mr. McCollester: All right. I cannot very well take exception to the Commission's own objection.

Chairman Aitchison: His counsel, of course, and he can argue it.

Mc. McCollester: I have nothing further.

Chairman Aitchison: Is there any further cross-examina- [fol. 2694] tion?

Mr. Smelker: I have two questions.

Chairman Aitchison: Mr. Smelker.

Mr. Smelker: For clarification.

By Mr. Smelker:

Q. Mr. Schreiber, will you refer to page 25 of your exhibit.

A. I have it before me.

Q. I would like to ask you if you have applied a test to your study shown on this page based on Dr. Edwards' Exhibit 12?

A. No, I have not. These are based on Exhibit No. 3, as I recall it, introduced at St. Louis a year ago. As I stated here, it is cost level No. 2 which includes carload and less than carload operating expenses, rents and taxes.

Q. Now, does not your showing on this page indicate that separate rates of progression should be applied, carload versus less than carload?

A. From a cost standpoint, yes.

Q. Now, in the second section——

A. These are purely matters of cost, Mr. Smelker.

Mr. Smelker: Yes.

By Mr. Smelker:

Q. Now, why in the second section of that page did you use two tons rather than four tons, for instance?

A. It would not matter what I used as a base, Mr. Smelker. The relationships would change in about the same way. I might say that by using two tons I rather [fol. 2695] exaggerated the differences. I could have used any one of them.

Chairman Aitchison: You would have gotten different figures if you had?

The Witness: Yes.

Chairman Aitchison: Take your ten miles where you have 75 per cent for four tons as compared to the two tons. You have a constant for your five tons over here and your carload. Now, if you compare your five tons with four tons you have a different figure than if you compare it with two tons, in the ratio of 100 to 75.

The Witness: Your percentages will change, Mr. Chairman, but as to the general trend of the percentages, they follow the same general pattern. There will be variations in the amounts.

Chairman Aitchison: I thought you said you would get the same results.

The Witness: By "results" I mean the same general indications or direction of change. In other words, we have established that there is a constant changing percentage differential as the distance changes. You could just as well use any other loading here as a base.

By Mr. Smelker:

Q. The amount of variation would be less if you used a greater weight, would it not?

A. I think so, Mr. Smelker. I have not tested it, but I assume it would.

[fol. 2696] Mr. Smelker: That is all.

Chairman Aitchison: Are there any other questions on cross-examination? (No response.) Have you anything further, Mr. Porter?

Mr. Porter: Yes.

Redirect examination.

By Mr. Porter:

Q. Have you shown this information for all of the weights. Of course, the variation would be greater if you had chosen a loading of less than two tons?

A. Yes. I think so, Mr. Porter.

Q. Now, let us assume that we have the average unit costs in the various territories and that we make our rates predicated to reflect those costs. Will those rates applied to the traffic as it actually moves within the various territories bear a consistent relationship to the costs experienced within the territories respectively?

A. The revenues would depend upon the gradation of the traffic as between classes. If the low grade traffic predominated the revenues would be out of proportion. If you assume you start with equal cost, unit cost, the revenues produced by a region where, say, all the traffic was fourth class, would be only one-half of the revenues which would be produced by another territory where the traffic was entirely first class. Does that answer the question?

Mr. Porter: I think that answers the question.

[fol. 2697] Chairman Aitchison: I am glad you understood it, Mr. Porter, because none of the rest of us up here heard any of it. Will you read the answer, please, Mr. Reporter.

(Answer read.)

Chairman Aitchison: Proceed.

By Mr. Porter:

Q. Now, does page 25 demonstrate that assuming Dr. Edwards' cost analyses are absolutely correct—does this page demonstrate that you cannot predicate a scale of rates upon these costs which will bear a consistent relationship to various loadings into various lengths of haul?

A. Not as long as you keep a constant relationship between the classes.

Chairman Aitchison: Read the answer.

(Answer read.)

Mr. McCollester: Well, is the answer "Yes"? The question was, does page so-and-so demonstrate such-and-such. Perhaps we had better have the question read.

Chairman Aitchison: Read the question, please, Mr. Reporter.

(Question read.)

Mr. Porter: I think Mr. McCollester is right.

Mr. McCollester: The question can be answered "yes" or "no".

The Witness: You cannot, unless you take into consideration the factor, as long as you assume a constant relation-[fol. 2698] ship between classes.

By Mr. Porter:

Q. The page does demonstrate that you cannot do it?
A. Yes, sir.

Chairman Aitchison: As long as you assume a constant relation between the classes.
Mr. Porter: Yes.
Chairman Aitchison: Equal at all times.
The Witness: In other words, fourth is always assumed in one particular territory to be 50 per cent of first, and so on and so forth. Fourth might not necessarily be 50 per cent, but as long as it was a consistent percentage all the way through, that would be correct.
Chairman Aitchison: In each territory?
The Witness: In each territory, yes.
Mr. Porter: I think that is all I have from this witness.
Chairman Aitchison: Also as long as there were not any exceptions to it, is that right?
The Witness: Exceptions would throw things out of kilter, I am afraid, Mr. Chairman.
Chairman Aitchison: Are there any other questions from Mr. Schreiber? (No response.) You are excused.
(Witness excused.)

Chairman Aitchison: Call your ~~next~~ witness.
[fol. 2699] Mr. Porter: Mr. Laubenstein.
Chairman Aitchison: Raise your right hand be sworn.

R. J. Laubenstein was sworn and testified as follows:

Direct examination.

By Mr. Porter:

Q. Will you give the reporter your full name, please, Mr. Laubenstein.
A. My name is R. J. Laubenstein.
Q. Your residence?
A. I reside at Green Bay, Wisconsin.
Q. What is your occupation?
A. I am Traffic Commissioner of Green Bay Association of Commerce, a mutual organization formed among other purposes, to foster and develop the transportation interests of its members and of the community generally and to see

that just and reasonable and non-discriminatory rates and relationships of rates are accorded.

Q. You speak for the Green Bay Association of Commerce in this proceeding?

A. I do.

Q. Now, do you also speak for other communities immediately surrounding Green Bay?

A. Included in the membership of the Green Bay Association of Commerce, also on a mutual basis, are certain industries in nearby communities, for which I speak. For exam-[fol. 2670] ple, the fruit growing industry of Door County; there are three of them which grow, can and ship fruits. Then there is the Bond Pickle Company, Oconto, Wisconsin, packers of pickles and allied foodstuffs. There is also the Leyse Aluminum Company of Kewanee, Wisconsin, manufacturers of aluminum goods. There is also the Plummer Wood Work Company of Algoma, Wisconsin, manufacturers of wooden toilet seats, holders of paper articles and wood products. All of the above cities are near Green Bay in extended Zone C territory of Wisconsin.

Q. Will you recount briefly your traffic experience, Mr. Laubenstein.

A. I have been employed by the Association of Commerce in its traffic division for the past 23 years, previous to which I worked at rates and divisions in the general offices of the Green Bay and Western Railroad for approximately three years. I have a knowledge and an understanding of the general rate structure throughout the United States and many commodity rates. I have participated before the Commission in all of the major class rate investigations, particularly commodity rate investigations in which we were interested.

Q. Have you prepared for introduction in this proceeding, Mr. Laubenstein, an exhibit?

A. Yes, sir.

Mr. Porter: May we have this exhibit marked and given a number, Mr. Chairman?

[fol. 2701] Chairman Aitchison: It will be marked for identification as Exhibit No. 136.

(Exhibit 136, Witness Laubenstein, marked for identification.)

By Mr. Porter:

Q. Does Exhibit No. 136 bear an index on the cover page?

A. It does.

Q. This exhibit is true and correct to the best of your knowledge and belief, is it?

A. It is.

Q. Have you also prepared a statement which you are prepared either to read or have copied into this record which is made up with a cover page as an exhibit?

A. I have.

Q. Is this true and correct so far as you know and believe, Mr. Laubenstein?

A. It is.

Mr. Porter: If the Chairman please, we are perfectly willing to have this read into the record, copied into the record, or have it put in the record as an exhibit, whichever is preferable.

Chairman Aitchison: Does anyone care to hear it read, or have you all had an opportunity to read it? (No response.) It may be copied into the record.

(The statement is as follows:)

[fol. 2702] The City of Green Bay, Wisconsin, has a population of 46,235 according to the Federal Census of 1940, with a metropolitan area population of approximately 51,000. It is located in eastern Wisconsin at the mouth of the Fox River and Green Bay, an arm of Lake Michigan, 112 miles north of Milwaukee, 31 miles northwest of Manitowoc, and 36 miles northwest of Kewaunee, Wisconsin, by rail.

De Pere has a population of 6,373 and is located four miles south of Green Bay on the Fox River. Kewaunee has a population of 2,533 and is a car ferry port on Lake Michigan, served by the Ann Arbor and Pere Marquette Railroad and car ferry lines. Sturgeon Bay has a population of 5,439 and is 31 miles north of Kewaunee on Lake Michigan. Oconto has a population of 5,362 and is located on Green Bay 25 miles north of the city of Green Bay, intermediate between Green Bay and Marinette, Wisconsin, and Menominee, Michigan, another car ferry port served by the Ann Arbor Railroad, which is 50 miles north of the city of Green Bay.

The city of Green Bay is served by the Chicago and North Western Railway Company, the Chicago, Milwaukee; St. Paul and Pacific Railroad Company, the Green Bay and Western Railroad and the Kewaunee, Green Bay and Western Railroad, which afford rail transportation in every direction, there being eight lines radiating from the city. De Pere is serve by the Chicago and North Western Railway Company and the Chicago, Milwaukee, St. Paul and [fol. 2703] Pacific Railroad Company, and by water service, there being an 18 foot draft channel for water transportation from Green Bay. Green Bay itself has a 22 foot draft channel. Its port facilities and proximity to the greatest portion of Western Trunk Line territory have made Green Bay outstanding among the Lake Michigan ports and these advantages have resulted in a large volume of water-borne commerce at the port of Green Bay. There is a 6 foot channel from the Fox River south of De Pere extending to Lake Winnebago serving the important communities of Kaukauna, Appleton, Oshkosh and Fond du Lac, which forms the western border of Extended Zone C territory in Wisconsin and has contributed greatly to the industrial development of that territory.

Six paved Federal and State highways converge at Green Bay and approximately 25 common motor carriers of property, 8 motor bus lines and numerous contract motor carriers operate in all directions from Green Bay. These competitive transportation agencies have been an important factor in our rate structure as well as the industrial growth of our communities and territory. Coordination of rail, water and motor services available through this port has been recognized from a transportation and ratemaking standpoint. Each of the railroads have both extensive warehouse and dock facilities on the waterfront for the exchange of freight. Many of the larger industries at Green Bay maintain their [fol. 2704] own docks and warehouses. The City of Green Bay maintains a municipal wharf free to the public.

Nicholson Universal Steamship Company, Spokane Steamship Company, Federal Motorship Corporation, The Great Lakes Transit Company, and many other contract steamship lines make Green Bay a port of call. Bulk cargo vessels bring in coal, woodpulp, pulpwood, sugar, iron and steel, sulphur, petroleum products and cement. Grain, paper, canned goods, cheese and dairy products are the principal products shipped by water from Green Bay. The Federal Government has spent more than two and a half million dollars, exclusive of maintenance, on Green Bay Harbor since they took over the project in June, 1866.

The important industries located at Green Bay and De Pere, Wisconsin, are paper and paper articles, cheese manufacturing and concentrating, canned vegetables and pickles, power shovels, cranes, derricks and drag lines, paper mill machinery, iron working and precision machinery, automobile parts, structural and sheet articles, sugar, meat packing, etc.

Green Bay ranks first in tissue paper production in the United States, particularly of toilet, towels, napkins, and woodpulp cellulose products. More than 4,000 carloads of these articles are shipped annually from Green Bay. Our competition on these articles comes principally from points [fol. 2705] located in the East such as Chester and Swarthmore, Pennsylvania; Hinsdale and Berlin, New Hampshire; Irving, Massachusetts; Albany, Carthage, Hoosick, Watertown, Utica, Fulton, Niagara and New York, New York; Cleveland, Ohio, and a large number of other mills scattered throughout Official Classification territory. Paper mills outside of Extended Zone C territory in Wisconsin, and mills in south and southwestern United States make little, if any, of these classes of paper. Official territory is the greatest market for our papers.

Green Bay is the largest single cheese manufacturing, concentration and shipping center in the United States. Approximately 6,000 carloads are shipped annually. The market for this commodity is principally in the East and South. Likewise the competition comes principally from the state of New York, Extended Zone C and Illinois Freight Association territory in Wisconsin and northern Illinois.

The competition of Green Bay manufacturers of cranes, derricks, power shovels and hoisting and conveying machinery is principally located at Milwaukee, Wisconsin; Chicago, Illinois; Lima, Marion and Lorain, Ohio; Erie, Pennsylvania; and other Official territory points, as is the case of paper mill and iron working machinery. As much of the materials and parts come from Official territory and the finished article is sold in competition with those points we should have a competitive level of rates and classification. [fol. 2706] Most of these commodities are sold on bids and freight rates and charges are an important factor in selling the articles. Our manufacturers of canned vegetables, pickles and fruits at Green Bay, Sturgeon Bay, and Oconto must meet the competition principally of those in Illinois, and Official territory since our principal markets are in Official territory. Approximately 800 carloads are moved to the East annually.

What has been said of the competitive markets of the specific commodities mentioned is true to a very large extent to our other industries. For example, automobile parts, tractor and engine parts are both manufactured and used principally in Official territory at such points as Milwaukee, Wisconsin; Chicago, Illinois; South Bend, Indiana; Flint, Detroit, and Muskegon, Michigan. These manufacturers move their commodities under the Official classification and the eastern class rate scale, and in many instances have the additional advantage of Great Lakes and coastwise water rates and services.

Green Bay, next to Milwaukee, is the largest jobbing and distributing point in Wisconsin. Groceries, hardware, produce, building supplies, plumbing supplies, iron and steel mill supplies, electrical supplies, constitute the principal articles sold. Most of these commodities originate in Official or Illinois territory and Green Bay jobbers must meet the competition of jobbers and wholesalers who are located [fol. 2707] for the most part at Milwaukee, Chicago and Detroit.

Because of its location Green Bay has also become one of the largest merchandise and bulk storage warehousing points on the Great Lakes. The rate structure and relationship of rates with our principal competitors in this business, which are Milwaukee and Chicago, are important factors in this business.

The rate structure between Green Bay, Wisconsin, and points in the various rate territories throughout the United States involved in this proceeding is briefly as follows. The same basis is generally applicable between those territories and other points for which I speak. Class rates and rates on certain specific commodities between Green Bay and points in Official, Illinois, and Western Trunk Line territory were prescribed by the Commission in Docket 17000, Part 2, Western Trunk Line Class Rates, (173 I.C.C. 637) and supplemental orders.

Between Green Bay and Official territory, except Illinois territory, key point rates were established on the level and basis of rates prescribed in Docket No. 15879, Eastern

Class Rate Investigation (164 I.C.C. 314) governed by the Official Classification and exceptions. Zone C arbitraries prescribed in the latter case were added where short line distances pass through Zone C in Lower Michigan. In Docket 17000, Part 2, the Commission extended Zone C [fol. 2708] territory into Wisconsin to include Green Bay and points south thereof, and applied the same arbitraries within the portion of the haul in that territory. However, between Trunk Line and New England territories and West Bank Lake Michigan ports the class rates had been fixed in the Eastern Class Rate Investigation and the carriers thereafter voluntarily reduced rates from and to West Bank Lake Michigan ports. Thereupon the lines serving Green Bay made adjustment in our rates to the same extent effective prior to and at the time rates were established in the Western Class Rate case. For example, the reduction in the first class rate between New York City and Green Bay was 7 cents. Rates between Green Bay and other points in Extended Zone C territory and Illinois territory were also fixed on the basis of the 15879 scale plus Extended Zone C arbitraries for that portion of haul north of Illinois Freight Association territory in Wisconsin which is roughly on and south of lines from Milwaukee to Madison, Wisconsin. The Western Classification however was prescribed, notwithstanding the Official Classification applies within the state of Wisconsin on intrastate traffic and within Illinois territory including Southern Wisconsin and interterritorially between Northwest territory and Official territory. This has caused considerable difficulty by requiring minimum rate sections in tariffs and in establishing proper and relative exceptions to the classification.

[fol. 2709] Class rates between points in Western Trunk Line territory, including Green Bay and other Extended Zone C points in Wisconsin, were prescribed by the Commission in Docket 17000, Part 2, Western Trunk Line Class Rates, (164 I. C. C. 1) and supplemental reports on a distance basis by use of the basic scales of rates plus differentials for the distances in the various Western Trunk Line zones. For any portion of the distances traversed in Extended Zone C territory differentials as named in Appendix L of the original report are added to the basic scale. The Western Classification and exceptions apply.

Between Green Bay and Southern territory, including Mississippi Valley territory, class rates were prescribed in

Docket 26510, Western-Southern Class Rates (226 I. C. C. 497) and supplemental reports governed by the Southern Classification in both directions and exceptions thereto as applicable from and to Illinois territory and the south. Key point rates on the basis of rates applicable between Illinois and Central Freight Association territory on the one hand and Southern territory on the other with the addition of Extended Zone C arbitraries for the distance through that territory, were prescribed.

Rates between Green Bay, Wisconsin, and points in Southwestern territory were prescribed by the Commission in Docket No. 13535, Consolidated Southwestern Cases [fol. 2710] (205 I. C. C. 601) and supplemental reports, espically the eighth supplemental report decided July 1, 1930, (164 I. C. C. 565). Green Bay in that decision is under Group 45 under which group a 20 cent first class arbitrary over Milwaukee is added to and from points east of the Neosho-Laredo line, and 11 cents first class to and from points west of the Neosho-Laredo line. The Western Classification and exceptions apply in both directions.

Rail-lake-and-rail, rail and lake, and lake and rail rates between Official territory and Green Bay were prescribed by the Commission in Investigation and Suspension Docket No. 3662, decided January 7, 1935, (205 I. C. C. 101) and supplemental orders. Briefly the differential under our all rail rates is 12 cents first class with relative amounts on the lower classes. Our rates apply through the ports of Milwaukee and Chicago and no direct rates to Green Bay harbor have been established. We participated in the above case for the purpose of obtaining proper adjustment of rates, but the Commission did not see fit to provide them, either as a result of that proceeding or the complaint brought by the Nicholson Universal Steamship Company in Docket 26143. Lake lines make the port of Green Bay in connection with their contract carrier service, but not in connection with common carrier service.

Green Bay is nearer to Lake Erie and Lake Ontario [fol. 2711] ports than is Milwaukee, Chicago and Duluth, by 61 miles, 126 miles, and 219 miles respectively, according to official lake distances of the Corps of Engineers of the War Department. To the important points of Minneapolis and St. Paul, which use rail-lake and-rail rates, the route through the port of Green Bay is shorter via Green

Bay than via Milwaukee by 98 miles than via Chicago by 243 miles, than via Duluth by 81 miles.

By Mr. Porter:

Q. Mr. Laubenstein, do you and your Association concur generally in the position which was taken or stated by Mr. Davy on behalf of the interests in the State of Wisconsin?

A. Yes, except that I am of the opinion that the imposition of Zone C arbitraries on traffic within Extended Zone C in Wisconsin should be removed immediately. Extended Zone C in Wisconsin should be treated as an integral part of Central Freight Association territory, with respect to the level and construction of rates in the governing classifications. This would mean that we would have the basic Eastern Class Rate Scale governed by the Official Classification not only between Green Bay and Official points, but also between Green Bay and Illinois territory in the same manner and degree as provided for that part of Illinois Freight Association territory located in Southern Wisconsin, that is south of the Madison-Milwaukee line. The general exceptions to the classification which apply [fol. 2712] within Central Freight Association territory should likewise apply to and from Green Bay on traffic to and from Illinois territory and Official territory. In support of this position we rely upon the record herein made and particularly upon the exhibits, testimony and so forth introduced on behalf of the State of Wisconsin, and by Mr. Schreiber and Dr. McCarty on behalf of four states of Wisconsin, Minnesota, Iowa and Missouri.

Q. Does that complete your presentation?

A. It does, Mr. Porter, except I would like to state that my experience with the Association of Commerce has given me a very thorough understanding of the needs and requirements of our members, their markets and their transportation problems, and that I was authorized by our Traffic Committee and Board of Directors to appear in this proceeding.

Mr. Porter: That completes the witness' direct testimony, Mr. Chairman.

Chairman Aitchison: Do you offer your exhibit?

Mr. Porter: Yes, thank you. We offer the exhibit in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 136, Witness Laubenstein, received in evidence.)

Chairman Aitchison: Is there any cross-examination? (No response.) There seems to be none. You are excused.

(Witness excused.)

[fol. 2713] Chairman Aitchison: Mr. Donnelly, are you ready to go ahead now?

Mr. Donnelly: Yes. Call Mr. Huntting. We will ask to have this exhibit which is of letterhead size and which consists of 11 pages marked as the next exhibit, Mr. Chairman.

Chairman Aitchison: It may be marked for identification as Exhibit No. 137.

(Exhibit 137 marked for identification.)

Chairman Aitchison: Be sworn, Mr. Huntting.

J. C. Huntting was sworn and testified as follows:

Direct examination.

By Mr. Donnelly:

Q. Will you give the reporter your full name, please, Mr. Huntting.

A. J. C. Huntting.

Q. Your business address?

A. York, Pennsylvania.

Q. By whom are you employed?

A. The American Chain & Cable Company.

Q. What is your position with that company?

A. General traffic manager.

Q. How long have you been employed by that company?

A. Since 1923.

Q. Have you had any other traffic experience?

A. Yes. I was assistant traffic manager for a number of [fol. 2714] years of the Stanley Works, New Britain, Connecticut. Prior to that I spent about 11 years in the New Haven Railroad.

Q. You understand this is a class rate and classification ratings investigation, do you?

A. I do.

Q. For whom are you authorized to appear?

A. For the members of the Chain Institute, whose names and locations are on the first page of the exhibit.

Q. Before you refer to the exhibit, can you state approximately the per cent of the total production of the materials that are shown here which these companies produce?

A. Practically all.

Q. What are those commodities?

A. Those commodities are listed on pages 5 and 6.

Q. Before you come to that, have you prepared an exhibit showing a statement of facts and a list of commodities?

A. Yes, sir.

Q. Is that true and correct, to the best of your knowledge and belief?

A. It is.

Q. What does it generally show, Mr. Hunting?

A. Pages 2, 3 and 4 show a statement of facts as regards the classification ratings proper within the several territories. Pages 5 and 6 show the classification ratings on the articles as shown therein.

[fol. 2715] Q. These shippers shown on page 1 of your exhibit ship all of the materials that are shown in the exhibit?

A. As a group they do. There may be some who do not make all of these materials.

Chairman Aitchison: Well, are these ratings of yours published in the classification as percentage relations?

The Witness: I did not get your qeustion, Mr. Chairman.

Chairman Aitchison: Read the question.

(Question read.)

The Witness: They are the classification ratings, sir, as shown on pages 5 and 6; the ratings shown in the classification.

Mr. Donnelly: Does that answer your question, Mr. Chairman?

Chairman Aitchison: Pages 5 and 6 are copies, are they, of items in the classification?

The Witness: Yes, sir.

Chairman Aitchison: On page 4, you say in paragraph 5 at the top of the page, "Exhibit B, part 5 shows that chains" and so forth, "are subject to Class 35." Do you mean that 35 is published in the classification, or is it published in a tariff which is apart from the classification and is an exception to the classification?

The Witness: That is an exception to the classification sir.

[fol. 2716] Chairman Aitchison: You understand we are not concerned with those things here, do you not?

By Mr. Donnelly:

Q. Why did you show those, Mr. Huntting? Are they for the purpose of comparison?

A. Those are for the purpose of comparison.

Chairman Aitchison: We could not change that in a case except by prescribing a reasonable classification, which might result in this becoming more than 35.

Mr. Donnelly: Let me ask you this, Mr. Huntting:

By Mr. Donnelly:

Q. What is your position in this case? Are you authorized to ask for any change in the present rates or classification ratings?

A. No, sir, we are not.

Q. Would you protest against any increases made in the present class rates that govern your commodities or the ratings that govern them?

A. Yes, sir.

Chairman Aitchison: Although he does not pay them, and he has exceptions to them, is that right?

Mr. Donnelly: He pays the classification ratings on different of these products.

Chairman Aitchison: I understood him to say he had a separate tariff which provided 35 per cent of first class.

Mr. Donnelly: I do not argue that, but of course the exhibit shows that beginning with part 2, there are exceptions to the classification which are set forth [fol. 2717] here for the purpose of comparing them with the classification ratings.

By Mr. Donnelly:

Q. Have you any further statement, Mr. Huntting?

A. None, sir.

Mr. Donnelly: That is all on direct, Mr. Chairman.
Chairman Aitchison: Do you offer the exhibit?
Mr. Donnelly: The exhibit is offered.
Chairman Aitchison: Is there any objection to the receipt in evidence of this exhibit? (No response.) It is received.

(Exhibit 137, Witness Huntting, received in evidence.)

Chairman Aitchison: Are there any other questions of this witness?
Mr. Norman: I have one question.

Cross-examination.

By Mr. Norman:

Q. Did I understand you to say that these concerns named on page 1 are the only producers of these commodities that you show in here?
A. No, sir. I did not.
Q. What did you say in that respect?
A. I said that those were the members of the Institute.

Mr. Norman: Oh. I see.

[fol. 2718] By Mr. Norman:

Q. Are there any producers of these commodities located in the southern states?
A. Not that I am aware of.

Mr. Norman: That is all.
Chairman Aitchison: Is there anything further from Mr. Huntting? (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness, Mr. Donnelly.
Mr. Donnelly: Mr. Perry.
Chairman Aitchison: Be sworn.

M. D. PERRY was sworn and testified as follows:

Direct examination.

By Mr. Donnelly:

Q. Will you give the reporter your full name, please, Mr. Perry.

A. M. D. Perry.

Q. Your business address.

A. 2719 Preble Avenue, North Side, Pittsburgh, Pennsylvania.

Q. By whom are you employed?

A. Pittsburgh Screw & Bolt Corporation.

Q. In what capacity?

A. Traffic Manager.

Q. How long have you been with the company?

A. Since 1918.

[fol. 2719] Q. All of that time in the traffic department?

A. Yes, sir.

Q. Have you had other traffic experience?

A. Yes. Prior to that time I was with the Carter Oil Company as assistant traffic manager. Prior to that time I was with the Baltimore & Ohio Railroad in the freight traffic department, Pittsburgh, for over three years.

Q. For whom are you authorized to appear here?

A. I am authorized to appear for the American Institute of Bolt, Nut and Rivet Manufacturers.

Q. Where are these companies located?

A. These companies are located principally in Central Freight Association territory. However, in my exhibit I show a complete list of the different companies represented by this institute.

Q. You have prepared an exhibit showing that and other things?

A. I have, sir.

Q. Was that prepared under your supervision?

A. It was.

Q. Is it true and correct to the best of your knowledge and belief?

A. It is.

Mr. Donnelly: Mr. Chairman, may we have this exhibit marked and given the next number?

[fol. 2720] Chairman Aitchison: It may be marked for identification as Exhibit No. 138.

(Exhibit 138, Witness Perry, marked for identification.)

By Mr. Donnelly:

Q. Would you state, if you know, what portion of the products which these companies produce and which are shown in here, in the exhibit, is produced by the companies that you speak for?

A. Approximately 65 per cent.

Q. Now, what is your connection with the Institute?

A. I am a member of the Traffic Committee of this Institute and prior to this year I was chairman for three years of the Traffic Committee.

Q. What is the nature of this exhibit you have prepared?

A. On page 1 of this exhibit it shows the various companies which are associated with this association. On pages 2, 3, 4, 5 and 6 there is shown a statement of facts.

Q. That is nothing more, as I understand it, than a historical statement of rates and the ratings that are shown here?

A. That is correct. Pages 7 to 17, inclusive, cover the various ratings, classification ratings on these commodities,

Q. What is your position in this case, Mr. Perry? Are you here to make any complaint about your present rates?

A. We are not, not at the present time.

Q. Are you in protest against any change that might be made in the class rates or the classification ratings that [fol. 2721] govern the transportation charges on your shipments?

A. No, we are not. At the present time we would not want to see any changes in our ratings.

Chairman Aitchison: What you really want is that there be no change made in these exceptions to the ratings, is that not correct?

The Witness: I did not get that, Mr. Chairman.

Chairman Aitchison: You would not want to be put back on the classification basis, would you?

The Witness: No, sir. Of course, there are some of these rates that take the classification, Mr. Chairman. Some of them take the class basis, some of our commodities.

Mr. Norman: What ones?

The Witness: Brass, copper and certain nickel chrome, bolts, nuts and rivets; aluminum rivets.

By Mr. Donnelly:

Q. In other words, a very material part of the shipments which the members of the Institute make, are governed by class rates, are they not?

A. That is right.

Mr. Donnelly: The witness is tendered for cross-examination, Mr. Chairman.

Chairman Aitchison: Is there any cross-examination?

Mr. Norman: One or two questions.

Chairman Aitchison: You may proceed, Mr. Norman.

Cross-examination.

[fol. 2722] By Mr. Norman:

Q. I would like to have you point out whereabouts in the exhibit is shown any ratings in the classification proper, Mr. Perry.

A. Well, as an example, nickel chrome bolts.

Q. Whereabouts in the exhibit?

A. Oh.

Mr. Donnelly: Show him what page.

The Witness: Wait until I get that for you.

Mr. Donnelly: Page 8.

The Witness: Well, for example, screws, noibn, nickel plated, in barrels or boxes. That would be one case. I do not know where the item nickel chrome is on here, but any time you have nickel chrome, it takes the second class rate.

By Mr. Donnelly:

Q. Is it not a fact that all, if not practically all, of the articles on page 8 are subject to classification ratings and are so shipped?

A. That is true.

By Mr. Norman:

Q. Is it not true that on all of the articles named and shown in this exhibit that are, for instance, made out of iron and steel and have not any nickel or anything like that in them, they move on exceptions to the classification?

A. That is right.

Q. They have got to be something right fancy, then, to move under the classification?

[fol. 2723] A. No. We ship a very substantial amount of other articles, Mr. Norman, today especially.

Mr. Norman: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Do you offer this exhibit in evidence?

Mr. Donnelly: We offer Exhibit No. 138 in evidence, if the Chairman please.

Chairman Aitchison: Without objection, it is received.

(Exhibit 138, Witness Perry, received in evidence.)

Mr. Donnelly: Mr. Chairman, I reserved 15 minutes for another witness who is not here now. I would like to carry him over until Friday if we can find a place for him. He represents the United States Potters Association.

Chairman Aitchison: Very Well. Is Mr. Bohman ready?

Mr. Manghum: Yes.

Chairman Aitchison: Raise your right hand and be sworn.

R. F. Bohman, was sworn and testified as follows:

Direct examination.

By Mr. Manghum:

Q. Will you state your name, address and occupation for the record, please, Mr. Bohman.

[fol. 2724] A. My name is R. F. Bohman. I am located in Gardner, Massachusetts. I am general traffic manager of the Heywood Wakefield Company of Gardner, Massachusetts, manufacturers of furniture, baby carriages, mats and matting and public seating. I have had 23 years of traffic experience, 5 years as traffic manager of the Lloyd Manufacturing Company, Menominee, Michigan, 18 years as general traffic manager of the Heywood-Wakefield Company, and I also was chief traffic officer of the Rutland Railroad.

Mr. Manghum: May we have Mr. Bohman's exhibit marked for identification, Mr. Chairman?

Chairman Aitchison: It may be marked as Exhibit No. 139.

(Exhibit 139, Witness Bohman, marked for identification.)

By Mr. Manghum:

Q. Are you connected with the National Furniture Traffic Conference?

A. Yes, I am president of the Conference.

Q. What is the National Traffic Conference?

A. The National Traffic Conference is a voluntary association of furniture manufacturers organized to deal with traffic problems of the furniture industry. The Conference represents about 60 per cent of the furniture tonnage in the United States.

Q. What is the position of the National Furniture Traffic Conference in this proceeding?

[fol. 2725] A. The conference's position in this proceeding is that it wishes to preserve the principle of the graduated carload minimum weights as are in effect today as well as the L.C.L. ratings of 1st class on set-up furniture and 2nd class on K.D. furniture as is shown in my Exhibit No. 139, sheets 6 and 7.

Chairman Aitchison: Are those ratings that are carried in the classification, you are talking about?

The Witness: No. They are exception ratings.

Chairman Aitchison: You understand, we are trying to get this classification right, and not dealing with exceptions to it.

The Witness: There are furniture ratings——

Chairman Aitchison: Unless published as percentages in the classification itself.

The Witness: There are furniture ratings in the classification.

Chairman Aitchison: Do you use them?

The Witness: Both carload and less than carload.

Chairman Aitchison: Do you use them?

The Witness: We use part of them, not all of them. For example, on school desks, knocked down, in the classification, they are second class and in the exceptions they are second class.

Chairman Aitchison: It is not much of an exception if it [fol. 2726] is the same as the classification.

The Witness: I know it, but the way the exceptions read is something like this: Ratings on furniture classified second class or higher, second class.

Chairman Aitchison: I gather from sheet 8 of your exhibit that every rate you have here refers to an exception with the exception of items K, L and possibly N. Is that right?

The Witness: On what sheet?

Chairman Aitchison: 8.

The Witness: That is right. I might explain, Mr. Chairman, the reason for the exhibit: I attended the Indianapolis hearing and at that hearing there were four exhibits on furniture; I suggested to Mr. McCollester that he might reasonably make an objection which he did, pointing out that furniture was not involved, but, Mr. Chairman, you ruled that inasmuch as furniture was in the classification, the exhibits were proper.

Chairman Aitchison: They are proper to be shown as an admission against interest as to how much they can properly stand as a matter of value of service. Are you complaining about them, and wanting them changed?

The Witness: No, sir.

Chairman Aitchison: Then why not wait until you get hurt before you come here?

[fol. 2727] The Witness: We are here to protect them.

Chairman Aitchison: You think you can justify these exceptions as being proper classification ratings? When we write a new classification, do you want us to write in these various percentages which are now in exceptions and say "Those are the proper classifications"?

The Witness: No. We would prefer to have the Commission disregard the furniture altogether and let us alone. May I proceed?

Mr. Donnelly: Yes. Take up where you left off, please.

The Witness: You will note on sheet 7 of my exhibit that the L.C.L. rating on furniture both set-up and K.D. is 2nd class in the Southeastern territory. The Conference is not asking that this be disturbed.

By referring to sheet 6 of my exhibit, under the percentage rating in column headed "official territory," you will note that the rating covering the 30,000-40,000 pound minimum 50J is listed. 50J is 45 to 46 per cent of 1st class. Now refer to the column headed "Western Trunk Line," the rating of 75M is 68 per cent of 1st class, 70M is 64 per cent of 1st class, 60M is 50 per cent and 50J is 46 per cent.

By Mr. Donnelly:

Q. When were the ratings and minimum weights as shown on sheets 6 and 7 of your exhibit established on furniture?

A. The ratings shown on sheets 6 and 7 were established [fol. 2728] by the railroads in 1932 on the solicitation of the National Furniture Traffic Conference.

Chairman Aitchison: Do they cover the entire territory?

The Witness: Yes. That is, the entire territory east of the Rocky Mountains.

Chairman Aitchison: Proceed.

The Witness: At that time we pointed out to the railroads that the ratings then in effect had a tendency to localize the industry. Under the ratings and minimum weights established in 1932, a broader distribution of furniture resulted. By referring to sheet 9 of my exhibit, you will note that the carriers carload revenues on furniture increased from 6¾ millions of dollars in 1932 to over 20½ millions in 1941, an increase of 198 per cent. In 1932 the claims paid for loss and damage on furniture amounted to $279,731 or $4.05 per $100 of revenue, while in 1941 loss and damage claims amounted to $545,223 or $2.65 per $100 of revenue, a reduction of 34½ per cent.

In 1940 according to the Commission's Freight Commodity Statistics the carriers carload revenue on furniture was $14,143,948 and the claims amounted to $505,127, so that the claims in 1941 increased over 1940 by $40,270 while the revenue increased $6,409,563. This increase in revenue, 1941 over 1940, was almost parallel with the total [fol. 2729] carload furniture revenue for the year 1932 so that the claims paid for this additional revenue amounted to only 63 cents per $100 of revenue.

These claim figures were taken from the Association of American Railroad's Reports of the Committee on Prevention of Loss and Damage.

By Mr. Donnelly:

Q. You also represent the New England Furniture and Allied Products Manufacurers' Traffic Committee in this proceeding?

A. Yes, I am Chairman of that Committee. This Committee is a voluntary organization of furniture manufacturers of New England. It was formed to deal with the traffic problems of the New England furniture industry and its purpose in this proceeding is to protect, so far as possible, the furniture ratings and minimum weights that are in effect today.

Q. Can you give us a brief statement regarding the furniture production?

A. Yes. In the manufacture of wood furniture, in bulk and value, lumber and veneer constitute a majority of the raw materials used. The other items used are small and constitute a little volume that would move by rail or truck. Wood furniture is usually manufactured in the lumber-producing districts.

A study of the hardwood lumber production in 1940 as shown in a special survey of the Bureau of Census, shows [fol. 2730] that 69.16 per cent of the hardwood lumber produced in the United States is produced in 14 southern and southwestern states. The states are as follows: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma South Carolina, Tennessee, Texas, Virginia and West Virginia.

In this area, according to the 1939 census of furniture manufacture, the production of wood household furniture represented in dollar volume 29.7 per cent of the United States total. Hardwood lumber, of course, is used in the manufacture of many other things besides furniture. This same area produced 51.9 per cent of the bedroom furniture, 49.2 per cent of the dining room furniture, 20.4 per cent of the kitchen furniture and 14.5 per cent of the living room and library furniture. The majority production in the south is of bedroom and dining room furniture which is generally known as "case goods."

Sheet No. 1 of my exhibit shows the number of furniture establishments in the country by states and sheet No. 2 of my exhibit shows the population of the various states. Complete statistics are not available as to the distribution of furniture from the various producing centers nor are accurate statistics available as to the dollar consumption of furniture by regions or districts. However, railroad carloading statistics are available showing the territory [fols. 2731-2732] in which the carload furniture traffic was terminated. These statistics, while not complete, appear to give some reliable index as to the consumption of furniture by districts.

The statistics for 1940 of railroad carload furniture traffic terminated according to the I. C. C. Freight Commodity Statistics of 1941 show that 50.4 per cent of the carloads and 48.3 per cent of the tonnage was terminated in the Eastern District which roughly is the territory north of the Ohio and Potomac Rivers and east of the Mississippi River. In this area will be found approximately one-half of the population of the United States.

In the Southern District, 16.3 per cent of the carloads and 15.9 per cent of the tonnage was terminated. 15 per cent, roughly, of the United States population is in the Southern District.

Chairman Aitchison: We will suspend until 9:30 tomorrow morning.

(At 5:05 o'clock P.M. November 18, 1942, adjourned to 9:30 o'clock A.M. November 19, 1942.)

[fol. 2733]

Hotel Deshler,
Columbus, Ohio,
November 19, 1942.

Met, pursuant to adjournment, at 9:30 o'clock a. m.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner.

Hon. J. Haden Alldredge, Commissioner, and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances:

As heretofore noted and the following additional:

W. H. Kimball, 3000 East Fifth Avenue, Columbus, Ohio, appearing for Curtiss Wright Corporation.

[fol. 2734] Proceedings

Chairman Aitchison: Shall we proceed.
Mr. Manghum: Mr. Bohman, please.

R. F. Bohman resumed:

Direct examination (continued).

By Mr. Manghum:

Q. You are the same Mr. Bohman who was testifying here yesterday afternoon.
A. Yes.

Chairman Aitchison: The statement of Mr. Bohman was circulated yesterday afternoon. He has read a portion of it. If there is no objection, the part of the statement remaining may be copied into the record as if he had read it orally. Is that agreeable?
Mr. Manghum: That is perfectly agreeable to us, sir.
Chairman Aitchison: That may be done, then.

(The balance of Mr. Bohman's testimony is as follows:)

There was terminated in the Western District 33.3 per cent of the carloads and 35.8 per cent of the tonnage.

These statistics show that, roughly, the termination of carload furniture traffic by railroad was in proportion to the population in each of the areas.

The 1939 census of furniture manufactures shows that the states comprising the Eastern District produced 54.9 per [fol. 2735] cent of the wooden household furniture produced in the United States. See sheets 3 to 5 inclusive of my exhibit. It will be noted that the dollar volume of furniture produced in the Eastern District in 1939 as a percentage of the total for the United States was in excess of the percentage of total railroad carload traffic terminated in that district. Obviously, the dollar volume cannot properly be compared with tonnage or units of furniture due to the variations in prices of the various styles and qualities of furniture. However, the figures quoted give a rough outline of the probable production and distribution of furniture in the United States.

In considering the furniture production and distribution, it should be borne in mind that we are not dealing with a uniform product such as coal, clay, brick, cement, iron bars and other basic commodities. We are dealing with a product that varies in style, use, quality, price, etc. Upholstered furniture cannot be substituted for bedroom furniture nor can kitchen cabinets be substituted for chairs or sofas.

We must bear in mind that the so-called "furniture industry" is a family of closely related industries with wide variations in types of products, use of products and value of products, ranging from the simplest and cheapest types of unfinished articles to the more elaborate and expensive [fol. 2736] types. The vast bulk of the production is of cheap and medium priced goods designed to meet the mass market of average consumers.

Each industry produces types of furniture designed to meet a particular need and a particular market and, consequently, although furniture is produced in large quantities at, say, Grand Rapids, Michigan, or High Point, North Carolina, furniture from other centers is shipped into both of these towns, in most cases to fit particular needs which cannot be met locally.

The distribution has been established over a period of years and as a whole is logical.

The furniture manufacturing industry is largely one of small units located in relatively small towns. The average furniture plant in 1939 obtained by dividing the number of plants into the number of workers and value of products shows that only 59 persons were employed and the value of the products was $187,000.

In 1941, which incidentally was our heaviest furniture year, .26 per cent of the carload traffic handled by railroads consisted of furniture other than metal. In other words, the cars required to transport all of the furniture were slightly more than one-fourth of one per cent of the cars transported by rail. The number of cars used in the transportation of furniture represented .68 per cent of the cars [fol. 2737] required to transport the manufactures and miscellaneous carload traffic, or less than three-fourths of one per cent.

From the revenue standpoint, the freight revenue derived by the railroads from the carload furniture traffic was .78 of one per cent of the total revenue from carload traffic and 1.72 per cent of the revenue derived from manufactures and miscellaneous carload traffic. The average earnings from the furniture traffic were about three times the earnings from all traffic in relation to the number of cars handled. When compared with the manufactures and miscellaneous traffic, the revenue derived from the furniture traffic was double the average revenue per car for the entire group of manufacture and miscellanous traffic.

Q. Do the New England furniture manufacturers ship living room and dining room furniture long distances by rail?

A. No. Living room and library furniture is made up mainly of so-called overstuffed furniture (chairs, settees and davenports). These are the most highly competitive furniture articles manufactured and it is primarily a local business. It doesn't take much of an investment to get into this type of furniture manufacturing. Many of these manufacturing establishments are in basements of homes, or in the maker's barn or garage. Many employees of furniture manufacturers, when they are laid off because of poor business, go into business for themselves on a small scale. They [fol. 2738] buy frames, springs, cotton and other furniture material and assemble and upholster furniture which they distribute through their local retail furniture dealers and local department stores. Their low overhead makes it possible for them to sell at a low price. They are usually satisfied to make a day's pay and that is all. This type of competition exists in practically every city of 10,000 or more. These manufacturers, doing a local business, distribute by truck and not by rail, while the manufacturers of the other types of furniture and doing a national business, distribute by rail to a large extent.

Another type of manufacturer of the so-called overstuffed furniture is the small manufacturer who employs ten to one hundred men. This group of manufacturers limit their distribution to a few states and they, too, distribute by truck—many of them distribute by their own trucks and by contract truckmen. In other cases, the furniture dealer or retailer sends his own truck to these factories and picks up his orders himself.

This competition is hard to meet because of two reasons—1st, the saving in freight is large—and, 2nd, there is a big saving in packing costs. These trucks are equipped with what is known as furniture pads or blankets which are wrapped around the furniture and can be used over and over again, while the national distributor would have to go [fol. 2739] to considerable expense in packing and crating his furniture for shipment by rail. The saving in packing costs alone is often more than the freight charges, and if the railroads offered to haul the traffic free of charge, it still would be cheaper to ship by truck.

Q. Generally speaking, are the furniture manufacturers located near the hardwood lumber producing centers?

A. Yes. The furniture industry grew up in the hardwood lumber producing areas because of necessity, there being an average shrinkage or waste of approximately 45 per cent in the lumber used in furniture production. In other words, the furniture manufacturers pay freight charges on 45 per cent of the lumber that is not used.

Q. Where do the New England furniture manufacturers draw their lumber supply from?

A. The New England furniture manufacturers draw their lumber supply from the New England area, the Adirondacks and New Brunswick, Canada. Mainly they use birch and maple lumber.

Q. I take it, Mr. Bohman, that the furniture interests for whom you speak are not here asking the Commission to change the existing rating and rate structures on furniture.

A. No, they are not.

Mr. Manghum: That is all on direct, if the Commission please, and the witness is now presented for cross-examination.

[fol. 2740] Chairman Aitchison: You offer the exhibit, do you?

Mr. Manghum: Yes, your Honor; at this time I offer Mr. Bohman's Exhibit 139 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 139, Witness Bohman, received in evidence.)

By Chairman Aitchison:

Q. Now, Mr. Bohman, before cross-examination, referring to the last question and answer, the question being "I take it, Mr. Bohman, that the furniture interests for whom you speak are not here asking the Commission to change the existing rating and rate structures on furniture", to which your answer was "No, they are not": that means that you are not suggesting any change in the Consolidated Classification, does it not?

A. Well, let me put it this way, if you please, Mr. Chairman: the Consolidated Classification ratings do not move the traffic, because they are too high and we need these exceptions, and we do not want them distributed.

Q. But as far as the rating is concerned, you have not given us anything except exceptions, to see what the rating ought to be, have you?

A. That is right.

Q. Would you mind making a statement now, for the record, as to why you prefer exceptions to a change in the classification?

[fol. 2741] A. I would not mind that at all, no, Mr. Chairman. We prefer to deal direct with the traffic executives of our railroads. They know our problems. Now, if I have a traffic problem in connection with furniture, and I go to the vice president of our originating line, I do not want him to pass the buck off, and say, "Well, now, this is a classification matter. I haven't anything to do with it," and then I must go to a disinterested committee, that knows very little about my problem, the members of which have certain fixed formulae in their minds as to how ratings should be made,—and I say this, now, Mr. Chairman, with all due respect to the many able men who are on that committee; as a matter of fact, I have some personal friends on the committee. For those reasons I and my associates in the National Furniture Traffic Conference and the New England Furniture Group, prefer to deal direct with our railroad traffic executives.

Chairman Aitchison: Cross-examine.

Mr. Gwathmey: If the Chairman please, may I ask just one or two questions of the witness, not in the nature of cross-examination?

Chairman Aitchison: Yes.

By Mr. Gwathmey:

Q. Mr. Bohman, am I correct in understanding that the group for which you are appearing here, is nation-wide in scope?

A. You are speaking now, I take it, of the National [fol. 2742] Furniture Traffic Conference?

Q. Yes.

A. Yes, sir.

Q. Does that group include any furniture manufacturers or organizations of such manufacturers in the South?

A. Yes, sir,—the Southern Furniture Association.

Q. Will you please state for this record, Mr. Bohman, what the Southern Furniture Association is.

A. Well, it is a group of furniture manufacturers, organized to deal with the many problems that are involved in connection with the furniture business, among which is the traffic problem.

Q. Does that organization embrace, generally speaking, a majority of the furniture manufacturers in the South?

A. Well, as to that, I would not be able to say, but I assume that a large majority of the southern furniture manufacturers are members of that association. It is a very strong association.

Mr. Gwathmey: Thank you.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Bohman, you are not speaking for the Southern Furniture Manufacturers in saying that they are satisfied with their present rate adjustment, are you?

A. No, I did not say that.

[fol. 2743] Chairman Aitchison: Their present—what?

Mr. Norman: Their present rate adjustment.

A. I did not say that, no, sir. In my opening statement, speaking for the National Furniture Traffic Conference, I said that we wish to preserve the principle of the graduated carload scale.

By Mr. Norman:

Q. And the Southern Furniture Manufacturers do go along with you on that, do they not?

A. Yes, sir.

Q. Now, did I correctly understand you to say that you do not want any change in the rates?

A. No.

Chairman Aitchison: No. The exact wording that the witness used was "the existing rating and rate structures."

Mr. Norman: Rate structures?

Chairman Aitchison: That is right—the plural.

By Mr. Norman:

Q. Well, now, in saying that, Mr. Bohman, you are not speaking for the Southern Furniture Manufacturers, are you?

A. No, sir, and I do not believe I said that. I was speaking, I believe, with reference to the National Furniture Traffic Conference—pardon me. Just where does that statement appear, again, please, Mr. Chairman?

Chairman Aitchison: In the second line of the very last question, in your statement.

[fol. 2744] The Witness: Page 7.

Chairman Aitchison: Yes.

A. Well that part covers the New England Furniture Manufacturers.

Mr. Norman: That is what I thought.

The Witness: That is right.

Mr. Norman: Thank you.

Chairman Aitchison: Is there further cross-examination?

By Mr. McCollester:

Q. Mr. Bohman, your plant, I take it, is in New England; is that correct.

A. One of them.

Q. One of them?

A. Yes, sir.

Q. In marketing the output of your New England plant in Official Territory, do you encounter competition from furniture manufacturers in the South?

A. Oh, yes, indeed we do. As a matter of fact, that is the toughest competition that we have.

Q. They set prices in the North for furniture, that you have to meet, do they?

A. Right.

Q. Pardon me?

A. That is right.

Mr. McCollester: That is all.

Chairman Aitchison: Is there further cross-examination?

[fol. 2745] By Com. Alldredge:

Q. Mr. Bohman, if every shipper felt the way you do with respect to dealing directly with the officers of the originating carriers, would there be any such thing as a classification left?

The Witness: I am very sorry, Mr. Commissioner, but I did not get the first part of the question.

(Question read.)

A. Well, I do not know. That is a rather difficult question to answer, Mr. Commissioner. Most of the traffic in the country today does not move under the classification basis, anyway. It seems to me that the classification, for the past 10 years, has been what Mr. John Turney has termed "a modern Doomsday Book."

Chairman Aitchison: Well, Mr. Turney, eminent historian that he is, used that term, of course, in a signification which had nothing to do with doom at all. (Laughter.) It was merely as a title, so to speak.

The Witness: I appreciate that.

Mr. Norman: That is all it is, too.

Chairman Aitchison: Is there anything further?

Mr. McCollester: I have nothing further.

Chairman Aitchison: If not, you are excused.

The witness: Thank you.

(Witness excused.)

Chairman Aitchison: Mr. Dyer.

[fol. 2746] W. M. Dyer was sworn and testified as follows:

The Witness: My name is W. M. Dyer. I live at Wichita, Kansas. My address there is 10[illegible]9 Beacon Building. I am manager of the Wichita Chamber of Commerce. I have been with that organization since November 1, 1922, for 5 years of that period in my present capacity. I am employed primarily to protect the shippers of Wichita in traffic and other matters before the Interstate Commerce Commission, the state commission, and the various railroad agencies. I am appearing on behalf of the members of the organization, and the business interests of Wichita. Prior to the time I became connected with the Wichita Chamber of Commerce, I had approximately 9 years' experience with Kansas railroads. During the period of 20 years, during which I have been associated with the Wichita Chamber of Commerce, I have been present at from twelve to fifteen regular meetings of the Traffic & Transportation Committee of that organization annually, at which there have been discussed problems of competition and distribution concerning not only the individual members of the Traffic Committee, but also the problems of shipper members that were brought to the attention of the Traffic Committee, to be handled by the Traffic Department, for consideration and action thereon. The Traffic & Transportation Committee of the Wichita Chamber of Commerce consists of approximately thirty-five [fol. 2747] shipper members, representatives of all classes of shippers, jobbers, wholesalers, retailers, manufacturers, constituting a representative cross-section of Wichita business. In addition to this contact that I have had with the problems of the wholesalers, distributors, jobbers, and manufacturers, and also those of all kinds of business men, located in and doing business at Wichita, Kansas, I have, based upon a conservative estimate, had an average of from six to ten conferences daily with representatives of those various business interests, at which problems of competition and distribution have been discussed. The Wichita Chamber of Commerce has in its membership approximately 900 individual, or member firms, each carrying one or more memberships in the organization. I have been directed by the Traffic Committee of the Wichita Chamber of Commerce to appear in this proceeding and protect the interests of the manufacturers, jobbers, distributors, wholesalers and retailers located in Wichita, Kansas.

By Chairman Aitchison:

Q. You say that you are appearing here to defend them, in substance. In what way do you consider them to be menaced?

A. That question is a rather difficult one to answer, Mr. Chairman. We are seeking in this proceeding, however, I might say right here, a uniformity of classification rates, and a uniformity of classification ratings, because by that [fol. 2748] we think that the position of Wichita will be improved; but it is of course very difficult to say just at this time what might come out of this proceeding.

Q. Well, is your position divergent from that of any of the other Kansas interests that have been heard here?

A. No, it is not.

Chairman Aitchison: Continue.

A. The 1940 census shows that Wichita had at that time a population of 114,966, or a population of 127,308, including the metropolitan area. The metropolitan area of Wichita includes Delano, Keechee, Riverside and Wichita Townships, and Wichita City and Eastboro City. There has been a marked increase in population, especially of the Wichita metropolitan area and Wichita proper, since the release of the 1940 U. S. Census figures. Based upon figures prepared by the Sugar Rationing Board, the present population of the metropolitan area, including Wichita proper, is approximately 204,000, and the population of Wichita proper is 190,000. The increase in the population of Wichita proper, and the metropolitan area of Wichita, has been due to the rapid growth of the airplane and other branches of the defense industry in Wichita. Wichita is located on the Atchison, Topeka & Santa Fe, Chicago, Rock Island & Pacific, Missouri Pacific, and Midland Valley lines of railroad, in southeastern Kansas, 199.7 shortline rail miles southwest of [fol. 2749] Kansas City; 635.8 rail miles southwest of Chicago; 456.8 rail miles west of St. Louis; 154.2 rail miles southwest of Topeka; 171 rail miles north of Oklahoma City; and 51 rail miles north of the Kansas-Oklahoma border, immediately south of Arkansas City, on the ratemaking route between Wichita, Kansas, and Oklahoma City, Oklahoma. Wichita is located on the division-of-Kansas line set by the Commission in 218 ICC 11, drawn through Kansas, beginning at the Kansas-Missouri border, on the line of the Missouri Pacific Railroad, through Ft. Scott, Yates Center, Eureka, and El Dorado, to Wichita; thence the line of the Atchison, Topeka & Santa Fe to Pratt; thence the line of the Chicago, Rock Island & Pacific through Liberal to the Kansas-Oklahoma state line. Wichita has the usual large business concerns, jobbing, wholesale and manufacturing, as you will find in any city of the size of Wichita. Some of those concerns do business upon a national scale, of national scope.

The situation at Wichita is unusual, in that approximately 50 per cent of Wichita's distribution business is north and south of the line I have just described. I found this as the result of an investigation that I made, in connection with the business concerns at Wichita, in which it was developed that about 50 per cent of the distribution of Wichita's business is north of the line that I have just described, and about 50 per cent of it is south of that line. Now, in [fol. 2750] order that the record may be clear, when I refer to "that line" I mean the division-of-Kansas line prescribed by the Commission in 218 ICC 11, just referred to. My investigation has also developed that there is exceedingly keen and continuous competition encountered by all of the business interests located at Wichita, with business concerns in similar lines located at points on the Missouri River, chiefly Kansas City and St. Joseph, Missouri, that distribute their products throughout Wichita's trade territory, notwithstanding the fact that Kansas City, the ~~nearest~~ Missouri River jobbing point, is 199.7 rail miles northeast ~~of~~ Wichita.

I have prepared two exhibits for presentation in this proceeding, which I now desire to have marked for identification with the next numbers in record order.

Chairman Aitchison: 140 and 141. Which is which?

The Witness: The first exhibit, which will be No. 140, is the short exhibit; and the other exhibit, No. 141, may be identified by the letter B in the lower right-hand corner of the cover page.

(Exhibits Nos. 140 and 141, Witness Dyer, marked for identification.)

The Witness: Exhibits 140 and 141 were prepared by me and under my direction, and they are true and correct, to the best of my knowledge and belief.

[fol. 2751] By Chairman Aitchison:

Q. What are they intended to show?

A. Just briefly, these two exhibits are intended to show, Mr. Chairman, the relationship of the class rate levels applying within Western Trunk Line Territory and the class rate levels applying within and between the territory east thereof. The first exhibit, No. 140, was prepared prior to the hearing in this proceeding at Indianapolis, Indiana, and I have not made any change in that exhibit; but in view of what the chairman stated at the Indianapolis hearing, I did rebuild my exhibit No. 141, so that it now plainly sets out the purpose of the exhibit. As to Exhibit 140, as I have stated, the purpose of the exhibit is to show that the spread in rate levels, Western Line Territory versus Official Territory, and within Western Trunk Line Territory, is unduly discriminatory of Wichita, Kansas, and the Wichita firms doing business in that area. The exhibit, consisting of 16 pages, I believe to be very largely self-explanatory. It shows a comparison of the Western Trunk Line 17000 Zone Scales with the Western Trunk Line basic scale and the Docket 15879 scale. On page 9 of the exhibit appears the application of the laminated formula via the ratemaking route between Chicago and Wichita, for the distance from Chicago to Wichita, the respective zone differentials, being a part of the rate, and the volume of such differentials. For example, on page 13, the character "4" preceding the distance of 635.8, appearing in Column 1, represents the distance between [fol. 2752] Chicago and Wichita, and indicates that the component parts of the Chicago-Wichita rate are as shown on their Column 2, Basic Scale, $1.46, showing under Column 4 the Zone-1 differential of 15 cents; and under Column 6 the Zone-2 differential of 13 cents; and under Column 8, the Zone-3 differential of 5 cents; making the total rate under the laminated Western Trunk Line and Southwestern formula, $1.79, as shown under Column 9. The carriers publish a rate of $1.82. As against the rate of $1.97, as shown under Column 10, the carriers publish a rate of $2, and the Ex Parte 148 increases produce a rate of $2.09. That is not shown in the exhibit.

Now, my Exhibit 141 consists of six sections, designated as A to F, inclusive, and contains a total of 69 pages. The purpose of this exhibit is to show the unlawfulness resulting from the existing class rates and ratings applicable to and from Wichita, Kansas, as compared with the class rates and ratings applicable at points in the territory east thereof. Although this exhibit likewise is largely, I believe, self-explanatory, there are just a few high points concern ing which I desire to testify briefly. The contents of the exhibit are set forth in the index appearing on pages 1 and 2. Section A is also explained on the title page of this section, and consists of 18 pages, three of the pages being A-pages to pages 7, 8 and 9. Pages 2, 4 and 6 are [fol. 2753] maps of Kansas divided by lines-A, B, C and D. As indicated, they divide Kansas, as shown on page 2, into two sections, one lying east and one lying west of line C. For example, Territory C lies west of the irregular line designated as line C, and C-1 territory lies east thereof. Lines B, C and D, appearing on page 4 of this section are arbitrary lines, but line A is the boundary line between Zones 2 and 3 as fixed by the Commission in the Docket 17000 Class Rate Case, 164 ICC 1.

Q. I got the impression from your statement, Mr. Dyer, that you are on the borderline that was drawn in 218 ICC.

A. No, we are not, Mr. Chairman. We would like to be on a borderline, preferably the Kansas City borderline.

Q. I misunderstood you, then.

A. I am sorry. The map of Kansas shown on pages 4 and 6 of this section, shows a further division of Kansas C-1 territory. These are the territorial divisions of Kansas used in the population and business activity analyses shown on pages 7 to 9-A, inclusive, of this section. Kansas D-2 territory, shown on the map, page 4, is largely in Western Trunk Line Zone-2 territory, while Kansas B-3 territory, shown on the map, page 6, is entirely in Western Trunk Line Zone-3 territory. Page 7 of the exhibit is an analysis of manufacturers for the entire state, and by sections of the state, as shown on pages 2, 4 and 6 of this section. It is interesting to note that C-2 territory, which [fol. 2754] is the section of Kansas west of line C, reflects a land area ratio of 54.5 to the state as a whole, as shown under Column 3; but under Column 15 it reflects, that territory does, a ratio of only 2.9 per cent of value of manufactures, to the state as a whole. As shown under Column 3, by adding the nine counties previously mentioned, that lie wholly within Zone-3 territory, but east of Line C, the result is that that section of the state bears a ratio of 66 per cent of the land area of the state, or an increase of 11.5 per cent. But, as shown under Column 15, the value of manufactures in the western section of the state, by the addition of the nine counties, is increased to a ratio of 35.5, or an increase of 32.6 per cent, which means that the nine counties that I have just mentioned increase the ratio in that entire area to the extent as shown.

Q. Well, now, I do not just get the point of all this. Just what does all this have to do with classification ratings, or the classification situation?

A. Why, Mr. Chairman, immediately, as soon as you pass across the Zone-2 line, shown on page 11—or rather—pardon me—I mean to say, on page 13 of my Exhibit No. 140—you have a differential increase in the first class rate of 5 cents, not including the Ex Parte 148 increases. We are attempting here to show by this section of Exhibit 141, that the business activities in the area surrounding [fol. 2755] Wichita justify the extension of the Zone-2 scale to include Wichita, or at least the elimination of the 5-cent class rate differential, because of the showing of business activities in the area that I have described as D-2 territory, and that territory in Zone-2 territory; but I will take that up a little later, in my explanation of the exhibit.

Mr. Hughes: If the Commission please, does that not bring up the question at once, as to how far the Commission is going to inquire into local situations, in connection with this proceeding? Apparently the witness here is dealing with a situation that he regards as peculiar to Wichita.

Chairman Aitchison: Well, I take it that the inquiry that we have before us here is as to whether or not the existing structure is proper generally, and to the extent that the witness shows that it is not proper, that will be given consideration. That seems to be the situation.

By Chairman Aitchison:

Q. You are not contending, are you, that it follows that, because you have so many square miles, and so few manufactures in those square miles, that a rate adjustment must be made that is going to put a lot more manufacturers out there?

A. No, Mr. Chairman. The purpose of the exhibit is merely to show the business activities in that particular area, and it is the business activities, of course, that make the revenue for the carriers, because if there is no movement there is no revenue. In that particular [fol. 2756] area, I hope to be able to show here, taking the D-2 territory as compared with the B-3 territory, since the Commission has placed the B-2 territory in Zone-2, certainly Wichita is entitled at least to the elimination of the 5-cent arbitrary.

Q. Where did you get these destinations of B-2, and so forth?

A. Oh, those designations, Mr. Chairman, are just merely arbitrary designations, adopted for explanatory purposes.

Q. They are just your own?

A. Yes.

Q. All right.

A. Now, on page 7-A of the exhibit, there is an analysis of business activity east of line C, or in C-1 territory. B-3 territory, which comprises the nine counties in the southwestern section of the C-1 territory, lying wholly within Zone-3 territory, reflects 25.3 per cent of the land area of the state, that is, a ratio of 25.3 per cent; as shown under Column 3, while, as shown under Column 15, the business activity in that area reflects 33.5 per cent of value of manufactures in C-1 territory. Now, comparing that with the D-2 territory, as shown under Column 3, the D-2 territory reflects 19 per cent of the land area of the state; while, as shown under Column 15, it reflects only 1.1 per cent of value of manufactures produced in C-1 territory. Pages 8 and 8-A set forth the same type of [fol. 2757] study for the wholesale trade.

Q. Well, you scarcely would expect manufacturers to be located on those high plains to an extent that would materially change the percentage, based on the state as a whole, would you?

A. I did not get that, Mr. Chairman.

(Question read.)

A. Well, that was based, Mr. Chairman, not upon the state as a whole, but upon the C-1 territory. Now, we do show that for the B-3 territory, which reflects only a ratio of 25.3 of the land area of the state, we have 33.5 per cent of value of manufactures produced in that particular territory, C-1 territory; while as stated, D-2 territory, which reflects 19 per cent of the land area of C-1 territory, produces a value of manufactures that reflects only 1.1 per cent of the value of manufactures for C-1 territory.

Q. Well, you have not answered my question, which was intended to develop whether or not you would expect manufacturers to be located out on those high plains, to an extent that would materially change the percentage.

A. I am very sorry, Mr. Chairman, but I do not believe I understand your question.

Q. Well, they do not have fuel, they do not have raw material, and there is no population around there.

A. Well, the population comes when there is business, [fol. 2758] Mr. Chairman, as I have shown in my exhibit here.

Q. Would you expect to advise any client to put a good-sized manufacturing plant, except possibly for war purposes, or something of that sort, out on those high plains in Western Kansas?

A. I would advise such a party, who had a project of that sort in mind, to put his plant at Wichita.

Chairman Aitchison: Which is not on the high plains.

By Com. Splawn:

Q. Let me see now, Mr. Dyer, if I understand your exhibits correctly. I understand your position, stated generally, to be, that you want universal uniformity. Is that correct?

A. Yes, that is correct, Mr. Commissioner, and that is what we are seeking in this case, along with the other interests in the Southeast, and in Southwestern and Western Trunk Line territories.

Q. But you have built your exhibits, assuming this zoning to which you have referred, to prove that your city, or your area, should be moved into a lower zone, have you not?

A. What we had particularly in mind in building the exhibits, Mr. Commissioner, was as a safeguard.

Q. In other words, you come forward and announce the general thesis, as a general proposition, and then you undertake to prove the exception; is that it?

A. I do not know whether I just follow your question correctly or not, Mr. Commissioner. We are attempting to [fol. 2759] prove the general thesis, if you please, yes, sir, and then, as I stated before, we also have in here a showing, in addition, as a safeguard. Now, pages 9 and 9-A of the exhibit cover the same type of study for the retail trade. Pages 10 to 15, both inclusive, contain a similar analysis, for the periods indicated, for the entire state, as compared——

Chairman Aitchison: Well, now, in the interests of time, I will have to ask you not to explain the exhibit page by page.

The Witness: Very well.

Chairman Aitchison: If necessary, you may file a supplemental statement.

The Witness: All right, your Honor.

Chairman Aitchison: But time is going on here very rapidly, and we still have a long way to go.

The Witness: Very well, Mr. Chairman. I will pass that up, then. However, I did want to explain the sections, just very briefly, so that the exhibit itself will be understood, or understandable, if that is permissible.

Chairman Aitchison: Do you not have that sufficiently already, in your index?

The Witness: I believe I have, yes, sir.

Chairman Aitchison: Now, I would just like to get the conclusion that you draw from this,—unless you have already given it to Mr. Commissioner Splawn.

[fol. 2760] The Witness: If you will just permit me to go ahead a little further, Mr. Chairman, I will be through very quickly.

Chairman Aitchison: All right.

The Witness: There is one more matter that I want to point out. On page 5 of Section B——

Chairman Aitchison: Now, just how far through the book is that? I notice that these pages are not numbered consecutively.

The Witness: Well, it is the second section of the exhibit, Mr. Chairman, and I am now referring to page 5 of that section. It is about, I should judge, 25 per cent approximately through the exhibit, about one-quarter of the way through,—page 5, Section 2.

Chairman Aitchison: Section 2?

The Witness: Yes,—or rather, I should say, page 5, Section B, Subsection 2.

Chairman Aitchison: All right.

The Witness: Referring to New York, as shown in the tenth line down, in Column 10, it shows that the basic scale rate is 2 cents less than the published rate at Kansas City; 6 cents more, as shown in Column 15, at Topeka;

and 23 cents more, as shown in Column 5, at Wichita. Comparison is also shown with Docket 15879. Section C, consisting of 10 pages, is an analysis of freight traffic [fol. 2761] density figures of the major Kansas lines, for the periods indicated, under Subsection C-2, supplemented by a map of Kansas, shown on page 10 of this section, rerouting the western boundary of Western Trunk Line Zone-2, to include Wichita. Otherwise, I believe that this section is self-explanatory. Mr. Real, of Topeka, in his Exhibit No. 117 here, proposed a rerouting of the Zone-1 line shown on page 6. In the event that the Commission should reroute the Zone-1 boundary line as per the proposal of Witness Real, as shown on that page of the exhibit, we suggest that the line beyond Lincoln be via the Chicago Rock Island & Pacific Railway to Fairbury, because the line of the Rock Island between Kansas City and Lincoln, on which Topeka is located intermediate, passes through Fairbury, Nebraska. Then we propose that the line be routed via the Union Pacific, via Marysville, to Manhattan; thence the Rock Island via Herington to Peabody; thence the Santa Fe via Newton to Wichita; and thence via the St. Louis-San Francisco, via Springfield, Missouri. I am not opposed to extending the line beyond Wichita, if it can be justified.

By Chairman Aitchison:

Q. Were you in the Western Trunk Line case?

A. Only indirectly.

Q. Was Wichita represented there?

A. Yes, sir.

Q. Did it present its claim for the line to be put where you are now contending it should be?

[fol. 2762] A. I do not know as it was exactly the same, Mr. Chairman. However, I do know that in the further hearing there was an attempt to make a rerouting of the Zone-2 line to include Wichita.

Q. Well, is this a retrial, then, of that same issue?

A. Why, no, sir, I would not say so, Mr. Chairman. I was of the opinion that the issues in this proceeding are rather broad.

Q. Yes, I think so, too, but you are getting very precise here, when you tell us the precise line of railroad that goes between two stations.

A. I am just making the suggestion, Mr. Chairman, and leaving it up to you, to do as you think best in the matter.

Q. I was wondering whether or not an attempt had been made to get a reopening of the Western Trunk Line case, if the line that was drawn there was an improper one.

A. Not that specific case, no, Mr. Chairman, except to the extent that I have stated, that I was rather of the opinion that this proceeding was more or less a reopening.

Q. Well, that case was tried and decided years ago. You have had all this time, and you have been doing all of this suffering, as you have described here. Now, if there was a grievance, why did you not come before us and ask to have that case reopened, and give us a chance at it there, if that was wrong?

[fol. 2763] A. Well, we are giving you that chance now, Mr. Chairman. We have of course been very busy. Now, I think that Sub-section 2 of this Section D needs clarification. Section D consists of the system maps of the Atchison, Topeka & Santa Fe, Chicago, Rock Island & Pacific, Missouri Pacific, St. Louis-San Francisco, and Union Pacific Lines, in that order, picturing the operating segments in Kansas, as described on pages 6 to 9, inclusive, of Section C. I just want to state that the red lines shown on these maps are the Zones-2 and -3 lines as prescribed by the Commission in Docket 17000, 164 I. C. C. 1.

Q. Well, now, getting back to my former question with respect to that line, were you present when Judge Hoch, a member of the Kansas Commission, came to us, for the State of Kansas, and asked to have that line redrawn?

A. I am not familiar with the exact situation in that connection, Mr. Chairman.

Q. I was just wondering whether or not we had the chance then.

A. I could not say.

Q. You do not know whether that was included in that matter or not, then?

A. No, I do not, Mr. Chairman. My predecessor might have been in on those conferences, but I do not recall them myself.

Q. I am inclined to think that that very issue was pre-[fol. 2764] sented, and presented very strongly and ably by Judge Hoch at that time.

A. Well, we would like to bring it to your attention again in this proceeding, then, also, Mr. Chairman. Referring now to the map of the Atchison, Topeka & Santa Fe Railway shown in Section D, the brown line shown on that map defines the eastern division of the Santa Fe, and the blue line defines the middle Kansas division of the Santa Fe. It will be noted that the middle division is largely branch line. The other maps shown in this section reflect the same purpose—or are for the same purpose, rather, as indicated. I believe that all the balance of the exhibit is self-explanatory, and, theerfore, I will not take up any more time discussing it.

Chairman Aitchison: You wish to offer your exhibits in evidence, do you?

The Witness: Yes; thank you, Mr. Chairman. At this time I would like to offer in evidence my Exhibits 140 and 141.

Chairman Aitchison: Without objection, they are received.

(Exhibits Nos. 140 and 141, Witness Dyer, received in evidence.)

Chairman Aitchison: Does that conclude your statement on direct, then?

The Witness: No, Mr. Chairman, it does not, quite but [fol. 2765] I will be through very shortly. I have just a very short further statement, or comment, that I would like to make. Mr. Real, in his Exhibit No. 117, on page 7, showed two lines, a green line and a red line, which he described in his testimony. In the preparation of my exhibits—and in connection with that, I would like to refer you to page 1 of Section E—a thorough check of the tariffs reveals the fact that those lines are not reflected in the tariffs. However, in the last four years there have been attempts by the carriers to divide the rates in Kansas along these lines, and those have resulted in nine I & S cases, as follows: I & S 4451, I & S 4456, I & S 4545, I & S 4556, I & S 4571, I & S 4597, I & S 4818, I & S 4819, and I & S 5122. To date, those lines, so far as the tariffs are concerned, are only paper lines, and do not reflect tariff differences at those lines. I wish to comment very briefly now with respect to one adjustment that tends to show the unlawfulness of the class rate adjustment in our territory, and that is the glassware adjustment, to show not only the unlawfulness of the class rate structure to and from

Wichita, within the Southwest, but also the classification ratings, as well. On page 1, Section E of my exhibit,—and you might refer to that page, if you will, please, in connection with the discussion of these rates that I am now offering—on glassware within the Southwest—or rather, I mean to say, glass bottles within the Southwest, including [fol. 2766] that portion of Kansas south of the K line, the small section of Kansas including about four counties, class 275 applies, in that area. In the territory to the north, Class C-35 applies; and rates reflecting 24 per cent of the first class rate from Okmulgee to Kansas City, apply. From Okmulgee to St. Louis, the rate reflects 20.5 per cent of the first class rate.

Mr. Bee: If the Commission please, what commodity is the witness talking about now, moving from Okmulgee?

Chairman Aitchison: He said, glassware, or glass bottles.

Mr. Bee: He said, glassware, and then he referred to glass bottles, and then he said something about Okmulgee, and there never was a bottle shipped from Okmulgee in its history. I would just like to know what the witness is talking about.

The Witness: The glass bottle rate from Alton, Illinois, was recently reduced to territory on and east of the line shown as Line-B, to 29 per cent. To most of the area west thereof, it is 35 per cent of the first class rate. We are not complaining there, as far as commodity rates are concerned, because our commodity rate from Alton, Illinois, reflects 29 per cent of the first class rate. The rest of the [fol. 2767] area, Class 35 applies. The reason we are not objecting is because of the fact—seriously objecting—is because of the fact that glass bottles are all purchased on the basis of the Alton price plus freight rate, so I am advised by our Wichita jobbers and users of glass bottles, but we are faced with this fact, that the price set-up can be changed most any day, and then we will have a real complaint before this Commission. The reason we are bringing this to the attention of the Commission at this time is to show the chaotic condition, and that is the purpose of page 1 of the exhibit.

By Chairman Aitchison:

Q. Page 1?

A. Page 1 of Section—I beg your pardon. Page 1 of Section E of Exhibit No. 141.

The Wichita Chamber of Commerce joins with other interests in WTL, Southwestern and Southern Territories in asking that the same level of class rates and identical classification ratings be prescribed for application throughout the territory involved in this proceeding, but failing in that, we ask that the Commission extend to Wichita the same level of class rates as now prescribed or as may be prescribed to Northeastern Kansas. However, we are fearful lest the Commission may not, in view of Finding 27 of the Consolidated Southwestern Cases, prescribe such lower level of class rates to and from Wichita and points [fol. 2768] east thereof, notwithstanding the record may so justify, without a modification of the Commission's prior order in I. C. C. Docket 13535.

At that point, I would like to direct the Commission's attention to page 407, 123 I. C. C. 203, where the Commission said that its decision in that case was without prejudice to its finding in Docket 17000. The Commission on——

Chairman Aitchison: Mr. Dyer, you know your 20 minutes has got to an hour already.

The Witness: I will be through in just a second. The Commission, on July 6, issued a show cause order in I. C. C. Docket 13535, requiring that those opposed show cause why that order should not be vacated to the extent—I am reading from the order—that the parties to the above-entitled proceeding be, and they are hereby required to show cause on or before August 17, 1942, why an order should not be entered vacating the outstanding orders with respect to prejudice and preference in so far as said orders apply to commodities on which no specific column rates or percentage of first class rates as have been prescribed for general application to, from and between points in the Southwest——

Mr. Barron: I submit that has no place in this investigation, Mr. Chairman. That is a matter that is before the Commission by its own order, to find out whether or not they should vacate an order in 13535, and I don't feel as if we ought to get into those ramifications in this proceeding.

Chairman Aitchison: We don't know what he is going [fol. 2769] to say about it. Proceed.

Mr. Barron: He has already said enough to convince me what he is going to say.

Chairman Aitchison: You are bright. I am not as well informed.

The Witness: Mr. Bee filed an answer to this show cause order—Mr. Bee of the Oklahoma Corporation Commission—under date of August 10, 1942. The Wichita Chamber of Commerce filed a reply to Mr. Bee's answer under date of July 6, 1942.

Mr. Bee: Mr. Commissioner, I think that inasmuch as the witness clearly shows that the matter is at issue before the Commission, and that we have asked for a specific hearing at a time and place when I would be notified, I object to this witness going into that, if he is going into it, because we did not bring our papers and are not prepared to put evidence on before the Commission now on that matter.

The Witness: Mr. Chairman, I am not going into it any further than I have. I do want to change the date of my reply, that I stated for the date of my reply. My reply was filed on September 15, 1942.

Chairman Aitchison: Well, it is perfectly proper for him to call attention to the fact that we have a certain matter pending before us that is undecided.

Mr. Bee: Yes. I say if he goes any further.

[fol. 2770] The Witness: That is all I have, Mr. Chairman.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Bee:

Q. Mr. Dyer, you are suggesting a new group to be established in Kansas?

A. No, sir.

Q. Did I understand that you are recommending to the Commission to put some B-3 territory into the now B-2 territory, something of that kind?

A. No, sir.

Q. What does your map mean, then, when you draw this territory of B-2? What do you ask the Commission to do?

A. It is for analysis purposes only, and as to what I asked the Commission to do is plainly stated in my direct testimony.

Q. Isn't it to extend the line south and west to include the B-2 territory?

A. To include Wichita.

Q. Yes, sir.

A. And beyond, provided it can be justified.

Q. Yes.

A. I am not opposed to its being extended to include Oklahoma.

Q. Now, take page 2, where you carve out your B-2 territory. That is in your Exhibit No. 141.

[fol. 2771] A. Could I make a further comment in connection with my answer to your question?

Q. Yes, sir.

A. In fact, that is entirely in line, Mr. Bee, with your own statement of your own witnesses. We are asking for a uniform rate adjustment throughout Western Trunk Line, Southwestern, Southern, and Official Classification Territories.

Q. Do you know of any alternative proposal made by any Southwestern witness to go into some particular territory in case that couldn't be done?

A. I don't know of any specific proposal.

Q. Then why do you make the statement that that is in line with their testimony when none of our witnesses made any such alternative proposal, Mr. Dyer?

A. Mr. Bee, to the extent I just stated.

Q. Well, let's turn to page 2 of your Exhibit No. 141. You have carved out a B-2 territory, and at other places in the exhibit, you show some manufacturing and statistical records to build up that territory, do you not?

A. I show the—yes, I show the statistical data for the territory as outlined there. It includes nine counties in Kansas east of what I have termed as the Line C and lying wholly within Zone-3 territory and immediately beyond or west of the Zone-2-3 line.

Q. Will you just answer my questions. The exhibit [fol. 2772] shows the territory?

A. Yes.

Q. All right. Now, just west of that line that you created as the west border of your B-2 territory, you find the counties of Ellsworth and Rice in the state of Kansas?

A. Yes.

Q. I am going to ask you, from your knowledge of the state, if you had compared those two counties to Chautauqua and Montgomery, which are put into your B-2 territory, which one of the groups would have shown up better under the statistical showing you have made?

A. I do not know.

Q. I ask you the same thing about Kingman and Harper, west of your line, as contrasted with either Chautauqua, Cowley, Butler, Montgomery Counties, in the B-2 territory that you have created.

A. I do not know, Mr. Bee, but I do have that basic data here that you can use if you so desire.

Mr. Bee: Thank you.

Chairman Aitchison: Any other cross-examination?

By Mr. Barron:

Q. Mr. Dyer, do I understand that on behalf of something like 900 manufacturers, is that correct, at Wichita——

A. You use the figure 900?

Q. No, the number of manufacturers that you are representing at Wichita. [fol. 2773]

A. The number of members that might include——

Q. All right, 900 members. Are you suggesting to the Commission that they put in an equalization of rates, mile for mile, from Wichita to Western Trunk Line Territory, and the same measure of rates from Oklahoma origins to the Western Trunk Line territory?

A. I am not opposing it.

Q. Are you advocating it on behalf of these 900 members at Wichita?

Chairman Aitchison: Better let him answer your question.

Mr. Barron: Pardon me.

The Witness: I believe, Mr. Barron, that I made myself clear as to my position and what I was advocating in this case. We are joining with the other interests in Southern, Western Trunk Line and Southwestern Territories, seeking a uniformity of class rates and classification ratings throughout the territory involved in this proceeding. But in the event that the Commission should not do what we want, in that case, then we are asking that the Commission in this proceeding do what I have stated.

By Mr. Barron:

Q. Now, in that uniformity of classification, are you also suggesting that the exceptions to the classification be eliminated and be included in the classification?

[fol. 2774] A. I am not trying to evade your question, Mr. Barron. I would have liked to have put some testimony into this case with reference to exception ratings, but I didn't deem that they were involved. Now, of course, we are not asking, of course, for the elimination of exception ratings in this proceeding, but we are asking for the elimination of such things as I pointed out as represented by that glass rate adjustment that I specifically referred to. I don't believe that under any theory of rate-making could such an adjustment be deemed as reflecting a reasonable adjustment.

Q. Well, do you want this uniform classification to be all-inclusive as to the commodities that move to and from Wichita?

A. You mean to the——

Q. I mean to all the territory that you have been talking about.

A. So far as classification ratings and class rates are concerned, yes.

Q. That would include all commodities that move to and from. You would want the Commission to fix this classification so that it would be all-inclusive, wouldn't you?

A. I didn't say that, Mr. Barron.

Q. Well, do you want that?

A. No.

Q. Why don't you want it?

A. Simply because I think some of those commodity [fol. 2775] rates should come before the Commission and the Commission determine as to whether or not they are unlawful or—well, I stop there.

Q. Could you tell the Commission what per cent of the total tonnage moving into or out of Wichita moves on strictly class rates today?

A. I could not.

Q. Is it 5 per cent of your total?

A. I could not. I think you have the figures available and can put it into your case, if you so desire.

Q. I asked you if you knew.

A. I don't.

Q. One more question: now, you are saying that you are agreeing with the Southern interests and the Southwestern interests, and I gather that that includes the desire for a universal equalization of rates for the purpose of decentralizing industry, is that correct?

A. Equalization of class rates.

Q. Yes.

A. And classification ratings.

Q. And is that for the purpose of decentralizing industry?

A. For the purpose of protecting the industry that we now have at Wichita and encouraging the growth and development of new industry in that area.

Q. Would you advocate, on behalf of your clients, the decentralization of the Wichita industries to such towns as [fol. 2776] Arkansas City, Winfield, Kiowa, and such points in southern Kansas?

A. We believe that they should have an equal chance if they——

Q. Even if that means the taking away of industry from Wichita?

A. Just a moment, Mr. Barron.

Chairman Aitchison: Mr. Barron, unless you permit the witness to complete his answer before you ask him another question, we will have to ask some one else to do the cross-examining at this time.

Mr. Barron: Pardon me, Mr. Chairman. I thought the gentleman had finished. He hesitated and I thought he had. If not, I apologize to him and ask him to finish.

The Witness: We are certainly not opposed to any city in our area having an equality of equal opportunity to attract industry, and that is one reason, Mr. Barron, that we are in this case. We are asking for that equality of opportunity.

Mr. Barron: That is all I have, thank you.

By Mr. Plunkett:

Q. Mr. Dyer, would you turn to page 5 of Section 3—Section C, I guess it is, of your Exhibit No. 141.

A. Page 5 of Subsection 2 of Section——

Q. Section C.

A. Well, I think you will notice that the Section C is fur-

[fol. 2777] ther subdivided. Now, which subsection is it? What is shown under the page number, Mr. Plunkett?

Q. Page 5—pages 1 to 10, inclusive, Section C. This is page 5. It is in subsection C-1.

A. Oh, I see. It is Subsection 2. Page 5 of Section C. All right.

Q. It deals with the Union Pacific Railroad, is that correct?

A. I beg your pardon?

Q. It deals with the data regarding the Union Pacific Railroad?

A. Yes, I have it now. It deals with the Union Pacific Railroad.

Q. Will you look at the data opposite 1940. Haven't you made a mistake there?

A. Beg your pardon?

Q. Will you look at the data opposite the year 1940.

A. Yes.

Q. Haven't you made a mistake there?

A. Under what column?

Q. All of them. You show average miles operated increased from 1,159 in 1939 to 2,049 in 1940, back to 1,162 in 1941.

A. I don't think so. I took those figures from the reports in the Kansas Commission's office.

Q. Now, will you turn to page 3 of the same section, back two pages. Will you look at 1940, and you find the same [fol. 2778] thing for the Missouri Pacific Railroad as shown on page 5 for the Union Pacific Railroad?

A. It evidently looks like the figures shown on the Union Pacific on page 5 for the line that you have indicated were an error.

Chairman Aitchison: Are you through, Mr. Plunkett? Any further cross-examination? (No response.) Mr. Dyer, you are excused.

(Witness excused.)

Chairman Aitchison: Now, the Commission hasn't any desire to seem arbitrary, but we are trying to work towards a schedule and we must ask the witnesses hereafter to keep within the limits of time alloted.

Mr. Grubbs: If your Honor please, I would like to say in connection with the ruling which your Honor just made, that I have given an estimate of time and I have tried to make that estimate as conservative as possible. Now, in the case of at least one of our witnesses, I feel that he won't be able to finish his testimony in the time that we have given.

Chairman Aitchison: Well, anything in the nature of application for further consideration you can take up with the Examiners, and if you don't get satisfaction with them, you can take it up with the Division.

Mr. Grubbs: Thank you.

Mr. Dyer: I call Mr. Umbarger.

[fol. 2779] Chairman Aitchison: Mr. Umbarger, you have 10 minutes.

U

CHARLES K. UMBARGER was sworn and testified as follows:

Direct examination.

By Mr. Dyer:

Q. State your name and address.

A. Charles K. Umbarger, Wichita, Kansas.

Q. By whom are you employed?

A. By the Coleman Lamp & Stove Company, Wichita, Kansas.

Q. In what capacity?

A. Traffic Manager.

Q. Do you, as traffic manager of the Coleman Lamp & Stove Company, come in close touch with the purchases and sales to the extent transportation costs are involved?

A. I do.

Q. How long have you been employed by the Coleman Lamp & Stove Company?

A. About 23 years.

Q. Is the Coleman Lamp & Stove Company a corporation?

A. A Kansas corporation.

Q. Explain where the Coleman Lamp & Stove Company, its various interests, are located.

A. The factory and general offices are located at Wichita. We have a branch plant at Toronto, Canada, branch warehouses or branch houses at Los Angeles and Chicago, Philadelphia.

Q. You said a branch plant at Toronto. You mean the [fol. 2780] branch factory at Wichita and a branch factory at Toronto, Canada?

A. A branch manufacturing plant at Toronto, Canada.

Q. What is the investment in plant and equipment of the Coleman Lamp & Stove Company at Wichita?

A. Approximately one and one-half million dollars.

Q. That figure doesn't include any inventory?

A. It does not include any inventory.

Q. How many employees does your company have at Wichita?

A. About 1,500.

Q. What is the plant space?

Chairman Aitchison: You can abbreviate all this by saying you have got a big factory there. Now, go ahead. What is wrong with this rate adjustment? Come right down to the point and tell us how this rate adjustment hurts you.

By Mr. Dyer:

Q. What does the Coleman Lamp & Stove Company manufacture?

A. We manufacture gas generating lamps, lanterns, sadirons, camp stoves, gas pressure cook stoves, oil-burning heaters, and gas furnaces.

By Chairman Aichison:

Q. Do they move on class rates?

A. To the East, yes, sir, into Official Territory.

Q. Now, what is the substance of your complaint?

A. Well, our—we are asking the same basis of rates, class rates applicable in the Official Territory be extended to include Wichita, so that we will be on an equality with [fol. 2781] the manufacturers in the Eastern Territory with whom we compete.

Q. Well, how are you different now in respect to the rate treatment that you receive?

A. Well, I——

Mr. Dyer: Mr. Examiner, I have an exhibit that will indicate that, that he is going to introduce. And if you will let me go ahead, I would like to show his interest of record in this case.

Chairman Aitchison: All right, I will withdraw the question.

By Mr. Dyer:

Q. With whom in the Coleman Lamp & Stove Company did you discuss this case?

A. With Mr.—the president, Mr. W. C. Coleman, also with Sheldon Coleman, Vice President and General Manager.

Q. Were you directed by these gentlemen to appear and testify in this proceeding?

A. I was.

Q. In behalf of the Coleman Stove & Lamp Company?

A. I was.

Q. Does Mr. Coleman take an active interest in rate matters pertaining to his company?

Chairman Aitchison: That has nothing to do with this case.

Mr. Dyer: O. K.

[fol. 2782] Chairman Aitchison: Go on and tell us what is wrong with the adjustment.

By Mr. Dyer:

Q. Has there been a comparatively recent shift in the business of your company?

A. Well, yes. Since the United States entered into the war, naturally, our production has been curtailed on civilian products to the extent that at the present time, with the exception of a few minor repairs that we try to make, our entire production, our entire plant is on government contracts.

Q. Prior to this shift to war production, in what territories did your company distribute its products?

A. We covered the entire United States, also had considerable export shipments.

Q. What method of distribution does your company use?

A. On what we considered our small appliances, that is, lamps, lanterns, camp stoves, and irons, we handled through wholesale for jobbing houses. On heating stoves and furnaces, we handle through authorized distributors throughout the country.

Q. Does your company in all cases ship direct to your customer?

A. On carload shipments, we ship direct to the customer, regardless of where he is located. We also ship to our branch houses in carload for reshipment l. c. l. into their respective territories.

[fol. 2783] Q. Why do you maintain these branch houses?

A. To meet freight and service competition.

Q. I believe you stated you have a branch house in Philadelphia?

A. We do.

Q. Do you have an exhibit—or rather, I would like to ask this question: what have you to say as to the importance of freight rates to your company?

A. Naturally, transportation of freight is a very important factor in any manufacture and sale of any item. Being located in the Middle West, we obtain practically all of our raw materials from the East. We are, of course, obliged to pay the transportation charges to the plant, then after the item is manufactured, we ship back into those eastern territories for distribution. We have the freight back into there also to pay.

Chairman Aitchison: Now, what is it you are complaining about?

Mr. Dyer: We are coming to that right now.

Chairman Aitchison: You are going to come to it right now. The witness is going to answer my question. He is going to tell me in the three minutes he has got left what is wrong with this adjustment from his standpoint.

By Chairman Aitchison:

Q. Is it in the inbound or the outbound movement of your [fol. 2784] product, your raw materials in or your finished products out?

A. Well, we are equipped mainly on, I would say on——

Mr. McCollester: I hope the record will show this pause.

By Chairman Aitchison:

Q. Are you able to answer my question?

A. It is pretty hard to answer, right off the bat.

Q. Why don't you——

A. Our interest, Mr. Commissioner, is to keep the equality of the rates.

Q. Well, you haven't said that you don't have it now.

A. We are at a disadvantage because of this rate break, affecting Wichita.

Q. Does the raw material that you manufacture come in on class rates or commodity rates?

A. Class rates.

Q. And it is the Western Trunk Line adjustment that you are complaining about?

A. Well, yes. It governs the rates into Wichita.

Q. And developed by Mr. Dyer in his statement?

A. Yes, sir.

Q. Now, on your outbound, do you pay class rates or commodity?

A. Into Official Territory, class rates.

Q. Governed by the Official Classification?

A. Yes, sir.

[fol. 2785] Q. And are you complaining about that?

A. No, sir.

Q. Your outbound rates are all right?

A. Well, I——

Q. I mean rates and ratings combined.

A. I would say that they are all right if we are kept on a level with the other——

Q. Are you?

A. Well, I don't know what might develop.

Q. Are you at the present time?

A. We are at the present time, yes.

Q. But you are not with respect to the raw materials coming in?

A. No, sir. I don't think we are.

Q. And that is because of the way the Western Trunk Line adjustment is built up?

A. That is right. The way we——

Q. Do you have any exception ratings?

A. Within the Western Trunk Line Territory.

Q. How is the Western Classification affected? Is it too high for you?

A. Well, I think on the bulk of our stuff it is.

Q. What rate do you pay?

A. Ordinarily—we have a fourth and fifth class rate on stoves and furnaces.

[fol. 2786] Q. Outbound?

A. Outbound. On inbound, of course, it depends on the article that we bring in, raw material.

Q. These rates are shown in your Exhibit 142, are they?
A. They are.

Chairman Aitchison: Continue, Mr. Dyer.

By Mr. Dyer:

Q. Do you have an exhibit, Mr. Umbarger, that you desire to offer for identification?

A. I have.

Q. Was that exhibit prepared by you and is it true and correct, to the best of your knowledge and belief?

A. It is.

Mr. Dyer: What will that number be?
Chairman Aitchison: 142.

(Exhibit No. 142, Witness Umbarger, marked for identification.)

By Mr. Dyer:

Q. On page A of that——

Chairman Aitchison: Now, he said this is explanatory. Your time is up.

Mr. Dyer: May I ask just two questions?
Chairman Aitchison: All right, go ahead.

By Mr. Dyer:

Q. Did your company bear the freight charges on shipments referred to in Section B of that exhibit?

A. We do.

[fol. 2787] Q. Would you further explain how those—you pay those freight charges?

A. We do pay the freight on all inbound——

Q. Section B, I am talking about, Mr. Umbarger. Section B is your outbound shipments.

A. I beg your pardon. On page 1 of Section B, page 1. We do pay the freight, naturally, on the shipments that go to our branches at Philadelphia. On shipments to our distributors, we equalize the freight with our warehouses, either at Chicago or Philadelphia. That is, we stand the difference between the Wichita destination and the branch house destination rate.

Q. Did your company pay freight charges on shipments that moved in, as shown on Section B, page 3?
A. We do; we did.

By Chairman Aitchison:

Q. You wouldn't want any different adjustment if somebody else paid it, would you?
A. I wouldn't say so.

Mr. Dyer: We are only attempting to show damage, Mr. Chairman.
Chairman Aitchison: This isn't a reparation case.

By Mr. Dyer:

Q. Was this exhibit prepared by you and under your direction?
A. It was.
Q. Is it true and correct, to the best of your knowledge [fol. 2788] and belief?
A. Yes, sir.

Mr. Dyer: We now desire to offer in evidence Exhibit No. 142.
Chairman Aitchison: Without objection, it is received.

(Exhibit No. 142, Witness Umbarger, received in evidence.)

Chairman Aitchison: Is there any cross-examination?

By Mr. Bell:

Q. Are you manufacturing the same line——

Chairman Aitchison: Now, gentlemen, I shall have to ask you to confine yourselves to one counsel for cross-examining. You can get along with one counsel.
Mr. Bell: I don't think there is much cross-examination necessary.

Cross-examination.

By Mr. Bell:

Q. Are you manufacturing the same line of articles today, under contract with the Government, that you refer to, or have you been converted to the manufacturing of munitions?

A. We are making lanterns and special stoves for the Government, and we are also making war munitions.

Q. All of your materials, so far as even manufacturing for the Government is concerned, are subject to priorities under the War Production Board, aren't they?

A. That is right; materials, yes.

Q. As a matter of fact, you can't get anything without permission?

[fol. 2789] A. That is right.

Q. Now, prior to this situation, as I understood it, you distributed the commodities you refer to all over the United States?

A. Yes.

Q. How long have you been in business?

A. A little over 42 years; about 43 years, I think.

Q. Located at Wichita?

A. Located at Wichita all the time.

Q. You have progressively increased your distribution?

A. We have.

Q. Over that period of time?

A. Yes, sir.

Q. You have been very prosperous in that location?

A. Well, we have——

Mr. Bell: That is all.

By Mr. McCollester:

Q. You have a competitor right in Philadelphia, do you not?

A. Yes, sir, we do.

Q. You get all your raw materials from Official Territory?

A. Well, the bulk of it.

Q. Yet you have been able, in the 12-year period, to increase your shipments right to Philadelphia, made out of raw materials brought from Official Territory, from six cars up to thirty-five cars and a total of one hundred twenty [fol. 2790] cars, to Official Territory, is that right?

A. That is right.

By Mr. Bell:

Q. Your answer was yes, wasn't it?

A. That is right.

Chairman Aitchison: Stand aside.

Mr. Dyer: May I have some redirect?

Redirect examination.

By Mr. Dyer:

Q. Do you consider that 120 cars good business?
A. That is just into this territory.
Q. Well, do you consider it good business in that territory?
A. Yes.
Q. In answer to a question put by the Chairman, I am just wondering if you understood the Chairman, when you said you were satisfied with your eastbound rates. Was it the classification ratings—I am wondering if you were confused. Was it the classification ratings that you are satisfied with or was it the rates that you now pay?
A. The rates we are paying.

Mr. Dyer: That is all I have.

By Chairman Aitchison:

Q. You are paying class rates, aren't you?
A. Yes, sir.

Mr. Williams: If the Commission please, I appear for the Public Service Commission of the State of South Dakota for the purpose of putting evidence——
[fol. 2791] Chairman Aitchison: We have got a witness on the stand, you know.
Mr. Williams: I thought he was excused.
Chairman Aitchison: He will be in just a moment. You are excused.

(Witness excused.)

Mr. Williams: For the purpose of putting in evidence a supplemental statement showing the natural resources of the state of South Dakota, as prepared by Mr. Carr, who has already appeared at the Indianapolis hearing and who desires to supplement his statement with factual data on the natural resources of the state of South Dakota.
Chairman Aitchison: Has it been distributed?
Mr. Williams: It has been distributed and I would like to have it marked for identification as an exhibit.

(Exhibit No. 143, marked for identification.)

Chairman Aitchison: Is there any objection to its being received in this matter, gentlemen? (No response.) All right, let's have it. Exhibit 143, and without objection it is received.

(Exhibit No. 143, received in evidence.)

Mr. Williams: Thank you.

Mr. Barron: Mr. Chairman, has this been put in as testimony or as an exhibit?

Chairman Aitchison: 143, as an exhibit.

[fol. 2792] Now, again I ask, is Mr. R. E. Smith of Duluth here?

Mr. McCollester: May I make an announcement off the record, Mr. Chairman?

Chairman Aitchison: Yes.

(Discussion outside the record.)

Chairman Aitchison: Now, we will take up the American Trucking Association. Mr. Reed, are you ready?

Mr. Reed: Yes, sir. Mr. Chairman, I would like to have the privilege of making just a brief statement of the purpose of our appearance in this case. The evidence of the American Trucking Association, which we are presenting, is offered for the motor truck common carrier industry of the Nation, except that it is not offered for the account of the New England Motor Freight Bureau, Incorporated, of Boston, Massachusetts. It does include the Eastern Motor Freight Conference, Incorporated, of Hartford, Connecticut.

It is our position that a uniform classification as between trucks and rails, and nationwide, is essential to the commerce of the nation. We take no position on territorial rate levels or rate relationships. It is our position that the Commission should first determine the basis for uniform classification ratings and uniform relationships among the classes before determining rate levels and rate scales; that rate levels and rate scales for various territories and inter- [fol. 2793] territorially for the trucks and rails should be established concurrently, and that the classification basis as established should be applied after an exhaustive traffic survey of both rails and trucks for the purpose of determining a proper rate scale level.

We are offering witnesses and exhibits to show the extent that classification is now uniform as between trucks and rails and territorials. Second, we are offering a classification formula upon which we say a classification may be established uniformly nationwide, and we are offering a traffic survey upon which we have reached our conclusions concerning uniformity.

Mr. Rives will present Mr. Jackson with the history of our classification and show the uniformity that exists today.

Chairman Aitchison: Well, this is bearing on the question of the rail classification?

Mr. Reed: Yes, sir, bearing upon our interest, Mr. Chairman, in a determination of the rail classification.

Chairman Aitchison: Suppose they concede your interest?

Mr. Reed: Yes.

Chairman Aitchison: Would you then need the testimony?

Mr. Reed: Yes, sir, because we think we are offering something that will have some value with respect to what should be done concerning these questions asked by the Commission in its September, 1940, inquiry.

Chairman Aitchison: Then it is really for the bearing [fol. 2794] it may have on the rail classification more than for the question of the interest of the person who presents it?

Mr. Reed: Yes, sir. We hope that the evidence will be of value in fixing the rail classification as well as the motor truck classification.

Chairman Aitchison: We are not fixing the motor classification now.

Mr. Reed: We are aware of the fact that you are not fixing the classification by order to be applied to the motor truck classification, Mr. Chairman, but the classification principles have no relationship to the character of modes of transportation. A commodity of a certain density or value is still of that density or value regardless of the mode of transportation.

Mr. Barron: Mr. Reed, may I ask, this survey that you have made, is that a survey of truck traffic or of rail traffic?

Mr. Reed: It is truck traffic.

Com. Splawn: Mr. Reed, you are undertaking to show, are you, that in answering these questions we have before us with regard to the rail carriers, such considerations as value and density are of much more importance than cost of the service?

Mr. Reed: We are not going into the cost of service, Doctor, for the reason that we have decided that the cost [fol. 2795] of motor truck service would not be relative to the issues in this proceeding. We are going into the question, at this time, of the bearing that value and density should have upon classification ratings.

Com. Splawn: Well, in answering the questions, to what should be the classification, particular items, you think that the considerations are largely common as between the agencies and that the controlling factors are largely independent of differences between the costs, so far as the particular agency is concerned?

Mr. Reed: Yes, sir, it is our opinion that the principles of classification are common to both modes of transportation; that the cost of performing the transportation is another matter.

Mr. Rives: Mr. Jackson.

Mr. Reed: Mr. Chairman, I would like the record also to show that the evidence of the American Trucking Association has been distributed to the parties in accordance with the Commission's announcement at Indianapolis.

C. F. Jackson was sworn and testified as follows:

Direct examination.

By Mr. Rives:

Q. Will you state your name, employer and address.

A. C. F. Jackson, American Trucking Associations, Incor- [fol. 2796] porated, 1424 Sixteenth Street, Northwest, Washington, D. C.

Q. Your position and qualifications.

A. I am Assistant General Manager of that National Association, Manager of its Traffic Department, Chairman of the National Classification Board and Agent of the National Motor Freight Classification, holding powers of attorney from the approximately 5,000 carriers participating therein, and publishing the Classification on their behalf.

For a good many years I have been directly associated with motor carriers all over the United States. For several years I was Vice-President and Secretary of an interstate motor common carrier, having charge of traffic matters, claims and partial supervision of operations. 5 years prior to that was spent in a managerial capacity in distribution requirements of a large manufacturer. Before that I spent 9 years in banking with some experience in operating a flour and feed mill and some incidental experience along a variety of other lines. Since 1933 I have been with American Trucking Associations, Inc., in an executive capacity, and particularly in charge of the traffic aspects of the activities of this National Association.

Q. Is the National Motor Freight Classification published by the American Trucking Associations, Inc.?

A. Yes. I am employed by the Association to act as publishing agent for the Classification and do so under duly filed powers of attorney issued to me by the individual [fol. 2797] participating carriers.

Q. Mr. Jackson, why are you appearing here today?

A. To place on record in this proceeding salient facts as to the construction and background of the National Motor Freight Classification, the extent of its use, to supply comparisons of the National Classification with the rail freight classifications directly involved in this proceeding, and show the need for maintenance of generally corresponding freight classifications for application by the two quite highly competitive modes of transportation.

Mr. Rives: Mr. Chairman, if there is no objection, I should like to have the current issue of the National Motor Freight Classification, the No. 6 edition, Agent C. F. Jackson's MF-ICC No. 12, ICC No. 12, and effective supplements, incorporated by reference in this proceeding.

Chairman Aitchison: Is there objection? (No response.) It runs to the whole document, does it?

Mr. Rives: Yes, sir.

Chairman Aitchison: There seems to be no objection.

By Mr. Rives:

Q. Mr. Jackson, are there any other points about the American Trucking Associations, Inc., that you feel should be made of record in this proceeding for the purpose of your appearance here?

A. Only, briefly, that it is the trucking industry's national association, a non-profit corporation, composed of 50 [fol. 2798] affiliated associations in the states, District of Columbia and Hawaii, whose members are members of the national association. American Trucking Associations, Inc., is governed by a Board of Directors elected from each state by the carriers; the Directors elect an Executive Committee which functions in the interim between meetings of the Directors; and under its authority; in connection with the varied activities there are a number of different committees appointed or otherwise designated to deal with various phases of the industry's problems. One of those is the A.T.A. National Traffic Committee, composed of over 90 representative leaders from all sections of the country, which is active on traffic matters nationally.

Appropriately, the National Traffic Committee of American Trucking Associations, Inc., provides guidance and lays down the general policies under which the National Motor Freight Classification is published and administered. I am the secretary of this committee. It was a predecessor of this committee that developed the plans, policies and arrangements initially for the trucking industry to publish its own National Motor Freight Classification. Under the guidance of this committee, a full time board of three men, called the National Classification Board of which I am chairman, makes investigations of all proposals submitted by carriers, shippers, receivers, or other parties in interest, regarding [fol. 2799] changes in the National Motor Freight Classification. This board prepares and publishes dockets, and conducts hearings on docketed proposals in cooperation with representatives of the tariff publishing bureaus.

Q. You say you are agent for the Classification and Chairman of the Classification Board; how long have you held that position?

A. From the start of all preceding issues of the publication. The initial issues were developed over a period of time starting back in 1935 and were published in March, 1936, effective with the rate provisions of the first interstate regulatory requirements upon motor carriers, April 1, 1936.

Q. Then you are appearing here as a representative of American Trucking Associations, Inc., as Chairman of the National Classification Board and as agent for the carriers for whom that Classification is published?

A. Yes.

Q. Please describe with a bit more detail your duties with regard to the Classification.

A. My work in connection with the Classification not only involves the mechanical requirements of all of the preparations and handling in connection with the printing and distribution of the Classification but also the interpretation of the provisions of the Classification; also maintenance of contact and justification of the Classification with the [fol. 2800] various regulatory bodies with which it is filed, and also the consideration and development of conclusions as to quality and changes in its contests.

Q. Mr. Jackson, have you prepared, or caused to be prepared some data respecting the National Classification, comparing it with rail classification, and to show necessity for maintenance of competitive parity?

A. Yes. Some tabulations have been made as to certain features of the National Classification, and comparisons with the rail classification, which have been compiled by me or directly under my supervision, for presentation as an exhibit in this case.

Q. Is the document entitled "Statistical and Analytical Data Indicating the Nature and Expense of Use of the National Motor Freight Classification and Comparisons Indicating Extent of Uniformity Between National Motor Freight Classification and Consolidated Freight Classification" the exhibit to which you refer?

A. Yes. This exhibit contains data and comparisons compiled by me or under my direction.

Mr. Rives: Mr. Chairman, may this be marked for identification as Exhibit 144?

Chairman Aitchison: 144.

(Exhibit No. 144, Witness Jackson, marked for identification.)

[fol. 2801] By Mr. Rives:

Q. Will you please refer to this pamphlet, which has just been marked for identification as Exhibit No. 144, and make any—what is the information contained on page 1 of the exhibit?

A. This is a list of the State Commision, with which the National Classification is filed for use in connection with intrastate tariffs. This list coincides with the Commissions or regulatory bodies shown on page 2 of Supplement No. 9 to the Classification, which is one state more than the list shown on the inside of the cover of the No. 6 National Classification proper, the State Commission added in the interim being the State of Georgia.

The numerals contained in brackets in the left margin preceding some of the State Commision names are to give reference to the dates, cases or circumstances under which the National Classification was established in the particular state through order or some action of that State Commission, as indicated in the explanation of those numerical symbols shown at the bottom of this page. In most of the states where no special explanation is given the National Classification is operative as a matter of filing and establishment by voluntary publication without formal action of the Commission, similar to effectiveness under the Interstate Commerce Commision by statutory filing. Also while in a few of the states where symbols are shown the Com- [fol. 2802] mission action may not have required the National Classification to be exclusively used intrastate, the majority of the Commission actions indicated have been an actual prescribing of the National for intrastate use by motor carriers and according to the information I have gathered the National is the only classification used intrastate by motor carriers in the majority of the other states.

The next sheet, page 2, shows the number of carriers listed as participants in the National Classification as of September 30, 1942, total 4,960. This is the total number of carriers, each carrier being counted only once whether listed interstate or intrastate. This tabulation is by states, according to the state of domicile of the individual carrier. As most of the carriers are listed under I. C. C. requirements and operate interstate, obviously most of the carriers operate in more than one state so the figures on this sheet do not represent all of the carriers us- the Classification in a particular state; thus it follows that the number of carriers operating in a single state would be far greater, probably several times more, than the number on this sheet as the carriers with headquarters in that state.

Of the total number of Class I carriers whose operations could reasonably be expected to require use of a classification, 85 per cent are listed as participants in the National [fol. 2803] Classification. This statement is based on a check made in October which developed that of the 1223 Class I carriers which submitted annual reports to the

I. C. C. for the year 1941: 198 were contract carriers; 49 were automobile transporters; and 78 conducted specialized operations handling such freight as household goods, motion picture film, heavy commodities, oil-field equipment, petroleum, milk and other bulk commodities or engaged exclusively in local cartage service. None of these operations would be susceptible to use of a freight classification. This leaves only 898 Class I carriers of general commodities who would be likely to require a classification and of these 765 are listed as participants in the National Motor Freight Classification.

Q. Do you contend that this page purports to show universal use of the Classification?

A. That is correct; except for New England and to the extent the rail classification is used, the National is the Classification generally used throughout the country by motor common carriers.

The totals at the bottom of this sheet, which show the number of carriers listed in each of the preceding issues, shows the steady progress toward maximum utilization of this as the freight classification predominantly used by motor carriers.

Q. Referring to your sheet headed "Partial List of [fol. 2804] Motor Freight Tariff Bureaus", starting on page 3 and carrying over to page 4, what is the nature of this list and the reason it is included in your exhibit?

A. This is a list of non-profit, motor carrier tariff publishing bureaus or conferences that publish tariffs that are governed by the National Motor Freight Classification. This is only a partial list, but with the exception of the bureau at Boston it comprises all of the major bureaus that go to make up the network of such organizations that blanket the country, reciprocating and cooperating together in handling rate and tariff matters for the large group of motor carriers who have such matters taken care of through organized handling. With the partial exception as to the Bureaus at Hartford, Connecticut and the two in California, the Bureaus on this list use the National as the only freight classification applicable in connection with all of the tariffs they publish for motor carriers.

The territory and descriptions shown at the right of the respective bureaus was made brief, so it should not be taken as a precise and accurate delineation of the scope of the individual bureaus; however, these descriptions do indicate the general territory over which the respective organizations publish rates for their members of other cooperating bureaus, and this condensed list is included in the exhibit to show that the National Classification is [fol. 2805] the one generally being used by the leading organizations throughout the country.

Of course, there are numerous other organizations or agents that are using the National Classification in connection with their tariffs as well as hundreds of carriers who publish individual tariffs.

Q. What have you to say regarding page No. 5 of your exhibit?

A. This table carries the results of a tabulation, recently made for presentation of this data as facts for the record in this proceeding, to show the number of ratings in the National Freight Classification according to the various classes and as between the East, South and West territorial distinctions in the ratings in the Classification.

The classes are indicated in the column at the left. Carrying across from each is shown the number of less truck-load, any quantity, volume and mixed volume and the total ratings in the East; then the same treatment or count was made as to the South ratings, the results being shown in the major column here headed "South"; a similar count and listing is shown for the "West" ratings.

Since it may not be entirely clear, it might be well to explain the symbol (0) "zero" at the top of the column headed "Ratings." This is a designation that actually appears in the rating column in the Classification in connection with the number of items shown in the exhibit. [fol. 2806] This rating or symbol is used in the Classification to make it clear that the particular article is not rated in the Classification but is only to be accepted in accordance with provisions in the various rate tariffs of the participating carriers. This is explained on page 1 of the Classification. This corresponds with items in the Rail Classification that are marked with a symbol, that is with a zero with a plus on top, roughly, which is explained in their Classification as meaning "subject to rates and regulations of individual carriers."

In making this check the ratings which in the Classification are uniform as between the East, South and West, and which are shown as a single figure in the rating column in the Classification, were counted three times, that is, the rating was counted once under the East and again under both the South and West.

The ratings in the "uniform" column are not additional, but only show the number of ratings that are the same in the East, South and West and thus provide territorial uniformity of ratings.

In determining uniformity this tabulation was not made solely according to the ratings as they appear in the Classification, but consideration was given to the percentage relationship to first class of that rating as it is generally applied in each of the three territories. For instance, and referring to about the middle of page 5 of the exhibit, [fol. 2807] and as expressed in the extreme right-hand column, uniformity was considered to be ratings that are "F" or 55 per cent of first class in the East, and fourth class in both the South and West which are 55 per cent. Similarly the percentage relationship to first class, rather than the rating as stated in the classification, has been used to show uniformity throughout the exhibit; this being particularly noticeable in the lower classes.

This tabulation is included to supply facts as to the total of ratings in the Classification and the number in the various classes. For instance, and as ~~being~~ illustrative, the "East" ratings total 10,004 l.t.l. ratings A.Q., or any quantity, 8,477 volume, 116 mixed volume and a total of 18,693 ratings.

For the purpose of showing the extent we have maintained uniformity with the rails, I checked back against a similar tabulation of the ratings in National Classification No. 4 through Supplement No. 3. This check established that among the changes shown, which are worthy of note are: (1) the number of l.t.l. ratings has increased 27,000. Nearly 1,900 of this increase was caused by a shifting of approximately that number of ratings from "A.Q." to l.t.l. ratings, through establishment of "volume" ratings. This was largely brought about at the time when the Rail Classification was revised in style when they published [fol. 2808] the so-called "simplified" Consolidated Freight Classification No. 14, which was effective December 31,

1940. This substantial movement of changing from "any quantity" ratings to the establishment of "CL" and "LCL" ratings was followed by establishment of "volume" and "LCL" ratings in the National Classification effective the same date. This shift of course correspondingly effected an increase in the number of volume ratings.

Chairman Aitchison: I wonder why you are keeping away from truckload.

Mr. Rives: We are going to get that; we will come to that later.

The Witness: Comparison of this tabulation with the one of three years ago shows the total of the volume ratings has increased nearly 3,000 in each of the territories. Thus, there has been nearly 1,000 new l.t.l. ratings and over 1,000 new volume ratings established in the interim.

It might be interesting to observe that in this interim there has been an increase of approximately 900 in the number of third class ratings; 700 in the Class 7 ratings in the East; 300 each in fourth class and Class 40; 400 in the fifth and second classes and 200 in the first-class ratings; also there is an addition of one in the number of classes now shown, this being one rating in Class 57. Comparison of this current tabulation with the one of three years ago demonstates that in our maintenance of uni- [fol. 2809] formity with the rail ratings there has been a downward trend in the level of ratings, to such extent as this is evident from a comparison of arithmetical summaries of ratings.

By Mr. Rives:

Q. What is the nature and purpose of the tabulation on page 6 of your exhibit, the heading of which mentions observance of "minimum classes"?

A. This is a compilation also by count of ratings, and that made by checking the ratings of the motor against those in the Rail Classification, to show the extent that ratings in the National Classification differ from those in the Rail by reason of the point of policy that has been observed throughout the existence of the National Classification whereby certain classes are observed as minimum. The tabulation on this page shows the number of ratings that are higher in the National Classification than in the

Rail through observance of this policy. It shows that in the East there are 31 ratings shown in the Rail Classification as Column 40 which in the National are shown as fourth class, which is the lowest or minimum for l.t.l. "East" ratings shown in the National Classification. It also shows 50 East ratings at sixth class, or the minimum for volume ratings in the National, which in the Rail Classification are shown in Classes 25, 22½ and 20. In the South and West there are no differences from this standpoint as to l.t.l. versus l.c.l. ratings but there are differences in even greater number in the volume ratings as [fol. 2810] compared with the rail carload ratings. The minimum classes maintained in the National in these territories are: For the South sixth class l.t.l. and seventh class volume; in the West fourth class l.t.l. and fifth class volume.

This point of policy as to minimum classes was established after extended consideration by the industry and discussions at meetings participated in by a large number of motor carrier representatives from all parts of the country, in an effort to thus aid toward the maintenance of a minimum level of revenue.

Compared with a corresponding tabulation of three years ago, there was but nominal change in the East ratings, in the difference compared with the rail classification due to minimum ratings, but an increase of over 300 volume ratings in the South and over 200 volume ratings in the West that differ from the Rail.

Q. Now, will you please make any statement you desire with regard to the next tabulation, which starts at page 7 and carries on through page 23 of your exhibit, the heading of which shows this to be the difference in ratings, descriptions and minimum weights in the National versus Consolidated Classification.

A. This is a list of items which in the National Classification are different from provisions of the rail classification. [fol. 2811] The differences may be either as to the ratings or descriptions or other portions of the matter. As the matter is set up comparatively with that in the National Classification appearing on the left, shown opposite the corresponding provisions of the rail classification, this portion of the exhibit should be self-explanatory.

At the end of this portion of the exhibit, on page 24, there is a list of differences which are items in the rail classification that are not carried in the National Classification. As their descriptions indicate, these are items that largely can only be moved by rail and would not be encountered in motor carrier operations, so it has been found that these can safely be omitted from the motor classification.

By Chairman Aitchison:

Q. Now, take the first item, emigrant movables; emigrant movables, prepaid, an old friend of mine. Why can't you move emigrant movables by truck?

A. I don't know as there is any impossibility in their movement except their movement has not been encountered and the absence of that item for some six years, without a single request for its insertion, is demonstration to me that it is not necessary.

Q. Do you mean that the items which are included in the Consolidated Freight Classification as emigrant movables in the aggregate do not move or have not moved in six years by truck?

[fol. 2812] A. All I know with regard to that is the statement I have just made. I haven't had any demonstration of need for classification listing on that item. That is an exception item of this group, however.

Q. As a matter of fact, are those items carried by the household goods movers?

A. No doubt, sir, and no doubt others are carried with the passengers or forwarded on railroad trains. Household goods operations doubtless would take care of most of those, yes, sir.

Q. You have no classification which is used by the household movers, have you, household movers?

A. Yes, we have in the National Classification descriptions and ratings for used household goods comparable to those in the rail, except for the packing, but that classification description is not used to any great extent. The specialized household goods transporters have their own tariffs with their own description of used household goods, which move without packing, and so forth.

Q. They are virtually, then, out of this classification?

A. Yes, sir, as to used household goods. The balance of the items are largely rail items in that list.

Except for this comparatively minor extent of differences, the contents of the National Classification embrace all of the articles described in the rail classification.

[fol. 2813] The first and principal portion of this list constitute differences which have resulted from consideration of proposals handled under docket procedure.

By Mr. Rives:

Q. What do you mean by docket procedure?

A. By docket procedure I refer to the arrangement that has been operative throughout the existence of the National Classification under which anyone desiring a change in the ratings, descriptions or other provisions in the classification may submit a proposal, on application forms broadly distributed. As soon as sufficient proposals or applications have assembled, a brief description of such proposed change is included in a list or docket which is published in Transport Topics, a weekly newspaper that carries truck news which has broad circulation throughout the country. [fol. 2814] Hearings at the designated times are conducted at three convenient places, Atlanta, Washington and Chicago, affording opportunity for personal appearance by shippers, carriers or any interested parties to submit data regarding the docketed proposals. These docket hearings are conducted with the co-operation of Tariff Bureau representatives. Interstate Commerce Commission representatives are invited to be present and usually attend these hearings; a verbatim record is maintained of all statements made relative to subject on the dockets, and copies of this record are supplied to the Interstate Commerce Commission. Following the hearings, the information submitted is carefully analyzed and dispositions are issued by the National Classification Board, providing for review by the National Traffic Committee before changes are actually published. This portion of this exhibit lists the items which today are different in the National Classification by reason of such docket handling.

Q. Please turn to the next portion of your exhibit on page 25, the heading of which refers to docket hearings. Do you have anything to say with regard to this?

A. This is to supply a list of the National Classification Dockets handled to date. It shows the dates of the issues of Transport Topics in which the respective dockets were published and the times and places of the hearings held.

Q. Do you mean to say, then, the differences listed in [fol. 2815] your exhibit pages 7 to 23 are the only differences today between the National Classification and the rail Classification?

A. No, this one set of pages does not represent all the differences between the two classifications. However, this, along with the ratings that differ by reason of the heretofore observed policy of minimum ratings, as shown on page 6 of the exhibit does represent al of the present differences in the ratings. This list starting at page 7, also carries all of the differences in listing and description of articles as such.

However, there are numerous differences throughout the National Classification in the packing requirements set up in connection with the individual descriptions. This refers to the detailed supplemental specifications as ~~to quality~~ of containers, such as tensile strength, much of which detail is omitted in the National Classification. It does not refer to the distinction as to form of container that would be acceptable, such as differences between shipments in bales, or loose, as distinguished from shipments in boxes; where the description stipulates an article "set-up" as distinguished from "knocked-down", with difference in rating by reason of this difference in condition of the article as prepared for shipment.

These characteristics, as to kind of receptacle, or the form or character of the article, as prepared for shipment, [fol. 2816] which usually will have a bearing upon the space it will occupy, its loadability, its susceptibility to damage or other characteristics of transportation, have been preserved, by maintaining distinctions in ratings comparable to those in the rail classification, not only because these differences in character of the articles as shipped justify the differences in rating but also because to do otherwise would have made for a competitive disparity.

Departures using only a single rating which disregards distinction as to form of container or the differences in the size or shape of the article would require the selection for publication of the rating—either the lowest or highest rating. Selection of the lowest rating would result in needless loss of revenue. Selection of the highest rating would create a competitive disparity between the trucks and rails with resulting loss of traffic.

Q. Are we to understand that these lists of differences between the National and rail Classification represent the only changes that have been published in the National Classification in the past?

A. No. There have been many other changes, as shown by the fact that we now have in existence the 6th publication since 1936, with each reissue publishing numerous changes and other changes having been published in the hundreds of pages of supplemental matter that have been [fol. 2817] issued. The big bulk of these changes have been changes published to meet the revisions made by the rail Classification Committees. These changes have been published automatically, to keep motor carriers competitive with rail carriers, pursuant to a point of policy laid down some time ago for the guidance of the National Classification Board and Agent by the National Traffic Committee, or rather, its predecessor committees, which point of policy has since been reconsidered and again confirmed on a number of occasions in the interval since the National Classification was first published.

Q. Will you please give at least one illustration of such occasion and reconsideration?

A. This was one of the points which consumed much of the time of the industry representatives who made the initial plans for publication of a motor freight classification back in 1935. At that time there was a point of policy, as a further distinction between rail and the truck freight classification, that has since disappeared. The initial policy stipulated that ratings in the National Classification should only be provided in what were then called the major classes, meaning Classes 1, 2, 3, etc., and that there should not be shown the then comparatively few intermediate classes, or percentage ratings falling between these so-called major classes. Subsequently, there was a movement by the rail committee whereby they published a quite sub- [fol. 2818] stantial number of changes establishing additional ratings at intermediate or percentage classes. Among the articles involved in that adjustment were numerous iron and steel articles, machinery and agricultural implements. To illustrate, they established, effective December 24, 1936, a number of Column 40 carload ratings, in Official territory in Consolidated Classification which, under our existing policy of observing only major classes, in National Classification No. 2 were published as the next higher major class, which was 4th class. Immediately upon distribution of the respective publications we started to receive complaints from motor carriers contending that they were about to lose or had already lost traffic essential to maintenance of their operation and demanding that the National Classification ratings be revised to the same level as in the rail classification. There was such a volume of requests in this connection and the situation was further aggravated by other similar changes to percentage ratings being published in an early supplement to the rail classification, and that the matter was taken up with the National Committee and with result that at the meting in May, 1937, this policy was revised, and there were then established, and have since been maintained in the National Classification, ratings comparable to those in the rail classification including intermediate percentage ratings; the only exceptions are the difference in ratings that have [fol. 2819] resulted (1) under our docket handling and (2) those by reason of the described policy as to minimum classes.

Q. Are there any other instances to which you care to call attention, where there was demonstration of the desire and need of the trucking industry to be on a basis of equality with rail carriers as to classification ratings?

A. Numerous specific situations could be mentioned. There have been times when motor carriers have been so concerned regarding changes in process by the rail classification committee that requests have come in by mail, telegram, and phone to determine whether comparable ratings will be established in the National Classification, and to urge that this competitive parity be maintained, and even without any difference of effective date. There have been instances where, following our national classification docket hearings, there has been uncertainty as to whether ratings in the National Classification should be higher than in the rail classification, and the matter taken up at meetings of the National Traffic Committee, with the result that ratings no higher than those in the rail have virtually always been approved for publication.

At one time, three or four years ago, there were a few motor carrier representatives who appeared particularly desirous of having ratings increased on commodities which might be called "light and bulky," and as a step toward a [fol. 2820] possible movement in this direction, a number of articles were listed on our docket as proposals for rating increases. The outcome as to most of those was also to refrain from publication of ratings that would place the motor carriers out of line competitively and thus likely to lose traffic.

To illustrate, we had a proposal, on National Classification Docket No. 3, to increase the rating on soda straws, which weigh about eight pounds per cubic foot, or less, on which the proposed decision of the National Classification Board was indicated to be for publication of an increase that would place the ratings by truck several classes higher than by rail. When word of this contemplated action reached some of the motor carriers, we immediately started receiving communications, in all forms, contending that the traffic involved was important to them, and demanding that the rating not be increased. This was taken up at a meeting June 24, 1937, when the National Classification and Rates Committee, the then predecessor of the National Traffic Committee, decided by unanimous vote that the National Classification should be kept competitive by refraining from publishing the increase in this item that had been proposed. Even at National Committee meetings during the current year of 1942, there has been reconsideration of this policy, with reconfirmation of the desire and need of the trucking industry to be kept competitive generally [fol. 2821] with the rails in its classification of commodities.

Q. You have been speaking of proposed increased motor carrier ratings which would throw them out of line with railroad classification ratings. Since your incumbency, have you had the experience of motor carrier proposals that classification ratings be reduced?

A. Yes, there have been a number of them.

Q. Were those proposals, when originally made, grounded on the suggestion that the particular ratings were too high, viewed from the standpoint of classification principles?

A. As proposed, that was usually the reason stated.

Q. What was the disposition of those proposals?

A. A few of the downward changes went into effect. For the most part, the proposals were not adopted and made effective.

Q. Why?

A. When thoroughly analyzed and considered in the light of the evidence submitted, it seemed rather certain in most instances that the desired rating reductions did not rest on very strong grounds of classification principles.

Q. What appeared to be the real motivating grounds?

A. Usually it became apparent that the motive was to make effective the Motor Carrier Classification reduction because of the hope or expectation that certain added traffic would be diverted to the proponent line or lines, notwithstanding the cuts would probably have been met by the railroads.

[fol. 2822] Q. Now, while you have stated the demonstrated desires of motor carriers that they be maintained on a basis of competitive uniformity with rail classification ratings, what do you have to say as to the propriety of rail classification principles as a guide for establishment of classification ratings for motor carriers?

A. The position of the organized trucking industry on classification principles as a proposal for consideration by the Commission is to be submitted by a subsequent witness, Mr. Waring, who is Chairman of an A. T. A. Sub-Committee on classification principles, so I should refrain from the detailed discussion of the number of classes, their relationship one to another, the classification factors or principles to be used, and the force or importance each fatcor or element should have in grouping articles into any of the several classes.

However, it is appropriate, for the purpose of my presentation, that I should discuss these elements or classification factors from the standpoint of the similarity of the classification principles which, by themselves, warrant and call for uniformity. Previous witnesses have submitted exhibits and testimony outlining the several factors usually observed in classifying freight. As I go back over these, I fail to find any substantially different characteristics of one form of transportation that would necessitate or justify use of that classification element in any [fol. 2823] substantially different way, or in any different degree, from use of that classification element in classifying the same freight for the competing transport mode.

For instance, if an article is composed of material that is likely to contaminate other articles with which it might be associated while en route, that likelihood of damage to other freight will exist in movement by truck in a degree comparable to its presence in the transporting of rail less carload freight. If it is of materials that might be injurious to persons handling it, such as acids, or high explosives, or with projections or sharp edges, there is as great likelihood of injury to men handling the shipment over the platforms, through the terminals, or in picking up or delivering the shipment, in connection with a rail movement, as there would be if it moved by truck.

If an article is unusually fragile, and thus is unusually susceptible to breakage, there would be little if any difference in the risk to motor carriers as compared with the risk in rail handling. Since truck service embraces practically all items found in merchandise traffic, and all directions and distances of movement, and is proving its essentiality in commerce, and as the extent of influence on the rating because of the classification or factor of value often has much to do with the ability of the article to experience maximum traffic movement, value is as important in clas- [fol. 2824] sifying merchandise or materials to move by truck as when intended for rail movement.

Also it has been the practice over the entire life of the National Classification, that there be maintained differentials in ratings according to the distinctions in different forms of packing that lend themselves to distinctions in the descriptions. For instance, there is justification for different rating of articles shipped "knocked-down" from the rating on the same article set-up. Another illustration of a justifiable difference is the distinction between boxed or crated materials, as compared with the same article shipped loose, or on skids, or where the article is one that would not permit of stacking.

There is, in my judgment, one place where some difference of provisions can be maintained between rail and truck classification, and this is as to some of the further refinements of specifications as to packing receptacles and other materials. In the National Classification, while we have maintained separate ratings for the different types of containers, or forms of outer packings, comparable to those in the rail classification, there has not been established all of the detailed provisions scattered through the classification, as matter supplementing the descriptions to stipulate tensile strength and some of the other detailed provisions of this nature. Also, in the Motor Classification, [fol. 2825] rules as to the construction of containers are couched in considerably more general terms than those found in the rail classification rules, and particularly their rules 40 and 41.

The simplicity maintained in this connection is in keeping with the practices observed by motor carriers from the start of the development of motor transportation, and may be said to provide for the preservation of one of the so-called "inherent advantages" of truck service. Contrary to a statement by an earlier witness, from my own experience as a motor carrier, as well as according to the information I have gathered in my contacts over the country, and from several years of duties in the active handling of problems of the trucking industry's National Classification, it is possible for shipments to move safely by motor carrier without it being necessary in all instances to have strict adherence to some of the packing specifications established for rail carriers. This is due in part to the lesser degree of shock encountered in movement in pneumatic-tired singly-operated units over the highway, and in part to the fact that, being often a more direct service between the point of pick-up and place of delivery, there is less handling involved. The advices that come to me as Secretary of the Freight Claim Section of American Trucking Association, Inc., show that motor carrier claims are not much higher relatively than the claims experienced by rail carriers, and do not result in any major degree [fol. 2826] from failure of the containers through any differences in specifications of the materials that go to make up the boxes and other receptacles. Of course, it must be admitted, in this connection, that in substantial degree the same type of containers will be used by the shipper or manufacturer and particularly by the latter, as often the form of transportation is not known when the materials are packed at the factory or other point of base of supply.

Of course, there are some other very notable exceptions in truck service where differing form of containers or degree of packing preparation is satisfactory or necessary, such as in specialized services in the transportation of used household goods, or where there is a volume movement of garments going directly from one point to another where they are left on hangers and suspended in the trucks, or in such other specialized situations as where vehicles are prepared with racks on which typewriters or other articles are mounted. These distinctions as to packing, however, are usually treated specifically rather than to be governed by provisions in the generally used freight classification.

Q. Which of the National Classification rules pertain to packing requirements and have any relationship to the rail classification rules 40 and 41 which you mentioned?

A. The principal packing rules in the National Classification are rules 5 and 5-½.

[fol. 2827] Q. What further do you have to submit with regard to rules in the National Classification?

A. For brevity, yet to supply a comparison of the rules in the National versus those in the rail classification, I have prepared a synopsis of the rules in the respective classifications, with brief indication of their differences, which comparison is found in my exhibit starting at page 26 and continuing on through page 43.

While I believe these pages will be largely self-explanatory, it might be well to call attention to a few of the rules that differ from the rules dealing with the same subject in the rail classification, for the purpose of submitting reasons for such differences. For instance on page 28 one comparatively small synopsis entry covers a portion of rule 5 which provides for a penalty if containers or forms of shipment used differ from those authorized in the descriptions in the Classification. In the National Classification this provision is very simple, providing only for a penalty of an increase in rating to the next major class higher than the highest rating specified in the Classification. Compared with this, the rail provision is a page in length and provides percentages depending upon the types of containers authorized or substituted. The National Classification basis of one class higher probably does not provide any great difference in aggregate charges but was established in its present form in order to provide a more [fol. 2828] simple rule for application to motor transportation.

Other rules where differences exist include National Rule No. 6 as to marking of shipments where the truck classification provides comparative freedom of marking, except for a minimum of marking sufficient for identification, when shipment occupies a major part of the vehicle, which as shown by the exhibit differs from the provision of rail classification Rule 6, which might be used for comparison.

The National Classification Rule 10, which provides for charges to be assessed generally on gross weights, provides there will be no charge for the transportation of dunnage, while the rail rule contains charges for transportation of dunnage. There is a fundamental reason for the difference in the rules of the two carriers. Motor Carriers do not need to provide a restrictive rule concerning dunnage because they have little occasion to fear excess use of dunnage in their vehicles, as is the case in connection with the rails. There would not be occasion for as great use in connection with the trucks as in connection with rail transportation; therefore, the same rigid rules concerning dunnage need not be made applicable to motor transportation.

A note-worthy difference in the two classifications is found in the National Classification Rule 13 dealing with volume shipments. In addition to defining a shipment it de- [fol. 2829] fines what is termed "L. T. L.," "A. Q.," and "Volume" ratings. While throughout the Classification there are minimum weights carried in connection with these volume ratings, there is not in the National classification any attempt to stipulate loadability represented by the volume minimum weights. Consequently, there are no rules as to over-flow, follow-lot, use of various size vehicles, or substitution of vehicles, whereas there are several rules pertaining to these matters in the rail classification: such rules are not necessary in the truck classification.

The volume minimum weights shown in connection with volume ratings throughout the National Classification are the same as carload minimum weights in the rail classification. These minimums were decided upon before the initial National Motor Classification was published, after extended deliberations participated in by industry representatives from all sections of the country in which endeavors were made, unsuccessfully, to develop some other method. The conclusion was that it would be physically impossible to place in the nationally published Classification for the trucking industry minimum weights that would be considered standard for motor carriers in the different areas of the country where operating conditions, topography, types of vehicles, and weights and size regulations are so widely different. Obviously, no common rule as between truck and rail carriers could cover these great varieties [fol. 2830] of differences.

While other of the items shown in this portion of the exhibit might be pointed to, probably the most important remaining feature is the fact that there are a number of rail classification rules which would not be suited for truck conditions; for instance, rail rule 35, which contains detailed specifications for tank cars. Rail rule 43, which provides a contract to be executed when a man is traveling with property other than livestock, obviously would have no place in motor carrier operations. There are several other such rules in the rail classification.

Summarized, the National Classification rules contain all of the fundamental requirements necessary to be provided for in the Classification for the trucking industry, but in a greatly simplified style as evidenced by the fact that they consume a total of 8½ National Classification pages as compared with 34 pages of rules in the rail classification. However, it should be emphasized that these differences in rules, reflecting differences in operating conditions, in no way affect the previously expressed need for uniformity as to ratings and minimum weights.

Another substantial difference in the language due to the differences in the modes of transportation will be found in the differences in the two uniform bills of lading in the two Classifications. The motor carrier bill of lading [fol. 2831] form in the National Classification is couched in truck terms; it deals with vehicles and highway routes and not cars and rail routes; its wording fits truck service which involves pick-up and delivery rather than station-station terminology of the rail bill of lading; and it carries other provisions necessarily revised or added to fit the differing operating and liability conditions of motor carriers.

Q. Assuming the Commission finds there should be uniform ratings as between rails and trucks, would there be any necessity for the continuance of a separately published classification for each mode of transportation?

A. Yes. Regardless of the uniformity of ratings, in the establishment of such uniformity, there is involved the use of a difference in terminology that is necessary to reflect the conditions and facilities employed in the different means of transportation. I have gone into some detail in the explanation of our rules and terms of our bill of lading and packing specifications, all of which demonstrate the necessity of a separately published classification covering the two transport modes.

A still further reason for maintenance of a separately published classification is the coordination between the various rate tariff publishing bureaus and the National Classification. For instance many of the tariff publishing agencies publish items subject to rules and regulations of [fol. 2832] the National Classification, and the close collaboration of the tariff bureaus in the publishing of the national classification faciliates maintenance of their interrelated tariff matter and provides for their members a measure of supervision and control of classification procedure and policies. This is an important feature of a separately published classification in that the individual viewpoint of the truck lines is considered rather than the collective viewpoint of the two transport modes. There also is benefit through greater ease of handling classification matters along with other problems being regularly dealt with through the many cooperating organizations of the industry and in the maintenance of compliance with publishing and handling requirements of the various State and Federal regulatory bodies.

Q. Does that complete your statement?

A. Yes. There are two very minor corrections in the exhibit that I would like to point to, if I may.

Q. Very well.

A. On page 15, in the large column "Consolidated," in item 19820, the package reference should be changed from "835" to "836." On page 18, about the middle, in the National Classification side, under "Cabinets" there is a reference to page 9. That should be changed from "9" to "15." That is all.

Mr. Rives: I offer in evidence Exhibit No. 144.

Chairman Aitchison: It is received.

[fol. 2833] (Exhibit 144, Witness Jackson, received in evidence.)

Mr. Rives: The witness is tendered for cross-examination.

Mr. Scott: Mr. Chairman, before cross-examination begins, I would like to ask Mr. Jackson one or two questions for clarification.

Chairman Aitchison: Very well.

By Mr. Scott:

Q. With respect to your testimony having to do with packing requirements, am I correct in summarizing it to be this, that you maintain there are certain inherent advantages that the truck has over the rail so far as packing requirements are concerned?

A. Yes, sir.

Q. Is that correct?

A. Yes.

Q. And it is only to that extent that the differences exist in the two classifications, in reference to packing requirements?

A. Up to this time and considering the rail classification as it has been, we have made some slight departure as shown by the two sections of this exhibit, one as to minimum classes and the other as to items where, following due consideration, we have found it was necessary. However, those are comparatively small, less than one per cent of the total [fol. 2834] ratings. From here on, what we think there should be will be taken up by the succeeding witness, if that could be answered by him.

Q. You believe that so far as your packing requirements are concerned,—that is the only thing I am talking about, your packing requirements——

A. Yes.

Q. —that the two modes of carriers could get nearer together still?

A. Yes, I think they probably could, bearing in mind that we are maintaining and have maintained and feel we should maintain some differences in ratings by reason of the form of containers, a separate rating for boxes as compared to loose. We feel that has been correct in the past and has been necessary. We feel it should continue for the future, and that we should be the same as rail as to those different ratings by reason of the different types of containers. However, we have felt there was propriety in modifying to a lesser degree the specification necessary as to the tensile strength of the kinds of containers falling in that category.

Q. But to that extent you think that is an inherent difference that the trucks have over the rails?

A. Yes, sir.

Mr. Scott: Thank you.

Mr. Donnelly: May I follow that with an actual case? [fol. 2835] I am interested in pottery, sometimes referred to as a fragile commodity. I think you treated it in your answer to the Bench.

By Mr. Donnelly:

Q. Do you expect to contend for the rules and regulations in that particular regard that you now have? In other words, if I may explain, when we pack pottery, we, as you have said, do not know what form of transportation it is going to take. Are you going to continue, or to contend here, for the rules which you now have which do not deal with the tensile strength of packages such as that?

A. Yes, sir.

Mr. Donnelly: That is all.

Chairman Aitchison: I would like to ask a question before cross-examination.

By Chairman Aitchison:

Q. The propriety of the motor classification is not before us directly, and this is tendered to us for such bearing as it may have upon the propriety of the rail classification. What inference do you draw as to the changes which should be made in the rail classification as a result of the consideration of your testimony?

A. I could not answer that without going into the testimony of the next witness.

Chairman Aitchison: I see.

The witness: I have tried to show——

Chairman Aitchison: We are to understand you simply [fol. 2836] have been laying a background?

The Witness: Yes.

Chairman Aitchison: Very well. You may cross-examine.

Mr. McCollester: I have a few questions.

Chairman Aitchison: Mr. McCollester.

Cross-examination.

By Mr. McCollester:

Q. Mr. Jackson, if it is your opinion that there will have to be separate classifications for railroad and motor carriers, would it follow that there would continue to be the separate classification committees or different organizations that are set up to determine the ratings and arrange for the publication of the separate classifications?

A. Yes, sir.

Q. Now, is it not a fact that you know from your experience, that where there are differences between the ratings in the railroad classification as between the several classification territories, those differences are the result of differences of views of the members of each of the several classification committees as to how a commodity should be rated in its territory, in the territory governed by that committee?

A. Well, first, of course, our committee is a single committee.

Q. Yes.

A. As to the truck classification.

[fol. 2837] Q. Yes.

A. So the answer would have to run to what the rail committee has done which is a committee of three committees; and to the extent those differences result only from differences in views, would probably take me into the realm of conjecture and imagination, although I think it is safe to assume that they must have differed in view, or else they would not have published ratings different in the three territories, inasmuch as they are the three committees that have jurisdiction.

Q. Then we would have, if we followed your plan, four committees to consider the classification or the separate classifications, the motor committee and the three railroad committees; or if we have one railroad committee, then we would have two separate committees, would we not?

A. Yes. Of course, I could not attempt to say what the rail committees would be or should be.

Q. Now, bearing in mind that this proceeding has to do only with the rail classification, would you think that this Commission should provide that whenever a change is sought in the rail classification, it should not be permitted unless a similar change is made or unless agreed to by the motor classification committee?

A. I do not know as the Commission has been doing that in the past. I do not know that there is any proposal to make any change in that regard for the future.

[fol. 2838] Chairman Aitchison: I would like to have that answer read. The first part is very important.

(Answer read.)

The Witness: May the question be read?

Chairman Aitchison: That answer is ambiguous.

The Witness: I think so too.

Chairman Aitchison: The witness is testifying that he does not know as the Commission has been doing that in the past.

The Witness: I did not state my answer very clearly, Mr. Chairman.

Mr. McCollester: May we have the question read, Mr. Chairman?

Chairman Aitchison: Yes. Read the question, please, Mr. Reporter.

(Question read.)

Chairman Aitchison: You did not mean to testify that has been the practice of the Commission, did you?

The Witness: No. I tried to say that I did not think it was the practice of the Commission in the past. That was the intent of my answer. Perhaps I did not state it very clearly. I do not think the Commission has required either classification committee to follow the other, necessarily. I do not understand that they necessarily will intend to rigidly fix every rating in the classification, the rail [fol. 2839] classification in this proceeding. We are taking the position that generally there should be parity. There should be similarity, the same level of ratings in the classification as between rail and truck. How that can be accomplished I believe I would leave to the Commission. If they intend to prescribe a rigid classification for the rail and only to have changes made by Commission approval, our position being for equality, would make it follow that they would probably have to require changes to be made in the truck classification.

Mr. McCollester: That brings me to the real point I was getting at, and that is this:

By Mr. McCollester:

Q. In view of your advocacy of uniformity of classification as between the railroads and the motor carriers, even assuming that that were achieved to start with, have you any suggestion to the Commission or to the people here as to how it could be maintained in the future so long as you have different classification committees?

A. I cannot but believe that if the Commission issues an order in this case and prescribes classification principles, and in so doing indicates its views with regard to equality, or the comparative levels that should be maintained, that there would be much difficulty in keeping them on an even keel. I would add that the practices that have been followed from the start of our publication of the National Classification should go a long way in showing that there is not [fol. 2840] anything to fear along the line of what I believe to be underlying your question. Therefore there would be uniformity. We have published hundreds of ratings over the six years that have shown uniformity with only minor differences such as I have brought out here. I think that would continue.

Q. To your mind, the experience of the many years with the three railroad classification committees and the resulting differences in the three railroad classifications does not indicate that there will be any difficulty in maintaining uniformity as between the railroads and the trucks?

A. I am sure, sir, there will be no difficulty in maintaining uniformity between the two modes.

Q. Does that mean that you can assure the Commission and the parties that the trucks will follow whatever is done in the case of the railroad classification?

A. I do not know as I could go all the way on that one. That is taking in a lot of territory. It depends on what happens here. Our proposal for territorial uniformity and for uniformity in the future conceives, of course, some foundation and some possible change from what there has been in the past as will be brought forth by the next witness.

Mr. McCollester: That is all I have.

By Chairman Aitchison:

Q. In your discussion with Mr. McCollester, were you referring particularly to less than truckload?

[fol. 2841] A. I did not have that distinction in mind. So far as classification ratings are concerned, we have been the same except as to some of the extremely lower ratings. As to the future, again, if I can, I should like to defer that for the next witness.

Q. You have no rating here that is shown less than 27½ per cent of first class, have you, on sheet 5?

A. No, sir. I believe that is the lowest. The rails have some lower, as shown by the next page, I believe it is, of the exhibit, which we bring up to 27½.

Q. They go down to 17½.

A. Yes. They go down to class 12 in the South and E in the West.

Q. In the classification I think there are some percentages lower than 17½.

A. That is quite possible, sir.

Q. Now, what does that mean? It means that the motors are not transporting that business; or that you are transporting it in smaller quantities and consequently have a higher rating; or it is covered by special tariffs.

A. Some of each.

Q. Some of each?

A. Some of each, sir, if that is not too brief. I will be glad to amplify it.

Chairman Aitchison: That is enough.

[fol. 2842] By Chairman Aitchison:

Q. If you do not have any classification lower than 27½ you are going to have trouble, are you not, in matching class E in the Western Classification?

A. Yes, and we have had much discussion about that in these past six years.

Q. Class D also?

A. Anything lower than class 5. Class A is higher than 5 in the West.

Q. Sometimes.

A. Sometimes, depending upon the territory. That is right. For instance, take California: California is one of the few states where the National Classification is not used intrastate, and one of the real reasons given in the past is the fact that we do not go down to class E and that they do have some articles, some clay products and a few articles in that category that move in truckloads comparatively short distances. They have generally said they could take care of it by commodity rates.

Q. Cement is class E, is it not?

A. I believe so, yes.

Q. Where do you have cement in your classification?

A. We have that fifth class, volume ratings. That is at present, not speaking for the future.

Q. With respect to the California classification, the California Commission prescribed a classification of its own, [fol. 2843] did it not?

A. No. They have prescribed for truck use the rail classification, intrastate. The National Classification is used interstate from California to all surrounding territory, but the California Commission has never changed, and that little problem of volume ratings was one of the reasons, I believe, why they have not changed, because of the difference. They have in California the right of the other mode of transportation to meet the rates and ratings of the competitors. In other words, the motor carriers can meet the rail lower ratings.

Chairman Aitchison: Is there any further cross-examination? (No response.) Have you anything further, Mr. Rives?

Mr. Rives: One question.

Redirect examination.

By Mr. Rives:

Q. Mr. Jackson, when was your exhibit and testimony distributed to the parties designated to receive such at the Indianapolis hearing?

A. The copies for the parties entitled to receive them, as set up by the Commission, being a total of 217 copies in the respective groups, were shipped from our office under my supervision. I personally checked the labels. They were shipped November 3rd and 4th. There was a little split in the days because of our lack of ability to handle them. They were mailed November 3rd and November 4th. I [fol. 2844] am speaking about mine now. As to the ones to follow, Mr. Waring, and also those of Mr. Dowd——

Mr. Wagner: I have been endeavoring not to bring it into the hearing, but I have been after Mr. Reed for one copy. I just now received one copy. I did not receive the 18 copies.

The Witness: I assure you, sir, they were started on their way. We will be glad to duplicate them. We will check that up.

Mr. Rives: Mr. Chairman, we just wanted the record to show when we mailed them.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: We will suspend until 2 o'clock.

(At 12:30 o'clock P. M. recess taken to 2 o'clock P. M.)

[fol. 2845] Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock P.M.

Chairman Aitchison: Shall we proceed.

Mr. Reed: Call Mr. Waring.

Dabney T. Waring was sworn and testified as follows:

Direct examination.

By Mr. Reed:

Q. You may state your name.

A. Dabney T. Waring.

Q. What is your present occupation?

A. I am General Manager of the Middle Atlantic States Motor Carriers Conference, Inc., and Chairman of its General Rate Committee.

Q. How long have you occupied that position?

A. Since January 1, 1936.

Q. In what business were you engaged prior to that time?

A. From 1928 to 1936 I was Traffic Consultant with offices in New York, N. Y. In this work I served as salaried traffic manager for smaller industries and actively engaged in the handling of cases before the Interstate Commerce Commission.

Q. While engaged in that work what type of industries did you serve and in what territories were they located?

A. I served shippers having plants in the East, the South and Southwest engaged in the production and consumption [fol. 2846] of a wide variety of commodities. I participated in a large number of I.C.C. cases which involved rates on many commodities including coal, clay, hides, extracts, gums and many chemicals.

Q. In what business were you engaged prior to the time you entered the Traffic Consultant work?

A. I was for about eleven years Assistant Traffic Manager of the United States Leather Company and its subsidiaries. Among its subsidiaries were two railroads which I served in an executive capacity.

Q. Did you have any traffic and transportation experience other than that which you have just described?

A. Prior to entering the service of the United States Leather Company I had been employed for several years in general freight departments of the Southern Railway and several other railroads as well as the Old Dominion Steamship Company, a coastwise steamship line.

Q. In your various traffic and transportation positions, which you have just described, did you at any time have contact with the construction of railroad classification ratings or contact with the actual fixation of classification ratings for any commodities moving in commerce at that time?

A. During my employment by the several transportation lines I was constantly connected with the activities of those lines having to do with their interests in the classification of [fol. 2847] freight. While employed by the United States Leather Company and later in my work as a Traffic Consultant I was continually dealing with the classification of innumerable commodities. I participated in several classification cases before the Commission.

Q. Are you familiar with the factors which should govern in the establishment of classification ratings for commodities generally?

A. I think I am.

Q. For whom are you speaking in this proceeding?

A. The American Trucking Associations, Inc., and its affiliated Motor Common Carriers and Rate and Tariff Bureaus.

Q. What is the interest of the common carrier motor truck industry in this proceeding?

A. The interest of the motor common carriers in this investigation is two-fold. First: They are concerned with the likelihood that basic classification principles will be decided which will have a direct bearing upon both motor carriers and rail carriers. Second: They are concerned with the level of the rates which might result from the establishment of such classification principles. Of course, we are also interested in the level of the rail carrier class rates. The trucks and rails are directly competitive and the measure of our competition is determined by the classification, classification exceptions, commodity rates and class rate scales. [fol. 2848] We are at all times concerned with any change in any one of these important factors bearing upon our competitive efforts.

Q. Is there a special committee composed of the common carrier members of the American Trucking Associations appointed for the purpose of considering and acting on all matters relating to both rail and motor truck proceedings before the Interstate Commerce Commission?

A. Yes.

Q. Please state the number of members composing this committee and what action it has taken with respect to the matter of uniform classification?

A. This committee is composed of 29 members appointed by the Chairman of the National Traffic Committee; in fact, it is a subcommittee of the National Traffic Committee. All sections of the country are represented on it. It has considered the matter of a uniform classification and it is the unanimous view of the members of this committee that so far as package freight is concerned there should be a nationwide uniform classification for railroads and motor common carriers. By "package freight" is meant the types of freight which are competitive as between rails and trucks and these types of freight include rail traffic which ordinarily moves in box cars.

In connection with this over-all committee there is a subcommittee on classification which has devoted a great deal [fol. 2849] of time to the development of classification principles and has conducted various investigations for the purpose of establishing the facts concerning uniform classification ratings for both rails and trucks. I am Chairman of this subcommittee.

Chairman Aitchison: Right there, there is a question that I should have asked of Mr. Jackson, but which this witness can doubtless answer.

By Chairman Aitchison:

Q. Suppose a classification rating is agreed upon by the Motor Classification Committee—I have forgotten the exact title of it. Does it then need any approval by any other body, or does it become automatic with the filing of tariffs?

A. Are you referring now, Mr. Chairman, to the future, or to the past?

Q. Referring to the past.

A. Well, that really is a question——

Q. And to the present also.

A. I was going to say, Mr. Chairman, that really is a question for Mr. Jackson to answer, but I believe I can answer it; I am a member of the National Classification Committee. The approval of any rating by the National Traffic Committee or the Classification Board of the American Trucking Associations, does not necessarily mean approval by the railroads, or any other group.

[fol. 2850] Q. You mean, by the motor carriers, do you not?

A. Pardon me, Mr. Chairman. I am afraid, now, that I have misunderstood your question.

Q. Well, I am talking about your own classification.

A. Yes.

Q. When your Committee acts on a proposition of that sort, does it then have to submit the matter to the National Traffic Committee, or some subcommittee, or does it submit it to the member carriers for approval, or does it just go ahead and file a supplement, or what?

A. The National Classification Board has blanket authority to make changes as the railroads make them, except that when they are doubtful about something, they use their discretion in referring the matter to the National Traffic Committee; and there have been instances where they have not made changes up or down, with the railroads, after referring the matter to the National Traffic Committee.

Q. Well, who appoints the National Traffic Committee?

A. The National Traffic Committee, Mr. Chairman, is appointed by the president of the American Trucking Associations, based upon nominations or recommendations by state associations, and to some extent possibly by the tariff bureaus.

Q. Well then, that committee does not need any authorization specifically to make a change which corresponds to a change in the rail classification, does it?

[fol. 2851] A. No, sir, they do not, because, as I stated before, they have from the National Traffic Committee the blanket authority to do that.

Q. Well now, supposing you do not want to make a change; a proposal has been docketed, and considered, and it is decided that the change will not be made. Do you have to submit that to anyone?

A. Do you mean, now, a proposal on the docket of the National Classification Committee——

Q. Yes.

A. —or the Board?

Q. Yes.

A. The Board has authority to make the change, but before doing so it gets the recommendations of most of the bureaus, as I understand it. This is something, I should say, Mr. Chairman, that Mr. Jackson is better qualified to answer than I am.

Q. Are you not a member of the National Classification Committee? That is what I understood you to say a moment ago.

A. No, Mr. Chairman,—I am a member of the National Traffic Committee, but not of the Classification Board.

Q. Not of the Classification Board?

A. No.

Chairman Aitchison: All right. I think you have answered sufficiently.

[fol. 2852] Mr. Reed: If your Honor please, would you like to address any question to Mr. Jackson at this time?

Chairman Aitchison: No. Mr. Waring's answers will suffice, for the present.

The Witness: May I say, I think if my answers to your questions up to this time have not been correct in any respect, Mr. Jackson would ask for the privilege of correcting me.

Chairman Aitchison: Continue.

A. As a result of these studies and experiments, we have developed basic classification principles which we believe should be observed for the purpose of inaugurating a nation-wide uniform classification for both rails and trucks. It is the view of the Classification Committee,—and the Classification Committee that I am referring to now is the subcommittee of the full committee, dealing with this investigation——

By Mr. Reed:

Q. Which you have described in your previous testimony?

A. Yes. —that the basic principles of classification which have been repeatedly approved by the Commission have been and still are sound. The whole committee unanimously concurs in this view.

While the principles which we are presenting for the Commission's consideration here have been repeatedly and [fol. 2853] consistently approved by the Commission they have never been translated into a specific formula nor standardized. The classification in reality has been built up item by item, beginning with the crudest and most elementary classification, devised, as a general rule, by the first built or older railroads and each new item has been considered and classified, generally speaking, in relation to other commodities which were deemed comparable physically or from the standpoint of the recognized classification elements. Changes in the classification have been made in the same manner. This accounts for the inconsistency of so many of the present ratings in both the classification and the classification exceptions. Unless and until some kind of a formula, giving the proper weight to all of the elements, is adopted these inconsistencies, sometimes amounting to gross discrimination, will be perpetuated and accentuated.

Following the decision in the Uniform Classification case, 54 I.C.C., many changes were made which had the effect of removing inconsistencies to the extent required by the Commission's report in that case but still the principles were not reduced to a formula and the classification defects from the standpoint of relationship of commodities based on the recognized classification elements were not in an appreciable measure removed. This proceeding as I understand it, is intended to be more comprehensive. In the case of both [fol. 2854] ratings established by the Classification Committee and ratings prescribed by the Commission there have been inconsistencies which we attribute to the absence of any definite formula and to the presence of long established ratings, dating almost from the very beginning of freight classification, which have been and still are violative of these principles. It is our view, however, that the principal defects have resulted from the failure to give full recognition to the density factor. In many instances the class rates applicable on extremely light and bulky articles are unprofitable and are necessarily casting an undue burden on freight which may be more economically handled. We appreciate the importance of a rate structure which will enable our commerce to move freely but when light and bulky traffic is handled at unprofitable rates it amounts to a subsidy for that freight at the expense of other traffic.

The Committee believes that the time has now come to not only rectify the condition which has been brought about by the competitive struggle between the rails and trucks during the past 10 or 12 years but to remove by the adoption of the Commission-approved classification principles, the inconsistencies which have always existed.

Q. Am I to understand that what you have just said has reference only to the classification, or does it relate to both the classification and classification exceptions?

[fol. 2855] A. Probably I should have made this clear. I have had reference to both the classification and classification exceptions. As a matter of fact it has been through the publication of exceptions that the classification principles have to the greatest extent been destroyed. There was a time, some years ago, when a classification exception was just what the name implied but now the term is a misnomer because, with few exceptions, they apply generally throughout a territory and serve to completely nullify or cancel the classification rating. As an example, the less than truckload rating on Flavoring Syrup in Official territory is Class 52, which is found in the exceptions tariff. The classification rating on Class 70 has no application anywhere and is merely a paper rating.

These ratings, called exceptions, have been published in exceptions tariffs for one of two reasons, namely, either because their presence in the classification has been objected to by the Classification Committees in other territories on the ground that their ratings would be jeopardized or because of alleged truck competition and it was thought that eventually they could be cancelled which could be more easily accomplished if published in the exceptions tariff. Most of them were established as a result of strong shipper pressure, accompanied in many cases by misrepresentations as to the extent or potency of truck competition. So far as [fol. 2856] those established to meet truck competition are concerned they have utterly failed to serve their purpose because where necessary to do so in order to retain a share of the business they have been met. Of course, the motor carriers have not themselves been free of guilt in cutting the rail ratings. In both cases the result has been the same, that is, the other agency has generally met them and the competitive rate parity has continued but at a lower level of rates and a heavier and undue transportation burden cast upon other traffic. As we view it, a classification exception having general territorial application is inherently improper, has no justification and should not be permitted by the Commission. When they are established the transportation burden is unfairly distributed.

Chairman Aitchison: Well now, that gets right down to something that is very fundamental, as to which you may have a view. I was brought up, I might say, as a matter of elementary transportation economics, to regard a commodity rate as the normal rate on carload traffic, and the classification as intended only to take care of situations which were not important enough to warrant a commodity rate.

Mr. McCollester: You were not brought up in Official territory, Mr. Chairman.

The Witness: I was just going to give the Chairman that same answer, Mr. McCollester. Thank you. In Official territory, Mr. Chairman, we have not taken that view at all. [fol. 2857] Chairman Aitchison: Take lumber, for instance, and you will find that in the classification, but even in Official territory you have commodity rates on it, have you not—and when I refer to the classification, I mean, the railroad classification.

The Witness: Lumber?

Chairman Aitchison: Yes.

The Witness: No. Lumber moves on the sixth class rates, according to my understanding, in Official territory generally.

By Chairman Aitchison:

Q. Do you not have a lot of commodity rates there?

A. There may be a few.

Q. The through rates from the South and from the Pacific Coast are commodity rates, are they not?

A. Oh, it moves on commodity rates, very definitely, there.

Mr. Reed: If the Chairman please, I do not mean to interfere with your Honor's questioning of the witness, but I believe that the witness will cover very shortly the very point that you are raising there.

Chairman Aitchison: I see.

The Witness: I was just going to say, Mr. Chairman, I do make reference later on in my testimony to low-grade commodities.

Chairman Aitchison: All right. However, let us pursue [fol. 2858] it a little further. Getting back again to my elementary days——

The Witness: May I say, please—if you will pardon me, Mr. Chairman—I am referring particularly to less than carload freight in this particular part of my testimony.

Chairman Aitchison: I see. At that time we had not alone class rates and commodity rates, but we also had a type of rate that was designated as a special commodity rate.

The Witness: Yes.

Chairman Aitchison: Those rates were very common, throughout the West. Does that mean anything to you?

The Witness: A special commodity rate?

Chairman Aitchison: Yes.

The Witness: Well, I think that the Commission's tariff section would probably outlaw anything that was called a special commodity rate, these days.

By Chairman Aitchison:

Q. Well, aside from that, does that mean anything to you?

A. Why, it would just be a commodity rate.

Q. The word "special" does not mean anything to you?

A. It doesn't mean a thing in the world, no, sir, and I don't think it ever did mean anything, except for some purpose that the railroads had in emphasizing it as something "special."

Q. The commodity rates were generally those that applied on the system lines, while the special commodity rates [fol. 2859] were applicable from point to point, within a territory.

A. Well, we have referred to those as specific commodity rates. I misunderstood the term that you used.

Mr. Reed: We have a lot of those.
Chairman Aitchison: All right.

By Mr. Reed:

Q. Continue.
A. While we have not been able to make a satisfactory traffic survey to determine the answer, I am reasonably certain that a great deal more less than carload and less than truckload tonnage is moving under classification exceptions than under the classification proper. To merely deal with the classification itself would not reach and remedy the evils growing out of the intense competitive struggle by the railroads and trucks during the past 10 or 15 years.

It should be understood that wherever I refer to classification it includes classification exceptions.

Q. What action did the committee take with respect to the facts which you have just described?

A. The committee spent many days analyzing a motor truck and railroad traffic survey. We analyzed the volume of commodities moving by trucks and particularly studied the density per cubic foot and value per pound of such traffic. The motor truck traffic survey which we made will be introduced into this record by another witness. It is my purpose here to explain the formula which we have devel- [fol. 2860] oped for the purpose of bringing the classification into conformity with the basic principles heretofore recognized by the Commission. That formula has been set forth in my Exhibit 145, pages 2 and 3 and is based upon a combination of value and density, modified by other factors to be explained later.

Mr. Reed: May we have the exhibit identified, your Honor, as Exhibit 145.

(Exhibit 145, Witness Waring, marked for identification.)

By Mr. Reed:

Q. Mr. Waring, did you prepare Exhibit 145 for identification?

A. In part the exhibit was prepared by me personally, and in part under my immediate supervision.

Q. Is the exhibit true and correct, to the best of your knowledge and belief?

A. Yes, sir.

Q. Please proceed with your statement.

A. Dealing with the element of value we began by using as a base articles valued up to 5 cents per pound. The percentage increases over the "base" were established after the committee had made many experiments with many of the more important moving commodities. While we believe that these fundamental principles of classification should be followed in order to fairly distribute the transportation burden we recognize that there are valid objections to radical changes. In order to meet such objections we en-[fol. 2861] deavored to make the progression of increase based on the value element conform to the weight which has been given to it in the past by the Commission, disregarding the confusion which has grown out of the intense competition between the different transportation agencies.

Dealing with the density factor our base weight is 22½ pounds per cubic foot. We have found it to be the optimum density in handling freight from the standpoint of transportation costs. By this it is meant that freight having a density of more than 22½ pounds per cubic foot has little or no advantage over 22½ pounds density freight from the standpoint of transportation economy. This has reference only to the package freight which I have previously described, and it does not refer to bulk rail freight such as coal, ore, sand and gravel.

We are of the opinion that no uniform classification can ever be established for such bulk commodities.

Chairman Aitchison: You can leave the word "uniform" out, there, can you not?

Mr. Reed: Yes.

The Witness: Yes, sir.

Chairman Aitchison: Getting back to what we were talking about, if you had such commodities as fine blacksmith's coal, or silver ore, to be transported, they would move under the classification.

The Witness: I am very sorry, Mr. Chairman, but I did [fol. 2862] not get that.

Chairman Aitchison: I say, it gets right back to what I stated before. It was our understanding out West that the commodity rates moved the great bulk of the traffic, and it was only the unusual thing that took the classification, such as your blacksmith's coal, or your silver ore, and so forth.

The Witness: Well, Mr. Chairman, we are trying here to distinguish, of course, between the kind of freight which is competitive, as between the rails and the trucks, and the type of freight which we think moves predominantly by rail; and we are leaving that latter for treatment by our rail friends.

Chairman Aitchison: Having gotten behind a few coal trucks on the National Highway, I was under the impression that some of it, at least, is moving by truck. (Laughter.)

The Witness: Well, our committee is not concerning itself at the present time with the coal rates, Mr. Chairman.

Chairman Aitchison: Well, does that mean that your committee is not interested in all of the traffic, or just what is the implication?

The Witness: Our committee is not very much interested in coal, ore, sand, and gravel, and freight of that kind, moving principally in open-top equipment.

Chairman Aitchison: All right.

A. The elements of classification have very little weight [fol. 2863] in the basic conditions that establish rates for these commodities. Supply, demand and market competition in addition to cost are the controlling factors which must be considered. The publication of a classification rating on such commodities, with wide territorial application, would serve no useful purpose.

Using 22½ pounds per cubic foot as a base, for commodities which are subject to uniform classification factors, we have suggested five other density classifications, namely, 17½ pounds, 12½ pounds, 7½ pounds, 5 pounds, and 2½ pounds. With the element of value of service in mind as well as the fact that there is a slight, but very slight, saving in handling light freight occupying a given amount of space as compared with heavier freight, we have made progressive increases over the base rate for the five classifications of low density freight. These percentages for low density freight will not yield as much revenue for the same amount of space as will be produced by the heavier freight weighing 22½ pounds, or more per cubic foot. To do this it would, in our opinion, make the rates prohibitive in some instances on the light density freight. For instance, 22½ pounds of 22½ pounds density freight would occupy one cubic foot space. To get the same amount of revenue per cubic foot therefor the rate for 2½ cubic feet freight would have to be nine times the rate for freight of [fol. 2864] 22½ pounds density. We propose therefore that the rating for 2½ pounds density freight be only six times the rating for 22½ pounds density freight.

By Com. Splawn:

Q. Let me ask you right there: Why does it follow that it should be six times instead of nine times?

A. Well, Mr. Commissioner, we are willing, so far as the trucks are concerned, in the public interest, considering the ability of the commodities to pay the rates, to take the freight for six times the price per cubic foot—or rather, I mean to say, the price per pound, on the heavier freight. In other words, we are willing to shrink our revenue one-third, shrink the revenue per cubic foot one-third.

Q. And the test is, what the traffic will bear?

A. That is the prime consideration,—yes, sir. Another consideration, as I have stated, is the fact that it does not cost as much to haul 4,000 pounds in a truck—or rather, let me change that to 3,000 pounds, as it does to haul 27,000 pounds, because you do not have to have as heavy equipment, or as heavy tires, or use as much gasoline, or have as much wear and tear on the smaller quantity.

Q. But if you are going to the point of what the traffic will bear, what difference does it make what it costs, whether it costs a little more, or a little less?

A. Well, take for example corrugated packing boxes. That is a good illustration. We think the rates are too low, [fol. 2865] but we do not think that corrugated packing boxes could possibly bear a transportation charge which would yield as much per cubic foot — we — heavy-density freight. In other words, you would reduce the length of the transportation haul, and the area in which a factory could make distribution, to a point where you would reduce competition between the different manufacturers.

Q. If I understand your formula correctly, you take your density as your general guide, and then you make your refinements according to what the traffic will bear, and then, in making other refinements, you consider the difference in cost. Is that correct?

A. Well now, you use the term—or the language "what the traffic will bear", Mr. Commissioner. I would prefer to say: value of service.

Q. Very well,—value of service, then.

A. Yes.

Q. We will let you designate your own phrase.

A. Yes.

Q. I am just merely trying to correctly understand your formula, is all.

A. Well, you have it about right, I should say.

Com. Splawn: Very well. Proceed.

Mr. Reed: Was your Honor through?

Com. Splawn: Yes.

[fol. 2866] By Mr. Reed:

Q. Continue, please, Mr. Waring.

A. Like modifications are made in the ratio of higher valued freight in the consideration that we have given to value. The exhibit contains an illustration of the density principles, which we are proposing, applied to the base rates for the value factor. The formula on percentage increases over the base rate for both the value and density factors necessarily produces a great many classes of percentage relationships. We propose to convert these by groups into a limited number of classes. These are shown in Part 1, page 2 of Exhibit 145 under Section 2. This is a substantial improvement and simplification over the present conglomerated mass of classes and columns based on a percentage relationship to first class as will be presently found in our class rates, classifications, classification exceptions and commodity rates in all territories.

By Chairman Aitchison:

Q. You have 15 numbered classes, and 8 lettered classes; is that right?

A. The lettered classes, Mr. Chairman, are all above 100 per cent, and will not move very much traffic; the extremely light and bulky freight, is all, corresponding to the articles which are now subject to all multiples of first class.

Mr. Reed: May we proceed, your Honors?

By Com. Alldredge:

Q. Just a moment, please. What percentage of variation do the numbered classes represent, on the average?

[fol. 2867] Mr. Reed: 5 per cent.

A. I am coming to that in detail in just a moment, Mr. Commissioner. I will cover that in detail very shortly.

Mr. Reed: It is 5 per cent.

Com. Alldredge: Very well.

A. I recently checked the great variety of percentages of first class on which commodities are moving in the various territories. Pages 4 to 9 of Exhibit 145 contain a statement of these percentages taken from four typical rail tariffs representing all of the major classification territories. As will be seen by these pages there are in these tariffs, which I have studied, 102 percentage columns in the class rate scales applying in Official territory, 130 percentage columns in Southern territory, 89 percentage columns in Western Trunk Line territory and 85 percentage columns in Southwestern territory.

Chairman Aitchison: You were not diligent enough. If you had gone a little further, you could have gotten more in some of the territories.

The Witness: I probably could have, yes, Mr. Chairman, but these are all below 100 per cent. We still have multiples of first class above 100 per cent.

By Chairman Aitchison:

Q. Referring to this long list of percentages that you have there, you did not happen to check as to whether [fol. 2868] all of those are carload or less than carload, did you?

A. These are less than carload ratings.

Q. Louder, please.

A. I say, these are less than carload ratings, Mr. Chairman, that we are proposing here.

Q. From page 4 on?

A. Oh, I beg your pardon, sir. No, Mr. Chairman, we have not attempted to distinguish there between carload and less than carload. However, we do know that in many instances the same class would apply on both carload and less than carload.

Q. Well, I suppose, if we were to check back as against the tariff, we could find out how many less than carload classes you have; is that correct?

A. Yes, sir, that is correct. We could find it in the same way that Mr. Jackson, the previous witness, found it. It is just a matter of checking the ratings in the exceptions, and the classification.

Q. Your work sheets would not show that, would they?

A. My work sheets?

Q. Yes.

A. No, sir, they would not. We just checked the rate tables. We did not go to the classification at all. We simply took the rate tables that we found in the tariffs, and found these columns.

[fol. 2869] Q. Well, that is a little different. Are all of those columns used?

A. I am reasonably certain, Mr. Chairman, that every one of them is used, yes, sir. That is, whether there is any movement or not, I cannot say positively——

Q. That is what I mean.

A. —but I am reasonably certain, based on my knowledge of the traffic, that there is something moving on every column that is shown in there. I think that we can safely assume that, for the purpose of consideration here.

By Mr. Reed:

Q. Continue.

A. The formula which we present reduces this to 15 classes up to 100 per cent which, for simplification, we are calling first class. We are using lettered classes for ratings higher than first class or higher than 100 per cent. The ratings, beginning with 50 per cent or Class 15 are progressed at the rate of 5 per cent up to 100 or first class. Above first class the spreads between the classes are wider but they are nowhere near as wide as they are today in the case of multiples of first class.

Although our proposal would reduce materially the number of classes or columns which are actually in use today, even 15 less than carload classes, not counting those above first class or 100 per cent, are more than are generally considered necessary. We believe that there should [fol. 2870] be at least this number, resulting in a spread of only 5 per cent between each class because if the spreads are wider as has been the case in the past so far as the major classes are concerned, errors of judgment in the determination or prescription of ratings would be of a serious nature. For instance, if we should continue in Official territory 70 per cent for third class and 55 per cent for the next class, now Rule 26, it would really be a serious matter if through error of judgment or based on erroneous information an article is given third class when its classification elements entitle it to 55 per cent of first class.

By Mr. Reed:

Q. Is that not one of the basic reasons why you have less than carload classification exceptions, because of the wide variation in the percentage relationship?

A. Decidedly so, yes, sir; and also carload as well. For example, there has been 40 per cent prescribed carload. The major classes jump from 50 per cent in Official territory down to 35 per cent; fourth class to fifth class.

Q. Proceed.

A. The responsibility of deciding whether or not an article should take 55 per cent of first class or 70 per cent of first class would indeed be a heavy one. The inevitable result would be the prescription of intermediate percentage columns as has actually happened in the recent past. Our suggestion that the measure of the ratings be graduated on [fol. 2871] basis of adding 5 per cent for the next higher class in all cases up to Class 1 or 100 is predicated on the obvious desirability of having a uniform spread percentagewise between the classes. There has been a tendency on the part of every one, including the Commission, to use even percentages rather than odd figures because of an assumed advantage in dealing with even percentages. We do not think that there is any advantage in this because the classification does not, or certainly should not, express ratings in terms of percentages. The actual rates in the rate tables are computed and set in and so far as the user of tariffs is concerned the percentage represented by the rating is not used nor necessarily known. Therefore the fixing of ratings based on uneven percentages is no handicap either in publishing or using the tariff. Once the rate tables are developed based on the percentage formula the only use that can be made of the percentages is in the study or consideration of the reasonableness of ratings. For all of these reasons the objection to odd percentages is only a fancied one without real foundation.

Illustrating how our conversion table, shown page 2, part 1 of Exhibit 145 operates to reduce the odd percentage columns in the class rate structure and how our formula based on density and value will simplify the rate structure, we call attention to its operation by selecting a commodity weighing 12½ pounds per cubic foot and valued at 10 cents [fol. 2872] per pound. Such commodity would under the density-value formula Section 1 of Part 1, Page 2 of Exhibit 145, be entitled to a rating of 92 per cent. Under the conversion table, Section 2, this would be converted to 90 per cent or Column 90 rating. This rating would be the same as that applicable to an article weighing 22½ pounds per cubic foot but having a value of between $1.00 to $2.00 per pound. The class which would result from the conversion table at the bottom of the page, would be class 3.

Q. Now, Mr. Waring, on page 3, Exhibit 145, Section 3, you show $66.25.

A. Yes.

Q. Is that correct?

A. No, sir.

Q. What ought that to be?

A. $6.25.

Q. I thought that was an error.

A. Yes, sir. I thought it had been corrected, but I see it has not.

Chairman Aitchison: Where is that?

Mr. Reed: Page 3, Part 1, Section 3, of Exhibit 145.

The Witness: Near the top of the page.

Mr. Reed: As it reads now, the amount shown is $66.25, and that should be corrected to read $6.25.

The Witness: Under the column headed "Freight [fol. 2873] Charges", the second item numerically, in that column.

By Chairman Aitchison:

Q. Well now that you have gotten this hypothetical commodity into the 90 per cent class, do you then apply your utility factor?

A. Yes, sir, the utility factor would be applied, as well as the other elements, to section 5.

Mr. Reed: In the next question and answer, if the Chairman please, we take that up.

Chairman Aitchison: All right.

By Mr. Reed:

Q. Did the committee consider any other factors as being relevant to the uniform classification of commodities other than value and density?

A. Yes. We were of the opinion that the value-density bases should be further modified or adjusted because of such elements as utility, fragility, susceptibility to theft, contamination of other freight, etc. The formula which we have prepared and the exhibit which I have submitted gives full weight and recognition to the utility groupings. The utility groupings are set forth in Part 1, Section 4, page 3 of Exhibit 145 in the middle of the page. The extent to which the utility basis would modify the value density formula is shown in that section of the exhibit. For instance, if a commodity is a basic raw material weighing 20 pounds per cubic foot and valued at 25 cents per pound, Section 1 would establish a rating of 65½ per cent and [fol. 2874] the conversion table would convert this to 64 per cent and Class 10. Because it is a basic raw material, the 64 per cent would be reduced 15 per cent making it 54 per cent. This would be converted to 55 per cent or Class 13. In a like manner a commodity that is in the luxury group would be increased by 15 per cent.

By Chairman Aitchison:

Q. Do you mind my asking right here, with respect to how you treat a couple of commodities?

A. No, sir.

Q. Take grain and grain products.

A. Grain and grain products would be a non-processed farm product.

By Mr. McCollester:

Q. Mr. Waring, would grain products be non-processed?

A. Well, not grain products, no.

By Chairman Aitchison:

Q. It would take 90 per cent, then, would it not?

A. If it were processed, it would be 90 per cent, yes, sir.

Q. And grain would be 85 per cent?

A. Yes, sir.

Q. All right. Now let me ask you about Cream of Wheat, and middlings; what would you do with that?

A. Cream of Wheat and middlings?

Q. Yes.

A. Why, I would put both of them in the processed farm products classification.

[fol. 2875] Q. The same?

A. Pardon me?

Q. Would you make them the same?

A. Well, they would take a different rating, possibly, because of the value. The value element would make a difference. The Cream of Wheat would take a higher rating, because it has a higher value.

Q. Well, Cream of Wheat is nothing but cooked middlings, is it not?

A. Cooked middlings?

Q. Yes.

A. Well, that may be true, Mr. Chairman, but it still is sold as a breakfast food, and they charge a plenty high price for it.

Mr. Reed: That is not what they tell me, Mr. Chairman, when I order it for breakfast.

Chairman Aitchison: Come down to Washington and I will show you testimony to that effect. There have been commodities of that nature before the Commission. Now, some of these products are identical, except that one is suitable for human consumption, and the other is not. Would you differentiate between those?

The Witness: I am assuming, Mr. Chairman, that the value element would bring about the proper relationship.

By Chairman Aitchison:

Q. Well now, would the value element also reflect whether [fol. 2876] or not the particular item was processed, or a raw farm product?

A. Not necessarily, no, sir.

Q. In other words, flour is worth more per pound than grain is, is it not?

A. Well, I was going to say——

Q. That is, per cubic foot?

A. We throw everything above 22.5 per cubic foot into one density classification.

Q. I am just wondering whether or not you have got the manufacturing process taken care of twice; once, by giving consideration to the value in cents per pound; and then by your utility factor, in determining whether it is a raw material, or has been processed.

A. Well, we give it both, Mr. Chairman; if it is a raw material, we give it the benefit both of its low value, and its utility.

Q. And, per contra, if it has some value, it is taken care of twice, is it not? First, by giving consideration to the value in cents per pound, and secondly, because it has been given added value by the processing.

A. Oh, if it has some value, Mr. Chairman, and it is in the less than carload group, it is hit twice, yes, sir—if I understand your question correctly.

Q. I am not talking about that. I am talking about your 85 per cent-90 per cent group.

[fol. 2877] A. All right. If it is of high value, we put it where it belongs, and then we pull it down, because of its utility, or character.

By Mr. Reed:

Q. Well now, just a moment, please, Mr. Waring. You do not hit it twice, as you say, do you? You bring it down.

A. Well, what I mean is——

Q. In other words, you do not increase it, but you bring it down because of the utility factor.

A. What I meant to say was this, that we place it where it belongs, according to the value element.

By Chairman Aitchison:

Q. You widen the differential between the raw material, and the finished product, do you?

A. Yes, sir; we widen it, in the difference in value, and we throw off 5 per cent, because we take 15 per cent off of the crude commodity, and only 10 per cent off of the processed commodity.

Q. Well now, suppose that inflation comes along. What then will you do with your value element?

Mr. Reed: Pardon me, your Honor; I did not hear that.

The Witness: I could not hear it myself.

By Chairman Aitchison:

Q. I say, supposing inflation comes along, or deflation. What then will you do with your value element?

A. Well now, Mr. Chairman, you are asking me a ques- [fol. 2878] tion there that only a Solomon could answer.

Q. Well, but it is something that Solomons have had to answer during the last few years, using formulae like this. In the height of the inflationary period following the first World War, as our valuation records show, many of your prices went up to 2½ or 3 times the 1914 base price, before the war.

A. Well, we strongly are in hopes, Mr. Chairman, that by the time this case is decided, we will not have any war on our hands. As to whether or not values will return to what we heretofore have deemed normal, we do not know, of course; but I do think that we may reasonably assume that there will be quite a change in the relationship of values. In other words, a commodity which two years ago was worth, let us say, $1 per pound, may two or three years from now only be worth 50 cents per pound. We expect the price of aluminum, just taking that as an illustration, to come down; and the prices of other commodities as well.

Q. Well, what are you going to do then? Are you going to change the classification?

A. Well, I think that is a matter that would have to be given consideration at that time, yes, sir.

Q. If everything else changes?

A. Well, even if everything else changes, you would not have to change the classification, Mr. Chairman. You would just change the formula.

[fol. 2879] Q. You would have to change the formula, or consider it as no longer being applicable.

A. Oh, we would have to change the formula, in the light of the higher level of values, yes, sir.

Q. Well now, of course, things just do not go quite that simply. You are familiar, no doubt, with the series of statements that we get out every year, through our Bureau of Valuation, showing the unit costs during a long series of years.

A. I have seen them, yes.

Q. They keep fluctuating, do they not?

A. Yes, sir.

Q. And there has been a very considerable fluctuation during the life of that bureau, to the extent of as much as, perhaps, 300 per cent, or 400 per cent. Now, how would you compensate for that?

A. Well, the only thing I see in that connection, Mr. Chairman, that could possibly be done, would be to treat that in your levels of rates, treat it in your rate scales. I do not think, however, that the classification should be used for the purpose of obtaining revenue.

Q. I did not ask you that. I am not talking now about getting in more money.

A. Perhaps I misunderstood the question.

Q. I am talking about how the article which, according to our records, is selling on the market for two or three times [fol. 2880] what it sold for a few years before, or perhaps only 40 per cent of what it sold for before, is going to be classified. What value are you going to take? Are you going to change, if values go up or down, or what are you going to do?

A. Why, if there is a general rise in the price level, then I think that the formula would have to be adjusted to reflect the higher price level. However, if there is a great fluctuation in the prices of different commodities, some up and some down, why, then I think that eventually, if not immediately, the classification of individual items will have to be considered and adjusted.

Q. And you would have to do that almost yearly, would you not, if you were going to profit by the experiences since World War No. 1?

A. Well, Mr. Chairman, if we were to be guided by the Commission's own prescription of ratings, based on value, you might say, we ought to be doing that.

Q. But we never have had occasion to use any such formula as this.

A. You have not used such a formula, no, sir, but you have repeatedly, in your decisions in cases involving classification matters, shown long lists of comparisons, value comparisons, which left the impression, at least, that you were prescribing or approving a particular rating because it fell under some particular value category.

[fol. 2881] Q. Well, all that we were attempting to do there was to put an article of a particular value in the same class where like articles of the same value were, regardless of whether that value was great, or small, or whether it was greater or less than it was before, or after, the particular time.

A. Oh, I appreciate that fact, certainly, Mr. Chairman, but on the other hand, you certainly did leave the impression,—and as a matter of fact, I believe you have even come out and made the statement in so many words—that you were influenced by value; and then you have shown the comparisons.

Q. Well, the classification has never been absolute, as I understand it, but this formula of yours makes it absolute.

A. Yes, sir, that is true. You never have come right out and said in so many words, I will concede, that an article that was worth 50 cents per pound ought to take a certain value. I appreciate that.

Q. In the Western Classification 51 proceeding, which was heard by Commissioner Meyer, did not the rail carriers have a series factor something like this?

A. Well, as I understand it, Mr. Chairman, they had a sort of secret formula which they attempted to use, but it proved to be a rank failure. I think there were a good many reasons for that.

Q. Anyway, the Commission did not approve it.

A. Did they submit that to the Commission? I didn't [fol. 2882] know whether they did or not.

Q. Oh, yes; it was described in the record.

A. Pardon me?

Q. It was described in the record at that time.

A. Well, of course, there was a difference in conditions at that time. The trucking industry was not very strong, back in those days.

Q. Have you explained, now, how you would get your value; whether you would get it as of a particular date, or take an average over an extended period, or how?

A. Well, Mr. Chairman, I will simply have to answer your question this way, that we would get it in the same way that we have heretofore gotten value, in dealing with classification cases. In other words, generally speaking, you have taken all of the evidence that was before you, and you have taken the fair value generally, and usually it was a weighted average value over a period of time.

[fol. 2883] Q. Now, there are different values, some affected by transportation itself, wholesale values, retail values, and so forth. What type of value do you have in mind in this connection?

A. It ought to be the manufacturer's value. That is the value the shippers have always put in.

Q. Now, you may have explained this, and perhaps I did not hear it.

A. I think that is the only fair thing to do, Mr. Commissioner. You cannot possibly give the same article two ratings depending upon whether it is shipped by a jobber or a manufacturer.

Q. I will go one step further with regard to value. Suppose it is a nationwide average.

A. Yes, sir.

By Chairman Aitchison:

Q. Take wool, for instance: where would that value be ascertained, wool in the grease?

A. Well, it has a market price, in Boston, for example.

Q. Which reflects the freight rate, does it not, from Australia and foreign countries.

A. I think I would take the value at the port, the port of entry, and the value in our own wool producing states, and I would get a fair weighted average value.

Q. But that reflects the freight rate by rail or by rail and water to Boston.

[fol. 2884] A. No. I did not say I would get it at Boston. I said, the port of entry. I was assuming most of it would come in through the Pacific Coast ports. I know it does not now.

Q. Let us talk about this wool which comes from the ranges of the west and the mountains. Where is that value going to be determined, at the rail station where the wool first started from, to Boston?

A. I would say so, yes.

Q. But that figure represents the difference between the Boston price and the rail cost, and therefore you are arguing yourself in a circle when you use that as a basis for fixing the classification and the rate which ought to be paid.

A. As to any particular commodity, it is difficult to give you a satisfactory answer, Mr. Chairman.

Q. Somebody has to take these particular problems into consideration.

A. It is difficult to give you a satisfactory answer with a great many facts before me, just the same as it is difficult for you to decide a case with a lot of facts before you. I think you would have to do just what you have been doing in the past. You would have to consider all of the facts with respect to that particular thing, and just use your best judgment.

Q. Of course, Ohio wool, then, would take a different classification than wool from western Montana or northern [fol. 2885] Idaho.

A. I should say definitely, no.

Q. The price per pound received by the grower at the initial rail station would vary, would it not?

A. The probabilities are, Mr. Chairman, that if you took the price at Boston and then took the price at the shipping point in Montana, both of those prices would fall within the same price range here.

Q. Per pound?

A. Yes, sir. If they did not, then it would be merely a matter of your commission using its best judgment, as it so often has to do.

Q. Now, suppose wool is worth 14 cents per pound: it would — in the 115 per cent class. Suppose wool is worth 16 cents per pound: it would fall in the 125 per cent class. Is that correct?

A. That is correct.

Q. You know that in paying for wool, they pay for it on the basis of scoured value, do they not? They estimate the shrink which comes from the process of scouring?

A. Yes.

Q. Some wool is dirties than other wool. Far western wool has a greater percentage of shrink than this Ohio wool. Therefore, as far as value is concerned, one wool is in one class and the other is in another. Are you going to change [fol. 2886] the classification of the Ohio wool and the western wool, therefore, because one has a greater percentage of shrink than the other?

A. Mr. Chairman, we cannot possibly have it so precise as that. We cannot possibly base it on actual value of a particular type of commodity. We will take, for example, a commodity like candy. It has a value range from probably 8 or 10 cents ~~per pound to—I am~~ speaking of the manufacturer's price now—from less than 10 cents per pound up to probably $1 per pound, even the manufacturer's price. Now, we cannot possibly write into the classification such specific descriptions as would make distinction between the low price candies and the high price candies. You have to use a weighted average value. I do not know of any way of getting an exact weighted average value. There is much to be left for judgment, much to be left in classifying wool and classifying candy and hundreds of thousands of other commodities. It must be left to judgment. It cannot be made precise. It is impossible. You cannot do it so precisely as that.

Chairman Aitchison: I am suggesting these things in order to draw you out on your theory, and see how it would work out.

The Witness: I understand.

By Chairman Aitchison:

Q. Take your candy, for instance.

[fol. 2887] A. Yes.

Q. If this formula should be published, how long do you suppose it is going to be that the manufacturer of the 8-cent candy is going to stand for being in the same classification as dollar candy?

A. The classification will probably have to be made to fit pretty closely the 8-cent candy, because 98 tons of that move to every 2 tons [illegible] the dollar candy.

Q. You would not have a system of released rates based on value?

A. We would continue the released valuation to the extent we have them today, and we are using them where there is a very extremely wide range. Whether or not candy is one of the commodities which should be subject to released value, I could not say now. It might be. Where there is a very wide value range, we have been getting released rates orders from the Commission.

Q. You would have to have that escape, or you would have some absurd results.

A. We may have to have it to a greater extent than today.

Q. Thereby driving more people to the Commission to get relief.

A. Well, they have been going to the Commission for relief for a long time, Mr. Chairman.

Q. Is this not a fact, that every manufacturer as a rule in [fol. 2888] his endeavor to get a fair advantage will seize a formula of this kind and always endeavor to use it if it means getting a little bit different rate than the other fellow?

A. I do not know whether that would bring more complaints or not, because the Commission in its past decisions and prescriptions—no criticism is meant at all, by what I am about to say, because you had no standard to go by, and that is where I think your principal trouble has been. You have had no *standard, and therefore* your prescriptions of ratings have been very inconsistent. You have prescribed one rating on a 70-cent per pound commodity higher than the rating on another commodity worth 20 cents per pound, having no more favorable classification characteristics. Now, your inconsistent descriptions have invited an awful lot of complaints. A shipper comes before you and he compares his commodity with those which are favorable to him. He can find, usually, hundreds of them. I have been before the Commission on several of those kind of cases and had no difficulty whatever finding decisions to back up most everything I wanted. The railroads have come in and they have picked those that were most favorable to them, and you have had two extremes before you.

Chairman Aitchison: I do not want to anticipate what I think you are going to cover, but I think it is necessary in order to understand your testimony:

[fol. 2889] By Chairman Aitchison:

Q. You are proposing a fixed classification, are you, which is to be accompanied by a maximum scale of rates?

A. I am not expressing an opinion about the maximum feature of the scale of rates. We are proposing a standard classification to govern whatever scale of rates you determine upon. This classification will to some extent determine the level of those rates and the whole thought behind it is to properly distribute the transportation burden among the different shippers and commodities. Now, we do not say that this formula can be reduced to an exact science. It is impossible with your wide variations of values and your different methods of getting values. However, it is better than what you have today, Mr. Chairman, and that is what I am trying to say.

Q. But you are contemplating that the great bulk of the commodities which move less than carload will move on classification rates?

A. Yes, sir. We think that less than carload freight is essentially class traffic. We think it should move under class rates.

Q. And not exceptions?

A. We see no excuse for exceptions if we have a classification of commodities properly related to each other. We see no excuse for exceptions.

[fol. 2890] Q. Are you going to deal with the subject of mixtures?

A. Mixtures?

Q. Yes.

A. No. I am not dealing with it.

Mr. Reed: In answer to a question you are, in one place here, the Commission's question on all freight items.

The Witness: Oh. Yes, in answer to that interrogatory of of the Commission.

By Chairman Aitchison:

Q. You will deal with the matter of mixtures to a certain extent, then?

A. Yes.

Mr. Reed: We do answer that question.

Chairman Aitchison: All right.

Com. Alldredge: I would like to ask one more question on the application of your value formula.

By Com. Alldredge:

Q. Would there not be some judgment exercised as to how you begin to apply it? Take the customary group of canned goods. If you dealt with a fixed group as a group in applying your formula, you would get a different result from what you would if you itemized each one, would you not?

A. Why, positively. If we dealt with a group under a generic term, you mean?

Q. Yes.

A. We would do our best,—the Commission should do *his* [fol. 2891] best, I should say, if the Commission decides to do it, to get the weighted average value of that whole group.

Q. That is the point.

A. And the weighted average density of the whole group.

Q. That is the thing. I want to know how you would apply the formula, whether you would take the articles of commerce that would be covered and deal with them item by item or undertake to deal with them by some form of grouping.

A. We would take the items as they are in the classification with possibly some changes, with perhaps nothing more than has been the practice in the past in a very loose way. In other words, the Commission has always given weight to the value factor and to the density factor, but you have done one thing in one case and then turned around and done something else dealing with a commodity having the same classification characteristics. You have had nothing, no standard to guide you.

Q. I am trying to find out what your standard is.

A. Sir?

Q. I am trying to find out what standard you propose. Let us go back to the question of canned goods.

A. All right.

Q. If you take, say, canned pork and beans as a separate item and then canned beans as another item and canned tomatoes as another and mushrooms as another and you [fol. 2892] apply your formula that way, you would come out with vastly different results from what you would if you started out by the use of certain groups, would you not?

A. It is not our idea that such a refinement would be made, as that.

Q. Have you perfected your plan so that you can tell us anything about the groupings, for instance, that you would observe?

A. We would observe the groupings which we have in the classification today with possibly some enlargement or divisions of items. I have in mind a few that I think should probably be divided and two items made where we now have one item, but not many.

Q. So in gauging the utility of your formula, the Commission could assume, for instance, you would begin with the grouping, the geenric grouping that now occurs in the classification?

A. That is right.

Q. Is that correct?

A. That is right.

Q. So if you had one group that you called canned goods, the Commission could assume that you would apply this formula to every item in there as a composite group, is that right?

A. As a composite group based on the best combination available, you would use in determining the rate based on the value element, the weighted average value of that group. [fol. 2893] You would give due weight to the cheapest kind of canned vegetable and to the highest priced. That is exactly what the Commission has done in these classification cases in the past where it has been influenced by value.

Q. I had hoped that you would do a little research on what the groupings should be, and where the application of the formula would begin, but as I understand it, you have not done any.

A. I have not, no.

Mr. Reed: We will have some more information on that later, Mr. Commissioner.

Com. Alldredge: Very well.

Mr. Reed: Is the Commission through?

Chairman Aitchison: Yes. Thank you very much. It is quite interesting. That is the reason we have taken so much time on it.

Mr. Reed: That is all right. No objection at all.

By Mr. Reed:

Q. Mr. Waring, will you proceed with your statement, beginning with the paragraph starting "The formula would be used", just past the middle of page 12.

A. The formula would be used to establish ratings based on value and density which would be modified by the utility groupings in establishing the class ratings, which ratings would be subject to some modification due to other elements shown in Section 5 of Part I, page 3 of Exhibit 145, these [fol. 2894] other elements being matters of judgment based upon experience.

Q. What is the Committee's position with respect to differences in ratings because of differences in methods of packing?

A. We are whole-heartedly in agreement with Mr. Fyfe of the Western Classification Committee regarding this. Much has been said during the past few years about classification simplification through the grouping of commodities and the removal of rating differences due to packaging and this question has been given considerable thought. It is not something which should be dealt with in a theoretical way because it is a very practical matter. Lower ratings should be given to the better type packages—I have in mind there particularly the different kinds of packages, that is a bag as compared with a box, and so forth.

By Chairman Aitchison:

Q. You would give lower ratings to Cream of Wheat in a package amply guarded against loss and damage than you would to middlings in a bag?

A. No, because I doubt if we would ever have a loss and damage claim for the few middlings that might seep out of a bag, but if you put Cream of Wheat in it we wou- be ruined with damage claims because the loss of a few pounds of that would bring forth a claim for loss and damage. I would not make any distinction when we get down in the [fol. 2895] lower depths, such as middlings.

Q. I will give you one you will not dodge. That is prunes in bags and prunes in boxes. They are shipped both ways. Does a boxed prune have a right to claim a lower rating?

A. Under this formula, no. We did not include in the formula any definite allowance to be made for the kind of package. We do not believe it is susceptible to the exact prescription.

Q. You would not consider a box, then, a better package than a burlap bag?

A. Mr. Chairman, I am afraid I could not answer that. I would have to have some testimony from more practical people.

Chairman Aitchison: Proceed, Mr. Reed.

By Mr. Reed:

Q. Will you start that last sentence over again, please, Mr. Waring, beginning with "Lower ratings."

A. Lower ratings should be given to the better type packages not only to safeguard transportation agencies against loss and damage claims but to encourage the use of more durable packages or containers as a preventative of waste. Most shippers use containers which adequately protect the goods but in many cases, especially where merchandise is sold f.o.b. shipping point, containers which barely meet the requirements without much regard to their sufficiency are used and if we should let the bars down, that is to say, make one rating for all kinds of packages, I am afraid that the cheapest packing method would be resorted to and we [fol. 2896] would find our damage claim payments increasing. Comment is made there on that question because I have heard many suggestions that one rating be made for each commodity regardless of what kind of package it is shipped in.

Q. That particular suggestion has been made to the truck lines, has it not?

A. Yes. They seem to think we can handle any kind of package without any extra care or without ever doing it any damage, which is a mistake.

Q. Go ahead.

A. No, I do not believe there has been too much refinement in our classification, either from a standpoint of the breaking down of the commodities by specific names or descriptions or by differences because of different packing methods.

As a matter of fact, contrary to the belief held by many, if we should reduce the number of specific descriptions in the classification, using to a greater extent generic descriptions, I think the classification would be more difficult of interpretation because the more specifically an article is described the less danger there is of misinterpretation. Frankly, I think that in many instances the descriptions are now too general in character. Most of the changes in the classification today are for the purpose of more specifically naming the articles and adjusting the ratings based on the transportation characteristics peculiar to such specific [fol. 2897] names or varieties of commodities.

Q. Will the formula which you have set out in Part I of your Exhibit 145 be utilized to establish carload and truckload rates? If so, in what manner?

A. It is so designed. The difference in rates for freight in different size shipments should be reflected in the rate tables.

It is our thought that a single class rating should be given to each classification item with the difference in rates on less than carloads and carloads or truckloads reflected in the rate scales or tables. For instance, a commodity which is a basic necessary valued between 25 and 50 cents per pound and having a density of 22.5 pounds per cubic foot would be subject to a third class rating.

The variation in the rate scales, to represent the difference between carload and less than carload and truckload and less than truckload traffic, should, of course, be based upon the minimum weights fixed for the respective commodities in truckloads and in carloads. This spread between carload and less than carload traffic is a factor that is affected by the cost of transportation rather than by classification principles. The spread between carload and less than carload traffic should be based upon relative transportation costs. These costs will, of course, vary with the varying minimum weights established for various commodi- [fol. 2898] ties. After the minimum weights have been established in the uniform classification the spread in the rate scales representing the difference between carload and less than carload can be properly and fairly adjusted based on the service performed. The formula which we have suggested will establish the proper classification rating for each commodity or classification item based on its classification characteristics which in the case of package or box car freight would be the same whether in carload or less than carload or truckload or less than truckload. The process of arriving at rate scales on a level which would as a whole yield fair and adequate revenue for the handling of both carload and less than carload freight and both truckload and less than truckload freight would be largely a matter of mechanics.

Q. The conversion tables in Exhibit 145, Part I, Section 2, page 2, end at Class 15 or 50 per cent. Please state how you would class the basic carload commodities such as coal, ore, sand, gravel, and so forth, moving by rail which would of necessity require lower ratings than 50 per cent.

A. Low-grade commodities which move preponderantly by railroad, particularly commodities such as coal, ore, sand, gravel, and so forth, are loaded in open top equipment. Such commodities would have to be treated separately from the classification as, in fact, has been the practice in the past. As to commodities of a somewhat higher grade which do [fol. 2899] in a very limited way move in less than carload lots, such as lime, cement and lumber some lower classes for carload movements should be established. We are proposing that Class 50 or 15 be the minimum for any less than carload and less than truckload commodity, however cheap.

Q. Do you propose to have the Commission adopt this formula and to use it to reclassify all commodities into classes and rework them on the basis of the formula?

A. No. We suggest it to the Commission as a basis upon which the Commission could require the carriers to do the job of reclassifying and conversion to the end that the classification itself, the classification exceptions and the commodity tariffs based on mileage scales may be simplified and inequalities removed. The formula has been suggested as the basis for the revision and simplification of our classification and class rate structure.

Q. Is it your thought that this formula could be used without readjusting the class rate scales?

A. No. A classification standing alone is meaningless. It must be complemented by appropriate class rate scales. The level of the class rates should be related to costs and yield sufficient profits.

Q. What is the purpose of Part III of Exhibit 145?

A. Part III of my exhibit is intended to illustrate the effect of the formula in classifying a comparatively few [fol. 2900] representative commodities and the changes which would be brought about through its use.

The commodities were selected as being typical of package freight for which railroads and trucks very actively compete, as well as representative of freight falling in all or most of the several classification categories from the standpoint of value, density and other factors. We have shown values and densities but had some difficulty in getting them from authentic sources and have not shown the sources of information. We are in fact doubtful about the values and density, especially the values, and it must be understood that the ratings proposed are merely shown for illustrative purposes and are by no means final.

Chairman Aitchison: What does the abbreviation "Cn" mean?

Mr. Reed: You mean, the abbreviation "Cn" in the exhibit?

Chairman Aitchison: Yes.

The Witness: That means "Classification." It is an abbreviation for the word "Classification." That is explained on the last page.

Chairman Aitchison: I see.

The Witness: It means "Classification."

By Mr. Reed:

Q. Proceed, Mr. Waring.

A. In other words, if we have not used correct values and [fol. 2901] densities they would be adjusted according to the formula based on true value and density figures. Assuming that our value and density figures are approximately correct, I think this part of the exhibit serves also to bring out many inconsistencies in the applicable ratings in all territories. It demonstrates the inequality of the applicable ratings in many cases and shows how unfairly the transportation burden is distributed. I will call attention to the ratings on two commodities which will illustrate what I have in mind.

Q. What page is flavoring syrup on? What page of the exhibit will you find flavoring syrup on?

A. The last item on page 13.

Q. All right. Proceed.

A. In the South flavoring syrup in less than carloads is rated 37 per cent of first class while canned fruits or vegetables are rated 50 per cent of first class. Flavoring syrup is used in making soft drinks which I think are in the luxury class——

Chairman Aitchison: You do not put Coca Cola in the luxury class down south, do you? (Laughter.)

The Witness (Continuing:) —while canned fruits and vegetables are processed farm products and are vital necessaries. Yet, even though the canned goods have an advantage in value, they are made to pay rates which are about 35 per cent higher than flavoring syrup rates. This certainly [fol. 2902] is an example of improper and unfair distribution of the transportation burden.

By Mr. Reed:

Q. Explain just a little bit how your exhibit may be used with the illustrative commodities to show what in fact is the classification rating and what the going exception is on the commodities used as illustrative.

A. Flavoring syrup at the bottom of page 13. I do not want to talk about flavoring syrup too much, but it is a convenient example. It is rated third class in all three classifications, 70 per cent of first class. In Official Territory that third class is just a paper rating because it is not used on any shipment any time. Class 52 applies throughout all of Official Territory.

Q. Your proposed——

A. That rating—let me say I am very familiar with it—was pulled down there through, you might say, fear of the trucking industry and the railroads, and that is all.

Q. The proposed——.

A. In the South it is third class in the classification, but has been reduced to 37 per cent. 35 per cent would be half of 70 per cent, so they have almost pulled it down 50 per cent.

Q. Are you talking about less than carload and less than truckload lots of flavoring syrup?

A. I beg your pardon?

[fol. 2903] Q. Are you speaking of less than carload and less than truckload lots of flavoring syrup?

A. Yes, less than carload and less than truckload lots.

Q. Your proposed formula would place that commodity at Class 67?

A. Class 67, yes.

Q. An illustration of the value-density formula and the application of the utility grouping would be obtained by comparing Columns 10 and 11 on page 12?

A. Yes. The value-density formula would make it Class 12, and we would boost that 15 per cent because it is in the luxury class.

Chairman Aitchison: I would like to ask you a question right there.

By Chairman Aitchison:

Q. Why is it that you start with the basic necessities and make no change, and everything that you do apparently results in a higher rating as you go up on those luxuries? Why not start about the middle and give the commodity a little better rating because it is a basic necessity?

A. Mr. Chairman, we would reduce flavoring syrup from third class, 70 per cent, to 67 per cent. The Commission has already found—there has been a case before the Commission on flavoring syrup and they have already found, I believe, second class to be reasonable on flavoring syrup. The [fol. 2904] Coca Cola Company brought the complaint. Now, although the Commission found 85 per cent to be no more than reasonable, we pull that down under our formula to 67 per cent.

Q. Now, suppose it was a basic necessity. What would you do?

A. If it were a basic necessity, it would be Class 15, 50 per cent. Many of these ratings would be reduced. I would like to point out one in particular here, shellac gum. It is second class in the classification and it is made to pay second class. There is no exception. We would reduce that from 85 per cent to 61 per cent.

Chairman Aitchison: Proceed.

Mr. Reed: Mr. Waring, will you——

The Witness: Take milk of magnesia: we would reduce that slightly, even under the exception that is given. It takes third class or 70 per cent in exceptions throughout Official Territory, the South and in the West. We would slightly reduce that to 67 per cent.

Mr. Reed: I think that is sufficient, unless some one else wants to ask some questions.

The Witness: I was just answering the Chairman's question.

Mr. Reed: Yes.

By Mr. Reed:

Q. Is the American Trucking Associations, for whom you are speaking in this proceeding, taking any position with respect to the level of the class rates to be established in the various rate territories?

[fol. 2905] A. My position is being taken by me as witness for the American Trucking Associations, Inc., except that we take the view that the present less than carload rates of the railroads obviously are unprofitable and should be increased. At this time we take no position with respect to the measure of the increases nor territorial equalization. It is understood that the several motor carrier rate and tariff bureaus may make their own presentations with respect to this matter.

Q. Is it essential that the rate levels in the various territories be determined in order to establish a uniform classification?

A. No.

By Mr. McConnaughy:

Q. Did you say the less than carload rates are unprofitable for the railroads?

A. Yes.

Q. Are they unprofitable for the motor carriers?

A. No, not generally.

Mr. Reed: Unless there is some particular reason, Mr. Chairman, I see no reason why the witness should read the answers to the Commission's formal questions.

Chairman Aitchison: It may be copied in.

The Witness: A uniform classification may be established based upon the classification factors applicable to the respective commodities. However, it is essential in order to have a uniform classification that we do have uni- [fol. 2906] form percentage relationships among the various classes, and have established the number and character of classes that we are to have. I believe that this can be done prior to the establishment of the general rate levels. It is my opinion that the classification and the percentage relationships among the classes should first be established and a basis set up for the publication of a uniform classification. Prior to the determination of the rate levels under such classification there should be an extensive traffic survey so that a proper rate level would be established in the respective territories based upon the conditions obtaining in such territories.

By Mr. Reed:

Q. In its notice to the parties and the public of January 9, 1940, the Commission asked for answers to several questions. Have you prepared the answers of the motor carriers in so far as they have an interest in such questions? If so, please repeat the question number and the answer of the Common Carrier Motor Truck Lines.

A. Question 4 asked for an expression regarding the progression of class rate scales for less than carloads and carloads. I am not prepared to offer any suggestions as to the rates of progression but I have already said that we do not believe that there is any reason to observe the same rate of progression for both less than carload and carload rates because the respective levels of these rates should be [fol. 2907.] related to cost in which entirely different factors are present.

Question 5 asked for a statement on the percentage relationship between the rates on the various classes.

My Exhibit No. 145 presents the percentage relationships which we believe to be essential and the number of classes that should be established for the publication of a uniform classification.

Question 7 asked the extent to which class rate traffic of the railroads is affected by competition encountered from motor carriers and water carriers, common, contract and private.

It has been the experience of motor common carriers that in so far as less than carload and less than truckload package freight is concerned the competition of private carriers is of very little importance and is of such a nature that it would be improper and unwise to let it influence classification of freight or the measure of class rates. There are cases where private carriers handle less than carload package freight but the volume is comparatively small and the length of haul usually very short. It is my opinion that in most of these cases it is not the measure of the rates that is controlling but that it is a matter of service which neither the railroads nor motor common carriers can satisfactorily render. Of course, I am referring to unusual sit-[fol. 2908] uations. This is likewise true with respect to competition of contract carriers.

Between railroads and motor common carriers, there is intense competition in the handling of shipments in both large and small quantities, the degree of such competition varying with the circumstances of movement. The competition of private and contract carriers is encountered principally in the handling of truckload or carload freight but even then it is not of such a general nature that recognition should be given it in setting up a classification or a class rate structure.

Question 8 asked what has been the effect upon the movement of class rate traffic of the traffic transported on the basis of "all-commodity" rates and freight forwarder companies.

The "all-commodity" rates which the railroads have established have, probably more than anything else, broken down the principles of classification without justification. The purposes behind them, as I have understood it, have been of several varieties. Less than carload "all-commodity" rates have been published allegedly to meet truck or carloading company competition but they have not served their purpose because in practically all instances they have been met by the trucks or carloading companies with the result that the several transportation agencies are still on [fol. 2909] a rate competitive basis, but on a lower level which is usually unprofitable. Carload "all-commodity" rates have been established for the benefit of the carloading companies and possibly a few large shippers of mixed commodities. They have served to divert less than carload shipments from both the railroads and trucks to freight forwarders, even though freight forwarders are in competition with the railroads as well as trucks for such freight.

"All-commodity" rates are definitely not in the public interest and have contributed greatly to diminishing the revenues of both railroads and motor common carriers, thus throwing an undue burden on the traffic which moves under normal class rates.

Question 9 asked concerning the desirability of stating separately the charges or allowances for pick-up and delivery services?

The common carrier motor truck lines are unalterably opposed to any separation of the pick-up and delivery charges from the normal applicable rates for the handling of less than carload and less than truckload class rate traffic.

We believe that any such separation would bring chaos in the freight rate adjustment for the handling of the less than carload and less than truckload traffic. The most serious result that would follow the separation of pick-up and delivery from the line haul rates of the carriers would [fol. 2910] be the disruption of the competitive equilibrium within a given terminal district. The location of the carriers terminals with respect to the traffic of a particular shipper would have a direct bearing upon the cost of performing the pick-up and delivery service. Some carrier terminals are more advantageously located with respect to one shipper's business than are the carrier terminals of some other competitive carrier. A separation of the line haul rates from the service of pick-up and delivery would result in the distance that freight might be hauled within a terminal being a factor in the routing of the freight in the performance of line haul service. The next result which would inevitably follow would be rate readjustments to equalize these conditions. The ultimate result would be a lower level of rates which would substantially include the cost of pick-up and delivery service. A separation of pick-up and delivery from line haul rates would increase materially the cost and difficulty of handling package freight through the terminal facilities in that it would multiply the number of vehicles engaging in the pick-up and delivery service. It would require, in my judgment, a material increase in the size of the carriers' station facilities to meet this condition. We believe that the inclusion of pick-up and delivery service in the line haul rates contributes to the economy of handling less than truckload and less than carload package freight.

[fol. 2911] Question 10 asked for the classification principles or the elements to be considered and employed in determining the classification of articles.

My Exhibit No. 145 presents these principles or elements and also illustrates the application which we think should be made as such principles.

Question 11 asked for the number of classes necessary for the classification of freight by water rail and motor transportation.

My Exhibit No. 145 presents the number of classes which we believe to be necessary for such classification.

Question 12 asked shall the classification of freight be revised to accord more or less importance to a weight base with less or more regard to value.

My Exhibit No. 145 presents a formula which we believe accords to both density and value the proper consideration which should be given to these classification factors. It is our belief that the unwarranted and unjustified reductions which have been made by the rail carriers in their less than carload classification ratings either through the classifications, exceptions or commodity rates have almost entirely disregarded the element of value and in many cases have disregarded the element of density. Also it is my judgment that the Commission in the past has not given sufficient consideration to the density factor where it has estab-[fol. 2912] lished a classification or exception rating.

Question 14 asked to what extent the size of railroad cars and the size of truck bodies should be considered in establishing minimum weights. It is my judgment that minimum weight should be established in the future as they have in the past based principally upon commercial considerations. I do not mean to say that loading ability and the density of the commodity has had no bearing upon minimum weights, because they have, and properly so, but they have not been used as the sole basis of establishing minimum weights.

Commercial considerations have entered into the establishment of such minimum weights. For instance, commodities that are capable of loading more than the axle carrying capacity of box cars have minimum weights of 30,000, 36,000 or 40,000 pounds. It is my belief that density as modified by the commercial necessities of the commodity should be the basic factors upon which all minimum weights are established. The minimum weights are established. The minimum weights so determined for the railroads should not be broken down through the use of lower truckload minimum weights at the railroad carload rates, but as a matter of competitive necessity trucks should be privileged to meet the railroad carload rates and minimum weights when it is profitable for them to do so.

Commissioner Splawn: Let me see if I understand what [fol. 2913] that means.

By Commissioner Splawn:

Q. Do I understand you to suggest that the railroads not be permitted to put in a low minimum merely because the truck has a low minimum? Is that right?

A. No, I didn't say that. On the contrary, I think they should, if they can show that they would make a profit out of it. In other words, Mr. Commissioner, I believe that it is in the public interest to permit the greatest freedom between the two groups of carriers, but they should not take it so far as to throw a burden on other traffic in meeting their competition.

Commissioner Splawn: I was asking a preliminary question there.

By Commissioner Splawn:

Q. The thing I want to know is whether or not you recommend that either the railroads or the trucks in competing with them have a minimum beyond the capacity of the vehicle.

A. Well, you mean, should the railroad be permitted——

Q. In other words, a minimum above the capacity of the car, for the railroads, and a minimum above the capacity of the truck to be loaded, for the trucks.

A. I cannot conceive of any competitive necessity for that but I can conceive of a competitive necessity for trucks having a greater minimum than a truck can haul.

Q. I did not understand the last part of your answer.

[fol. 2914] A. Only when there is a competitive necessity for it, and I cannot conceive of any instances where the railroads would have a competitive necessity for making a minimum weight equal to the capacity of one and a half cars, or two cars, or anything of that kind. I cannot conceive of any competitive necessity for that.

By Chairman Aitchison:

Q. How about to meet barge competition?

A. Well, that is a case of trainloads as a rule. That is —trainload proposition.

Q. How about meeting pipeline competition?

A. Even there, Mr. Chairman, with respect to the barge lines, the barge lines, according to my understanding, have been in the habit of making their rates in units of carloads, even though they handle them on barges.

By Commissioner Splawn:

Q. Are you suggesting these commercial necessity volume rates with minima dictated by competitive conditions so long as those minima are less than the loading capacity of the car or the truck?

A. Mr. Commissioner, I think that possibly some of the minimum weights might be increased because of the greater capacity of the cars, but we favor the principles or the practices which have been followed in the past by the railroads in making carload minimum weights and they have been based largely on commercial considerations, that is to [fol. 2915] say trade units, or sales units. For example, many of the commodities subject to a minimum of 36,000 pounds could probably be loaded so heavily as to break an axle.

Q. You would not change that?

A. I would not change that.

Q. Now, you made a remark, I thought, about competition, and I got the impression you were talking about the competition of trucks. Would you have the trucks, then, publish a 36,000-pound minimum to meet that 36,000-pound minimum?

A. I certainly would. Decidedly.

Q. You would?

A. Yes, sir.

Q. Even though the truck might only be able to load to half of that amount?

A. Yes. It is a competitive necessity.

Mr. Reed: There are some other reasons given in your answer here, are there not?

The Witness: Yes. There are some other reasons.

Mr. Reed: Yes.

The Witness: But the primary reason is the competitive necessity of meeting rail rates, and I would permit it, Mr. Commissioner, as we stated here, only when it is profitable for the trucks to meet that rate at that minimum.

Com. Splawn: I understand what you mean now.

The Witness: Yes, sir.

[fol. 2916] By Mr. Reed:

Q. Proceed with your statement, Mr. Waring, beginning in the middle of page 22, the last paragraph.

A. So far as truckload minimum weights are concerned, I see no way of fixing any standard because of the different load limits fixed by state laws. Certainly, however, only chaos of the most destructive nature would result from the use of truck capacity in determining truckload minimum weights for the simple reason that even where there are the most liberal state laws the size and capacity of trucks or transportation units vary from 5 to 20 tons or more. If such a principle were followed and the truckload rates, regardless of the minimum, were the same in any given area or between any two points, the carrier having the smallest transportation units would have the lowest minimum weight and, consequently, an insurmountable competitive advantage. If there are to be truckload rates based on lower minimum weights than railroad carload minimum weights then by all means the minimum should be based on the normal or predominant size vehicles. They should not be influenced necessarily by state load limits, either.

By Com. Splawn:

Q. Could your publishing agents police the operating companies with reference to the capacity of their vehicles, where minimum weights were published beyond the capacity of the vehicle to load?

A. I am sorry, but I do not believe I got your question, [fol. 2917] Mr. Commissioner.

Mr. Reed: He asked you if the publishing agencies police transportation under such minimum weights, where they exceed the loading capacity of the vehicles. Was that your question, Mr. Commissioner?

Com. Splawn: Yes.

The Witness: Where the minimum weights exceed the loading capacity?

By Mr. Reed:

Q. How would you police the application of the rates to that?

A. So far as our territory is concerned, there would not be any policing that I can think of necessary. We do not have any rule providing for the payment of less than truckload rates on overflow from a fully loaded truck. We could not have that rule because, for example, between Baltimore and Washington there is the Capitol Motor Lines running straight truck jobs with 5-ton capacity, competing with the Davidson Transfer with 30-foot trailers and an axle and tire capacity of 15 tons. If we had any such rule as that, the Capitol Motor Lines could not possibly handle any shipment weighing between 5 tons and 15 tons in competition with Davidson. The overflow rule would penalize the shipper via Capitol Motor Lines. We have never believed that an overflow rule is a practical thing.

Com. Alldredge: Mr. Waring, you would have a policing [fol. 2918] problem, would you not, for instance, if——

The Witness: I thought that is what he had reference to.

Com. Alldredge: He was talking about your general problem of policing.

The Witness: What would be the policing involved?

Com. Alldredge: I was going to ask you about that.

The Witness: Pardon me.

By Com. Alldredge:

Q. Supposing that on some article, iron and steel, for instance, you had a truckload rate based upon a normal truckload quantity of 18,000 pounds, but you desired to meet the lower rate of the railroads with a 36,000-pound minimum. Now, the truck would have to make two loads out of that 36,000-pound volume shipment, yet it has a higher rate for an actual load of 18,000 pounds. How would you police the application of those two rates under those circumstances?

A. Well, of course, in order to get the lower rate on 36,000 pounds, it must be one shipment on one bill of lading shipped at one time.

Q. The difference, then, is that you just execute a bill of lading; that is one difference.

A. It would very definitely have to be offered and be available for transportation. That is very definite. We have the same case exactly in shipping off of New York [fol. 2919] Piers in New York by railroad. When I was representing a shipper up there, it was nothing unusual to have the railroads, because of their own convenience, move a lighter away from the pier with half the carload on it and come back the next day and get the other half of the carload. We complained about it, because we did not want it that way. We wanted the entire car to reach destination intact, but for their own convenience they moved half of it one day and the other half the next day. Now, the truck people, I say, should have the same right as an operating convenience, but it should not be abused, and in order to avoid abuse, and using that as a device to defeat the rate, I say that there should be a requirement attached to any such rate that the entire lot be carried forward by the truck in one day. There should be a requirement attached to any such minimum weight, any truckload or volume weight.

Q. Is there such a requirement today?

A. We have some rates subject to minimum weight which cannot be loaded in a truck either because it exceeds the capacity of the vehicle or because of the state load limit laws. We do not have such a rule, but if that will save those rates, it will give us the greatest pleasure to put those rules in our tariffs, if to do that would save those rates, which were apparently lost under the decision in Docket M-1216.

[fol. 2920] Q. Commissioner Splawn was trying to find out what arrangements you have for policing those rates. Supposing I am a shipper of iron and steel and I have 36,000 pounds lying out on the platform. You are a motor carrier operator, and you have a volume rate of 36,000 pounds, but you cannot haul more than 18,000 pounds on a truck. You have another higher rate on a truckload of 18,000 pounds. Now, what do I have to do to get the volume rate on 36,000 pounds and what is done to assure that you will not perform the service as though it is two truckloads at 18,000 pounds, but assess the rate on 36,000 pounds?

A. So far as the truckman is concerned, wouldn't that be an operating matter, and so far as the shipper is concerned, what difference does it make to the shipper? I cannot see that.

Q. I do not know what difference it would make to that particular shipper, but it might make a lot of difference to the competitor of that shipper.

Mr. Reed: I think he misunderstood your question.

The Witness: I think you mean that in order to give some preference to that shipper, to accommodate him and to, in reality, give him less than truckload service, or less than carload service——

Com. Alldredge: Less than volume service.

The Witness: —less than volume service—the truck men might connive with him to haul 18,000 pounds one day and [fol. 2921] 18,000 pounds the next. Mr. Commissioner, in hundreds and hundreds of different instances and under many circumstances the motor carriers or the railroads could connive with shippers to do things of that nature. For example, there is no rule today regarding the movement of complete units of less than truckload shipments or even truckload shipments. Today a shipper could offer a truck man 20,000 pounds, a 20,000-pound shipment, and the truck man could, on the claim that it is for his own operating convenience, send a 5-ton truck for that shipment and handle it and say, "Well, I don't have any more vehicles until day after tomorrow," and then send one day after tomorrow, say, another 5-ton truck, day after tomorrow, and get the other half of it. Connivances of that kind are the simplest thing in the world on the part of shippers and truckmen. I see no more danger of that kind of practice to defeat the rate than there is danger today of practices to defeat rates of every nature, and rules too. The only thing that prevents them is the fear of prosecution, and they are being prosecuted by the Commission day after day for those kind- of things. That is the only salvation. But if a rule were put in the tariff and it all had to move out, why, then the policing of it would be precisely the same as the policing of anything else that is handled.

By Com. Alldredge:

Q. Do you have such a rule today?

A. No. There is no rule in our tariff today. We tried to [fol. 2922] publish one in connection with a certain rate, but you suspended it and kicked it out.

Q. Well, just in connection with one rate.

A. That was the iron and steel rate, Pittsburgh to Baltimore.

Q. I noticed in the rules extracted from the classification, for instance,——

A. We published in that tariff——

Q. Pardon me.

Mr. Reed: Just a minute.

The Witness: I am sorry.

Mr. Reed: The Commissioner has not finished his question.

The Witness: I beg your pardon.

Com. Alldredge: I noticed in the rules extracted from the classification that a bill of lading must have only one consignor and one consignee in it, but I do not think that is being universally observed.

The Witness: I think it is, so far as I know.

Com. Alldredge: So far as I know, it is not, not by any means.

The Witness: I have no personal knowledge of any violations of that rule.

Com. Alldredge: Sir?

The Witness: I definitely have no personal knowledge of any violations of that rule, Mr. Commissioner.

[fol. 2923] By Com. Alldredge:

Q. How about your split delivery shipments? Do you execute more than one bill of lading on those?

A. There is a rule which provides for that; we have a split delivery rule, but even in that case the rule does provide for one consignee and one consignor, but in actual delivery, delivery is made to different consignees.

Com. Alldredge: Well, we will not argue that question.

By Com. Alldredge:

Q. What organization or plans do you have for enforcing these provisions like the volume ratings?

A. I cannot say that we have in mind any more policing of that, Mr. Commissioner, than policing of anything else we have. So far as policing of trucking companies is concerned, we have not reached the stage of development in the trucking industry where we could possibly set up anything comparable to the Railroad Weighing & Inspection Bureaus, because the individual trucking companies will let the Interstate Commerce Commission men check their records; but they have never signed an agreement to let any representative of any trucking bureau, anyone except the government, go into their records, and therefore, frankly, we cannot set up anything to police the trucking companies, not in our territory.

[fol. 2924] By Mr. Reed:

Q. Mr. Waring, I would like to call your attention to the follow-up rule in the rail classification where you have a minimum weight that might be loaded in a box car but the actual shipment will be such that it will not be accommodated by one box car and not sufficient for two. Why wouldn't that be a method of restoring your volume rates so that they could be policed?

A. Yes, Mr. Reed, that is a fact, and I have had a lot of personal experience with it. When I was with the United States Leather Company, we frequently offered the railroad on one bill of lading on one day, to the same consignee at one destination, 200,000 pounds of hides. I have seen them put ten car numbers on one bill of lading. The last car might not have more than 5,000 pounds in it.

Chairman Aitchison: I think we will have to ask to have the remainder of this copied in.

Mr. Reed: We are willing to do that, Mr. Chairman.

The Witness: What I have just alluded to is something which probably should be dealt with in the motor carrier cases, but it is raised in question 4. Question 15 asked concerning the desirability of making less than carload and less than truckload rates vary with the weight or volume of the shipment. It is the belief of the common carrier truck lines that such less than carload and less than truckload rates should not vary with the weight or volume of the shipments, [fol. 2925] but should vary only with the classification principles which I have set forth in my Exhibit No. 145.

Question 16 asked concerning the practicability or necessity of a uniform basic classification of freight for all rate territories, (a) for all transportation agencies, or (b) for each transportation agency. We believe that there should be a uniform country-wide basic classification of freight for all rate territories and for all transportation agencies.

As I have previously explained, we are making no attempt here to deal with heavy bulk freight but only with package freight moving in box cars. It is freight of a character which is consumed in all parts of the country and generally in direct ratio to the population. It originates, either at factories or warehouses, in all parts of the country and we can seen no justification for territorial differences. If differences in rates are justified by costs or other consideration, such differences should be expressed in the rates themselves and not in the classification. It follows that the inter-relationship of classes should likewise be uniform throughout the country.

By Mr. Reed:

Q. Have you anything further to say, Mr. Waring?

A. I wish to supplement what I have had to say about using the same class for less than carload and carload shipments, the differences in the rates to be reflected in [fol. 2926] the rate tables. There are instances where distinctions are made in the less than carload ratings because of the different types of packages used while the carload rates are the same for different types of packages because carload freight is not subject to the handling which is necessary in the case of less than carload freight. I think this is sound and I do not want to be understood as proposing to change it. In a classification designed to accord generally the same rating for both less than carload and carload freight distinctions of this kind could be made without difficulty. It is merely a matter of tariff mechanics.

Mr. Reed: May we offer Exhibit 145?

Chairman Aitchison: It will be received.

(Exhibit 145, Witness Waring, received in evidence.)

Chairman Aitchison: Cross-examination. We will take a short recess at this time.

(Recess taken.)

Chairman Aitchison: Come to order.

Cross examination.

By Mr. Healy:

Q. Mr. Waring, as I understand you, you think that the density factor should be the basic factor in making classification?

A. Well, I have been trying to decide myself whether value or density is the basic factor. I don't think you can say that [fol. 2927] either one is; they both are; a combination of the two that makes the base rate.

Q. Have you weighted them equally in this presentation today?

A. Have I what?

Q. Weighted them equally in this presentation today?

A. Well, you can't equalize two different things very well.

Q. To what extent have you recognized weight density?

A. Well, I can't give a better answer than you will see there in Section 1 of page 2 of our exhibit.

Q. All right. Now, we checked this Section 1. You have recognized the logical application of your theory in the first column, under 22½ pounds base?

A. That is right,

Q. Is it correct that in the second column, 17½ pounds, you have only recognized it in four instances?

A. Well, we haven't given—we have recognized it in all instances but we haven't given the same weight to it in all instances.

Q. How about the second column, 12½ pounds?

A. Third column.

Q. The third column, rather.

A. We have recognized it. But we have lessened the weight, if by that you mean the revenue to be produced from each cubic foot of space.

Q. How did you lessen the weight to be given to the [fol. 2928] value of the density elements in those columns?

A. It was to some extent, and I hate to use the word, arbitrarily done; but what we actually did was take the

2½ pounds density freight when worth less than 5 cents a pound, six times the rating for 22½ pounds density freight. That was an arbitrary figure. We just decided that that was about all it could take, was six times the rating or the rate for what we call the optimum density freight, and then our next step was to go down and fix the percentage relationship for the freight, the highest value, that is over $4 a pound, and we decided that 450 per cent was all that that could stand. Today the highest rating, I believe, is four times first class. 450 would be 4½ times first class. We fixed those two percentage relationships in that last column and then we graduated out from the base figures up to the highest rating.

Q. Well, did you graduate it on any consistent progression or was it more or less arbitrary?

A. I would say it was consistent but not regular.

Q. In other words, no matter what form you used in making a classification, it must be modified by judgment factors, is that correct?

A. Well, the only thing that is the straight, out-and-out regular percentage progression is the first column of 22½ pound freight.

Q. And the rest of them are all modified in accordance [fol. 2929] with your best judgment?

A. The rest of them are graduated up to the 300 per cent for the cheapest freight and the 450 for the highest class freight.

Q. And it is graduated according to your best judgment of what the traffic will bear?

A. And it is graduated according to our best judgment, and they are graduated—I mean by that, the progression or jumps are as regular as they could very well be.

Q. Now how did you arrive at 22½ pounds as the base in making this study?

A. Well, freight of that density has, in the past, been classified from the most favorable standpoint by the railroads, so far as the railroads are concerned. So far as the trucks are concerned, why, we can usually get our capacity load, a carrying capacity load.

Q. When you say "we," you mean the truckers?

A. That is right; with freight of that density.

Q. In other words, the 22½ pounds is used in accordance with the experience of the truckers?

A. That is right.

Q. And has nothing to do with what the railroad situation might be, is that correct?

A. Yes, the railroads, I said, have, in determining their ratings, classification ratings, have generally given as favor- [fol. 2930] able consideration to freight of that density as they have to freight weighing 50 pounds a cubic foot.

Q. Isn't it a fact that there are very many important commodities moving both by truck and by rail with densities greater than 22½ pounds per cubic foot?

A. Oh, densities up to 100 pounds or more per cubic foot.

Q. Why should those densities be ignored in classification?

A. They have been ignored in the past.

Q. Are you sure of that?

A. Well, there may be some instances, but generally speaking. Generally speaking, the railroads have given as favorable consideration to freight of that density as they have to freight of heavier density.

Q. Doesn't this ignoring of the density over 22½ pounds result in some odd situations with respect to the carload ratings? Have you made any examination on that?

A. Well, we have proposed here that the same ratings apply for carloads and the differences be reflected in the rate tables, of course.

Q. Well, take one illustration in your Exhibit 145, where you show the present ratings on meats, cooked, cured or preserved, n.o.i., and fresh meats. Have you got that before you?

A. I have it before me.

Q. Today the ratings on fresh meats in less than carload are much higher than those on the cooked meats, is that correct?

[fol. 2931] A. Yes, sir.

Q. Under your formula, they become the same?

A. Yes, sir.

Q. And therefore they have the same carload rating, is that true?

A. In that case I would depart from that rule, I think. I think in my testimony I stated that that would be true, generally speaking, but some departures from that rule would be justified. I didn't refer to this kind of a case, but I can easily see where fresh meats would not ordinarily be loaded as heavily, and for other reasons, probably they should take a higher rating in carloads than the cured meats.

Q. So that is another instance of where the best judgment of the man making the classification has to be exercised, irrespective of whatever formula he was following?

A. That is right.

Q. Now, how did you arrive at the percentages shown in the second column, under Section 1, where you show base 105, 115, 125 and such?

A. Well, taking the prescribed ratings and the published ratings in the classification in sort of a composite, broad form, they seem to progress that way at the present time.

Q. That is your best judgment of the way they do progress?

A. To a great extent, it was a matter of judgment in progression.

[fol. 2932] Q. Now, how would you weight the utility or the other classification elements which you set forth in Section 5 on page 3?

A. It must be left to the matter of judgment.

Q. How did you arrive at the factors under the utility class in Section 4?

A. That is where we have just—that represents our best judgment.

Q. In other words, Mr. Waring, is it true that under this proposal, if the Commission should direct the carriers to reclassify all of the freight now moving, that they would still be forced to exercise their best judgment?

A. To a very large extent, yes, sir, but as to the utility factor, we are inclined to think that the Commission should definitely prescribe some relationship to a normal rating and to say what should take normal rating.

Q. Wouldn't there be duplication in many instances because what was basic industrial material for one industry might be a finished product for another industry. How would you handle those differences?

A. You will find cases of that sort, and I have said before, it is a most difficult thing to reduce this to an exact science. Much must be left to judgment. We freely admit that.

Q. After we exercise our judgment in accordance with this presentation of yours, will the truckers adopt the [fol. 2933] classification which results from that study?

A. We think there should be uniform classification. We think we should help you make your classification.

By Chairman Aitchison:

Q. In other words, you wouldn't want to publish this tariff for all motor carriers in United States and let the Commission suspend it for investigation as to its reasonableness?

A. I am sorry, I didn't get the latter part of your question.

Chairman Aitchison: Read the question.

(Question read.)

The Witness: Mr. Chairman, that might be one way of reaching our final objective.

By Chairman Aitchison:

Q. Of course it is one way, but would you want to do it?

A. It is something—that particular question has not been discussed in our committee and I couldn't say right now yes or no. Our idea, frankly, was that we are not wedded to it; the Commission should come out with some pronouncement as to the proper elements to consider in making a classification and, in plain language, say that rank departures from the principles so stated would be deemed undue preference in favor of those commodities so favored.

Chairman Aitchison: Would you mind if I interrupt you just a minute, Mr. Healy?

Mr. Healy: Certainly not.

[fol. 2934] Chairman Aitchison: On this very thing, on this matter of where basic necessities shall be placed.

By Chairman Aitchison:

Q. Doesn't that throw us right into the realm of major political economics? In other words, isn't your idea of free trade or protection to be applied there?

A. I thought frankly that that would be entirely consistent with congressional resolutions and other expressions, that these commodities which are so essential to our living and our growth industrially and otherwise ought to be treated leniently. It is more or less in line with the resolution which brought about——

Q. 17,000.

Mr. Dana T. Smith: 17,000.

By Chairman Aitchison:

Q. But you haven't done that?

A. Sir?

Q. You haven't done that because that resolution says that the products of agriculture, including livestock, shall be accorded the lowest lawful rates, and you put them in a class ahead of basic raw materials and unprocessed farm products.

A. That is very true.

Q. You differentiate between the products and the raw material of agricultural products?

A. Well, we do think, regardless of that resolution of Congress, that basic raw material such as coal and ore are entitled to just as favorable consideration as corn and [fol. 2935] wheat, livestock.

Q. Well, if something is of a basic necessity, the community has to have it in order that it may continue existence as a community, you have that 17 per cent above the basic raw materials; other things being equal.

A. Well, the raw materials are proposed to be on a 15 per cent subnormal basis for several reasons, one of which is that there is assumed to always be an outbound product to be transported.

Q. What I am getting at is just this. There is really almost a governmental question involved as to whether a basic necessity should be what you call the normal basis?

A. Well, it might be. I think it is a matter to be considered from the standpoint of public interest. The Commission has decided a lot of cases from the standpoint of public interest, and to my recollection, they have been upheld.

Q. We have oftentimes said in public interest that a given commodity should take the lowest rate which was lawful for it, but that is as far as we have gone, I believe.

A. Well, I didn't know. Of course, I am not a lawyer. But I should think, that based on the lengths to which you have gone in giving weight to utility, you have done it—fertilizer, for example, that you could go as far as we have proposed here. In other words, this would not be inconsistent with your decisions in the past, having in mind, of [fol. 2936] course, Docket 17,000 and what you said in the fertilizer cases and other cases that you had before you.

By Com. Alldredge:

Q. You meant if they told him then to include something more than food products, basic necessities?

A. Yes, sir; clothing.

Q. Sir?

A. Clothing.

Q. Included in that?

A. Clothing is a basic necessity.

Q. Of course, we might argue about what kind of clothing, but would you include all clothing?

A. Well, that is one of the troublesome things that you would run into, I must confess, but offhand I would say yes, all clothing.

Q. Well, I got the impression—I am glad you straightened it out—that you were referring to food commodities.

A. No. Foods, generally speaking, would be the processed farm products.

By Com. Splawn:

Q. Well, when it comes to placing these commodities in the category of basic necessity, where lower freight rates are involved, how many basic necessities would you confront?

A. I imagine there would be a lot of controversial questions arising under this docket, it couldn't help but be otherwise, but I still say that some kind of a standing is better [fol. 2937] than no standing at all, and that is what we have today. When you have a classification before you today, you have all those differentials and then some more besides, because you find so many inconsistent decisions.

Q. Aren't you getting away from your theory of value there? You have used a term, undertaking to classify commodities according to value. Is that what you had in mind?

A. Well, we are undertaking to classify commodities according to value, and then we propose to modify that.

Q. Those, with exceptions of the higher values, you would step up 15 per cent, is that right?

A. No, we would arrive at the rating based on the value formula first and then we would reduce or increase that 5, 10 or 15 per cent, according to the utility classification.

Q. Well, under that utility thing, weren't you there considering more exceptional value than mere utility?

A. No, sir. No, that is one of the things that we discussed, debated a long time in the committee. There were originally some very sharp differences of opinion, and I will give you one illustration that I think will help answer your question. A raw material, about as raw as any material can be, is vanilla beans. We have had a lot of trouble with vanilla beans. They are worth, according to last reports I had, I think around $5 a pound. Now, frankly, that is a commodity that I don't think is entitled to any utility consideration.

[fol. 2938] Q. Right there, may I interrupt? They are worth $5 a pound because they are scarce, not because of considerations of utility, particularly?

A. Well, don't you think that the value of everything, most everything, rather, depends to a large extent on the scarcity of it? All raw materials, nearly.

Q. That is quite true.

A. But Doctor, you know you can take a pound of Vanilla beans and make a carload of vanilla extract.

Q. Yes.

A. The vanilla beans, tnat is a raw material. Vanilla extract is a manufactured luxury product. That is the inconsistency about this formula. I don't mind confessing the defects of it as well as its——

Q. Do you have any difficulty there about those vanilla beans? They can easily be distinguished from navy beans?

A. Well, they, in my opinion, should be classified separately in the classification by name. And many of the essential oils. Of course, essential oils are processed, but vanilla beans are not processed at all.

Q. Isn't that the difficulty here, that you have used a very general term, "utility," and the words "basic necessities": I think we all understand what you have in mind, but probably you want to study that phrasing a little bit, your terminology a little more.

[fol. 2939] A. It no doubt could stand some further study, although we, in our own imperfect way, did debate it over a period of about six months and this is——

Q. But you agree with the Chairman that this basic necessity would lead us into the realm of speculation and political economy that would be inferminable, wouldn't it?

A. I would like to do more thinking about it before I answer you finally.

Com. Splawn: Yes.

Chairman Aitchison: Proceed, Mr. Healy.

By Mr. Healy:

Q. Well, I understood in answer to a question from the Bench, you stated that in ascertaining the value of density to be used in ascertaining classification ratings, the weighted averages should be used?

A. Yes, sir.

Q. That is not the process you followed in preparing Part III of your Exhibit 145, is it? Have you used simple averages there?

A. We have used simple averages where we have shown the spread, for the very simple reason that we had no way in the world of getting weighted averages; but in other instances we have tried to use weighted averages. In one case in particular, that is shellac gum we got the average value and the weighted average from the comparatively recent I. C. C. report.

Q. You say you know of no way to ascertain the weighted [fol. 2940] average?

A. Oh, I didn't say that. I said we didn't. We didn't have the machinery set up nor the time nor the power to demand them, but if there should be on the railroad or motor truck classification docket a proposition to reclassify these commodities, I don't think you would have much trouble in getting the accurate figures from the shipper.

Q. You could apply that to all commodities in the classification, could you not?

A. In fact, I think the railroad classification committees probably have more than 75 per cent of this information in their files.

Q. One more question with respect to the various elements to be considered in classifying commodities. You stated with reference to bulk commodities, supply, demand and market competition are the controlling factors which must be considered, in addition to cost. Why shouldn't those facts be considered in classifying what you call merchandise freight?

A. Well, there are many good reasons. What we call merchandise freight is freight——

Q. Or box car freight.

A. Box car freight is freight that is spread over the whole country, in a much greater degree. That is, the shipments are from warehouses, factories and stores in all kinds of places, all cities, to all destinations. Your coal only comes [fol. 2941] from well-defined coal-producing areas. So does your sand and gravel. So does your ore. It is a matter of one producing area competing in a market with another producing area. I don't see how a mileage scale of rates could very well be worked. I think you only have to see that very plainly in reading from the lake coal rate cases.

Q. You don't think there is any competition between these commodities moving in box cars?

A. Why, certainly, there is competition between them.

Q. Doesn't that have to be recognized also in making rates or classification?

A. In making your classification?

Q. Yes. Say if you had——

A. Well, if it is of the same value and density, it would automatically take the same rating, so that remains your competition element.

Q. Then you would have different value and density applying to commodities which can be used for the same purpose?

A. Let the man who has the weakest article, from the classification standpoint, get the penalty that belongs to him. Don't equalize the man who has the advantage by giving him a penalty rating.

Q. In other words, you would ignore that competition?

A. I would ignore that definitely; wrong and unfair.

Mr. Healy: I believe that is all, thank you.

[fol. 2942] Chairman Aitchison: Is there anything further?

Mr. Grubbs: I have a question, if your Honor please.

Chairman Aitchison: Mr. Grubbs.

By Mr. Grubbs:

Q. Mr. Waring, I am just a little confused on one phase of your testimony. Am I correct in understanding that you take no position about the level of class rates here under consideration?

A. That is right.

Q. Is it your position that if the Commission will just take your formula and use its own good judgment, that everything will turn out all right?

Mr. Reed: Nor, Mr. Chairman——

The Witness: I am afraid that doesn't express just what I am trying to express myself.

Chairman Aitchison: I think we understand his testimony. You don't need to condense it into a sentence, Mr. Grubbs.

By Mr. Grubbs:

Q. And yet isn't it true that you say that all railroad LCL rates are too low?

A. No, I say as a whole they are too low.

Q. They are too low?

A. As a whole they are too low.

Q. Do you take the position that the LCL rates in all territories are too low, as a whole?

A. Well, all the figures that I have seen—and I am not testifying as an expert on that, but all the figures I have [fol. 2943] seen show they are too low all over the country.

Chairman Aitchison: I think you are making him your witness, Mr. Grubbs.

Mr. Grubbs: If your Honor please, he testified that the LCL rates were too low; that is, the rail LCL rates.

The Witness: I did, yes.

By Mr. Grubbs:

Q. Isn't that true?

A. Yes.

Mr. Grubbs: I just wanted to know, your Honor, the particulars underlying that conclusion.

Chairman Aitchison: All right. Make it brief.

The Witness: I just based that on Dr. Edwards' testimony previously, in addition to my own knowledge.

By Mr. Grubbs:

Q. That applies to all territories, as I understand you, Southern territory, Southwestern territory and Official territory?

A. If Dr. Edwards' figures show that, that is my answer.

By Chairman Aitchison:

Q. It does or it doesn't? He is asking you whether it applies to all territories.

A. I understand Dr. Edwards' figures show——

Q. No, what did you mean when you answered the question? Do you mean it applies to all territories or are there any exceptions?

A. That all of the railroad less than carload rates——

Q. In all territories?

[fol. 2944] A. In all territories, are below fully allocated costs for handling.

By Mr. Grubbs:

Q. And it is your position that the Commission should increase them in this proceeding?

A. The less than carload rates of the railroads, yes, sir, definitely.

Q. Now, in the course of your testimony you said that the rates on canned fruits and vegetables were 35 per cent higher than the rates on flavoring syrup in the South, notwithstanding the fact that——

A. In less than carloads.

Q. Yes, in less than carloads. Now, I want to ask you if, in obtaining the rates which you did obtain to make that comparison, you examined the Southern class rate tariff or whether you confined your comparison simply to the exception?

A. Based entirely on the exceptions rating.

Q. Yes. You didn't examine the class rate tariff itself?

A. No, I didn't examine the class rate tariff.

Q. Now, I wonder if you won't correct a statement you made.

A. No, I don't correct it because I don't know it. I don't know that it is wrong.

Q. If you, after examining the tariff and if you find that you have made a mistake in the statement that you have here made to the Division, won't you undertake to correct it?

A. Well, I wouldn't object a bit in the world, but it seems [fol. 2945] to me that the shortest way to do it would be to tell the Commission.

Q. All right. Now, you made some statements indicating a willingness if not a desire to apply the railroad carload

---

Mr. Reed: Mr. Chairman, would you mind asking if there is any more cross-examination?

Mr. Weeks: I have only one or two questions.

Chairman Aitchison: There are two or three witnesses here who find it imperative to get away this afternoon. They have been waiting for some time. We may have to run overtime to accommodate them. We will try to let them go, even if it means cross-examination has to stand aside.

The Witness: I have my ticket bought, Mr. Chairman, to Washington on the 5:33 train. I just want to know whether to cancel it or not.

By Chairman Aitchison:

Q. 5:30?

A. 5:33. I have it already purchased. I can get down there from the hearing room in about 25 minutes.

Mr. Grubbs: I can get rid of you in a minute.

Chairman Aitchison: Suppose this cross-examination ends by 5 o'clock. Everybody put his questions accordingly.

Mr. Grubbs: Yes.

By Mr. Grubbs:

Q. I want to know if the motor carrier industry, in connection with its desire to apply the railroad carload minimum weights, is willing to have the condition established [fol. 2946] that the entire weight, that is the carload weight, will be moved on a single day from a single consignor, to a single consignee, on a single bill of lading?

A. Entirely willing to do that.

Q. I want to know if the motor carrier industry is willing to have a rule established in connection with the use of the carload minimum rates whereby, if you reduced your volume rating, you would, at the same time, increase your rate?

A. In other words, if we are—our objective is to meet railroad carload rates, minimum weight, we will say, 36,000 pounds——

Q. If you put in a minimum of 18——

A. And we put in a minimum of 24,000 pounds, we will say, if we would be willing to increase that railroad rate, have our rate higher than the railroad carload rate?

Q. That is right.

A. That has been an awfully tough problem before the industry.

By Chairman Aitchison:

Q. Is it a question that you can answer for the industry?

A. I would like very much to answer it. It must be qualified to some extent, Mr. Chairman. We would, of course, be more than willing and I think it would be entirely proper to make our rates higher for a minimum of 24,000 pounds than the railroad rates for a minimum of 36,000 pounds; except that so long as we are prevented, if we are prevented, [fol. 2947] from meeting the railroad minimum and rate, the only way in many, many cases that we can get a share of the freight is to meet the exact railroad rate, regardless of minimum weight. There are innumerable instances, heavy movements of freight, most desirable truck traffic, where the minimum weight has no influence whatever on the routing of the freight. So that many times we must meet the railroad rate at our lower minimum weight.

Chairman Aitchison: Are you going to take the entire time, Mr. Grubbs?

Mr. Grubbs: No, sir, that is all.

Mr. Weeks: I will waive my questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Waring, I think it is generally accepted that in the case of the railroads, with the exception of New York, pier stations, and one or two other places, the usual rule is that in case of less than carload freight, the railroads have the burden of loading and unloading the freight and of transferring freight at transfer points, whereas in the case of carload freight, the freight is loaded into a car by the shipper at his expense, is unloaded at his expense and moves through without transfer. Now, the difference between the carload and less than carload ratings is, to a considerable extent, predicated upon that difference in the railroad service. My question is, is there a similar difference [fol. 2948] in the motor carrier service as between truckload and less than truckload operations or shipments?

A. Well, your question is this, do we have the expense of loading truckload freight while the railroads do not have the expense of loading carload freight?

Q. That is——

A. We both have the expense of loading less than carload freight, less truckload freight.

Q. But is there a difference in service, so far as the truck carriers are concerned, between a truckload and a less than truckload shipment which would justify having different ratings, truckload and less truckload?

A. Mr. McCollester, I will give you the best answer I can make, and that is based on the information I have. The shippers probably load half of the truckload shipments, although the rates of the truckman include loading, but for their own convenience, the shippers load it. There are tremendous movements of freight by truck where the trailers are backed up to the shipper's loading platform and he never sees them again until he sends a tractor to load them up.

Q. That is not in accordance with the tariff.

A. But in your opening statement, you made a misstatement. The railroads do not load and unload cars, I mean the shippers do not load on the piers in New York; the railroads do that.

Q. I made the exception of New York.

[fol. 2949] A. I thought you were saying——

Q. Is it not a fact, then, that as far as the truckers propose to have different rates for larger unit shipments, than for smaller, it is entirely a matter of competition with the railroads?

A. Well, not entirely, no.

Q. Well, largely, isn't that so, rather than a difference in their service?

A. I don't like to put it that way at all. We would have truckload rates if there wasn't a railroad in the United States, substantially lower than less truckload. In fact, the truckload rates today average around half of the less truckload rates and you will find many truckers or many operators that will argue with you there is more money in truckload business than less than truckload business today because of the increased labor cost during the last five-year period.

Mr. McCollester: That is all.

Chairman Aitchison: You are excused, Mr. Waring. I hope you catch your train.

(Witness excused.)

Mr. Reed: Mr. Chairman, the next witness will be——

Chairman Aitchison: We are not going to take him today.

Mr. Reed: All he will do is read his statement.

Chairman Aitchison: These men have got to get away.

Mr. Reed: He has been here all week and he wants to get [fol. 2950] away.

Chairman Aitchison: We will see after we take these other gentlemen, whether there is any time left for him.

Mr. Umbarger, you wanted to make a correction?

Charles K. Umbarger recalled.

Direct examination.

By Mr. Dyer:

Q. Mr. Umbarger, when you were on the stand this morning, Chairman Aitchison asked you if you were objecting to the eastbound rates that you pay on your traffic, and I believe your answer was no. Do you care to correct that answer?

A. That answer should have been yes. I misunderstood or I was so excited I didn't know what I was saying.

Q. That is why you are here in this proceeding, because you are objecting to those rates, is that correct?

A. That is right.

By Chairman Aitchison:

Q. And they are class rates?

A. They are class rates.

Q. Based upon the Official Classification rating?

A. Yes, sir.

Q. And upon what scale?

A. 4th and 5th class.

Q. Made how, laminated scale or what?

A. I am not a rate expert, I couldn't say. It is a class [fol. 2951] rate. It is published in the regular tariffs.

Chairman Aitchison: All right.

Mr. Bell: May I ask one question?

Chairman Aitchison: Yes, Mr. Bell. It has got to be cross-examination on this.

Mr. Bell: What?

Chairman Aitchison: It has got to be cross-examination on this.

Mr. Bell: Cross-examination on this. Well, he says he objects to the outbound rate, as I understand it.

Chairman Aitchison: All right.

Mr. Bell: This has reference to his distribution.

Cross-examination.

By Mr. Bell:

Q. You have given a report to the newspapers since you have been here, haven't you?

A. No, sir.

Q. Well, is it true that for 40 years the Coleman Company here has turned out lamps and stoves to the four corners of the world where there are no gas pipe lines——

Chairman Aitchison: That was gone into.

By Mr. Bell;

Q. (Continuing:) —and no electric lines, shipped all over the world?

Chairman Aitchison: That was gone into on the official classification basis; that is the question. We have got to confine this to cross-examination. You are excused.

(Witness excused.)

[fol. 2952] Chairman Aitchison: All right, Mr. Tally.

G. F. Tally was sworn and testified as follows:

Direct examination.

By Mr. Rynder:

Q. Mr. Tally, to expedite what you have to say as much as possible, let me inquire, are you from the traffic department of Swift & Company and are you representing that company in this proceeding?

A. Yes, sir.

Q. And have you some comments to make about the class rates here proposed, as you understand them, from Western Trunk Line territory?

A. Yes, sir.

Q. All right, proceed.

A. My name is G. F. Tally. As we understand the changes in class rates which are suggested by Mr. Jensen in his Exhibit No. 7, the fifth class rates from Chicago to New York and other Eastern territory would be somewhat increased and the fifth class rates from points in interior Iowa and Missouri River cities would be substantially reduced. So far as class rate traffic generally is concerned, we express no opinion as to the propriety of this change. We believe, however, that there are certain reasons why such a change ought not to be applied to the rates on packing house products until after an investigation which will be [fol. 2953] limited to the rates on packing house products and which may give consideration to the many competitive factors which, over a period of years, have affected those rates. Such an investigation would probably also have to give some attention to the rates from Midwestern territory to the East on livestock. The livestock rates are commodity rates bearing no relation to the class rates and apparently would not be affected or changed by any order made in this proceeding.

Generally speaking, the packing house product rates are the fifth class rates, although they have gone slightly off that basis as a result of certain recent decisions of the Commission which have allowed general increases, such as Fifteen Percent Case, 1937-1938, 226 I. C. C. 746, and Ex Parte 148, decided in the spring of this year.

The relationship between the rates on packing house products from Chicago, interior Iowa cities, and the Missouri River cities to New York and other Eastern territory and the relationship between the packing house products and fresh meat rates and the rates on livestock from and to the same points have been the subject of many proceedings before this Commission and have been set at the present bases as a result of exhaustive investigation by the Commission in which it has undertaken to fix levels of rates that, as to these specific commodities, would be nondiscriminatory as between points of origin so far as the products are concerned and nondiscriminatory as between [fol. 2954] the rates on packing house products and fresh meats, on the one hand, and livestock, on the other. I shall refer only briefly to those cases. There were several around 1915 and 1916 which I need not mention at this time.

All of these questions were involved in the case of Morrell & Co. v. N. Y. C. R. R. Co., 104 I. C. C. 104, which is one of the landmarks in this long-standing controversy. In that case the Commission held that the fifth class rates on packing house products in Eastern territory were not unreasonable. The packing house product rates from the Missouri River to the East were involved. While they were somewhat criticized by the Commission, no order was entered concerning them because it was stated that an adjustment of those rates alone, without changes from other points such as Wichita, Fort Worth, Oklahoma City, and so forth, was not desirable. This case was decided in 1925.

In Western Trunk Line Class Rates, 164 I. C. C. 1, decided May 6, 1930, the Commission prescribed joint through fifth class rates from Western Trunk Line territory to points in Official territory. The through fifth class rates so prescribed by the Commission from the Missouri River cities to Eastern territory were lower than the combination of rates on packing house products theretofore made up of commodity rates from the Missouri River cities or Chicago, plus the fifth class rates thence to Eastern territory, and [fol. 2955] the through fifth class rates thereupon became applicable on packing house products from the Missouri River cities to Eastern territory. However, through rates lower than the through fifth class rates continued to be applicable from the packing houses at interior Iowa points. This led to a series of cases before the Commission involving an adjustment of the packing house product and fresh meat rates from Interior Iowa points to the East as compared with Chicago, on the one hand, and the Missouri River cities, on the other hand. This dispute involved four extensive hearings and decisions by the Commission. They are: Packing House Products from Western Trunk Line Points, 197 I. C. C. 353, decided November 14, 1933; Packing House Products Eastbound from Western Trunk Line points, 206 I. C. C. 449, decided February 12, 1935; Swift & Co. v. New York Central Railroad Co., 220 I. C. C. 171, decided February 2, 1937; Fresh Meats from Iowa and Minnesota to the East, 227 I. C. C. 765, decided July 12, 1938.

Briefly, as a result of these cases the Commission prescribed the fifth class rates on packing house products from interior Iowa points to New York, with the exception of Austin, Minnesota, and prescribed arbitraries or differentials from interior Iowa points to the Mississippi River on fresh meat which, added to the rates east thereof, were found to remove the discrimination as between Chicago on the east and the Missouri River cities on the west.

[fol. 2956] Inherent in practically all of these cases were questions as to the relationship of the rates on livestock, on the one hand, as compared with fresh meats and packing house products, on the other hand. That question was involved in the Morrell case above mentioned, and it was discussed at considerable length in the decisions of the Commission in Eastern Live Stock Cases of 1926, 144 I. C. C. 731, decided July 14, 1928, and 165 I. C. C. 277, decided July 8, 1930. The rates prescribed in the decision last cited are still in effect except for the general increases authorized in Ex Parte 123 and Ex Parte 148. The Commission found in those cases that the rates there prescribed would be nondiscriminatory as compared with the rates on fresh meats and packing house products which had been prescribed earlier in the Morrell case.

In Midwest Association of Meat Packers v. Alton Railroad Company, 220 I. C. C. 227, decided February 2, 1937, an attack was made by the complainants upon the level of the livestock rates from interior Iowa points and certain other Western Trunk Line points to Official territory. Those rates were made up of a combination of proportional rates only slightly lower than the local rates from Western territory to the Mississippi River or Chicago, plus proportional rates only slightly lower than the local rates from the Mississippi River or Chicago to the East. The Commission held that the rates so made were not unrea-[fol. 2957] sonable and dismissed the complaints, thereby leaving in effect this combination basis on livestock from Western Trunk Line territory, although it had prescribed rates substantially lower than the combination on packing house products.

The same situation as to livestock rates to the South existed at the time of the decision of the Commission in the recent Southern Live Stock Cases, I. & S. Docket No. 4779 and cases consolidated therewith, and the Commission likewise preserved that adjustment from Western territory to the South, although it prescribed joint through rates from Southern territory to Official territory.

We therefore have the somewhat peculiar situation from Western Trunk Line territory to the East that the packing house product rates are in many cases approximately the same as the livestock rates.

I believe that the class scale proposed by Mr. Jensen from interior Iowa and the Missouri River cities would result in packing house product rates substantially lower than the livestock rates. This would be an anomalous situation contrary to all bases heretofore prescribed by the Commission in other parts of the country and would be very much to the disadvantage of those having packing house plants in the East, such as Swift and Company and numerous other packers.

By Chairman Aitchison:

Q. You are reading a statement, aren't you?
[fol. 2958] A. Yes, sir.
Q. Do you have copies for the Bench and for counsel?
A. No, I do not.

Chairman Aitchison: You are supposed to have.

Mr. Rynder: There is just a very short additional amount, if I may apologize.

Chairman Aitchison: Go ahead. We can't carry, of course, these details in our head.

The Witness: For this reason we earnestly request the Commission, in case it shall substantially change the class rate adjustment from Western Trunk Line territory to Eastern territory in this proceeding, to insert a saving clause providing in substance that a change in class rates shall not authorize any change in the rates on packing house products from Western Trunk Line territory to the East. In view of the amount of time and consideration which has been given to that adjustment by the Commission in the past in the cases cited and in other cases, we believe it warrants an amount of time and consideration that could hardly be given to it in this class rate investigation. If such an adjustment is to be made in the packing house products rates, it is my thought that it should be made in a proceeding in which consideration shall also be given to the competitive rates upon livestock, and they are not involved in this proceeding. [fol. 2959] Therefore we ask that the packing product rates from Western Trunk Line territory be excepted from any order made in this proceeding.

In conclusion I might say that a very different situation exists with respect to the rates on fresh meats, packing house products and livestock from the South to Official teritory. From the South to Official territory, instead of keeping the livestock rates upon a combination basis, the Commission has recently prescribed joint through rates, I. & S. Docket No. 4779, much lower than the combination. As a result, the rates from the South to Official territory on packing house products and fresh meats are very much higher than the rates on livestock. Indeed they are so high that we have filed a complaint alleging that they are unreasonable, I. C. C. Docket No. 28514, Neuhoff Packing Company v. Aberdeen and Rockfish Railroad Company. This case has not yet been heard. I merely mention it in order to point out that, so far as packing house products are concerned, there would not be the same objection to a readjustment of the rates from the South as from Western Trunk Line territory for several reasons, amongst which may be noted the fact that they are now much higher than the livestock rates and that they have not been the subject of serious consideration as to competitive conditions heretofore given by the Commission to the rates on these products from Chicago or Western Trunk Line territory.

Mr. Rynder: That is all.

[fol. 2960] Chairman Aitchison: Cross-examination? (No response.) There seems to be none. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Gilsten.

Mr. Norman: Mr. Gilsten has two exhibits that have been distributed.

Charles Gilsten was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Mr. Gilsten, your name is Charles Gilsten, G-i-l-s-t-o-n?

A. G-i-l-s-t-e-n.

Q. What is the name of the company with which you are connected?

A. The Monarch Wine Company.

Q. Does that company operate a winery at Atlanta, Georgia?

A. Yes, sir, and one in New York.

Q. And one in New York?

A. Yes, sir.

Q. What is your position with that company?

A. Vice president and sales manager.

Q. When was your plant established at Atlanta?

A. 1936.

Q. Why was it established there?

A. To be adjacent to the fruit fields; to be in the heart [fol. 2961] of the fruit belt, to manufacture fruit wines.

Q. Fruit wines?

A. Yes, sir, out of peaches and blackberries.

Q. Out of what?

A. Peaches and blackberries.

Q. How do you get your raw material to your plant?

A. We harvest from the growers and we do our own harvesting on the blackberries, consisting mostly of wild blackberries. However, we do have now under cultivation several hundred acres of blackberries in connection with the Farm Security Administration.

Q. What means of transportation do you use in getting your fruit to your winery?

A. We use trucks.

Q. Trucks?

A. Trucking facilities.

Q. Now, how did you supply your eastern market—first, where do you market your output?

A. We try to market all over the United States.

Q. In what form is it shipped?

A. Pardon me, I didn't get that question.

Q. In what form is it shipped?

A. Tank cars, barrels and cases.

Q. Now, prior to the war and the resulting elimination of the ocean transportation, how did you serve the Eastern [fol. 2962] Trunk Line territory?

A. We shipped the fruits, we stored the fruits in cold storage and shipped them via steamship to New York, left the wine at that point and reshipped to the territories, the Eastern territories.

Q. Are you able to do that now?

A. No, sir, the coastwise steamers are off for the duration.

Q. Now, are you able to ship there by rail?

A. No, sir. In some territories, yes, but not in all.

Q. I am talking about Trunk Line territory.

A. No, sir, we are not. We can't compete.

Q. What is the basis of your rates to Trunk Line territory?

A. The basis into the trunk lines? The classification, you mean?

Q. Yes.

A. Out of the South?

Q. Yes, from Atlanta.

A. We have no basis. We operate on some exceptions to some cities, such as Cincinnati——

Q. I am talking about Trunk Line territory, now.

A. I didn't get your question clearly, sir.

Q. Suppose we refer to the exhibit. You have had prepared an exhibit showing your rates and the rates from New York to various points?

A. Yes, sir.

[fol. 2963] Mr. Norman: What is the number, Mr. Chairman?

Chairman Aitchison: 146.

Mr. Norman: 146.

(Exhibit 146, Witness Gilsten, marked for identification.)

By Mr. Norman:

Q. Now, Mr. Gilsten, will you look at that exhibit and tell us what is the basis for the rates there shown from Atlanta, Georgia, to the territory beginning at Baltimore and on down?

A. Fourth class.

Q. Fourth class?

A. Yes, sir.

Q. That is the rate that is published in the—is it obtained from the Official Classification?

A. Yes, sir.

Q. Now, what is your principal competition?

A. New York City.

Chairman Aitchison: Did he say fourth class?

Mr. Norman: Fourth class, yes.

Mr. McCollester: It appears to refer to exceptions there, rather than classification, in the tariff reference.

Mr. Norman: Well, the rates in Trunk Line territory are the fourth class rates and obtained from the classification.

Mr. McCollester: The tariff authorities there refer to the exceptions to the classification.

Mr. Norman: Oh, he shows a first class rate there, yes, [fol. 2964] but it is not the rate on which the commodity moves.

By Mr. Norman:

Q. The commodity moves on the fourth class rate, that is correct, isn't it?

A. Yes, sir, that is correct.

Q. Now, what is the basis for the rates of your New York competitor?

A. He moves on the established rates, classifications, on the Northern rates.

Q. That is the exceptions to the classification?

A. Yes, sir.

Q. Now, have you made any effort to secure a better adjustment from the rail carriers that serve you?

A. Yes, we have been working at it for years. We have been successful in some instances and in such territory as Ohio, we have been unsuccessful.

Q. Now, they did give you the Official classification basis to the Ohio River cities as shown on this exhibit?

A. Yes, sir.

Mr. Norman: In that connection, I wish to say that the figure 57 in the first line under Official territory should be 52, and the figure 95 in the left hand lower corner—right hand lower corner, should be 42.

Chairman Aitchison: New York to Boston?

Mr. Norman: That is your New York to Boston. I don't know how the 95 got there. 42 is right.

[fol. 2965] **By Mr. Norman:**

Q. Now, have you been able, where you were given this basis, which was the Official Classification basis, have you been able to compete and to ship?

A. Yes, sir, to such cities as Cincinnati, Indianapolis, St. Louis, we get business there and we have movement. Louisville also. We have movements going to those cities now.

Q. Do you move that by rail?

A. Yes, sir.

Q. Prior to the establishment of this basis, did you move anything by rail up there?

A. No, sir, we had to use our own trucks and in many instances it absorbed the differentials in the cost.

Q. Now, what basis do you seek?

A. We want the same classification and rate basis as the Northern carriers have—Northern territory have.

Chairman Aitchison: That is exceptions, I understand.

Mr. Norman: They do have exceptions, yes. What he seeks is the same classification.

The Witness: The same classification, that is right.

By Mr. Norman:

Q. And the same rates?

A. East of the Mississippi, we seek the same classification and the same rates.

Q. And if that is put in the classification, why, that is the way you would want it?

A. That would put us in a position to compete.

[fol. 2966] Q. Now, if you had that competitive basis or the same basis that obtains in Official territory, could you develop your industry in Georgia?

A. We have now approximately one million gallons' storage capacity that can turn out three million gallons of wine a year. We are only utilizing that to about a 50 per cent basis now. The possibilities are unlimited on wines and fruits out of Georgia.

Q. And you feel that you could compete if you were given a parity of rates?

A. Oh, we have proved that in every instance where we have received a parity of rates.

Q. Now, you advertise your commodity?

A. Yes, sir.

Q. Nationally?

A. Yes, sir.

Q. And you have here as an exhibit, No. 147, a copy of the advertisement——

Chairman Aitchison: No, that is part of 146.

The Witness: Yes.

Mr. Norman: I beg your pardon.

The Witness: It is attached to it.

By Mr. Norman:

Q. And that is just filed to illustrate the fact that you do undertake to do a national business?

A. Yes, sir.

[fol. 2967] Q. In competing in this territory north of the Ohio River, who fixes the market price?

A. The New York City wineries. They seem to make the prices for us and they have this differential in freight, which practically puts us out of the picture.

Q. It is just a question of when and where we can beat their price?

A. That is right. It is just a question of how much we want to lose.

Mr. Norman: That is all.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. McCollester:

Q. Mr. Gilsten, your wine, I understand, is fruit wine, not grape wine?

A. We have some grapes available and we make a very small quantity of grapes, but we call them table wines. They are not the fortifying wine. We manufacture only the light wines in Georgia.

Q. Does your fruit wine compete with grape wine?

A. No. We don't compete with grape wines.

Q. Is your wine sold as a bottle wine or is it sold in bulk only?

A. We sell it three ways: We sell it to the bottlers in tank cars that have facilities for unloading tank cars; to bottlers who can't handle tank cars, in barrels; and we sell [fol. 2968] to distributors, under our own label, to redistribute it in cases, but ultimately it reaches the public in bottles.

Q. And this kind of wine competes only with other fruit wines?

A. Only other fruit wines, yes, sir.

Q. It doesn't compete with California wines?

A. No, sir, not at all. In fact, I have shipped one carload to California.

Chairman Aitchison: You have answered the question.

The Witness: Excuse me.

By Mr. McCollester:

Q. Now, did you correctly answer your counsel when you said that you paid the fourth class rates?

A. Understand, now, I am not a rate expert. Our problem, of course, is meeting competition and facing rate, differentials. Now, you say fourth class—I said fourth class because I understand, for instance, as an example, under Cincinnati, first class is listed at $1.69. The present rate is 52. Therefore, I understand that is fourth class rate.

Q. Do you know whether your rates are class rates at all or are exceptions to class rates?

A. Do I know, do you say?

Q. Yes. Do you know the difference between a class rate and an exception to the classification?

A. I understand a class rate is a particular classification.

Q. Yes.

A. And an exception, or a change of rate is an item [fol. 2969] set up for immediate use.

Q. Well, do you know which kind of a rate it is that moves your product from Atlanta to Official territory?

A. I understand it is fourth.

Q. Is that by the classification or by exception, do you know? Did you prepare Exhibit——

A. Pardon me?

Q. Did you prepare Exhibit 146?

A. No, my traffic man did, in Atlanta. Our traffic department prepared this.

Chairman Aitchison: This is subject to check, Mr. McCollester.

By Mr. McCollester:

Q. Looking at page 2 of that exhibit, is the picture in the upper right hand corner of the building your original plant at Atlanta?

A. The artist sought or tried to show an expansion there. In other words, he showed a little building and then a new building, the larger building. But that does not represent the first building, no.

Q. When was the new building built?

A. A year ago last September.

Q. Do you still maintain a warehouse in New York City?

A. A winery.

Q. A winery?

A. Yes, sir, at Bush Terminal, Brooklyn.

[fol. 2970] Q. A winery is the place where you convert your fruit into wine, is that right?

A. That is right.

Mr. McCollester: That is all.

Chairman Aitchison: Anything further?

Mr. McCollester: May I just ask one other question:

By Mr. McCollester:

Q. Is there a different rate on your tank car shipments than on your package shipments?

A. Yes. Now, out of Atlanta we have a tank car rate to New York City of 79 ~~cents,~~ and if we tried to put it in barrels, it would cost us $1.21.

Q. Which are the rates that are shown on Exhibit 146?

A. Both of them.

Q. Which are the tank rates and which are the carloadings?

Mr. Norman: Carload rate.

By Mr. McCollester:

Q. Carload rate.

A. Some of these, I understand, provide for tank cars and some don't. I am not, offhanded, familiar with it.

Chairman Aitchison: It is marked "c-Specific Tank Car Rate."

Mr. McCollester: I see only one of those.

By Mr. McCollester:

Q. To what points do you ship in tank cars?

A. Those rates that have been adjusted recently carry the tank car rate. The rates that haven't been adjusted [fols. 2971-2972a] just carry the barrel rate.

Q. To what points do you ship in tank cars?

A. Any place in the United States that I can get business.

Mr. McCollester: That is all.

Chairman Aitchison: Anything further? (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: I am sorry, we will not be able to take any more witnesses tonight because we are compelled, according to our understanding, to give possession of the room immediately.

Mr. Norman: Mr. Chairman, I don't think that exhibit was received. I now offer the exhibit.

Chairman Aitchison: Without objection, it is received.

(Exhibit 146, Witness Gilsten, received in evidence.)

Chairman Aitchison: We will adjourn at this time to 9:30 tomorrow morning.

(At 5:35 o'clock P.M. November 19, 1942, adjourned to 9:30 o'clock A.M. November 20, 1942.)

[fol. 2973]

Hotel Deshler,
Columbus, Ohio,
November 20, 1942.

Met, pursuant to adjournment, at 9:30 o'clock a.m.

Before Division 2 of the Commision

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding; Hon. Walter M. W. Splawn, Commissioner; Hon. J. Haden Alldredge, Commissioner; and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commision of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner..

Appearances:

As heretofore noted and the following additional:

Warren H. Wagner, Investment Building, Washington, D. C., appearing for John Morrell & Co.; The Rath Packing Company; and George A. Hormel & Company.

[fol. 2974] Proceedings

Chairman Aitchison: Shall we proceed. You may call your next witness, Mr. Reed.

Mr. Reed: Mr. Doud.

O. L. Doud was sworn and testified as follows:

Direct examination.

By Mr. Reed:

Q. Your name is O. L. Doud?

A. Yes, sir.

Q. You have prepared an exhibit which has been distributed to the parties in accordance with the Commision's plan of distribution, have you, Mr. Doud?

A. Yes, sir.

Mr. Reed: If the Commision please, may we have Mr. Doud's exhibit identified at this time.

Chairman Aitchison: 147.

(Exhibit No. 147, Witness Doud, marked for identification.)

By Mr. Reed:

Q. Mr. Doud, you have also prepared your testimony in statement form, have you not?

A. Yes, sir.

Q. And that statement has also been distributed, has it not?

A. Yes , sir. It was with the exhibit.

Q. With the exhibit.

A. Yes, sir.

[fol. 2975] Mr. Reed: If the Commission please, if there is no objection, I would like to ask leave *to ask leave* to have Mr. Doud's statement copied into the record by the reporter, down to the top of page 3 of the statement. Starting at page 3, he explains his exhibit, and I assume that the parties would want to hear that, if there is any question with regard to how the figures were compiled.

Chairman Aitchison: Very well.

(Mr. Doud's testimony is as follows:)

My present position is treasurer of The Silver Fleet Motor Express, Inc., and my residence is in Louisville, Kentucky. I have been so engaged for the past eight years, first as comptroller and later as treasurer, having direct supervision over the Accounting Department including statistics and cost studies. Prior to this experience

I devoted nine years to various public utilities, including telephone, gas and light and water—two years of which was with a public accounting firm which specialized in public utilities. During this nine years I acted as ledger clerk, accounting supervisor in several different sections, and Accounting Methods Clerk for the Illinois Bell Telephone Company of Chicago; Comptroller of the Southern Indiana Telephone & Telegraph Company; and Senior Utility Accountant for Herdrich & Boggs, Certified Public Accountants, Indianapolis, Indiana. Throughout this seventeen years I have handled the preparation of many [fol. 2976] cost studies and statistical exhibits for my testimony before the regulatory commissions in the States of Indiana, Ohio, Tennessee and Kentucky, and before the Interstate Commerce Commission.

As a result of action of "Special Committee of General Class Rate and Classification Investigation" of the American Trucking Associations, Inc., I was made Chairman of the Accounting Committee, charged with the responsibility of preparing a Traffic Survey, showing nationwide movement of general commodities handled by motor trucks.

The program was outlined and printed forms prepared during the months of September and October, 1940. Through an Accounting Committee composed of eleven accounting officers of motor carriers who planned to participate in the Traffic Survey, the work was begun in January, 1941.

My comments will be restricted to the work for which I was responsible, namely, the assembling and preparation of the Traffic Survey data. The program for the Traffic Survey involved five operations as follows:

1. Organizing Motor Carriers.
2. Gathering Traffic data—the Field Work.
3. Preparation of data on tabulation cards.
4. Density and value study of commodities.
5. Statistical computations and assembling of data.

Participating Motor Carriers. A brief summary of the preparation of this Traffic Survey is as follows:

[fol. 2977] We were able to obtain twenty-four Class I carriers which had the facilities to make this study. These carriers had operating revenues for the year 1940 of over $50,000,000, which indicates that a broad traffic sample was obtained. These carriers were located in various parts of the country; ten generally used the East Classification, nine the South Classification and five the West Classification. The twenty-four carriers shown on Page I of my exhibit numbered 147 were classified by territories according to the location of their principal operations; however, all of them handled interterritorial traffic and each had some traffic moving under the three Classifications.

The typicality of the territorial grouping is further shown by a comparison of Class I motor carriers of property for the year 1940 with number of shipments included in the study as follows:

	Revenue-Year 1940		Shipments in Study	
Territory	Amount	%	Number	%
East	$238,158,219	78	206,253	68
South	41,048,906	13	64,300	21
Southwest	27,289,148	9	33,939	11
	$306,496,273	100%	304,492	100%

I believe the traffic sample is as representative as could be obtained at the time it was made.

Gathering Traffic Data—Field Work. Through meetings [fol. 2978] which I held in Washington, D. C.: New York City; Akron, Ohio; Detroit, Michigan; Atlanta, Georgia; Chicago, Illinois; Minneapolis, Minnesota; and Dallas, Texas, instructions concerning the preparation of the abstracts of freight bills were given to representatives from these 24 companies. A "freight bill abstract," shown on page II of the exhibit numbered 147 was prepared for each article on a freight bill included in the period covered by the Traffic Survey.

It was decided to analyze by classification items all shipments which moved during a test period of six days, one day for each week day, each week period within a month, and each bi-monthly period of the 12 months beginning September 1, 1939, and ending August 31, 1940. This latter date was the last day before the Southern Rail Exceptions, which involved changes in over 3,500 classification items, became effective. The dates were: September 29, 1933; November 25, 1939; February 19, 1940; April 23, 1940; June 4, 1940; and July 11, 1940.

Rate clerks were loaned by motor carriers in the various cities to each motor carrier participating in the Traffic Survey. This combined force of rate clerks analyzed each freight bill included in the dates above mentioned. Each classification article on every freight bill was given a code number.

The National Motor Freight Classification No. 5 was [fol. 2979] rearranged according to commodity groups, Known as "Generics," there being 774. Each generic group was further subdivided by each item rating in the Classification, there being over 10,000 items, each of which was given a code number.

Tabulation of Freight Bills. The unit freight bill abstracts were forwarded by motor carriers to American Trucking Associations, Inc., Washington, D. C., for reviewing and checking, after which tabulating cards were prepared by a crew of 25 key punch operators. All of the information shown on the unit freight bill abstract, was punched in a tabulating card shown on Page III of Exhibit No. 147.

Density and Value Data. Another staff of people, familiar with the classification of articles carried on an accumulation of density and value information for all items in the classification for which such data was available. The sources of this density and value information are set forth on Page III of the exhibit. The density and value information is made a part of the traffic analysis by commodities and is a part of Summary I, Section I, for l. t. l. traffic, and Section II for t. l. traffic.

Statistical Computations. After the 300,000 tabulating cards had been sorted according to commodity articles in the Classification, weight of shipment in pounds, and movement of shipment in miles, all of which was prepared separately for East, South and West Classification Terri- [fol. 2980] tories, the tabulated summaries were ready for the computing operators. Computations were made by a crew of calculating machine operators so as to show traffic information as follows:

1. Revenue in cents per hundred pounds by various groupings of traffic.
2. Revenue per thousand-pound mile.
3. Per cent of First Class charges.
4. Average revenue per shipment.

5. Average haul in miles.
6. Average pounds per shipment.
7. Average number of pieces per shipment.

Summary I, Section I, Traffic Analysis by commodities of shipments under 10,000 pounds was prepared by a different group of people and the column headings are slightly different. In this summary the only commodities shown are these shipments which number more than one hundred for both class and commodity rated traffic, disregarding the number of minimum shipments. The reason for this was to obviate the necessity of too voluminous an exhibit. In this summary, page one, there is a blank space in the fourth space from the top in the column headed "Percent of Weight—East." The figure .024 should be inserted.

By Mr. Reed:

Q. What page is that, Mr. Doud, of your Exhibit 147?
A. Page 1, past the explanatory statement; the first [fol. 2981] numbered page.

By Chairman Aitchison:

Q. Do you mean, the Arabic numbers?
A. Pardon me?
Q. Page 1, the first numbered page, of the Arabic numbers?
A. Yes, sir.

Mr. Reed: Page 1, the first numbered page.
The Witness: Yes, sir. In the blank space, the fourth one down, under the main heading "Percent of Weight" in the column headed "East."

By Mr. Reed:

Q. The figures .024 should be inserted in there.
A. That is right.

Mr. Reed: Do all of you gentlemen have that? Under the heading "Percent of Weight," in the column headed "East," the blank space now appearing fourth from the top of the column should have inserted in it the figures .024.
The Witness: That is right. Now, there is another correction that I would like to make, also.

By Mr. Reed:

Q. Another correction?

A. Yes, sir.

Q. Where is that?

A. On page *VII*, to the left,—Roman seven.

Chairman Aitchison: Roman seven?

The Witness: Yes.

Mr. Reed: Arabic, you mean, do you not?

The Witness: No, sir, I mean going back, or going to [fol. 2982] the left, in the explanatory statement.

Mr. Reed: Oh, yes.

The Witness: In the subheading—or rather, under the subheading of "Truckload," in the half-heading to the left there.

Mr. Reed: Yes.

The Witness: Following the word "Commodity," in the second column of figures, you will find a percentage figure of 47.6.

Mr. Reed: What should it be?

The Witness: The present percentage figure appearing there is a typographical error, because it should have been typed as 44.6. It was not detected when it was printed, when the proof was read.

Mr. Reed: Very well. Does everyone have that, now? If so, you may continue.

The Witness: In Summary I, Section II, Analysis by commodities of shipments over 10,000 pounds, the only commodities shown are those whose total weight for class or commodity rated traffic individually was equal to or greater than 1/10 of one per cent of the total of all volume traffic.

Inasmuch as the five motor carriers, located in the Western Territory were not able to complete their unit freight bill abstracts in sufficient time to be included in the first tabulation, Summary 6 is shown as a separate page [fol. 2983] numbered 116 of this exhibit.

By Mr. Reed:

Q. Right at that point, Mr. Doud: the details for the Southwestern carriers were not included in the exhibit because of lack of time; is that correct?

A. Yes, sir, that is true. They started their preparation 8 months after the other carriers, and by reason of the shortage of time, in completing their preparation, that detail was not available for including in the exhibit.

Q. However, you do have the cards, is that correct?

A. Yes, sir.

Q. And they can be made available?

A. Yes, sir.

Q. Proceed.

A. Summary I, Section I, Traffic Analysis by Commodities for Less Truckload was supplemented by Appendix A, Supplementary Statement Showing Revenue Statistics which appears in pages 117 to 128, both inclusive.

For further information I would refer you to the summaries of traffic data set forth in the exhibit.

The Table of Contents of the exhibit shows page reference for the respective summaries.

Q. Have you anything further?

A. Well, I might just add, I think that the explanatory statement, pages I to VII, covers very thoroughly the abstract of information covered in detal in the more than [fol. 2984] 100 pages following; and the Table of Contents clearly sets forth the page references to the summaries.

Q. Now, Mr. Doud, did you prepare or cause to be pre[illegible]ed, under your own immediate supervision and direc[illegible], your Exhibit 147?

A. Yes, sir. The exhibit was prepared with the aid of the Accounting Committee over various sections of the country; and all of the work was done with my knowledge, and a great deal of it under my direct supervision, and part of it by myself personally.

Q. Is the exhibit true and correct, then, to the best of your knowledge and belief?

A. Yes.

Mr. Reed: If the Commission please, at this time I offer Mr. Doud's Exhibit 147 for identification, in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 147, Witness Doud, received in evidence.)

Mr. Reed: That is all with the witness on direct, and he is now tendered for cross-examination.

Chairman Aitchison: Cross-examine. (No response.) There seems to be no cross-examination. You are excused.

(Witness excused.)

Mr. Reed: That is all for the American Trucking Associations, if the Commission please. Thank you.

Chairman Aitchison: Mr. Robert H. Smith.

[fol. 2985] Robert H. Smith was sworn and testified as follows:

The Witness: My name is Robert H. Smith. I live in Duluth, Minnesota. I am appearing here today for the Duluth Chamber of Commerce, which is a nonprofit organization having some 900 members. Among its other functions it protects the welfare of the shippers and receivers of Duluth, from a transportation standpoint. I have been Traffic Commissioner of the Duluth Chamber of Commerce, and Traffic Manager of the Duluth Board of Trade, since March of this year, 1942, prior to which time I was Assistant Traffic Commissioner of the Duluth Chamber of Commerce for some four and a half years. My traffic experience goes back to 1928, and includes some 7 or 8 years in the Traffic Department of the Chicago Association of Commerce. I have prepared an exhibit which I would like to have identified at this time in record order.

Chairman Aitchison: 148.

(Exhibit No. 148, Witness R. H. Smith, marked for identification.)

The Witness: Pages 2 and 3 of the exhibit compare the populations of cities of 5,000 and over in the states of North Dakota, South Dakota, Minnesota and Wisconsin, with the population of Duluth-Superior. In contrast with most of the cities enumerated here, it will be noted that Duluth-Superior have suffered a decline in population; that decline, [fol. 2986] however, having been principally in the population of the city of Superior, Wisconsin. On page 4 of the exhibit there is set forth a survey that was taken by the Duluth Chamber of Commerce, indicating the diversity of the various businesses located in Duluth. Pages 5 and 6 of the exhibit are excerpts from a publication of the Bureau of Census, indicating that while the number of wholesale establishments in Duluth has increased, 1939 over 1929, the actual sales of such establishments have declined by some $70,000,000. Pages 7 and 8 of the exhibit are excerpts from another Bureau of Census publication, indicating the manufacturing situation at Duluth. What witness Townsend said in his testimony as to the all-rail rates between the Twin Cities, and Eastern Territory, and Chicago, applies with the same force to Duluth. The Duluth rates, as have the Twin Cities rates, to the East have been governed for many years by the Official Classification. This is undoubtedly due to the fact that these all-rail rates were constructed and made with a view to the existence of water competition on the Great Lakes, and the lake rates have always been governed by the Official Classification. It is the position of the Duluth Chamber of Commerce that rates to Duluth, as well as to the Twin Cities, should be governed by the Official Classification from all of Official Territory; and that the Central Territory border should be extended [fol. 2987] to include Duluth and the Twin Cities. We would have no objection to the extension of such a line to the Minnesota-North Dakota border, and to the Missouri River south. Pages 9 and 10 of my exhibit describe the Duluth-Superior harbor and the facilities there located. ~~On page 10 is a table showing~~ the principal ports of the United States, their rank, and their total tonnage. I call your attention to the fact that the Duluth-Superior harbor is second in tonnage only to the port of New York. On page 13 of the exhibit is a breakdown of the tonnage for the Duluth-Superior harbor by receipts and shipments so that the exact commodities handled may be readily ascertained. Now, as to the question of water rates: unfortunately at the present time water service on the Great Lakes is curtailed to a very marked degree. On July 14 of this year——

Chairman Aitchison: Well, that is sufficient, Mr. Smith.

The Witness: All right.

Chairman Aitchison: We know about that.

The Witness: Very well, sir. On page 21 of the exhibit is a history of the lake-rail rates from 1913 down to the present time. It shows all six classes. All this adjustment is described in your report in I. & S. 3662. I see no purpose in discussing it further here. The position of the Duluth Chamber of Commerce is substantially this, that if no marked change is made in the all-rail adjustment from [fol. 2988] Trunk Line and New England Territories to Western Trunk Line Territory, we ask that the present differentials be preserved. If, however, there is a very decided change in the level of such rates, we think that this Commission might properly make a finding similar to Finding 11 in the Western Trunk Line Class Rate Case, asking the carriers to prescribe lake-and-rail rates, giving consideration to the value of service and to the economy of water transportation. It has been suggested that the equated mileage theory of making rates be applied to the lake-and-rail rates between Western Trunk Line Territory and Trunk Line and New England Territories. We do not favor such an adjustment. In the first place, that theory has no basis in this record. We have no water costs before us at the present time. The same contentions were before the Commission in I. & S. Docket No. 3662. That theory is based only on the element of cost, and disregards the value of service rendered. Then also it denies the ports the benefit of their geographic location. That concludes my statement on direct.

Chairman Aitchison: You offer your exhibit, do you?

The Witness: Yes, Mr. Chairman; at this time I wish to offer my Exhibit 148 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 148, Witness R. H. Smith, received in evidence.)

Chairman Aitchison: Cross-examine. (No response.) [fol. 2989] There appears to be no cross-examination. You are excused.

The Witness: Thank you, sir.

(Witness excused.)

Chairman Aitchison: Mr. Wagner.

Mr. Wagner: I would like to recall Mr. Hart at this time, if the Commission please, to introduce one exhibit.

E. L. Hart recalled.

Direct examination.

By Mr. Wagner:

Q. You are the same Mr. Hart who was previously sworn and testified in this proceeding, are you?

A. Yes, sir.

Q. Have you prepared a four-page exhibit, containing certain clarifications and corrections in connection with your prior exhibits?

A. Yes.

Q. Is the exhibit true and correct, to the best of your knowledge and belief?

A. Yes, sir.

Mr. Wagner: If the Commission please, at this time we offer Mr. Hart's Exhibit 149 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit No. 149, Witness Hart, received in evidence.)

Mr. Wagner: That is all.

Chairman Aitchison: Are there any questions?

[fol. 2990] (No response.) Apparently not. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Hillyer.

Mr. Hillyer: If the Commission please, I have one exhibit that I would like to submit at this time.

Chairman Aitchison: Do you have a witness?

Mr. Hillyer: Yes, I have a witness available, your Honor, but I do not know whether I will need him or not. May I ask to have marked for identification at this time Mr. Maurer's Exhibit 150.

(Exhibit No. 150, Witness Maurer, marked for identification.)

Mr. Hillyer: This exhibit, your Honor, consists of a two-page stencilled memorandum entitled "200 Mileage Block; correction of testimony of T. C. Maurer, transcript page 1797. "It was prepared in answer to a question asked of Mr. Maurer by Mr. Smelker. Mr. Maurer is just outside in the anteroom; he was previously sworn as a witness; the exhibit was prepared either by him or under his immediate direction; and unless request is made that Mr. Maurer be recalled, I offer the exhibit in evidence at this time.

Chairman Aitchison: Without objection, it will be done.

(Exhibit No. 150, Witness Maurer, received in evidence.)

[fol. 2991] Chairman Aitchison: East Tennessee Border Traffic Association.

Mr. Hanlon: Yes, sir.

Charles V. Hanlon was sworn and testified as follows:

The Witness: My name is Charles V. Hanlon, and my address is 140 Cedar Street, New York City, New York, at which place I am employed by the traffic organization conducted by Mr. Milton P. Bauman. I have been engaged in transportation work and in participation in rate cases before the Interstate Commerce Commission since 1920. I have made a close study and investigation of industrial, commercial and transportation conditions in the Tennessee area served by this association, and in the outer territory which provides sources of raw materials and markets for finished products for east Tennessee manufacturers, jobbers and retailers.

Chairman Aitchison: Was your statement distributed?

The Witness: This prepared statement was distributed last night.

Chairman Aitchison: Do you gentlemen want to hear the statement read, or have you had an opportunity to go over it? Does anybody want to hear it read?

Mr. Neal E. Williams: Nobody.

Chairman Aitchison: Who was speaking?

Mr. Williams: I was. I said "Nobody."

[fol. 2992] Chairman Aitchison: If there is no objection, it can be copied into the record as if Mr. Hanlon had testified to it orally. Is that all right, Mr. Hanlon?

The Witness: Yes, sir.

(The balance of Mr. Hanlon's testimony is as follows:)

I assisted in the preparation of the evidence submitted for the East Tennessee Border Traffic Association, in Docket No. 26488, East Tennessee Border Traffic Association v. Akron, C. & Y. Ry. Co., 214 I. C. C. 316.

The East Tennessee Border Traffic Association. The East Tennessee Border Traffic Association is a voluntary organization of municipalities, chambers of commerce, and shippers and receivers of freight, located in northeastern Tennessee. Retailers, wholesalers and distributors located in the area are in competition with retailers, wholesalers, and distributors located at Bristol, Virginia-Tennessee, Bluefield, Virginia, Bluefield, West Virginia, and Roanoke, Virginia, among other points, with respect to property moving from points in Official Classification territory and which is subsequently sold in the common market contained in an area embracing northeastern Tennessee, southwestern Virginia and western North Carolina.

Manufacturers located in the area draw the great preponderance of their raw materials, supplies and equipment from points in Official Classification territory and endeavor [fol. 2993] to market their manufactured products in Official Classification territory, in competition with manufacturers and producers located within Official Territory.

The membership of the East Tennessee Border Traffic Association includes the following: At Johnson City, Tennessee,—Sells Lumber & Manufacturing Co.; Gulf Refining Co.; Summers Hardware & Supply Co.; General Shale Products Corporation; and Johnson City Foundary & Machine Co. At Elizabethton, Tennessee,—Elizabethton Chamber of Commerce. At Port Rayon, Tennessee,—American Bemberg Corporation, and North American Bemberg Corporation. At Kingsport, Tennessee,—Kingsport Grocery Co.; Kingsport Electric Co.; The Mead Corporation; Kingsport Press, Inc.; J. Fred Johnson & Co.; Kingsport Merchants Association; Holliston Mills of Tennessee, Inc.; Slip-Not Belting Corporation; Penn-Dixie Cement Corporation; Kingsport Improvement Co.; and Tennessee Eastman Corporation.

The Territory Concerned. The specific territory embraced by the membership of the East Tennessee Border Traffic Association includes the cities of Johnson City, Kingsport, Elizabethton, Port Rayon, Bluff City, Piney Flats and Watauga. These points and this territory may be referred to, collectively, as the Johnson City group.

The average distance between Bristol and these points, by rail, is 22.6 miles and, by highway, 20.4 miles.

[fol. 2994] The Tennessee points are in Southern Border territory within comparatively short distances of Bristol and St. Paul, Virginia, gateways between Official and Southern territories. Bluff City, Piney Flats, Watauga and Johnson City are 11, 16, 20 and 25 miles, respectively, south of Bristol on the line of the Southern Railway Company. At Bristol, the Southern connects with a line of the Norfolk & Western extending southwestwardly from Walton, Virginia, on the main line. Johnson City is also served by the Carolina, Clinchfield and Ohio Railway and the East Tennessee and Western North Carolina Railroad Company. Kingsport, on the Clinchfield, is 42.5 miles west of Bristol, over a route in connection with the Southern via Frisco, Tennessee. The Clinchfield connects with the Norfolk & Western at St. Paul, Virginia, 51 miles north of Kingsport, and with the Chesapeake and Ohio Railway Company at Elkhorn City, Kentucky, 94 miles north of Kingsport. Kingsport is intermediate to Johnson City, 26 miles north thereof, on the routes via St. Paul and Elkhorn City. Elizabethton, 9 miles east of Johnson City, is approximately 22 miles south of Bristol on a branch line of the Southern extending from the latter point to Mountain City, Tennessee, and is also served by the East Tennessee and Western North Carolina. Port Rayon, on the last-named line, between Johnson City and Elizabethton, a mile west of the latter point, is 23 [fol. 2995] miles from Bristol over a route in connection with the Southern via Elizabethton. The East Tennessee and Western North Carolina is a standard-gage line between Johnson City and Elizabethton.

Between Bristol, Virginia-Tennessee, and St. Paul, Virginia, on the one hand, and all points in Official Classification territory on the other, there applies the standard basis of rates prescribed by the Interstate Commerce Commission in the Eastern Class Rate Investigation, I. C. C. Docket No. 15879. Generally speaking, the average distance between the Johnson City Group and points in Official Classification territory is somewhat less than 104 per cent of the average distance between Bristol, Virginia-Tennessee, and points in Official Classification territory are representative of the level of rates within and between points in New England, Trunk Line, and Central Freight Association territories. The distance between the Tennessee area and points in Official territory is less than 104 per cent of the distance between Bristol and points in Official Classification territory. Of the transportation service between points in the Tennessee area and points in Official Classification territory, more than 96 per cent, measured by distance, is performed by carriers operating in Official Classification territory, and less than 4 per cent by carriers operating in Southern territory.

The Johnson City group area in eastern Tennessee has [fol. 2996] received separate and distinct consideration for the purpose of rate making, for the past twenty-five years. The principles which govern the policy of rate making from and to the Johnson City group area are the result of specific consideration in the form of and in the course of proceedings before this Commission.

No further consideration of freight-rate levels, particularly as applicable to or from the Johnson City group, could do justice to the Johnson City group without full consideration and understanding of the reasons underlying the litigation above referred to and the findings of fact and conclusion upon which the existing freight-rate structure from and to the east Tennessee points are based.

The proceedings referred to are as follows: Johnson City, Tennessee, Chamber of Commerce v. Southern Ry. Co., 46 I. C. C. 527; 50 I. C. C. 605; 64 I. C. C. 709; 192 I. C. C. 315; Southern Class-Rate Investigation, 100 I. C. C. 513; Rates on Bristol and Norton Lines of Norfolk & W. Ry., 192 I. C. C. 315; East Tennessee Border Traffic Ass'n v. Akron C. & Y. Ry. Co., 214 I. C. C. 316; 231 I. C. C. 453; 229 I. C. C. 20; and Summers Hardware & Supply Co. v. Baltimore & O. R. Co., 232 I. C. C. 22. The former so-called Johnson City case, 46 I. C. C. 527, et cetera, is referred to as Docket 7865.

History of Class Rates from Central Freight Association and Buffalo-Pittsburgh Territories. I. C. C. Docket No. [fol. 2997] 7856 was a complaint case attacking the class rates from Official Classification territory to Johnson City, Tennessee, alleging preference and prejudice and asking that Johnson City, Tennessee, be placed on a parity with Bristol, Virginia-Tennessee. Prior to the original decision (46 I. C. C. 527), July 17, 1917, rates from Official territory to Johnson City, Tennessee, were made on a combination over Bristol, Virginia-Tennessee. As stated in this decision, since 1893, rates to Bristol, Virginia-Tennessee, had been based on Official Classification ratings to the Virginia Cities and the following arbitraries over the Virginia Cities:

1	2	3	4	5	6
12	10	8	7	6	5.

and governed by the Southern Classification, but not exceptions thereto.

Rates to Johnson City, Tennessee, were made by adding the local distance rates, governed by the Southern Classification, for the 25-mile haul from Bristol, Virginia-Tennessee, which were as follows:

1	2	3	4	5	6
26	24	22	18	16	12

An example of comparison of rates to Bristol, Virginia-Tennessee, and Johnson City, Tennessee, at that time is as follows:

From Chicago, Illinois, to Bristol, Virginia-Tennessee: [fol. 2998] 1—84; 2—72; 3—55; 4—39; 5—33; 5—27.

From Chicago, Illinois, to Johnson City, Tennessee: 1—110; 2—96; 3—77; 4—57; 5—49; 6—39.

From Cleveland, Ohio, to Bristol, Virginia-Tennessee: 1—66.5; 2—57; 3—43.5; 4—31; 5—26; 6—21.

From Cleveland, Ohio, to Johnson City, Tennessee: 1—92.5; 2—81; 3—65.5; 4—49; 5—42; 6—33.

From Pittsburgh, Pennsylvania, to Bristol, Virginia-Tennessee: 1—86.5; 2—73; 3—55.5; 4—39; 5—34; 6—26.

From Pittsburgh, Pennsylvania, to Johnson City, Tennessee: 1—112.5; 2—97; 3—77.5; 4—57; 5—50; 6—38. In the above mentioned case, the Commission held the rates to Johnson City, Tennessee, not to be unreasonable, but that a Section 3 violation existed to the extent that rates to Johnson City, Tennessee, exceeded rates to Bristol, Virginia-Tennessee.

The carriers complied with the order by increasing the class rates to Bristol, Virginia-Tennessee, to the then-existing Johnson City, Tennessee, rates, but some commodity rates involved were not changed. The case was reopened as to the commodity rates and further decision entered on June 17, 1918 (50 I. C. C. 605). Complainants were dissatisfied and the case was again reopened and a further order was entered on December 12, 1921 (64 I. C. C. 709), in which the Interstate Commerce Commission held [fol. 2999] that the carriers' method of equalizing Johnson City and Bristol was not justified and required the publication of an arbitrary or proportional first class rate of thirty (30) cents (governed by Southern Classification, but not exceptions thereto) from Walson and St. Paul, Virginia, to Johnson City, Tennessee, and Bristol, Virginia-Tennessee, with the lower classes to be related as follows:

1	2	3	4	5	6
100	86	76	64	52	43

A	B	C	D
29	35	27	24

and rates to intermediate points to be graded down with the lessening distance to destination.

These rates were published as arbitraries in the Eastbound Billing Guides and after the ten per cent reduction of July 1, 1922, they were as follows:

To Bristol, Virginia-Tennessee, and Johnson City, Tennessee: 1—27; 2—23.5; 3—20.5; 4—17; 5—14; 6—11.5; A—7.5; B—9.5; C—7; D—6.5

To Kingsport, Tennessee: 1—23.5; 2—20.5; 3—18; 4—15; 5—12; 6—10; A—7; B—8; C—6.5; D—5.5.

These arbitraries continued in effect without change until I.C.C. Docket No. 13494 rates were published effective January 15, 1928.

[fol. 3000] An example of the rates to Kingsport, Tennessee, from representative C.F.A. points prior to January 15, 1928, follows:

From Chicago, Illinois. Base point: St. Paul, Virginia. (1) (2).

	1	2	3	4	5	6
To	139	121.5	91.5	63	53.5	44.5
From	23.5	20.5	18	15	12	10
Through	162.5	142	109.5	78	65.5	34.5

From Cleveland, Ohio. Base point: St. Paul, Virginia. (1) (2).

	1	2	3	4	5	6
To	106.5	93	79	48	40.5	33.5
From	123.5	20.5	18	15	12	10
Through	130	113.5	88	63	52.5	43.5

From Columbus, Ohio. Base point: St. Paul, Virginia. (1) (2).

	1	2	3	4	5	6
To	106.5	93	70	48	40.5	33.5
From	23.5	20.5	18	15	12	10
Through	130	113.5	88	63	52.5	43.5

From Detroit, Michigan. Base point: St. Paul, Virginia. (1) (2).

	1	2	3	4	5	6
To	108	94	70.5	48.5	41	34
From	23.5	20.5	18	15	12	10
Through	131.5	114.5	88.5	63.5	53	44

[fol. 3001] (1)—Rates to St. Paul, Virginia, governed by Official Classification and Exceptions thereto (Agent Jones' Freight Tariffs Nos. 130 and 218 Series).

(2)—Rates from St. Paul, Virginia, governed by Southern Classification and Exceptions thereto (N.&W. Ry. Eastbound Billing Guide I.C.C. No. 8194).

On page 710 of the Interstate Commerce Commission's report in Docket No. 13494 (100 I.C.C. 513) it was stated that the basis of class rates therein approved was intended to supersede all adjustments theretofore made and orders would be entered modifying all outstanding unexpired orders with the exception of the order entered in the Johnson City Case (64 I.C.C. 709). Consequently no order was entered modifying or vacating orders in that case.

As the rates prescribed under I.C.C. Docket No. 13494 (100 I.C.C. 513) were maximum rates, it was necessary to publish such rates from and to Kingsport and Johnson City, Tennessee, and at the same time maintain the rates to Johnson City and Kingsport as ordered in I.C.C. Docket No. 7865. This was done later by publishing these Virginia Cities combinations as through rates in Section 3 of Agent Jones' Tariff 450 series to alternate with the Docket No. 13494 rates.

Examples of the comparison of the Docket Nos. 7865 and 13494 rates as of January 15, 1928, to Kingsport, Tennessee, [fol. 3002] are as follows:

From Chicago, Illinois:

	1	2	3	4	5	6
Docket 7865 (1)	162.5	142	109.5	78	65.5	54.5
Docket 13494	174	148	122	96	78	70

From Cleveland, Ohio:

	1	2	3	4	5	6
Docket 7865 (1)	130	113.5	88	63	52.5	43.5
Docket 13494	150	128	105	83	68	60

From Columbus, Ohio:

	1	2	3	4	5	6
Docket 7865 (1)	130	113.5	88	63	52.5	43.5
Docket 13494	133	113	93	73	60	53

From Detroit, Michigan:

	1	2	3	4	5	6
Docket 7865 (1)	131.5	114.5	88.5	63.5	53	44
Docket 13494	155	132	109	85	70	65

(1)—Rates shown under I.C.C. Docket No. 7865 are matched class to class.

As Bristol, Virginia-Tennessee, has always been considered as an Official Classification territory point via the N. & W. Ry., it was involved in I.C.C. Docket 15879 (164 I.C.C. 314) and rates thereunder were published to be effective December 3, 1931. However, the rates as published were lower than the prescribed rates due to the fact that the [fol. 3003] Official territory carriers used the Appendix E scale for the short-line miles rather than adding the Appendix I arbitraries for branch lines as prescribed. This had the effect of putting in the same level of rates which applied generally throughout Official Classification territory, whereas, before, the class rate level was higher than applied generally in Official Classification territory.

These I.C.C. Docket No. 15879 (164 I.C.C. 314) rates to Bristol, Virginia-Tennessee, were suspended in I.&S. Docket No. 3660 and at the same time Docket No. 7865 was reopened for further hearing, both cases being joined and ultimately decided on one report (192 I.C.C. 315), April 10, 1933. In this report, the suspended class rates to and from Bristol, Virginia-Tennessee, were found justified and the previous order in I. C. C. Docket No. 7865 was modified to provide that rates from Central and Buffalo-Pittsburgh territories to Johnson City, Tennessee, would be prejudicial and unreasonable to the extent that they exceeded rates to Bristol, Virginia-Tennessee, by differences greater than the following amounts, subject to Southern Classification:

Class	1	2	3	4	5	6	7	8	9	10	11	12
Cents	8	7	6	4	4	3	3	2	2	2	2	1

The southbound rates from Central and Buffalo-Pittsburgh territories, pursuant to the modified order in the Johnson City case, were made effective June 24, 1933.

[fol. 3004] This brings the history of the so-called southbound adjustment down to the time of filing of the complaint in East Tennessee Border Traffic Association *v.* Akron, C. & Y. Ry. Co., Docket 26448. That proceeding will be discussed further on in the testimony.

The class rates between the Tennessee points and points in Trunk Line and New England territories and northbound from the Tennessee points to Buffalo-Pittsburgh and Central territories were not embraced in the Johnson City case, with the result that, following the publication of rates pursuant to the modified order in the Johnson City case, just described, the rates between the Tennessee points and Trunk Line and New England territories, and northbound to Buffalo-Pittsburgh and Central territories, were on a materially higher level than southbound class rates from Buffalo-Pittsburgh and Central territories, based upon the scale of differentials ranging from 8 cents, at first class, to one cent, at twelfth class, over the rates to Bristol.

History of Class Rates to Central Freight Association and Buffalo-Pittsburgh Territories. The class rates from Johnson City and Kingsport, Tennessee, to Central Freight Association territory prior to the publication of the Docket No. 13494 (100 I.C.C. 513) rates, as effective January 15, 1928, were made on combination of local or proportional rates to and beyond St. Paul, Virginia, governed by [fol. 3005] Southern by Southern and Official Classifications, respectively.

The basing class-rate scale in effect prior to January 15, 1928, governed by Southern Classification and Exceptions thereto, as shown in Notes A and 41 of tariff, from Kingsport, Tennessee, to St. Paul, Virginia (for beyond) was as follows:

1	2	3	4	5	6
36.5	34.0	31.0	25.0	22.5	17.0

A	B	C	D
17.0	18.5	14.0	14.0

the use of which resulted in the following through class rates, if matched class to class with the proportional class rates from St. Paul, Virginia, governed by the Official Classification and Exceptions thereto, as per Agent Lowry's I.C.C. No. 151:

To Chicago, Illinois: Base point, St. Paul, Virginia.

	1	2	3	4	5	6
To	36.5	34.0	31.0	25.0	22.5	17.0
From	126.0	110.5	87.5	60.0	51.5	42.5
Through	162.5	144.5	118.5	85.0	74.0	59.5

To Cleveland, Ohio. Base point, St. Paul, Virginia.

	1	2	3	4	5	6
To	36.5	34.0	31.0	25.0	22.5	17.0
From	106.5	93.0	70.0	48.0	40.5	33.5
Through	143.0	127.0	101.0	73.0	63.0	50.5

[fol.3006]

To Columbus, Ohio. Base point, St. Paul, Virginia.

	1	2	3	4	5	6
To	36.5	34.0	31.0	25.0	22.5	17.0
From	106.5	93.0	70.5	48.5	41.0	34.0
Through	143.0	127.0	101.5	73.5	63.5	51.0

To Detroit, Michigan. Base point, St. Paul, Virginia.

	1	2	3	4	5	6
To	36.5	34.0	31.0	25.0	22.5	17.0
From	106.5	93.0	70.5	48.5	41.0	34.0
Through	143.0	127.0	101.5	73.5	63.5	51.0

The tariff authority for the rates from Kingsport, Tennessee, to St. Paul, Virginia, is Carolina, Clinchfield & Ohio

Railway Tariff No. 6, I.C.C. No. 22, and from St. Paul, Virginia, to destinations shown, Agent O. E. Lowry's Tariffs I.C.C. Nos. 146 and 147. The northbound combination rates were higher, generally, than those then applicable on southbound traffic.

Subsequent to the establishment of Docket No. 13494 rates, the Virginia Cities combination provided for in Section 3 of Agent Jones' Freight Tariff No. 450 series applied between and the northbound rates were the same as the Section 3 rates shown in the history of southbound rates.

This situation was brought about as follows: In the Third Supplemental Report of the Interstate Commerce [fol. 3007] Commission in Docket No. 13494 (128 I.C.C. 567), finding 17 (e), the Commission found that rates from or to North or South Carolina would be prejudiced to said points to the extent they exceeded rates made by combining the local class rates within Official territory to and from Virginia Cities with the proportional or basing rates between such Virginia Cities and points in North and South Carolina named in Agent J. J. Cottrell's Tariff I.C.C. No. 616. As Agent Cottrell's Tariff I.C.C. No. 616 named rates southbound only from the Virginia Cities it was the intent of the carriers to publish these Virginia Cities combinations in Section 3 to apply southbound only. In this section there were to be published the proportions or arbitraries from St. Paul and Norton, Virginia, (southbound) as ordered by the Commission in Docket No. 7865. Section 3 of the original tariff 450 series was printed in accordance with the above interpretations, viz.: Basing rates from *from* Central Freight Association to Virginia Cities and arbitraries as shown in Eastbound Billing Guides, and proportional rates as named in Agent Cottrell's Tariff I.C.C. No. 616 beyond.

The question as to the interpretation of finding 17 (e) was brought before Commissioner Eastman by the North Carolina Corporation Commision and Commissioner Eastman ruled that such finding should be construed to mean that rates ordered in said finding were to apply in both [fol. 3008] directions, or between St. Paul, Virginia, and Kingsport, Tennessee, viz.:

Classes	1	2	3	4	5	6
Rate	23.5	20.5	18	15	12	10

A	B	C	D
7.	8	6.5	5.5

as governed by the Southern Classification.

The rates as published under Docket No. 13494, with the exception of the alternative application of Docket No. 15879 rates and arbitraries as published in Agent Jones' Freight Tariff No. 490, I. C. C. No. 2455, were the same as the southbound rates. Examples, matching class for class, from Kingsport, Tennessee, to a few representative Central Freight Association destinations, are as follows:

To Chicago, Illinois:

	1	2	3	4	5	6
Basis (1)	174	148	122	96	78	70
Basis (2)	162.5	142	109.5	78	63.5	54.5

To Cleveland, Ohio:

	1	2	3	4	5	6
Basis (1)	150	128	105	83	68	60
Basis (2)	130	113.5	88	63	52.5	43.5

To Columbus, Ohio:

	1	2	3	4	5	6
Basis (1)	133	113	93	73	60	53
Basis (2)	130	113.5	88	63	52.5	43.5

[fol. 3009]

To Detroit, Michigan:

	1	2	3	4	5	6
Basis (1)	155	132	109	85	70	62
Basis (2)	131.5	114.5	88.5	63.5	53	44

(1)—Docket No. 13494 rates per Section 1 of tariffs.

(2)—Virginia Cities combination per Section 3 of tariff.

Tariffs: Agent B. T. Jones' Freight Tariff No. 450-B, I. C. C. No. 2607.

Agent R. A. Sperry's Freight Tariff No. 15-A, I. C. C. No. 208.

History of Class Rates to and From Trunk Line and New England Territories. Following the Commission's decision in Southern Class Rate Investigation, 100 I. C. C. 513, and pursuant to reconsideration of the basis to be observed in the establishment of interritorial class rates, the carriers established rates between the eastern Tennessee points and points in Trunk Line and New England territories, based upon the Appendix Q-1 formula therein.

Due to the pendency of the Eastern Class Rate Investigation, and Bristol being a point within Official territory, no concurrent revision was made in the rates between Bristol and points in Trunk Line and New England territories until some time after the rates resulting from the [fol. 3010] Southern Class Rate Investigation were made effective. In the interim, the published rates to and/or from Bristol in some instances were higher on corresponding classes than the applicable rates to and from eastern Tennessee. It was not until May 1, 1933, at which time rates to and from Bristol were established pursuant to I. & S. No. 3660, that uniformity in the basis and level of the rates to and from Bristol was obtained. The basis and level approved in I. & S. 3660 for application between Bristol and points in Trunk Line and New England territories is exactly the same as the basis and level approved in the same proceeding, for application between Bristol and points in Central and Border territories, and for the construction of maximum reasonable rates from such Central and Border territory points to Johnson City by the addition of the scale of class-rate arbitraries beginning with 8 cents at first class, hereinbefore referred to.

The following is representative of the class-rate situation referred to, the classes being matched:

From Baltimore, Maryland, to Bristol, Virginia-Tennessee:

1	2	3	4	5	6
104	88	73	52	36	29

From Baltimore, Maryland, to Johnson City, Tennessee:

1	2	3	4	5	6
140	119	98	77	63	56

From Hagerstown, Maryland, to Bristol, Virginia-Tennessee:

[fol. 3011]

1	2	3	4	5	6
99	84	69	50	35	27

From Hagerstown, Maryland, to Johnson City, Tennessee:

1	2	3	4	5	6
135	115	95	74	61	54

From New York, New York, to Bristol, Virginia-Tennessee:

1	2	3	4	5	6
125	100	88	63	44	34

From New York, New York, to Johnson City, Tennessee:

1	2	3	4	5	6
163	139	114	90	73	65

From Harrisburg, Pennsylvania, to Bristol, Virginia-Tennessee:

1	2	3	4	5	6
106	90	74	53	37	29

From Harrisburg, Pennsylvania, to Johnson City, Tennessee:

1	2	3	4	5	6
145	123	102	80	65	58

From Binghamton, New York, to Bristol, Virginia-Tennessee:

1	2	3	4	5	6
130	111	91	65	46	36

From Binghamton, New York, to Johnson City, Tennessee:

[fol. 3012]

1	2	3	4	5	6
178	151	125	98	80	71

From New Haven, Connecticut, to Bristol, Virginia-Tennessee:

1	2	3	4	5	6
135	115	95	68	47	37

From New Haven, Connecticut, to Johnson City, Tennessee:

1	2	3	4	5	6
187	159	131	103	84	75

The foregoing rates were governed by the Official Classification when to and from Bristol, and by the Southern Classification when to and from Johnson City.

The East Tennessee Border Traffic Association Case.

I. C. C. Docket No. 26488 was a complaint case attacking the rates, including class rates, between the Johnson City group points and points in Official territory. The complainants therein are substantially the same parties on whose behalf this statement is submitted. Pursuant to the complaint, the Commission held that the class rates between Johnson City and points in Official territory were unreasonable to the extent that they exceeded through rates subject to the Southern Classification and exceptions thereto, published as single amounts, determined for first class by adding 44 cents to the first-class differential shown in Column A of Appendix C of the report for the distances [fol. 3013] north of Bristol, the rates for the other classes to be determined by the uniform Southern class-rate percentages.

As to class rates between Bluff City, Watauga, Piney Flats, Port Rayon, Elizabethton and Kingsport, on the one hand, and points in Official territory on the other, the Commission held that the rates were unreasonable to the extent that they exceeded the corresponding rates prescribed for application between Johnson City and points in Official territory, except that in instances where the latter rates were based upon distances over lines south and east of Walton, the rates between Kingsport and points in Official territory were unreasonable to the extent that they exceeded through rates subject to the Southern Classification and exceptions thereto, published as single amounts, determined for first class by adding 52 cents to the first-class differentials shown in Column B of Appendix

C of the report for the distances north of Bristol, the rates for the other classes to be determined by the uniform Southern class-rate percentages.

The application of the prescribed formula via Bristol resulted in first-class rates from Johnson City generally 8 cents and for Kingsport 11 cents over the Bristol first-class rates. The formula applied via St. Paul to and from points north and west thereof would result in rates that are substantially the same as result from the application of the formula via Bristol.

[fol. 3014] It was further held that the grouping of all the Tennessee points at the Johnson City rates, via Bristol, would be reasonable, except that Kingsport need not be grouped with Johnson City in those instances where the Johnson City rates will be based upon distances over lines south and east of Walton.

It was further held that the Tennessee points would be subject generally to undue prejudice of the differences between their rates and the Bristol rates were to exceed differences such as result from the prescribed class-rate adjustments.

The prescribed class rates were published generally effective November 2, 1936, but subject only to the Southern Classification. The former class rates were continued in effect for application in connection with the Classification exceptions and certain commodity column rates. On November 5, 1936, the new class rates were made subject to a limited number of the exceptions and, to permit a further study of the application of the exceptions, the effective date of the order was extended to February 3, 1937. Subsequently, the defendants made the new rates applicable in connection with Classification exceptions providing ratings which are the same as, or higher, in relation to first class, than ratings on the same articles in Official territory. The new rates, pursuant to the decision in the East Tennessee [fol. 3015] Border Traffic Association case, are presently in effect generally between the Tennessee points and Official Classification territory.

Rates on Iron and Steel Articles. Pursuant to the decision and order of the Commission in the former Johnson City case requiring a parity in the Bristol and Johnson City rates, rail carriers provided a rate of 47.5 cents per 100 pounds on iron and steel articles from Pittsburgh to both Bristol and Johnson City. This rate continued in effect to both points until the further report in Rate Structure Investigation, No. 17000, Part 6, 155 I. C. C. 517.

In establishing rates in accordance with the above decision, a rate of 37 cents from Pittsburgh to Bristol was provided, such rate reflecting the distance from Pittsburgh to Bristol over the short-line route. This 27-cent rate continued in effect until May 15, 1931, on which date it was increased to 38 cents to reflect the distance from Pittsburgh to Bristol over the N. & W. route via Walton. Despite the former parity in the rates on iron and steel articles from Pittsburgh to Bristol and Johnson City, resulting from the order of the Commission in the Johnson City case, no revision was likewise made in the Pittsburgh-Johnson City rate.

Pursuant to the amended order in the Johnson City case, 192 I. C. C. 315, the rate on iron and steel articles from [fol. 3016] Pittsburgh to Kingsport and Johnson City became 46 cents, composed of the fifth-class rate of 43 cents from Pittsburgh to Bristol and a sixth-class arbitrary of 3 cents as required by the amended order referred to. Within Official territory, the rates prescribed in Docket 17000, Part 6, closely approximate 30 per cent of first-class. Thirty per cent of the first-class rate from Pittsburgh to Johnson City, in effect pursuant to the decision in the East Tennessee Border Traffic Association case, is 39 cents. In Summers Hardware & Supply Co. v. Baltimore & O. R. Co., 232 I. C. C. 22, the Commission held that 39 cents would be a maximum reasonable rate to both Johnson City and Kingsport and properly related to the Bristol rate, in view of the circumstances which made the latter rate 38 cents.

The Commercial and Industrial Situation. The testimony of jobbers, wholesalers and manufacturers in the Johnson City group area, as to competition with Official territory points, is abstracted in the report of the Commission in the East Tennessee Border Traffic Association case, at pages 322 and 323. Having actively participated in that case, I am fully familiar with the record therein. Since that time, having had direct contact and familiarity with the activities of the membership of the East Tennessee Border Traffic Association, I am in a position to state that the character of inbound and outbound traffic to and [fol. 3017] from the east Tennessee area, as well as the competitive situation with localities having the benefit of the Official territory level of rates, is the same now as when the East Tennessee Border Traffic Association case was decided. The Johnson City group area is located in Border territory, immediately south of Bristol, Virginia-Tennessee. Comprehensive territorial class-rate proceedings heretofore instituted by the Interstate Commerce Commission have resulted in rates being prescribed which, of necessity, could not give adequate or complete attention to particular locality situations. For example, in its report in Southern Class-Rate Investigation, supra, the Commission, speaking of the Johnson City case, stated:

"In that case the relationship between Johnson City and Bristol, Virginia-Tennessee, was in issue. The situation is an unusual one, since Bristol has been treated, with respect to rates to and from points in Official territory, to some extent as a point in that territory, and to some extent as though it were located in Southern territory. The distance between the two cities is but 25 miles, and to many points in Official Territory the distance from Johnson City is no greater than the distance from Bristol. While it is possible that some modification of our order in the Johnson City case, supra, ought to be made in harmony with the general class-rate readjustment herein approved, we do not feel that such a modification ought to be made [fol. 3018] upon the record in this proceeding, particularly in view of the fact that the rates between Official Territory points and Bristol are not in issue."

However, the instant proceeding, as we understand it, is all-embracing, including interterritorial, as well as intra-territorial, class rates. Furthermore, the increasing use of percentage or column rates directly related to the class-rate scales, in lieu of commodity rates, lends an importance to this proceeding which was not true of the territorial class-rate proceedings heretofore before this Commission.

Other Transportation Factors. Submitted herewith is an exhibit consisting of four sheets in addition to the cover. May I have the exhibit marked for identification at this time with the next number in record order.

Chairman Aitchison: 151.

(Exhibit No. 151, Witness Hanlon, marked for identification.)

The Witness: Sheet 1 of Exhibit No. 151 for identification is a map showing the geographical location of the east Tennessee border points, particularly with relation to Bristol. This sheet also shows the distances between Bristol, Tennessee, and the east Tennessee border points.

Sheet 2 of the exhibit shows the principal routes to the east Tennesseee border points, that is, the routes through [fol. 3019] Elkhorn City and St. Paul.

Sheet 3 of the exhibit is a schedule of the American Airlines, Inc., showing Bristol, Johnson City and Kingsport referred to as the tri-cities. This schedule is reproduced from the schedules carried in the Official Guide. The three cities named use a common airport, which was specifically designed and located for such common use. The latter, we believe, is evidence worthy of consideration for the purpose of portraying the close association of these east Tennessee points and Bristol for all transportation purposes. Additionally, Kingsport, Johnson City, Elizabethton and Bristol observe a common standard of time. In Standard Time Zone Investigation, No. 10122, decided October 15, 1941, this latter fact is shown. In that proceeding, while Kingsport technically would not be included in the Eastern Time Zone, the City of Kingsport supported the proposal to extend the Eastern Time Zone to include that community. In connection therewith, the Commission had occasion to again refer to the fact that the cities of Kingsport, Johnson City, Elizabethton and Bristol constitute a social, economic and industrial unit in eastern Tennessee. That they have a common airport, that they compete commercially in the same areas, that they all observe Eastern Time, Bristol for all purposes in accordance with the outstanding order of the Commission, and the other three communities under local ordinances. As a result of the Time Zone Investigation referred [fol. 3020] to, the Commission found no occasion to bring about any change in this situation and, in effect, sanctioned the continuance of the common time standard at all of the east Tennessee points, on the basis of that prevailing at Bristol.

Sheet 4 of the exhibit is a map showing the various territories under the proposed Jensen formula. The only evidence in the nature of rebuttal which we have to present is in connection with the proposed territorial boundary as proposed by the Jensen formula. The Jensen formula would draw the territorial boundary north of Kingsport and Johnson City and would entirely separate the east Tennessee border territory and Bristol. The line of demarcation in connection with the Jensen formula is arbitrary and, in so far as we have been able to determine, represents no transportation standards.

The Johnson City case originated over twenty-five years ago, was first decided July 17, 1917, (46 I.C.C. 527) and since then has been reconsidered at least three times, 50 I.C.C. 605, 64 I.C.C. 709 and 192 I.C.C. 315; and, in a more broadened aspect, has been treated in the decision in the East Tennessee Border Traffic Association case. The rates flowing from the latter case, as to the particular Johnson City group, reflect the principle established through the twenty-five years or more of litigation referred to, that [fol. 3021] differences in level between interterritorial rates and intraterritorial rates (particularly in this instance, local rates within Official territory) should be no greater than the difference in transportation conditions between the two territories warrants.

Numerous and various rate-making theories undoubtedly will be proposed and advocated during the course of this proceeding but, based upon the facts before this Commission since the date of the original decision in the Johnson City case, in 1917, and the sound principles which underly the decision in that case as well as the East Tennessee Border Traffic Association case, it is our position that practical considerations must here supersede theory. It is further our position that no freight-rate structure affecting the Johnson City group would or could be sound if it did not reflect the experience and enlightenment resulting from the proceedings originally instituted in 1915.

Request for Findings. It is the position of the East Tennessee Border Traffic Association that the existing freight rates, based upon comprehensive consideration and records, should not be disturbed and we respectfully request the Commission to so hold.

At this time, if the Commission please, I would like to offer my Exhibit 151 in evidence.

Chairman Aitchison: Without objection, it is received.

[fol. 3022] (Exhibit No. 151, Witness Hanlon, received in evidence.)

Chairman Aitchison: Cross-examine.

Mr. Norman: I have a question or two, please.

Cross-examination.

By Mr. Norman:

Q. Mr. Hanlon, the particular section which you are representing is enjoying at the present time rates to Official Territory upon a substantially better basis than other sections of the South; that is correct, is it not?

A. Yes.

Q. As I understand the concluding portion of your statement, you do not object to the rest of the South getting a more favorable adjustment, such as you have; is that correct?

A. We do not object, Mr. Norman, but after answering your question that way, I would like to clarify my answer a little further, if I may.

Q. All right, sir.

A. The direct answer to your question is "No." Now, I would like to add this, that we would prefer, it would be our preference, to better our situation, or our position, if possible, with respect to the Official Territory level of rates; but if, however, there is to be an adjustment such as would follow the Jensen formula which is shown on sheet 4 of my exhibit, with certain sections of the country taking a higher basis than the Official Territory level of rates, then we would prefer to maintain the status quo, and have the rates remain as they are, rather than have the rates put into a [fol. 3023] straitjacket, where we will have to work under such a formula, for example, as Finding 27 of the Southwestern case. In other words, if there are going to be different levels of rates in different sections of the country, we would very much prefer the present adjustment, with a better relationship than we have today to Official Territory, if possible.

Q. But supposing now, that you were able to obtain an adjustment which would result in uniform classifications and rates throughout the territory. Would you then object to that?

A. Throughout which particular territory?

Q. Well, say, throughout the territory, as far as your interests are concerned, east of the Mississippi River.

A. That is, now, if we had a uniform rate——

Q. Yes.

A. —with Official Territory?

Q. Yes, sir.

A. Well, that would better our position in comparison with the Official Territory rate level, and we would have no objection to that whatsoever, no, Mr. Norman.

Mr. Norman: That is all.

Chairman Aitchison: Is there any further cross-examination?

Mr. James R. Bell: Just one question, please.

By Mr. Bell:

Q. Mr. Hanlon, would you have any objection to that if [fol. 3024] it were on a basis similar to Finding 27 in the Consolidated Southwestern Cases?

A. We would have an objection to that, yes, sir, to the extent that we would prefer the present situation. We would prefer the present rates to such a finding.

Mr. Bell: That is all.

Chairman Aitchison: There seems to be no further cross-examination. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Ribe.

Mr. Ribe: I am ready to go forward, Mr. Chairman.

Chairman Aitchison: Have you been sworn in this proceeding heretofore?

Mr. Ribe: No.

A. J. Ribe was worn and testified as follows:

The Witness: My name is A. J. Ribe. I live in Birmingham, Alabama. I have two exhibits, if the Commission please, which I desire to have marked for identification at this time.

Chairman Aitchison: 152 and 153.

The Witness: My first exhibit, which will be No. 152, is the bound exhibit; and the second exhibit, 153, consists of loose sheets.

Mr. McCollester: You do not mean that literally, do you, Mr. Ribe—loose sheets?

[fol. 3025] The Witness: No.

Mr. McCollester: You mean, the larger sheets, bound together at the left-hand side.

The Witness: Yes.

Mr. McCollester: Without a cover.

The Witness: That is right.

(Exhibits Nos. 152 and 153, Witness Ribe, marked for identification.)

The Witness: In my Exhibit No. 152 for identification I have nineteen sub-exhibits which are identified with letter prefixes. Since the distribution of this exhibit I have discovered that the number 148 was left off of the title page, immediately after the words "Ex Parte." I have only been able to add that number on the fifteen copies that have been given to the Commission, but not those that have gone to the other parties. My specifications are set forth, beginning at page 2 and continuing on through page 7. On page 2, under Item 1, I have indicated my membership in certain organizations, in connection with my qualifications. As to the first one listed there, the first organization, which is the Alabama Iron & Steel Shippers Conference, I was instructed by that organization to merely enter an appearance and take no part in this proceeding. As to the third organization listed, Southeast-Southwest Shippers Conference: under existing conditions there has been as yet to opportunity to have [fol. 3026] a meeting of the membership; so I felt it best to testify simply for myself, and permit that organization to adopt my testimony, if it so desired, after it hear it. The fourth organization listed, which is the Cast Iron Pressure Pipe Institute, I will testify for when I come to the matter of cast iron pipe, but my testimony, as far as that organization is concerned, will be limited entirely to cast iron pipe. Beginning on sheet 3, under Item 7, I have listed 60 shippers that employ me as traffic manager, or consulting traffic manager, and I am testifying for myself in that capacity. All of these shippers are either small or only moderately large. Certainly, none of them can be characterized as large corporations. I am not at the present time, and never have been, in the pay of a large corporation, except possibly during 1911, when I worked a short time for the company indicated opposite Item 5 on Sheet 3.

The purpose of my testimony here is in defense of the present Southern rate structure. I shall deal with Southern rates and Southern situations only as far as they are within my knowledge. I shall not touch on a rate or a situation west of the Mississippi River. Because of the conditions existing in my organization, under which, since May, I have lost two men to the armed forces, I have of necessity had to take a number of shortcuts, which I will point out as I come [fol. 3027] to them, and will therefore be able only to hit the high spots, so to speak.

With respect, first, to the Florida arbitrary situation, I am taking no position either for or against the proposal to cancel those arbitraries. I have no shipper in Florida arbitrary territory, but all of my shippers do ship into that territory; and should the arbitraries be removed, they will of course get reductions to the extent that the arbitraries are removed, provided that the basic scale is not regraded, to reflect the arbitraries for the long distances.

Now, beginning with my B-subexhibit, which is on page 8 of the main exhibit, ~~I~~ have, as a matter of convenience, listed the major Class Rate Cases which have been handled by this Commission; and frankly, I think that I made a mistake by putting in the Consolidated Classification Case, because that, strictly, was not a class rate case. This statement was prepared by me in August of 1940, and I have not revised it since that time. I call your attention to page 10, Items 8 and 9, which show that in those major Class Rate cases, including the Classification case referred to, the Commission, up to August of 1940, had rendered 47 reports, containing 2674 pages of text. Following on page 10 I have shown a partial list of the collateral cases, that is, cases growing out of the General Class Rate Investigations; and I want to emphasize [fol. 3028] again, if the Commission please, that this is only a partial list.

By Chairman Aitchison:

Q. Are we to understand, Mr. Ribe, that the Commission had no classification or class rate cases before it prior to 1919?

A. I am very sorry, Mr. Chairman, but I could not hear all of your question.

(Question read.)

A. That the Commission had no classification, or class rate case——

By Chairman Aitchison:

Q. Yes, prior to 1919. That appears to be the first one that you show in the exhibit.

A. Oh, no, Mr. Chairman. That was merely to indicate the cases that reflected the present classification structures in the territories. I did not go back and further than that.

Q. Do you mean in the South?

A. No, sir, I do not mean only in the South; I mean in the South, and Southwest, in Official Territory and Western Trunk Line Territory. Those are the cases—the major cases that I have listed.

Q. Well, let me see if I get you straight, now. Take the old Iowa Cities Cases, that Commissioner Clark, or Commissioner Prouty—I have forgotten now which one it was—handled. Inasmuch as they have been superseded by the Western Trunk Lines proceedings, you would not list those old Iowa Cities Cases, would you?

[fol. 3029] A. No, I would not, Mr. Chairman, that is correct. I did not list here any of the old cases. The purpose of this portion of the exhibit is merely to show that, as far as the present class rate structure east of the Rocky Mountains is concerned, the Commission is responsible for that structure,—and may I add that I think personally they have done a very good job. In my sub-exhibit C, which is on page 13 of the main exhibit, I have reproduced merely as a matter of my own convenience, the mandate which this Commision received from the Congress. In my sub-exhibit D, which begins at page 14 of the main exhibit, I have reproduced a letter written by the Tennessee Valley Authority, only for the purpose of referring to the next to the last paragraph, wherein it is stated that the Authority is having a study made of the traffic flow. I assume that the study referred to is that which is found, beginning with Table 2 on page 3 of Mr. Spottswood's Exhibit No. 76. If that is the case, then I do not think that it shows what it purports to show, and I want, Mr. Chairman, to analyze that study, to show that you cannot take total figures and reach any conclusion therefrom. In the first place,—and this study was made for 1940—the exhibit shows that the tons originated in the South and West exceed those originated in Official Territory states by 75,391,000 tons, or 32 per cent. If I understood the witness correctly, that is supposed to [fol. 3030] cover the extent to which the North draws raw materials out of the South. I have reworked that study to include the Southern states only, and my study is shown on page 16 of this exhibit. For the purpose of my study, I have used the same Southern states as were used by witness

Spottswood. I call your attention to the fact that in the study,—and this is on all carload traffic, limited to the Southern states—the percentage goes from 32 per cent to 22 per cent. Then I call your attention to the fact that when I pull out the Kentucky traffic, the balance, which is supposed to be an unfavorable balance, immediately jumps into the other column. In other words, instead of being an outbound balance, it becomes an inbound balance. After that exhibit was prepared I realized that, as to Kentucky, I probably should have only pulled out the Kentucky coal traffic; so, beginning with line 16, I have shown separately the Kentucky coal traffic from the other traffic. Now, this study of mine shows that the result of characterizing total figures as favorable or unfavorable is to consider the enormous amount of coal which moves from Kentucky into other territories as an unfavorable traffic balance for the South. Also in Table 2, Exhibit 76, the totals of Group-5 manufactures and miscellaneous are compared in the same manner, showing, as a result, that the terminations in the South and West exceed the originations by 8,137,000 tons. [fol. 3031] I have forgotten the percentage. I have reworked that group for the Southern states, and my study is shown on page 17 of my exhibit. When the study is limited to the South, the unbalance of this particular group is cut more than half, but, again, no conclusion can be reached from such total figures. To assist the Commission, in an effort to make a proper study of traffic flow, I have prepared my second exhibit, No. 153, which I would now like to refer to. However, before I go to the next exhibit, I would like to ask that the net balance shown on page 17 of my Exhibit No. 152 for identification, be noted. Then we go to page 4 of my Exhibit 153 for identification, Item 840; and going to the very last column, it will be noted that the two net balances are practically the same, namely, 4,000,000 tons, which indicates to me at least that it makes no difference as to whether we use the regional statistics for the South, or the state statistics. Certainly, that is true as to the Group 5 commodities.

Now, I am not in a position to discuss all of the commodities that are dealt with in my Exhibit No. 153 for identification, but I do want to point just some of them to the Commission. I have taken Items 70 and 71, hay and straw. The balances here are inbound, and certainly are unfavorable from the viewpoint of the South. This is the only place, I may say, if the Commission please, in connection [fol. 3032] with my Exhibit No. 153 for identification, where I propose to discuss freight rates, and I do so merely to show just how utterly impossible it is to unify the rates without hurting the Southern shipper. This happens to be an extreme case, with regard to hay and straw. The column ratings are 20, carload, in the South; 32.5-K in Official Territory, and 25—there is some suffix there, but I have forgotten for the moment just what it is—interterritorially. The reason, of course, for these letter suffixes is that either in Ex Parte 115 or Ex Parts 123, flat increases were authorized, necessitating the setting up of separate columns.

Now, if we take the rating of 20, and multiply it by 139, and the index of 100, and multiply it by 32.5, and then add the results, with what do we come out? Well, we come out with levels of index 100 in the South, 116 in Official Territory, and 125 from Official Territory to the South. Now, it is absolutely impossible to bring those levels together, without narrowing the spreads against the Southern shipper.

The next item that I want to go to is tobacco, leaf tobacco, which is an important raw material. Here we keep in the South all but 13 per cent of the production. The next item is cotton, a very important raw material; and the amount of this raw material which is brought into the South is amazing. It amounts to 66 per cent of our originations. [fol. 3033] I might say at this point, if the Commission please, that I am using 1941 in my Exhibit No. 153 for identification, for my own convenience, because it is rather difficult to follow these lines clear across the page.

I come next to Item 11, the Cotton Linter group. Here the unbalance is outbound, and from a raw material standpoint, is unfavorable. Those commodities are peculiar to the South, and if other territories use them at all, they have got to come to the South for them.

Going next to Item 100, Cottonseed, a raw material, the unbalance is favorable; in other words, the movement is inbound. As to Item 101, Cottonseed Meal and Cake, the movement is outbound to the extent of 21 per cent of tons originated. That is an essential product, and it seems to me, if the rates are so fixed as to stop that movement, why, the North can use soya bean cake and meal.

By Mr. Norman:

Q. May I interrupt you right there, Mr. Ribe, to ask you what you mean by that last remark—"If rates are so fixed as to stop that movement"?

A. I will answer that question by saying this, Mr. Norman, that it is not clear to me as to just what rates you are advocating. I go next to Item 121, Bananas. The balance here is outbound, and in my opinion is favorable; that is, favorable to the Southern railroads. If the traffic does not move through the Southern ports into other territories, it [fol. 3034] will move through ports in other sections.

Now, as to the other commodities in Group 1, Products of Agriculture, there is some seasonal crosshaul; as, for example, citrus fruits moving from the West to the South in one season, and in the opposite direction another season. Taking the group as a whole, the net balance is inbound, and is equivalent to 15 per cent of the originations. If we pull out the cotton, however, that unbalance becomes 8 per cent. Now, I find that the entire net balance can be accounted for by four groups—or rather, three groups, namely, Wheat, Item 10; Flour, Item 50; and Mill Products, Item 61. As a matter of fact, if we leave cotton in this group, and pull out the three commodities that I have just enumerated, we have a balance between the originations and the terminations.

Now, when we come to Group-2, Animal Products, here there are 11 items on which the traffic balance is outbound, and 11 on which the traffic balance is inbound. I call your attention to Item 210, Fresh Meats, and to the fact that the balance here is outbound, and is definitely favorable to the South. You will find that these situations largely existed in 1940.

Now, when I left the railroad some 30 years ago, I know that the situation was entirely different, because we brought in those articles at that time. In an effort to show con- [fol. 3035] cretely what happened in 1929, I made a check, and I found that in 1929 the movement in the South was lighter, but instead of sending out fresh meats we brought in 33,590 tons. That shows, in my opinion, that the Southern freight rate structure has permitted the growth of Southern industry. The next item is 220, the Cured Meat group, which I feel it fair to say is favorable, although I find, as compared with 1929, that we have lost some ground.

Referring next to Item 231, Butterine and Oleomargarine; those are the oleos, and they are some of the commodities as to which Mr. Spottswood, in his Exhibit No. 76, chart 3, page 10, indicates that the rates are so constructed as to hold that traffic in the South. Now, this is the Butter Substitute group, and I call your attenion to the fact that the market for those items is in the South; that we consume there something over 4,000 tons more than we originate. I find also, as to this group, that the consumption in the South, as measured by tons terminated, is approximately one-quarter of the terminations for the United States, measured by tons originated, the Class-1 carriers of the United States during 1941 having originated 27,459 tons of these products. But there is another story with respect to this group, and that is the matter of state regulations set up to protect the dairy industry. Those regulations are in effect in most of the states of the Union, the principal [fol. 3036] offender, if I may properly use that term, being the State of Wisconsin. I do not recall just what the regulations are, but in Alabama we have to buy the product uncolored and color it ourselves.

As to the next item, 260, Wool, a raw material, the traffic balance is definitely favorable; that is, it is inbound; and it is approximately ten times greater than it was in 1929. As to the next item, 270, Green Hides, a raw material, the balance is unfavorable, but is small, amounting to only 6 per cent of the originations. As compared with the 1929 figure as to green hides, we have lost some little ground. The next item is Item 271, Leather, which is another raw material made from hides, and the balance here is unfavorable, amounting to 31 per cent of the originations, but showing an improvement over 1929, when the percentage figure was 52. Now, for the group as a whole, the net balance is less than 1 per cent, and is made up principally of the Cured Meats item.

[fol. 3037] I come now to Group III, Products of Mines. As I understand it, this is the group where the North is supposed to drain these raw materials, and I can't find any substantial drain in the group. I might point out my study of the group. The first item, 300, is bituminous coal. I only call that to the attention here to ask the Bench to make a mental note of the balance figures which, in 1941, were roughly 21 million tons and in 1940, 19 million; because I will come to that later.

Item 310, coke is a very important raw material, and today the traffic balance is inbound and therefore favorable. When I saw this I was amazed and I couldn't figure it out. I had to make some investigation. I happen to represent the only commercial coke producer in the South. I will have to amend that; there is one at Chattanooga, I mean at Birmingham, and we ship from 75 to 125 tons of coke outside of the South annually. It will average, over a period of ten years, about 100,000 tons. And I have found that this inbound movement today consists largely of petroleum coke, which is coming from the Southwest and is being used by industries in the South. Now, in 1929 the picture on coke was entirely different. The balance was 292,080 tons outbound.

Item 330, copper. This is a raw material and the balance is favorable as a raw material. The next two items, 331 and 332, are raw materials and, as such, the balance is [fol. 3038] unfavorable, but when you go to the very next group, which is item 333, ores and concentrates, you find the balance is favorable from a raw material standpoint and exceeds items 331 and 332. Items 350 and 351, sand and gravel and crushed stone. The balances here are very heavy and certainly—they are outbound but it certainly does not represent materials that drain by industry from the South.

I now go to item 360, petroleum, crude. I had that checked off to discuss but I have decided I just don't know anything about it. It is rather heavy and it seems to be a strange movement to me, and I am unable to characterize the balance as either favorable or unfavorable. I do find that this movement, in 1941, was 24 times heavier than it was in 1929.

Item 370, asphalt. Mr. Spottswood has figure 3 on page 10 of his Exhibit 76 to show that the rates are so adjusted as to draw this raw material out of the South. I want to call your attention to the fact that we actually bring the material in. The balances are inbound. That situation is different from 1929, when the balance was outbound to the extent of 151,807 tons.

Item 380, salt, an important raw material, and the balance is heavy and definitely inbound and favorable. Phosphate rock, item 390. This material is used to make fertilizer and for chemical purposes, and I am unable to say whether [fol. 3039] the balance is favorable or unfavorable. I note that at page 25 of Mr. Hart's Exhibit 90, I see that the product was not produced in Official territory. 391, sulphur. This is an important raw material and the traffic balance is inbound and favorable.

Now, for the group as a whole, there are nine items on which the balance is outbound and nine inbound. If we take the total net outbound balance and deduct the coal item from it, that net comes down to 2,344,617. If I go further and deduct sand, gravel, stone, crude petroleum and phosphate rock, the balance then jumps over from the outbound column to the inbound column. If in this group there are materials being extensively drawn out of the South, they must be in Item 392, products of mines, N. O. S. The balance there is nearly a million tons outbound, but I don't believe that there is substantial tonnage of that material that is moving to Official territory. I find that in Group 392 are assigned 81 commodities, from abrasives to yellow ochre. Numbers of these commodities do not move interterritorially. Some like Fuller's earth move from the South to the petroleum industry in the Southwest. Some of the articles assigned to this group are barytes, bituminous asphalt rock, china clay, brick clay, pyrites, crushed limestone, dolomite, feldspar, fire clay, fluxing stone, Fuller's earth, ground iron ore, kaolin, pipe clay and shale. For example, the movements of clay and shale to make [fol. 3040] sewer pipe, earthen sewer pipe and brick out of would be in this 392 group.

I go now to Group IV, Products of Forests, and take up first logs, which is a raw material, and the balance is outbound. This unbalance is due either to logs originating on short-line railroads terminating on Class I carriers, to short-haul movements immediately across territorial lines, or to the mahogany and foreign woods of value which are brought in rather extensively through the gulf ports and sent to other territories. To the extent that these foreign logs are brought in, I would characterize this outbound movement as favorable to the South.

Items 440 and 441, rosin and turpentine. They are important raw materials used by industry, and if other territories get them at all, they must come first principally to the South and then to the Southwest. Item 442, crude rubber. This is an important raw material and the traffic balance is definitely favorable. As to the other articles in the group, I have a separate exhibit prepared where I have consolidated and will discuss those when I come to them.

I take up Group V, Manufactures and Miscellaneous, where the traffic balance, total traffic balance is right at four million tons. That is——

By Mr. Norman:

Q. Mr. Ribe, I don't understand this. You have got that crude rubber, originating in the South, 13,000 tons. [fol. 3041] Is there any rubber raised or produced in the South?

A. Mr. Norman, that would be tonnage that originates with the carriers at the southern ports.

Chairman Aitchison: The same way with bananas. That is the most striking.

The Witness: I come to Group V, the manufactured group. As I said, in 1940 the balance was right at four million and in 1941 it is practically six million. If you merely take the heading, you would probably construe this unbalance here as entirely unfavorable, but the group includes raw materials. It includes products that do not move interterritorially. The first four items are the petroleum products and we have to go largely out of the South to get these products. The balances aggregate for those four items 1,132,666 tons inbound or about one-sixth of the total. Certainly that inbound balance cannot be characterized as an unfavorable trade balance.

Item 460, cottonseed oil. This is an important raw material and the balance is outbound and may be characterized as unfavorable. Item 461, linseed oil, an important raw material, and the balance is inbound. Beginning with the iron and steel articles, 490 down to 513, I will treat them separately with another exhibit.

Item 520, the copper group. These are raw materials, and, as such, the balances are definitely favorable to the [fol. 3042] South. Item 521, bar, sheet copper and brass. The balance here is unfavorable to the South. 522, raw materials, lead and zinc group. The balance is favorable to the South. The movement is inbound. 523, another raw material, aluminum: Ingot, pig or slab. The balance is, as indicated, unfavorable from a raw material standpoint.

Item 530, I want to call particular attention to, which is machinery, because that is the other rate illustration I am going to give; and I call attention to the fact that the traffic balance of that very highly manufactured product is inbound and definitely unfavorable.

Item 540, cement, building material, and as such I characterize the unbalance, which is inbound, as favorable to the South, showing that we are drawing in this material for construction purposes. Items 550 and 551 are the two brick groups and are one case where, illustrating Mr. Spottswood's point that we send out low-valued products and bring in high-valued products. Item 560, common limestone used for building construction and is a raw material. The trade balance here is inbound and definitely favorable when you consider it from a raw material standpoint. Item 561, plaster, a building material which we bring in. I consider that balance favorable.

Item 582, tractors. Mr. Spottswood also had a figure here showing how the rates were adjusted to prevent this [fol. 3043] product from going out of the South, but I call attention to the fact that the market for the product today is in the South. Item 593, automobile tires and tubes, a manufactured product, and the balance today is practically a balance. In other words, the difference is an outbound and a very small figure. Item 611, furniture, other than metal. This is a highly manufactured product and the balance is favorable; it is outbound. Item 650, newsprint paper. I call attention to the fact that here there is a substantial inbound movement and a market in the South. Mr. Spottswood covers that in figure 2 of his chart 3 on page 10 of his Exhibit 76.

Now, since 1940 I have made two surveys of two prospective paper mills in the South, one a newsprint paper and the other kraft paper. As to the first survey, I want to read you the first letter that I received from the Bagdad Land and Lumber Company, Bagdad, Florida, just one paragraph: "If a plant is secured, preferably a newsprint, the market will probably be found in the Southeast. If a kraft plant is secured, the principal market will be along the North Atlantic Seaboard in New York, Boston and Philadelphia, although we could expect a sizable market between Chicago and Cleveland." I want to emphasize that situation because if you equalize these rates and if you use the basis that Mr. Hart has advocated, you narrow the spread as against any other southern shipper who might come in and make newsprint paper.

[fol. 3044] The next item is 651, printing paper, N. O. S., a highly manufactured product, and the unbalance is slightly inbound and therefore unfavorable. 670 and 671, cotton goods and bagging, bags, the balances are outbound and, as manufactured products, are favorable. Item 690, manufactured tobaccos. These are very highly manufactured articles and the balance is unusually favorable for the South. 692, furnace slag. This item, in my opinion, should always have been over with sand and gravel but it is not. I don't think the balance shown can be characterized as either favorable or unfavorable. 693, scrap iron, I will cover later. 694 and 695, paper articles. Mr. Spottswood has a figure in his chart 3 designed to show the handicap that these articles are under, but I call attention to the fact that the traffic balances are heavily outbound.

Item 696, building paper and prepared roofing. The balance is here is heavily inbound and, as a manufactured product, is unfavorable; but during the last 15 years we have had a substantial growth in that particular industry. For example, the Certain-teed Products have put a plant at Savannah, the Ruberoid Corporation at Mobile and the Flintkote Company one at New Orleans. The Flintkote have also built a plant at Meridian, but where it makes roofing, I don't know. As to the New Orleans plant, we [fol. 3045] supply it with slag pebbles, and the movement has been growing until about two years ago it reached 10,000 tons a year of the slag pebbles.

Now, I ask that a mental note be made of the balances on the bituminous coal, to get down to the total carload traffic. Now, when I discuss the coal figures from the balances on all carload traffic shown, item 850, I get a net balance outbound, 1941, of 1,231,641 tons and in 1940 of 829,812 tons. That is less than 31 per cent, which I would like to compare with the figure that Mr. Spottswood arrived at of 32 per cent.

Now, I have compared these total figures with 1929, and I find in 1929, if you take out coal, the net inbound balance was 5,994,276 tons. That shows the material improvement that has been made in the South, 1941 and 1940, as compared with 1929. In other words, this unbalance has come down from approximately six million tons to approximately one million tons.

I have made some other comparisons with 1929. The total tons originated in the Southern Region in 1941 were equivalent to 100 per cent of those in 1929. In the Eastern District, the percentage figure is 91. That is 1941 as compared to 1929. For 1940, the tons originated by the Southern carriers were 80 per cent of the tons originated in 1929. For the Eastern District, the figure was 74 per cent.

I want to refer now to page 18 of my Exhibit 152. The [fol. 3046] heading is explanatory. This is one of the shortcuts that I have had to take. I refer to Column F, which deals with first class, and with Column J, which deals with machinery. Here, unlike the hay extreme case, we are dealing with like with like, that is 100 versus 100 for first class and 40 versus 40 on machinery. I want to call your attention to the fact that if the Eastern scale is adopted for adoption within the South, between the South and Official territory, that these northern shipping points generally will receive greater reductions in cents per hundred pounds than the two southern points shown.

Now, the northern shipping points shown in this exhibit unquestionably are representative. I don't consider Greensboro and Nashville, Tennessee, as representative because they are not really as close to the heart of the South as is Birmingham or Alabama. In connection with this machinery situation, Mr. Spottswood testified that the textile industry had moved to the South but the machinery industry had not, and he charged that to freight rates. This shows it cannot possibly be charged to freight rates. It was not necessary, however to stop with textile machinery. The newer paper industry could have been considered or the important older lumber industry or even the T. V. A. If you go around the T. V. A. power plant, you will find that practically all of their machinery comes from Official territory.

[fol. 3047] By Chairman Aitchison:

Q. I don't think I understand this on sheet 18, the average present first class rate as contrasted to the average Appendix E first class rate. Why is the difference? Are the first class rates from Albany, you say, the Appendix E rates?

A. Not from Albany to the South. This is to 39 southern destinations that Mr. Hart used as typical of the South or representative.

Chairman Aitchison: Oh, yes.

The Witness: Now, as to the machinery industry and the lumber industry, particularly with reference to the lumber industry, I have made some recent inquiry to find out where the machinery comes from, and I find that the lumber mills throughout the United States, including those in the Pacific Coast, get practically all of their plating machinery from two concerns, one in Boston and the other in Beloit, Wisconsin. The sawmill machinery comes from three shippers, principally: Two of them at Milwaukee and one at Olean, New York. So I am unable to say how the rate situation has anything to do with the machinery, because lumber is not an important product produced in the North, but the other territories go to that section for their machinery.

Do you understand that exhibit now, Mr. Chairman?

Chairman Aitchison: Yes, I understand it.

The Witness: I go now to page 19, pulpwood, and I show [fol. 3048] first the commodity statistics for the Southern Region for 1940 and 1941, and I find that the tons originated in the South during 1941 amounted to 4.2 per cent of the total tons. In Item 2 on page 19, I have compared the Southern scales—we have a general scale that applies throughout the South, known as the Roanoke Rapids scale, and a separate Georgia scale, which is on a lower basis. I have compared those with the scales in New England and Western Trunk Line territory, and I have made the comparisons in five-mile blocks. I refer to the totals and index figures on page 20. The rates are compared in two ways: First, for 180 miles, because that is the terminus of the Central Vermont scale, and next for 200 miles, which is the terminus of some of the other scales.

On page 20, under the B & M column should be typed "Same as Maine Central," as was done on page 19. It will be noted that, at 200 miles, treating the Southern scale as index 100, the Georgia scale is 92, the Maine Central and Boston-Maine scale 147, and the other scales are higher.

I go now to page 22, industrial sand. I have shown first the production of molding sand in the South and Official territory, and compared the scales in the two territories. These production figures, I recently discovered, are not accurate because the Bureau of Mines, Department of the Interior, includes everything that is sold ultimately for molding sand purposes. It will be noted that here the [fol. 3049] Southern scale, as a whole, is 30 per cent lower than the Northern scale. Now, the differences vary through the scale and I don't represent 30 as being the exact difference. I have run these comparisons to 1200 miles because molding sand, the natural bonded variety, moves from Albany, New York, as far west as Illinois and Wisconsin, and as far south as Birmingham.

I go now to page 24, pig iron. Mr. Hart made certain comparisons with pig iron and used the term, the words that he was showing relative levels. That is shown in the heading of his exhibit.

Before taking up my K exhibit, which is page 24, I want to give the history of the pig iron in the South that is shipped by railroad. That pig iron consists of what we know as merchant iron and is used largely for making what is known in the trade as gray iron castings, cast iron pipe and the like. In other words, there is very little tonnage of pig iron moving in the South that is converted into steel. The only movement that I know of is from the Birmingham District to Atlanta.

Now, when I went to Birmingham in 1909, the pig iron that moved by railroad, 85 per cent moved outside the South and 15 per cent stayed in the South. In other words, as to the drawing of raw material out of the South, that would be a true statement as to pig iron if you were talking about 1909. Now, in about 1908, the year before I went [fol. 3050] to Birmingham, the plant of the National Cast Iron Pipe Company, whom I now represent, was completely new. Also, about the same time, the large producer now known as the American Cast Iron Pipe Company purchased and enlarged the old Dimmick Pipe Company. Now, some time between my connection with the L. & N. Railroad in Birmingham in 1909 and my connection with the Southern Railway in 1911, the pressure pipe plants of the McWane Cast Iron Pipe Company at Birmingham and the Alabama Pipe Company at Anniston were built new, so that was all new consumption that came into the South of pig iron after 1909.

Now, I have given you the history of all the companies in Alabama that make pressure pipe except two, that is the U. S. Pipe & Foundry Company and the Central Foundry Company, and I do not know their history. But I know they were operating in the South in 1909.

Now, in the '20's a new method of producing cast iron pipe was invented, that is the centrifugal process, where the pipe is turned out in about 20 minutes like sausage, whereas the old pit-cast method used to take ten hours. Also, since 1909, the Southern stove industry has developed. The principal consumers for the merchant iron which is shipped by railroad in the South are, first, the cast iron pipe plants, next, the stove plants and, thirdly, the Atlanta Steel Company.

Now, in my exhibit on page 24, I have shown the tons originated and terminated in the Southern Region for a [fol. 3051] 13-year period, with the outbound figures, which shows that the amount of exports out of the South into other regions has stayed right close, between 15 and 20 per cent. Now, opposite line 10, I have shown certain figures for the I. C. and Frisco, in an effort to see if I could explain a discrepancy, which I will later point out.

Beginning with item 2 on page 24, I show the distribution by classification territories of the 1934 rail movement of pig iron. That information came into my possession in this way: In 1935, the Southern railroads proposed a Fourth Section revision and we had a number of conferences and I, as representing consumers of pig, was made the chairman of the shippers' committee dealing with the carriers. The railroads asked for the breakdown of the 1934 movement. As is usual in such cases, the blast furnaces were unwilling to divulge their individual figures, so these were supplied to me and I consolidated them and supplied them to the railroads. The results are shown in item 2 on pages 24 and 25; and I call attention to the fact that 84 per cent of the movement was to the South, 13 per cent to Official territory and 3 per cent to the West. Now, the 1934 movement was only about one-half of normal. But from my knowledge of the situation, I believe that these figures are all representative. The discrepancy that I mentioned is that opposite lines 26 and 27. It will be noted that after I consolidated the shipments, I had a figure of about [fol. 3052] 60,000 tons in excess of the tons that the Southern carriers had originating. That is the reason why I have shown these I. C. and Frisco figures, but I believe the discrepancy is accounted for in two ways: First, pig iron purchased by the Birmingham railroads and moved deadhead, second, pig iron moving in the Birmingham district on switching rates.

On page 26, item 3, I show the breakdown of the 1934 movement to Southern territory by states, districts and destinations. Under a column headed "Location of," I have inserted the kind of consumers at these points, as far as the information was in my knowledge. The important consuming states are in this order: Alabama first, with 61 per cent; Tennessee, 16 per cent; Kentucky, 13 per cent; Georgia, 6 per cent; Virginia, 3 per cent; North Carolina with 1 per cent and the other states with less than 1 per cent.

I now refer to page 28, item 4. Here I have shown the distances and rates from Birmingham to the destinations shown in the preceding item 3. I have discovered, since coming to Columbus, that I left out Macon, Georgia, but the movement there is small. Now, in item 4 I have set the destinations up in distance order, because we have a group adjustment in the South as a destination group adjustment, and unless you put down the rates in this order, the adjustment appears rather inconsistent; but when the points are [fol. 3053] listed in distance order, it will be found that the rates follow consistently mileage to some extent, with the exception of Evansville.

Now, in item 5 on page 29, I have compared the live Southern rates on pig iron in the South with the New England scale. That is the only section of the country where I know there is a mileage scale applying on pig iron. My reason for starting with 31 miles and ending with 360 is explained in the asterisks opposite line 20.

By Mr. Norman:

Q. Mr. Ribe, isn't that New England scale the ex-water scale?

A. I don't think so, Mr. Norman. There is a blast furnace at Boston, you know; or rather it is in the Boston district. I have forgotten the name of the place.

Now, item 6, I have—and this is another one of my shortcuts—I have compared the live Southern rates with the rates in that part of Official territory lying on and east of the Buffalo-Pittsburgh zone, and for this purpose I took all of the Northern rates shown in Mr. Hart's Exhibit 88, Section 3-D. The comparisons are wholly explanatory, but I want to call out one or two.

First, on page 29, line 27, the rate between points in the Birmingham district. It will be noted that for comparable hauls, our district rate is about half of the Northern rate. Page K-30, the next most important district, from a consuming standpoint, in Alabama is the Alabama mineral [fol. 3054] district, shown opposite line 4. The first mileage there shown of 35 miles is a typographical error. It should be 55.

Before proceeding with this part of the item 6, I want to stop to explain that in Official territory, on and west of the Buffalo-Pittsburgh zone, there are three levels for pig iron. The lowest level applies in Illinois territory. The next level, which is higher, applies in C. F. A., and the highest level of all applies from Illinois and C. F. A. to Michigan.

I want to refer now to page 31, line 8, which is Atlanta, Georgia. I call attention to the rate in the South and the Northern rates for comparable distances. It will be noted that the Southern rate is about almost half of the Northern rates shown. I have carried out these comparisons in the same way, using comparable hauls for the distance range shown in the last column on pages 31 on through 35.

I will refer now to page 36, iron and steel articles of the higher grades. By that I mean the articles that ordinarily take the so-called list rates. Mr. Spottswood had a figure in chart 3 of his Exhibit 76 illustrating this iron and steel situation to indicate the discrimination northbound. First, I have shown in item 1 the commodity groups which I have included and which are the articles that ordinarily take the list rates, and over on the right, I have shown the groups that I have excluded. I have discussed the first excluded group, pig iron, 490. The second group is the [fol. 3055] billet group and the rates in the South on that group are lower. The third group is the rail group. The rates from the South on that group are lower. 510, cast iron pipe, I will come to that later.

I refer to item 2, where I have shown the general rate bases for the rates on these high-grade iron and steel articles. East of ~~the~~ Mississippi River, we have a commodity basis; west of the Mississippi River, a column basis. My only purpose there in showing the two different methods of making rates is to point out that if there is a uniformity of methods, either the method on the east side will have to give way to the west side method or vice versa.

Now, in item 3 on page 36, I have shown production of these high-valued iron and steel articles measured by tons originated. I want to call your attention to the fact that the production, as so measured, is 92 per cent in Official territory and 2 per cent in the Southern region.

Mr. Grubbs: 98.

The Witness: 98 per cent and 2 per cent. Now, in item 4 I have shown the consumption as measured by the tons terminated. Here it is 92 per cent in Official and 8 per cent in the South. On page 37, I have shown the traffic balances for these highly valued iron and steel articles, and it will be noted that for the Southern region, the ratios for both years are approximately 3 to 1. In other words, [fol. 3056] we terminate 3 tons to 1 ton we originate. Now, there are several reasons for this. In the iron and steel list there are many articles that we do not make in the South. There are also many articles which we make only the lower grades in the South and the higher grades are made in the North.

The figures shown in items 3, 4 and 5 on pages 36 and 37 are subject to some minor adjustments which I cannot make. One, for example, is that the production figures would not include the less carload traffic which moves directly from the mills nor would it include the huge amount of iron and steel articles which move down from the Eastern Atlantic and down the inland rivers by water. I am satisfied that as to the water movement, if I had the figures and could put them in item 3, that there would be no change in the percentage figures of 92 and 2 per cent.

The other adjustment that I am unable to make, and it is more important, is that in the Birmingham district the larger shipper is, of course, the U. S. Steel Corporation and their shipments originate on the Birmingham-Southern Railroad, and as to their mills at Fairfield, all traffic moving over that carrier is linehaul. In 1940, for example, the Birmingham Southern originated, of these highly valued articles, 1,177,811 tons and terminated 158,807 tons. Now, if I take those originations and assume that they all were consumed in the South and add them to item 5, the ratio then of consumption to production would [fol. 3057] be about as 3 to 2, but much of that steel which the Birmingham Southern originates moves through Ensley and down the Warrior terminal and then the Warrior River.

Now, I come to pages 38 and 39. Before discussing those pages, I want to state that I do represent two small iron and steel shippers in the Birmingham district, one making metal lath, who have been in business about 5 years, and one making bolts, nuts and related articles.

Chairman Aitchison: Mr. Ribe, I don't want to seem to hurry you, but your time is going awfully fast.

The Witness: How much more time have I got?

Chairman Aitchison: You have taken an hour and a half.

The Witness: An hour and a half?

Chairman Aitchison: But continue just as rapidly as you can.

Mr. Norman: An hour and ten minutes.

The Witness: An hour and a half?

Chairman Aitchison: An hour and ten minutes, Mr. Norman says.

The Witness: Well, in Exhibit 38, that is page 38, I have shown from Birmingham and principal steel shipping points in the North what the result would be if the Eastern iron and steel scale were used, and here I have used another shortcut. I have taken state capitals in the South and [fol. 3058] Southwest and, because Baton Rouge is east of the river, I have added Shreveport west of the river. It will be noted that in all cases, the differentials which Birmingham enjoys would be narrowed. The figures speak for themselves.

I turn now to page 40, coke. I have shown the commodity statistics for this commodity but have already discussed that. In one of Mr. Hart's exhibits, he used the I. & S. docket 3511 scale as the standard for Official territory and referred to it as the Official level. In item 2 on page 40 I have shown what the levels are as far as I know them. The figures speak for themselves.

I refer now to page 43, item 1, which indicates the commodities that I have included in the traffic statistics, which are the articles ordinarily taking the lumber rates. The tons originated here in Southern region amount to 8.1 per cent of all carload traffic originated by the Southern railroads. It will be noted that the unbalance between the originations and terminations is outbound, and I am unable to characterize that unbalance as an unfavorable one.

One of the principal uses, outside of house building and construction, for lumber is in the manufacture of furniture, so immediately following item 1, I have inserted furniture under item 2, showing the originations and terminations, and which indicates clearly the favorable position of the

South. We move out substantially more tons of furniture [fol. 3059] than we bring in.

Now, there was a question about the rate level on lumber in connection with Mr. Hart's—one of his exhibits. I find that in three pages, Mr. Hart said that he was comparing relative rate levels. The sheet I have in mind is sheet 13 of Section 3-B. Now, on page 44 I have shown the levels cumulatively and 100 miles——

By Mr. Norman:

Q. Mr. Ribe, may I interrupt you. Did you state that Mr. Hart stated he was comparing relative rate levels?

A. He so stated in three places in his exhibit as to lumber.

Mr. Norman: I understood he was not doing that. Go ahead.

The Witness: He said he was not. I said he stated in three places in the exhibit that he was.

Mr. Hart: I stated I was not.

Mr. Norman: All right, go ahead.

The Witness: In any event, we have a group adjustment in the South. I was chairman of the shippers' committee which reached the compromise with the Southern railroads, and we had to fit *of* square pegs in a lot of round holes, and maintain this group adjustment at the same time. There were a total of 11 proposals and counter proposals made, and we finally reached a compromise by taking my last scale up to 400 miles and the railroads' scale beyond 400 [fol. 3060] miles, and I call attention to the fact that the Southern lumber level ranges from 65 per cent at 100 miles to 84 per cent at 600 miles at Official territory level, but that because of the peculiar and unusual grade beyond 500 miles, Mr. Hart was able to show a level of 98 per cent by running the comparison to 1500 miles.

I refer now to page 45, scrap iron. I represent nine consumers of scrap. In the first item, which is 1, I have shown for 13 years the tons originated and terminated. The statement has been frequently made that rates are adjusted so as to draw raw material out of the South. Here is one case where the situation is exactly reversed. We in the South have difficulty in keeping scrap iron in the South. If you will go to the percentage figure in item 1, you will find that when business is slack, like it was in 1932, we could keep all the scrap iron in the South. Now the principal point for scrap in the South is, of course, the Birmingham district. In item 2 I have shown the distances from border points to Birmingham, except I did not go up to the Virginia border, as I have never known of a movement from that part of the Southern territory.

In item 3 on page 46 I have compared the level of the Southern scale with the Official territory level, and up to 500 miles it ranges—and the important Southern scale is the 80,000 scale—it ranges from 79 to 82 per cent of the Northern level.

[fol. 3061] Now, I was also chairman of the consumers' committee which dealt with that situation with the carriers, and Mr. Hart was on my committee. I have got to be very short and the best way I can characterize the adjustment we had to supersede was that it was a mess. It had one particular characteristic and that was the short haul rates were relatively low as measured by most standards and the long haul rates were relatively high. So to fit into the situation that we there found, we had to use a high-graded scale, and I show the progression in item 4 of the Southern scale and the Official territory scale by 100 mile blocks. It will be noted that beginning at 200 miles, in the 80,000 rates, the progression is uniformly 66 cents a ton, whereas if you take the Official territory scale, the progression decreases with the distance. Should the rates on scrap iron be revised on any standard that this Commission has used, we would have great difficulty in keeping the material in the South.

I refer now to page 47, road and concrete aggregates. Mr. Hart had four statements on this group, and you can't tell anything about the rates from any of the four statements. I find that as to this tonnage, it amounts to 13.7 per cent of the total tons originated by the Southern carriers. In item 3 I have shown the rate levels by each 50 miles up to 300, and following, on the following pages are the details of the rates.

[fol. 3062] I refer now to page 54, cooking and heating apparatus. Mr. Chairman, since Indianapolis I have been to Cleveland, Tennessee, to see Mr. R. B. Hurt, who is president of the Hardwick Stove Company and who headed the Southern stove shippers in the Southern Governors' rate case. I found Mr. Hurt and his laborers going to school, learning how to make a very important——

Chairman Aitchison: We can't hear you.

The Witness: I say I found Mr. Hurt and his laborers going to school, trying to learn how to make a very important fighting machine, or rather a part, and he asked me to give you the situation for the Southern stove industry and to cover it as best I could.

Now, beginning in item 1, I show the number of establishments or plants in the South and Official territory. If those west of the Mississippi River are added, the number would be pretty close to 450. Now, this industry finds itself in this fix: The W.P.B. first grouped them in three groups, placing all of those with gross sales annually in excess of two million dollars in Group A, those less than two million dollars but in a critical labor area in Group B, and those with sales less than two million dollars and in a non-critical labor area in C. By order effective July 31, all of the manufacturers in A and B were ordered out of business. Those in C were allowed to remain in business, making what is [fol. 3063] known as victory models, where both the cast iron and the steel is reduced in weight. Mr. Hurt's company and one other of the stove shippers I represent happened to be in the A group and were ordered out of business. The Cleveland company, however, does have a stamping plant and they are making an important war material but I am not at liberty—rather, they were fixing to start the night I was there. I am not at liberty to tell you what it is.

On page 55, item 2, I show the raw materials that were used by the Southern manufacturers of stoves and related articles in 1937 and their source. This was based on a dollar and cent value. I call your attention to the fact that on that basis, the Southern stove manufacturers obtained 54 per cent of their raw materials from the South and 46 per cent from the North.

Now, opposite line 3 is a reproduction of a study I made for the ~~Governors~~' rate case and which tests the only way I could find the value of the Southern products, and as so tested, it shows that the Southern product is less valuable and here, in that case, I had to make that test based on average value per wage earner. I couldn't find any other basis.

In item 4, page 56, I show the territorial distribution of the 1937 Southern shipments, which were shown in great detail in the Governors' rate case. In item 5, I show the division as between cooking and heating apparatus, indicat-

[fol. 3064] ing that the production and shipments are divided about 50-50, and that as to the heating apparatus, the principal markets are in Official territory and the Northwest, where the weather is cold. In item 6, I show the number of domestic consumers of gas, indicating that we have only 4 per cent in the South and 96 per cent in Official territory, and that as to gas cooking and heating stoves, the market is in Official territory.

In item 7, and I have taken another shortcut here, I show our 10,000 pound rates from Chattanooga, Tennessee, to Official territory, and my shortcut is to use the state capitals. I had to substitute Baltimore for Annapolis when it was discovered that to Annapolis there are no joint rates, but here the rates from the South are on a lower basis, more than 10 per cent lower than the Northern level, and these rates were voluntarily given to the Southern stove manufacturers by the railroads. They were not prescribed in the Southern Governors' rate case. My purpose in using Chattanooga is that it is the center of Southern production. If you draw a circle within 150 miles of Chattanooga, you get in all the plants but two.

In item 8, I have shown from Chattanooga to the same destinations our less carload rates on furnaces from Chattanooga, and the purpose of this comparison is to indicate that in the North, there is a truck competitive basis which we have as a result of the Southern Governors' rate case. [fol. 3065] If that Northern truck competitive basis is advanced to the normal classification basis and our rates go up with it, we will get greater advantages in dollars and cents than a Northern shipper, because our distances are greater.

Item 1 on page 54 shows that there are some of these Northern states, at least five of them, that have a greater number of plants in them than the South has in its entire area.

Now, I have not shown the most important rates on stoves and those are the carload rates from the Southern plants to Official territory and the less carload rates, except on furnaces. The reason I have not shown them is that all of those rates are on the normal classification basis in Official territory. That is fourth class on the gas stove, carload, fifth class on the coal and wood stove and house heating furnace, carload, and second and third classes, less carload, for those two groups. If there is unification of the rates east of the Mississippi River and any basis higher than the Eastern scale is used, our rates on stoves, all of them, will be increased a greater amount per hundred pounds than from our competitors in the North, who enjoy shorter rail distances.

We find ourselves on stoves in this fix, Mr. Chairman. Since the Northern rates are standard class rates, those rates are in issue in the case. Our rates are commodity rates but predicated on those Northern rates, they are ap- [fol. 3066] parently not in issue. But from a practical standpoint, I don't see how the situation can be treated, how you can treat a Northern rate without treating our rates. They are on the identical same basis, although our rates are commodity rates.

Now, I come—how much more time have I got, Mr. Chairman?

Mr. Norman: It is up. Exactly one hour and 30 minutes.

The Witness: I am about two-thirds through, so I am just going to have to quit in a few minutes.

Chairman Aitchison: Go ahead.

The Witness: I turn now to cast iron pipe, page 59.

Chairman Aitchison: The deductions that you draw from this, I think, are more important now than an explanation of details.

The Witness: What deductions?

Chairman Aitchison: As you go through here.

The Witness: You mean as to cast iron pipe?

Chairman Aitchison: As to the various items you have remaining. You say you are about two-thirds through?

The Witness: Yes, sir. As to this group, I am speaking for the national organization which is indicated on page 2 of my exhibit, and we are interested in the case. From the Chairman's ruling, apparently our carload rates—I shouldn't say "apparently"—our carload rates are not in issue, but as to less carload, we have one foot in and one [fol. 3067] foot out. By that I mean in the South we have 40 per cent of first class, which is a normal rating, and that is the rating from Official territory to the South, and it is a classification, proper basis, whereas within Official territory it is an exception rating to our competitive and our Northern rates which were voluntarily given to us by the carriers, are on the Northern level.

Now, in item 89—I think the exhibit is fully explanatory, Mr. Commissioner, and I am not going to refer to that item, except item 7, in which I show our carload levels. These rates were all fixed by this Commission, except from the South to W.T.L. Zone 1, where the adjustment was a voluntary one by the carriers. We wanted to show these levels because Mr. Hart did not clearly show them. Now, the less carload rate bases are shown opposite line 8—are shown in item 8, rather; except that I have omitted, through oversight, one rating, and that is from the South to the South, which should have been shown as 40 per cent of the going rates.

Now, the position of the cast iron pressure pipe industry of the United States is that it has been working under relationships set up by this Commission as to carload traffic, that it does not want those rates disturbed. I can tell you frankly, Mr. Commissioner, before the Commission acted, there was a continual fight within the industry, but since the [fol. 3068] Commission has acted and has fixed those rates, we no longer have those fights. We are using those relationships. The Pressure Pipe Institute's position is the same with reference to less carload rates. I will have to say there that we are unable to tell you what the proportion is, less carload. The three other members of my committee have been here all week and they all guess from 2 per cent to 10 per cent and I just can't give you the figure.

Now, on my S Exhibit, which begins at page 62, I have listed the commodities which I have discussed, analyzed or touched on in my testimony, and called attention on the last page, opposite the last line, that I have touched in one way or the other, 84.3 per cent of the tonnage originated by Southern carriers.

Frankly, Mr. Chairman, I am only two-thirds through but I will quit.

Chairman Aitchison: Well, we want to get the facts and if you have something significant that you haven't touched on, you can give us your idea of it.

The Witness: I would like to cover just one situation, Mr. Chairman. No, I would like to cover two situations. One has to do with figure 4 of Mr. Spottswood's chart 3, page 10 of Exhibit 76, dealing with pottery. Now, this has been one of the stock illustrations given of rate discrimination that has been used over the South for quite a number of [fol. 3069] years. It originated with the failure or the twice failure of a pottery industry in Georgia to succeed. I made a thorough survey for the Crosset-Watsek-Gates Industries of Chicago, looking to the installation of the pottery at Lockhart, Alabama, and I was assisted by the vice president of the Alabama Power Company, which company employed a New York firm of engineers. I have my original file here. We first investigated the reason for the failure of the Georgia pottery. We found that while they changed the engineers two or three times, they were never able to make a product that could be sold; that a sample was put with the Chamber of Commerce at Savannah for display, and because of unfavorable comment, the Chamber asked the manufacturer to remove the display.

Now, the statement has frequently been made that Georgia has china clay and should therefore produce this product. I think it can be done, based upon the study I made. Now, my study not only went to the rates but also to the location of the raw materials. First, the plant called for making 200,000 sets. That is the annual production; averaging 42 pounds apiece or 4,200 tons.

One principal raw material is fuel oil. This plant, if it had gone in, would have used two carloads a week. Being close to Pensacola, 75 miles, and knowing that normally the Gulf price for fuel oil is lower than the North Atlantic price, we started off with the knowledge that we were not in an [fol. 3070] unfavorable position there. Another raw material that is actually used in the product itself is glazed material. Those materials consist of fritt, which comes from Cleveland, Ohio—and incidentally, I developed through this engineering firm the values of these products at Trenton, New Jersey. Fritt, which comes from Cleveland, Ohio, Trenton value, $105.20 a ton; feldspar from western North Carolina, $20 a ton; flint—and that term is used in the trade for silica sand, $12.05; kaolin from Florida, $19.26; lead carbonate from the Joplin district, $150; zinc oxide from the Joplin, Missouri, district, $215. Now, as to those glazed materials, my instructions were to pay no attention to them, as these high-value products would move in small quantities by less carload and the freight rates were not a factor.

Now, when we get to the real raw materials that go into the chinaware, here they are: First, sand flint, 35 per cent. This flint or silica sand must be pure sand, very low in iron and entirely free from titanium. I made a search; so did the Power Company through the industrial departments. We first found this sand at Berkeley, Virginia. The next point we thought we found it was Thomasville, Georgia, but there we had to buy an electric magnet from some place in the North to reduce the iron content, but it was discovered that the material had three-tenths of one per cent of titanium, so we had to exclude the use of the Thomasville material. We [fol. 3071] finally found the proper silica sand, undeveloped, on a doctor's property, three miles from Ohatchee, Alabama, on the Seaboard, northeast of Birmingham; and the conclusion made was to mine the sand ourselves and ship it to Lockhart, Alabama, and grind it down there.

I am not going into any further detail on raw materials except to say that your proportion of feldspar is 10 per cent, the Florida kaolin 21 per cent, the ball clay, from the Paducah, Kentucky, district 17 per cent, our china clay, available in Georgia, 17 per cent.

Now, as to the raw materials, I made a trip to Chicago to see the I. C. Louisville to see the L. & N., Savannah the Central Georgia, and I can tell you in every case our raw material rates were less. Following that—and at the same time, rather, I made a survey of the rates outbound on chinaware,—for that purpose—and I was told that the competition would be East Liverpool, Ohio, Trenton, New Jersey, Erwin, Tennessee, and Evansville, Indiana—for that purpose I took all of the cities in the South and Southwest, having a population of 50,000 or more, extending up to and including Evansville, Indiana, Covington and Louisville, Kentucky, Kansas City, St. Joseph, St. Louis and Springfield, Missouri, and Norfolk, Richmond and Roanoke, Virginia. When I got through I struck averages and I found that from Lockhart, the shipping point would be slightly at a disadvantageous position in relation to Erwin, Tennessee, [fol. 3072] and Evansville, but as to East Liverpool, we would have an average rate advantage of 8 cents per hundred pounds, carload, and 16 cents less carload. As to Trenton, we would have an average advantage of 15 cents carload and 30 cents less carload.

After that study was supplied to Mr. E. C. Gates, who was the man on the spot at Lockhart, he phoned me to forget the outbound rates, that his investigation showed that there was a market in the deep South and the Southwest for much more than his production, and he described this rate situation that I presented to him as "a perfect knock-out."

Now, that comes up to the point as to why the industry was not put there. There was only one reason. Since Indianapolis, I have written Mr. Gates to find out that reason, and that is these parties would not proceed unless they could locate a management that was experienced in the manufacture of pottery. That meant that they would have to get somebody from one of the other pottery companies and they could never find anybody who was interested. Now, that is the pottery situation. I could cover some of the others the same way, but I will not, Mr. Chairman.

Mr. Donnelly: Mr. Chairman, may I ask Mr. Ribe a question?

By Mr. Donnelly:

Q. What was the point which you figured on placing the pottery?

[fol. 7073] A. Lockhart, Alabama.

Q. Lockhart?

A. Lockhart, Alabama.

Chairman Aitchison: Do you want to offer these exhibits?

The Witness: Yes, I offer these exhibits.

Chairman Aitchison: Without objection, they are received.

(Exhibits 152 and 153, Witness Ribe, received in evidence.)

Chairman Aitchison: Anything further, now? Do you wish to cross-examine? Mr. Norman.

Cross-examination.

By Mr. Norman:

Q. Mr. Ribe, what shippers do you represent here that ship on class rates?

A. Alabama Metal Lath Company——

Q. Where does it ship to?

A. We ship what is known as plaster grounds, the principal item being metal lath, and we ship to the South and Southwest and some to the Pacific Coast.

Q. Not to Official territory?

A. Not to Official territory. Practically every shipper of the 60 shippers I have listed, beginning at page 3, use class rates to some extent.

Q. But it is on their inbound, like machinery or something like that, rather than their outbound product, isn't it?

[fol. 3074] A. No, sir, that is not right.

Q. Well, what are the ones, now, that ship the outbound product on class rates?

A. The second shipper indicated ships the commodities named less carload, on class rates, and the movement is quite considerable. It is to the South, the coal mines, largely in Alabama and Tennessee and Kentucky. The third shipper ships less carload extensively on class rates. The Alabama Pipe and the nine shippers that follow ship only a small proportion, probably not over 5 per cent, outbound on class rates. The next five shippers, beginning with Agricola Furnace Company, line 20, everything we ship moves on class rates, if you call your exceptions ratings class rates.

Q. That is what, as a rule, is not class rates.

Chairman Aitchison: Providing it is not published in the classification in terms of percent.

The Witness: In other words, we have always considered it class rate traffic, Mr. Norman.

By Mr. Norman:

Q. Now, as I understand your testimony, practically every industry in which you are interested enjoys rates that are lower in the South than they are in the North: pig iron, lumber, road aggregates, coke, cast iron pipe, scrap iron, is that true?

A. I would say that generally that is true but not entirely. I think it is generally true of most other southern industries.

[fol. 3075] Q. Now, it is also true, is it not, that you have been successful in obtaining, for most of your clients, a level of rates into Official Classification territory on the basis obtaining in that territory?

A. That is true, Mr. Norman, and in several recent cases I have obtained rates that are lower in that territory.

Q. Well, you and I fought it out on coke. The Northern railroads opposed it, took it to the Supreme Court, but we finally got it. We got it on stoves in the Southern Governors' case. You have got it on cast iron pipe that you represent. Now, tell me——

A. Just one minute.

Q. Tell the Commission why you think that the little washboard manufacturer, who hasn't the means or the influence, or the little macaroni producer over in Memphis, or any of these other gentlemen who testified here, why aren't they entitled to that same kind of an adjustment?

A. Mr. Norman, let me correct one misstatement that you made erroneously. That is, you said that the Commission had given the pipe shippers the Northern level. That was done—well, in carload it wasn't done either. But as to less carload, the pipe shippers, as such, that is the pressure pipe and soil pipe shippers did not participate in the Governors' rate case. There was a concern that made iron body valves [fol. 3076] and some other articles and some special pipe fittings that did participate, and the Commission prescribed the Northern level on pipe fittings, less carload. About a year later, the railroads gave the pressure and soil pipe shippers that basis on pipe, less carload.

Now, my answer to your question as to the macaroni shipper and the washboard shipper and the baseball bat shipper is that those situations do not justify the throwing of rates on 15 or 20,000 pound articles of commerce into a hopper and revising all of them. I think they are entitled to relief; I don't say they are not entitled to relief. We have got other shippers in the same situation relief in the Governors' rate case, you and I.

Q. Well, it is your idea, though, that the way to begin it is to negotiate with the railroads and go through the railroad agencies, bureaus of one kind or another, and undertake to get it that way rather than to get it in any wholesale fashion?

A. Well, that is my idea, yes, sir.

Q. What?

A. That is my idea, yes, sir. I want to say, Mr. Norman, that since the Governors' rate case, I have found that the Northern railroads are much more——

Chairman Aitchison: We can't hear.

The Witness: I have found that since the Governors' [fol. 3077] rate case that the Northern railroads are much more liberal in dealing with these situations than they were before.

Mr. Norman: That has not been my experience, but maybe I haven't had as much as you have.

By Mr. Norman:

Q. Now, coming back to that stove case. We were told in the record in that case that if the rates were made from the South on the level obtaining in the North, that grass would grow in the streets of the Northern cities where the stoves were manufactured and the Northern manufacturer would be out of business. Did anything like that happen as a result of the establishment of that parity of rates?

A. I don't know but I don't think so.

Q. Now, apparently you object to a change in the southbound rates, rather in the class rates, both intraterritorial and interterritorially, on the ground that that would narrow the spread against the Northern manufacturer to local markets in the South, and in favor of the Southern manufacturer, is that correct?

A. No, it would narrow the spread against the Southern manufacturer in favor of the Northern manufacturer.

Q. No, the spread to a local point in the South, 100 miles from the Southern manufacturer, is certainly in favor of the Southern manufacturer as against the Northern manufacturer, 700 miles away?

A. It is today and it would be after the revision.

[fol. 3078] Q. Yes.

A. But still using the Eastern scale, it would narrow that spread against the Southern manufacturer.

Q. That is right. Now, what you want to do is to protect the Southern manufacturer from any such competition as that? In other words, you not only are going to keep the wall at the North, going north, but you are going to keep the wall coming South, is that right?

A. I propose to keep the present rate structure, subject to such adjustments as may be justified my conditions.

Q. Are you opposed to a uniform rate and classification on classes applying in both directions throughout the eastern section of the country?

A. Mr. Norman, I have always been of the opinion, and it has gone back 30 years, that because of the situation which Mr. Spottswood very clearly showed of the values, that lower northbound class rates are justified than southbound; and that is generally speaking.

Q. Now, referring to that value, you made recalculations about the balance of traffic but you, like Mr. Spottswood, arrived at the conclusion that the South was an exporter of the low-grade raw materials and the low-grade manufacture and an importer of the high-grade manufactures, didn't you?

A. No, sir, I don't think so.

Q. Well, now, let's take your Exhibit 153 and turn to the [fol. 3079] last page, page 4. You show there that, on manufactures and miscellaneous, the South is an importer to the tune of 5,918,232 tons, don't you?

A. Yes, sir.

Q. And on carload freight as a whole, it is an exporter to the tune of 22,286,000 tons?

A. Yes, sir.

Q. Well, doesn't that show that the South is an importer of the high-grade manufactures?

A. Of course, I know that that is generally true, that the southbound movement is usually of high-grade articles, like clocks and lamp bulbs and radios and refrigerators and sewing machines. Mr. Norman, I pointed out that when you took the net balance of all traffic that you referred to and pulled out bituminous coal, that you had practically a balance, inbound and outbound.

Q. That is very true, but while it balances, yet the balance is reached by taking in the high-grade manufactured articles, a big balance imported there, and that must be offset by a balance of the raw materials exported?

A. No, Mr. Norman, as I analyzed Exhibit 153, I think that I show as many instances of raw materials coming into the South as raw materials going out of the South. For example, cotton. I showed you nearly 800,000 tons is brought into the South.

[fol. 3080] Q. Now, isn't it true with cotton that a large part of the manufacturing in the South is of the low-grade material which is shipped to the North for further manufacture?

A. I so understand from reading Commission reports.

Q. Yes. Now, you illustrated your point by taking hay and straw on item 70 and 71, your Exhibit 153. Now, as to the hay and straw, the South apparently is a net importer to the tune of about 46,000 tons, is that right?

A. A heavy importer, yes, sir.

Q. Now, the rate southbound, you said was 125 per cent?

A. Of the southern level.

Q. Of the southern level. Now, how do you conclude that the South is benefitted by the continuation of that high interterritorial rate when it is a larger importer?

A. The point that I made, Mr. Norman, is that if you take those three levels that I gave you and bring them together to one level, that you would narrow the rate spread now enjoyed by the southern shipper of these products.

Q. Oh. So your idea is, by a rate adjustment, to protect that producer down there although he only produces half of what is used in the South, and by the same method you are going to penalize the consumer, is that correct?

A. I am not going to do anything. I am just showing you what the result would be.

Q. I know, but you say that result, in your opinion, is [fol. 3081] undesirable.

A. As I understand your position, Mr. Norman, you want an adjustment that would stop this import figure.

Q. No, I don't. You certainly misunderstood me. I want an adjustment that will provide for free trade and on equal terms; and what you want to do is to provide, by a rate adjustment, for protection of certain industries in certain markets. Now, isn't that so?

A. I don't think that is entirely true.

Q. How, otherwise, do you explain your position on this, just sticking to this hay and straw, except that you want by the rate adjustment to protect the producer of hay and straw in the South as against the consumer?

A. I don't know any of the commercial conditions relating to hay and straw or why this condition exists and why we don't produce more of these products in the South. It just looks to me like we ought to. But I only gave you an illustration to show what would happen against the interest of the southern shipper of those products if the rate adjustments, which apparently I have heard no objection against them from those who have the higher rates, are drawn together. I am not proposing anything on those, that is, I am just merely illustrating with those commodities as one of the extreme cases.

Q. And you said as showing how this would be against the interest of the South, and what I am trying to get you to [fol. 3082] tell is how it could be against the interest of the South.

A. Well, as a consumer, it probably would not be. I was talking about the southern producer of these commodities.

Chairman Aitchison: I think that is the first time the consumer has been mentioned in this hearing, isn't it? (Laughter.)

Mr. Norman: As a matter of fact, Mr. Commissioner, if this parity of rates is established and classifications, uniformity, the consumer is going to be the principal beneficiary. That is the man for whom it ought to be done. That lets him buy them in a free market without any artificial barriers.

Mr. Bell: Is that an argument or a question?

Mr. Norman: It wasn't addressed to you, in any event.

The Witness: Mr. Chairman, I wonder if we can have a little recess?

Chairman Aitchison: Yes, take a recess for five minutes.

(Witness excused.)

(Recess taken.)

Chairman Aitchison: Mr. Gossage wants to get away.

L. A. Gossage was sworn and testified as follows:

Direct examination:

The Witness: My name is L. A. Gossage. I am traffic manager of T. L. Herbert & Sons, and affiliated companies, and my headquarters are at Nashville, Tennessee. I have [fol. 3083] been employed by T. L. Herbert & Sons and affiliated companies for the past six years, and prior to my connection with these companies, I was employed in the traffic and accounting departments of the Tennessee Central Railway Company for a period of 18 years.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: The traffic of T. L. Herbert & Sons and affiliated companies which normally amounts to approximately 20,000 carloads per annum, consisting of brick, tile, sand, gravel, coal, building materials, mill supplies and other traffic. The bulk of our movements are within Southern territory. We pay freight charges based on both class and commodity rates. All of our commodities are named in the classification.

We are seeking no changes in the existing rates on the commodities shipped by T. L. Herbert & Sons and affiliated companies, in this proceeding because, as a whole, the presently applicable rates on such commodities within the South are reasonably satisfactory to us under the conditions which exist today. We are, however, very vitally concerned in any changes in the rates on these commodities, which would have the effect of materially disturbing the existing levels and we are strongly opposed to the adoption of any plan for the reorganization of the rate structure [fol. 3084] that would tie our rates within the South to the rate levels in the North, and thus take from the shippers and railroads in the South the initiative and control of these rates. Moreover, we do not want our rates made a rigid and fixed percentage of the rates in the North as Witness Jensen has suggested, nor do we want our commodity rates tied up by percentages to the first class rates because we feel that our basic commodity rate structure, which is satisfactory to southern industry, could not long survive under such a reorganization.

The rate structure of the South today is, in my opinion, responsive to the actual needs of southern industry and, therefore, reflects an entirely different method of distributing the transportation burden than is followed in either Official, Southwestern or Western Trunk Line territories. While, under the present rate structure, our class rates are somewhat higher than those within Official territory, our commodity rates on the basic commodities produced in the South are generally lower than in the North, and these basic commodity rates are essential to the continued development of southern industry.

I have been unable to learn from the discussion that has taken place prior to the commencement of this proceeding or the testimony that was presented by the Southern Governors Conference and the Tennessee Valley Association at the Indianapolis hearing, just what rates or principles of [fol. 3085] rate construction, in so far as they affect Southern territory, are sought by the interests which are advocating "uniformity" in this proceeding. In other words, I have been unable to ascertain whether they are seeking only reductions and the retention of the existing rates wherever the levels in the South today are lower than in the North and East; or whether they seek to have the northern levels, whatever they may be, made applicable within, from and to the South.

Regardless of what these interests advocate, however, we do not feel that the South can expect to have its cake and eat it, too, and we apprehend that if the theory of "uniformity" is to prevail in the case of the class rates, it will inevitably lead to "uniformity" in the case of commodity rates; in other words, we do not see how the rate philosophy expounded by the Southern Governors Conference and the Tennessee Valley Association can fail to bring about, ultimately, an upward revision of our commodity rates in the South if the southern railroads are to obtain sufficient revenues to maintain their properties on a sound basis and pay fixed charges and other obligations. I say this because it has been shown here that these railroads over a long period of years have not received, on the whole, revenues sufficient to enable them to earn what has been regarded as a fair return, and if their revenue from class-rate traffic is materially reduced, it seems inevitable to me that they will have to recoup their losses from other traffic [fol. 3086] if they are to avoid bankruptcy.

I know of no serious complaint from southern industry about the rate structure within, from and to Southern territory today; indeed; industry in the South is now so deeply engaged in the war effort that it has no time to devote to the study of a question of this kind, or to attempt to determine what the effect of a nation-wide upheaval of the rate structures, as has been suggested here, would have upon normal industrial conditions to say nothing of the conditions that may exist in the post-war world.

Under all of the circumstances, the interests which I represent feel constrained to urge the Commission to make no changes in the existing rate structure within, from or to the South at this time, or at least, to defer the consideration of any changes until the war is over and every one concerned can determine with some degree of satisfaction what sort of conditions are going to confront industry and the railroads.

Chairman Aitchison: Cross-examine.

Mr. Norman: I have just one or two questions.

Cross-examination.

By Mr. Norman:

Q. Your company is engaged in shipping, I believe you stated, brick, tile, sand, gravel, coal, building materials, mill supplies and other traffic. Now, what part, if any, of your outbound products move on class rates?

A. Almost everything that we ship moves on class rates.

[fol. 3087] Q. Brick?

A. Yes, sir.

Q. Does it move on a class rate?

A. Less carloads of it.

Q. What territory do you serve?

A. The bulk of it in Southern territory.

Q. If I understand, you desire that there should be no change in the present rate adjustment?

A. That is right.

Q. Is that correct, sir?

A. That is correct.

Q. How would your company be injured if these class rates, such of them as you use, were made on the same level, both North and South and in both directions?

A. We feel like that if the class rates were made on Official territory level that it would inevitably follow that the commodity rates in the South would be made on Official Classification territory level. And our basic commodity rates in the South are lower now than Official Classification territory.

Q. So it is the commodity rates that you are interested in?

A. Yes.

Q. And your objection to the parity of class rates is due to the fear that it might result in an increase in your commodity rates, is that it?

[fol. 3088] A. Yes, sir.

Q. So far as the class rates themselves are concerned, you wouldn't be injured, would you, if they were put on parity?

A. I would only be injured in so far as they would affect our commodity rates.

Q. What is your reason for believing that if you changed the rates on classes, that that would result in a change in the rates on lumber, we will say? That is one of your items?

A. I don't see how you could have Official territory level of rates on classes without sooner or later that basis being employed on all traffic in Southern territory.

Q. Well, if you were given a wider market for your product, could you not afford to pay a higher charge on your raw material?

A. I don't think that would cause our market to be broadened.

Q. You have known many changes to be made in the class rates in the South, have you not?

A. Sir?

Q. You have known many changes to be made in the class rates in the South?

A. I didn't understand.

Q. Have you not known of many changes that have been made in the class rates in the South, 13494 and the 1940 reductions?

A. The class rates, as I understand it, have not been [fol. 3089] changed since they were prescribed in Docket 13494, except the increases and reductions.

Q. Are you familiar with general reductions that were made in 1940?

A. That wasn't in the class rates. That was in the classification of articles, was it not?

Q. Well, it reduced the rates on a great many of the articles that had theretofore moved on class rates, didn't it?

A. Yes, sir, but it was not reduced by reducing your class rates, it was reduced by reducing your classification rating.

Q. It arrived at the same result, though, of a reduced rate?

A. That is right, sir.

Q. Did that have any effect upon your commodity rates?

A. No, sir.

Mr. Norman: I believe that is all.

Chairman Aitchison: You are excused, Mr. Gossage.

(Witness excused.)

Chairman Aitchison: Now, Mr. Ribe. Proceed, Mr. Norman.

Mr. Norman: Just a moment.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

A. J. Ribe resumed:

Cross-examination (Cont'd):

[fol. 3090] The Witness: Mr. Norman, before you start, I would like to complete my answer to one of your questions.

Chairman Aitchison: A little louder.

The Witness: I beg your pardon. I would like to answer one of the questions that was rather a double-jointed question in regard to commodity Group 701, where you assume that the balance there of these manufactures was of entirely manufactured articles. That group actually contains 1,292 commodities, many of which are not the highly manufactured articles such as you referred to. Some of them, for example, are sulphate of ammonia, circus outfits, coal tar, coal tar oil, coal tar pitch, contractors' outfits, cotton ties, creosote oil, iron and steel culverts, all kinds of railroad cars and locomotives, so you can't just look at that item, because it is called "manufactures" and assume that it is all highgrade.

By Mr. Norman:

Q. Now, in your study did you make any check to determine whether or not the figures given by Mr. Spottswood with reference to the value of products imported and exported are correct?

A. I ~~did not.~~ I knew that his conclusion was right, from my personal knowledge.

Q. Then you don't challenge that conclusion?

A. I do not. Let me qualify that. For example, of course we have some products in the South, like our cast [fol. 3091] iron pressure pipe, it is the same grade whether it is produced in the South or the West or the North, but I am talking about, generally speaking——

Q. What?

A. Generally speaking, the products of the South are lower value than the North.

Q. Now, you referred to an item of fractors. You said the South was an importer, and I understood you to say that if these rates were changed and put on a common level, that that would be against the interest of the South. Now, how do you arrive at that conclusion?

A. As indicated in what I might call my mass exhibit on machinery, that is page 18 of Exhibit 152. In other words, if you put in the northern level in the South and between the North and the South—and I am speaking of the Eastern class level—you would narrow the spread between the northern manufacturer and the southern manufacturer against the southern manufacturer.

Q. In other words, you think this ought not to be done because, we will say in Birmingham, shipping to these 39 points, the South now, by reason of its shorter distance, has an advantage of 97 cents as against Albany, New York, and under this parity scale it would have only 78 cents, is that correct?

A. I haven't checked Birmingham. I don't know where [fol. 3092] you are getting your figures from.

Q. Well, I believe it isn't Birmingham. It is from 12 shipping points in Official territory and two shipping points in Southern territory and 139 destinations in 120 per cent territory—I mean 39 destinations. Now, you show there the rate from Albany, New York, to those destinations on machinery as being 97 cents and under the Appendix E it would be 78, or a deduction of 19 cents?

A. Yes, sir.

Q. And you mean that if there is a manufacturer of machinery some place in the South, it would reduce the advantage by that much, is that it?

A. Yes, sir.

Q. Do you know of any manufacturer of machinery in the South, where he is located?

A. There are manufacurers of—there is the Weland Company at Chattanooga, and I don't know what they make. The Commercial Engineering Company at Chattanooga make boilers, a very large manufacturer, and there is the Cunningham Corporation at Shreveport, Louisiana, and the Alabama Machinery & Supply Company of Montgomery, Alabama.. Incidentally, those southern companies that I mentioned supply s[illegible] sawmill equipment, and there is the third company that I couldn't find. It is named Newman and it is somewhere in North Carolina.

Q. Well, in any event, all of those companies would bene- [fol. 3093] fit by having a better relative adjustment on their rates northbound, would they not?

A. I don't know what the rate adjustment is northbound. I just don't know. If they don't have the northern level, they would.

Q. They would?

A. Yes.

Q. But your idea is that that isn't desirable from the standpoint of the South, whether you view it from the standpoint of the broad economy of the South or from the standpoint of the consumer or from the standpoint of the producer, the ultimate producer?

A. I don't know, Mr. Norman. For 25 years I have been fighting for the northern level to go into the North. I haven't changed my mind.

Mr. Norman: I am glad to hear you make that statement because I just can't understand how you could have changed your mind, after the way you and I have fought together to that end. I believe that is all.

Chairman Aitchison: Any further cross-examination of Mr. Ribe?

By Mr. Grubbs:

Q. Mr. Ribe, in your activities, looking to the establishment of new industries in the South, have you encountered any difficulties in getting needed rates from the railroads? [fol. 3094] A. That is rather a broad question.

Q. No, I confine it to your activities in undertaking to locate new industries in the South.

A. Well, generally speaking, that is not one of my jobs. In other words, I don't work for any chamber of commerce, but I have, as I told you, made surveys from time to time, for example for a newsprint paper mill and for a kraft paper mill, for a chinaware——

Q. That is what I had in mind.

A. And in those cases, we encountered no difficulty.

Q. Now, you referred in your testimony to the pottery project and to the exclamation of the gentlemen who was furthering it that the rate situation was "a perfect knockout." Did that indicate satisfaction or dissatisfaction?

A. It indicated satisfaction, Mr. Grubbs, and in that connection, when I was in Louisville, talking to Mr. Tilford about the raw material rates, he offered to give us the northern level to the border and proposed it to Official territory, and we told him we didn't need the rates.

By Mr. Norman:

Q. Who told him?

A. I said we told him we didn't need the rates.

By Mr. Grubbs:

Q. Now, in your testimony you have referred to the rates which were presented by Mr. Spottswood, and I want to call your attention to a rate or a comparison that was made on matches from Birmingham. Now, you are [fol. 3095] from Birmingham. I want to ask you if there is located in Birmingham a manufacturer of matches?

A. That was one of the situations that I wanted to cover on my direct, frankly. In 1928, a match plant was promoted by a Mr. B. G. LeGrand, who was then with the American Snuff Company, and Mr. C. S. Henley, a real estate operator. They built a sheet iron building about the size of this room and about a story and a half high, and Mr. Jess Walters, a friend and neighbor of mine for 25 years, would have been the sales agent. In 1928, Mr. Walters was in the brokerage business, selling staples, such as are handled by grocery stores. He is now purchasing agent of a large chain grocery store in Birmingham.

I have recently talked to Mr. Walters to find out the story of this match factory. The stock was sold in 1928 and the only matches it sold were about three carloads it brought in from other manufacturers and jobbed. It has not operated since—well, as far as I could find, it never did operate.

In an effort to get some information on the match factory, I called last week on Mr. Foster, the general chairman of our local chamber of commerce, to inquire what he knew about it, and he told me he had come to Birmingham in the fall of 1941 and had never heard of it, but his secretary had been there before Mr. Foster and she heard the conversation and rushed out and brought in a brief that the old [fol. 3096] Birmingham Industrial Board had made, had written, and I have borrowed it and anybody can look at it, with the promise to return it. It is a rather large document and most of the information in here has to do with water and population and so forth; very little with respect to freight rates, but there are three sheets and the pages are unnumbered.

Before I speak of these sheets in this brief, I have to say that the brief is undated but by deduction I have determined that the date was somewhere in 1931.

Mr. Norman: Mr. Chairman, in the interest of time and for the record, economy in the record, I want to object to all this detail about some promoter that came down there and tried to put up a match factory. Now, he is even going to bring into the record the brief that they got up about their match factory. I submit it is not relevant.

Chairman Aitchison: Mr. Grubbs, what do you say?

Mr. Grubbs: Well, if your Honor please, apparently that is one of the star illustrations that is used by T. V. A., illustrating the difficulties of manufacturers in the South. I didn't intend to elicit by my question a lengthy discussion of it, but it did bring out that this witness himself had hoped to do it, and therefore he entered upon it; but I do believe, in view of the fact that the very interests which Mr. Norman represents used it as such a star exhibit, it is highly important for this Commission to know whether there was [fol. 3097] somebody in the South who wanted to manufacture matches and couldn't do it by reason of the freight rate-structure. It seems to me that the facts that Mr. Ribe is giving are very pertinent on that subject.

Mr. Norman: Mr. Spottswood showed the rate adjustment and said for that reason he couldn't operate there. Is there anything wrong with the rate adjustment that he showed? If so, that is all right, go ahead and show it.

Chairman Aitchison: Well, we have heard about this match thing. We might just as well hear it briefly, about what the situation was. Cut it short, Mr. Ribe.

The Witness: All right. There are only four pages in here that would have any bearing on the subject at all. One page is headed "Territory to be served," and it mentions the deep South only. It is about two-thirds of a page. The next page is a plain black and white map with Birmingham and Memphis encircled and, incidentally, this brief is an argument against the removal of the factory to Memphis, and which the competing points, competing shipping points are shown in red. Somebody wrote them in in pen and ink. Following that is a statement of distances from Birmingham and rates to show the distance and rate advantages that Birmingham has over Memphis. And following that is a list of all of the manufacturers in the United States, with their credit rating.

With respect to the sales, I asked Mr. Walters last week [fol. 3098] if he had sold any matches, where he would have sold them. He said first in Birmingham and then in Alabama. If he didn't find a complete market, he would spread out, probably, to Mississippi and Georgia. That is all.

By Mr. Grubbs:

Q. Then you haven't a manufacturer in Birmingham today?

A. We never had had a manufacturer. We had a plant up there but it brought in some matches from other factories and jobbed them out.

Q. And that plant is not in existence today?

A. It is a woodworking plant now.

Q. And it wasn't rate difficulty that caused the cessation of that operation, is that correct?

A. I have been unable to find where it was a rate difficulty.

Q. Yes.

A. Although it has been a stock example used by a lot of people as to discrimination as to what freight rates can do to an industry.

Q. Now, in answer to a question by Mr. Norman, Mr. Ribe, you stated that the few people who have appeared here asking that their rates be changed, that is, the wine manufacturer and the peanut manufacturer and the like, you said that they were entitled to relief. I wonder if you intended to reach the conclusion that on all the facts presented they were entitled to relief, or whether you intended [fol. 3099] to say they may be entitled to relief?

A. Mr. Grubbs, most of that testimony I didn't hear.

Chairman Aitchison: Then you are in an excellent position to pass on it. (Laughter.)

The Witness: I heard just some parts of it and I heard the washboard manufacturer about half and I heard all of the wine man, and the point that I wanted to make was that we shouldn't have this wholesale revision of rates just for half a dozen articles that mean very little in tonnage.

Chairman Aitchison: Are you cross examining, Mr. Grubbs?

Mr. Grubbs: Yes, sir. This might be called redirect, though, I recognize it. I am a sympathetic cross examiner.

Chairman Aitchison: We had better call it redirect then.

Mr. Grubbs: In conclusion, just let me ask you this question:

By Mr. Grubbs:

Q. We have all recognized that you have had wide experience with shippers in the South. I will ask you, have you found, in general, satisfaction or dissatisfaction with the Southern class rate structure and particularly——

Mr. Norman: That is a broad question.

Mr. Grubbs: I will withdraw the question. I will withdraw the question because the gentleman wants to get away.

Mr. Norman: I have just one question:

[fol. 3100] By Mr. Norman:

Q. You have been asked if, generally, when you approached the railroads to get an adjustment northbound for a new industry or any industry, if you didn't get their cooperation. I understood you to say yes. Don't you have to confine that to the Southern railroads?

A. No, sir, Mr. Norman, I think I answered you more direct, that my experience has been that since you and I fought the Governors rate case, that I was not having as much difficulty as I had previously.

Q. But you did previously have difficulty and you are still having some, isn't that true?

A. Well, I am having difficulty now but it is on fused zinc resignates and our trouble there is that we are going to make a new product and we gave it the wrong name. We have remedied the difficulty, because in the North they manufacture a zinc resignate by the precipitate method, which is of a very high value, and we have since found that the War Production Board is calling our products zincated rosin, so we tried to change the name.

Q. You take, for instance, the testimony here yesterday afternoon by this wine manufacturer. That shows that the Southern railroads have given him——

Chairman Aitchison: Did you hear him, Mr. Reed?

Mr. Norman: Yes, he said he did.

By Mr. Norman:

Q. Have given him the rates up to the Ohio River. Why [fol. 3101] do you suppose they stopped there?

A. I don't know.

Q. Couldn't the only reason be because they couldn't get the participation of the Northern management?

Mr. Gruggs: I object to the question.

Chairman Aitchison: Sustained.

Mr. Norman: That is all.

Mr. McCollester: Mr. Chairman——

Chairman Aitchison: Is the cross-examination going to take any time? It is after quitting time.

Mr. McCollester: Whatever you say.

Chairman Aitchison: Proceed, gentlemen.

Mr. McCollester: Mr. Norman, in his cross-examination of Mr. Ribe, made one statement as a preface to one of his questions which I think, through inadvertence, was not correct; and I don't want the record to stand with that statement without some remark on it from me.

In questioning Mr. Ribe, he asked him as to stoves and furnaces, if they were not told in the Southern Governors case that if equal rates were granted northbound from the South with the rates in Official territory, grass would grow in the streets in the North. Now, if the Commission please, the showing which we made in the Southern Governors case on this matter, which is very important to the State of New York, was that grass was already growing in the streets, as [fol. 3102] far as the stove and furnace industry was concerned, that southern stoves, under the rate adjustment complained of, were under selling stoves made right in New York, in New York markets, and therefore we contended that the fundamental basis upon which the Southern Governors case rested, that equality of rates which was necessary to enable the South to ship into the North, was without foundation. That was the state of the record as to the nature of our evidence.

By Mr. McCollester:

Q. But now, as to the effect of the equality which has been granted as the result of the Southern Governors case, Mr. Ribe, have you ever heard of Glenwood stoves and stranges?

A. No.

Mr. McCollester: I can't ask the question further.

By Mr. McCollester:

Q. Then you don't know that that plant has gone out of business?

A. No, sir.

Q. Now, Mr. Ribe, would it, in your opinion, be in the interest of the South, for whom you have struggled so valiantly, both against us and perhaps for us, in this instance, to have a complete parity of rates with Official territory, carrying with it an increase in your pig iron and other raw material rates to the Official level?

A. I am sorry, but I don't follow you, for some reason.

Mr. McCollester: Will you read the question, please, [fol. 3103] Miss Reporter.

(Question read.)

The Witness: In my opinion, it would be disastrous to all southern interests.

Mr. McCollester: All right.

Mr. Hollopeter: May I ask a question?

By Mr. Hollopeter:

Q. Mr. Ribe, I was interested in your statement that you said you had always been for higher rates southbound than northbound. Was that the statement?

A. Yes.

Q. Well, how much difference would you say should obtain in those rates?

A. I am not prepared to express an opinion on that.

Q. Well, it would be the difference that would be representative in a difference of cost of operation northbound versus southbound?

A. I don't know what those costs are; and I have never been convinced that you could make any freight rates strictly on costs.

Q. Well, do you contend, as a basis for that position, that there is a difference in transportation costs in transporting freight in one direction than another?

A. I don't know.

Q. You don't know? Your exhibit shows some 22 million tons of freight more that was sent out of the South than [fol. 3104] went into the South, is that correct, during the period shown?

A. Yes, sir, that is correct.

Q. Would that imply that perhaps from somewhere, at least, it would be necessary to bring some empty cars into the South, to bring that traffic out?

A. Well, that unbalance, Mr. Hollopeter, as far as I have been able to determine, is made up largely of the Kentucky coal.

Q. Do you have the Pocahontas Region in here?

A. We have the State of Kentucky, which would include the L. & N. and the L. & N. tonnage, and my other exhibits on the state basis, and would include the C. & O.

Q. Well, on page 3 of your exhibit you show lumber, lath and shingles with a four million ton overbalance out of the territory. That would not move in open cars, would it?
A. It would move in both kinds of cars.

Mr. Hollopeter: I think that is all.
Chairman Aitchison: Any further cross-examination? (No response.) If you have nothing further, Mr. Ribe——
The Witness: No, sir.
Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: We will suspend until 2 o'clock.

(At 12:45 o'clock P. M. recess taken to 2 o'clock P. M.)

[fol. 3105] **Afternoon Session**

2 o'clock p. m.

Chairman Aitchison: Shall we resume. Mr. Widell.

C. E. Widell was sworn and testified as follows:

The Witness: My name is C. E. Widell. My residence is Nashville, Tennessee. I have prepared a statement on behalf of the Southern States Industrial Council, which I have distributed, which I will ask, if there is no objection, to have copied into the record, without my reading it.
Chairman Aitchison: What is this, now?
The Witness: The statement on behalf of Southern States Industrial Council.
Chairman Aitchison: Is there any objection to that? (No response.) There seems to be none, and it may be done.

(The statement referred to is as follows:)

The Southern States Industrial Council is a voluntary, non-profit organization, incorporated under the laws of the State of Tennessee, composed of the major manufacturing interests in thirteen southern states. Its purposes include, among other things, the maintenance of a sound industrial economy in the southern states designed to foster the growth and development of industry and commerce within the South and with the country as a whole. It recognizes that transportation is a vital part of the industrial economy of the country and is properly subject to reasonable state [fol. 3106] and federal regulation.

The Council advocates sound and reasonable regulation which should give full recognition to free enterprise under private ownership and control, and favors a transportation policy that will afford the carriers a fair return and provide for sound and efficient modes of transportation. Due regard should be given to the regional system of rates and charges under which southern industry has shown continual growth and development.

In these proceedings the Council desires to state its interest in the maintenance of sufficient revenues for the carriers to enable them to provide for the country's essential transportation needs. In general, it is the Council's position that rate inequalities should be adjusted through the recognized channels without involving the entire basic rates of the country. The Council apprehends that the results of complete revamping of the country's basic class rate and classification structures will not be confined within any circumscribed limits. Moreover, the Council recognizes that the South's industrial growth and development has been fostered by the important basic commodity rate structure in Southern territory, and does not favor any widespread changes that will affect adversely the South's present industrial economy.

The Witness: I have also distributed a statement con- [fol. 3107] sisting of three pages, entitled "Identification of exhibit, appearances and qualifications." Will it be all right, Mr. Chairman, to have this statement copied into the record also, or will it be necessary to read it?

Chairman Aitchison: Does anybody want to hear the statement read? (No response.) If there is no objection, it may be copied in. However, with respect to these parties for whom you are appearing——

The Witness: Following the main statement, Mr. Chairman, there are three sheets containing a list of the specific industries for which I appear, and stating the location of each.

Chairman Aitchison: Did you show them on your appearance slip?

The Witness: No, sir, I did not put all of them on my appearance slip. It would not have accommodated all of them.

Chairman Aitchison: Well, if it is necessary to have them named in the record, that may be done.

The Witness: Pardon me?

Chairman Aitchison: If you feel that it is necessary to have them appear in the record, they may be copied in.

(The statement is as follows:)

I appear for various Tennessee and other southern industrial interests, including diversified textile groups such as hosiery, blankets, cotton and woolen fabrics, bags, knit goods and yarns; the southern rock wool industry, lime and [fol. 3108] blast furnace interests, electric furnace products, by-product coke, stone and marble, forest products and woodworking plants, stoves and other heating products, coal, heavy chemicals and others.

These include Tennessee Products Corporation, Nashville; May Hosiery Mills, Nashville; Werthan Bag Corporation, Nashville; Marshall Stove Company, Lewisburg, Tennessee; Lebanon Woolen Mills, Lebanon, Tennessee; Standard Knitting Mills, Knoxville, Tennessee; American Textile Woolen Co., Sweetwater, Tennessee; McMinnville Manufacturing Company, McMinnville, Tennessee; Palmyra Lime Works, Palmyra, Tennessee; Gray-Knox Marble Co., Knoxville, Tennessee, and other East Tennessee marble interests; also iron, asphaltic limestone, and lumber interests in Alabama, Georgia, Mississippi, and North Carolina.

I have been actively associated with Southern industry in transportation matters and other duties for over 27 years. I have participated in rate cases relating to Southern rates before the Interstate Commerce Commission and in rate proceedings before the various railroad rate committees dealing with the general southern rate structure. During the NRA period in 1934-1935 I represented Southern interests on Code Committees in matters affecting the economic and transportation interests of the South. During the 2-year period 1913-1915 I was with the Iowa Manufac- [fol. 3109] turers Association, Des Moines, Iowa, as assistant to the traffic manager. Previous thereto I had railroad experience in minor capacities in rate and other departments dating back to 1907, in St. Paul, Minnesota, and Chicago, Illinois. Now, if the Commission please, I have prepared one exhibit, which I would like to have marked for identification at this time.

Chairman Aitchison: 154.

(Exhibit No. 154, Witness Widell, marked for identification.)

The Witness: Exhibit No. 154 for identification consists of: (a) Table of Contents, 3 sheets; and (b), Exhibit, 65 sheets. The purpose of the exhibit is to show the general favorable economic and industrial trends in Southern territory and the South's industrial economy as affected by the existing general rate structure.

Pages 1 to 7: General trends in manufacture, population, retail and wholesale trades.

Pages 8 to 18: Types of industries in the South and economic factors which generally determine industrial development, other than rate factors.

Pages 19 to 51: The traffic studies in 1929 in connection with the Divisions Case, 234 I. C. C. 175, and in 1939 in the present proceedings are reviewed and show material differences in the composition of northbound and southbound traffic with substantially lower rates and levels on [fol. 3110] northbound than on southbound traffic. The southbound figures in both traffic studies reflect more clearly the 13494 level of class rates and a general reduction in class rates would therefore affect the southbound tonnage to a material extent, and the northbound traffic very little. The revenues in question reflect the rates in effect in 1929 and 1939.

Pages 52 to 65: In support of regional rate structures as opposed to national uniform rate systems, and the economic factors and trends which are present in the highly-industrialized Northeast section resulting in unfavorable trends despite the class rate structures.

Exhibit 154 for identification was either prepared by me, or under my immediate direction and supervision. In so far as I know, the facts are correctly stated therein, and to the best of my knowledge and belief, the exhibit is true and correct.

Chairman Aitchison: Are you offering it?

The Witness: No, Mr. Chairman, not right at the moment. I should first like to point out a few matters, in connection with the various sheets of the exhibit, as we go through. I thought I would do that first, before I offered it.

Chairman Aitchison: Well, you had better offer it now, and then you can explain it later.

The Witness: Very well, then, Mr. Chairman; at this time, if you please, I will offer my Exhibit No. 154 in evi- [fol. 3111] dence.

Chairman Aitchison: Without objection, it is received.

The Witness: Thank you.

(Exhibit No. 154, Witness Widell, received in evidence.)

Chairman Aitchison: Continue.

The Witness: Sheets 1 and 2 of my Exhibit No. 154 for identification contain figures showing trends in manufactures in the Southern states, and a summary of all manufacturing industries, including the United States as a whole, and eight Southern states. I have shown for the decade from 1929 to 1939, wage earners, wages, value of products and value added by manufacture. Generally, that factor last named is the more important factor in gaging trends. In the last column I have shown the increase or decrease, 1939 over or under 1929. For the United States as a whole, the loss was 22.3 per cent. On sheet No. 2 are shown the composite figures for the South,—that is, for the eight Southern states listed. The decrease is shown as 11.5 per cent, compared with 22.3 per cent for the United States as a whole.

By Commissioner Aitchison:

Q. In considering whether or not that is a real loss, have you given any consideration to the question of whether or not the purchasing power of the dollar had changed any in that interval?

A. Oh, yes, that is true, Mr. Chairman. These are, of [fol. 3112] course, only averages for comparative purposes, and you would have other factors present, in all territories, if not exactly in the same amount, at least, still comparable.

Q. 1929, as you know, was right at the height of the boom, and some of the items which you show here, which had a comparatively high figure at that time, later came down to a very few cents.

A. Yes, that is correct, Mr. Chairman, I am sure, and of course what would be true in the South would be true in the North, or for the country as a whole, as well. On page 18 of Witness Edwards' Exhibit No. 9, there is shown a loss of 34.9 per cent for Official Territory, so that, at least matching the trends, the eight Southern states were more favorably situated during the decade 1929 to 1939. On sheet No. 3 I have shown, as a background, the reference to the Kentucky case, and the general level of class rates within the state of Kentucky. That was shown more in detail in Witness Marts' Exhibit No. 108. Generally the class rate level in Kentucky, up to 300 miles, is only 13 per cent above the level of the Eastern scale. The population trend is another factor which indicates the general prosperity, or otherwise, of a section. While not absolute, at least, it is good for comparative purposes. On sheet No. 4 of the exhibit I show the population trends in the Southern states, the same eight Southern states, as against the [fol. 3113] South. I do not show it on these sheets, but it is readily located in the Census figures, that in 1940 all cities of over 50,000 population located in the South, especially in these eight states that we refer to, with the exception of Kentucky, uniformly showed a gain. Not a single city in the seven Southern states referred to, of 50,000 population or over, showed a loss for the decade; whereas, in Official Territory over one-third, and nearly one-half, of the cities of 50,000 population and over showed losses in the decade 1929 to 1939. The greatest losses were in the densely populated northeastern area. I have copied sheet 3 of Dr. Edwards' Exhibit No. 9——

Mr. Smelker: Just a moment.

A. —merely to show—pardon me?

Mr. Smelker: Just a moment, please, Mr. Widell. Have you not got the wrong exhibit number, or the wrong identification of it, as to the witness?

The Witness: Oh. I beg your pardon.

Mr. Norman: Stevens.

Mr. Wagner: Stevens' exhibit, it should be.

The Witness: Yes. That was due, as I am sure you may readily understand, gentlemen, to a loss and shortage of help, and having to bring in new and inexperienced help. There may be other similar inaccuracies. I should have referred to Witness Stevens' exhibit.

[fol. 3114] Mr. Smelker: Witness Stevens.

The Witness: Yes, sir. If I might just make that correction, if the Chairman please.

Chairman Aitchison: Certainly.

The Witness: The Southern figures shown on this sheet, of course, do include Virginia, but the last figure in the third column, 18.2, shows the favorable trend in the South. Sheet No. 6 is a comparison of retail trade in the eight Southern states as compared with the rest of the country. The loss for the United States as a whole in the decade 1929 to 1939 is shown as 13.0 per cent. Sheet 7 shows the wholesale trade, and the trends, which do not follow exactly the retail trends. In spite of the reversal of the showing as to some of the states it is a fact that the trend is more favorable in the South for the decade shown, than in the rest of the country. The exhibit does not show the situation for Official territory, but I have figures here for New England, where the loss is shown as 20.8 per cent. For the Mid-Atlantic section, New York, New Jersey and Pennsylvania, the loss was 16.6 per cent. For the East North Central section, which includes what we would call Central Freight Association territory, the decline was 16.5 per cent.

Next, there are five sheets, Nos. 8 to 12, which are headed up "Principal industries of the South", and the information set forth therein I have taken from the 1941 [fol. 3115] Blue Book of Southern Progress, published by the Manufacturers Record, the editor of which was a witness in this proceeding at the Indianapolis hearing. The editor's note precedes the list of industries in the different states, and indicates the source of the figures. The five sheets show the substantial character of industry in the South. Some of the states have similar industries throughout. Other figures for the states reflect the natural resources that are in the different states. The annual output in dollars, in millions of dollars, that is, is covered by the figures estimated by the editor, as described in the preface at the top of sheet 1. It is an interesting showing of the substantial character of industry in the Southern states. It includes also a number of the Southwestern states.

I should like next to call attention to sheet 12 of the exhibit, under the heading of Tennessee. The editor has listed all industries with an annual output each exceeding $13,000,000. In this list you will notice there are not included any of what we term as the basic heavy industries, which in the South probably have the most favorable rate structure as compared with any other section of the country. Now, the fact that we have been able to develop in Tennessee, as well as in the rest of the South, other industries of a diversified character, with an annual output exceeding $13,000,000 per industry, is significant, I [fol. 3116] should say, as to the character of industry in the Southern states.

For a more intimate survey of the type of industries in the South, I took the city of Nashville, Tennessee, in the county of Davidson, of which Nashville is the county seat. These are 1937 figures, and as against these figures 1941 shows a substantial increase. There is a large aircraft production at the present time, if not in the city, at least in the county. One peculiar thing about industry in the South is this, that some of the industries that have had very favorable rates, have just simply faded out of the picture. In Tennessee many years ago we had a large number of blast furnaces. Back in Civil War times they were operating with charcoal as their fuel, and then they changed over to coke as a smelting agent. We had blast furnaces at Chattanooga, Clarksville, Allens Creek, Rockwood, Johnson City, La Follette, and other points. We were a substantial pigiron producing state. And yet today there is not a single pigiron furnace in the state of Tennessee that is producing. There was one that tried to produce in the backwoods, at Cumberland Furnace, but market conditions were against it.

On the other hand, take Nashville again. Many years ago Nashville was a great hardwood lumber center; probably one of the largest in the country, and I believe the [fol. 3117] largest in the South. It is away down the list at the present time, however,—not because of freight rates, because if anything the freight rates have become more favorable to the various products of industry in the South than they were many years ago. There are other economic factors that have come in to dry up that industry in Nashville and in Davidson County.

Mr. Norman: They cut down all the trees.

The Witness: The next two sheets are sheets on which I have listed a number of large concerns. The source of this information is the Manufacturers Record, 1941 Blue Book of Southern Progress. This shows the outstanding character of some of the Southern industry. These are, if not the largest in the world, the largest in the United States. They are well-known names throughout, and show the diversified character of industrialization. In the next two sheets I show basic factors which are important and essential in the establishment of industry. That is not only peculiar to the South or confined to the South. It is a general survey, applying in any territory. Now, I have not shown any freight rates in this list because of the anomalous situation respecting freight rates and transportation costs, to this extent: transportation costs are usually included among the first five factors, or the first three or four factors that are important in connection with the establishment of industry. [fol. 3118] I say "transportation costs." But that does not come down to specific rate levels, so that there is a distinction between transportation costs and freight rates, as we find them in the published tariffs throughout the country. And I might say right here that the class rate structures, especially dealing with the class rate structure of the South, have nothing whatever to do, generally speaking, as a major factor, with either the development of industry, or the retardation of industry; because, speaking from a background of experience in industry, we make our rates as we go, so to speak, if the Commission please, just like a tractor lays its track on the ground and travels on that track. I have shown here the important factors that are essential in industrial development. Now, I do not want the Commission to think that I have purposely avoided transportation costs. I list them high, in the aggregate, but there must be distinguished the difference between transportation costs and so-called freight rates.

Now, coming down to the traffic that actually moves within the South, and between the South and Official territory: it is a difficult thing to secure available material in sufficiently concrete form to determine definitely, or even as a fair basis for comparison, in this connection; but we do have some material available to us, and we have used what we had. First is the material available in the North-South Divisions [fol. 3119] Case, Docket No. 24160, reported in Volume 234 I. C. C., page 175. Sheet No. 19 of my exhibit merely lays the background for the data that follow in the other sheets. Now, in that proceeding there were filed figures showing the result of a traffic test in 1929, for the months of March and September. The following sheets have to do with that. The next four sheets, 23 and 24, especially, are pertinent to the 1929 test. Sheet No. 29 should be used in connection with Dr. Aitchison's Exhibit No. 14—I believe that is the correct number of the exhibit—in which he showed the results of a one-day carload test in May, 1942, both within the South intraterritorially, and interterritorially between the South and Official Territory.

Now, on sheet No. 20 I have shown, in the last column—or rather, I mean to say, in the last two columns, the average rates and the per cents of the Docket 13494 K-2 scale. I used that scale as a measure because it was about the only standard available yardstick, by reason of the fact, as a whole, our rates between the North and the South measure up fairly well to the full K-2 scale. In other words, for comparative purposes, that was the only thing of a probative value, that I had. Now, this test divided carload and less than carload. In the case of the southbound tonnage, there was apparently no segregation made of commodities. In the case of the northbound tonnage, the segregation is shown [fol. 3120] from line 5 down through line 26. It will be noted that all of the southbound carload traffic in line 2 produced revenue equivalent, on the average to 33.1 per cent of the K-2 scale. That is midway between eighth class and seventh class, eighth class being Column 30, and seventh class being Column 35. The less than carload southbound tonnage produced an average revenue of approximately a little below third class. I would say that, from my own knowledge of the general northbound and southbound movements of consumer goods durable and nondurable, the southbound figures reflect a good deal of our 13494 level, which is higher than the Eastern scale. Now, on the northbound test, the commodities that are listed from line 6 down through line 23 show the general character of the better-known commodities. As to line 24, all other carload traffic, the result shown in the last column was to me at least astonishing. We find a percentage as low as 20.7 per cent on tonnage that was more than half of the total northbound traffic, and that makes allowance for all of the other tonnages listed in lines 6 to 23, both inclusive. It is amazing that our northbound level in 1929 on all carload traffic other than listed specifically here, was as low, practically, as what we call eleventh class. In the South we have only one class as such, lower than that, and that is twelfth class, or Column 17.5. When we get down as low as Col- [fol. 3121] umn 20 or eleventh class, in the South, we are really getting pretty low for traffic of a general character. Now, the northbound total traffic indicates that there is a depressing effect northbound that is not present southbound, due I am sure to the results of our competitive effort throughout the years in reaching outside markets. Including the less than carload as well as the carload, the total northbound tonnage produced revenue only 24.7 per cent of the K-2 scale. We were fortunate enough in that case to have the advantage of the weighted average hauls in miles which are shown in the second column of figures.

Mr. Grubbs: If the Commission please, may I ask the witness one question just at this point, in the interest of the accuracy of his exhibit.

Chairman Aitchison: Yes.

By Mr. Grubbs:

Q. Mr. Widell, the heading, at the top of the page here, says "Revenue test for months of March and September, 1929, not including citrus fruits and lumber." Is it not the fact that heading should also read "Coal and coke"—"not including citrus fruits, lumber, coal and coke"?

A. Yes, Mr. Grubbs, that is correct. Thank you very much for calling my attention to it. I appreciate that. I failed, by inadvertence, to mention also coal and coke. The citrus fruits and lumber were specifically named above, but I should have called attention also to coal and coke. [fol. 3122] Now, the statement shows "Between Southern territory, except Florida, and Official Territory." The Florida figures are shown on sheet 21. May I just make this further comment now, in connection with sheet No. 20: the northbound less than carload, in line 25, is 56.1 per cent of the K-2 scale, slightly above a fourth class average, as classification ratings go, compared with 68.5 per cent southbound. The spread in those two averages, and in the average rates shown in the preceding columns northbound as against southbound, indicates, of course, some factor present there that accounts for the substantial difference. Now, the southbound figures, as I stated, in a measure reflected in 1929, the 13494 level. If that is true, and I have no reason to believe otherwise, then the northbound figures show, based upon our common knowledge as to differences in rate levels, that we are not far from the northern level generally on all of our northbound tonnage. Now, on the southbound, we are higher, and we come to the point there, of course, as to what we are to do with our rate structures as we have them in the South at the present time. We are opposed to national uniform rate levels. We favor regional rate structures. It would be a shortsighted policy on the part of industry not to take into account the financial effects upon our transportation systems of any lack of revenues, or any disturbance or redistribution of revenue sources from one [fol. 3123] source of traffic as against another. I represent industries here that are diversified, depending largely on commodity rates, but we own and operate small towns and villages, we operate department stores and hardware stores that sell retail and wholesale. In that respect, I might say that we are the South.

Mr. Norman: We will take no exception to that, if the Commission please.

The Witness: I might say further at this point, Mr. Chairman, that we do not agree that the Southern Governors speak for industry as a whole in the South. I have lived in the South, and been associated intimately with industry in the South for over 27 years, and I think I correctly express the sentiment of industry in the South.

Now, on sheets 23 and 24 of my exhibit, the figures are broken down according to gateways in separate groups in Official Territory. Now, on sheet 23 the last column is run out, in revenue per ton mile figures in cents, but the same relative showing is true there as to the northbound being substantially less than the southbound. To and from the different Eastern groups, within Official Territory, there is apparently a difference in the character or composition of the traffic. As a matter of fact, there is such a difference in the composition of the traffic within any given territory, as compared with other territories, that it is difficult to com- [fol. 3124] pare like with like. There is as much difference, generally speaking, between the Southeast on the one hand and the Southwest on the other hand, as there is between the Southeast on the one hand and Official territory on the other hand. Now, if uniformity means what we have been told it means during the past few years, in connection with the agitation for national uniform rate scales, it means uniformity right straight through, and I agree with Witness Ribe that it would be disastrous to Southern industry, and also disastrous to the Southern transportation systems, in which we have, of course, a direct interest.

The next two sheets, together with what follows, through sheet 51, have to do with the 1939 less than carload traffic study made by the Class 1 carriers, and included in their petition to the Interstate Commerce Commission dated April 19, 1940. Sheets 25 and 26 are a copy of the letter accompanying the following four charts, sheets 27 to 30, both inclusive. The first two charts, 1 and 2, show Official Territory revenue and tonnage blocks; and the last two, Nos. 3 and 4, are for Southern territory. The showing is further amplified on sheet No. 31, where in the last column are shown the cumulative per cents both for shipments of less than 10,000 pounds, and shipments over 10,000 pounds, within Southern territory. It will be noted that there was a heavy movement in the South of shipments weighing 10,000 [fol. 3125] pounds and over, especially when compared with Official Territory on sheet 32. The last line of the cumulative per cents shows in figures the difference in the character of the hauls within the two territories. Now, on sheet 33——

By Chairman Aitchison:

Q. Right there, do you attribute that at all to the fact that the Southern Scale progresses much more sharply than the Official Scale?

A. No, I do not, Mr. Chairman. On sheet 33 will be shown the revenue levels that are actually used in the South, or the rates that are actually used in the South; and in further answer to your question, I might say this, that apparently, from this study, we do not use much of our 13494 rates especially in the higher brackets. Now, that may be due to competitive conditions, such as either common or contract motor carrier operations, but it is due in large measure to the private motor carrier.

Q. How about your 3,000 exceptions to the classification?

A. Well, that has been a very helpful thing.

Q. Now, when you stated a few moments ago here, going back to your former statement, that you agree with Mr. Ribe that the effect of the change referred to would be disastrous, did you have in mind particularly the interterritorial rates, or did you include in that also the intraterritorial rates?

A. I had more in mind, I think, our intraterritorial basic commodity rate structure. The carriers, of course, have [fol. 3126] only one source of revenue, and that is traffic. Their revenue must come from one class, or another, on the different scales; if it does not come from one group of commodities, it must come from another. Now, I will readily concede that we do not have any perfect rate structure in the South; it has plenty of imperfections; but such as it is we believe, based on the experience of years, that it is best suited to the needs of the South, especially industrially.

Q. Well, now, why do you say that it was helpful to you to have the classification exceptions put in?

A. It was most helpful in our interterritorial adjustment.

Q. They apply intraterritorially, do they not?

A. Yes, sir, that is correct; they apply both ways, interterritorially and intraterritorially.

Q. When you say, then, that it was helpful, do you mean that it was helpful only interterritorially?

A. Oh, no, I do not mean that. It was helpful generally, I would say, sir.

Q. Was that because the classification, or the classification scale of rates, was too high?

A. Well, it might be a little difficult to answer that question yes or no, Mr. Chairman, but when I said that it was applicable both interterritorially and intraterritorially, I had in mind more our southbound movement of heavy consumer goods, durable and nondurable, which move in large quan- [fol. 3127] tities less than carload.

Q. From where?

A. From all of Official Territory, New England, Trunk Line and Central Freight Association, to the South.

Q. Well, why would it be hurtful to you if your Southern territory rates themselves were revised for application within that territory? Would it be because the result would be that you would have to cut out your commodity rates, and cut out the exceptions which you say have been helpful?

A. Well, primarily, of course, Mr. Chairman, our first concern is with respect to the matter of revenue losses to the Southern carriers which would be involved in the imposition of the Eastern scale in place of our Southern K-2 scale on southbound traffic. Now, we cannot close our eyes to the fact that the heavy movement southbound produces substantial revenues, in the millions of dollars. The Commission found in the Divisions Case that the interterritorial movement would account for revenues of over—I believe it said—$100,000,000. Now, in estimating what the revenue losses would be, by using the Eastern scale instead of our Southern class rates, both on carload traffic and less than carload traffic, we have no definite yardstick—at least, I have no definite yardstick. My best estimate is, however, that it would cause a loss of revenue to the extent of at least $15,000,000, which the Southern car-[fol. 3128] riers are not able to afford normally.

Q. Are you doing your sorrowing, then, over the Official carriers or the Southern carriers, if an adjustment is made of the intraterritorial rates within the South?

A. Well, the situation will be this, sir, that the impact of whatever change is made will be taken up, and must be taken up, by industry in the South, which will be the only other source of revenue.

Q. Well, it gets back, then, to my previous question, that what you are fearful of here is that the result may be to take out your commodity rates, and put them on the classification basis, or increase them, and take out the exceptions proceedings which were put in, or increase them; is that right?

A. Well, that is partly true, yes, Mr. Chairman, but it goes further than that, of course.

Q. Well, then, what is the furthest point, or the furthest thing? You have mentioned, of course, the effect on the revenues of the carriers.

A. Yes.

Q. I suppose there will be other repercussions.

A. Yes.

Q. Well, now, what else?

A. May I say this, Mr. Chairman, that in testing how far we would be hurt all the way around, we had to be sure [fol. 3129] that we understood the nature and the character of the reductions. In other words, we first had to answer the question as to whether or not it would benefit the South as a whole to have these reductions, and the extent to which we would have to take up the slack on the balance of our commodities.

Q. By "we," meaning industry?

A. Yes, sir, especialy industry; and when I speak of industry, Mr. Chairman, I mean industry such as that represented by, for example, the Tennessee Products Corporation, employing thousands of people scattered throughout the South, and producing substantial tax revenue for the state. The benefits of that one corporation alone, probably the largest of its kind in the South, are manifold. It is impossible, however, Mr. Chairman, to give you a direct yes-or-no answer, to your question.

Q. Well, then, I will not press you.

A. Perhaps as I go along, Mr. Chairman, I may be able to answer some of these questions.

Chairman Aitchison: Continue.

The Witness: The next three sheets of my exhibit, 34 to 36, both inclusive, show the character of the less than carload traffic within the South. On sheet 36 there are shown the totals. By far the greater part, 57 per cent, moved on commodity rates. For Official Territory the figures are shown on the three sheets from 37 to 39, both [fol. 3130] inclusive. This is a breakdown of the tonnage and freight charges by classes, from 100 per cent down to 47 per cent, shown on sheet 39. On sheet 40 and sheet 42 there are shown the total aggregates and averages for Southern, Official and Western Territories. On sheet 43 I show the northbound averages from the South to Official Territory. The last figure shown in the lower right-hand corner, 117.1, is the total average revenue in cents per hundred pounds on all of the traffic from the South to the North. We had no weighted average hauls in the 1939 test. Assuming that the 1929 weighted average hauls would be representative for the 1939 period, I used that figure, which is 734 miles, shown on sheet No. 20, and arrived at an average of 55.2 per cent of the K-2 scale, as compared with 56.1 per cent in 1929. Apparently, the general character of the northbound less than carload traffic in 1939 had not changed greatly, from the decade before, in 1929. The next three sheets of my exhibit are merely-breakdowns of the figures shown on Sheet 43. These are breakdowns of the northbound traffic by classes, tonnage and freight charges. The characters are explained on the last page of the series, that is, sheet 46. On sheet 47 I show the southbound less than carload figures for 1939. The total average southbound was 133.6 cents per 100 pounds. For the northbound weighted average haul in 1929 of 719 miles, shown on sheet 20, I find that 133.6 cents produce an average of [fol. 3131] 63.9 per cent of the K-2 scale.

Q. You have adjusted the K-2 scale for subsequent increases, have you?

A. I am sorry, sir, but I did not get that.

(Question read.)

A. These figures for 1939, Mr. Chairman, are the rates which were actually in effect during 1929.

By Chairman Aitchison:

Q. I did not ask you that. I was asking you as to whether or not you had adjusted the K-2 scale to take care of subsequent increases.

A. Oh. I beg your pardon. I misunderstood the question, then. Yes, sir, I have adjusted it to reflect the Ex Parte 123 increases——

Q. That is what I mean.

A. —if that is what you want.

Q. Yes. I just wanted to know whether or not you had overlooked that.

A. Oh, no.

Q. All right.

A. The 1939 figures would be the actual scale, as modified by the increase.

Chairman Aitchison: All right.

The Witness: This indicates apparently that the trend in the southbound level of less than carload traffic, or the southbound level of rates, is also below the 1929 level; in [fol. 3132] other words, 63.9 as compared with 68.5 per cent in 1929; so that the trend, even up to 1939, was downward southbound. These figures of course would be further modified by the September, 1940, reductions by exceptions to the Southern Classification, which governs interterritorial traffic. Therefore, if these figures as set forth on these sheets, are further modified by either an accurate or an estimated modification in the way of a reduction of first class down to second, or third class, and second class down to third class, or fourth class, it would modify the general level considerably. One effect, I think, Mr. Chairman of the September, 1940, reductions in the classification ratings by exceptions, was to bring the northbound level of rates as close to the northern level as might well be expected. It had no doubt a substantial effect upon the southbound traffic, especially in the first two classes, and to some extent in the third class.

Sheets 48 to 51, both inclusive, are a breakdown of sheet 47, showing by classes the tonnage and freight revenue southbound from Official to Southern territory. Now, in support of our position as to regional development and expansion, in industry and otherwise, I have seven sheets in this exhibit, numbered 52 to 58, both inclusive, in which I have shown extracts and excerpts from a Research Study made by Harriet L. Herring, Research Associate, Institute [fol. 3133] for Research in Social Service, University of North Carolina. I have the book itself with me here. I show, perhaps in a little more detail than I would attempt to develop here, but merely for purposes of background, what she brings out, on sheet No. 54, beginning with line 17 and continuing through line 32.

Mr. Norman: If the Commission please, I am going to have to object to the receipt of this portion of the exhibit. Whoever the lady may be, she is not presented here for examination; and the publication referred to is certainly not a public document.

Chairman Aitchison: Is certainly not what?

Mr. Norman: Is certainly not a public document. I do not know under what rule it would be permissible here.

Mr. J. R. Bell: Mr. Chairman, might I ask a qualifying question in this connection?

Mr. Norman: Just a moment, please. Further in that connection, I would also like to call your Honors' attention to the rule of practice which requires that a party who is going to quote something from a document, must produce the document, and show it to the other parties, and the others then have the right to introduce any part of it that they may want to introduce.

Chairman Aitchison: The objection is sustained.

The Witness: I will make it my own, then, if the Com- [fol. 3134] mission please. Turning to sheet 54 of my exhibit: a state or a region should manufacture for the national market those goods for which it is peculiarly suited because of climate, of natural and agricultural resources, and of skills. In this way each would contribute most to the national economy.

Mr. Norman: Well, now, just a moment. The witness is apparently proceeding to read from this document, and I understood that the Commission had sustained my objection to it.

Chairman Aitchison: The witness stated that he was making it his own, but it strikes me as being very highly argumentative.

The Witness: In addition, a state or region should manufacture for its own use goods for the production of which it has sufficient resources and skills. A state or region should develop, at least for its own use, the manufacture of those goods for which it could economically and profitably produce the raw materials and develop its potential skills. In this way it would add further variety and balance to its manufacturers, help to balance its agricultural economy, and provide more varied opportunities for its people.

On sheets 59 to 65, being seven sheets altogether, there is set forth a public document; that is, excerpts of a public document which I have with me here.

[fol. 3135] Chairman Aitchison: Then you ought to produce it, and show it to counsel.

Mr. McCollester: If the Commission please, does the record show—as I believe it should show—the fact that Mr. Widell produced the original document from which he was attempting to quote the excerpts which you excluded? I think he did say that he had the book with him, but I am not sure. He just made a motion with his hand. I am not sure as to just what the record shows as to that.

Chairman Aitchison: The record does not show, of course, any motion of the witness' hand. As to what the witness said, the record will speak for itself. The ruling will be the same, however.

The Witness: The report referred to, covered by pages 59 to 65, both inclusive, is of the National Resources Committee, the chairman of which is the Honorable Harold L. Ickes. On sheet 7, numbered page 65, at the bottom of the sheet, is shown the title of the document referred to "The Problems of a Changing Population", published in May, 1938, Washington, Government Printing Office.

At this time, if the Commission please, I wish to offer my Exhibit No. 154 in evidence.

Chairman Aitchison: Your Exhibit 154 as a whole will be received, but, of course, the subsequent objection by Mr. Norman to the specific portion of it indicated, has been [fol. 3136] sustained.

The Witness: As I understand it, then, Mr. Chairman, as to sheets 52 to 58, the objection was sustained, with reference to those sheets?

Chairman Aitchison: Yes.

Mr. Norman: That is correct.

Chairman Aitchison: That is right.

The Witness: Thank you.

(Exhibit No. 154, Witness Widell, received in evidence.)

The Witness: There is certain background that I thought necessary here for the references on sheet No. 60, line 48, through line 55, with respect to the relative increase in the improvement of the Southeast in manufacturing.

Chairman Aitchison: Did the witness give some reference there, Mr. Reporter?

(Answer read.)

Chairman Aitchison: Continue.

[fol. 3137] Also lines 56, 57 and 58 on sheet 60. On sheet 61——

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: And on sheet 61, line 69 and 70, the sentence beginning, "The Southeast has shown a steady increase," etc. On sheet 62 are shown the figures for regional distribution of manufacturing establishments; the Southeast in the upper right hand, last line. On sheet 62, on the bottom of the page, beginning with line 157, continuing through sheet 63, through line 165.

Now, what follows is a recital of the trend downward in the northeast section of the country, and an attempt by this committee to determine the factors that are responsible for declines in industrial trends, and especially in a section where the class rate structure is more favorable than in the South. This, taken in connection with the preceding showing, indicates to me that, based upon my general experience in industry in the South, that class rates as such, whether they are the 13494 or the Eastern scale class rates, as such, are not the controlling factors in the development or retardment of industry in any section.

By Com. Alldredge:

Q. Who do you suppose would dispute that statement?

A. I am merely speaking, of course, from background of what has been presented to us by the proponents of the in- [fol. 3138] vestigation, Mr. Commissioner.

Mr. McCollester: Mr. Spottswood.

Com. Alldredge: I certainly think he didn't and I never heard anybody dispute a statement like that.

The Witness: The statement has been made, I think, Mr. Commissioner, that our class rates are retarding the industrial development of the South.

By Com. Alldredge:

Q. Are the controlling element in the——

A. May I modify that, then, to say that they are retarding the industrial development of the South, and in my opinion they are not. We have an adjustment that is imperfect.

By Chairman Aitchison:

Q. Well, I don't think you understand the Commissioner. You used the words "controlling of," and then when he began questioning you about it, you turned it into "retarding of," which is two different things.

A. Either one, Mr. Chairman. I am willing to stand on either statement, because it conveys to me, at least, the same idea.

Chairman Aitchison: He asked if anybody had contended he was controlling it.

Mr. McCollester: Mr. Chairman, I certainly understand it is one of the positions of the southern interests here——

Chairman Aitchison: Now, we are examining him. The question is addressed to him, and until he answers the Commissioner, we don't care to hear anyone else testify.

The Witness: That was my understanding, Mr. Chairman, as the viewpoint of the Southern Governors' [fol. 3139] that the class rates had been the controlling factor in the retardment of Southern industrial development, and I merely wanted to answer that.

By Com. Alldredge:

Q. So you modified your statement to retardment, is that right?

A. No, I am willing to stand on my viewpoint, Mr. Commissioner, and my understanding of it is that, as I understand the position on the other side, I would make that answer to it.

Q. I see. Now, do you have this report submitted by Chairman Ickes before you? Who are the authors of it?

A. It is the report of the Committee on Population Problems to the National Resources Committee. It is submitted by the National Resources Committee to the President, at the White House, on May 14, 1938, by the committee of which Mr. Ickes is the chairman.

Q. That is right. It doesn't say who the authors are?

A. Beg your pardon?

Q. Somebody wrote it. Does it tell you who the authors are?

Mr. Norman: If I may be allowed to interrupt, in order to save time, I know where this appears. It is on the flyleaf. It says: "This report was prepared under the direction of a Subcommittee of a Science Committee. The latter group is made up of designees from the National Academy of Sciences, the Social Science Research Council, and the [fol. 3140] American Council of Education. These organizations assume no responsibility for the views and opinions expressed by their designees.

The Witness: It is a public document, though, Mr. Norman.

Com. Splawn: Since he read that, I want to ask him another question about Miss Herring's book.

By Com. Splawn:

Q. Who published that book?

A. That was published by the University of North Carolina Press, in 1940.

Q. Was it brought out under the auspices of Dr. Odum and his——

A. Yes, Dr. Howard W. Odum, Director of the Institute for Research and Social Science.

Q. Does he indicate in the preface that he had read that and he regarded this as a scholarly work, or not?

A. Yes, he commends it in his preface, on pages V and VI.

Q. The difference between the two documents appears to be that this was published with the funds of the State and the other with the funds of the Federal Government; that this one was carefully supervised by the scholars who sponsored it and the other is just some committee, the names of whom are not mentioned and they take no responsibility?

A. That is true, Mr. Commissioner.

Chairman Aitchison: There is one further difference, and that is that no one objected to this last one, before it was received.

[fol. 3141] Mr. McCollester: Mr. Chairman, I think it is relatively immaterial because I think on brief both of those can properly be quoted from as being publications in their respective fields to be given such weight for purposes of argument as the Commission may think they are entitled to. I think probably its proper place is brief.

The Witness: That completes my testimony.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Widell, turn to sheet 2 of your exhibit, where you show the value added by manufacture. The figures for the South are slightly less than 8 per cent of the total for the United States, are they not?

A. I haven't the exact figure here, Mr. Norman, but I will accept yours.

Q. Now, turn to page 5. You show the population for those same states to be 18.2 per cent of the total population of the United States, do you not?

A. Yes, but the figures on sheet 5 are not for the same states as shown on sheet 2.

Q. They are not?

A. Because I limit mine to the eight southern states. You will find an explanation in page 9 as to what is included in Southern territory.

Q. On page 5, where you have got Southern territory, [fol. 3142] what is included in that?

A. I don't recall, offhand. I do remember that all of Virginia is included in it. It is explained in the exhibit. I unfortunately don't have it with me, Mr. Norman.

Q. Well, value added by manufacture in the southern states is substantially lower in proportion to the total than the population of the southern states is to the total population, isn't it?

A. That may be, yes, because we are largely agrarian, agricultural section in the South.

Q. You have gone to great lengths here to try to prove you are a great industrial section, and these figures would seem to establish the contrary.

A. They seem to establish to me, Mr. Norman, this, in answer to your question, that my purpose was to show the trends in the decade 1929 to 1930, in Southern territory. Now, that is the major purpose.

Q. That may have been your purpose, but the figures do establish this other fact, don't they?

A. Well, I——

Q. Now, let's look at that trend a minute about population. Take the Southern territory that you have there. For the last 20 years, for the last 30 years, beginning 1900—the last 40 years, 1900, the population in the South has dropped from 20.2 to 18.2. Take Official territory, it has only [fol. 3143] dropped from 49.4 to 48.7 and in the last 30 years it hasn't dropped at all. That would indicate that it is the South that has been losing, wouldn't it?

Mr. McCollester: What page have you got?

Mr. Norman: Page 5.

The Witness: Not necessarily. You get the further trends on sheet 4, at least from 1920 to 1940.

By Mr. Norman:

Q. Turn to page 20, where you show that the southbound traffic was rated 38.6 per cent of the K-2 first class, whereas northbound it was only 24.7 per cent; and you were casting around for some explanation of that and arrived at the probable conclusion that it was because northbound rates were lower. Did you give any consideration to the fact, as shown by the record here, that the combination of the southbound traffic is of much higher grade than the northbound?

A. I said that, sir.

Q. I didn't understand you to say it. You may have. Don't you think that may be the controlling factor there?

A. Why, it is the reason why our southbound levels are so much higher than the northbound.

Q. It is the reason?

A. Yes.

Q. I thought you said you thought our northbound rates were so much lower.

[fol. 3144] A. Well, they are. They are, too. The northbound level is amazingly low, considering the type and the character of traffic, which is further explained in the 1939 test.

Q. Mr. Widell, you say that we—and you say we are the South, that we make our rates as we go, like a tractor lays its track. Now, how does a small shipper go about laying his track as he goes?

A. The same way.

Q. Who doesn't have any Mr. Widell or Mr. Ribe to help him lay it?

A. Or Mr. Norman, probably.

Q. Or me.

A. All right. This is what we do, Mr. Norman. You ask me, what does a small man do. All right, we have a small casket manufacturer at Cleveland, Tennessee. He came to me, he said, "What shall I do? I want to reach Washington, D. C. I want to reach——"

Q. He knew how to lay his track; his track led to you.

A. All the years that he had been *shipping*, he said that he couldn't go places. Inside of six months he could go almost any place he wanted.

Two weeks ago, three weeks ago, in Nashville a manufacturer called me up and said, "Can you come over?" I went over and found that he was shipping 100 carloads and innumerable shipments of less carloads of a new antifreeze. [fol. 3145] I was amazed. But he said, "I find that I am not in the antifreeze list of alcohols," or his competitive item, thylene glycol. He said, "Why haven't I got rates?" I said, "You have never asked for them." I said, "Let's go over and ask." I knew what was involved in that because I had much to do with the development of the antifreeze rates in the South. We are getting his rates. There is no trouble, Mr. Norman.

Q. Now, Mr. Widell, you might tell that to somebody else that it is no trouble. You know that I know better than that, because I have tried many, many times. I know how much trouble it is.

A. I am speaking to you, Mr. Norman, from an industrial background in transportation.

Q. Now, let me ask you this: You think it wouldn't be better to have an adjustment which everybody, would be available to everybody, and you wouldn't have to negotiate it each time you wanted to start a plant?

A. In our opinion, it is not necessary to do it this way, sir.

Q. Now, you filed here a statement of position on the part of the Southern States Industrial Council. That is signed by Mr. John U. Barr, Chairman of the—

A. No, it is signed by me, sir. I filed this statement. That was merely for identification purposes, if the question was raised as to who is the directing head of the Transportation [fol. 3146] Division of the Council, but this is my statement, on behalf of the Council, not Mr. Barr's.

Q. Is Mr. Fitzgerald Hall, the president of the N. C. & St. L., president of the Southern States Industrial Council?

A. No, sir.

Q. Well, he was, wasn't he?

A. Some years ago he was, for one year. Let me tell you who is president of the Council, sir.

Q. Yes, certainly.

A. Mr. Rush Cole, vice president, Monsanto Chemical Company, main office, St. Louis, Missouri. Mr. Barr, whose name is shown there for identification purposes as chairman of the Transportation Division of the Council, is vice president for Louisiana, Mississippi and Texas. He is general manager, Federal Fibre Mills, New Orleans, Louisiana.

Q. And the Council is composed, largely, of large industries in the South?

A. Small ones and large ones. The general constituency will run probably to 5700.

Q. You say that, in your opinion, the Southern Governors Conference does not represent the position of the South in this case?

A. The southern industry.

Q. Well, you said you were the South.

A. I said southern industry. I think the record will bear [fol. 3147] me out.

Q. Did you say "We are the South"?

A. Beg your pardon?

Q. Didn't you use that term, "We are the South"?

A. Yes, I used that term. I take a pride in it, sir.

Q. Why is it all these years, if you are the South, you haven't been able to elect a governor of a single state that agrees with your viewpoint?

A. Let me answer that, Mr. Chairman.

Chairman Aitchison: Yes, I think you are entitled to.

The Witness: Are you familiar with Governor Browning's handling of this class rate investigation at the time that it was a matter of——

Mr. Norman: Yes, I am familiar with it. I know all about it.

The Witness: Mr. Chairman, preceding Governor Cooper, than whom there is no finer Southern gentleman, was Governor Robert Browning, who was chairman of the Class Rate Committee, in the same position that Governor Cooper now operates.

Com. Alldredge: It is Gordon Browning.

The Witness: I beg your pardon, Gordon Browning; will you change that. We had—that is, we, I include myself, I had personally a number of conferences with others, with Governor Browning. And we laid before him the viewpoint of industry in Tennessee and we asked him if it would be [fol. 3148] possible for him to consider that——

Chairman Aitchison: I think we will drop the whole thing, going back and including Mr. Norman's question.

Mr. Norman: If he goes ahead, I will have to make another statement.

Chairman Aitchison: I think we will stop there. Anything further, Mr. Widell? You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Glenn.

William W. Glenn was sworn and testified as follows:

Direct examination.

By Mr. Widell:

Q. Mr. Glenn, will you give your full name and address.

A. My name is William W. Glenn. My residence is Nashville, Tennessee.

Q. What position do you occupy and with whom?

A. My present occupation is that of traffic manager of the Tennessee Products Corporation.

Q. And will you state how long you have been with them and your other experience, briefly.

A. For approximately the last two years, I have been serving in my present capacity. Prior to that time, for a period of about five years, I had direct contact, representing various shippers and receivers of freight in the Birmingham [fol. 3149] District and in other parts of the South, in general traffic matters.

Q. Now, will you explain just briefly——

A. Pardon me. Prior to the six-year period——

Chairman Aitchison: Unless there is question about the gentleman's qualifications, we will go on. Consider them as established.

By Mr. Widell:

Q. We will just go on, Mr. Glenn. Will you state briefly the character of the Tennessee Products Corporation's business.

A. Yes. The Tennessee Products Corporation is rather unique in its operations.

Chairman Aitchison: We don't want any advertising. What does it produce?

The Witness: It produces at its plant at Lyles, Tennessee, pig iron, charcoal, acetic acid, methanol and creosote oils and hardwood oils. At its Rockdale and Rockwood, Tennessee, plants it produces ferro-manganese and mineral wool insulation. At its Chattanooga plant it produces by-product coke, benzol, toluol, xylol; and at its mines at Whitwell, Tennessee, of course it produces coal.

By Mr. Widell:

Q. Now, at any of these places, do you have villages or towns that you operate and own?

A. Yes, we do. At the Lyles, Tennessee, operation, at the village called Wrigley, we practically own that settle- [fol. 3150] ment of approximately 500 population.

Q. Is the same thing true at Rockdale and at Whitwell?

A. The same thing is true at Rockdale and Whitwell.

Q. Do you operate large department stores?

A. Yes, at Lyles, Whitwell, Rockdale and Rockwood. We do not operate stores at Chattanooga.

Q. Now, the inbound movement is quite large, is it?

A. Yes, the inbound movement, of course, to the plant, is principally what we would call the raw materials on our lower-rated commodities. However, in our stores we have a varied movement, moving on class rates into these stores, everything that you would ordinarily find in a department store.

Q. Do you move both carload and less carload?

A. Yes, we do.

Q. Do you move large quantities of mill supplies, machinery, to all these plants?

A. Yes, sir.

Q. Where does it come from, largely?

A. Principally from the Official territory.

Q. It moves on class rates, does it?

A. Yes.

Q. Do you know of any other of these industries that you speak for, for instance, any of the lumber concerns that operate somewhat along the same lines?

A. Well, I don't know—did you have anything particular [fol. 3151] in mind?

Q. Yes, this plant, say, at Century, Florida.

A. That is the Alger-Sullivan Lumber Company. Yes, I am familiar with that operation.

Q. Are they just a sawmill or what do they operate in connection with their lumber mills?

A. Well, they operate practically the entire town.

Q. How big is it, approximately?

A. I would say the population, approximately—they own and operate the groceries, the drug stores and most all of the industry in the town.

Q. At Rockwood, Tennessee, do you have groceries there and supply the surrounding territory?

A. Yes, we do.

Q. Do you do the same at Rockdale?

A. Yes, sir.

Q. So that you are, then, interested in class rates as such, are you not?

A. Very much so, yes, sir.

Q. In your opinion, Mr. Glenn, based upon your experience with these corporations and industries you have been with, is the present class rate adjustment responsible in any way for retarding industrial development in the South?

A. No, sir.

Q. Do you know of any industry——

[fol. 3152] A. Not to my——

By Chairman Aitchison:

Q. Not to your what?

A. Not to my best knowledge, it is not.

By Mr. Widell:

Q. Do you know of any industries, Mr. Glenn, that come within your knowledge that have either closed down because of our southern class rates——

A. I do not, no.

Q. —or have refused to establish themselves because of our southern class rates?

A. No, sir.

Q. Is there anything else that you would like to add, Mr. Glenn?

A. Yes, just a little statement. I had, of course, in mind that the principal issue involved here, or the principal thing for determination, was whether or not the class rate structure, the present class rate structure was retarding the industrial development of the South. In that connection, I was very much interested in the statement made this morning by counsel for the Southern Governors to the Chairman, in which he stated that the consumers, I believe, would be the principal benefactors in a reclassification of the rates or revamping of the class rate structure. That is all, sir.

Q. That is all you have in mind?

A. Yes, sir.

Mr. Widell: That is all.

[fol. 3153] Chairman Aitchison: Cross-examine.

Mr. Grubbs: May I just ask one question here?

Mr. Norman: Sure, go ahead.

By Mr. Grubbs:

Q. You are a consumer, is that right?

A. Yes, sir, that is right.

Q. And you are, as a consumer, satisfied with the present class rate structure, is that correct?

A. That is correct.

Mr. Grubbs: That is all, thank you, sir.

Chairman Aitchison: All right, Mr. Norman.

Mr. Norman: Oh, I won't ask him anything.

Chairman Aitchison: Step aside, Mr. Glenn.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Mr. Wells.

Mr. Donnelly: The witness' name is Wells, and the exhibit has a mimeographed map on the first page.

"**Joseph M. Wells** was sworn and testified as follows:

Direct examination.

By Mr. Donnelly:

Q. Your full name, Mr. Wells?

A. Joseph M. Wells.

Q. With what company are you connected?

A. The Homer Laughlin China Company of Newell, West Virginia.

[fol. 3154] Q. Speak a little louder, if you can.

A. Homer Laughlin China Company, Newell, West Virginia.

Q. What length of time have you been with that company, Mr. Wells?

A. About 30 years.

Q. And what is your present capacity with the company?

A. Secretary-treasurer and general manager.

Q. Is that a large or a small pottery?

A. It is the largest pottery in the world.

Q. What are the chief products?

A. General dinnerware for the table.

Q. And that all comes under the general heading of pottery, does it not?

A. That is right.

Q. For whom are you appearing here, Mr. Wells?

A. Representing the United States Potteries Association, with headquarters at East Liverpool, Ohio.

Q. Can you tell us about what per cent of the total production of potteries is represented in these members?

A. Between 90 and 95 per cent of the total domestic production.

Q. Are you familiar with plant production and distribution?

A. Yes, sir.

Q. And is that true not only for your own company, but you have a general knowledge of that of other companies?

[fol. 3155] A. That is right.

Mr. Donnelly: Mr. Chairman, Mr. Wells has an exhibit and I am not offering him as a rate expert, but the only rates in the exhibit are those which are shown on the three last pages, which are applying to raw materials, and they are shown only for the purpose of showing what the raw material rates are from those particular points. And the products of the pottery business that he represents all move on the class rates in all territory.

(Exhibit 155, Witness Wells, marked for identification.)

Chairman Aitchison: Exhibit 155——
Mr. Donnelly: Is offered.
Chairman Aitchison: Is there objection? (No response.) It is received.

(Exhibit 155, Witness Wells, received in evidence.)

By Mr. Donnelly:

Q. Will you look at your Exhibit 155, Mr. Wells, and tell us about where the potteries of the United States are located.

A. Well, as indicated on the exhibit, the potteries, the largest production is represented in eastern Ohio, western Pennsylvania and northern West Virginia.

Q. And what particular part of the country produces the largest volume of pottery?

A. The ~~larger~~ volume is produced in the East Liverpool [fol. 3156] district, which includes Chester, West Virginia, Newell, West Virginia.

Q. Will you tell us, please, at what places have new potteries been built within the last 15 years?

A. To my knowledge, there has been no new pottery of any consequence built in the last 15 years anywhere in the country.

Q. Can you say about what the expansion program has been with potteries already in existence?

A. It has been a very modest one. There have been expansions on the part of certain firms. There have been a number of cases where firms, a whole group of firms were put out of business at one time when an attempt was made to form a combination and three or four of the pottery—that combination went into bankruptcy. Potteries were all closed down. There were three or four of those plants that have been reconverted and improved and started again, as an individual company, but not more than three or four.

Q. How do you account for the fact, if you do, that potteries have not been built in the southern states, except in one as noted on the map, in eastern Tennessee?

A. Well, the only answer I know to that is the same reason that they haven't been built in the North, that there hasn't been sufficient probability of any person going into the pottery business making any sort of return on the investment to justify new capital going into that particular [fol. 3157] business. I know of no other reason.

Q. And your exhibit shows, at pages 3, 4 and 5, that the raw materials used in the pottery trade to a large extent are produced and shipped from the South, does it not?

A. Yes. The raw materials that come from the South are the china clay and the ball clay, chiefly.

Q. And what are the raw materials that are used in the making of pottery?

A. Well, the three basic raw materials are clay, feldspar and flint sand.

Q. And does this exhibit, pages 3, 4 and 5, show the origin of those materials?

A. Yes. It shows the origin, the chief points of origin of all of those three materials.

Q. Then why is it that potteries are not always built near the source of the raw materials?

A. Because the cost of the raw material in the pottery business is a very small one in proportion to the total cost. The potteries employ a very large proportion of skilled labor and it has been, since the first pottery started in this country, the habit of pottery manufacturers to go to the districts where they could obtain labor, skilled labor, and not have the necessity of teaching labor.

Q. Well, does that mean, then, or is that the reason, rather, why you do not consider freight rates are a material [fol. 3158] control on the location of potteries?

A. Yes, that is it exactly. The freight rates of raw materials form an almost infinitesimal part of the total cost of manufacturing dinnerware and they are of no serious consequence at all.

Q. Where are the products of the potteries marketed?

A. In all states of the Union, and a very small part is export.

Q. Has the production been sufficient to meet the demands?

A. At the present time it isn't, just as it wasn't during the last war, when all exports are shut off. The present production of the domestic potteries is not sufficient to meet the domestic demand at the present time. Under normal conditions, when there is imported into this country a third of the total amount of ware that is used in this country, then the present production facilities are entirely, are more than adequate.

By Chairman Aitchison:

Q. You said "exports," you mean imports?
A. Imports.

By Mr. Donnelly:

Q. Then the quantity of pottery that is imported in normal times is really the control, is it not, of the sales?
A. Entirely; almost.

Com. Alldredge: I didn't understand that.

[fol. 3159] (Record read.)

By Com. Alldredge:

Q. The importations fix your market, is that right?
A. I am sorry, I didn't get that.
Q. The importations determine the market?
A. That is exactly right. The importations are such and at such prices that the market is actually controlled by those importations, because it is impossible for the American manufacturer to compete with the importations on similar products, similarly decorated, similarly made.
Q. They have come mostly from the Orient, haven't they?
A. During the last 20 years, the chief source of the importations of potteries has been Japan. Before that it was Germany, before that it was England; but Japan is now—has been, before this war, importing about 75 per cent of the entire importations.

By Mr. Donnelly:

Q. Did you hear Mr. Ribe's testimony, Mr. Wells?
A. Only a part of it.
Q. You heard the concluding part of it?
A. Yes.
Q. Pertaining to the investigation he made as to the location of potteries in the South?
A. Yes.

Q. Do you think that pottery can be made in the South [fol. 3160] at as low a cost of production as in the North?

A. I shouldn't think there would be a great deal of difference in the cost of production. There would be, of course, if, as has happened in one or two instances, that potteries have been started outside of the districts where they are concentrated at present and have been operated on a non-union basis. There is only really one of those potteries operating, but their wage scale for their labor, which constitutes about 65 per cent of the total cost of pottery, the wage scale in that non-union plant is materially below the wage scale in our plants, where we deal and have collective bargaining with an A. F. of L. union and where the cost of labor or where the percentage of labor cost is so high, it is obvious that if a plant is manned and operated by employees who are not obtaining as high wages as those in the union plants, then the pottery can manufacture at lower costs; but it is highly improbable, under the present national situation, as far as union labor is concerned, that a new pottery could start without having their employers in the Pottery Workers Union.

Q. Do the freight rates on the pottery, that is the finished goods, have much effect upon the sale of them or the places where markets are found?

A. I would say practically none at all. I have never known an instance, in selling millions of dollars worth of pottery products, where the matter of the freight rate that [fol. 3161] existed from the manufacturing point to the delivery point had anything whatever to do with the sale.

Q. What does have to do with it?

A. Well, dinnerware is a style product and there are no two potteries that manufacture the same shapes, the same decorations or the same colors, and the matter of one pottery being able to market their product successfully is whether or not they are producing something that is desirable by the buyers for the department stores and chain stores and what not, who, in turn, of course have to buy something that is acceptable to their customers.

Q. Very good, Mr. Wells. I want to show you Mr. Spottswood's Exhibit 76, at page 26 on Appendix C, in which there is shown a list of seven points of origin of chinaware, in which rates are shown, and ask you what potteries are located at Nashville, Memphis, Chattanooga, Atlanta, Birmingham, Macon and Meridian, Mississippi?

A. I have no knowledge of any pottery being located at any of those cities. I am sure I would know about it if there were.

Q. Now, what is your position——

By Com. Alldredge:

Q. There is one at Atlanta, isn't there?

A. Atlanta was not mentioned, was it, in that list, Mr. Donnelly?

By Mr. Donnelly:

Q. Yes, Atlanta, Georgia.

A. Yes, there is the Bauer Pottery Company that has [fol. 3162] recently started to operate there and is making, in very small quantity, as I understand it, heavy hotel dinnerware, for the Army, chiefly, at present.

Q. Do you know when they started operation?

A. I think I first heard of them about a year ago.

Q. Did you ever hear of a pottery at Gordon, Georgia?

A. I heard at one time a great deal about a pottery that was going to be started there, but it is my present information that pottery never went into operation.

Q. Now, Mr. Wells, as to your position in this case, as I understood you to say, you are here not to protest but to protect the rates and ratings that you now have and ask this Commission that they not increase the freight rates that are applicable on the pottery that you ship?

A. We are, naturally, very hopeful that that will not happen, Mr. Donnelly, because it would be—any increase on the rates at present, from the potteries located where they are, would mean higher prices or higher landed costs to the concentrated population districts along the eastern and western seaboards, that would be a further handicap in our meeting the competition that will inevitably occur when the war is over from foreign countries.

Q. Do you have any further statement?

A. Nothing at all.

Mr. Donnelly: The witness is offered for cross examina- [fol. 3163] tion.

Cross-examination.

By Mr. Norman:—

Q. I would just like to know how to reconcile that last statement of yours with the previous statement to the effect that freight rates didn't make any difference at all in selling pottery.

A. I merely am making the last statement from the position of our customers, who would have to pay more to land them in their stores and which, inevitably, would mean a higher mark-up. It wouldn't affect their purchase of individual patterns at all.

Q. But you said it would affect your selling them as against the importations, didn't you?

A. It would affect their selling prices to their customers, and it would inevitably mean more importations at lower prices.

Q. And therefore it would affect your ability to sell?

A. No, I don't think so. If I said that I didn't intend to mean it.

Mr. Donnelly: You didn't say that, Mr. Wells.

The Witness: The price of the merchandise at the factory is the determining factor.

By Mr. Norman:

Q. But if the freight rate doesn't make any difference in the sale of pottery, why do you care so much if there should be some increase in freight rate? You say you do [fol. 3164] object seriously to the increase. Why, if it doesn't have anything to do with it?

A. If there is no other reason, I would object because it would mean a higher price to the consumer.

Mr. Norman: That it all.

By Chairman Aitchison:

Q. Mr. Wells, I am not sure that I got your name correctly.

A. J. M. Wells.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

By Chairman Aitchison:

Q. What railroad it that on, is Newell on?
A. The Pennsylvania.

Chairman Aitchison: That is all. You are excused.

(Witness excused.)

N. W. Ford was sworn and testified as follows:

Direct examination.

By Chairman Aitchison:

Q. Your name is N. W. Ford?
A. Yes, sir.

Q. You are traffic manager of the Manufacturers Association of Connecticut, Inc., of Hartford, Connecticut?
A. Yes, sir.

Q. You live in Hartford, Connecticut?
[fol. 3165] A. Yes, sir.

Q. You have prepared this statement, have you?
A. Yes, sir.

Q. It has been distributed for some little time?
A. Yes, sir.

Q. If you were asked about the matters in this statement separately, would your answers be as stated here?
A. Yes, sir.

Q. And you desire to have this put in the record as your statement?
A. That is satisfactory to me. I would like to add just one section.

Chairman Aitchison: If there is no objection, then this may be copied in.

(The statement is as follows:)

I have been engaged exclusively in industrial traffic work for the past 23 years. Following a brief period spent with a freight auditing company, I was employed as assistant traffic manager of the Winchester Repeating Arms Company of New Haven, Connecticut, for 9 years and since 1929 have been engaged in my present capacity as traffic manager of The Manufacturers Association of Connecticut.

This is a voluntary organization, embracing within its membership virtually all eligible industries of any importance throughout the state, large or small. The 850 manu- [fol. 3166] facturing concerns comprising its membership normally employ over a quarter million workers and represent a billion dollars of invested capital. The Association's transportation activities are carried on through an active traffic committee, which recommends to the board of directors a course of action dealing with transportation matters.

Classification: It is the opinion of industry in Connecticut that there is no immediate need for bringing about complete uniformity of the classification ratings in the various territories even though it is recognized that, based on past experience, any general revision of ratings would probably be accomplished by adopting the lowest rating applicable in any of the three territories for publication in each of the territories.

On the other hand, it is recognized that considerable progress has been made in the past few years toward bringing about uniformity of ratings and that, in any event, complete uniformity would not be desirable if it were to preclude the possibility of establishing different ratings for the same commodity in the various territories, as such action would not permit the railroads to give any consideration to meeting the competition of other modes of transportation nor would it allow the carriers to consider the special conditions that frequently confront a shipper in a single classification territory and that are not present in [fol. 3167] the other territories and therefore would not require similar treatment.

Any freezing of classification ratings for the mere purpose of maintaining uniformity would fail to meet the needs of industry and commerce with respect to the movement of particular commodities. Such uniformity would be equitable only if the movement of traffic in the several territories were of like kind and character and moved in equal volume between points in each territory. There is a complete lack of any demand for uniformity of classification ratings on the part of shippers in Connecticut.

Rates: At the time the rates resulting from the Eastern Class Rate Case decision became effective December 3, 1931, there was some dissatisfaction with the structure. However, during the years that have intervened, the carriers have cooperated with the shippers in making necessary adjustments until today the shippers in Connecticut, with certain minor exceptions, are generally satisfied with the level of rates now maintained between points in Official territory. There will, of course, be a continuing need for further adjustments to meet changing conditions. Based on past experience, it is certain that any major revision of rates at this time will not only disturb present economic conditions but, of even greater importance, is the fact that such changes would create an entirely new situation with which manufacturers would be confronted in their attempt to return to [fol. 3168] their pre-war production following the conclusion of hostilities. This is a matter of no small importance when we recognize that many manufacturers have been obliged during the present period to completely convert their plants from peace time to war production. This has, in some instances, necessitated the discarding of practically all the company's normal equipment and machines. Following the conclusion of the war, it will be necessary for the management of these companies to decide whether they will return to the production of their former peace time line of merchandise or if they will enter an entirely new field. Their markets will, of course, have been dissipated and, if transportation rates have been substantially revised, they will not even have the benefit of this basic data upon which to decide their future action.

As illustrative of this situation, I might cite the clock industry which is very largely centered in Connecticut. Due to limitation orders on the use of brass, steel and zinc, there are practically no clocks or watches being manufactured at the present time. These plants are now producing time fuses and other war materials. Their reserve stock of raw materials, such as brass, and even the partially manufactured parts and assemblies, have been taken over by the Government to be remelted for use in war industries. Whether or not these companies will return to the manufacture of clocks and watches after the war is a question that [fol. 3169] cannot even be answered at this time by the management of these industries. No new obstacles should be placed in their way to add to the tremendous problem already confronting them.

It is the opinion of those whom I represent that only by coincidence could any general revision of freight rates at this time reflect the commercial needs of the country for the period following the war. Individual adjustments should continue to be made to meet the needs of industry and commerce. In no event should any increase of rates in Official territory be allowed at this time merely for the purpose of bringing about a greater degree of uniformity in the rate levels that prevail in the various sections of the country. Under present circumstances, any such increases of rates would, in our opinion, be purely artificial and would not reflect the financial needs of the carriers in Official territory.

Chairman Aitchison: Now, proceed.

The Witness: In connection with the matter of classification, I would just like to add that Connecticut industry is completely opposed to the position taken by Witness Jackson with respect to the application of a uniform classification for motor carriers and railroads. That is all.

By Chairman Aitchison:

Q. Why?

A. Because we believe that density is a predominating factor in connection with the movement of goods by motor truck but that it is not nearly as important a factor in the [fol. 3170] transportation of merchandise by railroad. The reason for that, again, is because of the size of the unit of transportation. The smaller the unit of transportation, the greater importance density becomes.

Q. You are speaking of less than carloads?

A. No, sir.

Q. Both?

A. Yes, sir.

By Com. Alldredge:

Q. By the way, you have two kinds of motor classifications in your territory, don't you?

A. Well, within New England we have a classification that it based primarily on density. Then we have interterritorial traffic from New England to points outside of New England that is governed generally by the National Motor Freight Classification.

Q. Is it correct to assume, then, that you don't like that classification enough to have it based primarily upon densities?

A. We do like the one that is based upon the density and we don't like the one that reflects the railroad classification ratings.

Q. Oh, you prefer to have a motor carrier classification based upon the principles advocated by Mr. Jackson but you want the rail classification based upon different principles, is that it?

[fol. 3171] A. Well, Mr. Jackson primarily said that there should be uniform classification ratings for both. We don't agree with that. We do think that density is a basic factor in the determination of classification ratings for motor carriers but not for railroads.

Com. Alldredge: That is all.

Chairman Aitchison: Does anyone desire to cross-examine the witness? (No response.) You are excused, Mr. Ford.

(Witness excused.)

Chairman Aitchison: Mr. Ferguson.

A. H. **Ferguson** was sworn and testified as follows:

Direct examination.

By Chairman Aitchison:

Q. You name is A. H. Ferguson?

A. Yes, sir.

Q. And you are here for the Boston Chamber of Commerce, the New Bedford Board of Commerce and The New England Traffic League?

A. Yes, sir.

Q. You have had long experience in transportation?

A. Yes, sir.

Q. You have prepared a short statement from which you wish to testify?

A. Yes, sir.

Chairman Aitchison: Any objection, gentlemen, to this [fol. 3172] being copied in, commencing with the words "New England organizations"? (No response.) There seems to be none.

(The statement is as follows:)

New England organizations represented take the position that the present classifications and class rate structures, which have been developed after many years of practical experience and study—by the carriers, shippers and the Commission, are and have been generally satisfactory. They do not agree that what imperfections exist are sufficiently material to justify any further upheavel in the industrial situation, which must result from a radical revision of the classification ratings and class rate structures designed to attain the seemingly ideal of uniformity. With the entire industry of the country primarily engaged in the furtherance of the war effort, and its attention devoted to the heavy problems this has raised, it is no time to add to their burdens by imposing on them the effects of a disruption of the existing classification and class rate adjustments.

These New England interests willingly admit that there may be imperfections in the present classifications and class rate structures but they are firmly convinced that any such imperfections may be rectified by cooperative efforts of those interested through the usual procedure. They do not believe that the principal products of either the South, Southwest or West are meeting any serious difficulties in [fol. 3173] reaching the markets of supply and demand within Official territory. Any instances that may be pointed out in the testimony of record in this case are what may be termed exceptions to the general situation and they occur in every traffic section by reason of certain more important economic reasons than freight rates. In other words, freight rates are, in our opinion, the least important part of the entire picture of the competitive situation that is involved. Present classifications and class rates do not appear to prevent the regular and substantial movement of manufactured products of the South into New England markets. Surveys made indicate such products are marketed very largely in New England cities. This is especially true of cotton goods, cotton clothing, cotton rope, furniture, paper products, etc.

To attain the ideal of uniformity of industrial development and progress, it seems necessary to consider the economic advantages or disadvantages of the several competitive manufacturing sections. Otherwise, the single consideration of freight rates and the need of their equalization to bring about the greater development of industry in any particular section or sections may result in a most serious displacement of the industries in another section. Much has been said about the difficulties which confront the

South and Southwest in the development and location of new industries within their respective sections because of [fol. 3174] the differences existing in the governing classifications and levels of the class rates applicable within and from those sections to Official territory as compared with those observed within Official territory.

In the first place, there has been a decided lack of information relative to the particular manufactured articles which are or would be affected by the present differences in the class rate levels of the several competitive sections. In the second place, it has been New England shippers' observation during the past 15 years that once a New England plant established a branch in the South, it thrived so well in southern soil that the entire plant was soon located there—to New England's loss. Such instances do not prove that the single element of freight rates, class or otherwise, either influenced this relocation of industry or prevented New England from retaining that industry.

By Chairman Aitchison:

Q. Have you anything to add to this, Mr. Ferguson?

A. Well, I wish to subscribe, on behalf of the other New England organizations, to the statement of Mr. Ford and the verbal statement that he made, because we are all on record in favor of that New England motor classification, based on the primary element of density.

I might also add that as a relatively small but highly industrialized section, New England has been and is the pot [fol. 3175] of gold at the end of the rainbow which other less industrialized sections always seek. But may we add, they do succeed in obtaining some of the gold.

Chairman Aitchison: Any cross-examination of Mr. Ford?

Mr. McCollester: I have a couple of questions, Mr. Commissioner. I don't know whether they are cross, probably more like direct.

By Mr. McCollester:

Q. Mr. Ferguson, is it not a fact that during the past 15 years, New England has suffered a very serious loss of industries to the South?

A. That is right. In the textile industry alone, we have lost, within the New England states, 356 mills operating 12,787,066 spindles, which affected 138,568 employees.

Q. What is your opinion as to whether the freight rate situation was a factor in that movement of industries from New England to the South?

A. The freight rate cost was not a factor at all, either in drawing that industry to the South or preventing it from leaving New England.

Q. Have you any specific examples to illustrate that point?

A. Why, yes. We had a mill at New Bedford manufacturing cheesecloth. Cheesecloth was made into gauze and surgical dressings, after finishing at Slatersville, Rhode Island, and Walpole, Massachusetts. In 1940, production of that mill was transferred to a South Carolina mill and they [fol. 3176] send that product up, cheap product, cheesecloth, back to Slatersville, Rhode Island, and manufacture it at Walpole, Massachusetts.

I could cite two other similar instances. A mill manufacturing tire fabric went into Akron. The mill was liquidated, most of the best machinery sent down to Cedartown, Georgia. Similarly, we had a nationally-known blanket manufacturer. Its roots became established in one of the Carolinas and the whole plant moved there in 1934. It still ships blankets back to a small portion of the plant, which is used as a warehouse for distributing purposes.

I may state that actually there were 19 removals of cotton mills from Massachusetts to the South, but that does not give you the entire picture. Many plants established branches down in the South, and before you know it, all their operations are moved there. In fact, even the capital that is obtained by the liquidation of these mills was used for the organization of mills in the South.

The cities of Fall River and New Bedford were the largest cotton mill industrial cities in the United States and probably in the world. New Bedford lost over 69 per cent of its mills in the period since January, 1921. 22 corporations, operating 55 miles units, having 2,302,296 spindles, 34,128 looms, hiring 29,360 employess, were liquidated during that period from January 1, 1921.

Q. What happened to the employees, Mr. Ferguson? [fol. 3177] Did they move with the mills to any large extent?

A. No, sir. Only in one instance do I know of that certain employees were taken down to the southern mill location.

By Chairman Aitchison:

Q. Why did these mills move, if you know?

A. Why, yes, I know but I didn't think I was supposed to answer that. They moved because of the lower cost of operation.

Q. Meaning labor?

A. Labor; lower cost of manufacturing.

Q. Did the National Labor Relations Act interfere with that at all?

A. Not at all.

Q. Were they unionized in the North?

A. Very highly, very strongly.

Q. Did they have operating contracts?

A. They do.

Q. Is a concern having an operating contract of that character free to pick up and go to some other place and start using non-union labor?

A. That has been the case in the past, sir, and probably was one of the elements that forced the movement of industry from New England.

Q. When was this?

A. This occurred during—primarily all of this occurred [fol. 3178] during the past 17 years.

Q. That is a long time. What part of the past 17 years?

A. Well, off and on. They gradually dropped off, one after another.

Q. Still, that is not very definite.

A. I will try to make it——

Q. Can you give us a better idea? Is it going on now, has it been going on recently, or has it been going on since the National Labor Relations Act was passed?

A. Yes, sir. Since 1932, New Bedford lost ten corporations, 17 mill units, 642,670 spindles, operating 16,271 looms. And I might state that Fall River, the city of Fall River did the same.

Q. Well, take New Bedford.

A. Yes, sir.

Q. You have given ten years. Can you locate the loss a little more closely with reference to time?

A. I have just given you from January 1, 1932, just stated that for the past ten years.

Q. That is ten years and nearly eleven. Now, do you have anything which will show during what part of that 10-year period the change was made on account of lower operating cost of labor, I think you said?

A. I haven't any direct figures showing that.

Q. Do you know what the fact is?

[fol. 3179] A. As to what, Mr. Chairman?

Q. As to what part of this 10-year period the move took place.

A. Throughout the period, throughout that entire period these losses occurred. Now, I can't pin it down to any particular year.

Com. Alldredge: May I interject?

By Com. Alldredge:

Q. Within that period a minimum wage level was established all over the country for those operators.

A. Yes, sir.

Q. I think that is what the Chairman is trying to point out. What effect does that have?

Chairman Aitchison: Yes.

By Chairman Aitchison:

Q. Also whether or not the operating agreements which have been entered into—you say this is highly unionized and they all had operating agreements—whether these concerns are now permitted, under the National Labor Relations Act, to get out of an operating arrangement by closing the factory and going to somewhere else.

A. Well, that is only within the recent——

Mr. McCollester: I don't agree with you that there is anything in the National Labor Relations Act that prevents a company from closing a plant and moving somewhere else. They are doing it all the time.

Chairman Aitchison: Well, it is done without authority.

[fol. 3180] Mr. McCollester: We had a case, a client of ours within the past six months, that had a National Labor Relations Board order against them. The plant was shut and they have opened somewhere else. They did that under directions of the War Department.

Com. Alldredge: Have they heard the last of it?

Mr. McCollester: I don't know.

Chairman Aitchison: Well, there have been cases, haven't there, where the National Labor Relations Board have found that to be an unfair labor practice?

Mr. Norman: Yes, and have been sustained, too.

Chairman Aitchison: They had to pay back wages.

The Witness: Well, this Kendall mill ceased its operations in 1940.

By Chairman Aitchison:

Q. That is what I am trying to get, whether this is something new, something recent that is going on now, or are you taking something that occurred some considerable time ago?

A. Well, on account of war conditions, if it wasn't for the war conditions, we would be still losing them. I can say that with confidence. It is only because of the war orders that the remaining mills at New Bedford are receiving, that they are still operating; that when normal conditions are renewed, we are going to be up against the same thing. We can't compete. Our cotton must come [fol. 3181] from the far distant Southwest, the Mississippi Valley. And as for the Minimum Wage Law, it didn't have very much effect on New England mills at all, because our mills pay higher wages and have—

By Com. Alldredge:

Q. It must have had its effect on the southern mills and to that extent evened up the score.

A. It didn't equalize wages.

Q. I understand it didn't fully equalize wages, but it went in that direction, didn't it?

A. Its intention was to bring up the minimum wages on and equality in all sections, that is true.

By Mr. McCollester:

Q. But your wage levels were above the minimum, were they not?

A. That is true of the higher classes of employees, the loom fixers and the weavers and so forth.

By Com. Alldredge:

Q. That would be true anywhere. The higher up the line of skill you go, the higher up they get from the minimum wage, don't they?

A. But, Mr. Commissioner, I mean the New England wages are much above those of the other sections.

By Mr. McCollester:

Q. So that despite the wage floor set by the Minimum Wage Act, it didn't prevent labor cost being cheaper in the South than in New England?

A. That is right.

By Com. Alldredge:

Q. Now, hasn't that exodus of those mills over the years that you have been mentioning been confined primarily to [fol. 3182] those producing the low-grade goods?

A. New Bedford was the city that produced the finest kind of cotton goods, mixed cotton and rayon goods.

Q. I didn't ask you about just the one place. Isn't that generally true?

A. The coarse goods went first and then the fine goods.

By Mr. McCollester:

Q. Now, Mr. Ferguson, was the purchasing power of the former employees of mills in New Bedford, *as* Fall River, as consumers of goods improved because the cotton piece goods could be manufactured more cheaply in the South?

A. No, sir. It has caused considerabl*y* injury to such New England textile cities as Lowell, Lawrence, Fall River and New Bedford because of the large relief rolls.

By Com. Alldredge:

Q. Would you make that statement if you confined it to consumers all over the country?

A. Well, yes, I believe I would. I believe in being frank and stating just what the situation is.

Q. If they reduced the cost of manufacturing, you don't think consumers anywhere would get any benefit out of it, is that right?

A. That is right.

Q. Sir?

A. That is right.

Q. The consumer is in a bad fix, isn't he?

[fol. 3183] A. Yes.

By Mr. McCollester:

Q. One other thing, Mr. Ferguson: First, on movement of industry from New England, do you know about the Glenwood Stove Company at Taunton?

A. Well, it is located up at Taunton, 23 miles *of* New Bedford, which is my home town. Yes, I know something about it.

Q. That was an important company and the stove was a stove that had a wide reputation, did it not?

A. It had a national reputation.

Q. Is that still in business?

A. Not that I know of. I don't think it is.

Q. Do you know when it went out of business?

A. Within the past year.

Q. Now, one point that the Southern Governors are making in this proceeding is that the freight rate structure prevents the marketing of southern products freely in the North. Has there been any survey made in New England as to whether southern manufactured goods are marketed in New England?

A. Everybody is pretty busy and it was rather difficult to make such surveys. Casual surveys were made at Fall River and New Bedford, which indicated that practically all of the outstanding commodities of the South were being marketed in the stores of those two cities.

Q. Have you any examples of commodities?

A. Well, all of the textiles, furniture, rugs, clothing, [fol. 3184] earthenware, gas stoves, glassware, tinware, coarse towels and spreads, blankets, woodenware, paper products. That is about all.

Mr. McCollester: That is all I have.

Mr. Bell: I have some questions.

Chairman Aitchison: Mr. Bell.

Cross-examination.

By Mr. Bell:

Q. Wages paid to labor is not the only item where the cost of production is less in the South than in New England, is it?

A. No, sir.

Q. Can you mention some of the others? How about the proximity to the cotton fields?

A. That is a very important item.

Q. How about the relative price of land, do you know anything about that?

A. No, sir, I don't know anything about that.

Q. How about local taxes, comparatively?

A. Well, there is something to that.

Q. There are other elements contributing to the lower cost of production of these mills in the South than labor, is that correct?

A. That is right.

Mr. Bell: That is all.

By Mr. Norman:

Q. With reference to this migration, as you call it, of the [fol. 3185] textile mills from New England to the South, I would like to ask you, what do you think is the economic justification for manufacturing cotton into textiles in New England, when it is furthest from the raw material and furthest from the market?

A. Well, history answers that. Cotton mills originated in New England.

Q. Well, could you attribute it perhaps more——

Chairman Aitchison: We don't want to re-try that textile case. It is before the Commission right now, Mr. Norman.

Mr. Norman: He is talking about the migration of the mills from up there as though they economically belonged up there. My point is that they ought never to have been there, from an economic standpoint.

Chairman Aitchison: I am afraid if they hadn't been there we wouldn't have had much cotton piece goods at one time.

Mr. Norman: That is true.

By Mr. Norman:

Q. Now, you take your stoves. You talk about your stove plant up there that had to go out of business. That, likewise, is a long ways from the raw materials, that you have to haul your raw materials, isn't it?

A. Oh, I don't think so.

Q. You have to haul up there from——

A. Altoona, Pennsylvania, Pittsburgh district.

[fol. 3186] Q. Then you have to haul the stoves back?

A. Well, they are scattered all over the country.

Q. And you, being 'way up there in the northeast corner of the country, on the average you are further away from the market?

A. That is New England's disadvantage, that is true.

Mr. Norman: That is all.

By Chairman Aitchison:

Q. Have you anything further, Mr. Ferguson?

A. No, sir.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Russell.

Mr. McCollester: May it please the Commissioner, I am calling Mr. Russell as a witness for the State of New York, for which I appear in this proceeding. I think the record should show, however, as was to have been stated by Mr. Seal, could he have gotten here, as he hoped to do—if the hotel could accommodate him—that there is among the Trunk Line states and the commercial organizations of the various communities in Trunk Line territory a committee for cooperative action in this proceeding on behalf of all. Mr. Mace is chairman of the general committee and Mr. Seal is chairman of the steering committee.

Chairman Aitchison: S-e-a-l?

[fol. 3187] Mr. McCollester: Mr. Seal, of Baltimore. Now, while the evidence which I am going to offer will be on behalf of the State of New York, which I represent, in order to avoid duplication, it will also be considered as evidence on behalf of the other members of the Trunk Line group. We have sometimes been referred to as the Trunk Line shippers. That is not quite accurate. I represent the State of New York and therefore all of its citizens, which include not only shippers but railroads, industries, and the communities as a whole; and our appearance here is primarily, at least mine, on behalf of New York as a state and its several communities.

I make that point further for this reason: In preparing for this proceeding, we naturally were in touch with the industries who are the shippers in New York State, and we are confronted, from their standpoint, with the very real difficulty, which I would like to have appear on this record through my statement, that every one of them, I think, without exception, with whom we talked—and our dealings were with the Associated Industries of New York—are so shorthanded, their traffic department so shorthanded, their business department so rushed with war work, that despite the importance of this proceeding, they could not spare the time to attend and present testimony in this proceeding as shippers. The war took precedence over their individual interests as to what may come out of this proceeding.

[fol. 3188] Now, as to the State of New York and the other members of our group, I want very briefly to state our position, to support which our evidence will be offered and to which it is directed. First, as to uniform classification, so far as the State of New York is concerned, and in the absence of any showing by individual industries who are the shippers, I am not in a position to take any position as to how any particular commodity should be rated or whether there should be any change in any rates. We doubt, however, the feasibility of a uniform classification and we oppose the accomplishment of a uniform classification for all territories in this proceeding, for the very reason that, as we will show, there are at the present time such variations between the classification that any attempt to work out a uniform classification, however desirable that may be for purposes of convenience or theoretically, would mean changing the relationships of commodities to each other in one or the other of the several territories; and we feel that in the absence of evidence by the interested shippers of the particular commodities that would be so affected, the Commission should not attempt to substitute its judgment as to how different commodities should be rated, if the results which are now embodied in the classification and which reflect the judgment of the Classification committees, before whom, for the most part, the shippers have appeared and by whom they have been heard.

[fol. 3189] As to a uniform class rate level throughout the eastern part of the United States, we are opposed to that. We intend to show you and to argue more fully later that there are reasons for the territorial rate-making methods that have been pursued up to the present time, and that that being so, the rate levels in each territory must be considered in the light of all the circumstances and the needs of that territory. We intend to show you that there are differences between the territories in the nature of the traffic handled, which must bear the burden of maintaining the transportation systems in each territory and in the rate schemes of the different territories as to how that burden shall be distributed between different portions of the traffic, and for those reasons we will submit that there is no basis for working out a uniform class rate level throughout the eastern part of the United States.

Further, we will show, or we will try to show, that the fundamental premise, as we understand it, of the plea for uniformity on behalf of southern and southwestern interests, namely that the present differences in rate levels have prevented or retarded the industrial development of those regions, that that plea is amiss, that their industrial development has not been retarded, that under the present rate structure they are able to market their products in the North in competition with goods produced in the North and [fol. 3190] that therefore, if that were a basis for prescribing rates, it is a basis which does not exist, in effect.

I call Mr. Russell.

William J. Russell was sworn and testified as follows:

Direct examination.

By Mr. McCollester:

Q. Will you state your name, please, Mr. Russell, and where you reside.

A. William J. Russell, Albany, New York.

Q. What is your present official connection?

A. I am the director of the Industrial Bureau of the Division of Commerce of the State of New York.

Q. Will you briefly state your past experience.

A. I have had nearly 30 years' experience in industry and business, either directly or with organizations of business men, since receiving a mechanical engineering degree. I have worked ~~for such~~ representative industries as American Cyanamid Company, Miami Copper Company, International Smelting Company, Hercules Powder Company and others; and I might add, for about five years in the industrial real estate business in the city of New York.

Mr. McCollester: May Mr. Russell's exhibit be marked?
Chairman Aitchison: 156.

(Exhibit 156, Witness Russell, marked for identification.)

By Mr. McCollester:

Q. Mr. Russell, in the exhibit which has been identified [fol. 3191] as 156, have you, in Section I, embracing pages 1 to 3, caused to be stated the provisions of the statute of the State of New York creating the Division of Commerce, and then more fully the portions of the statute outlining the powers and duties of the Bureau of Industry, of which you are director, and also the Bureau of Planning?

A. I have.

Q. Will you briefly give a little of the background of the creation of the Division of Commerce or of the statute which provided for its creation.

A. The legislature of the State of New York in 1941 passed the laws creating the Division of Commerce. This followed a report by a joint legislative committee on labor and industry, which was called the Ives Committee. This committee had been in existence for several years and had been investigating generally the relative position of New York State industry as compared with other industrial states.

Q. Did the report of the committee, in general, indicate that New York's position was becoming worse from the standpoint of industry in relation to other states?

A. Generally, on a comparative basis, it did.

Q. And did it show movement of industry from the State of New York?

A. It showed not only movement of industry from the state but it also showed that many industries in the state [fol. 3192] desiring to expand went to other locations rather than remaining and making that expansion at their other plant in the state.

Q. Has the stove and furnace industry been an important one in the State of New York?

A. It has.

Q. In the past?

A. It has.

Q. What has happened, in general, to that industry?

A. It is much smaller than it formerly was. Many concerns that were formerly in the stove manufacturing business have gone out of existence. Peekskill, for example, which at one time was an important stove manufacturing city, has lost five industries that have gone out of existence in the past ten years, fifteen years.

Q. Have other industries using pig iron as one of their principal raw materials either gone out of business or reduced their operation, in competition with producers elsewhere?

A. Yes. There are several other industries, such as the pipe industry and manufacturers of cast iron, gray cast iron products, that have suffered very materially from that competition.

Q. Has New York State also lost textile industries?

A. Yes, it has.

Q. Where have they gone?

A. Well, generally speaking, to the South.

[fol. 3193] Q. Now, Mr. Russell, as part of your functions as director of the Bureau of Industry of the New York State Division of Commerce, both for the purposes of this case and as part of your general duties, have you made or caused to be made under your supervision a survey to determine whether products of southern manufacture are sold in the State of New York at the present time and whether New York manufacturers, in marketing their goods, encounter competition from southern manufacturers of similar goods?

A. I did.

Q. Have you embodied the results of that survey in the exhibit which is marked Exhibit 156?

A. Yes, they are embodied in that exhibit.

Q. Now, referring to that exhibit, will you describe how the survey was conducted and, in general, what the conclusions were which were reached as a result; taking up first what is marked Section II, beginning on page 4 of the exhibit.

A. Section II, on pages 4 and 5 of the exhibit, show ten examples of purchases made by the State of New York itself. The State purchases its requirements on open competitive bidding. All prices are quoted on a delivered basis, and these few examples, selected from the records of the Department of Purchase, show that many products produced in the South are being sold to the State of New York directely.

Chairman Aitchison: Off the record.

[fol. 3194] (Discussion outside the record.)

Mr. McCollester: I note, Mr. Chairman, item E on page 4, that shows that the contract was let to a concern in Greensboro, South Carolina, and the next highest bidder was a New York concern, Chadwick, New York.

By Mr. McCollester:

Q. That is correct, isn't it?
A. That is correct, and incidentally, that concern is located only about 100 miles from Albany, capital city and approximately the central part of the State.
Q. These prices which were shown were the prices quoted by the southern concern that secured the contract, which means the next highest prices quoted there are prices delivered in New York, are they?
A. That is right. Section III, beginning on page 6—

By Chairman Aitchison:

Q. May I ask you, with respect to Section II, are they submitted just as typical or is it an inclusive list?
A. They are not an inclusive list. They are typical examples that were selected.
Q. Were there cases where the southern manufacturer was at a considerable disadvantage?
A. None of those were given to me by the Commissioner of Purchase.
Q. Was he asked for them?
A. Well, probably not, Mr. Commissioner.

[fol. 3195] By Mr. McCollester:

Q. Continue, Mr. Russell. You were starting to talk about Section III, beginning on page 6.

A. Section III, beginning on page 6, and extending for about eleven pages, contains 48 examples of competition by southern products with products which are manufactured in New York State. These manufacturers generally sell their product, not only in New York State but throughout the balance of the northeastern section of the country. Of course, many of them sell in other sections also. The statements indicate the nature of the product, the names of some of their competitors and the location of some of their competitors and the territories, generally, where the merchandise is sold.

Q. This information which is compiled was procured by inquiries made by your staff as part of their regular duties, was it?

A. It was made by our staff in connection with Associated Industries, an organization of manufacturers in the State. Many of the facts developed here were developed by personal visit. Some of them were the result of a questionnaire by mail and time did not permit the visiting of all of these industries.

Q. I think it is not necessary to go into detail in connection with Section III. It speaks for itself, does it not?

A. I think it does.

Q. Now, will you take up Section IV, which deals with [fol. 3196] the furniture industry. Is that a particularly sore spot with the State of New York?

A. In some sections of the State it is. Section IV deals with the furniture industry primarily in the Jamestown section of the State and primarily with that portion of the furniture industry which produces bedroom furniture, dining room furniture, desks and secretaries and chests of drawers, with what is commonly called case goods. These products are sold throughout the northeastern section of the country through department stores, wholesale, and furniture stores, generally speaking. During the past 20 years, there has been a great reduction in the amount of furniture manufactured in the Jamestown area. The number of concerns has decreased until today only about one-half as many manufacturing concerns are in business in the Jamestown area. There is included——

By Chairman Aitchison:

Q. Is that partly due to consolidations?

A. No, none of those that are listed here were due to consolidations, Mr. Comissioner. Those that remained in existence as a result of consolidations or who changed their names and remained in existence are not included in this list. This list, on page 17, shows the names of 22 furniture manufacturing concerns that actually went out of business.

By Com. Splawn:

Q. In what years did they fail or go out of business?

[fol. 3197] A. Between the year 1922 and date. I haven't the specific years in which they ceased to do business.

Q. Did any one of them go out of business after 1934?

A. I didn't get the question.

Q. Did any one of them go out of business after 1934 or 1935?

A. I don't have the definite dates when they did go out of business.

Q. Wasn't the depression about ten years ago very hard on the furniture business?

A. It was pretty hard on most everybody.

By Mr. McCollester:

Q. Mr. Russell, has the reduction in the furniture production in the Jamestown area coincided with an increase in the furniture production in the South?

A. Generally speaking, yes.

Q. In about the same ratio?

A. In about the same ratio.

Q. Now, did your investigation disclose as to whether or not the furniture produced in the South is of the same character as was formerly made in Jamestown?

A. At the beginning of the competition, I understand that the furniture was not as good quality as that made in Jamestown. But of later years the quality of production in the South has been improved, and today, in many types of wood furniture it apparently compares very favorably, because it is sold in definite competition and in many [fol. 3198] instances has driven the Jamestown furniture out of the market.

Q. Have you on pages 18 and 19 summarized what you found as to the present competitive situation in the case of a few concerns which are still in business in Jamestown?

A. Yes, sir. For example, the Union National Furniture Company, which employs about 165 people in the manufacture of bedroom and dining room furniture, secretaries and bookcases and that sort of thing, sell their product through department stores and retail furniture stores throughout the northeastern part of the United States, to such stores as J. N. Adams and Company and Mendelsohn's, in Buffalo, Macy's and Sloan's in New York. Their principal competitors are the Drexel Furniture Company, Drexel, North Carolina, The Morganton Furniture Company, Morganton, North Carolina, and The Bernhardt Furniture Company, Lenoir, North Carolina. These people, the Union National, formerly manufactured what is known as promotional commercial bedroom and dining room furniture but they have lost most of that business to southern manufacturers and have been compelled to develop new lines of merchandise.

The same is more or less true of the Alliance Furniture Manufacturing Company; the Maddox Table Company, manufacturers of a better grade of furniture, sold in competition with southern manufacturers; and also of the Jamestown Table Company. These were just selected as [fol. 3199] typical examples of what has been happening.

Q. Mr. Russell, are the facts stated in Exhibit 156 true to the best of your knowledge and belief?

A. They are.

Q. And that exhibit was prepared under your supervision and direction, was it?

A. It was.

Q. As part of your duties as Director of the Bureau of Industry?

A. It was.

Mr. McCollester: We offer the exhibit marked No. 156 in evidence, Mr. Chairman.

Chairman Aitchison: Without objection, it is received.

(Exhibit 156, Witness Russell, received in evidence.)

By Mr. McCollester:

Q. Have you anything further you want to state on direct examination, Mr. Russell?

A. Not a thing.

Mr. McCollester: The witness is tendered for cross-examination.

Cross-examination.

By Mr. Norman:

Q. Mr. Russell, did you make any inquiry as to where these furniture factories in New York obtained their lumber or raw material?

A. I did.

[fol. 3200] Q. Where do they get it?

A. Some of it they get locally, some of it is imported from foreign countries and some of it they get from the South.

Q. Do you know about what proportion of it they get locally?

A. No, I do not.

Q. Relatively small, though, isn't it?

A. No, in some instances I don't think it is.

Q. Now, you have listed a great many concerns here that you say h[illegible] some competition from similar industries in the Sou[illegible] located in the South. Is it your idea that there should not be such competition as that?

A. No, sir.

Q. Did you make any effort to ascertain the extent to which commodities produced in the State of New York were sold in the South?

A. In some instances that question came into the discussion, yes, sir.

Q. You haven't made any showing about that, though, have you?

A. No, sir.

Q. Don't you know that the New York manufacturer enjoys a much larger market in the South than the southern manufacturer enjoys in the North?

Mr. McCollester: On that, Mr. Chairman, I might have said, we might have gone into that on direct. We did not [fol. 3201] because this evidence is offered solely to meet the claim of the South that they cannot market in the North.

Whether we can market in the South is an issue that we have not gone into. We are just trying to answer and show that the southern contention is incorrect.

Mr. Norman: That is all.

Chairman Aitchison: Is there anything further with this witness?

Mr. Norman: If you are satisfied with that showing, I am.

Chairman Aitchison: You are excused, Mr. Russell.

(Witness excused.)

Chairman Aitchison: That is all the witnesses we have scheduled for this afternoon. Is there any other witness that wants to be heard this afternoon?

Mr. McCollester: Mr. Mace can go on; he is very short. I think he is scheduled for tomorrow.

Chairman Aitchison: Mr. Mace.

Mr. McCollester: Mr. Mace has one exhibit, a small exhibit of three pages with his name in the upper right hand corner.

George E. Mace was sworn and testified as follows:

Direct examination.

By Mr. McCollester:

[fol. 3202] Q. Will you state your full name, Mr. Mace.

A. George E. Mace.

Q. What is your present business connection?

A. I am manager of the Traffic Bureau of Commerce and Industry Association of New York, formerly the Merchants Association.

Q. Is it one of the functions of the Commerce and Industry Association to keep itself informed as to the business being done in the State of New York and what goods are being marketed there?

A. It is. The object of the association is to foster the trade and welfare of New York.

Q. Have you made an investigation to ascertain whether or not the manufactured goods of southern manufacture are on sale in the stores in the City of New York?

A. I made such an investigation as to one store only.

Q. Have you embodied the results of that investigation in the exhibit which is marked for identification number——

Chairman Aitchison: 157.

(Exhibit 157, Witness Mace, marked for identification.)

By Mr. McCollester:

Q. 157?
A. I have.
Q. Did you make that investigation personally?
A. It was made by me personally.
Q. And are the facts as shown in the exhibit true and [fol. 3203] correct, to the best of your knowledge?
A. They are.

Mr. McCollester: We offer the exhibit in evidence.
Chairman Aitchison. If there is no objection, it is received.

(Exhibit 157, Witness Mace, received in evidence.)

By Mr. McCollester:

Q. Anything further you want to state, Mr. Mace?
A. Only this much, that the Commerce and Industry Association concurs in the position and testimony that is to be offered on behalf of the State of New York.

Chairman Aitchison: Including the cross-examination? (Laughter)

By Com. Alldredge:

Q. Mr. Mace, I notice that you mentioned a pottery in the South selling its wares in New York. Mr. Wells didn't mention it.

Mr. Bee: One at Camden, Arkansas, and another one at Steeds, North Carolina.
The Witness: Read the question, please, Miss Reporter.

By Com. Alldredge:

Q. Is that correct? Have you got that correct?
A. I didn't hear the question, Commissioner. I was asking the stenographer to read it.

Com. Alldredge: On page 2.

[fol. 3204] (Previous question read.)

The Witness: That is correct, in that particular instance. I am not able to testify that the goods were actually shipped from the manufacturing plant. In that instance the goods may have been shipped from a warehouse at the point named on my exhibit, but that was the originating point of those particular articles of pottery.

By Com. Alldredge:

Q. Do you know whether these goods move on class rates or not?

A. I do not.

Cross-examination:

By Mr. Bee:

Q. Mr. Mace, would your answer be the same as to shipment from the Camach Pottery Company at Camden, Arkansas, that not being shown as a pottery on page 2 of Mr. Wells' Exhibit 155?

A. The answer would be the same. I didn't make any attempt to have my exhibit conform to any one else's.

Q. Then you don't know whether these commodities were manufactured in the South or Southwest or whether they were manufactured some other place?

A. Oh the pottery items, that is correct. But I do know they were shipped from the points that were specified on my exhibit.

Q. Do you know whether the other items shown coming from Texas, as an example, were manufactured at the [fol. 3205] Texas points or were shipped from the Texas points, or how they happened to get to Texas? I call your attention to a shipment from Sallie Newton of some books at Houston, Texas. Do you know whether there is a manufacturer at Houston or whether they came by water from New York and were sent back up to you to be sold at a retail establishment?

A. I examined one of the books and it bore the name and information that it was published by Sallie Newton, Houston, Texas.

Q. And that is the name of the press that published it?

A. I don't know what it is the name of. It said "Published by Sallie Newton".

Q. It could have been printed in New York and published by Sallie Newton at Houston, could it not?

A. I don't know.

Chairman Aitchison: Mr. Bee, I call your attention to the fact that Mr. Wells' exhibit, page 2, evidently refers to the potteries which are members of the United States Potters Association. Unless Camden was——

Mr. Bee: Page 1 does, but page 2 says definitely the star is the location of pottery manufacturing plants.

Chairman Aitchison: No, it doesn't.

Mr. Bee: Well, it does on my copy.

Chairman Aitchison: It says "Location of Pottery Manufacturing Plants," but you have got to tie that up with the preceding ones, because the stars are identical. [fol. 3206] Off the record.

(Discussion outside the record.)

Mr. Bee: I thought that the witness intended this to be the location of the plants, regardless of the membership.

Chairman Aitchison: Proceed.

By Mr. Norman:

Q. Mr. Mace, do you mind saying what department store this is.

A. R. H. Macy & Company.

Q. Now, they sell articles that are received from literally all over the world, don't they?

A. I don't know.

Q. Wouldn't it be most amazing if R. H. Macy & Company didn't receive a lot of articles from the South for sale?

Chairman Aitchison: It probably would during the time he made this check, wouldn't it?

The Witness: This check was made November 4 of this year.

Chairman Aitchison: You couldn't expect to get very many goods from a great many parts of the world this year.

Mr. Norman: No, I guess that is true, outside of the Americas, at any rate.

By Mr. Norman:

Q. But it is true, is it not, that that is one of the largest department stores in the world and that it does sell a great list of commodities received from a great many different sources of supply?

[fol. 3207] A. Well, I can only say this, that the description I gave it is what I conceive it to be, a leading department store in New York.

Q. Well, is it one of the largest in the world? I have always understood it was.

A. I wouldn't have knowledge of that.

Mr. Norman: All right, that is all.

Chairman Aitchison: Is there anything further with this witness? (No response.) The witness is excused.

(Witness excused.)

Chairman Aitchison: Are you ready to pursue the cross-examination of Dr. Edwards now?

Mr. Eshelman: Speaking for myself, do I understand, then that it will be limited to what was put in at Indianapolis? I can cover that.

Mr. McCollester: I have one witness that will take five minutes.

Chairman Aitchison: You may proceed.

Mr. McCollester: Mr. Williams isn't strictly a witness for the State of New York. He is one of the group. I think he might proceed under his own steam.

Samuel H. Williams was sworn and testified as follows:

Direct examination.

The Witness: My name is Samuel H. Williams. I am [fol. 3208] Director of the Transportation and Foreign Trade Bureau of the Chamber of Commerce and Board of Trade of Philadelphia. I am a member of the Trunk Line Commercial and Industrial Committee, which was formed in connection with this proceeding, to which reference was made by Mr. McCollester, counsel for the State of New York.

The organization which I represent concurs in the testimony which will be presented through witnesses called by Mr. McCollester, in so far as the testimony relates to the general territory.

I will not deal with rates, but merely wish to present a study which I have made. In order to determine whether manufactured articles of the South were regularly marketed in Philadelphia, I made an inquiry of four retail stores in Philadelphia. An exhibit which I have to offer gives the result of this study, and I present this exhibit and offer it as Exhibit No.——

Chairman Aitchison: 158.

(Exhibit 158, Witness Williams, marked for identification.)

The Witness: 158.

Chairman Aitchison: If there is no objection, Exhibit 158 will be received.

(Exhibit 158, Witness Williams, received in evidence.)

Chairman Aitchison: Is that all?

[fol. 3209] The Witness: That is all I have.

Chairman Aitchison: Cross examine.

By Com. Alldredge:

Q. Wouldn't these commodities move on class rates?

A. I do not know, Mr. Commissioner. I didn't go into that.

Q. Do you know anything about the quantity in which they are sold?

A. At my request, I asked for the names of articles and the points of origin that moved regularly from the various points.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: Take the stand, Dr. Edwards.

Ford K. Edwards, recalled:

Cross-examination.

By Mr. Eshelman:

Q. Dr. Edwards, at page 63 of your Exhibit 11, apparently in support of your study in this case, reference was made to a study of your Bureau in Docket 27766, the Alden Coal case. Has that case as yet been decided by the Commission?

A. No, sir.

Q. Then so far as Commission approval is concerned, do you claim any greater sanction for the results of the study [fol. 3210] in the Alden case than for your study introduced here?

A. No, sir.

Q. Was the Bureau's study in the Alden case a new, complete and independent study by the Bureau?

A. No, sir.

Q. Was the Bureau's study in the Alden case the subject of severe criticism by the carriers on the grounds that the costs did not properly portray the facts or the costs of the services involved?

A. It probably was. I didn't follow all the criticisms of the carriers. There certainly were criticisms.

Q. Can you say whether the Bureau costs in the Alden case included anything for deficiencies in such other services as those pertaining to the raw coal traffic, the passenger traffic or less carload traffic?

A. Those deficiencies were set up for separate consideration. They were not included in the cost.

Q. Did the Bureau costs cover all the anthracite lines to tidewater?

A. No, sir.

Q. Did they cover the costs of all collieries on each of the five lines which were treated?

A. No, sir.

Q. Did they cover any joint-line costs?

A. No, sir.

[fol. 3211] Q. Were they based on spring or summer operations which disregarded winter conditions?

A. I am not certain as to that, Mr. Eshelman.

Q. Did the Bureau figures for return omit an investment of $27,000,000 for electrification of the Pennsylvania Railroad between Enola Yard and South Amboy?

A. Yes, sir.

Mr. Eshelman: I think that is all I have on direct.

Chairman Aitchison: You mean on cross?

Mr. Eshelman: Cross.

Chairman Aitchison: Mr. Reed.

Mr. Eshelman: Thank you very much, Doctor.

By Mr. Reed:

Q. Doctor, in preparation of this cross examination, we submitted to you some figures so that we could save time. Have you had opportunity to check those?

A. Yes, sir.

Q. It is a fact, is it not, that Exhibits 2, 3 and 4 were compiled on what you have termed a "relative use basis," in which you have used the car miles, car days, gross ton miles, cars handled and less than carload consignments as the factors establishing the relative use of the carriers' facilities as between the varying loads, the varying types of equipment and as between less than carload and carload traffic, is that correct?

A. Yes, sir.

[fol. 3212] Q. The relative use basis as described in your exhibits and testimony, does, in fact, recognize the ability of high-class traffic, such as less than carload traffic, to pay for the use which such traffic makes of the carriers' facilities, isn't that correct?

A. No, I don't think that is correct.

Q. Do you have Exhibit 3 before you?

A. Yes, sir.

Q. And Exhibit 12?

A. Yes, sir.

Q. What, then, is meant by the last sentence of Exhibit 12, Chapter 1, in introductory statement, the last two sentences beginning with: "This has the effect of spreading the constant expense over the revenue-producing units of traffic, ignoring differences of ability to pay," and the other sentence there to the same effect.

A. That sentence means that, in so far as the constant expenses are concerned, we have distributed them pro rata over all revenue units of traffic, tons and ton miles, regarding one ton as no different from any other ton, and thereby not giving any recognition to ability to pay.

Q. Is it your statement, now, that the relative use basis as applied to carload and less than carload traffic would not, in fact, reflect the ability to pay?

A. Yes, sir, for the reason that a cost study cannot reflect [fol. 3213] differences in ability to pay.

Q. Is there any difference between Exhibits 2 and 12 in that the cost as presented would ignore the ability to pay of less than carload versus carload traffic?

A. In both exhibits the costs ignore ability to pay. However, in Exhibit 2, or under the methods outlined in Exhibit 2, we did get a higher cost on L.C.L. traffic, for the reason that I have explained in Exhibit 12. In other words, a pro rata distribution of the constant cost will throw more of those constant costs against that traffic which has a high out of pocket cost, and less carload traffic is in that category.

Q. Now, in so far as less than carload deficits are concerned, the real difference between Exhibit 2 and Exhibit 12 is that the less than carload deficit, for the nation as a whole, has been reduced from $135,000,000, in round figures, to about seventy million or sixty-six million, in round figures, isn't that correct?

Chairman Aitchison: That is in Exhibit 12?

Mr. Reed: Exhibits 2 and——

Chairman Aitchison: Which one carries the reduction?

Mr. Reed: The real difference between them is the reduction. Exhibit 12 reduces the deficit as developed in Exhibit 2 by $69,000,000.

By Mr. Reed:

Q. Isn't that substantially correct?

[fol. 3214] A. Well, I haven't checked that figure. It certainly has reduced the amount of the deficit.

Q. Well, isn't that the principal difference in the construction of the two exhibits?

A. Well, I would say that was an important by-product. It isn't the principal difference.

Q. Now, Exhibit 12 and 13 modify the relative use basis only as to the constant factors, isn't that a fact?

A. Exhibit 12 and 13 take into consideration a portion of the return on the value of the property as an out-of-pocket cost and thereby apply the use basis to that element. Indirectly, one might say that the first study, in that it surcharged all the constant expenses on the basis of the direct expenses, and inasmuch as the direct expenses were apportioned on a use basis, the result would be that all expenses were ultimately apportioned on the use basis. That would be the effect of it.

Q. The sum total would have been that the main factor, in so far as less than carload traffic is concerned, that would be modified and was modified by your Exhibits 12 and 13, were the constant factors?

A. Yes, sir.

Q. The new basis, in so far as it modifies the prior exhibits, results in the greatest modification being made in the cost of handling the less than carload traffic, isn't that a fact?

[fol. 3215] A. No, the greatest modification is on carload traffic of a very light load, such as five tons. There was a lesser modification on L.C.L. for the reason that a great portion of the terminal expenses was left unchanged. In other words, percentage-wise, there was a greater modification on the five-ton carload shipment than on the five-ton L.C.L. shipment.

Q. Taking the carload traffic as a whole, Doctor, and the less than carload traffic as a whole, percentage-wise, the greatest modification was made in connection with your less than carload cost, isn't that a fact?

A. Well, yes, that would be true for the reason that on carload traffic, the effect is largely compensating. What you adjust on a light-weight car you compensate for on a heavy-weight car, and to quite a substantial degree you come back to the same aggregate.

Q. And it follows that the elimination of approximately $70,000,000 in the less than carload deficit has thereby been spread over your carload traffic, isn't that true?

A. That is true in the treatment of the full distributed carload expenses.

Q. It is a fact, is it not, that Account No. 411 of the Railway Accounting System covers what is defined as "other expenses", and it is further a fact, is it not, that such account would include the pickup and delivery costs incurred by the railroads where the rail carrier performed the serv-[fol. 3216] ice in its own vehicle?

A. Yes, sir.

Q. It is a fact, is it not, that Account 411 was apportioned on the basis of the other accounts, most of which were apportioned directly in the formula which you used for allocating or apportioning railway expenses?

A. Yes, sir.

Q. This method of allocation or apportionment would have the effect of allocating the majority of Account 411 to carload traffic, would it not?

A. Yes, sir.

Q. Assuming that in the handling of less than carload traffic, rail carriers make allowance to shippers for the performance of pickup and delivery service of five cents per hundredweight for pickup and five cents per hundredweight for delivery; what consideration was given to this cost in preparing your out-of-pocket cost as set up in Exhibits 12 and 13?

A. It is included in the pickup and delivery costs shown in Exhibit 13, Table 5, page 1, line 18, column 5.

Q. I didn't hear you, Doctor.

Chairman Aitchison: Read it, please.

(Answer read.)

By Mr. Reed:

Q. But they were not, either of those items were not calculated in your out-of-pocket cost of handling less than carload freight, isn't that true?

[fol. 3217] A. That is true. It is included in the pickup and delivery cost shown for L.C.L., but pickup and delivery costs, as such, were not included in our rail cost scales for L.C.L.

Q. Are all of the allowances to shippers included in that pickup and delivery cost? Just what I had in mind, Doctor, isn't it true that some of them were deducted from gross in the reporting to the Commission?

A. Yes, some of them were deducted from gross. However, if they did deduct it from gross, the amount should nevertheless be still shown in the source material from which we developed our pickup costs.

Q. Are you certain at this time as to whether or not the development of your pickup and delivery cost included those items of allowance to shippers where they were deducted from gross?

A. Will you repeat that question please?

Chairman Aitchison: Read the question.

(Question read.)

The Witness: I may have to look at that item again. It is a question of the carriers—some of the carriers not following the Commission's instructions. Probably a fifth of them don't, and it is a question of whether, in reporting that item, in making their reductions from gross, whether they likewise report that as cost of pickup and delivery.

By Mr. Reed:

Q. Well, then, may we have this understanding, the next [fol. 3218] question here was to ask you for the figures where the shippers' allowances were deducted from gross. May we just ask you to check that and put the figures in?

A. Will you identify your question, Mr. Reed, please?

Q. I had to digress a little bit on it, Doctor, while you are answering. No. 10 is the next question: Do you have any figures and will you supply such figures showing the amount paid by the railroads to the shippers as allowances for the performance of pickup and delivery service in the handling of less than carload traffic? That is the allowances to shippers.

A. Well, in checking our statistics, I find that of the total pickup and delivery cost for 1939 of $24,662,162, the amounts paid to shippers and consignees was $6,754,445. That figure was taken from Statistics of Railways for 1939, Table 81.

Q. Now, you have previously said, in answer to my former question, that if they were deducted from gross you were not certain whether they would be included in that amount.

A. I believe they would be included in this amount.

Q. Will you check that?

A. Yes.

Q. Please explain how the allowances to shippers for the performance of pickup and delivery services are handled in the railway accounting reports. I would like to have that in the record, if you will, at this point; how they handle the [fol. 3219] reports concerning the payments to shippers for pickup and delivery.

A. Well, Schedule 541 of the Annual Report provides that the carriers report the gross freight revenues without adjustment for absorption or costs, but a note appearing in

Statistics of Railways, 1939, Table 51, indicates that about one-fifth of the railways deduct them from the gross receipts.

Q. Thank you. It is a fact, is it not, that in those instances where the revenues from less than carload traffic are reported on a gross basis without deducting allowances to shippers for the performance of pickup and delivery service, that such basis would result in an understatement of the rail carriers' less than carload deficits in your exhibit?

A. My answer to that is no; that the collection and delivery service payments to others, including shippers, were added to the expenses before deducting the gross revenues in determining the deficit.

Q. If I calculate the thing correctly, and I am not going to pursue that much further, in arriving at your deficit for handling less than carload freight you have not incorporated in your cost figures the pickup and deliveries that were paid to shippers. I may be wrong about that, but I would like to know, to be sure. In other words, if it was deducted——

By Chairman Aitchison:

Q. Do you understand it, Doctor, the point?

[fol. 3220] A. I think I do, Mr. Chairman.

By Mr. Reed:

Q. If it were deducted from gross and not carried into your expense item, then your net deficit would be understated, would it not, if that be a fact?

A. No, sir, I think it would be the reverse. If the carrier reports the net, and in computing our deficit we take credit only for the net amounts from L.C.L. after those deductions, and then, in turning to our further costs for pickup and delivery, we again pick up the same amount which has been deducted from their revenue, then as to those carriers we have it in twice.

Q. Well, you have understated the deficit in that case, isn't that correct?

A. No, sir, I think we have overstated it. If we include that cost for pickup and delivery in our L.C.L. cost to deduct from revenue, then our figure, revenue figure should be the gross figure; but as to some carriers it was a net figure, so therefore that ~~cost was~~ deducted from gross and included in the cost and again deducted from revenues. It was a point, in fact, which we hadn't realized until we were going over these questions, just before I left Washington, and our conclusion was that it would have the effect of overstating our deficit rather than understating it.

Q. Now, would that be true if they had deducted them from gross and the payments to shippers were not included [fol. 3221] in your expense of handling less than carload traffic?

A. If that were true, then our figures would be right as they stood. They would be neither overstated nor understated.

Q. You would not have the cost of performing the service in the cost and you would not have it in the gross revenue in that event. You think your deficit would be correctly stated?

By Mr. Smelker:

Q. Do you understand his statement?

A. Well, I thought I did when you started the question.

By Mr. Reed:

Q. I say, in the event that the payments to shippers were deducted from gross and you did not carry them forward in your expense—

A. The answer is yes.

Q. Then it would be an understatement in that event, wouldn't it?

A. No, the answer is yes, we would have neither an understatement nor an overstatement.

Q. Your figures would be correct in that event?

A. The figures would be correct.

Q. And if they were deducted from gross and the expense were carried in the pickup and delivery expense, you say it would be an understatement of the deficit?

A. No, sir, it would be an overstatement.

Q. An overstatement of the deficit?

A. Yes, sir.

Q. In arriving at your out-of-pocket cost for performing [fol. 3222] less than carload service by rail carriers, it is a fact that neither Exhibit No. 2, 3, nor Exhibits 12 and 13 have given any consideration to any of the items we have just discussed as out-of-pocket cost, isn't that correct?

A. Yes. Any showing we have made of cost scales for L.C.L does not include pickup and delivery.

Q. In the out-of-pocket cost scale factors which you have presented for the handling of less than carload traffic, have you included the actual cost of loss and damage payments?

A. No, sir.

Q. Have you included such costs in your fully allocated cost figures for the handling of less than carload traffic?

A. No, sir.

Q. The costs which you have described as "constant" are divided as between those constant costs which are solely related to a particular service and such costs which are common to all services, is that not a fact?

A. Yes, sir.

Q. Constant costs solely related to a particular service, for instance, would include such related cost as less than carload platform constant cost and common constant costs would be illustrated by a general office expense and the constant portion of maintenance of right of way, is that not a fact?

A. Yes, sir.

Q. Have you included in your out-of-pocket cost for less [fol. 3223] than carload traffic any amount to cover return on the constant portion of road value?

Q. Is it or is it not a fact that the road value includes everything except equipment and that, therefore, it includes less than carload platform and less than carload station facilities?

A. Yes, sir.

Q. In arriving at the out-of-pocket cost of handling all less than carload traffic, would it be proper to exclude from such out-of-pocket cost all return on all less than carload platforms and all less than carload station facilities?

A. No, sir.

Q. Please refer to table 5 of Exhibit 13, line 16, page 1 of 12, and explain why no figures were shown in the constant cost solely related to less than carload traffic to recover return on road value?

A. The item of expense there omitted consists of a return on the value of railroad terminal property assignable wholly to L.C.L. services, such as the warehouse, L.C.L warehouse buildings, platform and the land upon which those structures rest. In a broad study of this character, the data for making any such apportionment was not available.

Q. That was the reason for its omission?

A. Yes, sir.

[fol. 3224] Q. Is it or is it not a fact that all common constant costs have been allocated to carload traffic under your new basis?

A. Yes, sir.

Q. It is a fact, is it not, that if the entire less carload traffic of the rail carriers were eliminated, the constant return on less carload platforms and other less carload facilities, included in the item of road value, would be eliminated also?

A. Well, a substantial part of it would.

Q. Have you, in fact, under your new basis allocated entirely to carload traffic all such less carload constant return?

A. Yes, sir, that is the item I just described.

Q. In other words, you have assessed no constant return against less carload traffic, not because you felt that there was no such return properly chargeable against less carload traffic but because of the difficulty of ascertaining the proper amount so chargeable?

A. Yes, sir.

Q. Is it not true that in the case of the constant cost which you have considered as solely related to less carload traffic, the greater part of such costs were independent of distance and that you have included only a negligible amount of constant cost variable with distance?

A. Yes, sir.

Q. Is it or is it not a fact that the bases of allocation of [fol. 3225] constant cost used in your new study ignore the relative use made of carriers' equipment and facilities in the handling of less than carload traffic as compared with carload traffic?

A. This is true as to those constant expenses which are common to all traffic.

By Chairman Aitchison:

Q. Well, wouldn't it also be true that you have ignored the portion of the use of the carriers' facilities which is made for carload traffic equally with less than carload, used exclusively for carload traffic?

The Witness: Will you read that question?

(Question read.)

By Chairman Aitchison:

Q. You haven't allocated that directly to carload, have you? For instance, the land upon which a team track is situated?

A. That has been assigned directly to carload. That has been treated as common. We felt in the terminal that we could not do it and it was treated as a common constant cost. That is the return on that value.

Q. And that has been apportioned?

A. That has been apportioned. Well, it hasn't been apportioned; it has been laid directly against carload. I would say all of that expense on the return of the value of terminal property has been charged to carload. We have treated it as a common constant cost and did not have a basis for [fol. 3226] apportioning it, and we have charged it to carload.

Q. Are you familiar with the British system of rate statement?

A. I can't recall it now.

Q. Where they have the three elements of linehaul, station and station terminal?

A. Yes, sir.

Q. Isn't Mr. Reed's line of questioning sugggesting that an apportionment should be made between those three elements?

Mr. Reed: I didn't suggest that, Mr. Chairman.

The Witness: We have made a separation. We are talking about cost and I think the British system has a way of dividing their costs.

Chairman Aitchison: That is what I am talking about. They state their rates separately and they are supposed to have some relation, by and large, to the cost of performing the service.

Mr. Reed: You may allocate the cost, Mr. Commissioner, and in order to arrive at the proper burden that should be borne by one class of traffic as compared with another, without separating your rate as between terminal and linehaul; we hope, anyway.

Chairman Aitchison: They go further than that. Shouldn't you have a customer cost of doing business with the customer?

Mr. Reed: My question——

Chairman Aitchison: I am answering him. If we are [fol. 3227] going into these refinements, shouldn't you have a customer cost also for doing business with the customer, such as making out a waybill and such as that?

The Witness: We have that in there, Mr. Commissioner. This cross-examination has only been going to the return on the value of terminal property, and when we came to the terminal property exclusively used for L.C.L. service—and that is the only item to which Mr. Reed is here referring—we found that was limited to certain tracks and the station platform and the station building.

Now, the station, the office portion of the station is used jointly for carload and less carload, because billing operations and the clerical operations are performed by both. The warehouse portion is exclusively or primarily, certainly, L.C.L., but that—I had no basis for even attempting a separation of the valuation of the station accounts between carload and less carload. As to the operating expenses, however, and maintenance, we have carried those separations all through as between carload and less carload, using weighting factors where necessary for distributing the station clerical expenses between carload and less carload.

By Chairman Aitchison:

Q. You have distributed that on a weight basis, haven't you?

A. A weighting basis, yes, sir.

Q. Instead of a transaction basis. I am asking you [fol. 3228] whether or not, if we are going into utmost refinement on this, we don't have to split it off a little bit further?

A. We have used the transaction basis. We have distributed the clerical expenses on the basis of the carload versus the less carload consignments or bills handled.

Q. You haven't got my idea yet. My question is, isn't there a certain amount, if we are going into extreme refinements, which has to be charged against a customer, whether he puts ten carloads on one waybill or one or whether he has 100 pounds of fourth class instead of the carload? It takes just as much clerical labor to treat the one as it does the other?

A. Well, the case may hold as to certain portions of it, of the expense, but we made a number of time studies of the relative time per transaction or per bill, and we find it has taken from three to five times as much station clerical work to handle carload as it does to handle less carload, and a large part of that difference does not come from the actual billing operation, which may consume only 25 per cent of the station agent's time. A good many of the railroads maintain outside men who sign bills of lading and seal carloads for carload work. They are required also, they may charge off or do charge off part of their clerical staff, or at least I would say the work is required of making yard checks, which are not required for L.C.L. or which can be made very quickly from the tracks, based on a quick inspection of the [fol. 3229] L.C.L. tracks; so that when we build up the time chargeable to carload work and the time chargeable to L.C.L. work and divide each by the number of consignments, we invariably have come out with more time charged to a carload transaction or bill than we do to an L.C.L.

Q. That simply might mean, then, that the customer charge should be greater for a carload than for an L. C. L.?

A. Yes, sir.

Q. But it doesn't get at the point, if we are going to have an extreme refinement, we should charge the man for the privilege of consenting to do business with him before we charge him for the service.

By Mr. Reed:

Q. Doctor, you and I have been discussing the distribution of solely related constant factors and the common constant factors. It has nothing to do with the direct physical expense, is that correct?

A. Yes, sir.

By Chairman Aitchison:

Q. The customer cost is common enough in utility schedules, isn't it?

A. I didn't get the question.

Q. The customer's cost is a common enough factor in utility schedules, is it not?

A. Yes, sir.

By Mr. Reed:

Q. The last question there, No. 30, Doctor: Were you able to get those figures so you could read them in the record [fol. 3230] for me? Do you have them?

A. Yes, sir.

Q. For the year used in your cost study, please state from your basic figures the following facts: (a) less than carload car miles; (b) carload car miles; (c) less than carload gross ton miles; and (d) carload gross ton miles.

A. (a) I have 2,030,743,729; (b) 18,358,325,588; (c) 55,237,473,000; and (d) 762,437,941,084.

Mr. Reed: Thank you very much, Doctor.

Chairman Aitchison: Anything further?

Mr. Eshelman: Mr. Chairman, I am chagrined to find I neglected to ask the Doctor one question I failed to ask, to get clarification.

By Mr. Eshelman:

Q. Doctor, the table at page 59 of Exhibit 11 carries the caption "Weight of Trains Reported by Carriers in Docket 27766," etc.; but Footnote 1, which refers to certain designated items, shows that the figures for assembly service on the Lackawanna and Lehigh Valley were taken from the exhibits of complainants. Can you say whether such figures of complainants were based upon their estimates or upon carrier records of actual performance?

A. Will you give me the page number again?

Q. That is page 29, is the caption, and the footnote is on 61, I believe. The caption say- "Weight of Trains Reported by Carriers," and on that same page you will find some Lackawanna and Lehigh Valley items with a footnote 1, and the footnote appears on page 59. My question is, the [fol. 3231] footnote read, "Figure for assembly service on D. L. & W. R. R. and L. V. R. R., taken from exhibits of complainants, where this service was treated as roadhaul service. In defendants' exhibits this service was treated as yard switching." Can you say from that whether the figures of complainants were based upon their estimates or upon carrier records of actual performance, from your knowledge of the Commission's accounting requirements and the carrier practice under it?

What I have in mind is this, if the defendants showed that as terminal, must they not have necessarily come from figures which were reported as terminal under the Commission's regulations?

A. Yes, sir.

Q. And therefore if the complainant showed it in a different fashion, they couldn't have based that on carriers' records, could they?

A. That is right.

Q. And therefore it must have been their own estimates?

A. Yes, I believe that would follow. I can't recollect the specific detail. That was handled by Mr. MacLean of our staff.

Mr. Eshelman: Thank you, sir.

Mr. Norman: Mr. Chairman, I would like to ask two questions.

[fols. 3232-3233] Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Does anyone else desire to cross examine Dr. Edwards now? Then we will let you call him some other time. Is there anything further with Dr. Edwards? You are excused.

(Witness excused.)

Chairman Aitchison: That seems to be about all we can do. We have virtually run out of witnesses. We will recess at this time until 9 o'clock Monday morning next.

(At 5:55 o'clock P. M. November 20, 1942, adjourned to 9:30 o'clock A. M. November 23, 1942.)

[fol. 3234]

Hotel Deshler,
Columbus, Ohio.
November 23, 1942.

Met, pursuant to adjournment, at 9:00 a. m.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission,
Hon. Walter M. W. Splawn, presiding Commissioner,
Hon. J. Haden Alldredge, Commissioner,
And a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances: As heretofore noted.

[fol. 3235] Proceedings

Chairman Aitchison: Shall we resume.

Mr. Smelker: Dr. Edwards.

Ford K. Edwards recalled.

Mr. McCollester: If the Commission please.

Chairman Aitchison: Mr. McCollester.

Mr. McCollester: Is Dr. Edwards available for cross-examination?

Chairman Aitchison: He is, and is sitting right on the witness stand.

Mr. McCollester: Oh, I beg your pardon, your Honor. I looked right at him and did not see him.

Cross-examination (continued).

By Mr. McCollester:

Q. Dr. Edwards, would you be good enough to turn to table 3 of your Exhibit No. 2.

A. Yes, sir.

Q. Or rather—pardon me—I should have said, table 2 of your Exhibit No. 2.

A. Table 2, Exhibit 2?

Q. Yes.

A. Yes, sir.

Q. In order that we may be sure that we understand the conclusion to be drawn from the figures which are there shown, and from similar figures in the other table, I would [fol. 3236] like to ask you this question: assuming the correctness of your computations, and the method employed, is it the correct conclusion to be drawn from table 2 that if, looking for example at line 2, the average revenue per ton of all railroads in Eastern territory, excluding New England and Northern Illinois, from freight handled by them in box cars for an average distance of 300 miles and an average loading of 24.6 tons, is 11.8 cents per hundred pounds, then the railroads have earned their costs on the basis of cost level No. 2?

Mr. Smelker: Do you understand the question, Dr. Edwards?

The Witness: Yes.

Mr. Smelker: The question is quite involved. Would you like to have it read back?

The Witness: No.

Mr. Smelker: Very well.

A. That is true, Mr. McCollester, based on our first cost study put in.

By Mr. McCollester:

Q. Now, if it should so happen, Dr. Edwards, that of freight having that average haul and that average loading per car in Eastern territory, some freight should produce revenue less than 11.8 cents per hundred pounds and other freight should produce revenue in excess of 11.8 cents per hundred pounds, the railroads would earn their costs, under cost level No. 2, if the average came out to be 11.8 cents per hundred pounds; is that correct?

[fol. 3237] A. Yes.

Q. Therefore, would you not agree, Doctor, that if it should appear that the average costs so computed for that length of haul and that loading in one section of the country were the same as in another, and that some freight in one territory yielded lower revenue than in another territory, while other freight yielded a higher revenue, the fact that the costs were equal would not indicate that all of the rates would have to be equalized, on all classes of traffic, in order to yield cost, would it?

A. That is right. There might be a different distribution of the transportation burden, as between different commodities in different territories.

Q. And that is in effect what you mean, is it not, when you say, in a somewhat different connection, I believe on page 3 of your Exhibit No. 2, that if some service pays less, other service must pay more?

A. Yes.

Q. Now, Doctor, I want to ask you just one or two further questions, by way of explanation of your method. Will you take your Exhibit No. 3, please, and turn to table No. 87 of that exhibit.

A. Yes.

Q. Is my understanding correct, now, that the figures for revenue gross ton miles which are used as the divisor in [fol. 3238] Group—3 of Table 87, and the figures for revenue car miles in Group—2, are figures which were reported to you by the railroads, and which have been used, without any adjustment, except that they were totaled for each group of carriers.

A. Yes, sir, that is correct,—except that it excludes the nonrevenue units.

Q. Yes, but you simply took with that exclusion, the reported revenue gross ton mile figures and the revenue car mile figures, and used them as the divisors in each of those instances, did you not?

A. Yes.

Q. Now, Doctor, following through from Table 87 to Table 89,—or rather, Table 88, I should say, which you show in Exhibit No. 2—or rather, pardon me—Exhibit No. 3, simply as illustrative of the method by which you worked out your cost scale: I notice that in Table 88, and also in the explanation thereof contained at pages 57 and 58 of your Exhibit No. 2, you refer to the fact that you have weighted for each territory the tare weights of cars and the ratio of empty to loaded mileage, in arriving at the tare weights and the ratio of empty to loaded haul which you have used.

A. Yes.

Q. Would you explain how you did that weighting? For example, just to aid you if I may, Doctor, you might turn to pages 57 and 58 of your Exhibit No. 2, where you say, "The [fol. 3239] tare weights by classes of equipment were taken from replies to a questionnaire issued to the carriers. The territorial average for each type of equipment was obtained by weighting the figure produced by each railroad with the total number of carloads which the reporting railroad hauled of the traffic customarily handled in each type of equipment." Now, will you tell us, please, how you did that weighting? Just what was the weighting process?

Chairman Aitchison: Well, now, give the witness a chance to answer one question before you begin another one.

Mr. McCollester: Yes, Mr. Chairman, that is just what I am doing. I was merely trying to help him find what I was talking about.

A. The weight, the tare weight that was reported by each carrier, was weighted by the traffic hauled in each type of equipment. Now, I presume that your question goes to whether we weighted it with the traffic carried by classes of equipment, or the traffic forwarded by classes of equipment.

By Mr. McCollester:

Q. Well, Doctor, my question is leading up to this point: where, at what stage in your computations, did there enter in the exercise of your own individual judgment as to the character of equipment used for the handling of any particular kind of traffic? Did that enter in at this particular stage, [fol. 3240] in connection with this weighting process?

A. The class of cars, or the type of cars in which the traffic was handled, entered into the weighting process, yes, sir. In other words, we necessarily had to have some estimate—or, in order to derive the number of carloads forwarded in each type of equipment, we had to assign each commodity to that type of equipment in which we believed it would customarily move. Does that answer your question?

Q. Well, was that process employed in working out your mileage scales, of which the computation in Table 88 is typical?

A. No, sir. That assignment of commodities to classes of equipment was used in order to obtain a weighted average of the tare weights and per cent empty return, for a territory. In other words, if a group of railroads reported a tare weight for box cars of 20 tons, 20.5 tons, 21 tons, 19.8 tons, or 21.6 tons, we weighted all of those figures in order to get the territorial average, using as the weighting factor the carloads forwarded.

Q. Well, now, Doctor, that is the point where, in your computations, I really am not able to follow you. Did not the railroads report to you by individual railroads, their average empty mileages in connection with each class of equipment,—as to box cars, such-and-such a ratio of empty to loaded mileage, as to gondola cars, such-and-such a ratio of empty to loaded mileage, and so forth?

[fol. 3241] A. Yes.

Q. Well, having those average figures for each railroad, why did you vary those figures by a weighting process, instead of using those averages, simply combining them on a group basis in accordance with the grouping of the carriers?

A. Well, in order to develop the cost, let us say, for Eastern territory, based upon the average tare weight or the average per cent empty return, we had to have an average figure for the territory. The carriers reported to us their per cent empty return, but they did not report their empty and loaded miles by types of equipment. If we had had the empty car miles to the loaded car miles by types of equipment, we could have used those figures directly.

Q. Well, then, you had no original figures, as to empty to loaded car miles, separated by different types of equipment; is that correct?

A. That is right, yes, sir. The carriers do not currently accrue that information. However, the great majority of the carriers had previous past studies that they had made to determine the ratio of empty to loaded car miles by classes of equipment, and in those cases, they furnished us with those ratios.

Q. Well, then, they did furnish you with the ratio of empty to loaded car miles by classes of equipment, to the extent that they had the information available, in each terri- [fol. 3242] tory, did they not?

A. That is right.

Q. Well, then, why did you not use that——

Chairman Aitchison: Well, now, just a moment. You spoke of a majority of the carriers. How about the rest of them?

The Witness: Well, it was not complete; no, sir; every railroad did not have the information. We could not use that, however, as we still did not have the loaded car miles by classes of equipment. All that we had was the grand total car miles for every class of equipment, box cars, refrigerator cars, gondola cars, flat cars, all together, in the aggregate.

By Mr. McCollester:

Q. Well, having that figure, Dr. Edwards, of the ratio of empty to loaded car miles for all classes of equipment, then how did you proceed to compute what the ratio of empty to loaded car miles was for gondola cars, for example?

A. The carriers furnished us with their ratio of empty to loaded car miles for gondola cars—furnished us with the ratio, that is, based on past test studies, those carriers that had made past test studies. Now, in developing our unit cost, we did not have need for the cost by individual classes of equipment; but when we ran our cost scale for gondola and hopper cars, for various lengths of haul, we simply assumed every mileage, starting at 10 miles, and running [fol. 3243] through 20 miles, 30 miles, 40 miles, 50 miles, 60 miles, and so forth. Now, referring to the loaded mileage, that loaded mileage must be accompanied by an allowance for empty return, and if the empty return was, say, 90 per cent, then we charged off the 100-mile loaded haul with the cost for a 90 per cent empty return.

Q. Well, I can understand, Doctor, that when you came to arrive at the average expense, or cost for all traffic handled in different types of equipment in the territories, each territory, you then accumulated the total amount handled and assigned it to classes of equipment, and on that basis arrived at your estimated cost for the territory as a whole. But my question, which I have not been able as yet to answer even to my own satisfaction, is as to whether or not this weighting process entered into the mileage scales which are set forth in your Exhibit No. 3, or whether, in arriving at those mileage scales, or in other words, in arriving at the expense——

Chairman Aitchison: Well, now, just a moment. Ask the witness one question at a time, please.

Mr. McCollester: That is what I am doing, your Honor; I am still asking him the same question.

By Mr. McCollester:

Q. —or whether, in arriving at the expense, for example, for 20 tons in a box car moving 100 miles, you took the ratio of loaded to empty miles for box cars reported by the rail- [fol. 3244] roads, or you took some weight figure.

A. We took a weighted figure. For example, in the case of box cars, the carriers variously reported 31, 32, 33, 34 or 35 per cent empty return, for box cars. We wanted to use a figure as far as possible that would represent the average central tendency, so to speak, for the entire East. We therefore took those figures for each railroad, and weighted them by the carloads moved in box cars.

Q. By each railroad?

A. Yes.

Q. I see.

A. And the same way with the tare weights also. By and large, there was relatively little variation in the reported figures. What there was might only throw the per cent up or down one or two per cent. But that was the extent to which we used those tare weights—that was the extent to which we weighted the tare weights, rather, I should say.

Q. Now, Doctor, the figure as to ratio of empty to loaded mileage was universally greater in the case of gondola cars than it was in the case of box cars, was it not?

A. Yes.

Q. To the extent, therefore, that you have assumed, for purposes of your computation, that freight moved in gondola cars which actually moved in box cars, you have [fol. 3245] exaggerated the gross ton miles and have exaggerated the costs, have you not?

A. Well, we developed the cost by classes of equipment based on the empty return ratios that have been shown in these scales. If traffic moved in a box car, we turned to the box car scale, and if it moved in a gondola car, we turned to the gondola scale.

Q. I see.

A. The carriers, in reporting their per cent empty return to us, did not give it to us by classes of traffic, but they gave it to us by types of equipment. Now you refer to "the freight." The only way in which the freight would enter into that, would be with respect to the weight that we gave to the Norfolk & Western, for example, versus the Chesapeake & Ohio, or the Virginian.

Q. Well, now, Doctor, as to the kind of equipment which was used for any particular sort of traffic: the determination of that was based upon your judgment, rather than upon anything that was actually reported to you by the carriers; that is correct, is it not?

A. Yes. That was principally based upon a study which we had made in the Commission, with the assistance of the Bureau of Traffic.

Q. And if in that study you have assigned to open-top equipment, freight which customarily is handled in box [fol. 3246] cars, you have increased the cost to the extent that gross ton miles for open-top equipment exceed the gross ton miles for box car equipment; that is correct, is it not?

A. Well, that would not necessarily follow, no, sir. If, for example, one railroad reported an empty return on gondola cars of 90 per cent, and another reported an empty return on gondolas of 80 per cent, and if in weighting the two, we took into consideration some traffic that customarily moves in box cars, whatever error we had would apply to both of those railroads; and if we raised their weighting factor, in the case of both, by 3 per cent, because we charged box car traffic to gondola and hopper car traffic, both weighting factors would be raised in the same proportion, and we would therefore come back to the very same figure that we started out with,—unless, perchance one of the carriers happened to carry a larger or a smaller percentage of that class of traffic.

Q. Well, then, when you came to aggregate your costs for each group of carriers on a territorial basis, and you took the total traffic moved, separated by commodities, if you assumed the movement of a particular commodity in open-top equipment that really moves in box car equipment, such as iron and steel, for example, and you used the open-top equipment cost, you would be using a cost that included a greater gross ton mile figure than would actually be the [fol. 3247] fact, as to that traffic; is that not so?

A. No, sir, I would not say so. I think that you are attaching too much importance to the assignment of traffic to classes of equipment. Except for the weighting that I indicated, the classification of commodities by classes of equipment has little effect on the cost scale. Primarily we ran the cost by classes of equipment. Now, If you want to know what the cost was of moving steel in gondola cars and hopper cars, you turn to the appropriate tables. If you want to know what the cost was of moving steel in box cars, you turn to the box car table. It would have the influence that I spoke of before, however,—that if we allocate or assign steel to gondola and hopper cars when actually it moves in box cars, and we come to weight the various railroads, we have the weighting factor of every railroad a little too high—say they were all 3 per cent, or 5 per cent, too high.

Q. That is my point.

A. But as I stated before, when we come to group them, if we raise all of the weighting factors by approximately the same percentage, we come right back to the same result, just as though we did not have any error in there.

Q. Well, that would depend also upon the ratio of the different kinds of freight to each other in the different territories, would it not?

[fol. 3248] A. Well, if it should so happen that one railroad reported a much different per cent empty return than another railroad, and that railroad had a great deal of that particular commodity which was misassigned, it might have that effect, yes, sir. But the territorial grouping, based on per cent return empty of the carriers, was very similar, except on some stock cars occasionally, or on flat cars, where we had some variation; but when we average out all of the roads in all of the territory, I do not think that would have a great deal of influence.

Q. Well, now, I am concerned, for example, Dr. Edwards, with iron and steel, rated fifth class, which you have attributed to open-top equipment. Now, that is very important traffic, of course, in Official Territory; and if it should be the fact that, to a large extent, that commodity in Official Territory moves in box cars instead of open-top equipment, the result of your method would be to attribute to the movement of iron and steel articles a 90 per cent empty movement, ratio of empty to loaded, or approximately that which is the open-car ratio, rather than the 33 per cent ratio, empty to loaded, which is the box car ratio; is that correct?

A. No, Mr. McCollester, that is not correct. — have not stated, for the purpose of computing these cost scales, to what type of equipment you should turn for the specific class of commodity. If iron and steel moves in box cars, [fol. 3249] you can turn to the box cars and get the percentage return—or get the cost, rather, based on a 33 per cent empty return; and that would be true even though it was shown to be assigned to gondola and hopper cars, that assignment being for the purpose of these weightings that I have spoken of. But whether we assign it to gondola and hopper cars, or assign it to box cars, the variations in the tare weights and per cent empty return are relatively small, and I do not think it would have any significant difference—or made any significant difference. Now, if iron and steel move 70 per cent in box cars and 30 per cent in gondola and hopper cars, then if one wanted the cost for iron and steel, one should take the cost for both classes of equipment, giving a weight of 70 to that cost which is found for box cars, and a weight of 30 to that cost which is found for gondola and hopper cars.

Q. Yes, but your unit cost being for each mile, for each type of equipment, you then have been thrown out of the correct ratio by an improper assignment of freight to one type of equipment, versus another, have you not?

A. No.

Q. You do not agree with that?

A. No.

Q. All right. Now, there is just one other thing, I believe, Doctor, if you please. In your Exhibit No. 11, at [fol. 3250] page 18, you refer to the use by you of studies made in connection with the Automobile Case, Docket No. 28195, for the purpose of reaching some conclusion as to circuity of movement. It is not entirely clear to me as to whether, in that connection, you have used all of the movements which were shown in your Exhibit No. 331 in Docket 28190, which included, as you will recall, a very large proportion of theoretical movements where no automobiles were ever transported, or whether you have confined your showing here to routes where there are actual movements, in accordance with the Commission's own exhibits in the proceeding. Can you state which is the case?

Mr. Smelker: That question is a rather long one, Dr. Edwards. Would you like to have the question reread?

The Witness: No.

By Mr. McCollester:

Q. What is your answer, then, Doctor?

A. The percentage of circuity shown was based only on movements where there was actual traffic.

Q. And you eliminated from consideration all of those theoretical movements which we discussed at such length in the Automobile Case; is that correct?

A. Yes.

Q. This is simply where there were actual movements?

A. Yes.

Q. All right.

[fol. 3251] A. I might say—if I may just add this——

Q. Yes.

A. —that since that time we have made studies of all of the remaining traffic movements. Those studies, amounting to approximately 400, came out with a circuity of between 13 per cent and 14 per cent. Those were all based on data for which we had actual traffic studies, over actual routes.

Mr. McCollester: That is all I have, Doctor. Thank you very much.

Chairman Aitchison: Is there any further cross-examination of Dr. Edwards? (No response.) Apparently not. You are excused.

(Witness excused.)

Mr. Smalker: If the Commission please.

Chairman Aitchison: Mr. Smelker.

Mr. Smalker: I would like to state for the record at this time that Dr. Aitchison is now preparing a traffic study covering the territorial movement of carload freight for a period subsequent to May 27, 1942.

Chairman Aitchison: As of some date in September of 1942, as I understand it.

Mr. Smalker: Yes. —which will supplement her Exhibit No. 14, covering that date. I now ask permission to submit that study as an exhibit in this case, when it is completed, which will be after this hearing is concluded. Copies will [fol. 3252] be mailed to all parties of record in the proceeding.

Chairman Aitchison: I understand that some thirty people are working on that at this time. It will supplement the previous exhibit, No. 14, and will be gotten up in the same way. Is there any objection to that course?

Mr. Plunkett: May I inquire, if the Chairman please, what period it will cover?

Chairman Aitchison: Some date in September of 1942, for which the waybills have been called, just as they were with respect to May 27; and they are being analyzed in the same way.

Mr. McCollester: You say, as I understand it, Mr. Chairman, that it will be similar——

Chairman Aitchison: To Exhibit 14.

Mr. McCollester: —to Exhibit 14.

Chairman Aitchison: Yes, only bringing it down to a later date, some time in September, 1942.

Mr. McCollester: Well, just speaking for myself and my clients, now, we have some criticism of Exhibit 14, in Dr. Aitchison's allocation of certain commodities to class rate traffic as distinguished from commodity rate traffic.

Mr. Bell is going to touch on that in his testimony. I assume from what you say that the same method that was employed in the preparation of the first exhibit, is being employed in the preparation of the latter exhibit, and [fol. 3253] therefore the same criticism will apply to the new study.

Chairman Aitchison: It may be so understood.

Mr. McCollester: If it may be understood that our criticism, if justified, applies to the latter study, then I have no objection, as far as I am concerned.

Chairman Aitchison: Very well then. There seems to be no objection to that being done. All parties to the record, of course, will receive copies. There is some infirmity, of course, in taking just one day. You may proceed, Mr. McCollester.

Mr. McCollester: Call Mr. George B. Robinson.

George B. Robinson was sworn and testified as follows:

Mr. McCollester: If the Commission please, Mr. Robinson will submit two exhibits. The first one, the larger one of the two, with a green cover, consisting of 81 pages and with Mr. Robinson's name on the cover page, I ask to have identified at this time as Exhibit 159. The other exhibit, the smaller of these two, with a brown cover, which does not have Mr. Robinson's name on it, but which says, on the cover "Submitted on behalf of New York State Division of Commerce," I ask to have identified at this time as Exhibit 160.

(Exhibits Nos. 159 and 160, Witness Robinson, marked for identification.)

[fol. 3254] Direct examination.

By Mr. McCollester:

Q. Mr. Robinson, will you please state for the record your full name and where you reside.

A. George B. Robinson, Albany, New York.

Q. What is your present position with the Division of Commerce of the State of New York?

A. I am Assistant Director of the Bureau of Planning of the Division of Commerce, State of New York, which is in the Executive Department of the State of New York.

Q. What are your duties in that position?

A. My duties include the direction and supervision of economists and statisticians in the analysis and research work connected with studies of problems of industry and commerce.

Q. Will you briefly outline for the Commission your own personal educational background.

A. My college education was interrupted by service in the last war, and thereafter by several years of industrial experience, followed by a resumption of graduate work, which resulted, in 1935, in the degree of Doctor of Philosophy, at Cornell University, in economics and allied subjects.

Q. Have you had any business experience?

A. Yes, sir, I have, in connection mostly with work in the automotive industry.

Q. What in a general way have been your activities since [fol. 3255] you received your doctorate in 1935?

A. I have been employed as an economist and statistician by various federal and state agencies and departments.

Q. For the purposes of this proceeding, and as a part of the regular duties of your office, have you made certain statistical studies and had the results of those studies compiled under your direction and supervision?

A. Yes, sir.

Q. And that compilation is embodied in the exhibit which has been marked for identification as No. 159, is that correct?

A. Yes, sir.

Q. That exhibit was prepared under your supervision and direction by your staff, was it not?

A. Yes, sir.

Q. Now, bearing in mind that one of the questions involved in this proceeding is whether or not the industrial development of the South has been unduly retarded as compared with that of other sections of the country, let me ask you first whether in your opinion statistics with respect to population, number of manufacturing establishments, and the like, for the period of one year, for one single year, prove anything with respect to that issue.

A. Very little, if anything.

Q. The entire country has grown in population and wealth over a period of years, has it not?

[fol. 3256] A. Yes, sir.

Q. Therefore, what procedure do you think ought to be followed in determining whether or not one section of the country has been unduly retarded in its industrial development in relation to another section of the country?

A. It would seem to me that the study of trends is an important approach to the solution of that question.

Q. And is it in that manner, and for the purpose of establishing the trends, that you have compiled the statistics in the way that you have, in your Exhibit No. 159 for identification.

A. Right.

Q. Turning now to pages 3, 4 and 5 of your Exhibit No. 159, will you please explain, and make such comments as you deem pertinent, on the general method employed in preparing the exhibit and the statistics set forth therein.

A. The pages mentioned are, or comprise, an introduction, in which an explanation is made of the source of the data, and certain necessary comments set forth to make clear the relationship of the different parts of the data, because of differences in definitions in the Census, or the Census of Manufactures, or definitions as adopted and changed from time to time in taking the census. The footnotes of the various tables also add certain information that will assist in an understanding of the exhibit and the [fol. 3257] tables. Page 6 of the exhibit is a map. I do not know that it needs any particular comment.

Q. No, perhaps it does not require any particular comment, but you might just explain briefly as to the purpose of it.

A. Because data is not available, in general, for areas of less than a state in size, it is necessary to make certain readjustments of boundary lines. Consequently, the boundaries as used and stated on the map on page 6 of this exhibit are those used in setting up the tables that follow. That is not true of every table, that is, but it is true of most of them.

Q. Now, in studying the exhibit, as well as the general form of it, turning to page 7, for example, you have set forth there charts which appear to indicate graphically that, as compared with Western territory and Official territory, judged both by wage earners, wages, value of products and value as added by manufacture, the trend in the South has been substantially more favorable than that in Official territory and Western territory.

A. Yes.

Q. Those tables of statistics upon which the graphs are based, are set forth on the pages immediately following each graph; is that correct?

A. Yes, sir. The absolute data are given, and the index numbers, as derived from the data shown in those tables, [fol. 3258] and then the charts are plotted so as to save time in ascertaining the relationships that exist.

By Chairman Aitchison:

Q. Well, now, right there, I am wondering why you did not use a logarithmic scale, and why you did not go down to zero for your base.

A. Well, the reason was, Mr. Chairman, because it was felt that 1929 was more comparable in many ways to 1939, than any of the previous years, in that it was more like 1939 in many respects than any other year that could have been chosen.

Q. No.

A. The base of 1929 was a point of departure, before the years of the depression set in.

Q. You have misunderstood the question.

A. I am sorry.

Q. In the first place, I want to know why you did not plot this on a logarithmic scale, if you wanted to show trends.

Mr. McCollester: On a what scale, please?

Chairman Aitchison: On a logarithmic scale.

By Chairman Aitchison:

Q. That is what is usually employed by statisticians when they want to show trends, is it not?

A. Frequently.

Q. A logarithmic scale?

A. Frequently, yes, sir.

Q. Why did you not use that, then, instead of what you have used here?

[fol. 3259] A. Well, simply because 100, for 1929, was taken as the base in the derivation of these index numbers.

Chairman Aitchison: Well, the point is that loking at this, you get an erroneous impression, when you do not have zero.

Mr. McCollester: No, Mr. Chairman, because the whole purpose of this is to show, in relation to a common date, how each territory has progressed; and it does not make any difference what date you start from, or what wealth you start with. If you take your one year as your base year, it then shows that all territories went down during the depression in some respects, and it then shows how they have moved since the depression.

Chairman Aitchison: Well, I do not care to argue the matter further, although I think, if possible, you ought to show the complete scale, in the usual way, as is done by statisticians who want to show trends, and go down to zero, instead of exaggerating it and making everybody think that the value of products, for instance, in 1933 almost completely petered out, when as a matter of fact it was about 45.

Mr. McCollester: Your question, Mr. Chairman, if I understand it correctly, is simply this: why did not the block here go down to zero on the one side, and go up to 1,000, on the other side. Is that it?

Chairman Aitchison: Go up to 100.

[fol. 3260] **Mr. McCollester:** Or rather, go up to 100.

Chairman Aitchison: Or 110, whatever it is.

Mr. McCollester: There was no need for doing that, Mr. Chairman, because this is presented simply to show, not the absolute ratio for each territory, but it is to show how each territory compares with the others, and to show how each line followed along, in relation to the other. That is correct, is it not, Mr. Robinson?

The Witness: Yes, sir.

Chairman Aitchison: But if you want to show trends, you can do it much better by using a logarithmic scale, than by this.

The Witness: That would be particularly true, Mr. Chairman, if you are starting from a certain point which you want to compare. That is particular- true when the data start from that point. In this particular case, however, the range is fairly slight. For example, in wage earners, the index for the South is only 5 per cent—or 5 points above 100. That is, in 1937 the index is 105, and the same thing is true also in 1939. Then for Official Territory the index in 1937 is 97, and drops to 88 in 1939. If that were plotted with the use of a great deal of white paper, on a scale showing zero to 110, those variations would be so slight as to be difficult to distinguish with the naked eye.

Chairman Aitchison: I do not care to pursue the matter [fol: 3261] further at this time.

Mr. Norman: If the Commission please, may I ask a question in that connection? This does not pretend to show the actual relationship, for example, of value added by manufacture as between the different territories, but it is simply intended to show the trends. Is that correct?

Mr. McCollester: The actual figures are in the tables that follow, Mr. Norman. They are all there.

Mr. Norman: I understand that, Mr. McCollester, but just looking at this, one would think that the value added by manufacture is greater in Southern territory than it is in Official Territory.

Mr. McCollester: No.

Mr. Norman: Although that is not so.

Mr McCollester: Pardon me. That is not the purpose, and the witness clearly explained that. The purpose is to show the trend, to show whether the value added by manufacture in the South has varied to a greater extent upward or downward than it has in the North; and it shows that in general the variation has been more favorable in the South than the variation in the North, in relation to 1929, as the base unit.

Chairman Aitchison: Proceed:

By Mr. McCollester:

Q. Now, Mr. Robinson, have you a couple of corrections [fol. 3262] to which you desire to call attention, on page 9 of the exhibit?

A. Yes, sir. On page 9 there are some errors in the figures in the 1937 column headed "Millions of dollars" opposite Massachusetts. The figure should read 556, instead of 356. Then just two lines below that, in the same column, opposite Maine, New Hampshire and Vermont, the figure should be 152 instead of 352. That, of course, will change the index numbers under the 1937 column, from 51 to 80, and two lines below that, from 197 to 85.

Mr. McCollester: Now, if the Commission please, I would like to direct attention to page 14 of this exhibit, chart No. 6, and the tables that immediately follow that, in view of the statement made on behalf of the South, that the South has been prevented from an increase in its employment in manufacturing industry, and that there has not been sufficient diversion from agricultural employment to manufacture. You will see there that there has been a greater decrease in agricultural employment in the South than there has been in Official Territory, and a substantial increase in manufacturing employment in the South as compared with a decrease in manufacturing employment in Official Territory.

By Mr. McCollester:

Q. What I have just stated is borne out by the statistics that follow the chart on page 14 of your Exhibit No. 159, is it not, Mr. Robinson?

A. Yes, sir, that is right.

[fol. 3263] Q. The tables set forth on pages 15 and 16 give the data and the percentages.

A. Yes, sir.

By Chairman Aitchison:

Q. Just a moment. In Western Territory, do you include the Pacific Coast states?

A. Yes, sir, that is correct; everything west of the Mississippi River is included in there.

Q. You have them separately stated in Table 15.

A. Well, I should say that the charts are based on the three territories, but the detail for some of the states and some of the Census regions is given in the papers themselves.

By Mr. McCollester:

Q. Well, in your tables you show both the aggregates for the several territories, as indicated on the map——

A. Yes.

Q.—and then separate figures for some of the individual states; that is correct, is it not?

A. Yes, sir.

Q. Now, I believe that there is also a correction on page 24 of the exhibit, to which you wish to call attention.

A. Yes, sir.

Q. Will you state that.

A. In the set of columns headed "Per cent of population 14 years old and over", in the column headed "Seeking work —with experience", the figure for New York should be [fol. 3264] 6.4 instead of 1.4.

Q. Do this table and the charts which immediately precede it, on page 23 of the exhibit, show that in the year 1940 there was a greater proportion of unemployment, compared to a favorable labor force, in Official Territory than there was in the South?

A. Yes, sir.

Q. Now, will you please proceed very briefly, Mr. Robinson, with certain other features of the exhibit with respect to which you desire to make special or particular comment.

A. Yes, sir. Just very briefly, chart No. 12 on page 26 of the exhibit is simply a group of trend lines, showing the trend of employment in nonagricultural establishments, based on 1940 as 100, has increased during 1940, 1941, and the first half of 1942, relatively at the same rate in Southern, Western, and Official Territories. This is from the United States Department of Labor, Bureau of Labor Statistics. Chart No. 13, on page 28 of the exhibit, is a chart showing trends of income payments. This is based on income received by persons, and is not national income, as is frequently used in certain data. The difference shown is that income in 1941 in Southern Territory had an index number of 128, as compared to 115 in Western Territory and 105 in Official Territory.

Q. Well, now, just so that Mr. Norman may not be [fol. 3265] confused as to this particular point, Mr. Robinson: You do not mean by this chart to show that the actual income per person was greater in the South than it was in Official Territory, do you?

A. No.

Q. But that the purpose is to show that, in relation to 1929; the income per person in the South has progressed to a greater extent than in Official Territory; is that correct?

A. Well, actually, the table is not based on income per person, but rather, upon the total income received by persons——

Q. By persons. Excuse me.

A. —as contrasted with the national income.

By Chairman Aitchison:

Q. Well, does that mean wage earners?

A. Yes, sir,—all gainfully occupied.

Q. Would that mean the entrepreneur also?

A. No.

Q. How?

A. Pardon me. I was wrong in my answer, Mr. Chairman. On page 4 the definition says that income payments comprise salaries, wages, other labor income such as pensions, compensation for injuries, and so forth, entreprenurial income, representing the net earnings, before owner's withdrawals, of unincorporated business, and dividends, interest, and net rents and royalties received by individuals. [fol. 3266] This, then, is all income.

Q. Exclusive of cost.

A. Yes.

By Mr. McCollester:

Q. Is it correct, Mr. Robinson, to say that in general where there is a question as to the significance of the terms or the particular statistics that have been used, that is explained in the notes on pages 3 to 5 of the exhibit?

A. Yes, sir.

Q. Please continue.

A. Just briefly, chart No. 14 on page 28 of the exhibit is based on contracts of over $40,000 each for building construction, such as factories and warehouses, but not including such commercial structures as office buildings, stores or residences. The data were obtained from the Engineering News-Record, a McGraw-Hill publication, and includes in 1940 and 1941 industrial construction from Federal funds. This shows the great increase in certain parts of the United States, as given by the three territories, in the years 1940 and 1941.

By Chairman Aitchison:

Q. Would this include, for instance, Boulder Dam, Grand Coulee, and Bonneville?

A. No, sir, it would not. These were factories and warehouses. Chart No. 15, on page 13 of the exhibit, contrasts retail sales, wholesale sales, and sales by wholesale [fol. 3267] merchants, the latter being those wholesalers who actually handle the goods, that is, own them and pass the title on, and have possession of the goods, showing the difference in the indexes, as plotted, for the years 1929 to 1939 for the three territories. On page 33, charts 16, 17, 18 and 19 show the number of failures and the relationship of liabilities, based on the average of 1928 to 1930 as 100, using the data as supplied by Dun & Bradstreet, to contrast the trends in business failures in the three territories, and also those failures in the manufacturing and mining industries.

By Mr. McCollester:

Q. It shows here that generally the indices for business failures are less favorable in Official Territory than they are in Southern Territory; is that correct?

A. Yes, sir, that is right. The rest of the exhibit consists of certain data for individual industries. There are 31 of these tables, and just in order to save time, I might direct your attention to a few of them, such as, for instance, chart No. 22 on page 39 of the exhibit, showing the percentage changes in the canned and dried fruits and vegetables industry. As defined in the footnote on the next page where the table is shown, this includes quick-frozen foods, preserves, jams, jellies, fruit butters, and other commodities that are usually classified in the canned and dried fruits and vegetables industry. The notable change, of course, is in [fol. 3268] the percentage increase from 1929 to 1939, in number of wage earners, value of products, and value added by manufacture, in Southern Territory. There was no increase in number of wage earners in Western Territory, and probably one of the most striking things in the chart is the actual decrease in value of products and value added by manufacture, in Western Territory.

Q. Here the South has increased relatively much more than Official Territory; is that correct?

A. Right.

Q. In the period covered, it has increased much more, in percentage?

A. Yes.

Q. Proceed.

A. On page 42 of the exhibit, percentage changes in the cotton manufactures industry are shown, in chart No. 25. This includes cotton broad woven goods, cotton yarn, and cotton thread, and shows a decrease in Official Territory and an increase in Southern Territory—or a decrease less than in Official Territory. Turning to page 45, chart No. 26 shows percentage changes in the dyeing and finishing textiles industry. This includes the dyeing and finishing of cotton, rayon, silk and linen textiles; the dyeing and finishing of woolen and worsted goods, and cloth sponging and refinishing. It shows decreases for Official Territory in number of [fol. 3269] wage earners, value of products, and value added by manufacture.

Q. Showing also a very great increase in number of wage earners in the South, does it not?

A. Yes.

Q. Continue.

A. Chart No. 27, on the same page, shows that increases were the case in all three territories in fabricated structural steel and ornamental metal work industry.

Q. Did you say, increases?

A. I beg your pardon. Decreases, I should have said,—that decreases were the case in all three territories for the three factors mentioned.

Q. But the decrease is greater in Official Territory than it is in the South, is it not?

A. Yes, sir. Now, on page 51 of the exhibit are shown two tables; one, showing the percentage changes in the furniture industry, including store and office fixtures; and one showing percentage changes in the footwear—except rubber—industry. The number of wage earners in the furniture industry increased in Southern Territory with decreases in Official and Western Territories. There were greater decreases in Official and Western Territories than in Southern Territory in value of products and value added by manufacture. The variations are so great in the other table, No. 30, for the footwear industry, as to show marked [fol. 3270] contrast, with increases in the Southern Territory as compared to Official and Western Territories. On page 51 of the exhibit, Chart No. 32 shows percentage changes in the heating and cooking apparatus industry, which is defined at the bottom of page 55, following the table. In all three categories Official Territory shows percentage decreases, in number of wage earners, value of products, and value added by manufacture, whereas, Southern and Western Territories show relatively large increases. Table No. 34 on page 57 of the exhibit shows percentage changes in the house furnishings industry, that industry being defined in the table on the next page, or rather, in the footnote to the table on the next page, as "engaged primarily in the manufacture of curtains, draperies, bedspreads, sheets, pillow cases, table cloths, comfortables, etc." This chart shows an increase of 3326 per cent in number of wage earners in Southern Territory over the 10-year period. In value of products the percentage increase is 604 per cent; and in value added by manufacture, 66.8 per cent; whereas, small increases or very minor decreases, are shown for the other territories. Now, just so that you will not get the impression that this is a statisticians' holiday, so to speak, as far as this table is concerned, I would like to point out the table on the next page——

By Mr. Norman:

Q. What page?

[fol. 3271] A. Page 58, Table 34, showing in the column headed "Number of wage earners" that in 1939 there were 27,530 in the United States, and the percentage increase was 74.

[fol. 3272] In New York, the number, in 1939, wage earners in the housefurnishings industry, 6204, a decrease of 4 per cent. Georgia, in the same column, showed an increase of 15,535 per cent, from 40 workers, wage earners I should say, to 6254. And actually, the number of wage earners reported in Georgia exceeds that in New York in 1939.

By Mr. McCollester:

Q. In other words, that is an instance of a brand-new industry, practically, in Georgia, which in the ten-year period has reached a point greater than the industry in New York State?

A. Yes, sir.

By Chairman Aitchison:

Q. Would you mind saying whether or not, in your judgment, that might be partly attributable to the decadence of the house manufacture of such things as curtains, draperies, bedspreads and so on in the South?

A. Decadence, did you say?

Q. Yes. In other words, instead of making them themselves, they buy them?

A. I am afraid I can't answer that question. Certainly the change, in general, I believe, in the country as a whole, has been in that direction.

Mr. McCollester: At any rate, it shows, Mr. Chairman, that over 6,000 persons in the State of Georgia are now gaining employment from that industry.

By Com. Alldredge:

Q. Does this include handcraft workers?
[fol. 3273] A. I doubt if it does, because I believe the census of manufactures is collected through industries, that is, through factories, many of which are questioned through questionnaire and checked up by field workers, who check up on the schedules as sent in. I would think not.

There are only two more charts that I——

By Chairman Aitchison:

Q. Well, what has happened with respect to this housefurnishings? What has happened in the remaining states in the South? Were there no wage earners either in 1929 or 1939?

A. Footnote E shows that in Southern territory there were 24 other establishments listed by the census as located in other states, that is, 24 of them were establishments in Southern territory. Those are frequently omitted because they are so situated, as far as the census is concerned, that if they were reported by states, that the particular establishment would be reported in such a way that its data would stand alone and would be ascribed to the one particular establishment. In other words, there is that type of hiding the identity of the individual establishment through "other states."

There are two other tables that I would like to speak about, briefly. No. 37, on page 60, percentage changes in the meat packing industry, showing large percentage increases in the number of wage earners, value of products and value added by manufacture in Southern territory as [fol. 3274] contrasted with decreases or very minor increases in Official and Western territory.

Mr. McCollester: The Commission might look at Table 36 on that same page, showing the same situation as to the mattress and bedspring industry.

The Witness: On page 76 is a chart, No. 47, showing percentage changes in the textile machine industry, which is defined under the table on page 77 as "machinery for use in the textile industries, either 'knocked-down' or fully assembled," showing that in this industry, which in 1939 had 21,904 wage earners, there has been a fairly large percentage increase in the South and relatively large percentage decreases in Official territory.

By Mr. McCollester:

Q. Now, Mr. Robinson, in order that we may not convey an unfair impression as to this textile machinery business, on page 77, showing the absolute figures, that indicates, does it not, that the industry is still a relatively infant industry in the South, so far as number of employees is concerned?

A. That is correct.

Q. But it does show that Massachusetts, which was the big state for producing textile machinery, has had a falling off of 22 per cent in the ten-year period?

A. In the wage earners, yes.

Q. In the wage earners, and also in value added by manufacture.

[fol. 3275] A. Yes.

Q. Whereas, the industry is increasing from a small beginning but it is nevertheless increasing in the South?

A. That is correct.

Chairman Aitchison: You mean, of course, four states in the South?

Mr. McCollester: Yes, in four states in the South, particularly.

Mr. Norman: What is that line for on that page, "States in Southern Territory"? The figures opposite that, what does that mean, 849?

The Witness: 849 is——

Mr. McCollester: The total.

The Witness: The total for the states that are listed below. It has a line drawn under it to show subtotal.

Mr. McCollester: Four states.

Mr. Norman: I see.

Mr. McCollester: And I might say, Mr. Chairman, only five states shown for Official territory.

The Witness: I should like to point out——

By Chairman Aitchison:

Q. Now, is this a good illustration of the trend of the figures? Now, the growth of Tennessee, the total was three wage earners in ten years, from 22 to 25, and shows a 14 per cent increase. That is not very significant.

[fol. 3276] A. No, it is not.

Mr. McCollester: You must watch out, Mr. Chairman, but the point is here that the contention made by the South is that, in the first place, they say that industrial workers are tending to migrate to the North, and the statistics show that that can't be true because, generally speaking, wage earners in manufacturing establishments in the North are decreasing and are increasing in the South; and also they say that manufacturing industry is being throttled in the South, and if they are having any increase in the South, while the North is having substantial decreases, I submit that that conclusion is not possible.

Chairman Aitchison: Well, going back to page 40, canned fruits, where he shows 68 per cent growth in six states. First, there are several states in the South which are not included at all, and next——

Mr. McCollester: And there are several states in the North which aren't included, either.

By Chairman Aitchison:

Q. But we find that of these states, three of them show deficits, three of the states, and the great growth is in Florida; and that, unquestionably, isn't it, Mr. Witness, is due to the fact that they have developed means of canning citrus fruits down there?

A. I think that is largely true, yes.

Q. And possibly strawberries?

[fol. 3277] A. That is right, yes, sir; I am quite sure it is.

Q. That is one industry alone. One state accounts for nearly all of that. Do you know what the change is in Georgia? That is the other state that shows an increase.

A. No, I don't know what has caused that increase.

Chairman Aitchison: That is all, Mr. McCollester.

The Witness: I should like to point out that on page 5, in the introduction, is set forth the criteria used in the selection of the 31 industries discussed individually in the latter part of the exhibit. An attempt is made here to show why the particular 31 were selected, and perhaps that indicates why some others were left out, as far as the discussion of individual states is concerned.

By Mr. McCollester:

Q. Well, now, Mr. Robinson, based upon all of the statistics shown in your Exhibit 159, in your opinion has the industrial development of the South, as a whole, been retarded by freight rates or anything else?

A. It apparently has not been retarded, judged by the trends as shown in the statistics given.

Q. It hasn't been retarded at all, has it?

A. I should think not.

Mr. McCollester: We offer Exhibit 159 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 159, Witness Robinson, received in evidence.)

[fol. 3278] By Chairman Aitchison:

Q. Have you gone into this enough so that you could make a general answer to this question: If you had omitted the Pacific Coast states and the Mountain states, which are a part of Mountain Pacific territory, would it have made any general difference in the trends?

A. No, unfortunately, in making up the table, the inclusion of all of those states west of the Mississippi in one table has hidden any differences that might be found there. That is, in other words, we have not plotted on a percentage basis in most cases the Pacific states as contrasted with the other states in what we have called here, what I have called Western territory.

Q. The eleven western states might have been taken by themselves?

A. That is correct.

Q. By the term "Mountain Pacific Territory," that could be computed, couldn't it, from your tables here?

A. Yes, sir, it could be worked out. No, it couldn't be worked out from these tables as printed here. It could from the original data.

Q. Why couldn't it?

A. Because other states, the last line in most of these tables includes some 16 states: That is, including Arizona and Nevada, Utah, Idaho and New Mexico, in such a way that it could not be derived from the last line on the tables.

[fol. 3279] Q. Well, now, that brings me to this: Did you make any adjustment for the states shown in Official territory and Southern territory to take into account a part of the allocation of "other states"? I understood you did not.

A. We did not.

Q. Then the same thing could be done if we wanted to split the Western territory into the two groups, could it not?

A. Yes, sir. I understand what you mean and it could be done.

By Mr. McCollester:

Q. In other words, you could split the western states that are separately shown into two groups?

A: On state lines.

Q. On state lines?

A. Yes, sir.

Q. They are on group lines?

A. Yes, sir.

Chairman Aitchison: And as far as those which are not separately shown, he hasn't split them and wouldn't expect anyone else to.

Mr. McCollester: No.

By Mr. McCollester:

Q. Mr. Robinson, at the Indianapolis hearing there was called as a witness for the southern states Mr. Morrell of the staff of the "Manufacturers Record," which was represented to be an authoritative publication, who testified his publication was interested primarily in the South, in the development of the South, and that that development [fol. 3280] as to various types of industries had been retarded by a vicious circle which involved the difference in the freight rate levels between South and Official territory. In the light of that testimony, have you, at my request, made an examination of the files of Mr. Morrell's publication, the "Manufacturers Record," and reproduced in the exhibit marked 160 for identification photostat copies of pages from that publication which tend to show that there has been very important industrial development in the South and have you also examined other publications by southern interests, such as the Houston Chamber of Commerce, and embodied in the exhibit a photostat of pages from that publication and also photostats of advertisements on behalf of the, purported to be on behalf of the State of North Carolina.

A. That is right, yes, sir.

Q. And these are all embodied in your Exhibit 160 for identification?

A. That is correct.

Q. Where there are interlineations or emphasis marks in the exhibit, are those your own?

A. That is correct, they are.

Mr. McCollester: We offer Exhibit 160 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 160, Witness Robinson, received in evidence.)

[fol. 3281] Mr. McCollester: That is all on direct, unless you have something further you want to state, Mr. Robinson.

The Witness: Nothing.

Mr. McCollester: The witness is offered for cross examination.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Robinson, please turn to page 7 of your Exhibit 159. I understand that you explained that that simply showed the relationship of the trends and did not show at all the actual relationships as between Chart 4, the value added by manufacture in the South as compared with Official territory, is that correct?

A. That is correct.

Q. Did you have the figures on which you could have charted the actual relationship?

A. Yes, sir. They are on the next page, on page 8 in table 1.

Q. Why did you not chart them?

Mr. McCollester: Because I asked him not to, Mr. Norman. I was interested in making it easy for the Commission to see the trends, and we intended to give the full information to the Commission by showing the actual figures in the statistical tables and then simplifying it by having charts, simply showing trends. That was my direction.

Mr. Norman: Then does the witness say that he didn't do [fol. 3282] that because his counsel instructed him not to?

The Witness: That is correct.

By Chairman Aitchison:

Q. Did he instruct you not to or just simply he didn't instruct you?

A. That is more nearly correct, sir.

Mr. McCollester: That is right.

By Mr. Norman:

Q. Now, turn to your page 58. Your counsel had you to comment on the fact that in housefurnishings, Georgia, in 1939, had actually more wage earners than New York and had some astronomical increase in percentage. Here it is, 15,535. Now, go over to the other side of that page, "Value Added by Manufacture." I call your attention to the fact that although Georgia had slightly more employees or wage earners, it actually added less than half as much in value. How do you explain that?

A. I can only explain that these are the figures taken from the Census of Manufactures. These are the reports as given by the manufacturers on schedules and checked by field workers of the Bureau of the Census.

Q. Well, what do you deduce from that showing?

A. There are several deductions that can be made. For example, that greater profits were realized in the southern manufacture than that in Official territory, because of the relationship given there.

Q. How would that come about? How is value added arrived at?

[fol. 3283] A. On page 3 of the introduction, there is a definition in paragraph No. 3: "value added by manufacture is the total value of products less the cost of materials, containers, fuel and purchased electrical energy," and since 1937, there is also deducted contract work performed outside the factory, which——

Chairman Aitchison: I want to ask what that is. You must know the answer, don't you, in connection with the State of New York?

Mr. McCollester: I can't hear you.

By Chairman Aitchison:

Q. Does this reflect at all, as far as New York is concerned, any betterment in conditions resulting from the abolition or diminution of the sweat-shop system?

A. I don't believe that it does, no, sir.; not comparing 1939 with 1929.

Q. Well, I mean generally, this exhibit.

A. That could easily be true, yes, sir.

By Mr. Norman:

Q. Now, going back to my question, inasmuch as the value added per wage earner is more than double in the State of New York what it is in the State of Georgia, does that not necessarily establish that the product of manufacture was less highly processed and less valuable, generally, in Georgia than in New York?

A. Not knowing the effect of some of the other factors, that might be the conclusion you would draw, although there [fol. 3284] are several other deductions that are made, such as the cost of materials and electrical energy—cost of electrical energy.

Q. Well, now, would you say from your experience that those factors could possibly amount to as much as 100 per cent?

A. During the period starting with 1929 and lasting through a decade, a good share of which was a depression, I am not sure that I could assign the exact values to the various factors.

Q. Now, that brings up the question, the period you pick is generally known as the depression period, isn't it?

A. Yes, sir.

Q. You started at the peak of 1929, the peak year?

A. That is right.

Q. Perhaps of all time, and you have gone straight through the depression period?

A. The peak year for all time?

Q. 1929.

A. We purposely avoided many of the figures for 1941, 1942, because they are affected by what has happened to industry in connection with the war, and have broken many of the ceilings for 1929 already.

Q. Well, when I said peak year of all time, I meant pre-war, but 1929 was a peak year, a peak peace year, and you started with it and went through the depression?

A. That is right.

[fol. 3285] Q. And stopped before it started back up again?

A. It had started back up again.

Q. Perhaps I should say before it had really gotten back into a boom period.

A. Yes, sir, into the boom period we are in now, yes, sir.

By Mr. McCollester:

Q. That is, you stopped before the war period?

A. That is correct.

Mr. Norman: He stopped before that. 1940 wasn't war period.

By Mr. Norman:

Q. Now, Mr. Robinson, turn to your page 77. Your counsel had you to comment on the fact that Massachusetts had lost, in textile wage earners, 22 per cent, 1939 as compared to 1929, and that the South had gained. Here you show actual figures, not percentages, and it appears that Massachusetts lost 2328. Of these, the four southern states, the only ones you show, gained 221 and the one state, New York, gained 88. Now, what do you ask us to deduce from those figures?

A. Simply that the manufacture of textile machinery once, as I understand it, entirely located in Official territory, has actually begun the movement, I believe, in the expression used by counsel, as an infant industry into Southern territory.

Q. Well, it is an infant industry in New York; it has be-[fol. 3286] gun to move in there too, hasn't it? New York increased 36 per cent in its wage earners.

A. Yes, it increased something around 80 persons.

Q. Yes. Which shows that if you are just going to deal in percentages, you are not going to get a very true picture of what is the situation, are you?

A. That is why the absolute is given in practically all of the tables.

Q. Yes, but when you go to chart, you don't use absolute figures, back here on Chart 7?

A. No, sir.

Q. You don't use anything but percentages?

A. That is correct.

Mr. Norman: That is all.

Chairman Aitchison: Any further cross examination? (No response.) Mr. Robinson is excused, unless Mr. McCollester has something further.

Mr. McCollester: No, I have nothing further. You are excused, Mr. Robinson.

(Witness excused.)

Chairman Aitchison: We are running behind our schedule.

Mr. McCollester: Mr. Chairman, you will understand that these figures were my own rough estimate, were not a time limit in any sense of the word. I may be quite wrong. I am very bad in estimating how long I will take to talk, to [fol. 3287] say nothing of somebody else.

Mr. Van Meter, will you take the stand, please.

Chairman Aitchison: Be sworn, please.

T. W. Van Meter was sworn and testified as follows:

Direct examination.

By Mr. McCollester:

Q. Will you give your full name to the reporter, please, sir; state where you reside.

A. T. W. Van Meter. I reside in New York.

Q. You are a Professor of Transportation at Columbia University, are you?

A. That is right.

Q. How long have you occupied that chair?

A. Oh, I have been Professor of Transportation there for 20 years. I have taught there for 26.

Q. And did you have teaching experience in the field of transportation before you came to Columbia?

A. For three years in the University of Pennsylvania.

Q. What degrees do you hold?

A. Well, I have an undergraduate degree of A. B. from the University of Indiana, an A. M. from the same institution. I have a Doctor's degree from Pennsylvania.

Q. Have you published various works on transportation? I ask you that question because my opponents have asked that of their professional witnesses and I want to put you [fol. 3288] on an even keel with them.

A. Well, I have written lots of articles for newspapers and periodicals. I have been a collaborator in a publication of one text book on transportation and I published one myself, and I published works on economic history, too. And I have done some popular books on transportation; probably some of you have seen them, I don't know.

By Chairman Aitchison:

Q. Are they popular?

A. Well, they have done pretty well. I refer in particular, Mr. Aitchison, to a book I got out for children, because of a lack of a book for a child of my own. It is called, "Trains, Tracks and Travel," and I have taken a great deal of delight that thousands—I won't say thousands, but hundreds of children have written to me attesting to the pleasure and instruction they got out of that book; so I say they are popular.

Mr. McCollester: Maybe the Interstate Commerce Commission can understand it. Mr. Chairman, I should say, maybe I can understand that, too.

I should say that Mr. Van Meter is called as a witness jointly by the states of New York and New Jersey. New Jersey is represented here by Mr. Bauman.

By Mr. McCollester:

Q. Now, Mr. Van Meter, have you, at our request, reviewed the testimony in this proceeding of Mr. Spottswood and others, and have you discussed with Mr. Bauman, rep- [fol. 3289] resenting New Jersey, and with me, the economic foundations, as we understand it, of the Southern contentions in this proceeding, and, if so, will you state as the basis of your testimony what the understanding is that you have gained from that review of the testimony and from the talks you have had with Mr. Bauman and me, your understanding of the economic basis of the Southern contentions?

A. Well, the South points out that there is a great disparity between the class rate structure in Southern territory and the class rate structure in the Eastern territory, and they claim that these rates have been imposed by a desire on the part of certain economic interests to keep the South, as it were, in a sort of Colonial dependence, that is, keep it in a state of economic subservience to the East; the condition under which the South produces raw materials, agricultural commodities, and buys its finished manufactures from Eastern producers and merchants. They also claim that the South has the necessary facilities for manufacturing its own products, which now it purchases in considerable quantities from the East, and that it is held back because of the disparity in the class rate structure. They also claim the difference in the costs of transportation do not justify this disparity in the class rate structure and they suggest that the proper corrective, in order to permit the South to escape from its position of economic bondage, is to have, [fol. 3290] perhaps, a uniform classification with equal rates for equal distances. Now, that is my understanding of the position that has been taken.

Q. Now, will you first state what general comments you have to make on these points.

A. Well, first, there is no doubt with respect to the disparity between the class rates in the South and the class rates in the East. In the second place, I do not believe there is any conscious desire on the part of anybody in any part of the country to keep any other section in a state of economic bondage. I think there is an inclination for all of us to rejoice in the prosperity of any particular section of the country. As a matter of fact, if there is any intimation in this record whatever of the desire on the part of any region to live off of any other region, you find it, in some of this testimony, an indication that the South thinks it has a right, in the initial stages, anyhow, to live off of the East.

Now, thirdly, I do not believe that the present rate structure is what prevents industrial development in the South, and in the fourth place, I do not believe that an equal or a lower average cost of railway transportation in the South necessarily warrants the conclusion that the class rates in the South are now too high in comparison with the class rates in the North. Fifthly, I doubt very much if a uniform classification, with equal rates for equal distances, would necessarily lead to the development of manufactur- [fol. 3291] ing in the South; and finally, it seems to me in this proceeding that there are certain interests in the South that are asking the Interstate Commerce Commission to reshape the pattern of economic life in the South by a readjustment of rates.

Now, in the first place, I doubt if it can be done without going to ridiculous extremes in the matter of making rates, and I doubt, furthermore, if it is a function of the Interstate Commerce Commission or any other Governmental body to exercise such a power. That is, I think the Commission is called upon to correct inequalities in specific instances, to see that rates are reasonable, but I don't think it is called upon to call into being a certain pattern of economic and industrial development in any section of the country.

By Com. Splawn:

Q. What, in principle, Dr. Van Meter, would be the difference between the two positions which you have stated there? That is, as far as the Commission is concerned, or the carriers, rather, the carriers initiating rates? Is there fundamentally any difference between their trying to keep somebody out of the section or trying to promote a section?

A. You mean in the initiation of rates——

Q. Yes.

A. By the carriers?

Q. Yes.

A. I can understand that may possibly be done or the [fol. 3292] carriers might try to promote a section or they might try to do the other.

Q. I don't think you quite got my question. You state, I get the impression that you have from this testimony concluded that certain interests in the South think that the carriers have manipulated the rates to keep them out of manufacture or to discourage manufacture, and that you have also the impression that certain interests in the South want the rates adjusted so as to promote manufacturing in the South.

A. Yes.

Q. Now, I am asking you if there is any difference between those two, fundamentally, between those two objectives?

A. Well, of course I would raise the question, Mr. Splawn, as to your primary premise there, that anybody has attempted to frame a rate structure which would have the object of keeping manufacture from developing in the South. I am inclined to think that the rate structure that we have at the present time is not the major cause for the failure of manufacturing to develop in the South.

Q. I didn't announce any premise at all.

A. Well, the initial part of your question.

Q. Or any conclusion. I was asking you, as an unusually able and well-qualified economist in the field of transportation, if there is fundamentally any difference in the two objectives, one to adjust rates to discourage something [fol. 3293] and the other to adjust rates to encourage.

A. Not a great deal, no.

Chairman Aitchison: What was the answer?

Mr. McCollester: "Not a great deal, no."

The Witness: But the point I was making, if I could repeat it again, is that here are certain interests coming to a Government body and asking it to exercise a function to call into existence, as it were, to give birth to a certain economic question.

Chairman Aitchison: Let me ask a question:

By Chairman Aitchison:

Q. The record shows that these class rates were made by the Commission.

A. Yes.

Q. We are not trying out a question here as to whether or not, at the time the Southern class rates and the Official rates which are now in effect were put in, somebody was attempting to stifle the development of one territory to keep somebody in a state of bondage. Certainly the Commission wasn't.

A. No, I don't think so.

Q. Those are the rates we have before us.

A. I certainly didn't wish to try to create the impression I thought the Commission was trying to keep the South in a state of bondage.

Q. When you stated what your understanding was of the case made by the South, I think you might have given [fol. 3294] the impression to somebody, who wasn't familiar with the testimony here, you thought the Southern carriers themselves made these rates.

A. No.

Mr. McCollester: Mr. Chairman, may I suggest——

Chairman Aitchison: I think this witness is eminently able to discuss this.

Mr. McCollester: I am sure he is; much better than I am.

Chairman Aitchison: Then leave it to him. Proceed.

The Witness: I didn't identify any particular group of interests which were endeavoring to keep the South in a state of economic bondage. In fact, I do not know the testimony indicates that. What it seems to indicate is that there is a general disposition on the part of certain interests, including commercial, manufacturing, other interests, to keep the South in a state of what we call economic subservience. They have used that term, Colonial dependence.

Q. In other words, that was the suggestion made by Mr. Spottswood?

A. Yes.

Q. That the rate structure was keeping the South in a state of economic bondage?

A. Yes.

Q. That is what you referred to when you said "economic bondage?"

[fol. 3295] A. Yes.

By Mr. McCollester:

Q. Now, Mr. Van Meter, will you elaborate a little more on some of the points that you have just made, particularly with reference to your statement that it would appear that some of the Southern interests believe that the South should initiate its industries at the expense of the North, or be encouraged by the freight rates to do so.

A. Well, as I read the testimony with which I was provided, it seems to me that the emphasis was on interterritorial rates rather than on intraterritorial rates. That is, the idea seems to be that the Southern industry should be stimulated for the purpose of supplying the Eastern market, after which they will explore what possibilities they have in their own market. Now, this idea permeates Mr. Spottswood's testimony, I think, and it is probably stated a little ~~bit~~ more definitely and specifically in an article that was published by the Vanderbilt University Press, by Mr. Henry B. Cline, who, I understand, is Mr. Spottswood's associate and also an economist for T. V. A. If I may, I will read just a few lines from this.

Chairman Aitchison: Is that something that is in this record?

Mr. McCollester: Mr. Spottswood was questioned regarding the article and said that he collaborated in the article and agreed with it.

[fol. 3296] Mr. Norman: I beg your pardon. That wasn't the testimony.

Mr. McCollester: I beg your pardon, Mr. Chairman. He said he had collaborated in it, and I was prevented by the Bench from asking whether he agreed with the last paragraph, which contained a threat to the Commission. Otherwise, he said he agreed with it.

Mr. Norman: The record will speak for itself.

Mr. McCollester: If you will compare his testimony with Mr. Cline's article, you will find that one is almost word for word the other.

Chairman Aitchison: If this is going to go in the record, let's have it go in in the usual means.

Mr. McCollester: Well, it is not important, because Mr. Van Meter can proceed without it; but I think it is proper for him to make the quotation.

The Witness: The burden of his testimony is simply what I have mentioned before, that the Southern interests here seem to feel that they have a right to develop manufacturers and, in the earlier stages, these manufacturers should find a market in the Eastern states, and then they should proceed, as I said, to explore the opportunities in the home market after they have fattened off of the profits which they secured from their sales in the Eastern states.

Now, what I claim by that, that is an example of inverted [fol. 3297] thinking. That is, the usual course of the development of industries of that kind is to develop an industry to supply your home demands and create an export market out of the surplus left over after home demands are supplied. You hardly ever hear of starting an industry with the purposes of supplying a foreign market to build up resources with which you can supply, subsequently, your home market.

By Chairman Aitchison:

Q. What about the Pacific Coast lumber industry?

A. Beg your pardon?

Q. The Pacific Coast lumber industry was developed by Mr. Hill and others for the purpose of supplying other states than the Pacific Coast states.

A. It was built up of a surplus which existed there, however. ~~Take~~ the tobacco industry in Virginia, the same thing was true. It wasn't very long until you have a surplus that exists. It certainly didn't develop a market, export market with the conscious intention of developing resources so they could supply lumber for the Pacific Coast. The two things should be considered together.

By Mr. McCollester:

Q. All right, Mr. Van Meter, have you anything further on that point?

A. No.

Q. Now, why do you believe, as I understand you do, that the existing class rate structure or the rate structure [fol. 3298] as a whole is not the thing which has prevented and now prevents the South from attaining the degree of industrial development that has heretofore been attained in Official territory?

A. Well, I am inclined to believe that to say that the transportation rates of a particular region sets the pattern for the economic development is another example of inverted thinking. Now, there was a saying once, attributed to Ralph Waldo Emmerson, although I am not sure that he said it, there is some dispute about it, but he is said to have made a remark that if a man builds a better mousetrap than his neighbor even though he lives in the wilderness, the world will make a beaten path to his door. Now, what the South seems to be saying here, if you will make a beaten path to my door, I will build you a better mousetrap.

Now, I claim the South is not a non-manufacturing community because of its class rate structure, but it has its present class rate structure because of the character of the South's economic development.

By Chairman Aitchison:

Q. Well, it has its present class rate structure because the Commission made it. Now, the question before it is whether we made a mistake, whether it needs correction.

A. Well, economic differentiation in this country began at a pretty early period, long before there was a railroad and long before there was an Interstate Commerce Commission.

[fol. 3299] By Com. Alldredge:

Q. But not before there was some means of transportation, is that right?

A. How is that?

Q. But not before there was some means of transportation?

A. That is right.

Q. Is that right?

A. That is right. This economic differentiation continued after the railroads came and probably economic differentiation will continue. There are many things which bring about economic differentiation in certain parts of the country. Now, we all started from scratch in this country about the beginning of the 17th century and the resources we had then are about the same as the resources we have now. The South went one way and the East went one way and the West another way. Why? Well, there were many reasons for that. Certainly, transportation rates were not the major consideration which influenced the character of economic development in these particular regions. As a matter of fact, the South, when the South chose its path, it did pretty well, because when our National Government was organized, Virginia was the most popular state in the Union. It had as many representatives in our first Congress as New York and New Jersey put together; it furnished four of our first five Presidents. It selected the type of economic development which it preferred.

And this differentiation continued until we got what [fol. 3300] came to be pretty well known as the cotton-raising South, the manufacturing and commercial East, and the livestock grazing and agricultural West, with a subsequent development of manufacturing, particularly in the Midwest. Now, this came about by choice, through the choice of these people. They made their own selection, and there have been in the past a great many Southern leaders who have vigorously criticized the South because of the choice it made.

The group which is contending for the Southern position here, I think is the first group that I have ever heard of that have made the discovery that the present economic pattern of the South is one that has been fixed by the character of the freight rates. Now, back even before the war between the states, there was one commercial leader in the South by the name of Dubo. I think he was superintendent of the 7th census. He criticized the South very vigorously for its addiction to a one-type economic pattern; one type of product economic pattern. There was another man, of whom you have probably read, by the name of Helper, who wrote a very interesting book which was published in 1857, known as "The Impending Crisis," and in his criticism of the South's economic development, he made the remark that, "In one way or another we are more or less subservient to the North every day of our lives. In infancy we are swaddled in Northern muslin; in childhood we are humored with Northern gewgaws; in [fol. 3301] youth we are instructed out of Northern books; at the age of maturity we sow our wild oats on Northern soil; in the decline of life we remedy our eyesight with Northern spectacles; in old age we are drugged with Northern physic; and, finally, when we die, our inanimate bodies, shrouded in Northern cambric, are stretched upon the bier, borne to the grave in a Northern carriage, entombed with a Northern spade, and memorized with a Northern slab."

By Mr. McCollester:

Q. Now, that was the situation before the railroad freight rates, even as fixed by the I. C. C. could be responsible for it?

A. That is right. What I say is that the railroads found this differentiation, they didn't make it. This differentiation was here when they first came. And now they have found not only different economic patterns in different sections of the country, but they found varying competitive conditions in different sections of the country, and these varying competitive relationships and these different economic conditions led to patterns of rates, some of which have been changed but yet have been for a long time distinctive in this country. It was variation in competitive conditions and the differentials in economic patterns that led us to have three classifications in the 80's instead of a single classification. It was those same conditions that led to the creation of some of our interesting rate structures [fol. 3302] which I used to study when I first commenced studying transportation, as far as the old Southern basing point system, the Eastern percentage system with its seaboard differentials, the transcontinental rate system with its blanket extending from the Missouri River on one side to the Atlantic Seaboard on the other and which was marked by the extreme discrimination against intermountain rate points. Now, these things change with time.

By Com. Splawn:

Q. Wasn't it some of your articles and criticisms of that confusion which contributed to the reforms that you have seen made?

A. I beg you pardon, sir?

Q. Wasn't it some of your criticisms of the confusion which you have described there, in the early freight rates, that contributed to improvements?

A. Why, I wouldn't be that vain, Mr. Splawn.

Q. You pointed out, didn't you, in some of your writings as to the Southern basing point system, and how that freight rate structure down there had grown like Topsy?

A. Yes, it followed a pattern of competition and of economic development which it found in the South. The development of the pattern was perfectly logical, perhaps, from the structure of transportation facilities in an area which had the competitive conditions on an economic basis such as it found in the South.

Now, things have changed a great deal since that time. [fol. 3303] For instance, with the elimination of water transportation in the South, the Southern basing competition has been virtually wiped out. Even the old Eastern percentage system, with its seaboard differentials, has been changed. The old transcontinental rate system, the big blanket is no longer there and there isn't so much discrimination against intermountain territory. But what I want to emphasize about all of this is that all of these changes in the rate structures of which I speak, including even the greater degree of uniformity in our classification, they have followed economic changes and changes in competitive relationships and they haven't preceded it.

For example, some of you may remember the so-called Michigan percentage cases back in 1917. I always liked it so well because the Commission saw fit to print a little colored map of those Eastern percentage states. It was a very convenient thing to hang on the wall. You may remember that, Mr. Splawn. Now, in those Michigan percentage cases, it seems to me that the Michigan people didn't come and say, now, we want to enter into competitive manufacturing with people in Indiana and Ohio, and consequently won't you change our rate structure, please, so we can do this. They had gone ahead and developed industrially in southern Michigan, and once they had assumed a position of that kind, they went to the Commission and said that, our competitive relationships in Indiana [fol. 3304] and Ohio are such to justify a realignment in our rates. That is, the change in the rate structure followed and did not precede the connection of the economic development in southern Michigan which led to a revision of the Eastern percentage system, as far as those particular communities were concerned.

By Mr. McCollester:

Q. Is there anything further you want to say, Mr. Van Meter?

A. Well, not so very much. I believe that the South can build up its manufacturing under the system of present rates. It has opportunities of which it possibly has not taken advantage. It has resources; the South points out itself the resources it has. It has a good labor supply. I think some of the testimony here has been on the character of the labor supply and its efficiency. They have a good climate and thanks to the Federal Government, in certain sections of the South they now have an abundance of fairly cheap power.

Now, there are several important manufacturing industries which the South might have, regardless of the territorial class rates that exist at present or regardless of the intraterritorial class rates that exist at present. Now, Mr. Spottswood himself named some of those industries, but he doesn't show at all how the transportation rates, the class rates in existence at the present time prevent the development of those particular industries.

[fol. 3305] Now, take textile machinery, for instance. There is no reason under the sun with respect to freight rates that I can see which prevents the development of textile machinery in the South. You had the tables a moment ago. It was in North Carolina, they had made a start in it there. The great mass of textile production, not the great mass but a very substantial portion of the cotton loomed in the United States is now loomed in the South. There is a market for textile machinery. Certainly, by the farthest stretch of the imagination, you cannot say that the system of freight rates prevents North Carolina from providing cotton textile machinery for factories next door, who must now go to Massachusetts and New York to buy cotton textile machinery.

Now, cotton textiles are sent North for further processing. There is no reason under the sun why the South couldn't process its own gray material. It would be cheaper for them to do it, as a matter of fact, because now they send it North to have it processed and then have to ship it back again. They pay a double freight rate where a single freight rate would suffice. Then take aluminum ingots. Mr. Spottswood mentioned that. The Southeast produces most of the aluminum ingot and aluminum plate. There is no reason under the sun why they have got to ship it out of the South to make pots and pans or airplanes or what not.

Now, whatever it is that is preventing the development of [fol. 3306] manufactures of this particular type in the South, it certainly isn't freight rates or the character of the class rates; and I fail to see, if this is true, how any particular change in the character of the class rate structure would stimulate the development of these particular manufacturing industries in the South. As a matter of fact, in the more highly finished products, and I think any economic geographer that has made the study of planned location would confirm this belief, that the location of highly-finished manufactures is not dependent to a very large extent upon freight rates. Freight rates don't explain why you have got brass in Connecticut. Freight rates don't explain why you have machine tools in Vermont. Freight rates don't explain why they make shirts and collars in Troy, New York. Freight rates don't explain why they make women's dresses in New York City. There are many other reasons that explain that, but certainly it is not freight rates. Freight rates play a very little part, often, in the location of an industry which is devoted to the production of highly finished manufactured articles, and you can name dozens of them like that.

What does it? There are many circumstances that control that. Year after year we get new products. The South has the same chance to engage in the development of the new products before we even put the freight rates upon them that the East or the West had. Plastics, synthetic [fol. 3307] rubber. There is nothing being done with respect to freight rates in this country that would prevent the development of those industries in the South. As a matter of fact, I think in some of these advertisements that Mr. Robinson reproduced, that some Southern Governor referred to the South not as an economic problem No. 1 but as economic opportunity No. 1 in this country. It didn't need change in freight rates to develop its big textile industry. It developed there anyhow.

By Chairman Aitchison:

Q. Are you sure about that?
A. Yes.

Chairman Aitchison: All right.
The Witness: If it takes advantage of the opportunities which it has there at the present time, why, the manufacturing industries which the South so dearly wants can be developed without any particular change in freight rates.

By Chairman Aitchison:

Q. Back to the textile industry. In your judgment, would the textile industry of the South have developed to its present state if it had not had equalization with New England, with Chicago?
A. Yes, I think so.
Q. Undoubtedly?
A. Oh, I think so. I think there are other considerations that are much more important than the freight rate. I think those same considerations prevail with regard to the development of other industrial manufactures.
[fol. 3308] Q. Then it is, pari passu, equally immaterial to New England whether it has an equalization with Chicago or not?
A. I beg your pardon?

Q. I say, pari passu, it is equally immaterial to New England whether it has an equalization with Chicago or not?

A. Pari passu, I do not think it was any decline in freight rates which led to the development of the textile industry in the South, which led to the migration of the textile industry to the South.

Q. You mentioned a point with respect to the highly finished manufactures and you cited textiles as one example and others.

A. I didn't cite textiles as an example of highly finished manufacture. I mentioned brass, dress goods, shirts, collarware. I didn't mention textiles as a whole.

Q. You mean the finished dress goods?

A. Dresses, dresses in New York City.

Q. It hasn't any point at all, any part, rather, in developing the textiles in the South, if they had had equalization as to Chicago? Would it have any detrimental effect at Boston and New England if that section didn't have equalization with Chicag[illegible]

A. Not a great de[illegible] That is, I think that the other factors, as to weighting, in connection with the migration of the textile industry, that the equalization of transportation rates would play a comparatively minor part.

[fol. 3309] Chairman Aitchison: I think I will have to call attention to the fact that we have to surrender the room at 11:30 sharp today, and I ask him to interrupt his speech at this point.

The Witness: I am finished, Mr. Aitchison.

Chairman Aitchison: We won't start the cross-examination until after lunch. It will be necessary to remove all your papers, unless you want to throw them away.

Off the record.

(Discussion outside the record:)

(Witness excused.)

Chairman Aitchison: We will recess at this time until 2 o'clock this afternoon.

(At 11:29 o'clock A.M. recess taken to 2 o'clock P.M.)

192

749458
Sup. Ct.

Vol. VI

TRANSCRIPT OF RECORD

(Pages 3567 to 4254)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL: VI

INDEX

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued	Original	Print
Milton P. Bauman	3345	3589
William S. Hamill	3379	3610
Frederick W. Burton	3383	3612
Charles E. Bell	3396	3620
D. O. Moore	3434	3643
H. A. Hollopeter	3451	3654

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., OCT. 24, 1946.

—7298

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
R. A. Ellison	3479	3671
J. V. McMahon	3523	3697
Andrew H. Brown	3528	3700
Leslie La Croix	3532	3703
Charles E. Bell (resumed)	3554	3717
Leonard F. Mongeon	3683	3795
C. S. Duncan	3688	3798
C. S. Duncan (resumed)	3775	3851
E. R. Oliver	3802	3868
J. K. Tilford	3875	3912
R. J. Doss	3928	3945
R. E. Boyle, Jr. (recalled)	3966	3967
L. V. Crane (recalled)	3973	3971
Ben F. Morris (recalled)	4007	3991
W. F. Kennedy (recalled)	4061	4024
J. S. Tassin (recalled)	4111	4055
B. H. Stanage (recalled)	4175	4095
George C. Smith	4251	4141
M. L. Austin	4284	4162
R. C. Griffith	4289	4165
O. M. Anderson	4291	4167
R. C. Fyfe (recalled)	4302	4174
R. C. Fyfe (recalled)	4326	4188
Glenn F. Vivian (recalled)	4351	4203

[fol. 3310] Afternoon Session

2 o'clock p.m.

Chairman Aitchison: Shall we resume.

Mr. McCollester: Dr. Van Meter.

T. W. Van Meter resumed.

Direct examination (continued).

By Mr. McCollester:

Q. Doctor, before your cross-examination begins, is there one further explanation that you would like to give covering one phase of your testimony?

A. Yes, sir, there is just one thing. I fear that I might have given the impression this morning that I thought that there was a general idea, or a general desire among Southern economic interests to make a living off of the East. I do not believe that at all, any more than I think that there is a general opinion among Southern industry, in Southern industry as a whole, that the North wants to regard the South as a colonial dependency. As a matter of fact, I think that all of the economic, industrial and business relationships between Eastern Territory and Southern Territory are on the whole mutually helpful, and mutually cordial; and from what I know of the record in this case, I think that there is a substantial portion, if not a major portion of the industrial and economic interests in the South, that has no complaint whatever about the existing class rate structure. Therefore, if I have given the impression that I believe what I have [fol. 3311] just mentioned, I want merely to emphasize the fact that I have gotten that intimation, not from anything that was disclosed by this record, beyond the reading of Mr. Spottswood's testimony, and the reading of the little pamphlet to which I have referred.

Q. Is that all?

A. Yes, sir.

Mr. McCollester: That is all on direct. The witness is now tendered for cross-examination.

Chairman Aitchison: Cross-examine.

Mr. J. R. Bell: If the Commission please, I have just one question, and my question perhaps is not exactly adverse, while Mr. Norman's examination will be. May I ask that question at this time?

Chairman Aitchison: Yes.

By Mr. Bell:

Q. Dr. Van Meter, in your testimony you have used the language "prevention of development in industry in the South." As a matter of statistical fact, can you state whether or not the South has developed of late years more, relatively speaking, in that respect, than has Official Territory?

A. Why, from my knowledge of statistics, I know that there has been a progressive development of manufacturing of various kinds in the South for several years past. I cannot honestly say that I have made a study of the relative [fol. 3312] rate of progress, except to the extent that I have seen, possibly, the study, or the exhibit which was submitted by Mr. Robinson here this morning, which certainly shows that for the 10-year period covered, the rate of progress in the South in the development of manufacturing has been greater than the rate of progress in Official Territory.

Mr. Bell: That is all I have.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Doctor, you have made a number of statements here about the position of the group in the South, as you express it, that is presenting this case for the South. Have you read this record?

A. I have read the record to the extent of Mr. Spottswood's testimony, both on direct examination and cross-examination, and some of the balance of it, although not all of it, however.

Q. Have you read the statement of Governor Cooper, Chairman of the Committee having charge of this case?

A. Now, just offhand, I am not sure whether I have or not, although I think I have.

Q. And you think, do you, that you are qualified to state what the position of that group is, without even having read the statement made in the record by the Chairman of the Committee?

[fol. 3313] A. I did not say that I was representing in that statement, the opinion of the South as a whole. I was merely confining my remarks to the impression that I gathered from my reading of the testimony of Mr. Spottswood, in response to questions which were asked of him by Mr. McCollester.

Q. You used the language "the group in the South having charge of this presentation", and you referred to the position which they have taken; and you did not confine your statement in that connection to Mr. Spottswood. Now, upon what did you base that statement?

A. Well, if I did use the language to which you refer, all that I can say is that it was an unfortunate choice of words, perhaps, because, when I answered Mr. McCollester's original question, he asked me to reply—or to describe, rather, my understanding of this particular case, in the light of the presentation which had been made by Mr. Spottswood; and in attempting to outline what I understood to be the case here, I did it on the basis of the testimony which had been presented by Mr. Spottswood; and if I conveyed the impression that I thought that was the absolute and universal opinion of the entire group that is presenting the case, I certainly made an error, because I have no reason to believe that, and I have no reason for knowing that, because it is my distinct impression, at least, that some of the people in the South who have been represented here are distinctly [fol. 3314] opposed to the position that Mr. Spottswood has taken.

Q. Now, you further stated that the Southern group is asking the Interstate Commerce Commission—and I quote —"to reshape the economic life of the South." Upon what did you base that statement?

A. I based that on the statement—or on the impression that was conveyed to me entirely from Mr. Spottswood's testimony, as well as the pamphlet, to which I have referred, my impression being that they have been prevented by the disparity in class rates, as between the Eastern Territory and Southern Territory, from developing their finished manufactures,—and there is no question about that statement having been made. You can read the testimony introduced by Mr. Spottswood, certainly, and you can read the pamphlet prepared by Mr. Klein, who is an associate of Mr. Spottswood, and you will find that is the definite claim that they make.

Q. I know, but you stated—repeating my question again—that the group representing the Southern interests here is asking the Interstate Commerce Commission to reshape the economic life of the South.

A. Well, Mr. Norman, if I have conveyed the impression here that I was referring to the opinion of a group, I must apologize for using the expression, because in my own mind I was referring—maybe I did use the expression, I do not deny that I did; but in my own mind I was referring to an [fol. 3315] opinion respecting the group only as that was indicated and presented by Mr. Spottswood and his associates.

Q. You further stated that the South desires to industrialize itself at the expense of the East. Upon what did you base that tesimony.—or that statement?

A. As I said, based upon the testimony of Mr. Spottswood. That was the whole idea that permeated all of Mr. Spottswood's testimony. You will recall that I endeavored to try to read a quotation from Mr. Klein's article, but I was not permitted to do so.

Q. Well, now, are not manufactured articles that are produced in the East, sold in great quantities in the South?

A. Why, certainly they are, yes, sir, and furthermore, they always have been.

Q. And do they not move into the South on rates as low as or lower than the rates prevailing in the South?

A. Why, yes, sir, I would say that is true. I believe that is generally agreed to.

Q. Why should not articles that are manufactured in the South, then, move into the East on rates as low as or lower than those prevailing in the East?

A. I am very sorry, Mr. Norman, but I could not get the concluding part of the question.

Q. I say, why should not the articles that are manufactured in the South, move into the East on rates as low as or [fol. 3316] lower than those that prevail in the East?

A. Oh, there may be many conditions that enter into a situation of that kind. There may be many reasons for it. You have just to take the rate structure as a whole. In other words, there may be certain conditions with respect to the rate structure in the South, that might justify a difference in the class rate structure. As a matter of fact, as I say, there are many conditions that may enter a situation of that kind, other than the mere fact of being located in the

North or being located in the South. That is not the only thing that has something to do with the construction of a freight rate. Now, if you would like to have me give you an example of what I mean, let us say that in the South——

Chairman Aitchison: Well, you are getting argumentative, now.

The Witness: That was not my intention.

Chairman Aitchison: You have answered the question.

The Witness: Very well, sir.

By Mr. Norman:

Q. Well, now, as a traffic and transportation expert, what justification do you find for the Eastern carriers refusing to join the Southern carriers in making rates, on the same lines, on the same level as the level on which they join with each other in making rates?

A. If there is a substantial movement—I will grant you, now, that if there is a substantial movement of manufactured [fol. 3317] goods, or if there is a production in the South which makes it possible to have a substantial movement of manufactured goods from Southern territory to Eastern territory, frankly, I do not recommend that position on the part of the Eastern carriers; but this particular proceeding has no reference to rates on particular items which are manufactured in sufficient quantity in the South so that they can supply their home market, and in addition, serve the market in Eastern territory. This record, as far as the testimony that I have seen is concerned, has to do with bringing into being, or creating, in other words, industry in the South. Now, as I stated before, if there is such a production in the South, as far as the situation is concerned which you have outlined in your question, I will say to you very frankly that I see no reason why they should not. Does that answer your question?

Q. Well, now, in saying that they ought to develop their home market first, are you not treating this country as if it were divided into sections, or regions, instead of being an indivisible unit, as one of your ~~great~~ orators said many years ago?

A. Why, certainly, Mr. Norman, and it always has been that way. I mentioned before that from the very time that this country was organized, they started off from scratch in 1607, or along in the early part of the seventeenth century, [fol. 3318] and the South went one way, and the East went another way, and the West went still another way. We have always had a regional economic division, and I will make the statement, that I think it has been a very good thing. The entire theory of international trade is founded upon the idea that certain areas should produce those things for which they are best adapted, and exchange those commodities for the commodities of other regions which they are best able to produce. There is no crime, there is nothing wrong, there is no economic bondage involved in an economic differentiation of occupation.

Q. Well, you are referring now to trade between nations, whereas, this is a single nation.

A. Well, I will make the same comment. I will make the same statement, with respect to any section, or any state, or any county. You do not have the same industries in a city that you have out in the country. In other words, you raise cows, pigs and chickens in the country, and you manufacture things in the city, and you have a mutual basis of relationship between those people. That is what our entire economy is built up upon, the specialization of particular kinds of occupations. If you have ever read Addison's Wealth of Nations, you will recall that is one of the things that he comments on particularly, that nations become wealthy by this differentiation of occupations.

[fol. 3319] Q. Well, now, will you tell me upon what basis you ought to draw the line, if you are going to draw it within the confines of a common country. Upon what basis ought you to draw the line, and where should it be drawn?

A. My dear sir, I do not think that we draw the line. I think the line draws itself. It always has drawn itself, and it always will.

Q. Well, you started out by illustrating the whole problem with a reference to Virginia. Do you not know that practically all of the state of Virginia is in Official Territory and not in Southern Territory?

A. I did not illustrate anything by any reference to rates in Virginia. I merely stated that we started from scratch in this country, and that one section traveled one way, and another section traveled another way; and as far as Virginia is concerned, back in 1789 Virginia was one of the most populous and wealthy states in the Union.

Q. Well, now, you have stated that the South wants the East to beat a path to its door before it makes the mousetrap.

A. Pardon me?

Q. Your argument is that the South should develop its own industries before it asks for rates into the East; is that not true?

A. I beg your pardon, sir; I am very sorry, but I still do not understand the question.

[fol. 3320] Q. I say, you stated——

Chairman Aitchison: Mr. Norman is referring to the reference that you made to the mousetrap.

The Witness: Oh.

By Mr. Norman:

Q. You say that the South is asking the East to beat a path to its door before the South makes the mousetrap. Now, are you not assuming there that the South does not have any manufactured articles to ship?

A. I beg your pardon, sir, but I did not make that statement. I did not say that the South is asking the East to beat a path to its door, with reference to a mousetrap, or anything else. I was merely referring to the quotation, attributed, I believe, to Ralph Waldo Emerson——

Chairman Aitchison: Elbert Hubbard, I believe, is responsible for that quotation. (Laughter.)

The Witness: Well, sir, I had forgotten about that. Let us give Elbert Hubbard, then, the credit for it. I do not want to enter into any controversy over the source of any literary allusion with Chairman Aitchison, I can tell you that. I was merely referring to that quotation, which says that if a man builds a better mousetrap than his neighbor, no matter where he is, the whole world will beat a path to his door, in connection with the testimony of Mr. Spottswood. As far as Mr. Spottswood's testimony is concerned, you have a case of inverted thinking, so to speak, in which [fol. 3321] he is confused as to his cause and effect, and in which he gets the cart before the horse. In other words, what I said was that his testimony seems to imply that that statement is correct, and that it is the position of the South that it is asking the whole world to make a beaten path to its door, and after that, it will produce the mousetrap. That is simply getting the cart before the horse.

By Mr. Norman:

Q. Now, your counsel has gone to great lengths to prove by other witnesses here that the South has already developed a great manufacturing industry. If that is true, even under your theory, has not the time finally come when the South is entitled to rates on manufactured articles outbound?

A. Well, now, I have not, of course, as I stated before, heard all of the testimony that has been presented here, and therefore I would not be able to vouch for the accuracy of your statement, that counsel here has gone to great lengths to prove that the South has become a great manufacturing community.

Q. Well, you were present here this morning when Mr. Robinson testified, and you heard his testimony, did you not?

A. As a matter of fact, what I said in my testimony was this, that the South has developed certain important manufacturing industries, but as far as having become a great manufacturing community is concerned, comparable to the [fol. 3322] East, why, certainly that is not true, because everybody in this country knows that the great mass of manufacturing is in the East, and a relatively small amount comparatively in the South.

Q. Well, your original theory, as I understood you, was predicated on the proposition that the South ought to develop its manufacturing before it asked for rates. Now, your counsel has undertaken to prove here that the South has developed manufacturing industries. In view of that, do you not think that you have got to take one horn of the dilemma, or the other? Either it has, or it has not, and if it has, under your theory then it is entitled to rates, is it not?

A. Well, now, at the outset, I would not say that counsel here has done what you say he has done, but if counsel has undertaken to prove that the South has developed a very great manufacturing industry, of wide variety, scope and volume, he probably made an error, because the South has not developed on any such basis. There is no question but what there has been manufacturing in the South, and that manufacturing in the South is growing without any manipulation of freight rates whatever; but to say that the South has developed an enormous manufacturing industry, as your questions seem to indicate here; which has become a rival of the East in production and manufacture,—why, I just cannot believe that my counsel here has endeavored to prove anything like that. If he did, why, he did not do it [fol. 3323] at my suggestion, or on the basis of my testimony.

Mr. McCollester: If the Commission please, if statements of this sort are going to be attributed to me, I just want to be very sure that our position is not regarded as inconsisent. Our position is this, that the premise upon which the Southern contention is based, that the freight rate structure prevents the development of the South, is an unsound premise, because all of the trends show that, regardless of freight rates, the South has developed more than has the North during the past few years. Now, whether it has yet reached the stage where its volume of industrial production justifies, if that is the test of it, your Honor, the same level of rates as in the North, is another matter; but at least the freight rates have not kept it from developing. When the Commission decides this case, we want it to decide the case on the correct facts, and not on any myth.

Chairman Aitchison: I think that this entire testimony has been very argumentative, and while we have not interfered with it at all, we have got to determine this question, and it cannot be decided on the basis of the testimony of expert witnesses, who are called pro and con to voice their opinions as to what the decision ought to be, or what the record in the case shows.

Mr. Norman: Or what the position of certain parties is, particularly when it is not correctly stated.

[fol. 3324] By Mr. Norman:

Q. Now, I want to ask you just one further question on that particular theory, and that is this: just when is the time to come when, under your theory, the South is entitled to freight rates outbound, such as are being contended for here? You say, not until it has developed its manufacture. Well, how far must it develop, to what point must it develop? How are you going to measure that? Do you have anything to say to the Commission as to when and how it can arrive at the fact that the South has or has not reached that point?

A. Why, I think it is just a question of the individual situation. In other words, if you have a particular industry in the South which has developed to a certain stage of growth and maturity, where it is supplying its home market, and seeking markets in other sections of the country, it can very properly I think bring a case before the Interstate Commerce Commission, in which it undertakes to show that possibly a readjustment of certain rates can be fairly claimed. I would not say all, however, because I admit that that would not necessarily be an excuse, or justification, for a general readjustment of rates. Certain other rates in which that particular industry might be interested, rates with respect to securing raw materials, for instance, might justify higher rates on the finished product of that particular industry, in view of the fact that it already has lower [fol. 3325] relative rates on its raw materials. Now, there are other things that enter into the consideration of a freight rate adjustment, besides the mere fact of comparison. As I recall it, I believe one of the Commissioners made the very pertinent remark down at Washington one time, to the effect that when you consider freight rates, you have got to take three things into consideration, namely, competition, comparison, and compromise. In this particular case, from the record that I have read, it does not appear that they are thinking of competition, or that they are thinking of compromise, but that all that they are depending upon is comparison. Well, as I say, there are other things to be taken into consideration, in considering freight rates, besides comparison.

Q. Well, now, let me ask you this question: do you think that under any circumstances an industry should be entitled to put up a plant in Georgia, let us say, for the sole purpose of serving the Eastern territory, and be given reasonably competitive rates to do so, or do you think that because they are just on the other side of the line that is drawn across the country, they must first develop a market in Georgia and then come East if they can?

A. Well, now, I do not believe that I made any reference with respect to an individual plant in case of a particular industry. It might very well be, very possibly be, that you will have a certain natural resource in a certain section [fol. 3326] of the country, from which you can secure the raw material that you want, but as far as establishing rates on that raw material is concerned, that is not the whole of the story. Take, for example, the production of radium. It takes 50,000 tons of ore, and an ungodly amount of water, to produce a very small quantity of radium. Now, you have your pitchblende ore, say, out in Colorado. Your radium is going to be used by the hospitals in New York. Now, you would not produce radium in New York, if you had to move 50,000 tons of pitchblende ore to New York, and there use a terribly large amount of water, to produce a very small quantity of radium, a gram of radium, in New York City. What would you do? Why, naturally, you would produce it out where the raw material was available. Now, the position that Mr. Spottswood is taking here, is not with respect to one industry, one isolated industry. He takes his position with respect to the entire economy of the South, its entire manufacturing, and not any particular one. Of course, there are exceptions to all rules.

Q. Well, now, let me ask you this final question: you stated, in answer to a question put to you from the Bench, that you did not think freight rates had anything to do with the location of manufacturing establishments.

Chairman Aitchison: The question from the Bench related to high-grade commodities.

[fol. 3327] Mr. Norman: It related to textiles, I believe, if I recall correctly, your Honor.

Chairman Aitchison: Textiles, and coupled with that, brass.

By Mr. Norman:

Q. Well if that is true, what objection do you, representing as you do here the states of New York and New Jersey, have to a parity of rates from and to the South——

Mr. McCollester: Just a moment.

By Mr. Norman:

Q. —with those in the North?

Mr. McCollester: I object to the question, if the Commission please. Dr. Van Meter is not appearing here for the state of New York, or the state of New Jersey. He is appearing here as a witness. Whether or not the state of New York objects is for me to say.

By Mr. Norman:

Q. Well, then, I will put the question this way: what objection have you as a witness, for the states for which you are testifying, as an economist, and as a transportation expert, and whatever else you may be——

A. You can add some more to that, but do not add too much.

Q. Well, I did not mean that in any offensive way.

A. I understand.

Q. —to a parity of rates from and to the South with those in the North?

A. Well, now, Mr. Norman, you started your question out with the proposition that I had expressed the theory that [fol. 3328] transportation rates had nothing whatever to do with the location of manufacturing establishments producing high-grade commodities. I did not say that. I said that it was probably not the determining influence, because there are various factors that have something to do with it. I can take you back to my boyhood home, and tell you about the location of various manufacturing establishments there, that would stay on for a while, and then by and by would go. Where did they go? I believe that I can give you the reason, in almost every one of the cases. Perhaps the matter of transportation rates did have something to do with it, at times. In some cases, there is no question about it, but what they did have something to do with it. However, what I said was, with respect to highly finished manufactures, that ordinarily transportation rates are rather a minor consideration. They are not a major influence. That is what I said. Now, if you will reframe your question, in the light of what I have just said, I will go ahead and try to answer it.

Q. All right. I will ask you this question, then: what is the basis for your objection, if you do object, to a parity of rates in both directions throughout the territory, let us say, for the purpose of this particular question, east of the Mississippi River?

A. Well, just as I told you a little while ago here, Mr. Norman, when you come to making rates, as somebody said, [fol. 3329] rates are made, generally speaking, on the basis of competition, compromise and comparison. Now, you are here emphasizing the feature of comparison. I say that there are many other things which have got to be taken into consideration in making transportation rates, and I believe that the experience of the Interstate Commerce Commission in making rates, as well as the experience of the railroads, and other carriers, in making rates, will show that they take many other things into consideration besides the mere question of parity. In other words, the rates that will apply on the raw material are only a part of the story, because every phase of the rate comparison must be taken into consideration; and the mere matter of parity between this group, and that group, is not convincing evidence, or the mere matter of lack of parity, or disparity, we will say, between one point in the territory and the rest of the territory, is not convincing evidence that there is a prejudicial rate situation, or a preferential rate condition, or an unreasonable rate situation. It is not convincing evidence. If there is any testimony along that line, it can be counteracted by other testimony.

Q. Do you think that there is justification for disparity in respect of letting one territory, or section, into which you insist on dividing the country, ship into another on the basis it obtains in the other territory, and then when the [fol. 3330] other territory tries to ship into the first territory, make it come in on a higher basis.

A. Oh, there very likely may be, yes, sir, in a good many cases. We have rates that are different, in opposite directions, on the same article.

Mr. Norman: That is all I have. Thank you.

Chairman Aitchison: Is there further cross-examination?

Mr. Bee: Yes, sir, if the Commission please.

Chairman Aitchison: Mr. Bee.

By Mr. Bee:

Q. Do I correctly understand that it is your theory that, if a territory must first build up its manufacturing enterprises so as to supply its home markets before it seeks to enter foreign territory, it likewise applies that rates from the foreign territory, or foreign market, into the territory in question on the same commodities should be on a lower scale than in the opposite direction, which would tend to keep that territory from shipping out?

A. Well, now, if I understand your question correctly, sir, I do not believe that I have adopted or advanced any theory with regard to that. All that I was saying there was that in Mr. Spottswood's testimony, and in the exhibit of Mr Klein, they took the position that Southern manufacturers as a whole—not any particular specific Southern manufacturer, but Southern manufacturers as a whole—should have the right to market their products in Eastern territory. [fol. 3331] Now, all that I said was that that is reversing the usual course of industrial development; that under ordinary circumstances you do not have a man build up an industry and ship his goods outside of his own territory, for the purpose of expanding, and then come back and supply his own home market. Now, as I say, that is just reversing the usual order of things. That is getting the cart before the horse. And yet they say here very definitely, "What we want to do is to supply this other market over here, and then when we have gotten strong enough from that market, we will come back and supply our own home market." Now, that does not follow at all.

Q. Well, having in mind the fact that the state of Oklahoma came into existence in the year 1889, it could not have had any manufacturing industry prior to that time, could it?

A. Not very well.

Q. Now, is it your theory that rates from outside Oklahoma should be on a lower basis into Oklahoma than the rates from Oklahoma into that outside territory, this permitting the foreign market to continue to supply the demand in Oklahoma, and preventing Oklahoma from building up its own manufacturing industry?

A. Now, you are trying to put something into my testimony, sir, that is not there. I do not have any theory of that sort at all. I say again, as I have repeated several [fol. 3332] times before, that there are many things that must be taken into consideration when you come to making rates. As far as any disparity in the class rate structure is concerned, there may be certain justification for that, which you will find upon consideration of other parts of your rate structure. Now, nobody in this case, that I know of, has said that they want to do anything like that. I have not heard anybody say that; I do not want to do anything like that, and I am sure nobody else in the case wants to do anything like that—keep the state of Oklahoma, or any part of the South or West, in a condition of economic subservience, or economic bondage, or economic subjection.

Q. Well, then may I ask you this specific question, sir: do you know of any condition that would justify a lower basis of rates southbound, let us say, on electrical machinery, than the rates applying northbound?

A. Oh, that might well be, yes.

Q. Why?

A. Because, as I stated before, when you come to consider your rates on the raw material, for example, you might find some justification. Now, another thing that you also have to take into consideration is the condition of industry, and the condition of the carriers. The carriers make the rates, and in doing so, they have got to consider their traffic as a whole. Now, it may be essential, in the case of certain [fol. 3333] commodities, to make the rates in such a way that it will promote the movement of those certain commodities, under conditions which will permit the carriers to derive more of their fixed charges out of the income from the movement of those commodities, and conversely, there may be certain other commodities upon which they are required to charge higher rates, in order to derive, from these commodities, the necessary amount of their fixed charges, considering the movement of those commodities.

Q. Well, having in mind, now, that we are talking about the same identical commodity, electrical machinery, I want to ask you this question: why should the Southwestern carrier secure more revenue for transporting a shipment of that commodity from its connection with an Eastern line, say, at St. Louis, Missouri, than it would receive for transporting that same identical shipment, or a shipment of that same identical commodity, in the opposite direction?

A. Well, as I say, there enters in the condition of the Southwestern carriers—or the particular Southwestern carrier to which you refer; the question of the character of the traffic; the question of what, if anything, should be done to promote the movement of the particular traffic that you are talking about; and various other questions. And you must also bear in mind that when you talk about decreasing the rates and charges on certain commodities, whether it be [fol. 3334] electrical appliances, electrical machinery, or anything else, that may result in a diminution of income which may compel the carriers, in order to maintain their financial stability, to make up that decrease in income by increasing the rates on certain other commodities.

Q. Well, now, will you tell me, please, sir, how it could possibly reduce the revenue of a carrier in the Southwest, to establish the same rate on electrical machinery from Oklahoma City, Oklahoma, to St. Louis, Missouri, that it charges to handle the identically same traffic, electrical machinery, from St. Louis, Missouri, to Oklahoma City.

A. Well, now, if I correctly understand your question, you are talking about an interterritorial rate structure.

Q. I am talking about——

A. Now, do you mean to tell me—or rather, let me ask you this, to be sure that I correctly understand your question. Are you asking me, now, why should they charge more on electrical machinery from Oklahoma City to St. Louis——

Q. My question is——

A. —than they charge from St. Louis to Oklahoma City?

Q. Let me start over again, Doctor. I have taken it a step at a time here. We have the points, and the commodity, and the varying rate level, and now I am trying to tie you to the specific carrier.

A. What is the question, then?

[fol. 3335] Q. The question is this: why should the Frisco Railway, operating from St. Louis, Missouri, to Oklahoma City, Oklahoma, on a shipment originating in St. Louis, secure less revenue than it secures on that same shipment, or, rather, a shipment of the same commodity, moving from Oklahoma City to St. Louis, destined to the North?

A. Well, now, you know of course that it is almost the universal custom in making rates, to decrease the rates for the longer hauls. The Commission has recognized that principle a great many times, and made the rates on long hauls less than on short hauls. That has been done over and over and over again.

Q. But is there any justification——

A. (Continuing) You can find a great many instances, in the establishment of rate scales, where the Commission has said that the rate per mile should be less as the distance increases.

By Chairman Aitchison:

Q. Are you familiar with the Portland Rubber Heels Case?

A. Which case, please?

Q. The Portland Rubber Heels Case.

A. No, sir, I believe not.

Q. Involving the rates on rubber heels from New England —I think it was New England—or somewhere in the far East, to Portland on the one hand, and their return to the [fol. 3336] same destination on the other hand?

A. No, Mr. Chairman, I do not happen to be familiar with that particular proceeding. However, further answering the question which was put to me by this gentleman, I would like to say this, that if, as he says, the Santa Fe Railway does charge more for the transportation of electrical appliances from Oklahoma City, Oklahoma, to St. Louis, Missouri, than it does for the transportation of electrical appliances originating in St. Louis and destined to Oklahoma City, I would say that there is no justification for that whatever.

By Mr. Bee:

Q. Well, now, let me carry it a little bit further. The shipment is moving between St. Louis and Oklahoma City as part of an interterritorial haul. In one instance it originates in New York, and in the other instance it terminates in New York. Now, my question to you is this: is there any reason for the Frisco Railway to secure more revenue in one direction, than it does in the other, for hauling the same identical commodity, the entire haul being identical in both directions?

A. Well, I am not sure. I would prefer to think about that question a little bit, before I attempted to answer it.

Q. Do you know of any reason?

A. I cannot think of any.

Q. Pardon me?

A. I say, I cannot think of any just now.

[fol. 3337] Mr. Bee: Thank you.

A. (Continuing) However, there might be.

Mr. Barron: Mr. Bee, were you talking just now about rates, or divisions?

Mr. Bee: I was talking about through rates, and I was confining the witness to a single railroad, because he said that mileage entered into it. I have no further question of the witness.

Chairman Aitchison: Is there further cross-examination? (No response.) Do you have any additional questions, Mr. McCollester?

Mr. McCollester: Yes, just one or two, if the Commission please.

Redirect examination.

By Mr. McCollester:

Q. I just want to be sure that the record, in the light of the cross-examination, correctly reflects your view on the matters concerning which you have been interrogated? Mr. Norman asked you whether, if an industry has developed to a point of large production in the South you saw any reason why an individual railroad should refuse to join in rates from that producing point in the South to destinations in Official Territory on a parity with the rates in which it joins with other carriers for application wholly within Official Territory. Your answer, as I noted it down at the time, was that, as to particular rates, you saw no [fol. 3338] reason why such individual railroad should not so join. Then later you referred to the matter of lower rates on raw materials. My question to you, now, is this: supposing it should be the fact, as we think it is, that the rate structure in the South, is quite different from that in the North, and that the rates on raw materials in the South, in the light of which the particular industry referred to located there, are substantially lower, distance considered, than the rates on raw materials within the North, and correspondingly, the rates on the finished products in the South are on a higher level, mile for mile, than the rates on the finished products in the North. Under those circumstances, do you think that, merely because an industry in the South, using raw materials acquired at low rates, has developed to a large point of production, that is any reason for requiring that the rates should be on the same level as rates for transportation wholly within the North?

A. No, sir. What I said was that when it comes to the carriers making rates within a certain territory, the conditions which may prevail in that territory may justify them in taking a more substantial part of their total revenue out of certain commodities than they take out of other commodities; and that, as far as the South is concerned, it might be on a very different basis from what it is in the North or in the West. I think I made that very point, if I recall correctly.

[fol. 3339] By Chairman Aitchison:

Q. Is it your position that a high outbound rate on a manufactured product can be justified, because the carrier has a low rate on the inbound raw material from which it manufactures its finished product?

A. Why, I think so, generally speaking, yes, sir. Of course, it all depends.

Q. Supposing that they did not have any transportation charge at all on the inbound raw material.

A. That would be an ideal situation.

Q. There are such.

A. Yes, I know. Some people advocate that.

Q. Well, would you justify a high rate outbound if the industry had no transportation problem whatever in connection with its inbound raw material?

A. A high rate outbound?

Q. Yes.

A. Why, I would say, that might be justifiable, yes, sir, because, if you make your rate structure in a certain region so that you are taking a more substantial part of your income from a certain kind [illegible] traffic than you are from other kinds of traffic, you still may find it justifiable; and furthermore, if you were to reduce the rate on the particular commodity, immediately you would have claims for a similar reduction in rates on similar commodities.

Q. You are basing that, then, upon a consideration of [fol. 3340] what the traffic will bear.

Mr. McCollester: Naturally.

By Chairman Aitchison:

Q. Is that right?

A. That is right, naturally, yes, sir. We are bound to.

Q. As against the general principle that the shipper or industry is entitled to the benefit of its geographic location?

A. Well, I am putting it on this basis; when it comes to making rates, as far as the railroad is concerned, there should not be any rate below the cost of service, the carrier is entitled to have no rate less than the cost of the service; and as far as the shipper is concerned, the shipper is entitled not to have any rate that is in excess of the value of the service. Now, as between those two elements, the cost of service and the value of service, there is a zone of reasonableness, and a considerable zone. Now, you may on certain commodities derive more than a proportionate share of your fixed charges, for the service of the carrier, which would of course necessitate deriving a lesser proportion of your fixed charges from some other commodity; but as long as you do not exceed the value of the service, you have, as I say, a certain zone of reasonableness in there, between cost of service and value of service, when you come to fix your rate. Of course, if you want to insist upon it, the situation may be such that the commodity will bear the rate. I do not think that charging what the traffic will bear [fol. 3341] necessarily has any sinister influence in rate making. Under certain conditions the rate might be very low.

By Mr. McCollester:

Q. Is it not, Dr. Van Meter, rather than being a matter of just the inbound rates versus the outbound rates, with respect to a particular industry, a matter of the difference in the entire rate structure——

A. Yes.

Q. —and distribution of the total transportation burden among different freight in different territories.

A. With respect to the character of freight?

Q. Yes.

A. Yes, indeed.

Q. Now then, pursuing my question one step further: in the instance that we have been talking about, that of an industry developed to a state of large production in the South, with a rate structure in the South that divides the transportation burden on the basis of high rates for the finished product and low rates for the raw material, do you see any reason why, if that particular industry wants to ship into the North, the Southern carriers should be required to charge or receive, for their portion of the haul within the South, rates on the level obtaining in the North rather than rates on the level obtaining within the South?

A. No, sir.

Mr. McCollester: That is all.

[fol. 3342] Mr. Norman: Just one further question, if your Honor please.

Chairman Aitchison: Commissioner Splawn has a question or two.

. Mr. Norman: Certainly.

By Com. Splawn:

Q. Dr. Van Meter, as I listened to your testimony here, I gathered that you are testifying, and addressing your remarks, to a theory based on the incidence of freight rates generally, is that correct?

A. Yes.

Q. In other words, you have not undertaken to advise us as to whether or not, on the facts in this record, existing classifications and class rates should be changed; and if so, how, or how much, have you?

A. I have no constructive suggestion to offer in that connection, Mr. Commissioner, or on that point, just at the present moment, because I have not given it enough study as yet. I am very sorry to be compelled to answer your question in that way, but I only came into this case, with respect to testifying here, not very long ago. While, of course, I do have some general ideas about the matter, I would be very loath to attempt to make any suggestion along that line just at the present moment.

Q. Well, now, as far as the incidence of freight rates is concerned, I gather from what you have said here this morn- [fol. 3343] ing that you think that the freight rates follow the traffic instead of the traffic following the freight rates, by and large; is that correct?

A. By and large I think that the character of your freight rate structure will follow your economic development, rather than the reverse. In other words, you may establish an ocean route, and you establish such ocean route, not because you think that there is going to be some trade there, but you know that there is an opportunity for trade there. It may take some time to develop after you have established that ocean route, but you know it is going to be there. You do not go and establish an ocean route to the North Pole, merely with the expectation of having some traffic originate there, merely because you have an ocean route there. You establish your ocean route where you know there are possibilities of trade. In other words, I would say the transportation in its initial stages follows trade, rather than trade following transportation.

By Chairman Aitchison:

Q. Is that the theory upon which the Great Northern Railway was built?

A. Well, I do not know, Mr. Chairman. That may be so. Mr. Hill had a very great vision for that country out there. He saw the potential capacity of it for the production of wheat, and other things.

Com. Splawn: I have nothing further.

[fol. 3344] Chairman Aitchison: Mr. Norman?

Recross-examination.

By Mr. Norman:

Q. Doctor, I just want to ask you this final question, if you please: assuming two manufacturers, one located in Chicago, let us say, and the other located in Birmingham, Alabama, manufacturing a common article, stoves, we will say, for the purpose of my question, and assuming further that both of those manufacturers get their raw material without any transportation charges on it whatever. Now, if the Birmingham manufacturer alleges that he is being discriminated against by reason of his not being given a parity of rates with his competitor at Chicago, do you consider that it is any legal answer to say to him, "This is justified because the carriers that perform the first portion of the haul have a different method of distributing the transportation burden than the carriers that perform the latter portion of the haul"?

A. Oh, yes, sir, certainly; just as much as there is, in certain territories, in charging more to get into amusements, or anything else, than you charge in other regions, or territories.

Mr. Norman: That is all.

Chairman Aitchison: If there are no further questions, you are excused, Doctor.

The Witness: Thank you, sir.

[fol. 3345] (Witness excused.)

Mr. McCollester: If the Commission please, Mr. Bauman will be the next witness. Mr. Bauman is representing the State of New Jersey. Mr. Peacock, Assistant Attorney General for the State of New Jersey, is ill, and is not able to be here. Therefore, although I am in the employ of the State of New York, I will ask your leave to call Mr. Bauman to the stand and examine him.

Chairman Aitchison: Very well.

Milton P. Bauman was sworn and testified as follows:

Direct examination.

By Mr. McCollester:

Q. Please state you name.

A. Milton P. Bauman.

Q. You are testifying here for the State of New Jersey, are you?

A. Yes, sir.

Q. And you appear for that state in this proceeding?

A. Yes, sir.

Q. Will you please state your qualifications for the record, and then just proceed in your own way with your testimony and the exhibits which you have prepared for introduction here. I am appearing here for the State of New Jersey; its governor, Charles Edison, with whom the character of the evidence to be presented here has been discussed; and also the New Jersey Board of Commerce & Navigation. I [fol. 3346] have been engaged in traffic and transportation work since 1920.

Mr. Norman: If the Commission please, I think that it will be generally conceded that Mr. Bauman has had a long experience in traffic and transportation matters. I am certainly willing to so concede.

Chairman Aitchison: Very well.

The Witness: I would just like to add, if you please, that the present time I am the head of an organization which operates as a Traffic Department for various manufacturers located throughout the United States, in some twenty states, in all sections of the country. In the course of my duties, I have had occasion to familiarize myself with the various rate structures in the different territories, and also interterritorially, and the machinery for making rates. I have also on many occasions appeared before the Interstate Commerce Commission, and various regulatory bodies within the states. My own personal activities have been concentrated more than anything else in the determination and analysis of the flow of traffic as related to freight rates. I have also had occasion, during the past 7 or 8 years, to have made studies which resulted in the location of various plants in diffent sections of the country, to which I will subsequently refer. It is the position of the State of New Jersey that this industrial development is due to natural [fol. 3347] geographical advantages primarily; first, access to the vast nearby consuming areas; secondly, access to ports that afford a water movement of its products in coastwise and intercoastal service; and third, access to ports for the drawing in of raw materials from domestic and foreign sources, and for the export of its product to all parts of the world. This has resulted in the development of a diversified industry in the state, designed for the mass production of consumer goods. Much of the industrial development of the State of New Jersey, relatively, preceded the coming of the railroads, and the greatest degree of its development preceded the establishment of the class rate structure which is here under investigation, as will be seen in the exhibit to which I shall now refer. May this exhibit be given the next number in order, please.

Chairman Aitchison: 161.

The Witness: Thank you.

(Exhibit No. 161, Witness Bauman, marked for identification.)

The Witness: This exhibit has been prepared under my direction and supervision, and is true and correct, to the best of my knowledge and belief. Copies of the exhibit have been distributed.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

[fol. 3348] Chairman Aitchison: Continue.

The Witness: I might explain that the mechanical setup of the exhibit is that it is divided into four sections, and each section is designated by the letters A, B, C and D, respectively. The various pages in the section are identified by the number—or rather, by the letter, of the particular section. The first section relates wholly to the industrial development of the State of New Jersey, and the evidence included therein is to support the statement that it is the natural geographical advantages of the state that are responsible for the industrial development of New Jersey. As will be seen on the first page of Section A, the industrial development of New Jersey, during the period from 1880 to 1930, started before the creation of the Interstate Commerce Commission, and before the determination and establishment of the class rates which are here under investigation. I think that this page of the exhibit is self-explanatory. The next page of the exhibit is designed to show that New Jersey has an industrial belt running across the geographically narrow center, west and east; that is, east of Philadelphia, and west of New York City. That page shows the population of nearby large consuming areas of population, and is self-explanatory as to distances and rates.

By Chairman Aitchison:

Q. The page of the exhibit to which you are now referring, is that denominated as A-1, is it?

[fol. 3349] A. Yes, sir. Within an average distance of 129 miles, the cities alone have a population of 14,854,587 people, and within 200 miles of Newark there are over 22,000,000 people. The class rate, first class rate, for the average distance necessary to serve this area, is 67 cents, and in the lower left-hand corner of this page are found the lower class rates.

Now, in connection with the matter of plant location: in 1938 I had occasion to make a study which resulted in locating a manufacturing plant at Milltown, New Jersey, 3 miles from New Brunswick. The raw materials were, first, cotton piece goods from Chicopee, Georgia, a plant owned by the same mill which was locating the new plant, which later was located in New Jersey; second, cotton from Texas; third, woodpulp from Berlin, New Hampshire; and fourth, imported rubber. I had made available to me the actual and potential consumption statistics, and the plant was located in Milltown because of its geographical proximity, first, to the large consuming areas which are adjacent to it, that could be reached and served at relatively low rates because of the short distance that was involved in the distribution; secondly, because of the intercoastal service, which made accessible northcoast and westcoast freight through the nearby ports of New York and Philadelphia; and thirdly, the coastwise service, which afforded service to the South Atlantic and the gulf ports. Now, just within the past week I have been asked by these same people [fol. 3350] to locate another plant for them on the west coast, because the intercoastal service has now been discontinued. In other words, it is high freight rates that make for a decentralization of industry, rather than low or reduced freight rates. The premise that has been expounded to you here, that if rates from the South to the North are reduced, or if the interterritorial rates are reduced, or if any lower rate level is established to the Mississippi River, it will make for decentralization of industry, is utterly fallacious. From my definite observation, from all that I know about plant location, I can say that, to the contrary, it will make for a centralization of industry, because of the possibility of mass-production at low cost, and distribution at low cost. I think that is further emphasized by my experience in 1922 and 1923, when I was with Colgate & Company, manufacturers of soap, located in New Jersey, at Jersey City, and serving the entire country from its plant at Jersey City. When freight-rates intraterritorially were increased 40 per cent, the management of the company decided that it was time for decentralization, but it was not until rates were increased beyond that higher level that decentralization was actually resorted to. With the coming of mileage scales such as we have had in the interim, that decentralization of the soap industry in general, and particularly as to Colgate & Company, either [fol. 3351] through the extension of its own plants, or through merger, has resulted in the following additional plants today: one at Jersey City, New Jersey; one at Jeffersonville, Indiana, which was located there because the State of Indiana had an abandoned reformatory to offer, in the way of buildings; one at Milwaukee; one at Chicago; one at Kansas City,—and the plants at Chicago and Kansas City were acquired through merger. The last plant built was at San Francisco, California. At that time I made the studies for plant location for Colgate & Company, and the South at that time was absolutely out of the picture in so far as the establishment of any such plants was concerned, because at that time no one had found ways and means of producing soap in the warm climate prevalent in the South. Since that time, however, ways and means have been found by the soap people, and I understand that in due course a plant will be located in the South simply because there is a large consumption of soap within the South. Now, my subsequent exhibits——

By Mr. McCollester:

Q. You mean, do you not, the subsequent pages of this exhibit?

A. Or rather, I should say, the subsequent pages of this exhibit—thank you—show, first, the principal steamship lines and destinations served by them from the port of New York,—for the purpose of showing the immediately accessible water service available to manufacturers in New [fol. 3352] Jersey, for distribution not only domestically, but all over the world. Page A-5 of the exhibit deals likewise with the port of Philadelphia. From there on, we find——

Q. Right at this point, if you please, Mr. Bauman: have you shown these features as to New Jersey, that is, the accessibility to water, and to large centers of population, as explaining the industrial development of New Jersey, rather than the fact that New Jersey has the Official level of class rates which is lower than the level in the South?

A. All that I have endeavored to show in this exhibit is that the freight rate structure, by rail and by highway, is identical; and the reasons for the location of this plant in New Jersey. I might say in addition that the location in New Jersey, with regard to the ports of New York and Philadelphia is not entirely confined to the matter of cost, but it also has to do with the ability to make steamship sailings to all parts of the world on very short notice.

The series of maps, the first of which has the number 1 in the upper left-hand corner, on page A-5, shows the location of the New Jersey principal industries; and it will be noted as we go through these maps that generally they are located on water, having year-round navigation available to them; and that they are also served by railroad.

Chairman Aitchison: Apparently you have two pages A-5 here.

[fol. 3353] The Witness: Pardon me?

Chairman Aitchison: You have two pages denominated as A-5.

The Witness: Oh, yes, that is true. One of them should be corrected. Thank you for calling attention to it. Perhaps the simplest way would be to make one of them, the second page, A-5-5—that is, the first of the maps.

[fol. 3354] The first shows the Newark district in the eastern part of the state, located on Newark Bay, Passaic River, and within a distance of ten miles of New York City. The next map is the Perth Amboy district, nearer to the central part of the state, located principally on the Raritan River. The third map, Jersey City and Hudson County, located directly across the Hudson River from New York City and also on Newark Bay.

Page A-8, a series of maps in the western part of the state, generally on the Delaware River, and showing the industries there and their proximity to Philadelphia, also a large consuming area. Page A-9 returns to the eastern part *part* of the state, northeastern part of the state, shows industries located within 20 miles of New York City but also on navigable water, the Passaic River. Page 9, I mean map 9—it should be marked page A-10 there—shows the additional industries on the Raritan River, in the southern part of the state, and page A-11, industries again in the eastern part of the state, west of Newark Bay, su h as Elizabeth, Linden, Rahway and Carteret, which are within 15 miles of New York City. Page A-12 is still in the eastern part of the state, adjacent to the Hudson River area but north of Jersey City, and shows industries located on the Hudson and Hackensack Rivers; and the last page, page A-13, is the western part of the state, north of Philadelphia, on the Delaware River and within 30 miles of Philadelphia.

[fol. 3355] I have then had reproduced four pages of trademarks, showing the industries and the utilities in New Jersey, which result from New Jersey's proximity to large consuming areas and markets. The result is a diversified trademark production of nationally advertised goods. These, generally, are sold on the delivered basis, that is the delivered basis is the same at Newark, New Jersey, New York City, as they are at Atlanta, Georgia, Birmingham, Alabama, etc.

The consumer in the South pays no more than the consumer in New Jersey, and thus the northern consumer helps to pay the southern consumer's freight rates and consequently preserves southern purchasing power. To illustrate that, laundry soap is sold on the common level at all points east of the Mississippi River, and what is taken into the delivered price is the average of the transportation cost of delivering all of that soap at all points in the area east of the Mississippi River. That is a weighted average. So that whatever lower freight rates exist in the North on shipments from northern producing points, they redound to the benefit of the southern consumer as much as they do to the northern consumer.

By Chairman Aitchison:

Q. I wonder why you put Coca-Cola in there, with respect to transporation to the South.

A. I didn't put it in. Let me say this, I didn't intend for a minute to say New Jersey's industries were dependent [fol. 3356] upon transportation from the South or related to it. We have our industrial development not because of transportation from the South but because of the favorable location of the State and the highly developed consuming area.

Q. I thought these were industries which you said were distributing on an equal basis all over the country; the freight rates are being equalized?

A. They are sold on a delivered basis, where the sole production, naturally, is New Jersey, and the equal delivered price is reflected in all sections of the country, but if a commodity is produced in New Jersey, we are still proud enough of it to show it, but we don't intend to indicate that that product is then moved into southern markets if there is a southern plant. I don't intend for a minute to say by this exhibit that every one of these products is sold in the South, but the reason for the location of the plant in New Jersey is because New Jersey's being in the center of a large consuming area; and what I am trying to show by this exhibit is that it is utterly fallacious to attribute to New Jersey, its industrial development to a preferential rate structure.

By Com. Alldredge:

Q. I understood you to say that all these products are sold on a delivered basis.

A. I say that the majority of the trademark products that are sold nation-wide or in large areas.

Q. Well, you put Esso in there. I suppose that has ref- [fol. 3357] erence to gasoline.

A. I suppose it does.

Q. That is not sold on a delivered basis?

A. No, it is not.

Q. Well, you put A. & P. in there, their products. They don't sell them that way.

A. I think they sell a great many products on a delivered basis and a uniform price, that the manufacturers' tendency is in that direction.

Q. They don't work out that way in the retail stores, do they?

A. I think in a great many cases they do.

Q. Common price levels all over the United States?

A. Yes, laundry soap, for instance, which is sold in A. & P. stores.

Q. Of course, that is just one article.

A. Well, there are a great many others. Anything that is sold on a trademarked—Colgate's shaving cream, its dental paste, for instance, it adopts the same policy. Wherever the effort is to maintain a uniform price throughout the country, the result must be an averaging process of the transportation cost of the product from points of origin to all consuming points. That is the only way it can be brought about.

Q. I notice duPont trademarks. Those products are not sold at a common price all over the United States, are they?

A. No. I think, if you wish, I will confine my remarks to [fol. 3358] common prices to shelf goods and not to bulk commodities that are produced in New Jersey. I am talking largely upon the trademarked shelf goods, articles that are sold in national commerce and that generally move on class rates.

By Chairman Aitchison:

Q. I was wondering just how the New Jersey Central entered into it.

A. That is one of the industries we are all so proud of, our utilities, including our railroads, and we are here to protect them just as much as we are the manufacturers in the state.

Q. You have included the various railroads in this?

A. Beg your pardon, sir?

Q. You have included the railroads, the various railroads?

A. We have included among the industries in the state transportation on those railroads which operate within the state.

By Mr. Norman:

Q. Do your mean that all these commodities are manufactured there? For instance, you have got Pittsburgh Plate Glass Company.

A. Yes, they have a linseed oil plant in Newark, New Jersey.

Q. Linseed oil?

A. That is right.

Q. Not plate glass?

A. No, they have a plant in New Jersey in which they manufacture paint oils.

By Chairman Aitchison:

Q. Just for curiosity, what does duPont manufacture in [fol. 3359] New Jersey?

A. DuPont have a powder plant in New Jersey, and then they have extremely large chemical plants on the Delaware River at Deep Water and Carney's Point.

Going now to Section B, this section deals with the factors determinative in selection of manufacturing sites, and primarily with studies which were made during the past five years in my office, and with which I am familiar, as to the factors that finally determine the selection of a specific site. The first of these, shown on my page B-1, is covered fairly well in an extract from a report of the Commission, and I have emphasized and underlined what I thought were the pertinent parts, and that is in the lower right hand corner: "The construction of the pulp mill is said by the corporation to be dependent in a large measure on the assurance that its wood supply from its own lands and from Atlantic Coast Line points will be available on the basis of freight charges no greater than those produced by the single-line mileage scales. The fact that the scales are lower in the South on pulpwood than in the North is shown on page B-2 of this exhibit.

What I want particularly to point out with respect to this plant, plant site which was ultimately located at Acme, North Carolina, is that the other points under consideration were Palatka, Florida, and a point in Mississippi and the final determination was largely controlled by the fact that [fol. 3360] the Acme site had large areas of timber available at the Roanoke Rapids scale of pulpwood rates, plus the fact that the mill could be located on navigable water;

and, secondly, that it was as far north as we could find the site, so as to shorten as far as possible the distance that would be required to move the finished product.

The next plant which I have occasion now to refer to is shown on pages B-3 and B-4, which was a question of whether or not a rayon plant presently existing—this study was made in 1940—as to whether or not a rayon plant presently existing in western Pennsylvania should be enlarged or whether a new site should be selected to serve the southern market somewhere in the South. The controlling factors were the availability of quantity and quality of water for manufacturing purposes and the costs of assembling the raw materials, plus the available labor market. The determining factor here was the fact that to assemble the raw materials, to obtain the labor market and the necessary quantity and quality of water in the South was confined to points at Hartsville and Calhoun, South Carolina, which was quite a distance from the coal fields; and it was finally decided that, because the western Pennsylvania plant was located close to the coal fields and that the possibility of transporting coal from the western Pennsylvania coal fields to this site, to the existing site in western Pennsylvania, was at a relatively low cost, [fol. 3361] approximately from $7500 to $11,000 per month less than would be true if you located the plant in South Carolina, it was finally decided to enlarge the western Pennsylvania plant and continue to pay the interterritorial level of class rates to the South.

By Chairman Aitchison:

Q. That is on the manufactured products?

A. I beg your pardon, sir?

Q. The interterritorial class rates on the manufactured products?

A. The interterritorial class rates were on a manufactured product, rayon; rayon yarn.

Chairman Aitchison: I didn't understand you; just for clarification.

The Witness: I beg your pardon, sir?

Chairman Aitchison: I was just trying to find out what you said.

The Witness: Yes, surely.

Chairman Aitchison: Now, may I ask this:

By Chairman Aitchison:

Q. Take your B-3 and indicate the commodities which move on class rates and those which would have moved interterritorially.

A. I think the answer to your statement—I will be glad to read it if you wish—will be found largely on the bottom of page B-4, in the lower left hand corner. And there we [fol. 3362] have taken not only the present rates and the authority for the present rates but also what we thought were obtainable rates and the authority for the obtainable rates, which was part of the study we made at that time.

Q. Well, with the exception of burlap bagging, possibly sulphuric acid and coke, are not the points shown on B-3 all in Official Territory?

A. Yes, but these raw materials were unobtainable at any nearer source of supply, if that is the thought you had in mind.

Q. The rates here are not interterritorial rates; they are Official class rates.

A. To Hartsville and Calhoun we have compared the actual going rates in effect at the time the study was made, and additionally have shown that what we believed in our office at that time were potentially obtainable rates, and the exhibit also shows the basis for what we thought was the obtainable rate. We didn't think the coal rate——

Q. You don't understand me yet.

A. I am sorry.

Q. You were comparing with how much the transportation costs were at the present plant which is in Pennsylvania.

A. That is right.

Q. Now, except coal and except burlap bags—and I don't know where Pulaski is—all the other articles shown on [fol. 3363] this page would move intraterritorially on the Official scale if they moved on class rates?

A. If they moved to Pennsylvania.

Q. Yes.

A. But if they moved to the compared points, they would move interterritorially.

Q. Yes.

A. But the controlling factor, in the last analysis, here, was the difference between the possibility of obtaining coal at a delivered cost at the only available compared site, and that was what finally controlled the determination to enlarge on the western Pennsylvania plant rather than to build a new plant in South Carolina. I say this study was made in 1914 and not prepared for the purposes of this case.

By Com. Alldredge:

Q. When?

A. I beg your pardon, sir?

Q. When?

A. May, 1940.

Mr. Grubbs: He said 1914.

By Mr. Norman:

Q. A great many of those rates are not class rates but exceptions, aren't they?

A. Well, they are both, yes, Mr. Norman; but I have never found an industry yet that cared whether a rate was a class rate or what you call it. What they were interested in was what it cost to get the raw materials and what it [fol. 3364] cost to ship the finished product out again.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: I have never found any business executive yet who was in any way interested in whether a rate was a class rate or commodity rate or an exception to the classification, in determining whether or not it can reach sources of raw materials or, in finished products, where it should market its finished products or where it should locate its plant. They are interested in the entire transportation structure, and then they apply it with so many other elements in finally making their policy decision.

There is one error here that I would like to point out on page 3, B-3, two figures there that should be transposed. In the next to the last column, 4th figure down, $9,083.25 should be transferred to the left, under Calhoun, and the Calhoun figure of $7431.75 should be transferred to the column to the right.

By Chairman Aitchison:

Q. Now you are ready for your Section C?

A. I want to go first to B-5, if I may, for a moment. B-5 has to do with a study which was made in 1938 with reference to the location of a plant for the production of carbon electrodes by a manufacturer who had never there-fore engaged in such manufacture. The points of or the manu- [fol. 3365] facturing sites that were given consideration were Niagara Falls, New York; Charlestown, West Virginia; Keokuk, Iowa; Columbia, Tennessee; Knoxville, Tennessee; and Kingsport, Tennessee. Niagara Falls was finally selected because the predominant consumption was in the Niagara frontier area. I have been told, in fact I was informed only last week that with the development of war industries in the South, that the demand in the South has developed sufficiently to result in the establishment of two carbon electrode plants in the South: one at the site that was here considered, Columbia, Tennessee; and the other at Morgantown, North Carolina; which, I think, proves that it is generally the area of consumption that controls the determination of the location of a manufacturing site.

Now, Section C of my exhibit is a series of 12 graphic studies showing revenue tons originated for the years before and after the effective date of the Southern class rates, that is the docket 13494 rates, the Eastern class rates, that is the docket 15879 rates, there on stone for quarterly periods, before and after the decision of the Commission in the Southern Governors case.

I want to confess that what study I have been able to make of these rates fails to bring home to me any uniform chronological flow of tonnage related to the class rates in either territory or interterritorially. In my opinion it is [fol. 3366] fallacious to primarily attribute lack of manufacturing development to a class rate structure. Class rate structure is general in character and touches only on a relatively small part of the activities of an industry. Whether or not the industry is influenced by the class rate structure cannot be determined if only the class rates are considered.

Now, referring first to page C-1, for the first quarter after the stone rates on finished stone went into effect, that is, they went into effect June 1, 1940, then the third quarter and the fourth quarter, Alabama had an increase and

Georgia had a decrease on the same rates. Ultimately Georgia had an increase at the end of the second quarter of 1942, while Alabama was back where it started from.

Now, I have trouble, frankly, simply looking at rates, to determine how they produce that result. The same thing is true on the next page. C-2, Alabama lost and Georgia gained in the same rate structure. On page C-3, neither the 13494 nor the 15879 changed the flow nor the trends in the traffic in any way. May I say here, from these exhibits, what I have taken are the commodities that are included in the Bureau of Statistics manufactures and I have shown the commodity group number and I have selected all of those which I think moved predominantly on class rates.

As I say, out of this series of exhibits, I haven't found—this series of graphs—I haven't found any uniform prin- [fol. 3367] ciple that could be related to revenue tons originated and the class rate structure.

Section D, I have taken the formula prescribed by the Commission in the so-called border cases, that is the North Carolina Corporation Commission case, the Kentucky case and the East Tennessee border case, and shown the effect of applying that formula to points in the South with a population of 20,000 and over, that is, between points in Official Territory and points in the South with a population of 20,000 and over, and the recap thereof is to be found on page D-10. These border cases and the rates prescribed by the Commission therein reflect the latest pronouncement of the Commission as to the blending in of the Northern and Southern rates; and I think this exhibit does offer at least the machinery for determining the extent to which that would or would not affect rates in the so-called deep South, which is the only part of the area east of the Mississippi River that has not had its class rate readjusted since the establishment of the Eastern class rates in Docket 15879.

I would like to offer Exhibit 161, if I may.

Chairman Aitchison: Without objection, it is received.

(Exhibit 161, Witness Bauman, received in evidence.)

The Witness: Now, I would just like this additional comment, if I may, and that is that in New Jersey, what we [fol. 3368] fear and hope will not happen in this case is the prescription of a class rate structure that will be rigid and put the country and manufacturing in a straight-jacket. We can't conceive of how you can have uniformity without doing that, and we think to do it is to ignore all of the different elements that enter into a determination of rate structures that fit industry. I think a rate structure that doesn't do that is contrary to the best interests of the country. To determine a rate structure that does fit industry, it seems to me that the last place to go is to your class rates. You have industries that within themselves and in connection with the carriers voluntarily work out, in some instances, rate structures that are relatively low for short distances and high for the longer distances. That is in the case where the industry desires to decentralize. You have others where you do not have decentralization and you have long-distance rate scales fitted to meet that picture. I can't conceive how you can—may I add a third illustration, and that is that you have industries in this country that would dry up if, in normal times, they weren't free to meet foreign and unregulated competition at the ports, and it seems to me that you can't have a class rate structure, either uniform or otherwise, that is going to move all of the—or the principal commodities on which our national prosperity is based. I think that the less control that any class rates emanating here may have on in- [fol. 3370] dustry in general is in the national interest, and that it should be confined, if at all, to less than carload rates.

As to those, may I add that my understanding of the function of a traffic manager of industry is to avoid the payment of less than carload rates as far as possible by resorting to either a pool car distribution at stopover points, the use of stopover privileges, the making up of pool cars for break bulk delivery in metropolitan areas, the use of warehousing and, if he can't escape that, the use of the forwarder; but certainly you attempt, as a traffic manager, to avoid the payment of class rates just as much as possible, and certainly for the long hauls, where the spreads justify, resort to other means of transportation. That is all I have on direct.

Chairman Aitchison: Cross-examine.

Mr. Norman: Mr. Bauman——

Chairman Aitchison: Mr. Norman, you had better come up here.

Mr. Norman: I only have a few questions.

Cross-examination.

By Mr. Norman:

Q. On page B-2 you show the Trunk Line scales and Southern scales on pulpwood. Why don't you show the New England scale?

A. Well, because this plant was to be located in Southern [fol. 3370] territory and New England wasn't even thought of, I didn't see where, at all, it came into the picture.

Q. This was just with reference to a particular plant?

A. That was with reference to a particular plant shown on B-1.

Q. Now, on page C-2 when you refer to stone, that shows the tons originated in Alabama, Georgia, New England states and New Jersey. What kind of stone is that?

A. Well, now, do you mean what kind of stone is it that moves in New Jersey?

Q. Yes.

A. It is rip stone that moves in large quantities from the interior part of New Jersey to its waterfront, and it is used to preserve the beaches.

Q. To what?

A. To preserve the beaches from the ocean.

Q. That is in no way competitive with the Alabama and Georgia stone, is it?

A. I didn't say that it was. I didn't try to prove anything by these exhibits with relation to tons and rates. I don't think there is any relationship to them.

Q. Well, I understand you——

A. But somebody could have come along and seen we had that big movement in New Jersey and attributed it to freight rates, and that is not the answer at all.

[fol. 3371] Q. I understood you to say, though, that you couldn't see that, as a result of the reductions made in the Governors commodity rate case, that there had been any change in traffic at all, is that right?

A. No, that is not what I said. What I said was that I couldn't see, in the rates prescribed on stone in the Southern Governors case or any of these other commodities, prior to or subsequent to the Southern class rate case or the Eastern class rate case, a uniform principle which would determine that the freight rates were responsible for the showing there, for any showing made in those exhibits.

Q. Well, if that is true, then, why do you object to similar changes being made in other rates?

A. What rates are you talking about, now, that I objected — being made?

Q. Well, anything that moves on a class rate, we will say. When I say "similar changes," I mean rates from the South that are on the same level as those in the North.

A. Well, it all depends on what level you are talking about. If you are talking, first, on a higher level in the North than you have today, in order to equalize with the South, I think it would be destructive of industry in the North, particularly industry that moves or uses regulated transportation agencies, because the big fellows would all resort to their own transportation and the little fellows [fol. 3372] would be left holding the bag.

Q. I don't think you got my question.

A. I think I did.

Q. My question is that if you can't figure out that the reductions made as the result of the Governors commodity rate case resulted in any change in movement of traffic——

A. I didn't say that

Q. You didn't say that?

A. No, I didn't. I said it showed that Georgia increased and Alabama reduced, the Alabama tonnage was reduced, under the same set of freight rates, and I couldn't see anything in that to draw any conclusion from.

Q. Well, could you deduce from the figures which you compiled that the movement from the South had been increased or the movement in the North had been decreased?

A. No, I couldn't find it.

Q. You couldn't find it?

A. Let me say this, that I did try to find, in the short time that I had available to me, what effect the rates prescribed in the Southern Governors case had on other commodities. I couldn't find that. This is the only one I could find any statistics on, those commodities which were prescribed in the Southern Governors case.

Q. Therefore I ask you again, if you couldn't find that it had any definite effect on movement of traffic, why would [fol. 3373] you object to its being extended to other commodities?

A. I couldn't find out anything. All I could find out, people were so interested in the war they weren't in a position to give any information out on the particular subject I was interested in.

Q. Well, what did you prepare these for, then? What do they purport to show? What is the reason for them?

A. All that they purport to show is that there isn't any uniform relationship to number of tons originated in a given area by freight rates alone.

Q. No, but you have predicated this on before and after the effective date of the rates prescribed in the Governors commodity rate case. Now, what do you show by it?

A. I don't show a thing. What I tried to show was the class rates did change the flow of the traffic, but I didn't find it and what I show is that they didn't do it.

Q. If you find they didn't do it, then why do you object to it being extended to other commodities?

A. Well, it goes back to what rates am I objecting to? If you will tell me what I am objecting to being extended to other commodities, I will tell you why.

Q. Well, you object to exactly the same thing being accorded to certain commodities that were accorded to other commodities in the Governors commodity case.

Chairman Aitchison: We are talking about the class [fol. 3374] rate scale. If he is applying the class rates, let's confine it to commodities which move on class rates.

By Mr. Norman:

Q. All right, we will confine it to that, to the commodities that move on class rates or percentages of class rates. Why do you object to the same principle being applied there?

A. My first objection was that the thing I dread and the thing I think could be perpetrated on American industry, to its greatest danger, is to have from on high a uniform rate subject to a finding such as Finding 27 that doesn't take into account the economic conditions, the commercial conditions, the competitive conditions in this country, that it is the most harmful thing that could possibly happen to us. I think there isn't a practical traffic man in the country that wouldn't tell you the same thing.

Q. That still doesn't answer my question.

A. No, there are a great many more I can tell you, if you want me to.

Q. I want you to give me some. You have haven't given me any, yet.

A. The principal one I can give you, if you want a final answer to it, and the one I think goes directly to your position, and that is if you want to change the distribution of the transportation burden, you have got to do it wholeheartedly and you can't do it piecemeal.

Q. That still is no answer.

[fol. 3375] A. I think it is.

Q. Let me repeat my question once more, then. You say you can't find that the reductions made on the rates from the South to the North had any effect on movement of traffic?

A. No, I didn't.

Q. You didn't?

A. No, I didn't.

Q. All right, we will go back over that again.

A. I said I couldn't find any uniform effect; that when you revised the rates on stone in the Southern Governors case, Alabama had a decrease and Georgia had an increase, and I said I didn't understand how that could be attributable to freight rates. If you will tell me how it could be, maybe I will be better able to answer your question.

Q. You did say positively that you could not find that those reductions had resulted in any particular change in the trend of the traffic, didn't you?

A. I said in any uniform change.

Q. Well, all right. Can you demonstrate by those charts that you have presented here, that the industries in the North were in any way adversely affected by these reductions?

A. Oh, I could if I went to the same extreme that Mr. Spottswood did and talked up in the air and didn't talk practical effect, certainly, I could. I could point to the chart and show that after the Eastern class rate case [fol. 3376] decision was handed down by the Commission, there is a sharp decline in the tonnage and I should say that was due to what the Commission did in the Eastern class rate case. I could say that the Eastern class rate went into effect December 3, 1931, and we had a panic after that, or depression, and it was due to the class rates; but I don't believe it and I won't say it.

Q. You could say we had a war in 1914 but that would have nothing to do with what we are talking about, the Eastern class rates you are referring to, and nothing to do with my question.

A. Well, my exhibits show that. They are related to the Eastern class rates as well as they are to the Southern class rates.

Mr. McCollester: Mr. Chairman, I think perhaps I can avoid the necessity of further questioning along this line in this way: We have, of course, not presented our entire case to the Commission as yet. There are several arguments or grounds, as I see it, for the contentions on which the Southern and Southwestern interests are predicating their claim for a revision of the class rates to accomplish uniformity. One of them is that the industrial development of the South has been retarded. That we are trying to meet now by showing that that is not so. Now, if we eliminate that ground, there still remain other grounds upon which the Southern contentions are predicated, as we understand it, such as we assume the showing in [fol. 3377] Dr. Edwards' exhibits, and we will meet those if you will give us time, with our later testimony.

Mr. Norman: Now, Mr. Chairman, I submit that that has no bearing whatsoever upon the question that I have been asking this witness five or six different times, and couldn't possibly be in any way connected with that question.

Chairman Aitchison: I think he has given you two or three answers. You have questioned him on different maters and he has stated them.

Mr. Norman: Well, I don't think he has answered my question at all, Mr. Chairman, and he keeps changing his position about it. He keeps saying——

Chairman Aitchison: Well, he has different grounds and you have been questioning him as to the reasons and he has been giving one reason after another why he doesn't want to have it. He says he doesn't want to have a rigid class rate structure. That is the most important thing, he says.

Mr. Norman: I think that is true, but he first says that his charts—what I am trying to find out is what he shows by these charts. He first says it shows it didn't have any effect on the trend.

Chairman Aitchison: No, he didn't say that. I wrote it down there. He said he couldn't figure there was any parallel between the traffic and the changes in the class rates.

Mr. Norman: That is equivalent, I think, to saying that [fol. 3378] the changes in the class rates didn't affect the flow of traffic.

Chairman Aitchison: No, he couldn't find, from a particular movement of those articles, corresponding with the changes in the rates, he couldn't find there was any necessary correlation.

By Mr. Norman:

Q. Was that the purpose of the charts?
A. That was the result of it. My purpose was to show the facts. I didn't know when I started those studies what they were going to show.

Chairman Aitchison: Now, gentlemen, it is a little past 3:30. Does anyone else have any more questions of Mr. Bauman? (No response.) You are excused, Mr. Bauman.
The Witness: Thank you, sir.

(Witness excused.)

Chairman Aitchison: We will take a recess now.

(Recess taken.)

Chairman Aitchison: Is that all you are going to put on, Mr. Bauman?
Mr. Bauman: Yes.
Mr. Seal: Mr. Chairman, before calling the next witness, I would like to make a very brief statement. In my absence, last week, Mr. McCollester stated that a committee had been formed to bring together the communities in the states comprising Trunk Line Territory and New England [fol. 3379] for the purpose of avoiding duplication of evidence and expense. On behalf of that committee, as its chairman, I merely wanted to confirm those statements by Mr. McCollester.
The next witness is Mr. W. S. Hamill. Will you please state your name and——
Chairman Aitchison: Wait a minute, what is his name?
Mr. Seal: Hamill.
Chairman Aitchison: Will you be sworn, please.

William S. Hamill was sworn and testified as follows:

Direct examination.

By Mr. Seal:

Q. Mr. Hamill, will you please state your full name and your employment at Baltimore.

A. William S. Hamill. I am employed by the Baltimore Association of Commerce and I am director of the Maryland Development Bureau and head of its business research department.

Q. What are some of your duties in those capacities?

A. Among my duties are the collection of various types of economic information on general business conditions in Baltimore City and the State of Maryland, including wholesaling and retailing.

Q. And how long have you been engaged in those duties at Baltimore?

A. Approximately 13 years.

Q. Have you made a special study and investigation in [fol. 3380] connection with this proceeding?

A. I have.

Q. Will you, then, proceed to identify and describe the exhibit which you have prepared as a result of that investigation.

A. This exhibit consists of ten pages and bears the title "Manufactured Articles Received by Representative Wholesale and Retail Establishments in Baltimore, Maryland, from the States of North Carolina, South Carolina, Tennessee, Georgia, Florida, Alabama, Mississippi and Louisiana."

Chairman Aitchison: It will be marked 162.

(Exhibit 162, Witness Hamill, marked for identification.)

Mr. Seal: With one addition, Mr. Chairman:

By Mr. Seal:

Q. Do you have an addition to make to that?

A. There is one addition, and that is to go in under T, on page 9, after Toys. It was inadvertently omitted in final reproduction. It is "truck clearance or marker lights," and the community is Charlotte, North Carolina, and the identification symbol in column 3 is K.

Q. Does this exhibit purport to show all of the articles received at Baltimore by these several concerns from the South?

A. No.

Mr. Seal: That completes the witness' statement, Mr. Chairman. I now offer this exhibit in evidence.

Chairman Aitchison: Without objection, it is received.

[fol. 3381] (Exhibit 162, Witness Hamill, received in evidence.)

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Hamill, you don't mean to say that these articles are manufactured or produced at these various points of origin that you show, do you?

A. According to my investigation, these are the points from which these articles are shipped to the establishments indicated in the third column.

Q. Well, take for example, you have got silverware originating at Atlanta, Georgia. You know there isn't any silverware produced there, don't you?

A. Well, according to my information, silverware was shipped from there, and, I believe, if I recall correctly, it was some sort of inexpensive odd pieces.

Q. Well, you don't mean that they are produced there, do you?

A. I couldn't say exactly whether they are produced there or not.

Q. In other words, they were just shipped from one Sears, Roebuck store to another, is that it?

A. I couldn't say whether that was true or not, sir.

Q. And the same thing is true of all these other commodities, you can't say they are produced at their various points of origin you show or not, can you?

[fol. 3382] A. Well, I couldn't testify directly to the fact that they were produced there, but these products are manufactured in the South, and from the information I have seen from certain shipping documents and trade names and shipping packages, I know that a great many of these articles did come from the South.

Q. No doubt they came from the South, but the question is whether they were manufactured or produced there.

A. Well, the presumption would be that they would be manufactured there. I could hardly conceive of them being shipped way south in the majority of the cases, and reshipped back to Baltimore establishments for resale.

Q. Do you know anything about the rates or the rate structure on which they moved?

A. No, sir, I am a statistician primarily and I am not familiar with the freight rate structure.

Mr. Norman: That is all.

Chairman Aitchison: Is there any further examination? (No response.) You are excused, Mr. Hamill.

(Witness excused.)

[fol. 3383] Chairman Aitchison: You may call the next witness, Mr. McCollester.

Mr. McCollester: Mr. Burton.

Chairman Aitchison: Raise your right hand and be sworn.

Frederick W. Burton was sworn and as testified as follows:

Direct examination.

By Mr. McCollester:

Q. What is your full name, please, Mr. Burton?

A. Frederick W. Burton.

Q. You reside in Rochester, New York?

A. I do.

Q. What is your business connection?

A. I am manager of the Transportation Bureau of the Rochester Chamber of Commerce, a position I have occupied since 1919.

Q. Is it one of the functions of the Rochester Chamber of Commerce to keep informed as to the business being done in Rochester?

A. That is very true.

Q. Have you, for the purposes of this proceeding, made some investigation as to whether goods from the South, manufactured goods from the South are on sale in the stores in Rochester and have you embodied the results of that investigation in an exhibit prepared by you?

A. I have.

[fol. 3384] Mr. McCollester: May that exhibit be marked as No. 163 for identification?

Chairman Aitchison: It may be so marked.

(Exhibit 163, Witness Burton, marked for identification.)

By Mr. McCollester:

Q. Did you attempt, or did you not attempt, Mr. Burton, to find all of the goods of the South that might be on sale in Rochester?

A. This is simply what information I could get together hurriedly. Having manpower problems in our organization and devoting a lot of our time to wartime and local problems, it cannot be considered a complete study of articles that are produced in the South or Southwest which are sold in Rochester.

Q. Just on the basis of a sampling investigation, you found all of these articles of Southern manufacture that you have listed in Exhibit No. 163?

A. Yes. That is very true. This information was brought together in the matter of a day or two.

Q. Have you also made some investigation as part of your work with the Chamber of Commerce as to whether industries in Rochester encounter the competition of Southern producers of similar goods?

A. Yes. In this effort we have made, we have found that some of our industries are encountering competition in the northern states with similar industries located in the South. Sheet No. 5 shows two of them. The Hickock Manu-[fol. 3385] facturing Company manufactures belts, suspenders and garters in competition with a garter company at Madison, North Carolina, and also with the Texas Tanning & Manufacturing Company, manufacturers of leather belts at Yoakum, Texas. The Max Lowenthal & Sons Company of Rochester manufacture knit goods, sweaters, mittens and gloves. They have competition in northern states with manufacturers of similar outer garments located at a number of points in the South as specified on sheet 5. The points listed are not all of them.

Q. Here again you have not attempted to find the full extent by any means, have you, of competition encountered by Rochester industries?

A. No, I have not. I should have liked to have had time to disclose the real picture regarding the competition between our canners in western New York and canning industries located in the South. Our canners are finding competition in Northern states with canners located in the South, and that is confirmed by information which appears on sheet 4. Wegeman Food Markets, Inc., of Rochester and their various stores sell canned peaches that come from Jackson and Griffin, Georgia. Of course, canned citrus fruits are sold in all of their stores, canned citrus fruits from Florida. Hart's Food Stores, Inc., also have similar commodities on their shelves in their various food stores.

Q. Are fruits canned in Rochester or Western New York State?

[fol. 3386] A. Rochester is the center, or one of the prominent points of production of canned friuts and canned vegetables in Western New York.

Chairman Aitchison: Including citrus?

The Witness: There was a time when citrus fruits were brought into Rochester and canned there, but I do not believe they are any longer canned there.

By Mr. McCollester:

Q. In connection with the example of industries that once existed and no longer exist in Western New York, have you any information, or have you any facts in connection with paper mills?

A. I have been somewhat interested in finding out what really happened to several mills, paper mills, located in the vicinity of Rochester. I have canvassed the Rochester paper interests to confirm the information that I have, or had, in a general way. The Lawless Brothers Company, Lawless Brothers Paper Mills, Incorporated, to be exact, located at East Rochester, for a number of years owned a paper mill at Scottsville, New York. They operated the mill under the name of the Genessee Paper Mills, Incorporated. They manufactured paper from—I will say fibreboard paper from 1924 up to 1932. That is the paperboard that goes into the manufacture of paperboard shipping containers. In 1932 it was closed down and the machinery was sold to the Certain-teed Products Corporation and shipped to Atlanta, Georgia. The principal reason given [fol. 3387] for the sale of the mill and the closing down of the mill was that the company no longer could produce economically in competition with Southern mills.

This company manufactures paperboard at East Rochester, New York—that is, the Lawless Brothers Paper Mills, Incorporated—paperboard made wholly of waste paper. It is seriously concerned with the competition of Southern mills. Kraft liner board can be produced more economically by the Southern mills than the jute liner board manufactured by Northern mills from waste paper. Southern liner board is made from Southern pine. All of this board is sold on the basis of thousand square feet. The Southern board made from the long fibre of the virgin tree makes a lighter weight sheet which complies with the required strength test, using the Mullen test. For this reason the Southern mill is able to produce board 25 per cent lighter in weight than the board made from waste paper. This allows 25 per cent more coverage in material in the protection of boxes.

There was another mill at Mumford, New York. Mumford is located about 22 miles south of Rochester. It closed out its business in 1939. The machinery and equipment was shipped to the Senoka Products Company at Rockingham, North Carolina, where it is now utilized for the manufacture of paper tubes for the textile mills. Another mill that moved out of up-state New York is the mill at [fol. 3388] Skaneateles, New York, just a short distance from Auburn, New York, which was owned by the Kieckhefer Paper Company. They discontinued operation in June, 1942. The mill was dismantled last August and the machinery was shipped to the South. I do not have the location, or rather, the destination of the machinery. It is one of the companies owned by the Eddy Paper Company of Chicago.

Q. But it is a plant in the South?

A. It moved to a plant in the South. That is correct.

Q. Now, was the Sterling Range Corporation making stoves at one time an important industry in Rochester?

A. For many years, up to the early 30's, the Sterling Range Corporation was very prominent in the manufacture of stoves. They sold out, I think it was, in 1930 or 1932, to some interests located in Troy, New York. Later the assets of the company, including patterns and patents, were sold by the Troy interests to the Knoxville Stove Company at Knoxville, Tennessee. It is my information that while the stoves were manufactured in Rochester, they sold for $110 f. o. b. Rochester; and that when the Southern manufacturer took ahold of the production of the same type of stove, they were able to sell them for $79 apiece.

Chairman Aitchison: In Rochester?

The Witness: In Rochester, f. o. b. Rochester. In fact, I saw the stoves the other day in Edwards Store when I was getting the information which is recorded in this exhibit.

[fol. 3389] By Mr. McCollester:

Q. That occurred before the Interstate Commerce Commission in the Southern Governors Case had prescribed a parity of rates from the South to New York State on stoves?

A. Yes. That was long before the Southern Governors Commodity Rate Case.

Q. Is there anything further you want to state on direct examination, Mr. Burton?

A. Nothing further, except to state that these Southern producers are doing business in the North under the existing level of rates in competition with similar manufacturers and producers in the North and in the Rochester area.

Mr. McCollester: You may cross examine.

Chairman Aitchison: Do you offer your exhibit?

Mr. McCollester: Excuse me, Mr. Chairman. Thank you. I offer in evidence Exhibit No. 163.

Chairman Aitchison: Without objection it is received.

(Exhibit 163, Witness Burton, received in evidence.)

By Chairman Aitchison:

Q. Would it be fair to say from scanning your exhibit, that 90 per cent of the articles in it fall within two classes, furniture and articles made from cotton?

A. As far as the department stores are concerned?

Q. Yes.

[fol. 3390] A. That seemed to be the case, in getting the information hurriedly, Mr. Chairman. I would not deny that that was the case.

Q. For example——

A. There is a large volume of cotton goods that comes into the Northern markets.

Q. Take sheet 2, Edwards.

A. Yes.

Q. Except for the 4th item, candy from Miami, and the item of stoves from Knoxville and earthenware from Erwin, everything else there seems to be of cotton origin, does it not?

A. Yes. That is very true.

Q. Is this candy from Miami a specialty product?

A. I did not go into that particular item. A good bit of this information came to me by looking over freight bills and bills of lading. In some instances I went down and saw the goods on the counter, but I did not do that with the candy item. I did not have the time. I did look up washboards, foot stools, albums and sheets, cotton sheets and other cotton items.

Mr. McCollester: You will note, Mr. Chairman, in connection with your reference to the majority of these articles being cotton, or of cotton origin, while that is true, there are a considerable number of these articles which, although of cotton, nevertheless might be considered highly manufactured articles, such as cotton clothing, cotton pillow-[fol. 3391] cases, handkerchiefs and sports jackets.

Chairman Aitchison: You may cross examine. Mr. Bee.

Cross-examination.

By Mr. Bee:

Q. May I ask you to turn to page 2.

A. Yes.

Q. Do you know whether or not the archery equipment from Pine Bluff, Arkansas, is a specialty line?

A. Well, I found that in the sports goods department of the store.

Q. Was it a very high speciality line?

A. I do not know how much of a specialty line it is. It is the targets and bows that are used in archery.

Q. Did both the targets and bows come from down there?

A. Yes.

Q. Or just the bows and arrows?

A. No. The target was very prominent in the display.

Q. Do you know the volume of the total sale of archery goods sold by that concern coming from Pine Bluff, Arkansas?

A. No, I do not.

Q. May I ask that you look at the last item on that page, glass tumblers from Sapulpa, Oklahoma. Do you know whether those were decorated with figures on them, or was it a common tumbler?

A. They were common tumblers.

Q. Did you ascertain——

[fol. 3392] A. They were in paperboard cartons. I saw a pile of them in the stockroom.

Q. Did you ascertain the volume of the sales?

A. No.

Q. As compared with other tumblers?

A. No. I did not ask that.

Q. There is one other item on there, belts.

A. Yes.

Q. Did you look over the sales of the Hickock Belt Company to find out whether or not they sold in every state in the Union?

A. No.

Q. Well, do you not know that——

A. But I think that is their distribution.

Q. Did you notice whether or not the Texas Tanning & Manufacturing Company of Yoakum, Texas—did you notice what kind of belts they had, or did you find out what volume they sold there?

A. I did not go beyond ascertaining the fact that these people had met competition from the Texas Tanning & Manufacturing Company.

Q. In other words, if you found a concern in Texas that sold one order anywhere in the territory, you considered that competition, is that it?

A. Well, I also found this, that the competition they meet is in the sale by the Texas Company to such stores as [fol. 3393] Penney's and Grant's, as I recall it.

Q. Did you find the volume——

A. No.

Q. —compared to what the Hickock people move?

A. No. I did not go into that.

Q. Do you happen to know whether or not those belts move on class rates?

A. They move on class rates from Rochester.

Q. Do you know the class rates from Yoakum, Texas, to points such as Buffalo——

A. No.

Q. —as compared to the rates from the Hickock plant to Central Freight Association Territory?

A. No. I would not know.

Q. Would you think there could be much competition between those companies on volume sales?

A. I suppose there could be competition on the basis of price.

Q. On the basis of price?

A. Yes.

Q. But there could not be competition——

A. Price that would absorb the freight cost, or a difference in the freight cost.

Q. Did you look into the belt that the Texas people sold to see whether or not they were doing that?

A. No.

[fol. 3394] Mr. Bee: That is all.

The Witness: I wish I had had time.

Chairman Aitchison: Are there any other questions on cross examination? (No response.) Have you anything further, Mr. McCollester?

Mr. McCollester: That is all, Mr. Chairman.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: You may call your next witness.

Mr. McCollester: Mr. Bell. Mr. Chairman, I would like to have identified at this time the five exhibits which have been distributed and which will be testified to by Mr. Bell during the course of his testimony. The first one is the smaller buff colored exhibit of 18 pages with the caption on the cover, "Comparisons of Rates in Official and Southern Territories on raw material and low grade commodities moving in volume."

Chairman Aitchison: It may be marked for identification as Exhibit 164.

(Exhibit 164, Witness Bell, marked for identification.)

Mr. McCollester: The next exhibit which will be marked is a larger buff colored exhibit bearing the caption on the cover page, "Distribution of the transportation burden by railroad in 1939."

Chairman Aitchison: It may be marked for identifica- [fol. 3395] tion as Exhibit No. 165.

(Exhibit 165, Witness Bell, marked for identification.)

Mr. McCollester: The next exhibit to be marked is a smaller buff colored exhibit with the caption "An exhibit relating to freight operating expenses in Official and Southern Territories."

Chairman Aitchison: It may be marked for identification as Exhibit No. 166.

(Exhibit 166, Witness Bell, marked for identification.)

Mr. McCollester: The next exhibit, which will be marked No. 167, is the largest exhibit with the caption, "An analysis of the classification ratings shown in Consolidated Freight Classification No. 15."

Chairman Aitchison: It may be so marked.

(Exhibit 167, Witness Bell, marked for identification.)

Mr. McCollester: The last exhibit which we ask to have marked as No. 168 for identification, is the two page white exhibit with the caption "Statement showing effect of application of Official Classification Ratings," and so forth.

Chairman Aitchison: It may be marked for identification as Exhibit No. 168.

(Exhibit 168, Witness Bell, marked for identification.)

Mr. McCollester: Exhibit No. 167 was distributed at Indianapolis. That is the classification analysis.

Chairman Aitchison: Raise your right hand and be sworn, [fol. 3396] please, Mr. Bell.

Charles E. Bell was sworn and testified as follows:

Direct examination.

By Mr. McCollester:

Q. Will you state for the record, please, Mr. Bell, your full name and where you reside.

A. Charles E. Bell, Washington, D. C.

Q. Will you briefly outline your experience in the field of transportation.

Chairman Aitchison: I think everybody will concede it is ample.

Mr. McCollester: Very well. Let me ask you one thing, then, Mr. Bell:

By Mr. McCollester:

Q. Have you had considerable experience in transportation in Southern Territory?

A. I entered the service of the Southern Railway in 1895 and I have occupied different positions in the transportation and traffic department, mostly in the traffic department, until 1920.

Q. Since that time has your experience called for investigation by you and for your keeping yourself familiar with the transportation conditions, with the development of rate structures and other matters pertaining to railroad traffic in both Official and Southern Territories?

A. It has.

[fol. 3397] Q. Based upon your experience, Mr. Bell, what have you to say as to which comes first, the freight rate structure or the location of industry——

A. Generally speaking——

Q. —in the industrial development of any particular section of the country?

A. Generally speaking the view is unsound that rates have been made or rate structure developed throughout the country first, and that industry has adjusted itself thereto. On the contrary, rates were made in the light of the requirements of actual industrial conditions and needs. The territorial basis of rates is not an arbitrary one or artificial one, but is the result of natural causes which, to a considerable extent, still exist.

Q. Will you outline some of those causes responsible for the territorial rate structure.

A. In the beginning the railroads were small units. Each railroad made its rates to meet its own conditions and requirements. Generally speaking this situation continued to exist until a few years before the turn of the century. In the course of time, through consolidations and mergers, the major systems of today came into being. As this development took place, rate making for each system had to be conducted from the standpoint of the system as a whole.

Now, as different systems were developed in the several [fol. 3398] territories, competition became an increasingly important factor. Almost every large center was served by more than one railroad. This led to the creation of railroad organizations for cooperative rate making. Now, with a few exceptions, railroad systems did not extend beyond the boundaries of the rate territories as they now exist, and that is still the present situation.

Speaking roughly, the boundaries of the three general rate territories, Official, Southern and Western, are defined by the termini of the major systems serving each territory. For example, in Official Territory there are four large systems, the New York Central, the Pennsylvania, the Baltimore & Ohio and the Erie Railroad, all of which extend from the Atlantic seaboard to the Mississippi River except the Erie which terminates at Chicago, and the same systems extend southward to one or more of the Ohio River gateways.

Now, the situation I have just described is of controlling importance in rate making. In the case of a single railroad, it is possible to offset losses on one portion of the line where freight rates are not there commensurate with the services, by reason of more profitable freight rates on other portions of the system. The money goes into a common treasury from which all expenses are paid. However, no losses incurred by a railroad in one territory can be offset by the profits of another railroad in another territory, because the [fol. 3399] different railroads or systems are separate and distinct corporate entities.

An effort was made, as you all know, through the passage of the transportation act of 1920, through the recapture provision, to recapture excess earnings from strong lines to be used for the benefit of the weaker lines. That did not work out, and the Recapture Law has been repealed for some years. An adjustment of the revenues through the medium of divisions is possible only with respect to the limited amount of traffic which moves interterritorially, from one railroad to another. The great preponderance of traffic originated in each territory terminates in the same territory. The necessary consequence of this situation is that rates in each territory must be on a basis to meet the requirements of the railroads in that territory. Unless and until the railroads in the United States are operated as a single entity, or at least merged and consolidated into systems extending throughout the several Territories, there is a practical necessity for territorial rate making and the boundaries between the territories, instead of their being artificial and outmoded as has been suggested.

Since the rate structures of the country grew up for the reasons I have indicated, the rate structure in each territory was developed in the light of the conditions in that territory. Official Territory did not become industrialized [fol. 3400] because of the railroad freight rate structures. Rates in that territory were constructed as they were in the light of the fact that Official Territory was already industrialized and was a territory where the population was centralized in the town and cities. That territory began to develop as an industrial region long before the railroads came into being, by reason of the existence of raw materials necessary for industrial production, the existence of water power, climatic conditions, and characteristics of the settlers of that region, together with water transportation on the Atlantic Seaboard, the Great Lakes, the Ohio and Hudson Rivers and other inland waterways. The Erie Canal had opened up a route between the Atlantic Seaboard and the Great Lakes in 1825. That was long before the beginning of railroad construction, but since the railroads have been built in that section, there has been keen competition between the railroads and these waterways.

Q. Now, Mr. Bell, in the light of your testimony that the freight rate structure in Official Territory was predicated on the fact that Official Territory was already an industrial region when the railroads began to develop, what can you say, based upon your experience with the Southern railroads as to the industrial development of the South?

A. Long before the Civil War—of course, I do not claim my recollection goes back that far—the South was almost [fol. 3401] wholly an agricultural region. The production in Virginia and eastern North Carolina consisted mainly of tobacco, and I may say that that was true of Kentucky, except that Kentucky also depended very largely on the distilling of whiskey. As to all the other states except Florida——

Chairman Aitchison: Pardon me.

The Witness: Yes.

Chairman Aitchison: That is not quite as bad as it seems.

By Chairman Aitchison:

Q. Were not those two commodities where there was a very high value and a very small bulk and a comparatively light weight?

A. Your tobacco was, of course, of small bulk when it was manufactured. It is large and bulky in the leaf form when it is shipped in hogsheads and tierces to go into the manufacturing points.

Q. Do you refer to it as volume of movement? I am just endeavoring to find out why they turned to those particular commodities. It was because, was it not, they were very favorable for transportation in the primitive state?

A. It is an historical fact, Mr. Chairman, as I think you know, that the early settlers of Virginia started the production of tobacco and at one time tobacco was used instead of money, being part of the monetary system. Eastern North Carolina which was also settled shortly after Virginia, is an admirable, in fact I suppose about the best [fol. 3402] suited place in the country for the production of these light leaf tobaccos. In the early history of our country, tobacco formed the chief agricultural production in Virginia and North Carolina. When Kentucky was opened up the Burley tobaccos became quite a factor, and also they had no such thing as prohibition or anything of that kind, and Kentucky became noted for its whiskey production.

Chairman Aitchison: Very well. Proceed.

The Witness: Now, with respect to the other part of the South, except Florida, the production consisted principally of cotton. It will be remembered that before the Civil War, the southern states were slave states and labor used in production was principally slave labor. Little or no effort had been made toward industrial development, and after the Civil War the South was left flat, financially and economically. For many years after the war, the only money crop was cotton and in a lesser degree tobacco, although before and after the war, corn was grown in abundance, but practically all of it was consumed in the sections where it was grown. Literally, cotton was king and the prosperity of the South was dependent upon the production of cotton and the demand for it abroad and in the New England States where practically all of it was consumed, the major part being exported.

The South was also rich in timber resources which were developed without regard to forest conservation. There [fol. 3403] were immense forests of long leaf yellow pine particularly in South Georgia and Alabama and hardwoods in the Mississippi Delta and in Western North Carolina and in Tennessee. This timber was converted into merchantable shape and was largely shipped to the populous sections of the North. Railroads were being rapidly developed and practically all of the car manufacturing plants were located north of the Ohio River. Steel car construction was unknown. Tremendous quantities of Southern timber were shipped to these plants for car sills, frames and superstructures. The use of cement and structural steel for building purposes was a later development, and Southern timber was used in large quantities for all kinds of building construction.

To deal with one or two more items, the fringe along the South Atlantic Coast produced great quantities of naval stories, which is not in the same demand now as then. There were also industries which engaged in the production of billets made of hardwood for implement handles, tool handles and gunstocks. One industry I recall in particular in Western North Carolina and East Tennessee, which was quite a heavy industry at one time, was the production of insulator pins for telegraph, insulator pins and crossarms. These have long ago been supplanted by the steel articles.

The industrialization of the South really commenced in the late 80's and early 90's, and I maintain that the rail- [fol. 3404] roads of the South were mainly responsbile for that industrialization. Further, in my opinion, the principal credit is due to Samuel Spencer the first president of the Southern Railway, and prior to that time president of the old Richmond and Danville Railroad. The Richmond and Danville Railroad extended South from Washington, D. C., through Virginia, through North Carolina, with branches extending out into the western part of the State all through South Carolina down into Georgia, to Atlanta; and by its lease of the old Georgia Pacific Railroad, it extended through the Birmingham district as far west as Greenville, Mississippi. In 1894 the Richmond and Danville was merged with the old East Tennessee, Virginia and Georgia Railroad, whose line extended from Bristol, Tennessee, via Knoxville, Chattanooga, Rome, Atlanta and Macon to Brunswick, Georgia; also a line from Rome to Selma, Alabama. Those two railroads formed the nucleus of the Southern Railway System which has very greatly expanded since 1894.

I have already referred to the manner in which numerous independent railway units were merged into systems. The Southern Railway was the first system of this kind in the South. The present Atlantic Coast Line System and the Seaboard Air Line reflect similar mergers and consolidations which were made a few years later. Mr Spencer was a man of broad vision who realized that the future of his [fol. 3405] railroad and the whole South, in fact, was very largely dependent upon the development of the resources of the South. He had established on the Richmond and Danville Railr[illegible] a land and industrial department which was greatly augmented and increased after the merger of that line into the Southern Railway. The sole purpose of that department was to develop the resources of the South and particularly so that the raw materials of the South might be converted into manufactured products.

As I said in qualifying, I entered the service of the Southern Railway in 1895. I continued in that service until 1920 except that in the latter part of 1917 until the end of Federal control in 1920 I was furloughed to serve as Assistant Transportation Director of the United States Food Administration, and later as Assistant to the Director of Traffic, United States Railroad Administration. Therefore I am personally familiar with the successful efforts of the land and industrial department of the Southern Railway to locate industries in the South for the purpose of converting raw materials into manufactured products and with the activities of the traffic department to establish rates for that accomplishment. With the organization of the Atlantic Coast Line System and the Seaboard Air Line, these systems were also active in this direction and other railroads in the South were awakened to take like action.

[fol. 3406] Now, I would like to briefly mention some of the more important industries. Prior to the turn of the century, the great bulk of the cotton crop of the South was exported or shipped to New England to be manufactured. One of the first efforts of the Richmond and Danville and its successor, the Southern Railway, was to induce the construction of cotton mills in the Southern states in the middle of the cotton-field, so to speak, where cheap labor was plentiful and ideal climatic conditions existed. The traffic department encouraged the effort by the establishment of low rates on cotton and also established warehousing or in-transit arrangements at central points in the mill section, in order that the mills might always have a plentiful supply of cotton of the grades necessary for their production. In 1900, 86 per cent of the commercial cotton crop of the South was exported or shipped to northern mills and 14 per cent was taken by the southern mills. In 1904, 79 per cent of the commercial crop was taken by the southern mills and 21 per cent by the northern mills or exported, and I may mention, incidentally, that one-third of this 21 percent was taken by the northern mills and the other was exported.

The establishment of mills for knitting hosiery and other knit goods followed in the wake of the development of the cotton mill industry, and today the South occupies a dominant position in that field. A large number of the plants [fol. 3407] operating in Pennsylvania and other Eastern states were moved to the South. The manufacture of cotton clothing also came into being in the South and developed into quite an industry.

Chairman Aitchison: Mr. Bell, If I have followed you so far, all of these manufacturing developments have centered around cotton.

The Witness: So far, but I am not going to stick to cotton.

Chairman Aitchison: I just wanted to check on that.

The Witness: Yes. Cotton, and products of cotton; you are correct.

Chairman Aitchison: Proceed.

The Witness: As I have said, in the early days, Virginia and North Carolina were pre-eminent tobacco growing states and the production increased and the manufacture of tobacco increased to an amazing extent. That is evidenced by the tremendous cigarette factories at Durham and Winston-Salem. One of the most marked developments of the South was the development and continued increase of the manufacture of furniture which is now shipped to all parts of the country. In the early part of that development, in 1900, I was chief clerk to the Division Freight Agent for the Southern Railway at Raleigh, North

Carolina, and our office, I think, had a great deal to do with the establishment and development of the furniture industry in North Carolina which extended to other railroads [fol. 3408] and throughout other sections of the South, including particularly Georgia and Tennessee.

The manufacture of paper and pulp has also been an outstanding development, particularly the kraft papers made from second growth pine timber. Except that it would burden the record, I would like to tell the story of the paper industry in the South beginning with the pulp mill at Canton, North Carolina. They manufactured pulp to ship to the owner of the mill at Hamilton, Ohio. Then they developed the pulp mill at Canton into a paper mill which today is one of the largest in the country. But that is a story in itself.

In the early days the crushing of cotton seed oil was quite an industry and became increasingly so. Practically all of the crude oil was shipped to northern converting plants in the beginning, but commencing as far back as 1900, or before the cotton seed oil refineries were established in the South, some of them were making the highest grades of cooking oils and lard compounds. I recall particularly the large refinery of the Southern Cotton Oil Company at Savannah, Georgia, when I was commercial agent at that point 40 years ago. The plant made the lard compound known as Snowdrift, known all over the country. They also produced Wesson cooking oil. In fact, the Southern Cotton Oil Company had a patent for the production of Wesson oil which also became known all over the country. Refineries were also established at Charlotte, [fol. 3409] North Carolina, Macon, Georgia, Norfolk, Virginia, Memphis, Tennessee, New Orleans, Louisiana, and various other points. It cannot truthfully be said that the cotton seed oil of the South is not manufactured into the high grade products within the South. Those are simply some of the industries, Mr. McCollester, which have been developed within the range of my knowledge and there are many others.

By Mr. McCollester:

Q. Mr. Bell, in connection with the development of those industries, for example in connection with the textile industry, you referred to the effort of the traffic department of the Southern Railway to encourage that development by its rate policy.

A. Yes.

Q. Was that a policy of establishing low rates on inbound raw materials of the South to the manufacturing centers in the South to use to convert those raw materials?

A. That was a policy not only with regard to cotton, Mr. McCollester, but with regard to raw materials going into the manufacture of other commodities, particularly furniture.

Q. That subject of the lower rates on the raw materials is one you will take up further later on?

A. I will take that up in more detail later on.

Q. Now, will you describe briefly the general character of the rate structures of the two territories, North and South, dealing with the North first.

[fol. 3410] A. There is one thing I would like to add in connection with what I have just said, Mr. McCollester, and that is that based upon personal experience as well as knowledge, I would say that it has always been the policy of the Southern railroads to make rates which will develop and encourage industry, and this is true in other territories also.

Chairman Aitchison: Well, one of the contraverted questions here is whether or not in doing that, they have always had the cooperation of the Official lines.

The Witness: I am sorry, Mr. Chairman, but I could not hear your remark.

Chairman Aitchison: The reporter will read it.

(Record read.)

The Witness: I am speaking now particularly as to the development of the rates within territories, and particularly Southern territories. I do know that it has been the policy of the Southern lines to try to establish rates which will put their industries in competition in Official Territory, as well as in other territories. As to the question of the attitude of the Official lines, Mr. Chairman, they have received a marked degree of cooperation in the establishment of some of those rates. Some of them I cannot answer for. However, I shall touch upon that, I hope, a little bit later and show you that in addition to the control by the Illinois Central, the one line with north and south connections, that [fol. 3411] the Southern lines had other ways of controlling the rate structure through the ownership of steamship lines extending to the North Atlantic Seaboard.

By Mr. McCollester:

Q. Before, in your testimony about the policy of the Southern railroads with respect to rates to develop industry, you had reference, as I understand it, primarily to the rates on the inbound raw materials within the South?

A. No. I had reference to the rates on inbound raw materials and then too, rates on outbound raw materials—or rather, the outbound finished products. Of course in the early days of railroading, Mr. McCollester, it was perfectly lawful to establish extremely low rates on the inbound materials, and it was not so necessary to establish rates on the outbound finished materials. But the prime policy then was to establish the rates on inbound raw materials so as to get the factories to develop, and the industries to develop.

Q. Will you describe in a general way the difference between the rate structures in the Official and Southern Territories.

A. These rate structures in the different territories differ greatly due to the differences in the character of the traffic, competitive forces and other circumstances and conditions surrounding marketing and transportation. From the beginning of the development of the railroads in Official Territory, a large volume of traffic both of high grade and of [fol. 3412] comparatively low grade have moved on class rates or on rates premised on class rates.

Q. In that connection, Mr. Bell, Chairman Aitchison, if I understood him correctly, remarked the other day that he had been brought up on the idea that the commodity rates were the important rates that moved the traffic, and that the class rates were for the—I do not know whether he said "occasional movement", but something of that sort; is that the situation in Official Territory?

A. No, sir. I did not hear the Chairman say that, but I am quite sure he is burdened with so many things and a multitude of so many other duties, that he overlooked what was said in the Eastern Class Rate Investigation——

Chairman Aitchison: I was talking particularly about the territory where I was brought up, which, I regret to say, in some ways was not Official Territory.

The Witness: In the Eastern Class Rate Investigation—I was going to relate this anyhow—164 I. C. C. 314, 319, the Commission found that the class rates in Official Territory differ materially from those in other territories of the country; that they are much lower in level with the exception of certain rates in Western Trunk Line Territory which approached them in level; that they also apply generally speaking to a much wider range of traffic. It was there stated that in other territories commodity rates [fol. 3413] have generally been provided for carload traffic of any important volume; that this is not the situation in Official Territory where a great deal of the more important carload traffic moves on class rates; that of the traffic embraced by the revenue test in the proceeding, about 68 per cent was carload, and I may say that the revenue test was with respect to class traffic and not commodity traffic; and furthermore, that as compared with the class rates, the commodity rates on heavy low-grade articles in Official Territory are often relatively high and in other territories relatively low. Those statements are in conformity with my own knowledge and studies of the rates in Official Territory extending practically throughout my 40 odd years of railroad experience.

An important thing to bear in mind in this connection is that the lower level of freight rates on manufactured products in Official Territory has been due to several factors, namely, the great industrial development, and as a consequence, a large volume of manufactured products; the different rate policies of the Northern railroads from those in the South, and other territories; and the effect of water competition. The rate structure in Official territory today reflects those influences. In addition to steamer lines plying between the ports on the North Atlantic Seaboard, innumerable vessels of different types plied between the points on the Atlantic Coast, sailing vessels as [fol. 3414] well as steam vessels and barges for the cheaper kinds of traffic. Not only were the port cities able to avail themselves of that water competition, but points in fairly close proximity to the coast could do so as well.

The Hudson River has always formed a great artery of transportation for traffic in Northern and Eastern New York, emptying as it does into the harbor of the greatest port of the United States. The Erie Canal built by the State of New York from Buffalo to New York City, completed in 1825 was constructed for the purpose of providing a through water route between the East and West and to serve the section of New York State which it traverses. It would seem superfluous to call attention to the part the Great Lakes have played in the transportation activities on the country, connecting as they do the lower lake ports and their hinterland and the ports of the Upper Lakes and their hinterland, and with the Erie Canal, forming an all-water route to the Eastern Seaboard. There is also the St. Lawrence River route from Lake Ontario. The Welland Canal connecting Lake Erie and Lake Ontario was not opened until 1932. The Mississippi River has been navigable from the earliest date, certainly as far north as St. Louis, but the Chicago River Canal connecting Lake Michigan and the Mississippi River was not completed until March, 1933.

Chairman Aitchison: When did you say the Welland [fol. 3415] Canal was completed?

The Witness: The Welland Canal?

Chairman Aitchison: Yes.

The Witness: March, 1933, according to my——

Chairman Aitchison: That is a rebuilt canal, is it not?

The Witness: A what canal?

Chairman Aitchison: A rebuilt canal.

The Witness: It is a rebuilt canal, yes.

Chairman Aitchison: The Welland Canal has been there for a long, long time.

The Witness: Yes. That is correct. The Welland Canal has been there for a long time, but I had in mind opening up the canal for deep sea vessels, between Lake Ontario and Lake Erie. Now, in the C.F.A. class rate scale case, 45 I. C. C. 254, decided June 29, 1917, reference was made to the fact that the revision included not only class rates, but also commodity rates, if I may quote, "which for the most part are those that are based upon definite percentages of definite class rates."

Chairman Aitchison: At the Disque scale?

The Witness: The C. F. A. class rate scale.

Chairman Aitchison: 46 I. C. C.?

Mr. McCollester: 45 I. C. C.

Chairman Aitchison: Yes. 45 I. C. C.

The Witness: 45 I. C. C., 254. Appendix 1 to the report in that case lists 74 commodities which at that time were [fol. 3416] accorded percentages of class rates ranging from 146 per cent of 4th class down to 75 per cent of 6th class. The situation in Trunk Line Territory was somewhat different; although a large volume of traffic moved on class rates and multiples thereof, a large number of specific commodity rates were published. The interterritorial class rates between Trunk Line and C.-F. A. Territory which extended to New England also, were based on the old so-called McGraham formula which remained in effect until the rates resulting from the Eastern Class Rate Case, 164 I. C. C. 314 were published, and the rates on the McGraham formula moved a heavy volume of traffic.

Appendix D to the report in the Eastern Class Rate Case consists of a table showing percentages of tonnage and revenue of the various classes and multiples thereof in different sections of Official Territory and interterritorially, based on the revenue studies made by the carriers in 1925. Illustrating, with 5th class, the table shows that within and between the respective portion of Official Territory, 5th class tonnage ranged from 32.2 per cent to 36.8 per cent, and the revenue from 15.1 per cent to 26.7 per cent. Many of the articles included in 5th class have since been placed on the column basis, such as canned goods, packinghouse products, machinery and machines, green salted hides, dried hides, tanning extracts, paper and paper articles, sugar and so forth; but at the time of the Eastern Class [fol. 3417] Rate case, most of the tremendous tonnage moved at 5th class was iron and steel articles rated 5th class in the Official Classification. The general revision of the class rates in Central Freight Association Territory was made as a result of the C. F. A. class rate scale case which I have cited. There was a revision in New England class rates as a result of the Commission's decision in 49 I. C. C. 421, decided April 16, 1918, but the old scales of class rates within Trunk Line Territory, in which, at that time, large groupings prevailed, were not revised until after the decision in the Eastern class rate case, nor was any general revision of the interterritorial rates which had been based on the McGraham formula, made until after the decision in that case.

By Mr. McCollester:

Q. Mr. Bell, with respect to the development of the Southern rate structure, what have you to say?

A. From the earliest days up to the Commission's decision in the Southern class rate case, Docket 13494, comparatively little traffic other than that which may be termed high-grade merchandise was handled on class rates. Even that traffic was sparse, except the part of it which was distributed locally from the major trade centers by jobbers and wholesalers. The great preponderance of this merchandise moved from territory without the South to the jobbing and wholesale centers in the South and the preponderance [fol. 3418] of it moved on commodity rates to those centers. On traffic moving in any volume within the South it was the policy of the Southern railroads to establish commodity rates or exceptions to the classification. On many commodities moving in appreciable volume, lettered classes were employed which were considered in the nature of commodity rates, class A applying on cotton ties and cotton bagging; class B on cured meats and other packinghouse products moving, for the most part, from packinghouse products plants in the Middle West; class C, applying on flour in sacks; class F applying on flour in barrels; class D applying on grain products other than flour, also hay and straw; class E applying on beer; and class H on whiskey in barrels. Long before the Southern Class Rate Investigation, classes E, F and H were eliminated from the Classification and numbered classes substituted.

Under the Interstate Commerce Act of 1887 there was no requirement for the observance of the long-and-short haul provision of the 4th Section when circumstances and conditions were substantially dissimilar. There was little or no observance between, or to and from points in the South. The basing point system was employed for making class rates, not only the lettered classes, but to a large extent for the construction of commodity rates. The rates within the South were by no means uniform. Southern state commissions had prescribed varying rates for intra- [fol. 3419] state application governed by state classifications or state made exceptions. These state commissions prescribed lower classes in the form of mileage scales for the movement of the heavy low-grade commodities as well as some commodities of the higher grades. Class P applied on lumber, M applied on fertilizer and O on lime, and so forth. In addition the state commissions prescribed low mileage scales on many other commodities. These lettered classes on commodities were prescribed for the most part before the consolidation into the present large systems of the innumerable independent railroads.

Now, these independent railroads served different ports. For example, the Central of Georgia served Savannah. The old plant system which later became part of the Atlantic Coast Line served Charleston, Savannah and Jacksonville. The Georgia, Southern & Florida, which is part of the Southern Railway System, served Jacksonville. The East Tennessee, Virginia and Georgia which I have mentioned, served Brunswick. The South Carolina and Georgia Railroad which is also part of the Southern Railway System, now forming a route in connection with the Georgia Railroad east of Augusta, served Charleston. The Atlantic Coast Line and Seaboard Air Line at that time served Wilmington. The Charleston & Western Carolina, an independent railroad, served Port Royal, — Carolina. All of these ports were in keen competition.

It was customary to establish the same rates between all [fol. 3420] of the South Atlantic ports on the one hand and interior Southern points on the other, Southeastern points, on the other, including lower lettered classes and scales prescribed by the various state commissions. For the sake of illustration, the rates from Brunswick to Atlanta, which had been made over the line of the old East Tennessee Railroad, the short line, became the measure of the interstate rates from all other South Atlantic ports to Atlanta. Similarly, the intrastate rates prescribed by the Alabama Commission between Mobile and Birmingham and other Alabama points became the measure of the interstate rates between the ports of Pensacola ~~and~~ New Orleans. It was customary for the Southern railroads to establish commodity rates where there was any substantial volume of traffic, or to make exceptions to the classification. The South was literally honeycombed with all kinds of rates of this character, carload and less than carload. Commodity rates were likewise established on various commodities from the South to Official Territory and from that territory to the South. Most of these did not have general application, but were published from the point or points at which the traffic originated to the specific point or points in the respective territories where it terminated, frequently on different levels on the same commodity to different destinations.

Now, coming to the question that you asked a moment ago, [fol. 3421] Mr. McCollester, it was an important policy of the Southern railroads to make low commodity rates on inbound commodities on which they might secure the outbound hauls of the finished or processed products. This was especially true of rates on logs and billets for the manufacture of furniture, veneer, vehicles and vehicle material, handles and so forth; also on iron ore, coal, limestone and pulpwood, but the rates were by no means uniform on the same commodities, or even on the same railroads. Many of them were published—in fact, most of them were published with a provision as to the use to which the commodity must be put, and provided that the outbound products must be shipped out over the inbound line.

After the passage of the Hepburn Act in 1905 prohibiting the making of rates for particular purposes, these provisions were deleted from the tariffs. The situation I have described was that existing when the Elkins Act was passed in 1910 requiring the observance——

Chairman Aitchison: The Elkins Act was passed in 1903.

The Witness: That is correct, Mr. Chairman. Pardon me. I mean to say, the Mann-Elkins Act, pertaining to the long-and-short haul clause.

Chairman Aitchison: I thought that is what you meant.

The Witness: Thank you for the correction. The Mann-Elkins Act was passed in 1910, requiring the observance of the long-and-short haul provision, except to meet water [fol. 3422] competition. I might say that these old low inbound rates are still reflected in the structures, for instance, on the log structure within the South.

Mr. Norman: Mr. Chairman, apparently the witness is reading this testimony. It has not been distributed. If it had been distributed in the regular way, it might have been copied in, and we could have saved all of this time.

The Witness: The Witness is not reading. He is coming in here, interpolating, and these are simply notes for his own guidance, Mr. Norman.

Mr. Norman: I have been watching you read for the last five minutes now.

The Witness: Watch me for the next five minutes.

Mr. Norman: That was the requirement made of all the rest of us, that prepared testimony was to be distributed to the other parties in advance of its presentation.

Chairman Aitchison: Proceed.

The Witness: As a result of the Mann-Elkins Bill and the investigation by the Commission in Fourth Section Violations in the South—come over here and see if I am reading, Mr. Norman.

Mr. Norman: All right.

The Witness: (Continuing) —the carriers undertoook to make a revision of the rates in the South. That work had progressed when the 1920 Transportation Act was [fol. 3423] passed making more rigid the provision of the Fourth Section including the addition of the equi-distant clause. A leveling process was necessary to obtain uniformity under the provisions of the Act. There carriers undertook to follow the provisions of the Southern Class Rate Investigation in which classes 7 to 10 were substituted for the lettered classes, A, B, C and D and class 11 and 12 added; also, a uniform percentage relationship of classes was prescribed.

I might say here that the Commission adopted the percentage relationship proposed by the Southern Traffic League—that is shown of record in the Class Rate Case—and the chief proponent of that percentage relationship was Mr. Harry T. Moore, Manager of the Atlanta Freight Bureau, Mr. Hart's predecessor. I have heard Mr. Moore express himself as believing that the adoption of this percentage relationship was one of the major accomplishments of the Southern lines in the 13494 proceeding, although Mr. Hart now criticizes it very severely.

In making the revision necessitated by the decision in the Class Rate Investigation, the carriers followed to a large extent the suggestion of the Commission that the lower numbered classes, from 7 to 12, be used as a substitute for certain commodities and exceptions to the classification. On commodities, generally speaking, on which the mileage scales were not applicable, the so-called column plan of publication was followed, determination [fol. 3424] being made on the percentage of first class rates appropriate for given commodities and were published under the heading of the percentage figures so determined. Mr. Hart has criticized this method very severely, but with the necessity of Fourth Section observance, it seems to me that it cannot possibly make any difference whether the rates are published as specific commodity rates or whether they are designated as column rates, so long as the measure of the rates themselves are not affected. The result is bound to be the same.

The class rate adjustment and on many commodities as well, between the major portion of the South and the East and New England states, were controlled by the rail and water routes comprised of the rail lines to the North Atlantic ports and the coast-wise steamer lines plying between the Southern ports and the Virginia, South Atlantic and Gulf ports. The rates from the Eastern port cities were absolutely so controlled. By the absorption of the local rates of the Eastern lines between the North Atlantic ports and Eastern and New England ports the rates from the interior East were dominated by the water and rail routes in that territory, as far as the Buffalo and Pittsburgh districts. I think it is well to state here that the Central of Georgia Railway owned the Ocean Steamship Company plying between New York and Boston on the one hand and Savannah on the other. The Seaboard [fol. 3425] Air Line owned the Bay Line between Norfolk and Baltimore. The Southern Railway owned the Chesapeake Steamship Company between Baltimore and Norfolk. The old Dominion Steamship Company was controlled by the various lines serving Norfolk, and that line operated between Norfolk and New York. The Clyde Line was an independent steamship company, but worked in harmony with the other steamship lines. That line, back in the old days, operated from New York and from Boston to Charleston and to Jacksonville and also had a line from Philadelphia to Charleston.

There was quite a connection or relationship as between the all-rail routes from the Eastern Seaboard territory including interior points and the Southeastern points, through the domination of these steamship lines by the Southern rail carriers. That is what I had in mind a moment ago when I said that the Southern carriers could and did control rates between the East and South. These rail and water lines made any rates they wanted to, and were absolutely controlling of the rates between the North Atlantic ports and the South Atlantic ports and in turn to the Southern interior points. The rates having been so established by these water and rail routes, the all-rail routes, if they wanted to participate in the traffic, had to in a measure meet the water and rail situation. For many, many years, in fact, long before I went into the railroad business, the all-rail rates were made a differential over the water and rail rates from the North Atlantic ports. [fol. 3426] Taking New York, for example, the differential over the water and rail rate, first class, was 12 cents and the other North Atlantic ports were related to New York in varying degree. Now, having made the all-rail rate 12 cents higher than the water and rail rate from New York, as illustrative, that rate was held as maximum from points south of New York until Philadelphia became controlling.

At that time the Northern railroads published what is known as specific proportions from the entire East and Eastern New England, down to the Virginia gateways, so in making the all-rail rates from the interior points to the South, they were made as much higher as these specific proportions to the Virginia gateways were over the specific proportion from New York or Philadelphia to the Virginia gateways. Well, the rail and water lines were not satisfied to see all of the traffic handled by the all-rail lines, so they, without the concurrence of the Northern lines, established rail, water and rail rates between the interior Eastern and New England points and the South which were made at that time on a scale of differentials beginning with 8 cents first class under the all-rail rates from these interior points; and the water and rail routes then absorbed the local rates of the Northern lines to the North Atlantic ports. That situation was responsible for the large groupings which are reflected in the groupings shown on pages 9 and 10 of Section 2 of Witness Hart's Exhibit No. 88 in this proceeding. There [fol. 3427] was competition between the different ports for interior traffic, Baltimore and Philadelphia, for example, and interior Pennsylvania, and in equalizing the rates under the Eastern Class Rate Adjusment, it became necessary, that is Fourth Section observance made it necessary to establish these more or less large groupings in the Eastern Territory.

Now, Mr. Hart has made only passing mention of the influence of those water and rail routes between the East and the South. He did not refer, as I recall it, to the control which I have mentioned which was exercised long before the Southern Class Rate case. He did mention the domination, as he termed it, I think, or rather the ability of the Illinois Central to control the rates between the South and Illinois Territory by reason of its continuous lines through both territories, and to the control of the Monon—C. I. & L., by the Southern Railway and the Louisville & Nashville Railroad. As I recall it, however, the control of the Monon by these two lines was acquired long after the rate structure into that territory was put into effect, presumably by the Illinois Central. So whereas there might have been some control or influence of the interterritorial rates into the West, as stated by Mr. Hart, which was also brought out very strongly in the Southern Governors case, they have been extremely careful not to mention the control which [fol. 3428] the Southern lines exercised over the rates from interior Eastern Trunk Line Territory, by the operation of these steamship lines.

Mr. Norman: Just a minute, please, Mr. Bell.

By Mr. Norman:

Q. Do you mean that they control them now?

A. I said, no mention was made of the control which the Southern lines exercised over the rates by virtue of the operation of the steamship lines.

Q. You do not mean today, do you?

A. As a matter of fact, they are not operating today; they are not running today, Mr. Norman.

Q. I know, but when they were running, were they controlled by these lines?

A. The water-rail routes?

Q. Yes.

A. From the Eastern Territory?

Q. Yes.

A. I just spent ten minutes telling how they were.

Q. From the interior?

A. From the interior of the East, yes. I just told you how it was done.

Mr. Norman: All right.

The Witness: Rates were made lower than the all-rail rates on a differential beginning with 8 cents, first class. I might say this, that in 1918, I think it was, due to war conditions, the Director General authorized the halving of [fol. 3429] these differentials by water and rail routes, but as a result of the Southern Class Rate case, or following that case, the differentials as I recall it today from the port cities are uniformly 10 cents less than the all-rail rate. I think that is shown in one of Mr. Hart's exhibits.

Now, as to the present control of those steamship lines, the Southern still controls the Chesapeake Steamship Company, I think. I think the Bay Line is controlled by the Seaboard Air Line. I believe the Central of Georgia still controls the Ocean Steamship Company. Certainly, whether they are controlled or not, these rail-water routes are going to resume business after the Government gets through with the boats, if there are any boats left, and I am wondering here what would be the effect if the contentions of the Southern interests would prevail, that a parity of rates be established all-rail, between the South and the North; if they would not contend, then, for still lower rates on a differential basis via the water and rail routes which would give them an even lower basis than would be in effect, mile for mile, in Official Territory.

Chairman Aitchison: Do you happen to know whether or not such a differential was made after the rates in the Southern Governors case had become effective?

The Witness: Will you repeat the question, please?

Chairman Aitchison: The reporter will read it.

[fol. 3430] (Question read.)

The Witness: If I correctly understand your question, Mr. Chairman, the class rates were not involved in the Southern Governors case and the differentials which were established as a result of the Southern Class Rate Investigation in the key rates between the North and South were not changed as a result of the Southern Governors case.

Chairman Aitchison: No, but should I understand that these differentials applied only on class rates and not on commodity rates?

The Witness: Well, the differentials were—I referred to the class rate adjustment, but to the extent they made commodity rates, they would undertake to make them lower than the all-rail rates if the Southern water and rail routes—that is, the rails—could afford to absorb the proportion of the lines beyond the North Atlantic ports.

Chairman Aitchison: Did any such result follow the decision in the Southern Governors case with respect to the commodities involved in that case?

The Witness: I could not answer that without referring to the tariffs, Mr. Chairman. I do recall one particular instance where the Southern rail and water routes established rates that were much lower than the all-rail rates because they wanted to influence the traffic by rail and water routes. That was in connection with printing paper from Canton, North Carolina, and Kingsport, Tennessee, [fol. 3431] going to the North Atlantic ports. That was done since I left the railroad service, but I had occasion to develop that when I was in some cases for the West Virginia Pulp & Paper Company.

Mr. Norman: Do the rail and water rates apply in both directions?

The Witness: The rail-water rates?

Mr. Norman: Yes.

The Witness: As I recall it—well, Mr. Norman, I would not want to answer that definitely without looking it up. I will be glad to do it, though.

Mr. Norman: So if there were a parity of rail rates established and then a differential of 10 cents under made rail and water, the South would have no advantage over the North if they applied in both directions, would they?

The Witness: No, but I am thinking about the effect of the rail and water rates upon the all-rail class rates made on a mile-for-mile parity for which you are contending here.

Mr. Norman: They would be the same in both directions.

The Witness: I would say this, Mr. Norman, that on certain commodities—as I recall it, it is true with respect to paper—they were made to apply northbound so as to put Southern products into the North. Just to complete the picture, I will state very briefly that the former basis for making rates between the South and Central Freight Association Territory, and under the basing point system, as [fol. 3432] I have stated, there is little or no observance of the long-and-short haul provisions. The rates up to the time of the Southern Class Rate case were usually made by the lowest combination on any Ohio or Virginia gateway, and that combination was equalized; and there was a well defined relationship as between the respective Ohio River gateways on the one hand and the respective Virginia gateways and Eastern port cities on the other hand to and from the basing points in Southern Territory. That concludes, Mr. McCollester, the rate recital.

Mr. McCollester: If you want to adjourn at this time, Mr. Chairman, this is a good breaking point.

Chairman Aitchison: Before we adjourn, or recess, rather, Mr. C. H. Ware, Traffic Manager of the Norfolk & Southern has submitted a brief statement with a number of citations of cases in which the Commission has prescribed or recognized the principle of special rate treatment for the Norfolk & Southern Railway. Mr. Ware telegraphed me to find out if he would have to come here and testify to this, or whether it would be accepted without his having to be present.

Mr. Hughes: I do not think all of us have seen that, Mr. Chairman.

Chairman Aitchison: Here it is.

Mr. Hughes: We have no objection.

Chairman Aitchison: Is there any objection to receiving [fol. 3433] this statement in evidence as Exhibit No. 169? (No response.) We have plenty of copies and they have been distributed in the usual way. Exhibit 169 is received.

(Exhibit 169 received in evidence.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will suspend until 8 o'clock this evening. It will be understood that the session tomorrow morning will convene at 9 o'clock.

(At 6 o'clock P. M. recess taken to 8 o'clock P. M.)

[fol. 343[illegible]] Evening Session

8 o'clock p. m.

Chairman Aitchison: Come to order, please. Mr. Moore.

D. O. Moore was sworn and testified as follows:

The Witness: My name is D. O. Moore. I am Manager of the Freight Traffic Division of the Pittsburgh, Pennsylvania, Chamber of Commerce, a position which I have held, now, for the past 26 years. Prior to that time I was a free-lance traffic manager for a number of shippers at Chicago, Illinois. Prior to that time I was in the Freight Traffic Department of the Illinois Central Railroad, in various capacities, from assistant tariff clerk up to chief rate clerk. I have prepared an exhibit, which I would like to submit at this time, composed of four sheets, attached to my prepared statement, with an index on the front, to both the statement and the exhibit. I will ask to have he exhibit marked at this time for identification, and with the permission of the Commission I would then like to read my statement.

Chairman Aitchison: Your exhibit may be marked No. 170 for identification.

(Exhibit No. 170, Witness Moore, marked for identification.)

The Witness: Exhibit No. 170 for identification, Sheet 1, is a summary of various tables showing Pennsylvania's share of manufacturing in the United States, as a whole [fol. 3435] and by commodity groups, contained in the Pennsylvania State College Studies, No. 11, entitled "Industrial Trends in Pennsylvania Since 1914", citing the figures for 1914, the high and low years and 1939.

This study was made by Carl William Hasek, Ph. D., George Leland Leffler, Ph. D., and Richard Hadly Waters, Ph. D., and the source of the data used was Census of Manufactures, Census of Population and Statistical Abstract of the United States.

To this summary another column has been added showing the 38 decreases and 14 increases in number of points. The net decrease is represented by Table No. 1, the value of all manufactured products, of 2.3 points or about 20 per cent.

This compares with a decrease in Pennsylvania's proportion of the population of about 10 per cent, based on the following figures:

Population

Year	United States	Pennsylvania	Pa. % of U.S.
1910	91,972,266	7,665,111	8.33
1920	105,710,620	8,720,017	8.25
1930	122,775,046	9,631,350	7.84
1940	131,669,275	9,800,180	7.52

Source—World Almanac.

Decrease—0.81 points, or about 10 per cent.

The rate of decrease in Pennsylvania's share of manufac- [fol. 3436] turing is, therefore, two times that of its proportion of the population.

Sheet 2 of the exhibit shows a summary of miscellaneous tables from the same study, as follows:

Table No. 2—An index of the Value of Manufactured Products in the United States and Pennsylvania showing Pennsylvania to be 0.9 point higher than the U. S. in 1914 and 15.3 points lower in 1939.

Table No. 4—An index of Factory Employment in the United States and Pennsylvania showing Pennsylvania to be 2.8 points higher than the U. S. in 1923 and 16.8 points lower in 1939.

Table No. 6—An index of Factory Payrolls for the United States and Pennsylvania showing Pennsylvania to be 3.8 points higher than the U. S. in 1923 and 17.1 points lower in 1939.

Table No. 8—Showing the per capita production of Manufactured Products in the United States and Pennsylvania for the years 1899, 1909, 1919, 1929 an 1939, to which has been added the ratio of Pennsylvania to the U. S. of 174 per cent in 1899 and 128 per cent in 1939.

Table No. 58—Shows the share of Manufactured Products by State Groups, which is self-explanatory.

Table No. 60—Shows the Share of Manufactured Products of 8 Leading States, which is self-expalnatory.

The authors, in their conclusion, state:

[fol. 3437] "In the preparation of this broad survey of industrial activity of Pennsylvania it has been found repeatedly that the state has been losing out as a national producer. Its share of national production along the majority of lines has declined since the World War. Nearly three-fourths of the 40 leading manufacturing industries examined showed a declining share of their respective national totals since 1919, including the key iron and steel and textile industries. As a coal producer the state is also declining in national importance. It has lost first position in bituminous coal production, although still retaining that place for total production. Other nonindustrial series, such as population, building construction, and electric power, show that the state has failed to keep pace with national expansion. The state is still growing but at a less rapid rate than is the country as a whole.

"This unfavorable finding concerning Pennsylvania is not unique. Similar conditions were found in other northeastern states. Massachusetts has shown a marked industrial decline in the last quarter of a century. New York, and New Jersey are also showing a relative decline, although to a less extent than is the case in Pennsylvania. Ohio is barely holding its position as a great industrial state. Expansion to the South and to the West has been marked in many cases.

"It has not been the purpose of this report to examine [fol. 3438] causes but rather to determine facts, leaving to others the important problem of their analysis.

"That the state is failing to keep pace with the nation along industrial lines is of great significance to governing officials of the state, to its taxpayers, its workers, and its industries, and to every institution and citizen within its borders. That such a trend will be continued cannot be prophesied. For all those dependent upon the state's industrial welfare, it is hoped that steps can and will be taken to prevent the continuation of such a trend. What those measures are is outside the province of this investigation."

Sheet 3 of the exhibit is a reproduction of a graph of the U. S. Census Bureau showing similar data for the Pittsburgh Industrial Area comprising Allegheny, Beaver, Washington and Westmoreland Counties for the years 1937 and 1939, based on the following figures:

Pittsburgh Industrial Area: Total 1939—wage earners, 191,903; wages, $271,080; cost of materials in thousands of dollars, 858,173; value of products in thousands of dollars, 1,501,398; value added by manufacture, in thousands of dollars, 643,225.

Total 1937: Wage earners, 227,675; wages $348,761; cost of materials in thousands of dollars, 979,551; value of products in thousands of dollars, 1,746,908; value added by manufacture, in thousands of dollars, 767,356.

[fol. 3439] The decline in Pennsylvania's percentage proportion of manufactures of the United States occurred despite the fact that Pennsylvania is located in Eastern Territory enjoying the lowest level of class freight rates.

Southern Territory on the other hand with a higher level of class freight rates has enjoyed net increases during the same quarter century as indicated by the summary of Table 58 for East South Central (e) and South Atlantic (f) States, Sheet 2 of my exhibit. This is borne out by advertisements in national trade publications of the Southeastern Governors Conference, Lawrence Wood Robert, Jr., Executive Director, Atlanta, Georgia, one such "ad" appearing in "Business Week" of April 16, 1938, showing an outline map of the United States and a circle graph showing the following amounts invested in expansion and modernization of the process industries in 1936 and 1937:

Southeastern States, including Louisiana, $129,805,000*; Middle Atlantic States, $50,266,000**; Middlewestern States, $38,963,000; Southwestern States, $35,571,000; Far Western States, $29,380,000; Rocky Mountain States, $25,710,000; and New England, $3,830,000.

*—the "Lion's Share" as stated in the ad. **—Pennsylvania's Share, $6,400,000.

The total for the Southeastern and Southwestern states is $165,376,000, almost one-half of the grand total of [fol. 3440] $350,000,000 for the entire United States and more than three times that for the Middle Atlantic and New England States combined.

The purpose of calling attention to these matters is to show that the industrial decline or growth of any section is not dependent entirely on freight rate structures.

As to some types of industry the matter of freight rate adjustments is of greater influence than other factors and as to others not so important. With the wide variety of commodities and processes of manufacture there are no doubt equally numerous other conditions than freight rates controlling the selection of industrial locations.

Eastern Territory Class Rate Structure. The class freight rate structure prescribed by the Interstate Commerce Commission for Eastern (Official) Territory (164 I. C. C. 314) became effective December 3, 1931, more than 10 years ago and has generally been accepted by the shipping public.

As to the prior Trunk Line Territory adjustment, the Commission said in the case cited at Page 327: "The system of groups and differentials that has been described produces relations so wholly at variance with distance that they seem indefensible. * * * Where the group bases are not applicable, rates for the most part are based on unpublished distance scales. The history of these scales is obscure, and some railroad traffic men deny their existence. Neverthe- [fol. 3441] less the record indicates that these scales were responsible for many of the present rates in Trunk Line Territory."

With respect to Central Freight Association Territory the Commission said, at page 333, "Prior to 1917 class rates within Central Territory were unsatisfactory to both shippers and carriers as was pointed out in the Five Percent Case, 31 I. C. C. 351,402. In accordance with suggestions in that report the carriers soon afterward set to work on a readjustment, which was submitted in a suspension proceeding C. F. A. Class Scale Case, 45 I. C. C. 254, 46 I. C. C. 475. In that case there was prescribed a distance basis of class rates which was a modification of the system proposed by the carriers. The same basis was approved for intrastate application in Ohio, Indiana and Michigan by the regulatory bodies of those states and was also applied in such portions of West Virginia, Pennsylvania and New York as are included in Central Territory. It was put in force in Illinois as a result of Illinois Classification, 55 I. C. C. 290."

A reasonably systematic structure of class rates has therefore been in effect to the East and West of Pittsburgh for more than 10 years in Trunk Line and about 25 years in Central Territory and should not be discarded for any new and untried system when there is no general demand for any change by shippers in Eastern Territory.

Witness Jensen's Suggestions for Improvement in Rail- [fol. 3442] road Class Rates. Exhibit No. 7: "There seems, however, to be adequate warrant and need for dividing Official Territory itself, with a lower level of Class Rates in Central Territory than in Trunk Line Territory and New England." (Page 58)

"It is accordingly recommended that the first class rates in Trunk Line Territory and in New England be made 5 per cent higher than those in Central Territory, and that Central Territory be limited to the plains section west of the Allegheny Mountains by moving the boundary between Central and Trunk Line Territories westward approximately to a line drawn from Cleveland, Ohio, to Huntington, West Virginia." (Page 60)

Witness Jensen admits that traffic density in terms of tons originated and terminated per mile of railroad is slightly greater in Trunk Line Territory, but operation in that section is more difficult both by reason of the mountainous terrain and of industrial and urban congestion.

He further states that these physical conditions affect the cost of highway transportation in the two territories even more than they do that of rail transportation. (Page 58)

Witness Jensen takes no account of the opening to truck as well as passenger transport of the Pennsylvania Turnpike, a superhighway of 160 miles in length from Irwin, Pennsylvania, to Harrisburg, Pennsylvania, which by means of seven tunnels goes under the mountains, saving [fol. 3443] 9,000 feet of vertical climb, the maximum grade being 3 per cent, which has intensified truck-rail competition between points East and West of the Allegheny Mountains.

The Pennsylvania Turnpike has no rail, highway or street crossings at grade and points of entrance or exit are arranged so that through traffic is not interfered with, thus permitting speedy movement, whereas—the highways between the same termini, namely, U. S. Routes 11 and 30 (Lincoln Highway) there are 939 road and street intersections and 12 railroad crossings, as well as 25 traffic stop-lights.

According to an announcement appearing in the New York Herald Tribune of October 22, 1942, Public Roads Commissioner Thomas H. McDonald stated that New York State has planned (after the War) the building of a 468 mile superhighway from Suffern along the West bank of the Hudson to a point near Albany, by-passing Utica, Syracuse, Rochester and Buffalo and along the shore of Lake Erie to the Pennsylvania line, of four lanes, surpassing any existing highway in length in uninterrupted travel possible.

The purpose of calling attention to these proposals is to show that present day information is not adequate on which to base a freight rate structure to fit post-war conditions, the time of which may be far in the future, although our hopes are to the contrary.

For the past 10 or 11 years the level of the class rates in Trunk Line Territory has been the same as that in [fol. 3444] Central Territory, and for the preceding period of 14 or 15 years back to 1917 they were somewhat less than the Central scale as shown in the Appendix B comparison at page 463 or the Commission's decision in the Eastern Class Rate Investigation, 164 I. C. C. 314, for distances up to 540 miles.

The Commission, in the C. F. A. Class Scale Case (45 I. C. C. 254, at pages 257-258) found that prior to 1917 the class rates in Central Territory were on a lower scale than prevailed elsewhere in the country, but pointed out that the structure was honeycombed with inconsistencies. In connection therewith it called attention to an Ohio statute enacted prior to the Civil War which provided that for rail hauls of 30 miles or more within that State the rate for the transportation of property, with certain exceptions not mentioned, should not exceed 5 cents per ton per mile, which had the effect of making the rates on the first three classes for various distances, but principally for short hauls, less than they would have been under a strict observance of the C. F. A. scale.

The statutory basis for a distance of 30 miles resulted in a rate of 7.5 cents per 100 pounds, and that rate, under a decision of the Ohio Supreme Court, became the maximum for distances less than 30 miles. It had depressed the first class rates for distances up to 100 miles, the second class rates for distances up to 45 miles, and the third class [fol. 3445] rates for distances up to 30 miles. The rate depressions thus brought about in the State of Ohio had spread, through the action of competitive forces, to other states in C. F. A. Territory and had become a part of and affected more or less the whole scale.

The Commission also had found that the then existing rates in C. F. A. Territory for distances of 475 miles, which was the distance used in publishing rates between Chicago and the Western Termini of Eastern trunk lines, were based on 60 per cent of the Chicago-New York rates, and that these rates were graded down and the rates fixed by the Ohio statute graded up until the two met. Although the Ohio statute had been repealed two years prior, the Commission stated its effects still remained.

While the Commission found that prior to 1917 the C. F. A. class rates were lower than elsewhere it should be remembered that under the McGraham scale the 60 per cent basis between Chicago and Pittsburgh of the Chicago-New York rates also applied East of Pittsburgh to New York for 440 miles, but there was no systematic grading of the rates for shorter distances.

Attention is called to this situation to show that even though the C. F. A. rates may have been lower than elsewhere prior to 1917, that fact should have no weight in the determination of whether or not Central Territory should [fol. 3446] be given lower rates than the remainder of Eastern Territory for the future.

With resepect to Witness Jensen's suggestion that the boundary between Central Freight and Trunk Line Territories be moved Westward from the present Buffalo-Pittsburgh line to a new line extending from Cleveland, Ohio, to Huntington, West Virginia, it is proposed to require Pittsburgh shippers to pay a 5 per cent arbitrary for the portion of the haul lying East of the proposed Cleveland to Huntington boundary in reaching points West thereof in competition with Cleveland, Cincinnati, Chicago and other points which will continue to enjoy the 100 per cent base, notwithstanding the fact that for many years the level of the rates from Pittsburgh has been the same as from that portion of Central Territory proposed to be retained as the base. Sheet 4 of the exhibit contains several examples of the first class rates, present (not including X-148 increases) and proposed from Pittsburgh compared with Cleveland, Cincinnati and Chicago, showing the increase in spread that will result if the Jensen proposed system should be approved.

The railroad grades in the area between the present and proposed boundaries are minor as compared with those of the Allegheny Mountains and are not of sufficient influence to exact an arbitrary and place further burdens upon shippers in meeting competition from other shipping points. [fol. 3447] The position of the Pittsburgh Chamber of Commerce, briefly stated, is as follows:

It is opposed to a general revision of the class rate structure East of the Rocky Mountains in their entirety for the purpose of providing relief on a limited number of specific commodities, shippers of which now have recourse to correct through negotiations with the carriers or finally through complaint proceedings to the Commission;

It is opposed to any general change in the Official Territory class rate structure as there is no general complaint from shoppers regarding it and particularly opposed to any increase in the level thereof to bring about parity with the levels of other territories or general uniformity throughout the area involved in this proceeding;

It takes no position with respect to the levels of the class rates in other territories but in the event the Commission should prescribe any change therein the interterritorial class rate structures for the future should be made by a blending of the respective territorial structures involved; and

With particular reference to the Official-Southern inter-territorial class freight rate structure it opposes application of the "destination" level from the South to the North if the higher Southern level should be applied from the North to the South.

[fol. 3448] That is all I have, in the way of a direct statement. At this time I would like to offer my exhibit 170 in evidence.

Chairman Aitchison: Without objection, Exhibit 170 is received.

(Exhibit No. 170, Witness Moore, received in evidence.)

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Moore, Pennsylvania is one of the oldest manufacturing states in the country, is it not?

A. I would say so.

Q. You have recited a lot of history, that goes back even beyond your own time, have you not?

A. Oh, it goes back a long way, yes, sir; back to Revolutionary War times, I guess.

Q. Yes. Now, there was a time when the state of Pennsylvania had probably 30 or 40 per cent of the manufacturing of the entire United States, was there not?

A. Well, I would not be able to answer your question as to everything, Mr. Norman. It had about that proportion of iron and steel at one time, however, I believe.

Q. Now, as I understand it, your complaint, and the complaint of the authors of this document—I do not know just what it is——

Chairman Aitchison: Study.

[fol. 3449] By Mr. Norman:

Q. —this study which was made by the Pennsylvania Commission is that Pennsylvania is losing its proportionate share of national production; is that correct?

A. We are not complaining here about it, Mr. Norman.

Q. How?

A. I say, we are not complaining here about that. I have not made any complaint here. I am simply here to outline the situation with respect to Pennsylvania, in response to this investigation.

Q. Well, then, what is your purpose, in setting that forth?

A. Sir?

Q. What is your purpose, I say, in setting forth what you have put into the record here?

A. Why, my only purpose in setting it forth was because it has been set forth in this proceeding that there may be an upheaval of the freight rate structure, and that we do not want.

Q. I know, but what does that have to do with the fact that the State of Pennsylvania has been losing, not in fact, but in percentage, in its production, in percentage of the national production?

A. (No answer.)

Q. Would you not expect, now, that that would happen, and that the rest of the country was going to develop, in manufacturing?

A. Why, I would naturally expect, as the country has [fol. 3450] developed to the westward, to the southward, or to the northward—if that may be somewhat—that we would lose some, but not at any greater rate than our change in population made necessary.

Q. Not at what?

A. In other words, if we are gaining 5 per cent in population, and only gaining 2.5 per cent in production, why, I do not think that we are keeping up the proper pace.

Q. Well, now, is not the trouble with all of the old states, when you come to consider the situation from the standpoint of their proportionate share of the national production, in the fact that new states and new part—of the country are developing, as they naturally would?

A. Oh, to a certain extent, there is not any question about that, there is no doubt about that, I would say.

Q. For instance, there was a time when Virginia probably had around 40 per cent of the production.

A. Yes.

Q. Do you think, now, that there is any ground for complaint because they do not any longer have that?

A. Virginia I do not think has lost, or gone down any, in the last few years, based on its population.

Q. Well, now, you are also complaining about the fact that Pennsylvania is no longer the leading producer of coal, are you not?

[fol. 3451] A. I am not complaining about that, no, sir.

Q. How is that?

A. I am not complaining, no.

Q. You are just setting that forth?

A. Yes, sir.

Mr. Norman: All right. I have no further questions. Thank you.

Chairman Aitchison: Is there any further cross-examination of Mr. Moore? (No response.) Apparently not. You are excused.

The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: Mr. Hollopeter.

H. A. Hollopeter was sworn and testified as follows:

The Witness: My name is H. A. Hollopeter. I reside at Indianapolis, Indiana. I am Traffic Manager of the Indiana State Chamber of Commerce, which position I have held for the past five and a half years. Prior to that time I had 30 years' experience in railroad, industrial and commercial traffic and transportation work. During substantially all of that period I have had duties that required me to study and analyze freight rates and rate structures. This has necessarily embraced rates and rate structures throughout the entire United States. For the past 7 [fol. 3452] years I have been chairman of the Rate Construction & Tariffs Committee of the National Industrial Traffic League; and for the past four years I have been teaching traffic and transportation at Butler University. Both of those activities involve a thorough and careful study of rates and rate structures, both historically and currently, which has supplemented my practical experience in the handling of rate adjustments and transportation problems for my prinicipals throughout the entire period of my experience. During the current investigation I have joined with a number of other traffic men, both commercial and industrial, throughout Central Territory, in the formation of a Central Territory Rate Conference. We have had a number of meetings of this Conference in connection with the matters that are involved in this proceeding, and we have endeavored to consolidate our evidence, which is to be offered on behalf of the four states that comprise Central Territory, namely, Indiana, Illinois, Ohio and Michigan. In the preparation of our evidence for this record, we have endeavored, as far as possible, to avoid duplication of statistics of other data presented by preceding witnesses.

Now, I have prepared two exhibits for presentation here, one consisting of 56 pages, and the other of 3 pages. The exhibits have been distributed, and I now wish to offer them for identification.

Chairman Aitchison: Exhibits 171 and 172.

[fol. 3453] The Witness: The larger exhibit, containing the 56 pages, will be 171 for identification; and the other exhibit, the 3-page exhibit, will be 172.

(Exhibits Nos. 171 and 172, Witness Hollopeter, marked for identification.)

The Witness: The first 40 pages of my Exhibit No. 171 for identification comprise a counter-analysis of some of the mileage rate scales which have been dealt with by Witness Hobbs in his Exhibit No. 5 in this proceeding. For brevity, because I think it will adequately serve the purpose, I have used only about one-third of the scales employed by Witness Hobbs. I have taken them from the first part of this exhibit, and I have used each scale that he used in that portion of the analysis. Witness Hobbs has used what I shall term as a sampling process in his analysis, and does not portray that which I desire to show in connection with the general subject of mileage scales. He simply reached into the scale, so to speak, at each 100-mile point, and picked out that particular rate for analysis. He used the present rates, which in every instance have been augmented by one or more percentage increases since they were originally prescribed. This often distorts and obscures some of the fundamental relationships and characteristics of these scales, as prescribed. My purpose has been to take these same scales, as originally prescribed, [fol. 3454] and analyze them to develop these fundamental characteristics and principles. I have then shown the present rates under ~~the same~~ sort of analysis that I have

—the original scale. Before proceeding to discuss my first exhibit, it will be pertinent, I believe, to observe some of the fundamentals of mileage scales in general. Perhaps the first scale, which was designated as a formula for rates, and only at times referred to as a scale, was the McGraham formula. The preceding witness Mr. Moore, has mentioned that, but I would like to discuss it a little further. It was among the first, if not the first in existence, where rates were designed to reflect some difference in the distance involved. It was, however, certainly one of the early attempts to use mileage to indicate the trend and relationship of transportation costs. It was only applied within a territory where it was assumed that the transportation costs were probably uniform; and the Commission has often observed since that this is the only condition under which distance does reliably indicate cost trends and relationships. The important fact is that in this early scale the New York-Chicago rate, the most important rate in the territory, or the one moving the greatest volume of traffic, was used as the basis. Other rates were made in relation to that, on the relationship of mileage, either assumed or actual. Without discussing it further, I would simply call attention to the fact that a clear and complete [fol. 3455] history of that adjustment will be found in the Michigan Percentage Case, reported at 47 I. C. C. 409. Subsequent to the McGraham scale, the famous Disque scale was constructed. It was more completely designed in the manner of all subsequent mileage scales, than was the McGraham formula.

Chairman Aitchison: While you are talking about the prescription of that scale, the Disque scale, that was based —although I believe Mr. Disque claimed to be ignorant of it—upon the principle of the rate expressed in cents, plus the square root of the distance, multiplied by two, plus 10 cents.

The Witness: Well, I have not analyzed it quite that far, Mr. Chairman, I will admit, but I have observed some of the fundamentals of it, to which I would like to call attention. One of the principles that I believe I have observed, with relation to the Disque scale, is that, as is generally accepted, or generally said as to all mileage scales, it reflects the will of its maker. It is also said of mileage scales that they are generally built to meet the needs of industry and commerce as they are found to exist. The Disque scale prescribed in I. & S. 965, 45 I. C. C. 254, appears to be designed, at least, to do that, by perpetuating the rate moving the greatest volume of traffic in the territory, the fifth class rate, from Pittsburgh to Chicago, which at that time was applied to the movement of iron and steel. [fol. 3456] It also just cleared, at the other end of the scale, the statutory maximum rate for Ohio, which, as the previous witness has stated, has now been taken out of the picture. The rates in these mileage scales can be said to be composed of two principal factors, namely, the terminal factor and the linehaul factor. These are readily discernible in the mileage scales, as far as the linehaul factor is concerned, by the measure of progression in the rate. The will of the maker of the scale is therefore easily projected into the scale by selecting the desired terminal factor, and then applying the amount of linehaul factor and the kind of rate of progression necessary to meet the purpose to be accomplished. The distances in mileage blocks for which rates are applied, are generally smallest at the beginning of the scale, for the shorter distances; and they increase in length as you progress toward the end of the scale. The rate of progression generally, which is the increment in the rate for each mileage unit, is greater at the beginning of the scale, and becomes less as you progress toward the longer distances. Thus the rate of progression may be treated to produce any desired rate at any point of the scale, by making it high, to start with, and breaking it only slightly, or late in the scale, or vice versa, as needed, as the case might be.

Now, in order to more exactly follow the analysis that [fol. 3457] I have made, I will ask you to refer to page 1 of my Exhibit No. 171 for identification. This deals with the Eastern Class Rate Scale, as indicated there. Here under Columns A and B we find that the mileage blocks employed are in lengths of 5 miles each up to 100 miles; from 100 miles to 240 miles, they are 10 miles each; from 240 miles to 800 miles they are 20 miles each; and finally, from 800 miles to 1,500 miles, the end of the scale, the blocks are 25 miles each. Now, Column C on this page shows the rates, first class, in cents per 100 pounds, at the several points where the rate of progression changes in the original scale. Column D shows the rate of progression employed on the basis of cents per hundred pounds per 100 miles. By that I mean that we have, for reaching a common demoninator in all of these progressions, used the progression that would apply per each 100 miles. In other words, at the beginning of this scale, the rate of progression was 1 and 2 cents, alternating for each 5-mile block. That is increased then by 3 cents for each 10-mile block, or 30 cents for 100 miles. We have used 100 miles, as I say, as the common denominator. This 30-cent rate of progression per 100 pounds is effectuated in the scale by adding to the rate for each mileage block, as indicated, in this portion of the scale, the alternation of 1 and 2 cents. In Column E I have indicated the first rate of progression, or the highest, as 100 per cent. Beyond 75 miles the rate [fol. 3458] of progression drops to 20 cents per hundred miles, or 66⅔ per cent, of the average progresion as shown in Columns D and E, line 4. This second rate of progression is effectuated by adding 1 cent for each 5-mile block up to 100 miles, and then 2 cents for each 10-mile block, beginning at 100 miles, and extending this progression up to 150 miles.

By Chairman Aitchison:

Q. Do you not find that this particular class rate scale has a bad hump in it, at 200 miles?

A. No, sir, I believe not, Mr. Chairman. I have a chart here, a graph, which I will come to a little later on, at which point I think I can discuss that matter a little more readily.

Chairman Aitchison: I think you will find that it works out that way.

The Witness: Now, my 150-mile rate of progression is again reduced to the basis of 15 cents per hundred miles, and this is effectuated by increasing the rate for each added block of 10 miles, by an alternation of 1 and 2 cents, up to 240 miles. This, of course, is just 50 per cent of the original rate of progression. Beyond 240 miles, and continuing on up to 700 miles, where the mileage blocks are 20 miles each, the rate of progression is again reduced to the basis of 12 cents for each 100 miles, or 40 per cent of the original. This is accomplished by applying the alter- [fol. 3459] nating increment of 2 cents and 3 cents for each added block of 20 miles, with an added 2 cents for each

100-mile group. Beyond 700 miles, and up to 1,500 miles, which is the end of the scale, a further reduced rate of progression is employed. It is on the basis of 10 cents per hundred miles. That is accomplished by adding 2 cents for each 20-mile block, up to 800 miles, and then an alternation again of 2 cents and 3 cents for each 25-mile block, to the end of the scale. I think that it is pertinent to comment right here, Mr. Chairman, that this is a pattern that has been generally followed in most scales. It is true that some scales have been given a somewhat higher rate of progression at the beginning, and it has been extended further in the scale, or some may have broken earlier in the scale; and those breaks, of course, form a bend in the scale, when it is charted or shown on a graph.

By Chairman Aitchison:

Q. It is a straight-line progression beyond 700 miles in the class rate scale, is it not?

A. Yes, that is correct, Mr. Chairman; beyond 700 miles, it is a straight-line progression. As a matter of fact, I might say that the progression of any scale would be entirely straight, in every instance, unless the rate of progression were reduced, as we have indicated in this scale. In other words, the spreading of the terminal factor thinner as we progress toward the end of the scale, will [fol. 3460] not bend the scale at any point. These scales, which as I say have followed a pattern which has been employed practically throughout the entire history of rate scales, appear to have been originally designed to meet, as nearly as could be assumed, the trend of the cost of operation. Within the short distances, freight moving for distances of less than 75 miles generally was handled by the wayfreight trains of the carriers, which, at that time at least, was assumed to be the most expensive service that the carriers had. Beyond 75 miles, where we begin breaking the rate of progression, it was generally assumed to be because the preponderance of through freight train service, which was naturally a lower cost service, or at least generally assumed to be, entered into providing a lower rate of progression for the longer distances. Of course, as we study these scales, we find also, I think, another element, taking the longer reaches of the scales, in which the ability of traffic to move for the longer distances often required a breakdown, or a reduction in the rate of progression to produce lower rates for the longer distances. Without going into any further discussion of that point, or any further statement of history in connection with it, I would simply call your attention to what the Commission has said in the Consolidated Southwestern Cases, 123 I. C. C. 203, at page 385. There are a few scales in this exhibit to which I would like to call your attention [fol. 3461] as we pass, the first one being found on page 19.

By Chairman Aitchison:

Q. You are familiar, of course, with the Holmes & Hallowell Scale?

A. Yes, sir, and that scale had a peculiarity in it which of course I think is well to consider here. It was designed to meet a higher level in one area than in another, from which it might be argued, perhaps, that it should be applied interterritorially, if you had a higher level in one territory than you had in another; but that was only possible I should say because in that instance it was traffic that was always originating at one point, and it always moved to a certain destination before it reached the effect of the higher-rated territory or higher basis. Now, obviously, if we are going to apply that generally, the rates and the traffic under any scale will appear of course at any point in the scale, and naturally, if you build a scale that provides a certain condition up to 150 miles, say, or any other given distance, and then you increase that for conditions beyond, you do not fit the traffic which actually moves, because, as I just said, it moves for all distances.

Now, turning to page 19 of my Exhibit 171, the third scale on the page, I simply call attention to what appears to be an inconsistency in the scale. The rate of progression under Column E in the scale, we find in lines 20 and 21 increases for the longer distances rather than decreases, [fol. 3462] and I will have something to say about that feature in just a little while, when I come to the charts. Another scale which seems to stand out is shown on page 26 of the exhibit, and here again the rate of progression seems to follow no defined pattern. That again only emphasizes to me, at least, the fact that these scales, and perhaps all scales, have been designed to meet conditions as they exist,—and I believe that is the purpose of all rates. Now, turning to the graph or chart following page 40 of this exhibit: I have here graphically portrayed the origins of four of these scales previously analyzed. I might say at this point,—and perhaps I should have stated it sooner—that the rates used in this exhibit under the heading of Present Rates, it will be observed, are the same as the rates used by Witness Hobbs, which do not include the Ex Parte 148 increases.

By Chairman Aitchison:

Q. They do include, however, the Ex Parte 123 increases, do they not?

A. Yes, sir.

Q. But they are not the figures as of the present time.

A. No, sir. I have gone back to the original scales, because I think it is impossible, as my exhibit shows, to analyze scales that have been treated for subsequent increases, and show any consistency in their make-up. We do find, however, when we go back to their origin, that there was some consistency generally in the make-up of these [fol. 3463] scales. Now referring to the chart following page 40 of my exhibit: we have portrayed there first the Southern Class Rate Scale; the Eastern Class Rate Scale; the Southwestern Scale for grain and grain products; and the Western Trunk Line Scale for wheat. The scale shows that the rather unusual lines and curves shown on the chart, refer to the scale that I have previously referred to, shown on page 19 of my Exhibit 171. This scale violates several fundamental principles of rate making, that I believe the Commission has almost universally observed. First, the rate of progression is highest at the longer distances, instead of at the shorter distances; and furthermore, this is so pronounced that the ton mile earnings under the rates increase as the distance increases, and that is a principle, or a situation which the Commission has generally found condemns the rate relationships. For example, the ton mile earnings under the rates in this scale for 300 miles are 38.6 mills; for 400 miles, 39 mills; and for 500 miles they are 46 mills. I call your attention to the fact that in this exhibit there are several scales, particularly the one set forth on page 26, to which I have previously called attention, which also violate this usual principle, and which I believe makes them impractical to be used as a basis for constructing rates, or as an indication of what an average condition ought to be. Now, the succeeding pages of this exhibit, namely, pages 41 to 56, [fol. 3464] inclusive, are supplementary to Witness Schreiber's Exhibit No. 119, showing the separation of the four states of Illinois, Indiana, Michigan and Ohio from the groupings that he has there made, wherein he combines them with Wisconsin, Iowa, Missouri and Minnesota.

By Chairman Aitchison:

Q. Would you mind adverting back for a moment to the matter of Witness Hobbs' exhibit.

A. Glad to.

Q. What do you understand to be the purpose of Witness Hobbs' exhibit? In other words, how do you bring your exhibit into contrast with his?

A. Well, as I understand it, Mr. Chairman, one of the purposes of Witness Hobbs' exhibit, after dealing with the scales, was to construct therefrom a composite scale. I do not recall that he recommended that specifically for use in any particular instance, but my point was simply to show that these milage scales, as we have developed them through the years, have been made to meet conditions as they existed. Those conditions have varied, and they will continue to vary from time to time. Therefore, it would be wholly improper, according to the analysis that I have made of these scales, to use all of these scales, which have been designed to meet the varied conditions that may have been found to exist, or assumed to exist, throughout the wide area involved here, and try to put them together and get anything that would be [fol. 3465] worth while as a guide to follow in any given instance. Does that answer your question, sir?

Chairman Aitchison: Yes.

Com. Alldredge: Might I interrupt for one question right here.

The Witness: Certainly, Mr. Commissioner.

By Com. Alldredge:

Q. You spoke, if I understood you correctly, of general increases throwing these scales out of alignment, or out of order, so to speak. I wonder what you would think about this plan of the publication of class rates: assuming, of course, that our tariff regulations would permit, instead of designating the ratings in the classification by numbered or lettered classes, what would you think of simply designating them by percentages, and then, instead of publishing all of the class rate scales in the tariff, publish only the base scale, or first class, and use a simple method of resolving the fractions? What would you think about that?

A. Well, now, Mr. Commissioner, I wish to have it distinctly understood that, in answering your question, I am only speaking individually, now, and not for any particular group, because I do not know that what I am about to say to you will coincide with the view of the members of any particular group. However, to answer your question for myself, sir, my own view of that is that that is a very [fol. 3466] practical way, and I believe a proper way, for handling that. Rather than being concerned about how many classes we should have in the classification, or how many classes we should have under a mileage scale, to my way of thinking, it seems to me that the simple approach to the problem, or the simple way to meet it, would be to construct a scale of base rates, and then provide a classification that would classify the various articles of commerce percentages above the base rate or below the base rate. I personally would subscribe to that method, sir.

By Mr. McCollester:

Q. Well, that would mean, would it not, Mr. Hollopeter—if I may interject a question right here, Mr. Commissioner.

Com. Alldredge: Yes.

By Mr. McCollester:

Q. —assuming that there was to be just one classification, there would have to be the same relationship between the rate on one article, and the rate on another article in all parts of the country?

Chairman Aitchison: No.

By Mr. McCollester:

Q. That is correct, is it not?

A. Well, now, Mr. McCollester, you are leading me into something there that I had not intended to cover in my testimony at this time. However, as long as you have asked the question, speaking again purely from my own point of view, I will say this to you, that I do not agree with you at all [fol. 3467] that that would be necessary. However, I feel that a uniform classification is desirable, and could be accomplished in that manner very readily; but on the other hand, it would be just as simple, in that instance, to make machinery, let us say, 50 per cent of first class, or 50 per cent of the base class, in Western Territory, and 35 per cent of the base class in Official Territory, if you continue different classifications.

[fol. 3468] By Commissioner Aitchison:

Q. Mr. Hollopeter, I wonder if you are familiar with the further development of the plan suggested by Commissioner Alldredge, which was made by the late James Peabody, Statistician of the Santa Fe Railway, about 1907 or 1908.

A. I don't recognize it as that.

Q. He suggested base rates for each of the major groups, products of mines, forests, products of agriculture and manufactures and miscellaneous and so on. And then his proposal was that the classification should be made with respect to the articles, showing in each of those groups, relating them in percentage to the going scale for the general class of traffic. For instance, common rough lumber might mean 30 per cent of the forest products going rate, while dressed lumber might be 40.

A. I recall that from that description, although I am not particularly familiar with it and I haven't studied it a great deal. I believe, however, that in dealing with the classification of commodities, and still, again, I am speaking for myself, the simpler process would be to apply certain fundamental classification characteristics to the articles themselves to classify them. For example, a desk has the same weight, the same weight density, the same value and the same susceptibility to damage anywhere in the country, and if those should be considered the principal elements [fol. 3469] of classification, we might readily arrive at a uniform basis for classification and then reflect the various revenue needs of our carriers, if there are found to be such, in the various territories, in the rate structure alone. It seems to me that would simply the classification and rate problems we have to deal with here, sir.

Q. That is, of course, what the condition is as to l.c.l. In the first three classes the rates are virtually the same in all territories.

A. It is now, yes, generally, on the first three classes, that is correct.

Q. Now, turn to your page 41.

A. I believe that it is not necessary to take time to comment on the balance of the pages of this exhibit, because they are, as I have indicated, simply a supplement to the exhibit introduced by witness Schreiber, and we have merely, for our purpose here, drawn out of his figures, which are not possible to be computed from his exhibit, the statistics for the four states of Indiana, Illinois, Iowa and Michigan.

I might say at this time, had we been aware that some of the witnesses for the eastern states were drawing these same statistics separately, which I believe they did in some of their exhibits, it would not have been necessary for us to have prepared that portion of the exhibit.

Now, I would like to proceed to my Exhibit No. 172, [fol. 3470] which is simply a 3-page exhibit. On page numbered 1 of this exhibit, just below the title page, I have set up just for illustrative purposes rates from Chicago to various points in the Southeast, based on several different formulae, which we think are more or less sound to be applied here, if we have use of the case, different level rate territories. I think the most proper, or the formula that is the most desirable is the one shown in Column 7, which is the well-known cottonseed formula. Recognizing the claims made against this formula, that is, the difficult problems involved in its application, which have been advanced by the carriers, we have set up in Columns 5 and 6 rates that would obtain under the interterritorial basis employed by the Commission in the Western Class Rate Case. However, I want to make it clear that under Column 5 we have used the basic scale prescribed by the Commission for application between Official and Western Trunk Line Territory, but with that basic scale we have employed differentials constructed by the use of the basic scale in relation to the K-2 Scale prescribed by the Commission for Southern Territory. In Column 6 we have employed just a little bit different approach to that, in which we have used as a basic scale between Official and Southern Territory the K-2 Eastern class rate—I don't recall the designation of that; at least it is the——

Mr. Hughes: Appendix E.

[fol. 3471] The Witness: Thank you. Appendix E Scale of the Eastern Class Rate Scale, on the theory that the K-2 Scale is applied in one of the territories involved, and therefore perhaps might be argued as a more proper base scale to be used than the basic Western Class Rate Scale prescribed for a different territory. Here, again, we have used differentials that have been developed by using the Eastern Class Rate Scale as a basis with the Southern K-2 Scale and applied them in the same manner as the Commission applied the interterritorial rates to the West.

The cottonseed formula, I believe, is not necessary to be discussed, other than briefly stating it provides the same rate per mile for the haul within each territory traversed, as would be proper if the entire movement was occurring within that territory. And it is our position that that most truly reflects in the interterritorial rates the conditions which may be found influential in fixing the rate structures within the several territories and would be the most proper to apply.

I believe that is all I have, sir.

Chairman Aitchison: Do you offer these two exhibits?

The Witness: Yes, if I may, I should like to offer in evidence Exhibits Nos. 171 and 172.

Chairman Aitchison: Without objection, they are received.

[fol. 3472] (Exhibits Nos. 171 and 172, Witness Hollopeter, received in evidence.)

Chairman Aitchison: Cross-examine? Mr. Wagner.

Mr. Wagner: Just a few questions for clarification.

Cross-examination.

By Mr. Wagner:

Q. Is it correct to state that a large part of your present rates are no more than the general increases over the original rates?

A. I don't know that I get the point of your question. It seems to me it would absolutely have to follow, Mr. Wagner, that that is true.

Q. Then take your page 1.

Mr. McCollester: Which exhibit?

Chairman Aitchison: 171.

Mr. Wagner: His Exhibit No. 171.

By Mr. Wagner:

Q. In your first per cent column, shouldn't that bottom figure be 33⅓?

Chairman Aitchison: Column E.

By Mr. Wagner:

Q. Column E, at the bottom of page 1. Is 10 one-third of——

A. You are correct, sir. I am glad you called my attention to that.

Q. Now, as you follow through your second per cent column, you have substantially the same percentages, but in your Column G, there is something wrong with your first figure.

[fol. 3473] A. Well, that certainly is a typographical error and it should be 33 cents.

Q. 33 cents?

A. Instead of 44, yes, sir, indeed.

Q. So that the picture in your present column is the same as in the original column except for the disposition of fractions, roughly speaking?

A. Well, the disposition of fractions has distorted the original relationship. That was my purpose in showing those two analyses, yes, sir.

Q. But that is the only difference, the matter of disposition of fractions?

A. Oh, yes, that is the only factor that has caused the different rate of progression, as shown here, from the original.

Q. Now, will you turn to pages 5 or 7 or 8 or 9. Take 5, for instance, at the bottom of the page. Can you tell us where we can find those present rates?

A. Well, they are published in tariffs and where——

Q. Are you sure they are published in tariffs? Did not the 17000, Part 9, rate supersede the rates fixed in 77 I. C. C.?

A. Well, it may have.

Q. And those were never in the tariffs, haven't been in for the last dozen years?

A. It may have done that, Mr. Wagner, but our purpose here was simply to take, as I said on direct, the same scales [fol.3474] that Witness Hobbs had analyzed in the first portion of his exhibit. We did not go beyond that, but in setting these up, it is obvious, I believe, that my office has found in every instance, under present rates, the same rate that Witness Hobbs has used for the corresponding distance.

Q. I think Witness Hobbs only used the original scale, didn't he?

A. No, he did not. He used the present rates under those scales.

Q. Well, those rates could not be in effect now, could they, prescribed in 77 I. C. C., when 17000, Part 9, has been fixed since?

A. Well, if what you say is correct, I don't know about that, Mr. Wagner. The rates shown here may not be in effect in that instance. I am not able to say about that.

Q. Will you say I am wrong if I say on page 8 the rates, the present rates set forth therein were never in tariffs? That was only a reparation base.

A. No, I didn't go into the integrity of the scales used by Witness Hobbs to that point, no, sir. That was not my purpose.

Q. Will you take the chart between pages 40 and 41.

A. Yes, sir.

Q. The scale at the bottom. Hasn't that been superseded by 17000, Part 9?

[fol. 3475] A. Well, sir, the same answer would apply there. I simply charted this scale as being one which Witness Hobbs used in his exhibit.

Q. Well, can you see any significance in using scales——

Chairman Aitchison: Part 7, isn't it?

Mr. Wagner: Part 7, yes.

Chairman Aitchison: You said Part 9.

Mr. Wagner: Pardon me, 1700, Part 7.

By Mr. Wagner:

Q. Can you see any significance in using today scales which have been obsolete for more than a dozen years?

A. Yes, for the purpose I have used them, Mr. Wagner. My purpose was to show that along the line that I think was the intention of Witness Hobbs, to analyze the scales that have been prescribed from time to time over a period of years, to determine, if possible, the fundamentals and principles employed in the prescription of those scales or the construction.

Q. Notwithstanding the fact that the Commission has changed those scales since?

A. Yes, wherever that would be true, that is correct, because I used exactly the same scales that were employed in Witness Hobbs' exhibits, yes, sir.

Chairman Aitchison: I suggest, Mr. Wagner, it might show the development or the evolution of ideas along this line.

[fol. 3476] Mr. Wagner: It could show trends, yes, but not even many of these rates are present rates. His purpose is to bring it up to date, and many of the scales were not brought up to date and, in fact, some of them were never published in tariffs, so he has to go back to Mr. Hobbs' prescription, and of course, his formula, and not his present rates.

The Witness: May I say in connection with that, I fear you haven't gotten the intention of my analysis. It was rather to go to the actual work which was done in connection with these scales originally, and that is why I employed the original scale, which Witness Hobbs did not do.

By Mr. Wagner:

Q. That is just what I said. In other words, after you apply your formula to Mr. Hobbs' original scale, then you can bring forward your program?

A. That is correct, but I place no emphasis, certainly, and I think there is no real significance in the portion of my analysis which deals with the scales brought down to date. I simply show that to show the connection with the scales used by Witness Hobbs.

By Chairman Aitchison:

Q. I am not so sure, Mr. Hollopeter, that you are right on your disposition of fractions on these scales. They are all of them what are mathematically called curves, or on which formula can be worked out, and the give and take of the rule of fractions will, will it not, over the scale as a whole, result in a percentage increase equal to that you [fol. 3477] have intended?

A. Yes, I think that is true, your Honor. The only point I intended to make there was that if we view the scales as they stand today, there seem to be inconsistencies in them which might obscure and distort the original principles that were intended to be applied. And that was my only purpose in going back of the increases, where we do, in almost every instance, get a smooth progression, a much smoother one, at least, than under the present scales treated by the increases.

Chairman Aitchison: If there is nothing further, Mr. Hollopeter is excused.

Mr. Grubbs: I have some questions.

Chairman Aitchison: I beg your pardon, Mr. Grubbs.

By Mr. Grubbs:

Q. Mr. Hollopeter, does the cottonseed fromula have any application that you know of today?

A. I believe it does not, because, as I stated, the carriers were very adverse to its application because of what they termed the difficulties in putting it into effect. I personally don't observe those difficulties. I think they can be met very readily.

Q. Did you seek to have the Commission continue it over the efforts of the railroads?

A. No, not in that case. I wasn't involved in that case.

Q. Isn't it true that that formula was advocated in the Western-Southern Class Rate Case and was rejected and [fol. 3478] the Western Trunk Line formula, in general, was adopted in preference to it?

A. I believe that that is correct, for the same reason I stated previously. The carriers have always contended and felt that there were many insurmountable difficulties, I should say, almost in the application of that principle, with which I don't agree.

Q. Well, the Commission evidently agreed with the carriers.

A. Well, they acceded to their request.

Mr. Grubbs: Thank you, sir.

Mr. Smelker: I have one question.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Hollopeter, does your analysis lead you to favor separate progressions for carload and less than carload scales in the event this case should result in the revision of the present scale?

A. No, I believe not, Mr. Smelker, because the difference we get is very slight. It seems to me the lower percentages of the first class rate applied to carload, anyway, reduce both the terminal factor and the line-haul factor equally.

Q. Then your answer is no?

A. No, that is right. I should have said that originally.

Mr. Smelker: That is all.

Chairman Aitchison: Is there anything further? (No response.) You are excused, Mr. Hollopeter.

[fol. 3479] The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: Is Mr. Lacroix here from Evansville?

Mr. Hollopeter: He isn't quite ready with his exhibits. He will be ready in the morning.

Chairman Aitchison: Are you ready to go ahead, Mr. Ellison?

Mr. Ellison: Yes, sir.

R. A. Ellison was sworn and testified as follows:

Direct examination.

By Mr. Sater:

Q. Will you state your name, residence and occupation?

A. My name is R. A. Ellison. My address, business address, is 306 Neaves Building, Cincinnati, Ohio. I am manager of the Transportation Department of the Cincinnati Chamber of Commerce and traffic consultant for numerous industries in and around Cincinnati.

Q. How long have you been engaged in the handling of traffic and transportation matters?

A. For more than 30 years, of which 17 years were with the railroads and the balance in industrial traffic work.

Q. And is your experience with freight rates and rate structures of the same length of time?

[fol. 3480] A. It is.

Q. Have you prepared an exhibit for submission at this proceeding?

A. I have.

A. Was it prepared by you?

A. Either by me or under my direction.

Q. To the best of your knowledge, is it true and correct?

A. It is.

Q. Is it the exhibit which has been marked for purpose of identification herein, I believe, 173?

Chairman Aitchison: 172.

The Witness: It is.

Mr. Sater: 173, I believe.

Chairman Aitchison: Yes, 173.

(Exhibit No. 173, Witness Ellison, marked for identification.)

By Mr. Sater:

Q. To what is your exhibit directed?

A. As a showing that there is nothing particularly wrong with the present rate structure.

Q. Have you prepared a statement in explanation of that exhibit?

A. I have.

Q. Have your exhibit and statement been distributed to the parties here?

A. They have.

[fol. 3481] Q. What conclusion do you draw from your exhibit?

A. That the class rate structures will not be materially reduced unless there be a change at the same time in the commodity rates.

Q. Will you explain your exhibit, please.

A. Exhibit No. 1, identified as No. 173, is filed on behalf of the Cincinnati Chamber of Commerce and the State of Ohio and consists of 20 pages and covers and is, except as otherwise stated a study of the rates on the commodities indicated in Exhibit No. 88, introduced by Witness E. L. Hart for the Southern Governors' Conference at Indianapolis, Indiana, on September 28, 1942.

My exhibit does not deal generally with classification ratings on any specific commodity, but is confined to a more or less extent to a comparison of rate-levels on specific commodities within the South, within Official Territory, and interterritorially between the Southern and Official Territories.

It is felt that Exhibi' No. 88, offered by Witness Hart, shows comparisons on a greater variety of commodities than any one other exhibit which has been presented by those in favor of a general "shuffling" of the class rate structures and it has, therefore, been selected as representative of what the "plaintiffs" in these proceedings rely on as proof that the present rate levels are improper, [fol. 3482] especially from Southern to Official Territory.

On August 11, 1941, the Cincinnati Chamber of Commerce filed a petition with the Commission seeking an indefinite postponement of these proceedings and made the statement in its petition that: "Cincinnati is located on the border, between the North and the South and is interested in the welfare of those territories in particular and the nation in general."

We further stated in that petition: "Cincinnati is in the center of the 'arsenal of democracy'. It is the largest producer of some of the most essential materials and articles vitally necessary for the security of the nation. It knows that its situation has changed within the recent past and that it must face vastly different conditions in the future. But what those conditions will be is something that no living person can foresee. We would certainly not like to see the freight rate structure set up for our future use, which is predicated upon conditions existing within our trade territory yesterday or even today."

We have not changed our views since our petition was filed and we do oppose any break-up of the existing class rate structures which have been built by the Commission after exhaustive and painstaking investigations, under conditions much more normal than at this time, and to which business has adjusted itself in the days gone by, and [fol. 3483] the shippers should not now, of all times, be again subjected to an upheaval in connection with one of the most important items involved in the production and distribution of commerce.

Cincinnati, for illustration, is located on the border between Southern and Northern territories. It can be said, and possibly will be stated, that Cincinnati is in a most favorable position since it has the advantage of the Southern Territory level on Southern traffic and the Official level on Official Territory traffic. But, it should be appreciated, that "Southern Territory level" does not actually mean what the term, seemingly, conveys and there is, in fact, more than one "Southern Territory level" of rates and Cincinnati has not been favored with the lower level as will be more fully shown later.

From the testimony of the proponents, it appears that this is a "destination level" proceeding of major proportions as compared with some, in comparison, of minor scope through which we have passed both formally before the Commission and informally before the rate committees of the railroads since the Southern Class Rate Investigation Case, 100 I. C. C. 513, and as amended.

It will be noted from the many exhibits which have been introduced in these proceedings that there has been, through the last ten years, a constant change in the rate structure within and to and from the South, as an illustration, through [fol. 3484] the process of decisions of the Commission or the establishment of the so-called "column" ratings on innumerable commodities.

These changes are the result of numerous factors, among which are: First, decisions of the Commission; second, competitive influences; third, Fourth Section difficulties.

In connection with the last two reasons, public hearings before the so-called "Joint Conference of Contact Committees" of the railroads have generally been held when those concerned were given opportunity to be heard. These meetings continue even to this date with a schedule of one meeting every two months at Cincinnati when representatives of all of the railroads in the territory east of the Rocky Mountains meet with the shippers interested in the rates and ratings on commodities covered by their advertised dockets. In many cases, where the rates or ratings (columns representing percentages of first-class) were not to the liking of some one or more they have reached the Commission on the formal docket. It would appear unnecessary for me to mention these many cases specifically and individually since they are of record in these proceedings and I refer to page 60 of Appendix E to Exhibit No

15 presented by Witness Morris for the Southern defendants.

In Section 3-B of Witness E. L. Hart's Exhibit No. 88 there is shown 96 different commodities which, it is assumed, [fol. 3485] are intended to be representative of the commodities moving from the South to the Official Territory on the theory that the ratings (and resulting rates) are improper since he stated at page 23 of his prepared statement that: "Section 3-B lists important commodities produced in the South.". It appears pertinent to say that Exhibit No. 15 of Witness Morris, previously mentioned, indicates that the Commission has formally passed upon the rates on 96 commodities, many of which are included in Witness Hart's Exhibit No. 88.

By Chairman Aitchison:

Q. You mean we have only passed on 96 commodities?

A. 96 of which the witness shows in this exhibit, Mr. Commissioner.. I would say that there are hundreds that the Commission has passed on. I was only referring to the 96 that Witness Morris shows in his exhibit.

In considering the applicable rates on commodities produced in the South, moving on class rates, there are two important considerations which are not at all times given the proper weight in measuring the relativity of the class rates applicable in the South and from the South to Official Territory and within Official Territory.

It should be noted first that the scale of class rates prescribed in the Southern Class Rate Investigation have been modified since the decision in that case as follows:

1. A reduced scale of class rates between points in [fol. 3486] the South for distances of 200 miles or less. These rates are compared with the prescribed class rates in Appendix A to Witness Morris' Exhibit No. 15 and there is no need for duplication here.

2. Class rates (intrastate) between points in Kentucky as covered by Intrastate Class and Commodity Rates in Kentucky, 223 I. C. C. 109.

3. Interterritorial class rates between points in Kentucky and Official Territory as covered by Commonwealth of Kentucky vs. A. & W. Railway, 213 I. C. C. 297.

4. Interterritorial class rates between Virginia and North Carolina and Official Territory as covered by North Carolina Corporation Commission vs. A. C. & Y., 213 I. C. C. 259 and Class Rates Within the State of North Carolina, 238 I. C. C. 225.

And second, that the Southern Classification ratings (in the classification) on innumerable articles are lower than on the same articles in the Official Classification. In addition, the less carload exception to classification ratings on some 3,500 items in the Southern Classification, applicable within and generally between the South and Official Territory. Examples of these ratings and the rates for a given distance will be shown later.

These lower classification ratings are of importance when the relative rate levels are considered, especially since, for [fol. 3487] the most part, a very large proportion of the heavy commodities move on specific commodity rates, or mileage scales which are relatively lower than like commodity rates or mileage scales in Official Territory.

The statement is made at page 26 of prepared statement of Witness Hart that "at least 95 per cent of the carload traffic, so far as ratings are concerned, normally moves on rates definitely related to first class rates." Just what is meant by this statement is not entirely clear. It certainly cannot mean 95 per cent of the total carload traffic moving in Southern Territory since it has been shown by exhibits of record the tonnages and revenues on the several I. C. C. Commodity groups, which indicate otherwise.

I now refer to Witness Saunders Exhibit No. 86, for the proponents, which shows the tons of freight originated in the Southern Region for 1941 as follows:

[fol. 3488]

Commodity	Tons Originated	Per Cent of Total
Bituminous Coal	54,122,680	32.27
Lumber, Shingles, and Lath	9,366,182	5.58
Manufactures & Misc., N. O. S.	5,863,307	3.50
Pet. Oils, Refined, etc.	5,949,231	3.55
Gravel and Sand	11,500,777	6.86
Pulpwood	7,094,921	4.23
Stone, Broken, Ground or Crushed	9,752,332	5.81
Fertilizers, N. O. S.	4,862,849	2.90
Phosphate Rock, Crude	6,499,938	3.88
Cement, Natural or Portland	3,761,959	2.24
Products of Mines, N. O. S.	3,706,539	2.21
Petroleum, Crude	2,812,918	1.68
Cotton in Bales	1,195,793	.71
Logs	2,327,494	1.39
Iron Ore	3,541,804	2.11

Paperboard, Pulpboard, & Wallboard	1,313,816	.78
Posts, Poles & Piling	1,325,675	.79
Tobacco, Leaf	504,052	.30
Box, Crate, & Coop. Mat.	987,685	.59
Oranges & Grapefruit	791,679	.47
Prod. of Forests, N. O. S.	1,003,724	.60

Of the Commodities listed above the following do not move on rates "definitely" related to the class rate structure:

Commodity	Per cent of total
Bituminous Coal	32.27
Lumber and Logs	6.97
Gravel, Sand, Broken Stone	12.67
Pulpwood	4.23
Iron Ore	2.11
Total	58.25

[fol. 3489] There are other commodities included among those listed in Saunder's Exhibit No. 86 which move on mileage rates or on specific commodity rates from point to point, not related to the class rate structure.

Witness Hart stated (page 26 of his prepared statement):

"A careful analysis of the ratings on various classes of traffic shown in this section, that in Section 3-B, further discounts the belief by many that the movement of carload traffic in Official Territory is preponderantly on rates in the classification proper."

[fol. 3490] I know of no one who holds to that statement.

By Chairman Aitchison:

Q. Which part of the statement?

A. The statement I quoted.

Q. Mr. Hart's prepared statement?

A. Mr. Hart's statement.

Q. Do you dispute the belief by many that the movement of carload traffic in Official Territory is preponderantly on rates in the classification proper?

A. Rates based on classification ratings in the classification.

Q. You accept that or reject it?

A. I say I know of no one that really holds to such a position.

Q. How about Mr. McCollester?

A. If I may go further I think maybe Mr. McCollester will agree with me.

On the other hand the opinion is held, and, seemingly, quite proper, that the preponderant movement of carload traffic in Official Territory is on rates which bear a relationship to the class rate structure. This may mean on the exact classification rating basis or an exception to the classification which sets a definite relationship with the class rate structure.

It seems entirely proper to include manufactured iron and steel in any consideration of such subject. While the [fol. 3491] Commission prescribed a mileage scale on manufactured iron and steel, yet that scale was predicated on the 5th class rates adjusted to take care of short-hauls and the extra longhauls. The following is taken from Witness Saunders Exhibit No. 86:

Eastern District 1941

Cars Originated	Per Cent of total cars
Manufacturers & Misc. N. O. S.	15.78
Iron & Steel, 5th Class, N. O. S.	7.57
Petroleum Oils, Refined, etc.	2.68
Autos and Auto Trucks, etc.	2.20
Scrap Iron and Scrap Steel	1.91
Automobiles (Passenger)	1.58
Fuel and Road Oils, etc.	1.47
Mill Products, N. O. S.	1.03
Machinery & Boilers	.93
Iron & Steel, 6th Class, N. O. S.	1.41
Iron & Steel, Pipe Fittings, etc.	1.21
Total	37.79

The commodities listed specifically by Witness Saunders represent 75.3 per cent of the total cars originated in the Eastern District. The remaining 24.7 per cent represents movements of commodities which are, individually, less than 1 per cent of the total. It would seem proper to add [fol. 3492] such 24.7 per cent of the total listed above of 37.79 per cent making grand total 62.49 per cent of the total carload movement in Official Territory, which moves on class rates or rates definitely related thereto.

Even if one uses the relative per cent of the commodities listed on the Saunders Exhibit, which represent 75.3 per cent of the total cars moved, then the per cent which can be stated as cars moving on rates related to the class rate structure would be 50.1 per cent, (75.3 into 37.79) of the total of 75.3 per cent.

A like comparison of cars originated in Southern Territory, also taken from Saunders Exhibit No. 86, indicates a reverse situation as shown by the following:

Commodity	Per Cent of Total Cars
Bituminous Coal	23.10
Lumber, Logs, Piling, Box Matl. etc.	11.37
Sand, Gravel, Broken Stone	8.36
Pulpwood	3.90
Fertilizers, N. O. S.	2.83
Phosphate Rock, Crude	2.66
Cement	2.15
Iron Ore	1.30
Total	55.67

In addition to those last listed above, there are others which might be included. Of the total listed commodities on the Saunders Exhibit, which represent 75.3 per cent of the total movement in the Southern Region, the commodities [fol. 3493] shown (representing 55.67 per cent of 100 per cent) equal 73.9 per cent of the commodities listed by Witness Saunders. It is quite likely that carloads originating in the South, moving on rates not bearing a definite relationship to the class rates would not equal 73.9 per cent of the total carload movement but possibly is something over 60 per cent of the total carload traffic originating in the Southern Region.

In view of that showing, one must of necessity disagree with the statement of Witness Hart on page 27 of his prepared statement when he says: "It is sufficient to say that comparisons made in these three sections clearly show that the transition in the two rate structures (Southern and Official) has brought about a rate pattern that is practically identical in both territories."

Rate Studies: In connection with Section 3-B of Witness Hart's Exhibit No. 88 the statement is made at page 23 of his prepared statement: "This exhibit, Section 3-B, lists important commodities produced in the South the level of rates on which, both territorially and interterritorially, are specifically related to the first class rates."

On pages 1 to 5 of my exhibit I have included each commodity shown on page 1 to 10 of Section 3-B of Exhibit No. 88 and have shown the ratings (which are also taken from Exhibit No. 88, except where errors were found therein) for Southern, Official and from the South to Official [fol. 3494] Territory. Opposite these ratings there is shown in column 4, rate for movement within the South for 743 miles, under the K-2 scale of Docket No. 13494; Column 5, rate for movement in Official Territory for a distance of 743 miles under the Appendix E scale of Docket No. 15879; Column 6, rate for interterritorial movement from the South to Official Territory based on an average first class rate of 198 cents per 100 pounds; Column 7, rates based on 110 per cent of the Official Territory level.

I selected 743 miles for the purpose of making rate comparisons for the reason that said distance represents the average distance of all points shown on sheet 3 of Section 2 of Witness Hart's Exhibit No. 88 wherein he shows the first class rated and distances from representative points in the South to six representative destinations in Official Territory.

An analysis of the commodities named on pages 1 to 5 will show that in a number of cases the more important commodities now enjoy rates within Southern Territory which are lower than rates within Official Territory. It will also be noted that in a number of cases the same level of rates prevails from the South as is effective in Official Territory. In some few cases rates actually lower than the Official Territory level prevails from the South to Official Territory [fol. 3495] In Paper, Official-Illinois Territories to South, 234 I. C. C. 81-95, the Commission said: "The record does not establish that complainants are unduly prejudiced. The northbound interterritorial rates are on a basis at least 10 per cent higher than those applicable within Official Territory, and the mere fact that the southbound rates exceed those in the opposite direction does not prove that undue prejudice exists. The northbound rates which had been voluntarily established by respondents were permitted by the Commission to become effective over protests filed by complainants herein."

Mention is made of the paper decision for the reason that rates from the South to Official Territory have been established on that basis and in other cases rates actually lower than 110 per cent of the Official Territory are in effect. A study of the individual commodities listed on pages 1 to 5 with the same commodities listed in Appendix E of Witness Morris' Exhibit No. 15 will show that the Commission has prescribed the basis now in effect, or something higher, in numerous instances.

It is my understanding of the testimony adduced by the proponents that they are more interested in the class rate structure since manufactured goods move on the class rates or on rates related to the class rate structure.

By Chairman Aitchison:

Q. May I go back to your preceding sentence, where you [fol. 3496] speak of Appendix E of the Morris Exhibit 15?

A. Yes sir.

Q. Were those class rates or commodity rates? We do not have the exhibit before us.

A. Those are both class and commodity, but generally they represent the commodities which are covered on pages 1 to 10 of Witness Hart's Exhibit, Section 3-B.

Q. We don't have that before us, either.

A. Well, those are on percentages or column rates and they are duplicated on pages 1 to 5 of my Exhibit No. 173.

Q. Were they published in the classification as percentages or are they part of this list of several hundred pages?

A. No, they are separate and apart from the 3500 items that I previously mentioned. They are specific commodities and generally on carloads, as is indicated on pages 1 to 5 of my exhibit.

Chairman Aitchison: All right.

The Witness: Except where I show less than carload.

A careful examination and analysis of the individual commodities and the prevailing rates thereon will indicate that the Southern shippers have at this time rates on a very favorable basis and the rate structure from the South is designed to force the use of certain raw commodities by manufacturers in the South.

[fol. 3497] For instance, the level of rates on hides from the South to Official Territory is actually higher than the level of rates on leather. Shoes produced in the South have relatively lower rates within the South and from the South to Official Territory than are applicable within Official Territory.

Of the 122 separate ratings on articles shown on pages 1 to 5 of my exhibit there are 52 which enjoy rates which are: First, actually lower than within Official Territory; second, the same as the level in Official Territory; third, based 110 per cent of the Official Territory level or closely approaching said percentage.

As to many of the remainder, there are circumstances surrounding the movements thereof which explain the rate levels or the disinterest of the actual shippers in movements to Official Territory. For instance, there is production of malt liquors in the South and the northbound level is the same as the southbound level. No shipper in Atlanta, Georgia, as an illustration, ships malt liquors to Cincinnati, but producers in Cincinnati do ship malt liquors to Atlanta.

Now, referring to packinghouse products. Such commodities are produced in the South, but the larger production is possibly by the major packers who have plants in the several rate territories. We have no knowledge of any Southern packer attempting to ship packinghouse products to Cincinnati although the rates thereon are exactly the same [fol. 3498] from the Southern producing points as are the rates from Cincinnati to their points. Cincinnati does ship packing house products to various points in the South. And in this connection, and seemingly contra-wise to the policy of keeping raw materials in the South so as to be manufactured into finished products, I direct attention to the decision of the Commission in Live Stock to and from the South, decided August 11, 1942, I. & S. Docket No. 4779 and related cases, in which the various Southern states complained under Section 1 in Docket No. 28450 (disposed of by the Commission in the decision previously mentioned), complained of the rates on live stock within the South; from the South to Official Territory; from Western to Southern Territory; and, from the West through Southern to Official Territory.

Earlier in this statement I indicated that there was more than one level of Southern Territory rates. I had reference to the northbound rates as compared with the southbound rates. In I. & S. Docket No. 4413, involving rates on wrapping paper and paper boards and which case was mentioned previously, the Commission refused to prescribe the northbound level on southbound movements. This results in relatively higher rates from Cincinnati to points in the South than are applicable from producing points in the South to Cincinnati. This is shown on page 6 of Exhibit 173.

By Com. Alldredge:

Q. That was because of the operation of the Fourth [fol. 3499] Section, wasn't it?

A. No, sir.

Q. Well, how did it come about?

A. Sir?

Q. How did it come about?

A. The Commission refused to give us the same rates southbound as the carriers had voluntarily published northbound.

Q. You mean from Cincinnati?

A. Yes, sir.

Q. You said that they could ship from the South to Cincinnati for lower rates than people in Cincinnati could ship into the South, is that right?

A. That is correct, as shown by page 6 of my Exhibit.

Q. Wasn't that caused by the observance of the Fourth Section at the border points?

A. No, sir. There is a quotation from that decision on page 10 of my prepared statement.

Page 6 shows rates from the Southern producing points, which are on the Official Territory level, and rates from Cincinnati to the same Southern Territory points. The rates from Cincinnati are on the Southern Territory level.

At page 42 of Witness Hart's prepared statement he indicates that he does not join with those who have in the past proposed the destination level theory of rate construction and under such position he would be willing to see the [fol. 3500] southbound rates, from Cincinnati, as an illustration, be made on whatever level that is applicable northbound. To this extent we join those for whom Mr. Hart speaks.

The average from the five Southern points to Cincinnati as shown on page 6 is 39.2 cents while from Cincinnati to these origin points the average rate is 49.6 cents per one hundred pounds. When consideration is given to the fact that Cincinnati must import its woodpulp from the South and Southwestern pulp mills it will be apparent as to the burden under which Cincinnati labors in trying to move paper to Southern points when it is known that these various

Southern points have pulp mills located adjacent to their paper mills.

Up to the present time Cincinnati has been able to compete on a somewhat equal basis with the Southern mills, on traffic destined to Central Territory points due to the present level of rates on woodpulp maintained by the Southern railroads in competition with the import rate on foreign pulp via Baltimore.

By Chairman Aitchison:

Q. Are those commodity rates involved here?

A. The rate that I refer to as being presently maintained as a commodity rate. I do not contend that it is directly involved here, but what the carriers plan to do will be involved here because they are making them a column rating directly related to first class.

[fol. 3501] Q. In the classification?

A. No, sir, in the exceptions to the classification.

Q. They are not involved here.

A. Maybe not directly involved.

However, the Southern railroads plan to cancel the present basis and publish rates averaging 12 cents per 100 pounds higher than the present level. This will place Cincinnati at an average rate disadvantage of from 12 to 15 cents per 100 pounds to Chicago, Illinois, as an illustration, as compared with the rates from Mobile, Alabama, to Chicago, Illinois.

It might be added that the rates from these Southern paper mill points cut-back for various distances in the South and apply as maximum to the intermediate territory. The rate disadvantage is not the whole story because the lower the water content of the woodpulp the higher the cost thereof. The paper mills located near the pulp mills are not required to remove as much water as is the case on pulp shipped to distant point.

Pages 8 to 13 of my exhibit are supplementary to pages 1 to 5. On pages 1 to 5, as previously explained, the commodities used by Witness Hart in his Exhibit No. 88 were shown. On pages 8 to 13 there has been shown commodities which are not included in the Hart Exhibit No. 88. Testimony has been given heretofore by the parties as to certain [fol. 3502] classification exception items which were published effective September 15, 1940, and which were originally covered by the I. C. C. Docket No. 28550. That investigation was discontinued. These reduced ratings were referred to in testimony by Witness Kerr for the Southern railroads and they have been shown in part by Witness Morris in his Exhibit No. 15. These numerous reduced ratings, which have been mentioned as numbering 3,500, cover a total of 132 printed pages in the Exceptions to the Southern Classification. On pages 8 to 13 of my exhibit I have selected one item from each page of the Exceptions tariff and similar treatment has been given to these items as was done on pages 1 to 5 of my exhibit.

Ratings have been shown for movements within Southern and Official Territories and rates have been indicated for a movement of 743 miles within the South and within Official Territory as was done on pages 1 to 5. There is also shown rate for a movement from the South to Official Territory as well as a rate based on 110 per cent of the Official Territory level. In connection with the items shown on pages 8 to 13 it will be noted that in 95 per cent or more of the cases the actual rates within the South are lower than within Official Territory. Further, the rates for interterritorial movements are substantially lower than the rates for equal movements within the Official Territory. Rates based on 110 per cent of the Official Territory rates would require [fol. 3503] substantial increases in the present interterritorial rates, as indicated in the last column on pages 8 to 13, with few exceptions.

With respect to the ratings and rates on pages 8 to 13 it seems pertinent to mention the fact that on every item show—it is possible for a Southern shipper, south of Cincinnati, to ship to or receive articles from Official Territory points under these ratings on a lower basis than is applied from or to Cincinnati. And the items indicated are far from complete as there has been shown only about 100 or more ratings, of a possible 2,000 or more where the same situation would prevail.

It would also seem to be in order to say, with respect to the articles included in the Southern Exceptions and which I am presently covering, that they are, generally speaking, manufactured articles or the class of merchandise that the present investigation is intended to cover. It appears unnecessary to say that Cincinnati, as one illustration, should be here complaining rather than our Southern friends.

Time has not permitted studies of the involved matters to the extent that a full and complete answer could be given to each and every allegation or statement made by those proposing drastic changes in our rate structure. The Commission will appreciate the situation faced by shippers in general during the past two years. Commercial organizations have been called upon to perform numerous added duties in the war effort. Car loading and unloading effici- [fol. 3504] ency matters; the prevention of loss and damage; and, lately, the numerous orders of O.D.T. have required an ever increasing amount of time and effort. Industry has switched from commercial production to essential materials for the war effort and the transition has called upon the ingenuity of our manufacturers who are not prone to permit anything to interfere with their movements in the direction headed. This is why we asked originally that the present investigation be indefinitely postponed and it explains why our manufacturers are not here today defending themselves from the attacks which are being made on the rate structure under which they have operated these many years.

I do have some additional studies on specific commodities and I now refer to page 14 of my exhibit. This page covers rates on brick.

By Chairman Aitchison:

Q. That doesn't move on class rates at all, does it?

A. It is copied from an exhibit already of record, your Honor.

Q. All right, it may have gotten in there, but does it move on class rates?

A. They do not.

Chairman Aitchison: Continue.

The Witness. It contains rates and distances taken from different pages of Exhibit No. 88 of Witness Hart. It [fol. 3505] clearly demonstrates the fact that the rates within the South are very much lower than the rates within Eastern Trunk Line Territory.

By Chairman Aitchison:

Q. That is the rates on brick?

A. That is right. I was referring to that particular page. It seems unnecesssary to comment further on the showing made by this page.

One other example on brick. Pages 15 and 16 of my exhibit is a study of the same character as is page 14, but covers rates within Central Territory as compared with rates within Southern Territory. Here again it is shown that the rates within the South are, mile-for-mile, lower than the rates on brick in Central Territory. It should also be noted that the rates prescribed by the Commission in I. & S. Docket No. 1885, 88 I. C. C. 543, and used by Witness Hart in his Exhibit No. 88, are not the present rates within the South. But regardless of whether one uses the I. & S. 1885 scale or the current rates, the answer is the same. The Southern brick level is the lower.

My next comparison covers cement. This is shown by page 17 of my exhibit. At 360 miles the rates within Southern and Official territories are the same, which distance represents, generally, the maximum haul. They are likewise the same at 200 miles which is the average haul within the South. They are also about the same at 160 miles which is the average haul in Official Territory. As a [fol. 3506] matter of information, I have shown the movements for May 27, 1942, within the South and Official Territory as indicated on Exhibit No. 14 of Witness Aitchison. The last specific commodity which I have covered is coke. This is shown on page 18 of my exhibit. This page compares hauls in the South for distances ranging from 59 miles to 744 miles or an average of 325 miles. The average rate within the South is $2.88 per ton as compared with $3.03 in Official Territory for an average of the points shown of 325 miles. All rates shown were taken from pages of Witness Hart's Exhibit No. 88. At the bottom of the page there is shown, for information, the movement of coal and coke within the two rate territories. Coke is now shown separately on Exhibit No. 14.

Exhibit No. 14 of Witness Aitchison offers some interesting information on carload movements. While reference might be made thereto for figures shown therein, it appeared desirable to take certain information therefrom and this has been done on page 19 of my exhibit. This page shows cars originating in Official Territory destined to Southern Territory and cars originating in Southern destined to Official Territory for May 27, 1942. It will be noted that in only one of the Commission Commodity

Groups were there more cars from Official to Southern than from Southern to Official Territory. Cars originating in the South and destined to Official Territory exceed those [fol. 3507] originating in Official and destined to Southern Territory by 4,980 cars.

The last page, No. 20 of my exhibit, is a statement showing the tons originated and revenue thereon by commodity groups for the Eastern District and the Southern Region. The figures are from Statement Q-500 for the year of 1941. There has been added the average earnings per ton for each commodity group and the per cent of the South of Official Territory earnings on the same group, and, also the average earnings for the total tons originated.

If this page is considered along with page 19 of my exhibit, an interesting picture is presented. On three of the six commodity groups, the earnings on tons originated in the South are in excess of the earnings on tons originated by Eastern District carriers. Taking all tons originated and the revenue thereon, it will be seen that the average earnings per ton in the South is $3.57 as compared with $3.80 per ton for the Official Territory, that is the Eastern District. At the same time the average haul in the South is 25 per cent greater than in Official Territory and when such fact is considered, the greater earnings per ton on the three commodity groups in the South is entirely or practically explained and indicates, generally, the lower level of rates in the South.

In conclusion, I would like to say that my study of the rate structures at this time further convinces me of the correctness of the statement of the Commission in cases [fol. 3508] decided heretofore that "the distribution of the transportation burden in Southern Territory is different than for the Official Territory." If changes in rates are made for one group of commodities it simply calls for a revision, to equalize the burden, on another group. And last, I would like it to be understood that what I have said with respect to the South versus Official Territory has equal application as regards the Southwestern and Western Territories versus Official Territory.

Mr. Chairman, I have one additional statement to make on behalf of the brick industries, just a short statement.

By Chairman Aitchison:

Q. How does the brick industry enter into it?

A. In connection with classification.

Q. Is brick classified?

A. Yes, sir.

Q. What class?

A. The different classes, according to the different kinds of brick.

Chairman Aitchison: Proceed.

The Witness: On behalf of the Ohio-Kentucky Associated Industries, consisting of manufacturers of clay products located in Southern Ohio and Northeastern Kentucky, for which organization I am traffic manager, I would like to indicate for the record that we are opposed to the proposal [fol. 3509] of the American Trucking Association as regards proposed classification formula and other suggestions offered by witnesses Jackson and Waring. The members of the Ohio-Kentucky Associated Industries produce sewer pipe, wall coping, flue lining, drain tile and various kinds of brick and related articles. They are, generally speaking, members of the American Refractories Institute and I am a member of the traffic committee of the Institute. I have been associated with the clay product industry for about 17 years.

The clay product industry is opposed to any changes in the rates or ratings on their products. The suggestions of the motor common carriers should be disregarded on clay products because, first, relatively a very small proportion of the clay products traffic is handled by the motor common carriers; second, present rates and ratings are reasonably satisfactory to the industry and the railroads; third, the ratings on these clay products are the result of many years of experience and meet the needs of the industry in general, and are fairly related to the ratings on related articles of commerce having the same general classification charateristics.

The rates on clay products do not, generally, lend themselves to a relationship with the class rate structure. By far the greatest movement of clay products are on rates made on the group and differential basis, and which have been approved in decisions of this commission.

[fol. 3510] It has been stated that the Exceptions to Classification ratings are not involved. Possibly not directly, but indirectly they are and in certain cases a specific relationship to the class rate structure has been prescribed and certainly where such is the case then the rates are involved. This is particularly true as regards sewer pipe and related articles. We object to any change in the class rate structure for this reason, among others.

By Mr. Sater:

Q. Have you any further comment to make?
A. That completes my direct testimony.

Mr. Sater: The witness is offered for cross-examination. Oh, I beg your pardon. I offer in evidence Exhibit 173.
Chairman Aitchison: Without objection, it is received.

(Exhibit 173, Witness Ellison, received in evidence.)

Chairman Aitchison: Any cross-examination? Before you begin—who is cross-examining, now?
Mr. Bee: I have a few questions, and I believe Mr. Wagner wants to cross-examine.
Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Proceed. Go ahead, then, Mr. Bee.

Cross-examination.

By Mr. Bee:

Q. Mr. Ellison, please refer to page 5 of your statement.
[fol. 3511] A. Yes, sir.
Q. You understand those 3500 classification exception items apply in the Southwest?
A. No, sir. Within the South and from the South or between the South and Official Territory.
Q. Please refer to page 10.
A. Yes, sir.
Q. Will you tell me any rate that is on the same level from the Southwest as is in effect in Official Territory?
A. No, but the page that you refer to covers paper, and paper from the Southwest to Official Territory is 110 per cent of the Official Territory level.
Q. You say, "It will also be noted that in a number of cases the same level of rates—" now, on the same page, at the bottom of the page, please, "A careful examination

and analysis of the individual commodities and the prevailing rates thereon will indicate that the Southern shippers have at this time rates on a very favorable basis and the rate structure from the South is designed to force the use of certain raw commodities by manufacturers in the South." Will you tell me where that applies in the Southwest?

A. Paper.

Q. On one commodity, paper?

A. That is the only one I can think of at the moment, Mr. Bee.

[fol. 3512] Q. Do you know of any such rates in the State of Oklahoma on paper?

A. No, I do not.

Q. Now, on page 11, "Shoes produced in the South have relatively lower rates within the South and from the South to Official territory than are applicable within Official territory." Can you tell me where that applies from the Southwest?

A. No, I can't.

Q. On the same page, "We have no knowledge of any Southern packer attempting to ship packinghouse products to Cincinnati." You do know that Southwestern packing houses attempt and do ship to Cincinnati, don't you?

A. Yes, sir.

Q. All right, then, how, please, on page 18, can you make the statement that, "I would like it to be understood that what I have said with respect to the South versus Official Territory has equal application as regards the Southwestern and Western Territories versus Official Territory."

A. Yes, sir, that is my opinion.

Q. Although none of these statements are true as between the Southwest and Official, and still the same condition exists?

A. Mr. Bee, you pick on a few commodities there. Now, if I cared and had time to do it, I could have picked out many that are moving from the Southwest that are not [fol. 3513] moving from the South.

Q. Will you tell me any rate within the Southwest or from the Southwest to Cincinnati that is on as low a basis as the rates within the Cincinnati Territory?

A. Yes, sir.

Q. One.

A. Sulphur.

Q. Is there any production in the Cincinnati Territory of sulphur?

A. There is.

Q. You are taking a commodity that must, of necessity, move from the Southwest?

A. No, I am not.

Q. Where is there any other production of sulphur except in Louisiana and Texas?

A. Well, it is imported.

Q. What?

A. It is imported.

Q. Well, it is imported through coast points somewhere?

A. It formerly was.

Q. Do you know of any now?

A. Not now.

Q. But you say, "I would like it to be understood that what I have said with respect to the South." Now, will you tell me one statement in your whole testimony relative [fol. 3514] to the South, with the exception, perhaps, of paper, that refers to the Southwest versus Cincinnati?

A. I think I did cover it. I will again, if you want me to.

Q. Just one, outside of paper.

A. I said that I made my investigation with respect to the South, and my general experience indicates to me that the same situation exists. Now, to ask me to pick on particular commodities at this time, I couldn't do that.

Q. Do you know how far a soap manufacturer located at Dallas, Texas, can ship towards Cincinnati, as contrasted with the Cincinnati soap manufacturer shipping towards Dallas?

A. I can tell you how far I think he should attempt to come towards Cincinnati, in view of the fact that we have one of the largest soap plants almost in the United States located there.

Q. How far should he come?

A. Oh, probably some place the other side of St. Louis.

Q. Well, if you found that he couldn't get into the southern part of Missouri, would you say that your conditions were equal with your conditions you speak of in the South?

A. Yes, I would still say that.

Mr. Bee: That is all.

The Witness: That is my opinion.

Chairman Aitchison: Mr. Wagner.

By Mr. Wagner:

Q. Mr. Ellison, the top of page 3 of your prepared [fol. 3515] statement, you say, "it appears that this is a 'destination level' proceeding."

A. Yes, sir.

Q. Where did you get that theory?

A. That is my conclusion, after hearing the testimony of numerous witnesses.

Q. Can you name some?

A. Well, it is just—general impression that I gathered from the witnesses testifying at Indianapolis, and this was prepared following those hearings.

Q. I notice on page 12, you say that Witness Hart indicates that he does not join those who have in the past proposed destination level theories, so it was not Mr. Hart, is that correct?

A. No, not Mr. Hart.

Q. At the bottom of page 5 you qote some language used by Witness Hart. Let me paraphrase that and see whether you agree or disagree with it. At least 95 per cent of the carload ratings or rated items normally move on rates related to first class. Would you say that is approximately correct?

A. I would say it is not correct and it isn't any different than my understanding of what he intended. The statement is not, to me—it wasn't entirely clear, and I tried to show by the commodities in Witness Saunders' exhibit [fol. 3516] that it just wouldn't fit the picture.

Q. In other words, you assumed that he meant tonnage?

A. No, carload shipments.

Q. Which is tonnage, isn't it?

A. Sure.

Q. But if he did not mean tonnage but meant ratings, items, that 95 per cent of the items——

A. Ratings and items where, Mr. Wagner? The classification?

Q. Wherever you find them, either in the classification or in the exceptions, that 95 per cent of the items rated in the classification moved on percentages of first class.

A. No, I don't agree with that and I have set that forth in my statement here, showing why that isn't true.

Q. You show tonnage, don't you?

A. Well, this represents carloads.

Q. You understand what I mean by items or ratings, don't you?

A. Well, I am not so sure, but everything I can think of, except with a relatively few exceptions, are rated in the clasification and many of those are rated in the exceptions.

Q. Yes.

A. Now, if I am thinking in terms of either one or the other, the statement that is made here, I can't agree with it.

Q. Then will you estimate approximately how many of the percent of the rated items, items or commodities that [fol. 3517] carry ratings—take furniture, for instance. It might have 30 items that are either moving on classification proper or exceptions, is that correct? Do you understand what I mean?

A. The furniture is moving on exception rating, yes.

Q. And there might be 30 or more items under the furniture description?

A. Yes.

Q. So there would be 30 items, not tonnage, items.

A. Yes.

Q. Now, if you go through the classification, you get practically all the ratings or items or descriptions of commodities, don't you?

A. Yes.

Q. Now, if you would go through the classification and treat each item separately, how many percent of the items in there would you say move on percentages or class, either in the exceptions or the classification proper?

A. Not for 95 per cent, certainly.

Q. Would you want to estimate?

A. No, I wouldn't care to do that.

Q. On page 14 of your statement you say that you have shown in your exhibit, beginning at page 8, about 100 of the possible 2,000 instances where, on September 1, 1940, exceptions were made to the clasification. How did you pick those 100 items?

[fol. 3518] A. By taking those that indicated the situation that I was trying to show; in every case where it was favorable to the South, unfavorable to Official Territory.

Q. Well, you took one item from each page, didn't you?

A. That is right, except——

Q. How did you pick that one?

A. On the basis that I explained.

Q. In other words, you picked it for the objective you were reaching, is that it?

A. Right.

Q. If, for instance, Mr. Hart shows in his exhibit 1800 or 1900 of those 2000 items, which would you consider more representative, your hundred or his 1800 or 1900?

A. I don't consider that Mr. Hart showed any 1800 or 1900 of the items that are covered by pages 8 to 13, inclusive.

Q. He shows in his exhibit 1800 and some items out of the 2000.

A. No, it is 3500 all together, and the 2000 that I am talking about, I am intimating there that there is possibly 2000 items in the 132 pages of printed matter, that I could have showed the same situation.

Q. Those are less than carload items that you show, are they not?

A. They are, yes, sir.

Q. There were 3000 less than carload or carload and less [fol. 3519] than carload?

A. 3500. I haven't counted them but I will take the word of those that have. It is 3500 items less than carload.

Q. It is my understanding 3500 included both carload and less carload, but let it stand.

On page 8, can you give us a more accurate definition for the top of the first column reading "Class rating"?

A. I have shown a percentage. 150 would mean $1\frac{1}{2}$ times first; 100 would mean first class.

Q. Is that the class rating in the South as such?

A. No.

Q. It is the exception rating, isn't it?

A. No, this is the classification rating.

Q. On page 8?

A. Yes, sir. Under the heading of which is that, what you are referring to?

Q. I say Southern.

A. Under the Southern?

Q. The first column showing that.

A. That is the Southern Exception rating.

Q. Now, on page 18 of your prepared statement you say, "If changes in rates are made for one group of commodities it simply calls for a revision, to equalize the burden, on another group." Will you cite instances where that has been done by the Commission?

[fols. 3520-3521] A. No, not offhand; but I know what would be called for in connection with any upheaval of the Southern class rate structure on the basis sought here.

Mr. Wagner: That is all.

Chairman Aitchison: Any other cross examination? (No response.) Do you have anything further in direct?

Mr. Sater: Nothing of this witness.

Chairman Aitchison: You may stand aside, then, Mr. Ellison.

The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: We will suspend until 9 o'clock tomorrow morning.

(At 10:17 o'clock P.M. an adjournment was taken to 9 o'clock A.M. the next day, being Tuesday, November 24, 1942.)

[fol. 3522]

Hotel Deshler,
Columbus, Ohio,
November 24, 1942.

Met, pursuant to adjournment, at 9 o'clock a.m.

Before Division 2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding; Hon. Walter M. W. Splawn, Commissioner; Hon. J. Haden Alldredge, Commissioner; and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances:

As heretofore noted and the following additional:

Leonard F. Mongeon, 101 West 31st Street, New York City, New York, appearing for Retailers Transportation Committee.

Theodore T. Turnbull, Tallahassee, Florida; Jerry W. Carter, Tallahassee, Florida; and T. C. Maurer, 227 West Forsyth Street, Jacksonville, Florida, appearing for Railroad Commission of Florida, and State of Florida.

Milton P. Bauman, 140 Cedar Street, New York City, New York, appearing for State of New Jersey.

[fol. 3523] Leslie Lacroix, Third and Main Building, Evansville, Indiana, appearing for Evansville Chamber of Commerce.

Frederick W. Burton, 55 St. Paul Street, Rochester, New York, appearing for Rochester Chamber of Commerce, and Association of New York Canners, Inc.

Proceedings

Chairman Aitchison: Shall we come to order.

Mr. Sater: May I proceed, your Honor?

Chairman Aitchison: Proceed.

Mr. Sater: Call Mr. McMahon to the stand, please.

J. V. McMahon was sworn and testified as follows:

Direct examination.

By Mr. Sater:

Q. Mr. McMahon, will you give the Commission your full name, please.

A. J. V. McMahon.

Q. Where do you reside?

A. Youngstown, Ohio.

Q. What is your occupation?

A. I am traffic manager of the Youngstown Chamber of Commerce, representing the industrial and commercial establishments of Youngstown, Ohio.

Q. Please tell the Commission how long you have been engaged in handling transportation and traffic matters.

[fol. 3524] A. My experience in connection with the handling of transportation and traffic matters covers 30 years, and has involved both railroad and industrial traffic work.

Q. What has been your experience, a little more specifically, with freight rates and freight rate structures?

A. Well, we have participated in practically every major rate case affecting our territory, because one of our objects is that we endeavor to protect the interests of our members in connection with the adjustment of freight rates and classification matters.

Q. Directing your attention now, to Witness Jensen's Exhibit No. 7, introduced in this proceeding, do you have any comment that you desire to make thereon?

A. Yes, sir.

Q. Please proceed.

A. Mr. Jensen made the suggestion that the State of Ohio should be split, and a dividing line established between Trunk Line Territory and Official Territory, with Trunk Line rates 5 per cent higher. We of course would not want to see that accomplished, because it would simply set up another rate barrier, affecting our interterritorial rates and the rates to Official Territory. We have keen competition with other manufacturers who are located right in Official Territory, and we certainly want to continue to maintain the parity that we have at the present time. We [fol. 3525] advocate no change in the Official Territory rates. There are other good reasons also why we would not want to see that done. Our railroads, as far as we are concerned, are primarily the Central Freight Association roads, and as far as dealing with rate matters is concerned, we do not feel that we have very much in common with the Trunk Line and the New England roads. Our interest, in other words, is in Central Territory.

Q. Comment was made in that exhibit with respect to placing the line described by Mr. Jensen at the edge of the Allegheny Mountains, the western edge of the Allegheny Mountains. What are the traffic conditions in and around Youngstown with regard to topography?

A. Why, the terrain in that territory is practically level. Some of the finest railroad systems in the country operate through that district. There are water level routes along Lake Erie, and very heavy tonnages are hauled with one engine. The ruling grade from Pittsburgh to Youngstown, Ohio, is .3 per cent. In addition to the rail service, we also have a large amount of trucking, and we have over-night service to Toledo, Ohio, and Detroit, Michigan, 225 miles away. There is no reason that we can see why the same level of rates should not apply in that district, as well as Western Ohio.

Q. Have you any other comment to make at this time, for the benefit of the record?

A. Not other than merely to say that our traffic is pre-[fol. 3526] ponderantly westbound, while the inbound traffic, merchandise traffic, originates—a good deal of it at least—in the East.

By Chairman Aitchison:

Q. You are now speaking, I presume, of course, of traffic which takes class rates,—are you?

A. Yes, sir. I would say that probably 50 per cent, or 60 per cent, perhaps, of our merchandise traffic, originates in the eastern cities, and it all would be subject to a higher basis of rates if this proposal were approved.

By Mr. Sater:

Q. Have you some further statement to make, Mr. McMahon, or does that complete your direct?

A. On that particular subject, that is all I have to say; yes, sir, but I would like to add a further comment.

Q. Proceed.

A. I have one comment to make with respect to the proposal to establish a dual scale of rates for less than carload and carload traffic. Our shippers would not favor a dual scale of rates for less than carload traffic and carload traffic. The present rates have proven very satisfactory, over a period of 11 years, and we see no reason why any such suggestion should be followed. Nor do we favor a uniform classification, either. We think that having classifications for the various territories is the better way to handle the situation. There are many commodities which are manufactured in one territory, that are not manufactured in another territory, and in our opinion they need [fol. 3527] separate treatment. We feel that exceptions are very necessary, in handling the myriad number of proposals that come before the carriers today; and that they should have that additional means of establishing rates for the handling of the traffic.

Q. If you have something further to say, please proceed.

A. Well, I just have this one further comment that I would like to make for the record, and that is this, that we feel that our class rates are already sufficiently high; they were much higher than they were after August 26th, 1920, the 40 per cent advance; and we feel that we are paying sufficient rates at this time, and that there should certainly be no increase in our class rates. I believe that is about all I have to say.

Q. Now there is just one further question, I believe, Mr. McMahon. You stated that you are representing here the Youngstown Chamber of Commerce,—Youngstown, Ohio.

A. Yes, sir.

Q. Will you please state whether or not you are also authorized to speak on behalf of the Chamber of Commerce of Toledo, Ohio.

A. Yes, sir; so far as advocating no change in the rates is concerned, I am also authorized to speak for Toledo.

Mr. Sater: That concludes the direct examination of the witness, and the witness is at this time offered for cross-examination.

[fol. 3528] Chairman Aitchison: Cross-examine. (No response.) There seems to be no cross-examination. You are excused.

(Witness excused.)

Mr. Sater: Call Mr. Brown to the stand, please.

Andrew H. Brown was sworn and testified as follows:

Direct examination.

By Mr. Sater:

Q. Mr. Brown, will you give your full name to the Commission, please.

A. Andrew H. Brown.

Q. Your residence?

A. Cleveland, Ohio.

Q. Your occupation?

A. I am transportation commissioner of the Chamber of Commerce of Cleveland, Ohio. I have occupied that position for five or six years. For 17 or 18 years prior to that time I was performing substantially the same duties as I am at the present time, although not under the same title.

Q. You were present here, and heard the testimony of Mr. McMahon; is that correct?

A. Yes, sir.

Q. The witness who just preceded you on the witness stand.

A. Yes, sir.

Q. Do you agree with his testimony?

A. Yes.

[fol. 3529] Q. How would you reconcile that statement, Mr. Brown, with the existence of the presently-constituted rate break line at the Ohio River?

A. Pardon me, Mr. Sater, but I think that there must be a gap in your list of interrogatories, there. I have not made any statement as yet about rate break lines. Answering your preceding question a little further, may I say that I agree with the statement which was made by Mr. McMahon with regard to Mr. Jensen's exhibit, in connection with the rate break line. I may have some slightly different reasons for that, however, and I would like to explain them at this time.

Q. Proceed.

A. As far as my position is concerned on breaking the Official Territory rates on any line and particularly on a line starting from Cleveland and running through Akron down to Portsmouth—I believe that is what Mr. Jensen suggested—I would have to make a certain assumption. So far in this proceeding I have found no one who is particularly concerned about the class rates within Official Territory, except possibly the motor carriers, and their rates of course are not in this case. We certainly are reasonably satisfied with them, and our carriers are not complaining about them, and no one has attacked them. Therefore I would make the assumption that the 100 per [fol. 3530] cent would be substantially the Eastern scale, if not the exact Eastern scale. Then if we broke the territory at any line, let us say, the Cleveland-Akron line, we would be faced with a five cent increase in all of our class rates and rates related thereto, directly related thereto, between Cleveland and Eastern points,—something which I do not consider justified. Now, after a very extensive hearing, in which I participated from beginning to end, including the preliminary negotiations, we broke down a rate break line which, roughly, followed the Buffalo-Pittsburgh-Wheeling line, the original Western Termini line; and we established a system of class rates, very severally increased, by the way, as compared with the former rates, the rates going into effect in December of 1931. They have proved reasonably satisfactory, and I would regard it as highly undesirable that we reestablish the rate break line. I find no physical or other reason why it should be moved west, let us say, from the Buffalo-Pittsburgh-Wheeling line, where it used to be, to a Cleveland-Akron-Huntington line. That is my statement, with regard to the rate break line, if the Commission please. Now you asked the question a moment ago as to how I reconcile that position with the existence of a rate break line at other boundaries of Official Territory.

Q. Yes.

A. I do not have to, for the reason that I do not support the existence of a rate break line if it can be shown that [fol. 3531] rate conditions do not justify it. Now if, under a proper showing, this Commission should find that the class rates within Southern Territory should be the same, precisely the same, we will say, as the Eastern Territory rates, you would have no rate break line. If they find that they should be higher, or lower, then of course you would have a rate break line, and there is no earthly way of avoiding some complications, where two different rate structures meet. Now, I want to go just a little further. A proper case, in my judgment, a proper proceeding, in which to alter a basic rate structure, is one which involves all of the rates. I cannot conceive that it is proper to change a principle of rate making, there being different principles as between Official, Southern, Southwestern and Western Territories, as has been fully described and pointed out here, without involving the entire rate structure. I have no objection whatever, however, to the elimination of a rate break line if it can be done, after a proper showing.

By Chairman Aitchison:

Q. We did not have all of the rates in the United States before us at the time we got rid of the Buffalo-Pittsburgh line, did we?

A. No, sir, you did not, but neither did you completely revolutionize a rate structure at that time. The same principles were used, but a great many difficulties were eliminated. I think that the two cases are entirely different. [fol. 3532] Q. Well, your experience has been such that you know of course that it is absolutely impossible for any tribunal whatsoever, short of heaven, to deal with all of the rates in the United States in one proceeding.

A. I think you are absolutely right about that, yes, Mr. Chairman, and I think that you have got more rates in this particular proceeding than you can handle.

Chairman Aitchison: Well, that may be. Is that all of the direct?

By Mr. Sater:

Q. Have you any further comment to make, Mr. Brown?

A. Why, I believe that is all that I wanted to volunteer, as far as my own statement is concerned. Perhaps you have some questions.

Mr. Sater: I offer the witness for cross-examination.

Chairman Aitchison: Is there any cross-examination of Mr. Brown? (No response.) There seems to be none. You are excused.

(Witness excused.)

Chairman Aitchison: Mr. Lacroix.

Leslie Lacroix was sworn and testified as follows:

The Witness: My name is Leslie Lacroix. I reside at Evansville, Indiana. I am at the present time, and have been for the past 20 years, traffic manager of the Chamber [fol. 3533] of Commerce of Evansville. All told I have had 33 years of railroad and commercial traffic experience, dealing with freight rates and traffic in general, with the exception of a short period during 1917-1918, when I was with the Freight Traffic Committee of the North Atlantic ports, which was a United States Railroad Administration law committee. In this proceeding, if the Commission please, we are asking three things. In the first place, we are asking this Commission to abolish the Illinois Classification. In the second place, we are asking for a unification of classification ratings, or a consolidated classification, if you may put it that way,—and those two requests are somewhat related. However, the Illinois classification has 7300-odd exceptions to it, and as long as the Illinois classification is published as a separate entity, those exceptions will continue to be published to it. If we have a consolidated classification, or a unification of classification ratings——

By Chairman Aitchison:

Q. What was the second thing that you said you wanted, Mr. Lacroix?

A. The second request is for a unification of classification ratings, or the publication of one classification applicable in all territories.

Chairman Aitchison: We are having considerable difficulty in hearing you up here.

The Witness: I guess I had better proceed from there [fol. 3534] on, then, in my statement. Our second request, as I stated, is related to the first request. However, the Illinois classification has exceptions published to it, more than 7300 in number, providing exception ratings on certain commodities. If the Illinois classification is maintained, then the exceptions, published at this time to that classification, will continue to published. Should a consolidated or uniform classification be adopted, however, and the Illinois classification abolished, the present Illinois exceptions, as a separate entity, will not continue to exist, except as they might be published as exceptions to the consolidated freight classification. We feel, however, that that will give us a little better control over the exceptions that are issued to Illinois shippers, than we have at the present time. Now, as our third request, we are asking for a reduction in the level of the class rates in Southern Territory. We believe that the present class rates are too high in that territory. I am speaking specifically, now, of class rates within Southeastern Territory, what is known as Southeastern Territory.

Evansville, Indiana, is situated on the Ohio River, in southwestern Indiana. It borders on Kentucky, on the south, and it is located 25 miles from the Illinois boundary line. We have manufacturers, jobbers, distributors, and a general line of firms in the jobbing business, in our city, [fol. 3535] that naturally market their products in the State of Illinois and in Southern Territory. So far as the distributors and jobbers are concerned, they are vitally interested in an equitable adjustment of rates into Illinois and into Kentucky, which two states are immediately adjacent to us. Our investigation of the Illinois classification has developed that it was established by an Illinois commission prior to the creation of the Interstate Commerce Commission. I have been unable to locate the first Illinois classification that was issued. I do, however, have with me No. '10, which was issued by the state authorities, the Illinois commission,—classification No. 10, effective in 1906. The 15th annual report of the Railroad & Warehouse Commission of the State of Illinois is dated December 1st, 1885. On page 13 thereof, in so many words, it speaks of "the revision of the classification and maximum rate schedule, indicating quite clearly that the classification was in effect prior to that time. It is our own opinion, after investigation, and from our knowledge of the situation, that there might have been in 1885 a good and just reason for the state authorities of the State of Illinois to establish an Illinois classification. The Interstate Commerce Commission was at that time not in existence, and the Illinois shippers naturally had to look to some regulatory body for protection, and they therefore turned to the Illinois [fol. 3536] authorities. That classification, in addition to publishing certain ratings on articles, also published a maximum class rate scale for application within the State of Illinois. Subsquent to 1906 the state authorities ceased to publish the Illinois classification, and the railroad committee of the Illinois Freight Association, the classification committee governing the Illinois rates, published it for account of the carriers serving the State of Illinois.

Now at the present time there is an entirely different condition existing, in so far as the protection of Illinois shippers is concerned, than that which existed in 1885. We have highways traversing the entire State of Illinois, modern highways, and we have the advent of the motor carrier, assuring speedy delivery of merchandise. Also we have the airplane coming into wider operation. The old type of water transportation on the Mississippi and

Illinois Rivers, by the packets, has been superseded by barges and tugs. The railroads have streamlined their operations. We have competition between the different types of carriers at the present time which in and of itself assures the shippers of Illinois an opportunity to obtain the best rates.

By Chairman Aitchison:

Q. Mr. Lacroix, I am wondering if we did not give some consideration to the Illinois classification in the Section-13 cases which grew out of Increased Rates 1920.

[fol. 3537] A. Yes, you did in that case, Mr. Chairman, and we obtained some revision in the rates which improved our situation. However, in that decision you did make this statement,—and I quote, as I recall it; this is the substance of it at least—that the railroad authorities could, by wise judgment in the future, so take care of the rates between Indiana on the one hand and Illinois on the other hand, shipping into the State of Illinois, as to alleviate and remove the discriminations against the Indiana shippers. That is the end of the quotation, and that is substantially the statement that was made, I believe, as far as I can recall it. That appears in the Illinois Classification Case, Ex Parte 67, 55 I. C. C. 290, decided November 8, 1919. That proceeding was an investigation which was instituted by the Interstate Commerce Commision, at the request of the Director-General of Railroads.

Q. Well, did we not also give consideration to that matter in the Section-13 cases, following the 1920 increases,—or do you recall?

A. No, Mr. Chairman, not between Indiana and Illinois—at least not to my recollection. There was involved at that time, in 1920, a situation wherein Indiana interests sought rate reductions to Missouri River cities and territory adjacent thereto. At page 303 of the Illinois Classification case, Supra, the Commission said,—and I believe, Mr. Chair-[fol. 3538] man, that this is very pertinent to this Illinois situation—"The difficulties of the situation considered in this report show one of the most forceful illustrations of the advisability or necessary for uniformity in classifications." Now as I understand it, as I read the order, the exceptions to the various classifications are not involved in this proceeding.

Chairman Aitchison: Not unless they are published in the classification itself.

The Witness: Consequently, as most of our difficulty in shipping into Illinois is in connection with exceptions to the Illinois classification, we did not bring in any commercial witnesses to testify in that regard, fearful that after they got here they might not be permitted to testify. We do feel, however, that with conditions as they are in this 20th century, with the competition that exists between all types of carriers available to the shippers in Illinois, and with the Interstate Commerce Commission in operation, there does not at the present time exist a just reason for the maintenance of the Illinois classification. As a matter of fact, as we see it, the only reason why that classification is maintained at this time is to give the shippers of Illinois, and those shippers located in Illinois Rate Committee Territory, an unfair rate advantage over their neighbors in other states adjacent to Illinois Classification Territory. [fol. 3539] The Commission should put a stop to that practice, in our opinion. Illinois Classification Territory is specifically defined in Item 5, Section 7, of the Exceptions to the Illinois and Official Classifications, published by Agent Mercer, his tariff I. C. C. No. 501. The territory includes the southern portion of the State of Wisconsin, including Milwaukee and Madison, Wisconsin, on the north; on the west is bounded by the Mississippi River, extending from Dubuque, Iowa, on the north to and including Cairo, Illinois, on the south, including West Bank Mississippi River ports; on the south it is bounded by the Ohio River, extending from Cairo, Illinois, on the west, to the confluence of the Ohio and Wabash Rivers on the east, including Paducah, Kentucky; and the eastern boundary follows the Illinois-Indiana state line, which is the Wabash River, from the Ohio River to a point approximately ten miles southwest of Terre Haute, Indiana, and thence follows an imaginary straight line from there to a point about ten miles northeast of Danville, Illinois, where it meets the New York Central line running from Danville, crossing the state line at that ten mile point, extending north, due north, to Whiting, Indiana, including points in Indiana territory located in the Chicago Switching District, and then extending north along the shore of Lake Michigan to Milwaukee, Wisconsin. Therefore it will be seen that the [fol. 3540] Illinois Classification today is an interstate classification as well as an intrastate classification. I believe that is all I have to say, now, in connection with the Illinois Classification.

Now, as to the unification of class rates and ratings, we feel that, as articles are packed alike, have the same fragility, the same weight per cubic foot, and generally speaking, the same value, there is no reason why we should not have one classification, and let the freight rates reflect the difference in transportation costs in the different territories. It would simplify the checking of rates, and we believe would be a progressive movement that might be a godsend to some rate clerks.

Now, as to the class rates, or the level of the class rates, in Southern Territory: We have been in intimate contact with that situation for the past 20 years, having participated in the Southern Class Rate Investigation, Docket No. 13494; and we feel that at that time the Southern class rates were not sufficiently reduced—the level of them, that is. The Southern carriers, in order to overcome the existing class rate level, have resorted to the practice of publishing commodity rates, less than carload and carload, and numerous exceptions to the Southern Classification. We believe that if the level of the class rates within the South were at a figure which would permit the traffic to move, except under very unusual circumstances and conditions, at the [fol. 3541] classification ratings provided in the Southern classification, there would be no necessity, except under very unusual circumstances and conditions, for the publication of commodity rates and exception ratings. The jobbers, distributors and others shipping into the South from Evansville, Indiana, are vitally concerned in a reasonable level of class rates in that territory. The only way in which we can attract assembly plants of automobiles, and distributing firms, the only way that our jobbers can maintain themselves in business, the only way that we can have, at Evansville, an active and live economic situation, is that we must have, to the fullest extent possible, a reasonable level of class rates; and we believe that the Commission should make some reduction in those rates. We are not advocating any specific reduction.

We have looked over the exhibit introduced by Mr. Jensen, and we have broken down the groupings on a map, and we note that he has split Southern Territory into two groups, a 110 per cent group and a 120 per cent group, the latter group being all of Southern Territory south of a line extending north from Memphis, Tennessee, including all of Kentucky and a portion of Carolina and Tennessee. North of that line is the 110 per cent group, and south of that line is the 120 per cent group, Central Freight Association Territory being the 100 per cent or base territory. We [fol. 3542] question the advisability of splitting Southern Territory, and believe that a uniform level of class rates should be maintained therein,—with the exception of the Florida Peninsula.

I believe that concludes my general statement on direct, but I have prepared some exhibits which I desire to submit at this time. I have been talking so long that I almost forgot about them. The first exhibit which I wish to offer is a large exhibit with a summary on the front page, showing number of articles on which the rating is lower in the Illinois Classification than in the Official Classification, as shown therein. This applies on the articles, and not on the items. May I have the next exhibit number, please, Mr. Chairman.

Chairman Aitchison: 174.

(Exhibit 174, Witness Lacroix, marked for identification.)

The Witness: The next exhibit which I wish to introduce also has a summary on the front page, showing the reverse of the picture as shown by my Exhibit No. 174 for identification, in that this exhibit shows number of articles on which rating is higher in the Official Classification, than in the Official Classification, as shown therein.

(Exhibit No. 175, Witness Lacroix, marked for identification.)

The Witness: The next exhibit which I wish to introduce is a single-page exhibit showing comparison of the first [fol. 3543] class rates applicable in Illinois Territory, Western Territory Zone-1, and Central Freight Association Territory.

(Exhibit 176, Witness Lacroix, marked for identification.)

The Witness: The next exhibit that I wish to introduce—which is the last exhibit—is a list of wholesalers, jobbers and manufacturing firms located at Terre Haute and Evansville, Indiana.

Chairman Aitchison: Just a moment. Is it necessary to have that in the record? What difference does it make to us whether a particular firm is located at Evansville or not.

The Witness: We just wanted to show the Commission that there is a vast number of them, was all.

Chairman Aitchison: Your statement, which covers it in a general way, is all that is necessary.

The Witness: Very well, then, Mr. Chairman. I will not submit this last one. I would just like to say here that I am authorized to represent the Chamber of Commerce of Terre Haute, Indiana, in so far as our request for the abolition of the Illinois Classification is concerned.

By Mr. Hughes:

Q. Pardon me, Mr. Lacroix, but I did not get that last. Did you say, the Chamber of Commerce of Terre Haute, Indiana?

A. The Terre Haute Chamber of Commerce, yes, sir, in so far as we are requesting the abolition of the Illinois Classification. The communities of Terre Haute, Vincennes [fol. 3544] and Evansville, Indiana, have been trying for a number of years very diligently to obtain some equitable basis of rates for shipping into Illinois Territory, with their competitors, like shipments by rail; but so far we have been unsuccessful to any material extent. Well, now, what is your pleasure as to this last statement, Mr. Chairman?

Chairman Aitchison: Why, I think it would be merely encumbering the record.

The Witness: Very well then. I will eliminate that. At this time I would like to offer in evidence my Exhibits Nos. 174, 175 and 176.

Chairman Aitchison: Without objection, they are received.

(Exhibits 174, 175 and 176, Witness Lacroix, received in evidence.)

Chairman Aitchison: Is that all.

The Witness: I would just like to comment very briefly, Mr. Chairman, on my Exhibit No. 176, the comparison of class rate scales. You will observe that when the shippers in Illinois elected to adopt a class rate scale, they chose the scale that had the lowest rates. In other words, they chose the C. F. A. scale, and did not choose the Eastern scale.

That is reflected in their classification. While it may not have been constructed in just that manner, nevertheless, the net result is that the Illinois Classification, where there [fol. 3545] are variations between the Illinois Classification on the one hand, and the Official and Western Classification on the other hand, is usually the lowest, lower than either the Official or the Western. By that I mean that if an article is rated lower in Official than in Western, the Illinois Classification takes the Official Classification rating; or if an article is rated lower in the Western than it is in the Official, the Illinois Classification takes the Western Classification rating. Now, as I stated before, that may not be the exact manner in which the classification has been constructed, but nevertheless the net result, as I look it over, is just exactly that. That is all I have, now, Mr. Chairman, and I am ready for cross examination.

By Chairman Aitchison:

Q. This C. F. A. scale that you mentioned here, is the Disque scale, is it?

A. Yes, sir, it is the Disque scale with the various increases and decreases—or rather, no. I beg your pardon. That has been superseded.

Q. By the Appendix E scale?

A. By the Eastern Class Rate Investigation scale, that revised the Disque scale.

Chairman Aitchison: Cross examine.

Mr. Grubbs: If the Commission please.

Chairman Aitchison: Mr. Grubbs:

[fol. 3546] Cross-examination.

By Mr. Grubbs:

Q. Mr. Lacroix, you stated, I believe, that that part of Southern Territory in which your natural market lies, is Kentucky; is that correct?

A. Why, that is true, yes, sir, in so far as our jobbers, brokers and distributors are concerned; but our manufacturing plants ship throughout the entire South.

Mr. Hughes: Pardon me, but I was not able to hear any of that last answer.

Chairman Aitchison: Read it.

(Answer read.)

By Mr. Grubbs:

Q. Now, Mr. Lacroix, where is there any disadvantage to any of the parties that you represent, in the present Southern rate structure?

A. Well, I think I can best illustrate that situation, Mr. Grubbs, by answering your question this way,—telling you what I know about the difficulty that we had in getting the Chrysler Corporation to locate its assembly plant at Evansville, Indiana. With the Chrysler plant came a Briggs Body plant, because wherever Chrysler goes, Briggs goes also. That plant nearly went to St. Louis, Missouri, instead of to Evansville. The level of rates from Evansville to the South was considered, and the level of rates from Evansville to the Southwest was also considered. The plan was to ship from either St. Louis or Evansville to the Southwest [fol. 3547] or Southeast. We would have lost that plant on the basis of a comparative survey, St. Louis versus Evansville, of the class rates to those two territories, the Southwest and the Southeast. The only reason that we did obtain those plants, the Chrysler assembly plant and the Briggs Body plant, was because Mr. Graham and his brothers had built in Evansville a Graham-Paige plant,—two plants, as a matter of fact—and one of them was suitable for Chrysler, and the location of the other one was just six blocks away, so it was suitable likewise for the Briggs Body plant. Because of that special circumstance, that housing or warehousing situation—or rather, I mean to say, that factory situation, the Chrysler plant came to Evansville; but we were informed definitely that our rates were out of line with St. Louis.

Q. But is it not true, Mr. Lacroix, that your class rates to the South are generally lower than the rates from St. Louis to the South?

A. Yes, sir, that is true, Mr. Grubbs, but that is offset by the fact that St. Louis has lower rates to the Southwest; and the only reason that we have lower rates to the South than St. Louis is because as a general rule we are closer to the South. Our rates are on the K-2 scale from Evansville to the South, and St. Louis traverses Central Freight Association or Illinois Rate Territory, in getting to the South; and many of our rates to the Southeast and to Carolina [fol. 3548] Territory are on an arbitrary over the K-2 scale, which gives them relatively a lower level of class rates, distance considered, than Evansville enjoys.

Q. The rates, however, were all prescribed from Evansville and from St. Louis by the Commission in the same proceeding; that is true, is it not?

A. Yes, sir.

Q. Now, Mr. Lacroix, there is just one other question, I believe, that I want to ask you, and that is this: I take it that you do not want the Commission in this proceeding to weaken the railroads by any action that it might take, do you?

A. Oh, not at all, sir, no, sir. I feel that you may recoup some of the loss in revenue that you would receive from a reduction in class rates, through your ability to eliminate some of the commodity rates.

Q. What rates do you have in mind, in making that statement, if any particular rates?

A. Well, I do not have any specific rates in mind. I do know this, however, that the entire Southern Territory is shot full of commodity rates. It is not like Central Freight Association Territory, where the vast preponderance of the traffic moves on class rates; and I attribute that difference to the fact that the level of the class rates in Central Freight Association Territory is such that it permits the traffic to [fol. 3549] move under those rates; while the level in the South is just the opposite.

Q. In general, then, if I understand you correctly, your thought is that we ought to increase our commodity rates and reduce our class rates; is that it?

A. I would go one step further than that, and I would say that if you increase the level of your class rates sufficiently——

Q. Just answer my question, please, Mr. Lacroix. Is that correct, or not?

A. That is not entirely correct, no, sir. I say, I would go one step further than that. I would say, if you decrease —or rather, I mean to say, if you increase the level of your class rates sufficiently, you can eliminate most of your commodity rates, except on commodities such as coal, iron and steel, pig iron and so forth, and so on,—the basic raw materials.

Mr. Grubbs: Thank you.
Chairman Aitchison: Is there further cross examination?
Mr. J. R. Bell: Just one or two questions, please.

By Mr. Bell:

Q. Am I correct, Mr. Lacroix, in understanding that Chrysler, and the other affiliated organization of which you spoke, located plants in Evansville, Indiana, because of the lower initial capital cost of establishing the plants, [fol. 3550] irrespective of the freight rate adjustment, resulting from the presence of the two buildings that you mentioned, having been already constructed in Evansville?
A. I would say that the plants were located at Evansville because they were able to obtain the buildings there very economically,—yes, sir.

Chairman Aitchison: Well now, are you cross examining on the cross examination, now?
Mr. Bell: No, I am not, your Honor. I am cross examining on his testimony.
Chairman Aitchison: Not on his direct testimony.
Mr. Bell: Let me ask one other question.

By Mr. Bell:

Q. Mr. Lacroix, I understood you to state, in your direct testimony, that you distribute your manufactured products all over the South. Is that correct?
A. Yes.
Q. Referring by that, of course, to your city of Evansville, Indiana.
A. Yes.
Q. And I also understood you to say that you desire a reduction in your freight rates into the South, in order to facilitate that distribution; is that correct?
A. Would you state that again, please.

Mr. Bell: Read it, please.

(Question read.)

[fol. 3551] A. Well, there are other reasons of course, Mr. Bell, but then, that is one of the prime reasons, I would say, yes, sir.

Q. In so doing, have you made any computation of the manufacturing plants that are already located in the South?

A. Why, to some extent, yes, sir, although the type and kind of industry that is shipping into the South, is, generally speaking, not the same kind or type of industry that is located within the South.

Q. Do you consider that a reduction of your rates into the South, facilitating the distribution of your manufactured products in the South, would tend to foster the establishment of manufacturing plants in the South?

A. Yes, sir, I do, because apparently you have based your question upon a false premise. I am not asking only for a reduction in the class rates to the South, but I am asking for an entire reduction in the level of all class rates within the South; therefore it will accrue to the benefit of industries and shippers within Southern Territory, as well as at Evansville. We are located, when we are shipping into the South, in Southern Territory, and we are governed by the Southern Classification scale, and the Southern Classification on exceptions.

Mr. Bell That is all I have.

Mr. Hughes: I have just a question or two, if the Com-[fol. 3552] mission please.

Chairman Aitchison: Well now, I think we ought to be able to confine this railroad cross examination to fewer counsel. You are all here on one side, and it is the usual practice for you to get together on your cross examination.

Mr. Hughes: I have but a question or two, sir.

Chairman Aitchison: Very well.

By Mr. Hughes:

Q. Mr. Lacroix, I understood you to say that in compiling the Illinois Classification it was the uniform practice to take the lowest rating in the Official Classification, and include it in the Illinois Classification. Was my understanding of your testimony correct?

A. No, sir, it was not.

Q. What did you say, just briefly, again, as to that, please.

A. What I said was that the net effect of what was done, produced that result, as far as the Illinois Classification is concerned.

Q. Well, it was because of that statement that I was somewhat surprised at seeing your Exhibit No. 175 here, which has the effect of negativing your other statement.

A. No, Mr. Hughes. Pardon me. This Exhibit 175 does not have the effect of negativing my previous statement, because, as I testified before, there are exceptions to that, although there are mighty few. As you see, in my Exhibit 175 there are 18 out of approximately 14,000 ratings, or [fol. 3553] 14,000 commodities in the Illinois Classification, the Official Classification and the Western Classification.

Q. Well, Mr. Lacroix, are your Exhibits Nos. 174 and 175 a complete list of the items which they purport to show?

A. Yes, sir, they are a complete list—well, not of all of the items, no, sir, but of all of the articles, they are. In other words one article may be packed in three different manners, and have a different item rating, depending upon the packaging. We have only shown the articles—that is, the commodities.

Q. And you have omitted none, then, as to these two exhibits; is that correct?

A. Yes, sir, that is right. We have endeavored to include everything. We searched the classification, and then rechecked it.

Mr. Hughes: That is all.

Chairman Aitchison: Is there further cross?

Mr. McCollester: I would like to ask the witness just one question, if the Commission please, which I will confess goes rather to the cross examination, although but slightly; and I would like to ask it merely to get the record straight. I might say to you, Mr. Lacroix, that I am counsel for the Chrysler Corporation, although not in this proceeding.

By Mr. McCollester:

Q. Is it not a fact that the Chrysler rate difficulty at Evansville was not one that arose from any relationship [fol. 3554] of class rates from Evansville and St. Louis, but was one that arose because Ford and Chevrolet had assembly plants at St. Louis, and the railroads had established low commodity rates from those assembly plants, as well as from assembly plants at Atlanta, Georgia, and Memphis, Tennessee.

A. Well, you might state it that way, yes, sir. In other words, that was one of the factors, yes, sir. However, whether it was class rates or not, whatever the rate structure was, they took into consideration the entire rate structure. Undoubtedly they considered the matter of commodity rates, but of course when we refer to commodity rates, we get right back to the very same point that I made a moment ago here, that if the level of the class rates is reduced, you can get rid of a number of the commodity rates.

Mr. McCollester: Thank you.

Chairman Aitchison: Is there any further cross examination? (No response.) Unless you have something further to offer, Mr. Lacroix, you are excused.

The Witness: No; that is all. Thank you.

(Witness excused.)

Chairman Aitchison: Shall we resume with Mr. Bell.

Charles E. Bell resumed:

Direct Examination (Cont'd).

[fol. 3555] By Mr. McCollester:

Q. Mr. Bell, when you interrupted your testimony yesterday, you had, I believe, covered in general the development of the rate structures in the North and in the South and made general reference to the different theories of those respective rate structures. You had pointed to the fact, in general terms, that the rates on raw materials and low-grade commodities had been usually made on a lower basis in the South than in the North. Have you prepared the exhibit which has been marked as your Exhibit 164 for identification, for the purpose of illustrating this fact?

A. I have.

Q. Will you please proceed, then, to comment on that exhibit.

A. Page 1 of Exhibit 164 for identification, is a comparison of mileage scales on pulpwood applicable in Southern

Territory, with those applicable in Official Territory,—and when I refer to Official Territory, I mean the Central Eastern and Great Lakes Regions, without the inclusion of New England. I do not think that the exhibit needs any particular comment. The rates are self-explanatory. There is, however, one thing that I would like to point out, and that is this, that according to the Freight Commodity Statistics, the pulpwood movement in the South in 1928 was 609,000 tons; in 1939 it had increased to 4,053,000 tons; and in 1941 it had further increased to 7,094,000 tons. In comparison, the movement in the Central Eastern and Great Lakes Regions was 679,000 tons in 1928; in 1939 it [fol. 3556] had dropped to 224,000 tons, and in 1941 it had dropped still further to 183,000 tons.

Now, taking the paper industry in the South, the items of printing paper, paper bags, wrapping paper, paper board, pulpboard, and so forth, embraced in Freight Commodity Statistics items 651, 694 and 695: In 1928 the tons originating in the Southern Region were 314,354 tons; in 1939 that movement had increased to 1,251,000 tons, or 398 per cent of the 1928 movement; and in 1941 it had increased to 1,810,000 tons, or 576 per cent of the 1928 movement. Now I can give the figures for the Central Eastern and Great Lakes Regions, but in terms of percentage, the 1939 tons originating in those territories were 76 per cent of the 1928 movement; and in 1941, 96 per cent of the 1928 movement.

Page 2 of the exhibit is a comparison of mileage scales on logs. These rates are used in publishing specific commodity rates to various manufacturing points, and they apply also on the billets and other kinds of timber used in the manufacture of furniture, and other products of the South.

Page 3 of the exhibit is a comparison of mileage scales on lumber, applicable in Southern Territory, with those in Official Territory. I want to point out here that sheet 19, section 3-D of Mr. Hart's Exhibit No. 86, I believe it is, makes comparison of Southern and Official ratings; but Mr. Hart has erroneously progressed his scale after 900 [fol. 3557] miles on the basis of one cent for each 25 miles. The Southern Compromise Lumber Scale that he refers to, and which is shown in my exhibit, was really progressed, based on one cent for each 40 miles. Now taking it, for instance, at 1150 miles, Mr. Hart's scale would show a rate of 48 cents, which is four cents higher than the correct rate.

Page 4 of the exhibit is a comparison of specific rates on pig iron, carload, from Birmingham, Alabama, to pig iron consuming points in Southern Territory, compared with similar rates from furnace points in Official Territory to pig iron consuming points in that territory. The destinations shown in my exhibit include most of the destinations which were used in the Southern Governors case, where stoves and fire hydrants are manufactured, and in addition, representative points shown in the Rand-McNally Atlas under the heading of Trading Centers, where it is indicated that iron castings or other iron articles are manufactured, or where furnaces are located.

Q. Where foundries are located?

A. Where foundries are located, yes, sir. Now on pages 5 and 6 of the exhibit are the same rates that are shown on page 4, arranged in mileage sequence.

Page 7 is a comparison of mileage scale rates on furnace material, applicable in Southern Territory. Really, they are applicable intrastate, but it has long been the [fol. 3558] custom of the Southern lines to establish special furnace material scales for the benefit of furnaces in the Birmingham, Alabama, district. It will be observed that the rates on iron ore, for example, are lower than the ex-lake rates on ore shown in section 3, from the lake ports to Youngstown and Pittsburgh,—using those points as representative. Now section 2 shows the fluxing limestone rates with representative rates in C. F. A. Territory.

[fol. 3559] The Witness: These fluxing limestone rates are shown in Section 2 of the exhibit in Official Territory. The C. F. A. coke scale, of course, is the same as it is in the South, and a comparison of that scale with the special furnace material rates in the sixth column will indicate the differences. I just merely call attention to the fact that it is the policy of the Southern lines to establish even lower than what you might call the normal scales on this furnace material.

Page 6 is a comparison of the mileage rates on scrap iron and scrap steel. There is no comment——

By Mr. McCollester:

Q. Page 8, you mean, Mr. Bell. 7

A. Page 8 it is, yes, sir. There is no need to compare any of the specific rates, but I do call attention to the fact that sheet 23 of Mr. Hart's Exhibit 86, Section 3-D— 8

Mr. Wagner: 88.

The Witness: —purports to make a similar comparison, but Mr. Hart has indicated his Official level is based upon 70 per cent of the manufactured iron and steel basis, but we have been unable to check his rates. We have taken occasion to check the rates shown in my exhibit with the rates and the basis for rates used in Official Territory, and I can say that the rates shown in my exhibits are correct.

Mr. Norman: What page were you talking about? Just a moment, what page were you talking about then?

[fol. 3560] By Mr. McCollester:

Q. What page of which exhibit?

A. Page 8.

Mr. McCollester: Page 8 of Mr. Bell's exhibit.

The Witness: Mr. Wagner called my attention to the fact that Mr. Hart's exhibit was No. 88 instead of 86.

On page 9 will be found a comparison of the mileage scales on brick in Southern Territory compared with Central Freight Association and Trunk Line Territory. The last sentence in Note B on that page, reading, "Rates on common brick are made 80 per cent of the rates shown in each scale", is in error. The rates in Official Territory were originally prescribed on common brick, 80 per cent of the rates on other kinds of brick, but in Docket 26515, the Commission authorized the increase of the common brick rates to the full 100 per cent basis, but they did prescribe the 80 per cent basis on paving brick.

Now, on page 10 of the exhibit, I have undertaken to show the specific rates on brick between points in C. F. A. and Trunk Line Territories which are shown on sheets 11 and 12, Section 3-D of Witness Hart's Exhibit No. 88, compared with rates made by use of the mileage scale in Southern Territory. In checking over the exhibit, after I got here, I found several errors in the comparison in the Southern and the rates produced by the Southern brick scale; and I would like the permission to have those cor-[fol. 3561] rections copied into the record.

Mr. McCollester: May that be done, Mr. Chairman?

Chairman Aitchison: Yes. Of course, we have 65 copies of these we have got to make corrections in.

Mr. McCollester: Yes, but the exhibits having been all distributed——

Chairman Aitchison: Can't we have this sheet reproduced and clipped to the exhibits?

Mr. McCollester: Off the record.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: All right, copy them in.

(Which corrections are as follows:)

Corrections to Page 10

In Figures in Columns Captioned

"Rates Produced by Southern Scale".

From	To	Now Reads	Should Read
Pittsburgh, Pa.	Toledo, O.	250	230
Danville, Ill.	Terre Haute, Ind.	160	130
	Toledo, O.	260	240
	Youngstown, O.	290	360
[fol. 3562]			
Brooklyn, Ind.	Detroit, Mich.	270	340
Brazil, Ind.	Pittsburgh, Pa.	190	360
	South Bend, Ind.	210	200
Canton, O.	Alliance, O.	170	90
	Cleveland, O.	190	130
	Evansville, Ind.	420	380
	Lima, O.	200	190
	Portsmouth, O.	220	230

Chairman Aitchison: On the record, now.

The Witness: Page 11 is a comparison of the mileage scales on line in Southern Territory with those in Official

Territory. I find there are some discrepancies between my figures and those shown on sheet 24, Section 3-D of Witness Hart's Exhibit No. 88. It is apparently due to the manner in which Mr. Hart has provided for the Ex Parte 123 increases. But we have checked our rates and we believe them to be correct.

By Mr. McCollester:

Q. That means you believe Mr. Hart's are in error?

A. Yes, sir. That is covered by both pages 11 and 12 of the exhibit.

Page 13 is a comparison of the mileage scales on sand, gravel, crushed stone and slag. I call attention to the [fol. 3563] fact that two scales are shown under the Southern scales, Note A, one marked "Prescribed" and the other "Present." The prescribed rates are those prescribed by the Commission in Docket 17517. The carriers have made voluntary reductions in the rates which are shown in the column headed "Present." Those comparisons also extend over on page 14.

Page 15 is a comparison of the mileage scales on fertilizer and fertilizer material applicable in Southern Territory, compared with those in Official Territory. Mr. Hart has made similar comparisons on sheet 18, Section 3-D of his exhibit, in which he has undertaken to also show the averages of the scales up to and including 900 miles. Here, again, the Southern scales on page 15 are shown as "Prescribed" and "Present," the same explanation being applicable as in connection with the sand and gravel scales on pages 13 and 14.

Mr. Hart's averages show that what he terms the normal rates, which are the prescribed rates shown in my exhibit, average 16 per cent of the K-2 scale, compared with 14.7 per cent for the C. F. A. scale and 16.3 per cent for the Trunk Line level. However, the present rates in the South are 13 per cent of the K-2 scale compared with the 14.7 per cent in C. F. A. and 16.3 per cent in Trunk Line Territory.

Q. Those per cents are per cents of the first class rates?

A. Of the K-2 first class. I have been using, in my [fol. 3564] exhibit, the percentage of the Appendix E scale. Mr. Hart used the percentage of the Appendix K-2 scale in the Southern case.

By Mr. Hart:

Q. Mr. Bell, the 13 per cent you show there is the present scale in the South and is not the scale prescribed by the Commission.

A. That is what I thought I said, Mr. Hart.

Q. Well, that is shown on my exhibit, isn't it?

A. Yes, it is shown on your exhibit.

Page 16 compares the rates on suphuric acid in tank cars. I have shown the so-called Copperhill scale and the L & N scale, which are also shown in Mr. Hart's Exhibit 88, sheet 4 of Section 3-D. I call attention, however, to the fact that the scale shown in Mr. Hart's exhibit was apparently increased 10 per cent under the Ex Parte 123 increases. As a matter of fact, the Southern carriers are using the so-called L & N scale as a basis for publishing specific rates in Southern territory, and that scale was increased only 5 per cent. Therefore, Mr. Hart's exhibit overstates the scales to that extent.

By Mr. McCollester:

Q. That is the scales in Southern Territory?

A. In Southern Territory. Now, the basis in Southern Territory provides for shipments in steel drums, 125 per cent of the scale used for tank cars and in carboys, 150 per cent.

By Mr. Norman:

Q. Is the L & N scale used to any stations except [fol. 3565] L & N stations?

A. I didn't get that, Mr. Norman.

Q. Is the L. & N. scale used to any stations except L. & N. stations?

A. Yes. That so-called L. & N. scale is, as increased 5 per cent, as I have explained, is now used for publishing specific rates in Southern Territory.

In that connection, I have been unable to check a great many of the specific rates shown on sheet 4 of Section 3-D of Mr. Hart's exhibit, and apparently it is due to the fact that the scale in Southern Territory is used for what they call workable distances and that the carriers have not yet completed the work of revising the specific rates to conform to the L. & N. scale, as revised.

May I say something off the record, please?

Mr. McCollester: Off the record.
Chairman Aitchison: Yes.

(Discussion outside the record.)

The Witness: The rates on page 17 are comparisons of specific rates on sulphuric acid between points in Official Territory as shown on sheet 2, Section 3-D of Witness Hart's Exhibit No. 88, compared with the rates made by use of the mileage scale in use in Southern Territory.

That completes the comparison of the mileage scales, but page 18 is intended to show how much more important, [fol. 3566] both in tonnage and revenue, these low-grade commodities are in the South than in the North, and as the carriers are making a lower level generally on what constitutes 33 per cent of the originated tonnage than the same level in the Great Lakes and Central-Eastern regions, in my mind it follows that they must maintain higher rates on the higher-grade traffic, a higher level of rates on the high-grade traffic.

By Mr. McCollester:

Q. Now, when you say that page 18 shows how much more important the tonnage on these low-grade commodities, low-rated commodities, is in Southern than in Official, you don't mean that the aggregate, actual tonnage of these commodities is greater in Southern than in Official, but that it bears a higher ratio to the total originated tonnage of the Southern railroads than is the case in Official Territory?
A. That is correct. The exhibit shows that in the South, the ratio is 33 per cent and in the North it is 13¾ per cent.

By Mr. Wagner:

Q. How much?
A. 13¾, 13.75.

By Mr. McCollester:

Q. Now, Mr. Bell, in connection with the testimony of record here, to the effect that the fact that average unit costs of all traffic may be the same or may be variously related in [fol. 3567] two territories does not establish that the rates on any particular portion of the traffic in two territories should be on the same levels if the transportation burden is distributed differently in the two territories both because of differences in the pattern of the rate structure and also differences in the nature of the freight moving into two territories. Have you prepared Exhibit 165——

A. I have.

Q. To show facts indicating differences in the distribution of the transportation burden in different rate sections of the country, particularly the South and the North?

A. I have.

Q. Now, will you proceed to comment upon that exhibit. Describe the way it was prepared.

A. Well, first, let me say that the amount of freight handled in each section of the country must provide revenues to maintain the railroads serving that section; and when a proposal is made to change a rate level on any part or all of traffic involved in a given territory, the Commission must consider the effect upon the balance of the traffic burden in the territory involved. If, as to certain traffic, equality of one territory with another is sought, the general rate structure will be thrown out of line unless the transportation burden is similarly d tributed in other territories. However, if there is a radical dissimilarity between given [fol. 3568] territories in the distribution of the general traffic burden, the basis for seeking to equalize the rates on one class of traffic with another ceases. This can only be determined by an analysis of the traffic handled and the proportion that each class in each territory contributed toward the total transportation burden in that territory.

A comparison of supposed average costs in given territories proves nothing as to the comparative cost of handling any particular portion of the traffic, unless the distribution of the different classes in the two territories is the same. If one territory has a larger proportion of low-grade freight than in another territory, it may serve to bring down the average costs in the former to an equality with the latter. Moreover, where there is a different composition of traffic in a given territory and the difference in the volume of the traffic of the different kinds of freight, and there is a difference in the rate stucture which distributes the transportation burden differently on one kind of freight versus another in that territory, the rate structure in that territory may be expected to contribute to the transportation burden in a different proportion than it might be expected to contribute in some other territory.

By Chairman Aitchison:

Q. What do you mean by "transportation burden"?

A. By the transportation burden I mean the amount of [fol. 3569] revenue that each character of freight or traffic contributes to the expense of the operation of the railroads in that section, wherever it is. The traffic may be distributed as between pigiron and cotton or as between merchandise traffic and fruits and vegetables. Now, as to how much each of those commodities the revenues must contribute to the expense of the operation of the road. Now, that is what I mean by transportation burden.

By Mr. McCollecter:

Q. What would be the total transportation burden?

A. The total transportation burden would be the sum total of the revenue produced as compared with the sum total of the operating expenses.

Q. In each territory?

A. In each territory.

Q. In other words, it is the total expense of maintaining the transportation machine in each territory?

A. Stated in a different way, that is correct, yes.

Chairman Aitchison: That is quite different from what he said.

Mr. McCollester: I don't think so.

Chairman Aitchison: Yes, he said it was the sum total of the revenue produced as compared with the expense, which is a ratio.

The Witness: It is the cost of maintaining, Mr. Chair- [fol. 3570] man, the transportation machine, and they can only be maintained by the revenues that are obtained from the traffic.

By Mr. McCollester:

Q. Well, the burden is the expense and the distribution of the burden is the way the revenue is provided to defray that expense?

A. I accept that as probably a better explanation. It is what I had in mind. Now, it wouldn't follow that because the average costs were the same, that the cost of handling a higher-grade manufactured product in one territory would be the same as in another, unless the traffic moved in equal proportions with all traffic in the two territories for equal distances and in the same kind of trains. Now, for the reasons I have just stated, I have considered it essential to make a thorough study of the composition and distribution of traffic in the territories involved.

By Chairman Aitchison:

Q. Pardon me, Mr. Bell. Wouldn't the traffic burden, according to your definition, vary on an individual railroad day by day?

The Witness: Read the question, please.

(Question read.)

The Witness: It would vary on an individual railroad and it would probably vary on the different railroads in the same section, but in the aggregate, in the course of a year, you would know what the average was on the different kinds of traffic; and we haven't gotten to the point where you are [fol. 3571] keeping your cost day by day.

By Mr. McCollester:

Q. Now, will you proceed with your description of the way Exhibit 165 was prepared and with your comments on that exhibit.

A. Well, as the title page shows, it was prepared in five parts, as explained on the title page. Now, the arrangement of part 1 is shown on page 1 of the exhibit, and it covers the distribution of the revenue tonnage of anthracite and bituminous coal and coke in carloads.

By Chairman Aitchison:

Q. Is it possible to take one of these commodities and treat it as typical without going through each one?

A. I am not going through each one, Mr. Chairman. I am trying to shorten it as much as I can. I do want to comment a little on coal and coke.

Chairman Aitchison: Very well.

The Witness: The figures are taken in part 1, also those in parts 2 and 3, are taken from the freight commodity statistics, which does not make separations by rate territories, with the result that rate territories are included in the same region very often. For example, the Santa Fe and Southern Pacific are included in the Central-Western region. Now, the geographical distribution of the coal tonnage, shown on sheet 4, is confined to freight originating and freight terminating in the various states, and of course [fol. 3572] doesn't afford the same kind of portrayal as is shown on sheet 2.

By Mr. Norman:

Q. Mr. Bell, may I ask you on page 3, sub-part 2 you show there. What is that? Sub-part 1, sub-part 2?

A. Part 1 of the exhibit, as is indicated on the title page, Mr. Norman, covers anthracite and bituminous coal and coke.

Mr. Norman: And sub-part 2 would be, then, the general group of commodities. I see. Thank you.

The Witness: Is that clear?

Mr. Norman: Yes.

By Com. Splawn:

Q. Is this an analysis of the traffic and the applicable rates within each of the regions or territories?

A. I don't know——

Q. An analysis of the traffic and the revenue yielded by the going rates?

A. Yes, sir. That information, as shown in part 1, covering coal and coke, and it is shown by the general commodity groups as described in the Commission's freight commodity statistics in part 2 and in part 3. Those groups are broken down to the specific commodities and commodity groups as shown in the freight commodity statistics.

Q. How does this exhibit differ from the similar exhibits produced or submitted in the Advance rate cases in an effort to show that no advance should be made in certain regions [fol. 3573] because they were already getting enough?

A. I don't recall just how those exhibits were in the Advance rate cases, but I will say that these were made without any reference to those exhibits and simply for the purpose of showing the facts as to what the tonnage and revenues are in the respective regions.

Q. If we took an exhibit like this exhibit in the Advance rate case, could we grant uniform percentage increase in the face of these facts, in the face of such an analysis as you made here?

A. Of course, you were granting an increase for the entire United States.

Q. Well, we have done that several times, but I am asking you——

A. I don't know what case you refer to.

Q. I am asking if this sort of analysis would be of any assistance to us in sustaining such an increase, such a uniform increase?

A. It wasn't prepared for that premise, Mr. Commissioner, but merely to show the situation as to the distribution of the traffic and tonnage and revenues in the respective regions.

Q. And your conclusion, from that showing, is that there should be no uniform class rate, uniformity of class rates?

A. That conclusion can be drawn and I think really should be drawn, because our contention is that, on the present conditions, that your territorial basis of rate-[fol. 3574] making must continue.

Q. My question is, couldn't you just as logically draw the conclusion in the Advance rate case that no uniform advance should be made?

A. That was strictly a revenue measure.

Q. Well, aren't you talking here in terms of revenue?

A. No, sir, we are talking about what, as I understand it, purports to be a plan where you are going to prescribe a permanent rate structure for all of the United States and without regard to any general increases which may result. It is not a revenue rate case.

Q. But if we should find such a thing possible or desirable, as you have outlined there, wouldn't we have to bear in mind the revenues of the carriers and the adequacy of the return?

A. Well, of course, I think in any general increase that you should bear that in mind.

Q. In considering relationships we have to bear that in mind, as you say. Now, the contention is being made here that there should be uniformity in classifications, and perhaps in rate levels, and you are telling us that there should not be because the consist of these freight trains in different territories is different.

A. The composition of the traffic is very, very different, yes, sir.

Mr. McCollester: Well, our point, Mr. Commissioner, goes [fol. 3575] just a little bit further than that. One of the points which we assume will be urged here in support of the claim that the class rates as a whole in the South should be no higher than the class rates in the North, is that there is *no*, as has been shown on the basis of Dr. Edwards' exhibits, no substantial difference in the unit costs per hundred pounds, per hundred miles, in the two territories. Now, this exhibit is, among other things, designed to show that the mere fact that you have average unit costs which may be computed to be the same in the two territories cannot lead us to the conclusion that the freight rate levels on any portion of the traffic, like the class rate traffic as distinguished from everything else, should be the same in the two territories, because the make-up of the total traffic upon which the carriers in each territory must rely for their total expenses vary greatly. In other words, the North has a much greater volume of coal, much greater volume of ore, much greater volume of other things. The South has different commodities, and therefore to single out, simply because the average unit cost of all traffic must be the same, single out the class rate traffic and say those should be equal would, on the basis of this showing, I think, when it is analyzed, demonstrate that either it would bankrupt the Southern railroads, or, if you accomplish uniformity by raising the class rates in Official Territory, it [fol. 3576] would subject Northern shippers to freight rates which would be excessive, considering the conditions in Official Territory.

The Witness: Shall I proceed, Mr. Commissioner?

By Mr. McCollester:

Q. Continue, Mr. Bell.

A. Well, going back to the form of the exhibit, page 36 of the exhibit shows the explanation of the state groupings found on page 4. I might call attention to the small percentage of tons originated in the states west of the Mississippi River, that is, that bituminous coal was only 5.3 per cent of the total originated in the United States, whereas, the tonnage of coal and coke originated in the Trunk Line-C. F. A. states, including those of Pocahontas, designated

Pocahontas, was 82.23 per cent of the total United States tonnage, and the total originated in the South was 12.9 per cent.

I think in any study of the traffic or distribution, coal and coke should be considered independently of other traffic, for many reasons. It is unlike any other traffic. The distribution is different. The rate structure is different. And to include it with other traffic in a comparable distribution of all freight would really make a distorted picture.

By Chairman Aitchison:

Q. You might as well take iron ore in too, don't you think?

A. I am sorry, I didn't hear that.

Mr. McCollester: Will you read that, please, Miss [fol. 3577] Reporter.

(Question read.)

The Witness: I think, Mr. Commissioner,—I started to put iron ore in there. I think you might as well take it, but iron ore is only produced, really, in two sections of the country. The Lake Superior section produces 83 per cent of the iron ore of the United States. The Alabama section produces about 7,000,000 tons but only about two and a half million tons of that moves by rail.

Q. Well, all of it, virtually, that is produced in the Lake Superior region is used in Official Classification Territory, isn't it?

A. Yes. But there is not the same distribution of iron ore. There is not the diffusion of it that there is of coal and it doesn't affect the distribution of traffic and revenues as does coal. That is one reason I left iron ore in and segregated coal.

Chairman Aitchison: Is this a convenient place to take a recess?

Mr. McCollester: All right, take a recess, Mr. Bell.

(Recess taken.)

Chairman Aitchison: Come to order, please. Off the record.

(Discussion outside the record.)

[fol. 3578] Chairman Aitchison: Proceed.

By Mr. McCollester:

Q. All right, Mr. Bell. Go ahead, please.

A. I was discussing the matter of considering coal independently of other traffic. If you include it with other traffic in a comparative distribution of all freight, it would make a distorted picture. At the same time, coal is traffic of great importance for many railroads, and constitutes a backlog of operation. For several of the railroads in the Central Eastern and Great Lakes regions, it constitutes substantially all of their tonnage. I do not think it can be ignored in comparisons of tonnage and revenues because it plays too important a part. At the same time, the production of anthracite is entitrely in eastern Pennsylvania and moves only over a few roads. There is no production of coal in New England. The tonnage shown as originating in New England is water borne coal to the New England ports. Now, computations made from statement Q-550 show that the tremendous tonnage of coal originated in the five states of Pennsylvania, West Virginia, Ohio, Illinois and Indiana was 74.56 per cent of the total tons originated in the United States. The tonnage originated in Kentucky and Virginia, Tennessee and Alabama, constituted 19.83 per cent of the United States total.

Mr. Norman: Just a minute, please, Mr. Bell.

[fol. 3579] The Witness: Yes.

Mr. Norman: Where is that? Is that on the exhibit?

The Witness: No. I have computed those figures.

Mr. Norman: Go ahead.

The Witness: Of the loadings in these nine states, 80 per cent was in the northern states and 20 per cent in the southern states. The preponderance of the Pocahontas region railroads constitutes bituminous coal, and of the total traffic originated by these three railroads, bituminous coal was 88 per cent of their originated tonnage.

By Chairman Aitchison:

Q. Mr. Bell, you were with the Railroad Administration, were you not, at the time the Pocahontas region was created?

A. Yes, sir,—no. That was in 1920, that you created that. I left the service of the Railroad Administration in June of 1920, and I think you created the Pocahontas region as the result of Ex Parte 74, did you not? That was August, 1920.

Q. It was created during federal control. Federal control ended February 28, 1920.

A. I was with the Railroad Administration during federal control, yes.

Q. Do you remember why the Pocahontas region was set up?

A. Because of the more prosperous condition of the Pocahontas region lines, as I recall it, and you were trying to work out some——

[fol. 3580] Q. Do not say "you" because the Director General did it.

A. I do not say he did it, but it was probably done for that reason. I will comment a little bit later on, on the fact that Dr. Edwards has included the Pocahontas rate territory, when there is no such animal. As I understand it, the Pocahontas region was created for recapture purposes.

Chairman Aitchison: Oh, no. It was created long before recapture was dreamed of.

The Witness: Well, that was my recollection, sir, which has been 20 years, and perhaps it is not so very good in some respects.

Chairman Aitchison: All right. It was created during federal control, and recapture did not come until the Transportation Act of 1920.

The Witness: It was my recollection, Mr. Chairman,—I, of course, am probably wrong—that it was created at the time of Ex Parte 74, which was August, 1920. However, I am probably wrong on my recollection.

Chairman Aitchison: Proceed.

The Witness: I will omit the tonnage of the coal originating on all Class 1 railroads in the different regions. That is shown in the exhibit. However, I would like to point out that the northern coal fields are located in central and eastern Pennsylvania, in practically the whole of West Virginia, in southern Ohio, in Illinois, and in Indiana; [fol. 3581] that there are also coal fields in southwest Virginia, east Tennessee, west Tennessee, in western Kentucky and eastern Kentucky, the preponderance being originated in eastern Kentucky; and that there are coal fields in Alabama.

Now, except, as I show, for 5 per cent of the tons produced or originated in the country, it is all east of the Mississippi River. There is a greater tonnage originated in the different eastern states, including C. F. A. states than in the South. In 1939 the railroads in the Central Eastern and Great Lakes regions and the Pocahontas region originated 74.86 per cent of all the bituminous coal originated by the Class 1 railroads in the United States. They handled 76 per cent of all bituminous coal tonnage handled and their revenues were 76 per cent of the total revenues received. In 1939 there were four railroads in the Southern Railway, the Louisville & Nashville Railroad, the Clinchfield, and the Illinois Central that originated 16 per cent of the total bituminous coal originated in the United States. They handled approximately 13 per cent of all bituminous coal handled and received approximately 13 per cent of all the bituminous coal revenue. The coal originated by the Illinois Central which has been separated by Dr. Edwards in his cost studies between north and south of the river, and by the Southern Railway in Indiana which he included in the Southern region figures, was [fol. 3582] marketed in Official Territory.

I would like to call attention to page 3 of exhibit which shows that these four southern railroads originated almost 100 per cent of the bituminous coal originated in the Southern region; that they originated and terminated 94 per cent; that they handled 88 per cent of the coal in the Southern region; and that their revenues were 90 per cent of the revenues on bituminous coal in the Southern region.

Now, this brings me, Mr. McCollester, to the next part of the exhibit, Part 2, consisting of 10 sheets, beginning on page 5. The title to that part I think needs no further explanation than that shown thereon. Page 6 needs no comment. It is included for information. Page 7 is a statement dealing with products of agriculture under the Commission's general commodity groups. It shows that of the total of all tonnage originated in the respective regions, by far the greatest proportion is in the Southwestern, Central Western and Northwestern region; that the Southern region is next in rank; and that with the exception of the Pocahontas region, the percentage of products of agriculture originated is the smallest in the Central Eastern and Great Lakes region. The statement also shows the percentage of tonnage handled of agricultural products to all tonnage handled, and likewise that the freight revenues were greater in the three Western regions with the exception of the tonnage handled in the [fol. 3583] New England region, the volume of which was not very great.

I would like to draw attention to the fact that much of the tonnage shown in the freight commodity statistics from which this part of the exhibit was computed, shown as originating in the Central Eastern and Great Lakes regions, actually had its origin at points west of the Mississippi River. A great deal of the grain and grain products tonnage, as we all know, is transitted, or has transit or reshipping arrangements at Chicago and Mississippi River crossings, and the freight commodity statistics credit the reshipped tonnage as being originated at the points where the reshipments were made. So that accounts to a great extent for the large tonnage originated shown for the Central Eastern and Great Lakes regions, in this exhibit, as taken from the freight commodity statistics.

Page 8 covers the group of animals and products. The percentage of tonnage originated to all tonnage originating was greater in the three Western regions than in the other regions.

By Mr. McCollester:

Q. That is page 8 you are referring to now, Mr. Bell?

A. Page 8. Page 9 shows products of mines. This discloses that with the exception of New England, whose tonnage originated was very small, the percentage of ton- [fol. 3584] nage of mines originated to total tons originated was smaller in the Central Eastern and Great Lakes regions than in all of the other regions, although the volume of the tonnage in the Central Eastern and Great Lakes regions was much greater. At the same time, the percentage of revenues received to total revenues received was greater in the Central Eastern and Great Lakes regions than in any other region except the Northwestern region, and the Northwestern region tonnage and revenues were accounted for by the heavy movement of iron ore from the Lake Superior district.

Page 10 shows the products of forest group, and that the volume of tonnage originated in the Southern region and the percentage of that tonnage to total tonnage originated, was greater than in any other region, followed in volume and percentage of tonnage originated by the Southwestern region. I direct attention to the comparisons afforded on the volume of tonnage originated in the Southern region with that in the Central Eastern and Great Lakes regions and also the comparisons of the revenues received. The exhibit shows that the Southwestern, Central Western and Northwestern regions handled a very respectable volume of products of forests.

Page 11 shows the group of manufactures and miscellaneous. I should like to call particular attention to this group of commodities, because stress has been laid by [fol. 3585] various witnesses from other territories on the volume of this class of traffic produced in Official Territory, and their assertions that the Official rate level has prevented other territories from shipping their products into Official Territory; or to put it differently, their level as compared with the Official level. Now, seemingly these witnesses conjure up in their minds a great assortment of more or less high-grade commodities. I expect later to show that it is not economically possible for the South and West to produce some of the high-grade products manufactured in Official Territory. Likewise, that it cannot economically produce some of the products of lower grades, all of which go to make up heavy volume of production in Official Territory. Here I want to deal with a mistaken idea that the manufactures and miscellaneous group is made up of high-grade manufactures, the volume of which would be magically augmented, you might say, within the Southern and Western Territories and from those territories to Official Territory by the wand of a common parity of freight rates.

I am not going to enumerate any of the figures, but I would call attention to some of the low-grade commodities in the manufactures and miscellaneous group. These will be found in Part 3 of the exhibit, pages 26 to 34, inclusive, wherein the tonnage originated of the respective commodities in the respective regions are shown. I call [fol. 3586] attention to pig iron on page 26, to scrap iron and steel, also iron and steel, rated sixth class in Official Territory, on page 27. This latter list includes the lowest manufactured grades, that is blooms, billets, and so forth;

fertilizers, on page 31; ice and cement on page 32; common brick, brick not otherwise specified and building title; also lime, plaster, sewer pipe and drain tile on page 33; furnace slag on page 34. These twelve low-grade commodities alone comprise 17 per cent of the total originated tonnage of all of the Central Eastern and Great Lakes region, 62.6173 per cent for manufactures and miscellaneous shown in Column 2 on page 11 of the exhibit.

Furthermore, as page 34 of the exhibit discloses, 14.3 per cent of the originated tonnage in the manufactures and miscellaneous group in the Central Eastern and Great Lakes region is included in the blanket term "manufactures and miscellaneous N. O. S." Under the Commission's classification on which the freight commodity statistics are based, 1,270 items are included in this list, including commodities such as animal dip, ashes, scrap bagging, wooden blocking, brick bats, brick dust, broken pottery, cement clinkers, chemical lime, cinders, N. O. S., coaltar, coaltar pitch, wooden conduits, core compound, wooden crates, cross-arms, cullet, excelsior, flower pots, flower dust, foundry facings, foundry refuse or sweepings, [fol.3587] glue scrap, junk, and so forth, through the alphabet.

By Mr. McCollester:

Q. Is that all you have on Part 2 of the exhibit, Mr. Bell?

A. I think so. Pages 12, 13 and 14 are self-explanatory and need no comment.

Q. As I understand it, Mr. Bell, Part 2 of the exhibit is designed to show the differences between the several regions in the nature of the tonnage originated and handled on the basis of the general commodity groups, is that right?

A. Part 2, yes.

Q. Now, you have broken that down further, have you not, in Part 3, to show even greater variations when you consider the specific items in the general commodity groups?

A. Yes.

Q. Is that right?

A. Yes, and the items according to their generic character also, as far as practicable to do it. I have grouped them in that way.

Q. Go on, please, with Part 3.

A. I might say also that Part 4 of the exhibit beginning on page 36 shows the tonnage originated and terminated by geographic areas for the year 1940 as shown in the Commission's Statement Q-550. The commodities are arranged in Part 4 in the same order and groups as in Part 3, and I think that Part 4 should be studied in connection with [fol. 3588] Part 3.

I want to explain that the freight commodity statistics are not adapted to the ascertainment of tonnage and revenue figures by all the respective rate territories because one or two or more railroads may traverse two or more regions, and the statistics will show that they are included in one region. On the other hand, it is possible from Statement Q-550 to assemble the originated and terminated tonnage substantially by rate territories, but it is not possible to ascertain the revenues, or by what railroads in the respective territories the tonnage is originated and handled. Q-550 also has the infirmity of showing tonnage which may be originated at some border point in a state or terminated at a border point when, as a matter of fact, it may move through other rate territories and the state in which it is shown as having originated or terminated really does not fit the picture, in so far as the transportation movement is concerned. That accounts, I think for many disparities in the tonnage figures as between Parts 3 and 4 of my exhibit, even in those instances where the grouping of the states, according to rate territories is substantially the same as the regions shown in Part 3.

Now, Parts 3 and 4 of the exhibit show that the traffic originated by the carriers in the different sections of the country differs not only as shown by the general commodity [fol. 3589] groups in Part 2 of the exhibit, but that when these general groups are broken down, there are even wider variations with respect to the specific commodities in commodity groups. I will mention just a few striking examples. The greatest tonnage of cereals originated is in Western Trunk Line and Mountain Pacific states. The greatest originated tonnage of cereal products is in Western Trunk Line states. The heaviest movement of citrus fruits originated in California, with Florida second in rank. The major portion of the domestic fruits originates in the Mountain Pacific states, including the heavy movement of deciduous fruits from California and the great movement of apples from Washington and Oregon. Domestic vegetables originate predominantly in the Mountain Pacific states, chiefly California, with the Southern states next in rank. Tropical fruits consisting almost wholly of bananas, are imported, and these importations are through the gulf ports and North Atlantic ports with some little importation through the Pacific ports. The greatest production of leaf tobacco is in the Southeastern states, cotton, cottonseed and peanuts in the Southeastern and Southwestern states. The great production of sugar beets is in the Mountain Pacific states and in the Kansas-Nebraska group. I think I have mentioned that the greatest production of iron ore is in the Lake Superior region which produces 83 per cent of the country's supply.

[fol. 3590] This ore originates chiefly in Minnesota and practically all the tonnage handled by the railroads moves to the lake ports for transshipment by vessel. The greatest tonnage of salt is originated in the three states of New York, Michigan and Ohio. Considerable quantities originate in Kansas and Louisiana, and a comparatively small tonnage in California. There is either no production in the other states, or it is negligible. Phosphate rock originates in the State of Florida and the State of Tennessee. Now, just one other example, but one of the most important, is forest products. Page 41 of the exhibit shows that out of a total of 58,000,000 tons originated in 1940, 35 per cent originated in the Mountain Pacific states, 33 per cent in the Southeastern states, 14 per cent in the Southwestern states, 9 per cent in the Trunk Line-C. F. A. state, slightly more than 8 per cent in the Western Trunk Line states and approximately 2.5 per cent in the New England states. The breakdown of this tonnage group by commodities for 1940 will be found on pages 40 and 41, and I think it would be of interest to review that movement by regions in 1939, shown on pages 24 and 25.

The tonnage and revenue figures by regions for 1939 for the commodities I have mentioned, as well as all other commodities, will be found in Part 3 of the exhibit and tons originated and terminated in 1940 in Part 4 of the [fol. 3591] exhibit. However, for the purpose of my later testimony, I would like to tax the patience of the Commission by a little discussion of three or four commodities in the manufactures and miscellaneous group. The commodities embraced in iron and steel will be found in sub groups F to O, inclusive, pages 26 to 28 of Part 3 and pages

41 and 42 of Part 4. The Central Eastern and Great Lakes region tonnage constituted 68.64 per cent of that for all regions, but constituted 20.9 per cent of the total tonnage originated in the Central Eastern and Great Lakes region exclusive of coal and coke. With the addition of the Pocahontas region, the tonnage originated, the combined total for the Central Eastern and Great Lakes and Pocahontas regions was 81 per cent of the total tonnage of iron and steel articles originated in all regions. Now, excluding pig iron, scrap iron and steel comprised in groups F and G of the exhibit, the total tonnage of iron and steel originated in the Central Eastern and Great Lakes region constituted 16 per cent of the total tonnage originated in those regions, excluding coal and coke.

On page 42 of Part 4, it shows that the tonnage of the entire iron and steel group originated in 1940 in the Trunk Line-C. F. A. states was 83.8 per cent of the United States total tons originated. With the elimination of pig iron, scrap iron and steel, the percentage was 90.5 per cent. Iron and steel constituted the greatest volume of any [fol. 3592] single commodity or commodity group handled by the railroads in the Central Eastern and Great Lakes region with the exception of coal and coke. Without exception iron and steel is the greatest revenue producing group of commodities in those three states except coal and coke.

Now, the explanation of the tremendous difference in the tonnage and revenues of iron and steel in those regions as compared with other regions is not hard to find. In those regions the furnaces or mills are in close proximity to the raw materials used in production. They are in close proximity to the great consuming markets and ports of exportation. There is the availability of water transportation, the Ohio River, the Great Lakes and the Atlantic Ocean.

Mr. Norman: Mr. Bell, will you state again what region that pertains to? I did not catch that.

The Witness: Central Eastern and Great Lakes.

Mr. Norman: Does that include New England?

The Witness: No, sir. I may mention here now, Mr. Norman, and Mr. Chairman, that I am not dealing here with any New England revenues or tonnage.

Chairman Aitchison: I did not hear you, Mr. Bell.

The Witness: I say, I am not dealing here with any New England revenues or tonnage, only the Central Eastern and Great Lakes region. Alabama is the only state in the South solely, by reason of its close proximity to raw mate- [fol. 3593] rials, can cheaply produce iron and steel. Alabama does not have the advantage of being in anything like the close proximity to the great consuming markets as the Central Eastern and Great Lakes region, and its ability to reach these markets by water is limited. I may mention parenthetically that according to the Minerals Year Book, the production of iron ore in other Southern states is negligible, the deposits not being sufficient to develop on a commercial scale. No iron or deposits worthy of mention are found in the Southwest or in the Western Trunk Line Territory except the Lake Superior region.

By Mr. McCollester:

Q. Right there, Mr. Bell, Mr. Spottswood in the course of his economic survey made the statement that 95 per cent of the available iron ore of the country was in the South and West. Do you think that is a fair statement in considering the traffic moving in Official Territory as compared with the South?

A. I think Dr. Spottswood, as I recall it, said that was in the reserves, did he not? He did not specify where it was. I am not sure about that. Anyway, the statement is utterly unfair for the purposes of this proceeding.

Q. This large volume of Lake Superior iron ore becomes traffic, to a very large extent, for the railroads in Official Territory, does it not?

A. Yes. Practically all of it is transshipped by vessel [fol. 3594] to the lower lake ports, lower Michigan and Lake Erie ports, and is either consumed at points like Gary, Indiana Harbor, South Chicago, Cleveland, Toledo and the Lake Erie ports, or it forms the supply for the western Pennsylvania and northern West Virginia and Ohio, interior Ohio furnaces. I have just gone through this question a few months ago with the Office of Defense Transportation, restricting the movement of lake coal, in order that they might have the vessels to bring the ore from the Lake Superior ports, and it was estimated that vessels for 90,000,000 tons would be needed for this season.

Q. That is, for the production of iron and steel in Official Territory?

A. Yes, in the Central Eastern and Great Lakes region.

Q. That is right.

A. Yes. The greatest production in that territory was western Pennsylvania, eastern Ohio, eastern Pennsylvania, Indiana and Illinois, in the order named. There is a lesser production in the Buffalo district, western Ohio, West Virginia, Maryland and Delaware. Many of the larger steel mills in the territory are located on the Great Lakes and navigable rivers. All of these sections are in close proximity to the greatest reservoir of coal in the United States and in which limestone and dolemite are found in abundance. These latter minerals are, of course, needed in con- [fol. 3595] nection with coke and iron ore for the production of pig iron.

The mills in the Middle District, namely, western Pennsylvania, West Virginia, eastern Ohio and the Buffalo district, can obtain iron ore by water movement on the Great Lakes or by a comparatively short rail haul; likewise Indiana and Illinois. This iron ore also affords a return loading for cars in which tremendous quantities of coal are transported to the Great Lakes for transshipment. Considerable quantities of the iron ore used by the mills in the eastern section are imported, transported by water to the North Atlantic ports, particularly from Chile. That is, of course, under normal conditions, New York, Pennsylvania and New Jersey produce considerable quantities of iron ore which totaled more than 3,000,000 tons in 1939 and more than three and a half million tons in 1940.

Now, the greatest consuming markets and areas for the manufactured iron and steel are comparatively short distances from the mills. As is the case with Chicago, it is within a stone's throw of the great steel mills in Gary and Indiana Harbor. The Great Lakes, the New York Barge Canal, the Monongahela and Ohio Rivers and the Chicago Canal in connection with the inland waterways system of the Mississippi River are available for the transportation of raw materials and manufactured products to and from [fol. 3596] the mills in these respective producing districts. On page 523 of the Commission's report in the Iron and Steel Articles case, 156 I. C. C. 517, it was stated that the markets for these steel articles are widely distributed and that the greatest volume consisting of bands, bars, plates, sheets, and so forth, is destined to be further manufactured before reaching the ultimate consumer. It follows that the most important markets are in the states where there is the heaviest use of these articles in manufacture. The report then goes on to say that 75.6 per cent of the total domestic consumption of rolled steel in the United States was consumed by the several states in Official Territory. With the exception of Michigan, the five states which are first in point of consumption, are also the heaviest producers. Michigan produces little steel itself, the consumption being due to its extensive manufacture of automobiles and parts.

Next to the Great Lakes and Central Eastern region, Alabama is the largest iron and steel producing area in the United States. I have compared figures for the Central Eastern and Great Lakes region with Alabama in Section B, Part 5, pages 47 to 50 of the exhibit, to which I shall presently refer. In Alabama, in 1939, there was produced 5,967,000 gross tons of iron ore. In 1940 Alabama produced 7,316,000 gross tons. Jefferson County, in which Birmingham is situated, produced the greatest volume of that iron [fol. 3597] ore production, in fact about 85 to 90 per cent.

Now, page 28, part 3 of the exhibit, shows that in 1939 the Southern region railroads originated only 2,074,000 tons of iron ore as compared with the production I have mentioned. The disparity between the production and the rail movement is accounted for by the fact that the greatest production of iron ore produced in Alabama, does not move by common carrier railroads. The principal furnaces are situated in the middle of the ore deposits, and utilize their own facilities in moving the ore to their furnaces. I shall not attempt to repeat in the record the figures shown on pages 27 to 50 of the exhibit, but the great disparity in the Southern tonnage and revenues with those in the Central Eastern and Great Lakes region is accounted for by the causes I have mentioned.

Now, one other thing in connection with the comparisons of iron and steel tonnage and revenues on pages 47 to 50 of the exhibit is the fact that the rate structures in the South and in Official Territory have differed substantially in that heavy loading commodities moving in volume, largely move on class rates in Official Territory, whereas, in the South they are accorded commodity rates. The present rates on manufactured iron and steel in Official Territory are based on the scale prescribed by the Commission in the Iron and Steel Articles Case, and on the whole are somewhat lower than the present fifth class rates. But my point is that for a long period of years [fol. 3598] iron and steel in Official Territory was regarded as fifth class traffic. On page 526 of the report in the Iron and Steel Articles Case, reference is made to the fact that manufactured iron and steel in carloads rated fifth class in Official Territory—that a very large volume of the movement was at fifth class rates. This was especially true of the great Middle District, Buffalo, western Pennsylvania, West Virginia and Ohio, which furnished 60 per cent of the entire production of the entire territory. Approximately half of the carload shipments of steel originated in the Middle District destined to points in Official Territory moved at fifth class rates. That rates from the Pittsburgh district to the Atlantic Seaboard territory were on a fifth class basis. At page 537 of the report it is stated that fifth class rates applied from Illinois and Indiana points to destinations east of the Indiana-Ohio state line, and with few exceptions, between Michigan and the remainder of Central Territory. Also that iron and steel between Trunk Line and Central Territory generally move at fifth class rates. However, I may say that in the Eastern Class Rate Case the Official carriers pegged their whole class rate adjustment on the prevailing fifth class rates from Pittsburgh to New York, Pittsburgh to Chicago, and Chicago to New York admittedly because iron and steel articles moved so generally on fifth class rates in such [fol. 3599] tremendous volume.

Mr. McCollester: Let me ask you this question, Mr. Bell:

By Mr. McCollester:

Q. In your opinion, does this very great difference that you have pointed out in the volume of iron and steel movement in Official Territory and in the South and in the possibility of such movement because of the presence of the raw materials in Official Territory, constitute an important distinguishing factor affecting both the pattern of the rate structure in Official Territory as distinguished from that in the South and the tonnage available to the Official carriers to defray the transportation burden in Official Territory?

A. Decidedly so.

Q. Go on, please.

A. There are just two or three other commodities in the group which I want to call attention to. One of them is petroleum products, which will be found on page 26, sub group A of Group V. The Minerals Year Book of 1940, Department of the Interior, shows that no petroleum is produced in the South except for a very limited production in Kentucky and Mississippi. However, the South is fringed with points from which petroleum products are shipped. Refineries are located at the gulfports, the South Atlantic ports, Norfolk, Louisville and other river ports. [fol. 3600] There are bulk distributing stations at practically all South Atlantic and gulf ports and at Memphis, Tennessee. The crude oil is brought by vessel to the points at which refineries are located and in some cases by pipe lines, and the pipe lines are being extended. Gasoline and other products are likewise so moved and stored pending reshipment. Petroleum products form an important part of the tonnage and revenues of the Southern region railroads, but the exhibit shows they are small in comparison with those in the Eastern district in which petroleum and gasoline are produced, as well as being brought into that territory by pipeline and tank cars. Now, let us look at the automobile group which is on page 29, Part 5 of the exhibit.

Q. You mean Part 3?

A. Part 3. Pardon me.

Q. Go ahead.

A. Items 590, 591, 592 and 593 on page 29 are comprised of passenger automobiles, autotrucks, automobiles and autotrucks, knocked down, and parts, n.o.s., and automobile and autotruck tires. Now, there are automobile assembling plants in the South, for example, at Memphis, Tennessee, Atlanta, Georgia, Charlotte, North Carolina, and Jacksonville, Florida, and also at the gateways of Evansville, Cincinnati, Louisville and Norfolk; but there has never been an automobile manufacturing plant in the [fol. 3601] South. The same may be said of other regions outside of Official Territory. Here again the Official Territory manufacturer's natural advantages of location, proximity to raw materials and semi-processed materials, water transportation from their sources of supply and also water transportation and proximity to the great consuming territory, plainly accounts for the establishment of these plants in Official Territory and the absence of these materials accounts for the lack of such plants in the South and other territories.

Chairman Aitchison: You do not attach any importance, then, to the sentimental affection Mr. Ford may have had at Dearborn when he started out manufacturing automobiles in a small way there?

The Witness: I do not recall that, Mr. Chairman.

Chairman Aitchison: I beg your pardon?.

The Witness: I do not recall it. I will be frank with you. I do not recall it.

Chairman Aitchison: He started his machine shop in Dearborn. Suppose he had been somewhere else. Suppose he had been in Milwaukee.

The Witness: Well, he started, Mr. Chairman, if you will permit me to say it, in a territory which was rich in the raw materials and other materials essential for the manufacture of automobiles, that I testified to, which you do not find in the South.

[fol. 3602] By Chairman Aitchison:

Q. Well, at the time he began manufacturing, the cost of the automobile, the finished product, was largely a labor item, was it not?

A. It was the labor item. That was probably the largest cost.

Q. The automobile industry was pretty well established in and around that section you have mentioned, particularly Detroit, before mass production came in and the labor item began to diminish in importance?

A. And they are still established there except for the assembly plants which have been established in other territories where they ship the parts of the automobiles which are manufactured at Detroit and other points into the assembly point and there assemble at the assembly point.

Q. You would leave us with the impression, as I gather your statement, that these plants were deliberately located where they were because of the proximity of these raw materials?

A. That is my judgment, sir.

Q. I am asking whether it is not a fact that the automobile industry started in an extremely humble way in the workshop of some rather poor people who happened to be working where they were, and the most important thing was the labor and not the materials; and it was not until the automobile industry was well established that the importance of materials, and particularly freight rates [fol. 3603] on materials became important, or became so marked?

A. There is one thing you have to look at, and that is the difference between that first model that Henry Ford made and the automobile, the character of the automobile, since that time. Certainly, with the modernization, you might say, of the automobile, access to the raw materials has a very important bearing upon it as well as labor. The labor situation, of course, has grown more acute in recent years than it was in the first part of the century when they first commenced manufacturing automobiles.

Mr. McCollester: You will realize, of course, Mr. Chairman, that a very large part of the Ford automobiles are now made in their finished state far from Detroit. Henry Ford has scattered assembly plants all over the map of the United States. Presumably, he is an astute enough business man so that if it would have been more economical for him to carry on his complete production from raw materials to finished automobiles, that is where he would have done it, instead of simply putting assembly plants there.

By Mr. McCollester:

Q. Go on, Mr. Bell, please.

A. The Michigan, Indiana, Wisconsin and Ohio factories are in close proximity to their supplies of steel and glass. The producers of those articles are in turn in close proximity to their raw materials. While considerable tonnage in the auto group originated in the Southern region in 1939, [fol. 3604] the greatest proportion of tonnage handled was delivered to them by their connections. Although their freight revenues were small in comparison with those of the railroads in the Central Eastern and Great Lakes region, it was a substantial part of the revenues of the Southern region railroads. The Central Eastern and Great Lakes region carriers' originated of automobiles in 1939 was 2,200 per cent of the tonnage originating in the Southern region. I might add to what I said a while ago about the question of the location of the plants, that unquestionably the matter of the distribution had a lot to do with it because there was the greatest density of population in the United States east of the Mississippi River and north of the Ohio, and with the combination of the accessibility of raw materials and the distribution within comparatively short range from these factories, I think that that rather had something to do with the location of the plants.

Chairman Aitchison: Is this a convenient point to adjourn for lunch?

Mr. McCollester: Yes.

The Witness: Yes.

Mr. Norman: Mr. Chairman, may I say something with respect to the matter we discussed this morning?

Chairman Aitchison: Off the record.

(Discussion outside the record.)

[fol. 3605] Chairman Aitchison: We will suspend until 2 o'clock.

(At 12:30 o'clock p. m., adjournment taken until 2 o'clock p. m.)

[fol. 3606]

Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock P. M.

Chairman Aitchison: Shall we proceed.

Mr. McCollester: Mr. Bell.

Charles E. Bell resumed:

Direct examination (Cont'd).

By Mr. McCollester:

Q. Mr. Bell, will you resume where you left off, please, in your discussion of your Exhibit No. 165 for identification.

A. Until a very recent date, the South has never produced commercially a ton of newsprint paper because the woods indigenous to the South have never been adapted to the process of manufacture. In the last year or two, however, it has been widely advertised that a process has been evolved for the utilization of the pine woods of the South, and, I have heard, cotton stalks also. Certain it is, however, that up to this date production has not assumed any considerable volume.

Now, treating of one more item: Items 699 and 700, page 31, Exhibit 165 for identification, cover flat glass, other than plate, and glass bottles, jars and jelly glasses. Largely for the same reasons mentioned in connection with iron and steel production, 90 per cent of the glass and glass con- [fol. 3607] tainers are manufactured in Western Pennsylvania, Northern West Virginia, Eastern and Middle Ohio, Illinois, and Indiana, where an abundance of coal, glass sand and limestone, the chief raw materials, are found in juxtaposition within or adjacent to the producing areas, and also the sodas that are used in glass manufacture. On the other hand, the great production of the heavy commercial chemicals used in almost every line of manufacture, including glass, namely the commercial sodas, has been in Official Territory, not only because it is the greatest consuming territory, but by reason of the fact that coal and salt are found in juxtaposition, or cheap hydroelectric power and gas, as substitutes for coal.

Salt is not produced in the Southern Region, but is found in large quantities in Western Louisiana. In recent years plants have been established in Western Louisiana for the manufacture of these commercial chemicals, and I believe also in Texas. There is no production of salt in the Southern Region, and while a small quantity of caustic soda is produced in the South, it is a by-product of paper manufacture in which chlorine is used.

Now, turning to page 46 of the exhibit: This page is designed to carry further the differences between the North and the South in the character of their respective freight movements of the commodities in the Manufacturers & Mis- [fol. 3608] cellaneous group. There are 12 commodities shown in section 1 on this page which are in the nature of low-grade heavy-loading commodities. On these the carriers in the Southern Region have seen fit to maintain rates on a level generally the same as or lower than the level of rates in Official Territory.

Section 2 of page 46 shows the four commodities which I have previously discussed, which constitute an important portion of the traffic in the Central Eastern and Great Lakes Regions, and which, in the nature of things, cannot be originated in similar volume in the South. If we eliminate from the total Manufactures & Miscellaneous the tonnage of the 12 low-grade commodities and of the four commodities last referred to, there remain in the South only commodities in the Manufacturers & Miscellaneous group which are comprised of the more highly-graded commodities, and these constitute only 17.83 per cent of the total tonnage originated by the carriers in the Southern Region, excluding coal and coke.

Now, when we make the same elimination in the Central Eastern and Great Lakes Regions, there remain articles in the Manufactures & Miscellaneous group which constitute 28.52 per cent of the total tonnage originated by those carriers. In other words, the Southern railroads necessarily handle only a small volume of commodities in the four groups listed in section 2, on page 46, and having elected to maintain rates no higher, and generally lower, on the low-[fol. 3609] grade manufactured commodities shown in Section 1 of the statement, and further, having left Manufactures & Miscellaneous commodities representing only 17.83 per cent of their total tonnage, they must necessarily charge relatively higher rates on the latter than are charged by the carriers in the Central Eastern and Great Lakes Regions, which, for a balance of 28.52 per cent of their total originated traffic, represented by these remaining Manufactures & Miscellaneous commodities, have a large volume of the commodities shown in section 2, with generally higher rates on the low-grade commodities in section 1.

Now referring to part 5 of Exhibit No. 165, beginning at page 51. This statement is designed to show that proportions of the low-grade heavy-loading freight are very different in the two territories. This is important because with the low-grade heavy-loading commodities constituting a greater proportion of the total traffic in the South, on which the railroads in the South have elected to accord relatively lower rates, these railroads must, of course, maintain a higher level of rates on their much smaller proportion of the higher-grade manufactured commodities.

The first group of commodities on page 52 is comprised of ten of the lowest-grade commodities handled in transportation. The second group is of somewhat higher-grade but in the category of low-grade tonnage. Some of the high-[fol. 3610] lights afforded by the comparisons contained in this statement are, first, that the actual tonnage originated of the first group of commodities was greatly in excess of the corresponding tonnage originated in the Central Eastern and Trunk Line Regions. That is, they constituted 34 per cent of all tonnage originated in the Southern Region, and only 9 per cent of all tonnage originated in the Central Eastern and Great Lakes Regions, notwithstanding the fact that, as is shown on page 5 of Exhibit 165, the mileage in the Southern Region was only 38,195 miles as compared with 49,677 miles in the Great Lakes and Central Eastern Regions. Also the fact that, excluding iron ore from the tonnage handled in the respective regions—see subsection D, page 54—the remaining nine commodities constituted 22.95 per cent of the tonnage handled by the Southern Region compared with but slightly little more than 5 per cent in the Central Eastern and Great Lakes Regions. It also shows that freight revenues on the remaining nine commodities constituted only 6.64 per cent of total revenues of Southern Region.

Now I think that I have already stated that the great bulk of the iron ore tonnage in the Central Eastern and Great Lakes Regions which, by the way, was more than 28,000,000 tons originated, did not actually originate in the Central Eastern and Great Lakes Regions, but consisted of ex-lake ore from the Lake Superior District.

[fol. 3611] By Chairman Aitchison:

Q. Did you say, 28,000,000 tons of iron ore?

A. I said, Mr. Chairman, the great bulk of the iron ore tonnage in Central Eastern and Great Lakes Regions, which it is shown was over 28,000,000 tons——

Q. In column 1-b, you show 2,800,000 tons.

A. —did not actually originate in Central Eastern and Great Lakes Regions but consisted of ex-lake ore from the Lake Superior District.. According to subsection C, column 1-b, page 54, it was included in the tonnage originated and terminated, and tonnage received and terminated from connecting lines; but, Mr. Commissioner, if you will look at page 52, you will find that only 2,828,000 tons are shown as actually originating in the Central Eastern and Great Lakes Regions. Now if will look over on page 53, Mr. Chairman, under the heading of tonnage received from connecting lines, you will find that there were 35,108,229 tons; and in the next column, 2-b, or under the next heading, you will find that 28,434,914 tons of that were terminated by the receiving line. Now I do not know whether I have made it exactly plain or not, but that tonnage of 28,000,000 plus tons is not shown on page 52 as originated tonnage. It was actually handled from the Great Lakes ports—at least the great bulk of it was—and is therefore shown as tonnage received from connecting lines.

[fol. 3612] By Mr. McCollester:

Q. Well, the point is this, is it not, Mr. Bell, that the figure of 28,819,000 tons to which you have referred in your earlier testimony, is tonnage originated and terminated, and tonnage received from connections.

A. Yes.

Q. Whereas the figure of 2,828,000 tons shown in column 1-b on page 52 of your Exhibit 165, to which the Chairman has referred, is limited to tonnage originated.

A. Yes, sir—on page 52, tonnage originated.

Q. Yes.

A. And that is only the tonnage which is shown in the Freight Commodity Statistics, and was originated by the Central Eastern and Great Lakes Regions lines; but it is shown, as I said, in column 1-b on page 53 of this exhibit, that they received something over 35,000,000 tons from connecting lines; and in column 2-B, on that same page, that they terminated 28,434,000 tons of it; and as I said, that consisted of ex-lake iron ore.

Mr. McCollester: I think that explains it.

The Witness: Now, the originated tonnage of all commodities in both groups of commodities shown in the statement constituted 57.65 per cent of the total tonnage originated in the Southern Region compared with 29.5 per cent in the Central Eastern and Great Lakes Regions; and 40.8 per cent of the total tonnage handled in the Southern Re- [fol. 3613] gion compared with 23.75 per cent in the Central Eastern and Great Lakes Regions, iron ore excluded. Now, the revenue on all commodities included in the statement was 21.65 per cent of the total revenues of the Southern Region compared with 13.4 per cent in the Central Eastern Region, iron ore excluded.

On page 55 of the exhibit the tonnage and revenue figures are shown for what are generally considered as the low-grade commodity groups, namely, Products of Agriculture, Products of Mines, and Products of Forests. To these groups are added the 12 low-grade commodities embraced in the Manufacturers & Miscellaneous group. The statement then shows the remaining tonnage and revenues in the general Manufactures and Miscellaneous group to which are added the figures for the Animals & Products group.

The tonnage and revenues of less than carload traffic are shown at the next to the bottom line of the statement as information.

Now the purpose of this statement is to make a comparison of tonnage and revenues on what is generally considered to be low-grade freight, as distinguished from freight of the higher grades although the 12 items of low-grade manufactures by no means constitute all of the low-grade commodities in that group.

By Mr. McCollester:

Q. Does that conclude, now, Mr. Bell, your discussion of your Exhibit No. 165?
[fol. 3614] A. Yes, sir.

Q. In connection with this matter of the different distribution of the so-called traffic burden to different characters of traffic in the two territories: Do you have any comment to make with respect to Dr. Aitchison's Exhibit No. 14?

A. My only comment is with respect to the inclusion of commodities in what Dr. Aitchison has designated on page 4 of her exhibit, and in the table shown on page 5 thereof, as Class Rate Group and the commodities included in the designation Commodity Rate Group. At page 3 of Exhibit 14, or in connection with that page, Dr. Aitchison testified that the groups were made with reference to the list of commodities in Appendix 2 to the tentative order in Docket No. 28300 dated September 25th, 1940, in an effort to keep similar classes of traffic together, and at the same time to segregate those moving generally on commodity rates, as indicated in the list contained in that appendix; enumerating, however, some exceptions and the reasons therefor. The witness repeated her statement, in substance, in her cross examination, by Mr. Hughes, shown at pages 327-329 of the record. I understand from page 3 of Exhibit No. 14, and from Dr. Aitchison's answers to Mr. Hughes, that the Commodities enumerated in Appendix 2 to the proposed order of September 25th, 1940, were considered as commodity traffic, and that other traffic, with the exception of [fol. 3615] the specified items named on pages 3 and 4 of Exhibit 14, was considered as class rate traffic. I have examined the list of commodities in Appendix-2, and I have also examined the list of commodities not included in that Appendix which under Dr. Aitchison's compilations were considered as class rate traffic. From my own knowledge of the tariffs and of the commodities so included, I can state that the great volume of the movement is on commodity rates and not on class rates. For example, practically the entire movement of fresh fruits and vegetables, in the Products of Agriculture group, is on commodity rates. A substantial volume of the commodities under the Animals and Products list moves on commodity rates, on exceptions and column rates, including green hides, live poultry, and also much of dairy products, if I remember correctly. Now, in the Forest Products list, there is a great volume of the commodity of rosin, if not most of it, as I understand it, that moves on commodity rates. I recall, when I was in the railroad business, that all of it moved on commodity rates, and I believe that the same thing is true today. Now a large proportion of the commodities in the Manufactures & Miscellaneous group, move altogether on commodity rates, or column rates, including cottonseed oil, blackstrap molasses, pig iron, and iron and steel articles, rated 6th class; also iron and steel articles rated 5th class.

[fol, 3616] By Chairman Aitchison:

Q. Are they rated in the classification?

A. They are included in the classification, yes, Mr. Chairman, but they are either given column rates, or commodity rates by exceptions, or by special commodity tariff. For instance, iron and steel articles, rated 5th class, are usually published in a separate tariff. Rails and fastenings are accorded commodity rates, or column rates; also cast iron pipe, furniture, fertilizers, scrap iron and steel,—just to mention some of the commodities which I happen to be familiar with.

By Mr. McCollester:

Q. Now, Mr. Bell, will you please proceed to take up and explain your Exhibit No. 166.

A. On the title page of my Exhibit 166 there is indicated the general information that is included and contained in the exhibit. Following the title page, page 1 of part 1 indicates the territorial allocation of railroads in Witness

Edwards' Exhibits 3 and 10, as referred to in sections 1, 2 and 3, on the title page.

As appears on pages 9 and 14 of Dr. Edwards' Exhibit No. 2, his cost data includes within what he has designated as Pocahontas Territory, the total operations of the Chesapeake & Ohio, Norfolk & Western, and Virginian Railways, which are the greatest coal-orginating railroads in the United States. Now, as a matter of fact, there is no such [fol. 3617] thing as a Pocahontas Territory. Except for 238 miles of the Norfolk & Western system in Southern Territory, the entire mileage of the three railroads is in Official Territory, and the Commission found that it was in Official Territory in the Eastern Class Rate Investigation. Although 587.9 miles of the Chesapeake & Ohio is in Kentucky, that portion was included in official Territory in the Eastern Class Rate Investigation.

With the exception of the 238 miles of the Norfolk & Western traversing Southern Territory, operating costs on these railroads are the lowest in the country. The effect of excluding them from Eastern Territory overstates the costs shown in Dr. Edwards' exhibits for Eastern Territory. The total average freight mileage operated by these three railroads in 1939 was 5820 miles. The tonnage originated and handled by them, and their freight revenues, are shown in Subsection B, page 2, of my exhibit.

Even if we should carve out of Official Territory and Southern Territory, a Pocahontas rate territory, consisting of Virginia and West Virginia, as Dr. Edwards has done in his Exhibit 10, as Subsection A, page 2, of my Exhibit No. 166 shows, the Chesapeake & Ohio operates 734 miles in Central Freight Association Territory, 230.3 miles of which is the line from Portsmouth to Toledo, Ohio, and 285.2 miles, the line from Cincinnati to Chicago. [fol. 3618] It also shows that the Norfolk & Western operates 262 miles in Central Freight Association Territory, including 99 miles from Portsmouth to Columbus, Ohio, and 163 miles from North Kenova to Cincinnati.

Out of 41,000,000 tons of bituminous coal originated by the Chesapeake & Ohio in 1939, 27,318,000 tons of it moved to or through Central Freight Association Territory and was transported over the line of the Chesapeake & Ohio from Portsmouth to Toledo, or the line from Cincinnati to Chicago. The preponderance of the movement, as I happen to know, was over the Portsmouth-Toledo line, including lake-billed coal and coal destined to Ohio and Michigan. Out of 36,647,000 tons originated on the Norfolk & Western, more than 24,000,000 tons moved over the line from Portsmouth to Columbus, or the line from North Kenova to Cincinnati. The great preponderance moved over the Portsmouth-Columbus line.

We see, therefore, that even if there should be a Pocahontas Rate Territory of the character that Dr. Edwards has indicated, the portions of the Chesapeake & Ohio and Norfolk & Western actually operated in Central Freight Association Territory would transport more than 51,000,000 tons of bituminous coal. But he has not given the Eastern Territory any credit for this tonnage handled at lower operating costs than for any of the railroads he has included in Eastern Territory. This does not take into account coal delivered to the Chesapeake & Ohio and [fol. 3619] Norfolk & Western by the Virginian Railway which is transported over the Central Freight Association portions of their lines; nor does it take into account any part of the general traffic other than coal handled over the Central Freight Association lines.

Now on page 3 of the exhibit, section 3, are shown the railroads and portions of railroads, other than the Chesapeake & Ohio, Norfolk & Western and Virginian, which I consider as having been improperly included in Southern Territory in Dr. Edwards' Exhibit No. 2.

By Chairman Aitchison:

Q. What page?

Mr. McCollester: 3.

A. On page 3, section 3. The first road shown is the Richmond, Fredericksburg & Potomac, which, while it is designated as being in the Pocahontas Region, is actually in Official Territory, and is a very important bridge line extending from south of Washington, D. C., to Richmond, Virginia. The next line to be shown is the Southern Railway, which Dr. Edwards has included in Southern Territory, but there are 429 miles which are operated in Virginia, which is in Official Territory. The line from New Albany to St. Louis, which is 410 miles in round figures, Dr. Edwards has included in Southern Territory, but he has included the portion of the line of the Louisville & Nashville Railroad which is in Official Territory, as being in Eastern Territory. I call attention to note 3 in that connection, that Dr. Edwards' Exhibit No. 2 includes [fol. 3620] operations of the Louisville & Nashville Railroad "in the State of illinois extending roughly between East St. Louis and McKeansboro, Illinois." Doubtless he meant McLeansboro. At any rate, he has not included the line from McLeansboro to Evansville, and without the inclusion of that line, you could not possibly connect up that part of the Louisville & Nashville Railroad with its main line. Now, the Mobile & Ohio Railroad is included in Southern Territory, although 151 miles of that line are north of Cairo, Illinois; and I call your attention to the fact that on page 12, table 3, of Edwards' Exhibit 10, 12.24 per cent of the tonnage originated and terminated on the Mobile & Ohio is credited to the State of Illinois.

Mr. McCollester: Right here, Mr. Bell, I believe that Commissioner Alldredge wants to ask you a question.

The Witness: Pardon me.

By Com. Alldredge:

Q. I just wanted to ask you, Mr. Bell, if the records of the carriers are kept so that you can make such a separation as you suggest.

The Witness: Will you repeat that please, Mr. Reporter.

(Question read.)

A. Well, Mr. Commissioner, Dr. Edwards asked the carriers to make certain separations so that he could get, as I understand it, at the separation by territories. Now he asked the Louisville & Nashville Railroad, as I under-[fol. 3621] stand it, to give him a separation as between its lines in Official Territory, and the South; but it seems that the Louisville & Nashville only furnished him the line from Louisville to McLeansboro. Now, he asked the Illinois Central in his Form-B questionnaire, I believe, to make a separation of its different portions, that part of south of the Ohio River, and that part west of the Mississippi River, and the Illinois Central furnished the information. Now what I do not quite understand is that, taking a line like the Southern Railway, he did not ask the

6

Southern Railway to make a separation of its lines in Official Territory, just as the Louisville & Nashville Railroad was requested to make a separation, and just as the Illinois Central was requested to make a separation. It is just such things as that, that have given rise to so much controversy in many of the old proceedings before the Commission, where the operations of lines could not be segregated according to rate territories. Now certainly to my mind, at least, Dr. Edwards has not gotten the complete segregation of lines according to rate territories which he thought he was getting when he sent out his questionnaire for the separation.

By Mr. McCollester:

Q. In general, is the result that there are included in Southern Rate Territory portions of lines that are actually operated in Official Territory?

A. Yes, sir, that is correct; and there are included in the [fol. 3622] Pocahontas Territory lines that are operated in Central Freight Association Territory, if you were going to make a separation as between the two territories for the Norfolk & Western and the Chesapeake & Ohio.

Q. Continue.

A. Now, in Dr. Edwards' Exhibit No. 10, he shows distribution of tonnage by rate territories, which was taken from the reports of the railroads to the Commission, constituting now part of the Commission's statement Q-550. The excerpts from Dr. Edwards' Exhibit No. 10 define the Pocahontas Rate Territory as being the States of Virginia and West Virginia; and it will be noted that he has included portions of a great many lines in Official Territory on Eastern Territory, as being in the Pocahontas Rate Territory, which as a matter of fact has no existence, and should properly be credited to Official Territory. I might say in passing, reverting back to the Southern Railway, that Exhibit 10 shows that page 17, table 3, credits the Southern Railway with originating and terminating 7.74 per cent of its total tonnage in the States of Ohio, Illinois and Indiana, covering the entire Southern Railway System. While that is so credited in Exhibit No. 10, the entire Southern Railway in Exhibit No. 2 is credited to Southern Territory.

Q. Now, Mr. Bell, so far, in connection with your Exhibit No. 166, you have been directing attention to criti-

[fol. 3623] cisms of Dr. Edwards' allocation of railroads to different territories. Have you made some studies, which are set forth in parts 2 and 3 of your Exhibit No. 166, similar to studies which you made following the Southern Governors case, directed to the property of using average unit costs as an indication of relative levels of rates on any particular traffic, in different territories?

A. Yes, sir, I have, and also in the same territory. Those studies are shown in parts 2 and 3 of the exhibit. Part 2, pages 5 and 6, embodies the same kind of study I made in connection with the Southern Governors case, and compares the Southern Region railroads with those in the Central Eastern and Great Lakes Regions. The comparative costs are on a freight operating expense per revenue net ton-mile basis, also a net ton-mile basis, instead of employing a gross ton-mile basis, or a combination of the factors of costs per gross ton-mile plus terminal expenses, as used by Dr. Edwards.

Now, comparing Column 15 in group 1 of the Totals and averages on page 5 of the exhibit, which is the average freight operating expense per revenue net ton-mile for all Class 1 railroads in the Southern Region, with the bottom figure in Column 15, page 6, which is the corresponding figure for all Class 1 railroads in the Central Eastern and New England Regions, we find that the average in the Southern Region was 6.675 mills——

[fol. 3624] By Mr. Norman:

Q. What column, please?

A. Pardon me?

Q. Under what column?

Mr. McCollester: 15.

A. —for an average haul of 204 miles, as shown in Column 14-a. In the North it was 6.576 mills for an average haul of 164 miles.

Comparing the figures in Column 17, the average freight operating expense per revenue net ton-mile, including taxes and ~~rents~~, 7.640 mills is the figure for the Southern Region, and 7.705 mills for the Great Lakes and Central Eastern Regions; the unit cost on all freight being slightly less in the Southern Region than in the North.

Now referring back to page 3 of my Exhibit No. 165, covering distribution of transportation burden, it is shown that in 1939 four railroads in the Southern Region,—the Clinchfield, Louisville & Nashville, Illinois Central and Southern Railway—originated 97.74 per cent of the bituminous coal originated in the Southern Region, and handled 88.3 per cent of all of the bituminous coal handled by all railroads in that Region. These four railroads, together with the Northern Alabama Railroad, which is a Southern Railway property operating in the Alabama coal fields, are the first five railroads shown on page 5 of my Exhibit No. 166.

Column 2, on page 5, shows that these four railroads, [fol. 3625] comprising group 3, originated 40,850,387 tons of bituminous coal, and that the group 6 railroads, comprised of all other railroads in the Southern Region, but excluding the Northern Alabama Railroad, originated only 1,801,229 tons. Group 2 in column 2 shows the total tonnage originated by these four railroads, with the Northern Alabama Railroad included; and group 5 shows the tonnage originated by all other Southern region railroads.

By Mr. McCollester:

Q. Let me interrupt you for just a moment there, please, Mr. Bell.

A. Yes, sir.

Q. Just to ask you if you have not made the various groupings of the railroads as indicated at the bottom of page 2, as to the Southern railroads, and as explained in the note at the bottom of that page, for the purpose of showing the variations between the railroads in the Southern Region, and how different groupings of the railroad produce different operating results.

A. Yes, sir.

By Mr. Norman:

Q. That is on page 5, is it not?

A. Yes, sir. And I might say that, comparing the Totals and Averages of the ton mile expense shown in columns 15, 16, 17 and 18, with the coal carrying roads eliminated, as indicated in these numbered groups, it shows that the expense in the Southern Region for the other railroads was [fol. 3626] substantially greater than in the Central Eastern and Great Lakes Regions. Now the figures for the individual railroads shown on pages 5 and 6, were taken, or computed, from the Commission's Freight Commodity Statistics, which include in the Southern Region all portions of the line of the Illinois Central Railroad. The Traffic Department of the Illinois Central Railroad has advised me that out of the 10,211,664 tons of bituminous coal originated on that line in 1939, 7,194,364 tons originated on the lines north of the Ohio River. Dr. Edwards has not included those lines in Southern Territory. 3,017,300 tons of the coal originated by the Illinois Central Railroad was in Western Kentucky, and 1,426,185 tons of this coal moved to destinations north of the Ohio River, and to destinations west of the Mississippi River, moving through the River Crossings, Cairo, Illinois, and north thereof. I might mention incidentally that the Louisville & Nashville Railroad only originated 2,950 tons of coal on its line in Illinois, a portion of which was included by Dr. Edwards in Eastern Territory.

In view of this Illinois Central situation, in columns 7 through 12, I have eliminated any figures for that line.

Now here is something that I want to call particular attention to. The Louisville & Nashville Railroad originated 23,271,940 tons of bituminous coal in 1939. Its low freight operating expense per revenue net ton mile, also [fol. 3627] when including rents and taxes, is shown in columns 15 and 17 on page 5 of the exhibit. The average miles operated in freight service by the Louisville & Nashville Railroad in 1939, were 4,898 miles, all of which was in the States of Kentucky, Tennessee, Georgia, Alabama and Mississippi, except for 205 miles in Indiana and Illinois, approximately 200 miles in the western part of Northern Florida, and a small mileage in Southwestern Virginia.

Of the 23,271,940 tons of bituminous coal originated by the Louisville & Nashville Railroad, according to the Ohio Bureau of Coal Statistics, 15,493,389 tons moved from its Eastern Kentucky districts to destinations north of the Ohio River and west of the Mississippi River, including 5,352,061 tons of lake-billed coal delivered to its Central Freight Association connections. The average distance from these Eastern Kentucky districts to Cincinnati, Ohio, over which line this coal was transported, is 240.2 miles. Thus it will be seen how this 15,493,389 tons of coal was concentrated on less than 5 per cent of the Louisville & Nashville Railroad total mileage.

Also, the Traffic Department of the Louisville & Nashville Railroad has advised me that of the remaining 7,778,551 tons of coal originated, 2,558,750 tons originated in Western Kentucky, and that 556,970 tons of it moved to the Ohio River Crossings of Louisville, Kentucky, Evans-[fol. 3628] ville, Indiana, and Henderson, Kentucky, and destinations beyond those gateways into Central Freight Association Territory. The hauls of the Louisville & Nashville Railroad to the river gateways are comparatively short. Thus only 31 per cent of the total tonnage of bituminous coal originated by the Louisville & Nashville Railroad was left for distribution for destinations scattered over its 4,898 miles of railroads, and at points on other railroads throughout the Southern Territory.

It does not require any great mental effort to arrive at the conclusion that the low operating cost of the Louisville & Nashville Railroad, as a whole, has been due to the low cost of transporting the tremendous Eastern Kentucky coal tonnage destined to points north of the Ohio River over only 240 miles of its line in Eastern Kentucky; also being influenced, to some small extent, by the 556,000 tons moving for short distances from Western Kentucky to the Ohio River gateways.

The Clinchfield is essentially a coal-carrying railroad, with a mileage of 308 miles, extending from the Kentucky & Southwestern Virginia coal fields to Spartanburg, South Carolina, on the Northern South Carolina border. The Northern Alabama Railroad, as I have sa[illegible]s a Southern Railway property in the Alabama coal producing section.

The Southern Railway's freight operating net revenue ton-mile expense was much higher than that of any of the [fol. 3629] other railroads in the coal-carrying group. It is the only railroad traversing all sections of the Southern Region, from Virginia to the Gulf and the Mississippi River. Here again it does not require any great mental effort to arrive at the conclusion that its higher operating expense per ton mile is due to the fact that its coal is originated only in a small section of Alabama, and small sections of Tennessee, Kentucky and Southwestern Virginia, respectively,—except, I may say parenthetically, that of the 4,725,000 tons of bituminous coal originated by the Southern Railway in 1939, 1,409,620 tons were originated in the State of Indiana, and its movement was in Central Freight

Association Territory, and is therefore not to be credited to Southern Territory.

The fact that the operating expense of the Illinois Central in the Southern Region was greater than on its lines north of the Ohio River, is indicated by the fact that with the inclusion of the figures for the Illinois Central System with the Southern Region Railroads, the operating expense per net revenue ton mile was 6.675 mills for the entire group of railroads,—column 15, group 1; whereas its exclusion from the Southern Region—the group 7—increased that ton mile figure to 6.842 mills.

Now page 5 of my exhibit, taken in connection with the facts which I have related, exposes the fallacy of employing average unit costs in the Southern Region as a base for the [fol. 3630] determination of freight rates for application in all sections of that region; and it is exposed in even greater degree by part 3 of this exhibit.

By Mr. McCollester:

Q. Now right there, before you touch on part 3 of the exhibit, Mr. Bell, so that it may appear in the minutes at this point: These figures on page 6 as compared with those on page 5, part 2, of the exhibit, indicate that coal and coke tonnage in proportion to total traffic handled is much more evenly distributed among the various railroads in Official Territory than among the several railroads that are treated as being in the Southern Region; is that correct?

A. It shows that very decidedly, yes, sir, and it also shows that the railroads in the Central Eastern and Great Lakes Regions have a backlog also of a heavy tonnage of products of mines in general, which is not the case with the Southern railroads.

Q. Now will you please take up and discuss part 3 of your Exhibit No. 166.

A. Part 3 of the exhibit contains the information which is indicated on the title page, which is page 7. The railroads shown in this part of the exhibit are confined to those in the Southern Region. Section A, pages 8 and 9, is designed to show the operating expenses and the factors of those expenses more fully than are shown in part 2 of the [fol. 3631] exhibit, including the per car mile expense, together with some operating averages. The ton mile expenses correspond with those shown in part 2 of the exhibit, except that in part 2 they are shown in mills per ton extended three decimals, whereas in part 3 they are shown in fractions of cents per ton mile, and the equivalent mills per ton mile extended only to the second decimal.

The railroads are shown on each page of part 3 in the same sequence as in part 2. Groupings in the tables and averages differ to some extent from the groupings in part 2. In part 3, as in part 2, one set of the groupings, namely, groups 1 to 5, inclusive, include the Illinois Central Railroad, it being excluded from the second set of groupings, groups 6 to 9 inclusive.

I have already mentioned the effect upon the ton mile freight expense of the Southern Region by the exclusion of the five coal-carrying roads appearing at the top of the page, at page 8, and also with the Illinois Central Railroad excluded. The corresponding figures are shown in groups 4 and 8, respectively, except that the average freight operating expense per revenue ton mile is shown in column 13 of Section A, part 3, instead of column 15, and the expense, including taxes and rents, is shown in column 15 in part 3 and in column 17 in part 2.

In addition to the amplification in part 3 of the costs [fol. 3632] shown in part 2, and the inclusion in part 3 of certain operating averages, I have also shown in the table of Totals and Averages the figures for the Cincinnati, New Orleans & Texas Pacific; Alabama Great Southern; and New Orleans & Northeastern. These three roads, all parts of the Southern Railway System, for many years before they were acquired by that system, and also since, formed what were known as the Queen & Crescent route from Cincinnati, Ohio to New Orleans, Louisiana. Roughly speaking, they paralleled the main line of the Louisville & Nashville Railroad through the same general territory. Although the Cincinnati, New Orleans & Texas Pacific originates and terminates considerable traffic, it is really in the nature of a bridge line between Cincinnati, Ohio, and Chattanooga, Tennessee. The Alabama Great Southern, extending from Chattanooga, Tennessee, to Meridian, Mississippi, passes through the great Birmingham industrial district, and in addition to originating a very considerable traffic, is also in the nature of a bridge line. The New Orleans & Northeastern, extending from Meridian, Mississippi, to New Orleans, Louisiana, is also in the nature of a bridge line. These three railroads, comprising group 3 in the exhibit, are among the most prosperous railroads in the South, and, as will be seen by referring to column 13 and 15, on page 8 of the exhibit, their freight operating expense per freight revenue net ton mile is even lower than that of the [fol. 3633] coal-carrying roads. A study of the figures of the individual railroads, and of the Totals and Averages, will readily disclose how greatly the freight operating expenses of the other Southern Region railroads exceed those of the coal-carrying roads and the three bridge lines that I have mentioned. I direct particular attention to columns 15 and 17, which show the freight operating expense per revenue net ton mile, and that expense with taxes and rents included.

Now I call attention to the fact that, with the exception of the Southern Railway, which traverses all sections of the South, and with the exception of the coal-carrying Clinchfield Railroad, whose 308 miles of line cut through Tennessee and North Carolina to the South Carolina border, the freight operating expense per net ton mile of the Southern railroads, the rails of which mainly serve Virginia, North Carolina, South Carolina and Florida, is measurably greater than that of the railroads traversing the coal-producing areas, and that of the three bridge carriers mentioned, in the western part of the South. The railroads traversing Virginia, the Carolinas and Florida are the Atlantic Coast Line, Seaboard Air line, Norfolk & Southern, Florida East Coast, and the Charleston & Western Carolina. That the expense of the Charleston & Western Carolina more nearly approaches that of the coal-carrying railroads and the bridge lines, is due to the heavy tonnage of coal [fol. 3634] delivered to it by the Clinchfield Railroad at Spartanburg.

Section D of part 3, pages 10 and 11 of the exhibit, shows the net railway operating income; the operating ratio; the rate of return, based on book investment; and the net income of the individual Southern Region railroads and groups of railroads. These are shown in the same sequence as in section A of part 3, also the same groupings. Page 10 contains the information for all services and for freight services, while the information for passenger and allied services is shown on page 11.

Page 11 shows there was not a railroad in the Southern Region which did not show a deficit in 1939 from passenger and allied services. Taking the first five groups in the

Totals and Averages, in which the Illinois Central is included in the Southern Region, it will be observed from column 19 that the coal-carrying roads showed a slightly smaller deficit per mile of road than the average for all of the railroads in the region.

[fol. 3635] However, the three bridge lines in Group 3 showed the heaviest deficit per mile of road. The deficit on all the railroads, excluding the coal-carrying roads shown as Group 4, was slightly in excess of that for the Group 2 coal-carrying roads, but excluding those roads and the three bridges roads, comprising Group 3, the deficit per mile of road for the other railroads included in the Group 5, that is the other rails in the region, was less than the average of all the railroads shown as Group 1, also less than the deficit for the coal-carrying roads and very substantially less than the deficit for the bridge roads. The comparisons are not substantially different for Groups 6 to 9, inclusive, in which the Illinois Central is not taken into consideration.

When we come to comparisons for freight service, shown on page 10, and for all services on that page, they tell a different story, as will readily be seen by comparisons afforded in the table of Totals and Averages, which clearly shows the much greater net railway operating income per mile of road for the coal-carrying roads and the three bridge roads than in other parts of the South. The complete story is told in the comparisons for all services in which the passenger services have been offset——

By Mr. McCollester:

Q. Passenger deficits.

A. Passenger deficits have been offset in the freight service net railway operating income. I should like per-[fol. 3636]mission to mention just a few of the average figures. The average net railway operating income per mile of road of Group 1, all the railroads, including the Illinois Central, was $2,073. That of the coal-carrying roads was $3,122. That of the bridge railroads was $8,711. Excluding the coal-carrying roads, the figure for all other railroads in the South was $1,103, and excluding also the three bridge railroads, the average for all other roads was $762. Also note the decided difference in the rates of return shown in Column 5. The striking thing shown by Columns 6 and 7, on page 10, is that of the 19 railroads, none of which was included in the coal-carrying group or among the three bridge railroads, 11 of them showed deficits in net income; whereas, not a single one of the coal-carrying roads, or the bridge railroads showed a deficit. With the coal-carrying roads excluded——

By Chairman Aitchison:

Q. Wait a minute, that takes into account their accruals for interest?

A. I presume it does, Mr. Chairman.

Q. Whether paid or not?

A. Well, without going back into the record, I couldn't answer that.

Q. This is not net operating income that you are giving; this is net income, isn't it?

A. This is net income for the year 1939, as taken from the reports of the carriers.

[fol. 3637] Q. If they kept their accounts correctly, they would charge it to accruals, wouldn't they, whether they paid them or not?

A. Yes, as I take it, it would include accruals.

Q. Now, how many of them are in bankruptcy and did not pay?

A. Well, let's see. We know that the Seaboard Airline was; the Florida East Coast was in the hands of trustees. I can spot those two definitely, but as to the others, I don't know whether they are in the hands of trustees or not. I think Central Georgia is also in the hands of trustees.

By Mr. Norman:

Q. Well, Column 3 shows the net railway operating income, which does not include interest charges, and that shows they all had a net railway operating income.

A. I didn't say that. I was talking about net income.

Q. I know, but——

Chairman Aitchison: What page are you on now, Mr. Norman?

Mr. Norman: I am on page 10, Column 3, which shows the net railway operating income. That portion does not include interest payments, and of course they all show that they had a net railway operating income.

The Witness: Column 6 is one which shows whether they had any net income or not.

By Mr. Norman:

Q. They all had a net income too.
A. What is that?
[fol. 3638] Q. Well, you have got one or two deficits here.
A. They did not have a net income. What is the matter with you?

Mr. Norman: Oh, yes, I see that.

The Witness: Now, with the coal-carrying roads excluded, all other railroads in the Southern region showed a deficit of $222 per mile of road, and with the exclusion of all of the three bridge railroads, the deficits increased to $528 per mile of road.

During the first part of my discussion, Part 3, I stated that averaging of costs does not afford a proper basis for determing a rate level in a single territory where, by reason of the difference in the character and volume of the traffic handled, the costs are much lower in one section than in another. I think that the comparison shown in Part 2 and 3 of Exhibit 166 substantiates that assertion.

By Mr. McCollester:

Q. Mr. Bell have you now certain comments to make in connection with Witness Saunders' Exhibit 86, and have you prepared, as Part 4 of your Exhibit 166, certain showing with reference to Mr. Saunders exhibit?

A. I have. The narrative which was attached to Witness Saunders' statement No. 5 of his Exhibit No. 86 states it was prepared to show a number of comparisons. Seemingly it was prepared primarily to show that the cost of transporting freight is lower in the South than in other terri-[fol. 3639] tories, particularly in the Eastern district, based on all tonnage originated, regardless of its character, and premised upon the purported unit costs shown in Dr. Edwards' exhibits, as supplemented by Witness Saunders. Mr. Saunders said, among other things, that the first purpose of the exhibit is to show the relative importance of the commodities handled in each of the several regions in the United States and for the United States as a whole; that it was thought that if the commodities were compared with at least 75 per cent of the cars originated, it would afford a very fair basis of comparison of one district with another.

In the first place, Statement No. 5 of Exhibit No. 86 does not show the relative importance of the various commodities handled in each of the several territories, taking Mr. Saunders' statement at its face value. The Southern region and the Pocahontas region are the only regions which Mr. Saunders has shown separately. The New England, Central-Eastern and the Great Lakes regions are not shown separately but are shown as the Eastern district. Likewise, the Northwestern region, the Central-Western region and the Southwestern region, comprised of the great expanse of territory west of the Mississippi River to the Pacific Coast and from the Canadian border to the Gulf of Mexico, are blanketed in the showing for the Western district.

In so far as this proceeding is concerned, the statement [fol. 3640] is without apparent value because it does not begin to show the composition of the traffic embraced in the class rate structure or even the traffic which might possibly be so included. For example, Mr. Saunders stresses the volume of the movement of bituminous coal east of the Mississippi River and in the respective coal-producing regions. Coal is an important traffic and it usually leads the volume of traffic originated in these districts, but when it comes to show the cost of the traffic affected by this proceeding, it means nothing. It shows that 13.82 per cent of the cars originated and 22.94 per cent of the tons originated in the Western district consisted of iron ore. As I have already testified, 83 per cent of the iron ore in country is produced in the Lake Superior district and accounts for more than 50 per cent of the originated tonnage of the Northwestern region, moving for short rail hauls to the lake ports for transshipment by vessel. How this movement shows the importance of commodities moving throughout the whole of the territory beyond the Mississippi River is beyond my comprehension.

Witness Saunders stated that another purpose of the exhibit is to show the types of cars used in each district, and he points especially to his calculation showing the loading of box cars in the Southern region and the Eastern district. His figures for box car traffic in the Eastern [fol. 3641] district include only six commodities loaded in box cars, namely, manufactures and miscellaneous—which, by the way, are largely loaded in other types of equipment—autos and autotrucks, K. D., and parts, n. o. s., cement, passenger automobiles, mill products, n. o. s., and machinery. I may say here that a large part of the machinery shipped in this country is not loaded in box cars, but in open equipment. He shows no commodity in the Eastern district loaded in refrigerator cars.

For the Southern region, he shows nine commodities loaded in box cars and one commodity loaded in refrigerator cars. The first box car item is lumber, shingles and laths.

Lumber moves very largely in open equipment, particularly the rough lumber. The next item is manufactures and miscellaneous. Many of the commodities of this group move in other types of cars. Fertilizer comes next, followed by cement; cotton, paperboard; pulpboard; wallboard; leaf tobacco; and products of forests, n. o. s. Much of this last-mentioned group moves in other types of equipment.

In Part 4, page 12 of my Exhibit 166, I have shown the commodities shown by Mr. Saunders for the Eastern district and for the Southern region, and I have also shown the rank of each commodity, according to the number of cars originated and according to the tone originated.
[fol. 3642] Page 12 shows that, according to Mr. Saunders' own figures, that the car position of the volume of traffic in the two sections is very different. Of the 17 commodities which Mr. Saunders showed consitute 75.34 per cent of the cars in the Eastern district, which, by the way, total 10,281,000 cars, only six of them, totaling 1,901,000 cars, are shown by him as originating in the Southern region. These six commodities, all of them low-grade, constituted 42 per cent of the total cars originating in the South. Page 12 of the exhibit also shows that of the 21 commodities shown for the South by Mr. Saunders, 15 of them, constituting 33.28 per cent of the cars originating in the South, are not shown by Mr. Saunders for the Eastern district.

He shows in Statement No. 5 that the average loading of box car traffic in the Eastern district, based upon the six commodities I have mentioned, is 21.74 tons; compared with an average loading in the South of 26.07 tons, based on nine commodities. He shows but one commodity in the Southern district loaded in refrigerator cars, but in his averages, the impression would be left that the loading of this commodity represents the average loading of all refrigerator cars.

Now, in Section 2, Part 4 of my Exhibit 166 is shown, for all commodities in I. C. C. Statement No. 41200, which were designated as box car and refrigerator car traffic in Ap- [fol. 3643] pendix C to Witness Edwards' Exhibit No. 2 in the Eastern district and the Southern region in 1941, the same character of information as is shown in Witness Saunders' Exhibit No. 86. The totals and averages on page 14, show the fallacy, if not the probably unintended unfairness of Mr. Saunders' figures.

Q. Is that all you have on Exhibit 166, Mr. Bell?

A. I think it is, sir. I will see. That is all on that exhibit.

Chairman Aitchison: Do you want to take a recess here?

The Witness: I would like one.

Chairman Aitchison: We will take a recess for a few minutes.

(Recess taken.)

Chairman Aitchison: Come to order.

By Mr. McCollester:

Q. Mr. Bell, have you any brief comment to make in connection with Dr. Edwards' studies as to his allocation of commodities to different classes of equipment?

A. Well, I could comment quite at length on it, Mr. McCollester, but I think it is sufficient to say that the allocations to equipment, as shown by Dr. Edwards, differ very substantially from my knowledge and from investigations which I have made; also from estimated distribution of carload freight originating by classes of equipment which were [fol. 3644] made by certain officials of the Association of American Railroads, and as to iron and steel by the manager of the district committees in the Pittsburgh section and the inspector of the Trunk Line Freight Inspection Bureau.

Q. Will you just give a couple of examples.

A. Well, Dr. Edwards shows that iron and steel articles are all gondola traffic. The Association of American Railroads officials have estimated, in data they furnished to the Office of Defense Transportation, that 34 per cent of the iron and steel traffic, rated fifth class and that rated sixth class, moves in box cars and the remainder in open-top cars. The estimates which were made by the Pittsburgh people I just mentioned say that it is impossible to ascertain with exactness, but they think it is very close to 50 per cent in box cars, although that most of it does move in open-top equipment. Now, Dr. Edwards has shown the lumber list as moving altogether in box cars. Now, I happen to know that a great deal of the rough lumber is loaded in open-top equipment. I have seen too much of it moving and too much of it loaded.

Another item that he shows is machinery as being loaded altogether in box cars; also agricultural implements. There are certain kinds of agricultural implements, such as harvesters and threshers and binders and so forth, and the estimate of the International Harvester Company, about the [fol. 3645] biggest in the country, is that it goes about 50—50, 50 per cent in box cars and 50 on open cars. Now, machinery, the same estimate has been made, and that is also the estimate made by the AAR officials.

Dr. Edwards has shown on the fruit and vegetable list 100 per cent moving in refrigerator cars.

By Chairman Aitchison:

Q. How much?

A. 100 per cent. That varies. Oranges and grapefruit move 50 per cent in box cars and 50 per cent in refrigerators, according to the AAR.

Q. 50 per cent oranges and grapefruit?

A. Yes, sir, that is their estimate.

Q. From what territory?

A. They didn't say what territory. This is supposed to be for the United States as a whole; but that is the estimate. I, myself, have always thought that oranges and grapefruit moved in refrigerator cars, Mr. Chairman, but I am giving you the estimate that was furnished by the AAR people to the Office of Defense Transportation.

Q. Did you check those as against anything, the testimony, for instance, in the refrigerator car cases?

A. No, I did not. I didn't have time. I got this information just before I left Washington.

Q. Would you be willing to accept those figures and have Dr. Edwards recast his statement accordingly? Would that [fol. 3646] take care of your objection on that score, if those figures are used?

A. I think I would be willing—no, I would not be willing to accept it at its face value throughout, the statement of the estimate of the AAR officials, because I know myself that some of these items move in different kinds of cars. For instance, this AAR list shows 100 per cent of the movement of lumber in box cars. I know that 100 per cent lumber does not move in box cars.

Q. I won't quarrel with you on that. I have seen too many of them that had snow and grass on them.

A. On open-top cars, yes. But I do not think, though, that Dr. Edwards' allocations can be accepted for the purpose of calculations in this proceeding. Now, if you are going to have another hearing, then I should be very glad to go into this whole question a little further, if you will permit me to do it.

Q. Well, would you be willing to submit in advance of the hearing the figures that you think would be representative?

A. Or I will be very glad to talk it over with Dr. Edwards.

By Mr. McCollester:

Q. Now, Mr. Bell, have you prepared for the information and convenience, if it may be called such, of various parties to the proceeding, and particularly the Commission's staff, an analysis of the classification which is embodied in your Exhibit No. 167?

[fol. 3647] A. Yes, sir.

Mr. McCollester: I will say, Mr. Chairman, that I don't know whether this exhibit comes under the category of evidence in the sense that it is intended to prove anything or support any particular contention; but I think that the exhibit is the most complete analysis of the classification that has been made. It certainly is the most complete that has come to my attention, and I think that in considering the problems incident to the possibility of a uniform classification or changing the classification ratings, the information shown in the exhibit will be very useful and it is for that purpose that we offer it. I don't know yet what arguments we, ourselves, will attempt to make from it.

By Mr. McCollester:

Q. Will you very briefly, Mr. Bell, explain the make-up of the exhibit.

A. I think the make-up of it is pretty well shown on the title pages to section 1 and section 2. Section 2 shows in detail, as explained on the title page of that section, the articles that are assigned the same carload standard class ratings, exclusive of tank car ratings, in the Official, Illinois, Southern and Western classifications, that is, the so-called "matched" ratings. Next shown are the column ratings or the class and column ratings, as the case may be, which are accorded the same percentage of first class in the certain territories and the so-called "mismatched" carload ratings, [fol. 3648] that is articles assigned the same ratings in the Official Classification and different ratings in one or more of the other classifications. Next are shown the carload tank car ratings and the mileage ratings.

Now, what I have done in Section 2, I have taken every item in the classification and have taken the Official Classification ratings as the base for measuring the other ratings, and I have shown under each of the ratings "matched" or "mismatched", as the case may be, and according to the carload minima accorded to the commodity, all of the items that are shown in the classification. In addition, I have shown the corresponding less than carload ratings. And I was surprised to find the number of combinations which were in existence in the classification.

Section 1 of the exhibit is a series of summaries, and I call attention to Summary B, which starts on page 2, and that indicates as to the carload ratings the number of ratings that are assigned in the "matched" classes, each of the "matched" classes as to each carload minimum, and the same with respect to the "mismatched" classes. For instance, what I mean by the "mismatched" classes, you will note that, for instance, just looking at random, on page 5 you will find the reference to the articles which are rated third class in Official, 40 per cent, Column, in Illinois; fifth class in the South and Class A in the Western Classification. It [fol. 3649] is true there is only one item so rated and throughout the whole classification we find many items of this character, where there are only one or two ratings in the set of ratings referred to.

Now, on page 22 of the classification, there is a summary of the situation I have mentioned which shows that there is a total of 283 class and column ratings, combinations, within the four territories, out of the 10,391 ratings.

Now, I am holding no brief for the present classification as such. I think it is susceptible of a great deal of improvement, and certainly that many of these ratings which I have shown of this character, where there are only one or two ratings that differ in the different territories, could very easily be reconciled; but I do not think that a uniform classification, covering all the articles and commodities in the United States, can be evolved just out of the air, so to speak, in this proceeding, and I think that before any effort is made to arrive at a uniform classification, that the shippers and the railroads must be given every opportunity for consultation and that the Commission itself will want to study the ratings on the different items, and that was one of the purposes in making this analysis as complete as I did. I wanted the Commission to see just what commodities and what articles are embraced in these different classes, according to the carload minima and according to their less than [fol. 3650] carload ratings, instead of simply furnishing you a composite statement that there are so many ratings in a given class, in each classification, and think that the classification could be changed by taking 100 ratings here and there and another 100 ratings somewhere else that are rated differently and putting them together.

However, if you will look at page 25, Summary F, you will notice that that does show the number of ratings in the respective classes in the Official classification and the distribution of those ratings throughout both the Southern and the Western Classification. That is as with respect to the carload ratings. Now, the less than carload ratings are shown in the same manner in Summary G, on page 27.

Now, to illustrate what I have in mind in saying that I do not think it possible to attain a uniform classification unless there are conferences with the shipping public and between the Commission and the carriers, I call attention to Exhibit 168. Looking at the left-hand column, Section A, for example, which shows the Official versus Southern Classification ratings. Now, under fifth class——

Q. That is on page——

A. That is page——

Q. Not really page, is it, but the second sheet.

A. The second sheet. Under fifth class in the Official Classification, which is assigned 35 per cent of first class, [fol. 3651] you will notice 2,710 carload ratings. Now, the distribution of those ratings is shown under the heading "Southern Classification", showing the number that are third, fourth, fifth, sixth and so on down the line. Now, assuming a first class rate of $1 in Official Territory, manifestly the fifth class rate would be 35 cents. On the assumption that the first class rate in the Southern Territory is 138 per cent, that infers the rate would be $1.38.

Now, in the rate column, under the Southern Classification, have been worked out the rates in effect in the South, based on the classification ratings existing in the South. Then I have shown the effect of the application of the Official rate levels on rates subject to the Southern Classification for the Official ratings—~~no~~, just a minute,—the effect of their application on rates subject to the Southern Classification. It shows the reductions which would result in cents per 100 pounds and also where there are increases.

Now, the next set of figures shows the effect of the application of the Southern rate levels on rates subject to Official Classification. It just goes to show that if you tried to establish a parity of rates and the same percentage relationships in this proceeding of the varying amounts or degree of the reductions and the number of reductions or increases that you would have to make in the 2,710 car- [fol. 3652] load items, which are rated fifth class alone in the Official Classification, or, if, on the other hand, that you were to raise the rates in Official Territory to the level of the Southern rates, the effect it would have if that were done.

Now, in Section B I have undertaken to show the same information with respect to Western Classification, and I should like to mention that Section A does not cover all of the classes but is simply put there as representative.

Q. Now, Mr. Bell, just so that we may understand the mechanics of this thing, will you again look at the fifth class rating in Section A, where it shows the fifth class in Official Classification. I note there that the largest number of items, which in Official Territory are rated fifth class, appear to be rated sixth class in the Southern, that 1,646 of the 2,710 items, is that correct?

A. Yes, sir.

Q. And that sixth class rate, assuming a dollar rate in Official Territory for first class, the sixth class rate in Southern Territory would be 55 cents?

A. That is correct.

Q. But if——

A. And if you were to put the Official ratings up to the Southern level, that would be the effect, the disruption in Official Territory.

[fol. 3653] Q. To rate the commodity the same in the South as in Official and apply the Official rate level would mean a reduction on those 1,646 items of 20 cents?

A. That's right.

Q. Whereas, if you brought out the uniformity on the basis of extending the Southern level to Official Territory, you would have an increase of 57.1 per cent?

A. That is correct, or 20 cents. It just goes to show, in my opinion, Mr. McCollester, that this thing cannot be just handled haphazardly. I don't mean to infer that the Commission would do that. And to my mind, in working out any, or attempting to work out a uniform classification, you can't do it without you taking into consideration at the same time the levels which should be prescribed in the two territories; and I am holding ~~no~~ brief for the level in the Southern Territory. My whole point is that, in principle, you have got to continue a territorial basis of rates for the reason which I have already mentioned.

By Chairman Aitchison:

Q. You include in Section B the Western Territory, Western Classification, do you not?

A. I have it before me.

Q. And on the first sheet of Exhibit 168, you show certain percentage relationships of classes under the Western Classification. Are those uniform in the territory where the Western Classification applies?

[fol. 3654] A. So far as the general application of the classification is concerned. Of course, there are exceptions in all territories. I don't mean that those are exceptions, but there are exceptions to the ratings in all of the territories.

Q. Isn't it a fact that you have about two-thirds, in geographical area of the territory subject to the Western Classification a different set of percentage relations applies than you show on the title page of Exhibit 168?

A. Well, I couldn't answer as to the amount of traffic. I think that is very largely——

Q. I said geographically.

A. I don't think that would be generally true.

Q. Are you familiar——

A. I have not studied, to be frank with you, Mr. Chairman, I have never studied the Western Classification situation as much as I have the Official and the Southern.

Q. Well, isn't it a fact that by the action of the Commission, starting back in the old Portland Chamber of Commerce case, along about 21 I. C. C., that a different percentage relation was established between classes than is shown here, and that that percentage relation has extended over virtually the entire Mountain Pacific area?

A. I think you are correct, from what I have read of the previous cases.

Q. It will help, for the record, I can state them. I will give them right straight down the line, from first class to [fol. 3655] Class E: 100, 85, 70, 60, 50, 50, 40, 30, 25 and 20.

A. Well, the relationships shown in Exhibit 168 and also those in 167 are the relationships in the Western Territory, following as a result of the Western Trunk Line and Southwestern cases, which, of course, did not take into consideration the Mountain Pacific Territories.

Q. So your answer and your exhibit will both be limited to the territory which was embraced in the Western Trunk Line and the Southwestern cases?

A. Yes. It would, in absence of any showing or any detailed knowledge of what is in effect in the Mountain Pacific Territory.

Q. Now, just assume I am right on those percentages, and I think it will be found I am. The fourth class in the Mountain Pacific area, which is part of the Western Classification territory, is 60 instead of 55; the fifth class is 50 instead of 37.5; the Class A is 50 instead of 45; the Class B is 40 instead of 32.5. Class C is the same. Class D is 25 instead of 22.5, and Class E is 20 instead of 17.5. That would make quite a difference in your Section B, wouldn't it?

A. Yes, it would, but the principle still holds good that I have mentioned. You still have, in my opinion, very great or serious difficulties or discruption in your traffic and in the ability of the shippers in the different terri- [fol. 3656] tories and in the same territories to continue in a business unless you exercise very great care in making the ratings in the Mountain Pacific territory, if you please, conform to the ratings in the other territories; just for the same line of reasoning that I mentioned in connection with the comparison as between ratings in the Official Classification and the Southern Classification. As I say, Mr. Chairman, I don't mean to contend that the classification is perfect, by any means, but I think you have got to take it by stages, unless you want to entirely disrupt the whole rate structures simply for the sake of uniformity and without respect to the effect it is going to have on the movement of traffic and the ability of various shippers to compete with each other.

By Commissioner Alldredge:

Q. If you multiplied the number of classes and reduced the spreads between them, would that facilitate the uniformity?

A. It would simply ameliorate the situation I have described, in degree.

Now, let me give this illustration: assume that you undertook to fix three different rate levels, or we will take two different rate levels, to simplify the illustration, as between the Official and the Southern territory, and that you would undertake to publish column rates with 100 as the norm. Now, today, in Official territory, the 2,710 items I have mentioned in fifth class are 35 per cent, so with a dollar [fol. 3657] rate that means a rate of 35 cents in Official Territory.

Now, in the South, with a level which is 38 per cent higher on first class, the rate would be $1.38 and fifth class in the South today is 45 per cent of first. So we find, then, today, a rate of 35 cents in Official Territory as compared with a rate of 62 cents in Southern Territory.

Now, let's assume that you were going to make the rates in both territories 40 per cent of first class and that you will continue the Official level, first class, at a dollar, and that you will continue the Southern level at $1.38. Now, that 40 per cent basis would increase the Official Classification rates from 35 cents to 40 cents. It would reduce the Southern rate from 62 cents to 55 cents.

Now, if you should undertake to make the rates in the South 110 per cent of first class, it would have the effect of reducing the fifth class rate in the South from 62 cents to 44 cents and it would increase the Official level from 35 cents to 40 cents.

By Mr. McCollester:

Q. Now, you have used 40 there because it is half way between the Official percentage of 35——

A. That is right.

Q. And the Southern percentage of 45?

A. That is the reason I took it, just to take a half-way point there. So you would see that you would get the [fol. 3658] disruption I have talked about, no matter how you attempted to fix the levels in each territory, the first class on a norm and then to use the uniform columns throughout all of the territories. It would have a very serious disruption upon the traffic and revenues of the carriers, and, as I have just said, I think it is something that this Commission should approach with great care and should give the shippers and the railroads an opportunity to sit down with them and go through every one of the items which would be affected before any uniform ratings are prescribed.

Q. Mr. Bell, were Exhibits Nos. 165 to 168 prepared by your organization, under your personal supervision and direction?

A. They were.

Q. Are they correct, to the best of your knowledge and information?

A. They are.

Mr. McCollester: We offer exhibits which have been marked 164 to 168, inclusive, in evidence.

Chairman Aitchison: Without objection, they are received.

(Exhibits Nos. 164 to 168, inclusive, Witness Bell, received in evidence.)

By Mr. McCollester:

Q. Is there anything further you care to state on direct examination, Mr. Bell?

A. No, I think that is all, Mr. McCollester. It seems to [fol. 3659] me I have said enough.

Mr. McCollester: The witness is tendered for cross-examination.

Cross-examination.

By Mr. Norman:

Q. Mr. Bell, referring first to your last exhibit, 168, on the second sheet, the illustration you were giving as to the 2,710 articles rated fifth class in Official Territory, of which 1,646 are rated sixth in Southern Territory. Those are simply the ratings, are they not? You don't mean to say that 1,646 of them are moving in the South on sixth class?

A. Oh, no. This is strictly a classification proposition, Mr. Norman, and doesn't include any exceptions or column ratings or commodity rates.

Q. So that if it would be true that many of them are moving on exceptions lower than sixth class, the reduction, by applying the Official Classification, wouldn't be 20 cents or 36.4 per cent as it would be if they were moving on the ratings?

A. Well, will you permit me to say something in that connection, Mr. Norman, I intended testifying to on direct?

Q. All right, go ahead.

A. When I had this Exhibit 167 compiled, I had a very ambitious idea of undertaking to show in connection with each rating in each classification the exception or column [fol. 3660] rating in each classification, and I found that it was such a stupendous job that it couldn't be done within two or three years. I spent two weeks making a test, and that is largely due not only to the number of exceptions in the different territories, but largely by the different items included in some of the exceptions. For instance, in the exceptions to Curlett's Tariff I. C. C. A-748 in the automobile parts there are 249 items included in the list of exceptions.

Chairman Aitchison: Mr. Norman, do you mind my asking a question?

Mr. Norman: Certainly, go ahead.

By Chairman Aitchison:

Q. I want to ask you, as an old traffic man, wider experienced than any of us around here, what you think about the classification situation as it has been affected by this practice of putting in wholesale exceptions.

A. Wholesale exceptions? Looking at it from a standpoint of publication and the classification itself, it would seem that there is no excuse for it; but looking at it from a practical standpoint, I think there has been every excuse for it or every reason for it, because you are trying to make the exceptions on which the constantly changing conditions affecting the traffic must be reflected. Now, I am not prepared to say, Mr. Chairman, I think all the exceptions should be continued. I think, frankly, that a great many [fol. 3661] of them could be reconciled or harmonized, and also a great many of the exceptions could be harmonized together in the classification.

Now, the exceptions are not as bad as it would seem, because you take in the Official Classifications, Mr. Jones and Mr. Curlett and the New England agents, you have got three different exceptions published. That is tariffs, but when you compare them you will find that nearly all of the exceptions are the same so far as the ratings are concerned and so far as the descriptions are concerned, and they could very well be consolidated, in my opinion, into one publication.

By Mr. Norman:

Q. Couldn't they be put into a class?

A. To the extent—yes, in Official Classification, but I wouldn't say that that same class, that you could get a uniform class for the South and for the Official and for the West, because the exceptions and the percentage relationships to first class differ in the different territories to meet the needs and requirements of the respective territories. Now, when you come to your interterritorial situation, it is done by the publication—has been done by the publication of column rates to meet the needs of the traffic which is actually moving.

Q. Your Exhibit 164, page 1, why did you leave New England out of the picture?

[fol. 3662] A. Pardon me, have you got any more questions on 168?

Q. What?

A. Have you got any more questions on the classification?

Q. No.

A. Page 164—Exhibit 164; all right, sir.

Q. Why did you leave New England out of that picture?

A. I was undertaking to make a comparison of the rates in the Central-Eastern and Great Lakes regions with those in the South. I am representing, or have been employed by the State of New York and not by New England.

Q. I know, but you are making a comparison of the South with Official Territory, or at least you ought to be. And I don't see how you can leave a part of Official Territory off and could get a true comparison.

A. Well, I do it and I have done it.

Q. What?

A. I say I do it and I have done it. I made a comparison for the Official Territory, excluding New England.

[fol. 3663] Q. You have done that all the way through, have you not?

A. All the way through; that is correct.

Q. You do not mean to say, do you, that it would not change the picture if you had put New England in?

A. Oh, I don't think it would change it so very much when you come to the totals and averages. Have you any particular scale in that Exhibit 164 in mind?

Q. I asked you about one right here, the first one.

A. I thought you asked me about all of them.

Q. I did.

A. The first one is pulpwood?

Q. Pulpwood, yes.

A. It is my recollection that the pulpwood rates in New England are somewhat lower than they are in the Trunk Line and Central Eastern regions, but that at the same time they are higher than the Roanoke Rapids scale which applies in the South. I may say, although it is not directly responsive to your question, that while I was taking off the tonnage originated in the Central Eastern and Great Lakes regions versus the Southern region for 1928 and the other years in the comparison, I also took out for the Eastern district as a whole and the tonnage originated of pulpwood in 1928 for the Eastern district as a whole was 1,999,000 tons. In 1939 it had gone down to 903,000 tons, or less than half.

[fol. 3664] Q. Why didn't you put New England in there?

A. I did not put it in there for the simple reason that I had not been using New England. You brought up New England and I thought I would tell you what the tonnage was, since you brought it out here.

Q. But you left it out of the picture you presented here?

A. I left it out of all the picture.

Q. Yes.

A. I did not use New England in any of my comparisons.

Q. All right. Now, let's go ahead with the pulpwood a minute. You gave some figures about the great increase in the movement in the South in the last few years. When did they start from scratch down there?

A. On pulpwood?

Q. Yes, in the South.

A. (No answer.)

Q. The paper industry in the South is a new industry, is it not?

A. Just a minute. Let me think a minute.

Q. All right.

A. As I recall it, they started from scratch down there about 1904 or 1905. I can tell you this, that the first printing paper mill down there was at Canton, North Carolina and started as a pulp mill. That was started back in 1905 or 1906 because it was only a year or two before I went into [fol. 3665] the Atlanta office as chief clerk and when I went in there I had to extend the pulpwood scale of rates for the Canton mill.

Q. Well, the paper industry had not assumed any proportion in the South until the last 12 or 15 years, had it?

A. Yes. I will say that the printing paper industry had assumed quite fair proportions before that, especially at Canton, North Carolina, and at Kingsport, Tennessee, and at other points, certain other points in the South. Frankly, the kraft industry has developed more in the past 15 years. I would say that a great development of the kraft industry has been within that period.

Q. Now, you gave some figures about the increase in the South as compared with the slight decrease in the East. What period did you cover with those per cents?

A. On what?

Q. Pulpwood.

A. On pulpwood?

Q. Yes.

A. I took the figures for 1928.

Q. And compared them with when?

A. Compared them with 1939 and 1941.

Q. Well, now, these figures show, do they not, that notwithstanding the development in the industry of the South there has been very little reduction in the industry in the [fol. 3666] East?

A. I disagree with you.

Q. Well, what percentage, now, would you say there?

A. You are speaking now of the paper, the paperboard, and so forth?

Q. Yes.

A. You are speaking of the products, not of the pulpwood?

Q. Whatever it was you gave those percentage figures for.

A. I gave it from 1928 to 1939, stating that the originated tonnage in the Central Eastern and Great Lakes regions had shrunk to 76 per cent for 1939 as compared with 398 per cent in the South of the 1928 tonnage.

Q. What commodity were you comparing when you gave that 98 per cent figure?

A. You mean, 96 per cent?

Q. Yes, 96 per cent.

A. That was for the year 1941.

Q. Compared with when?

A. As compared with 1928.

Q. So that——

A. In connection with that 96 per cent figure for the Central Eastern and Great Lakes regions I also showed 576 per cent, a 576 figure for the South.

Q. That is all right. But the East, notwithstanding the development of the South, was practically holding its own.

[fol. 3667] A. That is a matter of argument.

Q. Now, on page 7 of that same exhibit it seems to me that your caption is misleading. You say, "Comparison of mileage scales on furnace material, carload, applicable in Southern territory, with mileage scales and specific rates on the same commodities applicable in Official Territory."

Mr. McCollester: What page is that?

The Witness: Page 10, I understood him to say.

Mr. Norman: Page 7.

The Witness: Oh, page 7.

Mr. McCollester: What page again?

Mr. Smelker: Page 7.

By Mr. Norman:

Q. Now, with respect to the scales you show there, you show right over the top of them that they are the Alabama Furnace Materials scales, but it is a fact that those scales are applicable only in Alabama, is it not, and that they were prescribed by statute there?

A. I stated they applied only intrastate in Alabama, and furthermore, Mr. Norman, as you know, Alabama is the only state that has any iron production at this time.

Q. Alabama has what?

A. Alabama is the only state in the South that is producing any pig iron.

Q. But if they were shipping outside of the state, those rates would not apply, would they?

[fol. 3668] A. Certainly not. You are not going to ship out, either, to furnaces that do not exist.

Q. Now, with respect to your Exhibit No. 165, I understand it to be your position——

A. Are you through with 164?

Q. Yes. Throw it away.

A. All right.

Q. I understand it to be your position that there cannot be a parity or should not be a parity of class rates, South with East, because of the difference of the consist of the traffic, is that your position?

A. I said that the consist of the traffic, or the composition of the traffic to respective territories to my mind did not justify a common parity.

Q. Now, Mr. Bell, is there not as much difference in the consist of the traffic as between individual railroads within a given territory as there is as between the averages of territories?

A. That might be true in some cases, yes. However, you are faced with a situation there where, of course, you are within the single territory and your rates are very largely controlled, as I have mentioned, by competitive influences between competing lines between the same points in the same territory.

Q. Now, turn to page 3 where you deal with coal and coke.

[fol. 3669] A. Yes.

Q. You use four systems there. It is of record here already through the testimony of Mr. Kerr that there is a wide difference in the consist of traffic between two of those systems you show, namely, the Louisville & Nashville Railroad and the Southern Railway. However, let us see how it appears as a comparison between those four and then what is left. Those four constitute just about half of the mileage of the South, do they not?

A. I do not recall whether they do or not. I would not say so. However, I will take your word for it.

Q. It does, according to your exhibit.

A. I will take your word for it.

Q. You give the mileage for the South, the total mileage, on page 5 of this exhibit, and then you give it by individual companies on page 10 of your Exhibit 166; and adding up those four, they come to almost exactly half of the total mileage. Now, let's see what happens to the other half with reference to their consist of traffic. You show as to your coal and coke that they carry only 2.33 per cent of the total. When you come to your sub part 2, which is a general group of commodities in Bureau of Statistics Statement No. 40100, they have 5.32 per cent of it. When you come to your three individual commodities in groupings, they have only 1.06.

[fol. 3670] A. Please give it to me so I can follow you. You are going too fast. I cannot follow where you are reading.

Q. Just run right down the column "Per cent of total" there on page 3. You will find 2.33 of coal and coke for that other 19,000 miles of road, 5.32 for the second group of commodities and 1.06 for the third.

A. What is the second group of commodities you gave me on page 3 there? I think you referred to the bottom of page 3, and what other pages, please?

Q. I should think you could read your own exhibit.

A. Well, I can, but I cannot read it so fast, or turn to them as fast as you are talking.

Q. You can find there the per cent of total, can you not?

A. Of coal and coke?

Q. Yes.

A. Page 3?

Q. Yes.

A. Surely.

Q. That is 2.33, is it not?

A. No—yes. That is coal and coke, and 2.22 on bituminous coal.

Q. Then you can drop down, can you not, to the next sub part 2, and you find there that that same 19,000 miles has 5.32 per cent of that particular traffic?

A. Yes, tons originated and terminated.

[fol. 3671] Q. Then you can drop down to the next one and you will find that they have only 1.06 per cent.

A. Tons originated and delivered to connections, of coal and coke.

Mr. McCollester: That is all coal and coke.

The Witness: Yes. That is all coal and coke.

By Mr. Norman:

Q. All coal and coke?

A. Yes.

Mr. McCollester: It is not different commodities.

The Witness: No. Page 3 deals altogether with coal and coke, all the figures which you have been reading.

By Mr. Norman:

Q. What does sub part 2 mean? I asked you that question, and you said it was those groups on the front of the exhibit.

A. When you say "the page of the exhibit", you mean the title page of the exhibit?

Q. Yes, the title page.

A. If you will look at that, part 1 covers anthracite coal and coke, part 2 covers general groups of commodities shown in the I. C. C. Freight Commodity Statistics, part 3 covers individual commodities as shown in those commodity groups, and so on and so forth. That is not limited to coal and coke.

Q. What does sub part 2 on page 3 mean?

A. Sub part 2 on page 3 shows a comparison of the tons [fol. 3672] originated and terminated of coal and coke.

Q. Yes.

A. On these four railroads.

Q. Yes.

A. As compared with all other railroads in the South.

Q. I see.

A. To the right of that is a comparison of bituminous coal.

Q. Only?

A. Yes.

Q. Even if you confine it to that, while those other 19,000 miles of road only originated 2.33, they handled 11.77, is that not right?

A. Of coal and coke.

Q. Yes.

A. I think the exhibit shows that.

Q. In getting these consolidated statistics as to the consist of traffic by territories, could you not have also gotten it by railroads?

A. If you will look, Mr. Norman, on page 5 of Exhibit 166, you will find for each individual railroad in the South the total tons of originated of all freight, the total tons originated of anthracite coal, bituminous coal and coke and the percentage, one to the other; and you will find also the total tons handled of all freight, the total tons handled of coal and coke; and you will also find the tons handled [fol. 3673] of all products of mines and the proportion that was handled by each one of these railroads and the totals of all railroads.

Q. But that is the only separation you make as to the consist of traffic as between railroads, is it not?

A. Individually between railroads, yes.

Q. Yes.

A. Because I have not gone into——

Q. You proceeded, though, to make it as to all different kinds of traffic by territories?

A. If you will also look at my exhibit, at part 3 of my exhibit, on pages 9 and 10——

Mr. McCollester: Which exhibit?

The Witness: Exhibit No. 166—there I have undertaken to show, not by commodities, but I have undertaken to show the operating averages for each one of the individual railroads.

Mr. Norman: That is just it.

By Mr. Norman:

Q. When you come to show the financial results or the operating results, you undertake then to separate them and show it by railroads; but when you come to show the consist of traffic, you do not separate them and you put them all together. Why have you done that?

A. Well, the purpose of that was to show, Mr. Norman, and the statement does show that when you take out [fol. 3674] bituminous coal, and that is the only commodity I did take out, for these lines of the Louisville & Nashville Railroad, the Illinois Central Railroad, the Clinchfield and the Northern Alabama—when you take that traffic out, your consist of all other traffic is very much less, and that you have to pay more money to haul it.

Q. I know, but the fundamental basis on which you proceed is——

A. I have stated the fundamental basis on which I proceeded. Do not tell me what I have proceeded on. You may say what you think I should have proceeded on, but do not tell me the fundamental basis on which I did proceed.

Q. You said at the beginning that they could not have a parity of rates on classes because of the difference in the consist of the traffic. Now you have proceeded to undertake to show that by regions, but you have not shown by railroads, and what I am insisting is that if you would show it by railroads you would find as much difference between the consist of individual railroads within the same territories as you find as between territories.

A. Well, that is your assertion.

Chairman Aitchison: Is that a question?

Mr. Norman: I am explaining it to him. I am explaining to him why I said that that is his fundamental basis.

By Mr. Norman:

Q. You do not think it is important to show it by rail- [fol. 3675] roads, do you?

A. No.

Q. You think that you should——

Mr. McCollester: Is that not a matter of argument, Mr. Chairman?

Mr. Norman: Let me ask you this question:

By Mr. Norman:

Q. Suppose you draw a line north and south instead of east and west——

Chairman Aitchison: Excuse me, Mr. Norman.

Mr. Norman: Yes.

Chairman Aitchison: I might say that this witness has been given very free latitude in explaining his theories.

Mr. McCollester: I have no objection to his going on, if the Commission wants to hear the argument now.

Mr. Norman: They have been hearing it from you, every time you have gotten up to examine a witness.

Chairman Aitchison: We have been hearing a lot of argument. We do not want it to be all one sided. Proceed, Mr. Norman.

By Mr. Norman:

Q. Now, Mr. Bell, could you not draw these lines most any place and show this same difference in consist of traffic?

A. You asked me just before that, I believe, if I could not have drawn a line east and west.

Q. North and south.

[fol. 3676] A. Oh.

Q. Suppose you drew one and separated New England from the Western Trunk Line Territory.

A. We are talking about Southern Territory. New England Territory is a territory in and of itself, and a territory, rather, of Official Territory.

By Chairman Aitchison:

Q. If that is the case, why did you not leave Mountain Pacific out of your Western Territory?

A. Because I was comparing our rates with the territory that New York State is located in, in Trunk Line Territory, which is tied together by the Commission's findings in the Eastern Class Rate case, with Official Territory, the same common level having been prescribed, and the Commission did not prescribe the same common level between New England and that territory.

Q. Nor was the same level prescribed between Western Trunk Line and Southwestern on the one hand and Mountain Pacific on the other.

A. No. I did not claim that it was. I have shown the different regions in my comparisons in Exhibit No. 165; in fact, I have shown the comparisons for all regions, including the New England region and including all of the regions embracing the Western district.

By Mr. Norman:

Q. When you come, though, to show the financial returns of the Southern railroads, and of all railroads, in fact, [fol. 3677] you show them by individual railroads, do you not?

A. No more than I showed the separation of the coal tonnage by individual railroads.

Q. All right, but that is the only separation you make as to traffic, is this coal tonnage. As I say, you show by individual railroads all of the facts about their operations, their operating results.

A. I show for each one of the railroads in Section A, part 3 of the exhibit, pages 8 and 9, the figures for the operating expenses; that is shown for each of the railroads in the Southern region and also for the groups.

Q. Do you not find as much variation in these operating results as you would find in traffic consist?

A. (No answer.)

Q. In other words, Mr. Bell, is it not true——

A. Now, just a minute, Mr. Norman.

Q. All right.

A. Let me answer your question.

Q. All right; go ahead.

A. There is, of course, a variation in the expenses, operating expenses of the different railroads in the Southern region, but if you will make a close study of this exhibit, you will find that individually, the operating expenses of those lines in the eastern part of the South are greater [fol. 3678] than the operating expenses are in the western part of the South, taking it individually, road by road.

Q. That is just the point. Can you segregate and put into any given territory roads based upon any particular operating results, return, operating ratio or what-not?

A. (No answer.)

Q. You cannot divide them as between the South and the East on any such basis as that, can you, because some of those that are in the East would be like some others in the South, and some others in the South would be like others in the North?

A. Yes, Mr. Norman, but my point goes to this: you are contending for the same parity of rates in the South as in the North. I think very largely you are depending upon Dr. Edwards' unit costs to sustain that position. Now, you cannot make rates in any territory based on unit costs, and the effect of your trying to show that there is a parity of costs in the South is that you have to take the low unit costs of the coal-carrying roads in order to accomplish that service, in order to sustain your argument that the cost in the South is as little as it is in the East.

Mr. Norman: That is not at all responsive to the question I have asked you, but it is very good argument. I would like to have you answer my question.

By Mr. Norman:

Q. Can you segregate the railroads as between South and [fol. 3679] East based on any operating condition or operating results?

A. You mean, in the same territory?

Q. Yes.

A. The Commission in the Southern Class Rate case said that the rates should be made on a uniform basis notwithstanding—that is, between points in the South—but they did not do it based on costs. They did it based on the competitive situation.

Q. I did not ask you that. I asked you, could you segregate them on that basis.

A. Yes. It could be done, except for the competitive phase.

Q. Now, if you cannot put them all in one class, based on rate of return—of course, you cannot, because the rate of return of some railroads in the South is higher than other railroads in the North, and vice versa—if you cannot do it on that basis, how can you segregate them on a consist of product basis when that varies just as the operating results vary?

A. I have not undertaken to separate them on a consist of traffic basis, and I have not contended that in the South there should be a difference in the common level.

Q. I know you have not. You have undertaken to group them on a consist of traffic basis, though.

A. Sure, in order to show that the theory is all wrong [fol. 3680] that your unit costs in the South as a whole should be controlling of your rate level as compared with the unit costs in the North.

Q. I understood you to say just a little while ago that you could not possibly do any such thing as that.

A. I said, in the same territory perhaps, but when you come to interterritorially, you are on an entirely different basis for the reasons which I have gone into at length.

Q. Then why are you willing to agree that you can base it on unit costs?

Mr. McCollester: Base what?

Mr. Norman: The rate.

The Witness: In the South?

Chairman Aitchison: That seems to me to entirely ignore a fact which we must take into consideration, and that is the other blade of the shears: how much it is worth, how much the service is worth. You cannot consider alone how much it costs.

Mr. Norman: That is undoubtedly true, but I do not know how you are going to arrive at a conclusion that it is worth more to the men in the South than it is to the men in the North.

Chairman Aitchison: Your question was whether or not he can base it solely upon cost.

Mr. Norman: I did not say "solely", I do not think.

[fol. 3681] By Mr. Norman:

Q. At any rate, if there be this wide difference as between individual railroads in consist of traffic within the South as Mr. Kerr has testified there is between the two largest systems in the South, how can you base rates on an average consist of traffic?

A. Just as easily as you can on your theory that the average unit costs in the South should give you a parity of rates with those in the North. It is exactly the same theory. That is the theory you are talking about.

Q. When you arrive at these averages for consist of traffic, when there is the wide difference as to the individual roads, it is much like shooting at a mark and shooting 6 inches over it one time, and six inches under it the other time, and then saying that on the average you hit the mark; is that not about true?

A. No. That is your statement.

Mr. Norman: I believe that is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Bell?

Mr. Walker: I have just one question.

Chairman Aitchison: Mr. Walker.

By Mr. Walker:

Q. At several places during your direct testimony Mr. Bell, you referred to a Pocahontas Rate District. Is there any such rate district?

Chairman Aitchison: No. He said there was not.

[fol. 3682] The Witness: I said most emphatically there was not.

Mr. McCollester: That was the whole purpose of his testimony.

Mr. Walker: I know, but I am leading up to another question, if you will bear with me for a moment.

By Mr. Walker:

Q. Is it your understanding that there has been any proposal in this proceeding to establish a Pocahontas Rate District carrying rates different from rates in Official Territory?

A. No. I do not understand there has been, Mr. Walker.

Mr. Walker: That is all.

Chairman Aitchison: Is there any further cross-examination of Mr. Bell? (No response.) Is there any redirect?

Mr. McCollester: No redirect.

Chairman Aitchison: You may be excused, Mr. Bell.

(Witness excused.)

Chairman Aitchison: Have you anything further, Mr. McCollester?

Mr. McCollester: Mr. Chairman, that concludes our presentation. I had thought when I was contemplating this hearing I might try to do a little summarizing, but I will spare you that and leave it for brief.

Chairman Aitchison: Mr. Leonard F. Mongeon, Secretary of the Retailers' Transportation Committee of New York, has a short statement which he wishes to present. Raise [fol. 3683] your right hand and be sworn, Mr. Mongeon.

Leonard F. Mongeon was sworn and testified as follows:

Direct examination.

By Chairman Aitchison:

Q. Will you give your full name and address, please?

A. My name is Leonard F. Mongeon, and I reside at 17 Marvin Avenue, Rockville Center, Long Island, New York.

Mr. Norman: Mr. Chairman, if the witness is going to read his testimony and is passing it up to the bench, I think counsel should have copies.

Chairman Aitchison: Yes.

Mr. Norman: Do you have copies?

The Witness: Yes.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Is there any objection to this statement being copied in? (No response.) It may be copied into the record.

(The statement is as follows:)

I am Secretary of the Retailers' Transportation Committee, and also Traffic Manager of the National Retail Dry Goods Association. I have been in the employ of the National Retail Dry Goods Association for fifteen years, handling traffic matters. Before that I was employed by the [fol. 3684] Eleto Company for a period of four years, handling the traffic work for the Associated Dry Goods Corporation, a chain of department stores. I have been designated by the Retailers' Transportation Committee to appear at this hearing and testify on behalf of that Committee.

The Retailers' Transportation Committee is a recently formed inter-association committee representing eighteen national retail trade associations in transportation matters. The names of these associations follow: American Retail Federation; American National Retail Jewelers Association; Cooperative Food Distributors of America; Institute of Distribution; Limited Price Variety Stores Association; Mail Order Association of America; National Association of Chain Drug Stores; National Association of Food Chains; National Association of Retail Clothiers and Furnishers; National Association of Retail Grocers; National Automobile Dealers Association; National Association of Shoe Chains; National Retail Dry Goods Association; National Farm Equipment Association; National Retail Furniture Association; National Retail Hardware Association; National Shoe Retailers Association; National Voluntary Groups Institute.

Over 400,000 retail stores of every description, such as, department stores, chain stores, mail order houses, shoe stores, hardware stores, drug stores, food stores, etc., are included in the membership of the eighteen associations listed above, who are represented in traffic matters by the [fol. 3685] Retailers' Transportation Committee. These stores are located in every state of the Union, also, the District of Columbia. This Committee is truly representative of retailing.

A large percentage of the shipments received and made by retailers are less carload shipments, many of which move by railroad. The great majority of these shipments move on class rates. Most of these shipments consist of merchandise purchased from manufacturers for resale. A large percentage of all shipments received by retailers are purchased f.o.b. shipping point and the transportation charges are paid by the stores.

The Retailers' Transportation Committee is opposed to any readjustment of freight rates which would result in increasing freight rates, either interterritorial or intraterritorial, beyond their present level.

Our opposition is based entirely on the fact that under the General Maximum Price Regulation which grew out of the Emergency Price Control Act of 1942, retailers are prohibited from exceeding the highest prices which they charged in March, 1942, with a few rare exceptions. The General Maximum Price Regulation is published in the Federal Register as title 32, chapter 11, part 1500, sections 1500.1 to 1500.25 inclusive.

The General Maximum Price Regulation has had the [fol. 3686] effect of narrowing the margin between what stores buy merchandise for, and what they sell it for. This was brought about because wholesale and retail price levels were both frozen as of the same period, that is to say, March, 1942, despite the fact that retail prices always lag behind wholesale prices during a rising market. Hence, there has resulted a price squeeze on retailers.

To tighten the squeeze, came a 6 per cent increase in freight rates effective March 18, 1942, which was absorbed by retailers. Furthermore, effective December 1st, 1942, there will be 3 per cent tax on shipments, which will also be absorbed by retailers. While the General Maximum Price Regulation makes it possible for the stores to pass this tax onto the customer, in most instances it will be impracticable to do so.

Congress has recognized the problem created by practically all prices being under the price ceiling, except transportation rates; as indicated by a provision in the recent anti-inflation bill that orders common carriers to file with Economic Stabilization Director Byrnes, all proposals to increase rates thirty days in advance of the effective date of such increase. Director Byrnes designated the Office of Price Administration as his representative to receive notices of such increases.

As stated previously, both wholesale and retail prices are subject to price ceilings. Freight rates are an important [fol. 3687] element of cost going into both the wholesale and retail price. Any further increase in freight rates must be absorbed by the retailer unless we can get permission from O. P. A. to increase retail prices. Any general piercing of the present retail ceilings would be unfortunate and something to be avoided in the interests of our——

We, therefore, hope the Commission will not permit any increase in the present class rates as a result of its decision in this proceeding.

Chairman Aitchison: Is there any cross-examination? (No response.) There appears to be no cross-examination. You are excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will adjourn until 7:30 p. m. The hearing will reconvene at that time in the Hall of Mirrors.

(At 5:10 o'clock p. m., adjournment until 7:30 o'clock p. m.)

[fol. 3688] Evening Session

7:30 o'clock p. m.

Chairman Aitchison: Shall we proceed.
Mr. J. R. Bell: Call Dr. Duncan.

C. S. Duncan was sworn and testified as follows:

Direct examination.

By Mr. Bell:

Q. Your name is C. S. Duncan?
A. Yes, sir.
Q. Your place of office and residence is Washington, D. C.?

A. Yes, sir.

Q. You are economist for the Association of American Railroads, are you?

A. Yes, sir.

Q. And you are appearing in this case for the Class 1 railroad respondents, all being members of that association, are you?

A. Yes, sir.

Q. Will you state briefly the background of your experience, educational and otherwise.

A. I graduated from Wabash College at Crawfordsville, Indiana. I have taken post-graduate work at the University of Chicago, from which institution I received the degree of Doctor of Philosophy. For ten years I was a teacher in Ohio State University here in Columbus, Ohio. In 1915 I began teaching in the University of Chicago when the School [fol. 3689] of Business was organized there. My special subjects had to do with marketing problems. In 1918 I was drawn into war work, first in Washington, D. C., and then as a member of the American Shipping Mission in London, in charge of the Statistical Division, whose duty was the allocation of ocean tonnage to meet the essential needs of the allied nations. Early in 1919 I was transferred to Paris and attached to the office of Commissioner Robinson, of the U. S. Shipping Board, for the period of the Peace Conference. I returned to the United States in June, 1919, to become Chief of the Research Section of the National Industrial Conference Board. I came to the Association of Railway Executives in Washington, D. C., October 1, 1922, as economist, and I remained as such until the reorganization in 1934, when I was made economist of the newly organized Association of American Railroads—my present position.

I am the author of a text book entitled Commercial Research, published by the MacMillan Company, 1919, for the study of business problems; a test entitled Marketing: its Methods and Problems, Appleton's, 1920; and also of a text, A National Transportation Policy, Appleton's, 1936. I have written numerous articles for the magazines. I am a member of the American Economic Association, and the American Statistical Association. As economist of the Association of American Railroads, I have the duty of study- [fol. 3690] ing many phases of transportation, especially in their economic aspects. This has been my business for the past twenty years.

Q. Now, Dr. Duncan, were you requested to make an examination of certain material which has been introduced in this case, and make a study of the same, and related economic matters?

A. Yes, sir.

Q. Will you please proceed with your testimony on the subjects to which you have given study in this connection.

A. Yes, sir. My statement will deal with certain economic considerations, in connection with which I have examined and analyzed the two exhibits, Nos. 1 and 9, submitted by Dr. W. H. S. Stevens, Assistant Director of the Bureau of Statistics of the Commission; the statement or Exhibit No. 76 presented by Mr. A. D. Spottswood, submitted for the Tennessee Valley Authority, and certain other material.

I should like to take up first of all Dr. Stevens Exhibit No. 1. In a notice to the public, dated January 9, 1940, the Commission stated that it intended to have certain studies prepared by its own staff and offered in evidence, one of which would deal with *with* the "relative growth in industry, wealth, population, etc., of the different parts of the United States." I presume Exhibit No. 1, introduced by Dr. Stevens, was in partial fulfillment of that purpose. [fol. 3691] In the Commission's notice of June 4, 1941, it is said that the information contained in the exhibit may be regarded as background material for the broad study of the freight rate structure. As to this exhibit, I shall show that there is nothing of consequence in it relating to relative growth in industry, wealth or population of the different parts of the United States, and there is nothing in the exhibit that is of present value as background material in a study of the relative growth of industry or of the relative economic prosperity of the population of the various rate areas, or of the freight rate structure.

Chairman Aitchison: Well, now, I wonder, Mr. Bell, if in fairness this particular part of the statement should not be deferred until Mr. Stevens can have an opportunity to hear it.

Mr. Bell: I appreciate the fact, if the Commission please, that Dr. Stevens is not here, but he can read it, of course, in the transcript.

Chairman Aitchison: Yes, and so can we, and in view of that, we do not particularly care to sit here and listen to forty some-odd pages, some single-spaced, read to us.

Mr. Bell: May I call your Honor's attention to the fact that this statement is not confined merely to a discussion of Dr. Stevens' exhibits, but it also discusses the testimony [fol. 3692] of Mr. Spottswood and others. Mr. Spottswood, if I recall correctly, consumed some three hours or more of time on the witness stand, and we are undertaking to answer the entire matter in two hours and a half. I would ask that the witness be permitted to proceed with his testimony.

Chairman Aitchison: We are not trying to keep you from presenting it. I merely suggest that it would be more appropriate, inasmuch as we are going to have a Washington hearing, and the witness lives in Washington, to have him produced at that time.

Mr. Bell: If the Commission please, it was the idea of the respondents in this case that this witness would be the first witness in rebuttal. That was our plan. I told you, as you will recall, at Indianapolis, and also at the beginning of this hearing, that we intended to call ~~Dr.~~ Duncan. I regret, of course, that Dr. Stevens is not here at this time, but I do not know how we could avoid that. We respectfully request, your Honor, that the witness be permitted to continue with his testimony.

Mr. Norman: Of course, if your Honor please, this statement has been distributed for some days, now, and we have all had an opportunity to read it.

Chairman Aitchison: It was distributed here, was it?

Mr. Norman: Yes.

Chairman Aitchison: Since we came here?

[fol. 3693] Mr. Norman: Yes.

Chairman Aitchison: Has a copy been supplied to Dr. Stevens?

Mr. Bell: No copies were available, your Honor, until they were sent here by train mail, since we have been here.

Chairman Aitchison: They came from Washington, did they?

Mr. Bell: Yes.

Mr. Norman: I would just like to suggest this, if the Commission please: according to this witness, apparently, everybody is wrong except himself, and yet he does not offer anything that is of an affirmative nature. I think the proper thing to do would be to let the people, whom he is criticizing so severely, have an opportunity to hear the criticism, and then answer it. For us to just have to sit here and listen to a long statement of criticism of parties who are not present, seems to me just utterly futile, and of no profit to anybody.

Mr. Hughes: I submit, if the Commission please, that if we may not offer our rebuttal testimony unless the person whose testimony we are rebutting, is actually present, we will be very effectually debarred from introducing anything.

Chairman Aitchison: No. I am merely talking now from the standpoint of fairness, and fair play. We have been [fol. 3694] attempting to work along with you on everything here, but we have our rules about the distribution of exhibits and statements. Although these documents, it has been stated, came from Washington, apparently nobody had the courtesy to even think of sending a copy to Dr. Stevens.

Mr. Bell: The exhibit, your Honor, was not prepared in time to send Dr. Stevens a copy. It was sent to Columbus here by train mail, and I received it since I have been here.

Chairman Aitchison: Exactly, so that a copy could have been left with Dr. Stevens at least 8 hours before it arrived here by train mail.

Mr. Hughes: Your Honor will recall that at the hearing in Indianapolis an exhibit was presented in Dr. Stevens' absence.

Chairman Aitchison: And was admitted.

Mr. Hughes: It was.

Chairman Aitchison: Yes.

Mr. Hughes: Now, I see no reason why the testimony and exhibit of this witness, should not be permitted to go in, in Dr. Stevens' absence.

Chairman Aitchison: And I see no reason why they should not be admitted in the absence of the witness, if you want to make the parallel complete.

Mr. Eshelman: In fairness to Mr. Bell, Mr. Chairman, I want to say, with respect to the matter of the distribution [fol. 3695] of copies of this exhibit, that Mr. Bell did not know until after the exhibit had arrived here, whether or not it would be introduced on behalf of the Class 1 carriers, all of the Class 1 carriers, or only a certain group of them. Personally, I feel rather strongly, myself, about this proposition. These other economists who have appeared here, have had their say without limitation; and it seems to me that, just as Dr. Duncan could read Mr. Spottswood's exhibit, and refer to it here, or read Dr. Stevens' exhibit, and refer to it here, Mr. Spottswood and Dr. Stevens can read in the record what Dr. Duncan has had to say, and reply to it at the Washington hearing. Moreover, I thought it was definitely understood that Dr. Duncan would be permitted to proceed at this time.

Chairman Aitchison: Well, it was, that is true, but at that time none of us knew what he was going to present here.

Mr. Eshelman: His exhibit and his statement have been distributed, your Honor. I am sure that everybody has had copies.

Chairman Aitchison: I am not questioning that.

Mr. Norman: Well, I ask again, your Honor, why we should be compelled to sit here at this hour and listen to the witness read this long statement.

Mr. Hughes: Well, we had to sit and listen to Mr. Spottswood testify, for a matter of three hours.

[fol. 3696] Chairman Aitchison: Oh, as far as the mere matter of reading the statement is concerned, I do not care anything about that. If Dr. Stevens were here, Dr. Duncan could take all of the time he wanted.

Mr. Bell: I call your Honor's attention to the fact that Dr. Duncan was not present when Mr. Spottswood was testifying, and neither was he present when Dr. Stevens was testifying, but he read the record of their testimony, and analyzed their presentation, and I see no reason why Dr. Stevens cannot do likewise.

Mr. Hughes: Are we to assume, Mr. Chairman, that we are to be foreclosed from offering our rebuttal testimony unless the particular witness is actually present, whose testimony we are rebutting?

Chairman Aitchison: Not at all, Mr. Hughes, and there has been nothing said from the Bench to even intimate that. The only thing that I am questioning is as to the fairness, inasmuch as this is a savage attack on Dr. Stevens, of proceeding at this time, in the absence of Dr. Stevens, and without his having been supplied with a copy.

Mr. Bell: As was stated before, your Honor, we had no opportunity to give Dr. Stevens a copy.

Chairman Aitchison: You had ample opportunity to give him a copy in Washington, before the document left Washington. You have stated that it came from Washington. [fol. 3697] It was in Washington before it came here.

Mr. Bell: I did not even know, your Honor, that Dr. Stevens was not here, or would not be here, at the time I received this by train mail. We are merely asking, Mr. Chairman, that we be accorded the same hearing as has been accorded the complaining witness in this case, so to speak.

Chairman Aitchison: And nobody is going to deny you that. It is merely a question of time and place.

Mr. Bell: Furthermore, your Honor, I submit that as far as Dr. Stevens is concerned, you will find no personal criticism of Dr. Stevens here; there is no attack on Dr. Stevens personally. It is merely a statistical discussion, which he can read in the official transcript just as easily as he could listen to it, if he were actually here, and from a reading of the record, he can just as easily analyze it, and reply to it, if he wishes to do so, at the hearing in Washington, as he could if he had been here.

Chairman Aitchison: If Dr. Stevens were here, he would certainly be entitled to suggest to Mr. Smelker, who is here representing the witnesses for the Commission, and protecting their interests, questions which should be asked on cross-examination; but in his absence, of course, that cannot be done.

Mr. Bell: If you desire, your Honor, we will have Dr. Duncan in Washington for cross-examination, but we re- [fol. 3698] spectfully request that he be permitted to proceed with his statement at this time.

Chairman Aitchison: Dr. Duncan, you can be in Washington for cross-examination, can you?

The Witness: Yes.

Chairman Aitchison: And you will hold yourself liable to appear there, will you?

The Witness: I will.

Chairman Aitchison: Without subpoena?

The Witness: Oh, yes.

Mr. Bell: Certainly without subpoena, sir; of course, without subpoena.

Chairman Aitchison: All right.

Mr. Bell: I have told you that we would have him there.

Mr. Norman: All right.

Chairman Aitchison: Go ahead, then.

By Mr. Bell:

Q. Please proceed with your statement, Doctor.

A. The exhibit itself is composed of five parts, dealing respectively with mineral resources, energy resources, agricultural resources, forest resources and human resources. It contains 99 tables, listing the data derived from various sources, principally from studies made by the National Resources Planning Board and from the Census of the United States. Some of the data has been drawn from pub- [fol. 3699] lished statements and texts by authorities in geology, commercial geography and chemistry.

While I have not had every figure checked, I have had enough of them checked to be assured that the material has been assembled with care. I believe it is true that the data contained in this exhibit, although readily available from published documents, have never previously been brought together in this particular form.

By Commissioner Splawn:

Q. I am not just clear Dr. Duncan. Has this been your own statement, or the statement of Dr. Stevens, up to this particular point?

A. The statement up to date, Mr. Commissioner, has been my own statement.

Q. Your own statement.

A. Yes.

Commissioner Splawn: Very well.

The Witness: My examination of the 99 tables in the exhibit and of the accompanying explanation of each leads me to the conclusion that——

(a) The exhibit does not purport to show, nor does it contain data on, the relative growth either in industry or wealth or population, or the relative growth or other economic development in any rate territory or in the rate territories as a whole. It is merely a tabulation of available data on natural resources, and largely reserves, and human resources represented in population figures as of the year [fol. 3700] 1939 or *or* the nearest available year.

(b) Standing alone, the exhibit can have no direct relation to any discussion, either of relative or actual transportation rates as a whole, or of the class rate structure, either in rate territories or for the country as a whole, for the reason that the character of the data is such that there can be no direct relation between the two. For example, reserves of oil, of coal, of iron ore, or gold, or silver, or copper, or other minerals, or the number of skilled and unskilled workers, or soil fertility or the production of mil- per cow, of cotton or corn per acre, have no direct relation to railroad or other transportation.

(c) The exhibit contains no data or other information dealing with such matters as where and what is the demand for or use of the raw materials listed or of the food and feedstuffs and manufactured articles that appear in the tables. There is no data on such matters as where and why there are certain kinds of resources required but not developed for use, if any such exists. There is no information in the exhibit on the subject of where and why there are resources developed and demanded, but not moved, if any such exist.

(d) There is no information contained in the exhibit to show the relation of the data on resources or reserves or production to the requirements for transportation facilities and services, either for any commodity or any group of [fol. 3701] commodities or in any rate territory, and no information as to transportation resources by various agencies in the freight rate territories.

Mr. Bee: Now, if the Commission please, I want to interpose an objection on the record to the next statement in the mimeographed testimony of the witness, before he reads it, as being purely a conclusion on the part of the witness, and a conclusion for the Commission to draw. This witness has no right to put it into the record

Mr. Bell: What statement is that?

Mr. Bee: The statement immediately following the single-spaced statement.

Mr. Bell: Oh, there have been many such expressions, if the Commission please, by the various complaining witnesses appearing here as economists and what not, which have been permitted. You have already indicated the leeway that is to be given to the testimony of economists.

Chairman Aitchison: Oh, it may go in.

By Mr. Bell:

Q. Proceed.

A. The failure to include in the exhibit data of the character to which I have referred appears to me to render the exhibit as it stands in the record of no material value in the discussion of the freight rate structure.

I have prepared a table for the purpose of giving a general view of the data as to some of the principal items [fol. 3702] contained in the 99 tables of Exhibit No. 1, placed in the record by Dr. Stevens. This is shown on page 2 of my exhibit.

Mr. Bell: If the Commission please, may we have Dr. Duncan's exhibit marked at this time with the next number in record order.

Chairman Aitchison: 177.

(Exhibit No. 177, Witness Duncan, marked for identification.)

By Mr. Bell:

Q. Proceed, Doctor.

A. The sub heading indicates that the data only on the basis of the rate territories described by the order of the Commission are used. No adjustment is made for the so-called B groupings in which states lying in more than one of the rate territories are shifted from one territory to another.

The so-called resources or reserves, very broadly defined, appear in the first column of page 2 of my exhibit. The sources of the data in Dr. Stevens' exhibit are indicated in each instance in the second column. The data are set up by the five rate territories and for the country as a whole. The units of measure are the same as appear in the tables in Dr. Stevens' Exhibit No. 1 and are indicated in the description of the items. They are either tons, or cubic feet, or bales, or pounds, or value or individuals, as in each case is appropriate.

[fol. 3703] The upper half of my exhibit presents the data in number of units by each rate territory and for the country as a whole. In the lower half of this exhibit these units are reduced to a percentage on a territorial basis. There are added at the bottom of the exhibit two items which deal with the farm prices of cattle and calves and of corn on a rate territory basis.

By Commissioner Splawn:

Q. Again may I ask you, Dr. Duncan, so that I may be sure I correctly understand your testimony: is this your own summary of the data, now, or the summary of Dr. Stevens?
A. This is my own summary, yes, Mr. Commissioner. The percentage, I have had to calculate.

By Chairman Aitchison:

Q. Well, does it differ materially from his?
A. Pardon me?
Q. I say, does this differ materially from Dr. Stevens' statement?
A. Why, the figures in the upper half of this page, Mr. Chairman, are taken wholly from Dr. Stevens' table.
Q. Well, then, they do not differ, do they?
A. No, sir, they do not. As far as the percentages are concerned, however, I have had to calculate them.

By Mr. Bell:

Q. Proceed.
A. I believe that this table presents in condensed form, [fol. 3704] with fair accuracy, the so-called "basic economic conditions" prevailing in the different rate territories with regard to what are called "natural resources."
Certain data contained in the tables of Dr. Stevens' Exhibit No. 1 are not represented in this condensed table. There are certain minor minerals and certain other relatively minor items which have been omitted. I call attention to one broad omission—the data on the so-called "secondary reserves." The information is contained in Chapter II, pages 15-52, inclusive in Dr. Stevens' exhibit.

By Chairman Aitchison:

Q. Your statement is a little bit ambiguous. If it is contained there, how is it omitted?
A. I am going to explain.
Q. No; I say, if it is contained there, how is it omitted?
A. I do not understand, your Honor.
Q. You say that there are certain items which have been omitted, and then you say that they are contained in Dr.

Stevens' exhibit. If they are contained there, why do you say that he omitted them?

Mr. Bell: Omitted from his own exhibit, he means.

Chairman Aitchison: Let the witness answer the question.

A. I have omitted from this table here the data on the so-called secondary reserves, which are contained in his exhibit.

[fol. 3705] By Chairman Aitchison:

Q. Then the omission is by you?
A. Yes.
Q. And not by Dr. Stevens.
A. Yes, sir. As I say, I have omitted the data on the secondary reserves, which are contained in his exhibit.

Chairman Aitchison: All right.

By Mr. Bell:

Q. Proceed, Doctor.
A. The secondary reserves, as presented in this exhibit, consist of both the actual and potential "scrap" of various metals in the different rate territories.

While it is clear that certain amounts of materials become no longer useful from year to year in certain lines of activity, the so-called potential resources include all of the materials in buildings in the cities, in the millions of automobiles owned in the various rate territories, in public utility plants, in the wires of telephone and telegraph companies and all the materials of various kinds in the railroad plants.

These potential secondary reserves, consisting largely of materials in these going concerns, are of such a different character from reserves of iron ore, or coal, or forest products as to make it improper to set up a comparative statement. It is not, of course, contemplated that the railroads, for instance, are to be scrapped or the buildings torn down in the cities or electric plants demolished, or [fol. 3706] the telephone and telegraph companies sold for junk. The actual amount becoming no longer usable year by year is of relatively minor importance.

By Commissioner Splawn:

Q. Dr. Duncan, did you get the impression, either from the testimony of Dr. Stevens, or his exhibit, that he had in mind that they all would be scrapped at one time?

A. No, I did not get any such impression, Mr. Commissioner, but he listed it in the same way as other reserves,—all of the potential scrap. My point simply is this, that that can have no meaning in a going concern.

Q. How much rail abandoned railroads and expropriated railroads has been taken over by the government in the past year?

A. Why, I could not answer you, as to the definite number of miles, Mr. Commissioner, but it has been a relatively important amount, from branch lines, and so forth.

Q. The exports of scrap to Japan came from those sources, did it not?

A. Before the war?

Q. Yes.

A. Yes, very largely.

Q. Well, now, if you take a long enough period, most of those items will eventually be scrapped, in the course of time, will they not?

[fol. 3707] A. Oh, that is unquestionably true, yes, Mr. Commissioner, but I am unable to see how that has any bearing upon the relative growth or wealth of these freight rate territories. That is the point that I am now trying to make. The tables which I have presented here, summarizing the principal items in Dr. Stevens' exhibit, will show I think very clearly that there is obviously no balance in natural resources among the rate territories, if by this term is meant an equality, either existing or potential, in each one.

Q. I am not criticizing you, Doctor, or arguing with you. I am merely trying to clarify the situation.

A. I understand.

Q. Did Dr. Stevens indicate that there is a balance?

A. He gave no indication at all.

Q. Did he intimate that there should be a balance?

A. No, sir, there was no intimation of that kind at all. Some slight interpretation he did give, however, to which I shall make reference later.

Commissioner Splawn: I have nothing further.

Chairman Aitchison: Doctor, I shall have to ask you to proceed.

The Witness: Yes, sir. I think it is equally clear that no practical or possible readjustment in rate territories and certainly none in rates could produce this kind of balance of resources, reserves, production, population, [fol. 3708] industry or soil fertility throughout the country.

I want to add in this connection that if such a balance could be achieved, it would have no meaning. It is elementary that commerce is the exchange of goods and, hence, that the demand for transportation service depends upon commerce. No community or narrowly defined area could economically or possibly exist wholly on its own resources and maintain its standard of living.

Transportation has destroyed that kind of self-sufficiency. Communities and rate territories now exchange their surpluses for their deficiencies. It is true of them all and that is the life of trade. Out of this we have developed the great industrial organization in the country and the standard of economic well-being which is apparently the envy of the world.

Between self-sufficient communities or rate territories there can be no trade and there is no need for freight transportation. Balance of this kind is, therefore, not only impossible but would be wholly undesirable.

The items on page 2 of my exhibit have been arranged in the categories set forth in Dr. Stevens' Exhibit No. 1. It will be noted that there are five of them. The first is mineral resources, illustrated by iron ore reserves, copper resources and other minerals and non-metallic minerals such as stone, sand, gravel, clay and so on. The second [fol. 3709] group is called energy resources and includes coal, petroleum, natural gas and water power. The third is agricultural resources and includes the items from farm gross income from crops to cotton production. The fourth is forest reserves and is illustrated by the single item of saw timber. The fifth is human resources and is represented by the population figures, including total population, the total gainfully employed, those gainfully employed in agriculture and skilled workers and unskilled workers.

It will be noted, further, that in nearly all of these cases, excluding the last, resources and not production are shown.

Here is a clear foundation for the statement that there is no basis in Dr. Stevens' Exhibit 1 for determining relative growth in industry, wealth or population.

It is apparent from the table itself that each rate territory has certain inherent advantages, if by this term is meant a large percentage of the total reserves or resources. I have then set forth this table here, from page 2 of my exhibit.

Mr. Bell: We have no objection, with your Honor's permission, to having the table copied into the record by the Reporter.

Chairman Aitchison: Do you not think we ought to hear it?

[fol. 3710] Mr. Bell: Sir?

Chairman Aitchison: Do you not think we ought to hear it?

By Mr. Bell:

Q. Go ahead, Doctor.

A. Official Territory. Reserves of stone, gravel and non-metallic minerals—value produced—43.6 per cent. Population—51.55 per cent.

Southern Territory. Iron Reserves, 53.2 per cent. Cotton production, 43.38 per cent.

Western Trunk Line Territory. Crop land in farms, 40.18 per cent. Potential acreage of 20 principal crops, 41.80 per cent.

Southwestern Territory. Petroleum proven reserves, 68.2 per cent. Cotton production, 46.57 per cent. Natural gas, 41.0 per cent.

Mountain Pacific Territory. Metallic copper reserves, 98.2 per cent. Previous metals—gold, silver, etc.—production, 86.8 per cent. Coal reserves, 47.09 per cent. Water power—potential—66.68 per cent. Stand of saw timber, 69.06 per cent..

By Chairman Aitchison:

Q. May I ask where the remaining coal reserves are found.

A. They are shown here in the table, Mr. Chairman; coal reserves, Official Territory, 19.4 per cent; Southern Territory, 7.41 per cent; Western Trunk Line Territory, 23.36 [fol. 3711] per cent; and Southwestern Territory, 2.76 per cent.

Q. And they make up the difference between 47.09 per cent, and 100 per cent, do they?

A. For Mountain Pacific Territory.

Q. Then the answer to my question is "Yes", is it not?

A. Pardon me?

Q. I say, the difference between the 47.09 per cent and 100 per cent is represented by the items which you have just read; is that correct?

A. Yes, sir.

Q. Proceed.

A. To this extent the data do afford a background in that as to rate territories the people therein undertake to develop the resources and out of this development seek their livelihood by exchange of goods with other territories.

By Com. Alldredge:

Q. Well, does that not create the goods?

A. Pardon me?

Q. Does not the application of human labor and skill to resources, create the goods?

A. Oh, yes.

Q. Well, do you not think that possibly Dr. Stevens had that in mind also, when he postulated these resources?

A. Why, that I would not be able to say, Mr. Commissioner. He might have had, but he did not say so.

Q. Well, if the Commission undertakes to fix the pattern of [fol. 3712] rates for future application, do you say that would not be a matter for consideration?

A. Oh, no, Mr. Commissioner, I did not say anything of that sort.

Q. I thought I understood you to say that it has no direct relation to rate making.

A. The figures shown here?

Q. No.

A. No, sir,——

Q. I am talking about the information that is contained in the exhibit submitted by Dr. Stevens.

A. That is right.

Q. Now, you refer here to the application of human skill and labor to these resources.

A. Yes.

Q. Which creates livelihood, by the exchange of goods.

A. Yes, sir.

Q. Which, of course, is true; and I assume that you also have in mind, in your presentation here, the goods which are thus created, as constituting a source of traffic for the transportation agencies.

A. Yes.

Q. Is that right?

A. Yes, sir.

Q. So that, from your point of view, an exhibition of the [fol. 3713] resources of the country, natural and human, does have some relation to the fixing of a rate pattern for the future; is that not true?

A. Well, I am unable to see, Mr. Commissioner, that that has any intelligent relation until you know what the demand is, and where it is, in a case of this sort.

Q. Well, you know where it would have to originate, do you not?

A. Well, yes.

Q. That would be a pretty good starting point, would it not?

A. Oh, that would be a starting point, yes, Mr. Commissioner, but it would be only a starting point.

Com. Alldredge: Proceed.

A. Such a showing of inherent advantages in these rate territories, however, is wholly superficial. The mere figures on resources give no indication of the conditions under which these resources occur, the advantages or disadvantages of that location, the cost of development or even of the quality of the resources, and certainly nothing whatsoever as to the use or demand for them either as to how great the use or demand is or where it is located.

The mere figures of resources do not indicate in any way the relative demand for workmen or human resources or whether skilled workers or unskilled are required, or what transportation facilities. There are many other facts to be [fol. 3714] considered before the mere figures of resources can be made economically intelligent.

I draw attention to the data on human resources as shown in my exhibit. The source of these figures is a study by the National Resources Planning Board. They were treated, as indicated in the Board's study, from the point of view of what is called "socioeconomics." It is to be recalled that the study was developed in a period of severe unemployment. The prevailing thought was how men might be put to work. This purpose in the study naturally has colored the presentation of the data to the extent that the information has been gathered for this particular purpose.

There is, however, nothing in the mere figures of total population or population by rate territories, or the proportion of total population gainfully employed, or the relation of skilled or unskilled workers that can be translated into practical economic meaning without an investigation that goes much further than the mere figures.

I want to call attention to data that, it is claimed, indicate the potential acreage of 20 principal crops in the United States and by freight rate territories. The condensed table in my exhibit gives only the potential acreage of these crops and the acreage of the principal crops harvested in 1939 as shown in Dr. Stevens' exhibit. The underlying data in Dr. Stevens' exhibit illustrate the point I have in mind. Poten- [fol. 3715] tial production of these 20 principal crops is calculated for each freight rate territory,—and I quote from his exhibit—"by applying the maximum yield per acre in the past to the maximum acreage in the past for each state comprising the territory." (Part 4, page 14.) It is stated in Dr. Stevens' exhibit that this method of estimating potential production—and I quote again—"assumes that the same amount of acreage used in the production of a particular crop in the past can be called into production in the future if sufficient demand for that crop should arise."

This somewhat surprising statement deserves brief examination. It will be noted that the past history of such state is examined in order to determine some year in which a maximum acreage of land in that state is devoted to a given crop. This history of the state is again searched to ascertain the maximum yield per acre in the past of that particular crop. The maximum acreage is multiplied by the maximum yield per acre to secure the figure for potential production, although the maximum acreage may occur in one year, the maximum yield in another and the two dates may be different in different states, as the tables show in Dr. Stevens' exhibit, part 4, pages 41-74, Tables 53-74. The historical period covered for maximum acreage and maximum production per acre ranged from 1869 to 1913.

Rather astonishing results are obtained from such cal- [fol. 3716] culations. In respect to cotton, for example, potential production and production of 1939 by freight rate territories are shown in Table 57 of Dr. Stevens' exhibit, Part 4, page 50.

The maximum acreage is computed as 49,452,000 acres. The actual number of acres harvested in 1939 was 23,785,000, which is called 48.1 per cent of maximum. The maximum yield per acre is given as 311 pounds net weight for the United States as a whole and the yield per acre in 1939 was 238 pounds, or 76.53 per cent of maximum. From these figures the potential production is calculated as 32,136,000 bales. The actual production in 1939 was 11,797,000 or 36.71 per cent of the potential.

The figures of more than 32 million bales of cotton as potential production in this country is wholly without meaning. It is obvious that acreage devoted to cotton in some states in past years has been devoted in later years to other crops—as an example, perhaps tobacco, or peanuts, or corn.

By Chairman Aitchison:

Q. Would you not say that some of it, even under existing circumstances, has been allowed to lie fallow?

A. Possibly.

Q. Well, is it not more than "possibly"?

A. Oh, I would say, probably, yes, Mr. Chairman; some of [fol. 3717] it would be allowed to lie fallow, yes, sir. If, however, the potential production of these commodities is likewise to be determined, then as to acreage of this character the farmer would have to be producing two or more crops from the same acre.

I have shown in the last two lines in the condensed table, on page 2 of my exhibit, the farm prices of cattle and calves and the farm price of corn for the year 1939 as an over-all average for the United States, and in each rate territory,—the figures being taken from Dr. Stevens' exhibit. Here, again, the mere presentation of the figures contains no data that would in any way convey an intelligent or satisfactory explanation of what these figures might mean.

There is no information given as to the quality of livestock or of the corn. There is no information as to the volume of demand or the character of use. There is no evidence to show whether the price was affected by corn or livestock produced in other territories or whether the prevailing price was determined by production within the territory. There are many other factors which would need careful investigation for an intelligent explanation of the variations.

By Commissioner Splawn:

Q. Right there, Dr. Duncan, are you criticizing Dr. Stevens' exhibit because it does not contain all of the data required to dispose of the issues in this proceeding?
[fol. 3718] A. No, Mr. Commissioner, I am not. I am criticizing it because it does not meet the purpose for which, as I understand it, the exhibit was to be presented, which was the relative growth of wealth and prosperity in the various rate territories.

By Mr. Bell:

Q. Proceed.
A. What I have said heretofore and what I have demonstrated from the condensed table afford factual support of the statement previously made that Exhibit No. 1, introduced by Dr. Stevens in this case, does not show in any way the relative growth of production, wealth or population in the various rate territories. There is no factual basis so that standing alone it can "be regarded as background material for the broad study of the freight rate structures" as stated in the Commission's Public Notice of June 4, 1941, page 2.

By Chairman Aitchison:

Q. I do not recall what the basis of your criticism was, of his use of the Census figures, as to population.
A. I made no criticism of that.
Q. How?
A. I made no criticism of that.
Q. Why, you just have.
A. No; I accepted the figures.
Q. You say, "There is no factual basis so that, standing [fol. 3719] alone, it can 'be regarded as background material for the broad study of the freight rate structures' " etc. Just above, you say that Dr. Stevens' exhibit "does not show in any way the relative growth of production wealth or population in the various rate territories." Now, is there anything wrong with the showing of page 2, with respect to total population as between the various territories, and the total for the United States?

A. No, Mr. Chairman. As I stated before, I have had a number of these figures checked.

Q. As to population?

A. Yes, sir, and I think that they have been very accurately shown.

Q. Well, then, why do you say that there is nothing to show the relative growth of population in the various rate territories?

A. Well, for one thing, Mr. Chairman, his exhibit gave no relative growth at all.

Q. Is that your point?

A. Yes.

Q. Because he only gave one year?

A. Yes, sir.

Q. Well, now, supposing that I were to tell you that this Commission will take official notice of the population figures shown in the United States Census. Would that qual- [fol. 3720] ify your criticism at all?

A. Why, I would have no objection to that at all, certainly.

Chairman Aitchison: I think we are required to do so. If it is necessary to the case to show what the growth of population has been, the United States Census is the thing that every tribunal, that has to pass on the facts, is required to take notice of.

Mr. Bell Is your Honor through?

Chairman Aitchison: Yes.

By Mr. Bell:

Q. Proceed.

A. I have, furthermore, carefully examined Dr. Stevens' Exhibit No. 1 to see what evidence of interpretation or explanation the author has given of the data presented.

In Part II, page 2, the author says with respect to sand and gravel that they are produced in practically every state and limestone occurs in 42 states, and adds as follows: "In these cases it is quite possible that the total reserves of every freight rate territory are so huge in terms of any probable utilization that the proportion in any rate territory is much less likely to exercise a significant influence in the economic development of the territory than is the case with those minerals required in large quantities by the economy and which are both most scarce in terms of total consumption and less profusely distributed."

While this interpretation is by no means simple and clear, [fol. 3721] it seems to indicate that lack of reserves of a special basic commodity is a detriment to a given rate territory. However, since there is lack of certain reserves in each territory and, on the other hand, inherent advantages in each territory, it is evident that exchange is possible, commerce arises, there is demand for transportation and the surpluses are exchanged for deficiencies. Adequate resources in all freight rate territories furnish no basis for interchange of goods.

In Chapter III, on page 1 of Dr. Stevens' exhibit I have noted that the title of the first section is "Relative Significance of Energy Resources." I can find nothing in the discussion as to what is meant by "relative significance." The following sentence, however, occurs,—and I quote—: "The declining production of coal during the past two or three decades and the enormous increases in petroleum production, as well as our much publicized public water power projects such as the Tennessee Valley, Boulder Dam and Grand Coulee, have led in some instances to somewhat erroneous impressions as to the relative significance and importance of these energy sources for the economy as a whole."

I understand this statement to mean from the discussion that follows in the text that, in the mind of the author, coal still remains the chief source of energy.

By Chairman Aitchison:

Q. Do you take exception to that?

[fol. 3722] A. No, I do not, Mr. Chairman. That is not the point that I am making. The implication, therefore, is that where coal exists there is great inherent advantages. In the tables, however, the potential resources from water power are presented in no different way than the potential resources in coal. Where two kinds of resources, whether actual or potential, come in competition, then, of course, one may lose or one may win but the relative efficiency or the relative ability to meet and satisfy the demand as to two such kinds of resources is of the utmost importance. The table gives no basis for a determination of such matters.

By Chairman Aitchison:

Q. Well, does it occur to you that possession in a territory of both of those resources is of positive value in the richness of the territory, and its ability to attract industry, manufacture and trade?

A. Yes, Mr. Chairman. Those are what I call inherent advantages. I have called attention to the fact that the last two lines on page 2 of my exhibit show farm prices of cattle and calves and of corn by freight rate territories. In this connection, I want to refer to a statement that appears in Chapter IV, page 48 of Dr. Stevens' exhibit, where comparative prices of cattle on the farm are discussed. It is there pointed out that Official Territory has the highest farm prices, $7.65 per 100 pounds, for 1939; that Western Trunk Line ranks second, $7.62, while the Southern Territory has the lowest price. The Mountain Pacific Territory [fol. 3723] shows the highest price on hogs and the Southwestern Territory the lowest price. In reference to these facts the author of the exhibit then says,—and I quote—: "Very little information can be gained from this comparison of prices, however, since there are undoubtedly great differences in the kind and quality of animals produced."

This is, in substance, what I have been saying about the tables individually and as a whole. The real economic story lies behind the mere facts and figures presented by the table.

I have been unable to find from the comments on other tables in Dr. Stevens' exhibit any statement of interpretation or explanation that has been helpful. I have noted, however, in Part IV, page 1, that the author quotes from a report by the National Resources Planning Board, issued in 1934, in part as follows: "Finally, human resources and human values are more significant than the land, water and minerals on which men are dependent."

It seems that this statement, which apparently is endorsed by the author of the exhibit, has largely discounted the relative importance of the other data.

Finally, in Part IV, page 13, the exhibit points out that the servant class in the population is distributed among the freight rate territories in close proportion to the total gainfully employed. It appears from the table that in the Southern and Official freight rate territories there is a [fol. 3724] slightly higher proportion of the servant class to total population. Comment in the exhibit on these facts contains the following: "The differences in the distribution of servants and total gainfully employed appear to be too narrow to be of any great significance." Part VI, page 13. In my judgment, if there be any significance in differences of this kind, it is social and not economic in character.

Comments, explanations and interpretations by Dr. Stevens in his exhibit and in the record do not lead me to alter my comments in any respect regarding the data in the exhibit. The relative growth in industry, wealth and population is nowhere shown nor do the data in any way indicate the opportunity for interchange of commodities between rate territories. In certain important respects, the data in the exhibit on potential production need statistical correction.

By Chairman Aitchison:

Q. Have you indicated where these places are, where correction is necessary?

A. I have just discussed that, Mr. Chairman, in connection with potential production.

By Commissioner Splawn:

Q. Well, other witnesses from time to time have discussed growth and development in their particular communities. Does not Dr. Stevens merely lay out this exhibit as background, wherein you start with any historical discussion of growth?

[fol. 3725] A. I cannot tell you, of course, Mr. Commissioner, why Dr. Stevens presented the data in this form.

Q. Well, is that not what it is?

A. No.

Q. It is not?

A. No, sir, I would not say so. This is merely for one year, 1939, the nearest date for which material was available. That is not the background for a study of relative growth of industry, wealth or population.

Q. Well, can you make a study of relative growth without using these data which he has assembled in his exhibit?

A. In the exhibit which I am now about to discuss, No. 9, he has undertaken to base it upon the idea of relative growth.

Q. I do not know whether any of the witnesses have found these data of any more service than you have found them, in preparing exhibits as to relative growth.

A. I would not know about that, of course.

Q. No, but the data are correct, if they should be found to be of use in such studies as we have been discussing, are they not?

A. Yes, sir.

Commissioner Splawn: Continue.

A. I pass now to Dr. Stevens Exhibit No. 9. Dr. Stevens' Exhibit No. 1 was introduced at the first hearing in St. Louis. At the second hearing in Indianapolis Exhibit No. [fol. 3726] 9, said to have been prepared under the direction of Dr. Stevens, was presented.

By Chairman Aitchison:

Q. Why do you emphasize that—"said to have been prepared?"

A. Well, what I mean is, I saw that statement, and I do not doubt it, of course. He was not here, was all. It is stated on the first page of this exhibit that in Exhibit No. 1 the statement of the distribution of natural resources by territories was presented at the first hearing and that this second part of the study deals with the economic development of the rate territories.

Except for two pages of text, which deal with the general source of data and the adjustments made necessary to fit the data into the boundaries of the freight rate territories and some reference to the lack of comprehensive data in the early years, Exhibit No. 9 is made up of tables and charts with copious reference to sources. The figures in the tables refer to the decennial census years from 1840 or 1849, to 1930 or 1939, as the data were available. These tables cover the figures on: (1) Total population; (2) Total gainful workers; (3) Value of all farm products; (4) Value of mineral products; (5) Value of products of manufacturing industries; (6) Value added by manufacture; (7) A summary table of all the preceding data, with the addition of figures showing value added by manufac- [fol. 3727] ture of minerals; and (8), finally railroad mileage. There data are all given by freight rate territories.

In very broad outlines, this information gives the general growth in population, agriculture, mining and manufacturing. The most striking feature of the exhibit, in my judgment, is the evidence of growth for the country as a whole and by freight rate territories in every one of these categories.

The data in Exhibit No. 9 are, in my opinion, still much too general to be of practical value. It is true that the table on total population given by freight rate territories for the period 1840-1940, inclusive, shows the spread of population throughout the country during this century of development.

A comparison of this table, Table 1, page 3, with Table 8, page 24, which shows railroad mileage in the United States by freight rate territories for the same 100-year period, 1840-1940, might well lead one to conclude that as the lines of railroad were extended into the new regions of the Western Trunk Line, Southwestern and Mountain Pacific Territories, people came flocking into these territories and began to develop the areas in the lines of farming, forestry, mining and manufacturing.

By Chairman Aitchison:

Q. Did you check the accuracy of the figures in Exhibit [fol. 3728] No. 9, the same as you did the figures in Exhibit 1?

A. Yes.

Q. What do you say about them?

A. Why, I would say that they have been carefully prepared from available data. I think it is a fair statement. Apparently, every source of data was used.

By Mr. Bell:

Q. Proceed.

A. In order to show the information contained in Exhibit No. 9 in compact form, so that the situation at the earliest date of record may compared with the situation at the latest date of record, I have prepared a table of the total population, gainful workers and value of products by rate territories in order to bring into focus the relative development as shown by the various tables in Exhibit No. 9.

This is Page 4 of my Exhibit No. 171. It will be observed that this table shows both the figures and percentages related to the total for the country as a whole as given in each of the first seven tables in Exhibit No. 9.

I state briefly what I think this summary shows, clearly. It is apparent from the data on population that through these 100 years of continental development the population in all freight territories has increaed very substantially. The Official and Southern territories, however, although they have gained substantially in absolute number, have fallen in relationship to other rate territories.

[fol. 3729] Thus, Official Territory, which in 1940 represented 60.1 per cent of total population, has fallen relatively to 48.7 per cent, and Southern Territory which was 34.06 per cent in 1840 has dropped to 18.2 per cent. It is obvious that the Southwestern, the Western Trunk Line and the Mountain Pacific territories have very substantially increased in absolute numbers and in proportion to the whole.

The second division is headed "Gainful Workers," which is synonymous with gainfully employed as used in Exhibit No. 1. As regards the number of gainful workers, both the Official and Southern territories, although they have increased absolutely in substantial amount, have fallen relatively to the country as a whole. The other three territories have gained both absolutely and in proportion to the country as a whole.

The third item, "Value of Farm Products" is the value of products at the farms and data were available for only the 90-year period 1849-1939. The development in all territories is obvious from the figures. Proportionately, Official Territory has greatly declined, as has the Southern territory, while the other three territories have greatly increased proportionately.

The fourth item is "Value of Products for Mineral Industries." A footnote to the table covering these data indicates that the cost of material entering into the mining [fol. 3730] industry is not included. Here, again, the development in all territories is obvious and the proportionate increase in the Southern, Southwestern, Western Trunk Line and Mountain Pacific territories is shown in the table. Official territory has declined proportionately to the other territories.

The item, "Value of Products of Manufacturing Industries," covers a 90-year period and again shows substantial increases in all territories but a proportionate decrease in the Official Territory alone. The Southern territory has increased somewhat proportionately and the other three territories in substantial degree.

The final item is the "Value Added by Manufacture," covering the manufacturing industries for a 90-year period. Here, again, all rate territories have substantially increased. The Official Territory has fallen proportionately, the Southern has increased slightly in its proportion of the total, although, as I have indicated, it had declined proportionately in population and the other three territories have increased to a greater degree.

I repeat, that these figures show a growth and development in all rate territories over the past century in the United States. There is no indication in the data of any barrier or other obstruction that has been in the way of the progressive growth and development in agriculture, [fol. 3731] in the extractive industries or in manufacturing in any of these rate territories.

It is my judgment that a better criterion can be set up for measuring the relative development in industry as among the freight rate territories. The unit of measure for comparative purposes which I suggest is the number of wage earners in manufacturing establishments. I am in agreement with the discussion and the conclusion that appears in the pamphlet entitled "Location of Manufactures 1899-1929—A Study of the Tendency Toward Concentration and Toward Dispersion of Manufactures in the United States," published by the Bureau of Census in the U. S. Department of Commerce in 1933, and drafted by Mr. Tracy E. Thompson, Industrial Analyst, Bureau of the Census.

Chairman Aitchison: It is understood of course by that reference that the document becomes a part of the record, and anybody can refer to any portion of it.

The Witness: Yes.

Chairman Aitchison: Is that right, Mr. Bell?

Mr. Bell: No objection.

Chairman Aitchison: Well, that is the rule, is it not? Otherwise, you ought to produce the document.

Mr. Bell: I did not hear your Honor.

Chairman Aitchison: I say, that is the rule. Otherwise, you ought to produce the document.

[fol. 3732] Mr. Bell: I say, we have no objection.

Chairman Aitchison: All right.

A. Mr. Thompson discusses the several criteria for measuring the distribution of industry—pages 3 and 4 of this document. As to the value of products, Mr. Thompson says that, although sometimes used for this purpose, the sure is not strictly comparable from year to year for the reason that it depends upon commodity price movements and is inflated because of the use of the products in some industries as materials for further manufacture by other industries.

By Chairman Aitchison:

Q. That is the comment of Mr. Thompson with respect to the value of products as a criterion for measuring the distribution of industry; is that correct?

A. Yes, sir. The substance of his reasoning is that he reaches that conclusion, which I think is correct.

By Mr. Bell:

Q. To which you agree?

A. Yes, sir.

Q. And which you adopt, as your own testimony.

A. Yes, sir.

Q. Proceed.

A. As to the value added by manufacture, he says that it is a computed item representing the value added to materials by the manufacturing processes but is, like the former, value of products, dependent upon changes in price levels, both for materials, and for the products, though it does [fol. 3733] escape the duplication to be found in the value of products.

Mr. Thompson also points out that the quantity of goods produced is for many purposes a suitable standard for measuring industrial expansion or contraction, although "the conversion of quantities of dissimilar products to a common basis by means of index numbers is too laborious for application to small areas." He points out, however, that increases or decreases of physical quantities of goods manufactured may not closely parallel corresponding increases or decreases of demands for wage earners. It does not take into account, furthermore, the extent to which machines are employed and the effect of this mechanization upon the number of workmen.

Mr. Thompson also refers to the number of establishments reported as a possible criterion for comparative purposes. He says, however, that it fails to take into account differences in size of these establishments, which is a very important consideration for most purposes. He feels that the general pattern of industry is not readily affected by the gain or loss of small plants, which, though numerous, may have only a slight effect upon total amount of employment or even upon the total quantity and value of output.

Finally, Mr. Thompson reaches the conclusion, with which I agree, that "a more reliable indicator of manufacturing activity is the average number of wage earners employed—the standard which is used in the following [fol. 3734] pages of this report and referred to as wage jobs." Page 4. This figure represents an annual average that is based upon the number of wage earners on the payroll for the week which includes the fifteenth day of each month. It is perhaps the best measure of the number of persons steadily employed, or would be steadily employed if the work were spread out evenly over the year. I am, therefore, suggesting that for comparative purposes the best unit of measurement is the number of wage earners.

Using this unit of measurement, I have constructed a simple table covering four decennial census reports, 1899-1939, which shows the number of wage earners in manufacturing establishments by freight rate territories. This is page 3 of my Exhibit 177.

It has been found necessary by me as others have found it necessary, to make certain adjustments in order to adapt the material to the freight rate territories for the wellknown reason that the boundaries of these rate territories do not always coincide with state boundaries and the census material is given by states and on the basis of regions which have been set up by the Census Bureau.

All of the State of Virginia is included in the Official Territory. All of the State of Wisconsin has been included in the Western Trunk Line Territory, as has the State of Colorado. All of Louisiana is in the Southwestern Territory.

[fol. 3735] The table speaks for itself very clearly and shows the increased number of wage earners in all of the rate territories as represented by the Census in the ten-year periods.

Q. Those are wage earners in manufacturing business?

A. Yes, sir, wage earners in manufacturing activity, as shown by the table.

Q. Proceed.

[fol. 3736] The main point is, of course, the relative growth of industry as represented by the number of wage earners in manufacturing establishments. I have, therefore, offered a comparison between 1899 and 1939, the last two columns in that table. The table shows the actual increase in the number of wage earners between these two periods and the percentage of growth, both by rate territories. It is clear that while the Official Territory has increased more than other rate territories in absolute number, proportionately it has fallen far behind the Southern Territory, the Southwestern Territory and the Mountain Pacific Territory, and far behind Southern, Southwestern and Western Trunk Line combined.

By Com. Splawn:

Q. That is, you reach these conclusions by comparing the data for 1939 with 1899?

A. Comparing the data for the year 1899 with the data for the year 1938.

Q. And you have got the data for 1939 from Dr. Stevens' exhibit?

A. No, these are from the census report, and the figures are given for the decennial census reports for 1899, 1919, 1929 and 1939, in the table.

By Mr. Bell:

Q. These are figures converted by yourself?

A. That is right.

Mr. Bell: None of them have been taken out of Dr. Stevens' exhibit.

[fol. 3737] By Com. Splawn:

Q. You have passed from the exhibit now and are talking apart——

A. I was suggesting new criteria.

Q. Yes. Now, this comparison you have given us from which you have drawn the conclusion, is that what you thought Dr. Stevens should have done?

A. This is what I think is the proper criterion for determining relative development of manufacturing establishments.

Q. Well, we will be glad to have it and accept it as you have prepared it and glad to have your discussion of it, but I am just asking you if that—I heard your criticizing Dr. Stevens for not doing something and was this the thing you were criticizing him for not doing?

A. No, sir.

Com. Splawn: All right.

By Com. Alldredge:

Q. This table on sheet 3 also shows, doesn't it, that there are more than twice as many wage earners employed in manufacturing establishments in Official Territory than all the other territories combined, isn't that right?

A. Yes, I think that is correct.

Q. Now, standing alone, that would lack some significance too, wouldn't it, because there might be differences represented also in the average wages received by these workers, isn't that right?

[fol. 3738] A. Yes, sir, that is true.

Mr. Bell: We will show that later.

The Witness: That is what this table was presented to show.

Com. Alldredge: Yes, I know.

By Com. Alldredge:

Q. But will you correct that deficiency? I notice sheet 5 might do so for one year.

A. I don't think the tables are wholly comparable, but I do give some figures on the average annual earning in manufacturing industries.

Com. Alldredge: Proceed.

By Mr. McConnaughy:

Q. Can you state, Dr. Duncan, if you, as an economist, might be able to give the reason for the substantial decline, percentage-wise, from 1919 to 1939 in Official and Trunk Line Territories, and the substantial increase likewise, in the same period, in Southern and Southwestern Territories in the last 20 years.

A. Well, there are two or three reasons. There has been a relocation of industry which I intend to point out. There has also been a mechanization of industry; two important factors.

Q. Do you cover that in your exhibit?

A. The first one I do cover. I have something to say about mechanization, also.

By Chairman Aitchison:

Q. I take it that there was a decline in the Southwestern [fol. 3739] Territory in the two years, between the two years which the Commissioner mentioned?

By Mr. Bell:

Q. Do you understand the question, Doctor?

A. No, I don't understand the question.

By Chairman Aitchison:

Q. I understand Commissioner McConnaughy indicated that there was a substantial decline in Official Territory, 1929 and 1939, and a substantial increase in Southern and Southwestern. I want to ask you to take a look at Southwestern and tell me whether there was a substantial increase in Southwestern, between those two years.

A. What I understood was over 1899. Probably I was wrong.

Chairman Aitchison: What year did you use, Mr. McConnaughy?

Mr. McConnaughy: I used 1919.

The Witness: There has been a decline, as the Chairman pointed out, in Southwestern Territory.

By Mr. McConnaughy:

Q. And in Southern Territory, an increase percentagewise?

A. That is correct.

By Com. Alldredge:

Q. Hasn't there been a decline also in Western Trunk Line Territory for those years?
A. Yes, sir.

Mr. McConnaughy: Yes, sir, a substantial decline in Western Trunk Line.
Chairman Aitchison: And in the Mountain Pacific also.

[fol. 3740] By Mr. Bell:

Q. Proceed, Doctor. Tempus fugit.
A. The Western Trunk Line Territory shows a smaller proportionate increase than do the other rate territories. The Commission is fully aware of the reasons that have been offered for this failure of the Western Trunk Line Territory to increase more rapidly industrially. Following World War I there came the Transportation Act of 1920 and the large development of traffic through the Panama Canal. The Middle West and the Northwest lost many of their markets on the Pacific Coast because they were unable to secure exceptions under the new Fourth Section or long-and-short-haul clause in the Transportation Act, 1920.

By Chairman Aitchison:

Q. Was that when that was lost to the Pacific Coast markets?
A. Yes.

Chairman Aitchison: I thought it was 1917.
Mr. Bell: The Commission withdrew Fourth Section relief in 1918. The 1920 Act came along and we never succeeded in getting it restored.
Chairman Aitchison: 1918.
The Witness: The controlling decision came in 1922.
Chairman Aitchison: The Transportation Act didn't have that effect. It was the closing of the Panama Canal and the subsequent action of the Commission in withdrawing its Fourth Section relief.
[fol. 3741] The Witness: Yes, sir.
Mr. Bell: Well, in the first instance, Mr. Chairman which became effective in 1918, because the Panama Canal lines went to the more profitable foreign trade, even before we entered the war.

Chairman Aitchison: And the canal was closed.

Mr. Bell: You withdrew Fourth Section relief. But the point is, we never succeeded in getting it back after the enactment of the 1920 Act.

Chairman Aitchison: Well, this gentleman is an expert and he is criticizing other economists and I wanted to find out how accurate he was in respect to this.

Mr. Bell: This is not a criticism of any economist.

Chairman Aitchison: I am talking about his accuracy with respect to his own facts.

The Witness: There is also the fact that I think is well known, that there has been a dispersion of flour milling from the Twin Cities which formerly were most important in this line. Flour mills have moved to Buffalo, New York, and other mills have gone to the Southwest nearer to the wheat fields of what area.

I am of the opinion that the data which I present in this table on page 3 of my exhibit show a remarkable development industrially, outside of Official Rate Territory. In the face of this evidence of growth, there appears to me [fol. 3742] to be no basis for a contention that these other rate territories are handicapped by the railroad freight rate structure.

By Chairman Aitchison:

Q. Let me understand. What is the basis for your saying that all of these other territories than Official have shown a remarkable industrial growth as shown on sheet 3?

A. Well, the Southern—according to the data I have here, have increased 132.5 per cent.

Q. Over 1899?

A. Over 1899.

Q. That is a period of 50 years.

A. 30 years.

Q. 40 years.

A. 40 years. And the Southwestern, 131.6. Western Trunk Line Territory, as just explained, shows a smaller proportioned increase, the increase 1939 over 1899 being 44.5 per cent; combination of Southern, Southwestern and Western Trunk Line, 94.3 per cent; Mountain Pacific, 197.4 per cent.

By Mr. Bell:

Q. What is Official?

A. As compared to the Official, 54.4.

Q. And what is the total United States?

A. That is shown in the last column, 67.3.

By Chairman Aitchison:

Q. Now, if you are to compare with the 1919 period, which is right in the middle, you would find the peak, wouldn't you?

[fol. 3743] A. Yes.

Q. And every one of these territories, except Southern, had shown a decline.

A. That is right, through the depression, certainly.

Q. Would you consider that a remarkable development industrially during the last 20 years?

A. Yes, I think so.

Q. In other words, then, a decline in the wage earners in manufacturing establishments during the last 20 years indicates a remarkable development industrially?

A. Well, that is not quite right. The depression came in that period, of course. I think that is quite clearly a demonstration of a very remarkable development of industry in these other territories.

By Mr. Bell:

Q. You can compute mathematically the relative percentage of reduction in the Official Territory as compared to the Southwestern, can you not? You needn't do it now.

A. Oh, yes, it is all there.

Q. This shows that the Southern Freight Rate Territory is the only one that hasn't had a reduction at any time, is that correct?

A. Yes, taking it decade by decade.

By Mr. McConnaughy:

Q. You don't see where Official has suffered worse than the Trunk Lines, do you, according to your data?

[fol. 3744] A. No.

Q. What?

A. No, I don't see that.

Chairman Aitchison: What was the statement you made, Mr. Bell, about Southwestern?

Mr. Bell: I said it can be mathematically computed, what the percentage of reduction of Official as compared with Southwestern is, but he needn't take the time to do it now.

Chairman Aitchison: Yes. Then there was another statement, the one I had in mind.

Mr. Bell: Oh, I said that the Southern was the only one that did not show a reduction at all at any time.

Chairman Aitchison: I think Southwestern does, 1929 to 1939.

Mr. Bell: I said Southern, I didn't say Southwestern.

Chairman Aitchison: You said that the Southern was the only one there which did not show a reduction at any time?

Mr. Bell: That is right.

Chairman Aitchison: Oh, yes, that is all right.

Mr. Bell: From 1899 to 1919, 1929, 1939, the whole census.

By Mr. Bell:

Q. You may continue.

A. There is this further point that I desire to add before leaving the statement. As I have pointed out, the data contained in Exhibit No. 9 do not offer as good a unit of meas- [fol. 3745] urement for comparative purposes as does the number of wage earners in manufacturing establishments and, while it is true that Exhibit No. 9 does contain data on the development of rail mileage by territories, there is nothing in either Exhibit No. 1 or Exhibit No. 9 to show the development of highway, waterway, pipeline and airway transportation facilities in these various areas. If the resources of the rate areas are important, then, in my judgment, it is necessary, for a comprehensive picture, to show the total transportation facilities available by rate territories. The conclusion, for example, should not be drawn that because rail mileage may have declined in freight rate territories, the total facilities for transportation service have declined or that there has been any decline in the agricultural, mining or manufacturing industries. It may well be that the total transportation facilities in these rate districts are greater today than ever.

I pass now to Exhibit No. 76, introduced by Mr. A. D. Spottswood in behalf of the Tennessee Valley Authority. The comments which I shall make include both the exhibit and Mr. Spottswood's statement largely based upon it. Reference is made to the mimeographed form of the statement by Mr. Spottswood. I do not have the——

Q. In that connection, you did not have the transcript of the record but you had the mimeographed statement entitled [fol. 3746] "Testimony of A. D. Spottswood, Tennessee Valley Authority," did you?

A. Yes, sir, I did.

Q. And that is the statement to which you refer in your testimony?

A. That is the statement to which I refer.

Q. Proceed. You had Mr. Spottswood's Exhibit No. 76, of course?

A. Yes.

By Chairman Aitchison:

Q. Isn't it possible to read faster Doctor?

A. I will try to. Four propositions are given in the statement, mimeograph page 1, that Exhibit 76 was presented to support. There are three of these as to which I shall offer essential dissent on the ground that the data in the exhibit do not support them and that they are themselves in error.

1. The first proposition is that "The marked degree of specialization as among the several regions or rate territories establishes a relationship between Official Territory and the South and West which is substantially that of mother country and colonies." As to this proposition I want to say, first of all, that the phrase "mother country and colonies" is no more than a prejudicial slogan. It is not true governmentally, politically or economically.

That this relationship of mother country and colonies is [fol. 3747] not true governmentally and politically is so obvious as to be readily admitted. It requires no further comment. That the proposition is not true economically can be demonstrated. Page 3 of Exhibit 177, covering four decades of the Census reports, which show the proportionate increase in industry in the South, Southwest, Mountain Pacific rate territories, and the Southern, Southwestern and Western Trunk Line combined, directly and fully disproves this proposition. Industries have grown and multiplied in all these rate territories. There is no evidence from the official record that any handicap has been placed upon their development.

The data given in Exhibit 76, which presumably are intended to support the proposition, do not in fact afford such support. Attention is directed to Table 1 "Occupational Patterns of the United States and the Several Rate Territories, 1940" on page 2 of that exhibit. This table undertakes to set up for the country as a whole and by rate territories all gainful occupations, a phrase which is synonymous with gainful workers or gainfully employed used in the Census Reports. It shows, further, the number engaged in the extractive industries, including agriculture, forestry, fishing and mining. Another column is headed "Manufacturing" and includes persons engaged in "Construction" in addition to the manufacturing group. The fourth and last column sets up data for "Trade and Service." This [fol. 3748] column combines the Census group of "Transportation, Communication and Other Public Utilities"; "Wholesale and Retail Trade"; "Finance, Insurance and Real Estate"; "Business and Repair Services"; "Personal Services"; "Amusement, Recreation and Related Services"; "Professional and Related Services"; and "Government." The source of data is given as the Sixteenth Census of the United States, 1940.

My first comment is that these figures have all the infirmities of those presented in Exhibit No. 1, submitted by Dr. Stevens. They are for a single year and constitute what may be called a snapshot photograph as contrasted with a moving picture of development and growth. The instantaneous photograph as of 1940 may give the impression of a fixed relationship without change, like a "painted ship upon a painted ocean." Economists in these latter days are fond of the word "dynamic" which is used to indicate the economic changes that are constantly taking place. This table does not show the effect of dynamic economic forces at work in this country.

There is another infirmity in connection with the data given in this table. The last column "Trade and Service" has no place here. I have already given a description of the items which go to make up the data in this column. Many of them, like "Wholesale and Retail Trade", "Transportation", "Public Utilities", "Business and Repair Serv- [fol. 3749] ices", "Personal Services", and I would assume "Amusement, Recreation and Related Services", as well as "Professional and Related Services", are incidental to population. No one disputes the obvious fact that the

Official Territory is more highly populated than the other rate territories, but in my opinion a table prepared to support the contention of a fixed relationship among rate territories as to the relative proportion of industries should not include the data contained in this column on "Trade and Service".

I need only mention the fact that Boston, New York, Philadelphia and Baltimore are great ports through which move vast quantities of export and import trade. Many services and many trades have been built up incidental to this entrepot function. I presume that I need only to mention the fact that in this section have been located the great organized security markets, with all of their incidental services and trades, and that in this area, for reasons that can have nothing to do with a transportation rate, are located the great banking and insurance companies of the country. The insurance companies of Hartford, Connecticut, Montpelier, Vermont, of Newark, New Jersey, not to mention those located in New York City, are there for reasons other than a transportation charge.

Professional services, including that of the dentist, the doctor and lawyer, are, of course, incidental to population [fol. 3750] and are not dependent upon a transportation charge. It is far more out of keeping to have included "government" and those employed in government service in Table 1. I had not heard it proposed that the seat of Federal Government was located where it is on account of a rail transportation charge or that any change in a railroad rate would remove it to either one of the other rate territories. I want to remark further in connection with this item later on.

It seems clear to me, therefore, that the table contains much extraneous data which tend to obscure any pertinency that the table might contain. Certainly in the light of the facts which I have presented as to the development and growth of industry in the rate territories of the "South" and "West" this table does not support the proposition which I have heretofore stated.

By Mr. Bell:

Q. Now, to relate back, this table is set out as Table 1 on page 2 of Mr. Spottswood's Exhibit No. 76 you have been talking about?

A. Yes, sir.

Q. Proceed.

A. The second proposition is that "Regional and national objectives of full employment, full production and maximum national income will not be achieved as long as the present regional specializations survive in the present exaggerated degree."

[fol. 3751] Q. Now, that is the second proposition in Mr. Spottswood's exhibit, testimony on this subject?

A. That is true.

Q. Proceed.

A. The assumption which underlies this proposition is apparently of a static and unchanging situation as presented in all the tables in this Exhibit 76. I repeat again that the facts which I have already given demonstrate that the situation is not fixed and unchanging and, therefore, the foundation drops from under the proposition which I have just stated.

The tables which are given to support the two propositions which I have just cited as they appear in Exhibit 76 are Table 2, Freight Tonnage in the Several Rate Territories, Table 3 on Inter-regional Traffic Balances, which is continued in Table 4 and Table 5, Table 6 on Territorial Division of National Income and Chart II which appears on page 9 of Exhibit 76. I shall comment on these tables and on the Chart.

There are two substantial infirmities in the data given in Table 2 on Freight Tonnage in the Several Rate Territories, such substantial infirmatives as to make the table unreliable for the use which it is presumed to serve. The point which the witness tried to make with respect to the series of tables on freight tonnage is that the bulk of freight originating outside of the Official Territory is raw materials [fol. 3752] of low value per ton and the majority of the tonnage moving out of the Official Territory is of manufactured goods of high value per ton, and that the relative value of goods "exported" and "imported" can be measured from these data.

No doubt the Commission is well aware of the infirmities in the data used for the intended purpose. At the time the Commission had under consideration requiring the railroads to report origin and destination tonnage by states. I told Dr. Lorenz of the Commission's Bureau of Statistics, in a conference, that I thought it was not fair to ask the railroads to assume the cost of collecting and submitting data of this kind, for the reason that they would not be reliable for use when collected. I said that the origin traffic could not be matched against destination traffic and that no similar data were being collected or to be collected for truck and water transportation. The Commission, however, saw fit to require the railroads to furnish the information.

As I anticipated, we find tables drafted on the basis of the data collected. Here are set up the tonnage originated by rate territories and the tonnage terminated by rate territories. From Table 2, page 3, of Exhibit 76 one might get the impression that tons originated should match tons terminated and they are so treated in Tables 3, 4 and 5. They are not matchable. Tons originated include traffic destined to points within the same territory where it originated, as [fol. 3753] well as traffic passing beyond the boundaries of the rate territory. I can illustrate that, I think. In the most recent figures by the Commission for 1941, manufactures and miscellaneous, carload, in New England is treated in the reports as a single unit and not by different states. But the figures there shown, although it is a highly industrial area, tons originated of manufactures and miscellaneous, 12,078,116 tons and tons terminated of manufactures and miscellaneous, 18,834,168. Tons originated include a certain amount of Canadian imports coming to the border of the United States by water and not on a through bill of lading. Tons terminated, in Official Territory for example, include also exports just as tons originated include imports. This is true of the other territories likewise.

It is clear that traffic originating in one territory may be destined for any one of the other territories. Thus, traffic originating in the Southern Territory may be destined to Western Trunk Line or Southwestern and, conversely, tonnage originating in the Southwestern may be destined to the Southern or Western Trunk Line.

Whatever the real facts are in regard to the actual movement of traffic, they are not shown in this table. The lack of comparability in the data given vitiates all attempted comparisons and in my judgment renders not only Table 2 but also the following tables useless and without meaning. [fol. 3754] I now direct attention to Table 6, pages 7-8 of Exhibit 76, which has the title "Territorial Division of National Income, 1940, and Levels of Income 1940-1929." As I understand from the testimony, the purpose in presenting this table is to support the contention that the differences in regional incomes as a whole, per capita and per person employed can be explained by the differences between the manner in which people living in Official Territory and people living in other rate territories earn their living and that these data measure the relative standard of living.

Data of this kind are not suitable for such purpose. Evan a cursory examination of the character of the data used in determining the national income reveals the validity of this criticism. One need not go further, in fact, than the statement by the witness himself, in which he says, and I quote: "These figures do not include income which never passes through a market and therefore does not get counted—such things as the value of the farmer's shelter, for instance, and the food he grows for himself."

These two items make up more than 50 per cent of the family budget as set up by the Bureau of Labor Statistics and are, therefore, of very substantial importance.

Q. That is your statement, that is not part of the quote?

A. That is right.

Q. Proceed.

[fol. 3755] A. There is the further qualifying statement by the witness in his description of the table. He says, and I quote, "Since other conditions—" and I add explanation, than dependence on raw materials—"affect the level of income, this is of course an oversimplification."

The only recognition of this oversimplification and of the fact that the two most important items in the family budget which is used for determining standards of living and not included is the phrase, "with due allowance on this account". There's no such allowance actually made. The claim is without qualification that the data show a much higher standard of living in Official Territory than elsewhere, shown in mimeographed statement, page 12. Without passing judgment as to whether the standard of living is higher or lower relatively, I take the position that these data do not demonstrate anything of the kind and are not suitable for determination of relative standards of living. Many factors enter into the relative cost of living, differing in many localities, and also into the determination of real wages and of real income, meaning thereby the purchasing power ~~of the~~ wage and the income.

The data have other infirmities than those arising from the fact that no account is taken of the farmer's shelter and of the food grown by him, representing important items of income that do not pass through the cash register to be [fol. 3756] counted and from the fact that cash income is not a true measure of real income. These are the ones that I pointed out heretofore.

By Com. Alldredge:

Q. Doctor, did you ever make any special study of the values of the farmer's home production that he uses as food from his own farm?

A. I have never made such study. I have seen a number of such deductions——

Q. Do you think that is a very large amount?

A. Yes.

Q. The value of it?

A. Yes.

Q. Per capita would amount up very high?

A. I think it is a very important item.

Q. It is rather small, though, isn't it?

A. No, sir.

By Mr. Bell:

Q. Proceed, Doctor.

A. In this national income are included trade and service incidental to the population and also insurance and finance. These are, of course, matters that can have no bearing on the relation between raw materials production and manufacturing, as I have said, and the relative economic well-being of those employed therein.

I ask consideration, however, of certain other data which may be used as a check on the suitability of the figures used [fol. 3757] in this table for the purpose intended. On page 5 of my Exhibit 177, I have shown a table entitled "Average Annual Earnings of Workers Covered by State Unemployment Compensation Laws by Freight Rate Territories for the Calendar Year 1940." As noted in the table, the source is the data published by the Bureau of Unemployment Security of the Social Security Board. Under the first column on the left, with the title "Industry", are listed the seven categories for which data are available as to average annual earnings of workers. The figures are given for each of these categories and for each of the rate territories, as well as for the United States as a whole.

I call attention first to the item "Manufacturing" which shows that Official Territory has higher average annual earnings of workers than the Southern, Southwestern or Western Trunk Line but lower than the Mountain Pacific. The Official Territory is, of course, the one containing dense population, most of the largest cities in the country, greatest dependence on cash income, and is the area of the highest cost of living. Nevertheless, the Mountain Pacific Territory shows higher average annual earnings than the Official Territory.

The second item is "Mining." In this case, contrary to the assertion as found in Mr. Spottswood's statement that the differences in regional income can largely be explained by differences, and I quote from him, "Between the manner [fol. 3758] in which Official Territory people and Southern and Western people earn their livings" and contrary to the declaration that, and I quote again, "income expectations decline with increased emphasis on raw materials" mining offers higher average annual earnings for workers in the Southwestern, Western Trunk Line and Mountain Pacific Territories than in Official; and mining, it will be noted from the table, offers higher average earnings in Western Trunk Line Territory and Mountain Pacific than manufacturing in the Official Territory. The average earnings are lowest in the Southern Territory.

Before leaving this table, I want to suggest that the lower average annual earnings of workers in the manufacturing industries, especially of the South, but only to a lesser extent of the Southwestern and Western Trunk Line Territories, afford a distinct advantage in lower costs of manufacture as compared with Official Territory. These figures show that the Southern Territory has an advantage of $599, the difference between $1522 and $923 per year average per person employed as compared with Official Territory. Surely no alleged differences in class rates on manufactured commodities could possibly overcome this advantage if, as the witness has declared, the Southern Territory has the materials, energy, labor, power and climatic conditions for industrial development. There is a corresponding ad- [fol. 3759] vantage, to a leser extent, in the Southwestern and Western Trunk Line Territory.

The infirmities which I have pointed out in the data respecting national income have clearly demonstrated that the figures contained in Table 6 of Exhibit 76 are in no way suitable for the purpose for which they are presented. They are strongly affected by the shelter, fuel and food of the farmer and farm labor which are not included. The figures, therefore, do not measure the opportunity for earnings in these territories, especially as related to real wages and real income.

By Chairman Aitchison:

Q. Aren't there figures which are current among economists with respect to the value of the items of shelter, fuel and food of the farmer and farm labor?

A. There is no agreement upon any value.

Q. I didn't say agreement; I said figures which are current.

A. The reasons being that, as far as I have been able to find, the Agriculture Department that has made some estimate has always used the farm price as the value of those commodities, which most economists that I know have held are not comparable with the retail prices for the same commodities, which must be paid for those commodities. So I don't know of any study——

Q. That is the one case where you do not accept the cost of reproduction new as being the test of value, is that correct? (Laughter.)

[fol. 3760] A. I don't know that I understand it but I——

Chairman Aitchison: Proceed.

The Witness: I think the Commission understands clearly, if you are going to make a comparison in cash income, the items must be of the same character.

By Chairman Aitchison:

Q. Well, there are such figures which are used, are there not, that are possibly subject to such qualification as you indicate?

A. Now and again the Department of Agriculture has published figures of that kind.

Q. We have had them many times in rate cases.

A. No doubt, taken from that source.

Q. Well, have you thought it worth while to try to supply them?

A. No, sir.

Q. Generally speaking, throughout your exhibit here, you have contented yourself, have you not, with pointing to infirmities without attempting to correct the infirmities and show what a proper statistical statement would be?

A. That is true, generally speaking. I have indicated what I thought a better criterion for the measuring of relative growth of industry.

Q. With respect to wage earners?

A. Yes.

By Mr. Bell:

Q. Proceed, Doctor.

[fol. 3761] A. I have also shown that it is not true that the production of raw materials offers less opportunity for earnings, certainly as regards mining, than does manufacturing. Table 6 of Exhibit 76 therefore, can have no probative value in my judgment.

By Com. Alldredge:

Q. You just limit that to mining? Have you shown that it is true in any other kind of raw material production?

A. I was unable to get any figures on any other industries than the ones that are used. They might possibly be had; I don't know where.

By Mr. Bell:

Q. Proceed, Doctor.

A. While, as I have shown, the table itself is actually devoid of usefulness in measuring real income or real wages or relative standards of living——

Q. That is table 6, is it?

A. Yes, sir. I want to add that, if taken at their face value, it does indicate a tremendous advantage in manufacturing, particularly for the Southern Territory and to a less extent for the Southwestern and Western Trunk Line Territories as compared with the Official. For example, it may be seen from Table 6, page 7-8 of Exhibit 76, that the ratio of income for the State of Alabama was 50 as compared to 137 for New York as related to the national standard. It is to be assumed from the purpose for which the [fol. 3762] table is presented that this is really a measure of the labor cost as between these two territories. If, therefore, nearness to raw materials be added to the labor cost advantage of the State of Alabama, the chart alleging to show marketing territory for matches in Chart IV, page 11 of Exhibit 76 must be greatly modified. The same would hold true on shoes, Chart V, page 12, for Texas has a ratio of 75 as compared with Massachusetts with a ratio of 127, as related to the national standard.

In brief, Table 6 does not set up data to support the contention it is intended to support for the data are unsuitable for the purpose, and further, if taken at their face value, disprove the contention made.

What I have already said utterly invalidates Chart II on page 9 of Exhibit 76 by Mr. Spottswood. I have seen a similar chart elsewhere, but, although based upon the same principle, did not produce exactly the same results. The national income figures are again wholly unsuitable for the use made of them in this chart. The infirmities of the figures I have already indicated in detail.

Q. Right there, Doctor, this chart you are talking about of the triangles and circles and so forth?

A. Yes, sir, Chart II.

Chairman Aitchison: That is sheet 7 in your exhibit, is it?

[fol. 3763] Mr. Bell: — 9 of Mr. Spottswood's Exhibit 76.

Chairman Aitchison: Sheet 7 in your exhibit?

Mr. Bell: He is coming to that.

The Witness: I have constructed one.

Mr. Bell: No, it is not the same thing.

By Chairman Aitchison:

Q. Then the answer is no?

A. The answer is no.

Mr. Bell: No.

Chairman Aitchison: Go on.

Mr. Bell: Go ahead.

Chairman Aitchison: Dr. Duncan, we have been working since 9 o'clock this morning. It will be a favor to the Commission if, on this matter which is very largely merely reference, you will expedite your presentation of it.

Mr. Bell: Mr. Chairman, pardon me, the witness seems to be talking as rapidly as possible, and I have kept record——

Chairman Aitchison: No, he is not. He will talk fast for a while and he will slow up and he will get oratorical on a mere reference to a page on the table.

Mr. Bell: You know it is hard for a man to continuously talk. I think he has done pretty well. I think I would give out.

Chairman Aitchison: Dr. Duncan, I have made a request of you.

Mr. Bell: Go ahead and do the best you can, Doctor. I [fol. 3764] would like to call attention, of course, we welcome questions from the Bench, but I understand Mr. Koebel is keeping accurate time, usually. He can tell you how much time has been consumed, and the Doctor has not been able to read his statement.

By Mr. Bell:

Q. Proceed.

A. This chart, which is Chart 2 on page 9 of Exhibit 76, undertakes to classify the 48 states in an order of arrangement based upon the two factors of the ratio of workers engaged in raw material industries to total number of workers and as related to the average national income of $579. This method is wholly invalid for the purpose for which it is used, namely, to show diagrammatically, and I quote from the statement, the "depressing effect of raw material specialization on the income level."

I want to point out, first of all, that on one side of this picture are the great financial and insurance institutions, the employment in government service, the professional and educational groups, the greatest number of large cities in the country, the large dependence of workers on purely cash income and the high cost of living; on the other side are the preponderant rural population, the farmers with their shelter and food supplies "not counted", the relatively lower cash earnings of farm labor, and low cost of living.

The comparison, furthermore, is made by states, each [fol. 3765] state being a unit. So far as this chart is concerned, therefore, Texas is only equal to Rhode Island or the District of Columbia or Delaware, whereas its area is more than three times greater than all New England. I have wondered just what would be the ideal situation for a state in this chart. Are the two states that come nearest to such ideal the State of Oregon first and the State of Indiana second since they are nearest the cross roads of the vertical and horizontal lines; or is it Nevada, with its greater than average proportion of natural resources and its substantially higher average income; or is it the District of Columbua that is the mecca for all the economically ambitious, which appears to have no measurable natural resources or manufacturing industry but bursts through the upper limits of the chart as to average income?

I can only assume that the purpose is to reduce the number of people engaged in raw material production, which would tend to draw the state toward the vertical line that itself, as a result, would recede to the left. Those leaving raw material production are to go into industry and rely wholly on cash incomes that must be greater and so would rise toward the top of the chart and the per capita income would also rise. I think, however, that if this chart is based, as is contended, upon "a tremendously significant relationship", the perfect state of balance and, therefore, the per-[fol. 3766] fect state, could only be arrived at where the state itself was wholly self-sufficient. That this would be devastatingly disastrous for the state and for the nation I think no one would question.

After all, there are too many exceptions in the chart itself to establish an "inescapable principle". The states comprising the Mountain Pacific Rate Territory, as shown in the chart, are scattered all about. The witness, however, could happily say that this rate territory is not involved in this case. It ought, however, to be involved in any "inescapable principle". The states in this territory clearly do not follow the principle indicated. I need not take time to point out other discrepancies, which are apparent.

I shall undertake to demonstrate that the factor of correlation has been wholly misinterpreted in this chart. The states, as I have said, have been presented in order of arrangement on the basis of their relation to the national average of workers engaged in raw material industries to total number of employees. The real factor of correlation in this chart is not this relationship at all but is the relationship of rural population to total population.

On page 6 of my exhibit I produce a table on population from the 1940 Census by freight rate territories which shows by states the total urban and rural population and the percentage of urban and rural population. In order to [fol. 3767] demonstrate that the real factor of correlation in Chart II as presented in Exhibit 76 is the ratio of rural population to total population, I have had drawn a chart with similar designations to those of the aforesaid Chart II for the purpose of comparison. It is based upon the table on page 6 of my exhibit and appears on page 7 of my Exhibit 177. The striking similarity of the positions of the various states in this chart to those which they held in Chart II of Exhibit 76 demonstrates that the factor of correlation which determines the order of the states is, as I have said, the ratio of rural population to total population.

The essential relationship to be measured in the two charts is the relationship of states to national average per capita income. Naturally the position of each state to the vertical line is different for in Chart II of Exhibit 76 the vertical line represents the national average, or 20.8 per cent in raw materials operations, while in this graph the vertical line represents the per cent of rural population for the United States or 43.48 per cent, including those on farms and in towns up to 2,500 population.

It will be seen that the District of Columbia and the state of Mississippi are at the extremes in both charts; that the average of the Official and Mountain Pacific territories held almost precisely the same relationship to each other, as related to the average national per capita income; that [fol. 3768] the same is true of the averages for the Western Trunk Line, the Southwestern and the Southern Territories. Mountain Pacific states are still scattered all about, but each state holds the same position to national income on this basis and as related to each other.

I am not claiming that this chart has any other important significance than to disprove the contention made with respect to Chart II in Exhibit 76. The rate territories and the states therein arrange themselves in this fashion as related to the average income per capita for the country as a whole, on the basis of the relative proportion of the population within the state dependent solely upon cash income. That is what both graphs show. If there is an "inescapable principle" involved it is this, and only this. This is what happens when a larger and larger number of people live in cities and become dependent solely on cash incomes, or conversely, as a larger proportion of the people live in rural districts where cost of living is lower and more and more of the cost of shelter, food and even fuel are "not counted" in the national income. In all this there is no true measure of the relative standard of living or of the relative economic wellbeing of the people.

There is an additional point I wish to mention in connection with Exhibit 76 which relates also to Exhibit 104 introduced by Witness Frederick. This point has reference to [fol. 3769] the effect of freight rates on manufacturing profits. It is referred to by Witness Spottswood in mimeographed statement pages 29-32. It also appears in Exhibit 104, pages 2-7. In both of these exhibits individual manufacturing establishments are cited and the actual freight charges are shown, then the total charges when some kind of Official Territory rates are applied, and the difference between actual and Official Rate Territory totals. This difference between charges when so-called Official Territory rates are applied and the actual charges is shown related to net profits of the companies.

In connection with these instances it is acknowledged that the costs of manufacturing, or the differences in cost of manufacturing, cannot be placed as a burden upon a single element of cost. It is, of course, true that every manufacturer is seeking to realize a profit from his operations. If he does not do so, it may be that any one of items of his cost is too great or a combination of them is too great as related to the price which he receives for his product.

I am, however, not particularly interested in this factitious method of undertaking to place the entire burden upon the freight rate. I have demonstrated the advantages in other and more important manufacturing costs in these other rate territories as compared with Official. The point I want to make is that neither in Exhibit 76 nor in Exhibit [fol. 3770] 104 is the slightest reference made to the fact that rail transportation at an efficient standard is absolutely essential for the very existence of these manufacturing plants. There is no mention anywhere of the fact that the revenues of rail carriers must be sufficient to sustain them. There is only the reference that revenues must be taken away. There is no reference in either of these exhibits or in the testimony to the fact that railroads themselves are important establishments in these rate territories. I have, therefore, prepared a table in my exhibit, page 8, showing railroad purchases, number of employees, total payroll and state taxes paid by railroads for the Southern, Southwestern and Western Trunk Line rate territories and by states, for the calendar year 1940.

These figures are well worth consideration. The sums paid to railroads in freight rates do not represent sums of money that are taken out of the states in these rate territories. The railroads are not only of vital importance to the existence of industries in these rate territories but they are also excellent industries themselves and possess economic virtues as is shown clearly by the amount of purchases of materials and supplies and of new equipment in the amount of $197,601,078, the number of employees, 406,219 and the total compensation paid to them, $653,709,287 and the amount of railway tax accruals, $70,942,846 paid [fol. 3771] toward the upkeep of state government, for the single year 1940.

Q. Now, Doctor——

A. The total of these sums is $922,253,211.

Q. Doctor, this data respecting railroad purchases, number of employees, total payroll and taxes, on sheet 8, is shown by individual states in each one of these freight rate territories, Southern, Southwestern, Western Trunk Line?

A. Yes, sir.

Q. Was this Exhibit 177 prepared under your supervision and direction?

A. Yes, sir.

Q. And it is true, to the best of your knowledge and belief?

A. Yes, sir.

Mr. Bell: We offer Exhibit 177 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 177, Witness Duncan, received in evidence.)

Mr. Bell: Mr. Chairman, one of counsel has just suggested to me that Mr. Duncan must be getting pretty weary, that he is about to take up a new subject, being the third proposition of Mr. Spottswood's statement, beginning on page 36; that in view also, I assume, that the Doctor is getting pretty tired, with this rapid-fire testimony, it might be well to adjourn until tomorrow morning. I know the Doctor must be tired. He has been going at a rapid clip here [fols. 3772-3773] for quite a while. I know I am getting tired even listening.

Chairman Aitchison: We will suspend until 9 o'clock in the morning.

(At 9:45 o'clock P.M. November 24, 1942, adjourned to 9 o'clock A.M. November 25, 1942.)

[fol. 3774]

Hotel Deshler,
Columbus, Ohio,
November 25, 1942.

Met, pursuant to adjournment, at 9:00 o'clock a. m.

Before Division-2 of the Commission

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding.

Hon. Walter M. W. Splawn, Commissioner,

Hon. J. Haden Alldredge, Commissioner,

And a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by: Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commision of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. Leo Haden, Examiner.

Appearances: As heretofore noted.

[fol. 3775] Proceedings

Mr. Bell: Dr. Duncan.

C. S. Duncan resumed.

Direct examination (continued).

By Mr. Bell:

Q. Dr. Duncan, you are to begin this morning, I believe, with a discussion of the third proposition in Mr. Spottswood's presentation.

A. Yes, sir.

Q. Will you proceed.

A. I state the third proposition in Mr. Spottswood's statement as follows: "The disparity in class rate levels tends to perpetuate present regional specializations, thereby keeping the south and west tied to their long-time overdependence on raw material production."

To this proposition I offer dissent on two grounds. The first ground of dissent is that there is no difference in class rate levels that today constitutes the determining or controlling factor in the location of industrial plants.

7

Mr. Bell: Right there, if the Bench will pardon me, I recall that there was some discussion as to the position of what might be termed the complaining witness in this case, as to whether or not this adjustment was controlling. I think Commissioner Alldredge asked a question of some [fol. 3776] of the preceding witnesses, which was in effect this, if they had ever heard of any contention being made that the class rate adjustment was controlling. Now, with your permission——

Com. Alldredge: Controlling of what?

Mr. Bell: Controlling of the development or growth of industry in the South.

Com. Alldredge: No. The question that I asked was very much broader than that. You are talking now, I take it, particularly about Mr. Widell.

Mr. Bell: Yes.

Com. Alldredge: My inquiry of Mr. Widell.

Mr. Bell: Yes.

Com. Alldredge: He made the statement that freight rates were not controlling.

Mr. Bell: With your permission I would like at this time to state the position of the Governors Conference, as stated by Governor Cooper of Tennessee: "The Southern Governors believe that the discriminatory freight rates now in effect operate to discourage and exclude industry in the South."

Mr. Norman: Well, now just a moment, Mr. Bell. Go ahead and read the rest of it, where he says he knows that that is not the sole factor.

Mr. Bell: You may read the rest of it yourself, or have it read. "Exclude" means "control."

[fol. 3777] By Mr. Bell:

Q. Proceed, Dr. Duncan.

A. The second ground of dissent is that the proposition disregards existing and available facts as to industrial development, to some of which I have already referred and to which I shall add some additional recent data.

Factors in industrial location. I shall first discuss very briefly the subject of the relative importance of various factors in the location of industrial plants.

Let me say at the outset that adequate transportation facilities are now and have always been an essential element in modern industrial development since we passed out of the household economy stage. That is one reason why transportation is affected with public interest. The point I want to make is that tranportation facilities are abundantly available by rail, water and highway.

I do not presume to say that there are no situations under which relative transportation charges are important in plant location. Railroad transportation costs are higher than "open water" transportation for the reason that they must make great expenditures for roadway improvement and maintenance. I admit also that on inland waterways, where industries may operate their own boats when, where and at what charge they will and pay nothing for their use of waterway improvements provided by government, there exists an important factor in plant location.

[fol. 3778] What I am going to say is limited to rail rates on manufactured goods moving to market. On the great bulk of such commodities, rail rates, published and open to all, are so small an element of ultimate cost that it cannot be counted as a determining or controlling factor in the location of an industry producing them.

It is under conditions such as these that industrial plant location is determined. The subject of the factors which determine its location is one to which both economists and practical business men have given considerable attention. Economists began their studies as so-called classical economists, that is, theoretically, and for a time had no great practical influence. The classical theoretical study of the subject was made by a German economic student, Dr. Alfred Weber, and this study is still inflicted upon students of economics. It is attractive for such purpose because beautiful graphs and symmetrical curves can be drawn from the assumptions with delusive accuracy.

The subject of plant location stimulated some studies by economists in this country between 1894 and 1900 and to such an extent that cognizance was taken of it in the Census Report for 1899. In that report, Dr. Freedrick S. Hall, of the Division of Manufactures, Bureau of the Census, wrote an article under the title "The Localization of Industries" which appeared in the Twelfth Census of the United States, [fol. 3779] 1900, Volume VII, Manufactures, Part I, pages cxc-ccxiv. This article attracted widespread attention among practical industrialists and stimulated further studies.

Dr. Hall in his study made use of the census data for 1889 as well as for 1899, thus covering a 10-year period. He selected fifteen industries, "where this localization is conspicuous", and after careful investigation of these industries announced his conclusion in these words: "Seven of the various advantages which give rise to the localization of industries may be stated as follows: First, nearness to materials; second, nearness to markets; third, water power; fourth, a favorable climate; fifth, a supply of labor; sixth, capital available for investment in manufactures; and seventh, the momentum of an early start."

As to these factors Dr. Hall said that all "except the last operate to prescribe the broad area within which an industry is economically possible. He does not attempt, however, to weigh the relative importance of these factors, abstractly or theoretically, but he does discuss briefly each of the industries with reference to the general reasons why they located where they did and also why they have changed their location, if they have made a change. I shall cite a few instances to illustrate the point. They also have some pertinence to the question here involved.

Dr. Hall noted that the cotton industry was first established in New England because of the climate, [fol. 3780] "cotton spinning requiring", as he said, "a moist atmosphere, and abundant water power." He then called attention to the striking change in the location of this industry during the preceding twenty years "by its rapid advance in Southern states, especially South Carolina, North Carolina and Georgia. In this section, he said, the industry is favored "by accessibility of raw materials, of abundant water power and the low cost of living." For this industry, therefore, it would appear that accessibility to raw materials and low cost of living were the controlling factors, since all the other factors were present in New England.

A shift in the location of the glass industry from New Jersey and Ohio to Indiana was also cited. Dr. Hall stated that fuel was the determining factor in location for it is the most important item in the cost of materials in that industry, "the localization of which has always been determined by this factor." The fuel factor referred to is natural gas.

Dr. Hall pointed out further that the jewelry industry, pottery, hosiery and knit goods, boots and shoes were located where labor was to be had. The jewelry industry in Rhode Island and the pottery industry in Ohio were located where labor skilled in those industries settled when they came to this country. This is also true of hosiery and [fol. 3781] knit goods. The boot and shoe industry grew out of the business carried on by local cobblers in New England who were skilled in making footwear. Certain industries, he pointed out, follow raw material supply, as, for example, tanning, pulp and paper and meat packing.

These were the factors and their relative importance in certain industries as found by Dr. Hall at the turn of the present century. The relative unimportance of freight costs on manufactured goods is obvious.

The interest in the subject of industrial plant location grew dim in the years following Dr. Hall's article. There was some revival in the early days of the Scientific Management Movement headed by Frederick W. Taylor around 1912-1915. The next real flurry of excitement, however, came in the last years of the 20's. It was due, in my opinion, to four factors, namely, the effect of the Panama Canal on the movement of transcontinental traffic, in connection with the Commission's interpretation of the "reasonably compensatory" provision in the Fourth Section amendment of the Transportation Act, 1920, the development of highway transportation, and lavish expenditures on waterway improvements.

From 1926 on to the period of depression there was widespread talk of the "migration' or "relocation" of industry. I happened to be at that time a member of the Committee on Industry of the United States Chamber of Commerce. It seemed to me that every little village and town was seek- [fol. 3782] ing an industry all its own.

In consequence, the Census Report for 1929 gave particular attention to this subject. A special series of inquiries was issued. The data were analyzed by Mr. Tracy E. Thompson, Industrial Analyst, Bureau of Census, and a brochure by him was reprinted separately under the title "Location of Manufactures, 1899-1929", issued in 1933. Some of the data on page 3 of my Exhibit 177 was taken from this report.

Q. Page 3 you discussed at some length last night.

A. Yes.

Q. Covering the subject of wage earners and manufacturing establishments by freight rate territories, from 1899 to 1939, including the Census, 1919 to 1929.

A. Yes, sir:

Q. Proceed.

A. While the factors affecting plant location are not discussed in this pamphlet, reference is made to Dr. Hall's "seven advantages" and attention is directed to the effect of those factors. It will be noted that this survey covers a thirty-year period, 1899-1929, carrying forward Dr. Hall's study. From his investigation of industrial plant relocation Mr. Thompson concluded—and I quote from page 47:—"The effect of redistribution of industry in the past thirty years—both regionally and in areas of concentration—has been to establish more nearly an equilibrium between [fol. 3783] population and wage jobs. The extent to which this has taken place is seen in the narrowing of the extremes in wage jobs per 1,000 population, from 34 in other areas, to 124 in the primary area—referring to Official Territory—in 1899, to 45 to 106, respectivly, in the two types of regions in 1929." See page 47. In other words, the data have been assembled on the basis of the Census Reports, the primary area referred to corresponding substantially with Official Territory.

This substantial shift in industry within the thirty-year period is not in accord with the contention to which I am devoting attention and furnishes no evidence whatsoever that there has been in railroad class rates an obstacle to the development of industry in the Southern, Southwestern and Western Trunk Line rate territories. I propose to show in a moment the great variety of industries that have developed in these three rate territories.

I turn, first, to something more specific and practical in character. The statements which I shall quote are so much in accord with my own judgment, observation and study that I am willing to adopt the words as my own testimony.

At a conference on "The Migration of Industry", held in New York City, on May 3, 1928, which I attended, Mr. Albert L. Scott, President of Lockwood, Greene and Company, nationally known industrial engineers, talked on the [fol. 3784] subject of "Factors in Locating Plants Today," later issued in pamphlet form. He spoke from thirty years of his own experience and the broad experience of his own company in solving problems of proper plant location.

As to the most important factor in plant location, Mr. Scott said: "I think the most prominent factor, and one which is often overlooked by local Chambers of Commerce when they are seeking industries, is the factor of the personality of the man who is to run the plant. We get many inquiries at our offices from various organizations asking to have plants located in their territories or in their cities, but we do not very often have a statement from a Chamber of Commerce which says 'we have a man, a real man, a man of courage, a man of conviction and a man of character about whom we would like to build an industry'. They often talk about the national resources of their locality but very seldom about the man. My observation is that industries are built around men and that is the first and most important thing in locating a plant." See page 3.

There are many illustrations of this factor that can be readily ascertained. I have no doubt it is true of the Ford Motor Plant. I know it is true of the production of Postum cereal coffee at Battle Creek, Michigan.

As to the second factor, the factor second in importance in plant location, Mr. Scott said: "Among the more important of the general causes which influence the location [fol. 3785] of plants, I think perhaps the most important is climate. See page 5.

The factor next in importance in plant location, Mr. Scott thought, particularly for industries where the labor cost is a substantial part of manufacturing costs, and this applies to the great majority, was an abundant supply of labor. It was his judgment that—and I quote further—: "The reason *reason* why the textile industry has moves south and why it will continue to move south until those conditions are changed is the wonderful supply of white native labor, anxious to work and willing to be subject to the proper discipline which is needed in industry. Since that supply of labor is there in the great abundance which exists today, you will find a continuing tendency for industry, not only cotton manufacturing but other industry, to move south." See page 6.

Mr. Scott cited the location of a sheet glass factory in Charleston, West Virginia, rather than Toledo, Ohio, where the parent plant was located, due to the availability of natural gas.

Mr. Scott then told about the problem which his firm had to solve with respect to the location of the rayon industry. He pointed out that the rayon industry first developed in

Europe and that foreign interests came here to locate industries in this line from England, the Netherlands, Germany [fol. 3786] and Italy. He called it a hard-boiled industry, coldbloodedly and without prejudice seeking the best possible location for rayon plants. It is of interest to note that the cost elements going into the manufacture of rayon, as Mr. Scott gave them, are: "Raw material, 25 per cent of the cost, direct labor, 45 per cent, fuel, light, power and water, about 5 per cent; administration expenses, 9 per cent; taxes, insurance and depreciation, 10 per cent; supplies and repairs, 6 per cent." See page 11.

He said that after thorough study most of these plants located in Virginia, North Carolina, South Carolina and north Georgia. Since that time they have located also in the State of Tennessee. It could not, therefore, have been railroad rates on manufactured goods that were the determining factor in the location of these plants.

In concluding his remarks, Mr. Scott said,—and I quote further—: "To sum up the principal factors as I see them in the location of plants: In the first place comes the personality guiding and directing the plant; secondly, the broad considerations of climate, which we must all take into account; and, thirdly, in proportion to the importance of these items in the final manufacturing costs and sales program of the plant,—labor supply, raw materials, nearness to market, power, and so on." See page 13.

This is the practical man's point of view after long [fol. 3787] years of experience. In my judgment, it is obvious that railroad freight rates on manufactured commodities are a relatively small and minor element in the determination of the location of industry.

As shown in the report by the Commission's Bureau of Statistics on "Freight Revenue and Value of Commodities Transported on Class I Steam Railways in the United States for the calendar year 1939", Statement No. 4045, containing the latest available data and issued in October, 1940, the per cent of freight revenue of value at destination for total manufactures and miscellaneous traffic is 5.3 per cent. Any alleged difference in rates would be a fraction of this figure, which is, I assume, a weighted average. Nevertheless, it indicates to me very clearly that the railroad freight rate on this traffic is so minor a factor in total cost as not to be controlling in plant location. It is so unimportant that thousands of commodities have a nation-wide market wherever the producing plant may be located. There are other factors thar are the determining or controlling factors.

By Chairman Aitchison:

Q. Do you have in mind in that statement, the transportation rates on the finished product?

A. Yes, sir.

Q. From point of manufacture to point of consumption?

A. Yes, sir, that is what I am talking about.

[fol. 3788] Q. And you give no weight, do you, to the inbound rates on the raw material, or the rates on the commodities which are necessarily consumed, first by the plant itself, and second, by the employees in the plant?

A. Oh, I think that those are very important factors, yes, Mr. Chairman, but they are not involved, as I understand it, in a class rate question.

Q. Why not?

A. Well, because my understanding is that class rates refer, generally speaking, to the higher-grade manufactured commodities.

Q. Would it surprise you any to know that many commodities, such as cement, move on carload class rates?

A. No, sir, it would not surprise me, although generally speaking I thought that the manufactured goods, the highly-manufactured goods, were the ones that moved on the class rates.

Q. And your testimony here is predicated on that premise, is it?

A. It is based on that premise, yes, and to the extent that that is not true, I imagine that it would have to be qualified to that extent.

Q. Well, would you say that there is represented in the cost, the ultimate cost of the highly-manufactured product, the traditional example, of course, being the silk hat, [fol. 3789] not alone the freight on the silk hat from the point of manufacture to the point of distribution by the retailer, but also all of the freight which accrues in the production of the silk hat itself, and also in the production of the raw materials which go into the manufactured article, and all of the freight which represents transportation in connection with the consumption of the entrepreneur and his employees, as well as the maintenance of the plant.

A. Oh, all of those factors are important factors, yes, Mr. Chairman, and unquestionably so.

By Mr. Bell:

Q. Dr. Duncan, those factors enter into the cost of production, and you have commented upon the relative cost of production in the various territories; is that not correct?

A. Yes, sir.

Q. You are now talking about the outbound class rates?

A. Yes.

By Chairman Aitchison:

Q. Well, now, just so that there will not be any uncertainty about it in the record—I just want to make sure—you assent to the last statement of Mr. Bell, do you?

A. I assent to it, yes.

Chairman Aitchison: Very well.

By Mr. Bell:

Q. That is to say, Dr. Duncan, the proximity of raw material compared with the necessity for the transporta- [fol. 3790] tion of raw material for long distances, in other territories, would be one of the elements of the cost of production of the product that is shipped out under these class rate adjustments; is that correct?

A. Yes, sir.

Q. Proceed.

A. And so it is that Mr. Thompson, after his survey of census data in "Location of Manufactures, 1899-1929", reached his conclusion, which I have quoted above, that both regionally and in areas of concentration during the thirty-year period there has been a redistribution of industry "to establish more nearly an equilibrium between population and wage jobs." Page 47. And so it is that he is able to show a redistribution of widely diversified industries.

Diversified distribution of industries. Mr. Thompson pointed out that in 1929, as compared with 1919, there were in absolute number 2 per cent fewer factory workers in the country as a whole. In ten industries, however, he found an increase in the number of workers. These industries were electrical equipment, canned and baked goods, furniture petroleum products, chemicals, motor vehicles, clothing and printed matter. In these industries every section of the country showed an increase in the number of workers.

Mr. Thompson adds,—and I quote—: "The share of the manufacturing East in the group of industries declined [fol. 3791] from 45 to 40 per cent, while the states of the South and Pacific Coast increased their combined proportion from 14 to 19 per cent." See page 45.

As to another group of eight industries including the manufacture of meat, lumber products, tobacco, ships, musical instruments, leather, and woolen and worsted goods, Mr. Thompson found that "the manufacturing East lost some of its former share."

Another group of fourteen industries comprising shoes, paper boxes, clay products, confectionery, cotton goods, engines and tractors, glass, hardware, rolled steel, non-ferrous metal, alloys, planing mill products, silk and rayon manufactures, and structural and ornamental iron and steel products, according to Mr. Thompson, shows that—and I quote—: "The manufacturing East lost heavily in its share of wage jobs in these industries as a group; but every other division except the Mountain increased its portion appreciably during the decade." That is, from 1919 to 1929; see page 46. He specified that New England produced 49 per cent of the shoes made in 1919 but only 39 per cent in 1939. In 1919, he said, New England produced 47 per cent of our cotton goods but only 30 per cent in 1929, while the South Atlantic states increased from 38 to 44 per cent.

In 1926 a man came to see me to ask for certain railroad data and for railroad cooperation in a study of the indus- [fol. 3792] trial potentialities of the South. For cooperation I referred him to the energetic agricultural and industrial agents of the Southern railroads. My attention having been called to the studies contemplated, I have followed with much interest succeeding publications in a series entitled "The Blue Book of Southern Progress", published by the Manufacturers Record Publishing Company of Baltimore, Maryland. The Southwestern Freight territory is included as a part of the South in this publication.

Q. That is to say, the four states of Arkansas, Oklahoma, Texas and Louisiana are included in this publication as part of the South; is that correct?

A. Yes.

Q. Proceed.

A. I have reexamined some of the recent copies of this publication and for the most part have verified the data from the Census or other sources. In the Blue Book for 1937, supporting the statement that great economic changes are taking place in the South, it is said: "More than $450,000,000 have been invested in constructing and improving Southern industries in the 18-month period prior to July 1, 1937. It surpasses the record of any similar period in the South's history." See page 7.

The source of this statement is F. W. Dodge Company, who have certified to its substantial accuracy, upon my [fol. 3793] recent inquiry.

In the same issue it is pointed out, and accurately from Census data, that as of 1936 agriculture is "out-distanced" by manufactures, in the South which includes the four states in the Southwestern Freight Rate Territory. See page 9.

The issue of 1939 states: "Southern development has been a bright spot during a depression period which has halted business and capital investment in the United States. Comparable figures of the South and the rest of the country show a proportionate growth here in basic lines of enterprise exceeding other area." See page 9.

The supporting data for this statement were taken from the Census reports, which I have verified, and are as follows: "Between 1935 and 1937 the number of establishments with an annual output in excess of $5,000 increased 803, from 34,143 to 34,946, which is in sharp contrast to the decline of 3,120 establishments for the country as a whole." See page 13.

Mr. Bell:

Now, at this point, if the Commission please, I would like to call attention to the correction of two errors in figures, in the last statement of Dr. Duncan, on page 46 of the statement which has been circulated. The first figure that now appears there of 34,413 should be 34,143; and the second figure, which now reads 34,941, should be 34,946,—which makes a difference of 803.

[fol. 3794] Chairman Aitchison: I would like to ask how Dr. Duncan verified the Census.

The Witness: It was verified from Census data, Mr. Chairman.

Mr. Bell: I think you must have misunderstood him, Mr. Chairman. His testimony was that he verified the statement in the Blue Book of Southern Progress by the Census.

Chairman Aitchison: That is not what he said. He said, "*The supporting data for this statement was taken from the Census reports, which I have verified.*"

Mr. Bell: That is right, of course.

By Mr. Bell:

Q. You did not intend to say that you verified the Census reports, did you, Doctor?

A. Oh, no.

Q. What you meant was that you verified the statement that appeared in the Blue Book of Southern Progress; that is correct, is it not?

A. Yes, sir, that is what I intended to say, that I verified the statement appearing in the Blue Book of Southern Progress, from the Census data.

Q. Proceed.

A. As shown from Census data for the rest of the country, the number of establishments in 1935 was 134,968, and in 1937 was 131,848, a decline of 3,120.

The 1940 issue of the Blue Book declares: "The South [fol. 3795] is moving forward in the development of its resources at an accelerated pace. (See page 9.) Business in general and manufacturing in particular throughout the South have been more stable than in other parts of the nation. The progress took place at a time when industrial production for the United States as a whole suffered a marked decline." (See pages 9-10.)

Q. Right in that connection, Doctor, that is supported by sheet 3 of your Exhibit 177, showing wage earners in manufacturing establishments and in freight rate territories, for the four decades shown; is that correct?

A. Yes.

Q. Proceed.

A. Continuing with the quotation: "Scientific investigation is leading capital to a section that possesses all indispensable requirements of success." (See page 10.)

In support of this last statement, the rayon industry is cited in these words: "This is shown again, and impressively, in the remarkable upbuild of the rayon industry. Here we have half of the country's thirty mills making rayon yarn and staple fiber, but this half in the South turns out 73 per cent of the United States products." (See page 10.)

The Census figures for 1937 which are referred to in the above statement show that there were 33 mills in the United States and 17 of them were in the Southern states. [fol. 3796] On a basis of output, as reported by the Census, some of the states having three or less manufacturing plants and, therefore, not reported, the output of the Southern Mills represents from my calculations approximately 68.3 per cent of the United States total. It has been impossible to check the statement any closer than that.

For 1941 the Blue Book of Southern Progress says: "In examining the facts and figures printed in this volume, one sees quite clearly the strength of the foundation on which the South's progress is based. Development here has been proportionately more responsive to good times than in other areas of the country, and too, as statistics prove, depression years were felt less than elsewhere.

"In the vast array of subjects treated which cover not only national resources, but the South's development from every major standpoint, it is evident that the growth which is taking place in the Southern states can be justly termed phenomenal. Even in 1939, which was a comparatively poor year, the number of wage earners in the South was but 2,000 less than the total employed in 1929, while the decline in the rest of the country was 950,000.

"There are now 38,980 manufacturing establishments in the Southern states, the number increasing by 4,034 between 1937 and 1939. The total value of the manufactured output, as estimated by the Manufacturer's Record, now [fol. 3797] exceeds $12,000,000,000. It is not possible in the limited space to list individual industries, but we are presenting an adequate view of the varieties of manufacture in the Southern states which we have separated into twenty groups." See page 9.

Q. That is the end of the quotation, is it?

A. Yes, sir.

Q. Proceed.

A. The facts relating to the increase in the number of manufacturing establishments are substantiated by the Census reports for the years 1937 and 1939. From these facts, gathered from governmental and other sources——

Q. You are talking now about your preceding testimony, generally, are you, Doctor?

A. Yes, sir.

Q. And you will be from now on?

A. Yes, sir.

Q. Proceed.

A. —It is clearly demonstrated that railroad rates on manufactured goods are not and have not been the determining or controlling factor in industrial plant location and that the rate territories throughout the country are developing industrially to the extent that it is possible to show convincing advantages in other more important factors. This applies to a wide diversity of industries. [fol. 3798] No fixed relationship of industrial development exists.

The three propositions of Mr. Spottswood to which I have directed attention, as a result of the facts that I have presented and the criticisms that I have offered, are shown to be in error. The tables and the charts in Exhibit 76 presented to support them do not afford support.

The prejudicial words and phrases occurring in the testimony of this witness such as "mother country and colonies," "handicaps," "tariff-barriers," "economic bottlenecks" are not founded on fact.

Q. Doctor, referring to Dr. Frederick's Exhibit No. 104, which I think you have—if not, I have a copy—will you please proceed to make such comments as you have to make on that exhibit.

A. Exhibit No. 104, of Dr. Frederick, was so brief in character, and contained so little of useful data, that one cannot either interpret it, or find a basis for acute criticism. I read the transcript after arriving here, and I did not find in the transcript a full enough explanation, to satisfactorily review that particular exhibit.

By Chairman Aitchison:

Q. Did you go back to the work sheets?

A. The transcript had something in it about the work sheets having been made available, or that they would be made available, but I never found them.

[fol. 3799] Q. Well, did you make any inquiry with respect to them; or did you need them, or want them?

A. I only saw the transcript yesterday, your Honor, and therefore I did not have time to make any inquiry.

Q. Well, then, I assume that you did not ask for the work sheets, did you?

Mr. Bell: No, we did not.

Chairman Aitchison: I am asking the witness.

A. I did not ask for the work sheets; no, your Honor.

By Chairman Aitchison:

Q. Did you need them?

A. Did I need them?

Q. Yes.

A. Yes, sir.

Chairman Aitchison: Well, I assume that they would be made available, if you desire them, if you made request for them, since it was stated, at the time that Exhibit 104 was introduced, that the work sheets would be made available.

Mr. Bell: Dr. Duncan, as I stated last night, your Honor, will appear at the Washington hearing, in order to enable counsel for the Commission to cross-examine him; and if we might be able to get those work sheets in the meantime, we would be very glad to examine them.

Chairman Aitchison: I should suggest that you direct an inquiry to the counsel who presented Dr. Frederick.

Mr. Bell: I do not know who that was.

[fol. 3800] Mr. Shepard: If the Commission please, those work sheets were in the hands of the carriers for about two or three weeks, following the Indianapolis hearing. However, I have them here right now, and if they desire to examine them any further, I shall be very glad to make them available to them.

Mr. Bell: Thank you very much. May they be loaned to us, then, with the guarantee that they will be duly returned?

Mr. Shepard: For how long a period do you think you might want the work sheets?

Mr. Bell: Well, I do not have any idea at the moment, of course, as to just when the hearing in Washington will take place. Perhaps the Commission could give us some idea as to that.

Chairman Aitchison: Not at the moment.

Mr. Bell: Well, if you will turn them over to me, I will insure their being returned in toto, and in good condition.

Mr. Shepard: Well, as I say, I have the work sheets here. Do you think you could examine them here, before the hearing is concluded here?

Mr. Bell: Oh, I do not think we would be able to do it at this hearing, no, sir.

Chairman Aitchison: Why cannot Dr. Duncan, after he has been excused from the witness stand, examine the work [fol. 3801] sheets right here?

By Mr. Bell:

Q. Could you do that, Doctor?

A. Yes.

Q. And then make such notes therefrom as you see fit; and then if you have any further comment to make on the exhibit, you can make it at Washington.

A. Yes.

Mr. Bell: That is all of the direct testimony of Dr. Duncan at this time, if the Commission please. Is it the desire that all of his cross-examination be deferred, until the Washington hearing? I have primarily in mind, counsel for the Commission, but I do not have any objection to others delaying their cross-examination as well, if they will do so in toto. I do not want it piecemeal, by any particular representative, however.

Chairman Aitchison: I should suggest that any gentleman who is here, and who is not going to be in attendance at the hearing at Washington, have the privilege of cross-examining the witness at this time, if he desires to do so.

Mr. Bell: That is quite all right, your Honor; there could be no objection to that.

Chairman Aitchison: Is there any one, then, who desires, under the circumstances, to cross-examine Dr. Duncan at this time? (No response.) There seems to be no one. You many stand aside, then, Doctor.

[fol. 3802] The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: Are the Southern lines ready to proceed now?

Mr. Dixon: Yes.

Chairman Aitchison: Proceed.

Mr. Dixon: Mr. E. R. Oliver, please.

E. R. Oliver was sworn and testified as follows:

Direct examination.

By Mr. Dixon:

Q. Please state your name.

A. E. R. Oliver.

Q. Your residence?

A. Washington, D. C.

Q. Your occupation?

A. Vice president in charge of traffic, Southern Railway System.

Q. Mr. Oliver, how long have you been vice president in charge of traffic of the Southern Railway System?

A. Since November 1, 1924. I would also like to add that prior to that time I held various positions in the Traffic Department of the Southern Railway System. From 1916 to 1920 I was in charge of the Southern Railway System general freight office at Atlanta, Georgia. From 1920 to 1921 I was general freight agent and freight traf- [fol. 3803] fic manager respectively of the Southern Railway System Lines West, Cincinnati, Ohio. I was then made vice president of the New Orleans & Northeastern Railroad, at New Orleans, Louisiana. In 1923 I was made freight traffic manager of the entire Southern Railway System, at Washington, D. C. On the death of Mr. E. H. Shaw, I succeeded to the vice presidency on November 1, 1924, approximately 18 years ago. My entire traffic experience has been within the South. I am a native Southerner. I might add that my entire work has been in an effort to upbuild the South and the Southern Railway System, for which I have worked all of my business life.

Q. As vice president in charge of traffic of the Southern Railway System, Mr. Oliver, do you also have jurisdiction over the Industrial Development Department of the Southern Railway System?

A. Yes, sir, I do.

Q. And also the Agricultural Development Department of the Southern Railway System?

A. Yes, sir.

Q. Will you please proceed to discuss in your own way, the industrial development in the South.

A. Shortly after the end of the Civil War, and the disastrous so-called reconstruction period that followed, there was a man in Georgia, the Honorable Henry W. Grady, who lifted up his voice and laid down a principle which [fol. 3804] has since been our guide. Mr. Grady said that no nation, or section of a nation, ever became great through agriculture alone. Realizing the fundamental soundness of that policy, the Southern Railway System was one of the first railroads in the South to undertake, in a large way, the industrial development of ~~the~~ territory that it serves. We also undertook to influence and bring about as far as possible, the diversification of agriculture. At that time the economy of the South was tied hand and foot to a one-crop system of agriculture, which was the cotton crop; and our then president, Mr. W. W. Findley, who was a native of the South, went about the territory preaching the necessity for diversification, and also preaching the necessity for the industrialization of our territory. That policy has been followed by successive presidents of the Southern Railway System, and it is the policy of the Southern Railway today, to do everything that it possibly can to encourage the industrial development of the territory that it serves. We want to serve a prosperous people, and we do not think that that can be accomplished by serving agricultural people alone. Along with the industrialization of our territory we have continued to do everything that we possibly could to bring about the diversification of the agriculture of the South.

Now, Mr. Chairman and gentlemen of the Commission, in connection with the industries that we have been able to [fol. 3805] encourage to locate in the South, I would like to take up and briefly discuss with you some of the things that enter into the location of industries, and some of the things that decide the location of industries.

Chairman Aitchison: I want to ask at this time, because it may save some time in the examination of this witness and other witnesses, if there is any contention on the part of anyone that the Southern railroads have not been alert, or have not done all that they reasonably could do, in the exercise of their own good judgment, as to means of furthering development in the South

The Witness: I had the impression——

Chairman Aitchison: Just a moment.

Mr. Norman: There is no such contention here, sir.

Chairman Aitchison: I did not hear.

Mr. Norman: I say, there is no such contention, as far as we are concerned, no, sir.

Chairman Aitchison: Is there such contention on the part of anyone?

Mr. Grubbs: Of course, if your Honor please, as far as the Southern carriers are concerned, we are very anxious to show specifically just what we have done in that direction.

Chairman Aitchison: Yes, I understand that, but I thought possibly it might clarify that particular point, and it might also save some time in connection with the exam- [fol. 3806] ination of this witness and other witnesses, if that question were raised at this time. Of course just at the moment I have Mr. Oliver's testimony primarily in mind.

Mr. Grubbs: Yes.

By Mr. Dixon:

Q. Mr. Oliver, did you hear the question which the Chairman has directed to you?

A. Yes, I believe I heard the question, but as I understood it, it was directed to Mr. Norman.

Chairman Aitchison: It was directed to everyone here.

Mr. Dixon: I thought probably you had not heard the question, Mr. Oliver. Will you read the question, please, Mr. Reporter.

(Question read.)

The Witness: Well, if I understood it correctly, that question was not directed to me specifically.

Chairman Aitchison: Nobody said it was.

The Witness: No, nobody said it was. The Chairman said that it was directed to everyone here. Well, in any event—

Chairman Aitchison: Just a moment.

Mr. Be : If the Commission please, there is no contention upon our part that the carriers in the South or Southwest have not done all that they reasonably could, or that they thought was proper and right, to facilitate the development of industry in the South or Southwest.

[fol. 3807] Mr. Norman: Well now, when you say "carriers", I will not go along with that. I am confining it, as far as I am concerned, to the Southern carriers. However, quite the contrary is true, so far as the Official Territory lines are concerned, concerning the South.

Chairman Aitchison: My question was directed to the Southern carriers, and to every one of the Southern carriers, not merely to the respondent carriers, but also to those who are appearing as interveners in opposition to the respondents.

Mr. Dixon: May I proceed, your Honor?

Chairman Aitchison: Yes.

By Mr. Dixon:

Q. Please continue, Mr. Oliver.

A. Well, at the outset, Mr. Chairman and gentlemen, I believe I am safe in saying that we certainly have overlooked no reasonable opportunity to establish industrial locations in the South. If we have, then I should feel that I certainly have missed the point of my employment over a period of a great many years, as a responsible traffic officer of one of the major Southern lines. Now just very briefly, I would like to deal with some of the major industrial developments within the South; and at the outset, I want to pay a tribute both to our labor situation, and to our climate both of which I believe have been of inestimable value to us in accomplishing what has been accomplished. [fol. 3808] Of course, the outstanding industrial development of our section has to do with cotton. Under the old economy of the South, we shipped our cotton either to England or to New England, where it was manufactured, and we then bought the manufactured goods. The development of that industry in the South first began in a small way when the products of our mills were of the coarser, cheaper kinds; but we now make the finest fabrics that are produced, either in the United States, or anywhere else. The broadcloth shirt that I am wearing today was made in the South. Also the underwear that I am now wearing was made in the South. In addition to our textile mills, we have developed in a substantial way the manufacture of rayon and rayon fabrics in the South. Some of the finest rayon fabrics that you can find in the retail stores of New York and Chicago, are manufactured in the South. Dr. Duncan referred to the fact that rayon was first developed in Europe, and then later transferred to this country. I can corroborate that statement, because we on the Southern Railway System had considerable to do with locating the Dutch rayon plant in Western North Carolina, and the Italian plant in Northwestern Georgia. I do not think it was an overstatement on the part of Dr. Duncan to say that those gentlemen were cold-blooded in the extreme, because they certainly did look the situation over from top to bottom before they finally decided where they would locate their plants. Both [fol. 3809] of those plants have prospered. They have been greatly enlarged since their original conception. I will venture the statement that the capacity of those plants is now fourfold what it was when they were originally located. Now, curiously enough, this rayon is not manufactured out of the products of the South, except in certain instances. It is true that the Italian Plant at Rome, Georgia, uses cotton linters, but the Dutch Plant in Western North Carolina uses woodpulp, most of which, prior to the war, was imported. It now comes from Canada mostly. Some of it I believe comes from the Pacific Northwest. Before I get away from the textile industry, I would like to say that we have mills in our territory that use large quantities of cotton that is raised in the states of California, New Mexico, Arizona, Texas, Oklahoma and Arkansas. Those mills all use chemicals that are manufactured in different parts of the United States; and they use large quantities of starch, that come from Iowa, Illinois and Ohio. It is readily apparent that it takes an awful lot of things to make up all of the component parts of an industry. We manufacture the finest threads to be found in the United States, at points within the South. We have enormous plants operated by the Clark Thread Company, in North Georgia. That industry was formerly located in New England—or rather, let me correct that. That plant, that is [fol. 3810] the parent plant, was located at some point in the State of New Jersey. It does not use the cotton that is grown around that territory in North Georgia; it uses long staple cotton from the Mississippi Delta.

Another industry that has reached large proportions in the South is the furniture industry and household goods industry. In the beginning, we made cheap furniture which was shipped all over the country, but at the present time we make furniture in the South that is the equal of Grand

Rapids furniture, and that as a matter of fact competes with Grand Rapids furniture all over the territory. We also make office furniture, both wood and metal. We make mattresses of the very best kind in the South.

Another industry that we have been able to locate almost in its entirety within the South is the tobacco manufacturing industry, which at the present time is very largely located in North Carolina and Virginia. Now that industry does not merely use the tobacco that is grown down there in North Carolina and Virginia. We move millions of pounds of Kentucky tobacco and Tennessee tobacco to North Carolina for manufacture into cigarettes.

By Chairman Aitchison:

Q. That is for blending purposes, is it not?

A. Well, they do blend Turkish tobacco in the manufacture of cigarettes, that is true.

Q. Do they not blend the various domestic tobaccos also?

[fol. 3811] A. Well, perhaps they do, yes, Mr. Chairman, but it is the same general type of tobacco. The burley tobacco of Central Kentucky, the bright burley tobacco, is the same general class or type of tobacco as that which is grown in North Carolina. I believe they do advertise the fact that they blend those tobaccos, but, nonetheless, the great tobacco manufacturing plants in North Carolina and Virginia could not prosper as they have prospered by the use of only locally-grown tobaccos. That is the point of my statement, Mr. Chairman and gentlemen, that the location of these industries involves many, many things that are not readily apparent to the eye of the man who is sitting in a cloister, so to speak, and writing these treatises on economy. We grow a lot of tobacco in Southern Georgia and Northern Florida which moves to these great manufacturing plants in North Carolina and Virginia.

Q. In your judgment, what was it that brought about the concentration of the manufacture of tobacco in the South, in that particular radius around Durham and Winston-Salem?

A. Well, I think that one of the very potent factors that entered into that situation, Mr. Chairman, was the fact that we had one man around whom the tobacco industry down there very largely developed. That man was Mr. James B. Duke,—and I should also include one of his lieutenants, Mr. Penn, both native North Carolinians; [fol. 3812] and they did not stop until they got the industry in North Carolina and Virginia. A good deal of that consolidation also has taken place since the death of Mr. Duke. I knew Mr. Penn very will, and it was his idea that you could manufacture cigarettes, smoking tobacco and plug tobacco in North Carolina cheaper, better and more efficiently than you could elsewhere in the country; and he gradually brought about the consolidation of practically all of the business of the American Tobacco Company in those two states of North Carolina and Virginia. Now the R. J. Reynolds Tobacco Company at Winston-Salem formerly had a branch manufacturing plant at Jersey City, New Jersey, but they wanted to consolidate their entire manufacturing operation at Winston-Salem, North Carolina. We were able to help that proposition along by putting in a carload rate on cigarettes from Winston-Salem to the New York metropolitan area, and I think the fact that we were able to do that, with the concurrence of our connecting lines north of the Potomac River, was directly responsible for the consolidation of the entire Reynolds Tobacco Company manufacturing capacity at Winston-Salem.

Q. Is that a commodity rate?

A. If I recall correctly, that rate is a commodity rate, yes, sir. I believe I am right about that.

By Com. Splawn:

Q. Mr. Oliver, would putting that commodity rate back on the class rate basis have the effect of removing that [fol. 3813] industry at the present time, would you say?

A. Well, I do not know that it would go quite that far, Mr. Commissioner, but I expect that, if we undertook to bring about any substantial increase in that commodity rate, we would certainly hear from it, and I believe I am safe in saying that we would hear from it with a vengeance.

Q. Well, it would depend upon the classification of the commodity, would it not?

A. I did not hear that, sir.

Q. I say, it would depend upon the classification of the commodity; that is true, is it not?

A. Well, I think it would depend—I would say—upon the measure of the rate.

Q. The measure of the rate?

A. Yes.

Q. You think that the classification of cigarettes would be the same in any territory, do you?

A. Yes.

Q. In other words, cigarettes are cigarettes.

A. Oh, yes, of course; and the method of distributing cigarettes is to buy them in carload quantities from the manufacturing points, and send them to break-bulk centers throughout the United States, from which points the cigarettes are then distributed to the trade.

Q. Is it your thought that even though a commodity may [fol. 3814] generally take a class rate, under particular circumstances, such as you have described here, a commodity rate between the origin point and certain destination points may be justified.

A. Oh, undoubtedly that is a fact, yes, Mr. Commissioner. The commodity rate, in my judgment, represents the acme of refinement in ratemaking. There are just some things that you cannot do, in other words, with class rates. You have got to make commodity rates. If we had stuck to the class rate basis, we would not have had all of this consolidation of manufacture in the State of North Carolina. Now I think everybody knows that the production of cigarettes, smoking tobacco and plug tobacco is not just the simple process of taking a product of the farm and running it through the factory, and turning it out in finished form, in the form of the finished product. There are literally dozens of other commodities that also go into the process.

Mr. McConnaughy: Mr. Oliver, in the light of your experience in connection with the establishment of the tobacco plants in North Carolina, I dare say that you, as a practical railroad man, do not entirely agree with the economists who say that rates do not have anything to do with the location of industry. Is that correct?

A. Oh, I think that rates are a very substantial factor in the location of industry, Mr. McConnaughy. I believe [fol. 3815] that there are other considerations also, however, such as I have mentioned. I think that one of the first and foremost of those is the matter of the supply of labor. In our territory about 98 or 99 per cent of the people are native-born, and they lend themselves very readily and aptly to industrial work. Many of them come from nearby farms. We have no labor problem as such at all. Our industry is not concentrated in just one or two spots. I think that was one of the great troubles that affected the textile industry, that it had all been concentrated around a few points, where there was water power; and consequently, as the result, they had built up a very serious labor problem. In our territory we have been able to keep industry scattered. Nearly every town has a cotton mill. Therefore we do not have that labor difficulty. Then I think also, gentlemen, that one of the greatest things we have, if not the greatest thing,—and it really is God's gift to us—is our climate.

Now, to get back again to the manufacture of tobacco: There are many commodities that enter into the manufacture of tobacco, and while I do not presume to be able to give you the entire list, I will mention at least a few of them to you. There are glycerine, rum, raw sugar, tin cans, and many other items which I am not able to enumerate just offhand. Now we have been able to make rates on these commodities into these manufacturing points, that have been [fol. 3816] satisfactory, and the manufacturers have prospered on those rates. Raw sugar comes from Cuba. Glycerine comes from the great soap-manufacturing points, such as Cincinnati and Jersey City. The rum of course comes from Pennsylvania, Ohio and Illinois.

Now we make the finest blankets in the United States, in the South. We make cotton blankets, all-wool blankets, and mixed cotton and wool blankets. Our woolen blanket manufacturers draw their raw materials from the far West, and from our own territory, where wool is plentiful. Our cotton blanket manufacturers, under normal conditions, get their cotton in China; they do not use our local cotton at all. That is also true of the manufacturers who make a mixed cotton and wool blanket. We also have a number of plants in the South making underwear, both cotton and rayon. In one of the exhibits which was filed here, either yesterday or the day before, I recall that the gentleman dealt with the production of underwear; but he very clearly overlooked the substantial production which we have in the State of Tennessee. I have already referred to the manufacture of shirts and collars in the South. We produce all sorts of cotton clothing. We also have woolen mills in the South. The overcoat that I wear was made out of woolen cloth, woven in the South. We have many plants manufacturing hosiery in the South, both cotton, silk and rayon. [fol. 3817] We have been able to accomplish a great deal in the manufacture of chenilles, in the South. Now that is the item that some gentleman referred to here yesterday, where the employment in the State of Georgia is as great as it is in the State of New York. These chenilles consist of draperies, bedspreads and the like. Their production started in a small way in North Georgia. We have at the present time a number of plants producing them, and they are being shipped throughout the United States. Then we also make an oriental rug, a machine-made oriental rug, in the South, that is marketed all over the United States. It takes an expert to tell the difference between the oriental rug that we produce, and one that is produced in Persia.

It seems hardly necessary to refer to our forest products industry, but I want to refer to it very briefly for just a moment. It is one of our leading industries in the South. Whereas formerly we shipped a substantial majority of the products of our Southern mills to the North and East, approximately 50 per cent of the product of the Southern mills is at the present time used within the South. In addition to that, in connection with the manufacture of our furniture, we draw in large quantities of mahogany lumber from the Philippine Islands, from Central America, and in some instances from Africa. I am dealing now, of course, with normal conditions. The movement of mahogany [fol. 3818] lumber from the Philippine Islands has been temporarily suspended. We also manufacture ready-cut houses in the South. One of our principal industries is the manufacture of stoves, ranges, furnaces, and house-heating appliances. We have those plants in Alabama, Georgia and Tennessee.

[fol. 3819] We produce the major portion of the cast iron pressure pipe in the South. The State of Alabama alone has 18 plants producing soil pipe, which is the pipe that goes into building operation. In addition to the iron and steel industry in the Birmingham District, we now produce large quantities of tin plate in that district. I believe it has been stated that Alabama is the only place in the country where iron ore, coal and limestone are all found almost together.

Another great industry in the South is the aluminum industry. The largest unit of the Aluminum Company of

America is at Alcoa, Tennessee. Now, this industry doesn't use any product of the South except hydroelectric power and, by the way, I want to pay tribute to hydroelectric power in the South. Regardless of the fact that the Southern Railway System is a large handler of coal, we don't hesitate a moment to use the fact of our available hydroelectric power to induce industries to locate in the South.

We have recently located a large aluminum plant in North Alabama. This plant uses bauxite ore from Arkansas, from Southeast Alabama and from Surinam, in Dutch Guiana. This ore is all moved in its raw state to this plant.

Now, the ordinary process of producing aluminum is to stop the ore at some intermediate point to concentrate the ore, to reduce it to what is known as alumina; the alumina being then moved to the plant for manufacture into [fol. 3820] aluminum. But in this North Alabama plant, we bring in the raw ore and it is reduced to alumina at that plant.

At Alcoa, Tennessee, and Baden, North Carolina, the use of alumina is from plants in East St. Louis, Illinois, or Mobile, Alabama. Now, at East St. Louis, Arkansas bauxite is reduced to alumina and the alumina is then shipped to the plant where the aluminum is made. At Mobile, Alabama, the normal process is to bring in bauxite ore from Surinam and reduce it to alumina and follow the alumina to the plant where the aluminum is produced. Now, the aluminum at these three plants is produced into sheets and the sheets are shipped currently to the airplane plants throughout the country. We have great hope, after the war is over, of being able to put a plant in the South that will manufacture pots and pans and other similar commodities from the product of these primary plants.

Now, there is a lot more to the production of aluminum than the mere smelting by electric process of the alumina. It takes a lot of chemicals and other things to go into the manufacture of the finished product. For example, these plants use large quantities of petroleum coke, they use large quantities of soda ash and other chemicals, one of which comes from Greenland, the chemical known as cryolite, without which I am told the production of aluminum from bauxite ore would be impossible. So that, on analysis, it [fol. 3821] will be seen that the location of these plants is just not a happenstance. There are many, many considerations that go into the final picture.

By Mr. Northcutt:

Q. Mr. Oliver, the plant at Alcoa has been in operation a great many years, has it not?

A. Oh, yes, it has been in operation, certainly, since I have had anything to do with the traffic department of the Southern Railway; 25 years, at least. However, I should say that its capacity has been constantly increasing so that the statement was made not long ago that it was the largest individual unit of the Aluminum Company of America. Now, the plant at Baden, North Carolina, was really started by a French syndicate which got into trouble during the last war and was bought by the Aluminum Company. That plant makes aluminum, pig and ingot, which goes to plants in the North and the East for further fabrication. But the plants at Alcoa and at Lister Hill in Alabama produce the finished aluminum.

Incidentally the plant at Alcoa produced large quantities of powdered aluminum which went into the manufacture of paint. That production has been stopped by the war. We have plants in the South producing ferro-manganese and ferro-silica.

By Mr. Dixon:

Q. Mr. Oliver, before you get off aluminum, how long has the plant at Lister Hill been in operation?

A. Well, it was constructed, I think its construction was begun in 1939 and completed about the middle of 1940. I am [fol. 3822] not exactly sure as to that date, but it was financed by the Reconstruction Finance Corporation, not as a Government plant but through a mortgage executed by its owners; and it is a plant that we are going to have with us, I think, from now on; and I might say that its capacity has been increased two or three times since it was originally conceived.

Q. Now, have you had any trouble getting satisfactory rates established to and from points in Official Territory for that plant?

A. I don't think so. I think we have worked out rates that are reasonably satisfactory to that plant. The great trouble we had in the beginning was making the rate on the raw material that went into that plant, making the rate on the bauxite ore. That seemed to be the controlling factor. I don't think there is any pattern you can lay down for all of these plants, but my observation is that the rate on inbound raw material is always of prime consideration. We negotiated, I personally negotiated with the promoters of that plant and we finally agreed upon a rate on the imported bauxite ore which I believe, which I conscientiously believe was the factor that decided its location.

Of course, we had other things to consider. Aluminum requires large quantities of electricity. We had hydroelectric power in North Alabama. But the thing against which they laid the most store was the rate on the inbound [fol. 3823] bauxite ore, and I may add that the rates on the manufactured product followed. They were all worked out after the plant was in operation—after the plant was completed and in operation.

Q. And as far as you know, there was no trouble about the rates on sheet aluminum from Lister Hill to Official Territory.

A. No, I have heard absolutely no complaint about those rates, and as far as I know, they are satisfactory.

By Mr. Norman:

Q. Would you mind telling what is the basis of them?

A. Well, we had, of course, a pattern in the rates from Alcoa. Those rates had been negotiated over a period of a good many years; and the rates from Lister Hill were tied in relatively to the rates from Alcoa.

Q. They are not the class rates, are they?

A. Oh, no, they are not class rates.

Chairman Aitchison: Time is going on pretty fast. How near are you through?

Mr. Dixon: About half way, Mr. Chairman.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

By Mr. Dixon:

Q. Mr. Oliver, the Chairman says we have used about all of your allotted time but he is going to let you proceed for a while longer.

The Witness: I certainly hope you will, Mr. Chairman. I am almost through with this general statement and I will [fol. 3824] push it along as much as I possibly can.

Now, the next large industry, and it is of somewhat recent development in the South, is the paper, pulp, pulp-board and plastics industry. I want to deal first with the paper and pulp section of that general subject.

The first paper mill located on the Southern Railway in Western North Carolina was purely and simply an adjunct of a mill located here in the Miami Valley of Ohio. This mill here, according to my information, was using imported pulp and it conceived the idea that it could manufacture pulp in Western North Carolina and ship it up here for further manufacture Of course, we encouraged that development in every way possible, and as a result, we now not only manufacture pulp in Western North Carolina, but we manufacture all kinds of high-grade paper; which goes to show that we have to reach the ultimate in this manufacture by stages. You can't simply do it all at one time.

Now, for many years we on the Southern Railway tried to encourage the development of the Kraft paper industry in the South. We actually went to the point of setting up a demonstration forest on our line, showing that this cut-over timber land could be reforested and the second-growth pine used in the manufacture of pulp which, in turn, could be used in the manufacture of all kinds of paper. Now, that industry has been developed in a large way in our ter- [fol. 3825] ritory. A number of plants have been established and we would have more today but for the fact that the war in Europe broke out in 1939, since which time development of that sort has practically stopped.

Now, this pulp that is being manufactured from second-growth pine, largely as the result of the discoveries and research work of Dr. Herty of Savannah, Georgia, is now used in the manufacture of the finest paper. It is used in the manufacture of newsprint paper. We have been trying very hard to locate such a plant in Southeastern Territory, and I believe confidently that we will ultimately be able to do that. One plant in the Southeast is producing pulp out of second-growth pine that is being used in the rayon industry in competition with pulp from Canada, from the Pacific Northwest and from Scandanavia.

Now, there is a lot more to these plants than simply the use of a raw material which is found in our territory. Of course, the wood is the principal material. There is no question about that. But each and every one of these plants uses large quantities of chemicals that come from the Southwest and from points in Official Territory; and as far as one of them is concerned, where they are manufacturing a particularly high-grade paper, we have actually brought the spruce wood from Nova Scotia, and just recently we established a rate on spruce wood from out in [fol. 3826] Colorado to Western North Carolina to keep that plant going. I think a man who didn't know the details of all those things would think that all that plant had to do was to go out and cut down the trees in the neighborhood and make pulp, and the bald fact about it is that he has got to go as far as Colorado for some of his spruce wood.

This is sort of a Bob Ripley statement, but we manufacture large quantities of saddlery and harness in the South. We have got one plant on the Southern Railway that sold a national distributor in 1939 a million and a half dollars worth of those commodities.

We manufacture machinery of all kinds. We never have, though, been able to manufacture textile machinery in the South, and that is one of the riddles for which nobody has yet been able to find the answer. We were able to start a small textile machinery plant at Spartanburg, South Carolina. After rather desultory operations, it folded up and its buildings are now being occupied by a New England manufacturer who ships the machinery down there in carload quantities and distributes it out as it is needed to the mill, very largely in replacements.

By Com. Splawn:

Q. Does the manufacture of textile machinery require highly skilled labor?

A. Why, it certainly does, Mr. Commissioner. As you probably know, a textile machine is a very delicate instru- [fol. 3827] ment. And I have always had the idea that it was the labor question that prevented the removal of some of those plants to the South. I think, though, there are other considerations to be taken in view. I think the financial consideration is an important one. The manufacture of textile machinery has gone on a pace in New England for the last century. As you probably know, England thought that she had a death grip on the textile industry by controlling the machinery, but an Englishman came over to this country 100 years ago or more and was able to set up one of these machines from memory and he settled in New England and the industry has been there ever since and it just cannot be moved.

Now, the way textile mills operate, they all have to buy a lot of machinery. The Southern Railway alone handles four or five thousand carloads of it a year from New England into Southeastern Carolinas, and it is just impossible to produce it in the Southeast. I don't believe that anybody has found the answer and I don't believe the answer can be found; and to make the puzzle a little more puzzling, I want to add that they actually move pig iron from the Birmingham district to New England that is used in the manufacture of textile machinery, which, in turn, is shipped back into the Southeastern Carolinas.

By Mr. McCollester:

Q. Well, certainly the fact that the freight rates on textile machinery from the South to the North may be higher [fol. 3828] than the freight rates within the North is no reason why the manufacture of textile machinery in the South for sale to Southern mills hasn't developed?

A. No, no. I might add right there that the Southern mills are now consuming 85 per cent of all of the raw cotton that is consumed in the United States. So that there is a great market there for textile machinery, but it is just one of those things that can't be changed.

By Com. Splawn:

Q. Don't you think you have to sell your climate to a New England slater to get him down there?

A. Well, I think we would have to do something like that, Mr. Commissioner. Certainly this poor fellow that came down to Spartanburg—and, by the way, he was from New England—made a dismal failure of the effort right there in the heart of the textile industry. There are more textile spindles in South Carolina than in any other Southern state. He had just to the north of him North Carolina which, I believe, ranks second or third, and Georgia just to the south of him. I think Georgia is second and North Carolina third.

Now, I stated a minute ago that we also have an agricultural development department on the Southern Railway System. We spent a lot of money in our effort to diversify agriculture in our territory. That effort continues, although the Federal Government has now occupied that field so thoroughly that it almost seems useless for the railroad [fol. 3829] to try to do much with it. We do, however, continue to do what we can, and particularly in connection with the growing of more and better livestock.

We have done a lot of missionary work in the dairying industry. We have got a man at the head of that work who is an Englishman that we hired several years ago. He is a graduate of some famous English school, and he has been pretty successful in encouraging farmers around on our line to grow more and better cattle and produce more and more milk, our idea being to get these national industries to set up condenseries and the like. I can't think of anything that does a community as much good as a condensery. We were able to locate one in East Tennessee and I checked into that situation not long ago and that one plant is turning loose in cash money to the farmers of two or three counties surrounding it between a half million dollars and a million dollars annually for milk, thus producing an income that nobody dreamed of before. We have been successful in getting a small plant just recently in North Carolina and another one in South Carolina.

Now, on a proposition of our shipping out a lot of raw materials and being a colonial dependency of the North and East. I resent that statement with every fibre of my being. I can't understand the necessity for making a statement of that kind when it just is not true. It is a [fol. 3830] fact, of course, that New England and Pennsylvania and New York have invested large sums in the South. Some of that money has gone into plants producing raw materials to take the place of raw materials exhausted in the North and East. But in many instances we are producing raw materials in the South that displace imported commodities, imported materials. I have in mind the clay industry in the South. The Southern Railway originates a lot of clay and it goes to the North and East in large quantities, all in competition with imported clays. Now, I don't think we ought to stifle the production of a raw material like that until we can get some fellow to come along and make some cups and saucers there. If we did, we never would get anywhere at all in our effort to upbuild the South.

I was just about to overlook a very important thing in connection with the early part of my testimony, Mr. Commissioner, and if you will give me a few more moments on that, I believe I will be about finished.

The policy of the Southern Railway System—and I may add that this has been the policy of the southern rails generally—is to make rates on the product of southern industry into the North and East where such rates are necessary on substantially the level of rates existing in those territories. Conversely, we have freely said to the industry of the North and East, that you can come into our [fol. 3831] territory on our level of freight rates. We seek no advantage for our industry within our own territory; just as we insist upon the right to go into the North and East on the level of rates in those territories where that is necessary. Now, it isn't necessary in all instances because sometimes we are producing and shipping a commodity up there that doesn't come in competition with anything that is produced in those territories.

Now, the first test of this policy that we had was the Bear Brand Hosiery case which came along about 1926. The Bear Brand Hosiery Company is located at Kankakee, Illinois. It complained about its rates into the South because such rates were higher than the rates from the South into the Middle West. The Interstate Commerce Commission found discrimination and we proceeded, in compliance with its order, to cancel all of our commodity rates on hosiery from the South to points in Official Territory. However, we sought a suspension with the shippers of those rates. They were suspended and the Interstate Commerce Commission, on reconsideration, gave us substantially what we ask for, which was 75 per cent of the first class northbound, that being pretty close to the level of rates applying within the North and East. Now, that decision was complied with shortly after the rates became effective under 13494, January 15, 1928.

The next step in the development, which laid the foundation, I think, for some of this controversy that has been [fol. 3832] raging here for nearly ten years, was the fact that we had to begin early in January, 1930, to treating all of our commodity rates from, to and between points in the South under the Fourth Section On January 1, 1930, the

Commission issued a Fourth Section order denying our general application of 1910 on over 75 commodity groups. And then on January 17, 1931, relief was denied on cotton factory products, and I think right there was laid the egg that has finally hatched into this investigation.

Chairman Aitchison: Well, you have had a lot of time to hatch it. (Laughter.)

The Witness: May I just finish this, sir, and then I will be through.

In complying with this Fourth Section denial of relief, we ran into this situation: The Northern and Eastern lines took the position that cotton factory products were strictly a class-rated traffic and that the classification basis should go. Now, the Southern Railway had a 50 per cent interest in the Monon Railroad, which operates from Louisville, Kentucky, to Chicago. In connection with the Monon on the left, so to speak, and the coast-wide steamship lines on the right, we made rates on a competitive basis, by which I mean we made rates with relation to the destination level that applied from New England to Chicago, and then in connection with the coast-wise steamship lines to North At- [fol. 3833] lantic ports, all the way to Boston, Massachusetts. But to the intervening territory points in Indiana, east of the Monon, Ohio, Pennsylvania, New York, we had to cancel the commodity rates which we had then in effect. Now, we joined the shippers in the South, we joined the industry in the South in seeking a suspension of those rates, and they were bitterly fought over.

We had a peculiar intraterritorial situation in that the rates from mills in Georgia and Alabama to Chicago were lower than from mills in the Carolinas and, in turn, were lower than the rates from the mills in New England. As a matter of fact, the rates from mills in Georgia and Alabama had somewhat previously resulted in a reduction in the rates from New England to Chicago. There was formerly a parity in these rates. That parity was disturbed by the percentage increases that had been made effective in Trunk Line and C. F. A. Territory; so that we actually had rates from Georgia and Alabama to Chicago that were lower than from New England and lower than from the Carolinas.

Now, in the Fourth Section Revision, it was perfectly obvious to everyone that that discrimination could not continue. We complied with the Commission's decision, and I may say that we did not take full advantage of the Commission's decision by any means, by increasing the rate from Alabama and Georgia to Chicago Territory to be the same as the rate from the Carolinas and, in turn, the same as the [fol. 3834] rate from New England, so that we now have a common rate on textiles from New England, from the Carolinas and from the Southeast into Chicago Territory.

This increase, though, from Alabama and Georgia mills was bitterly resisted. About the time it was pending, the Interstate Commerce Commission had under consideration the consolidation of railroads. I think those hearings began early in 1932, and we fought and fought hard to retain control of the Monon Railroad, in which we owned a 50 per cent interest, the L. & N. Railroad owning the other 50 per cent. I personally testified in that proceeding. And Mr. Spottswood makes reference to my testimony, and I have no apology to make for that testimony. We had our back to the wall and we were fighting and we were not pulling any punches. In any event, the Interstate Commerce Commission decided the allocation of the Mono in accordance with our position, and meanwhile its final decision in the textile case was handed down and made effective, I think, in 1937, some several years later.

Now, about this time, in the early part of 1937, the agitation started through the so-called Southern Governors Conference for a revision in the rates on certain commodities. I may add that all of these commodities that we were revising at that time, under the Fourth Section, the revision was accomplished during the depth of the depression; and it [fol. 3835] is my personal opinion that the level of rates finally made effective were about the minimum in every case. We were not able to, in my judgment, adequately protect our revenues because of the commercial condition——

By Chairman Aitchison:

Q. What rates are you talking about?

A. The rates on which the Commission had denied Fourth Section relief. You see, we had to revise——

Q. You mean on textiles or everything?

A. On textiles—well, of course, we did fairly well on textiles, but on everything. I mean, we did fairly well on textiles in that we were able to make effective a competitive adjustment for which we were striving.

Q. Well, you had 27 years to get those things lined up yourself?

A. Well, that is true, you know, Mr. Commissioner, and I don't think we could possibly have taken a worse time to have undertaken the job than we did, because of business conditions then obtaining.

Q. You were forced to do it then, weren't you?

A. That is true, that is true. Now, this Southern Governors Conference came into being somewhat coincidentally with all of these revisions, and a committee of us went down to Montgomery to confer with Governor Bibb Graves of Alabama, who was the leading spirit in that movement. Now, those conferences were held in the early part of 1937. [fol. 3836] Right at that time we were revising a lot of these rates. We said to Governor Graves—and I was a member of the committee, we had two conferences with him, three conferences with him—we said to Governor Graves we felt positive the Interstate Commerce Commission had the power to make rates that would move the traffic from Southern industries to this populous Northern and Eastern Territory; but our trouble had been in getting adequate commercial testimony to support the policy that we were advocating. I remember saying to him, "We can furnish all the rate testimony that is needed but we have got to have executives of these industries come forward and say what their necessities are." Governor Graves said, all right, he would handle the matter in that way.

Now, following those conferences, the Southern Governors complaint was filed. I think there is no doubt but what Governor Graves beat the tom-toms, and he got all the complainants into his petition. As a matter of fact, he got some in there who insisted on being removed from his petition. But in any event, he started out with——

By Chairman Aitchison:

Q. I really don't see what that has to do with this proceeding, Mr. Oliver. That case has been heard and has been decided.

A. I think it has a very important bearing on just what I am going to say, if you will just bear with me a minute, sir.

Chairman Aitchison: Your time has run from 45 minutes [fol. 3837] now to about an hour and a quarter.

The Witness: Well, Mr. Commissioner, I think this is so important, if you will let me go ahead with this. I will be through in just a minute. I am not through but I will stop in just a few minutes.

Now, this complaint, when it was filed, included some 60 commodities and concluded by stating that, "The foregoing list is not complete or finished, but it illustrates the type of commodities which promise to open the door to industrial progress in the South." Now, that is a statement from the complaint itself, but by amendment or abandonment the number of commodities was reduced to 17, and, as I said a minute ago, a number of people whose commodities were included in that original complaint insisted that they be taken out. In any event, the Commission decided the case on November 22, 1939, and found the rates on ten commodities to be unreasonable and/or prejudicial. On eight commodities the rates were found to be both unreasonable and unduly prejudicial. These commodities were stoves, stone, marble and granite, cast iron pipe fittings, less than carload, iron body valves, fire hydrants, brass pipe fittings, brass cocks and valves and soapstone and tallow.

I don't think the policy of the Southern lines in the matter of rates on the product of Southern industries was ever more vindicated than it was by the Commission's decision in [fol. 3838] the Southern Governors case; and furthermore, that decision laid the pattern for future adjustments and it also changed the status of the Monon, so far as the Southern Railway is concerned. I think the Monon now needs the Southern Railway lots more than the Southern Railway needs the Monon, because the Commission has said something that I thought it would say, that it has the power to fix these rates on proper showing, and since that decision, we have had practically no trouble. I don't think we have had a single complaint involving a manufactured commodity from the South into Official Territory.

Now, I did have——

By Mr. Dixon:

Q. Mr. Oliver, I have a few questions to ask, please, and I think perhaps you can answer them categorically. The first one is, in your judgment, does the present rate structure intra- and interterritorially restrict the movement of the products of Southern industry?

A. Well, it certainly does not, in my judgment, Mr. Dixon.

Q. In your judgment, do your class rates, as such, move any substantial traffic to, from or between points in Southern Territory?

A. Yes, they do. They move a very substantial traffic southbound into Southern Territory. They move a substantial traffic intraterritorially and they move some traffic northbound.

Q. In your judgment, could the Southern Lines, under normal conditions, stand any substantial reductions in their revenues?

[fol. 3839] A. Under anything like normal conditions, the lines in Southern Territory cannot stand any substantial reductions in revenue, through any so-called unifying process of rates on high-grade traffic. It is likewise impossible to now estimate the extent to which the rates on low-grade traffic would have to be increased to make up such loss. No one can now predict what the situation will be after the war is over, but of three things we can be reasonably certain: First, high taxes; second, maintenance of present wage scales; and, third, intensified competition.

Q. Mr. Oliver, there is just one other question: The Southern Railway System operates in Official Territory also; does it not?

A. It does. We have lines in Southern Illinois, in Southern Indiana, in Northern Virginia, that operate in Official Territory. Our line between Washington and Lynchburg, Virginia, is in Official Territory. Our Harrisonburg branch is in Official Territory; and then our lines in Indiana and Illinois are all in Official Territory.

Q. Does the Official Territory basis of rates apply on those lines?

A. It does.

Q. Compare the industrial development on those lines in Official Territory with the industrial development on Southern Railway's lines in Southern Territory.

[fol. 3840] A. Well, I will do that, Mr. Dixon, and very much to my regret I must say that the industrial development on those lines having the benefit of so-called Official Territory rates has been much less than it has been on our lines further South which operate on the Southern basis of freight rates. I have really felt badly about the industrial situation on our lines in Southern Indiana and Illinois. We have done everything we possibly could to encourage some kind of industrial development on those lines. We have actually lost industries. We lost a large catsup plant at Princeton, Indiana. We have lost a strawboard plant at Rockport, Indiana. As a matter of fact, the traffic on our Rockport branch got so low that we filed a petition with the Commission for abandonment. We held that petition in abeyance or perhaps withdrew it because the people out there were making every possible effort with us to create some traffic that would justify the operation of that line.

Our industrial situation in Illinois is not as good as it was when I was located at Louisville, Kentucky, back in 1912 and 1914; and for the period during which I have been vice president in charge of traffic, we haven't been able to locate any worthwhile industry at all on our line between Washington and Lynchburg. Now, one would think that that line, above all others in the Southern Railway System, would be most favored from an industrial standpoint, and [fol..3841] yet the facts are that we have been able to do practically nothing in that section.

Q. That is the double-track main line?

A. That is the double-track main line, which is one of the best railroads in the United States. One our Harrisonburg branch there has been a rayon plant located at Front Royal, Virginia, and the main consideration there was the presence of water in large quantities. Of course, the plant draws in its raw materials from different parts of the country. Its wood, I believe, woodpulp, comes from the Pacific Coast. I won't be sure about that, but some of it may come from this plant in the South that is now making pulp out of which rayon can be produced.

There is just one other thing, Mr. Dixon, I would like to refer to, and that is the testimony of Mr. Eric Morrell, managing editor of the "Manufacturers Record." I came here with the idea of filing a lot of excerpts from the Annual Blue Book, but I am not going to do that because Dr. Duncan covered all of that field. Now, we have always thought the "Manufacturers Record" was a partner in this effort to locate industry in the South, so when Mr. Morrell's testimony was brought to my attention, it shocked me and it shocked me thoroughly, so I sent the head of our industrial department over to Baltimore to see him.

It is only 40 miles from Baltimore to Washington and [fol. 3842] therefore it is only 40 miles from Mr. Morrell's office to my office, but anyway, not having heard from him about any of these things that he testified to in Indianapolis, I asked the Assistant Vice President Wirt to go over to Baltimore to see him and to try and get me some facts and figures and dates and details on these industries that had been run away from the South on account of freight ratings.

Well, Mr. Wirt came back and reported that Mr. Morrell couldn't cite to him a single industry. He did make two references to industries proposing to establish plants in the South but which were deterred, it was alleged, from doing so on account of freight rates. One was a manufacturer of machinery used by the dairy industry, having two plants in different points in New York State, the output of these plants being sold to the dairy industry in that state. The C.I.O. got control of one of these plants and the owner threatened to close this plant and move South. Now, he got in touch with Mr. Morrell who suggested one area in Southern Tennessee and the other somewhere in Southwest Virginia and Kentucky.

Now, he had another instance of a proposed plant to develop bentonitic clay in Obion County, Tennessee, the extreme north county in the State and traversed by the Illinois Central Railroad.

I think everybody knows that the South is not a dairying [fol. 3843] country and if there is any place in the United States that I wouldn't pick out to locate a plant to manufacture dairy machinery, it would be in the South, because the large markets for that kind of machinery are in the East and in the Northwest. However, we hope some of these days to have enough dairying industry in the South to encourage a machinery plant to locate there. I must confess some ignorance with respect to the rates on clay from points in Obion County, Tennessee. I do recall that we made rates from that section to the Pacific Coast to accommodate shipments of clay.

But those are the only two instances that Mr. Morrell could give, and he said that the only plants he knew about in which the freight rate feature entered into the picture were relatively small finishing product plants, and that he had no knowledge of any plant engaged in primary manufacturing having been lost to the South by reason of the so-called freight rate situation; but I repeat that it is only 40 miles from his office to mine, and if those situations were serious, it does look as if he would have referred them to me, something which he most positively did not do.

Q. Do you have anything further, Mr. Oliver?

A. Well, I did want to comment on Governor Cooper's testimony a moment. I think I have answered a good deal of it, though, as I have gone along. We have certainly made [fol. 3844] rates that would move coal from the South to points in the North and East. The Southern Railway has gone into those rates when it would have been very much to our advantage if we could move that coal in some other direction, because the rates up in this section are very low, relatively and per se; but nonetheless, particularly during the depression, when everybody was striving to get every piece of business in sight, the operators over there insisted that in some instances where we didn't have such rates, that we provide them, thereby giving employment to their people and giving them some income. We responded to their request.

He says the South furnishes one-half of the nation's marble. Nobody knows that better than we do, and we have certainly gone the limit in making rates on marble.

Q. That is, in the Southern Governors case?

A. Yes, sir, but even before that. We had made rates on marble to our border territory on the Official Territory level, and the freight rates hadn't anything to do with it. Our East Tennessee marble producers, just to give one illustration——

Chairman Aitchison: I think you had better not give too many illustrations. Just make your general statement, until you are asked for illustrations. Otherwise, you are going to be crowding your colleagues out.

The Witness: I will quit right away. I just wanted to [fol. 3845] add that the Mellon Art Gallery in Washington, which is, I think, the most beautiful building in the United States, is built out of East Tennessee marble.

Now, there is a good deal more I could say, Mr. Chairman, but I suppose I will have to stop. I listened to Mr. Bell yesterday for seven hours and I wish I had just about half his time, but I will just have to call it a day.

Chairman Aitchison: Well, I think we can arrange to let you have as much time as Mr. Bell had, provided you want to represent your interests alone.

The Witness: No, I don't want to do that. I have got colleagues here who have got just as good a story as I have to present to you. Unless Mr. Dixon has some other question, we will——

Chairman Aitchison: I have one or two, prompted in part by the statement you made to Mr. Dixon.

By Chairman Aitchison:

Q. Do you have available any data or other information showing as to your railroad the relative importance, either measured by tonnage or revenue, of traffic which moves on class rates, to that which moves on commodity rates?

A. We have no recent data on that point, Mr. Chairman. I don't know of any study of that kind, subsequent to the class rate investigation. Mr. Crane is going to follow me on the witness stand and he has got something on that [fol. 3846] point, Mr. Chairman, but I don't think we have made a study of the traffic moving on class versus commodity rates since the Class Rate Investigation. We may have had some sporadic studies on different parts of the railroad. If we have, Mr. Crane will certainly have the information here for you.

Q. Then when Mr. Crane comes on, he can answer these questions if you can't?

A. Yes.

Q. Second, the relative importance, either measured by tonnage or revenue, of that class rate traffic which you do have, which moves in carloads, in less than carloads, in any quantity or on forwarder or on all commodity rates or on other rates?

A. I am sorry, we have no data that would show the movement on class, commodity and any-quantity rates in carload and less than carload quantities. We do have statistics showing the movement on all commodity rates. That is filed currently, I believe, with the Interstate Commerce Commission. We have some of that traffic, not an awful lot, but in any event we file reports with the Commission covering it.

Q. Next, the relative extent to which the classification proper is used in connection with the regular class rates and percentages.

A. Well, that is another difficult question and I don't think I have the answer to it, sir.

[fol. 3847] Q. What is your opinion, if you have one, as to the proportion, either by tonnage or revenue, which the movement of the traffic on normal class rates is of the total traffic on your line?

A. What was that last?

Q. Of the total traffic on your line. Do you want the whole question read?

A. Well, the only way you could get that would be by a study of the traffic, and that would be a very expensive and laborious proposition.

Q. The question is, what is your opinion, if you have any? If you have no opinion, say so.

A. Well, I expressed an opinion a while ago that we do have a substantial southbound movement of traffic on our regular class rates; and we made a test in North Carolina some while back which developed that we had a substantial movement of traffic within that state on the class rates, and I think conditions in North Carolina are not substantially different from what they are in South Carolina and Georgia, so that I conclude from that test that we have a substantial movement of class rated traffic intraterritorially. Now, interterritorially northbound, my opinion, for the movement on class rates, as such, is substantially less in relative volume. Of course, as we have come along with all of these Fourth Section revisions, we have utilized, for Fourth [fol. 3848] Section reasons and for convenient methods of publication, column rates, some of which have been taken into the classification and some of which have not been. Some of them continue to be in the exceptions sheets, the exceptions sheets having interterritorial application. But it would take an auditor's test to give you an accurate answer to those questions. I do believe, though, that my opinion, based on a pretty close acquaintanceship with the movement of our traffic, is substantially correct.

Q. Can you be more specific than to use the words "substantial" and "not so substantial"?

A. Well, yes, according to my opinion, the answer I have given you is correct. It isn't fortified by a statistical statement, though, Mr. Chairman.

Q. Well, I am asking your best opinion, if you have one.

A. I have given you my best opinion, sir.

Q. And when you use the words "substantial" and "not so substantial," that is the best you can do?

A. Perhaps that was a slip of the tongue.

Q. Is that right?

A. I said perhaps that was a slip of the tongue, using the word "substantial". I have given you my best opinion, based on my knowledge of the Southern Railway System.

Q. I am anxious to understand you. I think these are important. If you now withdraw the word "substantial", [fol. 3849] what impression do you care to have me take away as to what the proportion is, either by tonnage or revenue, that the traffic which is moving on normal class rates bears to the total traffic?

A. Well, of course, that is a hard question. I don't know how to answer that question except through the expression of opinion.

Q. That is what I have asked. What is your opinion?

A. Well, my opinion is, and I think the opinion is based on experience, there is a substantial movement of class-rated traffic southbound.

Q. Then you can't find a better words than to say "subtantial"?

A. Well, I couldn't tell you what percentage it is. I wouldn't undertake to do that. I know it is—we operate a tremendous number of merchandise cars from Chicago and the eastern consuming points into the South. Those cars move in great number and they are full of merchandise traffic, practically all of which moves on class rates. And that is true, as I said a while ago, of a lot of our traffic intraterritorially. But northbound I think the situation is different.

Q. How about the situation with respect to the other rate territories which ~~have~~ been mentioned?

A. The other rate territories?

Q. Yes, Southwest, Western Trunk Line.

[fol. 3850] A. Well, I wouldn't presume to express an opinion about Western Trunk Line.

Q. I am talking about how much movement you have between the Southwest on the one hand and the South on the other, and also between Western Trunk Line Territory and the South.

A. Most of our traffic moving from the South to points in Western Trunk Line Territory moves on commodity rates. We never had any class rates between the South and Western Trunk Line Territory prior to just a little while ago. We publish such rates in response to the Commission's decision.

Q. I am only asking for information. I just want to know the facts.

A. I am trying to give them to you, too, sir, to the best of my knowledge and belief.

Q. Yet it is apparent, with respect to the Southwest, that the traffic is still not substantial?

A. Well, most of our traffic moving from the Southeast and the Carolinas to the Southwest moves on either commodity rates or column rates; that is, column rates being made a percentage of the first class. Now, we have got—our big movements consist of manufactured tobacco, furniture, textiles, and all of those rates have been adjusted with an eye directed to the movement of those classes of traffic.

Q. But not upon your class rate basis, is that right?

A. Well, perhaps not by a percentage of the class rates. [fol. 3851] Those rates have been affected by——

Q. I am trying to find out what proportion of your traffic moves on the normal class rate basis. I am not interested at the moment in how much may move on percentage, a percentage of first class, unless that percentage is a normal class percentage.

A. Well, there is a very substantial part of it moving on the class rates and the percentage of class rates.

Q. To the Southwest?

A. To the Southwest and from the Eastern Trunk Line and C. F. A. Territory into the South. Practically everything we have got is moving on some percentage of first class.

Q. That isn't what I asked. I don't want you to answer me with respect to that. I want you to tell me about the traffic which moves on the normal prescribed percentages of first class, assigned to the different classes; not that which moves on column rates which differ from the normal classification rating on a percentage basis.

A. And there is a great deal of such traffic, Mr. Commissioner.

Q. I am asking you now about the Southwest and Western Trunk Line Territory.

A. We have very little movement of traffic from the Western Trunk Line Territory into the Southeast, except grain, grain products and commodities of that kind. There [fol. 3852] is no class rate traffic that I know of moving from Western Trunk Line Territory into our territory.

Q. How about in the reverse direction?

A. Well, we have a lot of furniture, textiles, tobacco, manufactured tobacco, miscellaneous commodities moving out there on the class rates, or rates made a percentage of first class. Now, whether that be the——

Q. Can you distinguish between these? I don't care about anything except the normal percentages.

A. Now, I find myself in difficulty in giving you a satisfactory answer, apparently, on that, because I think, in order to give you such an answer, it would require a minute investigation.

Q. Which you have not made?

A. Which I have not made.

Q. That is sufficient.

A. But I am undertaking to give you my considered judgment with respect to it. Now, just—I recall at the moment one very substantial movement of class-rated traffic from Eastern Trunk Line Territory into the South, and that is textile machinery, all of which moves on sixth class. And, as I said in my testimony a while ago, the Southern Railway System alone handles four or five or six thousand carloads of that stuff a year.

Q. I have not asked you, Mr. Oliver, with respect to [fol. 3853] any particular commodity. I am purposely endeavoring to confine this to a broad picture of your whole traffic, and you have given the best answer you can with respect to it?

A. I think I have, sir. In the absence of a traffic study, which would be very expensive and very laborious, under existing conditions, with our short manpower, I don't see how I could give you a better answer.

Chairman Aitchison: I only want the best you can give. Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Oliver, you have referred to the manufacture of various articles in the South, such as paper and textiles and furniture, and said that there is produced in the South some of the finest products in those lines. Now, while that is true, isn't it also true that a majority of the products in the South is of the lower grades and that the majority of the higher grades is produced in the North and East?

A. Are you talking about textiles?

Q. Well, I said paper, textiles and furniture. Put them all together.

A. Well, if you had a weighted average, I suppose, dealing with paper, for example, the pulp and the wallboard and the wrapping paper and paper bags would outweigh the wrapping paper and the calendar papers, yes, but I [fol. 3854] think that would be true in any territory. I think that would be true in New England or in New York State.

Q. But what I asked you was, isn't it true that the majority of the lower grade—the majority of production in the South is the lower grade, while there is some high grade?

A. Yes.

Q. And the majority of the high grade production is in the North?

A. Yes. The majority of the people you are trying to reach use the lower grade, too; not everybody uses the high grade.

Q. Well, for instance, in the textiles, isn't there a large movement of textiles from the South for further manufacture?

A. That is true and that gives me the opportunity of saying something that I overlooked on my direct examination. When the Interstate Commerce Commission, in the general textile case, made the rates on unfinished cotton piece goods 90 per cent of the finished—of the rates on the finished cotton piece goods—I was shocked and I thought we were going to have almost a revolution in our territory, because we were trying to build up the dyeing and the bleaching and the finishing industry. Well, anyway, we went to work and put the rates in effect. Very much to my surprise, shortly after that, we had a request from the National Converters Association, I think that is the name of the organization in New York City, to authorize car-[fol. 3855] load rates on unfinished cotton goods from the South to bleaching points in New England Territory. I was asked to come to New York and attend a conference regarding that request, and I did so with—I went with a good deal of misgiving, and when I got in the conference, it wasn't long before I told them that that was absolutely out of the question, that we would never agree to that. Very much to my surprise, when I got back home, I got all kinds of pressure from the Southern mills themselves to put in these rates, and we did put in those rates. They moved the traffic up there in carload quantities and everybody seemed to be satisfied.

[fol. 3856] Q. Now, take aluminum. You talked about that at great length. Aluminum is shipped out of the South in sheets, is it not?

A. That is true, sheets, and some of it is shipped in pigs and some in ingots.

Q. But it is not manufactured in the South into the various articles such as pots and pans that you referred to?

A. No, but when the war is over, if we do not have such a plant as that in the South, I am going to be greatly disappointed.

Mr. Norman: Now, there is just one other question I want to interrogate you about, and that is the matter of securing interterritorial rates from the South to the North and East on the Official Territory basis.

By Mr. Norman:

Q. You referred to the statement which you had made in the Consolidation Case, the Railroad Consolidation Case, which was to the effect that the Northern carriers were building a wall against the movement of the traffic from the South. Now, you further said that you had not had any trouble, as I understood you, since the decision in the Southern Governors' Case. Do you mean by that to say that the Official carriers will now join you in rates from the South made on the Official Territory basis?

A. They will do it if we can convince them it is the proper basis. We have negotiated some of the most important [fol. 3857] adjustments of rates on Southern commodities since the Southern Governors' case decision, that we have ever had to deal with; for example, the rates on paper and paper articles, wrapping paper and paper bags.

Q. What basis did you negotiate on?

A. 110 per cent of the Northern level, but I would like for you to understand that that was the basis agreed upon by the Southern industry.

Q. Yes.

A. As a matter of fact, it was suggested by the Southern industry. That was one case, Mr. Norman.

Q. Don't you think they would rather have had 100 per cent?

A. Oh, Lord, yes. There is no question about that. There is no question about that, but they found they did not need 100 per cent, and they were honest enough to come to us and tell us, "Now, you go ahead and negotiate these rates here on the 110 per cent basis, and we will call it a day." We ~~did it~~, and the traffic is moving freely under that basis, and as I said, apparently everybody is satisfied. I have heard no complaint.

Q. You have established in a number of instances, have you not, rates to the border points, Ohio River gateways, on the Official Territory basis and had to stop there, is that not so?

A. We have established rates to Official Territory, or to [fol. 3858] the border gateways on a number of commodities; you are right about that, but the only one I know of at the moment that we have not proceeded further on is the adjustment of rates on glass bottles from Chattanooga to points in the North, and this gives me an opportunity to comment on that situation: we had a peculiar situation. We tried to be of help to the Chattanooga bottle manufacturer. We put up a proposal to give him Column 25 from Chattanooga to points in Official Territory. Well, of course, we ran into terrible opposition from the Official Territory shippers.

The adjustment up in Official Territory was a truck competitive adjustment which they had made to apply generally throughout that territory. We had a truck competitive adjustment in substantial measure in the South. The Official Territory shippers said, "All right, now. You want to bring your man up here on this truck competitive level. You have to take us out on his truck competitive level." The gentleman from Chattanooga filed a complaint with the Interstate Commerce Commission, and before the complaint was heard he withdrew it. Meanwhile, we had published a commodity rate from Chattanooga to Cincinnati and Louisville of 25 cents per hundred pounds which then gave him the benefit of this truck competitive adjustment in Official Territory, and I thought he was very well satisfied. I know that back a while ago he did truck [fol. 3859] a good deal of his bottles up into this territory, C.F.A. territory, and when we were trying to meet that competition he told us we would have to take into consideration in the measure of the rate what it would cost him to unload his car and load his car, that is, load his car at Chattanooga and unload his car at destination, something totaling about $20 a car, and we never could do that, so the matter dropped. I heard no more of it until he appeared at Indianapolis and testified. I do know that the man who is looking after his traffic at Chattanooga, Mr. Wood, urged the publication of this special rate from Chattanooga to Cincinnati and Louisville. At the moment that is the only instance I recall recently where we started to do something and stopped.

Q. Mr. Oliver, a man testified here just the other day about producing wine in Atlanta, Georgia, and you gave him the Official Territory basis as far as you could control it, that is to the Ohio River cities and St. Louis, but stopped there. Why not go on with it?

A. I do not know much about that adjustment. It has not come to my personal attention. I have heard something of it. The man at Atlanta has a plant in Brooklyn, New York, if I recall correctly, and we did fix him up a rate that enabled him to ship in tank cars from Atlanta to Brooklyn. I am perfectly willing to take another look at his adjustment to points in Official Territory.

[fol. 3860] Q. He is very anxious that you should.

A. I will certainly be glad to do that, sir.

Q. Now, Mr. Oliver, is this not the situation today, that if a shipper wants a competitive rate into the North and East, he has first got to come and convince your Southern carriers he is entitled to it; then if he is successful in that, you have got to go and try to convince the Official Territory carriers, and the Official carriers are very hard to convince?

A. I would not say that. Times change and men change with the times. We have not had near so much trouble with these interterritorial rates as you seem to think. I think we have gotten along pretty well with them. I do not mean to say that our adjustments are 100 per cent perfect. I would be crazy to make such a statement. However, I do say that we have gotten the situation pretty well in hand.

Q. But every one of them has to be negotiated, do they not?

A. Well, a lot of times I am around trying to dig out means of creating traffic. That is my job, to create traffic.

If I do not do that, I have made a failure of it. If I see a man is not doing business in a certain territory, or if his operations are being affected adversely, we have a man that goes there and tries to find out what his trouble is. I remember——

Chairman Aitchison: Let us not have any personal recollections any more, Mr. Oliver.

[fol. 3861] By Mr. Norman:

Q. Of course, you understand, Mr. Oliver, my point is, as I get it from a great many shippers, particularly the small shippers, the situation is such that they have to try to negotiate with you, and you have to try, if they can convince you, to negotiate with the Official Territory lines, and it is just such a long drawn out process requiring the employment of high-priced traffic men, and so forth, that it is pretty nearly impossible for them to do it.

A. I do not think it is necessary for them to employ high-priced traffic man. We have plenty of traffic men in the South handling these things. They do not have to go and employ high-priced traffic men to talk to me. If the man who is manufacturing the goods comes and tells me what his situation is, or I go to him and he tells me what his situation is, then I take a personal interest in it; and I think I can speak for my colleagues in the South. I think they all do that very thing, because it is our business to try to create traffic for the railroads we work for.

Q. You have tried to get these rates into Official Territory on the Official Territory basis, in many, many instances; I know that. I am not saying you did not. All I am saying is, it is so difficult for the average small producer of any commodity to ever get an adjustment, that he does not consider it worth while to make the attempt.

[fol. 3862] A. What would you do then? Would you tie us down in a straitjacket with a rigid class rate adjustment that applies in both directions, that you could not depart from?

Chairman Aitchison: It seems as though Mr. Oliver has become counsel and Mr. Norman is answering the questions.

Mr. Norman: I do not mind answering that question.

The Witness: What I despise in the traffic profession is any rigidity of things. I want freedom of action. That is what I want.

Mr. Norman: That is just it, Mr. Oliver.

By Mr. Norman:

Q. Of course, nobody wants rigidity, but yet nobody wants an overlord either, that they have to go to and try to convince or persuade in order to get justice, or get a proper adjustment.

A. I do not know of anything that can be more rigid than a fixed mileage scale. If you had such a thing, you would not be able to depart from it.

Com. Splawn: May I ask you one question, Mr. Norman.

Mr. Norman: Yes.

Com. Splawn: Do you contemplate that any decision here would change the relationship of the shippers and carriers in competition between the carriers, and so forth, with respect to these negotiations such as have been reviewed here this morning?

Mr. Norman: Why, yes. I do, Mr. Commissioner. I [fol. 3863] contemplate that you will establish a principle here that will obviate the necessity of having to go and try to persuade the traffic officials of the railroads to a certain point of view.

Com. Splawn: Do you mean to say that you expect to get a system of rates with which you will be satisfied for ever and a day?

Mr. Norman: Oh, no, no indeed. There is no such thing as that.

Com. Splawn: If you are not satisfied, to whom will you want to go?

Mr. Norman: Why, we hope to get here, Mr. Commissioner, a general principle that will be satisfactory. Then when it comes to specific or individual cases, they will be handled like they have been in the past, either with the railroads, or if that is not satisfactory, then with the Commission.

Chairman Aitchison: I understood Mr. Oliver's statement to be that the decision in the Southern Governors' Case had been helpful in the settlement of other controversies which arose subsequent thereto.

The Witness: That is correct, sir. The Southern Governors' decision vindicated the position that we took with Governor Graves, namely, that the Interstate Commerce

Commission has got the right to make these rates to move traffic.

Chairman Aitchison: Is that all, Mr. Norman?

[fol. 3864] Mr. Norman: That is all, Mr. Chairman.

Chairman Aitchison: Are there any other questions of Mr. Oliver?

Mr. McDonald: May I ask just three questions, Mr. Chairman?

Chairman Aitchison: Certainly.

Mr. McDonald: I am sorry to have to interpose this way, but this is something I am a little more familiar with than our counsel.

By Mr. McDonald:

Q. Mr. Oliver, you referred to your conferences with Governor Graves and the filing of a petition which listed a great many commodities which was subsequently amended by striking most of the commodities.

A. Yes.

Q. You are familiar, are you not, with the fact that there was a division of thought between the governors as to the proper remedy, as to whether they should seek a leveling of class rates or a leveling of commodity rates?

A. No. I do not know what went on within the governors' councils.

Q. That was a matter that was in the newspapers a great deal in the South at that time, was it not?

A. I do not recall that there was ever any division of opinion amongst the governors. Governor Graves was the bellwether of the whole movement. He told us he would [fol. 3865] furnish the commercial testimony in connection with these commodities on which Southern industry needed relief and ~~we told him that~~ if he would do that, we would support his complaint.

Q. Yes.

A. We carried out our promise.

Q. You told us all that. Do you know, then, that two petitions were filed, and two committees were appointed, one to handle the class rate case and the other to handle the commodity rate case?

A. I know what was said——

Chairman Aitchison: Just answer the question "yes" or "no."

By Mr. McDonald:

Q. Do you know that?

A. No. I do not know that, and I do not think that is a fact, Mr. McDonald.

Q. Well, I tell you it is a fact, sir.

A. All right, sir.

Q. Do you know the reason for the listing of all commodities was an effort on Governor Graves' part to get ahead of the Class Rate Committee and he listed every commodity, practically, he could think of and left in only those who were willing to pay their part and furnish the evidence finally; do you know that?

A. I know that politics entered into that in a big way, Mr. McDonald.

[fol. 3866] Q. There was no politics in that. That was merely a matter of furnishing the evidence you talked about, and the money to support the case.

A. I know they passed the hat around——

Q. Yes.

A. —and people donated that had no complaint about their rates.

Q. You are not familiar with any of the facts that I have asked you about, as to the division of thought and why the other complaint was filed with so many complainants in it, and subsequently amended?

A. I could not know what went on among the governors themselves.

Q. As a matter of fact, Mr. Oliver,——

A. I do know this, that in the petition for suspension of cotton factory products rates published to become effective June 8, 1937,—this petition was on behalf of the Alabama and Georgia mills—the statement was made: "Petitioners are informed and believe that it is the purpose of industry in the South through a Governors' Conference on behalf of industries including petitioner's company, to seek a determination of a proper basis on commodities generally." That petition was sponsored——

Mr. McDonald: That is evidenced by the fact they filed the petition. Thank you.

[fol. 3867] Chairman Aitchison: Is there any further cross-examination of Mr. Oliver?

Mr. McCollester: Just a few questions.

Chairman Aitchison: Mr. McCollester.

By Mr. McCollester:

Q. Mr. Oliver, of course it is part of your job to get as much business as you can for the Southern Railway system, is it not?

A. That is the way I understand it.

Q. It is part of your job to keep yourself informed of the rate requirements and general needs of industry in the South served by your system?

A. Yes, to the very best of my ability.

Q. On the basis of that, is my understanding correct that it is your testimony here that the present rate situation does not prevent the industrial development of the South, and does not prevent industries of the South from reaching their proper markets?

A. That is my position, sir, and I hope I was able to substantiate that position by giving concrete illustrations of what has been accomplished.

Q. Is it also correct that on behalf of the Southern Railway System you are opposed to putting into effect in the South the Official Territory level of class rates?

A. Unalterably opposed to that. I think it would be ruinous——

Chairman Aitchison: Are we going to go into all of [fol. 3868] that again now?

The Witness: All right.

Chairman Aitchison: This is supposed to be rebuttal testimony you are giving.

By Mr. McCollester:

Q. Mr. Oliver, as I understood your testimony, as part of your job which you have described, to build up traffic for your railroad and secure industries for the South, you went to Governor Bibb Graves and suggested that the Interstate Commerce Commission had power to do something in the matter; is that right?

A. I certainly did, along with my colleagues in the South.

Q. Then there followed after that the filing of the Southern Governors' complaint?

A. That is correct.

Q. In that proceeding you took a position different from the position you take here, is that right?

A. I do not think so.

Q. You supported that complaint which sought the Northern level of rates?

A. That is correct, where such level was necessary.

Q. What is the difference between your position here and your position in that proceeding?

A. There is absolutely no difference.

Q. Why not? Why do you not support the demand for the Northern level of class rates?

[fol. 3869] A. Because I do not want to wreck the Southern Railway. That is why I do not do it.

Q. And you consider that there is no need for the Northern level of class rates in the South?

A. I certainly do not consider there is any need at all for the Northern level of class rates in the South. They serve entirely different purposes in the North from what our rates serve in the South. I do not believe there is any reason at all, any substantial reason at all why we should scrap everything we have done over the years and adopt the Northern class rate level in the South.

Q. What has been your attitude as to joining in rates from the North to the South on the Northern level?

A. Well, I have been opposed to that. My position is that industry in the North should come into the South on our level of rates.

Q. Can you state what transportation consideration other than the desire to compete or to market goods, what transportation condition there is which justifies higher rates southbound than northbound between the same two points?

A. I think there is a difference in circumstances and conditions.

Q. Such as what?

A. For example, the competition to be met. If our industry goes into the North and East on the Northern level [fol. 3870] of rates, it is no discrimination against the industries within those territories. On the other hand, if an industry in the North and East comes into the South on our level of rates, certainly there is no discrimination there. Each has an equal opportunity on the same basis of rates, or substantially the same basis, and any difference in the measure of the rate would be due entirely to a difference in distance.

Q. Can you state any other consideration which would justify a difference in rates northbound and southbound on the same date between the same two points?

A. Yes. I will take an assumed case. We publish rates on a given commodity from the South to Chicago, for example, to meet competition from Pittsburgh to Chicago. Now, when we turn around and publish that same rate from Chicago to the South, we reduce the rates southbound, and consequently we have to reduce the rates intraterritorially within the South to enable the Southern manufacturer to meet that competition, and you simply have a vicious circle that would finally wind up in a lowering of freight rates all around the perimeter of the circle, and nobody would be any better off than they would be before.

Mr. McCollester: That again is an example of competition.

By Mr. McCollester:

Q. I asked you if you could state any transportation consideration other than the competition factor, distin- [fol. 3871] guishing the movement of freight northbound and southbound, which would justify on the basis of transportation costs or anything else other than competition, a difference in rates?

A. I do not think you could justify a difference in rates in different directions on cost of service. It would have to be done on the basis of competition and the proposition of moving the traffic.

Q. Well, now, Mr. Oliver,——

A. As a matter of fact, as to costs, I am not going into that matter very far because that is a subject in and of itself. Costs vary with the flow of traffic northbound versus southbound and eastbound versus westbound.

Chairman Aitchison: If you will just pay attention to the question, Mr. Oliver, and answer it crisply, it will facilitate matters. He asked you if you knew of any other circumstance of a transportation character which justifies it. You can say "yes" or "no".

The Witness: He also mentioned the question of costs there, Mr. Chairman.

Chairman Aitchison: He was using that as illustrative of what he was trying to get at. You did not seem to understand the question.

The Witness: I think I did. I think I did.

Chairman Aitchison: Well, do you or do you not know [fol. 3872] of any other circumstance than competition and the necessity for moving the traffic which would seem to be competition also—do you know of any other circumstance of a transportation character which justifies a different level of rates northbound and southbound?

The Witness: At the moment I do not.

Chairman Aitchison: That answers the question.

Mr. McCollester: Thank you, Mr. Chairman. Just one or two more questions and I will be through.

By Mr. McCollester:

Q. Suppose you have a shipment of a given commodity originating at a point on your line and handled for 200 miles over your line, then delivered to a connection for movement to a destination in Southern territory; and you have another shipment of the same commodity from the same origin moving 200 miles over your line for delivery to a Northern carrier for movement to a destination in Official Territory. On what basis would you justify charging higher rates to the shipper for the movement in the South for your 200-mile portion of the haul than you would charge for your 200-mile haul on a shipment that is going to the North?

A. Well, there is a difference in the circumstances and conditions surrounding the marketing of the commodity.

Chairman Aitchison: What are the circumstances and conditions which differ?

[fol. 3873] The Witness: If it takes a certain rate to enable the movement of traffic to the North and East, that rate then does not become the measure of a rate between two points within the South where the same competitive circumstances and conditions do not apply. We are trying to make rates to move traffic. We are not trying to work to a mathematical yardstick. Now, the Commission has always taken those things into consideration. We certainly have, on the railroads, ever since I have had anything to do with them.

By Mr. McCollester:

Q. You think the Southern shipper, then, would have no ground for complaint, or the Southern receiver, if he had to pay a higher level of rates for the same length of service because he lived in the South, than a consumer in the North?

A. No. I do not think he would have any cause for complaint, because if we had not made the rate that would enable the shipment to move north, the man in the South would not have been any better off because of that fact.

Q. Then so far as you are concerned——

A. His situation is not harmed under those particular circumstances.

Q. Again, then, we come down to the fact that if there is a difference in rates for the Southern buyer and the Northern buyer, it is not justified by any transportation consideration, but simply by the competitive factor?

[fol. 3874] A. That is true. We are not making freight rates based on costs, because we do not know what they are. It is different conditions that have to govern. For example, Mr. McCollester, the Tennessee Valley Authority, a governmental agency——

Chairman Aitchison: I do not want any more examples. We have just got to bring this to a close. You have already taken two hours and a quarter out of the time of 470 minutes allotted to your side.

The Witness: I am awfully sorry.

Chairman Aitchison: Proceed, Mr. McCollester.

Mr. McCollester: Just one further question.

By Mr. McCollester:

Q. Mr. Oliver, I understand that it has been your position that a shipper in the North shipping to the South should be charged the Southern level of rates. My question is this: assuming that understanding of your position is correct, what justification is there for the Northern railroads, for their haul in Official Territory, charging more because that shipment is going to the South than they would charge for a similar haul if the destination was in Official Territory?

A. Well, I do not see that there is any justification for that, Mr. McCollester.

Mr. McCollester: That is all, thank you.

Chairman Aitchison: Is there any further cross-examination of this witness? (No response.) Is there any redirect? [fol. 3875] (No response.) You are excused.

(Witness excused.)

Chairman Aitchison: Call the next witness.

Mr. Grubbs: Mr. Tilford.

Chairman Aitchison: Raise your right hand and be sworn.

J. E. Tilford was sworn and testified as follows:

Direct examination.

By Mr. Grubbs:

Q. Will you state your full name and address, please, Mr. Tilford.

A. J. E. Tilford, Louisville, Kentucky.

Q. What is your occupation?

A. I am assistant vice president of the Louisville & Nashville Railway.

Q. How long have you occupied that position?

A. For the past five and a half years.

Q. Will you outline just very briefly your experience as a traffic man?

Chairman Aitchison: It is not necessary to go into that, Mr. Grubbs. We all know it by heart. It is not necessary, unless somebody questions it.

Mr. Grubbs: Very well.

Chairman Aitchison: Apparently no one does.

Mr. Grubbs: Thank you, sir.

[fol. 3876] By Mr. Grubbs:

Q. Are you familiar with the testimony presented in this proceeding by representatives of the Southern Governors' Conference?

A. I have read the testimony of Governors Cooper and Holland and was impressed with the statements they made that in some way the Southern class rates are retarding industrial development in the South. I was also impressed in reading the testimony with their earnestness in presenting their viewpoint and the fact that they felt that the Commission should determine the level of the rates, and that they were not seeking the level that would be injurious to the Southern railroads.

Q. In your position as assistant vice president of traffic of the Louisville & Nashville Railway, do you have a responsibility to that company to work with industries on your line in the solution of their traffic problems and in the establishment of rates which will satisfactorily meet their needs?

A. Yes. That is my main responsibility.

Q. Does your department keep in constant contact with industries on your railroad?

A. Yes, through headquarters officers and division officers.

Q. Is the matter of attracting of new industry to the territory served by the Louisville & Nashville Railway a matter within your province?

[fol. 3877] A. Yes.

Q. Is this matter actively pursued by you or under your supervision?

A. Yes.

Q. How important do you regard this matter?

A. I consider the development of our railroads quite an important matter. Certainly, a railroad in the transportation business would do everything it reasonably could to locate industries on its railroad and in that way increase the need of its service.

Q. How long has the Louisville & Nashville Railroad been active in its efforts to attract new industries to the South?

A. The officers of the Louisville & Nashville have undertaken practically from its beginning to develop the territory served by the Louisville & Nashville. Milton Smith, who was, for a great many years, president of the Louisville & Nashville, I think is given the main credit for the development of the iron industry in Alabama. The presidents and other officers since that time have been very diligent in this matter of development, not only industrially, but in agricultural pursuits and in mining. The Specialized Industrial Department of the Louisville & Nashville was first organized in 1900, 42 years ago.

Q. Will you please briefly describe the organization you maintain for the location and development of industry on [fol. 3878] the lines of the Louisville & Nashville.

A. The Specialized Department is headed by a general development agent and three industrial agents. The general industrial agent devotes approximately half of his time and the three agents all of their time to the development of the industries on our railroad. The general development agent also has the responsibility for agricultural and livestock development. He has a special force for that, however, and devotes about half of his time to it. We believe that balanced economy requires a development both of industry and agriculture, so we devote equal time to both.

Q. When there is under consideration a prospective industry, are the efforts confined to the efforts of this particular department?

A. No. I would say when there is a prospective industry under consideration, the headquarters staff, the traffic, operating and engineering departments practically constitute themselves into a research committee to find out everything they can about this prospective industry and what it needs industrially maybe in the way of transportation, tracks, cars, facilities and transportation charges.

Q. Does your interest subside thereafter?

A. No. We do not lag in our interest in the industry after it is once established. Not only the headquarters staff, but through our commercial office, we try to assist the [fol. 3879] industry to develop its markets, and guard very zealously its transportation charges both on its raw products and its manufactured goods.

Q. Do you know whether other Southern railroads maintain similar organizations?

A. Yes. Most of the major lines in Southern Territory, in fact, I think all of the major lines maintain specialized industrial departments and on the smaller lines that duty generally falls to the traffic manager.

Q. I will ask you whether, from your knowledge and experience, you feel that the general body of rates in the South meet or do not meet the needs of the shipping public in the South.

A. Yes. Speaking generally, I think they do. Of course, we cannot always make rates as low as a shipper might want to, but that would be true no matter what the general level might be.

Q. Now, would you please give your reasons a little more fully, for the answer which you have just made.

A. Some of my reasons are similar to those that were expressed by Mr. Oliver, so I will abbreviate a bit. However, I would like to preface my reasons by mentioning the background of the South. Following the Civil War and the disruption of what might be called the plantation era, with its free slaves, the experience of the inhabitants confined them to agriculture. The section was devastated, without [fol. 3880] capital, and, naturally, they had to do what they could with their hands to produce a living.

In time, in recent years, the climate and the natural resources and the available labor have attracted industries to the South. The territory was served amply by railroad and coastwise steamship lines and as these industries were established, freight rates were adjusted to meet their needs, and I think generally speaking, with fair satisfaction to all concerned. Freight rates, from my experience, are rather a minor consideration in the location of an industry. The major considerations would be, so far as the South is concerned, its mild climate, the labor supply and the transportation facilities. Thus we have the textile industry that developed in the South that had convenient raw materials, that started with the gray goods, the cheaper grades, and have now developed into dyeing, bleaching and manufacturing. We have the iron industry in Alabama. It started with pig iron, but with the development of the open hearth method, it has now expanded into steel. They make all sorts of steel articles, some of them partially finished and some of them completely finished.

The tobacco interests were mentioned by Mr. Oliver. He mentioned North Carolina and Virginia. The tobacco industry has also expanded into Kentucky, and within those three states most of your tobacco products in the South and [fol. 3881] some from outside areas and imported tobacco, are now manufactured into cigarettes and smoking tobacco at Southern plants. Furniture which was also mentioned by Mr. Oliver is an important industry in Tennessee and North Carolina. Rayon and cellophane he also mentioned, and have become important industries. Now, kraft paper is promising to be a major industry.

Q. I do not believe you mentioned chemicals. Do you desire to say something about chemicals?

A. Yes. A few years back practically the only chemical industry in the South was the manufacture of fertilizer materials and the resin and turpentine in the Southern pine forests, but now the chemical industry has come to the South and has expanded, so that we have soda products, yellow phosphorus, various acids, and practically all of the soda products needed in the manufacturing processes in modern methods. These industries have developed in the South. Both the large and the small ones have found markets. They have expanded so they now produce goods more than can be consumed in many cases in their immediate area, and are shipping their goods to other markets.

We have undertaken to adjust the freight rates so they can reach the markets they desire to serve. I would not undertake to say that the rates are so precisely adjusted that all of them are so accurate that they need no treatment; [fol. 3882] but there are occasions when conditions arise, or changed conditions require some modification in the rates that were once established. My experience with the shippers and manufacturers and business men indicates to me that the rate structure we have in the South is reasonably satisfactory; and regardless of everything else, my experience shows that the traffic is moving freely under the rate system we have.

Q. Will you please give the Commission the benefit of your views on whether a nation-wide mile for mile parity in rates will meet the needs of commerce and solve or tend to solve the economic ills of the nation, particularly of the South?

A. I find no objection in principle to a rate parity. Parity has already been attained partially on sectional lines. However, it is my opinion that parity nationally is impracticable, the major reasons being that the transportation conditions and the composition of the traffic in the various sections is too varied to enable a system of rates to be set up that will meet those average conditions on a national scale. That is the first reason. The second reason which might be embraced in the first, but is a refinement of it, is that the railroad systems themselves are not transcontinental in scope, and even your larger systems are confined to the geographic boundaries of the rate association territories, which are natural barriers such as the rivers [fol. 3883] and the mountains; and it would be impracticable if you had system rates designed to reflect on the average conditions throughout the United States, for a given railroad corporation to wash out, so to speak, the varying conditions over its own system lines.

For example, the Louisville & Nashville, the Southern Railway, the G. M. & O., and the Illinois Central have lines that extend from the Ohio River to the Gulf. It would be practicable to find the average conditions in Kentucky, Tennessee, Alabama and Mississippi, and set up a system of rates that might meet those average conditions without injuring those railroads. Another difficulty, it seems to me, in designing a national system based on averages is the historical method of adjusting rates. You had one system of rates that developed in Official Territory governed by the Official Classification and designed for somewhat different purposes, or at least used for different purposes, than the class rate system in the South where you had the Southern Classification; but at any rate, in these territories where, as a result of the Commission's decisions, there has been uniformity attained both as to the classification and scales and classification exceptions, with the railroads following the lead of the Commission generally on commodities, their system of rates grew up together and there were not so many variations in them.

[fol. 3884] For example, the Illinois Central, the Louisville & Nashville, and the Southern Railway operated practically the same system of rates, although there were great variations, you might say, before Docket 13494, but not as extreme as they would be between the Southern Classification and Official Classification with the system of mileage rates that grew up in the other territories, so it was easier to bring the two together, or the three or four as it might be. I am frank to say that when the Southern carriers presented their case in Docket 13494, while the railroads with great earnestness, the railroad officials in charge of it, attempted to find a common level, and we did in major part, there was some semblance still of the old adjustment that had developed along the Mississippi River and Mississippi Valley and into the southeastern part of the Southeastern Territory and in the Carolina section, that had some semblance of the old adjustments that had existed prior to the carriers' presentation of their case in 13494, although the adjustment did remove the glaring Fourth Section departures left by the South Atlantic coast rates and the gulf coast rates in the former adjustment.

Q. Where does your great concern lie with respect to this proposal of parity?

A. I do not know as I understand your question.

Mr. Grubbs: Let me put it this way:

[fol. 3885] By Mr. Grubbs:

Q. Where is the threat to you of parity?

A. I did not hear the question.

Chairman Aitchison: Read the question.

(Question read.)

A. (No answer.)

Chairman Aitchison: Perhaps he does not feel he was threatened, Mr. Grubbs.

Mr. Grubbs: I will put it this way:

By Mr. Grubbs:

Q. If the Official Territory level were used as the basis of parity——

A. Oh.

Q. —would that be a threat to you?

A. Well, it would, yes. I think after all, when you come down to the finality, the really important things in the matter of reducing to averages would be the revenue results, and that, in my judgment, is just as much a matter of public interest as it is railroad interest. We are under some handicap in this case in an attempt to appraise the result of a mile for mile parity, because we do not know what the level of rates or the method will be that is used in obtaining this parity. If the change contemplates or would result in a substantial lowering of the rates on manufactured goods and the transfer of the transportation cost to some other item of traffic, I think it would be hurtful to not only the railroad interests, but the shipping [fol. 3886] public as well. Of course, we are not concerned, as I see it, with a question of differentials. I dislike to use that word because we are not trying to make the Southern rates differentials higher than the rates in Official Territory. We are not concerned with that. We are concerned with the amount of revenue from all of the traffic, that all of the traffic will produce. The railroad officers, the railroad management and the owners, in my judgment, are not so much concerned with the source of the revenue, so long as it is sufficient to cover the cost of operation and pay their fixed charges and allow some reasonable margin of profit. From that standpoint, I think the revenue is a primary consideration.

Q. Assuming that the lowest level on manufactured goods——

A. May I add one thing to that answer?

Q. Yes.

A. I was just thinking. If you do not mind my interrupting you.

Q. Go ahead.

A. I would like to add that the studies that have been made of the revenue results for the decade, we will say, ending in 1939, indicate rather clearly to me that the Southern carriers are not capable of standing a substantial reduction in revenues. For that reason I mentioned that if the rates or charges or revenues from manufactured goods are to be reduced, it would be necessary, in order to keep the railroads alive, to transfer the [fol. 3887] charges or the losses to some other type of traffic. In other words—excuse me.

Q. Go ahead.

A. I will sum it up this way: a mere reshuffling of the largest prevailing part of the revenue now produced by manufactured goods and other classes of traffic, agriculture, mining and lumber, we will say, in my judgment, would not cure or help cure the ills of Southern industry.

Mr. Grubbs: Mr. Chairman, this is a convenient breaking point if you want to adjourn at this time.

Chairman Aitchison: We will supend until 2 o'clock.

(At 12:30 p. m., recess taken to 2 o'clock p. m.)

[fol. 3888] Afternoon Session

The hearing was resumed pursuant to recess.

2 o'clock P. M.

Chairman Aitchison: Shall we proceed.
Mr. Grubbs: Mr. Tilford.

J. E. Tilford resumed:

Direct examination (Cont'd).

By Mr. Grubbs:

Q. Mr. Tilford, you had told us, just before we recessed, that the primary concern of the Southern railroads is in obtaining sufficient revenues to operate their properties and obtain a fair profit, rather than in where the revenues come from. Do you have an opinion as to whether there can be what you called a reshuffling of Southern class rates, that entails a material reduction in the rates on manufactured articles, without serious injury to the Southern railroads?

A. Well in my judgment, from my experience with respect to the transportation charges necessary to move traffic, my answer would be that it would be quite harmful to the railroads, to Southern industry and Southern economy, if the rates had to be reshuffled and I have in mind more than merely reshuffling on the so-called manufactures movement, or the class rate traffic. I also have in mind that it might take the direction of revising upward [fol. 3889] some of the rates on agricultural products, lumber, and other raw products, products of mines, for example. I think that would be very hurtful, if we were placed in a position where that would be necessary in order to produce sufficient revenue.

Q. You believe that would be harmful to the Southern railroads, do you?

A. Yes, sir.

Q. Now, Mr. Tilford, I want to turn the question in the direction of industry, Southern industry. Now, assuming that the lowest level of rates in existence at the present time on manufactured goods, which is that in Official Territory, were used to obtain mile-for-mile parity: What in your judgment would be the effect on Southern industry, and on industrial development in the South?

A. Well, leaving out of consideration the disastrous effect on the Southern railroads, the largest industry in the South, it is my considered judgment that such an adjustment would be harmful to Southern industry, and retard, instead of help, the industrial development of the South. I believe this because, in the first place, industries in the South distributing goods to Official Territory markets at the present time have rates on a level comparable to that in Official Territory, where such adjustments are necessary. I say this with some confidence because, since the decision in the Southern Governors' Case several [fol. 3890] years ago covering certain commodity movements northbound, not a single complaint has been filed with the Commission on other manufactured commodities. In fact, only one complaint involving the question of inter-territorial level from the South to Official Territory versus that within Official Territory has been filed in that time, and that covered green salted hides, which is an unmanufactured commodity.

By Chairman Aitchison:

Q. While a complaint may not have been filed in that time, since that case, the Textile Case has been reopened, and reheard, involving that same question,—has it not?

A. I am very sorry, Mr. Chairman, but I was not able to hear that question.

Q. I say, while a complaint may not have been filed since the Southern Governors' Case, the Textile Case has been reopened since then, and has been heard further, and it involves that question,—that is correct, is it not?

A. Yes, sir, that is correct. In the second place, a reduction in the rates on manufactured goods within the South, coupled with a reduction in the rates on such goods from the great Northern and Eastern manufacturing centers to the South, will not be helpful to the existing Southern industries, because it will narrow the margin of the present advantage that the Southern industries have in distributing in their own territory. This narrowing of [fol. 3891] margin of advantage will likewise retard industrial development in the South because it will narrow the economic advantage of locating industries in the South to be in competition with those already established in the North and East. I would like to state also, in connection with that proposition, that I am talking about the lowering of the level within the South, and from the North to the South, on the Eastern level. At the present time the rates in the Southern territory and from the North to the South are generally on the level prescribed by the Commission in Docket 13494, and, being on a higher level, the rate of progression per mile is higher than that in Official Territory, the two scales starting near the same point. In the third place, if a rate level parity is sound on manufactured goods, it is likewise sound on other traffic, such as lumber, fruits and vegetables, coal, and so forth; and if this were the final result it would be hurtful to the South.

I do not believe that a reformation of the rate adjustments between all points east of the Rocky Mountains,—which is the scope of this investigation—would accelerate industrial development in the South. Indeed, if the railroads' revenue is shifted in a substantial amount from high-grade manufactured goods to Southern agricultural and forest products and to raw materials and fuels used extensively by Southern industries, as a consequence of such [fol. 3892] a reformation, a great injury will result, which in my judgment will set the South back a generation.

Fourth: If the theory of rate parity were adopted as a policy by the Commision, it would be necessary, in order to maintain such a policy, to hold the adjustment which might be prescribed, by rigid order; and no railroad could have the discretion of changing such rates. Distance would be the only consideration, and there could be no departure without first obtaining the approval of the Commission. This, in my judgment, would be very hurtful to industry. Further, it would make railroad traffic vulnerable to the competition of other transportation agencies. Such other agencies could, for example, cut under the railroad rates in particular instances, and the railroad would be helpless to protect its traffic without first going to the Commission. Any method which makes railroad rates static is hurtful to industry.

Q. Are you in that situation under the order in 13494?
A. No.

Q. How would you be hurt, then, in the situation under 28300?

A. Well, it would not be very long, Mr. Chairman, before uniformity would be completely disrupted; either by individual railroads that might have different views on particular commodities; or by our State Commissions.

Q. We could suspend, and require you to justify; and [fol. 3893] that is what we did in 13494, was it not?

A. No, sir. We are at liberty to establish a commodity rate, or a classification exception. In other words, the rates are maximum rates, and they can be departed from. Of course, if the rate should then be attacked before the Commission as being discriminatory, or for any other reason, we would have to defend it.

Q. Or as being unreasonably low.
A. Yes.

Q. Well, I do not see why we cannot make an adjustment under 28300, as well as we could under 13494. What is the reason?

A. The reason for it is that while you have a maximum class rate order—well, let me go back a minute. As a matter of fact, there was no order issued in 13494 except that covering the Florida Peninsula; but assuming that there were such an order, assuming such an order were issued, if it were issued in the form of a maximum rate order, that would not prevent a railroad in New England from establishing rates on a given commodity, if you please, and if that commodity moved from the South, the parity that would otherwise be maintained would be greatly disrupted unless you prevented the New England Railroad from establishing its rate, let us say, to Chicago. I cannot conceive how it would be possible to maintain parity for any length of time without a rate order that would prevent anyone from establishing rates on any basis other than [fol. 3894] the parity established under such order—or the relationship established under such order.

By Mr. Grubbs:

Q. Mr. Tilford, in your experience, have you found that the present class rate structure acts as a deterrent to the establishment of new industries on the Louisville & Nashville, or in the South?

A. No.

Q. Have you had any manufacturer or prospective manufacturer assert to you that he could not locate a plant on your railroad because of the Southern Class Rate structure?

A. No.

Q. Are you acquainted with Mr. Morrell, Editor of the Manufacturers Record?

A. No.

Q. Well, I will state for your information, Mr. Tilford, that Mr. Morrell was a witness in this case, and among other things he testified that he was an agency or a channel through which prospective new manufacturers for the South would operate; and he told us that the way in which he operated was to sit down with such a manufacturer and lay the problem out before him, involving perhaps the selection of several sites, and then he would take the matter up with the Industrial Agents of the railroads, and other people who would be interested, looking to the location of that particular industry in the South. Now I want to ask [fol. 3895] you. Do you know whether or not any effort has been made by Mr. Morrell to contact any of the Industrial Agents of the Louisville & Nashville Railroad, looking to the location of any industry on your railroad?

A. No, sir. I had never heard of any such proposition, and to be certain about it, I inquired of our Industrial Manager, who has been in charge of the department for a considerable time, and he has never had any such proposition either from Mr. Morrell or the Manufacturers Record. As far as the Manufacturers Record is concerned, I will say this: I think that the Manufacturers Record is a well-edited paper, that maintains an interest in industrial development in the South. Its staff has made a number of interesting and helpful studies of the natural resources and the possibilities of industrial development in the South, and to that extent it is helpful to us. But so far as giving us any definite tip on any industry is concerned, I never heard of it, and I do not know of any instance in which we have ever obtained such information from it. Now, I would like to add one further point.

Q. Yes.

A. It has been mentioned several times since I have been here. They do publish this yearly Blue Book, a statistical record of progress of industry and agriculture in the South, and it is really a remarkable record. I think that it would [fol. 3896] impress anyone who would read it, with respect to industrial development in the South, especially if one remembers that this development has occurred, practically, from the ashes of a devastating Civil War within the lifetime of many of those who are still living.

Q. Now, Mr. Tilford, I want to ask you this: Has Mr. Morrell, or has the Manufacturers Record, ever taken up with you the matter of adjusting your class rates to meet the desires or the needs of any prospective manufacturer?

A. No, sir.

Q. Now, you have shown the interest of the Louisville & Nashville Railroad in the industry development of the section which it serves. Have you a freight rate policy designed to encourage such development?

A. There are so many features that enter into the location of an industry, including the transportation charges on its product, that it can hardly be said that there is a fixed or rigid policy. Stated in general terms, however, experience has evolved the policy of making the lowest possible rates on raw materials to the Southern plants, and on the fuel used in converting such raw materials. It has seemed to us that this is a sound policy, because these expenses enter directly into manufacturing costs, just as do wages, taxes, light, heat and other plant costs. In other words, the transportation charges on the raw products [fol. 3897] and the fuel are a plant cost, just like labor, light, heat, and other plant costs; and to the extent that the plant costs are held to a minimum, it would enable the selling of the goods at a profit, and fix the price of the goods to some extent, and the effect on the price would not be only in the territory that might be served locally by the plant, but in competitive markets as well.

Now, as to outbound products: The general policy would be to adjust the rates so that, on the manufactured goods, they could reach a specified market in competition with other producers. If there is a product produced at Birmingham, and also at Chicago, and the market is Cleveland, Ohio, we endeavor to adjust the rate to Cleveland, Ohio, so as to enable the Birmingham producer to sell his goods there in competition with the producer at Chicago, bearing in mind, of course, that frequently the amount of freight absorption against a competitive producer determines whether the product can be sold in a competitive market, or not. Likewise, if there is a product produced at Chicago and Birmingham that is to be sold at Charlotte, North Carolina, then Chicago should be held comparable, we think, with the product from Birmingham; but we do not think that it is necessary, in order to carry out that policy, to have a system of rates so that the mile-for-mile rates on all of the railroads in the South, and in the East, and in the [fol. 3898] North, and in the West, are the same.

Q. From your experience, Mr. Tilford, I will ask you just how important a factor in the location of manufacturing plants in the South, you have found the class rate structure to be?

A. Well, as I stated before, our experience has been that an industry frequently is more interested in the rates on its raw matrials and fuel, than it is in the rates on the outbound manufactured product. So far as class rates are concerned, an industry does not concern itself with whether the rate on its product is a class rate, or a commodity rate, or a classification exception, or a column rate, or any other technical designation that a railroad might apply to its rates. It is interested, rather, in the amount of the rate that applies on its products; and I have explained our general method and policy of adjusting rates so as to meet the needs of the industry. Now perhaps I can illustrate what I have in mind by mentioning an industry that was located on the Louisville & Nashville Railroad just a few years back.

Chairman Aitchison: Is it necessary, Mr. Grubbs, to go into illustrations in this connection?

Mr. Grubbs: There is only one illustration, your Honor.

The Witness: I have in mind just one illustration to [fol. 3899] which I want to call the attention of the Commission, because I think that it will emphasize the point that I am making. With respect to this industry, after we learned what the product was, and what its general needs in the way of power, water and so forth, were, a tentative location was found, and arrangements were made to locate the plant there. An investigation was then made of the transportation charges, and we found for that industry that it was necessary, on the inbound products, to establish a rate on a chemical from a point in West Virginia; a rate on clay from a point in South Carolina, although clay suitable for this particular industry was found within 100 miles of the point where the plant was located; on a wooden article, from a point in Vermont; on a crude material to be imported through the gulf ports; on a reclaimed product, from a point in Ohio; on a mineral product from a point in Virginia; on a product from Louisiana and Texas; and also on a product from a point in Indiana. Now, outbound, the rates, based on the class rates, were found to be generally satisfactory, except to a few points in Illinois and Ohio; but after negotiating with our Northern connections, suitable rates were established, and the industry was able to operate under the level of rates that applied. The main adjustments were in the rates on raw products.

By Mr. Grubbs:

Q. Now, Mr. Tilford, will you please state to the [fol. 3900] Commission your views as to whether a readjustment of the entire class rate structure should be made, in contemplation of the post war conditions.

A. Well, it seems to me that we must view the matter from the standpoint of a long-range program, and not from the standpoint of the unusual tonnage movement and revenue results, in connection with the war emergency. During this period it is necessary for the railroads to supply increased facilities, resulting in an increase of their capital costs, and that may be a burden on commerce when times again become normal. We have to keep in mind also the fact that other transportation facilities have increased their capacity; in other words, there are more trucks, more pipe lines, more airplanes, more boats.

By Chairman Aitchison:

Q. Do you mean by that, that all of those things are in commercial service at the present time?

A. I am talking, Mr. Chairman, about the condition that we may have to face after the present emergency is over.

Q. You are not talking about the present, then?

A. Well, at the present time there are more trucks than there were, yes, sir. They are expanding now because of conditions resulting from the war, and the trucks will be here to compete with the railroads after the war.

By Md. Grubbs:

Q. In greater numbers than heretofore?

A. Yes, sir, in far greater numbers than heretofore, and [fol. 3901] not only common carrier trucks, but private trucks and contract trucks. So as I see the thing, looking at it on the basis of the long-range picture, the competition between all forms of transportation is going to be so keen when times again become normal that the available traffic will be very thin, the tonnage will have thinned out, and the revenue that the railroads, and these other transportation agencies will receive will be so thin that I would not undertake to predict the future of many of the Southern railroads. In view of the uncertainties, and in view of the many unknown factors with which transportation will be faced after the war emergency is over, I believe that it would be unwise to undertake the reformation of the freight rate structure at this time.

By Com. Splawn:

Q. You rather despair, then, of the railroad industry, do you?

A. Pardon me, sir?

Q. You are painting a rather despairing picture of the future of the railroad industry, as I understand you.

A. Oh, no, I am not despairing; I am always hopeful; but the point is simply this, that we must face these conditions, because they are coming, and there is no question about it.

Q. The railroad managements have had many difficulties to contend with in past years, have they not?

A. That is true.

[fol. 3902] Q. It has been very inspiring to see how they met them, and overcame them. I for one have confidence that the present and future railroad managements will continue successfully to struggle with their difficulties, as they may arise from time to time.

A. That is true, Mr. Commissioner, but I was merely expressing an opinion as to whether or not it would be wise to change the rate structure, in contemplation of that situation.

Q. Well now, with respect to the rate structure: It is in constant flux, is it not?

A. Yes, sir, that is true, but not in a wholesale fashion. We change rates to meet changed conditions, and the needs of commerce.

Q. Occasionally we have a rather wide readjustment, do we not?

A. Yes, sir, that is true, and then it takes a long time for industry and the railroads to accommodate themselves to it.

Q. Do you honestly feel that it is anything very radical, after a period of 10 to 15 years, to resurvey the classifications, classification ratings and class rate levels?

A. I am very sorry, Mr. Commission - -, but I could not hear your question.

Mr. Grubbs: Will you read it, please, Mr. Reporter.

[fol. 3903] (Question read.)

A. Oh, no, sir, I would say that it is a very appropriate thing to do; but my judgment simply is that it would be better to have these changes occur by evolution, rather than by revolution.

Q. Well now, what is revolutionary about a hearing of this sort, where you gentlemen give us the facts, and we decide whether or not any classification shall be adjusted, or changed, or let alone?

A. I am basing my opinion at the present time, Mr. Commissioner, on the evidence that has been presented in this case, and the evidence that will be presented by others in the case,—all of the evidence. I have perfect confidence that the Commission will use great discretion, and apply all of the evidence in the case, in reaching its conclusion or decision.

Q. In your testimony, among other things, you have been telling us your views as to the influence of freight rates upon the location of industry; is that correct?

A. Yes, sir.

Q. And you are not undertaking to advise us here as to whether or not, or how, to change the rate levels, in consideration of the facts bearing on that issue, are you?

A. I am not suggesting any change, no, Mr. Commissioner, because I believe that the situation is reasonably [fol. 3904] satisfactory.

Com. Splawn: Continue.

By Mr. Grubbs:

Q. Mr. Tilford, what have you to say about making such revision in contemplation of the post-war needs of manufacturers who may wish to convert war plants to commercial production?

A. Well, based on my experience in the past, I do not believe that a revision in the class rate structure will necessarily meet the needs of a new industry that might utilize a war plant. I have mentioned several times before that a new industry, a new manufacturing industry, is very frequently more interested in the rates on its raw materials than it is in its other rates, so that a readjustment of the class rates could not possibly assist in solving that particular problem. We would have to know what the products were that were going to be produced, in order to know what the individual commodities were that would be converted; and we would have to know also what the outbound manufactured product was, and what markets were intended to be utilized, and the marketing of the product. If, as a part of the plan that has been advocated here, the rates on manufactured goods were tied rigidly to a mileage scale, that might interfere with the utilization of these war plants as peacetime industries, for the production of peacetime products, if the product that somebody might decide to pro- [fol. 3905] duce was marketed in an area where other producing plants would have a much shorter distance, in serving the same market. That might seriously interfere with the conversion of the plants. Furthermore, so far as the South is concerned, the number of manufacturing plants that are being established as a result of the war, is relatively few, certainly as compared with existing industries. It does not seem to me that we should undertake a wholesale revision of an important part of our rate structure for those relatively few industries, which would also disturb the rate adjustment, as I see it, of the industries that are already established. I do not think it would require a complete revision of the rates east of the Rocky Mountains to meet this situation. It seems to me that a more important thing would be to study these industries, their location, and what they are capable of producing in *peacetimes; and* that would also carry with it a study of their transportation needs, including freight charges. I might say that so far as the Louisville & Nashville Railroad is concerned, we propose to make such a study as soon as our Development Department has the time to do so. Right at the present moment, of course, they are still very busily engaged in the war effort,—that is, in locating industries, camps, flying fields, and projects of that sort connected with the war effort. I might also say that there have been more flying fields, temporary warehousing projects, and camps lo- [fol. 3906] cated in the South, than there have been manufacturing industries, in connection with the war. There have been quite a number of industries, of course, in the South that have been converted to the production of war materials, but I am talking about new plants, now. As far as those plants that have been converted to the production of war materials are concerned, while they may find new usefulness after the war, their part in peacetime economy was fixed by the product that they were manufacturing heretofore.

Q. Mr. Tilford, there is just one other subject concerning which I would like to inquire of you, and that is as to your views in connection with the statement of Mr. Spottswood, in which he asserted that it is not in the national interest for the South to be so dependent upon cotton, that single-crop production may be ruinous in times of disaster, such as the boll weevil, and that there is need in the national interest for the development of perishable foodstuffs to take the place of the traditional Southern cotton. I would like to have you tell us just briefly what the efforts of the Southern railroads have been in that direction. You have already told us, in a brief way, that the Louisville & Nashville Railroad has a department that not only deals with industry, but that also deals with agriculture, and I do not want you to repeat anything that you have [fol. 3907] already covered. I wish you would just tell us, in a very brief way, what has been undertaken and what has been accomplished by the Southern railroads in the direction of diversification of agricultural products and animal products?

A. Well, there is no doubt but what cotton is an important Southern crop, especially in some of the Southern states. It has always been a quick-money crop. But if anyone says *that the* South is a one-crop territory today, that is based upon an economy that existed a good many years ago. I think the boll weevil itself disrupted the one crop idea. So far as the Louisville & Nashville Railroad is concerned, we have made no effort in a great many years, to encourage the raising of cotton. We have left that entirely to the experience and judgment of the Southern farmer. Our effort has been to ~~aid in~~ finding other crops that would also be quick-money crops, that could be converted quickly into money. We have tried, for example, to encourage the various agricultural interests in the raising of vegetables. In that connection I can cite one quite important development on the Louisville and Nashville Railroad. In one county in Alabama, through efforts extending over a period of some 25 or 30 years, we have developed agriculture to the extent, that, about three years ago, there were about 10,000 carloads of vegetables turned out from that one county in about six weeks. It is a seasonal crop. The bulk of it consists of potatoes, but there are other vege- [fol. 3908] tables also. The crop has not been so large in the last three years, there, largely because of labor troubles; but that will illustrate the effort we have made to bring about a diversification of agriculture and produce a crop that will provide cash to the farmer. I might mention strawberries also; we have increased the production of strawberries. Unfortunately for us, the trucks have taken all of that movement, but nevertheless we have continued to encourage the farmer to raise strawberries because it is good for the economy of the territory. The same thing applies also to peanuts, ~~and~~ beans, and other items that I might mention. Therefore you cannot truthfully say today that the South is a one-crop territory. It certainly is not in the territory that is served by the Louisville and Nashville Railroad, at least.

Q. Does this development of the production of fresh vegetables to which you have referred, extend throughout the South, or is it limited to certain sections?

A. Well, it is limited in a way to the deep South, you might say, although there are vegetables of the same type that are raised in all of the Southern states. Take West Tennessee, for example, and they raise in that territory a substantial volume of sweet potatoes, tomatoes and beans.

Q. Have your efforts in the direction which you have described, included also such activities as the development [fol. 3909] of the production of such commodities as dairy products, poultry and meats animals?

A. Yes, sir, mainly the meat animal. I might also mention that there has been a development of tung oil trees, for example—or tung nut trees.

Mr. Northcutt: If I may interrupt to ask just one question.

By Mr. Northcutt:

Q. Is it not a fact also, Mr. Tilford, that this particular Alabama county to which you referred ships out a substantial number of carloads of gladiolas?

A. Yes.

Q. That is, a flower.

A. Yes, sir.

Q. Moving all over the United States?

A. Yes, sir, that is true.

By Mr. Grubbs:

Q. Do you have in mind any further statement that you would like to make for the record, Mr. Tilford?

A. I believe not.

Mr. Grubbs: The witness is ready for cross examination, if the Commission please.

By Chairman Aitchison:

Q. Mr. Tilford, you were present here and you heard the questions that I asked of Mr. Oliver with respect to what data or information he had concerning the relative importance of class traffic and other traffic—did you?

[fol. 3910] A. Yes, sir.

Q. What would your answer be, to the same question that I directed to him?

A. Well, I am very sorry, Mr. Chairman, but I do not believe that I will be able to give you a very much better answer than Mr. Oliver did. When we discuss transportation charges and the movement of traffic under them, we classify them ni the category of class rate traffic and commodity traffic, and we know that certain products move largely as commodity traffic, and we know that there are quite a number of exceptions to the classification, and we know generally how they happen to be in there—

Q. No, I am not interested in that. I want to limit it only to that one point.

A. Well, there are about 1,000 items, roughly,—at any rate, there are considerable items, carload items, in the classification. Now we know from our experience that there is a substantial movement of manufactured goods under the class tariffs, the classification and class rates; but to put it into tons, or percentage, would be impossible; and I feel that I am not capable of doing that without some study.

Q. Could you give us any opinion, or any information as to the relative proportion of normal class traffic which is less than carload, as compared to that which is carload?

A. Less than carload—

[fol. 3911] Q. As compared with carload?

A. As compared with all carload, I can give you that approximately, in percentage, yes, sir. Just a moment. You want to restrict that to movements under the class tariffs, do you.

Q. Yes.

A. Well, then I am very sorry, Mr. Chairman, but I am afraid I cannot give you that. I would like to make this comment on that, however: That in the South there is certain traffic peculiar to the South, that moves, as we call it, any-quantity, but which is really less than carload. That would cover cotton, although in recent years that has been mostly carload; it would cover naval stores, rosin and turpentine, from the for sts; it would cover our peculiar method of marketing grain and grain products, where the movement from the mill, the flour mill, or for the mill, is in less than carload quantities; and would cover various other commodities, practically all of which move in less than carload quantities, and on commodity rates. I would say, then, that, leaving out those particular commodities, and the items that have been published as classification exceptions, as a method of taking care of the adjustment quickly, there is a substantial amount of traffic moving as class rate traffic, under class rates, less than carload, but as far as dividing it is concerned, I would not [fol. 3912] be capable of doing that, either on the basis of tonnage, or the revenue that would accrue, on the heavy less than carload moving commodities, that are peculiar to the South.

Q. To what extent is the K-2, Q-1, combination being used now in the South?

A. I am very sorry, Mr. Chairman, but I was unable to hear the question. Will you repeat it, please.

(Question read.)

A. That is the foundation for the class rate adjustment, and there is a substantial quantity of freight, both carload and less than carload, that moves under that basis. Of course, there is not a complete movement of everything that is classified in the classification, I will grant you that, but there are quite a number of items, both carload and less than carload ratings; so that even with about 1,000 of those column ratings, or classification exceptions, and even with the 3,000 items on which we reduce the less than carload ratings, there would still be a substantial amount of goods that would move under the class tariffs, the full classification. I believe that is the best answer that I would be able to give you, to that question, without some revenue test.

Q. I suppose, then, that you could not break it down as to the class traffic which moves intraterritorially, and that which moves to each of the rate territories that are involved [fol. 3913] in this proceeding.

A. No, sir, I could not, but I would say that the larger class rate movement would be interterritorial, because there continues to be such a substantial quantity of manufactured goods moving from the North to the South, where there are no factories in the South.

Chairman Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Tilford, you stated that the rates northbound interterritorially had been put on the Official Classification basis, wherever that was needed, or something to that effect. Was that the language that you used in that connection?

A. The way I stated it, Mr. Norman, to repeat it the way I stated it originally, was this: I say with some confidence that the rates generally fitted the needs of industry, because, in the two or three years that have elapsed since the Southern Governors' Case was heard, we have not been able to get a similar case before the Commission.

Q. Well, I will come to that other matter in just a moment, but what I am asking you right now is this: Did you not say that the northbound rates generally were on the Official Territory basis, or that was needed?

A. No, sir.

Q. You did not say that?

[fol. 3914] A. So that the record will be perfectly clear, may I state to you again, Mr. Norman, what I did say?

Q. Well I do not want to have you burden the record by repeating what you have already said.

A. All right.

Q. Do you know to what extent the traffic that is moving at the present time, that would ordinarily move on the class rates, moves on rates that are approximately on the Official Territory basis?

A. Well now, I am afraid that I would have a rather difficult time endeavoring to answer that question, because, in the first place, I do not know what you mean when you say "that would ordinarily move on the class rates."

Q. Well, Mr. Tilford, you know what traffic ordinarily moves on the class rates, do you not?

A. I know——

Q. You know what the classification covers, do you not?

A. I know what the classification covers, yes, sir, but there is a lot of traffic in connection with which there might be a difference of opinion as to whether it moves or should move on class rates or commodity rates.

Q. Well, referring, then, to the traffic that moves under the classification.

A. All right.

Q. Does most of that, which moves at the present time, [fol. 3915] move on rates approximately the same as in Official Territory, moving north into Official Territory?

A. Will you repeat that.

Mr. Norman: Read it, please.

(Question read.)

A. I would say, from the South to the North, where there is a substantial movement of traffic from Souhtern manufacturing points, it would move under rates other than the class rates.

Q. That is right, because, in order for you to put them on the northern basis, or anything approximating it, you would have to take them out of the class rates, would you not?

A. Not necessarily so, no, sir.

Q. How could you do it otherwise?

A. Well there are a good many rates that are on the so-called column basis, applying in both directions.

Q. No. I say, in order to do that, you would have to take them out of the classification, would you not?

A. Well, those were taken out of the classification, for some reason or another, other than the northbound competition.

Q. But in order for you to establish a northbound rate on an article that is in the classification, and establish it on the basis that obtains within the North, you must publish it as an exception, must you not, because otherwise, if you [fol. 3916] leave it with the class rate applying, it is bound to be higher than the level in the North, is it not?

A. Why, I think that would be generally true, yes, sir. I mean, there may be exceptions to that, but I would accept that as a general statement; but I do not accept it as a statement that all traffic manufactured in the South must have a rate that is on the Northern level, because we have manufacturers in the South who are shipping north on the class rates.

Q. Now, you seem to rely, as did Mr. Oliver, who preceded you, pretty much upon the fact that there have been no complaints filed recently. Do you not know that that has been because of the pendency of this very proceeding in which you are now testifying?

A. No.

Q. And that the parties are hopeful, at least, of securing relief, as the outcome of this proceeding?

A. No, sir, I didn't know that.

Q. Well now, let us see. You know about the Owensboro case, do you not?

A. The Owensboro case?

Q. Yes—Owensboro, Kentucky, where you have established the rates, as far as you can carry them, on the Official Territory basis, or approximately that, and the Northern lines will not joint you, and you cannot carry them any further.

[fol. 3917] A. Well now, I want to tell you about the Owensboro situation, because I can explain that; but I first want to say that it has never taken the direction of a complaint, nor have the people there ever said that they would file a complaint. The Owensboro situation is simply this, that when the L. H. & St. L. operated as an independent railroad, with an independent management, the rates to and from that station were made on the Official Classification basis. When that property was taken into the operation of the Louisville & Nashville Railroad, the Louisville & Nashville Railroad decided, and quite properly so, that it could not continue the Official Classification basis on one part of its line, with the Southern Classification basis applying in all other directions; so we then adjusted the rates on the basis of the Southern Classification, using Docket 13494, and we got the necessary authority from the Commission to do so. Now Owensboro, of course, preferred to stay on the other ~~basis.~~ Recently the trucks established rates that were made a differential over Bedford, Indiana, I believe——

By Mr. Northcutt:

Q. Rockport?

A. —or some point in there just north of Owensboro, that put them on the Official Classification basis. The Louisville & Nashville Railroad, and the Illinois Central Railroad, serving Owensboro, then decided that they would, to the extent that they could obtain concurrences, [fol. 3918] or authority, put those rates in—or rather, that they would meet the truck competition; and to the extent that we could, we met the truck competition, and got the necessary Fourth Section relief from the Commission, to do so. All that was involved there was simply a question of meeting competition, and if some of the C.F.A. lines declined to join us in meeting that competition, why, that was their prerogative.

Q. But the fact is that they have not gotten any relief, except what you could give them; that is correct, is it not?

A. They are still shipping by truck. They do not need the railroad to reach these C.F.A. points. They are not hurt.

Q. Well, they think they are. I might say for your information, Mr. Tilford, that I advised them not to bring a complaint until this proceeding had been disposed of, to see if they might get relief here.

A. Well, I do not know anything about that. All I know is that there has been no complaint filed.

Mr. Grubbs: I move to strike the statement of counsel from the record.

Chairman Aitchison: Counsel will have no objection, I take it.

Mr. Norman: I do not care.

By Mr. Norman:

Q. Do you not also think, Mr. Tilford, that another reason why complaints have not been filed, recently, at least, [fol. 3919] is because of the existing war conditions.

A. Well, I do not know. The plants that produce war materials, and the Government agencies also that are interested in those plants, do not hesitate to come around for rate adjustments, and we have made a lot of them since the war came on, since the war started.

Q. Well, you have not had the complaints that you ordinarily have, filed before the Interstate Commerce Commission during the war period, have you?

A. Well, we try, of course, to keep them away from the Commission, as much as possible. That is, we try to adjust the rates, if we can, if it can be done.

Chairman Aitchison: You have not answered the question.

The Witness: Pardon me. Will you state it again.

(Question read.)

A. Well, we have not had very many complaints filed, that is true; I will say "Yes" to that—although I am doubtful if we had any before the war that were filed against the general level of our rates.

Chairman Aitchison: I think you had better say "No" to that.

By Mr. Northcutt:

Q. Is that your answer, Mr. Tilford?
A. How?

Mr. Norman: "No"?

[fol. 3920] By Mr. Northcutt:

Q. "No"—the way he put the question?
A. All right. I was just accepting what he said, although I am not just exactly certain—well, let it stand that way. I will accept what he said.

By Mr. Norman:

Q. Now, Mr. Tilford, I understood you to say that if the rates on manufactured articles are reduced, you will have to increase the rates on raw materials. Has anything like that been done in the past? When you reduced the raw material rates, did that affect the class rates, or when you reduced the class rates, how did that affect the rates on the raw materials?
A. I do not know how far back in the past you are attempting ot go, in that question, but we never in my experience have been confronted with a proposition such as this.
Q. Well, you reduced the rates on some 3500 commodities in September of 1940, did you not?
A. In my judgment that did not affect our revenues one-tenth of one per cent.
Q. Why? Because you were not getting any of the traffic?
A. We did not get any more of the traffic. The number of items is huge, but the amount of movement under those ratings is relatively small as compared with the great body of rates.

Q. You have made general changes in some of the commodity rates, have you not, both up and down, without any [fol. 3921] change in the class rates.

A. Without any change in the class rates?

Q. Yes.

A. Yes, sir.

Q. Now I understood you to say that because of the difference in the method of distributing the transportation burden, or the difference in the consist of the traffic, the Southern carriers had to have a different basis of rates from the Northern carriers. Is that right?

A. I take exception to referring to it as the transportation burden. I do not think it is a transportation burden. I think it is a transportation opportunity, to ship the goods. What I did say was that we are not concerned, in so far as our general level of rates is concerned, within Southern Territory, or so far as the southbound rates are concerned, with the level of rates operated by the Official Territory lines. We are concerned with the measure of the rates that we charge, and the revenue that would be produced for the Southern carriers. For example, if the Pennsylvania Railroad puts in a certain level of rates, we do not contend that our rates should be a differential higher than that; and if they should find it necessary to raise their rates to the level of our rates, we would not raise our rates if our rates would continue to produce the revenue that we needed.

[fol. 3922] Q. You would do that on certain traffic, however, would you not, such as coal, and lumber?

A. I thought that we were talking about class rate traffic here.

Q. Well, how is it that, with such marked differences in the consist of the traffic as exist, as between the Southern Railway and the Louisville and Nashville Railroad, the two of you can exist on the same general rate structure, whereas you seem to think that it could not be done, with respect to some of the Northern railroads.

A. Well, of course, I can discuss with you what we do, but I cannot speak for the Southern Railway, as to how they can do anything. I mentioned in my previous testimony the reasons why I thought it was practical to have an intraterritorial rate level that is substantially equal, mile for mile. We are operating in the same territory, and the competition is keen. The competition alone would almost compel that, so far as manufactured goods or class rate articles, are concerned.

Q. Then your answer to the question is that the reason why the Southern Railway and the Louisville & Nashville Railroad can operate on the same general rate structure, although their consist of traffic is very different, is because they have to; is that it?

A. Well, I would rather put it this way: It is because the [fol. 3923] circumstances and conditions make it necessary.

By Chairman Aitchison:

Q. Well now, you talk about circumstances and conditions. We do not know what they are. Tell us what the circumstances and conditions are.

A. Well, the two railroads, in the first place, substantially parallel each other from the Ohio River to the Gulf. They are in competition at several important points on the line, and if we meet each other's rates at those important points, that would practically compel an equality, or an equal level, mile for mile, at the intermediate points. Then I also mentioned the fact, I believe, that historically this group of railroads has grown up under the Southern Classification, with practically the same level of rates, and it was easier to bring the rates of those railroads together than it would be to bring the rates of the Southern railroads and the New England railroads together.

Q. That means, then, competition, and an inability or an unwillingness to attempt to devise anything different.

A. Yes.

Q. Those are the circumstances and conditions to which you refer; is that correct?

A. Yes, sir.

By Mr. Norman:

Q. But whatever may bring it about, the fact remains that notwithstanding this wide difference in the consist of the traffic, they exist under the same general rate structure; [fol. 3924] that is correct; is it not?

Mr. Norman: That is all.

Mr. Grubbs: Just a moment, please, Mr. Tilford.

Chairman Aitchison: Is there any further cross-examination?

Mr. Smelker: I have just one question, if the Commission, please.

By Mr. Smelker:

Q. Mr. Tilford, in your judgment, do natural resources and reserves in any given territory have any effect on the rate structure in that territory?

A. Do you mean, undeveloped resources?

Q. Yes.

A. Oh, I doubt if they would; I doubt if they would have any influence on the rate structure. That is my judgment.

Q. Present, or future?

A. In other words, the railroads do not attempt to fix the economy of an area. The citizens, or the people whose capital and energy develops the resources, present their problems to the railroads, and then the railroads adjust rates to fit the traffic offered.

Mr. Smelker: That is all.

By Chairman Aitchison:

Q. You never gave the farmers along your line, then, any fine-bred stock, as an incentive to the development of higher grade livestock, did you?

A. Oh, to those farmers who were sufficiently energetic to [fol. 3925] raise livestock, we would, yes, sir.

Q. The policy of the Louisville & Nashville Railroad Company, as I understand it, is in sharp distinction to that of the late Mr. James J. Hill, is it not, with respect to the development of a territory, and the shaping of the economy of that territory?

A. I doubt very much, Mr. Chairman, if it would be practicable to shape the economy of the territory by fixing rates in advance. That is my judgment.

Q. Did not Mr. Hill attempt to do that?

A. Oh, he might have attempted to do it, yes, sir, but I do not know with what success. I would like to make this further comment on that point, Mr. Chairman, if you will allow me to do so: If a citizen along the line of the Louisville and Nashville Railroad comes to us and says that he wants to manufacture stoves, we undertake to quote him rates on stoves. We do not say, "We would prefer that you manufacture tractors, and we will give you rates on tractors, but not on stoves." Or if he goes into the ground and digs out clay, and says that he wants to ship his clay to Liverpool, Ohio, to make crockery, we try to quote him rates on clay. We do not say to him, "We cannot give you any rate on clay, but if you want to manufacture crockery down here, we will give you a rate on the crockery." In other words, we try to adjust our freight charges to the efforts—[fol. 3926] or to the needs of the citizens living along the line.

Q. Are you familiar, in the lexicon of Southern rate-making, with the expression "missionary rates", or "development rates"?

A. Yes, sir, I am familiar with that, although they generally have somebody to use the missionary rates, before they make them.

Q. Do you do anything of that sort down South?

A. I doubt if we are doing it at the present time, except to the extent I have indicated, of making very low charges on the raw materials. In a sense, they are missionary rates, those rates are, I should say.

Q. Do you know whether or not other carriers, in other sections, are following that policy?

A. I am sorry, Mr. Chairman, I would not be able to answer that question as to what other carriers are doing.

Chairman Aitchison: Is there any further cross-examination of Mr. Tilford? (No response.) Have you something further, Mr. Grubbs?

Mr. Grubbs: Yes, your Honor.

Redirect examination.

By Mr. Grubbs:

Q. Mr. Tilford, Mr. Norman, during his cross-examination, asked you if it were not true that where you have a movement from the South to the North, it is necessary for you to go below the classification basis. In answering [fol. 3927] that question, you gave the illustration of a new manufacturer locating on your line. Am I correct in understanding that his outbound traffic does move on class rates?

A. It moves on the class rate basis, but as to whether it moves on exceptions to the classification, or straight class rates, I am not sure. However, the basis was already in effect before the industry was established there.

Q. The point that I wanted to make was this: I was a little bit afraid that perhaps the impression may have been left from your testimony that nothing moves to the North on class rates.

A. Oh, I believe that there are movements to the North on class rates; undoubtedly there are.

Mr. Grubbs: That is all.

Chairman Aitchison: Is there anything further?

Mr. W. R. McDonald: I have a few questions, if the Commission please.

By Mr. McDonald:

Q. Mr. Tilford, you, and Mr. Oliver, and Dr. Duncan, have all referred here to the survey, the Blue Book of Southern Progress.

A. Yes, sir.

Q. Mr. Bell suggested, in his examination of Dr. Duncan, I believe, that it also embraces Southwestern Territory, as well as Southern Freight Association Territory. Is it not true that that survey also includes all of the states of [fol. 3928] Virginia, Kentucky, West Virginia, Maryland and Missouri?

A. I think it includes the states that you mentioned, yes, sir; generally the states south of the old Mason and Dixon line.

Q. Yes.

A. I will say this, however, that the statistics that are contained in that report are broken down by states, so that it is possible to examine the results for each state.

Q. But the Southern District survey contains some 16 states, does it not?

A. I think that is correct.

Mr. McDonald: That is all.

Chairman Aitchison: Are there further questions?

Mr. Grubbs: Nothing.

Chairman Aitchison: That is all.

(Witness excused.)

Chairman Aitchison: Mr. Gwathmey.

Mr. Gwathmey: If the Commission please, may we be off the record for a moment?

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record.

Mr. Gwathmey: Mr. Doss.

R. J. Doss was sworn and testified as follows:

[fol. 3929] Direct examination.

By Mr. Gwathmey:

Q. Mr. Doss, will you please give your full name, your residence, and your official railroad position.

A. My name is R. J. Doss; my residence is Wilmington, North Carolina; I am Vice President of the Atlantic Coast Line Railroad Company.

Q. Will you state briefly your experience in railroad traffic matters in the South?

A. Well, I started railroading as a telegraph operator in 1900, and since 1907 I have been in the Traffic Departments of either the Louisville & Nashville Railroad, or the Atlantic Coast Line Railroad. I have been with the Atlantic Coast Line Railroad nearly 30 years.

Q. Now, before taking up your prepared statement, Mr. Doss, there are one or two preliminary questions that I would like to ask you. Are you able to give the Commission an estimate of the proportion of total revenue of the Atlantic Coast Line Railroad Company that is derived from the movement of traffic moving under class rates, as distinguished from exception ratings, column ratings, and so forth?

A. I cannot give the actual figure, no, sir, but I think I can give a fairly accurate estimate.

Q. If you will.

A. In 1941 the total freight revenue of the Atlantic Coast [fol. 3930] Line Railroad was, in round figures, $50,000,000. Of that amount approximately $4,000,000 accrued from the handling of less than carload freight. A large part of the less than carload freight moving on our railroad moves under standard class rates, subject to the classification. We handled about $4,000,000 in that year of miscellaneous and manufactured articles. We are handling at the present time, and we also handled during 1941, a great number of shipments of machinery and contractors' outfits, that are going to contractors who are constructing army camps, air bases, and what-not, on our railroad. I estimate that of our total revenues in 1941, somewhere between 10 per cent and 20 per cent came from traffic moving under the class rates; and that was divided as between carload and less than carload, about 50-50.

By Mr. Scott:

Q. Mr. Doss, I do not know whether I followed you correctly there or not. Did you give $4,000,000 for the less than carload, and another $4,000,000 for the miscellaneous items?

A. Well, I did not count all of the $4,000,000 from less than carload as moving under the class rates. Of course, all of the other traffic was carload traffic, moving under the class rates.

By Chairman Aitchison:

Q. Let me ask you a question also right there. You stated, I believe, that this 10 to 20 per cent of the revenues [fol. 3931] which came from the standard class rates, divided approximately 50-50 as between carload and less than carload.

A. Yes.

Q. Can you tell me also what proportion of that was intraterritorial, and what proportion was interterritorial? Do you have any idea, or any estimate that you can give us, as to that?

A. I would say that probably a little more than half of it was intraterritorial, Mr. Chairman.

Q. A little more than half was intraterritorial?

A. Yes, sir. That would be my judgment, at least, as to the Atlantic Coast Line Railroad.

Chairman Aitchison: Continue.

By Mr. Gwathmey:

Q. Now, Mr. Doss, further with respect to that particular matter, would you consider the Atlantic Coast Line Railroad Company as being typical of the Southern railroads in general?

A. No, sir, I do not believe that I would. The Atlantic Coast Line Railroad serves very largely the coastal plain, and our principal commodities are agricultural commodities. I think further—and this is merely my own personal judgment in the matter, now—that elsewhere in the South there probably is a greater relative movement under the class rates.

[fol. 3932] Q. Has the volume of movement under the class rates proper been affected to any extent by the circumstances under which the various percentage increases in rates have been allowed?

A. Yes, sir. The varying increases that were made under Ex Parte 123 necessitated the establishment of many additional column rates, so-called.

Q. In other words, if I understand you correctly, Mr. Doss, a great deal of the traffic which would have moved under the class rates proper, prior to that time, had to be assigned column ratings because of the varying percentage rate increases; is that correct?

A. Yes, sir.

Q. If the class rates proper should be reduced, would you be concerned about the effect upon your adjustment of commodity rates?

A. Yes, sir; we would be; we would be very vitally affected, as to our commodity rates, if our ceiling on our class rates should be reduced to anything like the Official Territory level. A great deal of our traffic moves at the present time on rates that are somewhere below our present full class rate basis, and if our full class rates were made on the Official Territory level, there would be a very serious effect as to our commodity rates. I might say also in this connection that some calculations were made in connection with the vegetable movement from the Florida East [fol. 3933] Coast. If the Docket 15879 scale were established as the maximum class rate scale from Florida to Official Territory, taking only the vegetables that originated on the Florida East Coast in one season, the revenues under those class rates would be $400,000 less than under the present commodity rates. Now bear in mind that the present commodity rates were established by the Commission on what we thought was a much lower basis than was necessary at the time; but since then, due to truck competition, we have had to reduce those rates approximately 15 per cent; and therefore we have a level of commodity rates on vegetables from Florida which is very subnormal. Yet they would be, as I say, $400,000 per year from the Florida East Coast alone, higher than the class rates would be if the Docket 15879 scale, the full classification basis, were applied.

By Chairman Aitchison:

Q. That $400,000 to which you refer, relates to the divisional proportion received by the Florida East Coast, does it?

A. No, Mr. Chairman; that is the total railroad revenue, from point of origin to point of destination, and I can tell you how that would be broken down, if you would like to have me do so.

Q. No, I do not care about that.

A. All right.

Q. Unless some one else wants it.

[fol. 3934] A. Very well.

By Gwathmey:

Q. Now, Mr. Doss, will you please tell the Commission something about the experience that the Florida railroads have had in the past, when they found themselves with class rates that were lower than the applicable commodity rates on Florida vegetables.

A. Well there was a period about ten years ago when they slipped by the Florida lines a reduction in the classification rating on fresh vegetables, and we woke up one day to find that the class rates were lower than the commodity rates, especially to Official Classification Territory. Our commodity rates were routed, while the class rates were in a tariff that did not have any routing in it, and the shippers would obtain the lower classification by starting a shipment for the North on the Atlantic Coast Line Railroad to Savannah, Georgia, and then get off onto the Seaboard Air Line, and thus claim the class rate. That set up a condition there for one season where nearly all of the shipments moved by unusual routes, which the shippers referred to as "monkey" routes, and it was a very bad situation, and a very disrupting situation. I mention that merely because I think that, even with the approval of the Commission, it is a very difficult matter to carry commodity rates on heavy moving articles of commerce that are higher than the lawful class rates.

[fol. 3935] Q. Turning now to your general statement, Mr. Doss, will you please indicate the particular features of the proceeding with which you wish especially to deal.

A. I wish to deal primarily with the situation affecting rates to and from points in Florida, and particularly that part of the state which lies south of the line of the Seaboard Air Line Railway from Jacksonville, Florida, to Chattahoochee, Florida, commonly referred to as the "Florida peninsula."

The position of the Southern Governors Rate Conference, as I understand it, is that the rates within the South, including the Florida peninsula, and between points in the South, on the one hand, and points in all other territories east of the Mississippi River, on the other hand, should be placed upon a uniform level which should be the same as that to be operated in the lowest rated territory, whatever that level may be.

It will be my purpose, dealing particularly with the Florida peninsula, to briefly state why the rates to and from that section have heretofore been made somewhat higher than rates to and from other Southern states, and why, in my best judgment, there is no reasonable possibility of any substantial change in the relative situation at the close of the war now in progress, and, consequently, no occasion for any change in past practices in regard to rate [fol. 3936] policies.

Q. Are you testifying particularly in respect to the Florida situation on behalf of railroads other than the Atlantic Coast Line Railroad, as well as the Coast Line?

A. Yes. I have discussed the matter fully with the Chief Freight Traffic Officers of the Seaboard Air Line Railway and the Florida East Coast Railway and they have, in fact, reviewed my testimony and concur in it; and I have been authorized by them, particularly in respect to what I will have to say regarding the Florida situation, to speak also for them.

Q. Please describe briefly the location of the three railroads for which you are speaking?

A. The Atlantic Coast Line Railroad operates over 5,000 miles of road extending from Norfolk and Richmond, Virginia, on the north, to Tampa, St. Petersburg, Fort Myers, Naples, Everglades and Lake Harbor, Florida, on the south, most of its mileage being in the coastal region contiguous to the Atlantic Ocean, with branch lines extending as far west as August, Georgia, and Montgomery, Alabama. Over 2,000 miles of its tracks are in the State of Florida.

The Seaboard Air Line Railway operates 4,235 miles of road, extending from Norfolk and Richmond, Virginia, on the north, to Chattahoochee, St. Petersburg, Venice, South Boca Grande, Naples and Homestead, Florida, on the south, [fol. 3937] most of its mileage likewise being in the Coastal region. The Seaboard also has lines extending west to

Birmingham and Montgomery, Alabama. 1,619 miles of its tracks are in the State of Florida.

The Florida East Coast Railway, with total of 685 miles, operates wholly within the State of Florida, its lines extending from Jacksonville through Miami to Florida City, with a branch line to Lake Harbor on Lake Okeechobee.

Practically all of the railroad service available in the Florida peninsula is performed by the three railroads for which I am speaking, namely, Atlantic Coast Line Railroad, Seaboard Air Line Railway and Florida East Coast Railway.

Q. Are there any conditions existing at the present time that have particularly affected the traffic and revenues of the Florida railroads?

A. Owing to the location of their lines, paralleling the ocean for many hundreds of miles and traversing a flat section ideal for motor truck operations, the three Florida railroads, in recent years, have been extremely vulnerable to the loss of traffic to both water and motor carriers. Practically every pound of freight originating on their railroads has been competitive with water carriers or trucks, or both. These competitive influences have been particularly severe in the Florida peninsula, which has ports [fol. 3938] on both the Atlantic Ocean and the Gulf of Mexico, as well as hard surfaced highways laid upon a practically flat surface.

All of the coastwise steamer lines which operated between the Southern ports, including the Florida ports, and the East have temporarily suspended operation because of war conditions. While a large amount of traffic especially perishable freight, is still moving from and to Florida by truck, the gasoline rationing, the rubber shortage and the federal limitation upon speed of trucks will no doubt increasingly tend to limit the trucking of Florida traffic as long as the present regulations remain in effect. We have every reason to anticipate, however, that when the war has ended competition of other forms of transportation which the railroads must meet will no doubt be as severe as ever.

As a result of temporary conditions with which everyone is familiar, a large volume of import and export freight has been moving between the South Florida ports and points in the North and East which in normal times has moved mainly through the North Atlantic ports, and to a lesser extent thrrough the Gulf ports. Sugar, black-strap molasses, coffee, manganese ore, bananas, and other commodities have moved in large quantities to the East through the south Florida ports. Import and export rates have been established from and to the south Florida ports to care [fol. 3939] for these new movements, and, in making these rates, the addition of Florida arbitraries has not even been considered. When the submarine menace has been removed this business will undoubtedly be restored to its normal channels and will again be handled through the North Atlantic ports.

There has also been an important all-rail movement of petroleum and petroleum products from Louisiana and points west thereof into the Florida peninsula, but this movement will be discontinued with the completion of pipe lines now under construction or with the return of water service.

The Florida railroads cannot reasonably expect to retain permanently the traffic which I have just described and which has greatly contributed to their earnings in the recent past.

In the interest of national defense there have been constructed in Florida a large number of Government projects. The railroads participating in the transportation of materials to these projects have been benefited from the handling of the new traffic created by their construction. The great preponderance of this new business has consisted of crushed stone, asphalt, lumber, iron and steel and other construction materials. The amount of freight which will continue to move during the war period after the construction of these projects has been completed is not known, but its volume will certainly diminish greatly.

[fol. 3940] The projects to which I refer, include army camps, air bases and auxiliary air fields. How many of them will be continued in use after the war is not now known, but, in any event, it appears to be certain that the amount of freight which the railroads will have opportunity to handle in serving them must continue to diminish or disappear entirely when hostilities have ceased.

Furthermore, looking to the time when air freight service may become an important factor in transportation, it reasonably may be anticipated that these same air bases now being built in Florida, which have served to increase our freight revenues during the period of construction, will, after the war, provide one of the means of establishing an additional mode of transportation, thus bringing into an already crowded field another potent competitor of the railroads.

With the possible exception of shipbuilding plants at Tampa, I know of no war industries which have been established in peninsular Florida and which might be continued in production or converted to peace time industries after the war.

The gross revenues of the Florida railroads have shown substantial increases in recent months because of the temporary diminution of the competition which they normally face and because of their opportunity to handle large amounts of traffic, the permanency of which cannot be ex- [fol. 3941] pected. I believe this statement is true to a large extent as to the railroads operating in the other Southern states.

Q. Much of the traffic which is moving in connection with the defense projects to which you have referred is subject to land grant deductions, is it not?

A. The preponderance of the traffic moving in connection with the Government projects to which I have referred is under Government bills of lading and is subject to land grant deductions. Neither the Atlantic Coast Line Railroad nor Florida East Coast Railway operates any land grant railroad, but a large part of the Seaboard's Florida mileage is land grant. Other important railroads in the Southeast are land grant and, under the equalization agreements which have been made by all of the Southern railroads, the lowest net rate applicable via any land grant railroad is equalized by the other railroads participating in the movement. This has resulted in the railroads receiving much lower gross revenues on the preponderance of the traffic which they have handled in connection with these Government projects than they would have received under their normal freight rates which are applied on all traffic not subject to land grant deductions.

Q. Much has been said in this record about the industrial development of Florida having been retarded by reason of freight rates. Please briefly describe the character of traffic which is principally produced in Florida and which [fol. 3942] finds a market in other states.

A. Florida is essentially an agricultural state. Its principal agricultural products are citrus fruits and vegetables which are sold throughout the country, and especially in the large Eastern markets. There are three producing sections in the United States for citrus fruit; Florida, Texas and Arizona-California. Climatic conditions make it impossible to produce such fruit farther north, and comparisons with the destination territory rate level would be meaningless. Florida is nearer the large Eastern markets than either Texas or California, and its citrus producers enjoy much lower rates than Texas and California producers to New York and other Eastern cities. At Mid-Western markets such as Chicago and St. Louis, Florida and Texas are about on a rate parity, the rates from both of these sections being lower than from California. The railroads which serve Florida have always been and continue to be zealous to assure the Florida citrus producers rates reasonably related to those from other producing sections. Competition with truck-boats and overland trucks also has greatly depressed the normal level of the Florida citrus fruit rates.

Florida vegetables come into the market at a season when production in the North is impossible, their main competition in the Northern markets being with vegetables produced in other states bordering on the Gulf of Mexico and in the far [fol. 3943] West. As in the case of citrus fruit, the destination rate level means nothing so far as Florida vegetables may be concerned. I may add that for the purpose of meeting truck competition the Florida railroads and their connections have voluntarily reduced their rates on vegetables considerably below the maximum levels found reasonable by the Commission.

Aside from agriculture the largest single industry in Florida is the production of phosphate rock, the principal use of which is in the manufacture by acidification with sulphuric acid of superphosphate, an important fertilizer ingredient. Practically the entire production of phosphate rock in the United States is in Florida and Tennessee, the Florida production being much the larger of the two. In normal times there is a large export movement by rail through the Florida ports which has been largely discontinued teporarily due to war conditions. For a number of years prior to the war in which we are now engaged the movement to Northern and Eastern domestic markets was almost exclusively by short rail hauls to nearby Florida ports and by water beyond. During normal times the rates maintained by the water carriers from the Florida ports to the North Atlantic ports, including those at Hampton Roads, and to Gulf ports have been so low as to preclude any substantial participation in the movement by the all-rail routes. However, the railroads which would participate in the all-rail movement have kept in constant touch with [fol. 3944] the situation and from time to time have established such reduced all-rail rates as would enable them to profitably participate in a larger share of the traffic. More recently, and because of the interference with water transportation by war conditions, there has been an increased all-rail movement to interstate points. Phosphate rock moves via all-rail on commodity rates which are in no way related to the class rates and no Florida arbitrary as such is included in them.

There is a plant in South Florida which manufactures superphosphate by the acidification of phosphate rock with sulphuric acid. The product is shipped to points in Florida and other Southern states and to points in Official, including Illinois Freight Association Territory. The rates to both Southern and Northern destinations are based upon a distance scale prescribed by the Commission, except that for distances up to 390 miles the scale has been reduced for the purpose of meeting truck competition. The basis for the rates from the South Florida producing points is identical with that observed in making rates from other superphosphate producing points in the South, no Florida arbitrary being added.

There is also a substantial production of canned fruits and canned vegetables in Florida, the great preponderance of which consists of canned citrus fruit and juice. The prin-[fol. 3945] cipal rail movement of these commodities is under rates which have been below the normal level in order to meet truck or truck-boat competition and in which there is, of course, no Florida arbitrary.

The lumber industry is important in Florida. The through rates on lumber to the North and East are not related to class rates. Aside from the fact that some of the types of timber grown in Florida are not grown in the Northern states, the through rates on lumber from Florida to the Northern and Eastern markets compare favorably with the destination territory level, and these rates are not related to the class rates nor do they contain any Florida arbitrary.

There is in South Florida, a large production of raw sugar which is manufactured from Florida-grown cane. Practically all of this sugar is shipped by rail out of the state to be refined under special commodity rates which were not made in relation to the class rates and contain no Florida arbitrary. The sugar mills also produce large quantities of blackstrap molasses which have been shipped to consumers in the South and North on rates which, as a rule, are not in any way related to the class rates and contain no Florida arbitraries.

There is a considerable production of naval stores in Florida. The bulk of the movement is to concentration points, particularly Jacksonville, by truck or by rail on [fol. 3946] gathering rates. No large movement takes place from Florida peninsula origins to distant destinations. There are, however, in the Northern portion of the Florida peninsula reduction plants where naval stores are distilled from pine light wood consisting of stumps, roots, branches, etc. The products of these plants are shipped to destinations in the South and in Official Territory at rates based upon percentages of first class which have general application from points in the South, the Florida arbitraries having been eliminated.

There are no other industries in the peninsula of Florida which produce goods in important volume for shipment to the North and East.

Q. Are there matters other than freight rates which have an important bearing upon the industrial development of Florida?

A. In my opinion, Florida can never hope to add a great industrial development to its predominant position as an agricultural state, primarily because it does not possess the basic raw materials necessary for that type of development. Moreover, the geographical location of Florida in relation to points at which raw materials and fuel could be obtained and in relation to the large consuming centers of population is such that manufacturers located in Florida could not bring in raw materials for long distances, manufacture them into finished products and ship the finished [fol. 3947] products for long distances to consuming centers in competition with manufacturers possessing the advantages of a location nearer to both raw materials and consuming centers.

Florida has no coal mines and hauls of great length would be necessary in order that coal might be shipped to that state for fuel use. The land is largely level and there are no streams suitable for the production of electric power. The fuel principally used for heating large buildings and for producing power consists of fuel oil which has been moving by water to the Florida ports and thence by rail or truck to points in the interior.

[fol. 3948] Contrast the situation in Florida with that in the Birmingham, Alabama, district, for example, where there exist in the immediate vicinity great deposits of raw materials and fuel used by its manufacturing enterprises. Almost every industrial center of importance possesses natural advantages similar at least in some respects to those existing in the Birmingham district and without which no area can expect any great expansion along industrial lines.

The principal cities of Florida are located on the Atlantic and Gulf Coasts and have had the benefit of water service until it was interrupted as result of the present war. After the termination of the war, water service with its lower rates will again be available to and from the Florida ports. Since the principal Florida cities have heretofore had available to them low transportation costs in connection with both the inbound movement of raw materials from the principal sources of such raw materials, as well as similar benefits in connection with the movement of manufactured products to the principal markets of this country, it cannot be said that Florida's failure to becoming a manufacturing center is attributable to the lack of low transportation costs.

I may point out in this connection that, for reasons which I have suggested, industrial development in those portions of other Southern states which border on the Atlantic Ocean [fol. 3949] is far behind that of the interior sections of the same states. The Florida peninsula is all coastal region and the industrial situation follows the usual pattern.

I wish to say, however, that the Florida railroads stand ready to afford necessary freight rate adjustments for any industry which may desire to locate at any point which they reach.

Q. Do the conditions which have heretofore been recognized as justifying a somewhat higher level of rates in the Florida peninsula than in other portions of the South continue to exist at the present time?

A. Yes, I think so. The State of Florida is surrounded by water, except on the north. With the exception of a certain amount of Cuban traffic which has moved by car ferry between Port Everglades, Florida, and Cuba, there has been and can be, in normal times, no overhead rail business passing through the peninsula of Florida.

The natural conditions which have brought about the relatively low traffic density on the railroads in South Florida are unlikely to change and the relativity with other Southern states cannot be affected no matter how much or how little of the total available traffic the railroads may be able to hold against the severe competition which is inevitable in the post war period.

Witnesses for complainants testifying in regard to the [fol. 3950] Florida rate situation have pointed out that the state is almost completely surrounded by water, with many deep water ports and with comparatively short truck hauls between the ports and the interior of the state. Some of them have stated their conclusion, in effect, that the physical situation has made the continuance of the Florida arbitraries impracticable, and that the maintenance from and to the Florida peninsula of relatively high rates has diverted to other transportation agencies a large volume of tonnage which might otherwise have moved by rail. A more detailed rebuttal of their testimony will be presented by other witnesses, but I wish to say at this point that under normal transportation conditions water carriers in coastwise service virtually monopolize the handling of business between points along the Atlantic Coast located on navigable water, and that the situation in the peninsula of Florida does not differ substantially in that respect from that in Virginia, North and South Carolina and Georgia. For the purpose of meeting that competition the elimination of the Florida arbitraries would not have the slightest effect.

The coastwise steamship lines are able to maintain a level of rates which is lower as a rule, distance considered, than the level of rail rates between points in Official Territory, and, where the all-rail routes have endeavored by rate reductions to share in the transportation of the traffic, those [fol. 3951] efforts have generally been futile.

In addition, I wish to say that through a long period of years the great preponderance of the movement of manufactured products from Eastern cities to the Southern ports and to a large part of interior Southern territory, and in the opposite direction, has been through the Southern ports either by water and rail or water and truck. This is likewise true as to the important movements from interior Northern manufacturing points to Southern ports and the important movements between interior Eastern points, on the one hand, and interior Southern points, on the other, in connection with the water carriers.

The water carriers have seen to it that their port to port rates have been kept low enough to preclude for all practical purposes the participation of the railroads in this traffic.

So far as competition with overland trucks is concerned, the situation in Florida is little different from that in other parts of the country. I do not think that as to interstate traffic between Florida, on the one hand, and the remainder of the United States, on the other, the situation is affected one way or the other by reason of the existence of the Florida arbitraries. Any difference resulting from the addition of the Florida arbitraries is, in the main, more than off-set by the longer hauls involved on traffic moving to and from [fol. 3952] Florida. Our merchandise traffic to and from points in the South, other than Florida, is subject to intense competition with the trucks and it is my observation that substantially the same situation exists in Official Territory where the level of class rates is said to be lower than in the South and particularly to and from Florida.

The Atlantic Coast Line Railroad originated or terminated on all of its lines, during the calendar year 1928, 900,812 tons and, in the calendar year 1941, 534,580 tons of less carload freight, or a decrease of 40.7 per cent. It originated or terminated in the State of Florida, in 1928, 209,383 tons and, in 1941, 139,165 tons, or a reduction of only 33.5 per cent. In other words, even including the lesser Florida decreases along with the remainder of the system, the decrease for the entire system was 7.2 percentage points greater than for Florida alone.

Q. Mr. Doss, you are undertaking to show by this testimony, as I understand it, that the conditions as exist today justify the continuance of the Florida arbitrary as much as they did when the arbitrary was originally allowed by the Commission, is that right?

A. That is right.

Q. And the balance of your statement in answer to my last question is directed to that point, is it not?

A. Yes, sir.

[fol. 3953] Mr. Gwathmey: We will ask that the remainder of that statement be copied, Mr. Chairman, down to my question 10.

Chairman Aitchison: It may be copied.

(Which statement is as follows:)

The Seaboard Air Line Railway originated or terminated on its entire system, during the year 1929, 982,171 tons and, during the year 1941, 551,844 tons of less carload freight, or a reduction of 44 per cent; while in Florida it originated or terminated, in 1929, 220,012 tons and, in 1941, 138,777 tons, or a reduction of only 37 per cent.

The Florida East Coast, which operates wholly within the ~~State~~ of Florida, originated or terminated, in 1928, 82,405 tons and, in 1941, 65,514 tons of less carload freight, or a decrease of only 20.5 per cent.

It definitely appears from these figures that, although there was a substantial falling off of less carload traffic between 1928 and 1941, the loss in Florida was not nearly so great relatively as at points in the other states served by the Coast Line and Seaboard.

The fact that the competitive situation in Florida is somewhat aggravated, in comparison with the remainder of the South, by reason of the geographical location and shape of the state, as pointed out by previous witnesses, has only served to contribute to the low traffic density of the state. Florida railroads, in order to meet their revenue necessi- [fol. 3954] ties unquestionably need to retain a level of rates at least as high as that now in effect on that part of the state's tonnage which has heretofore and will continue to be transported by rail.

During the period when the Southern Class Rate Investigation, I. C. C. Docket 13494, was under consideration, the Florida roads were enjoying a brief period of unprecedented prosperity as result of the Florida boom. That bubble, however, burst. Freight tonnage and passenger traffic alike declined. During the depression period two of the three principal railroads which serve the Florida peninsula encountered financial difficulties and both of them have been in receivership for some ten years or more. Again today, as result of the suspension of coastwise steamship service because of the war conditions, and the movement of import and export freight from and to the Florida ports through which little of it has ever moved under normal conditions, the revenues of the Florida railroads have improved.

By Mr. Gwathmey:

Q. Have the Florida railroads at all times been alert to give due consideration to claims of shippers and industries that rate reductions are needed in order to enable them to do business in the state?

A. Yes. I do not think that the Florida railroads have been blind to their own interests or to the best interests of their shipers. They have not undertaken to deny to Florida [fol. 3955] producers of any traffic the benefit of rates needed to enable them to compete in distant markets, nor will they do so.

The Florida railroads maintain separate industrial departments whose exclusive function is to assist and encourage industrial development in every legitimate way in the territory which they serve. Whenever during the course of negotiations leading up to the possible development of an industrial project any question of rates is raised, it receives immediate and earnest consideration by traffic officers charged with the duty of dealing with such problems.

I have read the evidence given by Dr. Eutsler, of the University of Florida, and other witnesses who have testified in regard to Florida rates, but I am prepared to state unequivocally that in nearly thirty years service with the Coast Line I have never known of an instance where a new industry would otherwise have located in Florida but failed to do so because of any insurmountable impediment arising from unfavorable freight rates.

So far as concerns the almost identical statements made by witnesses Maurer, Donnell and Grady that the shippers, and particularly small manufacturing plants, with which they come in contact have continuously complained to them with respect to the class rates, our records have been searched in vain for any reference to these many complaints and it seems to me rather strange that these gentlemen, who [fol. 3956] say they are in the business of furnishing traffic service to shippers, failed to pass the complaints on to the traffic officers of the offending railroads. We have not received from the shippers any complaints of the character described by these gentlemen. The fact of the matter is that all of the agitation for reductions in the level of the class rates, both to and from Florida as well as to and from the South, which has come to my attention originated with someone else than actual shippers, receivers or manufacturers, large or small.

The Southern railroads, including those which serve Florida, have always been willing to voluntarily afford their shippers the benefit of rates necessary to enable them to market their products, and so far as they are concerned they expect to continue this policy.

I have read the testimony offered by Governor Holland at the Indianapolis hearing, and noticed that he mentions with gratitude the action of the Interstate Commerce Commission in recently prescribing rates on livestock from Florida to the North without the imposition of any Florida arbitraries. As a matter of fact and as the Commission knows, this was a voluntary concession on the part of the Florida railroads, whose witnesses in the hearings stated for the record their willingness to waive the arbitraries in order that Florida producers of livestock might ship either to the [fol. 3957] South or the North on a relative equality, distance considered, with producers in other Southern states.

Without reflecting upon anyone's sincerity, I wish to express the conviction of the Florida railroads that all of this agitation about the Florida arbitraries is based upon purely theoretical grounds. If the railroads believed that the observance of these arbitraries was actually detrimental to the industrial development of the state they unquestionably would be in favor of their immediate abolishment.

The maintenance of the peninsula arbitraries is of importance to the Florida railroads because when the war has ended they will unquestionably be badly in need of every penny they can earn.

Q. Have you read the testimony of Mr. Eric Morrell, Editor and Director of Research and Statistics, Manufacturers Record, Baltimore, and, if so, do you wish to make any comment thereon?

A. Yes, I have read Mr. Morrell's testimony and I wish to say that for many years the Atlantic Coast Line Railroad has been a patron of the Manufacturers Record as a subscriber to and an advertiser in its monthly publication, as well as a purchaser and distributor of its annual publication, "The Blue Book of Southern Progress."

6

In all our years of friendly relationship with that publication it has never raised the question with us of unfavorable [fol. 3958] freight rates as militating against the location of industries in our territory. On the other hand, the Manufacturers Record ~~has~~ consistently taken the position that the Southern territory affords unlimited industrial opportunities. Moreover, several years ago, when the South was referred to as the Nation's Economic Problem No. 1, the Manufacturers Record sharply condemned the use of that term as applied to the South and took the position that the South should be regarded as the Nation's No. 1 opportunity.

During all of these years the Manufacturers Record has referred to the Atlantic Coast Line but a few specific inquiries from manufacturers who were considering locating plants in the South. During the three year period, 1939 to 1941, inclusive, the Manufacturers Record put the Atlantic Coast Line in touch with only one such manufacturer. He operates a small furniture manufacturing plant in Wisconsin and expressed interest in building a plant somewhere in the South in order to enable him to better meet his competition. The manufacturer did not pursue the matter to the extent of inspecting available sites and nothing has come of the inquiry. On the other occasion the Manufacturers Record wrote the Atlantic Coast Line for industrial information for transmittal to an industry which was considering locating in the South, but it declined to furnish ~~us the~~ name of the industry or in what particular business it was engaged and, so far as I know, nothing ever developed [fol. 3959] from that inquiry.

Q. What have you to say regarding the average revenue per ton mile of the Southern Region as compared with the Eastern District?

A. While I think it may be conceded that the general level of class rates in the South, including the rates to, from and between points in Florida, is somewhat higher than the level of rates within Official Territory, the average revenue per ton mile in Southern Region in 1939, as pointed out by Witness Kerr, was 10.15 mills and in the Eastern District 10.30 mills, or fractionally higher than the South. The average hauls in the South are longer and, as the rates for longer hauls are generally less per mile than for shorter hauls, it requires a higher general level of rates in the South than in Official Territory to afford the Southern roads the same per ton mile revenues as those of the Official Territory roads.

From my reading of the testimony of the complainants it appears that they are under the impression, or at least they have endeavored by their testimony to leave the impression, that the Southern roads are obtaining higher per ton per mill earnings out of the present class rate traffic and particularly the interterritorial traffic between the South and Official Territory than are the roads in Official Territory.

Of course, I appreciate that the divisions of the interterritorial rates are not at issue in this proceeding but [fol. 3960] the test as to whether an individual railroad can profitably operate a given level of rates depends very largely upon the proportions which it receives in dividing the joint rates. The divisions between the South, including Florida, on the one hand, and Official Territory, on the other, were fixed by the Commission in Docket 24160. The first class rate from Miami, Florida, to Chicago, Illinois, for example, is 333 cents, the Southern haul to the gateway, Evansville, Indiana, being 1,126 miles and the Official Territory haul beyond 283 miles, total distance 1,409 miles. The divisions of the 333 cent first class rate prescribed by the Commission allow the Southern roads to Evansville 75 per cent, or 249.6 cents, and the Official Territory roads beyond 25 per cent, or 83.4 cents. These divisions, including the Florida arbitrary in the proportion of the Southern roads, pay the Southern roads from Miami to Evansville 44 mills per ton per mile and the Official Territory roads beyond 59 mills per ton per mile.

If the Official Territory rate level be extended so as to apply from Miami to Chicago the first class rate would become 229 cents and, under the Commission's decision in Docket 24160, would divide according to the contention of the Official Territory roads not as the present rate divides, that is, to Evansville 75 per cent beyong 25 per cent, but upon the equal factors basis which yields to Evansville 68 [fol. 3961] per cent, beyond 32 per cent, resulting in 155.7 cents to Evansville and 73.3 cents beyond. These proportions, respectively, would pay the Southern roads 27.5 mills per ton per mile and the Northern roads 52 mills per ton per mile. If, in subdividing, the Florida roads from Miami to Jacksonville be allowed the same per ton per mile as the Official Territory roads, and surely they are entitled to more than this, the proportion to Jacksonville would be 95.2 cents, leaving only 60.5 cents, Jacksonville to Evansville, which, for the distance 776 miles, would yield only 15.6 mills per ton per mile.

If the rates from Miami to Chicago be divided with Evansville on short line mileage prorate the percentages would be to Evansville 80, beyond 20.

It is certain that, so long as the freight rates are made upon basis of a mileage scale in which the rate per mile decreases with the increased haul, it inevitably follows that, since the average hauls in the South are much longer than in Official Territory, it will require a higher level of rates in the South than in Official Territory in order to provide the Southern roads with per ton mile revenues equal to those of the roads in Official Territory; and I wish to emphasize that this condition is compounded in the case of interterritorial rates between the South and Official Territory as to which traffic the average hauls in the South are [fol. 3962] longer than in Official Territory because here again the divisional factors upon which the divisions are based likewise diminish per mile as the haul increases. For example, the divisional factors for the Southern roads are for 400 miles 159 and for 800 miles 236. In other words, the factor for 800 miles instead of being double that for 400 miles is only 42 per cent greater.

Q. Does that complete your statement, Mr. Doss?

A. Yes, sir.

Mr. Gwathmey: The witness is offered for cross-examination.

Cross-examination.

By Mr. Norman:

Q. Mr. Doss, you made the statement that it must be conceded that the class rates in the South are somewhat higher than they are in Official Territory. Have you any considered judgment as to how much they are higher, actually, now, in view of the many reductions and exceptions to the Classification and so forth?

A. Your are referring, of course, to the class rates?

Q. Yes.

A. My own idea would be that the establishment of the recent exceptions to the classification have been made in both territories and interterritorially, and I don't know that that would have had very great change in the situation that originally existed.

[fol. 3963] Q. In the relative situation?

A. That is right.

Q. So that you couldn't give any estimate of the effect on revenues, assuming that same movement of traffic that would result from applying the Official Classification rates and ratings on your line?

A. My guess would be that notwithstanding the adoption of many exceptions, that relatively it would be about the same.

Q. About the same as what?

A. About the same as it existed when the original class rates were established.

Q. I know, but what I asked you is, can you make any estimate of the effect on the revenues of the Atlantic Coast Line Railroad by applying the present ratings and exceptions, and so forth, as they apply in Official Territory?

A. Oh, it would be tremendous; it would reduce our revenues terrifically.

Q. How do you arrive at that? I believe you said that about 20 per cent of your traffic, you thought, moved on class rates.

A. Somewhere between 10 and 20.

Q. Yes. Well, suppose that the reduction was as much as 20 per cent, over all, in the class rates. That would be a 20 per cent reduction on, say 10 per cent of your traffic. You can arrive that way at something approximating what [fol. 3964] it means to you, can't you?

A. Yes, on that particular traffic, the reduction, of course, would apply to only some 10 or 20 per cent of our revenue.

Q. Yes.

A. That would be bad, but that isn't the worst of it. As I pointed out, in taking our vegetable movement from Florida, why, on the total movement from Florida, in a season, if we had to observe the 15879, with a full classification rating, it would reduce the revenues of all the railroads participating somewhere in the neighborhood of a million dollars just on vegetables alone. That doesn't mention thousands of other commodities.

Q. It doesn't now move on class rates?

A. No, it doesn't move on class rates at all.

Q. And you are assuming, though, that if the Commission should prescribe new ratings and a parity of rates, that it would put these fresh vegetables in the same class that they are in Official Territory now?

A. If you had a commodity rate of 80 cents today and you established a class rate of 50 cents, we would be in the hole, you know.

Q. Undoubtedly that is true, but my point is, it doesn't necessarily follow, even if the parity of rates were prescribed here, that on that particular traffic there would be such a change that it would cost you any loss of revenues?

[fol. 3965] A. The reduction in the class rates as of a certain day wouldn't affect commodities, but it wouldn't be but a few days until they would be affected.

Q. Now, you stated that you didn't know of any complaint about your class rates, and you severely criticized certain gentlemen that they knew about complaints when they hadn't told you about it.. Have you ever heard of the complaint of the Jacksonville Traffic Bureau, I believe it is?

A. Heard of their complaint?

Q. Yes.

A. Well, I don't—yes, I have heard of it.

Q. It has been actually filed with the Interstate Commerce Commission.

A. Yes, sir, I have heard of it.

Q. Then what do you mean by saying that you hadn't heard of any such complaints?

A. I said no shipper complained to us nor had the Traffic Bureau complained to us about our class rates.

Q. Now, those articles on which the rates are attacked all move on class rates, don't they, so they are attacking your class rates in the Jacksonville case.

A. Undoubtedly they are attacking them here, but what I told you about their handling with me is correct.

Q. Now, you also state that you voluntarily agreed to the removal of the arbitraries on the livestock. Now, isn't it [fol. 3966] true that you agreed to them, to the elimination of the arbitraries northbound but didn't agree to them southbound, and when the Commission's decision came out removing them in both directions, that you filed exceptions to it?

A. We did not agree to it and I didn't say we agreed to it southbound. We did agree to take the arbitraries off northbound so that Florida could ship into the South and the North on an equality, distance considered, with the other shippers.

Q. You did refer to that fact but you didn't refer to the other fact that you did agree to it and are now complaining because the Commission did remove them?

A. I don't mind referring to it because we honestly believe that the rates into Florida ought to be on a higher level.

Mr. Norman: That is all.

Chairman Aitchison: Any further cross-examination? (No response.) You are excused, Mr. Doss.

(Witness excused.)

Chairman Aitchison: We will take a little recess at this time, gentlemen.

(Recess taken.)

Chairman Aitchison: Come to order.

Mr. Grubbs: Mr. Boyle, will you take the stand, please. Mr. Boyle was sworn at the other place.

R. E. Boyle, Jr., recalled:

[fol. 3967] Direct examination.

By Mr. Grubbs:

Q. Mr. Boyle, you are the same Mr. Boyle who has heretofore testified in this case?

A. Yes.

Q. Are you familiar with the testimony that was given by Mr. Morrell, Editor of the Manufacturers Record?

A. I am.

Q. Have you conducted an investigation amongst all Class I railroads to determine the extent to which Mr. Morrell or his publication has contacted Southern railroads, Class I Southern railroads, looking to the location of new industries on the lines of such carriers?

A. Yes, I have.

Q. What period was covered by your investigation?

A. A period of three years, 1939, 1940 and 1941.

Q. How many such contacts did your investigation disclose?

A. Two.

Q. What kind of contemplated industries were they?

A. One of these contacts was in October, 1939, concerning a woodworking and upholstering plant, presumably a furniture plant. The other, in February of 1941, merely referred to a large plant but did not divulge the nature of the business.

Q. How many times have such contacts resulted in location of industries?

A. Not any.

[fol. 3968] Q. Did you undertake to ascertain whether the failure to locate in the South, following tips received from Mr. Morrell and his publication, was due to freight rate difficulties?

A. Yes, I did.

Q. What did you develop on that subject?

A. I developed that in no instance did an industry conclude not to locate in the South because of freight rate difficulties.

Q. Did you undertake to ascertain the extent to which Mr. Morrell or his publication had taken up with the railroads in the South, that is, Class I railroads, the desirability of some readjustment in rates to meet the needs of some prospective new manufacturer for the South?

A. Yes.

Q. What did you develop on that subject?

A. If anyone connected with the Manufacturers Record has taken up with any Southern line the need or desirability of readjustment of rates to meet the needs of prospective industry during the three years, 1939, 1940 and 1941, there is no record or memory of it.

Q. Did you undertake to develop how many new industries were located on Class I Southern railroads during the period covered by your investigation?

A. Yes, I did. During this three-year period—I might say that the responses to our questionnaire were not com- [fol. 3969] plete in that respect. Of the 17 railroads addressed, only 9 gave the information and 8 did not.

Q. That is, the information as to the number of new industries located in that period?

A. Yes. The nine railroads making the report stated that in the three-year period, a total of 1,110 new industries were located.

Q. Is there anything you wish to add to that?

A. No, I believe not.

Q. There was just one further question I wanted to ask you: When you testified in Indianapolis, you answered a question from the Bench, substantially in this language, that, "exceptions are the classification." Now, there might appear to be some conflict in that testimony and the testimony which has been given here today. I want to ask you simply this: Did you intend, by that statement, to mean or did you use that in an absolute or strict sense, that language, I mean?

A. I didn't intend to use it in an absolute or a strict sense. Upon reflection, perhaps it was a poor choice of language. While it is true that a preponderance of all freight from, to and within Southern Territory moves on commodity rates or exceptions, yet there is a very important tonnage that moves on the Southern Classification proper.

I say that for several reasons. In the first place, we receive constant applications for additions to the classi-[fol. 3970]. fication, for changes in the classification. Further, our exceptions contain about some 3200 less than carload ratings. In the classification proper there are a little more than 10,000, so that the exceptions roughly embrace about one-third of all the less than carload ratings. Now, as to carloads, perhaps there is not more than 1,000 exceptions ratings, leaving the great body of articles on the classification, on which there obviously is a movement; such things as machinery of various kinds and, I believe, hardware.

Q. I don't think it is necessary to go into that.

A. And I could name others, but the movement under the classification is an important traffic.

Mr. Grubbs: The witness is tendered for cross-examination.

By Chairman Aitchison:

Q. Do you think you can answer the questions which I asked Mr. Oliver with respect to the lines which are members of your bureau or association?

The Witness: Will you read that question?

(Question read.)

The Witness: No, I cannot answer those questions, Mr. Chairman, because I have no idea of what per cent or what volume, in tons or dollars, moves on the classification, as compared with the total.

Q. At the Indianapolis hearing, you testified, in answer to a question by Mr. Norman, that you couldn't make changes [fol. 3971] in the Southern classification without consent of the Official and Western Classification Committees because of interterritorial application of those ratings in the Southern classification, do you remember that?

A. Yes, sir.

Q. Have you any statement, further statement to make in regard to that, in view of subsequent testimony?

A. Yes, sir, I am glad to clear up that apparent conflict. The fact is that several classification committees function substantially as rate committees. It is a majority rule. The changes in the classification were subject to appeal by the minority; and briefly, that is the situation.

Q. Appeal to whom?

A. To the executive officers, I should say. Incidentally, there has never been a great deal, if any, trouble in that respect. Classification falls into one of the classes more naturally than rates, and it is a rare thing that we have any difficulties; but the fact of the matter is that classification changes are subject to acceptance by a majority of the classification committees, and to stop the majority action, the minority must appeal to the executive officers of the railroads.

Q. Well, Mr. Fyfe left the impression, as I recall it, that all that was necessary, if you wanted to change the Southern Classification, was for him to publish a proper tariff and [fol. 3972] file it with the Commission.

A. Well, henceforth when I attend Classification Committee meetings with Mr. Fyfe, I am going to have a copy of that testimony in my hand. If he will abide by it, we will save lots of talk and argument.

Chairman Aitchison: All right. Cross-examine.

Mr. Norman: I just have one question.

Cross-examination.

By Mr. Norman:

Q. You state that you receive hundreds of requests for changes of the Southern Classification?

A. No, I didn't say hundreds.

Q. Well, you said—I thought you did say that.

A. I said we receive constant applications for changes.

Q. They are always asking for a lower classification, are they?

A. I don't recall that we have had applications for increases.

Q. Therefore, it can't be said that you don't have any objections or complaints about the class rates?

Mr. Grubbs: Do you understand the question, Mr. Boyle?

By Mr. Norman:

Q. Because they are asking you to reduce them, aren't they, when they ask you to change the classification?

A. Yes.

Mr. Norman: That is all.

[fol. 3973] . The Witness: I want to qualify that by saying that most of our applications have to do with the addition of new articles, new forms of packing and so forth.

Chairman Aitchison: Any further cross-examination? (No response.) Any redirect?

Mr. Grubbs: No redirect.

Chairman Aitchison: You are excused.

(Witness excused.)

Chairman Aitchison: All right, Mr. Crane.

L. V. Crane recalled:

Direct examination.

By Mr. Dixon:

Q. Have you been sworn, Mr. Crane?

A. Yes, sir.

Q. Please state your full name.

A. L. V. Crane.

Q. Are you the same L. V. Crane that testified at the Indianapolis hearing?

A. I am.

Mr. Dixon: Mr. Chairman, Mr. Crane has one exhibit, which will be marked for identification as Exhibit No. —.

Chairman Aitchison: 178.

(Exhibit 178, Witness Crane, marked for identification.)

By Mr. Dixon:

Q. Please proceed, Mr. Crane.

Mr. Norman: Is that exhibit numbered?

[fol. 3974] Chairman Aitchison: 178.

The Witness: My testimony at this time will deal with the presentation made by Mr. Hart. In dealing with the class rate adjustment prescribed in Southern Class Rate Investigation Mr. Hart in Exhibit 90 at page 3 said: "It should be borne in mind that in the Southern Class Rate Investigation in recasting the Southern rate structure and creating a new structure between Southern and Official Territories the Commission was circumscribed, so to speak, by the requirement that the rate structure should not take from or add to the revenues of the carriers." This statement is not supported by the decision in the Southern Class Rate Investigation. As a matter of fact the effect of the rates prescribed in that decision was to reduce the revenues of the carriers.

In my Exhibit No. 178, sheets 1 to 3, inclusive, there are reproduced excerpts from the reports in Southern Class Rate Investigation relating to the rates prescribed for application in Southern Territory, and sheet 4 shows the first class scales recommended in the proposed report and prescribed in the original decision and in the first and second supplemental reports. There is also shown in sheet 4 the scale for distances 190 miles and less which was later prescribed in the North Carolina case and subsequently adopted for general application in Southern Territory.

Mr. Hart admitted in Exhibit No. 90 at page 5 that [fol. 3975] material reductions were made in the large movement from Official Territory to the South. It is also a fact that the rates prescribed did not fully preserve revenues on traffic in the South. I shall later refer to sheets 5 to 9, inclusive, of my Exhibit No. 178, which is a recapitulation of the traffic study for April, 1924, which was submitted by the carriers to the Commission in Southern Class Rate Investigation. These sheets show the revenue on the tonnage covered by the traffic study under the rates then in effect and what the revenue would have been under the rates recommended in the proposed report in Southern Class Rate Investigation. The traffic study shows that the revenues on traffic in the South would have been reduced by the scale recommended in the proposed report. The scale prescribed in the original decision was higher than the scale recommended in the proposed report for distances 280 miles an over 50 miles and for distances over 620 miles. The excerpt from the original decision, sheet 1 of my exhibit, indicates that this scale would have more than maintained revenues if applied on both interstate and intrastate traffic. However, in the first supplemental decision the scale was reduced for distances 340 miles and over 45 miles and increased for distances 35 miles and less. In the excerpt from the first supplemental decision shown in sheet 2 of my exhibit the Commission said that it was under no obligation to [fol. 3976] maintain revenues from class rates at precisely the then existing level and that its only obligation was to prescribe rates which were reasonable and otherwise lawful. It seems clear the scale prescribed in the first supplemental decision would not have preserved revenues.

In the second supplemental report the scale was increased somewhat for distances over 150 miles but this increase was allowed solely to compensate for the reductions which would result from the change in the method of computing distances. The excerpt from the Commission's decision shown in sheet 3 of my exhibit deals with this situation. The scale prescribed in the second supplemental decision is the one which became effective on January 15th, 1928. However, it should be pointed out that this scale for distances 190 miles and less was later reduced following decision in the North Carolina case. There seems to be no doubt that the scale prescribed for application in the South did not fully preserve revenues even when applied to intrastate as well as interstate traffic.

The reduction in revenue from interterritorial traffic was not as great as that shown in the traffic study for April, 1924, because the proposed revenue shown in that study was based on the rates recommended in the proposed reports, and the rates finally prescribed were not, as a whole, quite as low as those recommended in the proposed report. [fol. 3977] However, there can be no doubt that the reduction in revenue was substantial and this was conceded by Mr. Hart. The Official Territory lines in Southern-Official Divisions Case, Docket No. 24160, presented a traffic study which gives some indication of the percentage reduction in revenue from class rate traffic under the rates prescribed in Southern Class Rate Investigation. That traffic study covered the movement of class rate traffic for four days in 1927 between Central Freight Association Territory and Southern Territory and for twelve days in 1927 between Eastern Trunk Line and New England Territories and Southern Territory and showed the revenue on basis of the rates in effect January 14, 1928, and on basis of the rates established under Southern Class Rate Investigation which became effective on January 15, 1928. While the traffic study submitted by the Official Territory lines in the Southern-Official Divisions Case showed a volume of traffic when equated to an annual basis which was very much less than that covered by the April, 1924, traffic study in Southern Class Rate Investigation, the result of that study showed a reduction in revenue of 6.28 per cent. The revenue from interterritorial class rate traffic covered by the traffic study for April, 1924, in Southern Class Rate Investigation was $4,988,713.90, and a reduction of 6.28 per cent in this revenue would have amounted to $313,291.23, and this reduction equated to an annual basis would have been [fol. 3978] $3,759,494.76.

In Exhibit No. 90 at page 4 Mr. Hart said: "It is a well-known fact that class rates, i.e., Classes 1 to 6, moved little traffic in the South or from the South to the North at the time of Southern Class Rate Investigation. Therefore, it is obvious that the interterritorial class rates in this case were dealt with solely from the standpoint of southbound class rate traffic."

While the traffic study for April, 1924, in Southern Class Rate Investigation showed that the movement of class rate traffic from the South to the North was small as compared with the movement in the opposite direction or in the South, there is no foundation for Mr. Hart's statement that there was very little movement on classes 1 to 6, inclusive. In the traffic study for April, 1924, in Southern Class Rate Investigation covered by sheets 5 to 9, inclusive, of my exhibit the movement of traffic under each class was shown separately and an examination of these sheets will show that the major portion of the movement fell under classes 1 to 6, inclusive.

In Exhibit No. 90 at pages 5 and 6 Mr. Hart said: "In recasting the Southern class rates and substituting through one-factor class rates to supplant combination rates, both intraterritorially and interterritorially, and in the prescription of uniform class relationships, (lower classes to [fol. 3979] first class), the Southern classes 1 to 6, (which heretofore moved little traffic), were made relatively high, so as to support the measure of the first class, and lower classes related thereto, prescribed interterritorially, which effected material reductions on the large southbound movement of class traffic by way of the cancellation of innumerable less carload commodity rates in effect generally throughout the South, both intrastate and interstate. For instance, at that time, as an outgrowth of the intrastate rates, there generally applied on interstate traffic low less carload commodity rates on most of the important commodities distributed from the larger Southern jobbing centers. Rates of this character applied on sugar, rice, molasses and syrup, canned goods and many others of the heavier grocery items. All of these less carload commodity rates were subsequently cancelled by virtue of the Commission's findings in the Southern Class Rate Case.

"It is perfectly obvious that had the Commission been testing alone the then existing structure of class rates in the South, as the term 'Class Rates' was then understood, necessarily, consideration would have been given to the lettered class rates that applied quite generally throughout the South, on which most of the carload traffic and a great part of the less carload traffic moved."

What is meant by this statement is not clear to me. [fol. 3980] In so far as the relationship of lower classes to first class is concerned the class percentage relationships prescribed by the Commission in Southern Class Rate Investigation were those proposed by the Southern Traffic League. The Commission said that the class percentage relationships proposed by the Southern Traffic League were devised, after study of all the factors in the problem, to meet certain definite ends, and, among other things, they were designed to aid in the process of eliminating classification exceptions, and less carload commodity rates, and to promote the wider use for carload traffic of what were then, speaking in terms of commodities, the little used lettered classes.

In the statement quoted, Mr. Hart said that the rates prescribed in Southern Class Rate Investigation brought about material reductions on the large southbound movement of class rate traffic from Official Territory to the South, and, this being so, it is not understood what Mr.

Hart meant by saying that the prescription of uniform class relationships (lower classes to first class) the Southern classes 1 to 6 were made relatively high so as to support the measure of the first class rates and lower classes related thereto prescribed interterritorially. This is followed by reference to cancellation of less carload commodity rates in Southern Territory but the connection between these rates and the interterritorial class rates [fol. 3981] is not clear. There was before the Commission in Southern Class Rate Investigation the traffic study for April, 1924, which covered intraterritorial and interterritorial traffic moving under Classes 1 to 6, inclusive, and under classes then designated as A, B, C and D, whether such traffic then moved under class rates, including state classifications and exception sheets, or less carload commodity rates. The traffic study also included carload commodities moving on commodity rates on which the recommended class rates were lower than the then existing commodity rates. The Commission had before it, therefore, full information with respect to the traffic which was affected by the decision in Southern Class Rate Investigation.

In Exhibit No. 90 at pages 8 and 9, Mr. Hart criticized the class rate adjustment prescribed by the Commission in Southern Class Rate Investigation for application between the East and the South.

In Southern Class Rate Investigation the class rates prescribed between Official Territory and the South were made primarily on basis of the Southern Territory scale for the hauls south of the gateways, plus scales of differentials for the hauls north of the gateways, but between the East and the South key rates were prescribed which, on the whole, were lower than they would have been if they had been made on the general basis mentioned. The reason for this was the influence of the water-rail routes. Mr. [fol. 3982] Hart said that this plan of making the rates was a fundamental error.

In order that this situation may be understood I have reproduced in sheets 10, 11 and 12 of my Exhibit No. 178 excerpts from the Commission's reports in Southern Class Rate Investigation relating to the rates between the East and the South. The Commission decided that these rates should be determined with regard to the reasonably direct routes wholly by rail and to the reasonably direct routes partly by water.

Following the original decision the carriers suggested the advisability of making the all-rail rates between the East and the South without regard to the water-rail routes and then fix the water-rail rates by deducting differentials from the all-rail rates. The Commission was unwilling to follow this plan and prescribed a level of rates having regard for both the all-rail and water-rail routes and as the Commission said, the rates so prescribed "were in some instances not so high and in others not so low as they would have been if the routes had been independently considered." In other words the all-rail rates between the East and the South were made somewhat lower than they would have been if they had been constructed independent of the rates via the water-rail routes.

Mr. Hart mentioned that the prescription of key rates between the East and the South made necessary large origin and destination groups. The mere statement of [fol. 3983] this fact does not indicate that the adjustment is improper or unlawful. The necessity for these groupings was fully explained in the Commission's reports.

Mr. Hart also criticized the adjustment between the East and the South, because the rates on some commodities are related to constructive first class rates rather than the going first class rates. These constructive first class rates reflect the general basis which was prescribed between Official Territory and the South, namely, the Southern Territory scale for the hauls south of the gateways, plus differentials for the hauls north of the gateways.

[fol. 3984] These constructive first class rates were employed where the water-rail routes were not a factor in handling the traffic. One of the earlier cases in which the Commission authorized the use of constructive first class rates was in connection with rates on peaches from Georgia and the Carolinas to the East in Georgia Peach Growers Exchange versus A. G. S. Railroad Company, 139 I. C. C. 143; 148 I. C. C. 755. This was later commented upon by the Commission in the Citrus Case—Florida Railroad Commissioners versus A. & R. Railroad Company, 144 I. C. C. 603, where the Commission also authorized the use of constructive first class rates in connection with rates on citrus fruit from Florida points to the East. The Commission there pointed out that the rates on peaches to Trunk Line and New England Territories were not based upon the actual first class rates, because the class rates were made lower than they would have been because of competition with rail water routes, whereas water-rail routes were not a factor in the handling of peach traffic.

There is no inconsistency in this situation and where the use of constructive first class rates was authorized by the Commission or employed by the carriers in connection with rates on particular classes of traffic, this was in recognition of the fact that the conditions surrounding the movement of such traffic were not the same as those which caused the Commission in Southern Class Rate In- [fol. 3985] vestigation to prescribe key rates between the East and the South which were on a lower level than the general basis prescribed for making rates between Official Territory and the South. The mere reference to the manner in which the rates were determined does not show that they are improper or otherwise unlawful.

In Exhibit 90 sheets 7 and 8 Mr. Hart complains because the class rates between Official Territory and points in North Carolina and Kentucky and points in so-called Southern border territory are lower, distance considered, than the class rates between Official Territory and other portions of Southern Territory or between points in Southern Territory. Mr. Hart pointed out that this subject was discussed by the Commission in the first supplemental report in Southern Class Rate Investigation and again in third supplemental report in that proceeding, but the Commission declined to make any change in its prior action.

In the third supplemental report in Southern Class Rate Investigation the Commission in referring to the illustration used by the carriers showing that for approximately the same distances to Jackson, Tennessee, the rates from Indianapolis, Indiana, would be lower than from Atlanta, Georgia, pointed out that the Atlanta Freight Bureau had filed an answer to the carriers' petition which made no point of this situation and asked that the petition be denied. Furthermore, when the question of class rates between Offi- [fol. 3986] cial Territory and points in North Carolina and Kentucky were again before the Commission in the Kentucky and North Carolina Cases, Docket Nos. 21373 and 21665, Mr. Hart did not come before the Commission to make any complaint about this situation.

Mr. Hart's statement with respect to his situation takes no account of the fact that on commodities produced both in the South and the North competitive rates are maintained on such commodities from Southern shipping points to the Ohio River and the Virginia Cities; the observance of the long-and-short-haul rule in connection with such rates has the effect of bringing down the level of the rates to points in Southern Territory intermediate to the Ohio River and Virginia Cities. The Commission commented on this situation in the first supplemental report in Southern Class Rate Investigation at page 319.

Prior to the decision in Southern Class Rate Investigation the class rates between Central Freight Association Territory and the South were made by combination of factors over the interterritorial gateways. In Exhibit 90 at page 10 Mr. Hart said that perhaps the old combination basis after all was preferable. This observation of Mr. Hart may be illustrated by sheet 13 of my Exhibit No. 178 showing the first class rates from Detroit, Michigan, to Greensboro, North Carolina, and Atlanta, Georgia, and [fol. 3987] from Cleveland, Ohio, to Jackson, Tennessee, and Gadsden, Alabama. This sheet shows the combination of first class rates over the interterritorial gateways as of January 14, 1928, and at the present time and the through first class rates now in effect. It will be noted that when on January 14, 1928, there were no through rates in effect, the combination rate from Detroit to Greensboro was lower than the combination rate from Detroit to Atlanta and the combination rate from Cleveland to Jackson was lower than the combination rate from Cleveland to Gadsden. The same situation would exist if the rates were presently made on combination basis. Therefore, the through class rates between Official Territory and Southern border territory which are relatively lower than the through class rates between Official Territory and other portions of Southern Territory reflects no different situation than would be the case if the rates were made by combinations over the interterritorial gateways.

Mr. Hart in Exhibit No. 90 at pages 11 and 12 stated that following revision in class rates under Southern Class Rate Investigation and as result of denial of outstanding Fourth Section relief there were revisions in the commodity rates on many commodities and that to a considerable extent the revised rates on these commodities were related to the first class rates. Mr. Hart claimed that this created an entirely new system of rates on which commodities pro- [fol. 3988] duced in the South moved into common markets which system disregarded economic and other conditions reflected in the prior system. Mr. Hart further claimed that in most cases the result of these revisions was to increase the revenues of the rail carriers.

While since the class rate revision on January 15, 1928, the rates on many commodities have been revised in the form of column ratings, Mr. Hart's statement that these readjustments disregarded economic and other conditions reflected in the prior system is wholly unsupported by any facts and is contrary to the facts. In accordance with established procedure all parties interested were afforded opportunity to be heard as each of the commodities was taken up for consideration by the carriers, and in the main the revised rates were satisfactory to the shippers. The level of the rates determined upon was fixed in the light of conditions surrounding the movement of each particular class of traffic. The class rate adjustment did not fix the level of the rates, but after the level was determined in the light of all the facts, column rating was selected which would produce the level decided upon. In many cases the adjustments were passed upon by the Commission and the rates either approved or prescribed by the Commission. If the commodity was one which moved from the South to the North in competition with like traffic in the North the [fol. 3989] competitive conditions surrounding the movement were taken into account in determining upon the level of the rates to be applied. It is only necessary to read the many decisions of the Commission, among which is Cotton, Woolen and Knitting Factory Products, 211 I. C. C. 692, to see that Mr. Hart's statement is wholly incorrect.

The Commission observed the plan of fitting rates on commodities into the class rate structure long before the decision in Southern Class Rate Investigation. In the Mississippi Valley Case, 64 I. C. C. 306, decided November 15, 1921, the Commission prescribed a complete revision in commodity rates to Mississippi Valley territory. The basic commodity rates were fixed from St. Louis and Louisville to New Orleans and these basic rates fitted into the class rate structure fixed the entire adjustment to Mississippi Valley territory.

In the original decision in Consolidated Southwestern Case, 123 I. C. C. 203, decided April 5, 1927, the Commission fitted into the class rate structure there prescribed the rates on a long list of commodities, including agricultural implements, canned goods, furniture, soap and sugar. This was prior to the final decision in Southern Class Rate Investigation.

In Standard Paint Company versus Director General, 112 I. C. C. 589, decided June 2, 1926, which was before [fol. 3990] the final decision in Southern Class Rate Investigation, the Commission prescribed rates on prepared roofing, asphalt shingles, roofing and building paper from points in Official Territory to the South related to the class rate structure. This case was later reopened and was finally decided May 8, 1928, but the original decision was a clear indication that the class rate structure would be employed for this purpose. As a matter of fact, in the original decision in Southern Class Rate Investigation, the Commission said "we are here dealing with a scale of class rates moving carload as well as less than carload traffic."

In the revision of the many commodity rates following the decision in Southern Class Rate Investigation, there were necessarily involved some increases in rates, but, on the whole, we are convinced that, like the class rate revision, the net result was to reduce the revenues of the carriers. It must be remembered that between an important part of Official Territory and Southern Territory the rates on these commodities were made by combination of rates over the interterritorial gateways and in the revisions joint through rates were substituted for combination rates. Moreover, in a number of cases the bases originally established were later reduced to a lower level because of truck competition.

Sheet 14 of my Exhibit No. 178 shows for the years 1921 to 1941, inclusive, tons handled and freight revenue of [fol. 3991] carriers in Southern region. The hearings in Southern Class Rate Investigation started in May, 1922, and ended March 14, 1923. Following the proposed report there was a hearing held December 15th and 16th, 1924, at which time the carriers presented traffic study on traffic handled in April, 1924. The original decision was rendered July 7th, 1925. The third and final supplemental decision was rendered July 19th, 1927. The rates became effective

January 15th, 1928. It could hardly be claimed that since 1928 the position of the Southern carriers had been better than it was prior to that year. The freight revenue of Southern carriers in the years 1925, 1926 and 1927 was greater than in any of the years thereafter. Since these rates became effective the carriers on February 5th, 1936, established pick-up and delivery service on less carload traffic. In 1940 the Southern carriers paid out $4,087,864.00 for pick-up and delivery service.

By Mr. Dixon:

Q. Mr. Crane, since 1940 the cost of performing pick-up and delivery service has substantially increased, has it not?
A. It has.

Chairman Aitchison: And also the rates?
The Witness: You are correct.

By Mr. Dixon:

Q. Proceed.
A. In Sections 3-B, 3-C and 3-D of Exhibit No. 88 Mr. Hart showed the ratings or the rates on various commodities in the South and in the North and also from the South to the North. [fol. 3992] Mr. Hart stated that the information shown in these sections was not presented for the purpose of comparing the rates but merely to show the pattern of the rates. I understand this to mean that Mr. Hart was merely undertaking to show whether the commodities used moved on classification ratings, exception sheet ratings, commodity mileage scales or specific commodity rates. The ratings or the rates shown were not claimed in all instances to be those now in effect and Mr. Hart indicated that this was unimportant from the standpoint of the purpose for which the presentation was made.

We have not had sufficient time in which to make a detailed check of the exhibit. However, I do wish to deal, at this time, with Section 3-B of Exhibit 88. In referring to this section, Mr. Hart at page 1697 of the record said: "Section 3-B was prepared to show the rates in the South and the rates between the South and Official Territory on the most important classes of carload traffic that originate in the South. The commodities shown in this section are all commodities that move in the South and interterritorially."

It might be inferred from this statement that all of the commodities shown in Section 3-B of Exhibit 88 move from the South to the North. This is not correct and as a matter of fact some of the commodities shown in this section of Exhibit 88 are not produced in the South.
[fol. 3993] The exhibit shows newsprint paper with class 25 ratings in the South and in the North, and class 30 ratings from the South to the North. Newsprint paper is not produced in the South but there is a large amount of newsprint paper consumed in the South. The Southern carriers terminated 176,930 tons in 1940 and 209,863 tons in 1941. The Freight Commodity Statistics also show the Southern carriers originated 38,085 tons in 1940 and 47,017 tons in 1941, but this would be newsprint paper brought into Southern ports by water and moved thence by rail to points in Southern Territory. In Newsprint Paper Investigation, 197 I. C. C. 738, the Commission prescribed class 25 rates on newsprint paper in the South and in that case rates were also prescribed from mills in Official Territory and Western Trunk Line Territory to destinations in the South.

The exhibit shows starch with class 25-V rating in the South, class 27½ rating in the North and class 30 rating from the South to the North. There is a small production of potato starch at Laurel, Mississippi, but the movement from that point has been to destinations in the South. There is a large tonnage of starch from other territories, particularly Illinois Freight Association and Western Trunk Line Territories, to the South.

The exhibit shows bagging, namely, cotton bale covering and cotton baling ties. As these commodities are used [fol. 3994] in the baling of cotton, it would hardly be expected that there would be a movement from the South to the North.

The exhibit shows sulphuric acid with the ratings in the South, in the North and from the South to the North. The movement in the South is under commodity rates. Normally there is no movement from the South to the North and there has been no occasion to consider the rates in relation to those in the North.

The exhibit shows soda and soda products and the ratings in the South, in the North and from the South to the North. There is no production in the South on Southern lines, except at Baton Rouge. There is production of soda ash and caustic soda at Saltville, Virginia, on the Norfolk and Western Railway, and these commodities are also produced at points in the North and at points in the Southwest in Louisiana and Texas. There is a large tonnage of these commodities to destinations in the South. The ratings from the North to the South are the same as those shown by Mr. Hart from the South to the North, and these ratings are the result of decision in Mathieson Alkali Works versus L. & N. Railroad Company, 153 I. C. C. 784.

In the exhibit silicate of soda was included along with soda ash and caustic soda. There is a movement of silicate of soda to box manufacturing points in the South from Cincinnati, Ohio, and points north of the Ohio River, [fol. 3995] but there is no production in the interior South or movement from the South to the North. The rates to points in the South were before the Commission in Silica of Soda in Southern Territory, 165 I. C. C. 336.

The exhibit shows fresh meats and packing house products and there is an important production of these commodities in the South. The movement, to some extent, is to the North. However, the production in the South falls far short of supplying the market in the South and there is a large movement to the South, principally from Illinois Freight Association, Western Trunk Line and Southwestern Territories. The present rates are the result of decision in Fresh Meats and Packing House Products, 191 I. C. C. 257.

The exhibit shows aluminum and in the South there is a large production of plate, sheet and pig aluminum at Alcoa, Tennessee, Badin, North Carolina, and Listerhill, Alabama. The movement from these points to the North is under commodity rates and not under the ratings shown in the exhibit.

The exhibit shows denatured alcohol with class 30 rating in the South and from the South to the North, and class 35 rating in the North. The principal production in the South is at New Orleans, Louisiana, and the movement to the North is under commodity rates. These rates were before the Commission in American Distilling Com- [fol. 3996] pany versus A. C. & Y. Railway Company, 140 I. C. C. 633, 153 I. C. C. 77 and 160 I. C. C. 366.

The exhibit shows blackstrap molasses with ratings in the South, in the North and from the South to the North. Where there is a movement from the South to the North it is under commodity rates and not under the rating shown in the exhibit.

The exhibit shows molasses and syrup, edible, with ratings in the South, in the North and from the South to the North. However, the movement from New Orleans and other Southern shipping points to the North is under commodity rates.

The exhibit shows cotton softener and the ratings in the South, in the North and from the South to the North. There is a production in the South and the movement is to points in the South. There is also movement from the North to the South. In Chemicals, Acids and Dye Stuffs, 177 I. C. C. 529, the Commission approved class 37½ for carloads and Fourth Class for less carloads. This commodity is used in the cotton mill industry, the major portion of which is in the South. So far as I know, the carriers have never been asked to consider rates on cotton softener from the South to the North.

The exhibit shows other commodities such as electric storage batteries, paints and varnishes, and soap and [fol. 3997] washing powders which are produced, to some extent, at points in the South, but the movement is to points in the South and generally in less carload quantities. If these industries ever desired to market their products in the North we have not been advised of it. As a matter of fact they supply only part of the market in the South, because considerable quantities of these commodities move from the North to the South.

The exhibit covers machinery with the ratings in the South, in the North and from the South to the North. There is movement from the South to the North and to other points, but the industry in the South supplies only a portion of the market in the South. The Southern carriers in 1940 orginated 94,040 tons and terminated 224,496 tons and in 1941 originated 145,988 tons and terminated 379,227 tons. There is a large movement of machinery from the North to the South and this is reflected in the figures which I have given.

The same thing may be said of building paper and prepared roofing materials, except that in this case the plants in the South do not look to the North for a market for their products. There is an important production in the South of building paper and prepared roofing materials, but the movement is to points in the South and Southwest. The Southern carriers in 1940 originated 196,396 tons and terminated 326,291 tons and in 1941 they originated 245,636 tons [fol. 3998] and terminated 432,373 tons. There is still a substantial movement of these commodities from the North to the South and this is reflected in the figures I have given.

There are several groups of commodities covered by the exhibit to which I desire to direct particular attention. These commodities are textile products, furniture, paper and pulpboard. They move in large volume from the South to the North, even though the rates are somewhat higher than in the North.

The textile rates were before the Commission in Cotton, Woolen and Knitting Products, 220 I. C. C. 189. The major part of the industry is in the South and the industry in the South consumes more than 75 per cent of all of the cotton consumed in the United States.

The rates on furniture were before the Commission in Furniture, 177 I. C. C. 5. The rates in the South, in the North and from the South to the North are on a lower level than was fixed by the Commission. However, the rates from the South to the North bear the same relationship to the rates in the North as the rates prescribed by the Commission. There is some production of metal furniture in the South, but the large production is furniture other than metal. The tonnage of the latter originated by Southern carriers was 129,113 tons in 1940 and 184,686 tons in 1941.

The rates on paper, paper bags and pulpboard from the [fol. 3999] South to the North were worked out between the Southern shippers and the carriers. They were later reviewed by the Commission in Paper, Official-Illinois Territories to South, 234 I. C. C. 81. The traffic moves in large quantities from the South to the North. The tonnage originated by Southern carriers of paper and pulpboard combined was 1,358,759 tons for 1940 and 1,810,831 tons for 1941.

I shall mention also wallboard inasmuch as this commodity is included in the Freight Commodity Statistics along with pulpboard or paperboard. There is an important production of wallboard in the South and there is a regular movement to points in the North. The present rates from the South to the North are in accordance with the decision of the Commission in Wallboard between Southern and Official Territories, 227 I. C. C. 235.

I should direct attention to the fact that in many cases the designated ratings as shown in Section 3-B of Exhibit 88 might be misunderstood. In the case of furniture, minimum weight 30,000 pounds, Class 37-L rating is shown from the South to Central Freight Association territories and Class 41-M rating is shown from the South to Trunk Line and New England Territories. While the ratings are so designated in the tariffs, they represent in both cases rates which are slightly higher than Class 37. This situation might also be illustrated further by machinery, on [fol. 4000] which the ratings shown are Class 31½-L from the South to Central Freight Association and Illinois Freight Association Territories and Class 36-M from the South to Trunk Line and New England Territories. These ratings are so designated in the tariffs, but in both cases they represent rates which are 33 per cent of first class.

In showing the rate levels from the South to the North, as compared with the rate levels in the North on the commodities covered by Section 3-B of Exhibit 88, Mr. Hart has assumed that the first class rates from the South to Central Freight Association and Illinois Freight Association Territories will average as high as the first class rates under the scale in the South and that the first class rates from the South to Trunk Line and New England Territories will average about 91 per cent of the first class rates under the scale in the South. By measuring the scale in the South with the scale in the North Mr. Hart then calculated that if the rating expressed in percentage relationship to first class was the same from the South to the North as in the North, the rates from the South to Central Freight Association and Illinois Freight Association Territories are 38 per cent higher than the rates in the North and the rates from the South to Trunk Line and New England Territories are 28 per cent higher than in the North. These figures were adjusted proportionately where the rating expressed in per- [fol. 4001] centage relationship to first class from the South to the North is different than in the North. This method of comparing the rate levels is incorrect. In the first place the first class rates from the South to Central Freight Association and Illinois Freight Association Territories will not average as high as the first class rates under the Southern

Territory scale. In the second place the points from which the traffic moves is left out of consideration. I might illustrate the latter by acetic acid which is included in the exhibit with Class 30 rating from the South to the North and Class 35 rating in the North. This commodity originates at Memphis, Lyle and Kingsport, Tennessee, and from these origins the first class rates not only to Trunk Line and New England Territories but also to Central Freight Association and Illinois Freight Association Territories are lower than the first class rates under the Southern Territory scale. From Memphis to Detroit, Michigan, for example, the Class 30 rate is 57 cents and the Class 35 rate for corresponding distance under the Northern scale, is 54 cents. The rate from Memphis to Detroit is therefore 5½ per cent higher than under the Northern scale and not 20 per cent higher as would be indicated by the exhibit.

I have undertaken, in a general way, to deal with this presentation of Mr. Hart, not because the rates are involved in this proceeding, but because an attempt might be made [fol. 4002] to use the information for purposes other than the one given by Mr. Hart. The explanation which I have made in connection with a large number of the commodities covered by the exhibit is for the purpose of showing the importance and necessity of considering all of the facts and circumstances. In many cases this has already been done in proceedings before the Commission where the rates on the particular commodities were under review. It cannot be done in a wholesale way and by the mere presentation of statements such as those covered by Section 3 of Exhibit 88.

Mr. Dixon: Now, I would like to ask you just one or two questions.

By Mr. Dixon:

Q. Mr. Crane, several days ago one of the gentlemen from Minnesota referred to the movement of flax for the manufacture of cigarette paper.

A. Yes.

Q. Is it or is it not a fact that we have a cigarette paper manufacturing plant on the Southern Railway System?

A. The largest plant in this country is located at Pisgah Forest, North Carolina, on the Southern Railway. I understand there are two small plants in the East. There is a very large plant on our line in Western North Carolina. It draws its flax straw from Minnesota and California. Since that plant was established a few years ago it has more than doubled its capacity.

[fol. 4003] Q. I think you also wanted to mention the rates on leather from Andrews, North Carolina. Please proceed with that.

A. Mr. Chilewitz of the Andrews Tanning Company presented Exhibit No. 77 in connection with rates on leather from Andrews, North Carolina, to points in Official Territory. Andrews, North Carolina, is on the Murphy Branch of the Southern Railway about 108 miles south of Asheville, North Carolina. There are two other tanneries on that branch, one at Sylva, North Carolina, and the other at Hazelwood, North Carolina. We also have tanneries at Asheville, Morganton, Rosman and Brevard, North Carolina. All together that makes seven points on our line in North Carolina where tanneries are located. There are also tanneries located at Newport, Tennessee, and Millsboro, Kentucky. The present adjustment of rates on leather from these Southern tanneries to points in Of[illegible]al Territory was worked out in 1933. There were severa[illegible] conferences between the directly interested carriers and the directly interested shippers and the rates that were worked out were satisfactory to those shippers. Since the rates were made effective, we have had no complaint with respect to them.

Chairman Aitchison: Are they class rates involved in this proceeding, or what?

The Witness: No, they are not.

Chairman Aitchison: Why did you bring them in, then?

[fol. 4004] The Witness: The only reason I am going into them is because Mr. Chilewitz was brought here to go into them.

Chairman Aitchison: Why didn't you ge[illegible] him stopped?

The Witness: I did not bring him here. Of course, if you should prescribe a class rate scale as low as has been asked for here, these rates would become involved because the class rates would be lower than these commodity rates.

Chairman Aitchison: We cannot take the time to discuss all the things that might occur if the suggestions of some people were adopted. If we did that, we would be here the rest of the year.

The Witness: I did not quite follow that, Mr. Chairman.

Chairman Aitchison: Never mind. Go on.

The Witness: I want to point out there that this adjustment had been worked out with the shippers, but none of them had complained to us about it, and until Mr. Chilewitz came here we had no complaint from him. All of the tanneries ship the major portion of their products to Official Territory. Since the Andrews Tanning Company started to ship in September, their movement with the exception of one car has been to points in Official Territory.

By Mr. Dixon:

Q. Do you have anything further, Mr. Crane?
A. No, sir.

Mr. Dixon: Mr. Chairman, we offer in evidence Exhibit [fol. 4005] No. 178.

Chairman Aitchison: If there is no objection, it will be received.

(Exhibit No. 178, Witness Crane, received in evidence.)

Mr. Dixon: You may cross examine.

Chairman Aitchison: Does anyone care to cross examine Mr. Crane? (No response.)

Mr. Smelker: I have one question.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Crane, can you give the Commission the approximate effect on the general level of revenues in the South of the hundreds of reductions in ratings made in the South in 1940?
A. As compared with the traffic as a whole, of course it was a very small effect, on revenue as a whole.
Q. Could you give any percentage?
A. I would say it was less than 1 per cent. How much less, I do not know.
Q. Those were mostly reductions in less than carload traffic, were they not?
A. Yes, sir.
Q. Could you give any idea as to the proportion between less than carload and carload?
A. Well, carload is so much greater than less than carload——
Q. I mean——
[fol. 4006] A. Oh. You mean, in that revision?

Q. Yes.

A. Oh, it was mostly less than carload. There were very few carload changes in that revision.

Q. Would that be 1 per cent of all revenue, carload and less than carload both?

A. I would not say it was as much as 1 per cent. I would hate to hazard a guess as to any exact percentage, because it was such a small part of the whole traffic. Many of these changes were nothing more than providing the same rating on the same commodity in different kinds of containers. Then, of course, there were other changes.

Mr. Smelker: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: We will suspend until 8 o'clock this evening.

(At 5 o'clock P. M. adjourned to 8 o'clock P. M.)

[fol. 4007] Evening Session

The hearing was resumed pursuant to recess.

8 o'clock P.M.

Chairman Aitchison: Shall we come to order. You may proceed, Mr. Grubbs.

Mr. Grubbs: Take the stand, please, Mr. Morris.

Chairman Aitchison: This witness has been previously sworn.

Mr. Grubbs: Yes, your Honor.

Ben F. Morris, recalled:

Direct examination.

By Mr. Grubbs:

Q. You are the same Mr. Ben F. Morris who previously appeared, was sworn and testified at the Indianapolis hearing, are you?

A. Yes, sir.

Mr. Grubbs: I might say at this point, if the Commission please, before Mr. Morris is interrogated further, that he has two exhibits to submit at this time, the first of which is the small exhibit, consisting of four sheets; and the second of which is the large planographed document.

Chairman Aitchison: 179 and 180.

(Exhibits 179 and 180, Witness Morris, marked for identification.)

By Mr. Grubbs:

Q. Now, Mr. Morris, at the outset of Mr. Spottswood's [fol. 4008] testimony he said, "I intend to discuss the economic consequences of the regional disparities in existing class rate structures." Have you checked the rates which he used in the showing that he made?

A. I have.

Q. Did you find the Southern Territory rates that he has used in his charts to be class rates or commodity rates?

A. I found them to be both. However, generally speaking, the rates which he has used on the so-called raw materials are commodity rates, or exceptions to the classification; and the rates that he has used generally on the finished products are class rates. That is not true in all instances, however.

Q. Do the commodities shown by him as taking class rates, actually move on the class rates that he used from the South to Official Territory? In answering that question, Mr. Morris, I will ask you to turn to the chart which Mr. Spottswood prepared, shown at page 10 of his Exhibit No. 76. If the Bench would like to have this before it, I will be very glad to supply copies.

A. Chart 3 on page 10 of Mr. Spottswood's Exhibit 76, in figure 1, deals with rates on cottonseed oil, oleomargarine and cooking or salad oils; and the origins which are shown on page 23, are Memphis, Tennessee, Decatur, Alabama, Savannah, Georgia, Atlanta, Georgia, and Columbus, Geor- [fol. 4009] gia. The cottonseed oil rates which are shown in the chart are commodity rates published in the form of exceptions to the classification, and are the rates which this Commision prescribed in Docket 17,000 part 8. The rates which Mr. Spottswood shows on oleomargarine are exceptions to the clasification, and apply from Memphis, Tennessee, Chattanooga, Tennessee, Atlanta, Georgia, Jackson, Mississippi, and Savannah, Georgia. As far as I am able to determine, there is no production of oleomargarine at any of those points. The rates which are shown on cooking or salad oils are exception rates, or column rates. Actually, however, the large part at least of the cooking or salad oils from the South into the North, moves under the cottonseed oil rates. The rates shown in figure 2 on woodpulp, pulpboard and paper bags, are commodity rates. The rates as shown in figure 2 on newsprint paper are class rates. The fact is, however, that there is no production or movement of newsprint paper from the points shown in figure 2 or from any other points in Southern Territory. There is, however, a newsprint mill at Herty, Texas, near Lufkin, which mill, as I understand it, was established for the Southern newspaper publishers, who have long been endeavoring to develop the manufacture of newsprint paper from southern pine. As far as the rates from Herty to the Ohio River and north are concerned, they are commodity rates, made 100 per cent of the Official Territory [fol. 4010] level to the Ohio River cities, and 110 per cent of that level to the territory north of the Ohio River; and I might add that those rates are joined in by the Southern lines to both the Ohio River cities and the territory beyond. The rates shown in figure 3 on asphalt are commodity rates, or exceptions to the classification. The rates shown on asphalt roofing, prepared or composition, are likewise classification exceptions or column rates. My investigation develops that there is no movement of asphalt roofing from any of the origins named in the explanation of figure 3 on page 25, with the exception of Memphis, Tennessee—the possible exception, that is, of Memphis, Tennessee, from which I have had no report. The rates shown in figure 3 on asphalt paint are on the classification basis. My investigation develops that there is no movement from any of the origins shown to Official Territory. The rates shown in figure 4, on clay, are commodity rates, but the rates shown on plumbers' goods are the classification rates. You will see from this exhibit, however, that the rates shown in figure 3 on the plumbers' goods apply on china or earthenware. As I show in my own exhibit, commodity rates are published which, by the way, were prescribed by this Commission in the so-called Southern Governors Case—from Chattanooga, Tennessee, to the North, on the kind of plumbers' goods that are produced in Chattanooga.

[fol. 4011] namely, enameled plumbers' goods. The rates shown in figure 4 on pottery or chinaware, are the classification rates.

Q. Now, Mr. Morris, does that complete your statement on that particular subject?

A. Yes, sir.

Q. Does the cooking or salad oil move from the South to Official Territory on the commodity rate basis which is shown by Mr. Spottswood?

A. As I have just explained, Mr. Grubbs, it moves largely on the cottonseed oil rate basis.

Q. Yes, sir. Now, Mr. Spottswood divided his showing into four parts, the first of which, concerning which we have heard several times here, was his effort to liken the relation between the South and Official Territory to that between a colony and a mother country.

A. Yes.

Q. And to support this view Mr. Spottswood undertook to show that the South is largely a raw materials producing section, and that it is engaged in sending its raw materials to the North, where they are manufactured into finished products and returned to the South as manufactured articles. I want to ask you first now, Mr. Morris: Are you familiar in a general way with the movement of raw materials in the South?

[fol. 4012] A. I believe I am.

Q. What are the principal raw materials that originate in the South?

A. I would say that the principal raw materials that originate in the South, are embraced in the following list: Tobacco; cotton—among the products of agriculture; hides; bituminous coal; iron ore; sand, gravel and crushed stone; phosphate rock; logs; pulpwood; naval stores; and perhaps pig iron ought to be included also, although it is a manufactured product.

Q. Did you mention iron ore?

A. Yes, sir.

Q. Cotton?

A. Yes, sir.

Q. Woodpulp?

A. Yes, sir.

Q. Very well. Now, is the movement of these commodities preponderantly to Official Territory?

A. No.

Q. Is coal shipped to the North, to be further processed there and returned to the South?

A. Mr. Grubbs, in my last answer it was my intention to except coal. The Kentucky coal is shipped in vast quantities to Official Territory.

Q. But it is not shipped there to be further processed [fol. 4013] and returned to the South, is it?

A. Oh, no.

Q. Where does the preponderance of the raw materials which you have enumerated, terminate?

A. A study of the originated and terminated tonnage indicates clearly to my mind that the preponderance of these raw materials which I have named, with the exception of coal, as I said, and naval stores, terminates within the South.

Q. Are manufactures shipped to any substantial extent from the South to Official Territory?

A. Yes.

Q. Would you care to give the Commission some figures that you have on that subject, Mr. Morris?

A. Yes, sir, I would.

Q. Please proceed.

A. With a view to determining how the movement of manufactures via our own railroad to the North compared with the movement of other commodities in the groups that are embraced in the Commission's classification, I had a study prepared from our passing reports for one month. I might say that I chose for that purpose the month of September, 1940, because that was the earliest month for which we had retained the passing reports. After obtaining all of the passing reports for our railroad for the month indicated, I undertook to have them segregated according to [fol. 4014] the Commission's statistical classification. The result was this, that during the month of September, 1940, the Louisville and Nashville Railroad moved 349 cars of Products of Agriculture—carloads—which are in the Commission's Group 1; 715 carloads of Animals and Products, which are in Group 2; and 32194 carloads of Products of Mines, which are in the Commission's Group 3. Of this latter tonnage, 30,882 cars consisted of coal. There were 2853 cars of Products of Forests, which are in Group 4; and 2600 cars, or carloads, of Manufactures and Miscellaneous, which are in Group 5. Now, on a straight mathematical average, the manufactures represented approximately 30,000 carloads per year for this one railroad. Deducting the coal tonnage from the Products of Mines, we had 7829 cars during the month of September, 1940, and 2600 of those cars contained Manufactures and Miscellaneous. In other words, 33 per cent of our carload tonnage during the month of September, 1940, consisted of articles in the Manufactures and Miscellaneous group.

By Mr. Northcutt:

Q. That is, 33 per cent of the tonnage, other than coal?
A. Yes, sir.
Q. Go ahead.
A. Now, just for the purpose of testing out my own figures, last night I compared the percentage of the total movement, with the movement that is shown in the study [fol. 4015] which has been introduced in this proceeding by Dr. Aitchison; and I found that the carload traffic from the South to Official Territory for one day in 1942, namely, May 17th, amounted to 4801 cars, excluding coal, while the movement of Manufactures and Micellaneous amounted to 1629 cars; so that it can be seen that the Manufactures and Miscellaneous in this study represented 33.9 per cent of the total movement, excluding coal.
Q. That was for all lines?
A. Of course that study was for all lines, yes, sir. I do not remember just offhand the number of the exhibit containing the study submitted by Dr. Aitchison.

Mr. Smelker: 14.

A. I understand, however, that it is Exhibit No. 14.

By Mr. Grubbs:

Q. Now, Mr. Morris, do you have any idea as to how the movement of manufactures from the South to Official Territory compares with the movement of manufactures from Official Territory to the South?
A. I do not have any accurate idea, no Mr. Grubbs. I am quite certain in my own mind, however, that the movement from the North to the South is larger than the movement from the South to the North; and I am quite certain also that the movement northbound represents a rather substantial part of the southbound movement.

Q. Can you give us something a little bit more definite [fol. 4016] than that, Mr. Morris?

A. Well, the only figure that I can give you at this time, from the data which are available to me, is the result of the one-day test shown in Exhibit No. 14; and my recollection just offhand here is that that shows the northbound movement to represent 80 per cent of the south bound movement. That is as far as I can go beyond the term "substantial."

Q. Very well. Now, Mr. Morris, Mr. Spottswood undertook to demonstrate his first proposition by a showing of what he referred to as "traffic balances", arrived at by showing, from the Commission's statistics, the difference between tons originated and tons terminated by major classification groups, by territories. Now, he shows in this way a net outbound traffic balance, which he called an "export" traffic balance, from the South on all commodities in the year 1940, of 26,835,000 tons. If you eliminate Products of Mines, how is that result affected?

A. Well, if you eliminate Products of Mines entirely, the so-called net balance becomes 238,000 tons, instead of 26,835,000 tons.

Q. And also, if you eliminate the coal shipped from Louisville & Nashville and Illinois Central Kentucky mines, how is it affected?

A. If you eliminate the coal that is shipped from Kentucky [fol. 4017] mines of the Louisville & Nashville and Illinois Central Railroads to Official Territory, the so-called net balance is then reduced from 26,835,000 tons, to 7,949,000 tons.

Q. That means, in other words that there was a movement from Kentucky to Official Territory in 1940, the year which was used by Mr. Spottswood of how many tons?

A. 18,886,000.

Q. Now, Mr. Spottswood's showing on the traffic balance was confined to the major classification groups. Have you an exhibit showing detailed results within such major classification groups?

A. Yes, sir.

Q. Is that the exhibit which has heretofore been identified as your Exhibit No. 179?

A. Yes, sir.

Q. Here you have used the year 1939, I believe.

A. Yes, sir.

Q. Does the fact that there might have been a greater originated and terminated tonnage of the descriptions of traffic covered thereby, indicate to you that it possibly represents traffic which moved either wholly or in very large part, to Official Territory?

A. I am very frank to say, Mr. Grubbs, that in my judgment the so-called balances afford no real safe guide in determining where the traffic may have moved, or whether [fol. 4018] it moved into or out of a given territory. Just for example, in the coal tonnage that is included in this study, we have, as I have shown in 1939, 16,000,000 tons of coal that moved from Kentucky to the North. On the other hand, I know that there is a large volume of coal movement from the Pocahontas region into the Eastern section of Southern Territory. Again, we have the movement of citrus fruit from Florida, which may terminate—and part of it does—in Southern Territory. On the other hand, we have citrus fruit that moves from Texas, and the Pacific Coast, into Southern Territory. What I am trying to say, now, Mr. Grubbs, is this, that in my judgment you can get no precise results, or no definite ideas, from these traffic balances.

Q. Now, Mr. Morris, Mr. Spottswood's testimony is to the effect that such manufactured articles as are shipped from the South to the North are articles which, in his own words, are "only one or two simple stages beyond raw materials." Do you think that the manufactured articles which are generally shipped from the South to Official Territory, may fairly be so characterized?

A. No, I do not.

Q. Are they generally simply articles that are moved to Official Territory for further processing, thereafter to be shipped back to the South as finished articles?

A. I do not believe, as a generalization, that that is cor- [fol. 4019] rect, Mr. Grubbs.

Q. Now the second proposition that Mr. Spottswood asserted was that it is not, in the national interest of our country for what he terms "the regional specializations" to survive in what he refers to as the "existing exaggerated degree", which in plain language, applied to the South, means that the South has not been developed industrially as it should be, and that it is largely dependent upon raw materials and foodstuffs, and that this is not in the best interests of the nation. What have you to say, based upon your experience and observation concerning industrial development in the South? Now, before you begin your answer, Mr. Morris, let me say this: We have had, in the testimony of Mr. Oliver here today, a rather extensive statement on that subject, and therefore I am only asking you at this time to state very briefly your own views on the subject.

A. Well, stated very briefly, my own view is that the industrial development of the South in recent years has been rather remarkable; and it has certainly been continuous.

Q. Do you have an exhibit which contains facts and figures to support your views on this subject?

A. Yes.

Q. Is that a part, or one of the parts of your large exhibit, which has been identified as Exhibit No. 180?

A. Yes, sir.

[fol. 4020] Q. Will you point out the particular section of that exhibit, that deals with this subject, please.

A. My own study is contained in Section 2 of my Exhibit No. 180 for identification, which consists of 13 pages, or sheets.

Q. Now, will you tell us briefly, Mr. Morris, just what that section is designed to show.

A. I undertook to determine, from the statistical matter distributed by the Department of Commerce, how the industrial establishments in the eight Southern states in 1939, the latest year for which the data are available, compared with the number of establishments, wage earners and the like, in the year 1927. I have used the year 1927 as the starting place because the Southern Class Rate structure established pursuant to Docket 13494, became effective on January 15th, 1928; and all of the major class and commodity rate structures that have been revised since that time, were made effective in the period between 1927 and 1939, I believe, with the possible exception of the Western and Southern class rates. I have shown in this exhibit the number of establishments, the wages, the value of products and the value added by manufacture; and in the summary appearing at sheet 9 of the exhibit I have shown the totals for the eight Southern states, and for the United States as a whole. At this time I should like to review, just very [fol. 4021] briefly, some of those percentages. The number of establishments, as you will observe in the eight Southern states in the year 1939, was 101.8 per cent of 1927; while for the United States as a whole it was 96 per cent.

By Mr. Norman:

Q. Pardon me, Mr. Morris, but what page of the exhibit are you talking about, now?

A. Sheet 9.

Q. Sheet 9?

A. Yes, sir.

Q. Of Exhibit 180 for identification?

A. Right.

Mr. Norman: Thank you.

A. (Continuing:) The wage earners in 1939, in the eight Southern states, represented 108.7 per cent of 1927; while for the United States as a whole, the figure was 94.5 per cent.

Mr. Norman: Pardon me again, but we seem to be having a little confusion over here. Did you say, that is on sheet 9?

The Witness: Yes.

Mr. Grubbs: Of the second section.

The Witness: The second section, Mr. Norman.

Mr. Norman: Oh.

The Witness: I am sorry. Section 2.

Mr. Norman: All right. Thank you.

[fol. 4022] A. (Continuing) Wages for the eight Southern states in the year 1939 were 99.2 per cent of 1927; while for the United States as a whole, the figure was 83.8 per cent. The value of products for the eight Southern states in 1939 was 113.2 per cent of 1927, while for the United States as a whole the figure was 90.6 per cent. Finally, the value added by manufacture in 1939, for the eight Southern states, was 102.1 per cent of 1927; while for the United States as a whole the figure was 89.5 per cent.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record. Continue.

By Mr. Grubbs:

Q. Right there, Mr. Morris, in 1927 you show 1130 establishments dealing with turpentine and rosin whereas in 1939, none are shown. Can you explain that?

A. Well, as I understand it, in 1939 they are shown under the two items of gum naval stores, and wood naval stores. For that reason I have shown the total of 1130, as compared with the total of 765.

By Chairman Aitchison:

Q. *Has* that industry gone off, in that proportion?

Mr. McCollester: It is just a difference in the way of reporting, if the Commission please.
Chairman Aitchison: No; 1130 as against 765.

A. Mr. Chairman, I do not have any information with [fol. 4023] respect to the industry, other than is shown in the Census reports; and beyond what it shows there, I am not able to explain.

By Mr. Grubbs:

Q. Now, Mr. Morris, is there another section of your Exhibit No. 180 for identification which also deals with this subject of industrial development in the South?
A. Yes, sir.
Q. Is that Section 5?
A. Section 6.
Q. Or rather, I mean to say, Section 6.
A. Yes, sir. Section 6 is really in three parts. The first section is a complete reproduction, by the photographic process, of that part of the Blue Book of Southern Progress for 1931, published by the Manufacturers Record of Baltimore, Maryland, dealing with industry in the South. Section 2—or rather part 2 of this same section, which commences at sheet 14 of Section 6, is also a reproduction from the Blue Book of Southern Progress, but for the year 1940. I have not undertaken to reproduce in this second part of the section the tables that appear in the Blue Book, because it seemed to me that enough tables were included in the first reproduction. In the third part of Section 6, at sheets 16, 17 and 18, I have reproduced an article which appeared in the August, 1938, issue of the Manufacturers Record, dealing with the statement that the South is economic problem No. 1 of the nation, and containing a rather [fol. 4024] interesting summary of the situation in the South in connection with that statement.

Q. Now, Mr. Spottswood asserted that it is not in the national interest for the South to be so dependent upon cotton, and that there should be, in the national interest, a greater development of perishable foodstuffs. Mr. Tilford has told us about the efforts that have been made by your railroad and others in this territory, but I want to ask you at this time to supplement that, just briefly, in these respects: I will ask you first, Mr. Morris, how does the tonnage of fresh fruit and vegetables originated in the South compare with the cotton tonnage?

A. As the statement covered in my Exhibit No. 179 for identification shows, the cotton tonnage originated in the Southern region in 1939 amounted to 1,087,942 tons. The same statement shows that the tonnage of fresh fruit and vegetables during that same period originated by the Southern lines amounted to 2,171,182 tons.

Q. Do you have other figures on the other perishable foodstuffs mentioned by Mr. Spottswood, namely, dairy products, poultry and meat animals?

A. Yes, sir. The exhibit shows that the total tonnage of the commodities included in the Animals and Products group originated in the Southern Region in 1939, amounted [fol. 4025] to 1,245,898 tons. Of course, hides, wool and leather should be eliminated from that tonnage if you are dealing only with farm products, I believe, in the sense in which you have used the term; but if you do eliminate them, the total is well over a million tons.

Q. Do you have any information on the cash farm income derived from livestock as compared with the cash farm income derived from cotton?

A. Yes, sir; I have one very brief quotation that I should like to make from this same Blue Book of Southern Progress. This quotation summarizes, I believe, what you have just asked for.

Mr. Grubbs: If the Commission please, we ask the indulgence of the Commission, that the witness be allowed to read just one short paragraph, which was not copied or reproduced, from the Manufacturers Record.

The Witness: I am quoting from the Blue Book of Southern Progress for 1941, as follows: "The 1940 Blue Book called attention to the outstanding fact that the Southern cash farm income derived from livestock and livestock products has passed the billion dollar mark, to total

$1,400,786,000; but the record is again passed this year, with a total amounting to $1,027,397,000. This livestock development has proved a major factor in supplanting cotton and tobacco as principal sources of Southern cash farm [fol. 4026] income. Actually, in 1940, cotton and tobacco together comprised only about half the income derived from all farm crops."

By Mr. Grubbs:

Q. That ends the quotation, does it?

A. Yes, sir.

Q. Now, Mr. Spottswood's third proposition was that the Southern and Western class rate structures discourage the development of what he called high-grade and diversified industry in those sections. I will ask you if your years of experience in the Traffic Department of the Louisville and Nashville Railroad enables you to form a definite conclusion on this subject?

A. I have formed a conclusion, yes.

Q. What is it?

A. Well, my conclusion is that neither the class rate structure, nor anything else, has prevented the development of Southern industry.

Q. Have you undertaken, Mr. Morris, in your Exhibit No. 180 for identification, to support that view with authoritative statistical data?

A. Yes, sir, I have, and I think that it is supported not only by Section 2 of the exhibit, but certainly very well supported also by Section 5 of the exhibit—or rather, pardon me—I should say, Section 6.

Q. Will you please call specific attention at this point, [fol. 4027] Mr. Morris, to the pages of Section 6 of the exhibit that you have particularly in mind.

A. Well, I have in mind particularly, Mr. Grubbs, the table which is shown on sheet 3 of Section 6 of my Exhibit No. 180 for identification, which shows a list of Southern industrial plants, which are either the largest in the world, or in the United States, which also continues on sheet 4; the table on sheet 4 showing new industrial plants and expansions in the South during 1940, which also continues on sheet 5; and the table on sheet 6 shows diversified manufacturing in the South. Now just while I am still on that particular subject, discussing Section 6 of the exhibit, I might say that I found another interesting figure, interesting to me at least, in the very back of the Blue Book for 1941, which compares the value of manufactures in the South and in the United States in 1939 with their value in 1900. Without taking the time now to give you all of the detail of the figures, this tabulation shows that for the United States as a whole, the value of manufactured products in 1939 represented 380 per cent of 1900, while the value of Southern manufactures in 1939 represented 615 per cent of the 1900 value.

By Chairman Aitchison:

Q. Refer to your tables on sheets 3 and 4, if you will. Most of those points, I believe, are either in Official Territory or on the border, are they not?

[fol. 4028] A. That is quite true, Mr. Chairman, yes, sir, because the Blue Book includes states that are in Official Territory; that is, West Virginia, Maryland and part of Virginia; and it also includes some of the Southwestern states; I know as to Texas and Oklahoma, for example, that Texas and Oklahoma are included. However, where I have made individual compilations of states, I have undertaken to confine them to the eight Southern states.

By Mr. Norman:

Q. Well, that includes all of the Ohio River cities, does it not, Mr. Morris?

A. Oh, yes.

By Mr. Grubbs:

Q. Well, those tables show exactly where the different industries are located, do they not?

A. Yes, sir.

Q. Now, Mr. Morris, is there any further statement that you desire to make, in connection with this particular subject?

A. None.

Q. I want to refer back again, now, Mr. Morris, to the charts to which you made reference a little bit earlier here, which are designed to establish the fact that the difference between the rates in the South and those in Official Territory increases progressively with each succeeding stage of manufacture. What if anything do you have to say about that?

A. I do not recall just exactly the language that was used [fol. 4029] by Mr. Spottswood in discussing the chart which he prepared—I believe, if my memory serves me correctly, it was chart 3.

Q. Well now, Mr. Morris, in this connection, are you going to refer us to another section of your Exhibit No. 180 for identification?

A. Yes, sir.

Q. What section?

A. 7.

Q. Section 7?

A. Yes, sir.

Q. All right.

A. The chart I have reference to is chart 3, of his Exhibit No. 76,—Mr. Spottswood's Exhibit No. 76. I gained the very distinct impression that the chart was presented by Mr. Spottswood as undertaking to show a picture of the normal Southern rate adjustment into the North.

Q. Since you do not have his language, Mr. Morris, and I do have it here, I will just read it to you, and then ask you if you think it is correct. His statement was as follows: "The showing made by the charts I deem to be fairly representative of the respective rate levels."

Chairman Aitchison: What page?

Mr. Grubbs: I believe it is page 1398.

The Witness: That is what I had in mind.

By Mr. Grubbs:

Q. What have you to say in that connection?

[fol. 4030] A. Well, it just is not so, and in order to show that it is not so, I have prepared and included in Section No. 7 of my exhibit, a series of charts—or a series of figures, rather, I should say, which show just the opposite. Now, what both of the charts show, I believe, is that any fairly competent rate man can produce any sort of chart that he wants to on this subject, and that is necessarily so, because our commodity rates on the raw materials, and the finished products from the South into the North, are made with relation to the conditions that surround those particular commodities. Now if the charts of Mr. Spottswood are correct, using the commodities that he has used, and class rates, largely, on commodities that do not move, the difference between the two charts is simply this, that I have used commodity rates in all instances; if other rates are used, you can still obtain varying results. For example, in figure 1 I have shown the rates on hides from the points which I have selected, to Northern points, reflecting approximately 127 per cent of the Northern level, while the rates on boots and shoes represent 90 per cent of the Northern level; and on sole leather, 100 per cent. Now if I might add just a very brief explanation at this point, so that the exhibit may be more readily understood, Mr. Grubbs—

Q. Yes.

[fol. 4031] A. —the pages which follow sheet 1 of Section 7 of this exhibit contain the rates and the authority for those rates which appear in the figures in sheet 1 of the exhibit.

Q. Now Mr. Spottswood's fourth and final proposition was that what he called continued piecemeal adjustments of class rates will not adequately serve the needs of the nation. Mr. Spottswood disclaimed being a rate expert. I will ask you to tell us what your own views are on that subject.

A. Well, in the first place, of course, it is not entirely clear to me as to just exactly what Mr. Spottswood had in mind when he referred to continued piecemeal adjustments of class rates. It seems to me that there has been a rather orderly readjustment, beginning with the Southern Class Rate Investigation; then the Consolidated Southwestern Investigation, the Eastern Class Rate Investigation, and the Western-Southern Class Rate Investigation, with several cases involving the troublesome border territory question. That does not strike me as being a piecemeal readjustment of the class rates. I rather construe his statement as meaning, really, that he did not think we ought to continue to make commodity rates as the necessity for them arises; and if that is what he meant, well, I am just not able to agree with him.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

[fol. 4032] Chairman Aitchison: Continue.

By Mr. Grubbs:

Q. Mr. Spottswood did base his position in this respect on a plea for what he called an unborn industry. What have you to say about that?

A. Well, Mr. Grubbs, it is right difficult to make rates for an unborn industry, and make rates that will be of any service at all when the birth of the industry takes place. My own idea with respect to that is that if we are to do the right sort of job in taking care of unborn industries, we must await their arrival, determine what they need, and make rates accordingly that will fit their needs to the extent that we are able to do so.

Q. You do not believe, then, I take it, Mr. Morris, that we should attempt to revise the entire rate structure for some unborn industry, or even some series of unborn industries?

A. Well, I might put it this way, in answering your question, Mr. Grubbs: I do not believe in burning down the barn to kill a rat that might be born in it.

Q. Now, Mr. Morris, have theories such as those which Mr. Spottswood has advanced in this proceeding, ever been advanced before, to your knowledge?

A. Well, in a general way, I would say, I believe that they have been, yes, Mr. Grubbs. They were advanced in the Kentucky cases, our Kentucky cases.

[fol. 4033] Q. Have they been tried out?

A. Well, to a considerable extent they have been, yes, sir.

By Chairman Aitchison:

Q. What do you mean by "Our Kentucky cases"?

A. I am referring there, Mr. Chairman, to the cases which involved the intrastate rates in the State of Kentucky, and the interterritorial rates between Kentucky and Official Territory. In both of those cases,—and I will give you references to them in just a moment—the general contention was made that the Official Territory level was necessary, in order to industrialize Kentucky.

By Mr. Grubbs:

Q. Well, what have been the practical results of the application of that theory?

A. Well, first of all, let me explain: As was shown in an exhibit which I filed at the hearing in this proceeding in Indianapolis, and which I think was confirmed by the witness for the Kentucky Railroad Commission who testified here last week, within Kentucky we have intrastate substantially the Official Territory level, by order of the Kentucky Railroad Commission in its Docket No. 344. Between

Kentucky and Official Territory we have rates which represent, as near as I am able to determine, about 10 per cent in excess of the Appendix E level. In any event, that is certainly true with respect to first class. Now then, just in order to determine what had happened in Kentucky, I made [fol. 4034] a similar compilation in Section 3 of my exhibit, to that contained in Section 2 for the Southern states as a whole. This statement shows the number of industrial establishments, and the other information, confined to the State of Kentucky for the years 1927 and 1939. I really tried to get the information for the year 1934, because the intrastate rates in Kentucky became effective in 1935; but I was unable to obtain the information. However, this study shows, at sheet 6 of the section that the number of establishments in Kentucky declined from 1927 to 1939; that the wage earners declined; that wages paid declined; that the value of products increased slightly; and that the value added by manufacture declined. Now I think, in all fairness, the 51 distilling plants which came back to Kentucky in 1932 and following,—and certainly not because of the freight rates, but for other reasons—might properly be deducted from the figures there. The figures for the 51 distilling plants are shown in the exhibit. I will not undertake to burden the record by deducting the figures here.

By Chairman Aitchison:

Q. Well, one other factor should be taken into account, should it not, and that is the purchasing power of the dollar.

A. Yes.

Q. 1927 as compared with 1939.

[fol. 4035] A. Yes, sir, that is true.

By Mr. Grubbs:

Q. Now, Mr. Morris, is there any other comment that you desire to make, on this particular section of your exhibit.

A. Why, I do not know that any further comment is necessary,—no, sir. It seems to me that Kentucky furnishes a sort of laboratory test, so to speak, of the idea, if it exists, that the extension of the Official Territory level into Southern Territory, is going to revolutionize industry in the South.

Q. Now you have told us, Mr. Morris, that intrastate in Kentucky you have the Official level.

A. Yes, sir, approximately. Of course, that furnishes another illustration in point, Mr. Grubbs. That was the contention made in the intrastate case, that the extension of the Official Territory level, which obtains at the Ohio River cities, and on parts of the C. & O. line, to the balance of the state, would spread industry; and yet, in the study I have here, made by some member of the state staff, it is indicated that industry is still concentrated in Campbell, Kenton and Jefferson Counties, the counties where it has always been.

Q. And those are the counties that are located along the Ohio River, are they not?

A. Yes, sir, that is correct, where the industry has been [fol. 4036] concentrated for a very long time; for—well, almost since the beginning.

Q. Does any other section of your exhibit show the precise relationship of the Kentucky interstate rates to the Official Territory rates?

A. Yes, sir, it does; Section 4, sheets 1 to 7, shows the basis for my statement that the interterritorial rates between Kentucky and Official Territory are approximately 10 per cent higher than the Official level. I believe that what I have shown there represents a rather fair test. I have taken representative cities in the North and East, and I have shown the rates between those cities and every point in the state of Kentucky having a population of 1,000 or more. I do not know any better way to get an idea of the relationship of rate levels.

Q. These are the interstate rates between points in Official Territory and points in Kentucky, are they?

A. Yes, sir, that is correct. The final figure of all is a 9.8 per cent excess over the Appendix E scale, for those distances.

By Chairman Aitchison:

Q. That is a simple arithmetic average of all of them, is it?

A. Yes, sir.

Q. Do these figures which you have given here include any of the general increases?

[fol. 4037] A. They do not include the Ex Parte 148 increases, no, Mr. Chairman, but they do include the others.

By Mr. Grubbs:

Q. Now, Mr. Morris, there is one section, namely, Section 1, of your exhibit, that you have not dealt with. Please tell us just what that shows.

A. From my viewpoint it is probably the most important section of the exhibit. I have undertaken to show here what the effect would be upon the Southern commodity rate structure, confining it to the column rates and exceptions, of the prescription of the Appendix E scale, the Official Territory scale, with either the Official Classification ratings or the present Official Exceptions ratings. In the preparation of this exhibit I used the commodities, carload commodities which were included in the exhibit which I offered or presented at the Indianapolis hearing. They are carload ratings or rates all together. I have undertaken in an explanatory statement to describe how I planned the exhibit.

Chairman Aitchison: Do these include the increases?

The Witness: With the exception of the Ex Parte 148 increases. I do want to make this further explanation, Mr. Chairman, of the exhibit, beyond that which appears on sheet 1, because someone apparently misunderstood the exhibit and asked the question on the side; and I thought it ought to be answered in the record. In the first place, I want to make it clear that the exhibit is not intended to [fol. 4038] indicate that there is a movement of each of these commodities between Atlanta, Georgia, and the five representative cities that I have selected and included in it. What it is intended to do is to show in connection with representative distances and cities what the effect would be on the entire adjustment. The rates between Louisville and Atlanta are based upon the K-2 scale, and what will happen in the case of the Louisville-Atlanta rates will happen in greater or less degree to all the other rates in the territory, dependent upon the distances between the points. Now, that is true in a like way of the rates between Atlanta and Central Freight Association, Atlanta and Chicago, in relation to the rates between Southern Territory and Central Territory, and between Atlanta and New York I think we have a fair picture of what will happen between the South and Trunk Line Territory and so on, with Dallas representing Southwestern Territory and Omaha representing Western Trunk Line Territory. Of course, the exhibit is rested on the assumption—I suppose it is an assumption—

of what would happen if these Appendix E rates were prescribed as reasonable maximum and the ratings either in the Official Classification or the Official Classification and its exceptions were prescribed as reasonable maximum ratings.

I do not mean to leave the impression that I understand these ratings or rates are directly involved in the [fol. 4039] proceeding. What I am trying to demonstrate is that if this level of rates and such ratings were prescribed as reasonable maximum, then we would have reasonable class rates and ratings which would produce rates lower than the existing commodity rates to the extent shown in the exhibit, and I do not see how we could long hope to maintain commodity rates higher than this Commission has prescribed as reasonable maximum even though they were prescribed as class rates. Now, I have a summary of the exhibit at sheet 34. I would just like to refer to two percentage figures.

Mr. Northcutt: Page 4?

The Witness: Page 34. In this summary it is shown that if the Official Classification proper ratings and the Appendix E scale were applied, it would reduce 71.2 per cent of the rates shown in the exhibit, commodity rates, and increase 27.4 per cent. If the exceptions were prescribed in connection with the Appendix E scale, it would reduce 93 per cent of those rates and increase only 5.6.

By Mr. Grubbs:

Q. In short, if you pull down your Southern class rates to the official level, you leave a lot of commodity rates in the South sticking up above them?

A. That is what the exhibit shows, yes.

Mr. Bee: Mr. Morris, so that I may understand your exhibit, referring to sheet 2, opposite line 24, sugar or syrup evaporator furnaces——

[fol. 4040] Chairman Aitchison: We cannot hear you, Mr. Bee.

Mr. Bee: Refer to page 2, line 34, sugar or syrup evaporator furnaces. There is no rating shown under Dallas?

By Mr. Bee:

Q. Does that mean there would be no change from Atlanta to Dallas?

A. What line is that again?

Q. 24.

Mr. Grubbs: 24.

The Witness: I thought you said 34.

Mr. Bee: 24.

The Witness: Now, you drop there, Mr. Bee, and you go to furnaces without pans——

Mr. Bee: No rating.

The Witness: Furnaces without pans—is that what you are talking about?

Mr. Bee: Yes.

The Witness: That means that there is no column rating between the South and Dallas today, so it would not be affected at all.

By Mr. Bee:

Q. How would you take that into the percentage? That is what I am trying to get at.

A. You mean, into the count?

Q. Yes.

A. I just did not count it.

Q. You just did not count it?

[fol. 4041] A. No.

Mr. Bee: All right. Thank you.

By Mr. Grubbs:

Q. Mr. Morris, did you hear the testimony of Witness Morrell?

A. I did.

Q. What have you to say about his statement that the South has many small industries and few large ones due, as he expressed it, to the low purchasing power of the South and the freight rate question, each acting on the other?

A. So far as that statement is concerned, we have large industries in the South and we have increasing industry in the South.

Q. Is it your thought that his own papers disprove that statement?

A. I certainly think so.

Q. What have you to say about his statement to the effect that the Southern class rate structure restricts development in the South? Would your answer be the same to that?

A. I certainly would. I do not believe the class rate structure or anything else has prevented development in the South.

Chairman Aitchison: Now, Mr. Grubbs, of course you are entitled to rebut Mr. Morrell's testimony, but is that not cumulative?

Mr. Grubbs: I have one more question which is not cumulative, your Honor. We have almost annihilated it, [fol. 4042] but I would like to go just one step further.

By Mr. Grubbs:

Q. He referred to a figure of small industries representing 36 per cent of the industries in the South. Do you have some figures on that subject, and if so, I wish you would tell us what they are.

A. Yes. I have undertaken in Section 5 of my exhibit to determine the facts in that respect. While I was at it I included all of the classifications of industries that appear in the Census of Manufactures for 1939. Really, the figure I was trying to analyze was that dealing with plants having value of products of from five to twenty thousand dollars. The information I obtained appears in the first four columns of sheet 1 of Section 5 on that point. It shows, briefly, that his estimate, if confined to the eight Southern states, and I did not undertake to go beyond that, is substantially correct, that we have 35.5 per cent of the industries of that valuation; that is, with respect to products in that group. But I thought it would be interesting to the Commission to see what that figure was for the United States as a whole and I have shown it in the last column. It is 32.9 per cent. It does not strike me that that is any very wide variation in the South from that which obtains in the country as a whole.

I went just a little further and determined the same figures for the states that are altogether or largely in [fol. 4043] Official Territory, and as the second column shows, the figure is 30.6 per cent. I have shown for all of the other classifications the relative percentages in each of those three groups, that is, the South, Official Territory and the United States as a whole, but I do not think it is necessary to call attention to the figures themselves.

Q. Since uniformity has been the plea of Southern State authorities, I want to ask you if the Southern railroads have had experience seeking some Southern State authorities uniformity in rates throughout the South?

A. Yes, quite a little.

Q. Please tell us the result of those efforts.

A. Well, of course, since the class rate revision in 1928, fixing a scale of rates and basis of rates for application in the South, the Southern railroads have worked to the objective of uniformity in interstate and intrastate rates. Now, it is true that we have uniform class rates, but we are far from uniformity in the case of many of our commodity rates by reason of orders of the State Commissions in the several states that we traverse from the Ohio River to the South. I dare say that in the main we have achieved a rather large degree of uniformity, but we have not succeeded in obtaining complete uniformity. As a matter of fact, we cannot have complete uniformity regardless of the regulatory bodies. Conditions in the several states or [fol. 4044] sections of our railroad necessitate departures from uniformity, frequently.

Q. By that do you mean that each state recognizes different conditions in its own territory?

A. That is exactly what I mean, and we recognize them ourselves in some instances.

Mr. Grubbs: The witness is ready for cross examination.

Chairman Aitchison: Do you offer your exhibits?

Mr. Grubbs: Yes. We offer in evidence Exhibits 179 and 180, if the Chairman please.

Chairman Aitchison: Without objection, they are received.

(Exhibits 179 and 180, Witness Morris, received in evidence.)

Chairman Aitchison: Mr. Norman.

Cross-examination.

By Mr. Norman:

Q. Mr. Morris, you referred to sheet 10 of Spottswood's Exhibit 76, I believe it is——

A. Sheet 10, chart 3?

Q. I beg your pardon?

A. Chart 3?

Q. Yes.

Mr. Grubbs: Yes. That is right. Chart 3.

The Witness: All right.

[fol. 4045] By Mr. Norman:

Q. You have said that on newsprint paper, which was shown to be 155 per cent in Official Territory and asphalt paint shown to be 153 per cent, that there was no movement.

A. From the points which he had used.

Q. You would not expect any movement on that sort of percentage basis, would you?

A. (No answer.)

Q. In other words, if the rate is 159 per cent of the Official Territory basis of rates, you would not expect it to move, would you?

A. I do not think that necessarily follows, Mr. Norman. That would depend entirely on whether it competes with that article in Official Territory.

Q. Well, there is no newsprint paper produced in Official Territory, is there?

A. Oh, yes; the Canadian mills and the like. Perhaps I did not make this clear: My principal objection to the illustration there is that newsprint paper manufactured for the Southern publishers is produced at Herty, Texas; and if you want any illustration, you ought to use the newsprint origins that furnish the paper for the South, the Ohio River, and the North, to the extent they want it in the North.

Q. Did I understand you to say that under this traffic [fol. 4046] test you were talking about that the Louisville and Nashville had, 33.9 per cent of the total carload traffic, exclusive of coal, was represented by manufactured products and miscellaneous?

A. No. You are close to being right. I said that the test that Dr. Aitchison introduced showed that.

Q. For the Louisville and Nashville Railroad?

A. No. For the South as a whole.

Q. Oh.

A. I did say that for the Louisville and Nashville Railroad the test I have showed that excluding coal, manufactures and miscellaneous moving northbound into Official

Territory represented 33 per cent of the total carloads moved.

Q. Moving northbound into Official Territory?

A. That is right.

Q. And is about as high a percentage as obtains in Official Territory, is it not?

A. I do not know. I have not compared it with the percentage in Official Teritory. I simply got that figure for this purpose, Mr. Norman: The newspapers have been full of the talk that we do not ship any manufactures into the North, and I just wanted to find out what the Louisville and Nashville Railroad did ship. I went to a lot of difficulty to get it.

Q. In demonstrating that, are you not also practically [fol. 4047] demonstrating that ~~it~~ is not so that the consist of the traffic is so different in the South than what it is in Official Territory?

A. I do not think so.

Q. It is not true that it is raw materials and low grade commodities in the South and manufactured articles in the North?

A. Mr. Norman, that is only the movement from the South to Official Territory. We have a tremendous movement within the South.

Q. Now, you referred to a number of the exhibits of Mr. Spottswood, but what have you to say about his showing on Table 5 that the goods sold in Official Territory to other parts of the country have a value of $125.77 per ton, while those sold from the South and West have only a value of $24.32 per ton?

A. I have not anything at all to say about that.

Q. You did not check that or find anything wrong with it, at any rate?

A. I simply say I have not anything at all to say about it. I looked at it, and did not find anything I could do with it.

Q. Now, please turn to sheet 9, Section 2 of your exhibit.

A. Which one?

Q. Sheet 9, Section 2.

[fol. 4048] A. Yes.

Q. You commented on the fact that while the country as a whole showed a reduction in the value added by manufacture, for example, 1939 as against 1927, that the South showed an increase. Now, is it not true that the South, even with its increase, is still way behind the rest of the country?

A. Oh, yes—well, you say "way behind". I say it is a good deal less. I would rather have that language.

Q. For 1939 it was about 8 per cent of the total for the country, whereas the population was about 16 per cent, is that not true?

A. I do not remember the population figure, but of course the other figure is shown right there.

Q. It figures out about 8 per cent of the total value added by manufacture, even after it has had this big increase of $203,000 in the 12 years from 1927 to 1939; it was still only about 8 per cent of the total of the United States, whereas the population is 16 per cent.

A. I am accepting your figure of the population, and the per cent for that matter, although I am sure you are right.

Q. Now, you referred to the 13494 decision and the class rates established in that decision and you said that was not a piecemeal establishment of rates, which, of course, is true. Is it not also true that that has been broken down piecemeal?

[fol. 4049] A. I do not think it has been broken down, Mr. Norman. It has been modified.

Q. And largely departed from by exceptions to the classification?

A. Oh, no.

Q. Exception ratings?

A. Exceptions to the classification do not depart from the basic principles of the 13494 adjustment at all. They just change the rating from one class or percentage to another.

Q. Well, it departs, however, from the rates that result from them?

A. If you mean that we do not apply the 13494 class rates on all of our traffic, certainly you are correct.

Q. And there is not very much left, is there? I mean, when 13494 was prescribed and that scale was prescribed, there was a certain classification that applied to the scale. That classification has been largely departed from, has it not, since then?

A. The classification?

Q. Yes.

A. I do not think the classification has been materially changed.

Q. Well, it has not been changed, but it has been departed from by exceptions.

[fol. 4050] Chairman Aitchison: It has ben changed, too.

The Witness: It has been changed to some extent, yes.

Chairman Aitchison: Since September, 1940, the ratings, less than carload, for the first three classes, have been made uniform.

The Witness: You are correct.

Mr. Grubbs: 13494 did not fix ratings, did it?

Chairman Aitchison: No.

Mr. Norman: But was based on the existing rates.

By Mr. Norman:

Q. My point is that since then you have departed entirely from the 13494 scale by changing ratings and by publishing exceptions, is that not correct?

A. This is what you overlook, it seems to me: When the class rates were prescribed in 13494, the Commission did not prescribe them for application in lieu of all of the commodity rates that we then had. I venture to say that we had as many commodity rates in 1927 as we have today. They prescribed a system of class rates.

Chairman Aitchison: As maximum, you mean?

The Witness: As maximum, yes, sir. Now, as a matter of fact, there was no order, as I remember it, except in the case of the Florida rates. Following the establishment of the class rates—and I went through a good part of it—we set out to revise the commodity rates that were in effect, and to follow the principles of the class rate structure. We [fol. 4051] wound up, my guess is, with about the same number of commodity ratings we had when the Commission took a hold of the Southern class rate adjustment.

By Mr. Norman:

Q. I am not talking about commodity rates, Mr. Morris.

A. You are talking about exceptions, and I say they are commodity rates.

Q. Oh, well,——

A. Very largely.

Q. Well, as a matter of fact——

A. Will you let me explain that, please?

A. All right.

A. Because it will be misunderstood if I do not.

Q. All right.

A. It seems to me that where, merely for convenience, you have used a percentage of the class rates to fix the level of your commodity rates, the real status or character of the rate is not changed. It is still a commodity rate. Now, I do not know whether you will agree with me on that.

Q. I agree with you on that.

A. I still regard most of these commodity column rates which, for purely mechanical reasons, are in the exceptions as commodity rates.

Q. Let's leave out of consideration the commodity rates that you had at that time. Let's just take the classifica- [fol. 4052] tion ratings that you had at that time which were applied to the 13494 scale. Haven't you very largely departed from those classifications by publishing exceptions? You published 3500 of them two years ago.

A. That was just one group of less than carload commodities, Mr. Norman. I would regard those as true classification exceptions, not commodity rates.

Q. Yes. That is right. My point is, that while 13494 was made a scale and applied ratings, at least in a general way, since that time, gradually, step by step, piecemeal, month by month and year by year it has been broken down until there is not much left of it, is that not correct?

A. Mr. Norman, someone would have to present precise figures to ever convince me of that.

Q. You do not think that is true?

A. No, sir, I do not.

Mr. Norman: I thought it was.

By Mr. Norman:

Q. How do you explain, for instance, these 3500 that you took out of here in one fell swoop?

A. Maybe I do not understand you at all. To me that has nothing to do with the 13494 class rate structure, merely because you move 3500 commodities from one percentage column to another.

Q. My point is, though, that that does break down what resulted from 13494.

[fol. 4053] A. Well, we perhaps will never agree, but to my mind, it certainly does not show that there is anything inherently wrong with the 13494 class rates, because we concluded to reduce the ratings on some of the articles to which those class rates applied.

Q. Now turn to sheet 2 of your Section 3.

A. Yes.

Q. I do not understand item 14.

A. Just a minute. Sheet 2 of Section 3?

Q. Yes.

A. All right.

Q. Item 14.

A. Yes.

Q. Iron and steel and their products, except machinery. You show for 1927—this is Kentucky—that there were five establishments with 4,542 wage earners, wages were $6,639,000 and value of products $35,987,000, and in 1939 they do not have any. What is the answer?

A. I think the answer lies in the fact that they have been transferred, probably, to the grey iron and semi steel castings. You wound up with nine of those.

Q. I am sorry, but I did not hear your answer.

A. I say, the answer will lie in the fact that they have been transferred in the census reports to the grey iron and semi steel castings, or they may have been included in that [fol. 4054] very troublesome classification on sheet 3, line 8, of other industries. That was the great difficulty that I had in compiling this statement, because the census department would switch descriptions on me. I tried to match them up the best I could.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record.

The Witness: I found that difficulty in a number of cases, and I undertook to throw kindred industries and the totals together as best I could, but I finally ran up against that catch-all of other industries and the total figures in the finality are the most dependable, it seems to me.

Mr. Northcutt: If you will look over at sheet 6 of that section, you will find where the iron and steel industry is reported. It is reported under other industries.

Mr. Norman: Under what?

Mr. Northcutt: Under other industries.

Mr. Norman: How do you know?

Mr. Northcutt: It is on sheet 6; it is shown on sheet 6.

The Witness: I have shown for 1939 what the "Other industries" list is composed of to the extent that the census report shows it, but they do not indicate in 1927 what "Other industries" were.

[fol. 4055] Mr. McCollester: In that connection I notice from our Exhibit No. 159, page 75, the census report shows for steel works and rolling mill products, in 1939, 13,496 wage earners in Alabama, and it shows that the 1939 figures are incomplete. I do not know whether that corresponds with the iron and steel and their products that you have shown as your item No. 14.

The Witness: Mr. Norman was speaking of Kentucky, Mr. McCollester.

Mr. McCollester: Oh. I see.

Mr. Northcutt: May I call your attention to the fact that iron and steel and their products, except machinery, is shown on line 14. The value of products for the year 1927 is shown as $35,987,067. Now, for 1939 the same thing is covered on sheet 6 in line 26, and is shown to be $50,158,769. It is also shown on that page for 1939 under this reference "Other industries" by industry groups. That shows an increase in value of those manufactures.

Chairman Aitchison: Is there anything further?

Mr. Norman: One more question.

By Mr. Norman:

Q. Mr. Morris, turn to sheet 1 of Section 7 of your exhibit. You show here ten different articles or commodities.

A. Yes.

Q. The interterritorial rates from the South to the North [fol. 4056] are shown to be higher than within Official Territory in five cases, lower in four, and the same in six. In other words, two-thirds of them that you have shown are either the same or lower. Do you think that representative at all of the situation that exists?

A. Mr. Norman, when I described that chart I said that neither my chart nor Mr. Spottswood's chart is representative of the situation that exists; that in my judgment any reasonably competent rate clerk can produce any sort of a chart he wants.

Q. I understood you to say that, and you have produced the result you wanted, have you not?

A. No.

Q. By showing two-thirds of them are lower or the same?

A. Let me make it clear right now that my chart is not intended to be representative of the Southern rate level.

Mr. Norman: I see. That is all, thank you.

Chairman Aitchison: Are there any other questions of Mr. Morris?

Mr. Smelker: I have one question, Mr. Chairman.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Turn to sheet 12 of Section 1, please, Mr. Morris.

A. Yes.

Mr. Grubbs: What section?

[fol. 4057] Mr. Smelker: Section 1.

The Witness: Sheet 12?

Mr. Smelker: Yes.

The Witness: All right.

Mr. Smelker: Line 45.

The Witness: Yes.

By Mr. Smelker:

Q. In the first two columns the exception rating is higher than the classification rating. Have you any explanation for that? Is it an error, or does that really happen?

A. It is quite unusual. I simply took the ratings as they appeared in the exceptions to the Official Classification.

Q. There are several others like that throughout the exhibit. I was just wondering what the explanation of it was.

A. I have no explanation for it because I simply took the Northern lines' exceptions.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further examination? (No response.)

Mr. McCollester: I may say, Mr. Chairman, that I was wrong in referring to Alabama, but our exhibit does show for 1939 for Kentucky, 4,974 wage earners, in iron and steel, steel works and rolling mills.

Chairman Aitchison: If there is no further examination [fols. 4058-4059] of Mr. Morris, he may be excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: We will adjourn until 9 o'clock tomorrow morning.

(At 9:40 o'clock P. M. November 25, 1942, adjourned to 9 o'clock A. M. November 26, 1942.)

[fol. 4060] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

CLASS RATE INVESTIGATION, 1939

Docket No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Hotel Deshler,
Columbus, Ohio,
November 26, 1942.

Met, pursuant to adjournment, at 9 o'clock a. m.

Before: Division—2 of the Commission.

Hon. Clyde B. Aitchison, Chairman of the Commission, presiding. Hon. Walter M. W. Splawn, Commissioner, Hon. J. Haden Alldredge, Commissioner, and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Public Service Commission.

Present: Paul O. Carter, Examiner, W. J. Kobel, Examiner, T. Leo Haden, Examiner.

Appearances: As heretofore noted.

[fol. 4061] PROCEEDINGS

Chairman Aitchison: Shall we proceed.

Mr. Grubbs: If the Commission please, at this time I would like to recall Mr. W. F. Kennedy.

Chairman Aitchison: He has been sworn.

Mr. Grubbs: Yes, sir.

W. E. Kennedy recalled:

Mr. Grubbs: With your approval, if the Commission please, we would like to present this testimony by written statement, questions and answers. It has been distributed to the parties.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Proceed.

Direct examination.

By Mr. Grubbs:

Q. You are the same Mr. Kennedy who testified in this proceeding at the Indianapolis hearing, are you not?

A. Yes, sir.

Q. Have you examined the exhibits presented by Mr. Ford K. Edwards, No. 12, styled: "Territorial Rail Costs Based on a Separation of the Out-of-Pocket and Constant Expenses-1939" and Exhibit No. 13, styled: "Territorial [fol. 4062] Unit Costs for Railroad Freight Service-1939?"

A. Yes.

Q. What have you to say about the difference between the procedure followed by Dr. Edwards in his Exhibits Nos. and 3 and that followed in his Exhibits Nos. 12 and 13?

A. The only difference in the procedure of any consequence is that in Exhibits Nos. 12 and 13, a further separation of both the terminal expenses and the line haul expenses, as between out-of-pocket on the one hand and constant expenses on the other, has been made. The terminal portion of the constant expenses is charged pro rata to each ton or hundredweight regardless of the type of car used in the transportation and the line haul proportion of the constant expenses is distributed pro rata to each ton mile or hundredweight mile regardless of the type of car used. All of the basic expense groups remain unchanged and the same factors are used in developing the unit costs for the out-of-pocket expenses, as were used in Exhibits Nos. 2 and 3, for developing the total expenses. The expenses here referred to, include taxes and joint facility and equipment rents. In Exhibits Nos. 2 and 3, a multiplier was given, which, when applied to operating expenses, taxes and rents, produced a total which included less than carload and passenger operating deficits and a return of 5¾ per cent on the recommended value used by Dr. Edwards. [fol. 4063] In the present Exhibits Nos. 12 and 13, the out-of-pocket proportion of operating expenses, taxes, and rents has been separately determined, and a return of 4 per cent on the recommended value of equipment and a return of 4 per cent on one-half of the recommended value of the remaining road property has been included in the out-of-pocket group. The constant expenses, in addition to including the constant proportion of operating expenses, taxes and rents, also includes 4 per cent return on one-half of the recommended value of property other than equipment and less than carload and passenger operating deficits. In other words, there is practically no difference in the procedure, except for the introduction of the separation, involving a showing of the constant expenses.

Q. Now, in your Exhibit No. 18, Part 1 thereof, you discussed certain defects which you think exist in the formula and procedure in Exhibits Nos. 2 and 3. Does this discussion apply to Exhibits Nos. 12 and 13?

A. Yes. There have been no changes made in the formula and procedure used in Exhibits Nos. 12 and 13 that would remove or cure the defects referred to in Part 1 of my Exhibit No. 18, with the exception that in so far as territorial comparisons are concerned, the effort to treat certain of the expenses and a proportion of the return on investment as constant, partially complies with my criticism of his procedure in developing the relative situation as [fol. 4064] between rate territories as given at Page 14 of Part 1 of my Exhibit No. 18.

Q. In Part 2 of your Exhibit No. 18, Sheet No. 4, you developed the comparative status between the Southern Region and the Eastern District (including Pocahontas Region) if the Edwards' procedure had been applied to the 10-year period, 1930 to 1939, inclusive. Does the Edwards' procedure in Exhibit No. 13 change the showing there made?

A. Yes. The procedure in Exhibit No. 13 necessitated a revision of Sheet No. 4 of Part 2 of Exhibit No. 18, and I now file for identification Exhibit No. 181.

Mr. Grubbs. While we are marking this exhibit, may we mark the other one also for identification at the same time, the smaller exhibit, as No. 182.

(Exhibits 181 and 182, Witness Kennedy, marked for identification.)

By Mr. Grubbs:

Q. Will you please proceed, Mr. Kennedy, with your description of your Exhibit No. 181 for identification.

A. This exhibit contains 7 parts, designated respectively Identification Nos. 4, 5, 6, 7, 8, 9 and 10, the first of which, Identification No. 4, is a revision of Sheet No. 4 of Part 2 of my Exhibit No. 18, necessitated by the separate development of the constant expenses and 4 per cent return on the recommended value used in Edwards' Exhibit No. 13. In Exhibit No. 12, Chapter 1, Page 1, Dr. Edwards states: [fol. 4065] "For the purpose of determining the full distributed expenses in the present cost study, the constant expenses are distributed over the revenue tons and revenue ton miles of carload traffic handled after deducting the contribution, if any, made toward such expenses by the less carload and passenger servies. This has the effect of spreading the constant expenses over the revenue producing units of traffic, ignoring differences of ability to pay. In so far as the constant expenses are concerned one ton is treated as no different from any other ton." In preparing what is designated Identification No. 4 of my Exhibit No. 181, the constant expenses have been treated as applicable, pro rata, to each ton. Sheet No. 3 of Part 2 of my Exhibit No. 18, shows the per ton mile results, including 5.75 per cent return on investment.

Inasmuch as Dr. Edwards has used 4 per cent in his Exhibit No. 13, the per ton mile results for the 10 years, 1930 to 1939, inclusive, have been stated on the basis of including a 4 per cent return and included in the present exhibit on this basis on Line 9.

This exhibit shows that if Dr. Edwards' formula and procedure, as used in Exhibit No. 13, were applied to the 10-year period, 1930 to 1939, inclusive, that the ratio of the Southern Region operating expenses, taxes, rents, less than carload and passenger operating deficits, and 4 per cent [fol. 4066] return, to the same items for the Eastern District, including the Pocahontas Region, is 1.137; in other words, the Southern Region is 13.7 per cent higher than the Eastern District, including the Pocahontas Region. This is Identification No. 4, of Exhibit No. 181 for identification.

Q. Is there anything further you wish to add to your statement?

A. No, sir.

Q. Is there any further revision to be made of Sheet 4 of Part 2 of your Exhibit No. 18?

A. Yes. My attention was called, by the Bureau of Statistics, to certain errors which existed in the tons carried for the year 1939, and Identification No. 8 of this exhibit contains the necessary corrections. The changes made do not affect the ratio of the Southern Region to the Eastern District, including Pocahontas Region, as it remains as shown in the original exhibit, 1.094.

Q. Do you have any comments to make as to the Edwards' procedure in developing the so-called out-of-pocket expenses and constant expenses?

A. Yes, sir. I find the following explanation given in Chapter VI, page 86 of Exhibit No. 12,—and this is a quotation from Dr. Edwards' explanation—: "The freight out-of-pocket operating expenses, rents and taxes developed for all Class I railroads in this proceeding are based on 72 [fol. 4067] per cent of the total of these expenses. This percentage was computed by applying to each account the applicable percentage shown in exhibit No. 2, Table 19, pages 73-77. No change has been made in these figures by reason of the further research made as they are within the range referred to above."

Footnote 3—and this is also part of the explanation—states:

"The completion of the studies reviewed in Chapters IV and V indicate that the out-of-pocket expenses in the East, considering the carriers as a whole, constitute a somewhat larger per cent of the total expenses than in the South and West. However, because of the limitations in time uniform percentage was applied in all territories."

The effect that I get from this explanation is that the percentages shown in Exhibit No. 2, Table 19, are those that were finally used in developing the out-of-pocket cost.

On referring to table 3 of Exhibit No. 13, I do not find where 72 percent has been used, as separate out-of-pocket and constant percentages are given and used in separating each of the 10 groups of expenses and I have so far been able to determine how these percentages were found separately for each group. However, I note that the percentages for the United States as a whole have been applied alike to each of the territorial groups and further that [fol. 4068] for the United States as a whole, the out-of-pocket proportion of operating expenses, rents, and taxes is 72.29 per cent. Even with this explanation, it is still not clear how the out-of-pocket expense of 72.9 was stated and applied to each of the groups.

It thus appears that Dr. Edwards still relies on the out-of-pocket percentages given in Table 19, Page 75 of Exhibit No. 2 by accounts or groups of accounts.

It is noted that these percentages are derived from several sources, some from studies made by the American Railway Engineering Association, some from studies made by the Engineering Section of the Bureau of Valuation, and some based on estimates made by Dr. Edwards.

In connection with locomotive repairs, these are taken as 100 per cent out-of-pocket. I recall that in settlement with the United States Railroad Administration of maintenance matters arising out of Federal Control and in the settlements under the so-called Guarantee Period, 80 per cent of locomotive repairs was used as varying with the volume of traffic and similarly as to freight train car repairs, where Dr. Edwards uses 100 per cent as the out-of-pocket proportion, that 60 per cent was considered to be variable with the volume of traffic.

Depreciation on equipment is treated by Dr. Edwards as being 100 per cent out-of-pocket, whereas it appears that [fol. 4069] this particular expense is variable with the volume, at most only to the extent that investment in equipment is shown to be variable.

Dr. Edwards has used as out-of-pocket, 100 per cent of yard expenses, exclusive of enginehouse expenses, which include the wages, fuel and supplies, etc. in operating yard engines and there is no question but what the out-of-pocket proportion of these expenses is considerably less than 100 per cent.

Of course, it should be understood that the exact amount of the out-of-pocket expenses is governed to a great extent by circumstances surrounding the situation which is under investigation. Applied to certain situations, out-of-pocket expenses would be a very small percentage of the total, but Dr. Edwards has explained that he approaches the matter from the long range viewpoint, but even so, in my opinion, his 72 per cent substantially overstates the out-of-pocket proportion of operating expenses, rents, and taxes for the reasons given in the foregoing.

By Chairman Aitchison:

Q. Right there, have you attempted, in the course of your study, to recast Dr. Edwards' study with the corrections which you contend should be made?

A. The out-of-pocket proportion?

Q. No, the entire study.

A. I have an exhibit which will follow here, along that line. [fol. 4070] Chairman Aitchison: Continue.

A. (Continuing) In this connection I note from summarizing the separation of the expenses, taxes, and rents, and 4 per cent return on the recommended value, as used by Dr. Edwards, as between out-of-pocket and constant for the Southern Region, taking the data from Tables 3 and 4 of Exhibit No. 13, that the out-of-pocket proportion is 65.12 per cent and that the constant proportion is 34.88 per cent.

The Southern Region net ton miles per mile of road for the year 1939, were 1,114,168 and for the Eastern District, excluding Pocahontas Region, were 2,362,362, the ratio of the East to the South being 2.1203.

Now, if we multiply the Southern Region out-of-pocket expenses by the ratio of 2.1203 to increase these expenses to the basis of the Eastern District volume, we have $486,941,570., and adding thereto the constant expenses, which are said not to vary with volume, $123,009,560., gives a total of $609,951,130. as the approximate Southern Region expenses if it handled the Eastern District volume.

The Southern Region ton miles at the Eastern District volume per mile of road would amount to 90,211,517,694 and the cost per ton mile would be 6.761 mills at the Eastern District volume of traffic. The cost per ton mile for the Southern Region at Southern Region volume of traffic is 9.138 or 35 per cent greater than what it would be at the [fol. 4071] Eastern District volume of traffic. Thus, if the conclusion reached by Dr. Edwards as to the relative proportions of out-of-pocket expenses and constant expenses is sound, then the costs of the Southern Region are approximately 35 per cent greater than those of the Eastern District.

By M . Grubbs:

Q. Do you have anything further to add in this connection?

A. No, sir.

Q. Do you have comments to make in regard to the basis used by Dr. Edwards for distributing the terminal proportion of the constant expenses?

A. Yes. On reference to footnote 13 on each of the pages of Table No. 5, Exhibit No. 13, I find that the constant proportion of the terminal expenses for the United States as a whole and for each of the territorial groups was divided by the number of tons or hundredweight carried, in order to develop the cost per ton or hundredweight. The procedure followed was to divide the carload revenue tons originated, plus tons terminated, by 2 to obtain tons carried. This is not far wrong for the purpose of obtaining the true number of tons carried in so far as the United States as a whole is concerned, but it develops very important differences when applied to territorial groups.

For purposes of illustration, I will use the New England Territory, as reported in Statement 41100, "Freight [fol. 4072] Commodity Statistics" for the year 1939, New England Region.

These statistics show that there were 14,928,135 tons of carload traffic originated and 34,971,291 tons terminated, which added together, and divided by 2, produce 24,949,713 as the number of tons carried, which would be used under the Edwards' procedure.

As a matter of fact, there were 34,971,291 tons terminated in this territory. There could not have been less than this figure actually carried, the true number of tons carried being probably somewhat greater than this figure. This same fault in the Edwards' procedure exists in all of the territorial groups.

By Mr. Smelker:

Q. Just a moment, right there, Mr. Kennedy, please. Did you not discuss this last question and answer with Dr. Edwards?

A. Yes, sir, that is true. I might explain that there seems to be a failure in the exhibit to properly describe——

By Mr. Grubbs:

Q. Pardon me, but what exhibit are you referring to now, Mr. Kennedy?

A. Dr. Edwards' Exhibit No. 13, Table No. 5.

Q. All right.

A. I was about to observe, there seems to be a failure to properly describe the purpose, or the method there. It is merely indicated that it was the intention to use the total tons carried. I find, however, on discussing the matter [fol. 4073] with Dr. Edwards, that his intention was to use tons terminal, and that he used the short-cut procedure in order to avoid having to multiply his cost per ton by 2 after it had been platted. With that explanation, the procedure is correct; but I desire to remark in that connection that it places this particular expense on the same basis that the other terminal expenses are treated on in his cost scale, and that is that they are platted so that they relate only to intraterritorial traffic.

Q. Have you examined Exhibit No. 86, presented by Mr. Henry J. Saunders?

A. Yes.

Q. What essential difference do you find between his showing and that of Dr. Edwards?

A. As to Parts 1 to 4, inclusive, I do not find anything therein that differs from the showing made in the Edwards Exhibit No. 3, except that Mr. Saunders has confined his showing to box car traffic, whereas Dr. Edwards presents the comparative territorial status for other types of cars, as well as box cars.

Q. I take it then, that the discussion of the defects in the Edwards' study, given in Part 1 of your Exhibit No. 18, applies with equal force to Parts 1 to 4, inclusive, of the Saunders' Exhibit.

A. Yes. That is correct.

[fol. 4074] Q. Mr. Kennedy, at page 1637 of the record, Mr. Saunders gave certain figures based on what has been called Identification No. 2 of your Exhibit No. 18, which were ascertained by excluding the Pocahontas Region from Official Territory. These figures, as I understand it, were for the year 1939 only. Do you have an exhibit showing the results for the years 1928 to 1939, inclusive?

A. Yes. Identification No. 5 of my Exhibit No. 181 for identification, shows the results, comparing the Eastern District with the Southern Region. This was prepared along the same lines as has heretofore been explained, for similar comparison of the Eastern District.

Chairman Aitchison: Mr. Kennedy, we are unable up here, to hear a word you are saying.

By Mr. Grubbs:

Q. Will you start over again, please, Mr. Kennedy.

A. Identification No. 5, of my Exhibit No. 181, shows the total freight service operating expenses, taxes, joint facility and equipment rents, 5.75 per cent return on investment in road and equipment, including cash and materials and supplies, and passenger deficit, per revenue-ton mile, for the Southern Region and the Eastern District, excluding the Pocahontas Region. This exhibit is similar to Identification No. 2 of my Exhibit No. 18, the difference being that this exhibit excludes the Pocahontas Region from the [fol. 4075] Eastern District.

The per ton mile results appear on Line 19 of Sheets Nos. 2 and 3, under the captions, "Southern Region" and "Eastern District (excluding Pocahontas Region)" respectively, for each of the years 1928 to 1939, inclusive, for the 12 year period, 1928 to 1939, inclusive, and for the 10 year period, 1930 to 1939, inclusive.

The ratio of the Southern Region per ton mile results to the Eastern District (excluding the Pocahontas Region) is given in Line 20 on Pages Nos. 2 and 3. The per ton mile results shown on Sheets Nos. 2 and 3 are not adjusted to give effect to the substantially longer haul in the Southern Region, and are likewise not adjusted to take into consideration the difference in the composition of traffic as between the two territories.

Sheet No. 4 of my statement marked Identification No. 5 develops the necessary adjustment for these differences, using the Edwards' procedure from his Exhibit No. 13, and following the same plan that was explained in detail in my previous testimony in regard to Sheet No. 4 of Identification No. 2 of my Exhibit No. 18.

The element of return has been included on Sheets Nos. 2 and 3 on the basis of 5.75 percent but, inasmuch as Dr. Edwards used 4 per cent in his Exhibit No. 13, the return has been changed to this basis in using the per ton mile [fol. 4076] results, as is shown in Line 9 of Sheet No. 4.

This sheet of the exhibit shows that if the Edwards' formula and procedure has been applied to the 10 year period, 1930 to 1939, inclusive, that the ratio of the Southern Region cost per ton for a haul of 300 miles, considering all traffic, to the Eastern District (excluding Pocahontas Region) cost per ton for 300 miles was 1.069; or in other words, that the Southern Region, for the 10 year period was 6.9 per cent higher than the Eastern District, excluding the Pocahontas Region.

By Chairman Aitchison:

Q. Right there, I would like to ask you this question: What is the basis for the formula which you have used in your Identification 5?

A. Identification 5 states the total cost, including return on investment at 5.75 per cent, upon a per ton mile basis for the 10 years 1930 to 1939, inclusive.

Q. Including taxes?

A. Yes, sir, including taxes and rents. Now sheet 4 of that section of the exhibit contains computations showing that if the Edwards' formula and procedure had been applied for the 10 year period, the ratio of the Southern Region to the Eastern District would have been 1.069, indicating that the Southern Region is 6.9 per cent higher than the Eastern District.

By Mr. Grubbs:

Q. Mr. Kennedy, at page 1637 of the record, Mr. [fol. 4077] Saunders gave some figures showing a comparison of the South with the East, without the Pocahontas Region, and using 4 per cent return on the values used by Dr. Edwards in his Exhibit No. 3. Did you check these results?

A. Yes. I endeavored to check the figured given by Mr. Saunders, but I do not get the same results. I find that the per ton mile cost, excluding the Pocahontas Region, would be 10.89 mills instead of 9.34, as stated by Mr. Saunders, while the South would be 10.53 mills instead of

8.56, as given by Mr. Saunders. The ratio of the South to the East would be 96.7 instead of 91.9, as claimed by Mr. Saunders. In that connection, my attention has been directed to another matter in Saunders' Exhibit No. 86, on page 4. The revenue ton miles are shown there by commodities, but we have been unable to determine from just what source those figures have come. We have found that by dividing the car miles there shown into the revenue ton miles, it produces an average load per car of about 15 tons in each instant, for every type of boxcar, except in one case, and that was in the Pocahontas Region, for gondola and hopper cars. There is something wrong with the figures in there, and also with the computation that is based on them.

Q. Does that complete your answer?

A. That is all on that.

Q. Now, Mr. Kennedy, you stated that Mr. Saunders, in [fol. 4078] his Exhibit No. 86, confined his showing to boxcar traffic and that Dr. Edwards also made territorial comparisons for boxcar traffic. Do you have a section of your exhibit dealing with this subject?

A. Yes. Identification No. 6 of my Exhibit No. 181 sets up the aggregate expenses, taxes, and rents (including passenger and less than carload deficits) assignable to the six car types for carload traffic for the Eastern District, excluding Pocahontas Region, and for the Southern Region. The aggregate carload revenues are also shown separated as to the six car types and the net railway operating income is developed for each of the six car types. The rate of return for each of the six car types is shown, based on the recommended value of property as used by Dr. Edwards. In developing this data, the same procedure followed by Dr. Edwards, in his Exhibits Nos. 3 and 13 has been applied. This, Mr. Chairman, is what I referred to a while ago, when you asked me if I had restated the matter, including all of the corrections.

By Mr. Grubbs:

Q. That is the table that is set forth on the lefthand side of the statement, is it?

A. Yes, sir.

Mr. Grubbs: We might pause for just a moment and look at the table. It is a statement showing the rates of return on different classes of equipment. I ask that it be copied in.

[fol. 4079] The Witness: The Eastern District and the Southern Region contain the rail systems as grouped by the Interstate Commerce Commission in filing its statistics. The rates of return are then shown.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

The Witness: This is based on the Eastern District, excluding the Pocahontas Region. It has been shown that way because Mr. Saunders made that showing, and so did Dr. Edwards.

	Eastern District excluding Pocahontas Region	*Southern Region*
Box Car Traffic	5.47%	7.03%
Gondola and Hopper Car Traffic	2.50%	.18%
Refrigerator Car Traffic	2.45% Def.	2.75%
Tank Car Traffic	4.89%	5.62%
Stock Car Traffic	1.23% Def.	6.12%
Flat Car Traffic	3.11%	1.04%
Total—All Traffic	3.25%	3.50%

The entire passenger and less than carload operating deficits are included and the total value of property is used so that the rates of return of 3.25 per cent and 3.50 per cent, respectively, are those obtained from all services. It will be noted that the Southern Region is but slightly [fol. 4080] higher than the Eastern District, considering all services. As to boxcar traffic, the Southern Region is 1.55 percentage points higher than the Eastern District, and relating this to the total freight revenues, (Account No. 101) carload, it amounts to $13,460,529 or 7.75 per cent.

Referring to Part 3, Sheet No. 3 of my Exhibit No. 18, it will be noted that the Southern Region gross revenues from boxcar traffic are relatively higher than the Eastern District by 15.96 per cent. If the Southern Region revenues were reduced by 7.75 per cent, in order to show a parity in return with the Eastern District, they would still be relatively higher by 8.21 per cent. Again, we have the situation where, with parity as regards the rate of return on property value, the Southern Region needs gross revenues which are relatively higher than the Eastern District by 8.21 per cent.

Another feature of the matter which is brought out in this exhibit is that where the Eastern District obtains a rate of return of 2.50 per cent from gondola and hopper car traffic and 5.47 per cent from boxcar traffic in order to obtain the return of 3.25 per cent from all traffic, that the Southern Region has to obtain a rate of return of 7.02 per cent from its boxcar traffic, in view of the fact that the rate of return from its gondola and hopper car traffic is only .18 per cent, in order to obtain a return of 3.50 per cent from all traffic, the latter being not substantially [fol. 4081] different from the rate of return received by the Eastern District from all traffic.

Q. Mr. Kennedy, Mr. Saunders, in his Exhibit No. 86, excluded the Pocahontas Region from Official Territory, giving as a reason that the commodities handled in the Pocahontas Region are made up of from 85 per cent to 90 per cent products of mines. Do you have anything further to say on this subject?

A. For the year 1939, the percentage of products of mines to the total tons carried in the Pocahontas Region was 83.7 per cent. This would indicate that a substantial proportion of the traffic of the Pocahontas lines, 16.3 per cent, consists of commodities other than products of mines and assuming that the average haul on this traffic is approximately the same as the average haul for all traffic, this means that about 5,723,463,197 ton miles of traffic, other than products of mines, is handled in the Pocahontas Region.

This is equal to about 13 per cent of the total traffic handled in the Southern Region on a ton mile basis. The Pocahontas Region handles a volume of 2,145 tons of manufactured and miscellaneous commodities per mile of road while the Southern Region handles only 1,486 tons per mile of road. On the other hand, the Louisville & Nashville Railroad Company handles a tremendous volume of coal and products of mines which, for the year 1939, on this road, amounted to 71.23 per cent of the total tonnage [fol. 4082] carried. The Clinchfield Railroad is predominantly a coal handling line, 75.25 per cent of the total tonnage carried being products of mines in the year 1939.

Taking the year 1939 for purposes of illustration, the total revenue ton miles of the Louisville & Nashville Railroad Company and the Clinchfield Railroad combined, constitute 24.3 per cent of the total Southern Region net ton miles, whereas the ton miles of the Pocahontas Region constitute only 20.7 per cent of the total net ton miles of the Eastern District, including the Pocahontas Region.

There appears no more justification for excluding the Pocahontas lines from the Eastern District than there would be for excluding the Louisville & Nashville Railroad Company and the Clinchfield Railroad from the Southern Region because of the handling of a preponderance of products of mines.

Q. Mr. Kennedy, in Exhibit No. 86, Section 5, Mr. Saunders seeks to develop a comparison of the number of tons per loaded car, boxcar traffic, Eastern District versus the Southern Region, considering 75 per cent of the traffic handled and considering only tons originated. Do you have any comments as to this?

A. Mr. Saunders seemingly seeks to develop the comparison of tons per car for the Eastern District with*out* the Southern Region from the viewpoint of what influence [fol. 4083] it may have on average costs. Of course, the costs are influenced by both the traffic terminated as well as the traffic originated and it would be improper to draw any conclusion from a consideration of traffic originated only and particularly so, if consideration is given to only 75 per cent of the traffic originated.

In his Exhibit No. 2, Page 28, Dr. Edwards gives the average load for traffic handled in boxcars, considering all of the traffic, both that originated and terminated and this shows that there is very little difference between the Eastern District and the Southern Region in the matter of average number of tons per car for boxcar traffic.

As to the tare weight of boxcars, Dr. Edwards, in Appendix B to his Exhibit No. 2 shows the average for the Southern Region to be 22.4 tons and for the total Eastern District, including New England and Northern Illinois, to be 23.0 tons. There is no such difference in favor of the Southern Region in the matter of tons per car in boxcars as indicated by Mr. Saunders.

Q. What does the next section of Exhibit No. 181, marked—Identification No. 7, deal with?

A. This section of the exhibit shows a comparison of investment of railway property used in transportation service, plus cash and materials and supplies, Class I Carriers, with original cost plus value of lands and rights [fol. 4084] and working capital and with the recommended value used in Dr. Edwards' Exhibits Nos. 3 and 13, as of December 31, 1939, for the Eastern District (excluding Pocahontas Region), for the Eastern District (including the Pocahontas Region), and for the Southern Region. The original cost, except lands and rights as of January 1, 1940, were taken from Exhibit No. 11, in Ex Parte No. 148, Page 2.

It will be noted that there is practically no difference between the original cost, plus the present value of lands and the amount of investment in railway property used in transportation service, for either of the districts. It will also be noted that the recommended value is substantially below the original cost, plus present value of lands and working capital, for each of the districts.

Q. Now, Mr. Kennedy, please take up the next section of your Exhibit No. 181.

A. This is Identification No. 9 and it is a statement which shows the results of operation for the year 1937 for the Eastern District, including the Pocahontas Region, and for the Southern Region, and the rate of return on investment in road and equipment, plus cash and materials and supplies.

Q. Now, take up Identification No. 10 of your Exhibit No. 181.

[fol. 4085] A. This is a statement which shows for the Southern Region for each of the years 1927 to 1939, inclusive, the results of operation, including income balance, after fixed charges, but before dividends and other appropriations of income.

This statement also shows in the last column thereof the charges which have been made to Profit and Loss for loss on retired road and Equipment not replaced. It will be noted that there were large deficits in the years 1931 to 1935, inclusive, and in 1938, while the income balances in 1936, 1938 and 1939, were rather small in amount.

The average annual income balance for the 13 year period was $10,964,079, while the average annual charges made to Profit and Loss for loss on retired road and equipment not replaced was $6,966,775.

By Mr. Grubbs:

Q. Have you anything further to add in this connection?

A. No, sir.

Q. Now, Mr. Kennedy, what have you to say about Exhibit No. 182 for identification, the one-sheet exhibit?

Mr. Norman: Just a moment. Before you go into that, may we be off the record for a moment, if the Commission please?

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

[fol. 4086] The Witness: I might explain that Identifications 4, 5, 6 and 7 were included in the exhibit as offered at St. Louis. Parts 8, 9 and 10 were sent out under separate cover. They are now combined in one exhibit, including parts 4 to 10.

By Mr. Grubbs:

Q. Will you please proceed, then, Mr. Kennedy, to discuss your Exhibit No. 182.

Chairman Aitchison: Just a moment, before you go into that.

By Chairman Aitchison:

Q. Have you carried through what the difference would be in the ultimate comparison of costs, if for the value used by Dr. Edwards you were to substitute book cost for investment, as indicated in your Identification 7? In other words, what would the result be in the relative position of the two territories as to costs?

A. As an individual item, no, Mr. Commission-, I have not. I would be unable to state what that difference is.

Q. Would it make any appreciable difference, looking at the ratios which are shown at the bottom of the sheet, Identification 7?

A. Identification 7, Mr. Commissioner, is the comparison of the original cost as computed by the Bureau of Valuation, with the carriers' investment in property used for transportation purposes, including cash, material and supplies. The bottom line of the section, line 12, also [fol. 4087] states what the percentages of the recommended values used by Dr. Edwards, are, to the original cost that would be computed by the Bureau. I do not know whether that is what you have in mind or not, Mr. Chairman.

Q. That is the line I am looking at, and your percentage there is substantially identical.

A. Yes: In other words, the percentage——

Q. Well, you have said "Yes."

A. Very well.

Q. That is sufficient. Now if instead of the 73 per cent of what is contained in this Sheet No. 1 of Identification No. 7, you were to use 100 per cent, what difference would that make in the ultimate result,—speaking now in terms of ratio.

A. Well, as to each of the cost scales—for the Eastern District, for example, of course Dr. Edwards' cost would be increased. Just what the increase would be, in percentage, I have not endeavored to figure. As to the Southern Region, of course, it would likewise be increased also. But as I say, I have not made any computation showing what the effect on the relativity would be,—if that is your question.

Chairman Aitchison: Proceed.

By Mr. Grubbs:

Q. Now, Mr. Kennedy, if there are no further questions at this time, will you please proceed to take up and discuss your Exhibit No. 182 for identification.

[fol. 4088] A. My Exhibit No. 182 for identification is a statement, showing a comparison of the Southern Region density of traffic and cost per revenue ton mile, with similar data for the Eastern District, and for the Eastern District including the Pocahontas Region, for the period 1928 to 1939, inclusive.

Q. What is the significant feature there, if any?

A. The significant feature of this exhibit is to develop that the ratio, from a cost standpoint, between the Southern Region and the Eastern District, of the Eastern District, including the Pocahontas Region, is not constant, but that it varies widely from year to year. The exhibit also indicates that there is a decided tendency for the cost ratio, speaking from the Southern viewpoint, to increase as the ratio of the Southern density to the Eastern density decreases. This may be observed by looking at the year 1932, where the ratio of density of the South to the East is .427, whereas the ratio of cost shows a ratio of the South to the East of 1.077. In other years, where the density ratio of the South to the East is higher, the cost ratio appears lower. This indicates to my mind that it is essential that a proper comparison be dealt with in considering what the relative cost status may be.

Q. Does that complete your statement, Mr. Kennedy, in connection with your Exhibit No. 182 for identification?
[fol. 4089] A. Yes, sir.

By Chairman Aitchison:

Q. You have not made any computation with respect to the relationship between the West or Southwest and Official Territory, have you?
A. No, sir.

Mr. Grubbs: I have just one or two additional questions, Mr. Kennedy.
The Witness: Yes, sir.

By Mr. Grubbs:

Q. In all of your exhibits, Mr. Kennedy, you have used all of Official Territory in comparison with Southern Territory, have you not, except where you have been restating a computation that was made by Dr. Edwards or Mr. Saunders?
A. Yes, sir.
Q. And except also as to your own exhibit, where you undertook to reveal the revenue effect of a transfer of the Official Territory level of rates and divisions to the South?
A. Yes, sir, that is correct.
Q. Well now, I would just like to have the record be clear, Mr. Kennedy, as to why in that one instance you made a comparison of ~~Southern Territory~~ with the Eastern District, that is, excluding the Pocahontas lines.
A. The reason why that was done was because the showing there made depended, to a great extent, on the [fol. 4090] average hauls per road that were compiled in the Federal Coordinator's Freight Traffic Report. Those

hauls per road were set up there for the Eastern District, and separately for the Pocahontas Region. There is no average haul per road shown in that report that includes the Eastern District—or rather, the Pocahontas Region with the Eastern District, so that I felt at the time that I could not get the correct average hauls from that report that would be applicable to the Eastern District, including the Pocahontas Region.

Q. And it was only for that reason that you did not show the whole of Official Territory in that instance; is that correct?

A. Yes, sir.

Mr. Grubbs: That is all.

Chairman Aitchison: Do you wish to offer the exhibits?

Mr. Grubbs: Yes, if your Honor please, at this time I offer in evidence Exhibits 181 and 182.

Chairman Aitchison: Without objection, they are received.

(Exhibits 181 and 182, Witness Kennedy, received in evidence.)

Chairman Aitchison: Cross-examine.

Mr. Norman: If the Commission please, my questions will be more in the nature of obtaining information, than strictly speaking, cross-examination.

[fol. 4091] Cross-examination.

By Mr. Norman:

Q. Mr. Kennedy, I understand that on sheet 3 of Identification No. 5 of your Exhibit No. 181, where you show, at the bottom of the sheet, that for the ten year period the ratio of the Southern Region per ton mile results to the Eastern District, excluding the Pocahontas Region, was 1.009, you are there using the traffic which was actually handled by the Southern Region,—or by the carriers in the Southern Region; is that correct?

A. Yes.

Q. And then in Identification No. 8, where you show the ratio of the Southern Region to the Eastern District of 1.094, you are applying the Southern Region cost to the Eastern District traffic; is that right?

A. Well, you are speaking there, of course, Mr. Norman, about two different things. Identification No. 8 includes the Pocahontas Region. The similar sheet in the exhibit to that, is sheet 4 of Identification No. 5, where comparison is made with the Eastern District.

Q. Well, on both sheet 4 of Identification No. 5, and also in Identification No. 8, you are there using the Eastern traffic, to which are applied the Southern expenses; is that correct?

A. Would you state that again, please.

Mr. Grubbs: Will you read the question, please, Mr. [fol. 4092] Reporter.

(Question read.)

A. No, sir.

By Mr. Norman:

Q. What has been done there, then?

A. What has been done there, Mr. Norman, is to apply the Edwards' formula in accordance with his separation of cost for the ten year period. The comparison is made up on the basis of the Southern Region cost and the Southern Region distribution of traffic.

Q. Well, that is true with respect to the first sheet that I have asked you about, which is sheet 3 of Identification No. 5; but, now, when we come to this sheet 4, is that a ten year period also?

A. Yes.

Q. And in that, you have—or rather, what have you done there? Will you state that again, please?

A. On sheet 4 the costs are stated on the basis of the Southern Region traffic, and its composition, and that is compared with what the Southern Region would be at the Eastern District costs.

Q. Eastern District costs?

A. Yes, sir, for the Southern Region composition of traffic.

Q. I see.

A. I therefore have two costs.

Q. Yes.

[fol. 4093] A. One of which is based on the Eastern District composition.

Q. Yes.

A. And the other, on the Eastern District applied to the Southern.

Q. Oh, I see. I had it just backward. You are employing the composition——

A. Eastern.

Q. —the Eastern composition——

A. Yes.

Q. To the Southern cost.

A. Yes.

By Chairman Aitchison:

Q. Well, which one of those do you contend is the one that most fairly and closely reflects the true condition?

Mr. Grubbs: Pardon me, your Honor. May we understand what your Honor means there by the true condition?

Chairman Aitchison: Costs.

Mr. Norman: The true costs.

A. Our contention, Mr. Chairman, is this, that it is impossible to make this territorial comparison from a breakdown costs, but that the only factors which are sufficiently reliable to give a correct index are the rate of return considered in connection with whatever the difference in rate level may be.

[fol. 4094] By Chairman Aitchison:

Q. Well, you are not very helpful, when you consider that the Supreme Court of the United States, in the proceeding brought by one of these same respondents, the Chesapeake and Ohio, the Conley case, said that no matter what the difficulties were, the separation of costs had to be made in determining whether the rates were confiscatory or otherwise. Now if the Chesapeake and Ohio was able to demonstrate that, in that case, why can you not give us some similar information here?

Mr. Grubbs: You will recall, if your Honor please, the reservation that Mr. Kennedy just made, as to the figures being percentage figures. We do not concede that these costs that have been developed are a reliable comparison, or comprise a reliable showing of relative costs.

Chairman Aitchison: Well, then, why do you not give us a reliable showing?

Mr. Grubbs: Our view is, you Honor, that it is impossible to develop that.

Chairman Aitchison: In the Conley case, that is what you succeeded in persuading the Supreme Court of the United States must be done, and also in the North Dakota Lignite case.

Mr. Grubbs: Our view is, if your Honor please, that when you take the whole of the territory, considering all of the traffic that moves, and all of the different ways in [fol: 4095] which it is handled, it is just simply impossible to compare the resultant costs, because you do not have like with like; you do not get the result in like figures.

Chairman Aitchison: Continue.

By Mr. Norman:

Q. Well now, Mr. Kennedy, on sheet 3 of Identification No. 5, you have there, for both regions, included all of the expenses, including taxes and a return of 5.75 per cent, and you have arrived at a cost per revenue ton mile for each of the regions, and you show that for the ten year period it was almost exactly the same; that is true, is it not?

A. Those are the recorded results, as reflected by the record, and are for different lengths of haul. For example, it will be observed from the column headed "Total, 10 years" on sheet 2, and on sheet 3—or rather—just a moment. Let me answer this way: Those are the results as recorded in the record, and they are for different lengths of haul in the Southern Region and in the Eastern District. For example, for the 10 year period, the average haul in the Eastern District, excluding the Pocahontas Region, was 158 miles, and in the Southern Region, 198.8 miles. There is no adjustment made there for the effect of the difference in length of haul.

Q. Well, but whatever the difference in the length of haul may be, when you include all of the expenses, why, [fol. 4096] you get practically the same answer in both cases, even though they are for different lengths of haul—or even though there be a difference in haul, do you not?

A. Well, the difference in haul, Mr. Norman, if both roads, both groups of roads were placed on the same basis, would change those figures, or would change that comparative result.

Q. I know, but these are comparative results, based on the hauls as they are, are they not?

A. Yes.

Q. Well, then, why do you want to change them from what they are?

A. Well, personally, of course, I do not want to change them. I want to make a comparison on the basis of the rate of return, which includes the expenses as they are, and which also includes the effect of the revenues as they are. Now the question of the possible adjustment that ought to be made for difference in haul is to an extent at least washed out, when you consider both the expenses and the revenues, so that the rate of return reflects what the true status is. Coupled with that, however, you must consider whether or not there is any difference in the relative rate level. Now, Dr. Edwards has attempted to make the adjustment that would be necessary to bring the comparison on the basis of the same average haul.

[fol. 4097] Q. But taking the lengths of the hauls as they are, and taking the costs as they are, you arrive at approximately the same cost for both territories, do you not?

A. Yes, but——

Q. And that includes a return of 5.75 per cent, does it not?

Mr. Grubbs: Pardon me, Mr. Norman, but I am afraid, I believe you interrupted the witness. He said "Yes, but"— and then you put another question.

Mr. Norman: I am sorry.

A. I was going to say, we arrive at the same cost, naturally, but you will observe for the 10 years that the rate of return for the Southern Region was 1.91 per cent, and for the Eastern District was 2.12 per cent.

By Chairman Aitchison:

Q. Well it all gets back to what your base is, on which you are figuring your rate of return, does it not?

A. Why, that affects it, yes, Mr. Chairman, but of course, if you adopt a different property value for investment in road and equipment, you adopt it in both territories.—

Q. Well, investment in road and equipment is simply book value, or book cost, is it not?

A. Yes, sir, that is correct. Incidentally, however, I have given you a comparison in Part No. 7 of investment in road and equipment in what the Bureau of Valuation computes to be the original cost.

[fol. 4098] Q. You have taken into account nothing for depreciation, have you.

A. No.

By Com. Splawn:

Q. You have not undertaken to show anything for depreciation?

A. No, sir.

By Chairman Aitchison:

Q. The property is entirely undepreciated?

A. Yes, sir.

Mr. Norman: That is all I have.

Chairman Aitchison: Is there any further cross-examination of Mr. Kennedy?

Mr. Eshelman: Just one question, please.

By Mr. Eshelman:

Q. Mr. Kennedy, in one of your answers to one of Mr. Norman's questions, I think that you quoted some average hauls. Were they average hauls per railroad?

A. Yes, per road.

Mr. Eshelman: Thank you.

Chairman Aitchison: Is there further cross-examination?

Mr. Smelker: Yes.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Kennedy, will you please refer to sheet 4 of Identification No. 5, of your Exhibit No. 181.

A. Yes, sir.

[fol. 4099] Q. Have you not departed substantially from the formula which was used by Dr. Edwards, in the including of constant expenses with terminal expenses?

A. Well, Dr. Edwards sets up a certain percentage of the expenses as being constant. It is true that in constructing his cost scales, he divides that in some manner—I think it is based on the out-of-pocket separation of the total hourly expenses—as between a terminal proportion and a linehaul proportion; or, to state it another way, a proportion that he says is to be divided on a basis of tons, and a proportion that he says is to be divided on a basis of ton miles.

Q. Well now, you are coming there to the next question that I wanted to ask you.

A. Pardon me.

Q. In other words, why did you——

Chairman Aitchison: Well, let the witness answer the first question that you asked. I do not know whether you meant to answer that question yes or no. You have given a little explanation here——

A. I had not completed it.

Q. —but you have not answered the question.

A. I have not completed my explanation.

Mr. Smelker: I did not intend to interrupt the witness, your Honor.

[fol. 4100] By Chairman Aitchison:

Q. Suppose you tell me yes or no first, and then you may make your explanation.

A. Well, that question cannot be answered categorically by a yes-or-no answer, Mr. Chairman, because the position that I take is this: Dr. Edwards has set out certain expenses, and he has designated them as constant expenses. Now, if those expenses are constant expenses, they cannot be constant and variable at the same time; so that in this exhibit I have treated them as constant.

Q. Well now, you either have or you have not followed a formula. Which is true?

A. I have not.

Chairman Aitchison: All right.

By Mr. Smelker:

Q. Well then, let me ask you this question, Mr. Kennedy: Why did you depart from the formula, in making your showing here?

A. Dr. Edwards has set up, as I stated, a certain proportion of the expenses, which he states are constant. He states that they are constant, and apply alike to each ton. His statement in that regard, taken from Exhibit No. 12, chapter 1, page 1, is this: "In so far as the constant expenses are concerned, any ton is treated as no different from any other ton." To that extent I have followed Dr. Edwards' plan.

Q. Well, but is it not true that Dr. Edwards' cost study separated the terminal and the linehaul, in so far as constant [fol. 4101] costs are concerned?

A. He did that, yes.

Q. And directly so.

A. He did that, yes, sir, for the purpose of constructing his cost scales; but here I am dealing with a territorial comparison.

Q. Why did you put all the linehaul content in the terminal?

A. For the very reason that if a certain body of expenses are constant, they cannot be variable, so that, if they are constant, they are subject to no change whatever by reason of any change in volume, or in haul, or any other change. They apply alike to each ton.

Q. Now will you please refer to line 24, and also line 25 on the same page, under the column Eastern District.

A. Yes.

Q. And will you explain in detail, please, how you arrive at the figure of .5024, and also the figure of .4076?

A. Yes, sir. That is based on Products of Mines only. It does not include gondola and hopper cars to the same extent that Dr. Edwards assigns traffic to gondola and hopper cars.

Q. Now you did not use the same separation in Identification No. 5, as you did in Identification No. 3, did you?

A. Yes.

Q. Did you not——,

[fol. 4102] Mr. J. R. Bell: Just a moment, please. Did I correctly understand you to say, Identification No. 3?

Mr. Smelker: Yes.

The Witness: Identification No. 3 is in Exhibit No. 18, the one which was filed at the previous hearing in this matter, at Indianapolis.

By Mr. Smelker:

Q. Now will you please refer to line 10, under column 4, the figure 158.

Q. Should you not have used the average haul per shipment rather than the average haul per road, in line with the formula of Dr. Edwards?

A. Well now, I will answer that question in this way, that if the average haul per shipment were available, which it is not, at the present time, I would be willing to use it.

Q. Is it not available through the work sheets, Mr. Kennedy, that were used in connection with Identification No. 3, in compiling that Identification?

A. No, sir.

Q. Of Exhibit 18?

A. No, sir, it is not. I do not consider the figure that would be developed there as being correct for the average haul.

Mr. Grubbs: A little louder, please.

Chairman Aitchison: Read that last answer.

[fol. 4103] (Answer read.)

By Mr. Smelker:

Q. Now, Mr. Kennedy, will you please refer to line 7, under columns 2 and 3.

A. Yes, sir.

Q. The percentage which you show under column 2, is 53.15 per cent, and under column 3, it is 46.85 per cent.

A. Yes.

Q. Now, if you had used the separation of Dr. Edwards, the percentage under column 2 would have been 24.47 per cent, and under column 3, it would have been 75.53 per cent; that is correct, is it not?

A. That is right—that is, if, as Dr. Edwards states, the linehaul proportion of the constant expenses were thrown into the linehaul column, that would be approximately correct, yes, sir.

Q. Now will you refer, please, Mr. Kennedy, to the statement on page 6.

A. Yes.

Q. Down at the bottom of the page, around the 5th or 6th line from the bottom, you have superimposed the constant costs of the South, of $123,000,000 plus, upon the Eastern railway plant, although the Eastern system is a very much greater system.

A. Yes.

Q. Did the Bureau study in any way indicate that you [fol. 4104] should take the constant expenses of one region and apply them as correct in another region, especially a larger region?

A. No.

Q. All right. Now, will you turn next, please, to sheet 13 of the same statement, where, after discussing the tonnage of coal carried by the Louisville & Nashville Railroad, and the Clinchfield, you say, "There appears no more justification for excluding the Pocahontas lines from the Eastern District than there would be for excluding the Louisville & Nashville Railroad and the Clinchfield Railroad from the Southern Region, because of the handling of a preponderance of Products of Mines."

A. Yes.

Q. Does not the coal tonnage for the East, excluding the Pocahontas lines, exceed that for the South, including the Louisville & Nashville and the Clinchfield?

A. On a tonnage basis, yes, sir.

Mr. Smelker: That is all.

Chairman Aitchison: Are there any further questions of the witness?

Mr. Grubbs: If that is all of the cross-examination, your Honor, I have just one or two further questions on redirect.

Redirect examination.

By Mr. Grubbs:

Q. Mr. Kennedy, is the relative showing between Southern [fol. 4105] and Official Territories, in their rates of return, affected in any material way by whether you use book investment figures, or the figures used by Dr. Edwards?

A. In the earlier years, starting with 1920, and on up into 1929, or perhaps a little bit later, there is quite a difference.

Q. I am talking now, Mr. Kennedy, about the figures that are used either in your exhibit, or that are used in Dr. Edwards' exhibit.

A. We are talking about the same thing.

Q. All right.

A. I am talking about the comparison of investment in road and equipment, as against the Commission's computed value. In the earlier years, there was a difference, but as time went on, however, and as we get down to 1939, that difference has gradually disappeared, so that in 1939 there is very little difference. I do not know, however, what the composite effect is, over the 10 year period.

Mr. J. R. Bell: May I interrupt for a question right there?

Mr. Grubbs: Certainly.

By Mr. J. R. Bell:

Q. As I understand it, the difference between the figures, between the two sets of figures, that you are talking about, was decidedly greater in the previous years, the earlier [fol 4106] years, and then they got closer together later on; is that correct?

A. I might explain here that when the statement was made in connection with the comparison between the East and the South, that is what I had in mind. The figures that I refer to are investment in road and equipment figures, and property used in transportation service, including cash, material and supplies on the one hand, as compared with the Commission's value for ratemaking purposes on the other hand. My statement, however, is correct, in the light of the comparison between the East and the South.

Q. I understand that, Mr. Kennedy, but I understood you to say that the value for ratemaking purposes in the earlier years was substantially higher, in your opinion, and now is about the same; is that correct?

A. Oh, no. It has always been lower. My statement is that there would be a difference in the comparison between the East and South, no matter which one of these figures you might use, in the earlier years; but that difference has tended to disappear, so that in 1939 it does not affect the relative situation to any great extent, at least.

By Mr. Grubbs:

Q. Mr. Kennedy, Is it not a fact that in the Interterritorial Divisions Case, the Commission found that the condition, the relative condition was not affected by whether you used the valuation figures of the Commission, or the book investment figures.

[fol. 4107] A. Yes.

Chairman Aitchison: Well, in the Interterritorial Divisions Case, you did not have any trouble, did you, in presenting relative cost studies as between these territories?

Mr. Grubbs: We took exactly the same position that we are taking here, if your Honor please, exactly the same.

Chairman Aitchison: Were there not cost studies presented——

Mr. Grubbs: By the Eastern lines, but we did just exactly as we have done here.

Mr. Eshelman: We used the Southern lines separation, however, and not one of our own.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Continue.

Mr. Norman: Is it not a fact that in the Divisions Case, the Eastern lines took the position that the cost in the South was no higher than it was in the East, and undertook to prove it?

Mr. Grubbs: And failed ignominiously.

Chairman Aitchison: Is there anything further from this witness?

Mr. Smelker: I have just a further question or two, if the Commission please.

Recross examination.

[fol. 4108] By Mr. Smelker:

Q. Mr. Kennedy, will you please refer to revised sheet 4, Identification No. 2, of your Exhibit No. 180, as shown by new Identification No. 8, of your Exhibit No. 181.

A. Yes, sir.

Q. Going to line 27, in the last column, and referring to the figure of $69,442,260, Southern Region Cost: Did not Dr. Edwards supply you with figures showing that that amount is in error?

A. Yes.

Q. And that the correct figure should be $61,795,538.

A. Yes, sir, that is correct. I have recomputed that here, in my own work sheets, and I find that it changes the ratio in line 34, to .92, and that it changes the ratio in line 37, which is the ratio of the Southern Region to the Eastern District, to 1.082, instead of 1.094.

Mr. Smelker: I believe that is all.

Mr. Grubbs: If the Commission please, before Mr. Kennedy is finally released from the witness stand, I would like to make a request—and it may be off the record, unless the Chairman thinks it should be on the record—and that request is this: We should like to have the privilege of presenting Mr. Kennedy at the Washington hearing in this proceeding, to show our side of any changes that may be made, or anything that may be presented at that time, by [fol. 4109] Dr. Edwards. Specifically, what I have in mind is this: Dr. Edwards has prepared certain additional testimony, that was to have been presented at this hearing, as I understand it, and in that testimony, and in exhibits, that he was to have presented here, he has undertaken to restate the revenue result showing that Mr. Kennedy has made. Now Mr. Kennedy feels that in that restatement, some rather serious errors have been made. He has talked at some length with both Dr. Edwards and Mr. Parr about the matter and they are going to discuss the matter a little bit further after Mr. Kennedy leaves. In view of that, I simply would like to have the reservation made, upon the record, that, if Dr. Edwards is unable to agree with Mr. Kennedy that the corrections which Mr. Kennedy thinks should be made, ought to be made, then Mr. Kennedy be permitted to return to the witness stand and show the effect of those mistakes, or those errors, as he considers them to be. Now, as I also said the other day, when we were discussing this same matter—although the discussion at that time was off the record, if I recall correctly—it may be, and it probably will be that when this new movement study comes out, Dr. Edwards will at that time desire to revise these tables that he was going to have presented at this time, but which he is going to present at Washington; and in that event, of course, we would also like to have the privilege of laying [fol. 4110] beside what may be submitted by Dr. Edwards, Mr. Kennedy's showing of how he thinks these results should be set up, and how they would be changed by the mistakes or errors that he believes now to exist in them, as presented by Dr. Edwards.

Chairman Aitchison: We understand, do we, that further efforts will be made to harmonize these possible differences?

Mr. Grubbs: Yes.

Chairman Aitchison: That is being done right now, as I understand it; is that correct?

Mr. Grubbs: That is right, yes, your Honor. We desire to do that, if possible; and I merely wanted to make the reservation so that it could not be said that, if it does develop that we shall want to put Mr. Kennedy on the stand again, if he and Dr. Edwards are unable to harmonize these differences, there was no previous arrangement made for it. That is all I have in mind.

Chairman Aitchison: You will get every opportunity to develop all of the facts that are necessary in this case.

Mr. Grubbs: Thank you. The only reason that I am raising the point at this time, I may add, if the Commission please, is that when I raised it the other day, you said that we would hear Dr. Edwards in Washington, but I do not recall anything being said about hearing Mr. Kennedy.

Chairman Aitchison: If there are no further questions [fol. 4111] you are excused, Mr. Kennedy.

The Witness: Thank you.

(Witness excused.)

Chairman Aitchison: Mr. Dixon.

Mr. Dixon: Recall Mr. Tassin.

J. S. Tassin recalled:

Direct examination.

By Mr. Dixon:

Q. Please state your full name.

A. J. S. Tassin.

Q. Are you the same Mr. J. S. Tassin who was previously sworn and testified in this case?

A. Yes.

Q. Did you attend the hearing in this proceeding, the original hearing, at St. Louis, Missouri?

A. Yes, sir.

Q. Did you at that time hear the testimony of Dr. Edwards?

A. Yes, sir.

Q. Have you examined Exhibits Nos. 2, 3 and 4, which were introduced by Dr. Edwards at that time?

A. Yes, sir.

Q. And have you also examined the work sheets underlying those exhibits?

A. Yes.

Q. Did you also attend the hearing at Indianapolis in this [fol. 4112] proceeding?

A. Yes, sir.

Q. Have you examined Exhibits 10 to 14, both inclusive, which were introduced by Dr. Edwards on that occasion?

A. Yes, sir.

Chairman Aitchison: Did you say, 10 to 14?

Mr. Dixon: Yes.

Chairman Aitchison: 10 to 13, were they not?

Mr. Dixon: Should that be 10 to 13?

Chairman Aitchison: I believe so.

The Witness: Dr. Edwards will correct me if I am wrong. Those were Exhibits 10 to 13, were they?

Dr. Edwards: Yes.

Mr. Dixon: Very well.

The Witness: Exhibit 10 covered the interterritorial interest.

Chairman Aitchison: The what?

The Witness: The interterritorial interest of the railroads.

Mr. Dixon: Those were Exhibits 10 to 13, then, were they, Dr. Edwards?

Dr. Edwards: Yes.

Mr. Dixon: Very well.

The Witness: I will accept that correction.

By Mr. Dixon:

Q. Mr. Tassin, as a result of what you heard, and subse-[fol. 4113] quently examined in greater detail, are the differences between Dr. Edwards and yourself in cost-finding procedure, fundamental and far reaching?

A. In what respect?

Q. First, with respect to the failure on the part of Dr. Edwards to segregate actual testimony from opinion testimony, and more particularly his equated distribution of deficits and overheads. Why have you ignored, so to speak, questions of application in detail?

A. Because I think that we must of necessity clarify our basic concepts, and establish our basic principles, first.

Q. Will you please illustrate, Mr. Tassin, what you have in mind, in making that answer.

A. As a shipper of carload freight, I accept the verdict of the track scale. As a shipper of less than carload freight, I accept the verdict of the platform scale. As a purchaser of groceries, I accept the verdict of the counter scale, but when I have a prescription to be filled, then I must demand the accuracy of the apothecary's scale.

Q. But the basic principle obtained throughout: is that the idea?

A. Yes, sir.

Q. And it is in this field where you and Dr. Edwards are at odds; is that correct?

A. Yes, sir.

[fol. 4114] Q. What is the most fundamental and far reaching difference between you?

A. I believe I have mentioned that already: His failure to segregate factual from opinion testimony, and more particularly, his equated distribution of deficits and overheads.

Q. What is his basic concept there?

A. It has a two-fold aspect. In the first place, he, instead of charging the general transportation burden to the traffic that is best able to bear it, he reverses that principle, and he charges it to the most expensive traffic, that is, the traffic that is the most expensive to handle. Now that involves itself in, or evolves itself into, a vicious circle, which I believe I can illustrate in a very simple way. He first establishes cost at the level of expenses, rents and taxes, and then, because the Commission's segregation shows that there is a passenger deficit, he puts that upon freight, which will immediately make certain classes of freight pass on that deficit to still other freight; and carrying that process to its logical conclusion, we get right back where we started, because the majority of the roads fail to earn their capital carrying cost, and there is not any freight that ultimately bears this pyramiding of deficits. In other words, we have got a deficit to start out with, on all traffic.

[fol. 4115] Q. Are you referring now to the several levels at which Dr. Edwards has computed costs?

A. Yes, sir, none of which I can accept.

Q. Why is that basically unsound?

A. Because the transportation burden is in fact met by the volume of revenues produced by the margin in the cost, and not by the margin between cost and rate.

Q. In what way?

A. A low margin may stimulate a large volume of traffic, and that is what pays the transportation burden.

Q. An injudicious margin, by restricting rather than stimulating traffic, might add to rather than help there the general transportation burden; is that what you have in mind?

A. Yes, sir, that is just exactly what I have in mind.

Q. What is your own method, in this important respect?

A. My own method is, first, to determine the nature and extent of the revenue need. That is as far as we have to go in any case, except where minimum rates are concerned; and that is as far as I have gone in this case, and I feel that is all that is necessary to meet the requirements of this case, since minimum rates are not involved here.

Q. Do you have a simple and readily available method to follow?

Chairman Aitchison: Just a moment. I wonder why the [fol. 4116] witness thinks minimum rates are not involved here?

The Witness: Well, I will admit, Mr. Commissioner, that it is pretty difficult for any of us to decide as to just exactly what is and what is not involved in this case,—that is, judging from the testimony that I have heard. But that has been my understanding, and, although again I may be wrong, I did not think that minimum rates were involved in this case and that is why I did not furnish particular costs.

Chairman Aitchison: Continue.

By Mr. Dixon:

Q. Mr. Tassin, do you have a simple and readily available method to follow?

A. Yes.

Q. What is that?

A. To operating revenues I add the income derived from rents receivable, and that gives me gross operating income. To operating expenses I add taxes and rents payable, and that gives me the gross operating outgo. To the last figure I add the amount required to meet capital carrying costs and that gives me the gross revenue need. By dividing the gross operating income into gross revenue need, where the ratio is greater than 100, the excess over 100 is the percentage by which gross must be raised in order to provide a living wage for the railroads.

Q. Do you do that for each individual line?

[fol. 4117] A. Yes.

Q. Can you explain that a little more fully?

A. As to why?

Q. Yes.

A. Is that your question?

Q. Yes.

Chairman Aitchison: No. The question was "Can you explain that?"

Mr. Dixon: My question is, if the Commission please: Will you explain that a little more fully.

A. Oh, a little more fully?

By Mr. Dixon:

Q. Yes.

A. Well, I do not accept the basic concept that we have got one big railroad in the North and another railroad about half its size in the South. We have got a number of individual railroads, both in the North and in the South, each of which is equally entitled to life, liberty and the pursuit of profits; and the different railroads, with their different requirements, must be put together for comparative purposes.

Chairman Aitchison: That is sometimes referred to, I believe, as life, liberty and the pursuit of shippers. (Laughter.)

The Witness: We get our profits out of our friends, Mr. Chairman, and that is why we try to make friends of all [fol. 4118] of our shippers.

By Mr. Dixon:

Q. Is that the only difference between Dr. Edwards and yourself in this respect?

A. No, sir, it is not. I have already intimated a second major difference; and there is a third also. The second one, as I have stated, is this basic concept that we can statistically consolidate the railroads. You can put them into groups, and properly weight them statistically, but you cannot consolidate them. Another major difference between us is that in determining the elements of revenue need, or the general transportation burden, one year does not suffice, but we must have a showing over the requisite period of years, good and bad alike.

Q. How do you determine that relationship in the case of revenue need?

A. Well, I use the proper statistical method of weighting. In the case of—well, for instance, in Ex Parte 148, I would have arrived at a weighted average on the basis of greatest common experience, and not by aggregating the roads in the various territories.

Chairman Aitchison: What was that last answer?

(Answer read.)

By Mr. Dixon:

Q. Why do you use investment in railway property used in transportation service——

A. For several reasons.

[fol. 4119] Mr. Dixon: Just a moment, please, until I complete the question.

The Witness: I am sorry.

By Mr. Dixon:

Q. —plus cash, materials and supplies, and an annual return of 5.75 per cent thereon, as constituting an amount of net railway operating income proper for the railroad to aspire to as a minimum living wage under normal conditions.

A. As I say, for several reasons; both with respect to investment in railway property used in transportation service, and the return computed at 5.75 per cent.

Chairman Aitchison: I would like to ask you, Mr. Dixon, whose testimony is being rebutted here.

Mr. Dixon: Pardon me, your Honor?

Chairman Aitchison: Who is being rebutted here, now—whose testimony?

Mr. Dixon: The testimony of Dr. Edwards and Mr. Saunders.

Chairman Aitchison: Well, those witnesses put their testimony in before Mr. Tassin testified before, did they not?

Mr. Dixon: Well, unfortunately, if your Honor please, I did not attend the previous hearings in this proceeding, and therefore I would not be able to answer your question.

Chairman Aitchison: The Commission put its testimony [fol. 4120] in first.

Mr. Gwathmey: As I recall it, Mr. Chairman, Dr. Edwards put in some additional testimony at the hearing at Indianapolis.

Chairman Aitchison: Dr. Edwards put in a recalculation at the Indianapolis hearing.

Mr. Gwathmey: Yes.

Chairman Aitchison: It seems to me that we are just running into a rehash here, with respect to rate of return, and all that sort of thing. Mr. Tassin has already had an opportunity to express himself, and he has done so.

Mr. Gwathmey: Mr. Dixon was not at the Indianapolis hearing. It is my understanding, if the Commission please, that Dr. Edwards, in the additional data which he put in at the hearing at Indianapolis varies in certain important respects from what he put in at the St. Louis hearing. His presentation at Indianapolis includes considerable additional matter; among other things, the use of a 4 per cent rate of return.

The Witness: Also, Mr. Saunders testified at Indianapolis.

Mr. Gwathmey: And Mr. Saunders testified at Indianapolis, basing his testimony, supposedly at least, upon what had been put in by Dr. Edwards. Now it has been our understanding, sir, that we would be privileged to rebut the [fol. 4121] testimony of those gentlemen at this hearing. That was stated at Indianapolis.

Chairman Aitchison: All right, but it appears to me that you have already had that opportunity. If you have not had it at Indianapolis, you will have it now, but Mr. Tassin certainly argued that question at very great length, about the rate of return, and his theory, and so forth. He had some 30 odd exhibits, if I recall it correctly.

Mr. Dixon: May I proceed, then, your Honor?

The Witness: Let me answer that, please. I am saying nothing here, Mr. Commissioner, that I said at Indianapolis. This is in addition, brought about by the further developments, the use of the 4 per cent; and by the testimony of Mr. Saunders.

Chairman Aitchison: All right.

By Mr. Dixon:

Q. I do not believe you finished your answer to my last question—did you, Mr. Tassin?

A. No.

Q. Will you proceed.

A. I have not had a chance as yet to answer it at all,—with reference to why I myself have used Schedule 211-N of our annual reports to the Interstate Commerce Commission, instead of the figures used by Dr. Edwards and Mr. Saunders. My answer to that is that there are several reasons. First, with respect to our own roads, I know, as an actual fact [fol. 4122] that the sum total of the figures that we report to the Interstate Commerce Commission in that Schedule, is less, and not more, than the amount of investment that either prudently went into the property, or would presently be required to produce these properties. I presented claims in great detail in our valuation proceedings, requesting the Commission to adjust into, as well as out of, our Investment Account. The Commission, for the sake of uniformity of practice, adjusted out, thereby understating our Investment Account, but would not even check the claims that I presented for adjustment into the account of a great volume of earnings that had been plowed back into our properties, which, under the existing classification, should be included in the Investment Account, and excluded from earnings, thereby both raising our Investment Account and our net earnings over the period prior to the valuation date.

Q. Have you completed your answer?

A. No, sir. Just a moment further, please. That is only one of the reasons. I know that the figure is conservative, from our point of view. I know also, by actual study, as my exhibits will show, that the return computed at 5.75 per cent, is conservative. Another reason why I use that basis is because it is the only basis, under the policing power of the Commission, that has been available to us for a considerable period back. The third reason why [fol. 4123] I use that basis is because it has commonly been used by Dr. Parmelee in all of his statistics from 1921 on. He bases his rate of return earned by the railroads, on the amount of their investment in property used in transportation service, plus cash, materials and supplies. Again, the last and final reason is that this cost basis, or accounting basis, can very readily continue to be used, even if the Commission should find that the cost of transportation—or rather, I mean to say, the value of the transportation service, is less than its cost, as Dr. Edwards and Mr.

Saunders have found. That would merely have the effect of lowering the rate of return on the investment basis.

Q. Have you now, Mr. Tassin, fully completed your answer to my last question?

A. Yes, sir.

Q. In short, then, you have determined by actual investigation, that this is a convenient and conservative measure for determining capital carrying cost in rate cases; is that it?

A. That is the idea, yes, sir.

Q. Do you consider that a finding of value?

A. No, sir.

Q. Do you consider prudent investment a cost or a value basis?

A. It might be either, of course. I use it as a cost basis. [fol. 4124] Our investment is less than prudent investment; that is, it is prudent investment, conservatively stated. Our investment is our first line of defense.

Q. You do not, then, undertake to furnish the Commission with a preconceived judgment as to value?

A. No, sir, I do not. I am not what you would call a single-sum man, anyhow. I would rather have three or four reasonable bases of valuation offered, to permit of an informed judgment as to value with respect to the railroads.

Chairman Aitchison: I might say, I agree with you, but 25 years ago the Commission held otherwise.

The Witness: At that time, Mr. Chairman, we were confronted with the proposition of recapture, which has now been removed from the picture.

Chairman Aitchison: No, at that time, we were not confronted with the proposition of recapture.

The Witness: Well, subsequently, I mean; but now that the matter of recapture is entirely out of the picture, I prefer a reasonable judgment to a compromise single sum.

By Mr. Dixon:

Q. The first step in your procedure, then, as you have described it, is to determine, road by road and as properly related in groups, over a period of years, the fact and extent of revenue need.

A. Yes.

Q. What is your second step?

[fol. 4125] A. My second step, in those cases where it is required, is to segregate the direct costs, which fall under two heads: Joint facility costs, where we have a record of the local costs; and other than joint facility costs. Then I subdivide those into four basic services, namely, car service, road service, switching service, and terminal service, working out a logical statistical value for each one. Then in those cases where I have to cost a particular traffic in order to determine whether or not a specific rate has any margin in it at all, I cost the movement of the traffic on those bases, having thrown entirely to one side the element of general transportation burden, in which I include the cost of non-revenue service.

Q. What are those elements of indirect costs or overheads?

A. The elements are: General expenses, traffic expenses, taxes, and finally, capital carrying cost, and, as I have said, the cost of non-revenue services, after I have computed them on the basis of statistical unit values for direct costs.

Q. What is this cost of unused capacity?

A. This cost of unused capacity is a substitute that I am offering for Dr. Edwards' so-called out-of-pocket costs.

Mr. Dixon: Will you read the question to the witness, please, Mr. Reporter.

(Question read.)

[fol. 4126] The Witness: I have not completed my answer.

By Mr. Dixon:

Q. Pardon me. Proceed.

A. It is my attempt to set the cellar floor under the costs, and provide a figure that would be—or that might be used to determine the minimum below which rates should not logically go. I have since reached the conclusion that possibly a better and more logical way to reach that sort of result would be to determine the cost of unused capacity, and segregate that as an element of general overhead. I am proposing to develop along both lines, I am opening up the field, because I cannot accept Dr. Edwards' discounting of cost under the guise of "out-of-pocket." You cannot determine out-of-pocket cost upon a percentage basis, because your volume is constantly moving in both directions, and you never get a divisor that has not got volume in it, and you never get a percentage that does not to some extent reflect volume; and if you are measuring along the line of a down-trend in the traffic, you get one result, and if you are measuring along the line of an uptrend in the volume, you get another result. For example, measuring the Southern Railway against 1932, the all-time low, 1926, the previous high, was 75 per cent above, and 1941, the present high, slightly higher than 1926, is only 45 per cent above.

Q. Dr. Edwards' out-of-pocket per cents fit no conditions, other than those that produced them; is that your point? [fol. 4127] A. That is my point exactly, yes, sir. Now you cannot, by the use of any statistical measure, set up a line of per cents to measure out-of-pocket cost that can be applied to subsequent years at random. They fit only the occasion which developed those particular per cents, in the first place.

Q. How would you go about computing the cost of unused capacity?

A. In computing the cost of unused capacity, your entire movement of empty cars is unused capacity; the excess of your tractive effort of the locomotive over the load that is actually carried, is unused capacity; and the capacity of your road to carry more trains than are being run, is unused capacity. I would gather together, then, all of those items, and apply the property statistical measures to them, and segregate that as overhead.

By Chairman Aitchison:

Q. Would you give any credit to unused capacity because the road was not used to capacity anywhere along the line?

A. I did not give it any credit, no, sir, but at the same time I think that the facts ought to be set forth where we can all see them.

Q. Or because, for instance, the wear and tear on a car that is loaded is not as great as it is on a car that is not loaded?

[fol. 4128] A. I did not get that.

(Question read.)

A. My answer would be the same.

Q. I had always understood that energy is the product of mass times the square of valocity, and mass includes the load that is in the car as well as the weight of the car itself.

A. Well, I am not a formula man, Mr. Chairman. All I can say — that a house that is lived in does not depreciate as much as a house that is empty.

Q. Do you know whether or not that is the basic factor, or the basic formula on which the whole theory of American engineering is predicated?

A. I have a very great deal of respect for engineers, both mechanical and civil engineers, Mr. Chairman, when they bridge streams and tunnel under mountains, and so forth, and so on; but when they get into matters of formula —well, I am very sorry.

Q. Then you would not accept the formula that E equals V-squared times M?

A. I do not accept any formula, sir. I am a comparative statistician.

By Com. Splawn:

Q. Well then, how are you getting this apothecarial exactness to which you referred a while ago, in your computations?

[fol. 4129] A. By weights and measures, Mr. Commissioner, adjusting each to arrive at a common level.

By Chairman Aitchison:

Q. Did I correctly understand you to say just now that you do not accept any formula?

A. I am not a formula man, Mr. Chairman; positively not.

Q. Well then, why do you, on sheet 4—I believe it is sheet 4—just a moment. This exhibit is not paged, apparently.

A. Are you referring to Exhibit 181?

Chairman Aitchison: What in the wide world is the objection to consecutively numbering the pages of an exhibit? What is wrong about that, or unreasonable in asking that that be done? Are we supposed to be clairvoyant, or what, that we can find something on a page that has no number on it?

Mr. Dixon: May I explain, if the Commission please. I believe that this exhibit was prepared prior to the publication of the Commission's new Rules of Practice,—that is, that particular portion of the exhibit; and then after that it was consolidated into one exhibit. That is what makes it sort of cumbersome.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

By Chairman Aitchison:

Q. Will you turn to the Cincinnati, New Orleans & Texas [fol. 4130] Pacific. Have you not, in your 4th line of figures there, applied a formula of your own?

A. Why, I would not call that a formula, Mr. Chairman. I call that a line of comparison, because I have offered in this computation several lines of comparison.

Q. This particular one attempts to derive the cost of reproduction of land, does it not?

A. I call attention there, Mr. Chairman, to the fact that I have had a study made, under my supervision, of the reproduction of our land on the basis of adjoining and adjacent values, since 1903, and compare that with the actual cost of the land, and we have allowed 14 cents on the dollar. Now, from the standpoint of prudent investment, of course, we are not going to claim an investment of $14,000,000 with respect to those lands.

Q. You have used this, however, to arrive at the present value of the land?

A. The present prudent investment in property.

Q. Well now, maybe we know that the cost was somewhere around there, and maybe we do not. However, you have used this formula as a multiplier, and have thereby increased the figure $900,000 to approximately $35,000,000, in determining the cost of acquiring the land, have you not?

A. I have done that, sir, yes, but not as a formula; on the basis of experience.

Q. Not as a formula; on the basis of experience?

[fol. 4131] A. Yes, sir.

Q. But reduced to a formula basis?

A. Reduced to a ratio basis, sir. I do not consider a ratio a formula.

Q. Well, I suppose that if the experience had been something else, the ratio would have been something else; is that correct?

A. It certainly would, yes, sir, and I would have used a different ratio on the Alabama Great Southern from the one used on the Cincinnati, New Orleans and Texas Pacific, because the experience was different.

Q. But you used the same method?

A. Yes.

Q. Well now, if that is not a formula, then I do not know what a formula is. Apparently you and I have very little to differ over.

A. Well, I do not see any reason why anyone should quarrel merely over words, of course, no, sir.

Q. Well, I do not know why anyone should deny the rules of mechanics.

A. I have nothing to do with mechanical matters, Mr. Chairman. I am not a mechanic. I am an accountant, or auditor.

Chairman Aitchison: Continue.

By Mr. Dixon:

Q. Mr. Tassin, what disposition do you make of direct [fol. 4132] costs?

A. As far as direct costs are concerned, as I explained before, I translate them into basic unit values, and apply them where minimum rates are involved, or where there is to be a comparison between different modes of transportation,—where that is pertinent, in other words. However, I have not considered them pertinent in this case.

Q. What are the basic services?

A. I believe I have already covered that subject, Mr. Dixon,—as to the four basic services.

Q. Have you discussed the matter of the separation between freight service and passenger service?

A. I have not as yet discussed the separation between freight and passenger, no, sir. However, I anticipated that, in a way, when I referred to the segregation as between factual testimony and opinion testimony. Dr. Edwards proceeds entirely upon the basis of the separation which he outlined here in his testimony, and that separation is on the basis of opinion testimony and not factual.

By Com. Splawn:

Q. What is the result of experience, except the opinion of him who has had the experience, from looking at what he found the experience to be?

A. The law, Mr. Commissioner, wishes to protect this very important process of finding value, by putting it on a comparative basis, and requiring an explanation of differ- [fol. 4133] ences, and an analysis of methods. That applies to an accountant, the same as it does to an engineer, and that is why they call them cost figures as well as appraisals.

By Mr. Dixon:

Q. How did you arrive at a separation between the services?

A. I compute the statistical unit values on what is common to both freight and passenger, and then apply that same unit value to either, as may be appropriate.

Q. What are the differences between Dr. Edwards and yourself with respect to car service?

A. I have set up car service as a distinct service. Dr. Edwards apportions car service between linehaul and switching, which I think is an overrefinement that gets us into difficulty, that confuses, rather than clarifies, the issues involved. Car service is a distinct service.

Q. What are the differences between Dr. Edwards and yourself with respect to terminal service?

A. I see no major difference between Dr. Edwards and myself in that connection, except of course that I do not accept his pyramiding of overhead on direct costs.

Q. What do you mean by "pyramiding"?

A. I mean, making the more costly service there the larger proportion of the overhead.

Q. What principle do you apply?

A. My principle is that the elements of overhead should [fol. 4134] be segregated, and put to one side, and measured by the volume of revenue available to cover them after direct costs have been computed.

By Chairman Aitchison:

Q. Well now perhaps that means something to you, Mr. Tassin, but it does not convey anything intelligible to me. I wish you would explain that a little further.

A. Well, I am going to tell you what I do. Mr. Commissioner. I make this concession to the demand for comparisons, that I surtax overheads on direct costs because people like to see that comparison, but I repudiate that, in principle,—that is, the surtax method. I also excise, from the revenue that is produced by a particular rate, what would be required to cover the general transportation burden if each rate bore its share equally; and that leaves an amount which I compare with the direct cost of transportation on all traffic, which shows whether there is enough to make the contribution or not. I do not subscribe to that method, either, and I offset one with the other to show that both are false.

Q. Well, I do not know what that means, either. What I want to get at is this: We are talking here about the distribution of joint costs——

A. No, sir, I am not talking about that. The question here is—or, what I am talking about is the distribution of [fol. 4135] the transportation burden.

Q. The question was asked you about the overheads.

A. Overheads are an element of the general transportation burden.

Q. Yes, but they are also a joint cost, are they not?

A. I do not consider them as joint costs.

Q. You do not?

A. No, sir. They should be segregated, and dealt with entirely on their own merits.

Q. Well, if they were joints costs, would you have any criticism of the method in which they have been distributed?

A. Yes, sir, because that method *my*ramids them on the more costly operation, so that, the more costly the operation, the greater the proportion of the overheads that is borne.

Q. Is that not the theory that is generally accepted by the economists?

A. That may be, sir; I do not know; but even if they do accept it, I do not accept it.

Q. Well, answer the question, please. Do you know whether or not that is the theory that is generally accepted by economists?

A. I do not know about economists. However, I will say that it is the theory which is usually advanced in these cases. I have not found economists to agree very much on anything.

Q. Or statisticians either?

[fol. 4136] A. That is right, sir,—or lawyers, or any professional man.

Q. As a matter of fact, your own accountants disagree as to statistical or accounting methods, do they not?

A. I do not know as to that, sir, but I might remark, my object is to tell the truth, as I see it, because I do not think that anybody should compromise his honest opinion.

Q. Nobody is suggesting anything of the sort. I am just asking you whether or not other people all have the same opinion that you have.

A. Well, they are coming my way now, I would say, after ten years of effort.

Q. What do you mean by overheads?

A. The question again, please?

Chairman Aitchison: Read it.

(Question read.)

A. I mean by overheads, elements of cost that must be borne by the traffic in general, and that cannot be pinned down to any traffic in particular.

Q. And do I correctly understand you to say that that is not a joint cost?

A. I do not call it a joint cost, I do not consider it as a joint cost, no, sir. It is a cost.

Q. I said, a joint cost.

A. It is a cost that can be prorated.

Q. That can be what?

[fol. 4137] A. It is a cost that can be prorated, but I do not think it is a cost that can be properly prorated.

Q. Oh, well, that begs the whole question.

A. I do not think it does, sir, no. It is a straight answer, —or at least was intended to be.

Chairman Aitchison: All right.

By Com. Alldredge:

Q. Well, do you not consider the cost of maintaining the unused capacity of the railroad plant also as an overhead?

A. I am very sorry, Mr. Commissioner, but I could not hear that back here.

(Question read.)

A. As I stated before, Mr. Commissioner, that would be the cellar floor, under costs, yes, sir, but when you come to the main floor, I want something left in there, for the main floor.

By Mr. Dixon:

Q. What are the differences between Dr. Edwards and yourself with respect to switching service?

A. There is very little difference there. Dr. Edwards throws out of switching into linehaul the train-to-train switching charge. I leave it in there as an element of switching cost.

Q. What are the differences between Dr. Edwards and yourself with respect to road service?

A. We have a considerable difference there. Dr. Ed- [fol. 4138] wards has figured his costs by the mile, using five kinds of miles. I have used two basic measures with respect to road service. I separate the cost of road service between what is affected by weight and intensified by speed on the one hand, and what is not so affected on the other hand. In connection with the first, I develop the tractive effort ton mile unit, and in connection with the latter, the train-hour unit. In other words, the train is a unit of transportation, and I ascertain the cost of the train first, and pass from that to the cost of the car in the train, and then I pass from that to the cost of the ton in the car.

[fol. 4139] Q. How do you proceed to cost particular traffic over a particular route?

A. Well, I get the units of service rendered over that particular route and apply the statistical units developed for that purpose.

Q. What do you do with the total of the result?

A. As to the total of the result—that is the direct cost, of course—I compare that with the rate under review to determine whether the rate makes any contribution to the general overhead burden over and above the direct cost of handling the traffic.

Chairman Aitchison: Do you consider that a formula?

The Witness: I do not consider that a formula, sir.

By Mr. Dixon:

Q. You provide no direct comparison between the individual ratio or computation and the build-up to build costs?

A. No, I do not. All an accountant can do is to show that the given rate under review makes some contribution to the general transportation burden. That contribution is not in margin, but in volume of traffic stimulated.

Q. What is the first such line of general comparison?

A. Well, I have already covered that in trying to explain to Chairman Aitchison that I used both the excise method and the surtax method to show that both are wrong.

Q. What is the alternate line of general comparison?

[fol. 4140] A. Well, one line was the surtax method and the other was the excise method.

Q. Do you consider this any more conclusive than the first method?

A. The excise method is not.

Q. What, in the last analysis——

Chairman Aitchison: What is the excise method?

The Witness: The excise method is to take the revenue produced by the rate and deduct it from the amount of revenue required to cover the transportation burden, assuming that all traffic made an equal contribution.

By Mr. Dixon:

Q. What, in the last analysis, do you establish by your procedure?

A. By my procedure I establish whether a rate is or is not a burden on other traffic. If it makes any contribution at all, it is not a burden on other traffic. By "any contribution", I mean any excess over direct costs and possibly over sub-cellar costs at capacity to produce.

Q. In your judgment, is that the extent of the contribution by cost finding procedure to the complex problem of rate-making?

A. Yes. There is the big difference between Dr. Edwards and myself. He assumes you can pass logically from the cost support of a minimum to the cost support of a maximum reasonable rate. I say you have to stop with the [fol. 4141] minimum rate, and beyond that costs have very little influence.

Q. What are the differences between Dr. Edwards and yourself with respect to the cost of non-revenue service?

A. Well, Dr. Edwards absorbs that. Dr. Edwards allows nothing for the contribution by passenger. I compute the costs of non-revenue service and treat them as an element of overhead.

Q. Under your procedure, what becomes of deficits?

A. Why, deficits just stand against the volume of revenue that is produced which may or may not—for example, in the majority of cases over a period of years, our roads have not been earning their capital carrying costs, so why start out with developing deficits if you cannot carry them to a logical conclusion; and if you do, you find they are not met in the last analysis or only partially met.

Q. Are there any further differences other than with respect to valuation between Dr. Edwards and yourself which you would care to go into at this time?

A. I think not. I think Dr. Edwards and I are very well agreed that if we start out on the right foot, we can regulate the amount of detail work that is necessary in particular cases, and save all of us a lot of grief.

Q. In other words, the principle of the procedure must be established first, and a practical application can be taken up afterwards?

[fol. 4142] A. That is right. Dr. Edwards and I will not disagree very much on practical application of the right principles.

Q. Did you hear the testimony of and examine Exhibits 86 and 87 introduced by Witness Saunders in this proceeding?

A. I did.

Q. Did you pay particular attention to his experience in matters appertaining to railroad valuation?

A. I did.

Q. What has been your own experience in this respect?

A. I was detailed to valuation work in 1914. I stuck with it until 1932 when I was transferred to my present position as general statistician. I had 18 years of that misery.

Q. Other than as a witness and a member of several committees, did you ever have occasion to give public expression to your views on matters appertaining to valuation?

Chairman Aitchison: How important is that?

Mr. Dixon: I do not think it is important, Mr. Chairman. I will withdraw the question.

Chairman Aitchison: Very well. Proceed.

By Mr. Dixon:

Q. What do you consider the basic valuation requirement?

A. The basic valuation requirement, of course, is to get at the physical facts through an actual inventory and then to translate those physical facts into dollars on a three-fold basis, by developing first the original cost to date of those [fol. 4143] units, next the current cost of reproduction, and third the current cost of reproduction less depreciation.

Chairman Aitchison: If we are going to go into that, we will certainly spend hours on these valuation matters. We have listened to the testimony of the Atlantic Coast Line. I have forgotten whether Mr. Tassin spoke of that or not.

Mr. Dixon: Mr. Chairman, I have only a few more questions. I think we will be through in a few minutes, if you will permit me to proceed.

Chairman Aitchison: I do not know why I should permit you to proceed with testimony which is not rebuttal. You are taking time from your colleagues here.

Mr. Dixon: I believe Mr. Tassin had an hour. I do not think he has used that much time.

Chairman Aitchison: He has not even explained these exhibits as yet.

By Mr. Dixon:

Q. Mr. Tassin, your exhibits have been identified as Nos. 183 and 184.

A. Yes.

Q. Please address yourself to those exhibits as briefly as possible, and simply do what you consider necessary to explain the get-up of the exhibits, to assist the Commission and the parties to understand.

A. First, as regards the get-up, and throwing some [fol. 4144] light as to the make-up of these exhibits, all of us have—I know I have—a lot of stock exhibits developed as I am able to develop them and which are usable in various cases. Those are the individual statements and they are gathered together for use in any particular case and stamped in an order in which I wish to introduce them. Take Exhibit No. 183: That is stamped by the identification No. "13", and becomes in that way a section of the entire exhibit.

Q. That is that little blue number?

A. Yes.

Q. At the top center?

A. Yes, the numbering machine number.

Q. Yes.

A. They are simply stamped by numbering machine in the order in which they are to be introduced. Where that section contains more than one sub-section, it is similarly stamped. Where any sub-section contains a number of sheets, those are cut in on a stencil on the typewriter. The reason for that, as I say, is because we all have in storage a lot of this statistical material which we can draw out and use as occasion demands. Take my Section No. 13——

Chairman Aitchison: It does not seem to be here.

Mr. Norman: Is that the little one?

Chairman Aitchison: To what exhibit are you referring now?

[fol. 4145] The Witness: Exhibit No. 183. On the inside of the title page there is shown the section by identification number, and it shows briefly what the section is about. Then in each of those sections where there is a sub-section, the very first section presents a summary, which is the summary that the Commission desires, of what is in that section.

Mr. Norman: So we may be perfectly clear, is Exhibit No. 183 the big one or the little one?

Mr. Dixon: The small one.

The Witness: 183 is the little one, and if you will look on the inside you will see that it has four sections identified by the Nos. 13 to 16, inclusive. This was distributed at Indianapolis.

Mr. Norman: I see now.

The Witness: With respect to Exhibit No. 183, each one of those sections shows what it is about and I am not going to get into trouble by offering any comments. Exhibit No. 184 follows with Section 17, Identification No. 17 and goes through No. 24. Now, I am going to make a brief comment on this Identification No. 17, the fact and extent of revenue need. I have introduced a new comparison here. I have weighted the revenue need of the individual carriers in the United States in proportion to their participation in revenue [fol. 4146] derived from what I call merchandise traffic, meaning by that term manufactures and miscellaneous, carload and less than carload. Other than that I have no explanation to offer.

With respect to Exhibit No. 18, or Section No. 18, marked for new railroad capital, this is my defense for my use of the 5¾ per cent return on investment as a basis of comparison. Now, I have gone back and studied the cost of new railroad capital or the price of new railroad capital, meaning by that term as it is used in the statistical authorities, the price received for new railroad bonds floated for periods of years. The rate thus disclosed is applicable, of course, to the par value of bonds and is not a proper rate of return to apply to a value that has been discounted anywhere from 30 to 40 per cent. Futhermore, the price that is received for new railroad bonds alone is not sufficient to provide financial security for the railroads.

Take New York, for example: before those securities can be legally acquired by trust companies or savings banks, that fixed charge must be earned once and a half times for one year and at least covered for five years previous. So in order to provide proper credit for railroads, the measure to be used is that price raised by one-half.

[fol. 4147] Chairman Aitchison: What is this all directed to, Mr. Dixon?

The Witness: It is directed to the——

Chairman Aitchison: I am asking Mr. Dixon. What is this all directed to?

Mr. Dixon: Mr. Chairman, I would prefer to have the witness answer that question. As you know, I am only pinch-hitting for Mr. McGehee.

Chairman Aitchison: I see.

Mr. Dixon: I have not been in the case before last Monday.

Chairman Aitchison: What is this all about?

The Witness: This is in rebuttal of the use by Dr. Edwards and Mr. Saunders of a 4 per cent return on 60 per cent of our property.

Chairman Aitchison: I have the impression we went pretty carefully into that question of return.

The Witness: I am only going to make one further comment and call attention to just one thing. It is in Identification No. 23.

Chairman Aitchison: By the way, would you mind turning to your Identification No. 20, Exhibit No. 184.

The Witness: Identification No. 20?

Chairman Aitchison: Yes.

The Witness: Yes. Separation of expenses common to [fol. 4148] freight and passenger service?

Chairman Aitchison: Yes.

The Witness: Supplementing Exhibit No. 30.

Chairman Aitchison: Yes.

The Witness: What about it, sir?

Chairman Aitchison: Turn to sheet No. 1 at the top headed, "Schmidt".

The Witness: Yes, sir.

Chairman Aitchison: You see the line in capital letters underscored, under the words, "Locomotive data"?

The Witness: Statement No. 1 of that Section No. 20, sir?

Chairman Aitchison: No. No. 2.

The Witness: No. 2. You are talking about that mechanical formula used by the Baldwin Locomotive Works?

Chairman Aitchison: Yes. Is that being supported by you?

The Witness: No. You will notice on page 1 I have given you a comparison between the work of two sets of mechanical engineers, the Baldwin Locomotive Works and the University of Illinois.

Chairman Aitchison: I do not notice anything of the sort.

The Witness: What is that?

Chairman Aitchison: Read my remark, please, Mr. [fol. 4149] Reporter.

(Record read.)

The Witness: I want you to get me right, because that is what I intended to do. I set up the comparisons there.

Chairman Aitchison: There is nothing that shows they are comparisons.

The Witness: On the basis of the Schmidt test we would have 5.23, the previous test being on the basis of the Baldwin Locomotive Works formula.

Chairman Aitchison: Which one did you apply?

The Witness: I have been using the Schmidt test because it covers a rather broader field and gave me more statistics than the *Baltimore* Locomotive Works formula. I hold no brief for either one. I use one or the other in a comparative way.

Chairman Aitchison: Well, you have set them forth in your own statement, which you prepared yourself. Now, you recall the formula which I quoted to you, namely, that energy is the product of mass times the square of the velocity.

The Witness: Well, you were talking about the deterioration of a freight car when it is standing and when it is moving.

Chairman Aitchison: No, I was not.

The Witness: This has to do with the tractive effort [fol. 4150] of locomotives.

Chairman Aitchison: I thought you did not understand me. My question was whether or not there is any greater amount of wear and tear on the loaded freight car than when the same car is moving empty, and you denied it.

The Witness: I said, not always.

Chairman Aitchison: We will let the answer stand. The record will show what you said.

The Witness: What is that?

Chairman Aitchison: We will let the record stand as to what you said.

The Witness: Yes. That is satisfactory to me.

Chairman Aitchison: Proceed.

The Witness: Now, there is one further comment I want to make. I want to call attention to the statistical study that I have made that is embraced in Identification No. 23 whereby I have statistically shown that the Official lines enjoy a more lucrative combination of traffic than the Southern lines.

Chairman Aitchison: Will you tell me where we can find this in here?

The Witness: Yes. Identification No. 23. It is the second to the last one.

Chairman Aitchison: I wish you would find it for me. I cannot.

[fol. 4151] The Witness: I will find it for you, sir.

Chairman Aitchison: All right.

The Witness: The first section immediately following the title page gives a summary of the statistics whereby I have established the facts to which I want to particularly call attention, namely that the composition of traffic is more favorable in the North than it is in the South; that in spite of that, the revenue unit level is higher in the South than it is in the North, although that unit level is now beginning to go down by reason of our loss of the General

Divisions Case. From now on, unless we can make good the through rates, the revenues lost through divisions, our statistical unit shown is going to be worse than for the 20 years past. Now, in spite of our revenue level, unit level, being higher in the South, our operating cost ratios are worse. I show that that cannot be, unless our unit costs are higher.

I have reached the conclusion on a typical basis for the year 1939 that while our revenue unit was 5 per cent higher, our cost unit was 27 per cent higher. For 1940 our revenue unit was 3 per cent higher and our cost unit 29 per cent higher. For 1941 our revenue unit was 2 per cent higher and our cost unit 9 per cent higher. I merely wish to direct attention to that study there. I am now through on direct.

[fol. 4152] By Mr. Dixon:

Q. Do you have any further comments to make, Mr. Tassin?

A. No.

Mr. Dixon: Mr. Chairman, we offer in evidence Exhibits 183 and 184.

Chairman Aitchison: If there is no objection, they will be received.

(Exhibits 183 and 184, Witness Tassin, received in evidence.)

Chairman Aitchison: Is that all?

Mr. Dixon: That is all.

Chairman Aitchison: You may cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Tassin, do you in any of your exhibits which I confess I am unable to follow very exactly—you say you have no formulas, but you certainly have a mass of theories in them—do you in any of those exhibits reach a conclusion as to what is the relative cost, Southern District against the Eastern District?

A. Not in this case, sir. I have contented myself with the measure of revenue need. This is not a minimum rate case according to my concept.

Q. Even if it is not a minimum rate case, there is presented here the question of relative cost, comparisons of the cost of transportation and that is the study which Dr. [fol. 4153] Edwards has made, for example. Now, have you made any similar study or any study to reach a conclusion on that subject?

A. To reach a proper conclusion, I have shown that the cost of earning a dollar is greater in the South than it is in the North.

Q. The cost of earning a dollar?

A. Yes. That is what we are aiming at, the dollar.

Q. Have you shown what the cost of transportation is in the South as compared with the North?

A. I did not consider that pertinent to this case.

Q. Then your answer to my question is that you have not shown it?

A. I have not done so, and I have given you the reason for not doing it.

Q. Now, as I understand you, you say that it is in your opinion impossible to treat the carriers of a given territory as a unit in arriving at a level of cost; is that correct?

A. If you mean a statistical consolidation, my answer is that it is impossible to do so.

Q. So we have a situation here where it is insisted that several territories must be treated as units in arriving at rate levels, but at the same time it is insisted by you that they cannot be treated as units in arriving at transportation costs?

[fol 4154] A. I did not say that, sir. I say they cannot be consolidated, but they can be properly weighted by using proper statistical weighting factors.

Q. Have you weighted them?

A. I have.

Q. You what?

A. I have weighted them.

Q. Now, give us the figures. What is the relative comparison?

A. All right, sir.

Q. Also tell me where I can find where you have weighted them.

A. Exhibit No. 184.

Q. All right.

A. Turn to the inside of the first sheet that is stamped "No. 17" and there you have, sir, five comparisons. Take your choice.

Q. You show here the market for new railroad capital.
A. Yes.

Q. How does that show any relative cost?
A. You are not looking at the very first section of Exhibit No. 184, to which I have directed your attention.

Mr. Norman: I see now.

By Mr. Norman:

Q. The first one that you have is territorial gross revenue need divided by territorial gross operating [fol. 4155] income.
A. Yes.

Q. You find, as I read it——
A. There is your statistical consolidation which I do not accept, but there it is.

Q. You find it is 111 per cent, but I do not know of what.
A. For the entire Eastern section. Look at the heading of the column.

Q. 111 per cent of what?
A. 111 per cent of gross railway operating income. The roads as a whole in the Eastern section require an 11 per cent increase in the gross to give them a living wage.

Q. And in the Southern section, 13 per cent?
A. In Official Territory 10 and in Southern Territory 13.
Q. What is the difference between the Eastern section and Official Territory?
A. The Eastern section comprises both Official and Southern Territories.

Q. Oh. When you put them together, they need 11 per cent?
A. That is right.

Q. When you separate them, Official needs 10 and Southern needs 13?
A. That is right.
Mr. Dixon: Mr. Tassin, will you turn around and face this way a little bit more so the Bench can hear you.
[fol. 4156] The Witness: Yes.

By Mr. Norman:

Q. Then you have another method or theory or something, each road's ratio multiplied by the times that ratio was experienced.

A. The measure of greatest common experience.

Q. When you do that, you get the same answers clear across.

A. Yes, you do.

Q. 13 per cent.

A. The general run of road, North and South alike, needs an increase in 13 per cent.

Q. Now, looking down this page, apparently there is a difference in many of these things,

A. Yes. That is correct.

Q. As between Official and Southern.

A. Correct. That is the difference between a formula and a series of comparisons.

Q. Dr. Edwards, you say, used formulas and you used a series of comparisons, but it looks to me like you arrived at about the same conclusion.

A. I hope Dr. Edwards has arrived at the conclusion I have reached here.

Q. You showed there approximately the same thing right down the line there, do you not?

A. No.

Chairman Aitchison: When you talk about the Southern [fol. 4157] lines and Official lines needing 10 and 13 per cent increase in their revenue, that is based upon the consideration of 21 years, is it not?

The Witness: Yes, sir, good and bad alike.

Chairman Aitchison: It is not based upon consideration of revenues even in the recent past?

The Witness: No, sir. You cannot determine that question on the basis of too few years. You must consider the good and bad alike.

By Mr. Norman:

Q. When you take the whole 21 years, though, the answer is about the same in every case?

A. Bearing in mind that the revenue level is much higher in the South than in the North; the revenue unit level and the freight rate level are both higher in the South than they are in the North. That proves that the Southern level should not be tampered with.

Chairman Aitchison: You would have gotten a different result if you had gone back further than 21 years, would you not?

The Witness: Possibly.

Chairman Aitchison: Why did you not go back further? Why did you just take 21 years?

The Witness: It seemed to me that the period between wars was sufficient. I have covered the entire period between two wars. It looks to me like that ought to give us [fol. 4158] a full range of experience.

By Mr. Norman:

Q. Have you any view to express as to ~~what~~ the result would have been had you used the last five years instead of the last 21 years?

A. I would not use the last five years for that comparison. It would not be adequate.

Q. I know you have not and you say you would not, but I am asking you if you have any view as to what the relative showing would be should your methods be used, and the last five-year period be used.

A. I have not worked it up. I would not object to working it out, if you wish me to do so.

Q. In three out of the last five years, the Southern railroads' returns have been higher than the Eastern railroads' returns, have they not?

A. The last two years, sir, 1941 and 1940.

Q. But I believe you said that for this 21 year period you had taken, the Eastern railroads' returns were about double what they were in the South; is that right?

A. If you will study the 21 year period, you will find that the South was better off in 1925, and then we had to wait until 1940 to get back.

Q. I know, but didn't you give us some figures here about the rate of return for the 21 year period?

A. The rate of return is included in these comparisons.

[fol. 4159] Q. Did you not show that for the 21 year period it was 1-something, for the South, and 2-something for the North?

A. You have your witness mixed up, Mr. Norman.

Q. You did not show that?

A. I did not show that.

Q. So you have not shown the comparative rate of return for any period?

A. I have got the rate of return in this basis of comparisons which I consider more accurate than by determining the rate of return, because it gets away from these deficits which should not be handled on a rate of return basis, but it gives you the same result. If you set it up on a basis of comparison of rate of return, you will find the same answer, that over a period of years the South is worse off than the East in the matter of rate of return that has been earned.

Mr. Norman: Let me ask you this final question:

By Mr. Norman:

Q. Is it not true that if you take the last five years, the South is better off than the East?

A. I cannot answer that "Yes" or "No", because I have not figured it. I would admit it frankly if I had worked it out, and that was the result.

Mr. Norman: That is all.

Chairman Aitchison: Are there any further questions?

Mr. Selker: I have one or two questions, Mr. Chairman.

[fol. 4160] Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Tassin, while you have Exhibit No. 184, page 1 of Identification No. 17 before you, do not your comparisons there reflect not merely differences in costs, but also differences in level of earnings as reflected by rates and divisions?

A. They reflect the relation of one to the other.

Q. Now, taking your study as a whole as compared to Dr. Edwards', you are combining value of service and cost of service in one study, whereas Dr. Edwards keeps them separate, is that not true?

A. It is just the reverse, sir. Dr. Edwards uses value of service and I use cost of service.

Q. Where does he use value of service?

A. Where he uses the value furnished him by the Bureau of Valuation. That is value and not cost of service.

Q. We are talking about value of service to the shipper, not value of the railroad.

A. Oh. Value of service to the shipper.

Q. Yes.

A. My basic concept there is that the shipper pays for one thing and one thing only: The transportation of his person and property. He acquires no 50 per cent interest in the railroad through the accrual of depreciation.

Q. For instance, take passenger deficit: Is it not true [fol. 4161] that Dr. Edwards shows it, both on a per ton and per ton mile basis, but does not show which particular ton should bear it?

A. No.

Q. Is that not true?

A. No.

Q. Why not?

A. You mean, Dr. Edwards in his last study?

Q. Yes, Exhibit No. 13.

A. In Exhibit 13 Dr. Edwards has spread overhead on the tonnage basis; that is correct.

Q. In the separation of fixed charges such as general expenses, traffic expenses, taxes, capital costs and non-revenue expenses, does the experience of the Southern roads indicate that these are all unaffected by added traffic?

A. Most certainly they are not. They are very much affected by added traffic. Added traffic gives us an increased volume of revenue which pays for it.

Q. Also it means, though, does it not, that the increase in expenses is not in proportion to the increase in volume of revenues; there is added expense, but not in as high proportion. More of the money goes into the cash drawer, or remains there, I mean.

A. That is correct.

Q. Referring to car service cost, where do you place car [fol. 4162] service costs if none are in the terminal?

A. I determine it on its own merits, irrespective of whether the car is on the road or in the terminal.

Q. What does that mean? Is it car days in the terminal?

A. I do not think that matters a bit, whether the car is in the terminal or on the road. We are using the car. It is the service of the car properly measured that counts.

Q. How do you measure it, then?

A. I measure it in several ways. I think the most accurate way is on a per day basis. A car that is standing in the terminal five days certainly should be saddled with a higher expense than a car that is running on the road one day. It is for the reason that the time that the cars spend at terminals, the allowance for loading and unloading vary so greatly, I did not find it practicable to attempt a separation of car service as between linehaul and terminal. Car service should be measured strictly on its own merits on a per day basis, a per mile basis or any proper method.

Q. Has not Dr. Edwards just done that on a car day and car mile basis?

A. But he makes an arbitrary split between linehaul and terminal which is a needless complication, as I see it, if he reaches the same answer I do. I would not quarrel with him except that he has given himself certain unnecessary [fol. 4163] work.

Q. Well, how are you going to get at the terminal costs, if you do not split it?

A. For cars?

Q. Yes.

A. I do not think you need the terminal costs for cars unless you are putting in a switching study where that is pertinent. Then you would work it up.

Q. Does that go in as overhead?

A. What?

Q. Does that go in as overhead?

A. Car service?

Q. Yes.

A. Oh, no. It is a direct cost.

Q. You stated earlier that Dr. Edwards used fact and opinion in separating freight and passenger costs. Did he not use the separation based on Interstate Commerce Commission rules and regulations?

A. They are the result of opinion.

Q. But they are the rules of the Commission, are they not?

A. The rules of the Commission are the result of opinion.

Com. Splawn: You are not criticizing him for using those opinions; you are just merely pointing out what you think is opinion?

The Witness: Except for this, Mr. Commissioner: He [fol. 4164] has put himself or the Commission upon the horns of a dilemma. The Commission has either got to change its separation, or change his five mile basis for separating costs of freight trains between different types of trains. He starts out with one figure, one basis, and substitutes another method. Either one or the other should be consistent throughout.

By Mr. Smelker:

Q. Will you amplify that statement a little more?

A. What I mean is this: Under the rules of the Commission we get the cost of a composite passenger train on one hand and a composite freight train on the other, arrived at in ways set forth by the Commission. Now, Dr. Edwards takes the cost of this composite freight train and breaks it down between through freight and local freight using different methods than the Commission used in setting up the cost of the composite freight train, the result being that either one or the other must give way. There is the dilemma.

Q. Where, in Dr. Edwards' exhibits, did he make any separation between through freight and local freight?

A. Whenever you price, you make a separation of the thing priced. He has priced a typical train and in pricing that typical train he has made that separation on the basis of his method.

Q. Will you point out the table number of the exhibit [fol. 4165] where Dr. Edwards does that?

A. I do not have that in front of me, but his exhibit will clearly show where he arrived at his train unit costs.

Q. With a separation as you have indicated, between through and local freight?

A. In this particular case I may be wrong in saying that, because he has used the composite train, but he has used a different method in pricing out that composite train than what the Commission has in making the separation. He has used the gross ton mile and sometimes the car mile.

Q. But you admit that Dr. Edwards has not changed the Commission's separation in so far as their rules are concerned?

A. He applies a different method in pricing out freight from what the Commission used in separating the total cost of freight; not to such a great extent in this case, but in his more complicated formulas, it is involved more seriously.

Q. You are familiar with Dr. Edwards' Exhibit 12, are you not, submitted at the Indianapolis hearing?

A. Yes.

Q. On page 93 thereof this statement is made, at the top of the page: "No attempt has been made in this study to indicate what constitutes a fair rate of return." Now, he used both 4 per cent and 5¾ per cent in his Exhibit 13, did he not?

[fol. 4166] A. He did, and I did not get alarmed until he put that 4 per cent in.

Q. Then did he not state in Exhibit No. 13 that 4 per cent was used, but no brief was made as to either 4 per cent or 5¾?

A. I have always felt it dangerous——

Q. Just answer the question "Yes" or "No".

A. What?

Q. Answer the question "Yes" or "No".

A. He said he was holding no brief for it.

Q. Yes.

A. I am glad he does not.

Q. Do you make use in ascertaining your costs of the formula for determining resistance per ton mile as developed by Professor Schmidt of Purdue?

A. He made a study. I do not know that it is a formula. He made an actual study of train resistance.

Q. That is an integral part of your costs, is it not?

A. I use it, yes, sir.

Q. If you leave your cost for intra-train switching in terminal costs, how do you figure the amount to be included for a 50 mile haul as against a 500 mile haul?

A. Under my system I allow for intra-train switching at the various points at which it actually occurs. I likewise cost out over an actual route.

[fol. 4167] Q. That is a formula; is it not?

A. It is not a formula, no. I am following a fact.

Q. How do you develop that for all the hauls in the whole territory?

A. That would be an enormous job. Take the traffic that you are interested in and find the route over which the traffic moves. I took the actual trains that moved over the actual routes and I applied my costs to those facts, the elements of service.

Q. How would you apply it in this case?

A. I do not. I do not think it is necessary in this case.

Chairman Aitchison: Do you think it would have been possible?

The Witness: Not nationwide, no, sir. You cannot go to that refinement in cost finding. That is why I said that Dr. Edwards' cost scales cannot be used. There is no traffic moving to which they can be applied.

Mr. Smelker: This refers to a statement that you have made during your testimony.

By Mr. Smelker:

Q. At what point in Dr. Edwards' study does he pass from the minimum to the maximum reasonable rate as you implied in your testimony?

A. His development of out-of-pocket costs, as I understand it, is for the purpose of measuring a minimum rate. Then he develops a cost at the level of expenses less taxes. [fol. 4168] That is too high a level because it includes traffic expenses, general expenses and taxes which I eliminate.

Com. Splawn: Let me see if I understand you.

By Com. Splawn:

Q. Your difference with Dr. Edwards on the out-of-pocket cost is that he includes too much; that his is too high?

A. It is unquestionably too high, and it is done on a wrong theory, a wrong basis. You cannot develop that on a percentage basis.

Q. When we get representations from your roads that certain rates which they have filed to meet competition are compensatory, you have figured them on this basis you have just given us as to what out-of-pocket is, is that correct?

A. When my traffic department refers such a rate to me, that is the way I test it out, sir. That is my method.

Q. Are you the advisor to the rate people, the tariff people, who file these tariffs to meet competition?

A. Generally.

Q. When we get representations from the South that a particular tariff is compensatory, which is protested by somebody as being below minimum, has the measure of whether it is compensatory or not been determined by your formula as to out-of-pocket costs?

A. I am not an advisor. I am an informant. They do refer these matters to me, and I do tell them and show them [fol. 4169] what the result is, whether that rate will help pay the burden.

Chairman Aitchison: You have used this formula in justification of applications for Fourth Section relief, have you not?

The Witness: The old rules of the Commission prescribed the use of the Transcontinental formula in that case, if you recall. I have defended those rates, however, on basis of my concepts of cost finding procedure.

Chairman Aitchison: You did that in a proceeding before me, did you not?

The Witness: I did, before you, at Charleston, sir.

By Com. Splawn:

Q. If, say, half of the traffic were to move under such conditions and contribute just what you figure is out-of-pocket, or a shade above, Mr. Tilford would have reason to despair of the railroad situation, would he not?

A. That is true, and that is why I developed cost at capacity to produce, because at capacity to produce we could carry that volume at those costs, but we could not carry half of it at those costs.

Q. That is where you figure that this out-of-pocket cost is ordinarily but an infinitesimal fraction of the total?

A. My position is that we should not go below cost at capacity to produce, and I cannot advise anything else as a statistician.

[fol. 4170] Mr. Smelker: I still do not think you have answered my question.

The Witness: What question?

By Mr. Smelker:

Q. At what point in Dr. Edwards' study does he pass from the minimum to the maximum rate?

A. Every time he passes from one level to a higher level.

Q. Point that out specifically.

A. All the way through. He will admit that. He passes from one level to a higher level all the way down, until he gets to the highest level of all where he saddles on freight, passenger deficit and a full return on investment.

Q. He has never referred specifically in his study to a maximum rate, has he?

A. No, but what other purpose can there be for the establishment of those varying levels upward?

Chairman Aitchison: Does that concern an accountant, what the purpose may be?

The Witness: It certainly does concern me, when our revenues are at stake.

Chairman Aitchison: An accountant is supposed to produce a result, and not be an advocate. He cannot be personally interested in the matter.

The Witness: The accountant must hold the mirror up to the operating man.

By Mr. Smelker:

Q. He just shows the full distributed costs, does he not? [fol. 4171] A. If you want to call it the full distributed cost.

Q. Above or below the maximum or minimum?

A. Yes. I would not quarrel about that. However, he does step it up, up, up. That is what I am objecting to.

Q. He does not call them maximum reasonable rates, though.

A. He does not use those words. I use those words.

Mr. Smelker: That is what I was getting at.

By Mr. Smelker:

Q. Now, with respect to one of your Indianapolis exhibits, under your method of apportioning train crew costs on a train hour basis as shown in your exhibit, do you not throw twice the crew expense to a slow freight taking 8 hours to run 100 miles as compared to a fast freight taking 4 hours to run 100 miles, although the actual crew compensation for the 100 miles is the same in both cases?

A. That is not a correct statement of the facts.

Q. What are the facts?

A. The correct statement of those facts is this: By reason of the labor agreements and to equalize the earnings of train crews, those crews that enjoy the more favorable runs are not allowed to make as many runs as certain other people who have less highly paid compensation. When it comes to train wages including engineers' wages, we have in effect a pooling of costs and the cost accountant must intelligently [fol. 4172] analyze and develop his protective labor agreements out of the pool. It is not a question of principle. It is a question of practical application.

Q. Does not actual cost follow actual wage payments?

A. No, not when the wage payments are based upon that sort of an arrangement. There is in effect a pooling.

Mr. Smelker: That is all.
Mr. Dixon: That is all.
Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.
Mr. Gwathmey: If the Commission please, the Southern rail lines have now completed their presentation of their testimony at this hearing. May I be permitted at this time to make a very brief statement of position on behalf of the Coastwise Steamship Lines which operate along the Eastern Seaboard? It will only take about three minutes.
Chairman Aitchison: Very well. Proceed.
Mr. Gwathmey: I have been requested to make for the record a statement on behalf of the coastwise steamship lines which operate, or formerly operated, between the north Atlantic ports, on the one hand, and Virginia and south Atlantic ports, on the other, namely: Agwilines, Inc. (Clyde-Mallory Lines); Baltimore Steam Packet Company; Bull [fol. 4173] Steamship Line; Eastern Steamship Lines, Inc.; Merchants and Miners Transportation Company; Philadelphia and Norfolk Steamship Company; Ocean Steamship Company of Savannah.

As the Commission knows, the rail-water, water-rail and rail-water-rail rates in connection with all-rail lines operating to and from the respective ports have for many years been made with a differential relationship to the all-rail rates and in all instances rates between the ports are lower than all-rail. These steamship lines are named as respondents in the Commission's order of investigation in this proceeding. They feel that it would be wholly impracticable to offer evidence in this record dealing with the above-mentioned differential relationship, or with the amounts of such differentials as should reasonably be fixed if a change in the level of the all-rail rates should be brought about as a result of this proceeding. Their reasons for this belief are (1) that the scope of the proceeding is such that it would hardly be practicable to go into this question at any length without unduly burdening the record; (2) that none of these steamship companies (except to a very limited extent) are operating their coastwise services at the present time, their vssels having been taken over by the Government for work more essential to the war effort; (3) that there is no way [fol. 4174] of forecasting at this time what, if any, new all-rail rates will result from this proceeding; and (4) that the traffic departments of these companies have necessarily been so drastically curtailed that they are not adequately equipped at this time to prepare and offer evidence in this proceeding. These steamship companies, however, desire it to be understood that in not presenting evidence at this time they do not in any respect waive their right to rates differentially related to the all-rail rates, and, while they are not here advocating any change in the all-rail rates, they feel that if any readjustment in them is effected provisions should be made so that differentials would not be any lower than those which are observed at the present time.

A brief and very general description of the territories covered by these differential rates is as follows:

Between Trunk Line and New England Territories, on the one hand, and Southern Freight Association Territory on the other. From Trunk Line and New England Territories to Trunk Line Association, Central Freight Association Territory, Western Trunk Line Association Territory and extended areas thereof and certain portions of Southwestern Territory. From Trunk Line Association Territory and Central Freight Association Territory to North Atlantic Ports. Between New England Freight Association Territory on the one hand and New York City and its environs on the other.

[fol. 4175] In some instances the amounts of existing differentials are definitely fixed, having been prescribed by the Commission or agreed to by the rail lines and water lines respectively. In other instances the question as to the proper amount of such differentials is now before the Commission in pending proceedings. Thank you.

Chairman Aitchison: I want to ask on whose behalf the witness Tassin was presented?

Mr. Gwathmey: I did not present him, your Honor. I just happened to be on the floor at the moment. I did not present him. I understand he was presented as a witness for the Southern Railway System Lines.

Chairman Aitchison: Very well. Is there anything further on behalf of the Western roads?

Mr. Barron: Mr. Chairman, I was wondering whether it was your pleasure to continue now, or adjourn for lunch?

Chairman Aitchison: Go ahead.

Mr. Barron: Take the stand, please, Mr. Stanage. Mr. Stanage has appeared before in this proceeding and has been sworn. This is in rebuttal of testimony that has been offered on behalf of the Southwestern shippers.

B. H. STANAGE recalled.

Direct examination.

By Mr. Barron:

Q. Are you the ~~same~~ B. H. Stanage who testified at the [fol. 4176] Indianapolis hearing in this case?

A. Yes, sir.

Q. Have you prepared or had prepared under your jurisdiction certain rebuttal testimony which you wish to offer in this proceeding?

A. Yes, sir.

Q. Are those exhibits true and correct to the best of your knowledge and belief?

A. They are, yes, sir.

Q. You have a prepared statement which you are going to read?

A. Yes.

Q. And two exhibits which have been distributed?

A. Yes.

Mr. Barron: Mr. Chairman, I was going to suggest that we might number as Exhibit No. 185 the exhibit which bears the symbol "S-4" in the lower right hand corner, and as Exhibit No. 186 the exhibit which bears the symbol "S-3."

Chairman Aitchison: They may be so marked.

(Exhibits 185 and 186, Witness Stanage, marked for identification.)

By Mr. Barron:

Q. Proceed, please, Mr. Stanage.

A. Testimony has been offered by Southwestern shippers and representatives as to rates and industrial development. So that the Commission might have a complete picture, I [fol. 4177] wish to point out that during the last few years numerous paper mills have located in Arkansas, Louisiana and Texas. There are now 9. On page 79, my Exhibit 63, is shown rates on paper to representative northern consuming markets.

Chairman Aitchison: I have forgotten; were those class rates or exceptions or what?

The Witness: Those were class rates—I mean, commodity rates. They are shown, Mr. Chairman, to substantiate the statement I will make later on that the Southwestern lines have encouraged the location of industries and have done everything in their power to assist in their development. These are just probative facts supporting the statements I make.

By Mr. Barron:

Q. Are the rates published as specific commodity rates or as exceptions to the classification?

A. They are published both ways.

Q. All right. Go ahead.

A. On page 82, Exhibit 63, is shown list of commodities moving in carloads from Southwestern Territory to destinations in Western Trunk Line, Official and Southern Territories. On page 83, Exhibit 63, is shown list of commodities moving in carloads from Official, Southern and Western Trunk Line Territories to Southwestern Territory.

Traffic Departments of Western carriers maintain organizations whose duties include the furnishing to indus- [fol. 4178] trial organizations and others upon request basis data as to the source of raw materials, labor conditions, location of available sources of power, viz: coal, electricity or fuel oil, and approximate cost of such material or services, available water supply, available land and tax rates at various points and other information usually sought by parties seeking industrial sites. These organizations contribute in every way possible to the location of new industries in the Southwest.

It has been the experience of the Industrial Department of the Frisco that information of this character is generally secured and passed upon by parties seeking to locate an industrial plant on the Frisco. Subsequently, we often receive a request for information as to existing rates. In some instances, we receive requests for the establishment of new rates.

Recently, a manufacturer of Perchlorate of Potassium established a new plant at Claremore, Oklahoma. Claremore 399 miles from St. Louis and 236 miles from Kansas City is served by the Frisco and Missouri Pacific. Before locating at Claremore they considered Chelsea and Collinsville, Oklahoma, and Knoxville, Tennessee, as possible locations. At their request the following rates on Perchlorate of Potassium were recently established.

To Benton, Illinois, 49 cents per 100 pounds; to Meadow [fol. 4179] View, Virginia, 72 cents per 100 pounds; to Mannington, West Virginia, 104 cents per 100 pounds.

In August, 1941, a large paper mill was completed at Cantonment, Florida, a point on the Frisco just north of Pensacola, Florida, an investment of two and a half million dollars. On pages 84 and 85, Exhibit 63, are shown rates on in and outbound commodities established for this industry. In the fall of 1940 a Corrugated Box Company located at Forth Worth, Texas. On pages 86 and 87, Exhibit 63, are shown rates established for this industry..

Exhibit 185, 12 pages, shows data relative rates on 21 other commodities. These are typical cases where the Southwestern carriers established rates to assist in the industrial development of the Southwest.

Q. These are in addition to those that were introduced in your other exhibit at the Indianapolis hearing, is that correct?

Q. Yes.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

By Mr. Barron:

Q. Proceed.

A. The Western carriers are ready, anxious and willing to at all times establish lawful rates to aid in developing the natural resources of the Southwest. During the last [fol. 4180] decade several hundred industries have been built and are operating in the Southwest manufacturing and distributing a great variety of products. Among the commodities manufactured and shipped are the following: Chemicals, Carbon Black, Paper, Paper Boxes, Soda Ash, Prepared Roofing, Window Glass, Oil Well Supplies, Sulphuric Acid, Asphalt, Boilers, Iron and Steel Tanks, Formaldehide, Perchlorate of Potassium, Soap, Batteries, Cheese, to mention only the more important.

Exhibit 186, 12 pages, lists industries established in Southwestern Territory during the decade 1932-1941 inclusive, a total of 770. Some representatives of shipping interests and certain territorial representatives advocate that the Official Classification Territory scale should be prescribed for interterritorial and intraterritorial application throughout the territory involved in this proceeding. To show the result of applying the Central Freight Association scale throughout Southwestern Territory, also for interterritorial application, attention is directed to the rate data shown on pages 89 to 93, of my Exhibit 63. There is shown the first class rates from representative manufacturing and distributing points in Official, Southern, Western Trunk Line and Southwestern Territories, to representative destinations in the Southwest, compared with rates based on application of the Central Freight Association [fol. 4181] (Appendix E, Docket 15879, 164 I. C. C. 314-467, scale) for the total distance to show the effect upon the manufacturing and distributing industry in the Southwest of the establishment of the Central Freight Association Appendix E scale.

Attention is directed to the information shown on lines 1 and 2, page 89, Exhibit 63. This example shows the rate situation in connection with the distribution of a box of shoes taking first class rate, manufactured in Boston, Massachusetts, shipped to a retail merchant or consumer at Wichita Falls, Texas, in competition with a manufacturer-distributor located at Oklahoma City, Oklahoma, shipping to the same retail merchant or consumer the Central Freight Association scale applied to both movements. On line 1 is shown the short line distance from Oklahoma City, Oklahoma, to Wichita Falls, Texas, 141 miles, present rate 107 cents, rate based on Central Freight Association scale 73 cents.

On line 2, the distance from Boston, Massachusetts, to Wichita Falls, Texas, is 1,857 miles, present first class rate 377 cents. On basis of Central Freight Association scale for the distance, the rate would be 278 cents. It will thus be noted that the present spread in rates, Boston, Massachusetts, over Oklahoma City, Oklahoma, to Wichita Falls, Texas, is 270 cents. This is arrived at by deducting 107 [fol. 4182] cents, the present first class, Oklahoma City to Wichita Falls, from the present through rate from Boston to Wichita Falls of 377 cents. If the rates from Boston and Oklahoma City to Wichita Falls were based on Central Freight Association scale, the rate from Boston to Wichita Falls would be reduced 99 cents from 377 cents to 278 cents, while the rate from Oklahoma City would be reduced 34 cents or from 107 to 73 cents. Stated otherwise, the spread in the rate paid by the Boston manufacturer, versus the Oklahoma City manufacturer in selling his customer at Wichita Falls, would be narrowed 65 cents, 270 to 205 cents.

It will thus be noted that if the present rates from Eastern industrial manufacturing points to the Southwestern markets are revised to the Appendix E Docket 15879 scale, the Eastern manufacturers will thereby secure a substantial reduction in the spread in their rates when compared with those of the Southwestern manufacturers and distributors shipping to the same Southwestern markets.

If the first class rate from Boston to Wichita Falls was revised on the basis of adding to the spread in the rates Boston to Wichita Falls versus Oklahoma City to Wichita Falls or a spread of 205 cents shown in Column E and adding thereto the present Oklahoma City rate to Wichita Falls of 107 cents, the rate thus made of 312 cents shown [fol. 4183] in Column G, page 89, Exhibit 63, would in effect move Boston, Massachusetts, west 552 miles or to Harbor Creek, Pennsylvania, a point about 80 miles west of Buffalo and about 7 miles east of Erie, Pennsylvania.

The present rate from Harbor Creek, Pennsylvania, to Wichita Falls, Texas, is 318 cents shown in Column J, page 89, Exhibit 63.

On pages 90 to 93, Exhibit 63, is shown the same kind of comparisons using other origin and distribution points, except that information under Column G is shown only from one point. This was due to the work involved in compiling the information. If the present rates on various commodities manufactured in the Southwest were revised to basis of the Central Freight Association scale the rates on many commodities would be increased substantial amounts. On pages 98 to 100, Exhibit 63, are shown comparisons of rates on moving commodities such as refined oil from Tulsa, Oklahoma, to representative northern markets and on window glass from Southwestern producing points of Henryetta, Oklahoma, Fort Smith, Arkansas, and Shreveport, Louisiana. Similar comparisons on other commodities are shown on pages 102 to 107, inclusive. The rates shown on these pages do not include the Ex Parte 115, 123 or 148 increases.

On pages 128 to 131, Exhibit 63, are shown the first class key rates prescribed by the Commission in its 21st Supple- [fol. 4184] mental Report in Consolidated Southwestern Cases between representative points compared with first class rates from and to the same points constructed on the basis of the distance scale of rates and differentials prescribed in the 21st Supplemental Report applied in accordance with the provisions of Finding 3 of said report. It will be noted that in the instances shown the key point rates are lower than they would be if based on the scale. In some instances the differences are substantial.

The rates prescribed in the 21st Supplemental Report effective April 9, 1937, narrowed the spread east side versus west side Missisippi River crossings Memphis and South in effect prior thereto as result of the Commission's initial decision, 123 I. C. C. 203, effective July 14, 1928. On pages 132 to 141, Exhibit 63, is shown the first and sixth class rates, (Southern Classification) between St. Louis, Louisville, Cincinnati, Chicago, and various points in Central Freight Association Territory to east side Mississippi River crossings Memphis and South compared with first class and fifth class rates Western Classification between the same points on the one hand and opposite west side Mississippi River crossings on the other. For example, it will be noted by reference to page 134 that the spread in the first class rate Chicago, Illinois, to Memphis, Tennessee, versus the rate to the opposite bank, Bridge [fol. 4185] Junction, Arkansas, was narrowed from 23 to 11 cents per hundred. On fifth class the spread was reduced from 9 to 2 cents.

Mr. Bee: May I ask what this is going to be in rebuttal to, describing the application of the bridge scale?

Mr. Barron: The bridge scale is as much a part of the rate as the rate itself.

Mr. Bee: Did anyone object to the present application of the bridge scale or say anything about it? I am trying to find out what it rebuts, what testimony it rebuts.

Mr. Barron: It rebuts the general testimony of Witness Murray, Witness Byars and Witness Tanner.

Mr. Bee: About the bridge scale?

Mr. Barron: No; about the general rates. You know—at least you should know—that the bridge scale is as much a part of the rate as the rate itself.

Mr. Bee: How can a witness like Mr. Byars located at least 400 miles from a point where the bridge scale can touch him talk about the bridge scale?

Mr. Barron: What difference does it make how far he is away, as long as the bridge scale is in use?

By Mr. Barron:

Q. Proceed, Mr. Stanage.

A. I will now deal with the bridge scale of arbitraries. After the Commission set various key rates it found some modification necessary with respect to the interterritorial [fol. 4186] rates on the general bases prescribed and applicable over routes operating through the Mississippi River Crossings Memphis and south.

It found this situation would accrue mostly where substantial differences exist in Classification ratings governing the rates east of the river as contrasted with those governing the interritorial movement. To correct the situation the Commission in Appendix D, 205 I. C. C. 601-736, prescribed a "bridge scale" of arbitraries on the 26 columns to be made the same percentages of those first class arbitraries as provided for the road haul rates, for grading interritorial rates to and from border points. The arbitraries are governed by the Western Classification, except from Southern Territory to points in Arkansas and Louisiana 140 miles or less from the Mississippi River crossings the arbitrary scale is also subject to exceptions published in SWL Tariff 173-0. These arbitraries are added to the rates applicable east of the river.

Such arbitraries are provided not for the purpose of making absolute rates, but as factors for alternative use in those instances where they would serve to scale down the key-point rates or other rates prescribed in the Commission's decision.

In applying the "bridge scale" it is first necessary to determine the through rate, then determine the rate using [fol. 4187] the scale of bridge arbitraries for the factor west of the Mississippi River Crossing and add that factor to the rate applicable from the point of origin to the river crossing. These factors are combined to determine the through charge and apply in the event the total is less than the through rate.

For example, taking a given article rated Fourth in Southern Classification and Second Class in Western, the applicable through rate would be the Second Class arbitrary west of the Mississippi River Crossing under the bridge scale added to the Fourth Class rate east thereof provided that the total rate on the given article is less than the through second class rate.

The total rate so obtained is to be used whenever lower than the interritorial joint rates prescribed on the key rate or distance basis. On pages 142 to 145, Exhibit 63, are shown the first class rates between representative origins in Official and Southern Territories and Memphis, Tennessee, Vicksburg, Mississippi, Baton Rouge and New Orleans, Louisiana, also first class rates between the same origins and representative destination in Arkansas and Louisiana (west of the Mississippi River) within 170 miles of the river crossings. The statement shows the reductions effective April 9, 1937.

On pages 146 and 147, Exhibit 63, is reproduced the [fol. 4188] tariff items governing application of alternative maximum rates between Southern and Southwestern and Official and Southwestern Territories as published in Agent J. R. Peel's I. C. C. 2883 and 2882. On page 148, Exhibit 63, is shown reference to actual movements on which the bridge scale was used in constructing the lawful charges. The through rates and the applicable rate constructed by applying the rates to or from the river crossings and adding the applicable bridge scale arbitraries thereto are shown.

For example, refer to the first item on page 148, Exhibit 63, covering a movement of blankets from Biddeford, Maine, to Little Rock, Arkansas. It will be noted that the published through rate is $2.16. The combination, using the bridge scale rate Memphis to Little Rock of 50 cents added to the rate from Biddeford Maine, to Memphis of 152, total 202 cents, cut the published through rate 14 cents per 100 pounds.

Thus instead of the adjustment prescribed by the Commission in the 21st Supplemental Report producing wide spreads at the border points which seems to be the source of much argument, the Commission has been at great pains to narrow the spreads and has adopted the bridge scale plan to bring about the avoidance of any excessive hump along the border.

Witness Byars on page 2, Exhibit 102, R. P. 2068, shows [fol. 4189] rates on carbon black in Official Territory. Minerals Year Book, 1940, U. S. Department of the Interior, page 1083, shows that carbon black is only produced in Kansas, Louisiana, Oklahoma and Texas, a total of 51 plants. The output for 1940 totalled 568,792,000 pounds. There is no production of carbon black in Official Territory.

Chairman Aitchison: Well, is there any movement on rates in Official Territory?

The Witness: I never was able to find any, no, sir. There is a movement from the Southwest to Official Territory on commodity rates.

Mr. Barron: Mr. Chairman, do you mean originating in Official Territory?

Chairman Aitchison: Carbon black is not produced in Official Territory, but suppose it comes from somewhere else; having come to rest in Official Territory, does it move elsewhere on commodity rates?

The Witness: I have never been able to develop any movement, no, sir.

Chaiman Aitchison: Is there anything further?

Mr. Barron: Yes.

By Mr. Barron:

Q. Have you reviewed the testimony offered at Indianapolis on behalf of certain Southwestern shipping interests?

A. Yes, sir.

[fol. 4190] Q. Have you any comments to make on such testimony?

A. Yes, sir.

Q. If you have, make them as briefly as possible, please.

A. Witness Murray at page 1986 in discussing the——

Com. Splawn: Let me interrupt you, please.

The Witness: Yes.

Com. Splawn: With respect to the carbon black, as I recall Mr. Byars' testimony he stated he was merely giving rates in response to a direction from the Commission. What is your comment about those rates, that the origins are very few?

The Witness: Yes, sir. According to my idea it shows a comparison of the present Southwestern rates to Eastern markets with the rates based on the application of the C. F. A. scale, and I want to show that there is no production in C. F. A. Territory, to show that there is——

Com. Splawn: There is some carbon black produced in West Virginia, is there not?

The Witness: Not according to the information contained in the United States Minerals Year Book for 1940.

By Mr. Brown:

Q. Those carbon black rates from the Southwest to Official Territory were prescribed by the Commission, were they not?

A. There have been some cases in which they have been prescribed. I will not say they have been prescribed in [fol. 4191] every case, because I think there were some that were made by the railroads.

Mr. Barron: Is that all, Mr. Commissioner Splawn?

Com. Splawn: Yes.

By Mr. Barron:

Q. Will you please proceed, Mr. Stanage.

A. Witness Murray at page 1986 in dealing with the forest products situation in Arkansas made this statement: "I cannot say how much, but a great deal of the forest products shipped outside of the State of Arkansas and noted here as exported are semi-finished materials such as staves, headings, box material and things of that kind. In other words, we cannot finish a lot of our own wood products." Now, I take exception to that statement because Arkansas has a great number of wood manufacturing concerns which I want to list here: Furniture; fruit and vegetable packages; finished handles; caskets; cabinets for use by the Singer Sewing Machine Company; bottle carriers; flooring, finished implements parts; finished farm wagons; excelsior; gun stocks; wooden boxes and fiberboard boxes combined. I can give the Commission the shipping points where those plants are located. I merely want to call attention to the fact that Mr. Murray's statement is incomplete, and those finished wood products——

Com. Alldredge: Incomplete or incorrect?

The Witness: "Incorrect" would be a better word.

[fol. 4192] By Mr. Barron:

Q. Those finished wood products do move out of Arkansas, do they not?

A. Yes, sir.

Q. All right.

A. In volume.

Q. Please proceed.

A. Witness Byars at record page 2077 commented upon his inability to secure—or commented upon the fact that his clients were unable to secure a reduced rate on flour from Texas mills to North Atlantic Seaboard territory, and he made this statement: He said that the Southwestern lines agreed to the adjustment he sought and that the Trunk Lines put their big No. 11 foot right down on it and stopped it. I wish to state that the Southwestern and Western Trunk Line carriers both opposed the revision suggested by Mr. Byars.

Com. Alldredge: So there were two big No. 11 feet put down on it?

The Witness: Sir?

Com. Alldredge: There were two big No. 11 feet put down on it?

The Witness: Three. Further, at page 2078, he commented on his inability to secure an adjustment of rates on peanut flour, a new industry at Fort Worth, to Official Territory. That adjustment was published effective November 10, 1942, in Agent B. T. Jones Tariff 600, I. C. C. 3526. The adjustment sought by Mr. Byars was made effective to Southwestern and Western Trunk Line points on August 6, 1942. In other words, the carriers provided for the application of the wheat flour rates on peanut flour.

[fol. 4193]

By Mr. Barron:

Q. Have you anything further to say about this testimony of the Southwestern shippers?

A. I cannot think of anything further at the moment.

Com. Splawn: Do I understand now, Mr. Barron, that you are going to pass to a new topic?

Mr. Barron: Sir?

Com. Splawn: Do I understand you are going to pass to a new topic?

Mr. Barron: If you will permit us, we will finish within three minutes.

Com. Splawn: Very well. Proceed.

By Mr. Barron:

Q. Mr. Stanage, you are in charge of the Traffic Department of the Frisco Railroad, are you not?

A. Yes, sir.

Q. Do you at various intervals confer with your industrial agents as to the location of industries on the Frisco Railroad?

A. Yes, sir. Matters are coming up constantly.

Q. Is it one of your duties when a manufacturing plant is in contemplation, to give consideration to the establish- [fol. 4194] ment of freight rates?

A. If they need them, yes, sir. In other words, we are in constant contact with our industrial representatives and whenever there is a need for a rate adjustment, it is generally our practice to work up some data on the adjustment, or if we need some additional information we have one of our representatives contact the applicant, like we did in the case of the Claremore industry, and take care of his needs.

Q. How many years have you been in a supervisory capacity with the Frisco Railroad in the Traffic Department?

A. About 20 years.

Q. In that 20 years do you ever know of any instance where an industry was not located on the Frisco Railroad because of the freight rate adjustment?

A. No, sir, I do not.

Mr. Barron: I offer in evidence Exhibits Nos. 185 and 186, and ask that they be received.

Com. Splawn: Without objection, they may be received.

(Exhibits 185 and 186, Witness Stanage, received in evidence.)

Mr. Barron: You may inquire.

Com. Splawn: Is there any cross-examination?

Mr. Bee: Yes. Do you want me to proceed with cross-examination now or wait until after lunch?

[fol. 4195] Com. Splawn: Will there be very much cross-examination?

Mr. Bee: Yes. Quite a bit. It is 12:30 now.

Com. Splawn: Very well, we will defer cross-examination until after recess. Off the record.

(Discussion outside the record.)

Com. Splawn: We will recess until 2 o'clock P. M.

(At 12:30 o'clock P. M. recess taken to 2 o'clock P. M.)

[fol. 4196] **Afternoon Session**

The hearing was resumed, pursuant to recess.

2 o'clock P. M.

Chairman Aitchison: Shall we proceed.

Mr. Gwathmey: Mr. Stanage.

B. H. Stanage resumed:

Chairman Aitchison: Mr. Gwathmey, I am not certain that I correctly understood your answer this morning, so I would like to ask you again, for whom Mr. Tassin is testifying. There seems to have been a little misunderstanding.

Mr. Gwathmey: I said, if the Commission please, for the Southern Railway System Lines.

Chairman Aitchison: I thought you said "Southern District."

Mr. Gwathmey: No, your Honor—Southern Railway System Lines. I hope I have made that clear.

Chairman Aitchison: Proceed with the cross-examination.

Cross-examination.

By Mr. Bee:

Q. Mr. Stanage, on sheet 1, or page 1, of your statement, you make reference to a new industry established at Claremore, Oklahoma, in the recent past.

A. Yes.

Q. How many employees are there, employed by that industry at the present time, if you know?

[fol. 4197] A. I do not know.

Q. Are you advised as to whether or not that industry is one that requires a very heavy use of electricity, and therefore had to be established at a point where electric energy was available?

A. No, sir.

Q. And that that was its reason for establishing at Claremore.

A. No, sir.

Q. Do you know how much traffic that industry gives your line?

A. Oh, they are a new industry, and I do not have their figures, but they are going to have quite a few cars, however.

Q. Now, on page 2 of your statement you refer to several industries that have been built in the South and Southwest in the last decade. You refer, for example, to carbon black.

A. Yes.

Q. Is there any available source of carbon black that you know of, excepting the Southwest?

A. Not according to the United States Bureau of Mines, no, sir, although Commissioner Spawn mentioned a possible source in West Virginia, I believe.

Com. Splawn: I was asking if there was not some considerable use of it there, but I am not sure that there is [fol. 4198] any manufacture of it there. There may be; I do not know.

The Witness: I do not know.

By Mr. Bee:

Q. The production of carbon black requires the burning of a considerable volume of natural gas, does it not?

A. Yes.

Q. That is the way it is produced.

A. Yes, sir.

Q. And it can only be produced, therefore, in those territories where there is a surplus, or a large production of natural gas; that is correct, is it not?

A. That is my understanding.

Q. Now, also, with respect to asphalt: Where is asphalt produced in the United States, Mr. Stanage?

A. Well, it is produced in two ways; one, as the result of refining crude petroleum oil; and then there is also a production of asphalt in what I will call its natural state, with rock and other materials, where it is mined, like at Dougherty, Oklahoma, and Ada, Oklahoma, and also at certain points in Kentucky. Those are the only places that I know of, just at the moment.

Q. Also, in the vicinity of San Antonio, Texas, there is a very large natural asphalt plant, is there not?

A. There is a town named Uvalde there, as I recall it.

Q. Yes, in the vicinity of San Antonio.

[fol. 4199] A. Yes, sir.

Q. So that asphalt may come either from refining oil, or petroleum, at a refining plant, as you have testified, or else come from a natural source.

A. Those are the only sources that I know of, yes, sir.

Q. Now, referring to sulphuric acid: That is a product of sulphur, is it not?

A. Yes.

Q. Where is the production of sulphur in the United States?

A. Along the Texas and Louisiana Gulf Coast.

Q. Now you have also referred here to soda ash. Where is the production of soda ash?

Chairman Aitchison: Is not sulphur produced as a by-product of the coking process?

Mr. Bee: I do not think so.

Mr. J. R. Bell: It is mined also, Mr. Commissioner. There are a lot of mines over the country.

By Mr. Bee:

Q. 90 per cent of all of the sulphur produced in the United States, is supposed to be produced in the States of Texas and Louisiana; that is correct, is it not, Mr. Stanage?

A. Oh, there is a very large volume produced there, of course, yes, sir, but I know also that there is production at Copperhill, Tennessee, and other places, in connection with the manufacturing processes that I have mentioned.

[fol. 4200] Q. Now referring again to soda ash. That was the last thing I asked you about. Where is soda ash produced?

A. Soda ash is produced at Baton Rouge and Lake Charles, Louisiana; Corpus Christi, Texas; and also in Michigan and Ohio.

Q. It is generally produced along some seacoast, or some waterway, is it not?

A. I understand that its base is salt.

Q. Its base is salt.

A. Yes, sir.

Q. It would be natural for carbon black, soda ash, asphalt, and sulphuric acid to be produced in the Southwest, would it not?

A. Wherever those commodities that I have mentioned are present.

Q. Now, you say that there have been some battery plants established in the Southwest.

A. Yes.

Q. Do you know of any of those plants that is operating at the present time, Mr. Stanage?

A. Well, I have not checked up on that situation just lately, just exactly, but I know that there is a substantial manufacturer located at Dallas, Texas.

Q. Well, do you not know that all of the battery plants down there had to close, due to competition, and went to [fol. 4201] points that were outside of the Southwest, because of the low rate adjustment on batteries into the Southwest from without the Southwest.

A. I never heard of that, no, sir.

Q. Have you looked into the rate levels, on batteries into the Southwest, and within the Southwest, Mr. Stanage?

A. Not within the last 90 days.

Q. Pardon me?

A. I say, I have not looked into that matter within the last 90 days.

Q. Where did you get your theory, or your idea, that anybody in the Southwest has asked or will ask for the application of the Official Classification Territory rates within the Southwest?

A. Exhibit No. 104, introduced in this proceeding by Witness Fredericks, led me to that conclusion, and also the remarks of the Witness Hart, of Atlanta, Georgia.

Q. Does Mr. Hart live in the Southwest?

A. He did not say so.

Q. I was asking you about the Southwest.

A. Well, I say, there was the exhibit, No. 104, introduced by Mr. Fredericks, and then I also heard it stated by some shipping interests that that is what they were going to contend for.

Q. But there was no contention of that kind made by any [fol. 4202] witness for the Southwest, however, was there,—except the comparison of what Official Classification Territory rates would do?

A. That is my recollection.

Q. Now on page 3 of your statement, you made the statement that if Official Classification Territory rates were applied to and within the Southwest, it would result in lower rates for manufacturers, relatively and comparatively, located without the Southwest, than those located within the Southwest. Is that correct?

A. Yes, sir, and that is what I have shown here on pages 89 to 93 of Exhibit No. 63, dealing with class rates.

Q. Yes. Now, let us assume that there is a large company located in Wichita Falls, Texas, and the product thereof is going to Miami, Oklahoma, both points being within the Southwestern adjustment. Would your statement hold true there?

A. I would not be able to say; I do not know, unless I check it up.

Q. Do you not know that the rate level in the Southwest, if it were put in on the Zone 3 adjustment, would be reduced to the Official level, but that there would be no such reduction, from the Official level, into Miami?

A. I do not know that as a general proposition, no, sir, because I have not checked that.

[fol. 4203] Q. You know how the rates are made at the present time, under the decision of the Commission in Docket 13535, do you not?

A. Yes, sir; under the 21st Supplemental Report, on the laminated basis.

Q. Yes; and that uses 110 per cent, or approximately that, of the Official basis as the key rate, does it not, for the entire distance?

A. Yes, sir.

Q. And then it plusses that rate by the higher level within the territory in which the traffic is moving?

A. In the different zones.

Q. Yes.

A. Yes, sir.

Q. Assuming that the Southwest is 156 per cent of that level, that entire excess is applied for the mileage within the Southwest, is it not?

A. Yes, sir.

Q. And in the case of a shipment from Wichita Falls, Texas, to Miami, Oklahoma, the excess would be applied for the entire distance, would it not?

A. That is correct.

Q. Whereas, from Boston, Massachusetts, to Miami, Oklahoma, you would use the base rate to Pacific, Missouri, would you not?

[fol. 4204] A. Yes.

Q. In figuring the rate to Miami?

A. If you were applying the Official scale, you would apply it all the way through, for the mileage, without any lamination.

Chairman Aitchison: When you refer to the base rate, do you mean, the basic scale under 13535?

Mr. Bee: Yes.

The Witness: That is correct.

Chairman Aitchison: Following the 3rd Supplemental Report, the question came up, and there has been considerable confusion about it. Just where does the basic scale apply?

The Witness: It applies as a foundation for the lamination.

Chairman Aitchison: Well, it does not have any application itself, except from Official Territory to—where?

The Witness: The Southwest.

Mr. Barron: I do not think you understood the Chairman. I think that what the Chairman wants to find out from you is whether or not the basic scale itself is used in determining the rates, or whether you have to apply something else to it.

Chairman Aitchison: Yes.

The Witness: You have to apply something else to it.

Chairman Aitchison: In all cases?

[fol. 4205] The Witness: Yes.

Chairman Aitchison: I thought you answered Mr. Bee a moment ago here, that the basic scale would be applied, in the first illustration he gave.

Mr. Bee: The basic scale would be applied first all the way; and then there would be added to the basic scale, the arbitraries for the territories which the traffic is traveling through.

Mr. Barron: Well now that is what is confusing, because you say you would apply the basic scale. You would use the basic scale for the through distance, would you not?

Mr. Bee: You may use either term you want. You would apply the basic scale for the entire distance, and then plus it. That is correct, is it not, Mr. Stanage?

The Witness: Yes, sir, that is correct. You use it as the underlying basis, as I call it.

By Mr. Bee:

Q. And you have to put it down on a piece of paper, to start with.

A. Yes.

Q. And you would use the basic scale all the way from Boston, Massachusetts, to Miami, Oklahoma,—is that correct?

A. Yes.

Chairman Aitchison: As the first factor?

Mr. Bee: Yes.

By Mr. Bee:

Q. That is correct, is it not?

[fol. 4206] A. Yes, sir.

Q. And then you plus it with the Zone-1 differential, from St. Louis to Pacific, Missouri, do you not?

A. Yes.

Q. And then the Zone-2 differential, from Pacific, Missouri, to Springfield, Missouri?

A. Yes, sir.

Q. Or a little south thereof?

A. Yes.

Q. And the Zone-3 differential, from that point to Miami?

A. Yes, sir.

Q. Which is just a very short distance, is it not?

A. Right.

Q. Therefore you would only take off, by the application of the Official scale from Boston to Miami, the amount of the plussing over the basic scale, plus the difference in the basic scale. That is correct, is it not?

A. There would be a lesser reduction, I will admit, yes, sir, from Boston to Miami than there would be to Wichita Falls.

Q. Yes. Now some witness testified the other day that he found belts made at Yoakum, Texas, in a store in the East. Will you advise the Commission as to the result of the application of the Official scale from the location of the Hickock Company, the other competitive belt manu-
[fol. 4207] facturing company to Miami, Oklahoma, as con-

trasted with the application of the Official scale from Yoakum, Texas, to Miami, Oklahoma?

Mr. Barron: Well now, just a moment. I have no objection to Mr. Stanage doing that, if he knows; but I do not think you ought to ask him a question of that sort.

A. Well, I can settle the difficulty by answering that I have not figured that out.

Mr. Bee: Very well; we will put that in, on our own rebuttal, then.

Mr. Barron: I would suggest that that would be the better way.

Mr. Bee: All right.

Mr. Warren Waggner: Mr. Bee, would you mind if I interrupted at this point just long enough to ask Mr. Stanage one or two questions with respect to the application of the basic scale? I am not altogether sure that the record is correct, as it stands.

Mr. Bee: Go right ahead.

By Mr. Waggner:

Q. Mr. Stanage, is this not the proper method of applying the scale: In the first place, you apply the basic scale through.

A. Yes.

Q. In other words, from the particular eastern point, whatever it may happen to be, to Miami.

[fol. 4208] A. Yes, sir, for the distance.

Q. And then you apply the Zone-1 arbitrary from St. Louis through to Miami.

A. Yes, sir, that is right.

Q. And then you go to the border of Zone-2, and apply the Zone-2 arbitrary through to final destination.

A. Yes.

Q. And then Zone-3.

A. Yes.

Q. So that it is a lamination of three or four scales.

Q. That is, one on top of the other.

A. Yes, sir, that is correct. In other words, you add the additional distance. We did not do that before.

By Mr. Bee:

Q. They are worked out in tables, and we apply them by using them only once.

A. Yes, sir.

Q. But Mr. Waggner is correct, as to the origin.

A. Yes.

Q. Going back to the origin point.

A. Yes.

Q. Now, I will ask you to turn to page 4, please, where you say that the key rates would be higher if the scale were applied.

A. Yes.

[fol. 4209] Q. Will you tell me what key rates would be higher?

A. The key rates that were prescribed by the Commission in the 21st Supplemental Report. Compare those with the application of the scale.

Q. Do you mean by that that if you use the Official Classification rates, Official Territory rates, from points of origin in Official Territory, Central Freight Association Territory or Trunk Line Territory, to points in the Southwest, the rates would be higher than if you apply, or use, the present key rates?

A. No, sir, I do not. The data relating to the key rates, as shown on pages 128 to 131, relate to the key rates prescribed by the Commission in the 21st Supplemental Report, compared with the mileage basis.

Q. Yes, sir.

A. In lieu of the key rates, had they checked the rates out on the basis of mileage application, we compare the mileage, scale basis with the specifically published key rates of the Commission, to show the fact that some were higher, and some were lower.

Q. Did you apply them to every station to which the key rates apply, or did you apply them only to the key stations?

A. We applied them to the key stations.

Q. And you know that they apply as the rate from the key station back near to destination, to the next key rate—or [fol. 4210] the next key point, do you not?

A. Well, there is a group application, a small destination group application, if that is what you mean.

Q. Going south on your line, you have a key rate at the town of Chandler, or Bristow, that is correct, is it not?

A. I have not checked that; but may I say, Mr. Bee, that we are merely comparing the rates to the key points proper, and not to the key point group.

Q. Yes, but I am trying to show you that the result is different than if you do what the Commission did.

A. Well, it would not be different, Mr. Bee, to the key points proper. It would be to a point east of the key point, it would vary, to a point east of the key point.

Q. Well now, let us follow that out a little bit, and see just what the Commission did. The Commission made a key rate from St. Louis, as an example, to Bristow, a point on your line; that is correct, is it not?

A. I have not checked it.

Q. Well, let us just assume that that is a fact, for the purpose of my question.

A. All right.

Q. And then the Commission also made a key rate to Oklahoma City.

A. Yes, sir.

Q. Now, if they made no key rate between Bristow and [fol. 4211] Oklahoma City, the Oklahoma City key rate would apply at all intermediate stations, Bristow to Oklahoma City, would it not?

A. Yes.

Q. So that you have taken only the Oklahoma City rate, and compared it, without checking each station, Bristow to Oklahoma City, and seeing the effect of that; that is correct, is it not?

A. We did not intend to show that latter effect. We intended to show to the Commission the fact that a great many of their key rates were not on the mileage basis, they were figured lower than the actual mileage basis would figure; and we were dealing with the points shown on the particular page of my exhibit dealing with those specific key points proper, and not the surrounding group points.

Q. But that was done, was it not, Mr. Stanage, because the rates did apply actually to much shorter distances, and the Commission was trying to secure the average rate for the group, and not the key point rates.

A. I do not know what may have actuated the Commission to state the key rates as they did, of course.

Q. Now you refer on page 5 to the Commission prescribing 26-column arbitraries in the bri[illegible] scale. Are 26-column arbitraries applied on all traffic from Official Territory into the bridge territory, Mr. Stanage?

[fol. 4212] A. Well, of course, I do not know that there would be shipments on every one of those 26-column ratings.

Q. Do you not know that, as a matter of fact, the carriers have refused to apply the arbitraries on the column rates inbound, that they do apply eastbound, but not westbound.

A. Do you mean, the application to the South versus Official Territory?

Q. I mean into the Arkansas or Oklahoma bridge territory, that the carriers have declined and refused to publish tariffs using the 26-column rates and apply them to commodities——

Mr. Barron: Do you mean, inbound?

Mr. Bee: Inbound.

The Witness: Inbound?

Mr. Bee: Yes.

A. That is true, but not into the South.

By Mr. Bee:

Q. Now, Mr. Stanage, I would like to go to your Exhibit No. 186 first, if you please, sir.

A. All right.

Q. You have put down here by notes, certain new industries that have been established. Where did you secure that information?

A. We sent a questionnaire to the Traffic Departments of the principal Southwestern lines.

Q. What did that questionnaire say?

[fol. 4213] A. We asked them in that questionnaire to let us have by years the industries located along their lines during the decade ending with 1941.

Q. May I ask, Mr. Stanage, that you turn to page 11 of the exhibit, and look at the 5th item and the 72nd item on that page, and tell me what company notified you of those industries having been established in the same year.

Chairman Aitchison: The 5th item, and—what else?

Mr. Bee: The 5th and 72nd.

Mr. Barron: The 5th and 7th?

Mr. Bee: No, the 5th and 72nd.

By Mr. Bee:

Q. You notice that it is the same company exactly; reported twice, is it not?

Mr. Barron: That is very possible.

A. Yes, Mr. Bee, that is correct. Our own industrial people gave me that information, and I see that, in copying it, they copied it twice. It is on there once already.

By Mr. Bee:

Q. Now, if a concern located at a point in the Southwest in the year 1940, and another concern bought the first concern out in the year 1941, occupying the same facilities, identically and exactly, but merely changing the name, would you carry that second concern as a new industry, established in 1941, Mr. Stanage?

A. I do not know just offhand how they would classify a situation of that sort. As I stated before, I merely asked [fol. 4214] for the industries that were located in that decade, and as to a situation of that kind, I would not be able to tell you whether they reported them differently or not,—I mean, under the old name, or under the new name.

Mr. Barron: I will say that we did not intend to duplicate anything, and if there are any situations of that sort, they should be stricken out. There are none, however, that I know of.

By Mr. Bee:

Q. Do you consider Kansas City, St. Louis and St. James, Missouri, as being located in the Southwest?

A. Yes.

Q. You do?

A. Well, St. Louis and Kansas City are in the Southwest on business to and from the Southwest, and St. James is just 100 miles from St. Louis, on the Frisco Railway. They are in the Southwest, yes, sir, certainly.

Q. Does the Southwestern Tariff Bureau have jurisdiction over the rates between St. Louis and Kansas City, Missouri?

A. No, sir, it does not, but that does not mean that Kansas City is not in the Southwest on shipments to Dallas, Texas, or Tulsa or Muskogee, Oklahoma, and so forth, in the case of shipping in and out—industries shipping in and out.

Q. Well, what about Western Trunk Line Territory?

A. What do you mean?

Q. Where is that?

[fol. 4215] A. Well, as to Western Trunk Line Territory, they would handle shipments east of there, in Western Trunk Line Territory. They are right on the border, from a rate standpoint.

Q. Here is the Yellow Transit Company——

Com. Splawn: Is it your thought, Mr. Stanage, that Kansas City and St. Louis should be put in Zone-3?

The Witness: Yes, sir, I think they should.

By Mr. Bee:

Q. I notice on page 5, in the year 1936, that the Yellow Transit Company established a warehouse at Kansas City, Missouri. Would you consider that company, a competing transportation company, operating only by motor vehicle, as an industry located in the Southwest, advantageous to the Frisco Railway?

A. Yes, sir, because they would get inbound shipments, possibly, of soda products, baking soda, and distribute it, some by rail and some by truck. We have relations with warehouse companies that are owned by truck lines at many other points, like Tulsa, and Oklahoma City, Oklahoma.

Q. Did you ever know of the Yellow Transit Company delivering to your company a shipment at Kansas City, Missouri, destined to any point in the Southwest?

A. No, sir, I do not know of anything specifically just offhand, but I think that they have done so.

Q. You would consider St. Joseph, Missouri, as being also in the Southwest, would you?

[fol. 4216] A. Well, no, sir, I would not. That is just a little bit too far north, I would say.

Q. 60-odd miles——

A. (Continuing:) Although it is in the Kansas City group, when it comes to rates.

Q. 60-odd miles, or 50-odd miles north of Kansas City.

A. Yes.

Q. But you have included all of those points in your exhibit here, have you not?

A. Well, there might be an item or two there.

Q. Yes.

A. Of course, you understand, Mr. Bee, that we could have gotten more than these 770 industries. We just got those concerning which we had records readily available, showing the data. We did not comb the industries with a fine tooth comb, to make certain we got every one of them. We possibly should remove one, like St. Joseph. But we had to make this up with the data at hand, merely trying to show the general trend of the industries located there.

Q. Did I correctly understand you a moment ago to say that you sent that questionnaire out to all of the lines?

A. I said, it went to the principal Southwestern lines, and each line had to refer to its old records, beginning back in 1932, and some of them did not have those old records as readily available as others did.

[fol. 4217] Q. Do you not know, Mr. Stanage, that each one of those lines telegraphed its local agents to send them in the information?

A. No.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Continue.

By Mr. Bee:

Q. Now, Mr. Stanage, I note on page 2 here, you show that you put some special rates in on tincans.

Mr. Barron: What exhibit?

Mr. Bee: 185.

A. Yes.

By Mr. Bee:

Q. As a matter of fact, is that not a rate that was put in for account of the Government, in order to foster the recovery of tin from old tincans, Mr. Stanage?

A. That was one of the reasons.

Q. It was not for the benefit of any industry in the Southwest, but it was to try and get the tincans reclaimed; that is correct, is it not?

A. Well, it has been a benefit to the scrap iron industry, to the people a part of whose business it is to reclaim tincans. The scrap iron people have been doing that for many years. I do not know just to what extent they are doing that at the present time.

Q. But you know, do you not, that it was only by reason of [fol. 4218] the war necessity for the cans.

A. No.

Q. All right. Now, referring to page 10, I want to direct your attention to the last item there, establishment of a rate on iron ore from Mill Creek, Oklahoma, to St. Louis and East St. Louis: How long did it take to get the Frisco Railway to establish that rate, Mr. Stanage, if you know?

A. I do not know exactly, although it took several months. But here is what happened: We were asked to establish a rate on iron ore from Mill Creek to St. Louis; and you and I had a conference with the applicant, and decided upon a rate of $2.75 per gross ton. We had that rate currently in effect from Texarkana, Arkansas, and East Texas iron ore producing points, to East St. Louis. We decided upon the rate of $2.75 per gross ton, and that seemed satisfactory to the applicant. He had leases on certain iron ore lands in the vicinity of Mill Creek, but had never established arrangements for extracting the iron ore. He came up to St. Louis and discussed the matter with the steel people on the east side, in Illinois, and seemed satisfied with the rate of $2.75; but after he had worked out his costs, he then notified us that he could not ship on the rate of $2.75, and he wanted a rate, instead, of $2.50. The steel people who were going to buy the iron ore called attention to a rate published from an iron ore shipping point in Wisconsin [fol. 4219] on the North Western Railway, as I recall it, of $2.50 per gross ton; and, using that as a basis, the steel people would not pay him on a higher rate level. Therefore we took another look at the proposition. We wanted to help that man out; we wanted to develop that iron ore, if it could be done; so we endeavored to have a rate of $2.50 per gross ton approved in the Southwestern Freight Bureau, without causing a readjustment from East Texas. Many of the lines thought that it was unwise. However, in order to assist this man in the development of this iron ore, the Frisco Railway announced its intention to establish the rate, and it was published effective—well, about 30 days ago.

By Mr. Barron:

Q. You gave public notice, did you not?

A. Yes, sir. In the meantime, however, the shipper, as I understand it, has been having difficulties on account of priorities, in getting his machinery, so that he has not, up to the present moment, as far as I have been able to determine, shipped any iron ore under that rate.

By Mr. Bee:

Q. Now, as a matter of fact, Mr. Stanage, the rate that he was having to compete with was a rate of $2.25, and not a $2.50 rate, applying from the Minnesota iron range, and not from Wisconsin, and that rate was called to your attention long before the matter was referred to the Corporation Commission. At first your company refused to [fol. 4220] make any reduction for him whatever, is that not true? You refused to make any reduction for him whatever until he had secured a contract from the steel people, indicating that they would use his ore.

A. No, Mr. Bee. That is not correct. I think you are a little confused. You and I conferred with this gentleman, and I suggested a rate of $2.75, for the reason stated, and he accepted that, in your presence. I had that rate approved, and later on, as I stated, he insisted upon a lower rate for the reason indicated. I stand on the facts, as I have stated them.

Q. But does not the correspondence show, Mr. Stanage, that he insisted on a rate of $2.25, but you and I agreed that we would test out the rate of $2.75, and that if it became necessary, your company would put in something lower? Now, is that not correct?

A. I am sorry, Mr. Bee, but I would prefer to let my statement stand as it now is in the record.

Q. All right. However, I take it that you are also willing to let the correspondence stand—are you not?

Chairman Aitchison: That is not before us at this time.

Mr. Bee: All right.

By Mr. Bee:

Q. Now, Mr. Stanage, with respect to Mr. Murray's testimony, relative to forest products. Mr. Murray's state-[fol. 4221] ment, as you read it, I think was that the great majority of forest products is going out, either unmanufactured or manufactured to a small degree. Now is that statement correct or incorrect, with respect to the movement of forest products from Arkansas?

A. As I read his actual words, shown in the record at page 1986, I make the statement that his statement is incorrect, the words being "In other words, we cannot finish a lot of our own wood products in Arkansas"—that is I, of course, am adding the words "in Arkansas"; and I point out the types of manufactured wood products that I have developed, and know about, and am in a position to inform the Commission about, as to the shipping point, and the rates, both the inbound and outbound rates.

Q. Now, do you establish any rates on tight barrels from Arkansas out?

A. No, sir. The staves that he talks about go up to Joplin, Missouri, where there is a cooperage plant.

Q. All right. Was not one of his points the fact that Arkansas could not ship the barrels, and had to ship the staves?

A. I do not recall, in reading his testimony, that any mention was made by him of cooperage.

Q. Well, you would call the staves a partially manufactured product, would you not?

[fol. 4222] A. Yes.

Q. With respect to the entire barrel, or the final commodity?

A. Yes, sir.

Q. All right.

A. But I might add, that the staves move from the Arkansas manufacturer, and are made into cooperage just across the river.

Q. They also move to St. Louis, do they not?

A. Yes, sir, or Peoria, Illinois, or Cleveland, Ohio.

Mr. Bee: That is all. Now, Mr. Barron, I believe that you were going to put in a corrected exhibit, were you not, relative to some of the matters that Mr. Tanner asked about at the last hearing?

Mr. Barron: Yes. If the Commission please, unfortunately, I only have about a dozen copies here of the corrected exhibit, but I expect the others in any time, either this afternoon, or tomorrow. These are the matters that Mr. Bee, or Mr. Tanner called attention to. With your permission, I would like to submit it at this time, and when the other copies get in, I will see that all parties of record are furnished with copies.

Chairman Aitchison: You may distribute the exhibit, as far as you have copies available at this time. Without objection, Exhibit 187 is received.

(Exhibit 187, Witness Stanage, received in evidence.)

[fol. 4223] Chairman Aitchison: Is there further cross-examination?

Mr. Dyer: Yes.

By Mr. Dyer:

Q. Mr. Stanage, in your direct testimony you mentioned and stressed the willingness of the Western lines and the Southwestern lines, specifically, to meet the needs for rates necessary for new industry.

A. Yes.

Q. I believe that in a general way at least is a substantially correct statement of your testimony, is it not?

A. Yes.

Q. Your statement there with respect to new industry would also apply to the needs of existing industry, would it not?

A. Yes, sir, absolutely.

Q. Now furthermore, in your direct testimony you made this statement, that you have done everything in your power to assist in the development of industry.

A. Yes.

Q. I would like to have you tell us, and tell the Commission, Mr. Stanage, just what you mean by the word "power"?

A. Well, what I meant by that was this: Anything that the Frisco Railway could do, either by itself or its collaboration with its connections, to establish lawful rates which would be beneficial to its industries in permitting them to expand, develop and grow, reach out for new markets, and bring added business to the Frisco Railway and its [fol. 4224] connections. We stand ready and willing to do anything of that sort at any time—if the facts justify it, of course.

Q. To the extent that you can do so, to the extent you are able to do so, of course.

A. Yes.

Q. But did you have in mind, when you used the word "power", Mr. Stanage, the restrictions that might exist in some outstanding orders of the Interstate Commerce Commission relative to the publication of rates to and from points in restricted Kansas territory?

A. Oh, yes, sir, because we have to comply with the existing orders of the Commission. I mean by that, we would take them into account in our efforts to establish new industries, and if the orders needed correction, and we thought that the matter ought to be presented to the Commission, in a petition for correction, we would do so,—although those situations have been very few.

Q. Have you found, Mr. Stanage, in the publication of rates to and from Wichita, that there have been numerous instances where Finding 27 has stood in your way?

A. Oh, it has temporarily held up the publication of rates,—and by that I mean that we have to comply with the understanding that was reached with the Commission, about filing petitions with the Commission, or notifying it of our intention to establish certain rates and permitting the [fol. 4225] opposition, if any, to voice its views, before we establish the rates.

Q. You know of the Coleman people of Wichita, Kansas, do you not?

A. Yes.

Q. Has that company ever appeared before you, Mr. Stanage, and asked for a readjustment in its rates, in the last three or four years, in connection with which you have found some difficulty in extending the rate that was proposed to be published, to other points in Western Trunk Line Territory, to include Wichita,—which is also a point in Western Trunk Line Territory?

A. Why, I do recall Mr. Coleman having appeared before certain of our committees, yes, sir, but I am not able just at the moment to recall the status of the subject. However, we did have some situations where, as I recall it, the Southwestern roads individually were not in a position without some assistance from the Western Trunk Lines, to correct the situation. Of course you probably have it in mind much better, and much more in detail, as to the actual status of it, than I have; but that is the only situation that I am now able to recall, and I still cannot recall the details of it.

Q. But you do know, do you not, Mr. Stanage, that those rates were published to all of the territory—to all of Western [fol. 4226] ern Trunk Line Territory, except restricted Western Trunk Line Territory? That is correct, is it not?

A. Why, I think that is correct, yes, sir, although I am just speaking from memory now, you understand, and assuming that you have the correct situation in mind, as indicated by your question. I know that there was some situation that came up, in which we tried to be of assistance, and where we were only partially successful; but as I told you before, I am not able just offhand here to give you the detail of that.

Q. And even though the Western Trunk Lines were willing, and wished, to extend those rates into Wichita, they were not able to do so because of the result of Finding 27; that is correct, is it not?

A. That is my recollection, yes, sir—or else get relief from the finding. There was some reason why we could not do that, but I do not remember the details now.

Q. Well, these particular cases that I now have in mind resulted in I. & S. Docket No. 4597, known as the Heating Apparatus Case; and I. & S. 4818 and I. & S. 4819, known as the Stoves, Furnaces and Stove Parts Cases. Now those rates were later extended to include Wichita, were they not?

Mr. Bee: Just a moment. I object to the question, if the Commission please. This is not proper cross-examination of Mr. Stanage. This is just a rehash of old Finding 27 in [fol. 4227] Docket 13535,—concerning which the Commission has just issued a new order, by the way, on the 9th day of this month. It is not proper cross examination of Mr. Stanage. Every time Mr. Dyer gets into any case, he always tries to bring in these other cases, just as he is trying to bring them in here. I am perfectly willing to meet him on the proposition at any time, in any case, but I submit, that he is just taking up a lot of time and building up a record here unnecessarily.

Mr. Dyer: May I reply to Mr. Bee's objection, just briefly, if the Commission please? Mr. Stanage, in his direct testimony, stated——

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record. The objection is sustained to that question as it stands.

Mr. Dyer: Pardon me, your Honor, but may I ask the Reporter to read the question.

(Question read.)

Chairman Aitchison: The objection is sustained. However, you may ask a question along that line which is proper cross examination, if you desire to do so.

Mr. Dyer: Thank you.

By Mr. Dyer:

Q. Mr. Stanage, in view of your statement that the Western lines did everything in their power to assist in the de- [fol. 4228] velopment of industry, as the result of the action of the Commission, you did extend those rates—that is the Western Lines did extend those rates to include Wichita; is that correct?

A. Why, I think that they did, yes, sir, although I do not have a very clear recollection of all of the details of that situation just at the present moment.

Q. Mr. Stanage, has your company individually, and the Western lines collectively, been faced with similar requests, and been faced, as the result, with similar problems?

Mr. Barron: Just a moment, please. That question is not clear to me. You say "similar requests."

Mr. Dyer: Yes.

Mr. Barron: Similar to what? The Coleman situation?

Mr. Dyer: Yes.

Chairman Aitchison: Do you understand the question?

Mr. Barron: I do not.

The Witness: I think so.

Chairman Aitchison: Answer.

By Mr. Barron:

Q. Mr. Stanage, when Mr. Dyer refers to similar requests, do you have in mind that Mr. Coleman was asking for certain rates on certain commodities?

A. Yes.

Q. And Mr. Dyer is now asking you if you have had similar requests.

A. Yes, sir; I understand the question; and my answer is [fol. 4229] that I do not recall any,—that is, I do not recall any request that was an exact parallel to that of Mr. Coleman. It is my recollection that the justification for his rate was not a ground for relief under Finding 27, based on the permissive orders of the Commission in the 14th and 16th Supplemental Orders in Docket 13535; and that was the reason, if I recall correctly, that the carriers were unwilling to initiate the type of petition that you sought to have them initiate. As I say, I do not recall any similar cases with other shippers. We do have cases, of course, where we seek to meet truck competition, potential or actual, with truck-compelled rates, and where we seek to meet water competition with water-compelled rates, where we do secure relief from Finding 27.

Q. In order to serve industry in the restricted Kansas territory, and the Southwest, the Southwestern lines and the Western Trunk Lines have in some instances taken the avenue of relief open to them under the 14th and 16th Supplemental Reports in 13535; that is correct, is it not?

A. Yes, sir, that is true, where we are meeting actual truck competition, or potential truck competition,—which we can verify as potential.

Q. In other words, then, they have filed the applications that are required under the 14th and 16th Supplemental Reports. You have had cases like that?

[fol. 4230] A. Yes.

Q. Do you know whether or not there has been a greater number of those applications filed in connection with traffic moving to and from Southwestern Territory, than Western Trunk Line Territory?

A. Oh, I never have totaled them up, but I believe that there are more in the Southwest than there are in the Western Trunk Line section of Kansas.

Mr. Dyer: I might state in that connection, if the Commission please, I think the Commission should take judicial notice of that fact.

Chairman Aitchison: Of what fact?

Mr. Dyer: Of the fact that there are some 400 or more notices filed in connection with rates to and from the Southwest, while the number filed in connection with traffic to and from Western Trunk Line Territory is very limited.

By Mr. Dyer:

Q. Is that not a fact, Mr. Stanage?

Mr. Barron: Well now, just a moment. Are you asking the witness a question, now?

Mr. Dyer: That was preliminary to the question I just asked.

Mr. Bee: Did you not just take such judicial notice in the order on the 9th of this month, in this case, specifically stating the very thing that the witness has stated?

Mr. Barron: That was a show-cause order, that you issued [fol. 4231] some time ago.

Chairman Aitchison: I do not understand. What pertinency does this have?

Mr. Bee: Mr. Dyer is just trying to rehash some old matters here.

Chairman Aitchison: Just a moment. What do you expect us to do, Mr. Dyer, that would be different from what we would otherwise do, as the result of this cross-examination?

Mr. Dyer: Why I do not know as to that, Mr. Chairman, but I do want to bring to the attention of the Commission——

Chairman Aitchison: It seems to me that the test is whether or not——

Mr. Dyer: Let me make a statement, please.

Chairman Aitchison: Let me finish.

Mr. Dyer: Pardon me.

Chairman Aitchison: The test is whether or not this cross-examination would have a tendency to cause a different decision than we would otherwise make in this case.

Mr. Dyer: The only reason that I bring this matter to the attention of the Commission is because of the last part of the last sentence in the order which the Commission issued on the 9th day of November, 1942, in I. C. C. Docket 13535, in the 28th Supplemental Report, where it said, "However, that nothing herein shall impair or affect the undue prejudice and preference provisions in such orders with respect [fol. 4232] to class rates as such." I believe that I expressed my fears at the time when I was on the witness stand earlier in this proceeding, with respect to what effect this order might have, regardless of the showing that Wichita might make in this case.

Chairman Aitchison: Well now, what has Mr. Stanage testified to here, that you are now cross-examining him about?

Mr. Dyer: The particular statement that he made was that the Western carriers had everything—or rather—pardon me—he made this statement, that the Western carriers did everything in their power to assist in the development of industry; and it is his use of the word "power" that I wanted to develop, as to just what he meant, just what he had in mind, in his use of the word "power." However, I think that is all I have, sir.

Mr. Smelker: I have one or two questions, if the Commission please.

Chairman Aitchison: Mr. Smelker.

By Mr. Smelker:

Q. Mr. Stanage, on page 1 of your statement, directly under the title "Industrial Organizations", you state that the Western carriers have maintained organizations whose duties are to furnish basic data concerning raw materials, coal and fuel oil, to prospective industries.

A. Yes, sir.

[fol. 4233] Q. And then a little later on, in the third paragraph, under that heading, you say that it has been the experience of these Departments that information of that character is generally secured and passed upon by parties seeking to locate an industrial plant on the Frisco Railway.

A. Yes.

Q. And then you say subsequently, "In some instances we receive requests for the establishment of new rates." Now, bearing that statement in mind, and also bearing in mind your recent testimony here concerning iron ore, what is your opinion on the question as to whether or not natural resources and reserves have any bearing on rate levels?

A. Oh, I think that they do have a bearing indirectly on rate levels, yes, sir, in this respect, that they naturally are a factor, taking the long-range view, of course, with respect to being a potential source for the procurement of revenue incident and necessary to the operation of a railroad.

By Chairman Aitchison:

Q. In other words, they give you an indication of the possible or even the probable traffic therefrom that may be developed for you in the future; is that right?

A. Yes, sir, that is my idea.

Mr. Smelker: That is all.

Chairman Aitchison: Is there anything further?

[fol. 4234] By Com. Alldredge:

Q. Mr. Stanage, it might also affect the development of your rate pattern,—meaning by that, the way you distribute the so-called rate burden on the different types of traffic which you transport; is that right?

A. Well, no, Mr. Commissioner, not exactly, because the pattern naturally would change as the needs of commerce would necessitate a change.

Q. Have rate patterns changed that rapidly?

A. Well, I have been in rate work for over 40 years, and they keep changing all the time, so that I cannot keep up with them.

Q. Oh, in individual situations, yes, but do your general rate patterns change rapidly?

A. Well, we have had the McGraham scale, in Official Territory, and then the Disque scale, and then 15879.

Q. But that only refers to one phase of your rate structure, does it not?

A. Pardon me?

Q. That only refers to one phase of your rate structure, does it not, and not your general pattern, covering the entire rate structure?

A. Well, I do not know of any pattern that covers the rate structure of the United States as a whole,—unless you mean that the treatment by the Interstate Commerce Commis- [fol. 4235] sion in the 1941 major rate cases, of the South, Western Trunk Line, and the Southwest, is designated by you as a pattern for the United States.

Mr. J. R. Bell: Let me ask one question.

Mr. Barron: Let the witness finish.

A. (Continuing:) We have had from 25 to 50 individual cases in the Southwest, prior and subsequent to the 13535 revision, and we have had innumerable decisions on commodities like cement, brick, livestock, grain and cotton.

By Com. Alldredge:

Q. If you had been assigned the task, as perhaps some traffic men were, when Mr. Hill was developing rates in the West, of designing a rate structure at that time for future operation, would you have taken into consideration the resources and possibilities of the area which you were considering, and designed your rate structure accordingly?

A. No, sir, not in the form that I understand you have in mind.

Q. If that was an agricultural country, then, and there was the possibility of developing agricultural products there in a large way, that would not have affected your thinking about the pattern of your rate structure?

A. Well, of course, in the first place, Mr. Commissioner, I do not know whether you and I have the same view of what a pattern of rate structure means; but in any event, natu-

[fol. 4236] rally, Mr. Hill had in mind that the territory that he saw, west of St. Paul, for the first 25 years, for example, would be an agricultural section, producing grain and livestock. Now, in establishing those rates back at that time, he had to be governed by the pattern of rate structure, or call it by whatever term you may want to use, that was in effect at that time in other territories. In other words, if you will study the history of the rates, you will find generally that when any traffic man, or any commission, undertakes to discuss a scale of rates on any given commodity, they have, as a background, the experience of years in the past.

Q. There has been a good deal of talk here, for example, that the rate pattern in Official Territory is different from what it is west of the Mississippi River.

A. Well, it is no different in many respects, Mr. Commissioner. It is different in this respect, however, that they have seven classes there, talking about class rates, and we have ten classes in the West. Then it is also different in that we have fewer commodity rates. They have their seven classes so related that they will make a lot of commodity rates by exception, particularly 6th class,—85 per cent, 83.5 per cent, and so forth; whereas in the Southwest we have always followed the pattern of basing our rates on each one of the moving commodities, as commodity rates, such as on cotton, coal, lumber, livestock, and so forth. Then also, the composition of the traffic is different in both terri- [fol. 4237] tories.

Mr. Barron: If the Commission please, may I inquire for my own information if you mean by "pattern", a scale of rates that is made up of a preponderance of rates on manufactured articles, versus a scale of rates that is made up of rates on such commodities, we will say, as agricultural products, or natural resources? I am just a little bit confused, your Honor, as to exactly what you have in mind when you refer to a pattern.

Com. Alldredge: I am not thinking about scales of rates when I refer to a pattern, but I am thinking about the entire rate structure as it is designed to keep the so-called rate burden spread out among the different classes of traffic.

Mr. Barron: As reflected by the consist of traffic moving in the respective territories.

Chairman Aitchison: We have an excellent illustration of that in this record here, with respect to the fact that carriers which serve both Western and Mountain-Pacific groups have an entirely different system in the one than they have in the other, and yet they are common carriers in each group. There is no reason for it, of course. It just goes back historically.

Mr. Barron: May I inquire, your Honor, if there is any further cross examination of Mr. Stanage?

[fol. 4238] Chairman Aitchison: Is there any further cross examination of Mr. Stanage? (No response.) Apparently not.

Mr. Barron: I have some redirect, then.

Redirect examination.

By Mr. Barron:

Q. Mr. Stanage, you were asked in substance, as an illustration, when Mr. Hill was building his railroad, if you had the job of making those rates, would you look at the natural resources of the country. Now if you were projecting a railroad into the plains country of the Southwest, or in Western Trunk Line Territory, anticipating that somebody thought perhaps there would be an agricultural section there, would you fix your rates in v' w of the possibility of an agricultural development there, or would you fix your rates, in the first instance, to earn you a living, and then fix your rates on agriculture if and when it developed?

A. Oh, we would have to do the latter, yes, sir, because we could not live unless we did it that way.

Q. Taking your natural resources——

Chairman Aitchison: You do not believe in missionary work, then?

The Witness: Oh, yes, I do, Mr. Chairman, and I will give you an illustration of the missionary work that we do on the Frisco Railway. About 40 years ago the Frisco industrial man located a colony of Italians near Springdale, [fol. 4239] Arkansas, which is about 360 miles southwest of St. Louis, on the Frisco Railway, and an inland town. He started there the first grape culture in the Southwest. Now we provided some missionary rates on manure for those grapes from the Kansas City stockyards in gondola cars, of about $25 per car, and there was a movement down there of 300, 400 and 500 cars per year. We developed that grape industry, and along with that, an apple industry. Now that was 40 years ago. About 25 years later the Welch Grape Juice Company built a plant down there to manufacture grape juice and grapelade, and things of that sort. Along with the apple development, we located three vinegar plants, one at Rogers, one at Springdale, and one at Marionville. Now we made those plants relatively low rates on their cooperage inbound, and on their apple waste clear up to St. Louis, to the preserving companies there, for the pectin in the apple waste. We did everything we could to develop that industry. Then with the advent of the trucks, the contract and the private haulers took most of that business away from us. Now, we are gradually getting it back. However, my point is that it takes years and years of development before you can ever begin to reap your reward, particularly when you are talking about agricultural or fruit development.

Chairman Aitchison: You had in mind at that time securing revenue enough to keep you going during that initial, [fol. 4240] pioneer period.

The Witness: Yes; we had to be patient.

Chairman Aitchison: But at the time you were encouraging this agricultural development, you did have the future in mind; and away out in the plains country, you would not expect the cattle to just come up to your siding even if no railroad had ever been built in there, would you?

The Witness: Well, Mr. Chairman, history shows that the so-called prairie line, or the line that is dependent upon agriculture and livestock for its livelihood, is not a prosperous line, because those commodities are seasonal commodities, and the development of towns as the result of agricultural and livestock development, takes a long, long time.

By Com. Alldredge:

Q. But you would not make just one rate at a time, would you, Mr. Stanage?

A. No.

Q. You would have to design the whole rate structure, would you not?

A. Yes, sir, we would do as Mr. Morrison stated; but you will recall that when Mr. Hill was building his road from St. Paul west, he hired a man who had come from the East somewhere, around Cleveland, and that man brought with him a tariff and a classification; and Mr. Hill, because he had no other advice on the subject—I imagine that was the [fol. 4241] reason—adopted that classification and that rate structure because they were working in the Cleveland area.

Chairman Aitchison: Well, when he got out to the Pacific Coast, he knew more about it.

The Witness: Oh, yes.

Chairman Aitchison: The demand was, as the reports of this Commission will show, to put in a rate which would develop a lumber manufacturing business on the Pacific Coast, because there were good fir trees and cedar trees there.

The Witness: Yes.

Chairman Aitchison: That is right, is it not?

The Witness: Yes, sir, that is correct, and the Southwestern roads, such as the Missouri Pacific, the Cotton Belt, and the Frisco Railway, have done precisely the same thing, which resulted in the destruction, the cutting down of the trees in the forests, to produce a movement of lumber to the North and East. A line like the Cotton Belt served at that time a more densely wooded section than the Frisco Railway. We came down through the Ozark hills. There is very, very little of that movement left. It was virgin forest, in the days when the forests were down there, but now all of that timber has been moved out, and in lieu of the timber, there are small settlements in there, or even fair-sized settlements; but the big tonnage, and the big revenue from that forest products tonnage, has vanished.

[fol. 4242] Com. Alldredge: Well, I suppose, of course, that everybody knew that that was an industry that was operated very extensively, and therefore that the timber would inevitably disappear; that is correct, is it not?

The Witness: Why, yes, I would say so, but we cannot just live on what is produced on our lines. Roads like the Frisco or the Cotton Belt cannot just live on what is produced on their lines. They have got to get through business also, in order to be successful.

Com. Alldredge: Yes, of course I can appreciate that.

The Witness: And furthermore, Mr. Commissioner, your rate pattern is generally set for you by what is being done in surrounding territory. By that I mean that a man will come in to you for example, and seek a rate on brick for a certain distance. Well, if we do not have any scale on brick, we see what the other lines are charging on brick.

Com. Alldredge: I understand.

The Witness: And if they are getting, for a haul of 100 miles, 8 cents per hundred pounds, say, I will not charge that man 10 cents per hundred pounds, because he says, "I want the same scale as my neighbor has."

By Com. Alldredge:

Q. Well, now as has been pointed out here, the pattern of rates, or the plan of rates, if you prefer to call it that, in the Western Territory is different from that in Official Ter- [fol. 4243] ritory; that is right, is it not?

A. No, Mr. Commissioner, that is not right. At least, I do not think it is right, because they have mileage scales of rates, and those mileage scales of rates are based on small groups.

Q. So that they fit together, then, without any particular difficulty; is that correct?

A. I think they are about as good as can be made.

Q. I am not speaking with respect to how good they may or may not be, but merely as to whether or not they fit together without any particular difficulty.

A. The ones that are in effect today do fit together, yes, Mr. Commissioner, because they have stood the test of time, and they are generally satisfactory.

Q. But you have to have a separate classification in your Illinois Freight Association Territory, do you not, in order to bridge over the gap?

A. Yes, sir, that is correct, but then, that is not an insurmountable situation.

Q. No, I was not suggesting that it is. I am just trying to develop the idea with respect to a comparison of the two rate structures as a whole.

A. I understand.

Q. Or the pattern of the rate structures.

A. Yes, sir, just like in an adjoining group anywhere you [fol. 4244] may have the possibility of different rates that are justified.

Mr. Barron: Had your Honor finished?

Com. Alldredge: That is all I have at the moment.

By Mr. Barron:

Q. Now, Mr. Stanage, we were talking about agriculture and its effect on the pattern of rates. You recall, do you not, that before the first World War, all of the potash that was used in this country, or practically all of it, came from Europe. You know that, do you not?

A. That is my understanding, yes, sir.

Q. And then during the intervening years, since 1919 up to about 1931, there was a great demand for the development of potash in this country; that is true, is it not?

A. Yes, sir, that is correct. I do not know about the particular years, that is, but there was a certainly a demand for the development of potash in this country, yes, sir.

Q. Well now, in anticipation, or in the hope of finding deposits of potash, would you as a traffic man recommend that there should be an adjustment of rates on potash through one territory, or through two or three territories, in the hope that at some place, some time, somebody would find a potash deposit?

A. No, sir, I would not recommend anything of the kind.

Q. Why not?

A. Because it would be just an idle gesture.

[fol. 4245] Com. Alldredge: Well now—pardon me, counsel.

Mr. Barron: Go right ahead, your Honor.

By Com. Alldredge:

Q. Mr. Stanage, if you would publish a complete rate structure, you would have some rates on potash in that rate structure, would you not?

A. Yes sir, that is correct, Mr. Commissioner, as far as just merely having those rates in your rate structure is concerned, but then, they would be nothing but paper rates, and they probably would not be used even if potash were developed.

Q. Oh, yes, if you were to just go out and guess at it and not pay any attention to your natural resources, that very probably would be correct.

A. Well, Mr. Commissioner——

Mr. Barron: Just a moment. Let the Commissioner finish his question.

The Witness: Pardon me.

By Com. Alldredge:

Q. Now, the closer you approach an understanding of all of the possibilities of the territory that you are operating in, the more nearly will you make your rates to meet those contingencies; that is right, is it not?

A. Oh, yes, sir, but then, you must also bear in mind this,—and here is my idea about what you are up against: The determination of what are reasonable rates involves the [fol. 4246] exercise of judgment, based upon all of the relevant facts, and if you do not know about the industry in question, and all of the relevant facts concerning it, why, they you are just simply shooting at the moon, so to speak.

Q. Well now, I am afraid that you and I are talking about two different things here.

A. Perhaps we are.

Q. Because you are getting down to individual rates, and I am trying to talk about something else, here.

Mr. Barron: We are talking about future rates, your Honor, over a vast territory, to develop natural resources, and I think that I have a very apt example in this potash to which I have referred.

Chairman Aitchison: Well now, if you had some prehistoric deposits of potash in your territory, if you were so lucky, when you came to make your rates on potash you would take quite a different view of it than you would if you had known that there was not any potash or any likelihood of any potash ever being developed in your territory; would you not?

The Witness: Oh, yes, that is true, of course; there is no question about that.

By Mr. Barron:

Q. After this desire or this demand for potash came to a head, or even prior thereto, do you recall that there was potash produced in Utah, and in California? Do you re- [fol. 4247] call that?

A. Yes, sir, I do recall that, although I would not be able to name the points.

Q. But there was such a production?

A. Oh, yes. There was a production at Carlsbad, New Mexico, or around in that section also.

Q. That was afterwards, was it not?

A. Well, I wouldn't be able to say, as to the date. If you say so, however, I will accept that.

Q. Well now, In California and Utah, do you recall that there were just so-called dried up beds of potash, where the potash was produced by erosion processes,—or do you know that?

A. Oh, I know that there were shipments of potash from California and Nevada, but I do not know the process.

Q. Now, do you know that along in 1931 there was a vast deposit of potash discovered at Carlsbad, New Mexico?

A. Yes.

Q. And do you know that that potash deposit was discovered after the decision of the Commission in the 13535 proceeding?

A. Yes, sir, that is correct. I believe it was in the 30's.

Q. Well, now in 13535 is it not a fact that the Commission prescribed 16 per cent of first class on manure salts, and 17.5 per cent on potash, or potassium—I believe that is [fol. 4248] what they called it, something like that—muriate,——

A. Of potash.

Q. —muriate of potash. Is that right?

A. Yes, sir, I believe that is correct.

Q. Now, do you know whether or not it was necessary for the Santa Fe Railway,—and if you are familiar with the fact, you may just say so, or if you are not, say so—to reduce the rates from Carlsbad, New Mexico, to all of the Eastern Territory, lower than the basis that the Commission had prescribed in 13535, in order for the Carlsbad producer to meet foreign competition.

A. Oh, I know that they reduced the rate from Carlsbad into the South, with transit at Tulsa, Oklahoma,—I know that, because we joined in it; but I do not recall the adjustment to Official Territory. There is a movement from Carlsbad through Tulsa to the Southern fertilizer plants.

Q. You do not know what that movement happens to be, do you?

A. Oh, it is very substantial.

Q. Well now, Mr. Stanage, is that not the same theory that you would follow, in connection with the development of any natural resources?

A. Exactly.

Q. In other words, would you make a wholesale adjustment of rates in anticipation, in the hope and prayer that [fol. 4249] some day somebody might find something somewhere?

A. No, sir, I certainly would not.

Q. Do you think that would be good railroading?

A. No, sir, it would not be.

By Com. Alldredge:

Q. Well, Mr. Stanage, what would you take into consideration, when you made your whole rate structure?

A. Pardon me, sir?

Q. What would you take into consideration when you made your whole rate structure? Would you just guess at it?

A. Oh, no.

Q. Would you make a complete rate structure just hit-or-miss, just by guessing at it, or how would you go about it?

A. Well, our rate structure is a little like Topsy; it never was born, but it has just grown; and we do not revise our rates in toto, in any instance that I can recall. The only instances in which we have had what might be termed general revisions, have been those cases which were due to complaints, or resulted in investigations by the Commission, where they have dealt with a great body of rates, like in Docket 13535, the Southwestern Cases. In Western Trunk Line Territory, of course, they have had a more limited amount of commodities to consider. You must understand, of course, that our rates are based on requests from shippers [fol. 4250] or receivers for an adjustment which they think is just and proper. The carriers analyze all of the facts, and adjust the rates accordingly. We do not sit down in a room and just change them, without any facts.

Q. I understand that, Mr. Stanage, but I hope that you take more into consideration, when you do make your rates, than just the request of a shipper.

A. You understand our procedure, I am sure. Under our National Industrial Traffic League application, we issue proposals.

Com. Alldredge: I understand that.

Mr. Barron: I have just one further question, if the Commission please.

By Mr. Barron:

Q. Mr. Stanage, do you know whether or not it is a fact that, the West being predominantly an agricultural territory, the rates as of the present time are all on the basis that was prescribed by the Commission in the Hoch-Smith Cases, Docket 17000 and its various parts, or lower than those prescribed by the Commission in that proceeding?

A. Yes, sir, that is a fact,—on grain, livestock, and so forth.

Com. Alldredge: Just a moment. What was that last question, please?

Mr. Barron: Will you read it.

[fol. 4251] (Question read.)

Mr. Barron: I am just talking about these patterns of rates. I want to show that the Commission itself has fixed the patterns in Western Territory.

Com. Alldredge: Do you not suppose the Commission knows that?

Mr. Barron: Pardon me, sir?

Com. Alldredge: I say, do you not suppose the Commission knows what has been done?

Mr. Barron: Oh, yes, and a whole lot better than I do. There is no doubt about that.

Chairman Aitchison: Let us not take up any more time. Is that all of the redirect?

Mr. Barron: Yes.

Chairman Aitchison: Mr. Bee?

Mr. Bee: I will forego any further questions of the witness, Mr. Chairman.

Chairman Aitchison: You are excused.

(Witness excused.)

Mr. Barron: Mr. Smith.

George C. Smith was sworn and testified as follows:

Direct Examination.

By Mr. Barron:

Q. Mr. Smith, will you please state your full name, residence and occupation.

[fol. 4252] A. George C. Smith; Assistant to the President, Missouri-Kansas-Texas Railroad; St. Louis, Missouri.

Q. How long have you held that position?

A. Since 1933.

Q. Will you tell the Commission very briefly, Mr. Smith, what your duties are in that position.

A. My principal duty is that I am in charge of the industrial development program of the Missouri-Kansas-Texas Railroad.

Q. Have you held any other railroad positions?

A. Oh, yes.

Q. Will you state those briefly.

A. In August, 1916, I accepted appointment as Industrial Survey Agent of the Baltimore & Ohio Railroad, to assist in the organization of the Commercial Development Department of that railroad. I held that position approximately two years. In 1923 I became executive assistant to the president of the Canton Railroad Company, at Baltimore, Maryland, where my principal duties were to negotiate contracts for the use of our warehouses and our real estate, and develop traffic for the railroad. I occupied that position, I should say, for approximately four years. In 1931 I became general traffic manager of the Missouri-Kansas-Texas Railroad, and occupied that position until I was promoted in 1933.

Q. Just very briefly, Mr. Smith, will you tell the Commis- [fol. 4253] sion something about your educational background.

A. Graduate of the University of Atlanta, in economics, political science and history, with the degree of A.B.; and a scholarship at the University of Wisconsin for one year, postgraduate work, in economics and political science. I was then appointed to the Andrew D. Street Fellowship at Cornell University, which I held for two years, the faculty making my second year a traveling fellowship, and I spent that time in Germany, studying industrial conditions abroad.

Q. You have taught finance and transportation, have you not?

A. Yes, sir; I have taught a number of courses in economics, in a number of universities; the University of Oklahoma, Wisconsin University, Cornell University, New York University, and Johns Hopkins University.

Q. Now, outside of your industrial railroad work, have you occupied any other position relating to industrial location?

A. I left Cornell University in 1913 to go to New York, to organize the Research Department of the Alexander Hamilton Institute, and to finish some work that I was engaged in as consulting economist for the United States Steel Corporation, in connection with its dissolution suit. While with the Institute, one of our clients, the Kelly-Springfield Tire Company, came into my office, through its vice-president in charge of finance, and asked me to outline, [fol. 4254] if I could for them, how to go about finding a location in the United States where the company could produce and distribute tires at the lowest possible cost. I made that research investigation, extending over a considerable period of time, and it was while I was engaged in the conduct of that investigation that I contacted certain officials of the Baltimore & Ohio Railroad and moved from New York to Baltimore, to help organize the department to which I referred.

Q. Now the Kelly-Springfield Tire Company at that time was located and producing at Akron, Ohio; is that correct?

A. Yes, sir.

Q. Continue.

A. I then left the Baltimore & Ohio Railroad shortly after the outbreak of the war, and helped to locate a large British chemical plant that the War Department was bringing to this country for the manufacture of cellulose acetate, or dope used for coating airplane wings. I became secretary of the Chamber of Commerce of Cumberland, Maryland, where I succeeded in getting a plant of the Kelly-Springfield Tire Company located. I was in charge of war production work for the War Resources Board, in Pennsylvania, West Virginia and that portion of Western Maryland,—or rather I should say, in Western Pennsylvania, Western West Virginia, and Eastern Maryland.

[fol. 4255] Q. Do I correctly understand that at one time you were connected with the Baltimore Board of Trade?

A. Yes, sir, I went from Cumberland, Maryland, to the Baltimore Board of Trade in 1919, to organize an Industrial Bureau, and I was there four years.

Q. Now while you were general traffic manager of the Katy Railroad, did you have charge of the industrial work of that department of the railroad, and supervision over the department?

A. Yes, sir.

Q. Have you ~~made a~~ substantial number of industrial surveys during your experience?

A. A great many.

Q. About how many?
A. Substantially more then 100.

Chairman Aitchison: I think, prima facie, you have established the qualifications of the witness. Now, let us go on to something else.

Mr. Barron: I think so, too, your Honor, but I would like to ask one further question along this line, if you please.

By Mr. Barron:

Q. Mr. Smith, during your experience of locating industries, would you venture to state approximately how much money has been invested in the industries which you have located?

A. Substantially more than one billion dollars.

[fol. 4256] Q. Now, Mr. Smith, I wish that you would just very briefly tell the Commission what your experience has been in connection with the location of industries in the Southwestern Territory, particularly along the line of the Missouri-Kansas-Texas Railroad.

A. Well, during the time that I was general traffic manager, and since, as assistant to the president of the Missouri-Kansas-Texas Railroad, I have had charge of that function. I have a staff operating out of Dallas, Texas, and also a staff operating out of St. Louis, Missouri, and we undertake to conduct confidential negotiations for manufacturers, looking for factory or warehouse locations, or for institutions that might be considering the development of mineral resources. We also occupy a portion of our time in the development of agricultural activities that might lead to the establishment of industrial pursuits. We do as much as we have time to do of basic research work, with the idea of preparing studies to determine the fitness of our territory for industry, and seek out the industry, instead of attempting to render a mere order-taking type of service. Our reports, our annual reports to the president and the monthly reports thus far since I have been with the railroad, cover 2694 industrial enterprises, which are not to be confused with manufacturing in its narrower sense.

Mr. Smith, could you give the Commission any of the factors or forces which operate as economic causes in the locating of industries? [fol. 4257]

A, Well, some of those factors have been given by Dr. Duncan a little earlier at this hearing. First, I would like to say that normally, if one can get in possession of the complete cost data of an industry, that relate to the unit cost of production of the product of that industry, or the products of the industry, one can generally determine from an analysis of such cost data the factors that affect the operation of the industry, and then can rather definitely determine which of those factors are subject to variation, from one location to another. And I might say here that really, the science of industrial location has developed concomitantly with cost accounting, and could not very well have existed prior to the adoption of cost accounting, to any great extent, at least. The normal factors that we talk about so much are labor, power and fuel, freight service and cost of raw materials, their location and demand; markets; overhead expenses, such as land, buildings, taxes, and the like; but in my experience there is no formula possible that is applicable to all of the industries, or possibly to any two industries under different management, in the same line of production.

Q. When you related those different factors, you did not relate them in the order of their importance, did you?

[fol. 4258] A. I had no intention of attempting to do so, no, sir.

Q. Do you have any figures, Mr. Smith, on the concentration of industrial areas in the United States?

A. Yes.

Q. What are those figures?

A. I have devoted a good deal of my time to the subject of industrial decentralization, having made efforts to help establish industrial operations around the country, because I thoroughly believe in industrial decentralization as an economic practice for this country; and I am amazed always, when the new census figures come out covering manufacturing industry, to find that the concentration of industry is still going on, and that decentralization, when it started, has usually run into some more or less political situation which has restricted its further operation,—and that, in spite of the fact that virtually all students of the subject, politically and economically, are endeavoring to foster decentralization as a program. The best example that I would be able to give, would be statistics concerning the 33 principal industrial areas of the United States.

Q. Covering how many counties?

A. Pardon me?

Q. 33 areas, covering how many counties?

A. Covering 97 counties.

Q. Being what per cent of all of the counties of the United [fol. 4259] States?

A. 3 per cent.

Q. Go ahead.

A. These 33 industrial areas are located as follows: 6 in Ohio—well, I will put it on a regional basis: 6 in New England; 9 in the Middle Atlantic states; 9 in the East-North Central states; 4 in the West-North Central states; 3 in the Pacific states; and 2 in the Southern states. Since 1899 there has been no appreciable shift in the proportion of industry contained in that 3 per cent of the counties in the United States, 99 in number, up to 1942, measured either by number of wage earners, value of product, or value added by manufacture. As to the wage earners, of the average number of wage earners employed in all of the industries of the United States, 55 per cent are concentrated in 3 per cent of the counties of the United States. With respect to value of product, 60 per cent is concentrated in those same counties; as is also approximately 62 per cent of the value added by manufacture. Those have ranged about as follows: From 54.7 per cent to 56 per cent, for the wage earners; and from 59 and a fraction per cent to 61 and a fraction per cent, for value of product, the range being quite too narrow to indicate that there is anything other than a concentration of industry in this country. It is a concentration which, while it [fol. 4260] seems to be enormous, is not sufficiently enormious to create certain social problems that will result from the further concentration of people in those same communities.

Q. Now, Mr. Smith, from your years of experience with the Katy Railroad, during that time have you ever heard of any industry declining or refusing to establish a producing plant in the Southwest primarily because of freight rates?

A. I have not, no.

Q. Now, with respect to the question of natural resources: Does your Department make explorations or inquiries with respect to natural deposits along the line of your railroad?

A. We perform research work in exactly the same way; we perform that type of work both in that and other directions. We conduct very intensive research work throughout our territory into the mineral and chemical producing products, and the metal producing products, both on the soil and under the soil. That is a part of our regular research work.

Q. Have you been successful at any time in locating mineral deposits which could be developed commercially, along your railroad?

A. Yes, sir. A good deal of our time, however, is spent in trying to cooperate with the states and other established research agencies. We work together and cooperate with them.

[fol. 4261] Q. Do I correctly understand you to mean by that, that you endeavor to educate the state representatives as to industrial work?

A. I would say, that is somewhat of an overstatement of the case. Rather, we work with them.

Q. I see. Now, what is your opinion, in the light of all your experience——

A. I am sorry, but I had not quite finished.

Q. Pardon me.

A. I was just going to add, there are a great many of them.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Continue.

By Mr. Barron:

Q. What is your opinion as to the proposition of promoting industry in any particular region, or decentralizing industry, if all of the different territories were given the same transportation cost on their outbound materials? As I understand it, now, you do not know anything about freight rates.

A. For the purpose of your particular question, I can say that that is correct.

Q. Well, if all of the different territories were given the same transportation cost on their outbound materials, what do you think would be the effect of that?

A. Oh, I doubt if it would have any very serious influence [fol. 4262] at all in breaking up this decentralization that I have talked about.

By Chairman Aitchison:

Q. I assume you misspoke yourself.

A. Pardon me.

Q. I take it you mean, this concentration.

A. This concentration, yes.

Q. You said "decentralization".

A. I meant concentration.

Mr. Barron: Thank you.

A. Thank you for calling my attention to it. Now the fact I do not think has been brought out so far, that industry is industry's best customer. On Page 7, part 2, Census of 1930, item 25, there is a very significant, but short, paragraph, stating that in the estimation of the Director of the Census, two-thirds of the value of products only is net, and one-third represents the sale to industry. Industry tends to concentrate, therefore, to a very considerable extent, either where it can get services from other established industries in the supplying of its raw or semifinished materials, or where it can get markets from industries after it has developed. That is particularly true of the metal goods industry.

By Mr. Barron:

Q. A question has been raised here with respect to the automotive industry, as to why it was located in Detroit, and something was said to the effect that it was because [fol. 4263] Mr. Henry Ford developed his operations to a point where he had to move them from his shed at Dearborn, to some convenient nearby point. Do you know whether or not Mr. Ford, afer he started his production, endeavored to locate at any other point, outside of Dearborn?

A. Not from personal knowledge, no, sir; but from the general history of industrial development in this country, it is assumed everywhere, and stated by many writers, that Mr. Ford attempted to finance his enterprise elsewhere, and he located in Detroit, as so many industries located there, first, because he lived there, and second, because he was able to a raise a few thousand dollars among his friends to start his enterprise there.

Q. Did the fact that he could get the kind of iron and steel he wanted there, have any effect on where he located? In other words, was that a good foundry town, and did his early cars need a good deal of foundry work?

A. Yes, sir, they did, more particularly on the engine blocks. The balance of his machine, you may remember, was pretty much like a carriage. It did not need much foundry work, outside of the engine.

Q. That is what you mean, then, is it, when you say that industry is industry's best customer.

A. Yes, sir.

Q. In other words, one depends upon the other?

A. One depends upon the other, yes, sir. I was referring [fol. 4264] to just that sort of relationship; and I can go further than that, and say that the finished products of one plant may be the raw materials that are used by some other plant in the production of its goods.

Q. Now, referring back again to the time when you located this cellulose plant—what was the name of that organization, again, please?

A. The American Cellulose & Chemical Manufacturing Company,—the Celanese Corporation.

Q. When you advised your client to locate that plant at the particular point where it was located, were you particularly interested in freight rates on the finished product out of the plant?

A. There was no discussion of freight rates.

Q. In other words, other things must of necessity be considered before the freight rates are considered; is that your experience?

A. Our experience with respect to freight rates is just exactly that, yes, sir.

By Chairman Aitchison:

Q. Well, do you also have in the back of your mind the fact, that, under the statutes of the United States, you are entitled to reasonable rates from your plant, when you have put one in?

A. Oh, yes, sir, certainly, and you also have in the back of your mind, always, the confidence that you may have in [fol. 4265] the other departments of your own institution; and in our instance——

Q. I am speaking now purely from the standpoint of a prospective industry.

A. Yes, sir, always.

By Mr. Barron:

Q. Now, Mr. Smith, in your work with the Missouri-Kansas-Texas Railroad, do you work in close connection with the Traffic Department?

A. We work in close connection not only with the Traffic Department, but also with the Engineering Department and the Operating Department of that railroad.

Q. In other words, then, all of those departments resolve themselves into a unit, for the good of the railroad; is that it?

A. Yes, sir.

Q. Now, Mr. Smith is there any further statement that you desire to add to your testimony at this time?

A. Well, of course, it is rather difficult to try to compress the experience of 28 years of intensive research work into a comparatively brief statement. However, I do have full appreciation for the desire of the Commission to conserve time, as far as possible.

Q. Have you prepared certain statistics, to which you desire to call the attention of the Commission?

A. Yes, sir, I have prepared a number of statistics, [fol. 4266] which I thought might prove of some interest, and I have tried to avoid the repetition of what I assume might have been submitted earlier here in somewhat voluminous form, in other statements. I have prepared a statement of wage earners and manufacturing by regions, for the years 1889 to 1939, those regions being the regions normally used by the Census of Manufactures, that is, New England, Middle Atlantic and so forth, and not the regions of the rate men that I have heard so much about since I have been here. Considering the per cent of each one of those regions to the total in the United States in 1889, and to the total in the United States in 1939, the relative decrease in the proportion shown by New England was 37 per cent, and the relative decrease in the proportion shown by the Middle Atlantic States was 19 per cent. I shall not read them off, but the South Atlantic shows a gain of 59 per cent; the East-South Central, a relative gain of 51 per cent; the West-South Central, including Arkansas, Louisiana, Oklahoma and Texas only, shows a gain of 82 per cent; and the Pacific region, a gain of 118 per cent. Now why did I take the year 1889 as a base? Because it represents a date, the date of the first census, I believe, that fully reflects conditions in the South after the horrible depression following the Civil War, and the first census made after the creation of the Interstate Commerce Com- [fol. 4267] mission. The spread, therefore, is the full spread, covering the history of the Commission, and whatever control over rates it may have had during that history; and that was my primary reason for selecting it.

I have made similar figures, using other bases, with the same kind of data, handled in much the same sort of way, with the same result. I have made them on wage earners, I have made them on value added by manufacture, and I have made them on value of products, alone; and the situation is essentially the same. We run into certain comparisons where, in a period of decrease in value of product, a decrease, I might say, that is due entirely to changes in the value of the dollar, as reflected by the cost of living index of the Department of Labor, we can turn those decreases into large increases if we apply the necessary factors of correction. We cannot do that, as to wage earners. The wage earner situation continues to decrease, generally speaking, but the decreases are generally relatively less in the Southwest and on the Pacific Coast, and relatively less, and generally very much less in the South, than in the so-called industrial sections of the United States.

By Chairman Aitchison:

Q. If we were to take the number of wage earners engaged in industry as being the best ga-ge of our industrial [fol. 4268] development, we would find our peak about 1919, would we?

A. Yes, sir.

Q. Do you accept that as being a correct statement?

A. Yes.

Q. That that was our peak?

A. Our peak of employment was along about that time, yes, sir. There is a very interesting statistic that I think throws a great deal of light on that subject, and if it is not in this record now, it ought to be there. That statistic relates to the power, electric energy that has entered into industry during this century. I think it will amuse you, Mr. Commissioner, to know that the horsepower of electric motors driven by electricity from central electric plants, in 1899 was 178,000 kilowatts, and in 1939 was 29,000,000 milowatts. That is an increase of 17,000 per cent in the use of electrical energy, in the driving of machines; and that development, sir, was what prompted me, in 1926, to ask the Bureau of the Census to make an on-hand survey, in what we consider the heaviest business year in the history of America. I understood you to refer to 1929, and indicate that all of the change had been made since. Perhaps you were referring only to the stock market.

Q. I was referring to 1919. 1919 was our peak, according to this wage earners compilation.

A. According to the wage earners census, 1919.

[fol. 4269] Q. Yes.

A. I can give you the detail of that horsepower figure, if you care to have me do so.

Q. That is not necessary.

A. Very well.

Q. I think Dr. Duncan covered that.

A. But we have substituted electric energy.

Q. For what?

A. For labor. We have developed machines to take the place of labor.

Q. Do you take that as the basis for characterizing this as a condition of industrial decadence?

A. No, sir. I think it creates some problems, however, which we must face, under whatever label we may want to designate them, if we are to be good citizens.

By Com. Alldredge:

Q. If there was one region during this period that electrified more than another, would that not prevent the wage earner statistics from being the true index as to relative industrial growth?

A. That is the trouble with all indices, Mr. Commisioner, that there are so many corrective factors that we must take into consideration.

Q. Yes?

A. (Continuing:) In the use of our figures, and therefore if we are not very alert mentally, we run into all sorts of [fol. 4270] difficulties and reach all sorts of foolish conclusions.

By Com. Splawn:

Q. But that last statement is restricted, from industry to industry, is it not, in the development and improvement of organization?

A. I am very sorry, Mr. Commissioner, but I do not just follow your question.

Q. Take the railroads, for instance. In 1919 how many employees did they have?

A. Well, I think that Dr. Duncan could answer that question very much better than I can, because I have not been working on railroad statistics.

Q. You do not happen to know?

A. No.

Q. You do know, however, that there are a great many less railroad employees at the present time, than there were 20 years ago, do you not?

A. Oh, yes, that is correct,—or even in the early years of the depression, I would say.

Q. But what about the performance of the railroads at the present time with respect to ton-miles, as compared with their performance 20 years ago?

A. I am very sorry, Mr. Commissioner, but I have been devoting the majority of my time during the last three years to trying to help our War Department and our Navy Department in the location of certain enterprises, and I am [fol. 4271] therefore not posted, in connection with current railroad statistics, quite as well as I should be.

Q. Well, your illustration of the use of kilowatt hours, and electrification, could be offered as an example of many such changes from industry to industry; as, in the railroad industry, this great investment of capital in the past 20 years, which has resulted in a decrease in the number of employees, and yet has not resulted in a decrease in the performance of the industry.

A. That is generally correct.

By Chairman Aitchison:

Q. Well, I do not know whether I have made the correct deduction from this peak of 1919, of our industrial development, or not. Is that intended to convey the idea that we are not producing more, or of better quality, or faster, or cheaper at the present time than we were in 1919?

A. I believe I have, in this mass of figures here, Mr. Commissioner, a comparison between 1919 and 1939, in connection with industrial production.

Mr. Barron: Just a moment, please, Mr. Smith. Mr. Chairman, unfortunately, we did not receive certain exhibits that Mr. Smith had prepared. They were shipped Tuesday from St. Louis, and they should surely arrive this afternoon or evening. If I may be permitted to submit those exhibits, and have them given a number, I think they [fol. 4272] will answer a lot of your questions. I take it there will be no objection to that.

Chairman Aitchison: Without objection, that may be done.

By Com. Splawn:

Q. During the depression year of 1930, a great many companies introduced improvements and adopted new inventions, and the like, the use of which cut down the number of employees, but increased the output per month. That is correct, is it not?

A. Yes, sir, that is true, and that was the question that I wanted to answer, on the part of the presiding Commissioner. The value of products in 1919, as shown by the Census, was $62,000,000,000; in 1939 it was $56,000,000,000, or a decrease of $5,200,000,000, approximately. But when you apply your corrective factor, due to changes in the price level, that $56,000,000,000 becomes $102,000,000,000, so that there is an actual increase, taking into consideration the change in price level, of 64.7 per cent, in production in the United States, whereas the statistics show a loss.

Q. Now, during that decade of the depression, these inventions took place that replaced labor, and thousands, or hundreds of thousands of people in the 33 areas found themselves out of employment. Now they were a labor reserve in those areas, were they not?

[fol. 4273] A. Well now, Mr. Commissioner, let me answer your question in this way: The population in the United States, during the first three of the decades that we have covered in this compilation, or in this study, rather, increased 61 per cent, while the population in these areas increased 110 per cent. There was no increase in proportion of manufacturing done in the areas, and that alone, with the continued growth of population in a few centers in the United States, was what I think focused the attention of the country generally, in the earlier stages, on our unemployment problem.

Q. That is what I wanted to ask you about, if, in your surveys, you found that this pressure of numbers in the areas of concentration, and the building up of labor reserves over a period of years, results in any new enterprises for the exploiting or the utilizing of the labor forces there seeking employment?

A. Oh, I think that there probably are some situations of that sort, yes, sir. For example, take some of the forced migration down to Mississippi,—and when I say "forced," I mean, forced by the community type of financing enterprises, and I might say, I have been through a good deal of the community type of financing enterprise myself, so I am not speaking derogatorily, but I am merely using the economic forces, as an illustration—that type of financing in Mississippi was probably due to the amendment to the [fol. 4274] Constitution which was probably due to the unemployment that existed in Mississippi, and the desire of a number of the communities down there to get something done. At the same time, Louisiana exempted its industries, its new industries, from taxation, and I think for the same reason.

Q. I understood you so say, however, that in these 33 areas, the number of enterprises and the capital investment in manufacturing did not increase.

A. No, sir, that is not correct. I made no such statement, with respect to either item, Mr. Commissioner.

Q. Well, I am glad to be corrected, then, because that is the way I understood your testimony.

A. What I said, Mr. Commissioner, or at least what I intended to say, was this, that there had been no change in the proportion of industry in those 33 areas, as compared to the country as a whole, in the four census periods, 1899 to 1939, inclusive.

Q. Now, did you make any study of the relationship of the industries within those areas, to themselves, or to the areas, over a period of years?

A. I have not over a period of years, no, Mr. Commissioner, but I would like to give you one illustration, which is an illustration from the Bureau of Census. I do not claim any originality in connection with it. It shows, in speaking of the net value of manufactured products as [fol. 4275] against this published value, which includes the resale of articles for further use, a rather interesting illustration concerning copper. Copper wire is a second or third product. In other words, there is, first, the smelter; then there is the rolling mill; then there is the drawing mill; and then various other places; but each is patterned to serve the other. Then there is the electric ignition system, and then the engine, and then the automobile. By that time you have got the copper wire in your figure six times. You can take almost any kind of an industrial operation, and find the same thing.

Q. In your study of industry, have you found labor, particularly skilled labor, to be very mobile?

A. Not exactly as mobile as a lot of people are inclined to believe, I would say. I have a specific illustration in mind. You understand, we do not talk specifically about any industry that we have worked with. I had been trying to get a certain publishing house to move from New York to Baltimore, and finally we were promised, and very definitely promised, that that publishing house would move to Baltimore. The president of the company had been down to discuss the matter, and on the way to Philadelphia he happened to engage a Baltimorean in conversation, in the smoking room, and he told that Baltimorean that he was going to move his plant to Baltimore; that he had just [fol. 4276] finished studying our survey, and he was very well pleased with the situation. The Baltimore man did not know that that was a confidential talk, and he did some talking himself, with the result that the matter got into the newspapers; whereupon a delegation of editorial writers and others on the staff of the company in New York, some 180 of them, I am told, called on the president of the company, and as a result of the call, that company did not move to Baltimore. There is a case of not moving skilled labor.

Q. Now, we have had some testimony here to the effect that during the war these reserves of unemployed skilled labor in these 33 areas are being moved about, from plant to plant.

A. Oh, they are, in periods of unemployment, yes, sir. People will seek work, everything else being equal, and try to get it wherever they can.

Q. And now, with Government-subsidized plants, they are being moved more rapidly than ever before to different parts of the country; that is correct, is it not?

A. They are being moved, yes.

Q. How about new industries, war industries, being located on the railroad? Do you have any? Have any new industries been built, defense plants, air fields, or anything of that sort, on the Katy?

[fol. 4277] A. The new industries announced on the Missouri-Kansas-Texas Railroad last year, stated in dollars exceeded $160,000,000, and in ten months of this year have exceeded $180,000,000. However, I would not want to discuss the matter any further than that, in the interest of the War Department.

Q. Well, let me ask you this question, the answer to which will not reveal any military secrets. That is not the intention at all.

A. I know it is not.

Q. Are they getting their employees largely locally, say, from the county seat points along your line, or are they bringing them in from this labor reserve in the 33 industrial areas that you have outlined for us here?

A. Well, in the original development of the locations, certain standards of population count within a certain number of miles of the proposed sites, were laid down as requirements,—or factors, if you please, to be sought after, and we were therefore obliged to find locations where we could establish an industry within a given number of miles of a given population, which was estimated to be sufficient to take care of the labor requirements of the operation of the plant. I am not talking about construction labor, now, because construction labor is admittedly mobile, and can be moved from one location to another.

[fol. 4278] By Com. Alldredge:

Q. On the whole, is not skilled labor, as a matter of fact, more mobile than — labor?

A. I do not think so, no, Mr. Commissioner. The big common labor reservoirs of the United States are quite different from the big skilled labor reservoirs of the United States. If you look over the population, and the employment record cards, as I have, of some of the big industries, you will find that it is the hill billies of Kentucky and Tennessee, and we also have millions of them in the Southwest, in the Ozark country, who have constituted the great American common labor reservoir that went to town, built the cities, and became skilled workmen.

By Chairman Aitchison:

Q. Well, they may have gone to town, but did they go very far away, as a rule?

A. When I was making a study of the possibilities of locating the Kelly-Springfield Tire plant, I made a count of the one-way tickets sold in the City of Cumberland, Maryland, to Akron, in order to reflect proof of a statement which I had developed through an examination of employee records, and I found in a period of 12 months some 1800 one-way tickets had been sold in that direction. I do not know how many miles that is, but it is not close.

Com. Alldredge: That was common labor?

The Witness: A lot of it was coal miners.

Com. Alldredge: Sir?

[fol. 4279] The Witness: A lot of it was coal miners. Coal mining had passed out of the picture in that area. A lot of them had been working in the lumber operations in that territory and had sought employment in the new industrialized territory.

Com. Alldredge: I want to ask you one other question. I do not want to interrupt Commissioner Splawn.

Com. Splawn: Go ahead.

Com. Alldredge: You may have put something into the record in this exhibit about it. I do not know. I have not seen it.

By Com. Alldredge:

Q. Is it not a fact that in recent years through the discoveries of science, agricultural commodities are more and more becoming sources of industrial raw materials?

A. My office organized in cooperation with the Oklahoma City Chamber of Commerce, the Oklahoma Farm Chemurgy Council. We have been very much interested in that program, yes, sir.

Q. Is it not true that what once were areas that were thought to be doomed solely to agricultural production, might offer an opportunity for industrial development?

A. I laid a great deal of stress on that point in addressing the annual meeting of the Chamber of Commerce of Fort Worth, Texas, a short time ago.

[fol. 4280] Chairman Aitchison: Is your answer "Yes"?

The Witness: Yes.

Chairman Aitchison: All right.

Com. Alldredge: That is all I have.

Chairman Aitchison: Do you offer Exhibit No. 188?

Mr. Barron: Yes.

Chairman Aitchison: Without objection, it is received.

(Exhibit 188, Witness Smith, received in evidence.)

Mr. Barron: That is all.

Chairman Aitchison: Is there any cross examination?

Mr. Bee: Yes.

Chairman Aitchison: Mr. Bee.

Cross examination.

Mr. Mr. Bee:

Q. In the years 1940 and 1941, how many industries did you locate on the lines of the M-K-T in the Southwest exclusive of so-called government work?

A. I cannot answer that question.

Q. You show a tremendous increase in the year 1941 of industrial contracts in the Southwest as compared to other territories. To your knowledge was the large proportion of that government work?

A. I have not shown that, but I should be very happy to.

Q. I think you have, by Exhibit No. 188 on page 3. You [fol. 4281] show that the industrial construction increased from three million in 1939 to 103 million for Oklahoma alone in the year 1941.

A. That is correct.

Q. Is that right?

A. Yes.

Q. And for the four states, from 33 million in 1939 to 701 million plus in 1941?

A. That is correct.

Q. You did show, then, a tremendous increase in the year 1941, did you not?

A. In construction.

Q. Yes.

A. In total.

Q. Was not the greater portion of that so-called government work? You know what I mean by the term "government work", do you not?

A. Of course. The answer is "Yes".

Mr. Bee: Yes.

By Mr. Bee:

Q. You say you have known of no industry failing to locate on your line by reason of freight rates. Have you known of any industry located on your line in Oklahoma that was forced to open another plant somewhere else because of freight rates?

A. There are 10,000 companies in this country operating [fol. 4282] on branch plant policies, and the most fertile field for the industrial man in his sales area is to find those companies that are trying to reach new markets and search them out to serve the markets in the teritory along his railroad.

Q. Do you know that the Kerr Glass plant, one of the largest fruit jar industries in the country, was forced to locate a plant without the Southwest in order to serve the demands for its commodity in the East by reason of freight rates?

A. Fruit jars are distributed——

Q. Please answer my question. Do you know whether they did or not?

A. (No answer.)

Q. Do you know whether they did or not?

A. I do not.

Q. And you cannot advise us in connection with Mr. Stanage's Exhibit No. 186 which of these industries located in 1940 or 1941 were located as a result of the work of the Industrial Department of the M-K-T of which, I believe, you are the head?

A. A very considerable number of them were.

Q. Could you point them out to us, please? Could you give me one in Oklahoma that you or your Industrial Department was responsible for the location of?

Mr. Barron: Have you got a copy of Mr. Stanage's Exhibit 186?

[fol. 4283] The Witness: I have not.

Mr. Barron: I do not know as this means anything, but if he wants to take up the time, it is all right.

Mr. Bee: We will see how much industrial development there has been and what they did back in 1940 and 1941 in our state.

The Witness: Do you live in Oklahoma City?

Mr. Bee: Yes.

The Witness: Would it interest you to know that I went to the Oklahoma City Chamber of Commerce some time ago and gave them a lead for the location of a particular type of enterprise that has resulted in the expenditure of probably 40 to 50 millions of dollars in the last 12 months?

Mr. Bee: I think I know what it was. It was in connection with war work.

The Witness: Yes. Of course.

Mr. Bee: Yes.

The Witness: You know you cannot now get any permits to build anything in the United States.

Mr. Bee: I was not talking about 1942.

The Witness: Except for certain work.

Mr. Bee: I did not ask for the year 1942. I intentionally got away from it. I asked for the year 1940. We were not bothered by priorities or anything of that kind at that time. I carefully avoided that.

[fol. 4284] The Witness: I see a good many there we did work on. I do not see any in Oklahoma.

Mr. Bee: Thank you.

By Mr. Barron:

Q. That does not mean to say that there was not any, does it?

A. No, it does not.

Q. Because you do not see them there?

A. No.

Mr. Barron: All right. That is all.

The Witness: I looked at the list very quickly.

Mr. Barron: That is all.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Mr. Barron: May we have a two or three minute recess, Mr. Chairman?

Chairman Aitchison: We will take a five minute recess.

(Short recess.)

Chairman Aitchison: Come to order, please, gentlemen. You may call your next witness, Mr. Barron.

Mr. Barron: Mr. Austin.

Chairman Aitchison: Raise your right hand and be sworn.

M. L. Austin was sworn and testified as follows:

[fol. 4285] Direct examination.

By Mr. Barron:

Q. Will you state your full name for the record, please, Mr. Austin?

A. M. L. Austin.

Q. Your occupation?

A. Industrial Commissioner.

Q. For what railroad? By what railroad are you employed?

A. The Frisco Lines.

Q. How long have you been in your present capacity?

A. Approximately 10 years.

Q. Briefly, what are your duties?

A. We supervise the location of new industrial development matters generally.

Q. When you are advised as to different industries that contemplate locating in the Southwest, do you endeavor to have them locate along your railroad?

A. Yes, sir.

Q. Do you make surveys for them?

A. We do, upon request.

Q. Do you cooperate with the Traffic and other departments in the establishment of the industrial factories along your railroad?

A. Yes, sir.

Q. Do you find that water is one of the important elements or factors in the location of industry in your territory?

[fol. 4286] A. I find it is an important factor in a good many cases.

Q. Have you ever in your experience heard of an industry refusing to locate in your territory because of the freight rate adjustment?

A. I did not, sir.

Q. Did you hear the testimony of Mr. Smith?

A. I did, sir.

Q. Generally, if I were to ask you questions pertaining to the same situations along your railroad, would your answers be the same as his?

A. My answers would have to be the same as his, yes, sir.

Mr. Barron: That is all I have from Mr. Austin.

Chairman Aitchison: Is there any cross-examination?

Mr. Bee: Just one or two questions.

Chairman Aitchison: Mr. Bee.

Cross-examination.

By Mr. Bee:

Q. Mr. Austin, have you seen Mr. Stanage's Exhibit No. 186?

A. Is that the list of industries?

Q. Yes.

A. Yes, I have.

Q. Take the year 1940, please, and tell me which industry on that list your Industrial Department caused to locate in the Southwest.

Chairman Aitchison: First, did you supply the data [fol. 4287] for that exhibit?

The Witness: I supplied the list, yes, sir.

Chairman Aitchison: You supplied the list for your railroad?

The Witness: Yes.

Chairman Aitchison: All right.

Mr. Bee: All right.

By Mr. Bee:

Q. Now tell me which industries on that list you caused to locate, or your department caused to locate on your railroad?

A. I have not checked them off, but there are a good many we had a lot to do with, in conjunction with other departments. For instance, I see one here.

Q. Give us the ~~line~~ number, please.

A. I do not have a copy of the exhibit. I have in mind the Allied Materials Corporation. Line 12 is one we had a lot to do with.

Mr. Barron: In 1940 he wants.

The Witness: I did not understand him to say that.

Mr. Barron: 1940.

The Witness: I did not understand that. Well, we will take the Southwest Corrugated Box Company at Fort Worth.

By Mr. Bee:

Q. The line please?

A. Line 41.

[fol. 4288] Q. Line 41?

A. Yes.

Q. Any others?

A. We had a great deal to do with the Cardox Manufacturing Corporation at Claremore, if I can find it on here. I think it is 41.

Q. I am referring now to 1940.

A. I will substitute the Oklahoma Compressed Steel Company at Oklahoma City. Is that sufficient?

Q. Yes. Take the Oklahoma Compressed Steel Company: How much of an industry was that?

A. Their equipment cost, I understand, $60,000, for the machines that they use, principally.

Q. It is a scrap iron plant, is it not?

A. Yes.

Q. Their machinery consisted merely of a pair of cutters and a compress to press it into bales?

A. That is right.

Q. It located upon a spot that had been long used for the same purpose, is that not correct?

A. No, sir. The land was vacant when they took it.

Q. You mean, there had not always been a scrap iron industry located at that particular spot?
A. Yes.

Mr. Bee: That is all.

[fol. 4289] Mr. Barron: I have no further questions.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Call your next witness.
Mr. Barron: Mr. Griffith.
Chairman Aitchison: Raise your right hand and be sworn.

R. C. GRIFFITH was sworn and testified as follows:

Direct examination.

By Mr. Barron:

Q. Will you give the reporter your full name, Mr. Griffith?
A. R. C. Griffith.
Q. What is your occupation?
A. Land and Industrial Commissioner, Texas & Pacific Railway.

Mr. Bee: We cannot hear the witness. Speak up, please, sir.

By Mr. Barron:

Q. What is your occupation?
A. Land and Industrial Commissioner for the Texas & Pacific Railway.
Q. Located at Dallas?
A. Yes.
Q. How long have you been Land and Industrial Commissioner?
A. I have been Land and Industrial Commissioner for 14 [fol. 4290] years and in the department for 23 years.
Q. Briefly, what are your duties.
A. To assist industries in finding locations on the Texas & Pacific Railway.
Q. Do you make surveys for any prospective industries that make inquiry of your department?
A. Yes, sir.

Q. Do you find along your right of way any difficulty in locating industries because of water?

A. Yes, a great deal of difficulty. There is a very large quantity of salt and alkali in lots of the water in Texas.

Q. Have you ever heard during your experience of any industry declining to locate along your right of way because of the freight rate adjustment?

A. No, sir.

Q. Did you hear the testimony of Mr. Smith?

A. Yes, sir.

Q. If you were asked the same questions relative to your railroad, would your answers be the same as his?

A. Yes, sir.

Mr. Marron: That is all I have.

Chairman Aitchison: Is there any cross-examination?

Mr. Bee: None.

Chairman Aitchison: If there are no other questions, you are excused.

(Witness excused.)

[fol. 4291] Chairman Aitchison: That is all of the witnesses of this character you are going to have testify?

Mr. Barron: Yes.

Chairman Aitchison: That is all you have?

Mr. Barron: That is all I have. We did have one witness, however, Mr. Chairman, Mr. Roberts from Dallas, Texas, who unfortunately is not here. If he shows up tomorrow, I hope it will be agreeable for him to go on out of turn?

Chairman Aitchison: Whom do we hear next?

Mr. Hughes: Mr. Plunkett has a witness. May we ask your indulgence for just a minute, Mr. Chairman?

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record.

Mr. Plunkett: Be sworn, please, Mr. Anderson.

Chairman Aitchison: Raise your right hand.

O. M. **Anderson** was sworn and testified as follows:

Direct examination.

By Mr. Plunkett:

Q. Will you give the reporter your full name, please, Mr. Anderson.

A. My name is O. M. Anderson.

Q. What is your occupation?

A. I am Commerce Agent of the Great Northern Railway.

Q. Located where?

[fol. 4292] A. Located at St. Paul, Minnesota.

Q. How long have you been connected with the Traffic Department of the Great Northern Railway?

A. For somewhat over 25 years.

Q. Have you prepared some information relating to the effect upon the Northwest Territory of the extension of the C.F.A. scale into your section?

A. I have.

Q. Will you proceed to give the result of that?

A. The exhibit which I am about to discuss, I believe, has been distributed.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. Have you prepared an exhibit, or had prepared under your direction an exhibit showing the present class rates from various points in Western Trunk Line, Official and Southern Territories to representative points in Minnesota and North Dakota?

A. I have.

Mr. Plunkett: We will ask to have that marked for identification as the next exhibit, if the Chairman please.

Chairman Aitchison: It may be marked for identification as Exhibit No. 189.

(Exhibit No. 189, Witness Anderson, marked for identification.)

[fol. 4293] By Mr. Plunkett:

Q. Have you any comments now with respect to that exhibit?

A. Witnesses for interests in the States of Minnesota and North Dakota have appeared at this hearing and I understood have advocated the adoption of the Eastern Class Rate scale between Official, Western Trunk Line, Southern and Southwestern Territories on the one hand, and points in Minnesota and North Dakota on the other hand. This exhibit was prepared to show the effect of such a rate adjustment on jobbers located at such points as Minneapolis, Duluth, Fergus Falls, Fargo, Bismarck and Minot.

Chairman Aitchison: This exhibit only covers first class rates, does it?

The Witness: Yes, first class rates, and I think if I cite one example, it will illustrate what the exhibit shows throughout. Page 1 shows that a New York shipper now pays $2.75 per 100 pounds to ship an article rated first class from New York to Wadena, Minnesota. A Minneapolis shipper pays 88 cents. The New York shipper pays $1.87 more per 100 pounds than the Minneapolis shipper. If the Eastern Class Rate scale were prescribed from New York and Minneapolis to Wadena, the New York shipper would pay $2.20 per 100 pounds and the Minneapolis shipper 74 cents per 100 pounds, so that the New York shipper would pay $1.46 more than the Minneapolis shipper. In other words, the Minneapolis [fol. 4294] shipper would secure a reduction of 14 cents per 100 pounds as compared with the New York shipper who would secure a reduction of 55 cents per 100 pounds, thus improving the New York shipper's competitive position as against Minneapolis by 41 cents per 100 pounds. The entire exhibit shows that same information. It varies according to destination.

By Mr. Plunkett:

Q. Does the exhibit show the improvement in the relationship between the East and Fargo, North Dakota, to points in North Dakota?

A. Yes.

Q. That starts on page 13 and runs through 16, does it, using various destinations?

A. That is correct. The first four pages deal with Minneapolis as a distributing point. The next four deal with Duluth as a distributing point. The next four deal with Fergus Falls as a distributing point. The next four deal with Fargo. The next four deal with Bismarck. The last four deal with Minot.

Q. Are those points all distributing points for merchandise?

A. They are.

Q. Have you anything further to say about this exhibit?

A. I think not.

Mr. Plunkett: I offer in evidence Exhibit No. 189, if the Chairman please.

Chairman Aitchison: Is there any objection to the [fol. 4295] receipt of Exhibit 189? (No response.) It is received.

(Exhibit 189, Witness Anderson, received in evidence.)

Mr. Plunkett: That is all on direct.

Chairman Aitchison: Is there any cross examination?

Mr. Williams: Yes.

Chairman Aitchison: Mr. Williams.

Cross-examination.

By Mr. Williams:

Q. Mr. Anderson, would you turn to page 2 of your Exhibit No. 189.

A. Yes, sir.

Q. Tell us what the first class rate is from Minneapolis to Fargo, stated as the present first class rate.

A. $1.19

Q. That first class rate is applicable only to carload traffic, is it not?

A. I think not.

Q. Just to save a little time, you know that the first class rate from Minneapolis to Fargo presently in effect on less than carload traffic is 95 cents plus 6 per cent as the result of the Ex Parte 148 increase, do you not?

A. No. I do not know that.

Chairman Aitchison: This does not include the Ex Parte 148 increase.

Mr. Williams: No, but it shows $1.19 against the 95 [fol. 4296] cent rate without the Ex Parte 148 increase.

Chairman Aitchison: The $1.19 rate is also without the Ex Parte 148 increase.

Mr. Williams: That is right.

The Witness: I think I answered your question. Is there something you want me to say?

By Mr. Williams:

Q. You do not know what the first class rate is, then, between Minneapolis and Fargo?

A. I do not have it in my head, no.

Q. Would you check it up and supply it for the record?

A. I think it is $1.19. If you say that is wrong, I will be glad to check it up and get the right figure.

Q. Did you not participate in Ex Parte MC-34 and do you not know that the rate is 95 cents?

A. I do not think I participated in the case to which you refer.

Q. Will you supply that information for the record? I know that you want the Commission to have the correct information.

A. Certainly.

Q. Will you please supply that for the record then?

A. Certainly. I will be glad to.

Mr. Williams: If you will not accept my word for [illegible].

By Mr. Williams:

Q. Now, will you also refer to the 87 cent rate which you call the Eastern Class Rate?

[fol. 4297] A. Yes.

Q. That is 87 cents without the Ex Parte 148 increase?

A. That is correct.

Q. Will you turn to page No. 13 where you depict the first class rate from Fargo to Jamestown.

A. Yes.

Q. Can you say what that rate is.

A. 64 cents.

Q. Is that the carload first class rate or less than carload first class rate?

A. (No answer.)

Q. Or don't you know?

A. I think it applies on both.

Q. But you know that there is a lower first class rate between Fargo and Jamestown on less than carload traffic than the 64 cent rate shown, do you not?

A. No. I do not know that.

Q. If I show you Great Northern Railway Company tariff No. 1065-G, North Dakota Railroad Commission No. 206, at page No. 88——

Chairman Aitchison: Mr. Williams——

By Mr. Williams:

Q. (Continuing)—will you say what the first class rate is for 92 miles?

Chairman Aitchison: You said "1065-G." It is 1065-H. I do not know whether that makes any difference.

[fol. 4298] Mr. Williams: It is 1065-H. It is an intrastate tariff and is not part of the record. I ask that that be corrected.

By Mr. Williams:

Q. I will ask you if the rate for 92 miles in North Dakota is 58 cents instead of the 64 cent rate shown.

A. I would like to have an opportunity to check that up. I would not say offhand. If you say that is the carload first class rate——

Q. That is the less than carload rate, the 58 cent rate shown.

A. I agree with that.

Q. That is correct, is it not?

A. Yes.

Q. Now, to that extent, the rates shown in your exhibit to all North Dakota points are in error, are they not?

A. That is right.

Q. Do you desire to make a correction in your North Dakota rates for the benefit of the Commission?

A. I think I would like an opportunity to submit a supplemental exhibit that would show this same comparison using the less than carload first class rates. However, you understand that this comparison is still good as far as any carload traffic is concerned that might move on first class rates.

[fol. 4299] Chairman Aitchison: Would there be much except pianos and things like that?

The Witness: There would not be very much, Mr. Chairman.

By Mr. Williams:

Q. Do you know of any moving between Fargo and Jamestown or between Fargo and any other North Dakota points, first class?

A. No. I do not know.

Mr. Williams: If you want to correct the exhibit, I have no objection, because the error holds through the balance of the exhibit for all of the North Dakota points.

The Witness: I would like an opportunity to correct the exhibit.

Chairman Aitchison: You may have that opportunity. Proceed.

By Mr. Williams:

Q. It is your thought, as I gather from a study of this exhibit, that Fargo and other North Dakota points would be prejudiced to the advantage of Boston and New York and Chicago and points east, getting in to North Dakota if the Eastern Class Rate scale were adopted by the Commission as a result of this proceeding?

A. Yes.

Q. Is that correct?

A. That is correct. I do not understand how the Eastern Class Rate level can do a distributor at Fargo, North [fol. 4300] Dakota, any good.

Mr. Williams: That is all, thank you.

Chairman Aitchison: What about the consumer?

The Witness: It might do the consumer some good.

Mr. Williams: You understand I represent the consumers, speaking for the Public Service Commission.

The Witness: I do not know who you represent, Mr. Williams. I do not know whether you represent consumers, shippers or distributors.

Mr. Williams: In view of the fact we represent consumers, we are anxious to have New York, Boston and Chicago get into North Dakota in competition with any other North Dakota city.

Mr. Hughes: Which would be difficult for some of the other territories in this proceeding.

Mr. Williams: If their position is different than that, I would like to have the record corrected to show that North Dakota is interested in the consumer.

Chairman Aitchison: Are there any other questions?

By Mr. Plunkett:

Q. Mr. Anderson, would you want to correct pages 13 to 23 to show that the first class rates intrastate in North Dakota are the carload rates?

A. Yes. I would like an opportunity to correct the entire exhibit, to re-check the entire exhibit to see if there are any other errors such as Mr. Williams has brought out.

[fol. 4301] Chairman Aitchison: How long will that take you?

The Witness: It would not take very long. I should say five days would be long enough. Just long enough to get home and go into the matter.

Chairman Aitchison: Suppose a new exhibit is prepared, Mr. Plunkett, and you can see that copies get to the Commission and you may also ask for an amendment at the next hearing.

Mr. Williams: Thank you.

Chairman Aitchison: Is that agreeable with you, Mr. Williams?

Mr. Williams: Yes.

Chairman Aitchison: Are there any other questions of this witness? (No response.) If not, you are excused.

(Witness excused.)

Mr. Barron: I have three other witnesses, Mr. Chairman, who are not here, whose names I would like to have appear in the record. They are J. G. Carlisle, Director of Industrial Development of the Missouri Pacific at St. Louis; A. M. Reese, Assistant to the President of the Kansas City Southern at Kansas City; and Mr. C. C. Rockenbach, Industrial Commissioner, St. Louis-Southwestern Lines at St. Louis. Their testimony if they were to appear here would be along the same lines as the testimony of Messrs. Smith, Austin and Griffith. Out of a desire to save time, I will [fol. 4302] not put them on the stand.

Chairman Aitchison: Very well.

Mr. Barron: I do want you to know that their testimony would be along the same lines.

Chairman Aitchison: Are you ready, Mr. Hughes?
Mr. Hughes: Yes.
Chairman Aitchison: Proceed.
Mr. Hughes: Take the stand, please, Mr. Fyfe.

R. C. FYFE recalled:

Direct examination.

By Mr. Hughes:

Q. Are you the same Mr. R. C. Fyfe who has heretofore appeared and testified in this proceeding?
A. Yes, sir.
Q. Will you, in order to shorten the presentation, give certain samples of the items in your statement which has been distributed, in order that we may have and the Commission may have an understanding of the general nature of the testimony.
A. All right.

Mr. Hughes: Mr. Chairman, Mr. Fyfe's statement which covers a great many individual items has been circulated and I would like to have it identified as Exhibit No. 190.
Chairman Aitchison: It may be marked for identification as Exhibit No. 190.

[fol. 4303] (Exhibit No. 190, Witness Fyfe, marked for identification.)

By Chairman Aitchison:

Q. Mr. Fyfe, if you were asked separately about these matters contained in Exhibit No. 190, your answer would be that the statements are correct?
A. That is correct.

Chairman Aitchison: Is there any objection to the receipt in evidence of Exhibit No. 190? (No response.) It is received.

(Exhibit 190, Witness Fyfe, received in evidence.)

Chairman Aitchison: Now, will you give us a brief running account of what is in here, Exhibit No. 190, without going into meticulous detail.
The Witness: The first 19 pages of the exhibit deal primarily with the request from Witness Little in his Ex-

hibit No. 80 for incorporation in the classification by order of the Commission of the exceptions to the classification now published in the different territories. Reference is made in Mr. Little's testimony regarding the decision of the Commission in 54 I.C.C., the Consolidated Classification Case. The statement is made in Mr. Little's testimony that the Director General could, if he had chosen to do so, have published a uniform classification. I would like to direct attention particularly to that part of the exhibit, page [fol. 4304] 17. I have there set forth the recommendations of the Commission's force.

I have shown on page 17 what would have happened in the classification, just taking letters A to F, inclusive. In the way of advances, it would have meant 661 in the Official Classification Territory, 614 in the Southern Classification Territory and 496 in the Western Classification Territory. In reductions it would have meant 700 reductions in Official Classification Territory, 623 in Southern and 921 in Western. In other words, the suggestions of the Commission's experts with respect to letters A to F would involve 4,015 changes.

By Chairman Aitchison:

Q. Were not some of those, Mr. Fyfe, the same changes counted three times?

A. I am sorry, but I did not get the question.

Q. I say, were not some of them the same changes, and therefore counted three times?

A. Yes—no. I have checked the proposed rate changes in each territory both carload and less than carload in those letters.

Q. Suppose the proposal by the Commission's experts in the Appendix 6 to 54 I.C.C. 1, was to change the classification from 3rd to 2nd in all three territories; that would be counted as three times here, would it not?

A. It would have been a change in each territory, if they [fol. 4305] recommended a change in each territory. In many of these cases there was only a recommendation for a change in one territory or in two territories; sometimes in all three territories.

Q. Well, bringing two of the territories in harmony with the 3rd, it would count them as two changes?

A. That is true.

Chairman Aitchison: Proceed.

The Witness: On page 18 I make reference to what Mr. Little said about the Merchandise Traffic Report which the carriers could not see fit to adopt. I have shown there that instead of reducing the number of classes it would have multiplied the number of classes. For example, working on a weight basis alone, on page 19 I have shown that plate glass, lumber and brick would all be rated alike. Whiskey, wines, liquors, vinegar and alcohol would all have been rated alike. It just was not in the picture.

Chairman Aitchison: That is because of ignoring the value element?

The Witness: It was entirely a weight per cubic foot basis, regardless of how the articles were packed, or competition. It was weight alone with an insurance differential to be added for insurance purposes. In other words, it was to be made on the standard basis, and then, if I understand it correctly, if the shipper wanted the carriers [fol. 4306] to assume liability for transportation, he paid an insurance charge and the rates were to be based under the Merchandise Report on the shipper's liability. The report, however, ignored, as has been pointed out, and ignored entirely, the element of reason.

I would like to direct attention to page 19 of this exhibit, which deals with the testimony of Mr. Plowman, Traffic Manager of the Colorado Fuel & Iron Company, in which he testified that the rating on shell forgings in the West was Column 45, while it was 40 in the East. As a matter of fact, I am fully acquainted with the article that moves from Pueblo, the Colorado Fuel & Iron Company, to Omaha, for manufacturing purposes, and it is nothing but a rough turned forging. It weighs 125 pounds. It has no semblance of being part of a finished shell, or a partially finished shell. The actual rate on it is the iron and steel forging rate, or Column 32½. Columne 32½ applies in the East on the same article. So from a classification standpoint, he has identically the same classification basis.

Chairman Atchison: With respect to Mr. Plowman, do I understand he is paying the higher basis?

The Witness: Yes. He said he was paying the Class A rate.

Chairman Aitchison: Which is what percentage?

The Witness: 45 from Denver.

[fol. 4307] Chairman Aitchison: I suppose somebody can make a reparation case out of that. I suppose somebody will be paying some reparation.

The Witness: No, sir. Nobody had to pay any reparation.

Chairman Aitchison: I say, I suppose somebody will have to pay some reparation.

The Witness: I beg your pardon?

Chairman Aitchison: I say, I suppose somebody will have to pay some reparation.

The Witness: No.

Chairman Aitchison: Why not?

The Witness: Because a man at Omaha lugged one of those things all the way into Chicago and asked me what it was. I looked at it and said, "It's a rough turned forging, Brother, and don't pay any more money than the iron and steel forging rate, Column 32½." He said, "That's what I came here for." He wouldn't even take it back, so I gave it to the Salvation Army for scrap.

Chairman Aitchison: Your point is, then, that the 32½ is all that has been paid?

The Witness: Yes, sir. As a matter of fact, he was not paying the charges at all. The man at Omaha was paying the charges.

Chairman Aitchison: Go ahead.

[fol. 4308] The Witness: On pages 20, 21 and 22, I have endeavored to show what would happen under Mr. Waring's proposal in Exhibit No. 145. The No. "145" should be inserted in the blank space on page 20, where reference is made to Witness Waring's exhibit.

Chairman Aitchison: Before you come to that, at the top of page 20 you make reference to the old unit system.

The Witness: Yes.

By Chairman Aitchison:

Q. Was that unit system as you recall it fully described in the Western Classification No. 51 case?

A. Yes. Commissioner Meyer thought very well of it, but we have clearly gotten away from it because if you make rates strictly on the unit basis you cannot relate competing commodities and there is no way in which you can relate, under the unit basis, the security of the different type packages. We found we had to get away from it.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Proceed.

The Witness: A good example of that, Mr. Chairman, would be our ratings on gasoline engines or internal combustion engines, steam engines. They are all grouped. When the rating was made, it was first class in Western Territory. It is second class today, having been made uni- [fol. 4309] form when the rates third class and higher were unified.

Chairman Aitchison: That is, less than carload?

The Witness: Yes. Now, today, the airplane engine, the value of which runs up as high as $240,000 a carload, is moving at the second class rate, less than carload, and the Class A rate in carloads. Now, apply to the airplane engine the unit basis based on the value and the weight per cubic foot, and you would have about four times first class.

Chairman Aitchison: At the present time, then, you have airplane engines worth over $200,000 per carload on the same basis as a carload of agricultural implements?

The Witne[illegible] No. Agricultural implements are Class 40 by exception which the Commission made in the Western Class Rate Case, and if I remember correctly, it was made with the statement that Column 40 was made on account of the depressed condition of agriculture. For years and years agricultural implements and machinery were on the same basis, the Class A rate. Today there is a 5 per cent difference.

Q. 5 per cent of first class?

A. Yes.

Q. And more than that, of course, when applied to more than two articles?

A. Yes.

Q. Do I understand that you no longer recommend the [fol. 4310] unit system, the old unit system, or any variation of it?

A. I do not think you can do it and meet the requirements of business. I think you have got to take all factors into consideration which the Interstate Commerce in the past has prescribed for the making of a reasonable classification.

Q. Well, how about using it simply as a start, or using it with respect to typical articles in groups?

A. You still have got the weight variations in your typical articles and groups and you have a variation not only in their weights, but their values.

Q. I was presupposing that in some way the question of the security of packaging could be taken care of.

A. Well, that is true. There should be a differential between fragile articles in crates versus the same articles in boxes, completely covered and protected. Now, the article in the box may be a wholly different article than the article in the crate. That is particularly true in the chemical lines.

Chairman Aitchison: Just to digress—off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record.

The Witness: I would like to cite a good example, if the Commission please, with respect to this weight per cubic foot. Mr. Waring in his exhibit referred to boots and shoes, [fol. 4311] and he had an average weight and a very low value. I do not know where he got it. Boots and shoes run from 2¼ pounds per cubic foot up to 12. Now, there is no way to get an average, unless you weigh the complete movement and production all over the country. We make boots and shoes first class. If you took women's shoes and children's shoes and used the unit basis, the production from one plant might be entirely of women's shoes and you would get a unit that was far in excess of what it would be on men's shoes. Then again you would get the leather shoe with the wooden sole which is another factor, but of exceedingly small movement. It is used around dairies and is used in steel plants. Again you get another type of shoe that moves in very small volume, and that is a very heavy steel shoe which is designed to protect men's feet who work in heavy industries. After all, you have got to take a chance, look at the thing and say, "Well, first class." The shipper is satisfied with that and the shoe manufacturer is satisfied with that. This value may be higher, and this value lower. First class is reasonable for all of it. You cannot make the classification by laying down a yardstick and saying, "This is what it is going to be."

Chairman Aitchison: How would that density-weight formula work out if applied to baled and sacked wool?

The Witness: There you are up against it. In this East- [fol. 4312] ern Territory—take Ohio, for example—the wools are very much lighter than our Western wools. They carry less dirt. They carry less grease.

Chairman Aitchison: And they are less dense in the package.

The Witness: They are, and they are practically all shipped in bags, 16,000 pounds for the ordinary 36-foot car; that is my recollection as to the maximum loading in this territory.

Chairman Aitchison: And they are much more valuable.

The Witness: That is true.

Chairman Aitchison: Because the wool is bought, as I recall it, on a scoured basis in Boston?

The Witness: I could not say as to that.

Chairman Aitchison: I see.

The Witness: Because there is a lot of washed wool that is shipped that is not considered scoured wool. It is not finished.

Chairman Aitchison: You have a different rate on scoured wool.

The Witness: Scoured wool is very light, especially as it is generally shipped, although I understand they are now shipping it with some degree of compression.

Chairman Aitchison: Wool in the grease would have a totally different value per cubic foot and density per cubic [fol. 4313] foot in Ohio from what it would have in the West, is that not true?

The Witness: That is true on the sacked wool, but when you come to compressed wool—and they are compressing a lot of it—you have an entirely different picture from the uncompressed, sacked wool.

By Chairman Aitchison:

Q. Have you ever followed it through enough to be able to tell us whether or not the application of a weight-density formula such as Mr. Waring suggested would not, in fact, make a higher rating on the sacked wool than on the baled?

A. Yes. It would make a very much higher rating on the sacked wool than the baled.

Q. What is the practice?

A. In the West our sacked wool and baled wool is rated the same less than carload. I am pretty sure of that, although I have not looked at it for a good many years. I am pretty sure that is correct.

Q. And fourth class, carloads, by and large?

A. Second class and fourth class in carloads. In Illinois we have alternate rates. In other words, there is wool produced East and West, and under our Illinois Agreement made with your body and the Illinois Commission, whichever is lower, they wanted both of them and we gave them to them. Scoured wool in bags or bales, not machine pressed, [fol. 4314] is 1¼; in machine pressed bales, compressed to less than 12 pounds, first class, and over 12 pounds first class. The only differential made there is in the carload ratings. The carload rating where it is compressed to 12 pounds or more per cubic foot is 16,000 pounds at third class, and those rates were established at the request of the Boston Wool Trade group.

Chairman Aitchison: Proceed, Mr. Fyfe.

The Witness: I understand that there has been some discussion of a proposal to establish or extend the Official Classification to the Missouri River and break up the Western Territory. I do not know whether the gentleman who suggested that went into this thing very far, to see where he was going to land, but let me say that all of the exceptions, and there are a lot of them, in Western Trunk Line Territory, are exceptions to the Western Classification, and the minute the Official Classification goes in there, those exceptions die. For example, burlap, gunny and jute bags are third class in Official. They are Column 55 in Western Territory. Take old wooden barrels, and there is a big movement of them right now, I might say, incidentally: They are Column 30, 20,000 pounds in Western Trunk Line Territory and Column 40, 18,000 pounds in Official Territory—that is by exception—and Column 45, 14,000 pounds, by exception. Another place where they would get hit—[fol. 4315] and they are using it to a great extent—is in the all-freight rates. The all-freight rates in Western Trunk Line Territory are 12,000 pounds at Column 75 and 25,000 pounds at 60.

Chairman Aitchison: How general is that in application?

The Witness: I beg your pardon?

By Chairman Aitchison:

Q. How general is the all-freight rate?

A. It applies throughout Western Trunk Line Territory, and they have corresponding exceptions in Southwestern Territory.

Q. But it is not provided for in the classification?

A. No. It is in the exceptions. There is 30,000 pounds at Column 40. I have not been able to find corresponding exceptions in Official Territory, but I do understand offhand that they have an all-commodity rate, at least between certain points, of third class, 30,000 pounds.

Chairman Aitchison: Proceed.

The Witness: Take mineral wool: we have an exception in Western Trunk Line Territory, 16,000 pounds, 37½ and 24,000 at 27½ in the East, and in C.F.A. Territory they have an exception, 24 and 30,000 pounds at Column 35. Take nursery stock: we have some exceedingly low rates on nursery stock which were made primarily to hold the business to the rails against the itinerant truckers. For a 40-foot car, 12,000 pounds, we have Column 40 in Western [fol. 4316] Trunk Line Territory, 20,000 pounds, Column 25, les than carload Column 55. Now, there are no exceptions in the Official Classification at all. Asparagus roots are third class, 24,000 pounds. All of the others are fourth class, 16,000 pounds or Column 45 at 20,00 pounds. Less than carload they are first and third classs as compared with 55 in Western Trunk Line. I could go on and point out dozens and dozens of those cases.

Now, let's get away from the exceptions and see what this is going to do with the class rates. In the West we have 2,326 fourth class ratings or Column 55. 31 of those ratings are rated third class in the East today in the Official Classification, one at Column 65, 9 at 60, 1,249 at R-26 which is uniform 55 with the West, 4 rated Column 55, 982 that are rated fourth class or Column 50, 3 rated Column 45 and 36 that are rated fifth class.

Com. Splawn: Do you regard bringing them together as very difficult, Mr. Fyfe?

The Witness: Yes, sir. I have always contended and the shipper contends that when he wants uniformity, he wants it downward and you have a riot if you try to make uniformity on any large scale and try to put things up. We tried to clean up a lot of these situations in 54 I. C.C., in the Consolidated Classification Case, but the Commission denied them all except where the change in rating was due [fol. 4317] to a new item or a packing regulation. Shippers do not want any advance in rates. If they can get uniformity, they want it downward.

Here is another serious question with this fourth class adjustment: a very large portion of the fourth class freight that moves less than carload in Western Territory under Column 45 or Column 55 is sugar, coffee, canned goods, wire and nails, fencing and the commodities which are moving into our territory in carloads and are jobbed out. The minute you reduce the differential between the carload and less than carload rates, you are going to crimp our jobbers, and we do not want them crimped and put out of business.

By Chairman Aitchison:

Q. Is the carload rate on the articles you mentioned usually fifth class?

A. I beg your pardon?

Q: Is the carload rate on the articles you mentioned usually fifth class?

A. No, sir, they are not. Iron and steel is 32½. Wire and nails is 32½. You are still reducing the spread, however, between the carload and less than carload rates.

Q. But that spread under the Western Classification is usually from fourth to fifth class, is it not?

A. Yes, generally speaking.

Chairman Aitchison: Go ahead.

The Witness: There is another angle to that fourth class [fol. 4318] rate. These low grade commodities do not move long distances. We have jobbing houses scattered every 50, 100 or 200 miles out through Western Territory, as you know, Mr. Chairman. Take the fourth class rate for Zone 1. It is 40 cents. In 17000 part 2 in the cost study that was made for two terminals, the figure was 27.3 cents per 100 pounds. At that time we did not have any pickup and delivery. Today we have got it, and the minimum cost is 5 cents per 100 pounds where the shipper delivers to us and the consignee picks up. If you add 10 cents as a minimum figure to that 7 cents, we find that we have got 3 cents per 100 pounds—I am speaking of a straight scale now, and not with the 148 increase—we have got 3 cents per 100 pounds for transporting a keg of nails for 100 pounds. We actually get a little more money than that because the minimum charge is 58 cents. So we get 19 cents. Under Zone 3 with the 27 and 10, 37 cents, you would have 13 cents—that is under the Zone 3 rates—for hauling that keg of nails 100 miles. If we have to go down to the Eastern scale as some of these gentlemen have proposed, the fourth class rate for 100 miles in the C.F.A. scale is 31 cents. In other words, we would make pickup and delivery, say, and then pay the fellow for hauling the stuff or turning it over to us.

Chairman Aitchison: I want to ask you, Mr. Fyfe, while we are talking about it here, about a matter of history that [fol. 4319] I do not think has been gone into in this proceeding.

By Chairman Aitchison:

Q. Do you remember in 1918 when the Director General submitted to the public and to the State Commissions a report of the Interstate Commerce Commission with a request for investigation?

A. That was the Consolidated Classification Case.

Q. No. In addition to the Consolidated Classification Case. It involved certain proposed class scales for the Western and Southern Territories, but I think not for Official.

A. I am not familiar with that. I have no recollection of it.

Q. Do you recall that the proposal made by the Director General which was submitted to the appropriate authorities in the Southern states was a dual suggestion; one scale was predicated upon the continuance of the Southern Classification and the other on the extension of the Western Classification to cover Southern Classification Territory.

A. I am not familiar with that.

Chairman Aitchison: I see.

The Witness: That must have been handled by the Rate Committee.

Chairman Aitchison: I thought possibly you knew why the proposal was proposed.

The Witness: I would like to go just a little further, if I may, please, into some classes where we do not have any- [fol. 4320] thing to jibe up with what they have in the East. Take our Class B, carload class: we have 295 carload ratings, Class B or 32½. 80 of those items in the Official Classification are 5th class. 46 are 32½, the same as Western Territory. 230 of them are 6th class. 6 of them are Column 25. 4 of them are 50 per cent of first class. When you get down to Class D where we have 173, there are 22 of them in the Official Classification rated 5th class, 112 of them are 6th class or 27½, 22 of the items are Column 25, 12 are Column 22½ and only one is 20. In Class E with 121 ratings in the West, 2 of them are rated 37½ in Official, 8 are 35, 6 are 25, 95 are 22½ and 6 are 20. That gives you a pretty fair picture of the juggling that would have to be done in advancing or reducing or both to get a uniform classification.

Chairman Aitchison: Is that all, Mr. Fyfe?

The Witness: I think that practically covers it. The exhibit goes into the matter quite in detail, showing what would happen.

By Mr. Hughes:

Q. Is it your experience, Mr. Fyfe, that an individual shipper is more interested in the particular item in the Classification which relates to his shipments than he is as to the book in which it is to be found?

A. That is true. He is particularly interested in his rating as compared with competing commodities that bear a [fol. 4321] different name entirely, but are used for the same purpose. I might say, if the Commission please, that agricultural implements ratings in the three classifications, less than carload, are uniform.

Chairman Aitchison: Are what?

The Witness: Uniform. Those ratings were made across the table with the principal agricultural manufacturers in the United States. We have never had a request for a change except on the corn huskers, and that was on account of turning up some exceedingly low stuff. The classification Committees proposed to make a change, but when we got our heads together, we forgot about the double first class we wanted, and took all the corn huskers, the light and medium weights, and threw them into first class and held the carload rate at the standard carload basis that had governed in the past, although they would not load up to that minimum, but a large proportion of them were moved in mixed carloads with implements that would load. We have in the exceptions 3rd class, even, on a harrow set up. Any one who knows anything about a harrow set up knows that you cannot load anything on top of it or in conjunction with it, and it is dangerous for a man to handle and try to load.

Q. Have you anything further, Mr. Fyfe?

A. That is all.

Mr. Hughes: That is all, Mr. Chairman.

[fol. 4322] Chairman Aitchison: Is there any cross examination?

Mr. Bee: Yes.

Cross-examination.

By Mr. Bee:

Q. You said that you made a rate, first class, agreeable with the manufacturers.

A. Yes.

Q. Don't you think somebody asked for third class, in order to get the exception, third class?

A. No. I think the trucks made third class first of all, to try to take the business away from us. It is like the ice machinery rates. Ice machinery all over the United States is second class, but in Western Trunk Line Territory east of the Missouri River it is third class because it was to meet truck competition. The trucks wanted the return loads. That is the only reason for reducing the rate.

Q. You mean no shipper asked the railroads to make third class exceptions?

A. Oh, the shipper asked us after he got to trucking, to put it in the classification; he wanted it made general.

Mr. Bee: That is all.

Chairman Aitchison: If this cross examination is going to continue much longer, we will suspend until tomorrow morning.

Mr. Bee: That is all I have.

Mr. McCollester: I have just one question, Mr. Chair-[fols. 4323-4324] man.

Chairman Aitchison: Very well.

By Mr. McCollester:

Q. Mr. Fyfe, is it not a fact that for the most part the ratings in the several classifications as they now exist represent the results of studies by the three Classification Committees on the basis of data submitted to them as to the characteristics of the numerous commodities rated and to a considerable extent conferences with or hearings in which the shippers have appeared before the Committees?

A. That is true, and a very large portion of the Classification is Interstate Commerce Commission made. That is especially true as to Western Territory.

Mr. McCollester: That is all.

Mr. Hughes: Let us assume——

Chairman Aitchison: Just a minute, please, Mr. Hughes.

Mr. Hughes: I beg your pardon?

Chairman Aitchison: At this time we will suspend until 9 o'clock tomorrow morning.

(A 5:30 o'clock P. M. adjournment taken to 9 o'clock A. M. the next day, being, November 27, 1942.)

[fol. 4325] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

CLASS RATE INVESTIGATION, 1939

Docket No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Hotel Deshler,
Columbus, Ohio,
November 27, 1942.

Met, pursuant to adjournment, at 9 o'clock a. m.

Before: Division-2 of the Commission. Hon. Clyde B. Aitchison, Chairman of the Commission, presiding. Hon. Walter M. W. Splawn, Commissioner, Hon. J. Haden Alldredge, Commissioner, and a Cooperating Committee of the National Association of Railway & Utilities Commissioners represented by Mr. John J. Murphy, South Dakota Public Utilities Commission; Mr. George McConnaughy, Public Utilities Commission of Ohio; and Mr. W. H. Scott, South Carolina Service Commission.

Present: Paul O. Carter, Examiner, W. J. Koebel, Examiner, T. Leo Haden, Examiner.

Appearances: As heretobefore noted.

[fol. 4326] PROCEEDINGS

Chairman Aitchison: Shall we be in order. It has been requested that the following corrections be made in Exhibit

152: The word "net" appearing in line 1, page K-29, should be "gross", and "1938" appearing in the third line on page P-53, should be "1928." Mr. Rives, you may proceed.

R. C. **Fyfe** resumed:

Cross-examination (Cont'd).

By Mr. Rives:

Mr. Fyfe, will you refer to page 20 of your Exhibit No. 190, please.

A. 20?

Q. Yes.

A. Yes, sir.

Q. And will you illustrate to me how the unit figure of 46.63 was determined?

A. As I explained in my direct testimony at the hearing at Indianapolis, those figures were arrived at, as I understand it, by Mr. J. T. Ripley by taking the then items in the classification, taking the weights per cubic foot and the values per pound, which they had in their files and then grouping them, to see where they would fall; and the figure shown on page 20 of this exhibit was the unit which was the result, so I understand, of that investigation.

Q. Then would a commodity occupying, for example, 20 [fol. 4327] cubic feet per hundred pounds, and having a value of $26 per hundred pounds, fall into double first class?

A. Yes, sir, that is correct, regardless of liability to damage, the method of packing, or anything else.

Q. Was that classification modified by any other considerations than those at all, if you know?

A. That I do not know, because that was before my time. I first tied up with this classification work in 1908, on the Uniform Committee, dealing with uniform descriptions, minimum weights and rules, but that Committee had nothing to do with ratings. My first work as Chairman of the Classification Committee was started in 1912, and after the trial of I. & S. 76, we absolutely discarded the unit basis, or attempting to figure units.

Q. Do I correctly understand, then, from your previous testimony, Mr. Fyfe, that no consideration at all was given to packing requirements, liability to damage, or classification factors besides value and density, computed upon a mathematical basis, as you have indicated?

A. In the original units?

Q. Yes.

A. Well, that I do not know. As I stated before, that was all done before my time.

Q. I see.

A. If you go back to the old classifications, back in those [fol. 4328] days, you will find that they were pretty nearly devoid of packing regulations. That was one thing that the Committee on Uniform Classification, in 1908, was instructed to do,—provide for specific packing regulations, on account of the claim situation that existed back there at that time. Now, it was clear, from that situation, that, little or no consideration was being given in the classification to packing regulations. Going back in the old files, clear back to 1895, we can find petitions where they showed that the goods were packed in boxes, or in crates, for certain specific purposes; but going away back in the old classifications, there were no packing regulations included at all for many items.

Q. In other words, then, Mr. Fyfe, although you had no specific experience predating your membership on the Committee, to which you have referred, in 1907, I believe, it is your opinion, from your examination of the previous classifications, that no consideration was given to factors other than value and density; is that correct?

A. I am afraid that there was very little consideration given to them.

Q. All right.

A. Now in those days, let me point out, the Classification Committee was differently constituted from what it is at the present time. It consisted of about 45 member [fol. 4329] lines, with two meetings a year, and a big hurrah at each meeting, with a lot of entertainment; and the big shipper usually landed at the meeting with the necessary votes on his proposition in his pocket. The pressure of big business pretty nearly made the classification. That situation does not exist at the present time. Now every shipper gets proper treatment from the Classification Committee, regardless of whether he has a big movement, or a little movement.

Chairman Aitchison: Well, there is testimony in this record, Mr. Fyfe, to the effect that certain shippers at least prefer to deal with the executives of the railroads, because they consider the Classification Committee to be too hard boiled to properly consider the needs of commerce.

The Witness: The Classification Committees are not hard boiled, Mr. Commissioner. We sit across the table from the shippers, and argue matters out with them, and if we cannot convince a shipper that what he is asking for is wrong, and a compromise in between cannot be reached, and we must deny the request of the shipper——

Chairman Aitchison: Then he takes the matter up with the railroad executives, and gets an exception to the classification; is that the situation?

The Witness: No, he does not take the matter up with the railroad executives, Mr. Chairman. He goes to some line that is favorable to him, and tries to get an exception, [fol. 4330] having the idea in mind, of course, in so doing that the pressure of big business, or alleged truck competition, or the statement that he is going into the trucking business himself, may influence that line to try to put something over for him. The majority of the exceptions that are in now less than carload in Western Territory,—and that is what I am particularly interested in keeping out of the Classification—have been the result of pressure from big shippers, or motor truck competition. For example, flavoring syrups are an exception in the Southwest and Western Trunk Line Territory, at Column-42. That is absolutely ridiculous. The pressure for that came from one of the biggest manufacturers of flavoring syrups in the United States, one that makes a product worth about $1.50 to $1.75 per gallon, while the highly concentrated syrups that run into the different flavors, are worth as high as $7.50 per gallon. That ought to be stopped, because that kind of business is not paying its reasonable proportion of the transportation burden of this country. I would like to say further, Mr. Chairman, in connection with this classification situation, that in our dealings with the shippers we have public hearings, where we have a verbatim record made of the proceedings. All of the shippers who are interested in a particular subject, sit in the hearing at one time. There are no star chamber sessions. The Classification has been largely made by the shippers, with the exception of the unification which was made [fol. 4331] approximately four years ago, when the ratings third class and higher were unified,—which was just done arbitrarily; and of course the shippers profited by it, because all of the changes were in the nature of reductions. Now we think that we ought to continue that way. It is entirely satisfactory, as far as I know, from the Western standpoint especially. The Western Classification has a greater territory to cover, has a wider expanse of territory to cover, covering practically the United States, into the Western Territory, but we have not got any serious complaint. Now my thought there is that the shippers know that they can come to the Classification Committee, and sit down across the table and talk things over. They know that so far as the Classification Committee is concerned, it is no use for them to go to any one particular railroad, and try to have pressure put on the Classification Committee, because the railroad will say, "No. That is a matter that we have left in the hands of the Classification Committee. Iron your difficulties out with the Committee." That has worked for 30 years, now, without any general complaint.

By Chairman Aitchison:

Q. Mr. Fyfe, have you given any consideration to what steps could be taken, as a matter of classification, which would tend to minimize the growth of the all-commodity rates?

A. No, Mr. Chairman, that matter has not as yet been [fol.4332] before the Classification Committee.

Q. Do you have any opinion in connection with that matter which you would desire to express at this time?

A. Well, I have never gone into the all-commodity rate situation. The all-commodity rate situation, of course, breaks down a great many ratings, especially on the higher classes, the higher-class and the lighter-loading freight, especially where the freight forwarder may take carload freight, rated second and third class, and if he has a heavy loading car, he can take the light and bulky freight and load it up on top, and get Column-46, with a 30,000 or 40,000 pound minimum, and it is breaking the carload rate from third class or fourth class down to Column-46.

Q. Would the revision of Rule 10, as far as it applies to less than carload, be of any service in that regard?

A. A revision of Rule 10 in Western Territory to the basis in effect in the East, which has a separate carload rating on each commodity in the car, with the highest minimum weight applicable; and the deficit, if any, being made up on the higher-rated commodities, would make a serious reduction in the earnings of the Western carriers under their all-commodity rates. It would enable the freight forwarders to take freight which at the present time they do not take, because the spread between carload and less than carload, the carload and less than carload rate, is not [fol. 4333] sufficient to give them an opportunity to work. I have taken specific cars moving under all-commodity rates, and applied the separate carload ratings in the classification, or in the exceptions; and to Houston, Texas, for example, I found one car where Rule 10 in Official Territory would reduce the charges under the all-commodity rate $110. Then there was another car that I checked, to Denver, Colorado, where the reduction would have been about $85. Now if the freight forwarder could put into those cars the lower carload rated freight that he does not get at the present time, except where he needs something to make up tonnage, it would mean still further reductions.

Q. You do not have, then, any suggestion to make, as to how the tendency toward the all-commodity rate can be minimized?

A. Personally I think that all-commodity rates ought to be confined to mixed carload shipments. I do not think that anybody ought to be able to take a full carload, and put an all-commodity rate on it, or take what is practically a full carload of a commodity and throw two or three hundred pounds of something else in there for the purpose of breaking down the rating. I think that the amount of any one commodity in the car should perhaps be limited, to prevent that sort of manipulation of the freight carload rating.

Q. Well, is that not done in a good many of the all-commodity rate tariffs?

[fol. 4334] A. That I do not know, Mr. Chairman. I am not familiar with that.

Chairman Aitchison: Proceed.

Mr. Healy: If the Commission please, if I may suggest, as the result of the findings of the Commission in the Freight Forwarding Investigation, the practice which Mr. Fyfe has described cannot be carried on now, in accordance with those findings, and the rules published in compliance therewith.

By Mr. Rives:

Q. Mr. Fyfe, what are the factors of classification to which you give the greatest weight?

A. Well, I could not say that we give the greatest weight to any one particular factor. The weight per cubic foot is a very important factor, but all of the balance of the factors are likewise important, of course.

Q. Is the value of the article a relatively important factor?

A. We give consideration to the value of the article, but not to the extent that the old unit basis gave consideration to it, and that was one reason for taking out the unit basis. You canot dewell entirely upon value per pound or weight per cubic foot. If you dwelt entirely on those two factors alone, there would be a great many commodities upon which the ratings would be so high it would be practically impossible to move them.

[fol. 4335] Q. Do you modify the effect of those two factors by other factors?

A. Oh, we modify all through the book, on everything, to meet commercial conditions and to make rates that we think will move the traffic.

Q. In other words, you give consideration to all of the factors which you have mentioned in your Indianapolis testimony; is that correct?

A. Yes, sir, that is correct; we give consideration to all of those factors, and any other factors as well that the shipper may present at the time.

Q. In view of your statement, Mr. Fyfe, concerning the flavoring syrup exception rating, I wonder if you would state what your criticism is of the application of the Waring formula to flavoring syrups. You have included that on page 21 of your exhibit.

A. Well, I am not just sure. Mr. Waring, on page 13 of his formula, showing how it would work out, says that the value is 15 cents per pound. I will say that Mr. Waring is exceedingly low, taking all flavoring syrups. That indicates that he had Coca-Cola, or Pepsi-Cola, or some of the cheaper flavoring syrups, in mind. Under Mr. Waring's low figures, he would have a formula basis of 58, but he considers flavoring syrups as a luxury, and therefore he would make it 67. Now the Interstate Commerce Commis- [fol. 4336] sion in I. C. C. 107, page 355, found that third class was a reasonable rating, and the Commision had a very complete record before it at that time. Now why should that rating be changed, without a complete record being before the Interstate Commerce Commission?

Q. What is the relation of third class to first class; 70 per cent?

A. Yes, sir. Now flavoring syrup at Column-42, and molasses at Column-55,—molasses being a very cheap commodity as compared with flavoring syrup—shows how ridiculous the flavoring syrup ratings are.

Q. That is the present adjustment, is it?

A. Yes.

Q. That is——

A. I am not talking about the exceptions.

Q. I understand. Now on page 22 of your exhibit, Mr. Fyfe, you include the item of Bakery Goods, which you state is first class under the Waring formula.

A. Well, I checked up on that, but I do not have that memorandum attached to my papers here, correcting that situation.

Q. That can be eliminated then?

A. Yes, sir.

Q. The rating on Bakery Goods, as shown under the Waring formula, should be 70, then, just as it is now; is [fol. 4337] that correct?

A. Yes, sir, but for hats and caps, where you make it four and a half times first class, the Interstate Commerce Commission, in 148 I. C. C. 259, fixed a reasonable rating of double first class, and that was on the lightest-loading hats and caps, packed in fibreboard boxes.

Chairman Aitchison: May I interrupt, before I forget it.

By Chairman Aitchison:

Q. When you answered the question a few moments ago, Mr. Fyfe, with respect to the elements which are considered in making a classification, did I correctly understand you to say that you take into account competition, first, with other carriers, and second, as between markets or producers?

A. No, sir. When I refer to competition, I mean competition between competing commodities. In other words, I mean one commodity versus another commodity, commodities that might be used for the same purpose. When you get into the canned foodstuffs field, for instance, you have got your canned tomatoes, canned corn, and beans, low in value, and you have also got your asparagus tips, and your artichoke hearts, and the high-priced stuff; but they are all in competition, because they are all foodstuffs.

Q. I just wanted to clear that up.

A. Yes.

[fol. 4338] Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Proceed.

By Mr. Rives:

Q. Mr. Fyfe, have you checked Mr. Waring's exhibit concerning the rating which would be produced under the proposed formula on rock wool batts?

A. No, sir, I did not go back and check it. As a matter of fact, however, I question Mr. Waring's figures on rock wool batts, as to the weight per cubic foot and the value. We have some of that stuff that is exceedingly light. We have other kinds of it—rock wool batts—which have heavy insulating paper on both sides, that will run up as high as seven pounds per cubic foot. We have some rock wool batts that are not really insulating material at all, but that are used for filtering purposes. That is very fluffy stuff, and I think that is what Mr. Waring got hold of. But in any event, all of these insulating materials are in direct competition one with the other, and you have got to keep them pretty close together, in order to let them compete.

Q. But in any event, Mr. Fyfe, you did not determine whether or not, under the application of his formula, 295 was the correct rating, did you?

A. No, sir, I did not. As I say, I did not attempt to check that.

[fol. 4339] Mr. Rives: If the Commission please, I would like to state for the record at this point that I have checked the exhibit, and, according to my check, the rating should be 121, instead of 295. I will have Mr. Waring check that, and advise as to the correct rating.

The Witness: Well, if you were to raise rock wool batts to 1¼ times first class, which would be equal to your 121, you would have the cost, the transportation cost, between Chicago and Kansas City, or between Chicago and Denver, for example, practically equal to the value of the rock wool batts, and then they would not move. In other words, there is a limit to how much you can put on some of these materials which are of low value.

By Mr. Rives:

Q. You are figuring that under the present rate scale, I take it; is that correct?

A. Yes.

Mr. Rives: Thank you.

Chairman Aitchison: Mr. Wagner.

Mr. Wagner: I have just a few questions.

By Mr. Wagner:

Q. Mr. Fyfe, in classifying an article, do you take into consideration the rates as such?

A. No.

Q. Ultimately, however, that is in your mind, is it not?

A. Oh, we might check up to see what revenue per car they would give us.

[fol. 4340] Q. When you classify an article you have in mind, of course, the percentage relation, one class as compared with another, do you not?

A. Oh, yes.

Q. Now, Mr. Fyfe, will you tell us what part of the United States comes within your jurisdiction?

A. Well, primarily, the territory on and west—or at and west of Chicago, although the Western Classification has application, you might say, over the entire United States.

Q. In other words, that applies west of Chicago and the Mississippi River, and in Transcontinental Territory, roughly speaking?

A. Yes, sir, and then it applies up into Canada, also.

Q. Yes.

A. From the States.

Q. Yes. You have nothing to do with the fixing of percentages of first class, have you, Mr. Fyfe?

A. No, sir.

Q. All that you are concerned with are the ratings as you have them; that is correct, is it not?

A. Yes, sir, that is true,—as they have been set by the Commission.

By Chairman Aitchison:

Q. But you do have to do with fixing percentages of first class in those cases where percentages are stated, as such, in the Classification, do you not?

[fol. 4341] A. There is only one case in the Classification, Mr. Chairman, where the Classification Committee made rates based upon a column basis of 40 per cent,—in that particular case—and that was on electric storage batteries; and that was largely made to meet the competitive situation.

By Mr. Wagner:

Q. In the West?

A. Yes, sir. In the West we do not put any percentage columns in the Classification, except what have been prescribed by the Interstate Commerce Commission.

Q. Now, Mr. Fyfe, generally speaking, for the purpose of my question, we will call the Western Group, the area embraced by the decisions of the Commission growing out of the 17000 part 2 proceeding, which I believe would go over, roughly speaking, to Great Falls, Montana, Utah, and the southeastern corner of New Mexico. Is that correct?

A. 17000 part 2?

Q. The outgrowth of the percentages there fixed.

A. I do not know at the moment, positively, just what territory was involved there. I think that you are perhaps about right, however.

Q. I am not referring now, Mr. Fyfe, to 17000 part 2, but to subsequent cases, like the Great Falls Case, out of Montana, and so forth.

A. I am not familiar with those cases.

Q. Well, in any event, the territory west of the line that I [fol. 4342] have indicated, has a different series of percentages of first class; that is correct, is it not?

A. I think you are correct about that, yes, sir, and that started, if I recall correctly, with the Arizona Grocery Case.

Chairman Aitchison: Oh, no; it started away back.

The Witness: Well, that was my first knowledge of it, at any rate, in connection with the Arizona Grocery Case.

Chairman Aitchison: The Great Northern and the Northern Pacific had that percentage relation even before that.

The Witness: Well, I do not know.

Chairman Aitchison: It was a carrier-made percentage in the first instance.

The Witness: Well, the first time that I came into contact with it was in the Arizona Grocery Case, in looking up those relationships.

By Mr. Wagner:

Q. Is it correct to say, Mr. Fyfe, that the transcontinental percentages are not identical, in the case of either of these groups, to the percentages that you have been referring to in all respects?

A. Why, I should say that they are not, but I have not checked them over. Do you mean, that is, the through overhead class rates?

Q. Yes. Are they more or less uniform in percentage, the transcontinental rates?

[fol. 4343] A. I do not know.

Q. Although not fixed by the Commission?

A. I do not know. I have never checked them.

Q. Will you take my word for it, then, if you do not know—although I am sure you do know—that in the Western group, as I have defined it, fifth class is 37.5 per cent, and in Mountain-Pacific and Transcontinental it is 50 per cent?

A. Yes.

Q. Now assume——

A. Just a moment.

Q. Yes?

A. Well, that is right, yes; 50 per cent.

Q. And if I am not mistaken, there is no rating in the Western group, and Mountain-Pacific, lower than third class, where the percentage is the same, except C; it that correct?

A. Well, I would not be sure about that.
Q. All right.
A. Not without checking it.

Mr. Wagner: I think the record will show.

By Chairman Aitchison:

Q. What is E?
A. Pardon me?
Q. How about E?
A. I think that Class E out there is 20 per cent.

Mr. Wagner: D in Mountain-Pacific Territory is 25, and in Western-Southwestern, 22.5.

[fol. 4344] By Mr. Wagner:

Q. Now assume that you have a less than carload rating on a given commodity of third class,—and let us assume that it is a new commodity—and that third class rating, which is 70 per cent more or less uniformly, is the present less than carload rating; and you want to fix a carload rating for the commodity. To jump two classes, you would have 37.5 per cent in the Western group and 50 per cent in Transcontinental, and also in Mountain-Pacific. What factors would you take into consideration in determining whether or not that should be fifth class as such, with the varying percentages, or whether you would put in a column percentage, in order to get a uniformity?
A. We would put in fifth class.
Q. Fifth class?
A. Yes, sir, because, generally speaking, the corresponding commodities would be rated fifth class, and perhaps a lot of the commodities that the new commodity was going to hook up with, would be fifth class. We would take those factors into consideration. We try to make a reasonable differential in the classification between a less than carload movement and a carload movement.

Q. Well now, let us assume that the carload traffic on certain competitive articles is moving on an exception, we will say, 40 per cent of first class. Could you take care of that in any other way in your classification?
[fol. 4345] A. We have taken care of those which were prescribed by the Commission, in the classification.

Q. How could you approximate that 40 per cent, or anything near 40 per cent, or anything near a uniform percentage throughout your territory, by the Classification proper?

A. We would put 40 per cent in the Classification, and we would require the lines on the Coast to establish a 40 per cent column in their tariffs.

Q. So that you would have to break away from your standard classification in Mountain-Pacific Territory, would you not?

A. The lines out there take care of those things.

Chairman Aitchison: Class B.

The Witness: Well, it may be Class B, but they have published some column rates out there.

Chairman Aitchison: Class B, 40 per cent.

The Witness: Yes, against 32.5 back in this territory.

By Mr. Wagner:

Q. So that if you would use your standard classes, the carload rating in Western Trunk Line Territory would be about 55 per cent of the less than carload, and Transcontinental and Mountain-Pacific would be about 72 per cent, would it not?

A. Well, I have not figured it out. However, if you say so, Mr. Wagner, I will take your word for it.

Mr. Wagner: That is all.

[fol. 4346] Mr. Eshelman: I would like to ask just one question, please.

By Mr. Eshelman:

Q. Mr. Fyfe, in responding to Mr. Wagner, as to the coverage of the Western Classification, I understood you to say something about Transcontinental Territory. Is it not also a fact that the Western Classification applies westbound from Official and Southern Territories as well?

A. Oh, yes. They are the only parts of the territory where there is a non-application of the Western Classification, eastbound into Official Territory, and on the southbound movement from Western Trunk Line Territory into Southern Territory, where the Southern Classification applies. Now that more or less complicates things.

By Mr. Wagner:

Q. And from the East to the Western group, as I have defined it, the Commission-prescribed percentages apply, and to Transcontinental, the other percentages apply.

I think so.

Redirect examination.

By Mr. Hughes:

Q. Mr. Fyfe, does the Western Classification apply to a wider expanse of territory than any other of the three major classifications?

A. Yes, sir, it does. Now I would like to correct one statement, if I may, Mr. Chairman, with regard to Mr. Boyle's statement about the agreement for the handling of [fol. 4347] interterritorial matters. It is true that there is such an agreement or understanding that where the Classification Committees cannot agree, they can go to the Executive Committees, that one territory can protest the action of the others. The facts are, however, that since that understanding was arrived at, which was in 1936, my recollection is that there has never been a protest, that each territory has proceeded to do as it pleased in an emergency. We have had cases where we said to the Southern Committee, or to the Eastern Committee, "We do not like what you are doing because you are going to complicate our situation, and we would like to have you take care of this, if you want to do it within your own territory, in your exceptions, and not mess up our territory"; but as I say, there has never been any blocking, any absolute blocking of any territory by going and appealing to the Executive Committee. As far as the Western Committee is concerned, we are footloose to do what is necessary to maintain the situation in our territory; and the other committees have done the same thing, regardless of any agreement.

Q. Mr. Fyfe, is the Western Classification Committee confronted with many questions growing out of the present war?

A. Yes, sir, it is. I am putting in about 90 per cent of my time, right at the present time, in connection with [fol. 4348] handling and straightening out war business, and matters in connection with war business, and finding substitute packing materials,—which is a very serious question just at this time.

Q. That is just what I was coming to.

A. The steel packages and the metal cans, have gone out. Just within the last few days I have authorized the shipment of up to 200 pounds of pottery, chinaware, in a fibreboard ~~box,~~ a very superior box, that I think will carry very well. We have put out test shipment permits to let the man move his Christmas supplies. He formerly used wire-bound boxes, but they had to be cut out because they could not get the wire, and then the box shook people—he happened to be located on the Pacific Coast—said, "We are very sorry, but we cannot give you any more box shooks", and they couldn't get any nails, so we had to find something else. We conceived of this fibreboard box item, and that business is now moving, and moving freely in carloads, and being distributed in less than carload lots. It is moving right out of this town here, and being warehoused in Los Angeles, California.

Q. Could it be accurately stated, then, Mr. Fyfe, that you are now in a period of almost constant modification of your packing rules?

A. Yes, sir, that is true. Of course, we develop what a [fol. 4349] package will do, on test shipment permits.

Q. And you have no way of forecasting what the effect of the war conditions may be, on future packing requirements, have you?

A. Well, my own opinion is that a lot of these modifications of the packing requirements that have been developed, are here to stay. I found, for instance, with respect to the shipment of frozen eggs, liquid eggs frozen, that are going into the bakery trade, going into the dryers, that prior to the war, well, I will say, prior to about six months ago, they moved entirely in thirty-pound tin cans. There is not a single pound of those eggs moving in tin cans at the present time. They are all moving in either a cellophane bag in a fibreboard box, or in a waterproof paper bag in a fibreboard box, or in a fibreboard can with a corrugated reinforced lining outside, or in a box with a liner that is made of nontest—well, I could not just recall the name of the paper, but it is laminated with a nonodorous asphaltum. Now these packages are all cheaper than the thirty-pound tin cans were. They are destroyed after their initial use. In the handling of liquid or frozen eggs, it is very essential to keep bacteria away from them. If the air gets to them, and they start to thaw out, the bacteria count gets up above 40,000, and then the Pure Food Department will condemn them, [fol. 4350] These new packages are standing up under test even better than the old tin can with the slip cover, which used to come off.

Mr. Hughes: I believe that is all.

A. (Continuing): We are experimenting at the present time, trying to find a drum to put paint in, instead of in cans. Instead of using 5-gallon steel drums for paint, we are shipping 5 gallons of paint in laminated wood drums. I think that the difficulty is—not that the drum will not hold it, but to get a seal on the interior of the drum, head and bottom, that will hold the oil in the paint.

By Mr. Hughes:

Q. You are confronted at this time, then, with the need for an almost constant modification of your packing rules? A. Yes, sir, and that is one of the reasons why we asked the Commission for a wide open Sixth Section permission to let us change the packing regulations, to let us meet this war situation, on one day's notice; and the Commission granted it.

Mr. Hughes: I believe that is all I have with the witness, Mr. Chairman.
Chairman Aitchison: Are there any further questions of Mr. Fyfe? (No response.) Apparently not. Thank you, Mr. Fyfe; you are excused.
The Witness: Thank you.

(Witness excused.)

[fol. 4351] Chairman Aitchison: Mr. Plunkett.
Mr. Plunkett: Recall Mr. Vivian.

Glenn F. Vivian recalled:

Direct examination.

By Mr. Plunkett:

Q. You are the same Mr. Glenn F. Vivian who previously testified at the Indianapolis hearing in this proceeding, are you?
A. Yes, sir.

Q. Mr. Vivian, have you prepared an exhibit in rebuttal of the testimony and exhibits of various witnesses that have been presented here?

A. I have.

Mr. Plunkett: If the Commission please, may Mr. Vivian's Exhibit be identified as Exhibit No. 191.

(Exhibit No. 191, Witness Vivian, marked for identification.)

The Witness: This exhibit consists of several subjects, incorporated in three sections, which have been entitled Sections I, II and III. A portion of Section III, pages 1 to 4, inclusive, has been reproduced as a wall chart.

By Mr. Plunkett:

Q. In that reproduction, those pages of the exhibit have been pasted together, on solid paper, have they?

A. Yes, sir.

[fol. 4352] Q. But they are identically the same as the pages in the exhibit itself.

A. Yes.

Q. Will you please explain the first section of this exhibit.

A. Section I of this exhibit is designed to rebut statements and exhibits of several witnesses who have maintained that certain sections of the country are being discriminated against and industrially retarded by the Class Rate Structure.

Page I is a map of the United States showing approximately the Western Trunk Line Territory, the Southwestern Territory, the Eastern District, the Southern Region, and the Pocahontas Region. On this map is shown by districts, territories or regions the increase or decrease in the number of manufacturing establishments 1939 over or under 1921.

The red shading indicates decrease and the black shading, increase. Thus three territories show a decrease, namely: the Eastern District, 13.14 per cent; the Western Trunk Line Territory, 12.08 per cent; and Pocahontas Region, 9.98 per cent, while two territories show an increase, namely; the Southwestern Territory, 23.65 per cent and the Southern Region, 10.15 per cent.

Turning to page 2, the same story is told in a different [fol. 4353] manner. Industrial production reached the bottom of the depression in 1933. Using this low, we measure, on page 2, the extent of recovery in 1939 from 1933 by the number of manufacturing establishments. Western Trunk Line shows the smallest per cent of increase, Eastern District next, Pocahontas third, Southwest fourth and Southern Region the greatest. In other words, the South and the Southwest have made the greatest recovery from the depression low. The figures supporting these maps are found on pages 3 and 4.

Attention should be called to the figures on page 4 showing under the percentage comparison 1933 under 1921 the extent of the depression in each of the groups of states. This shows that Western Trunk Line and Eastern District suffered more from the depression than did the Southwest and the South.

At this point I wish to call attention to the footnote at the bottom of page 4, "Based on details on page," now followed by a blank. After the word "page" insert the figure 3. Page 6 is a map of the Southern Region and Southwest Territory States. This shows 101 major additions to industries listed on page 5 in these states during the year 1940 as reported in the "Blue Book of Southern Progress", year 1941. Some of these are additions or expansions, some entirely new industries. A study of recent issues of the "Manufacturers Record" indicates that the same rapid growth [fol. 4354] has continued steadily since 1940 in both the South and Southwest.

As will be seen on page 7, there have developed many imposing industries in the South and Southwest. These industries, 43 in number, are among the largest in the United States, 36 are the largest in the world. Comparable information is not available for the other states.

Part 8 is a graphic showing of Index Numbers of Industrial Production, Durable and Non-Durable Manufacturers and Railroad Revenue Tons One Mile with a 20-year average for each. Industrial production is represented by the red line, Durable Manufacture by the solid black line, Non-Durable Manufactures by the broken black line and Revenue Ton Miles by the green line.

It will be noted that during periods of business confidence Durable Manufactures are relatively higher than

Non-Durable, while the reverse is true during periods of depression.

It is not mere accident that Durable Manufactures surpassed Non-Durable in the latter part of 1939. The invasion of Poland and the beginning of the Second World War gave impetus to business and immediately brought about an improvement in business conditions generally. The multiplication of war orders pushed durable manufacture up until it now stands higher than at any previous [fol. 4355] period under review. It should be remembered that much of these durable goods are of a military nature and, unlike durable goods of a more normal period, do not contribute to national wealth but rather absorb and destroy wealth.

It will be noted that from 1938 to the middle of 1942 there are shown on this chart a few of the world-shaking events. These are placed in their approximate chronological position and appear to give reason to the fluctuations of the various lines as shown.

In the early part of 1939 Industrial Production, Manufacture of Durable and Non Durable Goods and Revenue Tons One Mile all reflected the recession of 1938. From September on the year is marked by the activities of the United Nations preparing to meet the threat of the Axis Powers. The enactment by Congress of the cash and carry law replacing the embargo on war goods to belligerent nations and the Lend Lease Law and the disastrous course of the war in Poland all had their effect in pushing up the production of durable goods so that the conditions of the latter part of 1939 became more and more pronounced with the passage of time.

Supporting and amplifying the conditions shown on page 8 we turn to the three charts on page 11. These show Employment and Payrolls for All Manufacture, Durable Manufacturing and Non Durable Manufacturing. In each case the black line represents Employment and the red line, Payrolls. [fol. 4356] Comparing the second and last charts on this page, one will readily notice the effect on payrolls of the scramble for skilled workmen in the Durable Goods Industries. Had it been practical to make the scales on the three charts the same, the runaway effect of Durable Goods Employment and Payrolls would be much more evident. During the 1930's very few skilled workmen were trained. This brought about a shortage in the latter part of 1939, the effect of which is very noticeable in the direction of the payrolls versus employment lines in that year.

Q. Taking up Section II, please proceed in your own way to describe this section.

A. This section contains various types of data pertaining to rail carriers and shows comparisons of the composition of traffic in the different rate territories as well as districts and regions. Pages 1 to 13 show charts and supporting data of contrasting tonnage originating in each of the respective districts and regions. These have been prepared similarly to pages 1 to 17 of Exhibit 66, wherein was shown comparison of the composition of traffic through the medium of revenue tons carried. It will be noted by comparing the study in this exhibit of originating tonnage with the composition of traffic in Exhibit 66 of revenue tons carried that similar contrasts in composition of traffic exist when using originating tonnage as when using tons carried. The dif- [fol. 4357] ferences are merely a matter of degree.

On pages 14 to 20, there has been shown the composition of traffic and the contract between the regions and districts for originating and terminating tonnage combined for the year 1939, which data is employed by Dr. Edwards. This, again, reveals a similar situation to the tons carried as well as to the originating tonnage by itself.

At this time I wish to call attention to the footnotes at the bottom of each of the pages, from 6 to 11, of this section. The patricular note that I have reference to is that marked with an asterisk—*—which reads "First Quarter of I. C. C. Report of Commodity Statistics". The latter part of that note should be stricken, on each of those pages, from 6 to 11, inclusive. The note should simply read "First Quarter."

Q. Everything following the words "First Quarter" in the note should be stricken, should it?

A. Yes, sir.

Q. All right.

A. The primary weakness in the use of originating and terminating tonnage is the fact that overhead tonnage is ignored and, in territories such as Western Trunk Line and on railroads which have a large volume of overhead tonnage, the omission of this overhead tonnage is too important to be ignored.

[fol. 4358] Q. You are now referring to Dr. Edwards' Exhibit No. 10, are you, Mr. Vivian?

A. Yes, sir.

Q. Continue.

A. It must be borne in mind that this overhead tonnage is handled in the same trains as the originating and terminating tonnage. The next page is a map showing with dots the points at which classified yards exist on 20 Western railroads or systems.

Q. Page 21?

A. Page 21, yes, sir. These roads are the ones that reported cost data in compliance with the Commission's Order in I. C. C. Docket 28190, New Passenger Automobiles in interstate commerce. The red dots (173 in number) are the points studied by these same carriers for carrier terminal switching, interchange, intertrain and intratrain switching. Carrier terminal switching points studied and at which switch engines were maintained are 74 in number. The points (645 in number) having black dots are potential carrier terminal switching points, but were not studied.

Q. Some of them are actual as well as potential, are they not?

A. Yes, sir. More than likely all of them are actual, but I was unable to determine that until I had the information available.

[fol. 4359] Chairman Aitchison: I wonder how terminals on the Pacific Coast have been treated? I notice that Portland and Astoria are not shown.

The Witness: Well, Mr. Chairman, we have reported only those that were turned in to us by the roads, and if those terminals were not reported, they naturally in 1939 did not employ switch engines, but did the work with road power.

By Chairman Aitchison:

Q. Do you think they did that in Portland?

A. No, sir. I believe that the Spokane, Portland & Seattle does a good bit of the work in Portland, with the exception of some work that is done by the Union Pacific. As to whether the Union Pacific maintains switch engines or not, I could not say right at the moment.

Q. Did you ever hear of the Portland Terminal Company?

A. It is shown, Portland is shown as one of the switching points under the Union Pacific.

Q. It is not on the map.

A. If it is not on the map, it is merely an omission.

Mr. Plunkett: There is a red dot there, your Honor.

Chairman Aitchison: That red dot is located approximately at The Dalles.

Mr. Plunkett: Then it is merely an inaccuracy, in making it up.

The Witness: It may be an inaccuracy in the map. It [fol. 4360] was taken from an outline map, and the position of the towns may not be just absolutely accurate; but the list that we used is the list that is contained on pages 22 and 23, and of course those are the only ones reported.

Mr. Plunkett: And only 20 of those showed classification yards.

Chairman Aitchison: Portland is indicated there, but it is not on the map, and Umatilla is not on the map, although it is referred to on sheet ~~23.~~

The Witness: Well, Mr. Chairman, we attempted to put all of the points on the map, and if there were any that were omitted, it was done inadvertently, of course.

Chairman Aitchison: Well, I have called attention to two.

The Witness: The location of the points, however, is accurate, from the record.

By Mr. Plunkett:

Q. Well now, Mr. Vivian, the red dots are the actual points used in the Automobile study, the study in the Automobile Case, Docket No. 28190; is that correct?

A. Yes, sir.

Q. It may be that you do not have all of the black dots that should be on the exhibit; is that correct?

A. That is possible.

Q. But if that is so, the disparity which you are going to [fol. 4361] speak of would be enhanced, would it not?

A. Yes, sir.

Q. Proceed.

A. It will thus be seen that the percentage studied of carrier terminal switching points in the Automobile Case was very small, being 9.05 per cent for the reporting roads. In addition to these roads, in the West there are 26 Class 1 carriers which did not participate in the cost studies in the Automobile Case. These roads have 120 classified terminals where carrier terminal switching is performed.

It will thus be seen that in reality the points studied in the Automobile Case are only 7.9 per cent of the classified terminals. None of the large switching or terminal carriers participated in this automobile study, which further tends to disqualify the Automobile Case results as typical of all traffic.

Q. Now, in discussing page 29, you had reference to that portion of Dr. Edwards' Exhibit No. 11 in which he argues that the results in the Automobile Case support the assumptions which he made in this proceeding; is that correct?

A. Yes, sir.

Q. Have you prepared a chart showing a typical yard layout used in originating automobile traffic?

A. Yes, page 24. This page shows a typical layout of a terminal, Janesville, Wisconsin, on the Milwaukee Railroad, [fol. 4362] where automobiles originated in considerable quantity during the period of the automobile study. This example is given as illustrative of the fact that the results in the Automobile Case represent the handling of automobiles only and are not representative of the handling of all types of traffic.

In this particular terminal, an assembly plant is located a short distance south of the principal classification yard and large strings of cars were handled empty into the plant and loaded out.

As will be noted, other industries are scattered throughout the community, some of them being at considerable distances from the principal classification yard and requiring in some instances several classifications as well as transfers of a car from the principal classification yard or train yard to the industry or the reverse.

In moving to the industries, other than the automobile plant, considerably fewer cars were handled, as these plants are not as large as the assembly plant. This resulted in minutes per car for industrial service other than the automobile assembly plant greater by three times than the time required to handle the industrial work at the latter.

In communities where automobiles are terminated, these automobiles are in a majority of instances unloaded on automobile platforms, which are usually built adjacent to train [fol. 4363] yards or are located in the business district of the various communities. Again, we have a comparison of a movement to an automobile platform located in the heart of a community versus the switching to industries scattered throughout the entire city and, in many instances, with the larger industries located on the outskirts of the city. It will thus be readily seen that the movement of cars from the classification yards to the industries will entail much more work than the movement of cars to automobile platforms.

This indicates that the automobile results cannot be used to justify the general movement of all freight.

Referring once more to the situation at Janesville, Wisconsin, the movement of automobiles does not and cannot involve interchange switching as the automobile assembly plant is jointly served by both the Milwaukee Railroad and the Chicago & North Western Railway, which obviates any movement of automobile interchange switching at Janesville in so far as the traffic under review in the Automobile Case was concerned. Thus, Dr. Edwards is unable to compare interchange switching at Janesville with carrier terminal switching. This is only typical of conditions that exist at other points.

Dr. Edwards has compared the results of carrier terminal switching in the Automobile Case in a series of communities with interchange switching at a different set of towns. [fol. 4364] He, thus, has invalidated any true comparisons, as the correct and only comparison for the automobile traffic is a comparison of interchange switching in the same communities as the carrier terminal switching.

No attempt has been made on the part of the carriers at any of the terminals under review to analyze carrier terminal switching or interchange switching on all traffic and, inasmuch as the interchange switching comparison with carrier terminal switching in the Automobile Case is faulty in and of itself, the conclusions reached by Dr. Edwards are obviously improper,

Q. Dr. Edwards uses the percentage of circuity which was developed in the Automobile Case traffic test as being typical of all traffic, which he says should be used in connection with class rate traffic. Do you agree with him?

A. I do not. On page 18 of Exhibit 11, Dr. Edwards gives consideration to circuity in connection with the movement of all traffic. Conclusions were based on the study of movement of automobiles during the year 1938 in I. C. C. Docket 28190. In this study, 53,745 cars of automobiles were terminated on which Dr. Edwards based the circuity shown in Exhibit No. 11 in this case. This number of automobile cars terminated should be contrasted with the 195,990 cars of automobiles terminated in the United States during the same year and with the 21,288,400 cars of all traffic termi- [fol. 4365] nated in the same year.

Thus, it will be observed that the studied cars on which Dr. Edwards based circuity represent only 27 per cent of all cars of automobiles terminated and one-fourth of one per cent of all carload traffic terminated.

It must be kept in mind that the sampled movements of automobiles were for the most part confined to main lines of railroads. Whether movements of automobiles principally over main lines are representative of all traffic so far as circuity is concerned is highly debatable.

In the Western states alone, there are over 9,000 incorporated cities and towns which produce potential point-to-point movements in excess of 80 million.

In summarizing the situation, after consideration is given to the small number of movements studied in the West, 47 in number,——

By Chairman Aitchison:

Q. What do you mean by that?

A. There were 47 movements of automobiles analyzed.

Q. You just stated that there were 53,745 cars, did you not?

A. That was in the entire United States. In February there were 93 movements throughout the entire United States, 47 of them being in the West.

Chairman Aitchison: Continue.

A. —and for a single class of traffic moving over, for the most part, main lines of carriers, against the potential point [fol.4366] to point movement when all traffic is under review, it is maintained that the per cent of circuity used by Dr. Edwards can by no means be considered representative for use in dealing with all traffic.

By Chairman Aitchison:

Q. Do you have anything better to suggest?

A. No.

Q. Do you have any idea you can express as to what the percentage of circuity should be.

A. Certainly higher than that which was shown in the Automobile Case.

Q. How much?

A. I could not say, because I have not analyzed it, nor do I have the information available upon which to predicate such a conclusion.

Q. Referring to your 9,000 incorporated cities and towns, producing a potential point-to-point movement: the greatest amount of movement between small places would be expected to be between places which are relatively adjacent, would it not?

A. Yes, it would be, yes, sir.

Q. And where the circuity involved, therefore, would be small, if there were any at all?

A. That might be true.

Q. Well, is it not true?

[fol. 4367] A. I would not say necessarily so.

By Com. Alldredge:

Q. Did the Federal Coordinator of Transportation make some circuity studies?

A. Pardon me?

Chairman Aitchison: The question is: Did the Coordinator of Transportation make some circuity studies.

The Witness: I do not know. I have not seen anything. Are you referring—pardon me—to the 1933 studies?

By Com. Alldredge:

Q. Yes.

A. I am sorry, but I could not hear you.

Q. I said "Yes".

A. There may have been. There was a very large volume of material, and there may have been some such figures in there.

Q. Well, that is one of the things that he dealt with, is it not?

A. Well——

Q. If you recall?

A. I do not recall, because there were too many figures percentage, and they are too old now anyway.

By Mr. Plunkett:

Q. Proceed.

A. Referring next to page 29: Page 29 is a statement of tons originated and terminated for each of the five groups of I.C.C. commodities for the states of Illinois, Indiana, Michigan, Ohio, Iowa, Minnesota, Missouri, Wisconsin, and [fol. 4368] Nebraska, years 1940 and 1941.

Page 30 is a statement of freight traffic density for states of Illinois, Iowa, Minnesota, Missouri, Wisconsin, and Nebraska, years 1922 through 1941 for Western Class 1 roads. Both of these pages are believed to be self-explanatory.

Q. Were those pages of the exhibit prepared in connection with requests of some of the Mid-Western shippers for an extension of the Eastern Classification into their territory?

A. Yes, sir.

Q. Have you prepared any statements relating to Dr. Edwards' Exhibit No. 12 in which he deals with out-of-pocket costs?

A. I will discuss this subject in connection with the third section, which has to do with the formula employed by Dr. Edwards.

Q. Before taking up Section III, have you a few corrections to make in this section?

A. I have. Errors appeared in the drawing of Schedule "H", (page *III*) and are as follows:—

By Chairman Aitchison:

Q. Why were these pages not numbered?

A. In answer to that, Mr. Chairman, I will say that it was impossible for us to get this exhibit printed, and here, in the time that we were required to present it in, and number the pages consecutively from one end to the other, for the [fol. 4369] reason that we found it necessary to insert pages as we went along.

Q. Well certainly these exhibits, if they are to be helpful to the Commission, have got to be prepared in such a way that all parts of them are readily accessible.

A. Well, we figured that it would be in accordance with the Rules of Practice, and I am very sorry if it is not. In the lower half of the first column, the blocks enclosing——

By Mr. Plunkett:

Q. The first column is the one to the left, is it not?

A. Yes.

By Chairman Aitchison:

Q. What are you talking about?

A. —Intra-Terminal Switching-Loads; Inter-Terminal Switching-Loads; Other Switching-Loads; and Other Switching-Empties; and in the 7th column, the block enclosing "Intermediate-Switching-Loads" should have been printed in black rather than in red.

By Mr. Plunkett:

Q. Just a moment, please, Mr. Vivian. What should be done with the ones which you have been discussing in column 1? They should be in black instead of in red; is that correct?

A. They are printed in red, and they should have been printed in black. Now that was caused by the fact that these blocks or items, are not used, and we are presuming by this to show that when they are determined, if they were [fol. 4370] to be used uniformly, they would be actual figures.

Q. Proceed.

A. Also in the 7th column at the center of the page——

By Chairman Aitchison:

Q. Are you counting your columns from the left?

A. Yes.

Q. Well, are you going to count them at the top of the page, or at the bottom? In other words, you have more columns at the bottom than you have at the top.

A. It is in the lower section, Mr. Chairman, and is the top block in the 7th column from the left, and reads "Carrier terminal switching, freight house at origin and destination-loads. Special computation H-39." Out of that, in the middle of the block, there is a black arrow which reads "To TS-26." That should read "To TS-16."

By Mr. Plunkett:

Q. Have those corrections, Mr. Vivian, been made in the chart that has been hung up here?

A. Yes, sir, they have been, and the pages conveyed in this exhibit, Nos. 1, 2, 3, 4, are so printed that they may be used to make a complete chart similar to the wall chart.

As a matter of fact, we simply took copies of those four pages, and made the wall chart out of them.

Chairman Aitchison: Well now, off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Continue.

[fol. 4371] By Mr. Plunkett:

Q. Will you please explain, Mr. Vivian, what your chart of Dr. Edwards' formula depicts, and what the pages of this exhibit depict.

A. The diagrammatic portrayal of Rail Formula "A", which I am presenting, shows the multitude of items of data and sequences required to develop the final unit costs necessary to construct the cost scales set up by Dr. Edwards in his Exhibit 3. It does not, however, indicate the thousands of computations involved.

Q. Now, Rail Formula "A" was Exhibit No. 4, introduced by Dr. Edwards at St. Louis; is that correct?

A. Yes, sir.

Q. Proceed.

A. As always, it is necessary to begin with certain basic data upon which all subsequent computations and apportionments accordingly depend. From the legend appearing on page 3 of this diagram, it will be seen that each item of basic data is identified by a special symbol.

Where the basic figures were taken directly from the Carriers' Annual Report to the Interstate Commerce Commission, the data were accepted as being actual, although some of the information appearing in the Annual Report is obtained by arbitrary apportionments and prorations not wholly subscribed to by the carriers. Such data, accepted as being actual, are enclosed in black blocks.

[fol. 4372] Dr. Edwards, in previous testimony in connection with this proceeding, admitted the use of certain arbitrary material based on studies available, when substantiated actual data were not available. His Exhibit 2 contained tables designed to indicate the effect of small variations of estimated data in specific cases. Apparently no study was made of the full extent to which such estimates entered into the final results. By this chart I have endeavored to portray in visual manner the true extent of such estimations and assumptions in so far as the number of sequences affected is concerned.

Q. Now, as I understand it, where Dr. Edwards took the operating expenses from the annual reports of the carriers, which the carriers had separated between freight and passenger service, you took the separation as being actual; is that right?

A. Yes, sir.

Q. But as I understand it, you do not fully subscribe to the accuracy of such separation?

A. That is right.

Q. But for the purposes of this chart, you have considered such separation as being actual; is that correct?

A. Yes, sir.

Q. Proceed.

A. Items of basic data not taken from the Carrier's [fol. 4373] Annual Report show the sources from which they were obtained and if those sources did not possess elements to substantiate the accuracy of the data such items were considered estimates and so identified by being enclosed in red blocks.

Where it was found that apportionment factors or weighting factors upon which distribution of expense or other calculations depended, were not fully explained as to their accuracy, they were classed as estimates and accordingly enclosed in red.

Q. Can you give us an example of that?

A. The 85 and 15 per cent used in station service.

Q. Just a moment. 85 per cent to station, and 15 per cent —where?

A. 85 per cent—well now, I have forgotten. Just a moment, please. There are too many of these percentages, for one to be able to remember them all. 15 per cent running, and 85 per cent to station.

Q. Rail Formula "A" as used by Dr. Edwards, provides for this arbitrary separation, which was based upon a study made in some other proceeding; is that correct?

A. I believe so.

Q. The details, however, of that study, or the support for it, were not included in Dr. Edwards' study in this proceeding, were they?

A. No, sir.

[fol. 4374] Q. Proceed.

A. As will be readily understood, each sequence represented by a block on this diagram, which has in its makeup any item or part of an item of basic data or has been in any way affected by an apportionment or weighting factor which has been considered an estimate, will itself be only of estimated value. By virtue of the innumerable ramifications of Rail Formula "A" the estimated items pyramid one upon the other until the final costs, which represent the prime purpose of the formula, are very complex summations of hundreds of estimated components.

An indication of the number of estimates contained in the formula, without attempting to determine the actual number composing each sequence, is obtained when consideration is given to the fact that of 117 items of basic data, 59 are considered estimated; and, of 500 sequences, other than basic data, 458 are considered wholly or partially estimates.

There were involved in the construction of the cost scales contained in Edwards' Exhibit 3, one hundred and sixty-two roads or parts of roads. Giving no consideration to additional computations required to separate roads by territories, assuming that it was only necessary to apply the formula to each road or part of a road on the basis of operating in a single territory, the use of the formula, [fol. 4375] Schedule "A" through the Territorial Summary, would entail approximately 19,000 items of basic data, of which not less than approximately 9,000 would be estimates. It would involve also the use of approximately 76,000 sequences other than basic data, of which not less than 69,000 would be estimates.

The chart has been based on the application of the formula to a road operating in a single rate territory. In those instances where the formula is applied to roads operating in more than one rate territory the number of estimates is considerably increased as there is no accurate method of splitting the data into amounts rightfully belonging to the portions of the roads operating in each territory. This condition exists because the accounting rules of the Commission, which the carriers are required to follow, do not provide a breakdown of carrier operations adequate in the light of the requirements of this cost formula.

To maintain accounting procedures which would produce adequate statistics for use under this formula would require increasing to a great degree the cost and manpower in the carriers' accounting department. A doubt exists as to whether the results obtained would warrant increased expenses.

By Chairman Aitchison:

Q. Right in that connection, Mr. Vivian. You have [fol. 4376] participated in a good many of these increased rate cases, have you not?

A. Yes.

Q. There are quite a number of lines of the character you indicate, operating in more than one territory, are there not?

A. Quite a number of them, yes.

Q. How many?

A. Why, I believe that there are some 34, or something of that kind, in his study. I am not positive, however.

Q. Well, now, has any difficulty been encountered in previous rate cases, in making a presentation of the revenue needs of such carriers?

A. We have never attempted to my knowledge to separate roads as between territories, as far as operating expenses and taxes, and things of that kind, are concerned, and evolve them into a cost formula.

Q. In presenting the revenue needs of the carriers in previous increased rate cases, has any difficulty been encountered by the carriers in making their presentation,—that is, any of the 30-odd roads that are operating in more than one territory?

A. Why, in so far as the preparation of the data that were used in those cases was concerned, no, sir.

Chairman Aitchison: Proceed.

[fol. 4377] By Mr. Plunkett:

Q. But in those cases, Mr. Vivian, did you break down the revenue needs of the carriers in the territories in which they operate?

A. In so far as the state cases are concerned, that have been heard before state commissions, the revenue is maintained separately for each state, so that it is an actual figure. No attempt, however, has ever to my knowledge been made to break down the revenue as between territories,—unless something of that kind has been done in some divisions case that I have not happened to participate in.

By Chairman Aitchison:

Q. Why, my dear Mr. Vivian, you have had cases, increased rate cases, that involved Official Territory, have you not?

A. Yes.

Q. And where part of the lines operated in other territories as well?

A. That is right.

Q. But you included them, just the same, did you not?

A. Oh, we have made traffic analyses on the revenue involved in the particular case, but we have made no attempt to split a road down.

Q. Absolutely, and that is just the fault, in many instances. In Ex Parte 87, for example, you were not bothered by the fact that the Milwaukee Railroad operated partly in North Pacific Territory, were you?

[fol. 4378] A. No, sir, we were not bothered, as far as that particular proceeding was concerned.

Q. Or the Northern Pacific, or the Great Northern.

A. No.

Q. Or the Union Pacific, or the Burlington.

A. No, sir, because we were able to analyze our traffic for the particular case that was involved.

Q. I am talking about your revenue needs, now.

A. Yes, sir, and that is what I am referring to also.

Q. And you did not attempt to split the Illinois Central, or the Wabash, or any of the other lines that I have mentioned, did you?

A. In those cases, Mr. Chairman, we obtain the revenue through traffic tests covering the territory and the rates that are involved.

Q. Do you want to testify here, Mr. Vivian, that in the increased rate cases you obtained the revenue by traffic tests?

A. Where traffic tests were necessary, yes, sir.

Q. Did you not put Mr. Wettling on the witness stand, or somebody else from his department, to present agricultural studies, and other studies in connection with the revenue needs of the carriers?

A. Oh, we have drawn many agricultural studies.

Q. Answer the question.

[fol. 4379] A. Yes. I say, we have.

Mr. Plunkett: Did your Honor have any further questions?

Chairman Aitchison: Well, I just wanted to find out why the carriers wanted to get more money, and if the sort of showing that this witness is criticizing here, that has been made by Dr. Edwards, is good enough.

By Mr. Plunkett:

Q. As I understand it, Mr. Vivian, the point that you are making in connection with this breakdown of territories is that Dr. Edwards' cost study required the breakdown, and it was made, as far as could be done, by the carriers, and where it could not be done, it was broken down on some arbitrary basis; is that correct?

A. Yes, sir.

By Chairman Aitchison:

Q. And where it could not be broken down, if you had taken the whole railroad; you would simply have been following your own precedent in the increased rate cases, would you not?

A. Well, if we had taken the whole railroad, we would have violated his principle, the principle on which he was working, of breaking down the individual territories.

By Com. Splawn:

Q. It is not practical, then, you think, to break it down into indivdual territories, except for general prescriptions; is that correct?

A. Yes.

[fol. 4380] Q. The situations with respect to rates and revenue have to be looked at as a whole, have they not?

A. Yes.

Q. And we have to look at the country as a whole, and not simply at any small subdivision thereof, have we not?

A. Oh, that is correct, certainly; we cannot look just at a particular rate territory, where roads that compose that rate territory also operate in other territories.

By Com. Alldredge:

Q. So that, then, if there are differences in the rate structure in Southern Territory, say, for example, it is not possible, from your point of view, to determine definitely whether they are reasonable or not; is that your testimony?

A. Well, I am very sorry, Mr. Commissioner, but I do not just follow your question.

Q. Well, put it this way: If you cannot cost that territory, under your view, how are you going to determine whether or not the rate structures are reasonable, when they differ in the territory?

A. Well, I do not believe, Mr. Commissioner, that costs can be set up by rate territories when roads split a territory.

Q. But the rates are set up that way, as a matter of fact, are they not, Mr. Vivian?

A. I would not attempt to say as to how rates are made, Mr. Commissioner.

[fol. 4381] Q. I see.

A. Because I am not a rate man, and I do not know anything about it.

Q. You will let the record speak for itself as to that, then, I take it?

A. I would, yes, sir.

Mr. Plunkett: May I proceed, your Honors?

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. Please continue, Mr. Vivian.

A. In this connection I wish to cite several statements of Sir William M. Ackworth, shown in full on page 27 of Section II of this exhibit and taken from a publication cited by Dr. Edwards as authoritative. The substance of these statements is "the bulk of the expenditure is incurred on behalf of the traffic as a whole."

He also relates some of the history of the establishment of the I.C.C. and its efforts to secure division of expenditures between freight and passenger and casts a doubt on whether "the information now furnished will be found to be worth the very considerable cost incurred."

The use of Dr. Edwards' formula involved splitting the data of 14 western roads into from 2 to 4 parts each in order to develop his study by the several rate territories.

Chairman Aitchison: Just a moment, right there.

By Chairman Aitchison:

Q. Returning again for a moment to the same matter [fol. 4382] that you and I were discussing a moment ago: When any of these 30-odd lines that operate in more than one territory petition the Commission for leave to abandon a line, they do not have any trouble, do they, in showing the cost of operation on that particular branch line?

A. Why, I believe not, although I have not participated in an abandonment case for a great many years.

Q. And they do not have any difficulty, in spite of the fact that they operate in more than one territory?

A. How is that?

Q. I say, they make that showing, although they do operate in more than one territory?

A. Yes.

Q. Well then, I would like to have you tell me how you can do it so readily in abandonment proceedings and yet find it so extremely difficult in a rate proceeding.

A. Well, Mr. Chairman, I do not know that I am really qualified to discuss any of the later abandonment cases, because, as I just stated, I have not participated in an abandonment proceeding for a good many years. I understand that the methods used now, and I believe those prescribed —although I am not sure—are entirely different.

Q. There are none prescribed.

A. Well, all right.

Q. Although we may suggest, in various cases, certain [fol. 4383] tests, what we want and what we are required to get, are the facts.

A. Well, I know that in the earlier cases the situation was quite different, entirely different, than it is in the later cases, from discussions that I have had with various accounting people. That is about as far as I can go, as to what is being done in abandonment cases at the present time. I do not know definitely.

Chairman Aitchison: Very well.

By Mr. Plunkett:

Q. But, Mr. Vivian, is it not true that abandonment cases involve short branch lines?

A. Yes, sir.

Q. Or at least, relatively short branch lines?

A. Yes, sir.

Q. Usually in one rate territory?

A. That is generally true.

Q. Although sometimes they may cross into other territories.

A. Well, as I say, I have not participated in an abandonment proceeding for a good many years.

By Chairman Aitchison:

Q. But they are frequently parts of rail lines which have constant expenses, even though they do operate in more than one rate territory, are they not?

A. Yes.

By Mr. Plunkett:

Q. Is it not also true, Mr. Vivian, that, in connection with these abandonment cases, a special study is made, not a general office study, but a study on the [fol. 4384] ground, if necessary?

A. I believe that is true, yes, sir, although, as I say, I do not know that of my own knowledge, because in the later cases they have changed their methods considerably; but I understand that to be true from discussions that I have had with various accounting men who have participated in such cases.

Q. That is, abandonment cases are handled by the individual roads involved, as a general thing, are they not?

A. Yes, sir.

Q. So that you do not get in on them?

A. No, sir; we do not get in on any of them.

By Chairman Aitchison:

Q. You are not positive about this survey on the ground, that you refer to, are you?

A. As I have said, only from discussions that I have had with various accounting people who have participated in such cases.

Q. Well now, what would an accountant do, if he got out on the ground?

A. Well, going out on the ground by myself, a good many times I have been able to visualize situations a whole lot better than I would have been able to do in the office, and

I have therefore been able to arrange my work better, in making studies of different kinds, so that I would be able to handle it more intelligently, I would say, than other-[fol. 4385] wise.

Q. You go out and get a picture of the situation, and then go back to your office and make the study there, do you not?

A. No, sir, usually it leads right directly into the expenditures in the Division Offices.

Chairman Aitchison: Read that answer.

(Answer read.)

By Chairman Aitchison:

Q. I do not understand that answer at all, Mr. Vivian.

A. In other words, the Division Offices are where the expenses originate.

Q. Yes?

A. And that is where the field tests are started, in so far as expenditures are concerned.

Q. Well now, with respect to the common expense, which is the thing that I am talking about now, the Division Offices do not have anything to do with that common expense, do they?

A. Well, they have common expenses that they will report, that may go between divisions, and then they will have common expenses between freight and passenger. Possibly, Mr. Chairman, you are referring to, or thinking about, general overhead expenses,—is that correct?

Q. Yes.

A. Well, of course, they would not have that, no.

[fol. 4386] Q. An accountant would not be able to survey the situation very much by going out on the ground, would he? He would not find any of his figures there, for example, would he?

A. Well I say this, that in the starting of a test of any kind, the place to go is out on the ground itself, to find out how the operation is being conducted; and from there, directly to the Division Offices, in connection with direct expenses.

Q. Did you do that before you came to the Commission and asked for an increase of 15 per cent in your rates?

A. We have not prepared any cost studies in connection with the 15 per cent increases.

Chairman Aitchison: Very well.

By Mr. Plunkett:

Q. Proceed, please.

A. Each of these carriers was requested to furnish the breakdown of expenses and operating statistics in accordance with the geographic areas supplied. On the whole, the boundaries of the territories follow state lines and it was possible to use data supplied to the various state commissions.

Even in this regard the methods of roads differ. At least one has accounting divisions which break on state lines making the job comparatively easy. Others worked from the standpoint of operating divisions which, because they do not always break on state lines, required estimated pro- [fol. 4387] ration of divisions crossing state lines.

It should be recognized that even the use of data from Annual Reports to State Commissions is not reliable for use in this formula. The expenses of large facilities such as terminals and shops are allocated to the states in which they are located, although the services of these establishments are accorded to traffic moving through several states or rate territories.

The separation of statistics to secure territorial traffic units presents difficulties of ascertainment of a similar nature.

To summarize this point, the segregation of information as it is done today, may probably be adequate for the purposes of Annual Reports to State Commissions or for managers of the property, but is not reliable for cost-finding purposes.

By Chairman Aitchison:

Q. Right there, would you mind explaining to us what you consider to be the purpose of the Annual Reports to the State Commissions?

A. Why, I do not know that I can, Mr. Chairman, other than the fact that the State Commissions want information, and have taken that method to obtain it.

Q. Well then, how are you able to state whether or not the segregation is proper and adequate for the purpose of the

Annual Reports, if you do not know for what purpose the [fol. 4388] Annual Reports are made?

A. We have not had any complaint, to my knowledge, from any of the State Commissions in connection with Annual Reports, and it is upon that basis that I am making the statement.

Q. That is the basis for your statement that it may probably be adequate for the purposes of the Annual Reports?

A. Yes.

Q. Although you say now that you do not know what the purposes are?

A. Right.

By Com. Splawn:

Q. Do I understand, Mr. Vivian, that you are explaining how Dr. Edwards got this information?

A. Yes, sir—how the roads furnished it to him.

Q. He got it from the railroads?

A. Yes, sir.

Q. And now you are telling us that what the railroads furnished him is not reliable; is that correct?

A. Yes, sir.

Q. And you are not proposing to give us, in this record, information which is reliable?

A. No, sir. I do not have it.

By Mr. Plunkett:

Q. As a matter of fact, Mr. Vivian, has anybody got information that is reliable, for that purpose?

A. Not to my knowledge.

Chairman Aitchison: You have not been debarred in this [fol. 4389] proceeding from presenting it, have you?

Mr. Plunkett: No, your Honor, we have not been.

By Com. Splawn:

Q. You understood quite well the nature of the request when it was made, did you not?

A. Yes, Mr. Commissioner, but the time that was given the carriers was very limited, and they were told in some instances that they might estimate the figures, where they did not have the actual figures available.

Q. That is a matter in which you are quite experienced and expert, is it not? As a matter of fact, that is your profession, is it not?

A. Well, I would not say that it is our profession, no, sir.

Q. The making of estimates?

A. No, sir. There are many estimates that are made, of course; but the time that was given in this instance, even for estimates, was extremely small, extremely limited. To make an estimate usually requires considerable analysis of test periods that may be selected, to develop those estimates, on which to predicate the estimate for the period in question.

Q. As far as any of these infirmities which you have pointed out here are concerned, in any of these presentations, you have had more than one year in which to check and supply more satisfactory information, have you not?

A. Well, we were not asked to do so, Mr. Commissioner, [fol. 4390] and of course, as you know, the rail carriers are tremendously busy.

Q. You were merely asked for the information?

A. Yes, sir.

Q. And now you have come here, more than a year after the information has been supplied, to disclose at this hearing, or to advise us, that what you have done has been to supply something that cannot be relied upon; is that correct?

A. Yes.

By Chairman Aitchison:

Q. As a matter of fact, Mr. Vivian, it has been more than a year, has it not?

A. Well, the questionnaires were sent to the roads I believe in November of 1940.

Q. Yes.

A. And they were given ten days in which to reply.

Q. Have any of them suggested any correction in the figures since they have had an opportunity to check them at their leisure?

A. If they have, it has not come to my knowledge.

Q. Were you not given access to the work sheets of Dr. Edwards' study in the fall, following the hearing at St. Louis?

A. I do not remember exactly when I received the permission. I know that I went to Washington within a week after we were given clearance, and I obtained all of the working [fol. 4391] papers. I had copies of practically all of the working papers that were released to us, furnished by the Commission, through photostatic process.

Q. That is more than a year ago, is it not?

A. Yes, sir, I believe that it has been more than a year ago.

Q. It was in hot weather, was it not?

A. The hearing at St. Louis was in July, I believe.

Q. 1941.

A. Yes.

Q. Yes.

A. But it was a couple of months after that, before we were given access to those papers.

By Com. Splawn:

Q. As far as Dr. Edwards' compilations and analyses of the data furnished to him are concerned, you have not found anything wrong with them, have you?

A. I am very sorry, Mr. Commissioner, but I could not hear the question.

Mr. Plunkett: Read it, please.

(Question read.)

A. Well, I have been trying to cite here, Mr. Commissioner, the things that I think are wrong with Dr. Edwards' compilations and analyses.

By Com. Splawn:

Q. Well, if I have understood your testimony correctly here, you have merely repeated what he told us himself when he put in his exhibit, as to how it was made up, and where he [fol. 4392] got the information, and you have simply given his procedure, as I understand it, as your criticism of his exhibit.

A. Right.

Chairman Aitchison: The record ought to show at this point, I believe, that the hearing at St. Louis was on July 10th and 11th, 1941, and that on August 28th, 1941, notice to the public was issued by the Chairman of Division 2, to the effect that requests for access to Dr. Edwards' underlying data were granted, subject to certain conditions, and that an order to that effect would be duly served on the parties to the proceeding; and that order was dated the 28th of August, 1941, and was served on that data.

By Com. Splawn:

Q. May I ask you further, Mr. Vivian, with respect to these other exhibits which have been put in by the railroads, some of which they say they pulled out of the files, whether or not they are subject to the same infirmities which you say the information that you furnished to Dr. Edwards is subject to.

A. Well, I do not believe, Mr. Commissioner, that I am in any position to say anything about these other exhibits. I have not attempted to analyze them.

Q. Are we to give no weight to the testimony of the carriers, then, and set aside the record that they have made, because apparently they have taken no interest in this pro- [fol. 4393] ceeding in so far as giving us accurate information is concerned?

A. No.

Q. Has the general procedure with respect to the preparation of all of the material that has been presented to us, been similar to your own, in responding to Dr. Edwards' request for information for the preparation of this exhibits?

A. May I have that question repeated, please.

Mr. Plunkett: Read it, please.

(Question read.)

A. Well, Mr. Commissioner, I did not personally furnish anything to Dr. Edwards. It was furnished by the Western railroads individually.

By Com. Splawn:

Q. But you have found out how it was done?

A. Yes.

Q. And now you tell us that it cannot be relied upon.

A. Yes.

Chairman Aitchison: I think the record ought to show also that Dr. Edwards' exhibit was made available to the public on June 4th, 1941, as appears by the notice of the Commission to the public issued on that date by the Secretary of the Commission.

By Mr. Plunkett:

Q. Mr. Vivian, can you give us some idea of the vast amount of labor that it would require to make an actual separation by rate territories of the expenses of a railroad? Take, for example, the Milwaukee Railroad, which has a di-[fol. 4394] vision that runs from Mobridge, North Dakota, to Harlowton, Montana, crossing the state line between North Dakota and Montana, which is the dividing line between Western Trunk Line Territory and Mountain-Pacific Territory, as designated by Dr. Edwards? Would it not be necessary, for example, in connection with the train service, to examine every time slip of a train crew and engine crew to determine the amount of time that would be chargeable to the one territory or the other; and not only that, but——

Chairman Aitchison: Well now, just a moment. One question at a time. I take the answer would be "Yes", to that.

The Witness: Yes, sir, the answer is "Yes."

By Mr. Plunkett:

Q. And would it also be necessary to examine the waybills, to determine the number of ton miles that were made in Montana and in North Dakota?

A. Yes, sir.

Q. And likewise to examine the train list made up by the conductor, to show the car-miles that were made in the two states respectively?

A. Yes, sir.

Q. And also the tonnage reports made by the conductors, to show the gross ton-miles that were made in the respective states?

A. Yes, sir.

[fol. 4395] By Chairman Aitchison:

Q. Now would you do all that, if you were asked by the president of that railroad for a report on that line as between the two states of North Dakota and Montana?

A. If the president of the Milwaukee Railroad wanted any information of that character, he would know the volume of work that he was asking the Accounting Department to do. There have been instances where it has been necessary to split down pieces of line, and I know that the president of the Milwaukee Railroad has been informed at different times of the magnitude of an undertaking of that sort. If he wished to authorize it, however, he could do so.

Q. Well, supposing an attempt were made to abandon the last six miles of that line in Montana. Would you go through any such procedure, to get the data to submit to the Commission?

A. Well, sir, I do not know, because I do not know what the requirements are now, in abandonment cases.

By Mr. Plunkett:

Q. But it would be a very expensive proposition to make a separation as suggested by Commissioner Splawn; that is right, is it not?

A. Yes, sir.

Mr. Plunkett: May I proceed, your Honors?

Chiarman Aitchison: Just a moment, please.

By Chairman Aitchison:

Q. As a practical man, Mr. Vivian, you do not expect that sort of thing, do you?

[fol. 4396] A. I am very sorry, sir, but I do not get the purport of your question.

Q. That is, that a meticulous examination of that character should be made.

A. Oh, not if it can be avoided, no.

Q. You are constantly using approximations, allocations and apportionments, even as an accountant, are you not?

A. Yes.

Q. In the daily affairs of your road?

A. Yes, we are.

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. But you know that they are approximations.

A. Yes.

Q. And you treat them as such.

A. Yes, sir.

By Com. Alldredge:

Q. Are they acted upon by the management of the road?

A. Pardon me.

By Mr. Plunkett:

Q. The question of the Commissioner is, Mr. Vivian: Are they acted upon by the management of the road?

A. Are they actually—what?

Q. No; are they acted upon by the management of the road?

A. Oh, yes, knowing the infirmities that are involved in [fol. 4397] the information, and the fact that the same infirmities may be in it, you might say, on both sides of the equation, where comparable figures ~~are being prepared~~, one period against another.

Mr. Plunkett: Is that all, your Honor?

Com. Alldredge: Yes.

By Mr. Plunkett:

Q. Proceed.

A. One of the most important factors used in the final steps in the construction of Dr. Edwards' Cost Scales is the ratio of empty to loaded car miles by classes of equipment. As such information was not available in the carriers' records, the questionnaire covering this point had to be answered on the strength of the best basis available.

In so far as Western carriers are concerned, the different bases used were many, almost to the point of a different basis for each road reporting. Those based on test studies ranged from the year 1923 to the year 1940. Of 45 Western carriers, with whose methods reported in this connection I am familiar, 8 stated they could give no ratio, 33 made estimates and only 4 reported what might be considered actual data.

[fol. 4398] Territorial ratios based on returns of such doubtful accuracy cannot help but seriously cloud the dependability of Dr. Edwards' Cost Scales as an indication of the costs of handling traffic in the various territories.

By Chairman Aitchison:

Q. You do not mean in any way to impugn the good faith of the carriers that submitted this information to

Dr. Edwards, do you, as being anything but the best information they had available?

[illegible] I beg your pardon.

Q. I say, you do not in any way attempt to impugn the good faith of the carriers which furnished this information to Dr. Edwards as having attempted to give anything but the information they had available, do you?

A. No, sir.

By Mr. Plunkett:

Q. Mr. Vivian, if a given carrier did not keep its records in such a way as to show the actual number of empty miles made by boxcars, flat cars or refrigerator cars separately, any estimate they would make would be unsupported, would it not?

A. That is right.

Q. Except by general experience and general information?

A. That is right.

Q. Proceed.

A. Dr. Edwards' Rail Formula "A"—

By Com. Splawn:

Com. Splawn: May I interrupt you there, before you [fol. 4399] proceed.

Q. Did not Mr. Tassin tell us it was experience that counts and not formulas?

A. Yes. I believe he did say something like that.

Q. Who is better qualified to give the results of this experience than the people in the railroads who observe it?

A. I am not questioning that at all, Mr. Commissioner.

Com. Splawn: Proceed.

The Witness: Dr. Edwards' Rail Formula "A" treats interchange, intertrain and intratrain switching on a revenue basis which results in a load being charged with the cost of these types of switching on a length of haul basis regardless of the amount of switching service, in these classifications, which the car actually receives.

There are numerous routes of movement involving relatively short hauls, many of them under 100 miles where two or more carriers handle the traffic. By the treatment which Dr. Edwards has given to interchange his cost scales understate the cost of interchange service with respect to such movements. In contrast to this situation are instances where cars are actually moved by a single railroad long distances and, of course, without interchange switching. There are numerous hauls which are local in character over these longer distances, and again, according to Dr. Edwards' treatment of interchange are in this instance [fol. 4400] overstated as to the interchange switching cost. We thus see that interchange switching is not a proper cost to be included in line haul expense. This is also true to a lesser degree of inter and intratrain switching as this switching varies with the operating conditions surrounding the territory involved. Yards are not always located at equal intervals, and above all the judgment of the operating officers as to whether inter or intratrain switching is necessary at certain points is a dominant factor.

At the Indianapolis hearing in this proceeding, Dr. Edwards introduced material which included an additional page to each of Schedules E, F and H of Rail Formula "A". Accordingly, three supplementary pages of diagram to show the sequences of these additions are incorporated in my exhibit. By the number of red blocks on the digrams it will be noted that by far the preponderance of the data are unsupported.

One of the principal features of Dr. Edwards' new material is the separation of costs as to variable and constant. The percentages that various accounts are variable with fluctuations in traffic are highly controversial. For example, Dr. Edwards considers the investment in equipment to be 100 per cent variable with traffic and the investment in road to be 50 per cent variable with traffic. On the basis of the investment being 15 per cent equipment and [fol. 4401] 85 per cent road, a composite of the two would be 57.5 per cent variable with traffic computed in Edwards' Exhibit 12, page 87, Footnote 1.

By Mr. Plunkett:

Q. Right there, did Dr. Edwards use the per cent of 57-½ in his computation?

A. I do not believe he did, because of the manner that he employs in treating his various parts of his investment.

Q. Proceed.

A. With such opinion I must stenuously disagree. I wish to call attention to page 25, Section II of my exhibit which shows graphically the index numbers representing the variations in traffic and investment in Road and Equipment for the years 1921 to 1941 inclusive, using 1921 as a base. The investment, as shown on the Carriers' books is that investment used in transportation service and is represented by the solid black line while the broken line shows the fluctuations in the number of revenue tons carried one mile, revenue ton-miles being used as that is the amount of actual pay-load which must earn whatever returns are to be made. The solid red line shows what the index numbers of the investment would have been had Dr. Edwards' theory in this regard been correct. The basic data and computations are shown in the statement on page 26 of Section II of my exhibit.

The disparity between the actual investment and the [fol. 4402] hypothetical investment is obvious. The graph indicates that in 1929, the year of greatest traffic, prior to 1941, as evidenced by the volume of revenue ton-miles, the Carriers, according to Dr. Edwards' theory, did not have sufficient investment to the extent of $610,000,000. In comparison, in 1932, the year of greatest dearth of traffic, the Carriers had much more money invested in Road and Equipment than Dr. Edwards' theory would indicate necessary to the extent of $8,135,000,000. If this reduction in investment had actually been made it would have been necessary to increase the investment by $4,881,000,000 during the next several years to reach the level called for by the 1937 traffic level. Examination of the comparative position of the lines in the year 1941 discloses that again, in a year of tremendous volume of traffic, the Carriers lack sufficient investment in Road and Equipment according to the Edwards' theory to the extent of $1,424,000,000.

Q. Mr. Vivian, as I understand this page, the black line shows the actual investment of the railroads during the period from 1921 to 1941, inclusive?

A. That is right.

Q. The red line shows the investment which they would have had if the investment had varied with the traffic in the proportions which Dr. Edwards has used in his Exhibits 12 and 13?

[fol. 4403] A. That is right.

Q. Is that correct?

A. That is right.

Q. Between 1930 and 1941 the investment of the railroads has fluctuated only slightly, is that right?

A. That is right.

Q. Whereas during that period the traffic has fluctuated violently?

A. That is correct.

Q. As shown by the black dotted line?

A. Yes.

Q. Would you say that this indicates that the investment in Road and Equipment does not fluctuate 100 per cent so far as equipment is concerned and 50 per cent as far as road is concerned?

A. Yes.

By Chairman Aitchison:

Q. If you had more equipment, you would be hauling more traffic, would you not? You could, could you not?

A. I do not know that that would be true. It would ease our present situation, but I do not believe we would be handling any more traffic. I think we have handled all the traffic that has been offered, Mr. Chairman.

Q. Are you sure of that?

A. As far as I know; I have not seen anything to the con- [fol. 4404] trary, and I try to keep myself posted on the general conditions of the carriers.

Q. You know that every effort has been made through the public press by important railroad officials and government officials to urge that travel be cut down and that unnecessary transportation of goods as well as passengers be avoided, do you not, cross-hauling eliminated and the like?

A. Yes.

Q. Then why not be frank about it and say so?

A. Well, I do not believe that that reflects the fact that we have not handled the traffic that has been offered, Mr. Chairman. We may have handled it in a different manner than we previously did. That might be true.

Q. Do you not think you could handle more traffic at the present time if you were in shape to transport it?

A. No, I do not. I think we are handling all the traffic that is offered. We are handling it in a different manner, in accordance with the various orders of the ODT.

Q. I do not doubt that.

A. And the Commission.

Chairman Aitchison: I am not attempting to find any fault with respect to that at all. I think you have done the very best you could with the plant that you have. What I am getting at is this:

[fol. 4405] By Chairman Aitchison:

Q. Have you not, since we have been here in this very city, in this very hearing room, heard of cases where it is necessary at the present time to curtail travel?

A. There are orders out to curtail travel.

Q. And that with respect to this very proceeding, this Commission has been asked by the ODT to set no hearings which will involve travel, for a month. Now, if you had all the equipment that was necessary, do you not think you could transport people to hearings, conventions and things of that sort?

A. Yes. I suppose that would be true, but at the same time there is the other side of the picture, that by attending conventions they are probably putting in time doing something that they could dispense with; and that is my understanding of the request to curtail, in order that everybody may be putting their efforts in on the war directly or indirectly according to their line of work.

Q. Oh, now, Mr. Vivian. Why is it that you have been attempting to get the W. P. B. to make a greater allocation of freight cars to you?

A. In order to ease our burden.

Q. In order to have cars, with which you can continue over the long run to transport the same volume of traffic which you are now transporting, or in order to increase [fol. 4406] the number of cars you will have available, in order that you can haul more traffic?

A. In anticipation of the increased production. I do not know, Mr. Chairman, and I am frank about it, of any time where the carriers have refused to accept any shipment because of inability to handle it.

Q. The shipper himself——

A. I am frank about that.

Q. The shipper himself has been cajoled, threatened and put under priorities and all that sort of thing simply to conserve transportation, has he not, among other things?

A. Yes.

Q. All right. If you had the equipment, you would be able to relieve that situation, would you not?

A. If we had additional equipment, certainly, but that does not mean that that service has been offered, and as I understood your question originally, it had to do with offered service.

Q. I mean that there is——

A. That we were unable to handle.

Q. I mean that there is available right now business which you cannot handle because you have not the equipment, and you know it.

A. No. I do not know that.

By Com. Alldredge:

[fol. 4407] Q. Is it not true that priorities system are in operation at the present time in some places on wheat in the West?

A. Yes.

Q. Of course, that is because they cannot handle it at all as it would normally flow, is that not true?

A. It is to keep the yards from being plugged, to keep it warehoused so that they can handle it.

By Chairman Aitchison:

Q. If you had more yard space, you would not have had your yards plugged, is that not true?

A. That might not be true, Mr. Chairman.

Q. It would help, would it not?

A. It would help, certainly.

By Mr. Plunkett:

Q. Mr. Vivian, what would have been the situation if the railroads had reduced their equipment and reduced their yards and roadway in 1930 to 1933 when traffic went down, as Dr. Edwards contends, or as his cost study shows that they did, as shown by this red line?

A. We would not have been able, in the short period of time we have had, to build the plant back up to the requirements of the present volume of traffic.

Q. Is that why the railroads maintained their plant as close as they can to meet the peak loads that they expect within a reasonable time in the future?

A. That is correct.

Q. Will you continue with your statement, please.

[fol. 4408] A. To carry even further I submit that in the first seven months of 1942 on the basis of I. C. C. Monthly Reports, the roads have carried 347,112,442,000 tons of revenue freight one mile as compared with 253,581,634,000 revenue ton-miles in the first seven months of 1941, an increase of 36.88 per cent. In the field of passenger service, in the first seven months of 1942, the roads carried 25,295,472,952 revenue passengers one mile compared with 16,108,795,121 revenue passenger miles in a like period of 1941, an increase of 57.03 per cent. This tremendously increased traffic has been handled in a manner satisfactory to the public and the Federal Government with practically no increase in investment.

This seems to indicate clearly that Dr. Edwards' treatment of the return on 57.5 per cent of the property investment as being a part of the out-of-pocket cost is improper.

By Chairman Aitchison:

Q. Do you mean to say that if you had been able to get the materials, you would not have increased your investment to transport this traffic?

A. No, sir, I do not.

Q. You would have done so, would you not?

A. We would have increased it, could we have obtained the materials. There are many cars and locomotives on order that we are unable to get because of inability to get [fol. 4409] the materials.

Chairman Aitchison: Proceed.

The Witness: As supplemental support in an attempt to justify the use of certain percentages of accounts as variable, Dr. Edwards cited excerpts from the literary efforts of several men whom Dr. Edwards recognized as authorities in their especial subjects. Careful study of the entire chapters from which some of these excerpts were taken indicates that these gentlemen agree, in general, that specific expense groups are variable with traffic. However, very little is said about any exact percentage variable in each expense group, much less individual accounts. There are a few individual accounts discussed. For example, Mr. W. Z. Ripley states in connection with train fuel "of this important expenditure for coal, from 30 per cent to 50 per cent, is entirely independent of the number of cars or the amount of freight hauled", while Dr. Edwards considers this account 100 per cent variable with traffic.

Briefly, their views may be characterized by the following from Eliot Jones:—"The fixing of rates is an art, not a science. The apportionment of charges * * * is made by fallible men on imperfect data."

By Chairman Aitchison:

Q. Now, do you think that Mr. Jones was talking about costs or charges?

A. He was talking about the entire subject, Mr. Chairman.

[fol. 4410] Q. No, he was not. You have some stars there, showing that you did not quote his language in full.

A. That is right. I did that in order to shorten it.

Q. The words you left out were "as between different commodities".

A. That is right.

Q. He was talking about rates not about costs, if I read the English language correctly.

A. Well, I will say this, Mr. Chairman: The excerpts that appear on page 28 will speak for themselves.

Chairman Aitchison: Yes.

The Witness: The excerpts referred to in this connection will be found on pages 27 and 28 of Section II of this exhibit.

In summation, considering that basic data and apportionments are already estimated, the separation of expenses and statistics by territories is almost entirely estimation, that the ratios of empty to loaded car-miles are lacking adequate support, that interchange switching cannot be handled on a mileage basis and the numerous other points brought out in this exhibit and testimony, it can only be concluded that Dr. Edwards' Cost Scales are without value.

Mr. Plunkett: We offer in evidence Exhibit 191, if the Chairman please.

Chairman Aitchison: Is there any objection to the receipt [fol. 4411] in evidence of Exhibit No. 191? (No response.) Without objection, it is received.

(Exhibit 191, Witness Vivian, received in evidence.)

Chairman Aitchison: I would like to ask you one or two questions with respect to some of these authorities which you have cited on sheet 27—in connection with I do not know what.

By Chairman Aitchison:

Q. Sir William Ackworth was a very great authority, and his work was written in 1924, the one you have cited, is that not correct?

A. That is right.

Q. Has there been any progress in railroad accounting work since that time?

A. Yes.

Q. Do you know as a matter of common knowledge whether railway accounting in Great Britain has progressed to the same extent it had in this country, even in 1924?

A. I do not think it had. I do not believe it has today, because I do not believe that the British railroads have progressed to the extent the American railroads have in many respects. Their problems, as I understand it, are considerably different in many respects.

Q. For instance, they do not even have any ton mile statistics, do they?

A. I understand not.

[fol. 4412] Mr. Ripley's work was written in 1924 also, was it not?

A. That is correct.

Q. Mr. Ripley was pointing out that there is a large amount of common cost; is that not what you gather from his quotation?

A. Yes.

Q. Does not Dr. Edwards list a large proportion of common costs?

A. Yes. I am pointing out that Dr. Edwards used that particular authority, and all I have done is merely call attention to the fact that here is an instance where this authority and Dr. Edwards differ.

Q. With respect to the use of fuel?

A. That is right.

Q. Varying with the amount of traffic?

A. Yes.

Q. Do you ever apply that basis yourself in estimating your fuel needs?

A. 30 to 50 per cent?

Q. What basis do you use when you are estimating your fuel needs for the future?

A. Well, I do not believe that we use any percentage of the account as variable or constant. That being handled, of course, by the operating department and the purchasing department, I am unable to state specifically. I think our [fol. 4413] following witness may be able to answer that.

Q. Is it as much a matter of judgment as anything else?

A. Yes. I think it is, to a considerable extent.

Q. When you come to contract for your coal, somebody makes, in his own best judgment, an estimate?

A. In anticipation of the needs, yes.

Q. Does he have any idea of value?

A. Past performance.

Q. Past performance means traffic hauled, does it?

A. Yes.

Q. He uses that as his basis, and then makes his estimate?

A. I believe so.

Q. Generally speaking, the sum and substance of your whole discussion is an attempt to show the impossibility, generally speaking, of making an interterritorial cost study that will be representative, is it not?

A. That is correct.

Q. And in addition to that, you have advanced individual criticisms of methods employed by Dr. Edwards with respect to particular portions?

A. That is right.

Q. By and large do you take dissent from the general principle in cost accounting that the fixed costs are to be spread between the items which make up the service for which the costs are incurred in proportion to some definite factor?

[fol. 4414] A. I do to the extent that the apportionment of fixed costs—I presume by that you mean the general overhead costs of different kinds.

Q. I mean the fixed costs; the costs that are fixed.

A. All right. The methods that may be employed in making such apportionments must be very carefully considered, and if used, the figures are valuable to the extent only of comparing with like figures that have themselves been prepared on the same basis, territory by territory, and not a comparison between territories.

Q. Do you have any better formula or plan to suggest?

A. No, sir.

Q. Can you tell us where to look for more reliable data than Dr. Edwards employes?

A. No. I do not think that I can, other than the percentages that were adopted by the A.R.E.A. in connection with maintenance accounts, both maintenance of way and maintenance of equipment; I believe that those have stood many tests and are accurate.

Q. The "A.R.E.A." is the American Railway Association?

A. No; the American Railway Engineering Association.

Chairman Aitchison: Oh.

By Mr. Plunkett:

Q. That deals only with the separation between variable and non-variable expenses, does it not?

A. Yes. That is what I understood Chairman Aitchison [fol. 4415] to refer to.

Chairman Aitchison: I asked in my last question where we can get more reliable data, and I am referring to any data which is necessary for use in a cost study such as you have undertaken here.

The Witness: I do not know.

Chairman Aitchison: Have you anything further, Mr. Plunkett?

Mr. Plunkett: One more question.

By Mr. Plunkett:

Q. Mr. Vivian, referring again to some of the defects in the information furnished by the individual railroads to Dr. Edwards in reply to his questionnaire, did the railroads when furnishing that information, call attention by notation to the defects in the information furnished?

A. Some of them did; not all of them, however. There was a question as to whether they should raise the question in their letter of transmission or in connection with the returns themselves.

Q. Did some of them show that the information was estimated and that they did not have the actual information?

A. Yes.

Mr. Plunkett: That is all.

By Com. Splawn:

Q. You quoted someone to the effect that ratemaking is an art practiced by fallible men using imperfect data; I believe that was Eliot Jones?

[fol. 4416] A. That is right.

Q. Do you adopt that as your testimony?

A. Yes.

Q. The purport of your testimony, then, is that in this proceeding we will have imperfect data?

A. That is correct.

By Chairman Aitchison:

Q. We certainly have fallible men, have we not?

A. That is right.

Chairman Aitchison: You may cross-examine.

Mr. J. R. Bell. Mr. Chairman, may I make a statement?

Chairman Aitchison: Mr. Bell.

Mr. J. R. Bell: I have not seen any of these returns to questionnaire, but I have been informed that in making their returns where they had to depart from actual factual matter and make estimates within a comparatively short time, the returns of many of the carriers contain a reservation calling attention to the estimates and not vouching for them. I would like to ask Dr. Edwards if that is not a fact, because I am somewhat concerned about what has been said about the inaccuracy of the data, as though it were some fault of the railroads.

Mr. Edwards: We will have to check on that. Offhand we do not recall those reservations. You may be referring to the Automobile Case where all the carriers attached [fol. 4417] practically a standard reservation to our Rail Cost Form B. In this proceeding there was one carrier specifically that raised objection to the separations it was making and that was the Chesapeake & Ohio. That was one of the reasons we did not ~~make a separation~~ on that railroad and left it entirely in the Pocahontas territory.

Mr. J. R. Bell: I have not seen them. I am just going on information that has been given me. I want to clear this up, in view of the inquiries from the Bench. Is it not a fact that to the extent they had the factual matter, they gave it to you as factual matter, but in quite a number of instances, there was only a comparatively short time, a period of ten days or so that they had to make estimates, and these were noted as estimates; and in many instances the railroads stated on the return that they did not feel they could vouch for the accuracy of those estimates?

Mr. Edwards: I do not believe that was true, generally.

Chairman Aitchison: I think you had better let an examination be made in Washington. They are there, subject to your inspection. This is an investigation by the Commission, a search for the truth. You have now had a year and a fraction in which to obtain information which would be more accurate and which could have been submitted to the Commission.

Mr. Hughes: Mr. Chairman, with respect to the colloquy [fol. 4418] relating to the reports of the carriers to state commissions, I think it is appropriate to call the Commission's attention to some language used by the Commission in its report in the Western Trunk Line Class Rate Revision bearing on that very subject.

Chairman Aitchison: Cite the page and volume. That will be sufficient.

Mr. Hughes: Volume 164, page 135.

Chairman Aitchison: All right. Is there any cross-examination of Mr. Vivian?

Mr. Smelker: I have some questions, Mr. Chairman.

Cross-examination.

By Mr. Smelker:

Q. Mr. Vivian, before going into your general testimony, I have two questions I would like to ask you. Referring to your quotation from Professor Ripley concerning percentages of out-of-pocket expenses, I will ask you if you read this portion of Professor Ripley's treatise to which you referred? After dealing with out-of-pocket expenses, he says this:

"The above estimate is qualified in some degree by this writer's subsequent observation that the costs of operation tend to decline as a matter of course until a condition of congestion of the existing plant is reached, at which point a new cycle of costs of operation and of profits makes its appearance."

[fol. 4419] A. Yes. I read that. That is contained in Dr. Edward's exhibit.

Q. Now, you have quoted Ackworth, Ripley and Jones, but you have not quoted Professors Dogett, Healy and Clark referred to by Dr. Edwards. Was there any reason for omitting the views of these economists?

A. No, other than the fact that I did not want to extend it out into too lengthy a proposition.

Q. In fact, they differ, do they not, from the thought of the other economists you have quoted?

A. I could not say. They may have.

Q. Did not the Bureau have members of its staff analyze, by field studies, the system of reports and accounts of each carrier over a two year period before programing its requests upon the carriers for information to be furnished in this proceeding?

A. I believe there was something of the kind done.

Q. You know it, do you not?

A. I know it only to the extent that I discussed the proposition with Mr. White prior to his death and I discussed with some of the auditors of the railroads the fact that men were in there from the Commission looking over the different forms of reports.

Q. Yes.

A. I did not see any of the actual survey, nor the results.

[fol. 4420] Q. Now, going back to the first part of your testimony, we will try to follow it as logically as we can. Is not the preponderant part of the total operating expenses directly assignable from the carriers' annual reports to the three major functional operations, namely, running, switching and station operations?

A. A large portion of it was put in directly as we have indicated on the chart. I believe we have correctly portrayed Dr. Edwards' formula in the diagrams.

Q. If you criticize the use of estimates on car days in switching service, what would you use? For example, is the factor of 1.75 days for loading and unloading a car high or low? What is your estimate?

A. I have not any estimate. I do not know.

Q. Then upon what do you base your criticism?

A. That it is an estimate.

Q. You have nothing to offer the Commission in lieu thereof?

A. No, sir.

Q. In chart 1, schedule B, you show running as estimated. What percentage of the expenses in running is estimated and what percentage is direct?

A. You will have to be more specific.

Q. Well, is not the estimated part a very small part of the whole, less than 3 per cent, for instance?

A. I could not say as to that. It is a small portion, we [fol. 4421] know, compared to the other.

Mr. Smelker: That is enough on that.

By Mr. Smelker:

Q. Does not an estimate as to even one small account serve in your graph to change the bracket of expenses from black to red?

A. Yes, sir.

Q. Is it not a fact that any errors in the estimates are compensating and cancel out in the average load and the average length of haul?

A. I would not say that, necessarily. I do not think so, even with a large study; I do not think that the law of averages would apply.

Q. Does not the Coverston-Sauer switching formula commonly used by the carriers before the Commission, provide relatively as many apportionments as the Commission's cost formula, Form A?

A. No.

Q. Can you give me any estimate?

A. No, I cannot give you any estimate, but you must bear in mind that the Coverston-Sauer formula was strictly a terminal formula and made no attempt to go into road accounts in any manner.

Q. You realize, do you not, that the switching factors used by Dr. Edwards were originally derived from an analysis of many switching cases introduced before the [fol. 4422] Commission, and that the Automobile case was used solely as supplemental evidence and had no effect on the study?

A. Yes.

Q. You say the Automobile case is not typical. How can you reconcile the fact that the cost for switching automobiles and the engine minutes required as noted in Dr. Edwards' Exhibit No. 11, page 9, approximates the average developed independent of the Automobile Case?

A. From my analysis which I have made of the switching in the Automobile Case versus that which would exist on all freight, any likeness of the figures is purely coincidental.

Q. If the switching factors used are in error, have you any corrections to offer?

A. No, sir.

Q. On page 15 of your statement you say that large terminals and shops were allocated to states in which they are located, although the services are accorded traffic moving in several states. Does not Dr. Edwards' cost study treat of such shop expenses as system total, to be distributed according to traffic moving in each state, that is car miles, engine miles and so forth?

A. Yes. I believe that is right.

Q. On page 16 you criticized the distribution of intratrain and intertrain switching expenses on a car mile basis as yard and interchange points are not located at equal [fol. 4423] intervals. For the development of territorial average costs, is it not true that you must necessarily average out the differences between intermediate switching points?

A. I would not say that would be true, and bury it in road expense. I differ with Dr. Edwards in the treatment he has accorded that service.

Q. How would you treat it then?

A. Separately, just the same as terminal switching. It is just as important in its place.

Q. How would you show it for 100 miles against a 1,000 mile haul?

A. Well, you are considering the haul. You would know the number of times that intratrain switching had been performed, and you would assign it accordingly.

Q. Would that be true of every haul in the entire Western Territory?

A. That is the way you would have to treat it.

Q. If you treated it that way, would you not eventually come back to the car mile basis?

A. I do not think so.

Q. Are not almost all split roads in the West— and when I say "are not almost all split roads in the West", I mean, as far as running from one territory to another is concerned?

A. I do not remember how many there are in other territories.

Q. How many are there in the West?

[fol. 4424] A. 14, as I remember it.

Q. If you group the three Western territories together, as was done in Exhibit No. 13, do not the inaccuracies become minor compared to the total territorial expenses?

A. It eliminates the inaccuracies between the different parts of the road as the separate statements develop, if the entire carrier's operation is put in as one, yes.

Q. Is it not true that the Commision's Bureau made use of State data only after satisfying itself that the expense accruals were proper?

A. I cannot answer that. I do not know. The Bureau would have to say what they did.

Q. Is it not true that the Bureau used only the State separations as to maintenance of way and transportation expenses which can be directly assigned? Do you not know that?

A. No.

Chairman Aitchison: Would that not appear from the work sheets?

The Witness: It would appear only to the extent that the figures were combined to a rate territory for the roads that were broken roads. It would not show the individual State set-up.

By Mr. Smelker:

Q. Does not your graph on page 25 indicate that over the long term period 1921 to 1941, the investment has followed the traffic as Dr. Edwards indicated?

[fol. 4425] A. Yes, as Dr. Edwards indicated, but not as actually existed.

Q. Does not Dr. Edwards refer to the long term trend of investment in his study?

A. I believe so.

Q. Have not your equipment problems been temporarily relieved by heavier average loadings and reduced per cent empty return which may not continue after the war?

A. Yes. There are unquestionably a lot of measures in existence today that will not be continued after the war.

Q. If you cannot increase your plant, do not your operating expenses increase with added traffic faster than they otherwise would?

A. It depends on whether you have reached your saturation point or not.

Mr. Smelker: That is all.

Chairman Aitchison: Is there any further examination?

Mr. Plunkett: I have a few questions, Mr. Chairman.

By Mr. Plunkett:

Q. In your testimony, Mr. Vivian, you made the statement, "The expenses of large facilities such as terminals and shops are allocated to the states in which they are located, although the services of these establishments are accorded to traffic moving through several states or rate territories." You have that in mind, have you?

A. Yes, I have that in mind.

Q. You were interrogated regarding the shop part of [fol. 4426] that statement and asked if it were not true that shop expense was treated as system expense, and I think you agreed that it was.

A. That is correct. What I was referring to in my direct was the fact that shops and terminals are charged to the state in which they are located, so that the state reports have the full measure of the expense of the particular shop or terminal.

Q. So far as this cost study is concerned, is it not true that the terminal portion such as the yard expense and roundhouse expense of these terminals located near the boundaries of the rate territories would all be included in the territory in which the terminal was located?

A. So far as the apportionment between roads is concerned, that would be true. They would fall in or be reported to the territory in which they were located.

Chairman Aitchison: May I ask a question right there.

By Chairman Aitchison:

Q. You are speaking now of the roads which are interterritorial?

A. Yes.

Q. 14 of them are in the Western District?

A. That is right.

Q. Would it be possible to look over the situation and see how many of these yards and terminals there are that are close to the border, as counsel was suggesting, and let us [fol. 4427] know about them?

A. Yes. Of course.

Q. And contrast that with the total number?

A. Yes. That can be done.

Q. And also tell to what extent that would be offset by allocations in the reverse direction where the terminals happened to be in the territory?

A. Well, that would involve a considerable analysis of what Dr. Edwards has done in working up the information.

Q. Suppose you have a terminal such as has been described, close to the boundary, but in one territory on one of these 14 roads; is it not true that on that same road, on another part of the system, or on another road, you may find a comparable terminal in the other territory similarly situated?

A. Yes.

Q. So the two would wash out?

A. Yes.

Q. Now, considering the large number of these terminals in the country, the question is whether or not the criticism, after all, is a significant one, or whether it is lost in the total.

A. Well, it is part of the expense. It is true, it is not a large part of the total, but it is part of the expense.

Q. You cannot give any better estimate, can you, of the net effect on the total computation?

[fol. 4428] A. No.

Mr. Smelker: Mr. Chairman, I have this comment to make;——

Chairman Aitchison: Just a minute, please, Mr. Smelker.

Mr. Smelker: Pardon me.

Chairman Aitchison: Were you through, Mr. Plunkett?

Mr. Plunkett: I have just one more question.

Mr. Smelker: I beg your pardon.

Chairman Aitchison: Proceed, Mr. Plunkett.

By Mr. Plunkett:

Q. Regarding the table on sheet 25, section 2, dealing with the valuation in the investment account, in Exhibit No. 12, Dr. Edwards defined out-of-pocket costs as that portion of the cost that varied directly with the traffic. Would you say that the table shown on page 25, or the chart shown on page 25, shows that investment in road and equipment vary directly with the traffic in the proportion Dr. Edwards has used?

A. I would say no, it does not.

By Chairman Aitchison:

Q. Suppose you had used the line of least squares; do you know what the result would have been?

A. No, I do not.

Q. Is it not a fact that in your graph on sheet No. 25, the year 1921 which you adopted as the base, was the year when you came out of Federal control?

[fol. 4429] A. That is right.

Q. Within a few months after that?

A. That was the first year after Federal control, the first complete year.

Q. The condition of all the carriers was that they were then under equipped and under maintained as a result of the Federal control period?

A. Generally speaking, that is correct.

Q. Thereupon, with approval of high authority and with the consent of the fallible men on this side of the table, a program was entered upon of extension of the railroad systems by bettering their consist, improving their equipment, overcoming the losses which were said to have accrued due to Federal control, getting heavier equipment, and becoming generally prepared to take care of the traffic which every one thought was a necessary part of the plateau on which we found ourselves, economically; is that not a fair statement?

A. Yes.

Q. So up until 1929 or 1930 that process was going on, and then as shown by your line, from 1930 to 1933 the investment remained constant, is that right?

A. That is right.

Q. In the meantime, what happened from 1929 down to 1932, as far as commerce was concerned?

A. Well, slangily speaking, the bottom dropped out of it.

[fol. 4430] Q. Then what happened since?

A. Gradually it built back until the war period, when it went up fast, outside of the recession year of 1938.

Q. I have heard the period from 1929 to 1932 spoken of by high authority as an "economic blizzard". Do you agree with that?

A. It certainly looks like it from past history, sir.

Q. You would not take the experience of that particular period, would you, as indicative of the truth or falsity of any theory?

A: That is pretty broad, Mr. Chairman.

Q. Well, I am confining it, of course, to the general subject before us.

A. All right. No.

Q. Is it not also the case that from 1930 to 1932 the carriers and the Commission alike were criticized widely and bitterly for a supposed over development of the plant?

A. Yes. I know there was quite a lot of criticism at that time of the carriers.

Q. If the experiences of 1931 and 1932 were to be taken as normal, or fairly to be taken into account as a basis for the criticism, the criticism would have been just, would it not?

A: Yes. That is right, for those years.

Q. But, as a matter of fact, it was not just?

[fol. 4431] A. The criticism was not just, no, sir.

Chairman Aitchison? Are there any other questions of Mr. Vivian?

Mr. Plunkett: That is all.

Mr. Smeiker: I have one comment to make, Mr. Chairman. It was not until this morning that Mr. Vivian's prepared statement was furnished to the Commission's representatives. Dr. Edwards and I have not had much time to get together on it.

Chairman Aitchison: Very well. Are there any other questions of Mr. Vivian? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Back on the record. Call the next witness.

Mr. Plunkett: Mr. Day.

Chairman Aitchison: Raise your right hand and be sworn.

192

74458
Sup. Ct.

Vol. VII

TRANSCRIPT OF RECORD

(Pages 4255 to 4910)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. VII

INDEX

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued	Original	Print
Clarence E. Day	4431	4255
J. P. McDonald	4533	4318
Clarence E. Day (recalled)	4567	4339
Caption and appearances—Hearing at Washington, D. C.	4572	4341
Testimony of Beatrice Aitchison	4579	4345
Ford K. Edwards	4584	4348
William A. Weeks	4657	4395

Judd & Detweiler (Inc.), Printers, Washington, D. C., Oct. 24, 1946.

—7298

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

Testimony of—Continued

	Original	Print
A. J. Ribe	4661	4398
M. P. Catherwood	4669	4403
C. L. Hinnant	4683	4412
W. W. Wolford	4748	4451
C. C. Wimmer	4791	4478
Lewis F. Ormond	4813	4491
R. K. Parsons	4835	4505
J. S. Yager	4851	4515
T. W. Roby	4866	4524
W. W. Wolford	4887	4538
William B. Hill	4893	4541
W. T. Tannehill	4895	4543
J. L. Heywood	4921	4560
Fred Carpi	4930	4565
Dr. C. S. Duncan	4941	4572
L. S. Hamilton	4988	4601
George B. Robinson	5004	4611
T. M. Henderson	5009	4614
O. H. Weaver	5072	4653
J. L. Heywood	5076	4656
Statement by Wilbur La Roe, Jr.	5085	4661
Testimony of George N. Beamer	5086	4661
T. C. Maurer	5099	4670
Walter R. McDonald	5106	4674
E. L. Hart	5135	4693
W. M. Dyer	5275	4776
E. L. Hart	5281	4778
J. T. Ryan	5339	4815
J. C. Murray	5368	4833
H. N. Roberts	5370	4834
Dr. Ford K. Edwards	5400	4853
C. E. Widell	5406	4857
Charles E. Bell	5421	4866
Dr. B. Aitchison (recalled)	5476	4900
Ben F. Morris	5480	4903

CLARENCE E. DAY was sworn and testified as follows:

Direct examination.

By Mr. Plunkett:

Q. Will you state your name, residence and occupation for the record, please.

[fol. 4432] A. Clarence E. Day, residence Oakland, California, occupation Manager of the Bureau of Transportation Research of the Southern Pacific Company.

Q. Do you make these researches for the subsidiary companies that make up the Southern Pacific Company?

A. Yes. Our Bureau is part of the executive office and as such it covers all of the transportation system of the Southern Pacific Company.

Q. Would that include the Texas and New Orleans Railroad?

A. It would.

Chairman Aitchison: I do not think it will be necessary to go into the witness' qualifications, Mr. Plunkett. I am sure they will be conceded by everyone.

Mr. Plunkett: Thank you. The Chairman states that your qualifications will be conceded, so we will not bother with them.

By Mr. Plunkett:

Q. Have you familiarized yourself with the cost study entitled "Relative Freight Service Costs in the Various Territories"——

Mr. J. R. Bell: Speak louder. We cannot hear you.

By Mr. Plunkett:

Q. (Continuing:) —introduced in this proceeding by Dr. Edwards as Exhibits Nos. 2 and 3?

A. I have.

Q. On page 1 of Exhibit No. 2, Chapter 1, it is said "The distribution of expenses herein has been based on the relative [fol. 4433] use that the carload and less than carload traffic of varying net loads makes of the different transportation facilities of the carrier." Do the cost scales shown in Exhibit No. 3 truly represent the results of actually distributing the expenses between the shipments indicated?

A. No. I say expenses have not been distributed to the shipments. I say the expenses have not been distributed to the shipments for the reason that the scales indicate costs of shipments whether any such movement did or did not actually take place. In fact, the distributions have been made without any reference to shipments and without accurate knowledge respecting shipments, as the recorded statistics do not reveal the actual carload quantities or the actual miles of shipments hauled. The distributions which Dr. Edwards made were made between functional operations such as carload, car mile, gross ton mile, etc.

Q. If the scales have not been constructed by direct distribution of expenses, how then have they been made?

A. As before stated, the expenses have been distributed and apportioned to specific functional operations. The expenses were broken up into groups and the aggregate of each group was then divided by the respective number of units of performance to produce cost factors. The scales were then simply determined by computation. A certain number of units of performance of each class were assumed [fol. 4434] to be involved in each shipment and these were multiplied by the respective cost factors and added together.

Q. When you speak of functional operations, you have in mind the production of gross ton miles, car miles and cars handled in terminal operations, is that right?

A. That is right.

Q. In the case of carload shipments, how many functional operations are recognized as affecting the cost of hauling the different shipments?

A. Only three. The carload cost scales applicable to shipments transported in railroad owned equipment, only recognize differences in the number of carloads, car miles and gross ton miles involved in the various shipments. Hence, all of the scales indicating the cost of hauling shipments in railroad owned equipment may be reproduced simply by use of the three cost factors.

Q. You determine the number of gross ton miles involved in a given haul multiplied by the cost per gross ton mile, and likewise you determine the number of car miles and number of cars handled in terminals and multiply by the cost factors for those two functional operations?

A. Adding them together——

Q. Adding them together,——

A. —to produce the total cost.

Q. —to get the amount shown in the various tables?

[fol. 4435] A. That is right.

Q. Is that correct?

A. Yes.

Q. Do these cost scales in Exhibit No. 3 include an allocation of all expenses, both variable and non-variable?

A. They do. In the computations of the cost scales applicable to carloads, every item of expense, variable and fixed, is added in proportion to the three different functional operations recognized by the formula and used together. In Exhibit No. 3 certain fixed expenses are added in the end as a percentage of others, however, the effect is precisely the same as if added in proportion to the same three functional operations.

Q. You are now speaking of his Exhibit No. 3, is that right?

A. That is right.

Q. In Exhibit No. 13 he used a different basis, did he, for apportioning the constant expenses?

A. Yes. In fact, the constant expenses were apportioned on the basis of tons and ton miles. That is, first it was divided percentagewise between the two divisions, line and terminal.

Q. But in introducing Exhibit No. 13 Dr. Edwards stated that Exhibit No. 3 was not withdrawn; am I right?

A. That is right.

Q. It is for that reason you are directing your attention [fol. 4436] to Exhibit No. 3 at this time?

A. Partly.

Q. Do the various scales indicate the true cost of hauling such shipments in your opinion?

A. No, they do not. The cost scales cover more than the cost; they cover additionally, definite profits arrived at by an arbitrary formula to cover return on value and other constant charges.

Chairman Aitchison: May I ask you this question:

By Chairman Aitchison:

Q. As I understand it, Doctor, could we take the exhibit which you are now analyzing and separate out the amount of the derived cost which represents profit and look at the remainder?

A. I have done that further on.

Chairman Aitchison: I see. Proceed.

By Mr. Plunkett:

Q. Exhibit No. 3 represents several cost levels. What have you to say regarding costs having different levels?

A. Cost, in the absolute sense records all diminution of assets. There may be some disagreement whether certain assets are or are not diminished because of a certain operation, but when agreement is reached on this point, all expenses add up to but one value—the whole cost. I construe the cost to be the out-of pocket cost. The different purported cost levels in Exhibit No. 3 in fact reflect different [fol. 4437] requirements to cover certain specified charges. Cost Level II covers all operating expenses, rents and taxes. Cost Level III requires additional profits to contribute to return on investment, and Cost Level V requires still more profits to contribute to the deficiencies of passenger and less than carload earnings. All scales above Cost Level I are computed scales of revenue needs and not cost scales.

Q. When you use the word "profits" in your answer to this last question, you have in mind all items over and above the out-of-pocket costs?

A. That is right.

Q. Which would include the constant expenses as well as the return on valuation?

A. That is right.

Q. Dr. Edwards does admit the term, "level of revenue needs" would probably be more accurate when referring to Cost Levels IV, V-a and V-b, does he not?

A. That is correct. That is to say, when he adds the deficiencies of passenger and less than carload operations to what he calls the cost of the carload freight he recognizes this distinction. The other scales he designates as "Cost Scales". As a matter of strict accuracy, each of the scales above the out-of-pocket cost scale is indicative of the revenue needs to cover the out-of-pocket or variable ex- [fol. 4438] pense plus some proportion of the other items of fixed expenses which he has charged through the medium of functional units.

Q. As I understand it, it is your point that the only expenses that result in a diminution of assets with respect to a given shipment are the out-of-pocket expenses?

A. That is correct.

Q. Is that right?

A. That is right.

Q. The other elements occur without reference to any given shipment?

A. That is right.

Q. Will you explain the difference between the characteristics of variable expenses and fixed expenses?

A. The cost of conducting rail operations may be conveniently divided into two general divisions; namely, "Fixed Expenses" and "Variable Expenses". Fixed expenses, as the designation implies, embrace all those expenses which are invariable with changes in traffic flow. The amount of these expenses depend on size of plant. They do not commonly change except to increase and then only when the capacity of the plant is reached. These expenses include general maintenance such as maintaining right-of-way fences, snow sheds, replacement of property due to the action of the elements, management, maintaining [fol. 4439] on- and off-line agencies, supervision, general expenses, ad valorem taxes and interest. It also includes the excess capacity expenses of branch lines and subsidiary lines.

Variable expenses embrace all of those expenses which fluctuate with the changes in traffic flow. This group includes all expenses intimately associated with yard locomotive service, road locomotive service, train service, car service, station service and embrace all that portion of roadway expenses affected by use. The various items entering into this group of expenses or some proportion thereof, increase and decrease substantially in direct proportion to the changes in the output. Variable expenses are taken on with increases in output, or saved by reductions.

Chairman Aitchison: May I ask you, Dr. Day—perhaps you are going to cover this—is there any marked difference between you and Dr. Edwards with respect to the statement you have just made?

A. I believe not. In fact, I know not.

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. How are these two groups of expenses to be regarded by the cost analyst?

A. By definition, the cost is the amount paid out to secure a benefit or it is the out-go to earn an income. In any large enterprise involving a variety of outputs the total expense is of two kinds—one set of expenses is directly connected [fol. 4440] with and due to the specific operations conducted and the other is necessary for and due to the operations of the property as a whole; the former class of expenses will increase and decrease with business and the latter will not vary except to change with the size of the plant. Only the variable expenses should be regarded as the amount paid out to secure the benefits of specific shipments. The fixed expenses should be regarded as the amounts paid out to secure the benefits of the operations as a whole, or more particularly, the benefits from carrying on the more productive operations as distinguished from the marginal ones, meaning the operations providing small profits.

The total fixed expenses give expression to the annual financial responsibilities which have been assumed by the owners at some time or other in the past. These responsibilities are taken on by the owners in anticipation of an adequate net income. If the returns from the entire traffic should prove insufficient to meet the requirements of fixed expenses, the undertaking was not justified in the first place and the owners suffer the loss. On the other hand, if the income proves sufficient, the promotion is justified and the owners profit by it. No matter how the project turns out, whether favorable or otherwise, the judgment was based on expectation with respect to the net income and not the judgment of the number of carloads, car miles, or [fol. 4441] gross ton miles.

By Chairman Aitchison:

Q. In making that statement do you have in mind the fact that before a certificate of convenience and necessity is issued by the Commission for a new line that the expectation with respect to net income as well as the judgment as to the number of carloads, car miles and gross ton miles, is commonly supplied to the Commission?

A. I do not get the point.

Q. The point is just this: Before a new line is built does not the prudent, experienced railroad promoter form a judgment as to the probable number of carloads, car miles and gross ton miles he can expect and the income he will receive from it?

A. Yes. He forms a judgment, naturally, as to the volume of the traffic that is moving——

Q. No; that will move.

A. —and he may use gross ton miles and car miles in order to anticipate his costs, but he is building it and hopes to build it because he hopes to earn a net income from those operations.

Q. He makes very careful calculations before he puts his money in, or before he even applies to the Commission for a certificate, does he not?

A. Yes. He estimates a satisfactory net income, no doubt.

[fol. 4442] Q. He has to do that on the basis of first, estimate of the amount of traffic; and second, estimate of the amount of revenue he would get from that; and third, estimate of the expenses?

A. That is right.

Chairman Aitchison: Thank you. Go ahead.

By Mr. Plunkett:

Q. Proceed, please, with your answer, Dr. Day.

A. In any event, the responsibility for the success or failure of the enterprise rests upon the owners and not the shipper who pays only for the service. The fixed expense is like water over the dam—it cannot be brought into the present and associated with current operations.

By virtue of their changing aspects and intimate relation to particular services on the other hand, variable expenses may be properly associated with appropriate functional operations incident to single shipments. For example, wages of road locomotive enginemen may be appropriately associated with road locomotive miles; wages of yard enginemen may be appropriately associated with yard locomotive hours, trainmen's wages with train miles; yard fuel with yard locomotive hours; freight car expense with freight car miles, etc. In turn, the cost of operations may be associated with specific shipments through the medium of these services.

[fol. 4443] Q. Is it to be understood by your testimony that the fixed expenses are not a part of the cost of hauling single shipments?

A. Yes; fixed expenses are not a part of the cost of hauling single shipments.

Chairman Aitchison: Would you say they are a lot like the lining in a man's overcoat? They are in there just the same, are they not?

Mr. Plunkett: The next question brings that out.

The Witness: The fixed expense of a large industry may be likened unto the living expenses of a private individual. It is as improper to include the fixed expenses of an industry as a part of the cost of performing the various services which it renders, as it would be for an individual to include his living expenses as a part of the cost of carrying on his private business. These expenses of both the industry and the individual begin when each comes into being and each strives to earn enough above its true cost to meet its living expenses and something more.

By Mr. Plunkett:

Q. Are fixed expenses to be ignored?

A. No; the fixed expense is a matter to be reckoned with, however, in the art of rate making but not by formula treatment. It is not within the province of a cost analyst to say how the charges should be made or from what sources they should flow. Pricing is done by the traffic officer, [fol. 4444] not the cost analyst.

In general, the rate on a single commodity is made with an eye to the total contribution that the commodity may make to the net income statement. It is made, giving consideration to its probable effect on the volume of the movement. Because of the inverse relation of the level of a rate upon its use, the desirable rate or the one that makes the greatest contribution to net income is neither a rate so low as to leave no margin of profit above true cost, nor so high as to dry up the movement. The most profitable rate lies somewhere between these extremes. Because of the indefinite effect of a rate level on the volume of the movement, the rate which will produce the greatest contribution to the net income and most nearly meet the "revenue needs" of the carrier to cover fixed expenses cannot be computed by any formula. As before stated, rate making is an art not a science.

Q. Do the fixed expenses which have been included with the true costs in Dr. Edwards' study constitute substantial amounts?

A. Yes, indeed: It is a very large proportion of the total as may be seen by reference to Dr. Edwards' exhibits.

The true cost corresponds, by definition at least, to the costs which are included at Cost Level I in Dr. Edwards' study; namely, what purports to be his out-of-pocket cost [fol. 4445] level. Fixed expenses correspond to all other expenses over and above the out-of-pocket cost items which he has in one manner or another distributed to specific operations to cover the different elements of cost listed at such levels.

Com. Splawn: I would like to ask you a question right there.

By Com. Splawn:

Q. Is it your thought that the return on investment is a residue after expenses are paid and not properly chargeable as a cost of performance of the service?

A. It is chargeable to all the service rendered, but it cannot be parceled out and charged to individual shipments, is the point.

Q. It is in the nature of a profit for assuming the risks of the enterprise, is it?

A. Yes.

Chairman Aitchison: I think it is clear that you have not made the point that the true costs as you speak of them may not be common costs or joint costs.

The Witness: It would exclude the joint—no, it is not that broad.

Chairman Aitchison: You have not made that claim, have you?

The Witness: No.

By Mr. Plunkett:

Q. Some of your out-of-pocket costs are necessarily joint costs, are they not?

[fol. 4446] A. That is right. Trainmen's wages are joint in a particular train.

Q. Yes.

A. It has to be divided between all of the traffic that is handled in the train.

Q. Are there any true out-of-pocket costs in the sense of costs that can be allocated directly to a shipper?

A. I cannot think of a single item that can be so allocated.

Chairman Aitchison: A shipper?

Mr. Plunkett: A shipper.

Chairman Aitchison: How about a class of traffic? There are plenty of those that can be allocated to different classes of traffic, is that not correct?

The Witness: That is right. There are some isolated operations that are connected with livestock, for example, that are not common to all traffic.

By Chairman Aitchison:

Q. Take city ticket offices, for instance.

A. Yes.

Q. Passenger tariffs and freight tariffs.

A. Yes.

Q. Maintenance of passenger train equipment and many other items of that sort.

A. Yes.

Q. Those are all allocated directly, are they not?

[fol. 4447] A. Well, I was speaking a little too freely when I said that. When they are in road service, I was thinking.

By Mr. Plunkett:

Q. In freight service, you mean?

A. I beg your pardon?

Q. In freight service, freight road service?

A. Yes, freight road service. You cannot isolate the road expenses, and say that some of the expenses are all chargeable to a particular shipment, unless they are common to everything that moves in the train at the same time.

Q. But your concept of out-of-pocket costs as reflected by your testimony would include those train expenses as out-of-pocket to the extent they vary with traffic?

A. That is right.

Q. Proceed.

Com. Splawn: Let me ask you a question before you go ahead:

By Com. Splawn:

Q. After you get your out-of-pocket costs, then you designate them as the direct costs, do you?

A. Yes. I use those words indiscriminately.

Q. The variable costs?

A. That is right.

Q. You put interest on the capital invested in the indirect cost, or designate it as an indirect cost, is that right?

A. Most of the interest, yes.

Q. But some of it accrues in this out-of-pocket?

[fol. 4448] A. Yes.

Q. It varies?

A. That would be my opinion.

By Chairman Aitchison:

Q. For instance, the interest on equipment trusts would be allocated directly to freight and passenger according to the character of the service?

A. Well, that is true.

Q. If you were dealing with the California refrigeration charges, the rates on acidulous fruits, would you attempt to give us an allocation or apportionment of the costs including the value of the property devoted to the particular service?

A. Yes; for the total operations I would.

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. Will you please proceed with your answer, Dr. Day.

A. In his study—I am speaking now of the proportion of the expenses that are non-variable—the various levels are all derived from Cost Level II and the percentage relations are indicated in Exhibits Nos. 2 and 3. For the United States as a whole, Cost Level I is said to be approximately 73.8 per cent of Cost Level II as developed for carload traffic. Cost Level V-b which includes operating expenses, rents, taxes, passenger and less than carload deficiencies, and 5¾ per cent return on total value, is shown as 165 [fol. 4449] per cent of Cost Level II. Consequently, dividing 73.8 per cent by 165 per cent, I find Cost Level V-b divides approximately 45 per cent out-of-pocket cost, and the balance of 55 per cent, fixed cost. The fixed expense varies from a low of 50 per cent of the total in the Pocahontas territory to a high of 60 per cent in the New England territory. At Cost Level III-b, which covers carload operating expenses, rents, taxes, plus a distribution of 5¾ per cent return on total investment but not including deficiencies of passenger and less than carload operation, the expenses divide 56 per cent out-of-pocket cost, and 44 per cent fixed expense for the United States as a whole. From these figures it is seen that the fixed expenses in the railway industry constitute a very large part of the total expenses. Therefore, the distribution of fixed expense as a cost among the shipments is not a matter of mild concern.

Q. Are there many optional bases open to the analyst for distributing the fixed expenses?

A. Yes. There are many ways, all arbitrary, open to the analyst, but they are all limited to the use of a mathematical average. Dr. Edwards has used two bases, one in Exhibit 3 and another very different one in Exhibit 13.

Q. I understand it is your position that the analyst should not distribute the fixed expenses at all, is that right?

A. Not representing them as the cost of specific operations.

[fol. 4450] Q. Is the resulting cost ascertainment for any particular shipment materially affected by the arbitrary basis adopted by the analyst?

A. Yes, the results are considerably varied, depending upon how the fixed expenses are prorated. For example, costs of $3.67 and $2.63 per 100 pounds are found on Exhibits Nos. 3 and 13 respectively for shipments of 20,000 pounds moving 3,000 miles in refrigerator cars.

Chairman Aitchison: I would like to go back to the Doctor's previous answer.

By Chairman Aitchison:

Q. While, as I understand your position, the fixed expenses may not be distributed by the analyst for the purpose of getting at the cost of particular services or even classes of service, what have you to say with respect to the distribution of the fixed expenses according to some appropriate relation with no constants, when the question is as to the relative total cost including both fixed and variable between different areas?

A. Well, if you are just dealing with the total costs, those are shown in the accounts.

Q. The totals are shown in the accounts, but not as related to the cost of performing the service.

A. That is where I say you cannot find the cost of particular services by distributing them because there is no recognized formula for doing that. There is no justification. [fol. 4451] Q. How would you go about it to compare the costs as related to service, fixed and variable, in two territories?

A. Well, I would not attempt to determine the relative total cost of performing like services in two territories, because it involves this arbitrary treatment.

Q. You feel content, then, to stop when you have allocated and apportioned variable costs?

A. I think that is as far as you can go in determining costs, is to determine the variable costs.

Q. Without giving consideration to the needs for funds to meet the fixed items which are in fact met?

A. Well, I think we have to deal with that in a practical manner. During our depressions we did not raise the rates, that is the specific rates. We rather did the other. We reduced our rates and tried to stimulate traffic and attract it to our line. We did not consider that as part of our cost. We were benefited if we could attract more revenue than we would add in the way of direct expenses.

Chairman Aitchison: What I am getting at is this:

By Chairman Aitchison:

Q. We have a very practical problem here, as you see. Most of your line is in a territory that is sort of neutral. Suppose we find that in one territory the variable costs are on a distinctly lower level than in another territory, but that when we come to consider the fixed costs, the situation is reversed, and whether we treat [fol. 4452] it by mile of line or square miles of territory served or gross ton miles or any other factor which you can think of as appropriate, the fixed costs in the territory having the lowest variable costs are the higher; now, sir, as a practical matter, how can we offset and deal with those two items under your theory?

A. In the class rates, where we are dealing with the highest rated traffic, there are so many other factors that would enter into what is a proper determination of class rates, costs, out-of-pocket costs particularly, that I cannot see that it would have any bearing on the subject.

Q. Well, now, we very frequently have said that this territory or the other rated territory is a territory of higher operating costs; we have been careless and have not distinguished between the variable and the fixed; we have had in mind total costs. Now, on what basis could a statement of that sort be predicated according to your theory? I am not talking about fixing class rates. I am just asking a question as to whether one territory ought to be considered a higher rated territory than another.

A. Well, it is my personal view that that judgment should be formed on the basis of the out-of-pocket costs.

Chairman Aitchison: Thank you. It is now time to suspend. We will suspend until 1:30 P. M.

(At 12:30 o'clock P. M. recess taken to 1:30 P. M.)

[fol. 4453] Afternoon Session

The hearing was resumed pursuant to recess.

1:30 o'clock P. M.

Chairman Aitchison: Please proceed.
Mr. Plunkett: Mr. Day.

Clarence E. Day resumed:

Direct examination (Cont'd).

By Mr. Plunkett:

Q. Before the recess, Professor, you had pointed out that in Exhibit 3 Dr. Edwards had found that it cost $3.67 per 100 pounds, and in Exhibit 13, $2.63, to haul a shipment of 20,000 pounds 3,000 miles in a refrigerator car, a difference of more than $1 per hundredweight; and I think you had also pointed out that the difference was due to the different method of handling the fixed expenses. How are the fixed expenses dealt with in Exhibits 2 and 3?

A. In the case of carload shipments, the fixed burden is subdivided and allocated to carloads, car miles and gross ton miles. A maze of calculations in some instances is required in order to divide and subdivide particular items of expense and assign definite portions to each of the three named units.

For example, maintenance of roadway buildings is admittedly a purely fixed burden which is in no wise changed or affected by car miles or any other measure of passing [fol. 4454] traffic.

This expense is divided in Dr. Edwards' formula into seven parts and finally consolidated into three groups of expenses; one part is assumed variable with gross ton miles, another with loaded car miles, and another with less than carload tons. The fact remains that the cost of maintaining roadway buildings is not varied in the least by any particular movement and the expense is no real part of the outlay made for such.

A large variety of bases, all more or less complicated are adopted for allocating other fixed expenses carried in the accounts to these same operations without any particular merit to justify their choice.

Q. Does Dr. Edwards' formula charge these subdivisions of fixed expenses to shipments in Exhibit 3 in proportion to gross ton miles, car miles and carloads, in the case of carload shipments?

A. Yes; the burden of fixed expenses which are related to car miles, to gross ton miles, and to carloads are respectively charged in proportion to these units. Accordingly, any difference in the quantum of either one of these units involved in a particular shipment will vary the amount of assessments to cover fixed expenses.

Q. In your opinion, is any good purpose served by breaking up the fixed expenses and applying them on individual [fol. 4455] shipments through the medium of carloads, car miles and gross ton miles?

A. I can think of none. For example, no good reason is apparent to me why empty car miles to and from loadings should be assessed with fixed charges. Hauling empty cars about is not a source of revenue; nor is the fixed expense affected by the number of empty car miles involved.

By Chairman Aitchison:

Q. Let me see if I get that. In various cases, such as the California Fruit Cases, referring to the showing of empty car miles hauled as compared with loaded car miles hauled: Am I to gather that you do not think that is significant?

A. It is not significant in the out-of-pocket——

By Mr. Plunkett:

Q. Do you mean, it is significant?

A. I am not sure that I was able to catch all of your question, Mr. Chairman.

Chairman Aitchison: Read it.

(Question read.)

Chairman Aitchison: That is not quite correct, but it will do.

A. I think it is significant.

By Chairman Aitchison:

Q. How do you justify that, then, or reconcile that with the statement that hauling empty cars about is not a source of revenue?

A. I had in mind this, that he has saddled onto the move- [fol. 4456] ment of empty cars, the fixed expenses, about half the total expenses, and they are supposed to follow the number of empty car miles. I may say, I will deal with that subject a little later on in my testimony, Mr. Chairman, I think more fully than I can right now.

Q. Would you not say this, that if there were not any empty movement necessary, the amount of equipment which would be needed, would be less?

A. That is right.

Q. That would affect the fixed charges, would it not?

A. No, sir, not as I would construe fixed charges.

Q. Well——

A. The fixed charge on the car itself, as represented by the car itself,—is that what you are speaking of?

Q. The return on the value of the car.

A. Yes.

Q. You would have to have double the number of cars, because you are only able to get a 50 per cent utilization of your car miles.

A. Well that goes to the division of expenses between fixed and variable, and if you are asking me now whether I would consider that as a variable, I would say that the investment in the car itself would be considered a variable expense.

Q. Would be?

A. Yes, sir.

[fol. 4457] Chairman Aitchison: All right.

By Mr. Plunkett:

Q. But your point, Professor, is that to the extent that expenses are fixed expenses, you do not believe they should be apportioned on the basis of empty car miles; is that correct?

A. Yes, sir, that is right. Dr. Edwards has included some interest on investment, but this percentage that I am talking about is over and above the interest that he has included in his set-up.

Q. The 112 per cent?

A. Yes.

Mr. Smelker: Just one question at this point for clarification, if the Commission please.

By Mr. Smelker:

Q. Your criticisms, Professor Day, are directed, as I understand it, to Dr. Edwards' Exhibit No. 3, are they not?

A. Yes.

Q. And not to his Exhibit 13?

A. So far, yes, sir.

Mr. Smelker: Thank you.

By Mr. Plunkett:

Q. Are irrational conclusions reached with respect to costs when the fixed expenses are divided mathematically among shipments?

A. Yes, when revenue needs to cover fixed expenses are computed mathematically in any manner, the results will be [fol. 4458] quite inconsistent and at variance with the revenue needs ascertained from practical consideration.

Q. Have you in mind any such examples when overhead is distributed as it is in Exhibit No. 3?

A. Yes. As an example, a full distribution of charges as made in Exhibit No. 3, Table 83, to lettuce and melons in 20,000 pound shipments moving from California to New York; that is, including all expenses covered by Cost Level V-b indicates an approximate cost of $4.40 per hundredweight.

(The original figure read into the record by the witness was $4.)

The rate is $1.84. The corresponding cost on oranges in 36,000 pound shipments is about $2.50 where the rate is $1.42. On peaches, the cost is $3.20 where the rate is $1.63. In these illustrations, the cost is 218 per cent of the rate on lettuce and melons; 176 per cent on oranges, and 196 per cent on peaches. Manifestly, the above distributed figures are not the costs of hauling these commodities for, if they were, the Western railroads which rely so greatly on this traffic for their income would soon go broke.

Q. If costs based on any mathematical distribution of fixed charges, however made, were accepted by the traffic department and rates were made in accordance therewith, what would be the effect on the resources of the railroads, [fol. 4459] in your opinion?

A. It would be disastrous for the following reasons: A mathematical distribution of fixed charges would produce some average or other for each shipment. If any traffic should be refused that would pay more than its real cost, but less than a mathematically computed average including all overhead expenses such as that determined for lettuce and oranges above, there will be a loss.

In these instances, the net loss will be represented by the difference between the gross revenue from the traffic retained and its real or out-of-pocket cost. Also, if a rate should be increased to cover its fair share of the overhead expenses as above indicated and the resulting rate should be more than the traffic could bear, there would also be a loss. In this latter case, the volume of movement would shrink and less income would be earned to cover fixed expenses than would be earned at the lower rate. Finally, if the rates are reduced on commodities which do move freely at higher than the mathematically distributed expenses, the revenues will be needlessly dissipated. All three of these losses would be operative if the rates on various shipments were changed to accord with Dr. Edwards' cost tables and the change would wreck the railroads.

Q. Have you made any comparison of the cost displayed by the tables in Exhibit No. 3 in order to bring into the light [fol. 4460] some of the fallacious ideas of costs that are implicated therein?

A. I have. With that objective in mind I have made a few comparisons based on his costs within New England territory at Cost Level V-b. I have made these comparisons based on this cost level on the presumption that the class rate traffic being the highest rated traffic, will be viewed in the light of the highest cost level. The examples that I have in mind are contained in the first sheet of my exhibit.

Mr. Plunkett: If the Commission please, may Mr. Day's exhibit be identified at this time.

Chairman Aitchison: 192.

(Exhibit 192, Witness Day, marked for identification.)

The Witness: This sheet is entitled "Examples of Revenue Needs from Various Carload Shipments Required According to Exhibit No. 3 to Cover Costs Included at Cost Level V-b."

By Mr. Plunkett:

Q. Please refer to Example 1 and say how much less revenue is needed from the second ten-tons loaded in a box car as compared with the first ten-tons when both shipments are hauled 300 miles?

A. $11.53 additional revenue for the second ten-tons is needed as compared with $105.28 needed for the first ten-tons.

[fol. 4461] Chairman Aitchison: Just a moment. Read that statement again, please.

(Answer read.)

By Chairman Aitchison:

Q. Figured on a cost per ton load?

A. Ten-ton load.

Q. How?

A. A ten-ton load.

By Mr. Plunkett:

Q. You are comparing the ten-ton load with the twenty-ton load, are you not, Mr. Day?

A. Yes.

Chairman Aitchison: I see.

The Witness: An addition-- ten tons.

Mr. Plunkett: That is where you get the second ten tons.

Chairman Aitchison: Yes.

By Mr. Plunkett:

Q. Proceed.

A. The revenue needs from the second 10-tons loaded in the car are 89 per cent less than that needed from the first 10-tons.

Chairman Aitchison: Just a moment. The balance of this page is just a development of the same idea, is it not, with the same result?

Mr. Plunkett: I think that could be merely copied into the record, without being read.

Chairman Aitchison: Well, it is in the exhibit, is it [fol. 4462] not?

Mr. Plunkett: He is further developing what is shown on page 1.

The Witness: I think it needs a little explanation, as I proceed.

Mr. Plunkett: Will you pick out that portion of your statement, then.

Mr. J. R. Bell: It will all be copied into the record, however, will it not?

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: Continue.

By Mr. Plunkett:

Q. Now, refer to Example II—resuming at the top of page 8—and say how much the revenue needs are increased when two cars are substituted for one car in hauling 20-tons 300 miles in box cars?

A. The substitution of two for one car adds $93.75 per carload to the revenue needs, or about 80 per cent.

Q. In terms of the added car miles, how much are the revenue needs increased?

A. The increase in revenue needs is at the rate of 24.3 cents per added car mile, loaded and empty. The empty car mile ratio being 28.4 per cent in this territory and the haul 300 miles, the added car miles amount to 385.2 miles.

Q. If the rates should be increased at the rate of 24.3 [fol. 4463] cents per car mile, loaded or empty, how would the substitution of two for one cars affect the carriers?

A. The carriers would be benefitted if the rates were so adjusted, that is, if they could influence the shippers to substitute two for one cars. In earning 24.3 cents per car mile, loaded or empty, it would be earning 60 per cent more revenue per car mile than that earned by all Class I railroads in the United States for hauling cars and contents as an average.

Q. You have said how much the needs are affected by an increase of 10-tons per car and how much by the substitution of two for one cars. Will you say for the benefit of the record how these allowances in revenue needs compare?

A. The increase in revenue needs added on account one added car is eight times as much as that added to account of 10-tons of added lading.

Q. How many tons may be added in a car, the haul being 300 miles, without increasing revenue needs more than that required because of the use of another car, according to the tables?

A. According to Example 1, the needs as computed by Dr. Edwards increase at the rate of $1.153 for each added ton. 81 tons may be added in the car to build up revenue needs equal to the allowance of $93.75 which is made in the table on account of one added car.

[fol. 4464] By Com. Splawn:

Q. Is this the out-of-pocket cost, that you are speaking of now?

A. No, sir. This is the full allocation of expenses, on Exhibit 3.

Q. Oh, I see. And you are just stating the effect of that, are you?

A. Pardon me?

Q. You are telling us the effect of that?

A. Yes, sir. I am demonstrating how much of the expenses are saddled onto this moving of equipment back.

By Mr. Plunkett:

Q. Refer to Table 1 for box cars and Table 3 for gondolas in Exhibit 3 and say what factor or factors cause the differences in the revenue needs represented by these two scales?

A. The difference in these two scales is entirely due to the assumption made with respect to the ratio of empty to loaded car miles. The cost for the same load and same length of haul is higher in Table 3 as compared with Table 1 for the only reason that gondolas are assumed to have a higher ratio of empty to loaded as compared with box cars. The assumed ratios in Tables 1 and 3 are 28.4 per cent and 88.0 per cent respectively. The computed difference in the revenue needs flows entirely from the amount of charges that are associated with the movement of empty equipment to and from loading.

[fol. 4465] Q. Now refer to Example *III* and say how much is added to the revenue needs in Table 3 as compared with Table 1 when 20-tons is hauled 300 miles?

A. $26.04.

Q. What is the rate at which the revenue needs are increased in terms of the added empty car miles?

A. The revenue needs are increased at the rate of 14.6 cents per added empty car mile. The difference in assumed empty car miles for these two classes of equipment is 178.8 miles—300 times the difference in the percentage ratio, 0.880—0.284.

Q. What is the percentage increase in the revenue needs for the same shipment?

A. The revenue needs using the gondola car are 22 per cent greater than the needs using the box cars.

Q. Now refer to Example IV and say how much payload may be hauled 300 miles in box cars without exceeding the computed revenue needs of 10-tons hauled the same distance in gondolas?

A. 32.1 tons may be hauled in box cars for the same revenue needs as for 10-tons in gondolas.

Q. Refer to the fifth example and say how much according to the tables may be hauled in box cars to cost the same as 10-tons in refrigerator cars?

A. In this example, the revenue need from 10-tons of [fol. 4466] payload in a refrigerator car is as great as that for 42.8 tons of payload hauled in box cars. In other words, over 4 times as much payload can be hauled in box cars as in refrigerator cars for the same total cost.

Q. Are these typical examples?

A. Yes, all tables for all hauls show these same general extraordinary cost relations.

Q. Will you explain the mathematics which underlie these extraordinary cost relations?

A. It lies in the fact that the overhead charges are determined percentagewise and in relation to certain functional operations. As before stated, all of the scales for moving commodities in carlots are based on expenses ~~which~~ are allocated or apportioned to three functional operations.

For example, it may be shown that all of the carload scales in Exhibit No. 3 on Tables 1, 2, 3 and 5, for the New England territory may be computed by pricing three functional operations at the following rates: Cost per carload, $19.854; cost per car mile, 3.276 cents; and cost per gross ton mile, 0.216 cents.

These cost factors cover all operating expenses, rents, taxes; being designated as Cost Level II. The overhead expenses are assumed to be definite percentages of these allocations. The out-of-pocket proportion of above expenses is said to average 73.8 per cent, see Exhibit No. 2, [fol. 4467] page 78, and the balance, or 26.2 per cent is overhead operating expenses and taxes.

The other overhead charges added to reach Cost Level V-b amount to 86 per cent of these costs, see Exhibit No. 3, page 2, footnote 1; hence, the percentage of Cost Level II factors that have been added to cover overhead included at Cost Level V-b is the sum of 26.2 per cent and 86 per cent, or 112.2 per cent.

Accordingly, the amount of charges that have been added in New England Territory to the out-of-pocket cost of the various shipments to cover overhead expenses included at Cost Level V-b, may be determined by use of the following three factors of revenue needs and corresponding number of units of performance involved: Carload charge, $22.27; car mile charge, 3.675 cents; and gross ton mile charge, 0.243 cents.

Q. Where, in these figures, is the payload directly involved with overhead expenses?

A. Only in the last item; namely, the gross ton mile item. The payload enters the calculations of the overhead charges by adding to the number of gross ton miles. All other overhead charges are directly charged to the equipment itself, and its movement.

Q. Have you made a simple calculation which indicates the relative amount of overhead charges that are associated [fol. 4468] with the equipment itself as compared with that associated directly with the payload?

A. Yes. As an example, I have divided the revenue needs to cover fixed expenses for a carload of 10-tons carried 300 miles in gondolas between those which are associated with the equipment and those associated with payload itself on Exhibit No. 192, sheet 2. This page is entitled, "Division of Fixed and Overhead Charges Made in Exhibit No. 3 between that Associated with Equipment and that with Payload."

Q. What do you find?

A. In this example, $71.92 of the revenue needs to cover fixed expenses is associated with the movement of the equipment and only $7.29 is charged directly to the payload. The first amount is needed according to Dr. Edwards' formula, Exhibit 3, whether 10-tons or any other quantity is shipped, that is, for a 300-mile haul in gondolas. Less than 10 per cent of the total revenue needs is assumed to change in this example with the size of the shipment.

Q. The primary operation of a carrier is that of transporting goods, is it not?

A. Yes.

Q. The handling of cars in terminals, transporting cars before and after completion of the service and transporting cars in linehaul service are all secondary to the primary operations, are they not?

[fol. 4469] A. Yes. The tare tons, car miles and cars are as purely secondary to the main purpose of transporting goods as all other services employed.

Q. Does Dr. Edwards' formula in Exhibit 3 disregard the secondary aspects of these physical operations?

A. Yes, sir, it does. The formula allocates overhead expenses to these physical operations on Exhibit 3 as if the principal business of the carrier was to move equipment about.

Q. Do you ascribe the remarkable comparisons you have shown on Exhibit 3 to the failure on the part of Dr. Edwards to appreciate this secondary aspect of the cars, car miles and ton miles?

A. I do. Dr. Edwards' requirements of revenue needs in Exhibit 3 lie too heavily upon the impediments of the carriers and too lightly upon the value of the service rendered to the shipper.

By Chairman Aitchison:

Q. Has Dr. Edwards attempted to compute the value-of-service element, are we to understand?

A. No, not the value of service.

Q. Well, then, you should correct your statement, should you not, and instead of saying "lie too lightly upon the value of the services rendered" you should say that they do not bear on the value of the service at all.

A. Well, that depends on how you construe the term [fol. 4470] "revenue needs." When we speak of revenue needs, I associate that with what he wants to fix the rate at, the load at which he wishes to fix the rate, or at which the rate should be fixed.

Q. But I am trying to find out how you understood the purpose of his exhibit. Was it to attempt in any way, as you understood it, to equate or weight his cost to compensate for the item which we commonly, and rather narrowly, call "value of service"?

A. No, sir; he has not considered that at all.

By Com. Alldredge:

Q. Do you use the term "value of service rendered to the shipper" here as synonymous with your previous answer, that the primary operation of a carrier is that of transporting goods?

A. The value of the service to the shipper, is to have his goods transported from A to B.

Q. And did you use that term equivalently, value-of-service, to that operation, or that service, the transportation of goods?

A. Yes, sir.

Com. Alldredge: Continue.

By Chairman Aitchison:

Q. There are three or four items that are used by economists, in arriving at the value of the service, are there not?

A. It might be worth more to one shipper to have his [fol. 4471] goods transported from A to B, than it would be to another shipper, with the same class of goods; or it might be worth more to him to have his class of goods transported, than some other class of goods.

Q. And he might be able to get a substitute service, might he not?

A. Yes, sir, that is right. In the final analysis, if he has a substitute service, that is the value of the service to him.

Q. Including his doing it himself.

A. Yes, sir.

Q. So that we have, at least four different types of value of service, have we not?

A. Yes.

By Mr. Plunkett:

Q. Professor, would it not be better if you were to strike out the words "value of the" and make it read "too lightly upon the service rendered to the shipper," rather than "the value of the service rendered to the shipper"?

A. Why, I think that would possibly be all right, yes, sir, to just strike that out.

Q. Now, for the benefit of the record, will you please repeat the answer as you wish to have it appear in the record.

A. Dr. Edwards' requirements of revenue needs in Exhibit 3 lie too heavily upon the impediments of the carriers [fol. 4472] and too lightly upon the service rendered to the shipper.

Q. Continue.

A. As before stated, in connection with Exhibit No. 192, sheet 2, less than 10 per cent of the overhead charges in that example take into consideration the benefits received by the shipper.

Q. Does Dr. Edwards' Exhibit 13 make a different allocation of the non-variable charges to the various shipments?

A. It does.

Q. What is the principal difference between the allocation of non-variable expenses made in Exhibit 13 as compared with Exhibit 3?

A. In the Exhibit 3 study the constant expenses are apportioned on the basis of cost developed at Cost Level II. In the Exhibit 13 study a part of the constant expenses is distributed equally over all revenue tons and the remaining part is distributed equally over the revenue net ton miles.

Q. Is there a material difference between the cost computed for identical shipments, which results from the difference in the formula itself?

A. There is a marked difference for those shipments which differ from the average, that is to say, for very light and very heavy loads or for very short and very long hauls, the computed differences are great.

My Exhibit 192, page 8, is prepared to show the extent [fol. 4473] of these variations. Page 8 is entitled "Comparison of the allocations of non-variable charges in Territory 12, included with Cost Level V-a, made to particular shipments in Exhibit 3 with those made in Exhibit 13." In this exhibit, costs included at cost level V-a are shown and the difference in the resulting cost is entirely due to the allocations of non-variable expenses made by each formula.

There is no difference in the two formulas of consequence affecting Cost Level I, the out-of-pocket cost determination. It will be observed that the difference between two formulas relates to particularly the size of load and class of equipment, and little difference relates to the length of haul. The costs, for the same distances, are materially greater on Exhibit 3 when the loads are light and slightly greater on Exhibit 13 when the loads are heavy and this is true for all distances involved in the comparisons.

I would like at this point, if you please, to call attention to some minor errors that appear in the exhibit as it now is.

Chairman Aitchison: Which one?
Mr. J. R. Bell: Page 8.
The Witness: Yes.

By Mr. Plunkett:

Q. Page 8 of Exhibit 192, for identification?
[fol. 4474] A. Yes, sir. They are more or less inconsequential, I would say, and I do not know whether it is worth while to take the time of the hearing to call attention to them.

By Chairman Aitchison:

Q. What are they?

A. Well, in column (g), the first three percentages should be changed to 286 per cent; 298 per cent——

By Mr. Plunkett:

Q. Did you say, 236?

A. No; 286 per cent; 298 per cent; and 292 per cent. Then a little further down, where it shows 214 per cent, that should be changed to 111 per cent.

Q. In the second group?

A. Yes, sir.

Q. Yes?

A. And also the second item below, where it now reads 237 per cent, should read 249 per cent. Then in column (h), the last per cent should be 126 per cent, instead of 122 per cent.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Continue.

By Mr. Plunkett:

Q. How different are the costs obtained for the same shipment on the two exhibits?

[fol. 4475] A. The differences are indicated in Columns (e) and (f) of Exhibit 192, page 8, where it shows the amounts allocated to cover non-variable charges; and in columns (g) and (h) where it shows the percentage relationship of these allocations. It shows for 10-ton loads that about three times as much is allocated by Exhibit 3 formula to cover non-variable expenses as that allocated by Exhibit 13 formula. On the other hand, for 50-ton loads about one and one-half times as much is allocated by the Exhibit 13 formula.

Q. How much do Exhibits Nos. 3 and 13 each indicate the terminal cost to be for one carload in the New England Territory?

A. Exhibit No. 3 indicates the terminal cost to be $32.76 per carload and it is the same for all shipments moving in railroad owned equipment, regardless of load. Exhibit No.

13 shows the same service to cost from $18.79 per carload for 5-ton loads to [illegible]1.60 for 70-ton loads.

Q. Have you made any comparisons of Exhibits 3 and 13 costs as they apply to some actual transcontinental shipments?

A. Yes, sir. I have made such comparisons on Exhibit No. 192, page 3, entitled "Shipments of Transcontinental Traffic comparing through rate and costs as computed on Exhibits 3 and 13 in I. C. C. 28300 for Territory No. 12—Total United States." Column (h) shows the costs as computed on Exhibit 3, and (i) as computed on Exhibit 13, when [fol. 4476] the shipment is moved in minimum loads specified in the tariff. Columns (k) and (l) show the corresponding costs for the actual load carried.

It will be noted on the first line, that the cost of hauling lettuce, according to Exhibit 3, is $1.12 per hundred pounds, or 40 per cent more than that computed by Exhibit 13 formula. This example is representative of difference to be found in the formula treatment where lighter than average loads are involved.

On line 11, Exhibit 13, costs are 14 cents per hundred pounds or 18 per cent more than the Exhibit 3 costs for a 40-ton load, and 18 cents or 27 per cent more for a 50.3 ton load. In passing, it will be noted, comparing column (d) and column (g), that in most instances the indicated out-of-pocket costs, not including loss and damages, are substantially greater than the revenues.

By Chairman Aitchison:

Q. Let me ask you a question right there.

A. Yes, sir.

Q. Were you in the Deciduous Fruit Case?

A. No, sir.

Q. There was a cost study on citrus fruit presented in that case by the California lines, on transcontinental hauls. I am just wondering how the cost then computed would compare with this.

[fol. 4477] A. I have not made the comparison.

Chairman Aitchison: Very well.

By Mr. J. R. Bell:

Q. When you refer to revenue there, Professor Day, you mean the going rates, do you not?

A. Yes, sir,—or rather, no,—well, what I mean is this: The revenue is the money that is produced by the rates.

Q. That is what I mean. When you refer to the carriers' revenues, you mean the revenues that are received by the carriers from the application of the going rates.

A. Yes, sir.

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. What conclusions do you draw from the difference in costs as derived from Exhibits 3 and 13?

A. I conclude that the cost ascertainments, to say the least, are very indefinite, and too indefinite for use in drawing conclusions with respect to the rail costs of performing like service in the two territories.

Unless there is some more definite answer to the question of cost of hauling the various shipments or performing the different services obtainable from system records, such a cost comparison is impossible, in my opinion.

To be more specific, if one is required to compare the cost of hauling five tons 300 miles in box cars in the New England Territory with that in the Pocahontas Territory, he should not have to speculate whether the cost is 57.3 cents [fol. 4478] or 87.9 cents in the New England Territory and speculate whether the cost is 36.3 cents or 52.5 cents in the Pocahontas Territory. See Exhibit 12, page 6.

Q. Dr. Edwards shows on Table 3 of Exhibit 12 that the costs obtained for the various territories in Exhibits 3 and 13 are changed in some degree with the weight of load and class of equipment, but their order is generally unchanged when arranged in relationship to costs. Does that prove that the relative costs of performing like services in the various territories are generally the same as that found?

A. In my opinion it does not. The difference in the indices is not greater for the various shipments for the fact that both Exhibits 3 and 13 build a pattern around the composite average of handling all traffic.

Any territory that has a high general average cost will show by either formula high costs for all other shipments and vice versa. Pocahontas Territory has a low composite average cost because of the relatively small number of service units required to haul the coal traffic.

On the other hand, New England composite average is high because of the relatively greater amount of service required by the manufactured shipments. Because of the pattern, both formulas represent low costs in Pocahontas Territory and high costs for all shipments in the New England Territory.

[fol. 4479] In effect, both formulas represent the costs of the various shipments as being some common factor of a composite average. The similarity of the indices is due to the fact that common factors of things stand in the same relation as the things themselves. For example, shipments that cost four times the averages in representative territories will stand in the same relation to one another as the averages themselves.

The reason why the indices are not precisely the same is due to the slight variation in the factors used for projecting the costs. For example, Dr. Edwards' shows on Exhibit 12, Table 6, the cost of five and twenty-five tons in each territory, computed by both formulas. From these it will be noted that the pattern in Exhibit 3 formula indicates the cost of a 5-ton shipment to be about four times as much per hundred pounds as a 25-ton shipment, varying slightly in different territories.

Also, Exhibit 13 formula shows these costs are about three times as great with slight variations. Except for the slight variation in the factors, the indices for all shipments would be precisely the same as that for the 25-ton load.

Q. What do you understand these indices prove?

A. The indices merely prove the approximate relationship between the composite average cost of hauling the [fol. 4480] entire traffic in the respective territories and not the relative cost of hauling the same class of shipments.

Before any conclusions with respect to the cost of hauling manufactured products can be reached, for example, recognition must be given to the fact that this class of traffic requires services that are different from the general run of all traffic. Only three variables relating to carload traffic moving in railroad owned equipment, are recognized by these formulas. A differentiation between the various classes of traffic requires more refinements than that provided by three variables.

Chairman Aitchison: Now, just a moment, right there. I would like to have you straighten me out on this matter of rates that you have been quoting us on these fruits. Turn back to page 3 of your exhibit No. 192, and also turn back to page 6 of your statement.

Mr. Plunkett: A little below the middle of the page,—is that what your Honor is referring to?

Chairman Aitchison: Yes.

Mr. Plunkett: On page 6.

Chairman Aitchison: Yes.

By Chairman Aitchison:

Q. You say there "The corresponding cost on oranges in 36,000 pound shipments is about $2.50 where the rate is $1.42."

A. Yes.

[fol. 4481] Q. That seems to check with line 3 on page 3, as far as the rate is concerned.

A. Yes.

Q. But the cost shown in column (k) and column (o) is $2.34 on one basis, and $1.90 on the other.

A. There is a different cost level.

By Mr. Plunkett:

Q. The one is V-b and the other is V-a, is it not?

A. Yes, sir, there is a different cost level.

By Chairman Aitchison:

Q. How did you get the $2.50?

A. Cost level V has 5¾ per cent return on investment in the stated costs, and cost level V-a has 4 per cent return on investment.

Q. Oh, I see. Well, does that make a difference of 60 cents?

A. Yes, sir—per 100 pounds.

Q. You say it is about $2.50.

A. Well, I would have to recheck the figures, Mr. Chairman, to answer you definitely. I will do that, however.

Q. Very well. Now, there is just one other question. You also say "on peaches, the cost is $3.20 where the rate is $1.63."

A. Yes.

Q. Or rather—pardon me. Pears are what I intended to refer to. I had the peaches and pears mixed up. I notice that you have pears in your exhibit twice, once in line 10, [fol. 4482] and again in line 15, the difference being that in the first instance, in line 10, you have a 34,000 pound minimum with a rate of $1.43, and in the second case, in line 15, you have a 25,700 pound minimum with a rate of $1.75.

A. There is a dual rate there.

Q. I was coming to that. But where the rate is $1.63, with a 27,500 pound minimum, the cost is $3.20, on pears; but do not peaches take the same rate?

A. I cannot say.

Q. Well, in any event, you have shown a rate there of $1.63 on pears, which is the same.

A. We use a higher minimum.

Mr. Plunkett: No.

By Chairman Aitchison:

Q. A lower minimum, is it not?

A. Yes.

Q. Yes. Now if you apply the lower minimum on peaches, as you have, I would like to have you balance that out as against your statement in the answer that you made, where the cost is $3.20.

Mr. Plunkett: That is $3.07 in column (k). The difference would be due to the 4 per cent and the 5¾ per cent.

Chairman Aitchison: He is not able to get it up to $3.20, whichever column he takes.

Mr. Plunkett: Well, if your Honor please, he shows 307 [fol. 4483] in column (k) on page 3 of his exhibit, which corresponds to his statement on page 6 of his prepared statement, except that in the table he uses V-a which is the 4 per cent, and on page 6 he has taken V-b, which is the 5¾ per cent, making the difference between 320 and 307.

Chairman Aitchison: Well, I do not understand it, and I would like to have the witness explain it.

By Chairman Aitchison:

Q. How do you get your $2.20, assuming that the same rate applies on pears as on peaches? You have got the same rate on plums, I notice, also.

A: Well, I think it would save time, Mr. Chairman, if you would allow me——

Mr. J. R. Bell: A little louder, please.

A. I say, I think it would save time if you would allow me——

By Chairman Aitchison:

Q. To do that later?
A. —to check that afterward.

Chairman Aitchison: Very well. Do that between now and the Washington hearing.

Mr. J. R. Bell: Mr. Chairman, I do not know whether I will be at the Washington hearing or not, and I would like to ask the witness one further question in this connection.

By Mr. J. R. Bell:

Q. Professor Day, does not the difference lie in the fact that in your exhibit, on page 3, at the top, you use V-a and you use V-b, or refer to V-b, on page 6 of your statement? [fol. 4484] Is that not what brings about the difference?

A. I think that is the only difference, yes, sir. As I explained before, one of them, V-a, the V-a level, has a 4 per cent return on investment; and the other, the V-b level, has a 5¾ per cent return on investment.

Q. And that gives you the higher figure, does it not?

A. That gives you the higher cost.

By Chairman Aitchison:

Q. I would like to ask you, Doctor, to tell me whether or not, in the case of lettuce—or rather, in the case of peaches, it would make that amount of difference?

Mr. Plunkett: I think, if the Chairman pelase, that the witness can figure that out during the afternoon.

Chairman Aitchison: All right.

Mr. Plunkett: While we are putting in the testimony of the other witness.

Chairman Aitchison: Very well. I just wanted to be sure that he has some basis for the $1.63 rate. Continue.

By Mr. Plunkett:

Q. In the case of carload shipments, is each computed level of revenue needs contingent upon specific earnings from each and every other carload shipment?

A. Yes, sir. That is the premise upon which Dr. Edwards' tables are built. The tables and their derivatives are all calculated on the premise that every carload shipment satisfies its revenue needs as computed by the same formula.

[fol. 4485] Q. It is generally recognized that certain items of traffic are unable to pay as much as that required as an average to support the rail carriers in full vigor?

A. It is. Many commodities are unable to pay as much per unit as the average.

Q. Do the higher cost levels applicable to carload traffic in Exhibits Nos. 3 or 13, make allowances for deficiencies in the earnings of certain other classes of traffic?

A. Yes. The carload cost scales include allowances for the deficiencies in the earnings from less than carload and passenger services. The entire expenses are in effect distributed to carload, less than carload and passenger services and the shortcomings of the revenues from the two latter services in meeting the respective distributed sum are referred to as deficits. The sum of the deficits thus computed is assumed for the purpose of constructing carload cost scales to be a part of the cost of conducting those operations.

Q. On what theory is the deficit of one class of traffic said to be charged to another?

A. The deficits of less than carload and passenger services are said to be charged against carload services on the theory that if some services pay less than the full distribution of common charges, others must pay more.

Q. Do the scales recognize the deficiency of any carload [fol. 4486] traffic moving under rates depressed for one reason or another?

A. No; the need from each carload shipment is computed as if the yield from each other carload shipment satisfied its quota. His tables therefore ignore the fact that there is a great volume of traffic carried within the carload group at rates which do not satisfy the revenue requirements of his tables.

Q. Will you for illustrative purposes, refer to a few examples of commodities moving in carload quantities which do not meet the scale requirements and therefore create so-called deficits?

A. The rate on shipments of logs, 27.2 tons, from Springfield, Oregon, to Oswego, Oregon, a distance of 157 miles, is 5.1 cent per hundredweight, before Ex Parte 148 increases. According to Exhibit No. 3, Table 65, the cost including operating expenses, rents and taxes only, is 7.3 cents per hundredweight. The deficiency is 2.2 cents per hundredweight. The rate on logs from Idanha, Oregon, to Silverton, Oregon, a distance of 68 miles is 3.45 cents per hundredweight; whereas, the cost according to Table 65 is 5.50 cents per hundredweight, making a deficit of 2.05 cents per hundredweight. The average revenue earned by the Southern Pacific Company from its entire log traffic in 1939 was 2.24 cents per hundredweight, the average load [fol. 4487] being 37 tons. The average haul of all log traffic is not less than 60 miles, consequently the cost according to Table 65 of Exhibit No. 3 is 3.80 cents as compared with an average earning of 2.24 cents. The deficiency is 1.56 cents per hundredweight. For the 3.127,483 tons carried in 1939 by Southern Pacific Company, this deficiency alone amounts to approximately $1,000,000 before return on investment or less than carload and passenger deficiencies are considered.

By Com. Splawn:

Q. Perhaps that is the source of some of the financial difficulties that exist, because of loss on that traffic.

A. Well, I do not know.

Q. Just a mere recital of the rate does not prove that the estimate of cost was wrong, does it?

A. Oh, no, that does not prove.

Q. Dr. Edwards' estimate.

A. No.

By Chairman Aitchison:

Q. As a matter of fact, you know how logs are transported, do you not?

A. Pardon me?

Q. How are logs transported?

A. In log trains, mostly.

[illegible] Yes, on flat cars, or on log trucks.

A. Both ways, but mostly on flats.

Q. In trainload lots.

[fol. 4488] A. Yes, sir, in some instances. Some of them are in trainload lots, and others are with other traffic.

By Com. Alldredge:

Q. Do you know whether or not there are transit rates on logs?

A. I do not think that we have any transit rates on logs, Mr. Commissioner, but I am not altogether sure about that. I would not say definitely.

Q. They are just local rates?

A. Yes.

Q. Not tied up with the outbound movement of the lumber?

A. No, sir, they are not tied up with that, and that is one of our grievances. To points in the northwest, we get the unprofitable log haul, and the steamships get the main-line haul,—or they formerly did.

By Chairman Aitchison:

Q. Now, that they are not in trainload lots always may be true, but I notice that they run 10,000 tons rather steadily.

A. Yes.

Q. Would not 10,000 tons make a pretty good trainload, on the Silverton branch line?

A. That is scattered all over our system, though.

Q. Oh, I see. Well, how much was transported, if you know, from Idanha to Silverton?

A. I do not know. The figures that I have quoted were taken from our schedule, and they represent the total log [fol. 4489] movement.

By Mr. Plunkett:

Q. The schedule in the annual report?

A. Yes.

By Com. Splawn:

Q. Is the figure of 3 cents plus which you quoted there, of cost, the average on all traffic for your road?

A. No, sir. That is the cost that Dr. Edwards computes at cost level 2.

Q. Well, at cost level 2,—that is 4 per cent, is it?

Mr. J. R. Bell: There is no return there at all, is there?

The Witness: Just a moment, what was your question, please, Mr. Commissioner?

By Com. Splawn:

Q. My question is this: Is that for all of the traffic, an average cost, an average figure?

A. Yes, sir. For all of the log traffic it is 1.56 cents per hundred weight, there being a deficiency.

Mr. Plunkett: In other words——

Chairman Aitchison: Just a moment.

Mr. Plunkett: Pardon me.

By Com. Splawn:

Q. He has estimated the cost correctly for the log traffic then; is that correct?

A. His exhibit shows a cost for shipments moving in flat cars, for the various roads, and I have used what his tables show, which I assume applies to logs as well as other [fol. 4490] items.

Q. In flat cars.

A. Yes.

Q. The average——

A. For flat cars.

Q. If you take an average cost for all of the traffic in a certain type of equipment, would it not be supposed that some of it would have moved at less than that, and some of it at more?

A. Yes, sir, that is true. The costs are quite different, in different locations.

Q. You have some traffic where the cost is a good deal less, and where the rate is also less.

A. Oh, yes, exactly. These are the averages.

Q. Well, the average on logs out there, moving in train-load lots, is very low, is it not?

A. The average cost.

Q. Yes.

A. Yes, sir.

Q. What do you think it is?

A. Well?

Q. You know, do you not?

A. I think that our log rates are pretty close to our out-of-pocket cost, as far as that is concerned. Some of them are even, I believe, below our out-of-pocket cost.

[fol. 4491] Q. Well, now, if you add to the out-of-pocket cost these other things that Dr. Edwards has added, how much would that increase your out-of-pocket figure?

A. Well, it would just about double it; it would just about lift it to the cost level of *V*-b.

Q. So you and Dr. Edwards have not estimated the same cost, have you?

A. Pardon me?

Q. I say, you have estimated the out-of-pocket cost, which is just about what the rate is, you say——

A. That is for logs only.

Q. —and Dr. Edwards has estimated the average cost of everything that moves in flat cars; is that right?

A. No, Mr. Commissioner, that is not correct. I am talking about Dr. Edwards' procedure; I am not talking about out-of-pocket cost just at the present moment. I am talking about deficiencies. He has seen fit to consider the deficiencies of less than carload traffic and passenger traffic, but he has not seen fit to consider the deficiencies on these low-grade commodities; and I am trying to show you here how much lower the log traffic is below his level of cost. Therefore these are deficiencies that should be considered in connection with class-rated traffic, which is the highest rated traffic that we carry.

Q. Well, you were speaking a little while ago about his [fol. 4492] touching too lightly on the value of the service. If he had considered the value of the service and some of these other things, the result would not have been cost, but the rate which you would have charged the shippers, would it not?

A. Yes.

Q. Well, he was not trying to estimate the rate to charge the shipper, but he was merely undertaking to analyze the cost of handling the traffic, was he not?

A. Well, that I do not know. He says that these costs—or these scales are made for use in the fixing of class rates, if I understand it.

Q. He does not say that he is trying to find the rate which is to be charged the shipper, or anything of the kind. He is just undertaking to analyze the cost to the railroads of handling the traffic for the charge that may be assessed; is that not right?

A. Well, I do not understand it that way, no, Mr. Commissioner. He made reference to them as revenue needs, and he has given us the measure of the revenue needs, so that I would say the presumption is that this is what the rate should be, under his premise, in order to satisfy the revenue needs from this course.

Q. Well, I do not understand that he has offered this as the rates which should be charged. Therefore your criti-[fol. 4493] cism that he does not consider value, and all of these other things, would seem to me at least to be rather inapplicable.

A. Well, I do not understand that he is saying what the rates should be, either, Mr. Commissioner, but I say that is not, for fixing rates, the proper test to apply in a class rate case.

Q. Well, it is an element that may be considered or argued, when fallible beings undertake to arrive at a rate; but is it the sort of criticism that will help us, merely to point out the deficiencies of his analysis as a cost analysis? In other words, if he has not pointed out satisfactorily the average cost, which is what he purports to do, we ought to know about that, certainly; but I say, will it be helpful to us simply to be told in that connection that he has neglected all of these other considerations which the Classification Committees have to bear in mind when they come to make rates?

A. I am very sorry, Mr. Commissioner, but I am afraid I have rather lost the thread of your discourse. Was that intended to be a question?

Com. Splawn: Well, that was my intention when I started out, but I may have made it a little bit complicated.

Mr. Plunkett: Could I suggest——

Com. Splawn: I think you understand what I am trying to get at. However, I will pass it.

[fol. 4494] Mr. Plunkett: If the Commission please, may I suggest that the reason, one of the reasons why we made the showing that Dr. Day has just made, was that in the opening paragraph of Dr. Edwards' Exhibit No. 2, he says, "The purpose of this study"—which is the one we have been considering—"is to provide territorial cost data that may be used in determining the relative transportation cost in the respective rate territories, and that may be of aid in the development of territorial class rate scales."

We do not contend, or suggest, that those are the scales that ought to be prescribed. We have not offered this testimony on the theory that Dr. Edwards is proposing these rates.

Com. Splawn: You understand I am sure what I am asking the witness. I am merely asking him whether this criticism that we have had so far has been directed to this analysis of Dr. Edwards with respect to proposed rates, or merely as criticism with respect to cost.

Mr. Plunkett: As I say, your Honor, we have not offered this testimony under the theory that Dr. Edwards is proposing these rates, because in our class rates there are so many scales that we could not tell which one he was proposing, whether first class, or class E; but it is true that in many other proceedings, since Dr. Edwards introduced this Exhibit No. 3 at the hearing at St. Louis, Missouri, in July [fol. 4495] of 1941, many of the shippers have used these tables, and argued to the Commission that they represent a scale of maximum rates; and that is one of the reasons why we are attempting to bring this out at this time.

Chairman Aitchison: We have not gotten out any report on that scale as yet.

Mr. Plunkett: No.

By Chairman Aitchison:

Q. Just as a matter of interest, Dr. Day: The movement from Springfield, Oregon, is a movement from a branch line point over the main line, and then from the main line onto a branch line, is it not?

A. Yes.

Q. And unless my mental sliderule has slipped, the rate is 6.23 mills per ton mile. Now, the Southern Pacific Company is reluctant to let log trucks go out on the main line, is it not?

A. We are reluctant to do that, yes, sir, and we take precautions about the loading of the cars when we do go out.

Q. Especially from either Woodburn on the one hand or Springfield on the other hand.

A. Yes.

Q. Now, Idanha and Silverton is branch line, is it not?

A. Yes.

Q. And rather light-weight branch line, at that?

A. Yes, sir.

[fol. 4496] Q. And there the rate is 10 mills per ton mile, is that right?

A. I will take your word for it.

Q. Well, 3.45 per hundredweight multiplied by 20, divided by 68, comes close enough.

A. Yes.

Q. So that there is no consistency in the log rates, then, is there?

A. As measured by cost?

Q. No. I mean, in the one case you have a service which can be performed, if you want, by using log trucks, and in the other case it is virtually ruled out by reason of the fact that it is your main line that the shipment goes over, for a little distance, at least; and yet in the one case, where the conditions are more favorable for the transportation of low-grade commodities such as logs, or peculiar commodities, such as logs, the rate is higher by 33⅓ per cent—or rather, by 50 per cent.

A. Well, of course, Mr. Chairman, I do not make the rates. I know that the rates are made in consideration of getting a linehaul on the finished product. That is the first purpose of the low log rates, and the Traffic Department tries to encourage movement to the inland mills, so that we will not lose it.

Q. These are not inland.

[fol. 4497] A. How?

Q. These are not inland points.

A. No, that is true, they are not. I do not know why the rates are made as they are.

Q. But you are using this criterion to test whether or not Dr. Edwards' theory is working out?

A. No, Mr. Chairman, that is not the point. The point here is that Dr. Edwards shows, or has developed, deficiencies in the passenger and less than carload traffic, and he says that the carload traffic should bear that because this other traffic cannot be made to earn its expenses. Now then, I say, by the same token, there are other items of carload traffic that cannot make their expenses, and they should be passed on up to the higher-rated traffic.

Q. I note from the top of sheet 16, that the average revenue for all of the log traffic on the system was 7.4 mills, or less; is that correct?

A. Yes, sir.

Q. Your ton miles seem to be a little stiff, do they not?

A. Well, log traffic does not vary so very much with mileage, Mr. Chairman.

Q. You say that the average haul for all of this traffic is 60 miles, or not less than 60 miles, with an average earning of 2.24 cents per hundred, as compared with 3.45, better than one cent more, or approximately 40 per cent more rate, [fol. 4498] for the same distance. There is something particularly generous about that rate.

A. Generous?

Q. Yes.

A. Why, no, Mr. Chairman, there was no generosity, or anything of that sort, in any logging rate.

Chairman Aitchison: Off the record.

(Discussion outside the record.)

Chairman Aitchison: On the record. Continue.

By Mr. Plunkett:

Q. Proceed with your testimony, please.

A. The rate on lettuce, minimum 20,000 pounds, from California to New York is $1.84 per hundredweight. The cost according to Table 83 of Exhibit No. 3 for a haul of 3,200 miles is $2.60 per hundredweight. The deficiency in meeting Cost Level II amounts to 76 cents per hundredweight. Other examples of deficiencies are indicated on Sheet 3 of Exhibit 192, entitled "Shipments of Transcontinental traffic, comparing through rate and costs as computed on Exhibit Nos. 3 and 13 . . . ".

This exhibit shows typical shipments of transcontinental traffic which moved in great volume. It shows the through rates and the costs indicated on Exhibits Nos. 3 and 13. Without exception, all of the transcontinental perishable rates are insufficient to cover the costs included at Cost Level V-a and fail by substantial amounts. Loss and Damage is [fol. 4499] additional to all the above computed deficiencies. These are merely a few examples of deficiencies.

Q. If it is proper to assume that the deficiencies in earnings from less than carload and passenger traffic should be made up by the carload traffic, what do you believe should be done with the deficiencies in the earnings from commodities moving in carloads at rates which are lower than the average, such as the ones just referred to?

A. To be consistent, it should be recognized that commodities moving at depressed rates also create deficiencies which should be provided for in the formula.

Mr. McCollester: May I observe that Dr. Edwards' answer to the question which I asked him on cross examination, agreed with that. I quoted to him his own statement, to the effect that if some services paid less than the full distributed proportion of the charge, others must pay more,—which was the statement that he made in his prepared statement in reference to passenger deficiencies and less than nearload deficits. I asked him if that would not apply to differences in freight, where some other freight was loaded in the train, and I understood him to say that it would.

The Witness: He said that it would, yes, but in his tables he has not made use of that. The tables do not show that he has done that.

Mr. Plunkett: May I ask a question——

[fol. 4500] Com. Alldredge: Pardon me, but that would vary a little, would it not?

The Witness: Yes.

By Mr. Plunkett:

Q. Professor Day, I understood you to say, at the very beginning of the discussion of this subject, that the scales were made upon the assumption that each kind of traffic bore its full share of the distributed cost. Is that right?

A. Yes, sir.

Q. So that if one kind of traffic does not bear its full share, some of the others must be raised to make up for the deficit; is that correct?

A. Yes, sir. On class rate traffic he had to make up the deficiencies on the other traffic, moving at depressed rates.

Q. So that if you were to use cost only, as a criterion to make rates, you would have to increase the cost of other traffic to make up for the deficit on certain traffic, would you not?

A. Yes, sir, that is correct. In other words, if he is going to start with a deficit, he should carry it through to a finality.

Q. Are the deficiencies of low-rated traffic a matter of consequence in the determination of the revenue needs from high rated traffic?

[fol. 4501] A. They are.

Q. In your opinion, are deficiencies an appropriate element for consideration in a cost finding formula?

A. No; it is not my suggestion that a treatment of deficiencies has a proper place in a cost finding formula. In the first place, deficiencies are involved with revenues and therefore go outside the field of cost. In the second place, one begins to invade the field of rate making when he undertakes to say one commodity should and another should not share in the common overhead charges or to say one class of traffic should overcome the losses of another, or to say the needs from one class of traffic are greater for the reason that another class fails to yield the average needs from that source. It is merely suggested that one cannot say what the revenue needs from class-rated traffic in a territory are without giving appropriate consideration to the deficiencies of low rated commodities.

Com. Splawn: I see now, Doctor, that if I had just kept quiet, and let you continue, it would not have been necessary to ask you my questions.

By Mr. Plunkett:

Q. What would you say about the practicability of giving proper consideration to the deficiencies of other traffic on class-rated traffic?

A. It would be so hopelessly involved with volume of movement, revenues from individual groups of traffic and [fol. 4502] out-of-pocket costs as to be impossible of determination.

Q. If the deficiencies of low-rated traffic are to be charged against high-rated traffic, would the revenue needs from the high-rated traffic depend in a large measure upon the volume moving in each of the other classes?

A. They would.

Q. Will you explain by a simple example why this is so?

A. The effect is illustrated in the fourth page of Exhibit No. 192, entitled "Example illustrating effect of consist of lower grade commodities upon cost comparisons of high-grade commodities when consideration is given to deficiencies of the former."

For simplicity and illustrative purposes, carload traffic has been divided into three groups arranged in relation to their respective earning powers in an ascending scale. They are: (1) Agricultural products and livestock, (2) Minerals and Forest products, and (3) Manufactures and Miscellaneous.

It is recognized that there are both high and low-grade commodities in each of these groups which would further complicate the determination but which are disregarded for the purpose of this illustration. In this example, it is assumed for illustrative purposes, everything is the same in the two territories except the proportions carried in the first two groups of traffic.

[fol. 4503] The same total gross revenue, the same revenues from Manufactures and Miscellaneous, the same fixed overhead charges and the same unit out-of-pocket cost of transporting the various classes are assumed. Territory "A" is assumed to earn less gross revenue from Agricultural and Animal products and correspondingly more from Minerals and Forest products as compared with Territory "B". It is noted that revenues needed from Manufactures in Territory "B" are $400,000 or 20 per cent more than in Territory 'A", because of the named change in consist.

Q. If the cost index of manufactures were compared in the two territories in this manner, what would it be in this example?

A. The index in Territories "A" and "B" would be as 100 to 120. This difference in revenue needs was developed by these steps, notwithstanding the same out-of-pocket costs per unit were assumed in both territories.

Q. Would the revenue needs from the high-rated traffic depend upon the relative volume moving in any one of the other groups of traffic?

A. They would. Naturally; if the deficiencies of one group are to be passed on as an expense to another, the latter's needs will depend upon how much is earned from other sources and that in turn will depend upon the volume moving in the other classes.

[fol. 4504] Q. Will you explain that by example?

A. This effect is illustrated on page 5 of Exhibit 192, entitled, "Example illustrating effect of the difference in the volume of the movement of one class of traffic upon the cost comparison of high grade traffic when consideration is given to deficiencies of another class of traffic". In this example, everything is assumed to be the same in the two territories except as it is affected by the volume of mineral and forest products carried. 33 per cent more gross revenue is assumed to be earned from this class of traffic in Territory "B", as compared with Territory "A". The fixed overhead and the out-of-pocket expense per unit in each class is assumed to be the same. As a result of the assumed increased movement of minerals and forest products, the out-of-pocket cost of this group is increased proportionately. It is to be noted that because of the assumption that one-third more of mineral and forest products is carried in Territory "B", the rates on manufactures and miscellaneous in Territory "A" should be 40 per cent higher.

Q. If the deficiencies of low-grade traffic are to be charged to high-grade traffic, how would the cost of the latter be influenced by the prevailing rate level in the lower traffic groups?

A. The calculations would indicate a difference depending upon the level of rates on the other traffic carried.

[fol. 4505] Q. Will you demonstrate the principle by example?

A. This effect is illustrated on page 6 of Exhibit 192, entitled, "Example illustrating effect of the rate level of one class of traffic upon the cost comparison of high-grade commodities when consideration is given to deficiencies of low-grade commodities." In this example everything is assumed to be the same in the two territories except as it is affected by the rate level on agricultural and animal products. The volume of traffic is assumed to be the same in all groups and the earnings the same in the other two groups. Also, the cost of operation is assumed to be the same in all respects. It is to be noted that the revenue needs from manufactures in Territory "A" are found to be greater for the reason that it is assumed to operate under a lower rate level on one of the other groups of commodities.

Q. In this particular illustration, how much is the cost of hauling Manufactures and Miscellaneous affected by the rate level on Agricultural and Animal products?

A. In this example the revenue need is $1,000,000, or 50 per cent more for hauling the same volume of Manufactures and Miscellaneous in Territory "A" for the simple reason that the carriers in the other territory earn 25 per cent more for hauling the same quantity of Agricultural and Forest products.

Q. If the revenue needs from class-rated traffic took into [fol. 4506] consideration the deficiencies of other traffic, what would be the effect of a different practice with respect to making commodity rates on the comparative needs from class-rated traffic, if any?

A. If a carrier makes exceptions with sound practical judgment and wisely reduces rates on a certain commodity, it should add more revenues than direct cost, and it therefore should augment the earnings from that source. This being so, the excepted commodities would reduce the needs from the class-rated commodities. On the other hand, it would have the opposite result if the exceptions were ill-advised. In either case, the revenue needs from class-rated traffic will be influenced by and depend upon the practice in this respect.

Q. Would the comparative cost of hauling the same commodities in the two territories reflect any differences in judgment exercised in making commodity rates?

A. Yes, it naturally follows that the comparative costs would reflect a difference due to the judgment exercised.

Q. You have spoken of the effect of the composition of one class of traffic on the needs from another class when all are on the same level. What would be the effect of the composition of the traffic within the class rates themselves upon the cost determination?

A. The revenue needs per unit from the class-rated [fol. 4507] traffic will depend upon the volume of the movement in each of the subdivisions. This is illustrated on page 7 of Exhibit 192, entitled, "Examples illustrating effect of the composition of class rates upon the general level to produce a given result.

Q. And the principle is the same as your have given with respect to the high-grade as against the low-grade; is that right?

A. Yes, sir.

Q. Continue.

A. In this example, two computations are made involving the same total movement. It is assumed that the total number of units of traffic are distributed differently in Columns (c) and (f) between the different sub-classes. It is further assumed that all of the rates in Column (e) are 25 per cent higher than the corresponding rates in Column (b).

The computations illustrate a situation where the effect of a different composition of traffic overcomes the effect of a difference of 25 per cent in the rate level. It proves that if the revenue needs were the same from class-rated traffic as a whole, the rate level would still have to be different depending upon how much traffic moved in each subdivision.

Q. If the cost analyst is to carry through the treatment of deficiencies to its logical conclusion, is it necessary to [fol. 4508] make many assumptions as to the adequacy of all existing rates?

A. Yes. Before any one rate can be ascertained, some assumptions must be made with respect to the level of all other rates. It must be assumed that either no profit from all other shipments or some definite amount of profit is to be expected. Some arbitrary assumption must be made with respect to what is adequate before any result is obtainable. Dr. Edwards assumed for the purpose of computing the cost of carload traffic that the passenger and less than carload services are not required to pay more than the out-of-pocket cost.

Q. Have you anything more which you would care to add, relating to the deficiencies of other traffic, and its bearing upon the relative cost of hauling class-rated traffic in the various territories.

A. In the foregoing, some of the matters that are essential in a comprehensive study of revenue needs from different sources are suggested. They indicate in a general way, how the needs are inextricably tied to the revenues received from other sources, to the correct ascertainment of the out-of-pocket cost of hauling voluminous shipments, to the composition of the traffic not involved in the class rates, to the composition of the class-rate traffic itself, and to the practice in the various territories with respect to making [fol. 4509] commodity rates in order to induce a greater flow of traffic.

This information is essential and vital to a true determination of the revenue needs from class-rated traffic. Dr. Edwards recognizes that it is economically incorrect in computing the revenue needs for carload traffic as a whole to ignore the fact that the less than carload and passenger services fail to earn enough to cover the full amount of common expenses chargeable to those services. But, in his calculations of the revenue needs from carloads moving at class rates, he does not give any consideration to the fact that many carloads moving at the depressed rate fail to earn their average revenue needs. This study is said to be for use in fixing class rate scales.

By failing in these particulars, Dr. Edwards' tables do not indicate the average revenue needed in the respective territories involved in these proceedings, from class rate traffic. Consequently, he has not found the relative revenue needs in each of the territories or the relative transportation costs of hauling class-rated traffic in the different territories.

Q. Are you familiar with the analysis employed in Exhibit 12 by which Dr. Edwards supported his estimate of the out-of-pocket cost of handling traffic in the various group territories?

[fol. 4510] A. I am.

Q. Will you state briefly how this cost level was obtained?

A. Dr. Edwards divided each group of operating expenses, rents and taxes shown on Table 87 of Exhibit 3 between the constant and the variable portion by employing definite percentages. Group I expenses were divided 15.92 per cent constant, 84.08 per cent variable; Group II, 22.01 per cent and 77.99 per cent; Group III 28.29 per cent and 71.71 per cent, respectively, etc. These percentages were applied to the respective group of expenses in each territorial group of railroads. The variable portion of each group of expenses in each territory so found was increased to include return on investment in locomotives and cars and the out-of-pocket portion of return on investment in roadway. The aggregate of each was divided between respective units of performance, producing the out-of-pocket unit cost data which he applied to the units involved in shipments in the respective group territories.

Each group of expenses was divided in the same proportion between variable and constant expenses.

Q. How were these percentages which have been used by Dr. Edwards, determined?

A. By judgment, presumably supported by the results of the analytical method as described in Exhibit 12, Appendix G, page 13, Note *I*. Accordingly, the percentage is [fol. 4511] determined by finding how the variable and constant expenses would divide on a hypothetical railroad which operated the average number of miles of road and performed the arithmetical average number of units of operation. The variable and constant expenses for this hypothetical railroad were determined by use of a unit cost per mile of road operated, representing the constant cost and a cost per unit of service representing variable costs. The ratio of the total monies thus produced was adopted for dividing the total expenses between constant and variable expenses. A single percentage determination was made for each group of expenses for application to all group territories throughout the United States.

Q. How were the percentages supported, which were used to divide the expenses between variable and non-variable expenses?

A. By the method of least squares.

Q. What is the method of least squares?

A. The method of least squares is a process employed for finding the most probable value of observed quantities. The true or exact value of a quantity, the determination of which involves measurement, cannot be ascertained; the values of such quantities are adopted as the best approximation or most probable value. The simplest case is where several observations of equal precision are made upon a [fol. 4512] single quantity and where he most probable value of that quantity is the arithmetic mean of the observed values.

Errors of observation are accidental or systematic. Accidental errors are those which in the long run are as often negative as positive and they affect the mean result but little. Systematic errors are errors due to the same cause, such as, for example, measurements between two points with an inaccurately graduated tape. Systematic errors from the same cause will affect the mean in the same sense and do not tend to balance each other in the mean. For this reason, the method of least squares does not iron out the systematic errors.

Q. Do you think that Dr. Edwards has made an appropriate use of the least square method in his Exhibit 12 analysis?

A. I do not. The application is made to the operating results of railroads scattered over the entire United States. These operating results reflect the influences of many matters which are different for all railroads, such as that due to the class of traffic carried, grade and curve conditions, miles of branch line operated, amounts of through and way trains operated, rates of pay of train and enginemen, and due to other influences.

The application of the least square method to the problem of separating variable and non-variable expenses is justified when there are no other important influences upon [fol. 4513] the expenses except density. Approximate results are obtainable when the other influences are moderate or when they are as likely to be plus or minus.

In view of the great differences in the cost of operation found by Dr. Edwards, both with respect to individual railroads and the group territories, it is persuasive evidence that these other influences on cost will not cancel out in the calculations which were made.

The influences of density on expenses are buried too deeply by the other great differences to be lifted out from the mass of statistics by the least square analysis. These other influences are in the nature of the systematic errors to which I have previously referred, that cannot be ironed out by the least square method.

This method has application within a limited field. In fact, I have used the least square method to determine the variable railway costs. However, my applications have been made to several measures of the expenses incurred on a given section under different traffic densities, confining the analysis to the narrowest possible limits, both in time interval and extent of trackage.

I have used the monthly statistics for a period of one year covering the conditions operative on a single engine district or a single operating division.

In this manner, I get repeated measurements of sub- [fol. 4514] stantially the same thing and therefore get more reliable results regarding the variability of expenses with changes in traffic than would be obtainable by use of statistics of railroads so different in other respects as those, for example, in the New England and Pocahontas Territories.

I am firmly convinced that mass figures representing statistics of different railroads are fraught with too many disturbing influences to be of value in differentiating between the small differences involved in the variability determination.

Q. Have you prepared an exhibit demonstrating one reason why mass figures may be misleading?

A. Yes. Please refer to page 9 of my Exhibit 192, entitled "Example of per cent of trainmen's wages variable with gross ton miles, year 1940". In this exhibit, I have ascertained the average daily gross ton mile density and the average cost per day of trainmen's wages for each of the months of 1940, on each of two main line divisions of the Southern Pacific Company, and on the consolidated figures. In the first section, I indicate the steps where I find that 888.8 per cent of the trainmen's wages are variable with gross ton miles on the Salt Lake Division through Nevada and Utah.

In the second section, I indicate the calculations which find that 107.8 per cent of trainmen's wages are variable [fol. 4515] with gross ton miles. The natural inference would be that the variable expenses for both divisions would lie somewhere between 88.8 per cent and 107.8 per cent. However, the consolidated monthly figures, in the third section, indicate that 55.5 per cent of trainmen's wages are variable. These great differences indicate the dangers of relying on mass figures. I chose these two divisions, first, because of the great difference in cost of wages per gross ton mile on each and, second, because the periods of peaks and valleys on these districts occurred at different times of the year.

The consolidated figure is tempered by the conditions on both divisions and during September and October the expenses of the consolidated figures are dominated by the lower unit costs of the Salt Lake Division, and during January to March, the consolidated figures are dominated by the higher cost on the Tucson Division. In this exhibit, I demonstrate that the determination is so disturbed by the consolidation of two districts as to void the conclusion with respect to the variability of trainmen's wages as affected by gross ton mile density.

By Chairman Aitchison:

Q. Right there, I am not sure that I follow you. I am not sure that I understand how more than 100 per cent of wages could be said to be variable.

A. Well, Mr. Chairman, the least square method deter- [fol. 4516] mines the slope of the line, which is a chord of the variability, and it may be more than 100 per cent, or it may be less than 100 per cent. In other words, if you have a curve representing the rate of increase, and it curves upward, by the least square method you can confine the variation within a narrow range. We show the tangent of the long chord that way.

Q. What kind of a curve did you plot?

A. What kind of a curve?

Q. Yes.

A. It is a straight-line curve, but it only has a value within the range of those quantities with which you are dealing. It has no value at all down to zero, for example.

Q. Well, I do not see how it would be more than 100 per cent,—107 per cent.

A. Well, it just is.

By Mr. Plunkett:

Q. If the line cuts the base line, it would be more than 100 per cent, would it not?

A. Yes, sir, that is correct; if it cuts the base line below the origin, then it is more than 100 per cent.

Chairman Aitchison: Proceed.

By Mr. Plunkett:

Q. Does the method of least squares develop the variable percentages which Dr. Edwards used to determine his out-of-pocket cost?

A. No. The method of least squares merely develops an [fol. 4517] average cost per mile of road operated and an average out-of-pocket cost per unit of traffic for all railroads in the United States, such as the averages shown in Exhibit 12, Appendix G, page 13, Note *1*, where he finds a constant cost of $251.19 per mile of road operated in freight service and a variable cost of $0.01452088 per revenue car mile.

Q. How then were the percentages ascertained which Dr. Edwards used?

A. That is indicated in the same note where he shows what these average cost factors amount to when they are applied to a hypothetical railroad that operates the average number of miles and carries the average number of car miles other than mileage cars. This computation shows that for such a railroad 81.70 per cent of the total expenditures vary with the revenue car miles and the balance is non-variable.

Q. You stated that the percentages arrived at are applied uniformly to all groups of railroads. Is that correct?

A. That is true. For example, by reference to Table 3 of Exhibit 13, it will be seen that the percentages shown on lines 1 and 2, which were derived for the United States as a whole, were applied alike to the operating expenses, rents and taxes compiled for each of the group territories shown therein. In this step, he uses the percentage figure as if it were constant and applies to all railroads regardless of their densities.

[fol. 4518] Q. Is it proper to use the cost factors derived by the least square method to establish percentages and also assume that the percentages are constant and apply equally to the various groups, regardless of the densities of the individual railroads?

A. It is not, because one condition contradicts the other. If one part of the expenses is constant and the other part variable with the density, the percentage that the variable expenses is of the total will vary with the density. The least square analysis presumes certain expenses are variable with the density. Hence, the percentages cannot logically be applied to all railroads regardless of their densities.

Dr. Edwards illustrates by example why the percentage figures cannot be constant with changing densities on Exhibit 12, page 22, Note 2, where he explains that if 50 per cent of the operating expenses are variable and 50 per cent are constant for a given traffic density in one period, the same ratio could no longer hold when the traffic density is increased fourfold. He shows in this illustration that the variable portion becomes 80 per cent under the conditions of the greater volume.

Q. In his computation of the out-of-pocket costs of the railroads in the various group territories, did Dr. Edwards make any allowance in the percentage factor because of the [fol. 4519] differences in traffic densities?

A. No. He applied to each group of expenses the same percentage in all territories to establish his estimate of out-of-pocket costs, see Exhibit 13, Table 3, where he establishes the out-of-pocket unit cost. It will be noted on page 1, line 2, of that table that 84.08 per cent of Group 1 expenses in each of the territories is assumed to be out-of-pocket expenses, 77.99 per cent of Group II expenses, 71.71 per cent of Group III expenses, and so on for all of the different expense groups. These expenses were applied alike to all territories, regardless of the fact that the densities of the various railroads varied from less than 1,000,000 revenue gross ton miles per mile of road to over 8,000,000.

Q. What effect does the use of a constant percentage have on the determination of the comparative out-of-pocket cost of hauling traffic in the various territories?

A. It has the effect of overstating the relative out-of-pocket costs of the railroads having the lightest densities.

Q. Are you prepared to explain by example that this is so?

A. Yes. The discrepancy is explained by referring to Exhibit 192, page 10, entitled "Example demonstrating the inaccuracy of the formula used in Exhibit 12 to divide expenses percentagewise between constant expenses and expenses variable with units of traffic".

[fol. 4520] In this example, I have assumed, for purpose of illustration, that the constant cost is $200 per mile operated and the variable cost is one cent per car mile carried for each of the railroads represented. The expenses shown in Column (2) are computed based on these assumptions and the quantities shown in Columns (1) and (2). I have determined the mean miles of road operated and the mean density for all four railroads on line 10. In Note 2, I have computed the per cent variable for the mean of all railroads, according to the formula, and find 54.3 per cent of the expenses are variable.

I then compute on line 4 the variable cost per car mile in Territory I, also following Dr. Edwards' formula, and find the variable cost in that territory to be 1.36 cents per car mile. Similarly, I find on line 8 a variable cost of 0.84 cents per car mile in Territory II. Applied to this example, I show that the steps in Dr. Edwards' formula lead to a conclusion that the variable expense per car mile in Territory I, having the lightest density, is 62 per cent greater than the comparable cost in Territory II, notwithstanding the variable expense is the same per car mile in both territories by assumption.

Q. In Exhibit 12, page 5, Dr. Edwards shows the relationship of the out-of-pocket cost among territories is generally unchanged from that based on a full distribution of operat- [fol. 4521] ing expenses, rents and taxes. How does this close agreement come about?

A. The close agreement follows from the use of uniform percentages. Since he has taken the same percentage of the total expenses in each group to be representative of the out-of-pocket expenses, it naturally follows that the relationship is not altered by this step. Equal percentages of different quantities have the same relation to one another as the whole quantities.

Now I would like, if it is in order for me to do so, to add something at this point.

Q. Yes.

A. In this same connection I refer to Appendix G in Exhibit 13, where Dr. Edwards shows, by example, how the variable expenses are separated from the non-variable expenses. On page 12 of that exhibit, Note I, he finds the variable cost in Group I expenses to be 1.452-plus cents per car mile for all of the named railroads in the combined New England and Eastern Territories; and the constant cost to be $251.19 per mile of road operated. An attempt was made to eliminate railroads that had peculiarities, that might disturb the result. As I recall it now, railroads less than 50 miles long were cast out, and railroads having an average load of over 40 tons, were likewise cast out. In other words, the purpose was to remove those disturbing influences that [fol. 4522] I have referred to. Now the results of the least square method are then applied to the number of railroads, and the sum of the densities of each railroad, to produce a percentage division of expense in the Eastern District, namely, 81.70 per cent variable and 18.30 per cent non-variable.

Now, the nine railroads used in this analysis are associated with New England Territory, and all other railroads are associated with Eastern Territory. When he divides the expense in each territory between variable and non-variable by the fixed percentage, and then reduces the variable portion to an out-of-pocket cost per car mile, he finds the cost amounts to 1.266 cents per car mile in New England Territory, and 1.370 per car mile in Eastern Territory.

Although I started on the premise—or rather, Dr. Edwards started on the premise that the variable is 1.452 cents per car mile for all of the railroads, he winds up with the conclusion that the variable cost is about 13 per cent less for the railroads associated with New England Territory, and 6 per cent less for the railroads associated with Eastern Territory. The extraordinary fact is that, contrary to what my last page indicates, that is, that applying the constant percentage to the low density line would overstate the cost, other conditions have resulted in costs in the New England Territory, which has a low density, being lower [fol. 4523] than in the territory that has a high density.

Q. Does that conclude your statement, Professor?

A. Yes, sir.

Mr. Plunkett: At this time, if the Commission please, we offer Exhibit 192 in evidence.

Chairman Aitchison: Without objection, it is received.

(Exhibit 192, Witness Day, received in evidence.)

Chairman Aitchison: Is that all?

Mr. Plunkett: That is all on direct.

By Chairman Aitchison:

Q. Have you attempted to recast the exhibit at all—or have you attempted to come to any conclusion with respect to what the relative figures would be on your basis, Doctor?

A. No, Mr. Chairman, I have not, and I do not think that it can be done from the system statistics.

Q. Or from the data which you have available before you, including the work sheets.

A. No; I could not.

Q. You are familiar, are you, with the litigation involving cost investigations before the courts and commissions that has been conducted during the last few years?

A. Perhaps not too familiar.

Q. Well, you know, for instance, of the Oklahoma formula, do you not?

[fol. 4524] A. I have heard of it.

Q. Have you ever studied it at all?

A. Not intensively, no, sir.

Q. Has it been extensively used?

A. I do not believe that it is being extensively used nowadays, no, sir.

Q. In any event, did it attempt to divide the fixed expenses on some basis?

A. Well, the problem there, as I recall it, was to find the cost of hauling the various shipments.

Q. No, but there was a cost, as between freight and passenger.

A. Yes.

Q. There was a division as between freight and passenger first. Then did they or did they not carry it further, if you remember?

A. What?

Q. Did they or did they not carry the cost further?

A. Beyond the out-of-pocket cost?

Q. Yes.

A. Oh, yes.

Q. Or rather—no; I mean, beyond the division between freight and passenger.

A. Well, I do not know; I really do not know enough about it, to answer the question definitely.

Q. Have you ever participated in any of the rail abandon- [fol. 4525] ment cases?

A. No.

Q. Do you happen to know whether or not, in those cases, cost-of-service analyses were presented by the rail carriers which undertook to apportion the fixed costs?

A. Well, in a problem of that kind, or a situation of that kind, there would have to be some attempt at apportioning those costs.

Q. As a matter of general knowledge, could you tell me what is considered, or what you consider, as the pioneer study in this matter of cost apportionment as between classes of service?

A. (No answer.)

Q. Perhaps I can help you. How about Mr. Tallant?

A. I am not familiar with what he has done, in that connection.

Q. How about the study of the Wisconsin Commission in 1905, in the case of Buell against the St. Paul? Are you familiar with that analysis?

A. No.

Q. Made by Commissioners Meyer, Erickson and Barnes?

A. No, sir.

Q. Well, would it surprise you any to know that in all of those pioneer studies, at least, the fixed costs were divided?

A. No, sir, I would not be surprised if that was a fact, [fol. 4526] however, I do not know what the particular problem was, that was involved there, as to whether it was a problem of finding the cost of handling particular shipments, or the problem of finding the cost of freight and passenger, with a separation.

Q. With respect to the rail carriers, it is a problem of finding the cost and value of the service on both, for particular cars, acording to the space used, and the like,—is it not?

A. Yes.

Q. That is a somewhat similar problem to yours, is it not?

A. Yes, sir, that is a somewhat similar problem. They try to arrive at an apportionment of all expenses. I have made estimates in these minimum rate cases, where I have developed the out-of-pocket cost, and then I have shown what it would amount to if the overhead common expenses were apportioned in a certain manner, without subscribing to it, however, as being proper.

Q. And that also has been presented as justification in cases where Fourth Section Relief was sought by the rail lines, has it not?

A. Yes, sir.

Mr. J. R. Bell: If your Honor please, might I ask the witness one question?

Chairman Aitchison: Yes.

[fol. 4527] By Mr. J. R. Bell:

Q. Professor Day, your study of this matter, and your conclusions and presentations, are not in any manner dependent upon any question with respect to the accuracy or correctness of the railroads' returns to the questionnaire in this case, are they?

A. That is right.

Mr. Plunkett: I have nothing further.

Chairman Aitchison: Cross examine.

Cross-examination.

By Mr. Smelker:

Q. Dr. Day, I have just a few questions, and I might state that the questions which have been directed to you from the Bench have reduced the amount of my cross examination very substantially. Briefly stated, as I have understood it, you have stated that cost comparisons ought to be limited to out-of-pocket cost. Now in a divisions case, would you limit your cost comparisons to out-of-pocket cost if the interested carriers in one territory had reduced their direct operating expenses over those in the other territories by heavier capital investment, double tracking, grade reduction, and so forth?

Mr. J. R. Bell: Just a moment. Will you read that question, please, Mr. Reporter.

(Question read.)

Mr. J. R. Bell: If the Commission please, I would like to suggest that we have a divisions case pending, and I do [fol. 4528] not see that it is a pertinent inquiry as to what the position of this witness will be in that case,—the Transcontinental Divisions Case.

Chairman Aitchison: It is merely a hypothetical question, I assume,—is it not, Mr. Smelker?

Mr. Smelker: To save time, if the Commission please, I am perfectly willing to strike the word "divisions" from the question.

Chairman Aitchison: How?

Mr. Smelker: I say, it is agreeable to me to strike the word "divisions" from the question.

Chairman Aitchison: All right. On that basis, then, you may answer the question.

A. Well, the question is still not quite clear to me. I realize that one railroad cost may be lower than another railroad cost, because of the investment, but I do not believe that distributing the total investment by any formula will correct that, or overcome that,—or reflect that difference.

Chairman Aitchison: I do not think, Doctor, that there is any desire on the part of us up here on this side of the Bench, to lay stress upon a formula just merely because it is a formula. We want to find out if we can, we want to know, if we can, what is the right and fair way to do this thing. Now, in a case such as Mr. Smelker has indicated, [fol. 4529] can you give us any light on what you think would be the equitable way to do that, from the standpoint of yourself, that is, as a statistician?

A. Well, Mr. Chairman, I honestly cannot see how a cost study can be useful in fixing maximum rates, whether they are class rates or any other kind of rates. The higher cost level, V-b, with 5¾ percent return, is a level so much below your class rates, even your fifth class rate, that I do not see how it could be useful in fixing class rates, or determining that the class rates in one territory should be reduced to the level of the class rates in another territory.

[fol. 4530] Chairman Aitchison: Well, you and I are not on common ground with respect to the question and answer, but I will not press it. Proceed, Mr. Smelker.

By Mr. Smelker:

Q. How can you reflect the differences in investment, if one is greater than the other; that is, if one spends a lot of money in making improvements, while the other one does not?

A. I do not know.

Q. Now, are not most of your criticisms which were made in the first part of your prepared statement, directed to Dr. Edwards' Exhibit No. 3, met by his Exhibit No. 13?

A. Oh, my, no. When he has two estimates, he has not abandoned the Exhibit No. 3 estimate, and they only show alternative ways of allocating fixed expenses, and when he finds that by one exhibit the cost is around $4 and by the other one $3, I do not think my criticisms are limited as you say.

Q. Will you refer to page 13 of your statement and the last sentence of the first full complete answer which reads: "To be more specific, if one is required to compare the cost of hauling five tons 300 miles in box cars in the New England Territory with that in the Pocahontas Territory, he should not have to speculate whether the cost is 57.3 or 87.9 cents in the New England Territory and speculate whether the cost is 36.3 cents or 52.5 cents in the Pocahontas Territory."

[fol. 4531] In view of Dr. Edwards' testimony at Indianapolis, that Exhibit No. 3 represented a more proper basis of distributing constant costs as well as your criticism of the treatment of constant costs in Exhibit 3, does it not follow that there are no grounds for speculation?

A. "More proper" is an indefinite term. It is still speculative, until you can say specifically it is one or the other.

Q. Will you refer to page 14 on which you state that manufactured products require services that are different from the general run of traffic.

A. Yes.

Q. Will you enumerate these added services.

A. It is commonly moved short distances and may be moved finally in a way train instead of a through train. It may be handled in smaller units requiring more locomotive per car to handle the traffic. It loads lighter and requires more cars.

Q. Would cleaning box cars come in this category?

A. What?

Q. Would cleaning box cars come into this category?

A. I was not thinking of such small items as that.

Q. Was not the least squares method used by Dr. Edwards applied separately by territories?

A. He applied it to three different territories in the United [fol. 4532] States but the first district covered the New England territory and the Eastern territory.

Q. Did not the results from this study constitute only part of the various approaches made in determining out-of-pocket costs?

A. Yes. That was only used to confirm his judgment figures, I should say, in the different items of expense.

Q. Does this computation of the out-of-pocket costs which you describe on page 23 of your prepared statement indicate that the aggregating of operating divisions would always understate the out-of-pocket costs found for the divisions when treated separately?

A. No. It might work either way. It is a pure accident, whichever way it works. The point is, he is being misled by mass figures. He does not know where he is at after he has made the computation.

Mr. Smelker: That is all.

By Mr. Plunkett:

Q. As I understand your position in answer to questions from the Bench, it is that where the problem before the Commission is the fixing of maximum reasonable rates, it is your opinion that full distributed costs should not be used whether the rates are to be made in one territory or more than one territory?

A. That is correct.

Q. Is that right?

A. That is right.

[fol. 4533] Q. Where the problem is to make rates on a given commodity or class of commodities?

A. That is right.

Q. Is that right?
A. Yes.

Mr. Plunkett: That is all.
Chairman Aitchison: Are there any other questions of Dr. Day? (No response.) You are excused, sir.

(Witness excused.)

Mr. Plunkett: Mr. Chairman, we have one more witness and about three-quarters of an hour to run. I would suggest that we continue with him as far as we can to occupy the remainder of the time.
Chairman Aitchison: Yes.
Mr. Plunkett: Mr. McDonald.
Chairman Aitchison: Raise your right hand and be sworn.

J. P. McDonald was sworn and testified as follows:

Direct examination.

By Mr. Plunkett:

Q. Will you state your name, resident and occupation for the record, please, Mr. McDonald?
A. J. P. McDonald, General Statistician of the Atchison, Topeka & Santa Fe Railroad, with headquarters in Chicago, Illinois.
[fol. 4534] Q. As statistician for the Santa Fe Railroad, you have participated in many rate cases, have you?
A. Yes, I have.
Q. And have prepared exhibits and statistics regarding matters before the Commission at that time?
A. Yes.

Mr. Plunkett: I am going to suggest, Mr. Chairman, that Mr. McDonald give a brief outline of the matters that he has covered in his prepared statement, and that the statement be copied in after he has completed his description.
Chairman Aitchison: We can mark it as an exhibit.
Mr. Plunkett: Very well.

By Mr. Plunkett:

Q. Mr. McDonald, you have a prepared statement and an exhibit dealing with Dr. Edwards' cost study, Exhibits 2 and 3?
A. I have.

Q. Copies have been distributed to various parties?

A. I understand they have.

Q. Will you give a brief outline of the matters that you have covered in this statement?

A. I cite the character of information that was supplied in response to the basic questionnaires. That data was used in developing the costs in Dr. Edwards' Exhibits 2 and 3. I point out the qualifications under which the responses to those questionnaires were made in so far as the [fol. 4535] Atchison, Topeka & Santa Fe Railroad Company was concerned, and then I deal with the question of the separation of expenses as between classes of service——

Q. You mean, both freight and passenger services?

A. Both freight and passenger services—and bring out why the passenger deficiency cannot be treated in the aggregate, primarily because of the individual treatment that was given to the primary accounts in the initial separation of expenses as between services.

Q. Do you also deal with the effect on cost of the relative amount of main line and branch line service that is provided by a given railroad or group of railroads?

A. Yes. I have developed some basic data from our records to reflect the influence upon cost of factors such as the variation in density, the variation in the proportions of way and through train service, and the variations in the proportion of helper service on the various operating divisions, or selected operating divisions of the Santa Fe System. That detail is shown in the exhibit.

Mr. Plunkett: We will ask that this exhibit be marked as Exhibit No. 193, if the Chairman please.

Chairman Aitchison: It may be so marked.

(Exhibit 193, Witness McDonald, marked for identification.)

By Mr. Plunkett:

Q. Go ahead, Mr. McDonald.

[fol. 4536] A. I have reviewed the worksheets that were employed in building up or segregating the Santa Fe costs as to the four territories between which the Santa Fe costs were separated and I have pointed out the deficiencies in the use of averages in the breaking up of those expense service elements such as mileage of cars, rented on a mileage basis, and in the distribution of less than carload traffic as between the four territorial groups into which the Santa Fe System was divided; and then I deal with the deficiencies in the use of the car days in segregating expenses as to running service on the basis of train hours and point out wherein the train hours that are used for the Santa Fe System in making that computation do not reflect the complete service units.

Q. You also deal with non-revenue expenses?

A. Yes. I treat with the segregation of the non-revenue expenses as between the four territories and refer to the manner in which the gross ton miles were built up for non-revenue service by being distributed between the types of cars and bring out that there is a basic difference in the average haul of non-revenue service because the majority of it is incurred in connection with the transportation of fuel, and that in the determination of the percentage of non-revenue service applicable to freight service, there is relatively more service performed in transporting the fuel [fol. 4537] for freight service per dollar of expense than there is for passenger service, by reducing it to the number of pounds of fuel transported for the respective services as taken from our records.

Q. Do you also deal with the station expense as applied to less than carload traffic?

A. Yes. I have treated with the station expense for less than carload traffic and have pointed out the basis that was used in estimating the original separation for account 373 in response to the questionnaire, because the information was not available as to the actual separation; and then I produced results for our Chicago Terminal Division and Kansas City Division for which we did have a separation of the expenses for station service, showing how the per cent of those station expenses to the total compares with the percentage that was used in making the general separation as between territories in Dr. Edwards' cost determination.

Q. Are those the general subjects that you have covered in your statement?

A. Yes. I think that outlines in a general way the character of elements that I give attention to in my testimony and in Exhibit No. 193.

Mr. Plunkett: Mr. Chairman, if it is agreeable I would like to have this statement copied into the record.

Chairman Aitchison: Would you like to have it copied [fol. 4538] in?

Mr. Plunkett: Yes.

Chairman Aitchison: Very well. It may be copied in.

(The prepared statement is as follows:)

By Mr. Plunkett:

Q. Are you familiar with the cost study entitled "Railroad Freight Service Costs in the Various Rate Territories" submitted in evidence by Dr. Ford K. Edwards as Exhibits 2 and 3 in this case?

A. Yes.

Q. Have you any comments to make with respect to the source from which the basic information was obtained?

A. Much of the basic information used in determining these costs was procured from the various carriers through the medium of two questionnaires referred to in Exhibit 2; one calling for information under seven different items, and the other for certain system mileage statistics as well as operating expenses for maintenance of way and structures, and transportation accounts, together with locomotive repairs. For the Santa Fe the questionnaire called for subdivision of the expenses and statistics into four territorial groups. The consist of these territorial groups was prescribed in the questionnaire by combinations of specified operating divisions.

In our response to the questionnaire of November 19, 1940, attention was directed to the fact that the separa- [fol. 4539] tion of station employees as between (a) platform labor and (b) other, was not available, and this was estimated on basis indicated in footnote, as suggested in the questionnaire if actual was not known. It was further pointed out that data was not available from which to make the estimated percentage distribution of nonrevenue freight net ton miles by classes of equipment called for in item 3.

In our response to the questionnaire of November 23, 1940, it was explained that the data was compiled in so far as available from existing records within the time allotted. Attention was also directed to the limitations of this data and that certain restrictions would apply to its use, particularly with respect to the separation of operating expenses called for in Schedules (A), (B), and (C), for the reason that for our line operating expenses are assigned to operating divisions primarily for managerial purposes and for local supervision of expenses, and the basis employed in effecting such distribution was designed primarily to meet such needs. Separation of car miles of cars rented on a mileage basis, line 9 schedule (A), was not available from our records by operating divisions from which the prescribed territorial separation was to be made and this was reported only in total for the system.

There was also a one page statement received with the November 23rd questionnaire calling for system statistics [fol. 4540] for carload and less carload traffic for 1939, separated between the four territories indicated. This separation was not available from our records and the data was reported by states or groups of states corresponding as nearly as practicable to the territories comprising the operating division groups specified in the questionnaire.

In the absence of the estimated percentage distribution of nonrevenue net ton miles by classes of equipment, and in response to a further request from Dr. Lorenz the number of cars of company freight loaded and received from connections, year 1939, was furnished. Much of the information called for in these questionnaires was based upon estimates and this was particularly true in case of roads required to separate operating expenses and statistics between several rate territories.

Q. Did the expenses used in this cost study reflect substantially the freight proportion of expenses as currently reported to the Commission?

A. The expenses reported for the entire railroad was the freight proportion of expenses as reported in Schedule 320 of Annual Report Form A to the Interstate Commerce Commission, and that source was specified in column 3 of Schedules (B) and (C) of the questionnaire.

Q. Have you any comments to make with respect to that separation, and as to the m[illegible] in which the expenses are [fol. 4541] separated betwe[illegible]vices?

A. The Commission's rules covering the separation of expenses between services are not absolutely specific for each account as to how the common expenses should be distributed, and leave some latitude to the carriers in making this separation to avoid undue expense. For certain accounts they require expenses be directly assigned to either freight or passenger service as far as practicable and that common expenses be apportioned on basis of the directly assigned expenses. For other items they require carriers to make apportionments based on tests or experience. For other items they prescribe alternate bases or methods of apportionment.

Q. Do all carriers follow the same basis of distribution?

A. No, for the reason that the same character of basic detail is not maintained by all carriers. To illustrate: locomotive repairs are apportioned to services by some carriers in total on basis of locomotive mileage, other carriers initially apportion locomotive repairs by class groups and then distribute each class group to services on basis of locomotive mileage. Similar variations exist in the distribution of fuel expenses, locomotive depreciation, and variation in practices exists in other accounts, which affects the distribution. For Account 394, Train Fuel, the rules provide for direct assignment so far as practicable, [fol. 4542] and common expenses apportioned on basis of direct assignment.

Some roads make the assignment separately for each locomotive, others make it for classes of locomotives—all locomotives in one class being grouped together—others assign the fuel directly to the service in which the locomotive was being used when the fuel was issued. To the extent that these differences exist the separation between services is not entirely uniform and costs based on the freight proportion of expenses so determined will be incorrect unless these variations are rectified.

Q. Does the inclusion of an adjustment to cover the so-called "passenger deficit" compensate fully for such deficiencies as may exist in the primary separation of expenses between services?

A. Adding percentagewise to the freight service cost, the difference between the passenger revenues and the expenses assigned to passenger service, as was done in Exhibit 2, does not in my opinion compensate for the defects in the basic distribution of expenses between services. This for the reason that the expenses are generally treated with by individual accounts and the common expenses are apportioned for each account or in combinations with expenses of a similar nature, and treating with the so-called passenger deficit in the aggregate percentagewise does not [fol. 4543] therefore give effect to the individual account treatment in the initial separation.

In Dr. Edwards' Exhibit No. 13 the passenger deficit is apportioned on the basis of the revenue tons and revenue ton miles. This latter treatment also disregards the effect of the individual account treatment in the initial assignment of expenses to services.

Q. Does the variation in proportion of main and branch line operation, through and way train operation, heavy and light traffic density, have a direct bearing upon the costs of operation of a railroad?

A. These elements of service and operating conditions have a very decided influence upon the cost of service.

Q. Have these elements been given proper consideration in Exhibit 2?

A. In Exhibit 2 it is stated that: "The scales of costs shown for each territory are based upon the average operating conditions in each territory. The costs, therefore, represent a weighted average of all conditions, i.e., main line and branch line operation, through train and way train operation, operation on lines of heavy traffic density and lines of light traffic density, and the operation of large terminals and small terminals."

These conditions enter into the computation of the composite average of all railroads in a given territory, to the [fol. 4544] extent of the influence of volume of expenses and such service units as are used in computing unit costs and the peaks and valleys are leveled off in the over-all average.

Q. Does not the composite average when applied to a given haul, say of 300 miles, produce a result which gives effect to all of those varying conditions?

A. No, for the reason that in applying the over-all territorial average to a specific movement of 300 miles employing three functional operations, carloads, car miles, and gross ton miles, it is assumed that the same proportion of main line and branch line, through and way train service, large and small terminals, and heavy and light density lines exist as in the territory as a whole. In making comparisons of ultimate costs in one territory with another it is assumed the proportions of these various operating conditions are equal in each territory to the proportions existing in the whole of the respective territories.

Q. Can you give some specific reference to the variation existing in these operating conditions on the Santa Fe Railway with which you are connected?

A. The Santa Fe divides almost equally between main and branch lines and the gross ton mile density on the main line is almost twelve times that of the branch lines. Practically all of the branch line service is performed by way trains, whereas for the most part main line service is per- [fol. 4545] formed by through trains. The length of the main line trains measured in cars is about three times that of the branch line trains.

Q. Can you illustrate the direct effect of these variables upon costs on your own line?

A. I have taken information from records of the Santa Fe for selected operating divisions to illustrate the wide variations in cost that result from influences of traffic density, variation in proportion of main and branch line, the proportion of helper service, and in the amount of way and through train service, based on the year 1939, and set this up in Exhibit 193.

It will be observed on this exhibit the Southern Kansas Division with largest proportion of way trains and less than 50 per cent branch lines, but with a relatively light gross ton mile density, 931,000, has the highest operating expense cost per thousand gross ton miles, while the Plains Division, with 61.3 per cent branch lines, a density of 3,798,000, more than four times as large, and with 30 per cent way train service has a much lower cost, $1.31. On the other hand, the Slaton Division, with 73.5 per cent branch lines, and a density of 1,125,000, and 52 per cent way train service, has a cost of $2.07.

The effect of grades is illustrated by the Arizona Division. With 24.8 per cent branch lines, 6,671,000 den- [fol. 4546] sity, only 15 per cent way trains, but 31.1 per cent ratio of helper locomotive miles to principal locomotive miles, the total operating expense cost was $1.92. Similar results appear on the adjacent Albuquerque Division, with 21.3 per cent helper.

The Los Angeles Division, on which the Los Angeles terminal is located, shows the influence of heavy terminal expense among other conditions. With 34.5 per cent branch lines, 2,846,000 density, 9.7 per cent helper, and 39 per cent way train service, the cost was $3.98 per thousand gross ton miles. This division has the highest transportation expense cost per thousand gross ton miles, $2.17; Southern Kansas, with a larger per cent way trains, is next with $1.79.

The Pecos Division approaches nearest to the System average in respect to the proportion of branch lines, helper service, and way train service, being 56.4 per cent, 8.9 per cent, and 24 per cent compared with the system 50.8 per cent, 7.3 per cent, and 31 per cent respectively; but with a density of slightly more than 50 per cent greater than the System, its cost per thousand gross ton miles, both for transportation expense and in total, are substantially lower.

Q. Have you had an opportunity of examining the Bureau's underlying work sheets in the development of data relating to the Santa Fe?

[fol. 4547] A. Copies were procured and I have received them.

Q. Were any errors or deficiencies observed in making this review; if so, please comment on them?

A. I should like to refer to Schedule A, sheet 1, of the work sheets covering the Santa Fe. Line 9, Car miles of cars rented on mileage basis, were reported by the Santa Fe in the questionnaire in total only for the System. This mileage was arbitrarily apportioned between territories in relation to total car miles including cabooses, Line 8. Such mileage in each territory does not bear a direct relation to all System car mileage. The amount assigned to Territory III, including Oklahoma, Slaton, and Plains Divisions and G. C. & S. F. Railway was 37,391,979. (15.366 per cent of the total car miles, 243,345,652). The G. C. & S. F. Railway and P. & S. F. Railway comprise the greater part of Territory III and the actual mileage of cars on a mileage basis for these two lines was 25,996,069, equivalent to 13.65 per cent of the total car mileage on these lines instead of 15.366 per cent used by the Bureau. This represents an overstatement of 12.60 per cent for the G. C. & S. F. Railway and P. & S. F. Railway portion only, and other territories are therefore correspondingly understated.

Q. Do you have any comments to make on any of the other underlying work sheets applicable to the Santa Fe?

A. Yes. Schedule A, Sheet 3 of 3 sheets. The separation [fol. 4548] of system freight train car expenses between running, switching and loading and unloading was made on the basis of constructed car miles for cars in switching service, using an arbitrary mileage for each movement, and the car days for running service. The time portion for running, switching, loading and unloading was constructed on the basis of the car days, using arbitrary factors in the case of each.

The constructed system car days in running service were computed on the basis of the train hours plus the train switch hours multiplied by the average number of cars per train and reduced to days by dividing by 24. The train hours, as defined by the Commission on Form OS-A, represent the elapsed time of road freight trains, ordinary and light, between the time of leaving initial terminal and arrival at final terminal, including intermediate delays.

The time spent at initial and final terminals by through trains, such as our transcontinental trains, which run between Chicago and Pacific Coast, is therefore not included in the reported train hours used in this calculation. Ordinarily considerable time is spent at each train district terminal in servicing or changing engines, inspection of cars, and performing other terminal work in connection with the train.

1939 schedule for our Train 43 provided for approximately 14.65 per cent of the over-all time between Chicago [fol. 4549] and California points to be spent at initial terminals, and that time is not represented in the car days computed by Dr. Edwards under his procedure. Other train schedules vary more or less from this percentage, but to the extent that such train hours have been omitted from Dr. Edwards' calculations the expenses assigned to running service *is* understated and those assigned to switching and loading and unloading time *is* correspondingly overstated.

The total car days for the year were computed from the serviceable cars on line and the deficiency in the computed car days shown for the Santa Fe in Schedule A, Sheet 3, is indicated as follows:

(a) Active Car Days, from Form A, Schedule A, Sheet 3, Column 11, 11,012,821; (b) Serviceable Cars on Line X 365 days, 27,760,440; (c) Understatement, 16,747,619; (d) Per Cent (c) of (b), 60.33.

Q. Have you any comments to make with respect to the Maintenance of Way and Structures expenses?

A. On Schedule B, Sheet 2, covering freight Maintenance of Way and Structures expenses separation between running, switching, station service, general overhead, and special services, Station and Office Building Expenses, Accounts 227-228, were distributed 15 per cent to running service and 85 per cent to station. The expenses in this account include those associated with station buildings, grain [fol. 4550] elevators, ice plants, stock pens, division and general office buildings, etc. Some of these expenses, such as grain elevators, ice plants, and general office buildings, are unrelated to either running or station expenses and should not be included in computing running or station expenses.

Q. Do you have any observations to make with respect to Transportation expenses?

A. Schedule C, Sheet 2, covering separation of Transportation expenses between services, provides for assigning all expenses of Account 402 to running service. On our line this account includes, among other train supplies and expenses, the cost of ice used in refrigerator cars and the revenues and expenses connected therewith.

Q. Have you examined the treatment given the nonrevenue traffic feature by Dr. Edwards and if so, please explain the results of your observation

A. In Schedule E, Sheet 2, the gross ton miles of nonrevenue traffic were approximated and segregated between freight and passenger service on basis of the freight and passenger proportion of operating expenses. The defects in this basis of separation will be explained after discussing the procedure followed in approximating the gross ton miles.

The total nonrevenue net ton miles of the Santa Fe System were distributed between gondola and hopper cars, tank cars, and all other cars, in direct relation to number [fol. 4551] of carloads of company coal, oil and other freight loaded and received from connections which we reported to Dr. Lorenz in response to his special request. It was thus improperly assumed that the average haul for all classes of company material was the same. A test reveals that the haul for coal is approximately one-half the average haul for fuel oil.

The average load per car was then assumed to be the same as for the same type of car of commercial traffic. The loaded car miles were next constructed from the average hauls, and synthetic gross ton miles were produced by applying the average tare weight for the respective classes of cars furnished by the carrier in response to Item 5 of the November 19th questionnaire. Empty car miles were arbitrarily determined by assuming the empty car movement was in the same ratio as all cars of the respective types. This assumption is erroneous.

It is our practice to load box cars with company material, westbound, that are suitable for return eastbound loads. Empty refrigerator cars moving westbound are utilized in moving company material in order to conserve equipment and to reduce empty car mileage.

The total gross ton miles of company freight was arrived at by combining the net ton miles of nonrevenue freight, estimated loaded and tare gross ton miles, and [fol. 4552] the estimated empty tare gross ton miles. The ratio of the total nonrevenue gross ton miles to the total gross ton miles, excluding caboose, was reduced to a freight proportion, in the ratio of the freight proportion operating expenses to the total operating expenses.

Establishing the freight proportion of nonrevenue service on basis of freight proportion of operating expenses is based on the assumption that the company service performed for the benefit of freight and passenger service bears a direct relation to the expenses assigned to each service.

Q. Is this a proper assumption?

A. It is not. The preponderance of nonrevenue service on our line and other lines generally is incurred in transporting fuel, ties and ballast. About 50 per cent of our nonrevenue service in 1939 was in transporting fuel for locomotive use. Freight service requires considerably more fuel transportation service per $1.00 of operating expense than does passenger service.

Q. Have you made some computations which show the actual difference?

A. Yes, In 1939 there was transported on the Santa Fe System 46 pounds of company fuel for freight service per $1.00 of operating expenses, and 38 pounds per $1.00 of operating expenses for passenger service. Relatively there was performed 21 per cent more transportation service in [fol. 4553] connection with locomotive fuel for the benefit of freight service than for passenger service. If proper adjustment of nonrevenue traffic is to be made between services, this disparity in service requirements should be given recognition. These features are cited in order to reveal, at least in part, the extent to which arbitraries have been employed in developing costs.

Q. In your examination have you considered the treatment accorded less carload deficiencies?

A. I gave particular attention to this computation for the Santa Fe as shown on Schedule E, Sheet 3.

Q. Will you please explain what your examination revealed.

A. The computation of less carload deficiencies has been made by a statistical process, employing many arbitraries. Net ton miles were built up by using the average haul 811 miles as developed from the Forwarder report, which was based on one week October 1 to 7, 1939, for our road, and the average net ton miles per loaded car mile, 7.14 tons, from that report. It was also assumed that the average load and average haul for the system was also applicable to each of the four territories featured for the Santa Fe.

The assumption was not proper. In the case of Territory 1, which comprised the portion of our line in Illinois, the total miles of road operated aggregated only 290 miles, while the average haul used in that territory was 811 miles.

[fol. 4554] Q. Were station costs properly determined and distributed to territories?

A. In computing station costs, the platform portion was based on the estimated figures, which we supplied for the system in response to the suggestion in the questionnaire, and this figure was allocated to territories on an arbitrary basis in Schedule C, sheet 1, by assuming the same ratio existed in each territory between platform labor and the total freight expense Account 373 as for the system as a whole, namely, 17.203 per cent.

This assumption is faulty. In the case of Chicago Terminal Division, included in Territory I, for which separation is available, the platform labor represented 35.66 per cent of Account 373 in 1939, for that division; and similarly for the Kansas City Terminal Division the actual platform labor represented 39.93 per cent of the total expense of Account 373 for that division in 1939.

Synthetic gross ton miles are then built up for less carload traffic, after calculating the loaded car miles by using the average net ton miles per car from the Forwarder report for one week test period and constructing loaded and empty tare ton miles; assuming that the ratio of empty to loaded car miles for all box car traffic on our system, namely 32 per cent, was applicable to less carload traffic.

This assumption is also faulty for the reason that volume [fol. 4555] of less carload traffic on our line is predominantly west and southbound, whereas it is in the reverse direction for carload traffic, affording a surplus of box and refrigerator cars for loading of merchandise west and south.

During 1939 the Santa Fe loaded 19,993 cars of less carload traffic at Chicago and forwarded 37,732 empty refrigerator cars and 15,773 empty box cars westbound, and at Kansas City loaded 45,464 cars of less carload traffic, and forwarded west and south 41,015 empty refrigerator cars and 20,717 empty box cars.

All traffic for Arizona and California points as far as possible is loaded in returning westbound refrigerator cars. Class A box cars conditioned for flour and mill products and cement are placed for loading merchandise traffic going to territories originating grain and grain products and cement. Because of this practice a large portion of less carload traffic involves no empty return movement.

Because of these circumstances, the cost of handling less carload traffic as determined for our line is overstated materially.

Mr. Plunkett: We offer in evidence Exhibit 193, Mr. Chairman.

Chariman Aitchison: Is there any objection to the receipt in evidence of Exhibit 193? (No response.) It is received.

[fol. 4556] (Exhibit 193, Witness McDonald, received in evidence.)

Chairman Aitchison: I would like to ask you a question.

By Chairman Aitchison:

Q. When you furnished this information in response to the questionnaire of November 19, 1940, and attached the reservations that you have spoken of, were you doing the best you could in the circumstances to give the Commission the information you knew they wanted?

A. We gave them the best information that was available within the limited time that they prescribed for making response to the questionnaire.

Q. Well, in the time since then, have you developed any corrections that you would like to have made in the return that you made?

A. I did not pursue the response to the questionnaire any further, because in order to develop more accurate information, it would involve a considerable amount of research, and we did not know for what purpose that data was to be used.

Q. How long was it before you found out?

A. Well, we found out what the purpose was after we submitted the response. I did make an inquiry in connection with one of the questionnaires as to the purpose of it, but it was not quite clear after getting the response as to just what specific use was to be made of it. It was a rather [fol. 4557] general reply and I was not sure what use would be made of it.

Q. You have known for at least a year and a half what was being done with the questionnaire, have you not?

A. Oh, yes. We know that, and of course as soon as we got the copies from the Commission of the work sheets, we knew the manner in which it had been applied.

Q. Now, knowing as you have for at least a year and a half the purpose of the questionnaire and the significance which must be attached to the answers made, have you made any effort to furnish the Commission with better information that you gave in the questionnaire, or are you doing so now?

A. No. We have not undertaken any further research to go into all of those various features that were covered by the questionnaire.

Q. You spoke of certain errors and deficiencies which you discovered in making a review of the work sheets, particularly Schedule A, sheet 1, line 9. Your statement was as follows: "Line 9, car miles of cars rented on mileage basis, were reported by the Santa Fe in the questionnaire in total only for the system." Then a little further on in your testimony you make the statement that the G. C. & S. F. Railway and the P. & S. F. Railway had an actual mileage of cars on a mileage basis aggregating, for the two lines, 25,996,069. Why did you not report that in the question- [fol. 4558] naire?

A. Well, the territorial sub-divisions all were specified in the questionnaire; the questionnaire stipulated the specific operating divisions that were to be included in these territories. In the case of territory 3, those two railroads, the G. C. & S. F. and P. & S. F., do not constitute the entire territory that was called for in that questionnaire, in group 3, or territory 3. We really had no separation at all that covered the territory that was specified.

Q. You could, however, have given—as you have now done—the actual mileage of those cars for the two lines that you have mentioned and which you say comprise the greater part of territory 3, could you not?

A. (No answer.)

Q. The answer is what, please? I said, you could have given it, could you not?

A. Those mileages were available and we could have supplied them for those two railroads.

Q. All right. Now, give any explanation you want.

Mr. Plunkett: Go ahead, Mr. McDonald.

Chairman Aitchison: You may make any explanation you want.

The Witness: It did not cover the entire territory of those two lines.

By Chairman Aitchison:

Q. It was information which was in your possession and [fol. 4559] not in the possession of the Commission, was it not?

A. Well, we could have developed the information from our records. We do not regularly report this information to anyone.

Q. Are these two lines of railroad respondents in these proceedings, do you know?

A. (No answer.)

Chairman Aitchison: The record will speak for itself. I thought maybe you knew.

The Witness: I think they are as part of the Atchison, Topeka & Santa Fe Railway System.

By Chairman Aitchison:

Q. Are they not specifically named, separately?

A. I could not say as to that.

Q. Have you made any cost studies yourself to put in before the Commission or before courts?

A. Yes. I have made cost studies for cases before the Commission.

Q. Where you attempted a general distribution of the costs?

A. That is where we were measuring the cost of certain commodities.

Q. Now, how did you do that, by analysis and breakdown on the one hand, or by a synthetic method of building up on the other?

[fol. 4560] A. We developed those costs on the basis of treating with the service units that were associated with the particular traffic under study. We developed the unit costs for the service units, the special types of service units such as train miles, locomotive ton-miles, locomotive miles, gross ton miles, car miles and net ton miles. After determining the unit costs for these particular service units, we ascertained the volume of those individual service units that were associated with or incurred in connection with the movement of the commodity under review and applied to those respective units that respective unit cost.

Q. That is a synthetic method rather than an analytical method, is it not?

A. Well, I think it is more or less of a procedure, because the costs do not separate; they cannot be separated in the initial instance, and we have to proceed in some fashion to get them when we are developing the cost for a particular commodity. They are out-of-pocket costs.

Q. Those were relatively small cost computations, were they, or did they involve great quantities and computations?

A. They involved specific movements. I have in mind the movement of petroleum traffic from California and Arizona points under Docket 27565 and then in connection with other local movements of commodities, individual commodities not moving in substantial volume.

[fol. 4561] Q. Petroleum is the largest one you have in mind?

A. Yes. Petroleum, I think, in point of volume of movement, is the largest.

Q. In these cost studies that you have made, what was your treatment of the constant costs as compared with the variable?

A. Well, of course we first separated the expenses as between the variable expenses and then we used a rather arbitrary method for superimposing the overhead or the fixed expenses on those out-of-pocket costs. Those were minimum rate cases, and the treatment that we applied was a percentage application of the fixed expenses.

Q. How would you ascertain or come to a conclusion with respect to the percentage which should be used?

A. Well, that was based on the percentage relationship of the aggregate out-of-pocket expenses to the total expenses.

Q. Do you have any cost studies that you care to submit in this proceeding?

A. No. I do not have any complete and comprehensive cost studies.

Chairman Aitchison: That is all I have. Have you any examination, Mr. Smelker?

Mr. Smelker: I had one question, Mr. Chairman, but you asked it.

Mr. J. R. Bell: Professor Day can now explain——

[fol. 4562] Chairman Aitchison: Just a minute until we finish with this witness.

Mr. Plunkett: I have one more question.

By Mr. Plunkett:

Q. Chairman Aitchison asked you about what efforts you had made to produce correct separations by territories since you learned the use Dr. Edwards was going to make of that separation, which was about a year and a half ago. Have you been short handed since that time because of the draft, with your forces?

A. We have been decidedly so, on personnel. In order to undertake any such analysis as, in my opinion, would be necessary to get more dependable separations, would involve a tremendous amount of research on our whole Santa Fe operations.

Q. Suppose you were trying to ascertain the amount of the payments made to private car lines for the use of their equipment that would be attributable to each of the four territories through which the Santa Fe runs; what would your have to do to get it exactly?

A. We would have to start from the wheel reports for each train district and identify the private line cars and the mileage of their movement on each of those districts, and then assemble them for the division as a whole in order to fit the aggregate into the combinations of divisions that were specified in this grouping arrangement by territories [fol. 4563] as set up in the questionnaire.

Q. Would that have been an expensive proposition?

A. It would have involved a tremendous amount of work to review all of our wheel reports for each train district. It would involve every train that we operated, every freight train, for a period of a year.

Q. Part of the information that was requested in the questionnaire was a breakdown of your traffic units over these four territories. By "traffic units" I have in mind gross ton miles, net ton miles, loaded and empty car miles; is that right?

A. That is right.

Q. Would an actual breakdown of those traffic units be an expensive job?

A. Now, with respect to those traffic units, that is gross ton miles and locomotive miles, we do have such separation, and that was included in our response to the questionnaire.

Q. You keep that currently, do you?

A. Yes.

Q. Do you know whether that is generally done by all lines?

A. Well, no. It is not generally done.

Q. But you do it?

A. This separation by operating divisions of service units such as we make, is made by few roads; I think we are one of the few roads that make such a separation.

[fol. 4564] Q. Were there any other items of expense that you would have to go to the basic data for, like time slips or material tickets, if you were going to make an actual separation of expenses?

A. Yes, there would be, because in our initial separation that we make for supervisory needs, we localize the expenses; that is, we consider them as being incurred on the territory or district on which the particular facilities, such as shops or roundhouses or stations, are located.

Q. Is that because the purpose of your local statistics is to check the efficiency of the local superintendent?

A. That is right.

Q. On whose division they are situated.

A. He is responsible for those expenses, and they are separated for his territory so that they can be policed and he can be held accountable for variations in those expenses.

Q. But such a separation might or might not be useful in a cost study which had for its purpose the breakdown of expenses over the various rate territories, is that right?

A. No, I do not think it would be, unless the cost study would encompass all of the various service units and be sufficiently sensitive to take care of the initial infirmity in the separation; either that, or make the separation starting from scratch and revamping it to fit cost purposes.

Mr. Plunkett: That is all I have.

[fol. 4565] Chairman Aitchison: I would like to have you answer one more question for me.

By Chairman Aitchison:

Q. In these cost studies that you made where you apportioned the constant costs in the ratio of your actual out-of-pocket cost, did you not automatically apportion the passenger deficit?

A. No. I did not treat with the passenger deficit at all in any of my cost studies, because I have not felt it had a proper place in a cost determination.

Q. What I am getting at is this: You spoke of total costs; did you mean total costs assigned to freight?

A. Yes. I should have explained that, Mr. Chairman.

Chairman Aitchison: Is there anything further?

Mr. Bee: I would like to ask one question.

By Mr. Bee:

Q. Mr. McDonald, where is the Illinois Division and the Missouri Division? Where are they located?

A. The Illinois Division is located in Illinois and extends from Corwith, Ililnois, to Shopton. The Missouri Division extends from there on to Argentine.

Q. The Plains Division, please?

A. The Plains Division extends from Waynoka, Oklahoma, to Clovis, New Mexico.

Mr. Bee: That is all, thank you.

Chairman Aitchison: Are there any further questions?

Mr. Dyer: Mr. McDonald, I have described the Eastern [fol. 4566] and Middle Divisions on page 6, Section C of my Exhibit No. 141.

By Mr. Dyer:

Q. Will you please describe the Southern Kansas Division?

A. The Southern Kansas Division extends from Chanute, Kansas, on the north to Tulsa, Oklahoma, on the south and to Winfield, Kansas, on the west.

Q. Does it include Joplin?

A. Pittsburg and Joplin.

Q. Could you state the mileage, the total mileage of that division?

Mr. Hughes: Mr. Chairman, I am unable to see the pertinency of this line of examination to the testimony relating to cost studies.

Chairman Aitchison: The witness has given us an exhibit which shows various operating divisions, including the Southern Kansas Division. I think Mr. Dyer is entitled to know how many miles are in that division.

The Witness: The mileage of the Southern Kansas Division in 1939, the year used in this study, was 560 miles of road.

Mr. Dyer: Thank you.

Chairman Aitchison: I want to ask you one more question.

By Chairman Aitchison:

Q. You spoke also of a discrepancy that you found with [fol. 4567] respect to the Chicago Terminal and Kansas City Terminal with respect to platform service. Is that right?

A. Yes. That is right.

Q. You give now the proper figures for the platform service in those two territories, or those two sections?

A. These are rather fragmentary, Mr. Chairman. The Chicago Terminal, of course, was included in Territory 1, but that was the only part of the Territory 1 for which we did have the separation, and the same was true of the Kansas City Division. That was included in Territory 2, but it was just part of Territory 2. That was all we had the separation for, was those two terminals.

Chairman Aitchison: Are there any other questions of Mr. McDonald? (No response.) If not, you are excused.

(Witness excused.)

Chairman Aitchison: Is there any further testimony to be presented at this hearing?

Mr. Plunkett: We would like to recall Mr. Day, Mr. Chairman.

Chairman Aitchison: Very well.

Clarence E. Day recalled:

Direct examination.

By Mr. Plunkett:

Q. The Chairman asked you about some information re- [fol. 4568] specting the rates on peaches, I believe, and pears which you were to get this afternoon.

A. Yes.

Q. Have you that information?

A. And lettuce.

Q. And lettuce.

Mr. J. R. Bell: And also oranges.

By Mr. Plunkett:

Q. Will you explain that?

A. I have verified the costs that are shown on page 3 for cost level V-a. The costs that are referred to in the text on page 6 should be 10 per cent higher, approximately, on account of measuring a level of V-b.

Q. That is shown on one of the sheets of Dr. Edwards' exhibit in a footnote, is it not?

A. Yes. To the table of costs he adds 50 per cent to get cost level V-a and 65 per cent to get cost level V-b, or 10 per cent higher. I find, however, that in the text where I show $4 as being the cost, that should be $4.40.

Chairman Aitchison: Worse yet.

The Witness: I beg your pardon?

Chairman Aitchison: Worse yet.

The Witness: I read the value out of the 11 tons——

Mr. J. R. Bell: Are all the rest of the figures correct?

The Witness: Yes. I read the value out of the 11 tons [fol. 4569] instead — out of the 10 tons.

By Chairman Aitchison:

Q. In order to get the figures you have in your text, you took the Column K figures and added 10 per cent to them, is that right?

A. No, To get V-b, you add 65 per cent; to get V-a, you add 50 per cent.

Mr. Plunkett: The Chairman asked you what you should add to Column K.

Chairman Aitchison: Yes.

Mr. Plunkett: I think your answer would be, 10 per cent.

The Witness: To get the V-b level, you add 10 per cent to the Column K values.

Chairman Aitchison: Yes.

The Witness: But I have been talking about the Column H values because we were talking about minimum loads instead of the average load or actual load.

By Mr. J. R. Bell:

Q. The V-a level is shown on page 3 of your Exhibit 192, is it not?

A. Yes.

Q. Your V-b level is set out on page 6 of your statement?

A. Yes.

Chairman Aitchison: That, of course, will not appear in the transcript.

Mr. J. R. Bell: I beg your pardon?

Chairman Aitchison: It will not appear in the transcript, [fol. 4570] identifying it as page 6.

Mr. J. R. Bell: It has been referred to as page 6 heretofore, in connection with this.

Chairman Aitchison: The reporter then may change the $4 figure to $4.40, in the original text.

By Chairman Aitchison:

Q. Similar changes should be made in the percentages which result from those computations?

A. That is right.

Q. Is that correct?

A. Yes.

Chairman Aitchison: Are there any other questions of Dr. Day? (No response.) You are excused, sir.

(Witness excused.)

Mr. Hughes: Mr. Chairman, this concludes the presentation of the railroads, the Class 1 railroads of the Western District at this time. I would like to make this reservation with respect to the Washington hearing: There have appeared at this hearing some witnesses from Iowa and other Western Trunk Line States who have put in certain testimony relating to the Western Trunk Line rate situation which the carriers heard for the first time here. It may be that further analysis and study of their material may lead us to the view we should offer some brief rebuttal of it at the Washington hearing. On the other hand, we may not see that there is any necessity for it. I should like to reserve [fol. 4571] the right for a short period at that hearing for that purpose.

Chairman Aitchison: If there is nothing further, the present hearing will be adjourned to be reconvened upon the call of the Commission. I regret that we are not able to assign the precise date at the present moment. The parties will be advised.

(At 4:30 o'clock P. M. November 27, 1942, hearing adjourned to a time and place to be fixed by the Interstate Commerce Commission.)

[fol. 4572] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

Class Rate Investigation, 1939

Docket No. 28310

Consolidated Freight Classification

Main Hearing Room,
Interstate Commerce Commission Bldg.,
Washington, D. C.

March 29, 1943.

Met, pursuant to notice, at 10:00 o'clock a. m.

Before Division 2 of the Commission. Hon. Clyde B. Aitchison (Presiding.) Hon. J. Haden Alldredge (Chairman of the Commission.) Hon. Walter M. Splawn, and a Cooperating Committee of the National Association of Railway and Utilities Commissioners, represented by:

Mr. W. H. Scott, of The Public Service Commission of South Carolina.

Mr. George McConnaughey, Public Utilities Commission of Ohio.

Mr. C. L. Doherty, South Dakota Public Utilities Commission.

Present Paul O. Carter, Examiner. W. J. Koebel, Exami- [fols. 4573-4574] ner. T. L. Haden, Examiner, W. U. Hardie, Director, Bureau of Traffic. J. J. Murphy, Consultant.

Appearances:

(As heretofore noted.)

Additional Appearances:

Frank W. Gwathmey, 1110 Shoreham Building, Washington, D. C., appearing for Southern Railroads.

T. P. Healy, 466 Lexington Avenue, New York City, appearing for Official Carriers.

Henry J. Hart, 12 Graham Building, Bangor, Maine, appearing for Bangor and Aroostook Railroad Company, Canadian Pacific Railway (Lines in Northern Maine), Aroostook Valley Railroad Company.

B. R. Gillespie, Public Service Building, Jefferson City, Missouri, appearing for Missouri Public Service Commission.

Orson L. Huntsman, Federal Office Building No. 1, Washington, D. C., appearing for Office of Price Administration and Director of Economic Stabilization.

T. T. Turnbull, Tallahassee, Florida, General Counsel, appearing for Railroad Commission of Florida.

[fol. 4575] Proceedings

Commr. Aitchison: We will resume hearing in Dockets 28300 and 28310, according to notice.

The record should show we have sitting with us this morning Commissioner C. L. Doherty of the South Dakota Public Utilities Commission in the place of Commissioner Murphy, who formerly sat as a member of the Committee, but that the Division is glad to say the Commission will have the benefit of the advice of Mr. Murphy in further proceedings in this case.

Mr. Smelker, do you have anything further to offer?

Mr. McCollester: Mr. Commissioner, before we start the presentation of testimony I would ask your indulgence for just a moment.

We live in a world where, thank goodness, human relations are still of value, and it seems to me under those circumstances that the record in this proceeding should very appropriately note that since we were last together at the Columbus hearing two of our group have died, two that have taken a very prominent part in the proceedings, Nye McGehee and Milton P. Bauman.

I would like to record my own personal sorrow at the death of both of them, of whom I was very fond, and I am sure I speak for all of us in recording those sentiments.

Commr. Aitchison: You have, of course, accurately stated the feeling of those of us on this side of the bench as well [fol. 4576] — counsel with whom these gentlemen have been so long associated in practice.

Mr. Norman: Mr. Chairman, may I make a suggestion that as soon as possible we find out something about the course and extent of these proceedings, and that to that end I think it would be well if the parties would advise Mr. Carter, or someone who may be designated, as to the time that they expect to consume, so that we can have some idea of where we are by noon, say. Some witnesses won't get here, perhaps until time for them to go on the stand. So far as I know up until this time there has been no indication by any parties as to what their position is.

Commr. Aitchison: We thought that went without saying that Mr. Carter and Mr. Koebel would be kept advised by persons expecting to be heard with respect to the amount of time that would be needed, and what their wishes were, and we will try to be frank when we get that information in order to help you on here, and let you get away.

Corrected Exhibit 189, let the record show, was received in evidence on December 9, 1942. The original Exhibit 189 was introduced by Witness O. M. Anderson, who was granted permission to prepare a new exhibit, as shown by the transcript at page 450, and the corrected exhibit was mailed to Mr. Plunkett, we are informed.

Mr. Plunkett: Mr. Chairman, Mr. Williams and I have a [fol. 4577] stipulation to make on the record in connection with that exhibit.

Commr. Aitchison: All right.

Mr. Plunkett: It is stipulated by J. P. Plunkett, representing the North Dakota Lines, and M. E. Williams, representing the State of North Dakota, that the following tariffs may be considered a part of the record for reference by all parties:

The Great Northern C.F.O. No. 3425-D, I. C. C. A-7977; Northern Pacific Tariff 4407-D, I. C. C. 9581.

In consideration of this stipulation Mr. Williams has agreed to waive cross-examination of Mr. Anderson on the corrected exhibit.

Commr. Aitchison: The corrected exhibit will be received.

(Corrected Exhibit 189 (Witness Anderson) received in evidence.)

Commr. Aitchison: Now, Mr. Smelker.

Mr. Smelker: At the Columbus hearing it was stipulated that the traffic study then being prepared by Dr. Aitchison would subsequently be admitted in evidence as an exhibit in this case.

The study has been completed and copies have been distributed in the manner adopted at the Indianapolis hearing, that is, the proper number of copies have been mailed to the key men designated at Indianapolis, and in addition [fol. 4578] copies have been placed on the Commission's press table.

On the cover page the study is entitled, "Territorial Movement of Carload Freight on May 27 and September 23, 1942," and is shown as having been prepared by Beatrice Aitchison, Associate Economist

The study is self-explanatory, but I would like to state by way of explanation that it contains results of a study made by Dr. Aitchison of carload traffic originated on September 23, 1942, together with corrected figures for the May 27 study which was introduced at the Indianapolis hearing as Exhibit 14. This exhibit, if admitted, will supersede Exhibit 14.

I now offer it as Exhibit No. 194.

Commr. Aitchison: Any objection?

Mr. Bee: Mr. Chairman, may we reserve the right to call Dr. Aitchison for questions on this exhibit during the hearing?

It is a very complete exhibit, but it is one we had to get all of our staff together to kind of discuss, and we only had the staff together yesterday afternoon, and we would like during the hearing, if possible, to call Dr. Aitchison.

Commr. Aitchison: She will be available on proper notice. No objection.

Mr. Bee: No objection.

Commr. Aitchison: Exhibit 194 is received in evidence.

(Exhibit 194 (Witness Aitchison) received in evidence.)

[fol. 4579] Mr. Norman: I have one or two questions I want to ask Dr. Aitchison, but I am perfectly willing to defer them.

Commr. Aitchison: At this time, or later?

Mr. Norman: I can ask them at this time.

Commr. Aitchison: Take the stand.

Dr. Beatrice Aitchison previously sworn, recalled and testified:

Cross-examination.

By Mr. Norman:

Q. I just wanted to inquire, Dr. Aitchison, on what basis you separated as between commodities moving on class rates and commodities moving on commodity rates.

A. I took this combination on page 5 of Exhibit 194 in conjunction with the Appendix II list of commodities in the proposed order of September 25, 1940, and adjusted on that basis.

I believe the assumption in that proposed order was that the Appendix II commodities were apt to move on commodity rates rather than on class rates.

Q. But if a commodity moves on a percentage of first class or column rate, did you give that any consideration at all?

A. I didn't look into the rates that the commodities actually moved on in making that list. I just used the Appendix II list.

Q. So that if there be commodities in that appendix that move on class rates, or rates made with relation to the class rates, they nevertheless would be shown here as commodities.

[fol. 4580] A. Yes, they would be shown here as commodities.

Mr. Norman: I believe that is all.

Commr. Aitchison: Any further questions at this time?

Mr. McCollester: May I ask a question?

Cross-examination.

By Mr. McCollester:

Q. Dr. Aitchison, did you make any check or any spot check on the basis of actual billing and actual rates to see how your assumption worked out for any representative movements?

A. We have had a tabulation made. The waybills for September were not in our possession. We had access to them, but we could not take all 137,000.

The Office of Defense Transportation made for us a tabulation showing item by item the territorial movement.

Instead of Group 701 we had, starting with absorbent cotton, and going on through some of the zinc products each item separately with the number of carloads moving from each territory to each other.

Q. Did that show whether the commodities moved at class rates or at commodity rates?

A. That tabulation itself did not, but some of the men in our rate branch, the Bureau of Traffic, took that tabulation and without origination and destination stations specifically considered worked out what they thought were the most probable rates that would be applied on those move- [fol. 4581] ments, and that has been analyzed somewhat.

As to whether they picked the proper rates or not, I couldn't say.

Q. That is the only attempt at a check of your assumptions as between class and commodity?

A. Yes.

Q. Which has been made?

A. Yes.

Mr. Bee: May I inquire at this time, and it may avoid recalling Dr. Aitchison?

Cross-examination.

By Mr. Bee:

Q. On page 3, at the bottom of the page, in the last sentence, you state, "This table doubtless overstates the importance of class-rate traffic."

Having in mind that on page 5 you show that cottonseed, vegetable meal and cake are commodity rates, then to that extent I presume that all cottonseed meal, vegetable meal and cake that you found in the study would have been rated under the commodity description.

A. Yes, those were all in this list.

Q. If as a matter of fact all cottonseed moving from the southwest would move on the percentage of the class rate basis, or the column 100 basis, then to that extent at least this table would be understated, would it not, as to the effect of the class rates?

[fol. 4582] A. To that extent, yes, if that situation was the case.

Q. Could you tell me what caused you to feel that you had overstated or overemphasized, as you use it, the effect as to the class rates?

A. Some of the items which were not on this Appendix 11 list, such as fruit and vegetables, iron and steel, first class, to those of us who worked with it we thought they moved probably on commodity rates rather than on class rates, yet they would be included as class rates in this table on page 3.

Q. Even though they moved at commodity rates?

A. We didn't know whether they moved at commodity rates or not. We felt that they did. On the other hand they were not on this list that was in the proposed order, and this list was what governed.

Q. And your statement on page 3 was your best judgment from your examination of some 70,000 shipments, I should say.

A. More than that. We had over 131,000 in May, and over 137,000 in September.

Q. Oh, I thought you said 37,000.

A. 137,000.

Q. Approximately 300,000 shipments?

A. That is right.

Q. Without actually rating the shipments?

A. Yes.

Mr. Bee: Thank you.

[fol. 4583] Commr. Aitchison: Any further examination?

(No response.)

Commr. Aitchison: You may be excused.

(Witness excused.)

Mr. Smelker: During the hearing in this case various witnesses, including those appearing for the Commission, have made reference to Freight Commodity Statistics Class I Steam Railroads in the United States, Year Ending December 31, 1939, Statement No. 40,100.

For that reason I now ask that that publication be made a part of this record in this case.

Commr. Aitchison: It can be done by reference, can't it? It is one of our regular publications.

Mr. Smelker: I think it can.

Commr. Aitchison: Any objection to its being used by reference without actual production of the document?

Mr. Norman: I was going to make the same motion.

Commr. Aitchison: That will be understood, and anybody can make use of the data in there so far as it is material and relevant to this proceeding.

Mr. Smelker: Dr. Edwards is available now at any time.

Commr. Aitchison: There was a study which he prepared and which was circulated. Is it your desire to introduce that at the present time?

Mr. Smelker: At any time that suits the convenience of [fol. 4584] the Division.

Commr. Aitchison: Let's go off the record a minute.

(Discussion off the record.)

Mr. Smelker: Dr. Edwards, take the stand.

Ford K. Edwards previously sworn, was recalled and testified:

Direct examination.

By Mr. Smelker:

Q. Dr. Edwards, has your exhibit been distributed to the bench?

A. Yes, sir.

Q. Have you been sworn?

A. Yes, sir.

Q. You have prepared, I understand, under your direction and supervision, at least, an exhibit designated on the title page as "Identification A," and entitled, "Unit Costs for the Eastern Territory Including and Excluding the Pocahontas Territory and the State of Kentucky, Unit Costs for the Southern Territory Including and Excluding the State of Kentucky, and Other Data."

A. Yes, sir.

Mr. Smelker: If the Commissioner please, I would like to have that marked for identification as Exhibit 195.

(Exhibit No. 195 (Witness Edwards) marked for identification.)

By Mr. Smelker:

Q. Have you made the usual distribution to the parties, [fol. 4585] Dr. Edwards?

A. Yes, sir, I have.

Q. When and how was that distribution made?

Commr. Aitchison: Well, there is no question about that, apparently.

By Mr. Smelker:

Q. I understand you have also prepared a statement explaining this study, have you not, Dr. Edwards?

A. Yes, sir.

Q. Is that statement entitled, "Statement of Ford K. Edwards in Reply to the Criticisms of Exhibits Introduced by Him"?

A. Yes, sir.

Q. What comments have you to make concerning it?

A. I have no comments to make concerning the statement.

I have two brief comments or statements I would like to make concerning Exhibit 195.

Q. All right; you may make them.

A. The first refers to Table 3 and arises from a question which was raised as to what figure we used as the ratio of territorial tons originated to total tons originated for the Eastern District.

Q. What page of the exhibit is Table 3 on?

A. Table 3 extends from page 10 to page 16.

On page 16, footnote 2, we explain the method of our count of tons handled by territories, such tons excluding duplications.

[fol. 4586] In obtaining such count we made use of the ratio of interterritorial tons terminated to total tons terminated.

The question has been asked of me as to how we obtained that ratio for the Eastern District inasmuch as the working data were based on Dr. Beatrice Aitchison's study which covered the Official Territory and did not make a separation between Eastern District and Pocahontas region.

My answer is that for that purpose we used the ratio for the Official Territory assuming that the inclusion or exclusion of the Pocahontas region did not affect the results.

As a check upon that, we subsequently made a laborious study separating the waybills for May 27 between the Eastern District and the Pocahontas Region.

This test study covered 26 commodities and 63 per cent of the tons.

For this tonnage we came out within 1 per cent of the figure we used in the table so that we believe our treatment gives us reasonably accurate results.

My second statement refers to Table 14, page 45.

In columns 2 and 7 of this table, we show the ratio of the carload freight revenue to the fully distributed carload costs by commodity classes for the United States as a whole.

In computing these ratios for the United States as a whole we applied to the tons a ton mile of each commodity class the cost scales that we developed for the United States [fol. 4587] as a territory, namely, Territory 12.

Subsequently to the completion of this study we came to the conclusion that a more accurate development of costs by commodity classes for the United States would have been based upon a summation of the costs by commodity classes by territories. Thus we would obtain our costs by adding to them the costs for each commodity class to obtain the United States total.

Commr. Aitchison: When you speak of "we,"—"we came to the conclusion" and so on—whom do you mean?

The Witness: I should make that "I", Mr. Commissioner.

Commr. Aitchison: Speaking editorially and regally.

The Witness: Yes, sir; I am speaking on behalf of the senior members of the cost section, but I presume I should say I.

The reason for this conclusion is that the distribution of the commodity classes is not equal throughout the territories.

In other words, for example, there is a heavy concentration of cotton in the South, and bituminous coal in the Pocahontas territory.

I merely desire to point out that the comparisons for the United States are available in the record from the freight commodity statistics statements showing the revenues and the material in Exhibit 195 showing the costs by territories, [fol. 4588] and also the ratio of revenues to costs by territories in Table 14.

I have made such a recomputation for the United States, and would like to read into the record ten figures giving the results of this treatment of the United States for the major commodity classes.

Referring to page 45, Table 14, column 2, which shows the ratio of carload freight revenues to fully distributed costs, including loss and damage, passenger and L. C. L. deficits, and 4 per cent return for products of agriculture, the figure would change from 91 to 85.

For animals and products the figure would change from 100 to 93.

The products of mines would be 85.

The products of forests, 84.

The total manufacturers and miscellaneous, 121.

Now, turning to column 7, which is a similar ratio but is based upon the actual rate of return realized by the carriers in each territory, the figures for products of agriculture would change from 94 to 89; for animals to 97; for products of mines to 84; for products of forests to 88, and for manufactures and miscellaneous to 125.

To sum up briefly, for major commodity classes, based on these figures, it appears that the rates on the average for products of agriculture, products of mines, and products of [fol. 4589] forests are from 85 to 90 per cent of the fully distributed costs which we developed, including passenger and L. C. L. deficits and return.

For manufactures and miscellaneous the rates on the average for all individual commodity classes are from 25 to 35 per cent above the fully distributed costs, including passenger and L. C. L. deficits and return.

That completes my statement.

Mr. Smelker: If the Commission please, the prepared statement of Dr. Edwards is quite voluminous, containing

119 pages, and rather than have it copied into the record, we suggest it be made an exhibit in this case.

Commr. Aitchison: Is that satisfactory to all concerned?

Mr. McCollester: That is with the corrections?

Mr. Smelker: As submitted to the Commission.

Commr. Aitchison: This will be marked then Exhibit 196, and if you were asked separately about the various matters you have stated in Exhibit 196, your answers would be that they are true and correct according to the best of your information and your opinion. Is that correct?

The Witness: Yes, sir.

Commr. Aitchison: Is there objection to the exhibit?

(No response.)

Commr. Aitchison: I hear none, and it is received.

(Exhibit 196 (Witness Edwards) received in evidence.)

[fol. 4590] Mr. Smelker: Is that true in connection with Exhibit 195 also, if your Honor please?

Commr. Aitchison: Without objection Exhibit 195 is received.

(Exhibit 195 (Witness Edwards) received in evidence.)

Mr. Smelker: The witness is ready for cross-examination.

Cross-examination.

By Mr. Grubbs:

Q. I think it will be a little more orderly if I ask you the questions about Exhibit 196 first, and then I can go back to Exhibit 195, if it seems appropriate.

I will ask you first to turn please to page 1 in your Exhibit 196.

In your explanation of how the Kentucky costs came to be computed you say in the second paragraph that the southern carriers requested that the costs for the East be computed including both Kentucky and the Pocahontas territory, and that the costs for the South be computed excluding Kentucky.

It is true that that request made of you by the L. and N. was only after the request that had been made by the Governor of the State of Kentucky, and was made in connection with that request.

A. Yes, sir.

Q. You explain, Dr. Edwards, that due to the large amount of work that was necessarily involved that it became [fol. 4591] necessary for you to restrict the Kentucky showings to boxcars and to gondola and to hopper traffic and to a limited number of loads.

As I understand it, you had no figures showing actual loads for Kentucky. Is that correct?

A. That is right.

Q. On page 2 of your narrative statement you say that the Kentucky cost showings include the operations of the L. and N. the Illinois Central, the Southern, and the C. N. O. & T. P.

They do not include, do they, the operations in Kentucky of the G. S. and O.?

A. No, sir.

Q. Nor the Tennessee Central?

A. No, sir.

Q. Nor the N. C. and St. L.?

A. No, sir.

Q. Nor the Clinchfield?

A. No, sir.

Q. And they do not include, as I understand it, any of the C. and O. lines in Kentucky?

A. No, sir.

Q. In a strict sense it is the lines in Kentucky in Southern Territory except those I have mentioned to you?

A. That is right, and the reason for that is that those railroads were selected by the representative of the Governor of Kentucky and agreed upon for the purpose of this showing.

[fol. 4592] Q. At the top of page 4 of your narrative statement you have a tabulation headed, "Fully distributed cost," and after that statement you say that this table reveals that costs in the South are something lower than costs in the East.

I take it that you used the term "East" there in the sense of the Eastern District. Is that correct?

A. Yes, sir, Eastern including New England and excluding Pocahontas.

Q. Thereafter you say that that conclusion of yours is also supported by a separate computation which embraces the ten year period 1929 to 1939. Should that be 1930 to 1939 inclusive?

Commr. Aitchison: Off the record.

(Discussion off the record.)

Commr. Aitchison: On the record.

A. Yes, sir, that should be the ten year period 1930 to 1939 as separately indicated in Exhibit 195, page 8.

By Mr. Grubbs:

Q. The method to which you there refer is your restatement of Mr. Kennedy's showing of comparison between Southern Territory with Eastern District?

A. Yes, sir.

Q. I will ask you first, if you had shown the whole of Official Territory in this table, what would the result have been? Have you determined that?

A. No, sir. We didn't make that computation although it is available of record.

[fol. 4593] Q. You say it is available of record?

A. It can be computed.

Q. Would you be willing to compute that figure, and to supply it?

A. Similar to the procedure at the top of page 4?

Q. That is right.

A. Yes, sir.

Commr. Aitchison: How long will that take, Dr. Edwards?

The Witness: It will take about 30 or 40 minutes.

Commr. Aitchison: I take it you don't want it right now, then.

Mr. Grubbs: No, sir, that is all right any time during the hearing.

By Mr. Grubbs:

Q. The reason I asked for that is that on sheet 3 you say this is a table showing the results for principal territories and not subgroups, and I take it that Official Territory is a principal territory, and that Pocahontas is a subgroup in fact.

Dr. Edwards, if you had used the whole of Official Territory, instead of only the Eastern District, for this ten year period, what would the result have been, to show higher or lower costs in the South than in Official Territory?

A. It would show costs higher by roughly 6 per cent, I believe.

Q. It wouldn't be less than 6 per cent, would it?

A. What do you mean? I don't understand the question.

[fol. 4594] Q. You haven't got a figure in your computations that is less than 6 per cent for the South, higher than than the whole of Official Territory, considering fully distributed costs.

A. No, sir. I could answer that question better when I make this computation you desire.

Q. All right, sir.

A. We have some computations, including Pocahontas territory, based on the restatement in Mr. Kennedy's exhibit.

Q. We will get to that. That is a little bit later on in your narrative statement.

A. Yes, sir.

Q. I would ask you to turn to page 20, if you please, sir, just for a moment.

You say there your understanding of the problem that was presented to you was determining territorial average costs for purposes of establishing territorial-wide rates.

A. Might I ask, is that item 2 you are reading?

Q. Yes, sir, that is correct.

A. That has been corrected.

Q. Then I will ask you if the correction that has been made reflects any different conception on your part as to your objective.

A. I made that correction feeling that I might be presuming to state something that should be left for the judgment of the Commission, and have restated my answer to item 2 [fol. 4595] to the technical matters dealing with the use of Rail Cost Form B versus Rail Cost Form A, so I think you would have to restate a new question to me.

Q. I understand that so far as that particular item is concerned, but the problem in general that has been placed before you here, as I understand your conception of it, is that you are to arrive at territorial-wide costs for use in making territorial-wide rate scales. That is correct, isn't it?

A. Yes, sir.

Commr. Aitchison: You are throwing the whole thing wide open. Dr. Edwards is attempting to get out, because he was advised by Mr. McCollester that it was considered objectionable.

By Mr. Grubbs:

Q. I would like to ask you how many class rate territories you recognize east of the Mississippi River, this being a class rate proceeding.

A. For the purpose of this proceeding I would generally recognize the two as being accepted, the Southern and Official, with New England given separate treatment on occasion through differentials.

Q. And Florida given similar treatment in the South?

A. Yes, that is true.

Q. Wherever you, yourself, have made a showing for the Commission here you have made it territorial-wide (I am omitting southern showing now, I mean the southern showing you have just referred to), you have made your com- [fol. 4596] parison territorial-wide from the standpoint of the South, but it has not been territorial-wide from the standpoint of Official territory. That is true, isn't it?

A. No, that isn't true, Mr. Grubbs, with possibly the exception of the statement that you have asked me to furnish. I think most of our final comparisons now are based on both Official and the Eastern District separately.

Q. Wherever you have shown Official Territory as a whole, rather than Official Territory in part, it has only been in a restatement of Mr. Kennedy's or somebody else's exhibit; isn't that true?

A. Yes, sir. Originally we did not make that broad grouping.

Q. Does it seem fair or proper to you, when you are setting up costs for use in fixing rates for territories——

Commr. Aitchison: (Interposing) Wait a minute on that. Would your figures be any different, Dr. Edwards, if you were submitting these as an expert testifying before, we will say, the Commissioner of Internal Revenue, or the Tax Court of the United States?

The Witness: No, sir, unless he wanted some different arrangement or grouping.

Commr. Aitchison: As I have understood your testimony, you have attempted, simply as one experienced in the analysis of the railroad costs, to apportion the costs as they were found between different classes of service. You [fol. 4597] haven't attempted to tell this Commission how much use should be made of your statement, have you?

The Witness: No, sir.

By Mr. Grubbs:

Q. The question I would like to get an answer to is, do you think it is fair or proper to set up cost calculations for rate-making purposes using one area as a basis of your cost calculation and another area for rate application?

Commr. Aitchison: Shouldn't a question of what is fair and what is proper be addressed to this Commission rather than to the witness?

Mr. Grubbs: Perhaps that is right.

Commr. Aitchison: Unless it is a matter of statistical or professional or economics opinion.

By Mr. Grubbs:

Q. In your comparisons where you have eliminated Pocahontas, isn't it true that the Pocahontas lines are large carriers of merchandise traffic?

A. They have a substantial volume. I don't have comparative figures at hand though.

Q. From your study of the statistics, doesn't it reveal to you they are much larger carriers of merchandise traffic than the Southern carriers as a whole?

I mean isn't their density much greater on the manufactures and miscellaneous description, for example, than the density of that description of traffic in the Southern Ter-[fol. 4598] ritory as a whole?

A. No, I haven't obtained a density for manufactured products separately. The record will indicate that.

Commr. Aitchison: Then you can't answer the question.

The Witness: Yes, sir, that is right.

By Mr. Grubbs:

Q. In making the separation or the exclusion of Pocahontas from Official Territory, was it your thought that the Southern Territory was a homogeneous area and Official Territory was a heterogeneous territory and needed and required, therefore, some exclusions?

A. That is probably correct. When we originally started making this study, we had no specific directions as to exactly what we should do.

We knew that the characteristics of the Pocahontas carriers insofar as costs were concerned were substantially different from those of the Eastern District.

We know that from time to time the Commission had felt it necessary to give separate consideration in Official Territory to the needs of the Eastern District carriers, presumably because at the same rate level one might starve and one might greatly prosper. That undoubtedly influenced their decision in separating the Pocahontas from the Eastern District.

After these hearings had been in progress some time, we encountered the criticisms of the Southern carriers, and other parties, for our having set up the data in that form. [fol. 4599] Thereupon we reworked our computations to provide cost scales for the East, including Pocahontas; in other words, on the basis to which you are referring.

As to the weight that the Commission should give to evidence of course is something on which we make no comment.

Q. Isn't it true that originally the Commission specified in this proceeding the territories for you and it specified Official Territory and you departed from that?

A. That may be so.

Q. When you were asked to consider Kentucky separately you found that there was at least in Kentucky a different result to be seen than from the balance of the South. Isn't that true?

A. That is right.

Q. When you do exclude Pocahontas lines the result is to exclude those lines which have the lowest costs even as to boxcar traffic, and have the best revenue results, that is true, isn't it, in Official Territory?

A. Yes, sir.

Q. I ask you to turn back to page 5, if you please.

In the last sentence in the first paragraph you say that if you take Kentucky out of the South and take Pocahontas out of Official Territory, and then compare the results, the result is to show higher costs in the South than in Official Territory.

A. That is right, and I would like to add, we made that comparison by two types of equipment and came out with [fol. 4600] costs for the South, excluding Kentucky, of 1 to 2 per cent higher than the Official excluding Pocahontas.

We subsequently reworked those figures again, based on all classes of equipment, which took quite an additional amount of time, and also came out with results between 1 and 2 per cent.

I think that 1 or 2 per cent is a very slight exaggeration for the reason that our showing of costs for Kentucky being as low as they are, I think overstates in some measure the decrease of Kentucky versus the rest of the South.

But by and large Kentucky costs are substantially lower than the rest of the South, and if you remove Kentucky the costs for the remainder of the South are very, very close to the costs for the Eastern District excluding Pocahontas.

Q. They would be slight higher.

A. I said about. I believe that 1 or 2 per cent overstates the cost for the South slightly, for I think in showing extremely low costs for Kentucky we did not have the time to make a very comprehensive study.

Q. Do you stand on this statement or not?

A. This 1 or 2 per cent?

Q. Yes, sir.

A. Yes, sir, I stand on the statement of 1 or 2 per cent, but I slightly qualify it with the explanation I have given, and the explanation I have given you is what I have stated [fol. 4601] back on page 2.

Q. Did you go a step further, in line with the request which I made of you in behalf of the L. and N., to say what the result would have been if you had excluded Kentucky from the South and added it to Official Territory?

A. Yes, sir.

Q. What was the result of that? It isn't shown here, and that is the reason I asked you.

A. Let me ask you, just what showing do you wish? Do you want it with the East including Pocahontas and New England?

Q. I would really like to have it two ways. I would like to have it the South minus Kentucky compared with Official Territory, and the South minus Kentucky compared with Official Territory including Kentucky.

Mr. Norman: You have got it that first way.

A. I think on page 3 we have such a comparison. We have the East, including New England and Pocahontas, and that is Index 94.

We have the South excluding the State of Kentucky, 101.

Q. But you do not have the overall costs here, or the costs that are comparable with the costs that are referred to on page 5.

A. The costs on page 5 refer only to boxcars and gondola and hoppers, and the costs on page 3 do likewise except that we didn't set it in that fashion.

[fol. 4602] Q. Your language to which I am referring is, "Based on this test it appears that the overall costs for the South, excluding Kentucky, are above the costs for the East, excluding the Pocahontas region, by a small amount, possibly one or two per cent."

All I want, and I don't believe that is in that table over here—maybe it is—but I would like for the record to show the South excluding Kentucky versus Official Territory as a whole, and the South excluding Kentucky compared with Official Territory including Kentucky.

Commr. Aitchison: Including what?

Mr. Grubbs: Including Kentucky.

A. We have set up cost scales in this Exhibit 195, Table 1, showing those comparisons on I think every conceivable basis.

The purpose of this data on pages 3 and 4 is merely to briefly summarize it.

This material here was not necessarily in response to your request, or the request of the Governor of Kentucky.

Our response to such request appears in Exhibit 195, page 5, which provides all the comparisons I think you have mentioned, and you can draw them off directly yourself.

By Mr. Grubbs:

Q. The fact is, Dr. Edwards, that Mr. Kennedy here has drawn them off roughly. You didn't state them here. You stopped with a comparison of the South minus Kentucky versus Official Territory minus Pocahontas in your [fol. 4603] discussion on page 5, and I simply wanted that carried two steps further.

If it is agreeable when you are off the stand if you will check these figures, and if they are all right, if you will put them in the record, that will satisfy me and we can move along.

A. Do you want me to have that checked?

Q. If you will do that, that will be fine.

A. Yes, sir.

Q. I would like to ask you to turn to page 13 of your narrative statement.

Commr. Aitchison: That is Exhibit 196.

Mr. Grubbs: That is right, yes, sir.

By Mr. Grubbs:

Q. I have in mind item 10. As I understand your answer as given under this item designation it is intended to be not only in answer to a statement made by Mr. Kerr, but statements by other witnesses for the Southern carriers on the general proposition that they have taken that if costs are no higher in the South than in Official Territory, our rate level being higher we should have come out through the years much better than the official lines. That is what you have undertaken to do, to answer all the southern witnesses at one stroke in this item 10.

A. Yes, sir.

Q. That is correct, isn't it?

A. Yes, sir.

[fol. 4604] Q. You say that you conclude that the freight revenues in the South exceed those in the East by from 3 to 5 per cent. You have used the East there, I take it, as the Eastern District again.

A. As the term is used there, it refers to either the Eastern District or Official Territory. The exhibit that this refers to worked out the comparisons on both bases.

Q. Yes, sir. When you say from 3 to 5 per cent, do you mean the rate level in the South exceeds that of Eastern District by 5 per cent and Official Territory as a whole by 3 per cent?

A. No, sir. I meant by this that the rate level in the South exceeds that of both the Eastern District and the Official Territory by from 3 to 5 per cent.

In the exhibit it so happens that it worked out, I believe, 5 per cent using the Eastern District, and 3 or 4 per cent using Official Territory, but by virtue of the approxima-

[illegible]ns that enter into that I have merely drawn the overall conclusion of 3 to 5 per cent.

Q. Suppose we turn over to pages 50 and 51 of your discussion in that connection.

You there say, in the second paragraph, that considering Eastern District as compared with the South, the excess of the Southern revenue level would be 5.5 per cent. That is the correct figure, I take it, isn't it?

A. Yes, sir.

[fol. 4605] Q. And if the comparison is made South with the whole of Official Territory the excess is 3.9 per cent.

A. Yes, sir.

Q. Then you say that those figures, however, need to be adjusted some and you set up a table over here on page 51 that is designed to indicate what the adjustment should be. That is correct, isn't it?

A. Yes, sir.

Q. And then you say that the Eastern revenue level is somewhere between 3 and 5 per cent. Aren't you referring there to the Eastern District?

A. Are you referring to the statement reading, "Such overstatement is greater by something over"——

Q. (Interposing:) No, the statement on page 51, "This would have the effect of narrowing the difference between the Southern and Eastern revenue levels to somewhere between 3 and 5 per cent."

A. And your question is what I mean by Eastern?

Q. That is right; right there.

A. Again, I mean either the Eastern District or the Official Territory.

Q. I see.

A. We treated each separately and the results came out so closely, and there are certain degrees of approximation in that transposition of rates structures that we felt [fol. 4606] we could only draw the conclusion that the comparisons were approximately 3 to 5 per cent. We wouldn't attempt to refine them any closer than that.

Q. The figure being 3.9 per cent when you consider Official Territory as a whole, and your revision under Pocahontas being greater than for Eastern District, what would you say about the whole of Official Territory if you left out of consideration Eastern District? Would you say that would be about 3 per cent, would bring that excess down to about 3 per cent?

A. I didn't follow that last question.

Commr. Aitchison: Read it, please.

(Pending question read.)

Commr. Aitchison: Do you mean Official Territory less the Eastern District?

Mr. Grubbs: No, less Pocahontas, I mean.

Commr. Aitichson: It seemed to me that your question is incomprehensible.

Mr. Grubbs: Suppose we strike that question.

By Mr. Grubbs:

Q. As to Official Territory alone, the excess figure is 3.9 per cent. That is correct, isn't it?

A. Yes, sir.

Q. And the greatest adjustment that must be made, according to your table, is for Pocahontas. That is correct, isn't it?

A. Yes, sir, that is about 4 per cent.

Q. If you considered Official Territory as a whole and [fol. 4607] left out of consideration Eastern District, what would your figure be, your excess figure?

A. I couldn't answer that. All figures include weight of the Eastern District, and if I left the Eastern District out of this, I can't conceive of any rational answer.

Q. I mean Official Territory as a whole.

A. Minus the Eastern District, that is what you said, I believe.

Q. I am striving to get what would be the figure alone for Official Territory.

A. It would be a composite of 101 and 104 for Eastern and Pocahontas versus 105 in Southern.

Q. And what would the excess Southern level over Official level be?

A. If what?

Q. With the adjustment that you make to bring down the 3.9 Official figure.

A. Well, again, if we did what?

We made the adjustment and it comes out—looking at these figures we came to the conclusion that the gross revenues in the South were overstated more than they were in Official Territory, and of course these comparisons were made based on gross revenues before absorptions.

In view of the fact that the Southern region gross revenues were 105.6 per cent of their net revenues, which were the figures we would have liked to have worked with [fol. 4608] if we had had them, and in view of the fact the comparable figure for the Eastern District was 104, and Pocahontas 101, we felt that the Southern region gross revenues overstated their net revenues in the case of the Eastern District by about 1 per cent and in the case of Pocahontas region by about 4 per cent.

The Pocahontas region, of course, constitutes a minor part of the entire Official Territory, but we felt some adjustment should be made.

Mr. Smelker: Dr. Edwards, will you try to keep your testimony in the first person if you mean the first person.

The Witness: Therefore, when I found the revenue level for the South as compared to the Eastern District was 5.5, and for the South compared with Official would be 3.9 per cent higher, or roughly 4 to 5 per cent, we felt that we should give recognition to this other factor and we shoved the figures down by about 1 per cent.

If we left the Pocahontas region out of the picture entirely, there would still be about 1 per cent. If you bring them in, they would probably be a little higher.

Commr. Aitchison: I haven't the faintest idea what this is all about, and I don't believe anybody else has except you two gentlemen.

By Mr. Grubbs:

Q. The level in the South, the general revenue level as compared with Official Territory you find to be 3.9 per cent higher for the South.

[fol. 4609] A. Yes, based upon a comparison of the gross revenues by commodities.

Q. And when you make that adjustment that you referred to, it would bring that excess figure of 3.9 per cent down to about what?

Mr. Smelker: What adjustment do you refer to?

Mr. Grubbs: The adjustment he has just referred to on page 51.

A. We adjusted it by 1 per cent.

By Mr. Grubbs:

Q. Which would bring it down to about 2.9 per cent.

A. We didn't trim it that close, Mr. Grubbs.

I don't know whether the rate level in the South is higher or lower than in the East by 5.39 or 5. We can't figure that close, but the figures came out 3.9 to 5.5 working with the carriers' unadjusted gross revenues, and we found that included in some cases L.C.L., pickup and delivery absorptions.

In the case of the Southern Railway it includes refrigeration revenues which shouldn't be in there, so that we then checked to see if there was that degree of exaggeration in all of the carriers' revenues by territories, and we found the South had about a 1 per cent greater exaggeration than the Eastern District, and about 4 per cent greater exaggeration than the Pocahontas region.

In one case the drop from 3.9 to 3 and the other 5.5 [fol. 4610] based on gross revenues, we dropped them roughly to 3 and 5.

In one case the drop from 3.9 to 3 and the other 5.5 to 5, but we rounded them off because we can't say we are right; we are certainly within 1 or 2 per cent.

Q. Would it be a fair conclusion from these figures that the South's rates are just about as favorable as those in Official Territory considering the whole body of rates in each territory?

Commr. Aitchison: Repeat the question, please.

(Pending question read.)

Commr. Aitchison: Favorable to whom?

Mr. Grubbs: Are the rates in the South as favor[illegible] to the shippers of the South as the rates in Official [illegible]ritory are to the shippers in Official Territory.

Commr. Aitchison: You mean actually or by comparison with costs or by comparison with other territories, or what do you mean?

Mr. Grubbs: Dr. Edwards has reached the conclusion, as I understand it——

Commr. Aitchison: (Interposing:) You can tell me which you want him to answer.

Mr. Grubbs: I am talking about rate levels. That is what these figures are designed to indicate, rate levels. His figures indicate that the rate level——

Commr. Aitchison: (Interposing:) You mean the ones on page 51?

[fol. 4611] The Witness: No, sir, not the table.

Mr. Grubbs: Not the table, no. His 3.9 on page 50 indicates that that is the extent by which the Southern rate level exceeds the official rate level, or revenue level it probably should be termed, if it is true that the Southern rate level exceeds Official level only by about 3 per cent; then my question is, isn't it a fair conclusion from these figures that the Southern people have just about as favorable a level as the Official people do, when you consider the whole body of the rates.

Commr. Aitchison: Do you understand the question?

The Witness: Yes, sir.

Commr. Aitchison: Answer it.

The Witness: I can't answer it yes or no. I will have to answer it by a brief explanatory statement.

It indicates that taken as a whole the amounts paid for the transportation in the South are 3 to 5 per cent higher than the Southern shippers would pay if they enjoyed Eastern rates.

Commr. Aitchison: As a whole.

The Witness: As a whole. It applies to all commodities.

Commr. Aitchison: As well as class rates?

The Witness: Class rates and commodity rates.

Commr. Aitchison: But you have attempted to take out such matters as deductions for pickup and delivery and [fol. 4612] switching absorption and refrigeration and so on.

The Witness: We haven't taken those out, sir. We have noted that as apparently about 1 per cent lower in the gross revenues in the South than in the Official, and therefore having gotten a comparison of about 3.9 to 5.5, we moved it down to roughly 3 and 5 in recognition of that.

Commr. Aitchison: Does that 3 to 5 apply to the freight revenues as a whole, excluding the pickup and delivery, switching absorption, refrigeration revenues, and matters of that sort?

The Witness: Yes, roughly that would be the result.

Commr. Aitchison: And of course your 3.9 is not related to your 5.5. Your 5 figure is not related to class rates as such.

The Witness: No, sir. This figure comprehends the rates on all commodities, both low grade and high grade, and it also comprehends the existing divisions in 1939.

Mr. Grubbs: Were you through, your Honor?

Commr. Aitchison: Yes.

By Mr. Grubbs:

Q. Assuming no change is made in Official Territory rates, if a substantial reduction were to be made in the rates of the Southern carriers, or any important block of traffic without compensating rate increases on other traffic, the result might very well be, if your figures are to be relied on, to plunge the general rate level in the [fol. 4613] South lower than the general rate level in the North, isn't that true?

Commr. Aitchison: Are you going ahead and deciding the Division's case for us?

Mr. Grubbs: No, sir.

Mr. Smelker: Do you understand the question, Doctor?

The [illegible]ness: Yes, sir. If you lowered a large considerable block of rates, that would be true.

It would depend upon the volume of the traffic upon which the rates were lowered, and the extent of the reductions. That just mathematically follows.

By Mr. Grubbs:

Q. Returning to page 15, your next answer to the Southern lines' general proposition which you are discussing in item 10 was that in 1939 the South had a better return than Eastern District. That is not true if you use Official Territory in the place of Eastern District, is it?

A. I can tell you in just a moment. No, I am sorry, I can't tell you.

The South had a higher return than the Eastern District, but the Pocahontas region had a return of over 9 per cent. I would have to combine those two territories and get a weighted average.

Q. You say thereafter that the South's rates of return has been a little higher than the East for the six year period 1936 to 1941 inclusive. I take it you again refer [fol. 4614] only to the Eastern District. Is that true?

A. Yes, sir.

Q. Suppose you took the ten year period 1930 to 1939, which you used back on page 4 to support your 1939 fully distributed costs showing, and used the whole of Official Territory, the result would be entirely different, wouldn't it? I mean it would show costs to be higher in each year except 1938, the Official Territory?

A. Are you speaking of costs or return?

Q. I mean return.

A. I don't know. I know the Eastern return would certainly go up if we included the Pocahontas region.

Q. Do you recall any year except 1938 when the Official lines' rate of return was not materially higher than the rate of return of the South

A. I couldn't answer that one way or the other for any year.

Mr. Norman: May I interrupt right there? Do you know about the 1942 rate of return of the Southern carriers as compared with Eastern carriers?

The Witness: No, sir.

By Mr. Grubbs:

Q. Now turn to page 21, if you please, sir.

In answering Mr. Kennedy's question about the representativeness of the year 1939, you presented a table which is known as Table V, and I will ask you to turn to that table, which is the table in Exhibit 195, Table 5, sheet 25.

[fol. 4615] A. Yes, sir.

Q. You show the results for all years from 1920 to 1941, stated in gross ton miles, net ton miles and car miles, and you do not show anywhere, do you, the average hauls for those years?

A. No, sir.

Q. Do you think that a ton mile figure or a car mile figure standing alone, is of any significance?

A. Any significance for what? For comparison between districts?

Q. Yes.

A. No, it is of no significance for comparison between districts. It is only used in here, as we have stated, for comparisons year to year in the same district, assuming there would not be any significant change in the average length of haul within the same district year to year.

Q. Did you make any test to determine whether that assumption was justified, that is to say, that there would be no change in haul from year to year?

A. Well, we have examined the changes in the average length of haul over a period of years for the country as a whole, and found it is a long, slow increase, a very slow increment of increase per year. That is all I can say on that.

Q. That is for the country as a whole.

A. Yes, sir. That led me to the conclusion that there would be no significant increase from year to year within [fol. 4616] the same territory. That might not be true for 1942, however.

Commr. Aitchison: Or 1941?

The Witness: Yes, 1941 may be influenced.

By Mr. Grubbs:

Q. Turn to item 28, if you please, sir.

Mr. Smelker: Page 28, do you mean?

Mr. Grubbs: On page 33, item 28.

By Mr. Grubbs:

Q. There you recognize the validity of Mr. Kennedy's criticism about non-inclusion in your count of loaded cars switched in crosstown switching, and you say you have made a test using eight Eastern railroads.

What eight Eastern railroads did you use?

A. I will have to furnish you with that.

Q. All right, sir. And you also say ten Southern railroads. Will you furnish that at the same time, sir?

A. You want the list of all the roads included in that reference?

Q. That is right.

A. East, South and West?

Q. Yes, sir.

A. Yes, sir.

Q. I will ask you next to turn please to item 40 at page 41. There you say, just immediately prior to the table which appears in the center of that page near the bottom, that this table gives the results of applying the cost scales which you have developed. Is that correct? Have you applied any [fol. 4617] cost scales to determine those results shown?

A. Are you referring to the third sentence above the table?

Q. That is right.

A. We applied our scales of unit costs, that is right.

Q. The scales taken from what exhibit?

A. Of Exhibit 13, Table 1, the table of unit costs.

Q. It is a table of unit costs?

A. Yes.

Q. Rather than a cost scale.

A. Yes, it is a table of unit costs. It differs from the cost scales that I introduced in Exhibit 3. However, they serve the same purpose except that by showing the table of unit costs we saved a great deal of paper.

Q. Did you make a test with the cost scale shown in Exhibit 3 separately from the test based on your unit costs in Exhibit No. 13?

A. No, sir.

Q. You didn't make that calculation?

A. I withdraw that. We did make a tentative calculation of that type for the United States as a whole.

Q. What did it show?

A. It came out close to 100 per cent. Whatever it showed is in my testimony in the St. Louis hearing.

Q. You didn't make that test for the regions or the districts within the United States?

[fol. 4618] A. No, sir, for the reason that as I have indicated in this testimony, the exhibit 13, table 1 data, and the data in table 1 of Exhibit 195 better reflect the cost for varying weights of load, so therefore we restricted our comparison to that data.

Q. Will you please turn to item 43 on page 43? In the discussion under that item you undertake to answer the showing made by Mr. Kennedy that costs in the South were from 6.9 to 13.7 per cent higher than costs in Official Territory, and you set forth in the pages that follow page 43 the criticisms that you have of Mr. Kennedy's showing.

A. Yes, sir.

Q. At the top of page 47, or rather the first paragraph beginning with, "If Mr. Kennedy's exhibits," you say, "If Mr. Kennedy's exhibits are restated to remove the first five sources of error listed above, Mr. Kennedy's showing is reversed." Is that true?

A. Yes, it is true; the comparison of the South versus the Eastern District.

Q. There are three comparisons made by Mr. Kennedy with which you deal there. That is true, isn't it?

A. Yes, sir.

Q. And one of them deals with South versus Eastern District, and two with South versus Official Territory. That is correct, isn't it?

[fol. 4619] A. Yes, sir.

Q. And it is only as to one of them that you reverse his showing, that one being the comparison of the South versus Eastern District; isn't that true?

A. Yes, I guess you would state that as true. We reworked this so many ways.

Whatever we reversed was his conclusion based on his exhibit that the costs in the South were higher than the costs in the Eastern District.

As to Official Territory, we also reached a different figure than included there. It wasn't enough to reverse it, that is, throw it above or below the 100 per cent index.

Q. The one case where you say you reversed a showing is set forth by you in your Exhibit 195, I believe, at pages 6 and 7. That is correct, isn't it?

A. Yes, sir.

Q. Looking at page 6, line 36, the ratio that you show Southern costs to Eastern District is 1.012.

A. Yes, sir.

Q. Now, you reduced that figure which shows a slightly higher cost to the Southern and Eastern District by the use of this last calculation which is based on an average haul per shipment developed by you. That is the way you get at that?

A. That is right.

Q. That average haul per shipment has been developed [fol. 4620] by use of Dr. Aitchison's figures for two day movement in 1942. That is correct, isn't it?

I mean the corrections which you have made in the figures are based on the two day study of Dr. Aitchison.

A. The exact figures we used are based on that, but we only used Dr. Aitchison's study to provide an adjustment for about 10 per cent of our count of tons.

Q. Yes, sir.

A. Our original material before we started picking up the adjustments for interterritorial count goes back to Mr. Kennedy's work papers in connection with his Exhibit 18, identification 3.

Q. And his use of the Coordinator's average hauls.

A. That is right.

Q. By commodities.

A. That is right.

Q. Do you think that the movement in 1942, the traffic movement in that year, was substantially the same as that in 1939?

A. Oh, I can't comment on that. There have certainly been changes. I haven't made any analysis.

Q. Would you think that a two day movement in 1942 could fairly be taken as an accurate indication of what took place in 1939?

A. There are some approximations there. However, our use of that figure was not to obtain any specific movement [fol. 4621] of traffic. It was to obtain the ratio of the interterritorial tons moving into and out of a district compared to the tons originated and terminated.

Commr. Aitchison: Do you know any better figures to ues as a check, that *is* available?

Mr. Grubbs: Is the question addressed to me?

Commr. Aitchison: I am asking the witness.

The Witness: No, sir, there is no better basis available.

Commr. Aitchison: Is there any other basis available that you know of?

The Witness: I think our basis was the proper basis. The only question at issue would be whether the character of the tonnage had changed enough during the two base periods to make it non-representative.

Commr. Aitchison: Do you know anything about any other showing that is available to you which would give a more accurate picture of traffic in 1939?

The Witness: No, sir. I would like to make the explanation in that connection that our count of tons originally was the same as Mr. Kennedy's.

By Mr. Grubbs:

Q. I understand.

A. In other words, a count of tons excluding duplication. We can take the count of tons which originated or terminated, whichever is the greater, but we found that left us short about 10 per cent of our tons, so that if there were a 10 [fol. 4622] per cent error in the sample it would affect the total count of tons by 1 per cent.

If there were 20 per cent error in the sample, it would affect our total count by only about 2 per cent, because we had approximately 90 per cent of our tonnage direct.

Q. As I understand your statement, there are corrections based on the bridge tonnage that moved and other interterritorial traffic, those two types of corrections.

A. Yes, sir.

Q. Do you happen to have your work sheets with you that show your bridge movement in 1942?

By the way, before I ask you to answer that, I will ask you—I notice you used only one day as to the bridge count.

Why did you use only one day there, and two days as to the other?

A. We used that for two reasons. The first reason was that the count of the bridge tons was an extremely laborious task. We had to go through about 137,000 bills. We couldn't run them through the machines, and it took a couple of men I think a month or six weeks to provide that.

When we got through we found they were only adding 1 to 2 per cent to the count of tons, and we also found that when we had made our studies based on two days versus our previous study of one day, we ultimately came out with the same answer, so inasmuch as the bridge tonnage had a very negligible effect on the result I don't [fol. 4623] think it affected the final conclusion whether we put in the bridge tons or left them out, and in virtue of that and in virtue that the bills of the two days' study weren't available to us, we satisfied ourselves with one day.

Q. Do you recall the number of bridge tons that were added to the South's showing? It was about three and a half million, wasn't it?

A. It can be obtained directly from the record. We show the tons excluding bridge and including bridge tons in Table 3 of my Exhibit 195.

Q. Oh, do you? Isn't it true that the biggest part of the bridge ton movement in 1942, so far as the South is concerned, consisted of petroleum products?

A. I don't know, but I can find that out for you if you wish to know.

Q. I would like to know, sir.

A. Will you tell me specifically what you want on that?

Q. I want the total number of bridge tons and the proportion that petroleum tonnage was of that total—I mean petroleum, gasoline, and so forth.

Commr. Aitchison: I don't want to appear to be censorious, but this exhibit you are questioning about has been in the hands of respondents for 30 days, and it was understood that Dr. Edwards was available for elucidation of any [fol. 4624] matters such as you are now asking on the stand, and would be developed during this whole time.

Mr. Grubbs: It was only two weeks ago, your Honor, that we got the work sheets I have in mind here, and it was only a few days ago in fact that I was able to reach the point in my examination where I located these figures.

Commr. Aitchison: The point I am making is, it is hardly necessary to put requests for details of this sort into the record when it could be made and would be cheerfully answered by the witness outside.

Mr. Grubbs: I have just one other question.

By Mr. Grubbs:

Q. As I understand it, this exhibit on page 6 is for a ten year period.

A. Yes, sir.

Q. And you have used the average haul ascertained in the manner that you have described for the year 1939 to the whole ten year period; is that correct?

A. Yes.

Q. Each year in the ten year period.

A. Yes, sir. The actual figures are not important. It is the relativity that is important in that average haul. The spread between the average hauls is what counts.

You can change those figures substantially, but I would like to point out that Mr. Kennedy has used the average haul per ton, whereas his method provides for the use of average [fol. 4625] haul per shipment.

We have used the average haul per shipment, which is the better form.

Mr. Grubbs: That is all. Thank you, Dr. Edwards.

Commr. Aitchison: Mr. McCollester.

Cross-examination.

By Mr. McCollester:

Q. Dr. Edwards, will you turn to page 18 of your statement, Exhibit 196?

A. Yes, sir.

Q. This question is just for clarification, or at least for explanation.

In your item 16 you are criticizing Mr. Kennedy's statement of the revenue effect on the carriers of the South from transplanting to the South the Eastern rate level.

I follow you through the first sentence of your answer where you state that your restatement shows that the revenue loss for the Southern roads would be $23,500,000 instead of $39,000,000, as indicated by Mr. Kennedy. But can you tell me where in your exhibits we can find the figure of $1,509,766, and just what that figure represents?

A: That figure is Mr. Kennedy's exhibit. I don't have the number, but he refers to it in the transcript at page 408.

That figure $1,509,766 is a matter of simple addition for the individual commodities. You add them up and they come out $1,509,766.

[fol. 4626] Mr. Kerr I think had some serious errors there in treating his groups.

I think he had an extreme duplication in there also in adding individual commodities or commodity groups and then adding carload again, but if you take the addition by individual major commodity groups, products of agriculture, products of mines, products of forests, and l.c.l., and simply add them up, you come up with $1,509,766.

Q. That represents then, does it not, the revenue effect upon the Southern carriers of both the reductions in their revenues resulting from the application of the Northern rates where they are higher, and the increases in their revenues where their rates on raw materials and other commodities on which their rates are lower are brought up to the Northern level.

A. My opinion is that figure simply does not mean anything.

Mr. Kerr's approach to the treatment had very extreme errors in it. No matter what he arrived at, any figure he arrived at, could not possibly have had any meaning or significance.

I have indicated that in item 15, that it is a sort of statistical miscarriage in there.

Q. If I correctly understand you, you prefer Mr. Kennedy's computation and your conclusion is that it is more accurate to state that the transplanting of the Eastern rate level to the South would produce a revenue loss for [fol. 4627] the Southern carriers of some $23,500,000.

A. Yes, but to make your terms correct, it isn't a matter of preferring it.

Personally I couldn't accept Mr. Kerr's computation because it has errors that might give you anything that would have no meaning.

I think Mr. Kennedy's procedure is preferable, particularly as we have restated it to get a better count of tons.

Q. Your restatement in other words shows that the Eastern rate level, even increasing the rates in the South where they are on a lower level than they are to the northern level, would mean a revenue loss to the Southern roads of some $23,500,000?

A. Yes.

Chmn. Alldredge: Would you allow me to interject a question there?

Mr. McCollester: Certainly, Mr. Commissioner.

Chmn. Alldredge: Would that statement also involve a substitution of the divisions as well as the rates?

The Witness: Yes. Mr. McCollester I think referred to rates in the beginning of his statement.

This whole matter treats of revenue effect. We work with the gross revenues reported by the carriers, and the Bureau's freight commodity statistics and that of course contains their divisions on interterritorial traffic.

Chmn. Alldredge: So a substitution of rate system would [fol. 4628] have to carry with it, before the revenue results you refer to would be obtained, a substitution of divisions also.

The Witness: We merely refer to a substitution of level of earnings based on the 1939 divisions and rates.

Chmn. Alldredge: Of course that involved both divisions and rates.

The Witness: Yes, sir.

By Mr. McCollester:

Q. And if there were transplanted to the South only the portion of the Eastern rate level which is lower than the Southern rate level, without transplanting the portion of the Eastern rate level which is higher than the Southern rate level, your revenue loss for the Southern lines would be substantially more than the $23,500,000 that you show here?

A. Yes, sir.

Q. On page 9 of your statement, Exhibit 196, you make reference to the lower ratio of empty to loaded car miles in the South as compared to the North.

Have you any figures as a result of your study to indicate whether in the handling of any particular traffic, let us say beans or iron and steel articles, or what you will, the ratio of empty miles that can be attributed to the movement of any particular commodity is different in the South than it is in the North?

A. No, sir, except insofar as the type of car had a different empty return in the South than in the North.

[fol. 4629] Commr. Aitchison: Some of them don't have any different relation and can't have, such as petroleum and tank cars.

The Witness: Yes, sir.

By Mr. McCollester:

Q. On that same page you point out that while your Exhibit 13 shows higher line haul costs for the Southern Territory than for the Eastern, the Southern costs as computed by you are brought down by their low terminal costs.

Is it not a fact, Dr. Edwards, that the very thing that the South is complaining about here, namely the fact that it has relatively fewer industries with industrial switching with fewer cities involving congestion, that these are the factors which are responsible for the lower terminal costs, and that an increased industrialization of the South would tend to increase their terminal costs.

A. Yes, sir. The bigger the city, the bigger the terminal cost. That follows.

Q. And probably the more factories there are, with plant layouts, complicated switching to serve them, the higher their terminal costs would go.

A. Yes.

Commr. Aitchison: How about terminals that aren't being used to capacity?

The Witness: I don't get the import of your question, Mr. Commissioner.

Commr. Aitchison: Well, suppose in one of these terri-[fol. 4630]tories the terminals were not being used to capacity. Does that make for relatively lower terminal costs?

The Witness: Yes, in so far as the expense of the fixed plant is concerned.

As the terminals, however, reach capacity, then there tends to be congestion and the terminal costs begin to rise again.

Commr. Aitchison: To the extent you have a switch engine standing in the yard only doing 10 per cent of the work which it might do, those costs which are not fixed costs, are relatively higher, aren't they?

The Witness: Yes, they would be relatively higher.

However, we find in switching studies if you have a small way point the switching minutes may only be 10 minutes or 15 minutes per car on a boxcar in setting it out.

When you get to a large complicated layout, such as Pittsburgh or Detroit, or San Francisco, the switching minutes would be 40 or 50 or 60 minutes per car to reach a factory. It may have to pass through two or three yards and receive two or three transfers.

Commr. Aitchison: You still don't get me. I don't make myself plain.

There are yards where the switching is not done by line crews, are there not?

The Witness: Yes, sir.

[fol. 4631] Commr. Aitchison: And some of those are not used to capacity.

The Witness: No, sir.

Commr. Aitchison: That is because they are not sufficiently industrialized so that the yard crew is worked to its, I won't used the word "capacity", I will say optimum.

The Witness: Yes; in those situations an increase in the traffic volume with the same number of crews would cut cost.

Commr. Aitchison: That is not a fixed cost, but is in addition to the fixed costs; is that right?

The Witness: Yes, that is right.

Mr. Norman: May I ask a question right there?

Doctor, if they had this increase in the factory that Mr. McCollester speaks of, which increased the movement in the terminals thereby increasing the terminal cost, wouldn't that necessarily increase the density of traffic on the load haul, thereby reducing that cost?

The Witness: Yes. I don't want to prognosticate too much. Since we started on it, however, if that has happened, that would be a result.

Commr. Splawn: Do you know of any switching yard that is utilized to a point of saturation at the present anywhere in the country? I don't mean during the war emergency, but normally.

[fol. 4632] In your studies of switching have you run across any that are utilized right up to their capacity?

The Witness: I couldn't answer that, Mr. Commissioner. I asked that at the Potomac Yards when we were over there some time ago, and their superintendent said they wouldn't know what their capacity was until they were pushed badly enough and then he would find out.

By Mr. McCollester:

Q. Dr. Edwards, on page 10 of your Exhibit 196 you make the statement that it is your opinion that the fact that unlike commodities are handled (I suppose you mean unlike commodities handled in the different territories) does not affect this accumulation of the quantities of homogeneous service units that are consumed in the rendition of a service, but is it not a fact, Dr. Edwards, that the length of haul and the average loading and the time required for unloading and the time required for loading, to mention only a few matters that may affect cost, vary with different commodities and that therefore the consist of the traffic does affect the units of cost which are accumulated.

A. I was referring not to the differences in the consist between territories, but the differences in the consist of two cars.

One might contain butter and one might contain eggs. Now, if one loads heavier you will produce more gross ton miles, and we treated gross ton miles of butter, eggs or fish [fol. 4633] in the conclusion as being homogeneous units.

Q. I see. Then I will have no quarrel with you if what you meant to say there was simply as to a single car, if it has a given weight and is going a given distance, your service units do not vary depending on whether it is butter or something else in it, except as to refrigeration or some special service.

A. Yes. We tried to price our cost on homogeneous units that would be interchangeable, avoiding the net unit.

Commr. Aitchison: You don't mean, by the manner in which you have left your answer, to suggest, or do you mean to suggest, that all the matters Mr. McCollester mentioned would have an effect upon carrier costs?

The Witness: No. I meant to take his statement back to the beginning and point out that we weren't referring to all the things he was talking about, so I am making no reply to his first statement.

Commr. Aitchison: He spoke about the length of time it takes to load a car. That is primarily a shipper's concern, isn't it?

Mr. McCollester: Doesn't that affect cost in the car ton?

Commr. Aitchison: Maybe.

The Witness: We accumulated that based on the estimated actual time it takes the average shipper to load his car.

Commr. Aitchison: And if that is too long, he pays de- [fol. 4634] murrage, so it may affect revenues.

Mr. McCollester: But I am talking about costs.

By Mr. McCollester:

Q. Now, Dr. Edwards, skipping over to pages 16 and 17, which goes to the general basis on which you have made your studies, that is the territorial basis, your studies have been made for, we will say, the Southern region or the Eastern District in the same way that you would make a study for those particular regions if all of the railroads in each territory comprised one system. Isn't that correct?

A. Yes, it is equivalent of that.

Q. So that your studies, if we were to apply revenue against cost, might be all right as the basis might yield us costs that could be used if there were some method by which the losses from one end of the system could be offset by profits from another end of the system. Isn't that correct?

In other words, your average treating the Eastern District carriers as a whole, or as one system, the average is the figure you would get if all costs for the system were put into one, and if the carriers got revenues enough to meet that cost on the average the system would be on a paying basis regardless of the fact that some end of it might be losing money and another end might be making more money.

A. Yes, sir, their costs are irrespective of whether one carrier might make 8 per cent and another zero.

We have developed the cost at the rate of return of 4 [fol. 4635] per cent for all carriers and gotten the average cost.

There are differences of 10 to 15 per cent in the cost between carriers in a single territory, so that some are going to have more profit and some are going to have less profit, if one assumed that the costs were converted into rates, as I gather that is the basis for your statement.

Q. Then on the basis of assuming 4 per cent return as an element of cost, if you have variations of as much as 15 per cent, you have some carriers, that under a rate system that would yield average cost for all, would lose money.

A. Yes, they certainly wouldn't make 4 per cent.

Commr. Aitchison: Is that the way you find it in actual practice at the present time?

The Witness: No, we don't find them all making the same return. Some are bankrupt and some may be relatively prosperous, but as to whether they are bankrupt or they are prosperous, the rate structure must be the same for both if they are in competing territories, or if one applies a uniform rate scale.

You can't help the poorer railroad by giving them higher rates. Nobody would ship over that railroad if they could avoid it.

By Mr. McCollester:

Q. Well, we won't argue the law on that point right now, but turning to the South, your studies, as I understand from them, your recent ones, indicate that the railroads in Ken- [fol. 4636] tucky have lower costs than the rest of the South so that if you eliminate Kentucky from the South, it has the result of increasing the average cost for the other railroads.

A. For the remainder of the South, including those portions of the same roads in the remainder of the South.

Q. Looking at it from another angle, you have testified in your statement that your studies indicate that a substantial volume of coal traffic tends to reduce the unit costs of all traffic for a railroad or a group of railroads. Isn't that correct?

A. Yes, if you have enough of it.

Q. The fact is, is it not, that there are four of the so-called Southern railroads that have very substantial volumes of coal traffic, much greater than the remaining railroads in the South?

A. Well, they have a substantial amount.

Q. Have you made any computation to determine the extent to which the coal traffic over the L. and N., Illinois Central, Southern, and Clinchfield has operated to reduce the average costs for the territory as a whole below what the average cost would be for lines like the Atlantic Coast Line and the Seaboard if computed separately?

A. No. I can give you the effect if you left out the State of Kentucky, but we haven't computed the cost for the [fol. 4637] Atlantic Coast Line, Seaboard and Florida East Coast separately. But you would assume, would you not, that it would be substantially higher than the average computed cost for the South as a whole?

A. I don't know, but I would judge it would be higher. If they don't have the density of traffic——

Commr. Aitchison: What is that? The Atlantic Coast Line doesn't have the density?

The Witness: I say if they don't have the density of traffic that the Illinois Central and the L. and N. has, their costs would be higher, which would account possibly for these 10 or 15 per cent differences that I have stated existed between railroads within a territory.

I haven't made a study of those carriers' separate costs I don't know whether they are lower or higher.

By Mr. McCollester:

Q. If I correctly understand your comments on Mr. Bell's testimony, which are contained in the last part of your Exhibit 196, one of the points that you made in your opinion was that while the fact that coal traffic of the Pocahontas lines amounted to some 83 per cent of their total traffic might justify taking the Pocahontas lines for cost purposes out from the rest of the Official Classification lines, nevertheless the fact that the L. and N. might have 66 per cent coal traffic didn't justify taking it out from the rest of the Southern lines.

[fol. 4638] A. Well, Mr. Bell took out railroads whose percentage was 66, 58, 32 and 32, and I point out if one were going to lift out those, one should go to the East and lift out B. and O. with 45, Pennsylvania with 45, Erie with 43, and New York Central with 48.

Q. You think that should not be done, do you, as to the East?

A. No, I don't think you should lift them out. You can't do that without lifting out most of the class rate traffic also.

Q. What is your opinion, or if you have no opinion I am satisfied, as to whether the Pocahontas lines should be lifted out from the other Official Territory lines.

Commr. Aitchison: For what purpose?

Mr. McCollester: Of arriving at a cost, an average cost, for Official Territory for use in this proceeding.

A. I would express no opinion on that.

My position would be that we have developed the costs with and without, and in the South with and without Kentucky, and it would be left to the Commission and the rate makers to determine how they want it.

By Mr. McCollester:

Q. And if from your previous testimony there has been deemed by any of us any impression that you have expressed an opinion as to whether the Pocahontas lines should be or should not be included with the other Official lines in arriving at an average, you want it now understood that you have made no such opinion and express none on the [fol. 4639] record here?

A. Yes, I have stated the reason why we did it. I don't say what the Commission should do.

Mr. Norman: You have given us your reasons though for excluding it from the Official Territory.

The Witness: That is right.

Mr. Norman: You don't want to change those reasons, do you?

The Witness: No. We have stated why we separated them, because the characteristics were different, and because the Commission in other cases had indicated a desire to develop the need for other railroads excluding the Pocahontas. We have now given them to the Commission both ways.

By Mr. McCollester:

Q. The "why" does not include any opinion on your part as to whether the average costs for Official Territory should be computed including or excluding the Pocahontas lines.

A. For what purpose?

Q. For the purpose of this proceeding.

You said you told us why you had done that, but I want to just put on the record that the "Why" doesn't include any opinion on your part.

A. I have stated why for cost purposes it should be separated, and I still believe we should give it to the Commission in that form.

[fol. 4640] Q. Why do you think you should give that to the Commission in that form? Why do you think you should give the Commission for cost purposes a showing of the Pocahontas lines separate when their coal traffic is 83 per cent, and should not show separately a line in the Southern Territory which may have up to 66 per cent coal traffic?

A. The answer I will give to that is that we have separated an analogous situation in the South, one might consider partly analogous in Kentucky. In some degree Kentucky is to the South what the Pocahontas is to Official.

We have shown the East with and without Pocahontas and we have shown the South with and without Kentucky, but I certainly don't think it is analogous to lift out the Pocahontas from the Eastern District, lift out those three roads, then turn to the South and lift out the three roads that account for most of the class rate traffic.

Mr. Smelker: Isn't this cross becoming more or less argumentative, just arguing back and forth?

Commr. Aitchison: It is pretty hard to draw the line, of course.

By Mr. McCollester:

Q. Just where would you draw the line for cost purposes as between 83 per cent, where you would make an exclusion and 66 per cent, where you would not?

A. Well, you are begging the question.

That 66 per cent is perhaps highly concentrated in Ken-[fol. 4641] tucky and it is not 66 per cent for the other roads. It gets down to 58, 32 and 32.

Q. I will take 66 and 58, then.

A. You asked me where I would draw the line?

Q. Yes.

A. I would draw it where I have drawn it. Most of that coal is in Kentucky apparently; probably half of it is in Kentucky.

Q. Yes. There is coal in Illinois, is there not?

A. Yes.

Q. There is coal in Alabama.

A. Yes, sir, and we have taken that into consideration and let the result of that have its effect on the cost.

If there is coal in Illinois, that will serve to reduce the cost of class rate traffic in Illinois. If there is coal in Alabama it will serve to reduce the unit cost in Alabama.

Commr. Aitchison: If we are going to go into that way of making a large and necessarily broad cost study, we would have to give special consideration, wouldn't we, to the ore carriers?

The Witness: Yes, sir, that is right.

Commr. Aitchison: Carve them out and make a special group of them, wouldn't we?

The Witness: Yes, that is right. We made an analysis of lifting out the Northern Pacific ores operations and found it affected the Western District as a whole by about one-[fol. 4642] third of one per cent.

By Mr. McCollester:

Q. One more question along that line, Dr. Edwards, so that the record may be clear.

You have made no separate study, have you, lifting out from Official Territory those portions of the New England lines which are in New England group B return and take higher than the Official level of rates elsewhere?

A. Are you separating between A and B?

Q. Yes.

A. No, we only separated New England as a whole.

Q. Would it be possible to make a separation between A and B in the method that you have followed here in your studies?

A. I don't know. It depends upon the degree to which those carriers broke down their major expense items by divisions and the degree at which those divisions broke in the separation from the A and B totals.

Q. So that it will be in the record, you will say that therefore when you include in Official Territory all of New England you are including costs of carriers that in a part of New England have a higher rate level than the general rate level in Official Territory.

A. That is right.

Commr. Aitchison: Is that also true of the northern part of Michigan?

Mr. McCollester: Northern part of Michigan and the [fol. 4643] northern part of New York.

Chmn. Alldredge: Is it also true of Florida?

The Witness: Florida has a differential territory; that is right, yes, sir. We included that in the South.

Mr. McCollester: That is all I have.

Commr. Aitchison: Am I correct in understanding one reason you show Pocahontas separately was that there was a general request that you should do so that was evidenced at one of the hearings here or before the hearing?

Mr. Grubbs: It wasn't general.

The Witness: No, I don't understand it springing from anything at the hearings. There was a request at the hearing that we take Pocahontas and group it with the Eastern.

Commr. Aitchison: Is that the reason you did that?

The Witness: And we did that, yes.

Mr. Norman: But when you were proceeding on your own ideas of what to show, you showed Pocahontas separately and took it out of Official.

The Witness: Yes, when we started out we left it separate.

Cross-examination.

By Mr. Plunkett:

Q. Will you turn to page 9 of your Exhibit?

Commr. Aitchison: May I follow up this last idea, Mr. Plunkett?

To what extent are your Western costs influenced by the inclusion of the Mountain Pacific roads?

[fol. 4644] The Witness: I don't think they are influenced to any extent at all in this exhibit. We separated the Mountain Pacific territory from Western Trunk Line and Southwestern, and the costs for those three areas came out within 1 or 2 per cent of the average cost of the Western District as a whole.

Commr. Aitchison: You were able to make separations on lines such as the Santa Fe and the Milwaukee.

The Witness: Yes, sir; yes, we had separations.

Commr. Aitchison: All right, Mr. Plunkett.

By Mr. Plunkett:

Q. Will you turn to page 9 of your Exhibit 196?

A. Yes, sir.

Q. In your item 3 you reply to a statement made by Mr. Kerr at page 363 of the record in which he stated that the averages in the cost study which you made are produced by wholly unlike things, one territory versus another, or even one carrier versus another.

On page 10 you say that you believe that a gross ton mile is a gross ton mile whether it is made up of fertilizer, logs, cotton or electric refrigerators. That is correct, isn't it?

A. Yes, sir.

Q. That is the basis of your cost study, is it not? You have determined the average cost per gross ton mile in a territory and then you have computed for any given movement the number of gross ton miles that may be involved by taking the pay load and the tare weight of the car and [fol. 4645] the ratio of empty to loaded car miles and you have priced out those gross ton miles by the territorial average.

A. Except we used more units than just a gross ton mile.

Q. I am speaking with reference to gross ton miles.

A. You are speaking of the cost averaged with the gross ton miles?

Q. Yes; you also had cost averaged with car miles and cars handled.

A. Yes.

Q. And you treated each gross ton mile in the territory the same as every other gross ton mile in that territory.

A. Yes; those extended initially were averaged with gross ton miles.

Q. Assuming over a given space of time a given locomotive can handle a maximum of 5,000 tons of cars loaded with coal, an average load of 50 tons per car, what would you say as to whether or not that locomotive could handle 5,000 tons of empty coal cars over the same piece of track, having in mind the difference in the friction and increased number of wheels, and so forth?

A. If its maximum is 5,000 loaded tons, its maximum with empty cars would be somewhat less than that.

Q. And to the extent that it was less——

A. (Interposing:) That is providing you had—well, I will [fol. 4646] stop there.

Q. And to the extent that the maximum for empty cars was less than for loaded cars, it would take more train miles and locomotive miles to haul a given number of gross ton miles of empty cars than it would loaded cars; is that correct?

A. Yes, the friction per ton mile is greater empty than loaded.

Q. And would the same thing be true comparing 5,000 tons of coal in loaded cars with 5,000 tons of livestock in loaded cars with an average of 10 tons per car?

Commr. Aitchison: What cost are you inquiring about, Mr. Plunkett, all costs or transportation costs?

Mr. Plunkett: I am speaking for the moment of his out of pocket cost, for that is the foundation.

Commr. Aitchison: If the witness is going to answer that, I want him to take into consideration the effect of weight at a constant speed upon tracks.

Mr. Plunkett: I was going to add the speed in the next question, but I first wanted to see whether he had the opinion or was of the opinion that a given locomotive could handle 5,000 tons of loaded cars of coal over a given piece of track, if the same locomotive could handle 5,000 tons of livestock at the same speed over the same piece of track.

The Witness: You are assuming the first locomotive is working to capacity?

By Mr. Plunkett:

Q. Yes.

[fol. 4647] A. Not on a straight and level track. The resistance is reduced the heavier the load.

If you have some differences in grade, one-half per cent or one per cent grade, those factors that Professor Smith worked out 20 years ago, of the University of Illinois, indicate the influence of friction for varying degrees of weight becomes a minor factor if you have some grades in there.

Commr. Aitchison: That friction means of course damage to the track structure.

The Witness: Yes. Mr. Plunkett, however, still hasn't got to the effect of it.

By Mr. Plunkett:

Q. Suppose that a given locomotive could handle 5,000 tons of coal in loaded cars at a speed of 20 miles per hour, would the same locomotive be able to handle the same number of tons of livestock at a speed of 40 miles per hour? I presume the answer is obvious there.

A. I don't follow you. Will you read the question, please?

(Pending question read.)

The Witness: I don't know. It would depend upon the speed restriction and how big the locomotive was, and many factors, and I don't follow your point.

By Mr. Plunkett:

Q. Assuming the locomotive was operating to its capacity when it hauled 5,000 tons of coal at a speed of 20 miles an hour, would the number of tons of livestock that the same locomotive could handle, at the speed of 40 miles per hour, [fol. 4648] be very much less?

A. It would have to be less, yes.

Q. It would have to be less?

A. Yes, it would be less on the coal too if it handled it at 40 miles per hour.

Chmn. Alldredge: You are assuming it would be over the same track?

Mr. Plunkett: Over the same track, yes, sir.

By Mr. Plunkett:

Q. That being true, Doctor, is it correct to say that a gross ton mile is a gross ton mile no matter what it consists of?

A. I would say for the purpose of this case it is.

In other words, I will frankly state that we have not taken into consideration the factor of resistance per ton. It is true that the drawbar pull required per ton falls somewhat as the weight of the load increases, and that factor may be fairly important if all other factors are equal and all locomotives are operated to capacity.

You might have less fuel consumption per ton mile on those trains than the others, but carriers I think are influenced a great deal by schedules and the maximum rating may not be obtainable.

There is also the factor that if you have grades involved they become much more important than the factor of sheer resistance as the weight load increases, and there is also [fol. 4649] this factor in treating the effect of resistance that a large part of the cost, the crew cost for example on trains of the character you speak of are on a per mile basis, and they get paid for 100 miles whether they make it in four hours or in eight hours. If they run into overtime it might affect it.

Commr. Aitchison: May I ask if the cost Mr. Plunkett has been inquiring about, Doctor, as you understand it, included maintenance of equipment and maintenance of way.

The Witness: Not maintenance of equipment; maintenance of way.

Commr. Aitchison: Is included therein?

The Witness: It is included.

Commr. Aitchison: In your answer to Mr. Plunkett?

The Witness: Yes, sir.

Mr. Plunkett: Maintenance of locomotive would be included, would it not?

Commr. Aitchison: As well as transportation expense.

The Witness: Maintenance of locomotive and fuel and train crews.

By Mr. Plunkett:

Q. And maintenance of track?

A. Yes, that is in maintenance of way.

Commr. Aitchison: I think we will have to suspend until two o'clock.

(Thereupon at 12:30 o'clock p. m., a recess was taken until 2 o'clock p. m., the same day.)

[fol. 4650] Afternoon Session

2 p. m.

Commr. Aitchison: You may proceed.

Ford K. Edwards resumed the stand:

Cross-examination (Cont.).

By Mr. Plunkett:

Q. Doctor, will you turn to page 89 of your exhibit 196. In item 8 you referred to the exhibit put in by Professor

Day and the testimony that he gave, in which he compared your costs with the rates on a number of important items handled by the transcontinental lines, such as lettuce and melons and lumber and similar traffic.

You have that in mind?

A. Yes, sir.

Q. And you said on page 89 that Professor Day took his figures from your Exhibit No. 3 and should have taken them from your Exhibit No. 13. Do you have his Exhibit No. 192 in mind?

A. I have it generally in mind, but I do not have it with me.

Q. Do you recall on page 3 he showed the rates on these various commodities I have mentioned, compared with the cost level 5-A, from your Exhibit 3 and also 5-A from your Exhibit 13?

A. I recall that he did that, yes, sir.

Q. And also that he compared them with the out of pocket costs shown on your Exhibit 13?

A. I don't recall that, but if he did, that is correct.

Q. You don't recall whether or not the out of pocket costs [fol. 4651] exceeded the rates in numerous cases on that page?

A. No, sir. I was referring to the fully distributed costs, 5-A and 5-B. That is where the error would occur.

Q. Now, isn't it a fact that your out of pocket costs, as shown by Exhibit 13 ,were higher in ten cases out of sixteen than the rates on these important commodities on which the transcontinental lines rely for their traffic? Wouldn't that seem to indicate that your out of pocket costs were too high, at least as far as the transcontinental lines are concerned?

A. No. They neither indicate the rates or costs were too high, but they might indicate rates were low on the long haul movement to New York City, which takes the extreme length of that rate blanket.

Q. But these are commodities, are they not, Doctor, on which these transcontinental lines rely for a large part of their traffic; lettuce, oranges, melons, apples, lumber, pears, and so forth? How could it be that they could continue to operate very long with rates less than the out of pocket costs on some of the important commodities?

Commr. Aitchison: Well, I have not heard some of those cases in which the rates were fixed. I wondered myself how they could.

Mr. Plunkett: But they have been able to exist under them.

A. My answer is that Professor Day's selection could not [fol. 4652] have been typical. If you will refer to my Exhibit 195, page 45, column 11, you will note that those commodities that you have not listed, taking the revenues as a whole and not by specific movements, are above the out of pocket costs.

On oranges and grapefruit the ratio of revenues to fully distributed costs, including returns, loss and damage, was 76; lemons, 81; cantaloupes and melons, 73, so that it would appear that the items you have selected are not typical of the revenue producing ability of those commodities when taking all movements as a whole.

By Mr. Plunkett:

Q. Well, then, what conclusion do you draw from the fact that in the Western District the costs on, or the rates on oranges and grapefruit are only 70 per cent of the fully distributed cost?

A. I was referring to column 11. Column 6 is based on a 4 per cent return. Column 11 is based on the return actually realized.

I draw the conclusion that they yield something slightly above the out of pocket cost of handling them, but as a whole are not as contributory as the remaining agricultural products as a whole, which was 89 per cent of cost.

Q. What would you consider would represent the out of pocket cost; what percentage of the whole, in column 11?

A. Approximately 65 per cent.

Mr. Plunkett: I think that is all I have.

[fol. 4653] Commr. Aitchison: Anything further, Mr. Plunkett?

Mr. Plunkett: Nothing.

Commr. Aitchison: Any more cross examination of Dr. Edwards?

Mr. McCollester: Mr. Commissioner, I haven't any cross examination, but if I can find it, I would like to refer, for the record, to one place at page 12 of Dr. Edwards' statement where he uses an expression "transportation burden" and states at the bottom of page 12 which I interpret as meaning the constant or indirect expense.

I may be laboring under a misapprehension myself, but it seems to me that if the term "transportation burden," as that expression has been frequently used and will be frequently used throughout this case, is taken to mean what Dr. Edwards says here, as the constant or indirect expense, we will be arguing at cross purposes.

My impression of the term "transportation burden," the meaning of the term is that it is the total of all costs of maintaining the transportation system in any section of the country.

By Mr. McCollester:

Q. Do you think I am wrong, or have you authority for your use of the term, Doctor, as meaning only overhead or constant expense?

A. Well, I have noted decisions of the Commission where they have held that one form of traffic should not throw a [fol. 4654] burden on other traffic. I think that general principle has been adhered to, in so far as the Commission could apply it, with the evidence at hand. If that principle is adhered to, then no commodity would move below its out of pocket or direct cost of handling it.

That being true, the only items left to distribute are the indirect or constant costs.

Q. Well, have you gathered the impression that when we have talked throughout this case of the difference in the distribution of the transportation burden, in different territories, that we have talked about different overheads of the line?

A. I have talked about those elements of cost which are distributable, in the last analysis, on a value of service basis rather than on a cost basis.

Commr. Aitchison: Well, it is a good deal like the kind angel in Alice-in-Wonderland who made things corresponding to any definition which she chose to give.

Chmn. Alldredge: Traffic witnesses usually use that term to indicate that the distribution of the general rate burden, don't they? That is what they mean when they use it, usually, isn't it, and not cost.

Mr. McCollester: Either one. I think you are correct, Mr. Chairman.

A. If I might state, since we are coming to grips with the problem of wanting to know what the burden is, you have to [fol. 4655] make a measure of it in some way to know what you are talking about. If commodities cover the direct cost of handling, and then you speak of a burden where there is nothing left but the constant costs, and those are the only costs that are distributable on a value of service basis.

If you adhere to the theory that nothing should move below out of pocket costs, you thus throw a burden on other traffic, so it is just a matter of rationalization, it seems to me.

Mr. McCollester: I think I understand why you use the term in the sense you do, but I think it well to note on the record that that sense of the term is different from the meaning of the term in which it is usually employed by most of us. Maybe you are correct; I don't know.

Commr. Aitchison: If there is nothing further, then, Doctor, you are excused.

Mr. Smelker: Just one question.

By Mr. Smelker:

Q. Throughout your Exhibit 196, your prepared statement, Doctor, you have referred to Exhibit —. Wherever that occurs you mean Exhibit 195, do you not?

A. Yes, sir.

Commr. Aitchison: Do you have anything further, Mr. Smelker, to present?

Mr. Smelker: Nothing further at this time.

Commr. Aitchison: Dr. Duncan was asked to be present [fol. 4656] for cross examination at the Washington hearing. Do you care to cross examine him?

Mr. Smelker: No, your Honor.

Commr. Aitchison: Does anyone else care to cross examine Dr. Duncan?

Mr. Bell: I had no idea that Dr. Duncan would be here today.

Commr. Aitchison: Well, possibly he won't be. I am just asking whether anybody else wants to cross examine him.

Mr. Bell: Dr. Duncan has some further direct. You will recall the work sheets underlying Dr. Fredericks' Exhibit 104 furnished subsequent to the Indianapolis hearing, and Dr. Duncan has a statement in regard to Dr. Fredericks' testimony, and then he will be present for cross examination of the testimony at the Columbus hearing.

Commr. Aitchison: All right. Now, Mr. Ribe was informed on his request that he might produce certain additional testimony on the first day of the Washington hearing. Is Mr. Ribe here?

Mr. Ribe: Yes, I am here, your Honor.

Commr. Aitchison: Do you want to go on today?

Mr. Ribe: Yes, sir, either today or tomorrow. I could not get a reservation though until tomorrow afternoon.

Commr. Aitchison: I see.

Mr. Ribe: So there is no hurry until tomorrow.

[fol. 4657] *Commr. Aitchison: I see.*

Mr. Ribe: So there is no hurry until tomorrow.

Commr. Aitchison: Now, Mr. Weeks, chief weight expert of the Missouri Commission, was told in a letter on December 18 that he would be afforded an opportunity at this hearing to rebut evidence produced by Mr. Dade for the Kansas Commission in connection with Exhibit 113. That exhibit was received subject to check. Is Mr. Weeks here?

Mr. Weeks: Yes, sir. I am ready to proceed at any time you wish.

Commr. Aitchison: Well, suppose we clean up those two things before we go in. Mr. Weeks, you might come forward.

William A. Weeks was sworn and testified:

Direct examination.

By Commr. Aitchison:

Q. Will you give your name and your position, and then make your statement, please?

A. All right. My name is William A. Weeks. I am employed by the Missouri Public Service Commission as chief rate expert. I have had more than 20 years' experience in taxation rate work. I have prepared an exhibit which I would like to have identified.

Commr. Aitchison: That will be Weeks Exhibit 197.

(Exhibit 197, Witness Weeks, marked for identification.)

[fol. 4658] A. This exhibit consists of 36 pages; this exhibit is a reproduction of tables appearing in Exhibits No. 113 offered by Witness E. B. Dade, except that on pages 2 to 17, inclusive, I have shown certain figures which have been underlined. Those figures which have been underlined indicate that there were errors in computation on Witness Dade's exhibit or errors in drawing the figures from the original sources.

For example, on page 2 the mileage on the C. B. and Q. System in Kansas is shown on Witness Dade's exhibit as being 227.73, whereas the correct mileage is 222.73.

In addition to those changes, I have allocated the various data of the M-K-T. System to *to* North Missouri, whereas Witness Dade allocated the figures to south Missouri.

I have changed the Missouri Pacific from the north Missouri system to a south Missouri system, for the reason that 69.1 per cent of the M-K-T. mileage is located in North Missouri, and 63.1 per cent of the Missouri mileage of the Missouri Pacific is located in south Missouri, and that seemed to me the only basis on which that should be allocated.

I call your attention to the fact that Witness Dade shows a system mileage of the Missouri Pacific of 11,462 miles, whereas the correct mileage is 7,148 miles. Apparently Witness Dade had taken the total mileage of the Gulf Coast Lines, the I. and G. N., Missouri Pacific and Texas & Pacific to arrive at the 11,000 miles. I think those [fol. 4659] figures were carried over into certain other parts of this exhibit, which makes a change.

I would like to call the Commission's attention to the change in comparison of north Missouri and south Missouri with the operations in Kansas which are shown at the bottom of each of the pages as a composite, shown in this exhibit, and also as compared with Witness Dade's exhibit.

By Commr. Aitchison:

Q. What is your conclusion from all that?

A. I merely wanted to show that, first of all, there were numerous errors in Exhibit 113, in computations.

Q. Is it all right now that you have got it corrected?

A. No, sir; I don't say it is all right. I don't entirely agree with the showing that Kansas has made, even with the corrected figures. I just wanted the Commission to receive the correct picture rather than to receive the incorrect figures.

By making the allocations of the M-K-T. and the Missouri Pacific as they should be *be* allocated; it also makes a better showing for north Missouri than for Kansas.

The last three pages of the exhibit contain the underlying figures from which the computations in the preceding pages were made.

From page 18 to page 33, inclusive, I have shown a comparison of this data for those roads that have operations in both Kansas and Missouri, whereas the first [fol. 4660] part of the exhibit has all the Class I railroads, with the exception of the M. and I. Railroad, which is a part of the Missouri Pacific System, and the Missouri-North Arkansas Railroad, and the reason those were omitted was because I did not have the data for those roads, that is, system figures.

I used, as my underlying basis, the Commission's statement No. 41-200, and that only includes such roads having operating revenues over $5,000,000, and therefore I did not have the figures for those systems.

There is a correction that should be made on page 14 and page 30. The correction has been made on the exhibits that have been distributed to the Commission, but it has not been made on the other exhibits that were distributed.

Under the column headed 205 plus 207 plus 208 plus 269, it should read "Plus 205 plus 207 plus 208 divided by 269."

And on page 34 there was a typographical error. It now reads "Dates not available", and it should read "Data not available."

Q. Have copies of this exhibit been distributed?

A. They were placed on the table outside of the hearing room at 10 o'clock this morning, and each group of exhibits was marked for the parties that were to receive them, in compliance with the mimeographed statement that was distributed at the Indianapolis hearing.

Q. Have you conferred with Mr. Dade at all about these changes?

[fol. 4661] A. No, sir, I have not.

Q. Did you send him a copy of your exhibit?

A. No, sir, I have not.

Q. Is that all you care to say?

A. That is all I have. I would like to offer the exhibit in evidence.

Commr. Aitchison: Without objection Exhibit 197 will be received.

(Exhibit 197, Witness Weeks, received in evidence.)

Commr. Aitchison: Any cross examination?

Mr. Gray: Mr. Commissioner, this exhibit has just come into my hands, and I have had no opportunity to check it over. I don't know that I will want to cross examine Mr. Weeks, but I would like to reserve cross examination until at a later time.

Commr. Aitchison: You may stand aside then, subject to being recalled. You let us know, won't you, please, if you care to cross examine Mr. Weeks further?

Mr. Gray: Yes.

(Witness excused.)

Commr. Aitchison: Now, Mr. Ribe.

A. J. Ribe was sworn and testified:

Direct examination:

[fol. 4662] The Witness: My name is A. J. Ribe, and I have previously testified in this proceeding at Columbus, Ohio.

I have four additional exhibits which I would like to file, and I ask permission now to number them for the record.

(Exhibits 198, 199, 200 and 201, Witness Ribe, marked for identification.)

The Witness: At Columbus I filed Exhibit 153, in which I showed the traffic balances on all carload traffic in the Southern region for the years 1940 and 1941.

Now my exhibit 198 is a companion to that exhibit, and compares 1941 with the year 1929.

In Exhibit 198 I have added some information, additional information on the traffic balances by the five commodity groups. The information is shown at the end of each group, and is fully explanatory. I would have liked to have gone back prior to 1929, but I found in the early middle Twenties that the commodity groups did not move with the commodity groups today.

In my Exhibit 199, I have made a study of the raw materials originated and terminated by the Southern railroads for the years 1929 and 1941. I have grouped these raw materials into two groups which are designated by Items 1 and 2. In the first group are the raw materials which, in my opinion should be considered, rather than those in the second group on Item 2.

I merely want to call your attention to the fact that [fol. 4663] during this 12 year period, on the first group of raw materials, there has been the shift of the traffic balance from nearly 1,000,000 tons outbound in 1929 to more than one and three-quarter million tons in 1941.

By Commr. Aitchison:

Q. Inbound.

A. Shipped from outbound to inbound, yes, sir. And the items also show the shift in the number of commodities.

As to those commodities which I have excluded, and which are raw materials and are included in this exhibit too, I have given the reasons for the exclusion of those items on sheet 2.

In preparing Exhibit 199, I find that I overlooked including two raw material groups. These are No. 280, covering fish and sea animal oil; the movement in connection with which is very small. The other group is No. 491, being the steel ingot group, including such articles as blooms, billets, and slabs.

I intended to say, Mr. Chairman, in connection with my Exhibit 198, that in answer to a question by Mr. Norman at Columbus, I stated that sulphate of ammonium was included in commodity group 701. I have since found that that was an error, so for the benefit of the Commission I have, in Exhibit 198, beginning with page 5, shown all of the commodity groups which are assigned to No. 392, which is products of mines N.O.S.; No. 491, which is the steel ingot group, and No. 701, which is the manufactures and miscellaneous N.O.S.

[fol. 4664] I am unable to account for that error, unless I got confused with sulphate of alumina. Sulphate of aluminum is in the fertilizer group, in the Commission's statistics.

My Exhibit No. 200 is a reissue of the rate study that I made on page G-18 of my Exhibit 152, with the addition of Milwaukee as a northern point of origin, and Birmingham, Atlanta and Chattanooga as southern points of origin. I wanted to include or add the last three points shown in the exhibit, because I believe that they are more representative of the South as a whole than are Greensboro, North Carolina, and Nashville, Tennessee.

In my Exhibit No. 201 is the identical same study as in Exhibit 200, except that it is limited to points in the deep south, and by that term I mean east of Louisiana, Mississippi, Alabama, Georgia and Florida.

It will be noted, for example, to this particular part of the South, that if the Eastern scale, class rate scale, was used, that to the 28 destinations included in the study, Detroit, for example, would get an average reduction, first class, of 70 cents per hundred pounds, and Birmingham 38 cents per hundred pounds.

At Columbus I touched on all of the figures for page 10 of Mr. Spottswood's Exhibit 76, except the last figure, which is Figure 5. That figure has four bars dealing respectively with pig iron, steel bars, tractors and tools. [fol. 4665] In preparing that chart, Witness Spottswood made at least three errors, but it is only necessary to discuss one of them. The kind of pig iron that moves from the South into Official Territory is foundry iron made by the merchant furnaces, and is used in the North for the manufacture of gray iron castings. It is blended with the northern iron to make a particular type of gray iron castings.

Now, the raw materials for steel, eliminating the ore stage or rather the raw materials are basic pig iron and steel scrap.

There is no movement of basic pig iron from the South to the North, and I have never heard of a movement of that kind. There is a movement, as I pointed out, at Columbus, of scrap.

Now, as to the raw materials for steel, other than scrap, you will find them in commodity group No. 491, which is the ingot group.

Scrap steel and basic pig iron are first converted into ingots. The ingots are next converted into blooms, billets and slabs. The latter three commodities are later converted into finished steel products or into other steel articles for fabrication.

Now, as to commodity group 491, the ingot group, the traffic balance is inbound. For example, in 1941, the South brought in of those raw materials 87,692 tons more than it originated, and in 1929 the figure inbound was [fol. 4666] 205,139, so as to raw materials for steel, the situation is just exactly reverse from that which Mr. Spottswood undertook to portray.

I think that is all, Mr. Commissioner. I offer Exhibits 198 to 201 in evidence.

Commr. Aitchison: Without objection they are received.

(Exhibits 198, 199, 200 and 201 Witness Ribe, received in evidence.)

Commr. Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Ribe, your exhibit 200—and I want to see if I understand it—shows the present rates at what the rate would be under the Official Territory basis from the origins named to all these points used by Mr. Hart, is that right?

A. It shows averages of the present rates at the Appendix E scale.

Q. And this shows the reductions that would result by applying the Appendix E scale.

A. That is correct, yes, sir.

Q. What application do you make of this showing?

A. I make this application, Mr. Norman, and if you look at the last column of Exhibit 200, which covers machinery, Mr. Spottswood said that the rate adjustment prevented the South from capturing the textile machinery industry.

You will notice that if the Eastern scale was into Mil- [fol. 4667] waukee, which I believe is about the largest producing section in the country for machinery, they would get an average reduction, carload, of $4.60 per net ton: 23 cents per hundred pounds, whereas the reduction for Birmingham would be 16 cents per hundred pounds.

Q. So, the purpose was to show that the South would be hurt rather than helped by getting a parity of rates.

A. Southbound, because my experience, Mr. Norman, with small industry is that the great majority of them never ship outside of their home territory.

Q. Well, under the rates they had, they could not, could they?

Commr. Aitchison: Oh, let us not argue this case yet. You haven't been allotted any time for it yet.

Mr. Norman: We haven't what?

Commr. Aitchison: You haven't been allotted any time for argument yet.

Mr. Norman: Well, the witnesses apparently have. That is all.

Commr. Aitchison: Anything further?

Mr. Hollopeter: I have a question I would like to ask.

Commr. Aitchison: Very well.

By Mr. Hollopeter:

Q. Mr. Ribe, I believe there is a typographical error on page 2 of your Exhibit 198. Will you refer to the central figure on that, which was designed to show the traffic balances and the percents they bore of the origination? [fol. 4668] You show .8 of 1 per cent, and should that not be 8.1 per cent?

A. No, Mr. Hollopeter. If you will notice, the total tons originated, 1,400,000 tons, 10 per cent would be—you are right about that. I beg your pardon. You are right. That is a typographical error. That should be eight decimal some figure.

Q. 8.1, I figure it.

A. Yes.

Mr. Hollopeter: That is all. Thank you.

Commr. Aitchison: Off the record.

(Discussion off the record.)

Mr. Norman: I would just like to ask one more question.

By Mr. Norman:

Q. You say it would have an adverse effect on the small manufacturer. What would be the effect on the consumer down there?

A. I don't know, Mr. Norman.

Q. He would get a reduction both ways, wouldn't he?

A. Both ways?

Commr. Aitchison: He says he doesn't know.

Mr. Norman: All right.

Commr. Aitchison: Stand aside. That was all you wanted.

(Witness excused.)

Commr. Aitchison: Off the record.

[fol. 4669] (Discussion off the record.)

Mr. McCollester: Mr. Chairman, as I told you over the telephone, Governor Dewey had hoped to be here as a witness on behalf of the State of New York, but pressure of official duties ensuing from the close of the State Legislature at the end of last week prevented his coming, and he has a statement which he has asked Dr. Catherwood to present on his behalf, and I would like to call Dr. Catherwood to the stand.

Commr. Aitchison: And Dr. Catherwood is going to put it in as his own opinion too?

Mr. McCollester: He will adopt it as his opinion, if the Commission desires, but it is offered as the statement of the Governor.

Mr. Norman: Well, there are some statements in here that I would like to ask the Governor about.

Mr. McCollester: Well, you may ask Dr. Catherwood about it.

M. P. Catherwood was sworn and testified:

Direct examination.

By Mr. McCollester:

Q. Mr. Catherwood, you are New York State Commissioner of Commerce, are you not?

A. I am.

Q. And your office is at Albany?

A. It is.

[fol. 4670] Q. Albany, New York. The Division of Commerce is a part of the Executive Department of the State of New York?

A. It is.

Q. And have you been directed by Governor Dewey to come to this hearing and, on his behalf, present to the Commission a statement?

A. Yes.

Q. Have you the statement before you?

A. I have.

Q. Will you please present it?

Commr. Aitchison: Let us have the witness' full name, please.

Mr. McCollester: M. P. Catherwood.

By Mr. McCollester:

Q. Proceed, please.

A. Mr. Chairman, Governor Dewey's statement is as follows:

It is a matter of great regret to me that I am unable to appear in person before the members of the Interstate Commerce Commission and testify in behalf of the State of New York in the pending interterritorial class rate investigation. The pressure of my official duties incidental to the measures enacted at the legislative session just concluded in Albany makes it impossible for me to arrange to appear in Washington. Accordingly I am obliged to take this means of presenting to the Commission this message concerning a matter which affects the whole economic welfare [fol. 4671] of the people of *the* New York State.

This presentation has a twofold purpose: First, to state on the record the position of the government of New York State as to certain general aspects of the rate situation; and, second, to lay before the Commission certain facts regarding the economic problems of the State of New York which have a direct bearing upon the issues.

I have no pretensions to being a rate expert. What is said with reference to rates is based upon information furnished by others. It is not offered as testimony regarding the rates but as a basis for the views to be expressed.

The government of New York State regrets that the subject of freight rates has become the subject of sectional political debate. It also regrets the implications which have been publicly made of political action in the event the relief sought is not secured from the Commission. New York believes that the matter of freight rates is so complicated and has such far-reaching consequences that it should be left to the judgment of the Commission on the basis of evidence before the Commission, subject only to judicial review, and that the Commission's independence of judgment should not be jeopardized by threats of political action if the Commission's decision on the evidence does not satisfy the wishes of particular individuals or sections of the country. It is the purpose of the State of New York [fol. 4672] to present to the Commission evidence as to all of the pertinent facts in its possession and to argue its position vigorously and then to accept the determination of the Commission and the courts.

Wholly erroneous statements have been made which require correction. One such statement alleges a freight rate disadvantage to one section of 35 per cent. This greatly overstates the difference between the rates on manufactured articles from the South to the North and rates within the North.

In many public utterances there has been a general absence of reference to the fact that the freight rates on most raw materials within the South are substantially lower than the freight rates on the same raw materials within the North. It has been nowhere suggested that if the rates on manufactured articles are equalized, there should be a similar equalization of the rates on raw materials.

An article in a magazine of national circulation makes the contention that the higher freight rates on manufactured articles in the South prevent the shipment of Southern manufactures to the North for sale and prevent the development of industries in the South. Yet in 1941, the cotton manufacturing industry in the South had developed to such an extent that Southern cotton mills took 88.4 per cent of the nation's cotton crop. In 1940, the industrial processing of hides had advanced to such an extent in the South that it received more hides than it shipped out.

[fol. 4673] Statistics which have been compiled by the New York State Division of Commerce and which have been placed in the record in this case plainly show that neither the freight rates nor any other factors have prevented the industrial development of the South. Instead, the South in recent years has developed industrially more rapidly than any other part of the country. New York has experienced both the direct shift of its industries to the South and the drying up of manufacturing plants within the State coincidentally with the growth of similar manufacturing plants within the South.

As to the claim that the freight rates operate as a barrier to the shipment of goods of Southern manufacture, the investigations by New York State, as well as common experience, have conclusively demonstrated that many goods of Southern manufacture are freely sold in New York State in competition with goods manufactured right in New York State and frequently set prices which the New York State manufacturers have to meet.

I wish particularly to call to the attention of the Commission certain other phases of the freight rate problem as they affect New York State. If the financial condition of the railroads will not permit rate reductions to achieve the parity sought by the Southern Governors, it follows that such parity would involve an increase in the rates within New York State and the rest of Official Territory. [fol. 4674] Obviously, this would mean an increase in the cost of producing and distributing goods manufactured in New York State, which would make it more difficult for concerns to manufacture in New York State and make it more attractive for them to shift their manufacturing operations to the South. New York State can only view such a result with the greatest concern. The problem of the maintenance of manufacturing industries in New York and the problem of unemployment in New York—and unemployment is a serious problem in our State, particularly in the metropolitan area, in spite of the war boom elsewhere in the country—these problems affect not only New York alone, but the entire nation. New York State embraces over 10 per cent of the nation's population and the national government depends upon New York State for 20 per cent of its revenues.

It is deplorable that this case should be made a matter of controversy between states in a time of national peril when harmony and unity are so essential for victory. It is regrettable, too, that this case should be tried at a time when business is so beset with the enormous problems arising from a wartime economy.

Some have urged a revision of the freight rates in their favor in order that they might be in a better position to attract new industries when the war is over. New industries from whom, may I ask? Permit me to point out emphatically that the postwar problem for New York with [fol. 4675] its huge population is much more acute.

Approximately 1,000,000 factory workers in New York are now engaged directly in war production. This represents about half of the total factory employment in the State—about one out of every thirteen of its population—and the proportion in war production will be even higher as the war progresses. In addition, there is an unascertainable number of persons employed in non-manufacturing industries who are engaged in work wholly or partly related to the prosecution of the war. The termination of the war will involve an immediate cessation of employment for a large proportion of these workers. New employment must be found for them. Furthermore, more than 1,000,000 New Yorkers will be in uniform when the armed services have attained their full strength, and employment must be found for them when they return. Such employment can only be provided by the restoration of old and the development of new peace-time manufacturing industries in the State. Anything, such as an increase in freight rates, which will make the establishment or reestablishment of manufacturing industries in New York State more difficult, will tend to promote unemployment, create a serious economic and social problem for New York and for the *coutny* as a whole and retard the conversion of the country from a war to a peace footing.

New York seeks no special favor or advantage. It does [fol. 4676] not wish to prevent justice to other states on the merits and on the facts. New York did not create the present rate structure. It has been developed over the years in the light of the raw materials, populations, manufacturing conditions and competitive forces in different sections of the country and the business policies and financial requirements of the railroads. Industries have located, workers have made their homes in reliance on the present rate structure. As Governor of the State of New York, I insist that the rate structure should not be changed if there is not the strongest and most convincing proof that it has now become unlawful. To change it for the express purpose and with the result of stimulating a relocation of industry at the expense of New York, of creating unemployment in New York in order, for example, that farm workers elsewhere may be moved from the farms to industrial employment would be an injustice to the people of New York and I believe an equal injustice and calamity for the nation as a whole.

Q. Now, Dr. Catherwood, you said that you are head of the Division of Commerce of the State of New York?

A. That is right.

Q. For the period from 1938 to 1941 were you chairman of the New York State Planning Council?

A. Yes.

Q. And were you for the same period head of the Division [fol. 4677] of State Planning in the State government?

A. State Planning Council, of which I was chairman, was the head of the Division of State Planning.

Q. And in that connection did you have considerable to do with the so-called Ives Committee, a legislative committee, investigating the loss of industry to New York State?

A. Yes.

Q. And since 1941 you have held your present position as Commissioner, with the creation of the new Division of Commerce, is that correct?

A. That is right.

Q. Now, although you have read this statement, and it is the statement of Governor Dewey, do you, in order that it may be properly in evidence here, and so that the parties may have an opportunity to cross-examine you, adopt Governor Dewey's statement?

A. Yes.

Q. Is it true to the best of your knowledge, as well as his statement?

A. It is.

Mr. McCollester: You may cross-examine.

Cross-examination.

By Mr. Norman:

Q. Dr. Catherwood, will you state if you know on what the Governor of New York bases the statement "that the Commission's independence of judgment should not be [fol. 4678] jeopardized by threats of a political action"?

A. Have I stated that the Governor said the Commission's independence of judgment would be influenced by threat of political action?

Q. You have stated, "that the Commission's independence of judgment should not be jeopardized by threat of political action." I take it that you must mean that it would be jeopardized; if not, then the statement has no meaning.

Now, on what do you base that?

Mr. McCollester: I think you are putting words in the witness' and the Governor's mouth.

Mr. Norman: Well, I read just what the Governor stated.

Mr. McCollester: Well, do you deny that there have been threats of political action?

Mr. Norman: I am asking this witness to answer me. I will answer you on that when the time comes.

By Mr. Norman:

Q. Now, what is your answer to that? On what do you base any such statement as that?

Commr. Aitchison: As what? I think the question has gotten away from us.

A. What paragraph is that in?

By Mr. Norman:

Q. On the first page, in the fourth paragraph, of the quotation from the Governor.

A. The particular reference.

Q. "And that the Commission's independence of judg- [fol. 4679] ment should not be jeopardized by threats of political action."

A. Well, that was a statement made by the Governor, and in which I am in full agreement, that the Commission's independence of judgment should not be jeopardized by threats of political action.

Q. Well, do you believe it will be?

A. I would make no such accusation against the Commission, but it seems to me clear that threats of political action must have been made, where they were made, with the hope that they would influence the Commission.

Q. And the Governor of New York just wants to register his hope that they won't; is that it?

A. His expression is that it should not; that the independence of the action of the Commission should not be attempted to be influenced by political action.

Commr. Aitchison: I wonder if you won't all stipulate that that is a proper statement.

Mr. McCollester: Maybe Mr. Norman won't. I will stipulate.

Mr. Norman: I won't because I think it is an improper statement for the Governor of New York to make to this Commission.

A. He is not making the statement about the Commission there. He is making the statement about the threat of political action.

By Mr. Norman:

Q. Yes; the effect of the Commission's independence of [fol. 4680] judgment. Well, now, let me ask you another question.

The Governor of New York expresses his reasons for objecting to a parity of rates if it is brought about by increasing the rates in New York.

Do you know whether or not the Governor of New York has any objection to bringing about a parity of rates if it does not result in increasing the rates in New York?

A. If he did, he did not say so in the statement.

Q. Do you, as his representative, have any objection to that?

A. Not as long as any change in the rates for any part of the territory is made in accordance with all of the provisions of the law relating thereto.

Mr. Norman: That is all.

By Mr. Bec[illegible]

Q. Mr. Catherwood, on page 1 of the statement, near the bottom of the page, wholly erroneous statements have been made, which require correction.

We, of the southwest, make the statement that the Class rates are 50-odd per cent higher in the southwest—not 35, as you say in your statement—higher than they are in New York State.

Now, are you in a position to correct that statement?

A. I am not in a position to correct, of my own testimony, that statement as it might relate to the southwest or to some particular group or single commodity.

[fol. 4681] Q. Well, don't you say: One such statement alleges a freight rate disadvantage to one section of 35 per cent?

A. Yes.

Q. Now, then, what do you mean when you say that wholly erroneous statements have been made which require correction in connection with that statement?

A, The statement as made there is meant to relate to the following sentence with reference to the 35 per cent.

Q. Then are you going to make any presentation here to show that the claim of that 35 per cent discrimination is erroneous?

Mr. McCollester: Well, on that, Mr. Commissioner——

Mr. Bee: Now, just a moment——

Commr. Aitchison: I think Mr. Bee ought not to ask a witness what is going to be developed by somebody later, and ask him to swear to it.

Mr. Bee: Well, do you mean that this is merely argument, your Honor?

Commr. Aitchison: Not at all.

Mr. Bee: Well, I understand his statement that he is the one that is going to correct this. If that is what he means, of course, I will pass the witness.

Commr. Aitchison: Your question was whether he was going to produce something.

Mr. Bee: In the balance of his testimony.

Commr. Aitchison: Well, he has finished his direct testi- [fol. 4682] mony.

By Mr. Bee:

Q. Then you do not intend to present any testimony yourself to show that the claim is erroneous?

A. I, individually, have no expectation of presenting such testimony.

Q. Now as I understand it, you think before the Commission should make the change in any rate, in any of the territory, it should be sure that the change is made under all the lawful provisions required by law.

A. Yes.

Q. Is that correct?

A. That is my feeling; that the law should be applied in whatever controversy arises.

Q. Now, do you think the Commission should ascertain whether the rates which are applicable in New York were made under all of the conditions that the law prescribes, and if not, so to change them?

A. If any proper agency brought before the Commission the question of whether the New York State rates were legal, I should think the Commission should properly act upon that request within the law.

Q. And you know that that is the question now before the Commission, do you not?

A. What?

Q. As to whether the relationship in the west and the [fol. 4683] relationship in New York is correct.

A. It is my assumption that that is the question before the Commission.

Mr. Bee: That is all.

Commr. Aitchison: Any further cross-examination of Dr. Catherwood? You are excused, sir.

Mr. McCollester: Thank you, Doctor.

(Witness excused.)

Commr. Aitchison: Is that all you care to put on at this time?

Mr. McCollester: That is all I have at this time, yes.

Commr. Aitchison: All right. Then we will proceed with Mr. Gwathmey.

M. Gwathmey: I will call Mr. C. L. Hinnant, who has previously been sworn.

C. L. Hinnant previously sworn, testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Mr. Hinnant, you are connected with the freight traffic department of the Atlantic Coast Line Railroad Company, are you not?

A. That is correct.

Q. Did you testify at the hearing in Columbus?

A. No; at the hearing in Indianapolis.

Q. Have you an exhibit and a prepared statement, both [fol. 4684] of which were distributed at the Columbus hearing?

A. I have.

Q. Pages 1 to 4 of the exhibit and pages 1 to 5 of the statement relate, as I understand it, to the testimony of Mr.

Charles F. Cates, a shipper of pickles at Faison, North Carolina.

Commr. Aitchison: We might have this marked Exhibit 202.

(Exhibit 202, Witness Hinnant, marked for identification.)

By Mr. Gwathmey:

Q. Will you state briefly, Mr. Hinnant, the points which you have undertaken to establish with respect to Mr. Cates' testimony?

A. Yes, sir. On sheet 4 of the exhibit I have restated the comparisons which were made by Witness Cates' Exhibit 78; because I found several errors in his statement.

I have shown by sheets 1 through 4 of the exhibit that if Mr. Cates paid on his movements into and out of Faison, North Carolina, the normal Official Territory level, there would have been very little change, indeed, in the total charges that he paid. The probability would seem to be that he would have paid slightly more than he actually paid.

Q. Witness Donnell at pages 1877 to 1881 of the record referred to the alleged diversification and well balanced character of Florida traffic.

Have you on pages 5 to 8 of your exhibit, and pages 6 to [fol. 4685] 13 of your prepared statement undertaken to refute this testimony, dealing specifically with some of the principal commodities originating in Florida, such as citrus fruit, vegetables, phosphate rock, et cetera?

A. I have. I have made figures which are shown at pages 5 through 8 of the exhibit which, if given careful study, should indicate that the tonnage is not well balanced; quite the reverse:

35 per cent of the tonnage originated in Florida consists of phosphate rock, and in normal times less than 15 per cent of that tonnage leaves the State by rail.

Crushed stone represents something over 16 per cent of the total tonnage originated, and practically none of that leaves the State by rail.

Sand will take up another quite large percentage; I haven't the figure before me, but about 5 to 6 per cent is my recollection. Practically none of that leaves the State by rail.

Products of agriculture will constitute about 8 to 9 per cent; somewhere between 8 to 9 per cent of the tonnage originated, and most of that does leave the State.

The empty car hauls on practically all of these commodities I have mentioned would be very close to 100 per cent. The number of carloads of perishables, fruits and vegetables, will be, of course, a great deal larger than [fol. 4686] the number of carloads of phosphate rock, sand and gravel, and if you compare the carloads moving instead of tons moving you will get a still better picture of the unbalance of the Florida business.

Q. Witness Donnell at page 1882 and Witness Grady throughout his testimony referred also to the alleged loss of business by the Florida railroads to the trucks and water lines, contending that this is attributable to the high rates of the railroads.

Have you dealt with that subject in some detail in your exhibit at pages 9 to 22 and your prepared statement at pages 16 to 23?

A. In the exhibit this is covered by pages 9 through 12. I have shown here information as to truck movement of perishables from Florida, from the best source that I know to get this information; that is the Florida State Marketing Bureau, Annual Fruit and Vegetable Report for the 1941-1942 Season, and I have a copy of the book here if anyone wishes to examine it to verify any of the figures used.

The vegetable and fruit tonnage moving out of Florida by truck is mostly in private trucks which, as we all know, are not regulated as to freight rates. We have found we cannot well meet the private trucks under present conditions of regulation.

Q. Mr. Hinnant, that information about the rates of the railroads as compared with the rates of the Eastern lines [fol. 4687] is particularly shown on page 19 of your exhibit, is it not?

A. I was going along with more.

Q. All right. Go ahead.

A. Now, on pages 13 through 18 of the exhibit I have analyzed the movement as shown by Witness Grady which takes place through the Florida ports, that is, water movement and it will be noted that for the most part of that movement it is either local port traffic or does have a railroad haul inland, and that on that part of the traffic those commodities which normally move inland, there is practically no Florida arbitrary that can be found in the rates. In most of them there is no Florida arbitrary whatever.

On pages 19 through 22 of the exhibit I have compared the rail class rates between Florida ports and ports to and from which there have been in the recent past all water transportation with the rates that are published and still on file with the Commission for application by water and with rates made on the basis of the Docket 15879 scale. If we adopted the 15879 scale, we would still be a long way from meeting the rates applicable by the water carriers.

Q. What have you done about Witness Donnell's comparisons, Exhibit 93, pages 1 to 10, of Florida with other States, from the standpoint of tons of freight originated and tons terminated?

A. This is covered on sheets 23 and 24 of my exhibit. [fol. 4688] Witness Don-ell only made the comparisons with the States which had lower tonnage originated or terminated than Florida, except maybe in one or two instances he showed some that had slightly higher tonnage.

I have shown the information for all of the State of the United States, that is, the tons originated and terminated and the tons per mile of road originated and terminated.

I have used the per mile rate, because that is a much better indication of traffic density than just mere tons originated or terminated.

Q. Does that complete your answer, Mr. Hinnant?

A. Yes, sir.

Q. Witness Donnell in his Exhibit 93, pages 8 and 9, draws certain comparisons between Florida and New England. Have you dealt with that tonnage on page 29 of your exhibit, and at pages 27 and 28 of your prepared statement?

A. That is page 27 of the exhibit, sir.

Q. Page 27.

A. Page 27 is the correct page of the exhibit, yes sir. I have.

The land area and the miles of railroad are about the same in Florida as they are in New England. The tons originated in Florida are slightly in excess of the tons originated in New England.

The tons terminated in Florida are much less than in [fol. 4689] New England; that for New England being about two and two-thirds times that of Florida. If you take the total tons originated and terminated, that in New England would be about 60 per cent higher than in Florida.

Q. Witness Donnell at pages 1871 to 1872 refers to an alleged increase of 112 per cent in total revenue freight in Florida, 1940 versus 1921. Have you dealt with that subject on pages 28 and 29 of your exhibit, and pages 28 and 29 of the statement?

A. I have. On page 28 ~~of~~ the exhibit I show for the Atlantic Coast Line, and on page 29 of the exhibit for the Seaboard Air Line the tonnage figures in the states served by those lines for the years 1922, 1923, 1924, 1925 and for the year 1940.

It will be seen that from a railroad standpoint, at least, there is very little improvement for 1940 over any other year of 1922, 1923, 1924 and 1925; in fact, for some of the states and at least for the Coast Line in Florida the revenue tons carried per mile of road for 1940 was less than any of the other years with which it was compared.

Now, I have shown 1922, 1923, 1924 and 1925 because the figures for those years were before the Commission when they gave their decision in 13494, in which the Florida roads were authorized to add the so-called South Florida arbitraries.

Q. What have you to say about the alleged relatively small number of employees per mile of road in Florida [fol. 4690] as mentioned in Donnell's Exhibit 93.

A. Mr. Donnell used these figures for July, 1940. July is one of the lightest months for traffic of the Florida roads. Had he used October or December, almost any month except June, July or August, he would have shown a greater number of employees in Florida.

And I call attention to the fact that in those states which have the greatest proportion of second, third and fourth main line tracks and in those states in which there are general offices of large railroads, there is a much greater number of railroad employees per miles of road than a State like Florida.

Q. Now, Mr. Donnell referred also to railway tax accruals per mile of road, Florida versus other states. Have you dealt with this subject on page 30 of your Exhibit and page 31 of your prepared statement?

A. I have. On page 30 of the exhibit I have shown for account of the Atlantic Coast Line, and for the years 1939 and 1940, the tax accruals for each of the states served by the Coast Line; also the revenues in those and percentage of tax accruals to revenues; the percentage of tax accruals to revenues would seem to be a much better gauge of how heavy or how lightly the tax is applied than the method used by Mr. Donnell.

Q. In Exhibit 94 at page 10 Mr. Donnell referred to certain rates on phosphate rock from Florida points to Tampa, Florida, for export. Have you touched upon that [fol. 4691] subject on page 31 of your statement?

A. I have. I failed to understand why Mr. Donnell referred to that, and since he said, I would like to correct some of his statements. He used the weighted average haul of 32 miles to Tampa.

Now, that is the weighted average haul which the Commission found in its decision reported 242 I. C. C. 544, but in that same decision they also found that the weighted average haul to Port Tampa, to which the same rate applied, is 50.7 miles.

They also found, or rather show in there that the same rate applies from these phosphate rock mines to South Boca Grande as to Tampa and Port Tampa, and the distance there, while they don't show it, will average from 94 to 110 miles. And if you will take these longer hauls to Port Tampa and to South Boca Grande into consideration, it will reduce materially the per car mile and per ton mile earnings shown by Mr. Donnell.

Anyway the Interstate Commerce Commission found that the rate you refer to is reasonable.

Q. Witness Mauer, in Exhibit No. 92, pages 105 and 107, and Witness Eutsler, referred to the alleged availability of certain Florida industries to compete successfully with northern markets, mentioning among others fiber brushes, candy, furniture, cigars and safety matches.

Commencing at page 32 of your prepared statement, have you dealt separately with the rates on each of these commodities?

[fol. 4692] A. I have. On page 31 of the exhibit I have restated page M-108 of Witness Mauer's Exhibit 92, as he apparently had overlooked the reduced rating which had been published shortly before his statement was prepared on candy, crystalized or glazed citrus fruit, lcl.

I have gone through all of our files dealing with the rates on these commodities which you have mentioned, and with one exception can find where at no place the railroads were asked to adjust rates from the Florida points, the one exception being Jacksonville, and Jacksonville is not in Florida differential territory.

Now, on cigars we have endeavored to get rates that would permit the railroad to handle what we would consider a proper share or a reasonable share of the traffic, and from time to time we have had conferences with the manufacturers in Florida, their representatives, to see what we could do to bring back this movement to rail.

From Tampa we find that any rate that we might have put in by rail, that would be less than the truck rate, would do no good for the railroads at all. They would not get the business.

From Jacksonville we looked into the matter of getting the business, or some of it, back to rail, with no results that we could find from any action we would take. As a matter of fact, one of the largest of the cigar manufacturers [fol. 4693] in Florida owns or controls the bigger part of one of the big truck lines. I verified that by the Commission's annual report from the truck line.

As to fiber and brushes, there is another place where we found that the traffic was being moved by water or by truck or by truck-water-truck, and we sent our field representative to two or three different places, and at two or three different times, to interview the shippers. We have endeavored to establish some rate that would get the business back to the rails. We were promised information as to what rates they thought would let the rails handle it, but although he promised on two or three times, we never got it.

Mr. Gwathmey: Mr. Commissioner, I have undertaken to have the witness merely outline, in the barest detail, the points that he seeks to establish, and which he has dealt with much more fully in his prepared statement. May I ask that the statement be copied in the record, and the exhibit be received?

Commr. Aitchison: Is there any objection?

Mr. Norman: Why not file the statement as an exhibit?

Commr. Aitchison: The statement may be copied, and Exhibit 202 is received.

(Exhibit 202, Witness Hinnant, received in evidence.)

(The statement referred to is as follows:)

The Witness: Among those giving testimony at the [fol. 4694] Indianapolis, Indiana, hearing, concerning the level of rates between the North and the South and, to some extent, between Southern territory, was Mr. Charles F. Cates, who, with his sons, operates a pickle plant at Faison, North Carolina, a local station on the Atlantic Coast Line Railroad 20 miles south of Goldsboro, North Carolina, but grouped with Goldsboro on class rate traffic within the South or between the South and Official territory. The first part of my rebuttal testimony will deal with Mr. Cates' statements and exhibits.

On page 1 of my Exhibit No. 202 is a reproduction of page 3 of Witness Cates; Exhibit No. 78, in which a few corrections have been made in the figures shown by him, and to which I have added a comparison of the applicable rates from Faison, North Carolina, with the normal rates (where different from the applicable level) in Official territory.

I have also added to this exhibit a comparison of the rates on sugar, carload, from Wilmington, North Carolina, and Norfolk, Virginia, to Faison, North Carolina, because on page 3 of Witness Cates' Exhibit No. 78, he shows a considerable movement of sugar from those two origins to Faison, all of that movement being by motor trucks.

The changes in figures as shown in Mr. Cates' exhibit are indicated by reference mark "(c)". We have checked and rechecked the figures where, on page 1 of my exhibit they differ from these shown on page 3 of Witness Cates [fol. 4695] Exhibit No. 78, and feel certain that the figures as changed by me are correct.

On page 2 of my exhibit, I have restated the information shown on pages 4 and 5 of Witness Cates' Exhibit 78, so as to show comparison with what the rates would be on vegetables in brine from an origin in Trunk Line territory to the destinations to which Mr. Cates stated he has made shipments. Mr. Cates' exhibit compares rates paid from Faison with rates as they would be on basis of 27½ per cent of first class under the Official territory scale. Class 27½ does not have application generally throughout Official territory on vegetables, in brine. It is published in Item 4180 of Agent B. T. Jones' Exceptions to Official Classification, ICC 3539, as applying only between points in Central

Freight Association territory, and it is published only on shipments of cucumbers or pickles or onions, in brine, in tank or vat cars.

Twelve of the 38 shipments named on pages 4 and 5 of Witness Cates; Exhibit No. 78 moved in box cars, and, even under the Central Freight Association destination level, the 27½ per cent basis would not have been applicable on those cars.

The applicable rating from Trunk Line territory to Central Freight Association territory, is Class 32-S, and for equal haul from points in Official territory in Virginia, [fol. 4696] Maryland, Delaware or New Jersey the Class 32-S basis would have applied. I have, therefore, shown what would have been paid on these 38 shipments under the level applicable from Trunk Line territory.

The result shows that, instead of the Faison shipper paying $1,883.01 more than if he were located in Virginia north of Southern territory, he only paid $138.53 more, which is only 1.12 per cent higher than the level applicable from Official territory in Virginia to Central Freight Association Territory.

The Column 32-S basis on pickles, which will include vegetables, in brine, unless the latter is separately rated, is of itself a lower than normal rating in Official territory, that rating being flagged to indicate that it is published to meet motor truck and motor ship competition where published in Item 3280 of Agent B. T. Jones' ICC 3539 and being flagged to indicate that it is published to meet motor truck competition where it is published in Item 2830 of Agent W. S. Curlett's ICC A-748. The normal rating between points in Official territory is Class 35.

I have, therefore, restated on page 3 of my exhibit the rates and charges shown on pages 4 and 5 of Witness Cates' Exhibit No. 78, and have compared such rates and charges with the normal level of rates within Official territory.

It will be noted from this that the applicable rates [fol. 4697] from Faison, are, in all instances, lower than the normal rates within Official territory, and had the normal Official territory level been applied from Faison on the 38 shipment the amount charged thereon would have been $925.58 or 7½ per cent greater than was actually paid.

The Interstate Commerce Commission has not required that reduction in one territory for the purpose of meeting truck competition be followed by corresponding reductions from and to other territories, even where the governing classifications are the same. One instance of where the Commission specifically gave relief from an outstanding order requiring use of Southern Classification, so as not to require the use of Southern Classification rating when the latter is reduced to meet truck competition is its supplemental decision in Western-Southern Class Rate Case, Docket 26510, 232 ICC 81, at page 86.

Similar relief from outstanding order was given in that same decision as to the westbound rates from the South to Western Trunk Line territory where the rates are governed by Western Classification. The Commission also granted similar relief in connection with the rates between points in Western Trunk Line territory and points in Official territory.

It would, therefore, appear that the more proper basis for comparison would be of the going rates with normal rates in the destination territory, and it is for that reason [fol. 4698] that I have compared, on pages 1 and 3 of my exhibit, the going rates with the normal Official territory level.

At page 4 of my exhibit I have made a restatement of the figures shown at page 6 of Witness Cates' Exhibit No. 78, correcting several erroneous figures shown in his exhibit, these corrections being indicated by numbers in parentheses.

On this statement I have also compared the applicable carload rates from Faison, North Carolina, with the truck competitive and the normal Official territory level and have also compared the applicable and normal less than carload rates from Faison with the normal Official territory level, there being no published truck competitive basis for the less than carloads within Official territory.

Attention is called to the fact that to Official territory destinations the excess of the applicable carload rates from Faison over the Official territory truck competitive level ranges from only 5.2 per cent to 22 per cent, and the applicable rates are, in each instance, less than the normal Official territory level, except to one point, Bluefield, West Virginia, where it is only 9.8 per cent higher.

The applicable less than carload rates from Faison to points in Official territory range from 1.2 per cent to 7.6 per cent of the going (normal) rates within Official territory. On less than carloads from Faison to Southern points, the applicable rates are higher than the going or [fol. 4699] normal rates in Official territory, but the normal less than carload rates which would apply from Faison to the South, do range from 14.6 per cent to 25.9 per cent higher than the Official territory normal level. This leaves only the carload rates from Faison, North Carolina, to Southern points which are appreciably higher than the Official territory level, the range there being from 13 per cent to 34.3 per cent higher, though when compared with the Official territory normal level, the range is only from an even figure to 20 per cent higher.

However, this comparison is not really like with like, because the minimum weight applicable in connection with the truck competitive carload rates to the Southern points is only 20,000 pounds, whereas the minimum weight in Official territory is 36,000 pounds. The minimum weight of 20,000 pounds from Faison to the South was so fixed after conference between Atlantic Coast Line Railroad officials and Mr. Cates, and is an integral part of the adjustment made in those rates for the purpose of meeting truck competition.

I would say here that the Atlantic Coast Line Railroad officials have been in frequent contact with Mr. Cates, have made many adjustments in the rates from and to Faison for the purpose of assisting this industry as well as to meet truck competition encountered, and I believe that a study of pages 1 through 4 of my exhibit will indicate that on the whole the total of charges paid by the manufacturer of [fol. 4700] pickles at Faison is little, if any, higher than if all his rates were placed on the Official territory level; indeed, if the rates on his inbound and outbound commodities were to be all adjusted to the normal Official territory level it is likely that his total freight charges would be increased.

The remainder of my testimony will deal with rebuttal of that given by shipper witnesses concerning the Florida situation.

At pages 1877 to 1881 of Witness Donnell's testimony, (pages 11, 12 and 13 of his mimeographed testimony) he speaks of the greatly diversified traffic originating and terminating in Florida, the fact that the total tons originated are very nearly the same as the total tons terminated and refers to this as indicating that Florida's rail traffic is singularly well balanced, both as to movement through the seasons and in both directions. I here wish to show that the situation is not at all as Mr. Donnell pictures it.

The movement of citrus fruit from Florida now occurs to some extent in each month of the year, but, by far the greater movement takes place during seven months of the year. On this point I show on page 5 of my exhibit the tons of citrus fruit moving via the Coast Line for the seasons 1938-1939 through 1941-42, by months, with the average movement for the four seasons each month and the percentage of each month's average bears to the average [fol. 4701] yearly figure. This shows vividly how the movement fluctuates particularly in the months of June, July, August, September and October from that in the other months of the year, and also shows great fluctuations for the movement by seasons.

The situation as to the movement of citrus fruit from Florida via the other two south Florida roads is similar to that via the Coast Line. The citrus movement from Florida is almost entirely in refrigerator cars, and to a very large degree it is necessary to haul an empty refrigerator car southbound in which to ship this perishable commodity northbound.

The movement of vegetables from Florida follows the general pattern of the movement of citrus fruit, except that the peak months will run from January through May, with fairly heavy movements in October, November, December and June, and light movement in July, August and September. The preponderance of the vegetable movement from Florida is in refrigerator cars, which must be moved to a great extent empty into Florida for the loaded outbound movement.

As was shown in my Exhibit No. 70, page 16, the percentage of empty movement to loaded movement of refrigerator cars ranged from 83.9 per cent to 92.7 per cent for the Atlantic Coast Line Railroad Company, from 89.6 per cent to 94.6 per cent for the Florida East Coast Railway, and from 80.6 per cent to 91.8 per cent for the Seaboard Air Line Railway, during the years 1938, 1939 and 1940.

[fol. 4702] On this important tonnage of citrus fruits and vegetables it cannot be said that it is either balanced or non-seasonal for the reverse is shown by the figures I have just named.

The commodity having the highest tonnage originated or terminated in Florida, is by a great margin phosphate rock. As shown on pages 12 and 15 of Witness Donnell's Exhibit

No. 93, phosphate rock accounted, in 1940, for slightly over 35 per cent of the total tonnage originated in Florida and slightly over 30½ per cent of the total tonnage terminated in Florida.

The figures shown in that exhibit, and, which on this commodity, we have checked to be correct, indicate that for the year 1940, 5,008,942 tons of crude phosphate rock were originated and 4,317,161 tons of phosphate rock terminated in Florida. All of the phosphate rock which terminated in Florida also originated in Florida and it is, therefore, seen that more than 85 per cent of the phosphate rock originated in Florida also terminated there.

Of course, exports or shipment via vessel from the Florida ports of phosphate rock handles via rail to the Florida ports are included in the terminated figures. This phosphate rock which originates and terminates in Florida is a highly specialized movement, involving the use of relatively few miles of road. From the standpoint of balanced tonnage moving between Florida and other states, it contributes, not 35 per cent of the total tonnage moving [fol. 4703] out of Florida, but less than 5 per cent.

There is a large movement of wet phosphate rock from the Florida mines to the drying plants which moved altogether in special equipment assigned to this service only, and which moves on a transit rate of 11 cents per gross ton with 100 per cent empty haul.

The average weighted haul of the wet rock was, for the year 1936, 13.2 miles, as shown in report of the Commission at 243 ICC 525. The movement of phosphate rock from the drying plants to the ports of Tampa, Port Tampa and South Boca Grande is in special equipment designed for and assigned to this service only, and there is an equal empty return haul of the cars for the loaded haul.

The movement to the ports of Tampa, Port Tampa, and South Boca Grande, for export, is on a rate of 75 cents per gross ton (77 cents under Ex Parte 148), the average weighted haul in 1936 being 44.8 miles, and in 1937, 43.7 miles, as shown in the Commission's report at 243 ICC 525. The title of the case reported at 243 ICC 525 is Phosphate Export Association v. Atlantic Coast Line R. R. Co., et al., Docket 27723.

The movement of phosphate rock to interior points (that is the movement other than the wet phosphate rock to the drying plants and the dry phosphate rock to the ports for water movement beyond) is to a small extent in the phosphate rock cars such as used in the movement to the ports, [fol. 4704] and on which there is 100 per cent empty return haul. The larger portion of the movement of phosphate rock to interior points is in box cars and there we find a heavy empty movement of the box cars to the phosphate rock field, the inbound movement of other commodities in box cars being much less to the phosphate fields than is sufficient to take care of the requirements for the outbound phosphate rock.

As showing the trend of the phosphate rock movement as between the wet rock to the drying plant, the movement from the drying plant to the port for water movement beyond and movement to the interior, I have shown at page 6 of my exhibit figures' for the movement via the Coast Line during the years 1939 and 1940.

The movement of wet rock and the movement to the ports for water movement beyond, and for both of which there is 100 per cent return empty car haul, comprised 81.6 per cent of the total movement of rock via the Atlantic Coast Line Railroad for the year 1939, and 78.84 per cent for the year 1940. Of the movement to the interior, a large portion was consigned to East Tampa, Florida, and on that movement there is 100 per cent empty return car haul. The movement to that point via the Atlantic Coast Line Railroad aggregated 7.65 per cent of the total movement of phosphate rock in 1939 and 7.11 per cent of the total movement of phosphate rock in 1940, leaving only 10.75 per cent in 1939 and 14.05 per cent in 1940 to move to interior points other [fol. 4705] than East Tampa.

From the standpoint of balanced tonnage within Florida this heavy movement of phosphate rock contributes nothing, but, to the contrary, makes decidedly for an unbalanced movement. In so far as concerns the Florida East Coast Railway and around 75 to 80 per cent of the mileage of the Atlantic Coast Line Railroad and Seaboard Air Line Railway in Florida, phosphate rock contributes nothing either toward a balanced movement or to total tonnage handled.

On page 7 of my Exhibit No. 202, I have shown by months for the years 1939 and 1940 the total tonnage, excluding phosphate rock which was handled by the Atlantic Coast Line Railroad, and have shown for each month the percentage which that figure bears to the total for the year, phosphate rock being excluded from all calculations.

Attention is called to the great variation of the tonnage in the various months, for the year 1939, the low figure being for the month of August in which month only 5.1 per cent of the total tonnage for the year originated, while in March the percentage to the total for the year was 12.5; in 1940, the tonnage handled in June was only 5.7 per cent of 'the total for the year, while that handled in December was 12.2 per cent of the total. The figures for the year 1940 are not as representative of normal conditions as are those for the year 1939, as the movement of defense materials had [fol. 4706] gotten well under way by the latter part of 1940, and, indeed, had made its influence felt throughout that year as will be seen from comparison of the month by month figures for 1939 with those for 1940.

From page 12 of Witness Donnell's Exhibit No. 93 it will be seen that broken, ground or crushed stone originating in Florida for the year 1940 was 2,274,938 tons, slightly over 16 per cent of all tonnage originating in the state, this percentage being greater than for any other commodity except phosphate rock and almost as great a percentage as the total for all manufactures and miscellaneous; while on page 15 of his Exhibit No. 93 it will be seen that on this same commodity the tonnage terminated for the year was 2,197,122 tons, slightly over 15.5 per cent of all tonnage terminated during the year, and next to phosphate rock, a much greater percentage of the total terminated than any other commodity.

The total tons of this commodity terminated represents over 96 per cent of the total tons terminated. Practically none of this movement terminating in Florida originates outside the state and it is safe to say that over 95 per cent of the broken, ground or crushed stone handled within Florida both originates and terminates within the state.

I have not attempted to show the tonnage figures by months excluding also crushed, broken or ground stone, because while that commodity, when moving in Florida is [fol. 4707] almost entirely an intrastate proposition, it does move generally all over the state. However, the movement of this commodity is in open top or gondola equipment, and there is practically 100 per cent empty return haul on the cars used for this movement.

Before leaving this feature of the subject, I would like to point out that the tonnage figures as shown on pages 11 through 16 of Witness Donnell's Exhibit No. 93 do not show the number of cars required for handling the several commodities or groups of commodities, and without knowing the number of cars required for each class of traffic a proper conclusion cannot be drawn from these figures as to the tonnage being balanced or not balanced.

To illustrate, it is shown on page 11 of his exhibit that the total products of agriculture originated in Florida for the year 1940 represent slightly over 8 per cent of the total tonnage originated, of which oranges, grapefruit, tomatoes and fresh vegetables, N.O.S., accounted for slightly over 6 per cent of the total tonnage originated. The average loading of citrus fruit, tomatoes and fresh vegetables, N.O.S., from Florida approximates 15½ tons to the car. These are commodities which generally require refrigerator cars for handling.

Refrigerator cars have a much larger tare weight than ordinary box cars or gondolas, average tare weight of refrigerators being 26.76 tons with a range of from 23 to 30 [fol. 4708] tons, while the average tare weight of box cars is about 22 tons, with a range of from 18 to 25 tons.

On the other hand, total products of mines is shown on page 12 of Witness Donnell's Exhibit No. 93 as constituting slightly over 57 per cent of the tonnage originating in Florida in 1940, and of the commodities therein phosphate rock, gravel and sand, and broken, ground or crushed stone account for slightly over 55 per cent of the total tonnage originated. The average loading of these commodities is around 54 tons per car.

In cars originated, therefore, the ratio of total products of agriculture to the total products of mines will not be in the relationship to the tonnage which is shown in Mr. Donnell's Exhibit No. 93 as being 8.1485 for the products of agriculture and 57.388 for the products of mines, which is about as 1 to 7, but rather will be, on the cars originated basis, more nearly as 1 to 2½. If, indeed, the dead weight tonnage be taken into consideration, this ratio would be brought down to more nearly as 1 to 2.

On page 8 of my exhibit I have shown the number of cars and tons handled by the Atlantic Coast Line Railroad during the year 1941 for citrus fruit, vegetables, sand, gravel, crushed stone and phosphate rock, and the average carloading of each, which bear out the statement last made.

Witness Donnell testified that the preponderance of trunk transport into and out of Florida is privately owned and [fol. 4709] operated. Our investigation shows that *that* statement to be correct. I do wish to say a few words about the competition which the railroads serving Florida meet from the private truckers. There is no regulation of the charges which may be assessed by truckers who handle only farm products, or who handle their own goods in their own trucks. This fact encourages itinerant hucksters to purchase fruits or vegetables in Florida for hauling to points in practically every state east of the Rocky Mountains.

There are no figures available showing the traffic handled to and from Florida by truck. Witness Doss has already testified that, so far as we have figures that *we* will be helpful, they show that, comparing the year 1928 with that of 1941, the loss of less than carload freight to other modes of transportation to and from Florida has been less relatively than for other states served by the Atlantic Coast Line Railroad and Seaboard Air Line Railway.

We do have some figures showing the amount of fruits and vegetables trucked from Florida as ascertained by Road Guard Inspectors of the Florida Department of Agriculture, and reported in Florida State Marketing Bureau's Annual Fruit and Vegetable Report, 1941-42 Season.

This report covers the period October 16, 1941, to May 10, 1942. It was obtained by stationed observers at the various points on highways near the Florida-Georgia state [fol. 4710] line who recorded the movements. It is not claimed that these statistics included every motor vehicle transporting fruits or vegetables out of Florida, but the figures do include the large majority of such traffic.

On pages 9 through 12 of my exhibit I have reproduced figures taken from the publication mentioned which show the large tonnage of fruits and vegetables handled by trucks to states north of Florida. For the period named it totaled the equivalent of 31,961 carloads or 305,837 tons.

Of course, these nonregulated truckers handling the perishables from Florida seek and obtain return loads. When they can do so, they pick up return loads of farm products, and when they cannot obtain return loads of farm products they will purchase loads of other commodities to sell in Florida or on the way back.

The railroads have made reductions under the rates prescribed by the Commission as maximum reasonable rates on citrus fruit and vegetables from Florida to all points in Southern and Official territories. They have also made reductions on some commodities on which the competition of these unregulated truckers is most keenly felt and on which it has seemed that such reduction would return an appreciable amount of the traffic to rail handling.

I would mention particularly reduction in Florida to meet this kind of competition which have been made on [fol. 4711] cottonseed or peanut oil cake meal, and on peavine or peanut vine hay, corn meal and certain other grain products from the central and southern portions of Georgia, southeastern Alabama and southeastern Carolinas, and on onions from Official territory.

We have some record of the onion movement from Central Freight Association territory. For the period September 23, 1940 through April 14, 1941, there was no rail shipment of onions from Central Freight Association territory to Florida, although the truck competitive rates were in effect.

For the period December 17, 1940 through April 14, 1941, there moved by truck from Central Freight Association territory to south Florida ~~the~~ equivalent of 88 rail carloads of onions. For the same periods the movement to Georgia was 42 cars via rail and the equivalent of 71 cars by truck; to South Carolina, 28 cars via rail and the equivalent of 2 cars by truck, and to Tennessee 47 cars via rail, and the equivalent of 17 cars by truck.

These figures bear out what we have all along found to be true: That these unregulated truckers will handled the return loads to Florida for very little over out of pocket expenses for gas and oil rather than to return to Florida empty, and they are, of course, limited to handling on the return trips farm products or commodities which they have actually purchased. The railroads find it practically impos- [fol. 4712] sible to establish rates to meet this kind of competition.

Witness Grady, in his Exhibit No. 95, and testimony, refers to the very large tonnage which moves to and from Florida by water, and both he and Witness Donnell assert that the rail tonnage for Florida would have been much larger had not the higher rail rates within, to and from Florida, including the Florida arbitraries, diverted so much tonnage to the water and truck lines.

I would mention that Witness Donnell, at page 1882 of his testimony (page 16 of his mimeographed statement), refers to Witness' Grady's exhibit as showing that in 1939 more than 13,000,000 tons of Florida domestic freight tonnage moved via water. Pages G-8 through G-14 of Witness Grady's Exhibit No. 95 shows the figures to be 11,267,368 et tons.

I have, on pages 13, 14 and 15 of my exhibit, restated the export figures, and on pages 16, 17 and 18, have restated the import figures through the Florida ports, including Key West, which is not served by a rail line, and excluding the car ferry tonnage through Port Everglades, so as to show by specific commodities the tonnage exported or imported through those ports and the percentage of such commodities to total exported or imported.

I have also indicated on these pages of my exhibit those commodities which generally stop at the ports of importation or originate at the port of exportation, and, as to those [fol. 4713] which a rail or truck haul to or from interior Florida points, the character of rail rates on such commodities.

I called attention to the showing on page 13 that phosphate rock accounted for slightly over 62 per cent of the total exports through Florida ports in 1939. Note 1 is referred to opposite phosphate rock, and by explanation of that note on page 15, it will be noted that this commodity is handled to the ports under commodity rates which bear no relationship to class rates and contain no Florida arbitraries.

In point of tonnage exported, lumber is the next highest on the list, accounting for slightly over 11.5 per cent of the total, and under Note 2, it is shown that lumber handled via rail into Florida ports is under commodity rates bearing no relation to class rates and including no Florida arbitraries.

Other commodities shown on pages 13 and 14 which, when handled via rail to the Florida parts for export, move on commodity rates having no relation to class rates and which do not include any Florida arbitraries are logs, bunker coal, coal other than bunker coal, naval stores, cotton and fertilizer and fertilizer materials.

The fuel oil shown reaches the port by water from points outside the State of Florida. Pulpboard and other paper articles are produced at the points shown as being the ports of export as are crushed oyster shells.

Nearly all of the canned goods shown were exported [fol. 4714] through Tampa. Canned goods are produced in large volume at Tampa, but, if moved from the interior

Florida to Tampa via rail, they are on basis of commodity rates bearing no relation to class rates and not including Florida arbitraries.

Scrap iron and steel move on low commodity rates bearing no relation to class rates and all of the exports shown might and probably did originate at the port itself. If the tonnage of this commodity shown originated at points in north Florida, or at points north of the State of Florida, there was no Florida arbitrary included in so far as the movement to Panama City, Pensacola and Jacksonville were concerned, and the movement to those points were nearly 64 per cent of the total for this commodity to all of the Florida ports. The starch exported through Panama City could not have originated in Florida as starch is not manufactured in that state. Panama City is not within Florida Arbitrary territory.

Of the cement exported 96 per cent was through the port of Tampa, and the cement plant at Tampa would account for that movement. If there were rail movement of the cement moving through the other ports shown it was on commodity rates bearing no relationship to the class rates.

This leaves only the items of fresh fruit and all commodities not otherwise named, aggregating 2.43 per cent of the total.

97.57 per cent of the total shown is either produced at [fol. 4715] the ports and as to which the rail lines would have no opportunity to obtain a haul when for export or, if handled to the ports via rail, would be on the basis of special commodity rates bearing no relation to class rates and containing no Florida arbitrary. This does not mean that the remaining 2.43 per cent would move on basis of class rates or would contain an arbitrary.

For example, of the 18,802 tons of commodities, not otherwise named, shown as being exported through Miami, some of the items which originate at Miami include, as shown on page G-33 of Witness Grady's Exhibit No. 95, 7,706 tons of boiler water, 2178 tons of drinking water, 1,110 tons of ice, 160 tons of feed and 90 tons of beer. That is nearly 60 per cent of the miscellaneous commodities shown as exported through Miami.

Likewise, to Miami, one of the larger unspecified items consisted of 1,171 tons of automobiles and parts. There are specific commodity rates on automobiles and parts from

Central Freight Association producing points to Miami which bear no relation to the class rates and do not include a Florida arbitrary, but, if these automobiles and parts moved from Central Freight Association points directly to Miami billed for export, they would have moved on class rates which are governed by Official Classification and are related to the export rates from such origins to New Orleans, Louisiana, the latter in turn being related to the rates from [fol. 4716] Central Freight Association origins to New York, N. Y., and Baltimore, Maryland.

The movement of commodities not otherwise named to Panama City, Jacksonville and Pensacola, for export, when from origins north of the Florida peninsula, would not be subject to the Florida arbitrary even if they moved on full class rates. Class and commodity rates are published from Central and Illinois Freight Association territories to Jacksonville, Pensacola and Panama City for export, which are made with relation to the rates from such origins to New Orleans, Louisiana; Baltimore, Maryland, and New York, N. Y., for export, such export class rates being governed by Official Classification, and, of course, none of them including a Florida arbitrary.

A careful analysis shows that less than 5 per cent, and probably less than 1 per cent of the commodities shown as being exported through the Florida ports, when moving via rail, would move on class rates or would include a Florida arbitrary.

Pages 16, 17 and 18 of my exhibit, covering the imports through the Florida ports, show very nearly the same sort of picture as I have just mentioned regarding the exports. Over 33 per cent of the imports is of fertilizer and fertilizer materials, which, when moving inland by rail, move on commodity rates bearing no relation to class rates and contain no Florida arbitrary.

Suffice it to say that a study of this exhibit will disclose slightly over 88 per cent accounted for as traffic which re- [fol. 4717] mains at the port of import, or, if moving via rail to interior points, moves on commodity rates bearing no relation to class rates, and containing no Florida arbitrary. This does not mean that nearly 12 per cent does move on class rates or on rates containing a Florida arbitrary.

To illustrate, of the creosote oil which is imported through Pensacola none is likely to move to a Florida peninsula Point, and that imported through Jacksonville would be used principally at Jacksonville or shipped via rail to other points at which creosoting plants are located, only one of which is in Florida peninsula territory, and the Florida arbitrary on creosote oil from Jacksonville to that point is only 1 per cent per 100 pounds.

The beet pulp imported through Jacksonville, Miami and Tampa would nearly all remain at those ports. Much of the tonnage included under the heading "other commodities" would be used at the port.

For example, at Tampa among the items included under this head are 1,617 tons of tobacco, 1,072 tons of iron and steel articles. Much of the miscellaneous imports shown through Jacksonville would, if shipped out, find their destination at points north of Florida, and would move on commodity rates bearing no relation to class rates or perhaps to Central or Illinois Freight Association territories on class rates which are governed by Official Classification and are [fol. 4718] made with relation to the import class rates from New Orleans, Louisiana; Baltimore, Maryland, and New York, N. Y.

I have not included in these statements dealing with the distribution and rate adjustment on the exports and imports through Florida ports the Key West figures because that port is not served by a rail line; nor have I included the figures via Port Everglades on traffic moving via the Florida East Coast car ferry because class and commodity rates having no relation to the Docket 13494 class rates, and containing no arbitrary have been established for the movement of practically all of the traffic which is handled through Port Everglades in connection with the car ferry.

So far as concerns the coastwise and intercoastal movements from, to or through the Florida ports, we have no figures segregating the commodities so handled. It is obvious that the outbound movement from or through the ports in coastwise or intercoastal traffic will follow closely the same pattern as that for export traffic with the possible exception that pulpboard and other paper articles, naval stores and canned goods would show a slightly higher percentage of total movement, and lumber and scrap iron would show a lesser percentage of the total movement than is the case for export.

As to the inbound coastwise or intercoastal movement, the showing would be very different from that for the imports, because there is regular service, during normal times, [fol. 4719] between Florida ports and the eastern port cities, and frequent though irregular service between the larger Florida ports and the Pacific Coast. Also during normal times there are both regular and irregular steamship or barge services between certain of the Florida and Gulf ports.

The rates assessed by the water carriers between ports are generally so low that the railroads cannot meet them.

On pages 19, 20, 21 and 22 of my exhibit, I have shown the class rates applicable via all-water routes between eastern port cities and Jacksonville, Miami and Tampa, Florida, and have compared therewith the present all-rail rates and what the all rail rates would be if made on basis of the Southern class rate scale or the Official territory class rate scale, and have also shown, at the bottom of the pages showing the class rates, representative commodity rates published by the steamship lines and the Classification or exception sheet rating governing all-rail traffic.

As illustrative of the showing in these pages, not the situation between Jacksonville, Florida, and New York, N. Y., shown on lines 9 through 13 on page 19. The first class all-water rate is shown to be 146 cents, the all-rail rate to be 220 cents, the rate on the Southern or Docket 13494 K-2 scale 245 cents and the rate on the Official Territory or Docket 15879 Appendix E scale to be 179 cents.

The first class all-water rate is lower by 33 cents per [fol. 4720] 100 pounds than the Official territory level, and the present all-rail first class rate is 25 cents per 100 pounds lower than the Southern level, no Florida arbitraries being here considered.

At the bottom of that page, note, for example, at line 33, the steamer lines publish northbound rate of 34 cents per 100 pounds on canned goods, carload. The exception sheet rating for this commodity on all-rail is Class 30-K, which represents eighth class to reflect 5 per cent increase under Ex Parte 123. Class 30-K applied against the all-water first class rate from Jacksonville, Florida, to New York, N. Y. would be 42 cents, the northbound commodity rate being, therefore, 8 cents lower than the all-water class rate.

The exception sheet rating in Official territory on canned goods, carload, in Class 32-S, which represents 32 per cent of the first class rate prior to Ex Parte 123 increase, increased 5 per cent, but not exceeding an increase of 2 cents per 100 pounds. The Class 32-S figure under the Official territory level of rates for all-rail distance would be 54 cents per 100 pounds or 20 cents per 100 pounds higher than the all-water rate from Jacksonville, Florida, to New York, N. Y. on canned goods.

The showing here mentioned as between Jacksonville, Florida, and New York, N. Y. will apply in greater or lesser degree to the balance of the figures shown on these three pages.

[fol. 4721] The steamer lines publish several pages of commodity rates, most of them considerably lower than would result from their already low line of class rates.

The situation as to rail-water rates and movements from points in Official territory to Florida ports from interior Florida points to eastern ports via rail-water, from eastern parts to interior Florida points via water and rail, or from the Florida ports to interior Official territory points via water and rail is very much the same as that via the all-water routes between the ports, in that the through rates via the rail-water or water-rail routes, whether published as one-factor through rates or obtained by combination over the ports, are generally too low to permit the all-rail routes to meet them.

I would cite here the handling before the Commission in Fourth Section Application 13819, commodity rates to South Atlantic and Florida ports, reported in 186 ICC 675, 197 ICC 309, 214 ICC 7 and 222 ICC 427. There, the rail lines sought authority to meet the rates available on combination for the rail-water service through the North Atlantic ports on commodities from Central and Illinois Freight Association points to the South Atlantic and Florida ports. The Commission did not grant the relief sought, but did grant Fourth Section relief to establish all-rail rates made 10 per cent higher than the combination available via the rail-water routes.

[fol. 4722] Commodity rates were established pursuant to the relief granted on a rather long list of commodities, but the result of the establishment of such rates has been most disappointing to the South Atlantic and Florida port lines. We have kept records of all movements under the rates so established, and except to Miami, the rail routes have recaptured only a small portion of the movement for which such rates were intended.

At pages 4 through 10 of Witness Donnell's Exhibit 93 are shown graphs and figures comparing tonnage originated or terminated in Florida with the figures for certain other states. He does not, on these pages, show the comparisons of Florida with all of the other states, in some instances omitting comparisons of Florida with some of the other Southern states.

In order to have a complete picture as to the tonnage originated and terminated in all of the states, and the tons per mile originated and terminated in all of the states, I have shown at pages 22 and 24 of my Exhibit No. 202 such a comparison. The only comment which it seems necessary to make here is that the tons originated or terminated per mile of road within the state have much more meaning than the tons originated or terminated per state.

For example, where on page 4 of Exhibit No. 93 it is shown that Florida originated 15 per cent more rail tonnage than did New Jersey in the year 1940, the salient fact [fol. 4723] is that, as shown on page 22 of my exhibit, New Jersey originate 115 per cent more rail tonnage per mile of road in 1940 than did Florida.

The real test, however, of traffic density is the tons handled per mile of road, and I have, at pages 8, 9, 10 and 13 of my prior exhibit No. 70 shown such comparisons for many years of the tonnage handled in Florida with tonnage handled in the other states served by the Atlantic Coast Line Railroad and Seaboard Air Line Railway.

While at pages 23 and 24 of my exhibit the showing as to tons originated and terminated in Florida indicate a rather high rank for Florida as compared with the other Southern states, the reverse is true when total tonnage handled is taken into consideration.

Witness Donnell in answer to questions on cross-examination at page 1892 of the transcript, stated that there is very little overhead traffic in Florida but its traffic originating and terminating traffic builds up the density of the traffic in the Carolinas, Virginia and Georgia, and again, at page 1894 of the transcript, he stated, "North Carolina will always, a million years from now, have more density than Florida because the more tonnage we originate, the heavier density North Carolina's density becomes."

Admitting that the fruit and vegetable tonnage originating in Florida contributes valuably to the overhead traffic [fol. 4724] handled through other Southern states, and that, in normal times, from 10 to 15 per cent of the phosphate rock originating in Florida contributes to the tonnage handled through other Southern states, I would like to show that a great portion of the tonnage originating in Florida terminates in Florida, and, therefore, by far the greater part of the tonnage originated in Florida does not contribute to the tonnage handled in the other Southern states.

On page 25 of my exhibit I have shown for commodities the tons originated and tons terminated in Florida for the year 1940. These figures show that the tonnage originated corresponded to a marked degree with the tons terminated in Florida.

I have already shown that, as to phosphate rock, the total amount originating in Florida and which moved to other than are known to be Florida destinations, the percentage via the Atlantic Coast Line Railroad in 1939 was 10.75 per cent and in 1940, 14.05 per cent. There are interior Florida fertilizer mixing plants to which there is a movement of phosphate rock from Florida origins and that movement would be included in the 10.75 per cent or 14.05 per cent.

As to lumber, I have recently participated in hearings before the Florida Railroad Commission concerning the intrastate rates on lumber and related articles within Florida, and am in position to say that, by far the greater portion [fol. 4725] of that tonnage originating in Florida terminates in Florida.

On petroleum and its products nearly all that is used in Florida comes by water to the Florida ports and is either used at the port or distributed inland from those ports.

Most of the fertilizer used in Florida is produced in Florida.

Of the other commodities shown on this page, it is obvious that from the very nature of the commodities they can move only for short distances. It is shown that these ten commodities accounted for slightly over 80 per cent of the tonnage originated in Florida and slightly over 75 per cent of the traffic terminated in Florida. This enormous tonnage originating in Florida and terminating in Florida adds very little to the traffic handled through or originating or terminating in the other Southern states.

On this point I think it well to mention that the rates on these commodities within, to or from Florida are commodity rates, exceedingly low in level, and that no Florida arbitrary is to be found in the rates on which any of these ten commodities move; except on gravel, sand, and broken, crushed or ground stone, and the arbitraries on these commodities are so low it is almost impossible to find them.

As showing the low earnings on sand, gravel, crushed stone and phosphate rock for the tons handled in Florida, attention is called to page 26 of my exhibit, which shows [fol. 4726] such information for the Atlantic Coast Line Railroad, and the Seaboard Air Line Railway for the year 1940, and in comparison similar figures for the Louisville and Nashville Railroad and for the Southern Region as a whole. The average revenue for the Atlantic Coast Line and Seaboard Air Line in Florida on these commodities is shown to be 71.4 cents per net ton which is less than 6 per cent of the first class rate for a forty mile haul under the Docket 13494 K-2 scale prior to Ex Parte 148 increase without a Florida arbitrary.

At pages 8 and 9 of Witness Donnell's Exhibit No. 93, he makes comparison of the freight originated and terminated in Florida for the year 1940 in Florida with similar figures for the New England States. Further comparison of Florida with the New England States is interesting and perhaps helpful because there are many characteristics, both from the standpoint of geography and railroad statistics. which in the two areas are comparable.

I have set down some of these as well as some points of difference on page 27 of my exhibit. Florida and the New England States are very nearly equal in land area, in miles of railroads, in square miles of land area to miles of railroad and in tonnage originated. However, in tonnage terminated and in total tonnage originated and terminated there is a marked difference as will be seen from page 27 of the exhibit. While Florida in 1940 originated 7.3 per cent more rail tonnage than did New England, New England [fol. 4727] land terminated 125.3 per cent greater rail tonnage than did Florida, and, for combined originated and terminated tonnage, New England had 59.1 per cent more than Florida.

Two other points of peculiar similarity are found as between Florida and New England. Florida, being a peninsular state, the most southeastern state in the Union, has very little opportunity to have its traffic density increased by reason of overhead traffic. New England, being at the northeastern corner of the United States likewise has very little opportunity to have overhead traffic add to its traffic density, though since it adjoins Canada the opportunity there is somewhat greater.

Again, in New England as in Florida we find a portion of the area is subject, as to freight rates, to arbitraries over and above the level generally existing in the territory with which each area is grouped. In Florida there are 44 counties which lie wholly in the arbitrary territory, and these counties have a land area of 38,224 square miles. In the states of Maine, New Hampshire and Vermont, there are thirty counties lying wholly within the arbitrary territory, having a land area of 41,560 square miles.

At pages 1871 and 1872 of the transcript, Witness Donnell refers to the great increase in the total tons of revenue freight carried in the state of Florida in the year 1940 over [fol. 4728] that in the year 1921, the figures showing that increase to be 112 per cent.

The decision of the Interstate Commerce Commission in Docket 13494, as regards the rates to and from south Florida and the arbitraries which might be added to the basic rates, was not determined on basis of the 1921 traffic sho-ing. Rather, at page 622 of its decision in Docket 13494, 100 ICC 513, it makes comparison of the traffic density of Florida with other Southern states for the years 1922 and 1923.

I have shown at page 28 of my exhibit for account of the Atlantic Coast Line Railroad, and at page 29 for account of the Seaboard Air Line Railway, the comparison of revenue tons carried, average miles of road operated, and revenue tons carried per mile of road, in the six Southern states through which those roads operate, for the years 1922, 1923, 1924, 1925 and 1940. These figures show that the Atlantic Coast Line Railroad handled in 1940 less revenue tons per mile of road in Florida and in the other states than it handled in 1923, 1924 or 1925, except as to Alabama. The Seaboard Air Line Railway in 1940 handled per mile of road in Florida in 1940 less than it did in 1924 or 1925, and only 24 tons more per mile of road in 1940 than it did in 1923.

I have included in these two pages the figures for the years 1924 and 1925 because whether or not the Commission made reference to the figures for those years in its final [fol. 4729] decision dealing with the arbitraries in connection with the Florida rates under Docket 13494, it had those figures available at the time of its decision reported at 128 ICC 567, which was decided July 19, 1927.

Pages 8, 9 and 10 of my prior Exhibit No. 70 show the figures for the Atlantic Coast Line Railroad for the intervening years 1926 through 1939, and page 13 of my exhibit No. 70 shows for account of the Seaboard Air Line Railway the figures for the years 1929 through 1939.

In Exhibit No. 93, Witness Donnell refers to the low number of railroad employees per mile of road in Florida as compared with 38 other states. Aside from the obvious fact that this showing is indicative of lighter traffic density I would point out that his figures are based on first, main track, rather than miles of road, and are for the month of July, 1940.

The number of employees is affected, particularly as to maintenance of way employees, by the second, third and fourth main tracks and it will be seen from page 2 of his Exhibit No. 93 that the states having the greatest number of employees per mile of road are those states in which the greatest amount of second, third or fourth main line tracks are maintained.

July is one of the three lightest months, from the standpoint of traffic handled into or out of Florida. As shown [fol. 4730] by page 7 of my exhibit, for the year 1939, July was the third to the lightest month and in 1940 second to the lightest month in tonnage handled over the Atlantic Coast Line Railroad, excluding phosphate rock. There can be no doubt that a somewhat different showing would have been made had his figures been for one of the months during the first or last quarters of the year.

I would also call attention to the fact that the number of railroad employees in any state will be influenced materially by the location therein of general offices of Class I railroads. In Florida only one Class I railroad has its general offices, namely, the Florida East Coast Railway. In Georgia there are located the general offices of the Central of Georgia, Atlantic, Birmingham & Coast Railroad, Georgia Railroad-West Point Route, Charleston & Western Carolina Railway, Georgia and Florida Railroad, and a large portion of the general offices of the Southern Railway.

It will be noted that the number of employees in South Carolina, per mile of line, is not shown in the exhibit, this being one of the states which had fewer employees per mile of road in July, 1940, than did Florida. The general offices of no Class I railroad are located in South Carolina.

In North Carolina, which is well down the list, are the general offices of the Atlantic Coast Line Railroad.

In Alabama, also well down the list, are the general [fol. 4731] offices of the Gulf Mobile & Ohio Railroad, and the Alabama, Tennessee and Northern Railway.

In Virginia, which is high up on the list, are to be found the general offices of the Norfolk & Western Railway, Seaboard Air Line Railway, Virginia Railway, Norfolk Southern Railway, and Richmond, Fredericksburg & Potomac Railroad.

In Maryland, which heads the list, and which, being a small state in area, has a much smaller total amount of first main line track than most of the other states shown, will be found the general offices of the Baltimore & Ohio Railroad, and Western Maryland Railway.

At page 3 of Exhibit No. 93, Witness Donnell shows the relatively small railway tax accruals per mile of line owned in Florida as compared with 45 other states. On this point the tax accruals compared with revenue earned is of equal value, and I have shown such information at page 30 of my Exhibit No. 202.

On page 4 of Exhibit No. 94, Witness Donnell shows that, from eight origins in the Florida pebble rock district to Tampa, Florida, the rate on phosphate rock for export, prior to Ex Parte 148, was 75 cents per gross ton and that the weighted average haul is 32 miles, his figures being quoted from 243 ICC 544.

He failed, however, to show that the rate of 75 cents per gross ton is also applicable to Port Tampa, for export, [fol. 4732] and that at the same page in the Commission's report it is show- that the weighted average haul to Port Tampa is 50.7 miles; likewise he failed to show that at the same page of that ~~report it is~~ shown that the same rate of 75 cents per gross ton mile applies to Tampa and Port Tampa when for coastwise movement beyond and that the weighted average haul when for coastwise movement is to Tampa 37 miles, and to Port Tampa 52.4 miles.

Again I call attention to the fact that in this decision, 243 ICC at page 541, it is shown that in 1936 the phosphate rock moving through Tampa and Port Tampa was handled for a weighted average distance of 44.8 miles, and in 1937 for a weighted average distance of 43.7 miles. As a matter of fact, the rate of 75 cents per gross ton applies also to South Boca Grande, for export or coastwise movement, from origins on the Seaboard Air Line Railway, the distances to South Boca Grande ranging from 94 to 110 miles.

It is shown at page 541 of the Commission's report referred to that in arriving at the weighted average distance to Tampa and Port Tampa, it was assumed that all the shipments which had moved for the greater distance to South Boca Grande had instead moved to Tampa. The report referred to is Docket 27723, Phosphate Export Association, et al. v. Atlantic Coast Line R. R. Company, et al., which attacked rates from these Florida origins to only Tampa and Port Tampa, when for water movement be-[fol. 4733] yond.

The following is quoted from that decision, beginning at the bottom of page 536:

> "We have given the evidence before us careful thought, and even though the South Boca Grande situation and the wet rock movement be eliminated from consideration, the record is not convincing that the assailed rates and charges exceed the maximum limit of reasonableness."

Another witness will deal generally with the testimony and Exhibit No. 92 introduced by Witness Maurer. On pages 104 through 112 of that exhibit, and also dealt with by Witness Eutsler, reference is made to rates on a few manufactured commodities from specific origins, many of which are local to the Atlantic Coast Line Railroad, and I do wish to have something to say about these.

On pages 105 and 107 of Witness Maurer's Exhibit No. 92 there are shown rates on palmetto brush fibre, less carload, and on fibre brushes, less carload, from Jacksonville, Otter Creek and Benson Junction, Florida, to Chicago, Illinois, and three Central Freight Association points, as compared with rates on the Docket 15879 level. A careful search of our files indicates that at no time have shippers' organizations nor manufacturers of palmetto fibre or fibre brushes located at any of these three Florida origins ap-[fol. 4734] proached us about rates.

In so far as concerns the Otter Creek adjustment, there is nothing regarding that in our files, although Otter Creek is a local station on the Atlantic Coast Line Railroad.

The Jacksonville operation first came to our attention in 1939 when our Jacksonville representative advised us that a firm was considering putting up a plant of this kind at Jacksonville, that report indicating that the prospect had not approached the railroads, but had approached a steamer line for establishment of a rate to New York City.

We figured closely on a rate that we might be able to establish which would result in rail handling of this movement but gave up when we found that the Clyde-Mallory Line published a rate of 35 cents at minimum weight of 20,000 pounds, and a rate of 47 cents on less than carloads.

The short line distance from Jacksonville to New York is 967 miles, and the minimum per car revenue at 35 cents per 100 pounds, minimum 20,000 pounds, would be only $70, yielding slightly under 7¼ cents per car mile for the shortest physical distance. It would take a rate of 53 cents per 100 pounds to yield, for the short physical district, per car mile revenue of 12 cents, and the Commission has several times denied Fourth Section relief, regardless of the degree of circuity, for rates yielding less than 12 cents per car mile. We have not at any time been approached by — shippers organization nor by the manufacturer of palmetto fibre or fibre brushes at Jacksonville, with regard to freight rates.

Benson Junction, another point at which these commodities are made, is a point reached by both the Atlantic Coast Line Railroad, and the Florida East Coast Railway. At no time have we been approached, by the shipper or a shippers' organization, to adjust the rates on these commodities from that origin. Our agent at Benson Junction did take up with us on two occasions, asking us to look into the question of rates to see if we could establish such rates as would divert to rail handling the traffic which then was moving principally by truck or truck and water service.

On both occasions we approached the shippers to ascertain what rates would be necessary to divert the traffic to rail handling, but were unable to obtain such information. One one occasion, however, we were informed that, even if the rail lines met exactly the rates available by truck and water, the rail lines would not be given the business.

Later, at our request, the shippers advised us that they would give us information as to movements and destinations so that we could make a further attempt to progress the matter, but we were never furnished such figures.

At page 108 of Witness Maurer's Exhibit No. 92 he shows rates on candied, crystallized or galazed citrus fruit from Davenport, Florida, to representative Southern points. He [fol. 4736] overlooked that effective in May, 1942, the rating on this commodity within the South, and between the South and Official territory was reduced to Class 57.

I have reproduced page 108 of Exhibit No. 92, and have added thereto figures on the Class 57 basis, this being shown at page 31 of my exhibit. I call attention to the fact that the reductions made in May, 1942, amount to very considerably more than the Florida arbitrary which was included in the rates prior to that time. I have been unable to find where we have ever been approached by a shipper or a shippers' organization for an adjustment in the rates on candied, crystallized, or glazed citrus fruits from Florida points to the South or to Official territory.

Witness Maurer, at page 110 of his exhibit, makes comparison of the rates on furniture, carload, minimum weight 10,000 pounds, from Palatka, and Tampa, Florida, to four representative destinations in Central-Illinois Freight Association territory with rates if made on the Docket 15879 level and with rates from Gardner, Massachusetts.

Witness Eutsler refered to this commodity as being shipped from Tampa and Palatka, Florida, at pages 1949 through 1953 of the transcript. At page 1952 he states that the concern manufacturing furniture at Palatka, Florida, originally manufactured cypress lawn and garden furniture, but that the all-rail rates were so high that when added [fol. 4737] to the cost of the furniture its products were excluded from the interior portions of the country, and that early in 1930 it turned to its present line of solid wooden bedroom and dining room furniture.

We were approached by the manufacturer at Palatka for an adjustment in the rates on lawn and garden furniture to points in Official territory. That was just about the time that both the Official territory and southern roads were looking *in to* the question of rates on furniture necessary to meet truck competition, which resulted in the establishment, effective in September, 1932, of Class 58, at minimum weight of 10,00 pounds, within the South and from the South to the

North. The Official territory roads, also in an effort to meet truck competition, reduced their ratings to 70 per cent of first class. These are the ratings which are still applicable on furniture at minimum weight of 10,000 pounds, as is seen from Witness Maurer's Exhibit No. 92, page 110. The same ratings apply on wooden garden or lawn furniture as on bedroom or dining room furniture.

Attention is called to the showing on page 110 of Exhibit No. 92 that by reason of the rating of 58 per cent of first class from the South, and 70 per cent of first class in Official territory, the rates from the Florida points to Central Freight Association points exceed the Central Freight Territory level by amounts ranging from only 20 [fol. 4738] per cent to 24 per cent.

To Trunk Line territory, where the class rates are on the key point basis, the excess over the Official territory scale is much less, as for example it can be readily figured from page 21 of my exhibit that from Tampa, Florida, to New York, N. Y., the excess over the Official territory scale is less than 14 per cent.

Attention is called to the fact that the rates on wooden garden or lawn furniture are the same as on other wooden furniture and, therefore, the conclusion is inescapable that it was not the rates which caused the manufacturer at Palatka to switch from making of garden or lawn furniture to the making of bedroom or dining room furniture.

I cannot locate where we have ever been approached by the manufacturer of furniture at Tampa or by a shippers' association for an adjustment in the rates from that point. However, when the truck competitive rates on furniture were established from Southern points it included the rates from Tampa as well as from other Southern points.

At page M-112 of Witness Maurer's Exhibit No. 92, he shows the rates on cigars, less carload, from Jacksonville and Tampa, Florida, to five Central-Illinois Freight Association destinations, as compared with rates from New York and with the Docket 15879 scale of rates.

Dealing first with the rates from Tampa, I would mention [fol. 4739] that in so far as the East is concerned, the movement has been practically all by all-water route or via rail to Jacksonville thence water beyond, until cessation of water service by reason of war conditions.

As is shown at page 21 of my exhibit, the all-water first and second class rates from Tampa to the Eastern port cities are on an extremely low level as compared with any existing level of all-rail rates, the first class rates via all-water to Boston and New York being respectively 26 cents and 7 cents per 100 pounds lower than the Docket 15879 Appendix E first class scale, and to Philadelphia and Baltimore the rates being only 4 cents and 15 cents, respectively, higher than the Docket 15879 Appendix E first class scale.

Commodity rates much lower than the class rates are, however, published via the all-water routes as, for example, rate of 110 cents per hundred pounds from Tampa to Baltimore, Maryland, and Philadelphia, Pennsylvania, is published in Item 1100 of Bull Steamship Lines' Tariff BL-20-E., U.S.M.C. No. 84, and there is published in Item 3180 of Pan-Atlantic Steamship Corporation ICC No. 84, rates of 110 cents per 100 pounds to New York, N. Y., Philadelphia, Pennsylvania, Hoboken and Camden, N. J., and rate of 114 cents per 100 pounds to Boston and New Bedford, Mass. These all-water commodity rates range from 42 cents to 78 cents lower than second class rates under the Docket 15879 Appendix E for the rail distance from [fol. 4740] Tampa to the Eastern ports. We would not meet rates such as these via all-rail routes, but we did establish commodity rate of 134 cents per 100 pounds for application via rail to Jacksonville, thence water lines beyond to New York and some of the other Eastern ports on which, account of the quicker service, the rail lines did handle a fairly good portion of that traffic.

From Tampa to Central-Illinois Freight Association territory, truck competition began to be noticed about 1932 or 1933, and we have been much concerned since that time with the recapture of this tonnage, keeping closely in touch with the volume of tonnage moving both by rail and by truck. Chicago, is, of course, the principal destination point in Central-Illinois Freight Association territory.

After extended negotiations we established, effective January 12, 1937, a less carload rate of 220 cents from Tampa to Chicago, this rate becoming 242 cents per 100 pounds on March 28, 1938, with the increases under Ex Parte 123. It was understood at the time that the rate of 242 cents would meet the truck competition.

For about five months after that rate was established there was a decided pick-up in the rail movement to Chicago, although even then more than 80 per cent continued to move by truck, and, afterwards, the rail movement fell off to practically nothing. I show here the figures we obtained [fol. 4741] as to total rail movement and total truck movement from Tampa to Chicago for various periods:

April, 1935, through July, 1935, rail, 3,627 pounds; truck, 257,500 pounds.

August, 1936, through December, 1937, rail, 6,654 pounds; truck, 366,200 pounds.

January, 1937, through May, 1937, rail, 49,968 pounds; truck, 288,300 pounds.

June, 1937, through October, 1937, rail, 14,064 pounds; truck, 319,200 pounds.

November, 1937, through March, 1938, rail, 1,105 pounds; truck, 346,400 pounds.

August, 1937, through July, 1939, rail, 24,072 pounds; truck, 1,550,800 pounds.

It will be seen from the above figures that establishment of the lower rate to Chicago did not have the result which was expected in returning the traffic to rail handling. There was another unexpected result in that the rate to Chicago had been published subject to the intermediate rate rule without adequate restrictive routing, and it was found that the reduced rate to Chicago would, under the intermediate rate rule, apply to Kansas City, Missouri. The railroads did get the business to Kansas City, Missouri, until the truck lines met that rate.

Subsequently the rate to Chicago was restricted to not apply through Kansas City, and later it has been cancelled [fol. 4742] altogether, because it did not move any appreciable amount of traffic.

The Tampa railroads had several conferences with the Tampa manufacturers in an endeavor to work out rates which would bring back to the rail lines a fair share of this traffic. We are told, however, that as long as the trucks met the rail rates there was little chance of any appreciable amount of traffic moving via rail, not only to Chicago, but to other points in Central Illinois Freight Association territories due to the quicker service by trucks.

In a final effort to recapture some of this traffic, the rail lines established a carload rate of 161 cents per 100 pounds, subject to minimum weight of 30,000 pounds, effective September 30, 1939. It was thought that this carload rate coupled with the stopping in transit arrangements, would enable the rail lines to recapture some of the tonnage, but it did not work out that way, and there was no movement on that rate.

Incidentally, the truck lines met the 161 cent rate as a volume rating, but they handled no traffic thereunder. The rate of 161 cents is lower by 17 cents per 100 pounds than the Official territory level.

We have not been approached by the manufacturers or by shippers' organization at Tampa for a readjustment of the rail rates on cigars to Southern or Official territories. All the negotiations with respect to rail rates have been [fol. 4743] initiated by the railroads.

Coming to the question of rates on cigars from Jacksonville, the situation here is very much as indicated with respect to the rates from Tampa. While water service to the East was available there was no way the railroads could meet the all-water rates. The all-water rate from Jacksonville to New York, proper, was 127 cents prior to June 1, 1942, as published in Item 1180 of Agent I. H. Hasker's ICC 262. That rate was cancelled effective June 1, 1940, leaving second class rate of 130 cents to apply. The Official territory level for the rail distance is, as shown by page 19 of my exhibit, 173 cents.

To New York, Philadelphia and Baltimore, the all-water rate, prior to June 1, 1942, was 109 cents per 100 pounds, as published in Item 1180 of Agent Hasker's ICC 262, this being increased to 120 cents in Item 1080 of Agent Hasker's ICC 275, effective June 1, 1942, as shown on page 19 of my exhibit. The second class rates under the Docket 15879 scale for all-rail distances are to New York 152 cents, Philadelphia 143 cents and Baltimore 136 cents.

Proportional rates applicable on movements beyond the Eastern ports to interior Eastern and Buffalo-Pittsburgh points are published by all water, these proportional rates being 76 cents to Boston and 68 cents to New York, Philadelphia and Baltimore, per Item 1180 of Agent Hasker's ICC 262, which were increased, effective June 1, 1942, in [fol. 4744] Item 1080 of Agent Hasker's ICC 275 to be 84 cents to Boston and 75 cents to New York, Philadelphia and Baltimore. Proportional rates are also published by all water from Jacksonville to the Eastern port cities when for movement beyond to points in Central Freight Association territory or west thereof, such proportional rates being published in Item 2845 of Agent Hasker's ICC 275, and being to New York 60 cents, Philadelphia 67 cents and to Baltimore 68 cents per 100 pounds.

From Jacksonville to Central-Illinois Freight Association territories the movement has, as was the case from Tampa, been mostly by truck. In October, 1934, this situation came again to our attention and it was found that the truck lines had established to points in Central-Illinois Freight Association territories rates which were approximately the same as the combination of the proportional rates by water to Baltimore, plus the water-rail rates from Baltimore to Destination.

Based on prior experience, it was concluded that if rail carriers met such rates, the trucks would if necessary to control the handling of the traffic make further reductions, and therefore no changes *was* made in the rail rates.

I do not think it amiss to say that the principal manufacturer, almost the only one shipping cigars from Jacksonville, owns part or all of one of the truck lines operating from Jacksonville to Southern, Central Freight Association [fol. 4745] and Illinois Freight Association points, and advice we have received from our representatives on the ground has all along been that we cannot expect to obtain any appreciable movement to Central Freight Association or Illinois Freight Association territories as against the truck lines.

At page 1841 of the transcript, Witness Maurer mentions the manufacture of safety matches in cardboard strips at Jacksonville and infers that by reason of inability to obtain prompt relief in connection with its freight rates to Central territory, the plant was unable to exist and was closed.

We were approached there by the manufacturer to establish rates from Jacksonville to Chicago and Minneapolis particularly, as well as to other points in Central and Illinois Freight Association territory. We were advised that a rate of 80 cents would be necessary from Jacksonville to Chicago. A rate of 80 cents is 15 cents per 100 pounds less than the normal Official territory level of fourth class. The Official territory roads did find it necessary as a truck competitive measure to reduce the rates within that territory generally on matches, carload, to 40 per cent of first class and at that level the rate from Jacksonville to Chicago would be 76 cents.

The Southern railroads a year or so prior to this request also had occasion to consider the rates on matches, carloads, from a truck competive standpoint, and for that pur- [fol. 4746] pose had, by exception sheet rating, reduced the rating from fourth class to fifth class.

Later this exception sheet rating was cancelled and the classification itself changed to fifth class. I have previously explained that where truck competitive rates are found necessary in one territory, but not between that territory and another, it has not been the custom, nor has it been required by the Commission, to make similar reduction in the interterritorial rates.

Mr. Gwathmey: The witness is offered for cross-examination.

By Commr. Splawn:

Q. Before cross-examination, may I ask a question? What percentage of the rail traffic originating in Florida and destined to Florida then do you estimate is tied to the rails; not competitive with trucks and water?

A. Mr. Commissioner, there is none of it that is tied to the rails. We find that we sometimes are unable to make rates low to get logs, even. That is probably the lowest rated commodity you can find to move by rail. There is none of it that is tied to rail.

Now, wait a minute. I will take that back. Phosphate rock and sand and gravel, for all except short distances, probably move by rail. Phosphate rock and sand do not move much by truck.

Q. What is your theory about the differential down there? [fol. 4747] A. In those instances where we are able to retain the differential, we should be permitted to do so. If the ten years from 1930 to 1940 can be considered as anything like normal, we need every penny that we can get to keep a jump ahead of the sheriff; in fact, we incurred a deficit in those ten years. In those instances where we have found that it would get more business to the carrier, to the railroad, to waive the Florida arbitrary, we have usually done so.

Commr. Splawn: Thank you.

Cross-examination.

By Mr. Norman:

Q. I just have one or two questions about this comment on Mr. Cates' testimony. Did you understand Mr. Cates to say that his competition was with the pickle plants in C. F. A. territory and not Trunk Line territory?

A. Yes, sir.

Q. Then, why have you prepared the rates with Trunk Line territory instead of the rates that he really has to compete with?

A. For the reason he is located well east of the Buffalo-Pittsburgh territory, and the Official territory level, as I understand it, would be between two points in Official territory. Now, you can take different points in C. F. A. or you can take from Trunk Line to C. F. A., but you will still be within Official territory. The C. F. A. level is the truck competitive level.

[fol. 4748] Q. He has truck competitive rates now, too, doesn't he?

A. To South Florida, yes.

Q. Yes, to nearby points. And one of the fears he considered was that they might be taken away from him, and then he would not have any.

A. That is right.

Mr. Norman: That is all.

Commr. Aitchison: Anything further? You are excused.

(Witness excused.)

W. W. Wolford sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. State your full name and address.

A. W. W. Wolford, address, Room 352, Seaboard Railway Building, Norfolk, Virginia.

Q. And your occupation, please?

A. I am assistant freight traffic manager for the Seaboard Railway.

Q. State briefly your traffic experience.

A. My traffic experience covers a period of more than 20 years, practically all in the traffic departments of railroads in Southern territory; the last 10 years as an official, the first ten years in various clerical capacities.

Q. Are you testifying solely on behalf of the Seaboard Air Line in this case?

[fol. 4749] A. No. My testimony is in behalf of Southern territory lines as a whole, although some of it will be supported by facts and figures of the Seaboard Railway alone.

Q. Have you two exhibits and a prepared statement, both of which have been distributed?

A. I have, yes, sir.

Mr. Gwathmey: Mr. Chairman, the original exhibit was distributed at Columbus, and we have added one page since, which is intended to answer a question which your Honor asked several witnesses in Columbus. I think we should ask that the separate page be given one exhibit number.

Commr. Aitchison: Which one do you want marked 203?

Mr. Gwathmey: The single page headed, "Seaboard Railway—Southern Region—Class I Railroads," and the exhibit headed at the top "Index of Contents" to then be marked Exhibit No. 204.

Commr. Aitchison: The exhibits will be so identified.

(Exhibits 203 and 204, Witness Wolford, marked for identification.)

By Mr. Gwathmey:

Q. Mr. Wolford, pages 1, 2 and 3 of your prepared statement set forth your conclusions concerning the importance from a revenue standpoint of the traffic moving on class rates under classification ratings. Can you state briefly what your conclusions are as to the amount of revenue that is derived from that traffic?

[fol. 4750] A. Yes. My Exhibit No. 203, in the upper left quarter, shows the total amount of revenue annually derived from carload traffic; also from less carload traffic, and the percentage relationship of the less carload revenue to the total carload and less carload revenue.

My information is that approximately 25 per cent of the less carload revenue comes from traffic moving on class rates and under classification ratings.

Commr. Aitchison: Do you include the column rates?

The Witness: Yes, sir.

Mr. Gwathmey: No.

The Witness: Not column rates; that is in the classification proper.

Commr. Aitchison: Not exceptions to the classification?

The Witness: Many of the columns are in both the classifications and the exceptions. Column 100, for example, is in both. If you go to the classification for the rating that you apply on the traffic, then it is moving under the classification, but if you go to the exceptions, and if you find that it takes first class in the exceptions, why then it is moving under the exceptions and not under the classification.

Commr. Aitchison: Well, I am just trying to find out what you have included here, and I don't know now from your answer.

The Witness: I have everything, every column that is in [fol. 4751] the classification, if you go then to the classification for the rating.

Now, the columns that are in the classification are Classes 1 to 12, and the multiples of the first class, and three or four odd columns, such as 50 per cent, and I believe 57½ and 47½ on certain individual commodities. They are named in the classification.

The columns that I speak of are specifically named in the classification as being class rate columns.

Commr. Aitchison: Now, suppose you find in a tariff a provision that a given article should take, we will say, 50 per cent of first class; would you call that a class rate or not?

The Witness: No, you have to go to the classification to find that it does take 50 per cent. You do not find that in the class tariffs. You cannot apply a class rate on an article until you go to the classification and find it in there.

Commr. Aitchison: You mean that your tariffs on the Seaboard are so constructed that you do not have any rates published in the way I have indicated, independent of your class scale, but a provision that a given commodity shall take 50 per cent first class or some other per cent?

The Witness: Many tariffs, including Seaboard tariffs, carry in them what are termed exceptions to the classification. Is that what you are thinking of?

[fol. 4752] Commr. Aitchison: Yes.

The Witness: Well, those I do not term class rates moving from under classification ratings: They are class rates moving on exception ratings.

Commr. Aitchison: Well, are they in or out of this statement here?

The Witness: They are out.

Commr. Aitchison: Although the exception might be that fourth class should be applied instead of third, still you left it out?

The Witness: Yes, sir; because then it is not moving under the classification.

Commr. Aitchison: I just wanted to make sure what you had in mind. We changed the first class rate, however, and we changed that rate, don't we?

The Witness: No, sir. If you make a new class rate subject to the classification, you will not change that particular rate. It will still be applicable against the old class rates.

By Mr. Gwathmey:

Q. Mr. Wolford, having in mind the question which the Commissioner asked several witnesses at Columbus, have you undertaken to make an estimate here of the amount of revenues which the Seaboard derives from traffic which moves under class rates?

A. I have made an estimate here, although I have not [fol. 4753] made any study on which the estimate is based.

Q. What is that estimate?

A. I have estimated that 25 per cent of the Seaboard Railway's less carload revenue would move or would be derived from traffic moving on class rates under classification ratings, and it is my estimate that a similar amount of revenue would be derived from carload traffic moving on clas rates under classification ratings.

Commr. Aitchison: 20 or 25 per cent?

The Witness: Not of carload revenues; a similar amount of revenue from carload traffic.

Commr. Aitchison: Well, what is the difference between carload revenue and revenue from carload traffic?

The Witness: There is considerable difference.

Commr. Aitchison: What is it?

The Witness: Well, let me clear up my answer, and then you perhaps won't want an answer to that. I estimate that

25 per cent of the less carload traffic is derived from traffic moving on class rates and classification ratings.

Now, applying that 25 per cent to the Seaboard's less carload traffic on the exhibit there for the year 1941, of $5,269,000, 25 per cent of that would be roughly $1,250,000. Now, I say another million and a quarter dollars would be derived out of the carload traffic of $45,000,000; in other words, an equal amount of carload traffic would be about [fol. 4754] what would move on class rates under classification ratings.

Commr. Aitchison: Something like 2 or 3 per cent?

The Witness: Yes, somewhere between 2 and 3 per cent. The total figure for both carload and less carload would be about two and a half million for the Seaboard alone.

Mr. Norman: May I ask a question about this column rate percentage? I don't know whether I understand that witness.

If a rate is published, we will say, 30 per cent of first class, and the first class rate is changed, what happens to that rate that is published at 30 per cent of first class?

The Witness: I will have to explain to you the mechanics of the tariff to answer that. Tariffs on their face refer to someplace where you will find the articles that taken 30 per cent of first class. The 30 per cent alone does not do you any good, as far as checking the rate is concerned. You will have to find the classification that will tell you where to use 30 per cent on a given article.

If you find from that classification that the article takes 30 per cent, then it is moving on a class rate, under classification rating. If the front of the tariff makes it subject to exceptions to the classification, and you go to the exceptions, and it tells you to use 30 per cent, then you are not using the classification rating, but you are using the exceptions.

Mr. Norman: Well, waiving whether you are using the [fol. 4755] classification or exceptions, what is going to be the effect of that rate, of changing the first class rate?

Chmn. Alldredge: They could continue the old class rates, for that purpose.

Commr. Aitchison: That is what was done with fruits and vegetables in New York, in some of these cases.

The Witness: It was done in the Consolidated Southwestern Case too.

Commr. Aitchison: They carried the old class rates and the column rating applicable. However, Mr. Wolford wants the tariffs published in this way, that on a particular item, which the tariff maker wanted to deal with, he could provide that the article should take 30 per cent of the class rate shown on Agent so and so's tariff, No. such and such, properly designated, and the re-issues thereof and supplements thereto; and then, wouldn't it change with the first class rates?

The Witness: If I understand your statement, it would, yes.

Commr. Aitchison: So that you have got to take that into account before you can tell whether the first class rate is going to change a rate on a particular commodity that happens to be out of the classification for the time being.

The Witness: Yes, sir. I am merely assuming that the Commission, in fixing these first class rates, will make them subject only to the classification. If you see fit to make [fol. 4756] that exception to the exceptions as well, why, that will multiply the amount of revenue involved many times, because there is far more revenue derived from traffic moving on exceptions than on the classification.

Chmn. Alldredge: Does that prove to your mind that the exception is giving way and the function normally performed by the classification is being performed by exceptions?

The Witness: That is the situation at the moment. I don't know that you could say that that was a permanent situation, though, but it certainly is now.

By Mr. Gwathmey:

Q. There were many commodities, Mr. Wolford, put over under the exception ratings which had formerly taken the class rate proper.

A. Yes, sir.

Q. As the result of the percentage changes, and the increases that were authorized in some of the general revenue cases.

A. Yes. That was the result in a lot of applications under Ex Parte 123; a lot of the traffic that had theretofore moved on the classification ratings was given the separate ratings.

Q. Pages, 4, 5, 6 and 7 of your prepared statement seem to set forth the extent to which conditions have changed

Since the present level was prescribed, and became effective in 1928 within, from and to Southern territory.

Can you summarize very briefly these changed conditions?

Commr. Aitchison: Why, if he is going to put the whole [fol. 4757] statement in.

Mr. Gwathmey: Well, I am perfectly willing to put it all in, if you will let me read it, but I just want to make something explanatory of the system, and I am merely trying to point out the conclusions that we are trying to establish.

Commr. Aitchison: Off the record.

(Discussion off the record.)

Mr. Gwathmey: With your Honor's permission I will go ahead, and if I seem to transcend too far, I will adopt some other method. I have only about three or four questions to ask Mr. Wolford.

Commr. Aitchison: All right.

By Mr. Gwathmey:

Q. Go ahead, Mr. Wolford.

A. Yes. The rate level has become lower through reductions made to meet competitive conditions; costs as refeleted in wage scales, prices of materials and other cost factors have increased; and as to less carload traffic the service rendered has also increased through the inauguration of pick-up and delivery service, which costs the railroads about 7 per cent of all less carload revenue collected. The figures covering pick-up and delivery costs are shown on the lower half of my Exhibit 203.

Q. At pages 6 and 7 of your written testimony and on your Exhibit No. 203, have you reproduced figures showing how the Seaboard Railway has fared under the present class [fol. 4758] rate structure?

A. The Seaboard Railway went into receivership in December, 1930, and since that time, through 1941, has accumulated deficits totaling $66,475,190.

Commr. Aitchison: Now, that is net income, isn't it?

The Witness: Yes, sir.

Commr. Aitchison: That net income was derived by retention of the accrued interest, although not paid, among other things.

The Witness: That is right, sir.

Commr. Aitchison: Do you ever expect to pay it?

The Witness: I don't know about that.

By Mr. Gwathmey:

Q. Pages 9 to 15, inclusive, of your written testimony covers rebuttal of sheets M-2 to M-33 of Witness Maurer's Exhibit 92.

Can you briefly state the substance of your rebuttal?

Q. Yes. These pages of Witness Maurer's exhibit primarily showed that the class rate structure within southern territory reflected the Docket 13494 Appendix K-2 scale, except that to and from Florida peninsula certain arbitraries are added.

Pages 9 to 15 of my written test-mony and pages 2, 3, 4, 5, 6 and 6-A of my Exhibit No. 204 have for their purpose showing that even with these Florida peninsula arbitraries added to the basic scale, the resulting progression of the scale produces rates not too high for the additional mileage [fol. 4759] and service in relation to the progression of the scale up to the point where the arbitraries begin to be added.

In other words, the progression of the Appendix K-2 scale for the longer hauls is retarded more than is justified by the additional transportation service involved in the additional mileage, and the addition of the peninsula arbitraries into the scale for the added distance into the peninsula produces a rate of progression and rates for the added haul into the peninsula that are not too high in comparison with the charges under the scale up to the point where the peninsula arbitraries begin to be added.

Q. Pages 16, 17 and 18 of your written testimony, and page 7 of your Exhibit No. 203 cover rebuttal of pages M-57 to M-71 of Witness Maurer's Exhibit No. 92?

A. Yes. Pages M-57 to M-71 of Witness Maurer's exhibit compares the class rate level between Official territory and Florida points with the class rate level in Official territory for the same distance. The comparison is made by totaling the rates of the first six classes. It is, therefore, a comparison of first class with first class, second class with second class, and so on, class for class through sixth class.

Page 7 of my exhibit shows that the classification ratings in Official and Southern classifications are predominantly matched on equal percentage columns, and not class for class. Witness Maurer's exhibit ignores this fact and [fol. 4760] therefore presents an erroneous and exaggerated picture of the amount by which the rate level to Florida exceeds the rate level within Official territory.

Q. Have you further in your testimony undertaken to rebut certain testimony given by Witness Morrell of the Manufacturers Record?

A. Yes, sir.

Q. And also testimony given by Mr. Conville, a shipper who, as I recall, manufactured washboards?

A. Yes, sir.

Mr. Gwathmey: Mr. Commissioner, if it is agreeable, I would just ask to have the statement copied into the record without reading it. I have tried to explain what it shows.

Commr. Aitchison: That may be copied.

Mr. Gwathmey: And I offer the two exhibits.

Commr. Aitchison: Without objection, Exhibits 203 and 204 are received.

(Exhibits 203 and 204, Witness Wolford, received in evidence.)

(The statement is as follows:)

Q. (By Mr. Gwathmey). State your name, address and occupation.

A. W. W. Wolford, Room 352 Seaboard Railway Building, Norfolk, Virginia.

I am assistant freight traffic manager of the Seaboard Air Line Railway, and have held that position for more [fol. 4761] than four years.

Q. Briefly state your traffic experience.

A. My traffic experience covers a period of more than twenty years, practically all in the traffic departments of railroads in Southern Territory, the last ten years as an official, the first ten years in various clerical capacities.

Q. Are you testifying solely on behalf of the Seaboard Air Line Railway?

A. No, my testimony is in behalf of Southern Territory lines as a whole, although some of it will be supported by facts and figures of the Seaboard Railway alone.

Q. Can you give any information concerning the importance to the Seaboard Railway of the revenue derived from traffic moving on class rates under classification ratings?

A. Not accurately. My answer will necessarily to an extent be a judgment figure. No records are kept in the normal course of business from which the answer can be determined.

However, a great majority of less carload traffic moves on class rates, and a relatively small per cent of carload traffic, and the railroads do keep a record of less carload tonnage and revenues separate from carload tonnage and revenues. These less carload figures are reported to the Interstate Commerce Commission, and are published in their Freight Commodity Statistics, Class I Rail Carriers, Statement 42100 Series. These figures for the Seaboard Railway and for the Southern region are reproduced in [fol. 4762] my exhibit.

It will be seen that the Seaboard's revenue from less carload traffic has varied from 10.4 per cent to 15.1 per cent of total revenue from both carload and less carload freight during this eleven year period. The percentage for the Southern region ranged from 9.2 per cent to 14 per cent.

However, all less carload freight does not move on class rates, and all that moves on class rates does not move under classification ratings. Most of it moves under ratings in Exceptions to the Classification.

It is my belief that approximately 25 per cent of less carload revenue is derived from less carload traffic moving on class rates and under classification ratings. Applying this figure to the Seaboard's 1941 lcl traffic, it will be seen that in money it amounts to more than one and one-quarter million dollars annually for the Seaboard Railway alone, and on its less carload traffic alone. When carload traffic is included, it is my opinion that this figure would be roughly doubled, and would be two and one-half million dollars. The following commodities are mentioned as examples of carload traffic moving on class rates under classification ratings;

Machinery, especially cotton mill machinery, taking sixth class.

Agricultural implements, taking sixth class.

Bicycles, taking third class.

Radio receiving sets, taking third class.

[fol. 4763] Matches, taking fifth class.

As I have stated above, all traffic moving on class rates does not move on ratings in the classification proper, but much of it moves on class ratings in Exceptions to the Classification. A reduction in class rates, even though the new class rates were made subject only to the classification would create demands for reduced rates on much traffic theretofore moving on Exceptions ratings, to the extent that the new rate subject to the classification proper rating made lower charges than the old rates subject to Exceptions ratings.

When less carload traffic moving on class rates under ratings in Exceptions to the Classification is included, it will, in my opinion, involve an additional 50 per cent of less carload revenue, or a total of 75 per cent moving on class rates, under ratings on both the Classification and Exceptions.

This 75 per cent applied to the Seaboard Railway's 1941 lcl revenue would be equivalent to approximately three and three-quarters million dollars. Of course, the carload traffic moving on class rates under ratings in Exceptions to the Classification would involve revenues many times greater than that involved on less carload traffic.

On that particular point, Witness B. F. Morris' exhibit at the Columbus hearing made an analysis on sheets 1 to 34, inclusive, of the effect of the application of the rate level prescribed in the Eastern Class Rate Case upon [fol. 4764] commodities now moving under Exceptions ratings or so-called "Column rates" within, from and to Southern territory. That test showed that the Official territory class rate level, if applied within, from and to Southern territory, and made subject only to the ratings in the Official classification proper, would reduce 71 per cent of the rates now applicable under existing Exceptions ratings.

That test further showed the Official territory class rate level, if applied within, from and to Southern territory, and made subject to the Official Classification and Exceptions, would reduce 93 per cent of the rates now applicable under existing Exceptions ratings.

Answering your question more specifically, if the Commission should prescribe a lower level of class rates within, from and to Southern territory, and should make such class rates subject only to the Classification proper and not to Exceptions ratings, it would affect traffic producing an annual revenue of about two and one-half million dollars for the Seaboard Railway alone.

Q. What have you to say regarding any changes in conditions that may have occurred, as affecting the justification for the present class rate level and revenues, or a reduced class rate level and revenues?

A. In answering that question, I wish to divide the time period into two parts and discuss each separately. The [fol. 4765] first period will be from the time the present class rate structure was prescribed and became effective in 1928, and to and including the Ex Parte 148 increase effective March 18, 1942. The second period will be after Ex Parte 148.

The present class rate level within Southern territory and between Official Territory and Southern territory was prescribed by the Commission in the Southern Class Rate Investigation, Docket 13494, and became effective January 15, 1928. Most of the traffic covered by the Manufactures and Miscellaneous group of the Commission's Freight Commodity Statistics also moves on percentage columns of the first class rate there prescribed.

Between the South and the Southwest the class and commodity rate structure was prescribed in the Consolidated Southwestern Cases, and became effective July 14, 1928.

Since that time and up to the time the effect of the war was felt on traffic, there has been a constant whittling away of the rate level through reductions made in order to meet competitive conditions, and, at the same time, since the depression years, a constant increase in costs of the transportation service.

Specific evidence of the extent to which the rate levels on individual traffic have been reduced is already of record in an exhibit filed at the Indianapolis hearing by Witness Morriss. It is further shown by the gradual recession in [fol. 4766] the ton-mile revenue since this prescribed rate level became effective.

The ton mile revenue for Class I Carriers, Southern Region, for the year 1929 was 10.88 mills for an average haul of 195 miles. It continued at this level through 1932, when it was 10.89 mills for an average haul of 202 miles.

From that point it has gradually receded, except for a temporary increase in 1938, the year Ex Parte 123 became effective, and 1939. By 1941 it had dropped to 9.46 mills for an average haul of 201 miles. This ton mile decrease would be much more pronounced if it could be obtained separately for traffic that generally moves on class rates and percentage column rates, which is the traffic that has felt the competition from other forms of transportation most, and has received the greatest reductions.

Other traffic not moving on rates related to the class rate structure, such as coal, lumber and cement, representing a substantial part of the total traffic, has received either no reduction or only slight reductions, which prevents this recession in the ton mile revenue figure from disclosing the full extent of the recession in the class rate structure, and in the commodity rate structure that is related to the class rate structure through being a percentage column of first class.

Two general increases have been granted and are in [fol. 4767] effect, the Ex Parte 123 increase of 10 per cent in 1938, and the Ex Parte 148 increase of 6 per cent on some traffic and 3 per cent on other traffic, made effective in March, 1942, but subject to an expiration date. Both were designed to, or at least did not more than offset in some degree specific new burdens of cost added upon the railroads and did not have the effect of improving the already inadequate rate level before those new burdens developed.

The specific new burdens I refer to in connection with the Ex Parte 123 increase were the imposition of Social Security and Railroad Retirement taxes, wage increases, and the then recently increased costs of materials. The Commission in its decision in Ex Parte 123, 226 ICC 41, at page 136, said:

> "The present revenues of the applicants are inadequate."

Also, "The record shows that the existing basis of rates is not sufficient to maintain in full vigor either rail or water transportation.

The Ex Parte 148 increase also did no more than partially offset additional specific new burdens of cost and did not contribute anything toward relieving the already existing inadequacy of the rate level, before these new cost burdens developed. The new increased cost burdens are set forth in the report, and are increased wages, increased prices of materials and supplies, and certain other increased cost factors.

[fol. 4768] The Commission granted an increase of 6 per cent on some traffic and 3 per cent on other traffic, but limited it to expire six months after the termination of the war.

There is also one other changed condition of importance occurring during this period that has a bearing upon the continued reasonableness of the present class rate structure. That factor is the inauguration of pick-up and delivery service, and allowance. It was inaugurated in 1936. My exhibit shows the amount of that expense to the Seaboard Railway each year since its inauguration, and the percentage relationship of that expense to the total less carload revenue. It has ranged from 6.1 per cent to 7.5 per cent. It averages more than 7 per cent. I have no reason to doubt that these percentage figures for Seaboard are representative of all the Class I Carriers in the Southern Region. From both the railroads' and the shippers' standpoint, it was the equivalent of a reduction of 7 per cent in the less carload rate level.

To summarize my answer to your question covering this period, the changes in conditions that have occurred are that the service performed has increased through the inauguration of pick-up and delivery service; the rate level has declined below the level originally fixed by the Commission as reasonable and cost factors, such as wages, taxes and prices of materials and supplies have increased.

Q. How has the Seaboard Railway individually fared [fol. 4769] since the rate structure became effective in 1928?

A. The Seaboard went into receivership on December 31, 1930, as shown on the right side of my Exhibit 204, page — has had a deficit from operations each year since 1931 through 1940, inclusive. The total deficit for the eleven year period 1931 through 1941 was $66,475,190. This deficit is almost 40 per cent greater than the total revenue derived from less carload freight during that period.

Q. How much higher would the rate level have had to be in order to wipe out this deficit?

A. The total freight revenue of the Seaboard during that eleven year period was $361,519,656. The deficit was $66,475,190. So the total freight revenue needed was the sum of those two figures, or $427,994,846. This latter figure is 118 per cent of the actual freight revenue, so it would have required a rate level averaging 18 per cent higher than was in effect to wipe out this deficit during this period.

Q. Now, returning to my question regarding any changes in conditions that have occurred since the present class rate levels were originally prescribed by the Commission. In your answer you dealt with changes up through Ex Parte 148. What changes in conditions have occurred since that time?

A. The volume of traffic carried and freight revenue has increased substantially, so that even though cost of operation has also increased substantially, the net showing has improved.

[fol. 4770] The Seaboard for 1942 had a net income carried to profit and loss amounting to $2,819,263, as compared with $1,181,070 in 1941. The total for those two years is $4,000,333. This must be contrasted with the deficit for the prior ten years of $67,656,260. This favorable showing for these two years does not loom very large in comparison with the very poor showing of the prior years.

The question also arises how long this increased volume of traffic will last. The increased volume of traffic is a direct result of the nation's war effort, and it cannot be expected to last any longer than the duration of the war.

The year 1939 is in my opinion about as typical as any year that could be selected, of normal conditions before the effect of the war traffic was felt. It may therefore be treated as substantially typical of the traffic conditions that will return when the war traffic has disappeared and normal competitive conditions return.

In that year the Seaboard had operating revenues from freight of $34,630,738, and expenses of $25,183,628, producing a freight operating ratio of 72.72. Its deficit that year was $5,556,555. However, while the volume of traffic and revenue may be expected back to about the 1939 level of $34,630,738, it is certain that the expense of operations will not drop back to that level. The 1941 wage award adjusted to 1939 payrolls charged to operating expenses, freight [fol. 4771] proportion, I estimate amounts to roughly about two and a half million dollars. Taxes likewise have increased and there is little prospect of that cost element dropping back.

After giving the present favorable revenue showing of the railroads full recognition, I can arrive at no other conclusion that I consider sound, reasonable and justified, than that this favorable showing is the result of war traffic; that traffic and revenues will after the war revert to pre-war levels, but expenses will not, and that the present rate level will be more inadequate than it was before the war.

Q. Now, have you some testimony directed to rebuttal of certain prior witnesses?

A. Yes, the testimony that follows will be primarily directed to rebuttal of evidence of Witness Maurer as contained in his Exhibit 92, Witness Morrell, and Witness Fonville, but it is also intended as rebuttal of other witnesses whose testimony was similar to that of either of these three.

Q. Please proceed.

A. Witness Maurer on sheets M-2 and M-3 of his *Exhibit 92* showed the distances between nine Florida peninsula points on the one hand, and sixteen Southern territory points on the other hand. On subsequent sheets Nos. M-7 to M-33 these distances were used in making a comparison of the level of the class rates actually applicable, which rates of course included the peninsula arbitrary, with the class [fol. 4772] rates under the Appendix K-2 Scale plus the Ex Parte 123 ten per cent increase applicable in the remainder of Southern territory.

Stated in another way, these pages of his exhibit purported to show how much higher the Florida peninsula arbitraries made the rates than the K-2 scale level of rates applicable in the remainder of Southern territory. The percentage of excess varied from a minimum of 4.5 per cent at Gainesville, Florida, a point near the northern border of the peninsula arbitrary territory, to a maximum of 12.6 per cent at Miami, a point deep in the arbitrary territory.

Of course, everyone will concede that when the peninsula arbitraries are added to the K-2 scale level of rates applicable elsewhere in Southern territory, the resulting rates are higher than the K-2 scale level, but conclusions as to how much higher will depend on the method used in making the comparison.

Concerning the method used, Witness Maurer for example on sheet M-6 shows that the rate level from Jacksonville, Florida, to Cincinnati, Ohio, contains no excess over the Appendix K-2 level; but on page M-33 shows that Miami to Cincinnati the rates contain an excess of 8.9 per cent over the Appendix K-2 level meaning that Miami has a handicap of 8.9 per cent in its rate level as against Jacksonville.

The distance from Miami to Cincinnati is 1156 miles, however, and from Jacksonville to Cincinnati, 806 miles. The [fol. 4773] comparison is being made in the two scales at different spots in their graduation, namely, the 806 mile spot versus the 1156 mile spot. When that difference is translated into a common basis of comparison, such as ton mile earnings, it is found that the rate from Jacksonville reflects a level that pays 56 mills per ton mile, whereas the rate from Miami reflects a level that pays 51 mills per ton mile.

Actually therefore the shipper at Miami is paying a lower mile-for-mile rate level for his transportation service to Cincinnati than the shipper from Jacksonville is paying.

The question then may occur to some whether this is not merely a technical point of difference that offsets itself when a comparison is made to a point where the relationship in the distances would be reversed, and Miami would be 806 miles and Jacksonville 1156 miles. The answer is that the relative situation never changes and never can offset this defect. Miami is always approximately that distance over Jacksonville to every part of and any destination in what I will term southern territory proper, meaning that part of Southern territory within which the Appendix K-2 scale level of rates was prescribed and applies.

Although inter-territorial hauls are not involved in this particular part of Witness Maurer's exhibit, with which I am now dealing, this would also be true of inter-territorial hauls to and from Official territory where the rates have [fol. 4774] been made with some degree of relationship to level within Southern territory itself. Furthermore, a common mileage basis of comparison cannot be created by assuming a haul of 1156 miles from Jacksonville to any destination within Southern territory proper to make it the same mileage haul as from Miami to Cincinnati, because there is no such thing as a haul of 1156 miles from Jacksonville.

I purposely selected Cincinnati to use as an illustration because it involved the longest haul of any of the 16 representative points throughout southern territory proper used by Witness Maurer, and it being on the opposite border of Southern territory from Jacksonville represented the maximum possible haul under the Appendix K-2 scale level of rates from Jacksonville.

The Southern territory, excluding the peninsula to and from which the peninsula arbitraries are added, is geographically roughly circular, the City of Atlanta no doubt not being far from the geographical center.

On page 2 of my exhibit 203 I have reproduced the origins, destinations and distances shown on Sheet M-2 of Witness Maurer's Exhibit 92. I have also added the average distances, the first class rates and ton-mile earnings, which I will mention again later.

On page 3 of my Exhibit 203 I have taken the same 16 Southern territory proper destinations used by Witness [fol. 4775] Maurer on sheet M-2 and shown the distance from each such point to the remaining 15 points.

It will be seen that from Atlanta in approximately the general center of Southern territory the maximum haul in any direction within Southern territory is to Richmond, 542 miles. Obviously shippers at Atlanta only make use of the K-2 scale for distances 5 miles to around 550 miles. I have already pointed out maximum haul from Jacksonville on the Southern border to the most distant point on the northern border, which is Cincinnati, is 806 miles, as shown in Witness Maurer's exhibit, sheet M-2.

The very longest haul to be found on page 3 of my exhibit is from New Orleans on the southwestern border to Richmond on the northeastern border, 1032 miles.

The peninsula territory from and to which the arbitraries were prescribed is geographically attached to the border of southern territory proper and consequently reflects hauls to any given point in southern territory proper, or an average to all points that are, using Miami as about the maximum example, as much as 350 miles greater than the corresponding haul within Southern territory under the Appendix K-2 scale level.

The bottom of page 2 of my exhibit shows the average haul between the nine peninsula points selected by Witness Maurer and 16 Southern territory points to be 665 miles. [fol. 4776] The bottom of page 3 shows the average haul reflected by the 16 points in Southern territory proper is 448 miles. Although the Southern territory proper points do have use of the Appendix K-2 scale without any arbitrary, their use of the scale is for shorter distances where the scale is relatively higher than it is for the longest distances involved when the haul is from the peninsula. The figures at the bottom of page 2 show that the ton mile earnings from the peninsula origins is 65.9 mills, whereas the ton mile earnings shown on page 3 for the average haul in Southern territory under the Appendix K-2 scale level without the arbitrary is 74 mills.

Inasmuch as the comparative distance hauled under a common scale level of rates is always longer when from the Peninsula to Southern territory proper than when within Southern territory proper, the real question presented is not whether Miami is paying a rate level 8.9 per cent higher than Jacksonville for 1156 miles under a scale that Jacksonville never uses for distances above 806 miles, but whether the progression of that scale, including the arbitrary beyond 806 miles is too steep for the additional distance.

To illustrate this I have prepared page 4 of my exhibit. On the left side there is shown the Appendix K-2 Southern territory scale as of today. A straight line progression in a scale would bring about the payment of the same per mile rate per unit of traffic hauled, regardless of length of haul. [fol. 4777] The extent to which a scale is modified below a straight line progression determines how fast the per mile rate of return per unit of traffic falls as distance increases. Any drop below straight line progression generally rests on the assumption that cost of service decreases approximately as fast else it would not be justified.

Page 4 shows Richmond as an origin. The destinations on the right side are along the route of the Seaboard Railway into Miami, each destination being spaced exactly opposite its mileage block in the scale on the left. The Southern scale without arbitrary applies as far as Jacksonville. South of Jacksonville, the peninsula arbitrary is contained in the actual rates shown to the specific destinations on the right side of the sheet. It will be seen that despite the addition of the arbitrary no point south of Jacksonville pays a higher rate level per ton per mile of transportation service received than does Jacksonville. On the contrary, beyond Gainesville the decline in the ton mile earnings continues. When Miami is reached we find Miami paying 55.1 mills per ton for each mile of transportation service received whereas Jacksonville is paying 63.1 mills for the same amount of transportation.

The scale on the left shows that, exclusive of any arbitrary, it declines beyond Jacksonville from 63.1 mills for 621 miles to 49.8 mills for 1000 miles which is the Miami mileage block, but considering the more favorable conditions [4778] in the Southern territory proper than in the peninsula, any recession of earnings below those earned to Jacksonville would be a concession. The more favorable transportation conditions mentioned have been placed in evidence by other witnesses and will be summarized on brief, so I do not consider it necessary to attempt to summarize them here.

Page 5 is similar to page 4, the difference being that it uses Atlanta, Georgia, as the origin. Atlanta may be considered a representative short haul origin on traffic into the peninsula whereas Richmond is a long haul one.

Page 6 is a graph illustrating the decline in the ton-mile earnings already shown on page 4 of my exhibit. It shows beginning at Savannah, using Richmond as the origin, the rate of decline in the Southern territory scale exclusive of the peninsula arbitrary. It also shows the rate of decline including the peninsula arbitrary beyond Jacksonville. Despite the inclusion of the arbitrary the scale continues to have a substantial decline. The downward trend of the line containing the arbitrary runs almost parallel to the downward trend of the scale without the arbitrary, the difference being not in the rate of decline, but in the fact that the scale with the arbitrary is about five mills higher in its level.

Page 6-a measures the percentage of decline in ton-mile [fol. 4779] earnings beyond Jacksonville first under the Southern Scale which includes no arbitraries, second under the Southern scale with the peninsula arbitraries included beyond Jacksonville, and third under Witness Jensen's scale. Under the Southern scale the decline is down to 81.3 per cent; under the Southern scale with the arbitrary included, the decline is down to 87.3 per cent; and under Witness Jensen's scale the decline is down to 84.8 per cent.

Pages M-57 to M-71 of Witness Maurer's Exhibit 92 undertake to demonstrate how much higher the existing published class rates are than class rates would be if made on the Official territory Docket 15879 Appendix E class rate scale level between Jacksonville, Lake Wales and Miami, Florida, on the one hand, and 16 Central territory points on the other hand.

Mr. Maurer made the comparison, class for class, first class through sixth class inclusive. I have reproduced from page M-58 of his exhibit the comparison of rates between Chicago, Illinois, and Jacksonville, Florida in order to illustrate the method of comparisons used by Mr. Maurer and show the defects of that method. This information is found on the top part of page 7 of my exhibit.

It will immediately be seen that this class for class method of comparison ignores the fact that the percentage relationship to first class is different. For example, under fourth class it has the effect of comparing 55 per cent of Southern first class with 50 per cent of Official first class. [fol. 4780] Under fifth class it compares 45 per cent of Southern first class with 35 per cent of Official first class. Under sixth class it compares 40 per cent with 27½ per cent. The particular comparison between Chicago and Jacksonville in the right hand column purports to show that the rates in effect exceed the rates produced by the Docket 15879 Appendix E scale by 48 per cent rather than the 38 per cent produced by a comparison of equal percentage columns such as is reflected by first, second and third classes.

On the lower half of the page there is shown by me an analysis of the Classification ratings to demonstrate that the Classification ratings in Official and Southern territories are predominantly matched on equal percentage columns, and not class for class. The equal percentage ratings or matched ratings are shown in the blocks. The unmatched ratings on the left of each block are ratings that are higher in Official classification than in Southern. The unmatched ratings to the right of each block are ratings that are lower in Official Classification than in Southern. They are analyzed at the bottom of the page.

Attention is first directed to the analysis of the less carload ratings. It will be seen that 91 per cent are matched ratings. The remaining 9 per cent, which are unmatched ratings, are almost wholly instances where the ratings in Official Classification are higher than in Southern. [fol. 4781] This means that when differences in classification ratings are taken into account, the Official level of class rates is not merely 38 per cent lower than the actual applicable class rates, but is some percentage slightly less than 38 per cent.

The analysis of the carload classification ratings shows 50 per cent are matched ratings. The remaining 50 per cent representing the unmatched or unequal ratings predominantly reflect a lower percentage column in Official than in Southern Classification. This would, without further examination, seem to indicate that as then to carload traffic the Official level of rates would be lower than the applicable rates between Chicago and Jacksonville by a percentage slightly higher than the 38 per cent produced by the relationship of equal percentage columns.

The carload ratings in the Southern classification proper on these high classes 1 to 6 mean very little, because not much traffic would move on them. Any traffic from Chicago to Jacksonville for example rated sixth class or higher in the Classification proper would generally move on either a lower exception to the Classification or a commodity rate. As a matter of fact, there are all-freight rates generally applicable from Central territory to Southern territory that are 40 per cent of first class and subject to a few exceptions, 40 per cent would consequently be the ceiling for carload traffic from Central territory to Jacksonville.

[fol. 4782] Of course, the relationship of the two rate levels will depend upon the kind of traffic actually moving. Page 9 of my exhibit analyzes the actual less carload traffic moving on September 1, 1942, to and from Orlando, Florida. The revenue under the Official territory level is 28.3 per cent lower than the actual revenue, or, stated the other way, the actual revenue is 39.4 per cent higher than the revenue that would be produced by the Official level.

In this particular comparison the applicable rating on which the traffic did move to or from Orlando, or would move under the Official level of rates was used, and not merely the Classification proper rating. In other words, this comparison of the difference in rate levels takes into account differences in both the Classification proper and the exceptions to the Classification and does not reflect merely the difference in the Classification proper ratings.

This page shows that even to a Florida peninsula point when the rate includes the peninsula arbitrary the applicable level is only around 39 per cent higher than the Official level. The prior page shows that to Jacksonville, a point not having the Peninsula arbitrary in its rates, the percentage on a straight first class or equal percentage column comparison is 38 per cent, but taking into account differences in classification, it is convincing that the percentage is lower, but how much lower cannot be accurately deter-[fol. 4783] mined without applying the ratings to actual moving traffic.

Q. Were you present at the Indianapolis hearing, and did you hear the testimony of Mr. Eric Morrell, Editor of the Manufacturers Record?

A. Yes, I was present and heard his testimony.

Q. Then you will recall his testimony to the effect that there was a lack of manufacturing plants of substantial size in the South which he ascribed in part to the Southern freight rate structure, and that he and his publication had been active in endeavoring to locate such industries in the South?

A. Yes.

Q. Does the Seaboard Railway as a part of its traffic department have what is known as an industrial department?

A. Yes, the Seaboard Railway has an industrial department with a staff of five officers who devote ~~their~~ principal time and efforts to the location of industries on the Seaboard. They are constantly engaged in a cooperative effort with industries that are looking for a suitable location.

Q. Then would you say that the Seaboard Railway through its industrial department would or would not likely have knowledge of prospective industries which have been in the past or are now interested in a location in the South?

A. Our railroad through its industrial department would generally have knowledge of any such potential industry. [fol. 4784] Having that knowledge it would be active in developing from the promoters of such industry any obstacle to the location of that industry in the territory served by the Seaboard and would cooperate in efforts to bring about the removal of any such obstacles.

Q. Would the removal of obstacles to which you refer include removal of freight rate obstacles?

A. It certainly would, if the particular rate obstacle was a real or genuine one. Some might and occasionally do look upon any freight rate, however small and however favorably it may compare with the level generally available to his competitors, as an obstacle and seek reductions. Occasionally others look upon any rate in excess of the lowest rate to be found elsewhere on that commodity as an obstacle to be removed. My reference wasn't to those kinds of obstacles. When I said we will cooperate in removing freight rate obstacle, speaking in general terms, I mean this:

In Southern territory we have a certain level of rates on any given traffic already available to shippers of that commodity. When a new manufacturer of that commodity comes into existence, he is, under any circumstances, entitled to the benefit of that level, and it will be given to him. If this manufacturer, new or old, is trying to sell within Official territory against competitors in that territory who have the benefit of a lower rate level, we always have [fol. 4785] and will continue to make every effort to make available to our shipper a rate level into Official territory competitive with that in Official territory. Some rather large industries have grown up in the South under that plan, and it does seem to be a plan that eliminates freight rate differences as an obstacle to the location of industries in the South.

Q. How many times in the years 1939 to 1941, inclusive, has Mr. Morrell, or his concern, the Manufacturers Record, of Baltimore, Maryland, contacted your industrial department presenting to it a manufacturer who had under consideration the locating of a plant in the South?

A. None.

Q. Has Mr. Morrell, or the Manufacturers Record, taken up with your company the desirability of some adjustment of freight rates to meet the needs of some prospective new manufacturer for the South?

A. No.

Q. How many new industries located on your railroad during the years 1939 to 1941, inclusive, and how many of them manufacture finished products?

A. Sixty-seven new industries located on the Seaboard Railway during that period. These included industries manufacturing finished products from the forests, such as sawmills, planing mills, building supplies, crate mills, barrel stave mills and furniture plants. Also tar products, charcoal, pine oil and sulphite pulp, all derivatives of the forest. [fol. 4786] These sixty-seven also include manufacturers of finished products from agriculture, such as canners of vegetables, canners of citrus fruit, canners of condensed milk, a manufacturer of cheese and a meat packer. These sixty-seven include manufacturers of finished products such as chemicals, industrial gases, sulphate of alumina and explosives.

Q. How many of these sixty-seven are manufacturers of unfinished products?

A. Only one. This is a manufacturer of steel alloys.

Q. What proportion of the sixty-seven would you say are shipping some part of their product into Official territory?

A. I have not made a study of the traffic of these specific plants to develop where each is shipping, but I am generally familiar with the extent to which traffic of this same kind from already existing plants in the South is moving into Official territory. Based on that familiarity I would say that about forty are shipping into Official territory. The remainder are probably distributing only locally within Southern territory.

Q. Have you anything to say regarding Witness Fonville's Exhibit 79?

A. Yes. Mr. Fonville, president and manager of the Carolina Washboard Company of Raleigh, North Carolina, filed Exhibit 79 showing shipments of washboards made from Raleigh to all destinations during September, 1941.

[fol. 4787] The exhibit showed the charges applicable on the shipments and the charges that would be produced by the Official territory level. Forty-two less carload shipments moved to Official territory on which the exhibit showed that the total freight charges would be reduced from $184.06 to $168.92 or a difference of $15.14. Inasmuch as the applicable classification rating is third class under both Classifications, the difference is entirely in the rate level. It will be observed that the difference in the rate level is only 8 per cent.

In addition to the 42 less carload shipments that moved to Official territory, Exhibit 79 showed that 25 shipments moved from Raleigh to destinations in Southern territory. The freight charges collected under the Southern territory level were $158.69. The official level of rates produced $112.92, a reduction of $45.77.

Mr. Fonville named the Columbus Washboard Company, of Columbus, Ohio, as one of his chief competitors. On my Exhibit No. 203, which is a one-page exhibit, I have rerated these same shipments from Columbus, Ohio, and find that the Official territory level applied from Columbus, Ohio, to these Southern territory destinations reduces the freight charges from Columbus in the amount of $49.27, or $3.50 more than the reduction would be from Raleigh to these same destinations.

[fol. 4788] Taking all shipments to both Official and Southern territories the reduction for Raleigh would be $11.64 in excess of the reduction from Columbus, Ohio. The total weight involved is 30,089 pounds or about 3½ cents per hundred-weight. The exhibit did not show that Raleigh shipped washboards into Columbus, Ohio, itself, during September, 1941, but it did show it shipped washboards to points beyond Columbus, such as Chicago, Detroit and Toledo. The present rate from Raleigh to Toledo is 117 cents. The present rate from Columbus, Ohio, to Toledo, is 43 cents. The shipper at Raleigh is therefore not presently kept out of this market adjacent to Columbus by a rate difference of 74 cents per hundred pounts, only 11 cents of which is due to difference in the rate levels, the remaining 63 cents being due to the geographical disadvantage of Raleigh as compared with Columbus, as reflected in the difference in distance.

Exhibit 79 showed that there were no carload shipments from Raleigh during the one month test period of September, 1941, used by the witness as being a representative period. The only reference the witness made to the lack of carload traffic was the statement that:

> "My distribution is limited only to the extent of the over-all or average freight rate advantage of my competitors, which advantage, aside from the less carload rates, is accentuated by their ability to ship a part of their pro- [fol. 4789] duction in carloads."

There was no explanation given why Raleigh cannot ship in carloads. On the contrary the witness' exhibit 79 showed that on carloads the Southern Classification rating is 7th class or 35 per cent of first class, whereas in Official Classification the carload rating is 37½ per cent of first class. This means that the competitor in Official territory is at a disadvantage of 7.1 per cent in classification rating, which almost exactly offsets the advantage of 8 per cent he enjoys over Raleigh in the rate levels themselves exclusive of the Classification differences.

Commr. Aitchison: Cross examine.

Cross-examination.

By Mr. Norman:

Q. I would like to ask just a few more questions about this column business. Where rates are made the same percentage of first class, column percentage, in the various territories and interterritorially, the rates from the South to Official territory would reflect the 38 per cent that the first class rate is higher than the Official territory rate, wouldn't it?

A. Yes, sir.

Q. Now, if you change that first class rate, made it a parity with the Official territory rate, under your theory that rate that was made the percentage of the first class would continue to reflect the 38 per cent difference, would it not?

[fol. 4790] A. You will have to read that.

(Question read by reporter.)

A. No. If you change your first class rate to be the same in Southern territory as in Official, there would not be 38 per cent difference in the class rate any more; they would be equal.

Q. But you say that the column rate would not be related to the new first class; the rate would be related to the new first class.

A. What you are really asking is what commodities will the new first class rates apply on.

Q. I am not. I am going to ask what is going to happen to those commodities that are now published as a percentage or column of first class by exceptions.

A. They are going to stay the same unless the Commission sees fit to prescribe the classification, these exceptions to the classification, against the new class rates.

Q. In other words, the only way the Commission would reach that in this proceeding would be by putting this exception in the classification.

A. No.

Q. Is that right?

A. No. That would not be it. They would not necessarily have to do that.

Q. Well, how would they do it?

[fol. 4791] A. There are other ways they could do it.

Q. How?

A. Simply by saying in their decision that the new class rates shall be subject to the Southern classification and to exceptions to the Southern classification.

Q. The first class rate?

A. Yes. There is nothing difficult or complicated about the mechanics of how to do it, if they see fit to do it.

Q. Well, unless they took some one other of these subjects, it would not affect those rates at all, to change the first class rate, would it?

A. No.

Mr. Norman: That is all.

Commr. Aitchison: Anything further from Mr. Wolford?

Mr. Gwathmey: I understand that Mr. Wolford has two more exhibits, but he hasn't them with him this afternoon. I may call him tomorrow morning to put those exhibits in.

Commr. Aitchison: All right.

(Witness excused.)

C. C. Wimmer was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Will you please state your name?

A. C. C. Wimmer.

Q. Mr. Wimmer, with what company are you connected [fol. 4792] and in what capacity?

A. I am connected with the Seaboard Air Line Railway. I am assistant general auditor.

Q. Assistant general auditor?

A. Yes, sir.

Q. And your office is where?

A. Portsmouth, Virginia.

Q. Have you been connected with the accounting department of the Seaboard Air Line Railway for a number of years?

A. Yes, sir. I have been connected with the accounting department for something over 20 years, and with the railroad for over 30 years.

Q. Have you prepared an exhibit from the standpoint of the Seaboard Air Line Railway dealing with statistics of operation in the Florida peninsula as compared with the rest of the system?

A. I have.

Mr. Gwathmey: May we ask that this exhibit be identified, Mr. Chairman?

Commr. Aitchison: No. 205.

(Exhibit 205, Witness Wimmer, marked for identification.)

By Mr. Gwathmey:

Q. Mr. Wimmer, will you proceed to describe this exhibit, and tell what it shows?

A. My Exhibit No. 205 consists of a title page and six [fol. 4793] pages, numbered 1 to 6. The first section of the exhibit, pages 1 to 4, inclusive, deals with statistics of freight train operations of the Seaboard Air Line, and shows the disabilities of operations on the north and south Florida operating divisions.

Pages 5 and 6 of my exhibit show property investment, cash, materials and supplies; condensed net railway operating income account and rate of return for principal Class I roads operating in the Florida peninsula; Class I roads in southern regions; and Class I roads in Eastern District, including Pocahontas region for certain years between 1923 and 1941.

Before discussing pages 1 to 4 of my exhibit, I would like to make a few observations. The Seaboard Air Line Railway is comprised of six operating divisions. Each of these divisions has its own division auditor and all disbursements arising on the divisions are audited in the accounts by the division auditors; additionally, all operating statistics pertaining to the operations of the divisions are separately compiled. Two of the Seaboard Air Line operating divisions, the North Florida and the South Florida Divisions, lie almost entirely within the State of Florida. Of the 1,609.15 miles comprising the North Florida and South Florida Divisions, only 15.66 miles are outside of the State of Florida; that mileage is a part of the line extending northward from Tallahassee, Florida, to Bainbridge, Georgia.

As heretofore stated, the Seaboard maintains operating [fol. 4794] statistics separately for each operating division and on page 1, I have compared the miles operated and the traffic density of the North and South Florida Divisions with the Seaboard System.

On pages 2 to 4, inclusive, of my exhibit, I have shown the principal statistics for freight train operations on the North and South Florida Divisions as contrasted with freight train operations on the balance of the Seaboard System. These comparisons are shown for the years 1929, 1932, 1936, 1938 to 1941, inclusive, and for the first seven months of 1942. The years I have used include the last good railroad year prior to the depression, two years during the depression period, the last four full years, and the first seven months of 942.

The comparisons shown on the exhibit are self-explanatory; however, for the purpose of illustration I will comment on some of these comparisons.

Item 1, page 1, shows that in 1929 the mileage of the North and South Florida Divisions combined was 39.27 per cent of the total system mileage operated at the close of the year. In 1941 the mileage of these two divisions was 37.36 per cent of the system mileage.

Item 2 shows that the North and South Florida Divisions contributed 23.28 per cent of the gross ton miles in freight service for the year 1929, and 23.58 per cent of the total [fol. 4795] gross ton miles in freight service for the year 1941.

Item 3 shows that in 1929 the North and South Florida Divisions contributed 24.15 per cent of the net ton miles in freight service and 23.42 per cent for the year 1941.

Item 4 shows that by using revenue ton miles in freight service, the North and South Florida Divisions for 1929 contributed 24.77 per cent of the total and for 1941, 22.36 per cent.

It seems appropriate to here point out that while the miles of road operated on the North and South Florida Divisions constitutes approximately 37 per cent of the total system miles as of December 31, 1941, the per cent of the system traffic contributed by these divisions, whether measured by gross ton miles, net ton miles, or revenue ton miles, is only approximately 23 per cent of the total traffic handled by the system.

I will now discuss item 5 on page 3 which shows that the traffic density of the North and South Florida Divisions for the year 1929, measured in gross ton miles per mile of road operated at close of year was only 46.94 per cent of the density of the balance of the system and in the year 1941, 51.75 per cent of the density of the balance of the system.

Item 6 compares the traffic density per mile of road operated at close of year on basis of revenue ton miles and shows that for the year 1929 the density on the North and [fol. 4796] South Florida Divisions was only 50.92 per cent of the balance of the system, and for the year 1941 only 48.29 per cent of the balance of the system.

Item 7, Freight Train Load Gross, shows that lighter trains on the average are run on the North and South Florida Divisions than on the remainder of the system. In 1929 the trains on the North and South Florida Divisions were only 83.87 per cent as heavy as on the balance of the system, and for the year 1941 85.97 per cent as heavy.

Item 8 of this exhibit shows the average train l-ading of revenue and non-revenue freight. In 1929 the trains on the North and South Florida Divisions were only loaded 88.08 per cent as heavy as on the balance of the system and for the year 1941 85.17 per cent as heavy.

Item 9 on page 3 shows the freight train load of revenue freight which is the pay load and is the real significant statistic for train loading. In 1929 the average revenue load on the North and South Florida Divisions was 90.96 per cent of the balance of the system; however, this per cent has decreased to 80.32 per cent in 1941.

Now, in order to show how operating costs are affected by the lowe- traffic density and lighter train loads in Florida, Item 10 compares crew waggs per 1000 net ton miles on the North and South Florida Divisions with the balance of the system. It will be noted that in 1929 the crew wages, [fol. 4797] which are wages paid to crews operating freight trains, for the North and South Florida Divisions, were 32.43 per cent more than for the balance of the system. For the year 1941 the crew wages on the North and South Florida Divisions were 29.58 per cent greater than on the balance of the system.

Item 11 shows crew wages per 1000 revenue ton miles. It will be noted that in 1929 on this basis the cost on the North and South Florida Divisions was 27.91 per cent more than for the balance of the system and in 1941 the cost was 38.27 per cent more than for the balance of the system.

Item 12 of this exhibit shows cost of fuel per 1000 net ton miles. In 1929 the cost on the North and South Florida Divisions was 94.64 per cent of the balance of the system and for the year 1941 it was 106.90 per cent of the balance of the system.

Item 13, page 4, measures fuel costs by revenue ton miles. The cost in 1929 on the North and South Florida Divisions was 92.31 per cent of the balance of the system and for the year 1941 it was 115.15 per cent of the balance of the system.

In connection with both Items 12 and 13 for all of the years shown on this exhibit, except for 1929, the fuel costs in Florida per unit of traffic were substantially greater than for the balance of the system.

The comparisons contained in my exhibit show that in the span of years from 1929 to 1942, freight train operations [fol. 4798] in Florida were substantially more costly than on the balance of the Seaboard System.

I will now discuss the ratios shown in next to the last column on pages 5 and 6 of my exhibit. These figures show how much of each dollar of revenue was converted into net railway operating income by the three Florida lines, the Southern Region and the Eastern District, including the Pocahontas Region.

In 1923 the three Florida roads were able to convert 17.85 cents of each dollar or revenue into net railway operating income, whereas comparative figures for the Southern Region and Eastern District were 16.04 cents and 14.86 cents respectively. In 1925 the three Florida roads ratio of 19.54 is slightly less than the ratio of 19.76 for the Southern Region and slightly more than the ratio of 18.15 for the Eastern District. In 1929 the three Florida lines ratio 17.70 was slightly greater than the Southern Region ratio of 17.29 but less than the Eastern District ratio of 20.34 by approximately 2½ per cent, which means that the Eastern lines were able to convert 2½ cents more of each dollar of revenue into net railway operating income. For the remaining years shown between 1931 and 1941, the ratio of net railway operating income to operating revenues for the three Florida lines is substantially less than that of either the Southern Region or Eastern District.

The last column on pages 5 and 6 shows rate of return for [fol. 4799] the three principal Class I railways operating in Florida, for the Southern Region and for the Eastern District, including the Pocahontas Region.

In 1923 the rate of return for the three Florida lines combined was 5 per cent, which is slightly more than the return for either the Southern Region or the Eastern District. It is likewise true that in 1925 the three Florida roads showed a rate of return slightly greater than for the Southern Region or the Eastern District; however, for all remaining years shown on the statement, which begins with 1929 and ends with 1941, the rate of return earned by the three Florida lines in each of these years has been substantially less than that earned by either the Southern Region or the Eastern District.

Commr. Aitchison: Now, you have based that on the return on property investment, haven't you?

The Witness: Yes.

Commr. Aitchison: Did you pay any attention to the findings made by the Commission with respect to the valuation of Class I roads?

The Witness: No, sir. This is book investment, cash, materials and supplies.

Commr. Aitchison: You are aware that the Commission made findings with respect to the valuation of the roads in the Southern Region and in the Eastern District for some [fol. 4800] of these years.

The Witness: I understood that the Bureau of Valuation had submitted some figures, and that they had been used by the Cost Section.

Commr. Aitchison: I am talking about formal findings of value made by the Commission. If there were any such, you didn't pay any attention to them?

The Witness: I didn't pay any attention to them, no, sir.

Commr. Aitchison: All right.

By Mr. Gwathmey:

Q. Mr. Wimmer, you have undertaken to show relative costs, Florida versus the rest of the South, in the case of the Seaboard Air Line Railway.

Now, in your opinion, would the corresponding costs for Florida versus the balance of the territory, apply equally in the case of the Atlantic Coast Line Railroad?

A. It is my opinion that it would, yes, sir.

Q. These two railroads pretty much serve the same general territory in Florida, do they not?

A. Yes, sir.

Q. And operate under substantially similar conditions?

A. They have substantially the same composition of traffic.

Chmn. Alldredge: Could I ask one question? What do you consider to be the significance of the book value of the railroad in bankruptcy?

The Witness: Well, I don't know. It is a value that [fol. 4801] represents investment. Whether it can be sustained or not, that is a different question.

Mr. Gwathmey: May we offer in — exhibit 205, Mr. Chairman, and ask that it be received.

Commr. Aitchison: Yes. Without objection it will be received.

(Exhibit 205, Witness Wimmer, received in evidence.)

Mr. Gwathmey: That is all with this witness.

Commr. Aitchison: Cross-examine.

Cross-examination.

By Mr. Hillyer:

Q. Mr. Wimmer, on page 3 of your statement you state that the wages paid to crews operating freight trains in Florida are 32.43 per cent more than for the balance of the system.

Now, does that figure mean that you actually pay a man in a certain employ more for serving in the State of Florida than you do in other states?

A. No, sir.

Q. Now, how do you account for that difference?

A. Light traffic density. These comparisons are based upon traffic units.

Q. You mean then that it then applies on units of traffic and not wages of the crew.

A. My entire comparison has been made on units of traffic.

[fol. 4802] Q. Will you state the method in which the Seaboard records are kept which enables you to make this separation between Florida traffic and the balance of your system?

A. This separation, as I explained in the beginning of my testimony, is for the North and South Florida Divisions, whose accounts are kept separately, on substantially all of these expenses arising on these divisions, which, of course, includes crew, wages and fuel.

Q. How do you arrive at your traffic units? Do you take all of the Florida intrastate traffic and assign that to the Northern Florida Division?

A. No, sir. They work separately by divisions.

Q. Where does your North Florida Division extend to?

A. The North Florida Division begins at Jacksonville. It extends in a westerly direction to River Junction and up to Bainbridge, Georgia from Tallahassee, and also includes a few branch lines on the west end of Florida. It also extends southward from Baldwin to Homestead, to Plant City and to Tampa, via the main line—the old main line, I might say. We have another line which extends from Waldo to Tampa, which is in the South Florida Division.

Q. Well, have you lumped your North and South Divisions in Florida in making these comparisons?

A. Absolutely, yes, sir.

Q. Is it your position then that the same rate level [fol. 4803] should apply on your North Florida Division as your South Florida Division?

A. I don't recall having testified about rates.

Q. Would you think that they should be different?

A. I would have to let a traffic man handle the rate question.

Q. Is there anything in your cost which would warrant making a different rate level for the North Florida Division and your South Florida Division?

A. Nothing that I know of. That is a rate matter beyond me.

Q. Do your traffic units used for your North and South Florida Divisions include all traffic into and out of Florida, for the hauls within Florida; for example, do they, your units of traffic, assigned to your Florida Divisions, include the proportion of the haul south of Jacksonville, on traffic coming from the Northern states?

A. No, it includes all of it that is handled in Florida on the Florida Divisions, North and South Florida Divisions; all of the traffic handled over those Divisions is included in my statistics.

Q. Does it include the traffic both originated and terminated in Florida for the hauls south of the Jacksonville-River Junction line, or all within the State of Florida?

A. I cannot answer that question because our operating divisions are not entirely within Florida. The North Florida Division has something like 15 miles outside of the [fol. 4804] State of Florida, but I think the question you wanted me to answer is, have I included in the North and South Florida Divisions all traffic whether it comes from without the state or is handled within the state. If that is the question, the answer is yes.

Q. I was speaking of expense up to that time. How do you separate your revenues between Florida traffic and other traffic?

A. Substantially a mileage pro rate, except the intrastate in Florida. There are some adjustments made for Florida arbitraries. That is not substantial, though, I don't think.

Q. Your revenue figures on the fourth page here, for the separation for Florida, are they made on an actual basis or a theoretical basis?

A. I don't believe I understand when you say the revenue figures come in.

Q. On page of 4 of your statement you say that on dollar revenue any net railway operating income is converted into—or, you show you convert 17.85 cents of each dollar of revenue into net railway operating income.

A. Mr. Hillyer, those figures are system figures.

Q. Is there any method of making an actual separation on actual traffic or revenue between Florida and non-Florida traffic, according to your figures?

A. You mean, do we make that separation?

Q. I mean, have you the actual separation, yes, upon the [fol. 4805] actual billing.

A. No, we don't have.

Q. How is it arrived at? I am asking you about the revenue now.

A. I am afraid I don't understand your question. You refer to page 4 of my statement, or page 5? Page 5 refers to the Seaboard System's revenues and not to Florida revenue.

Q. I was speaking of page 4, where you refer to so much of each dollar of revenue converted into net railway operating income.

A. That is also for the system, on page 4.

Q. Have you made any separation of that figure between Florida and your system?

A. No, sir.

Q. Then you don't know what ratio your revenue bears to your expense, in Florida?

A. No, sir.

Mr. Hillyer: All right. That is all.

Mr. Smelker: I have one question for clarification, Mr. Wimmer.

By Mr. Smelker:

Q. Mr. Wimmer, will you turn to page 3 of your exhibit, the last two items, 11 and 12, and will you state whether or not the cost includes the expense of origin switching, which you have designated there, because of crew wages and cost of fuel?

A. Well, all coal that we receive and carry into Florida [fol. 4806] is received from Foreign lines, and I do not believe we have any expense where we have foreign line switching involved. We do have a foreign line freight charge.

Q. That is not the question. Is there any yard switching included in the cost you have shown in items 11 and 12?

A. No, sir. This is the coal cost and the tipple charges, but no transportation.

Q. Now, talking about crew wages.

A. Yes, sir.

Q. Item 11, headed "Crew Wages", does any of that expense include origin or destination switching?

A. No, sir. This is crew wages paid to freight train crews.

Q. Line haul traffic?

A. Yes, sir.

Q. Is train switching expense left out?

A: Well, if there was any train movement by the crews on the trains that handled the coal, it would not be eliminated, but I don't know of any switching for the handling of coal.

Q. We are talking about coal especially.

A. I understand, crew wages.

Q. Crew wages.

A. I beg your pardon. No, that is the total wages paid train crews.

Q. And does include or does not include the yard switching.

A. It does not include train switching.

[fol. 4807] Q. It does not include yard switching either?

A. No, sir.

Q. How do you eliminate the train switching?

A. We receive monthly reports, or there are monthly reports made available to us showing the crew wages paid freight crews in train service.

Commr. Aitchison: You will have to talk louder.
The Witness: I am sorry, but I am so hoarse.

By Mr. Smelker:

Q. In what manner do you make this separation; on mileage pro rate or hour pro rate?
A. It is hours, as the original basis, and reduced to miles.

Commr. Aitchison: Is that all?
Mr. Smelker: We are not quite clear as to what accounts we find these figures.
The Witness: These figures.

By Mr. Smelker:

Q. Yes. How do you get the figure of $1.16, for instance, in '29, item 11, on page 3?
A. Well, we have an accumulation of those from the work sheets and it is the ton miles divided into the total crew wages and that gives you the average cost. I have not included in this the total crew wages that we used.
Q. What account do you use for crew wages, then?
A. In the classification?
Q. Yes.
A. You mean in the balance sheet.
[fol. 4808] Q. Yes?
A. Well, the trainmen.
Q. Yard crew and train expense.
A. $3.92 and $4.01.
Q. And other expenses?
A. Yes.

Mr. Smelker: That is all.
Chmn. Alldredge: I believe you stated that you assigned or allocated the freight revenues to those two Florida Divisions on some sort of a mileage pro rate.
The Witness: In the state report, that is the report to the Florida State Commission, the Florida revenue, the Florida proportion of the revenue is assigned on substantially a mileage pro rate, except the intrastate revenue.

Chmn. Alldredge: Now, can you tell me whether or not in assigning your through interstate revenue to those two Florida Divisions, you first grouped them or credit them with the full Florida arbitrary, and then pro rate the balance?

The Witness: I would not say. I would like to say that in the beginning we did not credit those two Florida Divisions. The revenue is credited to the state and not to the two Divisions. There is some other mileage that is not on these two divisions—some other mileage in Florida that is not on these two divisions. It is not substantial, but there is some other mileage.

[fol. 4809] Chmn. Alldredge: I am trying to find out whether you pro rate the arbitrary so that mileage outside of the state would get the benefit of it or do you credit it all to the Florida mileage?

The Witness: We endeavor to credit it to Florida.

Chmn. Alldredge: All of it?

The Witness: Yes, sir.

Chmn. Alldredge: Now, on business that you interchange with other carriers in Florida, do you credit the full amount of these divisions accruing on those Florida lines to those lines?

The Witness: Yes, sir.

Chmn. Alldredge: Is that the way you do it?

The Witness: Yes.

Chmn. Alldredge: And then on through business over the Seaboard System, you first credit to those Florida lines the full amount of the arbitraries and then you pro rate the balance on a mileage basis?

The Witness: I won't say the full amount of the arbitraries, because we do not actually determine them, but there is a formula applied to it where we try to give weight to the full arbitrary. The balance of the revenue is on a mileage pro rate, yes, sir.

Chmn. Alldredge: Do you make any allowance for terminal services which might be included in the rate, or do you [fol. 4810] simply observe a freight mileage pro rate?

The Witness: Freight mileage.

Commr. Aitchison: Do you have the formula which is used as the basis for this proportion?

The Witness: I am not sure that I can give it to you accurately out of my head, Mr. Commissioner.

Commr. Aitchison: It is being used, however, by your assistants in making these calculations?

The Witness: Yes, sir.

Commr. Aitchison: Would you mind explaining that for the record?

The Witness: All right, sir.

Commr. Aitchison: Anything further for this witness? Apparently not. You are excused.

(Witness excused.)

Mr. Gwathmey: Shall I call another witness for this afternoon?

Commr. Aitchison: We will suspend at this time, but I will say that due to another engagement that the Division has in the morning, we will have to adjourn until ten o'clock tomorrow morning. But we hope to run longer hours for the next few days.

(Thereupon, at 4:45 o'clock p. m., a recess was taken until March 30, 1943, at 10 o'clock a. m.)

[fols. 4811-4812a] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

Class Rate Investigation, 1939

Docket No. 28310

Consolidated Freight Classification

Main Hearing Room,
Interstate Commerce Commission Bldg.,
Washington, D. C.,
March 30, 1943.

Met, pursuant to adjournment, at 10 o'clock a. m.

Before Division 2 of the Commission

Hon. Clyde B. Aitchison (Presiding).

Hon. J. Haden Alldredge (Chairman of the Commission).

Hon. Walter M. Splawn and a Cooperating Committee of the National Association of Railway and Utilities Commissioners, represented by:

Mr. W. H. Scott, of The Public Service Commission of South Carolina.

Mr. George McConnaughey, Public Utilities Commission of Ohio.

Mr. C. L. Doherty, South Dakota Public Utilities Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Examiner; T. L. Haden, Examiner; W. U. Hardie, Director, Bureau of Traffic; J. J. Murphy, Consultant.

Appearances:

As heretofore noted, and Charles T. Abeles, Seaboard Airline Railway Building, Norfolk, Va., appearing for Seaboard Airline Ry. Receivers.

[fol. 4813] Proceedings

Commr. Aitchison: You may proceed.

Mr. Gwathmey: I will call Mr. Ormond.

Mr. Grey: Mr. Chairman, yesterday I reserved cross examination of Mr. Weeks, and I find that I have no cross examination.

Commr. Aitchison: Very well.

Lewis F. Ormond was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. You are Mr. Lewis F. Ormond, and you testified previously at the Columbus hearing, did you not?

A. At the Indianapolis hearing.

Q. Mr. Ormond, I believe your official position with the Atlantic Coast Line Railroad Company has changed since the time when you testified before. Is that correct?

A. That is correct, sir.

Q. What is your present position?

A. As comptroller.

Q. You are now comptroller of the Atlantic Coast Line Railroad Company?

A. Yes, sir.

Q. Have you prepared and distributed one exhibit which you desire to offer at this time?

A. Yes, sir. It consists of four typed pages with a cover [fol. 4814] sheet and a back.

Mr. Gwathmey: Mr. Chairman, may we have it identified?

Commr. Aitchison: That will be Exhibit 206.

(Exhibit 206, Witness Ormond, marked for identification.)

By Mr. Gwathmey:

Q. Please proceed, Mr. Ormond, to explain briefly what you have shown in this exhibit.

A. This Exhibit 206 is directed toward Witness Saunders' Exhibit No. 87, which Mr. Saunders said in his testimony at pages 1632 and 1633 of the record was introduced at the request of the Florida Railroad Commission.

The first sheet of my exhibit is simply a reproduction of Mr. Saunders' exhibit and is put here for ready reference.

In considering Mr. Saunders' exhibit it became apparent that the point that he was striving to make was the heavy earnings of the three principal Florida lines in the 1942 period that he shows on his exhibit, shown as the seven months of 1942.

He demonstrated thos- heavy earnings by developing the rate of return represented by net railway operating income on the rate-making value as found by the Commission for each of the railroads for the purposes of this case, adjusting——

Q. Pardon me. You didn't mean to say, did you, that the Commission has found any such values for the purposes of this case?

[fol. 4815] A. No, I beg your pardon. It was a value that was produced by the Bureau of Valuation and has been used in this case. It does not represent a Commission finding, as I understand it.

Mr. Saunders adjusted that value by adding to or taking from the base figure as of December 31, 1939, certain amounts which he assigned to each of the years appearing on the exhibit, namely, the years 1937 through 1941.

I have been unable to check his additions and subtractions from the base figure but I don't think it is of a great deal of importance whether or not they are checked.

He doesn't seem to have done anything with his changes in the year 1939, if the amount set out in the columns for the other years truly represent the property changes occurring in those years, but as I say, I do not consider that as a great deal of importance.

The second sheet of the Exhibit No. 206, looking at the data at the right hand part of the exhibit, is more or less a reproduction of Mr. Saunders' data for the Atlantic Coast Line, except that I have developed an average for the five years from 1937 to 1941.

You will observe that the average rate of return represented by net railway operating income applied to the Bureau of Valuation's value, as adjusted by Mr. Saunders, is 2.49 per cent for the five years collectively.

The next sheet is a similar statement for the Seaboard [fol. 4816] Air Line, and here it develops that the average rate of return for the five years 1937 to 1941 is 2.44 per cent.

The fourth sheet is similar in characteristics and relates to the Florida East Coast and here the average rate of return for the five year period is 1.97 per cent.

I have developed that average in order to give some idea of the level of the return, even when applied to the value which the Bureau of Valuation has produced during the five previous years in order to make the point, if it is a point, that the heavy return in the seven months period of 1942, to which Mr. Saunders directs attention and read into the record in his testimony, is an abnormal thing. I think we all know it is abnormal. It has no relationship to the past, as this statement clearly shows, and we are all perfectly confident that it has no relationship to the future.

I do not think it should have any weight in a case involving the promulgation of rates——

Commr. Aitchison (Interposing): Well, I understand Mr. McCollester always objects to witnesses answering questions of how much weight should be attached in a rate-making proceeding.

Mr. Gwathmey: Leave that to the Commission, but incidentally, Mr. Chairman, may I call your attention in that connection to the recent observations of the Supreme Court of the United States in the Milwaukee Reorganization Case [fol. 4817] with reference to present day earnings as a guide?

Proceed, Mr. Ormond.

The Witness: My purpose in referring to the year 1942, and making the remark I made, is that it is the point Mr. Saunders made that the year 1942 showed such excessive earnings for the Florida Railroads, and I think there is no use in whipping a dead donkey; I think it is obvious to all of us that that is an abnormal condition.

Commr. Aitchison: If you were to complete the page that you have just been referring to of the Seaboard Air Line, and instead of the seven months of 1942 showing $16,485,264 net railway operating income adjusted, were to insert a figure which compares with the five preceding months, that is on an annual basis, the figures you would insert would be $30,445,971, would it not?

The Witness: The Seaboard contends that it would be $33,945,971. There is an adjustment in regard to taxes, tax accruals; that is in controversy.

If we used the figure to which the Commission adjusted the Seaboard's returns, we would use the figure you have referred to, yes, sir.

That would represent a return on the Bureau of Valuation value of 14.79 per cent in order to complete the statement all the way, and the similar figure for the Coast Line would represent a return of 9.71 per cent, and for the [fol. 4818] Florida East Coast 15.39 per cent.

I think those large amounts and large percentage rates of return merely emphasize the point which I am striving to make in connection with these returns for the year 1942.

If you will look in the left hand section of sheet 2 of my exhibit, and using the Atlantic Coast Line for illustration, I will explain what I am striving to show there.

The first figure is the cost of reproduction less depreciation, excluding lands and rights as of January 1, 1937, for the Atlantic Coast Line, which was produced and used by the Commission, I believe, in Ex Parte 123, Exhibit 68.

Immediately below is the cost of reproduction, less depreciation, except land and rights as of January 1, 1940, both of these being for the Atlantic Coast Line, which was produced and used in Ex Parte 148, Exhibit A-11. These are both figures that have been used in proceedings, and over which the railroad had no control, and in which it had no participation.

Comparing these two figures it is obvious that between January 1, 1937 and January 1, 1940 there has been a decrease in the valuation of $11,194,137.

To that I add the net increase in investment represented by carrier expenditures, less retirements, in the three years that intervened between the dates that I have shown, amounting to $2,485,800, and thus produce a decrease net [fol. 4819] between the two dates of $13,679,937.

We recognize that a part of that increase is explained by depreciation on equipment, which we have accounted for, amounting to $6,184,410.

That leaves a decrease which is unexplained so far as this exhibit is concerned of $7,495,527, or an average of $2,498,509 per annum of three years.

Sheet 3 for the Seaboard is worked in exactly the same way and it produces an unexplained decrease of $24,524,156, or an average decrease per annum of $8,174,719.

Sheet 4 for the Florida East Coast produces an unexplained decrease of $13,105,751, or an average per annum of $4,368,584.

Let's consider those decreases here. In the first place, it is rather peculiar to find the decrease for the Florida East Coast, a comparatively small line, greater than for the Atlantic Coast Line.

Commr. Aitchison: Mr. Gwathmey, you had an opportunity to query our representative about this if you desired further explanation. Why should we have to speculate as to why the Bureau made the reductions?

Mr. Gwathmey: Well, your Honor, I don't understand that Mr. Ormond is dealing directly with that feature.

Commr. Aitchison: I thought he was.

Mr. Gwathmey: But to whatever extent he is dealing with it, I think you probably have gathered by this time [fol. 4820] that the railroads didn't at all agree with the valuation figures which were furnished by the Commission, and we have heretofore in this case undertaken to point out certain objections to them, that we think are proper.

Mr. Bell: What do you mean, "furnished by the Commission"?

Mr. Gwathmey: By the Bureau.

Mr. Bell: Oh, the Bureau of Valuation?

Mr. Gwathmey: Yes.

Commr. Aitchison: They were introduced, Mr. Bell, by the Commission. The Commission itself tendered the exhibit and there was no objection.

Mr. Bell: Are you speaking of this case?

Commr. Aitchison: I am speaking of this case.

Mr. Gwathmey: May Mr. Ormond finish his statement?

Commr. Aitchison: Proceed.

By Mr. Gwathmey:

Q. Go ahead.

A. I was calling attention to the wide variation between the unexplained decreases in the case of the three railroads involved.

The Coast Line and the Seaboard are very similar to the same first class set-up, and there is not a great deal of difference in the miles of road which they operate. That is one point I want to make in connection with these matters.

The second one is this; here I get to the true purpose of the comparisons.

[fol. 4821] Unquestionably some part of those unexplained decreases (and a substantial part, I should say, in the case of the Coast Line) is represented by depreciation on road property which has been applied as a reduction in the interim by the Bureau of Valuation. I don't know how much that is, and I don't think it is particularly important to ascertain.

The main point is that that depreciation on road property, which has been applied as a reduction of the values which Mr. Saunders uses, has not been applied as a reduction of net railway operating income which he uses in the development of the return which he shows.

If our value is going to be cut down by depreciation (and in using the word "our" I am referring to the three roads collectively) and we are to be charged with determining this rate of return or that rate of return on the value this reduced, we feel that net railway operating income should be reduced to the extent of the depreciation which has been applied to reduce value.

Commr. Aitchison: Have you any statement showing the amount which was charged during the periods that you have shown in your exhibit here to depreciation of way and structures and equipment and to amortization of defense projects?

The Witness: The depreciation of equipment, Mr. Chairman, is shown on the exhibit.

[fol. 4822] Commr. Aitchison: This exhibit?

The Witness: Yes, sir, at the left.

In the case of the Coast Line it amounted to $6,184,410, and that figure has been taken out before developing what I have referred to as the unexplained decrease.

Mr. Gwathmey: Line 6, Mr. Chairman, in the left hand corner of the exhibit.

The Witness (Continuing): There have been no amounts charged in the years 1937, 1938 and 1939, which is the period with which I am dealing, to depreciation of way by any of these roads, and neither did any of them charge in that period anything for amortization of defense facilities.

Commr. Aitchison: If that had been charged, it would have pulled down your average rate of return for these years shown, I believe, would it not?

The Witness: Yes, sir, if it had been charged.

Commr. Aitchison: How about the year 1942 with respect to the amortization of defense projects?

The Witness: There was a substantial sum charged in the accounts of the Coast Line and the Seaboard for amortization of defense projects, in the year 1942, and there was no depreciation in that year.

Chmn. Alldredge: Was that the first year you charged a sum for amortization? 6

The Witness: That was the first year it was permissible.

[fol. 4823] Chmn. Alldredge: 1942?

The Witness: Yes, sir.

Commr. Aitchison: Are you certain of that?

The Witness: I believe it was made optional in 1941, but I am not quite sure of that. I would hesitate to answer.

Chmn. Alldredge: Was that on a five year period?

The Witness: Over a period of 60 months, yes, sir.

Chmn. Alldredge: Sir?

The Witness: 60 months, or five years.

Commr. Aitchison: As a matter of fact, there was quite a considerable sum that was charged to amortization of defense projects in the year 1941 by all of the Class I railroads.

The Witness: Taking them collectively, yes, sir, but there was none charged by the three railroads I am dealing with here.

Commr. Aitchison: That may be.

The Witness: Yes, sir.

Commr. Aitchison: But you said it was not permitted.

The Witness: I think it was made optional. I corrected that. It was made mandatory effective January 1, 1942.

Those are the only serious points I have to make in connection with this exhibit.

If you would reduce the net railway operating income of these years to the extent of depreciation on road, which [fol. 4824] must have been taken into consideration by the Bureau of Valuation, you would find that the rate of return which Mr. Saunders has shown, and which I have averaged, would be substantially reduced.

By Mr. Gwathmey:

Q. Does that complete your discussion of the exhibit?

A. Yes, sir.

Q. Mr. Ormond, in the course of the cross examination of the witness Donnell with reference to Exhibit 70, filed by Mr. Hinnant, which dealt with the ton miles of revenue freight per mile of road for Florida as compared with that for North Carolina for the year 1940, mention was made of the authority for the figures shown in that exhibit, being annual reports filed with the Florida Railroad Commission, and Mr. Donnell at page 1893 of the transcript said:

> "Mr. Hinnant and other Florida carrier representatives have testified in many previous cases that those figures bear no relation to the actual facts; that they are predicated on formulas and have no meaning whatever."

Are you familiar with the method in which the annual reports made by the Atlantic Coast Line Railroad to the Florida Commission are compiled?

A. Yes, sir.

Q. What have you to say as to the correctness of the figures as shown in those reports and in Mr. Hinnant's [fol. 4825] exhibit relating to the ton miles of revenue freight in Florida as compared with other states.

A. They are as exact as it is possible to produce.

We take every waybill representing a movement either wholly within the state or one within and without the state, in other words, intrastate and interstate, compute the miles of the shipment and compute the revenue ton miles for Florida on the basis of the actual movement of the shipment.

Q. When you come to consider operating expenses it is true, is it not, that the railroads have said that the formula which is used, and which was put out by the Florida Commission, is not accurate.

A. Exactly so.

Commr. Aitchison: Have you ever proposed a better one?

The Witness: No sir.

Chmn. Alldredge: You didn't want to furnish that information at all, did you?

The Witness: Absolutely not. A railroad system is not operated with regard to state lines and it can't be without a very material increase in the expense all up and down the line.

Commr. Aitchison: As an expert statistician, if the Atlantic Coast Line were to be contesting an order of the Florida Railroad Commission which seriously affected freight rates, would you or would you not undertake to [fol. 4826] make the necessary separations to show whether or not the returns would be confiscatory, if instructed to do so?

The Witness: If I were instructed to do, of course I would endeavor to make them, but I would go at it with fear and trembling, because it is practically an impossibility so far as operating expenses are concerned to separate them on state lines.

Commr. Aitchison: Did you ever hear of the so-called Oliver formula?

The Witness: No, sir, I don't think I have ever seen it.

Commr. Aitchison: Have you ever investigated to see whether or not formulae have been devised which have been sustained and used by the Supreme Court of the United States on the basis of testing whether state rights were confiscatory or not?

Mr. Gwathmey: Mr. Chairman——

Commr. Aitchison: I want to test whether or not this gentleman is advised when he says that it is not a feasible thing to do.

The Witness: I mean no disrespect to the Supreme Court, to this honorable Commission, or to anybody else, but I nevertheless maintain the position that it is practically an impossibility to accurately separate operating expenses by state lines.

Commr. Aitchison: Would you say that it was impossible—[fol. 4827] practically impossible, I think is the phrase you used—to do it so as to yield a result on which you or your company would act in a matter of high moment to itself?

The Witness: If it was a matter of high moment, if the rates involved that it was proposed to be reduced were vitally important, we would do the best we could. We have done that in a number of other cases. In fact, we have done it in this case here, in making answer to Dr. Edwards' questionnaire we put it in to the best of our ability, but I certainly don't agree with it.

Commr. Aitchison: I was trying to get away a little bit from this lawsuit idea, and put it that if it was a matter of high moment to the Atlantic Coast Line to be able to tell what the expense of its operations in Florida was, so that it could take an action which affected it, would you or would you not feel that you could produce that figure so that the Atlantic Coast Line would be able to act upon it in this matter of high moment? I am not talking about a lawsuit.

The Witness: All right, sir, let me answer this way, and I hope it will be direct enough.

If the amount involved was sufficient—I said "practically impossible"—it is possible, of course, to separate the operating expenses at a state line. We could put a man on every train and an accountant on every train, and we could separate them, and therefore my answer to you is [fol. 4828] that if the amount at stake was large enough we could and would separate them, but it is not an economically practical thing to do.

Commr. Aitchison: Do you, in saying with respect to this Florida arbitrary, that it is not the practical thing to do to make this separation, do you or do you not take into consideration that we are virtually dealing with an annuity, the capitalizable value of which runs into many millions of dollars.

The Witness: Are you speaking of the Florida arbitrary on rates?

Commr. Aitchison: Yes.

The Witness: I am not informed particularly as to that, Mr. Chairman.

Commr. Aitchison: You haven't taken that into consideration in determining the feasibility of making that separation?

The Witness: I thought we were talking about the separation of operating expenses and not revenues.

Commr. Aitchison: That is what I am talking about. You have said you could separate the revenues.

The Witness: Your point is that in separating the expense we develop a net that would have a bearing on the value of the Florida arbitrary.

Commr. Aitchison: Yes.

Mr. Gwathmey: Mr. Chairman, may I recall to your mind [fol. 4829] the fact that yesterday Mr. Wimmer, a witness for the Seaboard, did make a separation of operating results, including costs on the Florida peninsula, as compared with the balance of the Seaboard System, and he was able to do that because of the somewhat peculiar method by which the accounts of the Seaboard are kept by divisions.

Commr. Aitchison: I take it, then, that in that case it was feasible.

Mr. Gwathmey: What is that?

Commr. Aitchison: It was feasible in that case.

Mr. Gwathmey: On account of the manner in which the Seaboard keeps its accounts, it was possible to make a separation between the Florida Divisions and the rest of the system.

Commr. Aitchison: Am I to understand feasibility depends upon the manner in which the carrier keeps its accounts?

Mr. Gwathmey: Yes, sir. They keep their operating expenses separate as to divisions, or rather I should more properly say, I think, they keep them separated as to mortgaged lines under an order of the Federal Court.

The Witness: And it is just a fortuitous circumstance that the divisions in the case of the Seaboard, with the exception of 16 miles overlap, 15 or 16, fall all within Florida.

Mr. Gwathmey: Shall I proceed, sir?

[fol. 4830] Commr. Aitchison: Yes.

Mr. Gwathmey: Mr. Chairman, may I ask that the exhibit that has been referred to and identified be received?

Commr. Aitchison: Without objection it is received.

(Exhibit 206, Witness Ormond received in evidence.)

Mr. Gwathmey: That is all.

Commr. Aitchison: Cross examine.

Mr. Bell: May I ask one question?

Commr. Aitchison: Yes, Mr. Bell.

Cross-examination.

By Mr. Bell:

Q. Do you know whether or not there were increases in the prices of material and the cost of labor entering into railroad construction January 1, 1940 over January 1, 1937?

A. I suspect that there were. I would not care to answer that definitely. I do not think they were important in those particular years.

Mr. Bell: That is all.

Commr. Aitchison: Cross examine.

Cross-examination.

By Mr. Hillyer:

Q. I would like to ask a few questions which are more or less trite, but merely to have the record clear.

The Atlantic Coast Line Railroad operates in what states?

A. Florida, Georgia, Alabama, North and South Carolina and Virginia.

[fol. 4831] Q. And in what states do the lines comprising the Atlantic Coast Line System operate?

A. The same ones that I have just given you.

Q. Is the L. and N. Railroad financially related to the Atlantic Coast Line Railroad?

A. We own a controlling interest in the stock of the L. and N.

Q. And the L. and N. covers other states in the South, other than those you have named?

A. I understand that it does, yes, sir.

Q. So that the Atlantic Coast Line Railroad and the L. and N, would you say, generally cover southern territory?

A. Yes.

Q. Is it not a fact that the Atlantic Coast Line Railroad is not only a Class I railroad, but also a Class A railroad?

A. I don't know what you mean by Class A, Mr. Hilyer.

Q. I mean is it not efficiently operated?

A. Yes, sir, I think it is.

Q. It has modern equipment.

A. Reasonably so.

Q. And gives excellent service?

A. We claim that we do.

Q. You agree then that it is a Class A as well as a Class I railroad.

A. I would have to know what a Class B was before I could answer that question.

[fol. 4832] Mr. Hillyer: That is all.

Commr. Aitchison: Anything further of this witness?

Mr. Smelker: I have one question, for clarification.

Commr. Aitchison: All right.

Cross examination.

By Mr. Smelker:

Q. Referring, for example, to page 2 of your exhibit, Mr. Ormond, would not some of the unexplained decreases in value shown in line 7 be accounted for by charges to profit and loss?

A. I don't see how they could be, sir.

Q. For example, Dr. Edwards testified at page 55 of his prepared statement that the Southern region charged profit and loss of $7,511,659 in 1939.

A. On account of what?

Q. On account of property retired but not accounted for by depreciation.

A. All retirements, Mr. Smelker, are taken into consideration in the figure of $2,485,800.

That is the net excess of additions and betterments over retirements, regardless of whether the retirements were charged to profit and loss or to operating expense, it is the net increase in the property investment account.

Mr. Smelker: That is all.

Commr. Aitchison: Here we have apples and oranges. Items 1 and 2 relate to costs of reproduction.

[fol. 4833] The Witness: Yes, sir.

Commr. Aitchison: Item 4, if the account is properly stated, goes back to original cost, does it not?

The Witness: No, sir, not necessarily. You mean to the extent that retirements are involved?

Commr. Aitchison: Yes, surely.

The Witness: Not necessarily. On an old railroad, such as the Coast Line, we don't know what the original cost of a large part of our property is, and under the commonly followed practice, we estimate that original cost when we don't know it as being equivalent to the cost of reproduction, as found by the Commission at the date of valuation.

Commr. Aitchison: Well, estimated original cost then instead of original cost?

The Witness: Yes, sir.

Mr. Bell: That is June 30, 1914.

The Witness: Our date of valuation is June 30, 1917.

Mr. Bell: I know, but your costs are all the same, irrespective of your date of valuation.

The Witness: The costs are based, as I understand it, on an average of prices in effect during the period from 1910 to 1914.

Commr. Aitchison: That is the cost you write out on.

The Witness: Yes, where our books do not reflect the actual cost.

[fol. 4834] Commr. Aitchison: Well, I just wanted to point out that you are deducting original cost, or an estimate of original cost, from cost of reproduction, and then because it doesn't value out, you say it is an unexplained decrease.

The Witness: I believe, Mr. Chairman, that I said that my point in developing that unexplained decrease was to bring out that unquestionably a part of it is roadway depreciation.

There probably are other factors besides roadway depreciation and besides the one you have mentioned that entered into it.

The multipliers used by the Bureau of Valuation in developing their value as of the two different dates quite probably were different.

Commr. Aitchison: You have no doubt at all that the multiplier which was used with respect to this retired property was considerably in excess of the charge-out amount, have you?

The Witness: I just don't know about that. I really don't know.

Commr. Aitchison: Well, those are all published by the Commission. The cost of reproduction unquestionably exceeds the estimate of original cost, doesn't it?

The Witness: The cost of reproduction, less depreciation, exceeds the original cost.

Commr. Aitchison: And therefore the cost of reproduction would too?

[fol. 4835] The Witness: Not in our case, sir.

Commr. Aitchison: The cost of reproduction exceeds the cost of reproduction less depreciation in your case then.

The Witness: The cost of reproduction, as estimated by the Commission at date of valuation is exceeded by both the estimated original cost and the final value. Let me state that differently. The final value is slightly exceeded by our book value. Those figures are in this record. I read them into the record in Indianapolis with respect to the Coast Line.

Commr. Aitchison: All right.

Mr. Hillyer. That will be all.

Commr. Aitchison: You may be excused.

(Witness excused.)

Mr. Gwathmey: Mr. Parsons, will you take the stand?

R. K. Parsons was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Will you give your name, your residence, and your official railroad position?

A. My name is R. K. Parsons. I am general freight agent of the Florida East Coast Railway (Scott M. Loftin and John W. Martin, Trustees), with headquarters at St. Augustine, Florida.

Commr. Aitchison: I don't see why it isn't copied in.

[fol. 4836] Mr. Wwathmey: Mr. Chairman——

Commr. Aitchison (Interposing:) Mr. Gwathmey, there are eight men on this Commission who are not here, and there are some 45 State Commissions not represented who are going to deal with this on the basis of the written record.

If it will help any, we will turn this over to an Examiner so that you will not be embarrassed, but it seems to me that it is farsical for us to have to sit here and listen to a statement read which can just as well be put in in the manner indicated, and then discuss it fully on argument.

Mr. Gwathmey: Very well. I will be very glad to try to meet your Honor's wishes.

Commr. Aitchison: It will be copied in. If there is no objection this may be copied in as if the witness had given it orally.

The Witness: I have held an official position with the Florida East Coast Railway for the past nine years. Prior to that time, I was employed by the Atlantic Coast Line Railroad and spent nine years on various assignments in its freight traffic department. With the exception of a year and a half during the last world war, I have been regularly engaged in railroad traffic work since February, 1915.

I was admitted to practice before the Interstate Commerce Commission in April, 1935.

My duties with the Florida East Coast Railway require [fol. 4837] the study of the many rate adjustments and transportation conditions affecting the Florida East Coast Railway, as well as the preparation and presentation of matters affecting its interests before the Interstate Commerce Commission and the Florida Railroad Commission.

The Florida East Coast Railway Company is a railroad operating entirely within the State of Florida. Its rails run from Jacksonville in a due south direction to Florida City, Florida, a distance of 396 miles, with important branch line operating from New Smyrna, a point 125 miles south of Jacksonville, to Lake Harbor, Florida, in a general southwesterly direction. The branch line is 195 miles in length, serving an important vegetable producing area. It is the only Class I railroad operating in the State of Florida with all of its rail property located in that state.

Exhibit No. 92, filed by Witness Maurer at the hearing in these proceedings in Indianapolis in September, 1942, includes a statement of the class rates that would result from the application of the Docket 15879 Appendix E Class Rate scale between Miami, Florida, on the one hand, and representative points in Official Territory on the other hand.

Comparison is likewise made with the present published class rates between Miami, Florida, and those some Official Territory points. This statement is indicated by page M-67 of the exhibit referred to.

[fol. 4838] Witness Maurer stated that special studies of the class rates between Florida and Official Territory had been made by him on behalf of the Railroad Commission of the State of Florida (page 2 of his testimony).

Witness Maurer also stated, "My studies as to Peninsula of Florida form a basis for the position of the Florida interests in that the Florida arbitraries are no longer practical or justified and should be removed; and that whatever basis of class rates may be prescribed for the South or between the South and the North should include Florida as a part of the South". (Page 3 of his testimony). He also stated, "It is my opinion . . . that no higher level of class rates should prevail from the South, including Florida to the North, than applied within the North for like distances". (Page 8 of his testimony.)

It thus appears that one of the definite issues in this proceeding is the question whether the so-called Florida Peninsula arbitraries should be eliminated in connection with whatever basis of rates may be applied throughout other portions of Southern territory.

These arbitraries, as is well known, were originally prescribed by the Commission in Southern Class-Rate Investigation, Docket 13494, the original decision in which was dated July 7, 1925. Several supplemental reports were thereafter issued and the rates finally became effective [fol. 4839] January 15, 1928.

In that case, as well as in other decisions in which the Commission has prescribed commodity rates to and from points in the Florida Peninsula and has allowed the so-called Florida Peninsula arbitraries, the Commission has invariably made it clear that the arbitraries were allowed by reasons of conditions peculiarly affecting railroad operations and traffic in the Peninsula and has stated that they were intended for the benefit of the Florida railroads, and should be allowed in dividing through rates before prorating the remainder of the through rate.

The Florida Railroads understand, of course, that the question of divisions is not an issue in this proceeding. Under the circumstances, however, they believe that attention should be directed specifically to the serious effect upon the revenues of these railroads if the proposals advocated by the Florida interests should be adopted by the Commission.

The annual reports of the Florida East Coast Railway for the years 1938 and 1939 show that of the tonnage originated by the Florida East Coast Railway, fruits and vegetables represented, for the two-year average, 34.8 per cent of the total tonnage originated while the percentage of gross freight revenue which accrued to the Florida East Coast Railway on its originated fruit and vegetable tonnage represented 36.34 per cent in 1938, and 24.57 per cent in 1939 [fol. 4840] of the total carload gross freight revenue of the Florida East Coast Railway for those years. The importance of this originated fruit and vegetable traffic, especially to the Florida East Coast Railway is, therefore, apparent.

The rates on vegetables from Florida to all destinations were prescribed by the Commission in the Southern Vegetable cases, Dockets 16939 and 25071, wherein the several varieties of vegetables were grouped, and rates made on certain fixed percentages of first class were prescribed for each such group. Although this decision resulted in serious reduction in revenue on the Florida vegetable movement, the carriers have subsequently, on account particularly of truck competition, made a general reduction in these rates approximately 15 per cent.

Should the basis now proposed by the Florida shipping interests be adopted, and should the Official Territory level of class rates be applied in the South, coupled with the elimination of Florida arbitraries, the resulting class rates to points in Official Territory would in most instances be substantially lower than the corresponding commodity rates on vegetables.

If the class rates should be reduced to the extent above described, the Florida railroads would inevitably be confronted with demands for reductions in the vegetable rates. These railroads had sufficiently disagreeable experience in [fol. 4841] the past where the commodity rates on vegetables were in some instances higher than class rates, growing out of the practice by shippers of routing via unnatural or unworkable routes, sometimes referred to as "monkey routes", in order to avoid the application of the higher commodity rates and obtain the benefit of the lower class rates.

The basis for divisions of the vegetable rates from Florida to Official Territory was fixed by the Commission in

Docket 24160, having been treated as presenting a special case, in which the prescribed basis of divisions was different from the basis prescribed for general application between the remainder of the South and Official territory. Without undertaking to set forth the proportions of the respective participating lines as thus prescribed, I wish to call attention to the fact that the adoption of the proposal here advanced by certain Florida interests, and an adherence to the divisional basis which the Commission has fixed would mean that the revenue on vegetables of the railroads south of the gateways, including the Florida peninsula railroads, would be heavily reduced, having in mind that fact that on this new basis of rates, the arbitraries, which are specifically fixed for the benefit of the Florida peninsula railroads, would be eliminated.

Based upon the 1938-1939 season we have estimated that on the Florida East Coast Railway vegetable origination [4842] alone, not to mention the vegetable traffic originated in Florida by the Atlantic Coast Line Railroad, and the Seaboard Air Line Railway, the annual loss to the southern railroads, if divided on the vegetable divisions fixed by the Commission, would be $321,423, and to the Florida East Coast Railway alone would be $127,030. The northern railroads would receive a revenue reduction of $81,096.

Should the Official level of class rates be applied and the equal factor class rate divisions under Docket 24160 be used, which, however, we would oppose by every means available to us, the resulting annual losses to the southern railroads would be $672,711, and to the Florida East Coast Railway alone $306,364, while the northern railroads would receive increased revenues of $270,192.

While no attempt has been made to estimate the amount of revenue which is derived from the Florida arbitraries as such, it cannot be doubted that the revenue losses which would result directly from the elimination of the arbitraries would be very substantial.

For example, the first class peninsula arbitrary from Jacksonville to Miami, is 23 cents per 100 pounds and the arbitraries on commodities, including fruits and vegetables, bear certain fixed percentages to first class. It can readily be seen, therefore, that a very large volume of tonnage and revenue is either directly or indirectly involved.

[fol. 4843] Speaking for the Florida railroads as a whole, we wish to emphasize that the adoption of the Florida shipping interests' proposed adjustment, carrying with it the elimination of the arbitraries which were specifically allowed for the benefit of the Florida peninsula railroads, would be disastrous from a revenue standpoint. The Florida peninsula railroads would be compelled to use every available effort to have the division of class rates, which the Commission fixed in Docket 24160, reconsidered by the Commission.

Witness Maurer, in his testimony, stated that, in his opinion, the Commission intended the Florida arbitraries as a "temporary or transitional basis awaiting the outcome of the railroad and industrial expansion which was taking place within the State at that time.

I call attention that the statistical data extracted from the annual reports on file with the Interstate Commerce Commission, which show total operating revenues for the Florida East Coast Railway for the year 1928 of $13,874,723 and for 1940 of $10,748,838. In no year since 1928 have our total operating revenues been equal to thos- of 1928. These figures don't support the opinion held by Mr. Maurer that the outcome which he feels the Commission anticipated came about. On the contrary, the reverse is indicated from the total operating revenues shown.

Witness Maurer makes the statement that the class rate [fol. 4844] structure from Florida has been a very important factor in the rapid development of Florida's water-borne traffic. It is our confirmed opinion that the class rates have had nothing to do with these conditions.

Up to the time the I. C. C. Docket 13494 Class Rate Investigation, which prescribed the Florida peninsula arbitraries, was under consideration by the Commission, the United States Government harbor expenditures at the Florida East Coast ports had not been of substantial proportions.

Information obtained from the annual reports of the War Department, Chief of Engineers, U. S. Army, indicates that up to June 30, 1925, the United States Government had spent, in the development of the harbor at Miami, Florida, only $1,201,709.

The Federal Government had not spent any money in the improvement of the port at Port Everglades, Florida, nor the improvement of the port at Palm Beach, nor the deepening of the harbor at Fort Pierce up to that time. Only

$228,054 of Federal funds had up to that time been spent on the east coast canal from Jacksonville to Miami.

The latest report released by the District Engineers, U. S. Army, indicates that, up to June 30, 1941, the United States Government had spent, to develop the harbor at Miami, Florida, $7,873,529. Additionally, the City of Miami had used $5,492,892 of public funds to improve the harbor [fol. 4845] facilities. This harbor has a depth of 29.6 feet.

There is another deep water harbor only 23 miles north of Miami, Florida. It is Port Everglades, Florida. It has been developed entirely since 1926. To June 3, 1941, the Harbor District and the United States Federal Government spent $7,176,703. It was a harbor with water depth of 32.4 feet.

45 miles north of Port Everglades is still another deep water harbor, the Port of Palm Beach, which was developed at an expense to the Harbor District and the United States Government of $4,577,025. It has a depth of 20 feet.

55 miles north of the Port of Palm Beach is still another deep water harbor. This development, like the one at Port Everglades, has come about since 1926. This port was developed at an expense up to June 30, 1941, of $3,393,752. It has a depth of 24 feet.

It is pointed out that there is, within a 125 mile Florida east coast shore line, four deep water ports capable of accom-odating practically any craft in the coastwise service.

Additionally, vast sums have been expended on the East Coast Canal, known as the Florida Inland Navigation District. Official records of the Florida Inland Navigation District show that the sum of $12,178,055 has been devoted to making and keeping the avenue of transportation open. It has a minimum depth of 8 feet of water from Jacksonville to Miami.

Well in excess of the staggering sum of $41,575,054 has [fol. 4846] been spent on harbor and waterway developments along the east coast of Florida within the past 20 years.

Rebuttal facts respecting the Florida East Coast feature of the financial exhibit presented by Witness Saunders at the Indianapolis hearing, and to which was assigned Exhibit No. 87, are being presented by another Florida East Coast Railway witness, but I wish to state, in connection with that exhibit, that the revenue information shown with respect to the Florida East Coast Railway for the first seven months of 1942 is susceptible of misinterpretation unless the circumstances incident to its accrual are treated with.

The normal southbound traffic of the Florida East Coast Railway was seriously retarded by the outbreak of the war and the revenue improvements since then — account of the Florida East Coast Railway Company are attributed entirely to traffic which will disappear with the termination of the war or with improved ocean shipping situation.

Indicative of the correctness of this observation, the Florida East Coast Railway originated only 1,595 carloads of citrus fruit during the first seven months of 1941. By reason of the temporary suspension of coastwise steamer service, the Florida East Coast Railway originated during the first seven months of 1942 (the period treated with by the Witness Saunders) 7,240 carloads of citrus. This unusual situation accounts for approximately one-half million [fol. 4847] dollars of the Florida East Coast Railway revenue improvement.

Since 95 per cent of the citrus fruit originated on the East Coast of Florida normally moves to the North Atlantic Seaboard territory, and for years prior to 1942 such proportion as the Florida East Coast Railway originated moved on extremely depressed rates, representing an exact equalization of the freight rates charged via truck-boat routes, there is small reason to feel that, with the return of the coastwise steamer lines, the Florida East Coast Railway normal situation with respect to this traffic would be any different than it was prior to the war.

The submarine situation since January, 1942, has caused the unnatural movement of Cuban raw sugar through Miami, Port of Palm Beach, and Port Everglades, Florida, ports served by the Florida East Coast Railway. Over 3,500 carloads destined to the East have been moved through these ports. In normal times, this traffic could not have been controlled except via all water routes and it accounted for approximately another half million dollars of Florida East Coast freight revenue improvement.

An unusual and purely war endeavor import movement of Blackstrap molasses handled through the Florida ports since Pearl Harbor and destined for North Atlantic Seaboard alcohol manufacturing plants, and which normally moves from Cuba to North Atlantic Seaboard in tank steamers owned or operated by the alcohol manufacturing inter-

[fol. 4848] ests, has been responsible for a 1,405 tank car lot movement of good revenue traffic, which may not even recur during the present situation, and would most certainly disappear with the termination of war conditions.

Since January of this year, a number of military camps have been established on the East Coast of Florida, and the principal ones being Camp Griffith at Boca Raton, Florida, and Camp Murphy, near Stuart, Florida. The materials going into the construction of these two military camps has represented thus far this year 3,994 carloads. Even if, during peace times, these military camps should be continued, the heavy movement in which their construction has resulted would not be repeated and there is small likelihood that the camps would be continued except on a small scale with the termination of the war.

The practice of heavy troop concentrations within the State of Florida, involving as they do heavy movements of supplies, is generally known. Therefore, our passenger revenues have been greatly improved. During the first eight months of 1940, the Florida East Coast Railway revenue on export and import traffic handled via Port Everglades was only $282,007; for the first eight months of 1941 it was $404,824, while, for the reasons given, during the first eight-month period of 1942, the Florida East Coast freight revenue from export and *and* import via this port was [fol. 4849] $1,234,103.

For many years prior to the present war conditions, the tremendous petroleum products consumption was transported by tank steamers from the ports near the source of supply to Florida ports, and distribution from those ports was for short hauls, for which the railroads involved operated extremely depressed rates.

With the acquisition of the tankers by the Federal Government, as a result of the war activities, considerable impetus in long haul movements of petroleum products was brought about. The Florida East Coast Railway's freight revenue for the first eight months of 1941 produced by petroleum and its products was only $333,186, while for the first eight months of 1942, the freight revenue accruing from the handling of petroleum and its products was $586,144, roughly a quarter million dollar improvement. We have no reason to believe that we could ever hope to control, against the oil companies' ocean tanker service, the volume of gasoline and fuel oil movements to the East Coast

Port Cities where the principal population served by the Florida East Coast Railway is located. These facts deserve careful consideration in connection with the revenue information given by Witness Saunders as to the 1942 period.

Commr. Aitchison: Anything further?

Mr. Gwathmey: That is all from this witness.

[fol. 4850] Commr. Aitchison? Cross examine.

Cross-examination.

By Mr. Hilyer:

Q. Do I correctly understand from your statement it is your position that the Florida East Coast Railway, although now in a prosperous condition, is in a prosperous condition because of war conditions, elimination of border competition, and the increased traffic?

A. That is correct.

Q. And after the war you expect the conditions to return under which your railroad operated at a great disadvantage.

A. Or grow worse.

Q. Your line operates wholly within the State of Florida?

A. Entirely.

Q. And wholly within the strip of coast from Jacksonville to Miami, and south within a few miles of the Atlantic Ocean.

A. Except for a branch line, a 195 mile branch line, yes, sir.

Q. Does the intercoastal canal follow the length of your line from Jacksonville to Miami?

A. It does.

Q. Are there hard surfaced highways directly paralleling your main line?

A. There are.

Q. Do you have competition with the Seaboard Airline Railway from Jacksonville to Palm Beach and Miami?

A. Yes.

[fol. 4851] Q. You have all those competitive conditions to face in normal times, other than in war times?

A. That is true.

Q. In that respect, would you say that the Florida East Coast Railway is in a unique position as compared with other carriers?

A. We feel so, yes, sir.

Mr. Hillyer: That is all.
Commr. Aitchison: Any further cross examination?

(No response.)

Commr. Aitchison: Anything further, Mr. Gwathmey?
Mr. Gwathmey: No.
Commr. Aitchison: You are excused.

(Witness excused.)

Mr. Gwathmey: Mr. Yager, will you take the stand?

J. S. Yager was sworn and testified as follows:

Direct examination.

By Mr. Gwathmey:

Q. Will you give your name, residence, and railroad position?

A. My name is J. S. Yager. I am statistician of the Florida East Coast Railway Company, with headquarters at St. Augustine, Florida.

Q. Have you prepared for the purpose of this case an exhibit together with a written statement in explanation of the [fol. 4852] exhibit?

A. Yes, I have.

Q. Were they distributed at Columbus, Ohio?

A. Yes, sir, at the last hearing at Columbus.

Mr. Gwathmey: Mr. Chairman, following your Honor's suggestion, I will ask that the balance of the statement be copied into the record.

Commr. Aitchison: Is there any objection?

(No response.)

Commr. Aitchison: This may be done. The Exhibit will be numbered 207. Without objection Exhibit 207 is received in evidence.

(Exhibit 207, Witness Yager, received in evidence.)

The Witness: I have been in the service of the Florida East Coast Railway since 1926, previously having had some 19 years experience in railway accounting, valuation, operation, maintenance and statistical departments.

I began my work with the Chicago and Alton Railway at Kansas City, Missouri, during 1908, and, for a period of three years, was employed in the local agency and as chief yard clerk.

I then went with the Santa Fe Railway for two years on general accounts, being transferred to Chicago, where I worked for two years on special statistical studies.

[fol. 4853] I went with the Central of Georgia at Savannah, Georgia, in 1915, where I was employed for a period of 12 years; two years as valuation accountant, two years as traveling auditor, four years as statistician and four years as general yard master, coming to the Florida East Coast Railway in 1926.

During my service with the Florida East Coast I have been engaged continuously in analyzing operating, maintenance and traffic conditions as they exist on this railway system.

It is my purpose to present some facts in rebuttal of Mr. Saunders' Exhibit No. 87 and Mr. Donnell's Exhibit No. 93, and their testimony relating to these exhibits, especially as it applies to conditions existing on the Florida East Coast Railway.

It is obvious that where railroads operate in several states, difficulties in the assignment of revenue and expenses, etc., are presented. The Florida East Coast Railway is strictly a Florida carrier and all of its revenues, expenses and statistics are assigned direct. For this reason, there can be obtained an accurate picture of the Florida peninsula operations from a study of the factors which we will present.

We feel it necessary to offer an explanation in the clarification of Witness Saunders' Exhibit No. 87, dealing with rate of return on the so-called rate-making value as it applies to the conditions existing on the Florida East Coast Railway and particularly then to the figures introduced to [fol. 4854] cover the first seven months of the year 1942.

I will show later that normally, because of the extreme fluctuation in revenues on the Florida East Coast Railway, 52.8 per cent of the freight revenue and 63.6 per cent of the passenger revenue are earned during the first four months of the year. The valley is reached during July, August, September and October, beginning to pick up in November and December.

The method used by Mr. Saunders was to use seven-twelfths of his 1941 value, which spreads over the year equal division of this factor. Obviously this method would not be proper in determining a rate of return to cover the first seven-month period on a carrier under these conditions.

The Florida East Coast Railway has made no provision in the reports so far rendered to the Commission for income taxes which will surely accrue for the year 1942. This is estimated at between one million and a million, five hundred thousand. No consideration of this large and extremely important item was made by Witness Saunders.

The total value of $50,828,894, used by Witness Saunders, has been the subject of protest by the Florida East Coast Railway for many years. The book value of the Florida East Coast Railway as of December 31, 1941, was $85,736,594, which is the value found at date of valuation by the Bureau of Valuation, Interstate Commerce Commission, plus subsequent additions and betterments and working [fol. 4855] capital. It, therefore, can be seen that the value used by Mr. Saunders is only 59.3 per cent of the total investment.

We do not believe the exhibit carries any support to the issues in this case. However, we present the above facts for clarification purposes.

Witness Donnell presented a series of graphs and figures covering sixteen pages, Exhibit No. 93, purporting to show changed conditions within the Peninsula of Florida since the differentials were prescribed and that the disabilities of operation upon which that decision was rendered no longer exist. Those conclusions are far from the facts and I will show that if the proper unit of comparisons was used, the picture is reversed and, on the contrary, the situation is aggravated since the period of 1921 to 1925, which I have used as a base for my comparisons.

Witness Donnell recites his studies of Florida's terrain and climate, the absence of show and ice, etc. I think it is obvious that these conditions have not undergone any change since the arbitrary was prescribed. It is pertinent to mention, and it is well known, that Florida is frequently visited with a severe cold wave which completely destroys the fruit and vegetable crop in various sections of the peninsula. Witness Donnell would have us believe that because of the topographical features, the cost of operations in Florida were favorable as compared with conditions in other states.

[fol. 4856] The Florida East Coast Railway extends along the east coast of the State of Florida south of Latitude 30° north close to sounds or rivers; drainage is imperfect, accompanied by mean annual rainfall of 55 inches. In the Glades section of the Okeechobee Branch, it is not uncommon to suffer from 12 to 20 inches of rainfall within a period of 24 hours, completely inundating the entire section.

The railway is located close to and parallel with and across salt water. The salt atmosphere is extremely harmful to all metals used in construction and operation. In addition, the nearly vertical rays of the summer sun have adverse influence on all paints, more so than in other sections which are not exposed to the constant sunshine and high temperatures and high humidity prevaling in Florida. This condition also slows up laborers and other employees exposed to the extreme heat and humidity.

Marine borrers, such as the teredo, add greatly to the cost of maintaining pile trestles, most of which in the main line are driven in salt or brackish waters, which are more or less infected. Our records indicate an average life of about eleven years out of cr-osoted piling, in specific instances, which is, of course, extremely low in comparison with what is obtained on other roads more favorably located.

Another factor to be considered is the large expense necessary to restore the property after the visit of a tropical storm. This storm damage amounted to an average [fol. 4857] of approximately five hundred thousand dollars per storm for the years 1926, 1928, 1930, and 1935, and our records so show. The storm of September, 1935, wiped out a stretch of about 40 miles of the Key West extension, and caused the abandonment of the line from Florida City to Key West. We do not contend that other sections are entirely void of these storms, but we do know they occur more frequently in the peninsula of Florida than other sections.

I mention these facts to demonstrate in rebuttal of Witness Donnell's conclusions that the absence of grades in Florida denotes relatively lower operating costs, which fact we admit in part; however, we submit that the excessive maintenance costs greatly outweigh any lower operating costs within the peninsula of Florida.

At this point if offer my Exhibit No. 207, which I personally prepared, which consists of ten numbered pages. Page Y-1 is a statement showing the number of employees on the Florida East Coast Railway during the average of the years 1921-1925 and 1937-1941, inclusive, together with the average miles of line operated. The average employees per mile for the period 1921-25 being 6.24 and for the period 1937-41 being 3.81, as contrasted with 2.61 shown by Witness Donnell for the state as a whole.

Comparisons of average employees per line as between states are misleading unless the factors are shown as to [fol. 4858] the method of allocating employees performing system duties.

Statistics of Railways—Interstate Commerce Commission, Year 1940, Table 3, Road owned: Miles by states show 1,320 miles of Class II, Class III and non-operating companies, and 3,898 miles owned by Class I Railways—over 25 per cent of all the mileage in Florida is other than Class I railways.

The month of July was used by Witness Donnell when the traffic handled is at the minimum.

We believe the proper comparisons would be on the number of employees per dollar of railway operating revenue.

I have shown this calculation on the lower section of this schedule and for the prior average years 1921-25, the revenue per employee amounted to $3,784, while then for the average of the latest five-year period, 1937-41, amounted to $3,860. It will be observed that there is practically no change in this condition since the period on which the findings in Docket 13494, prescribing the Florida differential, was based.

Page Y-2 of my exhibit is a statement showing the railway tax accruals (excluding federal taxes) on the Florida East Coast Railway, together with the miles of line owned for the prior period average 1921-25 and for the average of the past five years 1937-41, inclusive. The tax dollars per mile for the prior period being 946 and for the period 1937-1941 were 903, as contrasted to 432 shown by Witness [fol. 4859] Donnell for the year 1939.

We do not subscribe to this method of comparing taxes per mile of line owned, and particularly when taxes per mile are compared by states. There are no standard formulae existing in the various states for determination of value for tax purposes. Florida has one all of its own and 25 per cent of the total mileage is owned by other than Class I railroads. Yard tracks and sidings, together with second main track and all other main tracks are, of course, considered in establishing value of the road owned and the universal method of comparing the unit of taxes is by miles of all tracks owned. This method is employed in the lower section of the schedule and shows an entirely different result.

We submit that the consideration of comparison of taxes is of little value except as to the effect on net income, which I will treat with later.

Page Y-3 is a statement showing the tons of revenue freight carried, together with the tons of revenue freight originated on the Florida East Coast Railway for the period 1921-25, compared with the period 1937-41. I have separated this tonnage to show separately the tons of products of agriculture.

Statement was made by Witness Donnell that "Florida rail traffic has increased 112 per cent since 1921."

The figures shown on page Y-3 of my exhibit do not confirm [fol. 4860] this information from the Florida East Coast Railway standpoint.

During the five years 1921-25 prior to prescribing the Florida differentials, the Florida East Coast Railway carried a total of 13,547,209 tons of revenue freight, while for the past five years 1937-41 the tons carried amounted to only 7,882,696, a decrease of 5,664,513 tons, or 42 per cent.

The witness goes into a recitation of traffic densities in explaining his study. Tons of freight originated nor tons of freight carried have no relation to traffic density. Before taking up the subject of traffic density, I wish to make further comment on this statement with relation to the freight originated where Witness Donnell stated "In freight originated and terminated, Florida has changed from a little state to a big state since 1921."

My exhibit certainly does not confirm this information, but on the contrary, the results are much worse today than they were at the time this feature was studied and the disabilities of the Florida peninsula recognized with the establishing of the existing differential.

During the five years preceding the Docket 13494 decisions, the Florida East Coast Railway originated 1,205,159 tons of products of agriculture, as compared with 1,175,410 during the latest five year period, a decrease of 29,749 tons, or 2.5 per cent.

For total tons of all freight originated during the five [fol. 4861] years preceding the decision, the Florida East Coast Railway originated 7,719,875 tons, as compared with 3,452,546 tons during the latest five year period, a decrease of 4,267,329 tons or 55.3 per cent.

It can, therefore, be seen that this condition has grown relatively worse since the differential was prescribed.

Freight traffic originated on the Florida East Coast Railway is principally agriculture, citrus fruit and vegetables being the leading farm products and constituting 34 per cent of the total tonnage originated as shown by this exhibit.

Page Y-4 of my exhibit is a statement showing traffic density of the Florida East Coast Railway, together with other Class I carriers operating in other differential territories, and totals of regions for the year ending December 31, 1940.

Statement was made that "The traffic density of Florida has shown a commensurately heavy increase over the density obtaining during the course of and prior to the hearings in Docket 13494.".

Page Y-4 was prepared to show conclusively the relatively low traffic density on the Florida East Coast Railway in the peninsula of Florida.

It will be clearly observed that roads operating in other differential territories have a distinct advantage over the Florida East Coast, and in no instance is shown anywhere near the light density as exists on this railway. In prac- [fol. 4862] tically every other differential territory the roads enjoy from two to five times the density that exists on the Florida East Coast Railway. The totals of the regions are even more pronounced than the comparisons with individual differential roads.

The revenue net ton miles per mile of all tracks is shown for the total of the New England region as 617,407, as compared with 282,882 for the Florida East Coast Railway. Stated in another way, the traffic density of the New England region is 218 per cent of the density of the Florida East Coast Railway.

Page Y-5 shows similar information as to traffic density for the year ended December 31, 1928. Unfortunately we did not have available this information for earlier years and have taken only the year at hand to show that there has been no heavy increase in 1940 over the earlier years. We have shown the decrease in tonnage handled over the prior years and can naturally expect a similar showing in the item of traffic density. It will be observed that for the year 1928 the traffic density of the total of the New England region was 244.5 per cent of the density on the Florida East Coast Railway.

Page Y-6 is a graph showing the seasonal fluctation in railway operating revenues (freight, passenger and total) for the average of the period 1921-25, comparing the average of the period 1937-1941.

[fol. 4863] Statement was made by Witness Donnell that "Traffic considered as a whole is not seasonal, but is fairly evenly distributed throughout the year."

This chart shows clearly the uneven distribution of the revenues and the period 1937-41 is more aggravated than was the period studied when the Commission reached its decision in Docket 13494 prescribing the Florida differentials.

The northbound perishable traffic moves during the period of high passenger travel, resulting in greatly distorted distribution during the first quarter of the year.

This chart plainly shows that there exists no even distribution of the railway operating revenues during the year on the Florida East Coast Railway.

Page Y-7 is a graph showing the unbalanced movement of freight traffic by months, January 1, 1937, to December 31, 1941, expressed in per cent of northbound net ton miles to total net ton miles.

It will be observed that the situation explained by Witness Donnell is far from the facts as to conditions existing on the Florida East Coast Railway.

The chart is self-explanatory; however, it is pointed out that the movement of freight net ton miles northbound reaches the peak during the first quarter, then drops to the low of about 10 per cent during the summer months.

This extreme fluctuation and unbalanced flow of traffic on [fol. 4864] the Florida East Coast Railway presents a difficult problem in controlling operating expenses to meet the incoming revenues and consists of one of our greatest disabilities of operation in the peninsula of Florida.

Page Y-8 is a statement showing the tons of revenue freight received from and delivered to connections comparing the Florida East Coast Railway with roads operating in other differential territories for the years ended December 31, 1940-41 and 1928-29.

It will be observed there is complete lack of this overhead tonnage on the Florida East Coast Railway, whereas roads situated in other differential territories do handle a substantial quantity of this overhead tonnage.

The tonnage listed as overhead on the Florida East Coast Railway for the latter years, approximately 3 per cent of the total tons carried consists of sugar and molasses from the Atlantaic Coast Line Railroad at Lake Harbor, Florida. The cane is produced on the Florida East Coast and ground at the mill located on the tracks of the Coast Line at Clewiston. Aside from this movement there is practically no overhead tonnage handled by the Florida East Coast Railway.

Page Y-9 is a statement showing the financial results of operations on the Florida East Coast Railway since the year 1937.

This statement shows the net railway operating income, total fixed charges, deficit under fixed charges, and the rate [fol. 4865] of return earned on the total property investment.

The total property investment consists of the value found by the Commission at the date of valuation, plus subsequent additions and betterments and working capital.

It will be observed that in no year since 1927 has the Florida East Coast Railway been able to earn its fixed charges and during the years 1932, 1933 and 1935 failed to meet the expenses, taxes and rents. Incidentally, these years are subsequent to the prescribing of the Florida differential.

Page Y-10 is a statement showing a comparison of conventional items of operating efficiency, Florida East Coast Railway with roads operating in other differential territories and with totals of different regions.

It will be observed that with respect to operating efficiency the Florida East Coast Railway showing is comparable with other individual roads and with the averages of the different regions.

The commodities handled by the Florida East Coast Railway are light loading and *of* consequence — is necessary to restrict the cars per train to a maximum of 105. For this reason, we are able to obtain only approximately 40 per cent of the engine rating.

Particular attention is directed to the item of per cent loaded to total car miles for the Florida East Coast Railway is shown as 57.8 per cent. This situation clearly shows [fol. 4866] the one way traffic movement on the Florida East Coast Railway.

Mr. Gwathmey: The witness is offered for cross examination.

Commr. Aitchison: Cross examination?

(No response.)

Commr. Aitchison: You are excused.

(Witness excused.)

Mr. Gwathmey: Mr. Chairman, we have one more witness who will be examined by Mr. Abeles.

T. W. Roby was sworn and testified as follows:

Direct examination.

By Mr. Abeles:

Q. Mr. Roby, please state your name and address.

A. T. W. Roby, valuation engineer, Seaboard Air Line Railway, Norfolk, Virginia.

Q. How long have you been employed by the Seaboard and what has been your education and experience?

A. I have been in the employ of the Seaboard for over 28 years or since April, 1914. I have devoted my entire time to valuation work and related matters and since 1918 have had entire charge of all phases of the valuation work.

I am a graduate *in* civil engineer, class of 1904 of the Virginia Military Institute, and a graduate of the Massachusetts Institute of Technology, class of 1907, in civil engineering.

[fol. 4867] From 1907 to 1911 I was in the employ of the McClintic-Marshall Construction Company of Pittsburgh (now a part of the Bethlehem Steel Company) in various capacities, including design, estimating, shop and erection work on steel bridges and buildings, and general contract work applicable to the latter.

From 1912 to 1914 I was employed as designing engineer by Henry Goldmark, consulting engineer of New York City, on design and construction work in remodeling and rebuilding the plant of the Canadian Locomotive Works at Kingston, Ontario, Canada.

Q. Are you familiar with the methods of the Interstate Commerce Commission in preparing elements of value used in determining rate making values, such as cost of reproduction estimates, original cost and present value of land and rights in connection with the Federal valuation of railroads?

A. I am thoroughly informed as to the Commission's past and present practices by virtue of the fact that I have had close contact with its Bureau of Valuation since the inception of valuation work, about 1914, including the field inventory, office calculations, pricing, inventories, the appraisal of land and hearings before the Examiners of the Commission.

I have also had charge of the preparation of returns to the Commission under Valuation Order 3 and other valuation orders reporting changes in units of property and costs thereof subsequent to basic valuation dates.

[fol. 4868] Q. What have you to say with respect to the figure of $189,325,000 as of December 31, 1939, used by Dr. Edwards in this case for the rate making value of the Sea-Board Air Line Railroad?

A. I should first like to state that the Seaboard has not been served with any tentative or final valuation reports of its properties as of December 31, 1939, by the Interstate Commerce Commission as required under Section 19-a of the Transportation Act.

On behalf of the Seaboard, I wish to state that we do not agree with or accept this value figure of $189,325,000 for rate making or any other purposes and we take exceptions to the rules, methods and practices used in its compilation.

Q. In your opinion, is this rate making value of $189,325,000 too low?

A. Yes.

Commr. Aitchison: The rest of this statement and all of the supporting data go to the question that you have just answered, do they not?

The Witness: Yes, sir.

Commr. Aitchison: Any objection to its being copied in?

Mr. Abeles: None at all.

Commr. Aitchison: And to the exhibit being given a number and received?

Mr. Gwathmey: There is an exhibit referred to in the [fol. 4869] testimony.

Commr. Aitchison: That will be referred to as Exhibit 208.

(Exhibit No. 208, Witness Roby, received in evidence.)

By Mr. Abeles:

Q. Why do you reach this conclusion?

A. I cannot, without further review and study of the underlying data, state all of my reasons but the principal ones are that (1) the 1939 "period" prices are too low, (2) too much has been deducted for depreciation, (3) the present value of land and rights is insufficient, (4) the amount included for working capital is exclusive of any cash whatsoever and some of the material and supplies on hand, and (5) the amount added for "going concern" or other elements of value is inadequate.

I should like in this connection to state some facts and make a few observations and comments with respect to the "elements of value" for the Seaboard Air Line Railway System as of December 31, 1939, used by Dr. Edwards in this case.

The "rate making values" and/or "elements of value" for the Seaboard System as of December 31, 1939 (sometimes referred to as January 1, 1940) are identical in (a) Docket No. 28190, New Automobiles in Interstate Commerce (b) Docket No. 28300, Class Rate Investigation and (c) Bureau of Statistics' Statement No. 4142.

The basic or primary valuation of the Seaboard System [fol. 4870] found by the Interstate Commerce Commission as of June 30, 1918, approximately aggregated $131,000,000 as the "rate making value" for total used property. The total value found as of December 31, 1939, is $189,325,000, an increase of $58,325,000.

During this 21½ year period, additions and betterments, including newly constructed and subsequently leased lines, aggregated a gross of approximately $187,300,000, which less retirements of about $69,600,000 makes a net increase of about $117,700,000.

As of January 1, 1937, the Commission, in Ex Parte 123, the 15 per cent Rate Case, found rate making value of

Class I railroads of the Southern Region to be $2,440,000,000 (226 I. C. C. 161), of which the Seaboard's proportion would be about $211,000,000, which is greater by $21,675,000 than the $189,325,000 rate making value as of December 31, 1939, used in this case, notwithstanding the fact that during this three year period the Seaboard expended for additions and betterments a gross of approximately $20,000,000 which was reduced by retirements of about $6,000,000 making a net increase in investment of about $14,000,000.

Q. Have you any comments on the several elements of value you have previous- mentioned?

A. Yes. My review of the valuation figures as found by the Commission for the Seaboard as of December 31, 1939, develops the following:

[fol. 4871] (1) Cost of reproduction new (except land and rights):

Price levels used in making the reproduction estimates underlying the value for the Seaboard System used by Dr. Edwards in this case are far too low not only as of today but even as of December 31, 1939. In support of this conclusion I have prepared a number of charts which I now offer as Exhibit No. 208. Although the charts are largely self-explanatory, I will briefly describe them.

The fifteen charts comprising this exhibit contrast for each of the larger road and equipment accounts the average yearly reproduction price levels of the Bureau of Valuation for the Southern Region during the years 1915-1941, inclusive, with the "Ceriod" price levels as of December 31, 1939, used by the Bureau to determine cost of reproduction new for the Seaboard Air Line Railway System.

The yearly reproduction price levels for the Southern Region, depicted by an irregular line across each chart, were obtained from the pamphlet entitled "Railroad Construction Indices," dated August 1, 1942, and compiled by the Engineering Section of the Bureau of Valuation of the Interstate Commerce Commission.

The 1939 "period" price level on each chart, depicted by a large dot, is the weighted average of the "multipliers" used by the Bureau of Valuation for the lines comprising the Seaboard Air Line Railway System. The price levels [fol. 4872] shown on each chart are constructed on the basis of 1910-1914 as 100, and cover the period from 1915 to 1941, inclusive.

Each chart represents the averages for the items of property involved in that account.

A chart was prepared for each road and equipment account that amounted to over 2 per cent of the total cost of reproduction new of approximately $257,000,000 as of December 31, 1939, for Accounts 1 and 3-77, inclusive.

The accounts for which charts were prepared, listed on Sheet 1 of my Exhibit No. 208, aggregate approximately $230,000,000, or about 90 per cent of the above total.

The Bureau of Valuation in their "Statement of Methods" on page 3, Exhibit A-12, Ex Parte 148, states, "Period prices as of December 31, 0939 have been applied. They are based on a consideration of prices over a period of years."

So far as I am informed, the Interstate Commerce Commission throughout its valuation work has used period prices in determining the cost of reproduction new of railroad property.

The charts in my exhibit No. 208 show that during 1920 there was a sudden and sharp increase in the price level which the Commission in valuation and recapture cases stated was "disregarded as abnormal" (184 I. C. C. 289, 296, 297). There has not been, and indications are that there will not be, the sharp increases of prices during and immediately following the present war as occurred during [fol. 4873] and immediately following the World War I period.

It should be borne in mind in this connection that there are today in effect governmental regulations fixing ceiling prices for the purposes of preventing such abnormal increases as occurred in 1920, and that these ceilings apply directly or indirectly to practically all railroad materials such as lumber, steel, cement, locomotives, cars and machinery. We can, of course, expect, and have experienced substantial increases, but not so abrupt and so great rises as followed the last War.

Certainly, the Bureau price levels of 1939 and the years immediately preceding and following cannot be considered too high and, as just indicated, it would seem that consideration should be given to the higher prices of today in establishing a rate base for use in the immediately future. The charts in Exhibit No. 208, however, clearly show that the period price levels used in 1939 are, with a few exceptions, substantially lower than can be justified by the Bureau's Yearly Price Levels, particularly when the subsequent upward trend during 1940, 1941 and 1942 is taken into consideration. Instead, many of the price levels used by the Bureau apparently reach back into the depression period for support.

My conception of a rate making value as of December 31, 1939, is a value which will reflect as nearly as may be the level of prices over a period of years following December 31, 1939. To determine this future price level is the [fol. 4874] problem, and price levels prior to January 1, 1940, are only of use in so far as these might assist to determine the future price level. In other words, if we knew as of December 31, 1939, that price levels over a reasonable number of subsequent years *was* to be 150 compared to the 1910-1914 level used by the Bureau as a base equal to 100 then, in my opinion, the proper period price level for use as of December 31, 1939, would be 150, regardless of the fact that price levels over a reasonable number of years prior to January 1, 1940, might have been on the 135 level.

While this estimation of the future price level is generally difficult to determine, in this case we know the price levels of 1940, 1941 and for most of 1942 and find them to be for this 2½ year period much higher than the levels prevailing during 1939 and a reasonable number of years prior thereto. A glance at the charts will readily confirm this conclusion.

I draw your special attention to the charts for equipment accounts 51, 52, 53 and 54 and to road accounts 6, 8, 10, 16 and 20 which show that you must go back in most cases as far as 1935 or 1934 to find yearly price levels as low as the Bureau 1939 period price level for the Seaboard.

Q. I notice in the charts shown in your Exhibit No. 208 for Account 3, grading; Account 11, ballast; and Account 12, tracklaying and surfacing, that the Bureau's 1939 period price level is fairly close to their yearly price level [fol. 4875] for 1939, and for several years prior thereto, whereas in the other accounts for which you have prepared charts, the Bureau's 1939 period price level is considerably below, not only the 1939 yearly price level, but is also below the yearly price level for some years prior to 1939. Have you anything to say with respect to this?

A. The charts show that the Bureau's yearly price levels for grading have trended downward from 1920 and that during the years 1938, 1939 and 1940 they are below the 1910-1914 level of prices.

Although I recognize that there have been improvements in grading machinery and explosives since the 1010-1914 period, and that the Bureau's practice is to base its price levels on the relationship of contract prices, it is difficult for me to accept any price trend line which shows the 1939 period level only 4 per cent above the 1010-1914 level.

It is well known that during the past ten years or more very little new railroad mileage has been constructed and, consequently, it seems to me that other things than contract prices would have to be taken into consideration, such as the cost of grading machinery and the price paid for common and skilled labor, all of which have risen far above the 1910-1914 price level.

For instance, the Seaboard paid only from 10 to 12 cents per hour for common labor during the 1910-1914 period while today it pays a base rate of 46 cents per hour. The [fol. 4876] 1917 rate was 12 cents per hour and since that date the rate has progressively increased from 22 cents in 1932 to 27 cents in 1937, 30 cents in 1939, *w*6 cents in March, 1941, 45 cents in September, 1941, and 46 cents in December, 1941.

The average rate paid common labor by the Seaboard during the 1937-1942 period approximates 35 cents per hour or practically treble the average 1910-1914 rate.

The prices for skilled labor and grading machinery have also greatly increased. Furthermore, what few contract grading jobs have been done on the Seaboard in recent years reflect considerably higher prices than the Bureau's 104 price level for 1939. In the light of all these factors the Bureau's 1939 period price level of 104 for Account 3, grading, for the Seaboard seems out of line.

My thoughts in connection with Account 12, which is very largely a labor account, are similar. I have just testified, in connection with Account 3, grading, to the very considerable increase in the price of labor which would necessarily be reflected in the cost of tracklaying and surfacing.

For this account, however, the Bureau's 1939 period price level is 167 and although this is a great deal higher than the Account 3 price level, it still seems too low.

Furthermore, the Seaboard track as of December 31, 1939, is a greatly improved track structure over that existing at June 30, 1918, in that heavier rails have been laid, stone ballast has replaced cinder and gravel ballast to a [fol. 4877] very large extent, and creosoted ties with tie plates have, to a large extent, replaced untreated ties without tie plates.

All of these structural improvements, together with a very much higher degree of maintenance, have produced a track structure of not only a greater carrying capacity, but of greater speed capacity.

For example, in 1918, the generally prevailing maximum speed permitted freight trains on the Seaboard System was 30 miles per hour and for passenger trains 50 miles per hour. Today maximum train speeds have been increased in most instances 50 per cent or more over the 1918 speeds. With a few exceptions the lowest maximum permitted speed for freight trains is now 40, 45 and 50 miles per hour and for passenger trains 65 to as high as 85 miles per hour.

It does not seem to me that these increases in the speed and stability of the track structure could have been given sufficient consideration in determining the 1939 period price level for Account 12, tracklaying.

The Bureau's 1939 period price level for Account 11, ballast, is 144, which does not appear to reflect the increase in prices being paid now and prices paid for some years past by the Seaboard for stone, gravel, slag and other types of ballast, when the cost of haul is taken into consideration.

(2) Cost of reproduction less depreciation:

As of January 1, 1940, for the Seaboard Air Line Railway [fol. 4878] System, the Commission has estimated by the straight line method of depreciation and deducted from reproduction cost about $84,500,000, or 32.88 per cent for depreciation, as compared to a similar deduction of about $41,200,000, or 17.86 per cent as of January 1, 1937.

For road and equipment property, except land, the per cent of cost new, that is the ratio of reproduction cost less depreciation to reproduction cost new, as found by the

Commission for the Seaboard has declined since basic valuation dates as follows:

Ref. No.		*Date*	*Road* %	*Equip.* %	*Total* %
1	Basic Valuation Date	6-30-18	82.23	68.30	79.11
2	Basic Valuation Date (Constructed 1925-27)	12-31-27	94.09	—	94.09
3	Weighted Average (1) + (2)		84.25	68.30	81.17
4	Ex Parte 123 15% Rate Increase	1- 1-37	81.81	83.27	82.14
5	Docket 26459 F.E.C. Ry. Div. Case	1- 1-39	71.01	59.04	67.78
6	Ex Parte 148 Rate Increase Case	1- 1-40	70.53	58.43	67.12
7	Docket 28190 Auto Rate Case	1- 1-40			
8	Docket 28300 Class Rate Invest.	1- 1-40			

[fol. 4879] If, as of January 1, 1940, all of the Seaboard's property other than land (excluding that considered as non-depreciable by the Commission, consisting of Account 1, engineering; Account 3, grading, and salvage) were given a condition of 50 per cent, that is, the service life half gone, the resulting per cent of cost new of all the Seaboard property other than land would be approximately 65 per cent. Thus, it appears that the latest Commission's figures for the Seaboard are equivalent to their finding that the average condition of all Seaboard property which they have depreciated is approximately 50 per cent.

The Commission's condition per cent for Account 8, ties, as of December 31, 1939, was about 52 per cent or approximately the same as that found at valuation date June 30, 1918, notwithstanding the fact that the Seaboard, starting about 1929, has replaced untreated ties in its tracks with treated ties to the extent of about 34 per cent up to December 31, 1939, and has been replacing untreated ties with *un*treated ties of a much better grade and class and, consequently, of a much higher service life. This practice has continued since 1939 and at the end of 1941 the Seaboard had approximately 42 per cent of the ties in track treated ties.

Furthermore, the point of uniform renewal of the present class of untreated ties and treated ties being used in Seaboard track has not been reached and, consequently, I feel that the unexpired service life remaining in the Seaboard [fol. 4880] ties as of December 31, 1939, greatly exceeds the service life remaining in the Seaboard ties as of June 30, 1918, and should produce a much higher condition than the 52 per cent found by the Bureau.

The Commission, as of December 31, 1939, has assigned a condition per cent to Account 11, ballast, of about 15 per cent which is far below the 74 per cent found in 1918 and the normal of 50 per cent condition now generally assigned to this account. This low condition per cent has, of course, been reflected in the final value found.

In fairness to the Commission's Bureau of Valuation it should be said that in bringing valuations to more current dates, we believe the Bureau will increase this condition per cent to at least 50 per cent and perhaps more.

The Bureau took the position in connection with the ballast account that it would exclude from the Seaboard valuation all additions made subsequent to 1927 and further depreciate the ballast in the track as of that date, pending an inventory by the carrier of the ballast in track as of January 1, 1938, to effect the retirement of certain ballast materials not then considered effective and filing by the carrier of a report thereof.

This inventory was made, but due to the large amount of work involved, the carrier was unable to file its report with the Bureau of Valuation until some time in 1941, or subsequent to the date upon which the 1939 figures were compiled.

[fol. 4881] The Seaboard, starting with 1929, has placed additional ballast in its tracks amounting to about 3,500,000 tons exclusive of those amounts placed in the track and charged to maintenance. It is felt that this additional ballast and replacements made justify a condition per cent even exceeding the 50 per cent normally allowed for this account where renewals have become uniform.

As of June 30, 1918, the Commission found for Account 12, tracklaying and surfacing, a condition of about 74 per cent which was reduced to about 62 per cent as of December 3', 1939, notwithstanding the approximately 50 per cent increased speed capacity of the Seaboard's track structure previously referred to in my testimony regarding price levels for this account, and notwithstanding the improved condition of the various items of property comprising its track structure.

In the original Seaboard valuations, the depreciation ascertained and deducted under the Commission's rules was determined after an inspection of the property by their field inventory parties (Texas-Midland ~~Decision~~, 75 I.C.C. 125 and Engineering Board Memorandum No. 226).

The same inspection method was not followed in the 1937 and 1940 valuations, the depreciation deducted being entirely the result of office calculations, although some hurried inspection of terminal facilities and rear-end train observations of some of the more important lines was made. [fol. 4882] The original method gave weight to latest renewals of property or parts thereof in fixing the ages, while the present method frequently does not reflect renewals made through maintenance since valuation date. This refers particularly to facilities made up of short-lived materials such as trestles, fences, signs, platforms, driveways, telegraph and telephone poles and timber docks.

In the original valuations, each structure was separately inspected and depreciated individually, while in the 1937 and 1940 valuations far more general methods were used which did not treat separately with individual items of property.

(3) Original cost (except land and rights):

In determining their 1939 "value" for the Seaboard System, the Commission gave nearly half weight to depreciated original cost, which has been determined by applying to total original cost the same average percentage by which the total cost of reproduction has been depreciated.

The original cost thus depreciated does not reflect the cost of all the property included in cost of reproduction less depreciation which is important in view of the fact that the depreciated original cost of about $160,000,000 is $12,600,000 less than the depreciated cost of reproduction of about $172,600,000.

The cost of treated ties, which have to a large extent replaced untreated ties subsequent to basic valuation date in [fol. 4883] 1918, are not included in original cost. Although under the Commission's Accounting Rules this is correct, it would seem proper that such original cost should be adjusted, at least for valuation purposes, to reflect the increased cost of these treated ties so that the original cost used in determining value may include the same items of property as the cost of reproduction.

(4) Present value of land:

The methods used in appraising lands result in inadequate totals for rate making value for all Seaboard land and in no way reflect present cost of acquisition for railroad purposes. This is illustrated by the fact that for lands which the Seaboard has purchased in later years, the values found are usually far less than what the Seaboard had to pay for such lands to be devoted to common carrier service.

(5) Other values and elements of value:

In the discussion of "Other values or elements of value" in the Texas-Midland Decision there is stated, commencing on page 69, "Going concern value has been described as the value of an assembled and established plant doing business over one not thus advanced."

Analysis of the value for the Seaboard as of January 1, 1940, indicates that there is included not more than 2 per cent of the depreciated value of property other than land and working capital as compared with an average of about 4½ per cent included by the Commission in the basic [fol. 4884] valuation of the Seaboard as of June 30, 1918. There appears to be no justification for this reduction.

(6) Working capital:

No cash is included in working capital for the Seaboard as of December 31, 1939, and only 91 per cent of the approximate $4,000,000 of materials and supplies the Seaboard actually had on hand as of that date has been included as working capital. This improper omission of cash is due to the employment by the Commission of a highly theoretical formula. The failure to allow the materials and supplies the Seaboard actually had on hand December 31, 1939, is said to be due to the exclusion of scrap and materials and supplies for addition and betterment work. The Seaboard has no way of getting a return on the 9 per cent of material stock excluded, except from net railway operating income, and this excluded 9 per cent should, therefore, be included in its rate base.

Commr. Aitchison: Anything further, Mr. Abeles?

Mr. Abeles: Not unless there is cross-examination.

Mr. Bell: I would like to ask one question, if the Chairman please.

Commr. Aitchison: Proceed, Mr. Bell.

Cross-examination.

By Mr. Bell:

Q. Referring to your Exhibit 208 look at the Account 53, that trend line that you call the Bureau's yearly price levels.

[fol. 4885] Is that a result of the indices agreed upon from time to time by the Equipment Committee and the representatives of the Bureau of Valuation?

A. I think so, yes, sir.

Q. And just illustrative of what happened, that dot over there on the right-hand side substantially below the agreed prices indicates the cost of reproduction price figure used by the Bureau as of January 1, 1940, or December 31, 1939?

A. For the Seaboard Air Line Railway.

Mr. Bell: That is all.

Commr. Aitchison: Was this a general agreement or an agreement relating to the Seaboard?

The Witness: No, sir, I am not familiar——

Commr. Aitchison: I asked which.

The Witness: There was a Joint Equipment Committee that negotiates with the Bureau on factual data regarding the cost of equipment.

Commr. Aitchison: But the purport of Mr. Bell's question was that the Bureau of Valuation had gone in the face of an agreement it had made. Was that agreement one which related to the Seaboard or was it general in its terms and related to all of the carriers, or was it merely an average?

The Witness: It was an average that related to all carriers.

Commr. Aitchison: The average, yes, sir.

[fol. 4886] The Witness: That is my understanding. The trend line doesn't explain anything with respect to the Seaboard alone. That is for the southern group of carriers.

Mr. Bell: I had no reference to the Seaboard figure. I was referring to the trend itself as being the result of these indices agreed upon, as I understand it, between the Joint Equipment Committee of the railroads and the representatives of the Bureau of Valuation, just using this account 53 as illustrative.

Commr. Aitchison: Your question would have had more pertinency, it seems to me, Mr. Bell, if you had made a distinction in showing what the Bureau had done in previous years.

Mr. Bell: I am not talking about the Seaboard particularly.

Commr. Aitchison: You did talk about it. You asked a question about it.

Mr. Bell: I wanted to show what that dot meant. My reference respecting the agreement had reference with respect to the trend line.

Redirect examination.

By Mr. Abeles:

Q. From your experience, Mr. Roby, have you any reason to believe that the cost of equipment to the Seaboard is substantially lower than the average cost indicated by this trend line to which Mr. Bell's question referred?

A. No, sir, I have no reason to believe it is lower. They bought from practically the same companies.

[fol. 4887] Q. In other words, is there any sectional influence on the cost of equipment so far as you know?

A. I shouldn't think so. The companies that manufacture are not located in the South.

Mr. Abeles: That is all.

Commr. Aitchison: Exhibit 208 I think has been received. Cross examine. (No response.)

That seems to be all, Mr. Roby. You may be excused.

(Witness excused.)

Mr. Gwathmey: Mr. Chairman, that completes for the time being the testimony we have with respect particularly to the Florida Peninsula.

However, it was understood yesterday, I believe, that Mr. Wolford would be recalled for the purpose of submitting a couple of exhibits relating to the case in general.

May I call him now?

Commr. Aitchison: Very well.

W. W. Wolford, was sworn as a witness and testified as follows:

Direct examination.

Mr. Gwathmey: Mr. Chairman, my attention was directed to the fact this morning that in testifying yesterday Mr. Wolford filed his Exhibit 204 but there was an extra page at the end of the exhibit which was not separately numbered.

Now that other witnesses have testified in the meanwhile [fol. 4888] I would like to ask that that separate page at the end of the bound exhibit be given a number. It would be No. 209, as I recall.

Commr. Aitchison: It will be numbered Exhibit 209.

(Exhibit No. 209, Witness Wolford, marked for identification.)

By Mr. Gwathmey:

Q. Will you proceed, Mr. Wolford, to present the two additional exhibits that you have?

A. Yes. I have an exhibit consisting of three pages showing the rates on glass bottles from Chattanooga, Tennessee, Streator, Illinois, and Charleston, West Virginia, to destinations within Southern territory having a population of 25,000 or more.

The purpose of this exhibit is to show that if the Official territory level of rates should be made available to the manufacturer at Chattanooga the gain that he would obtain in connection with his lower rates into Official territory would be, to the extent shown in this exhibit, offset by a loss in the advantage he now has over his competitors in Official territory in shipping into Southern territory.

The comparison is set out there on the exhibit and I think it needs no further comment.

Mr. Gwathmey: That will be exhibit what?

Commr. Aitchison: Exhibit 210.

(Exhibit No. 210, Witness Wolford, marked for identification.)

[fol. 4889] The Witness: The other exhibit is similar except that it deals with bedroom furniture and mattresses, less carload, from Birmingham, Alabama; Muncie, Indiana; Indianapolis, Indiana, and several other points in Official territory.

The purpose of the exhibit is exactly the same.

Mr. Gwathmey: We ask that these two exhibits be received, Mr. Chairman, and I have no further questions of this witness.

Commr. Aitchison: No further questions?

Mr. Gwathmey: I have no further questions.

Commr. Aitchison: Without objection these exhibits are received, and you may cross examine.

(Exhibits 210 and 211, Witness Wolford, received in evidence.)

Cross-examination.

By Mr. Norman:

Q. Your Exhibit 210, is it, that deals with glass bottles?

A. Yes.

Q. Have you made any investigation to ascertain what would be the effect of rates in the opposite direction made on the same scale?

A. Just what do you mean by the opposite direction?

Q. Well, the rates northbound.

A. That was shown by the witness himself, the rates from Chattanooga into Official territory on his exhibit, of which this is rebuttal.

[fol. 4890] Q. Would not the effect be, taking the two exhibits together, to narrow the competitive disadvantages in both directions?

A. Well, the rates of course from all the points, all competitive points, would be reduced.

Q. And the spread between them would be reduced both northbound and southbound?

A. Yes, I think that would follow in all cases.

Q. So that looking at it from the standpoint of the South, the southern consumer would have a more highly competitive market in which to buy and the southern producer would reach, on a more advantageous competitive relationship, the larger markets in the North?

A. He would reach the larger markets in the North with more ease by reason of the reduced rates and reduced spread, but as the exhibit shows, his competitor in the North would likewise reach his markets with more ease and with less spread over him.

Q. So that commerce would be promoted in both directions?

A. Simply through a reduction in rates for both.

Q. Not only in rates but in rate relationships, wouldn't it?

A. Well, it seems to me that the reduction in rates is the controlling thing and the relationship for each one offsets each other. At least that is the purpose of the exhibit, to show the extent to which they do.

Mr. Norman: That is all.

Commr. Aitchison: Any further cross examination?

[fol. 4891] Mr. Smelker: One question, if the Commissioner please.

Cross-examination.

By Mr. Smelker:

Q. Is there any difference in rates on new and returned furniture or old glass bottles from these points named in your exhibit to Southern territory?

A. I don't recall that there are any rates on the old furniture or old glass bottles.

Q. I will refer to new furniture also, new and returned, or old glass bottles, new and returned furniture.

A. I don't understand your question, then.

Q. I asked if there was any difference in rates between those you have named and those on new and returned furniture or old glass bottles.

A. Well, you say "between," and then you name "new" again.

You are asking if there are any rates between new furniture and new furniture.

Q. I will make it returned furniture, then, or old glass bottles.

A. I still don't know what you are asking.

Q. I will ask the question over.

Is there any difference in the rates on new and returned or old glass bottles from these towns named in your exhibit to Southern territory? I am talking about bottles only, now.

A. You say, "Is there any difference in the rates between new and returned furniture?" Is that the question?

[fol. 4892] Q. Bottles.

A. Or new and returned bottles. So far as I know there are no rates involved here on the returned bottles. I don't know of any. In other words the rates on the new bottles also apply on the old bottles, so far as I know.

Chrmn. Alldredge: I don't think that is what he is driving at.

If these bottles are returned to the factory—I presume that is what he is assuming—shipped out as full containers and then returned as empty containers, do you have any difference in the rates? You do in some instances. Do you have in this instance?

The Witness: I think not.

Mr. Smelker: That is all.

Commr. Aitchison: There seems to be no further cross examination and you are excused.

(Witness excused.)

Mr. Gwathmey: That is all I have, Mr. Chairman. Thank you very much.

Commr. Aitchison: We will now take up the Eastern carriers. Mr. Healy.

Mr. Healy: Mr. Hart has a short statement he desires to present at this time.

William B. Hill, was sworn as a witness and testified as follows:

[fol. 4893] Direct examination.

By Mr. Hart:

Q. Will you give your name, address, and occupation, Mr. Hill?

A. William B. Hill, General Freight Agent, Bangor and Aroostook Railroad Company, the Canadian and Pacific Lines (operating in northern Maine) and the Aroostook Valley Railway operating in northern Maine, a subsidiary?

A. I do.

Q. Have you prepared a statement in behalf of all those lines?

A. I have.

Q. Has that been distributed?

A. Yes, sir.

Q. To counsel?

A. Yes, sir.

Mr. Hart: Mr. Chairman, if it is agreeable to the Commission and to the counsel this may be copied into the record.

Commr. Aitchison: It has been circulated?

Mr. Hart: It has been circulated yesterday.

Commr. Aitchison: Without objection that may be done, if we can have copies here.

Off the record.

(Discussion off the record.)

By Mr. Hart:

Q. This was prepared under your direction and supervision?

A. It was.

[fol. 4894] Q. And it is true and accurate?

A. Yes, sir.

Mr. Hart: Mr. Chairman, we offer that as an exhibit.

Commr. Aitchison: That will be Exhibit 212.

(Exhibit No. 212, Witness Hill, marked for identification.)

Mr. Hart: It relates to the position of the Bangor and Aroostook Railroad Company, the Canadian Pacific Lines, operating in Maine, including its subsidiary, the Aroostook Valley, in these proceedings.

Commr. Aitchison: Anything further?

Mr. Hart: Nothing further.

Commr. Aitchison: Exhibit No. 212 is received.

(Exhibit No. 212, Witness Hill, received in evidence.)

Commr. Aitchison: You may cross examine. (No response.)

If there is no cross examination, Mr. Hill, you are excused.

The Witness: Thank you.

(Witness excused.)

Mr. Healy: I will call Mr. Tannehill.

W. T. TANNEHILL, previously sworn, recalled and testified as follows:

Commr. Aitchison: These exhibits will be marked Exhibits 213 and 214.

Mr. Healy: This exhibit was circulated in Columbus, Ohio, [fol. 4895] and we subsequently found some errors in Sheet 43 and we reproduced it.

Commr. Aitchison: They will be separate exhibits just the same. Exhibit 213 will be the principal exhibit and 214 the correction.

(Exhibits 213 and 214, Witness Tannehill, marked for identification.)

Direct examination.

By Mr. Healy:

Q. Mr. Tannehill, have you prepared an exhibit rebutting certain evidence introduced at the previous hearings in this proceeding?

A. I have.

Q. Is this the exhibit which has been circulated consisting of 51 pages?

A. Yes, sir.

Q. Have you also prepared an exhibit which has been marked No. 214 which is corrected Sheet 43 of Exhibit 213?

A. Yes, sir.

Q. Were these exhibits prepared by you or under your direction?

A. Yes, sir.

Q. Have you prepared a statement dealing with the various aspects of these exhibits?

A. Yes, sir.

Mr. Healy: Mr. Chairman, the exhibit was circulated at the Columbus hearing and the statement of Mr. Tannehill [fol. 4896] was circulated yesterday.

If it is agreeable to you we would like to have the statement copied into the record and I offer the exhibits in evidence.

Commr. Aitchison: Is that satisfactory?

Mr. Norman: Well, I guess so.

Commr. Aitchison: Off the record.

(Discussion off the record.)

Commr. Aitchison: The statement may be copied in, and without objection Exhibits 213 and 214 are received.

(Exhibits 213 and 214, Witness Tannehill, received in evidence.)

The Witness: The first 26 pages of my exhibit portray the action taken during recent years by Official territory carriers upon requests for rate adjustments made by the Southern carriers. Although this is not a complete showing, it illustrates the close cooperation between the Southern and Northern carriers in providing rates to meet the ever changing requirements of commerce.

These pages vary slightly in form, but show the commodity, the origin and destination, the mileage, the rate in effect at the time the proposal was submitted, the rate sought, the rate concurred in by the Official territory lines and the relationship of the latter rate to the Official territory level.

In addition to the commodities listed on pages 1 to 26, inclusive, the Official territory carriers have concurred in [fol. 4897] numerous other adjustments, such as the three thousand odd exceptions ratings from Southern territory to Official territory, which became effective September 1, 1940, and previously referred to at the Indianapolis, Indiana, hearing.

In connection with the revision of the three thousand odd exceptions ratings it should be said that the Official territory lines not only joined in these reductions, but waived the minimum charge provisions at the gateways in order to give the reductions their full effect.

The Official territorry carriers have also approved the establishment of rates on woodpulp from Southern origins on basis of 22½ per cent of I. C. C. Docket 15879 Appendix E Scale from Southern pulp mills to Northern consuming points, which is the present level of rates within Official territory.

Q. Have you reviewed Witness Spottswoood's Exhibit No. 76, and have you comments that you would like to make in connection with this exhibit?

A. I have reviewed the exhibit and have some comments with respect to it.

Turning first to page 11 of Exhibit 76, we find a map purporting to show an inequality in marketing opportunity in the distribution of matches manufactured at Birmingham, Alabama, which is attributed to the present class rate structures.

The witness uses Birmingham, Alabama, and Oswego, New York, as examples, and although the witness conceded [fol. 4898] that there is no production of matches at Birminimum, Alabama, he failed to mention that there is a large production of matches at Barberton, Wadsworth, Cincinnati, Dayton, Piqua, Ohio; Wheeling, West Virginia; Belle Fonte, Pennsylvania; Chicago, Illinois; St. Louis, Missouri, Oshkosh, Wisconsin, and Cloquet, Minnesota. If there were a match concern at Birmingham, these centers of production, rather than Oswego, would constitute its competition to the shaded area on the map.

Witness Maurer, representing Jacksonville, Florida, in his discussion of the competitive situation with respect to the production of matches, Southern Freight Association territory versus Official Classification territory, complained:

"In the meantime and because of our inability to secure prompt relief, the Jacksonville match plant was unable to exist under the handicap in the freight rates to the North and was closed." (Record pages 1840-1843.)

On page 27 of my exhibit is a statement of the first class all-water rates applicable on matches from Jacksonville to North Atlantic Ports, Baltimore, Maryland, to Boston, Massachusetts, inclusive, which were available at the time the plant was closed.

It will be noted that the Jacksonville match manufacturer had rates to this densely populated area in Official territory which were far below the Official territory level. Thus, it is difficult to understand how freight rates can be held [fol. 4899] responsible for the closing of this plant.

Page 12 of Witness Spottswood's Exhibit No. 76 is a map designed to show alleged inequality of marketing opportunity in the distribution of shoes manufactured in the Southwest and uses Boston, Massachusetts and Fort Worth, Texas, as comparative illustrations.

The witness has completely ignored the large production of shoes at Endicott, Johnson City, Binghamton, New York; Columbus, Ohio; Chicago, Illinois; St. Louis, Missouri; Vincennes, Indiana, and Caruthersville, Missouri, which would set the market in this territory if freight rates had any bearing upon the marketing of shoes in the shaded area.

Page 31 of my exhibit is a statement, taken from U. S. Department of Commerce reports, showing the value of boots and shoes (except rubber) produced in the United States for the years 1919, 1929, and 1939.

This statement shows that although there was a general falling off in value of total production, Massachusetts endured a much greater falling off than the country as a whole, while Texas shows an increase both in 1929 and 1939 over 1919.

This page of my exhibit also shows a large production of shoes in or near the shaded area on the map, page 12, of Witness Spottswood's Exhibit 71.

Page 13 of Witness Spottswood's Exhibit No. 76 is a map showing what purports to be a competitive condition [fol. 4900] existing in the manufacture of traveling bags. Here the witness uses Woodbury, New Jersey, and Denver, Colorado, as examples.

According to the luggage and leather goods directory and year book, 1942 edition, published by the Haire Publishing Company, 1170 Broadway, New York, there are 19 manufacturers of luggage in Wisconsin; 64 in Chicago, Illinois; 3 in Iowa; 15 in Missouri; 2 in Minnesota; all located within or adjacent to the shaded area on the map and competitive with the two manufacturers in Denver, Colorado.

Q. Have you any comments to make in connection with page 15 of Witness Spottswood's Exhibit No. 76?

A. Yes. In connection with Item 1, Automobile Storage Batteries. The witness uses Chicago, Illinois, as a producing point, Washington, D. C., as a destination, and Jacksonville, Florida, as the handicapped point. Again the witness ignores the large production of batteries at Philadelphia, Pennsylvania, only 139 miles away.

The witness also uses Newark, New Jersey, as the favored point and Wichita, Kansas, as the handicapped point in marketing at Muncie, Indiana, which is the home of a very large battery producing plant of General Motors.

Item 2, Fresh Beef. The witness uses Buffalo, New York, as the favored producer over Ottumwa, Iowa, in marketing meats at Muncie, Indiana. He ignores the fact that the packing plant at Ottumwa is in the livestock producing [fol. 4901] area, while the Buffalo packers, located several hundred miles east of Muncie, must backhaul the fresh beef they produce from Western livestock on which a much greater transportation charge would apply than to Ottumwa.

Item 3, Boots and Shoes. My comments with respect to page 12 of this exhibit apply equally to this item, bearing in mind that different origins and destinations are used.

Item 4, Milk Bottles. Here the witness uses Toledo, Ohio, and Elmira, New York, as the favored producers and Sapulpa, Oklahoma, and Santa Anna, Texas, as the alleged handicapped producers, the competitive market being St. Louis, Missouri.

In the first place, there are no milk bottles produced at Toledo, Ohio, or Santa Anna, Texas. Secondly, the St. Louis market would be reached by the nearby large production of milk bottles at Streator, Illinois, which is only 197 miles from St. Louis.

Item 5, Domestic Electric Water Heaters. Here the witness uses Pittsburgh, Pennsylvania, and Schenectady, New York, as the favored producers and Chattanooga, Tennessee, and Jefferson, Iowa, as the alleged handicapped producers. The destinations are Peoria, Illinois, and Springfield, Ohio. The several manufacturers of this commodity at Chicago, only 145 miles from Peoria, Illinois, and at Mansfield, Toledo, Cleveland and Dayton, Ohio, only short distances from Springfield, Ohio, are ignored.

[fol. 4902] Item 6, Paints ready-mixed in oil. The witness uses Pittsburgh, Pennsylvania, as the favored producers, and Chattanooga, Tennessee, as the alleged handicapped producer for the Burlington, Iowa, market, again overlooking the large production of paint at Chicago, Illinois, only 206 miles from Burlington.

Item 7, Canned Green Peas. Here the witness uses Manitowoc, Wisconsin, Baltimore, Maryland, and Indianapolis, Indiana, as the favored producers, and Blythesville, Arkansas, Newport, Tennessee, and Marshalltown, Iowa, as the alleged handicapped producers, to the markets at Terre Haute, Indiana, Roanoke, Virginia, and Belvidere, Illinois.

There is a heavy production of peas in southern Indiana adjacent to Terre Haute. According to the United States Department of Commerce, Bureau of Census, 16th Census of the United States, taken in 1940, there was a total pack of peas in Indiana of 421,995 cases.

Belvidere, Illinois, is located in northern Illinois convenient to both the Illinois and Wisconsin canning areas. According to the Department of Commerce, 1940 Census statistics, Illinois packed 1,080,070 cases and Wisconsin packed 4,954,970 cases of green peas. In other words, there is a large production of this commodity immediately to the market shown.

Item 8, Radio receiving sets. Radio receiving sets are produced at many other points much nearer the destinations [fol. 4903] discussed than are Jackson, Michigan; Philadelphia, Pennsylvania, and Rochester, New York. For example, there is a large production at Cincinnati, Ohio, and Chicago, Illinois, much nearer to the consuming markets shown, that is, Knoxville, Tennessee, LaFayette, Indiana, and New Orleans, Louisiana.

Item 10, White Laundry Soap. Here the witness uses Cambridge, Massachusetts; Jersey City, New Jersey; and Chicago, Illinois, as the alleged rate favored producers, and Nashville, Tennessee, as the handicapped producer shipping to Augusta, Georgia, Durham, North Carolina, and Ironton, Ohio.

The witness has overlooked such large producing points of soap as Cincinnati, Ohio and Jeffersonville, Indiana, which, except for Jersey City to Durham, North Carolina, are much nearer to the market shown.

Item 11, Domestic mechanical stokers. The witness uses Chicago, Illinois, as the rate favored producer and Athens, Tennessee, as the rate handicapped producer shipping to the competitive market of Paducah, Kentucky. Much nearer to Paducah are such competitive producing points as Mendota, Illinois, Bradley, Illinois, New Albany, Indiana, and Louisville, Kentucky.

Item 12, Passenger Automobile tires. The witness compares Akron, Ohio, versus Natchez, Mississippi, in shipping to Atchison, Kansas. He completely overlooks tire manufacturing plants at Memphis, Tennessee; Chicago, Illinois, and Des Moines, Iowa.

[fol. 4904] The witness has also compared Conshohocken, Pennsylvania, with Denver, Colorado, in shipping to Peoria, Illinois, but he gave no consideration to the production of tires at Chicago, which is considerably nearer to Peoria than Conshohocken.

Item 15, Domestic electric washers. Here the witness uses Syracuse, New York, versus Manhattan, Kansas, to Indianapolis, Indiana, without considering the heavy production at Peoria, Illinois, only 212 miles from Indianapolis, Indiana.

The witness also uses Pittsburgh, Pennsylvania, versus Houston, Texas, to Omaha, Nebraska, overlooking entirely the production of washing machines at Newton, Iowa, "The Washing Machine City."

Q. Have you any comments to make in connection with page 23 of Witness Spottswood's Exhibit No. 76?

A. Yes. On page 23 rates are shown on cottonseed oil, oleomargarine, cooking or salad oils, in carloads, from Southern origins to Northern destinations. It shows that the rates on cottonseed oil are a little above the Official territory level, while rates on oleomargarine and cooking or salad oils, in carloads, are on a higher relationship to the Official territory level.

Page 28 of my exhibit is a statement taken from the statistical abstracts of the United States, 1941 edition, issued by the Bureau of Census, United States Department of Commerce, and shows the oleomargarine production in [fol. 4905] thousands of pounds from 1917 to 1940, inclusive; for the years 1927 to 1940, inclusive, the production of oleomargarine by States, and for the same four years the material consumed.

From this exhibit it will be noted that there has been a decided decline in the production of oleomargarine in the Northern States.

While there are no Southern States shown specifically in these statistics, under "all other States" it will be noted there has been an increase from nothing in 1937 to 879,000 pounds in 1940.

Under "material consumed" it will be noted that there has been a serious reduction in the consumption of cottonseed oil in the manufacture of oleomargarine, and a large increase in the consumption of soya bean oil.

Despite the fact that Illinois, Indiana, Ohio and Iowa are the largest producing areas of soya beans, the production of oleomargarine in these States has been radically reduced.

Q. Have you any comments to make as to page 24 of Witness Spottswood's Exhibit No. 76?

A. Yes. Page 24 of Exhibit 76 is similar to page 23, using woodpulp as the raw material and newsprint paper as the manufactured article. However, no complaint is made against the rates on woodpulp, pulpboard, paper bags, paper boxes and wrapping paper shown.

As to newsprint paper, the witness complains that the [fol. 4906] rates on newsprint paper from Memphis, Tennessee; Savannah, Georgia; Laurel, Mississippi, and Mobile, Alabama, to northern destinations are 159 per cent of the Official territory level. The witness in his testimony stated that he knew of no production of newsprint paper at these southern origins. To the best of our knowledge newsprint paper is produced at only one point in the South and Southwest, namely, Herty, Texas. Rates are in effect from Herty on basis of 110 per cent of class 25, I. C. C. Docket 15879, Appendix E Scale.

If newsprint paper was produced at the origins shown by the witness, there is every reason to believe that rates would be established from these origins on a similar basis.

Q. Have you anything to say as to that portion of Witness Spottwood's Exhibit No. 76 relative to sweet potato starch?

A. Yes. Pages 16, 35, 36 and 37 involve the level of rates on sweet potato starch from Laurel, Mississippi, to destinations in Official, Southern, Southwestern and Western Trunk Line territories.

We have secured pamphlets published by D. Scrivanish & Co., Philadelphia, Pennsylvania, based on data published by recognized trade journals and officers of the Department of Agriculture, illustrating the use and value of sweet potato starch. It was impossible to secure a sufficient supply of these pamphlets to include them in my exhibit. I do have 25 copies of each for distribution to those particularly interested.

[fol. 4907] Starches are divided into three groups, namely, cereal starch, tuber or root starch, and starches produced from the piths of various palms. Originally, white potato starch was the only domestic root starch. The total production in 1937 was less than 5,000 tons. Sweet potato starch is now grouped with white potato starch. In Official territory, white potato starch is produced only in the Aroostook County potato producing area in Maine.

Cornstarch is the principal starch produced in the United States, but there are definite needs by various industries for other starches which for the most part have been satisfied in the past by imported starches such as those made from cassava and sago.

Apparently sweet potato starch is not competitive with starches produced from cereal grains.

It will be noted from page 35 of Exhibit 76 that the only carload movements of sweet potato starch from Laurel, Mississippi, during the seven months period shown were to destinations in the Carolinas, Knoxville, Tennessee, and destinations in New England and Trunk Line Association territories. The destinations shown would indicate that the starch moved to textile mills, the largest carload movement to Official territory being to Lawrence, Massachusetts.

Page 29 of my exhibit No. 213 is a comparison of rates and mileage on potato starch from Caribou, Maine, to destina- [fol. 4908] tions in Trunk Line Association and New England Freight Association territories, to which carload shipments were made from Laurel, compared with the rates and mileages from Laurel.

It will be noted that the rates from Caribou, Maine to these Official territory destinations ranged from 125 per cent to 147 per cent of the I. C. C. Docket 15879, Appendix E Scale for the distance, while from Laurel, Mississippi, the rates on sweet potato starch to the same destinations are only 103 per cent to 120 per cent of the I. C. C. Docket 15879, Appendix E Scale.

On page 35 of Witness Spottswood's exhibit 76 there is shown movements to destinations in the South and Southwest with a comparison of actual rates and rates under a caption "Official basis." There is no application of the rates carried under the caption "Official basis" to any of the Southern and Southwestern destinations so that such rates are not available to any shipper in Official territory.

Page 30 of my Exhibit No. 213 is a statement of the carload rates on starch from Chicago, Illinois, Indianapolis, Indiana, Columbus, Ohio, and Keokuk, Iowa, to the destinations in Southern territory shown on page 35 of Witness Spottswood's Exhibit 76, compared with the rates on sweet potato starch from Laurel. It will be noted that the rates from all these origins to the Carolina destinations are on a comparable level.

Q. What have you to say concerning the trend of industrial development in the North and the South?

[fol. 4909] A. On pages 31 to 41 of my exhibit we have reproduced figures taken from Government statistics in connection with certain of the commodities which have been previously discussed. The basic figures are taken from Government reports and each page shows the authority for the figures.

Exhiibt No. 79, Witness Fonville.

Q. Have you anything to say in connection with Exhibit No. 79 introduced by Witness Fonville?

A. Yes. Witness Fonville's Exhibit 79 is a statement of the shipments of washboards made by his company from Raleigh, North Carolina, for the month of September, 1941, the charges paid thereon compared with what the charges would be on the Official territory level of rates.

At page 1541 of the transcript, the witness stated that his competition was with a firm maintaining a plant at Saginaw, Michigan, and a branch factory at Memphis, Tennessee, the products of the branch factory being shipped via the Mississippi River at differential rates. His other competitor is located at Columbus, Ohio.

On page 42 and corrected page 43 we have shown the rates and charges paid by the Raleigh, North Carolina, shipper and for comparative purposes what the rates and charges would be if the same shipments had been made from Memphis, Tennessee; Columbus, Ohio, and Saginaw, Michigan. From Memphis, Tennessee, we have shown the Mississippi Valley Barge Line (barge-rail) and the rail-ocean-rail rates [fol. 4910] and charges, as well as the all-rail. We have divided the shipments into three parts, namely:

(1) Destinations in Official territory.
(2) Destinations in Southwestern territory.
(3) Destinations in Southern territory.

From these pages it will be noted that on shipments from Raleigh, North Carolina, to Official territory, the total charges paid were $184.06, while Memphis, Tennessee, with its differential rates via barge-rail, would have paid $239.70.

To all destinations to which shipments were made from Raleigh, North Carolina, in September, 1941, the total charges paid were $342.75, while the shipper at Columbus, Ohio, would have paid $334.42 and the shipper at Saginaw, Michigan, $362.51.

Exhibit No. 83, Witness Edwards.

Q. What have you to say in connection with Exhibit No. 83 introduced by Witness Edwards?

A. This exhibit shows less carload rates on furniture rated 1st, 2nd or 3rd class from Chicago, Illinois, to points in North Carolina compared with rates based on Southern territory level from Witness Edwards' producing point, Birmingham, Alabama.

Page 44 of my exhibit 213 is a statement of 1st, 2nd and 3rd class rates from Chicago, Illinois, as compared with 1st, 2nd and 3rd class rates from Birmingham to the same destinations. It will be noted that there is very little difference between the rates from Chicago and Birmingham to [fol. 4911] these North Carolina destinations.

Attention is called to page 37 of my exhibit, which shows that the value of wood household furniture produced in North Carolina has increased from $23,340,000 in 1921, to $50,224,000 in 1939, while the value of wood household furniture produced in Illinois has decreased from $61,908,000 in 1921, to $37,809,000 in 1939.

Exhibit No. 96, Witness Murray.

Q. Mr. Tannehill, have you anything to say in connection with Witness Murray's Exhibit No. 96?

A. Yes. Pages 14 to 20, inclusive, of Witness Murray's Exhibit 96 contains a list of commodities and among other things, shows what is purported to be the percentage relationship of rates on these commodities to first class in Official territory. There are a number of errors in this part of the exhibit and on pages 50 and 51 of my Exhibit 213 I have shown the correct ratings.

Page 23 of Witness Murray's Exhibit No. 96 sets forth, among other things, the rates purported to be in effect on fibreboard boxes, K. D., carload, from Little Rock, Arkansas; Advance, Louisiana; Sand Springs, Oklahoma, and Dallas, Texas, to a number of Official territory destinations.

Page 45 of my Exhibit 213 shows the correct rates to Official territory points from Advance, Louisiana, and Dallas, [fol. 4912] Texas. We cannot locate in the files of the Official territory associations any requests for rates from Little Rock, Arkansas, or Sand Springs, Oklahoma.

If requests were received, there is no reason to believe that rates from Little Rock, Arkansas, and Sand Springs, Oklahoma, would be treated any differently from those in effect from Advance, Louisiana, and Dallas, Texas.

Pages 26 and 27 of Witness Murray's Exhibit No. 96 compare the level of rates on cotton from Southwestern origins to various destinations, including destinations within Official territory, namely, Boston, Massachusetts; Indianapolis, Indiana, and Columbus, Ohio.

There is no production of cotton in Official territory and the rates in effect from Southwestern origins shown on pages 26 and 27 of Exhibit No. 96 are already lower than the rates prescribed by the Interstate Commerce Commission in the Cotton Investigation, Docket 17,000, Part 3, 165 I. C. C. 595. In other words, any rates applied to cotton moving wholly within Official territory would be in a sense proportional rates, as the cotton would have had a prior movement.

On pages 30 and 31 of Witness Murray's Exhibit No. 96 comparison is made between (1) the rates on lumber from various Southwestern origins to destinations, among which are a number of Official territory destinations, (2) the Official territory level of 22½ per cent of first class, and (3) the [fol. 4913] level of rates prescribed by the Interstate Commerce Commission in 235 I. C. C. 683, of 25 per cent of first class for application in Official territory.

From this exhibit it will be noted that, generally, the rates on lumber from the Southwestern origins shown are considerably lower than the Class 25 and in many instances are lower than the present level of 22½ per cent of I. C. C. Docket 15879, Appendix E Scale, the basis presently applicable within Official Territory.

To complete the showing made in this exhibit on lumber, we have added the Northeastern destinations of Boston, Massachusetts, and Portland, Maine.

Page No. 46 of my Exhibit 213 shows that the rates from the Southwestern origins used are presently lower mile for mile than the Official territory level.

On page No. 32 of Witness Murray's Exhibit No. 96 is shown, among other things, what purports to be the present rates on wrapping paper and paper bags, carload, from Crossett, Arkansas, Advance, Louisiana, and Dallas, Texas, to certain Official territory destinations.

While the witness in his testimony at page 1984 of the record corrected the "A" reference under the rate column, the figures were not corrected, and page 47 of my Exhibit No. 213 shows the correct rates to Official territory destinations.

Page No. 35 of Witness Murray's Exhibit No. 96 compares [fol. 4914] rates on soda ash from Southwestern producing points to points in the Southwest and from Southwestern producing points to Official territory with the Official territory level.

Page No. 48 of my exhibit No. 213 is a comparison of the rates shown on page 35 of Exhibit 96 from Southwestern producing points to destinations in the Southwest with the rates from Official territory producing points to the same Southwestern destinations.

Witness Frye, *Witness* No. 99.

Q. Do you have any comments on Exhibit No. 99 introduced by Witness Frye?

A. Yes. Witness Frye's Exhibit No. 99 compares rates on synthetic rubber from Southwestern points to representative destinations in Official and Southwestern territories.

It was admitted by Witness Frye that in so far as the rates from Baton Rouge, Louisiana, are concerned, the rates on Official territory level have been published; this publication having been made on short notice, effective September 10, 1942.

Q. Mr. Tannehill, in connection with this synthetic rubber situation, have the carriers worked out with the interested shippers a basis for application from all producing points?

A. At the time the Baton Rouge, Louisiana, rates were approved and published, the Official territory lines had no knowledge as to production of synthetic rubber at Dallas, Texas, El Dorado, Arkansas, Oklahoma City, Oklahoma, or other points in the Southwest.

[fol. 4915] However, to complete the record, rates were established, effective January 1, 1943, from all points of production, either presently in operation or contemplated, to consuming points in all territories on basis of 36 per cent of I. C. C. Docket 15879, Appendix E Scale, for the distance.

Witness Byars, Exhibit No. 102.

Q. Mr. Tannehill, have you some remarks regarding Witness Byars' Exhibit No. 102?

A. Witness Byars' Exhibit No. 102, Section A, page 2, compares the rates on carbon gas black in Official territory. This page of my exhibit shows that the only States producing carbon gas black are the States of Louisiana, Texas, Kansas, Oklahoma and Wyoming. It is also interesting to note that in 1923 the production of this commodity in Texas amounted to 2,633,000 pounds, and in 1937 increased to 421,000,000 pounds.

Mr. Healy: The witness is tendered for cross examination.

Chrmn. Alldredge: Have you included some commodity rates in here?

The Witness: Yes, sir.

Cross-examination.

By Mr. Norman:

Q. Mr. Tannehill, isn't it true that with the exception of the raw materials that w-ere you have established rates from the South to the North they are generally on a higher basis than prevail in the North?

[fol. 4916] A. No, sir.

Q. Well, I will ask you to point those that are on a parity basis.

A. The ferro alloys on pages 17 to 26, inclusive.

The blanks, stampings and shapes, unfinished aluminum, on page 16.

Q. Well, unfinished aluminum?

A. To my mind that is far from a raw material. It is a manufactured product.

Q. It is further manufactured after it gets to destination, isn't it?

A. Quite likely; but together, at least.

The synthetic rubber.

Q. Do you consider that not a raw material?

A. Not entirely so, no, sir. Synthetic rubber has a lot of processing.

Q. In connection with the synthetic rubber you have not established any such rates on tires, have you?

A. In some instances. I have none of them here, but I think of quite a number of instances the combinations make even less than our level.

Q. But that is due to the fact the Southern carriers have published a low proportional to the territory boundary, isn't it?

A. Well, and low rates we have from the boundary because of truck competition.

[fol. 4917] Q. But isn't it true now though, Mr. Tannehill, that you all have declined to establish rates on the tires on the parity basis whereas you have established them on the synthetic rubber?

A. No, I don't recall of our lines ever declining to establish that level on tires.

Q. It has never been presented to you?

A. I don't think it has ever been presented to us to my knowledge.

I would like to call your attention also to the fact that leather- from the North Carolina-Tennessee territory on page 8 generally are somewhat lower than our level; equal to, at least.

Q. Do you consider that a raw material or a finished product?

A. As far as leather is concerned, a finished product. It is far beyond the hide.

I would call your attention to the upholstering, fabric, and trimming on page 6.

I would call your attention to the cotton flannels or napped fabric on page 4.

Q. Wait just a second, now. On page 6 you said "fabric."

A. Upholstering and fabric and trimming, carload.

Q. You say that is a finished product?

A. Yes.

Q. All right; go ahead. What was it on page 4?

A. Page 4 is the cotton napped flannels.

[fol. 4918] Q. Well, now you have a heading here, "Rate in effect at time of proposal per 100 pounds except as otherwise provided."

A. That is correct.

Q. Then you have "Rate sought."

A. That is the proposal that was submitted to our lines.

Q. All right; go ahead.

A. Then I would call your attention to page 1, painted, freight, automobile body parts, wooden.

Q. "Freight"? What does that mean?

A. Freight, automobile body parts, wooden, painted. Those rates were established for the specific purpose of permitting the wooden parts for freight automobile bodies to be produced in the South finished, ready to assemble at the northern destination, and they were put in in September 15, 1942, to take care of small industries in the South.

Q. In order to do that there had to be a special proposal which had to be submitted through the panels of the committees and finally approved before those small industries could start producing these?

A. And having handled that particular proposal it was less than 10 days from the time it was originally submitted until it was approved.

Q. That was a war matter, wasn't it?

A. It was a matter of necessity because of the inability to put steel into automobile body parts, and the wood was [fol. 4919] to take the place of it, but nevertheless we had plenty of rates on wooden automobile body parts in the white. These are the painted, ready to be put into the body to be assembled.

Q. Would your lines have any objection to joining in rates made on the same level as obtains in your territory from the South provided the level of the rates in the South was the same as in your territory?

A. If there was a necessity for the rates. That is rather a broad question because rates should be made more or less on what the traffic will bear, if there is necessity for it, and my exhibit shows apparently there was no necessity for rates as low as our level. In all instances the traffic moved freely; to the best of my knowledge it did.

And if the rates were established on our level, the assembly rates within the South should not be on a lower level than ours, and the next question naturally is what our earnings will be out of rates established in that manner.

Q. But assuming that the class rate level is the same in the South as in your territory, would you have any objection to interterritorial rates made on that same level?

A. The class rate level would not cover the assembling articles.

Q. I am not confining this question to assembling. I am confining it to class rates and articles moving on class rates. Suppose they had the same level in both territories?

A. If the commodity moved within the South on the class [fol. 4920] rates, and there was a necessity for it, and our earnings were proper, it has already been testified that we would.

Q. That you would have no objection if the level was the same in both territories to the interterritorial rate being on that?

A. If all the rates were on our level at least.

Q. What do you mean by all of them?

A. You can't take class rate traffic and put that on a level up into our territory and then secure traffic moving on a different level on commodity rates as an exception in the South or in any other territory.

Q. I am talking now about a commodity that moved we will say on first class in Southern territory and first class in your territory and the movement between the two territories on that same level.

A. If there was the necessity for it, and the facts warranted, and we had equal factors of divisions, probably not.

Q. What do you mean by if the facts warranted?

A. The question of whether it is necessary to reduce those rates to that extent.

Commr. McConnaughey: To accomplish what?

The Witness: To move the traffic into the territory, into destination territory.

There is another thing, of course. If that was done we would expect the same level of rates southbound. Rates would have to be the same in both directions.

[fol. 4921] Q. That would be perfectly satisfactory. But you still haven't given me a frank answer to my question, I don't think, and my question is that, assuming that this Commission prescribed for intraterritorial application within the South the same level of class rates that applies in your territory, would you have any objection to the intraterritorial rates then being made on that same level, applicable in both directions?

A. Applicable in both directions, I doubt if we would, and with the divisional question properly settled.

Mr. Norman: That is all.

Commr. Aitchison: Any further questions? (No response.) You are excused.

(Witness excused.)

Mr. Eshelman: Mr. Heywood, will you take the stand?

J. L. Heywood, previously sworn, recalled and testified as follows:

Direct examination.

By Mr. Eshelman:

Q. You have previously been sworn and have testified in these proceedings?

A. I have.

Q. Are you familiar with the testimony of Witness Waring at pages 2904-5 of the record to the effect that it is his position and that of the American Trucking Associations, Inc., that "the present less than carload rates of the railroads obviously are unprofitable and should be increased"?

[fol. 4922] A. I am.

Q. Have you prepared an exhibit showing a comparison of class rate scales in Official Territory with less carload costs based on Dr. Edwards' exhibit?

A. I have.

Q. Is it true and correct to the best of your knowledge and belief?

A. It is.

Q. Has it been distributed?

A. It has.

Mr. Eshelman: Mr. Chairman, if agreeable to the Commission and the parties we would ask that the prepared statement of Mr. Heywood be copied into the record and that the exhibit be received.

Commr. Aitchison: The large exhibit will be marked Exhibit 215, and without objection the statement may be copied in.

(Exhibit No. 215, Witness Heywood, received in evidence.)

Q. Of how many pages does the exhibit consist?

A. On nine pages plus the cover. The first four pages consist of charts and the fifth page shows the bases of costs and class rates used in preparing the charts.

Pages 6 and 7 make comparisons of the costs in the South with the East, respectively including and excluding Pocahontas Region, similar to Mr. Kennedy's Exhibit 181, [fol. 4923] Identification 8, using the unit costs and consist of traffic for the five years, 1937 to 1941, inclusive.

Pages 8 and 9 indicate the derivation of the data shown on pages 6 and 7, lines 14 and 15.

Q. Are you familiar with Dr. Edwards' Exhibit 13, Chart 5, in which he makes a graphic comparison of class rates with less carload costs as developed by him?

A. Yes. In Chart 5 of Exhibit 13, Dr. Edwards presents a graphic comparison of class rates in Official territory, as based upon the Eastern class rate scales, with less carload costs both on a total out-of-pocket basis which includes 4 per cent return on the out-of-pocket portion of valuation and on such a total out-of-pocket basis plus solely related expenses. This he has done for an average load of 6½ tons moving in box cars for Territory No. 2, which is Eastern territory excluding New England and northern Illinois.

Q. In what respects do the charts in your Exhibit No. 215 differ from Dr. Edwards' Chart 5 in Exhibit 13?

A. My exhibit differs in four ways from Dr. Edwards' chart:

(1) I have made comparison for loads of 8, 10 and 12 tons, as well as for 6½ tons.

(2) The costs plotted on my exhibit are for territories 1, 2 and 5 combined. This represents the Eastern territory, including New England and Pocahontas territories.

(3) The charts in my exhibit show out-of-pocket costs [fol. 4924] excluding any return, in addition to showing the two levels of costs shown by Dr. Edwards.

(4) I have also developed these three levels of costs with the inclusion of the expense for pick-up and delivery and allowances to shippers in lieu thereof.

Q. What scales of class rates are depicted on the graphs?

A. The 1st, 2nd, 3rd and 4th class rates resulting from Appendix E scales prescribed in the Eastern Class Rate Investigation (I. C. C. Docket 15879) as in effect just prior to the Ex Parte 148 increases.

Q. Will you state what are the various bases of costs depicted on your exhibit?

A. On each sheet there are three cost lines shown in black. Reading the chart from bottom to top the lowest black line on each sheet represents "out-of-pocket operating expenses, rents, and taxes."

The middle or broken black line represents "total out-of-pocket cost," which differs from the cost first described in that it includes a 4 per cent out-of-pocket return on 100 per cent of equipment value and on 50 per cent of road value. Hereafter for convenience I shall refer to these two levels of costs as "out-of-pocket expenses" and "total out-of-pocket expense," respectively.

The third or dotted black line represents "total out-of-pocket costs and solely related expenses" which consists [fol. 4925] of "total out-of-pocket cost" plus additional elements of constant costs.

Again reading the charts from bottom to top, the first, second, and third red lines correspond to the first, second, and third black lines, respectively, and represent the costs of less carload service on the several bases described including the expense for pick-up and delivery and allowances in lieu thereof.

Q. On what basis do the several costs shown include expense for pick-up and delivery and allowances?

A. The total expense for those items as taken from Table 5 of Exhibit 13 has been divided by the so-called L.C.L. "cwt. carried" as taken from Table 6 of Exhibit 13. The resulting dividend of 7.68 cents per 100 pounds has been added to the several scales of less carload costs as depicted by the black lines on the charts to arrive at those portrayed by the corresponding red lines.

I may add that the item described by Dr. Edwards as "cwt. carried" does not involve any duplication such as do the reported figutes designated as tons carried when the latter are compiled for a region or territory. Dr. Edwards computed L.C.L. "cwt. carried" by dividing less carload tons originated plus tons terminated by 2 to obtain tons and then multiplying the latter by 20 to obtain hundredweights.

Q. Will you please turn to the chart on page 3 covering [fol. 4926] the various costs for a 10 ton load and explain briefly what is shown by this chart as to costs and rates?

A. Reference to chart on page 3 will show that "out-of-pocket expense" and also "total out-of-pocket expense" is below the fourth class rate scale at vurtually all distances.

If pick-up and delivery expense is also included it will be found that on both these levels of cost the expenses are exceeded by the fourth class rate at all distances beyond 70 and 90 miles, respectively. It should be noted that pick-up and delivery in Official territory is subject to a minimum rate of 45 cents so that the revenue in both instances from a fourth class article would exceed these bases of costs.

The line showing total out-of-pocket expenses plus solely related expenses lies generally between third and fourth class rate scale for distances beyond 60 miles and if pick-up and delivery expense is added this expense line lies between the third and fourth class rate scales for distances beyond 140 miles.

Q. Are you informed as to whether the rate scales shown on the graphs apply on New England lines in all instances?

A. I am informed that higher bases of class rates that are shown in the graphs apply to movements within New England territory and to some extent on movements to or from certain northern portions of New England but I have not undertaken to show them on the graphs.

[fol. 4927] Q. Do your charts show the 45-cent minimum rate prescribed in pick-up and delivery in Official territory, 218 I. C. C. 441?

A. Yes, they do. It is represented by a horizontal line at the 45-cent level.

Q. In what respect do your four charts differ?

A. They differ in the load for which the costs are computed. Pages 1, 2, 3, and 4 are computed for loads of 6½, 8, 10, and 12 tons, respectively?

Q. Are the charts otherwise self-explanatory?

A. I think they are.

Q. Will you please further explain pages 6 to 9, inclusive?

A. In order to show results for a recent period, I have restated Witness Kennedy's Exhibit 181, Identification 8, for the five-year period 1937 to 1941, inclusive. These exhibits are based on the elements described in the headings on pages 6 and 7. As will be seen from this exhibit the Southern costs for this five-year period were 98.2 per cent of those for the Eastern District plus Pocahontas Region. On page 7 of this exhibit is a similar comparison but excluding the Pocahontas Region figures. As there appears, the Southern Region costs were 91.3 per cent of the Eastern District costs.

Q. Have you anything to say in connection with the methods followed by Dr. Edwards in his computation of costs as shown in Exhibit 13?

A. Yes. Dr. Edwards developed his out-of-pocket ratios [fol. 4928] for each group of expenses by applying various nation-wide out-of-pocket percentages to the primary expense accounts.

I of course do not agree, and assume that no one would contend that the out-of-pocket proportions of the individual primary expense accounts would necessarily be the same for all groups of railroads, much less for all individual railroads.

In fact, different percentages may obtain on two districts of the same carrier due to a great extent to the physical characteristics of the line, such as grades and curvatures, proportion of main and branch lines, class of train service, way and through trains, peculiarities of yard arrangements, volume of empty cars handled versus loads, type of power used, density of traffic, and other physical factors.

Q. Have you anything further to say in this connection?

A. Yes. In compiling Exhibit 13, Dr. Edwards applied the out-of-pocket ratios for each of the 10 expense groups to the total (or full) expenses for each territory as assigned to the groups in Form A (Exhibit 4) as originally compiled. Therefore, the criticisms in my previous statement of the original cost scales which were predicated on Form A would also apply to the out-of-pocket costs as developed in Exhibit 13.

Q. Mr. Heywood, have you also prepared as a separate sheet an exhibit of corrections to your former testimony at the Indianapolis hearing?

A. I have.

[fol. 4929] Mr. Eshelman: Thinking this would be the shortest way to do it, Mr. Chairman, we offer that as an exhibit.

Mr. Norman: That is the one page?

Mr. Eshelman: That is the single sheet exhibit.

Commr. Aitchison: You know our rules of practice provide a method whereby corrections can be made in the transcript.

Mr. Eshelman: We thought of having him read it in at the other hearing, but you will recall there was too much time taken up that way and you ruled that shouldn't be done in that fashion.

I wanted to receive it in this way but we weren't able to do it within the time limits prescribed by the rules.

Commr. Aitchison: Of course we want the facts. This will be Exhibit 216.

(Exhibit No. 216, Witness Heywood, received in evidence.)

Mr. Eshelman: Mr. Chairman, one other thing. We had not expected to be reached this soon. Mr. Heywood's exhibit was distributed this morning. Mr. Heywood can be available later for cross-examination if any feel that the time has been too short for examination.

Mr. Norman: I never saw it until this moment, Mr. Chairman, and I would like to have some time.

Mr. Eshelman: That is perfectly agreeable to us.

Mr. Grubbs: Will objections to the receipt of the exhibits [fol. 4930] be reserved until after the cross-examination?

Commr. Aitchison: I said without objection they would be received.

Mr. Grubbs: And I arose, your Honor, at that time and Mr. Eshelman asked me to restrain myself for a few minutes.

Commr. Aitchison: You have an objection to make?

Mr. Grubbs: I may have one after cross-examination, yes, sir.

Commr. Aitchison: Very well. I will withdraw the receipt in evidence of Exhibit 215.

(Exhibit 215, Witness Heywood, withdrawn from evidence by Commr. Aitchison.)

Commr. Aitchison: You may stand aside, then.

(Witness excused.)

Fred Carpi was sworn as a witness and testified as follows:

Direct examination.—

By Mr. Eshelman:

Q. Have you prepared a statement of testimony in rebuttal of certain testimony at the Columbus hearing and in supplementation of Mr. Heywood's Exhibit 215?

A. I have.

Q. And in connection therewith have you also prepared an exhibit consisting of two sheets?

A. Yes, sir.

Q. And are these true and correct to the best of your knowledge?

[fol. 4931] Commr. Aitchison: Before you answer that, you better qualify the witness, Mr. Eshelman.

Mr. Eshelman: I beg your pardon.

Q. Mr. Carpi, what is your connection with Pennsylvania Railroad Company?

A. I am Assistant to the General Traffic Manager.

Q. And what length of experience have you had in traffic matters?

A. Since 1929 I have been successively Division Freight Agent, Assistant General Freight Agent, Traffic Manager, General Freight Agent, and my position is Assistant General Traffic Manager.

Q. In connection with your present position have you given considerable time and study to matters particularly concerned with the less carload traffic?

A. Yes, sir, intensive study.

Q. Did you answer the question as to whether your statement of testimony and the exhibit which you have prepared are true and correct?

A. I did.

Mr. Eshelman: Mr. Chairman, we would ask, if there is no objection, that the statement of testimony be copied in as Mr. Carpi's testimony, and that the exhibit be received as the next exhibit. They happen to be stapled together.

Commr. Aitchison: We will have to unstaple them.

[fol. 4932] Mr. Norman: Has that exhibit been distributed?

Mr. Eshelman: I might say, Mr. Chairman, that this exhibit was distributed this morning, we not expecting to get on the stand this early, and I am perfectly agreeable to have Mr. Carpi remain over until tomorrow morning if any wish. I would like to get him away tomorrow afternoon, if possible, as he has to be in Chicago the following day.

Commr. Aitchison: Well, this exhibit has been identified and there will be no ruling on the offer, and without objection the statement may be copied as being his testimony.

(Exhibit No. 217, Witness Carpi marked for identification.)

Statement of Testimony of Mr. Fred Carpi

My testimony will deal in rebuttal with the proposal of Witness Waring, made at the Columbus hearing on his own behalf and on that of the American Trucking Associations, Inc., that the present less than carload rates of the railroads should be increased. In the respect, my testimony will also supplement that by Mr. Heywood in connection with pages 1 to 5 of his Exhibit No. 215.

I (1) As shown by the graphic comparisons in Mr. Heywood's Exhibit No. 215, the less carload rates in Official territory at present are compensatory. This becomes more evident when there is taken into account the distribution of less carload revenue as among the various classes. Sheet [fol. 4933] 1, of my Exhibit No. 217, exemplifies that situation.

It discloses the distribution of less carload revenue by class rate groupings for two test periods in 1925 and 1939, respectively.

It will be observed that in 1939, almost 69 per cent of the revenue was obtained from traffic accorded ratings 65 per cent of first class or higher. This would generally include traffic accorded third class or higher ratings. Over 41 per cent of the revenue during the same period was obtained from rates in excess of 79 per cent of first class, which would generally include traffic rates second class or higher. We have shown the same information for a test period in 1925 to indicate that the higher classes have always contributed the greater proportion of the revenue.

Similar tests made on the Pennsylvania Railroad at different times have shown substantially the same results as those shown in the exhibit for Official territory.

For example, an analysis of local less carload class-rated traffic for the first week of June, 1931, indicated that 48.76 per cent of the revenue was derived from traffic rates second class or higher, and 76.25 per cent from traffic rated third class, Rule 25, or higher.

A similar check for the three days, April 7, 8, 9, 1936, showed that 40.59 per cent of the revenue was derived from traffic rated second class or higher, and 62.17 per cent from [fol. 4934] third class, Rule 25, and higher.

A check made of all less carload class-rated traffic terminated by the Pennsylvania Railroad for the week of September 8-14, 1939, indicated that over 42 per cent of the revenue was obtained from traffic rated second class or higher, and 66.68 per cent from third class, Rule 25, and higher.

The foregoing facts make it abundantly clear that within Official territory the revenues obtained from traffic rated third class and higher constitute substantially more than half of the total less carload revenues.

The traffic analysis made by the A. A. R. Merchandise Committee developed that within Official territory shipments of less carload freight of 10,000 pounds and under moved at an average rate of 72.3 cents per 100 pounds.

The same study disclosed that 43.1 per cent of this tonnage was for hauls under 300 miles, and that 58.8 per cent was for hauls under 400 miles.

The average rate mentioned, as well as the scales of class rates depicted on pages 1 to 4 of Mr. Heywood's exhibit 215 were those in effect prior to the general increase of 6 per cent authorized in Ex Parte No. 148.

Any consideration of the remunerative character of the class rates as applied to less carload traffic should take into account the fact that when pick-up or delivery is rendered there becomes applicable a 45-cent minimum rate, [fol. 4935] which the Interstate Commerce Commission prescribed in Pick-up and Delivery, in Official Territory, 218 I. C. C. 441, and which is portrayed on Mr. Heywood's Exhibit No. 215 as a heavy black horizontal line as the 45-cent level.

If the graphic comparisons contained in Mr. Heywood's Exhibit No. 215 are related to the distribution of less carload revenue as among the several classes, it will be seen that there is no substance for any contention that the present less carload rates are a burden on other traffic.

(2) In considering the remunerativeness of less carload traffic, the common error is to predicate conclusions on antiquated practices and average loadings in the distant past. The only proper test is to take into account results obtained in modern times.

By extensive and expanding use of trucks in gathering and distribution service the railroads have made astounding progress in heavier loading. For example, on the

Pennsylvania Railroad the average loading on less carload traffic at stations has shown remarkable results, as follows:

Year	L.C.L. Average Tons Per car
1933	3.64
1934	4.81
1935	4.93
1936	6.18
[fol. 4936]	
1937	6.63
1938	6.59
1939	6.89
1940	7.08
1941	8.04
1942	10.15
1943 (January)	11.67

I do not have the corresponding loading figures for the Official territory railroads because such figures are not reported to the Commission. However, the O. D. T. makes public the loading results reported to it for Class I roads.

Based upon such figures for October, 1942, as made public in the O. D. T. release of December 15, 1942, I have determined that the average loading for the Official territory roads is close to that of the Pennsylvania.

Thus, for Official territory roads the average loading in that month was 10.61 tons as compared with 11.60 tons for the Pennsylvania alone.

The issuance of General Order O. D. T. No. 1 by the Office of Defense Transportation has undoubtedly spurred the campaign for heavier loading, but, it is submitted that even if this mandatory order had not been issued substantial progress would have continued.

When the Pennsylvania Railroad has completed its program of substituting trucks in gathering and distribution [fol. 4937] service it expects to obtain an average load which in the normal or post-war periods will range from 10 to 13 tons.

The size of the box car is also a factor affecting the average load. Between many points the volume available daily is greater than can be accommodated in one car. As a result "overflow" cars are used. With the tendency towards construction of larger and more spacious equipment the number of overflow cars should diminish and average loadings should be further increased.

(3) Over the years the higher class rates have received greater increases than the rates on the lower classes and the adoption of any proposal to increase the less carload rates would only accentuate this condition.

On Sheet 2 of my exhibit there has been set forth in tabular form an historical statement of class rates from New York to Chicago during the period of January 1, 1915, to March 18, 1942, inclusive.

As will appear therefrom the fifth and sixth class rates, which are usually regarded as carload classes, were on March 18, 1942, just about double what they were on January 1, 1915.

On the other hand, during the same period the first three classes were increased from 75, 65, and 50 cents, to 177, 151, and 124 cents, or 136 per cent, 132 per cent and 148 per cent respectively. Thus, there has been a greater increase both in amount and percentagewise in the higher classes than in [fol. 4938] the lower classes.

As a general proposition, the actual difference in the spread between less carload and carload ratings during the past 30 years has just about doubled.

(4) The practicability of any proposal to increase less carload rates would depend in part upon the value of the service to the shipper. Thus, the railroads are frequently faced with the necessity of making their rates so as to conform in some measure to the charges or costs for which the shippers can obtain the needed service or its equivalent, either by the use of contract or private carriers or by other arrangements.

The greater actual increase in less carload rates than on carload rates has had a tendency to decentralize industry. In order to escape the high less carload rates, some have devised methods of distribution which have deprived the railroads of substantial revenue. Such considerations frequently limit the level of the rates which will permit traffic to move freely.

II. The suggestion on the part of Mr. Waring and the American Trucking Associations, Inc., that the less carload rates of the railroads be increased, and the absence on their part of any concurrent suggestions for a similar increase in carload rates, would seem to contemplate different basic scales for less carload and carload rates. The Official lines are opposed to any such proposal.

The suggestion for separate class rate scales for less [fol. 4939] carload and carload traffic would apparently have to rest upon relatively minor differences in costs and other conditions.

From a practical traffic man's standpoint, a slight or even an appreciable difference in costs cannot be made controlling in the fixation of rates, particularly in scales of class rates where uniformity in structure is desirable for purposes of securing greater simplicity in tariff publication and use.

Separate rate scales for l.c.l. and carload traffic would be burdensome to shipper and carrier alike. One of the main differences between carload and less carload traffic relates to the size of the shipment.

In countless instances, it is necessary for the shipping public and the railroads to ascertain both the less carload and carload rates in order to comply with the long standing classification provision that the charge on the less carload shipment must not exceed the charge based on the carload rate and minimum.

Furthermore, in determining the measure of the carload rate on a particular commodity the less carload rate cannot be ignored and obviously the opposite would be true in determining the measure of the less carload rate. For this purpose it is a convenience to deal with class rate scales on uniform bases and contained in the same tariff tables. Separate scales of less carload class rates would necessarily make such tabulations more complex or require refer- [fol. 4940] ence to other tables or other tariffs.

At best, the rate structure of any territory is complex and this situation has been the subject of continuing efforts over the years both on the part of the carriers and on the part of regulatory bodies, particularly the Interstate Commerce Commission, to obtain a simpler and more readily understood basis of rates. Separate structures of class rates for carload and less carload quantities would introduce an unnecessary and complicating refinement which in the end would serve no practical purpose.

Commr. Aitchison: You may stand aside, subject to further cross examination.

(Witness excused.)

Commr. Aitchison: Whom do we hear next for the Official Lines?

Mr. Healy: That is all we have at this time, Mr. Commissioner, except the printer made a mistake in Exhibit 61. Section 1, Sheet 1, the correct figure is 226.

The exhibit now shows the number of first class carload ratings as 26. The correct figure is 226.

That is all we have at this time, Mr. Chairman. Thank you.

Mr. Bell: May I call Dr. Duncan?

Commr. Aitchison: We will take Dr. Duncan at this time.

Mr. Bell: Dr. Duncan, will you take the stand?

[fol. 4941] Dr. C. S. Duncan, previously sworn, testified as follows:

Direct examination.

Mr. Bell: I may say that Dr. Duncan's statement consisting of a little less than 13 pages was distributed to everybody the first thing this morning.

Commr. Aitchison: Proceed.

By Mr. Bell:

Q. Dr. Duncan, you testified at the Columbus hearing in this case?

A. Yes, sir.

Q. And at the conclusion of the hearing certain work sheets underlying Exhibit 104 introduced by Dr. Frederick of Austin, Texas, were furnished us.

A. After the hearing, yes, sir.

Q. And you have since examined those work sheets and the exhibit and Dr. Frederick's testimony?

A. I have.

Q. Have you prepared a statement, a brief statement, which you would like to orally state on the record in reply to Dr. Frederick?

A. I have.

Q. Will you proceed to give it?

A. In response to a question asked me respecting Dr. Frederick's testimony and Exhibit 104 in this case, I stated in my testimony at the Columbus hearing that I had read [fol. 4942] the transcript of testimony and had examined Exhibit 104 but had not had opportunity to see the work sheets from which this exhibit was compiled. Since the Columbus hearing I have had opportunity to examine these work sheets, which are in five bindings, one each for five Texas industries and set out in Exhibit 104 as follows:

Walker's Austex Chili Company, Austin, Texas, pages 2 and 3.

Brenham Cotton Mills, Inc., Brenham, Texas, page 4.

Superior Products Company, Dallas, Texas, page 5.

Sche-Rose Manufacturing Company, Dallas, Texas, page 6.

Round Rock White Lime Company, Round Rock, Texas, page 7.

I find that the work sheets cover the actual freight bills paid on shipments, both outbound and inbound, from stated origins and destinations.

Q. That is, those were the statements. You haven't been able to check the freight bills?

A. I haven't been able to check the freight bills.

Q. Proceed.

A. There are copious references to tariffs from which calculations have been made as to what the freight charges would have been had the shipments moved under calculated Official territory rates. These figures appear in Exhibit 104.

I have not examined the basis of these calculations, nor has any tariff expert among us had the time which would be required to check the calculations. I am not, therefore, [fol. 4943] in a position to comment on the accuracy of the calculated Official territory rates, except as to one instance. What I shall have to say will deal with other features of the work sheets.

I shall state very briefly the substance of the general and opinion testimony of Dr. Frederick before analyzing the showing of these five industries, called typical of the industries in the Southwestern territory, as set forth in Exhibit 104, in the light of the data revealed in the work sheets.

Dr. Frederick testified that the operations of these five industries are restricted in their activities, in their earnings, or markets by class rate discriminations. (Transcript, page 2105.) He later testified on cross examination that he was not trying to match up the situation of these companies with any competitor at all, that all he was trying to do was to show that here are five concerns in Texas which, due to the rate situation, had to pay more than he thought they should have paid for rail transportation service and that he was not viewing the situation of these industries from the standpoint of competitive markets (transcript, page 2111).

In response to a question as to whether or not Exhibit 104 had been prepared without any consideration whatever for any actual competition, Dr. Frederick stated that what he meant there by "competitive conditions was whether one or the other of these companies might sell more, perhaps in [fol. 4944] another area, if there were lower rates and that such competitive conditions had not been taken into consideration. He said that Exhibit 104 is merely a statement of what these companies did pay (transcript, 2114).

He testified that he was not saying that the freight rate is a deterrent to these people doing business but all he was saying is that, due to the freight rates these people have to pay, they pay too much (transcript, page 2112). Here are his own words:

"All I am saying is that, due to the freight rates these people have to pay, they pay too much. Whether they ship to Mountain Pacific Territory or whether they ship to Southern Territory or whether most of their traffic is within Southwestern Territory is immaterial from the standpoint of the profit and loss statement of the company." (ibid)

Commr. Aitchison: Is it necessary to have this witness testify as to what another witness testified, to the extent of several pages?

Mr. Bell: I think it is important, Mr. Chairman, in order to fully comprehend the significance of what follows. This is a very brief summary of Dr. Frederick's statement.

Commr. Aitchison: It does not seem to be very brief, and it is unnecessary for one witness to testify to what another witness has testified.

Mr. Bell: This is merely——

[fol. 4945] Commr. Aitchison (interposing): The record speaks for itself, Mr. Bell, and I have ruled.

Mr. Bell: What was the ruling?

Commr. Aitchison: The ruling is, it is not proper for Dr. Duncan to give an extensive resume of the testimony of a witness already in the record.

Mr. Bell: Unless I am very much mistaken that has previously been done, but what part of it do you desire copied?

Commr. Aitchison: I don't desire any of it copied. I think it is improper and incompetent for a man to attempt——

Mr. Bell (interposing): This man——

Commr. Aitchison (interposing): Will you permit me to make the record, Mr. Bell?

Mr. Bell: Yes, sir.

Commr. Aitchison: Kindly take your seat until I finish and then I will give you an opportunity to express yourself.

It is improper for a witness to make an extensive statement under oath as part of his testimony as to what he has deduced from the reading of the transcript of the testimony of another witness. The transcript speaks for itself.

Mr. Bell: And he is referring to the pages of the transcript where it can be found, and I submit that in order to fully understand his subsequent analysis of these exhibits and work sheets it is important that this statement be introduced into the record.

[fol. 4946] This man is appearing here as an economist and you have given wide latitude to the others who have testified in like character in this case.

Commr. Aitchison: The testimony with respect to the pages he can cite. He has apparently referred to pages 2001, 2113, 2110, 2122, 2116 and 2123. He can comment on this testimony, but it is not necessary for him to testify what the other man testified to.

Mr. Bell: Where do you desire that we start in this 13-page statement?

Commr. Aitchison: He can begin at the top of page 5, I should say—and also he referred to pages 2105, 2111 and 2114. In fact he has referred to all the pages virtually of Dr. Frederick's statement.

Mr. Bell: I don't see how it is going to reply to a witness without at least giving some idea of what the witness said, and I want to say again it is proper that this go into this record.

Commr. Aitchison: This is a statement of facts he is going to give us.

Mr. Bell: And he is giving you a statement of facts.

Commr. Aitchison: And it is not a debate between the witnesses.

Mr. Bell: It is not a debate. I don't see how we can discuss this exhibit or the work sheets unless we are permitted [fol. 4947] to have this go in, unless we are permitted to state what interpretation the witness put on the exhibit, and that is what we are undertaking to do.

Commr. Aitchison: You are not going to be permitted to state it.

Mr. Bell: Well, I don't know what I can do if I am not going to be permitted to have the witness testify.

Commr. Aitchison: Oh, the witness is going to be permitted to testify, and if you don't know how to examine him I will, and I think I can produce everything that is competent in here, in his statement, and that he will be satisfied with it.

Mr. Bell: Of course I may be extremely ignorant, Mr. Chairman, but I thought I was abiding by rules and the past practice in this case, but I won't pursue the matter further; if you desire to examine the witness I have no objection.

Commr. Aitchison: You can start, if you will, at the top of page 5.

Mr. Bell: May I have permission to have this statement copied into the record without it being read?

Commr. Aitchison: You objected very strenuously to that being done at Columbus.

Mr. Bell: There is no use in stating a part of it if it is going to be chopped in two, Mr. Chairman.

I ask permission to have the statement copied into the record.

[fol. 4948] Commr. Aitchison: Dr. Duncan, in your study of the transcript of the testimony of Dr. Frederick did you deduce anything with respect to his testimony except that is written in black and white in the record already?

The Witness: As to what he said, I deduced nothing, but I did not agree with him, so I don't quite understand the question.

Mr. Bell: May I ask the Doctor a question?

By Mr. Bell:

Q. Dr. Duncan, without stating what Dr. Frederick said how can you state what it is you do not agree with, and you apparently are not permitted to state what Dr. Frederick said?

A. I suppose I can say, Mr. Bell, I do not agree with what he said.

Commr. Aitchison: You can also take up the various matters, can't you, as if Dr. Frederick had never existed or it had been somebody else who testified to it, whose testimony you hadn't read?

Mr. Bell: I think we can shorten it up if you will permit the reporter to copy this statement into the record and let me submit Dr. Duncan for cross examination.

I don't see any use, Mr. Chairman, in busting up halfway a 13-page thing. We boiled it down as much as possible in the hope we could present it orally.

Commr. Aitchison: The ruling has applied to two pages of [fol. 4949] your statement.

Mr. Bell: You have cut out the first five, as I understood you.

Commr. Aitchison: Well, it is more than two, that is right, the first four pages.

Mr. Bell: I don't think it would be intelligible if we are to jump in the middle of it and start with it. So far as I am concerned if you will permit the reporter to copy it as if read, that will be satisfactory.

Commr. Aitchison: If there is any discrepancy between what Dr. Frederick testified and what you swear he testified, is it your testimony that your testimony here is more true as to what he testified to than what he testified to as reported by the reporter?

Mr. Bell: You mistook entirely the purpose of the offer. There isn't any doubt about the accuracy of the statements of Dr. Frederick's testimony, but how we are going to discuss in rebuttal what a man said, without saying what he said, I don't know. I may be ignorant, but may I have it copied into the record?

Mr. Bee: I would like to know what interest it is for Dr. Duncan to say Dr. Frederick he did not represent the industries. What testimony does that take care of to put into this record Dr. Duncan's statement that Dr. Frederick said he didn't represent the industry. If he testified to that it is in the record.

[fol. 4950] Mr. Bell: What are we arguing about? Why not copy it into the record?

Mr. Bee: You have got it here. Why copy it into the record?

Mr. Bell: If we could have gotten it down to six pages we would have done it.

Commr. Aitchison: If you don't think it is necessary for us to hear it——

Mr. Bell (interposing): I would like very much for you to hear it, but I don't want it chopped up so it will be unintelligible, so it might just as well — copied into the record as to have part of it eliminated.

I will tell you what it is——

Commr. Aitchison (interposing): You don't need to do that. This may be copied in.

The Witness: Dr. Frederick testified further that he had made no study of the financial condition of the railroads of Texas or of Southwestern Territory, or of their requirements in the light of the difference between the rates in Official territory and the going rates in Texas and the Southwestern territory, (Tr. p. 2100-1) and that while he had only a very general idea of the financial condition of the railroads in Texas from 1931 to 1940, he thought it was not a healthy one. (Tr. p. 2113. He could not say what would be the reduction in rail rates or to what extent the railroads [fol. 4951] would be deprived of revenues if there were an equality established and the same rates were paid in the Southwest as in Official Territory. (Tr. p. 2110)

Although Dr. Frederick referred to the difference between the total charges actually paid by these Texas industries on inbound and outbound freight and the charges which would have been paid under computed Official Territory rates as an economic burden and, as previously stated, said that no competitive conditions had been taken into consideration, he did testify, in response to a question as to whether he was advocating equality or advocating the Official level of rates, that he was advocating one class rate level, mile for mile, the same in all territories. (Tr. 2122)

It should be pointed out in this connection that the witness does not hold steadfastly to his "economic burden" point of view. As stated above, he wants equality even though it means raising rates in Official Territory. The question was asked of the witness (Tr. p. 2116): "If that difference were eliminated by raising the Official rates to the Texas level, then your basis for saying that these concerns paid too high freight charges would be removed, would it not?" The witness answered: "If we have an equal basis with other parts of the country, that would be so. That is correct." The witness admitted also that if Official Territory [fol. 4952] rates were increased, there would be an increase in the amount of freight charges actually paid by these companies to the extent that they enter Official Territory. (ibid.) The freight charges, of course, would remain the same in Texas, in Southwestern, Southern and Western Trunk Line Territories as now if equality were attained by raising Official Territory rates. The total freight charges would be greater than as shown in Exhibit 104, since there would be an increase in inbound freight charges to every company cited, with one exception, for the reason that Official Territory is the greatest source of inbound traffic and that one company sells 18.3 per cent of its good- in Official Territory.

I may add that Dr. Frederick testified that he did not represent the industries mentioned in Exhibit 104 at these hearings. (Tr. p. 2123)

There seems to me nothing helpful in this kind of reasoning. Either the freight rates in Texas and Southwestern Territory are too high or they are not. They would not be changed except as to the relative position they hold if equality were attained by increasing Official Territory rates and yet, although the witness first states that the believes the charges actually paid are too much, he later expresses the opinion that he would be satisfied if those charges were actually increased, provided it were done by increasing Official Territory rates.

[fol. 4953] As statistical support for his thesis respecting economic burden, Dr. Frederick cited the five companies set out in Exhibit 104, all located in the State of Texas and producing a variety of commodities. It is claimed, as stated, that "these examples in this Exhibit are typical." (Tr. p. 2105) Five examples are certainly very few to be called typical of the industries of the Southwest.

For these five companies, Exhibit 104 shows the amount of goods, in pounds, shipped inbound and outbound, upon which freight rates were paid, also the actual freight charges paid, a per mile rate calculated for the purpose of showing what the freight charges would have been if the inbound and outbound traffic had moved at the computed per mile rate for Official Territory and, finally, the difference between actual freight charges and these calculated freight charges. The difference between the actual and calculated freight charges is called the "economic burden" or disadvantage borne by the Texas industries and this "economic burden" is said to be what inhibits or restricts or handicaps or prevents industrial development in the Southwest. (Tr. pp. 2102, 2105, 2107)

The total of the freight charges on outbound and on inbound traffic and the difference between this total and the mileage computation on Official basis are stated for each of the companies. Both the total freight charges and the dif- [fol. 4954] ferences are compared to net sales, cost of goods sold, capital stock of the company or invested capital and, in some instances, with wages paid, for the purpose of developing a percentage relationship. Thus, the total freight charges actually paid are found to be a certain percentage of net sales or the cost of goods sold, or capital stock and, in the same way, the differences between actual and computed rates are expressed as a percentage of these same factors. As may be readily seen, there is a great variation in these percentages as among the five companies.

There is no information, either in the Exhibit or in the work sheets, on the very important matter of net profits realized from operations by these five companies. There is nowhere a suggestion as to what percentage freight charges should bear either to net sales or cost of goods sold or other factors in the particular industries.

I believe and I shall undertake to demonstrate from information contained in the work sheets that these five industries are not restricted in their activities, earnings or markets.

Walker's Austex Chili Company, Austin, Texas.

The data on this company as contained in the exhibit are shown on pages 2 and 3. It will be noted from page 3 that in 1941 the net sales of this company amounted to $690,578.24. The cost of goods sold was $444,970.01. The capital stock of the company is $200,000. If the books of the company are kept correctly, as one must suppose they [fol. 4955] are, the cost of goods sold includes inbound freight charges and outbound freight charges, since the total amount of freight paid was taken from actual freight bills. For 1941 this company turned over its capital almost three and one-half times and made a gross or operating profit of 35.6 per cent. The actual net profit for the year is not shown nor can it be ascertained from the work sheets, but a gross profit of 35.6 per cent looks like a successful business.

It can easily be demonstrated from Exhibit No. 104 and the work ~~sheets~~ that the distribution, sale and marketing of the products of these Texas industries are over an extended territory and have not been restricted. Referring to the Walker's Austex Chili Company, Austin, Texas, on pages 2 and 3 of the exhibit it will be seen that the outbound products were shipped to southwestern states, including intrastate in Texas, to states in Southern Territory, Official Territory, Western Trunk Line Territory, Mountain-Pacific Territory, and to Canada. These were both less-carload and carload shipments. The inbound shipments which were carload, were from Texas points, Official Territory points, and Mountain-Pacific Territory points. Texas intrastate rates, Mountain-Pacific rates and Canadian rates are not involved in this investigation, although this computation includes amounts in connection with such transportation. [fol. 4956] I generalize here upon this statement. The same situation respecting territories exists in connection with Brenham Cotton Mills, Inc., on page 4, the Superior Products Company on page 5, with the exception of the Canadian traffic, and the Sche-Rose Manufacturing Company on page 6, with the exception of Canadian traffic. Outbound shipments to New Mexico are shown on page 7 covering the Round Rock White Lime Company. However, more detailed information is set out in the work sheets to which I will now refer.

The work sheets for the Walker's Austex Chili Company show that in 1941 this concern sold and shipped its products, consisting of canned food and seasoning, to numerous points in 33 states, with one shipment to Canada. There were about 200 shipments to 57 points intrastate in Texas from this concern at Austin in 1941, for which the total difference in freight charges computed as previously stated, is $372.38. This concern, in 1941, sold and distributed its products to numerous points in the States of Texas, Arkansas, Louisiana, Oklahoma, Alabama, Florida, Georgia, Kentucky, Mississippi, Tennessee, Virginia, Illinois, Indiana, Maryland, Michigan, Ohio, West Virginia, New York, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin, New Mexico, Arizona, Utah, Wyoming, Idaho and California. This Texas company, realizing a gross profit of 35.6 per cent and reaching 33 of the 48 states of the Union, it seems [fol. 4957] to me, can not be said to be suffering from any economic disadvantage. Certainly its distribution has not been restricted. The total freight charges actually paid on inbound and outbound shipments were only 8.5 per cent of net sales. This cannot be called an economic burden in any way restrictive in view of the financial and distribution showing.

Brenham Cotton Mills. The second company treated in the same way is the Brenham Cotton Mills, located at Brenham, Texas. Data are given on page 4 of Exhibit No. 104. It may be noted from these data that 54.1 per cent of the raw materials or inbound traffic comes from Official Territory and Official Territory takes 34.1 per cent of the finished product. The net sales of this company in 1941 amounted to $635,576.45 and the cost of goods sold was $561,743.18. The capital stock was $150,000. There was a capital stock turnover for the year of more than four times. A gross profit of 11.5 per cent was realized in that year. The total freight paid on both inbound and outbound shipments amounted to less than 5 per cent of net sales.

Examination of the work sheets shows that with few exceptions the inbound shipments consisted of textile machinery and apparatus, electric motors, etc., a fact which indicates that the plant was being expanded during 1941. The inbound freight charges on such shipments are of course not representative of ordinary conditions. No less than 40 [fol. 4958] shipments of this character were made from Atlanta, Georgia, and 13 shipments of textile machinery were from Biddeford, Maine. Other shipments were made from Charlotte, North Carolina, from Milford and Boston, Massachusetts. They were all charged into this one year and yet the total cost of freight, inbound and outbound, was less than 5 per cent of net sales.

As shown by the work sheets, the Brenham Cotton Mills, in 1941 sold and distributed its product to numerous points in the State of Texas, and points in the State of Arkansas, Louisiana, Oklahoma, Connecticut, Illinois, Indiana, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Florida, Georgia, Kentucky, North Carolina, Tennessee, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, South Dakota, Wisconsin, Arizona, Utah, Wyoming, Oregon, California, and to a point in Canada. There is a total of 32 states of the Union, to numerous points in which this concern distributed its product in 1941. This certainly shows no freight rate barrier or restriction.

Superior Products Company is shown on page 5 of Exhibit No. 104. This company, located in Dallas, Texas, did a considerably larger volume of business than the other companies cited in the exhibit. Net sales in 1941 were $800,364. The cost of goods sold was $503,367. The gross profit was approximately $300,000, or about 37.5 per cent. This includes all freight payments, both inbound and out- [fol. 4959] bound. The capital stock is $50,000 and the turnover for the year 1941 was sixteen times. There is no record of the age of this business but as of 1941 the surplus or undivided profits were about $160,000. From this record the company appears to have done well in the past and to have done very well in the year 1941.

The business of this concern is of a somewhat unique type. It claims to produce 180 different items, among which are toilet preparations, perfumes, furniture polish, paste and ink.

As shown on page 5 of Exhibit No. 104, in 1941, this company produced added value of approximately $300,000 at a labor cost of $8,728. This labor cost is between 9 and 10 per cent of the cost of goods sold and between 6 and 7 per cent of the amount of net sales.

These are very low percentages.

The work sheets show that in 1941 the Superior Products Company sold, shipped and distributed its products to about 455 different points intrastate in the State of Texas and to quite numerous points in the States of Arkansas, Louisiana, Oklahoma, Illinois, Kentucky, Indiana, Michigan, New York, Ohio, West Virginia, Virginia, Colorado, Wyoming, Iowa, Kansas, Missouri, Nebraska, South Dakota, Wisconsin, Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, New Mexico, Montana, Idaho, Arizona, Utah and California. The sale of the [fol. 4960] products of this company in these 34 states, including the State of Texas, disproves any possible contention that it has been restricted by freight rates or otherwise.

Sche-Rose Manufacturing Company is located in Dallas, Texas. It produces a bread-making compound and ships some chloride of lime. The company is evidently small for, as shown on page 6 of Exhibit No. 104, the total net sales in 1941 were only $26,000. The process of manufacture apparently is simple for wages paid constituted only slightly more than 10 per cent of net sales.

The work sheets show that this concern in 1941 shipped its product to about 70 different points in the State of Texas, the difference in charges on the bases heretofore stated being $377.03. It also shipped its product to points in the states of Oklahoma, Louisiana, Arkansas, Georgia, Florida, Alabama, Mississippi, Michigan, Pennsylvania, Colorado, Iowa, Kansas, New Mexico, Montana and California.

One cannot believe that this is a typical industry. From the meager data given the setup is subject to criticism. For example, in 1941 net sales amount to $26,000, yet office and administrative salaries were $6,500, or 25 per cent of net sales. Wages paid amounted to $2,660, or slightly in excess of 10 per cent of net sales. The capital stock of the company is $25,000, so that the turnover for the year was slightly more than one time. The company is obviously top [fol. 4961] heavy not only with capital stock but with administrative and office salaries. It could pay the entire freight charges of $4,302 on outbound and inbound shipments in 1941 out of these administrative and office salaries and still the relation of these salaries to net sales would not be out of line with other business.

Round Rock White Lime Company is another small company located at Round Rock, Texas, and produces a relatively low value commodity, lime and limestone. As shown on page 7 of the exhibit, the net sales for the year 1939 were $51,118.35, and the capital stock, $90,000. The total weight of outbound shipments was 13,768,420 pounds, and the total actual freight charges on these shipments, $24,044.43. This shows that the average freight rate per ton was slightly less than $3.50. In the column headed "Total Charges When Official Territory Rates Are Applied," the amount is shown as $19,995.41. As previously stated, no check has been made of these charges computed on the so-called Official Territory rate basis, and it cannot be said with certainty what kind of Official Territory rates have been used. However, it is my understanding that only class rates are involved in this case. Page 7 of Exhibit No. 104 shows, as stated, that the total outbound shipments were 13,768,420 pounds. At the estimated Official Territory rate cost of $19,995.41, the rate per ton is $2.90. From this it appears [fol. 4962] evident that Official Territory class rates could not have been used in this computation. As shown by the work sheets, with few exceptions all of this lime moved in carloads. I am not a traffic or a rate man but I am informed by our traffic officials in the Association of American Railroads that this lime does not move on class rates. This instance seems to me to cast some doubt upon the character of rates used in determining the charges alleged to result from application of the Official Territory rate basis in connection with other industries. This and other instances can doubtless be readily checked by the Commission's representatives.

I am, therefore, of the opinion that there is nothing in Exhibit No. 104 or in the work sheets from which it was derived, to support any contention that these industries in Texas are in any way restricted in their markets by freight charges, but that the contrary is true.

[fol. 4963] Chairman Aitchison: Cross-examine.

Mr. Bell: Dr. Duncan is here not only for cross-examination on this testimony he has just given but cross examination of the testimony that he gave at Columbus, in accordance with my agreement with him.

Commr. Aitchison: Any cross-examination, Mr. Smelker?

Mr. Smelker: No cross-exmationation.

Mr. McCarthy: I have one or two questions I would like to ask.

Commr. Aitchison: Proceed, Mr. McCarthy.

Cross-examination:

By Mr. Charles McCarthy:

Q. Doctor, in referring to pages here I am going to refer to the pages in the mimeographed statement which was distributed at the Columbus hearing.

Mr. Bell: You are going to talk about his Columbus testimony?

Mr. McCarthy: That is right.

Mr. Bell: Have you got a copy of your statement there?

The Witness: Yes, sir.

By Mr. McCarthy:

Q. I would first like to refer to page 28 of your statement in which you make the statement that "the lower average annual earnings of workers in the manufacturing industries, especially in the South, but only to a lesser extent of the Southwestern and Trunk Line territories, afford a distinct advantage in lower costs of manufacture as compared [fol. 4964] with Official territory."

Is it your idea, Doctor, that low wages and resulting low standards of living constitute an economic asset of the section?

A. No, sir.

Q. You do not suggest then that these lower standards should be put in effect in Official territory so that Official territory can compete more advantageously with the South?

A. No, sir.

Q. Is it not a fact, Doctor, that low wages are simply symptoms of economic ills?

A. That may be; that may be.

Q. And it is not your idea, is it, that workers in the South accept lower wages simply because they want to help the owners of the business?

A. No, it is not.

Q. Dr. Duncan, in the course of your testimony you referred several times to a pamphlet entitled, "Location of Manufactures 1899-1929," by Dr. Thompson. You have referred to that I believe at pages 16 to 18, page 40 and pages 43 to 45 of your statement.

Do you agree generally with the conclusions reached by Dr. Thompson in that pamphlet?

A. I agree generally with the conclusions to which I have referred here, yes, sir.

Q. You are familiar, I suppose, with the rest of the document?

[fol. 4965] A. Yes, I am familiar with it.

Q. I would like to refer to page 40 of your statement in which you quote from page 47 of Mr. Thompson's statement. The last sentence in that quotation as you have it is as follows:

"The extent to which this has taken place is seen in the narrowing of the extremes in wage jobs per 1,000 population—from 34 in 'other areas' to 124 in the primary area (Official Territory) in 1899 to 45 to 106, respectively, in the two types of regions in 1929."

Do the words "Official Teritory" appear in Mr. Thompson's pamphlet?

A. No, they do not. I think the testimony that I gave explains that I put in those two words.

Q. I see.

A. And that I thought, generally speaking, the outline of the report of Mr. Thompson was in accord with the outline in Official territory, not exactly.

Q. Do you have the report with you?

A. No, I didn't bring it; I am sorry.

Q. I have a copy of it here. I will ask you if that is the report to which you referred?

A. This is the report to which I referred.

Q. Will you turn to page 47 and tell me whether you correctly quoted from Mr. Thompson.

Isn't it a fact that instead of "primary area," Mr. [fol. 4966] Thompson says "primary areas;" that the word is pleural. That is the third full paragraph on page 47, the last sentence.

Mr. Bell: The paragraph ending with "1929," about the middle of page 47.

The Witness: Yes, I see it. I was trying to find the word "areas"—"and in areas of concentration;" is that the one?

Q. I am referring to the last sentence, "The extent to which this has taken place is seen in the narrowing of the extremes in wage jobs per 1,000 population—from 34 in the 'other areas' and 124 in the primary areas in 1899, to 45 and 106, respectively, in the two types of regions in 1929."

A. You are correct; it should be "areas."

I notice another error I noticed before, and that is the fourth word of the quotation it is "the effect of redistributions of industry." It is pleural—"redistributions of industry."

Those are certainly unintentional errors.

Q. I am sure of that, Doctor, but now I want to ask you another question.

Isn't it a fact that the primary areas that Mr. Thompson is talking about are the 97 cities which at that time had a population of 100,00 or more, no matter what territory they are located in, and not Official territory?

A. He referred to both.

[fol. 4967] Q. Isn't it a fact when he uses the term "primary areas" he is referring to the 97 cities having a population of over 100,000?

A. I think that is not correct.

Q. Let me read to you, then, Doctor, beginning the last full paragraph page 46. This is rather an extensive quotation, if the Commission please, but I would like to have it all in the record anyway:

"A type of industrial redistribution essentially different in character from those sectional shifts described above is seen in the changes in the distribution of wage jobs in urban, suburban, and other areas. In *other* to observe such movements data are shown for (a) the 93 cities having 100,000 inhabitants or more, (b) the related industrial areas adjoining these cities, and (c) the remainder of the country —referred to in the report as (a) 'areas of primary concentration,' (b) 'areas of secondary concentration,' and (c) 'all other areas,' respectively. Movement of an industry from one geographic division to another may, of course, indicate a desire to remove from a crowded urban location to one in a suburban or rural neighborhood, but such a regional move is likely to be made primarily in order to take advantage of more convenient supplies of materials, better coverage of the market, or more satisfactory labor conditions. On the other hand, to leave an area of primary concentration for a site in an adjoining secondary area [fol. 4968] usually indicates a desire chiefly for more manufacturing space, lower taxes, etc., in the less congested area. While it not infrequently happens that a plant removes from a primary area of one geographic division to a secondary area of another division in order to gain both kinds of advantages, nevertheless, in general, the two types of relocation are quite distinct in motive and effect.

"Some dispersion of industry is disclosed in the statistics for the areas of concentration. The primary areas, which as a group had about 45 per cent of the nation's factory wage jobs in 1899, did not quite hold that proportion through the following 30 years of rapid industrial expansion, their share having dropped to 44 per cent in 1929. These large urban areas did more than approximately maintain their 1899 share of the country's population. Their portion of that total increased in three decades from 22 to about 30 per cent. In the secondary regions adjoining the large centers industry grew relatively more than it did in the centers themselves, increasing the share of the total wage jobs reported in these outlying areas from 18 to 21 per cent. In all the more industrialized divisions, except the East South Central—six in all—the secondary areas built up their share of the total industry.

"The primary and second areas, in which approximately two-thirds of all factory wage jobs are to be found today, account for only 3 per cent of the land area of the nation. [fol. 4969] The remaining 97 per cent is occupied by what are here termed 'other areas.' Although this vast region suffered a very considerable loss in its share of the total population by reason of the heavy migration to the large cities, it maintained slightly more than one-third of the nation's industry with but a small loss in percentage.

"A group of 287 manufacturing plants in the largest 50 cities, those reported as relocated in 1928 or 1929, reflected so strong a tendency toward decentralization as to suggest the possibility that data, if available, might indicate a recently increasing momentum away from the largest urban centers. The movements of these plants brought decided gains in wage jobs to the 'other areas,' and lesser, but nevertheless real gains to the regions of secondary concentration."

Now, Doctor, then comes your quotation on page 40. In the light of what went before do you still contend that primary areas means Official territory or were you mistaken in your use of it?

A. No. As I said before, and as you have read into the record, I think quite clearly he discusses both the items you have in mind, the concentration of industry in the large cities and in the general areas, and I have demonstrated later from the figures Mr. Thompson showed that the basis of this conclusion is found in the statistical data which it gathered.

Q. Doctor, I am not questioning the fact that in the course [fol. 4970] of this report he has discussed the two types of distribution which you have mentioned, but my question is whether or not when Mr. Thompson uses the term "primary areas" here he means Official territory or whether he is talking about the 97 cities having a population of 100,000 or more?

A. My judgment is that he is talking about the area of concentration and not the cities alone.

Q. Does he use the term "primary areas" as meaning Official territory, or doesn't he? That is a question which can have a yes or no answer.

A. In my judgment he does, yes, practically speaking.

Mr. McCarthy: Very well; that is all.

I would like to introduce, in behalf of the Tennessee Valley Authority, two short quotations from the report of Mr. Thompson. Shall I simply mark them and hand them to the reporter or should they be read into the record?

Commr. Aitchison: Off the record.

(Discussion off the record.)

Mr. Bell: I object to those quotations from that document. I don't know what they are, but I have no objection to anybody referring to the entire book.

Mr. McCarthy: If I recall the record correctly, when Dr. Duncan put in certain quotations from this the Commission ruled that any other party could introduce any other parts of the report.

[fol. 4971] There are several other quotations in the course of that statement.

Commr. Aitchison: As I understand it you took certain data from this brochure and used it as part of your testimony.

The Witness: As part of an exhibit I put in.

Commr. Aitchison: Which was introduced as a part of your testimony.

The Witness: Yes, sir.

Mr. McCollester: May I see the two paragraphs?

Mr. McCarthy: Surely. It is the first full paragraph on page 9 and the last one on page 48.

Mr. Bell: I thought at that time, Mr. Chairman, it was understood, and I believe you so stated, that anyone was at liberty to refer to the entire document. I suppose that still stands if he wants to use part of it in his brief, but why copy a couple of quotations from the entire book out of the general context? We may be required to put in the whole thing.

Commr. Aitchison: He is entitled to put in any portion of it he wants to, not necessarily the whole thing.

That is covered by our rule of practice.

Mr. McCarthy: Then I offer in evidence the first full paragraph on page 9 entitled, "Sectional Shifts," and the last paragraph on page 48. Would the Commission care to have me read that into the record?

[fol. 4972] Commr. Aitchison: You might as well read it or let the reporter copy it.

Mr. Wagner: I also have about a dozen sentences in that document I would like to have copied into the record. I have marked my copy and the reporter can copy them.

Mr. Bell: I would like to know what they are. I don't have a copy of this thing.

Mr. McCarthy: I have marked these quotations.

Mr. Bell: Well, may I be shown the courtesy of seeing a copy of what you propose to introduce?

Mr. McCarthy: I am sorry; pages 9 and 48.

Mr. Bell: May I have a few moments recess to go over this thing with Dr. Duncan and find out what parts we want copied in the record?

Commr. Aitchison: Is there objection to this offer?

Mr. Bell: Yes, I objected to it.

Commr. Aitchison: On what ground?

Mr. Bell: Because they can refer to the entire document.

Commr. Aitchison: Oh, no.

Mr. Bell: And I see no reason for cluttering up the record.

Commr. Aitchison: The Rule of Practice 80 covers it.

Mr. Bell: I am sorry.

Commr. Aitchison: "Unless it is desired to read such matter into the record, and the officer so directs, true copies [fol. 4973] in proper form of the material and relevant matter taken from the document may be received as an exhibit, but other parties shall be afforded an opportunity to introduce in evidence, in like manner, other portions of such document if found to be material and relevant."

I understand it was read into the record, the portion that Dr. Duncan referred to, but other parties should be afforded an opportunity to introduce in evidence in like manner other portions of such document if found to be material and relevant. The document itself will not be received, so they may offer in like manner, reading into the record just as Dr. Duncan did.

Mr. Bell: Do you want him to read this document into the record?

Commr. Aitchison: He has asked that that be done.

Mr. Bell: Then may I check it to see what else goes into the record?

Commr. Aitchison: Oh, yes. You may have that opportunity. The hearing isn't closed.

Mr. Bell: Is this the time it is being introduced as part of Dr. Duncan's cross-examination?

Commr. Aitchison: These two paragraphs are.

Mr. Bell: With the understanding that I likewise can read the book into the record after I examine what he puts in.

Mark the copy that goes in so we can examine it and find what you are putting in.

[fol. 4974] Mr. McCarthy: Page 9, the first full paragraph:

"Sectional Shifts.—While there has been a lively interest in the growth of industry in the South and West, the fact remains that only the East North Central division has been able thus far to challenge seriously the historical industrial supremacy of the manufacturing East, composed of the New England and Middle Atlantic divisions (Table 3). In these three divisions occurred the major part of the sectional redistribution of industry which took place from 1899 to 1929. Together they reported 75 per cent of all factory wage jobs at the beginning of the century and 70.2 per cent 13 years later. The combined share for New England and the three States of the Middle Atlantic division dropped from 52.2 to 41.4 per cent of the total for the country. While considerable growth, as measured by rate of increase, took place in the six other divisions as a group, their total increase in wage jobs during the 13-year period was less than that for the single East North Central division."

Mr. McCollester: I would like to have, in connection with that paragraph, the immediately following paragraph.

Commr. Aitchison: You can put it in.

Mr. McCollester: I thought it might be more convenient to have it all together.

Commr. Aitchison: Mr. McCollester is offering the following paragraph.

[fol. 4975] Mr. McCarthy: All right; this is a very short one. I don't mind him putting it in here.

Mr. McCollester: "At each Census from 1899 to 1929, wage jobs, expressed as a percentage of the total for the United States, exceeded the corresponding percentate of population only in the New England, the Middle Atlantic, and the East North Central divisions. In these three highly industrialized divisions changes in the industry proportions were considerable as compared with those in population. A pronounced decrease in the percentage of wage jobs in the Middle Atlantic division accompanied a small increase in its proportion of the total population. In the East North Central division the opposite change took place, a slight decrease in its population percentage being accompanied by a large increase in its percentage of wage jobs. On the principal industrial frontiers—South Atlantic, East South Central, West South Central, and Pacific—the percentage of the total wage jobs increased, but only in the westernmost two of these divisions did corresponding changes take place in population."

Commr. Aitchison: You may continue, Mr. McCarthy.

Mr. McCarthy: Page 48, the last paragraph:

"This brief study has dealt only in a broad way with the subject of the location of manufactures since the beginning of the century. Practically no consideration has been given to the forces which have brought about industrial migration [fol. 4976] and determined location, although some quantitative measurement of those influences could possibly be made from data collected by the several divisions of the Bureau of the Census and from other business and statistical organizations. Nor has the subject of the probable economic and social consequences of further decentralization of industry found a place in this primarily descriptive study."

Mr. Bell: Now, what is the question?

Mr. McCarthy: That is all.

Mr. Bell: May I have an opportunity of looking this book over with Dr. Duncan and deciding what we want to put in, if anything?

Commr. Aitchison: Anything further of Dr. Duncan at this time?

Mr. Bell: Not at this time. We desire the privilege of recalling him if we want to put some more of this book in.

Commr. McConnaughey: Doctor, what do you consider the primary reason for the moving of industry in the last 10 years away from the so-called primary larger industrial centers?

The Witness: I consider these factors, in order: The rights of men of energy and vision, the climatic conditions, the availability of labor, and the availability of raw materials.

Commr. McConnaughey: The prime, fundamental reason for industrial leaving?

The Witness: Those are the reasons in the order as I [fol. 4977] would give them.

Chrmn. Alldredge: Doesn't congestion of human beings generally develop certain antidotes by the mere process of congestion?

The Witness: I think that is true, yes.

Chrmn. Alldredge: It is a combination of circumstances really, isn't it, that causes people to disperse from unduly congested areas?

The Witness: Not a single force, obviously not. That is why I gave him several.

Chrmn. Alldredge: Even failure to find parking space, if it becomes monotonous, might become an element, wouldn't it?

The Witness: In moving an industry, if you mean that, no.

Chrmn. Alldredge: Moving people out.

The Witness: Not monotony of trying to find a parking space.

Commr. McConnaughey: In the last 10 years you wouldn't consider labor the fundamental, primary reason for industry moving from the larger cities?

The Witness: The order in which I gave you the forces before are my best judgment. Labor is nothing unless management wants to use it. It has got to arouse that management first, in my opinion.

Mr. Bell: Are you through, Mr. Commissioner?

Chrmn. Alldredge: I started to pursue it, but I won't.

[fol. 4978] Commr. Aitchison: Arouse them to what?

The Witness: Organize them. Organize them and use them.

Commr. Aitchison: You don't give us anywhere in the statement the factor, in the process of relocation, proximity to markets where the product is distributed, if I recall correctly.

The Witness: No, it is in there.

Commr. Aitchison: Where?

The Witness: Always nearness to market. I have discussed that among the factors.

Commr. Aitchison: Well, I caught it as being a division of management, climatic conditions, availability of men, and availability of raw material. Where would availability of market come in that category—if I caught them correctly?

The Witness: I just mean in what I answered the Commissioner here it follows what I have said. My point in the previous testimony was to a considerable extent devoted to this one thesis that these factors which I have enumerated of management, climatic —, labor, raw materials, are stronger factors in determining the location of an industry than nearness to market.

Commr. Aitchison: You put that as a fifth factor?

The Witness: I put that after these others. In some cases there may be another factor.

Commr. Aitchison: What is that?

The Witness: Even such a factor as availability of water [fol. 4979] for the manufacturing process.

Commr. Aitchison: That is availability of raw material, isn't it?

The Witness: No, not the raw material in making the product.

Commr. Aitchison: You wouldn't consider water was raw material, then?

The Witness: Not in the making of any product.

Chrmn. Alldredge: I thought Commissioner McConnaughey asked you for your opinion as to the dispersion of industry from congested areas, and not the attraction of industry to other areas.

The Witness: My understanding of the inquiry, and the record shows, it shows what I thought was the primary factors in the dispersion of industry from a concentrated area.

Commr. McConnaughey: Quite right.

The Witness: Which meant I assumed the industrial advantage. Maybe I was mistaken.

Chrmn: Alldredge: But when it comes to dispersion of industry from congested areas then don't other factors enter the equation, such as the disadvantages of living and conducting business generally, that happen every day?

The Witness: If by dispersion——

Chrmn. Alldredge (interposing): Moving out from a congested area to one which is not congested.

[fol. 4980] The Witness: What you have in mind, you mean the same thing was brought up in all these quotations here; you are right; but that is decentralization of a concentrated urban area, not a sectional group as we were discussing.

Commr. McConnaughey: That is true.

Commr. Aitchison: Anything further?

Mr. Bell: One question, Doctor.

Redirect examination.

By Mr. Bell:

Q. Reference was made to lower wages in the South. Connected with that state whether or not there is a lower living cost in the South.

A. The costs of living are lower in the South than in the East.

Q. So that the purchasing value of the wage earner's dollar may be no substantially different. Isn't that right?

A. That is true.

Commr. Scott: How late does that statement vouch for?

Mr. Bell: Did you say "late"?

Commr. Scott: Yes.

Mr. Bell: You mean downward?

Commr. Scott: Yes.

Mr. Bell: These are extremely abnormal times now.

The Witness: The last figures I saw were for July, 1942.

By Mr. Bell:

Q. Doctor, briefly stated, in your examination of the work sheets underlying Exhibit 104 state whether or not you found that these concerns mentioned in there were distribu- [fol. 4981] ting their products in 34 or 35 States of the Union, and some of them in Canada?

A. That is true.

Q. Was there any indication whatever from the work sheets of a restriction in the markets of these Texas concerns used by Dr. Frederick in his Exhibit 104?

Commr. Aitchison: Isn't that all covered by what is to be copied in?

Mr. Bell: I thought I expressed a desire to have you hear just that part. That is all.

Recross-examination.

By Mr. Bee:

Q. May I ask the Doctor did you find that all those companies were sending to 33 or 34 States?

A. No.

Q. Did you find any of those companies were sending a material part of their output to 33 or 34 States?

A. Yes.

Q. Didn't you find in some instances that only 250 or 260 pounds a year moved to certain States?

Mr. Bell: All of the details are in his statement.

Mr. Bee: Please, will you let the witness answer, Mr. Bell, and not you.

A. As I recall, a small amount, 253 pounds went to Canada.

Q. Yes, sir, and didn't you find like amounts to some of the States?

[fol. 4982] A. Yes, relatively small amounts.

Q. How long did you have Dr. Frederick's work sheets?

A. I?

Q. Yes, sir.

A. A day and a half, I think.

Q. Do you know how long they were in possession of the counsel for the railroads?

A. I wouldn't know that.

Q. If they were in the counsels' possession for more than three months don't you think there was sufficient time to have checked some of the rates if you thought there was anything wrong with any of the rates that Dr. Frederick used?

A. Well, we are pretty busy people.

Q. May I ask you to go to page 7?

A. Of the statement?

Q. Of your statement.

A. Yes.

Q. You say, "If the books of the company are kept correctly, as one must suppose they are, the cost of goods sold includes inbound freight charges and outbound freight charges, since the total amount of freight paid was taken from actual freight bills."

Don't you know that none of the companies in the cost of goods sold include the outbound freight charges?

A. Prepaid freight charges, they ought to.

[fol. 4983] Q. If they are prepaid they may be included?

A. Yes.

Q. But when a man goes to ascertain the cost of his goods and he wouldn't know the destination of his sales, how can he ascertain his freight charges to include them as cost of the goods?

Mr. Bell: I might call your attention to the fact that Exhibit 104 includes both freight charges.

Mr. Bee: It does not say so.

Mr. Bell: Yes, it does, inbound and outbound.

Mr. Bee: There is nothing in the exhibit that makes that statement, Mr. Bell, and the exhibit speaks for itself.

Mr. Bell: I have got it right here.

Mr. Bee: So have I.

Commr. Aitchison: You have got a question that hasn't been answered.

Mr. Bell: Yes, sir.

By Mr. Bee:

Q. I asked, Doctor, how are we going to ascertain the cost of freight charges in figuring the cost of goods when you don't know where your destination is?

A. My understanding is that the freight rates set down here were obtained from freight bills.

Q. Is there anything in Dr. Frederick's statement that shows that he has included both inbound and outbound freight charges in the cost of goods sold?

Your counsel makes the statement definitely that that is [fol. 4984] in the exhibit.

Mr. Bell: I said both inbound and outbound freight charges are shown in the Exhibit 104 as stated to be the ones paid by the concern and compared to what it would have paid had it moved — classification rates.

Mr. Bee: No. Where does it say "paid by the concern"? You put words into the exhibit that do not appear there, Mr. Bell. If you will let the exhibit speak for itself it will be better.

Commr. Aitchison: Apparently there is no necessity for answering your question.

Mr. Bell: All right.

Commr. Aitchison: Anything further, Mr. Bee?

Mr. Bee: That is all.

Commr. Aitchison: Any other cross-examination?

Mr. McCarthy: I have one further question.

Recross-examination.

By Mr. McCarthy:

Q. Dr. Duncan, you say the cost of living is less in the South. Could you tell us about how much less, what the percentage is?

A. I thought I had brought the figures to which I referred along with me, but I do not find them here, so I wouldn't care to answer from recollection.

Q. Are they substantially less?

A. Yes, they are substantially less.

[fol. 4985] Q. Are you familiar with the study of the Bureau of Labor Statistics which covers the estimated cost of living for a four person manual worker's family at maintenance level in 33 large cities as of September 15, 1942?

A. Yes, I have seen that.

Q. Isn't it a fact that except for New York and Washington and to a much lesser degree Cleveland and Detroit, that the figures show only slightly lower costs in the South than in the North?

Commr. Aitchison: That is not the way to get those figures in.

A. I haven't the figures, if it is permissible, that I have copied from the document to which he is referring.

Commr. Aitchison: How long will this cross-examination be?

Mr. McCarthy: I have just one more question if I could ask that.

Commr. Aitchison: All right.

Q. I would like to know, Doctor, whether for instance that report shows that the cost of living in Baltimore was $1,566.34 and in Memphis $1,567.03?

Commr. Aitchison: You are going clear outside the cross-examination. You brought this thing in, this report, that you have got in your hand there and then proceeded to cross-examine him on it by asking first if he knows about it.

Mr. McCarthy: He stated he is familiar with it.

[fol. 4986] Commr. Aitchison: Well, I am familiar with lots of things that aren't so, but that doesn't entitle them to be put in evidence.

The Witness: I don't know whether those figures are correct or not.

Q. You don't know whether those figures are correct or not?

A. No.

Mr. Bell: I have always said that there is one noticeable thing about these commerce cases, you learn so many things that weren't so.

Commr. Aitchison: Doctor, you are excused subject to recall.

The Witness: Thank you.

(Witness excused.)

Commr. Aitchison: We will suspend until 2 o'clock.

(Whereupon, at 12:30 o'clock p. m., a recess was taken until 2 o'clock p. m.)

[fol. 4987] AFTERNOON SESSION 2 p. m.

Commr. Aitchison: Proceed.

Mr. Bell: Mr. Chairman, I merely desire to read a few lines of this printed publication which conclude the two paragraphs mentioned by counsel for the TVA and followed by Mr. McCollester. What I wish to read completes the last paragraph.

"In the East—" This is on page 9 of this document—"In the East North Central Division the opposite change took place, a slight decrease in its population percentage being accompanied by a large increase in its percentage of wage jobs. Of the principal industrial frontiers, South Atlantic, East South Central, West South Central and Pacific, the percentage of the total wage jobs increased, but only in the westernmost two of these divisions did corresponding changes take place in population."

That is all that we desire to add to what has already been said.

Mr. Wagner: If the Commission please, I have several sentences that I would like to get into the record, but I believe that the parties are willing to agree that anyone may refer to any portion of this document on brief, and if so, why that would relieve the record to that extent.

Commr. Aitchison: Well, that doesn't leave us with a very good record. In the event you have to make up a record, you better put it in.

[fol. 4988] Mr. Wagner: If the Commission please, may I leave with the reporter the portion I want to be copied in the record?

Commr. Aitchison: Have you shown it to counsel?

Mr. Wagner: Counsel has had my marked pages during the noon recess.

Mr. Bell: He has, but we better make these marks a little more definite.

Mr. Wagner: My marks are the two perpendicular lines beyond the lines——

Commr. Aitchison: Off the record.

(Discussion off the record.)

Commr. Aitchison: Anything further, Mr. Bell, or Mr. Wagner?

Mr. Bell: No, I think not, if there is no further cross-examination of Dr. Duncan. I regret very much that I did not get the presentation made orally, because I think it would have been quite interesting and shown quite a distribution and no restriction of market.

Mr. Taylor: I will call Mr. Hamilton. Mr. Hamilton has not been sworn, Mr. Examiner.

L. S. Hamilton, was sworn as a witness and testified as follows:

Direct examination:

Mr. Taylor: May we have his exhibit numbered, Mr. Commissioner?

[fol. 4989] Commr. Aitchison: Exhibit No. 218.

(Exhibit No. 218, Witness Hamilton, marked for identification.)

By Mr. Taylor:

Q. Please state your full name.

A. My name is L. S. Hamilton.

Q. Where do you reside, Mr. Hamilton?

A. My address is 516 West Jackson Boulevard, Chicago.

Q. By whom are you employed?

A. Chicago, Milwaukee, St. Paul & Pacific Railroad Company.

Q. I will show you the exhibit identified as 218 and ask you whether or not this exhibit was prepared by you or under your direction.

A. It was.

Mr. Taylor: We offer Exhibit 218 in evidence.

Commr. Aitchison: Without objection it may be received.

(Exhibit No. 218, Witness Hamilton, received in evidence.)

Mr. Taylor: Mr. Chairman, the testimony of this witness and the exhibit were distributed yesterday, and his qualifications and explanations of the exhibit are in the statement. Now, if there is no objection we are perfectly willing that it be copied into the record.

Commr. Aitchison: All right? Any objection?

Testimony of L. S. Hamilton on Behalf of Western Trunk Line Railroads

My name is L. S. Hamilton. My address is 516 W. [fol. 4990] Jackson Boulevard, Chicago, Illinois. I am Assistant General Freight Agent for the Chicago, Milwaukee, St. Paul and Pacific Railroad Company (Henry A. Scandrett, Walter J. Cummings, George I. Height, Trustees). I have been connected with the Traffic Department of the Milwaukee Road since 1919. My first position was Rate Clerk and, later, Chief Clerk in office of the Division Freight Agent, which I occupied for approximately five years; then Chief Clerk to Assistant General Freight Agent, Chicago, for two years; then Chief Clerk to the Assistant Freight Traffic Manager in charge of rates and divisions, Chicago, for seven years; Chief Clerk to Freight Traffic Manager, Chicago, until appointed Assistant General Freight Agent in November, 1940, having supervision of rates on local traffic, also interchange traffic, within Illinois Rate Committee territory, and issuance and distribution of tariffs. Since August, 1941, I have been engaged in preparation of evidence and testimony in connection with freight rate cases before the Interstate Commerce Commission and various State Commissions in the territory east of the Missouri River.

I have been called as a witness in this proceeding on behalf of the railroads operating in Western Trunk Line territory to offer testimony in rebuttal of claims made by witnesses representing commercial interests in Western Trunk Line territory at the Columbus hearing. While the claims of these witnesses for a change in the class rate struc- [fol. 4991] ture to and from the cities or territories they represent were not in every case identical, they were akin to the extent that these witnesses expressed the opinion they should have a lower scale of rates than now exists, not only within the zone in which they are located, but, as well, between their particular area and Official territory.

Witness Tharp initially testified on behalf of the railroads operating in Western territory and expressed the position of those railroads that the existing territorial spreads in rates should not, at this time, be altered.

Witness Townsend expressed the opinion that the Official territory scale of class rates should be extended into the Twin Cities and Southeastern Minnesota on and east of the line of the Omaha Railroad, Minneapolis to the Iowa-Minnesota State Line. Witness Smith of Duluth concurred in *that expression and the extension of the Official scale of* rates to Duluth and stated that he had no objection to extension of the rates to the Minnesota-North Dakota border and to the Missouri River, south.

Witness Sundberg for Iowa does not favor any territorial groupings for the class rate adjustment but expressed the opinion that if there are to be boundaries set up, they might properly be at the Missouri River, the effect of his testimony being that the entire State of Iowa should be included in the Official territory class rate zone.

[fol. 4992] Witness Smith, Waterloo, Iowa, expressed the belief that the inter-territorial class rates between Iowa and Official territory should not exceed those within Official territory, and that between the South and Iowa, the class rate level should not exceed that which may be prescribed between the South and Official territory.

Witness Real, Topeka, Kansas, wants the boundary of Zone 1 pushed westward so that Topeka will be in Zone 1 instead of Zone 2 as at present and that whatever basis of rates may be prescribed as a result of this proceeding for the present Zone 1, be applied within the territory he described on page 1, Section 2 of Exhibit No. 117.

Witness Dyer of Wichita, Kansas prefers a uniform scale throughout the territory involved in this proceeding, but in event that does not come about, he would reroute the Western boundary of Western Trunk Line Zone 2 to include Wichita, and further, if the suggestion of Witness Real of Topeka should result in Zone 1 being extended westward to include Topeka, then the Zone 1 boundary should be rerouted in order to include Wichita.

The principal contention of the Minnesota and Iowa witnesses, which I have heretofore mentioned, for broadening of the Official rate territory to include a part of Minnesota and all of Iowa, is that the industries in those states are in competition with industries in Official territory [fol. 4993] and that consequently they should have the same basis of rates. The witnesses from Topeka and Wichita stressed principally the competition with other cities located in zones further east, particularly Missouri River points located in Zone 1.

While I did not participate in the Western Trunk Line Class Rate Investigation, I. C. C. 17,000, Part 2, nor in the Consolidated Southwestern Cases, I. C. C. 13,535, it is my understanding from review of the reports of the Commission in those proceedings that the contentions of these witnesses are not new and appear to be almost identical with those put forth by witnesses representing the same areas in the proceedings mentioned.

My exhibit has been prepared for the purpose of showing that conditions have not changed since the various zones and rate relationships were established as result of the decisions in the Western Class Rate Investigation, I. C. C. 17,000 Part 2, 164 I. C. C. 1 and 204 I. C. C. 595, sufficiently to justify remaking of zones or any leveling of the class rates. Since this investigation involves class rates only, the exhibit is designed to indicate to the Commission conditions that influence the measure of rates on traffic of that nature within and between the existing zones in W. T. L. territory, and between that territory and Official and Illinois territory.

It will be noted in this exhibit that under Value of Manufactures as reported in the Census of Manufactures that [fol. 4994] certain cities or portsions of the territories are marked with an "x" which indicates that nothing was published because to have done so would reveal the actual or approximate business of some individual enterprise in the city or county. Under these circumstances, we have included in the exhibit all of the available information. This has a tendency to understate the total value of manufactures for any group of cities or portions of territory involved in the exhibit. The extent of the understatement cannot, of course, be determined.

The breakdown of the Value of Manufactures by counties in each of the Zone 1, 2 and 3 States eliminates the amount of undistributed value of manufactures not shown by counties but is included in the value for the State. This tends to decrease the value of manufactures by zones in W. T. L. territory when compared with C. F. A., where values for States of Illinois, Indiana and Ohio have been used in total.

The proportion of undistributed value of manufactures for 1939 to total for each of the W. T. L. territory States used is as follows:

W.T.L. State	Total Value of Manufactures	Undistributed	Ratio to Total
Kansas	$464,353,506	$13,365,306	2.88
Missouri	1,388,056,267	78,120,511	5.63
Nebraska	273,524,581	3,214,417	1.18
Wisconsin	1,604,507,356		
[fol. 4995]			
Minnesota	845,771,514	102,697,945	12.14
Iowa	718,531,801		
North Dakota	43,767,082	4,274,097	9.77
South Dakota	81,171,887	8,579,546	10.57
Total	5,419,683,994	210,251,822	3.88

Class rates have been designed and most generally do apply to consumers' goods and to commodities that have reached a final stage or near to a final state of completion; therefore, such rates are applicable to what we term "high-class traffic." The volume of traffic of that description that may move within, or, from and to a particular area, is necessarily influenced by the extent to which the commodities may be consumed or produced within that area, and the density of population, to a very large extent, controls. A different situation may and often does exist in respect to raw products on which commodity rates generally apply. Those products, such as grain, coal, lumber and others that move in great volume, may be produced in areas where the population is exceedingly thin, and the density of the population, therefore, has little bearing on the volume. These matters always have been and should be taken into consideration in making rates; and, as far back as the history of class rates goes, major consideration has been given to factors that offer information as to the actual or potential volume of traffic. The Commission recognized differences existing in [fol. 4996] transportation conditions within W.T.L. territory in I.C.C. 17,000 Part 2 Investigation, 164 I.C.C. Pages 198 and 199. Also that Illinois territory was more akin to

Official territory as to transportation conditions, including those parts of Wisconsin in Illinois territory, 164 I.C.C 211.

Volume 164 I.C.C. 208, affords access to the solution that the Commission reached on the problem of fusing the inter-territorial rates, and indicates the recognition given to the different transportation conditions as between Official territory, including Illinois territory, as described in that report, and Western Trunk Line territory, as had been recognized in respect to different levels of rates and the fusing of those rates within and between Zones 1, 2 and 3 in W.T.L. territory.

Pages 1 and 2 of my exhibit offer a comparison of the population growth and the value of manufactures between certain cities in Central Freight Association territory and Western Trunk Line territory. The cities named were chosen as representative of the territories in which they are located, and it will be observed that for the cities located in Central Freight Association territory, the total increase in population, 1940 over 1930, was one per cent. For the cities located in Western Trunk Line territory, named on page 2, the increase in population during the same period was 4.8 per cent, indicating that the freight class rate struc- [fol. 4997] ture did not, during that period, retard the growth of those cities as compared with the cities in the alleged more favored area. It will be observed from line 10, page 2, that the population of the Twin City area had an increase of 6.2 per cent which would seem to be an answer to the allegation by Witness Townsend that there has been a loss of industries to that community because of the freight rate adjustment. The population of an urban area would not likely increase if its industries were being drawn away. The same may be said of Des Moines, Iowa and Cedar Rapids, Iowa, lines 11 and 12 of the same page. As proof of a much greater production of manufactures in respect to population in Central Freight Association territory versus Western Trunk Line territory, attention is called to the column "Value Per 1000 of Population—1933 and 1939", pages 1 and 2. Additional data on those pages shows the much greater importance of manufacture in Central Freight Association territory than in Western Trunk Line territory. There is a great difference in industry as between Western Trunk Line territory and Central Freight Association territory. In Western Trunk Line territory, industry is largely agriculture and livestock and production related to those industries which results in a low ratio of class rate traffic; while, in Central Freight Association territory, industry is largely that of the kind that produces manufactured commodities of an entirely different nature and which is, to a major extent, class rate traffic.

[fol. 4998] Page 3 is self-explanatory and pictures some of the differences between Central Freight Association territory and Zones 1, 2 and 3 in Western Trunk Line territory and some of the differences between those zones. The detail of this information is shown on pages 4, 5 and 6. The population per mile of railroad, line 11, page 3, is particularly enlightening.

The fact that, as disclosed on pages 1 and 2, the value of manufactures in Central Freight Association territory increased at a considerably greater ratio than in W.T.L. territory, 1939 over 1933, must be considered in connection with the industrial centers, that is, those centers producing consumers' goods, were more seriously affected by the depression than the communities having a lesser degree of industrialization, and, for this purpose, page 7 of the exhibit has been prepared, which shows for that part of Central Freight Association territory used throughout the exhibit, and taking the year 1929 as representing 100 per cent, that area fell to 38.97 per cent in 1933 and recovered to 78.70 per cent in 1939 contrasted with Zone 1 where the value of manufactures fell to 44.08 per cent in 1933 and recovered to 75.34 per cent in 1939; Zone 2, which dropped to 42.76 per cent in 1933 and recovered to 62.74 per cent in 1939, and Zone 3 which receded to 46.66 per cent in 1933, and, in 1939 recovered to 67.83 per cent of the 1929 production.

There are many factors to be considered in respect to the [fol. 4999] greater increase in manufactures in Central Freight Association territory for the years mentioned as compared with Zones 1, 2 and 3 in Western Trunk Line territory. One of particular significance following the depression was the tremendous recovery of the automobile industry which reached its peak around 1929 and 1940, and it cannot be overlooked that the greater production of automobiles, parts and accessories is in Central Freight Association territory. Another factor of some significance is that with the end of prohibition in 1934, the distilling and brewing industry came back into the picture, and, since the location of the larger of that type of industry is in Central Freight Association territory, including Illinois, the increase in manufactures, 1939 over 1933, is further augmented. A striking example is Peoria, Illinois, Line 20, page 1, of my exhibit, which shows a ratio of 283.2, and Evansville, Indiana, line 30, a ratio of 212.3.

Pages 9 to 28 of my exhibit furnishes detailed information in respect to population and value of manufactures for the areas included in W.T.L. Zones 1, 2 and 3, in the States of Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas. A recapitulation of this information is set forth in condensed form on page 6, contrasted with similar date for that part of Central Freight Association territory which has been referred to heretofore. These figures have been separated as to those [fol. 5000] for Central Freight Association territory and for Zones 1, 2 and 3 of W.T.L. territory. It should be observed that in a general investigation of this nature the average conditions in a territory should be considered. In Central Freight Association territory, as described on page 6, lines 9 to 14, population per mile of railroad in 1940 was 749. The value of manufactures per mile of railroad in 1939 was $505,494. In Zone 1, Western Trunk Line territory for the same years, population per mile of railroad, 313—value of manufactures $92,579. Zone 2 population per mile of railroad, 280; values of manufactures $64,754. Zone 3, population per mile of railroad, 203; value of manufactures $24,954. In this connection, value of manufactures per 1,000 population, as shown in the last column on page 6, should have consideration, the total for Central Freight Association territory being, for 1939 per 1,000 of population as of 1940, $674,969; Western Trunk Line territory Zone 1, $295,521; Zone 2, $230,995; Zone 3, $122,845. The foregoing depicts some of the average conditions in these territories and, as was stated by the Commission in report in I.C.C. Docket 17,000, Part 2, 164 I.C.C. 198: "Differences considered in fixing zone boundaries are the averages, throughout the areas, of traffic and population densities, operating conditions, jobbing and other commercial and industrial competitive situations, and the rate bases prescribed in other case. Although those conditions rarely change abruptly, zone boundaries must be fixed some- [fol. 5001] where, and thus to some extent arbitrarily but based upon mature deliberation and informed judgment."

In setting forth the figures and averages as indicated in my exhibit, the lines of the rate zones have been strictly observed to the extent possible in showing population and value of manufactures; therefore, St. Louis, Missouri, as an example, is included in Zone 1, and Kansas City, Kansas, is included in Zone 2; likewise, Omaha, Nebraska. But St. Louis, Missouri, if shipping to or receiving class rate traffic from points in the east, has the Central Freight Association rate scale. If shipping westward or receiving freight from the west, the Western Trunk Line scale of rates applies. Kansas City, Kansas, and Omaha, Nebraska, if shipping eastward or receiving freight from the east, have rates made on basis of the mileage traversed through Zone 1 territory, but, if the movement is from or to points west, the rates are made on the basis prescribed for the zones applying in that direction. This is mentioned for the reason that the average figures for Zone 1 as to population and the value of manufactures is increased by including, for example, St. Louis, Missouri, in Zone 1, and, likewise, the figures for Zone 2 are inflated by including Kansas City, Kansas, and Omaha, Nebraska. Other situations could be mentioned but these are cited as examples and for the reason that those more heavily populated and heavier producing communities which are located on the border [fol. 5002] line might as well have been included in this exhibit, in the zone having the lower rates, but by strictly following, from a statistical point of view, the boundaries of the zones as prescribed by the Commission in I.C.C. 17,000, Part 2, the more thinly populated and less productive areas in respect to the showing which we are making in this presentation are, to some extent, favored. In other words, if Kansas City, Kansas, which is located immediately adjacent to the western boundary of Zone 1 with population of 121,458 and value of manufactures of $167,228,236, was taken out of the total shown for Zone 2 on page 26, the averages in population per square mile and the value of manufactures for that zone would be greatly reduced. Kansas City, Kansas, is in Wyandotte County and the average population per square mile for that county is 960.7 for 1940, whereas the average for Zone 2 in the State of Kansas is 38, including Wyandotte County. The value of manufactures for Wyandotte County in 1939 was approximately $177,000,000 compared with the total in Zone 2 of Kansas, including Wyandotte County, of approximately $259,000,000.

The maps reproduced on pages 30, 31, 32 and 33 are complementary to the statistics by counties as shown on pages 9 to 28 inclusive, and are for the purpose of presenting a picture of the existing zones when considered with the statistical data mentioned of traffic conditions in detail within those zones.

[fol. 5003] It is the belief of the Western Trunk Line railroads that the information contained in my exhibit fully justifies the position heretofore taken that existing conditions do not warrant any alteration of the present class rate structure. Without going into further detail, the exhibit, in our opinion, definitely shows the great contrast in conditions as between Official territory and Western Trunk Line territory, and the considerable differences on the average as between the presently existing zones in W.T.L. territory which, we believe, graphically pictures the conditions that justify the higher lever of rates in Zone 1, of W.T.L. territory than applies in Official territory and progressively higher rates in Zones 2 and 3 of W.T.L. territory.

Mr. Taylor: You may cross-examine.

Commr. Aitchison: Any cross-examination? Apparently not.

Mr. Taylor: That is all, Mr. Hamilton.

Mr. Barron: Mr. Chairman, we have one more witness for the Southwest, Mr. Roberts, of Dallas. His exhibits were expressed last Friday. Unfortunately they have not been received, and with the permission of your Honor, we would like to put Mr. Roberts on some time tomorrow, if these exhibits are received in time to be distributed before he testifies.

Commr. Aitchison: All right. You call the matter up again then tomorrow.

[fol. 5004] Mr. Barron: Yes, sir, I will.

Mr. Hughes: Mr. Chairman, that concludes for the present the presentation of the Western lines.

Mr. McCollester: I have a witness I could call at any time, Mr. Chairman.

Commr. Aitchison: All right.

George B. Robinson, previously sworn as a witness testified as follows:

Direct examination.

By Mr. McCollester:

Q. You are the same George B. Robinson who testified on this hearing, in this proceeding?

A. Yes, sir.

Q. You are connected with the Division of Commerce of the State of New York?

A. I am.

Q. In what capacity?

A. Director of the Bureau of Planning of the Division of Commerce.

Q. For the purposes of this proceeding you prepared and identified, did you not, an exhibit which was marked as No. 160 and received in evidence, which was a reproduction of excerpts from publications relating to industrial progress in the South?

A. I did.

Q. Have you prepared a similar exhibit reproducing por- [fol. 5005] tions of later publications in order to bring the issue more nearly down to date?

A. I have.

Q. Is that the yellow covered document that you have before you?

A. It is.

Mr. McCollester: May that be marked, Mr. Commissioner?

Commr. Aitchison: Exhibit 219.

(Exhibit No. 219, Witness Robinson, marked for identification.)

Commr. Aitchison: These are all from the Manufacturers Record, aren't they?

The Witness: And from the Year Book of Manufacturers, the Blue Book of Southern Progress, an annual publication of the Manufacturers Record Publishing Company, which also publishes the Manufacturers Record.

Commr. Aitchison: Well, that is one of the documents that was referred to by a gentleman—I have forgotten his name.

Mr. McCollester: That is right; the editor of the Manufacturers Record.

Q. You have produced portions of the publication in the same way that you did in your Exhibit 160; is that correct?

A. Yes, sir.

Mr. McCollester: We offer Exhibit 219 in evidence.

Commr. Aitchison: Without objection it is received.

[fol. 5006] (Exhibit No. 219, Witness Robinson, Received in evidence.)

Mr. McCollester: You may cross-examine.

Cross-examination.

By Mr. Norman:

Q. On page 4, headed "Diversified Manufacturing in the South" what is included "in the South" there?

A. The South includes those States which are named, starting on page 10, at the top of the columns, in the "Economic Summary by States 1941."

It includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

Q. On page 9, for example, that is consolidated as to all of those States; is that right?

A. I understand that is a summary table of the following data by States for the region that is designated as the South by the Blue Book of Southern Progress.

Q. And the purpose of this exhibit is to show the extent to which manufacturing has developed in the South?

A. Yes, sir.

Q. Now, another witness for the State of New York has testified that the South ought to develop its manufacturing before it asks for rates on manufactured articles comparable to those where the development has taken place,

[fol. 5007] Mr. McCollester: I don't know of any witness who testified to that effect.

Mr. Norman: Dr. Van Meter certainly did so testify.

Q. I would just like to ask you how much further you think the South should have to develop its manufacturing before it got to that place?

Mr. McCollester: Well, I object to that as not proper cross-examination

Commr. Aitchison: I think it goes beyond the scope of the direct examination a great deal. He has not testified——

Mr. Norman: He what?

Commr. Aitchison: He has not made any deadline.

Mr. Norman: I know he has not made any deadline. That is what I am asking him to draw.

Mr. McCollester: You are cross-examining him on Dr. Van Meter's testimony.

Mr. Norman: Well, I will ask him this question then.

Q. Do you think the facts shown by your exhibit establish that the South has so progressed with its industry and manufacturing as to be in the class where it is entitled to rates on manufactured articles compared with those in other territories?

Mr. McCollester: I object, because the witness has not been offered as the witness to testify at all about freight rates, or how freight rates should be made.

Mr. Norman: I am not asking him about any freight rates.

[fol. 5008] Commr. Aitchison: This objection is sustained. This testimony, if it is material and relevant here at all is an impeachment or for the purpose of enabling us to give proper weight to the testimony of the editor of the Manufacturing Record, who testified as a witness in this proceeding.

Mr. Norman: The point is, Mr. Chairman, that they take both horns of their dilemma when it comes to the South. They say first you must build your mouse trap; you haven't built your mouse trap and therefore you are not entitled to rates on manufactured articles; and then, in the very next breath, representing the same interests, they come along and say, just what you have done, that you have developed your manufacturing to a point that it is just amazing. Now, one or the other, it seems to me, must be in possession of the facts.

Mr. McCollester: I don't think I need to argue the point.

Commr. Aitchison: No. I has been ruled on.

Mr. McCollester: All right.

Mr. Norman: That is all.

Mr. McCollester: That is all, Mr. Robinson.

Mr. Norman: Mr. Commissioner, I have been taken by surprise here. I had no idea I would be reached until tomorrow.

Commr. Aitchison: Is anybody else prepared to go on?

Mr. Norman: Mr. Henderson can go on, but he has——

Commr. Aitchison: Off the record.

(Discussion off the record.)

[fol. 5009] Commr. Aitchison: You may proceed.

T. M. Henderson, was sworn as a witness and testified as follows:

Direct examination.

By Mr. Norman:

Q. State your name and residence.

A. My name is T. M. Henderson; residence, Nashville, Tennessee.

I am Commissioner of the Nashville Freight Bureau (organized in 1910 as the Traffic Bureau of Nashville), which position I have held for the past 32 years. Prior to my connection with the Nashville Freight Bureau I was employed in the traffic departments of the Southern Carriers for a period of about 10 years in the capacity of rate clerk, chief rate clerk, and chief clerk, and my traffic experience covers a period of approximately 43 years.

I am a registered Practitioner before the Interstate Commerce Commission, holding certificate dated August 12, 1929, and am a member of the Association of Practitioners before the Interstate Commerce Commission and one of the regional vice presidents of that association.

I have been a member of the Board of Governors of the Southern Traffic League since its organization, June, 1918, and have served one term as president, several terms as chairman of its Board of Governors, and have been executive secretary of the League since April, 1930.

I am a member of the Traffic Committee, employed by the [fol. 5010] Southern Governors Conference, to prepare and present the rate evidence in these proceedings.

I appear in rebuttal of statements made to the effect that these proceedings are the result of politics, and that Southern industry is not supporting the effort to secure an equality of class rates and ratings with the class rates and ratings in Official Classification territory, and in rebuttal of statements that the establishment of commodity, or so-called column, rates to Official Classification territory, on the same level as rates within the Official territory can, and should, be obtained through individual or specific adjustments, inasmuch as the Official Classification lines, since the decision of the Commission in the case known as the Governors' Commodity Case, 235 I. C. C. 255-350, have not declined to join the Southern carriers in rates to Official territory made on the Official territory level.

I will show that organizations representing a large proportion of the manufacturing industry in the South are now, and have in the past, fully supported the position of the Southern Governors in their efforts to obtain a parity of class rates with the class rates within Official territory and, in fact, the movement to secure this parity of rates originated with the jobbing and manufacturing interests in the South, and not with the Southern Governors.

I will also show that as a practical matter the trouble can [fol. 5011] not be cured by individual or piecemeal adjustments.

In order to properly present this matter it will be necessary to give an outline of the membership and purposes of these organizations, with a brief history of their efforts to secure relief from the present class rate adjustment within, and from the South.

The Nashville Freight Bureau is a non-profit, voluntary association of merchants and manufacturers, incorporated under the laws of the State of Tennessee, with the principal place of business at Nashville, Tennessee. Its activities are directed toward the promotion and fostering of the commercial interest of its members and the City of Nashville, as a whole, in the matter of transportation charges, rules, and practices.

The Southern Traffic League is a corporation existing under the laws of the State of Georgia, with its principal office at Nashville, Tennessee. It is a non-profit, southern traffic organization, having in its membership many of the largest and most important shippers and traffic organizations in the South.

As Commissioner of the Nashville Freight Bureau I act in the capacity of general traffic manager, or traffic consultant, for its members; handling rate adjustments with the carriers and rate committees of the carriers, formal and informal complaints before the Interstate Commerce Commission and the Railroad and Public Utilities Commission of the State of Tennessee.

The membership of the Nashville Freight Bureau includes [fol. 5012] practically every line of industry in Nashville, such as manufacturers of paper boxes; distributors of paper and paper articles; wholesale hardware dealers; dealers automobile accessories; producers of sand and gravel; manufacturers of brick and dealers in building material; retail department stores, manufacturers of lumber and hardwood flooring; dealers in farm implements; manufacturers of stoves and related articles; producers of cereal products; feed manufacturers; wholesale grocers; manufacturers of bed springs and mattresses; printers and dealers in office supplies; wholesale druggists; iron and steep fabricators; public utilities, manufacturers and dealers in machines and supplies; manufacturers of caskets; publishers of newspapers; cold storage concerns, ice manufacturers; wholesale dry goods and notions; contractors; producers of stone; manufacturers of candy; manufacturers of wood and metal culvert; plumbing and heating supply companies; manufacturers of work clothes and shirts; oil refiners and large consumers of coal.

Commr. Splawn: You mean, industrial consumption of coal?

The Witness: I didn't hear you.

Commr. Splawn: You mean, consumption of coal in the industries?

The Witness: That is right, and by the city of Nashville itself, in its various departments.

The City of Nashville, as a municipality, and the Cham- [fol. 5013] ber of Commerce of Nashville, are members of the Bureau, so it can be fairly said that the Bureau represents every commercial and industrial interest in the city.

The membership of the Southern Traffic League is confined to actual shippers and bona fide traffic and transportation organizations, Chambers of Commerce, and so forth, so that the League represents the commercial and industrial interests more fully than would be indicated by the numerical membership. For example, I have no individual membership in the League; the Nashville Freight Bureau is a member, and I have shown the wide and varied commercial and industrial interest represented in the membership of the Bureau.

I am the representative of the Nashville Freight Bureau in the activities of the League.

The same is true of a number of other organizations, such as the Atlanta Freight Bureau, the Chattanooga Manufacturers Association, the Charlotte Shippers and Manufacturers Association, the Cotton Manufacturers Associations of South Carolina, the North Carolina Cotton Manufacturers Association, the Georgia-Alabama Textile Traffic Association, the Southern Furniture Manufacturers Association, the Southern Newspaper Publishers Association, the Growers and Shippers League of Florida, the Harlan, Hazard and Southern Appalachian Coal Operators Association, the Jacksonville Traffic Bureau, the Memphis Freight Bureau, the Tampa Traffic Association and other similar organi- [fol. 5014] zations, the Port Authorities of the States of South Carolina, Florida, Virginia and North Carolina. There is also included in the membership individual concerns engaged in the business of manufacturing, processing and distributing, grain and grain products, lumber, cement, textiles, canned goods, cotton and paper bags, brick, clay, clay products, sand, gravel, chemicals, paper, cigarettes, tobacco, vegetable oils, and other commodities.

The members are located in Atlanta, Georgia; Birmingham, Alabama; Charleston, South Carolina; Charlotte, North Carolina; Chattanooga, Tennessee; Chicago, Illinois, Cincinnati, Ohio; Clinton, Iowa; Danville, Virginia; Enka, North Carolina; Greensboro, North Carolina; Griffin, Georgia; Hamilton, Ohio; Hartsville, South Carolina; High Point, North Carolina; Indianapolis, Indiana; Jacksonville, Florida; Kannapolis, North Carolina; Knoxville, Tennessee; Miami, Florida; Mobile, Alabama; Nashville, Tennessee; New Orleans, Louisiana; New York, New York; Norfolk, Virginia; Orlando, Florida; Pisgah Forest, North Carolina; Richmond, Virginia; St. Louis, Missouri; Salisbury, North Carolina; Savannah, Georgia; Tampa, Florida; Toccoa, Georgia; Wilmington, Delaware; Wilmington, North Carolina; and Winston-Salem, North Carolina.

Speaking first with respect to the position and activities of the Southern Traffic League. The rates prescribed by the Interstate Commerce Commission in the Southern [fol. 5015] Class Rate Investigation, Docket 13,494, 100

I. C. C. 513, decided July 7, 1925, and Supplemental Reports, 109 I. C. C. 300, decided April 12, 1926, 113 I. C. C. 200, decided July 19, 1926, and 128 I. C. C. 567, decided July 19, 1927, were never satisfactory to the traffic men representing the commercial and industrial interests in Southern territory.

These rates are considerably higher than advocated by the Southern Traffic League, in Docket 13,494, for application in the Southern territory and between Southern and Official territory.

These rates were considered and discussed by the members of the Southern Traffic League for several years, and at a membership meeting of the League, held in Atlanta, Georgia, March 21, 1934, the following six-point program was adopted:

1. To secure a reduction in the class rate level in the South.

2. To secure a readjustment and reduction in the interterritorial rates from Southern to Official Classification territory.

3. To continue participation and activities in the Consolidated Southwestern Cases until they are finally disposed of.

4. To secure an equality of rates from the South to Southwestern and Western Trunk Line territories, with the rates from Official to Southwestern and Western Trunk Line territories.

[fol. 5016] 5. To bring about a simplification and liberalization of the rules and regulations, and packing requirements of the Consolidated Classification.

6. To bring about a more expeditious handling of rate proposals by the Southern Freight Association and other standing rate committees of the carriers.

This program was considered and unanimously approved, by the members at subsequent meetings of the League.

In an effort to carry out the first part of the program of the League, adopted at Atlanta, Georgia, March 21, 1934, the Board of Governors, in March, 1934, asked for an immediate conference with the executives of the Southern carriers, but it was not until May 24, 1935, that we were able to arrange the conference, which was held in Atlanta, Georgia, on that date.

The Southern carriers advised that they would not consider a revision of the class rate structure.

The Southern Railroad and Public Utilities Commissions became interested, and after several meetings between the Board of Governors of the Southern Traffic League and the Southern Railroad and Public Utilities Commissioners, Mr. J. P. Wilhoit, at that time chairman of the Public Service Commission of Georgia, arranged for another conference with the carriers' executives, when the executives of the Southern carriers were again requested to give consideration to a downward revision of the class rates [fol. 5017] within the South, and the southern carriers again declined to consider any revision in the then existing mileage scale.

Upon the second refusal of the Southern carriers to consider a revision of the Southern Class Rate scale, the Board of Governors of the League held a special meeting at Atlanta, Georgia, September 3, 1935, and concluded to join the Southern Railroadand Public Utilities Commissions, in a petition to the Interstate Commerce Commission to institute a general investigation of class rates, and this action of the Board was unanimously approved at a membership meeting of the League at Greensboro, North Carolina, September 18, 1935.

The scope of the investigation was discussed at a number of meetings of the League, joint meetings of the League and Southern Railroad and Public Utilities Commissioners and interested shippers, not members of the League, and after all of the discussions, it was concluded to limit the petition for the investigation to class rates within the Southern territory, eliminating, at that time and in these proceedings, interterritorial class rates and intra and interterritorial commodity, or so-called column, rates.

Petitions, seeking the investigation as outlined, were filed on September 25, 1936, by the Southern Traffic League, the Association of Southern Railroad and Public Utilities Commissions, and by most of the Commissions individually. [fol. 5018] Similar petitions were filed by the North Carolina Traffic League and a number of the individual members of the Southern Traffic League.

Petitions were filed by the rail carriers, and by shippers outside Southern territory, to have the scope of the proceedings enlarged to include interterritorial class rates, between the Southern and Official territory, which were submitted to all parties.

The League and others, parties to the original petitions, filed answers, urging that the investigation be confined to class rates within Southern territory, and protesting against any broadening of the issues as set out in the original petitions. Our objections were overruled and the Commissions instituted Southern Class Rate Investigation, Docket No. 27655,

We insisted that the investigation be limited to the class rates within Southern Territory because we felt that the high level of class rates within the Southern Territory was the root of the evil and the foundation of the whole trouble. It was our thought that the investigation of these rates would be a fairly simple matter, involving a relatively small record and could be disposed of in a relatively short time, and that with reasonable class rates within the South, reasonable interterritorial class rates would automatically follow.

Our efforts to secure a revision in the class rates received much publicity in the newspapers; the Southern Governors [fol. 5019] became interested; had several meetings with the Southern Railroad and Public Utilities Commissions and the Board of Governors of the League, and at a meeting in Atlanta, Georgia, May 11, 1937, the Southern Governors took the matter in their hands and concluded to file a separate complaint involving certain commodities, which are included in Docket No. 27746, State of Alabama, et al., vs. the New York Central Railroad Company, et al., reported in 235 I. C. C. 255. This case was placed in the hands of a special committee of three Southern Governors, of which Honorable Bibb Graves, at that time Governor of Alabama, was Chairman.

The Southern Class Rate Investigation, Docket 27655, was placed in the hands of a special committee of three Southern Governors of which Honorable Gordon Browning, at that time Governor of Tennessee, was Chairman.

The Southern Traffic League intervened in favor of complainants in the Governors' Commodity Case, Docket No. 27746, but the League, as such, took no active part in the case, because the attorneys employed by the Governors, employed rate experts, statisticians, and so forth, to prepare the necessary data and made their own arrangements for commercial witnesses.

Both traffic men employed by the Governors in that case, were members of the Southern Traffic League, but were not employed as representing the League. They were authorized, however, to testify that the League advocated the [fol. 5020] rates sought, that is, the same level as within Official territory.

While these cases were on the docket of the Commission, and before the commodity rate case was heard, numerous petitions were filed by interests in the East to consolidate Docket No. 27746 and the Class Rate Case, Docket 27655, and the Southern Traffic League, and others, filed briefs in opposition to the consolidation, and the petitions for the consolidation were denied.

The Governors' Committee, in charge of the Class Rate Investigation, Docket No. 27655, employed counsel and made plans for the presentation of that case, but the hearing was delayed, from time to time, and the committee in charge finally concluded that the time was not opportune for the presentation of the class rate case, and on request of counsel, representing the Governors, these proceedings were discontinued, without prejudice to future consideration, by order of the Commission dated April 11, 1938.

At a membership meeting of the Southern Traffic League, held in Charlotte, North Carolina, March 15, 1939, at which members of the Railroad and Public Utilities Commissions of Tennessee, North Carolina and Florida were present, the League unanimously adopted a resolution to request the Interstate Commerce Commission to reinstate the Class Rate Investigation, and a special committee of the League was appointed to personally present the petition to the Inter- [fol. 5021] state Commerce Commission.

Commr. Aitchison: May I interpose there? Now, down to this time, if I have followed your narrative correctly, nothing has been indicated which showed that you were interested in getting a uniformity of classification as between the two territories, other than covered by Point 5 in the six-point program adopted in 1934; is that correct?

The Witness: Mr. Chairman, our idea at that time was to take, as we thought, the quick course to secure uniformity; in other words, we felt if we could get an equal level of rates and classification within the South, that automatically we would get it interterritorially; in other words, if the rates within the South were on a parity with the Eastern scale, the rates and classifications the same, there could be no argument in our minds about having interterritorial rates on the same basis.

Commr. Aitchison: But I have not caught anything yet in your presentation which would indicate that you had in mind getting the same classification in the two territories.

The Witness: Well, it was not mentioned, but the equality of the rate was what we had in mind.

Commr. Aitchison: At that time the same disparity existed; did it not, with respect to different consists of the classes below first, in the Official and Southern classifications, both carried in the consolidated classification.

[fol. 5022] The Witness: That is right, yes. As I say, while the classification, as I recall it, was not considered in detail and was not included in the program, the whole idea was to secure a parity of rates, and to that, we would necessarily have to have a uniform classification. What I mean to say, the whole idea back of the program was to have an equality of rates, and without an equality of classification we could not get an equality of rates.

Commr. Aitchison: That implied also a uniformity then under your points, with the Western classification as well.

The Witness: Yes, sir.

Commr. Aitchison: Well, I don't want to interrupt you now further on that, but you can be thinking about it. I want to ask you later if you did not at one time have an opportunity in the South to get the Western classification applied in that territory, and there was so much opposition to it that it was withdrawn? I will ask you about that later, but in your subconscious mind you can be thinking about it in the meantime.

Mr. Grubbs: If the Commission please, while there is a lull here, there is a problem troubling me that I think ought to be raised. As I understand the nature of this testimony, it is presented as rebuttal to the testimony that was presented by the Southern railroads.

Commr. Aitchison: By Mr. Ribe and Mr. Ridell and others.

Mr. Grubbs: Yes, sir. Now, as I understand the rules [fol. 5023] of procedure, unless there is some special ruling to open and close the case, the Southern railroads opened the case and then presented rebuttal. and now this comes, it seems to me, in the nature of surrebuttal.

Commr. Aitchison: All right. Well, let him have surrejoinder. We won't have any trouble when we get done with this. We will see that you all have an opportunity to be heard.

Mr. Grubbs: That is all I want to know, if we will have an opportunity, in the event we see fit, to reply to the statements that are being made at this time. Thank you, your Honor.

Commr. Aitchison: You will have reasonable opportunity.

Mr. Norman: There should be some here at this hearing.

Commr. Aitchison: Well, we will later, after that.

Mr. Norman: And besides, I want to joint out that counsel says that the Southern railroads introduced their case first. We all know what kind of a case they introduced. They just didn't introduce. They waited until we went on the stand and then came forward with their case.

Commr. Aitchison: Well, so long as we get the facts out of here, we will act in the future and hope we act advisedly, and it is not so important as to the order in which we get those facts.

Mr. Norman: All right.

By Mr. Norman:

Q. Proceed, Mr. Henderson.

[fol. 5024] A. This committee, with a committee representing the Southern Governors and the Southern Railroad and Public Utilities Commissions, arranged for a conference with the Interstate Commerce Commission, Washington, D. C., May 31, 1939, when the Commission was asked to reinstate the investigation, and again urged to confine the investigation to class rates within the Southern territory. At that conference we were assured that our requests would be given consideration, but that the Commission, at that time, could not commit itself to confine its investigation to the limits requested by the League, the Southern Governors and Southern Railroad and Public Utilities Commissions.

Following our conference, the Commission issued its order of August 1, 1939, instituting a general investigation of the class rates, to, from and between all points in the United States, East of the Rocky Mountains, Docket No. 28300, and at the same time, instituted, its investigation in Consolidated Freight Classification, Docket No. 28310, and Motor Carrier Classification, Docket No. MC-C 150.

In our Conference in Washington, D. C., May 31, 1939, we requested the Commission, in its study of the class rates within the Southern territory, to provide the following information for the record:

1. Cost studies in Southern and Official territories.

2. Classification analyses of ratings in the Southern and [fol. 5025] Official classifications, and exceptions.

3. Appropriate revenue tests.

4. Appropriate analyses of traffic, including character of traffic, traffic flows, and the determination of commodities moving on class rates and upon the basis of percentages of the first class rates.

The original notice to the public, and order against the railroads, indicated that the Commission would supply certain information, which it has done, and required the railroads to furnith other information, which was later eliminated from the order.

The menbership of the Southern Traffic League was unanimous in its opinion that there should be an investigation of class rates, for the purpose of putting the rates within the South, and the interterritorial rates between the South and the North, on a parity with the class rates in Eastern or Official Classification territory, to remove these rate barriers.

During all of its discussions and considerations of the question, extending over a period of six years, there was no dissent from this position, and it was not until the formation of the Southeast-Southwest Shippers' Conference at Birmingham, Alabama, April 5, 1940, that any difference of opinion arose.

The Southeast-Southwest Shippers Conference is an organization, the membership of which is composed almost exclusively of the producers and shippers of raw materials, [fol. 5026] semi-manufactured products, and completely manufactured articles, the rates on which have been established on a satisfactory basis, through negotiations with the carriers, or by orders of the Interstate Commerce Commission. (See State of Alabama, et al., vs. NYC R. R., et al., 235 I. C. C. 255-350 and cases cited therein.)

This group has little, if any, interest in class rates or classification ratings.

Several members of the League affiliated themselves with the Southeast-Southwest Shippers' Conference, and as a result of the Birmingham meeting, April 5, 1940, a difference of opinion did arise, with the membership of the Southern Traffic League.

As a result of this difference of opinion the Southeast-Southwest Shippers' Conference called a meeting in New Orleans, Louisiana, May 17, 1940, and Mr. W. A. Gunn, President, T. M. Henderson, Executive Secretary, and E. L. Hart, Traffic Manager, Atlanta Freight Bureau, all members of the Board of Governors of the League, were invited to attend, and discuss the difference of opinion, in an effort to iron out these differences, and present to the Commission a program satisfactory to all interests.

At the New Orleans Meeting the following resolutions were adopted by the Southeast-Southwest Shippers' Conference:

"Whereas, the prepared statement of President Gunn, Southern Traffic League, shows that the policies of the [fol. 5027] Southern Traffic League are in accord with the principles *an*nunciated by this group at its Birmingham, Alabama, meeting, on April 5, 1940.

"Therefore, Be it Resolved that we request the Southern and Southwestern Traffic Leagues to urge the Southern Governors' Conference and the Interstate Commerce Commission that the Class Rate Investigation exclude from consideration all carload rates regardless of how published, whether specific commodity, column, percentage of first class, or classification ratings."

The resolution was submitted to the members of the Southern Traffic League for a mail vote and a majority voted against same.

The resolution was again considered at a membership meeting of the League, in Greensboro, North Carolina, September, 1940, and was again defeated by a majority vote of the members present.

In Docket 13494, 100 I. C. C. 612, decided July 7, 1935, Chairman Eastman said:

"The rates in issue are class rates applicable, not to a particular commodity, but to a multitude of different kinds of relatively high-grade traffic. Neither points of origin nor points of destination are restricted. In Southern territory big shippers and little shippers, great cities and small towns, are alike interested in class rates, and there are no natural conditions affecting production or consumption [fol. 5028] which divide them into groups so far as such traffic is concerned.

Commr. Aitchison: Am I to judge from that that our then Chairman, Commissioner Eastman, was in error? You say that the members of the Southeast-Southwest Shippers' Conference are not interested in the class rates.

The Witness: I didn't understand you.

Commr. Aitchison: I am just asking whether or not Commissioner Eastman was in error, or there is some conflict in your statement at the top of page 15 that the Southeast-Southwest Shippers' Conference has little, if any, interest in the class rates.

The Witness: Well, that group has not, and they are the ones that are opposing this investigation.

Mr. Norman: But, that does not negative the idea that there are big shippers who do have an interest in it, and that is what Mr. Eastman says.

Commr. Aitchison: Big and little both, he says.

Mr. Norman: Yes; well, they are big and little, both, even though they can't all be big.

Commr. Aitchison: Well, the fair inference from what Commissioner Eastman then said was that everybody in the South was interested in class rates.

The Witness: Well, that is one purpose of the testimony, in rebuttal of statements that have been made, that industry in the South is not interested in class rates. We say it is.

[fol. 5029] Commr. Aitchison: All except those of them that you have described at the top of page 15.

The Witness: The Southeast-Southwest Shippers' Conference; yes, sir, who do not ship on class rates.

Commr. Aitchison: All right. Clearly Mr. Eastman must have been wrong then in saying "there are no natural conditions affecting production or consumption which divide them into groups so far as such traffic is concerned."

The Witness: Well, so far as class rate traffic was concerned.

Commr. Aitchison: Yes.

The Witness: Of course, there are some big shippers that ship on class rates, and they are interested in the class rate adjustment. There are other big shippers who do not use class rates and they are not interested, but our point is that the big shippers and the little shippers, the big cities and small cities in the South, are vitally interested in the class rate adjustment.

Mr. McCollester: Except for those who are members of the Southeast-Southwest Conference.

The Witness: I said there are big shippers and little shippers in the South that are vitally interested in the rates.

Mr. Grubbs: So as not to interrupt Mr. Henderson when he begins to take up his next paragraph, I notice an argument begins at this point, and I would like to object to the [fol. 5030] argument that proceeds from this point on.

The Witness: I don't see any argument.

Mr. Norman: Well, the very next sentence says "There is, therefore, no foundation for the statements made by certain commercial traffic men in the South," and so forth.

By Mr. Norman:

Q. That is a statement of fact, is it not?
A. Yes, sir.

Commr. Aitchison: It all bears on something that none of you have read, and that is the question whether there is the demand from business and industry in the South for a revision of class rates, and also a question which is implicit as to whether it is in the best interests of the business and industry in the South that there should be a revision, whether they demand it or not. There has been testimony with respect to that very matter, and clearly Mr. Henderson is entitled to give us the benefit of his experience and knowledge of the history and the present conditions with respect to whether there is this demand which has been mentioned. Proceed.

A. (Continuing) The foregoing clearly indicates the general interests in, and the importance of, the measures and relationship of class rates to, from, and between, points in the Southern territory. There is, therefore, no foundation for the statements made by certain commercial traffic men in the South, and by witnesses of the carriers, that there is no demand from business and industry in the South for a revision of class rates, to remove rate barriers and dis-[fol. 5031] criminations, and to establish a parity of class rates and a uniform classification, within the South and between the Southern and Eastern territories.

Commr. Splawn: Is that demand, Mr. Henderson, limited to between the South and Eastern territory?

The Witness: Well, no. I think the Southwest have put in their——

Commr. Splawn: I mean, so far as the South is concerned, is the only interest in the South in class rates, in the rates within the South and between the South and Official territory?

The Witness: No. Our interest is between the South and Southwest and Western Trunk Line as well. Our greater interest is between the South and Official.

Commr. Splawn: What is the position of your people as to this question of parity or equality of rates that you were speaking of in the first part of this statement? Do you want that applied throughout the territory involved in this investigation?

The Witness: Yes; we have no objection to that. Our principal interest, as I say, is in the rates between the Official and the Southern territories, but we concede that the people in the West and Southwest are entitled to like treatment, and we have no quarrel with that at all.

By Mr. Norman:

Q. Is it not also the position of the southern interests that they desire a parity of rates with Official Territory to and [fol. 5032] from these other territories?

A. Oh, yes; that is very definite, and that was one of the points in the original program of the Southern Traffic League.

Mr. McCollester: May I just observe—you may have covered it, but I failed to note in any thing that precedes the bottom of page 16, anything to support the very last part of that sentence at the bottom of page 16, that there is a demand for a parity of rates between the Southern and Western territories. It would seem to me that your whole history was to the effect that the southern interests were concerned with revising the class rates within the South and wanted the revision confined to a revision within the South, and I don't find any mention before that of anything to do with the rates between the South and Eastern territories.

Commr. Aitchison: Well, you look at the top of page 7, Point 2.

Mr. McCollester: Right. I will take it back.

By Mr. Norman:

Q. Proceed, Mr. Henderson.

A. In supplemental report, 109 I. C. C. 323, decided July 19, 1926, Chairman Eastman said:

> "We are also persuaded that any attempt at a final solution of the interterritorial rate problem, at least so far as southern border territory is concerned, should be postponed pending the outcome of the Eastern Class Rate Investigation. The entire interterritorial adjustment will [fol. 5033] therefore be held for such further consideration of all the issues relating thereto as may seem appropriate, after further hearings, following our decision in that investigation."

No further consideration, or modification, of the interterritorial adjustment has been made since the outcome of the Eastern Class Rate Investigation, 164 I. C. C. 314-483, Docket 15879, decided May 13, 1930.

The program of the League to secure a reduction in the class rate level in the South, and a readjustment and reduction in the interterritorial class rates from Southern to Official Classification territory, was adopted March 2, 1934.

In "Class Rates Within the State of Georgia," 209 I. C. C. 602, Docket No. 26699, decided July 9, 1935, Commissioner Splawn, in a concurring opinion said:

> "In 1925, the Commission, in Docket No. 13494, Southern Class Rate Investigation, 100 I. C. C. 513 prescribed maximum reasonable rates for goods moving on class rates between points in Southern territory. Recently the adjustment of rates within, from, and to Southern territory has been subject to several attacks. I believe the Commission should reexamine the entire rate structure in this territory in view of the substantial changes in conditions which have taken place within the past eight years."

Petitions to the Interstate Commerce Commission, seeking an investigation of the class rates, were filed on Sep-

[fol. 5034] tember 25, 1936, by the Southern Traffic League, the Association of Southern Railroads and Public Utilities Commissions, by most of the Commissions individually, the North Carolina Traffic League and a number of individual members of the Southern Traffic League.

The Southern Governors Conference was organized at a meeting held in Atlanta, Georgia, May 11, 1937, at which time it was decided to file the commodity rate case, Docket No. 27746, by a committee headed by Honorable Bibb Graves, at that time Governor of Alabama, and to prosecute the class rate case, then pending, Docket No. 27665, under a committee headed by Honorable Gordon Browning, at that time Governor of Tennessee.

It will be noted that the Southern Governors did not come into the picture until eleven years after Chairman Eastman said that a final solution of the interterritorial class rates should follow the outcome of the Eastern Class Rate Investigation; seven years after the decision in the Eastern Class Rate Investigation; three years after the Southern Traffic League Committee itself to a program to have the class rates within the South and between the South and the East revised and reduced; three years after the Southern Traffic League requested a conference with the executives of the Southern carriers to consider such a revision; two years after Commissioner Splawn expressed the opinion that the Commission should re-examine the entire class rate structure in Southern territory; two years after the first con-[fol. 5035] ference the Southern Traffic League had with the traffic executives of the Southern Carriers with this end in view; two years after joint conferences between the Southern Traffic League and Southern State Public Utilities Commissions with the executives of the Southern carriers; two years after the Southern carriers twice declined to make any readjustment of the class rates; about one year after the Southern Traffic League, the Southern State Public Utilities Commissions and various traffic organizations in the South filed petitions with the Interstate Commerce Commission to institute an investigation of the class rates within Southern territory, and several months after the first investigation, Docket 27655, was instituted.

There is, therefore, no foundation for any conclusion, or statement, that these proceedings are the result of politics or that any politics are involved.

My own experience demonstrates the impracticability, in fact the impossibility, of handling commodity, or so-called column, adjustments individually, or removing the trouble by piecemeal adjustments.

First, we have to convince the lines serving Nashville that the competition exists, and the rates requested are necessary to meet the competition, before the matter is placed on the docket of the Southern Freight Association, and I will show later that it is not always possible to do this.

[fol. 5036] We then have to convince all the other carriers in the Southern territory that the proposed rates are proper and necessary.

When this is done the proposal has to go to the rate committees in the Official territory and they must be convinced—and this is always difficult and sometimes impossible, before the Southern carriers can authorize the publication of the rates.

When this is done, it takes an additional 45 to 60 days to have the rates published and made effective.

In the meantime, Southern manufacturers are unable to submit bids, on a competitive basis, with the manufacturers in Official Classification territory having lower rates.

For more than a year some of our manufacturers have been receiving invitations for bids, at delivered prices, on ammunition or shell shipping boxes, to destinations in the Official Classification territory.

The rating applicable on the kind, or type, of box on which we are being asked to submit bids is contained in Item 5800, page 30, Consolidated Freight Classification 15, which reads as follows:

"Boxes, ammunition or smokeless powder shipping, NOIBN, loose or in packages, minimum 24,000 pounds."

Boxes, described above, are rated fifth class, 45 per cent of first class, in the Southern Classification and 45 per cent [fol. 5037] of first in the Official Classification, and this rating applies interterritorially, from the South to Official territory.

The southern manufacturers pay 45 per cent of index 139 rates, whereas, the manufacturers in Official territory, shipping to points in Official territory, pay 45 per cent of index 100 rates.

Commr. Aitchison: These shipments were to be for the Government, were they?

The Witness: Yes, sir.

Commr. Aitchison: And were they delivered prices?

The Witness: That is the way the bids were sent out, yes, sir.

Commr. Aitchison: Would there be any matter of land grant rates involved there?

The Witness: Well, from Nashville I don't believe there would be to any point hardly in Official territory.

Commr. Aitchison: I see.

The Witness. There might be a few, but very little.

Commr. Aitchison: All right.

Q. (Continuing:) I have been handling, constantly, with the railroads, for more than a year, insisting that rates be established from Nashville to Official territory on a competitive basis.

At the March, 1942, meeting of the Southern Freight Association, 30 per cent of first class from the South to [fol. 5038] Official Classification territory and Southwestern Freight Bureau territory was approved on:

"Boxes, ammunition or shell shipping, wooden or wood, reinforced with metal, metal lined or not metal lined, CL, minimum weight 34,000 pounds, subject to Rule 34."

The 30 per cent basis, approved for general application from Southern territory to Official territory, has never been made effective, except to a limited number of points in southern Illinois and Indiana, located on the C. & E. I., I. C., L. & N., and Southern Railway, published in Item 2275A, page 19, of Supplement 36 to Freight Tariff 604, I. C. C. No. 87, issued by B. T. Jones, Agent and in Item 2392B, page 13, of Supplement No. 24 to Freight Tariff No. 90, I. C. C. No. 530, issued by W. S. Mercer, Agent.

I have asked for publication of rates, on this basis, to many specific points, during the past year, but rates from Nashville, Tennessee, on this description of boxes, have actually been published to only thirteen points; Blodgett, Drummond, Elwood, Elwood Ordnance Plant, Kankakee Ordnance Plant, Illinois, effective July 13, 1942, in Supplement 47 to I. C. C. No. 691, issued by R. H. Hoke, Agent, to Freeport and Galesburg, Illinois, effective February 15, 1943, and Hannibal, Missouri, effective February 27, 1943, in supplements 16 and 17 to I. C. C. 826, issued by R. H. Hoke, Agent.

Rates to Connersville, Indiana, Mansfield, Ohio, Marion, [fol. 5039] Ohio, and Muskegon, Michigan, have been published in Supplement No. 19 to I. C. C. No. 826, issued by R. H. Hoke, Agent, effective April 10, 1943.

I would like to call your attention right there to the fact that five of the points, or the rates to five of the points out of the thirteen, do not become effective until April 10, 1943, so there are only rates to eight points that have been made effective although the matter has been constantly up for over a year.

The rate to Mansfield, Ohio, was requested on June 3, 1942, authority for publication was issued by the Southern Freight Association on February 3, 1943, and the rate was published to take effective April 10, 1943.

Rates to Galesburg and Freeport, Illinois were proposed in Southern Freight Association Docket 1165, submittal No. 22708, dated September 1, 1942, and the rates were made effective February 15, 1943.

The same docket and proposal covered rates to Connersville, Indiana, Cleveland, Ohio, Dayton, Ohio, Mansfield, Ohio, Marion, Ohio, and Muskegon, Michigan, but authority for publication of rates to the latter points was not issued at the same time, with authority for publication of the rates to Galesburg and Freeport, Illinois, because, as stated by the L. & N., of the non-concurrance of Illinois Freight and Central Freight Association carriers, however, the concurrance of those carriers was later secured, and [fol. 5040] authority for publication was issued by Southern Freight Association, February 13, 1943, and the rates have been published to take effect April 10, 1943.

On April 29, 1942, I requested publication of rates from Nashville, Tennessee, to Burns City, Indiana; Fort Miflin, Pennsylvania; Hingham, Massachusetts, and Ione Island, New York.

On January 12, 1943, I requested publication of rates to Easton, Pennsylvania.

On January 20, 1943, I requested the publication of rates to Cumberland, Maryland.

Many other requests for rates to specific points have been made, but as previously stated, rates to only thirteen points have been published and it was not until February 20, 1943, that the L. & N. Railroad filed its proposal No. 14013 with the Southern Freight Association, suggesting the establishment of commodity rates from Nashville, Tennessee, to a representative list of destinations in the Official territory, 32 points in all, and this proposal appears on Southern Freight Association Docket 1191, under submittal No. 29552, dated March 2, 1943, and so far no authority has been issued for the publication of the proposed rate.

On September 2, 1942; I asked that competitive rates be established to apply on:

"Boxes, ammunition or shell shipping, wooden, with metal [fol. 5041] tops and bottoms, but not metal lined, minimum weight 34,000 pounds."

It was not until March 8, 1943, that the L. & N. Railroad filed with the Southern Freight Association, its proposal 14022, suggesting the establishment of rates to representative list of destinations in the Official territory, 50 points on the kind, or type, of boxes on which we requested rates on September 2, 1942. This proposal appears on Southern Freight Association Docket No. 1192, submittal 29602, dated March 9, 1943, and has not been acted on and no rates have been published.

One of our manufacturers recently received an invitation to bid on steel automobile truck bodies, delivered at Metuchen, New Jersey.

The rate from Nashville is second class, 85 per cent of first class, $2.10 per hundred pounds, minimum 10,000 pounds.

The competition to be met was at Detroit, Michigan, from which point the rates are: 72 per cent of first class, $1.03, minimum 10,000 pounds; 52 per cent of first class, 74 cents, minimum 20,000 pounds; 37 per cent of first class, 53 cents, minimum 30,000 pounds.

On November 9, 1942, I requested the Nashville lines to establish rates from Nashville to Metuchen, on steel truck bodies on a competitive basis, that is, the same rate per mile from Nashville to Metuchen as in effect from Detroit to [fol. 5042] Metuchen, which would hove made the rates from Nashville minimum 10,000 pounds, $1.37 per hundred pounds; minimum 20,000 pounds, 99 cents per hundred pounds; minimum 30,000 pounds 70 cents per hundred pounds.

It will be noted that the lowest rate, and the only rate, from Nashville, to Metuchen, subject to a minimum of 10,-

000 pounds, is 204 per cent of the highest rate from Detroit to Metuchen, subject to a minimum 10,000 pounds; the rate from Nashville is 284 per cent of the rate from Detroit, subject to a minimum of 20,000 pounds, and 396 per cent of the rate from Detroit, subject to a minimum of 30,000 pounds.

On December 19, 1942, under his file 46164-C, Mr. F. A. Burke, General Freight Agent of the N. C. & St. L. Railway, Nashville, Tennessee, advised me that this matter had been carefully considered, and that he had been unable to develop competitive conditions which would warrant the establishment of the rates sought, and he was, therefore, sorry that he was unable to comply with my request in this instance.

Mr. Burke sent a copy of this letter to Mr. C. D. Quinn, General Freight Agent, L. & N. Railroad, Louisville, Kentucky, referring to his file Den-11348-50, and to Mr. O. S. Blackman, General Freight Agent, T.C. Railway, Nashville, Tennessee, referring to his file 32728019-B, and on December 23, 1942, I received from Mr. Quinn, and on December 31, 1932, I received from Mr. Blackman, advice to the same effect.

[fol. 5043] I, of course, have no way of knowing what investigation these gentlemen made, or how they arrived at their conclusions, but I do know that no representative of any railroad called on me for any information, other than that contained in my letter of November 9, 1942, advising the Nashville lines of the fact that the Nashville manufacturer had to meet Detroit competition and the rates necessary to meet that competition, and no representative of any railroad called on the manufacturer, who had received the invitation to bid on this contract, for any information concerning the competition he had to meet, or the rates necessary to meet such competition.

From my long experience in handling those adjustments that I have referred to, I think it shows conclusively that this situation cannot be handled by piecemeal and individual rates. Those rates are out of line, and the manufacturers have been unable to meet competition for over a year, and still we are without any rates; so that it just cannot be handled by piecemeal.

Coming now to the interests and the activities of the Nashville Freight Bureau in these proceedings.

When the Southern Traffic League adopted its program, March, 1934, I reported to the Board of Directors of the

Nashville Freight Bureau the action of the League, and I was instructed by a unanimous vote of the Board to cooperate to the fullest extent with the League, and others, in the [fol. 5044] effort to secure a revision of the class rates and the application of a uniform classification, to remove the rate barriers between the Southern and the Eastern territory, reflected in the Class Rate Adjustment.

This matter has been discussed at every meeting of the Board of Directors, Nashville Freight Bureau, since March, 1934, and in every annual report to the membership since that date, and there has been no change in these instructions.

Some of our members, particularly druggists and dry goods concerns, the manufacturers of cotton work clothing and shirts, candy and cereals, complain bitterly, and constantly, about the present situation, and about the delay in removing these rate barriers and handicaps.

These concerns ship on class rates and principally in less-carload lots.

Drugs, linoleum, cotton work clothing and shirts, candy and cereal products, in less-carload lots, are uniformly rated in Southern and Official Classification territories, and interterritorially.

Drugs, linoleum, cotton work clothing and shirts, in less-carload lots are rated 70 per cent of first class, but Southern manufacturers and distributors pay 70 per cent of index 139 rates, whereas, the manufacturers and distributors in Official Classification territory pay 70 per cent of index 100 rates.

Candy is rated 57 per cent of first class in Southern and [fol. 5045] Official territories and interterritorially, but the Southern manufacturers pay 57 per cent of index 139 rates, whereas, the manufacturers in Official territory pay 57 per cent of index 100 rates.

A concrete example is in the rates from Nashville, Tennessee, and St. Louis, Missouri, to Evansville, Indiana.

The short line distance, via the Louisville and Nashville Railroad, from St. Louis is 164 miles and from Nashville, via the same railroad, the L. & N., is 156 miles, and the rate on drugs, cotton work clothing and shirts, linoleum, LCL, from Nashville to Evansville is 69 cents and from St. Louis to Evansville is 54 cents.

The Nashville candy manufacturer pays 56 cents, whereas, his competitor at St. Louis, pays 43 cents per hundred points.

The manufacturer of cereal products is confronted with a worse situation. He ships 95 per cent of his products in less carload, and cereal products in less carload, move from Nashville and from Battle Creek, Michigan, where his principle competitor is located, on fourth class rates.

But from Nashville, 4th class is 55 per cent of index 139 rates, whereas, 4th class from Battle Creek is 50 per cent of index 100 rates. The Nashville manufacturer pays 60 cents per hundred pounds, on cereal products in less carloads to Louisville, Kentucky, a distance of 187 miles, and his competitor, at Battle Creek, pays 49 cents per hun- [fol. 5046] dred pounds to Louisville, Kentucky, a distance of 314 miles.

The Nashville shippers cannot compete, at border points in their own territory, with their competitors in Official territory, at the same border points, although the distances from Nashville are substantially less, and the disadvantage rapidly increases as they try to go into the Official Classification territory, beyond the border points.

I, therefore, repeat that there is no foundation for the statements that there is no demand, from business and industry, for the establishment of a parity of class rates and a uniform classification, within the South and between the Southern and Eastern territories, to remove these rate barriers and discriminations.

Many members of the Nashville Freight Bureau ship on carload commodity, or so-called column, rates and on carload and less carload class rates.

We have a vital interest in the rates on many basic commodities or raw materials.

We have had numerous complaints before the Interstate Commerce Commission, involving the rates on coal, logs, lumber, grain and grain products, pig iron and other commodities, and our interests in freight rates is not confined to the class rate adjustment, but we feel that the merchants and manufacturers who ship largely, or even partially, on class rates are just as much entitled to reasonable and non- [fol. 5047] discriminatory rates as those members who ship principally on carload commodity, or so-called column, rates.

Mr. Norman: That concludes your statement, Mr. Henderson?

The Witness: Yes, sir.

Mr. Norman: You may cross examine.

Commr. Aitchison: I am not sure that your statement covered this: You pointed out that in the last, I believe it was, supplemental report in the Southern Class Rate Case, Chairman Eastman indicated that the interterritorial class rate matter ought to be considered after the Official line scale had been made.

The Witness: Yes, sir.

Commr. Aitchison: Well, after that scale had been prescribed in Official territory, there was a further hearing on that, was there not; or, at least, there was a further report?

The Witness: In the Southern Class Rate Case?

Commr. Aitchison: No; in the Eastern case.

The Witness: I don't recall.

Commr. Aitchison: You gentlemen can correct me, if I am in error.

Mr. Eshelman: My recollection is that the supplemental report in the Eastern Class Rate case dealt with a New Jersey situation primarily. My recollection is — was 172, but I can't be sure. However, it would not deal with interterritorial rates to the South.

[fol. 5048] Mr. Grubbs: It dealt with the terminal groups.

Commr. Aitchison: Also, wasn't there an extension of the scale?

Mr. Eshelman: There may be; I am not certain.

Commr. Aitchison: Well, after the Eastern Scale finally was determined by the Commission, what steps were taken by the interests in the South, whom you are speaking for, to have the Southern Class Rate Case reopened, in order to finish the job which Chairman Eastman had indicated should await the disposition of the Eastern scale?

The Witness: Well, I don't recall that there was anything done up to 1934, when the Southern Traffic League undertook to get some revision through the carrier by voluntary action.

Commr. Aitchison: Now, why was that?

The Witness: Well, I just couldn't tell you, Mr. Chairman, why.

Mr. Norman: Well, there wasn't very much time between those two dates, was there?

Mr. Barron: That citation was 171 I. C. C. 481.

Commr. Aitchison: January 13, 1931, was the date of the decision, which made various modifications and findings.

The Witness: I couldn't tell you why it was not done sooner, other than the Southern Traffic League never had money enough to do much. We just had to do the best we could. That was probably the controlling reason.

[fol. 5049] Commr. Aitchison: Well now, passing that and going back to the other question which I indicated, you were active in the traffic work in the South during the period of Federal control?

The Witness: How is that, sir?

Commr. Aitchison: You were active in the Traffic Bureau in the South during the period of Federal control?

The Witness: Yes, sir.

Commr. Aitchison: Do you remember the Director General submitting for consideration to the rate regulatory bodies and the commercial interests certain scales which he proposed and asked for comments on them?

The Witness: Yes; I remember the scale being sent out.

Commr. Aitchison: Do you recall that in the case of the South he suggested two scales, alternatives; one was based on the Southern classification and the other based on an extension of the Western Classification to cover the South?

The Witness: I think that is right, but I don't recall any of the details of the scale.

Commr. Aitchison: Now, I wonder if you happen to know, and if you don't, you just say so, why that suggestion with respect to the extension of the Western Classification to cover the South, and the substitution of the Western Classification for the Southern Classification, met with such disfavor that the Director General dropped the proposition?

The Witness: Well, my recollection of it is that the pro-[illegible] 5050] posal of the Director General would substan[illegible]y increase our class rates.

Commr. Aitchison: That is correct, as I recall it, if I may be permitted to do a little testifying. There was quite a substantial increase in rates, but he later made one anyhow.

The Witness: Well, we couldn't do anything about that. He didn't ask us about that.

Commr. Aitchison: Well, we are looking for light. Now, there was a time when seemingly, barring the matter of the level of the rates, the proposal was made to the South which would have resulted in there being but two classifications resulting in the country instead of three, and my understanding is that there was so much opposition to it that the Director General withdrew the request which he had made to the State Commissions for consideration, and also a request to this Commission for its advice.

The Witness: Well, I think that is correct, but the reason for it, as I say, as I recall it, was that he proposed substantial increases in our Southern rates, although it may have been uniform between the South and the West, we would have been further out of line with the East than we were then. It would have made the relative position with the Eastern territory worse than it was. True, he offered us an equality and a uniform classification with the Western territory, but he made our situation with respect to Official [fol. 5051] territory worse than it would have been and worse than it is now or worse than it was at that time.

Commr. Aitchison: I just wanted whatever explanation you could give for the benefit of the record.

The Witness: That is my recollection of it.

Commr. McConnaughey: Mr. Henderson, you said you wanted the sameness of rates to exist all over the United States, that is, all of the territory involved in this investigation; that is correct, is it?

The Witness: Yes. We are in favor of that.

Commr. McConnaughey: And you want that sameness of all rates to be lower so as to correspond to the present Official territory rates; is that it?

The Witness: Well, we have suggested that, because it was the best thing we could figure out after considering all the scales and constructing a lot of scales. We are more interested or concerned with the parity than we are with the absolute level. Now, we suggested to the Commission the way to bring that about is to apply the Eastern Class Scale. If the Commission thinks that something higher than that is necessary for uniform application, why I don't think we would find any complaint with it; just so it is uniformly applied and covered by uniform classification.

Commr. McConnaghey: And you want that regardless of what the economical effect might be upon industry in the [fol. 5052] country as a whole or upon the carriers?

The Witness: My own opinion is it would be beneficial to industry, particularly in the South.

Commr. McConnaughey: And the carriers?

The Witness: Yes. I think in the long run it would be beneficial to the carriers.

Commr. McConnaughey: That is all.

Commr. Aitchison: Cross-examine.

Mr. Grubbs: I wonder if it would be possible to defer cross-examination of this witness. I ask that only if it meets the convenience of the witness and the Commission.

Mr. Norman: The witness will be available tomorrow, if it is desired.

Commr. Aitchison: Anybody else prepared to cross-examine?

Cross-examination.

By Mr. Barron:

Q. Mr. Henderson, when did this Southeast-Southwest Shippers' Conference get together for the purpose of authorizing your appearing in this case?

A. For what?

Q. For the purpose of appearing in this proceeding.

A. Well, I think the organizational meeting was held in Birmingham in March, 1940. Let me see. I have the exact date here—or April, I believe.

Q. Well, you show on sheet 15 of your statement that there was a meeting at New Orleans.

[fol. 5053] A. That was the second meeting. Their organizational meeting was in Birmingham.

Mr. Norman: That is not his question, I don't think.

Mr. Barron: No.

By Mr. Barron:

Q. I just want to know when they decided to join together in prosecuting this case for the common benefit of the Southwest and the Southeast, as you put it.

A. I didn't say they joined for the benefit of prosecuting it for the benefit of the Southeast and the Southwest. The organizational meeting was/decided to oppose the investigation altogether.

Q. That is the investigation. Now, do you know whether or not there was any meeting of the Southwestern shippers or State Commissions, such as Oklahoma, Texas and Arkansas, with the Southern Governors Committee?

A. You mean, during the pendency of these proceedings?

Q. Yes, sir.

A. Why, I think they had several meetings.

Q. Well, when did you decide that you would join hands with them, if you did join hands with them, in the prosecution of this case?

A. Well, we had already decided to prosecute the case; in fact, we had gotten the Commission to institute an investigation of the class rates within the South and between the South and the East.

[fol. 5054] I understand.

A. The investigation had been instituted at the request of the Southern Traffic League and the Railroad and Public Utilities Commissions. Now, later on the Governors organized their conference and they decided to take charge of the handling of it, and we were very glad to have them do it, and we have joined with them in all their efforts to get it done.

Q. Did that include the Governors of the Southwestern States?

A. Well, originally I think it was just the Governors of the Southern States.

Q. And subsequently the Southwest came in with you; is that right?

A. Well, I am not in a position to say what the Governors did in their organizational meetings. All I know was what was done at the Southern Governors Conference.

Mr. Norman: Mr. McDonald is going to take the stand a little later, and he can explain about that.

Mr. Barron: All right.

Mr. Norman: I don't think Mr. Henderson knows about that.

By Mr. Barron:

Q. Mr. Henderson, you are not speaking here for any Southwestern interests, are you, or the Southeast?

A. No. I am just speaking for the South.

Q. Now, in one of your statements on sheet 19, you say this: "There is, therefore, no foundation for any conclusion, or statement, that these proceedings are the result of politics or that any politics are involved." You are only [fols. 5055-56] making that statement on behalf of the Southern interests, are you not?

A. Yes. I am making that statement because I have shown prior to that that these proceedings were instituted long before the Southern Governors Conference ever was formed.

Q. But you didn't have in mind any interests in the Southwest when you made that statement, did you?

A. No. I am not familiar with politics out there, or what brought it on.

Mr. Barron: All right. Thank you.

By Mr. Real:

Q. Mr. Henderson, since you prepared that *prepared* statement, have you made any study of the exhibit introduced by Dr. Aitchison at this hearing?

A. Since I prepared this?

Q. Yes, sir.

A. No. I just finished this last week.

Q. Would the destination level of freight rates and the destination classifications and exceptions thereto cure the competitive situation that you are complaining of?

A. You mean by "destination" different levels north and southbound?

Q. The destination level of rates and the destination classifications and exceptions.

A. Well, I guess it would.

Mr. Real: Thank you. That is all.

[fol. 5057] The Witness: Because our principal interest is in the northbound rates. It may not be satisfactory to the Eastern interests, though.

Commr. Aithison: Mr. Widell.

By Mr. Widell:

Q. Mr. Henderson, on page 14 of your statement about the Southeast-Southwest Shippers' Conference——

A. Yes, sir.

Q. —you referred there to the discussions and considerations of the question and that over a period of six years there was no dissent from this position.

A. In the Southern Traffic League.

Q. Until the formation of this conference that I speak of. Is it not a fact, Mr. Henderson, that in the Southern Traffic League meetings that antedated the April 5, 1940, meeting of the Southeast-Southwest Shippers' Conference, that there was a lot of difference of opinion regarding the advisability and whether it was to the best interests to Southern industry?

A. There was not, in the meeting of the Southern Traffic League.

Q. You mean that the minutes of the Southern Traffic League will not show that there were opposing votes against this Class Rate investigation?

A. It never was put to a vote until after the March, 1940, meeting in Birmingham.

Q. But if there were dissents, it would appear in the [fol. 5058] minutes of the meeting, wouldn't it?

A. Yes, it would have, but there were not so it doesn't appear in the minutes.

Q. Well, do your minutes of your meetings merely show "passed" without any regard to the number of votes that might have been cast against it?

A. Mr. Widell, there was never any opposition in this proceeding until after the formation of the Southeast-Southwest Conference in 1940. Of course, the thing was discussed from different angles at different times.

Q. You mean then that this conference in April, 1940, just sort of sprung up without any previous consideration of this question?

A. No. I think you called a meeting for the purpose of opposing this investigation. That is my understanding of it. It didn't spring up until you sprung it.

Q. Of course, you understand that I could not form a conference of this kind all by myself, don't you?

A. Well, of course, you had to have somebody there with you.

Q. Now, if the others considered it of enough importance, there must have been some dissenting opinion regarding this in the South prior to April, 1940.

A. Mr. Widell, all of the members of the Southeast-Southwest Conference are not members of the Southern Traffic League, and a lot of them never have been members.

[fol. 5059] Q. And a lot of them have resigned since?

A. Only two.

Q. Only two have resigned from the Southern Traffic League since April, 1940?

A. On account of this investigation, yes—or three.

Q. Three. Who are they?

A. I don't think that is any of your particular business.

Commr. Aitchison: Well, I don't think it is of much interest to us, but we have been washing this linen here for quite a while and possibly the best thing to do is to get it out of your system, but let us not get personal about it.

The Witness: If you want me to answer the question——

Commr. Aitchison: No.

By Mr. Widell:

Q. On page 15 you say "This group has little, if any, interest in class rates or classification ratings." Now, is that just your own personal opinion, or do you know what all the interests of the various groups are?

A. I saw a list of those who attended the organizational meeting in Birmingham and I saw, of course, a list of those who attended the conference in New Orleans, and from the nature of the business I know that most of them are not interested in class rates.

Q. Take the Tennessee Products Corporation which, as you know, is one of the largest industrial concerns in the State of Tennessee, are they not interested in class rates?

[fol. 5060] A. I don't doubt but what they ship some stuff on the class rates, but their major interest, I would say, is in the carload commodity rates, on the raw materials.

Q. Have you made any personal study on the class rates of any of these shippers who are members of the Southeast-Southwest Shippers Conference?

A. No, I have not. I just take it from the nature of their business that their principal interest is in the commodity rates, and class rates are more or less a minor consideration with them.

Q. Now, you were present at the meeting in New Orleans in May, 1940, were you not?

A. Yes; I was there.

Q. And to which you make reference on page 15 of your statement. Is it not a fact, Mr. Henderson, that you and the other members of the Southern Traffic League were favorably disposed to the resolution that you cite here?

A. No; It is not a fact. We are not even a member of that organization. All we did was to agree to submit that to the members of the League, for ~~their vote.~~

Q. Don't you remember that you and Mr. Hart refrained from voting, for reasons that you thought were special for yourselves, and that Mr. Gunn did vote for this?

A. Well, I refrained from voting because I was not a member of the Southeast-Southwest Conference, and I didn't [fol. 5061] see that I had any right on a resolution they offered.

Q. But you know it to be a fact that Mr. Gunn did vote on it favorably, do you not?

A. I think he did; I am not sure, but he was not a member of the organization.

Q. President of the Southern Traffic League?

A. Yes.

Q. And he was at that time?

A. That is right, but he is not a member of the Southeast-Southwest Shippers' Conference; never has been and had no vote coming to him.

Q. In that open meeting, though, he voted for it?

A. Well, he may have. I think he did, but if he was not a member of the organization, he didn't have any business voting.

Mr. Widell: Thank you.

By Mr. McCollester:

Q. After the Commission's decision in the Eastern Class Rate case, do you know whether or not there was a proposal or whether or not the subject was discussed of reopening the Southern case for the purpose of dealing with the interterritorial rates?

A. I don't recall it, if it was.

Q. You don't recall any discussions on the subject with Southern interests who opposed a reopening of the proceeding for the purpose of dealing with the interterritorial rate situation?

[fol. 5062] A. No; I don't. I don't think I was present. If I was, I have forgotten.

Q. Was there any proposal that you recall following the Eastern case for reopening the Southern case, to reconsider the rate situation within the South?

A. None that I am familiar with, except the one I mentioned, where we asked the Southern carriers to revise those rates and then went to the Commission with it. The one I mentioned in my statement was the only one I know.

Q. Was that the time when you went to the Commission and then it was suggested that the interterritorial rates should be brought into it, and then the proposal to revise the Southern rate situation was dropped? Do you recall anything like that?

A. No. In our petition to the Commission we confined it to an investigation of the class rates within the South, for the reasons that I stated.

Q. And you did not go through with that, did you?

A. Well, we are going through with it now.

Q. Well, at that time wasn't it dropped because there was a proposal—I am not sure whether it originated with the Commission or not—that it should be broadened to take in *the interterritorial rates?*

A. Well, it was broadened to take in the interterritorial rates in the beginning.

[fol. 5063] Commr. Aitchison: Well, you don't want to leave the impression that the Commission made any suggestion about what should be done, do you?

The Witness: Well, I don't know where the suggestion came from. I think it came from the Eastern shippers and the Eastern railroads, probably, but our original petition to the Commission was limited to an investigation of the class rates within the South. Now, as I recall it, the petitions were filed by the Eastern shippers and by the Eastern railroads to broaden the issue and include the interterritorial rates.

By Mr. McCollester:

Q. So you now remember that there was a proposal to broaden the inquiry to include the interterritorial rates?

A. I thought you asked me whether we had any proposal like that.

Q. No; I asked you whether there was a proposal.

A. Well, it is stated in my statement——

Commr. Aitchison: He said that in his statement, Mr. McCollester.

The Witness: I said the only proposal that I know of was the one I mentioned in my statement.

Q. When that proposal was made, the Southern shippers withdrew their request for a re-examination of the level within the South, or the rates within the South?

A. No, sir; we did not.

[fol. 5064] Q. Now, Mr. Henderson, on page 19 of your exhibit you have this—which has already been quoted to you on cross examination—statement to the effect that there is no foundation for any conclusion or statement that these proceedings are the result of politics or that any politics are involved. What proceedings have you reference to there when you use the words "these proceedings"?

A. Well, Docket 28,300 and 28,310, that we are considering here.

Q. Well, are you testifying then simply to the effect that the Interstate Commerce Commission has not instituted these proceedings as the result of politics?

A. Well, I don't think I said that the Interstate Commerce Commission—

Q. I don't either, therefore why do you find it necessary to say that the proceedings are not the result of politics?

A. Because the statement has been made that the Governors' action in this case is dictated by politics, and I say it is not. It was started before the Governors got into the case.

Q. Well, what action was started before the Governors got into the case?

A. To bring about an investigation of the class rates within the South, which would add up to these proceedings we have here now.

Q. How far back do you go for the origin then of Docket [fol. 5065] 28,300? Do you go back of the Southern Governors case?

A. Yes. I say that the demand came from the shippers and came in 1934, long before the Governors got into the case, so that there is no foundation for the statement that the Southern Governors started these proceedings or are in them for political reasons.

Commr. Aitchison: Well, I think we have gone just about far enough with politics in this case, and it is about time to drop it.

Mr. McColester: I am satisfied with that, Mr. Commissioner.

Commr. Aitchison: This case is going to be decided on the basis of the record and according to the Commission's best lights, regardless of political considerations.

Mr. McCollester: We certainly feel confident of that, Mr. Commissioner.

Mr. Norman: Your Governors didn't seem to have.

Mr. McCollester: Well, our point——

Commr. Aitchison: Suppose we drop politics. Now, let us quit on that.

Mr. McCollester: Well, he kept on talking about it.

Mr. Norman: I would like to have politics dropped, Mr. Commissioner, from the newspapers and from the Hill, so far as freight rates are concerned, and leave the subject of freight rates to this Commission to decide on the evidence. That is all we ask.

[fol. 5066] Mr. McCollester: Well, you are going to get it.

Commr. Aitchison: Well, that makes it unanimous.

Mr. McCollester: Right.

The Witness: Mr. Chairman, I would like to say since the remark has been made that my reference to politics was not with respect to this Commission but with respect to the Southern Governors wholly. That was what I had in mind.

Commr. Aitchison: I think that is quite clear.

By Mr. McCollester:

Q. Now, Mr. Henderson, you said that Nashville shippers cannot compete at border points in their own territory with their competitors in Official territory. Do you mean to say that Nashville shippers make no shipments to border points and sell no goods at border points where those goods may also be produced in Official territory?

A. Well, in order to do it they have to shrink the profits or make freight allowances. What I had in mind was that they are not an a basis of equal competition in their own territory.

Q. Well, you don't mean that they don't compete, though, do you?

A. Well, they sell some stuff up there; yes.

Mr. McCollester: That is all.

Mr. Grubb: Since everybody else cross examined Mr. Henderson, I will not ask that he come back for me especially, and I will undertake to ask him the questions that I have.

Commr. Aitchison: Go ahead, Mr. Grubbs.

[fol. 5067] By Mr. Grubbs:

Q. Mr. Henderson, I am not sure that I understand the statement on page 5 of your prepared statement. It is the statement that commences on the seven line. You say: "I am the representative of the Nashville Freight Bureau in the activities of the League."

Then you say: "The same is true of a number of other organizations, such as——"

Just what does that mean?

A. Well, that means that the members of the Atlanta Freight Bureau, or the membership of the Atlanta Freight Bureau covers a large number of individual concerns, manufacturers and shippers, just as the Nashville Freight Bureau does; and, the Atlanta Freight Bureau itself is a member of the League. Mr. Hart is the representative of the Atlanta Freight Bureau.

Q. Do you mean to say that you are a representative of the Atlanta Freight Bureau in the activities of the League?

A. Oh, no.

Q. I see.

A. Certainly not.

Q. Now, you talk about steel truck bodies. Who is it that manufactures steel truck bodies at Nashville?

A. Phillips & Burdorff Manufacturing Company.

Q. That concern is normally a manufacturer of stoves, I believe, is it not?

A. Well, that is their principal peace time activity.

[fol. 5068] Q. Yes. And, this manufacturer of truck bodies is incident to the war effort, isn't it?

A. Yes. Nevertheless, they are entitled to get war contracts, I think, on an equal basis with other people.

Q. How many truck bodies are produced per month by this concern?

A. Well, I don't know. The whole job was a million dollar contract; I don't know how many truck bodies.

Q. Isn't it true that this concern received in the latter part of 1942 an order for 1500 truck bodies to go to Metuchen?

A. They made bids on a delivered price and also supplemented it with a bid f.o.b. Nashville. Now, the railroads refused to do anything about the rates. They got the contract on an f.o.b. price at Nashville. The Government ships the truck chassis into Nashville and they put them on the truck and the trucks are driven away.

Q, Yes. Well, first of all didn't this concern obtain a contract in which the Government obligated itself to pay the freight charges?

A. No, sir. They got it on a basis of price f.o.b. Nashville.

Q. It was not provided that they were to move on Government bill of lading?

A. It was not provided for them to move at all. It was an f.o.b. price Nashville. The bodies were attached to the chassis and the Government is driving the trucks away.

[fol. 5069] Commr. Aitchison: Where were these trucks to be delivered to?

The Witness: Methuchen, New Jersey.

Chrmn. Alldredge: The Government drives them away from Nashville to New Jersey?

The Witness: They ship the chassis there and the bodies are attached and driven away. I presume; I don't know.

By Mr. Grubbs:

Q. They drive them all to Methuchen, or not?

A. That is where they asked for the delivered price of the bodies.

Q. Where do the chassis come from?

A. I don't know.

Q. Do you know whether they are all driven away; the complete truck?

A. So far all of them have been.

Q. Do you know how many of them have been driven away?

A. No; I do not, but all that have been completed have been driven away.

Q. Now, the other illustration you gave was ammunition or shell shipping boxes.

A. Yes, sir.

Q. Who is the manufacturer that you have in mind?

A. Well, the manufacturer who received the invitation to bid was another stove manufacturer, Graham & Dudley, but they didn't bid. They didn't have any rates.

[fol. 5070] Q. There isn't any production at present by Graham & Dudley?

A. I don't think they have received a single contract.

Q. Isn't it true that you have a manufacturer in Nashville that ships a great many shell boxes; a manufacturer by the name of A. O. Loveman?

A. Not of the type referred to here, with metal tops and bottoms. He is shipping one type of box.

Q. He is a large shipper, isn't he?

A. Yes, he ships all kinds of boxes.

Q. Aren't those boxes metal lined?

A. Well, the description reads metal lined or not metal lined. I don't think he ships——

Q. Is he a member of your Bureau?

A. No, he is not. I know he is a manufacturer of different kinds of boxes.

Mr. Grubbs: I believe that is all. Thank you.

Commr. Aitchison: Any further cross examination, Mr. Henderson? Any redirect?

Redirect examination.

By Mr. Norman:

Q. Mr. Henderson, you were asked with reference to the failure to take action after the decision in the Eastern Class Rate case prior to 1934, a period of some two and a half years, I believe it was. Was that not during the depths of the depression?

A. I really don't remember, Mr. Norman. I have been in [fol. 5071] the depression longer than that. I have not gotten out of it. I don't recall, Mr. Norman.

Q. Well, I believe the dates are in the record. I think the Commission can take official notice of the fact that that was the depth of the depression, 1931-1934.

A. You may be right about that.

Commr. Aitchison: Well, I was going to suggest, by reason of Mr. Henderson's long experience, when times are tight and we have a depression on, and the shippers are skating close to the margin of failure, isn't that the time that they look more closely to questions of rate advantage in their behalf or against them?

The Witness: Yes; that is generally true, I think.

Commr. Aitchison: You would expect that they would be most keen along about that time, if that was the depth of the depression?

The Witness: Well, at that time and during that period they didn't have any money to put up to finance a big rate case.

Commr. Aitchison: Well, did they even ask the Commission to reopen, inasmuch as the investigation was one which the Commision had instituted?

The Witness: Well, as I said before, frankly, I don't know why it was not taken up sooner, except one reason was that we didn't have enough money to finance that investigation [fol. 5072] and we didn't want to start one unless we could go through with it.

Commr. Aitchison: I simply want to know why it was that there was apparently that wide period in there from the time of the decision in 171 I. C. C., until the first of these meetings that you have described.

The Witness: Frankly, I just don't know. I couldn't tell you.

Mr. Norman: May Mr. Henderson be excused?

Commr. Aitchison: Yes. You are excused.

(Witness excused.)

Mr. Norman: I will call Mr. Weaver.

O. H. Weaver, was sworn as a witness and testified as follows:

Direct examination.

By Mr. Norman:

Q. Please give us your name and address.

A. O. H. Weaver, Griffin, Georgia.

Q. What is your business, Mr. Weaver?

A. I am an industrial traffic manager representing a group of shippers in Georgia and Florida, which is the Georgia Canners Association. The Georgia Canners Association membership consists of all the fruit and vegetable canneries in the State of Georgia.

Q. You have heard the testimony of Mr. Henderson with reference to the support of industry, for the demand here for a revision of class rates, and I will ask you to state what [fol. 5073] is the position of the Georgia Canners Association in that matter?

A. We are very much interested in this proceeding and have so stated our position to the railroads for a great many years.

Q. Have you been making efforts for years to secure a parity of freight rates into Official territory with those obtaining in Official territory?

A. Yes, sir, but I have not been as fortunate as Mr. Henderson. I have never been able to get my proposal on the docket of the Southern Freight Associatioin. I could not get any further than the general offices of the Southern Railroads.

Mr. Norman: I believe that is all. You may ask him.
Commr. Aitchison: Cross-examine.

Cross-examination.

By Mr. McCollester.

Q. Why didn't you testify here at the Indianapolis hearing?

A. Because it was our intention to file a formal complaint with this Commission at the close of this investigation attacking our canned goods rates to Official territory, but we learned that certain witnesses testifying in this proceeding made the statement that industry as a whole, in the South, was not in sympathy with this proceeding. We didn't think it would be fair to the Commission or to us not to come here today and tell you that we are not satisfied with our adjustment.

Q. Well, are we to infer from that statement that the reason that you did not testify at the first hearing in this [fol. 5074] proceeding, when the complaining shippers testified, that the rates on which you ship are not rates that are involved in this proceeding?

A. Our commodities move on a column basis, but any change—at least, we believe that any change in your class rate scale will affect those column rates.

Q. But you do not consider, that your rates are involved in this particular proceeding?

A. Yes, I do, because if they are related to the first class rate and you change that scale, it will ultimately affect the column rates.

Q. Then why didn't you come before the Commission when the Southern interests presented their case in chief and testify?

A. Because as I stated before, we fully intended to file a formal complaint on canned goods only.

Q. Why do you propose to file a formal complaint on canned goods rather than await the outcome of this investigation?

A. Well, I said that we would file that at the conclusion of this investigation. If relief is not granted in this proceeding, then we will file a formal complaint.

Q. Well, were you informed, as the reason for a formal complaint, that your rates are not involved in this proceeding?

A. No; I was not informed that my rates were not involved.

Q. What sort of canned goods do you ship, or the members of your association?

[fol. 5075] A. What canned goods are shipped?

A. Yes.

A. Asparagus, green beans, tomatoes, peas, turnip greens, spinach, okra, okra and tomatoes, pork and beans, sweet potatoes, peaches, blueberries, pears, blackberries and pimentoes.

Commr. Aitchicon: It sounds like an OPA order.

By Mr. McCollester:

Q. What territory do you ship to?

A. We ship 75 per cent of our canned fruits and vegetables to Southern territory.

Q. Where do you ship the remaining 25 per cent?

A. We ship to the Far West to Western Trunk Line territory, to the Southwest and Official classification territory.

Q. In other words, you ship all over the country?

A. Yes.

Mr. McCollester: That is all.

Commr. Aitchison: Any further cross-examination? You are excused, Mr. Weaver.

(Witness excused.)

Mr. Norman: Mr. Commissioner, as I stated, Mr. Hart's exhibits have not come, and my other two witnesses won't be here until the morning, so if anybody can use up these 15 minutes, it would be very agreeable to me.

Commr. Aitchison: Was anyone desiring to cross-examine Dr. Duncan and had reserved that privilege? I had forgotten. Was there, Mr. Bell?

[fol. 5076] Mr. Bell: I had understood that Dr. Duncan had been excused.

Mr. Smelker: There was still cross-examination of Mr. Heywood and Mr. Carpi.

Commr. Aitchison: Is anybody else prepared to examine either of those gentlemen?

Mr. Smelker: I have no cross-examination.

Mr. McCollester: I would like to ask Mr. Heywood a couple of questions.

Mr. Norman: I do too, but it is not in the nature of cross-examination.

Mr. McCollester: I don't know whether mine is or not.

Commr. Aitchison: Let Mr. Heywood come forward, if he is here. Mr. McCollester, you want him too?

Mr. McCollester: Yes. I have just a couple of questions.

J. L. Heywood, previously sworn, recalled and testified further as follows:

Cross-examination.

By Mr. McCollester.

Q. Mr. Heywood, would you please refer to your Exhibit No. 215, and particularly page 6 of that exhibit. Are we to understand that you, as an accounting official, approve or disapprove or express no view as to the method used by Dr. Edwards in arriving at his computed costs and his figures which you have cited on your sheet of value?

A. I express no views as to his costs.

[fol. 5077] Q. So that these figures here are not offered by you as your views of the true or the base costs?

A. No, sir.

Q. I am not sure that I understood just what you did in the bottom section of that exhibit, but will you look at the middle section on page 6 of the exhibit? I notice, looking across your last two columns, headed "Southern Region Cost per 100 pounds for 300 miles," and then the next one is "Southern Region Cost,"—is the last one the total and the first one divided by the number of tons? I am looking at the middle section.

A. You are speaking of the last two columns?

A. Yes.

A. That is the rate multiplied by the load.

Q. Now, looking at the bottom section there are two headings that I do not understand. The first heading is "Southern Region Cost per Ton, 300 Miles" and then if you will skip over to the third column from that, the heading is "Southern Region Average Cost per Ton at Southern Region Composition." I notice that the figure 3.24 appears in both of those columns.

A. Yes, sir.

Q. What is the difference otherwise between those two columns?

A. The column "Southern Region Average Cost per Ton at Southern Region Composition" is the result of applying the average shown under the first column there under "Composition of Tariff, Five Years, 1937 to 1941." [fol. 5078] Those percentages there of composition are gondola and hopper cars as compared with all other carloads, and apply to the rates in the first column. Likewise, taking the next subject, "Eastern District Including Pocahontas" is also applied to those rates to get the Southern on the basis of the composition of the East, or the South.

Q. Then I will ask you, should we understand that the difference between the left-hand column, which has the figures 2.55, 3.97 and 3.24, and the third column to the right from that, the figures 1.32, 1.92 and 3.24—is the difference between the five-year period and the one-year period; the left-hand being the one-year period?

A. That is true. One is five years. You must give consideration that that is on the composition of the traffic for a five-year period 1937 to 1941, to bring it up to a more current date than Mr. Kennedy left when he put the 10-year period in for 1939. This is exactly the same as Mr. Kennedy's Exhibit 181, only that we have brought it up to the more current five-year period as compared with his ending in 1939 for the 10-year period.

Q. I see. Does this fairly state, based on the five-year period, what your exhibit is designed to show, that because of the difference in the ratio of gondola and hopper cars to all cars in Official territory and in Southern territory, if the Official ratio had been applied to the South, the southern [fol. 5079] cost be lower than that computed by Dr. Edwards?

A. It really is applied here to the southern costs.

Q. And it produces a lower cost than the southern actual ratio of gondolas?

A. I will say this five-year period shows a lower cost for the southern than Mr. Kennedy did for the 10-year period.

Q. But both yours and Mr. Kennedy's show that applying the official ratio of gondolas and hoppers to all types of equipment would lower the southern costs computed on Dr. Edwards' formula, or have I just got that wrong?

A. I don't — as I want to agree exactly with your statement there.

Mr. McCollester: All right. I won't try any more.

Redirect examination.

By Mr. Norman:

Q. Mr. Heywood, as I understand it, you have taken the five-year period ending in 1941 and have included Pocahontas with Official territory; is that right?

A. That is correct, on sheet 6.

Q. On sheet 6.

A. On sheet 7 Pocahontas has been deleted.

Q. And you find, with Pocahontas included for that period, the cost in the South was 98.2 per cent of the cost in Official territory; is that right?

A. That the South cost, yes, is 98.2.

Q. And if you exclude Pocahontas from Official, it would be 91.3?

[fol. 5080] A. That is right.

Q. Now, you said in your testimony you were recasting Mr. Kennedy's testimony. Do you use the same methods of calculation as Mr. Kennedy did? Is that what you mean by that?

A. The same methods were used; yes.

Mr. Norman: That is all.

Recross-examination.

By Mr. McCollester:

Q. Mr. Norman asked you if the result would show the South's cost 98 per cent of Official's costs. You are not offering this explanation——

A. This is simply to show the five-year period, as I said before, current years, with Mr. Kennedy's comparison.

Mr. Norman: And the purpose of that was to show that the South was improving as time went on; is that it?

The Witness: I simply put it here to show you when we get more current data, the story is not the same as Mr. Kennedy showed.

By Mr. Eshelman:

Q. When you say the same method was used as by Mr. Kennedy for consist of traffic, isn't it correct to say there was a use of tons—or, rather, of the consist of traffic as developed in one of Dr. Edwards' exhibits?

A. In his later appendix A. I assume Mr. Norman meant the mathematical method.

Mr. Norman: That is what I did mean.

The Witness: That is what I answered the question on.

[fol. 5081] Commr. Aitchison: Any further examination of Mr. Heywood at this time?

Mr. Smelker: I believe the record shows that his exhibits 215 and 216 are not in.

Mr. Eshelman: Then we ask that they be received.

Commr. Aitchison: Exhibit 216 was received, but not 215. The Commission said it was received, and then retracted that when Mr. Grubbs reserved the right to object. Do you object?

Mr. Grubbs: No objection.

Commr. Aitchison: Exhibit 215 will be received.

(Exhibit No. 215, Witness Heywood, received in evidence.)

Commr. Aitchison: If there is nothing further, Mr. Heywood, you are excused.

(Witness excused.)

Commr. Aitchison: Now, there was another witness to be cross examined.

Mr. Eshelman: Mr. Carpi was to be cross examined.

Commr. Aitchison: Cross examination of Mr. Carpi was reserved. Does anyone desire to ask him any question?

If no one desires to cross examine you, Mr. Carpi, you may be excused.

Mr. Smelker: I believe Exhibit 217 was held up.

Commr. Aitchison: Without objection Exhibit 217 is received.

[fol. 5082] (Exhibit No. 217, Witness Carpi, received in evidence.)

Commr. Aitchison: Any thing further this afternoon? If now, we will suspend until 9:30 in the morning.

(Thereupon at 4:30 o'clock p.m. an adjournment was taken until Wednesday, March 31, 1943, at 9:30 o'clock a.m.)

[fol. 5083] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

Class Rate Investigation 1939

Docket No. 28310

Consolidated Freight Classification

Main Hearing Room, Interstate Commerce Commission Building, Washington, D. C.

Wednesday, March 31, 1943.

Met, Pursuant to adjournment, at 9:30 o'clock a.m.

Before: Division 2 of the Commission

Hon. Clyde B. Aitchison (Presiding); Hon. J. Haden Alldredge (Chairman of the Commission), Hon. Walter M. Splawn, and a Cooperating Committee of the National Association of Railway and Utilities Commissioners, represented by: Mr. W. H. Scott, of The Public Service Commission of South Carolina; Mr. George McConnaughey, Public Utilities Commission of Ohio; Mr. C. L. Doherty, South Dakota Public Utilities Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Ex- [fols. 5084-5084a] aminer; T. L. Haden, Examiner. W. U. Hardie, Director, Bureau of Traffic. J. J. Murphy, Consultant.

Appearances: (As heretofore noted.)

Additional Appearances: Wilbur LaRoe, Jr., Investment Building, Washington, D. C., appearing for Southern Paper Manufacturers Traffic Conference. Thomas E. Grady, 504

Ingraham Building, P. O. Box 2468, Miami, Florida, appearing for Greater Miami Traffic Association.

[fol. 5085] **Proceedings**

Commr. Aitchison: You may proceed.

Mr. LaRoe: If Your Honor please, it has been agreed that I may make a one-minute statement on behalf of Southern Paper Manufacturers Conference, with your approval:

Statement by Mr. Wilbur LaRoe, Jr.

At pages 3856 and 3857 of the record Mr. Oliver, I am sure quite unwittingly, testified that the Southern Paper Industry voluntarily agreed to 110 per cent basis to the North. In the record in that case, which was I. & S. 4413, the principal witness for the paper industry, Mr. C. E. Jones, said, "We also sought this same mile for mile parity to points beyond in Official territory but were unable to obtain the same by voluntary agreement."

It was clear throughout that proceeding that the carriers on paper maintained the 100 per cent level of rates to the Ohio River crossings, and our witnesses therein contended in view of that fact that there would be no justification for a higher basis to the points north.

Thank you very much.

Commr. Aitchison: Whom do we hear next?

Mr. Hollopeter: If the Commissioner please, I have a witness on behalf of Governor Shricker, who is ready to go on this morning.

Commr. Aitchison: We will be glad to hear him.

[fol. 5086] George N. Beamer, was sworn as a witness and testified as follows:

Direct examination:

By Mr. Hollopeter:

Q. Will you state your name for the reporter?

A. George N. Beamer.

Q. Where do you reside?

A. At South Bend, Indiana, and temporarily at Indianapolis.

Q. Do you appear here on behalf of Governor Schricker of Indiana?

A. I do.

Q. Are you connected with the State Government of Indiana at this time?

A. I am.

Q. In what capacity?

A. I am at present Chairman ~~of~~ the Public Service Commission of Indiana.

Q. Have you had previous connection with the State Government?

A. Yes. For two years immediately preceding I was Attorney General of Indiana.

Q. Are you familiar with the Governor's statement which you are going to present, to the extent that you could adopt that for your own testimony in this case?

A. Yes, I am.

Q. Will you proceed then to present the statement for the [fol. 5087] Governor, please?

A. This is the statement of Governor Henry F. Schricker of Indiana.

Mr. Norman: Mr. Commissioner, I do not object really to the statement but I think it ought to be the statement of the witness.

The Witness: I am perfectly willing to adopt it as my statement.

Mr. Hollopeter: He justified to that, Mr. Norman.

Mr. Norman: Then he proceeds to say it is the statement of Governor Schricker.

The Witness: It will not be my purpose here to discuss the technical and involved question of freight rates. I shall leave that to the experts who are able to weigh and evaluate all pertinent factors. I want to say, however, that I appreciate this opportunity to submit to this honorable body this statement on behalf of the great State of Indiana. Since the Governors of some of our sister States have appeared in this proceeding to submit statements on certain economic questions as affecting their respective States, I feel that some statement from our section of the country should be helpful.

I shall present here what may be termed Indiana's side of a complex, economic and transportation problem. I assume that the Governor of any State has so many weighty problems of government pressing for his time that it is [fol. 5088] impossible for him to arrive at any unbiased or judicial determination of all the varied and involved technical angles of freight rates as they are involved here. I have found that to be true in my case and I freely concede the propriety of having a technically trained body of experts such as the Interstate Commerce Commission to carefully consider and evaluate all the facts which all of us may present on all sides and features of this problem.

First, I should desire most emphatically to state that the people of Indiana desire in this controversy only complete fairness and justice based on all the facts and conditions that are involved or have a proper bearing on this freight rate problem. Desiring that for ourselves we just as ardently desire to see exactly the same fairness and justice given to the people of each and every other State and section of the country.

I believe there is a common ground for the establishment of such fairness and justice in this problem and again recognizing the complexity of it, I think that we should all rely explicity on the fairness and integrity of the Interstate Commerce Commission and the orderly process through which we have always obtained justice in this country rather than attempt to stir up passions and prejudices in the various sections of the country on a question that is so technical and involved that it is impossible for the laymen to grasp the significance of the various parts thereof and consequently unable to reach a fair conclusion.

[fol. 5089] From the statements I have observed from various representatives of other sections on this question, I am thoroughly convinced there are two sides to this freight rate problem which should be plainly evident to anyone who is in a position to view the matter with a completely open mind.

Indiana and her surrounding States have their economic problems. Knowing them intimately it is not surprising to me that they are very similar in many respects to most of the problems discussed by the representatives of other States. We recognize the definite effect which freight rates can have on the prosperity and well-being of any State or section of the country. We have in Indiana, as I am sure prevails in almost every other State also, a very grave and serious readjustment problem in our economics when this war is over which we all earnestly hope and pray will be soon.

This, however, only emphasizes the fact that all pertinent evidence on all sides of this problem should be clearly presented to the Commission and then let the Commission be free to reach its just and proper decisions, unhampered by sectional prejudices and passion as they have sometimes been displayed in the press and through other channels.

While as I have previous stated, I have no personal or technical knowledge of freight rates, my information is that there are many instances where the freight rate of a given article for a given distance in Indiana or the surrounding [fol. 5090] States is higher than the corresponding rate in various other sections of the country.

Mr. Norman: I woud like to ask right there if the witness adopts that statement as his own.

Mr. Hollopeter: He says it is his information.

The Witness: Yes, I adopt that.

Mr. Norman: But you have no technical information as to rate matters.

The Witness: No, not personal.

Mr. Norman: All right.

The Witness: I understand further that there are other situations where the reverse of this is true. That is also my information.

I am not in a position to develop or discuss the propriety or impropriety of any of these specific illustrations but from a purely academic standpoint it seems that it must follow, that in any fair and proper pricing of transportation service it ought to be done in a way that would best serve the needs of commerce and industry in the various sections of the country and at the same time to properly maintain sound and healthy transportation facilities.

As the needs of these objectives differ greatly in the different sections of the country it would seem that it would not necessarily follow that any serious fault must lie in the rates structure, merely because of these different [fol. 5091] levels of freight rates. The fault can exist only, it seems, if or when it should be found that these offsetting advantages and disadvantages are not equally or properly balanced. That, of course, again gets back to the judicial question which the Commission alone should determine in light of all the facts.

I would like, therefore, to submit to this honorable body several facts of economic importance that exist with respect to conditions in Indiana.

But a relatively few years ago my State of Indiana was the home of a number of thriving and prosperous manufacturers of pulpboard made from straw, a prevalent raw material in Indiana. This industry provided much employment and produced much of value in the normal commerce at that time. Today practically all of these plants have disappeared from the State. We have only ruins in many places to mark the location of the operations. They disappeared because of the development of the production of board, probably of a better quality, and certainly more economical, from woodpulp produced largely in the South and Southwest.

The disappearance of these operations not only disturbed the labor situation but in many respects affected definitely the revenues of the State through the loss of taxes formerly received from the valuation of the properties. It is not my purpose to indicate that Indiana has any complaint on this situation for we look upon it as one of the natural developments in the country as a whole which become of importance [fol. 5092] to all of us.

It does seem to one uninformed in the technicalities of freight rates that it indicates that not all that has been said elsewhere about the freight rate situation can possibly be true for it certainly did not protect Indiana in the enjoyment of this industry and while it was disappearing in Indiana it was developing to a greatly magnified degree in the South and Southwest.

Another great and important industry in Indiana has been the production, processing and marketing of a building limestone of which the State has an almost unlimited supply and a quality that we are proud to say does not seem to be surpassed anywhere else in the country. That industry has been almost dormant in Indiana in recent years.

My information is that pro-cers of limestone in States to the south of us have often been able to ship their product, directly past Indiana sometimes even into Canada, where I have been informed they have undersold our Indiana producers. This again is not a complaint on the part of Indiana nor a suggestion that the rates are out of line or unfair to us. I am simply reciting this to show the economic situation and it appears to me here that the rates, whatever they may be, are not so favorable to Indiana and so unfavorable to other sections as to protect Indiana unduly in this instance.

[fol. 5093] We also had, in years past, many thriving and prosperous manufacturers of furniture in Indiana. That industry has very definitely been on a decline in the past 15 years and with its decline in Indiana, we observe much expansion in the same industry in the South and Southwest. I do not contend that freight rates alone are the cause of this and again this is not a complaint against the rate situation. I am simply stating the economic fact that the furniture industry in Indiana has not been prosperous and is getting less and less prosperous each year.

I have been informed that whereas we formerly produced much furniture in Indiana, that now most of the furniture sold in Indiana in retail is produced in the South and Southwest. It is reported to me that these manufacturers in these territories normally undersell Indiana manufacturere very frequently in their home markets as well as elsewhere in the country. At least the freight rates have not prevented this desirable improvement in the Southern industry nor has it prevented the very undesirable recession of the same industry in Indiana.

I would call attention to one more industry which formerly thrived and was very prosperous in Indiana, that is the manufacture of heating and cooking stoves.

Without going into the details the story of the Indiana stove industry is precisely the same as that of the furniture, stone and the strawboard industries. The operations [fol. 5094] of these four substantial lines of industry which seem to have been generally lost to Indiana has brought upon us serious implications in the way of disturbance to labor and financial loss.

I do not appear here in the position of blaming any other territory or States who have been more fortunate than we in benefiting by the development of these industries coincidentally with their decline in Indiana. I look upon this as one of our economic problems which we must solve and I have generally found that we can solve our problems more satisfactorily by attacking them directly than by heaping blame and censure on others. I do want to leave with the Commission the facts that Indiana and its surrounding States have not been wholly prosperous nor as successful with their industrial activities as we should have liked to have been.

Because of the serious post-war readjustment that is sure to come, if the Commission shall find readjustments in these rates to be proper as a result of this proceeding we urge that they as carefully weigh the effect of such readjusted rates on our economics, as they should weigh the effect of the present rates on the economics of those sections complaining thereof.

May I again reiterate that being one of the forty-eight States of this great nation, we desire no unfair treatment in freight rates or otherwise imposed upon any of our sister States and likewise we ask no advantage whatever over any of them, but we do insist that complete justice be given to [fol. 5095] all with respect to the entire freight rate structure which so definitely affects the economy of every State.

Our experts in transportation matters, I am sure, will give you the details that should enable you to treat all fairly and equitably and we rely upon the continued integrity of this Commission in determining these issues without fear or favor and upon the facts properly submitted without regard to any other influences.

Q. Have you personally had occasion to confer, together with Governor Schricker, with responsible representatives of the stone, the stove and the furniture industry in Indiana?

A. I have.

Q. And is that the basis for the statement you have made with regard to those industries?

A. That is correct.

Mr. Hollopeter: I believe that is all we have, sir.

Mr. Norman: Just a question or two.

Cross-examination.

By Mr. Norman:

Q. Mr. Beamer, on page 3 of the absentee Governor's statement with reference to furniture it is stated, "I do not contend that freight rates alone are the cause of this."

Do you contend that freight rates are even a contributing cause?

A. I don't recall exactly how that statement was used, [fol. 5096] I mean in reference to the other. You mean because of the dislocation from the North and the increase in the South?

Q. That is right. I take it that is what he is talking about.

A. I don't know that that is a contributing factor.

I do know, of course, that the southern manufacturers are able to undersell the northern manufacturers right in our local community.

For instance, in Indianapolis a manufacturer informs me that southern manufacturers can undersell him on the same furniture right in Indianapolis where he is located.

Q. Inasmuch as he pays no freight rate at all the freight rates can't be a contributing factor, could they?

A. I would think not, not in that particular instance.

Q. Do you claim that there has been any unfairness to Indiana in the freight rate structure as it exists?

A. No, there is no contention that there has been.

Q. And you don't contend that the decline of any one of these four industries you have referred to has been due to any unfair adjustment on freight rates?

A. No, I simply make the point the industry has declined in Indiana, even though other sections of the country claim we have advantages in freight rates.

The freight rate advantage which we may have, if any, has not kept these industries from seeking their natural advantages.

Q. In other words the tariff is not high enough?

[fol. 5097] A. No, we don't contend that.

Mr. Norman: That is all.

Commr. Aitchison: The rates on stoves and on stone have both been pretty thoroughly investigated by this Commission, you may recall, don't you?

The Witness: I don't know about that personally, no.

The only points we were attempting to make were that if there is any advantage in the stone, so far as Indiana is concerned, they can still undersell us in markets further to the north.

Chrmn. Alldredge: Well, I don't want to pursue the inquiry, but it is a fact, isn't it, that Indiana produces the stone that also ships into the South?

The Witness: I don't know. I presume on occasion they do. We think we have a better quality than anybody else.

Mr. Norman: You have almost a monopoly in the Washington market, haven't you?

The Witness: I don't know. We have had some pretty good representation down here. We have been pretty good salesmen upon occasion, but I don't know that it has been true in recent years.

Commr. Aitchison: I think we ought to have an understanding that Mr. Hollopeter probably recalls we did deal with this Bedford stone case at very great length. I remember the agony we had in conference over it.

[fol. 5098] The Witness: I think we should make it clear we are not complaining about the situation.

Commr. Aitchison: I am simply trying to show those rates have been pretty well fixed, and of course stoves were in the Southern Governors' Case.

Mr. Hollopeter: We agree with you that they have been fixed. I don't know that we can go all the way, but the purpose of the Governor's statement here was simply to show, as the witness has stated, that whatever the rate adjustment has been it has not been responsible or has not protected Indiana unduly in the maintenance of these industries, and he doesn't attempt to make any complaint, and that doesn't mean, I think, that he admits the rates are entirely proper. I don't want that to appear that way.

Commr. Aitchison: And I take it also there isn't much question but what the stone and stoves at least move on commodity rates, rather than on class rates.

Mr. Hollopeter: Yes, I think the Governor didn't attempt to go into that. He simply conferred with the industry.

Commr. Aitchison: I am wondering as to whether the stone and stoves move on——

Mr. Hollopeter (interposing): The stone moves on commodity rates and the stoves I believe are on a percentage class which are perhaps considered commodity.

Commr. Aitchison: And how about furniture in Official [fol. 5099] territory?

Mr. Hollopeter: Furniture is largely commodity—no, it is a class, I should say.

Commr. Aitchison: And from the South?

Mr. Hollopeter: That is on a class basis but it has been fixed by the Commission some years ago.

Commr. Aitchison: In both territories?

Mr. Hollopeter: Yes, in the general furniture case, perhaps 10 or 15 years ago.

That is all we have for Indiana, your Honor.

Commr. Aitchison: You may be excused.

(Witness excused.)

Commr. Aitchison: Mr. Norman, are you ready to go ahead?

Mr. Norman: Mr. Hillyer has a witness from Florida he would like to put on now.

Commr. Aitchison: Proceed, Mr. Hillyer.

T. C. Maurer, previously sworn, recalled and testified further as follows:

Direct examination.

By Mr. Hillyer:

Q. Mr. Maurer, in the testimony of Mr. Wolford for the Seaboard Air Line Railway, he points, with perhaps pardonable pride, to the fact that some 67 new industries have been located in the Southeast on the Seaboard Air Line Railway during the years 1939 to 1941.

I want to inquire as to these products, whether they move [fol. 5100] on class or commodity rates generally, and generally in what territories:

The products of sawmills, what rates do the products of sawmills take?

A. They take commodity rates as a general rule, and move in Southern territory.

Q. Planing mills?

A. Commodity rates.

Q. Building supplies?

A. They, for the most part, are commodity rates.

Q. Do building supplies ordinarily move from the Jacksonville area into the northern States?

A. No, sir; that is a local proposition.

Q. What type of rates are charged on products of crate mills?

A. Commodity rate.

Commr. Scott: What kind of mills?

Mr. Hillyer: Crate mills—c-r-a-t-e.

Q. Do crate materials take the lumber rates?

A. Yes, sir, they do.

Q. Is that true also of barrel staves?

A. Yes, sir.

Q. Where are the products of the crate mills in the Southeast distributed?

A. Generally speaking, in the local territory for the fruit and vegetable industry.

[fol. 5101] Q. Next Mr. Wolford mentions sulphite pulp. What basis of rate is used for sulphite pulp?

A. Sulphite pulp is manufactured at one pulp mill point in Southern territory Sulphate pulp is manufactured pretty generally at all the paper manufacturing points.

That commodity moves generally into Official territory. However, on wood pulp today there are only one or two through rates. The balance of the rates are based on either Ohio River transportation in traffic moving into Central territory, or Virginia cities combination on traffic moving into Eastern territory.

In other words we have been attempting to obtain a through basis of rates on wood pulp comparable to the level of rates in effect in Official territory for some years, but have been unsuccessful up to this time, although I must say that there is a proposal now before the Official lines seeking to publish a through line of rates.

Q. Where is the sulphite pulp mill located?

A. At Fernandina, Florida.

Q. Isn't there one in Jacksonville?

A. Yes, sir.

Q. Are you the regularly employed traffic manager for that mill?

A. I am, yes, sir.

Q. Is sulphate pulp a finished product sold for consump-
[fol. 5102] tion or is it a product used for further assembly or manufacture?

A. It is a raw material and of course has no use in its state as pulp. It is converted into paper either by direct use of the pulp or mixing it with other materials such as scrap paper and scrap board and things of that nature.

Q. What basis of rates is applied to sulphate of alumina?

A. Sulphate of alumina is another commodity that moves locally within Official territory. Another name for it commonly is papermakers' alum and is used quite extensively in the paper industry.

It moves on exceptions to class rates, and the movement within the South, that is the movement is more or less confined to points within the South, and does not move from the South to Official territory as a general proposition, although there may be some sporadic movements.

It is also used in the purification of water and moves locally from such points as East Point, Georgia to Carolina cities for use in their water supply.

Q. From your knowledge of these industries in your section will you say that these are war industries or are permanently or established industries?

A. I would say they are all stable and permanent industries. They are not war industries.

Q. Do any of the products of these 67 new industries that you know of move generally at class rates from the South into the North?

[fol. 5103] A. No, sir, I can't see any that do.

Q. For a number of years were you employed by the Florida East Coast Railway?

A. Yes, sir, I was.

Q. In the Traffic Department?

A. Yes, sir.

Q. Did you hear the testimony of Mr. Parsons yesterday?

A. I did, yes, sir.

Q. You are familiar with the fact that the Florida East Coast has to meet the competition of direct coastwise steamship lines, intercoastal waterways, trucks and the Seaboard Air Line Railway?

A. That is correct, yes, sir.

Q. What is the basis of the first class and other class rates between Jacksonville and Miami, the main termini of the Florida East Coast?

Commr. Aitchison: Intrastate, you mean?

Mr. Hillyer: Yes, intra or inter.

A. Intrastate the rates are very much lower than the K-2 scale. Interstate they would be on the basis of the K-2 plus L-4, 13494 scales.

By Mr. Hillyer:

Q. The interstate would only apply in the nature of proportional rates on business coming from beyond?

A. Yes, sir, that is correct.

[fol. 5104] Q. In your opinion would it be practicable for the Florida East Coast Railway to maintain the Florida arbitraries in addition to the K-2 scale on its traffic between Jacksonville and Miami?

A. As to competitive points I would say it would be impossible, impracticable to do that, and especially to do so at non-competitive points, but there again you have the competition with water and truck lines that would, I believe, make it impossible to maintain anything approaching the level of the K-2, L-2 scale.

Q. Do the truck lines of Florida maintain class rates including the L-2 arbitraries on interstate or intrastate movement?

A. No, sir.

Mr. Hillyer: That is all on direct.
Commr. Aitchison: Cross examine.

Cross-examination.

By Mr. Norman:

Q. Prior to the discontinuance of operation by the coastwise lines did wood pulp move in very considerable volume by water from the South to the North?

A. Just to the North Atlantic ports.

The large movement from the South to the North by water would be wood pulp board; that is a step further along in board manufacture than wood pulp.

Probably the largest movements from the South (and when I say the South I speak of the southern paper manu-[fol. 5105] facturing points), probably the largest movement would be to such points as Chicago, Chillicothe, Canton, and points like that, where the wood pulp is prepared for some type of paper or board.

Q. Have you undertaken in your statement to deal with all of the 67 industries which Mr. Wolford enumerated?

A. No, sir, and I merely commented on those that Mr. Hillyer talked about.

Mr. Norman: That is all.

Mr. Hillyer: That is all.

Commr. Aitchison: You are excused.

(Witness excused.)

[fol. 5106] Mr. Norman: If the Division please, Mr. Walter McDonald has a statement he wishes to make on behalf of Southern Public Service Commissions.

Commr. Aitchison: We will be glad to hear him. Is this a statement in the nature of testimony?

Mr. Norman: Yes, it is in the nature of testimony.

Commr. Aitchison: Have you been sworn, Mr. McDonald?

Mr. McDonald: I have not, sir.

Walter R. McDonald, was sworn as a witness and testified as follows:

Direct examination.

The Witness: Mr. Chairman, my name is Walter R. McDonald. I have been a member of the Georgia Public Service Commission since January 1, 1923, with the exception of two years that I was prevented from serving by reason of an Executive Order, and was reelected again during that time I was out. I have been Chairman of the Commission since August, 1937.

My official residence is in Atlanta, of course, and by reason of that pivotal location my fellow Commissioners in the South have kept me in the position of President of the Southeastern Association of Railroads and Utilities Commissioners, a voluntary organization of State Commissions made up for the purpose of joint and cooperative action in rate matters of common interest to all the members of the associations, and it is made up of the Commissions of the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North [fol. 5107] Carolina, South Carolina, Tennessee, Kentucky and Virginia.

I am here today speaking for all those State Commissions except the last two.

Commr. Aitchison: Which were they?

The Witness: Virginia and Kentucky, the interest in those two States being divided in this case.

We have interested ourselves in this proceeding by reason of the statutory injunction in all of our States that requires the State Commissions to both file and prosecute complaints before the Federal Commissions in the matters of rates deemed to be discriminatory; that is, interstate rates deemed to be discriminatory to our people.

We also are here responsive to the shipping demand, the demands of shippers of our section who are dissatisfied with their freight rate adjustment as we have it.

Our people have never been quite satisfied with the class rate adjustment in Docket 13,494.

I went on the Georgia Commission just at the close of that case, just before the tentative order came out, and was on the Commission when it was finally adopted and put in intrastate in my own State.

Commr. Aitchison: Are you going to throw any light on the question I was asking yesterday, why when the Eastern Class Rate case was decided there was no action?

[fol. 5108] The Witness: I think so. I recall, with some chagrin, it was even in intrastate that our State carriers in publishing the rates intrastate labeled them—published with a big red flag—"published by order of the Georgia Public Service Commission."

I recall also my fellow worker, Hugh White, of the Alabama Commission came over to Atlanta as far back as 1927 and addressed a large dinner meeting, and his talk was on the inter-territorial freight rate barriers, and it would have been quite an argument in this very proceeding here today.

The question you raised as to why the South had not moved, following the suggestion made in 1926 by Mr. Eastman, would be probably manifold, but the main reason would be, we have been on the defensive all of the time.

Your Class Rate case was—the Eastern Class Rate case, if I remember right, was decided in the early part of 1930.

Then in 1931 we were confronted with the Ex Parte 103 proceeding.

I have asked several around the room here this morning: it is my recollection it was in 1931 that proceeding was commenced, and we had that to deal with then for several years during the depression, and then when our Class Rate case was finally brought in 1935 it was appealed for the very reason Ex Parte 115 had gone on the same question: Mr. Wilbur LaRoe had been employed to prosecute that case, and I understood—I was not a party to it at the time—

[fol. 5109] but I understood it was very largely on his advice, under the contention of the carriers, they shouldn't proceed with it.

Commr. Aitchison: The Eastern Class Rate case decision was January 15, 1931.

The Witness: That was 1931. I was thinking it was 1930. The Ex Parte 103 commenced in 1931 also, I believe in the fall of 1931.

That has been the main reason, because we have been resisting increases, and another main reason is that the Southern Commissions are not very heavily staffed. We haven't had the money or the facilities to organize the investigation, and then another reason would probably be, in my opinion, that the trucks afforded a measure of relief along through that period.

Now that the rates are stabilized and we have gotten them filed on exactly the level with the rail carriers, they ceased to be of much benefit in that respect.

But certainly there has been and is general dissatisfaction in the South with the present rate adjustment.

Mr. Widell's statement at Columbus that he was of the South and spoke for the South reminds me of the old Scotch lady that saw the troops marching along and her son Jim was among them, and she said, "Look, Jim is the only man in the company that is in step," and he does not speak for any organization except his Southeast-Southwest—I don't know who they are exactly, except some commodity shippers [fol. 5110] —but he left the impression he was speaking for the Southern States Industrial Council.

In spite of the fact that we have known that there is considerable railroad influence in that Council it has not gone on record as being opposed to this proceeding.

I received word in the early part of 1941, in March, 1941, that they would have a meeting in Atlanta of their board of directors; that they would consider this matter, and I knew that Mr. Widell was seeking to get a resolution condemning our action in pressing this proceeding.

I wrote to all the members of the board and asked them for an opportunity—I explained in that letter our position and asked for an opportunity to appear before them and make our position more clear to them, and they afforded that opportunity.

I was compelled to come to Washington and couldn't go before them, but Mr. J. O. Henry, our rate expert for the

Tennessee Commission, and Mr. Bachman, of Atlanta, did appear.

I received a letter following that meeting from Tyre Taylor enclosing a resolution in which he stated the Council had decided to remain neutral.

The entire resolution was adopted April 10th and said, "Transportation being vital to all industry and commerce is properly subject to Federal Government regulation; but that regulation should be sensible; should not invade the field of management and should apply alike to all forms of public carriers. The Council advises regulation of all forms [fol. 5111]. of transportation by the Interstate Commerce Commission. It also proposes to continue its interest in rate matters affecting its constituency, keeping in mind the interest of shippers, consumers, and transportation agencies alike. The Council recognizes, however, that each industry is the best judge of where its interests lie in this case, and that representing southern industry as a whole the Council cannot properly champion the cause of any member group to the prejudice of any other group. Accordingly where there is a substantial conflict of interests within the Council it will remain neutral."

Mr. Widell wasn't satisfied with his efforts there so he organized a forum under the guidance of Mr. J. U. Barr of New Orleans, that held a meeting over in Birmingham, Alabama, on the 10th day of December, 1941. This resolution was adopted April 10, 1941, and they invited several people to come and take part in that forum.

I accepted the invitation and went over and appeared on the program with Mr. J. E. Tilford of the L. & N. and Mr. Vogtle, both of those gentlemen of the L. & N., and at the conclusion of that meeting, which had been certainly called and planned for the purpose of adopting resolutions, adjourned without doing anything except reporting its proceedings, so I say there is no organized interest in the South that is opposed to it.

[fol. 5112] As Mr. Henderson has outlined, the State Commissions have worked with the shipper bureaus, members of the Southern Traffic League, and others.

Briefly, I would like to say in answer to Mr. Oliver's Chamber of Commerce speech before the Commission that he depicted a South that we couldn't recognize. I told him after his testimony that he reminded me of the old lady that had gone to the funeral and they had a new parson in town, and in the midst of the obituary she punched the boy and said, "Go up and look and see if we ain't at the wrong funeral," because I wouldn't recognize the South that Mr. Oliver painted to you.

The statement that railroads made adjustments as soon as they found out anything was needed, that they would make it just specifically—we had a livestock adjustment which you gentlemen have corrected. That was the result of an investigation that was forced on my State under a Thirteenth Section case, and it was a rate adjustment that had been put in between the railroads and the packers and wasn't designed to help the South. It was the highest rate scale in the whole nation, and when we organized under this same association I speak for here today to attack those rates the first thing we did was to contact the carriers and asked them to name the place that suited their convenience to talk to them about it, and they named Washington, so we all came to Washington and they listened to us and said nothing; said they would report to us, and we [fol. 5113] had a hard time getting an answer, and individually they would send somebody to our State Commissions to tell us we were wrong about it and that we shouldn't do anything about it, and nothing was done, and we were compelled to fight the thing all through.

We had a wine industry that started on a large scale in Georgia. One of them has hung on because he had a pretty good local business, but one was compelled to leave because we couldn't get any adjustment on those wine rates, and we do not have the policy he depicted here of getting any adjustment with carriers.

There was one other statement he made that I feel in justice I should answer, and I would like to say this too, that while I agree with everything that Mr. Henderson has said, I think the Governors would not agree with his stand that they did not commence until 1937, the 11th day of May, 1937.

As a matter of fact, the minutes of that organization show they had started back just about as early as the Southern Traffic League in 1934 trying to do something about bringing about an adjustment.

Chrmn. Alldredge: When was it they began?

The Witness: The first meeting was in 1934. The occasion was a dinner down in what we call in Georgia the "The

Little White House," and following that meeting in 1935 they met again in Montgomery, Alabama, but it is correct that in 1937 was when they took action definitely and [fol. 5114] organized and commenced to get the means of prosecuting the cases, and at that meeting there was a division of thought as to whether or not we should attack the commodity rates or the class rates, and growing out of that division the Governor of my own State—it seems I have a habit of developing this sort of thing—wanted to start forthwith and do the job, and he organized him a separate group to just correct it forthwith, and by main strength and awkwardness, but the other groups divided as to the class rate and the commodity rates.

Governor Graves of Alabama was the dominant figure in the whole conference, and much more active, so he pressed forward with the commodity case.

Mr. Oliver ridiculed the idea that they started out with a lot of complainants—and he pointed that out as a reason why the people in the South were not objecting—and then ended up with 14 or 15 commodities.

That complaint was filed, as I say, without consultation with any industry, and Governor Graves just sailed in and got him up a complaint and filed it and then went back to see who was going along with him, and those who were willing to provide finances and to furnish testimony stayed in the case and otherwise they were stricken.

Then, too, this is also correct, under the decisions and rulings herein before the Commission, if they were not shipping without the territory, namely, not discriminated [fol. 5115] against, they had no case in a Third Section case, so they couldn't proceed, and we had a good many that were in that predicament.

As I explained, the Class Rate case, which was later appealed because of the fact that the other case preceded, and the advice of counsel that it was not timely to present the Class Rate case when the carriers were compelled to be asking for additional revenues.

We are here, as I say, again responsive to the shippers of our section before this, the proper forum, and asking that the uniform system of rates be published for all the section that is involved in this entire proceeding.

Thank you, sir.

Commr. Aitchison: Are you convinced that the application of either the Official Classification or the Western

Classification in the South would meet the needs of consumers?

The Witness: Well, only by this, Mr. Chairman, that it has worked in the North and if fits commerce in the North it would fit it in the South.

Commr. Aitchison: The Official?

The Witness: Yes, the Official, and if it succeeded and worked in Official Territory there is no sound reason why it wouldn't in the South. I am convinced that it would.

Commr. Aitchison: What about the Western Classification?

The Witness: Well, I don't think that it has proven to be as successful as the Official Classification, so I still [fol. 5116] — we would fare better under Official Classification.

They have had many exceptions out there, as we have. We have gotten to where everything out there moves under exceptions.

I would like to say this, in further answer to the question as to why the South didn't do something about this, I would like to call attention to the fact that both North Carolina and Georgia undertook to correct the question intrastate but didn't get by with it by reason of the resistance of the carriers.

Commr. Aitchison: Is that all, Mr. Norman?

Mr. Norman: Beg pardon?

Commr. Aitchison: Is that all?

Mr. Norman: Oh, I have some witnesses.

Commr. Aitchison: I thought you were calling witnesses. Is that all you have?

The Witness: That is all.

Commr. Aitchison: Cross examine.

Cross-examination.

By Mr. Gwathmey:

Q. Mr. McDonald, I have one or two questions.

Does livestock move within the South or between the South and other territories on class rates?

A. I told about the livestock case, Mr. Gwathmey, to illustrate that the carriers did not, as Mr. Oliver had said, [fol. 5117] correct every complaint that was indicated to them. You evidently didn't follow my statement.

Q. I don't think you have answered my question either.

A. It does not in the South.

Q. Is your Commission advocating uniformity as between the North and the South, not on only class rate traffic but on other traffic.

A. Absolutely.

Q. Does that include not only manufactured articles, but raw articles?

A. It does.

Q. Does that include both state and interstate traffic?

A. It does. We have demonstrated in the Georgia Commission I think quite a spirit of going along with the interstate adjustments, a great many times when we haven't liked it.

Q. You recall, I suppose——

A. (Interposing:) I am just bragging on that.

Q. (Continuing:) —that there is a case pending before the Commission right now involving road aggregate rates.

A. That particular case has been to this Commission several times and to the Supreme Court of the United States.

Q. Under a 13th Section proceeding.

A. That is right. That is a rather local situation down there between the industrial interests of Alabama and Georgia that brings that about more than anything else.

[fol. 5118] Q. As a matter of fact, the railroads in Georgia have been, you might say, fussing with the Georgia Commission about that matter for about twenty years, haven't they, the 13th Section proceedings, off and on?

A. I think the southern railroads have.

Q. The Southern Railway?

A. The Georgia carriers have gone with us but it has been the Southern Railway that has pressed it.

Q. Just one more question, Mr. Chairman.

You have discussed at some length what positions have been taken or have not been taken at conferences held between the railroads and the various shipper organizations.

Does the Georgia Public Service Commission make it a practice to participate in conferences between the railroads and the shippers looking to the establishment of freight rates?

A. Do we make it a practice?

Q. Yes, sir.

A. We have conferred with the shippers and the carriers, yes.

Q. I spoke of joint conferences between shippers and railroads.

A. Yes.

Mr. Gwathmey: Thank you.

The Witness: We have, ever since I have been on the Commission; it has been quite a practice. We confer with rail representatives very, very frequently, more even than we do with the shippers, and we very often bring together [fol. 5119] the shippers and the carriers.

In the last few years we have been trying very hard to work out something on watermelon rates. We have had a good many meetings of the shippers and carriers in that case.

Cross-examination.

By Mr. Grubbs:

Q. I believe you were at the Indianapolis hearing.

A. Yes, I was.

Q. And you listened to the testimony of Governors Cooper and Holland at that time?

A. I did.

Q. You recall, I take it, what Governor Holland said on several occasions to the effect that the Southern governors did not want to hurt the railroads in this proceeding and wanted them to have rates that would yield to them a fair profit. Do you take any different view?

A. Absolutely not. We are just as interested in the railroads and their success as you are, and we feel very definitely in this proceeding that this being the main factor that has prevented the economic development of the South that you will reap the same benefit that the whole South will.

If we had the per capita income in the South of the Official Territory's per capita income, the South alone would produce a market one-half again as large as the foreign trade of 1938, and you would benefit right along with us.

[fol. 5120] Mr. Grubbs: Thank you.

Cross-examination.

By Mr. Clark:

Q. You live in Atlanta.

A. That is my official residence. My legal residence is in Augusta, your home town.

Q. That is right. You are familiar with Atlanta?

A. Very, very familiar.

Q. You agree with me that it is the outstanding city in the South?

A. It is.

Q. The Southern Railway has more lines in there than any other railroad?

A. Absolutely, and we are very proud of it.

Q. We haven't hurt Atlanta.

A. Not at all. We are very proud of the Southern Railway.

Mr. Clark: That is all.

Cross-examination.

By Mr. McCollester:

Q. Mr. McDonald, do the Southern State Commissions advocate that parity should be brought about by establishing the Southern basis of class rates within Official Territory?

A. We haven't proposed that in this proceeding.

Q. Would you favor it?

A. Well, we haven't proposed that, and I don't know that it is my province here to suggest how we should solve [fol. 5121] the problem. We have proposed that we have your level.

Q. In other words, you are proposing how you should solve the problem by proposing the Official level in the South.

A. That has been suggested, yes.

Q. Have you given any consideration to whether the Commission here should not, if it is to achieve parity, do so by increasing the Official level to the Southern classification.

A. We would think so. We have always contended that the costs in the South are no higher than they are in the North, and we feel that fact is well-established, and we can see no reason for that sort of reasoning. I said that the costs in the South——

Mr. McCollester: We know what you mean.

By Mr. McCollester:

Q. In other words, you don't think that the Official Territory class rates are too low?

A. No, we do not.

Q. Do you think that the Official Territory raw material rates are too high?

A. Well, we are not seeking to hold any advantage, if we have any, on the commodity rates.

We feel like the entire structure should be equalized. We are not asking for any advantage.

Q. Do you think there would be any opposition in the South to establishing rates on the pig iron from the Birmingham district to Atlanta on the basis that prevails on the movement of pig iron from the Buffalo furnaces to Albany, New York?

[fol. 5122] A. So far as the pig iron adjustment is concerned in the South, if you go into it, it isn't so very different.

We have got rates from Birmingham up to a new plant up at Toccoa—well, answering your question, we are not seeking any advantage. We are not seeking any advantage, and whatever adjustment is made in one section, we want it in our section.

Q. I am afraid you haven't answered my question, and I will ask the reporter to read it.

A. All right; that is the answer; we would not oppose it if that is the adjustment that is finally decided on as the uniform adjustment.

Mr. McCollester: I would like to have my question read to the witness.

(Pending question read.)

A. I don't know the rate. I started to make a statement about comparative rates, and it slipped my mind, and I don't know what that rate is, but if this Commission decides that is the basis that should be uniform, then we want it.

By Mr. McCollester:

Q. My question was, speaking for the Public Service Commission, whether you think there would be objection to the establishment of rates on pig iron from Birmingham to Atlanta on the New York State basis, which just about, if I am informed correctly, would double the rate.

A. I answer you again, we are not seeking any advantage: that if that is decided that it should be the rate in [fol. 5123] Official Territory, then we want that along with parity of everything else in the South.

Q. And you make your industries in Atlanta, that use pig iron, take it and like it.

A. I don't know if I could answer you any more definitely than I already have.

The pig iron adjustment, if that was found to be proper, our industries could live under it as well as yours.

Mr. McCollester: That is all.

Cross-examination.

By Mr. Clark:

Q. Do you think the Atlantic Steel Company would subscribe to that answer you gave to Mr. McCollester?

A. I wouldn't want to presume to say just what they would subscribe to, but knowing those gentlemen as I do, I think they would be willing to meet competition on an equal basis.

I think that you have raised a lot of questions here about pig iron, and Mr. Hart will be on the stand, and I don't want to get into a technical discussion of rates, but we are doing all right with our pig iron rates in the South.

Q. I am very much afraid, Mr. McDonald, that you want your cake and want to eat it to, is what I am coming to.

Go back to my question. Would you mind answering me? Do you think the answer you gave would suit the Atlantic Steel Company, which has a steel operation in Atlanta, Georgia?

A. I answered you before, I am not in a position to [fol. 5124] speak for the Atlantic Steel mill, and do not presume to do so, but industry generally in the South——

Commr. Aitchison (Interposing:) Wait a minute. He hasn't asked about that.

By Mr. Clark:

Q. I only asked about Atlanta. You are speaking here as Chairman of the Georgia Commission, of course, as we all know.

A. That is right.

Q. I don't understand you are speaking for industry generally, are you, any more than you are speaking for the Atlantic Steel Company?

A. I made the statement we were here responsive to the will of the shippers of the South.

Q. Mr. McDonald, the first shipper that I asked you about is a very large and important shipper of your present residence, Atlanta, and you very frankly told me you didn't speak for him. How could you make the general statement you speak for industry in the South?

A. You asked me, Mr. Clark, whether or not I spoke for this particular industry or a specific rate.

Q. Yes, sir.

A. I can say that a great many of our commodity shippers in the South go along with us in this effort with the feeling that it will improve section economically, and that even though they might suffer some loss in it, they are [fol. 5125] entirely willing to go along.

I don't know whether that is the position of the Atlantic Steel Company or not.

Q. I take it your testimony has applied generally.

A. Yes, sir.

Q. Surely you wouldn't undertake to speak for the shippers without the State of Georgia, would you?

A. I am appearing here for the Southeastern Association of Railroad and Utilities Commissioners composed of eight states.

Q. We have heard, of course, Mr. Hart and we have also heard Mr. Widell, and the contrary views of different ones.

Bearing that in mind, do you still say you speak for all the industry in the South? Let's see who you speak for.

A. I stated there is no organized group representing shippers that I know anything about that has gone on record against us, except the Southeast, Southwest shippers—something—that is an organization that has grown up out of resistance to this case.

Q. So there is some difference of opinion in the industry.

A. That much.

Q. Well, there is difference.

A. Yes.

Q. But you don't speak for all industry; isn't that true?

A. I tried to qualify it in my statement. I think I have made it clear.

[fol. 5126] Q. And you have proposed here to take the Official Territory level of class rates and commodity rates. Is that true?

A. Well, I haven't made any such proposal, Mr. Clark.

In answer to the questions here I have undertaken to say whatever the adjustment is, we want the whole adjustment.

Q. There has been much said about costs, so I am going to ask you to start with the premise, for the purpose of this question, that the cost of doing business in transportation would be the same for the two territories, north and south.

You recognize there is a very much larger volume of transportation in Official Territory than in the South, don't you?

A. Yes.

Q. With the difference in volume, the same costs, and the same rate level, don't you know it would have the inevitable effect on the lines of one territory making too much or lines of the other making too little.

A. I don't think it follows at all. You have got entirely different conditions up here—your investment, your cost of terminals——

Q. (Interposing:) That all goes into cost.

A. That is right.

Q. So when we start with the premise of equal cost, it takes care of and wipes out all of those; isn't that right?

A. No, I don't follow any such reasoning.

We have never felt that your premise that density was [fol. 5127] any justification for a different rate level.

Q. Let's analyze that a little further.

Suppose we were in the business of selling tablets to school children, and say I buy them at 4 cents and sell them at 5 cents.

Commr. Aitchison: I think you are getting a little argumentative.

Mr. Clark: This has to be a premise to bring out volume, if your Honor please.

By Mr. Clark:

Q. (Continuing:) Obviously, if you only sold a few tablets a month, or year, no business could live on that, but if you sold them by the tens of carloads you would make a very definite profit, would you not?

A. That follows.

Q. Isn't that a simple example of the effect of volume, applying that simple example to the dense traffic in Official Territory, as compared with the South, don't you know under the same level of rates, class and commodity, the Southern carriers could not live and give the service the South is really entitled to.

A. No, I don't know any such thing. You are a regulated business. You are entitled to a return on your investment, and on the whole, in the South, you have done better than have the carriers in the North.

Q. By virtue of recent years volume; isn't that true?

A. I don't know; I don't think so.

[fol. 5128] Q. Mr. McDonald, don't you know when we have thin traffic years we lines in the South are in very serious financial straits, and with the increased volume we can proceed to bloom, as we are doing at the moment. Doesn't that prove exactly what I am asking you, that volume controls this situation?

A. Of course volume does if you make a higher per cent, but I don't think that ought to control your rate structure, as you have in the past.

Q. My little simple example of the sale and resale of the tablets is illustrative of the situation, isn't it?

A. That is a logical statement, yes.

Mr. Clark: Thank you very much.

Mr. Norman: Well, Mr. McDonald, let's assume that the investment on which a return had to be earned was more, or the traffic was less dense, and taxes lower and various elements of that kind, might not that permit the road having the less density of traffic to make the biggest return on its investment?

The Witness: That was the substantial statement I made a while ago, that I think the conditions in the South are such that they have made more for those reasons, that they haven't the investment and do not have to have the volume in order to make a return on a regulated business.

Commr. Aitchison: It seems to me that Mr. McDonald is getting to the point where he is arguing this case. We are getting into the question of value, and we have some very [fol. 5129] sweeping statements. We have had some more precise testimony, and shouldn't that suffice?

The Witness: I think so.

Mr. Norman: I think that is correct, but I think inasmuch as Mr. Clark was permitted to bring out that side of it, that the other side might just as well be brought out also.

Commr. Aitchison: Let's attempt to get back into the regular line in some way.

Mr. Norman: That is all I have from Mr. McDonald.

Mr. Widell: I have one or two questions.

Commr. Aitchison: Mr. Widell.

Cross-examination.

By Mr. Widell:

Q. Mr. McDonald, on the question of your advocacy of rate parities, or rate equality in all sections of the country, I understand then that you advocate that right straight through from A to Z, classes, commodities, and everything. Is that correct, sir?

A. We are seeking parity in this case.

Q. You are familiar with the stove industry in the South?

Commr. Aitchison: Wait a minute, Mr. McDonald—parity with what? Make that more precise, Mr. McDonald.

The Witness: Well, Mr. Chairman, we recognize, of course, there might be some situations that would require local treatment, and Mr. Widell's statement undertook to commit me to the fact that there wouldn't be any [fol. 5130] exceptions in that rate structure, but as a general broad principle we are seeking parity in all the territories involved in this proceeding.

By Mr. Widell:

Q. In other words, then, on exceptions to the classification in Official Territory and commodity rates to suit the needs of consumers in Official Territory, you mean you desire to have the benefit of all that within the South too.

A. We think if they suit the needs of commerce in Official Territory that they will suit the needs of our people too, and they have proven the fact that they have in the North suited the commerce in the North.

Q. With regard to, say, the stove industry, which is represented in Georgia to quite some extent, are you familiar with the character of the inbound traffic and the outbound traffic of the stove foundries in Georgia?

A. No, I am not.

Q. But you do know, don't you, Mr. McDonald, that on the rates from the stove foundries in the South to destinations in Official Territory the Georgia stove people have the benefit of the northern level generally mile to mile.

A. That is correct. That was one of the things in the Southern Governors Commodity Case.

Q. So they do have that parity, so to speak, today.

Now, then, let me ask you this. You know, don't you, from your general knowledge of what the stove industry [fol. 5131] is in Georgia and in the South, that the inbound movement is generally coke and molding sand, scrap iron and pig iron.

A. That is right.

Q. There are four, say, major inbound raw materials.

A. That is right.

Q. Do you not know, Mr. McDonald, that if the Georgia stove people had to pay the Official level, mile for mile, on coke that their costs, their freight costs on coke would increase substantially.

A. It is my recollection that coke was one of the commodities that was treated ahead of the Southern Governors Rate Case.

Q. Just to refresh your memory, was that not from the South to C. F. A. Territory, Central Territory?

A. Yes, it was.

Q. Where the Commission prescribed the Central Territory rates on traffic from the South to Central Territory?

A. That is right.

Q. Do you recall in that case we demonstrated the general level of coke rates in the South is substantially less than C. F. A.?

A. Yes, that is right.

Q. So that if you did get parity for the stove industry in Georgia, you would have to increase their coke rates, wouldn't you?

A. Yes.

[fol. 5132] Q. Isn't that true also of molding sand?

A. I don't know. We had occasion recently to look at the sand rates, the sand and gravel rates, over the country, but molding sand doesn't move on those scales, does it?

Q. Don't you know molding sand in the South moves on the common sand rates?

A. How does it move in the North?

Q. Don't you know in the North molding sand rates are higher?

A. I didn't know it, but, Mr. Widell, we have put into this record a good many other industries that would have been just the reverse of what you are describing here with your stove industry.

Q. We were just confining it to the stove industry.

A. Yes, but we represent more than the stove industry.

Commr. Aitchison: Let's have one of you at a time. If you must follow that course, please only one of you at a time.

By Mr. Widell:

Q. In the stove industry then your inbound scrap rates would be increased.

Pig iron rate would be increased. Isn't that true?

A. I don't know the adjustments of those rates. I think they would be over some territories and some sections and not in others, but if it is, why we are asking for uniformity.

Q. Let me ask you this——

Mr. Norman (Interposing): Mr. Chairman, I would like to object to this line of cross examination because I think [fol. 5133] they are going into a great many questions that are not here, and when I put a witness on the stand that even wanted to talk about a column rate he wasn't allowed to do it because it was not in issue, and now they are bringing a witness in here and talking about rates on every commodity you can think of.

Commr. Aitchison: It is perfectly obvious we would be able to continue the cross examination along this line until we would be here until Christmas, and still be according to that which has preceded.

I think we will have to ask you to get down to the issues of this case and confine them to that, even in cross examination.

Mr. Widell: The witness' testimony went directly to the question of what he calls rate parities, including class rates, commodity rates, and all other rates,

Commr. Aitchison: He was dealing—I don't want to argue with you, but he was dealing with respect to the position taken down there by the industries. Obviously we can follow the details of these rates unto the utmost relevant facts and still not exhaust our library, but it is not helpful to us, and it is not going to be decisive in this case, and you might just as well save your time and ours.

Mr. Widell: Thank you, sir.

Commr. Aitchison: Mr. Hollopeter.

Cross-examination.

[fol. 5134] By Mr. Hollopeter:

Q. Mr. McDonald, I would just like to have you clarify for the record the meaning that you intended from your repeated statement that you believe it has been proven that the column rates have been proper and adequate to serve industry there. What did you have in mind on that?

A. Well, I simply base that judgment on the fact that you have used it and you haven't gotten away from it with exceptions and column ratings as we have in the South, and then too the fact that industry has prospered under that system of rates.

Q. Would you say the rates on textiles, in connection with the textile industry, were proven to be proper for the northern industries when they have permitted large removal of that industry to another territory? Is that your thought?

A. I think there was an entirely different factor that moved your textile mills than your rates.

Q. That would follow then with other industries which may have passed through the same transition period, would it?

A. It might have.

Q. In other words, the rates were not all-governing and all controlling.

A. No, we have never felt that was our whole trouble in the South. It is just one of the factors.

Mr. Hollopeter: Thank you.

Commr. Aitchison: Any further cross examination. (No response.)

[fol. 5135] You may be excused.

The Witness: Thank you, Mr. Chairman.

(Witness excused.)

Commr. Aitchison: Whom will you have next?

Mr. Norman: I will call Mr. E. L. Hart.

You have been sworn in this case, have you, Mr. Hart?

Mr. Hart: Yes, sir.

E. L. Hart was recalled as a witness and testified as follows:

Direct examination.

By Mr. Norman:

Q. Mr. Hart, you have previously testified in this case?

A. Yes.

Q. You have prepared an exhibit to be filed in connection with your testimony?

A. I have.

Mr. Norman: I would like to have the exhibit marked for identification.

Commr. Aitchison: It may be marked Exhibit No. 220.

(Exhibit 220, Witness Hart, marked for identification.)

By Mr. Norman:

Q. You have prepared certain testimony to be offered in rebuttal of testimony that has been heretofore presented in this proceeding?

A. I have.

Q. I will ask you just to proceed with your testimony.

[fol. 5136] A. Some of the witnesses in this case were accorded considerable latitude when describing their connection with, and knowledge of the class rate structure.

For fear that perhaps this might influence the Commission in the relative weight given their testimony, I should like to supplement the record with respect to my connection with, and knowledge of the present class rate structure—particularly in Southern territory.

My omissions in this respect were not accidental by any means; but, rather, I had hoped thereby to shorten the proceedings.

My railroad experience, or transportation experience, if you wish to put it that way, began in 1905, and terminated in 1921, at which time I became associated with the Atlanta Freight Bureau.

During the period of my employment with the transportation agencies my experience embraced practically everything in railroading, except telegraphing.

I began with the railroads in checking box cars in the yards. I ended my operating career as Chief Clerk in the Division Superintendent's Office.

I then became bitten with the bug of the traffic department, and I switched over to that department and had a number of years experience in rate matters.

So it might be said that I have had pretty varied experi- [fol. 5137] ence so far as railroad experience goes.

Now, I think possibly the record should show the character of the organization with which I am presently employed.

The Atlanta Freight Bureau is a non-profit organization and was organized by the business interests of Atlanta early in the year 1902, some forty-one years ago.

That organization has been very active in transportation matters since that date.

The organization represents 98 per cent approximately of local industry in the Atlanta area, and a very large per cent of what we term foreign industry, or branch plants, or distributing houses of northern concerns.

We also officially represent the City of Atlanta, and the County of Fulton, by virtue of substantial contributions by those Governments to the maintenance fund of the Atlanta Freight Bureau.

The County and City are both represented on our Board of Directors by a member of each governing Board of the City and County, designated by the Mayor and the Chairman of the County Commission from year to year.

Our Board consists of 26 members supplemented by an Executive Committee. The Board is representative of a cross section of business in the Atlanta area, and for that matter, in the State of Georgia.

I referred to the State because our organization does [fol. 5138] represent the entire natural stone industry, that is marble and granite, in the State of Georgia.

Likewise, it represents the stove industry in the State of Georgia.

So, on our Board of Directors are executives of those two industries. I am merely using them as an illustration.

For instance, the stone industry is represented by the Vice-President of the Georgia Marble Company. The stove industry is represented by the President of the Atlanta Stove Works and the Birmingham Stove & Range Company. They own one of the largest stove factories in the South, which is located at Birmingham.

I could go on and enumerate the different industries that are represented but perhaps one other important interest might be referred to and that is furniture.

We are large manufacturers of metal furniture. In fact at one time Atlanta was the second largest furniture manufacturing center in the South.

Q. For metal furniture?

A. For metal furniture. We make considerable wood furniture, and as to mattresses I think Atlanta is the largest single producing center of mattresses in the United States.

The Simmons Company has a very large mattress factory in Atlanta, as does the other mattress manufacturer located at that point.

[fol. 5139] So it can be readily said that I have necessarily and am required to keep informed not only about general matters but rates affecting practically every sort of industry in existence.

The Bureau today includes approximately 275 members. Included in this membership are manufacturers, jobbers, retailers, and such producers as the crushed stone producers and quarries of minerals, so I think that I have a rather broad knowledge of the rate structure that necessarily affects our people.

Our relationship with our members as to the rate adjustment is just as intimate as if we were a part of their organization. It isn't academic by any means. It is a realistic association.

Immediately after becoming associated with the Atlanta Freight Bureau I began work on what was then referred to as the 1921 Georgia Revision, at which time the Southern carriers had before the Georgia and Alabama Commissions the complete revision of their class rates and also certain commodity rates.

It has always been the practice, or certainly has for the past twenty-five or thirty years, of the southern railroads to use the Georgia rates, and to a lesser degree the Alabama rates, as a sort of guinea pig in testing out their interstate adjustments. How Georgia goes, is their slogan, goes the rest of the South with the possible exception of Alabama.

[fol. 5140] The 1921 Revision was more or less a hangover from what was known as the 1917 Revision which was undertaken just prior to the First World War. That was deferred until after the close of the War.

In the 1921 Revision the southern railroads proposed to the Georgia Public Service Commission a complete revision of the class rates based on the rates which they had in mind to establish interstate throughout southern territory. In other words the maximum distance in Georgia of 460 miles represented the Ohio River-Atlantic distance which was the key rate that the southern carriers used in working out their southern class rate investigation.

Therefore the scale submitted to the Georgia Public Service Commission on first class for the maximum distance in Georgia represented the proposed Ohio River-Atlanta first class rate. After all, that was really the beginning of the proceedings that later followed in Docket No. 13494.

I have participated since that date in practically every intrastate and interstate adjustment of any magnitude whatsoever involving rates within and from the South.

I think I can say without contradiction that I am the only man in the room, or maybe that will be in the room, that did not miss a single hearing in Docket No. 13494, including the Presiding Commissioner, Mr. Eastman, and the Examiners. Some of them were absent at times, but I never [fol. 5141] missed a hearing and I don't think any other man has a 100 per cent attendance so I have some conception of what took place during the pendency of Docket No. 13494.

Subsequent to the conclusion of that case I have participated in practically all of our inter-territorial controversies, if I may put it that way.

My exhibits Nos. 88 and 90 were prepared for the purpose of presenting a realistic, rather than an academic picture of the present class rate structure; and in my prepared statement (Exhibit No. 90) and supplemental oral testimony I purposely omitted submitting an extended historical summary concerning the development of the class rate structure, particularly in that section of the country lying east of the Mississippi River; and I so stated on page 1 of my Exhibit No. 90, giving the reason for this omission.

Nevertheless, carrier witnesses, and particularly Witness Bell, for the State of New York have testified in great detail about the history of the Southern rates, all of which is well-known to the Commission. It was discussed at length in the Commission's report in Southern Class Rate Investigation and other subsequent cases.

It is my belief and contention that history has little control over the matter of casting a new rate structure, such as is here under consideration, which after all——

Mr. Grubbs: Pardon me, Mr. Hart.

[fol. 5142] If your Honor please, I think this is an appropriate place for me to register an objection to the statement that has just begun and to serve notice that I feel compelled to register any like protests.

I took two hours last night and two more this morning reading this document through and I believe it violates nearly every rule that has been set up for the submission of evidence, and very largely it is argument. There are very few facts in it.

This statement that he is embarking upon now is certainly argumentative as are the several paragraphs that immediately follow.

Mr. McCollester: Mr. Chairman, may I join in Mr. Grubbs' objection?

I have, of course, full appreciation that in matters before the Commission considerable latitude is and must be allowed to witnesses in discussing the sort of matters that we have here. However, we have reached the rebuttal stage at this time.

So far as the State of New York is concerned if we have presented any facts that are incorrect, or have failed to present complete facts, it is entirely proper for a representative of the South to show our errors and to put in evidence in contradiction or in amplification, and we welcome that, but it is not appropriate to indulge in ar- [fol. 5143] gument at this time, and I submit, your Honor, that 85 per cent of the 36 pages of this document is argument or characterization of the testimony, or remarks that testimony was not offered, or discussion that has no place in testimony.

Let me direct your attention to just a few little things here and there.

Look on page 2, the first paragraph, "No one has thus far testified in the investigation, nor has there been offered probative evidence." That is not rebuttal of anything.

Look at page 6. He there is testifying what Mr. Bell has testified to.

Look at page 9. He says, again talking of Mr. Bell, he "offers little, if any, convincing evidence in this regard." Those are matters for the Commission to decide.

At page 11, "It seems doubtful that Mr. Bell's exhibit No. 164 has any value in the instant proceeding."

Page 16, "Competent evidence introduced by both shipper and railroad witnesses in this case clearly shows"—that is not rebuttal.

And then we end up, Mr. Chairman, beginning about page 32, I think with a peroration that either belongs only in brief, as being argumentative, or if offered as opinion testimony is competent testimony only from a person who—Well, I would say a Doctor of Philosophy or History or Economics. I don't think certainly that Mr. Hart qualifies [fol. 5144] to give opinion testimony if that is what it is, but I think it is really argument and ought to be left for brief.

I would object to the whole thing, Mr. Commissioner, because it is impossible to separate out what is rebuttal from what isn't.

Mr. Bell: I desire to join in the objection made, and in addition to point out that this is a continuous reference to testimony of six different witnesses throughout, containing quotations ad infinimum.

Commr. Aitchison: You were permitted to put them in.

Mr. Bell: I was not permitted to orally put them in.

Commr. Aitchison: They went into the record just the same and they are in the record now.

Mr. Bell: If this witness is permitted to orally state this I ask permission to recall Dr. Duncan and ask to have him put his testimony in orally, without any interruption.

The Witness: Let me make this one statement because I have some responsibility, of course, in this.

I tried at the opening of the hearing to shorten this matter by not going back and rehashing all this ancient history and I made my statements very short and concise and then the northern interests came along and went into all that history; they have opened it up and I merely was trying to more or less rebut that testimony to the extent that I felt it was pertinent to this case. That is all [fol. 5145] I have done. You can call it argument or what you please.

Commr. Aitchison: Well, it is a question whether the argument should be sworn to or not. That is what we have before us.

The Witness: I am just explaining why I did it.

Commr. Aitchison: Mr. Norman, you had something to say?

Mr. Norman: I just wanted to say this, Mr. Commissioner, that if you take this evidence and compare it with Mr. Bell's you will find that this isn't any more argumentative than Mr. Bell's, and when you go to answer a contention that has been made you of course must state what it is you are rebutting and that is what Mr. Hart has done, and in many instances it is opinion evidence that he is answering.

Mr. McCollester: You don't have to state what is not in the record in order to answer what is not in the record.

Mr. Bell: I was under the mistaken idea you had to state what you are rebutting, yourself. I agree with that statement, but the Rule prevented me from orally testifying.

Mr. Norman: If I understand your witness' evidence went in the record.

Commr. Aitchison: It is in the record. We had no objection to the testimony of Mr. Bell. I suppose you mean Mr. Charles E. Bell.

Mr. Norman: Yes, sir, and Mr. Oliver.

Commr. Aitchison: And we do have objection here. We [fol. 5146] want the facts that are here. This is not the time and place for argument. People who ought to hear the argument are not here and should not be compelled to wade through a big transcript in order to get the argument. The best way to straighten this out, it seems to me, is to go off the record and informally go through this statement and for the Bench to indicate the matters which it considers argumentative, and it is up to Mr. Hart to put the rest in.

The Witness: Off the record.

Commr. Aitchison: Off the record.

(Discussion off the record.)

Commr. Aitchison: We will adjourn until 1:30.

(Whereupon, at 11:40 o'clock a. m., a recess was taken until 1:30 of the same day.)

[fol. 5147] **Afternoon Session**

2:00 p. m.

Commr. Aitchison: Proceed.

E. L. Hart resumed the stand and testified further as follows:

Mr. Norman: Mr. Chairman, in view of the fact that this has all been gone over now in very large part, I think it might just be copied into the record as it has been changed.

Mr. Hart of course has some additional testimony that is not contained in that and he will indicate as he goes along where he is reading.

Commr. Aitchison: Very well.

The Witness: I don't recall, Mr. Chairman, just where I was stopped, but in any event I think up to and including the first paragraph of page 9, that we may pass that over without reading it.

Commr. Scott: Pardon me. Do I understand that we are to correct these as he goes along?

Commr. Aitchison: Off the record.

(Discussion off the record.)

The Witness: It is my belief and contention that history has little control over the matter of casting a new rate structure, such as is here under consideration, which after all, is a legislative function that looks to the future, rather than a judicial one that, necessarily, must give due [fol. 5148] consideration to what has been done in the past.

While history is, of course, always interesting, the people for whom I speak are not relying on history to support the contention that the present class rate structure is antiquated and fails to meet the needs of commerce under present conditions, unless it can be said that the historical background of the present rate structure supports such a contention.

In the testimony of Witness Ellison, beginning at page 3486 and continuing through page 3490 of the record, he leaves the impression that perhaps I incorrectly stated the situation with respect to the rates on important classes of traffic which are unrelated to the Index 100, or 1st Class, rate as compared with rates on traffic that are definitely related to such Index 100 first class rate.

Apparently, he missed the point that I was making, i.e., that the patterns of the rate structures in Official and Southern Territories had become almost identical, whereas this was not so prior to Southern Class Rate Investigation, Docket No. 13494, and that, because of this condition, I regarded the problem of unifying the class rate structures in Southern and Official Territories to be much more simple and decidedly less complicated than it would have been at the time the Southern Class Rate Investigation was instituted. The Commission referred to this at some length in its report in that case.

Mr. Ellison goes on to show that, as to the proportion of [fol. 5149] tons originated or carried, as related to the total tonnage of the railroads, the greater percentage moved under rates unrelated to the Index 100 first class rate, which, of course, is true in both Southern and Official Territories, when measured by tons transported. My point was, that as to the type or character of rates applied to the different classes of traffic transported by the railroads, comparatively few in number were transported on commodity rates unrelated to the governing 1st class Index 100 rate, and was directed entirely to items or ratings, and not to tonnage.

This statement of fact is confirmed by the testimony of Witness Crane for the Southern railroads, and is dealt with in detail by Witness Morris at pages 1 to 30, inclusive, of his Exhibit No. 15 introduced at the Indianapolis hearing. Therefore, there should be no confusion about my statement in this respect.

Likewise, this important class of traffic moves in Southern territory on a commodity rate scale unrelated to the Index 100 1st class rate.

Mr. Ellison then went on to compare the precise rate levels on different classes of traffic in the South with those in Official Territory, which showing, apparently, was premised on a misunderstanding of the purpose of similar comparisons which I made in Section III-D of my Exhibit No. 88. But, even so, some of his conclusions drawn there- [fol. 5150] from are not in accord with the facts. For instance, on page 3505 of the record the categorical statement is made that the Southern rate level on brick is lower than in the North.

While there is a general departure from the normal basis prescribed by the Commission in Docket No. 1885, 88 ICC 543, for the shorter hauls in the South, for the purpose of meeting truck competition, nevertheless, there are similar departures in Official Territory; and, in many instances, the long haul rates from actual producing points of brick and related articles are no lower in the South than in the North, while, in other instances, the Southern rates are lower. But only by a traffic test, which would disclose the weighted average level, could a proper comparison be made between the two rate levels.

However, as previously stated, my purpose was not to test the rate levels, but, rather, to test the rate pattern; and, as to brick and related articles, they are accorded commodity rates unrelated to the first class 100 rate in both Official and Southern Territories.

Mr. C. E. Bell, rate witness for the State of New York, testified at length. The purpose of his testimony apparently was to support the perpetuation of the old order of things in rate construction, disregarding altogether the revolutionary changes that have taken place in the more recent past—and certainly long since he left the employ of the railroads.

[fol. 5151] The contention of this witness for the need for territorial differences in rates (p. 3399) is repugnant to the evolution taking place in the rate structure in both Official and Southern Territories, beginning in the first decade of this century, whereby almost all of the territorial boundaries which existed at that time have been erased, leaving only the territorial boundaries dividing the principal geographical sections of the country.

In the first instance, these artificial boundaries were dictated by the controlling influence of a single railroad or group of railroads serving a particular section. The practice of dictating rate policies in these circumscribed areas preceded later control of rate policies by the railroads predominantly serving each of the geographical sections of the country. The only difference was in the degree of the control. Some of the more important former territorial boundaries are portrayed on Sheet I, of my Exhibit No. 88.

Mr. Bell, likewise, omits reference to the discard of the territorial rate boundaries as to express and passenger rates. It is my judgment this is a matter he should have also considered.

However, Mr. Bell's testimony directed to the development of the rate structure in the eastern section of the United States is not accurate. For instance, on page 3400 of the record he refers to the rate structure in Official Ter- [fol. 5152] ritory as related to industrialization in that section; but his description of the situation fits principally New England. This is confirmed by his reference to the movement of cotton from the South to New England on page 3406 of the record.

Certainly, the industrial development of Official Territory in the section west of Pittsburgh some years later; and the rate structure in that section of Official Territory was made adaptable to its industrial development in the CFA Class Scale Case, decided in June, 1917. (45 ICC 245).

Mr. Bell, at page 3413 of the record, in replying to a question from Commissioner Aitchison, made a very general statement concerning the character or the pattern of the rate structure in Official Territory, which implies a situation that does not exist as a practical matter, although Mr. Bell admits there has been a rapid change in the pattern of the rate structures in Official Territory since the decision in Eastern Class Rate Investigation, caused primarily by competition between the railroads and the other forms of transportation.

In other words, the general patterns of the rate structures and the rate levels in Official and Southern Territory are now much nearer together than they were at the time the Commission was considering the class rates in the East. Mr. Bell supports this conclusion at page 3416 of the record.

If it should be inferred from testimony such as that on [fol. 5153] page 3408 of the record concerning cottonseed oil that it was predominantly converted into finished products in the South; but this is not the case. This is one of the important Southern semi-raw materials that go to Official Territory for processing. In any event, the Commission is fully informed concerning the marketing of cottonseed oil, by virtue of its consideration of these rates in Docket No. 17,000, Part 8, 188 ICC 605.

A further illustration of Mr. Bell's effort to gloss over, so to speak, the factual situation at this time, are such statements as occur at page 3421 of the record, viz:

Mr. Bell, on page 3424 of the record, referred to supposed policy of the Southern railroads to make low commodity rates on inbound commodities on which they might secure the outbound hauls of the finished or processed products. This was especially true of rates on logs and billets for the manufacture of furniture, veneer, and so forth, also on iron ore, coal, limestone and pulpwood, and that:

These old low inbound rates are still reflected in the structures, for instance, on the log structure within the South.

It is true that there are published in the South so-called net transit rates on logs for the manufacture of veneer and other products, but, as to logs, the situation in the [fol. 5154] South is not far different from that in other sections of the country. In addition, the old log transit scales which Mr. Bell refers to have subsequently become more or less modernized by virtue of truck competition and numerous complaints before the Interstate Commerce Commission. Some of the more important of these cases are shown on page 2 of his Exhibit No. 164.

Mr. Bell testified at some length concerning the rate levels on so-termed raw materials in the South, and among those referred to on page 2 of his Exhibit No. 164 was logs.

Mr. Bell's comparisons were between the rates that the Commission has prescribed on logs in Central Freight Association Territory, commonly referred to as the Indiana Case, in which rates were made 65 per cent of the then existing Sixth Class Rates.

By comparison he uses the co-called Pierpont Scale, which was described by the Commission in 50 ICC 81. That scale, it is true, as stated by Mr. Bell, has pretty general application in Southern Territory for the longer distances.

However, *that* since that scale became operative generally in the South numerous departures have been made from the scale particularly for distances within the range of 125 miles.

It also should be stated that within a number of the Southern States, in Georgia, for instance, the old so-called lettered Class P rates are still applicable on the logs when shipped into mill points for transit and further manufac-

[fol. 5155] turing, so Mr. Bell's exhibit is not indicative of the level of the rates on logs in my opinion in either Southern or Official Classification Territory.

To indicate that there are rates in certain sections of Official Territory which he did not refer to, I have prepared a comparison which is shown on Sheet 1, of my Exhibit No. 220 to indicate that in certain sections of Official Territory there are rates on logs on a mileage basis that are comparable with the Southern Scale.

In other words, Mr. Commissioner, it is my position that a mere paper comparison such as Mr. Bell makes, and then takes the position that that represents the identical level of rates on logs, for instance, in the two territories, is not true.

The only way in which that exact difference might be determined would be to take a weighted average of the rates in all of Official Territory as compared with all the Southern Territory. That is the only manner in which an exact comparison could be made of the existing rate levels.

Mr. McCollester: You don't attempt to supply that, do you?

The Witness: I merely picked out certain illustrations to show they are as low in the North as they are in the South, in certain sections, but not in Indiana.

On page 3423, Mr. Bell refers to what he terms my criticism of the Commission's action in Southern Class Rate In-[fol. 5156] vestigation with respect to the percentage relationship—lower classes to 1st Class—proposed by the Southern Traffic League in that proceeding, and adopted by the Commission.

It is true that Mr. Harry T. Moore, my predecessor, was one of the principal proponents of the relationship—lower classes to 1st Class—proposed by the Southern interests in this case, and presented by him as a witness for the Southern Traffic League.

The relationship was worked out by a committee of the Southern Traffic League, composed of Mr. J. T. Ryan of the Southern Furniture Manufacturers Association, High Point, N. C.; Mr. Hugo Ignatius, now General Traffic Manager of the International Paper Company; Mr. Moore and Mr. Joseph C. Colquitt, formerly with the Commission, who was employed to assist the Committee.

As the one charged with the duty of preparing rate exhibits, and so forth, submitted on behalf of the Southern

Traffic League and others in this case, naturally I took part in the many deliberations of this committee. The adoption of a standard relationship of lower classes to 1st Class in conjunction with either the first class rates proposed by the Southern shippers or Southern railroads in this case represented a vast improvement over conditions then existing.

Mr. Bell commented at some length on the percentage relationships lower class to 1st Class which this Commis- [fol. 5157] sion prescribed in the Southern Class Rate Investigation and adjusted the manner in which those class rate percentages were arrived at before they were proposed by the Southern Shipping interests in that case and later adopted by the Commission.

I did want to supplement that statement by saying that in arriving at those relationships we gave very careful consideration to the many class rate scales that were then in effect in Southern Territory.

For instance, we had one scale on the A G S; three of the A B & A which is now the A B & C; eight of the A C L; six of the Central of Georgia; two of the G S & F; one of the G M & O; two of Illinois Central; three of L & N; one of M & O; one of M C & St L; one of St. Louis & San Francisco; ten of the Seaboard; seven of the Southern Railway; and one of the Y & M V which was then not a part of the Illinois Central..

Those class rates were tested from 5 miles on out to the full length of those scales together with our relationships, and I am merely stating that to show how much consideration we did give to those relationships lower class to 1st Class.

We also had before us in the consideration of that particular matter the scales that you mentioned yesterday, Mr. Chairman, that the Director General put out where one scale was predicated on applying the percentage relationships under the Western Classification as compared with the Southern classification, so I want it clearly understood [fol. 5158] that those relationships were not just picked out of the air, and of course we had to bear in mind the relationships that were then existing in Official Territory which were not uniform by any means, being different in the different sections of the country, and also overhead rates between Trunkline Territory and Central Territory were on the McGraham Formula and had a different relationship, but all of that was considered at the time we proposed those relationships in the Southern Class Rate Investigation.

Suffice it to say that these relationships—lower classes to 1st Class—were also agreed to by the Official Territory shippers who took part in this proceeding—particularly the New York and Chicago shipping interests.

I might as well state here that the Official and Southern Territory shippers were pretty well together in the Southern Class Rate Investigation; and, while it might appear paradoxical in the light of what has transpired since that case was concluded, nevertheless, the facts are that the rate exhibits introduced in this case by the New York shipping interests, for whom Mr. Bell is here testifying, and the rate exhibits introduced by the Chicago shippers, were prepared under my supervision in Atlanta, Georgia, by virtue of a cooperative arrangement worked out between these interests and the Southern Traffic League, although the exhibits were introduced by appropriate witnesses representing the Official Territory shippers.

[fol. 5159] Mr. Bell, on page 3424, also seems to take exception to my criticism of the percentage or column formula of constructing rates on various classes of traffic—particularly carload traffic—which has become so popular in the more recent years, I think that Mr. Bell probably misunderstood my criticism of the use of this formula of rate construction, because it was premised primarily on the result of its use in conjuction with the governing 1st Class 100 rates prescribed by the Commission in the Southern and Eastern Class Rate Investigation.

Although I cannot speak for the Official Territory interests that participated in the Southern Class Rate investigation, nevertheless, I can say with assurance that had the Southern shippers been able to foresee such a situation as has developed in this respect, a very different case would have been made by them—particularly with respect to the interterritorial rates.

I agree with Mr. Bell that if the Index 100 rate is proper, perhaps the percentage or column formula of rate making tends to simplicity in rate publication and is not particularly objectionable on traffic that moves generally.

Beginning on page 3424 and continuing through page 3420 of the record, Mr. Bell discussed at some length my criticism of the class rate structure approved by the Commission in the Southern Class Rate Case between trunk line and New England Territories and the South which stemmed [fol. 5160] from a plan of rate making adopted more than fifty years ago by the Coastwise steamer lines in conjunction with their Southern rail connections whereby through one-factor class rates on a non-concurrence plan were operated by the Coastwise lines, and which had the effect of controlling for these lines and their Southern rail connections a large proportion of the south-bound traffic moving from Eastern Seaboard Territory to the South, which condition was perhaps given too much consideration by the Commission in the Southern Class Rate Case.

While approving the general plan previously adopted by the water and rail routes, the Commission, in the Southern Class Rate Case, condemned the non-concurrence plan of publication of Rail-Water-and-Rail rates between these territories. The reasons given by the Commission for the approval of the Southern carriers proposal to continue the general plan of constructing rates between the East and the South are explained in detail in its report in the Southern Class Rate Investigation.

However, this condition certainly has not existed recently. Certainly no water line continues to control the rates from the interior East. Under the present law they would not be permitted to reestablish the old plan of non-concurrent rates in order to attract the traffic.

Even at the time of the Commission's decision in the Southern Class Rate Case there was no practical reason [fol. 5161] why the all-rail rates from Trunk Line and New England Territories to the South should not have been made on the Q-1—K-2 basis observed in constructing rates from other sections of Official Territory, and to the extent that the rail-and-water routes were desirous of participating in this traffic, appropriate differentials necessarily would follow.

I desire to reiterate my previous position that the approval of this adjustment by the Commission in Southern Class Rate Investigation was a fundamental error, and the incongruities that flow out of same are indefensible. Some of these were pointed out in my Exhibit No. 88.

As all of the Coastwise lines are now subject to the jurisdiction of this Commission under Part III of the Transportation Act, there appears to be little reason for this situation to be continued.

Mr. Bell raised the point to the effect that should the all-rail rates between the South and Trunk Line Territory be constructed on the present Official Territory level, differential rates via the water routes would, therefore, become lower; but, such a situation is no different than that which obtains in the rates between Trunk Line Territory and CFA Territory, i.e., the rates via the all-rail routes versus the differential routes.

In other words, if there were a uniform system of class rates in the territory east of the Mississippi River and a [fol. 5162] shipper of 1st Class articles located at Chicago and Atlanta shipping into New York City, the all-rail 1st Class rate would be approximately the same; and it is conceivable that the Coastwise lines operating from the South Atlantic ports might desire to establish a differential 1st Class rate from Atlanta to New York, which would in effect coincide with similar differential rates maintained from Chicago to New York. But New York would also benefit in the sale of its manufactured products in the South.

I did want to discuss a little bit further the matter of the inter-territorial rates that were prescribed in the Southern Class Rate Investigation between Trunk Line and New England Territories and the South via both the all-rail routes and the water-and-rail routes.

I think perhaps this Commission's attention in this connection might be directed to a memorandum filed by the Southern carriers on October 6, 1925, in ICC Docket No. 13494, Southern Class Rate Investigation, which deals at some length with this situation that I have referred to between Trunk Line and New England Territories and Southern Territory.

Mr. Bell's Exhibit No. 164 shows a number of selected classes of traffic and the present rate levels in the South, compared with those applied on the same classes of traffic in Official Territory.

As I have previously stated, the comparisons which I [fol. 5163] made on various classes of traffic moving on commodity rates unrelated to the 1st Class 100 rate was for the purpose of offering proof in support of the contention that the rate pattern in the two territories is practically identical today.

In other words, my purpose was to show that as to these particular classes of traffic, all of which move in large volume, they were accorded rates in both territories unrelated to the first class 100 rates. They were not for the purpose of making a comparison of the paper rate levels which they would represent in many instances, because as is the case with Mr. Bell's comparison the actual rate level could only be determined by a weighted traffic test.

A much more elaborate showing of this character was filed by me in the Southern Textile Case, I. & S. Docket 3636 as my Exhibit No. 532 consisting of some 100 pages, wherein I compared the rate levels in the two territories on every class of traffic of consequence. But because of the reasons which I have just stated the Commission discounted such a showing as having little probative value without proof as to the actual level of rates applying on the various classes of traffic set out in my exhibit. Likewise, in my opinion Mr. Bell's Exhibit No. 164 does not disclose the full fact except perhaps to support his repeated statements that the rates on low grade commodities have been made on a lower basis in the South than in the North. [fol. 5164] I do not agree that because the Southern carriers have made lower rates on so-termed low grade commodities and on raw materials than have the Official Territory carriers in the Great Lakes and Central-Eastern regions it follows that the Southern carriers must maintain higher rates on the higher grade traffic, as this premise fails to give consideration to the heavy increase in relatively high grade traffic, in Southern Territory such as papers, a higher relative level of rates on which certainly would not be justified in the South solely because of this historical consideration.

Neither does the fact that the Southern fertilizer rates were reduced because of truck competition argue that the rates on papers, for instance, should be made higher in order to make up the revenue the Southern carriers lost on the fertilizer tonnage which they handled on the reduced rates as compared with the rates found reasonable by this Commission, and which were higher than the rates prescribed for application in Official Territory. I do not understand why fertilizer was included in Mr. Bell's comparison except for this reason, because it is not a raw material, nor is it really a low grade commodity. A significant factor that Mr. Bell does not state is a comparison of the two rate levels on bituminous coal which is by far the largest single low grade tonnage moving in Southern Territory, and naturally has a very direct bearing on industrial expansion. [fol. 5165] To the extent that there is increased origination in the South of processed commodities, it must follow that the ratio of low grade tonnage to the total tonnage originated by the Southern railroads will change materially and supports our contention in this case.

On page 3599 of the record, responding to question by his counsel, Mr. Bell stated that it was his opinion that the great difference which he had been pointing out in the volume of iron and steel movement in Official Territory and in the South and in the possibility of such movement because of the presence of raw materials in Official Territory constituted an important distinguishing factor affecting both the pattern of the rate structure in Official Territory as distinguished from that in the South and the tonnage available to the Official carriers to defray the transportation burden in Official Territory. This conclusion was expressed in connection with the subject that he was discussing, i. e., the distribution of the traffic burden.

However, I fail to follow the connection it has with the pattern of the Official Territory rate structure, as I construe and have used this term, unless he has in mind that the proportion of a given kind of material used in the Official Territory rate pattern which I claim to be almost identical with that of the Southern rate structure was different from that used in the Southern pattern. The relative importance [fol. 5166] of the distribution of the traffic burden in Official Territory versus the South seems questionable so far as this case is concerned.

On pages 3606 and 3607 of the record, one of the group of commodities referred to which constitutes an important proportion of the traffic in the Central-Eastern and Great Lakes regions, and which he claims in the nature of things cannot be originated in similar volume in the South, in glass, other than plate, glass bottles, jars, et cetera.

It is an incorrect assumption that glass of this character cannot and is not economically produced in the South, or that at some future time the volume might not reasonably be expected to be comparable with that produced in the Central-Eastern region. Flat glass, for instance, is now produced in large volume in the eastern section of Tennessee and not so far distant from competing producing points located in the lower portion of the Central-Eastern region, although the rates from Tennessee producing points are higher relatively than from the competing producing points north of the imaginary line that separates the two regions.

These higher rates from the producing points in the Southern region were prescribed by this Commission because of assumed difference in transportation conditions whatever that term covers and are referred to on Sheet 5, Section III-A of my Exhibit No. 88. Glass bottles are also [fol. 5167] manufactured in the South in considerable volume. White glass bottles are produced in volume at Laurens, South Carolina, Jackson, Mississippi, and Jacksonville, Florida. Blue glass bottles are produced in volume in Chattanooga, Tennessee, and at Laurens, South Carolina.

The prevailing rate level on glass bottles, carload, in the South and inter-territorially is the Classification basis of 7th Class or 35 per cent of 1st Class, and is approximately 175 per cent of the prevailing rate level in Official Territory. (See Sheet 2, Section III-B of my Exhibit No. 88) (Mr. Oliver on page 3858 of the record refers to both the Official and Southern levels as being established to meet truck competition).

While efforts have been made to secure northbound rates into Official Territory on the prevailing level applying within that territory from at least one of the Southern producing points of glass bottles, these efforts have not been successful. There have been other productions of glass bottles under consideration in the South which were not ultimately developed for various reasons.

The difference in rate levels on glass bottles has a very decided influence on other Southern industry, particularly manufacturers of liquids, such as drugs and medicine, wine and so forth, because of the pricing system of the manufacturers of glass bottles, wherein the Southern user is [fol. 5168] compelled to pay a relatively much higher price for bottles even when purchased from the Southern manufacturer than does a similar user located in Official Territory.

For instance, the price on certain types of white bottles delivered in Atlanta on a per gross basis is the same whether it originates at Jackson, Mississippi, Jacksonville, Florida, or Alton, Illinois, but the price is controlled by a base price at one of the Official Territory producing points plus freight to the Southern consuming point.

The transportation cost to the Southern users of glass bottles being 75 per cent higher than to a similar manufacturer located in Official Territory. In other words, the delivered price of glass bottles in Official Territory, which is fixed by the Official Territory producers, even when shipped from a Southern manufacturing point, is much less than to a Southern consuming point of equal distance. This condition in certain instances has controlled the location of the manufacturers of patent medicines. However, there appears little justification for the Southern rate level to be 75 per cent higher than the Official Territory level, mile for mile.

On page 46 of Exhibit No. 165, Section I, Mr. Bell refers to twelve commodities which he states are in the nature of low grade heavy loading commodities on which the carriers in Southern region have seen fit to maintain rates on a level generally the same as or lower than the level of [fol. 5169] rates in Official Territory. This list included sewer pipe and drain tile. Certainly these commodities are not low grade, heavy loading commodities. Nor are the rate levels in the South as low as or lower than those in Official Territory on artificial stone, plaster or cement or fertilizer, except with respect to the short haul truck competitive rates on fertilizer previously referred to.

Mr. Bell, in discussing his Exhibit No. 165, referred to certain heavy loading low grade commodities which he listed on Sheet 46 of that exhibit.

It includes the artificial stone. I don't know why he would select artificial stone any more than he would some other class of stone, but Mr. Bell apparently overlooked the fact that the rates on artificial stone of all finishes were prescribed by this Commission at the same time that the rates on natural stone were prescribed in the Consolidated Stone Cases. Therefore I don't understand just what rates Mr. Bell has reference to when he refers to those on artificial stone.

The actual rates on artificial stone, which are the same as natural stone, are shown on Sheet 8, Section 3-B of my Exhibit No. 88.

I also am unable to connect Mr. Bell's statement with respect to the level of rates on cement and plaster because the rates in the South are, generally speaking, higher than [fol. 5170] they are in the North, except as to New England Territory, so it would not be a correct statement that the rates on cement in the South are lower than they are in the North.

This is equally true as to plaster. Plaster in the North goes on a mileage scale, which this Commission has approved, while in the South it moves on a percentage of the 1st Class rate and is much higher relatively than the mileage scale that is applied in the North.

That is equally true as to plaster-board.

On page 3615 of the record Mr. Bell discusses the list of commodities in appendix LL, Exhibit 14 introduced by Dr. Aitchison. There seems to be considerable difference of opinion as to whether the term "commodity rates" properly include so-called column rates which are definitely related to the 1st Class rate, either by exceptions to the Classification or in the Classification proper. These ratings may, in some instances, be stated as Column 27½, for instance, or Class 27½.

Mr. Bell states that practically the entire movement of fresh fruits and vegetables in the products of agricultural group is on commodity rates, whereas a large part of the movement is on column rates or rates made a definite percentage of 1st Class and were prescribed by this Commission.

Likewise, he refers to rosin as moving on commodity rates, whereas it moves predominantly on a percentage [fol. 5171] of 1st Class which was likewise prescribed by this Commission. While I agree that perhaps many commodities which move on this type of rate are not directly covered by this investigation, so far as I know, until this investigation was under way, most every one considered this type of rate as a part of the class rate structure and not what was commonly referred to as commodity rates.

Certainly it cannot be said that the Index 100, or 1st Class rates, do not in many instances control rates made a definite percentage of such rate regardless of what they are termed.

In discussing the practice of both the railroads and this Commission in fixing rates on numerous classes of the traffic directly related to the governing 1st Class Index 100 rate, where the question has arisen concerning the difference in the two rate levels as expressed by the 1st Class rate which I wish to refer to as being 38 per cent, there seemed to be some question certainly that — the

Commission nor the railroads gave that very much consideration in fixing the rates on different classes, but this is not so.

I think maybe reference to one case between the South and the North will suffice, and it indicates the action of the Commission in that particular case, which involved the rates on canned goods between Southern and Official Territory entitled "Investigation and Suspension Docket 3401," reported in 179 ICC 77, and I would call particular [fol. 5172] attention to Commissioner Lee's dissenting opinion in that case appearing on page 100. I think he fairly stated the situation in that respect.

Then a more modern case, so to speak, where we are confronted with that possibility had to do with the rates on wood charcoal from the South to destination in Western Trunk Line Territory, Docket 2608, 253 ICC 543.

There the Commission just recently prescribed rates on charcoal from the South to the Northwest, the same percentage of first class that obtains within the Northwest.

If that principle was followed out in the rates on charcoal from the South to Official Territory which has also been prescribed by this Commission, it would represent quite a material increase in the present rates, but the point I am making is we have to be confronted with these prescriptions by the Commission and voluntary action by the railroads of relating different classes of important traffic to these going 1st Class rates, and which makes the level the same as between the 1st Class rates.

Commr. Aitchison: We could have largely avoided that, couldn't we, if the guide had been used of taking we will say 3rd or 4th Class as the governing class following that 1st Class, relating rates below it by numbers and rating the higher classes by multiples of 1st Class?

The Witness: There are a good many ways to do it. That is one, but there are a good many ways to do it. They [fol. 5173] could also make the levels the same by making a lower percentage of the Index 100 rate from the North to the South and within the South. There are many ways of doing it.

Commr. Aitchison: Another way would be, taking the British way, the lowest class and calling that Class 1, and then coming upward to the limit, to the sky.

The Witness: I have seen a lot of formulas but of course they all have a particular objective depending upon the author of the formula, so that is our trouble. We have a formula that will give us what we want and the other fellow has one that gives him what he wants.

Commr. Aitchison: If we are going to study this question of the freight problem in the two territories it is your thought we can simply look at the 1st Class and say "There is the difference?"

The Witness: Well, as a practical matter I would say not, Mr. Commissioner, but that is the trend of affairs, and we found ourselves in the same predicament as the fellow with the horse and buggy and the automobile comes in and he finally concludes that he is going to do away with the horse and buggy and get him an automobile.

We didn't like this column fixing that this Commission began early after the Southern Class Rate Case became effective and the Consolidated Southwestern Case, which was six months later, but we were forced into accepting it [fol. 5174] as a means of revising these many commodity classes of traffic that followed, and we sort of got on the band wagon with the rest of them although we felt ourselves that probably that wasn't the proper way to approach it.

Commr. Aitchison: If we were going to get an Index, or more than one Index of the relative level in the South and in the adjacent territories, what is your thought as to how many indices we should have? Do you have an opinion you would care to express?

The Witness: I don't know whether your question is broad enough to carry with it all classes of traffic.

Commr. Aitchison: Yes.

The Witness: Or whether we are dealing with class rates as we know it.

Commr. Aitchison: With all traffic as well as class rate traffic.

The Witness: Of course my own personal views are that there should be two scales, a carload scale and an l.c.l. scale. As to the less-carload scale it need not be composed of very many classes.

Commr. Aitchison: I am wondering whether or not you would break it up further than that and look at the products of agriculture as a whole, the products of mines, the products of forests in like manner, merchandise, less-than-carload.

The Witness: The only refinement I would make, Mr. [fol. 5175] Chairman, might be to break up your carload traffic into light loading versus heavy loading, which I might also do with respect to your less-carload traffic.

For instance, there might be a long difference between say reed furniture l.c.l. and iron and steel l.c.l., but I think still that even with that wide difference in weights per cubic foot that we would need very few classes as such.

I think maybe your carload traffic might be a little more refined than just having the two groups as I suggested.

Commr. Aitchison: I am not speaking about the classification.

The Witness: I am talking about rates.

Commr. Aitchison: I am trying to find out what the levels of the rates are comparatively.

Mr. Norman: Present levels?

Commr. Aitchison: Yes, indices, and I am wondering whether we should take and work, we will say, in the production of agriculture and try to find out what the levels are on that; the products of mines the same way, the forests likewise, and the manufactures we will say as a whole, and less than carload as a whole, or perhaps split up. Do you think one could be devised which would show the relative rate levels in the South and in adjacent territories and mean anything?

The Witness: I think so. I think you could take either index, Index 100 in either territory. It would require a [fol. 5176] traffic test in order to find that level. You could get a weighted level. Whether that would represent actually the rate level, I don't know, but I believe it would be as near as you could get it. Certainly you couldn't take a paper level.

Commr. Aitchison: You wouldn't be able, after you had done all that and gotten your actual charges and weights and so on and so forth and the rates applied to the rates in the one territory and attempt to contrast it with the other; you would immediately run up against the question, is the traffic similar.

That is the reason I am suggesting for your consideration whether we need more than the one index.

The Witness: I don't think you need but the one index. That is my own conclusion about it. One index is sufficient.

Commr. Aitchison: How would you go about it to get that index?

The Witness: I don't know that I am prepared to expound that at the moment.

Commr. Aitchison: All right.

The Witness: I have some ideas about it. I don't know whether they are sound or not.

Chmn. Alldredge: On the other phase of that discussion which you just briefly mentioned as to a revised rate structure, if the classification of articles were converted to a percentage basis, rather than a numbered or lettered class, [fol. 5177] say a certain percent of the basic rate, would there be any necessity in publishing in the rate tariffs more than just one basic class rate?

The Witness: No, there would not be. You would have to provide in the tariff a percentage table somewhere in the tariff to be applied against the Index 100 rate. That would be all that would be necessary.

Chmn. Alldredge: If you had a basic 100 per cent scale, we will say, and the classification showed that a certain article was 70 per cent, indicating 70 per cent of that, and you had a uniform simple fraction rule wouldn't that simplify the situation with regard to tariff publication?

The Witness: Yes, it would simplify it very much.

Chmn. Alldredge: Thank you.

Commr. Splawn: This testimony about these rate levels, and so on, you are not suggesting we have all these rates before us in this proceeding, are you?

The Witness: No, Mr. Commissioner. I think it is unfortunate indeed that these rates have been brought in here. We didn't bring them in but somebody thought we did, apparently.

Commr. Splawn: Were they brought in in an effort to approximate rate levels in different rate territories and show whether or not there is a difference and how much perhaps? Was that the purpose?

[fol. 5178] The Witness: I think surely that was the purpose of the witnesses that have brought in these commodity studies, except my exhibits in the first instance, which were merely in these showings as to commodity traffic, is to show the Commission which class of traffic moved on strictly commodity rates unrelated to 1st Class and which moved on rates that were related to the class rates.

By doing that some of the opposition to Southern papers contention presumed I was trying to compare, I suppose, the rate levels as such, which I was not trying to do. I was merely comparing the patterns of the rate structure of the whole, and Mr. Bell comes along and in his Exhibit No. 164 attempts to compare the actual rate levels which are not actual rate levels; they are paper rate levels because there is no way in the Lord's world you can arrive at those exact levels without a traffic test. It is not possible to do it, but so far as their showing goes they are all right so far as the paper showing is concerned.

Chmn. Alldredge: Traffic tests something like you indicated on logs?

The Witness: Yes, unless everything moved on that scale; then that would be a proper test, but I don't know of any instance in which that occurs.

Commr. Splawn: This testimony you are giving, this exhibit, if I understand, is merely criticizing the study of rate levels that has been made.

[fol. 5179] The Witness: Yes, I have criticized it pretty well throughout.

Commr. Splawn: Is that the purpose of the testimony?

The Witness: Yes, I question its value at all as to this case.

Commr. Splawn: The purpose is not to enable us to find the rates on all these commodities?

The Witness: No, sir; I don't think you can from these exhibits. I don't think it is possible to determine what the rate level is on any of these commodities.

Commr. Splawn: You heard the testimony of Commissioner McDonald this morning?

The Witness: Yes, sir.

Commr. Splawn: As I understand him the desire of the Public Service Commissions in several of the Southern States is for parity of all rates on all commodities, and within, from, and to the South, to all these rate territories. Is that a correct statement?

The Witness: I think that was probably—I will put it this way; maybe the choice of words was unfortunate perhaps but I think it is true generally.

Of course Mr. McCollester brought up the question of pig iron moving from Birmingham to Atlanta vs. Buffalo to Albany.

Of course Mr. McDonald didn't know, as he probably was [fol. 5180] not expected to know that you can't test the Birmingham-Atlanta rate by the paper rail rate from Buffalo to Albany because the movement of pig iron, if there is any movement from Buffalo to Albany is by the New York Canal. There is a great movement of pig iron over the Great Lakes route. They haven't compared the Birmingham-Atlanta rates with those rates at all.

Mr. McCollester: I will let you take Buffalo-Elmira, New York.

The Witness: I say that isn't a proper comparison. You can find rates in the North that are comparable with the Birmingham-Atlanta rate and you can find rates that are higher.

If I were going to test the relative rates on pig iron I would find out where the movement was and how the movement was On the rates on pig iron from the South the rail rates don't indicate the level because a great amount of that iron under certain conditions and at certain times moves by barge. It doesn't move by rail, so these rail paper rates don't mean anything unless you are going to test the level.

If we were going to test the level we would make a proper showing here but I don't think those are involved.

Commr. Splawn: Did I correctly state Commissioner McDonald's objective as to the ambition or purpose or desire, or whatever you call it?

The Witness: I can answer this way. I can say that [fol. 5181] between points A and B in the South, on a particular commodity, under certain conditions, a general level of rates might be departed from.

Commr. Splawn: That wasn't my question. I am sorry; my question was, did you understand the purport of the Commissioner's testimony to be that the South wants, by and large, the same rates within the South, from and to the South, all territories and all commodities?

The Witness: Generally speaking, that is true, yes, sir, and that was the reason I was going on to explain these exceptions.

Commr. Splawn: All right, that is enough. Just a moment. Do we have that kind of a case here?

The Witness: No, sir.

Commr. Splawn: How much of that is involved here?

The Witness: Well, as far as I understand the scope of the proceeding, I was somewhat confused, I think like every one was in the beginning, that these so-called percentage rates or column rates were a part of the case but it was later held that they were not.

So far as my approach to the case is concerned it is specifically directed to the class rates governed by the classifications and my testimony dealt with it from that angle entirely.

This other expression of views about what the level should [fol. 5182] be as a whole I think is outside of this case. We will reach that at some later date, maybe.

Commr. Splawn: Now, these class rates, in working with the class rates and the scales, trying to see what would fit and whether or not there should be any changes, will all this testimony about levels and guesses as to what indices, and one thing and another, be of much assistance?

The Witness: I think not.

Commr. Splawn: To get right down to what might be of some assistance here, it was suggested, taking this part of the case that you say is before us, merely the class rates, it has been suggested that the rate in Official Territory would be acceptable all around; some witness suggested that.

The Witness: Well, I did.

Commr. Splawn: Well, would you say that the Appendix E Scales should be applied throughout all this region?

The Witness: Not as such. I was dealing more with the Index 100 rate there than I was the lower relationships to the Index 100 rate.

I realize, of course, that it is impossible to recognize, for instance, 40 per cent of 1st Class on 6th Class in the South, as against 27½ per cent of 6th Class in the North. Those have got to be reconciled some way, but if you start out with a common Index 100 rate it isn't going to be difficult to find where the other class of traffic should fall. These have got [fol. 5183] to be reconciled some way, but if you start out with a common Index 100 rate, it isn't going to be difficult to find where the other class of traffic should fall.

Commr. Splawn: Let's see if it would be so easy.

Within Official Territory do you have that perfect uniformity?

The Witness: As to class traffic, yes. You have a uniformity as to percentage relationships. There is no difference in Trunk Line, New England, or C.F.A. or I.F.A.; as compared to 1st Class rate it is all 27½ per cent of 1st Class if it moves on 6th Class.

It isn't the same condition that existed prior to the Eastern Class Rate Investigation where you had this percentage of 1st Class in different sections of Official Territory.

Commr. Splawn: Your desire then is to simplify the computation of class rates?

The Witness: On class rate traffic, yes, whatever that is.

Commr. Splawn: You are not so much interested in the application of a particular percentage?

The Witness: No.

Commr. Splawn: That is, if we find, as Mr. Jansen recommended, that the differential would still be applied to New England you wouldn't have any objection to that if it were calculated on some percentage of the appropriate [fol. 5184] classes in Official Territory.

The Witness: As a mathematical matter, no, but I do not want you to understand that I could subscribe in any way whatever to Mr. Jansen's proposals, but mathematically that, I suppose, would be all right.

Commr. Splawn: We have that problem as to whether or not New England should be on the same level with New York State.

The Witness: Certainly the Southern interests haven't any objection for New England to be placed on the same basis, but we have approached a realistic problem in this case, Mr. Commissioner, because we haven't this principle of rate-making whereby this Commission and the railroads were using these two Index 100 rates, one which was 38 per cent higher than the other, as a measuring rod for the establishment of rates on the important classes of traffic.

That is our principal concern here, is to get a common Index 100 rate thereby having it reflected in a common index level on some class of traffic that might be properly related, say 30 per cent of that, unless some unusual condition was apparent that didn't require it.

Commr. Splawn: All the existing column rates would be adjusted to it without changing the real rate at all.

The Witness: You could still make a common Index 100 rate and then adjust it so our rates would still be 100 per cent higher, I agree with that, but of course that is another [fol. 5185] mathematical calculation.

Commr. Splawn: But that isn't involved in this case.

The Witness: No, it is not.

Commr. Splawn: And it does not necessarily follow, does it, that because some plan for simplifying the publication of class rates would be devised that your rates should be either increased or decreased as such?

The Witness: No, I think this, Mr. Commissioner, approaching it from a realistic standpoint, if you set a common Index 100 rate, for instance, just say between the points in that section of the country east of the Mississippi River governed by uniform classification, that immediately thereafter you would have a complete overhauling or revision of your so-called commodity traffic.

That followed the prescription of rates in Docket No. 13494, and in Docket——

Commr. Splawn: And in Docket No. 13535 and in Docket No. 15879. That same evolution would take place whenever this Commission, for good reason, might find that the rate structure, so far as the class rate structure, should be examined. That would be subject to conferences and negotiations between the railroad and shippers, and if they couldn't arrive at an understanding as to the level of rates on a particular class of traffic then they would have to come to this Commission and let them fix it, and in that evolution the revenues of carriers would have to be preserved and rela- [fol. 5186] tionships would be watched by all shippers with reference to Section 3, and so forth.

The Witness: Yes, sir, I think by all means. Of course you would find, this Commission would find, if that evolution took place in the near future we will say, that the conditions that have obtained heretofore, or certainly immediately after the Commission decided the Southern Class Rate Investigation as to the composition of traffic, for instance, in the South vs. the North is entirely different and it would have something certainly new before them.

Commr. Splawn: The same law would apply to all those adjustments that apply now.

The Witness: Yes, sir, I think there would be no need to change the law.

Commr. Splawn: Then I am wondering why in this case if it is just a matter of these classes, whether it should be uniform classification, we can't get our minds on that and leave off so much speculation as to possible differences in rate levels which may or may not continue.

The Witness: Well, of course, the rate structure is always in a state of flux. I don't suppose you could saw it off at any one time and say this will stop right here now and take a new check, but I believe this Commission could, in the [fol. 5187] light of present conditions, cast at least a new class rate structure in these territories. It is just another step in the evolution of things.

When the general class rate cases in all three territories were before the Commission we had different rate levels and sub-rate levels even of those territories.

Commr. Splawn: If we accomplish that, I want to ask you, we have not brought about this ideal equalization of all rates and levels throughout all this territory east of the Rocky Mountains, have we?

The Witness: No. If in the wisdom of this Commission you still found a rate level on a given class of commodity from the South or West or in Official Territory should be higher than in that territory you would still prescribe it, I suppose, but of course you would have to have before you sufficient evidence on which to do that with due consideration to Section 1 and Section 3 and Section 15-A.

Commr. Splawn: You would not say that there would be any implication in any finding that should be something near uniformity in classification, you would not say there would be any implication in that people's rates would logically and inevitably — changed as a result, would you?

The Witness: I don't think so.

Mr. Nofman: Do you mean on other than class traffic?

Commr. Splawn: Yes.

[fol. 5188] The Witness: No, I was going to answer that in the negative if in the event you were referring to all traffic.

Commr. Splawn: Yes, that is what I was talking about. There is much talk here about all traffic and you are putting in so much time here about this rate level that I want to see if it has any significance in your mind particularly.

The Witness: It has a lot of significance, Mr. Commissioner, but I want to remind you that I didn't start this. Somebody else started it and I am trying to keep you straight about it.

Commr. Aitchison: I wonder whether or not this proceeding has as narrow a scope as the answers to Commissioner Splawn's questions would seem to indicate.

With the exception of coal and live stock and money, perhaps, and things of that sort being excepted, virtually every commodity, finds its place in the classification, does it not?

The Witness: Yes, it is in the classification problem.

Commr. Aitchison: And that is an issue we have before us.

The Witness: Yes, sir.

Commr. Aitchison: As to whether or not we can improve on the present three classifications in some way either by combining them or correcting them as they stand.

The next problem we have is the making of a class scale, is it not, from the articles so classified, which will be [fol. 5189] reasonable if applied to them, leaving of course ample room for exceptions to be made when they can be justified. Isn't that right?

The Witness: Yes, I think that is correct.

Commr. Aitchison: Is that the way you understand the issues?

The Witness: Yes.

Commr. Aitchison: Then we do have before us virtually every commodity in some form.

The Witness: So far as the level——

Commr. Aitchison (Interposing): But we are not trying out the question as to whether the existing exceptions are reasonable.

The Witness: Yet I think that may be a proper way to put it. In other words, you do have before you the existing rate level on lumber so far as it is in the classification, and I foresee under conditions we have been talking about that the uniform classification might readily adjust the rates on many classes of traffic satisfactorily to the shippers and the carriers alike and remove them from either column rates or commodity rates and put them in the classification. That is perfectly evident that a good many classes of traffic could be treated after some common Index 100 was arrived at.

Commr. Aitchison: I don't think in the prepared statement you have touched upon this matter. There has been [fol. 5190] testimony here that we have virtually achieved uniformity of classification with respect to the first three classes.

The Witness: So far as the classification itself is concerned; it is achieved.

Commr. Aitchison: And there, of course, with respect to those three classes we must give consideration to the level of the actual rates being charged upon those classes, and then also the question as to whether there is a proper balance between those classes and the remainder of the traffic.

The Witness: You can take the largest moving class, which is 70 per cent of 1st Class; I think by far and large that is the class that moves most of the traffic certainly in the South, and between the South and the North, but you will find that there is a uniformity of classification on many of those articles. The classification is 1st Class, but the Southern carriers have reduced that rate to 3rd Class, or 70 per cent of 1st Class.

That happens to be the same as 1st Class in the North as to level, approximately the same. There may be one or two cents' difference here or there, so there you have a common level of rates on that important moving traffic.

That has already been accomplished by one set of carriers adhering to the classification proper of 1st Class and the other set of carriers reducing their rating to make them equal.

Commr. Aitchison: Do you care to express an opinion on [fol. 5191] the question which was asked this morning as to whether the Official Classification is in your judgment reasonably adapted to the commercial needs of the South.

The Witness: Well, I wouldn't admit that as such it is adapted to the needs of the South. That is due entirely to the difference in relationship of 5th and 6th Class in the two territories.

We might get to the rate level on a commodity that is covered by those classes and find that the rate level is nearer the same, but as to the classification rate level, it is much different.

Commr. Aitchison: I am talking about classification.

The Witness: If you were going to cancel the exception ratings in the South and adopt the Official Classification, I wouldn't——

Commr. Aitchison (Interposing): I haven't said that at all. I am asking whether by and large we were starting out to write a classification, leaving with the rate-maker the right, which I think everybody admits he must have, to make reasonable and necessary exceptions—in fact requires him to make reasonable and necessary exceptions—is the Official Classification reasonably adapted then, in your judgment if you care to express it, to the needs of the South?

The Witness: Well, from strictly a classification standpoint, I would say that it is.

[fol. 5192] Of course I am confronted with the problem of rate levels more than I am about the way it is stated in the classification. That is the reason I can't get away from rate levels.

For instance an article may be rated 6th Class in the North and move on 6th Class which is 27½ per cent of 1st Class. It moves in the South on 22½ per cent which is the same level, in rate level, but therefore, so far as that particular class of traffic is concerned it wouldn't make any difference to us if it were stated at 22½ per cent of Appendix E 1st Class Scale or not, it represents the same rate level, so I think by far and large that perhaps if we took Official Classification as such it would not do violence to the South.

Commr. Aitchison: We scarcely can make rates on the theory that something is going to do violence.

The Witness: Well, I expressed it that way. You apparently had something in your mind that it would perhaps——

Commr. Aitchison (Interposing): Well, yes. I have this in mind, that we are being asked here to put in one uniform classification.

The Witness: That is correct.

Commr. Aitchison: I want to find out what classification you want down South that you think is particularly adapted to your needs. It has to be uniform.

Do you want to have your Southern Classification pro-[fol. 5193] jected over adjacent territory or do you want the Official brought in or do you want the Western? You have those three.

The Witness: I would say that perhaps each one of the classifications would bear some revision and bring them together, and I think that would be necessary.

Commr. Aitchison: In other words, a new classification.

The Witness: That is correct. In other words, there would be some over-lapping there that we would have to reconcile but it is simple. It is not difficult at all.

Commr. Aitchison: Well, is it so simple that you have not felt it worth while to come to us with any suggestions as to what that classification should be?

The Witness: I haven't thought it was too difficult. Certainly we were not prepared at the time this case was set for hearing to go into the full classification. We were not prepared to do it. We were not equipped.

Commr. Aitchison: The principles of the classification have been stressed from the beginning. We have had witnesses here representing the three classification lines who have attempted to tell us what the principles were underlying their classifications.

The Witness: They were all historical.

Commr. Aitchison: Well, historical or not, they are the principles that exist, according to the witnesses at the present time.

[fol. 5194] Have you got any sort of principles you think we ought to apply that you can give to us?

The Witness: No; if I had the time I think I could suggest the uniformity of classification in the three territories that probably would be satisfactory.

Commr. Splawn: And how many years do you say you have been working on this?

The Witness: I am probably not being tried for being dilatory in trying to get up a new classification, but still I am not talking about the physical efforts that might necessarily be required to put it together. I am talking about the mental efforts, so to speak. Of course it is going to take some time.

Commr. Aitchison: You are going to be asked, when you come to write your brief, to give us suggested findings. When it comes to a matter of uniform classification I take it from what has been testified here you are going to urge that.

The Witness: Naturally.

Commr. Aitchison: What kind of uniform classification? On what principle should that classification be constructed?

The Witness: I will admit so far as my own interests are concerned that the record certainly isn't clear as to what it should be.

It may be that we will have time between now and brief date to give you something. We discussed that at some [fol. 5195] length between us and it was found impracticable, I will put it, at this period to work out a uniform classification. Although we might have ideas as to how it should be done, we didn't have the means with which to do it.

Commr. Aitchison: Yet it is being suggested that this Commission should do it in nine months.

The Witness: No. I would think perhaps this Commission should admonish the parties to get together and agree on a classification. I don't think we would have much trouble. I mean if you meant business. I don't mean just take it as you did in the beginning and the Commission set out as soon as it was organized in 1887 and got after these railroads about uniform classification, and it got hotter and hotter until about 1914 and then the Commission quit and they just couldn't get the railroads to get together.

There was a difference of opinion of the railroad classification people, such as our friend, Mr. Fyfe, and those old fellows, and they just wouldn't get together and you couldn't get them together today and they are not going to agree, but if they had a mandate from this Commission to get together and make one, or you would make it, they would make it.

Mr. McCollester: Do you think there is such authority in the law?

The Witness: No, I don't think so, but I think this Commission could prescribe a uniform classification if it desired [fol. 5196] to do so.

Commr. Aitchison: I thought you had some evidence on that.

The Witness: We will try to give you something in brief on it. I didn't have any set principles that I would like to——

Commr. McConnaughey (Interposing): You suggest combining the classification of the three territories to come out with one which you suggest would be operatable. Would that have the effect of changing the rate level in any one of those three territories from what it is today?

The Witness: It might change the rate level on some particular class of traffic and that change might be perfectly acceptable to both the railroads and the shippers; I don't know. It is conceivable that change, whether it be up or down, might be satisfactory to all parties.

Mr. McCollester: It would be up if it was different from Official Territory.

The Witness: Yes, if it moved on the classification basis in Official Territory.

I am sorry, Mr. Chairman, I am not prepared at the moment without consulting with my other people to commit myself regarding any set formula, but I will.

Commr. Aitchison: I just want to say this. Mr. Hart, you are here as an individual witness giving us your best [fol. 5197] independent judgment on any of these questions as an expert, and it was in that capacity that I asked you if you had any views with respect to classification that you cared to express. I don't care to press you for your views if you think they are immature.

The Witness: Well, they are to a certain degree.

Chmn. Alldredge: I am afraid I might start another discussion on this, but if the uniformity is attempted do you think that more difficulty would be encountered on the classes below 4th than above 4th?

The Witness: Undoubtedly.

Chmn. Alldredge: Do you think if you approached it from that standpoint that it would be an easier task—I see some smiling back there, I suppose that maybe some of the rest of them are prepared later to give us better suggestions—but if you attempted it do you think you could more readily reach the reconciliation between the three separate classifications now with respect to the classes from 4th and above than you could below 4th?

The Witness: Undoubtedly, because those classes today are practically uniform.

Commr. Aitchison: Is 4th?

The Witness: I know of course that 4th Class in the North is 50 per cent of 1st Class and it is 55 per cent in the other territories but in discussing these things I approach [fol. 5198] it from the standpoint of rate levels rather than just figures in the classification.

Chmn. Alldredge: Isn't it a fact that so far as less than carload traffic is concerned there is virtual uniformity?

The Witness: Yes.

Commr. Aitchison: Thanks very much. We have interrupted you, but if you will continue with your statement.

The Witness: I doubt if it has been of very much benefit to you. I am sorry I couldn't give you a full formula.

Mr. Bell in his concluding remarks concerning his Exhibit No. 167 appears to be critical of the general position of the shippers throughout the country who have testified in this case in favor of a uniform classification. In my opinion the historical development of our present classification should be looked into to see what, if any, consideration was given to the efforts of this Commission to bring about a uniform classification in the past.

In his Exhibit No. 168, Mr. Bell presents a purely academic comparison to show the result of substituting the Official Classification proper on traffic rated 3rd Class and lower and the Appendix E. Docket No. 15879 Class Rate Scale in Southern Territory for the Southern Classification proper rating on the same classes of traffic applied to the Southern K-2 Class Rate Scale, Docket No. 13494.

Likewise, he reverses the comparison by substituting in [fol. 5199] Official Territory the present Southern Classification ratings and the K-2 Class Rate Scale, although the caption on the last six columns shown in Section A of this exhibit is not entirely clear in this respect. The theoretical comparisons assume a one dollar 1st Class rate in Official Territory and a $1.38 1st Class rate in Southern Territory.

If all traffic included in the comparisons moved on the Classification proper ratings shown therein, then perhaps the comparisons would be of probative value. I agree with the evidence which I have heard introduced by both shipper and railroad witnesses in this case that the classification proper ratings in both territories are used in the breach rather than in the observance.

Witness Morris, at the Columbus hearing, referred to the relative heavy north-bound tonnage of Manufactures and Miscellaneous commodities included in Group V of the Commission's Freight Commodity Statistics.

To me the figures he gives indicate that this group comprised a rather large percentage of the total north-bound tonnage when coal is omitted. However, Mr. Morris failed to submit the consist of this tonnage so the Commission might know what portion of it actually consisted of raw materials such as: Molasses, Blackstrap; Pig Iron; Aluminum, ingot or pig; Vegetable Oils; Woodpulp; Scrap Metals; Scrap Iron; and so forth. Included in this group [fol. 5200] also are numerous commodities considered semi-raw materials, which have been processed to some degree in the South, but are further processed into finished commodities in the North.

Such group includes: Rough Textiles; Alcohol; Chemicals; Aluminum; Vegetable Oils (Refined); Paper; printing; Fertilizers, NOS; Alloys; Sugar, and so forth. The commodities I have mentioned are not all of the raw materials or semi-raw materials that move from the South to Official Territory included in the Manufactures and Miscellaneous Group.

I consider statements of this character should be further broken down to show to what extent the rates on these materials into Official Territory from the South are relatively lower than within the South. Likewise, it should be borne in mind that included in this group of commodities, for instance, is Cast Iron Pipe, a very heavy moving commodity from the South on which a common rate level applies east of the Mississippi River.

There are other manufactured commodities included in this group which are manufactured to the degree for consumer use, on which the rates are but slightly higher than the level of rates applying on the same commodities in Official Territory.

In Section 1 of Witness Morris' Exhibit No. 180, sheets 1 to 33, inclusive, he undertakes to show the effect, as far as rates are concerned, of applying the Official Territory [fol. 5201] rate level under the Official Classification ratings proper, or exceptions thereto, in the different classes of traffic listed in this section, although not claiming that there is an actual movement of same from Atlanta, Ga.

While the showing is, of course, more or less academic, nevertheless, because Mr. Morris stated that he considered this section of his exhibit the most important part of it, and because his explanation of it on pages 4037, 4038 and 4039 of the record, does not make it clear that the rates shown as "Present Rates" were or were not intended to represent the actual published rate—although this would certainly be inferred from his explanation of the exhibit beginning at page 4039 of the record—I believe it is important that I point out the fact that the rates shown under the column headed "Present Rates" from Atlanta are not, in numerous instances, the actual rates, but rather represent the column ratings provided on such traffic in exceptions to the classification.

While I have not made a detailed check of the exhibit for the purpose of verifying its correctness in every respect, nevertheless, a casual examination of it discloses discrepancies in the present rates on commodities produced and shipped from Atlanta, Ga.

For instance, Line 17, Sheet 2, shows the rates on Agricultural Implements, carload, from Atlanta to Louisville as 61 cents. The applicable rate is 49½ cents.

[fol. 5202] Line 10, Sheet 5, the rate on coal and wood stoves, carload, from Atlanta to Louisville, is 33 cents. The rate shown to Chicago is also incorrect.

The rates on Stone, beginning at Line 34, Sheet 20, are incorrect. For instance, the rate to Louisville on Dressed Stone is 32 cents, and to Chicago 42 cents.

On Line 18, Sheet 23, rates on Leather from Atlanta to Chicago are on the basis of 30 per cent of 1st Class rather than 37½ per cent.

Sheet No. 23, lines 8 and 10, Pig Lead or Slab and Sheet Lead, the rate is 42 cents to Louisville, and not 50 cents.

Sheet 24, Line 32, Packing House Products to Louisville, the rate is 51 cents and not 57 cents.

Sheet 26, Line 33, Excelsior Packing Mats, the rate is 37 cents and not 66 cents.

On Sheet 2, Lines 33 to 37, inclusive, are shown rates on alloys for steel manufacture. While these alloys are not manufactured in Atlanta, they are produced in volume at other points in the South, such as Charleston, S. C., and the Alabama steel district; but as Atlanta, Ga., is used to illustrate the point Mr. Morris is making, it should be noted in this instance that the Official Territory exceptions ratings on Ferro-Phosphorus (Line 34), Ferro-Silicon (Line 35) and Silico-Manganese (Line 37) is 27½ per cent of 1st Class.

[fol. 5203] However, Mr. Morris no doubt knows, the first two alloys mentioned above move within Official Territory on rates the same as on billets and very much lower than 27½ per cent of 1st class.

There are other instances of this character that could be pointed out. However, I have selected this one because it is an important commodity produced in the South; and the showing which Mr. Morris has made with respect to the rates on these steel alloys is so impressive as to raise in my mind the question whether the facts are correctly stated in the exhibit, in the event it is supposed to include a comparison of the present rates on the different classes of traffic shown in this section of the exhibit. Naturally, these differences would very materially affect the summary shown on Sheet 24.

However, I am inclined to believe that Mr. Morris did not intend for the exhibit to show the actual rates in effect on the different classes of traffic covered by this section of his exhibit to the extent that they were different from the rates that would result by applying the published exceptions to the classification. If this was his intention, naturally, it can be cleared up by him; but even this would not take care of the discrepancy pointed out with respect to the rates on steel alloys.

Likewise, in instances wherein the traffic actually moves on exceptions ratings, the competitive rate situation at the [fol. 5204] Ohio River or at Chicago is not disclosed with respect to commodities that actually move from Atlanta, nor the manner in which they move.

For instance, on lines 32 and 33 on Sheet 5, he shows the carload rates and ratings on Shoes. While there is a limited carload movement of Shoes from Atlanta, there is no carload movement to Louisville, the movement being entirely in less carload quantities.

Therefore the correct competitive situation at Louisville would be a comparison of the less carload rate from Atlanta, i. e., 116 cents, and the Official Territory rate level, which would be 117 cents per 100 pounds.

Even the carload basis of 4th Class from Atlanta to Louisville does not place the Atlanta manufacturer on a relative competitive basis with Endicott, N. Y., the principal source of competition, because the rates from the latter point on Shoes, carload, to Louisville, Ky., are not on the full Official Territory Classification basis. The rate from Endicott to Louisville is 99 cents per 100 pounds, for a distance of 727 miles, whereas the classification basis is 124 cents.

In any event, the reduction in the Southern Classification basis of 2nd Class on Shoes, carload, to 4th Class by exception, was made necessary by virtue of a reduction made by the Southern carriers on Shoes, less carload, from 1st to 3rd Class, effective September 1, 1940, along with many [fol. 5205] other reductions similar in nature that were made on that date.

On Sheet 11, Lines 1 to 9, carload ratings are shown on Clothing, NOIBN, which is rated 2nd Class, carload, and 1st Class, less carload, in Official and Southern Classifications. By exception, it is rated 70 per cent of 1st Class in Southern Territory, carload and less carload.

However, the movement from Atlanta is altogether in less carload quantities; and this holds pretty well true throughout the country. Therefore, the actual competitive relationship at Louisville would show the Official Territory rates as being 117 cents and not 99 cents. Consequently, the reduction shown in the Atlanta rate from 116 cents to 99 cents is purely a paper one. The same situation is true with respect to Games or Toys, viz; Dolls, Line 26, page 18.

On Sheet 28, beginning with Line 6, a number of Paper Articles are listed that are manufactured in large quantities in Atlanta, Ga., but the movement is entirely less carload on rates that approximate the Official Territory level; and on some of the items they are the same as the carload rates shown on this sheet.

I refer particularly to binders or covers, paper or pulpboard; envelopes; pads; tablets or blank books; school blanks or forms; papeteries; and paper tags. Additionally, exceptions ratings on school blanks or forms, carload, in Official Territory, should be shown as 27½ per cent of 1st [fol. 5206] Class.

To the extent that this section shows actual rates applied on commodities manufactured in Atlanta that are in competition with similar commodities manufactured in Official Territory, it portrays the disadvantage as to transportation cost of the Atlanta manufacturer at such a point as Louisville, Ky., when meeting competition with manufacturers located in Official Territory.

The Exhibit also brings out forcefully the fact that most of the traffic moves within the framework of the class rate structure, by virtue of rates being definitely related to the governing 1st Class 100 rates, and further confirms our position concerning the importance of the 1st Class 100 rates. Also it brings us again to the matter of the proper term to apply to this type of rate, i. e., whether it should be referred to as a class rate or a commodity rate.

It would seem that Witness Morris has finally concluded that perhaps at least the carload rates, although definitely related to the governing 1st Class rate—particularly when they are published as exceptions to the Classification proper —should be designated as commodity rates, although his explanation in this respect, at pages 4051 and 4052 of the record, is not very convincing to me as a rate man. He does not explain why he selects a rating on one class of traffic published in the Southern exceptions along with [fol. 5207] ratings on other classes of traffic, and describes one as a commodity rate and the other as a class rate.

For instance, in response to a question by Mr. Norman, he states, that the reduction made on many classes of traffic effective September 1, 1940, and published in exceptions to the Classification, properly should be considered within the class rate structure, but he includes some of the carload reductions made on this date in Section 1 of his Exhibit No. 180, and treats them as commodity rates.

Probably, after all, it is not material what they are called, except if this could be definitely determined, the Commission and directly affected parties would be less confused when considering rates of this character.

However, their status is fairly detailed on pages 1 to 30 of his Exhibit No. 15, introduced at the Indianapolis hearing; and I prefer to rely on that showing, which, in general, coincides with the information contained in my exhibits Nos. 88 and 90.

But regardless of how these rates are designated, their measure is often controlled by the 1st Class rates operated in the different rate territories. Certainly this is true with respect to rates within the South and between the South and Official Territory; and it is this condition that we are complaining about, because this Commission has recognized that the difference of 38 per cent between the Southern 1st Class level prescribed by it in Southern Class Rate Investigation, and the 1st Class rate level prescribed by it in Eastern Class Rate Investigation, is not warranted.

[fol. 5208]

At page 3977 of the record, Mr. Crane refers to the revenue test made in the Southern-Official Divisions Case, Docket No. 24160, wherein revenue derived from inter-territorial traffic between Southern and Official Territories were tested by rates in effect prior and subsequent to the effective date of rates prescribed in Southern Class Rate Investigation.

Certainly this test does not support the contention he makes concerning the revenue result of the rates prescribed on inter-territorial traffic at the time of the Commission's decision in the Southern Class Rate Case, because the Division Case included many elements not present at the time the Southern class rates became effective, January 15, 1928.

My point was that in the Southern Class Rate Case the numbered classes, particularly the 1st Class 100 rates were made higher than they would otherwise have been, but for the inter-territorial structure that supplanted the prior combination basis between most of Official Territory and the South.

This conclusion is not only supported by the report of the Commission in the Southern Class Rate Case, but by its later expressions and particularly those of Commissioner [fol. 5209] Eastman who had direct charge of the case. Certainly it should not present an enigma to anyone who was intimately associated with the readjustment in the Southern rates following the Commission's decision in the Southern Class Rate Investigation, and bearing in mind the character of the Southern rate structure at that time, coupled with considerations of the carriers' revenues, which I have previously referred to.

Mr. Crane, at pages 3985 and 3986 of the record, treats very lightly the seriousness of the situation confronting Southern manufacturers in competing for business in important consuming areas of the South by virtue of the relatively lower class rates prescribed in the Southern Class Rate Case from Official Territory origins than from Southern origins to the same consuming area, which situation was subsequently aggravated by the Commission's action in further reducing the class rates from Official Territory origins in the so-termed Border Cases.

Apparently, he endeavored to excuse his own railroad and the Southern carriers generally from being a party to the charge of prejudice against Southern manufacturers, by referring to a statement of the Commission appearing at page 575 of the Third Supplemental Report of the Commission in Southern Class Rate Investigation to the effect that:

> "* * * while the Southern carriers have made a point of this situation in their petition dated April 30, [fol. 5210] 1927, * * * nevertheless, the Atlanta Freight Bureau, in a petition filed in answer to the carriers' petition, made no point of the situation."

I expected the Southern carriers to refer to this statement by the Commission; but had Mr. Crane reviewed his files he would, possibly, have been enlightened about the matter, because there was an understanding with the Southern carriers at the time of preparation of the April 30, 1927, petition that we were in agreement with them as to certain points raised in the petition—particularly point No. 5 which dealt with this situation—and therefore our answer was directed only to such points as were in controversy.

The Commission was well informed about the position of the Atlanta Freight Bureau and other Southern shipping interests concerning this point. It was discussed at length by the Commission in its First Supplemental Report in Southern Class Rate Investigation, and is referred to in detail on page 7 of my Exhibit No. 90. Specifically, our position—and that of other shippers located in what is referred to as the Deep South—is stated on page 328 of that report.

This competitive situation however could be cured by the establishment of commodity rates from the Southern origins to so-called Border Territory; but this has never been done.

This situation has been corrected by the observance of the fourth section at intermediate points in Border Terri- [fol. 5211] tory by applying rates established from Southern manufacturing points to the Ohio River and Virginia cities.

To the extent that this has been done on a very limited number of commodities produced in the Deep South it has had the effect of minimizing the preference accorded the Official Territory manufacturers of similar commodities; but Mr. Crane's statement in this respect is inaccurate, for rates on numerous commodities produced in the Deep South are not accorded rates to the Ohio River and Virginia cities on a competitive basis with rates applying on the same commodities in Official Territory.

In so far as the Atlanta shippers are concerned, we have consistently complained to the Southern carriers about this situation since the inter-territorial rates became effective, pursuant to the Commission's report in Southern Class Rate Investigation, and particularly after the situation became more acute because of the practice of constructing rates on most commodities with definite relation to the governing 1st Class rates, coupled with the further reductions in the 1st Class rates from Official Territory to the Southern Border Territory.

I can say with assurance that on every occasion wherein the Southern carriers have proposed to establish rates on commodities related to 1st Class from Official Territory origins to points in Southern Territory, which were rel-

[fol. 5212] atively less, distance considered, than from Atlanta, I have strenuously objected to such proposals, unless they were relatively adjusted, distance considered, from both origins.

Mr. Crane in testifying for the Southern carriers seemed to convey the impression that perhaps the discrimination that I claimed existed with respect to the relationship between the 1st Class rates prescribed inter-territorially between Official and Southern Territories with the 1st Class rates prescribed in the South, in the Southern Class Rate Investigation and the different classes of traffic that were related to those 1st Class rates by the same percentage, probably did not appear as acute as it might seem to be from my testimony, and I did want to make this one further observation concerning that condition, that it reached such a point that so far as Atlanta is concerned we notified two carriers that if they attempted to publish any further rates from Official Territory to Southern Border Territory on the same percentage of the Border cases, 1st Class rate that obtained within the South, that we would necessarily be compelled to contest that before the Commission, and to bear that position out, the first time that was done it involved the rates on certain paper articles that were manufactured in Atlanta, wherein the Southern carriers proceeded to establish rates from St. Louis based on the same percentage of 1st Class that had been established from Atlanta and certain other fabricating points.

[fols. 5213-5214] Those tariffs were filed to become effective on July 25, 1941.

I filed a petition with this Commission seeking suspension of those rates and after the petition was filed the Southern carriers agreed to place those rates on a percentage of the Docket 13494 rates rather than the Docket 21665 rates.

No further attempt since that case was closed has been made to unduly prefer these Northern manufactures.

I thought it was pertinent to this record to show our position with respect to that situation.

Of course, it is perfectly obvious that this situation is not entirely confined to competition between Southern and Official Territory producers of similar commodities in Southern Border Territory, because it likewise causes undue prejudice as between producers of the same commodities located in Southern and Official Territories, when competing for business in Official Territory, particularly in instances wherein the rates are constructed on the percentage of 1st Class formula, whether they be standard percentages or otherwise. I think one illustration of this will suffice.

Further reference to this discriminatory situation in the so-called Border Territory, I want to illustrate that further by selecting the rates on cotton clothing that is manufactured both in the South and in Official Territory.

For this comparison I have selected Chicago as a des- [fol. 5215] tination and Macon, Ga., Greensboro, N. C., and Philadelphia, Pa., as representative manufacturing points of so-called work clothing.

The distance from Macon to Chicago is 817 miles; from Greensboro 808 miles; and from Philadelphia 814 miles. There you have a comparable distance from two Southern manufacturing points and one official territory manufacturing point to Chicago.

The rate from Macon is $1.56; from Greensboro $1.25 and from Philadelphia $1.12.

The lines serving the two Southern origins are the same and certainly there is nothing so far as I know in transportation conditions to warrant those rates being that much different.

That I think illustrates the point that we are particularly complaining about, and which comes about by prescriptions of this Commission wherein the 1st Class Index 100 rate is relatively less from one origin in the South than from another origin.

Commr. Splawn: That was what I was asking a while ago. Would mere uniform classification necessarily change that?

The Witness: Yes, sir, if you had uniform 1st Class rates. The rates on this clothing on this data are rated 70 per cent of 1st Class in the two territories and if you had that common Index 100 rate your rate to Chicago [fol. 5216] would be the same as from Philadelphia $1.12 from all three points competing in Chicago for an equal distance.

Commr. Splawn: That is if there were a uniform rating it would be uniform.

The Witness: It is. It is a uniform rating today, but the only reason why Macon, Ga., pays this greater difference is because of the Index 100 that this Commission prescribed.

Commr. Splawn: Isn't there probably something more fundamental than that?

The Witness: I don't think so, not in this case. There is nothing fundamental about it except that on work clothing the Southern carriers decided to put — in 3rd Class or 70 per cent of 1st Class. The Northern carriers maintained a level of 1st Class.

The complaint was brought before this Commission and it found the rates should be 70 per cent the same as in the South, so there you made the rates the same, I mean the percentage the same.

Commr. Splawn: The percentage the same but did not make the rates the same.

The Witness: No, but you didn't consider that in those cases at all and by virtue of doing that then you cause the man at these Southern points to pay a higher rate, mile for mile, than does his competitor at Philadelphia, whereas before that he was on an equal basis. You took that away from him.

[fol. 5217] Commr. Splawn: The Commission fixes relationships?

The Witness: Of course that wasn't involved in the Northern case on work clothing. They merely brought a case under Section 1, and you held under Section 1 a reasonable rate level on work clothing was 3rd Class rather than 1st Class. When you did that, that automatically increased the disadvantage of the Southern producer; whereas it had been equal before you created a difference of 138 per cent.

Commr. Aitchison: Was he in that case as an intervener?

The Witness: No, sir, he was not because I don't suppose the Southern manufacturers had advice about the case at all.

Commr. Aitchison: Was that point raised before the Commission?

The Witness: I think not, sir. That is in effect today. You automatically took a competitive basis away from us by that action, and that is what we are talking about here is about this control of these rate levels by the Index 100 rate.

Commr. Aitchison: If it violates Section 3 of the Act it seems to me there is a remedy.

The Witness: Yes, I agree with that. I was merely using that as an illustration to show this Commission why we are complaining about those Index 100 rates.

Commr. Aitchison: As long as we recognize the right [fol. 5218] and probably even the duty, of the carriers to make exceptions when required and their right to make exceptions within that proper sphere of managerial discretion, is there any way to maintain uniformity of rates between the two territories or even within a territory except by the prescription of minimum rates.

The Witness: I think under Section 3 the Commission can do that unless there was some competent evidence to the contrary.

Commr. Aitchison: Would you advocate as a part of our findings in respect of an attempt to get uniformity in class scales that we should make a condition similar to condition 27, I think it is, in the Consolidated Southwestern?

The Witness: I have said that. I don't think I have ever made an effort to have rates established into the Southwest that I was not confronted with that finding 27, whether it was real or not, but I am convinced as a last resort that I would rather take that than what I have got and work under it. It is bad, I agree with you.

By Mr. Norman:

Q. Mr. Hart, if you had a uniform scale, a uniform classification, if there were special conditions and circumstances which justified the departure as to certain traffic in certain sections could not that be handled with suspension proceedings if the carriers exercised their managerial judgment and published them, if they could justify them they [fol. 5219] could become effective, whereas if they couldn't justify them as being non-discriminatory they wouldn't.

A. That sort of plan was followed out in the Consolidated Southwestern cases by virtue of I & S Docket 3103.

Q. Isn't that sort of situation very much preferable to the old way?

A. Yes, but I expressed the view to the Chairman that if that was the only means by which we could secure what we wanted I would take it rather than what I had, and try to work under it.

It is a fact as testified by Witness Morris appearing for the Southern railroads, that the class rates prescribed by the Commission in Southern Class-Rate Investigation and subsequent Border cases were not those the Southern railroads advocated (Page 18, Exhibit No. 15).

This prejudicial situation is one that is clearly unjustified; and we are insistent that the Commission correct it.

Mr. Crane, in discussing pages 11 and 12 of my Exhibit No. 90 (Record, pages 3987 and 3988), again loses sight of the point I was making, which was primarily directed to the controlling influence of the 1st Class 100 rate in constructing rates on various classes of traffic related to the 1st Class rates, which we reiterate disregards conditions that necessarily should be considered when changing the general level of rates on a given class of traffic. [fol. 5220]. I am glad he referred to the Southern Textile Case to support his statement in this respect, because it really illustrates and supports my statement of which he is so critical.

In the Textile Case the Commission prescribed a percentage of the governing 1st Class 100 rates on piece goods from the South to Official Territory.

Subsequently the Southern and Southwestern rail carriers found it necessary to re-establish the prior parity of rates with New England at Chicago. This caused a wide origin blanket in the South—in fact, one more extensive than had previously existed. This blanket is shown on a Map Exhibit No. A-183, which I introduced in the reopened Southern Textile Case.

Because of the observance of the 4th Section, the Chicago rate also causes a substantial destination blanket.

On pages 3999 to 4001 of the record, Mr. Crane discusses Section III-B of my Exhibit No. 88. He seems to criticize the manner in which I arrived at the approximate rate levels, although he offers no better way to arrive at them, merely contenting himself with the abstract statement that this method of comparing the rate levels is incorrect, because the 1st Class rates from the South to CFA and IFA territories will not average as high as the 1st Class rates under the Southern Territory 1st Class scale; but [fol. 5221] he offered nothing in evidence to support his conclusions although he attempts to illustrate the point by selecting a commodity which is produced in Memphis, Tenn., rated Class 30, or 30 per cent of 1st Class, as compared with Class 35 rating in Official Territory.

Of course the 1st Class rates from Memphis, Tenn., to this section of Official Territory are lower than if the full K-2 1st Class scale were applied from Memphis; but, on the other hand, if the 1st Class rates from Jacksonville, Fla., were selected, it would be found that they exceed somewhat the full K-2 Southern 1st Class scale. True, the particular commodity to which he refers, i.e., acetic acid, is not at the present time produced in Jacksonville, Fla., but it is the preferential character of the governing 1st Class 100 rate that causes the rate on a given commodity from Memphis, Tenn., to Detroit, Mich., to be made lower, relatively, than the rate on the same commodity from Jacksonville, Fla., and that is what we are complaining about.

The East Tennessee Section is a potential producing area of this commodity. If the 1st Class rate from Knoxville to Detroit is compared with the 1st Class rate from Memphis in relation to the K-2 1st Class Scale, it will be found that the present Knoxville 1st Class rate is 7 cents less than the scale, whereas the Memphis 1st Class rate is 22 cents less than the scale.

Mr. Crane fails to explain what conditions in his opinion [fol. 5222] warrant the Southern Railway, for instance, serving both Memphis and Knoxville, charging the Knoxville producer of a commodity rated Class 30 higher relative rates than a Memphis producer. These comparisons of the 1st Class rates with the K-2 1st Class Scale, and others similar in character, are shown on Sheet 3, Section II, of my Exhibit No. 88.

On page 44 of his Exhibit No. 152 Mr. Rive purports to test the relative rate level on lumber, carload, in Official and Southern Territories.

There are shown opposite certain mileage blocks on this exhibit the percentage that the Southern Territory rates represent of the Official Territory rates. There is nothing on the exhibit, nor can I find anything in Mr. Rive's testimony, that would indicate just what those percentages represented.

I do find, though, on testing the exhibit that it represents that cumulative rates at 100 miles in each territory, for instance, and the percentage that those cumulative rates bear to one another.

In other words, at 300 miles he merely takes the cumulative rates at the Southern scale from 1 to 300 miles and finds a total and performs the same operation with Official Territory Scale and then relates the two cumulative results to show this percentage, which I believe would be unfair and does not test the rate level by any means on this [fol. 5223] particular commodity.

So that the Commission might know the exact difference between the two levels at these mileage blocks I have prepared a study shown in Table A, Sheet 2, of my Exhibit No. 220.

There you have an exact percentage relationship of the two scales at those distances.

I am not claiming that the difference shown in this table here represents the actual difference in the level of the rates on lumber without first having before me an accurate traffic test to show how this lumber moved in both of the territories.

For instance, there is quite a substantial movement in the South for longer distances, and this was questioned at the Indianapolis hearing when I submitted my exhibit for the purpose of comparing the rate pattern and not the rate level on lumber, and someone questioned the fact that there were no distances in Southern Territory of 900 miles and in this connection I call your attention to Sheet 3 of my exhibit wherein I have selected important lumber producing points in the South and important lumber consuming points in the furniture district in North Carolina.

You will observe there that those distances are quite long and there is a very substantial movement from the Mississippi Valley and Memphis particularly, to this Carolina [fol. 5224] furniture district, so if you test the rate levels at these longer distances you will find that the Southern scale is not related to the Northern scale, as Mr. Rive would have you understand it by Sheet 44 in his Exhibit No. 152.

On Sheet 46 of his Exhibit No. 152 Mr. Rive makes a similar comparison of the rates on scrap iron, and I have shown in Table B, Sheet 2, of my exhibit just what the rates are at the actual mileage breaks shown on the exhibit.

Mr. Rive in making his comparisons on Sheet 46 uses the same formula that he used with respect to lumber. In other words he takes the cumulative rates for those distances and adds them together and finds a relationship, which of course is not correct.

Further, Mr. Rive's figures were taken from my Exhibit No. 88 submitted at the Indianapolis hearing, which was, so far as the rates on scrap are concerned, in error and Mr. Bell detected that error and corrected it in his exhibit that he filed later on in Columbus, so Mr. Rive's exhibit is found in error to that extent.

I believe Mr. Widell at the Columbus hearing referred to rates on one particular commodity—I believe it was Anti-Freeze—on which the rates were apparently properly adjusted immediately upon the matter being called to the attention of the railroads, from Nashville, Tenn., to destination in the South and Official Territory.

[fol. 5225] Upon returning home I checked on this matter and find that Mr. Widell is correct, that certain rate adjustments were made in the rates on a compound produced in Nashville, Tenn., and described as Anti-Freezing Compounds Liquid.

Those rates were established representing a level of about 120 per cent of the Northern level. Whether or not those rates were satisfactory to this particular Nashville producer I am unable to say but it is a fact that the rates were not established on the Official Territory level.

There is just one other observation, Mr. Chairman, I would like to make in connection with this scrap iron situation.

Of course Mr. Bell and Mr. Rive compare the Southern and the Northern level but I don't think it should be overlooked that in the Southern States particularly we have rate levels on scrap iron that are not the same as the interstate level; for instance the rates in Alabama are higher than the interstate rates, and wherever there is a movement they reduce the rates to the interstate basis, and we have rates in Georgia that are lower than the interstate basis so that paper comparison doesn't mean anything when it comes to an actual weighted rate level on scrap iron.

I want to refer briefly to the testimony of Messrs. Oliver and Tilford introduced on behalf of the Southern carriers—particularly the former—beginning on page 3802 of the [fol. 5226] record, particularly with reference to northbound competitive rates from the South, as this testimony could easily be construed to convey the impression that "all is well," so to speak, and that the Southern shippers generally are satisfied with the present class rate situation, and that a Southern processor, whatever his product, has no difficulty in securing satisfactory rates into official territory, and that even if this cannot be accomplished in the first instance by voluntary action, he would have little difficulty in securing the rates desired by an appeal to this Commission, because of some principle announced in its decision in the so-termed "Southern Governors' Commodity Rate Case"—Docket No. 27748.

He correctly states that no one has pressed a formal complaint before the Commission covering rates on Southern processed commodities into Official Territory since the decision in that case, but he is incorrect in assuming the reason for this is because no Southern shipper is dissatisfied with his rates to Official Territory.

There are now two inter-territorial cases pending, one covering textiles, which has been heard in a reopened hearing proceeding, and the other covering packing house products, and so forth, which has not been heard. However, this does not mean that numerous Southern shippers desiring to market their products, or who may now be marketing them in a limited way, in Official Territory, are satisfied with the rates charged on their products, because of compe- [fol. 5227] tition which they meet in that territory.

I believe it would be correct to say that a good number of such shippers are awaiting the outcome of this case before proceeding in this manner. I know that in some instances the industry does not feel that the expense incident to the prosecution of a case before the Commission is warranted.

True that when a Southern processor can prove to the satisfaction of the Southern carriers that there is a need for rates into Official Territory to meet competition, they are generally willing to suggest them to the Official Territory lines. (Tilford, p. 3889). But the matter then usually reaches a stalemate.

With but few exceptions, agreement on the part of the Official territory carriers in rates equal to those applied on the same classes of traffic in that territory is confined to either raw or semi-raw materials that are to be further processed in Official Territory. Mr. Oliver mentions some of them, such as:

Rayon, Aluminum Products, Cast Iron Pipe, Tobacco, Furniture, Textiles, Alloys (Steel), Wood Pulp, Papers and Board.

Of the completely processed articles, i.e., furniture, tobacco, some types of textiles and certain papers, the inter-territorial rates, generally, are higher than are the rates in

5

[fol. 5228] Official Territory. On cast iron pipe there is a common rate level east of the Mississippi River which was fixed by the Commission.

The other major commodities he mentions, i.e., alloys, wood pulp, aluminum products, pulpboard and particular types of textiles, are in the nature of semi-raw materials, that are shipped in volume into the North for further processing.

The carload rates on rayon yarn, which represents the principal movement of rayon products from the South to the North, and which is produced at the large operations mentioned by Mr. Oliver as being located in western North Carolina and northern Georgia are on a level slightly higher than those applying in Official Territory.

The rates on aluminum products, such as bar, plate, sheet, and so forth, from Alcoa, Tenn., to Official Territory, established for the Aluminum Company of America, approximate the Official Territory level. Similar rates were established from Listerhill, Ala., for the recently constructed Reynolds Metals Company plant, except that the rates from the latter point to some of the principal consuming points in Official Territory are less, distance considered, than if the Official Territory level were applied.

The present rates on wood pulp from the Southern pulp mills, to the extent that through rates are published, are comparable with rates on this commodity within Official Territory. A revised general adjustment has been agreed upon with respect to this commodity, wherein the Official Terri- [fol. 5229] tory level is to be established to the border cities and north thereof, i.e., 22½ per cent of the Appendix E 1st Class Scale; and within Southern Territory the level is to be made 17½ per cent of the K-2 1st Class Scale, and represents a rate level approximately 10 per cent higher than the Official Territory level. On alloys, specific rates are published from Southern producing points to specific destinations in the North that are comparable with the rates in the North.

There is another important new production of semi-raw material in the South, although it was not mentioned by Mr. Oliver. That is synthetic rubber. Rates have been approved for publication into Official Territory on the Official Territory level. It is significant to know that the rates on processed rubber articles, such as tires, from the Southern manufacturing points to Official Territory are very much higher than the rates in that territory.

The commodities referred to by Mr. Oliver, on which rates have been voluntarily established, and are as low as, or only a little higher than, the rates in Official Territory, are strictly raw materials or materials that are to be further processed.

Mr. Oliver also mentions harness and saddlery and certain classes of machinery. The north-bound rates on these finished products are, of course, higher than the Official Terri-[fol. 5230] tory level and are shown on Sheets 4 and 5, Section III-B of my Exhibit No. 88. Naturally, readjustments in inter-territorial rates from the South to the North on different classes of traffic are taking place all along, but they represent rates which are, distance considered, higher than are the rates on the same classes of traffic in Official Territory. Whether these rates are in all instances satisfactory to the Southern producers, I am not prepared to say, except I will say that the rates on a good many of the commodities processed in Atlanta, which have actual or potential markets in Official Territory, are not satisfactory. I should like to refer to a few of them.

In making that statement I had in mind submitting to this Commission certain factual evidence as to the manufacture of a selected list of commodities manufactured in the Atlanta area, both high-grade and low-grade and medium-grade, to show that there is a need for competitive rates and to show this need has not been met by the Southern carriers.

These manufactures are designated by the latters A, B, et cetera, on sheet 5 of my Exhibit No. 220.

This exhibit also shows what the actual rates are on these commodities that are manufactured in Atlanta and I want it clearly understood that all of these commodities are sold in Official Territory as well as Southern Territory in competition with similar manufactures located in that territory. [fol. 5231] I merely selected these particular commodities because of their wide range in character.

The exhibit shows clearly what the present rate level is in the South as compared with the North and what the inter-territorial rate level is.

Most of the articles enumerated on this exhibit move on exception to the classification.

Commr. Aitchison: You are speaking of 25?

The Witness: Yes.

Commr. Aitchison: Please point out where the inter-territorial are. I don't get that.

The Witness: You have three columns, Mr. Chairman. The first column is the Southern level and the second column is the Official Territory level, and in the third column is the level from the South to Official.

Commr. Aitchison: Expressed in percentages of what?

The Witness: Next to percentage columns are the levels relating to each other. In other words, taking the first items there, brushes, the Southern level is 90 per cent of the Northern level and that is true as to the inter-territorial rate,——

Commr. Aitchison (interposing): Let's not go into that. Let's take brushes NOIBN south to Official is 70 per cent. 70 per cent of what?

The Witness: 70 per cent of 1st Class.

[fol. 5232] Commr. Aitchison: Applicable from the South to Official?

The Witness: That is true.

Commr. Aitchison: And that would be a combination of——

The Witness (interposing): No, it is not a combination. It is an exception of 3rd Class.

Commr. Aitchison: How would 1st Class be stated from South to Official?

The Witness: It would be stated 138 per cent of the Official Territory level. That is the way these percentages are arrived at, just like I did on my other exhibit.

Commr. Aitchison: K-2?

The Witness: Yes, sir, K-2 vs. Appendix E. That would vary, you understand, at some particular point?

Commr. Aitchison: Certainly.

The Witness: This is merely expressed in a general level.

Commr. Aitchison: From Atlanta?

The Witness: Yes, sir, and we have very few 1st Class rates from Atlanta to CFA Territory and Illinois Freight Association Territory, that are less than K-2 scale, so I think this is a proper measure—that is a proper measure to use in testing the rates from Atlanta.

Commr. Aitchison: How are you able to get at it being 70 per cent and make it 97 per cent when you relate the two together when you have the varying mileages up to the point [fol. 5233] where your K-2 scale begins to apply.

The Witness: I will answer, Mr. Commissioner, I am dealing with the ultimate freight bill that the man pays on these brushes, and his freight bill from Atlanta to Point A, or say Detroit, Michigan, is just 138 per cent higher than it would be if it came from a manufacturing point in Official Territory for the same distance. I mean if you had the full 1st Class. In this instance he is less than the northern man. In other words, he has a rate from Atlanta to Detroit that would be 97 per cent of the Official Territory level.

Commr. Aitchison: That is what got me. I didn't see Detroit in your exhibit.

The Witness: I could take out a specific point and give you an actual rate.

Commr. Aitchison: It would be a different per cent, though, wouldn't it?

The Witness: No, it would probably be about 97 from an equi-distant point in Official Territory to Atlanta. It might be 98 or 96 or 99.

Commr. Aitchison: I had not thought the K-2 scale worked that way.

The Witness: In other words, Mr. Commissioner, in testing the Docket 13494 1st Class rates from Atlanta to Central Territory you find on an average that it is the same as—only a cent or two different than the K-2 scale if it [fol. 5234] applied direct and when we get over to the Washington Terminii three or four or five cents higher than the K-2 scale. I filed the exhibit in Indianapolis and it is included in my Exhibit No. 88 to show you to what extent these 1st Class rates are the same as or higher than the K-2 scale.

Commr. Aitchison: If that is in the record, that is all right.

The Witness: For instance, from Jacksonville, Fla., I think most all of their rates are higher than the K-2 scale if applied originally from origin to destination. Of course that isn't true from Trunk Line Territory.

The only difference between this exhibit and the one I filed at Indianapolis covering a wide range of commodities is as to Trunk Line Territory; I mean, in order to arrive at an approximate level I took 92 per cent of the total so it would be a little lower than this exhibit shows it, but I think this is sufficient for the purpose for which I am using it.

I had in mind—I haven't enough of the catalogues—I wanted to prove beyond doubt that this production is bona fide. I will let you look at them. They are not going to be filed as an exhibit, just to show that we do sell brushes. There is no question about it.

The next item appearing is calendars. We have in Atlanta some very large printers. We try to get some business in Official Territory. We do get some business some [fol. 5235] times and at the present time are doing a great deal of work for the Government, but of course that is not ordinary work, but with respect to the calendar situation we have one printer in Atlanta, and a rather large operation, and he endeavored to get into this business and did secure at one time some business in the North and I think the calendars made in Atlanta are just about as good—Now this Gulf Refining calendar, that business was secured one year and was later lost because of our inability to secure proper rates out of Atlanta, carload—they all move in carload quantities.

The business of the International Agricultural Corporation was also lost for the same reason and you will find the 1940 contract of the Atlantic Coast Line Railroad, one of our main Southern railroads, was given to this concern but he hasn't had it since that date, although he is located on the Georgia Railroad, a child of the ACL, and the ACL today is buying their calendars in Chicago.

When this Gulf Refining Company contract came up on April 9, 1941, I made a very strenuous effort to have the Southern carriers do something about these rates into Official Territory.

I finally reached an agreement with the Southern lines as to certain rates to be published to Boston, New York, Philadelphia, Pittsburgh, Toledo, Louisville, and the proposal was filed under date of July 7, covered by submittal [fols. 5236-5237] No. 26056, suggesting those particular rates which were not entirely satisfactory and were not on a destination level by any means, but nevertheless we felt might permit this manufacturer to continue being favored with this business.

That problem met the usual fate of all inter-territorial problems that come from the little man. It was non-concurred in very promptly by the Official Territorial Lines, and my file is closed. No rates were ever published. Consequently the calendar manufacturer in Atlanta is not in the calendar business any more, although he prints just as good a calendar as our very good friends.

Mr. McCollester: Where did he get his paper?

The Witness: That brings up another question of in-bound raw material. While it is true that some of this so-called white paper can be secured in the South, it so happens that this particular printer gets all of his paper from the East so he pays a rate in-bound on print paper 138 per cent of the Northern level and then pays rates out-bound of what you see here in this exhibit which is also 138 per cent and that is the reason why he is unable to even sell his own people in the South.

The next manufacturer, No. C, manufactures electric appliances.

This manufacturer also endeavors to sell in the North. I will give you the catalogue of this manufacturer.

[fol. 5238] Commr. Aitchison: Are you going to be asking us for coupons pretty soon?

The Witness: No, you can throw them away.

This manufacturer was a party to the Southern Governors Commodity Rate Case, Docket No. 7746, but the Commission held there that he had not made a case under Section 3 by virtue of the fact he could not prove any damage in his effort to ship into the North so it seems that the railroads and the Commission both have thrown us out so far as this particular manufacturer is concerned.

Commr. Aitchison: Is he being damaged?

The Witness: He is having to meet this competition in the North, and to the extent he can secure any business north of the Ohio River it is necessary for him to shrink his profits to that degree, and of course that reaches a saturation point very soon after he reaches the Ohio River.

Commr. Aitchison: If he can make out a case our doors are open.

The Witness: We tried to make out a case in the Governors Commodity Rate Case but the Commission decided against us.

The next item is Manufacturer D, cotton clothing, and I think what I have said about the cotton clothing before will be sufficient, except in this instance I have included clothing NOIBN which would cover other than work clothing.

You can see the difference between the two rate levels on [fol. 5239] one kind of clothing, all of which is manufactured in the South. The clothing other than work clothing: Our level into the North 197 per cent of the northern level illustrates on work clothing it is 138 per cent of the northern level, and that all comes about by this ingenious method of using Index 100 rate to measure your rate levels.

Mr. Grubbs: Did you say all these are class rates?

The Witness: No, sir, they are all exceptions, and if you would desire I will give you the commodities on there on which there are no exceptions, but nothing but the classification basis applies: It would be: B calendars; C electrical appliances; E cloths or rags, wiping, carload; M, tanks, iron or steel; N, wine; and P, lead products.

As to those, the classification basis applies—the classification bases apply today and are involved in this case so far as those particular commodities are concerned, technically.

The next item is machinery wiping rags. That is a manufactured product. It is produced in rather large quantities in Atlanta and at certain other points in Southern Territory and at particular points in Official Territory.

The carload basis within the South and from the South to the North is 180 per cent of the Official Territory level.

We were not very much concerned about the carload rates on these articles until there began a demand under the [fol. 5240] present emergency for the purchase of these rags in carload quantities.

The l.c.l. basis is the same as the rates on textiles, and it took about three years to have this particular adjustment made on these rags in the South and inter-territorially, but in any event they do not apply on carloads. Therefore, our l.c.l. rates into the North are very near the northern level so we haven't complained so much about the l.c.l. rates, but when this carload business came into the offing then we were very much embarrassed.

I have here, Mr. Commissioner, a number of bids of the United States Government which these people have bid on at Sewell's Point, Norfolk, Virgina, and Mechanicsburg, Pennsylvania and Bayonne, New Jersey, and these bids have all gone to the northern manufacturers except that last one, and that comes about by the establishment of a rate from Atlanta to Norfolk at our insistence that would put this man in competition with the northern producing points.

That matter was first handled with the Southern Railway on October 7, 1942. The rates became effective on

March 2, 1943. There was fairly prompt handling of that situation at Norfolk. Of course we agreed there was no hopes of getting the Trunk Lines to concur in rates to Mechanicsburg and Bayonne, and we did not file a proposal to cover those rates.

The Southern Railway, however, was not willing to meet the northern level precisely at Norfolk. They were willing [fol. 5241] of course to establish a rate of 46 cents. That rate represented a rate 5 cents higher than if the Northern or Official Territory basis were applied.

I was forced to accept the rate although I felt that the southern lines should establish the northern level which would have given Atlanta a rate of 41 cents.

After that rate was under consideration, and the assurance that it would be established by the Southern lines, this Atlanta producer was able to secure a contract from the Government covered by Negotiation No. 2698 dated January 15, 1943, distributed by the Navy Department for delivery of 690,000 pounds within a certain period at the Navy Yard at Norfolk, Virginia.

That business was secured by these people on a delivered basis of 10.35 per pound whereas their competitor at Hamilton, Ohio, who had been securing this business heretofore, bid 10.87 so you can see how close those two bids were and what the difference in rates means when you understand that the prior rate from Atlanta to Norfolk was 75 cents and from Hamilton, Ohio, 42 cents. That shows that the competitive situation is controlling in many instances with respect to a commodity of this character.

I don't think it is necessary to read these bids that have been offered but they run into the millions of pounds of these rags, and it is valuable business, but there is no [fol. 5242] chance for the Atlanta manufacturer to secure any of that business.

Commr. Aitchison: Do they normally take class rates?

The Witness: Well, they take class rates today. No, sir, they are usually on a textile basis.

Commr. Smelker: Are those sterilized rags you are talking about?

The Witness: Yes, sir, sterilized or manufactured machinery wiping rags.

Commr. Aitchison: Are the rates from Atlanta higher than the textile rates, you say?

The Witness: Yes, sir. The next item is toys. I am referring particularly to a definite type of doll that is manufactured in Atlanta. I think the Atlanta production is about the second largest in the United States of this particular type of doll.

These people have quite large factories and they have continually complained about their in-bound raw material rates vs. those located in the Metropolitan District for instance in New York, and their rates out-bound.

Sheet 5 shows the disadvantage of this manufacturer with those located in Official Territory.

Commr. Aitchison: Going back to these rags, you say they are sterilized?

The Witness: They are prepared rags. They are not run-of-the-street rags. They are sterilized and are a prepared [fol. 5243] rag.

Commr. Aitchison: How are they packed?

The Witness: They are packed in cartons. They go to the Navy.

Commr. Aitchison: Any particular dissimilarity in the packing from textiles?

The Witness: No, sir.

Commr. Aitchison: Because they are sterilized do they have any greater value?

The Witness: No, they are not as valuable as textiles. It so happens that they are not on the textile basis, carload. We have had no carload movement to speak of, and that is something the Southern carriers haven't had before them.

Mr. Smelker: Some States require they should be sterilized.

The Witness: Oh, yes. If you take the run-of-the-street rags, which are reconditioned by these reconditioning plants, they all have to be sterilized before they can be shipped out again.

The next item is garment hangers, pulpboard.

After the iron and steel situation became acute, incident to the war, there was a widespread demand for these pulpboard garment hangers. We have some quite large paper converters in the Atlanta area, that is converting paper into specialties, and in fact one of these converters has the [fol. 5244] patent, so he claims, on one of these garment hangers, but as everyone knows, an article of this kind is very cheap and in endeavoring to supply certain demands for these hangers, particularly in Official Territory, the question of rates became a very live question, and that matter had been before the Southern carriers for quite some time, in fact since September 1942, and there has been no agreement reached as yet with respect to the rates on these articles between Southern and Official Territories.

The exhibit shows what those rates are today, and here again you will find that they are rated the same percentage of 1st Class in the two territories, and inter-territorially and that gives us that automatic 138 per cent difference.

This board that is used, of course our rates in-bound on the raw material are on the northern level so we have no complaint about our in-bound raw material rates.

In other words, if our out-bound rates on these articles had been the same to begin with as the northern manufacturer we would have had no trouble in securing certain business that was offered.

Our next item is flavoring syrup.

Chmn. Alldredge: Would that include Coca-Cola Syrup?

The Witness: Coca-Cola Syrup, yes, sir. In addition to the manufacture of Coca-Cola Syrup in Atlanta we have two other quite large productions. One is the Nu-Grape Syrup. [fol. 5245] The Nu-Grape Company of America produces all of its syrup at Atlanta whereas the Coca-Cola Company does not.

We have one other large production of chocolate syrup, this so-called fountain chocolate syrup that is used for your malted milk, and that has a national distribution so it can be said with assurance that Atlanta is vitally interested in the rates on flavoring syrup.

To most destinations in Official Territory the rates on flavoring syrup from Atlanta are constructed on a combination basis. I haven't undertaken to show what the combination produces and I have only undertaken to indicate the level in the South and the level in Official Territory. Those two levels are the same.

The Column 37 in the South and Column 52 in Official Territory represents identical levels, but now when our people go to ship into the North they meet a different condition.

They are required to pay a level of 147 per cent of the northern level which is even higher than the 1st Class relationship; they just would not be able to market their goods, particularly this chocolate syrup on any such difference.

For instance, the chocolate syrup manufacturers draw their raw material from the same source of supply that the northern manufacturers do, that is generally speaking, Hershey, Pennsylvania, and Fulton, New York, and Brooklyn, New York.

The rating is Official Territory on chocolate coating, [fol. 5246] 29 per cent of 1st Class, whereas we pay 35 per cent of 1st Class in order to get our chocolate coating from these northern manufacturing points.

Commr. Aitchison: I wish you would tell me how you figure that 147 per cent.

The Witness: That is the relationship of 55 to 52; 55 of K-2 to 52 of Appendix E. In other words, to get 138 you would have 55 in the Official Column and 55 in the South of Official but you have 52 in the Official and 55 from the South of Official and that produces 147 per cent. In other words, our rate level on the in-bound material is even higher than our out-bound difference on the finished product.

I think that is perfectly apparent that a Southern manufacturer is not going to be able to prosper very much under any such adjustment.

Mr. McCollester: Coca-Cola?

The Witness: I wasn't referring to Coca-Cola, Mr. McCollester. Coca-Cola has plants in every territory. These other plants do not have but one plant.

I might state right there though that this remark incidentally of the far-sightedness on the part of the Railroad Classification Committees, and I think Mr. Fyfe's statement about the rates on flavoring syrup is about as fair an illustration of the railroad's policy as to classification matters as could be exhibited.

[fol. 5247] He took occasion to criticize the traffic officials of the railroads for departing from the Commission's basis on flavoring syrup. He entirely ignores the fact that these levels in the South and in the West, which is 42 per cent of 1st Class, and in the North are absolutely necessary to get any of this traffic and still some of it moves by truck.

If you had a level any higher than that the railroads wouldn't haul any of it, though Mr. Fyfe contends that it is ridiculous to reduce the rates to these levels. That shows the attitude of the Classification Committees of these rail carriers.

Mr. McCollester: Mr. Chairman, of course I appreciate that the Commission cannot always follow the strict order of going forward with proof, but I submit that this line of testimony which the witness is now giving, and Sheet 5 of his exhibit, cannot by any stretch of the imagination be considered rebuttal.

It seems to me that this is part of a new case in chief establishing, or trying to establish I should say, some claim with respect to these rates.

We have several shippers of these commodities in our territory. We may want to have something to say about this showing here, whatever it may be. It seems to me that this is no time, at the very end of the case, to come forward with this on the ground it is trying to rebut something.

[fol. 5248] Mr. Grubbs: I would like to join, if your Honor please, in the objection that has been made by Mr. McCollester, and to say further that this exhibit was not distributed as other exhibits have been, in advance of this hearing, but was given us only this morning.

This whole part of Mr. Hart's evidence comes completely in the nature of a surprise to us, and we are not prepared, as we desire to be prepared, to meet evidence of this kind or any kind with which we may be faced.

Commr. Aitchison: Of course so far as the rates are concerned they would be subject to check.

Mr. Grubbs: Of course that is true.

Commr. Aitchison: That simply leaves then, doesn't it, the question as to whether Mr. Hart is reasonably accurate in stating the commercial conditions of the manufacturers and so on, at Atlanta. Haven't you your own people here, of the Southern Railway, that can answer that question?

Mr. Grubbs: The answer may be a little bit more than a challenge to Mr. Hart's knowledge of the economic conditions.

The Witness: I represent these people. I know what their problems are.

Mr. Grubbs: Your Honor will recall that in the case of other shipper witnesses we have undertaken to present through rate exhibits a showing for example of this nature that the competitive conditions complained of would [fol. 5249] not be bettered but would be worsened by a leveling process, that is to say, by a uniform adoption of the class rates, and it might be that we would wish to submit evidence of that nature, I don't know, but this comes on us as a surprise. That is the point on that which I wish to make.

Mr. Norman: In the first place, if the Commission please, I hadn't understood that any of these parties have been confined to rebuttal testimony at this hearing but we have tried for the most part to make ours exclusively rebuttal.

As to these particular rates here, so far as the rates are concerned, of course as the Chairman has pointed out they are subject to check.

So far as this testimony about the effect on these industries is concerned, of this rate adjustment, I don't know how anybody could rebut that.

Commr. Aitchison: I think it is probably proper rebuttal of testimony to the effect that it was testified to by Mr. Widell and others that the South wasn't interested, if its true interest was considered.

Mr. Norman: It is just showing illustrations of where they are.

The Witness: And further, I intended it to be a rebuttal of——

Commr. Aitchison: (Interposing) Well, now, I have ruled in your favor. If you want to argue it, I may change it.

[fol. 5250] The Witness: All right. I didn't know you had ruled on it.

Shipper designated J is a manufacturer of automobile engine belts, hose, and vulcanizing patches.

Commr. Aitchison: I will have to ask you to be as brief as you can on this.

The Witness: This manufacturer distributes in the South and also in the Southwest, and endeavors to get into Official Territory. He has never been able to secure any rates so far as Official Territory is concerned.

He draws his raw material, which is comprised principally of crude rubber, from the pool in New York, under normal conditions. He doesn't get any today, but under normal conditions it comes from the New York pool.

The rate on crude rubber into Atlanta from New York is on the northern level. So far as his in-bound raw material is concerned, he is on an equality.

Shipper K is a manufacturer of school blanks and forms, pads, tablets, and so forth, a very large manufacturer.

His tonnage probably will run in the neighborhood of 7,500 pounds per annum.

This shipper complained in the Southern Governors Case and was there accorded relief as to one part of his production but as to the other part the Commission held he had not made a case because he hadn't shipped into [fol. 5251] Official Territory, but it is absolutely impossible on goods of this character for an Atlanta manufacturer to overcome the disadvantage in transportation costs which are wholly controlled by the cost of moving these goods from Atlanta to Official Territory in competition with northern manufacturers.

You will observe in some instances here the rates from the South to the North are 175 per cent of the northern level. This manufacturer, although a large manufacturer and compares with those located in the Miami Valley and elsewhere, is unable to secure any business north of the Ohio River.

To the Ohio River and in the South the level of rates on these articles is identical with that obtaining in Official Territory. The levels are identical in the two territories whereas inter-territorially we are confronted with this rate wall.

Mr. McCollester: Mr. Commissioner, this is a very good example of the prejudice we are suffering of having what is now Complainant's case come in at this stage, because in the Southern Governors Case we dealt with this particular article. We produced evidence as to the situation in Official Territory and on the basis of that evidence you dismissed the man's complaint. Now we have no chance to produce that evidence.

Mr. Norman: What evidence?

Mr. McCollester: I know in the Southern Governors Case they said it was perfectly all right, that he had no [fol. 5252] ground of complaint and they dismissed him on it.

Commr. Aitchison: He hasn't shown any changed circumstances, has he?

The Witness: All I intend to show by this is the Southern carriers have not been able to put this particular manufacturer into Official Territory because the Official Territory Lines will not concur in rates from the South, and that is the reason I am rebutting this evidence by the railroads that there is nobody complaining, that whenever they want rates they could get them, and he can't.

Mr. McCollester: In the Southern Governors Case the showing was that he had nothing to do with it.

The Witness: Well, the Governors Case will speak for itself without you testifying about it, but I say he wants to go into Official Territory and if he had the rates he could go in there.

Mr. McCollester: Why didn't he come in and testify at the first hearing?

The Witness: Because his rates are not involved in this case at all.

I am answering Mr. Oliver when he said nobody had complained about it. I am showing you we do have complaint. This is rebuttal of what Mr. Oliver stated that nobody in the South complained; that when they needed rates they came to you and you gave them to them, and [fol. 5253] I am showing that isn't true, and I have selected this particular group of commodities—that is not all of them by any means; the Southern Railway in some instances has been willing to put rates in but the Official carriers will not concur in them, and I say we are still paying these higher rates.

Mr. McCollester: Then are we to understand some of these rates are not involved?

The Witness: Yes, they are, and I gave the exceptions.

Commr. Aitchison: He gave the exceptions. He called attention to B, C, E, M, N, and P.

The Witness: But I am here rebutting what the Southern carriers tell this Commission.

Commr. Aitchison: Go on.

Mr. McCollester; Before you leave that, where does the particular manufacturer get his paper?

The Witness: This manufacturer uses both newsprint and other white paper. Some of it is produced in the Southern mills; some of it in the Northern mills and of course the news print comes either from the North or from the Coast.

Commr. Aitchison: We have had, of course, testimony with respect to wine by the wine manufacturer, haven't we?

The Witness: Yes, but I wanted here to point out, which was not pointed out there, just where we have been getting with rates on wine. I am perfectly willing for the exhibit to speak for itself except to say that as to L, M. [fol. 5254] and P,—Well, I want to say something about P, just say L and M, the conditions are the same there as to the other manufacturers.

As to wine I think that has been pretty well covered in this record except that I wanted this Commission to know how long we have been trying to get these rates into Official Territory.

Disregarding the preliminary handling that I have given this matter in the beginning, wherein I was unable to get a Southern carrier to even file a proposal suggesting the rates on wine, I was finally told by one of the Southern lines that perhaps I might interest the Southern Freight Association in getting out a proposal that would be distributed and therefore give the lines an opportunity to consider it.

Following that suggestion on May 20, 1937, five years ago, I wrote Mr. Kerr, Chairman of the Southern Freight Association, at length, to be exact, four pages single-spaced; setting out the situation with respect to the wine industry in Georgia and particularly in Atlanta and what their needs were, and I was informed by Mr. Kerr that if I would draw up the proposals myself that he would be kind enough to distribute them.

I did. I took the form and drew up these proposals myself, took them over to Mr. Kerr's office, and they were reproduced under Submittal Nos. 14717, 14718, Pacific Coast; 14719 Official Territory; 14720 Western [fol. 5255] Trunk Line and 14721 to the Southwest, embodying the rates which I felt these wine people would need in order to further this new industry.

Those submittals were attached to a letter addressed to me dated June 2, 1937.

The matter of wine rates since that date has been one of continuous consideration, and that remains in that same status today. None of these proposals were approved. They were all disapproved.

Commr. Aitchison: The proposals were for a commodity rate?

The Witness: Yes, sir. I submitted a complete proposal to every section of the United States with actual rates. They were distributed and nothing has ever been done about it.

We did get some rates into the Southwest by virtue of the action of the Southwestern Lines in establishing rates from Denver, Colorado, and we were finally able to persuade the Southwestern Lines that they should treat Atlanta as well as Denver, and were able to secure some relief into the Southwest, but there was no effort on the part of the Southern Lines that brought that about.

Just recently we were able to persuade the Southern Lines that they should establish rates to the Ohio River, and that has been done, but as to Official Territory, after the Columbus hearing Mr. Oliver instructed Chairman Kerr to initiate a proposal suggesting rates on wine on lines from the [fol. 5256] South to Official Territory, and that remains today just where all the rest of them are, non-concurred in by the Official Territory Lines, and I would venture the prediction that it will stay there, so we are still without rates.

Commr. Aitchison: You are without commodity rates?

The Witness: Yes, sir.

Mr. Norman: Or without rates on the basis of the rates in Official Territory?

The Witness: That is right. That is correct.

The only reason that we have a level that is so near the Northern level, that is 27 per cent higher, rather than something less higher on wine in containers is by virtue of the reduced rates which these railroads put in on alcoholic liquors. They felt like they couldn't refuse the wine people rates no higher than those on hard liquor, so they included the wine rates along with those liquors, and by that means we got a reduction in the classification basis so far as wine in packages is concerned, but as to tank cars of course we got no relief.

Commr. Aitchison: I don't understand. You told me that was involved in this case.

The Witness: It is on tank cars because it is a classification basis.

Commr. Aitchison: But not on containers?

The Witness: No, sir. Probably I should have modified [fol. 5257] that.

I did want to mention these lead products for a minute.

We have quite a large converter of lead in Atlanta that we are trying to build up.

We were able to secure adjustment in the in-bound raw material rates on pig from the Western smelting points.

For instance, using Anaconda, Montana, as a basis point in the producing area of the West the rates to Atlanta (this is without the 148 increase) is $13.75 per net ton; Baltimore $13.09; to New York $13.75 and to St. Louis $9.90.

I am naming those points because they are highly competitive with the Atlanta fabricator.

You will find that with the exception of Baltimore and St. Louis that he is fairly related to his competition as to raw material.

We were able to secure rates from Atlanta to the Ohio River and Virginia cities on the Northern level, but we haven't been able to go any further.

Commr. Aitchison: How is that affected then so far as being within the scope of this investigation, if you have been able to get rates?

The Witness: Inter-territorially it is affected by virtue of the fact we have to pay 7th Class inter-territorially and that is 138 per cent of the Northern level, which is also classification basis of 35 per cent.

[fol. 5258] Commr. Aitchison: It is only inter-territorial?

The Witness: That is right. It is the same thing in the South.

Commr. Aitchison: I thought you said you had an exception.

The Witness: Oh, yes, we have an exception in the South, but the point here is these Southern railroads, although willing to put in competitive rates, were unable to go any further than the Ohio River. The Northern carriers won't go along with us.

Commr. Aitchison: Does that conclude that?

The Witness: That concludes that part of it.

Commr. Aitchison: Do you offer in evidence Exhibit No. 220?

Mr. Norman: Yes.

Commr. Aitchison: Without objection it is received.

(Exhibit 220, Witness Hart, received in evidence.)

The Witness: (Continuing) Both Messrs. Oliver and Tilford refer to the large movement of traffic on class rates from Official Territory to the South (Oliver, pp. 3838 and 3839) (Tilford p. 3897); but neither of these gentlemen disclosed the true fact that a large proportion of this miscellaneous south-bound high class traffic, on which they state the present high class rates are applied, moves in freight forwarder service, on which low carload all commodity rates [fol. 5259] are provided, or to what extent this traffic that formerly moved generally into the South via the rail carriers on the Classification basis has been diverted to the forwarders and now moves on carload rates, or what proportion of this tonnage is favored with rates little different from the Official Territory level because of the reductions made effective September 1, 1940.

This naturally has a direct bearing on the claim of witnesses for the Southern carriers concerning the revenue effect of changing the inter-territorial rate structure, particularly as it might affect this south-bound high grade class traffic. That the change in the flow of this class rate traffic is material cannot be denied. For instance, three of the principal rail lines serving Atlanta and the direct Southeast terminated in round numbers 9,000 cars of forwarder freight in the year 1941. With respect to Atlanta—the largest receiving plant of forwarder freight—it does not take into account the very large tonnage of forwarder freight handled by one of the larger forwarding companies via contract motor carriers.

A new condition that very much concerned our people is the probable effect on the Southern industrial situation because of the concentration of defense contract awards in the East and Central States, which has caused large expansion in plant facilities in those sections to meet these demands. This industrial concentration has significance in [fol. 5260] regard to the well-being of the entire United States, in addition to the immediate economic significance of having one region of the country largely a work shop and the other regions raw material and semi-finished goods producers. That this condition may have a far reaching effect on the South's economy cannot be disputed.

Many of those connected with defense production tell me they are aware of the condition. Before a Committee of Congress, Donald M. Nelson, at that time Director of the Division of Purchases of the Office of Production Management, stated that "the distribution of Army and Navy orders has tended to follow rather than to deviate from the previously existing pattern of industrial activity".

Therefore, I desire to place before the Commission, in a few words and without an array of figures, a realistic conception of the South's economy. The economy of any country—or its sub-divisions—and transportation in all of its phases are inseparable. I have endeavored to present a realistic picture of the present conditions with respect to the class rate structure applied in the territory east of the Mississippi River.

The South is entering a cycle which is the reverse of the one of 150 years ago, which might well be referred to as the "cotton economy", as compared with present "industrial economy". The economic laws which control the destiny of [fol. 5261] millions of persons living on cotton farms in the South were not written in the legislative halls of our country but in the work shops of England. It was the invention and use of cotton textile machines which established in England the factory system of manufacturing that is now universal throughout the world. And it was the inauguration of the factory system which led to the demand for raw cotton as a source of cheap fabrics.

To supply England's demand for raw cotton, the people in the Southern portion of the United States abandoned one economy of living and established another. The South's dominant position of leadership in American industry—developed as it was through many small units—had no appeal compared with the romantic possibilities of farming on a vast and magnificent scale.

It has been said that the invention of the cotton gin by Ely Whitney in 1793 changed the South's destiny from that of industry to that of agriculture. Factories and shops were closed; and the people of the South—just as those in every other colony in the British Empire—devoted themselves to the task of producing raw materials to keep the wheels of England's industries moving.

It is an interesting fact, looking back on the history of 150 years, to realize that we in the Southern part of the United States established a hand-labor economy to support [fol. 5262] and make possible the first large scale machine-labor economy in the world. And it is interesting and significant to realize that our forefathers in the South established a hand-labor economy in the New World at the very time when such an economy was being abandoned by the British Empire for its citizens living in England.

The effects of the loss of foreign outlet for American cotton and its domestic displacement by other fibres are known to every person who lives in the South, even though definite details may be lacking.

There are those who censure the Federal Government for following a short-sighted and unwise policy; but, be that as it may, the fact remains that a market once lost is never fully regained, and, as a result, it becomes necessary for us to accept conditions as they exist and return to the economy of our first choice—industry.

We, today, do not censure our forefathers who 150 years ago abandoned the safe and sane economy which we are attempting to re-establish. By recalling the facts that led to the development of the "cotton economy", under which we have lived, we hope to hasten re-adjustment by pointing out the fact that the circumstances which brought such an economy into existence no longer prevail. We merely wish to act as intelligently as our ancestors, who were quick to see and meet the market demand. It is gratifying to [fol. 5263] know that the rapid change in the South's economy will not be confined to the conception of some of those who have discussed it here.

We do not deny that the rate-making policy of the railroads operating in Official and Southern Territories has been different, or that originally the rate structures were developed along different lines and that the distribution of the traffic burden and the composition of the traffic have been different in the two sections. But these conditions are fast changing along with the South's economy. It has been testified by many here that the South is going forward in leaps and bounds industrially. Conversely, any informed person knows that the composition of the traffic in the South has changed and the distribution of the traffic burden is entirely different, from what it was 20 years ago.

However, the mechanics of rate making by the rail carriers, as well as the motor carriers, in the different geographical sections of the country, have become almost identical. This has been brought about primarily by changes in the law and the organization of rate associations in the different rate territories. They disagree as to level (color), but not as to pattern. This is a realistic condition—there is nothing theoretical about it.

There appears to me to be little disagreement between most of the Southern shippers and the Northern shippers—except, possibly, those located in the State of New York—[fol. 5264] nor between us and the Official Territory carriers concerning an equaligestion of the class rates in these two geographical sections.

I do not understand, for instance, that it is the position of most of the Northern shippers that a mill located at Indianapolis, Ind., and one at Atlanta, Ga., should not compete on an equal basis so far as transportation cost is concerned, either in the South or in the North. Most public officials are of like mind. Certainly, this is true of the Southern public servants.

With The possible exception of the Eastern shippers, apparently the principal apprehension of those opposed to the suggestion that perhaps the time has arrived for the unification of class rates and classification, at least in the eastern section of the United States, originates primarily with the Southern rail carriers, because of the fear that it might adversely affect them financially.

Of course, this premise disregards the rapid change that is taking place with respect to the composition and flow of traffic handled by the Southern railroads. The source of new revenue, so far as the Southern railroads are concerned, is being rapidly increased. Therefore, past experiences are not indicative of revenue consequences that might conceivably flow from a re-adjustment in the present class rate structure in the South.

But the revenue alone is not a sufficient argument to [fol. 5265] support the present theoretical differences in the class rates—particularly the 1st Class 100 rate in the several geographical sections of the country. The revenue needs of the involved carriers can well be determined under the law, and it accordingly empowers the Commission to properly distribute it.

This Commission's legislative powers should be invoked to create a class rate structure responsive to the demands of this country's commerce which will be as simple as it can be made, and free from undue prejudice.

I believe that these observations might well be given consideration by the Commission in legislating the future class rate structure which we of the South are suggesting.

I prepared Sheet 4 of my Exhibit No. 220 to show the reverse of the situation which Mr. Rive has exhibited in his new Exhibit No. 200 with respect to machinery originating in the South and shipped into Official Territory as compared with his exhibit in the reverse direction.

The purpose is to show that the Southern manufacturer, which is right considerable at the present time, on machinery, that he would be better off in the swap.

As I gather it from Mr. Rive's exhibit he wanted to show (Why I am unable to say) that the spread against the Southern shipper would be narrowed by establishing the Official Territory level on machinery.

I just took the same premise on Sheet 4 and I show how [fol. 5266] well off he would be when he shipped into the North under the same basis, and in the trade he would probably be better off all the way around.

Mr. Rive, how[illegible]troduced a further exhibit on the machinery, No. 201, so I think my Sheet 4 of Exhibit No. 220 is a fair answer to Mr. Rive's showing south-bound.

Mr. Wolford yesterday introduced Exhibits Nos. 210 and 211; Exhibit No. 210 covering the rate on glass bottles, and followed the same plan that Mr. Rive followed in his exhibits Nos. 200 and 201.

Exhibit No. 211 is a similar exhibit on furniture.

Of course these exhibits merely show the narrowing of the south-bound difference between a Northern manufacturer for instance of furniture as compared with a Southern manufacturer.

Of course I can speak with assurance so far as the Atlanta manufacturers are concerned, and of course there are no mattresses produced at *the* Birmingham, and it is merely a paper showing as to Birmingham, but so far as the Atlanta manufacturers are concerned they have no objection whatsoever to the Northern manufacturers of mattresses or metal furniture or wood furniture coming into Southern territory on the same level that they go into Official Territory on, whatever that level might be.

I submitted a statement, which I haven't reproduced here, [fol. 5267] in answer to a similar contention made by one of the parties in this case about the narrowing of the spread, so I selected Birmingham and St. Louis into 20 points in Official Territory that were equi-distant from St. Louis as the Southern points which were shown from Birmingham, and then applied the Official Territory level from Birmingham vs. the competition as to St. Louis, and that study shows that the Southern manufacturer's average price difference in these 20 points was $1.11½ per 100 pounds, whereas if the Northern level were applied from Birmingham his difference would be reduced to practically 58 cents per 100 pounds.

If you will check that comparison with this south-bound comparison you will find that the Southern producer, if a common level of rates were applied on these mattresses or furniture, that the Southern producer in the aggregate would be much better off providing he marketed his goods in Official Territory, which he wants to do and does do so far as mattresses are concerned, and many other grades of furniture.

So I don't know what the purpose of these exhibits is, but those are the facts.

I did want to just briefly in passing refer to the 6th paragraph of the statement submitted on behalf of the Governor of New York, and call attention to the figure of 35 per cent mentioned in that paragraph, and refer the Commission to Section III-B of my Exhibit No. 88 wherein I [fol. 5268] have shown the level of rates on many classes of commodities between the South and the North which are less than 35 per cent and some of them greatly exceed 35 per cent, and I just don't understand a statement of this character being made by informed persons.

In connection with the statement submitted on behalf of the Indiana Governor, the question from the Bench was directed to some one, I think Mr. Hollopeter, about the rates on stoves and stone in view of the contention that the Indiana limestone industry was in a deplorable condition, which I think is correct, but it is not, of course, due to freight rates.

In any event the rates on limestone were fixed by this Commission in the Consolidated Stone Case, and they were made a percentage of the 1st Class rates and they were higher than the Northern rates, but prior to that time they were much lower than the Northern rates.

What this Commission did with respect to the stone rates was to take the Indiana limestone rates, which were the highest rates in the United States and bring up the rates from all the other producing areas to that limestone basis.

That was very unsatisfactory to the Southern producers of limestone, granite, and marble, and we made every effort possible to have that corrected, and the Southern carriers did correct it to the extent they could, but not into Official Territory.

[fol. 5269] Then we included stone in the Governors Case, and there were accorded a parity of rates, and those rates today, while not stated as a percentage of 1st Class, they do represent a percentage of the Appendix E Scale, although stated as a commodity rate in a tariff.

That same situation obtains with respect to stoves. I thought possibly you would like to have that explanation of what transpired with respect to the rates on stone and stoves.

Stoves were also prescribed on a higher basis into the North and were later included in the Southern Governors Commodity Rate Case, and there we secured a parity of rates and they are today published as commodity rates by representing a definite percentage of the Appendix E Scale.

At the Columbus hearing you asked some one who was testifying as to whether or not these rates which were established from the South under the Commission's decision in the Governors Commodity Rate Case applied via rail and water routes. They do not. Those rates are confined entirely to the all-rail routes.

There is just one other matter. Getting back to this controversial question that the proper designation of these so-called percentage or column rates, while I have stated in my testimony that it doesn't make much difference what we call them if somebody will name them and they will just continue to call them that; I think the record should [fol. 5270] show that of the commodities listed in Appendix 2 of the Commission's Order of September 25, 1940, which was referred to in Dr. Aitchison's testimony, that certain of those commodities move on rates that are definitely related to the governing 1st Class rate, and so far as the practical rate men are concerned, certainly I have always considered these percentage rates within the scope of the class rate structure, but as I have previously stated, I don't care much what you call them, but I didn't want to leave the impression that these rates are commodity rates as we have always known commodity rates, that is, rates made without any relation whatsoever to the 1st Class rates.

For the record I would like to say these particular commodities under normal conditions move on percentages of 1st Class rate; that is, hay, straw, cottonseed, cottonseed meal and cake, vegetable oil, cake and meal, and certain products of agriculture; asphalt, salt, lubricating oils, and greases and plaster in so far as the South is concerned.

Of course, in the North that moves on what we know as a commodity rate because it is a commodity scale unrelated to the 1st Class, but in the South it appears in the exception and is a part of the class rate structure.

As to those commodities that do not move on what we have always considered strictly commodity rates: I am under the impression Dr. Aitchison included in her exhibit the consolidation of these accounts for statistical purposes; [fol. 5271] for instance, the finished stone was included with the crushed stone group.

There we have in the South a commodity that moves on a column basis or percentage of 1st Class consolidated with a crushed stone which moves on a commodity mileage scale unrelated to 1st Class.

I don't know that it is important. I merely wanted to try some way to get something tangible in this record that would permit the Commission to differentiate between a class rate, or what we think is a class rate, and a commodity rate.

On page 1732 of the record the following question was asked me as the Indianapolis hearing:

> "Q. What would the result be?
>
> "A. I have in my own mind pretty well concluded that it would hurt the Southern carriers."

My answer actually was, "I have in my own mind pretty well concluded that it would not hurt the Southern carriers," and underscore the word "not".

That is all.

By Mr. Norman:

Q. Mr. Hart, I wish you would state very briefly the reasons as you understand them why after the statement by Chairman Aitchison in the Class Rate Case the South did not adopt the suggestion and take up the matter of having those inter-territorial rates dealt with.

A. To be perfectly frank about it we were rather dis- [fol. 5272] appointed at the inter-territorial rates which the Commission finally approved in the Southern Class Rate Investigation.

They were changed, as you know, a number of times, and they finally reached the peak of the carriers' proposals in most instances.

We began immediately (I am talking about the shippers now, and so far as my own organization is concerned and some of the other large shipper groups in the South) began immediately to consider ways and means by which that might be reconsidered by the Commission.

It was concluded to await the final outcome of the Eastern Class Rate Investigation and probably until it was put into effect, which was on December 31, 1931, as I recall it —I think that is correct.

Thereafter it was considered again, and at that time everyone knows we were straddled with a very serious depression; things were in rather bad shape with the shippers; railroads were in bad financial condition and were here before this Commission seeking increases in rates.

Commr. Aitchison: I think there was a five months' gap in there.

The Witness: Well, we were talking about it right after the order came out and we didn't like it and we didn't do anything immediately about it because we thought we would wait a little while and see.

[fol. 5273] There were further discussions as to whether or not it would be proper perhaps to ask the Commission to reopen the Southern Class Rate Investigation, or file a new case, and there was a lot of argument between us technical men—every week, put it that way—as to what would be the proper course to pursue, and some thought that perhaps the reopening of the Southern Class Rate Case would be proper and others thought that that record was dead, and we didn't want to reopen that record; it was not a record that we liked very much, so the final conclusion was to file a new case, and that case was filed just as soon as it could be got in shape.

Time passes by, and there was no way by which we might have taken quicker action, as I see it, under the then existing conditions.

But I can say positively for my interests, and as I have told you I was a very active participant in Docket No. 13494, and so far as our interest is concerned we were very much disappointed with the Commission's decision in that case and we were insistent that the other Southern interests join us as soon as possible in trying to have it corrected.

There were many things in it that were not satisfactory, not only levels of rates but these other things we have been complaining about.

Commr. Aitchison: What are they?

The Witness: Particularly one of the principal ones [fol. 5274] was this prescription of these lower relative rates into this Border Territory than in to the Deep South.

That was one, and Mr. Eastman recognized that and he recognized the validity of that and said to these Southern carriers, "You can cure that by putting in commodity rates from Atlanta."

We have that same thing coming up today. You have just decided a case brought by these Northern Georgia interests on iron and steel from Pittsburgh and Bethlehem, and there you have prescribed rates and made 30 per cent of the Border cases 1st Class rate.

The only way that the Atlanta steel interests or the Birmingham steel interests can meet that competition is for the Southern railroads to put in commodity rates to meet it; otherwise they are not going to get the business.

Commr. Aitchison: That hasn't anything to do with this question as to why.

The Witness: I say that was one of our complaints because that has been coming up all the time, and that was one of the principal complaints we had, in addition to the measure of the rates. The measure of the rates was not satisfactory, and we did consider it.

Commr. Aitchison: Is that all, Mr. Norman?

Mr. Norman: That is all.

Commr. Aitchison: You may stand aside for the time [fol. 5275] being, and w[illegible]ill take up your cross examination tomorrow morning.

(Witness temporarily withdrawn)

W. M. Dyer, previously sworn, was called as a witness and testified as follows:

Direct examination:

Commr. Aitchison: You have been sworn?

The Witness: Yes, sir. I testified at the Columbus hearing on behalf of the Wichita Chamber of Commerce, and Mr. Hamilton, in his Exhibit No. 18 seeks to continue the WTL zones which we attempt by our evidence, or rather myself and others, attempt to break down.

I desire to put in some railroad mileage figures for the Counties of Marion, Sedgwick, Harley and Butler County, Kansas.

The total railroad mileage for those four counties, including the mileage to the next more distant tariff named point in the next county is 663.2 miles.

The actual railroad mileage for those counties, using an estimation based on Rand McNalley Atlas 1938 is 614 miles. The author for the railroad mileage is L. E. Kipp, ICC A-2678.

Commr. Aitchison: Cross examine.

(No response)

Commr. Aitchison: That is all.

(Witness excused.)

[fol. 5276] Commr. Aitchison: We will suspend until 9:30 o'clock in the morning.

(Whereupon, at 4:55 the hearing adjourned until 9:30 o'clock a. m. tomorrow.)

[fol. 5277] BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. 28300

Class Rate Investigation

Docket No. 28310

Consolidated Freight Classification

Main Hearing Room,
Interstate Commerce Commission Building,
Washington, D. C.,
Thursday, April 1, 1943.

Met, pursuant to adjournment, at 9:30 o'clock a. m.

Before Division 2 of the Commission

Hon. Clyde B. Aitchison (Presiding), Hon. J. Haden Alldredge (Chairman of the Commission), Hon. Walter M. Splawn and a Cooperating Committee of the National Association of Railway and Utilities Commissioners, represented by: Mr. W. H. Scott, of The Public Service Commission of South Carolina; Mr. George McConnaughey, Public Utilities Commission of Ohio; Mr. C. L. Doherty, South Dakota Public Utilities Commission.

Present: Paul O. Carter, Examiner; W. J. Koebel, Ex- [fols. 5278-5279] aminer; T. L. Haden, Examiner. W. V. Hardie, Director, Bureau of Traffic. J. J. Murphy, Consultant.

Appearances: (As heretofore noted.)

[fol. 5280] Proceedings

Commr. Aitchison: Mr. Turney.

Mr. Turney: If the Commission please, I should like to stipulate into the record by reference the following statistical documents. These are all for the year 1940 and subsequent years are applicable.

Preliminary Abstract of Statistics of Railways.

The Statistics of Railways (that is the Blue Book).

The Freight Commodity Statistics—Annual Q-500.

Freight Commodity Statistics Quarterly Q-550, M-100, M-125, M-211, M-215, M-220, and A. A. R. C. S. 554-A.

Commr. Aitchison: Is that stipulation agreeable?

Mr. Wagner: If the Commission please, if I am not mistaken the Blue Book for 1939 is not in this record. I think Mr. Turney is starting with 1940.

Mr. Turney: I understood 1939 was.

Mr. Wagner: I do not recall its coming in.

Mr. Turney: I shall ask that it be put in.

Commr. Aitchison: Did you want to go back to 1939 then?

Mr. Turney: No, just for the Blue Book.

Mr. Wagner: In other words, the foundation of many of these studies is 1939 figures.

Commr. Aitchison: Is there any objection on anybody's part to receiving and considering in evidence these statistical compilations which Mr. Turney has referred to?

[fol. 5281] There seems to be none and they will be received.

(Statistical documents listed by Mr. Turney received in evidence by reference.)

Commr. Aitchison: Mr. Hart, are you available for cross-examination?

Mr. Hart: Yes, sir, I am ready.

E. L. Hart resumed the stand and testified further as follows:

Cross-examination.

By Mr. Clark:

Q. Mr. Hart, let me run through your statements just a moment.

I am not clear just exactly as to what parts are in and what parts are out. If I ask you about something that is out, you can correct me. Have you got the statement in front of you?

A. Yes, sir.

Q. Please look at page 9.

A. Yes, sir.

Q. Toward the bottom of the page you say "Certainly no water line has appeared here," talking about the control of the rates. Do you see that?

A. Well, it is changed to read this way now—of course the sense of it is the same—"Certainly no water line continues to control the rates from the interior east," and that is my statement.

[fol. 5282] Q. In that connection of course you recognize the water lines are now out of business; they are not functioning.

A. Of course I understand that.

Commr. Aitchison: They have got tariffs on file with us, haven't they?

The Witness: The physical operation of the water lines has been discontinued, yes.

By Mr. Clark:

Q. That is what I am talking about.

A. I want to follow that——

Q. (Interposing) Turn over please to page——

A. (Interposing) I want to follow that if you will let me answer.

Q. I asked a simple question and I got the answer. If you want to make a further statement, of course you may.

A. That is all right.

Q. Look on page 29, Mr. Hart, about the 10th line. You refer to pending proceedings, a textile and a packing house products case.

A. Yes, sir.

Q. Would you give us the docket numbers of those?

A. The textile is I. and S. 3636, reopened.

Q. That is the old case.

A. Yes, the old case reopened.

Q. What is the packing house?

A. I am sorry I haven't the docket number. I can [fol. 5283] supply it. It is pending and perhaps there I should have said that we had a pending case on hides, interterritorial rates.

Q. I asked you about these two. Let's get that straight.

A. I will supply you with the number.

Q. The truth of the matter is there has been no packing house case filed. There has been one talked about but none has been filed. Isn't that right?

A. No. There is one on the suspended docket. The packers filed a case a year or so ago and it is still pending.

Q. You will write a letter then?

A. I think I can give it to you here. Mr. Wagner, have you got the number?

Mr. Wagner: I haven't the number, but it was filed by Swift and Company.

The Witness: It is now on the Commission's docket.

By Mr. Clark:

Q. Let's come to page 31, beginning with the second line, about rubber tires. Do you see it?

A. Yes.

Q. Let me ask you if the tire manufacturers in putting their plants in the South may not have had in mind serving Southern Territory? Wouldn't that be the logical thing?

A. I think so, Mr. Clark, but in any event I know this of my own knowledge, that they found it expedient in certain instances to ship the tires into the North, and I know there is an actual movement of tires, say, from the Gadsden [fol. 5284] plant of Goodyear to their plant in Akron that moves on combination rates, and the Southern put in a proportional rate to the level in order to permit them to do that.

Q. The manufacturer of whom you speak has a plant in Akron?

A. Yes.

Q. And there are other tire plants in Official Territory?

A. Yes, but I want you to understand I am not speaking for those interests, but I do know that condition exists.

Q. You say, "It is significant to know that the rates on processed rubber articles, such as tires, from the southern manufacturing points to Official Territory are very much higher than the rates in that territory."

It seems to me that theory of this rate-making would be that the manufacturers of tires in the South would be interested in a level within the South to serve Southern territory.

A. That is something I am not going into. I do know we had this same plant here, in Atlanta, that manufactures these rubber patches, did manufacture inner tubes for a period and he was not able to market his goods and he stopped making inner tubes for that very reason.

Commr. Aitchison: Before the next question is asked, I am left uncertain by Mr. Clark's question and the manner in which you have answered it whether or not the Southern region for which you are a pearing to testify is in- [fol. 5285] terested in the matter of your intraterritorial Southern rates.

The Witness: I didn't care to discuss the reasons for building this plant there, and that was the point I was not going into.

It is a fact that the distribution of certain tires, certain classes of tires I will put it, from the Southern plants of Goodyear and one of the other companies is preponderantly in Southern territory. I mean under normal conditions.

Commr. Aitchison: Mr. Hart, I am going to give you one more chance to answer my question, and it is an important question, and the question is whether or not the league for which you appear is interested in the Southern intraterritorial rates.

The Witness: Do you confine that generally or just to tires? Generally, certainly we are.

Commr. Aitchison: Mr. Clark's question and your answer would leave a doubt.

The Witness: I don't want to leave any doubt about that.

By Mr. Clark:

Q. Let's pursue it then just a bit further, in dealing specifically with rubber.

There are tire plants in Official Territory?

A. Yes, sir.

Q. The majority of the plants are there. Isn't that right?

A. Yes, sir.

Q. The greater population is in Official Territory.

[fol. 5286] A. That is correct.

Q. Where you have the greater population you naturally have the greater consumption of tires. Is that right?

A. Yes, sir.

Q. But when — of these concerns puts a plant in the South, he has already got a plant in Official Territory and he puts one in the South, wouldn't you say, as a man familiar with these matters, that was to serve Southern Territory?

A. I would ordinarily think that would be true.

Q. Then that plant would be more interested in the Southern Territory rates than in the interterritorial northbound rates.

A. Probably would.

Q. How would he feel about the southbound rates on tires from Official Territory to the South? Would he want the Southern level or the Official?

A. I think he would want as low a level as he could get.

Q. Assuming most shippers would want the lowest rates consistent with service, and all they can get, let's assume that. Let's take this so-called destination level theory of rates, and that is what this question leads to, are you for or against that?

A. I was for it as an expedient only. I am not for it as a principle.

Q. Let's be a little more specific. We take a commodity going northbound, that our southern manufacturers produce [fol. 5287] and wish to sell in the populous northern or eastern territory. You are interested you say in those rates here?

A. Yes.

Q. And you want those rates so your producers can compete. Is that right?

A. Yes, sir.

Q. Therefore you say that if you can go into his territory on substantially his level you have a competitive situation that suits your business and needs.

A. Yes, that would meet our immediate needs.

Q. In the reverse direction are you subscribing to the same level of rates southbound, or do you say that the northern shipper shipping into the South, in competition with your southern manufacturer, should ship on the Southern level of rates? What is your position there?

A. My position is here in this case that we should have a common level of rates, and therefore that question would not be involved.

Q. Then coming back to the rubber question you would be perfectly willing for the northern manufacturer of rubber to ship into the South on the level of rubber rates applicable into the East or interterritorially northbound. Is that your theory?

A. No.

Q. Your theory is general but it does not apply to specific [fol. 5288] cases.

A. Well, certainly if we had a common level of rates that would not apply. There would be the same rate in one direction as in the other direction. He would be able to ship just as low one way as he would the other.

Q. At page 35, at the top there, you speak of the South having gone forward in leaps and bounds industrially. Is that still in?

A. Yes, sir.

Q. That seems to be factual?

A. Yes, sir.

Q. Mr. Hart, you are here complaining, as I understand it, of a rate set-up which you indicate has throttled the South, yet here at page 35 you use the expression, "The South is going forward in leaps and bounds industrially."

How do you square those two positions?

A. I don't know how you want them squared.

Q. Now, you are the witness; you tell me.

A. I don't see anything to be squared about the two statements.

I merely adopted what you gentlemen have tried to prove here, that the South was growing very rapidly industrially, and I am conceding that that is true, and therefore we have got to have some change in this rate structure.

These are practically all new industries. We have the [fol. 5289] chemical industry and we have lots of new industries down there that we have never had before. We certainly have got to have rates to move the products of those industries, and I am trying to show you here that we can't get those rates, and that is what we are complaining about.

Q. One of your new industries, is that the industry making calendars?

A. No, that is not a new industry. The industry has been there for a long period of time, but they are trying to get into a broader distribution of those particular kinds of products.

Q. Since I mentioned calendars——

A. (Interposing) It isn't funny at all.

Q. I am not saying it is funny.

A. No, but you are laughing about it as if calendars isn't anything. That traffic is important to that producer and moves in carload quantities, and I think it is entitled to rates.

Q. I don't see anyone in the hearing room laughing, certainly not me.

A. You were indicating that perhaps calendars didn't mean anything.

Q. Let's see how much they mean.

A. All right.

Q. You said the Coast Line discontinued purchasing from [fol. 5290] your calendar man in Atlanta. I suppose they were shipped to the Coast Line at some point on the Coast Line, at Wilmington?

A. That is my supposition that they moved to Wilmington deadhead, yes; no transportation charge.

Q. You also said they diverted their order to a manufacturer at Chicago.

A. They did. His name is on the calendar.

Q. Do you not know the rate from Atlanta to Wilmington is 73 cents and the rate from Chicago to Wilmington is $1.25?

A. I know what the rates are.

Q. So the rate disadvantage did not deter the Coast Line.

A. Yes, sir, the rate disadvantage primarily on the inbound material is what affected that particular contract.

Q. Oh, then the question of raw materials is tremendously important.

A. Certainly it is in this instance.

Q. Don't you know, Mr. Hart, that the Southern carriers have been particularly liberal in helping their Southern shippers with respect to rates on raw material?

A. No, sir, not on the class or raw material I am talking about.

Q. Wouldn't you say the Southern carriers have been more than fair to the South?

A. Yes, I think the Southern carriers have done what they saw fit to do, but the problem we are confronted with [fol. 5291] is that we have got to deal with men in the Southern carriers' managements that do not have good judgment about the matter.

Q. And Southern industry has grown by leaps and bounds under those conditions?

A. Of course that is a cover-all statement. That is what you say it has, and we agree with you.

Q. I am quoting your exact language.

Mr. Norman: Read him the whole statement.

A. I didn't say——

By Mr. Clark:

Q. Didn't you just tell me that was true?

A. Of course the South is growing industrially, but it started from scratch, and you can't compare a growth from nothing as compared with some other market.

Q. Well, we all took the country from the Indians from scratch.

A. I agree with you.

Q. You say in your testimony, and I have heard it elsewhere, you said, "Past experiences are not indicative of revenue consequences that might conceivably flow from a readjustment in the present class rate structure in the South."

That is on page 36?

A. Yes, sir.

Q. Do I understand you think any rate adjustment should be definitely fixed for the future based on the present times and conditions?

[fol. 5292] A. Well, I wouldn't say they should be based on war conditions, but I think this Commission is pretty well informed as to what the conditions might be after the war.

We have got to forecast it. Certainly this Commission is in no different position, as I see it, than Congress over there legislating laws, and we have got to prepare for the future, and I think it is the duty of this Commission to forecast that future to the best of their ability.

Q. Isn't it true, Mr. Hart, that the manufacture and flow of traffic in ordinary civilian goods has been very much disrupted under war conditions?

A. Yes, sir.

Q. Today the traffic is largely of munitions of war and materials going in to make those munitions?

A. Yes. I wouldn't say a traffic test for instance today would be representative.

Q. There is quite a large volume of traffic of that kind moving today.

A. Yes, sir.

Q. That has not moved heretofore.

A. Yes, sir. It is moving on class rates today where under normal conditions it would not.

Q. You have no reason to suppose it will continue indefinitely.

A. No.

Q. So that today is not a representative period. It is more [fol. 5293] of an abnormal period.

A. That is correct.

Q. And yet you want the Commission to take today's views into consideration.

A. No, sir, I am not asking that they do that. I just got through stating that the Commission is well informed about conditions. There are just a lot of cover-all statements made by different witnesses about the low inbound rates on raw materials, and when you boil them down of course they did happen in the past, you got low rates on logs maybe, on pulpwood, and maybe a few low rates on pig iron, but that isn't what we are talking about here.

We appreciate that action by the Southern carriers in the past when these old lines of industry were building up, like the stove industry and when the paper industry came into the South, but I am talking about these new industries.

I mentioned this rolling mill, lead rolling mill in Atlanta. That mill is properly situated if they could get the proper inbound and outbound raw material rates.

We tried to make the Southern carriers put in the Baltimore rate to Atlanta on lead from the west. The best thing we got was to get the New York rate.

Baltimore is a keen competitor, and the Southern carriers are not liberal in many instances as they should be on these inbound raw material rates from other sections, particularly [fol. 5294] from Official territory.

I mentioned yesterday——

Commr. Aitchison: I think you have answered that question and a good many that have not been asked.

The Witness: Well, he asked me, Mr. Commissioner, about these raw material rates, and he didn't confine it to one. He had a broad question and I would like to tell him about some of them.

By Mr. Clark:

Q. Have you finished?

A. Yes.

Q. You recall you mentioned the rate on sterilized rags from Atlanta to New York State.

A. Yes, sir.

Q. You said it was a rate of 46 cents.

A. That was the rate the Southern Railway was willing to put in and I accepted it because I couldn't get anything better.

Q. All right, you were given a 46 cent rate?

A. Yes.

Q. The answer is yes?

A. Yes.

Q. That was a reduction of the rate from 75 cents?

A. Yes, it was classification basis.

Q. And your man got the contract, didn't he?

A. He did after that rate was put in.

Q. Then you talked about another contract that ran [fol. 5295] away up into some figures, I forgot the details of that, but your man also got that contract.

A. I don't recall.

Q. It was right in connection with the rags.

A. I don't recall that.

Q. Well, never mind.

A. I recall saying he lost a contract—I don't know what you are referring to unless you would mention the commodity.

Q. You did mention at great length wines.

A. Yes.

Q. And you said there had been refusal by the Official Territory lines, I believe, to join in some wine rate that the Southern lines had proposed. Do you recall that?

A. Yes.

Q. From whom did you get information that the Northern lines had refused to join?

Mr. Norman: I don't think he said that. He said it was still non-concurred in by the Northern lines.

Mr. Clark: All right. He made a definite statement, Mr. Norman, that he had been denied——

Mr. Norman: No, he didn't, and the record will so show, and I challenge your statement.

Mr. Clark: Let's ask the witness if he recalls what he did say.

The Witness: The facts are, Mr. Clark, that before I [fol. 5296] left Atlanta I merely checked the proposal that was filed at the request of Mr. Oliver, and I was told by the Southern Freight Association that it still remained non-concurred in by the Official Territory, and I was merely checking the status just like I would ask about any other proposal.

By Mr. Clark:

Q. If in the earlier part of your testimony you said the Northern lines had refused to join, that was an error?

A. I wouldn't say it was an error. It was merely a choice of language. I will say so far as I know they have not concurred in the Southern Railway's proposal.

Q. Then if you said that they had refused, that was an error.

A. As to this proposal, yes, but I would apply that to previous proposals that have been before them for five years that they absolutely refused to concur in.

Q. Did you hear Mr. McDonald's testimony on yesterday?

A. Yes, sir.

Commr. Aitchison: That is the second time he has testified to that fact.

By Mr. Clark:

Q. I want to know clearly if you are speaking, as you do, for the Southern Governors and apparently the same interests that ~~he~~ spoke for in general, do you subscribe to the Official Territory level of rates within Southern Territory?

A. Not as a whole.

Q. You do not?

[fol. 5297] A. I was talking about class rates here, Mr. Clark, and I wish you would confine your questions to the scope of this proceeding.

I am not going to talk about pulpwood or pig iron or some other commodity. If you want to take each one down the list, I will tell you what we want.

Q. The Chairman has pointed out on more than one occasion that technically all rates and ratings are here, and I will take first class rates in and of themselves, leaving out exceptions, and I will ask you, are you in favor of the eastern scale of class rates being in effect in Southern Territory.

A. I will answer this way. If I had had to make a choice, I would take that in lieu of what I have. I am talking about as to class rates.

Q. You were questioned from the bench at length yesterday along this line, and I was much interested but could not hear your answers——

Commr. Aitchison: I think I will just have to ask if you cannot restrain yourselves so that only one is talking at a time. This reporter is trying to make a record here. It is impossible for any human being to report two people talking at once. Just, please, be a little bit considerate of each other and of the reporter and of us.

By Mr. Clark:

Q. Let's come back to the class rates specifically as class rates, and I will ask you definitely the question. [fol. 5298] Instead of the present class rates in Southern Territory are you advocating and do you desire the eastern class rate put in effect within Southern Territory?

A. I would say yes.

Q. Now, the class rates, I take it you agree with me, standing alone mean little without the classification.

A. That is true.

Q. If you have the eastern class rates do you advocate the Official classification or the Southern classification?

A. I think we would have to take the classification along with it. I don't see any escape from that, unless there was a new classification made.

Q. You recall on yesterday, when Mr. Chairman Aitchison asked you about that, you said there were three classifications and apparently you wanted a little of all three of them.

A. No, I don't think——

Q. (Interposing) Today are you clear that you want the Official classification in Southern Territory?

A. I didn't say I wanted. I just answered your question.

Commr. Aitchison: My question was whether he considered the Official classification was adapted to meet commercial needs of the South.

Mr. Clark: That is much better put, Mr. Chairman.

The Witness: I think the record is clear about the matter.

By Mr. Clark:

Q. You think then it is better adapted to the needs of [fol. 5299] Southern industry and shippers than the present classification?

A. Yes, I think so, under the present industrial evolution that is taking place I certainly do.

Q. That brings us to the interterritorial class rates. Do — wish the same eastern level to obtain interterritorially and in both directions?

A. Whatever the level is, we want it uniform both directions.

Q. And the Official classification?

A. If that is proper, yes.

Q. That is no answer. You are speaking for a large volume of interests here, and we have to ask you these things.

A. In answering those questions, of course I don't mean it facetiously at all, but it is a rather unfair question to ask a rate man just point blank whether we want this or that, I mean without testing some particular class of traffic that might be involved, but I am talking now generally.

Commr. Aitchison: Now, Mr. Clark, I recognize, of course, the questions in the form you are asking are rather common before the Commission as to what a witness wants, but really basically the witness is here to give his knowledge of the facts and his expert opinion, rather than the question of what he wants.

By Mr. Clark:

Q. Mr. Hart, will you bear in mind when I speak of what you want I mean those things that you think are [fol. 5300] best adapted to the industry. I am sure you understood me.

A. I don't know; sometimes I think I understand you.

Commr. Aitchison: Well, if you don't know, that is enough.

By Mr. Clark:

Q. Then let's come back to it. You are speaking for Southern industry. That is a broad term, Southern shippers.

A. Yes, speaking for a good many Southern shippers.

Q. It is clear that you do want the eastern level of class rates and that classification as being best adapted to the needs of Southern territory.

A. I didn't put it that broad in my direct examination. I didn't advocate any particular level.

Someone asked me what I would suggest, and I said the appendix E scale was the best thing I had seen, and that is as far as I went.

Commr. Aitchison: I want to ask a question there. Bearing in mind the cases you cited yesterday, and in which you seemed to think the Commission had concurred, and possibly did, to what extent would your trouble be eliminated if the Commission would cease building rates on percentages of first class?

The Witness: Well, I would have no objection to that if a plan of that kind was adopted and a proper graded mileage basis was put in, it would suit me fine.

[fol. 5301] Commr. Aitchison: You say you haven't any objection to it. That is a pretty negative sort of statement. I asked what percentage of your troubles would be alleviated.

The Witness: It would be alleviated; of course it would depend upon the gradation of the scale.

Being primarily interested in longer haul traffic, if we had a proper banded scale, a scale that was properly banded, then it would suit us better than maybe a class rate adjustment that had a rather rapid progression in the index rate.

Commr. Aitchison: You are putting something in my question I didn't put there at all. My question didn't relate to the reformation of the scale. I was talking about stopping making rates on the basis of index 100, now.

Mr. Norman: Does your question contemplate leaving the class rates as they are, but just stop making the percentage of column rates?

Commr. Aitchison: My question was whether or not his present troubles would be alleviated if that practice was followed, to what extent they would be alleviated, if at all.

The Witness: Well, I don't know that I understand just what you have in mind.

Commr. Aitchison: You told us yesterday of a half dozen cases where you said you had gotten rates of 138 per cent of what your competitor had, simply because the Commission in prescribing rates had prescribed the [fol.,5302] same percentage on first class rates in the South as it had prescribed in the north.

The Witness: That is correct.

Commr. Aitchison: If instead of prescribing percentages of the first class rate, which you say is 138 per cent of the South as compared with the north, the Commission had prescribed actual scale rates which it found reasonable——

The Witness: (Interposing:) Yes, sir, I think that would take care of us.

Chmn. Alldredge: If there were still 38 per cent difference, would it take care of you?

The Witness: No, I am talking about the plan; I am not talking about a rate. That is the reason I emphasize my answer. Of course we would expect those rates to be relatively adjusted, of course.

Commr. Aitchison: What I got from the point of your objection was that because it is an easy and a convenient thing to do to refer rates to percentages of first class, that it is done oftentimes when it should not be done, and the result is, as you claim, an unjust rate.

The Witness: That is true. Of course the same injustice could be done——

Commr. Aitchison: (Interposing:) By prescribing a scale.

The Witness: By prescribing different scales; of course I realize that.

Commr. Aitchison: At least you would have the oppor- [fol. 5303] tunity to compare that scale with scales elsewhere.

The Witness: Yes, sir.

By Mr. Clark:

Q. Before you leave class scales, you have given us the view here that you and your southern shippers are dissatisfied with the present class rates. You want something else, but you are not quite clear to tell us what. If pressed, you say, "I would take the eastern level of class rates."

A. Yes, sir.

Q. And the classification of Official Territory?

A. Yes, sir, we would take that.

Q. Are you making any distinction in your views with regard to appropriate rate levels between class rates as such and your commodity rate adjustment of the various commodities.

A. Well, Mr. Clark, commodity rates are not involved in this proceeding, and I haven't testified as to my position about rates on any particular class of traffic.

Q. The pertinency of my question, Mr. Hart, is this. If we have a certain class rate level, apparently you wish it substantially reduced; that would be my view.

A. No, I don't think so.

Q. If you want an eastern level.

A. I don't want to agree that the eastern level would reduce your revenue on class traffic.

Q. Then, my dear sir, what is the argument about the [fol. 5304] difference in levels between Official and Southern Territory?

A. It is primarily the interterritorial, the barrier that is set up at the border which I complained about yesterday.

Q. Don't you think if we have interterritorial rates on the eastern level that we would have to have the same level in the South?

A. Yes, and I don't think if you took the eastern level today—tomorrow, I will put it,—and established it in the South as a whole I doubt if it would change your revenue very materially.

Q. Wait a minute. You agree with me though that the eastern level would have to become effective inevitably within the Southern Territory.

A. Yes.

Q. And now you say that wouldn't affect the revenue.

A. It would affect it some; how much I don't know, but it would not be material.

Q. Do you recall Mr. Kerr said it would be about $39,000,000 probably; you disagree with him?

A. Yes, because he didn't prove that at all and offered no support of that opinion.

Q. You know Dr. Edwards, of course, here?

A. Yes.

Q. Of the Commission's staff?

A. Yes.

[fol. 5305] Q. Do you recall he said there would be approximately $23,000 lost to the southern lines?

A. I don't know.

Commr. Aitchison: Are you going to argue this case right now, Mr. Clark?

Mr. Clark: No, sir. I asked him if he subscribed to the view and he said it wouldn't make any difference.

Commr. Aitchison: That ought to be enough.

By Mr. Clark:

Q. Let's come back to your commodity rates. If you cannot get money out of your class rate structure, don't you have to do something to your commodity rates?

A. You can't sell me on that idea.

Q. I am not trying to sell you, sir; I am asking you a simple question.

A. I am not going to discuss the commodity rates unless you insist on it. I will be glad to do it if the Commission wants to go into it.

Commr. Aitchison: What is the question?

(Pending question read.)

Commr. Aitchison: I think we don't have to have elementary transportation economics developed to such an extent on cross examination, Mr. Clark.

Mr. Clark: Strange to say, Mr. Chairman, that is the question he refused to answer. It is quite interesting to me, because we are interested in conducting a railroad transportation [fol. 5306] system in the South, and it is obvious we must have money to do it. I am sorry if it is thought that it is elementary.

Commr. Aitchison: I confess I think you are going a little bit too far in assuming that we don't any of us have any experience or knowledge of such elementary matters.

Mr. Clark: There is no such assumption to the bench. I was trying to get the witness,——

Commr. Aitchison: But it is the bench that is going to decide this question.

By Mr. Clark:

Q. Mr. Hart, you are here speaking for the Atlanta Freight Bureau, the Governors' Conference, is that right?

A. Yes, and the other southern traffic organizations, all of them except New Orleans.

Q. I don't recall. It is of course in the record, but you have left us under the impression that you speak rather generally for industry in the South. Is that right?

A. Well, I think that is in a general sense, true, yes, sir. Of course I am not speaking for certain groups like the paper group or the iron and steel group, who have their own people who have made statements here, I think.

Of course I have some heavy interests as well as light interests, and I am speaking for those specifically and generally of the smaller unorganized industries.

[fol. 5307] Commr. McConnaughey: Mr. Hart, I am very much interested in what portion of the dollar value you think you represent in the South that you are speaking for.

The Witness: You mean dollar value of products?

Commr. McConnaughey: That is right.

The Witness: Of course when you take the coal and iron and steel and paper, that is a pretty large industry in dollars and cents, but I am concerned about the smaller fabricator who can't expand under this rate structure.

Commr. McConnaughey: Could you give me a direct answer?

The Witness: No, I couldn't. I would have to make some figures, but offhand, the dollar value, probably they would be greater than iron and steel and coal and paper, but I don't know, but as to total the percentage against me would not be very great.

Commr. McConnaughey: You referred to the rubber industry a while ago, which as you know left Akron to some extent, Goodyear and Goodrich and Firestone.

The Witness: Yes.

Commr. McConnaughey: And went to Michigan and Texas and a number of southern states. Do you think freight rates had anything to do with their moving to those parts of the country?

The Witness: No, I think it was an economic consideration but still when they get these factories—a man that locates a branch factory of that type and he gets into the terri- [fol. 5308] tory, things develop that might change his entire set-up. It just isn't constant. Changed conditions cause changes in the plans originally made, and I don't think, for instance, that Goodyear intended to do other than have a local distribution in the South, for instance, out of their Gadsden plant, but the facts are that prior to the war they were shipping into eastern territory, for instance. They found after they got down there they could probably manufacture a particular class of tire that had been developed for a certain purpose and they found it more economical to produce that tire in the Gadsden plant, rather than in the Akron plant.

That causes a demand for rates that was not foreseen at the time that plant was put there. We have that to happen very often. You can't foresee what is going to take place when you build a new plant.

By Mr. Clark:

Q. Pursuing the question from the bench just a little further, you do not represent and speak for the coal interests.

A. No, we have no coal in Georgia.

Q. And iron and steel.

A. Yes, sir, I speak for the Atlanta steel interests, but not the Birmingham steel interests.

Q. Do you speak for Knoxville?

A. No, sir.

Q. Chattanooga.

[illegible]ol. 5309] A. There is a small steel mill at Knoxville.

Q. Chattanooga?

A. Not at Chattanooga.

Q. Gadsden?

A. Yes, sir, there is.

Q. Tallahassee?

A. Yes.

Q. Anniston?

A. Those are controlled by the Big Four in the north.

Q. You do not speak for the paper industry?

A. No.

Q. Except the Atlanta Paper Company.

A. I only speak for the fabricator primarily. We have no paper mills.

Q. Fertilizer?

A. Well, fertilizer is not involved—yes, I represent some fertilizers.

Q. Not the industry though in the South as a whole.

A. Not as a whole. They have their own organization.

Q. Automobiles?

A. There are no automobiles manufactured in the South. There was a manufacturer there at one time in Atlanta, but they had to give up.

Q. They ship them into the South?

A. Yes, they ship automobiles from the north into the South.

[fol. 5310] Q. And interterritorially.

A. Southbound, yes. They drive most of them.

Q. Let's take specific industries right now by name. Do you speak for Sears Roebuck?

A. Well, Mr. Clark, if you want this record to show who I speak for I will be glad to file a list of them and satisfy you.

Q. I didn't ask you that question. Do you speak for Sears Roebuck?

A. No.

Q. How about the Chevrolet people?

A. No.

Q. How about Fisher Body?

A. No, sir . . .

Q. How about Fulton Bag and Cotton Mill?

A. They have their own traffic men but they are in accord with our——

Q: (Interposing): I didn't ask that. Do you speak for them?

A. I don't speak specifically for them.

Commr. Aitchison: Mr. Clark, the function of a witness is to be a witness for the Commission. You asked him for whom he speaks; that question properly should be addressed to Mr. Norman.

Mr. Clark: Mr. Commissioner, he is the only man the southern manufacturers have put up that we can find out [fol. 5311] who he is talking about.

Commr. Aitchison: Who he is called for is for Mr. Norman to say.

Mr. Clark: Then I will ask you, Mr. Norman, who are you talking about when you give these various views?

Mr. Norman: He is talking about the South. He is not talking about any particular industry.

Mr. Clark: He has spoken of industry in the South, and that is an all inclusive term, and the point has been made that there is nobody disagreeing with this view of the Southern Governors and there has been evidence that Mr. W lell and Mr. Vogtle are in the great minority, and I want to know whether he speaks for these industries I am asking about.

Commr. Aitchison: You shouldn't ask whether he is speaking for them. You should ask whether or not when he testified with respect to the views of industry, as he understands it, whether there is a complaint or not, he had in mind such and such an industry.

By Mr. Clark:

Q. You heard the question from the bench, Mr. Hart, and I am going to ask you to answer that question, in the light of these industries: Hercules Powder.

A. No.

Q. Southern Agricultural Chemical.

A. No.

Q. Exposition Cotton Mills.

[fol. 5312] A. They are in the textile group—yes. I have been authorized by the Alabama and Georgia textile mills.

Q. Mr. Kilgore is the traffic manager?

A. No, Mr. Murphy is the traffic manager and he is right here.

Q. Do you speak for Mr. Cunningham and his association?

A. No, sir, I certainly do not.

Q. He represents most of the textiles in the Piedmont section, doesn't he?

A. No, sir.

Q. He does not?

A. The Piedmont section, yes.

Q. You don't speak for him?

A. No.

Q. How about Southern Cottonseed Oil Company?

A. They are a northern controlled group.

Q. How about Swift & Company?

A. A northern controlled group.

Commr. Aitchison: That isn't the question.

The Witness: I told on the record yesterday, I said in qualifying, I said that these outside industries, there are a good many of them that I don't speak for.

Commr. Aitchison: He is trying to develop what they are.

The Witness: And their rates are not involved in this proceeding at all, and there wouldn't be any reason for me to speak for them.

[fol. 5313] Commr. Aitchison: That is not important. The question is whether or not when you were testifying with respect to the views of the South you meant the views of such and such an industry. That is capable of an extremely simple answer.

The Witness: Mr. Aitchison, it is, I agree with you, but Mr. Clark's purpose—or I mean I am interpreting his purpose——

Commr. Aitchison (Interposing): Mr. Norman is going to have a chance later to develop, if he wants to and thinks it is important, but your function is to answer and answer directly, and let's get on with this.

Mr. Norman: Mr. Chairman, I don't think it is competent for him to ask the witness if he speaks for some industry or some special group whose rates are not involved here. Why should he speak for them? Why should anybody speak for them?

He is asking this witness, do you speak for a concern whose rates are not involved here, and he is just going right down the line to make it appear that there are all these big companies that he doesn't speak for. Of course nobody speaks for them here because they are not interested.

Commr. Aitchison: I don't think you are quite right about that. Considering the nature of the testimony we have had here, it seems to me it is proper that Mr. Clark should follow this line within reasonable limits, of course subject to the ruling that Mr. Clark keeps on violating, that he isn't to ask the witness for whom he is speaking.

[fol. 5314] Mr. Clark: I asked him to answer the question in your words. You put it better than I could.

By Mr. Clark:

Q. I will give the name of the industry; you know what we are talking about.

A. Yes, and you know who I am talking for too.

Q. How about the lumber interests?

A. I represent some lumber people, and to the extent that I represent them I am talking for them.

Q. That means some local concern like Willingham.

A. No, I represent some major ones too.

Q. You also represent such concerns as Davidson-Paxton?

A. I represent all the retail people.

Q. That is really your main representation?

A. No, sir, it is not.

Q. Your main membership?

A. No, sir, it is not. That is the smallest membership we have in the organization is the retail stores.

Q. And yet, Mr. Hart, you must understand you are here speaking for the Southern Governors of several of the states.

A. You are not going to tell me who I am speaking for.

Mr. Norman: He is not speaking for the Southern Governors. He is testifying as a witness offered by me as counsel for the Southern Governors.

Mr. Clark: We can only ask the witness; we can't ask counsel.

[fol. 5315] Commr. Aitchison: Yes, you can ask Mr. Norman on whose behalf this witness is called.

Mr. Clark: Yes, I would like to have you say.

Commr. Aitchison: He answered it once. He said he was called on behalf of the Southern Governors.

Mr. Clark: I didn't hear it.

By Mr. Clark:

Q. Let's come back to the civic organizations of Atlanta. Are you familiar with such organizations as the Chamber of Commerce?

A. Yes, sir.

Q. The Junior Chamber of Commerce?

A. Oh, yes, they have them in every city.

Q. How about the Optimists Club?

A. They have one there.

Q. The Civitan?

A. Yes, we have a Civitan.

Commr. Aitchison: Are these shippers?

Mr. Clark: I don't know.

Commr. Aitchison: You ought not to bring them in unless they are. You will be speaking about the Confederate Veterans next.

Mr. Clark: Well, that is a good idea.

By Mr. Clark:

Q. You don't speak for the Confederate Veterans.

[fol. 5316] A. Well, I might; you don't know.

Q. Are they shippers?

Mr. Norman: Mr. Chairman, to follow this thing to its logical conclusion we ought to have an election. I don't see how you are going to get any place if it can't be said that the public officials represent a section, and if you want to go back of that and find out what the people think, you have got to have an election. I think to give Mr. Clark what he wants we will just have to have an election.

Mr. Clark: Maybe we will some day. The Governors have threatened it. That is all.

Commr. Aitchison: Any further cross examination of Mr. Hart?

Mr. Grubbs: Yes, sir.

Commr. Aitchison: Mr. Grubbs.

Cross-examination.

By Mr. Grubbs:

Q. I believe you testified yesterday that no mattresses were manufactured at and shipped from Birmingham.

A. Oh, well, there is a small mattress factory, but there isn't a commercial plant as we know it.

You have small mattress plants all over the country. You will find small mattress plants located all over the country, but I am talking about plants that produce mattresses for marketing purposes generally.

Q. Mr. Hart, I place before you Exhibit 84 produced by [fol. 5317] the witness Edwards—not Dr. Edwards—in this proceeding, showing the rates on mattresses from Birmingham as compared with the rates on mattresses from Chicago, and I will ask you if you didn't prepare this exhibit.

A. Yes, I prepared it.

Q. Are you preparing just paper rates to submit to the Commission in this proceeding?

A. No, it wasn't prepared for that purpose.

Q. Now, you assailed in your written testimony at some length section 1 of Exhibit 180 presented by the witness Morris.

A. Yes, sir.

Q. I want to read you just one line from the testimony, this being taken from page 4037, the testimony being that of witness Morris:

> "I have undertaken to show here what the effect would be upon the southern commodity rate structure confining it to the column rates and exceptions of the prescription of the Appendix E scale, the Official Territory scale, with either the Official Classification ratings or the present Exception ratings."

Do you recall that statement by witness Morris?

A. Yes, sir.

Q. Is that statement perfectly clear to you?

A. No, sir, it isn't clear—perfectly clear—and I don't [fol. 5318] think it would be clear to anyone when you examine the exhibit as to what it was intended to show.

Q. Isn't it true that all your criticism is based on the assumption that Mr. Morris did not say, "Confining it to the column rates and exceptions"?

A. I think the record would——

Q. (Interposing:) Isn't it true? That is all I asked you.

A. I will say yes, if that satisfies you.

Q. That satisfies me.

In the course of your written testimony you indicated that the southbound movement is largely in forwarder cars. Is that correct?

A. Well, I said——

Q. (Interposing:) Is it correct?

A. Yes—I didn't say all of it was in forwarder cars. I said——

Q. (Interposing:) What is your statement?

A. I think the statement would be that there is an important—well, I can't give you the percentage, I wouldn't want to guess at the percentage, but there is a very large tonnage of southbound less than carload traffic that is handled by the freight forwarders. I told you there *was* 9,000 cars in the year I took of foreign traffic from Central Territory into the South.

Q. You don't mean the Southern Railway is not moving [fol. 5319] large quantities of less carload freight in their own package cars?

A. Well, they still operate in package cars.

Q. Do you or do you not?

A. I wouldn't say large quantities. I don't know what you mean by large quantities. Are you talking about relatively as related to the——

Q. (Interposing:) I simply want to know what you meant when you said that the railroads' less carload movement is going largely by forwarder.

A. It is.

Commr. Aitchison: I think that was to Atlanta, wasn't it?

The Witness: Yes, to Atlanta; I can say that for Atlanta.

Commr. Aitchison: I am asking Mr. Grubbs.

The Witness: I thought you were asking me.

Commr. Aitchison: No.

Mr. Grubbs: It was my understanding the witness' testimony was broader than that. Am I correct in that understanding?

The Witness: I will say, of course I don't know exactly what goes into Memphis or into Birmingham or into New Orleans; I am not in position to test it, but I have tested it at Atlanta, and that is the largest receiving point in the South.

By Mr. Grubbs:

Q. Are you in position to indicate to us the extent of forwarder movement as compared to the extent of movement other than by forwarder?

A. I would say that the——

[fol. 5320] Q. (Interposing:) Are you or not? That is the question.

A. Yes, the preponderance of movement into Atlanta of merchandise traffic is by the forwarder.

Q. Are you in position to give any figures on it?

A. I haven't them here. I have some.

Q. Are you confining yourself altogether now to Atlanta?

A. Yes, sir.

Q. Are you in position to indicate to us the proportion of total southbound less carload traffic that moves by forwarder?

A. Well——

Q. (Interposing:) Are you?

A. Yes, if I had the figures here I could give it to you.

Q. Do you have the figures?

A. Yes, sir.

Q. Can you give them to us?

A. I guess I could.

Q. Let's have them.

A. I haven't got them with me.

Q. I thought you said you did.

A. No; I know approximately what it is. It runs well over 50 per cent, without naming a figure.

Q. You say the total southbound movement——

A. (Interposing:) Of merchandise traffic.

Q. Of merchandise traffic is 50 per cent——

A. (Interposing:) Or more, by forwarder.

[fol. 5321] Q. Mr. Hart, you participated in this general case involving forwarder rates here, the all commodity rates in the South recently?

A. Are you talking about the general case or the I. and S. case?

Q. I am talking about the general case.

A. Yes, sir.

Q. And isn't it true that every witness for the railroad there testified——

Commr. Aitchison: No; no.

Mr. Grubbs: Very well. I will withdraw that.

By Mr. Grubbs:

Q. Mr. Hart, you don't mean to represent that carload traffic that moves on class rates southbound is moving by forwarder, do you?

A. No, I was talking about merchandise traffic.

Q. You are talking about less carload traffic.

A. You know what I mean.

Q. You didn't say it and I want to clear the record.

A. I think the Commission understands what we are talking about.

Commr. Aitchison: I know, but some United States Judge may not.

The Witness: Yes, I am talking about less carload merchandise traffic, what we call consolidated traffic.

By Mr. Grubbs:

Q. Mr. Hart, I wish you would turn to sheet 5 of your [fol. 5322] Exhibit 220.

First of all, I would like to direct your attention to the column headed "Percentage of Official Territory Level".

A. Yes, sir.

Q. Do you mean to represent to the Commission in this proceeding that the K-2 Q-1 basis between the South and Official Territory as a whole is generally no higher than the K-2 scale?

A. I don't think the exhibit has any such thing on there, but if you want to ask me that question, I will be glad to answer you.

Q. I think your figure, when you show that the interterritorial level, that is the level from the South to Official Territory, when you show it to be 138 per cent, I think the implication is there that the K-2 Q-1 basis is no lower than the K-2 scale. Isn't that true?

A. That isn't what you said, but I explained that yesterday that this is just a general test and you can take one point and it would be under the scale, and another point and it would be over it, but just as a general test it is fairly accurate.

Commr. Aitchison: You left the impression in answer to a question of mine that the combination of the K-2 and Q-1 scales from representative points in the South to points in the North would average about the K-2 scale.

[fol. 5323] The Witness: They would for Central Territory. I said to you that as to Trunk Line Territory it would be something less than that.

Mr. Grubbs is including all Official Territory.

By Mr. Grubbs:

Q. The reason I did so is because your exhibit is headed, "A Comparison of the General Level of Freight Rates Expressed in Percentages to the First Class Rate Level Applicable on These Commodities Intraterritorially in Southern and Official Territories."

Your exhibit doesn't say anything about Central Territory.

A. In answer to Mr. Aitchison I said if we took all the origins in Southern Territory to all Official Territory, I am talking about including New England and all the destinations in Official Territory, and measured them by the K-2 scale, you might reach 135 or 136 or some figure like that; it would not be exactly 138.

Q. Have you made any such calculation and have you arrived at any such result?

A. I have made a lot of studies since 13494. I have tested it pretty fully. I haven't filed it here.

Commr. Aitchison: The answer is this, then, Mr. Hart, that you are testifying from results of a good many years of experience with these and you are not testifying from any special study that was made.

The Witness: That is correct. In section 3-B of my [fol. 5324] Exhibit 88, Mr. Aitchison, you will find I separated Central Territory from Trunk Line Territory, and I found there that the Commission was about correct—I give the Commission credit one time for being right—that the general level of first class from the South to Trunk Line in New England was about 92 per cent of the K-2 scale and I used that figure in showing the relationship in this other exhibit. I wanted to be fair about it. I don't want to be unfair about it.

By Mr. Grubbs:

Q. If you are going to be fair about it you ought to strike out wherever you have shown Official Territory here, and substitute Central Territory.

A. I can rework and take 92 per cent of those figures and show Trunk Line, but for the purpose of this exhibit it did not appear necessary.

Q. If it is going to be confined to Official Territory, as you show it here, then all the figures you have shown under percentage of Official Territory level must be discounted. That is true, isn't it?

A. No, I don't want to discount it at all. If it means anything to you, I am willing to confine it to C.F.A. and I.F.A.; it would suit my purpose just as well.

Q. Let's test your general knowledge for a moment on this percentage. You know that the Commission subsequent to the Southern Class Rate Case materially reduced rates from some parts of the South to Official Territory, don't you?

[fol. 5325] A. Yes, in the border cases I know they reduced them interterritorially.

Q. And the percentage from Kentucky and North Carolina is very much lower than 38 per cent.

A. Yes, sir.

Q. And substantial movements take place from and to Kentucky and North Carolina.

A. Yes, I think that is true, Mr. Grubbs, I will concede that.

Q. That isn't taken into account when you use this 38 figure, is it?

A. Yes, sir, it was taken into account in this other as to C.F.A. territory, yes.

Q. You mean to say that the Kentucky rates and the North Carolina rates are taken into account in arriving at a figure of 138.

A. Well, if you will refer to sheet 3, section 2 of my Exhibit 88, you will find where I have shown there a great many southern origins or destinations, whatever you want to term them, have shown to the extent in which the first class rates are over or under the K-2 scale. That gives you a fair test.

Q. That isn't an answer to my question.

My question is, have you given adequate consideration to the Kentucky and North Carolina rates in determining [fol. 5326] this figure of 138 where the ratings are the same in both territories?

A. Yes.

Q. Are you willing to stake your judgment as a traffic man on that? Are you or not?

Commr. Aitchison: He doesn't have to stake his reputation.

The Witness: I made——.

Commr. Aitchison: Now, we have no question before us.

By Mr. Grubbs:

Q. Going back just a minute, I overlooked asking you if it isn't true that from the east to the south the railroads do not have *in* forwarder rates?

A. No, sir. The forwarder traffic, for instance, from the east to Atlanta moves by truck and it is a very large volume.

Q. But I am speaking about railroad tonnage now. There is no railroad tonnage from the east; that is correct, isn't it?

A. That is correct. Since the boats went out, the all rail routes are handling considerable merchandise traffic into the south.

Q. Now, Mr. Hart, I want to ask you a few questions about each of these commodities on page 5 of Exhibit 220 that you indicated you conceive to be in the case. The first of those is calendars.

A. Yes, sir.

Q. Do you know how many manufacturers of calendars there are in the South?

[fol. 5327] A. Well, of course every printing plant is a potential manufacturer of calendars.

Q. My question was simply do you know how many there are in the South:

A. I don't know. I think perhaps Nashville and Atlanta printers are the only ones that have attempted to get into that particular character of printing.

Q. You say the only printers of calendars in the South are at Nashville and Atlanta?

A. I think they are the only ones that have attempted to get into that line of printing.

Q. What is the name of the Atlanta calendar manufacturer?

A. Dittler Brothers.

Q. How long have they been in existence?

A. I guess 30 or 40 years.

Q. How long have they been shipping calendars in carloads?

A. Only that one contract they had with the Gulf Refining Company.

Q. When was that contract entered into?

A. I think it was 1941; it was either 1940 or 1941.

Q. And that was for a shipment of calendars to go to where?

A. To go to different distributing points in the north. I gave you a list of them yesterday. It is in the record.

Q. It is in the record?

A. Yes, sir.

[fol. 5328] Q. Do they ship in carload quantities within the South?

A. No, sir.

Q. Coming next to the electrical appliances, who is the manufacturer?

A. Walker Electric Company. The catalog was here yesterday.

Q. The Walker Electric Company, and what is the principal commodity shipped by the Walker Electric Company?

A. Outlet boxes manufactured from iron and steel and aluminum.

Q. How long has that concern been in business?

A. Ten years, but they haven't been manufacturing boxes that long.

Q. How long?

A. Several years; I don't know the exact time.

Q. What was their sales volume say three years ago?

A. I can't give you that at the moment.

Q. Do you know what it is today?

A. No, I haven't those figures with me.

Q. Do you know how much of their production is sold in Southern Territory?

A. Most all of it at the present time. They tried to go into Official Territory.

Q. What parts of Southern Territory do they reach?

A. All of it.

Q. Do they ship throughout the South?

A. Yes.

[fol. 5329] Q. How many shipments have they made?

A. I don't know.

Commr. Aitchison: Is it necessary to go into the business of a particular shipper?

Mr. Grubbs: I was trying to test his knowledge, he having testified, your Honor, as to the economic conditions of these several industries.

Commr. Aitchison: We will not permit you to do it under Section 20 of the Act.

The Witness: I was not prepared to go into that here.

Commr. Aitchison: You don't have to. I have ruled the question is not proper.

Mr. Grubbs: Thank you very much.

Commr. Aitchison: Any further cross-examination?

Mr. McCollester: Yes, I have some questions.

Commr. Aitchison: Mr. McCollester.

Cross-examination.

By Mr. McCollester:

Q. Would the alleged grievances of those concerning whom you have testified be satisfied if — class rates in Official Territory and the classification in Official Territory were put on the Southern basis and the interterritorial rates made on the Southern basis?

A. Yes.

Q. Do you seek to have parity accomplished in that way?

A. No.

[fol. 5330] Q. Would that have the effect of increasing the levels of the interterritorial rates both northbound and southbound?

A. Well, I would say substantially northbound, but to a lesser degree southbound.

Q. How about the class rates?

A. I am talking about class rates.

Q. But it would also increase southbound to some extent?

A. Sometimes, yes; particularly to border territory.

Q. Just so that I may be sure that the record is clear on that point, from the standpoint of my interests in the case, may we understand that sheet 5 of your Exhibit 220 does not fairly reflect the ratio of the level of the class rates or of the rates there shown from the South to Official Territory in relation to the level of the rates on the same commodities or same classes within Official Territory?

A. I wouldn't say it doesn't fairly do that for the purpose that I have prepared the exhibit.

I have explained that, that I recognize the fact that this is a general comparison, you understand, Mr. McCollester, and I think if you include Trunk Line territory in New England those figures would have to go down a bit, but it wouldn't be enough to mean anything to me, because if we had 130 per cent it would be just as objectionable as 138 per cent.

Q. Which exhibit more fairly reflects the ratio of the interterritorial level to the official level, sheet 5 of your Exhibit [fol. 5331] 220 or sheet 16 of section 11 of your Exhibit 88?

A. The latter would be more nearly the similar figures because I have separated the territories from which rate structure is entirely different.

Q. And will you take my word for it that the latter, that is, sheet 16 of section 11 of Exhibit 88 out of 34 rates shows only 4 with the ratio where it is as high as 138 per cent.

A. What sheet are you referring to?

Q. Sheet 16, section 11.

Mr. Norman: We will take your word for it, subject to check.

Mr. McCollester: All right.

The Witness: You mean section 2, don't you?

By Mr. McCollester:

Q. It looks like section 11; maybe it is supposed to be a Roman II Is that figure 2 or 11?

A. It is a 2, it is a Roman II.

I think the exhibit itself shows that, but as I recall it that exhibit was prepared for an entirely different purpose and has a very limited number of points.

Q. Does the truth depend upon the purpose of an exhibit?

A. Of course the figures are on that exhibit and show what the percentage is. I am not denying that your statement is correct on that particular sheet of 16 points.

Q. On page 33 of your prepared statement, where you deal with the subject of History, you make the statement [fol. 5332] that it has been said that the invention of the cotton gin by Eli Whitney in 1793 changed the South's destiny from that of industry to that of agriculture.

Can you refer me to any publication, any authority in history, where that has been said?

Commr. Aitchison: I can. I was reading it last night.

Mr. McCollester: I would like to have it in the record.

Commr. Aitchison: In one of these 25 cent editions of the history of the United States that was just gotten out.

Mr. McCollester: By whom?

Commr. Aitchison: I don't know.

Mr. McCollester: I think it is about a 25 cent statement.

Commr. Aitchison: It is by a couple of eminent historians. I could supply the name if you like.

The Witness: Well, you are entitled to your opinion.

By Mr. McCollester:

Q. Well, the invention of the cotton gin also lead to the same extent to the industrialization of New England, did it not?

A. It probably did.

Q. And the South had the same opportunity to employ the cotton gin for ginning right in the South.

A. I think if you read my statement you know what I mean. I think it is perfectly clear and it is a truthful statement.

Q. To what extent was the South industrialized in 1793?

A. I would have to go back of course in history and get that.

[fol. 5333] Q. You have made the statement.

Commr. Aitchison: We are as able to take official notice of things of that sort as this witness is to testify about them.

Mr. McCollester: That is all.

Commr. Aitchison: Any further cross-examination of Mr. Hart?

(No response.)

Commr. Aitchison: Mr. Norman, do you have any further questions?

Mr. Norman: Just one.

Redirect examination.

By Mr. Norman:

Q. Mr. Hart, you were asked about representing the textile industry in Georgia and Alabama.

That industry has a complaint pending before the Commission, has it not?

A. Yes, sir.

Q. And you didn't mean you were representing them in that they were trying to get their relief here instead of there, did you?

A. No, I meant to say that so far as the Georgia and Alabama mills were concerned, they were certainly in sympathy with what we were trying to do. That was what I intended to convey.

Of course I was a witness in I. and S. 3636, and I know pretty well their position.

[fol. 5334] Mr. McDonald: Could I ask the witness a question?

Mr. Hart, do you understand in speaking for the Southeastern Association of Railroad and Utilities Commissioners that I advocated the present commodity rate structure within the North within the South?

The Witness: No, Mr. McDonald, I didn't understand it that way.

By Mr. McDonald:

Q. When Mr. Clark, in interrogating you, sought to secure your concurrence in any such interpretation as that, did you intend to concur?

A. I didn't concur.

Q. And were not my questions relating solely to the present class rate adjustment which had been proposed by the Rate Committee in this case?

A. I thought that was what you had in mind.

Q. And your response as to whether or not you represented Sear- Roebuck, isn't it a fact that General Wood, president of Sears Roebuck, resigned from the Chicago Chamber of Commerce because that Chamber was resisting the South's effort to secure uniformity?

A. I am not familiar with that.

Q. Don't you know Mr. Charles Waters, vice president of Sears Roebuck, has appeared on the Governors Conference many times and has made speeches advocating uniformity?

Commr. Aitchison: We will give you a subpoena for [fol. 5335] that genleman, if you want it.

By Mr. McDonald:

Q. In your response that you do not represent the specific businesses and industries named, isn't it true you do represent the sentiment of the smaller shippers in the South?

A. I certainly think so. I certainly know I represent my own interests, and I know what their sentiment is, and I think the sentiment is pretty generally that way throughout the South.

I have a very intimate contact with the shipper interests throughout the South, not only in Atlanta, and I think I am qualified to answer that in the affirmative.

Mr. McDonald: Thank you.

Mr. Clark: One more queston.

Recross examination.

By Mr. Clark:

Q. Do I understand correctly that in advocating the eastern level within the South and interterritorial application, that is conditioned upon retaining your present commodity rate adjustments?

A. No, I wouldn't say that. Of course when you say "commodity rate adjustment" that is a broad term, Mr. Clark; that means a lot of things.

You have got me confused now as to what you call commodity rates.

Your witnesses say percentage column rates in one instance are commodity rates, and in another instance they [fol. 5336] are not; I don't know what you are talking about.

Q. Commodity rates, as such.

A. What do you mean by that?

Q. Well, we will just——

A. (Interposing) Give me a commodity.

Q. We will call them column rates. Would that make it clearer?

A. Yes.

Q. Including all except the classification.

A. I think that would have to be reexamined.

Q. Reexamined?

A. And maybe some of them would have to be changed.

Q. Are you willing to have these rates increased?

A. I don't know until I test them, until we got to that class of traffic and it may be we would and maybe we wouldn't.

Q. Is it true if you can get your class rate structure reduced and into effect, you will oppose every increase on any commodity rate that you presently have?

A. I haven't done it in the past. You came along after 13494 and increased every one of them.

Q. Wouldn't that be your position in the future?

Commr. Aitchison: I think that is a little speculative.

The Witness: It would depend upon the needs of the industry.

Commr. Aitchison: Mr. Hart, when I am trying to rule that the question is one that you need not answer, don't go ahead and answer it.

You are excused.

The Witness: Thank you, sir.

Mr. Murphy: I would like to ask one question.

Commr. Aitchison: What is your name?

Mr. Murphy: Murphy.

Commr. Aitchison: For whom are you appearing?

Mr. Murphy: Georgia and Alabama Textile Association.

Recross-examination.

By Mr. Murphy:

Q. Mr. Hart, in making reference to the Association, you were connected with the 3636 case and the reopened case for the Association; I believe that is correct.

A. Yes, sir, I testified for the mills in those cases.

Q. As to the statement made here, you confine that for the purpose of clearing any understanding that might be gotten out of some previous testimony that the mills were satisfied with the rates. Isn't that correct?

A. Well, yes, I had reference to the policy more than anything else of the Alabama and Georgia Textile Mills, or their sympathy with this particular proceeding.

Q. I mean though by this, that we are not—you don't mean to say you were authorized to say we were participating in this case, but just to say that as to the industry being satisfied would be borne out in 3636; isn't that correct?

A. Well, I would say that is correct.

[fol. 5338] Mr. Murphy: Thank you.

Commr. Aitchison: There seems to be nothing further and you are excused, Mr. Hart.

(Witness excused.)

Mr. Wagner: If the Commission please, may I renew my request to either read into the record or have copied into the record five sentences from the Bureau of Census report which was referred to before? The parties on this side of the table have no objection.

Commr. Aitchison: It may be copied in.

(The statement from the Bureau of Census report is as follows:)

"While the quantity of goods produced is, for most purposes, a suitable standard for measuring industrial expansion or contraction, the conversion of quantities of dissimilar products to a common basis by means of index numbers is too laborious for application to small areas. Increases or decreases by physical quantities of goods manufactured may not parallel closely corresponding increases or decreases of wage jobs, for the extent to which machines are employed may determine largely the amount of human labor required. For example, about 1.5 per cent fewer wage earners were employed in the manufacture of cotton goods in 1929 than in 1919, although the physical volume of output increased by an estimated 30 per cent. The meat pack- [fol. 5339] ing industry, too, employed 24 per cent fewer wage earners in 1929 than in 1919, but increased its physical output of products by approximately 5 per cent. The index of physical output of all manufactures increased about 38 per cent from 1919 to 1929, while the number of wage jobs decreased almost 2 per cent."

J. T. Ryan was sworn and testified as follows:

Direct examination.

By Mr. Norman:

Q. Mr. Ryan, state your name, address, experience and qualifications.

A. My name is J. T. Ryan. I am executive vice president of the Southern Furniture Manufacturers Association, with headquarters at High Point, North Carolina.

The Southern Furniture Manufacturers Association is a voluntary unincorporated association of furniture manufacturers in the 13 Southern states.

From January 1, 1912 to November, 1942, I was secretary and treasurer of the organization, and was made executive vice president last November.

During all of these years we have maintained a traffic department, and I have actively represented our members in proceedings before this Commission, before railroad rate committees, and other bodies having to do with freight rate adjustments.

[fol. 5340] Q. What is the purpose of your appearance here?

A. I appear in rebuttal to certain statements which I understand have been made in the record, to the effect that the southern industry is not supporting the effort to bring about an equality of class freight rates, and also that the Official classification carriers since the decision in the so-called Southern Governors Commodity Rate Case have not declined to join in the establishment of competitive commodity rates from the South into Official Territory.

Q. Please briefly describe the adjustment of furniture rates.

A. Generally speaking, today the furniture rates are published as exceptions to the various classifications and class rate tariffs in the form of numbered classes, percentages of first class as class rates, and also percentages of first class stated in the tariffs as commodity rates.

However, in most instances exceptions provide for the alternative application with a classification basis proper so that the classification basis proper represents the maximum rates.

It is a fact that since 1932 that generally speaking the rates on furniture, with a few minor exceptions, are determined with direct relationship to the first class rates.

It is therefore apparent that the Southern furniture industry is greatly interested in the level of the first class rates, because it is the basis for determining the rates on furniture.

[fol. 5341] Q. What would be the effect on your adjustment of the parity of first class rates?

A. One of the greatest obstacles that stands in the way of bringing about a proper adjustment of furniture rates is the maladjustment in the first class rate, particularly the southern first class rates as compared with the Official territory first class rates.

The rates on furniture from the Southern Territory as a whole are too high, relatively, when compared with the level of rates in Official Territory for equivalent service.

Consequently, I favor a complete competitive adjustment of rates on furniture as between the North and South.

Q. And in both directions?

A. And in both directions. I mean there, if it is competitive in both directions, Mr. Norman.

Q. What has been your experience now with reference to securing the concurrence of Official carriers in application of rates from the South to Official Territory on Official Territory basis?

A. I think in answering that question I should briefly outline some of the background of the furniture rate adjustment prior to the Commission's decision in Docket 17,000 Part 5, the furniture investigation, and efforts made since that decision to bring about a proper parity of the Southern [fol. 5342] rates with Official rates.

In that case it was established that the movement of furniture from southern manufacturing plants was on commodity rates, not only into other territories, but also in Southern Territory.

Those rates at the time the case was tried were as low, and in most cases lower than the rates prevailing within Official Territory.

In that case we sought to bring about an equalization of the rates. Such equalization would have, of course, required advances as well as reductions.

Generally speaking, it would have raised the level of the Southern rates, yet we advocated that because we felt it was proper to maintain a parity, even though to maintain the parity meant an increase in our rates.

The Commission, however, in that case found that the classification proper and the class rates were reasonable maximum rates on furniture, and made definite findings as to the classification which resulted.

Less than carload the Commission approved uniform ratings in all territories.

Thus, an article that the Commission found first class to be reasonable, that first class rate was established in all territories.

Consequently, of course, under the maximum basis, the [fol. 5343] less than carload rates as within and between the several territories would reflect the full classification difference that is the maximum basis.

However, as I have stated, the carriers are operating a lower basis than found reasonable by the Commission for the purpose of meeting truck competition. At least that was the reason given when these exceptions were established.

Following the decision in this case, the Southern carriers found it necessary to revise their commodity rates to govern to the Fourth Section, and in making this revision, the Southern carriers undertook to equalize the northern-southern level of rates and put them on a strictly competitive basis.

The only method they could find of doing that would be to relate the Southern rates on furniture to the first class rates which would clear the Fourth Section. Consequently they undertook to establish this competitive basis by establishing percentages of first-class that would approximate the northern level of rates.

In the meantime the Official Classification carriers, following the decision in the furniture investigation, found it necessary to lower their basis of rates on furniture within our own territory to meet the competition.

It might be stated that furniture, generally speaking had always moved in Official Territory on the full classification basis, whereas the reverse was true in other territories. [fol. 5344] The commodity rates in Official Territory *was* the exception rather than the rule, whereas in the South commodity rates were the rule rather than the exception.

The Official Lines established in the fall of 1932 so-called truck competitive ratings on furniture in exceptions, the basis being on furniture less than carload class on all kinds of set-up furniture, except furniture rated lower than second class, and second class on all types of K.D. furniture unless the classification basis were lower.

On carloads they established a series of five ratings with a graduated scale of minimum weights. The basis that was established at that time is substantially in effect today.

The scal referred to I think are in the record, perhaps in several places, but they were specifically placed in the record by the witness Bowman at Indianapolis. I think you will find them on pages 3195 to 3199 of the record.

Following the establishment of the truck competitive rates in Official Territory, as I have previously stated, the Southern carriers undertook to equalize.

Mr. Clark: Mr. Commissioner, may I interrupt here? Here we are clearly dealing with truck competitive rates. They would hardly come under the head of class rates by any classification.

Furthermore, as I understand these furniture rates, they are column rates published as exceptions, and when I was [fol. 5345] examining Mr. Hart I understood you to say

I should not press him on certain commodity rate adjustments. That being so, I object and move to strike what has gone before.

Commr. Aitchison: I think it is important for us to know the reason which underlies these numerous exceptions because we have the question before us of making a classification.

The fact that the Southern carriers have voluntarily made exceptions to the classification and have maintained them is some evidence as to what a reasonable classification should be, and the witness is entitled, I think, to give his understanding of what the reasons were which led to the making of those exceptions.

Mr. Norman: What the witness is coming to—in the first place, to show these rates are controlled by the classification proper. The exceptions provide they shall be maximum rates.

Commr. Aitchison: But they are still maximum rates, regardless of whether they are exceptions or not.

Mr. Norman: That is right.

Commr. Aitchison: They cannot extend the classification rates.

Mr. Norman: That is right, and in that way they are involved. But what the witness is coming to, he is showing this background to show the effort the southern carriers made to get a parity of rates northbound, and the fact the [fol. 5346] northern carriers declined to give it, and he will be there in a moment.

Mr. Clark: By the same token, your Honor, all commodity rates involve the same elements of classification as do the column rates.

Commr. Aitchison: There has been no attempt that I know of to prevent anybody from giving us material evidence with respect to the kind of a classification we should make.

Mr. Clark: A while ago during the course of this hearing you made the point that no one had objected to certain testimony. I thought I might be waiving the views I had if I didn't rise and note an objection. If it is overruled I am out.

Commr. Aitchison: Answer the question.

By Mr. Norman:

Q. Proceed, Mr. Ryan.

A. Proposals were then made by the Southern carriers to establish rates on furniture from the South into Official Territory, a percentage of first class, which would result in rates that approximated the level within Official Territory for equal distances.

For example, they proposed on furniture of less than carload——

Commr. Aitchison: You don't need to go into examples. You have the thing that was proposed.

The Witness: I will waive that less than carload, but I [fol. 5347] do specifically want to refer to some carload ratings.

Commr. Aitchison: Is it typical?

The Witness: It is typical. It carries a point.

On furniture in carloads the principal movement is on a 12,000 pound minimum, and that is the minimum prescribed by the Commission.

The Commission prescribed in Official Territory second class 85 per cent of first class in Southern Territory, and between Southern and Official third class, which is 70 per cent of first class.

The Official lines reduced that 85 per cent rating by exception to 65 per cent, a reduction of 24½ per cent under maximum basis.

The Southern carriers proposed 48 per cent of first class to equalize with 65 per cent of first class and in an approximate way it would have resulted in the equalization.

The Official lines were unwilling to join in that. They finally offered 53½ per cent of first class, which represented the same percentage reduction under the maximum basis as they had made in their own territory. Consequently that basis would reflect the full difference in the class rate scale as between the reduced levels in the two territories.

That is an instance where the Official lines definitely refused to equalize, and I will come to that a moment later.

Commr. Aitchison: Did the Southern carriers accept that?

[fol. 5348] The Witness: The Southern carriers 'reluctantly accepted. They were under compulsion of this Commission to readjust their rates, because the existing commodity rates were in violation of the Fourth Section, and as I have stated those existing commodity rates, generally speaking, were lower than the Official level.

That adjustment was made effective December 5, 1932.

Immediately, although very little furniture had moved from the South by truck, the movement started by truck.

While these rates were published as truck competitive rates to meet truck competition, actually the rates were raised. They were in the ridiculous position of raising a rate in order to meet truck competition, and that actually took place, and the tariff was so published early in 1940, and prior — that day the Southern carriers had met up with us to find out why they had lost the furniture traffic.

We pointed out this rate adjustment had caused it. We made a traffic test and submitted it to them which showed 95 per cent of the furniture movement *was* from the Carolinas and southern Virginia to Baltimore and Washington was by truck, 75 per cent to Philadelphia, and 50 per cent to New York, and intermediate points.

The Southern Carriers then said, we will undertake to do something about it, and they filed proposals in January, 1940, Southern Freight Association Submittal Nos. 21324 [fol. 5349] and 21744, to establish specific commodity rates to meet this truck competition.

Incidentally, these commodity rates would not have been below the northern level.

Hearings were held before the Trunk Line Committee in New York, their hearing No. 1307 in March of 1940, at which there were various appearances.

We appeared in support of the proposal, and incidentally, representatives of Southern carriers appeared before the Trunk Line Committee and sought to have them approve this proposal in order to increase the rail movements.

There were objections made by northern manufacturers on the grounds that the truck competition adjustment rate in effect was satisfactory, and to change the rates from the South would necessitate a big revision within Official Territory, although there we were not proposing lower rates than in Official Territory.

The Trunk Line Association declined to concur in the adjustment.

The matter was reopened, another hearing was held in the fall of 1940, and the proposals were again disapproved by the Trunk Line Committee.

I point out, Mr. Norman, that that was after the Southern Governors decision.

Q. A year after.

[fol. 5350] A. A year after *was* the last hearing, pressure brought to bear was so great upon these Official lines that they did not concur in it, although it meant a movement of some seven or eight thousand cars a year that they would have gotten perhaps if these rates had been reduced.

That was not a request for general equalization into Official Territory, although it would have equalized it to the Atlantic Seaboard, and we believe would have met truck competition.

Q. And the level proposed there was no lower than the going level in Official Territory?

A. That is true, sir.

Because of that situation and because of the numerous efforts we have made from time to time to get the clearance of the Official lines in an equalized basis of rates, we are convinced that it can be done only if required by this Commission, or if first class rates are prescribed on the same level in the two territories or between the two territories.

Commr. Aitchison: Does that conclude your statement?

The Witness: Yes, sir.

Commr. Scott: You referred to the great pressure which was brought. By whom was it brought?

The Witness: The pressure was brought at these public hearings by manufacturers located in official territory. Early in one hearing—perhaps I ought not to testify to it, [fol. 5351] a threat was made—the threat, we will divert our traffic to the truck lines if you reduce the *reduce the* rates from the South.

Commr. Aitchison: Cross-examine.

Cross-examination.

By Mr. McCollester:

Q. When did the furniture industry begin to develop in the South?

A. Around in the late 80's.

Q. And has its development been fairly steady since that time?

A. Yes, sir.

Q. It has grown quite considerably, has it not?

A. Yes, sir.

Q. It has changed, has it not, from an industry producing the lower grades of furniture so that now it produces the finest grades of furniture?

A. No, that is not true. The southern furniture industry produces a type of furniture that is purchased in the mass markets, that is the medium price and cheap furniture such as you will find in most of the department stores and installment stores in the City of Washington, and not the higher grades.

Q. I don't include the fine cabinet work.

A. But the good commercial grade, yes, sir.

Q. Would the furniture industry of the South be in favor of having rates put upon whatever may be the uniform [fols. 5352-5353] percentage of the Southern first class level if that was made uniform throughout Official Territory?

A. I am not sure that I get your question.

You mean if you transferred to Official Territory the present Southern level of furniture rates and make that the overall basis?

Q. Well, yes. I mean furniture rates are now percentage of first class.

A. Yes.

Q. And suppose the first class rates in Official Territory were put upon the Southern level and the same percentage continued, would that benefit the Southern furniture industry?

A. To apply the Official percentage to the Southern scale of rates?

Q. That is right, within Official Territory and from the South to Official Territory.

A. It would raise the rates from the South to apply the Official Classification ratings to the Southern Territory level of rates and would make them much higher than they are today.

Q. Do you advocate that?

A. Absolutely.

Cross-examination.

By Mr. Clark:

Q. Mr. Ryan, you have testified with respect to the competitive necessity due to the publication of northern interterritorial rates to market your products.

[fol. 5354] A. Yes, sir.

Q. I want to ask you why, if I understand your testimony correctly, is it necessary to have a reduction southbound into your territory in order to achieve that northbound result which you seem to favor.

A. Mr. Clark, that would not be necessary to bring about that equalization, but I point out this, that in the negotiations between the Southern carriers and Official carriers to bring about this adjustment, the Southern carriers themselves agreed to apply that level in both directions.

Q. Tell me, just what are you dealing with there when you say what the Southern carriers wished to do.

A. I am saying this. I don't know what they wish to do right now, but I think that at the time this adjustment was proposed, preceding the publication of 1932, I attended the public hearings at *the* Buffalo and elsewhere, and representatives of Southern carriers agreed to apply the equalized percentages in both directions.

Q. Mr. Ryan, that is not an answer to my question.

A. Pardon me?

Q. You are here today, as I understand it, espousing rates in both directions.

A. Yes.

Q. And you are speaking of the difficulty of getting northbound rates.

[fol. 5355] A. Yes, sir.

Q. And you testify as supporting your view that there should be southbound rates?

A. My testimony was in rebuttal of the testimony that I understand has gone into this record that the Official lines since the Southern Governors Case will permit this sort of thing.

Q. Will permit——

A. Will permit the Southern carriers in equalizing the rates.

Q. Then all your testimony about the difficulty of getting the northern lines to join has faded out of the picture.

A. No, I am stating that as far as we are concerned it is a fact that the Official lines will not join the Southern carriers.

Q. You are saying they won't?

A. Yes, sir.

Q. In order to get your northbound rate adjustments, you want to apply the same thing southbound.

A. Yes, sir.

Q. Do you appreciate that would bring the northern shippers into your territory?

A. Mr. Clark, I contemplate this thing in this case, general equalization of the first class rates east of the Mississippi River.

Q. I believe you told Mr. McCollester that the furniture [fol. 5356] industry has improved a great deal in the South.

A. Yes, sir.

Q. How much do you ship into Official Territory? What proportion of your production?

A. The last study we made of that kind of representative shippers, individual shippers, it varies; it depends upon what they make and what markets they are seeking, but we found a surprising thing, the movement is in proportion to the population.

Q. That still isn't an answer, Mr. Ryan, to my question.

A. I mean by this, that we ship into Official Territory the proportion of our production that is represented by their population to the total population approximately.

Q. Do you recall the exhibit that Dr. Aitchison put in, the green-backed exhibit in this case?

A. No, sir, I have not seen it.

Q. Suppose you look at page 15, furniture, and tell me if that doesn't show approximately 52 per cent is shipped to Official Territory of your total production. Is that right?

A. I don't know whether it is right or not. Show me what you are talking about.

Q. The circle there, Mr. Ryan.

Mr. Norman: He can refer to that on brief. Why should he ask the witness to take an exhibit and tell us what it shows?

[fol. 5357] The Witness: I know nothing about this.

Commr. Aitchison: You can direct his attention to it if you are going to follow it up with a question.

Mr. Clark: Yes, sir.

Commr. Aitchison: But not ask him what the exhibit shows.

By Mr. Clark:

Q. I am giving you the benefit of having seen evidence in this case.

Now I want to ask you, as a representative of the furniture industry, is that your view of the proportion?

Commr. Aitchison: Before he answers that, he is entitled to know what the document is. It is an analysis of the waybills of the carload traffic of the country for two days.

Mr. Clark: I handed it to him and Mr. Norman seemed to object to him looking at it. I tried to be fair with the witness, Mr. Commissioner.

Commr. Aitchison: You have got a question on the record that he hasn't answered.

Mr. Clark: He can if he wants to.

The Witness: What is the question?

By Mr. Clark:

Q. I asked you what proportion of your production you shipped to Official territory, and you went into a question of population.

To make it clearer, I handed you an exhibit of record to see if we could agree on that figure, and I was stopped.

I will ask you again what proportion of your total pro- [fol. 5358] duction of furniture, of the total you represent, is shipped into Official Territory.

A. Mr. Clark, the last test we made, which was several years ago, showed between 35 and 40 per cent of the southern production is sold in Official Territory.

Q. What percentage is marketed within Southern Territory?

A. I don't recall the exact figures; probably 16 to 20 per cent.

Q. I want to call your attention to the exhibit of Dr. Aitchison and ask you to examine it and see if you don't agree that 52 per cent is nearer correct.

A. No, sir, I do not agree. I agree the waybills show it; but I want to call your attention to this fact——

Mr. Norman: Page 15, Mr. Commissioner.

The Witness: No, I do not agree that represents what we shipped into Official Territory.

By Mr. Clark:

Q. You say it is 35 to 40 per cent?
A. Yes, sir.
Q. Is that at the present time or what period have you in mind?
A. I have that in mind for the last several representative years.
Q. I take it the present moment is perhaps a bit abnormal is the reason I wanted you to get to a more normal period.
A. Of course today war conditions have changed traffic.
[fol. 5359] Q. I am asking you to take a normal period, say 1939.
A. I would say 35 to 40 per cent of the production is sold in Official Territory for the reason that there are more consumers in that teritory than in any other territory. There are more people that want furniture.
Q. You have to have customers or there would be no business.
A. True.

Mr. Clark: Thank you very much.
Mr. Bell: May I ask one question?

Cross examination.

By Mr. Bell:

Q. Would you briefly state what the reasons were for the establishment, growth and development of the furniture business in the South?
A. Mr. Commissioner, if you care for me to do so, I will undertake to answer it. I doubt if it could be answered briefly—the development of any industry.

Commr. Aitchison: I presume that was all covered by the report in the Commission's furniture case, was it not?
The Witness: Yes, sir. However, the business originated in the South for the reason it was a wooded area; lumber was available. They did the natural thing, they manufactured the wood into a finished product that could be sold at a profit. That was the beginning of it.
Commr. Aitchison: You can go back further and say there was a time when the South had the manorial system

[fol. 5360] ~~of~~ production of everything that was needed on the place, right on the place.

The Witness: Yes, sir, that was true prior to that time, but the growth of the industry is due in my opinion and my considered judgment to the enterprise of the men behind these establishments.

The most highly mechanized furniture plants in the United States are in the South, in North Carolina and Virginia.

In that area they found they had to be efficient to meet the competition of the old established sections and to produce products at a price that would move them.

We were breaking into a well-established and entrenched industry.

Consequently, in the development I think today the South, and I know the plants are more highly mechanized as a whole than the plants in other parts of the country. I am going to qualify that by saying there are tremendously efficient manufacturers in every part of the country in the furniture industry.

There are highly efficient manufacturers in Pennsylvania and other states, that actively compete and can produce goods as cheap or cheaper than they can be produced in the South.

The cost of production is not controlled by the area in which the plant is located. The cost of production is controlled by the efficiency of the management and the availability of materials.

[fol. 5361] Mr. Bell: Thank you.

Cross-examination.

By Mr. Hollopeter:

Q. Mr. Ryan, I believe you answered a question of Mr. Norman's awhile ago that you would be in favor of furniture rates being equalized in both directions provided there was competition in both directions. Am I correct in that?

A. Perhaps I didn't state clearly what I meant. I meant this, and we would not object to the rates being the same in both directions providing the southbound rate was not lower than the interterritorial rates we are paying in the South.

Q. Is it your position today there is competition in both directions, that is from the North into the South, as well as from the South into the North?

A. Yes, there is competition in every direction on every commodity and in every industry.

Q. Then I understand it is your position whatever is done with the rates, they should be the same in both directions without any qualification with respect to competition.

A. I am qualifying it by stating that to establish one common level of rates would correct the situation we are complaining of now. If that is not done, then we would say the principle of the Southern Governors Case should apply.

Q. I believe a little later I understood you to say you were shipping into Official Territory a proportion of your [fol. 5362] production that was equivalent to the proportion of the population in that territory. Is that correct?

A. On second thought, that is not correct.

Q. What is correct?

A. 35 to 40 per cent.

Q. Of your production?

A. Of the production in the Southeast.

Q. Then do I understand you are disposing of about, oh, 16 per cent, would you say, in the South?

A. 16 to 20 per cent in the South, yes, sir.

Q. Comparing the population in the area of the South with the population of the area in the north, would you say that per cent going into the north is a lesser proportion compared to the population than that which you are putting into the South?

A. I won't make a calculation for you, but I will give you the population of those areas if you want it for the record.

Commr. Aitchison: That doesn't mean much unless you give the movements.

Mr. Norman: He has given the movements.

The Witness: He wants me to compare them with the population and give him the per cent.

Commr. Aitchison: You did that originally and then you said you made an error and now he wants to know——

The Witness: I am qualifying; I said from 35 to 40 per [fol. 5363] cent is shipped into Official Territory; 16 to 20 per cent is consumed in Southern Territory.

By Mr. Hollopeter:

Q. Then may we clear it up by asking where the balance of your production goes?

A. It goes to the territory west of the Mississippi River.

Commr. Aitchison: Are you speaking of all of the Southern Territory now?

The Witness: Yes, sir.

By Mr. Hollopeter:

Q. That would leave, would it not——

A. (Interposing): 35 to 40 per cent.

Q. (Continuing): About 40 per cent going into the territory west of the Mississippi River.

A. Yes.

Q. That is doing that under the present rates. Do you contend you should still be able to move more of your production into Official Territory than that amount?

A. I can't answer the question, but I do want to point out this. Bear in mind, sir, as I previously stated, much of this traffic is not moving into Official Territory by rail.

Q. How does it move?

A. It moves by truck.

Q. Does any of it move by water, coastwise, or did it before the present situation?

A. No, very little.

Q. Do you feel that your truck rates, on the basis that [fol. 5364] you have just stated, that is what moves much of your production into Official Territory, should be a basis upon which the rail rates in Official Territory should be fixed?

A. No, sir.

Mr. Hollopeter: That is all.

Commr. Aitchison: When you speak about 35 or 40 per cent going to Official Territory, what is your 100 per cent?

The Witness: 100 per cent, Mr. Commissioner, would be the approximate total production of the Southern factories. Do you want that in dollars?

Commr. Aitchison: No. Regardless of how it moves?

The Witness: Yes, sir.

Commr. Aitchison: The exhibit which was shown to you represented something like 52 per cent but that was related to the movement by rail as 100 per cent.

Mr. Norman: Yes, that is right.

The Witness: There is a possibility that that is the rail proportion. In the furniture industry, in gathering statistics, we have no uniform units. Furniture runs from a small end table on up to a large break front cabinet. Consequently all our statistics within the industry are on a dollar basis rather than on a tonnage basis.

Commr. Aitchison: If you are comparing the 35 to 40 per cent which moves to the north, Official Territory, with your total production, you have to take into account that a [fol. 5365] part of your total production moves from the South either by truck or by private conveyance and part is sold locally at the point of manufacture.

The Witness: That is true. Generally speaking, however, the bulk of the production is in towns of 2,500 or under, and the local sales will be only a small proportion of the production.

Commr. Aitchison: How about your truck movement, or movement by a contractor or by a private vehicle?

The Witness: Well, it is moved by private trucks owned by the shipper. It is moved on private trucks owned by the dealer who comes to the factory and gets the furniture.

Commr. Aitchison: How about common carrier?

The Witness: It moves by common carrier.

Commr. Aitchison: Is the aggregate of those methods of conveyance considerable?

The Witness: Yes.

Chmn. Alldredge: Do you export any furniture?

The Witness: Export furniture? No. The exports from the United States on household furniture are practically nil, probably one-fourth of one per cent.

Chmn. Alldredge: All your consumption is domestic.

The Witness: Domestic, except of course the United States and Canada, but for the past two years there has been an embargo on furniture into Canada.

[fol. 5366] Commr. Aitchison: Any further questions?

Commr. Scott: Mr. Ryan, if those proportions as to your territorial distribution, were you speaking for the entire southern industry, or for the group of them that you represent?

The Witness: Well, I would say this, Mr. Commissioner, that we have a total of about 230 or 240 members.

They produced last year 95 per cent of the furniture produced in the South, so I would say that we represent the vast majority of the production in the South.

Commr. Scott: And the figures you gave are probably true for the whole 100 per cent?

The Witness: Yes, sir.

Commr. Scott: Thank you.

The Witness: Will you bear in mind that I gave those as an approximation based upon my knowledge and there might be some variation.

Cross-examination.

By Mr. Clark:

Q. Mr. Ryan, let's see if I clearly understand you, in view of the questions from the bench and from Mr. Hollopeter.

Is it true that of your total production that is shipped by rail to the several territories, that approximately 50 per cent moves to official territory, and around 20 per cent within Southern Territory, the remainder west of the Mississippi River?

[fol. 5367] A. No, I said between 35 and 40 per cent into Official Territory.

Commr. Aitchison: I beg your pardon, Mr. Ryan. He asked you whether you were speaking of movement by rail or your total production, and you said total production.

The Witness: You are talking about rail?

By Mr. Clark:

Q. I asked you the specific question.

Please read the question and let's get it exactly right.

(Pending question read.)

A. Mr. Clark, let me correct what I have said by stating this, that I could not tell you what proportion of the total rail movement moves into Official Territory.

My statement is that of the total production we estimate that between 35 and 40 per cent of it is sold in Official Territory irrespective of the transportation agency used.

Q. Perhaps we can get it this way. Can you tell me approximately what percentage moves by truck and what by rail?

A. No, I can't for this reason. The long haul business west of the river from the Southeast, none of it moves by truck.

To the Atlantic Seaboard, to the City of Washington, 95 per cent of the furniture produced in North and South Carolina and southern Virginia moves by truck into this city.

Something like 95 per cent to the City of Baltimore; 75 per cent to Philadelphia and 50 per cent to New York. [fol. 5368] In other directions the percentage differs. Of the total I don't know how much moves by truck. We have made no test.

Q. In view of your truck movements I am surprised that you are so interested in your rail rates northbound.

A. We are, sir. We are confronted by a rubber situation and we are further confronted by the fact that the truck lines will eventually follow the rail adjustment.

Commr. Aitchison: You are excused.

(Witness excused.)

Mr. Norman: That completes my presentation.

Commr. Aitchison: Mr. Bee.

Mr. Bee: We have one witness.

J. C. Murray was duly sworn and testified as follows:

Direct examination.

By Mr. Bee:

Q. Your name is J. C. Murray?

A. Yes, sir.

Q. You testified in this case at Columbus, Ohio?

A. Yes, sir.

Q. And in that case you presented certain exhibits, Mr. Murray?

A. Yes, sir.

Q. Thereafter the witness Tannehill presented an exhibit calling attention to what he considered were certain errors in that exhibit presented by you?

[fol. 5369] A. That is right.

Q. Have you prepared an exhibit correcting your original exhibit in line with the errors called attention to by Mr.

Tannehill and stating those errors that he calls attention to which you will not accept?

A. Oh, what I did was to check his exhibit and recheck mine.

Mr. Bee: May we have that marked as an exhibit?

Commr. Aitchison: That will be Exhibit 221.

(Exhibit 221, Witness Murray, marked for identification.)

By Mr. Bee:

Q. Will you please explain briefly what Exhibit 221 is?

A. Exhibit 221 merely takes Mr. Tannehill's exhibit and my Exhibit No. 96 and admits on the face of the exhibit wherever Mr. Tannehill was correct in his exceptions to my exhibit, and also shows with authority the instances in which Mr. Tannehill's criticisms are incorrect.

Mr. Bee: We offer Exhibit 221.

Commr. Aitchison: Without objection it is received.

(Exhibit 221, Witness Murray, received in evidence.)

Mr. Bee: That is all.

Commr. Aitchison: Cross examine. (No response.)

Mr. Bee: That concludes the surrebuttal.

(Witness excused.)

[fol. 5370] H. N. Roberts was sworn and testified as follows:

Direct examination.

By Mr. Barron:

Q. Will you state your name, your position and briefly your experience?

A. My name is H. N. Roberts; 720 Cotton Exchange Building, Dallas.

I am chairman of the Texas-Louisiana Freight Bureau. I have had more than 25 years experience as a traffic officer of the southwestern railroads.

I am a practitioner before this Commission.

Q. Have you prepared or had prepared under your supervision an exhibit which you wish to introduce in this proceeding?

A. I have one exhibit with some supplementary pages. It has been distributed.

Mr. Barron: That will be what number, Mr. Chairman?
Commr. Aitchison: That will be exhibit 222.

(Exhibit 222, Witness Roberts, marked for identification.)

Mr. Barron: The supplemental matter that is also attached with Mr. Roberts' exhibits are pages that are to be placed in the back of Exhibit 222 instead of making two exhibits.
Commr. Aitchison: Let us understand about this now. Off the record.

[fol. 5371] (Discussion off the record.)

Commr. Aitchison: This supplementary matter will be marked Exhibit 223.

(Exhibit 223, Witness Roberts, marked for identification.)

Mr. Bee: On behalf of the southwestern interests, especially Texas, I desire to offer an objection to this testimony and this exhibit because it relates entirely to intrastate rates within the State of Texas, and has no bearing on the issues here.
Mr. Barron: This is rebuttal testimony, if the Chairman please, of Dr. Frederick that was put in either at Indianapolis or Columbus, I do not recall which, wherein he made the unqualified statement that because of the rate situation, the industries in Texas had been retarded and and they couldn't industrialize Texas.
We want to show you the complete picture by showing what the railroads have published in the line of rates to accord the manufacturers in the State of Texas.
Commr. Aitchison: I am interested to know why an exhibit of this magnitude has to be put on on short notice. Has Texas been given an opportunity to examine this?
Mr. Bee: We have no objection to the exhibit as far as the time is considered. We have had an opportunity to examine it. We believe as far as the exhibit itself is con-
[fol. 5372] cerned that it portrays facts. There are certain conclusions reached by the witness that I desire to ask a few questions about, but the exhibit itself, there is no ob-

jection to it, if the Commission feels that it is a matter pertinent to this investigation.

Commr. Aitchison: Obviously the rates which may be going within a state have got some bearing and some influence with us when we come to write a classification.

Is there objection to the statement being copied in, gentlemen?

Mr. Bee: No, none whatever.

Comm'r. Scott: I wonder if Exhibit 222 might show on its face what it is.

Mr. Barron: No, it does not, Mr. Commissioner. Please answer the Commissioner, Mr. Roberts.

The Witness: It is a comparison of the rates in Texas intrastate with the rates in Central Freight Association Territory on the same commodities for corresponding distances.

I have had prepared under my direction and supervision an exhibit consisting of 126 pages, which has been consolidated in book form. This has been identified as Exhibit No. 222. The purpose of its preparation is to present to this Commission a number of rate comparisons covering a large volume of commodities which originate and move between points in Texas. This exhibit shows the Texas rates for representative distances compared [fol. 5373] with the rates in Central Freight Association Territory for similar distances.

We have had in Texas during the past four years several rate hearings before the Railroad Commission of Texas wherein the level of rates in Central Freight Association Territory and in Texas were brought into issue.

In my section of the country there is one school of thought which has proclaimed far and wide that Texas rates and rates in the Southwest are 175 per cent of the Central Freight Association level. The sponsors of this unproven theory appear to base their claim on the so-called Tennessee Valley Authority Report.

There are others who contend that Texas rates are 160 per cent of the Central Freight Association level. The Freight Rate Equality Federation, sponsored by the West Texas Chamber of Commerce, appears to lean to the 160 per cent theory.

In all instances when testimony has been given by either group their conclusions have been formed by taking the first class rates in the Central Freight Association Territory and in Texas and the Southwest and drawing a mathematical average for comparison one territory versus the other.

Very important factors which make it almost impossible to reach a conclusion regarding the relationship between the body of rates in one territory and that by another *has* been overlooked.

One of the most important factors toward trying to es- [fol. 5374] tablish a relationship of this kind, and one which is openly disregarded, is the competition of traffic in the respective territories. The composition of traffic in Texas is dissimilar indeed to the composition of traffic in Central Freight Association Territory.

Another important factor is the fact that average hauls very greatly between the Central Freight Association, on the one hand, and Texas on the other. There is a broad dissimilarity also between the commodities which make up the preponderance of tonnage within the same territory.

There is a third factor also, which is that in each territory exceptions are provided to the Classification. These exceptions differ in each territory and are designed to adapt the class rate bases to the traffic moving therein.

To demonstrate the dissimilarity between the traffic being handled in Central Freight Association Territory and that moving in Texas, and to demonstrate the fallacy of the conclusion that Texas rates are generally higher than Central Freight Association rates, my Exhibit No. 222 was prepared. I shall undertake to discuss the series of statements included in the exhibit in the order in which they are bound.

It is not contended that any one or all of these comparisons should form a proper basis for arriving at an exact relationship, but I do contend that they demonstrate that any general statement which has been made to the effect [fol. 5375] that the rates in Texas are higher than Central Freight Association rates is not correct.

This exhibit has been divided into a series of statements, separated by a blue sheet between each series. These series are further identified by a letter prefix, beginning with "A" and running through "J".

Pages A-1 and A-2 show comparisons between Texas intrastate and Central Freight Association first class rates up to 900 miles. The Central Freight Association class rates do not extend beyond that distance. The Texas class rates, however, extend to 1500 miles. It seems to me that it [illegible] be sufficient here [illegible] discontinue the comparisons a[illegible] miles, which as I have just stated is the maximum Central Freight Association distance.

In preparing Pages A-1 and A-2, I have used I. C. C. Docket ~~13535~~ mileage blocks and the last column shows the percent which the current Texas first class rate is of the current Central Freight Association first class rate for an equal distance.

At the end of the statement, on page 2, it is shown that the average percent which the Texas first class rate is of the average first class rate in Central Freight Association territory is 151 per cent. It is the first class rates which are used to determine the going factor when rates are based on a certain percentage of first class either by the Classifi- [fol. 5876] cation, Exceptions to Classification, or by specific provision in a commodity tariff. There are many such rates related to first class in both Texas and Central Freight Association Territory which will be compared on other pages of this exhibit.

The volume of tonnage moving under first class rates in Texas is relatively small. For example, according to the 49th Annual Report of the Railroad Commission of Texas which is covered — the calendar year of 1939, the Class I Railroads of Texas originated a grand total of carload traffic amounting to 23,714,555 tons.

The total weight of less than carload traffic originated by the same group of carriers for the same period amounted to 393,679 tons. This latter figure represents approximately 1.5 per cent of the total, and it represents all of the less than carload tonnage originated by the Class I railroads in Texas.

In 1940 the l.c.l. tonnage was 1.5 per cent of the total. Not all of this less than carload traffic moved under first class rates by any means. The preponderance of less than carload movements in Texas takes place under the various mixtures which we have in that state; such as the grocery, hardware, and drug mixtures comprising about 1000 articles. There is scarcely an article used in the modern home which is not shipped under one of these mixtures, the average rating being less than third class. I do not have figures [fol. 5377] to show the amount of tonnage which actually moves subject to first class rates or higher, but it is safe to say that not as much as ¼ of 1 per cent of our total tonnage moves under first class rates or higher.

Pages B-1 to B-14, inclusive, show the Classification and commodity bases in Texas and Central Freight Association Territory. For example, on acids the classification rating in Texas is Column 100 or first class, while the going commodity basis is 77½ per cent of first class. In the Central Freight Association both the classification and the going commodity basis are Column 100 or first class.

If this Exhibit is carefully examined, it will, I believe, demonstrate to anyone the futility of forming a conclusion regarding rate levels by comparing class rates between two territories when the differences in the classification and the class rates, themselves, are as great as they are shown to be between Texas and the Central Freight Association.

There are 296 exceptions to the Classification in Texas; of these 273 provide lower rates in Texas than would be provided by the use of the Classification itself, while on the same 296 articles, only 124 have exceptions providing for lower rates in Central Freight Association Territory.

Five of the exception ratings in Texas provide higher than the Classification; in Central Freight Association [fol. 5378] Territory there are eight such exception ratings. To get the full import of this comparison I have totaled the percentage of first class in each of the rating columns and find that the exception ratings in Texas are in the aggregate of 70.6 per cent of the classification ratings, while in Central Freight Association Territory the corresponding percentage is 89.2 per cent. To be a little more specific, attention is invited to the tabulation on page B-14.

By reason of the exceptions Texas shrinks its average ratings 21 percentage points, which is the difference between 64.6 and 43.6, while on the same articles the Central Freight Association by exceptions shrinks its average ratings only 6.6 percentage points, the difference between 60.8 and 54.2. The average of exception ratings shown on this statement in Texas is 43.6 per cent, and in Central Freight Association 54.2 per cent. Thus we find the ratings included in this exhibit for the Central Freight Association are on an average of 124 per cent of those in Texas.

Putting it another way, Texas average ratings is 82 per cent of the Central Freight Association.

Pages C-1 to C-41, inclusive, show numerous comparisons between Texas rates which are the same as, or lower than the rates on the same commodities in Central Freight Association Territory for representative distances.

Page 2 of the statement is an index of the commodities [fol. 5379] treated, showing the page number on which the comparisons may be found. The selection of commodities was not made at random, but because they originate and move in substantial volume in Texas. Other commodities could have been added, but these are representative and we believe sufficient to support our contention.

Pages D-1 and D-2 show comparisons on vegetables, mixed carloads, in Texas, with the rates in Central Freight Association Territory. This statement should be considered in connection with pages C-1 to C-41, inclusive, but because of the various rates applicable in Central Freight Association Territory we have found it necessary to be more elaborate in our presentation.

Attention is called to the examples of relationships found at the bottom of page D-2. This shows that we have rates in Texas which are as low as 58 per cent of the rates on the same commodity in Central Freight Association Territory.

Pages E-1 to E-5, inclusive, show a comparison between the rates on canned goods in Texas, and Central Freight Association Territory. Pages E-1 and E-2 reflect comparisons for distances up to 800 miles. The Texas railroads have found it necessary to meet the requirements of the canning industry by establishing a large number of special rates lower than the scale rates.

A tabulation of these special rates, their origins and [fol. 5380] destinations will be found on pages E-3, E-4 and E-5. For example, according to the tabulations on pages E-3, E-4 and E-5 there is a total of three special rates for distances between 95 and 100 miles.

There is a 5 cent spread between the 20,000 and 60,000 mileage rates. The average rate, therefore, for the mileage block 100 and over 95 page E-1 is 10 cents subject to a minimum of 60,000, and 15 cents under the 20,000 minimum. In 1939 the Texas railroads originated 130,144 tons of canned goods; the lines in the Central Eastern Region originated 990,188 tons. The percentage of the canned goods tonnage to the total tonnage handled by the Texas lines was .49 per cent; for the Central Eastern Region, .47 per cent.

The ton per mile of line in Texas was 8; for the Central Eastern Region, 41. Putting it another way, there originated in Texas canned goods tonnage amounting to 13 per cent of that which originated in the Central Eastern Region. Notwithstanding this showing, our Texas rates are considerably lower as we have shown by pages E-1 to E-5, inclusive.

Pages F-1 to F-5, inclusive, show a comparison between the Texas rates and the various rate scales which we have found in effect in Central Freight Association Territory applicable on road building materials such as sand, gravel, crushed stone and articles taking same rates. In all instances, the Texas rates are lower than the Central Freight [fol. 5381] Association rates.

Striking a general average of these scales, the Texas average rate of the Central Freight Association average rate, both single and joint, is 75 per cent. The average per cent which the Texas rates bear to the C. & E. I. scale is 48 per cent; to the Illinois Central scale, 62.5 per cent. With the exception of the Illinois rates shown on page 5, the statement was prepared for distances 300 miles and less. Generally this is the maximum distance of the scales in Central Freight Association Territory; also, the major portion of this traffic in Texas moves for distances less than 300 miles with an average weighted haul of less than 100 miles.

Pages G-1 to G-34, inclusive, show numerous rates applicable between points in Texas which are on a higher level than the rates on the same commodities in Central Freight Association Territory.

All commodities taking rates slightly higher in Texas could not be included in an exhibit of this kind, because of the enormous amount of work involved. Selections were made, however, to cover commodities which originate and move between Texas points in substantial quantities.

Beginning with page G-3 and ending with page G-34 we have shown that the average rates in Texas on these commodities for the distances shown range from 95.9 per cent to 120.8 per cent of the Central Freight Association rates. [fol. 5382] Pages H-1 to H-6, inclusive, is an analysis of traffic originated on all railroads of Texas and on Class I

Railroads in the Central Eastern Region. Pages H-1 and H-2 is a statement arranged by commodity groups as they appear in the 49th Annual Report of the Railroad Commission of Texas covering the calendar year of 1939. This arrangement of commodity grouping is similar to I.C.C. Statement 40100. The Central Eastern Region is used because it generally includes Central Freight Association Territory. It has not been possible for me to divorce data for the Central Freight Association from the Central Eastern Region Report.

Page H-3 shows commodities originating and moving in Texas each of which produces more than 1 per cent of the total Texas tonnage; the per cent which such commodities are of the total tonnage in the Central Eastern Region; also, tons per mile of road in Texas and the Central Eastern Region.

For example, wheat represents 5.53 per cent of the total tonnage originated by the Texas railroads; it represents .76 per cent of the total tonnage originated in the Central Eastern Region; 90 tons per mile originated in Texas, while 68 tons per mile originated in the Central Eastern Region.

Page H-4 shows a list of commodities each of which produces more than 1 per cent of the total tonnage originated in the Central Eastern Region, and the per cent which such commodities are of the total tonnage originated in [fol. 5383] Texas and the tons per mile of road. This page also shows that the commodities producing more than 1 per cent of the total tonnage in the Central Eastern Region amount to 90.04 per cent, while the same commodities in Texas amounted to 63.97 per cent of the total.

Page- H-5 and H-6 show the relative importance of a partial list of commodities on which rates in Texas are lower than or higher than rates in Central Freight Association Territory. There is also shown on page H-5 the average per cent which the Texas rate is of the average Central Freight Association rate and the per cent of the total tonnage which that commodity bears to the total tonnage originating in Texas and the Central Eastern Region.

For example, on wheat, flour and mill products the Texas rate is 94 per cent of the Central Freight Association rate. These commodities represent 8.79 per cent of the total Texas tonnage; in the Central Eastern Region 1.87 per cent of the total.

At the bottom of the page it is shown that the average Texas rates are 80.4 per cent of the Central Freight Association average rates, on 48.99 per cent of the total Texas tonnage originated.

On page H-6 are listed, first, the commodities which are subject to higher rates in Texas than in Central Freight Association Territory. For example, near the center of the [fol. 5384] tabulation refined petroleum oils are subject to rates in Texas which are on an average 107.3 per cent of the rates in Central Freight Association Territory. These commodities represent 21.22 per cent of the total Texas tonnage, while they represent in the Central Eastern Region 5.06 per cent of the total.

This tabulation shows also that the average per cent Texas rates is 109.7 per cent of the C.F.A. average on 34.53 per cent of the commodities making up the total tonnage originating in Texas. This same group of commodities represent 65.63 per cent of the total tonnage originated in the Central Eastern Region.

Striking an average, as shown on the lower half of page H-6, we contend that on 83.52 per cent of the total tonnage originating on the Texas lines as reported by the Railroad Commission of Texas for the calendar year of 1939 the average per cent which the Texas rates are of Central Freight Association rates is 95 per cent.

If it were possible to rate the remaining 16.48 per cent of the total Texas tonnage for the year 1939, I am confident that there would be no increase in the average Texas percentage of the Central Freight Association rates; that is, I believe the average percentage for the Texas lines would still remain under the 100 per cent mark. I am confident this would be the situation, because there are many com- [fol. 5385] modities taking lower rates in Texas which cannot be included in the tabulation we have made—pages H-1 to H-6, inclusive.

My views are further supported by pages C-1 to C-41, inclusive, which contain many rates lower in Texas than they are in Central Freight Association Territory, which cannot be applied to the statistical tonnage report issued by the Railroad Commission of Texas because of its many consolidations.

When I prepared my exhibit in expectancy of testing at the Indianapolis hearing, the report of the Railroad Commission of Texas for the calendar year of 1940 was not available. I have since obtained a copy which is styled the 50th Annual Report of the Railroad Commission of Texas for the year ended December 31, 1940.

Using the statistical data in this report and Statement No. 41100 of the Interstate Commerce Commission for the year 1940, I have prepared Pages I-1 and I-2.

Page I-1 shows that on 48.64 per cent of the total Texas tonnage originated, the Texas rates were 80.4 per cent of the Central Freight Association rates.

The upper portion of page I-2 shows that on 33.67 per cent of the total Texas tonnage the average Texas rates are 109.7 per cent of the Central Freight Association. The lower portion of page I-2 shows that the Texas rates are 95 per cent of the Central Freight Association rates on 82.31 per cent of the total Texas tonnage originated. It is [fol. 5386] interesting to compare pages H-5 and H-6, which cover the calendar year 1939, with pages I-1 and I-2, which cover the calendar year of 1940. These statements show that there was little variation in the tonnage originated in Texas and the Central Eastern Region for the two years in so far as the commodities which I have treated are concerned.

Pages J-1 to J-15, inclusive, show comparisons of rates on articles comprising the Grocery, Hardware and Drug Mixtures in Texas and the rates on the same articles in C. F. A. territory.

Column 1 reflects the rates applicable on the grocery mixture as explained on pages J-3 to J-5 inclusive; column 2 reflects the rates on the hardware mixture which is explained on pages J-6 to J-8, inclusive; column 3 reflects the rates under the Drug Mixture which is explained on pages J-10 to J-15, inclusive. There are no grocery and hardware mixtures in C. F. A. Territory, but there is a drug mixture which is applicable on a wide variety of articles, and the rates are shown under the last column, pages J-1 and J-2.

The purpose of this exhibit is to give force to our contention and previous testimony to the effect that there is very little tonnage moving in our section of the country under class rates.

The exhibit shows that for 130 miles and less our Texas grocery and hardware mixtures rates are lower than C. F. A. [fol. 5387] third class; for 260 miles and over 130 miles the grocery and hardware mixtures are lower than C. F. A. second class; for 350 and over 260 miles they are lower than C. F. A. first class.

The grocery mixture rates are subject to a minimum rate of 500 pounds, while the Hardware Mixture carries a minimum of 300 pounds. The articles included in these mixtures are rated in the Classification third class and higher, many of them subject to first class and higher. Our drug mixture rates are somewhat higher than the rates in the C.F.A. Territory, but they are considerably below the Texas class rates. The Texas mixture rates shown on this exhibit are in keeping with similar rates in effect in the southwest.

Chmn. Alldredge: May I ask one question?

Mr. Barron: Yes, indeed.

Chmn. Alldredge: Did you cover the whole part of these rates or just select certain commodities?

The Witness: We covered the principal moving commodities in Texas.

Chmn. Alldredge: I notice goats in here. Is that a big moving commodity in Texas?

The Witness. It is indeed, sir.

Chmn. Alldredge: So you used your own judgment as to what you selected; is that right?

The Witness: We were guided by the volume of the movement. That was the outstanding reason for it. [fol. 5388] In other words, we selected commodities which moved in considerable volume under the intrastate rates.

Chmn. Alldredge: I just wanted to get the basis. It does not attempt to compare all the rates.

The Witness: No, sir.

Commr. Aitchison: I suggest you read Rule 84-A before you put another exhibit of this size up to us.

Mr. Barron: I will agree with you that it does not conform to the rule.

By Mr. Barron:

Q. Mr. Roberts, the rates that you have shown intrastate within Texas, do they reflect the 148 increases?

A. They do not, for the reason that this exhibit was prepared for presentation if possible at the Indianapolis hearing. The Ex Parte 148 rates were not in effect in Texas at that time and did not take effect until March 1, 1943.

Q. The rates shown as applicable within C.F.A. territory, do they reflect the 148 increases?

A. They do with the exception of Exhibit 223. That exhibit was prepared by me personally last week, and the rates shown therein are exclusive of Ex Parte 148 increases in both territories.

Mr. Barron: I offer Exhibits 222 and 223 in evidence.

Commr. Aitchison: Without objection they will be received.

(Exhibits 222 and 223, Witness Roberts, received in evidence.)

[fol. 5389] Mr. Barron: You may cross-examine.

Commr. McConnaughey: Can you tell me, in the State of Texas and your part of the country, what percentage of total tonnage moves under class rates?

The Witness: No, sir, I cannot. I can tell you what percentage moves under less than carload rates, and it is less than 1.5 per cent of the total tonnage.

Cross-examination.

By Mr. Bee:

Q. Mr. Roberts, in line with that answer, is not one of the reasons why there is not a greater percentage of the traffic in Texas moving under less than carload rates because the carriers have seen fit to make commodity rates on less than carload traffic to meet truck competition?

A. That is true, truck competition and commercial competition, I should say.

Q. Turning to the first section of your Exhibit 222, there — have compared the Column 100 rate in C.F.A. Territory and in Texas showing at each mileage block of the comparison the percentage relationship that the Texas rate is of the C.F.A. rates.

Just for a quick comparison, at 100 miles you show that the relationship of Texas to C.F.A. is 131.9.

The reverse relationship, if you will accept my figures, Mr. Roberts, would be 75.85, that is, that the C.F.A. is 75.85 per cent of the Texas rate.

[fol. 5390] A. If you have figured it out, I will accept your calculation.

Q. At 200 miles it would be approximately 70 per cent, and at 300 miles, approximately 70 per cent.

Taking in the second section, or B, is it not a fact that in nearly every instance the classification rate in Texas is higher than the classification rating in C.F.A.?

A. It is true in some instances. The exhibit speaks for itself, Mr. Bee.

Q. Well, on the first page of that exhibit it appears from the count I have made that of 25 items listed, 11 of them have the same rating in Texas and in C.F.A. classification basis, while 14 of them have a higher rating in Texas than they do in C.F.A.

A. I haven't counted them. I don't know whether that is correct or not, Mr. Bee.

Commr. Aitchison: What deduction do you want us to draw from this mass of figures?

The Witness: I am trying to show that our rate level in Texas, Mr. Chairman, is not as high as the rate level in the Central Freight Association Territory.

Mr. Bee: Mr. Chairman, the result is shown on page 2 of the statement, the tenth line from the bottom in the middle of the page, "But I do contend that they demonstrate that any general statement which has been made to the effect that the rates in Texas are higher than Central Freight [fol. 5391] Association rates is not correct."

I think that is the trend of the exhibit and the trend of the testimony, and it is upon that basis I am attempting to cross-examine the witness.

Chmn. Alldredge: Is it the function of a witness to contend?

Mr. Bee: Well, they have been doing it throughout this hearing, so I was not going to object to Mr. Robert's statement.

By Mr. Bee:

Q. Has not the fact that the classification basis in Texas is higher than the classification basis in C.F.A. been the principal reason why the rates have been reduced in Texas?

A. I do not understand that is correct.

Q. Then what do you think has caused the material reduction in Texas as shown on pages 1 to 13 of your Section B exhibit?

The Witness: State the question again.

Q. Will you please state why the material reductions have been made in the ratings as shown on pages 1 to 13 of the B section of your Exhibit 222?

A. I couldn't undertake to explain that here.

Q. Under Section C to H, inclusive, you compare the rates by commodities, do you not?

A. You are speaking of C series?

Q. C to G, inclusive, I think it is.

A. That is correct, C to G, inclusive.

[fol. 5392] Q. And you have given throughout your comparisons the same weight to a shipment moving five miles as a shipment moving 900 miles, have you not?

A. We have endeavored to make an average of the rates for the distances up to 900 miles.

Q. And when you came to the so-called building material rates, in order to get that comparison, you moved a shipment 300 miles as a maximum in the State of Texas, but you used the rates in Illinois for distances of 400 and 500 miles, and compared the total of 400 and 500 miles to the 300 mile total in Texas, did you not?

A. I don't think so. That is a rather long question.

Q. Will you please refer to page F-5 and see if you did not do that.

A. The exhibit with respect to the road building materials, pages F-1 to F-5, inclusive, was made for the same purpose that comparisons were made on other commodities, and it was prepared separately for the reason that there are many scales in C.F.A. territory, whereas we have only one scale in Texas.

Q. Will you look on page F-3, if you please, Mr. Roberts, and state whether or not the maximum distance used in Texas was 300 miles.

A. That is correct.

Q. Now, then, look on page F-5 and see whether or not in [fol. 5393] Illinois you used 400 miles under the C. and E. I. scale, and 500 miles under the Illinois Central scale, and compared the total of 400 miles and 500 miles respectively with 300 miles in Texas.

A. The analysis is on page 4, Mr. Bee, and it is a general average of the rates for the distances covered by the exhibit.

Q. Where is there any analysis on page 4 of the C. and E. I. scale and the I.C. scale?

A. It is not, but that is touched upon in my prepared statement.

Commr. Aitchison: What is the I.C. scale?

Mr. Bee: Illinois Central.

By Mr. Bee:

Q. Isn't it actually shown on page 5 and don't you show that the total of the C. and E. I. scale is 12,444? And that that divided by the number of rates used would produce an average rate of 204, and then did you not take the average rate of 98.7 for Texas, shown on page 4, and then show the Commission that the Texas rate is 48 per cent of that?

A. Yes, I believe that is correct.

Q. And you compared 300 miles aggregated in Texas with 400 and 500 miles aggregated in Illinois.

A. The actual haul in Texas is considerably less than 300 miles. That is probably the reason that was done.

Q. You mean you would aggregate the rates for 500 miles [fol. 5394] by blocks and take the total of that and aggregate them for 300 miles in Texas by blocks, and then compare those two rates to see what percentage the Texas rate is?

A. A proper comparison, as you have just explained it, would be to take distance for distance.

Q. Yes, sir. Did you in getting the percentages which are shown at the bottom of each page use an average of averages to secure those percentages, or how did you secure them?

A. What do you mean by at the bottom of each page?

Q. Taking the bottom of page C-40, if you please, in which you show that the total of the Texas commodity scale on crude oil is $3.025; that the total of the C.F.A. rates on crude oil is $3, and you show that the Texas rates are 99.7 per cent.

A. Yes.

Q. Can you tell me how you get that 99.7 per cent without taking the average of averages of the rates shown on the right hand column?

A. That is what we did. We took the average of the averages.

Q. Is that the proper way to secure the relationship of those rates, or would you take the $3.025 as a total into the $3 as a total to see what the rates would be?

A. We have done that in each instance.

Q. Let's see if you have. 302.5 is more than 300, isn't it?

A. What do you mean by two and a half?

Q. Don't you show the rate is $3.025 in Texas, the total of [fol. 5395] the rates?

A. Yes.

Q. And you show the total rates in C.F.A. as $3?

A. Yes.

Q. Isn't $3.025 more than $3?

A. It is.

Q. Could it be 99.7 per cent?

A. No, that figure is wrong.

Q. Didn't you take and add up these percentages on the right hand side and divide them in order to get your average?

A. That is the average per cent. That is what happened, Mr. Bee.

Q. Let's go to the last two pages of the Exhibit 222. You have not attempted to weight the movement—this is pages I-1, I suppose it is, the last two pages, you have not attempted to weight the average movement of these commodities, have you?

A. No.

Q. You have simply taken the aggregate of the scales that you have used.

A. That is correct.

Q. And one of the heavy movements is grain, which formed 8.03 per cent, or wheat, of the Texas total tonnage, and 2.57 per cent on coarse grains.

A. That is correct.

[fol. 5396] Q. And those scales in Texas are what is known as the bobtailed scales, are they not?

A. Yes.

Q. They run out to a distance of 350 miles and blanket for all distances beyond.

A. That is correct.

Q. And those matters are now before this Commission in a 13th Section proceeding?

A. Yes.

Q. By the use of your percentages you have assumed that there is an average distance of all commodities moved in Texas as are moved in C.F.A. territory.

A. I am assuming that would be the result if that was the average distance in both territories.

Mr. Bee: Thank you. That is all.

Chmn. Alldredge: May I ask you one further question? The only comparison of rates on citrus fruits moving from some Texas producing point I suppose to its destination is with local rates within Central Freight Association Territory. Do you think that comparison has any probative value?

The Witness: It is for comparative purposes only. It represents the going rates in both groups of both territories.

Chmn. Alldredge: Do you think there would be any [fol. 5397] movement of citrus fruits of carloads locally in C.F.A.?

The Witness: I am quite sure there would not be any to speak of.

Commr. Aitchison: This item is fruits and vegetables.

Chmn. Alldredge: He has one on citrus fruits.

Mr. Bee: Page C-32. That same comparison is true as to cotton and as to cottonseed meal and cake and bulls, and other commodities that are peculiar to either of the two territories, is it not, Mr. Roberts?

The Witness: Yes, we are not attempting to say to this Commission that these commodities that are included in this exhibit move freely in the C.F.A. territory.

Mr. Barron: That is originate in the C.F.A. territory.

The Witness: That is right.

By Mr. Bee:

Q. And you made a separate comparison on sheet—we will take a couple—take hogs and calves, and you took stone rates and feeder livestock rates, as well as the edible livestock rates; you took them all.

A. Because we have all those commodities and they move freely in Texas.

Q. And you have not in this Exhibit tried to indicate whether the rates were fixed by the Texas Commission or whether they were voluntarily fixed by the railroads.

Mr. Barron: Intrastate?

Mr. Bee: Yes.

[fol. 5398] Mr. Barron: You know we can't voluntarily fix rates in Texas.

Mr. Bee: I don't know anything of the kind.

The Witness: That is correct.

Mr. Barron: That is correct.

By Mr. Bee:

Q. Let's see if that is correct. In the sugar case you decided the railroads should reduce the rates in Texas, did you not?

A. That was part of a general reduction, as you well know.

Q. On sugar alone?

A. Yes.

Q. And there was prepared in your office on the 18th day of September a petition to the Texas Commission to permit you to reduce the rates on sugar throughout the state. You sent that to Washington and then there was class parity upon that and they gave you the authority on the 19th and you then called it an order of the Texas Commission, didn't you?

A. Yes.

Q. And that is the way all your rates were reduced in Texas.

A. That is correct, but no rate is in effect in Texas until it is approved by the Railroad Commission of that state.

Chmn. Alldredge: Somebody told me it had to be prescribed by the Texas Commission.

The Witness: That is true.

Mr. Bee: That is true. They fix the rates.

[fol. 5399] Commr. Aitchison: You are excused.

(Witness excused.)

Commr. Aitchison: We will suspend until 2 o'clock.

(Thereupon at 12:30 o'clock p.m., a recess was taken until 2 o'clock p.m., the same day.)

[fol. 5400] Afternoon Session

Commr. Aitchison: Anything further on behalf of Southwestern Railroads?

Mr. Hughes: Nothing further.

Commr. Aitchison: Possibly we had better ask Dr. Edwards to come on and finish up this phase.

Dr. Ford K. Edwards resumed the stand and testified further as follows:

Direct examination (continued)

By Mr. Smelker:

Q. Dr. Edwards, the two-page statement headed "Data Furnished in Answer to a Request of Mr. Grubb of the Louisville & Nashville Railroad," that is in answer to the requests he made upon your recent cross examination, is that right?

A. Yes, sir.

Q. That has been distributed and may be copied into the record, I understand?

A. Yes, sir.

Mr. Grubbs: That is agreeable with me.

(Data Furnished by Mr. Ford K. Edwards in answer to a request of Mr. Grubbs of the Louisville & Nashville RR.)

"Question No. 1: Refer to Exhibit 196 and the table headed 'Fully Distributed Costs' appearing at the top of page 4. A computation of the fully distributed costs, for the East, including New England and Pocahontas Territory [fol. 5401] would show the index of cost based on the assumed average loads to be 95. The index of costs based on the actual average loads would also be 95.

"Question No. 2: See Exhibit 196, page 5, data showing a comparison between the East, excluding Pocahontas Territory, and the South, excluding Kentucky.

"Mr. Grubbs has requested that we check his computations based on my Exhibit 195 showing the costs for the South, excluding the State of Kentucky, to be 108.34 per cent of the costs for the East, including New England and the Pocahontas Territory.

"These costs are based upon a box carload of 25 tons and a gondola carload of 50 tons hauled a distance of 300 miles, equal weight being given to the movement in each type of equipment.

"Mr. Grubbs has also requested that we check his computations based on my Exhibit 195 showing the costs for the South, excluding Kentucky, to be 109.27 per cent of the cost for the East, including New England, Pocahontas and Kentucky.

"These computations are similarly based on a box carload of 25 tons and a gondola load of 50 tons hauled a distance of 300 miles equal weight being given to each. These computations are correct.

"Question No. 3: Mr. Grubbs requested that we show [fol. 5402] our computation of the tons bridging the South consisting of petroleum and petroleum products. These figures may be computed directly from my Exhibit 195, Table 3, page 13, by subtracting the count of revenue tons excluding bridge traffic from the count of tons including bridge traffic.

"See columns (8) and (9). I have made such computations for Commodity Classes Nos. 380, 450, and 451, and find that the count of bridge traffic computed for these commodities constitutes 2,305,195 tons, or 1.5 per cent of the total count of tons in the South.

"I should like to make the additional statement that the amount by which we expanded the petroleum tonnage to account for those tons not included in the statement of tons originated or terminated as shown in Statement No. 40100 constitutes 1.9 per cent of my total count of all tons carried in the Eastern District, Southern District, 2.8 per cent of my total count of all tons carried in the Southern District, and 3.7 per cent of my total count of all tons carried in the Western District.

"These percentages are based upon a comparison of the figures shown in Freight Commodity Statistics, Statement No. 40100, and the figures shown in my Exhibit 195, page 13, for Commodity Classes Nos. 360, 450, and 451.

"Question No. 4: Refer to Exhibit No. 196, page 33, item 38. The names of the Class I railroads referred to are as follows:

[fol. 5403] "Eastern District:

Baltimore & Ohio R. R.
Boston & Maine R. R.
Chicago & Eastern Illinois R. R.
Erie R. R.

New York Central R. R.
New York, New Haven & Hartford R. R.
Pennsylvania R. R.
Pere Marquette Ry.

"Southern District:

Atlantic Coast Line R. R.
Cincinnati, New Orleans & Texas Pacific Ry.
Florida East Coast Ry.
Georgia Southern & Florida Ry.
Illinois Central R. R.
Louisville & Nashville R. R.
Norfolk & Western Ry.
Seaboard Air Line Ry.
Southern Ry.
Yazoo & Mississippi Valley R. R.

"Western District:

Atchison, Topeka & Santa Fe Ry.
Chicago & North Western Ry.
Chicago, Burlington & Quincy R. R.
Chicago, Great Western Ry.
[fol. 5404] Chicago, Milwaukee, St. Paul & Pacific R. R.
Chicago, Rock Island & Pacific Ry.
Denver & Rio Grande Western R. R.
Great Northern Ry.
Missouri-Kansas-Texas R. R.
Missouri Pacific R. R.
Northern Pacific Ry.
St. Louis-San Francisco Ry.
St. Louis Southwestern Ry.
Southern Pacific.
Texas & New Orleans R. R.
Texas & Pacific Ry.
Union Pacific R. R.
Western Pacific R. R.

Mr. Smelker: Now, the one-page statement that has been distributed, I understand there are no objections to that, no objection to its being copied into the record.

Commr. Aitchison: If there is no objection, that will be done.

(Statement of Mr. Ford K. Edwards.)

"I should like to refer to Mr. Heywood's Exhibit No. 215, page 6, wherein he shows the ratio of Southern Region cost to Eastern District cost, including the Pocahontas Region, to be .982. These figures are based on the use of the cost data appearing in my Exhibit 3, Table 27 and exclude con- [fol. 5405] sideration of l. c. l. traffic.

"I have checked Mr. Heywood's exhibit and find nothing wrong with his computations. However, I should like to point out that Mr. Kennedy in Exhibit 181 made comparisons which were based not only on the use of cost data from my Exhibit 3 but also on the use of cost data from my Exhibit 13, including both carload and less-carload traffic.

"For this reason I have re-worked Mr. Heywood's exhibit to show the results based on the use of the cost data in my Exhibit 13 and including both carload and less-carload traffic. The effect on Mr. Heywood's figures is very slight. The figure of .982 appearing at the foot of page 6 of Exhibit 215 is changed to .994.

"I should like to refer to Mr. Heywood's Exhibit 215, page 7, showing the ratio of Southern Region cost to Eastern District cost, excluding Pocahontas Region, to be .913. These figures are based on the use of my Exhibit 3, Table 87.

"I should like to point out that had the cost data in my Exhibit 13 been used and both carload and less-carload traffic included, the figure of .913 would change to .919."

Mr. Smelker: Cross examine.

Cross-examination.

[fol. 5406] By Mr. Norman:

Q. Just for my information, at whose request did you make this recalculation of Mr. Heywood's exhibits?

A. I did not make that at anyone's request.

Q. That was done on your own motion?

A. Yes; that is right.

Mr. Norman: That is all.

Commr. Aitchison: You are excused.

(Witness excused.)

Commr. Aitchison: We might as well finish up the Southern shippers.

Mr. Widell, are you ready?

C. E. **Widell** resumed the stand and testified further as follows:

Commr. Aitchison: You have been sworn, haven't you, in this case?

The Witness: Yes, Mr. Chairman. I testified at Columbus.

Direct examination.

The Witness: I testified in these proceedings at Columbus, Ohio, during November, 1942.

I shall be very brief in view of the desire of every one to get away, and perhaps take much less time than I had requested.

I would like to have the record show, in view of what has [fol. 5407] been testified regarding segregation of commodities and traffic, either class rate traffic or such traffic as is subject to exceptions, and straight commodity rates, and to state that in our segregation of the 1941 tonnage in the South, on which the general rate levels are lower than in the North, excluding coal and coke, there was over 42 per cent—to be exact, 42.3 per cent—of this so-called low-grade, heavy-loading commodities.

That represents such a substantial part of the Southern carriers' revenues and tonnage, that due consideration must be given to this segregation of commodities, at least, from a classification standpoint.

Today the rates in the South are such that if we had uniform rate scales, that is, Class rate scales, and if we had a classification set up to correlate with the present levels in the South as compared with in the North, we would have to assign at least 12 major basic commodities in the South to a lower level within the South than within the North.

This gave rise to further tests in connection with the testimony at this hearing——

Commr. Aitchison (Interposing): Are you referring to some exhibit that is in the case, Mr. Widell?

The Witness: Yes. I am referring to the testimony, probably more the general testimony, now, of—Well, of all the witnesses. They all had something to say, especially Mr. Hart, and I just commented in passing that uniformity [fol. 5408] *as* such as we have heard about in this hearing would be a most difficult thing, because it would destroy the authority and the jurisdiction of our State Commissions to a great extent.

At least, that would be the practical effect.

The differences in rates within each Territory are great because the various States have different rate bases. All of this is a healthy condition, we ought not — destroy it, so that even if we could start out with uniformity in a short time we would have departed from it in response to local conditions, State or Regional.

Commr. McConnaughy: Could not the States make exceptions, even though you attempted uniformity?

The Witness: Yes, but it goes to the point, then, of where we would end up with our theory of uniformity.

We would not have uniformity.

Witness Henderson indicated quite plainly that there had been no industrial opposition to the general Class Rate investigation in the South prior to April, 1940.

I have before me the Southern Traffic League Circular No. 550-A, reporting the meeting of the Southern Traffic League at Charlotte, North Carolina, on March 15, 1939.

That meeting was illustrious because at that meeting was adopted a recommendation to request this Commission to institute the proceeding which is here under hearing.

Commr. Aitchison: When was that?

[fol. 5409] The Witness: March 15, 1939, as a result of which the Commission acted upon those recommendations and instituted this proceeding.

In that meeting, which was composed of mixed industrial men, Chambers of Commerce, and so on, there were 21 who voted.

The report says the question was put to a vote, and the recommendation of the Committee carried by 16 to 5, but the report shows that there had been considerable discussion and strong opposition to the whole proceeding on the ground that, as we have heard at this hearing, the Southern carriers could not stand a substantial reduction in the Class Rates without making up the lost revenue through increases in commodity rates.

Mr. Henderson referred to truck bodies built in Nashville, and, as I understood him, he left the impression that the outbound movement, consisting of driving away the trucks finished, was perhaps influenced by the rate level on these finished trucks from Nashville to Metuchen, New Jersey.

This is war material. The order came from the Contract Ordnance Department, Procurement Division, at Metuchen, New Jersey. Whether the trucks ever reached Metuchen, New Jersey, or not, of course only the War Department knows.

Phillips & Buttorf had nothing to do with the outbound movement. I say that because I happened to have something to do with the very beginning of this in the assembly [fol. 5410] of raw materials, and as I say, the War Department character of the movement is such that it is impossible to divulge all of the sources, but I make the definite statement that if it was a question of freight rates from Nashville, then only the Procurement Division at Metuchen, New Jersey, can say that.

We understood that it had nothing to do with it; in fact, we don't know where the trucks have gone to.

Chmn. Alldredge: May I ask you something there?

Does the War Department, however, in taking bids specify some point of delivery and evaluate the bids on a delivered price?

The Witness: In this case, Mr. Commissioner, the bid was "delivered at Nashville", just a finished truck f.o.b. Nashville.

Chmn. Alldredge: I understood him to say that that was changed; it was first set somewhere else and then changed to f.o.b. Nashville.

The Witness: There may have been some negotiations, of course, that I don't know about, but I do have definite knowledge of this, that when Phillips & Buttorf are finished with the body which they assemble and put on the chassis, that they notify the Procurement Division at Metuchen, and tell them how many they have ready, and the War Department takes over.

Chmn. Alldredge: The custom is generally to take bids on a delivered basis at some point; isn't that true?

[fol. 5411] The Witness: I reckon it is. I know of my own personal knowledge of some, and then again, on other contracts, it is at the factory door, practically. I have another Government War Company, as it were, on my hands, too, at Lewisburg, Tennessee, so that, of course, I know what our practices are with respect to those contracts.

I want to make reference to Witness McDonald's statement about the Southern States Industrial Council and say this: Positively and definitely it is not railroad-controlled, but in the South we do consider the railroads as part of Industry.

We have some railroads as members of the Council. We are proud to have them.

Among them is Mr. Ernest Norris who, I think, is one of the directors; and for years Mr. Fitzgerald Hall, President of the Nashville—Chattanooga & St. Louis Railway, has been a staunch friend; but so far as the direction on their part or their influence as such in the affairs of the Council is concerned, one might say it is nil, because the Council is composed of executives of Southern industries.

No one lower in rank than vice-president or the top executive officer may exercise any voice whatever in the Council affairs.

I have been with the Council, and I, of course, speak from knowledge.

The resolution that Witness McDonald spoke of as from [fol. 5412] the meeting at which appeared Mr. J. O. Hendley and Mr. Backman, of Atlanta, was really not a resolution.

The two gentlemen appeared at that meeting. It was a meeting of the Executive Committee of the Council. I was there. I came in from Nebraska from the University Conference.

The Southern Governors had asked for the support of the Council in this proceeding. Mr. Hendley was heard. Mr. Bachman was heard. They are held in high esteem; their counsel is valuable; they were given every consideration, but the decision was not to support the Southern Governors in this proceeding.

Tyre Taylor, Executive Vice-President at that time, was instructed to advise the Southern Governors of the general transportation policy of the Council, so that what was read in the record by Witness McDonald is nothing more nor less than Paragraph 6 of the published Declaration of Policy issued by the Southern States Industrial Council, and is now a matter of record.

The Council went definitely on record at the Columbus hearing in November, 1942, a statement of which is a part of the record.

At the Birmingham Conference, in December 1941, referred to by Witness McDonald, there was never intended to be any resolution coming out of that conference. It was an open forum designed merely for the airing of the views [fol. 5413] of Southern interests in respect of this proceeding, and we were proud to have the Honorable Walter McDonald with us. His views were printed in the proceedings, and given wide distribution, including all of the exhibits that he had in connection with his statements, and we should be proud to have him with us again.

Mr. Hart's Exhibit No. 220, Sheet No. 1, "Comparison of Mileage Scales on Logs in Southern and Official Territories," his first scale is under the heading of "Southern Scale".

That is not the scale of rates that apply generally on logs in the South. I am sure that Atlanta, Georgia,——

Mr. Norman (Interposing): He didn't say so.

The Witness: He compares it with the Chicago-Northwestern Railway scale, with the Boston & Maine scale, and with the Maine-Central scale. I assume his purpose was merely to show the pattern of rates, as he calls it. I am not quite sure that I know what he means by the "pattern of rates," but I will say this, that what are used in the South and applied generally on logs are the so-called net transit scales, which are approximately one-half of the scales shown under the heading "Southern Scales".

On Sheet No. 2, Table A, comparison of mileage scales on lumber, I want to say this, to make the exhibit definitely clear, that the bulk of the movement of lumber in Southern Territories is 400 miles and under.

[fol. 5414] That also answers, to some extent, the showing on Sheet No. 3, where the long-haul rates are set out from the Mississippi Valley points, and from Montgomery and Dothan, Alabama, to Goldsboro and Winston-Salem, North Carolina.

I don't mean that they do not draw lumber from the Valley. They do. But even the North Carolina furniture factories draw the bulk of their raw materials closer to home.

On Sheet 2, Table B, scrap iron, just to make it clear as to what rates actually moved the tonnage, the bulk of the traffic in scrap iron in the South moves on the 80,000-pound rates, and the bulk of the scrap iron traffic within Southern Territory moves for distances of 500 miles, and less.

Commr. Aitchison: These movements that you have just been speaking about, Mr. Widell, are within the Southern Territory?

The Witness: Within the Southern Territory.

Commr. Aitchison: And not other Territory?

The Witness: No. There is some scrap iron moving from the South today to Official Territory, but it is contrary to the usual.

Commr. Aitchison: Plenty of lumber moves from the South?

The Witness: Yes, sir; lumber moves in heavy volume from the South to the North, and generally speaking, the level of our north-bound lumber rates is lower, mile for mile, than lumber rates within Official Territory.

[fol. 5415] Chmn. Alldredge: We have had quite a number of scrap iron cases here involving movement from Carolina Territory, Tennessee, and Kentucky, up in Official Territory.

The Witness: Yes, what might be termed, Mr. Commissioner, the Border Territory; but from the Deep South, generally, there is very little movement.

On Sheet 5, just taking one commodity, the shipper designation letter "M", third from the bottom, I notice that Witness Hart shows prevailing rate levels as column 55 within the South. That is the classification rating on the articles set out under the description, but we have concluded commodity rate adjustments from two very important tank producing points: Chattanooga and Birmingham; to Ohio and Mississippi River crossings; St. Louis, Missouri; and Chicago and Milwaukee; and, in fact, all of what is known as Illinois Freight Association Territory; and also to the Border Territory East of Cincinnati, including the Virginia cities and including Washington, D. C.

I had something to do with that adjustment, and our investigation indicated that there was little movement or probability of movement of tanks of this description, and also tanks thinner than No. 16 gauge, which we included in our Commodity Rate Adjustment to destinations in strictly "Official Territory," that is, CFA Trunk Line and New England.

The industry was of such a nature that it was just going absolutely contrary to the strong drift of the current, but [fol. 5416] there is and has been, and we, of course, assume, will be in the future a movement from these two important Southern points to all of the territory to which we have obtained rates on both carloads and less-carloads, mile for mile, the same as within Official Territory, except that to Illinois Freight Association Territory the rates were made not quite mile for mile, but approximately 105 per cent of the Northern level.

Those rates were made subject to what we term Rule 27, and apply to all intermediates, with the result that the Ohio River and the Border Adjustments are blanketed back considerably into the South; that is, at least into Kentucky and the Northern points of Tennessee and into North Carolina.

Now, so far as concerns the movement of tanks within Southern Territory on Column 55, or Fourth Class, or No. 2 gauge, but not thinner than 16 gauge, as described in this exhibit, there would be probably some reductions in the freight charges, if our rates were lower; but the competition that Chattanooga and Birmingham meets in Southern Territory is from the tank builders along the Border, Louisville, Cincinnati, and other northern points, who come down on exactly the same level as we have in the South.

If our rates were all reduced to the Eastern Scale level, then the spread that we now have at Southern producing points as against the Northern producing points would be diminished substantially, so that relatively we would be worse off.

[fol. 5417] That completes my statement. Thank you.

Commr. Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. I want to get this thing straightened out, about the Southern States Industrial Council. Did that organization ever, by any official action, authorize you to, in their behalf, oppose the effort of the South to secure a re-adjustment of these Class Rates?

A. I don't believe I have testified that.

Q. No, but you came here and filed the statement of——

Commr. Aitchison (Interposing): Wait a minute. What is the fact?

The Witness: The fact is, Mr. Chairman, that at the Columbus hearing I made a statement for the Council on instructions from the officers.

By Mr. Norman:

Q. What officers?

A. Of the Council. You have seen that statement.

Q. Signed by one man, Mr. Barr, and the statement itself does not say that they oppose this proceeding.

A. There is a letter that is addressed to me by the Secretary of the Southern States Industrial Council. I made Mr. Barr's statement my own, as expressing the views of the Council in the proceeding. That is the only extent to which the Council has definitely stated its position in this proceeding.

[fol. 5418] Q. And only through the Chairman of the Committee, and not by any action of its Board of Directors?

A. Mr. Norman, if you go behind the Secretary's Directions to me,——

Q. (Interposing:) I am going behind it.

A. —Then you will have to call in some one else, because I am sure the Secretary would not be authorized by himself, and the Chairman of the Transportation Committee——

Commr. Aitchison (Interposing): What you mean to say is that your direction came from the Secretary of the Council?

The Witness: Who has authority to act.

Commr. Aitchison: You can say "Yes".

By Mr. Norman:

Q. Has there ever been any action by the Board?

Commr. Aitchison: Is that right? Let me get an answer to this.

Mr. Norman: I thought you had finished.

Commr. Aitchison: Your authority came in the shape of a direction to you, signed by the Secretary of the Council, as I understand you?

The Witness: That is correct, sir.

Commr. Aitchison: All right, now, Mr. Norman.

By Mr. Norman:

Q. And he simply directed you to present the statement which you did present, prepared by Mr. Barr?

A. May I read this in the record?

[fol. 5419] Commr. Aitchison: If it is in writing, you had better read it into the record.

The Witness: Southern States Industrial Council letterhead, 1103-1111 Stahlman Building, Nashville, Tennessee.

November 12, 1942.

"Mr. C. E. Widell,
Traffic Consultant,
1100 Stahlman Building,
Nashville, Tennessee.

"Dear Mr. Widell:

"I enclose statement dated November 12, 1942, by Chairman J. U. Barr, Transportation Committee, defining position of the Southern States Industrial Council in transportation matters generally, and particularly in respect of the pending general rate investigation.

"I am instructed to request you to represent the Council, and offer this statement for the record, at the hearings before the Commission, beginning Monday, November 16th, at Columbus, Ohio.

"Yours truly, (Signed) C. C. Gilbert, Secretary."

By Mr. Norman:

Q. I now ask you whether there has ever been any action by the Board of Directors of the Southern States Industrial Council.

A. I am not a member of the Board of Directors, not a member of the Council as such.

[fol. 5420] I merely acted as their representative in presenting their views.

Q. I will ask you: Don't you know that it has been before the Board of Directors of the Council and they refused to take such action?

A. No, sir; I do not know that.

Q. You have been very active, have you not, throughout the South, and throughout these proceedings in trying to stir up objection to the position taken here by the Southern Governors Conference?

A. That might be your view of it, but it isn't mine.

Q. Haven't you gone to the extreme length within the last few days of telegraphing each one of my clients and asking them, the several Governors of the States, to withdraw from this proceeding?

A. No, sir; I didn't telegraph your clients. I telegraphed the Governor of Tennessee, my own Governor, and sent copies to the other Governors of the sovereign States of the South. They happen to be your clients, but I did not address them as your clients, but in their official capacity.

Q. But you were asking them to take action as my clients to withdraw from this case, follow your advice instead of mine; isn't that so?

A. If you have a copy of the telegram that I sent to them, you can read it.

[fol. 5421] Q. You didn't even have the decency to send me a copy of it.

A. It wasn't addressed to you.

Q. But as counsel for them, I had a right to have it.

A. I think I have a copy of it.

Q. I don't want it. I just want to know if you didn't do that.

A. Not your clients; no, sir.

Q. Aren't the Governors in those States my clients in this matter, and you were addressing them about this matter?

A. I was addressing the Governors as public officials. I certainly have a right to do that, Mr. Norman, my own Governor.

Mr. Norman: That is all.

Commr. Aitchison: Anything further with Mr. Widell?

(No response.)

You are excused.

The Witness: Thank you, sir.

(Witness excused.)

Commr. Aitchison: I think that brings us down to you, Mr. McCollester.

Charles E. Bell resumed the stand, and testified as follows:

Mr. McCollester: Mr. Chairman, Mr. Charles E. Bell has been previously sworn and testified before in this proceeding.

He has four exhibits which have been distributed, and [fol. 5422] which I would suggest we mark now.

The first exhibit is the sheet bearing in the upper right-hand corner description "Revised and Corrected Page 18 of Exhibit No. 164."

Would you have that a separate exhibit, or let it be substituted for page 18 of the original exhibit?

Commr. Aitchison: It is not deemed good practice to try to substitute. We will make this Exhibit 224.

Mr. McCollester: The next exhibit to to be marked, which will be Exhibit No. 225, I believe, it two sheets, with the caption on the first sheet, "Section 1, Number of Gross Ton-Miles Hauled in Transportation by the Chesapeake & Ohio, and Norfolk & Western Railway in CFA Territory."

(Exhibits 224 and 225, Witness Bell, marked for Identification.)

Mr. McCollester: The third exhibit, which should be No. 226, is the small single sheet, Exhibit "Statement Showing Tons of Carload Traffic," and so forth.

(Exhibit 226, Witness Bell, marked for Identification.)

Mr. McCollester: The last exhibit, which will be No. 227, is an exhibit of two sheets, with the caption "Statement Showing: Part I. Railroads in Southern and Central Regions."

(Exhibit 227, Witness Bell, marked for Identification.)

Mr. McCollester: I would say for the information of the Commission and all concerned that, with the exception of the exhibit marked No. 224, which is, as appears, a cor- [fol. 5423] rection of Exhibit No. 164, Mr. Bell's testimony and Exhibits will be directed to the testimony of Dr. Edwards.

I should like to say further, in order that our position may be clear that we are, of course, not trying to indulge in argument on the record with Dr. Edwards as to the soundness of his fundamental formula. I am reserving that for brief, but if we don't debate with him on the record it does not mean that we accept it as sound.

Direct examination.

By Mr. McCollester:

Q. Mr. Bell, have you any comment on the exhibit marked 224, which is the corrected page 18 of your exhibit No. 164?

A. Yes. After the Columbus hearing, Mr. Warren Wagner called to my attention a glaring error in page 18 of my Exhibit No. 164, and I investigated and found that my calculating machine operator in error had added together the figures for the Great Lakes Region and the Eastern District, in getting at the combined figures of the Central-Eastern and Great Lakes Regions, which I did not discover before I left for Columbus.

I have made the correction in revised and corrected page No. 18, and I have also included as information figures for the Eastern District as a whole, and I thank Mr. Wagner for calling it to my attention.

Commr. Aitchison: May I ask just one question, Mr. [fol. 5424] McCollester?

Mr. McCollester: Yes, sir.

Commr. Aitchison: You show the figures for the Eastern District and in an adjoining column you show the Central-Eastern and the Great Lakes Region, and evidently there is still one more territory there, or something to be accounted for.

The Witness: I have shown separately the New England Region.

Commr. Aitchison: And the difference represents New England?

The Witness: Yes, sir; the difference would represent New England.

By Mr. McCollester:

Q. Mr. Bell, your Exhibit No. 225 goes to the problem of the effect of including in the costs for the Eastern Territory, the operations of the Chesapeake & Ohio, and the Norfolk & Western traversing C. F. A. Territory, that is, Central Freight Association Territory, does it not?

A. In part. There are other parts of the exhibit, but that is the first part.

Q. Will you proceed to explain and comment on your Exhibit No. 225?

A. My testimony at transcript 3616 to 3622, inclusive, dealt with various territorial allocations, and are referred [fol. 5425] to in Dr. Edwards' Exhibit 196, items 2, 3, and 4.

As to the effect of including in the costs for Eastern Territory two operations of the Chesapeake & Ohio and Norfolk & Western traversing Central Freight Association Territory, that is covered by my testimony at pages 3616-3619.

I am without comparable figures similar to those shown by Dr. Edwards for the various territories covered by his exhibits, but I have prepared an exhibit indicative of the effect of including in the C. F. A. operations of the C. & O. and N. & W. in Eastern Territory No. 2.

On page 23 of Exhibit No. 196, Dr. Edwards admits that the consist of the Chesapeake & Ohio Traffic in Indiana, Ohio, and Illinois approximates that of the Chesapeake & Ohio traffic in West Virginia and Kentucky.

The same is true of the consist of Norfolk & Western traffic in Ohio, as compared with West Virginia and Eastern Kentucky.

Exhibit No. 225 is in three sections, the heading of each being self-explanatory.

I should explain, I think, how the assumed average mileages were determined.

Section 2, of page 2, Exhibit 165, shows the respective miles of Chesapeake & Ohio and Norfolk & Western in Central Freight Association Territory are 730.1 miles, and 262 miles, respectively.

[fol. 5426] Throughout Exhibit No. 225 an average mileage of 230 has been assumed for the Chesapeake & Ohio. It is 230.3 miles from Portsmouth, Ohio, to Toledo.

Practically all of the lake-billed coal moves over this line, as well as the bulk of the movement of track-delivery coal for Toledo and Michigan destinations.

The Chesapeake & Ohio distance from Cincinnati to Chicago is 285 miles.

Chicago is a heavy consumer of Pocahontas Region coal originated on the Chesapeake & Ohio, and Norfolk & Western.

Although some coal may move by junctions other than Cincinnati to Chicago and to other points in Indiana and Ohio, also to points in Western Trunk Line Territory, and although some coal for Ohio may move for shorter distances than the Toledo distance, from my own knowledge of the coal traffic I am satisfied that the average haul of the Chesapeake & Ohio in Central Freight Association Territory is not less than 230 miles; in fact, I believe it to be greater.

Lake-billed coal from the Norfolk & Western moves principally via Columbus, Ohio, which is 99 miles from North Kenova, Ohio.

The same is true of most of the Ohio coal. Considerable quantities are shipped to Cincinnati, and through Cincinnati to destinations in Indiana, Illinois, and Western Trunk Line Territory, as well as moving via Columbus.

[fol. 5427] I have arbitrarily assumed an average haul of the Norfolk & Western on all coal in Central Freight Association Territory is 33⅓ per cent greater than the haul of 99 miles from Portsmouth, Ohio, to Columbus, thus arriving at an assumed average haul of 132 miles, which I really believe to be an under-statement.

Section 1 of Exhibit No. 225 shows that the gross ton miles involved, based on the assumed average miles, would have been 27.58 per cent of the total gross ton miles for these two railroads in 1939.

These gross ton mile figures do not include traffic originated and terminated by the Chesapeake & Ohio, and Norfolk & Western in Central Freight Association Territory, nor any through or over-head traffic.

Section 2 of the exhibit shows that bituminous coal tonnage originated, constituted only 45.63 per cent of the total of all tons carried by the Chesapeake & Ohio, and Norfolk & Western.

Considerable of the remaining 54.37 per cent originated and terminated, or was handled over the portions of these lines in C. F. A. Territory.

I am without information showing the volume of carload and less-carload box car traffic transported over the C. F. A. portions of these lines.

Section 3 of the exhibit shows how, based on loading of 25 tons, that the carload unit terminal expense for the [fol. 5428] Pocahontas region was 75.59 per cent of the expense in Eastern Territory 2.

The line-haul expense was 64.06 per cent of the line-haul expense per 100 lbs. per mile in Territory 2.

The less-carload expense, based on 5 tons for Pocahontas region was 97.3 per cent, and 78 per cent, respectively, of the corresponding cost in Eastern Territory 2.

Commr. Aitchison: That is the line-haul expense, isn't it?

The Witness: Both line-haul and terminal expense, Mr. Commissioner. The terminal expense is a figure of 97 per cent and the line-haul expense would be 78 per cent.

At page 110, Item 2, Dr. Edwards' Exhibit No. 196, he refers to my testimony, transcript 3619, relating to railroads which overlap territorial boundaries. He refers to a similar point made by Witness Kennedy, Item 4, of Dr. Edwards' Exhibit No. 196.

In Item 3, Dr. Edwards says that at transcript 3621 of my testimony I raised the question as to why the Southern Railway was not asked to make certain additional separations.

All of my testimony on the territorial separations of railroads, other than the Pocahontas region railroads, appears at page 3619 through the first part of page 3622 of the record, in which I specifically mentioned railroads shown in Section 2, page 3, of my Exhibit No. 166, namely, the [fol. 5429] R. F. & P., Southern, L. & N., M. & O., and Y. & M. V.

On page 3621 I specifically referred to the Southern Railway, simply as illustrative of all the railroads I had mentioned, the operations of which had not been segregated according to rate territories.

Item 4, page 22, of Exhibit No. 196, in answer to Witness Kennedy's testimony, Dr. Edwards refers only to the L. & N., and Southern Railway. He refers also to the Chesapeake & Ohio, which I did not include in my testimony on the pages of record I have mentioned.

Dr. Edwards says that his working papers indicate that 4.3 per cent of the L. & N. miles of road, and 5.8 per cent of the Southern Railway miles of road are in Eastern Territory.

My computations show that the L. & N. mileage north of the Ohio River is 203 miles out of a total of 4,898 miles; therefore the miles north of the Ohio River are 4.14 per cent of the total.

Dr. Edwards' costs for the L. & N. are computed on the basis of 102 miles north of the Ohio River, or about 2 per cent of the total mileage.

As I testified, transcript 3620, also shown in Section 2, page 3, of Exhibit 166, Dr. Edwards has failed to include the most important mileage north of the Ohio River over the L. & N., namely, the lines from East St. Louis, Illinois, to McLeansboro, Illinois, 101 miles.

[fol. 5430] Coming to the Southern Railway, I don't know how Dr. Edwards arrived at 5.8 per cent.

Page 8, of my Exhibit No. 166 shows that the Southern railway operated 6,517 miles of road in freight service in 1939.

Section 2, page 3, of Exhibit No. 166, shows that the Southern Railway mileage in Official Teritory, is 829.3 miles, which is 12.74 per cent of its total mileage; 409.8

miles of line is between New Albany and East St. Louis and branches.

This is 6.29 per cent of Southern's total mileage.

Now, I have no means of ascertaining the proportion of the Southern Railway traffic handled over its lines in Virginia in Official Territory. I may say that the line between Washington, D. C., and Lynchburg, is a trunk line of the Southern, over which it handles its traffic between Eastern Trunk Line Territory, and the South, and is a very heavy density line.

With respect to the Southern Railway Line, north of the Ohio River, between New Albany, Indiana, and East St. Louis, Illinois, Table 3, page 17 of Dr. Edwards' Exhibit No. 10, I think it is, shows for 1940 a summary of originated and terminated tonnage of all Southern Railway System lines, including the A. G. S.; Cincinnati, New Orleans, and Texas Pacific; Georgia, Southern and Florida; New Orleans and Northeastern; and Southern Railway.

Schedule 541 A of the Annual Report of the Southern Railway for 1940, shows that, excluding other system lines, [fol. 5431] the sum of originated and terminated tonnage on this entire line was 40,419,044 tons; and in the States of Indiana and Illinois, 3,122,834 tons, which was 7.73 per cent of the total of the Southern's tonnage originated and terminated traffic.

In this connection also the fact must not be overlooked that the line between New Albany and East St. Louis is a very important line for the handling of through traffic.

I may mention also that in 1939 30.35 per cent of the total tonnage of bituminous coal originated on the Southern Railway originated on this line between New Albany and East St. Louis.

Commr. Aldridge: What percentage?

The Witness: 30.35 per cent.

One of the railroads referred to in my previous testimony is the R. F. & P. which is in Official Territory instead of being in Southern Territory, where it is allocated by Dr. Edwards.

Although this line is only 110 miles long, it is a very important bridge line over which the traffic between the East and South is funnelled, when transported by the railroads leading from Richmond, Virginia, to the South.

That is other than the Southern Railway, but even some of the Southern Railway traffic is handled over that line.

Group III of the Territorial Summary for Southern Territory—Dr. Edwards' working papers—shows 1,306,490,-587 gross ton-miles for the R. F. & P. at a cost of 1.23 mills [fol. 5432] per revenue gross ton mile, compared with the Southern territorial average of 1.62 mills.

The territorial summary also shows that there are a greater number of other group unit costs for the R. F. & P. lower than for the Southern territorial average.

I mentioned in my previous exhibit and testimony the line of the Mobile & Ohio. 151.42 miles, or 12.89 per cent of the total mileage, is north of Cairo, Illinois.

The total mileage of the M. & O., and the Gulf, Mobile & Northern, which now are operated as the Gulf, Mobile, & Ohio, is 1,981 miles.

Thus the line north of Cairo constitutes 7.64 per cent of the total mileage.

Table 3, of Dr. Edwards' Exhibit No. 10 shows that out of the total of 7,844,827 tons of freight originated and terminated by the Gulf, Mobile & Northern, 12.24 per cent originated and terminated in Illinois.

Here again the line of the Mobile & Ohio north of Cairo forms a part of one of the most important routes for the handling of traffic between the South and the territory north of the Ohio River and west of the Mississippi River, and is really almost in the nature of a bridge line operation.

Dr. Edwards stated in Exhibit No. 196, Item 4, that the inclusion of the Chesapeake & Ohio operations in Ohio, Indiana, and Illinois, would have a negligible effect on cost [fol. 5433] scales and that statement is in harmony with similar statements appearing throughout Exhibit No. 196, and his previous testimony.

In Item 4 of his answer to Witness Kennedy, Dr. Edwards says that in as much as the difference in costs between adjoining territories of the L & N, and the Southern Railway, *are* very small, it is not believed that the expense of separating out "these small segments of railway would be warranted."

He refers to that statement in connection with my testimony at pages 3619 and 3622 of the record, which related to the Southern Railway, the R F & P, and the Mobile & Ohio.

In the same answer to Witness Kennedy, Dr. Edwards says the effect of treating the portion of the Chesapeake & Ohio in Eastern Territory as being within that territory, or as an alternative, including it in the Pocahontas territory would be negligible.

In his answer, Item 3, page 111, to my testimony, transcript 3621, he says separations for the Southern Railway were not made because of statistical difficulties, and, secondly, because the amount of traffic and expense involved were of negligible proportions relative to the total for the territories; that as there proved to be little difference in relative costs for the two territories involved transfer of a small segment of one line from one territory to another would not affect the results; in other words, seemingly, Dr. Edwards shows a disposition to brush off what he [fol. 5434] considers to be small differences in costs.

While, as Dr. Edwards has contended, the allocation of some particular railroad or portion of a railroad, to a territory other than that in which the operations *take place*, may have *only* a negligible effect upon the total expense for the respective territories, my whole point has been, and is, that the aggregate of these instances is bound to have an appreciable effect.

For example, Section 2, of Exhibit No. 225, shows that the gross ton miles of the Chesapeake & Ohio, and the Norfolk & Western, within Central Freight Association territory, on coal traffic originated and terminated by these railroads in Southern West Virginia, Eastern Kentucky, and Virginia, aggregated 16,305,356,730 gross ton miles.

This was 5.3 per cent of the total gross ton miles for the Eastern Territory, as shown in Group III, Table 3, of Exhibit No. 13. That may not, in my opinion, be considered negligible.

(Discussion off the record.)

The Witness: Some one, at the first part of this present hearing, raised the question as to whether or not the tonnage, other than coal and coke, originated and handled by the Pocahontas region roads wasn't as great as that of the Southern region railroads. I have had some figures made on that which are covered by my Exhibit No. 226.

[fol. 5435] By Mr. McCollester:

Q. That is one of the points made by Dr. Edwards, is it not, that we eliminate the principal Southern coal-carrying roads from Southern Territory that take a large part of the traffic other than coal out of Southern Territory, but that situation doesn't obtain in separating the Pocahontas lines from the other Official Territory lines?

A. Yes; and I think he was asked that question as to the proportion of the tonnage. That is what I have undertaken to develop.

Q. That is the purpose of your next exhibit?

A. Yes, sir. I don't think it needs any comment. The exhibit itself is self-explanatory, and shows what it is.

Q. Continue, Mr. Bell.

A. I am through with the part about the effect of the territorial allocation of the railroads.

Commr. Aitchison: Mr. Bell, suppose we are convinced that you are right about that; can we take the Edwards' exhibits *and make the changes that you think should be* made?

The Witness: Mr. Commissioner, there is too much for me and my organization, and with my lack of knowledge of those figures to re-work Dr. Edwards' exhibits. I am simply pointing out some of the infirmities that would be bound to have an appreciable effect on the final showing.

Commr. Aitchison: Are you prepared to show how appreciable?

[fol. 5436] The Witness: The only one I can give any figures on showed that was based on this movement of coal which I had in other records, showing the movement of coal originated on the Chesapeake & Ohio, and Norfolk and Western, that was moved in and through C.F.A. Territory.

I had those in other records, and I undertook to make this computation there which I have shown, and, as I have testified to in Exhibit No. 225.

Taking that coal traffic alone, it amounted to 5 per cent of the total gross ton miles of the Eastern Territory, and over 27 per cent of the gross ton miles of the Pocahontas region.

With terminal costs and the line-haul cost being less in the Pocahontas region, and with the same consist of traffic in the Pocahontas region lines in the Eastern Territory and C. F. A. territory as in the Pocahontas region, and those costs being appreciably lower than the average for Eastern Territory No. 2, I cannot escape the feeling that it would make quite a difference in the costs in the Eastern Territory if those two lines were included; but I should point out in all fairness, too, as Dr. Edwards has done in his Exhibit No. 195—he has included the Pocahontas region lines along with the Eastern District to show what the effect would be, but he does not show the effect of consolidating the Central-Eastern and Great Lakes region and the Pocahontas region lines, exclusive of the New England [fol. 5437] region.

Mr. McCollester: In other words, Mr. Commissioner, from Dr. Edwards' own exhibits, we have some combinations, or rather, his costs resulting from some different combinations, and there is, therefore, to that extent, the opportunity to argue which combinations are the ones to be taken for the purposes of this case.

We think it can properly be argued that still other refinements should be made in order to enable the Commission to have the full picture before it, assuming, which we do not agree with, that the average costs computed, as Dr. Edwards has done, are basis for prescribing rates in this proceeding.

The Witness: For example, as I mentioned, Mr. Commissioner, there is about 13 per cent of the mileage of the Southern Railway which is within what we term as official rate territory. That is the lines north of Richmond and north of Lynchburg, and including the lines extending from East St. Louis to New Albany, Indiana.

There is quite a substantial part of the Mobile & Ohio Railroad. The heaviest density line of that railroad, I think, is in that territory, but I have no means of telling just what effect that would have. Then, as I say, I could only pick out the ones where I could get some kind of a cross-section on the coal.

Commr. Aitchison: One of the lowest density lines is [fol. 5438] the Chesapeake & Ohio in Indiana, isn't it?

The Witness: One of the lowest density lines?

Commr. Aitchison: Yes.

The Witness: I would say it was lower density than its line in Kentucky and West Virginia but whether it is one of the lowest density lines in Indiana, I have no means of telling. The commodity statistics don't show the density of the traffic in the various States.

Commr. Aitchison: I thought possibly your general knowledge would enable you to answer it.

The Witness: I would say that it would be much lighter than Southern West Virginia and Eastern Kentucky.

Commr. Aitchison: The physical characteristics of the line are such as to make it a light line?

The Witness: Yes, and it hasn't got the coal traffic.

Commr. Aitchison: And such that the Chesapeake & Ohio doesn't even run its through passenger trains over it?

The Witness: I don't know about its passenger service.

Commr. Aitchison: Isn't it a fact that the Chesapeake & Ohio uses the New York Central lines?

The Witness: For a portion of its mileage, I think.

Commr. Aitchison: From Cincinnati to Chicago—I mean, Indianapolis.

The Witness: It uses it for part of the line. Where it is I don't remember. So far as I know, they have some [fol. 5439] trackage over the New York Central, but I have taken the 230 miles for my comparison, where the bulk of the coal traffic is handled, and that is up to Toledo.

Commr. Aitchison: Can you tell me how many passenger trains a day are operated over that Chesapeake & Ohio line from Cincinnati to Chicago? (Handing witness paper).

The Witness: One each way.

Commr. Aitchison: Is it a through train or local?

The Witness: Local.

By Mr. McCollester:

Q. Mr. Bell, the next phase of Dr. Edwards' testimony that you want to take up, is it not, is the matter of his objection to separating out from the rest of the South the four major coal-carrying roads of the South in the same way that the Pocahontas lines are separated from the other Official Lines?

A. At page 112 of Exhibit No. 196, Dr. Edwards states that the elimination of the four railroads included in Group III, page 5, of my Exhibit No. 166, namely the Clinchfield, the L & N, the Southern, and Illinois Central, would eliminate 83 per cent of the coal and coke carried in the Southern region in 1939. That statement is correct.

Page 3, of my Exhibit No. 165, shows 88 per cent, but it includes all Southern Railway System lines. Based on the Southern Railway alone being included, the figure is 83 per cent.

[fol. 5440] These four railroads originated 96 per cent of the bituminous coal in the Southern region, and all other lines originated only 4 per cent.

Of the total tons originated and terminated on the same railroads, 92½ per cent was on these four railroads.

87 per cent of the total freight revenue on coal and coke in the Southern region accrued to the four railroads in question.

I do not show on page 3 of my Exhibit No. 165 the total tons terminated by the respective groups of railroads, but the total bituminous coal terminated, including coal originated and terminated on the same railroads, and coal received from connections and terminated was 24,233,503 tons, out of which 18,889,239 tons, or 76 per cent, was terminated by the four railroads.

Stated differently, the other 23 railroads in the South originated only 4 per cent of the total tons of bituminous coal originated. They carried only 17 per cent of the total tons carried, and terminated only 24.2 per cent of all the coal originated and terminated, and received from connections and terminated.

Of course, all of Dr. Edwards' figures, and mine as well, are subject to the infirmity that they include coal originated and handled by the Illinois Central System in sections of the country not included in the Southern region, and they [fol. 5441] include coal transported by the Southern Railway on its line in Indiana and Illinois.

If that Illinois Central and Southern Railway coal should be excluded, it would increase the percentage of tons originated by the Louisville & Nashville to the total originated tonnage in the Southern region from 55½ per cent to 71.3 per cent.

Q. Let me interrupt you right there, Mr. Bell, to ask you about a point which I think is covered in the record, but I want to be sure.

Nevertheless, this coal carried by the Southern Railway and the Illinois Central in Official Territory, for whatever effect is has on costs, is reflected in the costs computed by Dr. Edwards for the railroads in Southern Territory?

A. The Southern Railway is, but Dr. Edwards made a segregation for the Illinois Central.

After stating that the elimination of the four railroads would eliminate 83 per cent of the total tons of coal and coke carried in the Southern region, Dr. Edwards goes on to state how much other traffic would be eliminated from the Southern region by the elimination of these railroads, followed by the statement that as three of the railroads, namely, the L. & N., Southern Railway, and Illinois Central, have average hauls longer than those obtaining for the remaining railroads in the South, the percentage of the total [fol. 5442] ton miles of the commodities I have eliminated, is probably greater than the figures he named would indicate.

Dr. Edwards also says that after eliminating the four coal-carrying railroads from the Southern group, that I have compared the resulting—I think a better word is "remaining"—figures with the Central-Eastern and Great Lakes regions without any adjustments, despite the fact that 47 per cent of their tonnage consists of coal.

He then goes on to say that the elimination of the coal-carrying railroads in the Central-Eastern and Great Lakes regions would remove 94.01 per cent of the coal tonnage handled in the East and 85.63 per cent of all other tonnage carried.

He then enumerates 11 railroads out of the 41 railroads in the Central-Eastern and Great Lakes regions, which he says would be left for the purpose of comparison.

He concludes his discussion by referring to his comments in reply to Witness Day, Item 9, page 97, of his Exhibit No. 196, as to the effect of coal traffic upon costs.

The point of my testimony and my exhibits is to show that the heavy concentration of low-grade, low-expense coal and coke traffic on four railroads in the Southern region, to say nothing of the other low-grade, low-expense traffic—would have the effect of reducing the unit and total expenses of the other twenty-three railroads in the South, that is, if the average unit costs of all of the railroads in the [fol. 5443] South were applied to these 23 railroads which handle a very small proportion of the coal traffic, as well as a small proportion of the other low-grade, low-expense traffic; that, on the other hand, the same conditions would not obtain in the Central-Eastern and Great Lakes regions where coal and coke traffic is diffused over practically all of the railroads, all or most of which also have a back-log of a tremendous volume of other low-grade, low-expense products of mines traffic.

Q. Mr. Bell, let me ask you: You do not mean that, do you, that the elimination of these coal-carrying roads would have the effect of reducing the actual costs of the other 23 roads?

A. No; but *he* would have a computed cost of as much less than the actual costs of those railroads.

At transcript 3630, I testified that the coal and coke traffic in proportion to the total traffic is much more evenly divided over the lines in Official Territory than in the Southern Region, and that the railroads in the Central, Eastern and Great Lakes regions also have a back-log of a heavy tonnage of products of mines in general, which is not the case with the Southern Railroads.

Dr. Edwards, on page 113, of his Exhibit No. 196, shows the proportion of coal tonnage handled to the total tonnage handled on the Baltimore & Ohio, Pennsylvania, Erie, and New York Central in comparison with the four coal-carry- [fol. 5444] ing railroads in the Southern region.

On page 97, in his answer to Witness Day, he compares the coal traffic handled on the L. & N., Illinois Central, and Southern Railway with the coal traffic handled by the Baltimore & Ohio, Erie, New York Central, New York, Chicago & St. Louis, and the Wabash.

The statement is made on page 97 that, excluding Kentucky, the coal traffic is more evenly distributed in the remaining areas of the South and in the East.

The proof of the pudding is in chewing the string—at least, I was brought up on that old adage.

I will give you some figures here. Taking four coal-carrying railroads in the Southern region, the Clinchfield, the L. & N., the Illinois Central, and the Southern, they constituted 47.8 per cent of the total miles operated in freight service in the Southern region; they operated 95.8 per cent of the total tons of bituminous coal originated in the Southern region; they handled 82.8 per cent of all the coal and coke handled.

Take the first group of railroads that Dr. Edwards mentioned on page 113, the Baltimore & Ohio, Pennsylvania, Erie, and New York Central, the percentage of total mileage operated in the Central, Eastern and Great Lakes regions, is 47.6 per cent, or within 1. per cent of the percentage proportion operated by these four railroads in the Southern [fol. 5445] region, yet those four railroads in the Eastern region originated only 23.3 per cent of all the bituminous coal originated, compared with 96 per cent on the four lines in the Southern region.

Those four Eastern railroads handled 43.4 per cent of the coal and coke handled, as compared with 82.8 per cent by the four roads.

Commr. Aitchison: What is your 100 per cent in these cases?

The Witness: I have taken the mileage, the total mileage operated in freight service in the Central, Eastern, and Great Lakes regions, added together as a normal to get the mileage of 47.6 per cent operated by the Baltimore & Ohio, Pennsylvania, Erie Railroad, and New York Central out of the total mileage operated in those two regions.

Commr. Aitchison: What is your next 100 per cent?

The Witness: My next 100 per cent, where I take my southern railroads, the four southern railroads operated 47.8 per cent of the mileage operated in the Southern region.

Commr. Aitchison: You used another one?

The Witness: Now then, of the total tons of coal originated——

Commr. Aitchison (Interposing): By whom?

The Witness: By all railroads in the Central-Eastern and Great Lakes regions, 100 per cent.

Commr. Aitchison: That is what I wanted.

[fol. 5446] The Witness: And the same is true of the Southern region, the total tons originated is the 100 per cent basis.

Taking the second group of railroads which Dr. Edwards used on that page 97 of Exhibit No. 196, where he added the Pennsylvania Railroad, they were 59.3 per cent of the total miles in the Great Lakes and Central-Eastern regions.

Those railroads originated 43 per cent of the coal and coke originated, and handled 59.2 per cent, again compared with the 95.8 per cent, and 82.8 per cent, respectively, for the Southern region railroads.

Mr. McCollester: Off the record.

(Discussion off the record.)

The Witness: On page 97, the lines are the Baltimore & Ohio, Erie, New York Central, New York, Chicago & St. Louis, and Wabash.

On page 113, the Baltimore & Ohio, Pennsylvania, Erie, and New York Central, the way I have it down, my statement is correct.

By Mr. McCollester:

Q. Now, will you take up your exhibit No. 227, Mr. Bell?

A. That exhibit is designed to expose the fallacy of taking a few hand*k*-picked railroads in the Central-Eastern and Great Lakes regions for comparison with the four coal-carrying railroads in the southern region.

I do not think it necessary to read the explanation ap- [fol. 5447] pearing in the caption of the exhibit, and I simply call attention to the comparisons in Part 1 as between Section 1 and Section 2.

Commr. Splawn: Would the comparison have been better if you had taken other railroads, more representative?

The Witness: Mr. Commissioner, in Section 1, of Part 1, there were four southern railroads which originate coal and coke in heavy volume, and it shows in comparison that there were 26 railroads in the Central-Eastern and Great Lakes regions.

Now, in Section 2 I have shown that there are the four railroads first mentioned, together with three others which handle in excess of one million tons and 500,000 tons, respectively, of anthracite coal, bituminous coal, and coke, in the southern region, a total of seven railroads. That is in excess of 500,000 tons, and less than one million tons handled by five railroads in the southern region.

We come to the Central-Eastern and Great Lakes regions. You have got 34 railroads that handle in excess of one million tons.

Then you have four railroads which handle in excess of 500,000 tons and less than one million tons.

Commr. Splawn: You speak of exposing a fallacy here, of making a comparison of these four Southern railroads, with a few hand-picked roads. Just what is the fallacy?

[fol. 5448] The Witness: I mean that there are only four railroads, that Dr. Edwards has shown that there are four railroads in the South, and he has picked against that four railroads in the East, and he compares that to show that there is as great a diffusion of coal in the South as in the East. I would say there is not. As against four railroads in the South, you have 26 railroads in the Central-Eastern, and Great Lakes regions; and they have a great diffusion of coal through that territory, which the next page of my exhibit is intended to show.

Commr. Aitchison: You have included anthracite as well as bituminous, haven't you?

The Witness: Yes, sir. So did he. He said "Coal and coke". The South originates no anthracite, of course, but if you want to call——

Commr. Aitchison: (Interposing) The South originates more anthracite?

The Witness: None—very little; practically none.

Commr. Aitchison: I couldn't hear you.

The Witness: Of course, it is not fair, as I see it, to take the South's bituminous coal and not to include anthracite coal along with the bituminous coal in the northern territory.

As a matter of fact, my Exhibit No. 166, from which Dr. Edwards' figures were computed, includes the anthracite along with the bituminous and the coke in the eastern territory.

Commr. Aitchison: If you had included the 26 railroads [fol. 5449] in one group in the Central-Eastern and Great Lakes regions, followed Dr. Edwards' method, what is your idea as to where you would have come out, or do you have any opinion?

The Witness: I have a notion it would have shown upon even better in favor of the South; I mean, of showing that there is a greater diffusion in the handling of coal in the Central-Eastern and Great Lakes regions by a great many railroads, as compared with only four railroads in the South.

If you will notice, on the bottom of Sheet 1, of Exhibit No. 227, it shows that 17 of the railroads in the East handled in excess of 5,000,000 tons each, and 11 of them handled in excess of 10,000,000 tons each, and 4 of them handled in excess of 30,000,000 tons each; whereas, there were only 7 railroads in the South that handled in excess of 1,000,000 tons.

Commr. Aitchison: I see that, all right, but I am trying to translate this.

The Witness: I will be glad to compute that for you, if you would like to have it, Mr. Commissioner.

Commr. Aitchison: Have you done it?

The Witness: I say, I have not computed it, but I will be glad to do it. I am expressing my off-hand opinion.

Commr. Aitchison: We would like to close up this record.

Do you have any present impression as to where it would wind you up? If you do have, I would like to have it in the record.

[fol. 5450] The Witness: I cannot do it by the time you close today. I can get it in by tomorrow morning, but not tonight.

Mr. McCollester: Just what is your question, Mr. Chairman? As to where it ends up in the matter of costs?

Commr. Aitchison: Yes.

The Witness: In the matter of comparisons.

Mr. McCollester: I think he is talking about costs.

Commr. Aitchison: Yes.

The Witness: I cannot say anything about costs.

Mr. McCollester: We have Dr. Edwards' testimony that a substantial volume of coal traffic tends to reduce average costs. I think we can argue, and I think Dr. Edwards himself has agreed that if you eliminate the four roads in the South that are the major coal-carrying roads, the costs for the others must be substantially higher than the figures which he has computed for the South, as a whole, including the four coal-carrying roads in the South.

Commr. Aitchison: Suppose we eliminate these 26 railroads from the North and give them a rate structure of their own, what would the costs of the remaining roads be?

Mr. McCollester: In the North, the coal traffic is much more diffused among the major railroads of the North.

Commr. Aitchison: There are 15 of them, but he doesn't cite them.

Mr. McCollester: You have got the North pretty well [fol. 5451] covered by these 27.

Commr. Aitchison: I don't see it.

Commr. Norman: I think the South is pretty well covered by those four, too.

Mr. McCollester: Not so well.

Chrm. Aldredge: Supposing you eliminated those four roads out of the South, how would you deal with the——

The Witness (Interposing): Mr. Commissioner, my whole point is this: It has been argued here by Mr. Norman and others that you should have the same level of freight rates in different territories, on the theory that you have the same unit cost in all of the territories.

Am I right or wrong, Mr. Norman?

Mr. Norman: You are wrong.

The Witness: That is the substance of your contention; I mean, it is the basis for your contention, is it not?

Commr. Aitchison: We will examine him a little bit later. You are on the witness stand.

The Witness: All right.

I want to show that you can take the four coal-carrying railroads in the South, and if you please, you can go over and take the three bridge railroads which operate between Cincinnati and New Orleans, and they are the low-cost operating railroads.

If you are going to compute your average costs in the [fol. 5452] South by including the southern railroads, you won't have enough on the 23 railroads to buy axle grease; but if you are going to compute on the same low-cost ton miles thrown into the general average, and Mr. Norman would have you make your rates on that basis, I want to show the unfairness of any such way of trying to make rates in any such manner, based on such costs.

Chmn. Aldredge: To pursue your theory to its ultimate conclusion, if it is logical, then we would have to treat each railroad separately.

The Witness: Not necessarily, but you should not attempt to make your rates based on average unit costs.

Chmn. Aldredge: If you don't make them upon an average covering some territory in which more than one railroad is operating, the only other alternative is to deal with each railroad separately, isn't it?

The Witness: I don't find that necessarily so.

Chmn. Aldredge: You either have to average or deal separately, haven't you, individually?

Mr. McCollester: Mr. Commissioners,——

Chmn. Aldredge (Interposing): I asked the witness a question, and I would like to have an answer before you interrupt.

Mr. McCollester: All right.

The Witness: I do not believe you should make your [fol. 5453] rates based on a cost factor alone. You have too many other factors to take into consideration.

Chmn. Aldredge: I don't know that anybody is arguing that.

So far as costs are concerned, whatever weight is attached to it, haven't we got to deal with it on the average by including several roads together, or deal with each road individually? Is there any other alternative?

The Witness: If you expect to make your costs on a unit average, the answer is "Yes."

Chmn. Aldredge: If you use costs at all, you have either got to use individual railroads or by putting railroads together.

The Witness: Mr. Commissioner, may I say——

Chmn. Aldredge (Interposing): Can you answer me?

The Witness: I am going to answer you.

I can say, if it becomes necessary to take lines like the Florida East Coast Railroad, the Atlantic Coast Line Railroad and the Seaboard Airline Railroad, which are, strictly speaking, Carolina and Florida lines, you can make rates for those lines without having to include the low-grade coal-carrying line of the L. & N. Railroad, because it is hundreds of miles from the other railroads.

Chmn. Aldredge: That is perhaps the way they were doing it when you started out with your railroad in the [fol. 5454] South; they had a separation of Mississippi Valley Territory, and Carolina, and South Eastern?

The Witness: Certainly, we did.

Chmn. Aldredge: As a practical matter, what caused them to get away from it?

The Witness: Of course, it was the competitive and the market situation of trying to make the rates so as to keep your goods at the various markets. That is just exactly the theory that should exist today, and which they have been trying to tear down.

Chmn. Aldredge: As a practical matter, it didn't work, did it?

The Witness: Yes.

Chmn. Aldredge: It did work?

The Witness: Yes.

Chmn. Aldredge: Why did they change it?

The Witness: I don't know that they have changed it.

Chmn. Aldredge: Didn't they change it in the South?

The Witness: They have changed the territory and associations, and consolidated railroads, but you can't show me today that the railroads are making their rates based on unit costs or anything else.

Chmn. Aldredge: I wasn't talking about that.

The Witness: You asked me if they hadn't changed their method of rate-making. I say no.

[fol. 5455] Chmn. Aldredge: You said it would be feasible to separate Carolina roads, and the Mississippi Valley

Roads; and the South-eastern roads; isn't that virtually what you said; and make different rates?

The Witness: I said it would be feasible; yes.

Chmn. Aldredge: Then I directed your attention to the fact that, historically, that is the way it used to be; isn't that right?

The Witness: Yes, you are right.

Chmn. Aldredge: And that, in the course of time, that changed; is that right?

The Witness: The territories changed.

Chmn. Aldredge: No, they changed that method of dividing the territories for the purpose of making rates; isn't that right?

The Witness: For the purpose of class rates; you are right. They didn't change it. The Commission changed it in 13494.

Commr. Aitchison: Congress changed it in 1920, when it provided that we should establish rates as uniformly as possible.

The Witness: The Southern region and Pocahontas region, and so on.

Chmn. Aldredge: It was actually giving way?

The Witness: The territories changed, but it was not until [fol. 5456] 13494 and before that, Fourth Section violations in the South-East, that the Commission changed the basis for making rates. You had a different rate for the Carolina roads, the South-eastern roads, the Mississippi Valley, and so forth, right up to the time of the decision in 13494, except to the extent of the Fourth Section Compliance, which was decided in 1914.

Chmn. Aldredge: As a practical matter, that system didn't hold out; is that right?

The Witness. It hasn't held out; I will say that much; yes.

Mr. McCollester: Mr. Commissioner, may I say a word now?

I want to say that I conceive the Commission under the statute seeks to correct illegality in the rate structure and doesn't sit as traffic manager of the railroads.

I cannot conceive that to prescribe rates which would be based on average costs for a territory, which would mean that they would be less than cost for some of the railroads in the territory, merely because as a matter of traffic policy that might be necessary, is within the power and function of the Commission, and we are prepared to argue that.

Chmn. Aldredge: Of course, you know in the Southern Class investigation, in the Consolidated Southern Cases, and in the Western Trunk Line Cases, and in the Eastern Class Rate Case, the Commission dealt with rates in that [fol. 5457] manner presumably by averaging—in fact, it so stated—by averaging transportation conditions over a wide territory.

Those decisions were all made effective. They haven't been, so far as I know, challenged yet on account of their illegality.

Mr. McCollester: Mr. Commissioner, we experimented with a law under which rates were to be made on a territorial basis, with the idea that they would be insufficient for some lines in the territory and excessive for others, and that there would then be recapture, and that recapture provision has been eliminated, so that unless you have all of the railroads in a given section of the country in one system, I see no way under the law by which the Commission can find unlawful rates which are necessary to maintain, to provide the cost for the most expensive line in the territory, where that basis of rates is prescribed.

If it results in excessive profits for other lines, that is another matter and can be dealt with.

Chmn. Aldredge: So that according to your theory of the law, the Commission would have to proceed to make rates for each individual carrier, and why should it deal with the carrier, as a whole? Don't they have differences over different divisions of the same carrier?

Mr. McCollester: I think that is the whole difference between the carriers acting as carriers, running their busi- [fol. 5458] ness, acting as traffic managers, and the Commission acting as a body to prevent violations of the law.

Chmn. Aldredge: I think the Commission might use some common sense in administering the law.

Commr. Aitchison: It is an old story. We started with Mr. Kimball at the time he was wanting rates made between Denver and Salt Lake on the basis of the Union Pacific rates and costs, and the Commission refused to permit that without consideration of the higher expense line of D. & R. G.

Mr. Norman: I am having great trouble restraining myself, but I will not say anything.

Commr. Aitchison: You are doing very well.

By Mr. McCollester:

Q. All right, proceed, Mr. Bell.

A. Sheet 2, of Exhibit No. 227, Section 1, shows the tons of bituminous coal which originated and terminated in the respective southern States, with the exception of Virginia.

Section 2 shows the similar information for the Trunk Line-C. F. A. States, and the New England States, and also for Virginia and West Virginia.

Just a brief comment: Excluding Kentucky, the seven Southern States shown in Section 1 originated only 8,125,000 tons of bituminous coal, and practically all of it was originated in Alabama and Tennessee; in fact, Alabama originated more than 63 per cent of the total, although Alabama terminated only 1,868,000 tons in excess of the coal originated.

[fol. 5459] Tennessee terminated 2,272,000 tons in excess of the tons originated.

The total tons terminated in the seven States exceeded the tons originated to the extent of 9,850,000 tons.

Virginia is not included in the States named in Section 1, because large quantities of Virginia coal *is* originated and terminated, or is received from connections and terminated on the lines of the Norfolk & Western, R. F. & P., and Chesapeake & Ohio Railroad, as well as on the Southern Railway.

The States of Tennessee, North Carolina, and South Carolina not only consume quite heavy quantities of coal originating on the Southern Railway, the C. C. & O., or the Clinchfield, the L. & N., and the little Interstate Railroad in the States of Virginia and Kentucky, but they consume large quantities of coal from the New River and Pocahontas Districts of the Chesapeake & Ohio and the Norfolk & Western.

Just to come to another phase of this coal situation, and Dr. Edwards' testimony, I think it makes the point that Mr. McCollester referred to a moment ago: At page 96 of Exhibit No. 196, Dr. Edwards states that for the calendar year 1941, Kentucky accounted for 74 per cent of the coal and iron ore originated in the South.

We have no 1941 tonnage figures in the present record so that that could be checked up, but I assume he has computed his figures from Schedule 541-A of the Annual Reports. [fol. 5460] My computations from the Annual Reports show that 31,528,964 tons of bituminous coal originated in Kentucky on the C. N. O. & T. P., the Louisville & Nashville, the Southern Railway, and the Illinois Central, the four railroads in the State of Kentucky situated in the southern region which originates any bituminous coal.

9,900,690 tons originated in the other Southern States, excluding Virginia, would make a total, added to this 31,000,000 tons, of Kentucky coal of 42,793,175 tons originating in the southern region, excluding that originating in Southwestern Virginia.

Of the coal originated in Kentucky by the four Southern region railroads, only 220,000 tons originated on the Southern Railway, and 51,000 tons on the C. N. O. & T. P., neither of those lines being heavy coal originating lines in the State of Kentucky.

The Illinois Central originated 4,545,000 tons, and I might mention incidentally, a very large portion of that went to the Ohio River and points beyond, and wasn't diffused so much in the Southern territory.

The L. & N. originated, therefore, 26,382,00 tons of coal, which was 84.64 per cent of the Kentucky total. It was 86.6 per cent of the total coal originated by the L. & N. in 1941, for its entire line of 30,436,859 tons.

In 1939 the L. & N. originated a total of 23,271,940 tons. [fol. 5461] Based on the 1941 ratio, the L. & N. originated 20,162,809 tons in Kentucky in 1939; that is, out of the total originated.

Based on information furnished me by the Louisville & Nashville Railroad—I referred to this in my previous testimony—I was able to spot 17,585,000 tons of the 1939 coal, or 87 per cent of it, as having destinations in the Ohio River cities and beyond, the average haul on over 16,000,000 tons of that coal being 240 miles.

Assuming the same ratio for 1941 as for 1939, out of the total of 26,382,000 tons of coal originated by the L. & N. in Kentucky in 1941, 22,952,000 tons moved to the Ohio River cities and beyond.

I don't quite get the point of Dr. Edwards' inclusion of iron ore in his figures in as much as only 77 tons of iron ore originated on Southern region lines in the State of Kentucky in 1941, and that ore originated on the L. & N.

I may, incidentally, mention that I looked to see if any originated on the C. & O., and Norfolk & Western, and none of them showed any originating movement of iron ore in Kentucky in that year.

By Mr. McCollester:

Q. Do you have any reply to make to Dr. Edwards' comments on the subject of elimination of bridge lines from consideration in the territory as a whole.

A. Yes; Item 7, page 114, of Exhibit No. 196, Dr. Edwards said that the same criticism applied to the elimina- [fol. 5462] tion from the Southern region of the Alabama Great Western, C. N. O. & T. P., and New Orleans-North Eastern, as his criticism of the elimination of the four coal-carrying roads from the Southern region; and in that connection Dr. Edwards made the observation that "The existence of bridge traffic serves to reduce the common expenses of handling all traffic."

The existence of bridge traffic not only serves to reduce the expense of the bridge lines, but the effect also is to reduce the computed average expense of all the railroads in the region.

It does not reduce the actual expense of any individual railroad, or group of railroads, operating in the region other than of the bridge lines.

In column 13, page 8, of my Exhibit No. 166, the average revenue per net ton mile on the C. N. O. & T. P., the A. G. S., and the New Orleans & North Eastern in 1939, was 5.43 mills; including taxes and rents 6.21 mills.

The fact that the bridge traffic of these railroads results in this low average cost does not mean that the higher actual costs of the Atlantic Coastline, Seaboard Airline, and Florida-East Coast, respectively, of 9.21 mills, 8.4 mills, and 10.19 mills, and including rents and taxes of 10.94 mills, 9.36 mills, and 12.59 mills, are reduced one iota by reason of the low operating expense for the three bridge lines which serve a section of the South, hundreds of miles [fol. 5463] removed from these three North and South railroads operating on the edge of the South Atlantic Seaboard, and whose consist of traffic and operating conditions are in no wise comparable with the bridge lines.

This would be true also of attempting to make rates for these three railroads in the eastern section of the Southern regions, based on any unit costs for the region as a whole, which includes the four coal-carrying railroads and the three bridge railroads in the average.

That is the discusion which we have just had, Mr. Commissioner, about the effect of that.

Chmn. Aldredge: I am interested in getting your proposal on the rate structure.

The Witness: I am not making any proposal. I am just trying to show some facts and figures. I haven't got any proposal in the case.

By Mr. McCollester:

Q. Have you any comment now, Mr. Bell, on Dr. Edwards' testimony regarding your use of net ton mile cost figures?

A. I have just a little to say on that, because I think there is some misunderstanding about what I have had in mind.

In Item 5—this is Item 5 of Dr. Edwards' Exhibit No. 196, page 111—he refers to the comparisons of the cost per revenue net ton mile for various groups of railroads in the South and East, appearing on pages 5 and 6 of my Exhibit [fol. 5464] No. 166, and refers in connection therewith to my testimony at pages 3623-4, of the record.

The purpose of these comparisons was designed to show the infirmity of undertaking to employ the average unit costs for different rate territories as the yard stick for making rates on all kinds of traffic in all railroads within the respective territories, or interterritorially.

The exhibit was designed to show the effect of such procedure and, particularly, by the inclusion in such average unit costs of the much lower costs of a small group of railroads whose traffic is comprised most largely of coal and coke and other low-grade, low-expense traffic, whereas the unit costs of other railroads in the same general territory may be very appreciably higher because of the lack of, or the sparsity of such traffic.

The comparisons are premised upon identically the premise mentioned by Dr. Edwards on page 112, of his Exhibit No. 196, that the territory having the greatest proportion of coal traffic will inevitably show the lowest cost, and the even more definite statement which appears on page 96 of Exhibit No. 196, "that if much of the coal traffic is highly centralized in one section of a territory, much of the expense for handling this coal may not be common to the cost of handling all other traffic throughout the territory."

I use the revenue net ton mile cost comparisons because [fol. 5465] they were the only authentic figures that were available on file with the Interstate Commerce Commission from which any kind of a real cost comparison could be made.

I can't refrain from saying that all of the factors entering into the freight expense are reflected in the net revenue ton mile expense, and those costs can't be changed by a set of mathematical calculations designed to prove they are something else; so even assuming that each and every figure made by Dr. Edwards in his various studies are corrected, when you come to the costs of a given railroad or a group of railroads, your ultimate answer is bound to be to the same effect as the use of the cost per net revenue ton mile.

I am speaking, of course, of freight expense.

Q. Have you any comment, Mr. Bell, upon Item 8, on page 114, of Dr. Edwards' Exhibit No. 196, with reference to the assignment of freight to different kinds of equipment?

A. In that item, Dr. Edwards refers to my testimony at page 3646, given at Columbus.

In accordance with the understanding at that time, that I would discuss it with Dr. Edwards, we had a conference on December 9th, at which Mr. Parr and others of Dr. Edwards' organization were present, and at which the subject was gone into to the extent that either of us had any relevant information.

I want to say I think Dr. Edwards deserves a great deal of credit for his sincere effort to obtain the facts, but in my [fol. 5466] opinion, the allocation of commodities between different types of cars, as shown in Table No. 4 of his Exhibit No. 195, and the computations on the cost based thereon, do not yet portray the actual situation.

As Dr. Edwards has stated in his Exhibit No. 196, and in the footnote to Table 4 of his Exhibit No. 195, his allocations are based first on estimates made by a committee of the Association of American Railroads, and an examination of those estimates immediately discloses that much of their data is wholly inaccurate.

I think Dr. Edwards agreed with me on that.

Second, the data which I furnished him, most of which was based on my own general knowledge and experience and certain investigations I had made relating to a few specific analyses.

Third, the one-day traffic study made by the ODT, covering their movement on May 27, 1942. This one-day study, in my judgment, cannot be accepted as reflecting the day-in and day-out types of equipment used 365 days in the year, throughout any one or all of the different sections of the United States.

Commr. Aitchison: Do you mind a question, Mr. Bell? Do you know of any equipment that was not being used on that day, May 27, 1942?

The Witness: I don't know that there was any equipment but I was going to say——

[fol. 5467] Commr. Aitchison: (Interposing:) All of the equipment we had was used on that day, and more of it since; isn't that right?

The Witness: I think unquestionably—I think that was the thing I was going to mention also, that in 1942 the war conditions obtained, the supply of equipment was limited and in many, many instances freight ordinarily loaded in one traffic car was being loaded in another traffic car.

Commr. Aitchison: Is that an unusual thing in this country?

The Witness: Not in war times.

Commr. Aitchison: In times of peace?

The Witness: It was more unusual during the war times.

Commr. Aitchison: Is it an unusual thing in times of peace?

The Witness: You say it is unusual?

Commr. Aitchison: Is it an unusual thing in times of peace that all equipment which is available is being used, and that it is being used not for the primary purpose for which it was designed?

The Witness: Yes, I think it is unusual in times of peace.

Commr. Aitchison: All right. I will ask you if that condition didn't exist in the following years that I will cite: 1905, 1906, 1914, 1915, 1916, 1920, 1922?

[fol. 5468] The Witness: I will go along with you in 1914. I don't remember 1905 and 1906. I will go along with you in 1914, because it was during a war period.

Commr. Aitchison: We were not at war then.

The Witness: We were not then, but we were in war in 1917, but certainly we were getting ready.

Commr. Aitchison: I didn't mention 1917.

The Witness: 1914.

Commr. Aitchison: We were not in war.

The Witness: But we were producing munitions for the other nations overseas, outside of Germany, of course.

By Mr. McCollester:

Q. It doesn't follow, Mr. Bell, even if all the equipment is being used, that the commodities having the average loadings and other characteristics, were loaded in the particular kinds of equipment that were used by Dr. Edwards for the purposes——

A. (Interposing:) They might be using all of the equipment, but they might not be using box cars for box car traffic, and gondola cars for gondola traffic.

Commr. Aitchison: The only purpose of my question was there have been times when the use of all the equipmment in the manner in which Mr. Bell described could not be ascribed to war.

The Witness: I don't agree with you, Mr. Commissioner, on that. We have our own opinion about it, of course.

[fol. 5469] Commr. Aitchison: Was there any war on in 1920?

The Witness: No; we had just gotten over one.

Commr. Aitchison: Was there any war in 1922?

The Witness: No; and that is the time we were just going into the depression.

Commr. Aitchison: In 1922?

The Witness: Yes.

Mr. McCollester: 1932, you mean, don't you?

Commr. Aitchison: We had just gotten over the one in 1921.

The Witness: We had gotten over the war, and, if my memory is right, in 1920, you had your heavy increase of traffic, and revenue, resulting from the war conditions, construction work, and so forth, but that fell off with a slump in 1921.

Where you had increased the rates in 1920, you reduced them in 1922 because of the effect the rates were having on business.

Commr. Aitchison: In 1922 it was necessary for this Commission to exercise its Service Department because of the car shortage. That is a matter of History, Mr. Bell.

By Mr. McCollester:

Q. Have you anything more, Mr. Bell?

Chmn. Alldredge: As I understand you, you don't believe a sample study can be accurate at any time?

The Witness: No; I don't believe that a one-day study would be accurate.

[fol. 5470] Frankly, I have been very much surprised that the railroads did not have information showing the types of cars used for loading of different commodities. They don't know what types of cars they are using for the loading of their commodities except in a general way. They have no statistics on it.

Of course, Table 4 gives equal weight to the cars from the South and Northwest, and so forth.

Frankly, as I say, I think Dr. Edwards did the very best he could on it, but personally I wouldn't be willing to accept it for rate-making purposes.

Commr. Aitchison: He had a two-day study, too, not one-day.

The Witness: He said in his testimony that he used the one-day study for this.

Commr. Aitchison: Off the record.

(Discussion off the record.)

By Mr. McCollester:

Q. Mr. Bell, just one question, in regard to the traffic study: Have you any comment on Witness Aitchison, Exhibit No. 194, which superseded Exhibit No. 14, I believe?

A. I have made an examination of that exhibit, and the testimony I gave in connection with Dr. Aitchison's Exhibit No. 14 would apply.

Q. Were Exhibits Nos. 224 to 227, inclusive, prepared by you or under your supervision and direction, and are [fol. 5471] they true to the best of your knowledge and information and belief?

Mr. McCollester: We offer them in evidence.

Commr. Aitchison: Without objection they are received.

(Exhibits 224, 225, 226, 227, Witness Bell, received in evidence.)

Mr. McCollester: You may cross-examine.
Commr. Aitchison: Just a min-te, before you begin cross-examination. Off the record.

(Discussion off the record.)

Mr. Smelker: I have one question.
Commr. Aitchison: Mr. Smelker?

Cross-examination.

By Mr. Smelker:

Q. You have consumed considerable time and seemed to be perturbed, Mr. Bell, concerning Dr. Edwards' failure to include the segments of the Southern roads into Official Classification Territory.

Will you turn to page 3, of his Exhibit No. 196? Do you have it there? Will you refer to the statement at the top, which is the carload fully distributed costs by territories, and refer to line 3, "eastern including New England;" for box car traffic it is 101 per cent of United States Costs, and for gondola and hopper car traffic it is 101 per cent of United States costs.

Now, refer to the line "Eastern including New England and State of Kentucky." There the fully distributed costs for box car traffic are 100 per cent and for gondola and [fol. 5472] hopper car traffic are 99 per cent.

Don't you think that Dr. Edwards' failure to include the tonnage which moved over these segments of these lines would be negligible in its effect on the Eastern costs?

A. I don't know. You have got your New England traffic included there. You haven't got that computation made for the Central-Eastern, and Great Lakes regions?

Q. In one case, in Eastern, New England is thrown in by Dr. Edwards, and in the second case "Eastern including New England, and the State of Kentucky" is thrown in, where the tonnage is enormous, as far as Kentucky is concerned, and the costs are lower.

A. Kentucky, yes; but where have you got Eastern not including New England?

Q. I mean Eastern and New England with and without Kentucky.

A. I see where those figures are.

Commr. Aitchison: I can't hear what you say up here.

The Witness: I saw those figures before I got on the stand.

By Mr. Smelker:

Q. In view of the fact that the costs only vary 1. per cent as far as box car traffic is concerned, and as far as gondola traffic is concerned only 2 per cent, whether Kentucky is included or not, don't you think that his failure to include the tonnage handled over these segments of the Southern lines, in Official Classification Territory, would be negligible. [fol. 5473] A. No, I don't think so, and I stated the reasons why.

Q. It would be less than 1. per cent as far as box car traffic is concerned?

A. I wouldn't say without making the computations myself, which I am not prepared to do, but I tried to give my illustration of the coal alone for the Pocahontas lines in the C. F. A. Territory.

I mentioned that you have omitted 12 per cent of the line of the Southern Railway; you omitted 7.8 per cent, I think it was, of the M & O; and you have a very heavy traffic moving on the Southern Railway in Kentucky, and a fairly heavy traffic moving over those lines in Indiana. You know we have the Mobile & Ohio, with the heavy traffic, and these others. When you take one case, it may not make so much difference, but when you add a whole lot of them together, it is like adding a lot of drops of water; you get a bucketful.

Q. In any case, it would be less than 1. per cent?

A. I won't admit that. The point is I don't know what it would be, and I said so.

Mr. Semelker: That is all.

Commr. Aitchison: Have you tried to find out what the effect would be?

The Witness: With my limited means at my command; [fol. 5474] but I could not take the time to go over every one of these figures, and moreover, I didn't have the information that Dr. Edwards didn't have, and that is he did not make the segregation of these lines of the Southern lines. He didn't make the segregation of the lines of the Norfolk & Western, the Chesapeake & Ohio, and Kentucky, and without the information there I had to guess at it, and he is guessing at it if he brings up these figures here, unless he gets the segregation for these various lines.

Commr. Aitchison: I take it the answer to my question is "No"?

The Witness: "No"; that is the answer; yes, sir.

By Mr. Norman:

Q. Would you think that the exclusion or inclusion of those segments would have as much or more effect upon averages than the exclusion or inclusion of the State of Kentucky?

A. I don't know, Mr. Norman.

Mr. Norman: That is all.

Commr. Aitchison: From a practical standpoint, based on your experience, do you know any reason that Pocahontas would be included in either of these territories?

The Witness: Pocahontas naturally should be included along with the Central-Eastern and Great Lakes regions because it is a part of the Official Territory.

It takes the same rate levels in so far as your general [fol. 5475] class and commodity traffic is concerned. It is made on the Official Territory basis.

Commr. Aitchison: Any further examination of Mr. Bell.

Mr. McCollester: Nothing further.

Commr. Aitchison: You may stand aside.

(Witness excused.)

Mr. McCollester: Mr. Chairman, while we were off the record, I brought up a matter that I would like now to bring up on the record.

Since Dr. Aitchison was on the witness stand to identify her Exhibit No. 194, I asked her if any attempt had been made, on the basis of examination of tariffs, to determine with respect to the study of the movement of carload traffic on May 27, 1942, what of the traffic was class rate and what moved at commodities or exceptions, and I understood from her answer that some such attempt had been made to analyze and break down the figures on the basis of the tariffs.

I should like to recall her to the witness stand for the purpose of asking that the results of the analysis be put into the record, and I may say that in making this request I want the record to show that we do not concede that a one-day test, especially during war times, affords a proper basis for the making of rates for the future, and as to the methods by which the analysis, whatever it is, was made, we reserve our right to question its validity, but for what [fol. 5476] it is, we would like it in the record for the benefit of all parties, so that we may have the benefit of any or all the studies that have been made in connection with this May 27, 1942, traffic test.

Dr. B. Aitchison was recalled as a witness, and testified as follows:

Direct examination.

By Mr. McCollecter:

Q. You have hear my preliminary statements, Dr. Aitchison. Have you the results of such an analysis, and, if so, are they in such form that they can be either read into the record or filed in some exhibit?

A. Yes, sir; I have some results there for September 23rd.

Q. Not May 27th?

A. Not May 27th.

Q. Will you tell me just how the analysis or the breakdown was made.

A. Since the waybills for the day were not available for any lengthy examination, the Office of Defense Transportation made for us a tabulation showing for each individual commodity shipped, such as copper cathodes, corn-on-the-ear, pecans in shells, that is, they itemized the number of carload shipped from each territory to each other territory.

These tabulations were turned over to the Rate Branch of our Bureau of Traffic. That Branch went through the tabulations and for each movement marked the most probable rate charged. This tabulation did not give origin and [fol. 5477] destination explicitly, but merely the origin rate territory, and the destination rate territory, as defined for this proceeding.

Q. Was it confined to inter-territorial or when it gave origin and destination rate territories, might those be the same, so that the intra-territorial movements were included also?

A. All movements were included also both intra-territorial and inter-territorial.

There were three classes of rates recognized: The so-called pure class rate where an article moved under the percentage of first class shown for it in the classification; the exception rating, where it moved under a percentage of first class other than that shown for it in the rating and the commodity——

Q. (Interposing:) In the rating classification?

A. In the rating classification; and the commodity rate, where it was a specific commodity rate, and in some cases I believe—there has been some dispute about this—where there has been a column commodity rate, some people, I believe, call those exception rates, but in the printed rates they are listed as column commodity rates, so that they were coded as commodity rates in that case.

Mr. Norman: Although made on a percentage of the first class?

The Witness: Yes; they were related to first class, but [fol. 5478] were a specific commodity and not listed as an exception, quite the contrary. They were named commodity rates.

By Mr. McCollester:

Q. As I understand it, what was done was not to check the actual waybills to find out as to each particular shipment, whether the particular rate charged was a class rate or commodity rate.

A. That is true.

Q. But instead, the people of the Division used their best judgment, based on their familiarity there with the tariffs, as to what the rate probably was?

A. And with the movements, too, where the movements were.

Commr. Aitchison: May I interrupt?

For illustration, they wouldn't fool around much on telling what coal was?

The Witness: No, they would not.

By Mr. McCollester:

Q. With that explanation, can you give the results? Are they stated in per cents?

A. They are stated in per cents, as far as carloads go, and carload traffic on September 23rd, for the whole traffic, 4.1 per cent carried class rates, 10.7 per cent exception ratings, and 85.2 per cent commodity rates.

~~Mr. Norman: That is the percentage of number of shipments?~~

The Witness: Yes; that is percentage of carloads.

By Mr. McCollester:

Q. Have you that on a revenue basis?

[fol. 5479] A. An estimated revenue basis.

Unfortunately, due to the manner in which our commodity districts are reported, it was not possible to break the revenue down on a territorial basis.

The carloads are broken down on a territorial basis.

Q. The figures you have just given are for the whole?

A. For the whole United States.

Q. Now, let's have the revenue.

A. Revenue class rate traffic, 6.3 per cent; exception rating traffic 16.1 per cent; commodity rate traffic 77.6 per cent of the total.

Commr. Aitchison: The first figures are numbers of cars?

The Witness: Percentage of total cars.

By Mr. McCollester:

Q. Now, Dr. Aitchison, can you give us the break-down of the per cents of total cars by movements; that is, within each territory, and from one terrritory to another?

A. Which territories are you interested in? There are 25 combinations.

Q. Is this in some form——

A. (Interposing) It can be reproduced and sent to you.

~~Q. It can be?~~

A. Yes, sir.

Mr. McCollester: Could that be done, Mr. Chairman?

Commr. Aitchison: Certainly.

[fol. 5480] Mr. McCollester: I think that would be desirable.

And, if it is agreeable to the Commission, I would appreciate having it done.

Mr. Norman: It is too long to read it.

Commr. Aitchison: Well, we will treat them as an exhibit coming in after the hearing and give it a number when it is ready for distribution. It will take its appropriate number at that time.

Mr. McCollester: That is all I have. Thank you very much.

Commr. Aitchison: Cross Examine.

Mr. Norman: No cross examination.

Commr. Aitchison: You are excused.

(Witness excused.)

Commr. Aitchison: Mr. Grubbs?

Mr. Grubbs: I would like to recall Mr. Morris.

Ben. F. Morris was recalled as a witness, resumed the stand and testified as follows:

Commr. Aitchison: You have been sworn, haven't you?

The Witness: Yes, sir.

Direct examination.

By Mr. Grubbs:

Q. Mr. Morris, Mr. Hart took you to task for referring to north-bound movement over the L. & N. under the general commodity description "Manufacturers and Miscellane-[fol. 5481]ous" and for not breaking that down.

Do you have the break-down?

A. Yes, sir.

Mr. Grubbs: Now, if your Honors please, Mr. Morris could read this into the record. It would consume some time and I have showed this to Mr. Norman, and, if it is agreeable to him, as I understand it is, I would like to have the privilege of submitting this statement following the close of the hearing as an exhibit to be marked later when it is received.

Commr. Aitchison: If there is no objection, that may be done.

Mr. Norman: No objection.

Mr. Grubbs:

Q. Mr. Morris, in the course of Mr. Henderson's testimony, he referred to the failure of the railroads to make rates on steel truck bodies from Nashville to a point in New Jersey on the Official Territory Level.

Will you tell us if that was considered by the railroads, and if they did not put in those rates, why they did not?

A. It was considered by the Louisville and Nashville, I know. When the request was received from Mr. Henderson, we developed that the truck bodies had been purchased by one of the Governmental authorities f. o. b. Nashville, and since the Governmental authorities did not indicate any necessity for revision of the rates from Nashville to Metuchen, I think it is, New Jersey, we did not consider it [fol. 5482] necessary to make any readjustment in the rate.

Q. In the course of Mr. Hart's testimony, he indicated, based on his general knowledge, that the movement of class traffic south-bound was very largely, or to a substantial extent, was by forwarder. He confined that on cross-examination to l.c.l. traffic.

I will ask you if you have any figures for the Louisville & Nashville which will indicate for us the proportion of forwarder traffic to total traffic south-bound.

A. I have been able to obtain today our tonnage of forwarder traffic from the Cincinnati group where the forwarder traffic handled by the Louisville & Nashville very largely originates, to the entire South; and our total tonnage of merchandise traffic from and through Cincinnati to the South.

The figures are: Forwarder traffic during 1942, 71,012 tons; merchandise traffic, from and through Cincinnati, 204,880 tons.

Commr. Aitchison: Is that the way you move your forwarder traffic to New York?

The Witness: Mr. Chairman, such as we get; yes, sir; it comes to us at Cincinnati.

By Mr. Grubbs:

Q. Is the Louisville & Nashville one of the largest movers of forwarder traffic in the South?

A. It is a rather large mover, relatively. I shouldn't say it is the largest, Mr. Grubbs.

[fol. 5843] Q. I said, one of the largest.

A. The Illinois Central probably handles the greater volume.

Q. And is the L & N next to the Illinois Central?

A. The L & N is second or third. I am not quite certain how our movement compares with that of the Southern Railway.

Q. I will ask you this question: Has forwarder traffic displaced on the L & N l.c.l. traffic in package cars?

A. We have watched the movement very closely since its inception with us, and our best judgment is that it has not taken any material amount of tonnage from our package car, merchandise car.

Mr. Grubbs: If your Honor please, I think that before this witness steps down, it would be well for Mr. Clark to make a statement on this general subject that he has to make, and it might obviate any further questions from him on this subject.

Mr. Clark: At this time, may it please your Honor, may we introduced by reference, certain excerpts from a decision of the Commission which I will make reference to?

Commr. Aitchison: Yes, you may.

Mr. Clark: It is factual data.

Commr. Aitchison: What is it?

Mr. Clark: I say it is factual data.

The decision is in 28323, entitled "All Freight Rates to Points in Southern Territory", decided November 13, 1942, [fol. 5484] reported at 253 ICC 623.

From a mimeographed copy, I want to introduce the second paragraph, on sheet 11, the five lines dealing with the Southern Railway All-Commodity Rates in Less Carload Traffic; also Appendix B and the two paragraphs on sheet 10, the Appendix in those two paragraphs dealing with such comparisons for the Illinois Central and the Louisville & Nashville.

Mr. Norman: I understand that this is just a movement from C. F. A. and that there are similar figures in an Eastern Case about the movement from the East to the South; is that right, Mr. Hart?

Mr. Hart: Yes, in I & S 5027, I think it is, the figures are shown into Atlanta, forwarder traffic, which of course doesn't move by rail but by truck. In discussing this matter, I had reference to forwarder traffic, whether it moves by rail or truck, into Atlanta.

Commr. Aitchison: Of course, our reports of revenues distinguish between revenues received from forwarder traffic and that received from other traffic. That is already in the record here.

If you want to have one of these other cases considered, Mr. Norman, I think probably Mr. Clark will agree that you may give the citation to it later and refer to it in your brief, citing the part you want to have us consider.

Mr. Norman: All right.

[fol. 5485] Commr. Aitchison: That stipulation is made.

Mr. Grubbs: That is all for this witness.

Commr. Aitchison: Cross-examine.

Cross-examination.

By Mr. Norman:

Q. Mr. Morris, some question was raised here this morning in cross-examining Mr. Hart as to whether or not any movement of tires, automobile tires, from the South, north-bound on this break-down which you are now to put in exhibit form—it appears that for the L & N alone in the month of September, there were 102 cars.

Wouldn't you consider that a substantial movement?

A. Without checking the figure, I would be obliged to say I would consider 102 cars a rather material movement of tires; yes, sir.

Mr. Norman: That is all.

Commr. Aitchison: You may stand aside.

(Witness excused.)

Commr. Aitchison: Anything further, Mr. Grubbs.

Mr. Grubbs: As I indicated yesterday, the Southern Lines feel that the Southern Governors have not treated us fairly.

As Mr. Norman said yesterday, every one knows the kind of a case the Southern railroads made at the very beginning.

Of course, everybody does not attach the implication that he wanted attached to his statement, but what he did in the beginning of this case was to lay before you our rates [illegible] [fol. 5486] show you what we had and how we got it, and we say we were unacquainted with any substantial or any material complaint from any shipper and that we felt that we were entitled to hear those who had some complaint against our rate, and that when we should be given an opportunity to say what we had to say about those complaints.

Now, Mr. Norman, or the Southern Governors, presented some shipper witnesses at Indianapolis, at which time they said they would probably wish to introduce one or two more at Columbus, which they did, but they have come here and presented additional witnesses and have presented, in Mr. Hart particularly, one witness who represents himself, as the embodiment of many interests and he, in his Exhibit No. 220, listed those concerns for whom he speaks, particularly; indicating that they have some special grievance.

It is just physically impossible for us to meet this showing that has been rushed on us here at the last moment.

As I said yesterday, Mr. Hart's exhibit, to which I have referred, wasn't even circulated to us until yesterday in the manner in which your Honor said they should be circulated.

We have been taken by surprise, but we have no disposition to prolong this proceeding, but I do think we ought to be given, in these circumstances, an opportunity to present any facts that we think ought to be presented on the subjects that have been discussed by Mr. Hart, and also by [fol. 5487] these two other witnesses, and Mr. Ryan and Mr. Weaver.

It seems to us the reasonable thing to do in the circumstances, not desiring to prolong the proceeding, would be to permit us to submit in writing, within a reasonable time, any statements we have to make, such statements, of course, to be sworn to, and we hereby make such a request.

Commr. Aitchison: That request is made on behalf of whom?

Mr. Grubbs: That request is made on behalf of Southern Railroads, Class I Southern Railroads.

Mr. Norman: I will say, in the first place, that I don't think they have been treated unfairly in any respect, and we have offered nothing here that was not in rebuttal of evidence that was put on after we offered our testimony at Indianapolis and Columbus.

Furthermore, most of this testimony is from people who stated that that didn't understand that their rates were involved here, or that they could get relief here, but they were testifying to show that they were supporting, as an industry, this effort, and further, that they would not be able to get the Northern lines to concur; in other words, they were rebutting testimony that was put in by the railroads.

Now, in so far as their filing a sworn statement, I haven't any objection to it. Let them file it. Of course, I would have no chance to cross-examine their witnesses.

[fol. 5488] Commr. Aitchison: I think if that is going to be done, in all fairness you ought to be permitted to submit such questions as you want to.

Mr. Norman: And have them answered.

Mr. Grubbs: And have them answered. That is quite agreeable to us.

Commr. Aitchison: Will you be able to handle that so it can be treated as an exhibit coming in after the hearing?

Mr. Grubbs: It will be all right, sir. Do you want to fix a time for that, your Honor?

Commr. Aitchison: What time do you want?

Mr. Grubbs: I would like to ask for fifften days.

Commr, Aitchison: Why do you need fifteen days?

Mr. Grubbs: Because, your Honor, Witness Hart has quite a number of these manufacturers or these shippers and we desire to inquire into and analyze the facts concerning their requests on us for rates and to determine whether there has been competition that we felt required or did not require such rates.

Commr. Aitchison: I am not asking you about the character of the showing. I think fifteen days is too long. I will allow you ten days.

Any further testimony, gentlemen? Anything further?

(No response.)

If not, the record of the testimony will be closed.

The Commission designates this as a proposed report case.

[fol. 5489] Briefs of the parties, pursuant to the Rules of practice will be filed and served on or before June 30th.

Attention is called to the provisions of the Rules of Practice with respect to the mechanical provisions of the briefs themselves, or the documents themselves, and also the necessity for proper abstracts and requested findings of fact.

In order to make as light a burden as possible with respect to the service of briefs, and so forth, the Commission will undertake, before the time for service, to compile a service list of parties on whom briefs may be served, and therefore, the request will be made that the various interests which are in common canvass the situation between themselves and endeavor to arrange for the service of as limited a number as possible; and, if it is possible, to arrange for service upon one party for a group. That is considered desirable.

Of course, we all have in mind now the limitations of labor and limitations upon paper. We want to meet that as much as we can, considering the importance of the case.

Is there anything further?

Mr. McCollester: Mr. Chairman, in regard to the brief, I beg to inquire whether the Commission feels that it should, for the purposes of this proceeding, insist upon the observance of that portion of the sub-paragraph "D" of Rule 91, which states that the abstract of evidence relied upon should follow the statement of the case and precede the argument.

[fol. 5490] Chairman Alldredge: The abstract?

Mr. McCollester: The abstract; yes.

It would be just my impression that we would write a more useful brief——

Commr. Aitchison: (Interposing) Read the next sentence.

Mr. McCollester: Y s, but I make this reference because your Honor referred to the subject of abstracts and asked that we observe the rule regarding abstracts.

The next paragraph says we don't have to if we don't want to.

Commr. Aitchison: I was not attempting to get away from that rule which gives the option, but I was calling attention to the necessity for giving us an abstract, and I meant to make that cover just exactly the scope of the rule which you have cited, 91 "D", and in the event no abstract is given, of course, references to the record should be given instead.

The rule is pretty clear and there was no intention to give the rule a narrower application than the rule itself provides.

Mr. McCollester: I have an idea in this sort of proceeding the most helpful brief would be one that included a discussion of the evidence relied upon in with the argument rather than in a separate portion of the brief.

Commr. Aitchison: If there is nothing further, then, subject to the reception of three or four exhibits, that is, Mr. Grubbs one and Mr. Norman one, the hearing will be closed.

(Whereupon, at 5:10 o'clock p. m., the hearing was closed.)

192
749458
Sup. Ct

Vol. VIII

TRANSCRIPT OF RECORD

(Pages 4911 to 5522)

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES, OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

FILED AUGUST 1, 1946.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

VOL. VIII

INDEX

Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

EXHIBITS	Original	Print
1—Distribution of The Natural Resources of the United States by Freight Rate Territories	5491	4911
2—Railroad Freight Service Costs in the Various Freight Territories, 1939. (Textual or explanatory material)	5787	5141

Judd & Detweiler (Inc.), Printers, Washington, D. C., Oct. 24, 1946.

—7298

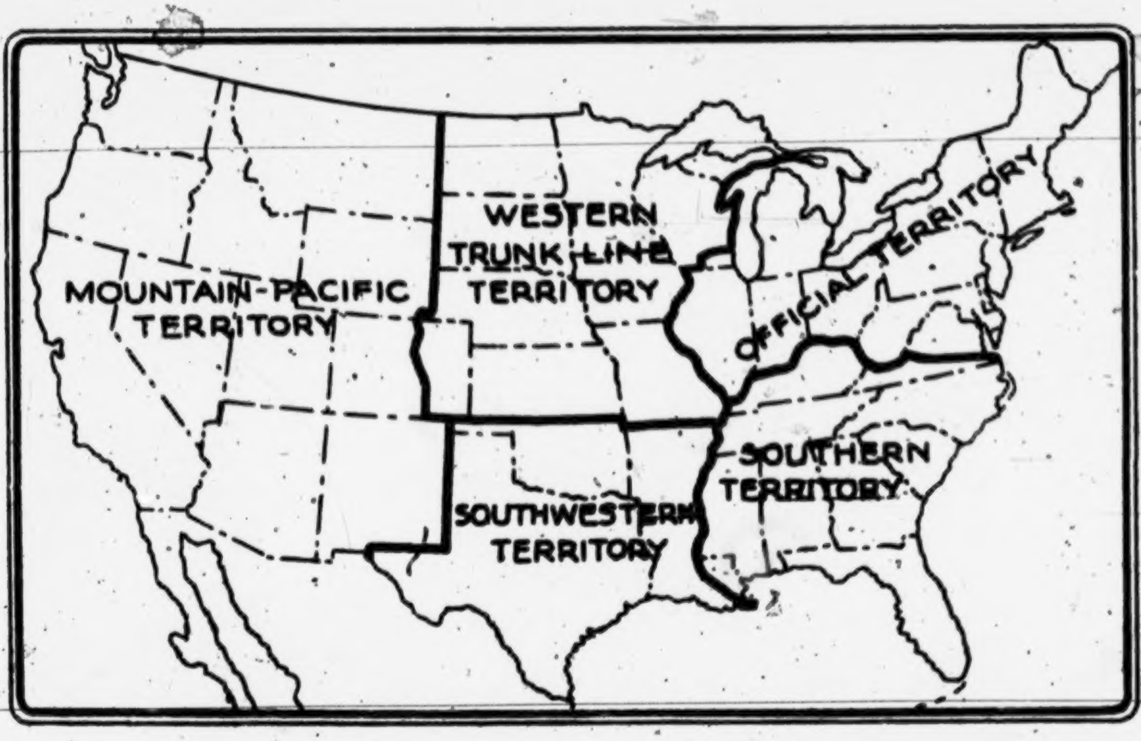
Exhibit 5—Proceedings before Interstate Commerce Commission in Docket Nos. 28,300 and 28,310—Continued

	Original	Print
3—Railroad Freight Service Costs in the Various Freight Territories, 1939. (Cost Scales by Territories and classes of equipment)	5913	5139
4—Railway Service Costs for the Year 1939	6070	5423
5—Progression in Freight Rate Mileage Scales	6110	5463
6—Corrected Table, including New England Zone A and Zone B, Michigan Zone C, Southern, Western Trunk Line Zone I and Zone II, Southwestern Zone III and Zone IV	6168	5521

EXHIBIT 1

Interstate Commerce Commission
Bureau of Statistics

DISTRIBUTION OF THE NATURAL RESOURCES
OF THE
UNITED STATES
BY
FREIGHT RATE TERRITORIES


WESTERN TRUNK LINE TERRITORY
MOUNTAIN-PACIFIC TERRITORY
OFFICIAL TERRITORY
SOUTHERN TERRITORY
SOUTHWESTERN TERRITORY

Prepared Under the Direction of
W. H. S. Stevens, Assistant Director, Bureau of Statistics,
assisted by
George M. Saharov, Associate Economist,
and
Edward C. Bryant, Junior Statistician

Washington, D. C., June, 1941

[fol. 5493]

TABLE OF CONTENTS

Original

- Chapter I—Nature of the study I–1
  - Divisions of the study I–1
  - Character of the data I–2
  - Distribution of the data by rate territories I–3
- Chapter II—Rate territory distribution of mineral resources II–1
  - Relative importance of different minerals II–1
  - Metallic mineral reserves II–6
    - Iron ore II–7
    - Copper II–9
    - Lead and zinc II–10
  - Minor metals II–13
  - Non-metallic minerals II–14
  - Secondary metal reserves II–15
    - Characteristics and significance of secondary metal reserves II–15
    - Importance of secondary ferrous metals II–18
    - Importance of secondary nonferrous metals II–19
  - Relation of metal consumption to growth of secondary reserves II–26
    - Copper II–26
    - Lead II–28
    - Zinc II–30
    - Tin II–33
    - Aluminum II–35
    - Nickel II–37
  - Reserves of secondary metals by freight rate territories II–38
    - Secondary metal reserves in buildings II–38
    - Automobile secondary metal reserves II–42
    - Secondary reserves in electrical and other machinery II–43
    - Secondary metal reserves in wire and cable II–47
    - Secondary reserves of iron and steel in railways II–49
  - Location of secondary reserves of metal as indicated by rail movements of scrap II–52

Page

Chapter III—Rate territory distribution of energy resources III–1

Relative significance of energy resources III–1
Coal III–1
Waterpower versus fuel energies III–2
Reserves of fuel energy III–8
Coal reserves III–9
Petroleum reserves III–14
Natural gas reserves III–20
Total energy of mineral fuel resources III–22
Water power resources III–24

Chapter IV—Rate territory distribution of agricultural resources IV–1

Importance of agricultural resources IV–1
Agricultural resources as measured by quality of land IV–5
Agricultural resources as measured by the distribution of land used for agriculture IV–12
Agricultural resources as measured by potential production of crops IV–14
Agricultural resources as measured by 1939 crop production IV–16
General discussion IV–16
Acreage harvested for 29 principal crops IV–23
Crop production IV–24
Yield per acre by crops IV–25
Farm value of individual crops IV–27
Average farm price per acre of individual crops IV–28
Agricultural resources as measured by 1939 livestock and poultry production IV–30
Production of livestock and poultry products IV–30
Value of livestock and poultry products IV–32
Average farm value per unit IV–32
Relation of agricultural resources to agricultural products IV–34
Farm products over 500 million dollars IV–34
Dairy products and hay IV–36
Corn IV–40
Meat animals IV–46

Page
Cotton IV-48
Chickens and eggs IV-49

[fol. 5495]

Chapter IV—Rate territory distribution of agricultural resources (Cont'd.)

Relation of agricultural resources to agricultural products (cont'd.)

Wheat IV-51
Farm products of 50 to 500 million dollars IV-53
Tobacco IV-55
Oats IV-55
Commercial truck crops IV-58
Potatoes IV-58
Apples IV-60
Sheep IV-62
Other IV-62
Diversification of crops IV-75

Chapter V—Rate territory distribution of forest resources V-1

Forest regions V-1
Original forest area V-7
Forest land a multiple use resource V-8
Forest areas by freight rate territories V-9
Stand of timber by freight rate territories V-15
Total stand of softwoods and hardwoods by character of growth V-15
Stand of saw timber by character of growth V-15
Stand of cordwood V-18
Ranking of freight rate territories in forest areas and stands of timber V-26
Stand of timber per acre of forest areas V-31
Stand of saw timber by species V-34
Current annual growth V-39
Current annual growth and drain V-41
Future timber requirements V-43

Chapter VI—Rate territory distribution of human resources VI-1

Total and gainfully employed population VI-1
Major occupations VI-3

Page
Social-economic groupings VI-4
  Professional persons VI-6
  Proprietors, managers, and officials VI-7
  Farm owners and tenants VI-8
  Skilled workers and foremen VI-11
  Semi-skilled and unskilled workers VI-11

[fol. 5496]

LIST OF TABLES

Table No. — Page
1 Relative importance of specified mineral industries, excluding energy minerals, 1929 . . . . II-4
2 Iron ore reserves of the United States by freight rate territories, 1935 (approximate) II-9
3 Lead and zinc reserves, by freight rate territories, 1936 . . . . II-12
3A Minor metals. Value of production, by freight rate territories, 1939 . . . . II-12a
3B Minor metals. Value of production of states divided by freight rate territory boundaries, 1939 . . . . II-13
3C Value of nonmetals sold or used by producers, by freight rate territories, 1939 . . . . II-14a
3D Value of production of nonmetals sold or used for states divided by freight rate territories, 1939 . . . . II-14d
3E Nonmetals produced, sold, or used by producers, by freight rate territories, 1939 . . . . II-15a
3F Nonmetals produced, sold, or used by producers in the states divided by freight rate territories, 1939 . . . . II-15c
4 Relation of nonferrous secondary to primary metal production or imports, three-year averages, 1914-1939 . . . . II-21
5 Relation of secondary production from new and old scrap to primary production from domestic ores or imports of principal nonferrous metals II-25
6 Estimated average use of copper in the United States, 1934-1938 . . . . II-27

Table No. — Page

7 Lead consumed in the United States, by use, average, 1934-1938 . . . II-29
8 Estimated average industrial use of zinc in the United States, 1934-1938 . . . II-32
9 Average consumption of tin in the United States, 1935-1938, by finished products (tin content) . . . II-34
9A Uses of aluminum . . . II-36
10 Proportion of consumption of specified metals in building, 1934-1938 . . . II-38
[fol. 5497]
11 Relative importance of building structures in the United States, by freight rate territories, Grouping A . . . II-40
12 Relative importance of building structures in the United States, by freight rate territories (continued), Grouping B . . . II-41
13 Distribution of motor vehicles. registrations by freight rate territories, 1938 . . . II-44
14 Distribution of prime mover capacity in generating plants, 1938 . . . II-46
15 Miles of wire of telephone companies, by freight rate territories, 1939 . . . II-48
16 Miles of road owned, all line-haul steam railways, by freight rate territories, 1938 . . . II-50
17 Locomotives and cars of class I railway companies, by districts, 1938 . . . II-51
18 Rail originations and terminations of iron and steel scrap, by freight rate territories, first quarter 1940 . . . II-53
19 Average tonnage of iron and steel scrap originated and terminated, by districts, 1933-39 . . . II-54
20 Originations of scrap metals as reported by Western Trunk Line carriers, April and October 1928 . . . II-56
21 Originations of scrap metals as reported by Southwestern carriers, April and October 1928 . . . II-57
22 Originations of scrap metals in the United States as reported by Trans-Continental carriers, April and October 1928 . . . II-58

Table No.		Page
23	Originations of scrap metals received at New England and Trunk Line points, April and October 1928	II–60
24	Originations of scrap metals moving from various producing points to consuming points in Illinois Freight Association territory, April and October 1928	II–61
25	Originations of scrap metals moving from points of origin to consuming points in Central Freight Association territory, April and October 1928	II–63
26	Reserves of mineral fuels and their importance in terms of heat values	III–3
27	Distribution of original reserves of coal, by freight rate territories	III–11

[fol. 5498]

Table No.		Page
28	Distribution of present reserves of coal, by freight rate territories, January 1, 1937	III–12
29	Comparison of the total coal reserves (bituminous, semi-bituminous, sub-bituminous, lignite, and anthracite) expressed in terms of total tonnages of all coals and in terms of bituminous coal, by freight rate territories, January 1, 1937	III–15
30	Selected estimates of proven reserves of petroleum, 1925-1939	III–18
30A	Distribution of total energy of mineral fuel resources by freight rate territories, January 1, 1937 (approx.)	III–23
31	Waterpower resources and energy production, by freight rate territories, Grouping A	III–25
32	Waterpower resources and energy production, by freight rate territories, Grouping B	III–26
33	Estimated actual and feasible energy output of water power plants existing at end of 1937, Grouping A	III–29
34	Estimated actual and feasible energy output of water power plants existing at end of 1937, Grouping B	III–30
35	Estimated cost to manufacturers of raw materials consumed, distributed according to	

Table No. — Page

the extractive industries where produced, 1929 .... IV–2

36 Gross farm income from crops and livestock, by freight rate territories, 1939 .... IV–4

37 Land area classified according to its productivity, by freight rate territories IV–6a

38 Irrigable lands of the western states, by freight rate territories IV–9

38A Land area classified according to its productivity, by freight rate territories, after giving consideration to irrigation IV–10

39 Land area, by uses and freight rate territories, 1940 .... IV–12a

40 Potential acreage of principal crops, by freight rate territories IV–16a

41 Potential production of principal crops, by freight rate territories IV–16b

[fol. 5499]

42 Harvested acreage of principal crops and gross farm income from crops and livestock, United States, 1926-1939 .... IV–18

43 Acreage and value of total principal crops, by freight rate territories, 1939 .... IV–22

44 Acreage of principal crops harvested, by freight rate territories, 1939 .... IV–23a

45 Production of principal crops, by freight rate territories, 1939 .... IV–24a

46 Average yield per acre of 30 principal crops, by freight rate territories, 1939 .... IV–25a

47 Farm value of principal crops, by freight rate territories, 1939 .... IV–27a

48 Average farm prices of 38 principal crops, by freight rate territories, 1939 .... IV–28a

49 Livestock and poultry. Production on farms, by freight rate territories, 1939 .... IV–31

50 Livestock and poultry. Value of production on farms, by freight rate territories, 1939 .... IV–32a

51 Livestock and poultry. Average farm value per unit, by freight rate territories, 1939 .... IV–33

52 Value of principal farm products by freight rate territories, 1939 ($500,000,000 and over) IV–35

Table No. Page
53 Tame hay. Potential production and production in 1939, by freight rate territories IV-41
54 Wild hay. Potential production and production in 1939, by freight rate territories IV-42
55 All corn. Potential production and production in 1939, by freight rate territories IV-44
56 General character and relationships of the zonal groups of soils IV-47
57 Cotton. Potential production and production in 1939, by freight rate territories IV-50
58 All wheat. Potential production and production in 1939, by freight rate territories IV-54

[fol. 5500]

59 Tobacco. Potential production and production in 1939, by freight rate territories IV-56
60 Value of principal farm products, by freight rate territories, 1939 ($50,000,000 to $499,999,999 group) IV-57
61 Oats. Potential production and production in 1939, by freight rate territories IV-59
62 Potatoes. Potential production and production in 1939, by freight rate territories IV-61
63 Barley. Potential production and production in 1939, by freight rate territories IV-63
64 Rye. Potential production and production in 1939, by freight rate territories IV-64
65 Buckwheat. Potential production and production in 1939, by freight rate territories IV-65
66 Rice. Potential production and production in 1939, by freight rate territories IV-66
67 Grain sorghums for all purposes. Potential production and production in 1939, by freight rate territories IV-67
68 Sweet sorghums for forage and hay. Potential production and production in 1939, by freight rate territories IV-68
69 Peanuts. Potential production and production in 1939, by freight rate territories IV-69
70 Flaxseed. Potential production and production in 1939, by freight rate territories IV-70

Table No. Page.

71 Sugarcane for sugar. Potential production and production in 1939, by freight rate territories IV-71

72 Sugarcane for syrup. Potential production and production in 1939, by freight rate territories IV-72

73 Sugar beets. Potential production and production in 1939, by freight rate territories IV-73

74 Sweetpotatoes. Potential production and production in 1939, by freight rate territories IV-74

[fol. 5501]

75 Farm value of principal groups of crops, by freight rate territories, 1939 .... IV-77

76 Distribution of the acreage of crops harvested within freight rate territories, 1939 .... IV-79

77 Forest land, original and in 1938, by freight rate territories V-10

78 Commercial forest area, by character of growth and by freight rate territories, 1938 .... V-13

79 Total stand of softwoods and hardwoods on commercial forest land, by type of material and by freight rate territories, 1938 .... V-16

80 Stand of saw timber on commercial forest land by character of growth and by freight rate territories, 1938 .... V-19

81 Stand of saw timber, old growth and second growth, on commercial forest land, by freight rate territories, 1938 .... V-21

82 Stand of cordwood on saw timber, cordwood, and restocking areas, by freight rate territories, 1938 .... V-23

82A Total stand of cordwood, softwood and hardwood, on commercial forest land, by freight rate territories, 1938 .... V-25

83 Ranking of freight rate territories in forest area and stand of timber, 1938 .... V-28

84 Stand of timber per acre of forest areas, by character of growth and by freight rate territories, 1938 .... V-33

Table No. Page

85 Stand of saw timber on commercial forest land, by species and freight rate territories, 1938 V–36
86 Stand of saw timber on commercial forest land, by species and freight rate territories, 1938 [percent distribution] V–37
87 Current annual growth on commercial forest areas, by freight rate territories, 1938 V–40
88 Current annual growth and drain, by freight rate territories, 1936 V–42
89 Distribution of total population and of the gainfully employed ten years of age and above by freight rate territories, 1930 VI–2

[fol. 5502]

90 Distribution of the total gainfully employed population ten years of age and over, by major Census industry groupings and by freight rate territories, 1930 VI–3a
91 Total gainful workers, distributed by social-economic groups and by freight rate territories, 1930. Grouping A VI–5a
92 Total gainful workers, distributed by social-economic groups and by freight rate territories, 1930. Grouping B VI–5b
93 Distribution of the principal classes of proprietors, managers, and officials, by freight rate territories, 1930. Grouping A VI–7a
94 Distribution of the principal classes of proprietors, managers, and officials, by freight rate territories, 1930. Grouping B VI–7b
95 Distribution of farm operators, by tenure of operator and by freight rate territories, 1930. Grouping A VI–8a
96 Distribution of farm operators, by tenure of operator and by freight rate territories, 1930. Grouping B VI–8b
97 Distribution of farm operators, 1930 VI–10
98 Distribution of principal classes of skilled labor in manufacturing and mechanical industries, 1930 VI–11a

Table No. | Page
99 Distribution of manufacturing operatives and of specified principal classes of unskilled labor, by freight rate territories, 1930 . . . . VI–12a

[fol. 5503]

LIST OF MAPS

Map No. | Follows page
A The five principal rate territories in the United States I–3
1 Map showing distribution of iron ore deposits in the United States II–8
2 Coal fields of the United States III–10
B Oil fields and unproductive areas of the United States III–19
3 Agricultural regions IV–37
4 Average summer temperature IV–45
5 Average winter temperature IV–45
6 Average length of frost-free season IV–45
7 Zonal soil groups IV–46
8 Land relief of the United States IV–48
9 Average annual precipitation IV–50
10 Average spring precipitation IV–50
11 Average summer precipitation IV–50
12 Average fall precipitation IV–50
13 Average winter precipitation IV–50
14 Forest regions V–2

[fol. 5504] DISTRIBUTION OF THE NATURAL RESOURCES OF THE UNITED STATES BY FREIGHT RATE TERRITORIES

CHAPTER I

Nature of the Study

Divisions of the Study

Irrespective of whether and to what extent freight rates are or are not responsible for the differences in the growth and development of the different freight rate territories, it seems reasonable to suppose that both freight rates and the material prosperity of the population of these rate areas have been associated in some degree with the natural resources within their boundaries.

Although much has been said and written regarding these natural resources, it does not appear that any comprehensive study has been made of their rate territory distribution. Geographical presentations for most of the data employed in this study are usually confined to state figures or to those for the grand divisions established by the Bureau of the Census of the United States Department of Commerce for the tabulation of Census data. In this study, however, the natural resources have been summarized by freight rate areas to the extent that it has been found practicable to make such a distribution.

For this purpose natural resources have been broadly interpreted to mean the soil, water, and mineral resources of the United States which are substantially the same divisions as those used by the National Resources Planning Board.[1]

For convenience in discussion, however, this classification has been revised and the analysis divided into five major topics: mineral, energy, agricultural, forest, and [fol. 5505] human resources. The first includes a survey of the significant mineral reserves and comparisons of mineral production, excluding the energy minerals. The reserves and production of the latter, together with the actual and potential generation of energy from water power, are considered in the second subdivision dealing with the energy resources. The third section surveys the actual production of agricultural crops and livestock products together with the potential capacity for production, giving consideration to the natural limitations imposed thereon by the character of the soil, the climate, the rainfall, and other similar factors. The fourth section presents the distribution of our reserves of different kinds and classes of timber. Last but not least the final section sets forth the distribution of our human resources according to various social-economic groupings within each rate territory.

---

[1] A Report on National Planning and Public Works in Relation to Natural Resources, etc., National Resources Planning Board, 1934, Foreward, p. v.

Character of the Data

Of necessity the character of the data used for measuring these resources and distributing them by rate territories varies greatly. Certain of our resources are subject in considerable degree to quantitative measurement. This is true, for example, of the reserves of some minerals as well as timber. Data on reserves, however, are frequently unavailable, and in the case of agriculture the resources are not of a character to permit quantitative estimates of reserves. Available information regarding resources in terms of reserves, however, has been employed in the case of timber and of certain significant minerals. Where the character of the commodity or the nature of the information was such that data of this sort were not available, it has been necessary to use figures of actual and potential production, product value, and the like. For the most part the material utilized has been drawn from standard government publications and reports or from quasi-governmental reports such as those of the National Resources Committee. In some cases, however, publications and authors of recognized standing have been used where other information was not available.

[fol. 5506] For a variety of reasons the data employed throughout the report are of differing dates. Because of the unavailability as yet of certain data from the recent census, it has been necessary to use the preceding one in several cases. At the time the mineral resources material was prepared the Minerals Yearbook for 1940 was not available and consequently figures from the 1939 volume were perforce utilized except that some information of a later date was procured directly from the Bureau of Mines. There are other cases where data are now available which were not so at the time the statistical tables were prepared. In practically all cases, however, the data utilized were those of the latest data available at the time when the particular sections were written. Owing to the limited staff available, it was impracticable to prepare all the subdivisions of the report simultaneously.

Distribution of the Data by Rate Territories

The boundaries of the five freight rate territories, for which data have been compiled, are set forth in an order of the Commission dated January 9, 1940, requiring Class I railways to compile certain information bearing on the Class Rate Case.[1] The five rate territories may be described by reference to the Census grand division groupings of states. Map A also shows the areas included in each territory.[2]

The Census grand divisions include in the South Atlantic grouping Delaware, Maryland, the District of Columbia, all within Official territory, and West Virginia, also in Official territory except for a very narrow strip in the

---

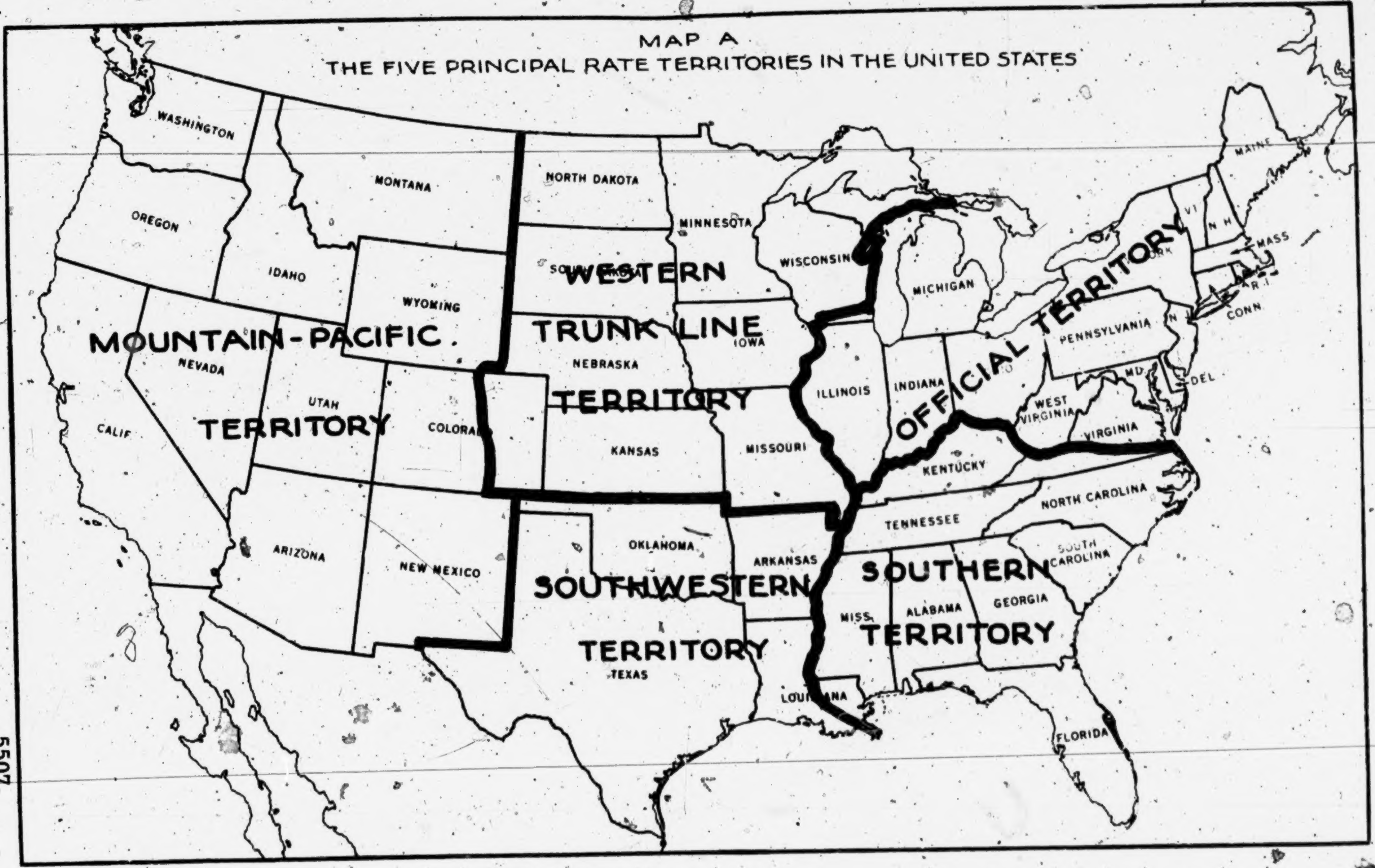
[1] Interstate Commerce Commission Docket No. 28,300, Vol. I, Class Rate Investigation, 1939, and No. 28,310, Consolidated Freight Classification.

[2] As defined by Paragraph 4 of the Commission's order ibid.

(Here follows 1 photolithograph, side folio 5507)

MAP A

THE FIVE PRINCIPAL RATE TERRITORIES IN THE UNITED STATES


MOUNTAIN-PACIFIC TERRITORY
WESTERN TRUNK LINE TERRITORY
OFFICIAL TERRITORY
SOUTHWESTERN TERRITORY
SOUTHERN TERRITORY
WASHINGTON
OREGON
MONTANA
IDAHO
WYOMING
NEVADA
UTAH
CALIF
COLORADO
ARIZONA
NEW MEXICO
NORTH DAKOTA
SOUTH DAKOTA
MINNESOTA
NEBRASKA
IOWA
KANSAS
MISSOURI
OKLAHOMA
ARKANSAS
TEXAS
LOUISIANA
WISCONSIN
MICHIGAN
ILLINOIS
INDIANA
KENTUCKY
TENNESSEE
MISS.
ALABAMA
GEORGIA
FLORIDA
SOUTH CAROLINA
NORTH CAROLINA
VIRGINIA
WEST VIRGINIA
MD
DEL
PENNSYLVANIA
N J
NEW YORK
CONN
R.I.
MASS
VT
N H
MAINE

5507

4926A

[fol. 5508] extreme southern portion of the state. Virginia is likewise included with the South Atlantic grouping although the entire northern section of the state (amounting to over 60 percent of the land area) is in Official territory. The Southern rate territory includes the Census East South Central and South Atlantic states with the exceptions noted above in the South Atlantic division, and that portion of Louisiana lying east of the Mississippi. The New England, Middle Atlantic, and East North Central states are all included within Official territory except that the northern peninsula of Michigan and all of Wisconsin except a narrow strip of territory along Lake Superior and the southeastern corner of that state are excluded from that rate area. Western Trunk Line territory coincides with the Census West North Central states but also includes the northern peninsula of Michigan, and all of Wisconsin except as specified above, the eastern third of Colorado, and the southeastern corner of Wyoming. The remainder of the latter two states belongs to the Census Mountain division. Southwestern territory coincides with the Census West South Central division except that that portion of Louisiana east of the Mississippi is included in Southern territory as noted above. Mountain-Pacifis territory includes the Census grand divisions corresponding to these designations with the exception of those parts of Colorado and Wyoming referred to above which are included in Western Trunk Line territory.

The freight rate territory boundaries, therefore, cut across state lines in Michigan, Wisconsin, Virginia, West Virginia, Louisiana, Colorado, and Wyoming, and most of the information which is presented in this report is not available by counties but only by states. In some cases the areas of reserves or production in states which are within two rate territories are so definitely located in the one or the other that the distribution of the resources could be made in a single table. In most cases, however, it has been necessary to show the rate territory distribution in two groupings in which the figures of each of the "two territory" states are assigned alternatively to the two rate areas involved. Exceptions are West Virginia and Wyoming, which because of the small areas outside Official and Mountain-Pacific territories, respectively, have been assigned to these territories throughout.

[fol. 5508a] In the case of agriculture, county figures for the commodities are available and the state figures have been distributed between the two rate territories according to the county lines. The Census of Agriculture as of 1939 was not complete at the date of this report so 1929 Census county figures were used in apportioning 1939 state figures reported by the United States Department of Agriculture. All counties in the upper peninsula of Michigan were included in Western Trunk Line territory and all counties in the lower peninsula were included in Official territory. In Wisconsin, Virginia, Louisiana, and Colorado the counties were allocated to territories so as to form a line roughly corresponding with the rate territory boundaries shown by Map A.

[fol. 5509]

CHAPTER II

Rate Territory Distribution of Mineral Resources

Relative Importance of Different Minerals

Information regarding the reserves of minerals except for those which constitute sources of fuel energy and a few others are relatively scanty and in some cases at least practically nonexistent. "Some minerals are so erratic in occurrence that estimates even after careful geologic study and interpretation may mean little or nothing. * * * Some minerals are so common that there has been little incentive to estimate their quantities. Some have not been estimated because the known deposits were uneconomic. It is surprising * * * how few geologists and engineers have been willing to estimate quantitatively the amount of ore in mines, quarries or prospects."[1]

---

[1] Kenneth Leith and Donald M. Liddell, The Mineral Reserves of the United States and Its Capacity for Production, National Resources Committee, March 1936, p. 4. "Mining has always been a more or less hazardous venture: * * * The very nature of ore deposits makes predictions of their reserves hazardous. A coal bed can often be measured and its total available tonnage calculated. An iron mine is sometimes carefully drilled and its tonnage may be estimated without great chance of error. A gold mine on the other hand may consist of pockets of ore haphazardly distributed in a wide lode. Any estimate of the amount of

[fol. 5510] This rather general shortage of statistical estimates of the reserves of many minerals has made it necessary to discuss a number of these resources in terms other than the reserves available in the various freight rate territories. Although the latter is admittedly a less satisfactory basis of comparison, it is not as seriously objectionable as might at first be thought. For certain nonferrous metals considerable information on reserves is available. A few additional minerals are so generally and profusely distributed that the reserves of the different freight rate territories might not be particularly significant. According to the Census of Mines and Quarries in 1929, for example, sand and gravel was produced in practically every state in the Union and limestone in 42 states.[1] In these cases it is quite possible that the total reserves of every freight rate territory are so huge in terms of any probable utilization that the proportion in any rate territory is much less likely to exercise a significant influence on the economic development of the territory than is the case with those minerals required in large quantities by the economy but which are both more scarce in terms of total consumption and also less profusely distributed.

Outside of the energy *numerals*, copper, iron ore, limestone and sand and gravel, the reserves of most minerals are of relatively minor importance in our economy. By this it is not intended to imply that certain of these minerals are

---

'pay ore' in a mine of this sort would of necessity be * * * at best a relatively inaccurate prediction.

"Ore bodies may occur in many shapes and patterns. A vein lode has definite boundaries. In it there will usually be found little sub-ore or mineral bearing material of a grade too low to be economically mined. On the other hand, many disseminated ore bodies * * * have indefinite boundaries either of grade or of thickness, determined only by economic limits. These limits vary with changing technological process and with the economic factors of costs. * * * Improved processes of extraction will probably allow for the utilization of mineral raw materials not now considered economic." Ibid., p. 3.

[1] Mines and Quarries, 1929, Fifteenth Census of the United States, Table 3, Sand and Gravel, p. 374; Table 25, Limestone, p. 357; Table 32, Crushed stone, p. 366.

not exceedingly important in a technical sense, as strategic or critical in the economy. For certain of such minerals even reasonably satisfactory substitutes may not be available in the present state of technology and the production of goods requiring such strategic minerals may obviously be completely dependent thereon. But in terms of the value product, the average number of persons employed, or the average wages paid, many mineral industries are insignificant even though highly essential where satisfactory substitutes are not available. In addition, there is the fact that some of these minerals, such as the various kinds of stone, can be extensively substituted for one another in [fol. 5511] certain kinds of use. The extent of the reserves of many minerals, therefore, seems clearly not as important for this analysis as in the size of the reserves of various energy minerals, iron ore, and certain nonferrous metals for which considerable data on such reserves are available and which are much more important to our economy in terms of value product, employment, and wages.

The situation described is indicated in more detail by Table 1 which shows the Census figures of value product, wage jobs, and wages for each of 32 mineral industries in 1929, the figures for the year 1939 not being available at this writing.[1]

---

[1] The year is not, perhaps, particularly important since the table is designed only to indicate something with regard to the relative importance of those metallic and nonmetallic minerals which are not classifiable as energy resources. For this purpose 1929 with its high level of productivity and employment may be almost as satisfactory as 1939 were figures for the later year available. Figures of volume and value of production are compiled by the Bureau of Mines also but these figures are not on a uniform basis. For some minerals they are on a "mined" basis. In others they are "shipped from mines", "produced", "sold by producers", "sold or used by producers". The Bureau of the Census, on the other hand, endeavors to present the total value to the producer of the actual annual output. Also the labor data are not available in the Bureau of Mines figures.

(Here follows 1 photolithograph, side folio 5512)

Table 1.--Relative Importance of Specified Mineral Industries, Excluding Energy Minerals, 1929 1/

Industry	Value of production	Labor	
		Average wage earners	Wages
Metallic minerals:			
Copper	$283,517,373	44,502	$73,199,785
Iron ore	197,334,543	28,516	40,905,190
Lead	67,561,778	14,007	22,917,435
Zinc	44,866,026	11,900	16,274,339
Gold, lode and placer	21,429,415	5,931	9,625,515
Silver	8,457,263	2,593	4,326,719
Mercury	2,820,166	1,029	1,383,603
Manganese	1,184,561	354	392,362
Other metals	2/ 6,649,976	2/1,244	2/ 1,506,851
Total metallic	633,821,106	110,076	170,531,799
Non-metallic minerals:			
Limestone	117,257,784	32,300	39,188,364
Sand and gravel 3/	112,447,087	18,061	25,384,341
Granite	30,381,373	10,037	12,639,524
Clay	10,753,445	4,139	3,757,998
Slate	10,486,390	4,098	4,384,038
Marble	7,538,905	3,350	3,291,541
Phosphate rock	13,043,769	3,201	3,303,940
Basalt	15,543,687	3,053	4,498,093
Sulphur and pyrites	37,126,148	2,199	3,482,606
Sandstone	6,311,977	2,156	2,626,437
Gypsum	5,740,188	2,078	2,627,733
Silica 4/	4,645,142	1,433	1,677,407
Asphalt and bituminous rock	5,123,836	1,123	1,254,835
Fluorspar	2,858,344	1,053	1,112,322
Fuller's and filtering earths	4,811,629	991	853,228
Barite	1,801,314	844	648,488
Feldspar	1,935,335	598	526,896
Talc and soapstone	2,537,953	550	615,355
Abrasives 5/	1,411,284	462	491,484
Magnesite	2,043,905	351	465,936
Mica	516,305	226	195,142
Asbestos	397,482	195	236,789
Millstones and pulpstones	620,835	164	221,318
Miscellaneous stone	8,475,008	1,841	2,405,906
Miscellaneous minerals	3,502,876	305	301,197
Total non-metallic	407,462,001	94,808	116,690,918
Grand total	1,041,283,107	204,884	287,222,717

See next page for footnotes.

[fol. 5513] (Footnote for Table 1:)

---

[1] Mines and Quarries, Fifteenth Census of the U. S., 1929, Tables 9 and 24, pp. 13 and 33-35.

[2] Bauxite, molybdenum, titanium, tungsten, vanadium.

[3] Includes glass sand and molding sand.

[4] Diatomaceous earth, ganister, quartz, quartzite, silica rock, silica sand, siliceous mica schist, tripoli.

[5] Emery, garnet and industrial sapphires and diamonds, etc.

[fol. 5514] Out of a total of 32 m[illegible]llic and nonmetallic minerals, only four—copper, iron ore, limestone, and sand and gravel—showed a product value of in excess of 100 million dollars and only eight (lead, zinc, granite, sulphur and pyrites in addition to the foregoing) a value in excess of 30 million dollars.

The total value product of these eight industries in 1929 aggregated $890,492,117 or 85.52 per cent of the total of $1,041,283,107 for all minerals excluding the fuel energy sources. Again, only three of these industries (copper, iron ore, and limestone) employed an average of over 20 thousand persons, and only seven (lead, zinc, granite, sand and gravel in addition to the foregoing) more than 10 thousand. These seven industries also were the only ones each of which paid more than 10 million dollars in wages in 1929. In fact, except for these seven mineral industries and gold mining, no other accounted for as many as 5,000 wage earners.

The seven industries with over 10,000 wage earners (copper, iron ore, lead, zinc, limestone, granite, and sand and gravel) accounted for 159,323 wage earners out of a total of 204,884 or 77.8 per cent of the total, the remaining 25 or more industries offering jobs to only 45,561 workers or less than 2,000 per industry on the average. These seven industries also paid $230,508,978 in wages in 1929 or more than 80 per cent of the total wage bill of $287,222,717.

The figures in this table and the discussion in connection therewith may be taken as the explanation of the restriction of the analysis of the mineral reserves by rate territories to the more important minerals and of the failure to carry this analysis into certain of the minor and profusely distributed minerals.

Metallic Mineral Reserves

Most of the data bearing on the mineral reserves of the United States have been brought together by Leith and Liddell in their report on mineral reserves for the National Resources Committee.[1] The material contained in that report has been the primary source of the information for the distribution of the more important mineral reserves by freight rate territories.

[fol. 5515] *Iron Ore*

There are so many known bodies of iron ore of different composition that it is a matter of great difficulty to draw a line between ore and sub-ore or between available and non-available ore. The report for the Resources Committee has drawn these lines on the basis of a hypothetical year of normal industrial activity which involves "an assumption of continuing conditions substantially the same as those obtaining at the present time."[1a]

The greatest iron ore deposits of the country are in the Lake Superior District. Estimates of the Minnesota and Michigan Tax Commissioners places the unmined iron ore reserves as of 1939 at 1,208,047,717 gross tons in Minnesota and 149,754,897 tons in Michigan.[2] Besides these there is in the great Mesabi range of Minnesota[3] (1) a vast quantity of intermediate material "a grand mixture of ore, sand and rock" with a 40 per cent iron content and (2) iron bearing rock which contains 30 per cent iron and is far too poor for the steel plants to utilize.[4] Large quantities of the intermediates are already being subjected to beneficiation processes. According to Leith and Liddell, the introduction of these beneficiation practices has added over 300 million tons to the Mesabi reserves and the reserves of the low grade ores and taconites in this region not at present ~~economically beneficiable~~ may be estimated at 72 billion tons or a reserve for 1,600 years of use if it all could be used.[5]

---

[1] The Mineral Reserves of the United States and Its Capacity for Production, op. cit.

[1a] Ibid., p. 97. The statistics used in their discussion of iron ore are for the period 1928-1934.

[2] Minerals Yearbook, 1940, p. 545.

[3] The Mesabi contains 95 per cent of all the ore known to exist in Minnesota. E. W. Davis, Mines Experiment Station, Univ. of Minnesota, The Iron Ore Deposits of Minnesota, Univ. of Minnesota Bull. XL, No. 27, March 1937, p. 2.

[4] Ibid., p. 3.

[fol. 5516] The Birmingham ore district is a self-contained industrial entity or economic unit so far as the production of steel is concerned. This area contains large quantities of iron ore and coking coal together with fluxing dolomite and limestone all in a basin about 40 miles wide by 75 in length. Drilling has demonstrated commercial ore in a quantity of 1½ to 2 billion tons or enough to last some 300 years at the expected rate of production.[1]

Besides these two major sources of ore there are extensive deposits of varying degrees of availability or nonavailability scattered throughout the country. There are known iron ore deposits in 13 of the states west of the Mississippi River,[2] most of them small and unimportant, and there are also deposits in the eastern states. The Tennessee River Basin apparently has in excess of 100 million tons available and nearly 2 billion tons of reserves, nonavailable at present, chiefly in northeastern Tennessee and southwestern Virginia. Map 1 shows the distribution of these iron ore reserves.

Although the Mineral Reserves Report for the National Resources Committee gave no tabulation of reserves by states or census districts, Table 2 presented herewith has been prepared from the data contained in the text of that report. This table attempts to show the iron ore reserves of the United States by freight rate territories on the basis both of ore substantially available at the present time and of the present nonavailable ore which may subsequently become available. In the groupings in Table 2 the Lake Superior reserves are all assigned to Western Trunk Line territory and the reserves of Maryland and Virginia to the Southern territory. These latter reserves were grouped by the Mineral Reserves Report with other southern states and perforce were included in that grouping. The tonnage involved is at present unavailable and not likely to become available because of the unprofitableness of operation. Colorado has been grouped with the Mountain-Pacific division, the tonnage being so small that it has but little effect on the figures. The large Southwestern deposit in the State of Texas, though classed as available, was not commercial at the time of the Report (1936) although it was apparently expected to become so in the not far distant future.

---

[5] The Numeral Reserves of the United States and its Capacity for Production, op. cit., p. 99.

[1] Ibid., p. 100.

[2] Ibid., p. 105.

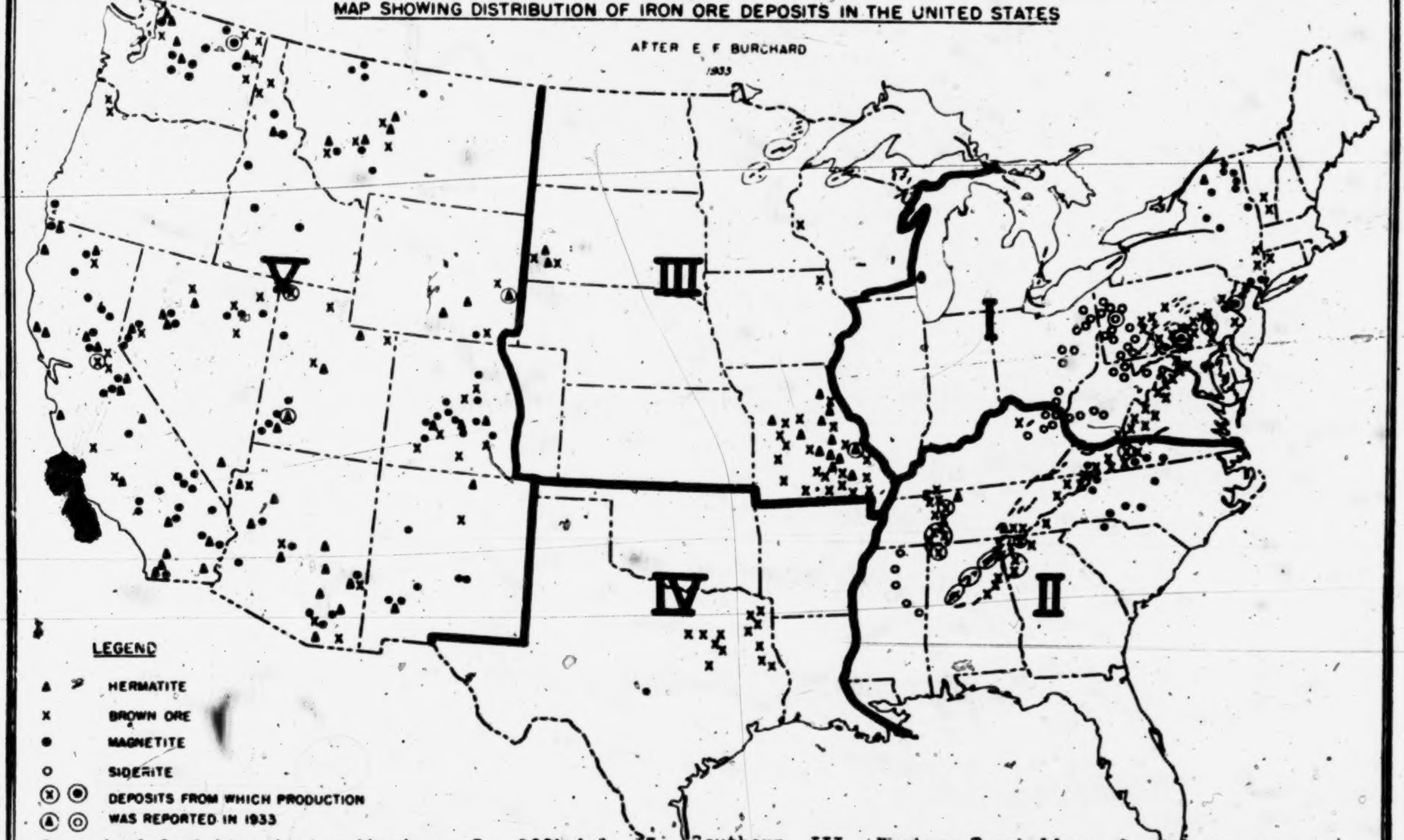
(Here follows 1 photolithograph, side folid 5517)

Map 1

MAP SHOWING DISTRIBUTION OF IRON ORE DEPOSITS IN THE UNITED STATES

AFTER E F BURCHARD

1933


I
II
III
IV
V
LEGEND
▲ HERMATITE
x BROWN ORE
● MAGNETITE
○ SIDERITE
DEPOSITS FROM WHICH PRODUCTION WAS REPORTED IN 1933

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific

Prepared in Office of the National Resources Committee

Source: Leith and Liddell, p. 119.

[fol. 5518] Table 2—Iron Ore Reserves of the United States by Freight Rate Territories, 1935 (approximate)[1]

(In millions of tons of 2,240 lbs.)[2]

Territory	Available		Nonavailable	
	Amount	% of U. S.	Amount	% of U. S.
Official	147	3.7	35	([3])
Southern	2,120	53.2	[4]2,307	3.1
Western Trunk Line	1,450	36.3	72,000	96.7
Southwestern	200	5.0	......	....
Mountain-Pacific	71	1.8	[7]117	0.2
United States	3,988	100.0	74,459	100.0

[1] Computed from text of The Mineral Reserves of the United States and its Capacity for Production, op. cit., pp. 97–111.

[2] In certain cases the tonnage unit is not specified but it has been assumed in those cases that long tons were intended.

[3] Less than 0.05%.

[4] Large reserves of nonavailable ore for which no estimate has been made are located in Alabama.

[5] Large quantities of nonavailable ore for which no estimate has been made are located in Wyoming, Arizona, Nevada and other states.

Copper

In 1934 Percy Barbour estimated the total copper reserves of the United States mineable at 10 cents per pound of metallic copper to be 30 to 35 million tons with perhaps an additional 3 or 4 million tons mineable if the price were 12 cents. These figures were equivalent to a forty years' supply based upon the last ten-year average rate of consumption. As estimate made the following year in connection with the Arizona tax legislation by Joralemon, Lynch and Leith was 26,122,000 tons mineable at or below 12 cents. According to their trend predictions, this supply would last for some 32 years based on a production rate of 725,000 tons per annum. Leith and Liddell in their report for the Resources Committee estimate 26,390,000 tons as the total [fol. 5519] metallic copper in the reserves.[1] This figure, however, included 110,000 — of Alaska copper belonging to Kennecott, now exhausted according to information from the Bureau of Mines, and 14,100 tons of Arizona copper of the United Verde Extension group also now exhausted. If we adjust the total for these differences, the reserves would aggregate slightly in excess of 26 million tons without allowance for depletion other than that represented by the exhaustion of the two areas referred to above.

---

[1] The Mineral Reserves of the United States and its Capacity for Production, op. cit., pp. 55 ff.

On this basis the distribution of the reserves as between the freight rate territories would be as follows:

Reserves of Metallic Copper, by Freight Rate Territories, 1936

Territory	Tons	% of U. S.
Official	...	...
Southern	120,000	0.5
Western Trunk Line (Mich.)	335,000	1.3
Southwestern	...	...
Mountain-Pacific	24,884,000	98.2
Total	[1]25,339,000	100.0

---

[1] Does not include 800,000 tons of copper in mines whose location is not shown in the table.

Source: The Mineral Reserves of the United States and its Capacity for Production, op. cit., p. 56.

Lead and Zinc

The production of lead and ~~zinc are~~ closely interrelated as are the economics of the two metals. Only about one-third of the lead produced in the United States comes from [fol. 5520] mines whose sole production is lead. The balance is produced in association with silver, copper, gold, or zinc. Zinc, moreover, is also a by-product to perhaps a greater extent than any other nonferrous base metal. Profitable production of either lead or zinc, therefore, is or may be to a considerable extent dependent upon prices of other metals with which either or both may be associated. In the case of both metals there are also important bodies of sub-ore or sub-marginal ore which may be affected by the price changes of any one of the nonferrous metals more or less frequently associated with lead and zinc. In two of the most important lead districts, the Southeastern Missouri and the Tri-State fields, the boundaries of the ore bodies grade into sub-ore both in tenor and thickness so that an increase in the price of the ore automatically extends the area of profitable ground. Zinc probably has more sub-marginal reserves than most nonferrous metals. Until the perfection of the flotation process many zinc reserves were uneconomical. Since then the flow of metal has not only kept down the price but in several cases has caused developed zinc tonnages to remain idle.

According to the Leith and Liddell report for the Resources Committee the measured and published lead ore reserves were 3,302,158 short tons of metallic lead. Finlay in 1934 believed it difficult for the four most important districts, Southeastern Missouri, Coeur d'Alene, the Tri-State (Kansas, Missouri, Oklahoma), and Utah fields, to produce more than 8 and the whole country more than 10 million tons. Leith and Liddell's conclusions regarding lead were that "our reserves are not large and we will probably have a deficiency of this metal within this or the next generation."[1] Also according to these authorities, the measured and estimated reserves of zinc in the important mines of the country aggregated 12,167,580 short tons of metal mineable at prices around the 4 to 6 cent range (1936).

Both the lead and zinc reserves of the most important mines and districts were shown in the Leith-Liddell tables and from these tables the ore reserves have been distributed by freight rate territories.

Except for Southern territory which shows very small reserves of either metal, all the other freight rate territories possessed important reserves of either lead or zinc [fol. 5521] or both. The Mountain-Pacific and Western Trunk Line territories are the most important sources of reserves of lead with 37 per cent and 51 per cent, respectively. Southwestern territory leads in zinc reserves with 37 per cent followed by Official territory with 24 per cent and Mountain-Pacific territory with 22 per cent of the national total.

Table 3.—Lead and Zinc Reserves, by Freight Rate Territories, 1936 [1]
(Short tons)

Territory	Lead	Zinc
Official	85,000	2,940,000
Southern	90,000	510,000
Western Trunk Line [1]	1,696,440	1,516,800
Southwestern [1]	193,560	4,483,200
Mountain-Pacific	1,237,158	2,713,580
Total	3,302,158	12,163,580
Percentage of total		
Official	2.57	24.17
Southern	2.73	4.19
Western Trunk Line [1]	51.37	12.47
Southwestern [1]	5.86	36.86
Mountain-Pacific	37.47	22.31
Total	100.00	100.00

[1] Compiled from Leith and Liddell, The Mineral Reserves of the United States and Its Capacity for Production, op. cit., p. 243, except that Tri-state lead figure is divided 9.22 percent, Kansas; 16.13 percent, Oklahoma; and 74.65 percent, Missouri, according to production in 1929, Bureau of Mines Mineral Yearbook, 1929, Part I, p. 236. Zinc figure divided 25.28 percent, Kansas, and 74.72 percent, Oklahoma, same Yearbook, p. 678.

---

[1] The Mineral Reserves of the United States and its Capacity for Production, op. cit., p. 124.

Table 3-A. - Minor Metals. Value of Production, by Freight Rate Territories, 1/ 1939

Item	Territory: Official	Territory: Southern	Territory: Western Trunk Line	Territory: South-western	Territory: Mountain-Pacific	Un-distributed	United States
	(Dollars)						
Gold produced	69,500	544,400	21,617,200	11,900	115,986,400	-	138,229,400
Silver produced	109,232	29,188	281,934	936,949	41,795,781	-	43,153,084
Manganese and manganiferous ores shipped	380	267,600	1,213,924	2/	379,094	1,082,069	2,943,067
Chromite (ores and concentrates) shipped from mines	-	-	-	-	46,892	-	46,892
Molybdenum shipped	-	-	3/	-	4/ 22,157,000	-	22,157,000
Tungsten ore and concentrates shipped from mines	-	-	-	-	4,402,182	-	4,402,182
Vanadium ores shipped	-	-	-	-	1,053,660	-	1,053,660
Bauxite shipped from mines	-	91,282	-	2,074,954	-	-	2,166,236
Mercury produced	-	-	-	37,834	1,719,895	178,985	1,936,714
	Percent of U. S. totals						
Gold produced	0.05	0.39	15.64	0.01	83.91	-	100.00
Silver produced	0.25	0.07	0.65	2.17	96.86	-	100.00
Manganese and manganiferous ores shipped	0.01	9.09	41.25	-	12.88	36.77	100.00
Chromite (ores and concentrates) shipped from mines	-	-	-	-	100.00	-	100.00
Molybdenum shipped	-	-	3/	-	4/ 100.00	-	100.00
Tungsten ore and concentrates shipped from mines	-	-	-	-	100.00	-	100.00
Vanadium ores shipped	-	-	-	-	100.00	-	100.00
Bauxite shipped from mines	-	4.21	-	95.79	-	-	100.00
Mercury produced	-	-	-	1.95	88.81	9.24	100.00

1/ States divided by freight rate territory boundaries were apportioned to territories as follows:
Michigan - Official territory
Wisconsin - Western Trunk Line territory
Virginia - Southern territory
Louisiana - Southwestern territory
Colorado - Mountain-Pacific territory.

2/ Arkansas included with undistributed.

3/ Small undetermined quantity produced in Wisconsin.

4/ Contains a small undetermined quantity produced in Wisconsin.

Source: Minerals Yearbook, 1940.

[fol. 5523]

Minor Metals

Estimates of reserves of metals other than iron, copper, lead, and zinc are not available in such form that they can be presented by freight rate territory totals. The distribution of commercial deposits of certain minor metals, however, is indicated by Table 3-A which shows the value produced in 1939. This table shows that Mountain-Pacific territory is the outstanding producer of all of the minor metals for which state figures were reported, excepting only manganese and bauxite. Western Trunk Line territory appears to be the leader in manganese production, although no definite conclusions can be drawn because of the large portion of the value produced which is not distributed by states. Southwestern territory is the principal producer of bauxite.

The five states divided by freight rate territory boundaries were arbitrarily allocated to territories as follows: Michigan to Official, Wisconsin to Western Trunk Line, Virginia to Southern, Louisiana to Southwestern, and Colorado to Mountain-Pacific territory. No figures were computed for an alternative grouping of states, as has been done in certain other sections of this report, but the figures for the five states in question are presented in Table 3-B and an inspection of this table will reveal that a different grouping of the states would have produced essentially similar results.

Table 3-B.—Minor Metals. Value of Production of States vided by Freight Rate Territory Boundaries, 1939

(Dollars)

Item	Michigan	Wisconsin	Virginia	Louisiana	Colorado
Gold produced	......	......	12,700	......	12,982,700
Silver produced	69,363	......	991	......	5,569,932
Manganese and manganiferous ores shipped	......	......	48,859	......	(1)

[1] Undistributed.

Source: Minerals Yearbook, 1940.

[fol. 5524]

Non-Metallic Minerals

As was indicated previously in this report, certain of the non-metals (sand and gravel, limestone, etc.) are so generally distributed that estimates of reserves seemed not to be important. In order to give an indication of the importance of these resources to each of the territories, however, figures were compiled for the value of non-metals or production thereof sold or used by producers in 1939. In certain cases, as indicated by Table 3-C, the figures represent sales only, or in other cases, shipments only, and consequently are not exactly comparable. They indicate in general, nevertheless, the relative significance, in terms of value, of the various non-metals. The last three items in the table (Portland cement, lime, and salt) all require some processing for a considerable portion of their production, but are included in the mineral production data because they are reported with other non-metals in the Bureau of Mines Yearbook.

Portland cement, the most important non-metal from the standpoint of value shipped in 1939, is produced principally in Official territory, followed in order of importance by Mountain-Pacific and Western Trunk Line territories. There is only a small production in Southern and Southwestern territories. Official territory also leads in limestone and sand and gravel, the next two minerals in order of importance. Southern and Western Trunk Line territories view for second place in the production of limestone and Mountain-Pacific territory ranks second in the production of sand and gravel. No other non-metal (for which figures were available) accounted for over 36 million dollars of value sold or used in 1939.

Altogether, Official territory ranks first in limestone, sand and gravel, fire clay, slate, basalt, sandstone, gypsum, talc, Portland cement, lime, and salt. Southern territory ranks first in granite, gaolin, ball clay, fuller's earth, marble, phosphate rock, fluorspar, and crude feldspar. Western Trunk Line ranks first in barite, Southwestern territory first in sulphur, and Mountain-Pacific territory first in bentonite, miscellaneous clay, and miscellaneous stone.

(Here follow 4 Photolithographs, side folios 5525-5528.)

Table 3-C. - Value of Non-Metals Sold or Used by Producers, by Freight Rate Territories, 1/ 1939

Item	Territory						United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	Undistributed	
			(Dollars)				
Limestone (dimension stone)	4,393,447	125,622	775,565	823,894	13,549	2/ 545,765	6,677,842
Limestone (crushed and broken)	48,500,257	16,938,745	16,259,017	3,916,761	2,094,858	3/ 292,239	88,001,877
Total limestone	52,893,704	17,064,367	17,034,582	4,740,655	2,108,407	838,004	94,679,719
Sand and gravel	44,950,797	7,910,054	10,720,074	6,296,220	20,347,440	4/ 4,976,350	95,200,935
Granite (dimension stone)	5,669,906	1,846,405	1,858,000	214,225	209,335	39,632	9,837,553
Granite (crushed and broken)	1,782,979	8,169,142	238,223	7,435	2,077,422	383,229	12,658,430
Total granite	7,452,885	10,015,547	2,096,223	221,660	2,286,757	422,911	22,495,983
Clay sold:							
Kaolin	164,562	5,599,436	-	-	111,719	324,889	6,200,606
Ball clay	21,651	873,748	-	-	-	40,322	935,721
Fire clay	3,388,768	605,894	5/ 1,171,643	34,196	551,963	49,529	5,801,993
Bentonite	-	-	217,622	148,139	921,036	415,596	1,702,393
Fuller's earth	-	1,035,066	-	359,058	-	297,731	1,691,855
Miscellaneous clay	58,103	-	48,991	-	334,231	272,880	714,205
Slate sold	5,686,956	-	-	-	-	995,258	6,682,214
Marble (dimension stone) sold	1,127,615	4,425,779	565,970	-	11,892	173,823	6,305,079
Marble (crushed and broken) sold	37,501	65,807	12,544	103,744	31,443	132,544	383,583
Total marble sold	1,165,116	4,491,586	578,514	103,744	43,335	306,367	6,688,662
Phosphate rock, sold	-	11,749,962	-	-	544,080	-	12,294,042
Basalt and related rocks	7,655,760	332,110	-	-	4,872,174	680,092	13,540,136
Sulphur 6/	-	-	-	35,145,000	355,000	-	35,500,000
Sandstone (dimension stone)	1,536,254	79,913	9,532	-	229,856	100,640	1,956,195
Sandstone (crushed and broken)	5,381,814	2,096,012	1,066,939	104,431	740,195	400,045	9,789,436
Total sandstone	6,918,068	2,175,925	1,076,471	104,431	970,051	500,685	11,745,631
Gypsum mined	1,806,085	-	510,120	473,768	896,934	744,098	4,431,005
Fluorspar (shipped from mines)	1,638,693	1,773,063	-	-	293,203	-	3,704,959
Barite	-	810,726	~~1,163,870~~	-	-	369,507	2,344,103
Crude feldspar	289,253	497,930	133,893	-	145,199	46,582	1,112,857
Talc, pyrophyllite, and ground soapstone sold	1,631,017	461,670	-	-	485,064	123,083	2,700,834
Miscellaneous stone (dimension stone)	65,688	7,125	-	-	5,023	2/ 645,497	723,333
Miscellaneous stone (crushed and broken)	2,646,785	508,393	36,525	503,101	3,026,150	7/ 1,105,455	7,826,409
Total miscellaneous stone	2,712,473	515,518	36,525	503,101	3,031,173	1,750,952	8,549,742
Portland cement shipped	76,636,772	12,304,242	22,344,564	12,152,780	31,825,785	25,057,658	180,321,811
Lime	19,352,794	3,161,877	3,342,166	324,748	2,138,507	8/ 1,529,302	30,049,394
Salt	16,003,677	-	2,591,934	3,434,964	2,183,021	238,377	24,451,973

(Continued)

1940A

Table 3-C.—Value of Nonmetals Sold or Used by Producers, by Freight Rate Territories, 1/ 1939 (Continued)

Item	Territory: Official	Territory: Southern	Territory: Western Trunk Line	Territory: South-western	Territory: Mountain-Pacific	Territory: Undistributed	United State total
	(Percent of U. S.)						
Limestone (dimension stone)	65.79	1.88	11,62	12.34	0.20	2/ 8.17	100.00
Limestone (crushed and broken)	55.11	19.25	18.48	4.45	2.38	3/ 0.33	100.00
Total limestone	55.87	18.02	17.99	5.01	2.23	.88	100.00
Sand and gravel	47.22	8.31	11.26	6.61	21.37	4/ 5.23	100.00
Granite (dimension stone)	57.63	18.77	18.89	2.18	2.13	0.40	100.00
Granite (crushed and broken)	14.09	64.53	1.88	0,06	16.41	3.03	100.00
Total granite	33.13	44.52	9.32	0.99	10.16	1.88	100.00
Clay sold:							
Kaolin	2.65	90.31	5/	-	1.80	5.24	100.00
Ball clay	2.31	93.38	-	-	-	4.31	100.00
Fire clay	58.41	10.44	20.20	0.59	9.51	0.85	100.00
Bentonite	-	-	12.79	8.70	54.10	24.41	100.00
Fuller's earth	-	61.18	-	21.22	-	17.60	100.00
Miscellaneous clay	8.13	-	6.86	-	46.80	38.21	100.00
Slate sold	85.11	-	-	-	-	14.89	100.00
Marble (dimension stone) sold	17.88	70.19	8.98	-	0.19	2.76	100.00
Marble (crushed and broken) sold	9.78	17.15	3.27	27.05	8.20	34.55	100.00
Total marble sold	17.42	67.15	8.65	1.55	0.65	4.58	100.00
Phosphate rock sold	-	95.57	-	-	4.43	-	100.00
Basalt and related rocks	56.54	2.45	-	-	35.99	5.02	100.00
Sulphur 6/	-	-	-	99.00	1.00	-	100.00
Sandstone (dimension stone)	78.53	4.09	0.49	-	11.75	5.14	100.00
Sandstone (crushed and broken)	54.97	21.41	10,90	1.07	7.56	4.09	100.00
Total sandstone	58.90	18.53	9.16	0.89	8.26	4.26	100.00
Gypsum mined	40.76	-	11.51	10.69	20.24	16.80	100.00
Fluorspar (shipped from mines)	44.23	47.86	-	-	7.91	-	100.00
Barite	-	34.59	49.65	-	-	15.76	100.00
Crude fledspar	25.99	44.74	12.03	-	13.05	4.19	100.00
Talc, prophyllite, and ground soapstone sold	60.39	17.09	-	-	17.96	4.56	100.00
Miscellaneous stone (dimension stone)	9.08	0.99	-	-	0.69	2/ 89.24	100.00
Miscellaneous stone (crushed and broken)	33.82	6.49	0.47	6.43	38.67	7/ 14.12	100.00
Total miscellaneous stone	31.73	6.03	0.43	5.88	35.45	20.48	100.00
Portland cement shipped	42.50	6.82	12.39	6.74	17.65	13.90	100.00
Lime	64.40	10.52	11.12	1.75	7.12	8/ 5.09	100.00
Salt	65.45	-	10.60	14.05	8.93	0.97	100.00

(Footnotes on next page)

Table 3-D. - Value of Production of Nonmetals sold or Used for States Divided by Freight Rate Territories, 1939

Item	Michigan	Wisconsin	Virginia	Louisiana	Colorado
	(Dollars)				
Limestone (dimension stone)	1/	342,510	641	-	4,832
Limestone (crushed and broken)	5,539,316	1,874,654	3,654,539	1/	205,592
Total limestone	5,539,316	2,217,164	3,655,230	1/	210,424
Sand and gravel	4,087,508	2,616,204	1,425,708	1,195,049	2/ 361,747
Granite (dimension stone)	-	645,651	1/	-	9,238
Granite (crushed and broken)	-	84,156	610,456	-	70,220
Total granite	-	729,807	610,456	-	79,458
Clay sold:					
Kaolin	-	-	1/	-	-
Ball clay	-	-	-	-	-
Fire clay	-	-	1/	-	72,644
Bentonite	-	-	-	-	-
Fuller's earth	-	-	-	-	1/
Miscellaneous clay	1/	-	-	1/	78,159
Slate sold	-	-	1/	-	-
Marble (dimension stone) sold	-	-	1/	-	1/
Marble (crushed and broken) sold	-	-	1/	-	-
Total marble sold	-	-	1/	-	1/
Phosphate rock sold	-	-	3/	-	-
Basalt and related rocks	113,511	1/	227,365	-	1/
Sulphur 4/	-	-	-	-	-
Sandstone (dimension stone)	-	9,532	9,283	-	14,108
Sandstone (crushed and broken)	1/	464,827	307,361	-	154,138
Total sandstone	1/	474,359	316,644	-	168,246
Gypsum mined	834,856	-	1/	-	40,694
Fluorspar (shipped from mines)	-	-	-	-	107,459
Barite	-	-	1/	-	1/
Crude feldspar	-	-	100,299	-	107,536
Talc, pyrophyllite, and ground soapstone sold	-	-	1/	-	-
Miscellaneous stone (dimension stone)	-	-	1/	-	-
Miscellaneous stone (crushed and broken)	225,342	1/	1/	1/	136,162
Total miscellaneous stone .	225,342	1/	1/	1/	136,162
Portland cement shipped	10,891,978	1/	1/	1/	1/
Lime	324,765	541,787	990,796	-	103,097
Salt	6,726,912	-	1/	2,830,331	1/

1/ Included in "Undistributed."
2/ Output of Government-and-contractor operations included under "Undistributed".
3/ Included with Tennessee. Total of the two states - $3,856,505.
4/ Not available by states.

Source: Minerals Yearbook, 1940.

[fol. 5529] In order to check these rankings of the territories on a value basis, actual quantities sold, used, or shipped were compiled for all those non-metallic minerals having a value greater than 5 million dollars in 1939. These figures, which are presented in Table 3-E, indicate that the rankings of the major items is the same when quantities, rather than values, are compared.

Only one grouping of the states divided by freight rate territory boundaries has been presented, in which Michigan was assigned to Official, Wisconsin to Western Trunk Line, Virginia to Southern, Louisiana to Southwestern, and Colorado to Mountain-Pacific territory. Figures for the five states are listed separately in Tables 3-D and 3-F so that the total effect of a reclassification of states may be computed.

Secondary Metal Reserves

Characteristics and Significance of Secondary Metal Reserves

No discussion of the distribution of the primary reserves of iron and nonferrous metals by freight rate territories can be regarded as complete without some consideration being given to the secondary reserves of these metals. In the case of iron and steel, copper, and lead, the extensive recovery of these metals in secondary form greatly affects the volume of production of the virgin metal and thereby tends to prolong the life of the existing reserves of these metals in the form of ore. Pehrson, Acting Chief of the Economics and Statistics Branch of the Bureau of Mines, speaking in 1938 with regard to the Bureau of Mines' figures, stated that "The record shows that from 1907 to 1936, inclusive, approximately 9,000,000 tons of copper, 5,000,000 tons of lead, 3,500,000 tons of zinc, 635,000 tons of tin, and 682,000 tons of aluminum have been reclaimed from various cycles of use." [1]

---

[1] E. W. Pehrson, Conservation Aspects of Secondary Metals, presented at the Convention of the National Association of Waste Material Dealers, at New York, March 15, 1938, Bureau of Mines release of even date (mimeographed), p. 3.

Table 3-E.--Nonmetals Produced, Sold, or Used by Producers by Freight Rate Territories 1/, 1939

Item	Unit	Territory						United States total
		Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	Undistributed	
Limestone (dimension stone) sold or used ...	Approx. sh.tons	643,200	19,490	203,690	71,460	3,400	2/ 119,430	2/ 1,060,670
Limestone (crushed and broken) sold or used ..	Sh.tons	56,597,830	17,760,530	17,707,410	5,200,580	1,946,270	3/ 437,230	3/ 99,649,250
Total limestone sold or used	Approx. sh.tons	57,241,030	17,780,020	17,911,100	5,272,040	1,949,670	556,660	100,710,520
Sand and gravel sold or used	Sh.tons	75,346,596	14,324,980	30,320,383	13,273,955	42,986,751	18,523,536	194,776,201
Granite (dimension stone) sold or used	Approx. sh.tons	504,360	150,150	55,380	7,590	4,750	11,380	733,610
Granite (crushed and broken) sold or used	Sh.tons	1,641,400	7,508,170	215,460	9,890	1,615,880	316,950	11,307,750
Total granite sold or used	Approx. sh.tons	2,145,760	7,658,320	270,840	17,480	1,620,630	328,330	12,041,360
Kaolin sold	Sh.tons	49,657	682,151	-	-	19,481	29,515	780,804
Fire clay sold	Sh.tons	1,346,705	222,837	384,567	5,837	255,351	6,998	2,222,295
Slate sold 4/		-	-	-	-	-	-	-
Marble (dimension stone) sold	Approx. sh.tons	21,140	79,430	18,250	5/	350	4,570	123,740
Marble (crushed and broken) sold	Sh. tons	10,180	36,940	9,900	13,680	5,170	28,470	104,340
Total marble sold	Approx. sh.tons	31,320	116,370	28,150	13,680	5,520	33,040	228,080
Phosphate rock sold	Long tons	-	3,617,232	-	-	139,835	-	3,757,067
Basalt and related rocks sold or used	Sh.tons	8,102,650	315,880	5/	5/	6,702,800	497,580	15,618,910
Sandstone (dimension stone) sold or used	Approx. sh.tons	162,240	10,380	1,180	-	13,800	7,960	195,560
Sandstone (crushed and broken) sold or used ..	Sh.tons	4,440,560	2,067,120	680,600	146,130	823,170	500,540	8,658,120
Total sandstone sold or used	Approx. sh.tons	4,602,800	2,077,500	681,780	146,130	836,970	508,500	8,853,680
Miscellaneous stone(dimension stone) sold or used	Sh.tons	43,540	1,580	-	-	1,920	2/ 36,420	2/ 83,460
Miscellaneous stone (crushed and broken) sold or used	Sh.tons	1,839,620	433,530	58,660	817,140	4,725,640	6/ 1,428,620	6/ 9,303,210
Total miscellaneous stone sold or used	Sh.tons	1,883,160	435,110	58,660	817,140	4,727,560	1,465,040	9,386,670
Portland cement produced	Barrels	55,173,678	8,575,608	14,213,562	7,337,246	19,933,896	16,700,921	121,934,911
Lime sold or used	Sh.tons	2,634,762	535,719	581,278	62,048	241,261	7/ 199,280	7/ 4,254,348
Salt sold or used	Sh.tons	6,389,879	5/	641,752	1,424,548	472,789	335,618	9,264,586

(Continued)

Table 3-C. - Value of Non-Metals Sold or Used by Producers, by Freight Rate Territories, 1/ 1939 (Continued)

1/ States divided by freight rate territory boundaries were apportioned to territories as follows:

Michigan - Official territory
Wisconsin - Western Trunk Line territory
Virginia - Southern territory
Louisiana - Southwestern territory
Colorado - Mountain-Pacific territory.

For figures for these five states, see Table

2/ Includes Puerto Rico.
3/ Includes Hawaii.
4/ Includes commercial production of Alaska.
5/ Includes $174,144 of diaspore and burley clay in Missouri.
6/ Value represents value shipped and is distributed to territories on the basis of production (99% and 1%). Figures do not include sulphur recovered as a by-product.
7/ Includes Puerto Rico and Alaska.
8/ Includes Puerto Rico and Hawaii.

Source: Minerals Yearbook, 1940.

Table 3-E.—Nonmetals Produced, Sold, or Used by Producers by Freight Rate Territories 1/, 1939 (Continued)

Item	Territory						United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	Undistributed	
	(Percent of U. S.)						
Total limestone sold or used	56.84	17.65	17.78	5.24	1.94	2/3/ 0.55	2/3/ 100.00
Sand and gravel sold or used	38.68	7.35	15.57	6.82	22.07	9.51	100.00
Total granite sold or used	17.82	63.60	2.25	0.14	13.46	2.73	100.00
Kaolin sold	6.36	87.37	-	-	2.49	3.78	100.00
Fire clay sold	60.60	10.03	17.31	0.26	11.49	0.31	100.00
Total marble sold	13.73	51.02	12.34	5/ 6.00	2.42	14.49	100.00
Phosphate rock sold	-	96.28	-	-	3.72	-	100.00
Basalt and related rocks sold or used	51.88	2.02	5/	5/	42.91	3.19	100.00
Total sandstone sold or used	51.99	23.47	7.70	1.65	9.45	5.74	100.00
Total miscellaneous stone sold or used	20.06	4.64	0.62	8.71	50.36	6/ 15.61	6/ 100.00
Portland cement produced	45.25	7.03	11.66	6.02	16.35	13.69	100.00
Lime sold or used	61.93	12.59	13.66	1.46	5.67	7/ 4.69	7/ 100.00
Salt sold or used	68.97	5/	6.93	15.38	5.10	3.62	100.00

1/ States divided by freight rate territory boundaries were allocated to territories as follows:
Michigan - Official territory
Wisconsin - Western Trunk Line territory
Virginia - Southern territory
Louisiana - Southwestern territory
Colorado - Mountain-Pacific territory
2/ Incldues Puerto Rico.
3/ Includes Hawaii.
4/ Data in tons not reported by States.
5/ Included in "Undistributed."
6/ Includes Alaska and Puerto Rico.
7/ Includes Hawaii and Puerto Rico.

Source:
United States Department of the Interior, Bureau of Mines, "Mineral Yearbook", 1940, Washington: Government Printined Office, 1940.

Table 3-F. - Nonmetals Produced, Sold, or Used by Producers in the States Divided by Freight Rate Territory Boundaries, 1939

Item	Unit	Michigan	Wisconsin	Virginia	Louisiana	Colorado
Limestone (dimension stone) sold or used	Approx.sh.tons	1/	55,520	1,280	-	190
Limestone (crushed and broken) sold or used	Sh. tons	10,882,350	2,678,400	4,051,670	1/	230,720
Total limestone sold or used	Approx.sh.tons	10,882,350	2,733,920	4,052,950	1/	230,910
Sand and gravel sold or used	Sh. tons	10,748,007	7,024,722	2,639,790	2,145,793	2/ 627,306
Granite (dimension stone) sold or used	Approx.sh.tons	-	14,730	1/	-	480
Granite (crushed and broken) sold or used	Sh. tons	-	64,520	724,540	-	104,250
Total granite sold or used	Approx.sh.tons	-	79,250	724,540	-	104,730
Kaolin sold	Sh. tons	-	-	1/	-	-
Fire clay sold	Sh. tons	-	-	-	-	52,310
Marble (dimension stone) sold	Approx.sh.tons	-	-	1/	-	1/
Marble (crushed and broken) sold	Sh. tons	-	-	-	-	-
Total marble sold	Approx.sh.tons	-	-	1/	-	1/
Phosphate rock sold	Long tons	-	-	3/	-	-
Basalt and related rocks sold or used	Sh. tons	109,530	1/	228,990	-	1/
Sandstone (dimension stone) sold or used	Approx.sh.tons	-	1,180	4,970	-	2,750
Sandstone (crushed and broken) sold or used	Sh. tons	1/	241,140	329,020	-	162,020
Total sandstone sold or used	Approx.sh.tons	1/	242,320	333,990	-	164,770
Miscellaneous stone (dimension stone) sold or used	Sh. tons	-	-	1/	-	-
Miscellaneous stone (crushed and broken) sold or used	Sh. tons	140,920	1/	1/	1/	161,670
Total miscellaneous stone sold or used	Sh. tons	140,920	1/	1/	1/	161,670
Portland cement produced	Barrels	8,218,760	1/	1/	1/	1/
Lime sold or used	Sh. tons	45,180	64,290	166,542	-	10,699
Salt sold or used	Sh. tons	2,408,872	-	1/	1,072,540	1/

1/ Included in "Undistributed".
2/ Output of government-and-contractor operations included under "Undistributed".
3/ Included with Tennessee. Total for two states, 938,448 tons.

Source: United States Department of the Interior, Bureau of Mines, "Minerals Yearbook," 1940, Washington: Government Printing Office, 1940.

[fol. 5533] Over a period of scores of years the processes of production have built up large reserves of some metals in the form of the various finished products into which they enter. Some of these reserves are, of course, subject to serious depletion in use. Just as mine losses reduce the supply of metal obtainable from ore, so are the reserve stocks of metals represented in durable goods in the hands of consumers subject to depletion. Up to the end of 1932 Ingalls estimated that the total deliveries of copper for consumption aggregated 20 million tons, of which 2.9 million tons had been exported, leaving 17.1 million tons for domestic consumption. As of the end of 1932 he was able to account for only 10.1 million in the inventories of metal in use, leaving a total of 7 million tons as lost.[1]

In the case of iron and steel an immense tonnage is lost in every year through rusting.[2] Much of the lead and copper that go into bearing metal may be assumed to be lost by dissipation through wear. Ingalls estimated that for railway equipment there are about 200,000 tons of copper in journal bearings and bushings in the form of copper-lead-tin-bronze alloy containing about 75 per cent copper. Every year about 80,000 tons of this has to be replaced and every year the junk amounts to around 60,000 tons leaving about 20,000 tons of loss by wear or otherwise to be replaced.[3] Other losses occur through similar or other forms of dissipation. White and red lead for pigment, and tetraethyl for tempering gasoline are lost by dissipation and the same is true of copper used for oxides and sulphates.[4] Another important source of loss is what may [fol. 5534] be termed the dispersing uses of many of these metals. In a chemical sense, for example, copper is an indestructible metal but in a mechanical sense the scattering of many of the articles in use is so extensive that recollection as secondary metal is impracticable. This is true, for example, of the copper in pins and fastenings, rivets, machine and wood screws, bolts, and nuts, spark plugs, incandescent lamp bulbs and sockets, drapery, hardware, harness, and saddlery hardware, domestic ornaments and utensils, buttons, badges and a host of other small articles.[1]

---

[1] W. R. Ingalls, The Economics of Old Metals, Especially Copper, Lead, Zinc and Tin, Bulletin 235, Mining and Metallurgical Society of America, Vol. XXVIII, No. 4, 1935, p. 77.

[2] Ibid, p. 92.

[3] Ibid, p. 78

[4] Ibid., pp. 78 and 86.

Zinc is much more susceptible to losses of these types than copper and so also is tin. The principal uses of zinc are for galvanizing, brass making, die casting, oxides and sheets. Sheets in turn are used chiefly for battery cans and fruit jar tops. All of these products except brass and die casts are put to essentially dissipating or dispersing uses.[2] Aluminum "like copper experiences some dissipating and dispersing uses of different degrees. So far as we can go in the analysis of conditions in aluminum this metal appears to follow the habits of copper."[3]

Information regarding the size of these secondary reserves of metals is exceedingly scanty. About the only available figures which are compiled in any degree of detail are those for iron and steel. At least one estimate for copper given above has also been made. For the other metals no estimates have been attempted. In the following pages, however, the readily available data on the relative impor- [fol. 5535] tance of primary and secondary production of iron and steel and the principal nonferrous metals have been assembled together with information bearing on the probable distribution of these secondary reserves by freight rate territories.

Importance of Secondary Ferrous Metals

Estimates of the reserves of iron and steel represented in products in use in the United States in 1936 aggregated in excess of one billion tons or more than 17,800 pounds per capita. From 1900 to 1930 the amount of steel in use grew steadily at an average rate of about 440 pounds per capita per year. During the depression there was a substantial decrease in this rate of accumulation and in fact in 1932 there was a net decline. After that year, however, the increase was resumed at the lower rate of 300 pounds per capita per annum, although in 1935 it was 507 pounds.[1] By 5-year periods 1903-1937 iron ore consumption per ton of steel produced has declined uninterruptedly from 1.5305 tons in the first quinquennium to .9353 tons in the last.[2]

---

[1] Ibid., p. 78. The larger part of the loss, according to Pehrson, "is probably copper used in the fabrication of small articles that have become so widely dispersed in use that their collection is unprofitable." E. W. Pehrson, Conservation Aspects of Secondary Metals, Address at Annual Convention of the National Association of Waste Material Dealers at New York, March 15, 1938, p. 3 (mimeographed).

[2] Ingalls, op. cit., p. 88.

[3] Ibid., p. 86.

In the five years 1910-1914 the percentage ratio of the consumption of iron and steel scrap to steel production never rose as high as 52 per cent. Between 1920 and 1937 the ratio has never been below 60 per cent, and between 1925 and 1937 never below 65 per cent, and between 1931 and 1937 never below 70 per cent.[3]

The scrap represented in these figures includes both plant scrap originating in the steel plants and in the processes of steel production and which is continuously being recycled in such plants and scrap which is purchased by the steel companies. Purchased scrap includes both new scrap originated by manufacturer of products using steel, i.e., automobiles and used or old scrap originating from a wide variety of sources. The division of total scrap between "plant" or "home" scrap and "purchased" or "other" scrap has been approximately half and half in recent [fol. 5536] years.[1] However, not all of the purchased scrap represents drafts on the secondary metal reserves. This is because plants engaged in the production of iron and steel products, notably the automobile industry, originate vast quantities of new scrap which are sold and returned to the steel furnaces each year.

---

[1] Steel Facts, April 1936, p. 5, and May 1937, p. 4.

[2] Report of the Interstate Commerce Commission to the President of the United States on Certain Aspects of the proposed Lake Erie-Ohio River Canal, 235 I.C.C. 798, Table 5.

[3] Table 6, ibid., p. 799.

[1] In 1937 home scrap was 27.6 per cent of the total ferrous scrap and pig iron consumed in the United States, and purchased scrap 25.2 per cent. In 1938 the percentages were 28.4 and 25.2, respectively. Minerals Yearbook, 1939, p. 515.

The Bureau of Mines reported to the Military Affairs Committee of the Senate in 1937 that "The reservoir of iron in use in this country from which our annual scrap supply is withdrawn, is enormous. * * * Moreover, the amount of metal added to the reservoir in that year (1937) was considerably more than that withdrawn. It may be conservatively estimated that, in 1937, 35,000,000 tons of steel products were added to the store of metal in use, whereas the total scrap withdrawn for domestic consumption and for export probably did not exceed 25,000,000 tons. Thus, in a year of unprecedented scrap exports our reservoir of potential scrap was actually increased by 10,000,000 tons."[2]

Importance of Secondary Nonferrous Metals

The Ingalls figure quoted above of 10 million tons of copper in use in 1932 is about the only figure of secondary reserves for any of the nonferrous metals. As already pointed out, therefore, indications of the importance of secondary reserves of these metals must be gleaned from the figures of secondary production in comparison with the primary production or imports where there are no reserves. Table 4, therefore, presents by three-year periods from 1914 the primary and secondary production of copper, lead, zinc, and aluminum and the secondary production and imports of nickel and tin.

[fol. 5537] II-20

Over the entire period of 26 years secondary copper shows the highest ratio to primary production (58.24 percent). Lead and aluminum are about equal with between 41 and 42 percent and zinc is lowest with only 34 percent. In terms of tonnage, secondary aluminum, production is not of great importance at the present time possibly because the use of aluminum in large quantities is comparatively recent and sufficient time has not been allowed for the accumulation of large quantities of scrap.

---

[2] Statement of Bureau of Mines on the Proposed Embargo on Exports of Iron and Steel Scrap, Hearings before a Subcommittee of the Senate Committee on Military Affairs on S. 2025 and S. J. Res. 180 (Scrap Iron and Steel), 75th Cong., 1st Sess., 1937, p. 79.

Although we have practically no tin or nickel ore reserves,[1] supplies of secondary metal are of some importance and should perhaps be considered in any estimate of resources. While the ratio of secondary nickel to imports at 8.55 percent for the period is the lowest of the ratios shown by Table 4, the secondary tin figure of 35.80 percent of imports is about the same as the relation of secondary to primary zinc production. For copper, aluminum and lead it would appear that secondary metal is assuming a greater and greater importance. For zinc, tin, and nickel there is less, if any, such indication. These apparently different tendencies are accounted for, of course, chiefly by differences in the character of the consumption of the various metals with resulting differences in the rates of recovery or recycling of the metals as well as in what proportion of the total volume going into consumption can ultimately be recovered.

---

[1] Regarding tin, "The country * * * has been able to produce only an average of 7 tons per year for the last 15 years as compared to the average imports of 70,000 tons per year." "There has been no nickel ore mined within the boundaries of the United States since 1909 * * * if strong efforts were made * * * without regard to price or commercial availability perhaps 2,000 or 3,000 tons of metallic nickel in ore could be produced. This opposed to a probable consumption of about 19,000 tons per year * * * is not important." (Leith and Liddell, op. cit., pp. 219, 172).

Table 4. Relation of Nonferrous Secondary to Primary Metal Production or Imports, Three-year Averages, 1914-1939

(Short tons)

Period	Copper 1/			Lead 1/		
	Total domestic primary production	Total secondary production	Percent secondary of primary	Total domestic primary production	Total secondary production	Percent secondary of primary
1914-16	2,243,441	674,019	30.04	1,572,048	236,262	15.03
1917-19	2,594,953	1,023,260	39.43	1,512,788	312,700	20.67
1920-22	1,348,254	865,660	64.21	1,343,817	387,990	28.87
1923-25	2,410,637	1,219,410	50.58	1,765,169	625,870	35.46
1926-28	2,621,024	1,506,400	57.47	1,975,207	861,900	43.64
1929-31	2,224,281	1,440,750	64.77	1,636,498	801,500	48.98
1932-34	696,237	963,680	138.41	814,794	631,200	77.47
1935-37	1,806,036	1,465,600	81.15	1,141,345	808,400	70.83
1938-39 (2 yrs.)	1,257,447	859,500	68.35	752,931	466,400	61.94
Total	17,202,310	10,018,279	58.24	12,514,597	5,132,222	41.01
	Zinc 2/			Aluminum 3/		
1914-16	1,365,891	322,600	23.62	131,792	32,322	24.53
1917-19	1,529,274	399,300	26.11	191,530	49,841	26.02
1920-22	1,001,551	395,000	39.44	133,103	40,690	30.57
1923-25	1,579,797	477,000	30.19	209,669	92,300	44.02
1926-28	1,780,476	518,000	29.09	260,769	138,200	53.00
1929-31	1,393,493	405,600	29.11	317,276	117,300	36.97
1932-34	8[illegible],524	285,600	32.85	132,094	103,900	78.66
1935-37	1,469,670	4/		318,454	165,460	51.96
1938-39 (2 yrs.)	953,577	4/		305,986	88,800	28.93
Total	11,942,253			2,001,673	828,813	41.41
	Tin 5/			Nickel 6/		
	Total primary imports	Total secondary production	Percent secondary of primary	Total primary imports	Total secondary production	Percent secondary of primary
1914-16	174,357	43,497	24.95	82,174	-	-
1917-19	188,270	67,270	35.73	92,706	4,700	5.07
1920-22	157,312	59,910	38.08	33,916	4,657	13.73
1923-25	235,916	92,459	39.19	60,541	6,090	10.06
1926-28	253,424	106,099	41.87	67,500	10,930	16.19
1929-31	261,996	80,301	30.65	81,900	9,320	11.38
1932-34	155,146	61,750	39.80	52,300	4,950	9.46
1935-37	255,810	86,240	33.71	130,300	6,315	4.85
1938-39 (2 yrs.)	134,177	52,680	39.26	90,996	5,220	5.74
Total	1,816,408	650,206	35.80	692,333	52,182	7/ 8.55

(See next page for footnotes)

[fol. 5539] II-22

(Footnotes for Table 4.)

[1] Figures for 1914-1934 from Minerals Yearbook, 1936, p. 349. Figures for 19351939 from Minerals Yearbook, 1940.

[2] Figures for 1914-1934 from Minerals Yearbook, 1936, p. 349. Primary figures for 1935-1939 from Minerals Yearbook, 1940, p. 132.

[3] "Power Requirements in Electrochemical, Electrometallurgical and Allied Industries," from Bureau of Mines figures, Federal Power Commission, Washington, 1938, p. 20, for figures through 1936. Figures for 1937-1939 from Minerals Yearbook, 1940, p. 638.

[4] Not available.

[5] Figures from Minerals Yearbooks.

[6] Figures from Minerals Yearbook, 1939, p. 604 for 1914-1938; Minerals Yearbook 1940, p. 605 and 494 for 1939.

[7] 1917-1939 only.

[fol. 5540] II-23

Much of the secondary metal represented in these figures does not constitute any contribution from the secondary metal reserves but consists of "home" or "run around" scrap. In other words the processes of production of machinery, equipment and other articles, produce a certain amount of scrap in the form of clippings and cuttings, borings, skimmings, spinnings, and sweepings, the quantity of which in each year varies directly with the volume of production. Manufacturing scrap of this character is principally and usually new scrap and is constantly recycled. Except for the fluctuations in its total volume each year this scrap possesses little or no economic significance. Old scrap, on the other hand, comes from the reserves of metal in use. For this reason ratios of old scrap to primary production are of greater significance than are those of new scrap and it is these reserves of old scrap with which this study is concerned.

Until recently no attempt has been made to separate the consumption of old scrap representing drafts on the secondary reserves of metal in use from those of new scrap which may be said to constitute a more or less permanent part of the nation's manufacturing inventory. Unfortunately only a beginning has been made on the collection of data on old and new scrap except copper. For 1939, however, the Bureau of Mines has made a separation for each of the principal nonferrous metals under consideration. These figures are shown in Table 5 in comparison with the primary production of copper, lead, zinc, and aluminum and with imports in the case of nickel and tin. The figures for the single year are, of course, apt to be misleading.

As already stated, the volume of new scrap is chiefly manufacturing scrap, which fluctuates directly with the volume of industrial production. The volume of old scrap appearing in the market in any year, however, is influenced by the price of scrap and consequently may not be so directly related to the volume of production. The figures for only a single year, therefore, may indicate a degree of importance for either old or new scrap with reference to the primary production which would not be borne out by the figures for a longer period. It will be noted, for example, that the ratio of old copper to primary production, for the 5-year period 1934-1938 greatly exceeds that for the single year 1939 when there was a sharp rise in the production of primary with consequent increase in the proportion of new scrap to the total. In that year, [fol. 5541] therefore, the ratio of old scrap to primary production was less than 41 percent as compared with 66 percent on the basis of the average for the preceding five years.

Except for zinc, aluminum, and [illegible]kel, the tonnages of old scrap are fairly impressive an[illegible] would indicate that the secondary reserves of old metal [illegible]e highly important to industry.

The foregoing ratios of old scrap to primary production or imports are explainable very largely in terms of the purposes for which these various metals are consumed and the character of this consumption taken in connection with certain other statistical data sheds some light upon the location of these secondary metal reserves.

(Here follows 1 Photolithograph side folio 5542)

[fol. 5543] *Relation of Metal Consumption to Growth of Secondary Reserves*

Copper

Table 6 shows the average consumption of copper, 1934-1938, by uses. Five sources of consumption accounted each for in excess of 9 percent of the average consumption of copper in the 5 years 1934-1938, electrical manufactures (23.22 percent) automobiles (13.32 percent), other rod and wire[1]. (10.45 percent) light and power lines (9.49 percent) and buildings (9.04 percent). These uses, therefore, accounted for nearly two-thirds (65.52 percent) of the total consumption. Most of this copper is recoverable. in addition, it is probable that the great bulk of the copper going into telephones and tellegraphs (4.06 percent) is recoverable and much, if not most, of that used in shipbuilding and railway equipment. There is a large recovery from radio sets, air conditioning equipment, radiators, and refrigerators. Most of the copper in "castings (n.e.s.)" ammunition, and a large proportion of that in miscellaneous other uses is definitely nonrecoverable because of dissipation, dispersion or both.[2]

---

[1] See note 3 to table.

[2] The above figure of 65.52 percent of the copper going into consumption in 1934-1938 from which high proportions of recovery are likely may be compared with the Ingalls estimate quoted above. It will be recalled that he estimated that 17.1 million tons had gone into domestic consumption, of which 10.1 tons were in use and 7 million had been lost up to the end of 1932. This is a ratio of a trifle over 59 percent in use as compared with a little over 40 percent lost. If we allow something for recovery from other than the five principal uses specified above and for losses in the five principal use- and highly recoverable groups it would appear that the proportion of copper going into secondary reserves in the five years 1934-1938 may not perhaps be very far from the Ingalls estimate to the end of 1932.

Table 5.--Relation of Secondary Production from New and Old Scrap to Primary Production from Domestic Ores or Imports of Principal Nonferrous Metals

Metal	Primary production of imports	Secondary production			Percent of primary production or imports		
		New scrap	Old scrap	Total	New scrap	Old scrap	Total scrap
	(Short tons)	(Short tons)					
	Production from domestic ores						
Copper, 1939	704,873	212,800	286,900	499,700	30.19	40.70	70.89
Copper, 5-yr. aver., 1934-1938	518,332	94,260	346,300	440,560	18.19	66.81	85.00
Lead, 1939	420,967	30,700	210,800	241,500	7.29	50.08	57.37
Zinc, 1939	491,058	144,540	45,100	189,640	29.43	9.18	38.62
Aluminum, 1939	163,545	15,100	34,900	50,000	9.23	21.34	30.57
	Imports						
Tin, 1939	78,514	12,300	16,860	29,160	15.67	21.47	37.14
Nickel, 1939	1/ 64,796	1,910	1,010	2,920	2.95	1.56	4.51

1/ Includes nickel ore and matte, oxide, ingots, bars, rods, tubes, etc.

Source: Copper, lead, and zinc figures for 1939 by telephone from E. W. Pehrson, Bureau of Mines; aluminum, tin, and nickel figures for 1939 by letter dated September 11, 1940, from T. H. Miller, Acting Supervising Engineer, Secondary Metals Section, U. S. Mines; copper figures for 1934-1938 from Minerals Yearbook, 1939.

5542

[fol. 5544]

Table 6.—Estimated Average Use of Copper in the United States, 1934-1938

Use	5-yr. average (Short tons)	Percent of total
Electrical manufactures [1]	151,000	23.22
Telephones and telegraphs	26,400	4.06
Light and power lines [2]	61,700	9.49
Wire cloth	5,900	.91
Other rod and wire [3]	68,000	10.45
Ammunition	13,140	2.02
Automobiles [4]	86,600	13.32
Buildings [5]	58,800	9.04
Castings, n.e.s.[6]	36,400	5.60
Clocks and watches	3,000	.46
Copper-bearing steel	3,100	.48
Radiators, heating	1,640	.25
Radio receiving sets	18,620	2.86
Railway equipment [7]	3,340	.51
Refrigerators [8]	13,260	2.04
Shipbuilding [8]	4,340	.67
Air conditioning [8] [9]	5,660	.87
Other uses [10]	55,280	8.50
Manufactures for export	34,160	5.25
Total	650,340	100.00

Source: Minerals Yearbook, 1939, p. 106.

[1] Generators, motors, electric locomotives, switchboards, light bulbs, etc.

[2] Transmission and distribution wire and busbars; accounting only for the public-utility companies.

[3] Includes industrial wire and cable, wire in buildings, railway cars and ships, radio broadcasting, railway and municipal signaling, railway electrification, trolley wire, rod and wire for Government projects, blasting wire, flexible cord, and sundries.

[4] Does not include starter, generator, and ignition equipment.

[5] Excludes electrical work.

[6] Bearings, bushings, lubricators, valves, and fittings.

[7] Includes air conditioning.

[8] Excludes electrical equipment.

[9] Other than railway.

[10] Includes condenser tubes, oil-burner tubing, welding rod, screw-machine products, nickel-silver and phosphor bronze products, rivets and burrs, toilet pins, eyelets and grommets, electrotyping and engraving sheet, spark plugs, inner-tube valve stems, jar tops and rouge boxes, flashlight tubes, kerosene lamps, kitchen utensils, kitchen-range boilers, linotype matrices, safety razors, blasting caps, asbestos textiles, water meters, thermostats, soldering coppers, yacht fittings, coinage, washing machines, household water heaters, fire extinguishers, etc., all reckoned in terms of copper content.

[fol. 5545] These use characteristics of copper combined with its highly indestructible character physically account, no doubt, for the large tonnages of old scrap going into consumption each year.

Lead

During the five years 1934-1938 approximately 31 percent of the total lead consumed in the United States was used in storage batteries (Table 7). Ingalls, speaking in 1935, concluded that "the 24 million automobiles that we have on the road carry about 300,000 tons of lead" in the form of battery plates. "From the number of automobiles we have on the road, the average battery weight and the average battery life," he calculated that "we ought to get back 110,000 tons of lead per annum."[1]

Next to battery lead the most important source of secondary lead is said to be cable scrap,[2] a use which accounted

---

[1] Ingalls, op. cit., pp. 86-88. Certain other estimates have been very much higher. In the nonferrous metals cases F. R. Wampler estimated that on December 1, 1929, there were 26,501,443 automobiles registered in the United States with an average battery lead weight of 25 pounds—a total of 357,769 tons of battery lead. This witness figured that the average life of a storage battery was 18 months and that approximately 238,000 tons of automobile battery plates were annually subject to recovery. Record, Rate Structure Investigation, I. C. C. Docket 17,000, Non Ferrous Metals, Part 12, p. 3960. Even on the 18-month basis, this last figure is probably much too high. Thus it was also testified in the same case that the lead yield on burnt out battery plates was from only 65 to 70 percent "the remainder being non-reclaimable and worthless." (Sidney R. Lewis, ibid., p. 4819). And information from the Bureau of Mines would indicate that recovery at the present rate would not exceed 80 percent. Also at the present time a life of 18 months may well be too low for the average of all batteries.

[2] Ingalls, op. cit., p. 87.

[fol. 5546]

Table 7.—Lead Consumed in the United States, by Use, Average 1934-1938

Use	5-yr. average (Short tons)	Percent of total
White lead	77,400	13.41
Read lead and litharge	48,700	8.44
Storage batteries	177,600	30.78
Cable covering	57,100	9.90
Building	36,600	6.34
Automobiles	9,280	1.61
Railway equipment	1,800	.31
Shipbuilding	240	.04
Ammunition	33,440	5.80
Terneplate	4,840	.84
Foil	20,860	3.62
Bearing metal	13,120	2.27
Solder	19,000	3.29
Type metal	14,800	2.56
Calking	12,500	2.17
Castings	5,550	.96
Other uses	44,200	7.66
Total	577,030	100.00

Yearbook of the American Bureau of Metal Statistics, 1938, p. 56. These estimates are for the total consumption of lead irrespective of whether its origin is primary or secondary. Antimonial lead is included.

[fol. 5547] for less than 10 percent of the average consumption of lead in the five-year period 1934-1938. However, Ingalls in 1935 believed that a national inventory of lead in use would show the largest quantity to be in cables.[1]

The only other purposes which absorbed in excess of 5 percent of the total in this quinquennium were in buildings (6.34 percent), in white lead (13.41 percent), red lead and litharge (8.44 percent), and ammunition (5.80 percent).

As indicated above, battery scrap is a very important source of secondary lead. Lead in buildings is already recoverable as is also lead in cables and much of that going into minor channels of consumption for solder, automobiles, railway equipment, shipbuilding and type metal. Lead used for white and red lead and litharge is practically all dissipated as is also a good deal of that in bearing metal as a result of abrasion. Lead in ammunition is presumably almost entirely lost through dispersion as is also much of that represented in terne plate, foil, and collapsible tubes.[2] The high ratio of old lead scrap to primary production in 1939, therefore (Table 5) is due primarily to the volume of battery scrap. Its elimination from the old scrap figures would, no doubt, reduce this metal from leadership in the ratio of old scrap to primary production to a position substantially below copper.[3]

---

[1] Ingalls, op. cit., p. 87.

[2] Ingalls, op. cit., p. 86.

Zinc

The two most important uses of zinc are for galvanizing and brass making. On the basis of the five-year average for the years 1934-1938 the former absorbed about 42.5 [fol. 5548] percent of the industrial zinc used in the United States and the latter not quite 27 percent (Table 8). Most of the recovery of zinc from brass is not in the form of zinc but as brass, the zinc content of which replaces a corresponding amount of spelter which would otherwise go into brass making. Other important uses are for die casting (12.10 percent) and in rolled zinc (10.50 percent).

Zinc consumption in die casting has grown to an average of 59,100 tons per annum for the five years 1934-1938 from only 13,500 tons in 1926, the first year for which this use was separately reported by the Bureau of Mines.[1] In 1935 die castings absorbed 73 percent more zinc than in the preceding year[2] and in 1937 the consumption was more than 2½ times that of 1934.[3] This abrupt increase reflected a marked increase in zinc used by the automobile industry where zinc castings are used in a great variety of parts—hardware, carburetors, fuel pumps, radiator grilles. Some 1936 models contained as much as 80 pounds of zinc die castings.[2] Die casting industry estimates of 1941 consumption made late in 1940 were 155,000 tons.[4]

As compared with either copper or lead, relatively high proportions of zinc go into nonrecoverable uses and of the secondary zinc that is recovered, according to Ingalls, there is but little reconversion into spelter.[5] A very substantial part of the zinc ore produced in the United States is used directly in the manufacture of pigments and chemicals from which there is pratically no recovery. Thus the 42.5 percent of the zinc used for galvanizing in 1934-1938 is widely dispersed and there is little or no recovery therefrom.

---

[3] Cf. Ingalls' conclusion (op. cit., p. 88) that "If we eliminate the storage battery cycle the reflux of old lead from use appears to be less in terms of percentage than in the instance of copper. If on the basis of 1929 consumption the reflux of old copper was something like 18 percent; that of old lead may have been about 8 to 10 percent."

[1] Yearbook of the American Bureau of Metal Statistics, 1929, p. 79.

[2] Minerals Yearbook, 1936, p. 168.

[3] Minerals Yearbook, 1938, p. 143.

[4] Letter of Bureau of Mines dated Dec. 4, 1940.

[fol. 5549]

Table 8.—Estimated Average Industrial Use of Zinc in the United States, 1934–1938

Use	5-yr. average (Short tons)	Percent of total
Galvanizing:	207,800	42.55
Sheets	113,760	23.29
Tubes	29,860	6.12
Wire	26,320	5.39
Wire cloth	5,520	1.13
Shapes [1]	32,340	6.62
Brass making	131,600	26.95
Rolled zinc	51,280	10.50
Die castings	59,100	12.10
Other uses [2]	38,600	7.90
Total	488,380	100.00

Source: Yearbook of the American Bureau of Metal Statistics, 1938, p. 76.

[1] Includes pole-line hardware, hollow ware, chains, and all articles not elsewhere mentioned.

[2] Includes slab zinc used for manufacture of French oxide, zinc for wet batteries, slush castings, the desilverization of lead, and sundries.

[fol. 5550] Rolled zinc is utilized chiefly for such products as battery cans and fruit jar tops,[1] which are also highly dispersing. As a result of this situation, the secondary reserves of zinc are relatively small as compared with those of copper or lead and the chief source of secondary metal is new scrap.[2] This is indicated by a comparison of the figures of old and new scrap from the various nonferrous metals in 1939 (Table 5). In that year old copper, lead, and aluminum scrap either substantially or greatly exceeded new scrap, the ratios of old scrap to the total old and new scrap being, respectively, 57.41, 87.29, and 69.80 percent. In the case of zinc, on the other hand, the volume of new scrap greatly exceeded the old, the latter representing only 23.78 percent of the total of both old and new.

---

[5] Ingalls, op. cit., p. 88.

[2] E. W. Pehrson, at the Twenty-Third Annual Convention of the National Ass'n of Waste Material Dealers, Inc., quoted in Minerals Yearbook, 1936, Part II, p. 350.

Tin

There is every indication that there are no important reserves of secondary tin and that the great bulk of it represents merely run-around scrap recovered from industrial plants.[3] "Among all the nonferrous metals tin is pre-eminently the one that is associated with the production of consumption goods rather than of constructional or durable goods."[4] About 40 percent of the consumption of the United States is in tin plate (Table 9) and Ingalls estimated in 1935 that about 75 percent of the tin plate was used for canning. Old tin cans and tin plate are primarily dissipating and dispersing uses. The next most important

[fol. 5551]

Table 9.—Average Consumption of Tin in the United States, 1935-1938, by Finished Products (Tin Content)

Use	4-yr. average (Long tons)	Percent of total
Tin plate [1]	30,952	40.91
Terneplate	1,195	1.58
Solder	17,013	22.49
Babbitt	5,690	7.52
Bronze	5,362	7.09
Collapsible tubes [2]	3,526	4.66
Tinning	2,224	2.94
Foil [2]	1,414	1.87
Chemicals (other than tin oxide)	1,851	2.45
Pipe and tubing [3]	1,170	1.54
Tin oxide	1,193	1.58
Type metal	1,167	1.54
Galvanizing	856	1.13
Bar tin	658	.87
Miscellaneous alloys	431	.57
White metal	401	.53
Miscellaneous	554	.73
Total	75,657	100.00

Source: Minerals Yearbooks, 1940, p. 685; 1939, p. 681.

[1] Includes small quantity of pig tin derived from detinning operations; Bureau of Mines not permitted to publish separate figures.

[2] Small quantity included under "Miscellaneous."

[3] In 1935 pure tin tubing required 940 tons and tin-lined tubing 13 tons; in 1936, 1,476 and 7 tons, respectively; in 1937, 1,286 and 10 tons, respectively; not reported separately after 1937.

[fol. 5552] use of tin is in solder, which is also largely scattered. All the chemical uses are essentially dissipating.

---

[3] E. W. Pehrson and John B. Umhau, Minerals Yearbook, 1939, p. 679. Also Ingalls, op. cit., pp. 89-90.

[4] Ingalls, op. cit., p. 89.

Collapsible tubes and foil are largely scattered and babbitt metal wears out. The principal reclamation, according to Ingalls, is from solder and this chiefly from automobile radiators.[1]

Bronze is apparently another source of secondary tin. About 60,000 tons of bronze junk are returned annually from journal bearings and bushings.[2]

In view of these conclusions of competent students, it is of some interest, therefore, to note that despite this fact the old tin scrap represented a substantially higher proportion of the total scrap than did new scrap in 1939, the only year for which we have separate figures of old and new scrap. According to the Bureau of Mines this is due largely to the tin circulating in bronze scrap.

Aluminum

As pointed out above, Ingalls has suggested that the reflux of aluminum is similar to that of copper. This implies that in contrast to zinc and tin most of the production goes into use in those industries which sooner or later return all or part of it in the form of scrap. The data on aluminum consumption by industries is exceedingly scanty but for 1936 and for the period 1933-1938 the Bureau of Mines has published estimated proportions of primary aluminum consumed by various industries. The figures are as follows:

[fol. 5553]

Table 9A.—Uses of Aluminum

Use	1936 [1] (Percent)	1933-1938 [2] (Percent)
Transportation (air, land, water)	20	29
Machinery	18	15
Cooking utensils	13	14
Miscellaneous foundry and metal working	13	4
Electrical conductor	12	10
Iron and steel metallurgy	5	5
Chemical	3	5
Building	3	8
Food and beverage	...	6
Miscellaneous, including food products	13	...
General miscellaneous	...	4
	100	100

[1] Minerals Yearbook, 1938, p. 586.
[2] Minerals Yearbook, 1940, p. 650.

---

[1] Ibid., pp. 78, 90.

[2] Letter dated December 4, 1940, from E. W. Pehrson, Acting Chief, Economics and Statistics Branch, U. S. Bureau of Mines, Dr. W. H. S. Stevens, I. C. C.

On their face those figures would appear to support the Ingalls theory and to indicate the accumulation of substantial secondary reserves of metal. Presumably the chemical use, the miscellaneous uses, including food products, and iron and steel metallurgical consumption are definitely dissipating. These uses, however, combined add up to only about 20 percent of the total shown, assuming there was no recovery from any of them. On the other hand, considerably over half of the total is consumed in the machinery, transportation, electric conduction, and building industries from which recovery is quite large. Recovery from cooking utensils is of a high order too.[3] It has been stated officially that the Aluminum Company of America estimates "that 60 to 75 percent of the original ingot eventually reappears as secondary aluminum."[4] For some of these products re- [fol. 5554] covery may be complicated by the fact that the aluminum used goes into the product produced in the form of alloys. For the 10 years 1927-1936 secondary supply of aluminum was 32 percent of the total domestic supply whereas secondary copper was 43 percent of total domestic consumption of copper.[1] The difference may be due to the fact that aluminum is a new metal as compared with copper. Supporting this view, the Federal Power Commission stated in 1938 that the situation "suggests that the amount of secondary aluminum will increase slowly for perhaps 10 years, more rapidly thereafter."[1]

Nickel

Figures on the quantities of nickel going into various uses are not available. World figures in a pamphlet by Robert Stanley, "The Nickel Industry in 1937" published by the International Nickel Company would indicate that the bulk of it is used in conjunction with other metals. According to his figures, 55 percent of the total was used in nickel steels. Monel, malleable nickel, nickel clad, and Iconel absorbed 12 percent and electro deposition 10 percent. Nickel alloys accounted for most of the balance. The 1939 figures (Table 5) do not indicate that there are at present significant tonnages of secondary metal accumulating.[2] No further consideration, therefore, is given to this metal in this study.

---

[3] Letter dated Dec. 4, 1940, from E. W. Pehrson, op. cit.

[4] Federal Power Commission, Power Requirements in Electrochemical, Electrometallurgical and Allied Industries, 1938, p. 31.

[1] Ibid., p. 31.

[fol. 5555] *Reserves of Secondary Metals by Freight Rate Territories*

Information regarding the location of these secondary metal reserves and their relative importance as between different freight rate territories is of the most fragmentary character. A limited amount of information on rail movements of scrap is available in Interstate Commerce Commission figures. Various other statistics collected from miscellaneous sources which are separable according to freight rate territories also shed some light on the relative proportions of the secondary metal reserves available in the different freight rate territories. These statistics constitute about the only available information with regard to the probable location of the secondary metal reserves.

Secondary Metal Reserves in Buildings

In the five years 1934-1938 (6-year period for aluminum) the building industry absorbed the following percentage of iron and steel and the four principal nonferrous metals.

Table 10.—Proportion of Consumption of Specified Metals in Building, 1934-1938 [1]

Metal	Proportion
Iron and steel (structural shapes)[2]	8.33
Copper	9.04
Lead	6.34
Zinc	—
Aluminum	8.00

[1] For aluminum, 1933-1938.

[2] Annual Statistical Report of American Iron and Steel Institute for 1939, pp. 21-22. For other metals see Tables 6, 7, and 9A, supra.

---

[2] Up to the end of the World War, however, the chief use of nickel was for armament purposes. It is only during the last 20 years that there has been any very serious effort to adapt the unique properties of nickel to peace time uses. Minerals Yearbook, 1938, pp. 552-553.

[fol. 5556] No entirely satisfactory figures of the number of structures for the United States are available by states and even if they were, the number alone would not be an entirely satisfactory index of the volume of such metals in such buildings owing to the great differences in size of the units involved. However, the number of establishments is available by states for the manufacturing industry and from these and other figures also available on a state basis it is possible to piece together some rather definite ideas as to the probable distribution of the secondary metal reserves in buildings by freight rate territories. As the number of manufacturing establishments gives no indication of the sizes involved, the average number of wage earners employed in manufacturing in 1937 has been shown for each freight rate territory as a check on the establishment figures. For hotel structures the number of rooms by rate territories has been taken to indicate the extent of metallic reserves available in this type of structure and the number of family units has been used as a similar indicator of the number of dwelling units and the proportion of metal included in such structures. For the relative importance of metallic reserves located in business structures other than hotels and manufacturing establishments, such as office buildings, warehouses, wholesale and retail establishments, and the like, the number of people gainfully employed in clerical occupations and in trade has been used. Tables 11 and 12 show the distribution of these figures by freight rate territories. Two groupings of states have been used for the freight rate territories since these territories do not follow state lines. These groupings are sufficiently indicated in the footnotes to the table.

These figures would suggest that in excess of 45 per cent of the secondary metallic reserves of iron and steel, copper, lead, zinc, and aluminum in buildings are located in Official territory. Leadership for the remaining territories depends primarily on the kind of structure. Mountain-Pacific far exceeds the others in terms of hotel rooms as indicative of secondary metal reserves in hotel buildings, followed by Western Trunk Line, Southern, and Southwestern. Though Western Trunk Line leads in number of manufacturing establishments, Southern leads in the number of

Table 11.--Relative Importance of Building Structures in the United States, by Freight Rate Territories

Grouping A

Territory	Manufactures, 1937 1/		Hotel structures (Hotel guest rooms) 1935 2/	Office, trade and other business structures (Gainfully employed in clerical occupations, and trades, 1930 3/	Dwelling units (No. of families) 1930 4/
	No. of estab-lishments	No. of wage earners			
Official 5/	102,872	6,137,962	657,131	6,168,834	15,479,668
Southern 6/	15,480	970,432	138,918	860,429	4,312,364
Western Trunk Line 7/ ..	20,152	640,243	169,641	1,205,049	4,029,770
Southwestern 8/	8,582	272,339	110,102	713,094	2,368,262
Mountain-Pacific 9/	19,708	548,205	352,854	1,159,385	3,214,599
Total	166,794	8,569,231	1,428,646	10,105,791	29,904,663

Percent of total

Territory	No. of estab-lishments	No. of wage earners	Hotel structures	Office, trade and other business structures	Dwelling units
Official 5/	61.68	71.63	46.00	61.04	51.76
Southern 6/	9.28	11.32	9.72	8.51	14.42
Western Trunk Line 7/ ..	12.08	7.47	11.87	11.92	13.48
Southwestern 8/	5.14	3.18	7.71	7.06	9.59
Mountain-Pacific 9/	11.82	6.40	24.70	11.47	10.75
Total	100.00	100.00	100.00	100.00	100.00

1/ Statistical Abstract of the U. S., 1939, pp. 309-310.
2/ Ibid., p. 861.
3/ Abstract, Fifteenth Census of U.S., pp. 323-324.
4/ Statistical Abstract of the U. S., 1939, p. 48.
5/ Including Michigan and Virginia.
6/ Excluding Virginia and Louisiana.
7/ Including Wisconsin and excluding Colorado.
8/ Including Louisiana.
9/ Including Colorado.

Table 12.--Relative Importance of Building Structures in the United States, by Freight Rate Territories (Continued)

Grouping B

Territory	Manufactures, 1937 1/		Hotel structures (Hotel guest rooms) 1935 2/	Office, trade and other business structures (Gainfully employed in clerical occupations, and trades, 1930 3/	Dwelling units (No. of families) 1930 4/
	No. of establishments	No. of wage earners			
Official 5/	100,488	6,005,319	640,120	6,039,724	14,950,579
Southern 6/	19,548	1,179,132	167,318	1,111,978	5,326,816
Western Trunk Line 7/ ..	21,385	666,175	195,429	1,290,062	4,297,094
Southwestern 8/	6,898	196,332	98,713	590,655	2,382,899
Mountain-Pacific 9/	18,475	522,273	327,066	1,074,372	2,947,275
Total	166,794	8,569,231	1,428,646	10,106,791	29,904,663
	Percent of total				
Official 5/	60.25	70.08	44.81	59.76	49.99
Southern 5/	11.72	13.76	11.71	11.00	17.81
Western Trunk Line 7/ ..	12.82	7.77	13.68	12.77	14.37
Southwestern 8/	4.13	2.29	6.91	5.84	7.97
Mountain-Pacific 9/	11.03	6.10	22.89	10.63	9.86
Total	100.00	100.00	100.00	100.00	100.00

1/ Statistical Abstract of the U. S., 1939, pp. 809-810.
2/ Ibid., p. 661.
3/ Abstract, Fifteenth Census of U. S., pp. 323-324.
4/ Statistical Abstract of the U.S., 1939, p. 48.
5/ Including Michigan.
6/ Including Virginia and Louisiana.
7/ Including Wisconsin and Colorado.
8/ Excluding Louisiana.
9/ Excluding Colorado.

[fol. 5559] manufacturing wage earners, and it may be conjectured that somewhat larger reserves of metal are probably to be found in Southern territory. Southwestern territory is definitely lowest in both respects.

Gauged by gainfully employed in clerical occupations and trades, there are more secondary metal reserves in Western Trunk Line business structures, outside of manufacturing establishments and hotels, than in any territory other than Official. Mountain-Pacific territory falls in third place, followed by Southern and Southwestern territories. In number of dwelling units, Western Trunk Line territory ranks second followed by Southern, Mountain-Pacific and Southwestern territories in the order named.

Automobile Secondary Metal Reserves

Large tonnages of the four principal nonferrous metals—copper, lead, zinc, and aluminum—enter annually into the manufacture of automobiles as well as millions of tons of iron and steel.

In the five-year period 1935-1939 the average volume of consumption of each of these metals and the average quantity and proportion of this total consumption used by the automobile industry was as follows:

Annual Average of 1935-1939[1]

Metal	Total United States consumption (Tons)	Consumption in automobile industry (Tons)	Percent of total consumption
Iron and steel	[2]33,676,717	[3]5,967,112	17.7
Copper	716,400	116,140	16.2
Aluminum	163,100	20,560	12.6
Lead	614,290	210,200	34.2
Zinc	539,800	67,560	12.5

[1] Automobile Facts and Figures, 1936-1940.

[2] Hot rolled iron and steel produced, in net tons (Annual statistical report of the American Iron and Steel Institute for 1939, p. 23).

[3] Steel and malleable iron only in 1937. Steel, malleable and gray iron other years.

[fol. 5560] Automobile metal, however, partakes of the nature of a more or less permanent revolving inventory. As already pointed out, this is particularly true of lead since the average life of a battery is much less than the average life of an automobile and most of the lead consumed by the automobile industry is in the form of battery plate. Although the total metal in automobiles is large, the comparatively short life of motor vehicles results in a high rate of scrappage. This means that there is comparatively little long-term accumulation of secondary reserves and that automobile metal represents at best the equivalent of only a few years consumption by that industry. These statements are subject to the qualification that the total metal in use is perhaps slowly increasing with the increased number of automobiles in use. Despite the decline in motor vehicle registrations in the early stages of the depression from 1931 to 1933, registrations in 1939 were more than 4 million cars above those of 1929, or roughly one-sixth greater.[1]

For estimating the quantities of automobile secondary metal reserves by freight rate territories the motor vehicle registration figures would appear to be fairly satisfactory. Table 13, therefore, shows the distribution of these registration figures for the five freight rate territories according to the two groupings A and B referred to above.

These registration figures indicate that nearly 50 percent of the secondary metal reserves in automobiles are in Official territory. Western Trunk Line is second followed closely by the Mountain-Pacific division. Southern territory is fourth and Southwestern last.

Secondary Reserves in Electrical and Other Machinery

Table 6 above indicated that on the basis of the five-year period 1934-1938 about twenty-three percent of the total copper was being used in electrical manufactures such as

---

[1] Automobile Facts and Figures, 1940, p. 11. This possible increase in metal is, of course, subject to qualification for any decreased weights which may have occurred.

(Here follows 1 Photolithograph, side folio 5561)

Table 13.--Distribution of Motor Vehicles Registrations by Freight Rate Territories, 1938 1/

Territory	Number	Percent of total
Grouping A		
Official 2/	14,744,934	50.01
Southern 3/	3,010,552	10.21
Western Trunk Line 4/	4,574,874	15.51
Southwestern 5/	2,630,332	8.92
Mountain-Pacific 6/	4,524,988	15.35
United States	29,485,680	100.00
Grouping B		
Official 7/	14,303,472	48.51
Southern 8/	3,778,213	12.81
Western Trunk Line 9/	4,907,648	16.64
Southwestern 10/	2,304,133	7.82
Mountain-Pacific 11/	4,192,214	14.22
United States	29,485,680	100.00

1/ Automobile Facts and Figures, 1939, p. 17.
2/ Including Michigan and Virginia.
3/ Excluding Virginia and Louisiana.
4/ Including Wisconsin and excluding Colorado.
5/ Including Louisiana.
6/ Including Colorado.
7/ Including Michigan.
8/ Including Virginia and Louisiana.
9/ Including Wisconsin and Colorado.
10/ Excluding Louisiana.
11/ Excluding Colorado.

[fol. 5562] generators, motors, electric locomotives, switchboards, light bulbs, etc. It is not clear whether copper in buildings includes the copper in switchboards. If included, it may probably be assumed that the building indicators in the table above would give a rough approximation of the probable location of the reserves of secondary metal in this use.

For the rate territory distribution of secondary reserves of copper the capacity of prime movers in 1938 has been taken as an index of the location of this metal and these figures are given in Table 14.

As all electric motors are dependent upon current, it is probably not unfair to assume that distribution of secondary reserves of copper in motors would correspond roughly with the distribution of copper in generators. Also, electric switchboard copper would presumably be located roughly according to the distribution of prime movers. If, therefore, prime mover capacity be accepted as a reasonably good indicator of the location of secondary reserves of copper used in electrical manufacturing, Official territory would account for close to 57 percent of the total. On this basis Mountain-Pacific is a poor second with about 15 percent and Southern territory slightly leads Western Trunk Line.

Large quantities of iron and steel, aluminum, and copper are also used in machinery and miscellaneous equipment other than electrical. Machinery took about 15 percent of the aluminum, based on the average for the six years 1933-1938, and copper used in "castings, n.e.s.", for bearings, bushings, lubricators, valves, and fittings utilized 5.60 percent of the copper in the 1934-1938 period. No figures of the iron and steel tonnage going into machinery, either electrical or otherwise, are available. The total is unquestionably large, however. Distribution of the secondary reserves of these metals in machinery and equipment other than electrical by rate territories would presumably follow the corresponding distributions of manufacturing establishments and manufacturing wage earners shown in Table 11 above.

Table 14.—Distribution of Prime Mover Capacity in Generating Plants, 1938

Territory	Thousands of kilowatt-hours	Percent of total
Grouping A		
Official 1/	22,426	57.44
Southern 2/	4,489	11.50
Western Trunk Line 3/	3,999	10.24
Southwestern 4/	1,926	4.93
Mountain-Pacific 5/	6,201	15.89
United States	39,041	100.00
Grouping B		
Official 6/	21,928	56.17
Southern 7/	5,318	13.62
Western Trunk Line 8/	4,284	10.97
Southwestern 9/	1,595	4.09
Mountain-Pacific 10/	5,916	15.15
United States	39,041	100.00

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.
6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source: U. S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States. 1939, p. 379.

[fol. 5564] *Secondary Metal Reserves in Wire and Cable*

According to the foregoing tables, electric conduction absorbed about 10 percent of the aluminum from 1933 to 1938 and electric light and power lines took about the same percentage of the copper in the five-year period 1934-1938. Figures permitting the breakdown of secondary reserves of copper and aluminum in use in these forms are not readily available. While it is possible that there are sources through which estimates of this distribution could be procured, it was not felt that their importance was sufficient to justify the probable amount of time and expense involved.

It is possible that the distribution of electric conduction copper and aluminum may perhaps follow roughly the prime mover distribution but the vast development of rural electrification in the last few years as well as the increase in long distance transmission renders any such possibility a somewhat dubious one.

Although telephone wire accounts for only about 4 percent of the consumption of copper, there are just under 90 million miles of telephone cable and aerial wire in use, largely of copper and nearly 2.5 million miles of telegraph wire. Table 15 shows the distribution of the telephone wire mileage in cable, and in total by freight rate territories compiled from state figures furnished by the Federal Communications Commission in September 1940. Similar figures for the distribution of telegraph wire are not available but the distribution is no doubt somewhat similar to that of the telephone wire. Assuming that this is a reasonably accurate index, therefore, a little less than two-thirds of the secondary reserves of copper are located in Official territory. The Mountain-Pacific section is second with around 11 or 12 percent. Western Trunk Line is third and Southern and Southwestern fourth or fifth depending on the grouping considered most valid.

During the five-year period, 1934-1938, lead cable covering consumed approximately 10 percent of the total lead. In 1935 Ingalls "supposed" that if a national inventory of lead in use were possible, the largest quantity would be

Table 15.—Miles of Wire of Telephone Companies, by Freight Rate Territories, 1939

Territory	Miles in cable	Percent of total	Miles all wire	Percent of total
Grouping A				
Official 2/	1/ 57,379,533	67.21	1/ 58,807,521	65.58
Southern 3/	4,777,332	5.59	5,455,637	6.09
Western Trunk Line 4/.	7,934,523	9.29	8,844,459	9.86
Southwestern 5/	5,017,163	5.88	5,552,137	6.19
Mountain-Pacific 6/ ..	10,268,491	12.03	11,008,717	12.28
Total	85,377,042	100.00	89,668,471	100.00
Grouping B				
Official 7/	56,386,334	66.05	57,725,526	64.38
Southern 8/	6,532,791	7.65	7,380,750	8.23
Western Trunk Line 9/.	8,579,853	10.05	9,595,479	10.70
Southwestern 10/	4,254,903	4.98	4,709,019	5.25
Mountain-Pacific 11/ .	9,623,161	11.27	10,257,697	11.44
Total	85,377,042	100.00	89,663,471	100.00

1/ Includes 19 miles of coaxial wire.
2/ Including Michigan and Virginia.
3/ Excluding Virginia and Louisiana.
4/ Including Wisconsin and excluding Colorado.
5/ Including Louisiana.
6/ Including Colorado.
7/ Including Michigan.
8/ Including Virginia and Louisiana.
9/ Including Wisconsin and Colorado.
10/ Excluding Louisiana.
11/ Excluding Colorado.

Source: Figures furnished by Federal Communications Commission, by letter of Mr. T. J. Slowie, Secretary, dated September 24, 1940.

[fol. 5566] found in cables.[1] Table 15 above indicates that a slightly higher proportion of telephone wire in cables than of all telephone wire is located in Official territory though still only about two-thirds of the total. The distribution of the secondary lead reserves in this cable in the other territories is, of course, the same as the distribution of copper reserves in telephone cable.

Secondary Reserves of Iron and Steel in Railways

The railways have always been a large source of iron and steel scrap. The figures of miles of road (Table 16) indicate that between 28 and 30 percent of the to[illegible]at the end of 1938 was located in Official territory. Large quantities of iron and steel are also in use in locomotives and in railway cars, particularly of the steel and steel underframe varieties. For these no satisfactory figures by freight rate territories are available. However, some idea of the situation in the matter of the ferrous metal reserves in this equipment may be gained from the Class I railway statistics of equipment for the Eastern, Southern, and Western Districts, the last named including practically all of the three freight territories lying west of the Mississippi River.

In the Commission's figures the Pocahontas region is included with the Southern District although most of this region lies in Official rate territory. For this reason cars and locomotives of the railroads assigned by the Commission to the three districts are shown in Table 17 on the basis, first, of the Commission's figures for these three districts, and then upon the basis of deducting the figures of the Pocahontas region from the Southern District and adding them to the Eastern District.

The lines assigned to the Eastern District, excluding Pocahontas, reported around 42 percent of the steam locomotives, nearly 45 percent of the freight-train cars and

---

[1] Ingalls, op. cit., p. 87.

Table 16.--Miles of Road Owned, All Line-Haul Steam Railways, by Freight Rate Territories, 1938

Territory	Miles of road	Percent of total
Grouping A		
Official 1/	72,130	30.45
Southern 2/	36,347	15.35
Western Trunk Line 3/	55,789	23.56
Southwestern 4/	31,995	13.51
Mountain-Pacific 5/	40,581	17.13
Total	236,842	100.00
Grouping B		
Official 6/	67,768	28.61
Southern 7/	45,158	19.07
Western Trunk Line 8/	60,430	25.51
Southwestern 9/	27,546	11.63
Mountain-Pacific 10/	35,940	15.18
Total	236,842	100.00

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.
6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source: I.C.C., Statistics of Railways in the United States, 1938, Table 3, p. S-5. Excludes Alaska and Hawaii.

Table 17. Locomotives and Cars of Class I Railway Companies, by Districts, 1938

District	Steam locomotives 1/	Passenger-train cars		Freight-train cars	
		Total 1/	Steel or steel underframe 2/	Total 1/	Steel or steel underframe 3/
			Grouping A 4/		
Eastern ..	17,793	20,565	20,060	5/770,817	758,392
Southern .	8,196	5,552	5,133	341,447	315,999
Western ..	16,548	13,192	11,717	6/609,734	547,325
Total	42,637	39,309	36,910	1,721,998	1,621,716
			Percent of total		
Eastern ..	41.73	52.32	54.35	44.76	46.76
Southern .	19.22	14.12	13.91	19.83	19.49
Western ..	39.05	33.56	31.74	35.41	33.75
Total	100.00	100.00	100.00	100.00	100.00
			Grouping B 7/		
Eastern ..	19,371	21,352	20,823	5/893,306	880,729
Southern .	6,618	4,765	4,370	218,958	193,662
Western ..	16,548	13,192	11,717	6/609,734	547,325
Total	42,637	39,309	36,910	1,721,998	1,621,716
			Percent of total		
Eastern ..	45.43	54.32	56.42	51.88	54.31
Southern .	15.52	12.12	11.84	12.71	11.94
Western ..	39.05	33.56	31.74	35.41	33.75
Total	100.00	100.00	100.00	100.00	100.00

1/ I.C.C. Statistics of Railways, 1938, Table 14, p. S-13, and Table 158, pp. S-170 to S-172.

2/ Ibid., Table 36, p. S-26. Pocahontas Region figures from I.C.C. work sheets.

3/ Ibid., Table 28, p. S-24. Pocahontas Region figures from I.C.C. work sheets.

4/ Pocahontas Region included in Southern District.

5/ Includes 10 idler, 2 incline tow, 13 poling, and 7 trainmen's office cars.

6/ Includes 1 caboose-baggage and 59 drover cars.

7/ Pocahontas Region included in Eastern District.

[fol. 5569] over 52 percent of the passenger-train cars. The Western District accounts for nearly 40 and about 35.4 and 33.5 percent of these totals, respectively, the Southern District showing less than 20 percent in any of the three classes of equipment. Regrouping the district figures to include the Pocahontas region in the Eastern District increases the proportion of steam locomotives and freight-train cars attributable to that region by several points percent and the proportion of passenger-train cars about 2 points percent.

In terms of steel or steel underframe cars, which presumably contain appreciably higher quantities of metal, the Eastern District shows roughly about two points per cent higher proportions of both passenger- and freight-train cars than in the totals of all cars of these classes.

Location of Secondary Reserves of Metal as Indicated by Rail Movements of Scrap

Beginning with 1940 the Interstate Commerce Commission began the collection of commodity statistics by states of origin and termination. Iron and steel scrap was one of the classes of these commodities and at this writing figures for the first quarter of the year in question are available. Distribution of these figures by originating territory shown in Table 18 would indicate that in excess of 70 per cent of the iron and steel scrap originates in Official territory. With an exception for Western Trunk Line territory in Grouping B, the originations of other territories are all less than 10 per cent of the total. Official territory is also the only one showing a large surplus of terminations over originations, most of which surplus is apparently obtained from Western Trunk Line territory. The showing of this table is substantially confirmed by the scrap originations of the Eastern District for recent years shown in Table 19. Owing to possibly large movements by truck, however, the proportion of total scrap originations may vary substantially from those shown for rail carriers alone.

In the Rate Structure Investigation, I. C. C. Docket 17000, Part 12, a number of exhibits were

Table 18. Rail Originations and Terminations of Iron and Steel Scrap, by Freight Rate Territories, First Quarter 1940

Territory	Revenue tons originated		Revenue tons terminated		Excess	
	Amount	Percent of total	Amount	Percent of total	Originations over terminations	Terminations over originations
Grouping A						
Official 1/	1,745,905	72.82	1,872,685	78.65	-	126,780
Southern 2/	160,338	6.69	163,615	6.87	-	3,277
Western Trunk Line 3/	231,533	9.66	122,658	5.15	108,875	-
Southwestern 4/	141,121	5.89	121,302	5.10	19,819	-
Mountain-Pacific 5/	118,493	4.94	100,659	4.23	17,834	-
Total	2,397,390	100.00	2,380,919	100.00		
Grouping B						
Official 6/	1,706,566	71.19	1,851,162	77.75	-	144,596
Southern 7/	222,059	9.26	213,415	8.96	8,644	-
Western Trunk Line 8/	247,379	10.32	131,937	5.54	115,442	-
Southwestern 9/	118,739	4.95	93,025	3.91	25,714	-
Mountain-Pacific 10/	102,647	4.28	91,380	3.84	11,267	-
Total	2,397,390	100.00	2,380,919	100.00		

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.
6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source:
Interstate Commerce Commission, Bureau of Statistics, Tons of revenue freight originated and tons terminated in carloads by classes of commodities and by geographic areas, Class I steam railways, First quarter, 1940.

5570

Table 19 - Average Tonnage of Iron and Steel Scrap Originated and Terminated, by Districts, 1933-39

District	Tons originated	Tons terminated	Excess, originations over terminations (+); terminations over originations (-)
	(Tons of 2,000 pounds)		
	Grouping A 1/		
Eastern	7,361,493	8,041,829	- 680,336
Southern	1,196,004	1,100,429	+ 95,575
Western	2,605,581	2,103,306	+ 502,275
Total	11,163,078	11,245,564	- 82,486
	Percent of total		
Eastern	65.95	71.51	
Southern	10.71	9.79	
Western	23.34	18.70	
Total	100.00	100.00	
	Grouping B 2/		
Eastern	7,706,371	8,437,190	- 730,819
Southern	851,126	705,068	+ 146,058
Western	2,605,581	2,103,306	+ 502,275
Total	11,163,078	11,245,564	- 82,486
	Percent of total		
Eastern	69.03	75.03	
Southern	7.63	6.27	
Western	23.34	18.70	
Total	100.00	100.00	

1/ Pocahontas Region included in Southern territory.
2/ Pocahontas Region included in Eastern territory.

Source: I.C.C., Freight Commodity Statistics, 1935-1939, Commodity No. 693.

[fol. 5572] introduced on the nonferrous metals showing the originations of different kinds of scrap. These exhibits are fragmentary at best but as they appear to be all that is available, they are presented for whatever value they may have in throwing light upon the secondary reserves of nonferrous metals. Three exhibits show movements of scrap for April and October 1928 on a destination basis, as reported, respectively, by Western Trunk Line, Southwestern, and Transcontinental carriers (Tables 20, 21, and 22). Two show the territorial originations of scrap received at New England and two at Trunk Line points. Two other exhibits show originations of scrap metals moving from various producing points to consuming points in Illinois Freight Association and Central Freight Association territories, respectively, for the same months (Tables 24 and 25). These data would tend to confirm the showing of preceding tables as to the location of the secondary reserves of iron and steel and the nonferrous metals.

Table 20.--Originations of Scrap Metals as Reported by Western Trunk Line Carriers, April and October 1928

Territory of origin	Cars		Weight	
	Number	Percent of total	Amount	Percent of total
			(Pounds)	
	Scrap Brass			
Official 1/	26	60.46	1,530,000	65.65
Western Trunk Line 2/	12	27.91	612,321	26.27
Southwestern	5	11.63	188,300	8.08
Total	43	100.00	2,330,621	100.00
	Scrap Copper			
Official 1/	26	96.30	1,091,694	95.86
Western Trunk Line	1	3.70	47,100	4.14
Total	27	100.00	1,138,794	100.00
	Scrap Lead			
Official 1/	7	50.00	389,880	46.39
Western Trunk Line	3	21.42	152,700	18.17
Southwestern	2	14.29	79,200	9.42
Mountain-Pacific	2	14.29	218,680	26.02
Total	14	100.00	840,460	100.00
	Scrap Zinc			
Official	1	100.00	74,880	100.00

1/ Scrap from points in Illinois has in all cases been included under Official territory.

2/ Scrap from points in Iowa and Missouri has in all cases been included under Western Trunk Line territory.

Source: I.C.C. Docket 17,000, Pt. 12, Vol. 11, Exhibit 220, "Exhibit showing Movement of Non-Ferrous Metals as Reported by Western Trunk Line Carriers on a Destination Basis During the Months of April and October 1928", pp. 4, 7, 13, and 17.

Table 21.--Originations of Scrap Metals as Reported by Southwestern Carriers, April and October 1928

Territory of origin	Cars		Weight	
	Number	Percent of total	Amount	Percent of total
			(Pounds)	
Scrap Brass				
Western Trunk Line	1	16.67	36,500	15.98
Southwestern	5	83.33	191,974	84.02
Total	6	100.00	228,474	100.00
Scrap Copper and Brass				
Southwestern	5	100.00	189,317	100.00
Scrap Lead				
Western Trunk Line 1/	14	20.90	622,720	22.27
Southwestern 2/	53	79.10	2,174,110	77.73
Total	67	100.00	2,796,830	100.00

1/ Scrap from points in Iowa and Missouri has in all cases been included under Western Trunk Line territory.

2/ Scrap from points on the line between Southern and Southwestern territories has been included under Southwestern territory if being shipped west.

Source: I.C.C. Docket 17,000, Pt. 12, Vol. 11, Exhibit 221, "Exhibit Showing Movement of Non-Ferrous Metals as Reported by Southwestern Carriers on a Destination Basis During the Months of April and October 1928," pp. 2. 4.

Table 22.--Originations of Scrap Metals in the United States as Reported by Trans-Continental Carriers, April and October 1928

Territory of origin	Cars		Weight	
	Number	Percent of total	Amount	Percent of total
			(Pounds)	
Scrap Brass				
Official 1/	13	35.14	743,420	36.34
Western Trunk Line	12	32.43	527,960	25.81
Southwestern	1	2.70	41,000	2.00
Mountain-Pacific	11	29.73	733,460	35.85
Total	37	100.00	2,045,840	100.00
Scrap Copper and Copper Wire				
Official 1/	6	40.00	382,600	44.90
Western Trunk Line 2/	5	33.33	227,540	26.71
Southwestern	1	6.67	63,900	7.50
Mountain-Pacific	3	20.00	178,000	20.89
Total	15	100.00	852,040	100.00
Scrap Copper and Brass				
Official 1/	1	6.25	38,400	5.21
Western Trunk Line	9	56.25	395,740	53.64
Southwestern	4	25.00	133,300	18.07
Mountain-Pacific	2	12.50	170,300	23.08
Total	16	100.00	737,740	100.00
Scrap Lead				
Official 1/	2	3.17	108,993	2.71
Western Trunk Line 2/	13	20.64	659,459	16.43
Southwestern	1	1.59	30,000	.75
Mountain-Pacific	47	74.60	3,215,520	80.11
Total	63	100.00	4,013,972	100.00
Scrap Zinc				
Mountain-Pacific	1	100.00	30,000	100.00
Scrap Tin				
Mountain-Pacific	3	100.00	235,000	100.00
Scrap Aluminum				
Western Trunk Line	1	100.00	31,140	100.00

(See following page for footnotes)

(Footnotes for Table 22)

1/ Scrap from points on the line between Official and Western Trunk Line territory has been included under Official territory if being shipped east. Scrap from points in Illinois has in all cases been included under Official territory.

2/ Scrap from points in Iowa and Missouri has in all cases been included under Western Trunk Line territory.

Source: I.C.C. Docket 17,000, Pt. 12, Vol. 11, Exhibit 222, "Exhibit Showing Movement of Non-Ferrous Metals as Reported by Trans-Continental Carriers on a Destination Basis During the Months of April and October 1928," pp. 5-7, 12-13, 17, and 19.

Table 23. - Originations of Scrap Metals Received at New England and Trunk Line Points, April and October 1928

Territory of origin	Cars		Weight	
	Number	Percent of total	Amount	Percent of total
			(Pounds)	
	Scrap Brass			
Official	427	95.95	20,950,072	96.01
Southern	10	2.25	446,100	2.05
Western Trunk Line	8	1.80	424,080	1.94
Total	445	100.00	21,820,252	100.00
	Scrap Copper			
Official	406	89.82	19,684,353	87.56
Southern	38	8.41	2,448,325	10.89
Western Trunk Line	8	1.77	347,880	1.55
Total	452	100.00	22,480,558	100.00
	Scrap Lead			
Official	276	98.57	14,451,713	98.55
Southern	4	1.43	212,630	1.45
Total	280	100.00	14,664,343	100.00
	Scrap Zinc			
Official	10	100.00	522,000	100.00
	Scrap Tin			
Official	2	100.00	89,636	100.00

Source: I.C.C. Docket 17,000, Pt. 12, Vol. 2, Exhibit 55, "General Investigation of Rates on Non-Ferrous Metals, Statement of Carload Shipments of Brass, Bronze, Copper, Lead, Zinc & Tin Articles, Class Rate Shipments During Months of April and October 1928 Received at New England Points", p. 5; and Exhibit 56, Vol. 3, "General Investigation of Rates on Non-Ferrous Metals, Statement of Carload Shipments of Brass, Bronze, Copper, Lead, Zinc & Tin Articles, Commodity Rate Shipments During Months of April and October, 1928 Received at New England Points," p. 11; Vol. 3, Exhibit No. 57, "General Investigation of Rates on Non-Ferrous Metals, Statement of Carload Shipments of Brass, Bronze, Copper, Lead, Zinc & Tin Articles, Class Rate Shipments During Months of April and October, 1928 Received at Trunk Line Points, pp. 16-18; and Vol. 3, Exhibit 58, "General Investigation of Rates on Non-Ferrous Metals, Statement of Carload Shipments of Brass, Bronze, Copper, Lead, Zinc & Tin Articles, Commodity Rate Shipments During Months of April and October, 1928 Received at Trunk Line Points," pp.46-51.

Table 24. - Originations of Scrap Metals Moving from Various Producing Points to Consuming Points in Illinois Freight Association Territory, 1/ April and October 1928

Territory of origin	Cars		Weight	
	Number	Percent of total	Amount	Percent of total
			(Pounds)	
Scrap Brass				
Official 2/	76	88.37	3,777,958	90.29
Southern	8	9.30	312,200	7.46
Southwestern	2	2.33	94,200	2.25
Total	86	100.00	4,184,358	100.00
Scrap Copper				
Official 2/	34	91.89	2,117,093	94.03
Southern	1	2.70	36,000	1.60
Western Trunk Line	2	5.41	98,400	4.37
Total	37	100.00	2,251,493	100.00
Scrap Copper and Brass				
Official	7	58.33	329,200	59.16
Western Trunk Line	4	33.33	196,640	35.34
Southwestern	1	8.34	30,580	5.50
Total	12	100.00	556,420	100.00
Scrap Lead				
Official 2/	45	77.59	2,662,515	83.51
Southern 3/	10	17.24	373,667	11.72
Western Trunk Line	1	1.72	39,300	1.23
Southwestern	2	3.45	112,780	3.54
Total	58	100.00	3,188,262	100.00
Scrap Zinc				
Official 2/	8	100.00	611,300	100.00
Scrap Tin				
Official	1	50.00	43,185	51.48
Southern	1	50.00	40,700	48.52
Total	2	100.00	83,885	100.00

1/ Not including traffic from points in Western Trunk Line, Southwestern Freight Bureau and Trans-Continental Freight Bureau territories, to points in Illinois on and North of the A.T. & S.F. Ry., Chicago, to Pekin, Ill.; thence the Illinois River to its confluence with the Mississippi River, also Mississippi River points Grafton, Ill. to E. St. Louis, Ill., inc.

2/ Scrap from points on the line between Official and Western Trunk Line territories has been included under Official territory if being shipped east. Scrap from points in Illinois has in all cases been included under Official territory.

3/ Scrap from points on the line between Southern and Southwestern territories has been included under Southern territory if being shipped east.

Source: I.C.C. Docket 17,000, Pt. 12, Vol. 5 Exhibit 76A, "Actual Carload Movements of Non Ferrous Metals from Various Producing Points to Consuming Points in Illinois Freight Association Territory During the Months of April and October 1928 (Not including traffic from points in Western Trunk Line, Southwestern Freight Bureau and Trans-Continental Freight Bureau territories, to points in Illinois on and North of the A.T. & S.F. Ry., Chicago, to Pekin, Ill.; thence the Illinois River to its confluence with the Mississippi River, also Mississippi River points Grafton, Ill. to E. St. Louis, Ill., inc.) Together with Earnings Via Routes of Movement, also Via Short Line," pp. 3-5, 8, 9, 12-13, and 16.

Table 25. - Originations of Scrap Metals Moving from Points of Origin to Consuming Points in Central Freight Association Territory, April and October 1928

Territory of origin	Cars		Weight	
	Number	Percent of total	Amount (Pounds)	Percent of total
Scrap Brass				
Official 1/	106	97.25	5,283,022	97.22
Southern	3	2.75	151,312	2.78
Total	109	100.00	5,434,334	100.00
Scrap Copper				
Official	46	100.00	2,313,025	100.00
Scrap Copper and Brass				
Official	15	93.75	706,199	94.40
Southern	1	6.25	41,900	5.60
Total	16	100.00	748,099	100.00
Scrap Lead				
Official 1/	58	95.08	3,752,215	95.99
Southern 2/	3	4.92	156,900	4.01
Total	61	100.00	3,909,115	100.00
Scrap Zinc				
Official	3	100.00	149,000	100.00
Scrap Tin				
Official 1/	66	80.49	4,101,613	80.36
Southern 2/	14	17.07	890,660	17.45
Western Trunk Line ...	2	2.44	111,720	2.19
Total	82	100.00	5,103,993	100.00

(See following page for footnotes)

(Footnotes for Table 25)

1/ Scrap from points on the line between Official and Western Trunk Line territories is included under Official territory if being shipped east; from points on the line between Official and Southern territories is included under Official territory if being shipped north. Scrap from points in Illinois is all included under Official territory.

2/ Scrap from points on the line between Southern and Southwestern territories is included under Southern territory if being shipped east.

Source: I.C.C. Docket 17,000, Pt. 12, Vol. 4, Exhibit 68, "Actual Carload Movements of Non Ferrous Metals from Various Producing Points to Consuming Points in Central Freight Association Territory During the Months of April and October 1928 Together with Earnings Via Routes of Movement and Short Lines," pp. 10-11, 6, 12, 15-16, 21, and 25.

[fol. 5582]

CHAPTER III

Rate Territory Distribution of Energy Resources

Relative Significance of Energy Resources

The term "energy resources" as ordinarily used, refers to a replenishable source of energy, waterpower, and the minerals from which energy is usually derived, coal, petroleum, and natural gas, or presumably nonreplenishable sources. Before attempting to show the distribution of these sources of energy between the different freight rate territories, it may be well to gain some perspective of the relative importance of these resources. The declining production of coal during the last two or three decades and the enormous increases in petroleum production, as well as our much publicized public water power projects such as the Tennessee Valley, Boulder Dam, and Grand Coulee, have led in some instances to somewhat erroneous impressions as to the relative significance and importance of these energy resources for the economy as a whole.

Coal

The decline in the coal industry in recent years has been due in part to the extensive substitution of other forms of energy generation for coal, but also to the amazing strides that have been made in increasing the efficiency of coal utilization. Coal has been losing ground relatively since the early part of this century, though the actual quantities mined continued to increase until 1918.[1] At the peak of consumption which occurred in that year coal supplied 82 per cent of the total energy derived from minerals and water power. By 1929 the proportion was down to 63 per cent, and by 1937, to 54 per cent.[2] Since 1923 the industry has been in a state of almost continuous depression. Despite this fact, coal remains the principal energy foundation stone of our industrial civilization, petroleum, natural gas, [fol. 5583] and water power following in the order named.[1]

---

[1] National Resources Committee, Energy Resources Committee, "Energy Resources and National Policy," January 1939, p. 9.

[2] Ibid., p. 44.

[1] Ibid., p. 30.

In 1937 the Bureau of Mines placed the supply of energy derived from coal at 12,977 trillion b. t. u. (11,592 trillion b. t. u. from bituminous) as against 7,666 trillion from domestic petroleum and 2,526 trillion for natural gas, or a total of 10,357 trillion for the two latter.[2]

It is apparent, therefore, that in this fairly active industrial year energy derived from coal exceeded the combined total petroleum and natural gas by substantially 2,500 trillion units or more than 25 per cent of the total energy from the latter two sources. So far as reserves are concerned, coal represents practically 99 per cent of the total heat value of the nonreplenishable mineral sources of energy as is shown by Table 26.

Water Power versus Fuel Energies

Based on the 1913 equivalent of 4.02 pounds of coal per kilowatt-hour, the energy supplied by water power in 1937 would aggregate only 2,405 trillion b. t. u. or about 19 per cent of the quantity derived from coal. Based on the prevailing central station equivalent, however, the water power energy was equivalent to only 849 trillion b.t.u. in that year.[3] With water power at the prevailing central station equivalent of 1937, therefore, coal accounted for 53.66 per cent (bituminous, 47.93 per cent), oil and gas for 42.83 per cent, and water power for only 3.51 per cent of the total energy supply of 24,183 trillion b. t. u.[4]

---

[2] Table 7, Minerals Yearbook, 1938, p. 703.

[3] Minerals Yearbook, 1938, p. 703. Between 1899 and 1937 the decline in pounds of coal consumed per kilowatt-hour was from about 7.05 to 1.42 (see note 4 to Table 7).

[4] Ibid. Using water power at a constant fuel equivalent (4.02 pounds per kilowatt-hour), the percentages for coal would be 50.42 (45.04 for bituminous), for oil and gas, 40.24, and for water power, 9.34 of a total energy supply of 25,739 trillion b. t. u. in that year. Ibid., particularly note 3 in Table 7 ibid.

(Here follows 1 photolithograph, side folio 5584)

Table 26. Reserves of Mineral Fuels and Their Importance in Terms of Heat Values 1/

Fuel	Proven reserves	Estimated heat value	
		Trillions of b.t.u.	Percent of grand total
	Tons		
Anthracite	15,415,622,000	395,557	0.6
Bituminous coal	1,407,808,291,000	38,578,947	56.9
Subbituminous coal	818,083,894,000	15,543,594	22.9
Lignite	939,457,443,000	12,588,730	18.6
Total coal	3,180,765,250,000	67,106,828	98.9
	Barrels		
Petroleum	15,500,000,000	97,650	0.1
	Cubic feet		
Natural gas	66,000,000,000,000	74,603	0.1
	Barrels		
Oil in shales	92,000,000,000	579,600	0.9
All fuels ...		67,858,681	100.0

1/ Energy Resources and National Policy, op. cit., Table 1, p. 54.

> [fol. 5585] " 'Based upon present practice in the installation of water wheels for the utilization of water power sites, it is estimated that water wheels having a capacity of about 80,000,000 horsepower would be required to utilize all of the water power in the United States.' This capacity would generate power equivalent to the combustion of 183,000,000 net tons of coal, if the capacity-use factor is taken at 48 percent (the average for a typical year) and the fuel consumption taken at 1.46 pounds per kilowatt hour (the average of central stations for 1935)." [1]

It was the opinion of a noted expert (Tryon) expressed in the Carter coal case that water power could never supply more than a minor fraction of the energy requirements of the country. Charles P. Steinmetz estimated that if every drop of water falling as rain in the United States could be transformed into power at the existing gradients, the quantity of energy would not equal that derived in good years from coal.[2] Calculations presented at the Third International Conference on Bituminous Coal indicated that the entire run-off of water, if put to work, would yield annually the energy equivalent to 437 million tons of coal.[3]

These estimates may be compared with the actual production of mineral fuel in the United States in 1929 which, including oil and gas, was equivalent to 920 million net tons of [fol. 5586] coal.[4] At the 1937 rate of utilization of capacity, the maximum output of potential water power would have been the equivalent of only 31 per cent of the coal tonnage used in that year.[1]

> "The replenishable sources of energy, falling water, wood, wind, work animals, and synthetic fuels from

---

[1] Rice, Fieldner, and Tryon, Conservation of Coal Resources, Third World Power Conference, Washington, 1936, Volume 6, Footnote 2, p. 672.

[2] Energy Resources Report, op. cit., p. 56.

[3] George A. Orrok, Economics of Water Power Versus Steam Power, Proceedings of the Third International Conference on Bituminous Coal, Carnegie Institute of Technology, 1932, Vol. 1, pp. 254-255.

[4] Rice, Fieldner and Tryon, op. cit., note 2, p. 672.

[1] Energy Resources and National Policy, op. cit., p. 57.

> crops, do not have unlimited possibilities of expansion. Years of scientific investigation thus far have failed to discover means for giving these 'substitutes' for coal a major position in the market for energy. Their period of use, however, may be extended indefinitely. The possibility that any one of them will assume a major share of the burden carried by irreplaceable fuel seems remote, although, as a group, they may grow in importance as the cost of producing mineral fuels rises. * * * The safest assumption is that the most economical energy of the future will be derived from mineral deposits. Shorter life for oil and natural gas than for coal eventually will throw the main burden of the demand for mineral fuel on coal reserves."[2]

Still further estimates of the importance of water power were presented in the Energy Resources Report:

> "At the beginning of 1938, at all water-power plants having a capacity of 100 horsepower or more, there were installed water wheels aggregating 17,284,379 horsepower. The Geological Survey considered at the beginning of 1936 that around one-fifth of our feasible potential water power had been developed. The aggregate capacity of prime movers was estimated in [fol. 5587] 1935 at about 1.2 billions of horsepower. These data indicate that water wheels for all water-power sites might have an aggregate capacity about 7 per cent as great as the aggregate capacity of prime movers in 1935. Such percentage, although used at times, leads to an understatement of the importance of water power. * * *
>
> "The Bureau of Mines estimates that our total use of energy in 1937 was equivalent to 24,183 trillion B.t.u.; water power, included in terms of prevailing use of fuels in generating power at central electric stations, is estimated to have supplied 849 trillion, or 3.51 per cent of the total. In terms of the estimate of 1936 that water power was approximately one-fifth developed, we might conclude that water power used

---

[2] Ibid. Qualifications of this statement so far as it refers to oil and gas are noted subsequently in connection with the discussion of the oil and gas reserves.

> at about the same efficiency as that of 1937 would in total produce annual energy equivalent to nearly 18 per cent of the total energy used in 1937, which probably was greater than that of previous years except 1926 and 1929.
>
> "Production of electricity by hydroelectric generators in electric utility plants in 1937 amounted to 43.7 billion kilowatt-hours. Production of energy from water wheels outside the utility industry is not reported, but it is estimated as equivalent to 4.9 billion kilowatt-hours. The total energy output of water wheels, therefore, is estimated to have been equivalent to 48.6 billion kilowatt-hours. The Federal Power Commission estimates feasible undeveloped power great enough to produce somewhat over 273 billion kilowatt-hours a year. Presumably, existing water-power plants did not produce power as fully as their development and the available flow would permit. Therefore, the estimated total feasible energy output from water would exceed 322 billion. The estimated energy output of existing water-power plants was 48.6 billion, [fol. 5588] or 15.1 per cent of 322 billion. Thus, water-power plants, estimated to have produced 3.51 per cent of the total energy produced, are estimated to have produced something less than 15.1 per cent of the feasible total output from water power. From these items follows the estimate that total feasible output from water power would at least exceed 23.3 per cent of the total energy produced in the form of fuels and water power in this country in 1937."[1]

However, estimates of potential energy derivable from water power, like estimates of reserves of coal and petroleum, are subject to considerable qualification and correction. In the case of water power, the estimates are seriously affected by the great variation in stream flow and the extent to which such flow can be regulated and the efficiency of hydroelectric units in recovering the energy in falling water. Other variations will also be found, depending upon the basis of calculation which is used in estimating the total energy. It must be recognized, therefore, that estimates of feasible water power can be considered only as "useful approximations" while estimates of energy output from fuels and the fuel equivalents of water power must be taken as merely "the best comprehensive working approximation" so that an "exact evaluation of the importance of water power is impossible." The final conclusion in the Energy Resources Report, however, is that "it looks as if feasible annual output from water power might be considered equal to more than one-fifth, possibly equal to one-fourth, of our largest past annual output of energy."

---

[1] Energy Resources and National Policy, op. cit., pp. 239-240.

As these comparisons are between a theoretical maximum for water power and past performance for other energies, it is apparent that this way of stating the proposition tends somewhat to overrate the significance of water power.[2] If, as we hope, our standard of living continues [fol. 5589] to increase and if population increases for some time to come even at a decreasing rate it seems apparent that the significance of *feasible water power* as a source of energy will be of declining importance in the energy total and *actual water power energy* quite likely even more so.[1] In its Summary of Conclusions the Energy Resources Committee wrote, "All our water power, including both that already developed and that feasible of development, could produce energy annually equivalent to only about one-fourth of the energy contained in all mineral fuels consumed in the country in 1937 for all purposes. Thus it can be seen that water power can suply only a fraction of our energy requirements. The mineral fuels must bear the main burden."[2]

---

[2] The report under discussion recognizes this fact. "If our use of energy continues to expand greatly, water power, being limited, could supply only an eventually declining portion of the energy." Ibid., p. 240.

[1] Looking far ahead, the report continues, "the expectation that our population might become stationary, or actually decline, within a few decades, suggests that water power might come to hold its own or even to attain increased relative significance." Ibid., p. 240. However, it is scarcely necessary to point out that if this is so, it would hardly be at a level as high as suggested.

[2] Ibid., p. 32.

Reserves of Fuel Energy

For the nonreplenishable energy resources, coal, oil, and gas, estimates of the total reserves have frequently been made and the data are in such form that approximate geographical distributions of these reserves can be made by freight rate territories. In the case of the replenishable energy resource represented by power derived from falling water, there is, of course, no reserve in the same sense as in the case of the energy mineral resources. However, to date only a small proportion of the total available water power is actually being utilized for the production of energy. In a sense, therefore, this unused water power may be regarded as a huge reserve of potential energy as yet untapped. In this section estimates of reserves in the fore- [fol. 5590] going senses are presented as totals and distributed among the five freight rate territories.

Coal Reserves

In 1928 the United States Geological Survey estimated the total original tonnage of all coal at 3,214,898,600,000 net tons of 2,000 pounds, the total depletion (production and waste), at 25,517,232,000 tons, leaving the estimated reserves at the end of that year at 3,189,381,268,000 net tons.[1] By the end of 1934 it was estimated that a total of 3,182,000,000,000 net tons was still left underground.[2]

First made in 1912 and subsequently revised in some points, the estimates of original reserves were chiefly the work of Marius Campbell, among the most distinguished of American geologists. "* * * they incorporate the results of a lifetime of observation and field study of American coals. The estimates may be accepted as the best that could possibly be made from the data available at the time of compilation."[3] There are some indications, however, that these figures were too high,[4] and between 1912 and [fol. 5591] 1928 Campbell was led to reduce his earlier estimates by 291 billion tons. Also the great bulk of the reserves are composed of low grade bituminous, sub-bituminous, and lignite coals, the heating value of which is substantially below the grade of the average coal produced today in the United States. In terms of heat equivalents equal to those of the average grade of coal now mined, Rice, Fieldner and Tryon estimates that the reserves would have to be reduced by 25 per cent.[1]

---

[1] Marius R. Campbell, Coal Resources of the United States, United States Geological Survey, 1928 (mimeographed).

[2] Rice, Fieldner, and Tryon, Conservation of Coal Resources, Third World Power Conference, Vol. 6, p. 673.

[3] Ibid.

Although there has been only a relatively slight reduction to date in the quantity of the original reserves of coal, a geographical distribution of the tonnages by freight rate territories has been made for both the estimated original and present reserves. Table 27 shows the distribution of the Campbell estimates of original reserves and Table 28 the reserves as of January 1, 1937, as brought down to date in the report of the National Resources Committee on Energy Resources and National Policy.[2]

Because of the location of the fields, all of the Virginia reserves have been included in Southern territory although much of the area of that state lies in Official territory. Michigan reserves are apparently entirely in the southern peninsula and hence are included in Official territory. Colorado reserves are apparently located in both Western Trunk Line and Mountain-Pacific territories. As nearly as can be judged from the map of the coal fields by the U. S. Geological Survey (See Map 2) the bulk of the Colorado coal is in the Mountain-Pacific territory and the total production of that state, therefore, has been included in the Mountain-Pacific area. If the actual reserves lying in each freight rate territory could be readily separated, there would, of course, be a much more even distribution of the total reserves between the two territories. However, much of this Colorado coal lying along the boundary of these two freight rate territories is bituminous of doubtful value and the balance is commercial sub-bituminous.

---

[4] Due to the unavailability from a practical standpoint of much of the nominal tons below ground, losses from mining, and later and more accurate data, these estimates are too high. On the last point Pennsylvania State geological survey estimated the original reserves of that state at a little over 68 billion metric tons against nearly 102 billion in the original Campbell estimates. (Ibid., p. 673.) On mine losses Rice, Fieldner and Tryon estimate that 35 per cent is the average and that 15 per cent is unavoidable. (Ibid., p. 674. See also slightly different estimates of Rice and Paul in the United States Coal Commission report in 1923 cited in Energy Resources and National Policy, 1939, op. cit., p. 286).

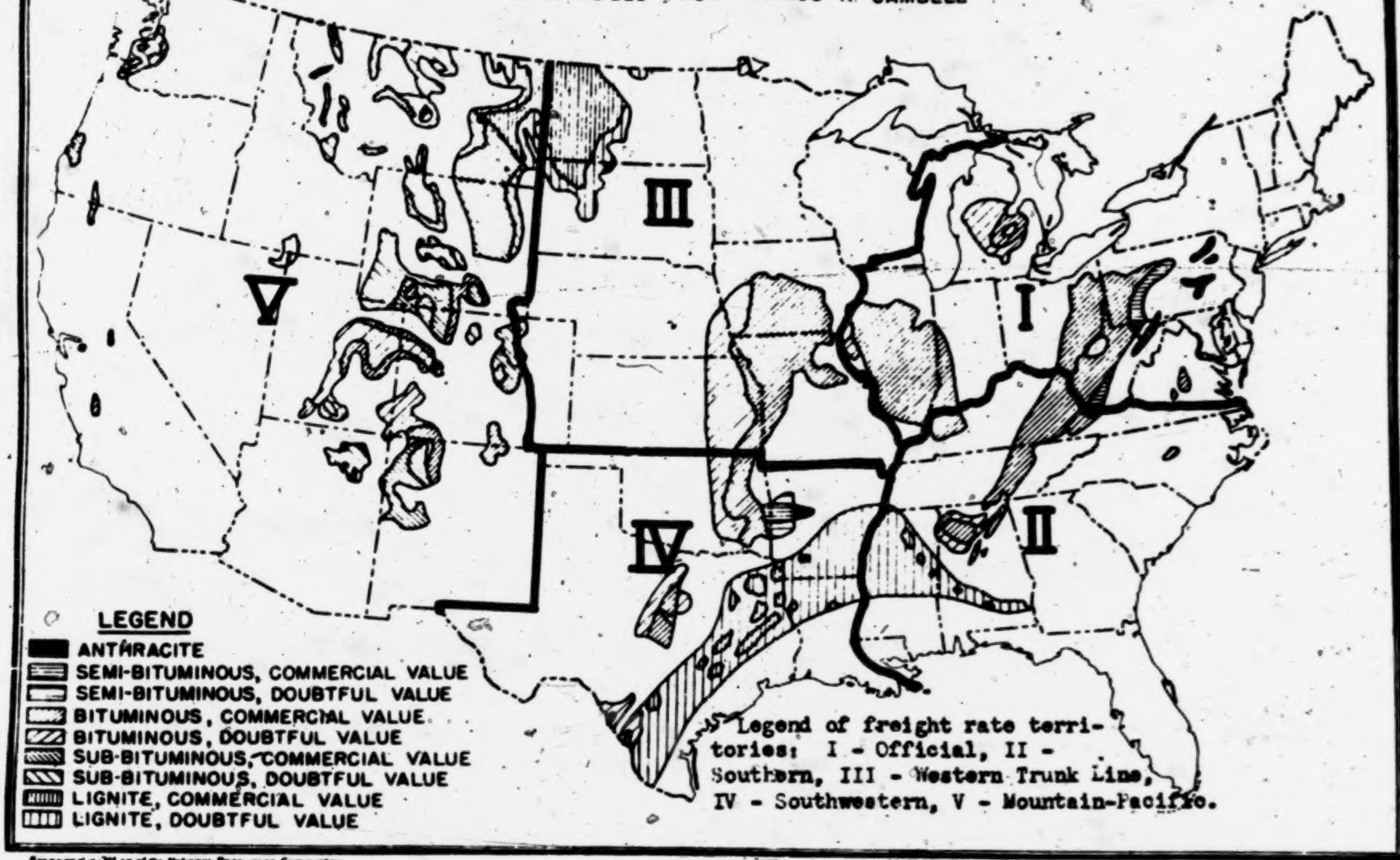
[1] Ibid., p. 674.

[2] Table 3, Coal Reserves, Energy Resources and National Policy, op. cit., p. 283 ff.

Map 2

COAL FIELDS OF THE UNITED STATES

GENERALIZED FROM MARIUS R. CAMBELL


I
II
III
IV
V
LEGEND
■ ANTHRACITE
▤ SEMI-BITUMINOUS, COMMERCIAL VALUE
▤ SEMI-BITUMINOUS, DOUBTFUL VALUE
▨ BITUMINOUS, COMMERCIAL VALUE
▨ BITUMINOUS, DOUBTFUL VALUE
▧ SUB-BITUMINOUS, COMMERCIAL VALUE
▧ SUB-BITUMINOUS, DOUBTFUL VALUE
▥ LIGNITE, COMMERCIAL VALUE
▥ LIGNITE, DOUBTFUL VALUE

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Prepared in Office of the National Resources Committee

Source: Leith and Liddell, p. 48.

Table 27. - Distribution of Original Reserves of Coal, by Freight Rate Territories 1/

Territory	Bituminous and semi-bituminous	Sub-bituminous	Lignite	Anthracite
	Quantity (tons of 2,000 pounds)			
Official	623,153,000,000	-	-	21,000,000,000
Southern	238,712,000,000	-	-	500,000,000
Western Trunk Line	143,160,000,000	-	601,020,000,000	-
Southwestern	64,347,000,000	-	23,090,000,000	230,000,000
Mountain-Pacific .	365,508,000,000	818,581,000,000	315,474,500,000	123,100,000
United States	1,434,880,000,000	818,581,000,000	939,584,500,000	21,853,100,000
	Percentage distribution			
Official	43.43	-	-	96.10
Southern	16.64	-	-	2.29
Western Trunk Line	9.98	-	63.97	-
Southwestern	4.48	-	2.46	1.05
Mountain-Pacific .	25.47	100.00	33.57	.56
United States	100.00	100.00	100.00	100.00

1/ Compiled from Marius R. Campbell, Coal Resources of the United States, United States Geological Survey, Department of the Interior.

Table 28. - Distribution of Present Reserves of Coal, by Freight Rate Territories, January 1, 1937 1/

Territory	Bituminous and semi-bituminous	Sub-bituminous	Lignite	Anthracite
	Quantity (tons of 2,000 pounds)			
Official	602,389,369,000	-	-	14,589,460,000
Southern	235,092,383,000	-	-	488,976,000
Western Trunk Line	142,027,579,000	-	600,965,153,000	-
Southwestern	64,033,017,000	-	23,018,747,000	222,695,000
Mountain-Pacific .	364,265,943,000	818,083,894,000	315,473,543,000	114,471,000
United States	1,407,808,291,000	818,083,894,000	939,457,443,000	15,415,602,000
	Percentage distribution			
Official	42.79	-	-	94.64
Southern	16.70	-	-	3.17
Western Trunk Line	10.09	-	63.97	-
Southwestern	4.55	-	2.45	1.45
Mountain-Pacific .	25.87	100.00	33.58	.74
United States	100.00	100.00	100.00	100.00

1/ Compiled from Energy Resources and National Policy, Report of the Energy Resources Committee to the National Resources Committee, pp. 283-5. Figures brought down to date by T. A. Hendricks.

[fol. 5595] The foregoing text tables show very clearly the heavy preponderance of the total reserves of bituminous and semibituminous coal in Official territory, this area possessing between 40 and 45 percent of the total for the United States or approximately as much as the Southern and Mountain-Pacific freight rate territories combined. Also Official territory possesses a practical monopoly of the anthracite reserves. Moreover, a glance at the accompanying map indicates that most of the Official territory bituminous area contains coal of commercial value whereas much of the bituminous area of the Mountain-Pacific division contains coal of doubtful commercial value. Practically all of the Southern bituminous area and most of that of Western Trunk Line territory, however, is of present commercial value.

As shown by Table 28 the present reserves of sub-bituminous and lignite are in excess of 1,700 billion tons as compared with a total of slightly over 1,400 billion for bituminous. The former reserves are highly concentrated in Mountain-Pacific and Western Trunk Lines territories. In terms of total tonnage of all coals, therefore, the Mountain-Pacific territory accounts for nearly one-half (47.09 per cent) of the country's present reserves and Western Trunk Line for nearly one-quarter (23.36 per cent) leaving Official territory with less than 20 per cent of the total and Southern territory with less than 8 per cent (Table 29). However, it is necessary to remember that the lower rank coals possess a lower heating value per pound than those of higher rank. As Map 2 indicates and as the Federal Power Commission points out,

> "In a very general way, these coals become poorer as one travels from east toward the west. In the area east of the Mississippi River, and particularly in the Appalachian field, the greatest production and the best quality of coals are found. It is in this area, also, that coal finds its greatest use as a power-producing agent."[1]

[fol. 5596] A ton of bituminous coal has more than twice the heating value of a ton of lignite, and bituminous (including semi- and sub-bituminous) and anthracite combined possess between them about four-fifths of the heating value of all coals.[1] Table 29, therefore, distributes the reserves of different types of coals by freight rate territories in terms of bituminous coal equivalents. Table 29 brings together for the five freight rate territories the total tonnages of all coals from Table 28 and the total tonnages of all coals in terms of bituminous heat equivalents. The effect of this conversion is to increase markedly the importance of Official and Southern territory at the expense of the Mountain-Pacific and especially Western Trunk Line territory, giving Official one-quarter of the total reserves in terms of bituminous coal equivalent and the Southern nearly 10 per cent. The enormous reserves of subbituminous and lignite in the Moutain-Pacific division, however, leave that territory in a dominant position with nearly 45 per cent of the reserves in terms of bituminous equivalents.

---

[1] Interim Report, Power Series No. 1, National Power Survey of the Federal Power Commission, 1935, p. 41.

Petroleum Reserves

There have been numerous estimates of the petroleum resources of the United States, beginning with 1909 when the 2 billionth barrel of crude petroleum was brought to the surface.[2]

---

[1] Energy Resources and National Policy, op. cit., p. 59. This reference compares the heating value of a *pound* of bituminous coal with a *ton* of lignite. It is assumed that the word "pound" should read "ton".

[2] Energy Resources and National Policy, op. cit., p. 288. According to D. T. Day, the author of the 1909 estimate, the total petroleum reserve of the United States might be as low as 10 billion or as high as 24.5 billion barrels. D. T. Day, The Petroleum Resources of the United States, U. S. Geological Survey, Bul. 394, 1909, p. 35.

(Here follows 1 photolithograph, side folio 5597)

Table 29. - Comparison of the Total Coal Reserves (Bituminous, Semi-bituminous, Sub-bituminous, Lignite, and Anthracite) Expressed in Terms of Total Tonnages of All Coals and in Terms of Bituminous Coal, by Freight Rate Territories, January 1, 1937

(Thousands of net tons)

Territory	Total tonnage of all coals		Total tonnage of all coals in terms of bituminous coal equivalent	
	Tons 1/	Percent of total	Tons 2/	Percent of total
Official	616,978,329	19.40	615,913,818	25.15
Southern	235,581,359	7.41	235,545,664	9.62
Western Trunk Line	742,992,732	23.36	435,959,638	17.80
Southwestern	87,274,459	2.74	75,497,924	3.08
Mountain-Pacific .	1,497,937,851	47.09	1,085,929,533	44.35
United States	3,180,765,230	100.00	2,448,846,577	100.00

1/ From Energy Resources and National Policy, Report of the Energy Resources Committee, 1939, pp. 283-5. Original tonnage estimates are those of M. R. Campbell: Coal Resources of the United States, U. S. Geological Survey, 1928. The production and amounts lost in mining and marketing were brought down to date as of Jan. 1, 1937, in the Energy Resources report.

2/ Recompiled from Table 2, p. 58, of Energy Resources and National Policy, op. cit. Conversion ratio used in the National Resources table, 13,700 b.t.u. for bituminous, 12,700 for anthracite, 9,500 for sub-bituminous, and 6,700 for lignite. Ibid., p. 59.

Most of the earlier estimates apparently included unproved reserves in unknown fields as well as proved re- [fol. 5598] serves. The former could not obviously be estimated with any substantial degree of accuracy. In the case of proved reserves, however, the quantity could be approximated with much greater exactitude based upon past production of depleted fields.[1] The first estimate of proved reserves was made by a joint committee of the American Association of Petroleum Geologists and the Geological Survey in the year 1921.[2] From this date to the middle of 1939 there have appeared a total of some 36 estimates of proved reserves or an average of about two estimates per annum. From the first figures of 5 billion barrels, published in 1922, and which included both proved and unproved reserves, the estimates have gradually risen to nearly 3½ times that figure in 1939.[3]

In considering the estimates of the petroleum reserves of the country, however, and more particularly as distributed among the different freight rate territories, it is necessary to recognize fully the somewhat speculative character[4] of

---

[1] Energy Resources and National Policy, op. cit., p. 289.

[2] The Oil Supply of the United States, bul. of the American Association of Petroleum Geologists, 1922, Vol. VI, No. 1, pp. 42-46.

[3] Seven estimates were published in the first four months of 1939. The lowest was about 14 billion barrels and the highest 17,751,000,000 barrels. Outstanding Features of Oil-Field Development and Petroleum Geology in the United States, 1934-1938, by the Geological Survey, Petroleum Investigation, Hearing before a Subcommittee of the Committee on Interstate and Foreign Commerce, 76th Congress, on H. Res. 290 and H. R. 7372, pp. 102-103.

[4] "In 1860, one year after the Drake well was brought in at a 69-foot level, an oil shortage was predicted as the prevailing rate of oil consumption would exhaust the supply in a few years. This prediction has been reiterated at about five-year intervals ever since. In 1860 the U. S. A. crude oil production was 500,000 barrels and 1,250,000,000 barrels in 1939. * * * During last year alone, approximately 2,000,000,000 barrels of crude were added to our oil reserves above that actually used. Through the years crude oil reserves have been increasing by finding new oil fields, by

[fol. 5599] these reserves as well as the effect of this fact on the reserve estimates of particular areas.

Many of the more recent estimates have been made by states and the elements of speculation involved may naturally affect the state and the freight rate territory totals more significantly than the totals for the country where overestimates in one state or territory may be more or less counterbalanced by underestimates in another. The Report of the Resources Committee on Energy Resources and National Policy contains a comparison in total and by states of three 1938 estimates of petroleum reserves made, respectively, by the American Petroleum Institute, the Oil and Gas Journal, and Alex W. McCoy. The highest of these three, 15,506 million barrels, is only a trifle more than 20 percent above the minimum of 12,909 million. Of the 18 states for which figures are given, however, the highest estimate exceeded the lowest by more than 40 percent in all but one-third of them, and in five of these 18 states the maximum of the three estimates exceeded the minimum by more than 100 percent.[1] By rate territories the variation in the 1938 estimates is, as would be expected, considerably greater in some cases than for the country as a whole though very much lower in all cases than the higher ranges of variation appearing in the state figures cited above.

Table 30 presents estimates of petroleum reserves for selected years as compiled by freight rate territories from

---

deeper drilling in old fields, and by hydrochloric acid treatment, called acidizing, of old and new oil sands." Gustav Egloff, Progress in Petroleum, address at the 18th Annual Meeting of the American Institute of Chemists in Acceptance of the Medal Award in 1940.

[1] Table 3, Energy Resources and National Policy, op. cit., p. 131.

(Here follows 1 photolithograph, side folio 5600)

Table 30. - Selected Estimates of Proven Reserves of Petroleum, 1925-1939 1/

(Thousands of barrels of 42 gallons)

Territory	1925 2/	1934 3/	1935 4/	1937 5/	1938 6/	1939 7/
Official	393,500	415,000	601,000	531,241	432,471	583,403
Southern	78,974	30,000	50,000	38,846	38,366	37,545
Western Trunk Line	314,501	194,000	390,000	590,000	607,017	613,230
Southwestern	2,027,153	6,894,000	8,494,000	10,470,915	12,222,422	11,838,636
Mountain-Pacific	2,507,299	5,825,500	4,097,000	4,225,188	4,450,563	4,275,332
Total	5,321,427	8/ 13,358,500	13,632,000	15,856,190	17,750,839	17,348,146

Percent of U.S. totals

Territory	1925	1934	1935	1937	1938	1939
Official	7.4	3.1	4.4	3.4	2.4	3.4
Southern	1.5	.2	.4	.2	.2	.2
Western Trunk Line	5.9	1.5	2.9	3.7	3.4	3.5
Southwestern	38.1	51.6	62.3	66.0	68.9	68.2
Mountain-Pacific	47.1	43.6	30.0	26.7	25.1	24.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

1/ 1925 figures are taken from "Energy Resources and National Policy," Table 5, page 294, and the balance from Table 5, Petroleum Investigation, Hearing before a Subcommittee of the Committee on Interstate and Foreign Commerce on H. Res. 290 and H.R. 7372, Part I, 76th Congress, p. 102.

2/ Committee of Eleven, American Petroleum Institute, American Petroleum Supply and Demand, 1925, pp. 58-59.

3/ 1934 (Jan. 1): H.B. Soyster in U.S. Geol. Survey, Geology and Occurrence of Petroleum in United States: Petroleum investigation, House of Representatives, 73d Cong.; hearings on H. Res. 441, pt. 2, pp. 1071-1081, 1934.

4/ 1935 (Jan. 1): Revised estimate American Petroleum Institute Committee on Petroleum Reserves, American Petroleum Institute Quarterly, vol. 7, No. 2, p. 5, April 1937.

5/ 1937 (Jan. 1): Revised estimate American Petroleum Institute Committee on Petroleum Reserves, American Petroleum Institute Quarterly, vol. 8, No. 2, pp. 12-13, April 1938.

6/ 1938 (Jan. 1): Revised estimate American Petroleum Institute Committee on Petroleum Reserves, American Petroleum Institute Quarterly, vol. 9, No. 2, pp. 7-8, April 1939.

7/ 1939 (Jan. 1): Subject to revision. American Petroleum Institute Committee on Petroleum Reserves, American Petroleum Institute Quarterly, vol. 9, No. 2, pp. 7-8, April 1939.

8/ Does not include 1,500,000 bbls. for which the states of origin are not specified.

[fol. 5601] the state figures reported in various sources. Outside the Southwestern and the Mountain-Pacific divisions the reserves are relatively insignificant.

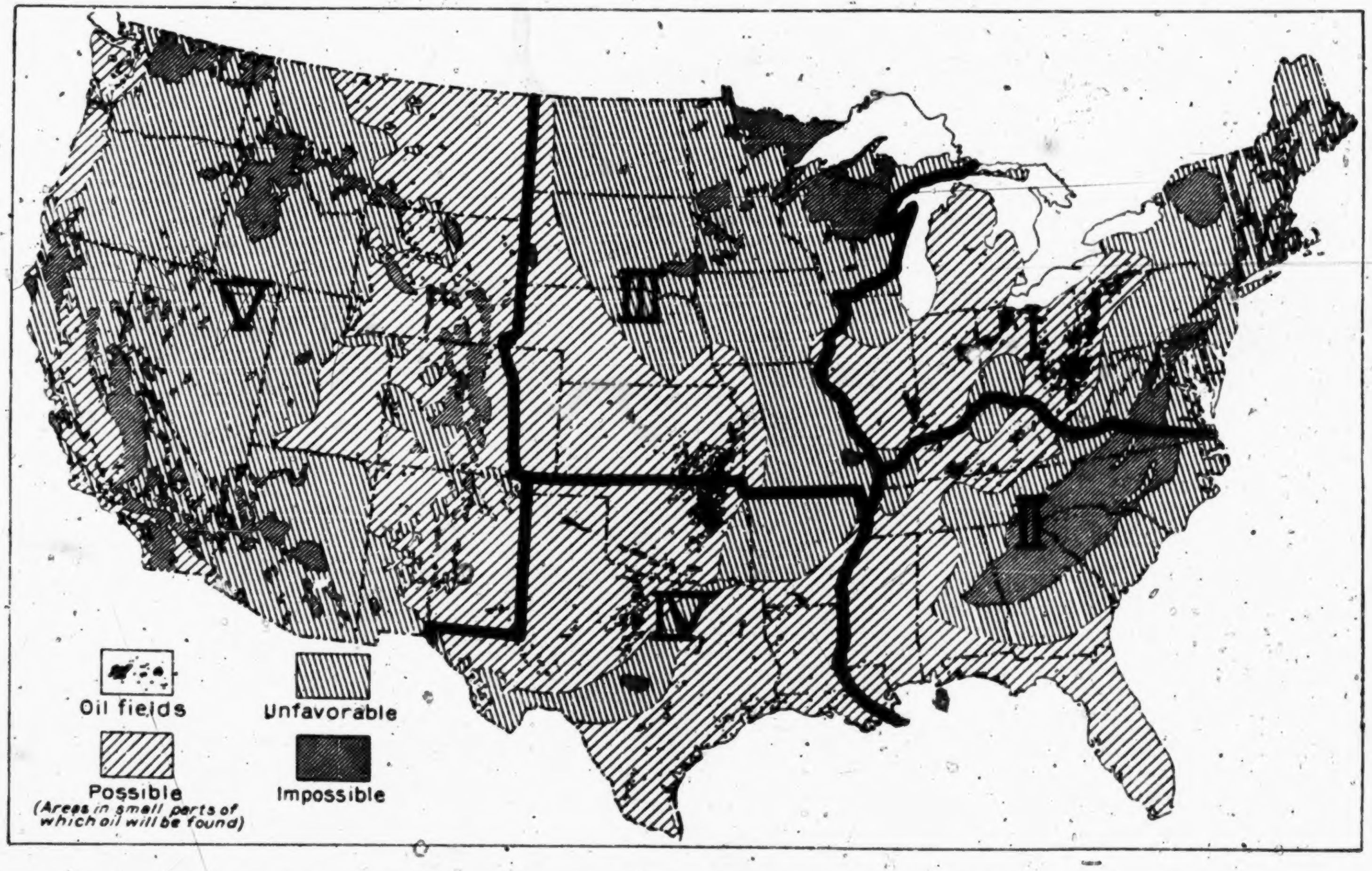
The Southwestern freight rate territory with approximately 68 per cent of the total according to the 1939 preliminary estimate, is, of course, outstanding in its possession of proven petroleum reserves and this territory together with the Mountain-Pacific division had 92.9 per cent of the total reserves in 1939. Although the reserves of the Official freight rate territory are relatively insignificant in comparison with those of either the Mountain-Pacific or the Southwestern areas, they are many times those of Southern territory and less than 0.1 per cent below those of the Western Trunk Line area.

Examination of the map of reserves (Map B) prepared by the U. S. Geological Survey and taken from the report on Energy Resources and National Policy[1] sheds some further light on the question of reserves of the different rate territories in terms of possible future potentialities. A considerable portion of the areas lying within Official territory (most of the States of Illinois, Indiana and Ohio and parts of Pennsylvania and West Virginia) are classed by the Geological Survey as "possible" productive territory, i.e., areas in small parts of which commercial quantities of oil may be found in the future. The same is true of a large portion of the states in Southern territory, all of Mississippi and Florida and nearly all of Kentucky and parts of Tennessee and Alabama. Western Trunk Line territory includes also a narrow "possible" strip in western North Dakota widening southward through South Dakota and Nebraska and including all the State of Kansas. This belt of "possible" productive territory extends westward into the Mountain-Pacific territory, including most of Montana, Wyoming, Colorado and a sizeable part of Utah. Almost all of the Southwestern territory is considered as "possibly" productive on a commercial basis. The balance of the United States is unfavorable for oil production except for a narow strip along the Pacific coast,

---

Map B

Oil Fields and Unproductive Areas of the United States



V
III
I
II
IV
Oil fields
Unfavorable
Possible
(Areas in small parts of which oil will be found)
Impossible

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.
Source: National Resources Committee, "Energy Resources and National Policy," January 1939, p. 293.

[fol. 5603] the bulk of which is classified as possible for production. The largest single area classified as impossible runs south from Virginia through the Carolinas and Georgia into Alabama.

None of the foregoing calculations of Petroleum Reserves include any allowances for oil production from oil shales or from coal. Many years ago it was estimated that the total recoverable oil from the oil shales of the United States was 92,144,985,000 barrels or ten times the amount of well oil produced in the United States up to the close of 1924. More than 75 billion barrels of this total was estimated to be in the Mountain-Pacific territory. Not quite 7 billion of the remainder was located in Official territory and not quite 10 billion in Southern territory.[1]

The distribution of the coal reserves of the United States by freight rate territories has been presented in the preceding discussion. This coal will yield an oil somewhat similar to petroleum which assures an adequate reserve for centuries to come, assuming, of course, that price and demand would justify extraction. For bituminous, sub- and semi-bituminous the total has been estimated at 525 billion barrels of heavy liquid fuel or 92 billion barrels of motor fuel. The lignite deposits are estimated to yield in addition 70 billion barrels of liquid fuel or 12 billion barrels of motor fuel.[2] No distribution of these figures by freight rate territories has been undertaken for either the oil shales or for coal on account of the remoteness of the probable utilization of these resources for petroleum production.

Natural Gas Reserves

One-half, roughly, of the gas reserves of the United States show practically the same geographical distribution as the oil reserves. This is because approximately one-half [fol. 5604] of the natural gas is produced with oil, the gas being the source of energy which brings the oil to the surface. For a considerable period of years now, 1,500 to 2,000 cubic feet of natural gas per barrel of oil has been marketed and the tendency is that this ratio will increase in the future. As the known oil reserves are of the order of 15 billion barrels, we are thus presumably assured of a minimum reserve of between 22.5 and 30 trillion cubic feet of natural gas.

---

[1] Dean E. Winchester, The Oil Possibilities of the Oil Shales of the United States, Appendix 1, Report II of the Federal Oil Conservation Board to the President, 1928, pp. 13-14.

[2] Bureau of Mines, Appendix III, ibid., p. 21.

But gas is also found in many areas which do not produce oil and larger volumes of gas are also being found with oil discovered and produced from progressively greater depths. As in the case of oil, several estimates of the natural gas reserves have been made and these estimates, like those of oil reserves, have been gradually increasing in size. In 1930 Huntley and Mason estimated the gas reserves produced with oil east of the Rockies to be 49.5 trillion cubic feet as a minimum. Although they did not estimate the Pacific Coast reserves, they suggested that the minimum oil reserves for that area would be of the order of 8 billion barrels. Assuming 1,500 cubic fet of gas produced per barrel of oil, their oil estimate would add a total of 12 trillion cubic feet to their figures for reserves west of the Rockies, thus raising the total to above 60 trillion cubic feet. But H. O. Castor, president of the American Gas Association, and V. R. Garfias in 1931 and 1934, respectively, placed the proved reserves much below this figure estimating only 30 trillion and 40 trillion cubic feet, respectively. In 1935, H. A. Ley estimated future recoverable gas from commercially proved and important areas as not less than 75 trillion cubic feet, although pointing out that most of this reserve has been discovered and proved in connection with the search for oil and that some part of it would be wasted in the production of oil. In the same year R. E. Davis in a paper before the American Gas Association estimated the known natural gas reserves at 62 trillion cubic feet. Hoots and Herold took exception to the Davis estimates, especially with regard to the California reserves which they placed at 34 trillion cubic feet as against the Davis figure of 5.9 trillion. If their figures be substituted in the Davis estimate, the total of the reserves would exceed 90 trillion cubic feet. Richards, after setting out the foregoing estimates in the [fol. 5605] Energy Resources report, concludes:

"The discovery of important gas reservoirs since the date of the above estimates, notably by deeper drilling in California, the Rocky Mountain area, and in the North Central States, warrants the opinion that the known natural-gas reserves of the nation are at least of the order of a hundred trillion cubic feet, or in excess of 30 years' supply in terms of the present high rate of utilization."[1]

At the request of a representative of the Commission, Dr. Richards has kindly furnished his approximate distribution of these natural gas reserves by freight rate territories as follows:

Freight rate territory	Trillion cu. ft.
Official	6
Southern	3
Western Trunk Line	11
Southwestern	41
Mountain-Pacific	39
Total	100

Total Energy of Mineral Fuel Resources

Table 30A compiled from the data in Tables 29 and 30 and the estimates of natural gas reserves by Dr. Ralph Richards of the Bureau of Mines in the preceding subsection shows the distribution of the mineral fuel energies in terms of heat units. Because of the enormous significance of coal in the total reserves of mineral fuel energies, the showing of this table differs but little from that for all coals in terms of bituminous shown in Table 29. In both cases the Mountain-Pacific territory leads with over 44 percent

---

[1] Ralph W. Richards (U. S. Geological Survey, Dept. of Interior), "Natural Gas Reserves," Pt. II, Section 1, Chap. 3, Energy Resources and National Policy, op. cit., pp. 294-297. This should be consulted for further details regarding publications in which the foregoing estimates appeared and other details.

Table 30A. - Distribution of Total Energy of Mineral Fuel Resources by Freight Rate Territories, January 1, 1937 (Approx.) 1/

(In trillions of b.t.u.)

Territory	All coal	Petroleum 2/	Natural gas	All minerals	
				Total	Percent of U.S.
Official	16,136,942	3,187	6,450	16,146,579	25.1
Southern	6,171,296	233	3,225	6,174,754	9.6
Western Trunk Line	11,422,143	3,540	11,825	11,437,508	17.8
Southwestern	1,978,046	62,825	44,075	2,084,946	3.2
Mountain-Pacific .	28,451,354	25,351	41,925	28,518,630	44.3
United States	64,159,781	95,136	107,500	64,362,417	100.0

1/ From Tables 29 and 30 and page 125. Conversion ratios used are those shown in Minerals Yearbook for 1938, p. 703, as follows: bituminous coal, 13,100 b.t.u. per pound; petroleum, 6,000,000 b.t.u. per bbl.; natural gas, 1,075 b.t.u. per cu. ft.

2/ Excluding oil from oil shales.

[fol. 5607] of the total, followed by Official territory with over 25 percent. Also in both tables Western Trunk Line, Southern, and Southwestern show over 17, 9, and 3 percent, respectively, of the total for the United States.

Water Power Resources

In 1937 the total capacity of installed water wheels in plants having 100 horsepower or more in the United States was estimated by the U. S. Geological Survey at 17,120,000 horsepower. In the same year the production of electric energy in the United States was slightly in excess of 121 billion kilowatt-hours, of which nearly 44 billion or a little over 36 percent was produced by hydroelectric and the balance by plants utilizing fuel energy. As against the figure of 17,120,000 horsepower capacity of installed water wheels, however, the potential water power of the United States was estimated at a total of 42,753,000 horsepower available 90 percent of the time and 57,184,000 horsepower available 50 percent of the time. Potential water power, as measured by horsepower available 90 percent of the time, therefore, was equivalent to roughly 2½ times the actually installed horsepower capacity and when measured by horsepower available 50 percent of the time, was equivalent to nearly 3.4 times the total installed horsepower capacity.

In Tables 31 and 32 these figures have been distributed by freight rate territories, the differences in the tables and totals for the same territories representing differences in the groupings of the states used in the composition of the rate territory figures.

In both groupings Mountain-Pacific and Official rate territories are outstanding in the production of hydroelectric energy and also in the horse-power of installed water wheels. Together they account for over 70 percent of the hydroelectric energy and around two-thirds of the capacity of installed water wheels regardless of which grouping is considered. In 1937 hydroelectric energy produced in Mountain-Pacific territory exceeded Official territory by several points percent but in capacity of installed water

Table 31. - Waterpower Resources and Energy Production, by Freight Rate Territories

Grouping A

Territory	Potential water power, 1936 1/ Available 90% of the time	Potential water power, 1936 1/ Available 50% of the time	Capacity of installed water wheels 1937 2/	Production of electric energy, 1937 3/ Hydro	Production of electric energy, 1937 3/ Fuel	Production of electric energy, 1937 3/ Total
	(Horsepower, thousands)			(Thousands of kilowatt-hours)		
Official 4/	7,586	10,741	5,966	15,283,709	56,757,208	72,040,917
Southern 5/	4,328	6,094	3,888	8,261,194	3,376,746	11,637,940
Western Trunk Line 6/.	1,466	2,391	1,356	2,843,981	7,602,062	10,446,043
Southwestern 7/	764	967	149	261,215	6,126,569	6,387,781
Mountain-Pacific 8/ ..	28,509	36,991	5,761	17,051,901	3,485,045	20,536,946
Total	42,753	57,184	17,120	43,702,000	77,347,630	121,049,630
	Percent of U.S. totals					
Official 4/	17.98	18.78	34.85	34.97	73.38	59.5
Southern 5/	10.12	10.66	22.71	18.90	4.37	9.6
Western Trunk Line 6/.	3.43	4.18	7.92	6.51	9.83	8.6
Southwestern 7/	1.79	1.69	.87	.60	7.92	5.28
Mountain-Pacific 8/ ..	66.68	64.69	33.65	39.02	4.50	15.9
Total	100.00	100.00	100.00	100.00	100.00	100.00

1/ Potential Water Power in the United States, U.S. Department of the Interior (mimeographed), Aug. 20, 1936

2/ U.S. Department of the Interior, Geological Survey. For plants having 100 horsepower or more.

3/ Federal Power Commission, Electric Power Statistics, 1937. Production for strictly private use not included, but electric railways, electrified sections of steam railways, and miscellaneous Federal and other plants serving Government or public are included.

4/ Including Michigan and Virginia and excluding Wisconsin. The exclusion of the highly industrialized eastern portion of Wisconsin from Official territory somewhat underestimates the importance of this territory.

5/ Excluding Virginia and Louisiana.

6/ Including Wisconsin and excluding Colorado.

7/ Including Louisiana.

8/ Including Colorado.

Table 32. - Waterpower Resources and Energy Production, by Freight Rate Territories

Grouping B

Territory	Potential water power, 1936 1/		Capacity of installed water wheels 1937 2/	Production of electric energy, 1937 3/		
	Available 90% of the time	Available 50% of the time		Hydro	Fuel	Total
	(Horsepower, thousands)			(Thousands of kilowatt-hours)		
Official 4/	7,223	10,092	5,809	14,850,195	55,445,543	70,295,738
Southern 5/	4,861	6,817	4,045	8,694,708	6,356,802	15,051,510
Western Trunk Line 6/	2,113	3,242	1,459	3,063,713	8,103,812	11,167,525
Southwestern 7/	694	893	149	261,215	4,458,178	4,719,393
Mountain-Pacific 8/ .	27,862	36,140	5,658	16,832,169	2,983,295	19,815,464
Total	42,753	57,184	17,120	43,702,000	77,347,630	121,049,630
			Percent of U.S. totals			
Official 4/	16.90	17.65	33.93	33.98	71.68	58.07
Southern 5/	11.37	11.92	23.63	19.89	8.22	12.43
Western Trunk Line 6/	4.94	5.67	8.52	7.01	10.48	9.23
Southwestern 7/	1.62	1.56	.87	.60	5.76	3.90
Mountain-Pacific 8/ .	65.17	63.20	33.05	38.52	3.86	16.37
Total	100.00	100.00	100.00	100.00	100.00	100.00

1/ Potential Water Power in the United States, U.S. Dept. of the Interior (mimeographed), Aug. 20, 1936.

2/ U.S. Department of the Interior, Geological Survey. For plants having 100 horsepower or more. Figures obtained from Energy Resources and National Policy, op. cit., p. 241.

3/ Federal Power Commission. Electric Power Statistics, 1937. Production for strictly private use not included, but electric railways, electrified sections of steam railways, and miscellaneous Federal and other plants serving Government or public are included. Energy Resources and National Policy, p. 242.

4/ Including Michigan. The exclusion of the highly industrialized eastern portion of Wisconsin from Official territory somewhat underestimates the importance of this territory.

5/ Including Virginia and Louisiana.

6/ Including Wisconsin and Colorado and excluding Michigan. The upper peninsula of Michigan, which belongs in Western Trunk Line territory, is relatively unimportant compared with the state as a whole.

7/ Excluding Louisiana.

8/ Excluding Colorado.

[fol. 5610] wheels neither territory showed a significant lead over the other, Official territory leading slightly in the A grouping and Mountain-Pacific in the B. In very rough terms, therefore, each of these two rate territories showed about as much installed capacity and generated about as much hydroelectric power as all of the remaining thre freight rate territories combined. The Southern rate territory is a rather poor third in hydroelectric production but makes a somewhat better showing in the capacity of installed water wheels as compared with either Mountain-Pacific or the Official rate areas.

As already pointed out, reserves in the sense of irreplaceable mineral resources cannot be said to exist in the case of a replenishable natural resource, such as water power. In so far, however, as such replenishable resources have not been fully developed or utilized, they may be said to constitute a reserve of natural resources in the sense that until fully utilized the quantity of replenishable energy may be steadily expanded.

From the standpoint of water power reserves, therefore, or perhaps more accurately potential water power energy, a freight rate territorial distribution tells a somewhat different story than does the capacity of installed water wheels or the production of hydroelectric energy. One of such distribution of estimated potential energy is shown in the first two columns of the two preceding tables. Whether water power available 90 percent of the time or available 50 percent of the time is used, the Mountain-Pacific division accounts for close to two-thirds of the total. Official territory, however, has between 16 and 19 percent of the total as against between 10 and 12 percent for Southern territory. Neither Western Trunk Line nor Southwestern territory is of significant importance as a source of potential energy although the former area is much better off in this respect than is the latter.

According to the Federal Power Commission, the total feasible addition to the annual output of energy in terms of kilowatt-hours was 273,377 millions as compared with 48,580 million estimated as the actual annual output of water power plants at the end of 1937. The total of the two [fol. 5611] would be 321,957 millions of kilowatt-hours according to the Energy Resources report. In other words, about 15 percent of the estimated feasible annual output was in use at the end of the year 1937.

Tables 33 and 34 present the distribution of these estimates according to the same two groupings of freight rate territories as were shown in the preceding tables.

The resulting pictures merely emphasize the previous showing of the outstanding importance of the Mountain-Pacific area from the standpoint of potential energy production. With a 1937 estimated annual output only a little over one-third of the kilowatt-hours for the entire country, it accounts for nearly three-quarters of the estimated feasible additions and for in excess of two-thirds of the estimated feasible annual power output in terms of kilowatt-hours. In considering the significance of these figures it is necessary to recognize that their importance is affected by certain technological limitations on the transmission of power. Comparatively little water power is used directly at the power site. Technical limits of transmission while not well defined are sufficiently narrow to render much of the electric power generated in one freight rate territory unavailable to other freight rate areas[1] at least for the present. Utilization of the vast reserves of the Mountain-Pacific area, therefore, must presumably depend either on further developments in low cost transmission of electric power or further industrial development of the Mountain-Pacific freight rate territory.

---

[1] According to Dr. Karl T. Compton, speaking in 1937, about 250 miles from the generating station, and according to J. D. Ross, late administrator of Bonneville, speaking in 1938, about 300 miles for very large blocks of power. In Energy Resources and National Policy, op. cit., p. 245, from 5 Edison Electric Institute Bull., Vol. 5, No. 1 (Jan. 1937) and Scientific American, Dec. 1938, p. 305.

(Here follow 2 photolithographs, side folios 5612-6513)

Table 33 - Estimated Actual and Feasible Energy Output of Water Power Plants Existing at End of 1937 1/

Grouping A

Territory	Estimated annual output of water power plants, end of 1937 2/	Estimated feasible addition to annual output 3/	Estimated minimum 4/ feasible annual output
	Millions of kilowatt-hours		
Official 5/	18,288	34,549	52,837
Southern 6/	9,389	28,227	37,616
Western Trunk Line 7/ ...	3,284	3,666	6,950
Southwestern 8/	263	5,927	6,190
Mountain-Pacific 9/	17,356	201,008	218,364
Total	48,580	273,377	321,957
	Percent of U.S. totals		
Official 5/	37.64	12.64	16.41
Southern 6/	19.33	10.32	11.68
Western Trunk Line 7/ ...	6.76	1.34	2.16
Southwestern 8/	.54	2.17	1.92
Mountain-Pacific 9/	35.73	73.53	67.83
Total	100.00	100.00	100.00

1/ Rearrangement of Table 6, Energy Resources and National Policy, op. cit., pp. 244-245.

2/ To hydro output shown in Table 3 (Energy Resources and National Policy), estimates have been added for output of water wheels not covered by the reports of the Federal Power Commission on production of electrical energy. Capacity of such water wheels reported by the Power Commission. Electrical output (or equivalent, for mechanical drive) estimated on the basis of an assumed 35 percent capacity-use factor.

3/ Estimates by Federal Power Commission, Pt. two, sec. II, chap. 1, of Energy Resources and National Policy report.

4/ Regarded by Watson as a minimum because existing installations were operated at neither plant nor site capacity.

5/ Including Michigan and Virginia and excluding Wisconsin.

6/ Excluding Virginia and Louisiana.

7/ Including Wisconsin and excluding Michigan and Colorado.

8/ Including Louisiana.

9/ Including Colorado.

Table 34. - Estimated Actual and Feasible Energy Output of Water Power Plants Existing at End of 1937 1/

Grouping B

Territory	Estimated annual output water power plants, end of 1937 2/	Estimated feasible addition to annual output 3/	Estimated minimum 4/ feasible annual output
	Millions of kilowatt-hours		
Official 5/	16,583	29,052	45,635
Southern 6/	9,882	33,773	43,655
Western Trunk Line 7/	4,731	6,982	11,713
Southwestern 8/	263	4,863	5,126
Mountain-Pacific 9/	17,121	196,707	215,828
Total	48,580	273,377	321,957
	Percent of U.S. totals		
Official 5/	34.14	10.63	14.17
Southern 6/	20.34	12.35	13.56
Western Trunk Line 7/	9.74	2.55	3.64
Southwestern 8/	.54	1.78	1.59
Mountain-Pacific 9/	35.24	72.69	67.04
Total	100.00	100.00	100.00

1/ Rearrangement of Table 6, Energy Resources and National Policy, op. cit., pp. 244-245.

2/ To hydro output shown in Table 3 (Energy Resources and National Policy), estimates have been added for output of water wheels not covered by the reports of the Federal Power Commission on production of electrical energy. Capacity of such water wheels reported by the Power Commission. Electrical output (or equivalent, for mechanical drive) estimated on the basis of an assumed 35 percent capacity-use factor.

3/ Estimates by Federal Power Commission, Pt. two, sec. II, chap. 1, of Energy Resources and National Policy report.

4/ Regarded by Watson as a minimum because existing installations were operated at neither plant nor site capacity.

5/ Excluding Michigan, Wisconsin, and Virginia.

6/ Including Virginia and Louisiana.

7/ Including Michigan, Wisconsin, and Colorado.

8/ Excluding Louisiana.

9/ Excluding Colorado.

[fol. 5614]

CHAPTER IV

Rate Territory Distribution of Agricultural Resources

Importance of Agricultural Resources

The significance of our agricultural resources lies not alone in the fact that agricultural products provide the foodstuffs for our huge population, but also in the fundamental importance of such products as a source of raw material for the manufacture of a great variety of commodities other than foodstuffs.

A good many years ago Malcolm Kier stated that "Farms furnish more than three-fourths of all materials upon which factories worked."[1] Although some attempts have been made to verify this figure, no confirmation of it has been found up to the date of this writing.[2]

In the early 1930's, however, the late Tracy E. Thompson, an industrial analyst of the Bureau of the Census, made a study of "Materials Used in Manufactures" based upon the census of manufactures of 1929. This study showed the estimated cost to manufacturers of the raw materials produced by each of five extractive industries. Of the total cost estimated at 12.676 billion dollars, including both domestic and foreign products, 8.451 billion was supplied by agriculture and animal husbandry, or 67.4 percent of the total. Excluding foreign raw materials, 6.763 billion out of a total of 10.472 billion was paid for the products of agriculture and animal husbandry or about 64.5 percent of the total. The cost of manufacturing raw materials derived from each of the five extractive industries as estimated in the Thompson study is shown in Table 35.

---

[1] Malcolm Kier, "Manufacturing," 1928, p. 3.

[2] Professor Kier was unable, upon inquiry, to furnish the source of his information other than that he was sure that he obtained the statement from the introduction to the Census of Agriculture "which census, 1930, 1920, 1910, I cannot recall because the notes for that book have been burned." Examination of the publications in question did not disclose any such figures nor has inquiry through various channels at the Department of Agriculture turned up any clues as to the source of such a figure.

[fol. 5616] "The highly industrialized character of Official classification territory has apparently tended to obscure the fact that it is at the same time an equally or more important agricultural area, depending on the criteria employed, than any of the other freight rate territories. For example, Table 36 shows that in 1939, the latest year for which the figures are available, the gross farm income of the United States aggregated 8.96 billion dollars, of which Official territory produced 2.76 billion, or approximately 31 per cent. Western Trunk Line territory was a close second in importance, accounting for 2.38 billion, or approximately 27 per cent of the total, and was followed by the Southern, Mountain-Pacific, and Southwestern rate areas in the order named. No one of these last three areas, however, produced as much as 17 per cent of the United States total in the year in question. As used in this table, gross income consists of the cash income from sales plus the value of home consumption after eleminating the value of crops fed to livestock. The figures do not include $807,065,000 of income representing government payments.[1]

Not only did Official classification territory lead in the proportion of gross farm income produced in the five rate territories, but it also led, though by a narrow margin, in the gross farm income from crops and from livestock and livestock products.

In crop income, however, the Southern rate territory was a close competitor of Official territory with only a little over 12 million less income, and in livestock and livestock products Official territory led the Western Trunk Line area by less than 52 million dollars. It is important, however, that Official territory's showing for total farm income is not due to excess weighting by either the crop or livestock figures but that the area actually led in both respects. Both Mountain-Pacific and Southwestern territories show a remarkably equal division of their agriculture between crops and livestock products. In contrast, both Western Trunk Line and Official territories show a little less than two-

---

[1] U. S. D. A., B. A. E., "Gross Farm Income and Government Payments, 1936-1939," July 8, 1940, p. 7 (mimeographed).

Table 35. Estimated Cost of Manufacturers of Raw Materials Consumed, Distributed According to the Extractive Industries Where Produced: 1929

Industry	Total		Domestic		Foreign	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Five extractive industries, total	$12,676,000,000	100.0	$10,472,000,000	100.0	$2,204,000,000	100.0
Agriculture and animal husbandry	8,541,000,000	67.4	6,763,000,000	64.6	1,778,000,000	80.7
Mining and quarrying ..	3,494,000,000	27.6	3,279,000,000	31.3	215,000,000	9.8
Logging, etc.	477,000,000	3.8	390,000,000	3.7	87,000,000	3.9
Fishing	39,000,000	0.3	19,000,000	0.2	20,000,000	.9
Hunting and trapping ..	125,000,000	1.0	21,000,000	.2	104,000,000	4.7

Source: U. S. Department of Commerce, Bureau of the Census, Materials Used in Manufactures: 1929, 1933, p.4.

Table 36. - Gross Farm Income from Crops and Livestock, by Freight Rate Territories, 1939 1/

Territory	Crops 2/	Livestock and livestock products 3/	Total
		(1,000 dollars)	
Official	945,954	1,814,350	2,760,304
Southern	933,632	574,475	1,508,107
Western Trunk Line....	615,896	1,762,524	2,378,420
Southwestern.........	510,338	513,965	1,024,353
Mountain-Pacific......	656,395	634,306	1,290,701
United States....	3,662,265	5,299,620	8,961,885
		Percent of territory totals	
Official.............	34.27	65.73	100.00
Southern.............	61.91	38.09	100.00
Western Trunk Line....	25.90	74.10	100.00
Southwestern.........	49.83	50.17	100.00
Mountain-Pacific......	50.86	49.14	100.00
United States ...	40.86	59.14	100.00
		Percent of U. S totals	
Official.............	25.83	34.23	30.80
Southern.............	25.49	10.84	16.83
Western Trunk Line....	16.82	33.26	26.54
Southwestern.........	13.94	9.70	11.43
Mountain-Pacific......	17.92	11.97	14.40
	100.00	100.00	100.00

1/ Preliminary.

2/ Data for states divided by freight rate territory boundaries were apportioned to territories on the basis of the total farm value of crops harvested in 1939 (see tables on acreage, production, and value of individual crops for 1939) after deducting principal feed crops (corn, oats, barley, rye, buckwheat, grain sorghums, hay, and sweet sorghums).

3/ Data for states divided by freight rate territory boundaries were apportioned to territories on the basis of the total farm value of livestock and livestock products produced in 1939 (see tables on production and value of individual livestock products), except that gross income from eggs and milk was used in the apportionment in place of farm value.

Source: U. S. D. A., B. A. E., "Gross Farm Income and Government Payments, 1936-1939," July 8, 1940 (mimeographed).

[fol. 5618] thirds and three-quarters, respectively, of their total gross income derived from livestock and livestock products. In Southern territory, however, this situation is reversed, over 61 per cent of Southern territory farm income coming from crops and a trifle over 38 per cent from livestock.

From the standpoint of total United States production, however, all three territories besides Official and Western Trunk Line are relatively low in proportion of gross income produced by livestock and livestock products. Each of the two latter territories accounts for a somewhat greater proportion of the United States total than all of the other three rate areas combined.

Agricultural Resources as Measured by Quality of Land

These differences in relationships between the freight rate territories are due in a considerable degree to differences in the physiographical conditions required for the production of crops and livestock and livestock products. These basic factors which thus delineate the agricultural resources of the United States, according to a leading authority on this matter are [1]: (1) Topography, lay of the land, and degree and direction of slope; (2) soils, which are influenced greatly in their development by climate and the natural vegetation; (3) temperature and precipitation, of which the duration of the frost-free season and seasonal distribution of precipitation are important.

These physical conditions are obviously of such a character that their conversion into measurable arithmetic or other terms is extremely difficult and necessarily the results of such conversion must be more or less of an approximation. However, one type of such conversion has been made under the direction of Dr. Curtis F. Marbut of the Bureau of Chemistry and Soils, United States Department of Agriculture, by grading all the land of the United States according [fol. 5619] ing to its productivity for crop production, the results of which were published by the National Resources

---

[1] O. E. Baker, Senior Agricultural Economist, U. S. D. A., "A Graphic Summary of Physical Features and Land Utilization in the United States," Miscellaneous Publication No. 260, May 1937, p. 2.

Board in 1934.[1] The method used attempts to take into consideration all the principal physiographical conditions influencing productivity such as soil type, topography, rainfall, and temperature. Using these factors, the entire land surface of the United States was classed into five grades of productivity.

> "Grade 1 may be briefly described as excellent land for the staple crops climatically adapted to the region in which its lies; grade 2 as good; grade 3 as fair; grade 4 as poor; and grade 5 as essentially incapable of tillage.
>
> * * * * * * *
>
> "Naturally poorly drained lands were graded according to their productivity under their present condition of drainage, whether they are articially drained or not. Irrigated lands were graded according to their original nonirrigated condition * * *"[2]

As published in the National Resources Board report the land area of each state was thus classified and these figures have been regrouped by freight rate areas in Table 37.

Western Trunk Line territory is outstanding in its possession of land of grades 1 and 2. Roughly two-thirds of all the land in the United States of grade 1 and nearly half

---

[2] National Resources Board, "A Report on National Planning and Public Works in Relation to Natural Resources and Including Land Use and Water Resources with Findings and Recommendations," Dec. 1, 1934, p. 127.

[2] Ibid.

(Here follow 2 photolithographs, side folios 5620-5621.)

Table 37.—Land Area Classified According to Its Productivity, 1/ by Freight Rate Territories

Grouping A 2/

Grade 3/	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	United States total
			(1,000 acres)			
llent	27,410	2,682	64,439	6,034	473	101,038
....	53,513	22,377	88,411	43,181	3,453	210,935
....	71,398	74,377	81,885	86,821	31,391	345,872
llent to fair	152,321	99,436	234,735	136,036	35,317	657,845
....	66,119	76,958	68,549	64,519	86,414	362,559
p. of tillage	54,996	61,626	59,029	74,686	631,398	881,735
All grades .	273,436	238,020	362,313	275,241	753,129	1,902,139

Percent of territory totals

	%	Cum. %	%	Cum. %	%	Cum. %	%	Cum. %	%	Cum. %	%	Cum. %
llent	10,03	10.03	1.13	1.13	17,79	17.79	2.19	2,19	0.06	0.06	5.31	5.31
....	19.57	29.60	9.40	10.53	24.40	42.19	15.69	17.68	.46	.52	11,09	16.40
....	26.11	55.71	31.25	41.78	22.60	64.79	31,54	49.42	4.17	4.69	18.18	34,58
....	24.18	79.69	32.33	74.11	18,92	83.71	23,44	72.86	11,47	16.16	19.06	53.64
p. of tillage	20.11	100.00	25.89	100.00	16.29	100.00	27.14	100.00	83.84	100.00	46.36	100.00
All grades .	100.00		100.00		100.00		100.00		100.00		100.00	

Percent of U.S. totals

llent	27.13	2.65	63.78	5.97	0.47	100.00
....	25.37	10.61	41.91	20.47	1.64	100.00
....	20.64	21.50	23.68	25.10	9.08	100.00
llent to fair	23.15	15.12	35.68	20.68	5.37	100.00
....	18.24	21.23	18.91	17.79	23.83	100.00
p. of tillage	6.24	6.99	6.69	8.47	71.61	100.00
All grades .	14.38	12.51	19.05	14.47	39.59	100.00

(Continued)

Table 37.—Land Area Classified According to Its Productivity, 1/ by Freight Rate Territories (Continued)

Grouping B 2/

Grade 3/	Territory					United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	
			(1,000 acres)			
xcellent	25,160	3,971	66,690	4,744	473	101,038
ood	40,899	29,003	97,658	40,208	3,167	210,935
air	56,731	91,004	94,313	79,474	24,350	345,872
xcellent to fair	122,790	123,978	258,661	124,426	27,990	657,845
oor	51,578	96,713	89,522	52,076	72,670	362,559
ncap. of tillage	36,374	72,050	117,523	69,661	586,127	881,735
All grades .	210,742	292,741	465,706	246,163	686,787	1,902,139

Percent of territory totals

	%	Cum. %	%	Cum. %	%	Cum. %	%	Cum. %	%	Cum. %	%	Cum. %
cellent	11.94	11.94	1.35	1.35	14.32	14.32	1.93	1.93	0.07	0.07	5.31	5.31
od	19.41	31.35	9.91	11.26	20.97	35.29	16.33	18.26	.46	.53	11.09	16.40
ir	26.92	58.27	31.09	42.35	20.25	55.54	32.29	50.55	3.55	4.08	18.18	34.58
or	24.47	82.74	33.04	75.39	19.22	74.76	21.15	71.70	10.58	14.66	19.06	53.64
cap. of tillage	17.26	100.00	24.61	100.00	25.24	100.00	28.30	100.00	85.34	100.00	46.36	100.00
All grades .	100.00		100.00		100.00		100.00		100.00		100.00	

Percent of U.S. totals

cellent	24.90	3.93	66.00	4.70	0.47	100.00
od	19.39	13.75	46.30	19.06	1.50	100.00
ir	16.40	26.31	27.27	22.98	7.04	100.00
cellent to fair	18.67	18.85	39.32	18.91	4.25	100.00
or	14.23	26.68	24.69	14.36	20.04	100.00
cap. of tillage	4.13	8.17	13.33	7.90	66.47	100.00
All grades .	11.08	15.39	24.48	12.94	36.11	100.00

Graded according to ability to produce without irrigation, or without additional drainage.

The variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western Trunk Line
Wisconsin	Western Trunk Line	Western Trunk Line
Virginia	Official	Southern
Louisiana	Southwestern	Southern
Colorado	Mountain-Pacific	Western Trunk Line

For more exact statement, see text.

urce: National Resources Board, "A Report on National Planning ....," December 1, 1934, p. 127.

of all the land of grade 2 is in this area. Official territory, [fol. 5622] however, ranks second in both, though possessing an insignificant margin over Southwestern territory in this respect so far as grade 2 land is concerned. Together, Western Trunk Line and Official territory account for over 90 percent of the total grade 1 land in the United States and for just short of two-thirds of the total grade 2 land. No one of the other three territories possesses as much as 5 per cent of the grade 1 land. Official territory contains by far the smallest proportion of the total land area essentially incapable of tillage.

The proportion of the United States total of each grade of land which is included within the Western Trunk Line and Official territories declines consistently through all five grades as the quality of the land decreases. Exactly the reverse, however, is true of the Mountain-Pacific division and of the first four grades in Southern territory and the first three in Southwestern.

A comparison of territories on the basis of the proportion of their area in each grade of land further substantiates the leading positions of Western Trunk Line and Official territories. A higher porportion of the land in Western Trunk Line territory belongs in Grades 1 and 2 than in any other area, Official territory ranking second in both cases. About 40 per cent of the land area of the Western Trunk Line territory belongs in Grades 1 and 2 and nearly one-third of that in Official classification territory. The proportion of both grades combined is much lower in Southern, Southwestern, and Mountain-Pacific divisions. In the Mountain-Pacific area there are less than 500,000 acres of Grade 1 land out of around 700 million total acres. Less than 3 percent and only a little more than 1 percent of the total Grade 1 land are found in Southwestern and Southern territories, respectively. Southwestern territory, however, has a proportion of Grade 2 land not greatly below the proportion of Official classification territory, but Southern territory shows less than 10 percent of its total land in this classification and less than ½ of 1 percent of the Mountain-Pacific division is found in Grade 2. Less than 20 percent of the Southwestern land belongs to these two groups and only a trifle over 10 percent in Southern territory. This situation continues to be true when Grade 3 land is included, about 60 percent of Western Trunk Line area being in grades from excellent to fair, as compared [fol. 5623] with over 55 percent for Official classification territory, about 50 percent for Southwestern, and nearly 42 percent for the Southern area.

Although nearly all the land in the Mountain-Pacific division belongs in Grades 4 and 5, this figure is somewhat misleading because some of this Grade 4 and 5 acreage is under irrigation. In addition, there are also considerable areas of irrigated land in both Western Trunk Line and Southwestern territories. The data in Table 38 show that irrigation enterprises are capable of supplying water to over 26 million acres of land, about 83 percent of which is located in the Mountain-Pacific division. The figures shown in this table with regard to irrigable lands are to be taken as a qualification of the grades of land distributed by freight rate territories shown in the preceding tables.

If we assume that all the land, for which present enterprises are capable of supplying water, are of Grades 4 and 5, and that irrigation would make them as productive as land of Grades 1 and 2, we have the comparison of territories shown in Table 38-A.

(Here follows 2 photolithographs, side folios 5624-5625)

Table 38. - Irrigable Lands of the Western States, by Freight Rate Territories 1/

Territories	Irrigable area that present enterprises were capable of supplying with water in 1940 2/		Ultimate irrigable area 3/	
	1,000 acres	Percent of total	1,000 acres	Percent of total
Western Trunk Line 4/	2,413	9.08	5,481	10.43
Southwestern	2,192	8.24	3,439	6.55
Mountain-Pacific ...	21,982	82.68	43,620	83.02
Total (19 western states) 5/	26,587	100.00	52,540	100.00

1/ Data for Colorado allocated to territories on the basis of the area that enterprises were capable of supplying with water in 1929 (Census county figures). All of Louisiana was included in Southwestern territory since over 98 percent of the irrigable area of the state as of 1929 was in this territory.

2/ Sources: (1) U.S. Department of Interior, Bureau of Reclamation, "Irrigable Acreage Private and Federal Irrigation Enterprises Were Capable of Supplying with Water in 16 Western States in 1940." Map No. 41-8 prepared from records of Bureau of Reclamation, Office of Indian Affairs, and Bureau of Census (1930); and (2) Fifteenth Census of U. S., 1930, "Irrigation of Agricultural Lands," (data for Kansas, Arkansas, and Louisiana).

3/ Sources: (1) National Resources Board, "Land Available for Agriculture through Reclamation," Part IV of the Supplementary Report of the Land Planning Committee, 1934; and (2) Fifteenth Census of U. S. 1930, "Irrigation of Agricultural Lands" (data for Arkansas and Louisiana).

4/ Excluding Minnesota, Wisconsin, Michigan, Iowa, and Missouri having negligible amounts for which data are not reported.

5/ Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Arkansas, and Louisiana.

Table 38-A. - Land Area Classified According to Its Productivity, by Freight Rate Territories, after Giving Consideration to Irrigation

Grade	Territory					United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	
			Grouping A 1/			
1 and 2	80,923	25,059	155,263	51,407	25,908	338,560
3	71,398	74,377	81,835	86,821	31,391	345,872
4 and 5	121,115	138,584	125,165	137,013	695,830	1,217,707
All grades	273,436	238,020	362,313	275,241	753,129	1,902,139
			Percent of U. S.			
1 and 2	23.90	7.40	45.86	15.19	7.65	100.00
3	20.64	21.50	23.68	25.10	9.08	100.00
4 and 5	9.95	11.38	10.28	11.25	57.14	100.00
All grades	14.38	12.51	19.05	14.47	39.59	100.00
			Grouping B 1/			
1 and 2	66,059	32,974	166,761	47,144	25,622	338,560
3	56,731	91,004	94,313	79,474	24,350	345,872
4 and 5	87,952	168,763	204,632	119,545	636,815	1,217,707
All grades	210,742	292,741	465,706	246,163	686,787	1,902,139
			Percent of U. S.			
1 and 2	19.51	9.74	49.26	13.92	7.57	100.00
3	16.40	26.31	27.27	22.98	7.04	100.00
4 and 5	7.22	13.86	16.80	9.82	52.30	100.00
All grades	11.08	15.39	24.48	12.94	36.11	100.00

1/ The variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western Trunk Line
Wisconsin	Western Trunk Line	Western Trunk Line
Virginia	Official	Southern
Louisiana	Southwestern	Southern
Colorado	Mountain-Pacific	Western Trunk Line

Sources: Tables 37 and 38.

[fol. 5626] Thus, by regarding land by arbitrarily assigning higher grades to lands capable of irrigation the percent of the better grades of land in the western territories is somewhat advanced. Mountain-Pacific territory, under the revised comparison, has approximately 7½ percent of the land of the U. S. of Grades 1 and 2 as compared with slightly over 1 percent under the original classification. This reclassification of lands places Mountain-Pacific territory about on a par with Southern territory with respect to excellent and good lands. The effect on Southwestern territory is opposite, changing the percent of U. S. total of Grades 1 and 2 from 15.78 in Grouping A and 14.41 in Grouping B to 15.19 in Grouping A and 13.92 in Grouping B. Thus, even though the better grades of land are increased, their relative standing in relation to other territories is decreased, due to the greater amount of increase in the United States total of Grades 1 and 2. The change also tends to lower the position of Western Trunk Line territory, although it is still the outstanding leader in excellent and good lands. The percents of the better lands in Official and Southern territories are naturally reduced somewhat due to the addition of approximately 27 millions of acres to the national total. The comparison of territories in relation to Grade 1 and 2 lands before and after taking irrigation into account follows:

Territory	Without considering irrigation		After considering irrigation	
	Grouping A	Grouping B	Grouping A	Grouping B
Official	25.94	21.17	23.90	19.51
Southern	8.03	10.57	7.40	9.74
Western Trunk Line	48.99	52.68	45.86	49.26
Southwestern	15.78	14.41	15.19	13.92
Mountain-Pacific	1.26	1.17	7.65	7.57

The data for ultimate irrigable area (Table 38) are based on estimates of State engineers and U. S. Army engineers and represent the maximum acreage for which water could be economically provided. The estimates were made for 17 States only, the data for Arkansas and Louisiana being provided by the 1930 census figures on area which enter- [fol. 5627] prises were capable of supplying with water in 1930. The State engineers' and Army engineers' estimates are somewhat higher than the Bureau of Reclamation estimates for the same 17 states. According to a statement of G. W. Lineweaver, Office of Information, Bureau of Reclamation, on March 25, 1941, the Bureau of Reclamation engineers estimate that there are approximately 22 million acres of land for which water can be economically provided in addition to the land in enterprises as of the Census of 1930. The State and Army engineers' estimate for the same 17 states is 26,436,050 acres.

Agricultural Resources as Measured by the Distribution of Land Used for Agriculture

Differences in agricultural resources apparently account in no small degree for variations between the territories in terms of the total agricultural income which has been discussed in a preceding section. In the following sections there are presented the data with regard to crop and livestock production with some attempt to relate these differences in production to the resources of these areas. The present section distributes the total land area of the United States according to freight rate territories and land use. The following sections analyze the distribution of production of various crops and livestock and livestock products between the freight rate territories.

Table 39 shows the present way in which the land area of the various freight rate territories is being used for agricultural purposes. Over 38 percent of the total land area of the United States is included in the Mountain-Pacific rate territory and nearly 21 percent in the Western Trunk Line freight area. The remaining acreage is divided rather equally between the remaining three territories, the difference between the three being slightly less than 1 point per cent of the total land area of the United States.

Examination of this table shows that Western Trunk Line territory leads in acreage of total farm land with just under 30 percent of the national total. The Mountain-Pacific division ranks second with a little over 22 percent, followed by Southwestern, Official, and Southern territories in the order named.

(Here follows 1 photolithograph, side folio 5628)

5016A

Table 39.--Land Area, by Uses and Freight Rate Territories, 1/ 1940

Item	Territory					United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	
			(Acres)			
opland in farms	78,873,516	57,112,333	160,439,408	61,154,583	41,668,556	399,248,396
owable pasture in farms	27,754,002	20,650,542	45,019,089	20,337,169	17,163,656	130,924,458
Potential cropland	106,627,518	77,762,875	205,458,497	81,491,752	58,832,212	530,172,854
er land in farms	56,704,588	68,833,287	111,575,333	117,817,995	175,403,298	530,334,501
Total land in farms	163,332,106	146,596,162	317,033,830	199,309,747	234,235,510	1,060,507,355
er land	94,029,174	105,632,318	80,584,730	71,218,253	491,244,810	842,709,285
Total land area 2/	257,361,280	252,228,480	397,618,560	270,528,000	725,480,320	1,903,216,640
			Percent of territory totals			
pland in farms	30.65	22.64	40.35	22.60	5.74	20.98
wable pasture in farms	10.78	8.19	11.32	7.52	2.37	6.88
Potential cropland	41.43	30.83	51.67	30.12	8.11	27.86
er land in farms	22.03	27.29	28.06	43.55	24.18	27.86
Total land in farms	63.46	58.12	79.73	73.67	32.29	55.72
er land	36.54	41.88	20.27	26.33	67.71	44.28
Total land area 2/	100.00	100.00	100.00	100.00	100.00	100.00
			Percent of U. S. totals			
pland in farms	19.76	14.30	40.18	15.32	10.44	100.00
wable pasture in farms	21.20	15.77	34.39	15.53	13.11	100.00
Potential cropland	20.11	14.67	38.75	15.37	11.10	100.00
er land in farms	10.69	12.98	21.04	22.22	33.07	100.00
Total land in farms	15.40	13.82	29.90	18.79	22.09	100.00
er land	11.16	12.54	9.56	8.45	58.29	100.00
Total land area 2/	13.52	13.25	20.89	14.22	38.12	100.00

Data for states divided by freight rate territories were apportioned on the basis of county figures as shown in the Census reports of 1930. At the time this table was prepared, county figures were not released for the Census of 1940.

Total land area as of 1930.

rces:

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

Sixteenth Census of U. S., 1940, Agriculture, "United States Summary", Special release, Feb. 5, 1941 (processed).

[fol. 5629] In terms of the potential crop land in 1940, however, the order of importance differs radically from this showing in certain respects. Potential crop land in 1940, as shown in the table, is the sum of the crop land in farms plus the plowable pasture land in farms as computed by the Census Bureau. On this basis, Western Trunk Line territory assumes a very much greater importance in comparison with the other territories than on the basis of the total land in farms, the potential crop land of this rate territory representing nearly 40 percent of the total for the United States. The Mountain-Pacific division, which ranks second in total land area in farms, shows a smaller acreage of crop land in farms and of plowable pasture in farms together than any other rate territory, with the result that the total potential crop land of this area in 1940 was only a little in excess of 11 percent of the total for the United States. In terms of potential crop land, second position is assumed by Official territory with approximately 20 percent of the total, followed by the Southwestern area with about 15.4 percent and the Southern territory with about 14.7 percent.

The total land in farms shown in the foregoing table does not represent all the land devoted to agricultural uses because there is an enormous proportion of the total land area of the United States outside of land in farms which is used for pasture. This acreage aggregates 31 percent of the total land area of the United States and is located for the most part, as of 1930, in the three western freight rate territories, more particularly in the Mountain-Pacific division. The acreages of these pasture lands for the western freight rate territories are as follows as of 1930:[1]

Territory	Pasture not in farms	Land area	Percent of land area
	(1,000 acres)		
Western Trunk Line	15,637	397,619	3.93
Southwestern	56,427	270,528	20.86
Mountain-Pacific	358,530	725,480	49.42
Total	430,594	1,393,627	30.90

---

[1] U. S. D. A., B. A. E., "Trends in Land Utilization, 1879-1929." Special table prepared for the I. C. C. by Claude C. Haren, Jr., Agricultural Economist, Land Economics Division, on June 19, 1940.

[fol. 5630] The relative disadvantage in 1940 of the Mountain-Pacific territory in terms of either crop land in farms or potential crop land in farms ~~is~~ somewhat offset by the enormous acreage available for grazing purposes. Similarly, the agricultural resources of both the Western Trunk Line and Southwestern territories are increased by the existence of this grazing land which is not shown by ~~the~~ figures of either crop land in farms or potential crop land as shown in the preceding table.

Agricultural Resources as Measured by Potential Production of Crops

Potential production of certain major crops for each territory was determined by applying the maximum yield per acre in the past to the maximum acreage in the past for each state comprising the territory. Maximum yield and acreage figures were obtained from the United States Department of Agriculture revised estimates[1] of acreage, yield, and production and cover the period 1879-1939, inclusive, with shorter periods for certain crops as indicated in the footnotes to tables for individual crops (Tables 53 to 74, inclusive). Data for states divided by freight rate territory boundaries were apportioned to territories on the basis of 1929 Census county figures for individual crops.[2]

This method of estimating potential production (by maximum acreage and maximum yield in the past) assumes that the same amount of acreage used in the production of a particular crop in the past can be called into production in the future if sufficient demand for that crop should arise. Variations in yields in the past appear to be due chiefly to weather and other random conditions rather than to long-term trends in yields per acre. According to H. E. Selby of the United States Department of Agriculture:

> [fol. 5631] "Average yields of important crops have not changed significantly for several decades, except for a decline in the average cotton crop as a result of boll weevil infestation, and a recent increase in corn crops through the use of hybrid seed.

---

[1] Revised by U. S. D. A. to provide comparable data throughout a series of years.

[2] For more complete discussion, see following section.

> "Apparently soil erosion and depletion and an extension of cultivation to inferior lands have been just about balanced by improved crop varieties and cultural practices and by shifts in production from depleted land to new land."[1]

In discussing the productivity of new lands brought into the production of wheat, O. E. Baker says:

> ". . . The new land brought into use for crops will be of lower productivity, but the higher yields per acre on the old lands resulting from the wider use of fertilizer and better cultivation will probably neutralize these lower yields."[2]

Potential production was computed for twenty crops for which revised figures on acreage and yield are available. These twenty crops in 1939 made up 94.83 percent of total harvested acreage of the United States, as computed previously in this report (see Table 44). The percent of all crops, by territories, of the 20 crops studied are as follows:

	Percent
Official	90.57
Southern	91.87
Western Trunk Line	98.79
Southwestern	97.82
Mountain-Pacific	88.22

[fol. 5632] A summary of the maximum acreage of the 20 crops is shown in Table 40. These acreage figures are only valid when considered individually because, obviously, if land is planted to corn, the same land cannot also be available for the production of wheat in the same year. In order to indicate that the maximum acreages are not fantastic figures, however, maximum acreages of all crops were added together for each territory and compared with potential cropland (see Table 39). This comparison is as follows:

---

[1] H. E. Selby, Bureau of Ag. Econ., U. S. D. A., "How Many Acres Do We Require?", Land Policy Review, Vol. III, September 1940, p. 10.

[2] O. E. Baker, Agricultural Economist, U. S. D. A., "The Potential Supply of Wheat," art. in Economic Geography, Vol. I, March 1925, p. 40.

Territory	Maximum acreage of 20 crops	Potential cropland 1939
	(1,000 acres)	
Official	99,605	106,628
Southern	69,739	77,763
Western Trunk Line	202,000	205,458
Southwestern	74,988	81,492
Mountain-Pacific	36,897	58,832
United States	483,229	530,173

Even if account is taken of the fact that the 20 crops do not cover all of the crop acreage, the maximum acreage figures do not seem excessive.

Table 41 shows a summary of potential production found by applying maximum yields to maximum acreages (discussed above). Discussion of potential acreage and production of individual crops is reserved for a later section in order that comparisons can be made with 1939 figures.

Agricultural Resources as Measured by 1939 Crop Production

General Discussion

The measurement of the agricultural resources of the freight rate territories in terms of present production of crops, livestock and livestock products has been based upon the year 1939. This has been done for two reasons. In the first place, the 1939 figures are the latest which are available at the present writing, and, secondly, these figures are

(Here follow 2 photolithographs, side folios 5633-5634)

Table 40.--Potential Acreage of Principal Crops, by Freight Rate Territories

Crop	Territory					United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	
			(1,000 acres)			
All corn	29,309	25,961	54,933	16,171	1,463	127,837
All wheat	17,433	5,139	51,355	10,373	13,772	98,072
Oats	15,454	3,947	27,010	4,002	2,279	52,692
Barley	2,170	137	11,476	599	2,644	17,026
Rye	2,854	284	5,629	90	347	9,204
Buckwheat	995	43	277	-	-	1,315
Flaxseed	25	-	5,026	18	674	5,743
Rice	-	64	10	1,147	162	1,383
Grain sorghums	-	-	3,529	6,234	585	10,348
Cotton	14	19,408	558	28,394	1,078	49,452
Tame hay	27,727	8,240	21,800	3,092	10,133	70,992
Wild hay	515	372	14,855	1,128	2,653	19,523
Sweet sorghums	33	381	3,416	2,268	53	6,151
Peanuts	79	2,396	-	652	-	3,127
Potatoes	2,287	410	1,747	209	538	5,191
Sweetpotatoes	105	660	25	307	18	1,115
Tobacco	396	2,119	49	3	-	2,567
Sugarcane for sugar	-	41	-	253	-	294
Sugarcane for syrup	-	137	-	48	-	185
Sugar beets	209	-	305	-	498	1,012
All crops	99,605	69,739	202,000	74,988	36,897	483,229
			Percent of U. S. total			
All corn	22.93	20.31	42.97	12.65	1.14	100.00
All wheat	17.78	5.24	52.36	10.58	14.04	100.00
Oats	29.33	7.49	51.25	7.60	4.32	100.00
Barley	12.74	.81	67.40	3.52	15.53	100.00
Rye	31.00	3.06	61.16	.98	3.78	100.00
Buckwheat	75.64	3.31	21.05	-	-	100.00
Flaxseed	.43	-	87.52	.31	11.74	100.00
Rice	-	4.60	.72	82.97	11.71	100.00
Grain sorghums	-	-	34.10	60.25	5.65	100.00
Cotton	.03	39.24	1.13	57.42	2.18	100.00
Tame hay	39.06	11.61	30.71	4.35	14.27	100.00
Wild hay	2.64	1.90	76.09	5.78	13.59	100.00
Sweet sorghums	.54	6.19	55.54	36.87	.86	100.00
Peanuts	2.52	76.63	-	20.85	-	100.00
Potatoes	44.06	7.90	33.66	4.03	10.35	100.00
Sweet potatoes	9.42	59.19	2.24	27.53	1.62	100.00
Tobacco	15.42	82.55	1.91	.12	-	100.00
Sugarcane for sugar	-	14.03	-	85.97	-	100.00
Sugarcane for syrup	-	74.05	-	25.95	-	100.00
Sugar beets	20.65	-	30.14	-	49.21	100.00
All crops	20.61	14.43	41.30	15.52	7.64	100.00

Sources: See Tables 53 to 74.

Table 41.—Potential Production of Principal Crops, by Freight Rate Territories

Crop	Unit	Territory					United States total
		Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
All corn	1,000 bu.	1,412,391	541,938	2,255,105	437,227	42,668	4,689,329
All wheat	1,000 bu.	434,500	88,157	1,072,008	186,568	372,024	2,153,257
Oats	1,000 bu.	648,218	93,355	1,121,647	141,215	94,593	2,099,028
Barley	1,000 bu.	70,785	3,469	334,330	15,324	90,513	514,421
Rye	1,000 bu.	46,965	3,293	100,609	1,185	5,812	157,864
Buckwheat	1,000 bu.	21,298	690	4,137	-	-	26,125
Flaxseed	1,000 bu.	327	-	62,649	207	10,089	73,272
Rice	1,000 bu.	-	2,086	750	56,899	12,377	72,112
Grain sorghums	1,000 bu.	-	-	57,842	117,432	14,290	189,564
Cotton	1,000 bales 1/	10	12,877	655	17,259	1,335	32,136
Tame hay	1,000 tons 2/	40,187	9,635	38,209	4,896	24,227	117,154
Wild hay	1,000 tons 2/	733	464	17,960	1,354	3,249	23,760
Sweet sorghums	1,000 tons 2/	81	821	8,244	3,802	89	13,037
Peanuts	1,000 lbs.	96,444	2,058,081	-	440,630	-	2,595,155
Potatoes	1,000 bu.	364,006	46,994	228,331	18,196	115,411	772,938
Sweetpotatoes	1,000 bu.	16,247	71,684	3,155	32,593	3,202	126,881
Tobacco	1,000 lbs.	460,855	1,990,673	61,584	2,049	-	2,515,161
Sugarcane for sugar	1,000 tons 2/	-	1,254	-	5,487	-	6,741
Sugarcane for syrup	1,000 gal.	-	24,581	-	13,311	-	37,892
Sugar beets	1,000 tons 2/	2,101	-	4,483	-	7,546	14,130
				Percent of U. S. totals			
All corn		30.12	11.56	48.09	9.32	0.91	100.00
All wheat		20.18	4.09	49.79	8.66	17.28	100.00
Oats		30.88	4.45	53.44	6.73	4.50	100.00
Barley		13.76	.67	64.99	2.98	17.60	100.00
Rye		29.75	2.09	63.73	.75	3.68	100.00
Buckwheat		81.52	2.64	15.84	-	-	100.00
Flaxseed		.45	-	85.50	.28	13.77	100.00
Rice		-	2.89	1.04	78.91	17.16	100.00
Grain sorghums		-	-	30.51	61.95	7.54	100.00
Cotton		.03	40.07	2.04	53.71	4.15	100.00
Tame hay		34.30	8.22	32.62	4.18	20.68	100.00
Wild hay		3.08	1.96	75.59	5.70	13.67	100.00
Sweet sorghums		.62	6.30	63.24	29.16	.68	100.00
Peanuts		3.72	79.30	-	16.98	-	100.00
Potatoes		47.09	6.08	29.54	2.36	14.93	100.00
Sweetpotatoes		12.80	56.50	2.49	25.69	2.52	100.00
Tobacco		18.32	79.15	2.45	.08	-	100.00
Sugarcane for sugar		-	18.60	-	81.40	-	100.00
Sugarcane for syrup		-	64.87	-	35.13	-	100.00
Sugarbeets		14.87	-	31.73	-	53.40	100.00

1/ 500 lbs. gross weight.
2/ 2,000 lbs.

Sources: See Tables 53 to 74.

[fol. 5635] relatively close to the average for recent years. From 1926 to 1939, for example, the total acreage harvested ranged from 296 to 364 million acres and the average for the period is about 341.6 million. For the year 1939 the total acreage harvested was a little under 325.5 million which is only 4.7 percent below the average for the entire period. Similarly the gross income from crops and livestock combined for the same period ranges from a little over 5.3 billion dollars to over 11.9 billion, the average figure for the period being a little over 9 billion. In 1939 the total gross income of almost 9 billion was only 1.2 percent below the average figure for the entire period.

Table 42 shows in detail the yearly figures on which the foregoing statements are based, together with the subdivisions of gross income as between crops and livestock. It will be noted that the crop and livestock figures for 1939 similarly fall well within the range of the total for the period and that the figure for crops is somewhat below the average whereas the figure for livestock is somewhat higher than the average.

(Here follows 1 photolithograph, side folio 5636)

Table 42. - Harvested Acreage of Principal Crops and Gross Farm Income from Crops and Livestock, United States, 1926-1939

Year	Acreage of 46 principal crops harvested	Gross income from		
		Crops	Livestock	Crops and livestock
	(1,000 acres)	(Million dollars)		
1926	351,061	5,468	6,012	11,480
1927	350,577	5,817	5,799	11,616
1928	353,632	5,675	6,066	11,741
1929	356,989	5,434	6,507	11,941
1930	361,101	3,818	5,636	9,454
1931	357,374	2,746	4,222	6,968
1932	363,609	2,295	3,042	5,337
1933	331,929	3,032	3,096	6,128
1934	295,936	2,977	3,704	6,681
1935	336,470	3,425	4,585	8,010
1936	315,640	4,022	5,606	9,628
1937	340,605	4,355	5,847	10,202
1938	341,744	3,541	5,339	8,880
1939	325,449	3,662	5,300	8,962
Average	341,580	4,019	5,054	9,073

Sources:

U.S.D.A., "Agricultural Statistics," 1940, p. 542.
U.S.D.A., "Agricultural Statistics," 1938, p. 432.
U.S.D.A., B.A.E., "Gross Farm Income and Government Payments, 1936-1939," July 8, 1940 (mimeographed).

[fol. 5637] Data on acreage and production of principal crops by freight rate territories were taken from the preliminary figures of the United States Department of Agriculture published in "Agricultural Statistics," 1940.[1] Farm value by territories was computed by applying season average state prices, as reported in "Agricultural Statistics," to the production of the states comprising each territory.[2] Farm values computed from other preliminary data by the U. S. D. A. for certain major crops show slightly different figures.[3] Final price data were not available at the time the tables were prepared.

---

[1] Except data for sweet sorghums, which were not reported in this source, but were taken from U. S. D. A., "Crops and Markets," Dec. 1939, p. 273.

[2] Exceptions to this procedure are as follows:

(1) December 1 prices, rather than season average prices, were reported for tame and wild hay, dry field peas, velvet beans, and sugarcane for syrup.

(2) Farm value of commercial truck crops was reported in "Agricultural Statistics," making no computation necessary.

(3) Prices were not reported for sugar beets, hence farm value of this crop was taken from "Farm Production, Farm Disposition, and Value of Principal Field Crops, 1937-1939," U. S. D. A., Agricultural Marketing Service, April 1940.

(4) Neither farm value nor farm prices were reported by states for sweet sorghums, which made it necessary to apportion the United States total farm value to territories on the basis of production.

[3] The following is a comparison of the farm values used in this report with the farm values computed by the U. S. D. A. from later preliminary figures for certain major crops:

	As computed in this report	As reported by U. S. D. A.
	(1,000 dollars)	
Corn	1,464,339	1,473,773
Hay, tame and wild	641,691	654,838
Wheat	510,674	534,661
Oats	276,909	289,693
Barley	111,702	110,684
Soybeans	67,489	70,887
Sweet potatoes	54.415	54,442

[fol. 5638] Census county figures for 1929 were used as the basis for apportioning 1939 state figures to territories for those states which are divided by freight rate territory boundaries (Michigan, Wisconsin, Virginia, Louisiana, and Colorado).[1] Generally the state figures for each crop were apportioned on the basis of the acreage of that crop harvested in 1929. Cases in which acreage harvested in 1929 was not obtainable were apportioned on the basis of production in 1929.

The crops included in this study represent 329,814,000 harvested acres or 99.64 percent of the 331,015,000 acres reported in the summary of crops harvested shown in "Agricultural Statistics," 1940.[1]

---

[1] Counties divided by freight rate territories are allocated as follows:

In Wisconsin:

Dane, Green, Jefferson, Milwaukee, and Waukesha counties to Official territory;

Iowa and Lafayette counties to Western Trunk Line territory;

In Virginia:

Brunswick:

Brunswick, Charlotte, Lunenburg, Montgomery, Nansemond, Norfolk, Pittsylvania, Pulaski, Greensville, and Southampton counties to Southern territory;

Bedford, Campbell, Giles, Isle of Wight, Prince Edward, Roanoke, and Sussex counties to Official territory;

In Louisiana:

Ascension, Orleans, Plaquemines, and St. John the Baptist parishes to Southern Territory;

Iberville, Jefferson, St. Charles, and St. James parishes to Southwestern territory;

In Colorado:

Adams, Arapahoe, Denver, Douglas, El Paso, Las Animas, Pueblo, and Weld counties to Western Trunk Line territory;

Boulder, Huerfano, Jefferson, and Larimer counties to Mountain-Pacific territory.

All of Wyoming was allocated to Mountain-Pacific territory, and all of West Virginia was allocated to Official territory. All counties in the lower peninsula of Michigan were allocated to Official territory and all counties in the upper peninsula to Western Trunk Line territory.

[fol. 5639] Table 43 gives a summary of acreage harvested and the value of crops by freight rate territories in 1939. Western Trunk Line is outstanding in the number of acres harvested, this territory accounting for nearly 39 percent of the United States total. This figure is not far from double the nearly 22 percent of the total United States acreage which was harvested in Official classification territory and is almost exactly equal to the combined total for the Southern, Southwestern, and Mountain-Pacific divisions (39.25 percent). Although the Mountain-Pacific division includes about 38 percent of the total land area of the United States (Table 39), the territory accounts for slightly less than 9 percent of the total acreage harvested in the United States. This situation is no doubt related to the fact that almost 84 percent of this area is classified in the National Resources Committee's report as incapable of tillage and that less than 5 percent of the remaining area is land classed as excellent to fair (Table37).

Although Western Trunk Line territory far outstripped Official territory in 1939 in the proportion of the total crop acreage harvested, Official classification territory led the Western Trunk Line area in the total dollar value produced by a little over 2 points percent, a comparatively narrow margin (27.64 percent against 25.41 percent). Southern territory ranked third with a little under 21 percent of the crop value while the Southwestern and Mountain-Pacific divisions both fell below 14 percent of the total.

The proportions of crop value produced in Official, Southern, and Mountain-Pacific territories outranked the proportions of total United States acreage harvested in these areas whereas the reverse is true for the Western Trunk Line and Southwestern territories. These differences in ranking of the territories in acreage and crop value are accounted for, of course, by the difference in the average value produced per acre. Western Trunk Line territory with nearly 39 percent of the total acreage harvested showed the lowest average value of crops produced per acre ($10.67) while Mountain-Pacific division with far and away the smallest amount of acreage harvested reported the highest average value produced per acre ($26.10). The differences in total value produced per acre are due in considerable measure to the differences in the type of crops grown as well as to the differences in yields per acre and prices per unit.

---

[1] U. S. D. A., "Agricultural Statistics," 1940, p. 542.

(Here follows 1 Photolithograph, side folio 5640)

Table 43. - Acreage and Value of Total Principal Crops,[1] by Freight Rate Territories, 1939

Territory	Acreage harvested		Farm Value		Average value produced per acre (Dollars)
	1,000 acres	Percent of U.S.	1,000 dollars	Percent of U.S.	
Official	71,988	21.83	1,489,438	27.64	20.69
Southern	52,798	16.01	1,130,413	20.97	21.41
Western Trunk Line	128,369	38.92	1,369,188	25.41	10.67
Southwestern	47,873	14.51	649,082	12.04	13.56
Mountain-Pacific	28,786	8.73	751,387	13.94	26.10
United States	329,814	100.00	5,389,508	100.00	16.34

---

[1] This table summarizes the crops shown in detail in Tables 44 and 47.

Sources:

U.S.D.A., "Crops and Markets," Dec. 1939.

U.S.D.A., "Agricultural Statistics," 1940.

U.S.D.A., "Farm Production, Farm Disposition, and Value of Principal Field Crops, 1937-1939, by States," April 1940 (mimeographed).

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

5640

[fol. 5641] *Acreage Harvested for 29 Principal Crops*

Table 44 shows the acreage of each of the 29 principal crops harvested for the United States and for each of the freight rate territories.[1] It also shows the percent distribution of the U. S. Acreage of each crop by territories and the percent distribution of the crops within each freight rate territory. Only 5 crops, corn, tame hay, wheat, oats, and cotton had a total harvested acreage of 20 million acres or more, and these five crops accounted for 78 percent of the entire acreage harvested in this country in 1939. Table 47 following shows that these 5 crops also account for nearly 63 percent of the total farm value of the principal crops. It is obvious, therefore, that these 5 crops exercise a profound influence on the agricultural economy not only of the United States as a whole, but also of the various freight rate territories.

In wheat, corn, and oats Western Trunk Line leads all others in acreage harvested. Southwestern leads in cotton, and Official territory in tame hay. However, if tame hay and wild hay are combined, the Western Trunk Line territory leads in total hay acreage. In corn and oats Official territory ranks second, but is somewhat outranked by the Mountain-Pacific territory in wheat. Southern territory, of course, ranks second to Southwestern in the production of cotton.

---

[1] Duplicated acreages have been eliminated in so far as possible, hence the number of crops for which acreage is shown is considerably less than the number of crops for which production and value are shown. Furthermore, since acreage for individual fruit and nut crops was not reported, acreage for all fruits and nuts as of 1939 (5,344 acres) was apportioned to freight rate territories on the basis of the territorial distribution of land in orchard fruits, vineyards, and planted nut trees as reported in the Census of 1930. The acreage of fruits and nuts by territories, therefore, should be considered as only approximate.

Table 44.--Acreage of Principal Crops Harvested, by Freight Rate Territories, 1939 1/

(Thousand acres)

Crops	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
Corn, all	22,185	21,820	34,154	9,898	746	88,803
Hay, all tame	22,026	8,111	17,140	3,044	8,026	58,347
Wheat, all	8,291	1,663	27,833	7,123	8,786	53,696
Oats	8,683	1,562	18,750	2,672	1,403	33,070
Cotton	4	9,301	377	13,495	608	23,785
Barley	1,032	124	8,757	575	2,112	12,600
Hay, wild	238	289	7,675	910	1,786	10,898
Grain sorghums	-	-	2,343	4,722	490	8,055
Sweet sorghums	30	244	3,342	2,212	47	5,875
Fruits and nuts	1,827	996	353	372	1,796	5,344
Soybeans for beans	3,168	342	631	85	-	4,226
Rye	621	165	2,807	69	149	3,811
Potatoes	1,263	334	875	149	406	3,027
Commercial truck crops	983	561	262	356	690	2,852
Velvetbeans 2/	-	2,403	-	41	-	2,444
Flaxseed	2	-	2,001	18	263	2,284
Tobacco	192	1,804	18	-	-	2,014
Peanuts picked and threshed	76	1,401	-	382	-	1,859
Beans, dry edible	606	-	265	-	683	1,554
Cowpeas for peas	114	869	22	360	-	1,365
Rice	-	6	-	913	120	1,039
Sweetpotatoes	63	567	19	203	10	862
Sugarbeets	165	-	187	-	443	795
Buckwheat	327	18	34	-	-	379
Sugarcane for sugar	-	35	-	223	-	258
Peas, dry field	7	-	7	-	190	204
Strawberries	60	69	19	20	26	194
Sugarcane for syrup	-	114	-	31	-	145
Cranberries	24	-	3	-	1	28
Total all crops 3/	71,938	52,798	128,369	47,873	28,786	329,814

(Continued)

Table 44.—Acreage of Principal Crops Harvested, by Freight Rate Territories, 1939 1/ (Continued)

(Percent of territory totals)

Crops	Territory					United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	
Corn, all	30.82	41.33	26.61	20.68	2.59	26.93
Tame hay	30.60	15.36	13.35	6.36	27.88	17.69
Wheat, all	11.52	3.15	21.68	14.88	30.52	16.28
Oats	12.06	2.96	14.61	5.58	4.87	10.03
Cotton	.01	17.62	.29	28.19	2.11	7.21
Barley	1.43	.23	6.82	1.20	7.34	3.82
Wild hay	.33	.55	5.98	1.90	6.21	3.30
Grain sorghums	-	-	2.22	9.86	1.70	2.44
Sweet sorghums	.04	.46	2.60	4.62	.16	1.78
Fruits and nuts	2.54	1.89	.28	.78	6.24	1.62
Soybeans for beans	4.40	.65	.49	.18	-	1.28
Rye	.86	.31	2.19	.14	.52	1.16
Potatoes	1.75	.63	.68	.31	1.41	.92
Commercial truck crops	1.37	1.06	.20	.74	2.40	.87
Velvetbeans 2/	-	4.55	-	.09	-	.74
Flaxseed	4/	-	1.56	.04	.91	.69
Tobacco	.27	3.42	.01	-	-	.61
Peanuts picked and threshed	.11	2.65	-	.80	-	.56
Beans, dry edible	.84	-	.20	-	2.39	.47
Cowpeas for peas	.16	1.65	.02	.75	-	.41
Rice	-	.01	-	1.91	.42	.32
Sweetpotatoes	.09	1.07	.01	.42	.04	.26
Sugar beets	.23	-	.15	-	1.54	.24
Buckwheat	.45	.03	.03	-	-	.12
Sugarcane for sugar	-	.07	-	.47	-	.08
Peas, dry field	.01	-	.01	-	.66	.06
Strawberries	.08	.13	.01	.04	.09	.06
Sugarcane for syrup	-	.22	-	.06	-	.04
Cranberries	.03	-	4/	-	4/	.01
All crops 3/	100.00	100.00	100.00	100.00	100.00	100.00

(Continued)

Table 44.—Acreage of Principal Crops Harvested, by Freight Rate Territories, 1939 1/ (Continued)

(Percent of U. S. totals)

Crops	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
Corn, all	24.98	24.57	38.46	11.15	0.84	100.00
Hay, all tame	37.75	13.90	29.37	5.22	13.76	100.00
Wheat, all	15.44	3.10	51.83	13.27	16.36	100.00
Oats	26.26	4.72	56.70	8.08	4.24	100.00
Cotton	.02	39.10	1.59	56.74	2.55	100.00
Barley	8.19	.99	69.50	4.56	16.76	100.00
Hay, wild	2.18	2.65	70.43	8.35	16.39	100.00
Grain sorghums	-	-	35.30	58.62	6.08	100.00
Sweet sorghums	.51	4.15	56.89	37.65	.80	100.00
Fruits and nuts	34.19	18.64	6.60	6.96	33.61	100.00
Soybeans for beans	74.97	8.09	14.93	2.01	-	100.00
Rye	16.29	4.33	73.66	1.81	3.91	100.00
Potatoes	41.73	11.03	28.91	4.92	13.41	100.00
Commercial truck crops	34.46	19.66	9.18	12.50	24.20	100.00
Velvetbeans 2/	-	98.32	-	1.68	-	100.00
Flaxseed	.08	-	87.62	.79	11.51	100.00
Tobacco	9.52	89.57	.01	-	-	100.00
Peanuts picked and threshed	4.09	75.36	-	20.55	-	100.00
Beans, dry edible	39.00	-	16.73	-	44.27	100.00
Cowpeas for peas	8.35	63.66	1.61	26.38	-	100.00
Rice	-	.58	-	87.87	11.55	100.00
Sweetpotatoes	7.31	65.78	2.20	23.55	1.16	100.00
Sugar beets	20.86	-	23.49	-	55.65	100.00
Buckwheat	86.28	4.75	8.97	-	-	100.00
Sugarcane for sugar	-	13.60	-	86.40	-	100.00
Peas, dry field	3.53	..	3.43	-	93.04	100.00
Strawberries	30.81	35.76	9.60	10.24	13.59	100.00
Sugarcane for syrup	-	78.62	-	21.38	-	100.00
Cranberries	85.34	..	10.13	-	4.53	100.00
Total, all crops	21.83	16.01	38.92	14.51	8.73	100.00

1/ Preliminary.

2/ Included in total crop acreage, but largely interplanted in corn.

3/ Omitting alfalfa seed, red clover seed, lespedeza seed, and cottonseed. Also omitting 10,315,000 acres of annual legumes cut for hay, grazed, hogged, or plowed under and an undetermined acreage of farm gardens and other minor crops. The acreages shown include some crops harvested in succession from the same land and a few interplanted items.

4/ Less than .005 percent.

Sources:

U.S.D.A., "Agricultural Statistics," 1940.
U.S.D.A., "Crops and Markets," December 1939.
U.S.D.A., "Farm Production, Farm Disposition, and Value of Principal Field Crops, 1937-1939, by States," April 1940 (mimeographed).
Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5645] Besides these five crops (corn, tame hay, wheat, oats, and cotton), eight other crops (barley, wild hay, grain sorghums, sweet sorghums, fruits and nuts, soybeans for beans, rye, and potatoes) each account for in excess of 3 million acres harvested. The total of these 8 crops for the United States represents a harvested acreage about the same as that represented by wheat. For 4 of these 8 crops Western Trunk Line territory leads all other territories in acreage harvested (barley, wild hay, sweet sorghums, and rye). Official territory outranks all other territories in 3 of these 8 crops in terms of acreage harvested (potatoes, soybeans for beans, and fruits and nuts). Southwestern leads in acreage harvested in the eighth of these crops (grain sorghums). Second position goes to Mountain-Pacific territory in barley, wild hay, and fruits and nuts, and to Western Trunk Line in grain sorghums, soybeans for beans, and potatoes. Hence Western Trunk Line territory ranks either first or second in the acreage harvested for 7 of these 8 crops. Southwestern is second in sweet sorghums and Official territory in rye.

Crop Production

The differences in value of crops harvested by territories (Table 43) are due primarily to differences in the production of the major crops. Table 45 shows the production in physical units of the principal crops in each territory. Obviously, the figures for various crops cannot be added to get territory totals because of the variation in units.

The following tabulation shows the number of crops in the production of which each territory ranks first or second:

	Number of crops	
Territory	Highest production	Second highest production
Official	8	9
Southern	8	6
Western Trunk Line	8	10
Southwestern	6	7
Mountain-Pacific	14	7

(Here follow 2 Photolithographs, side folios 5646-5647)

Table 45. - Production of Principal Crops, by Freight Rate Territories, 1939 1/

Crop	Unit	Territory					United States total
		Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
orn, all	1,000 bu.	1,038,642	326,447	1,087,488	153,158	13,402	2,619,137
heat, all	1,000 bu.	162,783	19,473	321,416	88,478	162,821	754,971
ats	1,000 bu.	268,251	35,011	532,100	54,301	47,552	937,215
arley	1,000 bu.	28,426	2,516	179,722	9,003	56,631	276,298
ye	1,000 bu.	8,130	1,313	27,608	587	1,611	39,249
uckwheat	1,000 bu.	5,097	223	414	-	-	5,739
ice	1,000 bu.	-	262	-	43,044	9,000	52,306
rain sorghums (all purposes	1,000 bu.	-	-	26,410	48,257	8,435	83,102
ay, all tame	1,000 sh. tons	26,832	7,519	22,765	3,191	15,419	75,726
ay, wild	1,000 sh. tons	220	296	5,764	922	1,598	8,800
weet sorghums	1,000 sh. tons	74	440	5,651	2,455	46	8,666
lfalfa seed	1,000 bu.	154	-	448	168	588	1,358
ed clover seed	1,000 bu.	970	9	521	-	214	1,714
espedeza seed	1,000 lbs.	17,983	82,710	35,360	2,922	-	138,975
eans, dry edible ..	1,000 bags(100 lbs.)	5,769	-	1,385	-	6,808	13,962
eas, dry field	1,000 bu.	77	-	95	-	3,541	3,713
ybeans for beans .	1,000 bu.	71,193	3,564	11,886	766	-	87,409
owpeas for peas ...	1,000 bu.	1,211	4,704	171	2,430	-	8,516
eanuts, picked and threshed	1,000 lbs.	89,726	929,276	-	160,503	-	1,179,505
elvetbeans	1,000 tons	-	834	-	16	-	850
laxseed	1,000 bu.	16	-	17,466	207	2,641	20,330
obacco	1,000 lbs.	198,273	1,628,203	22,178	-	-	1,848,654
otton, lint	1,000 bales 2/	2	5,117	437	5,494	747	11,797
ottonseed	1,000 sh. tons	1	2,271	194	2,453	332	5,251
ugarcane for sugar .	1,000 sh. tons	-	1,037	-	4,761	-	5,798
ugarcane for syrup.	1,000 gals.	-	17,051	-	7,858	-	24,909
ugar beets	1,000 sh. tons	1,391	-	2,045	-	6,093	9,529
otatoes	1,000 bu.	160,645	31,222	80,855	9,767	81,527	364,016
weet potatoes	1,000 bu.	8,492	48,187	1,615	13,185	1,200	72,679
trawberries	1,000 crates	4,658	4,575	823	1,042	2,525	13,624
anberries(5 states)	1,000 bbls.	545	-	103	-	13	671
les, total	1,000 bu.	105,316	10,476	8,379	1,448	42,136	168,805
eaches, total	1,000 bu.	13,879	11,351	1,480	5,569	28,043	60,322
ears, total	1,000 bu.	6,611	1,936	771	781	20,948	31,047
rapes, total	Short tons	226,294	19,974	26,117	14,236	2,183,909	2,470,530
herries (12 states)	Short tons	86,097	-	8,750	-	92,163	187,010
ums (2 states) ...	Short tons	-	-	-	-	77	77
unes, used fresh (3 states)	Short tons	-	-	-	-	55	55
unes, canned (2 states)	Short tons	-	-	-	-	32	32
unes, dried (3 states)	Short tons	-	-	-	-	213	213
anges (7 states) .	1,000 boxes	-	28,035	-	2,437	45,340	75,362
apefruit (4 ") .	1,000 boxes	-	15,800	-	13,900	4,875	34,575
mons (California).	1,000 boxes	-	-	-	-	12,000	12,000
cans (12 states) .	1,000 lbs.	160	23,947	500	37,021	-	61,628

(Continued)

Table 45. - Production of Principal Crops, by Freight Rate Territories 1939 1/ (Continued)

Crop	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Percent of U. S. totals)					
Corn, all	39.66	12.46	41.52	5.85	0.51	100.00
heat, all	21.56	2.58	42.57	11.72	21.57	100.00
ats	28.62	3.74	56.78	5.79	5.07	100.00
arley	10.29	.91	65.05	3.26	20.49	100.00
ye	20.71	3.35	70.34	1.50	4.10	100.00
uckwheat	88.81	3.97	7.22	-	-	100.00
ice	-	.50	-	82.29	17.21	100.00
ain sorghums (all purposes)	-	-	31.78	58.07	10.15	100.00
ay, all tame	35.43	9.93	30.06	4.22	20.36	100.00
y, wild	2.50	3.36	65.50	10.48	18.16	100.00
eet sorghums	.85	5.08	65.21	28.33	.53	100.00
lfalfa seed	11.34	-	32.99	12.37	43.30	100.00
d clover seed	56.59	.52	30.40	-	12.49	100.00
spedeza seed	12.94	59.52	25.44	2.10	-	100.00
eans, dry edible	41.32	-	9.92	-	43.76	100.00
eas, dry field	2.07	-	2.56	-	95.37	100.00
oybeans for beans	81.45	4.08	13.59	.88	-	100.00
owpeas for peas	14.22	55.24	2.01	28.53	-	100.00
eanuts, picked and threshed	7.61	78.73	-	13.61	-	100.00
elvetbeans	-	98.12	-	1.88	-	100.00
laxseed	.08	-	35.91	51.02	12.99	100.00
bacco	10.72	83.08	1.20	-	-	100.00
tton, lint	.02	43.33	3.70	46.57	6.33	100.00
ttonseed	.02	43.25	3.69	46.72	6.32	100.00
garcane for sugar	-	17.89	-	82.11	-	100.00
garcane for syrup	-	68.45	-	31.55	-	100.00
gar beets	14.60	-	21.46	-	63.94	100.00
tatoes	44.13	8.58	22.21	2.68	22.40	100.00
eetpotatoes	11.69	66.30	2.22	18.14	1.65	100.00
rawberries	34.19	33.59	6.04	7.65	18.53	100.00
anberries (5 states)	81.22	-	16.10	-	2.68	100.00
ples, total	62.69	6.20	5.26	.86	24.99	100.00
aches, total	22.82	19.43	2.43	9.16	46.11	100.00
ars, total	21.29	6.24	2.48	2.52	67.47	100.00
apes, total	9.16	.81	1.05	.58	88.40	100.00
erries (12 states)	46.04	-	4.68	-	49.28	100.00
ums (2 states)	-	-	-	-	100.00	100.00
unes, used fresh (3 states)	-	-	-	-	100.00	100.00
unes, canned (2 states)	-	-	-	-	100.00	100.00
unes, dried (3 states)	-	-	-	-	100.00	100.00
anges (7 states)	-	37.02	-	3.21	59.77	100.00
apefruit (4 states)	-	45.70	-	40.20	14.10	100.00
emons (California)	-	-	-	-	100.00	100.00
cans (12 states)	.26	33.86	5.81	60.07	--	100.00

/ Preliminary.

/ 500 lbs. gross weight.

5647

urces:

U.S.D.A., "Agricultural Statistics," 1940.

U.S.D.A., "Crops and Markets," December 1939.

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5648] This tabulation over-emphasizes the position of Mountain-Pacific territory because of the large number of fruit and nut crops included in the table. When the crops are considered from the standpoint of national importance, a somewhat different picture is presented. For example, Western Trunk Line territory ranks first in the production of corn, wheat, and oats, three of the five most important crops from the standpoint of acreage, and second in the production of hay. In the production of the other two crops with a harvested acreage greater than 20 million acres, Southwestern territory ranks first in cotton, and Official territory ranks first in hay and second in corn and oats production. Southern territory ranks second in the production of cotton and Mountain-Pacific territory ranks second in the production of wheat.

In the following tabulation are shown the number of the ten most important crops from the standpoint of acreage (disregarding fruits and nuts) in which each territory ranks first or second.

	Number of crops	
Territory	Highest production	Second highest production
Official	2	2
Southern	0	1
Western Trunk Line	6	3
Southwestern	2	1
Mountain-Pacific	0	3

This tabulation indicates the outstanding position of Western Trunk Line territory in the production of the large acreage crops, ranking either first or second in 9 out of the 10 crops having the largest acreage.

Yield Per Acre by Crops

The value of production of principal crops depends upon the yield per acre as well as the acreage harvested. Table 46, which gives the yield per acre for each crop in each of the freight rate territories and for the United States as a whole in 1939, shows that except for sweet sorghums and corn the yield per acre in the Mountain-Pacific division

(Here follows 1 photolithograph, side folio 5649)

Table 46.--Average Yield Per Acre of 30 Principal Crops, by Freight Rate Territories, 1939 1/

Crop	Unit	Territory					United States average
		Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
Corn	Bu.	46.8	15.0	31.8	15.5	18.0	29.5
Wheat	Bu.	19.6	11.7	11.5	12.4	18.5	14.1
Oats	Bu.	30.9	22.4	28.4	20.3	33.9	28.3
Barley	Bu.	27.5	20.3	20.5	15.7	26.8	21.9
Rye	Bu.	13.1	8.0	9.8	8.5	10.8	10.3
Buckwheat	Bu.	15.6	12.7	12.2	-	-	15.1
Rice	Bu.	-	43.0	-	47.1	75.0	50.3
Grain sorghums	Bu.	-	-	9.3	10.2	17.2	10.3
Hay, tame	Sh.tons	1.22	.93	1.33	1.05	1.92	1.30
Hay, wild	Sh.tons	.92	1.02	.75	1.01	.89	.81
Sweet sorghums	Sh.tons	2.47	1.80	1.69	1.11	.98	1.48
Alfalfa seed	Bu.	1.00	-	1.25	2.59	2.45	1.66
Red clover seed	Bu.	1.10	1.50	1.20	-	3.60	1.25
Lespedeza seed	Lb.	205.5	195.5	221.0	167.2	-	202.0
Beans, dry edible	Lb.	952.0	-	532.7	-	989.5	898.5
Peas, dry field	Bu.	10.7	-	13.6	-	18.7	18.2
Soybeans for beans	Bu.	22.5	10.4	18.8	9.0	-	20.7
Cowpeas for peas	Bu.	10.6	5.4	7.8	6.8	-	6.2
Peanuts, picked and threshed	Lb.	1,181	663	-	420	-	634.5
Velvetbeans	Lb.	-	694	-	780	-	695.6
Flaxseed	Bu.	8.9	-	8.7	11.5	10.0	8.9
Tobacco	Lb.	1,034	902	1,204	-	-	918
Cotton, lint	Net lbs.	191	264	555	195	587	238
Cottonseed	Lb.	375	488	1,029	364	1,092	442
Sugarcane for sugar	Sh.tons	-	29.5	-	21.4	-	22.5
Sugarcame for syrup	Gal.	-	150	-	253	-	171.8
Sugar beets	Sh.tons	8.4	-	10.9	-	13.8	11.7
Potatoes	Bu.	127.2	93.5	92.4	65.6	200.9	120.3
Sweet potatoes	Bu.	135	85	85	65	120	84
Strawberries	Crates	77.8	65.8	44.1	52.3	95.6	70.1

1/ Preliminary.

Sources:

U.S.D.A., "Agricultural Statistics," 1940.

U.S.D.A., "Crops and Markets," December 1939.

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5650] exceeds the United States average for every one of the 21 crops produced in that area. Moreover, the yield per acre for 13 out of the 21 crops in this territory, for which comparisons are possible, or about 60 percent of them, is higher than in any other rate territory. This is presumably related to the extensive acreage under irrigation. Official territory is the only other area in which the yield per acre for a majority of its crops is above average. In this territory 17 out of the 25 crops for which average yield per acre is available show a higher than average productivity, including 3 (wheat, corn, and oats) of the 5 crops heretofore referred to as representing 78 percent of the acreage harvested and over 63 percent of the farm income. In tame hay and cotton, the other two of the 5 principal crops, its yield is below average although the acreage of cotton in Official territory is insignificant in any case. In all 6 of the crops in the 3 million to 20 million acre grouping, for which comparisons are possible, Official territory also shows a higher than average yield per acre. In the case of sweet sorghums and wild hay, however, the acreage involved is insignificant. One of these 8 crops, grain sorghums is not grown in Official territory and another, fruits and nuts, cannot be compared because no yield per acre is available. Each of the other 3 territories shows a lower than average productivity for a majority of the crops grown. Of these three, Western Trunk Line territory makes the best showing with a yield per acre higher than average for 10 crops and a below average yield for 15. Southwestern territory, however, shows a yield which is below average for 18 crops and above average for only 6. Southern territory, making an average showing somewhat better in 1939 than Southwestern territory, reported below average yields in 16 crops as compared with above average in 8.

Of the 5 major crops which bulk so extensively in the agricultural economy, Western Trunk Line is above average in corn, cotton, the acreage of which, however, is insignificant, tame hay, and oats, though the margin in both the latter crops is so narrow that the territory might more properly perhaps be regarded as average. Southern terri- [fol. 5651] tory shows a yield per acre above average for only cotton among the 5 crops showing an acreage harvested in excess of 20 million acres, and Southwestern territory is below average in the yield per acre for all 5 major crops.

A somewhat similar situation is found with regard to crops other than these 5. For the group showing from 3 million to 20 million acres harvested in 1939, Western Trunk Line territory is above average only in sweet sorghums, Southern in only sweet sorghums and wild hay, and Southwestern only in wild hay.

Farm Value of Individual Crops

Table 47 shows the territorial distribution of the farm value of crops harvested in 1939. The crops are arranged in order of national importance, and it is interesting to note the effect which a relatively few crops have on the national total value produced. For example, corn alone accounted for 27 percent of the total value and the four major crops, each having a value greater than ½ billion dollars (corn, tame hay, cotton, and wheat) accounted together for 60 percent. The 10 major crops,[1] each with a value greater than $100,000,000 accounted for 85 percent of the national total.

Of these 10 major crops, Official territory ranks first in the value of 3 (tame hay, potatoes, and apples) and second in the value of 5 (corn, wheat, tobacco, oats, and truck crops). Southern territory ranks first in the value of one (tobacco) and second in one (cotton). Western Trunk Line territory produces the highest farm value of 4 (corn, wheat, oats, and barley) and stands in second place in the value of 2 (tame hay and potatoes). Southwestern territory ranks highest in the value of one (cotton) and is second in none, and Mountain-Pacific territory ranks first in one (truck crops) and second in 2 (apples and barley). The dominance of Official and Western Trunk Line territories in the farm

---

[1] Cotton lint and cottonseed considered as one crop.

(Here follow 3 Photolithographs, side folios 5652-5654)

Table 47.—Farm Value of Principal Crops, by Freight Rate Territories, 1939 1/

Crops	Territory: Official	Territory: Southern	Territory: Western Trunk Line	Territory: Southwestern	Territory: Mountain-Pacific	United States total
	(Thousand dollars)					
Corn, all	562,698	226,283	574,037	91,710	9,611	1,464,339
Hay, all tame	242,592	79,839	130,997	26,421	121,233	601,082
Cotton, lint	81	238,425	19,468	240,722	37,300	535,996
Wheat, all	121,158	16,495	214,354	55,177	103,490	510,674
Tobacco	36,802	245,826	2,729	-	-	285,357
Oats	86,433	14,765	143,349	16,387	15,975	276,909
Commercial truck crops	75,901	50,203	13,120	16,242	101,407	256,873
Potatoes	127,171	23,894	45,909	8,348	43,859	249,181
Apples	68,780	7,543	6,659	1,100	27,843	111,925
Barley	14,231	1,462	69,037	3,510	23,462	111,702
Cottonseed	18	49,238	3,785	49,474	8,552	111,067
Oranges	-	24,957	-	2,723	56,253	83,933
Soybeans for beans	53,642	3,878	9,091	878	-	67,489
Sweetpotatoes	6,111	35,855	1,276	10,093	1,080	54,415
Peaches, total	12,918	14,377	1,504	5,012	15,141	48,952
Sugar beets	8,247	-	9,990	-	30,176	48,413
Grain sorghums (all purposes)	-	-	14,428	28,952	5,024	48,404
Beans, dry edible	16,656	-	4,891	-	24,502	46,049
Sweet sorghums	390	2,333	29,952	13,013	244	45,932
Hay, wild	1,441	2,245	21,206	5,799	9,918	40,609
Grapes, total	7,454	1,276	1,008	543	30,156	40,437
Rice	-	204	-	34,100	6,120	40,424
Peanuts, picked and threshed	3,230	31,470	-	5,295	-	39,995
Strawberries	9,754	13,075	1,832	2,551	5,340	32,552
Flaxseed	24	-	27,028	342	4,155	31,549
Pears, total	4,350	1,356	489	561	12,359	19,115
Lemons (California)	-	-	-	-	18,000	18,000
Sugarcane for sugar	-	3,153	-	13,331	-	16,484
Rye	4,187	1,146	9,653	270	774	16,030
Grapefruit (4 states)	-	8,374	-	5,282	2,206	15,862
Red clover seed	8,773	93	4,753	-	1,824	15,443
Prunes, dried (3 states)	-	-	-	-	14,048	14,048
Alfalfa seed	1,681	-	4,992	1,397	5,740	13,810
Cowpeas for peas	1,439	7,247	217	3,481	-	12,384
Velvetbeans	-	10,763	-	261	-	11,024
Cherries (12 states)	4,063	-	434	-	6,204	10,701
Sugarcane for syrup	-	7,873	-	2,825	-	10,698
Cranberries (5 states)	5,578	-	1,145	-	186	6,909
Lespedeza seed	758	3,990	1,445	141	-	6,334
Pecans (12 states)	15	2,608	42	3,141	-	5,806
Peas, dry field	115	-	135	-	5,307	5,557
Buckwheat	3,247	167	233	-	-	3,647
Plums (2 states)	-	-	-	-	2,439	2,439
Prunes, used fresh (3 states)	-	-	-	-	690	690
Prunes, canned (2 states)	-	-	-	-	269	269
Total, all crops	1,489,438	1,130,413	1,369,188	649,082	751,387	5,389,508

(Continued)

Table 47.--Farm Value of Principal Crops, by Freight Rate Territories, 1939 1/ (Continued)

Crops	Territory: Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	United States total
	(Percent of territory totals)					
n, all	37.78	20.02	41.93	14.13	1.28	27.17
, all tame	16.29	7.06	9.57	4.07	16.13	11.15
ton, lint	.01	21.09	1.42	37.09	4.96	9.94
at, all	8.13	1.46	15.66	8.50	13.77	9.48
acco	2.47	21.75	.20	-	-	5.29
s	5.80	1.31	10.47	2.52	2.13	5.14
ercial truck crops	5.10	4.44	.96	2.50	13.50	4.77
atoes	8.54	2.11	3.35	1.29	5.84	4.62
les	4.62	.87	.49	.17	3.71	2.08
ley	.95	.13	5.04	.54	3.12	2.07
tonseed	2/	4.36	.28	7.62	1.14	2.06
nges	-	2.21	-	.42	7.49	1.56
beans for beans	3.60	.34	.66	.14	-	1.25
etpotatoes	.41	3.17	.09	1.56	.14	1.01
ches, total	.87	1.27	.11	.77	2.02	.91
ar. beets	.55	-	.73	-	4.02	.90
n sorghums	-	-	1.05	4.46	.67	.90
ns, dry edible	1.12	-	.36	-	3.26	.85
t sorghums	.03	.21	2.19	2.01	.03	.85
, wild	.10	.20	1.55	.89	1.32	.75
pes, total	.50	.11	.07	.08	4.01	.75
	-	.02	-	5.25	.81	.75
nuts, picked and threshed	.22	2.70	-	.82	-	.74
awberries	.62	1.16	.13	.39	.78	.60
xseed	2/	-	1.97	.05	.55	.59
rs, total	.29	.12	.04	.09	1.65	.35
ons (California)	-	-	-	-	2.40	.33
rcane for sugar	-	.28	-	2.05	-	.31
	.28	.10	.70	.04	.10	.30
pefruit (4 states)	-	.74	-	.81	.29	.29
clover seed	.59	.01	.35	-	.24	.29
es, dried (3 states)	-	-	-	-	1.87	.26
lfa seed	.11	-	.36	.22	.76	.26
peas for peas	.10	.64	.02	.54	-	.23
etbeans	-	.95	-	.04	-	.20
rries (12 states)	.27	-	.03	-	.83	.20
rcane for syrup	-	.70	-	.44	-	.20
berries (5 states)	.37	-	.08	-	.02	.13
pedeza seed	.05	.35	.11	.02	-	.12
ns (12 states)	2/	.23	2/	.48	-	.11
, dry field	.01	-	.01	-	.71	.10
wheat	.22	.01	.02	-	-	.07
s (2 states)	-	-	-	-	.32	.05
es, used fresh (3 states)	-	-	-	-	.09	.01
es, canned (2 states)	-	-	-	-	.04	.01
Total all crops	100.00	100.00	100.00	100.00	100.00	100.00

(Continued)

Table 47.--Farm Value of Principal Crops, by Freight Rate Territories, 1939 1/ (Continued)

Crops	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Percent of territory totals)					
Corn, all	37.78	20.02	41.93	14.13	1.28	27.17
Hay, all tame	16.29	7.06	9.57	4.07	16.13	11.15
Cotton, lint	.01	21.09	1.42	37.09	4.96	9.94
Wheat, all	8.13	1.46	15.66	8.50	13.77	9.48
Tobacco	2.47	21.75	.20	-	-	5.29
Oats	5.80	1.31	10.47	2.52	2.13	5.14
Commercial truck crops	5.10	4.44	.96	2.50	13.50	4.77
Potatoes	8.54	2.11	3.35	1.29	5.84	4.62
Apples	4.62	.67	.49	.17	3.71	2.08
Barley	.95	.13	5.04	.54	3.12	2.07
Cottonseed	2/	4.36	.28	7.62	1.14	2.06
Oranges	-	2.21	-	.42	7.49	1.56
Soybeans for beans	3.60	.34	.66	.14	-	1.25
Sweetpotatoes	.41	3.17	.09	1.56	.14	1.01
Peaches, total	.87	1.27	.11	.77	2.02	.91
Sugar beets	.55	-	.73	-	4.02	.90
Grain sorghums	-	-	1.05	4.46	.67	.90
Beans, dry edible	1.12	-	.36	-	3.26	.85
Sweet sorghums	.03	.21	2.19	2.01	.03	.85
Hay, wild	.10	.20	1.55	.89	1.32	.75
Grapes, total	.50	.11	.07	.08	4.01	.75
Rice	-	.02	-	5.25	.81	.75
Peanuts, picked and threshed	.22	2.78	-	.82	-	.74
Strawberries	.62	1.16	.13	.39	.78	.60
Flaxseed	2/	-	1.97	.05	.55	.59
Pears, total	.29	.12	.04	.09	1.65	.35
Lemons (California)	-	-	-	-	2.40	.33
Sugarcane for sugar	-	.28	-	2.05	-	.31
Rye	.28	.10	.70	.04	.10	.30
Grapefruit (4 states)	-	.74	-	.81	.29	.29
Red clover seed	.59	.01	.35	-	.24	.29
Prunes, dried (3 states)	-	-	-	-	1.87	.26
Alfalfa seed	.11	-	.36	.22	.76	.26
Cowpeas for peas	.10	.64	.02	.54	-	.23
Velvetbeans	-	.95	-	.04	-	.20
Cherries (12 states)	.27	-	.03	-	.83	.20
Sugarcane for syrup	-	.70	-	.44	-	.20
Cranberries (5 states)	.37	-	.08	-	.02	.13
Lespedeza seed	.05	.35	.11	.02	-	.12
Pecans (12 states)	2/	.23	2/	.48	-	.11
Peas, dry field	.01	-	.01	-	.71	.10
Buckwheat	.22	.01	.02	-	-	.07
Plums (2 states)	-	-	-	-	.32	.05
Prunes, used fresh (3 states)	-	-	-	-	.09	.01
Prunes, canned (2 states)	-	-	-	-	.04	.01
Total all crops	100.00	100.00	100.00	100.00	100.00	100.00

(Continued)

Table 47.--Farm Value of Principal Crops, by Freight Rate Territories, 1939 1/ (Continued)

Crops	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
1						
	(Percent of U.S. totals)					
Corn, all	38.43	15.45	39.20	6.26	0.66	100.00
Hay, all tame	40.36	13.28	21.79	4.40	20.17	100.00
Cotton, lint	.02	44.48	3.63	44.91	6.96	100.00
Wheat, all	23.73	3.23	41.97	10.80	20.27	100.00
Tobacco	12.90	86.15	.95	-	-	100.00
Oats	31.21	5.33	51.77	5.92	5.77	100.00
Commercial truck crops	[illegible].55	19.54	5.11	6.32	33.48	100.00
Potatoes	[illegible].04	9.59	18.42	3.35	17.60	100.00
Apples	61.45	6.74	5.95	.98	24.88	100.00
Barley	12.74	1.31	61.81	3.14	21.00	100.00
Cottonseed	.02	44.33	3.41	44.54	7.70	100.00
Oranges	-	29.74	-	3.24	67.02	100.00
Soybeans for beans	79.48	5.75	13.47	1.30	-	100.00
Sweetpotatoes	11.23	65.89	2.34	18.55	1.99	100.00
Peaches, total	26.39	29.37	3.07	10.24	30.93	100.00
Sugar beets	17.03	-	20.64	-	62.33	100.00
Grain sorghums (all purposes)	-	-	29.81	59.81	10.38	100.00
Beans, dry edible	36.17	-	10.62	-	53.21	100.00
Sweet sorghums	.85	5.08	65.21	28.33	.53	100.00
Hay, wild	3.55	5.53	52.22	14.28	24.42	100.00
Grapes, total	18.43	3.16	2.49	1.34	74.58	100.00
Rice	-	.50	-	84.36	15.14	100.00
Peanuts, picked and threshed	8.08	78.68	-	13.24	-	100.00
Strawberries	28.43	40.17	5.63	7.83	17.94	100.00
Flaxseed	.07	-	85.67	1.09	13.17	100.00
Pears, total	22.76	7.09	2.56	2.93	64.66	100.00
Lemons (California)	-	-	-	-	100.00	100.00
Sugarcane for sugar	-	19.13	-	80.87	-	100.00
Rye	26.12	7.15	60.22	1.68	4.83	100.00
Grapefruit (4 states)	-	52.79	-	33.30	13.91	100.00
Red clover seed	56.81	.60	30.78	-	11.81	100.00
Prunes, dried (3 states)	-	-	-	-	100.00	100.00
Alfalfa seed	12.17	-	36.15	10.12	41.56	100.00
Cowpeas for peas	11.62	58.52	1.75	28.11	-	100.00
Velvetbeans	-	97.63	-	2.37	-	100.00
Cherries (12 states)	37.97	-	4.06	-	57.97	100.00
Sugarcane for syrup	-	73.59	-	26.41	-	100.00
Cranberries (5 states)	80.74	-	16.57	-	2.69	100.00
Lespedeza seed	11.97	62.99	22.81	2.23	-	100.00
Pecans (12 states)	.25	44.92	.72	54.11	-	100.00
Peas, dry field	2.07	-	2.43	-	95.50	100.00
Buckwheat	89.03	4.58	6.39	-	-	100.00
Plums (2 states)	-	-	-	-	100.00	100.00
Prunes, used fresh (3 states)	-	-	-	-	100.00	100.00
Prunes, canned (2 states)	-	-	-	-	100.00	100.00
Total, all crops	27.64	20.97	25.41	12.04	13.94	100.00

1/ Preliminary.

2/ Less than .005 percent.

Sources:

U.S. D.A., "Agricultural Statistics," 1940.

U.S. D.A., "Crops and Markets," December 1939.

U.S. D.A., "Farm Production, Farm Disposition, and Value of Principal Field Crops, 1937-1939, by States," April 1940 (mimeographed).

Fifteenth Census of U.S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5655] value of the major crops is clearly demonstrated by this table. The relatively high standing of Southern territory (1.1 billion dollars, or 21 percent of the national total) is due to its high production of some of the less important crops and more particularly to its high production of tobacco and cotton.

Average Farm Price Per Acre of Individual Crops

Table 43 shows that although acreage harvested in Southern territory was nearly 27 percent below that in Official classification territory and much less than half that of the Western Trunk Line area, the total crop value produced in that territory is only 24 percent below that of Official territory and only 17 percent below that of Western Trunk Line territory. The same table shows that the value produced per acre in Southern territory is appreciably higher than that of Official territory and about twice that of Western Trunk Line area. An examination of Table 48, which presents the average farm prices for the principal crops of 1939,[1] indicates that this high value of total production and high value produced per acre is the result of the generally higher average farm prices prevailing in Southern territory as compared with the other freight rate territories. Of the 30 crops shown in this table for which comparison can be made, there were only 4 (velvet-beans, tobacco, oranges, and sweetpotatoes) for which the average farm price was not higher than the United States average. Not only is this true, but for a majority (17 out of 30) of these crops the farm price in 1939 was higher than the farm price in any other of the 5 freight rate territories. In contrast, the Western Trunk Line area shows a situation approximating the opposite of that in Southern territory. In this rate area there are only 9 of the principal crops (alfalfa seed, red clover seed, dry edible beans, sweetpotatoes, cranberries, apples, peaches, pears, and grapes), none of which are of first importance, that showed a price higher

---

[1] It should be noted that the crops listed in this table include some fruit and nut crops not listed in Table 46.

(Here follows 1 Photolithograph, side folio 5656)

Table 48.--Average Farm Prices of 38 Principal Crops, by Freight Rate Territories, 1939 1/

Crop	Unit	Territory					United States average
		Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
Corn	¢ per bu.	54	69	53	60	72	56
Wheat	¢ per bu.	74	85	67	62	64	68
Oats	¢ per bu.	32.2	42.2	26.9	30.2	33.6	29.5
Barley	¢ per bu.	50	58	38	39	41	40.4
Rye	¢ per bu.	51.5	87.3	35.0	46.0	48.0	40.8
Buckwheat	¢ per bu.	63.7	73.2	56.3	-	-	63.5
Rice	¢ per bu.	-	77.8	-	79.2	68.0	77.3
Grain sorghums	¢ per bu.	-	-	55	60	60	58
Hay, tame	$ per ton	9.04	10.62	5.75	8.28	7.86	7.94
Hay, wild	$ per ton	6.55	7.58	3.68	6.29	6.21	4.61
Alfalfa seed	$ per bu.	10.89	-	11.15	8.34	9.75	10.17
Red clover seed	$ per bu.	9.04	10.02	9.12	-	8.55	9.01
Lespedeza seed	$ per cwt.	4.22	4.83	4.09	4.81	-	4.56
Beans, dry edible	$ per cwt.	2.89	-	3.53	-	3.60	3.29
Peas, dry field	$ per bu.	1.49	-	1.42	-	1.50	1.50
Soybeans for beans	$ per bu.	.75	1.09	.76	1.15	-	.77
Cowpeas for peas	$ per bu.	1.19	1.54	1.27	1.43	-	1.45
Peanuts, picked and threshed	¢ per lb.	3.60	3.40	-	3.30	-	3.39
Velvetbeans	$ per ton	-	12.91	-	16.31	-	12.97
Flaxseed	$ per bu.	1.50	-	1.55	1.65	1.57	1.55
Tobacco	¢ per lb.	18.56	15.10	12.30	-	-	15.40
Cotton, lint	¢ per gross lb.	9.29	9.32	8.91	8.76	9.99	9.09
Cottonseed	$ per ton	18.00	21.68	19.51	20.17	25.76	21.15
ugarcane for sugar	$ per ton	-	3.04	-	2.80	-	2.84
ugarcane for syrup	$ per gal.	-	.46	-	.36	-	.43
ugar beets	$ per ton	5.93	-	4.89	-	4.95	5.08
otatoes	¢ per bu.	79.2	76.5	56.8	85.5	53.8	68.7
weet potatoes	¢ per bu.	71.9	74.4	79.0	76.5	90.0	74.9
trawberries	$ per crate	1.99	2.86	2.23	2.45	2.31	2.39
ranberries	$ per bbl.	10.24	-	10.60	-	10.33	10.30
pples	$ per bu.	.65	.72	.75	.76	.66	.66
eaches	$ per bu.	.93	1.21	1.02	.90	.54	.80
ears	$ per bu.	.66	.70	.63	.72	.59	.62
herries	$ per ton	47.19	-	49.64	-	67.32	57.22
rapes	$ per ton	32.94	63.88	38.60	38.14	13.81	16.36
ecans	¢ per lb.	9.10	10.90	8.40	8.50	-	9.40
ranges	$ per box	-	.89	-	1.12	1.24	1.11
rapefruit	$ per box	-	.53	-	.38	.45	.46

/ Preliminary.

urces:

U.S.D.A., "Agricultural Statistics," 1940.

U.S.D.A., "Crops and Markets," December 1939.

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5657] than the average for the United States. In addition, 13 of the 31 crops for which comparisons are possible showed prices lower than those of any other freight rate territory, including corn, oats, and tame hay, which as heretofore stated, are 3 of the 5 crops representing an acreage harvested in excess of 20 million acres each.

In the other three territories the differences in price per unit are not so pronounced, and in all three a majority of the crops showed a farm price higher than the United States average. In Official territory 17 crops showed a price above average while 14 were below. The former group, moreover, included wheat, oats, and tame hay, or 3 out of the 5 crops with a harvested acreage of over 20 million acres for the United States. All three of these crops are very important in this territory. Southwestern territory shows 19 crops above average in price and 11 below, while the Mountain-Pacific showed 14 above and 12 below average. In view of this showing the explanation of the much higher dollar yield per acre ($26.10) in the latter territory as compared with other freight rate areas (Table 43) must be found partly in the fact that this territory shows a much higher productivity in terms of the quantity produced per acre as was indicated in a preceding subsection discussing Table 46. The explanation is also partly to be found in the fact that Mountain-Pacific territory produces such a high proportion of fruits and nuts which have a high dollar yield per acre. Thus, the fruits and nuts studied in this report made up only slightly over 6 percent of the total acreage harvested in Mountain-Pacific territory, yet they accounted for 25.5 percent of the farm value produced in that territory.

[fol. 5658] *Agricultural Resources as Measured by 1939 Livestock and Poultry Production*

Production of Livestock and Poultry Products

Data on production and value of livestock and poultry and their products were taken from figures released by the U. S. Department of Agriculture. Figures for states which are divided by freight rate territory boundaries were apportioned to territories on the basis of Census county figures as of the Census of 1930. Inventories of livestock and poultry were used as the basis for apportionment, except that milk production in 1929 was used to allocate milk production and value in 1939.

Table 49 illustrates the dominant position of Official and Western Trunk Line territories in the production of livestock and poultry. Official territory ranks first in the production of milk, chickens, and eggs, and second in the production of cattle and hogs. Western Trunk Line territory ranks first in the production of cattle, hogs, and turkeys and second in the production of sheep, milk, chickens, and eggs. Southwestern territory shows the highest production of mohair (relatively unimportant) and the second highest production of wool. Mountain-Pacific territory ranks first in the production of sheep and wool and second in the production of mohair and turkeys. Southern territory ranks neither first nor second in the production of any of these commodities. Further discussion of the distribution of livestock and poultry production appears later in this report.

(Here follows 1 Photolithograph, side folio 5659)

Table 49. - Livestock and Poultry. Production on Farms, by Freight Rate Territories, 1939 1/

Item	Unit	Territory: Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	United States total.
Cattle and calves.....	1000 lbs. 2/	3,264,218	1,201,835	5,909,803	2,323,770	2,255,859	14,955,485
Sheep and lambs.......	1000 lbs. 2/	325,378	103,175	546,425	232,021	963,600	2,170,599
Hogs	1000 lbs. 2/	4,983,741	2,143,062	7,967,692	1,332,633	553,439	16,980,567
Milk and milk products	Million lbs.	39,273	10,656	38,819	8,549	11,261	108,558
Wool	1000 lbs.	47,405	9,009	57,932	80,375	182,676	377,397
Mohair	1000 lbs.	-	-	198	15,960	2,551	18,709
Chickens	Thousands	242,917	121,287	206,294	73,918	49,659	694,275
Chicken eggs	Millions	14,475	4,561	11,463	3,927	3,799	38,225
Turkeys	Thousands	6,498	2,089	10,856	5,510	7,412	32,365
		Percent of U. S. totals					
Cattle and calves		21.83	8.04	39.51	15.54	15.08	100.00
Sheep and lambs		14.99	4.75	25.17	10.69	44.40	100.00
Hogs		29.35	12.62	46.92	7.85	3.26	100.00
Milk and milk products		36.18	9.82	35.76	7.87	10.37	100.00
Wool		12.56	2.39	15.35	21.30	48.40	100.00
Mohair		-	-	1.06	85.31	13.63	100.00
Chickens		34.99	17.47	29.71	10.65	7.18	100.00
Chicken eggs		37.87	11.93	29.99	10.27	9.94	100.00
Turkeys		20.08	6.45	33.54	17.03	22.90	100.00

1/ Preliminary.

2/ Live weight. Slaughter, plus shipments out, minus shipments in, plus or minus changes in inventory.

Source: U.S.D.A., Agricultural Marketing Service, "Farm Production and Value of Livestock and Livestock Products, 1938-1939, by States," July 1940. Special release (processed).

[fol. 5660] *Value of Livestock and Poultry Products*

Table 50 shows that the livestock and poultry studied in this report[1] acounted for over 5 billion dollars of farm value produced in 1939. The largest single item is milk[2] which accounts for 34 percent of the total and cattle, hogs, and milk together acount for 76 percent.

The first and second rankings of the territories in terms of value produced are identical with the rankings of physical prodüction discussed previously. In the total value produced by all the commodities Official teritory ranks first with 34.71 percent, closely followed by Western Trunk Line with 32.70 percent of the national total. Southern and Mountain-Pacific territories each produced about 11 percent and Southwestern territory falls in last position with 9.73 percent of the United States total.

Average Farm Value Per Unit

Average farm values by rate teritories were found by dividing total farm value by the total number of units produced. They do not represent average farm prices in all cases because in some instances there is no one unit of measurement in selling the commodity. For example, milk may be sold by the quart, or as cream, or even as butter.

---

[1] Does not include all livestock and poultry, since horses, mules, ducks, geese, and some others are not included.

[2] Gross income from milk is used in place of farm value to avoid duplication of the value of milk fed to calves. Also gross income of eggs is used to avoid duplication of the value of eggs used for hatching.

(Here follows 2 Photolithographs, side folios 5661-5662)

Table 50. - Livestock and Poultry. Value of Production on Farms, by Freight Rate Territories, 1939 1/

Item	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(1,000 dollars)					
Cattle and calves	249,671	71,873	450,515	146,924	156,870	1,075,853
Sheep and lambs	23,256	8,292	39,933	12,521	64,877	148,879
Hogs	328,609	133,492	479,736	79,172	37,567	1,058,576
Milk and milk products 2/	744,203	223,767	428,772	142,099	184,643	1,723,484
Wool	11,358	2,218	12,024	19,089	39,635	84,324
Mohair	-	-	55	7,820	971	8,846
Chickens	149,579	58,938	93,482	29,790	23,267	355,056
Chicken eggs 3/	234,512	64,853	130,159	46,331	63,829	539,684
Turkeys	19,275	5,306	23,817	9,750	19,603	77,751
Total	1,760,463	568,739	1,658,493	493,496	591,262	5,072,453
	Percent of territory totals					
Cattle and calves	14.18	12.64	27.16	29.77	26.53	21.21
Sheep and lambs	1.32	1.46	2.41	2.54	10.97	2.94
Hogs	18.67	23.47	28.93	16.04	6.35	20.87
Milk and milk products 2/	42.27	39.35	25.85	28.79	31.23	33.98
Wool	0.65	0.39	0.72	3.87	6.70	1.66
Mohair	-	-	4/	1.58	0.16	0.17
Chickens	8.50	10.36	5.64	6.04	3.94	7.00
Chicken eggs 3/	13.32	11.40	7.85	9.39	10.80	10.64
Turkeys	1.09	.93	1.44	1.98	3.32	1.53
Total	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U. S. totals					
Cattle and calves	23.21	6.68	41.87	13.66	14.58	100.00
Sheep and lambs	15.62	5.57	26.82	8.41	43.58	100.00
Hogs	31.04	12.61	45.32	7.48	3.55	100.00
Milk and milk products 2/	43.18	12.98	24.88	8.25	10.71	100.00
Wool	13.47	2.63	14.26	22.64	47.00	100.00
Mohair	-	-	0.62	88.40	10.98	100.00
Chickens	42.13	16.60	26.33	8.39	6.55	100.00
Chicken eggs 3/	43.45	12.02	24.12	8.58	11.83	100.00
Turkeys	24.79	6.83	30.63	12.54	25.21	100.00
Total	34.71	11.21	32.70	9.73	11.65	100.00

1/ Preliminary.
2/ Gross income, excluding from total value of production the value of milk fed to calves.
3/ Gross income, excluding from total value of production the value of eggs used for hatching.
4/ Less than .005 percent.

Sources:
U.S.D.A., Agricultural Marketing Service, "Farm Production and Value of Livestock and Livestock Products, 1938-1939, by States," July 1940. Special release (processed).
U.S.D.A., Agricultural Marketing Service, "Farm Production and Income - Chickens and Eggs, 1938-1939," May 1940 (processed).
U.S.D.A., Agricultural Marketing Service, "Farm Production and Income from Milk, by States, 1938-1939," July 1940 (processed).

Table 51. - Livestock and Poultry. Average Farm Value Per Unit, by Freight Rate Territories, 1939 1/

Item	Unit	Territory					United States average
		Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
Cattle and calves	$ per cwt.	7.65	5.98	7.62	6.32	6.95	7.19
Sheep and lambs	$ per cwt.	7.15	8.04	7.31	5.40	6.73	6.66
Hogs	$ per cwt.	6.59	6.23	6.02	5.94	6.79	6.23
Milk and milk products	$ per cwt.	1.95	2.13	1.14	1.69	1.69	1.63
Wool	¢ per lb.	24	25	21	24	22	22
Mohair	¢ per lb.	-	-	28	49	38	47
Chickens	¢ per head	62	49	45	40	47	51
Chicken eggs	¢ per doz.	20	18	14	15	20	17
Turkeys	$ per head	2.97	2.54	2.19	1.77	2.64	2.40

1/ Preliminary.

Source: U.S.D.A., Agricultural Marketing Service, "Farm Production and Value of Livestock and Livestock Products, 1938-1939, by States," July 1940. Special release (processed).

[fol. 5663] Official teritory prices are higher than the United States average for all commodities for which comparisons are possible. In contrast, Western Trunk Line prices are lower than the national average on all of the livestock commodities studied except two, cattle and sheep. The remaining 3 territories show a fairly equal distribution of prices above and below average. No general conclusions can be drawn from the prices alone, however, because of differences in quality and form of product. Selected prices are discussed more completely later in this report.

Relation of Agricultural Resources to Agricultural Products

Farm Products over 500 Million Dollars

The preceding pages of this report have given a summary of relationships of the freight rate teritories with respect to present acreage, production, and value of agricultural crops and production and value of livestock products. The present section attempts to show how the agricultural resources of the territories are reflected in the present production of the major agricultural commodities.

Table 52 shows the eight major crops and livestock products arranged in the order of their national importance as measured by value produced.[1] These eight commodities, each with a value greater than one-half billion dollars, accounted for approximately 60 percent of the value of all crops and about 87 percent of the value of all livestock products shown in Table 50.

---

[1] It should be noted that the figures for livestock and crops cannot be added together because a major part of corn and hay is consumed by livestock. Hence addition of the figures will include a duplication of value produced. Also, milk produced includes a certain amount of milk fed to calves causing a further duplication within livestock products. For a tabulation of value of livestock products with duplications eliminated, see Table 50.

Table 52. - Value of Principal Farm Products by Freight Rate Territories, 1939 1/
($500,000,000 and over)

Product	Territory					United States total
	Official	Southern	Western Trunk Line	Southwestern	Mountain-Pacific	
Milk and milk products	765,614	226,878	442,951	144,281	190,652	1,770,376
Corn, all	562,698	226,283	574,037	91,710	9,611	1,464,339
Cattle and calves	249,671	71,873	450,515	146,924	156,870	1,075,853
Hogs	328,609	133,492	479,736	79,172	37,567	1,058,576
Cotton, lint and seed	99	287,663	23,253	290,196	45,852	647,063
Hay, tame	242,592	79,839	130,997	26,421	121,233	601,082
Eggs	236,954	67,076	132,064	47,482	64,270	547,856
Wheat	121,158	16,495	214,354	55,177	103,490	510,674
	Percent of U. S. totals					
Milk and milk products	43.25	12.81	25.02	8.15	10.77	100.00
Corn, all	38.43	15.45	39.20	6.26	.66	100.00
Cattle and calves	23.21	6.68	41.87	13.66	14.58	100.00
Hogs	31.04	12.61	45.32	7.48	3.55	100.00
Cotton, lint and seed	.01	44.46	3.59	44.85	7.09	100.00
Hay, tame	40.36	13.28	21.79	4.40	20.17	100.00
Eggs	43.25	12.24	24.11	8.67	11.73	100.00
Wheat	23.73	3.23	41.97	10.80	20.27	100.00

1/ Preliminary.

Sources: Tables 47 and 50.

[fol. 5665] *Dairy Products and Hay*

Milk and milk products accounted for over 19 precent of the gross agricultural income in 1939 (See Tables 36 and 50). Official territory leads in the production of milk with 36.18 percent of the U. S. total, and Western Trunk Line territory is next in importance with 35.76 percent (Table 49). The other territories in order of importance are Mountain-Pacific, 10.37 percent, Southern, 9.82 percent, and Southwestern, 7.87 percent. The differences in the relative importance of territories is more striking when farm values, rather than physical production, are compared. For example, Official teritory produces 43.25 percent of the farm value of milk and milk products while Western Trunk Line teritory, having nearly as much production, produces only 25.02 percent of the farm value. Southern territory falls in third place with 12.81 percent followed by Mountain-Pacific and Southwestern territories in the order named. The differences in physical production are not due alone to number of cows kept for milk, but also to the yield of milk per cow. The following tabulation shows the data with respect to yield:[1]

Territory	Milk cows on farms		Average production per cow
	(Thousands)	(Percent)	(Lbs.)
Official	7,885	32.96	4,981
Southern	3,180	13.29	3,351
Western Trunk Line	8,237	34.43	4,713
Southwestern	2,681	11.21	3,189
Mountain-Pacific	1,940	8.11	5,805
United States	23,923	100.00	4,538

Comparing these figures with Table 51 we see that Southern territory, having the lowest yield per cow, has the highest farm value per hundred pounds ($2.13). Official terri- [fol. 5666] tory with the next highest price[1] of $1.95 has the second highest yield per cow. Southwestern and Mountain-Pacific territories have the same average price but the yield per cow in Mountain-Pacific territory is 82 percent greater than in Southwestern territory. Western Trunk Line territory has the lowest price per unit, but the yield per cow of this territory is above the United States average.

---

[1] Price is not to be construed as price per unit of whole milk, but rather as average farm value of milk and milk products per 100 pounds of milk produced.

[1] U. S. D. A., "Agricultural Statistics," 1940, p. 429. Data for states divided by freight rate territory boundaries apportioned to territories on the basis of the milk produced in 1929 (Census county figures).

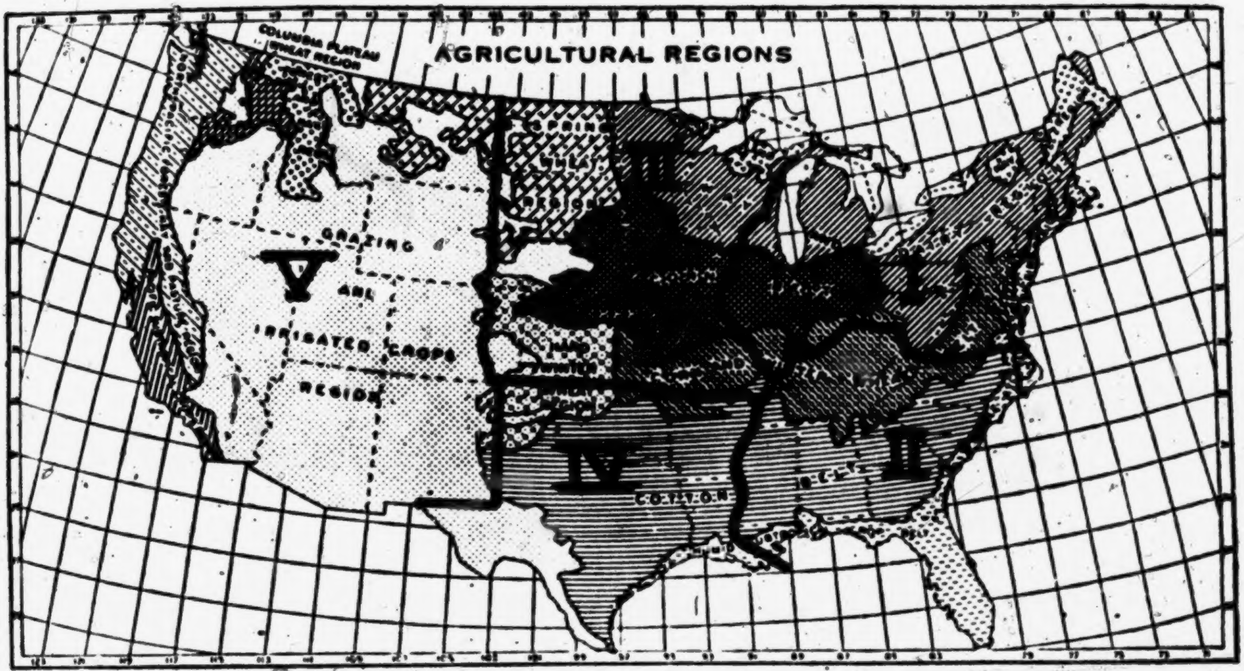
It is significant to note that Official and Western Trunk Line territories, having the highest total production and also higher than average yields per cow, are also outstanding leaders in the production of tame hay. Official territory produces 35.43 percent of the United States total tame hay and Western Trunk Line territory 30.06 percent. Differences in price per ton change the percents of U. S. farm value of tame hay to 40.36 percent in Official and 21.79 percent in Western Trunk Line territory. Another interesting observation is that prices of tame hay follow almost identically the same pattern by territories as do prices per hundred pounds of milk. Southern territory prices of both tame hay and milk are highest with Official territory in second place. Western Trunk Line territory has the lowest prices of both. Mountain-Pacific and Southwestern territories have the same milk prices but the price of tame hay is higher in Southwestern territory.

Since hay and dairy regions tend to coincide for large sections of the United States the reasons for their location in particular areas must be discussed together. Location of the hay and dairy region (Map 3) in Official and Western Trunk Line territories is due to a variety of factors, chief among which are apparently physical conditions. Finch and Baker say in this connection:

> "* * * This development of the dairy industry in the northeastern section of the United States is due to several causes, among which may be mentioned the proximity to the large city markets, especially im-

(Here follows 1 Photolithograph, side folio 5667)

Map 3


AGRICULTURAL REGIONS
COLUMBIA PLATEAU WHEAT REGION
SPRING WHEAT REGION
GRAZING AND IRRIGATED CROPS REGION
COTTON
BELT
I
II
III
IV
V

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 4.

> [fol. 5668] portant in the production of market milk, and the cool summer climate which favors the production of dairy products of high quality, and although often preventing the proper maturity of corn for grain, permits its production for silage. The climate of the Northeastern States has also resulted in making them the most important hay-producing region in the United States, and a market for this hay is secured by keeping dairy cows. The relatively large summer rainfall, especially in the western section of the region, is also an important factor, since it promotes the maintenance of green pastures which greatly reduces the agricultural work of the summer so far as the feeding of cattle is concerned . . ."[1]

The less favorable conditions in other sections of the United States accounts principally for the lack of dairying except to supply local demand. The hitherto relatively low development of dairying in the South is caused not alone by physical conditions, but by a great variety of economic conditions, chief of which seems to be specialization in cotton production. In this connection Sherman F. Johnson of the U. S. Department of Agriculture says in speaking of the soil conservation problem:

> "In periods of high cotton prices the relative returns for the use of land in alternative enterprises favored specialization in cotton, and the resulting income in those years provided somewhat more adequately for the farm population. However, the high percentages of land in cotton and in corn for mule feed developed a soil-erosion problem that has increased in seriousness in recent years. With lower incomes from cotton and no alternative employment for the farm population, the pressing need for cash income makes it extremely [fol. 5669] difficult to establish a type of farming that will maintain soil resources. The smaller the farm, and therefore the more inadequate the present production base, the more difficult it is to effect the adjustment.

---

[1] V. C. Finch, Assistant in Agricultural Geography (Assistant Professor of Geology, University of Wisconsin) and O. E. Baker, Agriculturist, U. S. Dept. of Agriculture, "Geography of the World's Agriculture," 1917, p. 120.

> Soil conservation requires the use of winter cover crops and the retention of part of the land in grass and other close-growing crops. To establish such a rotation requires cash outlay, and the immediate cash returns are likely to be less than for cotton. Thus the extreme pressure for cash income furnishes an effective resistance to change."[1]

In explaining the lack of hay production in the South Finch and Baker sum up the reasons as follows:

> "The Southern States have a small hay acreage for several reasons: (1) A system of agriculture based almost entirely on cotton and corn, which are more productive and more restricted in their geographic range; (2) small farms, lack of capital, and a credit system which makes cash crops of primary importance; (3) the absence of a beef and dairy industry, due in part to the warm climate, the cattle tick, lack of ice for refrigeration, unskilled character of labor, and the limited local markets; (4) the prevalence of tenancy and the migratory character of the tenants, which discourages crop rotation; (5) frequent summer rains and high humidity detrimental to curing hay; (6) a considerable amount of waste land, the result of erosion of the surface soil, on which it is difficult to secure a good catch of grass; (7) climatic conditions to which northern hay crops are not adapted, and the absence of good perennial grasses and legumes.
>
> [fol. 5670] "The rapidly extending use of the cowpea in the South, and the more frequent utilization of Bermuda grass and Johnson grass, combined with the growth of cities, improved transportation facilities, and increase of capital, which may be expected to result in a moderate development of dairying and other livestock enterprises, promise in large measure to correct these adverse conditions."[1]

---

[1] Sherman E. Johnson, Head Agricultural Economist, Division of Farm Management and Costs, Bureau of Agricultural Economics, U. S. D. A., "Farm Management Problems in an Era of Change," art. in Yearbook of Agriculture, 1940, p. 504.

[1] Op. cit., p. 104.

The importance of hay to Mountain-Pacific territory (28 percent of total acreage harvested is due partly to the lack of other suitable crops and partly to the fact that hay can be converted into animal products whose concentrated value will bear the cost of long-distance transportation.[2]

Tables 53 and 54 indicate that Southern and Southwestern territories have never been large producers of hay, since the figures which make up these tables are taken from maximum acreages and yields in the past. The tables also indicate that if all of the land which has ever been used for hay in the past were put back into the production of hay again at the highest yield attained at any time in the past the relative standings of the territories would still be unaltered.

Corn

Corn is the most important crop from the standpoint of value, accounting for 27 percent of the farm value of all crops harvested in 1939 (see Table 47). Official and Western Trunk Line territories together produced 77.63 percent of the value of all corn (38.43 percent in Official territory and 39.20 percent in Western Trunk Line territory). Southern territory falls in third place with 15.45 percent of the total. The leading position of Official and Western Trunk Line territories is even more pronounced when physical production, rather than farm value, is compared.

---

[2] Finch and Baker, p. 103.

Table 53. - Tame Hay. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Tons)			(1,000 tons)		
Official	27,727	22,026	79.44	1.45	1.22	84.14	40,187	26,832	66.77
Southern	8,240	8,111	98.44	1.17	0.93	79.49	9,635	7,519	78.04
Western Trunk Line.	21,800	17,140	78.62	1.75	1.33	76.00	38,209	22,765	59.58
Southwestern	3,092	3,044	98.45	1.58	1.05	66.46	4,896	3,191	65.17
Mountain-Pacific ..	10,133	8,026	79.21	2.39	1.92	80.33	24,227	15,419	63.64
United States ...	70,992	58,347	82.19	1.65	1.30	78.79	117,154	75,726	64.64
				Percent of total					
Official	39.06	37.75					34.30	35.43	
Southern	11.61	13.90					8.22	9.93	
Western Trunk Line.	30.71	29.37					32.62	30.06	
Southwestern	4.35	5.22					4.18	4.22	
Mountain-Pacific...	14.27	13.76					20.68	20.36	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of tame hay by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of tame hay harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., "Crops and Markets," Dec. 1939, p. 270.
U.S. D.A., B.A.E., "Revised Estimates of Tame Hay Acreage, Yield, and Production, 1866-1929," Dec. 1934
U.S. D.A., B.A.E., Crop Reporting Board, "Revisions, Annual Legume Crops and All Tame Hay Acreage, Yield, and Production, Crop Years 1924-1935," January 1937. (Mimeographed)
U.S. D.A., "Yearbook of Agriculture," 1938 and 1939.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

5871
5018A

Table 54. - Wild Hay. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Tons)			(1,000 tons)		
Official	515	238	46.21	1.42	0.92	64.79	733	220	30.01
Southern	372	289	77.69	1.25	1.02	81.60	464	296	63.79
Western Trunk Line ...	14,855	7,675	51.66	1.21	.75	61.98	17,960	5,764	32.09
Southwestern	1,128	910	80.67	1.20	1.01	84.17	1,354	922	68.09
Mountain-Pacific	2,653	1,786	67.32	1.22	.89	72.95	3,249	1,598	49.18
United States	19,523	10,898	55.82	1.22	.81	66.39	23,760	8,800	37.04
	Percent of total								
Official	2.64	2.18					3.08	2.50	
Southern	1.90	2.65					1.96	3.36	
Western Trunk Line ...	76.09	70.43					75.59	65.50	
Southwestern	5.78	8.35					5.70	10.48	
Mountain-Pacific	13.59	16.39					13.67	18.16	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of wild hay by freight rate territories was computed by applying the maximum yield (1912-1939) to the maximum acreage harvested (1912-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of wild hay harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., "Crops and Markets," Dec. 1939, p. 270.
U.S. D.A., B.A.E., Crop Reporting Board, "Wild Hay Revisions, 1912-1923," June 1937 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1926-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

[fol. 5673] Western Trunk Line leads with 41.52 percent of the U. S. total followed very closely by Official territory with 39.66 percent. Either one of these territories produces more than twice the corn of the other three territories combined. In spite of this fact, corn is an important crop to Southern territory as well, a larger portion of the harvested acreage being planted to corn than to any other crop. Judged from the standpoint of the ratio of corn acreage to total acreage harvested, corn is more important to Southern territory than to any other territory. It accounts for 41.33 percent of the harvested acreage in Southern territory as compared to 30.82 percent in Official, 26.61 percent in Western Trunk Line, and 20.68 percent in Southwestern territory. (Table 44.) The relatively lower standings of Southern and Southwestern territories when production rather than acreage is used as a basis for comparison are due to the low yields in these areas. From Table 46 the yield per acre is 15.0 bushels in Southern territory and 15.5 bushels in Southwestern territory as compared with 46.8 bushels in Official and 31.8 bushels in Western Trunk Line. This accounts for the fact that while Southern territory has 24.57 percent of the corn acreage harvested, yet it has only 12.46 percent of the total corn production. The differences in corn yields may be attributed partially to the introduction of hybrid corn into the corn belt states in recent years. The use of hybrid corn has not spread to the western states because moisture limitations to yields would not make it profitable. "Rather slow adoption of hybrid corn in the South seems to be indicated because of the greater cost, relatively low corn yields, and the fact that corn is not a southern cash crop. Insect damage makes it difficult to maintain inbred lines of corn in that section, and may mean that the cost of producing hybrid seed in the South will be greater than in the Corn Belt."[1] Its use in the corn belt, however, will probably increase and the U. S. Dept. of Agriculture estimates that eventually, perhaps before 1950, 80 to 85 percent of the corn acreage in this area will be planted to hybrids.[2]

Reference to Table 55 indicates that the relative position of the freight rate territories remains unchanged when po-

---

[1] U. S. D. A., "Technology on the Farm," August 1940, p. 22.

[2] Ibid.

Table 55. - All Corn. Potential Production[1] and Production in 1939,[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	29,309	22,185	75.69	48.2	46.8	97.10	1,412,391	1,038,642	73.54
Southern	25,961	21,820	84.05	20.9	15.0	71.77	541,938	326,447	60.24
Western Trunk Line.	54,933	34,154	62.17	41.1	31.8	77.37	2,255,105	1,087,488	48.22
Southwestern	16,171	9,898	61.21	27.0	15.5	57.41	437,227	153,158	35.03
Mountain-Pacific ..	1,463	746	50.99	29.2	18.0	61.64	42,668	13,402	31.41
United States ...	127,837	88,803	69.47	36.7	29.5	80.38	4,689,329	2,619,137	55.85
	Percent of total								
Official	22.93	24.98					30.12	39.66	
Southern	20.31	24.57					11.56	12.46	
Western Trunk Line.	42.97	38.46					48.09	41.52	
Southwestern	12.65	11.15					9.32	5.85	
Mountain-Pacific ..	1.14	0.84					0.91	0.51	
United States ...	100.00	100.00					100.00	100.00	

---

[1] Potential corn production by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of corn acreage harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:
U.S. D.A., "Crops and Markets," Dec. 1939, p. 267.
U.S. D.A., B.A.E., "Revised Estimates of Corn Acreage, Yield, and Production, 1866-1929," May 1934 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
Fifteenth Census of the U.S., 1930, Agriculture, Volume II (State and county figures).

[fol. 5675] tential acreage and production are considered rather than 1939 acreage and production. Western Trunk Line territory somewhat advances its lead over Official territory, however. The figures show that, although corn acreage and production could be increased materially in all territories, the greatest increase could be effected in Western Trunk Line territory (approximately 1.2 billion bushels). They also indicate that the potential production (based on past experience) of Southern, Southwestern, and Mountain-Pacific territories combined would no more than equal the 1939 production of either Official or Western Trunk Line territories.

The reasons for the location of the corn belt in southern sections of Official and Western Trunk Line territories and the northern section of Southern territory (Map 3) are primarily physical reasons. The physical limitations to corn production are set forth by Finch and Baker as follows:

> "The western limit of extensive corn production in the United States follows more or less closely the line of mean summer (June, July, and August) precipitation of 8 inches, * * * Practically no corn is grown where the mean summer temperature is less than 66°. * * *
>
> "Although corn is thus grown to some extent under a wide range of climatic conditions, the most favorable environment is definitely restricted in area. The climatic boundaries of the region of greatest production in the United States are a mean summer temperature of 70° to 80°, a mean night temperature exceeding 58°, a frostless season of over 140 days, and an annual precipitation of 25 to 50 inches, of which 7 inches occur during July and August. The best corn soils are fertile, dark colored loams or silt loams, warm, well drained, and well supplied with humus."[1]

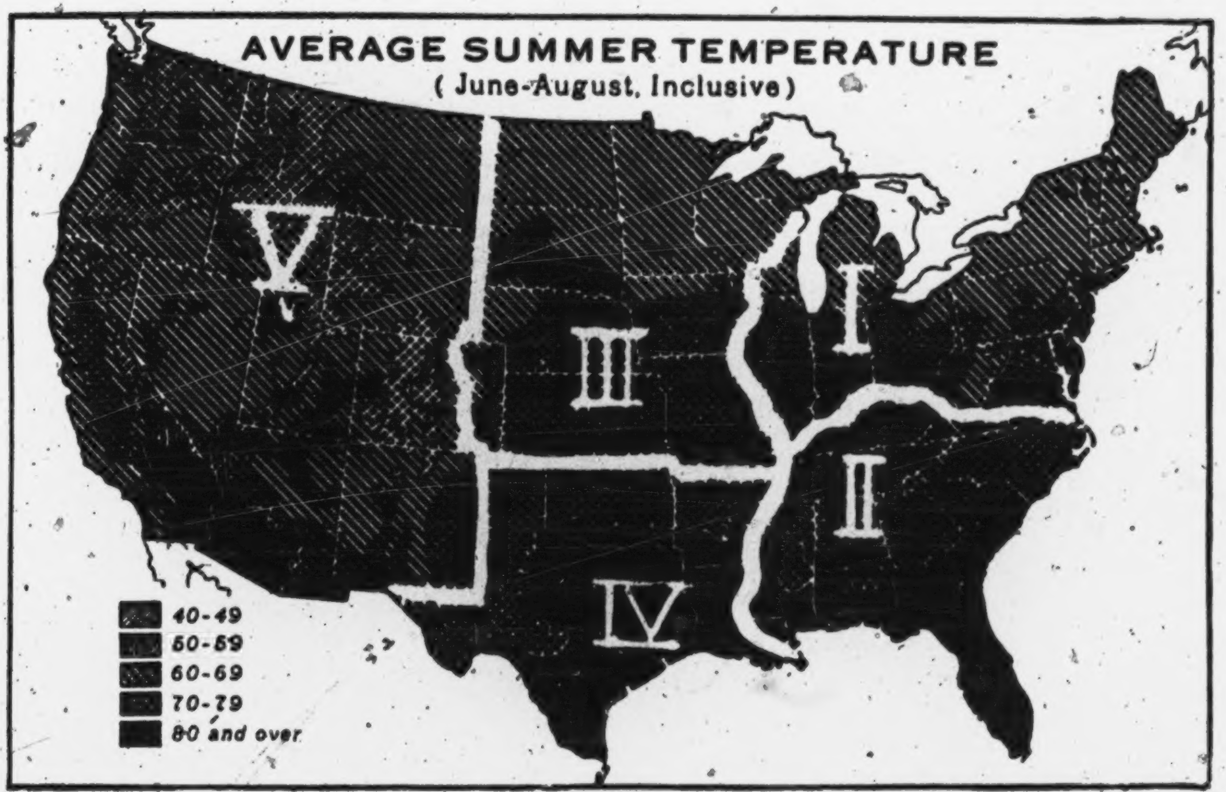
Thus we can state, in general, that average summer precipitation establishes the western limit to profitable corn production (Map 11) and that the northern limit is set

---

[1] Op. cit., p. 29.

(Here follows 3 Photolithographs, side folios 5676-5678)

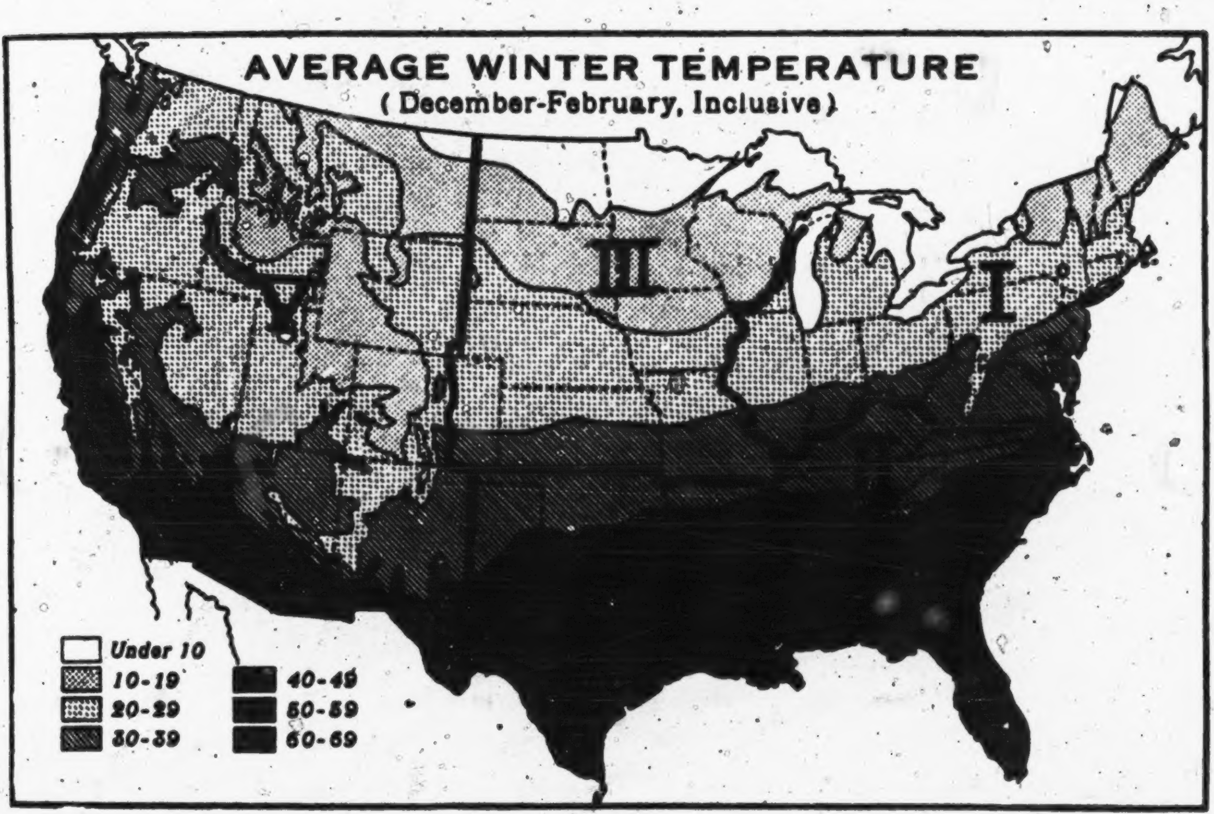
Map 4


AVERAGE SUMMER TEMPERATURE
(June-August, Inclusive)
V
III
I
II
IV
40-49
50-59
60-69
70-79
80 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 6.

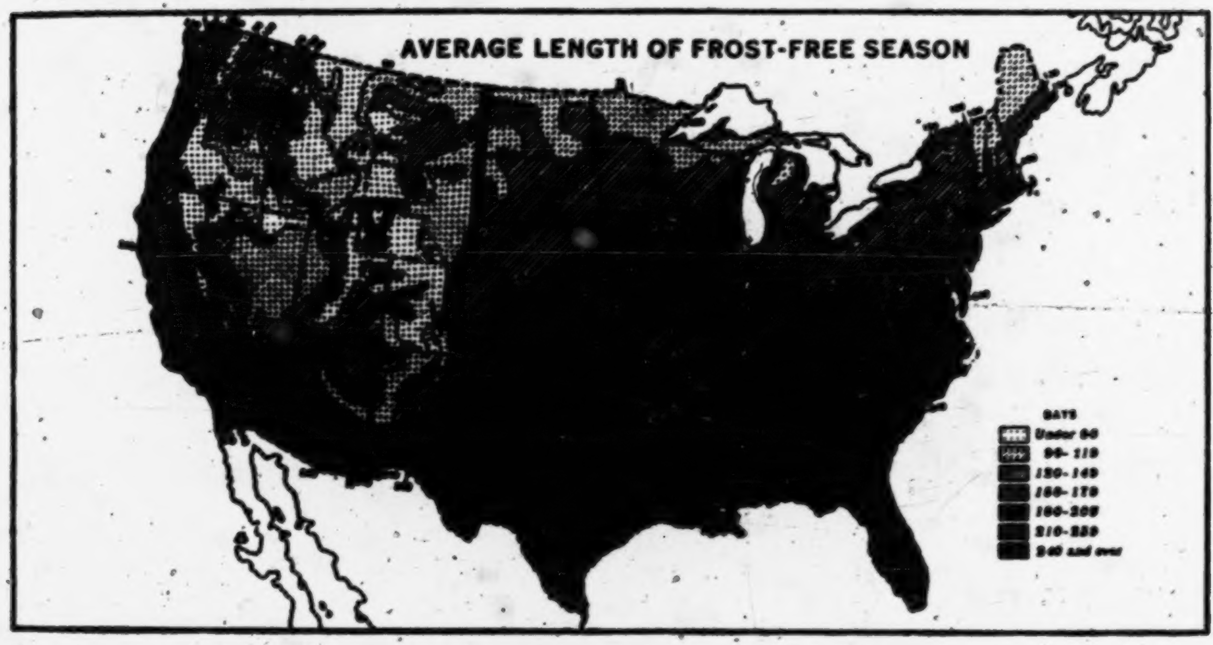
Map 5


AVERAGE WINTER TEMPERATURE
(December-February, Inclusive)
I
II
III
IV
V
Under 10
10-19
20-29
30-39
40-49
50-59
60-69

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 6.

Map 6


AVERAGE LENGTH OF FROST-FREE SEASON
DAYS
Under 90
90-119
120-149
150-179
180-209
210-239
240 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk-Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 7.

[fol. 5679] principally by temperature (Map 4). The southern limit of the corn belt is not set by physical conditions, but is set by competition with cotton. Cotton, having a higher productivity per acre forces corn production further north, except corn which is grown primarily for local consumption.[1]

Corn is grown principally in the rich Chernozem and Prairie soils in Western Trunk Line territory and in the Gray-Brown Podzolic soils in Official and Southern territories (Map 7). Although the Gray-Brown Podzolic soils are generally acid and have only medium fertility (Table 56), they are "responsive" to applications of lime and fertilizer. Charles E. Kellog, Principal Soil Scientist, U. S. Department of Agriculture,[2] states, "Considering their medium fertility * * *, together with the desirable climate which allows the growth of a wide variety of plants, these soils are admirably adapted to the development of stable agricultural communities of the general farming type * * *" Although this region is considered to be a part of the "corn belt", it raises such a variety of crops that it might just as well be called the "general farming" region.[3]

Meat Animals

Western Trunk Line territory is outstanding in the production of the principal meat animals, producing 46.92 percent of the total weight of hogs and 39.51 percent of the live weight of cattle and calves. Official territory falls in second place with 29.35 percent of the hogs and 21.83 percent of cattle and calves. Southern territory ranks third in production of hogs with 12.62 percent of the total, and

---

[1] Foster F. Elliott, Bureau of the Census, "Types of Farming in the United States," 1933, p. 122-123, and Finch and Baker, p. 30.

[2] U. S. D. A., "Development and Significance of the Great Soil Groups of the United States," Misc. Publication No. 229, April 1936, p. 21.

[3] Elliott, ibid., p. 157.

(Here follows 2 Photolithographs side folios 5680-5681)

Table 56. - General Character and Relationships of the Zonal Groups of Soils [1]

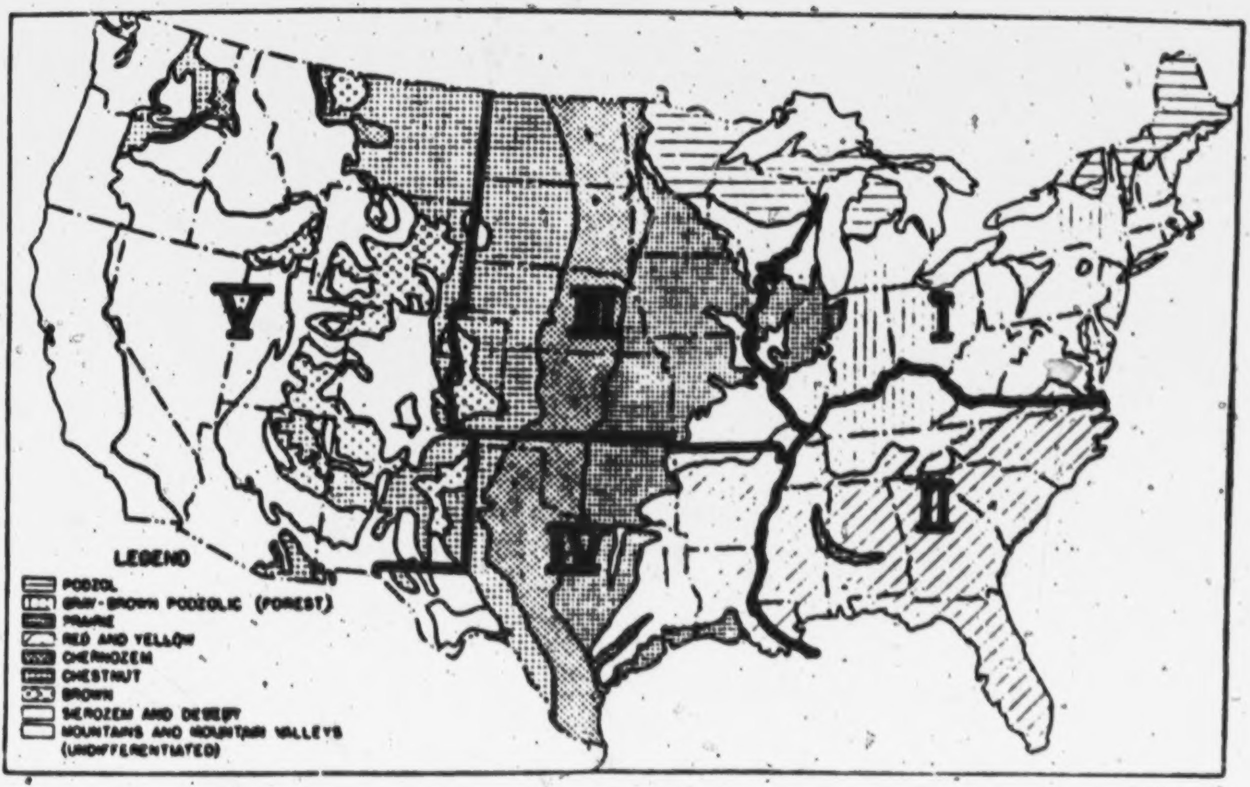
Zonal group of soils	Native vegetation	Climate	Natural fertility (crop plants)
Chernozem	Tall-grass prairie	Temperate to cool, subhumid.	Very high
Chestnut	Mixed tall-and short-grass prairie	Temperate to cool, arid	High
Brown	Short-grass prairie	Do.	High
Prairie	Tall-grass prairie	Temperate, moist	High
Sierozem	Short grass and desert plants	Temperate to cool, arid	Medium to high (if irrigated)
Desert	Desert plants	Do.	Do.
Gray-Brown Podzolic (Forest)	Deciduous forest	Cool-temperate, moist	Medium
Red	Forest, largely deciduous	Warm-temperate, moist	Medium
Podzol	Coniferous forest (usually)	Cool, moist	Low
Yellow	Forest, largely coniferous	Warm-temperate, moist	Low

---

[1] These statements are necessarily general and apply to the normal soils as illustrated in Map 7.

Source: U.S.D.A., "Development and Significance of the Great Soil Groups of the United States," Misc. Publication No. 229, April 1936, pp. 33-34.

Map 7


V
III
I
IV
II
LEGEND
PODZOL
GRAY-BROWN PODZOLIC (FOREST)
PRAIRIE
RED AND YELLOW
CHERNOZEM
CHESTNUT
BROWN
SIEROZEM AND DESERT
MOUNTAINS AND MOUNTAIN VALLEYS (UNDIFFERENTIATED)

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A.. Misc. Publication No. 229, April 1936, p. 31.

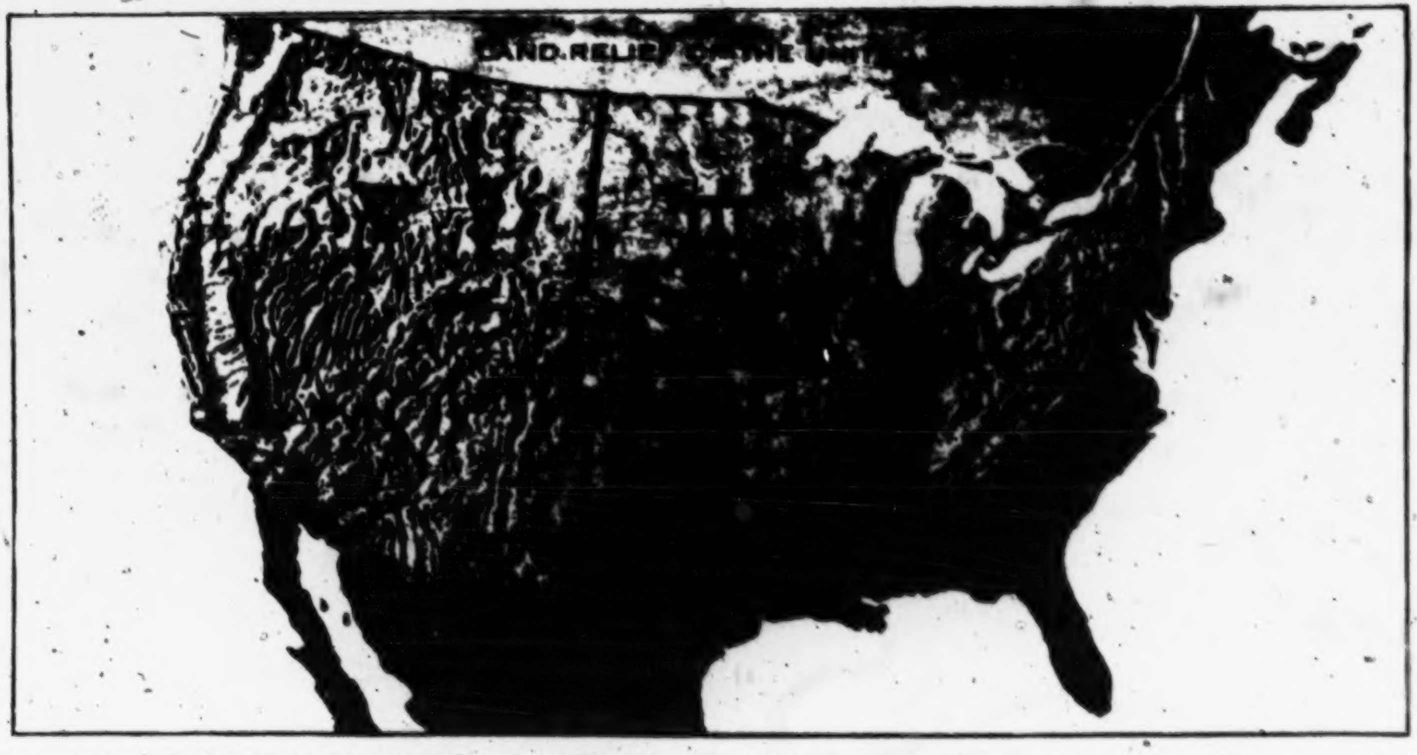
[fol. 5682] Southwestern territory ranks third in production of cattle and calves (15.54 percent) followed very closely by Mountain-Pacific territory with 15.08 percent of the total. Production of these two types of livestock follows rather closely the production of the principal feed crops. For example, Western Trunk Line territory, which leads in the production of hogs and cattle, produces 42 percent of the corn, 57 percent of the oats, 65 percent of the barley, 70 percent of the rye, 32 percent of the grain sorghums, 30 percent of the tame hay, 65 percent of the wild hay, and 65 percent of the sweet sorghums of the United States. Official territory, falling in second place, produces 40 percent of the corn, 29 percent of the oats, 21 percent of the rye, and 35 percent of the tame hay of the United States. The relatively high percents of cattle and calves produced in Mountain-Pacific and Southwestern territories are undoubtedly due to the extensive grazing areas.

A comparison of cattle prices shows that Official territory has the highest farm prices of $7.65 per hundred pounds followed by Western Trunk Line with $7.62. Southern territory shows the lowest price per hundred ($5.98). Mountain-Pacific prices are highest on hogs ($6.79) followed in second place by Official territory with $6.59. Southwestern teritory prices are lowest ($5.94). Very little information can be gained from this comparison of prices, however, since there are undoubtedly great differences in the kind and quality of animals produced. For example, a portion of the cattle and calves are produced to replace existing dairy herds (especially in Western Trunk Line and Official territories), but no figures are available through which this portion can be ascertained.

Cotton

Cotton, the second most important crop and the most important strictly cash crop, accounted for about 12 percent of the farm value of crops harvested in the United States in 1939. The major part of the cotton production is divided about equally between Southern and Southwestern territories (43 percent and 47 percent, respectively). It accounted for 25.45 percent of the farm value of crops harvested in Southern territory in 1939 and 44.71 percent of the value of crops in Southwestern territory, and is the

Map 8



Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 5.

[fol. 5684] most important crop in the latter area both from the standpoint of acreage harvested and value produced. Farm value of cotton in Southern territory was greater than the farm value of any other crop, although a larger acreage of corn was grown in 1939.

Reference to Table 57 would seem to indicate that even though acreage of cotton might be doubled (based on maximum acreages in the past) the relative position of Southern and Southwestern territories would remain almost identical. For example, Southern territory harvested 39.10 percent of the cotton acreage in 1939 which compares with its 39.24 percent of the potential cotton acreage. Likewise Southwestern territory with 56.74 percent of the acreage harvested in 1939 has 57.42 percent of the potential cotton land (as computed by this method). The positions of the two territories are only slightly different when potential production data are compared, the slight difference being due to a greater spread in the case of Southwestern territory between 1939 and maximum yields.

Cotton has a very limited area in which it may be grown since it is limited on the north by the mean summer temperature line of 77° and a frostless season of 200 days (Maps 4 and 6) and is limited on the west by the line of mean annual precipitation of 23 inches (Map 9).[1]

Furthermore, autumn rainfall must be light in order to facilitate picking. Map 12 shows that there is heavy fall precipitation along the Gulf coast, which is one of the factors setting the southern limit to the cotton belt. Cotton is grown principally on the Red and Yellow soils of Southern territory and parts of Southwestern territory (Map 7) and on the rich "Black Prairie" and Chernozem soils of Texas.

Chickens and Eggs

The production of eggs is most heavily concentrated in Official territory, which produces 38 percent of the United States total. Western Trunk Line territory is the second largest producer with 30 percent of the total. Southern,

---

[1] Finch and Baker, op. cit., p. 53.

Table 57. - Cotton. Potential Production[1/] and Production in 1939[2/] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939 3/	Percent of maximum	Potential 4/	1939	Perce of potent
	(1,000 acres)			(Lbs., net wt.)			(1,000 bales, gross wt. in 500 lb. bales)		
Official	14	4	28,57	332	191	57,53	10	2	20,0
Southern	19,408	9,301	47.92	317	264	83,28	12,877	5,117	39.7
Western Trunk Line..	558	377	67.56	561	555	98.93	655	437	66.7
Southwestern	28,394	13,495	47.53	291	195	67,01	17,259	5,494	31,8
Mountain-Pacific ...	1,078	608	56.40	592	587	99.16	1,335	747	55.9
United States 5/..	49,452	23,785	48.10	311	238	76.53	32,136	11,797	36.7
	Percent of total								
Official	0.03	0.02					0.03	0.02	
Southern	39.24	39.10					40.07	43.38	
Western Trunk Line..	1.13	1.59					2.04	3.70	
Southwestern	57.42	56,74					53.71	46.57	
Mountain-Pacific ...	2.18	2.55					4.15	6.33	
United States 5/	100.00	100.00					100.00	100.00	

1/ Potential production of cotton by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of cotton acreage harvested in 1929 (Census county figures).

2/ Preliminary.

3/ Found for each territory by computing production in net pounds and dividing by acreage harvested.

4/ Found for each territory by computing potential production in net pounds and dividing by 478 (approxima net weight of 500 pound gross weight bale).

5/ Excluding "Other States" for which, in 1939, the following data are reported: acreage harvested, 20,000; yield per acre, 470 lbs.; and production, 20,000 bales.

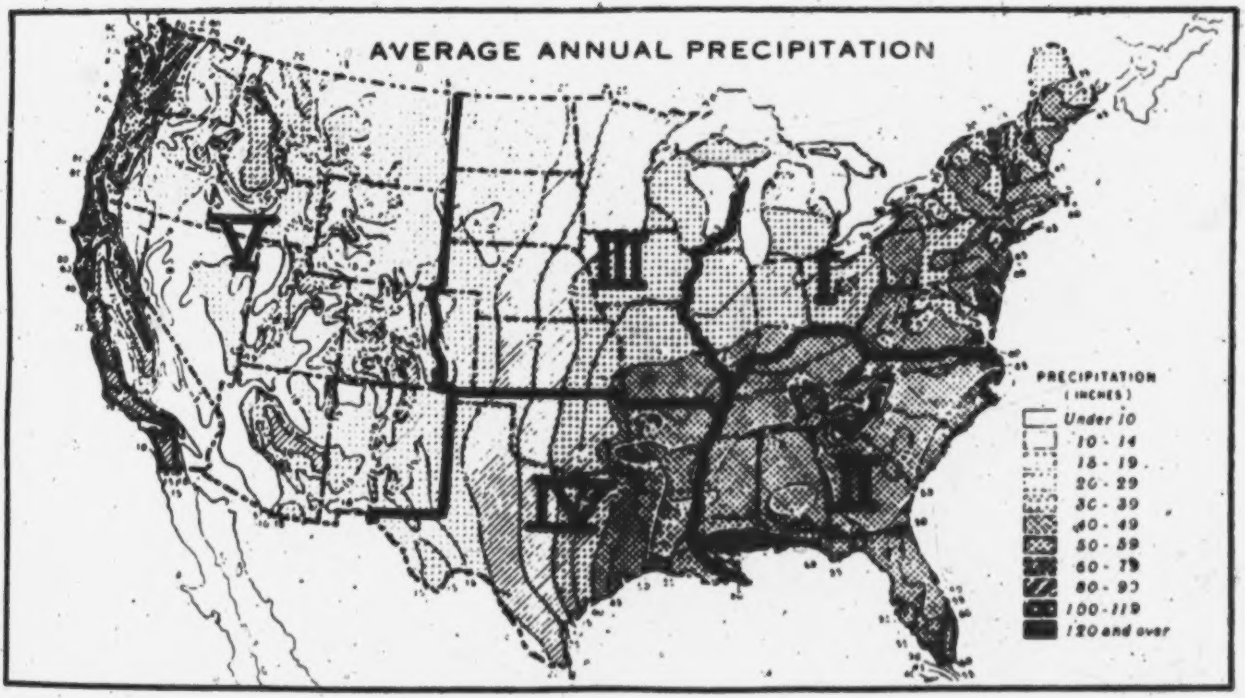
Sources:

U.S. D.A., "Agricultural Statistics," 1940, p. 110.

U.S. D.A., Agricultural Marketing Service, Crop Reporting Board, "Cotton Acreage, Yield, and Production 1866-1938," September 1940 (processed).

Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

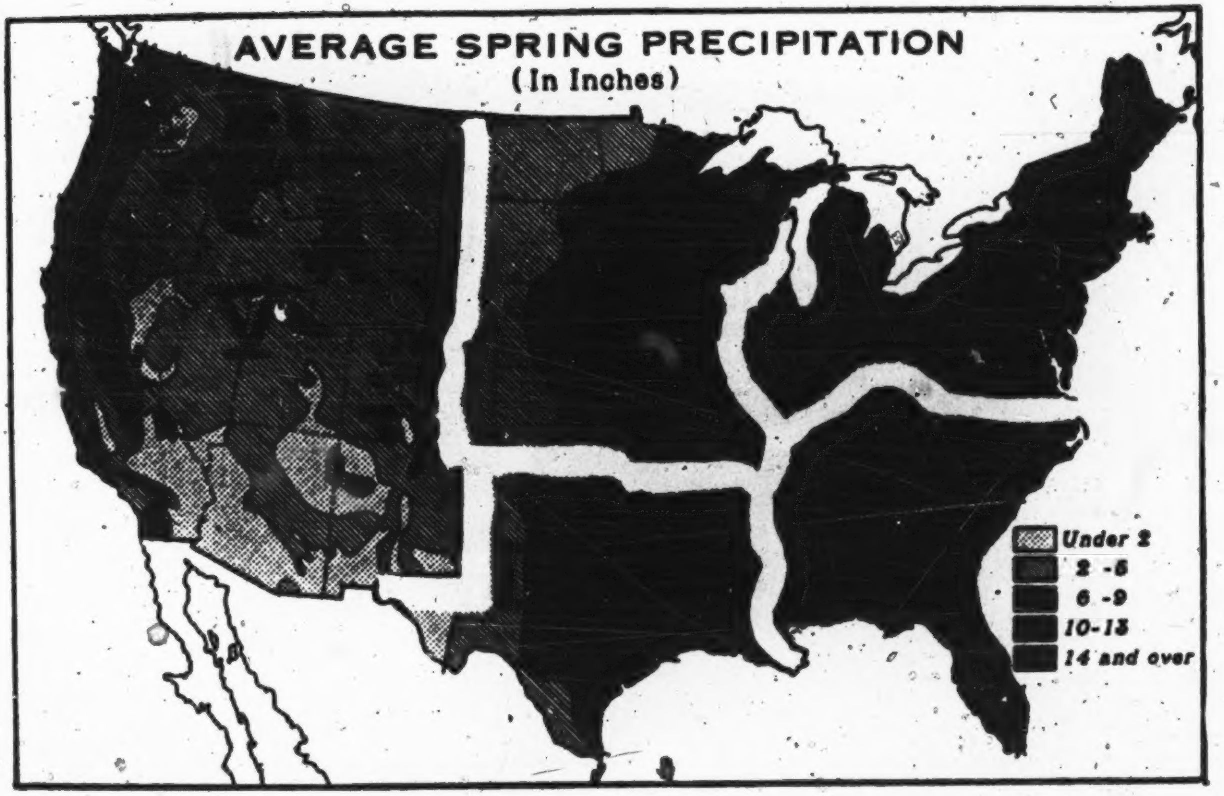
Map 9


AVERAGE ANNUAL PRECIPITATION
V
III
I
IV
II
PRECIPITATION
(INCHES)
Under 10
10 - 14
15 - 19
20 - 29
30 - 39
40 - 49
50 - 59
60 - 79
80 - 99
100 - 119
120 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 10.

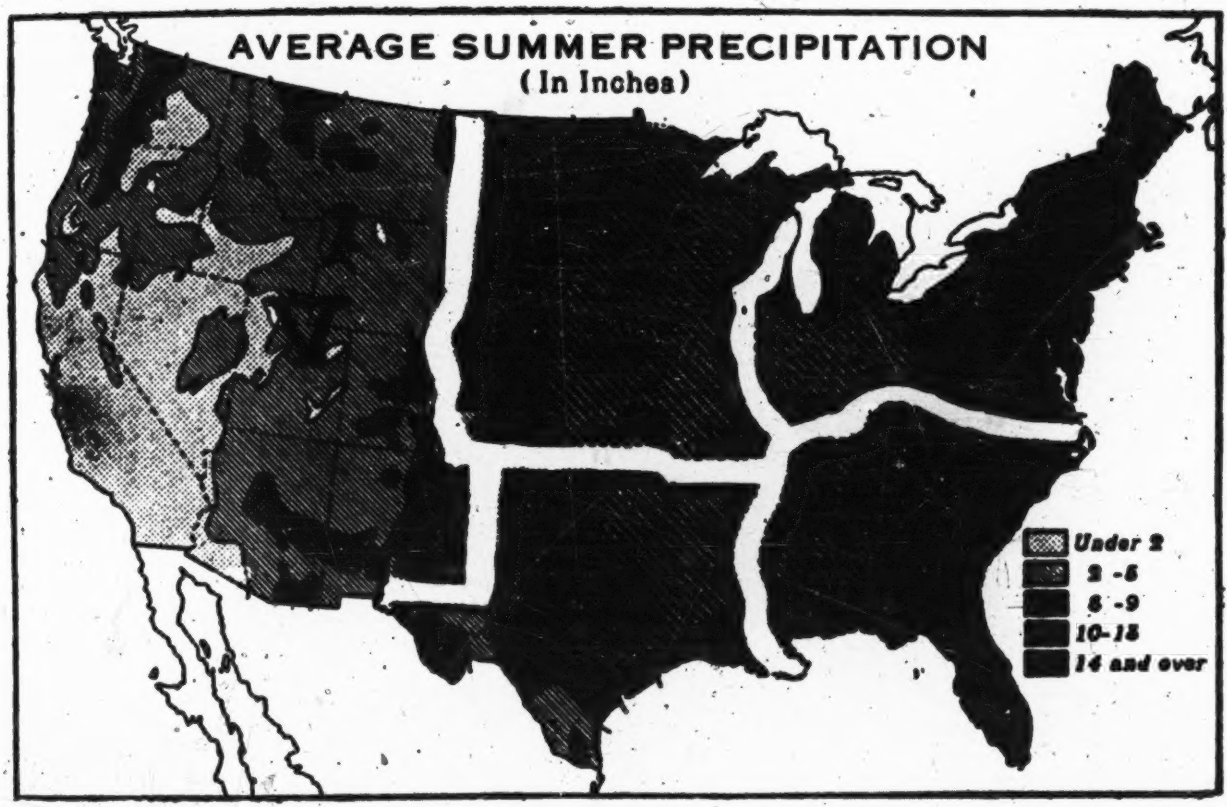
Map 10


AVERAGE SPRING PRECIPITATION
(In Inches)
Under 2
2 -5
6 -9
10-13
14 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 8.

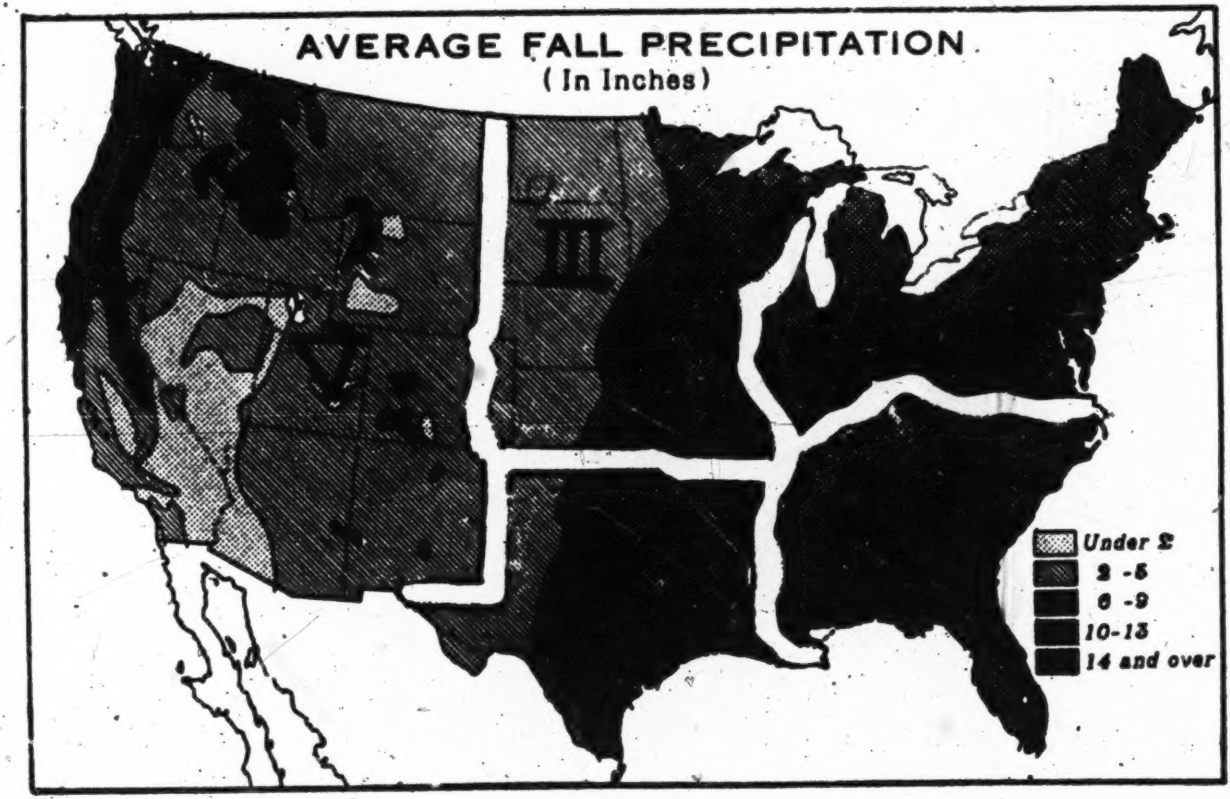
Map 11


AVERAGE SUMMER PRECIPITATION
(In Inches)
Under 2
2 -5
6 -9
10-13
14 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 9.

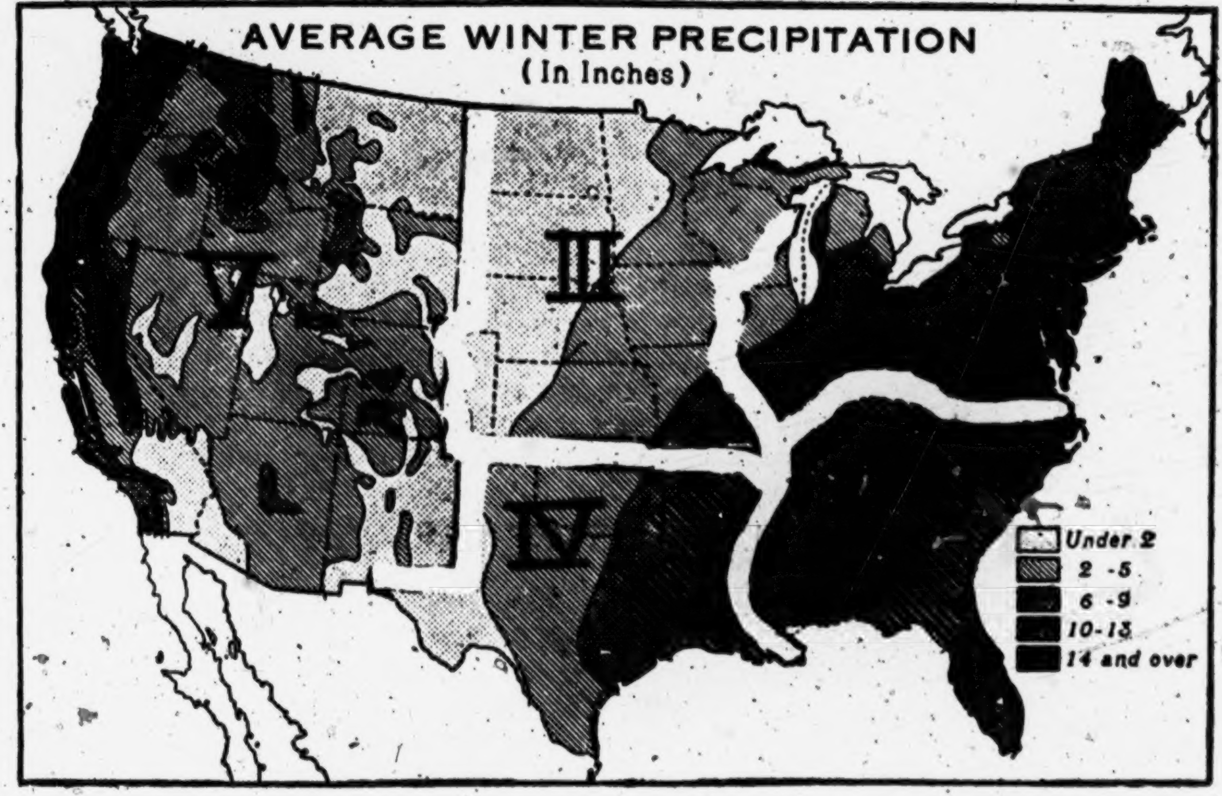
Map 12


AVERAGE FALL PRECIPITATION
(In Inches)
III
Under 2
2 -5
6 -9
10-13
14 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 9.

Map 13


AVERAGE WINTER PRECIPITATION
(In Inches)
III
IV
V
Under 2
2 -5
6 -9
10-13
14 and over

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 260, May 1937, p. 8.

[fols. 5691] Southwestern, and Mountain-Pacific territories produce 12, 10, and 10 percent respectively. Average farm prices of eggs as of 1939 vary from 14¢ per dozen in Western Trunk Line territory to 20¢ in Official and Mountain-Pacific territories. Prices in Southern territory (18¢) and Southwestern territory (15¢) are very near the United States average of 17¢. The considerable variation in prices between Official and Western Trunk Line territories (20¢ and 14¢, respectively) helps to account for the fact that Official territory produces 43 percent of the United States total value as compared with 24 percent in Western Trunk Line.

The production of chickens follows fairly closely the production of eggs as outlined above, except that Southern territory produces relatively more chickens than eggs and Official territory relatively less. The importance of chickens and eggs in the national diet may be demonstrated by the fact that their aggregate value in 1939 exceeded the total farm value of cotton and cottonseed by 38 percent and exceeded the total farm value of wheat by 75 percent. Their aggregate value was just 17 percent under the value of cattle and calves and 15 percent under the value of hogs.

Wheat

Wheat, having the third largest acreage of any crop, is produced chiefly in Western Trunk Line territory. This territory produced 42.57 percent of the national total in 1939, or approximately the production of Official and Mountain-Pacific territories combined (21.56 and 21.57 percent, respectively). Wheat, however, is very important to Mountain-Pacific territory which is demonstrated by the fact that it had a larger harvested acreage than any other crop in that area in 1939. Also the yield per acre in this territory is considerably above the national average. Western Trunk Line territory, which had the greatest acreage in 1939, had the lowest yield per acre, which accounts for the fact that although it had 52 percent of the harvested acreage of wheat it produced only 42 percent of the total wheat crop.

Map 3 shows the location of the principal wheat growing [fol. 5692] regions in the United States. The physical limits to wheat production are set forth by Finch and Baker as follows:[1]

Reference to the maps on temperature and rainfall indicates that the limits established above cover a very substantial portion of the eastern section of the United States. Wheat tends to be crowded out of the more productive regions, however, because of the competition of other crops, especially corn. In this connection Finch and Baker[2] state:

> [fol. 5693] ". . . Since corn is a highly productive crop, yielding on the average about twice as much

---

[1] Op. cit., pp. 14-19.

> "Although wheat is grown in several localities in the United States on an annual rainfall of less than 10 inches, it is generally not a safe crop where the mean annual precipitation is less than 15 inches • • • Where the rainfall exceeds 45 inches a year wheat does not thrive, partly because the soils in such regions have undergone more leaching than soils in subhumid regions, but principally because rusts and other fungus diseases are more prevalent. The difficulty of harvesting in rainy weather is also an important factor. • • •
>
> "Wheat is grown in the United States mostly on silt-loam and clay-loam soils and requires less humus than corn. Very little wheat is grown on sandy soils, since the yield is generally too small to be profitable. • • •
>
> ". . . In the humid eastern United States, the southern boundary of the winter-wheat belt follows the isotherm of 68° during the two months preceding harvest (June 15). Early-maturing varieties are a necessity along this southern margin because of the greater damage to late varieties by rust. • • • The northern frontier of winter wheat follows in a general way the mean winter temperature line of 20° • • •
>
> ". . . The northern limit of spring wheat is approximately the mean summer temperature of 58°, which is found in the United States only in the western mountains."

[2] Op. cit., p. 29.

> grain and, including the fodder, over three times as much food per acre as either wheat or oats, the corn crop in the United States, within its optimum geographic limits, reduces other crops, except cotton, to a subordinate position, and especially those which require labor at the same time of year."

Thus wheat tends to be crowded out of the more productive sections of Western Trunk Line and Official territories into the more arid Great Plains region.

Since wheat is adapted to a fairly wide range of climatic conditions the wheat acreage of the United States could be almost doubled as is evidenced by Table 58 which shows the composite maximum wheat acreages of the states comprising each territory. The greatest rate of increase over 1939 could be had in Southern territory (over 3 times) but the greatest aggregate increase in acreage could be obtained in Western Trunk line territory (23.5 million acres). Potential production, as shown, could only occur in case maximum acreage in the past should coincide with maximum yield which, of course, is very unlikely. The table indicates, though, that even with 1939 yields the production of wheat could be materially increased in all territories. If the acreage in all territories was increased up to the maximum, however, the relative positions of the territories would be approximately the same except that the ranking of Mountain-Pacific and Official territories in second and third places, respectively, would be reversed under such a comparison.

Farm Products of 50 to 500 Million Dollars

The next group of agricultural commodities, whose value in 1939 ranges from 50 million to 500 million dollars, accounts for another 28 percent of farm value of crops harvested; and the remainder of livestock products studied,[1] except for mohair.

---

[1] Among the livestock and livestock products not studied in this report are horses, mules, goats, ducks, geese, and honey.

5694

Table 58. - All Wheat. Potential Production[1] and Production in 1939[2] . by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	17,433	8,291	47.56	24.9	19.6	78.71	434,500	162,783	37.46
Southern	5,139	1,663	32.36	17.2	11.7	68.02	88,157	19,473	22.09
Western Trunk Line...	51,355	27,833	54.20	20.9	11.5	55.02	1,072,008	321,416	29.98
Southwestern	10,373	7,123	68.67	18.0	12.4	68.89	186,568	88,478	47.42
Mountain-Pacific	13,772	8,786	63.79	27.0	18.5	68.52	372,024	162,821	43.77
United States	98,072	53,696	54.75	22.0	14.1	64.09	2,153,257	754,971	35.06
	Percent of total								
Official	17.78	15.44					20.18	21.56	
Southern	5.24	3.10					4.09	2.58	
Western Trunk Line...	52.36	51.83					49.79	42.57	
Southwestern	10.58	13.27					8.66	11.72	
Mountain-Pacific	14.04	16.36					17.28	21.57	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential wheat production by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of wheat acreage harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:
U.S. D.A., "Crops and Markets," Dec. 1939, p. 268, and December issues, 1936-1938.
U.S. D.A., B.A.E., "Revised Estimates of Wheat Acreage, Yield, and Production, 1866-1934," Sept. 1934, Reissued May 1937 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1937-1939.
Fifteenth Census of U.S. 1930, Agriculture, Volume II (State and county figures).

V8905

[fol. 5695] Altogether, the crops whose farm value in 1939 exceeded 50 million dollars accounted for about 88 percent of the total farm value of all crops. They also accounted for all crops whose total farm value exceeded 1 percent of the total for all crops.

Table 59 shows that 88.08 percent of the tobacco harvested in 1939 was produced in Southern territory and that 10.72 percent was produced in Official territory. Tobacco can be grown throughout a wide range of latitude, but soil and climate have an important effect on the kind of tobacco grown. Official territory produces principally cigar leaf tobaccos and Southern territory produces principally chewing plug, granulated smoking, and cigarette tobaccos. Tobacco accounts for only 5.29 percent of U. S. farm value of crops produced in 1939, but it accounts for 21.75 percent of the farm value of crops in Southern territory; hence it is very important to this area.

Tobacco

Table 59 indicates that tobacco acreage could be nearly doubled in Official territory, but that this added acreage would still not materially increase the position of Official territory in relation to Southern territory. The acreage of tobacco harvested in Southern territory in 1939 amounted to 85 percent of the aggregate maximum acreages in the past of the states in Southern territory. It should also be noted that tobacco yields in 1939 were very nearly maximum yields.

Oats

Over half (56.78 percent) of the oats produced in 1939 were grown in Western Trunk Line territory and 28.62 percent in Official territory. Oats can be grown over a wide range of climatic and soil conditions, but grow best in cool, moist climates such as are found in the northeastern United States.[1] They form an important part of the crop rotation system in rotation with corn and also serve as a nurse crop for hay crops such as clover or timothy. Oats accounted for 5.14 percent of the value of all crops harvested in 1939.

---

[1] Finch and Baker, p. 35.

Table 59. - Tobacco. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested: Maximum	Acreage harvested: 1939	Acreage harvested: Percent of maximum	Yield per acre: Maximum	Yield per acre: 1939	Yield per acre: Percent of maximum	Production: Potential	Production: 1939	Production: Percent of potential
	(1,000 acres)			(Pounds)			(1,000 pounds)		
Official	396	192	48.48	1,165	1,034	88.76	460,855	198,273	43.02
Southern	2,119	1,804	85.13	940	902	95.96	1,990,673	1,628,203	81.79
Western Trunk Line...	49	18	36.73	1,254	1,204	96.01	61,584	22,178	36.01
Southwestern	3	-	-	661	-	-	2,049	-	-
Mountain-Pacific	-	-	-	-	-	-	-	-	-
United States	2,567	2,014	78.46	980	918	93.67	2,515,161	1,848,654	73.50
				Percent of total					
Official	15.42	9.53					18.32	10.72	
Southern	82.55	89.58					79.15	88.08	
Western Trunk Line..	1.91	0.89					2.45	1.20	
Southwestern	0.12	-					0.08	-	
Mountain-Pacific ...	-	-					-	-	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of tobacco by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of tobacco harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., B.A.E., "Revised Estimates of Tobacco Acreage, Yield per Acre, and Production, 1866-1929," August 1935 (mimeographed).

U.S. D.A., B.A.E., "Tobacco Revisions, Acreage, Yield, and Production, Crop Years 1919-1935," June 1936 (mimeographed).

U.S. D.A., "Agricultural Statistics," 1938-1940.

Fifteenth Census of U.S. 1930, Agriculture, Volume II (State and county figures).

Table 60.- Value of Principal Farm Products, by Freight Rate Territories, 1939[1/]
($50,000,000 to $499,999,999 group)

Product	Territory					United States
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	total
Chickens	149,579	58,938	93,482	29,790	23,267	355,056
Tobacco	36,802	245,826	2,729	-	-	285,357
Oats	86,433	14,765	143,349	16,387	15,975	276,909
Commercial truck crops	75,901	50,203	13,120	16,242	101,407	256,873
Potatoes	127,171	23,894	45,909	8,348	43,859	249,181
Sheep and lambs	23,256	8,292	39,933	12,521	64,877	148,879
Apples	68,780	7,543	6,659	1,100	27,843	111,925
Barley	14,231	1,462	69,037	3,510	23,462	111,702
Wool	11,358	2,218	12,024	19,089	39,635	84,324
Oranges	-	24,957	-	2,723	56,253	83,933
Turkeys	19,275	5,306	23,817	9,750	19,603	77,751
Soybeans for beans	53,642	3,878	9,091	878	-	67,489
Sweetpotatoes	6,111	35,855	1,276	10,093	1,080	54,415
			Percent of U.S. totals			
Chickens	42.13	16.60	26.33	8.39	6.55	100.00
Tobacco	12.90	86.15	.95	-	-	100.00
Oats	31.21	5.33	51.77	5.92	5.77	100.00
Commercial truck crops	29.55	19.54	5.11	6.32	39.48	100.00
Potatoes	51.04	9.59	18.42	3.35	17.60	100.00
Sheep and lambs	15.62	5.57	26.82	8.41	43.58	100.00
Apples	61.45	6.74	5.95	.98	24.88	100.00
Barley	12.74	1.31	61.81	3.14	21.00	100.00
Wool	13.47	2.63	14.26	22.64	47.00	100.00
Oranges	-	29.74	-	3.24	67.02	100.00
Turkeys	24.79	6.83	30.63	12.54	25.21	100.00
Soybeans for beans	79.48	5.75	13.47	1.30	-	100.00
Sweetpotatoes	11.23	65.89	2.34	18.55	1.99	100.00

[1/] Preliminary.

Sources: Tables 47 and 50.

[fol. 5698] The acreage and production of oats could be materially increased in all territories as is evidenced by Table 61. The greatest aggregate increase in acreage amounting to 8.3 million acres (based on past acreages of oats) could be obtained in Western Trunk Line territory although acreages in Official territory could be increased nearly as much (6.8 million acres). The figures indicate that none of the other territories have ever been large producers of this crop and that their aggregate potential production (based on maximum acreages and maximum yields in the past) only amounts to 16 percent of the United States potential production.

Commercial Truck Crops

Commercial truck crops are grown principally in Official and Mountain-Pacific territories (29.55 percent and 39.48 percent, respectively, of the U. S. total value in 1939). Southern territory ranks in third place with 19.54 percent. Commercial truck crops in 1939 accounted for 4.77 percent of the value of all crops harvested. Their importance to particular areas is much greater than this percent would indicate, however, since they account for 13.50 percent of the value of crops harvested in Mountain-Pacific territory and 5.10 percent of the corps harvested in Official territory.

Potatoes

Official territory produced 44.13 percent of the total potato crop in 1939, or approximately twice the production of either Western Trunk Line or Mountain-Pacific territory. The regions of heaviest production lie north of the corn belt partly because the cooler climate is more favorable and partly because of the competition of corn which requires labor at the same time of year.[1]

Potatoes, being the most widely distributed crop in the United States,[2] could be grown on a much greater area in

---

[1] Finch and Baker, op. cit., p. 69.

[2] Finch and Baker, op. cit., p. 67.

Table 61. - Oats. Potential Production[1] and Production in 1939,[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	15,454	8,683	56.19	41.9	30.9	73.75	648,218	268,251	41.38
Southern	3,947	1,562	39.57	23.7	22.4	94.51	93,355	35,011	37.50
Western Trunk Line..	27,010	18,750	69.42	41.5	28.4	68.43	1,121,647	532,100	47.44
Southwestern	4,002	2,672	66.77	35.3	20.3	57.51	141,215	54,301	38.45
Mountain-Pacific ...	2,279	1,403	61.56	41.5	33.9	81.69	94,593	47,552	50.27
United States	52,692	33,070	62.76	39.8	28.3	71.11	2,099,028	937,215	44.65
	Percent of total								
Official	29.33	26.26					30.88	28.62	
Southern	7.49	4.72					4.45	3.74	
Western Trunk Line..	51.26	56.70					53.44	56.78	
Southwestern	7.60	8.08					6.73	5.79	
Mountain-Pacific ...	4.32	4.24					4.50	5.07	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of oats by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of oats harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., "Crops and Markets," Dec. 1939, p. 267.
U.S. D.A., B.A.E., "Revised Estimates of Oats Acreage, Yield, and Production, 1866-1929," July 1934 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
Fifteenth Census of U.S. 1930, Agriculture, Volume II (State and county figures).

[fol. 5700] all territories than at present. The crop shows a preference, however, for light friable soils with high humus contents and for cool climates with moderate rainfall. Its commercial production is limited by distance from markets since its value in relation to bulk is rather small. Considering these factors, the figures presented in Table 62 on maximum acreage, yield, and production may be a fair indicator of what can be expected in the future if the production of potatoes is increased. Thus we see that Official territory is likely to continue as the leading producer and that Mountain-Pacific territory may lose its position in second place to Western Trunk Line territory. Southern and Southwestern territories (judging from this basis) are likely to remain low producers.

Apples

Official territory produced 62.69 percent of all apples [1] in 1939. Mountain-Pacific territory ranks in second place with 24.99 percent. Production of apples is limited by both climatic and economic conditions. According to Finch and Baker:

> "The production of apples in commercial quantities does not extend much to the south of the line of 79° mean summer (June, July, and August) temperature, only a few trees, planted mostly for home consumption, being found below this line. The northward distribution ends approximately at the mean winter (December, January, and February) Isotherm of 13°, and the acreage is thin beyond the winter isotherm of 20°, except in Vermont, New Hampshire, and Maine, where the moister weather lessens the injury of the dry winter winds. The effect of the cold, desiccating northwestern winds is apparent on the map as far south as central Illinois and northwestern Indiana, while the influence of Lake Michigan in raising both the temperature and moisture content of the air is evident not only on the

---

[1] Total production (not reported for 1939) was estimated on the basis of the ratio of average total production for 1928-1937 to average commercial production for the same period.

Table 62. - Potatoes. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	2,257	1,263	55.22	159	127	79.87	364,006	160,645	44.13
Southern	410	334	81.46	115	94	81.74	46,994	31,222	66.44
Western Trunk Line.....	1,747	875	50.09	131	92	70.23	228,331	80,855	35.41
Southwestern	209	149	71.29	87	66	75.86	18,196	9,767	53.68
Mountain-Pacific	538	406	75.46	215	201	93.49	115,411	81,527	70.64
United States	5,191	3,027	58.31	149	120	80.54	772,938	364,016	47.10
	Percent of total								
Official	44.06	41.73					47.09	44.13	
Southern	7.90	11.03					6.08	8.58	
Western Trunk Line	33.66	28.91					29.54	22.21	
Southwestern	4.03	4.92					2.36	2.68	
Mountain-Pacific	10.35	13.41					14.93	22.40	
United States	100.00	100.00					100.00	100.00	

1/ Potential production of potatoes by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of potatoes harvested in 1929 (Census county figures).

2/ Preliminary.

Sources:

U.S. D.A., B.A.E., "Revised Estimates of Potato Acreage, Yield, and Production, 1866-1929," Aug. 1935 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1940.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

> [fol. 5702] Michigan but also in lesser degree upon the Wisconsin shore. Very few apples are grown in the Great Plains area beyond the line of 18 inches rainfall during the six growing months, April to September, inclusive, except where irrigation is practiced."[1]

Within this wide range of territory the commercial production of apples is limited by market demand.

Sheep

Sheep and lambs and wool are produced chiefly in Mountain-Pacific territory (44.40 percent and 48.40 percent, respectively), probably due to the vast amount of rangeland which can be best utilized by grazing sheep. Other significant amounts of sheep and wool are produced in Western Trunk Line and Official territories, seeming to follow, in general fashion, the production of the principal feed crops.

Other

Soybeans are grown principally in Official territory (81.45 percent of U. S. total in 1939), and have become important as a crop only within the past fifteen years. Their use in manufacturing seems to indicate a much greater expansion in acreage and production in the future. Western Trunk Line territory ranks second with 13.59 percent of the total.

The remaining 12 crops for which potential production was computed (barley, rye, buckwheat, rice, grain sorghums, sweet sorghums, peanuts, flaxseed, sugarcane for sugar, sugarcane for syrup, sugar beets, and sweetpotatoes) are not discussed individually since none of these crops amounted to as much as 2½ percent of the total farm value of crops harvested in 1939. The tabular comparisons of potential figures with 1939 figures, however, are presented in the tables which immediately follow.

---

[1] Ibid., p. 77.

Table 63.- Barley. Potential Production[1/] and Production in 1939[2/] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	2,170	1,032	47.56	32.6	27.5	84.36	70,785	28,426	40.16
Southern	137	124	90.51	25.3	20.3	80.24	3,469	2,516	72.53
Western Trunk Line	11,476	8,757	76.31	29.1	20.5	70.45	334,330	179,722	53.76
Southwestern	599	575	95.99	25.6	15.7	61.33	15,324	9,003	58.75
Mountain-Pacific	2,644	2,112	79.88	34.2	26.8	78.36	90,513	56,631	62.57
United States	17,026	12,600	74.00	30.2	21.9	72.52	514,421	276,298	53.71
	Percent of total								
Official	12.74	8.19					13.76	10.29	
Southern	0.81	0.99					0.67	0.91	
Western Trunk Line	67.40	69.50					64.99	65.05	
Southwestern	3.52	4.56					2.98	3.26	
Mountain-Pacific	15.53	16.76					17.60	20.49	
United States	100.00	100.00					100.00	100.00	

1/ Potential barley production by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of barley acreage harvested in 1929 (Census county figures).

2/ Preliminary.

Sources:
U.S. D.A., "Crops and Markets," Dec. 1939, p. 269.
U.S. D.A., B.A.E., "Revised Estimates of Barley Acreage, Yield, and Production, 1866-1929," Feb. 1935 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

IV - 63

Table 64.- Rye. Potential Production[1] and Production in 1939[2] by Freight Rate Territories.

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	2,854	621	21.76	16.5	13.1	79.39	46,965	8,130	17.31
Southern	284	165	58.10	11.6	8.0	68.97	3,293	1,313	39.87
Western Trunk Line	5,629	2,807	49.86	17.9	9.8	54.75	100,609	27,608	27.44
Southwestern	90	69	76.67	13.2	8.5	64.39	1,185	587	49.54
Mountain-Pacific	347	149	42.90	16.7	10.8	64.67	5,812	1,611	27.72
United States	9,204	3,811	41.41	17.2	10.3	59.88	157,864	39,249	24.86
	Percent of total								
Official	31.00	16.29					29.75	20.71	
Southern	3.08	4.33					2.09	3.35	
Western Trunk Line	61.16	73.66					63.73	70.34	
Southwestern	0.98	1.81					0.75	1.50	
Mountain-Pacific	3.78	3.91					3.68	4.10	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential rye production by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of rye acreage harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:
U.S. D.A., "Crops and Markets," Dec. 1939, p. 269.
U.S. D. A., B.A.E., "Revised Estimates of Rye Acreage, Yield, and Production, 1866-1929," October 1935, (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

Table 65.- Buckwheat. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	995	327	32.86	21.4	15.6	72.90	21,298	5,097	23.93
Southern	43	18	41.86	15.9	12.7	79.87	690	228	33.04
Western Trunk Line ..	277	34	12.27	14.9	12.2	81.88	4,137	414	10.01
Southwestern	-	-	-	-	-	-	-	-	-
Mountain-Pacific	-	-	-	-	-	-	-	-	-
United States	1,315	379	28.82	19.9	15.1	75.88	26,125	5,739	21.97
	Percent of total								
Official	75.64	86.28					81.52	88.81	
Southern	3.31	4.75					2.64	3.97	
Western Trunk Line...	21.05	8.97					15.84	7.22	
Southwestern	-	-					-	-	
Mountain-Pacific.....	-	-					-	-	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of buckwheat by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each State comprising the territory. Data for States divided by freight rate territory boundaries were apportioned on the basis of buckwheat acreage harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:
U.S. D.A., "Crops and Markets," Dec. 1939, p. 273.
U.S. D.A., B.A.E., "Revised Estimates of Buckwheat Acreage, Yield, and Production, 1866-1929," July 1934 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

Table 66.- Rice. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	-	-	-	-	-	-	-	-	-
Southern [3]	64	6	-	32.8	43.0	-	2,036	262	-
Western Trunk Line	10	-	-	75.0	-	-	750	-	-
Southwestern	1,147	913	79.60	49.6	47.1	94.96	56,899	43,044	75.65
Mountain-Pacific	162	120	74.07	76.4	75.0	98.17	12,377	9,000	72.72
United States	1,383	1,039	75.13	52.1	50.3	96.55	72,112	52,306	72.53

Percent of total

Territory	Acreage harvested: Maximum	Acreage harvested: 1939	Acreage harvested: Percent of maximum	Yield per acre: Maximum	Yield per acre: 1939	Yield per acre: Percent of maximum	Production: Potential	Production: 1939	Production: Percent of potential
Official	-	-					-	-	
Southern	4.60	0.58					2.89	0.50	
Western Trunk Line	.72	-					1.04	-	
Southwestern	82.97	87.87					78.91	82.29	
Mountain-Pacific	11.71	11.55					17.16	17.21	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of rice by freight rate territories was computed by applying the maximum yield (1904-1939) to the maximum acreage harvested (1904-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of rice harvested in 1929 (Census county figures).

[2] Preliminary.

[3] Percents not computed because data for 1939 are incomplete, figures being shown for Louisiana only. This fact accounts for the apparent impossibility in the yield column; namely, that the 1939 yield per acre for Southern Territory is higher than the maximum yield per acre for any year, including 1939. The maximum yield for Louisiana is 46.0 pounds in 1916.

Sources:

U.S. D.A., "Crops and Markets," Dec. 1939, p. 266.
U.S. D.A., B.A.E., "Disposition of Rice, Crop Years 1909-1936, by States," March 1939 (mimeographed).
U.S. D.A., "Agricultural Statistics," 1939.
U.S. D.A., "Yearbook of Agriculture," 1904-1908, 1920-1932.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

Table 67.- Grain Sorghums for All Purposes. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre[2]			Production[2]		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	-	-	-	-	-	-	-	-	-
Southern	-	-	-	-	-	-	-	-	-
Western Trunk Line ..	3,529	2,843	80.56	16.4	9.3	56.71	57,842	26,410	45.66
Southwestern	6,234	4,722	75.75	18.8	10.2	54.26	117,432	48,257	41.09
Mountain-Pacific	585	490	83.76	24.4	17.2	70.49	14,290	8,435	59.03
United States	10,348	8,055	77.84	18.3	10.3	56.28	189,564	83,102	43.84
				Percent of total					
Official	-	-					-	-	
Southern	-	-					-	-	
Western Trunk Line...	34.10	35.30					30.51	31.78	
Southwestern	60.25	58.62					61.95	58.07	
Mountain-Pacific	5.65	6.08					7.54	10.15	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of grain sorghums by freight rate territories was computed by applying the maximum yield (1924-1939), including grain equivalent on forage acreage, to the maximum acreage harvested (1924-1939) for each State comprising the territory. Data for States divided by territory boundaries were apportioned on the basis of acreage of grain sorghums harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., B.A.E., "General Crop Revisions, Crop Years 1924-1935, Acreage, Yield and Production, by States," June 1936 (mimeographed).

U.S. D.A., "Agricultural Statistics," 1938-1940.

Fifteenth Census of U.S., 1930, Agriculture, Volume II (State and county figures).

Table 68. - Sweet Sorghums for Forage and Hay.[1] Potential Production[2] and Production in 1939, [3] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Tons)			(1,000 tons)		
Official	33	30	90.91	4/2.45	4/2.47	4/100.00	81	74	91.36
Southern	381	244	64.04	2.15	1.80	83.72	821	440	53.59
Western Trunk Line .	3,416	3,342	97.83	2.41	1.69	70.12	8,244	5,651	68.55
Southwestern	2,268	2,212	97.53	1.68	1.11	66.07	3,802	2,455	64.57
Mountain-Pacific ...	53	47	88.67	1.68	0.98	58.33	89	46	51.69
United States .	6,151	5,875	95.51	2.12	1.48	69.81	13,037	8,666	66.47
	Percent of total								
Official	0.54	0.51					0.62	0.85	
Southern	6.19	4.15					6.30	5.08	
Western Trunk Line .	55.54	56.89					63.24	65.21	
Southwestern	36.87	37.65					29.16	28.33	
Mountain-Pacific ...	0.86	0.80					0.68	0.53	
United States .	100.00	100.00					100.00	100.00	

---

[1] Not included in "all tame hay."

[2] Potential production of sweet sorghums by freight rate territories was computed by applying the maximum yield (1924-1939) to the maximum acreage harvested (1924-1939) for each state comprising the territory. Data for states divided by territory boundaries were apportioned on the basis of acreage of sorghums cut for silage in 1929 (Census county figures).

[3] Preliminary.

[4] The apparent impossibility (that yield per acre for 1939 is greater than the maximum yield for any year, including 1939) is due to a weighting of state yields inherent in the method of computation. The only states in Official Territory for which figures are reported are Illinois and Virginia. Since maximum data for Illinois coincide with 1939 figures (acreage 28,000, yield 2.5 tons), and, since maximum data for Virginia (acreage 7,000, yield 2.0 tons) are considerably greater than 1939 figures (acreage 3,000, yield 1.67 tons); consequently, Virginia has less weight in the computation of 1939 yield for Official Territory than in the computation of the maximum yield for Official Territory.

Sources:

U.S. D.A., B.A.E., "General Crop Revisions, Crop Years 1924-1935, Acreage, Yield and Production by States," June 1936 (mimeographed).

U.S. D.A., "Crops and Markets," Dec. 1937, 1938, and 1939.

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

Table 69. - Peanuts.[3] Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Pounds)			(1,000 pounds)		
Official	79	79	100.00	1,225	1,175	95.92	96,444	92,512	95.92
Southern	2,396	2,355	98.28	859	609	70.90	2,058,081	1,434,231	69.69
Western Trunk Line .	-	-	-	-	-	-	-	-	-
Southwestern	652	571	87.58	676	427	63.17	440,630	243,547	55.27
Mountain-Pacific ...	-	-	-	-	-	-	-	-	-
United States .	3,127	3,005	96.10	830	589	70.96	2,595,155	1,770,290	68.22
				Percent of total					
Official	2.52	2.63					3.72	5.22	
Southern	76.63	78.37					79.30	81.02	
Western Trunk Line .	-	-					-	-	
Southwestern	20.85	19.00					16.98	13.76	
Mountain-Pacific ...	-	-					-	-	
United States .	100.00	100.00					100.00	100.00	

[1] Potential production of peanuts by freight rate territories was computed by applying the maximum yield (1919-1939) to the maximum acreage harvested (1919-1939) for each state comprising the territory. Data for states divided by territory boundaries were apportioned on the basis of production of peanuts in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., "Crops and Markets," Dec. 1939, p. 277.

U.S. D.A., B.A.E., "Peanuts, Revised Estimates, Acreage, Yield, Production, and Disposition by States and Estimated Commercial Production by Areas, 1919-1938," May 1939 (mimeographed).

Fifteenth Census of U.S., 1930, Agriculture, Volume II (state and county figures).

[3] Figures are for equivalent acreage and production for all purposes as contrasted with 1939 figures presented previously in this report which are for peanuts picked and threshed.

Table 70. - Flaxseed: Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	25	1.8	7.20	13.4	8.9	66.42	327	16	4.89
Southern	-	-	-	-	-	-	-	-	-
Western Trunk Line	5,026	2,001.2	39.82	12.5	8.7	69.60	62,649	17,466	27.88
Southwestern	18	18.0	100.00	11.5	11.5	100.00	207	207	100.00
Mountain-Pacific	674	263.0	39.02	15.0	10.0	66.67	10,089	2,641	26.18
United States	5,743	2,284.0	39.77	12.8	8.9	69.53	73,272	20,330	27.75
	Percent of total								
Official	0.43	0.08					0.45	0.08	
Southern	-	-					-	-	
Western Trunk Line	87.52	87.62					85.50	85.91	
Southwestern	.31	.79					.28	1.02	
Mountain-Pacific	11.74	11.51					13.77	12.99	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of flaxseed by freight rate territories was computed by applying the maximum yield (1889-1939) to the maximum acreage harvested (1889-1939) for each state comprising the territory. Data for states divided by territory boundaries were apportioned on the basis of acreage of flax harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:
U.S. D.A., "Crops and Markets," Dec. 1939, p. 273.
U.S. D.A., B.A.E., "Revised Estimates of Flaxseed * * * Acreage and Yield per Acre, 1889-1929," July 1936 (mimeographed).
U.S. D.A., "Yearbook of Agriculture," 1932-1935.
U.S. D.A., "Agricultural Statistics," 1936-1939.
U.S. D.A., "Yearbook of Agriculture," 1926, p. 871 (data for Colorado).
Fifteenth Census of U.S., 1930, Agriculture, Volume II (state and county figures).

Table 71. - Sugarcane for Sugar.[1] Potential Production[2] and Production in 1939,[3] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Tons)			(1,000 tons)		
Official	-	-	-	-	-	-	-	-	-
Southern	41	35	85.37	30.4	29.5	97.04	1,254	1,037	82.70
Western Trunk Line	-	-	-	-	-	-	-	-	-
Southwestern	253	223	88.14	21.7	21.4	98.62	5,487	4,761	86.77
Mountain-Pacific	-	-	-	-	-	-	-	-	-
United States	294	258	87.76	22.9	22.5	98.25	6,741	5,798	86.01
	Percent of total								
Official	-	-					-	-	
Southern	14.03	13.60					18.60	17.89	
Western Trunk Line	-	-					-	-	
Southwestern	85.97	86.40					81.40	82.11	
Mountain-Pacific	-	-					-	-	
United States	100.00	100.00					100.00	100.00	

[1] Excluding cane for seed.

[2] Potential production of sugarcane for sugar by freight rate territories was computed by applying the maximum yield (1924-1939) to the maximum acreage harvested (1924-1939) for each state comprising the territory. Data for Louisiana were apportioned to territories on the basis of acreage of sugarcane harvested for sugar in 1929 (Census county figures).

[3] Preliminary.

Sources:

U.S. D.A., B.A.E., "General Crop Revisions, Crop Years 1924-1935, Acreage, Yield and Production by States," June 1936 (mimeographed).
U.S. D.A., "Agricultural Statistics," 1939, 1940.
Fifteenth Census of U.S., 1930, Agriculture, Volume II (state and county figures).

Table 72. - Sugarcane for Syrup. Potential Production[1] and Production in 1939,[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Gallons)			(1,000 gallons)		
Official	-	-	-	-	-	-	-	-	-
Southern	137	114	83.21	179	150	83.80	24,581	17,051	69.37
Western Trunk Line ..	-	-	-	-	-	-	-	-	-
Southwestern	48	31	64.58	277	253	91.34	13,311	7,858	59.03
Mountain-Pacific	-	-	-	-	-	-	-	-	-
United States ..	185	145	78.38	205	172	83.90	37,892	24,909	65.74
				Percent of total					
Official	-	-					-	-	
Southern	74.05	78.62					64.87	68.45	
Western Trunk Line ..	-	-					-	-	
Southwestern	25.95	21.38					35.13	31.55	
Mountain-Pacific	-	-					-	-	
United States ..	100.00	100.00					100.00	100.00	

[1] Potential production of sugarcane for syrup by freight rate territories was computed by applying the maximum yield (1924-1939) to the maximum acreage harvested (1924-1939) for each state comprising the territory. Data for Louisiana were apportioned to territories on the basis of acreage of sugarcane harvested for syrup in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., B.A.E., "General Crop Revisions, Crop Years 1924-1935, Acreage, Yield and Production by States," June 1936 (mimeographed).

U.S. D.A., "Agricultural Statistics," 1938-1940.

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

Table 73. - Sugar Beets. Potential Production[1] and Production in 1939[2] by Freight Rate Territories.

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Tons)			(1,000 tons)		
Official	209	166	79.43	10.0	8.4	84.00	2,101	1,391	66.21
Southern	-	-	-	-	-	-	-	-	-
Western Trunk Line ..	305	187	61.31	14.7	10.9	74.15	4,483	2,045	45.62
Southwestern	-	-	-	-	-	-	-	-	-
Mountain-Pacific	498	443	88.96	15.2	13.8	90.79	7,546	6,093	80.74
United States 3/	1,012	796	78.66	14.0	11.7	83.57	14,130	9,529	67.44
				Percent of total					
Official	20.65	20.86					14.87	14.60	
Southern	-	-					-	-	
Western Trunk Line ..	30.14	23.49					31.73	21.46	
Southwestern	-	-					-	-	
Mountain-Pacific	49.21	55.65					53.40	63.94	
United States 3/	100.00	100.00					100.00	100.00	

[1] Potential production of sugar beets by freight rate territories was computed by applying the maximum yield (1924-1939) to the maximum acreage harvested (1924-1939) for each state comprising the territory. Data for states divided by territory boundaries were apportioned on the basis of acreage of sugar beets harvested in 1929 (Census county figures).

[2] Preliminary.

[3] Excluding "other states", for which, in 1939, the following data are reported: Acreage harvested, 121,000; yield per acre, 103 tons; production, 1,244,000 tons.

Sources:

U.S. D.A., B.A.E., Crop Reporting Board, "General Crop Revisions, Crop Years 1924-1935, Acreage, Yield, and Production by States," June 1936 (mimeographed).

U.S. D.A., "Agricultural Statistics," 1938-1940.

Fifteenth Census of U.S., 1930, Agriculture, Volume II (state and county figures).

Table 74. - Sweetpotatoes. Potential Production[1] and Production in 1939[2] by Freight Rate Territories

Territory	Acreage harvested			Yield per acre			Production		
	Maximum	1939	Percent of maximum	Maximum	1939	Percent of maximum	Potential	1939	Percent of potential
	(1,000 acres)			(Bushels)			(1,000 bushels)		
Official	105	63	60.00	154.8	134.8	87.08	16,247	8,492	52.27
Southern	660	567	85.91	108.5	85.0	78.34	71,684	48,187	67.22
Western Trunk Line ..	25	19	76.00	126.2	85.0	67.35	3,155	1,615	51.19
Southwestern	307	203	66.12	106.3	65.0	61.15	32,593	13,185	40.45
Mountain-Pacific	18	10	55.56	177.9	120.0	67.45	3,202	1,200	37.48
United States ..	1,115	862	77.31	113.8	84.3	74.0[illegible]	126,881	72,679	57.28
					Percent of total				
Official	9.42	7.31					12.80	11.69	
Southern	59.19	65.78					56.50	66.30	
Western Trunk Line ..	2.24	2.20					2.49	2.22	
Southwestern	27.53	23.55					25.69	18.14	
Mountain-Pacific	1.62	1.16					2.52	1.65	
United States	100.00	100.00					100.00	100.00	

---

[1] Potential production of sweetpotatoes by freight rate territories was computed by applying the maximum yield (1879-1939) to the maximum acreage harvested (1879-1939) for each state comprising the territory. Data for states divided by territory boundaries were apportioned on the basis of acreage of sweetpotatoes harvested in 1929 (Census county figures).

[2] Preliminary.

Sources:

U.S. D.A., B.A.E., "Revised Estimates of Sweet Potato Acreage, Yield per Acre, and Production, 1868-1923," Feb. 1937 (mimeographed)
U.S. D.A., "Yearbook of Agriculture," 1926-1937.
U.S. D.A., "Agricultural Statistics," 1938-1940.
Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5715] *Diversification of Crops*

The number of major crops in each territory is important insofar as it determines to what extent each territory is dependent upon particular crops for its value of production. Table 47 shows that Official territory has only 2 crops which produce more than 10 percent of the total value of the territory. These are corn (37.78 percent) and tame hay (16.29 percent) and the two together have a greater value than all other crops. Eight crops produce between 1 and 10 percent each of the total value. These eight crops plus the two major crops account for 93.45 percent of the farm value as of 1939.

Southern territory has three major crops; cotton, 25.45 percent; tobacco, 21.75 percent; and corn, 20.02 percent of the total. These 3 crops account for approximately two-thirds of the farm value harvested in 1939. In addition, there are 10 crops with from 1 to 10 percent of the total which account for an additional 26.97 percent of the total value.

Corn is of such major importance to Western Trunk Line territory that it dwarfs all other crops by comparison since it accounts for 41.93 percent of the total value. Three other crops, wheat, oats, and tame hay, account for another 35.70 percent, hence the 4 major crops account for over 75 per cent of the total. Seven other crops each have more than 1 percent of the territory total value.

The agriculture of Southwestern territory is dominated by cotton production which accounts for 44.71 percent of the value produced in 1939. Three cereal crops, corn, wheat, and rice, account for another 27.88 percent and there are 8 other crops which each have over 1 percent of the territory total.

The farm value produced in Mountain-Pacific territory is widely distributed, since no crop accounts for more than 16.13 percent of the territory total. Three crops, tame hay, wheat, and commercial truck crops, account for 43.40 percent. There are 15 other crops which each account for more than 1 percent of the total, chief among which are, in the order of their importance, oranges, cotton, and potatoes.

[fol. 5716] When the figures on value produced are arranged according to major groups of crops,[1] they reveal more clearly the dependence of certain territories on particular types of crops. For example, Table 75 shows that, on the basis of 1939 value figures, Southern territory depends on special crops for 48.17 percent of its production. Of this percent 25.45 is cotton and 21.75 is tobacco. It also reveals that cereal crops are of greatest importance to Official territory (53.17 percent of the territory total) and Western Trunk Line territory (74.87 percent). Cereal and hay crops together make up 89 percent of the value produced in Western Trunk Line territory. Southwestern territory produces principally special crops, which make up 47.25 percent of the territory total. Of this percent (47.25) 44.71 is cotton. Mountain-Pacific territory produces mainly fruits and nuts, followed in order of importance by cereal crops, potatoes and truck crops, and hay and seed crops. Its value of production is thus fairly evenly distributed over several major groups of crops. Its major crop, fruits and nuts, is not grown generally throughout the United States, however, which tends to discount its position as the territory with the most widely distributed production (as shown by this method).

---

[1] The crops studied in this report are grouped as follows:

Cereal crops—corn, wheat, oats, barley, rye, buckwheat, rice, and grain sorghums;

Hay and seed crops—tame and wild hay, sweet sorghums, alfalfa seed, red clover seed, and lespedeza seed;

Annual legumes—dry edible beans, dry field peas, soy beans, cowpeas, peanuts, and velvet beans;

Special crops—flaxseed, tobacco, cotton, sugar-cane and sugar beets;

Potatoes and truck crops—potatoes, sweet potatoes, and commercial truck crops; and

Fruits and nuts—strawberries, cranberries, apples, peaches, pears, grapes, cherries, plums and prunes, oranges, grapefruit, lemons, and pecans.

(Here follows 1 Photolithograph, side folio 5717)

Table 75. - Farm Value of Principal Groups of Crops, by Freight Rate Territories, 1939 1/

Crop	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Dollars)					
Cereal crops	791,954	260,522	1,025,091	230,106	164,456	2,472,129
Hay and seed crops	255,635	88,500	193,345	46,771	138,959	723,210
Annual legumes	75,082	53,358	14,334	9,915	29,809	182,498
Special crops	45,172	544,515	63,000	306,694	80,183	1,039,564
Potatoes and truck crops	209,183	109,952	60,305	34,683	146,346	560,469
Fruits and nuts	112,412	73,566	13,113	20,913	191,634	411,638
All crops	1,489,438	1,130,413	1,369,188	649,082	751,387	5,389,508
	Percent of territory totals					
Cereal crops	53.17	23.04	74.87	35.45	21.89	45.87
Hay and seed crops	17.16	7.83	14.12	7.21	18.49	13.42
Annual legumes	5.04	4.72	1.05	1.53	3.97	3.38
Special crops (cash crops)	3.03	48.17	4.60	47.25	10.67	19.29
Potatoes, sweetpotatoes, and commercial truck crops ...	14.05	9.73	4.40	5.34	19.48	10.40
Fruits and nuts	7.55	6.51	.96	3.22	25.50	7.64
All crops	100.00	100.00	100.00	100.00	100.00	100.00

1/ Preliminary.

Sources:

U.S.D.A., "Crops and Markets," Dec. 1939.

U.S.D.A., "Agricultural Statistics," 1940.

U.S.D.A., "Farm Production, Farm Disposition, and Value of Principal Field Crops, 1937-1939, by States," April 1940 (mimeographed).

Fifteenth Census of U. S., 1930, Agriculture, Volume II (state and county figures).

[fol. 5718] Table 76 shows a comparison of territories on the basis of how closely the crops grown in each territory conform to the national distribution of crops. In order to make this comparison, the acreage of each crop harvested in each territory was expressed as a percent of the total acreage of all crops harvested in the territory in 1939. The deviation of each territory from the national average was computed by subtracting these percents from the percents showing distribution of acreage by crops for the United States and by adding without regard to positive or negative signs. Hence, Western Trunk Line territory, with the smallest total deviation, raises crops which conform more closely to the United States average (judged from the standpoint of distribution of acreage) than any other territory. Official territory is next, followed in order by Southwestern, Southern, and Mountain-Pacific territories.

Table 76.--Distribution of the Acreage of Crops Harvested within Freight Rate Territories, 1939 1/

Crop	United States		Official		Southern		Western Trunk Line		Southwestern		Mountain-Pacific	
	1,000 acres	Percent of all crops	Percent of all crops	Deviation from U.S.	Perce t of all c ops	Deviation from U.S.	Percent of all crops	Deviation from U.S.	Percent of all crops	Deviation from U.S.	Percent of all crops	Deviation from U.S.
Corn	88,803	26.93	30.82	+ 3.89	41 33	+ 14.40	26.61	- 0.32	20.68	- 6.25	2.59	- 24.34
Tame hay	58,347	17.69	30.60	+ 12.91	15 36	- 2.33	13.35	- 4.34	6.36	- 11.33	27.88	+ 10.19
Wheat	53,696	16.28	11.52	- 4.76	3 15	- 13.13	21.68	+ 5.40	14.88	- 1.40	30.52	+ 14.24
Oats	33,070	10.03	12.06	+ 2.03	2 96	- 7.07	14.61	+ 4.58	5.58	- 4.45	4.87	- 5.16
Cotton	23,785	7.21	.01	- 7.20	17 62	+ 10.41	.29	- 6.92	28.19	+ 20.98	2.11	- 5.10
Barley	12,600	3.82	1.43	- 2.39	23	- 3.59	6.82	+ 3.00	1.20	- 2.62	7.34	+ 3.52
Wild hay	10,898	3.30	.33	- 2.97	55	- 2.75	5.98	+ 2.68	1.90	- 1.40	6.21	+ 2.91
Grain sorghums	8,055	2.44	-	- 2.44	-	- 2.44	2.22	- .22	9.86	+ 7.42	1.70	- .74
Sweet sorghums	5,875	1.78	.04	- 1.74	46	- 1.32	2.60	+ .82	4.62	+ 2.84	.16	- 1.62
Fruits and nuts	5,344	1.62	2.54	+ .92	1 89	+ .27	.28	- 1.34	.78	- .84	6.24	+ 4.62
Soybeans	4,226	1.28	4.40	+ 3.12	65	- .63	.49	- .79	.18	- 1.10	-	- 1.28
Rye	3,811	1.16	.86	- .30	31	- .85	2.19	+ 1.03	.14	- 1.02	.52	- .64
Potatoes	3,027	.92	1.75	+ .83	63	- .29	.68	- .24	.31	- .61	1.41	+ .49
Commercial truck crops	2,852	.87	1.37	+ .50	1 06	+ .19	.20	- .67	.74	- .13	2.40	+ 1.53
Velvetbeans	2,444	.74	-	- .74	4 55	+ 3.81	-	- .74	.09	- .65	-	- .74
Flaxseed	2,284	.69	2/	- .69	-	- .69	1.56	+ .87	.04	- .65	.91	+ .22
Tobacco	2,014	.61	.27	- .34	3 42	+ 2.81	.01	- .60	-	- .61	-	- .61
Peanut	1,859	.56	.11	- .45	2 65	+ 2.09	-	- .56	.80	+ .24	-	- .56
Beans, dry edible	1,554	.47	.84	+ .37	-	- .47	.20	- .27	-	- .47	2.39	+ 1.92
Cowpeas	1,365	.41	.16	- .25	1 65	+ 1.24	.02	- .39	.75	+ .34	-	- .41
Rice	1,039	.32	-	- .32	01	- .31	-	- .32	1.91	+ 1.59	.42	+ .10
Sweetpotatoes	862	.26	.09	- .17	1 07	+ .81	.01	- .25	.42	+ .16	.04	- .22
Sugar beets	796	.24	.23	- .01	-	- .24	.15	- .09	-	- .24	1.54	+ 1.30
Buckwheat	379	.12	.45	+ .33	03	- .09	.03	- .09	-	- .12	-	- .12
Sugarcane for sugar	258	.08	-	- .08	07	- .01	-	- .08	.47	+ .39	-	- .08
Peas, dry field	204	.06	.01	- .05	-	- .06	.01	- .05	-	- .06	.66	+ .60
Strawberries	194	.06	.08	+ .02	13	+ .07	.01	- .05	.04	- .02	.09	+ .03
Sugarcane for syrup	145	.04	-	- .04	22	+ .18	-	- .04	.06	+ .02	-	- .04
Cranberries	28	.01	.03	+ .02	-	- .01	2/	- .01	-	- .01	2/	- .01
All principal crops	329,814	100.00	100.00		100 00		100.00		100.00		100.00	
Total deviation from U.S.				49.88		72.56		36.76		67.96		83.34
No. of crops over U.S. average				11		11		7		9		13
No. of crops under U.S. average				18		18		22		20		16

1/ Preliminary.

2/ Less than .005 percent.

[fol. 5720] Chapter V

Rate Territory Distribution of Forest Resources

Forest Regions

In the description of physical conditions required for forests (moisture, temperature, topography, and soil), a Department of Agriculture Bulletin states that "trees present an exceptionally large and exposed extent of surface to evaporation; hence forests, in general, are more restricted than crops in the matter of moisture requirements. But forests are less restricted by low temperature, and are scarcely restricted at all by topographic and soil conditions. * * * In the matter of resistance to low temperature some forest trees, especially the spruce and fir, exceed any of the crops. Whereas 9,000 to 10,000 feet is the upper limit of crop production in Colorado, the timber extends upward to 11,000 and 12,000 feet. The mean summer temperature at this altitude is about 48° F. * * * with reference to stony or rough land and sandy soils in humid areas, forests show almost perfect adaption. Mountain slopes will produce almost as much timber as valley bottoms having the same soil, and the land meanwhile is being protected from erosion. Likewise relatively infertile sand will normally produce as many feet of pine timber annually as the most fertile land will of hardwood. For these reasons the mountain areas and the sandy lands of the United States, which jointly amount to about 400 million acres, are devoted largely to forest."[1]

"Different kinds of species of trees are found in natural association or mixtures and prevail in different portions of the United States. This is largely the result of varying conditions of temperature and rainfall or snowfall, and secondarily, of soil conditions."[2] According to Mattoon, [fol. 5721] there are six natural forest regions in continental United States: northern, central hardwood, southern, tropical, Rocky Mountain, and Pacific Coast région. (See Map 14). "Most of the trees of a given forest region are different from those in the others, yet a considerable number are found in at least two and a few in three regions, especially in the eastern part of the United States where the large regions integrade gradually. This difference in the predominance of various species is rather marked in the two forest regions of the western portion of the United States, divided partly at least by the extensive and nearly treeless interior basis extending from southeast Washington south to Mexico."[1]

---

[1] O. E. Baker, Senior Agriculture Economist, Bureau of Agricultural Economics, "A Graphic Summary of Physical Features and Land Utilization in the United States," U. S. D.A. Misc. Publication No. 260, May 1937, pp. 20-21.

[2] Wilbur R. Mattoon, Extension Forester, [U. S.] Forest Service, "Forest Trees and Forest Regions of the United States," U. S. D. A., Misc. Publication No. 217, September 1936, p. 33.

The northern forest region covers most of New England and New York, extends southward over the Allegheny Plateau and Appalachian Mountains to northern Georgia, and in the Lake States most of Michigan, Wisconsin, and Minnesota. This region "is characterized by the predominance of northern white pine, eastern hemlock, red and white spruces, gray paper, sweet, and yellow birches, beech, sugar maple, basswoods, and northern red and scarlet oaks. Each of these species varies in abundance in different parts of the region, and most of them are absent in some places. * * * The southern extension of the region is characterized by an abundance of oaks of various kinds, chestnut, black gum, yellow poplar, cucumber tree, black locust, and southern balsam fir"[2]

The northern forest region "was the first land in the United States to be logged and it now contains only insignificant areas of virgin timber. Cutting is going on mostly in small-sized timber which produces small dimension lumber * * *, pulpwood, and fuel wood."[2]

The central hardwood forest region extends (excluding the southern Appalachian Mountain country) from Connecticut westward to Southern Minnesota and south through the piedmont area and the Cumberland Plateau to the northern parts of Georgia, Alabama, and Mississippi and through Arkansas to eastern Oklahoma and central Texas. "Generally distributed over the region are white and black

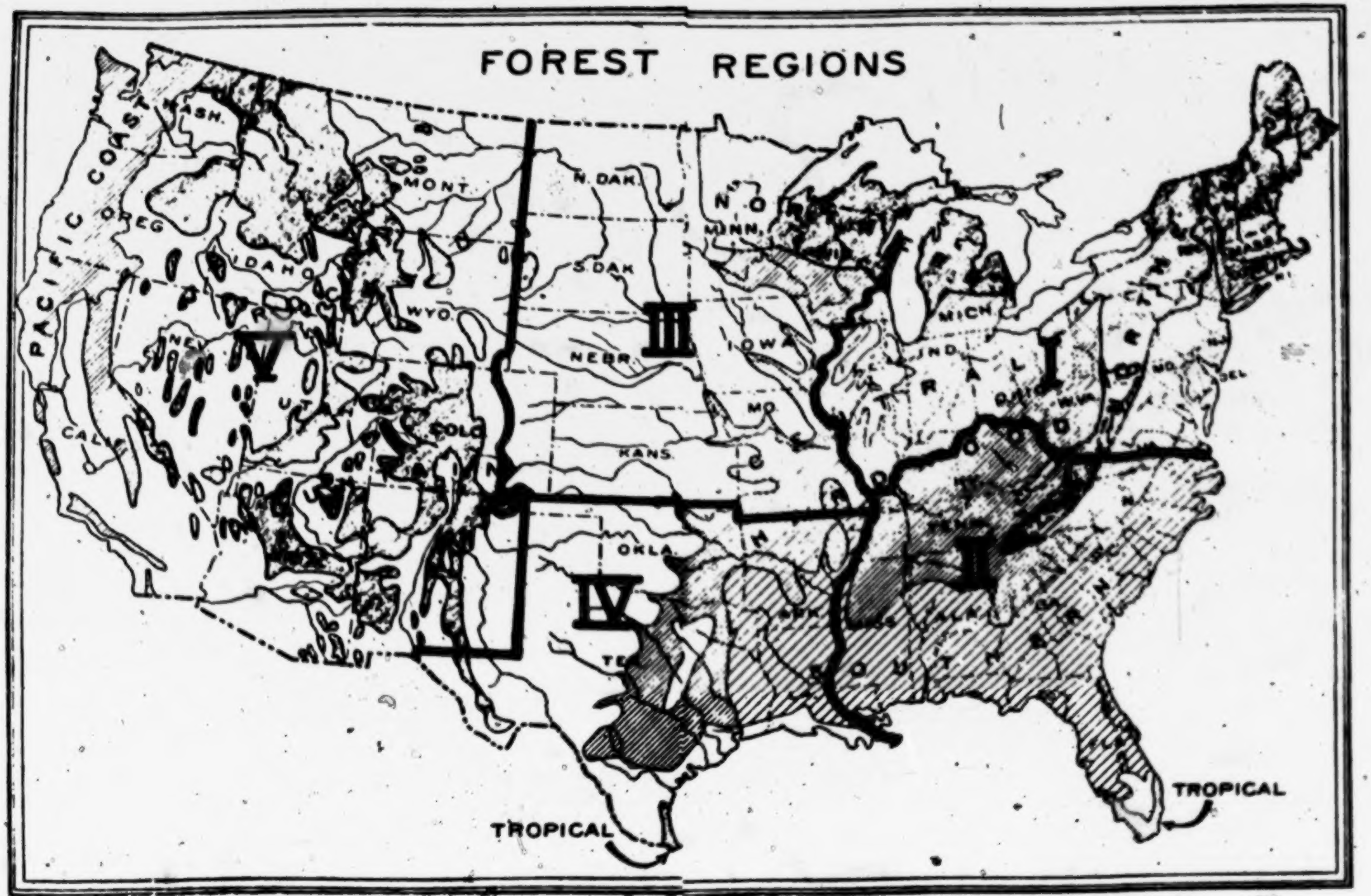
---

[1] Ibid.

[2] Ibid., p. 39.

(Here follows 1 Photolithograph, side folio 5722)

Map 14


FOREST REGIONS
PACIFIC COAST
WASH.
MONT.
OREG
IDAHO
WYO.
NEV
UT
CALIF
COLO
N. DAK
S. DAK
NEBR.
KANS
OKLA
TEX
MINN.
IOWA
MO
MICH
IND
OHIO
W. VA
MD
DEL
NORTHERN
CENTRAL
SOUTHERN
I
II
III
IV
V
TROPICAL
TROPICAL

Legend of freight rate territories: I - Official, II - Southern, III - Western Trunk Line, IV - Southwestern, V - Mountain-Pacific.

Source: U.S.D.A., Misc. Publication No. 217, Sept. 1936, pp. 34-35.

[fol. 5723] oaks, mockernut and pignut hickories, American elm, red maple, and sycamore. The northern red and scarlet oaks of the northern division of the region give way in the southern division to the southern red, post, and willow oaks. Chestnut (formerly very abundant), shagbark hickory, sugar maple, and rock elm practically drop out, while shortleaf pine greatly increases in abundance, dogwood and eastern red cedar become commercially important, and Osage-orange and persimmon appear frequently. The Texas extension of the region comprises vast areas of small-sized trees of post, southern red, and blackjack oaks, mesquite, and a number of different junipers or cedars."[1]

"The forests of the [central hardwood forest] region furnish large quantities of high-grade hardwood lumber which has constituted the raw material for wood-manufacturing industries in many States, * * *. Memphis, Tenn., has for many years been the largest center for hardwood lumber in the country."[2]

The southern forest region covers the Atlantic and Gulf Coastal Plains from eastern Maryland to eastern Texas, including portions of Missouri, Arkansas, and Oklahoma.

> "The yellow pine forest of the Southeastern States afford the only remaining important source of large timber production in the eastern half of the United States. Interspersed with the pine-bearing lands are extensive river and creek bottom lands and swamps in which are growing stands of mixed hardwoods and southern cypress. * * * The natural conditions are a soil of relatively low agricultural value, abundant rainfall, long growing season, and many species of trees of high commercial importance. * * *
>
> "Four species of pines, namely, shortleaf, loblolly, longleaf, and slash, make up the bulk of the stands. These are mentioned in the order of their prevalence in passing from north to south across the region. [fol. 5724] Shortleaf pine is found over an extensive region from New Jersey south to Florida and west to Missouri, Oklahoma, and Texas. Its best growth is in the broad piedmont or hilly area between the moun-

---

[1] Ibid., p. 40.

[2] Ibid., p. 41.

> tains and the Coastal Plain. Loblolly pine grows extensively over the upper Coastal Plain. Mixed loblolly and shortleaf pines occur over a vast area in large timber holdings and on hundreds of thousands of farms. Over two-thirds of the total naval stores (spirits of turpentine and rosin) of the world is derived from the crude gum or resin of longleaf and slash pines growing in the southeastern part of the United States. * * *
>
> "Three other pines make a slight addition to the total amount; namely, the pond pine * * * in the acid lands and swamps of the Atlantic Coastal Plain; the sand pine of the sand barrens of Florida; and the spruce pine * * *
>
> "The lowland and swamp hardwoods, southern cypress, and an intermittent fringe of southern white cedar cover about one-third of the total area of the southern forest region. The prevailing hardwood trees are red (or sweet) gum, swamp black gum, and tupelo gum, willow oak, water oak, cottonwoods, willows, magnolias, and bays. * * *"[1]

Tropical forest region. "Two fringes of forest, made up chiefly of tropical tree species, occur along the coast in extreme southern Florida and in extreme southern coastal Texas. * * * Many kinds of hardwood trees, most of which are small and bear evergreen leaves and pulpy berries or stone fruit, make up the stand. A few are of some commercial or economic importance, like mastic or 'wild olive,' and the mangrove, whose impenetrable thickets hold the muddy banks, causing land to be built up, and form a protection against tropical hurricanes. * * *"[2]

[fol. 5725] The Rocky Mountain forest region covers a vast extent of mountains and high plateaus in the central-western part of the United States.

> "* * * It embraces over 40 isolated forest areas or patches, some of large size like that in western Montana, northern Idaho, and eastern Washington, and another in Colorado, New Mexico, and Arizona. Many are relatively small timbered tracts, lying on the

---

[1] Ibid., pp. 41-42.

[2] Ibid., p. 43

ridges and higher mountain plateaus, interspersed with great treeless stretches and sometimes widely scattered in large arid districts, as in parts of Nevada, Utah, and Arizona. * * *

"The change in forest cover as one ascends a mountain slope may be illustrated by the successive belts in the southern Colorado-New Mexico forest area. First, at altitudes ranging from 5,000 feet on moister situations to 6,000 feet on drier slopes occurs a belt of one-seeded, alligator, or Utah junipers and pinon, or nut pine; above it ponderosa (western yellow) pine which forms extensive forests over the highly dissected Colorado plateau; with Douglas fir and white fir mingling in the stand in the upper part of the belt, and often so predominating as to form pure stands at 8,000 feet; and finally Engelmann spruce over an extensive horizontal belt terminating at the upper portion at altitudes of 9,000 to 11,000 feet in a belt of alpine fir.

"In the northern Montana-Idaho portion of the Rocky-Mountain region, forest growth begins at elevations of 3,000 to 4,000 feet and, depending very much upon the exposure and soil moisture, extends upward to 6,500 to 7,000 feet. Limber and western pine blend at 4,500 feet. The maximum commercial forest growth occurs at about 5,000 feet with limber pine on the dry southern exposures and on the moister or [fol. 5726] northern slopes Engelmann spruce and alpine fir. Another important tree in the central portion of the region is lodgepole pine, a tall slender tree which grows in dense stands. * * *"[1]

The Pacific coast forest region extends from the northwestern portion of Washington through Oregon to Southern California.

"Stands of very large firs, pines, hemlock, and cedars characterize the Pacific coast forest region. These are dense in the coastal forests of Washington and Oregon. In the extreme southern portion, in southern California, the timbered lands are surrounded with margins of a dense growth of dwarf broadleaf trees known as 'chaparral'.

---

[1] Ibid., pp. 43-44.

"The big trees, or Sierra redwoods, of the Sierra Nevada mountains in central-eastern California reach enormous heights of over 300 feet and diameters up to 40 feet, and single trees contain up to 360,000 board feet of lumber. * * * The western red cedar, Douglas fir, and sugar pine of California all grow to heights of over 200 feet with diameters up to 12 to 15 feet. The western red cedar averages the largest of this group. Douglas fir, somewhat smaller, and sugar pine, with its thin rather smooth bark, range mostly from 6 to 9 feet in diameter. About four-fifths of the total standing saw timber of the country is found west of the Great Plains in the Rocky Mountain and Pacific coast forest regions. * * *"[2]

It should be noted that there are no statistics available on the distribution of the total stand of all forest trees mentioned above in connection with the description of various forest regions. The United States Forest Service, however, has released data on the stand of saw timber [fol. 5727] (on commercial forest land) by principal species and by regions for 1938. These data are discussed and presented in this report in the section on "Stand of Timber by Freight Rate Territories."

Original Forest Area

The original forest area of the continental United States is estimated to have been 822.2 million acres, excluding from 100 to 150 million acres of low-grade woodland and scrubs.[1] This acreage (822.2 million acres) constitutes 43.2 percent of the total land area of the United States.[2] "About 350,000,000 acres of forest land have been cleared for crops and pasture, but probably 50,000,000 acres of formerly cleared land have reverted to forest and brush, and about 25,000,000 acres are used for roads, railroads, cities, golf courses, etc."[3] By the close of 1938 the original forest land (822.2 million acres) had been reduced to 472.6 [fol. 5728] million acres,[4] or to 57.5 percent of the original forest area. Of the present area, 461.7 million acres constitute commercial forest land which, according to the definition by the United States Forest Service, is land capable of producing timber of commercial quantity and quality, and available now or prospectively for commercial use.[1] The remainder, 10.9 million acres, is commercially valuable land in parks, preserves, etc., withdrawn from timber use.[2]

---

[2] Ibid., pp. 45-46.

[1] U. S. D. A., Forest Service, "Timber Depletion, Lumber Prices, Lumber Exports and Concentration of Timber Ownership," Report on Senate Resolution 311, June 1, 1920. Third Edition, 1928, p. 32.

[2] Land area of the United States is 1,903.2 million acres, exclusive of Alaska and the island possessions.

Forest Land a Multiple-Use Resource

Forest land serves at least five major purposes: timber production, watershed services, recreation, support of wildlife, and forage production.[3]

> "With few exceptions, major uses need not be mutually exclusive; on the contrary, millions of acres can be used for two or more of them simultaneously. This unique multiple-use quality of forest land is one of its greatest assets.

---

[3] Baker, supra, p. 21.

[4] Excluding 157.6 million acres of forest land chiefly valuable for purposes other than timber production, such as the oak-cedar breaks of Texas and Oklahoma, mesquite, pinon-juniper in the West, chaparral in Southern California, remote and inaccessible alpine ranges and other areas which appear to be permanently out of the commercial timber-producing class because of low productivity or extreme inaccessibility., Much of the area has an important value in protecting the water-sheds of navigable streams, preventing or reducing soil erosion, protecting wild life, providing game cover, etc.—U. S. D. A., Forest Service, "Forest Statistics: Area, Stand, Growth, and Drain" (prepared for Joint Congressional Committee on Forestry), 1939, Table 1 (processed).

[1] Ibid.

[2] Ibid.

[3] R. E. Marsh, Acting Chief, and William H. Gibbons, Senior Forester, Division of Forest Economics, Forest Service, "Forest-Resource Conservation," The Yearbook of Agriculture, 1940, p. 461.

"The nature and extent of the multiple-use quality may be seen in the acreages that can be used for different purposes:

"(1) Commercial timber crops can be grown on some 462 million acres.

[fol. 5729] "(2) Nearly three-fourths of all forest land exerts a major or moderate influence on watersheds. Fully half exerts a major influence. The latter includes the steep slopes of the Rockies, Sierras, Appalachians, and other mountain ranges of the West and East, which are the main sources of most major streams; erosible soils like those of the Piedmont and the high bluffs along the Mississippi; and other areas like the Ouachita section of the Ozarks, where streamflow or run-off conditions are critical.

"(3) More than half of the forest area, mainly in the West and South, is grazed by domestic livestock.

"(4) Practically the entire area is suitable for wildlife.

"(5) Eleven million acres of land naturally suitable for timber use has so far been set aside exclusively for scenic purposes and recreation, in the form of parks, monuments, and other reservations. Much of the rest can also be used for recreation."[1]

It should be noted, however, that the discussion in the present study is limited to commercial forest land as a source of timber supply.

Forest Areas by Freight Rate Territories

The distribution of the original forest land and commercial forest area in 1938, by freight rate territories, is given in Table 77. This table and also Tables 78-84 have two sets of data for the same territories, representing differences in the groupings of the states used in the make-up of the rate territory figures. This variation between groupings is caused by a difference in the allocation of states, divided by freight rate territory boundaries (Michigan, Wisconsin, Virginia, Louisiana, and Colorado), to par-

---

[1] Ibid.

(Here follows 1 Photolithograph, side folio 5730)

Table 77. - Forest Land, Original and in 1938, by ~~Freight~~ Freight Rate Territories (1,000 acres)

Territory	Total land area		Forest areas					
			Original forest 1/		Forest in 1938 2/		Decrease	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent
			Grouping A 3/					
Official	274,263	14.41	245,478	29.86	111,574	24.17	133,904	54.55
Southern	238,291	12.52	224,000	27.24	128,413	27.81	95,587	42.67
Western Trunk Line	362,278	19.04	114,240	13.89	52,875	11.45	61,365	53.72
Southwestern	275,038	14.45	99,600	12.11	51,884	11.24	47,716	47.91
Mountain-Pacific	753,347	39.58	138,920	16.90	116,951	25.33	21,969	15.81
United States	1,903,217	100.00	822,238	100.00	461,697	100.00	360,541	43.85
			Grouping B 3/					
Official	211,708	11.12	185,318	22.54	79,520	17.22	105,798	57.09
Southern	293,121	15.40	274,560	33.39	157,973	34.22	116,587	42.46
Western Trunk Line	399,065	20.97	149,440	18.17	71,554	15.50	77,886	52.12
Southwestern	245,976	12.93	74,000	9.00	35,699	7.73	38,301	51.76
Mountain-Pacific	753,347	39.58	138,920	16.90	116,951	25.33	21,969	15.81
United States	1,903,217	100.00	822,238	100.00	461,697	100.00	360,541	43.85

1/ Excluding low-grade woodland and scrub. 2/ Commercial forest land.

3/ The variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western Trunk Line
Wisconsin	Western Trunk Line	Western Trunk Line
Virginia	Official	Southern
Louisiana	Southwestern	Southern
Colorado	Mountain-Pacific	Mountain-Pacific

Sources:

U.S.D.A., Statistical Bulletin No. 21, "American Forests and Forest Products," 1928, pp. 5-6.

U.S. Forest Service, "Commercial Forest Area of the United States, by Character of Growth and by Region and States [in 1938]." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

U.S. Forest Service, "Timber Depletion, Lumber Prices, Lumber Exports, and Concentration of Timber Ownership," Report on Senate Resolution 311, June 1, 1920. Third Edition, 1928, p. 32.

5730

[fol. 5731] ticular rate territories. It should be noted that the assignment of Wisconsin to Western Trunk Line territory and Colorado to Mountain-Pacific territory in both groupings is due to the fact that portions of Wisconsin and Colorado lying in Official and Western Trunk Line territories, respectively, have insignificant forest area, and practically no stumpage at all.[1]

Table 77 shows that in both groupings forest areas in 1938 of the Official and Western Trunk Line territories decreased over 50 percent as compared with the original forest land in these territories. Forest areas (in both groupings) of the Southwestern territory declined nearly 50 percent, and of the Southern territory over 40 percent. The forest areas of the Mountain-Pacific territory, however, decreased only 16 percent. The United States Forest Service, referring to the utilization of the original forests, pointed out that "cutting has naturally been heaviest in the most fertile and most densely populated sections of the country."[2]

The United States Forest Service classifies commercial forest areas bearing timber of different character of growth as follows:

1. Saw-timber areas include areas characterized by timber large enough for sawlog (lumber) in accordance with the practice of the region[3] regardless of its actual use. Old growth areas bear uncut or lightly cut stands of mature saw timber; second growth areas support predominantly [fol. 5732] immature saw timber which has come in following removal of the old timber by cutting or other causes.

2. Cordwood areas bear stands characterized by timber too small for sawlog production but large enough for cord-

---

[1] National Resources Board, Land Planning Committee, "Forest Land Resources, Requirements Problems, and Policy," Report prepared by the U. S. Forest Service, 1935, figures 8-16.

[2] Report on Senate Resolution 311, supra, p. 32.

[3] In 1938 the forest area of the United States was divided by the U. S. Forest Service into the following regions: Northeastern, Central, Lake, South, Columbia River Basin, California, South Rocky Mountain, and Plains.—For source see next footnote.

wood regardless of whether the stand is cut for this use or held for saw timber.

3. Fair to satisfactory restocking areas include lands on which at least 40 percent of the growing space is fully occupied by commercial species predominantly below cordwood size.

4. Poor to non-restocking areas include lands with less than 40 percent of the growing space fully occupied by commercial species predominantly below cordwood size.[1]

Of the total commercial forest area (461.7 million acres in 1938), 46 percent or 212.8 million acres is saw timber area of which 100.8 million acres is old growth and 112 million acres is second growth. The acreage of cordwood area constitutes 22 percent or 100.8 million acres. The remainder, fair to satisfactory and non-restocking areas, contributes 32 precent or 148 million acres.[2]

The distribution of commercial forest areas by character of growth and by territories in 1938 is presented in Table 78. This table shows that the following are the leading territories in commercial forest areas, by character of their growth: the Mountain-Pacific territory has in old growth acreage 63 percent of the U. S. total. The Southern territory in second growth acreage has 38 percent of the U. S. total in Grouping A and 49 percent in Grouping B. In its cordwood area there is 30 and 36 percent of the U. S. total in Groupings A and B, respectively, and in the total forest area 34 percent in Grouping B and 28 percent in Grouping A. Official territory ranks second in second growth acreage (19 and 24 percent) and in cordwood area (29 and 22 percent). The Western Trunk Line and Southwestern territories have the lowest total acreage (for percentages see Table 78).

---

[1] U. S. Forest Service, "Commercial Forest Area of the United States, by Character of Growth and by Regions and States [in 1938]." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

[2] Ibid.

(Here follow 2 Photolithographs, side folios 5733-5734)

Table 78.—Commercial Forest Area, by Character of Growth and by Freight Rate Territories, 1938

Grouping A 1/

Area	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Thousand acres)					
aw timber area:						
Old growth	12,122	15,162	2,199	7,980	63,369	100,832
Second growth	26,770	43,051	6,384	21,645	14,180	112,030
Total saw timber area	38,892	58,213	8,533	29,625	77,549	212,862
ordwood area	29,166	30,604	14,255	9,278	17,488	100,791
air to satisfactory restocking area	23,305	19,412	13,967	5,783	8,839	71,306
oor to non-restocking area	20,211	20,184	16,070	7,198	13,075	76,738
Total forest area	111,574	128,413	52,875	51,884	116,951	451,697
	Percent of territory totals					
aw timber area:						
Old growth	10.87	11.81	4.16	15.38	54.18	21.84
Second growth	23.99	33.52	12.07	41.72	12.13	24.26
Total saw timber area	34.86	45.33	16.23	57.10	66.31	46.10
ordwood area	26.14	23.83	26.96	17.88	14.95	21.83
air to satisfactory restocking area	20.89	15.12	26.42	11.15	7.56	15.45
oor to non-restocking area	18.11	15.72	30.39	13.87	11.18	16.62
Total forest area	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U.S. totals					
w timber area:						
Old growth	12.02	15.04	2.18	7.91	62.85	100.00
Second growth	23.89	38.43	5.70	19.32	12.66	100.00
Total saw timber area	18.27	27.35	4.03	13.92	36.43	100.00
rdwood area	28.94	30.36	14.14	9.21	17.35	100.00
ir to satisfactory restocking area	32.68	27.22	19.59	8.11	12.40	100.00
or to non-restocking area	26.34	26.30	20.94	9.38	17.04	100.00
Total forest area	24.17	27.81	11.45	11.24	25.33	100.00

(Continued)

Table 78.—Commercial Forest Area, by Character of Growth and by Freight Rate Territories, 1938 (Continued)

Grouping B 1/

Area	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Thousand acres)					
Saw timber area:						
Old growth	8,802	19,826	4,197	4,638	63,369	100,832
Second growth	20,741	54,639	7,537	14,933	14,180	112,030
Total saw timber area	29,543	74,465	11,734	19,571	77,549	212,862
Cordwood area	21,669	36,744	19,659	7,231	17,488	100,791
Fair to satisfactory restocking area	16,991	22,929	18,134	4,413	8,839	71,306
Poor to non-restocking area	11,317	23,835	24,027	4,484	13,075	76,738
Total forest area	79,520	157,973	71,554	35,699	116,951	461,697
	Percent of territory totals					
Saw timber area:						
Old growth	11.07	12.55	5.87	12.99	54.18	21.84
Second growth	26.08	34.59	10.53	41.83	12.13	24.26
Total saw timber area	37.15	47.14	16.40	54.82	66.31	46.10
Cordwood area	27.25	23.26	24.68	20.26	14.95	21.83
Fair to satisfactory restocking area	21.37	14.51	25.34	12.36	7.56	15.45
Poor to non-restocking area	14.23	15.09	33.58	12.56	11.18	16.62
Total forest area	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U.S. totals					
Saw timber area:						
Old growth	8.73	19.66	4.16	4.60	62.85	100.00
Second growth	18.51	48.77	6.73	13.33	12.66	100.00
Total saw timber area	13.88	34.98	5.51	9.20	36.43	100.00
Cordwood area	21.50	36.45	17.52	7.18	17.35	100.00
Fair to satisfactory restocking area	23.83	32.15	25.43	6.19	12.40	100.00
Poor to non-restocking area	14.75	31.06	31.31	5.84	17.04	100.00
Total forest area	17.22	34.22	15.50	7.73	25.33	100.00

1/ The variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western Trunk Line
Wisconsin	Western Trunk Line	Western Trunk Line
Virginia	Official	Southern
Louisiana	Southwestern	Southern
Colorado	Mountain-Pacific	Mountain-Pacific

Source: U.S. Forest Service, "Commercial Forest Area of the United States, by Character of Growth and by Region and States /in 1938/." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

[fol. 5735] *Stand of Timber by Freight Rate Territories*

Total Stand of Softwoods and Hardwoods by Character of Growth

The distribution of the total stand of timber on commercial forest land by type of material and by freight rate territories is given in Table 79. The total volume of standing timber, including both saw timber and cordwood, is estimated by the U. S. Forest Service at 519.3 billion cubic feet. Of this volume, 376.9 billion cubic feet, or 73 percent, is softwood and 142.4 billion cubic feet, or 27 percent, is hardwood. Saw timber constitutes 364.6 billion cubic feet, 70 percent of the total, and the remainder, 154.7 billion cubic feet, or 30 percent is cordwood.

Of the total volume of saw timber, 296.9 billion cubic feet (81 percent) is softwood and 67.7 billion cubic feet (19 percent) is hardwood. Eighty billion cubic feet of cordwood are softwood species and the balance, 74.7 billion cubic feet, are of hardwood species.

The distribution of total stand of softwoods and hardwoods by type of material and by freight rate territories (Table 79) according to the A and B state groupings shows that the Mountain-Pacific territory is outstanding in softwood saw timber (81 percent of U. S. totals in both groupings) and in cordwood trees of softwood species (65 percent). In hardwoods, the Southern territory leads in saw timber (36 percent) in Grouping A and 50 percent in Grouping B) and the Official territory ranks first in cordwood (50 and 43 percent in Groupings A and B, respectively). Official territory also ranks second in hardwood saw timber, followed by the Southwestern and Western Trunk Line territories. Mountain-Pacific territory ranks lowest in hardwoods.

Stand of Saw Timber by Character of Growth

The U. S. Forest Service estimated that the total stand of saw timber on commercial forest land in the United States is equal to 1,764 billion board feet (see Table 80)

Table 79.—Total Stand of Softwoods and Hardwoods on Commercial Forest Land, by Type of Material and by Freight Rate Territories, 1938

Grouping A 1/

Material	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
			(Million cubic feet)			
aw timber trees:						
Softwood	12,390	30,386	3,394	11,582	239,159	296,911
Hardwood	21,060	24,555	6,510	14,552	1,069	67,746
Total saw timber trees	33,450	54,941	9,904	26,134	240,228	364,657
ordwood trees:						
Softwood	8,706	11,668	3,101	4,256	52,234	79,965
Hardwood	37,100	18,081	8,483	8,911	2,113	74,693
Total cordwood trees	45,806	29,749	11,584	13,167	54,352	154,658
l material:						
Softwood	21,096	42,054	6,495	15,838	291,393	376,876
Hardwood	58,160	42,636	14,993	23,463	3,187	142,439
Total all material	79,256	84,690	21,483	39,301	294,580	519,315
			Percent of territory totals			
w timber trees:						
Softwood	15.64	35.88	15.79	29.47	81.19	57.17
Hardwood	26.57	28.99	30.30	37.03	.36	13.05
Total saw timber trees	42.21	64.87	46.09	66.50	81.55	70.22
rdwood trees:						
Softwood	10.98	13.78	14.43	10.83	17.73	15.40
Hardwood	46.81	21.35	39.48	22.67	.72	14.38
Total cordwood trees	57.79	35.13	53.91	33.50	18.45	29.78
l material:						
Softwood	26.62	49.66	30.23	40.30	98.92	72.57
Hardwood	73.38	50.34	69.77	59.70	1.08	27.43
Total all material	100.00	100.00	100.00	100.00	100.00	100.00
			Percent of U. S. totals			
timber trees:						
oftwood	4.17	10.24	1.14	3.90	80.55	100.00
ardwood	31.08	36.25	9.61	21.48	1.58	100.00
Total saw timber trees	9.17	15.07	2.71	7.17	65.88	100.00
rdwood trees:						
oftwood	10.89	14.59	3.88	5.32	65.32	100.00
ardwood	49.67	24.21	11.36	11.93	2.83	100.00
Total cordwood trees	29.62	19.24	7.49	8.51	35.14	100.00
material:						
oftwood	5.60	11.16	1.72	4.20	77.32	100.00
ardwood	40.83	29.93	10.53	16.47	2.24	100.00
Total all material	15.26	16.31	4.14	7.57	56.72	100.00

(Continued)

Table 79.--Total Stand of Softwoods and Hardwoods on Commercial Forest Land, by Type of Material and by Freight Rate Territories, 1938 (Continued)

Grouping B 1/

Material	Territory: Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	United States total
			(Million cubic feet)			
w timber trees:						
Softwood	7,647	36,071	5,889	8,145	239,159	296,911
Hardwood	13,307	33,982	11,559	7,829	1,069	67,746
Total saw timber trees	20,954	70,053	17,448	15,974	240,228	364,657
rdwood trees:						
Softwood	5,744	14,370	4,454	3,163	52,234	79,965
Hardwood	31,950	23,824	10,868	5,933	2,118	74,693
Total cordwood trees	37,694	38,194	15,322	9,096	54,352	154,658
material:						
Softwood	13,391	50,441	10,343	11,308	291,393	376,376
Hardwood	45,257	57,806	22,427	13,762	3,187	142,439
Total all material	58,648	108,247	32,770	25,070	294,580	519,315
			Percent of territory totals			
timber trees:						
oftwood	13.04	33.32	17.97	32.49	81.19	57.17
Hardwood	22.69	31.40	35.27	31.23	.36	13.05
Total saw timber trees	35.73	64.72	53.24	63.72	81.55	70.22
rdwood trees:						
oftwood	9.79	13.27	13.59	12.62	17.73	15.40
ardwood	54.48	22.01	33.17	23.66	.72	14.38
Total cordwood trees	64.27	35.28	46.75	36.28	18.45	29.78
material:						
oftwood	22.83	46.60	31.56	45.11	98.92	72.57
ardwood	77.17	53.40	68.44	54.89	1.08	27.43
Total all material	100.00	100.00	100.00	100.00	100.00	100.00
			Percent of U. S. totals			
timber trees:						
oftwood	2.57	12.15	1.98	2.75	80.55	100.00
ardwood	19.64	50.16	17.06	11.56	1.58	100.00
Total saw timber trees	5.75	19.21	4.78	4.38	65.88	100.00
dwood trees:						
oftwood	7.18	17.97	5.57	3.96	65.32	100.00
ardwood	42.78	31.90	14.55	7.94	2.83	100.00
Total cordwood trees	24.37	24.70	9.91	5.88	35.14	100.00
material:						
oftwood	3.55	13.38	2.75	3.00	77.32	100.00
ardwood	31.77	40.58	15.75	9.66	2.24	100.00
Total all material	11.29	20.85	6.31	4.83	56.72	100.00

he variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State		Grouping A		Grouping B	
Michigan	Louisiana	Official	Southwestern	Western Trunk Line	Southern
Wisconsin	Colorado	Western Trunk Line	Mountain-Pacific	Western Trunk Line	Mountain-Pacific
Virginia		Official		Southern	

rce: U. S. Forest Service, "Total Stand of Softwoods and Hardwoods in the United States, by Type of Material and by Regions and States [in 1938]." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

[fol. 5738] of which 1.493 billion board feet, 85 percent of the total, is in softwood species and 271 billion board feet, 15 percent, is in hardwoods. Softwoods are made up of 1,156 billion board feet of old growth (77 percent of total softwoods) and 337 billion board feet (23 percent) of second growth. Hardwood saw timber is composed of 111 billion board feet (41 percent of total hardwood) of old growth and 160 billion board feet (59 percent) of second growth.

The distribution of the stand of saw timber on commercial forest land by character of growth and by freight rate territories (Table 80) shows that the Mountain-Pacific territory leads in softwoods of old growth, and of second growth (92 percent and 43 percent of the U. S. total, respectively) and in the total saw timber (69 percent of the total stand of saw timber). Southern territory ranks first in hardwoods of old growth (41 and 57 percent of the U. S. total hardwoods for Groupings A and B, respectively) and in hardwoods of second growth (45 percent in Grouping B) and ranks second in softwoods of second growth (32 and 38 percent). The Southern territory is also second in the total stand of saw timber (14 and 18 percent of the U. S. total).

Official territory is the first in hardwoods of second growth in Grouping A (37 percent of the U. S. total) and it is the second in hardwoods of second growth in Grouping B (29 percent). It also ranks second in the hardwoods of old growth (28 and 12 percent for Groupings A and B, respectively). Southwestern and Western Trunk Line territories rank lowest in the order named.

Stand of Cordwood

There are some 2,455 million cords of wood in trees 5 inches in diameter up to saw-timber size, and in tops and limbs of saw timber trees.[1] The total stand of cordwood on various areas of commercial forest land shows the following distribution (taken from Table 82):

---

[1] Marsh and Gibbons, supra, pp. 475-476.

Table 80.—Stand of Saw Timber on Commercial Forest Land by Character of Growth and by Freight Rate Territories, 1938

Grouping A 1/

Materials	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Million board feet)					
oftwoods:						
Old growth	29,361	38,145	6,793	13,485	1,068,402	1,156,186
Second growth	33,419	108,070	7,973	42,872	144,600	336,934
Total softwoods	62,780	146,215	14,766	56,357	1,213,002	1,493,120
ardwoods:						
Old growth	31,334	45,158	7,657	26,798	1	110,948
Second growth	58,965	52,387	14,620	28,655	4,956	159,583
Total hardwoods	90,299	97,545	22,277	55,453	4,957	270,531
otal saw timber	153,079	243,760	37,043	111,810	1,217,959	1,763,651
	Percent of territory totals					
ftwoods:						
Old growth	19.18	15.65	18.34	12.06	87.72	65.56
Second growth	21.83	44.33	21.52	38.34	11.87	19.10
Total softwoods	41.01	59.98	39.86	50.40	99.59	84.66
rdwoods:						
Old growth	20.47	18.53	20.67	23.97	-	6.29
Second growth	38.52	21.49	39.47	25.63	.41	9.05
Total hardwoods	58.99	40.02	60.14	49.60	.41	15.34
tal saw timber	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U.S. totals					
ftwoods:						
Old growth	2,54	3.30	0.59	1.16	92.41	100.00
Second growth	9.92	32.07	2.37	12.72	42.92	100.00
Total softwoods	4.20	9.79	.99	3.78	81.24	100.00
dwoods:						
Old growth	28.24	40.70	6.90	24.16	-	100.00
Second growth	36.95	32.83	9.16	17.96	3.10	100.00
Total hardwoods	33.38	36.05	8.23	20.50	1.83	100.00
al saw timber	8.68	13.82	2.10	6.34	69.06	100.00

(Continued)

Table 80.--Stand of Saw Timber on Commercial Forest Land, by Character of Growth and by Freight Rate Territories, 1938 (Continued)

Grouping B 1/

Materials	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Million board feet)					
Softwoods:						
Old growth	19,732	45,113	13,852	9,087	1,068,402	1,156,186
Second growth	22,504	128,879	10,498	30,453	144,600	336,934
Total softwoods	42,236	173,992	24,350	39,540	1,213,002	1,493,120
Hardwoods:						
Old growth	13,823	63,159	21,078	12,887	1	110,988
Second growth	46,321	71,182	20,164	16,960	4,956	159,583
Total hardwoods	60,144	134,341	41,242	29,847	4,957	270,531
otal saw timber	102,380	308,333	65,592	69,387	1,217,959	1,763,651
	Percent of territory totals					
oftwoods:						
Old growth	19.27	14.63	21.12	13.10	87.72	65.56
Second growth	21.98	41.80	16.00	43.89	11.87	19.10
Total softwoods	41.25	56.43	37.12	56.99	99.59	84.66
rdwoods:						
Old growth	13.50	20.48	32.14	18.57	-	6.29
Second growth	45.25	23.09	30.74	24.44	.41	9.05
Total hardwoods	58.75	43.57	62.88	43.01	.41	15.34
tal saw timber	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U.S. totals					
ftwoods:						
Old growth	1.71	3.90	1.20	0.78	92.41	100.00
Second growth	6.68	38.25	3.11	9.04	42.92	100.00
Total softwoods	2.83	11.65	1.63	2.65	81.24	100.00
rdwoods:						
Old growth	12.46	56.93	19.00	11.61	-	100.00
Second growth	29.03	44.61	12.63	10.63	3.10	100.00
Total hardwoods	22.23	49.66	15.25	11.03	1.83	100.00
tal saw timber	5.81	17.48	3.72	3.93	69.06	100.00

The variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western Trunk Line
Wisconsin	Western Trunk Line	Western Trunk Line
Virginia	Official	Southern
Louisiana	Southwestern	Southern
Colorado	Mountain-Pacific	Mountain-Pacific

rce: U.S. Forest Service, "Stand of Saw Timber in the United States, by Character of Growth and by Regions and States /in 1938/." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

Table 81. - Stand of Saw Timber, Old Growth and Second Growth, on Commercial Forest Land, by Freight Rate Territories, 1938

	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Million board feet)					
Grouping A						
Total old growth	60,695	83,303	14,450	40,283	1,068,403	1,267,134
Total second growth	92,384	160,457	22,593	71,527	149,556	496,517
Total stand	153,079	243,760	37,043	111,810	1,217,959	1,763,651
Percent of U. S. totals						
Total old growth	4.79	6.57	1.14	3.18	84.32	100.00
Total second growth	18.61	32.32	4.55	14.40	30.12	100.00
Total stand	8.68	13.82	2.10	6.34	69.06	100.00
Grouping B						
Total old growth	33,555	108,272	34,930	21,974	1,068,403	1,267,134
Total second growth	68,825	200,061	30,662	47,413	149,556	496,517
Total stand	102,380	308,333	65,592	69,387	1,217,959	1,763,651
Percent of U. S. totals						
Total old growth	2.65	8.54	2.76	1.73	84.32	100.00
Total second growth	13.86	40.29	6.18	9.55	30.12	100.00
Total stand	5.81	17.48	3.72	3.93	69.06	100.00

Source: Based on Table 80.

[fol. 5742]

Cordwood on	Million cords	Percent
Saw timber area:		
Softwood	888.7	36
Hardwood	687.9	28
Total	1,576.6	64
Cordwood:		
Softwood	382.6	15
Hardwood	385.8	16
Total	768.4	31
Restocking area:		
Softwood	29.4	1
Hardwood	80.4	4
Total	109.8	5
Grand total	2,454.8	100

The distribution of the stand of cordwood on commercial forest land by freight rate territories (Tables 82 and 82A) indicates that the Mountain-Pacific territory leads in the stands of softwood cordwood on softwood saw timber area (69 percent of the total cordwood on this area) and softwood cordwood area (67 percent of the total), and also in the total stand of softwood cordwood on the total forest area (67 percent). The stand of hardwood cordwood of the Mountain-Pacific territory, however, is insignificant (less than 1 percent). The Southern territory leads in the stand of cordwood on hardwood saw timber area (36 and 49 percent for Grouping A and B, respectively) and in the total stand of hardwood cordwood in Grouping B (37 percent). It is second in the total stand of softwood cordwood (14 percent for Grouping A and 18 percent for Grouping B). Official territory leads in the stands of hardwood cordwood on cordwood area (54 and 46 percent) and on restocking area (67 and 56 percent) and also in the total stand of hardwood cordwood in Grouping A (43 percent). In the total stand of softwood cordwood the Official territory ranks third (9 percent in Grouping A and 6 percent in Grouping B). The Western Trunk Line territory is second in the

(Here follow 3 Photolithographs, side folios 5743-5745)

Table 82.--Stand of Cordwood on Saw Timber, Cordwood, and Restocking Areas, by Freight Rate Territories, 1938

Grouping A 1/

Item	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Thousand cords)					
Saw timber area:						
Softwood	64,737	134,340	17,628	55,755	616,196	888,656
Hardwood	239,223	247,818	55,803	142,088	3,003	687,935
Total on saw timber area	303,960	382,158	73,431	197,843	619,199	1,576,591
Cordwood area:						
Softwood	44,601	46,184	24,169	9,876	257,765	382,595
Hardwood	206,809	68,843	71,483	31,973	6,715	385,823
Total on cordwood area	251,410	115,027	95,652	41,849	264,480	768,418
Restocking area:						
Softwood	12,600	7,233	5,496	1,111	2,912	29,352
Hardwood	53,690	3,093	20,209	3,329	89	80,410
Total on restocking area	66,290	10,326	25,705	4,440	3,001	109,762
Total cordwood on all areas	621,660	507,511	194,788	244,132	886,680	2,454,771
	Percent of territory totals					
Saw timber area:						
Softwood	10.42	26.47	9.05	22.84	69.49	36.20
Hardwood	38.48	48.83	28.65	58.20	.34	28.03
Total on saw timber area	48.90	75.30	37.70	81.04	69.83	64.23
Cordwood area:						
Softwood	7.17	9.10	12.41	4.04	29.07	15.58
Hardwood	33.27	13.57	36.70	13.10	.76	15.72
Total on cordwood area	40.44	22.67	49.11	17.14	29.83	31.30
Restocking area:						
Softwood	2.03	1.42	2.82	.46	.33	1.20
Hardwood	8.63	.61	10.37	1.36	.01	3.27
Total on restocking area	10.66	2.03	13.19	1.82	.34	4.47
Total cordwood on all areas	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U. S. totals					
Saw timber area:						
Softwood	7.29	15.12	1.98	6.27	69.34	100.00
Hardwood	34.77	36.02	8.11	20.66	.44	100.00
Total on saw timber area	19.28	24.24	4.66	12.55	37.27	100.00
Cordwood area:						
Softwood	11.66	12.07	6.32	2.58	67.37	100.00
Hardwood	53.60	17.84	18.53	8.29	1.74	100.00
Total on cordwood area	32.72	14.97	12.45	5.44	34.42	100.00
Restocking area:						
Softwood	42.93	24.64	18.72	3.79	9.92	100.00
Hardwood	66.77	3.85	25.13	4.14	.11	100.00
Total on restocking area	60.39	9.41	23.42	4.05	2.73	100.00
Total cordwood on all areas	25.32	20.67	7.94	9.95	36.12	100.00

(Continued)

Table 82.--Stand of Cordwood on Saw Timber, Cordwood, and Restocking Areas, by Freight Rate Territories, 1938 (Continued)

Grouping B 1/

Item	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
	(Thousand cords)					
Saw timber area:						
Softwood	33,257	166,123	32,998	40,082	616,196	888,656
Hardwood	169,501	335,852	96,395	83,184	3,003	687,935
Total on saw timber area	202,758	501,975	129,393	123,266	619,199	1,576,591
Cordwood area:						
Softwood	31,659	54,337	31,088	7,746	257,765	382,595
Hardwood	179,107	86,577	88,645	24,779	6,715	385,823
Total on cordwood area	210,766	140,914	119,733	32,525	264,480	768,418
Restocking area:						
Softwood	9,638	8,037	8,033	732	2,912	29,352
Hardwood	44,734	4,051	28,793	2,743	89	80,410
Total on restocking area	54,372	12,088	36,826	3,475	3,001	109,762
Total cordwood on all areas	467,896	654,977	285,952	159,266	886,680	2,454,771
	Percent of territory totals					
Saw timber area:						
Softwood	7.11	25.36	11.54	25.17	69.49	36.20
Hardwood	36.23	51.28	33.71	52.23	.34	28.03
Total on saw timber area	43.34	76.64	45.25	77.40	69.83	64.23
Cordwood area:						
Softwood	6.77	8.29	10.87	4.86	29.07	15.58
Hardwood	38.28	13.22	31.00	15.56	.76	15.72
Total on cordwood area	45.04	21.51	41.87	20.42	29.83	31.30
Restocking area:						
Softwood	2.06	1.23	2.81	.46	.33	1.20
Hardwood	9.56	.62	10.07	1.72	.01	3.27
Total on restocking area	11.62	1.85	12.88	2.18	.34	4.47
Total cordwood on all areas	100.00	100.00	100.00	100.00	100.00	100.00
	Percent of U. S. totals					
Saw timber area:						
Softwood	3.74	18.70	3.71	4.51	69.34	100.00
Hardwood	24.64	48.82	14.01	12.09	.44	100.00
Total on saw timber area	12.86	31.84	8.21	7.82	39.27	100.00
Cordwood area:						
Softwood	8.28	14.20	8.13	2.02	67.37	100.00
Hardwood	46.42	22.44	22.98	6.42	1.74	100.00
Total on cordwood area	27.43	18.34	15.58	4.23	34.42	100.00
Restocking area:						
Softwood	32.84	27.38	27.37	2.49	9.92	100.00
Hardwood	55.63	5.04	35.81	3.41	.11	100.00
Total on restocking area	49.54	11.01	33.55	3.17	2.73	100.00
Total cordwood on all areas	19.06	26.63	11.65	6.49	36.12	100.00

1/ The variation between Grouping A and Grouping B is due to a difference in the allocation of states divided by freight rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western Trunk Line
Wisconsin	Western Trunk Line	Western Trunk Line
Virginia	Official	Southern
Louisiana	Southwestern	Southern
Colorado	Mountain-Pacific	Mountain-Pacific

Source: U. S. Forest Service, "Stand of Cordwood on Saw Timber, Cordwood, and Restocking Areas of the United States, by Regions and States (in 1938)." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

Table 82-A. - Total Stand of Cordwood, Softwood and Hardwood, on Commercial Forest Land, by Freight Rate Territories, 1938

(Thousand cords)

	Territory					United States total
	Official	Southern	Western Trunk Line	South-western	Mountain-Pacific	
Grouping A						
Softwood cordwood	121,938	187,757	47,293	66,742	876,873	1,300,603
Hardwood cordwood	499,722	319,754	147,495	177,390	9,807	1,154,168
Total stand of cordwood	621,660	507,511	194,788	244,132	886,680	2,454,771
Percent of U. S. totals						
Softwood cordwood	9.37	14.44	3.64	5.13	67.42	100.00
Hardwood cordwood	43.30	27.70	12.78	15.37	.85	100.00
Total stand of cordwood	25.32	20.67	7.94	9.95	36.12	100.00
Grouping B						
Softwood cordwood	74,554	228,497	72,119	48,560	876,873	1,300,603
Hardwood cordwood	393,342	426,480	213,833	110,706	9,807	1,154,168
Total stand of cordwood	467,896	654,977	285,952	159,266	886,680	2,454,771
Percent of U. S. totals						
Softwood cordwood	5.73	17.57	5.55	3.73	67.42	100.00
Hardwood cordwood	34.08	36.95	18.53	9.59	.85	100.00
Total stand of cordwood	19.06	26.68	11.65	6.49	36.12	100.00

Source: Based on Table 82.

[fol. 5746] stand of hardwood cordwood on cordwood and restocking areas, but in the total stand of hardwood cordwood it is third in Grouping B and fourth in Grouping A. It is fourth in the total stand of softwood cordwood in Grouping B and fifth in Grouping A. Southwestern territory ranks fourth in the total stand of softwood cordwood, in Grouping A and fifth in Grouping B. It is third in the total stand of hardwood cordwood in Grouping A and fourth in Grouping B.

Ranking of Freight Rate Territories in Forest Areas and Stands of Timber

For the sake of convenience the ranking of each of the five freight rate territories (in Grouping A and Grouping B) according to their importance in forest areas and stand of timber by character of growth, is presented in Table 83. The territories are ranked from 1 to 5 in order of their importance in each category of forest area and stand of timber.

The Mountain-Pacific territory ranks first in Groupings A and B in the following:

Area of old-growth saw timber.
Total area of saw timber.
Stand of old-growth softwood saw timber.
Stand of second-growth softwood saw timber.
Total stand of softwood saw timber.
Total stand of old-growth saw timber.
Total stand of saw timber.
Stand of soft cordwood on saw-timber area.
Total stand of cordwood on saw-timber area.
Stand of soft cordwood on cordwood area.
Total stand of cordwood on cordwood area.
Stand of soft cordwood on all areas.
Total stand of cordwood on all areas.
Total stand of all softwood timber.
Total stand of all timber.

The Southern territory is first in:

	in Grouping
Area of second-growth saw timber	A and B
Cordwood area	A and B
Fair to satisfactory restocking area	B
[fol. 5747] Total restocking area	B

	In Grouping
Total forest area	A and B
Stand of old-growth hardwood saw timber	A and B
Stand of second-growth hardwood saw timber	B
Total stand of hardwood saw timber	A and B
Total stand of second-growth saw timber	A and B
Stand of hard cordwood on saw timber area	A and B
Stand of hard cordwood on all areas	B
Total stand of all hardwood timber	B

The Official territory leads in:

	In Grouping
Fair to satisfactory restocking area	A
Poor to non-restocking area	A
Total restocking area	A
Stand of second-growth hardwood saw timber	A
Stand of hard cordwood on cordwood area	A and B
Stand of soft cordwood on restocking area	A and B
Stand of hard cordwood on restocking area	A and B
Total stand of cordwood on restocking area	A and B
Stand of hard cordwood on all areas	A
Total stand of all hardwood timber	A

The Western Trunk Line territory is first in "poor to non-restocking area" in Grouping B. The Southwestern territory does not lead in any of the classifications of forest area or stand of timber. (See Table 83).

The ranking of freight rate territories in the total forest area and in the total stands of softwoods and hardwoods indicates that the Southern territory is first in the total forest area (128 million acres in Grouping A and 158 million acres in Grouping B, or about one-third of the total commercial forest area in the United States). This terri-

(Here follows 1 Photolithograph, side folio 5748)

Table 83.—Ranking of Freight Rate Territories in Forest Area and Stand of Timber, 1938

	Territory									
	Official		Southern		Western Trunk Line		South-western		Mountain-Pacific	
	Grouping		Grouping		Grouping		Grouping		Grouping	
	A	B	A	B	A	B	A	B	A	B
Forest Area										
Old-growth saw-timber area	3	3	2	2	5	5	4	4	1	1
Second-growth saw-timber area	2	2	1	1	5	5	3	3	4	4
Total saw-timber area	3	3	2	2	5	5	4	4	1	1
Cordwood area	2	2	1	1	4	3	5	5	3	4
Fair to satisfactory restocking area	1	3	2	1	3	2	5	5	4	4
Poor to non-restocking area	1	4	2	2	3	1	5	5	4	3
Total restocking area	1	3	2	1	3	2	5	5	4	4
Total forest area	3	3	1	1	4	4	5	5	2	2
Stand of Saw Timber 1/										
Old-growth softwoods	3	3	2	2	5	4	4	5	1	1
Second-growth softwoods	4	4	2	2	5	5	3	3	1	1
Total softwoods	3	3	2	2	5	5	4	4	1	1
Old-growth hardwoods	2	3	1	1	4	2	3	4	5	5
Second-growth hardwoods	1	2	2	1	4	3	3	4	5	5
Total hardwoods	2	2	1	1	4	3	3	4	5	5
Total old-growth	3	4	2	2	5	3	4	5	1	1
Total second-growth	3	3	1	1	5	5	4	4	2	2
Total stand of saw timber	3	3	2	2	5	5	4	4	1	1
Stand of Cordwood 2/										
Soft cordwood on saw-timber area	3	4	2	2	5	5	4	3	1	1
Hard cordwood on saw-timber area	2	2	1	1	4	3	3	4	5	5
Total cordwood on saw-timber area	3	3	2	2	5	4	4	5	1	1
Soft cordwood on cordwood area	3	3	2	2	4	4	5	5	1	1
Hard cordwood on cordwood area	1	1	3	3	2	2	4	4	5	5
Total cordwood on cordwood area	2	2	3	3	4	4	5	5	1	1
Soft cordwood on restocking area	1	1	2	2	3	3	5	5	4	4
Hard cordwood on restocking area	1	1	4	3	2	2	3	4	5	5
Total cordwood on restocking area	1	1	3	3	2	2	4	4	5	5
Soft cordwood on all areas	3	3	2	2	5	4	4	5	1	1
Hard cordwood on all areas	1	2	2	1	4	3	3	4	5	5
Total stand of cordwood on all areas	2	3	3	2	5	4	4	5	1	1
Total stand of Timber 3/										
Softwood	3	3	2	2	5	5	4	4	1	1
Hardwood	1	2	2	1	4	3	3	4	5	5
Total stand of all timber	3	3	2	2	5	4	4	5	1	1

1/ As measured in board feet.
2/ As measured in cords.
3/ As measured in cubic feet.

Source: Based on Tables 78-82.

[fol. 5749] tory also leads in the total stand of hardwoods in Grouping B (58 billion cubic feet, or two-fifths of the U. S. total stand of hardwoods), but in Grouping A it occupies second place (43 billion cubic feet, or about one-third of the U. S. total stand of hardwoods). The Southern territory ranks second in total stand of softwoods in both groupings (42 billion cubic feet in Grouping A and 50 billion cubic feet in Grouping B, or over one-tenth of the total stand of softwoods).

The Mountain-Pacific territory is second in total forest area (117 million acres in both groupings, or about one-fourth of the total forest area). This territory is outstanding in the total stand of softwoods (291 billion cubic feet in both groupings) and its softwood stand is so large (over three-fourths of the U. S. total stand of softwoods) that its combined stand of softwoods and hardwoods (295 billion cubic feet) constitutes over one-half of the total stand of timber on (commercial) forest land in the United States. Mountain-Pacific territory, to be noted, has the lowest ranking in the total stand of hardwoods. It has only slightly over 3 billion cubic feet of all hardwoods.

Official territory leads in the total stand of hardwoods in Grouping A (58 billion cubic feet) but it is second in this stand in Grouping B (45 billion cubic feet). This territory is third in the total stand of softwoods in both groupings (21 billion cubic feet and 13 billion cubic feet in Grouping A and Grouping B, respectively). It ranks also third in the total forest area in both groupings (112 million acres in Grouping A and 80 million acres in Grouping B).

Western Trunk Line territory ranks fourth in the total forest area (53 million acres in Grouping A and 74 million acres in Grouping B). In the total stand of hardwoods it is third in Grouping B (22 billion cubic feet) and fourth in Grouping A (15 billion cubic feet). Western Trunk Line territory has the lowest total stand of softwoods (6 billion cubic feet in Grouping A and 10 billion cubic feet in Grouping B).

Southwestern territory is lowest in the total forest area (52 million acres in Grouping A and 36 million acres in [fol. 5750] Grouping B). This territory is third in the total stand of hardwoods in Grouping A (23 billion cubic feet) and fourth in Grouping B (14 billion cubic feet). The Southwestern territory is also fourth in total stand of softwoods in both groupings (16 billion cubic feet in Grouping A and 11 billion cubic feet in Grouping B).

The ranking of freight rate territories on the basis of the distribution of the total saw-timber area and the total stands of softwood and hardwood saw timber presents a striking coincidence in the order of importance of freight rate territories in the first two items (in the total saw timber area and in the total stand of softwood saw timber) as follows:

Territory	Rank	Total saw timber area		Stand of softwood saw timber	
		Grouping A	Grouping B	Grouping A	Grouping B
		(Million acres)		(Billion bd. ft.)	
Mountain-Pacific	1	77	77	1,213	1,213
Southern	2	58	74	146	174
Official	3	39	30	62	42
Southwestern	4	30	20	56	40
Western Trunk Line	5	9	12	15	24
Total		213	213	1,493	1,493

The ranking of freight rate territories in the total stand of hardwood saw timber indicates that the Southern territory is first (98 billion board feet in Grouping A and 134 billion in Grouping B, or 36 and 50 percent of the U. S. total, respectively), and the Mountain-Pacific territory is lowest (5 billion board feet in both groupings). Official territory is second in the total stand of hardwood saw timber (90 billion board feet in Grouping A and 60 billion board feet in Grouping B). Southwestern territory is third in Grouping A (55 billion board feet) and fourth in Grouping B (22 billion board feet). Western Trunk Line, conversely, is fourth in Grouping A (30 billion board feet) and third in Grouping B (41 billion board feet).

[fol. 5751] The ranking of freight rate territories in the total stand of cordwood on all forest areas shows that Mountain-Pacific territory is the leading territory (887 million cords in both groupings, or over one-third of the total stand of cordwoods on the commercial forest area in the United States). Southern territory is second in Grouping B (655 million cords) and third in Grouping A (508 million cords). Official territory, conversely, is third in Grouping B (468 million cords) and second in Grouping A (622 million cords). Western Trunk Line territory ranks fourth in Grouping B (286 million cords) and fifth in Grouping A (195 million cords). And conversely, Southwestern territory ranks fourth in Grouping A (244 million cords) and fifth in Grouping B (159 million cords).

The ranking of freight rate territories in the stands of soft and hard cordwoods separately on all forest areas indicates that the Mountain-Pacific territory is first in the stand of softwood cordwood (877 million cords) but its stand of hardwood cordwood is insignificant (only 10 million cords). Southern territory ranks second in the stand of softwood cordwood (188 million cords in Grouping A and 228 million cords in Grouping B) and it is first in the stand of hardwood cordwood in Grouping B (426 million cords). Official territory is third in the stand of softwood cordwood (122 million cords in Grouping A and 75 million cords in Grouping B) and first in the stand of hardwood cordwood in Grouping A (500 million cords). Western Trunk Line territory ranks fourth in the stand of softwood cordwood in Grouping B and fifth in Grouping A. It is third in the stand of hardwood cordwood in Grouping B and fourth in Grouping A. The Southwestern territory has reverse rankings in the stands of both kinds of cordwood (in Groupings A and B) as compared with the rankings of the Western Trunk Line territory (for figures see Tables 82A and 83).

Stand of Timber Per Acre of Forest Areas

The above tables (Tables 78-83) show the distribution of commercial forest areas and standing timber, by character [fol. 5752] of growth and by territories, and the ranking of territories in forest areas and stand of timber. These tables, however, do not show the relative significance of territories on the basis of their forest density (stand of timber per acre of forest areas). The measurement of forest resources on the basis of timber stand per acre of forest areas is given in Table 84. The Mountain-Pacific territory leads in the stand of timber per acre in every instance except the stands of cordwood per acre of saw timber area and of all restocking areas. The Mountain-Pacific territory has 16,860 board feet of old-growth saw timber per acre (of old-growth saw-timber area), 10,547 board feet of second-growth saw timber per acre (of second-growth saw timber area), and 15,706 board feet of the total saw timber per acre of the total saw-timber area. It has 15.12 cords of cordwood per acre of cordwood area and 7.58 cords of the total cordwood per acre of the total forest area. This territory also has the highest stand of the total timber per acre of the total forest area, 2,519 cubic feet.

The Western Trunk Line territory ranks second in the stand of old growth saw timber per acre (6,571 board feet in Grouping A and 8,323 board feet in Grouping B) and also in the total stand of saw timber per acre (4,316 board feet in Grouping A and 5,590 board feet in Grouping B). It is also second in the stand per acre of second-growth saw timber in Grouping B (however, in Grouping A it ranks third), and in the stand of cordwood on restocking areas per acre of restocking areas. It leads in the stand of cordwood per acre of the saw timber area. However, the Western Trunk Line territory ranks lowest in the total stand of cordwood per acre of the total forest area, and in the total stand of timber per acre of the total forest area. The high density of the saw timber area of the Western Trunk Line territory is attributed to the high proportion of saw timber concentrated in a relatively small area (Michigan, Wisconsin, and Minnesota) of that territory. The low density of all timber area in the Western Trunk Line territory is due to the fact that saw-timber areas constitute only 16 percent of the total forest area of that territory.

(Here follows Photolithograph, side folio 5753)

Table 84. - Stand of Timber Per Acre of Forest Areas, by Character of Growth and by Freight Rate Territories, 1938

Stand of timber per acre	Territory										United States
	Official		Southern		Western Trunk Line		Southwestern		Mountain-Pacific		
	Grouping		Grouping		Grouping		Grouping		Grouping		
	A	B	A	B	A	B	A	B	A	B	
Old-growth saw timber on old-growth saw-timber area, board feet	5,007	3,312	5,494	5,461	6,571	8,323	5,048	4,738	16,860	15,860	12,567
Second-growth saw timber on second-growth saw-timber area, board feet	3,451	3,318	3,727	3,662	3,539	4,068	3,305	3,175	10,547	10,547	4,432
Total saw timber on total saw-timber area, bd.ft.	3,936	3,465	4,187	4,141	4,316	5.590	3,774	3,545	15,706	15,706	8,285
Cordwood on total saw-timber area, cords	7.82	6.86	6.56	5.74	8.56	11.03	6.68	6.30	7.98	7.98	7.41
Cordwood on cordwood area, cords	8.62	9.73	3.76	3.84	6.71	6.09	4.51	4.50	15.12	15.12	7.62
Cordwood on all re-stocking areas, cords .	1.52	1.92	.26	.26	.86	.87	.34	.39	.14	.14	.74
Total cordwood on total forest area, cords	5.57	5.88	3.95	4.15	3.68	4.00	4.71	4.46	7.58	7.58	5.32
Total timber on total forest area, cubic feet	710	738	660	685	406	458	757	702	2,519	2,519	1,125

Source: Based on Tables 78-82.

The Southern territory is third in the stand per acre [fol. 5754] of old-growth saw timber (5,494 board feet in Grouping A and 5,461 board feet in Grouping B) and also in the total stand of saw timber per acre (4,137 board feet in Grouping A and 4,141 board feet in Grouping B) of the total saw-timber area. It is also third in the stand per acre of second-growth saw timber in Groupings B (however in Grouping A it ranks second). The Southern territory having the low density of cordwoods, especially of cordwood on cordwood area (only 3.76 cords per acre in Grouping A and 3.84 cords per acre in Grouping B), reduces its density of the total stand on the total forest area to fourth place in order of importance as compared with other territories.

The Official territory ranks lowest in the density of old-growth saw timber and next to the lowest in second-growth saw-timber. However, having the highest density of cordwoods on all restocking areas and next to the highest in cordwoods on all forest area, the Official territory raises its density of the total timber stand on the total forest area to third place in Grouping A and to second place in Grouping B.

The Southwestern territory ranks fifth (lowest) in the density of second-growth saw timber, fourth in the density of old-growth saw timber, and third in the density of cordwood on the total forest area. The Southwestern territory is second in the stand of the total timber per acre of the total forest area in Grouping A and third in Grouping B.

Stand of Saw Timber by Species

The U. S. Forest Service in the presentation of the total stand of saw timber on commercial forest by principal species divides all trees in four groups for the year 1938 (See Tables 85 and 86) as follows:

[fol. 5755]

	Billion board feet	Percent
Eastern softwoods	277	16
Eastern hardwoods	266	15
Western softwoods	1,216	69
Western hardwood	5	
Total	1,764	100

Among the principal species of Eastern softwoods are the following:

	Billion board feet	Percent
Southern yellow pine	196.8	71
Spruce and fir	24.1	9
White and red pine	18.1	7
Hemlock	17.6	6
Others	20.3	7
Total	276.9	100

Eastern hardwoods are comprised from the following principal species:

	Billion board feet	Percent
Oak	83.7	32
Birch, beech and maple	55.2	21
Red gum	27.8	10
Tupelo	20.4	8
Others	78.5	29
Total	265.6	100

Western softwoods are made up of the principal species as listed below:

	Billion board feet	Percent
Douglas fir	489.9	40
Ponderosa pine	224.9	18
True fir	121.7	10
Western hemlock	115.6	10
Others	264.1	22
Total	1,216.2	100

Western hardwoods constitute an insignificant amount, and this stand of saw timber is not classified by species (by the U. S. Forest Service).

(Here follows 2 Photolithographs, side folios 5756-5757)

Table 85.—Stand of Saw Timber on Commercial Forest Land, by Species and Freight Rate Territories, 1938

Species	Territory					United States
	Official 1/	Southern 2/	Western Trunk Line 3/	Southwestern 4/	Mountain-Pacific 5/	
	(Million board feet)					
stern softwoods:						
outhern yellow pine	10,757	132,127	144	53,812	-	196,840
pruce and fir	20,615	80	3,391	-	-	24,086
hite and red pine	12,508	652	4,941	-	-	18,101
emlock	7,271	1,240	9,041	-	-	17,552
ypress	332	8,899	114	2,209	-	11,554
thers	2,393	3,217	2,853	336	-	8,805
Total	53,376	146,215	20,490	56,357	-	276,938
tern hardwoods:						
ak	17,920	34,540	7,530	23,710	-	83,700
irch, beech, and maple ...	34,813	1,110	19,255	-	-	55,178
ed gum	1,756	16,017	64	10,000	-	27,837
upelo	1,237	13,394	8	5,764	-	20,403
ellow poplar	2,122	7,441	32	-	-	9,595
ottonwood and aspen	2,589	726	3,751	969	-	8,035
thers	15,483	24,317	6,016	15,010	-	60,826
Total	75,920	97,545	35,656	55,453	-	265,574
tern softwoods:						
ouglas fir	-	-	-	-	489,905	489,905
onderosa pine	-	-	6/3,180	-	221,724	224,904
rue fir	-	-	-	-	121,737	121,737
estern hemlock	-	-	-	-	115,551	115,551
pruce	-	-	-	-	62,821	62,821
edwood	-	-	-	-	39,150	39,150
odgepole pine	-	-	-	-	38,620	38,620
estern larch	-	-	-	-	25,306	25,306
gar pine	-	-	-	-	24,684	24,684
estern white pine	-	-	-	-	18,333	18,333
thers	-	-	-	-	55,171	55,171
Total	-	-	3,180	-	1,213,002	1,216,182
ern hardwoods	-	-	-	-	4,957	4,957
All species	129,796	243,760	60,326	111,810	1,217,959	1,763,651

Includes all of Virginia and West Virginia, lower peninsula of Michigan, and excludes all of Wisconsin.

xcludes all of Virginia and Louisiana.

ncludes all of Wisconsin and excludes all of Colorado. Includes western Texas and Oklahoma on which a negligible amount of timber is grown.

ncludes all of Louisiana and excludes western Oklahoma and Texas on which a negligible amount of timber is grown.

ncludes all of Colorado.

ncludes an insignificant amount of spruce, lodgepole pine, and other conifers.

ces:

S. D.A., Forest Service, "Forest Statistics: Area, Stand, Growth and Drain" (prepared for Joint Congressional Committee on Forestry), 1939, Table 3 (processed).

S. Forest Service, "Stand of Saw Timber in the United States, by Character of Growth and by Regions and States /in 1938/." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

S. D.A., Forest Service. Unpublished material from the office of R. D. Garver, Director of Forest Survey.

Table 86.--Stand of Saw Timber on Commercial Forest Land, by Species and Freight Rate Territories, 1938

Species	Territory					United States
	Official 1/	Southern 2/	Western Trunk Line 3/	Southwestern 4/	Mountain-Pacific 5/	
	(Percent of United States)					
stern softwoods:						
Southern yellow pine	5.46	67.13	0.07	27.34	-	100.00
Spruce and fir	85.59	.33	14.08	-	-	100.00
White and red pine	69.10	3.60	27.30	-	-	100.00
Hemlock	41.43	7.06	51.51	-	-	100.00
Cypress	2.87	77.02	.99	19.12	-	100.00
Others	27.18	36.54	32.47	3.81	-	100.00
Total	19.45	52.80	7.40	20.35	-	100.00
stern hardwoods:						
Oak	21.41	41.26	9.00	28.33	-	100.00
Birch, beech, and maple ...	63.09	2.01	34.90	-	-	100.00
Red gum	6.31	57.54	.23	35.92	-	100.00
Tupelo	6.06	65.65	.04	28.25	-	100.00
Yellow poplar	22.12	77.55	.33	-	-	100.00
Cottonwood and aspen	32.22	9.04	46.68	12.06	-	100.00
Others	25.45	39.98	9.39	24.68	-	100.00
Total	28.59	36.73	13.80	20.88	-	100.00
tern softwoods:						
ouglas fir	-	-	-	-	100.00	100.00
onderosa pine	-	-	6/ 1.41	-	98.59	100.00
rue fir	-	-	-	-	100.00	100.00
estern hemlock	-	-	-	-	100.00	100.00
pruce	-	-	-	-	100.00	100.00
edwood	-	-	-	-	100.00	100.00
odgepole pine	-	-	-	-	100.00	100.00
estern larch	-	-	-	-	100.00	100.00
ugar pine	-	-	-	-	100.00	100.00
estern white pine	-	-	-	-	100.00	100.00
thers	-	-	-	-	100.00	100.00
Total	-	-	0.26	-	99.74	100.00
ern hardwoods	-	-	-	-	100.00	100.00
All species	7.36	13.82	3.42	6.34	69.06	100.00

ncludes all of Virginia and West Virginia, lower peninsula of Michigan, and excludes all of Wisconsin.

xcludes all of Virginia and Louisiana.

ncludes all of Wisconsin, and excludes all of Colorado. Includes western Texas and Oklahoma on which a negligible amount of timber is grown.

ncludes all of Louisiana and excludes western Oklahoma and Texas on which a negligible amount of timber is grown.

ncludes all of Colorado.

ncludes an insignificant amount of spruce, lodgepole pine, and other conifers.

ces:

S. D.A., Forest Service, "Forest Statistics: Area, Stand, Growth and Drain" (prepared for Joint Congressional Committee on Forestry), 1939, Table 3 (processed).

S. Forest Service, "Stand of Saw Timber in the United States, by Character of Growth and by Regions and States /in 1938/." A table prepared for Joint Congressional Committee on Forestry, 1939 (processed).

S. D.A., Forest Service. Unpublished material from the office of R. D. Garver, Director of Forest Survey.

[fol. 5758] Tables 85 and 86 on the distribution of the stand of saw timber (on commercial forest land) by species and by freight rate territories and also other tables (87 and 88) are compiled from the U. S. Forest Service tables by regions and since the Forest Service does not furnish state figures, the Tables 85-88 by freight rate territories have only one grouping of states by territories (for the details of states comprising each territory, see footnotes to Tables 85-88).

The distribution of the stand of saw timber by species (Tables 85 and 86) illustrates that the Southern freight rate territory is leading in eastern softwoods and hardwoods (53 and 37 percent, respectively). Southern yellow pine is the leader in the eastern softwoods of the Southern territory, and it contributes 90 percent to the stand of the softwood saw timber in the Southern territory. Oak contributes 35 percent and red gum 16 percent to the stand of hardwood saw timber in the Southern territory.

The Official territory ranks second in eastern hardwoods (29 percent of the total eastern hardwoods) and third in eastern softwoods (19 percent of the total eastern softwoods). Oak, birch, beech, and maple, spruce and fir, and white and red pine are the principal species in the Official territory (see Tables 85 and 86).

The Southwestern territory is second in eastern softwoods (20 percent of the total eastern softwoods) and third in eastern hardwoods (21 percent of the total of eastern hardwoods). Southern yellow pine and oak are the major trees growing in the Southwestern territory.

The Western Trunk Line territory is the lowest among the three other territories having eastern saw timber. Hemlock, oak, birch, beech, and maple are the major species in the Western Trunk L[illegible]erritory.

The Mountain-Pacific [illegible]itory is an outstanding area in western softwoods. This territory practically includes all western softwoods (99.7 percent). The most important species in the Mountain-Pacific territory are: Douglas fir [fol. 5759] (40 percent of the total western softwoods), ponderosa pine (18 percent), true fir (10 percent), and western hemlock (9.5 percent). Western hardwoods lying in the Mountain-Pacific territory constitute only .28 of one percent of the total stand of saw timber on commercial forest land.

Current Annual Growth

The U. S. Forest Service estimates that the total annual growth (in 1936) on commercial forest land is equal to 11.3 billion cubic feet (combined saw timber and cordwood growth). Of this volume, 5.9 billion cubic feet is softwood growth, and 5.4 billion cubic feet is hardwood growth (see Table 87). The Southern territory leads in the total growth (41 percent), softwood growth (42 percent), and hardwood growth (41 percent). The Southern territory is outstanding not only in forest acreage and stand of hardwood saw timber (for the discussion of forest acreage and stand, see preceding sections) but also in "the ease with which forests are renewed * * * [in the South and] their rapid growth."[1]

The Mountain-Pacific territory stands second in the total growth (18 percent) and in softwood growth (33 percent), but it is lowest in hardwood growth (1 percent). The Southwestern territory is third in the total softwood and hardwood growths. The Official territory ranks fourth in the total growth and softwood growth, but it is second in the hardwood growth (28 percent). The Western Trunk Line territory is rated lowest in the total growth and softwood growth but it outranks the Mountain-Pacific territory in hardwood growth.

The total saw timber growth on commercial forest lands for 1938 is 32 billion board feet, of which amount 21.2 billion board feet is softwood saw timber growth and 10.8 billion

---

[1] "A National Plan for American Forestry," a report on the forest problem of the United States prepared by the U. S. Forest Service, pursuant to Senate Resolution 175 (72d Cong., 1st Sess.), Vol. I, 1933, pp. 126-127.

(Here follows 1 Photolithograph, side folio 5760)

Table 87. - Current Annual Growth on Commercial Forest Areas, by Freight Rate Territories, 1938 1/

Territory	Combined saw timber and cordwood growth			Saw timber growth		
	Total	Softwood	Hardwood	Total	Softwood	Hardwood
	(Million cu. ft.)			(Million bd. ft.)		
Official 2/	1,828	348	1,480	3,603	1,163	2,440
Southern 3/	4,662	2,485	2,177	14,296	9,572	4,724
Western Trunk Line 4/	979	248	731	1,850	613	1,237
Southwestern 5/	1,833	905	928	6,107	3,738	2,369
Mountain-Pacific 6/	1,985	1,948	37	6,177	6,082	95
United States	7/ 11,287	5,934	5,353	7/ 32,033	21,168	10,865
	Percent of total					
Official 2/	16.20	5.86	27.65	11.25	5.49	22.46
Southern 3/	41.30	41.88	40.67	44.63	45.22	43.48
Western Trunk Line 4/	8.67	4.18	13.65	5.78	2.90	11.39
Southwestern 5/	16.24	15.25	17.34	19.06	17.66	21.80
Mountain-Pacific 6/	17.59	32.83	.69	19.28	28.73	.87
United States	100.00	100.00	100.00	100.00	100.00	100.00

1/ Growth figures represent volume of wood without bark, as in estimates of forest drain. Board-foot volumes are on the basis of estimated lumber tally, assuming utilization consistent with good practice in each region. The growth in cubic feet is for stem wood, including all trees 4 inches or more in diameter breast height; it includes the limbs in the hardwoods.

2/ Excluding Mich., Wisc., Va. and W. Va.; including Iowa and Missouri.

3/ Including Virginia and West Virginia; excluding Louisiana (except the extreme northeastern corner of Louisiana) and southeastern portion of Mississippi (along Mississippi River).

4/ Including Mich. and Wisc.; excluding Iowa, Mo. and southwestern portion of S. Dak.; negligible amounts for N. Dak., Nebr., Kans., and for remaining portion of S. Dak. not reported.

5/ Including La. (except an extreme northeastern corner of La.) and southwestern portion of Miss. (along Miss. River); negligible amounts for eastern portions of Oklahoma and Texas not reported.

6/ Including Colorado and southwestern portion of South Dakota.

7/ The effective growth is estimated at 9.6 billion cubic feet, including 27.5 billion board feet of sawtimber.

Source: U. S. Forest Service, "Forest Statistics: Area, Stand, Growth, and Drain" (prepared for Joint Congressional Committee on Forestry), 1939. Table 11 (processed).

[fol. 5761] board feet is hardwood growth. Freight rate territories have precisely the same ranking in saw timber growths as in combined saw timber and cordwood growths (for percentages, see Table 87).

Current Annual Growth and Drain

The latest data on the total annual growth and drain (from logging and destructive agencies) of standing total timber on commercial forest land (for 1936) show that the drain is 13.5 billion cubic feet (combined saw timber and cordwood) and the growth is 11.3 billion cubic feet (see Table 88). The ratio of drain to growth for these data is 1.2. The Mountain-Pacific territory has the highest ratio (1.8) and the Southwestern territory has the lowest ratio (0.9). The ratio for the Official territory is 1.2, for Southern territory is 1.1, and the ratio for the Western Trunk Line is 1.

The annual saw timber growth on commercial forest land (for 1936) is 32 billion board feet and the annual drain (for the same year) is 47.8 billion board feet. The ratio of drain to growth for these data is 1.5. The Mountain-Pacific territory has the highest ratio of this kind (2.8) and Southwestern territory has the lowest ratio (1.1). The Official and Southern territories have the ratio 1.2, and the Western Trunk Line territory has the ratio 1.3.

Messrs. Marsh and Gibbons of the United States Forest Service, referring to the relation of current growth to drain, remark:

> "Although current growth approaches current drain more closely than it has since man began extensive use, the situation is actualy less favorable than the growth-drain comparisons * * * indicate. Not all of the growth is effective. Cutting, for the most part, takes the better trees, while most of the growth is in inferior species or small, low-quality tres. Much of the drain is concentrated locally, and forest industries continue to cut out and close down * * *

5762

Table 66. - Current Annual Growth and Drain, by Freight Rate Territories, 1936

Territory	Combined saw timber and cordwood			Saw timber			
	Growth	Drain	Ratio, drain to growth	Growth	Drain	Ratio, drain to growth	Saw timber cut for lumber
	(Million cu. ft.)			(Mil. bd. ft.)			(Mil. bd. ft.)
Official 1/	1,828	2,277	1.2	3,603	4,249	1.2	1,447
Southern 2/	4,662	4,990	1.1	14,296	17,163	1.2	9,383
Western Trunk Line 3/ ..	979	983	1.0	1,850	2,420	1.3	1,307
Southwestern 4/	1,833	1,699	0.9	6,107	6,479	1.1	3,894
Mountain-Pacific 5/	1,985	3,514	1.8	6,177	17,497	2.8	11,672
United States	11,287	13,463	1.2	32,033	47,808	1.5	27,703
			Percent of total				
Official 1/	16.20	16.91	-	11.25	8.89	-	5.22
Southern 2/	41.30	37.07	-	44.63	35.90	-	33.87
Western Trunk Line 3/ ..	8.67	7.30	-	5.78	5.06	-	4.72
Southwestern 4/	16.24	12.62	-	19.06	13.55	-	14.06
Mountain-Pacific 5/	17.59	26.10	-	19.28	36.60	-	42.13
United States	100.00	100.00	-	100.00	100.00	-	100.00

1/ Excluding Michigan, Wisconsin, Virginia and West Virginia; including Iowa and Missouri.

2/ Including Virginia and West Virginia; excluding Louisiana (except the extreme northeastern corner of Louisiana) and southeastern portion of Mississippi (along Mississippi River).

3/ Including Michigan and Wisconsin; excluding Iowa, Missouri, and southwestern portion of South Dakota; negligible amounts for North Dakota, Nebraska, Kansas and for remaining portion of South Dakota not reported.

4/ Including La. (except the extreme northeastern corner of La.) and southwestern portion of Mississippi (along Mississippi River); negligible amounts for eastern portions of Okla. and Texas not reported.

5/ Including Colorado and southwestern portion of South Dakota.

Source: U. S. Forest Service, "Forest Statistics: Area, Stand, Growth, and Drain" (prepared for Joint Congressional Committee on Forestry), 1939, Table [12] (processed).

[fol. 5763] "The high ratios of drain to growth in the West are less significant than they would otherwise be because of the large quantities of virgin timber which permit a certain excess of cutting. It appears, however, that the present stand of economically available timber is less than the regulated growing stock necessary to sustain the current rate of saw-timber utilization.

"The saw-timber stands in the East have only about two-thirds of the volume needed to sustain the current annual saw-timber drain. * * *"[1]

Future Timber Requirements

In connection with the future timber requirements, the same authorities state:

> "No one can say with assurance just how much wood we shall use at any future time—even within the next decade, not to mention 50 or 100 years hence. Equally indeterminate is the amount of timber that we shall supply to other countries. Yet a sound program of forestry must aim to anticipate future domestic requirements and foreign demands with some degree of probability.
>
> "Among the factors that will influence the amount of timber we can consume or dispose of is the timber supply itself. An abundance of timber of the desired character and quality, available at low cost, would make for larger consumption; competition from other materials would be reduced, as wood would tend to replace more costly and less accessible materials. On the other hand, scarcity, poor quality and high prices would make for less consumption. This is one reason why utiliza-[fol. 5764] tion of the great quantity of inferior materials now present in our forests constitutes a serious problem.
>
> "Another important factor is the ability of people to purchase. For example, bringing the average quality of the buildings on the 3 million farms in the South to a decent level will depend in large measure on the ability of the farmers to purchase lumber. Higher

---

[1] Marsh and Gibbons, supra, p. 481.

standards of living and greater prosperity would unquestionably make for greater consumption of timber.

"There are also great possibilities for developing new uses and products, particularly through chemical processes. Although wood is by no means a stranger in the chemical-utilization field, it is still largely used, except for shaping by manufacture, in substantially the form in which nature produces it. But even so, many of our present uses of wood have developed during this century. Equally revolutionary changes in wood utilization may be expected in the future, with resultant increase in consumption, although certain present uses may decline."[1]

[fol. 5765]

Chapter VI

Rate Territory Distribution of Human Resources

Total and Gainfully Employed Poupulation

No consideration of the distribution of the resources of the various freight rate territories can possibly be regarded as complete without some discussion of those resources represented by the population for whose benefit all other natural resources are utilized and whose well-being is so largely dependent thereon. As the National Resources Board remarks,

> "Finally, human resources and human values are more significant than the land, water, and minerals on which men are dependent. The application of engineering and technological knowledge to the reorganization of the natural resources of the Nation is not an end in itself, but is to be conceived as a means of progressively decreasing the burdens imposed upon labor, raising the standard or living, and enhancing the well-being of the masses of the people."[1]

Table 89 shows for 1930 the total population of the United States and the total population ten years of age and over gainfully employed, each being distributed according to the A and B state groupings heretofore employed for the five freight rate terrtories. In both groupings Official classification territory contained slightly over 50 percent of the population of ten years of age and over gainfully employed. The same is true of the total population in the A grouping but by the B grouping this area shows just under 50 percent of the total. Southern territory ranks second with between 15 and 19 percent of both the total population and the population of ten years of age and over gain-

---

[1] Ibid., pp. 481-482.

[1] National Resources Board, A Report on National Planning and Public Works in Relation to Natural Resources and Including Land Use and Water Resources with Findings and Recommendations, 1934, p. V.

Table 89. Distribution of Total Population and of the Gainfully Employed Ten Years of Age and Above, by Freight Rate Territories, 1930

Freight rate territory	Total population		Gainfully occupied 10 years old and over	
	Number	Percent of total	Number	Percent of total
	Grouping A			
Official 1/	63,293,101	51.55	25,833,072	52.91
Southern 2/	19,172,972	15.62	7,326,486	15.00
Western Trunk Line 3/ ..	16,235,921	13.22	6,182,298	12.66
Southwestern 4/	12,176,830	9.92	4,518,232	9.25
Mountain-Pacific 5/	11,896,222	9.69	4,969,832	10.18
Total	122,775,046	100.00	48,829,920	100.00
	Grouping B			
Official 6/	60,871,250	49.58	24,952,861	51.10
Southern 7/	23,696,416	19.30	9,032,313	18.48
Western Trunk Line 8/ ..	17,271,712	14.07	6,585,165	13.49
Southwestern 9/	10,075,237	8.21	3,702,616	7.58
Mountain-Pacific 10/ ...	10,860,431	8.84	4,566,965	9.35
Total	122,775,046	100.00	48,829,920	100.00

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.

6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source: U. S. Department of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 10-11 and 321-322.

[fol. 5767] fully employed. Western Trunk Line ranks slightly below Southern territory in its proportion of both totals, followed by the Mountain-Pacific and Southwestern areas in the order named.

The relative importance of the different kinds and classes of employment within these freight rate territories shows very substantial variations. On the other hand, though there are some differences in the proportions of the population gainfully employed and the total population in each of these areas, these differences do not appear to be either striking or significant. Throughout the discussion, therefore, the figures for the different subgroups and subclasses of gainfully employed persons in the different territories have been compared only with the total gainfully employed within such areas and not with the total populations living therein.

Major Occupations

Table 90 presents the distribution of the total population gainfully employed for the major Census classifications of occupations acording to freight rate territories. Except for agriculture and forestry and fishing, Official territory shows a higher proportion of persons living within its boundaries in each of the occupations listed than of the total gainfully employed. On the other hand, much higher proportions of persons engaged in agriculture and in forestry and fishing are found in the South than of the total gainfully employed and lower proportions of the other activities excepting only domestic and personal service. Western Trunk Line and Southwestern territories show, of course, much higher proportions of the United States totals engaged in agriculture than of the total gainfully employed in those territories. The reverse is true of the Mountain and Pacific area. This last area also employs a strikingly higher proportion of the total persons in fishing and forestry (approximately 30 percent) as compared with the total of gainfully employed in the country (from 9 to 10 percent). It is perhaps worth noting as bearing upon the diversification of industry however, that Official territory showed a larger proportion of persons engaged in agriculture than any other area except Southern territory and, on

Table 90.--Distribution of the Total Gainfully Employed Population Ten Years of Age and Over, by Major Census Industry Groupings and by Freight Rate Territories, 1930

Territory	Agriculture	Forestry and fishing	Extraction of minerals	Manufacturing and mechanical industries	Transportation and communication	Trade	Public service (not elsewhere classified)	Professional service	Domestic and personal service	Clerical occupations	Gainfully occupied 10 yrs. old and over
Grouping A											
Official 1/	2,447,512	76,984	591,283	9,347,928	2,189,742	3,466,199	510,885	1,830,795	2,669,109	2,702,635	28,833,072
Southern 2/	3,261,243	50,117	117,640	1,445,952	414,832	601,056	85,517	324,898	765,858	259,373	7,326,486
Western Trunk Line 3/	1,987,061	18,406	56,407	1,367,407	495,223	780,283	82,756	434,182	535,807	424,766	6,182,298
Southwestern 4/	1,828,820	29,000	90,529	762,079	323,834	490,415	68,513	242,933	459,430	222,679	4,518,232
Mountain-Pacific 5/	947,362	75,962	128,464	1,187,286	419,516	743,514	108,534	421,076	522,247	415,871	4,969,832
Total	10,471,998	250,469	984,323	14,110,652	3,843,147	6,081,467	856,205	3,253,884	4,952,451	4,025,324	48,829,920
Percent of total											
Official 1/	23.37	30.73	60.07	66.25	56.98	57.00	59.67	56.26	53.89	67.14	52.91
Southern 2/	31.14	20.01	11.95	10.25	10.79	9.88	9.99	9.99	15.46	6.45	15.00
Western Trunk Line 3/	18.98	7.35	5.73	9.69	12.88	12.83	9.66	13.34	10.82	10.55	12.66
Southwestern 4/	17.46	11.58	9.20	5.40	8.43	8.06	8.00	7.47	9.28	5.53	9.25
Mountain-Pacific 5/	9.05	30.33	13.05	8.41	10.92	12.23	12.68	12.94	10.55	10.33	10.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Grouping B											
Official 6/	2,176,816	65,626	575,277	9,135,073	2,119,120	3,383,617	485,219	1,782,128	2,573,878	2,656,107	24,952,861
Southern 7/	3,828,740	74,863	140,781	1,813,696	553,515	763,324	122,539	410,100	966,101	348,654	9,022,313
Western Trunk Line 8/	2,093,129	19,656	73,895	1,444,141	530,097	835,040	89,454	467,674	577,057	455,022	6,585,165
Southwestern 9/	1,532,019	15,612	83,394	607,190	255,773	410,729	57,157	206,398	354,418	179,926	3,702,616
Mountain-Pacific 10/	841,294	74,712	110,976	1,110,552	384,642	688,757	101,836	387,584	480,997	385,615	4,566,965
Total	10,471,998	250,469	984,323	14,110,652	3,843,147	6,081,467	856,205	3,253,884	4,952,451	4,025,324	48,829,920
Percent of total											
Official 6/	20.79	26.20	58.44	64.74	55.14	55.64	56.67	54.77	51.97	65.99	51.10
Southern 7/	36.56	29.89	14.30	12.85	14.40	12.55	14.31	12.61	19.51	8.66	18.48
Western Trunk Line 8/	19.99	7.85	7.51	10.24	13.79	13.73	10.45	14.37	11.65	11.30	13.49
Southwestern 9/	14.63	6.23	8.47	4.30	6.66	6.75	6.68	6.34	7.16	4.47	7.58
Mountain-Pacific 10/	8.03	29.83	11.28	7.87	10.01	11.33	11.89	11.91	9.71	9.58	9.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.
6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source: U. S. Department of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 323-324. Last column - ibid. pp. 321-322.

[fol. 5769] the basis of the A grouping, a larger proportion of the total engaged in forestry and fishing than any other area. On the basis of the B grouping, it was between 3 and 4 points percent below both the Southern and Mountain-Pacific areas in the latter occupational grouping.

For the remaining occupations Western Trunk Line territory shows slightly higher or slightly lower proportions of persons than of the total gainfully employed. Except for the extraction of minerals, where its proportions of the United States total (5.73 percent in the A and 7.51 percent in the B grouping) are greatly below those of the total gainfully employed (12.66 and 13.49 percent by the A and B groupings respectively) the differences are scarcely large enough to warrant any comment.

Owing to its high proportion of the total persons gainfully employed in agriculture, the other occupations in Southwestern territory most frequently employ lower proportions of the United States totals for these occupations than of the total of the country's gainfully employed as a whole. Qualifications of this generalization are found in the forestry and fishing and in the domestic and personal services occupations in the A grouping and in the extraction of minerals in the B grouping. Despite its high degree of employment in forestry and fishing, Mountain-Pacific territory shows higher proportions of employment in most of the other occupations by one or the other of the groupings than its proportion of the total gainfully employed. Qualifications are agriculture and the manufacturing and mechanical industries in both groupings.

Social-Economic Groupings

In one of its special studies the Bureau of the Census has rearranged the occupational figures for the 1930 Census into so-called social-economic groupings [1] and these regroup- [fol. 5770] ings of the Census figures have been utilized in this section for analyzing the more important occupational differences between the rate territories.

This census study subdivides the gainful workers into the following major classes: (1) professional persons, (2) proprietors, managers, and officials, (3) clerks and kindred workers, (4) skilled workers and foremen, (5) semi-skilled workers, and (6) unskilled workers. Tables 91 and 92 distribute the total gainfully employed population of 10 years of age and over in each of the freight rate territories according to these major groupings. In 1930 the proportions of (1) clerks and kindred workers, (2) skilled workers and foremen, and (3) semi-skilled workers in Official territory were very much greater than the proportion of the total population of the country which was gainfully employed within this area. In excess of 60 percent of the total number of persons in the United States in each of these three occupations were located in Official classification territory as compared with slightly over 50 percent of the total gainfully employed in the United States living within that area. Of professional persons, the proportion living in Official classification territory is substantially below the proportion of each of the three above mentioned classes though somewhat above the proportion of the total gainfully employed. In the case of the proprietor, manager, and official and the unskilled worker group, on the other hand, Official territory's proportion of the United States total is appreciably lower than its proportion of the total gainfully employed in the United States.

---

[1] Alba M. Edwards, statistician for occupations, A Social-Economic Grouping of the Gainful Workers of the United States, Bureau of the Census, 1938.

Approximately the reverse of this situation is found in both the Southern and Southwestern territories. The proportion of the total of proprietors, managers, and officials and of unskilled labor living in each of these territories is higher than the corresponding proportions of the total population gainfully employed in these areas, whereas the proportions of the clerical and kindred worker, skilled worker and foremen, and semi-skilled worker groups are lower. Also in these territories the proportion of professional persons is lower than is the proportion of all gainfully employed living in the area, again in contrast with the situation in Official territory.

(Here follow 2 Photolithographs, side folios 5771-5772)

Table 91.--Total Gainful Workers, Distributed by Social-Economic Groups and by Freight Rate Territories, 1930

Grouping A

Territory	Professional persons	Proprietors, managers, and officials 1/	Clerks and kindred workers	Skilled workers and foremen	Semi-skilled workers 2/	Unskilled workers 3/	Gainfully occupied 10 yrs. old and over
Official 4/	1,657,791	3,503,982	4,952,739	4,029,401	5,332,579	6,356,580	25,833,072
Southern 5/	297,407	2,110,251	622,480	531,163	814,673	2,950,512	7,326,486
Western Trunk Line 6/ ..	393,229	1,747,728	937,588	671,594	747,268	1,684,891	6,182,298
Southwestern 7/	222,250	1,387,532	523,711	383,078	399,206	1,602,455	4,518,232
Mountain-Pacific 8/	375,120	916,047	912,937	667,451	683,846	1,414,431	4,969,832
Total	2,945,797	9,665,540	7,949,455	6,282,687	7,977,572	14,008,869	48,829,920

Percentage of total

Territory	Professional persons	Proprietors, managers, and officials 1/	Clerks and kindred workers	Skilled workers and foremen	Semi-skilled workers 2/	Unskilled workers 3/	Gainfully occupied 10 yrs. old and over
Official 4/	56.28	36.25	62.30	64.14	66.85	45.38	52.91
Southern 5/	10.10	21.83	7.83	8.45	10.21	21.06	15.00
Western Trunk Line 6/ ..	13.35	18.08	11.80	10.69	9.37	12.03	12.66
Southwestern 7/	7.54	14.36	6.59	6.10	5.00	11.43	9.25
Mountain-Pacific 8/	12.73	9.48	11.48	10.62	8.57	10.10	10.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1/ Includes farmers (owners and tenants), wholesale and retail dealers, and other proprietors, managers, and officials.
2/ Includes semi-skilled workers in manufacturing and other semi-skilled workers.
3/ Includes farm laborers, factory and building construction laborers, other laborers, and servant classes.
4/ Including Michigan and Virginia.
5/ Excluding Virginia and Louisiana.
6/ Including Wisconsin and excluding Colorado.
7/ Including Louisiana.
8/ Including Colorado.

Source: U. S. Department of Commerce, Bureau of the Census, A Social-Economic Grouping of the Gainful Workers of the United States, 1930, pp. 46-49; except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322.

Table 92.--Total Gainful Workers, Distributed by Social-Economic Groups and by Freight Rate Territories, 1930

Grouping B

Territory	Professional persons	Proprietors, managers, and officials 1/	Clerks and kindred workers	Skilled workers and foremen	Semi-skilled workers 2/	Unskilled workers 3/	Gainfully occupied 10 yrs. old and over
Official 4/	1,613,355	3,300,715	4,855,425	3,938,297	5,210,604	6,034,465	24,952,861
Southern 5/	374,800	2,518,886	807,836	688,434	1,020,049	3,612,258	9,022,313
Western Trunk Line 6/ ...	423,310	1,840,607	1,004,219	716,450	792,934	1,807,645	6,585,165
Southwestern 7/	189,293	1,182,164	435,619	316,911	315,805	1,262,824	3,702,616
Mountain-Pacific 8/	345,039	323,168	846,306	622,595	638,180	1,291,677	4,566,965
Total	2,945,797	9,665,540	7,949,455	6,282,687	7,977,572	14,008,869	48,829,920

Percentage of total

Territory	Professional persons	Proprietors, managers, and officials 1/	Clerks and kindred workers	Skilled workers and foremen	Semi-skilled workers 2/	Unskilled workers 3/	Gainfully occupied 10 yrs. old and over
Official 4/	54.77	34.15	61.08	62.69	65.31	43.08	51.10
Southern 5/	12.72	26.06	10.16	10.96	12.79	25.79	18.48
Western Trunk Line 6/ ...	14.37	19.04	12.63	11.40	9.94	12.90	13.49
Southwestern 7/	6.43	12.23	5.48	5.04	3.96	9.01	7.58
Mountain-Pacific 8/	11.71	8.52	10.65	9.91	8.00	9.22	9.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1/ Includes farmers (owners and tenants), wholesale and retail dealers, and other proprietors, managers, and officials.
2/ Includes semi-skilled workers in manufacturing and other semi-skilled workers.
3/ Includes farm laborers, factory and building construction laborers, other laborers, and servant classes.
4/ Including Michigan.
5/ Including Virginia and Louisiana.
6/ Including Wisconsin and Colorado.
7/ Excluding Louisiana.
8/ Excluding Colorado.

Source: U.S. Department of Commerce, Bureau of the Census, A Social-Economic Grouping of the Gainful Workers of the United States, 1930, pp. 46-49; except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322.

[fol. 5773] On the basis of both the A and B groupings, Western Trunk Line territory shows higher proportions of professional persons and proprietors, managers and officials than of the total gainfully employed but lower proportions for the remaining four of the six classes.

Mountain-Pacific territory shows higher proportions of professional persons, clerks and kindred workers, and skilled workers and foremen than of its total gainfully employed regardless of which groupings is involved. For the remaining classes, the proportion is lower but in nearly all the six groupings the proportion of persons in the major classes of employment within this area vary only narrowly from the proportion of the total gainfully employed.

Professional Persons

The greatest discrepancies in the distribution of professional persons as compared with the distribution of the total gainfully employed occur in Official and Southern territories. The former area shows about 3 points percent higher proportion of professional persons than of the gainfully employed population and the latter area from 5 to 7 points percent less than the proportion of the gainfully employed population depending on the grouping used. The proportion of professional persons of Western Trunk Line territory coincides closely with the proportion of the gainfully employed population living in this area, the difference being less than 1 point percent in either of the comparisons. Although, as indicated previously, Southwestern territory is like Southern territory in that its proportion of professional people is less than its proportion gainfully employed, the discrepancy is less than in Southern territory. Similarly, although Mountain-Pacific territory resembles Official territory in showing higher proportions of professional people than of the total gainfully employed, the excess is somewhat less than that of Official territory by about 1 point percent. Largely because of the rather close correspondence of the distribution of professional persons with the total gainfully employed, no distribution of this group by particular professions has been made. It is also true that a number of the large classes in this [fol. 5774] group are significant primarily from a social rather than from an economic point of view. For example, of the total of a little less than 3 million professional persons, over 1 million are teachers, nearly 300,000 are trained nurses, nearly 150,000, clergymen, and over 150,000 lawyers, judges and justices.[1]

Proprietors, Managers, and Officials

Tables 93 and 94 present a distribution of the principal classes of proprietors, managers and officials according to the Census groupings, the principal classes being selected on the basis of the fact that the occupations shown included not less than 150,000 persons in 1930, excluding restaurant, cafe and lunchroom keepers. Farm owners and tenants far outrank any other major grouping in the proprietor, manager and official occupational classification both in total and in almost every freight rate territory. Except in the Mountain-Pacific division and in Grouping A of the Southwestern territory there are more than one million farmers in each of the four freight rate territories. In all territories combined farmers aggregated 6,012,012 persons out of a total of 9,665,540 classified as proprietors, managers and officials by the Census study or 62.2 percent of the total.

The fact that the Southern, Western Trunk Line, and Southwestern rate territories show substantially higher proportions of proprietors, managers, and officials than of the total gainfully employed in these areas is accounted for primarily by the importance of the farmers included in the former category.

In these three territories the overwhelming proportion of the proprietor, manager and official group are engaged in agriculture either as farm owners or tenants. Southern rate territory includes an appreciably higher proportion of the total farm owners and tenants of the United States than does any other rate area, slightly less than one-third by the A grouping and slightly over one-third by the B grouping. Official territory ranks second among the rate territories in the number and proportion of the total farmers

---

[1] A Social-Economic Grouping of the Gainful Workers of the United States, op. cit., p. 3.

(Here follow 2 Photolithographs, side folios 5775-5776)

Table 93.--Distribution of the Principal Classes of Proprietors, Managers, and Officials, by Freight Rate Territories, 1930

Grouping A

Territory	Farm owners and tenants	Building and building contractors	Manufacturing managers and officials	Manufacturers	Bankers, brokers and money lenders	Retail dealers	All proprietors, managers, and officials*	Gainfully occupied 10 years old and over
Official 1/	1,426,222	100,240	198,700	132,823	122,045	969,411	3,503,982	25,833,072
Southern 2/	1,750,616	11,074	28,982	16,722	16,949	181,954	2,110,251	7,326,486
Western Trunk Line 3/	1,275,684	22,560	36,161	22,818	32,106	215,788	1,747,728	6,182,398
Southwestern 4/	1,084,018	11,171	20,028	12,114	18,964	149,378	1,387,532	4,518,232
Mountain-Pacific 5/ .	475,472	22,467	28,885	23,424	31,440	186,991	916,047	4,969,832
Total	6,012,012	167,512	312,756	207,901	221,504	1,703,522	9,665,540	48,829,920
				Percentage of total				
Official 1/	23.72	59.84	63.53	63.89	55.10	56.90	36.25	52.91
Southern 2/	29.12	6.61	9.27	8.04	7.65	10.68	21.83	15.00
Western Trunk Line 3/	21.22	13.47	11.56	10.97	14.50	12.67	18.08	12.66
Southwestern 4/	18.03	6.67	6.40	5.83	8.56	8.77	14.36	9.25
Mountain-Pacific 5/ .	7.91	13.41	9.24	11.27	14.19	10.98	9.48	10.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* Includes farmers (owners and tenants), wholesale and retail dealers, and other proprietors, managers, and officials.

1/ Including Michigan and Virginia.

2/ Excluding Virginia and Louisiana.

3/ Including Wisconsin and excluding Colorado.

4/ Including Louisiana.

5/ Including Colorado.

Source: U.S. Department of Commerce, Bureau of the Census, Fifteenth Census of the United States: 1930, Population, Vol. IV, Occupations, by States, U.S. summary, Table 3; individual states, Table 4; except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322; and next to last column (All proprietors) from U.S. Dept. of Commerce, Bureau of the Census, A Social-Economic Grouping of the Gainful Workers of the United States, 1930, pp. 46-49.

Table 94.--Distribution of the Principal Classes of Proprietors, Managers, and Officials, by Freight Rate Territories, 1930

Grouping B

Territory	Farm owners and tenants	Building and building contractors	Manufacturing managers and officials	Manufacturers	Bankers, brokers and money lenders	Retail dealers	All proprietors, managers, and officials*	Gainfully occupied 10 yrs. old and over
Official 1/	1,275,758	98,171	194,651	130,577	119,623	943,634	3,300,715	24,952,861
Southern 2/	2,059,900	14,383	36,412	20,634	21,810	231,772	2,518,886	9,022,313
Western Trunk Line 3/ ..	1,334,017	24,011	38,338	24,240	34,635	230,493	1,840,607	6,585,165
Southwestern 4/	925,198	9,931	16,647	10,448	16,525	125,337	1,182,164	3,702,616
Mountain-Pacific 5/	417,139	21,016	26,708	22,002	28,911	172,286	823,168	4,566,965
Total	6,012,012	167,512	312,756	207,901	221,504	1,703,522	9,665,540	48,829,920
				Percentage of total				
Official 1/	21.22	58.60	62.23	62.81	54.00	55.39	34.15	51.10
Southern 2/	34.26	8.59	11.64	9.92	9.85	13.61	26.06	18.48
Western Trunk Line 3/ ..	22.19	14.33	12.26	11.66	15.64	13.53	19.04	13.49
Southwestern 4/	15.39	5.93	5.33	5.03	7.46	7.36	12.23	7.58
Mountain-Pacific 5/	6.94	12.55	8.54	10.58	13.05	10.11	8.52	9.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* Includes farmers (owners and tenants), wholesale and retail dealers, and other proprietors, managers, and officials.

1/ Including Michigan.
2/ Including Virginia and Louisiana.
3/ Including Wisconsin and Colorado.
4/ Excluding Louisiana.
5/ Excluding Colorado.

Source: U.S. Department of Commerce, Bureau of the Census, Fifteenth Census of the United States: 1930, Population, Vol. IV, Occupations, by States, U.S. summary, Table 3; individual states, Table 4; except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322; and next to last column (All proprietors) from U.S. Dept. of Commerce, Bureau of the Census, A Social-Economic Grouping of the Gainful Workers of the United States, 1930, pp. 46-49.

[fol. 5777] of the United States included within its boundaries on the basis of the A grouping though it is third or slightly below Western Trunk Line territory in the B grouping. Although its proportion of the total farm owners and tenants of the United States is a little less than one-half of its proportion of the total gainfully employed, Official territory nonetheless ranks very much above either the Southwestern or the Mountain-Pacific areas in its number of farmers and is even with the great Western Trunk Line agricultural area in this respect. (See also Chapter IV)

In the occupational subclasses of the proprietor, manager and official group other than farmers, Official territory includes much higher proportions of the United States totals for these occupations than any other rate area; also substantially higher proportions of each of these classes than of the total gainfully employed in this rate territory. Except for the Mountain-Pacific division, the reverse tends to be true of the other territories largely as a result of the relatively heavier weighting of the proprietor, manager, and official group as a whole by farmers in the Southern, Western Trunk Line, and Southwestern areas as compared with either Official or Mountain-Pacific territory. The two latter show a much lower proportion of farmers than of proprietors, managers and officials as a whole and higher proportions of the other subclasses except for manufacturing managers and officials in the case of Mountain-Pacific territory.

Farm Owners and Tenants.

The heavy weighting of the proprietor, manager and official group by farmers as well as the importance of this relatively homogeneous agricultural group in the total gainfully employed figures appears to justify a further analysis of the composition of this occupation. This is shown in Tables 95 and 96.

According to these tables a larger number and proportion of all full owners of farms are located in Official classification territory than in any other of the four rate territories. Not only is this true but this territory is exceeded

Table 95.--Distribution of Farm Operators, by Tenure of Operator and by Freight Rate Territories, 1930

Grouping A

Territory	Full owners	Part owners	Managers	Tenants			Total farm operators	Gainfully occupied 10 yrs. old and over
				Cash*	Croppers**	Other		
Official 1/	1,023,114	161,809	19,345	92,022	20,958	256,280	1,573,528	25,833,072
Southern 2/	664,955	115,504	8,470	158,987	504,681	361,820	1,814,417	7,326,486
Western Trunk Line 3/ ..	590,548	217,554	9,130	135,363	-	341,927	1,294,522	6,152,298
Southwestern 4/	325,989	84,408	5,506	62,319	250,639	374,273	1,103,134	4,518,232
Mountain-Pacific 5/	307,038	77,475	13,438	40,519	-	64,577	503,047	4,969,832
Total	2,911,644	656,750	55,889	489,210	776,278	1,398,877	6,288,648	48,829,920

Percentage of total

Territory	Full owners	Part owners	Managers	Cash*	Croppers**	Other	Total farm operators	Gainfully occupied 10 yrs. old and over
Official 1/	35.14	24.64	34.61	18.81	2.70	18.32	25.02	52.91
Southern 2/	22.84	17.59	15.16	32.50	65.01	25.86	28.85	15.00
Western Trunk Line 3/ ..	20.28	33.12	16.34	27.67	-	24.44	20.59	12.66
Southwestern 4/	11.20	12.85	9.85	12.74	32.29	26.76	17.54	9.25
Mountain-Pacific 5/	10.54	11.80	24.04	8.28	-	4.62	8.00	10.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* Figures for standing renters (renters paying a fixed quantity of products) were included with "Other tenants".

** Figures for croppers are for the Southern divisions (or Southern States) only.

1/ Including Michigan and Virginia.

2/ Excluding Virginia and Louisiana.

3/ Including Wisconsin and excluding Colorado.

4/ Including Louisiana.

5/ Including Colorado.

Source: U.S. Dept. of Commerce, Bureau of the Census, Fifteenth Census of the United States: 1930, Agriculture, Vol. IV, pp. 162-169; except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322.

Table 96.—Distribution of Farm Operators, by Tenure of Operator and by Freight Rate Territories, 1930

Grouping B

Territory	Full owners	Part owners	Managers	Tenants: Cash*	Tenants: Croppers**	Tenants: Other*	Total farm operators	Gainfully occupied 10 yrs. old and over
Official 1/	918,158	145,661	17,809	84,739	3,705	232,846	1,402,918	24,952,861
Southern 2/	816,804	137,918	10,741	179,156	571,362	430,491	2,146,472	9,022,313
Western Trunk Line 3/ ..	617,477	229,051	9,968	139,5[illegible]	-	358,419	1,354,478	6,585,155
Southwestern 4/	279,096	78,142	4,771	49,43[illegible]	201,211	329,036	941,689	3,702,616
Mountain-Pacific 5/	280,109	65,978	12,600	36,319	-	48,085	443,091	4,556,965
Total	2,911,644	656,750	55,889	489,210	776,278	1,398,877	6,283,648	48,829,920

Percentage of total

Territory	Full owners	Part owners	Managers	Tenants: Cash*	Tenants: Croppers**	Tenants: Other*	Total farm operators	Gainfully occupied 10 yrs. old and over
Official 1/	31.53	22.18	31.86	17.32	0.48	16.65	22.31	51.10
Southern 2/	28.05	21.00	19.22	36.62	73.60	30.77	34.13	18.48
Western Trunk Line 3/ ..	21.21	34.88	17.84	28.53	-	25.62	21.54	13.49
Southwestern 4/	9.59	11.90	8.54	10.11	25.92	23.52	14.97	7.58
Mountain-Pacific 5/	9.62	10.04	22.54	7.42	-	3.44	7.05	9.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* Figures for standing renters (renters paying a fixed quantity of products) were included with "Other tenants".

** Figures for croppers are for the Southern divisions (or Southern States) only.

1/ Including Michigan.

2/ Including Virginia and Louisiana.

3/ Including Wisconsin and Colorado.

4/ Excluding Louisiana.

5/ Excluding Colorado.

Source: U.S. Dept. of Commerce, Bureau of the Census, Fifteenth Census of the United States: 1930, Agriculture, Vol. IV, pp. 162-169; except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322.

[fol. 5780] in the number and proportion of partial farm owners only by Western Trunk Line territory. In contrast, Southern territory is equally outstanding in showing a larger number and proportion of cash tenants and croppers than any other rate territory and is exceeded by Southwestern territory in the proportion of "other" tenant farmers by only 1 point percent in the B grouping. About one-quarter of the cash and of "other" tenants are found in Western Trunk Line territory and nearly one-quarter of the "other" tenants in the Southwestern area. Southwestern territory accounts for nearly all the croppers not found in Southern territory. The Bureau of the Census does not publish figures for croppers outside of the Southern States.

In Table 97 the full and part owners of farms have been combined in a single group and all three classes of tenants in another group. From this table it appears that a larger number and proportion (between 29 and 33 percent depending on the grouping used) of full and partial farm owners in the United States were located in Official territory than in any other rate area. Between 21 and 27 percent of these owners, depending on the grouping used, are found in Southern, and between 22 and 24 per cent in Western Trunk Line territory. The remainder, representing roughly from 19 to 22 percent, depending on the grouping used, are rather evenly divided between the Southwestern and the Mountain-Pacific territories. In three of the five territories, Official, Western Trunk Line, and Mountain-Pacific, the number and proportion of farm owners appreciably exceeds the number of tenants while the reverse is characteristic of Southern and Southwestern territories. Between 38 and 44 percent (depending on the grouping used) of the more than 2.5 million tenants were found in the Southern area as against a trifle over 12 percent located in Official territory. This proportion of tenant farmers in Official territory, it will be noted, is much below that of any other rate area except the Mountain-Pacific division which shows the lowest proportion of tenants. In this latter area tenant farmers represent between 20 and 21 percent of the total farm owners and tenants. In Official territory, on the other hand, with something like three times as many farm owners and tenants as the Mountain-Pacific division, the proportion of tenants to the total farmers in the former area is only slightly higher than in the latter.

Table 97. Distribution of Farm Operators, 1930

Territory	Owners		Tenants	
	Number	Percent of total	Number	Percent of total
	Grouping A			
Official 1/	1,184,923	33.20	369,260	13.86
Southern 2/	780,459	21.87	1,025,488	38.49
Western Trunk Line 3/ ..	808,102	22.66	477,290	17.91
Southwestern 4/	410,397	11.50	687,231	25.79
Mountain-Pacific 5/	384,513	10.77	105,096	3.95
Total	3,568,394	100.00	2,664,365	100.00
	Grouping B			
Official 6/	1,063,819	29.81	321,290	12.06
Southern 7/	954,722	26.76	1,181,009	44.32
Western Trunk Line 8/ ..	846,528	23.72	497,982	18.69
Southwestern 9/	357,238	10.01	579,680	21.76
Mountain-Pacific 10/ ...	346,087	9.70	84,404	3.17
Total	3,568,394	100.00	2,664,365	100.00

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.

6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source: U. S. Department of Commerce, Bureau of the Census, Fifteenth Census of the United States: 1930; Agriculture, Vol. IV, pp. 162-169.

[fol.5782] *Skilled Workers and Foremen*

Table 98 distributes by rate territories the skilled workers in each of the different skills, as classified by the Census study referred to, in which over 100,000 people were gainfully employed in 1929, excluding only foremen, policemen and locomotive engineers. Although Official classification territory included in 1929 only 51 to 53 percent of the population gainfully employed, depending upon whether the A or B grouping is used, the proportion of skilled workers in this territory was consistently higher than its proportion of the total gainfully employed for each of the 12 skills tabulated. This is the only one of the five freight rate territories of which this statement can be made. Southern territory with almost equal consistency showed a substantially lower proportion of each of these skills than its percentage of the total gainfully employed. In about nine of the occupations this area included over 60 percent of the United States total and for half of the twelve, the proportions are from two-thirds to three-quarters or more of the United States total. In the Mountain-Pacific division the proportion of people gainfully employed in these twelve skills is less than the proportion of the area's gainfully employed in a majority of cases. In the other two rate territories the proportion of the United States total employed in some skills exceeded the territories' proportion of the total gainfully employed but the number of skills for which this is true is less than in the Mountain-Pacific division, thus placing them in an intermediate position between that territory and the Southern rate area.

Semi-Skilled and Unskilled Workers

The total number of semi-skilled workers so classified by the Census analysis is just under 8 million (7,977,572) of which number about 4 million or just over 50 percent are classed as manufacturing operatives. A little under another million persons (972,418) are employed as chauffe-rs and truck and tractor drivers, more than a third of a million (374,290) as barbers, hairdressers and manicurists, and little over one-quarter of a million as housekeepers and stewards. These groups together, therefore, account for more than 70 percent of the total semi-skilled labor, the remaining 30 percent being distributed in some 35 occupa-

Territory	Blacksmiths, forgemen and hammermen	Brick and stone masons and tile layers	Carpenters	Compositors, linotypers and typesetters	Electricians	Engineers (stationary), cranemen, hoistmen, etc.	Machinists, millwrights and toolmakers	Mechanics	Molders, founders and casters (metal)	Painters, glaziers, varnishers, enamelers, etc.	Plumbers and gas and steam fitters	Tailors and tailoresses	Total skilled workers and foremen	Gainfully occupied 10 yrs. old and over
Grouping A														
Official 1/	79,811	121,363	530,246	127,481	185,497	191,438	571,860	353,280	80,252	349,807	163,958	134,402	4,029,401	25,833,072
Southern 2/	15,163	14,880	102,855	10,521	19,361	19,302	41,628	63,016	7,451	40,318	15,715	4,922	531,163	7,326,486
Western Trunk Line 3/	21,173	16,923	107,306	20,266	25,974	29,352	68,076	80,129	11,094	59,868	21,345	10,443	671,594	6,182,298
Southwestern 4/	15,407	7,950	72,160	8,312	13,117	33,614	23,215	52,964	1,180	27,619	13,717	6,143	383,078	4,518,232
Mountain-Pacific 5/ .	15,915	9,787	116,859	17,052	35,868	43,258	56,316	88,864	5,181	51,319	23,079	13,373	667,451	4,969,832
Total	147,469	170,903	929,426	183,632	280,317	316,964	761,095	638,253	105,158	528,931	237,814	169,283	6,282,687	48,829,920
Percent of total														
Official 1/	54.12	71.01	57.05	69.42	66.17	60.40	75.14	55.35	76.32	66.14	68.94	79.39	64.14	52.91
Southern 2/	10.28	8.71	11.07	5.73	7.08	6.09	5.47	9.87	7.08	7.62	6.61	2.91	8.45	15.00
Western Trunk Line 3/	14.36	9.90	11.55	11.04	9.27	9.26	8.94	12.56	10.55	11.32	8.98	6.17	10.69	12.66
Southwestern 4/	10.45	4.65	7.76	4.53	4.68	10.60	3.05	8.30	1.12	5.22	5.77	3.63	6.10	9.25
Mountain-Pacific 5/ .	10.79	5.73	12.57	9.28	12.30	13.65	7.40	13.92	4.93	9.70	9.70	7.90	10.62	10.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Grouping B														
Official 6/	77,343	119,145	512,238	125,706	181,515	188,260	562,986	343,901	79,340	342,728	160,246	133,614	3,938,297	24,952,861
Southern 7/	19,642	18,460	133,184	13,556	26,217	27,663	54,468	80,124	8,529	52,309	21,839	6,404	688,434	9,022,313
Western Trunk Line 8/	22,613	17,821	114,185	21,588	27,913	31,733	71,852	86,174	11,420	63,107	22,857	11,368	716,450	6,535,165
Southwestern 9/	13,396	6,588	59,839	7,052	10,743	28,431	19,249	45,235	1,014	22,707	11,305	5,449	316,911	3,702,616
Mountain-Pacific 10/.	14,475	8,889	109,980	15,730	33,929	40,872	52,540	82,819	4,855	48,080	21,567	12,448	622,595	4,566,965
Total	147,469	170,903	929,426	133,632	280,317	316,964	761,095	638,253	105,158	528,931	237,814	169,283	6,282,687	48,829,920
Percent of total														
Official 6/	52.45	69.72	55.11	68.45	64.75	59.39	73.97	53.88	75.45	64.80	67.33	78.93	62.69	51.10
Southern 7/	13.32	10.80	14.33	7.38	9.35	8.73	7.16	12.55	8.11	9.89	9.18	3.78	10.96	18.48
Western Trunk Line 8/	15.33	10.43	12.29	11.76	9.96	10.01	9.44	13.50	10.36	11.93	9.61	6.72	11.40	13.49
Southwestern 9/	9.08	3.85	6.44	3.84	3.83	8.97	2.53	7.09	.96	4.29	4.76	3.22	5.04	7.58
Mountain-Pacific 10/.	9.82	5.20	11.33	8.57	12.11	12.90	6.90	12.98	4.62	9.09	9.07	7.35	9.91	9.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.

6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

Source: U. S. Department of Commerce, Bureau of the Census, Fifteenth Census of the United States: 1930, Population, Vol. IV, Occupations, by States, U.S. summary, Table 3; individual states, Table 4, except for last column (Gainfully occupied) from U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the United States, 1930, pp. 321-322; and next to last column (Total skilled workers) from U. S. Dept. of Commerce, Bureau of the Census, A Social-Economic Grouping of the Gainful Workers of the United States, 1930, pp. 46-49.

[fol. 5784] tions no one of which accounts for as many as 200,000 persons, and the great majority of which represent a livelihood for less than 100,000 persons. Because the character of these occupations as well as the comparatively small number employed in these subclasses the semi-skilled workers have not been distributed by freight rate territories excepting only manufacturing operatives.

The total number of unskilled workers as distributed by the Census analysis is 14,008,869. Of these workers farm laborers, laborers in manufacturing, "not otherwise specified" mine operatives (coal and other) and the servant classes (cooks and other servants) account for the occupations of a little over 10.5 million or roughly 75 percent of the total. The distribution of these classes of workers, together with that of the semi-skilled manufacturing operatives, is shown in Table 99 according to freight rate territories.

Considering the high centralization of manufacturing operations in Official territory, it is not surprising to find that from 72 to 74 percent of the manufacturing operatives in the United States live in Official classification territory, or roughly 20 points percent more than the proportion of the total gainfully employed within this area. The South ranks second in importance in manufacturing operatives with the Western Trunk Line, Mountain-Pacific, and Southwestern territories following in the order named.

As bearing upon the importance of agriculture within these territories, it is of interest to note that in its number and proportion of the total farm laborers Official territory is second only to Southern territory. In terms of wage workers, however, there were more farm laborers in Official territory than in any other freight rate territory upon the basis of the A grouping of states though Southern territory leads on the basis of the B grouping. The South, however, shows more than half of all the unpaid family workers whereas Official territory is lower than any other area except Mountain-Pacific in this respect though not greatly below Western Trunk Line.

In unskilled labor in manufacturing, Official classification territory shows a very much lower proportion of the United States total than it does of semi-skilled labor represented by manufacturing operatives, less than 60 percent

(Here follows 1 Photolithograph, side folio 5781)

Table 99.—Distribution of Manufacturing Operatives and of Specified Principal Classes of Unskilled Labor, by Freight Rate Territories, 1930

Territory	Manufacturing operatives (semi-skilled workers ϕ)	Unskilled: Farm laborers: Wage workers	Unskilled: Farm laborers: Unpaid family labor	Unskilled: Farm laborers: Total	Unskilled: Manufacturing laborers	Unskilled: Mine operatives	Unskilled: Servant class (cooks and other servants)	Unskilled: Total unskilled labor distributed by this table	Unskilled: Total unskilled labor*	Gainfully occupied 10 yrs. old and over
					Grouping A					
Official 1/	2,887,377	810,203	190,062	1,000,265	1,907,254	560,800	1,081,906	4,550,225	6,356,580	25,833,072
Southern 2/	425,919	626,300	872,071	1,498,371	447,282	111,773	345,082	2,402,508	2,950,512	7,326,486
Western Trunk Line 3/.	297,526	492,994	208,774	701,768	337,373	51,250	207,063	1,297,454	1,684,891	6,182,298
Southwestern 4/	101,013	395,821	340,304	736,125	249,284	77,266	182,069	1,244,744	1,602,455	4,518,232
Mountain-Pacific 5/ ..	198,220	407,654	43,581	456,235	272,087	118,052	183,013	1,029,387	1,414,431	4,969,832
Total	3,910,055	2,732,972	1,659,792	4,392,764	3,213,280	919,141	1,999,133	10,524,318	14,008,869	48,829,920
					Percent of total					
Official 1/	73.85	29.64	11.45	22.77	59.35	61.01	54.12	43.23	45.38	52.91
Southern 2/	10.89	22.92	52.54	34.11	13.92	12.16	17.26	22.83	21.06	15.00
Western Trunk Line 3/.	7.61	18.04	12.58	15.97	10.50	5.58	10.36	12.33	12.03	12.66
Southwestern 4/	2.58	14.48	20.50	16.76	7.76	8.41	9.11	11.83	11.43	9.25
Mountain-Pacific 5/ ..	5.07	14.92	2.93	10.39	8.47	12.84	9.15	9.78	10.10	10.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
					Grouping B					
Official 6/	2,831,842	728,146	153,773	881,919	1,845,706	545,545	1,035,003	4,308,173	6,034,465	24,952,861
Southern 7/	505,259	780,569	972,358	1,752,927	567,900	133,338	439,781	2,893,946	3,512,258	9,022,313
Western Trunk Line 8/.	308,959	531,280	217,252	748,532	355,716	67,358	221,042	1,392,648	1,807,645	6,585,165
Southwestern 9/	77,208	323,609	276,306	599,915	190,214	70,956	134,273	995,358	1,262,824	3,702,616
Mountain-Pacific 10/ .	186,787	369,368	40,103	409,471	253,744	101,944	169,034	934,193	1,291,677	4,566,965
Total	3,910,055	2,732,972	1,659,792	4,392,764	3,213,280	919,141	1,999,133	10,524,318	14,008,869	48,829,920
					Percent of total					
Official 6/	72.43	26.64	9.26	20.08	57.44	59.35	51.77	40.93	43.08	51.10
Southern 7/	12.92	28.56	58.58	39.90	17.67	14.51	22.00	27.50	25.79	18.48
Western Trunk Line 8/.	7.90	19.44	13.09	17.04	11.07	7.33	11.06	13.23	12.90	13.49
Southwestern 9/	1.97	11.84	16.65	13.66	5.92	7.72	6.72	9.46	9.01	7.58
Mountain-Pacific 10/ .	4.78	13.52	2.42	9.32	7.90	11.09	8.45	8.88	9.22	9.35
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

ϕ Manufacturing operatives not otherwise specified, in Edwards' study.

1/ Including Michigan and Virginia.
2/ Excluding Virginia and Louisiana.
3/ Including Wisconsin and excluding Colorado.
4/ Including Louisiana.
5/ Including Colorado.
6/ Including Michigan.
7/ Including Virginia and Louisiana.
8/ Including Wisconsin and Colorado.
9/ Excluding Louisiana.
10/ Excluding Colorado.

*Includes farm laborers, factory and building construction laborers, other laborers, and servant classes.

Source: U.S. Department of Commerce, Bureau of the Census, Fifteenth Census of the U.S.: 1930, Population, Vol. IV, Occupations, by States: U.S. summary, Table 3; individual states, Table 4. Last column (Gainfully occupied) U.S. Dept. of Commerce, Bureau of the Census, Abstract of the Fifteenth Census of the U.S., 1930, pp. 321-2. Column Total Unskilled Labor - U.S. Dept. of Commerce, Bureau of the Census, A Social-Economic Grouping of the Gainful Workers of the United States, 1930, pp. 46-49.

[fol. 5786] of the former being located in this area as compared with above 72 percent for the latter. Both the number and percentage of unskilled factory laborers in each of the other four areas appreciably exceeds the number and percentage of semi-skilled manufacturing operatives.

This situation should be considered in the light of the figures presented above showing that the proportions of skilled workers in 12 leading occupations exceeded the proportions of the total gainfully employed in Official classification territory and the complete or partial reverse of this situation in the other four territories. (Table 98.)

The mine operative figure is heavily weighted by coal miners who in the 1930 census were more than twice as numerous as other mine operatives. This no doubt accounts in part for the fact that the largest numbers and proportions of miners are found in Official classification territory. Southern or Mountain-Pacific territory is second depending upon which grouping is used. In Official territory the proportions of miners are substantially higher than are the proportions of the total gainfully employed. The same is also true for the Mountain-Pacific division. The reverse of this is true of the other three divisions with a qualification for Southwestern territory in the B grouping of States.

The servant class, as is perhaps to be expected, is distributed between the freight rate territories in proportions rather closely approximating the distribution of the total gainfully employed. In both Official and Southern territories the proportion of the servant class is slightly higher than the proportion of the gainfully employed whereas it is slightly lower in the other three freight rate territories. The differences in the distribution of servants and total gainfully employed appears to be too narrow to be of any great significance.

EXHIBIT 2

INTERSTATE COMMERCE COMMISSION
BUREAU OF STATISTICS

RAILROAD FREIGHT SERVICE COSTS IN THE VARIOUS RATE TERRITORIES

1939

PREPARED UNDER THE DIRECTION OF
FORD K. EDWARDS,
PRINCIPAL ECONOMIST IN CHARGE OF COST SECTION

WASHINGTON, D.C., MAY, 1941

TABLE OF CONTENTS

Chapter		Page
I	Levels of Cost and Their Economic Significance ..	1
II	Territories for Which Costs Were Developed	6
III	Territorial Cost Comparisons	19
IV	Procedure Used in the Computation of Costs	49
V	Computation of the Out-of-Pocket Costs	69
VI	Analysis of the Effect of Certain Procedures and Factors Used in the Computation of Territorial Costs	82

APPENDICES

A	Explanation of Factors Used in the Formula	103
B	Territorial Average Tare Weight and Territorial Ratio of Empty to Loaded Car-miles by Classes of Equipment	108
C	Assignment of Commodities to That Class of Equipment in Which They Are Commonly Handled ..	109
D	Data Considered in the Determination of the Out-of-Pocket Costs	113
E	Definitions of the Switching Terms Used in the Study	123

COST SCALES

Cost scales by territories and classes of equipment (bound separately).

The analysis and research necessary to this study were made by the members of the Cost Section and E. S. Hobbs, Statistical Analyst. The application of the cost formula to the carriers' accounting and statistical data was made under the direction of John W. Kreps, Chief, Annual Reports Section.

CHAPTER I

Levels of Costs and Their Economic Significance

Purpose of the study:

The purpose of this study 1/ is to provide territorial cost data that may be used in determining the relative transportation costs in the respective rate territories, and that may be of aid in the development of territorial class rate scales.

Brief description of the cost scales:

The scales of costs shown for each territory are based upon the average operating conditions in each territory. The costs, therefore, represent a weighted average of all conditions, i.e., main line and branch line operation, through train and way train operation, operation on lines of heavy traffic density and lines of light traffic density, and the operation of large terminals and small terminals.

Distribution of costs on a use basis:

The distribution of the expenses herein has been based on the relative use that the carload and less-carload traffic of varying net loads makes of the transportation facilities of the carrier.

The cost study does not reflect those factors which occasion differences in rates which cannot be justified under a strict adherence to a cost of service principle. Such factors include the value of the service, ability to pay, value of the commodity, competitive relationships, degree of manufacture, etc. Because of these factors some rates may be above the costs indicated and other rates may be below such costs, but on the average all traffic must earn the amounts shown if the carriers' revenues as a whole are to cover the elements of cost listed.

The expansion of the carload expenses for less-carload and passenger deficits 2/ results in the distribution of such deficits

---

1/ This study consists of two parts, bound separately. The first contains the explanatory text. The second contains the cost scales.

2/ By "deficit" is meant the amount by which the revenues from the less-carload and passenger services fail to cover the costs assigned and apportioned to these services.

over each carload movement in proportion to the use each movement makes of the carrier's transportation facilities. As in the distribution of the expenses, no recognition is here given to the differences between commodities in their ability to pay.

All data are based on the experience of the year 1939. Conclusions concerning less-carload and passenger deficits are also based on the experience for this year.

Levels of cost:

The concept of cost embraces many considerations depending upon the use for which the data are intended. No one single figure can satisfy all situations. For this reason the present study develops the following significant levels of cost:

I. Carload and less-carload out-of-pocket costs. 1/

II. Carload and less-carload freight operating expenses, rents and taxes.

III(a). Carload and less-carload operating expenses, rents and taxes, plus an allowance for a return at 4 percent, upon the carload and less-carload portions of the value of the property.

III(b). Carload and less-carload operating expenses, rents and taxes, plus an allowance for a return at 5¾ percent upon the carload and less-carload portions of the value of the property.

IV. Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits, but excluding return.

V(a). Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits and a return at 4 percent upon the total value of the property, including the less-carload and passenger portions.

V(b). Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits, and a return at 5¾ percent upon the total value of the property, including the less-carload and passenger portions.

Levels of cost and their economic significance:

The respective levels of cost developed in this study indicate the average revenue which each 100 pounds of freight would

---

1/ See Chapter V for the treatment of out-of-pocket costs.

have had to earn during the period studied (considering the length of haul, net weight of load, percent of empty return of the equipment, and the tare weight of the equipment) to cover the elements of cost indicated. The nature of the commodity carried receives consideration in these scales only through the variation in load per car, and type of car used. Loss and damage receives separate consideration apart from the scales.

As already indicated, the distribution of the expense is based upon the relative use each movement makes of the carrier's transportation facilities. However, while costs distributed on a "use" basis serve to indicate what each service, carload, less-carload and passenger ought to pay from the cost of service standpoint, the fact cannot be overlooked that these services do not contribute on this basis to the joint costs; i.e., those expenses common to all the services. If some service pays less, others must pay more. In computing carload freight costs, it is economically correct to exclude from such costs these common expenses (such as maintenance of way, general overheads and taxes) which are chargeable to the less-carload and passenger services on a "use" basis. The accounting procedure and the formula used herein accomplish this result. At the same time, it is economically incorrect in computing the revenue needs for carload traffic to ignore the fact that the less-carload and passenger services during the period of study failed to earn enough to cover the full amount of those common expenses apportioned to such services. The study provides for such consideration through its treatment of the less-carload and passenger deficits, but in so doing it gives recognition to the "value of service" or "ability to pay" of these services and the result constitutes a departure from the "use" basis of cost finding. (See Cost Levels IV and V) However, rate making, like all forms of price fixing, is in part an economic problem and not merely an engineering or accounting problem, and by the method of presentation here employed, it is possible for the reader to choose the combination of cost items considered most appropriate for his problem.

Criticism may be leveled at the continued use of the word "cost" under the wider interpretation here given to this term. The term "level of revenue needs" would probably be more proper when referring to levels IV and V. For simplicity of reference, however, the term "cost level" is applied uniformly to all figures.

The economic significance of each of the levels of cost (or levels of revenue needs) is set forth below.

Level I. Carload and less-carload out-of-pocket costs:

This level of cost indicates that average revenue which each 100 pounds of freight would have had to earn to cover the out-of-pocket costs.

The out-of-pocket costs are those added expenses which are occasioned by the existence of any given traffic, or those expenses which would be eliminated by the loss of such traffic. This level of cost represents the minimum below which rates cannot fall without the carrier suffering a loss. At this level of cost it is a matter of indifference 1/ whether or not the carrier handles the traffic, since the revenues received merely equal the added costs incurred. See Chapter V for an explanation of the procedure used in obtaining out-of-pocket costs, and the assumptions upon which such costs are based.

Level II. Carload and less-carload freight operating expenses, rents and taxes:

This level of cost indicates that average revenue which each 100 pounds of freight would have had to earn to cover the operating expenses, rents and taxes assigned and apportioned to the traffic on the basis of the relative "use" which it made of the carrier's transportation facilities. If the revenues from the less-carload and passenger services fail to equal the expenses assigned and apportioned to these services (as was true in 1939 for all territories), this level of cost is of limited significance for purposes of making rates on carload traffic. Under such circumstances Cost Level II represents something above out-of-pocket costs but something below that level of the carload rates necessary to provide for the carrier's subsistence, i.e., permit it to meet its total current operating expenses, rents and taxes exclusive of any allowance for a return or profit. Furthermore, under such conditions, the carload freight service would not be economically self-supporting regardless of whether the less-carload and passenger services continued in existence or were abandoned. 2/

Level III(a) and III(b). Carload and less-carload operating expenses, rents and taxes, plus an allowance for a return at 4 and 5¾ percent respectively, upon the carload and less-carload portions of the value of the property:

This level indicates that average revenue which each 100 pounds of carload or less-carload freight would have had to earn to cover the operating expenses, rents, and taxes, assigned and apportioned

---

1/ Apart from the matter of thereby attracting other more profitable tonnage from the same shipper.

2/ If the revenues from the less-carload or the passenger services fail to equal the out-of-pocket expenses occasioned by the existence of these services, the so-called "subsistence level" of the carload rates could presumably be reduced by abandoning these services and thus saving the amount of the difference between the less-carload and passenger revenues and the less-carload and passenger out-of-pocket costs. The degree to which the revenues from the less-carload and passenger services are covering the out-of-pocket expenses for these services is treated in Chapter III, pages 40-44.

to the traffic on a "use" basis and in addition provide for a return.

This level as applied to carload traffic has economic significance only providing that the less-carload traffic and the passenger traffic are contributing a return on their portion of the value. Inasmuch as this condition does not now obtain, this level of cost has limited economic significance for rate-making purposes.

Level IV. Carload freight operating expenses, rents and taxes, plus less-carload and passenger operating deficits, but excluding return:

This level of cost indicates that average revenue which each 100 pounds of carload freight would have had to earn during the period of study to cover the carload freight service costs, and in addition those expenses assigned and apportioned to the less-carload and passenger services which the revenues from these services were unable to cover. This level of cost, or better stated, level of revenue needs, approximates a bare "subsistence" level of earnings in that under it the carrier's income from all services would equal its total current expenditures for operating expenses, operating rents, and taxes, exclusive of any return on the value of the property used in transportation.

The inclusion of the less-carload and passenger deficits does not throw a burden on the freight service which it is not economically proper for it to bear, providing first, that the revenues from these two services represent in full the ability of these two classes of traffic to pay and secondly providing that such revenues are not less than the out-of-pocket expenses occasioned by the existence of these services.

Level V(a) and V(b). Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits, and a return at 4 and 5¾ percent, respectively, upon the value of the total property, including the less-carload and passenger portions:

This level indicates that average revenue which each 100 pounds of carload freight would have had to earn if the carrier's revenues from its carload, less-carload and passenger services were to cover the total operating expenses, rents and taxes for these services and in addition earn a return (at 4 or 5¾ percent) upon the total value of the property used by these services.

CHAPTER II

Territories for which Costs Were Developed

Selection and grouping of territories:

The list of territories for which cost data have been developed is based on that given in the Commission's order of January 9, 1940 1/ in Dockets No. 28300, Class Rate Investigation and No. 28310, Consolidated Freight Classification.

Description of territories appearing in Commission's order in Docket 28300, Docket 28310, and MC-C-150 2/, dated January 9, 1940:

The principal territories, as defined in Appendix A to the Commission's order of January 9, 1940, are as follows:

Official territory, including Illinois territory. -- All that part of the United States lying generally east of the following line: Lake Michigan, including west-bank car-ferry ports on official-territory traffic, south to Milwaukee, Wis., thence the line of the Chicago, Milwaukee, St. Paul & Pacific Railway (the Milwaukee) to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul & Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee, through Watertown to Madison, Wis., thence the line of the Chicago & North Western Railway to Dodgeville, Wis., thence the line of the Illinois Central Railroad to the Illinois State Line and west along the latter to the Mississippi River, thence south along that river, including west-bank crossing points on official-territory traffic, to the Ohio River; and lying generally north of the following line: along the Ohio River east from its mouth, including south-bank crossing points on official-territory traffic, to Cincinnati, Ohio, thence east of the line of the Chesapeake & Ohio Railway to Kenova, W. Va., thence on the main line of the Norfolk & Western Railway to its crossing with the line of the Virginian Railway west of Roanoke, Va., thence on the Virginian Railway to Suffolk, Va., thence on the main line of the Norfolk & Western Railway to Norfolk, Va.

Southern territory. -- All that part of the United States lying south of official territory and east of the Mississippi River, including north-bank Ohio River and west-bank Mississippi River crossing points on southern territory traffic.

1/ This order was subsequently rescinded under date of November 25, 1940.

2/ Docket 28300, Class Rate Investigation, 1939.
Docket 28310, Consolidated Freight Classification,
Docket MC-C-150, Motor Freight Classification.

Southwestern territory. -- Consists of the States of Arkansas, Oklahoma, Texas, and Louisiana west of the Mississippi River, including east-bank crossing points on the Mississippi River in Tennessee, Mississippi, and Louisiana on southwestern-territory traffic.

Western trunk-line territory, including zone C in Wisconsin and southern Missouri. — All that part of the United States lying west of official-Illinois and southern territories, including east-bank Mississippi River crossings in Illinois on western trunk-line territory traffic, north of southwestern territory and New Mexico, and on and east of the following line: The western boundaries of the States of North Dakota, South Dakota, and Nebraska south to the main line of the Union Pacific Railroad, thence along that railroad to Cheyenne, Wyo., thence south on the line of the Colorado & Southern Railway and paralleling railroads passing through Denver, Colorado Springs, and Trinidad, Colo., to the southern border of Colorado.

Mountain Pacific territory. — All that part of the United States lying west of western trunk-line and southwestern territories.

Territories used for the purpose of the cost study:

For the purpose of determining territorial costs, the five territories described above were increased to twelve for the purpose of anticipating, if possible, the additional information the Commission may need in these proceedings. For example, it was felt that within the Official territory there are at least three areas having different operating characteristics, namely, the New England states, the Pocahontas territory, and the remaining area in Official territory. Furthermore, it was also felt desirable to compute costs separately for the operations of the Western Trunk Line Railroads in northern Illinois. This permitted the operations of these railroads in and around Chicago to be included in the Eastern territory, the Western Trunk Line territory or both as the Commission may see fit. Under the description of the territories appearing in the Commission's order of January 9, 1940, referred to above, such operations belong in the Official territory. On the other hand, if cost scales are desired applicable to traffic moving from the industrial areas of northern Illinois westbound into Western Trunk Line territory, a closer approximation of the costs is obtained by grouping the operations of the Western Trunk Line railroads in northern Illinois with the operations of the same railroads in Western Trunk Line territory than would be obtained by using the Official territory cost scales for the movement across northern Illinois and the Western Trunk Line cost scale beyond.

This same situation exists as to southern Missouri which, while lying in Western Trunk Line Territory, nevertheless contains important terminal operations of the Southwestern carriers. It was originally planned to set apart the costs for all the rail operations of the Southwestern carriers in southern Missouri for inclusion with either the Western Trunk Line Territory or the Southwestern Territory as might be found desirable. Practical difficulties in obtaining the data within the limited time available precluded the adoption of this plan, however, and the separation was ultimately limited to the operations of two Southwestern railroads in southern Missouri, namely the Kansas City Southern and the Missouri-Kansas-Texas Railroad. While the Missouri operations of these two railroads technically belong in Western Trunk Line Territory, the lines serve as feeders for Southwestern Territory, and hence the cost scales show them grouped solely with the Southwestern carriers, although the data assembled permits of their inclusion in either territory.

The description of the territories and a list of the railroads or divisions of railroads assigned to each are provided below. 1/

Territories for which cost data computed:

Territorial designation No.	Territory	Description of territory
1	New England	New England States
2	Eastern, excluding New England and the operation of the Western Trunk Line Railroads in northern Illinois.	Includes the Official Territory (and Illinois Territory) as defined by the Commission in Appendix A of its order dated Jan. 9, 1940, minus however, the following: (a) New England States (b) Pocahontas railroads (c) Operations of the Western Trunk Line railroads in northern Illinois.
3	Eastern, excluding New England but including the operation of the Western Trunk Line railroads in northern Illinois.	Same as for Territory 2 except that it includes the operations of the Western Trunk Line Railroads in northern Illinois.

1/ See map of territories in cost scales (frontispiece).

Territories for which cost data computed: - Continued

Territorial designation No.	Territory	Description of territory
4	Total Eastern, including New England and the operations of the Western Trunk Line railroads in northern Illinois.	Same as Territory 3 plus New England Territory.
5	Pocahontas	Total operations of the Chesapeake & Ohio, Norfolk and Western, and the Virginian Railroads including those portions of these railroads extending into the Eastern and Southern Territories.
6	Southern	All that part of the United States lying south of Official Territory and east of the Mississippi River but including the total system operations of the Southern Railway and the Richmond, Fredericksburg & Potomac Railroad.
7	Southwestern including southern Missouri.	States of Arkansas, Oklahoma, Texas and Louisiana west of the Mississippi River, and the operations in southern Missouri of the Kansas City Southern Ry. and the Missouri-Kansas-Texas Railroad. 1/

1/ The operations of the St. Louis-San Francisco Railway and the St. Louis Southwestern Railway in southern Missouri are included in Southwestern Territory. Part of the operations of the Missouri Pacific Railroad in southern Missouri are included in Western Trunk Line Territory and part in Southwestern Territory. That part included in Southwestern Territory consists principally of the Illinois Division paralleling the Mississippi River.

Territories for which cost data computed: - Continued

Territorial designation No.	Territory	Description of territory
8	Western Trunk Line, excluding the operations of the Western Trunk Line railroads in northern Illinois and the operations of Southwestern railroads in southern Missouri.	All of that part of the United States lying west of Official-Illinois and Southern Territories, north of Southwestern Territory and New Mexico and east of the following line: Western boundaries of the States of North Dakota, South Dakota, and Nebraska, south to the main line of the Union Pacific Railroad, thence along that railroad to Cheyenne, Wyo.; thence south on the line of the Colorado and Southern Railway and paralleling railroads passing through Denver, Colorado Springs, and Trinidad, Colorado, to the southern border of Colorado.
9	Western Trunk Line, including the operations of the Western Trunk Line railroads in northern Illinois but excluding the operations of Southwestern railroads in southern Missouri.	Same as Territory No. 8 except for the inclusion of the operations of the Western Trunk Line railroads in northern Illinois.
10	Mountain-Pacific	All that part of the United States lying west of Western Trunk Line and Southwestern Territories.
11	Total Western, including Southwestern, Western Trunk Line, Mountain-Pacific, northern Illinois and southern Missouri.	Includes Southwestern Territory, Western Trunk Line Territory, Mountain Pacific Territory, and the operations of the Western Trunk Line railroads in northern Illinois and the operations of Southwestern railroads in southern Missouri.

Territories for which cost data computed: - Continued

Territorial designation No.	Territory	Description of territory
12	Total United States	Includes all operations within the United States.
	Operations of Western Trunk Line railroads in northern Illinois.	Operations of Western Trunk Line railroads **in northern Illinois insofar as they could be separated.**
	Operations of Southwestern railroads in southern Missouri.	Operation of the Kansas City Southern Railway and the Missouri-Kansas-Texas Railroad in southern Missouri.

The above description of the territories is somewhat approximate as it was not practicable to cut the lines of certain railroads exactly at the boundaries indicated. For this reason, the above territorial descriptions are useful in generally indicating the geographical extent of each of the territories.

List of the railroads or divisions thereof assigned to each territory:

In the preceding paragraph a description has been given of the territories in terms of their geographical boundaries. There follows herewith a list of the railroads, or divisions of railroads, which were assigned to each territory. As a railroad division constitutes the smallest part of a railroad for which a subdivision could be made from currently compiled statistics, it necessarily follows that there is a small amount of error resulting from some part of a division extending across the geographical boundary indicated. However, the cases in which this situation arises have a negligible bearing on the results. The railroads or divisions thereof assigned to each territory are as follows:

1. New England:

Bangor & Aroostook R. R.
Boston & Albany R. R.
Boston & Maine R. R.
Canadian National Lines in New England
Canadian Pacific Ry. (Lines in Vermont)
Central Vermont Ry.
International Ry. Co. of Maine

1. New England: - Continued

Maine Central R. R.
New York Connecting R. R.
New York, New Haven & Hartford R. R.
Rutland R. R.

2. Eastern, excluding New England and the operations of the Western Trunk Line Railroads in Northern Illinois:

Akron, Canton & Youngstown Ry.
Ann Arbor R. R.
Baltimore & Ohio R. R.
Bessemer & Lake Erie R. R.
Cambria & Indiana R. R.
Central R. R. of New Jersey
Chicago & Eastern Illinois Ry.
Chicago & Illinois Midland Ry.
Chicago, Indianapolis & Louisville Ry.
Chicago, Milwaukee, St. Paul & Pacific R. R., - Terre Haute Division extending roughly from Chicago to Terre Haute, Ind.
Delaware & Hudson R. R.
Delaware, Lackawanna & Western R. R.
Detroit & Mackinac Ry.
Detroit & Toledo Shore Line R. R.
Detroit, Toledo & Ironton R. R.
Elgin, Joliet & Eastern Ry.
Erie R. R. (incl. Chicago & Erie)
Grand Trunk Western R. R.
Illinois Central R. R., - Illinois, Springfield and St. Louis Divisions extending roughly between Clinton, St. Louis and Indianapolis.
Illinois Terminal R. R.
Lehigh & Hudson River Ry.
Lehigh & New England R. R.
Lehigh Valley R. R.
Long Island R. R.
Louisville & Nashville R. R., - operations in the State of Illinois extending roughly between East St. Louis and McKeansboro, Ill.
Missouri-Illinois R. R.
Monongahela Ry.
Montour R. R.
New York Central Railroad, - including the operation of the Michigan Central and Cleveland, Cincinnati, Chicago and St. Louis R. R. but excluding the Boston and Albany R. R.
New York, Chicago & St. Louis R. R.
New York, Ontario & Western Ry.
New York, Susquehanna & Western R. R.
Pennsylvania R. R.
Pennsylvania-Reading Seashore Lines

2. Eastern, excluding New England and the operation of the Western Trunk Line Railroads in Northern Illinois: - Continued

Pere Marquotte Ry.
Pittsburgh & Lake Erie R. R.
Pittsburg & Shawmut R. R.
Pittsburgh & West Virginia Ry.
Pittsburg, Shawmut & Northern R. R.
Reading Co.
Staten Island Rapid Transit Ry.
Toledo, Peoria & Western R. R.
Wabash Ry., - Lines East of the Mississippi River
Western Maryland Ry.
Wheeling & Lake Erie Ry.

3. Eastern, excluding New England but including the operation of the Western Trunk Line Railroads in Northern Illinois:

This territory includes all of the railroads designated under Territory No. 2 above and, in addition, those operations designated as "Operation of Western Trunk Line Railroads in Northern Illinois". The railroads included in this latter designation are as follows:

Alton Railroad, - Chicago Terminal, Eastern and Western Divisions (Illinois Lines)
Atchison, Topeka and Santa Fe, - The Chicago Terminal and Illinois Divisions
Chicago and North Western Railway, - operations in the State of Illinois
Chicago, Burlington & Quincy R. R., - operations in the State of Illinois
Chicago Great Western Railroad, - Illinois Division
Chicago, Milwaukee, St. Paul & Pacific Railroad, - Chicago Terminal, Dubuque and Illinois, Milwaukee, and Milwaukee Terminal Divisions
Chicago, Rock Island and Pacific, - Chicago and Rock Island Divisions
Illinois Central Railroad Company, - Chicago Terminal Division

4. Eastern, including New England and the operations of the Western Trunk Line railroads in Northern Illinois:

Lines included are those designated above under Territories Nos. 1 and 3.

5. Pocahontas Territory:

Chesapeake & Ohio Railway 1/
Norfolk & Western Railway
Virginian Railway

6. Southern Territory:

Alabama Great Southern R. R.
Atlanta & West Point R. R. (incl. Western Ry. of Ala.)
Atlanta, Birmingham & Coast R. R.
Atlantic Coast Line R. R.
Central of Georgia Ry.
Charleston & Western Carolina Ry.
Cincinnati, New Orleans & Texas Pacific Ry.
Clinchfield R. R.
Columbus & Greenville Ry.
Florida East Coast Ry.
Georgia R. R. - Lessee Organization
Georgia & Florida R. R.
Georgia Southern & Florida Ry.
Gulf & Ship Island R. R.
Gulf, Mobile & Northern R. R.
Illinois Central R. R., -- Kentucky, Mississippi and Louisiana Divisions and Memphis and New Orleans Terminal Divisions

---

1/ The cost data of the Chesapeake and Ohio were initially set up on the following three bases:
(a) The operations in Eastern Territory (i.e., the States of Indiana, Ohio, and Illinois) were separated from the remaining operations in Pocahontas Territory on the somewhat arbitrary basis maintained by the carrier for state purposes.
(b) The aggregate of the system expenses and statistics were separated between territories on the basis of the approximate separation developed under (a). This procedure maintained the system average unit costs in each territory. (Treatment similar to that given Union Pacific described elsewhere in this chapter.)
(c) All operations were included in the Pocahontas Territory.
The differences in the Eastern and Pocahontas territorial cost scales resulting from the three procedures outlined above were negligible. However, inasmuch as the consist of the traffic handled in Indiana, Ohio, and Illinois approximated that handled in West Virginia and Kentucky, it was decided to include all the operations of the Chesapeake and Ohio in Pocahontas Territory.

6. Southern Territory: - Continued

Louisville & Nashville R. R., - operations in the States of Indiana, Ohio, Virginia, Kentucky, Tennessee, Missouri, North Carolina, Louisiana, Mississippi, Georgia, Alabama, and Florida.
Mississippi Central R. R.
Mobile & Ohio R. R.
Nashville, Chattanooga & St. Louis Ry.
New Orleans & Northeastern R. R.
Norfolk Southern R. R.
Northern Alabama Ry.
Richmond, Fredericksburg & Potomac R. R.
St. Louis-San Francisco Ry. - States of Alabama, Florida, Mississippi, and Tennessee
Seaboard Air Line Ry.
Southern Ry.
Tennessee Central Ry.
Yazoo & Mississippi Valley R. R.

7. Southwestern including operations of Southwestern railroads in Southern Missouri:

The railroads included in Southwestern Territory are the following:

Atchison, Topeka & Santa Fe, - Oklahoma, Slaton & Plains, Northern, Southern, and Gulf Divisions, and the Panhandle and Santa Fe Ry.
Burlington-Rock Island R. R.
Chicago, Rock Island & Pacific Ry. (incl. Chicago, Rock Island and Gulf Railway), - Oklahoma, Southern, Arkansas and Panhandle Divisions
Fort Worth & Denver City Ry.
Gulf Coast Lines and Subsidiaries
International-Great Northern R. R.
Kansas City Southern Ry., - Southern Division
Kansas, Oklahoma & Gulf Ry.
Louisiana & Arkansas Ry.
Louisiana & Arkansas of Texas
Midland Valley R. R.
Missouri & Arkansas Ry.
Missouri-Kansas-Texas R. R. (including the Missouri-Kansas-Texas of Texas), - operations in the States of Oklahoma and Texas comprising the Southern, North Texas, South Texas, and Northwestern Districts
Missouri Pacific R. R., - comprising the Illinois, Arkansas, Memphis, Little Rock, Central, and Louisiana Divisions
Oklahoma City-Ada-Atoka Ry.

7. Southwestern including operations of Southwestern railroads in Southern Missouri: - Continued

St. Louis-San Francisco Ry. - operations in States of Missouri, Kansas, Oklahoma, Arkansas, and Texas
St. Louis, San Francisco and Texas Ry.
St. Louis Southwestern Ry. (including St. Louis Southwestern of Texas)
Texas & New Orleans R. R.
Texas & Pacific Ry.
Texas Mexican Ry.

The railroads designated as "operation of Southwestern roads in Southern Missouri" are as follows:

Kansas City Southern Ry., - Kansas City Terminal and Northern Divisions
Missouri-Kansas-Texas Railroad, - States of Missouri and Kansas comprising the Northern District

8. Western Trunk Line, excluding the operations of the Western Trunk Line railroads in Northern Illinois and the operations of Southwestern railroads in Southern Missouri:

Alton R. R. - That part of the Western Division comprising the Louisiana and Missouri River Railroad and the Kansas City, St. Louis and Chicago Railroad
Atchison, Topeka & Santa Fe Ry., - the Missouri, Kansas City, Eastern, Middle, Southern Kansas, Panhandle, Western and Colorado Divisions
Chicago & North Western Ry., - All operations except those in the States of Illinois, Montana, and Wyoming
Chicago Great Western R. R., - the Minnesota Main Line, Minnesota Branch Line, Iowa, and Minnesota (Mason City and Ft. Dodge) Divisions
Chicago, Milwaukee, St. Paul & Pacific R. R., - the Hastings and Dakota, Iowa and So. Minnesota, Trans-Missouri, Iowa and Dakota, LaCrosse and River, Iowa, Duluth, Twin Cities Terminal, Kansas City, Madison, Superior, Iowa and Southern Divisions
Chicago, Rock Island & Pacific Ry., - the Des Moines, Cedar Rapids, Western, and Missouri-Kansas Divisions
Chicago, St. Paul, Minneapolis & Omaha Ry.
Duluth, Missabe & Iron Range Ry.
Duluth, South Shore & Atlantic Ry.
Duluth, Winnipeg & Pacific Ry.
Great Northern Ry., - all lines in the States of Minnesota, Iowa, North Dakota, and South Dakota and the Midland Railway Company of Manitoba
Green Bay & Western R. R.

8. Western Trunk Line, excluding the operations of the Western Trunk Line railroads in Northern Illinois and the operations of Southwestern railroads in Southern Missouri: - Continued

Illinois Central R. R., - Iowa Division, including Freeport District
Lake Superior & Ishpeming R. R.
Minneapolis & St. Louis R. R.
Minneapolis, St. Paul & Sault Ste. Marie, including Wisconsin Central Ry.
Missouri Pacific R. R., - Eastern, Central Kansas, Omaha, Wichita, St. Louis Terminal, Joplin, Missouri, Southern Kansas, and Kansas City Terminal Divisions
Northern Pacific R. R., - lines east of Mandan, North Dakota
Union Pacific R. R., - lines east of Cheyenne, Wyoming
Wabash Ry., - lines west of the Mississippi River

9. Western Trunk Line, including the operations of the Western Trunk Line railroads in Northern Illinois but excluding the Southwestern railroads in Southern Missouri:

This territory includes the railroads designated in Territory No. 8 above plus the railroad operations designated as "operations of Western Trunk Line railroads in Northern Illinois". These latter railroads or portions thereof have already been listed above under Territory No. 3.

10. Mountain Pacific Territory:

Atchison, Topeka & Santa Fe Ry., - the New Mexico, Albuquerque, Arizona, Pecos, Los Angeles, Valley, and San Francisco Terminal Divisions
Chicago & North Western Ry., - State of Wyoming
Chicago, Burlington & Quincy R. R., - States of Montana and Wyoming
Chicago, Milwaukee, St. Paul & Pacific R.R., - Coast and Rocky Mountain Divisions
Colorado & Southern Ry.
Denver & Rio Grande Western R. R.
Denver & Salt Lake Ry.
Great Northern Ry., - lines in the States of Montana, Idaho, Washington, Oregon, and California, and the Nelson and Ft. Shepard Ry., and the Vancouver, Victoria & Eastern Ry. and Navigation Co.
Nevada Northern Ry.
Northern Pacific Ry., - lines west of Mandan, North Dakota
Northwestern Pacific R. R.
Southern Pacific Co. - Pacific Lines
Spokane International Ry.
Spokane, Portland & Seattle Ry.

10. Mountain Pacific Territory: - Continued

Union Pacific R. R., - lines west of Cheyenne, Wyoming
Utah Ry.
Western Pacific R. R.

11. Total, Western Territories:

Includes all the railroads or portions thereof listed under the Southwestern Territory (including operations of Southwestern railroads in southern Missouri), the Western Trunk Line Territory, (including the operations of the Western Trunk Line railroads in northern Illinois) and the Mountain Pacific Territory. See Territories Nos. 7, 9, and 10 above.

12. Total for United States:

Total for all territories, excluding duplications.

As explained in Chapter IV, all cost computations were carried out in full for each railroad individually. Furthermore, where a railroad was assigned to more than one territory, the data were compiled both for the system and for each of the parts. This procedure permits of any desired grouping of the railroads, or, if necessary, the development of the cost scales for individual carriers.

CHAPTER III

Territorial ~~Rate~~ Cost Comparisons

The cost scales and other data developed as a result of this study permit of innumerable territorial comparisons depending upon the phase of the subject under study. A few of the more significant comparisons are shown below. 1/ The cost scales show the costs by types of equipment for ranges of net loads and lengths of haul. A comparison of territorial figures for any given net load serves to indicate the relative cost in each territory providing the load is everywhere the same. Where the load is different, the cost should be based on the loading actually experienced in each territory. This is necessary as the cost is a function of the weight of the load.

Comparisons based on box car traffic assuming uniform load:

Table 1 shows the relative costs in each territory for revenue carload freight moving in box cars for a haul of 300 miles and a net load of 25 tons. For purposes of comparison an index is shown, the costs for the United States average being taken as 100. The cost data are taken from the accompanying cost scales and are based upon the territorial average ratio of empty car-miles to loaded car-miles for box cars. Loss and damage payments are not included. The relative costs are as follows:

New England	- Well above average
Eastern Territories, Southwestern, Western Trunk Line and Mountain Pacific	- Average or a little above
Southern	- A little below average
Pocahontas	- Well below average

For purposes of these comparisons, the data appearing in columns (5) and (7) of Table 1 are those most significant. The costs shown in column (3) while representing a figure which is above out-of-pocket costs nevertheless is something less than a "subsistence" level as measured in terms of minimum revenue needs on carload traffic.

1/ The comparisons shown are based upon and subject to the approximations in the basic data outlined in Chapter VI.

Table 1. Cost in Cents Per Hundred Pounds of Revenue Carload Freight Moving in Box Cars with a Net Load of 25 Tons a[illegible]a Haul of 300 Miles 1/

Territory	Assumed load (tons)	Cost Level II: Carload operating expenses, rents, and taxes		Cost Level IV: Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits		Cost Level V(b): Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits, and 5-3/4% return on total value	
		Cost	Index	Cost	Index	Cost	Index
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. New England	25	13.2	119	15.4	118	24.6	134
2. Eastern, excluding New England and Northern Illinois	25	11.6	105	13.1	101	18.6	102
3. Eastern, excluding New England but including Northern Illinois	25	11.6	105	13.2	102	18.8	103
4. Eastern, including New England and Northern Illinois	25	11.6	105	13.2	102	18.9	103
5. Pocahontas	25	9.1	82	9.9	76	13.4	73
6. Southern	25	10.4	94	12.1	93	17.2	94
7. Southwestern, including Southern Missouri	25	11.1	100	13.3	102	18.0	98
8. Western Trunk Line, excluding Northern Illinois and Southern Missouri	25	11.0	99	13.5	104	18.9	103
9. Western Trunk Line, including Northern Illinois but excluding Southern Missouri	25	11.1	100	13.7	105	19.3	105
10. Mountain Pacific	25	11.0	99	13.2	102	18.8	103
11. Total Western Territory	25	11.1	100	13.4	103	18.9	103
12. Total, United States	25	11.1	100	13.0	100	18.3	100

1/ Source: Cost scales. For purposes of comparison the index of cost for the United States equals 100.

Comparisons based on the average net load obtaining in Southern and Eastern Territories:

The average weight for traffic handled in box cars varies somewhat between territories. However, in making comparisons it is not possible to base the costs for each territory on the average load for all commodities moving in box cars in that territory as the results would reflect not merely the differences in the unit costs of operation but also the differences in the cost of hauling unlike commodities. To overcome this difficulty the procedure may be followed of first computing the cost of hauling the Southern Territory box-car traffic a distance of 300 miles at the average load for each commodity and unit cost thereof obtaining in the South, and secondly, computing the cost of hauling the identical Southern traffic a distance of 300 miles at the average loads and unit costs obtaining in Eastern Territory (Terr. No. 2). 1/ By this process the general average cost found for the Southern Territory would be between 5 and 6 percent lower than that found for the Eastern Territory.

1/ The total tonnage for the commodities handled in box cars in the Southern Territory in 1939 amounted to 65,532,453 tons. (From Freight Commodity Statistics, Statement 40100). The number of carloads required to handle this traffic amounted to 2,821,368. The weighted average load per car was 23.2 tons. If this identical traffic were handled in Eastern Territory, 2,746,992 cars would have been required, at an average of 23.9 tons per car. These latter figures were obtained by dividing the tonnage for each commodity class by the average load for that class obtaining in Eastern Territory No. 2. (For purposes of obtaining average loads the tonnage and carloadings of the Great Lakes and Central Eastern Regions combined were treated as equivalent to Territory No. 2). Costs were computed based respectively upon the weighted averages of 23.2 and 23.9 tons. The figures for the Southern and Eastern Territories were respectively as follows: Cost Level II - 11.0 and 12.0 cents; Cost Level IV - 12.8 and 13.6 cents; and Cost Level V(b) - 18.1 and 19.2 cents.

Under Cost Levels IV and V(b) the costs for the South are between 5 and 6 percent below those for the Eastern Territory.

The procedure was then reversed. The box car traffic for the Eastern Territory No. 2 was found to consist of 185,898,674 tons handled in 7,819,032 cars, or at an average of 23.8 tons per car. This same tonnage if handled in Southern Territory at the average load prevailing in Southern Territory would have required 7,916,885 cars or an average load of 23.5 tons. The costs for the Eastern and Southern Territories were respectively as follows: Cost Level II - 12.1 and 10.9 cents, Cost Level IV - 13.7 and 12.7 cents, and Cost Level V(b) - 19.3 and 18.0 cents.

Under Cost Levels IV and V(b) the costs for the Southern Territory were found to be between 6 and 7 percent below those for the Eastern Territory.

The commodities assumed to move in the respective classes of equipment are shown in Appendix C.

U The procedure then may be reversed by computing the cost of handling the Eastern Territory box car traffic for a 300-mile haul first in the Eastern Territory and secondly in Southern Territory. The cost thus found for the Southern Territory would be between 6 and 7 percent lower than that found for the Eastern Territory.

The same procedure may be followed for traffic customarily moving in gondola and hopper cars. Assuming that the consist of Southern traffic was handled first, in Southern Territory and secondly, in the Eastern Territory, the average Southern cost would be 1 or 2 percent below that for Eastern Territory. The average loads developed were 48.3 and 49.5 tons respectively. On the other hand if one assumed that the consist of the Eastern traffic were moved first in Eastern Territory and secondly in Southern Territory the result would indicate that the average cost for the South exceeded that for the East by about 7 percent. The average loads developed for South and East in this case were [illegible] 40.3 tons and [illegible] 45.0 tons respectively. The reason for this unfavorable showing for the South is the lighter average loading which in turn is occasioned by substantial differences in the character of the gondola traffic in each territory. The traffic moved in the South consists to a large degree of commodities which have like loading characteristics in each territory. On the other hand the Eastern Territory has substantial movements of certain commodities such as ore which in the South not only move in a relatively smaller volume but also have a lighter loading. Where the consist of the traffic is unlike to the degree here indicated the comparisons have limited significance.

Comparisons based on United States consist of box car traffic:

The above comparisons might have been carried on indefinitely by comparing each territory with each of the others. To shorten the process, the simplified procedure was adopted of computing the relative territorial cost on the assumption that the total United States traffic (1939) customarily moving in box cars was hauled a distance of 300 miles in each territory at the average load for the individual commodities obtaining in each territory. The aggregate cost by territories then was obtained by multiplying the cost per ton by the tonnage handled of each individual commodity and adding the products together. The comparison also may be made by computing the average load by territories weighted as above by the United States consist of commodities and taking the cost for that load directly from the cost scale. This latter method was followed principally although limited use was made of the former method for purposes of verification.

The weighted average load for box cars by territories was obtained as follows: The United States total tonnage carried of each commodity customarily moving in box cars 1/ was divided by the territorial

---

1/ See Freight Commodity Statistics, Classes 10-101, 150-162, 164, 260-271, 282, 380, 402, 430-440, 442, 443, 452, 453, 470, 471, 512, 520-540, 551-561, 580, 581, 590-620, 640-651, 662-691, 694-701.

average loading for that commodity. This gave the number of cars that would be required in each territory to handle the total United States tonnage of that commodity. The aggregate of the number of cars thus computed by territories for all commodities, divided into the aggregate tonnage for all commodities, produced the weighted average loading by territories shown in Table 2, column (2). The statistical data were taken from the Freight Commodity Statistics for 1939. The data for the Central Eastern and Great Lakes Regions were consolidated to form the Eastern Territory, No. 2. For lack of better information, the average loading for Territory No. 2 also was used for Territory No. 3. As the boundaries of the Southwestern Region (Freight Commodity Statistics) approximate those for the Southwestern Territory, No. 7, the statistical data for the former were used in obtaining average loads for the latter. No data were available on average loads for the Western Trunk Line and Mountain Pacific Territories and hence no comparisons are shown in Table 2 for them. The territorial boundaries of the remaining regions and districts compared closely with those for the territories established in this study.

From the results shown in Table 2, it will be noted that the relation of the territories remains practically unchanged from that found in Table No. 1. The costs for the New England Territory are well above the average, those for the Eastern, Southwestern, and total Western Territories are average or a little above average, those for the Southern Territory are a little below average, while those for the Pocahontas Territory are well below the average.

Table 2. Cost in Cents Per Hundred Pounds Assuming that the Total United States Traffic Customarily Moving in Box Cars Was Hauled 300 Miles in Each Territory at the Average Load for the Individual Commodities Obtaining in Each Territory 1/

Territory (1)	Average load (tons) (2)	Cost Level II: Carload operating expenses, rents, and taxes		Cost Level IV: Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits		Cost Level V(b) Carload operati expenses, rents and taxes inclu ing allowance f less-carload an passenger opera ing deficits, e 5-3/4% return o total value	
		Cost (3)	Index (4)	Cost (5)	Index (6)	Cost (7)	Index (8)
1. New England	23.3	14.0	125	16.4	125	26.1	141
2. Eastern, excluding New England and Northern Illinois	24.6	11.8	105	13.4	102	18.9	102
3. Eastern, excluding New England but including Northern Illinois	24.6	11.7	104	13.4	102	18.9	102
4. Eastern, including New England and Northern Illinois	24.4	11.8	105	13.5	103	19.3	104
5. Pocahontas	24.4	9.3	83	10.2	78	13.7	74
6. Southern	24.1	10.6	95	12.3	94	17.5	95
7. Southwestern, including Southern Missouri.	24.6	11.3	101	13.6	104	18.3	99
8. Western Trunk Line, excluding Northern Illinois and Southern Missouri	*	-	-	-	-	-	-
9. Western Trunk Line, including Northern Illinois but excluding Southern Missouri	*	-	-	-	-	-	-
10. Mountain Pacific	*	-	-	-	-	-	-
11. Total Western Territory	25.0	11.1	99	13.5	103	18.9	102
12. Total, United States	24.6	11.2	100	13.1	100	18.5	100

1/ Source: Cost scales with interpolation where necessary. For purposes of comparison, the index of cost for the United States equals 100.

*No data on average net loads available.

Comparisons based on 50 ton loads in gondola and hopper cars:

The same comparison as that shown above for box cars in Table 1 is repeated below for the traffic handled in gondolas and hopper cars. Table 3 shows the relative costs assuming a uniform load of 50 tons in all territories. 1/ The relative costs were found to be as follows:

New England - Well above average

Eastern, Southern,)
Southwestern, Western)
Trunk Line and Mountain) - About average
Pacific Territories)

Pocahontas - Well below average

The relatively less favorable position of the Southern Territory is explained by the relatively high percent empty return for gondola and hopper cars reported by the Southern roads.

1/ United States average is 50.6 tons, 1939.

Table 3. Cost in Cents Per Hundred Pounds for a Haul of 300 Miles and an Average Load of 50 Tons in Gondola and Hopper Cars 1/

Territory (1)	Assumed load (tons) (2)	Cost Level II: Carload operating expenses, rents, and taxes		Cost Level IV: Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits		Cost Level V(b): Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits, and 5-3/4% return on total value	
		Cost (3)	Index (4)	Cost (5)	Index (6)	Cost (7)	Index (8)
1. New England	50	9.6	126	11.3	127	17.9	143
2. Eastern, excluding New England and Northern Illinois	50	7.8	103	8.8	99	12.5	100
3. Eastern, excluding New England but including Northern Illinois	50	7.8	103	8.9	100	12.6	101
4. Eastern, including New England and Northern Illinois	50	7.9	104	9.0	101	12.9	103
5. Pocahontas	50	6.2	82	6.8	76	9.1	73
6. Southern	50	7.4	97	8.6	97	12.2	98
7. Southwestern, including Southern Missouri	50	7.4	97	8.9	100	12.0	96
8. Western Trunk Line, excluding Northern Illinois and Southern Missouri	50	7.5	99	9.2	103	12.9	103
9. Western Trunk Line, including Northern Illinois but excluding Southern Missouri	50	7.5	99	9.2	103	13.1	105
10. Mountain Pacific	50	7.5	99	9.0	101	12.8	102
11. Total Western Territory	50	7.5	99	9.1	102	12.8	102
12. Total, United States	50	7.6	100	8.9	100	12.5	100

1/ Source: Cost scales. For purposes of comparison the index of cost for the United States equals 100.

Average loads by types of equipment:

The cost comparison shown in Table 3 is only valid where the load in each territory is assumed to be the same. This condition does not obtain as indicated by Table 4 which shows the weighted average load by types of equipment based upon the United States consist of the traffic customarily moving in each type of equipment. The data were compiled on the basis described hereinabove for box cars.

Table 4. Average Weight of Load by Types of Equipment and by Territories Assuming that the Total United States Traffic Customarily Moving in Each Type of Equipment Shown Was Hauled in Each Territory at the Average Load for the Individual Commodities Obtaining in Each Territory

Territory	Box	Gondola and hopper	Flat	Stock	Refrigerator	Tank
1. New England	23.3	46.1	29.7	10.7	14.3	30.1
2. Eastern, excluding New England and Northern Illinois	24.6	51.2	26.7	11.1	14.3	30.5
3. Eastern, excluding New England but including Northern Illinois	24.6	51.2	26.7	11.1	14.3	30.5
4. Eastern, including New England and Northern Illinois	24.4	51.1	27.0	11.1	14.3	30.5
5. Pocahontas	24.4	50.7	27.6	11.0	14.0	30.4
6. Southern	24.1	46.5	31.7	10.7	13.9	30.6
7. Southwestern, including Southern Missouri	24.6	45.6	34.9	10.6	14.0	29.6
8. Western Trunk Line, excluding Northern Illinois and Southern Missouri	*	*	*	*	*	*
9. Western Trunk Line, including Northern Illinois but excluding Southern Missouri	*	*	*	*	*	*
10. Mountain Pacific	*	*	*	*	*	*
11. Total Western Territory	25.0	43.6	35.1	11.0	14.5	30.0
12. Total, United States	24.6	50.6	34.4	11.0	14.4	30.3

*No data as to average load.

5816

5170

From Table 4 it will be noted that where the consist of the traffic is the same the territorial average loads for each type of equipment are very similar except in the case of gondola and hopper cars and flat cars. The further conclusion may be drawn that where the territorial average loads for box cars (based on the consist of the box car traffic moving in each territory) are found to differ, such difference is principally occasioned by the fact that the territories are handling different proportions of heavy-loading or light-loading commodities. Costs based upon such average loads, therefore, reflect not merely territorial differences in the unit costs of operation, but also the usual differences in cost arising from the handling of unlike commodities.

Comparisons for anthracite and bituminous coal:

The principal classes of traffic customarily handled in gondola and hopper cars are anthracite and bituminous coal. Table 5 provides cost comparisons based upon the average loading of anthracite coal in gondola and hopper cars experienced for each territory (1939). It will be noted that the relative costs for the Southern, Southwestern and Western Territories rises sharply compared to the average for the United States. This is explained by the lighter loading reported for anthracite in these territories.

The same comparison is made in Table 6 for bituminous coal. It will be noted that the costs shown for the Southern Territory approximate the United States average while those for the Western Territories exceed the United States average. The difference between this showing and that appearing in Table 3 (based on 50 ton loads) is accounted for by the territorial differences in the loading of bituminous coal.

Table 5. Cost in Cents Per Hundred Pounds for Anthracite Coal for a 300-Mile Haul in Each Territory. Based on the Average Net Load Obtaining in Each Territory 1/

Territory (1)	Average load (tons) (2)	Cost Level II: Carload operating expenses, rents, and taxes		Cost Level IV: Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits		Cost Level V(b): Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits, and 5-3/4% return on total value	
		Cost (3)	Index (4)	Cost (5)	Index (6)	Cost (7)	Index (8)
1. New England	47.4	10.0	132	11.7	131	18.6	149
2. Eastern, excluding New England and Northern Illinois	50.5	7.8	103	8.8	99	12.5	100
3. Eastern, excluding New England but including Northern Illinois	50.5	7.8	103	8.9	100	12.6	101
4. Eastern, including New England and Northern Illinois	50.3	7.9	104	9.0	101	12.9	103
5. Pocahontas	47.6	6.4	84	7.0	79	9.4	75
6. Southern	37.1	9.2	121	10.7	120	15.2	122
7. Southwestern, including Southern Missouri	39.1	8.9	117	10.7	120	14.4	115
8. Western Trunk Line, excluding Northern Illinois and Southern Missouri	*	-	-	-	-	-	-
9. Western Trunk Line, including Northern Illinois but excluding Southern Missouri	*	-	-	-	-	-	-
10. Mountain Pacific	*	-	-	-	-	-	-
11. Total Western Territory	30.3	10.8	142	13.1	147	18.4	147
12. Total, United States	50.1	7.6	100	8.9	100	12.5	100

*No data on average net loads available.

1/ Source: Cost scales with interpolation where necessary. For purposes of comparison, the index of cost for the United States equals 100.

Comparisons on less-carload traffic:

The above comparisons all have been based on carload traffic. Table 7 below provides a comparison based on less-carload traffic. The explanation made hereinabove that the costs represent a weighted average of all operating conditions, i.e., through trains, way trains, etc., is reiterated. If any commodity or any class of traffic characteristically moves in a heavier than average, or lighter than average trains, the costs developed for that commodity or class of traffic will be in some measure overstated or understated. Attention is called in Table 7 to the comparatively low costs for handling less-carload traffic on the Pocahontas Lines. This cost is correct only if the less-carload traffic is handled in the average weight train operated by these lines. Should this traffic be handled in relatively light-weight merchandise trains the costs shown are understated in some degree. [1]

The costs shown in Table 7 are based on an assumed average load of 5 tons. The costs for New England, Western Trunk Line and Mountain Pacific Territories exceed the United States average, those for the Eastern and Southwestern Territories approximate such average, while the costs for the Pocahontas and Southern Territories are below the average. As explained in Chapter VI, the less-carload cost data are subject to some error in certain territories because of the failure to obtain an accurate separation of the station expenses between clerical and platform. This error is not sufficient, however, to change significantly the territorial relationships shown.

Table 8 shows the cost based on the territorial average load developed from the data appearing in Senate Resolution 146, 76th Congress, 1st Session, Railway Handling of Less-than-carload Freight, Forwarder Traffic, page 17, column 15. Based on Table 8 the costs for the New England and the Western Territories exceed the average while those for the Eastern, Pocahontas and Southern Territories are below the average. The low cost shown for the Eastern Territories is attributable to the relatively high average load experienced.

---

[1] See discussion of the effect of the weight of the trainload on cost, Chapter VI.

Table 8. Costs in Cents per Hundred Pounds of Less-Carload Freight for a Haul of 300 Miles in Each Territory Based on Average Load by Territories 1/

Territory (1)		Average load (tons) (2)	Less-carload operating expenses rents and taxes		Less-carload operating expenses, rents, and taxes, including 5-3/4 percent return on less-carload portion of value	
			Cost (3)	Index (4)	Cost (5)	Index (6)
1	New England	5.1	79.6	113	104.2	113
2	Eastern, excluding New England and Northern Illinois	6.5	64.8	92	84.2	91
3	Eastern, excluding New England but including Northern Illinois	6.5	66.0	93	86.3	93
4	Eastern, including New England and Northern Illinois	6.4	66.5	94	87.0	94
5	Pocahontas	5.6	61.5	87	80.1	87
6	Southern	5.5	61.0	86	79.3	86
7	Southwestern, including Southern Missouri .	4.6	78.8	111	101.6	110
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	*	-	-	-	-
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri.	*	-	-	-	-
10	Mountain Pacific	*	-	-	-	-
11	Total Western Territory	4.3	85.3	121	112.5	122
12	Total, United States	5.4	70.7	100	92.4	100

1/ Source: Cost scales with interpolation where necessary. For purposes of comparison, the index of cost for the United States equals 100.

* No data as to average load.

Table 6. Cost in Cents Per Hundred Pounds for Bituminous Coal for a 300-Mile Haul in Each Territory. Based on the Average Net Load Obtaining in Each Territory 1/

Territory	Average load (tons)	Cost Level II: Carload operating expenses, rents, and taxes		Cost Level IV: Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits		Cost Level V(b): Carload operating expenses, rents, and taxes including allowance for less-carload and passenger operating deficits, and 5-3/4% return on total value	
		Cost	Index	Cost	Index	Cost	Index
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. New England	51.8	9.4	131	11.0	131	17.5	147
2. Eastern, excluding New England and Northern Illinois	54.8	7.3	101	8.3	99	11.7	98
3. Eastern, excluding New England but including Northern Illinois	54.8	7.3	101	8.3	99	11.8	99
4. Eastern, including New England and Northern Illinois	54.7	7.4	103	8.5	101	12.1	102
5. Pocahontas	58.8	5.5	76	6.0	71	8.1	68
6. Southern	51.3	7.3	101	8.5	101	12.0	101
7. Southwestern, including Southern Missouri	47.0	7.8	108	9.4	112	12.6	106
8. Western Trunk Line, excluding Northern Illinois and Southern Missouri	*	-	-	-	-	-	-
9. Western Trunk Line, including Northern Illinois but excluding Southern Missouri	*	-	-	-	-	-	-
10. Mountain Pacific	*	-	-	-	-	-	-
11. Total Western Territory	45.1	8.1	113	9.8	117	13.8	116
12. Total, United States	53.8	7.2	100	8.4	100	11.9	100

*No data on average net loads available.

1/ Source: Cost scales with interpolation where necessary. For purposes of comparison, the index of cost for the United States equals 100.

Table 7. Costs in Cents per Hundred Pounds of Less Carload Freight for a Haul of 300 Miles, Net Load of 5 Tons 1/

	Territory (1)	Load (tons) (2)	Less carload operating expenses rents and taxes		Less-carload operating expenses, rents, and taxes, including 5½ percent return on less-carload portion of value	
			Cost (3)	Index (4)	Cost (5)	Index (6)
1	New England	5	80.5	110	105.4	110
2	Eastern, excluding New England and Northern Illinois	5	74.8	102	97.2	101
3	Eastern, excluding New England but including Northern Illinois	5	76.0	103	99.4	103
4	Eastern, including New England and Northern Illinois	5	75.9	103	99.3	103
5	Pocahontas	5	65.0	88	84.6	88
6	Southern	5	64.2	87	83.4	87
7	Southwestern, including Southern Missouri	5	75.4	103	97.2	101
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	5	79.5	108	104.9	109
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	5	80.8	110	107.6	112
10	Mountain Pacific	5	77.6	106	102.0	106
11	Total Western Territory	5	79.0	107	104.2	108
12	Total, United States	5	73.5	100	96.1	100

1/ Source: Cost scales. For purposes of comparison the index of cost for the United States equals 100.

Comparisons between railroads within a territory:

Very substantial variations exist in the costs for individual railroads within a territory. Tests were made in this matter by developing cost scales for Cost Levels II, IV and V and for distances of 50, 100, 300 and 500 miles. The railroads selected were the following:

New England:
- Boston & Maine R.R.
- Maine Central R.R.
- New York, New Haven & Hartford R.R.

Eastern, excluding New England:
- Baltimore & Ohio R.R.
- Erie R.R.
- Lehigh Valley R.R.
- New York Central R.R.
- Pennsylvania R.R.

Southern:
- Atlantic Coast Line R.R.
- Seaboard Air Line Ry.
- Southern Ry.

Southwestern:
- St. Louis Southwestern Ry.
- Texas & New Orleans R.R.
- Texas & Pacific Ry.

Mountain Pacific:
- Denver & Rio Grande Western R.R.
- Southern Pacific
- Western Pacific R.R.

Although the cost comparisons were based on identical lengths of haul and identical loads (25 tons moving in box cars) the variations found between carriers in every territory ranged from 10 to 15 percent and in some territories were still higher. Each carrier's costs were based on the percent empty return reported by it for box cars, except in the case of the New York Central where the territorial average was used, no data being available. The differences in the percent of empty return movement were not great enough to account for more than a very small portion of the differences in costs between carriers. These comparisons did not reflect the added variations in cost that would be occasioned by the differences in the circuity of the respective routes for competing railroads.

Comparisons for other lengths of hauls:

The above figures represent but a few of the comparisons available from the cost scales, reference to which will provide the data for any desired length of haul. Comparisons based on shorter or longer hauls than 300 miles would change the relationships in some degree. On short hauls of 50 miles the percent by which the cost shown for New England exceeds the United States average would be reduced while the advantage shown for the Southern Territory would be increased. On hauls longer than 300 miles the relatively high cost for the New England Territory would be still further increased while the relative advantage enjoyed by the Southern Territory (box car traffic) would be decreased. This is explained by the fact that while the terminal costs in New England approximate the United States average, the line-haul costs are substantially in excess of such average. The terminal costs for the Southern Territory are substantially lower than the United States average while the line-haul costs are only slightly lower.

Compensatory character of rate structures:

The comparisons shown above have dealt with individual traffic movements. The following comparisons are for the purpose of testing the compensatory character of territorial rate structures, less-carload, carload and passenger. The territories shown were selected to avoid, insofar as possible, the need for a territorial separation of a carrier's revenues.

Compensatory character of less-carload rate structures:

The compensatory character of the less-carload rate structures by territories may be tested by comparing the territorial less-carload expenses with the territorial less-carload revenues. A comparison follows based insofar as possible on the territorial grouping established for the purpose of this study.

Table 9. Comparison of Less-carload Revenues with Less-carload Expenses Based on the Territorial Grouping Used for This Study

Territory 1/ (1)	Less-carload revenues 2/ (2)	Less-carload operating expenses, rents and taxes, plus payments to others for pick-up and delivery 3/ (3)	Deficit (4)
New England	$17,493,370	$21,040,227	$3,546,857
Eastern, excluding New England and northern Illinois	89,923,687	115,402,315	25,478,628
Total Eastern, including New England but excluding northern Illinois	107,417,057	136,442,542	29,025,485
Pocahontas	8,742,308	9,542,851	800,543
Southern	46,484,178	49,506,990	3,022,812
Western (including northern Illinois	88,688,184	124,078,980	35,390,796
United States	251,331,727	319,571,363	68,239,636

1/ Although the territories were grouped to eliminate as far as possible the need for separating the revenues of an individual railroad between territories, such separation nevertheless had to be made in the following six cases: Separation of the New York Central between the Boston and Albany and all other lines; separation of the Louisville and Nashville between Southern Territory and the Eastern Territory; separation of the Chicago, Milwaukee, St. Paul and Pacific between Western Territory and Eastern Territory; separation of the Illinois Central between Southern, Eastern and Western Territories; separation of St. Louis-San Francisco between Southern and Southwestern Territories; separation of the Wabash between Lines East and West of the Mississippi. Except in the case of the B.& A. the territorial separations of the revenues and the payments to others for pick-up and delivery were made on the basis of the less-carload expenses. This treatment was followed as the costs closely reflect the distribution of the volume of less-carload traffic which in turn provides a measure for the distribution of the revenues received from such traffic. The revenues of the Boston and Albany were obtained direct from Freight Commodity Statistics, Statement No. 40100.

2/ From Annual Report, schedule 541, class 710, column (1).

3/ Costs shown consist of Cost Level II plus payments for pick-up and delivery service from Annual Report, schedule 310, sum of lines (a), (b), and (c) in footnote. Costs exclude allowance for a return on value.

The following table was developed to provide a similar comparison as above but excluding any territorial separation of a carrier's revenues and expenses. Carriers operating in more than one territory have been assigned to a single territory according to the regional grouping described in the "Statistics of Railways in the United States," 1/ 1935, p. S-2, S-3.

Table 10. Comparison of Less-carload Revenues with Less-carload Expenses Based on the Assignment of Each Carrier to a Single Territory

Territory 1/ (1)	Less-carload revenues 2/ (2)	Less-carload operating expenses, rents and taxes, plus payments to others for pick-up and delivery 3/ (3)	Deficit (4)
New England	$16,573,462	$18,242,427	$1,668,965
Eastern excluding New England	89,775,200	117,275,009	27,499,809
Eastern including New England	106,348,662	135,517,436	29,168,774
Pocahontas	8,742,308	9,542,851	800,543
Southern	49,888,779	53,312,448	3,423,669
Western	86,351,978	121,198,628	34,846,650
United States	251,331,727	319,571,363	68,239,636

1/ For purposes of Table 10 the following reassignment of carriers operating in more than one territory has been made: Boston and Albany included with New York Central in Eastern Territory; Louisville and Nashville included in Southern Territory; Chicago, Milwaukee, St. Paul and Pacific included in Western Territory; Illinois Central included in Southern Territory; St. Louis-San Francisco included in Western Territory; Wabash included in Eastern Territory.

2/ From Annual Report, schedule 541, class 710, column (1).

3/ Costs shown consist of Cost Level II plus payments for pick-up and delivery service from Annual Report, schedule 310, sum of lines (a), (b), and (c) in footnote. Costs exclude allowance for a return on value.

As indicated by the above Tables 9 and 10, the less-carload revenues in all territories failed to cover the less-carload operating expenses, rents and taxes, including payments to others for pick-up and delivery. In view of this situation the significant question arises as to whether the less-carload revenues cover the out-of-pocket costs occasioned by the existence of the less-carload traffic.

Tables 11 and 12 make this comparison based on the assumption that the less-carload out-of-pocket costs constitute 80 percent 1/ of the total operating expenses, rents and taxes (excluding pick-up and delivery) assigned and apportioned to the less-carload service. The payments to others for pick-up and delivery have been added to the out-of-pocket costs so computed. Table 11 shows a comparison of the territorial revenues and expenses based on the territorial grouping used for this study. Table 12 provides a comparison with the carriers assigned solely to one territory. The territorial grouping for Tables 11 and 12 are the same as those indicated for Tables 9 and 10, respectively.

1/ Under the assumptions set forth in Chapter V hereto, the out-of-pocket portion of the less-carload operating expenses, rents and taxes approximates 68 percent of the total operating expenses, rents and taxes (Cost Level II). This percentage does not take into consideration certain taxes, other than payroll taxes, the existence of which may be occasioned by the less-carload service; the maintenance chargeable to the warehouse or platform portion of the station buildings; or the savings from the possible elimination of stations if the less-carload traffic were abandoned. No allowance is made for a return on the facilities or equipment used in this service nor for the fact that if all less-carload service were eliminated the station platform expenses found variable with the traffic volume would be 100 percent rather than 90 percent. The comparisons here being made are concerned with the out-of-pocket cost as a whole of providing the less-carload service. This concept involves assumptions somewhat different from those obtaining when the out-of-pocket cost of handling added units of less-carload traffic is under consideration.

Table 11. Comparison of Less-carload Revenues with the Less-carload Out-of-pocket Costs Based on Territorial Grouping Used for This Study

Territory (1)	Less-carload revenues 1/ (2)	Less-carload out-of-pocket costs (rail) plus payments to others for pick-up and delivery (3)	Excess or deficit as related to out-of-pocket costs (4)
New England	$17,493,370	$16,832,182	$661,188
Eastern, excluding New England and northern Illinois	89,923,687	92,321,852	d 2,398,165
Total Eastern, including New England but excluding northern Illinois	107,417,057	109,154,034	d 1,736,977
Pocahontas	8,742,308	7,634,281	1,108,027
Southern	46,484,178	39,605,592	6,878,586
Total Western	88,688,184	99,263,184	d 10,575,000
United States	251,331,727	255,657,091	d 4,325,364

d Deficit
1/ From Annual Report, schedule 541, class 710, column (1).

Table 12. Comparison of Less-carload Revenues with Less-carload Out-of-pocket Costs Based on the Assignment of Each Carrier to a Single Territory

Territory (1)	Less-carload revenues (2)	Less-carload out-of-pocket costs (rail) plus payments to others for pick-up and delivery (3)	Excess or deficit as related to out-of-pocket costs (4)
New England	$16,573,462	$14,593,942	$1,979,520
Eastern, excluding New England and northern Illinois	89,775,200	93,820,007	d 4,044,807
Total Eastern, including New England but excluding northern Illinois	106,348,662	108,413,949	d 2,065,287
Pocahontas	8,742,308	7,634,281	1,108,027
Southern	49,888,779	42,649,958	7,238,821
Total Western	86,351,978	96,958,903	d 10,606,925
United States	251,331,727	255,657,091	d 4,325,364

d Deficit.

The results shown in column (4) of the above table were based on the assumption that the rail out-of-pocket cost of maintaining the less-carload service constitutes 80 percent of the total rail less-carload operating expenses, rents and taxes. As explained in Chapter V, the figure of 80 percent necessarily represents an approximation. However, the general conclusion can be drawn that the less-carload rate structures for all territories taken together yield approximately out-of-pocket costs in the aggregate with the least favorable showing in the east and west.

Compensatory character of the passenger rate structure:

The compensatory nature of the passenger rate structure by territories may also be obtained by comparing the territorial passenger-train expenses with the territorial passenger-train revenues. This comparison is made in Table 13.

Because of the inability to separate the passenger revenues of an individual railroad between territories, the following comparison is based upon the districts and regions shown in the "Statistics of Railways in the United States," 1935, p. S-2, S-3. The territorial designation in Table 13 reading "Eastern District, excluding the New England Region," includes those railroads assigned to the Great Lakes Region and the Central Eastern Region.

Table 13. Comparison of Passenger Revenues with Passenger Expenses

Territory (1)	Operating revenues of passenger and allied services 1/ (2)	Operating expenses, rents and taxes for passenger and allied services 2/ (Cost Level II) (3)	Deficit under Cost Level II 3/ (4)
New England Region	$49,938,765	$57,502,388	$7,563,623
Eastern District excluding New England Region	275,284,818	350,354,999	75,070,181
Eastern District including New England Region	325,223,583	407,857,387	82,633,804
Pocahontas Region	12,616,785	23,293,448	10,676,663
Southern Region	74,919,313	107,313,032	32,393,219
Western District	219,275,727	344,505,931	125,230,204
United States	632,035,908	882,969,798	250,933,890

The results shown in Table 13 indicate that the passenger service fails by a substantial margin in all territories to meet the expenses assigned and apportioned to it. Table 14 was developed to provide an approximate answer to the significant question as to whether the revenues from the passenger and allied services were sufficient to cover the out-of-pocket costs occasioned by the existence of this service. For the purpose of this comparison, the out-of-pocket expenses were treated as including all expenditures solely related to the passenger service and, in addition the following: the apportioned expenses for locomotive repairs and depreciation, the apportioned expenses for yard accounts 377 to 391 (excluding account 388), the apportioned expenses for miscellaneous operations (accounts 441 to 446), the total passenger portion of equipment and joint facility rents, and the estimated passenger portion of the payroll taxes.4/ This treatment provides no allowance for the apportioned maintenance of way expenses, accounts 202-221 (a large per-cent of which is affected by use); the apportioned expense for dispatching, signal and interlocker operations and general overhead; the passenger portion of the cost of hauling nonrevenue freight traffic (approximately

---

1/ Source: Preliminary Abstfact, Summary No. 3, 1939.

2/ Source: District data from Preliminary Abstract, Summary No. 1, 1939. Regional data from Bureau of Statistics working papers used in compiling Preliminary Abstract.

3/ See also the passenger deficit by territories shown in the Cost Scales, Table 87, column (50). The difference between the deficit for the United States there shown of $291,228,105 and that appearing in Table 13 is occasioned by the allowance for the passenger portion of the cost of hauling nonrevenue freight traffic.

4/ The payroll taxes were separated between freight and passenger on the basis of operating expenses.

$40,000,000); or a return upon the investment in passenger station facilities, passenger yard facilities, and passenger train equipment. Because of the exclusion of these items, the out-of-pocket expenses shown in Table 14 undoubtedly understate the added expenses occasioned by the existence of the passenger and allied services.

Table 14. Comparison of Passenger Revenues with Passenger Out-of-pocket Costs

Territory (1)	Operating revenues of passenger and allied services 1/ (2)	Out-of-pocket costs for passenger and allied services 1/ (3)	Excess or deficit as related to out-of-pocket cost (4)
New England Region	$49,938,765	$41,680,250	$8,258,515
Eastern District excluding New England Region	275,285,818	263,272,452	12,012,366
Eastern District including New England Region	325,223,583	304,952,702	20,270,881
Pocahontas Region	12,616,785	16,144,080	d 3,527,295
Southern Region	74,919,813	77,851,242	d 2,931,429
Western District	219,275,727	242,425,763	d 23,150,036
United States	632,035,908	641,373,787	d 9,337,879

As stated hereinabove, the out-of-pocket deficit thus developed is an economic burden upon the freight traffic. 2/ Based on the figures shown in Table 14, column (4), the deficit constitutes 2 percent or less of the carload revenues for the Pocahontas, Southern and Western Regions and about 0.3 percent of the carload revenues for the United States as a whole.

---

d Deficit

1/ The district data as to revenues and expenses were compiled from Statistics of Railways in the United States, 1939, Tables 113-A and 86, respectively, and the Bureau of Statistics work sheets used in compiling the above-mentioned publication. Payroll taxes by territories were taken from the monthly reports of revenues and expenses, Statement M-100.

2/ See Chapter I, page 4.

Compensatory character of the carload rate structure:

The compensatory character of the carload rate structure by territories may be tested by comparing the carload revenues with one or more levels of carload operating expenses. For purposes herein, the comparisons are made with Carload Cost Levels I, IV, and V(b). These carload cost levels (or levels of revenue needs) were selected as being the most significant for the purpose.

Table 15 provides a comparison based, insofar as possible, on the territorial grouping used for this study. Where a railroad was assigned to more than one territory, the carload revenues were apportioned between the territories on the basis of the separation of the carload operating expenses, rents and taxes. 1/

Table 16 provides a similar comparison with the exception that each carrier is assigned solely to one territory. 2/ The out-of-pocket costs, Cost Level I, were computed by taking 80 percent of Cost Level II. See Chapter V for treatment of out-of-pocket costs.

1/ See Table 9, footnote 1, for list of railroads assigned to more than one territory.

2/ See Table 10, footnote 1, for assignment of railroads to territories.

Table 15. Comparison of Carload Revenues with Several Levels of Carload Cost Based on Territorial Grouping Used for This Study

Territory	Carload revenues 1/	Cost Level I, out-of-pocket costs		Cost Level IV, includes less-carload and passenger operating deficits but excludes return		Cost Level V(b) includes less-carload and passenger operating deficits and a return at 5½%	
		Expenses	Relation of revenues to expenses	Expenses	Relation of revenues to expenses	Expenses	Relation of rev. enues to expenses
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
New England	$105,884,095	$58,035,698	182.4%	$85,047,622	124.5%	$134,992,259	78.4%
Eastern, excl. New England and northern Illinois	1,226,727,770	689,988,733	177.8	977,943,747	125.4	1,378,831,467	89.0
Total Eastern, incl. New England but excl. northern Illinois	1,332,611,865	748,024,431	178.2	1,062,991,369	125.4	1,513,823,726	88.0
Pocahontas	214,698,415	101,511,749	211.5	138,690,406	154.8	186,376,069	115.2
Southern	355,079,647	190,067,707	186.8	275,746,070	128.8	391,573,297	90.7
Total Western	1,221,199,548	683,177,010	178.8	1,035,516,017	117.9	1,455,920,901	83.9
United States	3,123,589,475	1,722,780,897	181.3	2,512,943,862	124.3	3,547,693,993	88.0

1/ Carload revenues by territories taken from the Freight Commodity Statistics, Statement 40100, Table 3, Commodity Class 850. "Freight revenue" means the reporting carrier's gross freight revenue without adjustments for absorptions or corrections, except as to those carriers which report their freight revenue on a net basis in the Freight Commodity Statistics. Inclusion of the gross freight revenue without adjustments for the absorption of the switching charges of other Class I carriers in the same territory will not affect the comparison shown as the territorial gross revenues are compared with the total territorial expenses. The remaining absorptions covering services the expenses for which are not included in the costs shown in the table may result in an overstatement of the revenues of from 1 to 3 percent in the several territories and an overstatement of something less than 2 percent for the United States as a whole.

Table 16. Comparison of Carload Revenues with Carload Costs Based on the Assignment of Each Carrier to a Single Territory

Territory (1)	Carload revenues 1/ (2)	Cost Level I, out-of-pocket costs		Cost Level IV, includes less-carload and passenger operating deficits but excludes return		Cost Level V(b) includes less-carload and passenger operating deficits and a return at 5¾%	
		Expenses (3)	Relation of revenues to expenses (4)	Expenses (5)	Relation of revenues to expenses (6)	Expenses (7)	Relation of revenues to expenses (8)
New England	$97,568,518	$53,096,015	183.8%	$78,089,278	124.9%	$122,288,147	79.8%
Eastern, excl. New England and northern Illinois	1,204,436,327	679,039,923	177.4	962,704,852	125.1	1,362,320,570	88.4
Total Eastern, incl. New England but excl. northern Illinois	1,302,004,845	732,135,938	177.8	1,040,794,130	125.1	1,484,608,717	87.7
Pocahontas	214,698,415	101,511,749	211.5	138,690,406	154.8	186,376,069	115.2
Southern	404,261,822	216,905,887	186.4	312,576,446	129.3	444,097,628	91.0
Total Western	1,202,624,393	672,227,323	178.9	1,020,882,880	117.8	1,432,611,579	83.9
United States	3,123,589,475	1,722,780,897	181.3	2,512,943,862	124.3	3,547,693,993	88.0

1/ Carload revenues by territories taken from the Freight Commodity Statistics, Statement 40100, Table 3, Commodity Class 850. "Freight revenue" means the reporting carrier's gross freight revenue without adjustments for absorptions or corrections, except as to those carriers which report their freight revenue on a net basis in the Freight Commodity Statistics. Inclusion of the gross freight revenue without adjustments for the absorption of the switching charges of other Class I carriers in the same territory will not affect the comparison shown as the territorial gross revenues are compared with the total territorial expenses. The remaining absorptions covering services the expenses for which are not included in the costs shown in the table may result in an overstatement of the revenues of from 1 to 3 percent in the several territories and an overstatement of something less than 2 percent for the United States as a whole.

An analysis of Tables 15 and 16 indicates that the carload revenues for the United States approximate 181 percent of the out-of-pocket costs of handling carload traffic, 124 percent of the carload operating expenses, rents and taxes increased for less-carload and passenger deficits, and 88 percent of those revenues necessary to cover all expenses, and, in addition, provide a return of $5\frac{3}{4}$ percent upon the total property valuation. These percentages vary somewhat by territories. It will be noted that the carload revenues on the average should practically double the out-of-pocket expenses shown if the carriers were to earn a $5\frac{3}{4}$ percent return. However, as Tables 15 and 16 indicate, the carload revenues, except in the Pocahontas Territory, are insufficient to yield this rate of return. The rate realized in 1939 from all traffic, including passenger-train traffic, is shown by territories in Table 17 below. The return is based upon the recommended rate-making values furnished by the Bureau of Valuation for the purpose of this study.

Table 17. Rate of Return for Class I Carriers by Territories - 1939. Includes All Services 1/

Territory	Percent
New England	2.48
Eastern excluding New England and northern Illinois	3.36
Eastern excluding New England but including northern Illinois	3.22
Total Eastern, including New England and northern Illinois	3.15
Pocahontas	9.29
Southern	3.50
Southwestern including southern Missouri	2.46
Western Trunk Line excluding northern Illinois and southern Missouri	2.42
Western Trunk Line including northern Illinois but excluding southern Missouri	2.31
Mountain Pacific	2.71
Total Western, including Southwestern, Western Trunk Line and Mountain Pacific	2.47
Total United States	3.24

1/ See Cost Scales, Table 87, column (75).

CHAPTER IV

Procedure Used in the Computation of Costs

Cost formula:

For the purpose of this study, a cost formula designated as Rail - Form A was developed and applied to each railroad individually, or to each portion of a railroad where it was assigned to more than one territory. The formula provided for the following: [1]

1. The freight maintenance of equipment and rental expenses were separated first, between classes of equipment and secondly, between running, switching and station services as follows:

   (a) The expenses for steam and other locomotives were separated between road and yard.

   (b) The freight-train car expenses were separated between those cars rented on a "mileage basis" and "all other cars".

   (c) The freight-train car expenses for "all other cars" were separated between the mileage and time portions of such expenses.

      (1) The mileage portion of this expense was next separated between the running service and the switching service on the basis of the equated car-miles in each service. [2] The switching portion thus obtained was separated on an equated car-handled basis between (a) origin and destination switching [3] and (b) that switching which is includible in the running service, i.e., interchange switching, intermediate switching, and intertrain and intratrain switching.

---

[1] The formula applied to each railroad consisted of 8 schedules (21 pages). The territorial summaries consisted of 4 schedules (12 pages).

[2] See Appendix A for explanation of switching, car-mile and car-day factors.

[3] Includes carrier terminal switching and connection terminal switching. See Appendix B for definition of the classes of switching.

(2) The time portion of such freight-train car expense was separated between running and switching on an active car-day basis. 1/ The switching portion thus obtained was separated on an active car-day basis between (a) origin and destination switching 2/ and (b) that switching which is includible in the running service, i.e., interchange switching, intermediate switching, and intertrain and intratrain switching.

(d) Where a carrier's operations were assigned to more than one territory, the following additional steps were taken:

(1) Where the data were available, the locomotive repairs were separated between territories on the basis of the repair expenses by classes of locomotives and the mileage run by each class in each territory. Locomotive depreciation, retirements and rents were separated on a locomotive ton-mile basis.

(2) Where the carrier could not supply the data by classes of locomotives, 40 percent of the road locomotive expenses for repairs, depreciation, retirements and rents were separated on a locomotive-mile basis and 60 percent were separated on a locomotive ton-mile basis. 3/ The corresponding expenses for yard locomotives were separated on a yard engine-hour basis.

1/ See Appendix A for explanation of switching, car-mile and car-day factors.

2/ Includes carrier terminal switching and connection terminal switching. See Appendix B for definition of the classes of switching.

3/ Based on (a) study by the Engineering Section, Bureau of Valuation, and (b) study by the California Railroad Commission, in Case 4402, Ex. 2, pages 182-186. These studies indicate (a) that 50 percent of the locomotive repair costs per mile are proportional to the weight of the locomotive, (b) that the remaining 50 percent are independent of the weight of the locomotive, and (c) that the retirements and depreciation per locomotive-mile are 100 percent proportional to the locomotive weight. These factors when applied to the repairs, retirements and depreciation of all Class I carriers resulted in the factors indicated (to nearest even five percent).

(3) Freight-train car expenses, running portion, were separated on the basis of the equated car-miles in each territory.

(4) Freight-train car expenses, time portion, were separated on the basis of the active car-days in each territory.

The necessary data as to car-miles were supplied by the carriers in answer to a questionnaire dated November 19, 1940.

2. The freight expenses for maintenance of way and structures and transportation were separated between running service, switching service, station service, special services and general overhead. Where a railroad's operations were assigned to more than one territory, the carrier was requested to furnish a breakdown of its maintenance of way and transportation expenses by territories. (See questionnaire dated November 23, 1939.)

3. The passenger portion of the cost of transporting nonrevenue freight in freight trains was computed and assigned to the passenger service.

4. The items of expense were grouped and the total of the expenses for each group was distributed to the traffic movements on the basis of the service units with which the expenses were functionally related.

The expenses chargeable to the carload traffic were distributed on the basis of the service units listed below:

Service Units Used for Carload Traffic

Expense group (1)	Service unit (2)
I. Freight-train car maintenance and rental expenses for "Other than mileage" cars in running service. (Revenue cars only)	Revenue car-miles "other than mileage" cars (excluding nonrevenue and caboose car-miles. 1/
II. Miscellaneous running expenses common to all cars, distributable on a car-mile basis (includes expense for interchange, intertrain and intratrain switching).	Revenue car-miles, including "mileage cars".
III. Remaining running expense.	Revenue gross ton-miles of cars and contents (excluding cabooses)
IV. Switching expenses for carrier or connection terminal switching at point of origin or destination, industry and team tracks.	Revenue carloads originated or terminated.
VI. Freight-train car maintenance and rental expenses for "other than mileage" cars, account carrier or connection terminal switching, plus detention for loading and unloading.	Revenue carloads originated or terminated.
VIII. Carload station expenses.	Revenue carloads originated or terminated, (i.e., consignments)

1/ Mileage cars mean cars rented on a mileage basis, principally tank and refrigerator cars. All other cars are designated as "other than mileage" cars. Where costs are computed for mileage cars, the car hire of 1.5 cents or 2.0 cents per mile replaces the Group I and Group VI expenses.

The expenses chargeable to the less-carload traffic were distributed on the basis of the following service units:

Service Units Used for Less-Carload Traffic

	Expense group (1)	Service unit (2)
I.	Same as for carload.	-
II.	Same as for carload.	-
III.	Same as for carload.	-
IV.	Switching expenses for carrier or connection terminal switching at point of origin or destination, freighthouse tracks.	Less-carload loaded cars originated or terminated.
V.	Switching expenses for carrier or connection terminal switching at less-carload transfer points.	Less-carload loaded car-miles.
VI.	Freight-train car maintenance and rental expenses for "other than mileage" cars account carrier or connection terminal switching plus detention for loading or unloading, at origin or destination point.	Less-carload loaded cars.
VII.	Freight-train car maintenance and rental expenses for "other than mileage" cars account carrier or connection terminal switching plus detention for loading or unloading at transfer points.	Less-carload loaded car-miles.
VIII.	Less-carload station expenses, other than platform.	Less-carload tons originated plus the tons terminated.
IX.	Less-carload station platform expenses, origin or destination handling.	Less-carload tons originated plus the tons terminated.
X.	Less-carload station platform expenses account transfer.	Less-carload net ton-miles.

5. The weighted average unit costs by territories were obtained by summarizing the expenses and service units by territories and dividing the aggregate expenses by the aggregate units. 1/

6. For the purpose of computing the cost scales the unit costs were further reduced to (a) a cost per 100 pounds for those expenses which are independent of the length of haul, and (b) a cost per 100 pounds per mile for those expenses variable with the length of haul. Such unit costs were computed separately for each size of net load appearing in the cost scales. For purposes of illustration the assembly of these unit costs for Territory No. 12, the United States, (box car and less-carload traffic) is shown in the Cost Scales, Tables 88 and 89.

The carload expenses treated as variable with the length of haul include expense groups I, II, and III. The carload expenses treated as independent of distance include expense groups IV, VI, and VIII. The less-carload expenses treated as variable with the length of haul include expense groups I, II, III, V, VII, and X. The less-carload expenses treated as independent of distance include expense groups IV, VI, VIII, and IX.

7. The less-carload operating deficits were computed by subtracting the less-carload revenues from the total of the less-carload station costs, line-haul costs, switching costs, and the payments to others for pick-up and delivery. The data were compiled by individual railroads.

The less-carload line-haul costs were determined by multiplying the gross ton-miles and car-miles produced in the transportation of less-carload traffic by the unit cost per gross ton-mile and per car-mile, respectively. The necessary data as to the average haul per ton originated and received from connections and the average net ton-miles per loaded car-mile were obtained from Senate Resolution 146, 76th Congress, First Session, Vol. 1, Statement 6. In computing the gross ton-miles it was assumed that less-carload traffic was handled in box cars having the same ratio of empty car-miles to loaded car-miles as obtained for all box car equipment.

Where a railroad was assigned to more than one territory, the system ton-miles and car-miles of less-carload traffic were apportioned to each territory upon the basis of the total tons

---

1/ See Cost Scales, Table 87.

handled in each territory 1/ (i.e., less-carload tons originated and received from connections). Where a railroad was assigned to more than one territory, the system less-carload operating deficit was apportioned to each territory on the basis of the carload operating expenses incurred in each territory. The effect of this was to treat the deficit as a burden on the system as a whole no matter where incurred. For example, if the system less-carload deficit amounted to five percent of the system carload operating expenses, the carload costs, including allowance for the less-carload deficit, were obtained by adding five percent to the carload expense in each territory.

The less-carload deficit computed as explained above does not include any allowance for a return on the value of the property used in the less-carload service. To provide for a return upon value each railroad's valuation was separated between freight and passenger and the freight portion again separated between carload and less-carload on the basis of the operating expenses. The justification for this basis of separation is that the operating expenses are roughly proportional to the units required in the performance of each service, i.e., gross ton-miles in running service, engine minutes in switching service, etc., and that such units constitute a measure of the use made by each service of the transportation facilities of the carrier. The results may be considered as approximate only. 2/

1/ As the average length of haul for less-carload traffic varies between territories this treatment may result in an overstatement or understatement of the territorial running expenses for the railroads involved. The error is eliminated in the larger territorial groupings (i.e., total of Western Territories) which avoid, except to an insignificant degree, the territorial separation of an individual carrier's operations.

2/ The point may be raised that under the existing less-carload and passenger rate structures the separation of the value of the property between freight and passenger and the further separation of the freight portion between carload and less-carload is more or less of academic interest only inasmuch as the passenger service and less-carload service fail to cover their full operating expenses, rents and taxes, to say nothing of providing for a return on the value of the property. On the other hand, the separation made herein does serve to provide an indication of the approximate level of the less-carload rates if this traffic were to earn a return.

8. The passenger operating deficits were computed by subtracting the passenger service revenues from the passenger service operating expenses. Where a railroad was assigned to more than one territory, the passenger operating deficit was apportioned to each territory on a basis similar to that explained above for the less-carload deficits.

9. The value of the road and equipment for each railroad was furnished by the Bureau of Valuation as of December 31, 1939. Where a railroad was assigned to more than one territory, the Bureau of Valuation furnished the value of the road (aggregate of accounts 1 to 47, inclusive) separated by territories. In such cases, the Bureau also furnished a separation of the system value of the equipment by individual accounts (accounts 51 to 58, inclusive). The allowance for general expenditures, accounts 71 to 77, inclusive, was distributed over the road and equipment accounts.

The Bureau of Statistics separated the value of the equipment between territories on the basis of appropriate factors. For example, the value of locomotives was first separated between road and yard on a tonnage basis, giving a weight of 1.2 to a ton of road engines and a weight of 1.0 to a ton of yard engines. 1/ The value of the yard locomotives was next separated between freight and passenger on the basis of the system yard locomotive-miles in each service. The value thus apportioned to the freight service was then separated between territories on the basis of the yard locomotive-miles. The same procedure was followed for the passenger portion of the value. The system value for road locomotives was separated between freight and passenger on the basis of the ton-miles of locomotives and tenders operated in each service. The freight portion was then distributed between territories on the basis of the ton-miles of locomotives and tenders in freight service. The passenger portion was separated between territories on the basis of the passenger locomotive-miles, the locomotive ton-miles not having been obtained from the carriers. The value of the freight-train cars was separated between territories on the basis of active car-days. The value of the passenger-train cars was separated between territories on the basis of the passenger-train car-miles. The value of floating equipment was separated between territories on the basis of the distribution of the maintenance and transportation expenses for such equipment.

1/ Weighting furnished by Engineering Section, Bureau of Valuation. Added weight given road locomotives based on special appliances used on road engines which are not found on yard engines.

10. The return on value was computed at both 4 percent and 5¾ percent. The figure of 4 percent was used in addition to the figure of 5¾ percent for the purpose of showing costs based on a rate of return which more nearly approximates that currently being earned by the railroads than does the figure of 5¾ percent. In 1939 the rate of return for all Class I railroads was 3.24 percent based on the recommended rate-making value furnished by the Bureau of Valuation for the purpose of the present cost study.

11. The expenses for the operation of grain elevators and storage warehouses plus the overhead expenses and the rate-making value apportionable thereto on an operating expense basis, were excluded from consideration in developing the cost scales. These items were included, however, in computing the rate of return currently earned by the carrier from all its services.

12. Cost scales were computed for the traffic moving in the following six types of freight cars:

Box,
Flat,
Stock,
Gondola and hopper,
Tank,
Refrigerator.

The differences in cost by types of railroad-owned equipment were occasioned, under the formula, solely by the differences in the tare weight and the return empty movement characterizing each type of equipment. 1/ However, in the case of tank cars and refrigerator cars, the railroads' freight-train car expenses (Groups I and VI) were eliminated and in lieu thereof was substituted the car hire of 1.5 cents per car-mile in the case of tank cars and 2.0 cents in the case of refrigerator cars. In 1939, only 5.6 percent of the tank cars and 15.1 percent of the refrigerator cars were railroad owned. 2/

The tare weights by classes of equipment were taken from the replies to a questionnaire issued to the carriers. A territorial average for each type of equipment was obtained by weighting the figure reported by each railroad with the total number of carloads the reporting railroad hauled of the traffic

---

1/ See Appendix B hereto for the territorial average tare weights and percent return empty of equipment.
2/ From Statistics of Railways in United States, 1939, pages 21 and 23.

customarily handled in each type of equipment. 1/ The tare weights for tank cars and refrigerator cars were based upon the average for railroad-owned equipment. As most of this equipment is privately owned, the average tare weight found for the United States was used in each territory for the purpose of computing the cost scales.

The same procedure was followed in obtaining the territorial weighted average ratio of empty car-miles to loaded car-miles by types of equipment.

Where a railroad's operations were assigned to more than one territory, the system average was used for each territory weighted in proportion to the percentage of the total cars that were originated or received from connections on the separate territories. No attempt was made to include in the figures for the Eastern Territory the tare weight or the percent return empty experienced in the operations of the Western Trunk Line railroads in northern Illinois. The inclusion of the latter operations with Eastern Territory would have a negligible effect on the average tare weight and percent return empty shown for the East.

While the figures shown in the cost scales are based upon the weighted average tare weights and weighted average ratios of empty car-miles to loaded car-miles by territories, one can compute a cost scale based on different tare weights or different ratios of empty to loaded car-miles by referring to the territorial unit costs (Cost Scales, Table 87) and following the procedure shown in the assembly schedule (Cost Scales, Tables 88 and 89.

13. The cost scales developed show only Cost Level II, i.e., the operating expenses, rents and taxes. Cost Levels III, IV, and V have been computed as a percentage of Cost Level II. Because of the expense, no attempt was made to set up scales for all the levels of cost. The figures for Cost Levels III, IV, and V are obtained by multiplying the figure shown in the Cost Scales by the appropriate factor (ratio) shown in the footnotes thereto. The loss and damage expense per 100 pounds applicable to the commodity under study should subsequently be added. This is found in Table No. 85. The loss and damage expense is the same for each level of cost.

The ratios used in computing Cost Levels III, IV(a), IV(b), V(a), and V(b) were mathematically derived as an integral

---

1/ The commodity classes assumed to move in each type of car are set forth in Appendix C.

part of the rail cost formula - Form A. On the other hand, Cost Level I, out-of-pocket cost, is based on certain assumptions which necessarily result in this level of cost being subject to some degree of approximation. For this reason the ratio by which Cost Level II should be multiplied to obtain Cost Level I has been omitted from the cost scales. See Chapter V for treatment of out-of-pocket costs.

Source of the data used in development of cost:

As previously indicated, most of the basic data used in applying the formula to those railroads assigned wholly to one territory were secured from the annual reports filed with the Commission for the year 1939. The following supplementary data not obtainable from the annual reports were secured from questionnaires sent to the carriers. The questionnaire issued under date of November 19, 1940, requested that the following data be furnished within two weeks:

(1) The car-miles for cars rented on a mileage basis,

(2) A separation of station employees, account 373, between platform labor and other employees (to be approximated if not actually known),

(3) An estimated percentage distribution (to nearest 10 percent) of nonrevenue freight net ton-miles by the classes of equipment shown:

Box cars,
Gondola and hopper cars,
Tank cars,
All other cars.

(4) Estimated average tare weight of cabooses,

(5) Estimated ratio of the empty car-miles to loaded car-miles, and the average tare weight for the following classes of equipment:

Box,
Flat,
Stock,
Gondola and hopper,
Tank and
Refrigerator.

(6) Statement of the freight loss and damage expenses, separated between those groups of commodities reported to the Freight Claim Division of the Association of American Railroads.

(7) Estimated average weight of less-carload shipments (answers could be based on special study made for the Association of American Railroads for period of September 8 to 14, 1939).

Under date of November 23, 1940, an additional questionnaire was issued to those railroads whose operations were assigned to more than one territory, requesting by December 10 the separation of the carrier's statistics and operating expenses by territories. A third questionnaire sent to these same railroads under date of March 12, 1941, requested a territorial separation of certain passenger statistics.

Adjustments made because of the limitations of the source material:

For the purpose of expediting this study not only were time limits placed upon the return of the questionnaires, but the requests themselves were limited to data which would not require time consuming studies by the carriers. With but few exceptions, the railroads cooperated fully to the extent that the time permitted. Where the data received was at any substantial variance with the returns from other carriers having like operating conditions, inquiry was made of the carrier and the necessary correction made. Not all problems could be solved in this manner however. The procedure followed under various circumstances are set forth below.

Separation of carrier operating expenses and statistics by territories:

Four railroads, the Great Northern, The Atchison, Topeka and Santa Fe, The Chicago, Rock Island and Pacific, and the Missouri Pacific reported that they could furnish a territorial separation of their operating expenses and statistics as requested by the Bureau of Statistics with the exception of the count of the carloads and of the less-carload tonnage. This count was maintained by the carriers on a basis different from the usual division breakdown. Usually it is kept by states. For example, the Northern Pacific, while furnishing the requested separation of its operating expenses and statistics for its lines east and west of Mandan, North Dakota, 1/ was unable to separate its count of cars and tons except by states. Mandan is 175 miles east of the Montana-North Dakota State line which is the boundary between the Western Trunk Line

---

1/ Mandan is the nearest division point to the boundary between the Mountain Pacific and Western Trunk Line Territories that could be used for the purpose of the territorial separation of expenses and statistics.

and Mountain Pacific Territories. To provide an approximate adjustment for this difference in the area represented by the operating expenses and that represented by the car count the following steps were taken. The percentage relation of the road mileage between Mandan and the state line to the total road mileage in North Dakota was computed (6.626 percent). This percent of the North Dakota carloads and less-carload tonnage was then deducted from the Western Trunk total and added to that for the Mountain Pacific Territory. The terminal costs (station and switching) were the only items affected as the line-haul traffic units, i.e., ton-miles and car-miles, were available on the basis desired. A similar procedure was followed with The Atchison, Topeka and Santa Fe, The Chicago, Rock Island and Pacific, and the Missouri Pacific.

In certain other cases the carriers' returns to the questionnaires, while providing a territorial separation of the carload and less-carload tons, failed to provide the supplementary data covering carloads and tons received and delivered in interchange. In such case the system total for carloads and less-carload tons received and delivered in interchange was separated between territories on the basis of the carloads and less-carload tons originated and terminated by territories. This adjustment was necessary in connection with the data provided by the Missouri Pacific, the St. Louis-San Francisco, the Great Northern, and the Northern Pacific.

The Atchison, Topeka and Santa Fe and the Northern Pacific did not provide a territorial separation of the car-miles for cars rented on a mileage basis. An arbitrary separation was made by the Bureau of Statistics based upon the total car-miles operated in each territory.

The Union Pacific Railroad reported that it did not currently separate its operating expenses by territories. This carrier was therefore requested to provide a separation of its statistics for the operations east and west of Cheyenne, Wyoming. 1/ Maintenance

---

1/ The statistics for which a separation was requested were the following:
(1) Miles of track separated between
    First main track,
    Second main track,
    Branch lines, and
    Switching tracks,
(2) Locomotive-miles,
(3) Locomotive ton-miles,
(4) Train-miles,
(5) Train-hours,
(6) Yard switching engine-hours,
(7) Car-miles:
    Loaded,
    Empty, and
    Total
(8) Caboose-miles
(9) Gross ton-miles (cars, contents, and cabooses)

of way expenses were then separated on the basis of equated track-miles, observing the weighting developed by a committee of the American Railway Engineering Association. 1/. The system maintenance of equipment expenses were next separated for the lines east and west of Cheyenne on the basis of locomotive-miles or locomotive ton-miles, yard engine hours, or car-miles, as appropriate; yard expenses were separated on a yard engine-hour basis; locomotive crew expenses were separated on a locomotive-mile basis; train crew expenses were separated on a train-mile basis; and fuel expenses were separated on a gross ton-mile basis. After all separations were made, it was found that 39 percent of the aggregate expenses had been apportioned to lines east of Cheyenne and 61 percent to lines west of Cheyenne. The rail cost formula, Form A, was next applied to the system expenses of the Union Pacific, and the expenses by groups obtained as explained hereinabove. Thirty-nine percent of all the expenses and a like percent of all the service units were then apportioned to the Western Trunk Line Territory and the balance to the Mountain Pacific Territory. The result was an approximate separation of the Union Pacific expenses between the two territories, at the same time maintaining in each territory the system average unit costs. While this method would not reflect any differences in Union Pacific unit costs between the two territories, it nevertheless avoided the greater error of throwing the entire Union Pacific operations solely into one territory.

Comments on territorial separations:

With a few exceptions most of the territorial separations involved the railroads in the three Western territories. For this reason, among others, the costs were developed for the Western Territory as a whole thus eliminating or reducing to negligible proportions any errors resulting from the territorial separation of a carrier's operations. As pointed out in Chapter III, the differences between the costs found for the individual territories and those for the Western Territory as a whole are small.

Separation of station expenses (account 373) between platform labor and other employees:

The following carriers stated they were unable in the time allowed to provide a separation of account 373, station employees, between platform labor and other employees:

New England:
  New York Connecting R. R.
  Rutland R. R.

1/ See A.R.E.A., Volume 24 (1923), pages 1092-1093.

Eastern:
  New York Central R. R.
  Monongahela R. R.
  Pittsburgh and Lake Erie R. R.
Pocahontas:
  Chesapeake & Ohio Ry. Co.
Southwestern:
  Atchison, Topeka and Santa Fe Ry.
  St. Louis-San Francisco Ry. Co.
Western Trunk Line and Mountain Pacific:
  Northern Pacific
  Great Northern

In such instances the Bureau of Statistics estimated the platform expense by including in platform labor all the employees' compensation appearing in the annual report, schedule 561, divisions 88 to 92, and 94. The amount so derived was subtracted from the total of account 373 (freight), leaving a remainder which was designated as "other employees." Where the operations of any of the above railroads were assigned to more than one territory, the system expenses separated as above between "platform labor" and "other employees" were again separated between territories on the basis of the carrier's separation of the total of account 373.

Treatment of other errors arising from inadequate separation of station expense:

The separation made by some carriers, principally small railroads, between station platform labor and other employees resulted in costs per ton which were sharply at variance with the territorial average for the remaining carriers. The arbitrary rule was adopted that where the platform cost per ton, after an increase for transportation overheads 1/, was below $.40 or above $2.00 per ton, the territorial average cost computed for the remaining carriers in that territory would be applied to that road. Any increase or decrease in the cost was followed by an adjustment in the remaining station costs reported by the railroad. The total of the carrier's charges to account 373 remained unchanged. The railroads affected were as follows: 2/

1/ Includes station maintenance, station supplies and transportation overhead including superintendence, stationery, insurance, injuries, etc., accounts 371, 410-11, 414, 420.

2/ See Chapter VI hereto for the territorial average station platform costs per ton, labor only, computed from the study.

New England
- Bangor & Aroostook R. R.
- Central of Vermont Ry.
- International Railway of Maine

Eastern
- Delaware, Lackawanna & Western R. R.
- Detroit & Mackinac Ry.
- Lehigh Valley R. R.
- Long Island R. R.
- Montour R. R.
- Pennsylvania-Reading Seashore Lines
- Pittsburgh & West Virginia Ry.
- Toledo, Peoria & Western R. R.
- Wabash Railway
- Western Maryland Ry.

Southern
- Gulf & Ship Island R. R.
- Mississippi Central R. R.
- Northern Alabama Ry.

Southwestern
- Burlington-Rock Island R. R.
- Missouri & Arkansas Ry.
- Oklahoma City-Ada-Atoka Ry.
- St. Louis Southwestern Ry.
- Texas Mexican Ry.

Mountain Pacific
- Denver & Rio Grande Western R. R.
- Spokane International Ry.

The less-carload platform cost data for the Chicago, Milwaukee, St. Paul and Pacific were similarly adjusted inasmuch as the costs shown only slightly exceeded the minimum set forth above and were substantially out of line with those of other railroads in the Western Trunk Line Territory. In the case of three railroads whose operations were assigned to more than one territory, the platform costs per ton, while within the range above indicated when treated on a system basis, appeared distorted when divided by territories. The costs were adjusted to apply a system cost per ton in each territory. The railroads for which this adjustment was made were the Illinois Central, the Chicago Great Western, and the Louisville and Nashville. In making all of the above adjustments, no change was made in the aggregate of a carrier's charges to account 373.

The following railroads show no platform costs in their returns to the Bureau of Statistics questionnaire nor any charges to schedule 561, divisions 88 to 92 and 94. The studies, therefore, include no platform expenses for these carriers:

Louisiana, Arkansas and Texas
Missouri-Illinois R. R.
Monongahela Ry.
New York Connecting Railroad
Utah Ry.

See discussion in Chapter VI concerning the effect of the inadequacies in station expenses on the cost scales.

Pick-up and delivery payments:

Where a carrier performs its own pick-up and delivery service the expenses for equipment repairs, equipment depreciation and drivers' wages are charged to accounts 328, 331, and 411. As no segregation of the charges to these accounts was available, any expenses contained therein for pick-up and delivery are distributed over all traffic, carload and less-carload. The expenses involved however are negligible. The payments to others for pick-up and delivery service have been included in the study only for the purpose of computing the less-carload deficit and of comparing the less-carload out-of-pocket costs with the less-carload revenues. The less-carload cost scales therefore do not include any allowance for payments to others for pick-up and delivery.

Distribution of nonrevenue freight by classes of equipment:

A number of carriers were unable to provide the percentage distribution of their nonrevenue freight by classes of equipment. The purpose of such distribution was to permit of a more accurate computation of the tare ton-miles chargeable to the handling of nonrevenue freight than was obtainable by taking the ratio of the nonrevenue ton-miles to the revenue ton-miles. Where the carrier was unable to provide the desired percentage distribution, the average for five large representative roads in each territory was used. This procedure of using the data for five railroads made it possible to apply the cost formula to the railroads in question without waiting for all the returns for the territory to be received. This procedure was used for the following railroads:

New England Territory:
  Canadian National Lines in New England
  New York Connecting
Eastern Territory:
  Pennsylvania Railroad
  Long Island Railroad
  Pennsylvania-Reading Seashore Lines
  Monongahela Ry.

Southwestern Territory:
Texas and New Orleans R. R.
Gulf Coast Lines
Western Trunk Line and Mountain Pacific Territories:
Great Northern Ry.
Union Pacific R. R.

Table 18 gives the territorial average percentage distribution of nonrevenue freight by classes of equipment which was applied to the above-named carriers:

Table 18. Percentage Distribution of Nonrevenue Freight by Classes of Equipment

Territory	Box	Gondola and hopper	Tank	All other	Total
New England	6.7	72.7	1.0	19.6	100.0
Eastern	11.8	87.0	0.8	0.4	100.0
Southern	13.2	69.0	9.1	8.7	100.0
Southwestern	17.5	48.8	20.7	13.0	100.0
Western Trunk Line	14.7	70.3	7.3	7.7	100.0
Mountain Pacific	23.5	50.5	13.6	12.4	100.0

Computation of tare weight of equipment for purpose of computing nonrevenue gross ton-miles:

Certain railroads failed to provide the average tare weight of their equipment. For the purpose of computing the tare ton-miles produced in the hauling of nonrevenue freight, the tare weight was based upon that computed for five large representative roads in each territory. The explanation should here be made that for the purpose of computing the territorial average tare weight used in the development of the cost scales, the data for all reporting railroads in the territory were used. The railroads failing to report the tare weight of the equipment were as follows:

New England Territory:
Canadian National Lines in New England
New York Connecting R. R.
Eastern Territory:
Montour R. R.
Monongahela Ry.
Staten Island Rapid Transit

Southern Territory:
  Georgia & Florida R. R.
Western Trunk Line:
  Minneapolis and St. Louis R. R.
  Duluth South Shore and Atlantic Ry.
Southwestern:
  Gulf Coast Lines

Development of the ratio of empty to loaded car-miles:

A number of railroads stated they were unable in the time provided to furnish any estimate as to the ratio of the empty car-miles to loaded car-miles by classes of equipment. For the purpose of computing the nonrevenue gross ton-miles incurred in the movement of nonrevenue freight, a factor was applied to each railroad based upon a simple average of that for five large representative roads in the same territory. Any error involved in this procedure would insignificantly affect the cost study. For the purpose of computing the ratio of empty car-miles to loaded car-miles for use in the cost scales, a weighted average was used for all reporting carriers in each territory. The railroads failing to furnish the ratio of empty to loaded car-miles by classes of equipment were as follows:

New England Territory:
  Canadian National Lines in New England
  Rutland R. R.
Eastern Territory:
  Monongahela Ry.
  New York Central R. R.
  Pittsburgh & Lake Erie R. R.
Southwestern:
  Gulf Coast Lines
Western Trunk Line and Mountain Pacific:
  Minneapolis & St. Louis R. R.
  Northern Pacific Ry.
  Minneapolis, St. Paul and Sault Ste. Marie Ry.
  Chicago Great Western Ry.
  Great Northern Ry.
  Duluth, South Shore and Atlantic Ry.

Separation of loss and damage expenses by commodity groups:

The railroads listed below failed to provide a separation of loss and damage expenses by commodity groups. In such case their aggregate payments for loss and damage were distributed among the commodity groups in the proportion that the payments for all other reporting roads in the territory were distributed. The amounts involved were negligible.

Missouri-Illinois Railroad
Midland Valley R. R.
Canadian Pacific Lines in Vermont
International Railway of Maine

CHAPTER V

Computation of the Out-of-Pocket Costs

Description and analysis:

The out-of-pocket costs are those costs which would be added because of an increase in traffic or which would be eliminated because of a decrease in traffic. They are those expenses which are directly affected by use. By observing the effect of changes in the volume of the traffic on the expenses a measure of the out-of-pocket expenses can be obtained.

The percentage of the expenses affected by use may vary with the following factors, among other; first, the degree to which respondent's transportation facilities, or that portion of the facilities under study, i.e., running tracks, trains (scheduled speed considered), terminals, etc., are being operated at or near capacity; and secondly, the relative permanence of the assumed change in the volume of the traffic, i.e., whether of a short-term or of a long-term nature. The effect of these factors may vary not only between carriers but from period to period for an individual carrier. Under some circumstances added traffic may be handled without a proportionate increase in train-miles. Under other circumstances, the added traffic may occasion an increase in the train-miles which is relatively as great as the increase in traffic. Under certain circumstances added traffic may be handled without significantly affecting the investment, while under other circumstances it may occasion added investment.

The reason for the variation in the expences is that as the traffic increases by small increments it is continuously taxing the capacity of the existing railroad staff or facilities to handle it. Yard crews, yard clerks, station clerks, platform labor, train crews, engine crews, dispatchers, shop forces, enginehouse forces, rolling equipment, etc., are constantly added to meet the demands of increased traffic, and then reduced or withdrawn as the demand falls away. An analysis of the rise and fall of railroad traffic both on a seasonal and on an annual basis indicates that this process of change is ever present. Some items of expense, such as locomotive fuel, trainmen, enginemen and yard crews show a relatively high degree of response to changes in the volume of traffic. Other items such as superintendence, dispatching, station expenses, enginehouse expenses, and traffic and general expenses will increase and decrease in some measure as the traffic volume changes but the adjustment to the change in traffic is irregular. This is occasioned in part by the lag that may exist between the time the change in the volume of traffic occurs and the period when management can effect an adjustment of the expenses; and in part by the fact that any given size of staff can handle changes in traffic volume within a limited range, and as long as that range is not exceeded the expenses remain unaffected. When the change in the volume of the traffic exceeds the limits of this range, the expenses may rise or fall abruptly. A study of the expenses for Class I carriers incurred during various years and for periods of different traffic volume indicate that there are relatively few expenses which are not influenced in some degree by an increase or decrease in the traffic. The estimated degree to which each expense item is affected is shown in Table 19. The figures are based on the sources of information or assumptions there indicated.

The above discussion has dealt with the mass effect of increases or decreases in the traffic volume upon a carrier's expenses. Question may arise as to the out-of-pocket cost for handling a single additional carload. From the discussion that follows the conclusion is reached that on the average it is no different from that for mass changes in traffic volume.

Traffic conditions are never static on a railroad, the traffic volume being in a continuous state of flux. Furthermore, the changes in volume from month to month and year to year are seldom so limited in their range that the expenses remain unaffected. This condition being true, the effect of one added unit of traffic is no different from that of any other added unit. For example, if the receipt of 10 added tons of less-carload traffic occasions the employment of one added station platform trucker, one cannot place any more responsibility for this increased expense upon the tenth ton than upon the first ton. Each ton contributes equally in increasing the work up to that point which necessitated the additional employee. Furthermore, the fact that any one of the ten added tons might have been moving at rates based upon out-of-pocket costs would have no bearing on the need for the additional platform trucker. Similarly, if the receipt of ten added carloads requiring industry switching required the assignment of an additional yard engine crew, each one of these ten carloads is equally responsible for building up the work to a point where such added crew was necessary. Again, the fact that one of the ten added carloads might have been moving at rates based on out-of-pocket costs would have no bearing upon the need for the additional yard crew. The responsibility for the change in the expenses must be shared equally by each increment of traffic that contributed to the increase or decrease in the expenses.

Assumptions made in computing out-of-pocket costs:

The percentage of the expenses set forth below as affected by use represents neither the lowest nor the highest out-of-pocket costs which might obtain under various possible combinations of circumstances.1/ They are based on the following assumptions:

(a) That, for the purpose of computing the maintenance of way expenses, the traffic under study moves over routes of average traffic density. (The percentage of expenses affected by use on branch lines will normally be lower than that for main lines which enjoy a heavier traffic density.)

(b) That, for the purpose of computing the maintenance of equipment expenses, the investment in locomotive equipment and freight-train cars, and the rental of such equipment, will adjust itself, with some lag, to the volume of traffic handled by respondent,2/ and

(c) That the yard engine hours and the train-miles are directly proportional to changes in the volume of traffic.

1/ See appendix D.

2/ Maintenance of equipment expenditures fluctuate widely. In times of relative prosperity the needs of the traffic require that the equipment awaiting repairs be reduced to a minimum. As traffic drops off the need for equipment correspondingly declines and under the pressure of declining revenues the cars and locomotives needing repairs may be stored rather than sent to the shops. This procedure may continue temporarily until the supply of serviceable equipment is reduced to the current needs of traffic. A new but lower level of shop expenditures is then reached which is in tune with the then-existing flow of traffic. When traffic is declining the carrier may be temporarily living on its "fat," i.e., on the excess of serviceable equipment above current needs. When traffic picks up and unserviceable equipment is taken out of storage for repairs the process is reversed with a temporary added financial burden to the carrier. A like situation exists as to the ownership of equipment. As traffic declines purchases fall off and as traffic picks up purchases increase. Although this adjustment of ownership to traffic needs is very irregular and subject to much lag, particularly when traffic is declining, and although the long time trend is influenced by the continuous drive toward more effective utilization of equipment, nevertheless there exists the basic tendency for management to adjust its ownership of equipment to its traffic needs (allowance for reserves included).

Procedure in computing out-of-pocket expenses:

The percentage of the costs which may be considered as out-of-pocket under the above assumptions was computed for carload and less-carload traffic for various lengths of haul by applying the rail cost formula used in this study, Form A, first, to the full costs, and secondly, to the out-of-pocket portion of the aggregate expenses for all Class I railroads treated as a group.1/ The procedure of applying the formula to each railroad individually as was done in computing the cost scales was not followed in this case.

For purposes herein, the portion of the charges to each account treated as the out-of-pocket expense is as shown in Table 19.

1/ The source of the data (1939) was as follows:

Operating expenses from Preliminary Abstract of Statistics of Railways, Summary No. 4 (1939). Data as to locomotive-miles, ton-miles, car-miles and train-miles from Text of the 53rd Annual Report on the Statistics of Railways in the United States (1939), Table 158, pages 166-168, and questionnaires issued in connection with this study. Rents, taxes, and car hire taken from 53rd Annual Report on the Statistics of Railways in the United States (1939), Table 107, page 93; Table 113-A, page 99; and table 115, page 101. Less-carload data concerning estimated average weight of less-carload shipments, average net ton-miles per loaded car-mile, average haul per ton, obtained from returns to questionnaires and material appearing in Senate Resolution 146, 76th Congress, 1st Session, Volume I, Statement 6.

Table 19.--Portion of the Expenses Treated as Out-of-Pocket

Maintenance of Way and Structures

Acct. No.	Expense groups or items	Out-of-pocket portion (percent)	Source
201	Superintendence	20	1/
202-22	Track expense - yard switching tracks	2/	
	- way switching tracks	2/	
	- running tracks	2/	
227-28	Station & office bldgs. (a)-Station bldgs.	20	3/
	(b)-Grain elevators	5	3/
	(c)-Genl. ofc. bldgs.	10	3/
229-30	Roadway buildings	0	1/
(231-32	Water stations	10	1/
(233-34	Fuel stations	15	1/
235-36	Shops and enginehouses	10	1/
237-38	Grain elevators	5	3/
239-40	Storage warehouses	5	3/
241-42	Wharves and docks	10	1/
243-44	Coal and ore wharves	10	1/
247-48	Telegraph and telephone lines	0	1/
249-50	Signals and interlockers	30	1/
253-54	Power plants	0	1/
257-58	Power - transmission systems	0	1/
265-66	Miscellaneous structures	0	1/
269-73	Roadway machines, small tools and supplies, removing snow, ice, and sand, public improvements - maintenance	20	3/
(274	Injuries to persons	50	1/
(275	Insurance	50	5/
(276	Stationery and printing	10	1/
(277	Other expenses	0	1/
278	Maintaining joint tracks, yards, etc.-Debit	4/	
279	Maintaining joint tracks, yards, etc.-Credit	4/	
281	Right-of-way expense	0	5/

See following page for footnotes.

Footnotes for preceding page.

1/ See report of American Railway Engineering Association committee, A.R.E.A. Manual, 1929, page 1406.

2/ Compute the aggregate out-of-pocket expenses for yard switching tracks, way switching tracks, and running tracks, respectively, by taking the following percentages of each individual account.

Acct. No.	Expense groups or items	Out-of-pocket portion (percent) Yard switching tracks	Way switching tracks	Running tracks	Source
202	Roadway maintenance	10	10	.10	3/
204	Underground power tubes	0	0	0	1/
206	Tunnels and subways	10	10	10	1/
208	Bridges, trestles, and culverts	10	10	10	3/
210	Elevated structures	10	10	10	3/
212	Ties	55	70	80	3/
214	Rails	95	100	100	3/
216	Other track materials	90	100	100	3/
218	Ballast	80	80	80	3/
220	Track laying and surfacing	93	93	93	3/
221	Fences, snowsheds, and signs ..	0	0	0	1/

3/ Based on study by Engineering Section, Bureau of Valuation.

4/ Apply the percentage developed for the aggregate of accounts 202-273, inclusive.

5/ Percentage based on estimate.

Table 19.--Portion of the Expenses Treated as Out-of-Pocket

Continued

Maintenance of Equipment and Equipment Rentals

Acct. No.	Item	Out-of-pocket portion (percent)	Source
301	Superintendence	10	1/
302-03	Shop machinery	40	1/
304-05	Power plant machinery	5	1/
308	Steam locomotives, repairs	100	2/
311	Other locomotives, repairs	100	2/
314	Freight-train cars, repairs	100	2/
323	Floating equipment, repairs	10	1/
326	Work equipment, repairs	75	3/
328	Miscellaneous equipment, repairs	0	1/
329-30	Equipment retirements:		
	(a) Steam locomotives	100	2/
	(b) Other locomotives	100	2/
	(c) Freight-train cars	100	2/
	(d) Work equipment	25	3/
	(e) Floating equipment	0	1/
331	Equipment depreciation:		
	(a) Steam locomotives	100	2/
	(b) Other locomotives	100	2/
	(c) Freight-train cars	100	2/
	(d) Work equipment	25	3/
	(e) Floating equipment	0	1/
329-31	Equipment retirements and depreciation, miscellaneous equipment	0	1/
332	Injuries to persons	50	1/
333	Insurance	50	4/
334	Stationery and printing	10	1/
335	Other expenses	0	1/
336	Maintenance of joint equipment,-Dr.	100	2/
337	Maintenance of joint equipment,-Cr.	100	2/
235-36	Shops and enginehouses	10	1/
253-54	Power plants	0	1/
257-58	Power transmission systems	0	1/
503,536	Hire of freight cars	100	2/
504,537	Locomotive rent, net	100	2/
506	Rent from floating equipment	50	4/
539	Rent for floating equipment	50	4/
507	Rent from work equipment	10	3/
540	Rent for work equipment	10	3/

1/ See report of American Railway Engineering Association committee, A.R.E.A. Manual, 1929, page 1408.

2/ See assumptions set forth herein above.

3/ Based on study by Engineering Section, Bureau of Valuation.

4/ Percentage based on estimate.

Table 19.—Portion of the Expenses Treated as Out-of-Pocket Continued

Transportation Expenses

Acct. No.	Expense groups or items	Out-of-pocket portion (percent)	Source
371	Superintendence	50	1/
372	Dispatching trains	50	1/
373	Station employees (a) - Platform labor	90	2/
	(b) - Other employees ...	33	2/
374	Weighing, inspection, and demurrage bureaus	0	3/
375	Coal and ore wharves	20	3/
376	Station supplies and expenses	4/	
(377-391,) (excl. 388)	Yard expenses, excl. enginehouse expenses .	100	1/ 5/
388	Enginehouse expenses - yard	75	1/
(392-402,) (excl. 400)	Train expenses, excl. enginehouse expenses	100	5/
400	Enginehouse expenses - train	75	1/
404	Signals and interlockers	33	1/
405	Crossing protection	20	3/
406	Drawbridge operation	0	3/
407	Telegraph and telephone operation	20	3/
408	Operating floating equipment	50	3/
410	Stationery and printing	20	3/
411	Other expenses	20	3/
412	Operating joint tracks and facilities--Dr.	50	3/
413	Operating joint tracks and facilities--Cr.	50	3/
414	Insurance	50	3/
415-20	Loss and damage, etc., clearing wrecks	100	3/

1/ See data and references in appendix D.

2/ Based on (a) the assumption that station expenses, Account 373, are 50 percent variable with changes in traffic volume (see Appendix D hereto), and (b) an estimate that the platform labor portion of the expenses are 90 percent variable. With approximately one-third of the charges to Account 373 constituting "platform labor", it follows that the portion of the expenses for "other employees" which are variable with traffic is about one-third.

3/ Percentage based on estimate.

4/ Apply the percentage developed for the aggregate of account 373 ((a) plus (b)).

5/ See assumptions set forth herein above.

Table 19.—Portion of the Expenses Treated as Out-of-Pocket

Continued

Traffic, General, Miscellaneous Overheads and Taxes

Expense groups or other items	Out-of-pocket portion (percent)	Source
Miscellaneous operations	20	1/
Traffic	20	2/
General	50	2/
Joint facility rents (Accts. 508 and 541 - Net)	0	1/
Rent of buildings and other property (Account 142 - Credit)	0	1/
Payroll taxes	3/	
All other taxes - freight portion	4/	

1/ Percentage based on estimate.

2/ See data and references in appendix D.

3/ Computed by multiplying the freight portion of the payroll taxes by the ratio of the out-of-pocket expenses, excluding equipment depreciation, to the total operating expenses, excluding equipment depreciation.

4/ Includes Federal income taxes and freight portion of Federal telephone and telegraph, gas and oil, and electrical energy taxes.

Out-of-pocket portion of the aggregate carload and less-carload expenses:

The results of the study made by applying the formula first to the full costs and secondly to the out-of-pocket costs are shown in Table 20.

Table 20. Comparison of Carload and Less-Carload
Out-of-Pocket Costs, Cost Level I, with
Total Operating Expenses, Rents and
Taxes, Cost Level II 1/

Expense item (1)	Out-of-pocket costs Cost Level I (2)	Operating expenses, rents and taxes, Cost Level II (3)	Ratio of out-of-pocket costs to total operating expenses, rents and taxes (4)
Carload operating expenses rents and taxes	$1,534,628,295	$2,145,183,774 2/	73.8%
Less-carload cost including running, switching and station expenses but excluding payments to others for pick-up and delivery	206,203,985	302,351,309	68.3%

As indicated in the above table, the out-of-pocket portion of the carload operating expenses, rents and taxes constitutes, under the assumptions set forth hereinabove, 73.8 percent of the total of such expenses. The comparable percentage for the less-carload traffic is 68.3 percent. The lower percentage for the less-carload traffic is attributable to the relatively small portion of the station expenses, other than platform labor, assumed to be variable with changes in traffic volume (33 percent). This expense constitutes a higher portion of the total expenses in the case of less-carload traffic than it does in the case of carload traffic.

1/ Excludes payments to others for pick-up and delivery.

2/ This figure differs by 0.39 percent from the total of $2,153,476,121 appearing in the Cost Scales, Table 87, column 42. The latter figure was obtained by applying the formula to each railroad individually.

The percentage that the out-of-pocket cost constitutes of the full cost will vary according to the length of haul and the net weight of the shipment. Table 21 shows the relationship of the carload out-of-pocket costs to the full costs for various lengths of haul and net loads based on traffic moving in box cars.

Table 21
Percent That the Carload Out-of-Pocket Costs (Cost Level I) Constitute of the Carload Operating Expenses, Rents and Taxes (Cost Level II)

Miles	5 Tons	25 Tons	50 Tons
0	69.5	69.6	69.5
50	70.6	70.6	70.4
100	71.7	71.4	71.4
200	72.7	72.4	72.5
300	73.1	73.0	73.1
500	73.9	73.6	73.5
1,000	74.8	74.3	73.6
1,500	75.1	74.3	73.9
3,000	75.4	74.6	74.1

The comparable data for less-carload traffic based upon a net load of 5 tons per car are shown in Table 22.

Table 22.
Percent that the Less-Carload Out-of-Pocket Costs (Cost Level I) Constitute of the Less-Carload Operating Expenses.

Miles	5 Tons
0	56.5
50	58.9
100	60.8
200	63.6
300	65.5
500	68.0 1/
1,000	71.0
1,500	72.4
3,000	74.0

1/ The average haul per less-carload ton originated is 515 miles. Senate Resolution 146, 76th Congress First Session, Statement No. 6, page 15. Based on test study during week ended, October 7, 1939.

Analysis of results:

The data set forth above indicate that the out-of-pocket portions of the carload and less-carload operating expenses are 73.8 percent and 68.3 percent of the total operating expenses, rents and taxes. Certain factors not provided for which will tend to either lower or increase these percentages are discussed herewith.

Data appearing in Appendix D indicate that the variable portion of the yard and train expenses (including branch lines operations) is under the figure of 100 percent which was assumed in this study. This has been true particularly where the traffic has been on the increase. However, a measure of the cost of handling added traffic is what the carrier can save if the traffic were eliminated. The experience of 1938 indicates that a given reduction in the traffic volume (measured in gross ton-miles) was followed by an almost equal reduction in the yard and train expenses. The experience during periods of both increasing and decreasing volume must be considered.

The out-of-pocket study does not include any allowances for sales taxes, gross receipts taxes, or other forms of taxes which are affected by changes in the volume of traffic. No data were currently available on this subject. The figures also make no allowance for any return upon the value of the rolling equipment, the investment in which is assumed to be variable, with some lag, with the volume of traffic. If an allowance were included in the out-of-pocket costs for a four percent return upon the value of freight train cars, the carload figure for out-of-pocket costs would be increased from 73.8 to 76.4 percent and less-carload figure from 68.3 to 70.6 percent. 1/ A corresponding allowance for a return on the value of the motive power would increase the figures again by something over one percentage point. No consideration has been given to the effect of added traffic on the investment in road.

The less-carload station expenses do not include any platform work done by train crews, nor was any separation made of the pick-up and delivery work performed by the carriers for themselves. 2/

1/ Based upon a recommended rate-making value for freight-train cars of $1,540,200,000 for railroads included in the cost study. Values are as of December 31, 1939. Excludes freight cars privately owned. Separation of value between carload and less-carload traffic based on active car days in each service.

2/ The carrier's repair and depreciation expenses for pick-up and delivery vehicles are charged to Accounts 328 and 331. The expense for drivers is charged to Account 411. All charges to these accounts were treated as overheads and distributed over all traffic. The expenses involved are small.

It is obvious that any single factor used to reflect the percentage which the out-of-pocket costs constitute of the total operating expenses, rents and taxes is necessarily an approximation. It may represent neither the highest nor the lowest out-of-pocket cost that may obtain under various combinations of circumstances. However, based on the data and assumptions set forth herein, it appears to be reasonable to assume for the purpose of this study that 80 percent of the total operating expenses, rents and taxes assigned and apportioned to the carload and less-carload traffic will cover the out-of-pocket expense of handling such traffic.

CHAPTER VI

Analysis of the Effect of Certain Procedures and Factors Used in the Computation of Territorial Costs

Purpose of this chapter:

In order to expedite this study certain steps were necessary, such as limiting the requests made on the carriers for information to that which was immediately available or which could be compiled within a very short time; the exclusion of the Class II and Class III railroads and the switching and terminal companies; and the development of factors for distributing switching and other expenses from data introduced in the record in various other proceedings before the Commission. To have done otherwise would have resulted not only in extended delays but would have occasioned heavy expense to both the Commission and the carriers. The purpose of this chapter is to provide some information as to the probable errors that may have resulted from this program.

Exclusion of Class II and Class III railroads:

Class II and Class III railroads were omitted from the cost study because their system of accounts did not lend itself to an application of the formula used herein, and also because it was not felt that the inclusion of their expenses in the territorial averages would significantly affect the results. The expenses of the Class II and Class III railroads for 1939 amounted to less than 2 percent of that for the Class I carriers. 1/

The point may be raised that some of the freight traffic of the Class I carriers is given a switching movement by connecting Class II and Class III railways. If the work performed by each of these groups for the other is equal, and if the cost of the service is equal in each case, the cost study will not be affected. On the other hand, if the cost of the work done by each group for the other is not equal, the costs developed in the study for the Class I railroads will be affected to some very small degree. The following figures provide some information on the subject. The switching and station expenses constitute approximately one-third of the total freight operating expenses, rents and taxes of the Class I railroads, or approximately $850,000,000. The operating expenses for the Class II and Class III railroads approximate $41,000,000 (Statistics of Railways, 1939, Tables 159 and 160). Assuming

---

1/ Statistics of Railways in the United States, 1939, Table 156.

that the switching and station expenses for the latter also constitute one-third of their total cost, such expense would approximate $14,000,000. This figure constitutes between 1 and 2 percent of the comparable expenses of the Class I railroads. Inasmuch as any error would only result from the fact that Class II or Class III railroads handled more or fewer cars for Class I railroads than Class I railroads handled for them, or from differences in the cost per car switched, the aggregate error would amount to but a small fraction of the figure of 1 or 2 percent developed above. From the foregoing, it is believed that the effect of the exclusion of the Class II and Class III carriers from the cost study would not significantly affect the territorial cost scales.

Exclusion of th[illegible]witching and terminal companies:

The cost study does not include the switching and terminal companies, although some of these carriers provide switching service for the Class I railways (line-haul carriers). The inclusion of these companies would have required special studies including the territorial separation of the work done at such points as Chicago and St. Louis. The three methods of settlement between the line-haul carriers and switching carriers for switching services are as follows:

(1) Through charges to the joint facility accounts of the Class I line-haul carriers where a joint facility operation exists.,

(2) Through direct payments by the line-haul carrier of the switching charges of the switching and terminal companies. Such payments are a charge against the freight revenues of the Class I line-haul carrier and thus do not appear in its statement of operating expenses.

(3) Through a division of the freight revenues.

Any expenses incurred through the operation of the joint facility accounts, i.e., (1) above, will be reflected in this cost study. Charges incurred through items (2) and (3) above are not picked up in this study and to that degree the study contains an understatement of the expenses. An approximation of the amount of the error may be obtained by comparing the total freight operating expenses, rents and taxes of the Class I switching and terminal companies 1/ for 1939 with that for Class I line-haul companies. The total for the Class I switching and terminal companies was $42,297,067 2/ or 1.68 percent of the total freight

---

1/ The freight operating expenses for the Class II and Class III switching and terminal companies are not available. Their total expenses amounted to 0.65 percent of the total operating expenses for all railway companies. Text of the Statistics of Railways in the United States, 1939, Table 156.

2/ Preliminary Abstract of Statistics of Railways, 1939, Summary No. 5.

operating expenses, rents and taxes of the Class I (line-haul) railways of $2,511,981,244. 1/ These figures are after allowing for the joint facility debits and credits. The figure of 1.68 percent overstates the error in some degree as no allowance is made for the intraterminal or interterminal switching done by these Class I switching and terminal companies for their own account or the switching done for the account of Class II and Class III carriers.

The effect of the understatement is greater on the short hauls as the switching expenses here constitute a greater part of the total cost than on the long hauls. To provide a test in this matter, the entire expense of $42,297,067 for the Class I switching and terminal companies was added to the costs developed for the United States. The station costs were included with expense groups VIII, IX, and X in the proportion obtaining for all Class I line-haul companies. The remaining expenses were added to the switching costs and distributed between all classes of switching in the proportions obtaining for the switching expense for the Class I companies. Table 23 provides a comparison of the costs both including and excluding the switching and terminal companies.

1/ Statistics of Railways in the United States, 1939, Table 113-A.

Table 23. Comparison of Cost Scales Including and Excluding Switching and terminal companies 1/

Haul in miles (1)	Carload traffic						Less-carload	
	5 tons		25 tons		50 tons		5 tons	
	Sw. & term. rys. incl. (2)	Sw. & term. rys. excl. (3)	Sw. & term. rys. incl. (4)	Sw. & term. rys. excl. (5)	Sw. & term. rys. incl. (6)	Sw. & term. rys. excl. (7)	Sw. & term. rys. incl. (8)	Sw. & term. rys. excl. (9)
Terminal 2/ ...	20.1	19.2	4.0	3.8	2.0	1.9	41.7	40.4
50	24.7	23.8	5.2	5.1	2.8	2.7	47.6	46.2
100	29.3	28.3	6.5	6.3	3.6	3.5	53.5	52.1
200	38.5	37.4	8.9	8.7	5.2	5.1	65.4	63.7
300	47.7	46.5	11.3	11.1	6.8	6.7	77.2	75.4
500	66.1	64.7	16.2	15.9	10.0	9.8	100.9	98.7
1,000	112.0	110.1	28.4	28.0	18.0	17.8	160.2	157.0
1,500	158.0	155.6	40.6	40.1	25.9	25.7	219.4	215.2
3,000	295.8	291.9	77.2	76.4	49.8	49.4	397.2	390.0

The exclusion of the expenses for the switching and terminal companies affects the cost by 9 mills or 3.8 percent for a carload movement of 5 tons on a haul of 50 miles. On a 25-ton carload the difference ranges from 1 mill or 2 percent on a 50-mile haul to 8 mills or 1 percent on a haul of 3,000 miles. On a 5-ton load of less-carload traffic the effect is 1.4 mills or 3.0 percent on a 50-mile haul and 7.2 cents or 1.8 percent on a 3,000-mile haul.

Exclusion of the count of cars given an intraterminal or interterminal switching from the total count of cars switched:

The cars given an intraterminal or interterminal switching movement 3/ are not reported by the carriers and hence the total number of cars switched will be somewhat greater than the number used in the

---

1/ The costs shown in columns (3), (5), (7) and (9) differ somewhat from the costs shown for movement in box cars appearing in the Cost Scales, for the United States, Territory No. 12. The reason is that the cost scales were based upon the application of the cost formula, Form A, to each individual railroad, while for the purpose of Table 23 the formula was applied to the aggregate expenses and statistics for all Class I railroads. The sources for the latter are listed in Chapter V, page 72, footnote 1. This procedure is sufficiently accurate for the purpose of the comparisons here being made.

2/ Terminal cost only, exclusive of any line-haul.

3/ See Appendix E for definitions of switching.

computation of costs in this study. Little information is currently available on the subject but it is believed that the number of cars so handled is relatively small, possibly constituting between one and five percent of the total of the cars originated and the cars terminated by the individual carriers. With the switching and station costs constituting about one-third of the total costs for Class I carriers and assuming that the cars given intraterminal or interterminal switching constitute three percent of the total number of cars originated or terminated, the overstatement in costs would approximate one percent on the average length haul. Such overstatement is offset in some degree by the understatement of the costs arising from the exclusion of the expenses for the switching and terminal companies dealt with in the preceding paragraph.

Effect of an adjustment in the ratio of empty to loaded car-miles:

As previously stated, the territorial figures used for the ratio of the empty car-miles to loaded car-miles are based upon the weighted average of the carriers' returns. As the territorial averages developed are relatively uniform at least insofar as box, gondola and hopper and tank cars are concerned, there is reason to believe that these ratios are reasonably correct. 1/ Computations have been made, however, to indicate the effect on the cost of a change in the ratio of five percentage points. The ratio used in the Southern Territory was .294. Table 24 compares the costs for a 25-ton load in box cars based on the figure of .294 and .344, respectively. The cost for any other ratio can be determined by following the procedure outlined in the cost scales, Tables 88 and 89.

Table 24. Effect on Cost of a Change of Five Percentage Points in the Percent Return Empty of Equipment

Haul in miles (1)	Cost in cents per 100 lbs. for 29.4 percent empty return of equipment (2)	Cost in cents per 100 lbs. for 34.4 percent empty return of equipment (3)	Percent difference (4)
Terminal ..	3.2¢	3.2¢	0.0
100	5.6¢	5.7¢	1.8
300	10.4¢	10.6¢	1.9
1,500	39.0¢	39.9¢	2.3

1/ See Appendix B hereto for ratios.

At 300 miles the increase of five percentage points affects the cost by 1.9 percent. The effect at 1,500 miles is 2.3 percent.

Effect on cost of a change in the tare weight:

The territorial tare weights used in the study constitute a weighted average of the carriers' returns. It is reasonable to assume that the data reported are approximately correct as the figures were readily available to each railroad. Computations have been made, however, to indicate the effect on cost of a change of five percent in the tare weights. The average tare weight for box cars developed for the Southern Territory was 22.4 tons. Table 25 shows costs for a 25-ton load moving in box cars having tare weights of 22.4 and 23.5 tons, respectively.

Table 25. Effect on Cost of a Change of Five Percent in the Tare Weight of the Equipment

Haul in miles (1)	Costs per 100 lbs. based upon territorial average tare weight per box car of 22.4 tons (2)	Cost per 100 lbs. based upon assumed tare weight of 23.5 tons (3)	Percent difference (4)
Terminal ..	3.2¢	3.2¢	0.0
100	5.6¢	5.7¢	1.8
300	10.4¢	10.5¢	1.0
1,500	39.0¢	39.7¢	1.8

The variations occasioned by a five-percent change in the tare weights are negligible, amounting to 1.0 percent at 300 miles. The decrease in the percent of change between 100 miles and 300 miles is occasioned by the failure to carry out the figures to more than two places.

Effect of an error in the weighting factors for the several classes of switching:

The switching expenses were apportioned between the various classes of switching on an equated carload basis. The equating factors used were developed from information introduced before the Commission in a number of switching studies but principally those listed in Appendix A hereto. Although it is believed that they represent a reasonable approximation of the relative switch engine time required for the several classes of switching, question may arise as to the effect of a given change in the factors. Such change, while increasing or decreasing the switching cost for any one class of switching relative to the remaining classes, will leave the total switching costs unchanged.

As the costs for interchange and for intertrain and intratrain switching are distributed on a revenue car-mile basis (i.e., treated as variable with the length of haul) any adjustment between these classes of switching which left their combined weighting unchanged would not affect the cost study. The cost is only affected when the weighting giving those classes of switching treated as variable with distance is changed relative to the weighting given to those classes of switching treated as independent of distance. Even then the effect would be nil at any distance approximating the territorial average length of haul as errors in the separation between the line-haul and terminal expenses then cancel themselves out. A comparison of the weighting used in the study with that used for test purposes herein follows: 1/

Class of switching (1)	Weighting used in cost study 1/ (2)	Weighting used for test purposes (3)
1. Carrier terminal switching, and connection terminal switching, industry and team tracks	1.00	1.00
2. Carrier terminal switching, freighthouse	.80	.80
3. Interchange switching	.45	.50
4. [illegible]tertrain and intratrain switching	.25	.30

The effect on cost of changing the relative weighting by five percentage points is shown in Table 26 for net loads of 10, 25 and 50 tons moving in box cars. The results were obtained by reapplying the cost formula to the cost data of a large class I carrier using the adjusted weighting. The costs are in cents per 100 pounds and include operating expenses, rents and taxes.

1/ Weighting applies to the switching movement of a car in the loaded direction only. See Appendix A.

Table 26. Comparison of the Carload Costs in Cents Per 100 Pounds - (Box Cars). Costs Based on a Change of Five Percentage Points in the Weighting Given Interchange and Intertrain and Intratrain Switching

Haul in miles	Net load of 10 tons		Net load of 25 tons		Net load of 50 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	9.8	9.5	4.0	3.8	2.0	2.0
50	11.9	11.6	5.0	4.8	2.7	2.6
100	14.4	14.1	6.2	6.1	3.5	3.4
200	19.5	19.3	8.7	8.6	5.1	5.0
300	24.6	24.5	11.2	11.1	6.7	6.6
500	34.8	34.8	16.1	16.1	9.9	9.9
1,000	60.3	60.6	28.5	28.6	17.9	18.0
1,500	85.7	86.5	40.9	41.2	25.9	26.1

The change in the weighting affects the cost by .3 mills or 3.1 percent for a load of 10 tons and a haul of 10 miles. It tapers off to zero at 500 miles. At 1,500 miles, the difference is 0.9 percent.

If the factor for interchange switching is changed from .45 to .50 and for intertrain and intratrain switching from .25 to .30, leaving the other factors as they are, (i.e., 1.0 and 0.80) the effect on the less-carload costs in cents per 100 pounds for different weight loads will be as follows:

Table 27. Comparison of the Less-carload Costs in Cents Per 100 Pounds - (Box Cars). Based on a Change of Five Percentage Points in the Weighting Given Interchange and Intertrain and Intratrain Switching

Haul in miles	Net load of 3 tons		Net load of 5 tons		Net load of 7 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	45.8	45.0	37.6	37.0	34.0	33.7
50	53.5	52.7	42.5	42.0	37.8	37.5
100	63.1	62.4	48.7	48.3	42.6	42.3
200	82.3	81.7	61.1	60.8	52.1	51.8
300	101,4	101.0	73.5	73.3	61.6	61.4
500	139.8	139.7	98.3	98.2	80.6	80.5
1,000	235.7	236.3	160.4	160.7	128.1	128.3
1,500	331.6	332.9	222.4	223.1	175.6	176.1

The change in the cost as the result of the adjustment ranges from a reduction of 8 mills or 1.7 percent for a load of 3 tons and a haul of 10 miles to an increase of 0.3 percent for a load of 7 tons and a haul of 1,500 miles.

If the weighting factor for carrier terminal switching at freighthouse tracks is given a value of .70 in lieu of .80, and the other factors remain the same (i.e., 1.0, 0.45 and 0.25) the effect on the less-carload cost in cents per 100 pounds for net loads of 3, 5 and 7 tons for a typical road will be as shown in Table 28.

Table 28. Comparison of the Less-carload Cost in Cents Per 100 Pounds - (Box Cars). Based on a Change of Ten Percentage Points in the Weighting Given Carrier Terminal Switching at Freighthouse Tracks

Haul in miles	Net load of 3 tons		Net load of 5 tons		Net load of 7 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	45.8	43.9	37.6	36.4	34.0	33.2
50	53.5	51.5	42.5	41.3	37.8	37.0
100	63.1	61.0	48.7	47.4	42.6	41.7
200	82.3	79.9	61.1	59.7	52.1	51.1
300	101.4	98.9	73.5	72.0	61.6	60.5
500	139.8	136.3	98.3	96.5	80.6	79.3
1,000	235.7	231.7	160.4	157.9	128.1	126.3
1,500	331.6	326.5	222.4	219.3	175.6	173.3

The effect of this change in the weighting is to reduce the cost by 1.9 cents or 4.1 percent for a net load of 3 tons and a haul of 10 miles. For a load of 7 tons and a haul of 500 miles, the reduction in the cost amounts to 1.6 percent. For a load of 7 tons and a haul of 1,500 miles, the reduction would be 1.3 percent.

Effect of an adjustment in the computation of the active car days:

The active car days in the several classes of switching service and in detention for loading and unloading were computed by multiplying the total cars handled by the car-day factors shown in Appendix A. The car days in running service were developed from the train hours. This resulted in the following approximate distribution of the car days for other than mileage cars, class I carriers:

Car days treated as variable with length of haul:

1.	Car days in running service	17.0 percent
2.	Car days in interchange, intertrain and intratrain switching	22.4
3.	Subtotal	39.4

Car days treated as independent of the length of haul:

4.	Car days in switching to and from industry, team and freighthouse tracks	23.5 percent
5.	Car days in detention for loading and unloading	37.1
6.	Subtotal	60.6
7.	Grand total	100.0

Carriers having longer or shorter hauls than the average would, of course, have a distribution somewhat different from that here indicated. The expenses distributed on the basis of active car days constitute between 5 and 6 percent of the total operating expenses, rents and taxes of the Class I carriers. It would take a change of approximately ten percentage points in the percent of active car days treated as variable with the length of haul and a corresponding change of ten percentage points in the percent of active car days treated as independent of the length of haul to affect the total cost on relatively short hauls by as much as 1 percent. At any length of haul approaching the average, the effect of any change in the car-day factors would be nil. It does not appear that any territorial deviations from the car-day factors shown would be great enough to significantly affect the territorial cost.

Effect of a change in the number of cars handled in intertrain and intratrain switching:

The count of cars originated, terminated and interchanged is based upon data appearing in carriers' annual reports. The number of cars given an intertrain and intratrain switching was computed as explained in Appendix A by dividing the total car-miles by 150. The switching expenses charged to intertrain and intratrain switching constitute between 4 and 5 percent of the total operating expenses, rents and taxes, and something in excess of 6 percent of the running expenses only. As these switching expenses are treated as variable with the length of the haul, an adjustment of [illegible] percent in the factor of 150 would have the effect of increasing or decreasing the expenses treated as variable with distance by about 0.4 percent. The carrier's aggregate expenses would remain unaffected as any reduction in the intertrain or intratrain switching expenses would result in such expenses being redistributed between all services on the basis of the remaining switching expenses. On average length hauls the effect would be nil.

Effect of inadequacy of data obtained concerning less-carload platform costs:

The problems confronted in obtaining platform labor costs per ton have been outlined in Chapter IV. For purposes of analysis, the station platform labor cost, Account 373, as used in computing the territorial cost scales and before inclusion of any overhead expenses, is shown in Table 29.

Table 29. Territorial Average Labor Cost Per Ton for Station Platform Labor Exclusive of Overheads

Territory (1)	Platform labor (2)	Tons (3)	Cost per ton (4)
New England	$2,612,552	4,016,294	$0.65049
Eastern, excluding New England and Northern Illinois	13,526,599	19,004,200	.71177
Eastern, excluding New England but including Northern Illinois	16,127,135	21,021,783	.76716
Eastern, including New England and Northern Illinois	18,739,687	25,038,077	.74845
Pocahontas	1,098,558	1,466,094	.74931
Southern	5,532,079	7,567,404	.73104
Western Trunk Line, excluding Northern Illinois and Southern Missouri	5,416,615	5,984,921	.90504
Western Trunk Line, including Northern Illinois but excluding Southern Missouri	8,017,151	8,002,504	1.00183
Southwestern, including Southern Missouri	1,951,478	3,022,177	.64572
Mountain Pacific	3,336,987	3,254,005	1.02550
Total Western	13,305,616	14,278,686	.93185
Total United States	36,075,404	46,332,678	.77862
Northern Illinois	2,600,536	2,017,583	1.28893
Southern Missouri	70,955	111,333	.63732

It is probable that the platform labor cost per ton in all territories will range between 80 cents and $1.00 and where the expenses per ton are below this limit, the less-carload costs developed therefrom may represent some understatement. However, such understatement is not represented by the full amount of the difference between the platform costs shown and any true cost that might be developed for the reason any station expenses not included as platform labor are otherwise included in the study under station expenses "other employees." The effect may be, however, to shift certain of the expenses from less-carload to carload. For the purpose of providing information on this subject data were developed to show the effect if the platform labor cost were increased by 20 cents per ton accompanied by a corresponding reduction in the station expense for "other employees." The data were obtained by applying rail cost formula, Form A, to a representative class I railroad, assuming platform cost per ton, exclusive of overheads, of, first, 102 cents and, secondly, 122 cents. The effect on the less-carload costs per hundred pounds as the result of such adjustment, is shown in Table 30.

Table 30. Comparison of the Less-carload Costs Per Hundred Pounds Assuming an Increase of 20 Cents Per Hundred Pounds in the Platform Costs but with a Corresponding Decrease in the Station Expenses for "Other Employees"

Haul in miles	Net load of 3 tons		Net load of 5 tons		Net load of 7 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	45.8¢	46.9¢	37.6¢	38.6¢	34.0¢	35.1¢
50	53.5¢	54.7¢	42.5¢	43.7¢	37.8¢	39.0¢
100	63.1¢	64.4¢	48.7¢	50.0¢	42.6¢	43.9¢
200	82.3¢	83.9¢	61.1¢	62.7¢	52.1¢	53.7¢
300	101.4¢	103.4¢	73.5¢	75.4¢	61.6¢	63.5¢
500	139.8¢	142.3¢	98.3¢	100.8¢	80.6¢	83.1¢
1,000	235.7¢	239.7¢	160.4¢	164.3¢	128.1¢	132.0¢
1,500	331.6¢	337.1¢	222.4¢	227.8¢	175.6¢	181.0¢

The percent increase occasioned by the adjustment varies from 1.7 percent for a load of 3 tons hauled 1,500 miles to 3.2 percent for a load of 7 tons hauled 10 miles.

The contingent effect on the carload costs follows from a reduction in the total clerical costs, a portion of which was assigned to carload traffic. The carload cost adjustment in cents per 100 pounds is shown in Table 31.

Table 31. Comparison of the Carload Costs Per Hundred Pounds Assuming an Increase of 20 Cents Per Ton in the Station Platform Labor Cost Accompanied by a Corresponding Reduction in the Station Expenses for "Other Employees"

Haul in miles	Net load of 10 tons		Net load of 25 tons		Net load of 50 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	9.8¢	9.7¢	4.0¢	3.9¢	2.0¢	2.0¢
50	11.9¢	11.7¢	5.0¢	4.9¢	2.7¢	2.6¢
100	14.4¢	14.3¢	6.2¢	6.1¢	3.5¢	3.4¢
200	19.5¢	19.3¢	8.7¢	8.6¢	5.1¢	5.0¢
300	24.6¢	24.4¢	11.2¢	11.1¢	6.7¢	6.6¢
500	34.8¢	34.6¢	16.1¢	16.0¢	9.9¢	9.8¢
1,000	60.3¢	60.1¢	28.5¢	28.4¢	17.9¢	17.9¢
1,500	85.7¢	85.6¢	40.9¢	40.8¢	25.9¢	25.9¢

The above adjustments range from no change for a load of 50 tons hauled 10, 1,000 and 1,500 miles to a decrease of 1.7 percent for a load of 10 tons hauled 50 miles.

Effect of an overstatement of the average load on less-carload traffic:

The number of cars of less-carload traffic handled are based on the less-carload tons appearing in Annual Report Schedule 541 and the average load appearing in the Forwarder Report, Senate Resolution 146, 76th Congress, 1st Session, for the test week ended October 7, 1939. As the month of October is usually a period of high traffic, the opportunity of obtaining heavier than average loading is present, with the consequence that the loading factors used may be somewhat overstated. 1/ No information is available as to the degree to which such overstatement exists, but assuming the overstatement amounts to one ton per car, the costs have been recomputed for a representative class I railroad for net loads of 3, 5 and 7 tons. The data appear in Table 32. The effect is to revise slightly the assignment and apportionment of expenses between carload and less-carload traffic which in turn has but a slight effect upon the cost scales.

1/ See Chapter III, Table 8, for the average loads developed from the Forwarder Report on less-carload traffic.

Table 32. Comparison of Less-carload Costs Based upon the Average Load Appearing in the Forwarder Report and the Costs Developed Assuming a Reduction of 1 Ton in Such Average Load 1/

Haul in miles	Net load of 3 tons		Net load of 5 tons		Net load of 7 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	45.8¢	45.5¢	37.6¢	37.4¢	34.0¢	33.9¢
50	53.5¢	53.2¢	42.5¢	42.4¢	37.8¢	37.7¢
100	63.1¢	62.8¢	48.7¢	48.6¢	42.6¢	42.5¢
200	82.3¢	82.0¢	61.1¢	61.0¢	52.1¢	52.0¢
300	101.4¢	101.2¢	73.5¢	73.4¢	61.6¢	61.5¢
500	139.8¢	139.7¢	98.3¢	98.3¢	80.6¢	80.5¢
1,000	235.7¢	235.7¢	160.4¢	160.3¢	128.1¢	128.0¢
1,500	331.6¢	331.7¢	222.4¢	222.4¢	175.6¢	175.6¢

The greatest relative change is for a load of 3 tons and a haul of 10 miles amounting to 3 mills or 0.7 percent. The principal effect of any overstatement of the average loads appearing in the Forwarder Report is in the use of such average loads for the purpose of drawing off costs from the cost scales.

The effect of a reduction in the average load on the cost of carload traffic moving in box cars is negligible as shown in Table 33.

1/ The cost formula makes use of three averages appearing in the Forwarder Report. See Statement 6, columns (13), (14) and (15), respectively. For the purposes of this restatement each of the figures was reduced by 1 ton.

Table 33. Comparison of the Carload Costs Per Hundred Pounds Based on the Average Load for Less-carload Traffic Appearing in the Forwarder Report with the Costs Developed Assuming a Reduction of One Ton in Such Average Load

Haul in miles	Net load of 10 tons		Net load of 25 tons		Net load of 50 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	9.8¢	9.7¢	4.0¢	3.9¢	2.0¢	2.0¢
50	11.9¢	11.8¢	5.0¢	4.9¢	2.7¢	2.6¢
100	14.4¢	14.3¢	6.2¢	6.2¢	3.5¢	3.4¢
200	19.5¢	19.4¢	8.7¢	8.6¢	5.1¢	5.0¢
300	24.6¢	24.5¢	11.2¢	11.1¢	6.7¢	6.6¢
500	34.8¢	34.6¢	16.1¢	16.0¢	9.9¢	9.8¢
1,000	60.3¢	60.0¢	28.5¢	28.4¢	17.9¢	17.8¢
1,500	85.7¢	85.4¢	40.9¢	40.7¢	25.9¢	25.8¢

Effect of an error in the weighting given a carload consignment versus a less-carload consignment in distribution of station costs:

In apportioning the station costs, other than platform labor, to the carload and less-carload traffic, a weight of 1 was given to a less-carload consignment and a weight of 5 to a carload consignment. This ratio was based upon (a) station time studies made by the California Railroad Commission in Case 4402 (See Exhibit 2, pages 98-111) and (b) station time studies conducted by the Boston and Maine and Maine Central in I.& S. Docket 4690, All Commodities, L.C.L. between Maine, Massachusetts and New Hampshire. No time was available to enable additional station studies to be made for the purpose of this study. As a matter of information, the effect of substituting a weight of 4 in lieu of 5 for the carload consignment is shown in Table 34.

Table 34. Comparison of Less-carload Costs in Cents Per Hundred Pounds Giving Weights of 5 and 4, Respectively, to the Carload Consignment in the Distribution of the Station Clerical Expenses 1/

Haul in miles	Net load of 3 tons		Net load of 5 tons		Net load of 7 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	45.8¢	47.3¢	37.6¢	39.0¢	34.0¢	35.5¢
50	53.5¢	54.9¢	42.5¢	44.0¢	37.8¢	39.3¢
100	63.1¢	64.5¢	48.7¢	50.2¢	42.6¢	44.0¢
200	82.3¢	83.7¢	61.1¢	62.6¢	52.1¢	53.5¢
300	101.4¢	102.9¢	73.5¢	75.0¢	61.6¢	63.0¢
500	139.8¢	141.3¢	98.3¢	99.8¢	80.6¢	82.0¢
1,000	235.7¢	237.2¢	160.4¢	161.8¢	128.1¢	129.5¢
1,500	331.6¢	333.1¢	222.4¢	223.8¢	175.6¢	177.0¢

The greatest relative increase is 1.5 cents, or 4.4 percent, for a load of 7 tons hauled 10 miles. The least relative effect is 1.5 cents, or 0.5 percent, for a load of 3 tons hauled 1,500 miles.

The corresponding effect on the carload costs in cents per hundred pounds is shown in Table 35.

Table 35. Comparison of Carload Costs in Cents Per 100 Pounds Giving Weights of 5 and 4, Respectively, to the Carload Consignments in the Distribution of Station Clerical Expenses

Haul in miles	Net load of 10 tons		Net load of 25 tons		Net load of 50 tons	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
10	9.8¢	9.8¢	4.0¢	3.9¢	2.0¢	2.0¢
50	11.9¢	11.8¢	5.0¢	4.9¢	2.7¢	2.7¢
100	14.4¢	14.3¢	6.2¢	6.2¢	3.5¢	3.5¢
200	19.5¢	19.4¢	8.7¢	8.6¢	5.1¢	5.1¢
300	24.6¢	24.5¢	11.2¢	11.1¢	6.7¢	6.7¢
500	34.8¢	34.7¢	16.1¢	16.1¢	9.9¢	9.9¢
1,000	60.3¢	60.2¢	28.5¢	28.5¢	17.9¢	17.9¢
1,500	85.7¢	85.6¢	40.9¢	40.8¢	25.9¢	25.9¢

1/ Study computed by applying rail cost formula, Form A, to a representative class I carrier using first a weight of 5, and, secondly, a weight of 4 to the carload consignments in distributing the station clerical expenses. Costs include operating expenses, rents and taxes (Cost Level II).

In no case are the carload costs effected by more than one mill.

Costs for traffic consistently moving in lighter than average, or in heavier than average, trains:

The costs developed in this study are territorial averages reflecting all operating conditions. If a segregation of costs were made between main and branch line operations, it is reasonable to expect that the costs for the branch lines would be higher than the costs set forth in this study. On the other hand the cost for main line operations would be only slightly less than the figures shown in this study, as the overwhelming proportion of the tonnage hauled by most carriers is handled in main line through trains. Where this condition obtains the average cost for this main line traffic is not greatly different from the system average cost for all traffic. If the main line costs were segregated to reflect the unit expense for heavy tonnage trains, such as coal drags, as compared to the cost for scheduled merchandise trains with a lighter tonnage, some difference in cost would no doubt be found. This leads to the observation that where one type of traffic predominantly moves in either heavy tonnage or light tonnage trains, the costs for such traffic will be greater or less than those shown in the cost scales. Coal is an example of tonnage which may be handled regularly in heavier than average trains while less-carload traffic may be at the other extreme.

To provide information relative to the fluctuation in costs with variations in the weight of the train the expense was developed for the handling of varying net loads in trains of 500, 1,000, 2,000, 3,000 and 4,000 trailing gross tons.

Table 36 shows the cost for the various weight trains for varying distances. The data were obtained by applying rail cost formula, Form B, 1/ to the system accounting and statistical data of a representative class I carrier. The assumption was made that trains of 500 and 1,000 tons were hauled by locomotives having a gross weight of 150 tons including tender, and that the trains of 2,000, 3,000 and 4,000 tons were hauled by locomotives weighing 200 tons. For purposes of comparison an index is shown in columns (3), (5) and (7) based on the cost for a 2,000-ton train taken as 100.

1/ Rail cost formula, Form B, was developed by the Bureau of Statistics for the purpose of reflecting, among other things, the cost based upon the weight of the train in which the traffic is handled.

Table 36. Comparison of the Cost Per Hundred Pounds for Varying Trainload Weights Based on 25-Ton Load Handled in Box Cars 1/

Gross tons of cars, contents and cabooses (1)	25 miles		50 miles		300 miles	
	Cost (2)	Index (3)	Cost (4)	Index (5)	Cost (6)	Index (7)
500	5.14¢	115	6.31¢	127	-	-
1,000	4.67¢	105	5.37¢	108	-	-
2,000	4.46¢	100	4.96¢	100	9.93¢	100
3,000	4.38¢	98	4.80¢	97	8.90¢	91
4,000	4.31¢	97	4.72¢	95	8.48¢	85

The above comparison is based on the assumption that the engine crew and train crew costs per mile are the same for all weight trains. The comparison shown in Table 37 assumes that the train and engine-crew costs per train-mile, including a prorata portion of the superintendence, Account 371, and the accompanying payroll taxes, are 20 percent 2/ higher for trains of 500 and 1,000 tons than trains of 2,000 to 4,000 tons.

Table 37. Comparison of the Cost Per Hundred Pounds for Varying Trainload Weights Based on a 25-Ton Load in Box Cars. Assumes a 20-Percent Increase in Train and Engine Crew Compensation Per Train-mile for Trains of 500 and 1,000 Tons over That for Trains of 2,000 Tons

Gross tons of cars, contents and cabooses (1)	25-mile haul		50-mile haul	
	Cost (2)	Index (3)	Cost (4)	Index (5)
500	5.21¢	117	6.45¢	130
1,000	4.70¢	105	5.43¢	109
2,000	4.46¢	100	4.96¢	100

1/ Includes operating expenses, rents and taxes, Cost Level II. Based on ratio of empty car-miles to loaded car-miles of 0.36.

2/ The figure of 20 percent represents an arbitrary allowance for the higher wage scale and increased overtime commonly obtaining in way train operation.

The reason for the relatively small adjustment occasioned by changes in the weight of the train on short hauls is that the expenses affected by the weight of the train, i.e., the running expenses, constitute but a small part of the total cost. This is indicated in Table 38 which shows the percent that the running cost bears to the total cost for hauls of 25, 50 and 300 miles and train loads of from 500 to 4,000 tons.

Table 38. Percentage Relation of the Running Cost to the Total Cost 1/

Weight of trains including locomotive and tender (tons) (1)	25-mile haul		50-mile haul		300-mile haul	
	Unadjusted expenses (2)	Adjusted for 20% increase trainmen and enginemen (3)	Unadjusted expenses (4)	Adjusted for 20% increase trainmen and enginemen (5)	Unadjusted expenses (6)	Adjusted for 20% increase trainmen and enginemen (7)
500	21.43	22.42	34.98	36.27	-	-
1,000	14.18	14.75	24.60	25.52	-	-
2,000	10.40	-	18.72	-	56.05	-
3,000	8.85	-	16.17	-	51.87	-
4,000	7.47	-	14.34	-	49.45	-

The comparisons shown above necessarily represent approximations based on average terminal costs. 2/ They nevertheless serve to indicate that on short hauls of 25 to 50 miles the running expenses account for a minor part of the total costs with the result that substantial changes in the running cost have but a limited effect upon the total cost. No data were available to compute the relative cost for train switching as compared to yard switching and the terminal costs are based upon the system average expenses for the latter.

Error in use of single ratio to allow for a return on traffic moving in both railroad owned and privately-owned equipment:

Under the formula used the allowance for a return is obtained by multiplying Cost Level II by a given percentage which is the same irrespective of whether the traffic is moving in railroad owned or privately-owned equipment. This involves some error inasmuch as the rental

---

1/ Includes an allowance for intertrain and intratrain switching assuming one handling every 150 miles of haul. This is distributed prorata over the shorter hauls of 25 and 50 miles.

2/ For the purpose of this study the yard engine minutes per loaded car were assumed to be 27 minutes at origin and 27 minutes at destination (based on averages for both large and small terminals).

payments on private line cars include an allowance for a return upon the value of this equipment. To expand the cost, including such rental, for a return is to include the return on freight-train car equipment twice. On the other hand, traffic moving in railroad-owned equipment is relieved of the full cost of providing a return on the property used by it in the amount that the burden placed on the traffic moving in private line cars is excessive.

The error may be eliminated by computing the ratio of the return on the carrier property used in common by all traffic, (i.e., the total property excluding freight trains cars) to the total expenses for all traffic. Next, the ratio of the return upon the value of the railroad-owned freight-train cars to the operating expenses for the traffic handled in this equipment should be computed and added to the ratio previously obtained. The sum of the two ratios provides that ratio applicable on traffic handled in railroad-owned equipment. The ratio first computed, with possibly some increase for return on special facilities used, is applicable to commodities handled in private line cars.

The principal problem faced in making the required adjustment is that of separating the operating expenses (running, switching and station) for the traffic moving in railroad-owned equipment from that for traffic moving in privately owned equipment. For purposes herein this was accomplished by separating each group of expenses on the basis of car-miles, gross ton-miles, or cars handled, as appropriate, using for this purpose the aggregate expenses for all class I carriers. The results indicated that a 5-3/4 percent return upon the value of the property common to all freight service amounted to 44.39 percent of the total carload operating expenses, rents and taxes. The allowance for a 5-3/4 percent return upon the value of railroad-owned freight-train cars amounted to 5.42 percent of the operating expenses, rents and taxes assigned and apportioned to the traffic moving in such cars. The sum of these two figures, 49.81 percent, constitutes that figure properly applicable against traffic moving in railroad-owned cars. The two figures of 44.39 and 49.81 percent applicable to traffic moving in private line and railroad-owned equipment, respectively, may be compared with the single figure of 48.05 percent shown in the cost scales, Table 87, column (66).

From the foregoing the conclusion may be drawn that the figure of 48.05 percent used in the cost scales is high by approximately 3.7 percentage points when applied to traffic moving in private line equipment and low by approximately 1.8 percentage points when applied to traffic moving in railroad-owned equipment. The comparable errors when based on a 4-percent return amount to 2.6 and 1.2 percentage points, respectively. These errors relate to the ratio by which the operating expenses, rents and taxes are expanded to include return. The error expressed in terms of the costs after expansion to Cost Levels V(a) or

V(b) amounts to an understatement of approximately 1 percent for traffic moving in railroad-owned equipment and an overstatement of approximately 2 percent for traffic moving in private line equipment.

Resume:

This chapter has dealt with certain technical problems involved in cost finding. When subsequent studies of this character are made, a refinement will be possible in the various respects above indicated if the time to conduct the necessary field studies is allowed. However, before the additional time and expense are incurred in such special studies, it appears desirable to consider in a broad way what are the relative costs among the rate territories and what part costs should play in a revision of rate scales. The present study is adequate for this purpose as it appears from the above discussion that the possible errors are of a minor character.

In addition to the technical problems of cost finding which may affect the final costs by a relatively small amount one way or another, other factors must necessarily be given consideration in applying the cost scales to actual rate-making, such as the following: The average circuity of haul obtaining in each territory; the determination of what constitutes a proper rate of return; the degree to which rates on some traffic should be based on out-of-pocket costs to meet truck and water competition, with an accompanying upward adjustment on the noncompetitive traffic; and the problem of developing a proper relation between cost and the rates applicable to each class rating.

APPENDIX A

Explanation of Factors Used in the Formula

Weighting factors used in computing switching costs:

In securing the separation of the switching expenses between the various classes of switching on an equated car handled basis, the following weighting was applied to the number of cars handled in each of the classes of switching:

Carrier terminal switching and connection terminal switching, industry and team tracks, including an allowance for intermediate switching 1/	1.00
Carrier terminal switching and connection terminal switching, freighthouse tracks	.80
Interchange switching, including allowance for intermediate switching 1/	.45
Intertrain and intratrain switching	.25

The above weighting applies to the switching movement of a car in the loaded direction only. If one assumes that the ratio of the empty cars switched to loaded cars switched for each of the four classes of switching are 1.00, 0.80, 0.65 and 0.65, respectively, the relative weighting for the total switching in each class for the loaded plus the empty movement, becomes as follows: 1.00, 0.72, 0.37, and 0.21. The weight thus given for an interchange switching of 0.37 reflects the cost for the switching in both the loaded and empty direction by a single carrier. This figure should be doubled to reflect the relative work done by both the carriers party to an interchange.

The above switching factors are based upon switching data for a large number of cities introduced in cases before the Commission, including the following:

Switching at Kansas City, Mo., and Related Points	96 I.C.C. 538
Switching at St. Louis, Mo., and East St. Louis, Ill., Also Between St. Louis, Mo., and Suburban Stations in Missouri	120 I.C.C. 216
Switching at Little Rock and North Little Rock, Ark.	140 I.C.C. 583
Des Moines Union Railway Switching	231 I.C.C. 631
Naval Stores from Mississippi to Gulf Ports	235 I.C.C. 723
Packing House Products from Denver and Pueblo to Arizona	238 I.C.C. 569
Petroleum and Petroleum Products from California to Arizona	241 I.C.C. 21
Docket 26712, Rail-Barge Joint Rates	
F.S.A. 18444, Sugar from California to North Atlantic Ports	

1/ Allowance based on the assumption that, exclusive of the work done by switching and terminal companies, not over 5.0 percent of the cars handled received an intermediate switching. See Appendix E for definition of intermediate switching. Switching and terminal companies are excluded from study.

Car-day factors:

The active car days in running service were computed by multiplying the system train hours, including train switching hours, by the average cars per train and dividing the product by 24. The car days in switching service were computed by multiplying the number of loaded and empty cars handled by the following car-day factors:

Carrier terminal and connection terminal switching, industry, teamtracks and freighthouses	0.50 days
Interchange switching per carrier	.33 days
Intertrain and intratrain switching	.33 days
Detention for loading or unloading (but not both) at industry and teamtracks	1.75 days
Detention for loading or unloading at freighthouses	.50 days

Car days for "other than mileage" cars in running service were obtained by multiplying the total days in running service by the ratio of the car-miles for "other than mileage" cars to the total car-miles. The car days for "other than mileage" cars in switching service were obtained by--

(a) Multiplying the sum of the car days for interchange switching and intertrain and intratrain switching by the ratio of the car-miles for "other than mileage" cars to the total car-miles, and

(b) Multiplying the remaining car days in switching service, excluding freighthouse cars, by the ratio of the loaded cars handled of "other than mileage" cars to the total loaded cars handled. Switching car days occasioned by freighthouse switching were assigned to "other than mileage" cars.

The source of the car day factors is based upon an analysis of the cases mentioned above in connection with switching factors.

Separation of car-miles; running and switching:

The car-miles in running service were determined from the annual report, Schedule 531, items 40, 41 and 42. Car-miles in switching service were obtained by multiplying the number of loaded and empty cars handled in each class of switching by the following mileages:

Carrier terminal and connection terminal switching, industry and team tracks	4.0 miles
Carrier terminal and connection terminal switching, freighthouses	3.5 miles
Interchange switching per carrier	2.75 miles
Intertrain and intratrain switching	1.00 miles

The mileages were based on a study by the Engineering Section of the Bureau of Valuation of the terminal lay-outs of a number of railroads. A weight of 1.0 is given to a car-mile in running service and a weight of 2.0 to a car-mile in switching service. This weighting is based on a study by the Engineering Section of the Bureau of Valuation.

Count of cars:

The switching factors, car-day factors, and mileage factors set forth above are applied to the count of the loaded cars plus the empty cars handled in each class of switching. The count of cars was obtained as follows:

Item	Source
1. Carrier and connection terminal switching, industry and team tracks, loads	From A.R. Sch. 541, Class 850, sum of columns (d), and (f) plus twice column (b)
2. Carrier and connection terminal switching, industry and team tracks, empties	Number of loads handled multiplied by the ratio of the total empties spotted and switched out to the total loads spotted and switched out. For the purpose of carload traffic, the ratio used was 1.0.
3. Carrier terminal switching, nonrevenue traffic, loads	Developed by dividing the total tons of nonrevenue freight carried by the average net load of company material to obtain the total number of loaded cars handled, nonrevenue freight. This latter figure was multiplied by 2 assuming that these nonrevenue loads were principally local to one line.
4. Carrier terminal switching, nonrevenue traffic, empties	Number of loads, nonrevenue, multiplied by the ratio of 1.0.
5. Carrier and connection terminal switching, freighthouse tracks, loads	(a) Total tons of less-carload traffic handled - From A.R. Sch. 541, Class 710, sum of columns (e) plus (g) plus twice column (c) (b) Average load, tons per loaded car - From Senate Resolution 146, 76th Congress, First Session, Vol. 1, Statement 6, column (14) (c) Number of loaded cars - Line (a) divided by line (b) (d) Number of loaded cars originated or terminated, re transfers - Tons transferred divided by average load, line (b) (e) Total cars - Line (c) plus line (d)

Item	Source
6. Carrier and connection terminal switching, freighthouse tracks, empties	Number of loads handled multiplied by the ratio of the total empties spotted and switched out to the total loads spotted and switched out. For the purpose of this study the ratio used was 0.80.
7. Interchange switching, loads	Computed as follows: (a) Number of cars, carload traffic - From A.R. Sch. 541, Class 850, sum of columns (d) plus (f) plus twice column (h) Number of cars less-carload traffic: (b) Number tons received from and delivered to connections - From A.R. Sch. 541, class 710, columns (e) plus (g) plus twice column (i) (c) Percentage of tons (interline traffic) in through cars not worked at interchange - From Senate Res. 146, Statement 6, column (3) divided by (2) (d) Number of tons (interline) in through cars not worked at interchange points - Line (b) x line (c) (e) Average tons for through car, interline - From Senate Res. 146, Statement 6, column (13) (f) Number of cars not worked at interchange - Line (d) divided by line (e) (g) Total cars, carload and less-carload - Line (a) plus line (f)
8. Interchange switching, empties	Number of empties computed by multiplying the number of loads by the system ratio of empty car-miles to loaded car-miles.
9. Intertrain and intratrain switching, loads	Computed by dividing the total car-miles by 150. Based on factor of 150 car-miles per handling. This factor was developed from studies introduced before the Commission including Packing House Products from Denver and Pueblo to Arizona, 238 I.C.C. 569; Petroleum and Petroleum Products from California to Arizona, 241 I.C.C.21; and Sugar from California to North Atlantic Ports, F.S.A. 18444. These studies show the distance between intertrain and intratrain handlings to range from approximately 100 to 160 miles, and the average car-miles for intertrain and intratrain switching to range from 125 to 160 miles.

Item	Source
10. Intertrain and intratrain switching, empties	The number of empties computed by multiplying the number of loads by the system ratio of empty car-miles to loaded car-miles

The ratio of empty cars spotted and pulled to loaded cars spotted and pulled was based upon fragmentary evidence appearing in the cases above cited, which indicated that such ratio was slightly less than 1.0. However, the figure of 1.0 is used for purposes herein in conjunction with the use of a factor of 0.80 for freight-house switching. Any change in these ratios does not affect the carriers' aggregate costs, although it does affect, in some more or less negligible degree, the distribution of the expenses between line-haul and terminal and between carload and less-carload traffic. See Chapter VI for a discussion of the influence of a change in these factors.

APPENDIX C

Assignment of Commodities to That Class of Equipment in Which They Are Commonly Handled 1/

No.	Commodity group or class	Class of freight car
	GROUP I. Products of Agriculture (C. L.)	
10	Wheat	Box
20	Corn	"
30	Oats	"
40	Barley and rye	"
41	Rice	"
42	Grain, N. O. S.	"
50	Flour, wheat	"
51	Meal, corn	"
52	Flour and meal, edible, N. O. S.	"
60	Cereal food preparations, edible, N. O. S.	"
61	Mill products, N. O. S.	"
70	Hay and alfalfa	"
71	Straw	"
80	Tobacco, leaf	"
[illegible]	Cotton in bales	"
84	Cotton linters, noils, and regins	"
100	Cottonseed	"
101	Cottonseed meal and cake	"
110	Oranges and grapefruit	Refrigerator
111	Lemons, limes, and citrus fruits, N. O. S.	"
120	Apples, fresh	"
121	Bananas	"
122	Berries, fresh	"
123	Cantaloupes and melons, N. O. S.	"
124	Grapes, fresh	"
125	Peaches, fresh	"
126	Watermelons	"
127	Fruits, fresh, domestic, N. O. S.	"
128	Fruits, fresh, tropical, N. O. S.	"
130	Potatoes, other than sweet	"
140	Cabbage	"
141	Onions	"
142	Tomatoes	"
143	Vegetables, fresh, N. O. S.	"
150	Beans and peas, dried	Box
151	Fruits, dried or evaporated	"
152	Vegetables, dry, N. O. S.	"
160	Vegetable-oil cake and meal, except cottonseed	"
161	Peanuts	"
162	Flaxseed	"
163	Sugar beets	Gondola
164	Products of agriculture, N. O. S.	Box

See page 112 for footnote.

Appendix B

Territorial Average Tare Weights and Territorial Ratio of Empty to Loaded Car-miles by Classes of Equipment for 1939 1/

Terr. No.	Territory (1)	Average tare weight in tons by classes of equipment: Box (2)	Flat (3)	Gondola and hopper (4)	Tank 2/ (5)	Stock (6)	Refrigerator 2/ (7)	Ratio of empty to loaded car-miles by classes of equipment: Box (8)	Flat (9)	Gondola and hopper (10)	Tank (11)	Stock (12)	Refrigerator (13)	Terr. No.
1	New England	21.1	19.5	21.1	22.1	20.4	27.5	0.284	0.627	0.880	0.993	0.981	0.852	1
2	Eastern, excluding New England and Northern Illinois	23.3	20.6	22.1	24.1	20.9	27.5	.350	.839	.843	.982	1.006	.869	2
3	Eastern, excluding New England but including Northern Illinois	23.3	20.6	22.1	24.1	20.9	27.5	.350	.839	.843	.982	1.006	.869	3
4	Total Eastern, including New England and Northern Illinois	23.0	20.5	22.0	23.9	20.9	27.5	.340	.838	.845	.983	1.005	.867	4
5	Pocahontas	24.0	19.4	22.1	3/	20.8	28.5	.330	.568	.928	.999	1.500	.696	5
6	Southern	22.4	19.0	21.2	21.3	20.5	27.3	.294	.789	.918	.960	.897	.848	6
7	Southwestern, including Southern Missouri	22.9	18.5	21.9	21.9	21.0	25.9	.378	.676	.802	.955	.832	.658	7
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	22.0	19.1	21.0	23.2	20.1	27.5	.341	.703	.830	.990	.906	.698	8
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	22.0	19.1	21.0	23.2	20.1	27.5	.341	.703	.830	.990	.906	.698	9
10	Mountain Pacific	22.7	16.1	23.3	23.5	19.6	27.7	.333	.760	.789	1.000	.879	.734	10
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri	22.5	17.4	21.7	22.7	20.1	27.2	.351	.723	.812	.977	.880	.695	11
12	Total United States	22.8	18.1	21.9	22.8	20.4	27.3	.335	.748	.857	.977	.919	.795	12

1/ Tare weights are based on a weighted average of the tare weights for railroad owned equipment as reported by the carriers in reply to a questionnaire issued under date of November 19, 1940. Territorial averages obtained by weighting the weight reported by each carrier for each class of equipment by the number of carloads forwarded in such class of equipment by each carrier.
Ratios of empty to loaded car-miles are based on the data furnished by carriers in response to questionnaire under date of November 19, 1940. Territorial averages obtained by weighting the ratio of the empty to loaded car-miles reported by each carrier for each class of equipment by the number of carloads forwarded in such class of equipment by each carrier.

2/ Figures based on railroad owned equipment. United States average tare weights used for all territories in compiling cost scales.

3/ No information provided.

APPENDIX C - Continued

No.	Commodity group or class	Class of freight car
	GROUP II. Animals and Products (C. L.)	
170	Horses, mules, ponies, and asses	Stock
180	Cattle and calves, single-deck	"
181	Calves, double-deck	"
190	Sheep and goats, single-deck	"
191	Sheep and goats, double-deck	"
200	Hogs, single-deck	"
201	Hogs, double-deck	"
210	Fresh meats, N. O. S.	Refrigerator
220	Meats, cured, dried, or smoked	"
221	Butterine and margarine	"
222	Packing-house products, edible, N. O. S., not including canned meats	"
230	Poultry, live	Stock
231	Poultry, dressed	Refrigerator
240	Eggs	"
250	Butter	"
251	Cheese	"
260	Wool	Box
270	Hides, green	"
271	Leather	"
280	Fish or sea-animal oil	Tank
281	Animals, live, N. O. S.	Stock
282	Animal products, N. O. S. (other than fertilizers and fertilizer materials)	Box
	GROUP III. Products of Mines (C.L.)	
290	Anthracite coal	Gondola and hopper
300	Bituminous coal	" " "
310	Coke	" " "
320	Iron ore	" " "
330	Copper ore and concentrates	" " "
331	Lead ore and concentrates	" " "
332	Zinc ore and concentrates	" " "
333	Ores and concentrates, N. O. S.	" " "
350	Gravel and sand (other than glass or molding)	" " "
351	Stone, broken, ground, or crushed	" " "
352	Stone, rough, N. O. S.	" " "
353	Stone, finished, N. O. S.	" " "
360	Petroleum, crude	Tank
370	Asphalt (Natural, by-product, or petroleum)	"
380	Salt	Box
390	Phosphate rock, crude (ground or not ground)	Gondola and hopper
391	Sulphur (brimstone)	" " "
392	Products of mines, N. O. S.	" " "

APPENDIX C - Continued

No.	Commodity group or class	Class of freight car
	GROUP IV. Products of Forests (C. L.)	
400	Logs	Flat
401	Posts, poles, and piling	"
402	Wood (fuel)	Box
410	Ties, railroad	Gondola
420	Pulp wood	"
430	Lumber, shingles, and lath	Box
431	Box, crate, and cooperage materials	"
432	Veneer and built-up wood	"
440	Rosin	"
441	Turpentine	Tank
442	Crude rubber (not reclaimed)	Box
443	Products of forests, N. O. S.	"
	GROUP V. Manufactures and Miscellaneous (C. L.)	
450	Petroleum oils, refined, and all other gasolines	Tank
451	Fuel, road, and petroleum residual oils, N. O. S.	"
452	Lubricating oils and greases	Box
453	Petroleum products, N. O. S.	"
460	Cottonseed oil	Tank
461	Linseed oil	"
462	Vegetable oils, N. O. S.	"
470	Sugar (beet or cane)	Box
471	Table sirups and edible molasses	"
472	Molasses, blackstrap and beet residual	Tank
490	Iron, pig	Gondola
491	Iron and steel, rated 6th class in official classification, N. O. S.	"
500	Rails, fastenings, frogs, and switches	"
510	Cast-iron pipe and fittings	"
511	Iron and steel pipe and fittings, N. O. S.	"
512	Iron and steel: Nails and wire, not woven	Box
513	Iron and steel, rated 5th class in official classification, N. O. S. (also tin and terne plate)	Gondola
520	Copper: Ingot, matte, and pig	Box
521	Copper, brass, and bronze: Bar, sheet, and pipe	"
522	Lead and zinc: Ingot, pig, or bar	"
523	Aluminum: Ingot, pig, or slab	"
530	Machinery and boilers	"
540	Cement, natural or Portland (building)	"
550	Brick, common	Gondola
551	Brick, N. O. S., and building tile	Box
552	Artificial stone, N. O. S.	"
560	Lime, common (quick or slaked)	"

APPENDIX C - Continued

No.	Commodity group or class	Class of freight car
	GROUP V. Manufactures and Miscellaneous, (C. L.) - Continued	
561	Plaster (stucco or wall) and dry kalsomine	Box
570	Sewer pipe and drain tile (not metal)	Gondola
580	Agricultural implements and parts, N. O. S.	Box
581	Vehicles, horse-drawn, and parts, N. O. S.	〃
582	Tractors and parts	Gondola
583	Railway car wheels, axles, and trucks	〃
590	Automobiles (Passenger)	Box
591	Autotrucks	〃
592	Automobiles and autotrucks, K. D. and parts N. O. S.	〃
593	Automobile and autotruck tires	〃
610	Furniture, metal	〃
611	Furniture, other than metal	〃
620	Beverages	〃
630	Ice	Refrigerator
640	Fertilizers, N. O. S.	Box
650	Newsprint paper	〃
651	Printing paper, N. O. S.	〃
660	Alcohol, denatured or wood	Tank
661	Sulphuric acid	〃
662	Explosives, N. O. S.	Box
670	Cotton cloth and cotton fabrics, N. O. S.	〃
671	Bagging and bags, burlap, gunny, or jute	〃
680	Canned food products, N. O. S.	〃
690	Tobacco, manufactured products	〃
691	Paints in oil and varnishes	〃
692	Furnace slag	Gondola and Hopper
693	Scrap iron and scrap steel	〃 〃 〃
694	Paper bags and wrapping paper	Box
695	Paperboard, pulpboard, and wallboard (paper)	〃
696	Building paper and prepared roofing materials	〃
697	Building woodwork (millwork)	〃
698	Soap and washing compounds	〃
699	Glass, flat, other than plate	〃
700	Glass: Bottles, jars, and jelly glasses	〃
701	Manufactures and miscellaneous, N. O. S.	〃
	GROUP VI. L. C. L. Freight	
710	All L. C. L. freight	〃

1/ The assignment of commodities is based on estimate as no data were available. The material was used for the following purposes.

1. To determine the aggregate carloads and tons handled by classes of cars from which was obtained the average net load by classes of equipment used in computing the nonrevenue gross ton-miles.
2. The separation of active car days in terminal between mileage cars and other than mileage cars.
3. The computation of the average loads by classes of equipment appearing in Chapter III, Table 4.

APPENDIX D

Data Considered in the Determination of the Out-of-pocket Costs

This appendix reviews some of the material given consideration in computing the out-of-pockets appearing in Chapter V of this study. The data are supplementary to those referred to in Table 19 of Chapter V and show the results of studies made to determine the degree to which the transportation expenses are affected by the changes in traffic volume based on the experience of the class I carriers in recent years.

It may here be explained that if a traffic increase of 20 percent is accompanied by an increase of 20 percent in the fuel expenses, the conclusion is drawn that the fuel expenses are 100 percent variable with changes in the volume of traffic. If the fuel expenses increase by only 10 percent, the conclusion can be drawn that the fuel consumption is only 50 percent variable with traffic changes. If no increase in fuel consumption is found, it is assumed that this expense item is independent of changes in the volume of traffic. The out-of-pocket portion of the cost in each case is 100 percent, 50 percent, and zero, respectively.

One of the difficulties encountered in tracing the relation between the changes in expenses and the changes in traffic volume is that of eliminating the influence of price changes and wage adjustments. Where the study is based on an extended period of time as shown in Table 1 below, the analysis is limited to the effect of the changes in traffic volume upon the car-miles, train-miles and yard engine hours, the assumption being made that any change in those units will be followed by corresponding changes in the freight train car expenses, train service expenses and yard expenses, respectively.

In Tables 1 and 2 to follow, the changes in traffic volume are measured in terms of gross ton-miles. However, as developed in Table 1 below, any given change in the gross ton-miles is followed by a still greater change in the net ton-miles; or, as otherwise stated, the net ton-miles are something more than 100 percent variable with the gross ton-miles. From this the conclusion may be drawn that as the volume of traffic increases the tare tons required to handle a given volume of net tons is reduced. On the other hand when the traffic decreases the ratio of the tare tons to the net tons increases. It follows that the percentage by which any expense item is found to be variable with traffic changes, measured in terms of gross ton-miles, may be overstated somewhat as compared with the percent found variable when the traffic change is measured in terms of net ton-miles.

Table 1, column (2) shows the gross ton-miles of cars, contents and cabooses; column (3), the percent change from the gross ton-miles of the preceding year; column (4) the revenue net ton-miles; column (5) the percent change of the revenue ton-miles from that of the preceding year; and column (6) the percent variable of the revenue net ton-miles with changes in the gross ton-miles. The remaining columns are self-explanatory. The data are shown for the United States and for the Eastern, Southern and Western Districts. For the purpose of indicating the average or central tendency of the percent variable, the median, or middle item, is shown. The use of this average eliminates distortion occasioned by the extremes.

Table 2 shows the effect of changes in traffic volume on selected expense items or group of expenses. The study was limited to the period 1935-1939 to avoid the extreme fluctuations of the period 1930-1934. The expenses were adjusted for changes in fuel prices and basic rates of pay.

Column (2) of Table 2 shows the gross ton-miles of cars, contents and cabooses; column (3), the percent change from the gross ton-miles of the preceding year; column (4), the adjusted expenses for superintendence; column (5), the percent change of the adjusted expenses from the expenses of the preceding year; and column (6), the percent variable of the adjusted expenses with changes in the gross ton-miles. The remaining columns are self-explanatory. The data are shown for the United States and for the Eastern, Southern, and Western Districts.

The adjusted expenses shown in Table 2 were obtained by dividing the charges to each account by the index developed for the labor included in each account shown in Table 3. Where the accounts were grouped as in the case of the yard service expenses, train service expenses, and total transportation expenses (Accounts 371 to 420), the adjustment was made by individual accounts and the total of the adjustments added to or subtracted from the total of the unadjusted expenses for the group.

The wage index for employees' compensation was based on the year 1936 as 100 and reflected the following changes in the basic rates of pay 1/: A 2-1/2 percent restoration, effective January 1, 1935, of the 10 percent reduction in the employees' compensation made as of February 1, 1932; a 5 percent restoration, effective April 1, 1935; an increase of 5 cents per hour for all employees other than those in train and engine service and train dispatchers, effective August 1, 1937; and an increase of 44 cents per day (approximately 5.5 cents per hour) for train and engine service employees and yardmasters, effective October 1, 1937. 2/

The price index for fuel, 1936-1939, was based on the average price per equated ton of fuel consumed, using 1936 prices as 100. The price per ton was computed by dividing the total charges for fuel consumed, including freight and handling expenses, by the equated tons of fuel consumed. 3/ As the costs for the equated tons of fuel consumed were not available for the year 1935, the adjusted fuel expenses (freight) for this year were computed by multiplying the 1936 fuel cost by the ratio of the equated tons (freight) consumed in 1935 to the equated

---

1/ Wage increases stated as a flat amount per hour, per day, or per month occasioned different percentage increases according to the level of wage previously earned by each group of employees. To compute the index for various groups of employees the following procedure was used based on the year 1938 as an example: The number of hours or days of straight time worked by each group of employees in 1938 was multiplied by the increase per hour or per day. The aggregate increase so determined was then divided by the actual straight time compensation earned during 1938 less the increase. The effect of this procedure was to divide the increase by the aggregate compensation which the employees would have received without such increase. The percentage indicated the effect of the increase for the group. The procedure may be illustrated as follows: During 1938 the straight time paid for, yard engineers and motormen and firemen and helpers, class I railroads, amounted to 61,519,533 hours (from Wage Statistics of class I Steam Railways in the United States for the 12 months ended December 31, 1938, Statement No. M-300, Divisions 124 and 128). The increase of 5.5 cents per hour resulted in an aggregate increase of $3,383,574. This increase was deducted from the compensation for the straight time paid for amounting to $54,890,533, resulting in a total compensation, less such increase, of $51,506,959. The increase when related to this base amounted to 6.57 percent. Based on 1936 the index for the year 1938 was therefore 106.57. Inasmuch as the wage increase was in effect for only one-quarter of the year 1937, the index for this year was 101.64, or 100 increased by one quarter of 6.57.

2/ From Historical Development of the Present Railway Wage Structure 1916-1938, Exhibit No. 1, President's Emergency Board's Hearings on Railway Wages, October 1938, pages 66, 67, 70 and 71.

3/ The statement of fuel expenses and equated tons consumed for the years 1936-1939 appears in the summary of Fuel and Power for Locomotives and Rail Motor Cars of class I Steam Railways in the United States, Statement M-230 (OS-E). Line 1-07 divided by the sum of lines 2-07, 2-13 and 2-22.

tons consumed in 1936. 1/ This provided the fuel expense for 1935 based on 1936 prices.

The wage indices shown in Table 3 were used in adjusting the expenses both for the United States and each district. A separate fuel index was computed for each territory. Except in the case of enginehouse expenses the adjustments were made by dividing the aggregate charges to the respective accounts by the index shown. In the case of enginehouse expenses the adjusted labor cost was obtained by dividing the index into the labor compensation, divisions 108, 109 and 110 (Wage Statistics of class I Steam Railways in United States, Statement No. M-300). The amount of the adjustment was subsequently added to or subtracted from the total charges to Accounts 388 and 400.

Consideration was also given to data on out-of-pocket costs appearing in the following:

1. "Out-of-Pocket Cost as a Factor in Determining Freight Rates" (I.C.C., Bureau of Statistics) - by M. O. Lorenz and B. T. Elmore, 1933.
2. Study by California Railroad Commission entitled, "Rail Cost Finding for Rate-Making Purposes," introduced as Exhibit 2 in Case 4402, pp. 135-165 (1938).
3. "The Economics of Transportation" - by Kent T. Healy, Ronald Press, N.Y., 1940, Chapter 11.
4. "Railroad Costs and Volume of Traffic," Herbert Ashton, American Economic Review, Vol. XXX, No. 2, June 1940.
5. F.S.A. 18444, Sugar from California to North Atlantic Ports.

Tables 1, 2 and 3 follow herewith.

1/ Equated tons for 1935 and 1936 from the Statistics of Railways in the United States, Table 56-A, Item XIII, line 5, and freight portion of line 7 based on freight portion of Account 382, yard fuel expenses.

Appendix D

Table 1.--Percent That Freight-train Revenue Net Ton-miles, Car-miles, Train-miles, and Yard Switching Locomotive-hours Vary with Gross Ton-miles for Class I Railways for the United States and Districts Years 1929-1940

Year	Gross ton-miles--Cars, contents, and cabooses		Revenue net ton-miles			Car-miles--Loaded, empty, and caboose			Train-miles			Yard switching locomotive-hours		
	Number	Percent change over preceding year	Number	Percent change over preceding year	Percent variable	Number	Percent change over preceding year	Percent variable	Nu[illegible]	Percent change over preceding year	Percent variable	Number	Percent change over preceding year	Percent variable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	(millions)		(millions)			(millions)			(thousands)			(thousands)		
							United States							
1929	1,141,866	-	447,322	-	-	29,724	-	-	612,170	-	-	50,743	-	-
1930	1,006,505	- 11.85	383,450	- 14.28	120.51	26,330	- 11.42	96.37	538,169	- 12.09	102.03	43,499	- 14.28	120.51
1931	839,643	- 16.58	309,225	- 19.36	116.77	22,215	- 15.63	94.27	463,875	- 13.81	83.29	35,562	- 18.25	110.07
1932	657,309	- 21.72	233,977	- 24.33	112.02	17,514	- 21.16	97.42	390,639	- 15.74	72.47	27,797	- 21.84	100.55
1933	685,402	+ 4.27	249,223	+ 6.52	152.69	17,999	+ 2.77	64.87	393,359	+ .64	14.99	27,621	- .63	Inverse
1934	743,547	+ 8.48	268,711	+ 7.82	92.22	19,486	+ 8.26	97.41	421,384	+ 7.12	83.96	29,405	+ 6.46	-16.18
1935	767,517	+ 3.22	282,037	+ 4.96	154.04	19,737	+ 1.29	40.06	429,179	+ 1.85	57.45	30,066	+ 2.25	69.88
1936	896,762	+ 16.84	339,246	+ 20.28	120.43	22,569	+ 14.34	85.15	486,255	+ 13.30	78.98	34,980	+ 16.34	97.03
1937	946,156	+ 5.51	360,620	+ 6.30	114.34	23,676	+ 4.91	89.11	502,013	+ 3.24	58.80	37,100	+ 6.06	109.98
1938	794,421	- 16.04	290,084	- 19.56	121.95	20,156	- 14.87	92.71	422,676	- 15.80	98.50	30,172	- 18.67	116.40
1939	889,679	+ 11.99	333,438	+ 14.95	124.69	22,212	+ 10.20	85.07	452,277	+ 7.00	58.38	33,505	+ 11.05	92.16
1940	978,194	+ 9.95	373,225	+ 11.93	119.90	24,238	+ 9.12	91.66	482,175	+ 6.61	66.43	36,604	+ 9.25	92.96
Median	-	-	-	--	120.43	-	-	91.66		-	72.47	-	-	97.03
							Eastern District							
1929	458,581	-	192,331	-	-	11,824	-	-	224,731	-	-	26,072	-	-
1930	398,405	- 13.12	160,533	- 16.53	125.99	10,337	- 12.58	95.88	193,935	- 13.70	104.42	21,865	- 16.13	122.94
1931	333,761	- 16.23	128,656	- 19.86	122.37	8,788	- 14.98	92.30	166,617	- 14.09	86.81	17,695	- 19.07	117.50
1932	262,793	- 21.26	98,578	- 23.38	109.97	6,966	- 20.73	97.51	138,736	- 16.73	78.69	13,739	- 22.36	105.17
1933	273,906	+ 4.23	104,562	+ 6.07	143.50	7,147	+ 2.59	61.23	139,754	+ .73	17.26	13,730	- .06	Inverse
1934	291,499	+ 6.31	112,261	+ 7.36	116.64	7,515	+ 5.16	81.77	146,673	+ 4.95	78.45	14,394	+ 4.83	76.55
1935	297,374	+ 2.12	116,629	+ [illegible].89	183.49	7,538	+ .30	14.15	147,732	+ .72	33.96	14,805	+ 2.85	134.43
1936	342,954	+ 15.33	138,202	+ 18.50	120.68	8,511	+ 12.92	84.28	166,643	+ 12.80	83.50	17,292	+ 16.80	109.59
1937	360,593	+ 5.14	145,618	+ 5.37	104.47	8,874	+ 4.26	82.88	170,486	+ 2.31	44.94	18,297	+ 5.81	113.04
1938	288,599	- 19.97	111,033	- 23.75	118.93	7,269	- 18.09	90.59	137,262	- 19.49	97.60	14,055	- 23.18	116.07
1939	336,795	+ 16.70	133,910	+ 20.60	123.35	8,318	+ 14.43	86.41	152,895	+ 11.39	68.20	16,275	+ 15.79	94.55
1940	373,991	+ 11.04	150,698	+ 12.54	113.59	9,165	+ 10.19	92.30	166,542	+ 8.93	80.89	18,133	+ 11.42	103.44
Median	-	-	-	-	120.68	-	-	86.41	-	-	78.69	-	-	109.59

(Continued)

- Decrease.

+ Increase.

Source: Gross ton-miles--Cars, contents, and cabooses from ICC Statement M-211, item 6-05. Revenue net ton-miles from ICC Statistics of Railways in the United States, Table 44. Car-miles--Loaded, empty, and caboose from ICC Statement M-211, item 4-09, plus item 4-10. Train miles from ICC Statement M-211, item 2-03. Yard switching locomotive hours for years 1929-1939 from Statistics of Railways in the United States, Table 158 (locomotive-miles ÷ 6). For the year 1940 from ICC Statement M-215, item 1-06. Switching and terminal companies excluded from total on basis of data appearing in working papers of Bureau of Statistics.

Appendix D

Table 1.--Percent That Freight-train Revenue Net Ton-miles, Car-miles, Train-miles, and Yard Switching Locomotive-hours Vary with Gross Ton-miles for Class I Railways for the United States and Districts - Continued
Years 1929-1940

Year	Gross ton-miles--Cars, contents, and cabooses		Revenue net ton-miles			Car-miles--Loaded, empty, and caboose			Train-miles			Yard switching locomotive-hours		
	Number	Percent change over preceding year	Number	Percent change over preceding year	Percent variable	Number	Percent change over preceding year	Percent variable	Number	Percent change over preceding year	Percent variable	Number	Percent change over preceding year	Percent variable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	(millions)		(millions)			(millions)			(thousands)			(thousands)		
							Southern District							
1929	231,906	-	94,252	-	-	5,789	-	-	126,772	-	-	7,714	-	-
1930	205,728	- 11.13	83,787	- 11.10	99.73	5,165	- 10.78	96.86	113,609	- 10.38	93.26	6,949	- 9.92	89.13
1931	173,639	- 15.60	69,525	- 17.02	109.10	4,397	- 14.88	95.38	99,560	- 12.37	79.29	5,919	- 14.82	95.00
1932	135,811	- 21.79	54,477	- 21.64	99.31	3,439	- 21.78	99.95	81,038	- 18.60	85.36	4,595	- 22.37	102.66
1933	145,335	+ 7.01	58,934	+ 8.18	116.69	3,650	+ 6.15	87.73	83,239	+ 2.72	38.80	4,571	- .51	Inverse
1934	154,045	+ 5.99	62,367	+ 5.83	97.16	3,860	+ 5.74	95.83	87,932	+ 5.64	94.16	4,815	+ 5.34	89.15
1935	157,753	+ 2.41	65,152	+ 4.47	185.48	3,885	+ .64	26.56	88,642	+ .81	33.61	4,781	- .71	Inverse
1936	185,310	+ 17.47	78,314	+ 20.20	115.63	4,468	+ 15.01	85.92	100,591	+ 13.44	76.93	5,453	+ 14.06	80.48
1937	192,610	+ 3.94	81,846	+ 4.51	114.47	4,650	+ 4.07	103.30	103,135	+ 2.59	65.74	5,716	+ 4.81	122.08
1938	167,661	- 12.95	68,341	- 16.50	127.41	4,127	- 11.26	86.95	90,339	- 12.42	95.91	5,025	- 12.09	93.36
1939	186,178	+ 11.04	77,660	+ 13.64	123.55	4,511	+ 9.33	84.51	96,384	+ 6.69	60.60	5,421	+ 7.88	71.38
1940	206,287	+ 10.80	87,884	+ 13.17	121.94	4,939	+ 9.48	87.78	102,804	+ 6.66	61.67	5,926	+ 9.32	86.30
Median	-	-	-	-	115.63	-	-	87.78	-	-	76.93	-	-	89.13
							Western District							
1929	451,779	-	160,738	-	-	12,111	-	-	260,667	-	-	16,958	-	-
1930	402,372	- 10.94	139,130	- 13.44	122.85	10,626	- 10.59	96.80	230,625	- 11.53	105.39	14,685	- 13.40	122.49
1931	332,243	- 17.43	111,044	- 20.19	115.83	9,030	- 16.60	95.24	197,698	- 14.28	81.93	11,949	- 18.63	106.88
1932	258,705	- 22.13	80,923	- 27.13	122.59	7,106	- 21.28	96.16	171,065	- 13.47	60.87	9,463	- 20.81	94.04
1933	266,161	+ 2.88	85,727	+ 5.94	206.25	7,202	+ 1.32	45.83	170,366	- .41	Inverse	9,319	- 1.52	Inverse
1934	298,303	+ 12.08	94,063	+ 9.75	80.71	8,111	+ 12.61	104.39	186,730	+ 9.63	79.72	10,195	+ 9.41	77.90
1935	312,390	+ 4.72	100,256	+ 6.56	138.98	8,315	+ 2.52	53.39	192,804	+ 3.23	68.43	10,480	+ 2.79	59.11
1936	368,498	+ 17.96	122,730	+ 22.42	124.83	9,589	+ 15.33	85.36	219,061	+ 13.62	75.84	12,234	+ 16.74	93.21
1937	392,953	+ 6.64	133,157	+ 8.50	128.01	10,152	+ 5.87	88.40	228,372	+ 4.25	64.01	13,088	+ 6.98	105.12
1938	338,162	- 13.94	110,710	- 16.86	120.95	8,760	- 13.71	98.35	195,075	- 14.58	104.59	11,092	- 15.25	109.40
1939	366,707	+ 8.44	121,868	+ 10.08	119.43	9,383	+ 7.11	84.24	202,998	+ 4.06	48.10	11,809	+ 6.46	76.54
1940	397,917	+ 8.51	134,643	+ 10.48	123.15	10,134	+ 8.00	94.01	212,829	+ 4.84	56.87	12,546	+ 6.24	73.33
Median	-	-	-	-	122.85	-	-	94.01	-	-	68.43	-	-	93.21

- Decrease.
+ Increase,
Source: Gross ton-miles--Cars, contents, and cabooses from ICC Statement M-211, item 6-05. Revenue net ton-miles from ICC Statistics of Railways in the United States, Table 44. Car-miles--Loaded, empty, and caboose from ICC Statement M-211, item 4-09, plus item 4-10. Train miles from ICC Statement M-211, item 2-03. Yard switching locomotive hours for years 1929-1939 from Statistics of Railways in the United States, Table 158 (locomotive-miles ÷ 6). For the year 1940 from ICC Statement M-215, item 1-06. Switching and terminal companies excluded from total on basis of data appearing in working papers of Bureau of Statistics.

APPENDIX D

Table 2.—Percent by Which Selected Freight Service Expenses Vary with Changes in Gross Ton-miles for Class I Railways for the United States and Districts - Years 1935-1939

Year	Gross ton-miles-Cars, contents, and cabooses		Transportation - Rail line: Account 371 - Superintendence			Account 372 - Dispatching trains			Account 373 - Station employees			Accounts 377-387 and 389 - Yard expenses excluding enginehouse expenses			Accounts 392-399, 401 and 402 - Train service expenses excluding enginehouse expenses		
	Number	Percent change over preceding year	Adjusted expense	Percent change over preceding year	Percent variable	Adjusted expense	Percent change over preceding year	Percent variable	Adjusted expense	Percent change over preceding year	Percent variable 1/	Adjusted expense	Percent change over preceding year	Percent variable	Adjusted expense	Percent change over preceding year	Percent variable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
	(millions)		(thous.)			(thous.)			(thous.)			(thous.)			(thous.)		
									UNITED STATES								
1935	767,517	-	$30,215	-	-	$10,936	-	-	$132,459	-	-	$214,581	-	-	$376,858	-	-
1936	896,762	+ 16.84	31,828	+ 5.34	31.71	15,186	+ 38.86	230.76	145,268	+ 9.67	57.42	247,155	+ 15.18	90.14	436,995	+ 15.96	94.77
1937	946,156	+ 5.51	33,347	+ 4.78	86.75	16,199	+ 6.67	121.05	153,424	+ 5.61	101.81	261,250	+ 5.70	103.45	455,307	+ 4.19	76.04
1938	794,421	- 16.04	29,965	- 11.02	68.70	15,035	- 7.19	44.83	136,740	- 10.87	67.77	215,953	- 17.34	108.10	377,189	- 17.16	106.98
1939	889,679	+ 11.99	29,970	+ .02	.17	15,430	+ 2.63	21.93	139,600	+ 2.09	17.43	236,118	+ 9.34	77.90	408,764	+ 8.37	69.81
Median	-	-	-	-	50.21	-	-	82.94	-	-	62.60	-	-	96.80	-	-	85.41
									EASTERN DISTRICT								
1935	297,374	-	15,029	-	-	4,882	-	-	57,225	-	-	107,016	-	-	147,878	-	-
1936	342,954	+ 15.33	15,610	+ 3.87	25.24	6,890	+ 41.14	268.36	61,418	+ 7.33	47.81	123,846	+ 15.73	102.61	171,124	+ 15.72	102.54
1937	360,953	+ 5.14	16,339	+ 4.67	90.86	7,226	+ 4.87	94.75	65,413	+ 6.50	126.46	129,692	+ 4.72	91.83	174,234	+ 1.82	35.41
1938	288,599	- 19.97	14,300	- 13.33	66.75	6,600	- 8.66	43.37	56,082	- 14.26	71.41	101,736	- 21.56	107.96	138,216	- 20.67	103.51
1939	336,795	+ 16.70	14,232	- .48	Inv. 2.87	6,815	+ 3.26	19.52	58,047	+ 3.50	20.96	115,070	+ 13.11	78.50	156,356	+ 13.12	78.56
Median	-	-	-	-	46.00	-	-	69.06	-	-	59.61	-	-	97.22	-	-	90.55
									SOUTHERN DISTRICT								
1935	157,753	-	5,693	-	-	2,562	-	-	23,559	-	-	35,096	-	-	67,698	-	-
1936	185,310	+ 17.47	5,986	+ 5.[illegible]	29.36	3,411	+ 33.13	189.64	25,912	+ 9.99	57.18	39,346	+ 12.11	69.32	78,087	+ 15.35	87.86
1937	192,610	+ 3.94	6,108	+ 2.05	52.03	3,579	+ 4.93	125.13	27,319	+ 5.43	137.82	41,370	+ 5.14	130.46	81,119	+ 3.88	98.48
1938	167,661	- 12.95	5,652	- 7.38	64.71	3,439	- 3.93	30.35	24,801	- 9.21	71.12	36,473	- 11.84	91.43	70,025	- 13.68	105.64
1939	186,178	+ 11.04	5,701	+ .88	7.97	3,490	+ 1.50	13.59	25,075	+ 1.10	9.96	39,257	+ 7.63	69.11	75,223	+ 7.42	67.21
Median	-	-	-	-	40.70	-	-	77.74	-	-	64.15	-	-	80.38	-	-	93.17
									WESTERN DISTRICT								
1935	312,390	-	9,493	-	-	3,492	-	-	51,676	-	-	72,470	-	-	161,282	-	-
1936	368,498	+ 17.96	10,232	+ 7.78	43.32	4,885	+ 39.90	222.16	57,938	+ 12.12	67.48	83,962	+ 15.86	88.31	187,783	+ 16.43	91.48
1937	392,953	+ 6.64	10,899	+ 6.52	98.19	5,394	+ 10.42	156.93	60,692	+ 4.75	71.54	90,158	+ 7.41	111.60	199,954	+ 6.48	97.59
1938	338,162	- 13.94	10,013	- 9.03	64.78	4,997	- 7.37	52.87	55,857	- 7.97	57.17	77,744	- 13.80	99.00	168,948	- 15.51	111.26
1939	366,707	+ 8.44	10,037	+ .24	2.84	5,125	+ 2.57	30.45	56,479	+ 1.11	13.15	81,791	+ 5.21	61.73	177,185	+ 4.88	57.82
Median	-	-	-	-	54.05	-	-	104.90	-	-	62.33	-	-	93.66	-	-	94.54

(Continued)

- Decrease + Increase

See page 121 for footnotes.

5907

5261

APPENDIX D

Table 2.—Percent by Which Selected Freight Service Expenses Vary with Changes in Gross Ton-miles for Class I Railways for the United States and Districts - Years 1935-1939 - Continued

—	Transportation - Rail line - Continued						Accounts 351-359 - Traffic expenses			Accounts 451-462, excluding 457 - General expenses, excluding pensions		
	Accounts 388 and 400 - Enginehouse expenses, yard and train			Accounts 371-420 - Total transportation								
Year	Adjusted expenses	Percent change over preceding year	Percent variable	Adjusted expenses 2/	Percent change over preceding year	Percent variable	Adjusted expenses 3/	Percent change over preceding year	Percent variable	Adjusted expenses 4/	Percent change over preceding year	Percent variable
(1)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
	(thous.)			(thous.)			(thous.)			(thous.)		
UNITED STATES												
1935	$40,580	-	-	$917,646	-	-	$62,750	-	-	$89,581	-	-
1936	44,510	+ 9.68	57.48	1,047,174	+ 14.12	83.85	65,596	+ 4.54	26.96	93,574	+ 4.46	26.48
1937	48,416	+ 8.78	159.35	1,102,975	+ 5.33	96.73	68,017	+ 3.69	66.97	98,093	+ 4.33	87.66
1938	42,985	- 11.22	69.95	936,763	- 15.07	93.95	65,199	- 4.09	25.50	90,536	- 7.66	47.76
1939	44,357	+ 3.19	26.61	995,457	+ 6.59	54.96	66,255	+ 1.62	13.51	91,353	+ .90	7.51
Median	-	-	63.72	-	-	83.90	-	-	26.23	-	-	37.12
EASTERN DISTRICT												
1935	18,224	-	-	413,139	-	-	25,067	-	-	36,472	-	-
1936	19,972	+ 9.59	62.56	469,939	+ 13.75	89.69	25,682	+ 2.45	15.98	37,856	+ 3.80	24.79
1937	21,534	+ 7.82	152.14	489,559	+ 4.20	81.71	26,539	+ 3.34	64.98	39,271	+ 3.74	72.76
1938	18,541	- 13.90	69.60	400,587	- 18.19	91.09	25,225	- 4.89	24.49	35,946	- 8.42	42.16
1939	19,588	+ 5.65	33.33	440,410	+ 9.94	59.52	25,393	+ .66	3.95	35,930	- .05	Inv. .30
Median	-	-	66.03	-	-	35.[illegible]	-	-	20.84	-	-	33.48
SOUTHERN DISTRICT												
1935	7,629	-	-	156,513	-	-	13,375	-	-	17,476	-	-
1936	8,258	+ 8.25	47.22	176,259	+ 12.61	72.18	14,193	+ 6.11	34.97	18,336	+ 4.92	28.16
1937	8,935	+ 8.19	207.57	185,298	+ 5.07	127.71	14,586	+ 2.77	70.30	19,514	+ 6.43	163.20
1938	8,317	- 6.92	53.44	164,316	- 11.32	37.41	14,040	- 3.70	28.57	18,105	- 7.17	55.37
1939	8,412	+ 1.14	10.33	173,007	+ 5.29	47.92	14,407	+ 2.62	23.73	18,397	+ 1.61	14.58
Median	-	-	50.33	-	-	79.80	-	-	31.77	-	-	41.77
WESTERN DISTRICT												
1935	14,727	-	-	347,939	-	-	24,309	-	-	35,633	-	-
1936	16,280	+ 10.54	58.69	400,977	+ 15.23	34.80	25,722	+ 5.81	32.35	37,382	+ 4.91	27.34
1937	17,947	+ 10.24	154.22	428,018	+ 6.74	101.51	26,893	+ 4.55	68.52	39,309	+ 5.16	77.71
1938	16,128	- 10.14	72.74	371,365	- 13.12	94.12	25,934	- 3.51	25.18	36,434	- 7.13	51.15
1939	16,357	+ 1.14	13.51	385,040	+ 3.54	41.94	26,455	+ 2.01	23.82	37,027	+ 1.49	17.65
Median	-	-	65.72	-	-	39.46	-	-	28.77	-	-	39.25

- Decrease + Increase

See page 121 for footnotes.

5908

Footnotes for Table 2, Appendix D

1/ Because of the wide variation shown in the percent variable for station employees and in view of the significance of this account, the study was continued to reflect the experience of 1940 from data appearing in each Class I carrier's annual report. The percent variable for the United States was found to be 22.61% and the 1935-1940 median 57.42%.

2/ The adjustments for wage changes were made to the following accounts, based on the indices shown in Table 3: Accounts 371, 372, 373, 377, 378, 379, 380, 381, 388 (hostlers and hostler helpers), 392, 393, 400 (hostlers and hostler helpers), and 401. The adjustments for fuel price changes were made to the following accounts, based on the indices appearing in Table 3: Accounts 382, 383, 384, 394, 395, and 396. For lack of information no adjustment was made on the remaining accounts.

3/ The traffic expenses were adjusted by computing the ratio of the adjusted general expenses, excluding pensions, for each year to the unadjusted general expenses, excluding pensions. The unadjusted traffic expenses for each year were then multiplied by the ratio so developed. The ratios computed for the years 1935-1939 were, respectively, 100.95, 100.00, 97.97, 95.28, 95.32.

4/ The adjustments for wage changes were made to accounts 451 and 452, based on the indices shown in Table 3. No other adjustments were made. Pensions were excluded because of the distortion in the expenses occasioned by the revision of the pension program during the period of study.

Source: Gross ton-miles--Cars, contents and cabooses are from Freight Train Performance of Class I Steam Railways in the United States, Statement M-211. Adjusted expenses are based on those assigned and apportioned to freight service as shown in Operating Revenues and Operating Expenses by Class of Service, Class I Steam Railways in the United States for the years 1935 and 1936, and as shown in the Preliminary Abstract of Railway Statistics for the years 1937-1939, inclusive, and on the wage scale and fuel price adjustments indicated by Table 3.

Table 3. Indices Used in Adjusting Expenses for Changes in Wage Rates and Fuel Prices, Class I Steam Railways, 1935-1939
(1936 = 100)

Account No.	Employee group	1935	1936	1937	1938	1939
371	Superintendence 1/	98.75	100.0	102.49	105.97	105.97
372	Dispatching trains	98.75	100.0	100.0	100.0	100.0
373	Station employees 2/	98.75	100.0	103.39	108.14	108.14
377	Yardmasters and yard clerks 3/	98.75	100.0	102.36	106.25	106.25
378	Yard conductors and brakemen .	98.75	100.0	101.62	106.48	106.48
379	Yard switching signal tenders.	98.75	100.0	102.14	108.55	108.55
380-381	Yard enginemen and motormen ..	98.75	100.0	101.64	106.57	106.57
382-383, 384	Yard switching fuel:					
	Eastern District	99.67	100.0	103.10	109.14	108.40
	Southern District	99.43	100.0	105.87	110.23	109.37
	Western District	97.47	100.0	107.46	106.36	100.57
392,393	Train enginemen and motormen .	98.75	100.0	101.49	105.97	105.97
394,395, 396	Train fuel	See yard switching fuel				
401	Trainmen	98.75	100.0	~~101.68~~ 101.86	~~106.74~~ 107.43	~~106.74~~ 107.43
388,400	Enginehouse expenses, yard and train (hostlers and hostler helpers) 4/	98.75	100.0	101.94	107.74	107.74
451	Salaries and expenses of general officers 5/	98.75	100.0	102.23	105.35	105.35
452	Salaries and expenses of clerks and attendants 6/ ...	98.75	100.0	102.91	106.98	106.98

1/ Index based on divisions 1-26, incl., reported in Wage Statistics of class I Steam Railways, Statement No. M-300.

2/ Index based in divisions 78-82, incl., 84-92, incl., and 94.

3/ Separate indices were computed for yardmasters and assistants and yard clerks. A weighted average was taken in computing the combined index for both. Index for yardmasters based on divisions 105 and 106. Index for assistants and yard clerks based on divisions ~~3, 5-26~~ 4-26, incl.

4/ Index based on divisions 108-110.

5/ Index based on division 1.

6/ Index based on divisions 4-26, incl.

APPENDIX E

Definitions of the Switching Terms Used in the Study 1/

1. Carrier terminal switching is a primary class of transportation switching service which includes all the elements of switching performed at origin and destination terminals by the initial and final line-haul carriers.

2. Connection terminal switching is a primary class of transportation switching service which includes all the elements of switching performed at origin and destination terminals by carriers, which as to the particular traffic (1) do not provide line-haul service, and (2) do not provide intermediate switching service.

3. Interchange switching is a primary class of transportation switching service which includes all the elements of switching performed in taking cars from the road train of one line-haul carrier and placing them in the road train of another line-haul carrier in the same terminal district except that it excludes intermediate switching, if any. 2/

4. Intermediate switching is a primary class of transportation switching service which includes all the elements of switching performed by a carrier which neither originates nor terminates the shipment nor performs a line haul on that shipment, the extent of the carrier's participation in the movement being only that of a connection between two other carriers.

5. Interterminal switching is a primary class of transportation switching service performed in handling a car from a track served by a carrier to a track served by another carrier when both tracks are within the switching limits of the same station or industrial switching district.

6. Intertrain switching is a primary class of transportation switching service which includes all the elements of switching performed in taking a car out of a train and placing it in another train of the same carrier at the same station or terminal.

1/ From Sioux City Terminal Railway Switching, 241 I.C.C. 53, 90.

2/ For the purpose of this study, a separate count is given to the cars handled by each carrier participating in the interchange switching service.

7. Intraterminal switching is a primary class of transportation switching service performed in handling a car from a track served by a carrier to another track served by the same carrier when both tracks are within the switching limits of the same station or industrial switching district.

8. Intratrain switching is a primary class of transportation switching service which includes all the elements of switching performed in taking a car out of a train and replacing it either in the same or another position in that train.

EXHIBIT 3

INTERSTATE COMMERCE COMMISSION
BUREAU OF STATISTICS

RAILROAD FREIGHT SERVICE COSTS IN THE VARIOUS RATE TERRITORIES

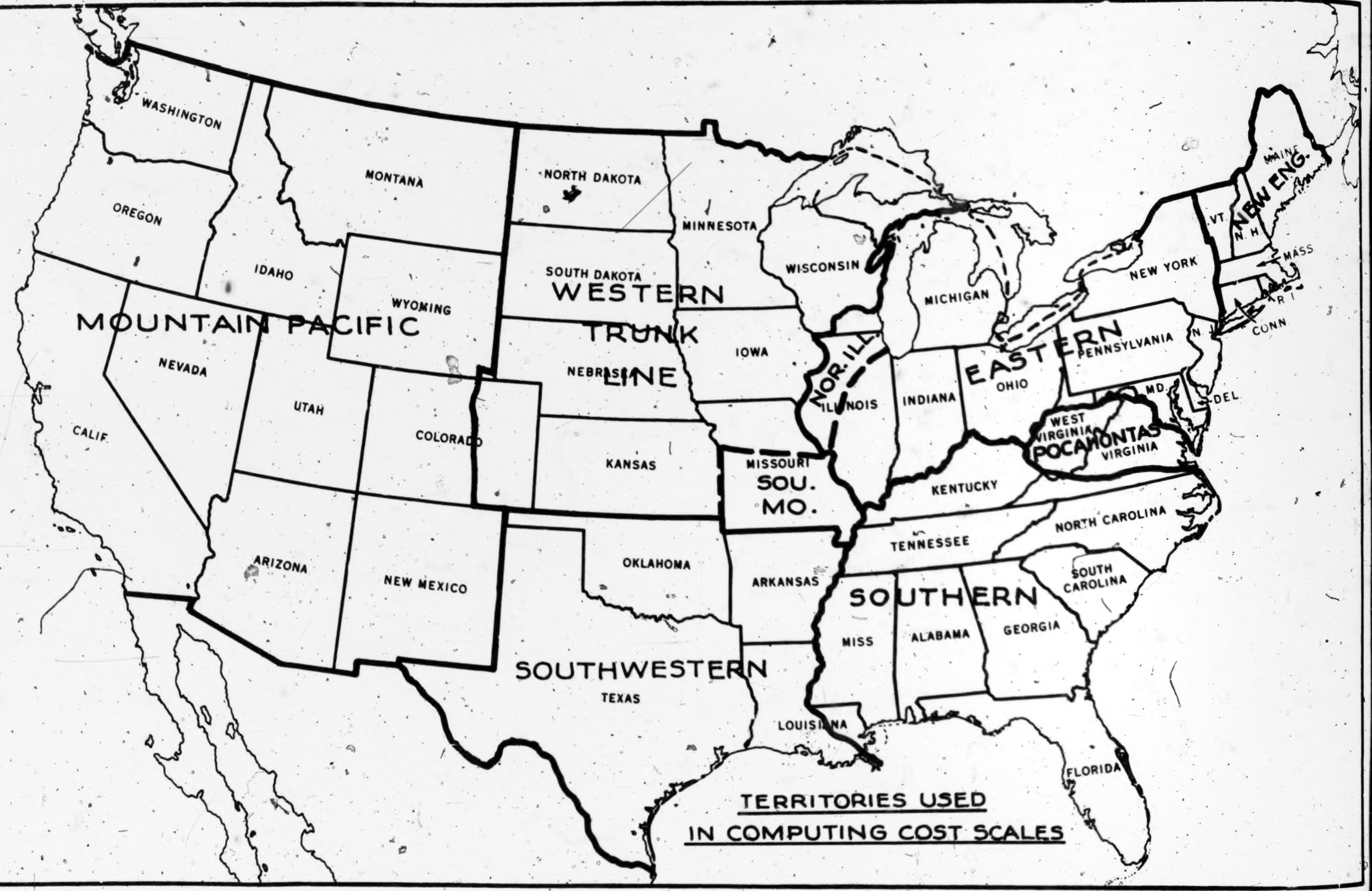
1939

COST SCALES BY TERRITORIES AND CLASSES OF EQUIPMENT

PREPARED UNDER THE DIRECTION OF
FORD K. EDWARDS,
PRINCIPAL ECONOMIST IN CHARGE OF COST SECTION

WASHINGTON, D.C., MAY, 1941

5268


WASHINGTON
OREGON
CALIF.
IDAHO
NEVADA
MONTANA
WYOMING
UTAH
ARIZONA
COLORADO
NEW MEXICO
MOUNTAIN PACIFIC
NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
MINNESOTA
IOWA
WESTERN TRUNK LINE
WISCONSIN
MICHIGAN
ILLINOIS
NOR. ILL.
MISSOURI
SOU. MO.
INDIANA
OHIO
EASTERN
PENNSYLVANIA
NEW YORK
VT.
N. H.
MAINE
NEW ENG.
MASS
R. I.
CONN
N. J.
DEL
MD.
WEST VIRGINIA
VIRGINIA
POCAHONTAS
KENTUCKY
TENNESSEE
NORTH CAROLINA
SOUTH CAROLINA
GEORGIA
ALABAMA
MISS
SOUTHERN
FLORIDA
OKLAHOMA
ARKANSAS
TEXAS
LOUISIANA
SOUTHWESTERN

TERRITORIES USED
IN COMPUTING COST SCALES

TABLE OF CONTENTS [1]

Table Page

Cost Scales for Territory 1, New England

1. Carload Commodities Moving in Box Cars 1-2
2. Carload Commodities Moving in Flat Cars 3-4
3. Carload Commodities Moving in Gondola and Hopper Cars 5-6
4. Carload Commodities Moving in Tank Cars 7-8
5. Carload Commodities Moving in Stock Cars 9
6. Carload Commodities Moving in Refrigerator Cars 10
7. Less-carload Traffic 11

Cost Scales for Territory 2, Eastern, Excluding New England and Northern Illinois

8. Carload Commodities Moving in Box Cars 13-14
9. Carload Commodities Moving in Flat Cars 15-16
10. Carload Commodities Moving in Gondola and Hopper Cars 17-18
11. Carload Commodities Moving in Tank Cars 19-20
12. Carload Commodities Moving in Stock Cars 21
13. Carload Commodities Moving in Refrigerator Cars 22
14. Less-carload Traffic 23

Cost Scales for Territory 3, Eastern, Excluding New England but Including Northern Illinois

15. Carload Commodities Moving in Box Cars 25-26
16. Carload Commodities Moving in Flat Cars 27-28
17. Carload Commodities Moving in Gondola and Hopper Cars 29-30
18. Carload Commodities Moving in Tank Cars 31-32
19. Carload Commodities Moving in Stock Cars 33
20. Carload Commodities Moving in Refrigerator Cars 34
21. Less-carload Traffic 35

Cost Scales for Territory 4, Total Eastern, Including New England and Northern Illinois

22. Carload Commodities Moving in Box Cars 37-38
23. Carload Commodities Moving in Flat Cars 39-40
24. Carload Commodities Moving in Gondola and Hopper Cars 41-42
25. Carload Commodities Moving in Tank Cars 43-44
26. Carload Commodities Moving in Stock Cars 45
27. Carload Commodities Moving in Refrigerator Cars 46
28. Less-carload Traffic 47

Cost Scales for Territory 5, Pocahontas

29. Carload Commodities Moving in Box Cars 49-50
30. Carload Commodities Moving in Flat Cars 51-52
31. Carload Commodities Moving in Gondola and Hopper Cars 53-54
32. Carload Commodities Moving in Tank Cars 55-56
33. Carload Commodities Moving in Stock Cars 57
34. Carload Commodities Moving in Refrigerator Cars 58
35. Less-carload Traffic 59

Table Page

Cost Scales for Territory 6, Southern

36. Carload Commodities Moving in Box Cars 61-62
37. Carload Commodities Moving in Flat Cars 63-64
38. Carload Commodities Moving in Gondola and Hopper Cars 65-66
39. Carload Commodities Moving in Tank Cars 67-68
40. Carload Commodities Moving in Stock Cars 69
41. Carload Commodities Moving in Refrigerator Cars 70
42. Less-carload Traffic 71

Cost Scales for Territory 7, Southwestern, Including Southern Missouri

43. Carload Commodities Moving in Box Cars 73-74
44. Carload Commodities Moving in Flat Cars 75-76
45. Carload Commodities Moving in Gondola and Hopper Cars 77-78
46. Carload Commodities Moving in Tank Cars 79-80
47. Carload Commodities Moving in Stock Cars 81
48. Carload Commodities Moving in Refrigerator Cars 82
49. Less-carload Traffic 83

Cost Scales for Territory 8, Western Trunk Line, Excluding Northern Illinois and Southern Missouri

50. Carload Commodities Moving in Box Cars 85-86
51. Carload Commodities Moving in Flat Cars 87-88
52. Carload Commodities Moving in Gondola and Hopper Cars 89-90
53. Carload Commodities Moving in Tank Cars 91-92
54. Carload Commodities Moving in Stock Cars 93
55. Carload Commodities Moving in Refrigerator Cars 94
56. Less-carload Traffic 95

Cost Scales for Territory 9, Western Trunk Line, Including Northern Illinois but Excluding Southern Missouri

57. Carload Commodities Moving in Box Cars 97-98
58. Carload Commodities Moving in Flat Cars 99-100
59. Carload Commodities Moving in Gondola and Hopper Cars 101-102
60. Carload Commodities Moving in Tank Cars 103-104
61. Carload Commodities Moving in Stock Cars 105
62. Carload Commodities Moving in Refrigerator Cars 106
63. Less-carload Traffic 107

Cost Scales for Territory 10, Mountain Pacific

64. Carload Commodities Moving in Box Cars 109-110
65. Carload Commodities Moving in Flat Cars 111-112
66. Carload Commodities Moving in Gondola and Hopper Cars 113-114
67. Carload Commodities Moving in Tank Cars 115-116
68. Carload Commodities Moving in Stock Cars 117
69. Carload Commodities Moving in Refrigerator Cars 118
70. Less-carload Traffic 119

Table Page

Cost Scales for Territory 11, Total Western, Including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

71. Carload Commodities Moving in Box Cars 121-122
72. Carload Commodities Moving in Flat Cars 123-124
73. Carload Commodities Moving in Gondola and Hopper Cars 125-126
74. Carload Commodities Moving in Tank Cars 127-128
75. Carload Commodities Moving in Stock Cars 129
76. Carload Commodities Moving in Refrigerator Cars 130
77. Less-carload Traffic 131

Cost Scales for Territory 12, Total United States

78. Carload Commodities Moving in Box Cars 133-134
79. Carload Commodities Moving in Flat Cars 135-136
80. Carload Commodities Moving in Gondola and Hopper Cars 137-138
81. Carload Commodities Moving in Tank Cars 139-140
82. Carload Commodities Moving in Stock Cars 141
83. Carload Commodities Moving in Refrigerator Cars 142
84. Less-carload Traffic 143

Miscellaneous

85. Statement of Loss and Damage Payments by Commodity Groups for 1939 145
86. Statement of Territorial Average Tare Weights and Ratios of Empty to Loaded Car-miles by Classes of Equipment for 1939 146
87. Territorial Summary of Aggregate Costs, Aggregate Units, Unit Costs, and the Computation of the Territorial Allowances for Less-carload Deficit, Passenger Deficit, and Return on the Value of the Property 147-151
88. Statement Showing the Procedure Used in the Assembly of Carload Unit Costs for the Purpose of Computing the Carload Cost Scales 152
89. Statement Showing the Procedure Used in the Assembly of Less-carload Unit Costs for the Purpose of Computing the Less-carload Cost Scales 153
90. Average Load per Car by Commodities and by Districts and Regions 154
Map Showing the Territories for Which Costs Were Developed .... Frontispiece

---

[1] See Text, Chapter II, for Description of Territories.

Territory No. 1 - New England

BOX CARS

TABLE 1.—TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
10	21.0	17.5	15.0	13.1	11.7	10.5	9.6	8.8	8.1	7.6	7.1	6.6	6.2	5.9	5.6	5.3	5.1	4.8	4.6	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	10
20	22.1	18.4	15.8	13.9	12.4	11.1	10.2	9.3	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	20
30	23.2	19.4	16.7	14.6	13.0	11.8	10.7	9.9	9.1	8.5	7.9	7.5	7.1	6.7	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	30
40	24.3	20.3	17.5	15.4	13.7	12.4	11.3	10.4	9.6	9.0	8.4	7.9	7.5	7.1	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.9	4.7	4.5	4.4	4.3	4.2	4.0	3.9	40
50	25.4	21.3	18.3	16.1	14.4	13.0	11.9	10.9	10.1	9.4	8.8	8.3	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.4	4.3	4.2	50
60	26.5	22.2	19.1	16.8	15.0	13.6	12.4	11.4	10.6	9.9	9.3	8.7	8.3	7.8	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	4.5	60
70	27.7	23.2	20.0	17.6	15.7	14.2	13.0	12.0	11.1	10.4	9.7	9.2	8.7	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.6	5.4	5.2	5.1	5.0	4.8	4.7	70
80	28.8	24.1	20.8	18.3	16.4	14.8	13.5	12.5	11.6	10.8	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	5.1	5.0	80
90	29.9	25.1	21.6	19.0	17.0	15.4	14.1	13.0	12.1	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.9	7.5	7.3	7.0	6.8	6.5	6.3	6.1	6.0	5.8	5.6	5.5	5.4	5.2	90
100	31.0	26.0	22.4	19.8	17.7	16.0	14.7	13.5	12.6	11.8	11.1	10.4	9.9	9.4	9.0	8.6	8.2	7.9	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.1	5.9	5.8	5.6	5.5	100
120	33.2	27.9	24.1	21.2	19.0	17.3	15.8	14.6	13.6	12.7	11.9	11.3	10.7	10.2	9.7	9.3	8.9	8.6	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	6.0	120
140	35.4	29.8	25.8	22.7	20.4	18.5	16.9	15.7	14.6	13.6	12.8	12.1	11.5	10.9	10.4	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	6.7	6.5	140
160	37.7	31.7	27.4	24.2	21.7	19.7	18.1	16.7	15.6	14.6	13.7	13.0	12.3	11.7	11.2	10.7	10.3	9.9	9.5	9.2	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.3	7.2	7.0	160
180	39.9	33.6	29.1	25.7	23.0	20.9	19.2	17.8	16.5	15.5	14.6	13.8	13.1	12.5	11.9	11.4	11.0	10.6	10.2	9.9	9.5	9.2	9.0	8.7	8.5	8.3	8.1	7.9	7.7	7.5	180
200	42.1	35.5	30.7	27.1	24.4	22.1	20.3	18.8	17.5	16.4	15.5	14.7	13.9	13.3	12.7	12.2	11.7	11.2	10.8	10.5	10.2	9.8	9.6	9.3	9.1	8.8	8.6	8.4	8.2	8.0	200
220	44.4	37.4	32.4	28.6	25.7	23.4	21.5	19.9	18.5	17.4	16.4	15.5	14.7	14.0	13.4	12.9	12.4	11.9	11.5	11.1	10.8	10.4	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.6	220
240	46.6	39.3	34.0	30.1	27.0	24.6	22.6	20.9	19.5	18.3	17.3	16.3	15.5	14.8	14.2	13.6	13.1	12.6	12.2	11.8	11.4	11.1	10.7	10.4	10.2	9.9	9.7	9.5	9.3	9.1	240
260	48.8	41.1	35.7	31.6	28.4	25.8	23.7	22.0	20.5	19.2	18.1	17.2	16.3	15.6	14.9	14.3	13.8	13.3	12.8	12.4	12.0	11.7	11.3	11.0	10.7	10.5	10.2	10.0	9.8	9.6	260
280	51.0	43.0	37.3	33.0	29.7	27.0	24.9	23.0	21.5	20.1	19.0	18.0	17.1	16.4	15.7	15.0	14.5	13.9	13.5	13.0	12.6	12.3	11.9	11.6	11.3	11.0	10.8	10.5	10.3	10.1	280
300	53.3	44.9	39.0	34.5	31.0	28.3	26.0	24.1	22.5	21.1	19.9	18.9	18.0	17.1	16.4	15.7	15.2	14.6	14.1	13.7	13.2	12.9	12.5	12.2	11.9	11.6	11.3	11.1	10.8	10.6	300
320	55.5	46.8	40.6	36.0	32.4	29.5	27.1	25.1	23.5	22.0	20.8	19.7	18.8	17.9	17.2	16.5	15.8	15.3	14.8	14.3	13.9	13.5	13.1	12.7	12.4	12.1	11.8	11.6	11.3	11.1	320
340	57.7	48.7	42.3	37.5	33.7	30.7	28.2	26.2	24.5	23.0	21.7	20.6	19.6	18.7	17.9	17.2	16.5	16.0	15.4	14.9	14.5	14.1	13.7	13.3	13.0	12.7	12.4	12.1	11.9	11.6	340
360	60.0	50.6	43.9	38.9	35.0	31.9	29.4	27.2	25.5	23.9	22.6	21.4	20.4	19.4	18.6	17.9	17.2	16.6	16.1	15.6	15.1	14.7	14.3	13.9	13.6	13.2	12.9	12.6	12.4	12.1	360
380	62.2	52.5	45.6	40.4	36.4	33.1	30.5	28.3	26.4	24.8	23.5	22.3	21.2	20.2	19.4	18.6	17.9	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	13.2	12.9	12.6	380
400	64.4	54.4	47.2	41.9	37.7	34.4	31.6	29.4	27.4	25.8	24.3	23.1	22.0	21.0	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.9	15.4	15.0	14.7	14.3	14.0	13.7	13.4	13.2	400
420	66.6	56.3	48.9	43.3	39.0	35.6	32.8	30.4	28.4	26.7	25.2	23.9	22.8	21.8	20.9	20.1	19.3	18.6	18.0	17.5	17.0	16.5	16.0	15.6	15.2	14.9	14.6	14.2	13.9	13.7	420
440	68.9	58.2	50.5	44.8	40.4	36.8	33.9	31.5	29.4	27.6	26.1	24.8	23.6	22.6	21.6	20.8	20.0	19.3	18.7	18.1	17.6	17.1	16.6	16.2	15.8	15.4	15.1	14.8	14.5	14.2	440
460	71.1	60.1	52.2	46.3	41.7	38.0	35.0	32.5	30.4	28.6	27.0	25.6	24.4	23.3	22.4	21.5	20.7	20.0	19.3	18.7	18.2	17.7	17.2	16.8	16.4	16.0	15.6	15.3	15.0	14.7	460
480	73.3	62.0	53.8	47.8	43.0	39.3	36.2	33.6	31.4	29.5	27.9	26.5	25.2	24.1	23.1	22.2	21.4	20.7	20.0	19.4	18.8	18.3	17.8	17.4	16.9	16.5	16.2	15.8	15.5	15.2	480
500	75.5	63.9	55.5	49.2	44.4	40.5	37.3	34.6	32.4	30.5	28.8	27.3	26.0	24.9	23.9	22.9	22.1	21.3	20.6	20.0	19.4	18.9	18.4	17.9	17.5	17.1	16.7	16.4	16.0	15.7	500
600	86.7	73.3	63.8	56.6	51.0	46.6	42.9	39.9	37.3	35.1	33.2	31.5	30.1	28.8	27.6	26.5	25.6	24.7	23.9	23.2	22.5	21.9	21.3	20.8	20.3	19.8	19.4	19.0	18.6	18.3	600
700	97.8	82.8	72.0	64.0	57.7	52.7	48.6	45.2	42.3	39.8	37.6	35.8	34.1	32.6	31.3	30.1	29.1	28.1	27.2	26.4	25.6	24.9	24.3	23.7	23.1	22.6	22.1	21.7	21.2	20.8	700
800	109.0	92.2	80.3	71.3	64.4	58.8	54.2	50.4	47.2	44.5	42.1	40.0	38.1	36.5	35.0	33.7	32.5	32.4	30.4	29.5	28.7	27.9	27.2	26.6	25.9	25.4	24.8	24.3	23.8	23.4	800
900	120.1	101.7	88.6	78.7	71.0	64.9	60.0	55.7	52.2	49.1	46.5	44.2	42.2	40.4	38.8	37.3	36.0	34.8	33.7	32.7	31.8	30.9	30.2	29.4	28.7	28.1	27.5	27.0	26.4	26.0	900
Term. 2/	19.854	16.545	14.181	12.409	11.030	9.927	9.025	8.273	7.636	7.091	6.618	6.204	5.839	5.515	5.225	4.964	4.727	4.512	4.316	4.136	3.971	3.818	3.677	3.545	3.423	3.309	3.202	3.102	3.008	2.920	Term. 2/
L. H. 3/	.111380	.094617	.082643	.073663	.066678	.061090	.056518	.052708	.049485	.046721	.044327	.042231	.040382	.038739	.037268	.035945	.034748	.033659	.032665	.031754	.030916	.030142	.029426	.028761	.028141	.027563	.027023	.026516	.026039	.025591	L. H. 3/

1/ Based on a tare weight of 21.1 tons and a ratio of empty car miles to loaded car miles of 0.284. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes; plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage paym per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter hav been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 1 (Concluded).—TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	10
20	3.3	3.3	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	20
30	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	30
40	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	40
50	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	50
60	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	60
70	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	70
80	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	80
90	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	90
100	5.4	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.4	100
120	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	4.0	3.9	3.9	3.8	3.8	120
140	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.2	140
160	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.5	4.5	160
180	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	180
200	7.9	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.3	200
220	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.8	5.7	5.7	220
240	8.9	8.7	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	240
260	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.6	6.5	6.5	6.4	260
280	9.9	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	6.8	6.8	280
300	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.3	7.2	7.1	300
320	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.7	7.6	7.5	320
340	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	8.0	7.9	340
360	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	8.5	8.4	8.3	8.3	360
380	12.4	12.2	12.0	11.7	11.5	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	380
400	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.5	11.3	11.1	11.0	10.9	10.7	10.6	10.5	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.2	9.1	9.0	400
420	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	11.1	11.0	10.9	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.5	9.4	420
440	13.9	13.7	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.9	11.7	11.6	11.4	11.3	11.2	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.8	440
460	14.4	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.7	12.5	12.3	12.2	12.0	11.9	11.7	11.6	11.5	11.3	11.2	11.1	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.1	460
480	14.9	14.6	14.4	14.1	13.9	13.7	13.5	13.3	13.1	12.9	12.8	12.6	12.4	12.3	12.1	12.0	11.9	11.7	11.6	11.5	11.4	11.3	11.2	11.1	11.0	10.9	10.8	10.7	10.6	10.5	480
500	15.4	15.1	14.9	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.0	12.9	12.7	12.6	12.4	12.3	12.1	12.0	11.9	11.8	11.7	11.6	11.4	11.3	11.2	11.1	11.1	11.0	10.9	500
600	17.9	17.6	17.3	17.0	16.8	16.5	16.3	16.0	15.8	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.8	13.6	13.5	13.4	13.3	13.2	13.1	12.9	12.8	12.7	600
700	20.5	20.1	19.8	19.4	19.1	18.8	18.6	18.3	18.1	17.8	17.6	17.4	17.2	17.0	16.8	16.6	16.4	16.2	16.1	15.9	15.8	15.6	15.5	15.3	15.2	15.1	15.0	14.8	14.7	14.6	700
800	23.0	22.6	22.2	21.8	21.5	21.2	20.9	20.6	20.3	20.0	19.8	19.5	19.3	19.1	18.9	18.7	18.5	18.3	18.1	17.9	17.8	17.6	17.4	17.3	17.1	17.0	16.9	16.7	16.6	16.5	800
900	25.5	25.1	24.6	24.2	23.9	23.5	23.2	22.9	22.6	22.3	22.0	21.7	21.5	21.2	21.0	20.8	20.5	20.3	20.1	19.9	19.8	19.6	19.4	19.2	19.1	18.9	18.8	18.6	18.5	18.3	900
Term. 2/	2.836	2.758	2.683	2.612	2.545	2.482	2.421	2.364	2.309	2.256	2.206	2.158	2.112	2.068	2.026	1.985	1.946	1.909	1.873	1.838	1.805	1.773	1.742	1.712	1.683	1.655	1.627	1.601	1.576	1.551	Term. 2/
L. H. 3/	.025169	.024769	.024392	.024034	.023695	.023373	.023066	.022774	.022495	.022230	.021976	.021733	.021500	.021277	.021063	.020858	.020661	.020471	.020289	.020113	.019944	.019780	.019623	.019471	.019324	.019182	.019044	.018911	.018783	.018658	L. H. 3/

1/ Based on a tare weight of 21.1 tons and a ratio of empty car miles to loaded car miles of 0.284. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5272

TABLE 2.-- TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	21.3	17.8	15.5	13.4	11.9	10.7	9.8	9.0	8.3	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.4	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	10
20	22.8	19.0	16.4	14.3	12.8	11.5	10.5	9.6	8.9	8.3	7.7	7.3	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.6	4.4	4.2	4.1	4.0	3.9	3.7	3.6	3.5	20
30	24.3	20.3	17.4	15.3	13.6	12.3	11.2	10.3	9.5	8.9	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.8	30
40	25.8	21.5	18.5	16.3	14.5	13.1	11.9	11.0	10.2	9.5	8.9	8.3	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	4.2	40
50	27.2	22.8	19.6	17.2	15.4	13.9	12.7	11.7	10.8	10.1	9.4	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.5	50
60	28.7	24.0	20.7	18.2	16.2	14.7	13.4	12.3	11.4	10.7	10.0	9.4	8.9	8.4	8.0	7.7	7.3	7.0	6.7	6.5	6.3	6.0	5.8	5.7	5.5	5.3	5.2	5.0	4.9	4.8	60
70	30.2	25.3	21.8	19.2	17.1	15.5	14.1	13.0	12.1	11.3	10.6	10.0	9.4	8.9	8.5	8.1	7.8	7.4	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	5.1	70
80	31.7	26.5	22.9	20.1	18.0	16.3	14.9	13.7	12.7	11.9	11.1	10.5	9.9	9.4	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	80
90	33.1	27.8	23.9	21.1	18.8	17.1	15.6	14.4	13.3	12.5	11.7	11.0	10.4	9.9	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.2	6.0	5.8	5.7	90
100	34.6	29.0	25.0	22.0	19.7	17.8	16.3	15.1	14.0	13.1	12.3	11.6	10.9	10.4	9.9	9.5	9.1	8.7	8.4	8.1	7.8	7.5	7.3	7.1	6.9	6.7	6.5	6.3	6.2	6.0	100
120	37.6	31.5	27.2	24.0	21.4	19.4	17.8	16.4	15.2	14.2	13.4	12.6	12.0	11.4	10.8	10.4	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.5	7.3	7.1	7.0	6.8	6.6	120
140	40.5	34.0	29.4	25.9	23.2	21.0	19.2	17.8	16.5	15.4	14.5	13.7	13.0	12.3	11.8	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.5	8.2	8.0	7.8	7.6	7.4	7.2	140
160	43.5	36.5	31.5	27.8	24.9	22.6	20.7	19.1	17.8	16.6	15.6	14.8	14.0	13.3	12.7	12.2	11.7	11.2	10.8	10.4	10.1	9.8	9.5	9.2	8.9	8.7	8.5	8.3	8.1	7.9	160
180	46.4	39.0	33.7	29.7	26.7	24.2	22.2	20.5	19.1	17.8	16.8	15.8	15.0	14.3	13.6	13.1	12.5	12.1	11.6	11.2	10.8	10.5	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.5	180
200	49.4	41.5	35.9	31.7	28.4	25.8	23.6	21.8	20.3	19.0	17.9	16.9	16.0	15.3	14.6	14.0	13.4	12.9	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.0	9.8	9.5	9.3	9.1	200
220	52.3	44.0	38.1	33.6	30.1	27.4	25.1	23.2	21.6	20.2	19.0	18.0	17.1	16.3	15.5	14.9	14.3	13.7	13.2	12.8	12.4	12.0	11.6	11.3	11.0	10.7	10.4	10.2	9.9	9.7	220
240	55.3	46.5	40.2	35.5	31.9	28.9	26.5	24.5	22.9	21.4	20.2	19.1	18.1	17.2	16.5	15.8	15.1	14.6	14.0	13.6	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.8	10.6	10.3	240
260	58.2	49.0	42.4	37.4	33.6	30.5	28.0	25.9	24.1	22.6	21.3	20.1	19.1	18.2	17.4	16.7	16.0	15.4	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.0	11.7	11.5	11.2	11.0	260
280	61.2	51.5	44.6	39.4	35.3	32.1	29.5	27.3	25.4	23.8	22.4	21.2	20.1	19.2	18.3	17.6	16.9	16.2	15.7	15.1	14.7	14.2	13.8	13.4	13.1	12.7	12.4	12.1	11.8	11.6	280
300	64.1	54.0	46.7	41.3	37.1	33.7	30.9	28.6	26.7	25.0	23.5	22.3	21.1	20.2	19.3	18.5	17.7	17.1	16.5	15.9	15.4	15.0	14.5	14.1	13.7	13.4	13.1	12.8	12.5	12.2	300
320	67.1	56.5	48.9	43.2	38.8	35.3	32.4	30.0	27.9	26.2	24.7	23.3	22.2	21.1	20.2	19.4	18.6	17.9	17.3	16.7	16.2	15.7	15.2	14.8	14.4	14.1	13.7	13.4	13.1	12.8	320
340	70.0	59.0	51.1	45.2	40.5	36.9	33.8	31.3	29.2	27.4	25.8	24.4	23.2	22.1	21.1	20.3	19.5	18.8	18.1	17.5	16.9	16.4	16.0	15.5	15.1	14.7	14.4	14.0	13.7	13.4	340
360	73.0	61.5	53.2	47.1	42.3	38.4	35.3	32.7	30.5	28.6	26.9	25.5	24.2	23.1	22.1	21.2	20.3	19.6	18.9	18.3	17.7	17.2	16.7	16.2	15.8	15.4	15.0	14.7	14.4	14.1	360
380	75.9	64.0	55.4	49.0	44.0	40.0	36.8	34.0	31.7	29.8	28.1	26.6	25.2	24.1	23.0	22.1	21.2	20.4	19.7	19.1	18.5	17.9	17.4	16.9	16.5	16.1	15.7	15.3	15.0	14.7	380
400	78.9	66.5	57.6	50.9	45.8	41.6	38.2	35.4	33.0	31.0	29.2	27.6	26.3	25.0	23.9	23.0	22.1	21.3	20.5	19.9	19.2	18.7	18.1	17.6	17.2	16.7	16.3	16.0	15.6	15.3	400
420	81.8	69.0	59.8	52.9	47.5	43.2	39.7	36.7	34.3	32.1	30.3	28.7	27.3	26.0	24.9	23.9	22.9	22.1	21.3	20.6	20.0	19.4	18.9	18.3	17.9	17.4	17.0	16.6	16.2	15.9	420
440	84.8	71.5	61.9	54.8	49.2	44.8	41.1	38.1	35.5	33.3	31.4	29.8	28.3	27.0	25.8	24.8	23.8	22.9	22.2	21.4	20.8	20.1	19.6	19.0	18.6	18.1	17.7	17.3	16.9	16.5	440
460	87.8	74.0	64.1	56.7	51.0	46.4	42.6	39.5	36.8	34.5	32.6	30.8	29.3	28.0	26.8	25.7	24.7	23.8	23.0	22.2	21.5	20.9	20.3	19.8	19.2	18.8	18.3	17.9	17.5	17.1	460
480	90.7	76.4	66.3	58.6	52.7	47.9	44.1	40.8	38.1	35.7	33.7	31.9	30.3	28.9	27.7	26.6	25.5	24.6	23.8	23.0	22.3	21.6	21.0	20.5	19.9	19.4	19.0	18.5	18.1	17.8	480
500	93.7	79.0	68.4	60.6	54.4	49.5	45.5	42.2	39.3	36.9	34.8	33.0	31.4	29.9	28.6	27.5	26.4	25.5	24.6	23.8	23.1	22.4	21.7	21.2	20.6	20.1	19.6	19.2	18.8	18.4	500
600	108.4	91.4	79.3	70.2	63.1	57.4	52.8	49.0	45.7	42.9	40.5	38.3	36.5	34.8	33.3	32.0	30.7	29.6	28.6	27.7	26.9	26.1	25.4	24.7	24.1	23.5	22.9	22.4	21.9	21.5	600
700	123.2	103.9	90.1	79.8	71.8	65.4	60.1	55.7	52.0	48.9	46.1	43.7	41.6	39.7	38.0	36.5	35.1	33.8	32.7	31.6	30.7	29.8	29.0	28.2	27.5	26.8	26.2	25.6	25.1	24.6	700
800	137.9	116.4	101.0	89.4	80.5	73.3	67.4	62.5	58.4	54.8	51.7	49.0	46.7	44.6	42.7	41.0	39.4	38.0	36.7	35.6	34.5	33.5	32.6	31.7	30.9	30.2	29.5	28.8	28.2	27.7	800
900	152.7	128.9	111.8	99.1	89.2	81.2	74.7	69.3	64.7	60.8	57.4	54.4	51.8	49.4	47.3	45.5	43.8	42.2	40.8	39.5	38.3	37.2	36.2	35.3	34.4	33.5	32.8	32.1	31.4	30.7	900
Term. 2/	19.854	16.545	14.181	12.409	11.030	9.927	9.025	8.273	7.636	7.091	6.618	6.204	5.839	5.515	5.225	4.964	4.727	4.512	4.316	4.136	3.971	3.818	3.677	3.545	3.423	3.309	3.202	3.102	3.008	2.920	Term. 2/
L. H. 3/	.147600	.124800	.108514	.096300	.086800	.079200	.072982	.067800	.063415	.059657	.056400	.053550	.051035	.048800	.046800	.045000	.043371	.041891	.040539	.039300	.038160	.037108	.036133	.035229	.034386	.033600	.032865	.032175	.031527	.030918	L. H. 3/

1/ Based on a tare weight of 19.5 tons and a ratio of empty car miles to loaded car miles of 0.827. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 2 (Concluded).—TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	10
20	3.4	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	20
30	3.7	3.7	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	30
40	4.0	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	40
50	4.4	4.2	4.1	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	50
60	4.7	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	60
70	5.0	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	70
80	5.3	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	80
90	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	3.5	90
100	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	100
120	6.5	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	120
140	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	140
160	7.7	7.5	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	160
180	8.3	8.1	8.0	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	5.5	5.4	180
200	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	200
220	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	220
240	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	240
260	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	260
280	11.3	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.6	7.6	280
300	11.9	11.7	11.5	11.3	11.0	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	300
320	12.5	12.3	12.1	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.8	8.7	8.6	8.5	8.4	320
340	13.2	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	340
360	13.8	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.6	11.4	11.2	11.1	10.9	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.8	9.7	9.6	9.6	9.5	9.4	9.3	360
380	14.4	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.6	11.4	11.3	11.1	11.0	10.9	10.8	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	380
400	15.0	14.7	14.4	14.1	13.9	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.3	12.1	11.9	11.8	11.6	11.5	11.4	11.2	11.1	11.0	10.9	10.7	10.6	10.5	10.4	10.3	10.2	10.1	400
420	15.6	15.3	15.0	14.7	14.4	14.2	14.0	13.7	13.5	13.3	13.1	12.9	12.8	12.6	12.4	12.3	12.1	12.0	11.8	11.7	11.6	11.4	11.3	11.2	11.1	11.0	10.9	10.8	10.7	10.6	420
440	16.2	15.9	15.6	15.3	15.0	14.8	14.5	14.3	14.1	13.8	13.6	13.5	13.3	13.1	12.9	12.8	12.6	12.4	12.3	12.2	12.0	11.9	11.8	11.7	11.5	11.4	11.3	11.2	11.1	11.0	440
460	16.8	16.5	16.2	15.9	15.6	15.3	15.1	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.8	11.6	11.5	11.4	460
480	17.4	17.1	16.7	16.4	16.1	15.9	15.6	15.4	15.1	14.9	14.7	14.5	14.3	14.1	13.9	13.7	13.6	13.4	13.3	13.1	13.0	12.8	12.7	12.6	12.4	12.3	12.2	12.1	12.0	11.9	480
500	18.0	17.7	17.3	17.0	16.7	16.4	16.2	15.9	15.7	15.4	15.2	15.0	14.8	14.6	14.4	14.2	14.1	13.9	13.7	13.6	13.4	13.3	13.1	13.0	12.9	12.8	12.6	12.5	12.4	12.3	500
600	21.0	20.6	20.3	19.9	19.5	19.2	18.9	18.6	18.3	18.1	17.8	17.6	17.3	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.7	15.6	15.4	15.3	15.1	15.0	14.8	14.7	14.6	14.4	600
700	24.1	23.6	23.2	22.8	22.4	22.0	21.7	21.3	21.0	20.7	20.4	20.1	19.9	19.6	19.4	19.1	18.9	18.7	18.5	18.3	18.1	17.9	17.7	17.5	17.4	17.2	17.0	16.9	16.7	16.6	700
800	27.1	26.6	26.1	25.7	25.2	24.8	24.4	24.0	23.7	23.3	23.0	22.7	22.4	22.1	21.8	21.6	21.3	21.1	20.8	20.6	20.4	20.2	20.0	19.8	19.6	19.4	19.2	19.1	18.9	18.7	800
900	30.1	29.6	29.0	28.5	28.0	27.6	27.2	26.7	26.3	26.0	25.6	25.3	24.9	24.6	24.3	24.0	23.7	23.5	23.2	23.0	22.7	22.5	22.3	22.0	21.8	21.6	21.4	21.2	21.1	20.9	900
Term. 2/	2.836	2.758	2.683	2.612	2.545	2.482	2.421	2.364	2.309	2.256	2.206	2.158	2.112	2.068	2.026	1.985	1.946	1.909	1.873	1.838	1.805	1.773	1.742	1.712	1.683	1.655	1.627	1.601	1.576	1.551	Term. 2/
L. H. 3/	.030343	.029800	.029286	.028800	.028338	.027900	.027483	.027086	.026707	.026345	.026000	.025670	.025353	.025050	.024759	.024480	.024212	.023954	.023706	.023467	.023236	.023014	.022800	.022593	.022393	.022200	.022013	.021832	.021657	.021488	L. H. 3/

1/ Based on a tare weight of 19.5 tons and a ratio of empty car miles to loaded car miles of 0.827. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5274

TABLE 3.--TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
	Net load in tons per car																														
10	21.4	17.9	15.3	13.4	12.0	10.8	9.8	9.0	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.4	5.2	5.0	4.7	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	10
20	23.0	19.2	16.5	14.5	12.9	11.6	10.6	9.7	9.0	8.4	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	20
30	24.6	20.6	17.7	15.5	13.8	12.5	11.4	10.4	9.7	9.0	8.4	7.9	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	30
40	26.2	21.9	18.8	16.5	14.7	13.3	12.1	11.2	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.3	4.2	40
50	27.8	23.2	20.0	17.6	15.7	14.1	12.9	11.9	11.0	10.3	9.6	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.5	50
60	29.3	24.6	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9	60
70	30.9	25.9	22.3	19.6	17.5	15.8	14.5	13.3	12.4	11.5	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.6	6.3	6.1	6.0	5.8	5.6	5.5	5.3	5.2	70
80	32.5	27.2	23.5	20.6	18.4	16.7	15.2	14.0	13.0	12.2	11.4	10.7	10.2	9.7	9.2	8.8	8.4	8.1	7.7	7.5	7.2	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	5.5	80
90	34.1	28.6	24.6	21.7	19.4	17.5	16.0	14.8	13.7	12.8	12.0	11.3	10.7	10.2	9.7	9.2	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	90
100	35.7	29.9	25.8	22.7	20.3	18.4	16.8	15.5	14.4	13.4	12.6	11.9	11.3	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.3	7.0	6.8	6.7	6.5	6.3	6.2	100
120	38.8	32.6	28.1	24.8	22.1	20.1	18.4	16.9	15.7	14.7	13.8	13.0	12.3	11.7	11.2	10.7	10.2	9.8	9.5	9.1	8.8	8.5	8.2	8.0	7.8	7.6	7.3	7.2	7.0	6.8	120
140	42.0	35.2	30.4	26.8	24.0	21.7	19.9	18.4	17.1	16.0	15.0	14.2	13.4	12.8	12.2	11.6	11.1	10.7	10.3	9.9	9.6	9.3	9.0	8.7	8.5	8.3	8.0	7.8	7.6	7.5	140
160	45.1	37.9	32.7	28.9	25.8	23.4	21.5	19.8	18.4	17.2	16.2	15.3	14.5	13.8	13.2	12.6	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.1	160
180	48.3	40.6	35.1	30.9	27.7	25.1	23.0	21.3	19.8	18.5	17.4	16.4	15.6	14.8	14.1	13.5	13.0	12.5	12.0	11.6	11.2	10.9	10.5	10.2	9.9	9.7	9.4	9.2	9.0	8.8	180
200	51.5	43.3	37.4	33.0	29.6	26.8	24.6	22.7	21.1	19.8	18.6	17.6	16.7	15.9	15.1	14.5	13.9	13.4	12.9	12.4	12.0	11.6	11.3	11.0	10.7	10.4	10.1	9.9	9.6	9.4	200
220	54.6	45.9	39.7	35.0	31.4	28.5	26.1	24.1	22.5	21.0	19.8	18.7	17.7	16.9	16.1	15.4	14.8	14.3	13.7	13.3	12.8	12.4	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.1	220
240	57.8	48.6	42.0	37.1	33.3	30.2	27.7	25.6	23.8	22.3	21.0	19.8	18.8	17.9	17.1	16.4	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.4	12.1	11.8	11.5	11.2	11.0	10.7	240
260	61.0	51.3	44.3	39.1	35.1	31.9	29.2	27.0	25.2	23.6	22.2	21.0	19.9	19.0	18.1	17.3	16.7	16.0	15.4	14.9	14.4	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.4	260
280	64.1	53.9	46.7	41.2	37.0	33.6	30.8	28.5	26.5	24.8	23.4	22.1	21.0	20.0	19.1	18.3	17.6	16.9	16.3	15.8	15.2	14.8	14.3	13.9	13.6	13.2	12.9	12.6	12.3	12.0	280
300	67.3	56.6	49.0	43.3	38.8	35.3	32.3	29.9	27.9	26.1	24.6	23.3	22.1	21.0	20.1	19.2	18.5	17.8	17.2	16.6	16.0	15.6	15.1	14.7	14.3	13.9	13.6	13.2	12.9	12.7	300
320	70.4	59.3	51.3	45.3	40.7	36.9	33.9	31.4	29.2	27.4	25.8	24.4	23.2	22.1	21.1	20.2	19.4	18.7	18.0	17.4	16.9	16.3	15.9	15.4	15.0	14.6	14.3	13.9	13.6	13.3	320
340	73.6	61.9	53.6	47.4	42.5	38.6	35.5	32.8	30.6	28.6	27.0	25.5	24.2	23.1	22.1	21.2	20.3	19.6	18.9	18.2	17.7	17.1	16.6	16.2	15.7	15.3	15.0	14.6	14.3	14.0	340
360	76.8	64.6	55.9	49.4	44.4	40.3	37.0	34.3	31.9	29.9	28.2	26.7	25.3	24.1	23.1	22.1	21.2	20.4	19.7	19.1	18.5	17.9	17.4	16.9	16.5	16.0	15.6	15.3	14.9	14.6	360
380	79.9	67.3	58.3	51.5	46.2	42.0	38.6	35.7	33.3	31.2	29.4	27.8	26.4	25.2	24.1	23.1	22.2	21.3	20.6	19.9	19.3	18.7	18.1	17.6	17.2	16.7	16.3	16.0	15.6	15.3	380
400	83.1	70.0	60.6	53.5	48.1	43.7	40.1	37.1	34.6	32.4	30.6	28.9	27.5	26.2	25.0	24.0	23.1	22.2	21.4	20.7	20.1	19.5	18.9	18.4	17.9	17.4	17.0	16.6	16.3	15.9	400
420	86.2	72.6	62.9	55.6	49.9	45.4	41.7	38.6	36.0	33.7	31.8	30.1	28.6	27.2	26.0	25.0	24.0	23.1	22.3	21.6	20.9	20.2	19.7	19.1	18.6	18.2	17.7	17.3	16.9	16.6	420
440	89.4	75.3	65.2	57.7	51.8	47.1	43.2	40.0	37.3	35.0	33.0	31.2	29.6	28.3	27.0	25.9	24.9	24.0	23.2	22.4	21.7	21.0	20.4	19.9	19.3	18.9	18.4	18.0	17.6	17.2	440
460	92.6	78.0	67.5	59.7	53.6	48.8	44.8	41.5	38.7	36.3	34.2	32.3	30.7	29.3	28.0	26.9	25.8	24.9	24.0	23.2	22.5	21.8	21.2	20.6	20.1	19.6	19.1	18.7	18.2	17.9	460
480	95.7	80.6	69.9	61.8	55.5	50.5	46.3	42.9	40.0	37.5	35.4	33.5	31.8	30.3	29.0	27.8	26.7	25.8	24.9	24.0	23.3	22.6	22.0	21.4	20.8	20.3	19.8	19.3	18.9	18.5	480
500	98.9	83.3	72.2	63.8	57.3	52.1	47.9	44.4	41.4	38.8	36.6	34.6	32.9	31.4	30.0	28.8	27.7	26.6	25.7	24.9	24.1	23.4	22.7	22.1	21.5	21.0	20.5	20.0	19.6	19.1	500
600	114.7	96.7	83.8	74.1	66.6	60.6	55.7	51.6	48.1	45.1	42.6	40.3	38.3	36.5	35.0	33.5	32.2	31.1	30.0	29.0	28.1	27.3	26.5	25.8	25.1	24.5	23.9	23.4	22.9	22.4	600
700	130.5	110.0	95.4	84.4	75.9	69.0	63.4	58.8	54.8	51.5	48.5	46.0	43.7	41.7	39.9	38.3	36.8	35.5	34.3	33.2	32.1	31.2	30.3	29.5	28.8	28.1	27.4	26.8	26.2	25.6	700
800	146.3	123.4	107.0	94.7	85.1	77.5	71.2	66.0	61.6	57.8	54.5	51.7	49.1	46.9	44.9	43.1	41.4	39.9	38.6	37.3	36.2	35.1	34.1	33.2	32.4	31.6	30.8	30.2	29.5	28.9	800
900	162.1	136.7	118.6	105.0	94.4	85.9	79.0	73.2	68.3	64.1	60.5	57.3	54.5	52.1	49.8	47.8	46.0	44.4	42.8	41.5	40.2	39.0	37.9	36.9	36.0	35.1	34.3	33.5	32.8	32.1	900
Term. 2/	19.854	16.545	14.181	12.409	11.030	9.927	9.025	8.273	7.636	7.091	6.618	6.204	5.839	5.515	5.225	4.964	4.727	4.512	4.316	4.136	3.971	3.818	3.677	3.545	3.423	3.309	3.202	3.102	3.008	2.920	Term. 2/
L. H. 3/	.158070	.133525	.115993	.102844	.092617	.084435	.077741	.072163	.067442	.063396	.059890	.056822	.054115	.051708	.049555	.047618	.045864	.044270	.042815	.041481	.040254	.039121	.038072	.037098	.036191	.035345	.034553	.033811	.033114	.032457	L. H. 3/

1/ Based on a tare weight of 21.1 tons and a ratio of empty car miles to loaded car miles of 0.886. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 3 (Concluded).--TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.2	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	10
20	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	20
30	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.2	30
40	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	40
50	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	50
60	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	60
70	5.1	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	70
80	5.4	5.3	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.4	3.4	3.3	80
90	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	90
100	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	100
120	6.7	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	120
140	7.3	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	140
160	7.9	7.8	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.4	6.3	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	160
180	8.6	8.4	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	180
200	9.2	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	200
220	9.8	9.6	9.4	9.3	9.1	8.9	8.7	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	220
240	10.5	10.3	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.0	7.0	6.9	240
260	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	260
280	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	280
300	12.4	12.1	11.9	11.7	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	300
320	13.0	12.8	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	320
340	13.7	13.4	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	340
360	14.3	14.0	13.7	13.5	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.5	11.3	11.2	11.0	10.9	10.8	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	360
380	14.9	14.6	14.3	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.5	12.3	12.2	12.0	11.8	11.7	11.5	11.4	11.3	11.1	11.0	10.9	10.8	10.6	10.5	10.4	10.3	10.2	10.1	10.0	380
400	15.6	15.3	15.0	14.7	14.4	14.2	13.9	13.7	13.5	13.3	13.1	12.9	12.7	12.5	12.4	12.2	12.0	11.9	11.8	11.6	11.5	11.4	11.2	11.1	11.0	10.9	10.8	10.7	10.6	10.5	400
420	16.2	15.9	15.6	15.3	15.0	14.7	14.5	14.3	14.0	13.8	13.6	13.4	13.2	13.0	12.9	12.7	12.5	12.4	12.2	12.1	12.0	11.8	11.7	11.6	11.5	11.3	11.2	11.1	11.0	10.9	420
440	16.8	16.5	16.2	15.9	15.6	15.3	15.1	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.1	12.9	12.7	12.6	12.4	12.3	12.2	12.1	11.9	11.8	11.7	11.6	11.5	11.4	440
460	17.5	17.1	16.8	16.5	16.2	15.9	15.7	15.4	15.2	14.9	14.7	14.5	14.3	14.1	13.9	13.7	13.6	13.4	13.2	13.1	12.9	12.8	12.7	12.5	12.4	12.3	12.1	12.0	11.9	11.8	460
480	18.1	17.8	17.4	17.1	16.8	16.5	16.2	16.0	15.7	15.5	15.2	15.0	14.8	14.6	14.4	14.2	14.1	13.9	13.7	13.6	13.4	13.3	13.1	13.0	12.9	12.7	12.6	12.5	12.4	12.3	480
500	18.8	18.4	18.0	17.7	17.4	17.1	16.8	16.5	16.3	16.0	15.8	15.6	15.3	15.1	14.9	14.7	14.6	14.4	14.2	14.1	13.9	13.7	13.6	13.5	13.3	13.2	13.1	12.9	12.8	12.7	500
600	21.9	21.5	21.1	20.7	20.4	20.0	19.7	19.4	19.1	18.8	18.5	18.2	18.0	17.8	17.5	17.3	17.1	16.9	16.7	16.5	16.3	16.1	16.0	15.8	15.7	15.5	15.3	15.2	15.1	14.9	600
700	25.1	24.6	24.2	23.7	23.3	22.9	22.6	22.2	21.9	21.5	21.2	20.9	20.6	20.4	20.1	19.9	19.6	19.4	19.2	18.9	18.7	18.5	18.3	18.2	18.0	17.8	17.6	17.5	17.3	17.2	700
800	28.3	27.8	27.2	26.8	26.3	25.8	25.4	25.0	24.6	24.3	23.9	23.6	23.3	23.0	22.7	22.4	22.1	21.9	21.6	21.4	21.2	20.9	20.7	20.5	20.3	20.1	19.9	19.7	19.6	19.4	800
900	31.5	30.9	30.3	29.8	29.3	28.8	28.3	27.9	27.4	27.0	26.7	26.3	25.9	25.6	25.3	25.0	24.7	24.4	24.1	23.8	23.6	23.3	23.1	22.9	22.6	22.4	22.2	22.0	21.8	21.6	900
Term. 2/	2.836	2.758	2.683	2.612	2.545	2.482	2.421	2.364	2.309	2.256	2.206	2.158	2.112	2.068	2.026	1.985	1.946	1.909	1.873	1.838	1.805	1.773	1.742	1.712	1.683	1.655	1.627	1.601	1.576	1.551	Term. 2/
L. H. 3/	.031639	.031254	.030701	.030178	.029681	.029209	.028760	.028332	.027924	.027535	.027163	.026808	.026467	.026141	.025828	.025527	.025238	.024961	.024693	.024436	.024188	.023949	.023718	.023496	.023281	.023073	.022871	.022677	.022488	.022305	L. H. 3/

1/ Based on a tare weight of 21.1 tons and a ratio of empty car miles to loaded car miles of 0.880. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 4.--TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net loads in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.4	14.5	12.5	10.9	9.7	8.8	8.0	7.3	6.8	6.3	5.9	5.5	5.2	4.9	4.7	4.4	4.2	4.0	3.9	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	10
20	19.2	16.0	13.8	12.1	10.7	9.7	8.8	8.1	7.5	7.0	6.5	6.1	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	20
30	20.9	17.5	15.0	13.2	11.8	10.6	9.7	8.9	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.6	3.5	3.4	3.4	30
40	22.7	19.0	16.3	14.4	12.8	11.6	10.6	9.7	9.0	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	40
50	24.5	20.5	17.6	15.5	13.8	12.5	11.4	10.5	9.7	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.1	50
60	26.3	22.0	18.9	16.7	14.9	13.5	12.3	11.3	10.5	9.8	9.2	8.6	8.2	7.8	7.4	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	60
70	28.0	23.5	20.2	17.8	15.9	14.4	13.2	12.1	11.2	10.5	9.8	9.3	8.8	8.3	7.9	7.6	7.2	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	70
80	29.8	25.0	21.5	18.9	16.9	15.3	14.0	12.9	12.0	11.2	10.5	9.9	9.4	8.9	8.5	8.1	7.8	7.4	7.2	6.9	6.7	6.4	6.2	6.0	5.9	5.7	5.5	5.4	5.2	5.1	80
90	31.6	26.5	22.8	20.1	18.0	16.3	14.9	13.7	12.7	11.9	11.2	10.5	10.0	9.5	9.0	8.6	8.3	7.9	7.6	7.3	7.1	6.9	6.6	6.4	6.2	6.1	5.9	5.8	5.6	5.5	90
100	33.3	28.0	24.1	21.2	19.0	17.2	15.7	14.5	13.5	12.6	11.8	11.2	10.5	10.0	9.6	9.1	8.8	8.4	8.1	7.8	7.5	7.3	7.1	6.8	6.6	6.5	6.3	6.1	6.0	5.8	100
120	36.9	31.0	26.7	23.5	21.1	19.1	17.5	16.1	15.0	14.0	13.2	12.4	11.8	11.2	10.7	10.2	9.8	9.4	9.0	8.7	8.4	8.1	7.9	7.7	7.4	7.2	7.0	6.9	6.7	6.5	120
140	40.4	33.9	29.3	25.8	23.1	21.0	19.2	17.7	16.5	15.4	14.5	13.7	13.0	12.3	11.8	11.2	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.5	8.2	8.0	7.8	7.6	7.4	7.2	140
160	44.0	36.9	31.9	28.1	25.2	22.9	20.9	19.3	18.0	16.8	15.8	14.9	14.2	13.5	12.8	12.3	11.8	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	160
180	47.5	39.9	34.5	30.4	27.3	24.7	22.7	20.9	19.5	18.2	17.1	16.2	15.3	14.6	13.9	13.3	12.8	12.3	11.9	11.4	11.1	10.7	10.4	10.1	9.8	9.5	9.3	9.1	8.9	8.6	180
200	51.1	42.9	37.1	32.7	29.3	26.6	24.4	22.5	21.0	19.6	18.5	17.4	16.5	15.7	15.0	14.4	13.8	13.3	12.8	12.3	11.9	11.6	11.2	10.9	10.6	10.3	10.0	9.8	9.6	9.4	200
220	54.6	45.9	39.7	35.0	31.4	28.5	26.1	24.1	22.5	21.0	19.8	18.7	17.7	16.9	16.1	15.4	14.8	14.2	13.7	13.3	12.8	12.4	12.0	11.7	11.4	11.1	10.8	10.5	10.3	10.1	220
240	58.2	48.9	42.3	37.3	33.5	30.4	27.8	25.7	24.0	22.4	21.1	20.0	18.9	18.0	17.2	16.5	15.8	15.2	14.7	14.2	13.7	13.3	12.9	12.5	12.2	11.9	11.6	11.3	11.0	10.8	240
260	61.7	51.9	44.9	39.6	35.5	32.3	29.6	27.3	25.5	23.8	22.4	21.2	20.1	19.2	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.1	13.7	13.3	13.0	12.6	12.3	12.0	11.7	11.5	260
280	65.2	54.9	47.5	41.9	37.6	34.1	31.3	28.9	27.0	25.2	23.8	22.5	21.3	20.3	19.4	18.6	17.8	17.2	16.6	16.0	15.5	15.0	14.5	14.1	13.8	13.4	13.1	12.7	12.5	12.2	280
300	68.8	57.9	50.1	44.2	39.7	36.0	33.0	30.6	28.5	26.7	25.1	23.7	22.5	21.4	20.5	19.6	18.8	18.1	17.5	16.9	16.3	15.8	15.4	14.9	14.5	14.2	13.8	13.5	13.2	12.9	300
320	72.3	60.9	52.7	46.5	41.7	37.9	34.8	32.2	29.9	28.1	26.4	25.0	23.7	22.6	21.6	20.7	19.9	19.1	18.4	17.8	17.2	16.7	16.2	15.8	15.3	14.9	14.6	14.2	13.9	13.6	320
340	75.9	63.8	55.2	48.8	43.8	39.8	36.5	33.8	31.4	29.5	27.7	26.2	24.9	23.7	22.7	21.7	20.9	20.1	19.4	18.7	18.1	17.6	17.0	16.6	16.1	15.7	15.3	15.0	14.6	14.3	340
360	79.4	66.8	57.8	51.1	45.9	41.7	38.2	35.4	32.9	30.9	29.1	27.5	26.1	24.9	23.8	22.8	21.9	21.1	20.3	19.6	19.0	18.4	17.9	17.4	16.9	16.5	16.1	15.7	15.3	15.0	360
380	83.0	69.8	60.4	53.4	47.9	43.5	40.0	37.0	34.4	32.3	30.4	28.7	27.3	26.0	24.9	23.8	22.9	22.0	21.2	20.5	19.9	19.3	18.7	18.2	17.7	17.2	16.8	16.4	16.1	15.7	380
400	86.5	72.8	63.0	55.7	50.0	45.4	41.7	38.6	35.9	33.7	31.7	30.0	28.5	27.2	25.9	24.9	23.9	23.0	22.2	21.4	20.8	20.1	19.5	19.0	18.5	18.0	17.6	17.2	16.8	16.4	400
420	90.1	75.8	65.6	58.0	52.0	47.3	43.4	40.2	37.4	35.1	33.0	31.3	29.7	28.3	27.0	25.9	24.9	24.0	23.1	22.4	21.6	21.0	20.4	19.8	19.3	18.8	18.3	17.9	17.5	17.1	420
440	93.6	78.8	68.2	60.3	54.1	49.2	45.1	41.8	38.9	36.5	34.4	32.5	30.9	29.4	28.1	27.0	25.9	24.9	24.1	23.3	22.5	21.8	21.2	20.6	20.1	19.6	19.1	18.6	18.2	17.8	440
460	97.1	81.8	70.8	62.6	56.2	51.1	46.9	43.4	40.4	37.9	35.7	33.8	32.1	30.6	29.2	28.0	26.9	25.9	25.0	24.2	23.4	22.7	22.0	21.4	20.9	20.3	19.8	19.4	18.9	18.5	460
480	100.7	84.8	73.4	64.9	58.2	52.9	48.6	45.0	41.9	39.3	37.0	35.0	33.3	31.7	30.3	29.1	27.9	26.9	25.9	25.1	24.3	23.6	22.9	22.2	21.7	21.1	20.6	20.1	19.7	19.2	480
500	104.2	87.8	76.0	67.2	60.3	54.8	50.3	46.6	43.4	40.7	38.3	36.3	34.5	32.9	31.4	30.1	28.9	27.9	26.9	26.0	25.2	24.4	23.7	23.0	22.4	21.9	21.3	20.8	20.4	19.9	500
600	122.0	102.7	89.0	78.7	70.6	64.2	59.0	54.6	50.9	47.7	45.0	42.6	40.4	38.6	36.9	35.3	34.0	32.7	31.6	30.5	29.6	28.7	27.9	27.1	26.4	25.7	25.1	24.5	24.0	23.5	600
700	139.7	117.7	101.9	90.1	81.0	73.6	67.6	62.6	58.4	54.7	51.6	48.8	46.4	44.3	42.3	40.6	39.0	37.6	36.3	35.1	34.0	33.0	32.0	31.2	30.3	29.6	28.9	28.2	27.6	27.0	700
800	157.4	132.6	114.9	101.6	91.3	83.0	76.3	70.6	65.9	61.8	58.2	55.1	52.4	50.0	47.8	45.8	44.1	42.5	41.0	39.6	38.4	37.2	36.2	35.2	34.3	33.4	32.6	31.9	31.2	30.5	800
900	175.1	147.6	127.9	113.1	101.6	92.4	84.9	78.6	73.3	68.8	64.9	61.4	58.4	55.7	53.2	51.1	49.1	47.3	45.7	44.2	42.8	41.5	40.4	39.3	38.2	37.3	36.4	35.6	34.8	34.0	900
Term. 2/	15.620	13.017	11.157	9.763	8.678	7.810	7.100	6.508	6.008	5.579	5.207	4.881	4.594	4.339	4.111	3.905	3.719	3.550	3.396	3.254	3.124	3.004	2.893	2.789	2.693	2.603	2.519	2.441	2.367	2.297	Term. 2/
L. H. 3/	.177230	.149492	.129679	.114819	.103261	.094015	.086450	.080146	.074812	.070239	.066277	.062809	.059750	.057031	.054597	.052408	.050426	.048625	.046980	.045473	.044086	.042806	.041620	.040520	.039495	.038538	.037644	.036805	.036017	.035275	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.993. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 4 (Concluded).—TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net loads in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.7	4.5	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	6.4	6.2	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	4.9	4.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	7.8	7.6	7.4	7.3	7.1	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	8.5	8.3	8.1	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	9.1	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	9.8	9.6	9.4	9.2	9.1	8.9	8.7	8.6	8.4	8.3	8.2	8.1	7.9	7.8	7.7	7.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	11.2	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	11.9	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	9.9	9.8	9.6	9.5	9.4	9.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	12.6	12.3	12.1	11.9	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	13.3	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.5	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	14.0	13.7	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.0	10.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	14.7	14.4	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	15.4	15.1	14.8	14.5	14.2	14.0	13.7	13.5	13.3	13.1	12.9	12.7	12.5	12.3	12.2	12.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	16.1	15.7	15.4	15.1	14.9	14.6	14.3	14.1	13.9	13.7	13.5	13.3	13.1	12.9	12.7	12.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	16.8	16.4	16.1	15.8	15.5	15.2	15.0	14.7	14.5	14.3	14.0	13.8	13.6	13.4	13.3	13.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	17.4	17.1	16.8	16.4	16.1	15.9	15.6	15.3	15.1	14.8	14.6	14.4	14.2	14.0	13.8	13.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	18.1	17.8	17.4	17.1	16.8	16.5	16.2	15.9	15.7	15.4	15.2	15.0	14.8	14.6	14.4	14.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	18.8	18.4	18.1	17.8	17.4	17.1	16.8	16.6	16.3	16.0	15.8	15.6	15.3	15.1	14.9	14.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	19.5	19.1	18.8	18.4	18.1	17.8	17.5	17.2	16.9	16.6	16.4	16.1	15.9	15.7	15.5	15.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	23.0	22.5	22.1	21.7	21.3	20.9	20.6	20.2	19.9	19.6	19.3	19.0	18.8	18.5	18.3	18.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	26.4	25.9	25.4	24.9	24.5	24.1	23.7	23.3	22.9	22.6	22.2	21.9	21.6	21.3	21.0	20.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	30.0	29.3	28.7	28.2	27.7	27.2	26.8	26.4	25.9	25.5	25.2	24.8	24.5	24.1	23.8	23.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	33.3	32.7	32.1	31.5	30.9	30.4	29.9	29.4	29.0	28.5	28.1	27.7	27.3	26.9	26.6	26.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
Term. 2/	2.231	2.169	2.1[illegible]	2.055	2.003	1.953	1.905	1.860	1.816	1.775	1.736	1.698	1.662	1.627	1.594	1.562	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.034576	.033915	.033291	.032699	.032137	.031604	.031096	.030613	.030152	.029713	.029292	.028890	.028505	.028136	.027783	.027443	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.993. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 5.--TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	21.5	17.9	15.4	13.5	12.0	10.8	9.8	9.0	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-	10
20	23.1	19.3	16.6	14.5	12.9	11.7	10.6	9.8	9.0	8.4	7.8	7.4	7.0	6.6	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	-	-	-	-	20
30	24.7	20.7	17.8	15.6	13.9	12.5	11.4	10.5	9.7	9.0	8.5	8.0	7.5	7.1	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	-	-	-	-	30
40	26.4	22.1	19.0	16.6	14.8	13.4	12.2	11.2	10.4	9.7	9.1	8.5	8.1	7.6	7.3	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.1	4.9	4.8	-	-	-	-	40
50	28.0	23.4	20.2	17.7	15.8	14.3	13.0	12.0	11.1	10.3	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.3	5.1	-	-	-	-	50
60	29.6	24.8	21.4	18.8	16.8	15.1	13.8	12.7	11.8	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.5	-	-	-	-	60
70	31.3	26.2	22.5	19.8	17.7	16.0	14.6	13.5	12.5	11.7	10.9	10.3	9.7	9.2	8.8	8.4	8.0	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	-	-	-	-	70
80	32.9	27.6	23.7	20.9	18.7	16.9	15.4	14.2	13.2	12.3	11.5	10.9	10.3	9.8	9.3	8.9	8.5	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.4	6.2	-	-	-	-	80
90	34.5	28.9	24.9	21.9	19.6	17.7	16.2	15.0	13.9	13.0	12.2	11.5	10.8	10.3	9.8	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	7.0	6.8	6.6	-	-	-	-	90
100	36.2	30.3	26.1	23.0	20.6	18.6	17.0	15.7	14.6	13.6	12.8	12.0	11.4	10.8	10.3	9.8	9.4	9.1	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	-	-	-	-	100
120	39.4	33.1	28.5	25.1	22.5	20.4	18.6	17.2	16.0	14.9	14.0	13.2	12.5	11.9	11.3	10.8	10.4	10.0	9.6	9.2	8.9	8.6	8.4	8.1	7.9	7.6	-	-	-	-	120
140	42.7	35.8	30.9	27.2	24.4	22.1	20.2	18.7	17.3	16.2	15.2	14.4	13.6	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.7	9.4	9.1	8.9	8.6	8.4	-	-	-	-	140
160	45.9	38.6	33.3	29.4	26.3	23.8	21.8	20.1	18.7	17.5	16.5	15.5	14.7	14.0	13.4	12.8	12.3	11.8	11.3	10.9	10.6	10.2	9.9	9.6	9.3	9.1	-	-	-	-	160
180	49.2	41.3	35.7	31.5	28.2	25.6	23.4	21.6	20.1	18.8	17.7	16.7	15.8	15.1	14.4	13.8	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	-	-	-	-	180
200	52.5	44.1	38.1	33.6	30.1	27.3	25.0	23.1	21.5	20.1	18.9	17.9	17.0	16.1	15.4	14.7	14.1	13.6	13.1	12.6	12.2	11.8	11.5	11.1	10.8	10.5	-	-	-	-	200
220	55.7	46.8	40.5	35.7	32.0	29.0	26.6	24.6	22.9	21.4	20.2	19.0	18.1	17.2	16.4	15.7	15.1	14.5	14.0	13.5	13.0	12.6	12.3	11.9	11.6	11.3	-	-	-	-	220
240	59.0	49.6	42.9	37.8	33.9	30.8	28.2	26.1	24.3	22.7	21.4	20.2	19.2	18.3	17.4	16.7	16.0	15.4	14.8	14.3	13.9	13.4	13.0	12.7	12.3	12.0	-	-	-	-	240
260	62.2	52.3	45.3	39.9	35.8	32.5	29.8	27.6	25.7	24.0	22.6	21.4	20.3	19.3	18.4	17.7	17.0	16.3	15.7	15.2	14.7	14.2	13.8	13.4	13.1	12.7	-	-	-	-	260
280	65.5	55.1	47.6	42.1	37.7	34.3	31.4	29.1	27.0	25.3	23.8	22.5	21.4	20.4	19.5	18.6	17.9	17.2	16.6	16.0	15.5	15.0	14.6	14.2	13.8	13.4	-	-	-	-	280
300	68.8	57.8	50.0	44.2	39.6	36.0	33.0	30.5	28.4	26.6	25.1	23.7	22.5	21.4	20.5	19.6	18.8	18.1	17.5	16.9	16.3	15.8	15.4	14.9	14.5	14.2	-	-	-	-	300
320	72.0	60.6	52.4	46.3	41.5	37.7	34.6	32.0	29.8	28.0	26.3	24.9	23.6	22.5	21.5	20.6	19.8	19.0	18.4	17.7	17.2	16.6	16.2	15.7	15.3	14.9	-	-	-	-	320
340	75.3	63.3	54.8	48.4	43.4	39.5	36.2	33.5	31.2	29.2	27.5	26.0	24.7	23.6	22.5	21.6	20.7	19.9	19.2	18.6	18.0	17.4	16.9	16.5	16.0	15.6	-	-	-	-	340
360	78.5	66.1	57.2	50.5	45.4	41.2	37.8	35.0	32.6	30.5	28.8	27.2	25.8	24.6	23.5	22.5	21.7	20.9	20.1	19.4	18.8	18.2	17.7	17.2	16.8	16.3	-	-	-	-	360
380	81.8	68.8	59.6	52.7	47.3	42.9	39.4	36.5	34.0	31.8	30.0	28.4	27.0	25.7	24.5	23.5	22.6	21.8	21.0	20.3	19.6	19.0	18.5	18.0	17.5	17.1	-	-	-	-	380
400	85.1	71.6	62.0	54.8	49.2	44.7	41.0	38.0	35.4	33.2	31.2	29.5	28.1	26.7	25.6	24.5	23.5	22.7	21.9	21.1	20.5	19.8	19.3	18.7	18.2	17.8	-	-	-	-	400
420	88.3	74.3	64.4	56.9	51.1	46.4	42.6	39.4	36.8	34.5	32.5	30.7	29.2	27.8	26.6	25.5	24.5	23.6	22.7	22.0	21.3	20.6	20.0	19.5	19.0	18.5	-	-	-	-	420
440	91.6	77.1	66.8	59.0	53.0	48.2	44.2	40.9	38.1	35.8	33.7	31.9	30.3	28.9	27.6	26.5	25.4	24.5	23.6	22.8	22.1	21.4	20.8	20.3	19.7	19.2	-	-	-	-	440
460	94.8	79.9	69.2	61.1	54.9	50.0	45.8	42.4	39.5	37.1	34.9	33.0	31.4	29.9	28.6	27.4	26.4	25.4	24.5	23.7	22.9	22.2	21.6	21.0	20.5	19.9	-	-	-	-	460
480	98.1	82.6	71.5	63.2	56.8	51.6	47.4	43.9	40.9	38.4	36.2	34.2	32.5	31.0	29.6	28.4	27.3	26.3	25.4	24.5	23.8	23.1	22.4	21.8	21.2	20.7	-	-	-	-	480
500	101.3	85.4	73.8	65.4	58.7	53.4	49.0	45.4	42.3	39.7	37.4	35.4	33.6	32.1	30.7	29.4	28.2	27.2	26.3	25.4	24.6	23.9	23.2	22.5	21.9	21.4	-	-	-	-	500
600	117.6	99.1	85.9	76.0	68.2	62.1	57.0	52.8	49.2	46.2	43.5	41.2	39.2	37.4	35.7	34.3	32.9	31.7	30.6	29.6	28.7	27.9	27.1	26.3	25.6	25.0	-	-	-	-	600
700	133.9	112.9	97.8	86.5	77.8	70.8	65.0	60.2	56.2	52.7	49.7	47.1	44.7	42.7	40.8	39.2	37.7	36.3	35.0	33.9	32.8	31.9	31.0	30.1	29.4	28.6	-	-	-	-	700
800	150.2	126.6	109.8	97.1	87.3	79.4	73.0	67.6	63.1	59.2	55.8	52.9	50.3	48.0	45.9	44.0	42.4	40.8	39.4	38.1	37.0	35.9	34.9	33.9	33.1	32.2	-	-	-	-	800
900	166.5	140.4	121.7	107.7	96.8	88.1	81.0	75.1	70.0	65.7	62.0	58.7	55.8	53.3	51.0	48.9	47.1	45.4	43.8	42.4	41.1	39.9	38.8	37.7	36.8	35.9	-	-	-	-	900
Term. 2/	19.554	16.545	14.181	12.409	11.030	9.927	9.025	8.273	7.636	7.091	6.618	6.204	5.839	5.515	5.225	4.964	4.727	4.512	4.315	4.136	3.971	3.818	3.677	3.545	3.423	3.309	-	-	-	-	Term. 2/
L. H. 3/	.162990	.137625	.119507	.105919	.095350	.086895	.079977	.074213	.069335	.065154	.061530	.058359	.055562	.053075	.050850	.048848	.047036	.045389	.043885	.042506	.041238	.040067	.038983	.037977	.037040	.036165	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.4 tons and a ratio of empty car miles to loaded car miles of 0.981. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 6.—TERRITORY NO. 1 - NEW ENGLAND

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.6	14.7	12.6	11.0	9.8	8.8	8.0	7.4	6.8	6.3	5.9	5.6	5.2	5.0	4.7	4.5	4.3	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	-	-	-	-	10
20	19.5	16.3	14.0	12.3	10.9	9.9	9.0	8.3	7.6	7.1	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4	-	-	-	-	20
30	21.5	18.0	15.4	13.6	12.1	10.9	9.9	9.1	8.5	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.4	5.1	4.9	4.7	4.6	4.4	4.2	4.1	4.0	3.9	-	-	-	-	30
40	23.4	19.6	16.9	14.8	13.2	11.9	10.9	10.0	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	[illegible]	5.4	5.2	5.0	4.9	4.7	4.5	4.4	4.3	-	-	-	-	40
50	25.4	21.3	18.3	16.1	14.3	13.0	11.8	10.9	10.1	9.4	8.8	8.3	7.9	7.4	7.1	6.8	6.5	[illegible]	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	-	-	-	-	50
60	27.4	22.9	19.7	17.3	15.5	14.0	12.8	11.8	10.9	10.2	9.5	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	-	-	-	-	60
70	29.3	24.5	21.1	18.6	16.6	15.0	13.7	12.7	11.7	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.2	7.0	6.7	6.5	6.2	6.0	5.9	5.7	5.5	-	-	-	-	70
80	31.3	26.2	22.6	19.9	17.8	16.1	14.7	13.5	12.6	11.7	11.0	10.4	9.8	9.3	8.9	8.5	8.1	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	-	-	-	-	80
90	33.2	27.8	24.0	21.1	18.9	17.1	15.6	14.4	13.4	12.5	11.7	11.0	10.5	9.9	9.5	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	-	-	-	-	90
100	35.2	29.5	25.4	22.4	20.0	18.1	16.6	15.3	14.2	13.3	12.4	11.7	11.1	10.6	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.6	7.4	7.2	7.0	6.8	-	-	-	-	100
120	39.1	32.8	28.3	24.9	22.3	20.2	18.5	17.0	15.8	14.8	13.9	13.1	12.4	11.8	11.2	10.7	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.6	-	-	-	-	120
140	43.0	36.1	31.1	27.4	24.6	22.3	20.4	18.8	17.5	16.3	15.3	14.5	13.7	13.0	12.4	11.9	11.4	10.9	10.5	10.2	9.8	9.5	9.2	8.9	8.7	8.4	-	-	-	-	140
160	46.9	39.4	34.0	30.0	26.8	24.3	22.3	20.6	19.1	17.9	16.8	15.8	15.0	14.3	13.6	13.0	12.5	12.0	11.5	11.1	10.8	10.4	10.1	9.8	9.5	9.3	-	-	-	-	160
180	50.8	42.7	36.9	32.5	29.1	26.4	24.2	22.3	20.7	19.4	18.2	17.2	16.3	15.5	14.8	14.2	13.6	13.1	12.6	12.1	11.7	11.3	11.0	10.7	10.4	10.1	-	-	-	-	180
200	54.7	46.0	39.7	35.0	31.4	28.4	26.1	24.1	22.4	20.9	19.7	18.6	17.6	16.8	16.0	15.3	14.7	14.1	13.6	13.1	12.7	12.3	11.9	11.5	11.2	10.9	-	-	-	-	200
220	58.6	49.3	42.6	37.5	33.6	30.5	28.0	25.8	24.0	22.5	21.1	20.0	18.9	18.0	17.2	16.4	15.8	15.2	14.6	14.1	13.6	13.2	12.8	12.4	12.1	11.8	-	-	-	-	220
240	62.5	52.6	45.4	40.1	35.9	32.6	29.8	27.6	25.7	24.0	22.6	21.3	20.2	19.2	18.4	17.6	16.9	16.2	15.6	15.1	14.6	14.1	13.7	13.3	12.9	12.6	-	-	-	-	240
260	66.5	55.9	48.3	42.6	38.2	34.6	31.7	29.3	27.3	25.5	24.0	22.7	21.5	20.5	19.6	18.7	18.0	17.3	16.6	16.1	15.5	15.0	14.6	14.2	13.8	13.4	-	-	-	-	260
280	70.4	59.1	51.1	45.1	40.4	36.7	33.6	31.1	28.9	27.1	25.5	24.1	22.8	21.7	20.7	19.9	19.1	18.3	17.7	17.1	16.5	16.0	15.5	15.0	14.6	14.2	-	-	-	-	280
300	74.3	62.4	54.0	47.6	42.7	38.8	35.5	32.8	30.6	28.6	26.9	25.4	24.1	23.0	21.9	21.0	20.2	19.4	18.7	18.0	17.4	16.9	16.4	15.9	15.5	15.1	-	-	-	-	300
320	78.2	65.7	56.8	50.2	45.0	40.8	37.4	34.6	32.2	30.1	28.4	26.8	25.4	24.2	23.1	22.1	21.3	20.4	19.7	19.0	18.4	17.8	17.3	16.8	16.3	15.9	-	-	-	-	320
340	82.1	69.0	59.7	52.7	47.2	42.9	39.3	36.4	33.8	31.7	29.8	28.2	26.7	25.5	24.3	23.3	22.3	21.5	20.7	20.0	19.4	18.8	18.2	17.7	17.2	16.7	-	-	-	-	340
360	86.0	72.3	62.5	55.2	49.5	45.0	41.2	38.1	35.5	33.2	31.3	29.6	28.0	26.7	25.5	24.4	23.4	22.6	21.7	21.0	20.3	19.7	19.1	18.6	18.0	17.6	-	-	-	-	360
380	89.9	75.6	65.4	57.7	51.8	47.0	43.1	39.9	37.1	34.8	32.7	30.9	29.3	27.9	26.7	25.6	24.5	23.6	22.8	22.0	21.3	20.6	20.0	19.4	18.9	18.4	-	-	-	-	380
400	93.8	78.9	68.3	60.3	54.1	49.1	45.0	41.6	38.7	36.3	34.2	32.3	30.6	29.2	27.9	26.7	25.6	24.7	23.8	23.0	22.2	21.5	20.9	20.3	19.8	19.2	-	-	-	-	400
420	97.7	82.2	71.1	62.8	56.3	51.1	46.9	43.4	40.4	37.8	35.6	33.7	32.0	30.4	29.1	27.8	26.7	25.7	24.8	24.0	23.2	22.5	21.8	21.2	20.6	20.1	-	-	-	-	420
440	101.7	85.5	74.0	65.3	58.6	53.2	48.8	45.1	42.0	39.4	37.1	35.0	33.3	31.7	30.3	29.0	27.8	26.8	25.8	24.9	24.1	23.4	22.7	22.1	21.5	20.9	-	-	-	-	440
460	105.6	88.8	76.8	67.8	60.9	55.3	50.7	46.9	43.7	40.9	38.5	36.4	34.6	32.9	31.4	30.1	28.9	27.8	26.8	25.9	25.1	24.3	23.6	22.9	22.3	21.7	-	-	-	-	460
480	109.5	92.1	79.7	70.4	63.1	57.3	52.6	48.6	45.3	42.4	39.9	37.8	35.9	34.2	32.6	31.3	30.0	28.9	27.9	26.9	26.0	25.2	24.5	23.8	23.2	22.6	-	-	-	-	480
500	113.4	95.4	82.5	72.9	65.4	59.4	54.5	50.4	46.9	44.0	41.4	39.1	37.2	35.4	33.8	32.4	31.1	29.9	28.9	27.9	27.0	26.2	25.4	24.7	24.0	23.4	-	-	-	-	500
600	132.9	111.9	96.8	85.5	76.7	69.7	64.0	59.2	55.1	51.6	48.6	46.0	43.7	41.6	39.8	38.1	36.6	35.2	34.0	32.8	31.2	30.8	29.9	29.1	28.3	27.6	-	-	-	-	600
700	152.5	128.3	111.1	98.1	88.1	80.0	73.4	68.0	63.3	59.3	55.9	52.9	50.2	47.8	45.7	43.8	42.1	40.5	39.1	37.8	36.5	35.4	34.4	33.4	32.5	31.7	-	-	-	-	700
800	172.1	144.8	125.4	110.8	99.4	90.3	82.9	76.7	71.5	67.0	63.1	59.7	56.7	54.0	51.6	49.5	47.5	45.8	44.2	42.7	41.3	40.1	38.9	37.8	36.8	35.9	-	-	-	-	800
900	191.6	161.3	139.6	123.4	110.8	100.7	92.4	85.5	79.7	74.7	70.3	66.6	63.2	60.2	57.6	56.2	53.0	51.1	49.3	47.6	46.1	44.7	43.4	42.2	41.1	40.0	-	-	-	-	900
Term. 2/	15.620	13.017	11.157	9.763	8.678	7.810	7.100	6.508	6.008	5.579	5.207	4.881	4.594	4.339	4.111	3.905	3.719	3.550	3.396	3.254	3.124	3.004	2.893	2.789	2.693	2.603	-	-	-	-	Term. 2/
L. H. 3/	.195540	.164750	.142757	.126263	.113433	.103170	.094773	.087775	.081854	.076779	.072380	.068531	.065135	.062117	.059416	.056985	.054786	.052786	.050961	.049288	.047748	.046327	.045011	.043789	.042652	.041590	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.862. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.86.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5280

TABLE 7.—TERRITORY NO. 1 - NEW ENGLAND

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	85.3	65.2	55.1	49.1	45.1	42.2	40.0	38.4	37.0	35.9	35.0	34.2	33.6	33.0	32.5	32.1	31.7	31.3	31.0	30.7	30.4	30.2	30.0	29.8	29.6	29.4	29.3	29.1	29.0	10
20	91.7	69.5	58.4	51.8	47.4	44.2	41.8	40.0	38.5	37.3	36.3	35.5	34.7	34.1	33.5	33.1	32.6	32.2	31.9	31.6	31.3	31.0	30.8	30.6	30.4	30.2	30.0	29.8	29.7	20
30	98.0	73.8	61.7	54.5	49.7	46.2	43.6	41.6	40.0	38.7	37.6	36.7	35.9	35.2	34.6	34.1	33.6	33.2	32.8	32.4	32.1	31.8	31.6	31.3	31.1	30.9	30.7	30.5	30.4	30
40	104.3	78.1	65.0	57.2	52.0	48.2	45.4	43.3	41.5	40.1	38.9	37.9	37.0	36.3	35.6	35.1	34.5	34.1	33.7	33.3	33.0	32.7	32.4	32.1	31.9	31.6	31.4	31.2	31.1	40
50	110.6	82.4	68.4	59.9	54.3	50.3	47.2	44.9	43.0	41.5	40.2	39.1	38.2	37.4	36.7	36.1	35.5	35.0	34.6	34.2	33.8	33.5	33.2	32.9	32.6	32.4	32.2	32.0	31.8	50
60	116.9	86.7	71.7	62.6	56.6	52.3	49.0	46.5	44.5	42.9	41.5	40.3	39.3	38.5	37.7	37.1	36.5	35.9	35.5	35.0	34.6	34.3	34.0	33.7	33.4	33.1	32.9	32.7	32.5	60
70	123.2	91.0	75.0	65.3	58.9	54.3	50.8	48.2	46.0	44.3	42.8	41.6	40.5	39.6	38.8	38.1	37.4	36.9	36.4	35.9	35.5	35.1	34.8	34.4	34.1	33.9	33.6	33.4	33.2	70
80	129.5	95.3	78.3	68.0	61.2	56.3	52.6	49.8	47.5	45.6	44.1	42.8	41.7	40.7	39.8	39.1	38.4	37.8	37.3	36.8	36.3	35.9	35.6	35.2	34.9	34.6	34.3	34.1	33.8	80
90	135.8	99.6	81.6	70.7	63.5	58.3	54.4	51.4	49.0	47.0	45.4	44.0	42.8	41.8	40.9	40.1	39.4	38.7	38.2	37.6	37.2	36.7	36.4	36.0	35.7	35.3	35.1	34.8	34.5	90
100	142.1	103.9	84.9	73.4	65.8	60.3	56.2	53.1	50.5	48.4	46.7	45.2	44.0	42.9	41.9	41.1	40.3	39.7	39.1	38.5	38.0	37.6	37.2	36.8	36.4	36.1	35.8	35.5	35.2	100
120	154.7	112.5	91.5	78.8	70.4	64.3	59.8	56.3	53.5	51.2	49.3	47.7	46.3	45.1	44.0	43.1	42.3	41.5	40.9	40.2	39.7	39.2	38.7	38.3	37.9	37.6	37.2	36.9	36.6	120
140	167.3	121.2	98.1	84.2	75.0	68.4	63.4	59.6	56.5	54.0	51.9	50.1	48.6	47.3	46.1	45.1	44.2	43.4	42.6	42.0	41.4	40.8	40.3	39.9	39.4	39.1	38.7	38.3	38.0	140
160	179.9	129.8	104.7	89.6	79.6	72.4	67.0	62.8	59.5	56.8	54.5	52.5	50.9	49.5	48.2	47.1	46.1	45.2	44.4	43.7	43.1	42.5	41.9	41.4	41.0	40.5	40.1	39.8	39.4	160
180	192.6	138.4	111.3	95.0	84.2	76.4	70.6	66.1	62.5	59.5	57.1	55.0	53.2	51.7	50.3	49.1	48.0	47.1	46.2	45.5	44.8	44.1	43.5	43.0	42.5	42.0	41.6	41.2	40.8	180
200	205.2	147.0	117.9	100.4	88.8	80.5	74.2	69.4	65.6	62.3	59.7	57.4	55.5	53.8	52.4	51.1	50.0	48.9	48.0	47.2	46.4	45.8	45.1	44.5	44.0	43.5	43.0	42.6	42.2	200
220	217.8	155.6	124.5	105.8	93.4	84.5	77.8	72.6	68.5	65.1	62.3	59.9	57.8	56.0	54.5	53.1	51.9	50.8	49.8	48.9	48.1	47.4	46.7	46.1	45.5	45.0	44.5	44.0	43.6	220
240	230.4	164.2	131.1	111.2	98.0	88.5	81.4	75.9	71.5	67.9	64.9	62.3	60.1	58.2	56.6	55.1	53.8	52.7	51.6	50.7	49.8	49.0	48.3	47.6	47.0	46.5	45.9	45.4	45.0	240
260	243.0	172.8	137.7	116.6	102.6	92.5	85.0	79.2	74.5	70.6	67.5	64.8	62.4	[illegible]	58.7	57.1	55.8	54.5	53.4	52.4	51.5	50.7	49.9	49.2	48.5	47.9	47.4	46.9	46.4	260
280	255.6	181.4	144.3	122.0	107.2	96.6	88.6	82.4	77.5	73.4	70.1	67.2	64.7	62.6	60.8	59.1	57.7	56.4	55.2	54.1	53.2	52.3	51.5	50.7	50.1	49.4	48.8	48.3	47.8	280
300	268.2	190.0	150.9	127.4	111.8	100.6	92.2	85.7	80.5	76.2	72.6	69.6	67.1	64.8	62.9	61.1	59.6	58.2	57.0	55.9	54.9	53.9	53.1	52.6	51.6	50.9	50.3	49.7	49.2	300
320	280.8	198.6	157.5	132.8	116.4	104.6	95.8	88.9	83.5	79.0	75.2	72.1	69.4	67.0	65.0	63.1	61.5	60.1	58.8	57.6	56.5	55.6	54.7	53.9	53.1	52.4	51.7	51.1	50.6	320
340	293.5	207.2	164.1	138.2	121.0	108.6	99.4	92.2	86.5	81.8	77.8	74.5	71.7	69.2	67.1	65.2	63.5	61.9	60.6	59.4	58.2	57.2	56.3	55.4	54.6	53.9	53.2	52.6	52.0	340
360	306.1	215.8	170.7	143.6	125.6	112.7	103.0	95.5	89.5	84.5	80.4	77.0	74.0	71.4	69.1	67.2	65.4	63.8	62.4	61.1	59.9	58.8	57.9	57.0	56.1	55.4	54.6	54.0	53.4	360
380	318.7	224.4	177.3	149.0	130.2	116.7	106.6	98.7	92.5	87.3	83.0	79.4	76.3	73.6	71.2	69.2	67.3	65.7	64.2	62.8	61.6	60.5	59.5	58.5	57.6	56.8	56.1	55.4	54.7	380
400	331.3	233.0	183.9	154.4	134.8	120.7	110.2	102.0	95.5	90.1	85.6	81.8	78.6	75.8	73.3	71.2	69.2	67.5	66.0	64.6	63.3	62.1	61.1	60.1	59.2	58.3	57.5	56.8	56.1	400
420	343.9	241.6	190.5	159.8	139.4	124.7	113.8	105.3	98.4	92.9	88.2	84.3	80.9	78.0	75.4	73.2	71.2	69.4	67.8	66.3	65.0	63.8	62.7	61.6	60.7	59.8	59.0	58.2	57.5	420
440	356.5	250.2	197.1	165.2	144.0	128.8	117.4	108.5	101.4	95.6	90.8	86.7	83.2	80.2	77.5	75.2	73.1	71.2	69.6	68.0	66.7	65.4	64.2	63.2	62.2	61.3	60.4	59.7	58.9	440
460	369.1	258.8	203.7	170.6	148.6	132.8	121.0	111.8	104.4	98.4	93.4	89.2	85.8	82.4	79.6	77.2	75.0	73.1	71.4	69.8	68.3	67.0	65.8	64.7	63.7	62.8	61.9	61.1	60.3	460
480	381.7	267.4	210.3	176.0	153.2	136.8	124.6	115.1	107.4	101.2	96.0	91.6	87.8	84.6	81.7	79.2	77.0	74.9	73.1	71.5	70.0	68.7	67.4	66.3	65.2	64.3	63.3	62.5	61.7	480
500	394.4	276.1	216.9	181.4	157.8	140.9	128.2	118.3	110.4	104.0	98.6	94.1	90.1	86.8	83.8	81.2	78.9	76.8	74.9	73.2	71.7	70.3	69.0	67.8	66.7	65.7	64.8	63.9	63.1	500
600	457.4	319.1	249.9	208.4	180.7	161.0	146.2	134.6	125.4	117.9	111.6	106.3	101.7	97.7	94.3	91.2	88.5	86.1	83.9	81.9	80.1	78.5	77.0	75.6	74.3	73.1	72.0	71.0	70.1	600
700	520.5	362.1	282.9	235.4	203.7	181.1	164.1	150.9	140.4	131.7	124.6	118.5	113.2	108.7	104.6	101.3	98.2	95.4	92.9	90.6	88.6	86.7	85.0	83.4	81.9	80.6	79.3	78.1	77.0	700
800	583.6	405.1	315.9	262.4	226.7	201.2	182.1	167.3	155.4	145.6	137.5	130.7	124.8	119.7	115.2	111.3	107.8	104.7	101.9	99.3	97.0	94.9	92.9	91.1	89.5	88.0	86.6	85.2	84.0	800
900	646.6	446.2	349.0	289.4	249.7	221.4	200.1	183.6	170.4	159.5	150.5	142.9	136.3	130.7	125.7	121.3	117.4	113.9	110.8	108.0	105.4	103.1	100.9	98.9	97.1	95.4	93.8	92.3	91.0	900
Term. 2/	79.040	60.910	51.845	46.405	42.780	40.190	38.250	36.735	35.530	34.540	33.715	33.020	32.420	31.900	31.450	31.050	30.695	30.375	30.090	29.830	29.595	29.380	29.185	29.000	28.835	28.680	28.535	28.400	28.275	Term. 2/
L. H. 3/	.63064	.43029	.33012	.27001	.22994	.20132	.17985	.16316	.14980	.13887	.12977	.12206	.11545	.10973	.10472	.10030	.09637	.09286	.08970	.08683	.08423	.08186	.07968	.07767	.07582	.07411	.07252	.07104	.06966	L. H. 3/

1/ Based on a tare weight of 21.1 tons and a ratio of empty car miles to loaded car miles of 0.284. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.22.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.31.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

Territory No. 2 - Eastern, excl. N. E.
& No. Ill.

BOX CARS

TABLE 8.—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.1	16.8	14.4	12.6	11.2	10.1	9.2	8.4	7.8	7.2	6.8	6.3	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	10
20	21.1	17.6	15.1	13.3	11.8	10.6	9.7	8.9	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	20
30	22.1	18.5	15.9	13.9	12.4	11.2	10.2	9.3	8.6	8.0	7.5	7.1	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.6	3.5	3.4	30
40	23.1	19.3	16.6	14.6	13.0	11.7	10.7	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.0	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.7	3.6	40
50	24.1	20.2	17.3	15.2	13.6	12.2	11.2	10.3	9.5	8.9	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	50
60	25.1	21.0	18.1	15.9	14.2	12.8	11.7	10.7	9.9	9.3	8.7	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.6	4.4	4.3	4.2	4.1	60
70	26.1	21.9	18.8	16.5	14.7	13.3	12.2	11.2	10.4	9.7	9.1	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	70
80	27.2	22.7	19.6	17.2	15.3	13.9	12.7	11.6	10.8	10.1	9.4	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	80
90	28.2	23.6	20.3	17.8	15.9	14.4	13.2	12.1	11.2	10.5	9.8	9.2	8.7	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.6	5.4	5.2	5.1	4.9	4.8	4.7	90
100	29.2	24.4	21.0	18.5	16.5	14.9	13.6	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	100
120	31.2	26.1	22.5	19.8	17.7	16.0	14.6	13.5	12.5	11.7	11.0	10.3	9.8	9.3	8.8	8.4	8.1	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	120
140	33.2	27.8	24.0	21.1	18.9	17.1	15.6	14.4	13.4	12.5	11.7	11.1	10.5	9.9	9.5	9.0	8.7	8.3	8.0	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.2	6.0	5.9	5.7	140
160	35.2	29.5	25.5	22.4	20.1	18.2	16.6	15.3	14.2	13.3	12.5	11.8	11.2	10.6	10.1	9.7	9.3	8.9	8.5	8.2	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.5	6.3	6.2	160
180	37.2	31.2	26.9	23.7	21.2	19.2	17.6	16.3	15.1	14.1	13.3	12.5	11.9	11.3	10.7	10.3	9.8	9.5	9.1	8.8	8.5	8.2	7.9	7.7	7.5	7.3	7.1	6.9	6.7	6.6	180
200	39.2	32.9	28.4	25.0	22.4	20.3	18.6	17.2	16.0	14.9	14.0	13.2	12.5	11.9	11.4	10.9	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.2	7.0	200
220	41.2	34.6	29.9	26.3	23.6	21.4	19.6	18.1	16.8	15.7	14.8	14.0	13.2	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.4	220
240	43.2	36.3	31.4	27.7	24.8	22.5	20.6	19.0	17.7	16.5	15.6	14.7	13.9	13.3	12.6	12.1	11.6	11.2	10.7	10.4	10.0	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	240
260	45.2	38.0	32.8	29.0	26.0	23.5	21.6	19.9	18.5	17.4	16.3	15.4	14.6	13.9	13.3	12.7	12.2	11.7	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.1	8.9	8.6	8.4	8.2	260
280	47.2	39.7	34.3	30.3	27.1	24.6	22.6	20.9	19.4	18.2	17.1	16.1	15.3	14.6	13.9	13.3	12.8	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	8.7	280
300	49.2	41.4	35.8	31.6	28.3	25.7	23.6	21.8	20.3	19.0	17.8	16.9	16.0	15.2	14.5	13.9	13.4	12.9	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.0	9.8	9.5	9.3	9.1	300
320	51.2	43.1	37.3	32.9	29.5	26.8	24.5	22.7	21.1	19.8	18.6	17.6	16.7	15.9	15.2	14.5	14.0	13.4	12.9	12.5	12.1	11.7	11.4	11.0	10.7	10.5	10.2	9.9	9.7	9.5	320
340	53.2	44.8	38.7	34.2	30.7	27.8	25.5	23.6	22.0	20.6	19.4	18.3	17.4	16.6	15.8	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.9	11.5	11.2	10.9	10.6	10.4	10.1	9.9	340
360	55.2	46.5	40.2	35.5	31.8	28.9	26.5	24.5	22.8	21.4	20.1	19.0	18.1	17.2	16.4	15.8	15.1	14.6	14.0	13.6	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.8	10.6	10.3	360
380	57.3	48.2	41.7	36.8	33.0	30.0	27.5	25.5	23.7	22.2	20.9	19.8	18.8	17.9	17.1	16.4	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.5	12.1	11.8	11.5	11.3	11.0	10.8	380
400	59.3	49.9	43.2	38.1	34.2	31.1	28.5	26.4	24.6	23.0	21.7	20.5	19.5	18.5	17.7	17.0	16.3	15.7	15.1	14.6	14.2	13.7	13.3	12.9	12.6	12.3	12.0	11.7	11.4	11.2	400
[illegible]	61.3	51.6	44.6	39.4	35.4	32.1	29.5	27.3	25.4	23.8	22.4	21.2	20.2	19.2	18.4	17.6	16.9	16.3	15.7	15.2	14.7	14.2	13.8	13.4	13.1	12.7	12.4	12.1	11.8	11.6	420
[illegible]	63.3	53.3	46.1	40.7	36.6	33.2	30.5	28.2	26.3	24.6	23.2	22.0	20.8	19.9	19.0	18.2	17.5	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.2	12.9	12.6	12.3	12.0	440
[illegible]	65.3	55.0	47.8	42.0	37.7	34.3	31.5	29.1	27.1	25.4	24.0	22.7	21.5	20.5	19.6	18.8	18.1	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.6	13.3	13.0	12.7	12.4	460
480	67.3	56.7	49.1	43.4	38.9	35.4	32.5	30.1	28.0	26.3	24.7	23.4	22.2	21.2	20.3	19.4	18.7	18.0	17.3	16.8	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.4	13.1	12.8	480
500	69.3	58.3	50.5	44.7	40.1	36.4	33.5	31.0	28.9	27.1	25.5	24.1	22.9	21.8	20.9	20.0	19.2	18.5	17.9	17.3	16.7	16.2	15.8	15.3	14.9	14.5	14.2	13.9	13.6	13.3	500
600	79.3	66.8	57.9	51.2	46.0	41.8	38.4	35.6	33.2	31.1	29.3	27.8	26.4	25.2	24.1	23.1	22.2	21.4	20.6	19.9	19.3	18.7	18.2	17.7	17.3	16.8	16.4	16.0	15.7	15.4	600
700	89.4	75.3	65.3	57.7	51.9	47.2	43.4	40.2	37.5	35.2	33.1	31.4	29.8	28.5	27.2	26.1	25.1	24.2	23.4	22.6	21.9	21.3	20.7	20.1	19.6	19.1	18.6	18.2	17.8	17.4	700
800	99.4	83.8	72.4	64.3	57.8	52.6	48.3	44.8	41.8	39.2	37.0	35.0	33.3	31.8	30.4	29.2	28.1	27.0	26.1	25.3	24.5	23.8	23.1	22.5	21.9	21.4	20.9	20.4	19.9	19.5	800
900	109.4	92.3	80.0	70.8	63.7	58.0	53.3	49.4	46.1	43.3	40.8	38.7	36.8	35.1	33.6	32.2	31.0	29.9	28.9	27.9	27.1	26.3	25.5	24.9	24.2	23.6	23.1	22.6	22.1	21.6	900
1000	119.5	100.8	87.4	77.4	69.6	63.3	58.2	54.0	50.4	47.3	44.6	42.3	40.2	38.4	36.7	35.3	33.9	32.7	31.6	30.6	29.7	28.8	28.0	27.2	26.6	25.9	25.3	24.7	24.2	23.7	1000
1100	129.5	109.2	94.8	83.9	75.5	68.7	63.2	58.6	54.7	51.3	48.4	45.9	43.7	41.7	39.9	38.3	36.9	35.6	34.4	33.3	32.2	31.3	30.4	29.6	28.9	28.2	27.5	26.9	26.3	25.8	1100
1200	139.5	117.7	102.1	90.5	81.4	74.1	68.1	63.2	59.0	55.4	52.3	49.5	47.1	45.0	43.1	41.4	39.8	38.4	37.1	35.9	34.8	33.8	32.9	32.0	31.2	30.5	29.8	29.1	28.5	27.9	1200
1300	149.6	126.2	109.5	97.0	87.3	79.5	73.1	67.8	63.3	59.4	56.1	53.2	50.6	48.3	46.3	44.4	42.7	41.2	39.8	38.6	37.4	36.3	35.3	34.4	33.5	32.7	32.0	31.3	30.6	30.0	1300
1400	159.6	134.7	116.9	103.5	93.2	84.8	78.0	72.4	67.6	63.5	60.0	56.8	54.1	51.6	49.4	47.5	45.7	44.1	42.6	41.2	40.0	38.8	37.8	36.8	35.9	35.0	34.2	33.4	32.7	32.1	1400
1500	169.6	143.2	124.3	110.1	99.0	90.2	83.0	77.0	71.9	67.5	63.7	60.4	57.5	54.9	52.6	50.5	48.6	46.9	45.3	43.9	42.6	41.3	40.2	39.2	38.2	37.3	36.4	35.6	34.9	34.2	1500
Term. 2/	19.122	15.935	13.659	11.951	10.623	9.561	8.692	7.968	7.355	6.829	6.374	5.976	5.624	5.312	5.032	4.781	4.553	4.346	4.157	3.984	3.824	3.677	3.541	3.415	3.297	3.187	3.084	2.988	2.897	2.812	Term. 2/
L. H. 3/	.100350	.084825	.073736	.065419	.058950	.053775	.049541	.046013	.043027	.040408	.038250	.036309	.034597	.033075	.031713	.030488	.029379	.028370	.027450	.026606	.025830	.025113	.024450	.023834	.023260	.022725	.022224	.021755	.021314	.020899	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.350. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 8 (Concluded).—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	10
20	3.1	3.1	3.0	2.9	2.8	2.8	2.7	[illegible]	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.3	3.3	3.2	3.1	3.0	3.0	[illegible]	[illegible]	2.8	2.7	2.7	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.1	[illegible]	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	70
80	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	100
120	5.2	5.1	5.0	4.9	4.7	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	120
140	5.6	5.5	5.4	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	140
160	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	3.8	160
180	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	180
200	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	200
220	7.2	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	220
240	7.7	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	5.0	240
260	8.1	7.9	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.3	260
280	8.5	8.3	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	280
300	8.9	8.7	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	6.0	5.9	5.8	300
320	9.3	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	320
340	9.7	9.5	9.3	9.1	9.0	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.5	6.4	340
360	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	360
380	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	380
400	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	[illegible]	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	7.3	400
420	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.6	7.6	420
440	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	7.9	7.9	440
460	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	8.9	8.8	8.7	8.7	8.6	8.5	8.4	8.3	8.2	8.2	460
480	12.6	12.3	12.1	11.9	11.6	11.4	11.2	11.1	10.9	10.7	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	480
500	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	500
600	15.0	14.7	14.5	14.2	13.9	13.7	13.5	13.2	13.0	12.8	12.7	12.5	12.3	12.1	12.0	11.8	11.7	11.5	11.4	11.3	11.1	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	10.2	600
700	17.1	16.8	16.4	16.1	15.9	15.6	15.3	15.1	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.5	13.3	13.1	13.0	12.8	12.7	12.6	12.4	12.3	12.2	12.1	12.0	11.8	11.7	11.5	700
800	19.1	18.8	18.4	18.1	17.8	17.5	17.2	16.9	16.6	16.4	16.2	15.9	15.7	15.5	15.3	15.1	14.9	14.8	14.6	14.4	14.3	14.1	14.0	13.8	13.7	13.6	13.4	13.3	13.2	13.1	800
900	21.2	20.8	20.4	20.0	19.7	19.3	19.0	18.7	18.5	18.2	17.9	17.7	17.4	17.2	17.0	16.8	16.6	16.4	16.2	16.0	15.8	15.7	15.5	15.4	15.2	15.1	14.9	14.8	14.7	14.5	900
1000	23.2	22.8	22.4	22.0	21.6	21.2	20.9	20.6	20.3	20.0	20.0	19.4	19.1	18.9	18.7	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.0	16.9	16.7	16.6	16.4	16.3	16.1	16.0	1000
1100	25.3	24.8	24.4	23.9	23.5	23.1	22.7	22.4	22.1	21.7	21.4	21.1	20.9	20.6	20.3	20.1	19.8	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.2	18.1	17.9	17.7	17.6	17.4	1100
1200	27.3	26.8	26.3	25.9	25.4	25.0	24.6	24.2	23.9	23.5	23.2	22.9	22.6	22.3	22.0	21.7	21.5	21.2	21.0	20.8	20.5	20.3	20.1	19.9	19.7	19.5	19.4	19.2	19.0	18.9	1200
1300	29.4	28.8	28.3	27.8	27.3	26.9	26.5	26.1	25.7	25.3	24.9	24.6	24.3	24.0	23.7	23.4	23.1	22.8	22.6	22.3	22.1	21.9	21.7	21.4	21.2	21.0	20.8	20.7	20.5	20.3	1300
1400	31.4	30.8	30.3	29.8	29.3	28.8	28.3	27.9	27.5	27.1	26.7	26.3	26.0	25.7	25.3	25.0	24.7	24.5	24.2	23.9	23.7	23.4	23.2	23.0	22.8	22.5	22.3	22.1	21.9	21.8	1400
1500	33.5	32.9	32.3	31.7	31.2	30.7	30.2	29.7	29.3	28.9	28.5	28.1	27.7	27.3	27.0	26.7	26.4	26.1	25.8	25.5	25.2	25.0	24.7	24.5	24.3	24.0	23.8	23.6	23.4	23.2	1500
Term. 2/	2.732	2.656	2.584	2.516	2.452	2.390	2.332	2.276	2.223	2.173	2.125	2.078	2.034	1.992	1.951	1.912	1.875	1.839	1.804	1.771	1.738	1.707	1.677	1.648	1.621	1.594	1.567	1.542	1.518	1.494	Term. 2/
L. H. 3/	.020507	.020138	.019788	.019457	.019142	.018844	.018560	.018289	.018031	.017785	.017550	.017325	.017110	.016903	.016705	.016515	.016332	.016157	.015988	.015825	.015668	.015517	.015371	.015230	.015094	.014963	.014835	.014712	.014593	.014477	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.350. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 9.—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.4	17.0	14.6	12.8	11.4	10.2	9.3	8.5	7.9	7.3	6.8	6.4	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.3	3.2	3.2	3.1	10
20	21.7	18.1	15.5	13.6	12.1	10.9	9.9	9.1	8.4	7.8	7.3	6.9	6.5	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	20
30	22.9	19.1	16.4	14.4	12.8	11.6	10.5	9.7	9.0	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	4.9	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	30
40	24.2	20.2	17.4	15.2	13.6	12.2	11.2	10.3	9.5	8.8	8.3	7.8	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	40
50	25.5	21.3	18.3	16.1	14.3	12.9	11.8	10.8	10.0	9.3	8.7	8.2	7.7	7.3	7.0	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.1	50
60	26.7	22.4	19.2	16.9	15.0	13.6	12.4	11.4	10.6	9.8	9.2	8.7	8.2	7.7	7.4	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	60
70	28.0	23.4	20.2	17.7	15.8	14.3	13.0	12.0	11.1	10.3	9.7	9.1	8.6	8.1	7.7	7.4	7.1	6.8	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.5	70
80	29.3	24.5	21.1	18.5	16.5	14.9	13.6	12.5	11.6	10.8	10.1	9.5	9.0	8.5	8.1	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	80
90	30.5	25.6	22.0	19.3	17.3	15.6	14.2	13.1	12.1	11.3	10.6	10.0	9.4	9.0	8.5	8.1	7.8	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	90
100	31.8	26.6	22.9	20.2	18.0	16.3	14.9	13.7	12.7	11.8	11.1	10.4	9.9	9.4	8.9	8.5	8.1	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	100
120	34.4	28.8	24.8	21.8	19.5	17.6	16.1	14.8	13.7	12.8	12.0	11.3	10.7	10.2	9.7	9.2	8.8	8.5	8.1	7.8	7.6	7.3	7.1	6.8	6.6	6.4	6.3	6.1	5.9	5.8	120
140	36.9	30.9	26.6	23.4	20.9	19.0	17.3	16.0	14.8	13.8	13.0	12.2	11.6	11.0	10.5	10.0	9.6	9.2	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	140
160	39.4	33.1	28.5	25.1	22.4	20.3	18.6	17.1	15.9	14.8	13.9	13.1	12.4	11.8	11.2	10.7	10.3	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.8	7.5	7.3	7.1	7.0	6.8	160
180	42.0	35.2	30.4	26.7	23.9	21.6	19.8	18.2	16.9	15.8	14.9	14.0	13.3	12.6	12.0	11.5	11.0	10.5	10.1	9.8	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3	180
200	44.5	37.3	32.2	28.4	25.4	23.0	21.0	19.4	18.0	16.8	15.8	14.9	14.1	13.4	12.8	12.2	11.7	11.2	10.8	10.4	10.1	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	200
220	47.0	39.5	34.1	30.0	26.8	24.3	22.2	20.5	[illegible]	17.8	16.7	15.8	15.0	14.2	13.5	13.0	12.4	11.9	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	220
240	49.6	41.6	35.9	31.6	28.3	25.7	23.5	21.7	[illegible]	18.8	17.7	16.7	15.8	15.0	14.3	13.7	13.1	12.6	12.1	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.8	240
260	52.1	43.8	37.8	33.3	29.8	27.0	24.7	22.8	21.2	19.8	18.6	17.6	16.7	15.8	15.1	14.4	13.8	13.3	12.8	12.3	11.9	11.5	11.2	10.8	10.5	10.2	10.0	9.7	9.5	9.3	260
280	54.7	45.9	39.6	34.9	31.3	28.3	25.9	24.0	22.3	20.8	19.6	18.5	17.5	16.6	15.9	15.2	14.6	14.0	13.5	13.0	12.5	12.1	11.8	11.4	11.1	10.8	10.5	10.2	10.0	9.8	280
300	57.2	48.0	41.5	36.6	32.7	29.7	27.2	25.1	23.3	21.8	20.5	19.4	18.3	17.5	16.6	15.9	15.3	14.7	14.1	13.6	13.2	12.7	12.4	12.0	11.7	11.3	11.0	10.8	10.5	10.3	300
320	59.7	50.2	43.3	38.2	34.2	31.0	28.4	26.2	24.4	22.8	21.5	20.3	19.2	18.3	17.4	16.7	16.0	15.4	14.8	14.3	13.8	13.4	12.9	12.6	12.2	11.9	11.6	11.3	11.0	10.8	320
340	62.3	52.3	45.2	39.8	35.7	32.4	29.6	27.4	25.5	23.8	22.4	21.1	20.0	19.1	18.2	17.4	16.7	16.0	15.5	14.9	14.4	14.0	13.5	13.1	12.8	12.4	12.1	11.8	11.5	11.2	340
360	64.8	54.4	47.0	41.9	37.2	33.7	30.9	28.5	26.5	24.8	23.3	22.0	20.9	19.9	19.0	18.1	17.4	16.7	16.1	15.6	15.0	14.6	14.1	13.7	13.3	13.0	12.6	12.3	12.0	11.7	360
380	67.4	56.6	48.9	43.1	38.6	35.0	32.1	29.7	27.6	25.8	24.3	22.9	21.7	20.7	19.7	18.9	18.1	17.4	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.2	12.9	12.5	12.2	380
400	69.9	58.7	50.8	44.8	40.1	36.4	33.3	30.8	28.7	26.8	25.2	23.8	22.6	21.5	20.5	19.6	18.8	18.1	17.4	16.8	16.3	15.8	15.3	14.8	14.4	14.0	13.7	13.4	13.0	12.7	400
420	72.4	60.9	52.6	46.4	41.6	37.7	34.6	31.9	29.7	27.8	26.2	24.7	23.4	22.3	21.3	20.4	19.6	18.8	18.1	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.2	13.9	13.5	13.2	420
440	75.0	63.0	54.5	48.0	43.1	39.1	35.8	33.1	30.8	28.8	27.1	25.6	24.3	23.1	22.1	21.1	20.3	19.5	18.8	18.1	17.5	17.0	16.5	16.0	15.5	15.1	14.7	14.4	14.0	13.7	440
460	77.5	65.1	56.3	49.7	44.5	40.4	37.0	34.2	31.9	29.8	28.0	26.5	25.1	23.9	22.8	21.9	21.0	20.2	19.4	18.8	18.2	17.6	17.1	16.6	16.1	15.7	15.3	14.9	14.6	14.2	460
480	80.1	67.3	58.2	51.3	46.0	41.8	38.3	35.4	32.9	30.8	29.0	27.4	26.0	24.7	23.6	22.6	21.7	20.9	20.1	19.4	18.8	18.2	17.6	17.1	16.7	16.2	15.8	15.4	15.1	14.7	480
500	82.6	69.4	60.0	53.0	47.5	43.1	39.5	36.5	34.0	31.8	29.9	28.3	26.8	25.5	24.4	23.3	22.4	21.6	20.8	20.1	19.4	18.8	18.2	17.7	17.2	16.8	16.3	15.9	15.6	15.2	500
600	95.3	80.1	69.3	61.2	54.9	49.8	45.7	42.2	39.3	36.8	34.6	32.7	31.1	29.6	28.3	27.1	26.0	25.0	24.1	23.3	22.5	21.8	21.2	20.6	20.0	19.5	19.0	18.5	18.1	17.7	600
700	108.0	90.8	78.6	69.4	62.2	56.5	51.8	47.9	44.6	41.8	39.4	37.2	35.3	33.6	32.1	30.8	29.6	28.4	27.4	26.5	25.6	24.8	24.1	23.4	22.8	22.2	21.6	21.1	20.6	20.2	700
800	120.7	101.5	87.8	77.6	69.6	63.2	58.0	53.6	50.0	46.8	44.1	41.7	39.6	37.7	36.0	34.5	33.1	31.9	30.7	29.7	28.7	27.0	26.3	26.3	25.6	24.9	24.3	23.7	23.2	22.7	800
900	133.4	112.2	97.1	85.8	77.0	69.9	64.2	59.4	55.3	51.8	48.8	46.1	43.8	41.7	39.9	38.2	36.7	35.3	34.1	32.9	31.9	30.9	30.0	29.1	28.4	27.6	26.9	26.3	25.7	25.1	900
1000	146.1	122.9	106.4	94.0	84.3	76.6	70.3	65.1	60.6	56.8	53.5	50.6	48.0	45.8	43.7	41.9	40.3	38.8	37.4	36.1	35.0	33.9	32.9	32.0	31.1	30.3	30.0	28.9	28.2	27.6	1000
1100	158.8	133.6	115.7	102.2	91.7	83.3	76.5	70.8	65.9	61.8	58.2	55.1	52.3	49.8	47.6	45.6	43.8	42.2	40.7	39.3	38.1	36.9	35.9	34.9	33.9	33.1	32.2	31.5	30.8	30.1	1100
1200	171.5	144.3	124.9	110.4	99.1	90.0	82.6	76.5	71.3	66.8	62.9	59.5	56.5	53.9	51.5	49.3	47.4	45.6	44.0	42.6	41.2	39.9	38.8	37.7	36.7	35.8	34.9	34.1	33.3	32.6	1200
1300	184.1	155.0	134.2	118.6	106.5	96.8	88.8	82.2	76.6	71.8	67.6	64.0	60.8	57.9	55.4	53.1	51.0	49.1	47.4	45.8	44.3	43.0	41.7	40.6	39.5	38.5	37.6	36.7	35.8	35.1	1300
1400	196.8	165.7	143.5	126.8	113.8	103.5	95.0	87.9	81.9	76.8	72.3	68.4	65.0	62.0	59.2	56.8	54.5	52.5	50.7	49.0	47.4	46.0	44.7	43.4	42.2	41.2	40.2	39.3	38.4	37.5	1400
1500	209.5	176.4	152.8	135.0	121.2	110.2	101.1	93.6	87.2	81.8	77.0	72.9	69.3	66.0	63.1	60.5	58.1	56.0	54.0	52.2	50.5	49.0	47.6	46.3	45.1	43.9	42.9	41.8	40.9	40.0	1500
Term. 2/	19.122	15.935	13.659	11.951	10.623	9.561	8.692	7.968	7.355	6.829	6.374	5.976	5.624	5.312	5.032	4.781	4.553	4.346	4.157	3.984	3.824	3.677	3.541	3.415	3.297	3.187	3.084	2.988	2.897	2.812	Term. 2/
L. H. 3/	.126940	.106983	.092729	.082038	.073722	.067070	.061627	.057092	.053254	.049964	.047113	.044619	.042418	.040461	.038711	.037135	.035710	.034414	.033230	.032146	.031148	.030227	.029374	.028582	.027845	.027157	.026513	.025909	.025342	.024809	L. H. 3/

1/ Based on a tare weight of 20.6 tons and a ratio of empty car miles to loaded car miles of 0.839. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 9 (Concluded).—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	[illegible]	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	20
30	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	30
40	3.7	3.6	3.5	3.4	3.4	3.3	[illegible]	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.2	40
50	3.9	3.8	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	50
60	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	60
70	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	70
80	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.8	80
90	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	90
100	5.2	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.1	100
120	5.6	5.5	5.4	5.3	5.2	5.1	4.9	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	120
140	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.9	3.8	140
160	6.6	6.5	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	160
180	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	180
200	7.6	7.4	7.3	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	200
220	8.1	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.1	220
240	8.6	8.4	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	240
260	9.1	8.9	8.7	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	260
280	9.5	9.3	9.1	8.9	8.8	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.1	280
300	10.0	9.8	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	300
320	10.5	10.3	10.1	9.9	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	6.9	6.9	6.8	320
340	11.0	10.8	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	340
360	11.5	11.2	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	360
380	12.0	11.7	11.5	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	380
400	12.5	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	400
420	12.9	12.7	12.4	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	420
440	13.4	13.1	12.9	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	440
460	13.9	13.6	13.3	13.1	12.8	12.6	12.4	12.1	11.9	11.7	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	460
480	14.4	14.1	13.8	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	480
500	14.9	14.6	14.3	14.0	13.7	13.5	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.7	11.5	11.3	11.2	11.1	10.9	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	500
600	17.3	17.0	16.6	16.3	16.0	15.7	15.4	15.1	14.9	14.7	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.1	12.9	12.7	12.6	12.4	12.3	12.2	12.0	11.9	11.8	11.7	11.5	11.4	600
700	19.7	19.3	19.0	18.6	18.2	17.9	17.6	17.3	17.0	[illegible]	16.5	16.2	16.0	15.8	15.5	15.3	15.1	14.9	14.8	14.6	14.4	14.2	14.1	13.9	13.8	13.6	13.5	13.3	13.2	13.1	700
800	22.2	21.7	21.3	20.9	20.5	20.1	19.8	19.4	19.1	[illegible]	18.5	18.3	18.0	17.7	17.5	17.3	17.0	16.8	16.6	16.4	16.2	16.0	15.8	15.7	15.5	15.3	15.2	15.0	14.9	14.7	800
900	24.6	24.1	23.6	23.2	22.7	22.3	22.0	21.6	21.2	20.9	20.6	20.3	20.0	19.7	19.4	19.2	18.9	18.7	18.5	18.2	18.0	17.8	17.6	17.4	17.2	17.1	16.9	16.7	16.6	16.4	900
1000	27.0	26.5	26.0	25.5	25.0	24.6	24.1	23.7	23.3	23.0	22.6	22.3	22.0	21.7	21.4	21.1	20.8	20.6	20.3	20.1	19.8	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.2	18.0	1000
1100	29.5	28.9	28.3	27.8	27.3	26.8	26.3	25.9	25.5	25.1	24.7	24.3	24.0	23.6	23.3	23.0	22.7	22.4	22.1	21.9	21.6	21.4	21.2	20.9	20.7	20.5	20.3	20.1	19.9	19.7	1100
1200	31.9	31.3	30.6	30.1	29.5	29.0	28.5	28.0	27.6	27.1	26.7	26.3	26.0	25.6	25.3	24.9	24.6	24.3	24.0	23.7	23.4	23.2	22.9	22.7	22.4	22.2	22.0	21.8	21.6	21.4	1200
1300	34.3	33.6	33.0	32.4	31.8	31.2	30.7	30.2	30.0	29.2	28.8	28.4	28.0	27.6	27.2	26.8	26.5	26.2	25.8	25.5	25.2	25.0	24.7	24.4	24.2	23.9	23.7	23.5	23.2	23.0	1300
1400	36.8	36.0	35.3	34.7	34.0	33.4	32.9	32.3	31.8	31.3	30.8	30.4	29.9	29.5	29.1	28.8	28.4	28.0	27.7	27.4	27.1	26.8	26.5	26.2	25.9	25.6	25.4	25.1	24.9	24.7	1400
1500	39.2	38.4	37.7	36.9	36.3	35.6	35.0	34.5	33.9	33.4	32.9	32.4	31.9	31.5	31.1	30.7	30.3	29.9	29.5	29.2	28.9	28.5	28.2	27.9	27.6	27.4	27.1	26.8	26.6	26.3	1500
Term. 2/	2.732	2.656	2.584	2.516	2.452	2.390	2.332	2.276	2.223	2.173	2.125	2.078	2.034	1.992	1.951	1.912	1.875	1.839	1.804	1.771	1.738	1.707	1.677	1.648	1.621	1.594	1.567	1.542	1.518	1.494	Term. 2/
L. H. 3/	.024306	.023831	.023381	.022955	.022551	.022168	.021802	.021455	.021123	.020807	.020504	.020215	.019938	.019673	.019418	.019174	.018939	.018713	.018496	.018287	.018085	.017891	.017704	.017522	.017347	.017178	.017015	.016856	.016703	.016555	L. H. 3/

1/ Based on a tare weight of 20.6 tons and a ratio of empty car miles to loaded car miles of 0.839. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 10.—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.4	17.0	14.6	12.8	11.4	10.3	9.3	8.6	7.9	7.3	6.9	6.4	6.1	5.7	5.4	5.2	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.7	18.1	15.6	13.6	12.1	10.9	10.0	9.1	8.5	7.9	7.3	6.9	6.5	6.1	5.8	5.5	5.3	5.1	4.8	4.6	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	20
30	23.1	19.3	16.5	14.5	12.9	11.6	10.6	9.7	9.0	8.4	7.8	7.4	6.9	6.6	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	3.6	30
40	24.4	20.4	17.5	15.3	13.7	12.3	11.2	10.3	9.6	8.9	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	3.9	3.8	40
50	25.7	21.5	18.4	16.2	14.4	13.0	11.9	10.9	10.1	9.4	8.8	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	50
60	27.0	22.6	19.4	17.0	15.8	13.7	12.5	11.5	10.6	9.9	9.3	8.7	8.2	7.8	7.4	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.3	60
70	28.3	23.7	20.4	17.9	15.9	14.4	13.1	12.1	11.2	10.4	9.8	9.2	8.7	8.2	7.8	7.5	7.1	6.8	6.5	6.3	6.1	5.8	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	70
80	29.6	24.8	21.3	18.7	16.7	15.1	13.8	12.7	11.7	10.9	10.3	9.7	9.1	8.5	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	80
90	30.9	25.9	22.3	19.6	17.5	15.8	14.4	13.3	12.3	11.5	10.7	10.1	9.6	9.1	8.6	8.2	7.9	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	90
100	32.2	27.0	23.2	20.4	18.2	16.5	15.0	13.9	12.8	12.0	11.2	10.6	10.0	9.5	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.6	6.3	6.2	6.0	5.8	5.6	5.5	5.4	100
120	34.9	29.2	25.1	22.1	19.8	17.9	16.3	15.0	13.9	13.0	12.2	11.5	10.9	10.3	9.8	9.4	9.0	8.6	8.3	7.9	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.2	6.0	5.9	120
140	37.5	31.4	27.1	23.8	21.3	19.2	17.6	16.2	15.0	14.0	13.2	12.4	11.7	11.1	10.6	10.1	9.7	9.3	8.9	8.6	8.3	8.0	7.8	7.5	7.3	7.1	6.9	6.7	6.5	6.4	140
160	40.1	33.6	29.0	25.5	22.8	20.6	18.9	17.4	16.1	15.1	14.1	13.3	12.6	12.0	11.4	10.9	10.4	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.1	6.9	160
180	42.7	35.8	30.9	27.2	24.3	22.0	20.1	18.6	17.2	16.1	15.1	14.2	13.5	12.8	12.2	11.7	11.2	10.7	10.3	9.9	9.6	9.3	9.0	8.7	8.4	8.2	8.0	7.8	7.6	7.4	180
200	45.4	38.0	32.8	28.9	25.8	23.4	21.4	19.7	18.3	17.1	16.1	15.2	14.4	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	200
220	48.0	40.2	34.7	30.6	27.4	24.8	22.7	20.9	19.4	18.2	17.0	16.1	15.2	14.5	13.8	13.2	12.6	12.1	11.7	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.1	8.8	8.6	8.4	220
240	50.6	42.5	36.6	32.3	28.9	26.2	23.9	22.1	20.5	19.2	18.0	17.0	16.1	15.3	14.6	13.9	13.4	12.8	12.4	11.9	11.5	11.1	10.8	10.5	10.2	9.9	9.6	9.4	9.1	8.9	240
260	53.2	44.7	38.6	34.0	30.4	27.6	25.2	23.3	21.6	20.2	19.0	17.9	17.0	16.1	15.4	14.7	14.1	13.5	13.0	12.6	12.1	11.7	11.4	11.0	10.7	10.4	10.2	9.9	9.7	9.4	260
280	55.9	46.9	40.5	35.7	31.9	28.9	26.5	24.4	22.7	21.2	20.0	18.8	17.9	17.0	16.2	15.5	14.8	14.3	13.7	13.2	12.8	12.4	12.0	11.6	11.3	11.0	10.7	10.4	10.2	9.9	280
300	58.5	49.1	42.4	37.4	33.4	30.3	27.8	25.6	23.8	22.3	20.9	19.8	18.7	17.8	17.0	16.2	15.6	15.0	14.4	13.9	13.4	13.0	12.6	12.2	11.9	11.5	11.2	11.0	10.7	10.4	300
320	61.1	51.3	44.3	39.1	35.0	31.7	29.0	26.8	24.9	23.3	21.9	20.7	19.6	18.6	17.8	17.0	16.3	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.4	12.1	11.8	11.5	11.2	11.0	320
340	63.7	53.5	46.2	40.7	36.5	33.1	30.3	28.0	26.0	24.3	22.9	21.6	20.5	19.5	18.6	17.8	17.0	16.4	15.8	15.2	14.7	14.2	13.8	13.4	13.0	12.7	12.3	12.0	11.7	11.5	340
360	66.3	55.7	48.1	42.4	38.0	34.5	31.6	29.2	27.1	25.4	23.8	22.5	21.3	20.3	19.4	18.5	17.8	17.1	16.5	15.9	15.3	14.9	14.4	14.0	13.6	13.2	12.9	12.6	12.3	12.0	360
380	69.0	57.9	50.0	44.1	39.5	35.9	32.8	30.3	28.2	26.4	24.8	23.4	22.2	21.1	20.2	19.3	18.5	17.8	17.1	16.5	16.0	15.5	15.0	14.6	14.2	13.8	13.4	13.1	12.8	12.5	380
400	71.6	60.1	52.0	45.8	41.1	37.2	34.1	31.5	29.3	27.4	25.8	24.4	23.1	22.0	21.0	20.1	19.2	18.5	17.8	17.2	16.6	16.1	15.6	15.2	14.7	14.3	14.0	13.6	13.3	13.0	400
420	74.2	62.4	53.9	47.5	42.6	38.6	35.4	32.7	30.4	28.5	26.8	25.3	24.0	22.8	21.8	20.8	20.0	19.2	18.5	17.9	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	420
440	76.8	64.6	55.8	49.2	44.1	40.0	36.7	33.9	31.5	29.5	27.7	26.2	24.8	23.6	22.6	21.6	20.7	19.9	19.2	18.5	17.9	17.3	16.8	16.3	15.9	15.4	15.1	14.7	14.3	14.0	440
460	79.5	66.8	57.7	50.9	45.6	41.4	37.9	35.0	32.6	30.5	28.7	27.1	25.7	24.5	23.4	22.4	21.4	20.6	19.9	19.2	18.5	18.0	17.4	16.9	16.4	16.0	15.6	15.2	14.9	14.5	460
480	82.1	69.0	59.6	52.6	47.1	42.8	39.2	36.2	33.7	31.5	29.7	28.0	26.6	25.3	24.1	23.1	22.2	21.3	20.5	19.8	19.2	18.6	18.0	17.5	17.0	16.6	16.1	15.7	15.4	15.0	480
500	84.7	71.2	61.5	54.3	48.7	44.2	40.5	37.4	34.8	32.6	30.6	28.9	27.5	26.1	24.9	23.9	22.9	22.0	21.2	20.5	19.8	19.2	18.6	18.1	17.6	17.1	16.7	16.3	15.9	15.5	500
600	97.8	82.2	71.1	62.8	56.3	51.1	46.8	43.3	40.3	37.7	35.5	33.5	31.8	30.3	28.9	27.7	26.6	25.6	24.6	23.8	23.0	22.3	21.6	21.0	20.4	19.9	19.4	18.9	18.5	18.1	600
700	110.9	93.3	80.7	71.2	63.9	58.0	53.2	49.2	45.8	42.9	40.3	38.1	36.2	34.5	32.9	31.5	30.3	29.1	28.1	27.1	26.2	25.4	24.7	24.0	23.3	22.7	22.1	21.6	21.1	20.6	700
800	124.1	104.3	90.3	79.7	71.5	64.9	59.5	55.1	51.3	48.0	45.2	42.7	40.6	38.6	36.9	35.3	33.9	32.6	31.5	30.4	29.4	28.5	27.7	26.9	26.2	25.5	24.8	24.2	23.7	23.2	800
900	137.2	115.4	99.8	88.2	79.1	71.8	65.9	60.9	56.8	53.2	50.0	47.3	44.9	42.8	40.9	39.2	37.6	36.2	34.9	33.7	32.6	31.6	30.7	29.8	29.0	28.3	27.6	26.9	26.3	25.7	900
1000	150.3	126.5	109.4	96.6	86.7	78.8	72.2	66.8	62.2	58.3	54.9	51.9	49.3	47.0	44.9	43.0	41.3	39.7	38.3	37.0	35.8	34.7	33.7	32.8	31.9	31.1	30.3	29.6	28.9	28.2	1000
1100	163.4	137.5	119.0	105.1	94.3	85.7	78.6	72.7	67.7	63.5	59.8	56.5	53.7	51.1	48.8	46.8	44.9	43.3	41.7	40.3	39.0	37.8	36.7	35.7	34.7	33.8	33.0	32.2	31.5	30.8	1100
1200	176.5	148.5	128.6	113.6	101.9	92.6	85.0	78.6	73.2	68.6	64.6	61.1	58.0	55.3	52.8	50.6	48.6	46.8	45.1	43.6	42.2	40.9	39.7	38.6	37.6	36.6	35.7	34.9	34.1	33.3	1200
1300	189.7	159.6	138.1	122.0	109.5	99.5	91.3	84.5	78.7	73.8	69.5	65.7	62.4	59.4	56.8	54.4	52.3	50.3	48.6	46.9	45.4	44.0	42.7	41.6	40.4	39.4	38.4	37.5	36.7	35.9	1300
1400	202.8	170.7	147.7	130.5	117.1	106.4	97.7	90.4	84.2	78.9	74.3	70.3	66.8	63.6	60.8	58.3	56.0	53.9	52.0	50.2	48.6	47.1	45.8	44.5	43.3	42.2	41.2	40.2	39.3	38.4	1400
1500	215.9	181.7	157.3	139.0	124.7	113.3	104.0	96.3	89.7	84.0	79.2	74.9	71.1	67.8	64.8	62.1	59.6	57.4	55.4	53.5	51.8	50.2	48.8	47.4	46.2	45.0	43.9	42.8	41.9	41.0	1500
Term. 2/	19.122	15.935	13.659	11.951	10.623	9.561	8.692	7.968	7.355	6.829	6.374	5.976	5.624	5.312	5.032	4.781	4.553	4.346	4.157	3.984	3.824	3.677	3.541	3.415	3.297	3.187	3.084	2.988	2.897	2.812	Term. 2/
L. H. 3/	.131180	.110517	.095757	.084688	.076078	.069190	.063555	.058858	.054885	.051479	.048527	.045944	.043665	.041639	.039826	.038195	.036719	.035377	.034152	.033029	.031996	.031042	.030159	.029339	.028576	.027863	.027197	.026572	.025985	.025432	L. H. 3/

1/ Based on a tare weight of 22.1 tons and a ratio of empty car miles to loaded car miles of 0.843. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 10 (Concluded).—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	20
30	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	30
40	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	40
50	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	50
60	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	60
70	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	70
80	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	80
90	5.0	4.9	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	90
100	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	100
120	5.7	5.6	5.5	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	120
140	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.2	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.9	140
160	6.7	6.6	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	160
180	7.2	7.1	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	180
200	7.7	7.5	7.4	7.2	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	200
220	8.2	8.0	7.9	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	220
240	8.7	8.5	8.3	8.2	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	240
260	9.2	9.0	8.8	8.6	8.5	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	260
280	9.7	9.5	9.3	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.2	280
300	10.2	10.0	9.8	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.6	300
320	10.7	10.5	10.2	10.0	9.8	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	320
340	11.2	11.0	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	340
360	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	360
380	12.2	11.9	11.7	11.5	11.2	11.0	10.8	10.6	10.4	10.3	10.1	9.9	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	7.9	380
400	12.7	12.4	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.5	8.5	8.4	8.3	8.2	400
420	13.2	12.9	12.6	12.4	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	420
440	13.7	13.4	13.1	12.9	12.6	12.4	12.2	11.9	11.7	11.5	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	440
460	14.2	13.9	13.6	13.3	13.1	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	460
480	14.7	14.4	14.1	13.8	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.5	11.3	11.2	11.0	10.9	10.7	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	480
500	15.2	14.9	14.6	14.3	14.0	13.7	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.9	11.7	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.2	10.1	10.0	9.9	500
600	17.7	17.3	17.0	16.6	16.3	16.0	15.7	15.5	15.2	14.9	14.7	14.5	14.3	14.1	13.9	13.7	13.5	13.3	13.1	13.0	12.8	12.7	12.5	12.4	12.2	12.1	12.0	11.9	11.7	11.6	600
700	20.2	19.7	19.4	19.0	18.6	18.3	18.0	17.6	17.4	17.1	16.8	16.6	16.3	16.1	15.8	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.4	13.3	700
800	22.7	22.2	21.7	21.3	20.9	20.5	20.2	19.8	19.5	19.2	18.9	18.6	18.3	18.1	17.8	17.6	17.4	17.1	16.9	16.7	16.5	16.3	16.1	16.0	15.8	15.6	15.5	15.3	15.2	15.0	800
900	25.2	24.6	24.1	23.7	23.2	22.8	22.4	22.0	21.7	21.3	21.0	20.7	20.4	20.1	19.8	19.6	19.3	19.0	18.8	18.6	18.4	18.2	17.9	17.7	17.6	17.4	17.2	17.0	16.9	16.7	900
1000	27.6	27.1	26.5	26.0	25.5	25.1	24.7	24.2	23.8	23.5	23.1	22.8	22.4	22.1	21.8	21.5	21.2	21.0	20.7	20.5	20.2	20.0	19.8	19.5	19.3	19.1	18.9	18.7	18.6	18.4	1000
1100	30.1	29.5	28.9	28.4	27.9	27.4	26.9	26.4	26.0	25.6	25.2	24.8	24.5	24.1	23.8	23.5	23.2	22.9	22.6	22.3	22.1	21.8	21.6	21.3	21.1	20.9	20.7	20.5	20.3	20.1	1100
1200	32.6	32.0	31.3	30.7	30.2	29.6	29.1	28.6	28.2	27.7	27.3	26.9	26.5	26.1	25.8	25.4	25.1	24.8	24.5	24.2	23.9	23.6	23.4	23.1	22.9	22.6	22.4	22.2	22.0	21.8	1200
1300	35.1	34.4	33.7	33.1	32.5	31.9	31.3	30.8	30.3	29.8	29.4	29.0	28.5	28.1	27.8	27.4	27.0	26.7	26.4	26.1	25.8	25.5	25.2	24.9	24.6	24.4	24.1	23.9	23.7	23.4	1300
1400	37.6	36.8	36.1	35.4	34.8	34.2	33.6	33.0	32.5	32.0	31.5	31.0	30.6	30.2	29.7	29.3	29.0	28.6	28.3	27.9	27.6	27.3	27.0	26.7	26.4	26.1	25.9	25.6	25.4	25.1	1400
1500	40.1	39.3	38.5	37.8	37.1	36.4	35.8	35.2	34.6	34.1	33.6	33.1	32.6	32.2	31.7	31.3	30.9	30.5	30.1	29.8	29.4	29.1	28.8	28.5	28.2	27.9	27.6	27.3	27.1	26.8	1500
Term. 2/	2.732	2.656	2.584	2.516	2.452	2.390	2.332	2.276	2.223	2.173	2.125	2.078	2.034	1.992	1.951	1.912	1.875	1.839	1.804	1.771	1.738	1.707	1.677	1.648	1.621	1.594	1.567	1.542	1.513	1.494	Term. 2/
L. H. 3/	.024911	.024419	.023954	.023513	.023095	.022698	.022320	.021960	.021616	.021289	.020976	.020676	.020389	.020115	.019851	.019598	.019355	.019121	.018896	.018680	.018471	.018270	.018075	.017888	.017707	.017532	.017362	.017198	.017040	.016836	L. H. 3/

1/ Based on a tare weight of 22.1 tons and a ratio of empty car miles to loaded car miles of 0.843. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 11.--TERRITORY NO. 2 - Eastern, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net loads in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.5	14.6	12.5	11.0	9.8	8.8	8.0	7.3	6.8	6.3	5.9	5.5	5.2	4.9	4.7	4.4	4.2	4.0	3.9	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	10
20	18.9	15.8	13.6	11.9	10.6	9.5	8.7	8.0	7.4	6.9	6.4	6.0	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	2.9	20
30	20.4	17.0	14.6	12.8	11.4	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.2	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	30
40	21.8	18.3	15.7	13.8	12.3	11.1	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	3.5	40
50	23.3	19.5	16.7	14.7	13.1	11.8	10.8	9.9	9.2	8.6	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	3.9	3.8	3.7	50
60	24.7	20.7	17.8	15.6	13.9	12.6	11.5	10.6	9.8	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.2	4.1	4.0	60
70	26.2	21.9	18.9	16.6	14.8	13.3	12.2	11.2	10.4	9.7	9.1	8.5	8.1	7.6	7.3	6.9	6.6	6.3	6.1	5.9	5.6	5.4	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	70
80	27.6	23.1	19.9	17.5	15.6	14.1	12.9	11.9	11.0	10.2	9.6	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.6	80
90	29.1	24.4	21.0	18.4	16.5	14.9	13.6	12.5	11.6	10.8	10.1	9.5	9.0	8.5	8.1	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.6	5.4	5.2	5.1	5.0	4.8	90
100	30.5	25.6	22.0	19.4	17.3	15.6	14.3	13.1	12.2	11.4	10.7	10.0	9.5	9.0	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.2	6.0	5.9	5.7	5.5	5.4	5.2	5.1	100
120	33.4	28.0	24.1	21.2	19.0	17.2	15.7	14.4	13.4	12.5	11.7	11.0	10.4	9.9	9.4	9.0	8.6	8.3	7.9	7.7	7.4	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	120
140	36.3	30.5	26.2	23.1	20.6	18.7	17.1	15.7	14.6	13.6	12.8	12.0	11.4	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	6.5	6.4	6.2	140
160	39.2	32.9	28.4	25.0	22.3	20.2	18.5	17.0	15.8	14.8	13.8	13.1	12.4	11.7	11.2	10.7	10.2	9.8	9.4	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	160
180	42.1	35.3	30.5	26.8	24.0	21.7	19.9	18.3	17.0	15.9	14.9	14.1	13.3	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.5	7.3	180
200	45.0	37.8	32.6	28.7	25.7	23.2	21.3	19.6	18.2	17.0	16.0	15.1	14.3	13.6	12.9	12.3	11.8	11.3	10.9	10.5	10.2	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.0	7.9	200
220	47.9	40.2	34.7	30.6	27.3	24.8	22.7	20.9	19.4	18.1	17.0	16.1	15.2	14.5	13.8	13.2	12.6	12.1	11.7	11.2	10.9	10.5	10.2	9.9	9.6	9.3	9.1	8.8	8.6	8.4	220
240	50.8	42.7	36.8	32.4	29.0	26.3	24.1	22.2	20.6	19.3	18.1	17.1	16.2	15.4	14.7	14.0	13.4	12.9	12.4	12.0	11.5	11.2	10.8	10.5	10.2	9.9	9.6	9.4	9.2	9.0	240
260	53.7	45.1	38.9	34.3	30.7	27.8	25.4	23.5	21.8	20.4	19.2	18.1	17.1	16.3	15.5	14.8	14.2	13.7	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.2	10.0	9.7	9.5	260
280	56.6	47.5	41.0	36.2	32.4	29.3	26.8	24.8	23.0	21.5	20.2	19.1	18.1	17.2	16.4	15.7	15.0	14.4	13.9	13.4	12.9	12.5	12.1	11.8	11.4	11.1	10.8	10.6	10.3	10.0	280
300	59.5	50.0	43.1	38.0	34.0	30.8	28.2	26.1	24.2	22.7	21.3	20.1	19.0	18.1	17.3	16.5	15.8	15.2	14.6	14.1	13.6	13.2	12.8	12.4	12.1	11.7	11.4	11.1	10.9	10.6	300
320	62.4	52.4	45.3	39.9	35.7	32.4	29.6	27.4	25.4	23.8	22.3	21.1	20.0	19.0	18.1	17.3	16.6	16.0	15.4	14.8	14.3	13.9	13.4	13.0	12.7	12.3	12.0	11.7	11.4	11.1	320
340	65.3	54.9	47.4	41.8	37.4	33.9	31.0	28.7	26.6	24.9	23.4	22.1	20.9	19.9	19.0	18.2	17.4	16.7	16.1	15.5	15.0	14.5	14.1	13.7	13.3	12.9	12.6	12.3	12.0	11.7	340
360	68.2	57.3	49.5	43.6	39.1	35.4	32.4	29.9	27.8	26.0	24.5	23.1	21.9	20.8	19.9	19.0	18.2	17.5	16.9	16.3	15.7	15.2	14.7	14.3	13.9	13.5	13.2	12.8	12.5	12.2	360
380	71.1	59.7	51.6	45.5	40.7	36.9	33.8	31.2	29.0	27.2	25.5	24.1	22.9	21.7	20.7	19.8	19.0	18.3	17.6	17.0	16.4	15.9	15.4	14.9	14.5	14.1	13.8	13.4	13.1	12.8	380
400	74.0	62.2	53.7	47.4	42.4	38.5	35.2	32.5	30.2	28.3	26.6	25.1	23.8	22.6	21.6	20.7	19.8	19.1	18.3	17.7	17.1	16.6	16.1	15.6	15.1	14.7	14.4	14.0	13.7	13.3	400
420	76.9	64.6	55.8	49.2	44.1	40.0	36.6	33.8	31.5	29.4	27.7	26.1	24.8	23.6	22.5	21.5	20.6	19.8	19.1	18.4	17.8	17.2	16.7	16.2	15.8	15.3	14.9	14.6	14.2	13.9	420
440	79.8	67.1	57.9	51.1	45.8	41.5	38.0	35.1	32.7	30.5	28.7	27.1	25.7	24.5	23.3	22.3	21.4	20.6	19.8	19.1	18.5	17.9	17.4	16.9	16.4	15.9	15.5	15.1	14.8	14.4	440
460	82.7	69.5	60.0	52.9	47.4	43.0	39.4	36.4	33.9	31.7	29.8	28.1	26.7	25.4	24.2	23.2	22.2	21.4	20.6	19.9	19.2	18.6	18.0	17.5	17.0	16.5	16.1	15.7	15.3	15.0	460
480	85.6	71.9	62.2	54.8	49.1	44.5	40.8	37.7	35.1	32.8	30.8	29.1	27.6	26.3	25.1	24.0	23.0	22.1	21.3	20.6	19.9	19.3	18.7	18.1	17.6	17.2	16.7	16.3	15.9	15.5	480
500	88.5	74.4	64.3	56.7	50.8	46.1	42.2	39.0	36.3	33.9	31.9	30.1	28.6	27.2	26.0	24.8	23.8	22.9	22.1	21.3	20.6	19.9	19.3	18.8	18.2	17.8	17.3	16.9	16.5	16.1	500
600	103.0	86.6	74.8	66.0	59.2	53.7	49.2	45.4	42.3	39.6	37.2	35.2	33.4	31.7	30.3	29.0	27.8	26.8	25.8	24.9	24.1	23.3	22.6	21.9	21.3	20.8	20.2	19.7	19.3	18.8	600
700	117.5	98.8	85.4	75.3	67.5	61.3	56.2	51.9	48.3	45.2	42.5	40.2	38.1	36.3	34.6	33.2	31.8	30.6	29.5	28.5	27.5	26.7	25.9	25.1	24.4	23.8	23.2	22.6	22.1	21.6	700
800	132.0	111.0	95.9	84.7	75.9	68.9	63.2	58.4	54.3	50.9	47.8	45.2	42.9	40.8	39.0	37.3	35.8	34.5	33.2	32.1	31.0	30.0	29.1	28.3	27.5	26.8	26.1	25.5	24.9	24.3	800
900	146.5	123.2	106.5	94.0	84.3	76.5	70.1	64.8	60.3	56.5	53.2	50.2	47.7	45.4	43.3	41.5	39.8	38.3	36.9	35.7	34.5	33.4	32.4	31.5	30.6	29.8	29.1	28.4	27.7	27.1	900
1000	161.0	135.4	117.1	103.3	92.7	84.1	77.1	71.3	66.4	62.1	58.5	55.3	52.4	50.0	47.7	45.7	43.8	42.2	40.6	39.2	38.0	36.8	35.7	34.7	33.7	32.8	32.0	31.2	30.5	29.8	1000
1100	175.5	147.6	127.6	112.7	101.0	91.7	84.1	77.8	72.4	67.8	63.8	60.3	57.2	54.5	52.0	49.8	47.8	46.0	44.4	42.8	41.4	40.1	39.0	37.8	36.8	35.9	35.0	34.1	33.3	32.6	1100
1200	190.0	159.8	138.2	122.0	109.4	99.3	91.1	84.2	78.4	73.4	69.1	65.3	62.0	59.0	56.4	54.0	51.8	49.9	48.1	46.4	44.9	43.5	42.2	41.0	39.9	38.9	37.9	37.0	36.1	35.3	1200
1300	204.5	172.0	148.8	131.3	117.8	106.9	98.1	90.7	84.4	79.1	74.4	70.3	66.8	63.6	60.7	58.1	55.8	53.7	51.8	50.0	48.4	46.9	45.5	44.2	43.0	41.9	40.8	39.9	38.9	38.1	1300
1400	219.0	184.2	159.3	140.7	126.1	114.5	105.0	97.1	90.4	84.7	79.7	75.4	71.5	68.1	65.1	62.3	59.8	57.6	55.5	53.6	51.9	50.3	48.8	47.4	46.1	44.9	43.8	42.7	41.7	40.8	1400
1500	233.5	196.4	169.9	150.0	134.5	122.2	112.0	103.6	96.5	90.3	85.0	80.4	76.3	72.7	69.4	66.5	63.8	61.4	59.2	57.2	55.3	53.6	52.0	50.6	49.2	47.9	46.7	45.6	44.5	43.6	1500
Term. 2/	16.046	13.372	11.461	10.029	8.914	8.023	7.294	6.686	6.172	5.731	5.349	5.014	4.719	4.457	4.223	4.012	3.820	3.647	3.488	3.343	3.209	3.086	2.971	2.865	2.767	2.674	2.588	2.507	2.431	2.360	Term. 2/
L. H. 3/	.144970	.122008	.105607	.093306	.083739	.076085	.069823	.064604	.060188	.056404	.053123	.050253	.047721	.045469	.043455	.041643	.040002	.038511	.037150	.035902	.034754	.033694	.032713	.031802	.030953	.030162	.029421	.028727	.028074	.027460	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.982. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 11 (Concluded).--TERRITORY NO. 2 - Eastern, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.5	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.9	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.5	5.4	5.3	5.2	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.1	5.9	5.8	5.7	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.6	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.1	7.0	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.[illegible]	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.7	7.5	7.3	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.2	8.0	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.7	8.5	8.4	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.8	6.7	6.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.3	9.1	8.9	8.7	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.8	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.4	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.9	10.7	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.4	11.2	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.1	9.0	8.9	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	12.0	11.7	11.5	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.5	12.2	12.0	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	13.0	12.8	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.6	13.3	13.0	12.7	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	14.1	13.8	13.5	13.3	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.7	14.3	14.0	13.8	13.5	13.2	13.0	12.8	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	15.2	14.9	14.6	14.3	14.0	13.7	13.5	13.2	13.0	12.8	12.5	12.4	12.2	12.0	11.8	11.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.7	15.4	15.1	14.8	14.5	14.2	14.0	13.7	13.5	13.3	13.0	12.8	12.6	12.4	12.3	12.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.4	18.0	17.7	17.3	17.0	16.7	16.4	16.1	15.8	15.5	15.3	15.0	14.8	14.6	14.4	14.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	21.1	20.7	20.2	19.8	19.5	19.1	18.8	18.4	18.1	17.8	17.5	17.3	17.0	16.8	16.5	16.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.8	23.3	22.8	22.4	21.9	21.5	21.2	20.8	20.4	20.1	19.8	19.5	19.2	18.9	18.6	18.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.5	25.9	25.4	24.9	24.4	24.0	23.6	23.2	22.8	22.4	22.0	21.7	21.4	21.1	20.8	20.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	29.2	28.6	28.0	27.4	26.9	26.4	26.0	25.5	25.1	24.7	24.3	23.9	23.6	23.2	22.9	22.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.9	31.2	30.6	30.0	29.4	28.9	28.4	27.9	27.4	27.0	26.5	26.1	25.7	25.4	25.0	24.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	34.5	33.8	33.1	32.5	31.9	31.3	30.8	30.2	29.7	29.3	28.8	28.4	27.9	27.5	27.1	26.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	37.2	36.5	35.7	35.0	34.4	33.8	33.2	32.6	32.1	31.5	31.0	30.6	31.1	29.7	29.3	28.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.9	39.1	38.3	37.6	36.9	36.2	35.6	35.0	34.4	33.8	33.3	32.8	32.3	31.8	31.4	31.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	42.6	41.7	40.9	40.1	39.4	38.6	38.0	37.3	36.7	36.1	35.5	35.0	34.5	34.0	33.5	33.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
Term. 2/	2.292	2.229	2.168	2.111	2.057	2.006	1.957	1.910	1.866	1.823	1.783	1.744	1.707	1.671	1.637	1.605	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026881	.026335	.025818	.025328	.024863	.024421	.024001	.023601	.023220	.022856	.022508	.022175	.021856	.021551	.021258	.020977	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.982. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 12.--TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.5	17.1	14.7	12.8	11.4	10.3	9.4	8.6	7.9	7.4	6.9	6.5	6.1	5.7	5.5	5.2	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	-	-	-	-	10
20	21.9	18.3	15.7	13.7	12.2	11.0	10.0	9.2	8.5	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	-	-	-	-	20
30	23.3	19.4	16.7	14.6	13.0	11.7	10.7	9.8	9.1	8.5	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.7	4.5	4.3	4.2	4.1	-	-	-	-	30
40	24.7	20.6	17.7	15.5	13.8	12.5	11.4	10.4	9.7	9.0	8.4	7.9	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.4	-	-	-	-	40
50	26.1	21.8	18.7	16.4	14.6	13.2	12.0	11.1	10.2	9.5	8.9	8.4	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	-	-	-	-	50
60	27.4	22.9	19.7	17.3	15.4	13.9	12.7	11.7	10.8	10.1	9.4	8.9	8.4	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.3	5.1	4.9	-	-	-	-	60
70	28.8	24.1	20.7	18.2	16.2	14.7	13.4	12.3	11.4	10.6	9.9	9.4	8.8	8.4	8.0	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.7	5.6	5.4	5.2	-	-	-	-	70
80	30.2	25.3	21.7	19.1	17.0	15.4	14.0	12.9	12.0	11.2	10.5	9.8	9.3	8.8	8.4	8.0	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	-	-	-	-	80
90	31.6	26.4	22.8	20.0	17.8	16.1	14.7	13.5	12.6	11.7	11.0	10.3	9.8	9.2	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.4	6.2	6.0	5.8	-	-	-	-	90
100	33.0	27.6	23.8	20.9	18.6	16.9	15.4	14.2	13.1	12.2	11.5	10.8	10.2	9.7	9.2	8.8	8.4	8.1	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	-	-	-	-	100
120	35.8	29.9	25.8	22.7	20.3	18.3	16.7	15.4	14.3	13.3	12.5	11.8	11.1	10.6	10.0	9.6	9.2	8.8	8.5	8.1	7.8	7.6	7.3	7.1	6.9	6.7	-	-	-	-	120
140	38.5	32.3	27.8	24.5	21.9	19.8	18.1	16.6	15.4	14.4	13.5	12.7	12.0	11.4	10.9	10.4	9.9	9.5	9.2	8.8	8.5	8.2	8.0	7.7	7.5	7.3	-	-	-	-	140
160	41.3	34.6	29.8	26.3	23.5	21.2	19.4	17.9	16.6	15.5	14.5	13.7	13.0	12.3	11.7	11.2	10.7	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.1	7.8	-	-	-	-	160
180	44.1	37.0	31.9	28.0	25.1	22.7	20.7	19.1	17.8	16.6	15.6	14.7	13.9	13.2	12.6	12.0	11.5	11.0	10.6	10.2	9.9	9.5	9.2	8.9	8.7	8.4	-	-	-	-	180
200	46.9	39.3	33.9	29.8	26.7	24.1	22.1	20.4	18.9	17.7	16.6	15.6	14.8	14.1	13.4	12.8	12.3	11.8	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.0	-	-	-	-	200
220	49.6	41.6	35.9	31.6	28.3	25.6	23.4	21.6	20.1	18.7	17.6	16.6	15.7	14.9	14.2	13.6	13.0	12.5	12.0	11.6	11.2	10.8	10.5	10.2	9.9	9.6	-	-	-	-	220
240	52.4	44.0	37.9	33.4	29.9	27.1	24.8	22.8	21.2	19.8	18.6	17.6	16.6	15.8	15.1	14.4	13.8	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5	10.2	-	-	-	-	240
260	55.2	46.3	39.9	35.2	31.5	28.5	26.1	24.1	22.4	20.9	19.6	18.5	17.6	16.7	15.9	15.2	14.6	14.0	13.5	13.0	12.5	12.1	11.7	11.4	11.1	10.8	-	-	-	-	260
280	58.0	48.6	42.0	37.0	33.1	30.0	27.4	25.3	23.5	22.0	20.7	19.5	18.5	17.6	16.7	16.0	15.3	14.7	14.2	13.7	13.2	12.8	12.4	12.0	11.7	11.3	-	-	-	-	280
300	60.7	51.0	44.0	38.8	34.7	31.4	28.8	26.6	24.7	23.1	21.7	20.5	19.4	18.4	17.6	16.8	16.1	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.3	11.9	-	-	-	-	300
320	63.5	53.3	46.0	40.6	36.3	32.9	30.1	27.8	25.8	24.2	22.7	21.4	20.3	19.3	18.4	17.6	16.9	16.2	15.6	15.1	14.5	14.1	13.6	13.2	12.9	12.5	-	-	-	-	320
340	66.3	55.6	48.0	42.3	37.9	34.4	31.5	29.0	27.0	25.2	23.7	22.4	21.2	20.2	19.2	18.4	17.6	17.0	16.3	15.7	15.2	14.7	14.3	13.8	13.5	13.1	-	-	-	-	340
360	69.0	58.0	50.1	44.1	39.5	35.8	32.8	30.3	28.2	26.3	24.7	23.4	22.1	21.1	20.1	19.2	18.4	17.7	17.0	16.4	15.9	15.4	14.9	14.5	14.0	13.7	-	-	-	-	360
380	71.8	60.3	52.1	45.9	41.1	37.3	34.1	31.5	29.3	27.4	25.8	24.3	23.1	21.9	20.9	20.0	19.2	18.4	17.8	17.1	16.6	16.0	15.5	15.1	14.6	14.2	-	-	-	-	380
400	74.6	62.6	54.1	47.7	42.7	38.7	35.5	32.8	30.5	28.5	26.8	25.3	24.0	22.8	21.8	20.8	20.0	19.2	18.5	17.8	17.2	16.7	16.2	15.7	15.2	14.8	-	-	-	-	400
420	77.4	65.0	56.1	49.5	44.3	40.2	36.8	34.0	31.6	29.6	27.8	26.3	24.9	23.7	22.6	21.6	20.7	19.9	19.2	18.5	17.9	17.3	16.8	16.3	15.8	15.4	-	-	-	-	420
440	80.1	67.3	58.1	51.3	45.9	41.7	38.2	35.2	32.8	30.7	28.8	27.2	25.8	24.5	23.4	22.4	21.5	20.7	19.9	19.2	18.6	18.0	17.4	16.9	16.4	16.0	-	-	-	-	440
460	82.9	69.6	60.2	53.1	47.5	43.1	39.5	36.5	33.9	31.7	29.8	28.2	26.7	25.4	24.3	23.2	22.3	21.4	20.6	19.9	19.2	18.6	18.1	17.5	17.0	16.6	-	-	-	-	460
480	85.7	72.0	62.2	54.9	49.1	44.6	40.8	37.7	35.1	32.8	30.9	29.2	27.6	26.3	25.1	24.0	23.0	22.1	21.3	20.6	19.9	19.3	16.7	18.1	17.6	17.2	-	-	-	-	480
500	88.5	74.3	64.2	56.6	50.7	46.0	42.2	39.0	36.2	33.9	31.9	30.1	28.6	27.2	25.9	24.8	23.8	22.9	22.0	21.3	20.6	19.9	19.3	18.8	18.2	17.7	-	-	-	-	500
600	102.3	86.0	74.3	65.6	58.8	53.3	48.9	45.2	42.0	39.3	37.0	34.9	33.1	31.5	30.1	28.8	27.7	26.6	25.6	24.7	23.9	23.2	22.5	21.8	21.2	20.7	-	-	-	-	600
700	116.2	97.7	84.4	74.5	66.8	60.6	55.6	51.4	47.8	44.7	42.1	39.8	37.7	35.9	34.3	32.8	31.5	30.3	29.2	28.2	27.3	26.4	25.6	24.9	24.2	23.6	-	-	-	-	700
800	130.1	109.3	94.6	83.5	74.8	67.9	62.3	57.6	53.6	50.2	47.2	44.6	42.3	40.3	38.5	36.8	35.4	34.0	32.8	31.7	30.6	29.7	28.8	28.0	27.2	26.5	-	-	-	-	800
900	143.9	121.0	104.7	92.4	82.8	75.2	69.0	63.8	59.3	55.6	52.3	49.4	46.9	44.7	42.7	40.8	39.2	37.7	36.4	35.1	34.0	32.9	31.9	31.0	30.2	29.4	-	-	-	-	900
1000	157.8	132.7	114.8	101.3	90.9	82.5	75.7	70.0	65.1	61.0	57.4	54.3	51.5	49.0	46.8	44.9	43.1	41.4	39.9	38.6	37.3	36.2	35.1	34.1	33.2	32.3	-	-	-	-	1000
1100	171.7	144.4	124.9	110.3	98.9	89.8	82.4	76.1	70.9	66.4	62.5	59.1	56.1	53.4	51.0	48.9	46.9	45.1	43.5	42.0	40.7	39.4	38.2	37.2	36.2	35.2	-	-	-	-	1100
1200	185.5	156.1	135.0	119.2	106.9	97.1	89.0	82.3	76.7	71.8	67.6	63.9	60.7	57.8	55.2	52.9	50.8	48.8	47.1	45.5	44.0	42.7	41.4	40.2	39.1	38.1	-	-	-	-	1200
1300	199.4	167.7	145.1	128.1	114.9	104.4	95.7	88.5	82.5	77.2	72.7	68.3	65.3	62.2	59.4	56.9	54.6	52.6	50.7	49.0	47.4	45.9	44.6	43.3	42.1	41.0	-	-	-	-	1300
1400	213.3	179.4	155.2	137.1	123.0	111.7	102.4	94.7	88.2	82.6	77.8	73.6	69.8	66.5	63.6	60.9	58.5	56.3	54.3	52.4	50.7	49.2	47.7	46.4	45.1	43.9	-	-	-	-	1400
1500	227.1	191.1	165.3	146.0	131.0	119.0	109.1	100.9	94.0	88.1	82.9	78.4	74.4	70.9	67.7	64.9	62.3	60.0	57.8	55.9	54.1	52.4	50.9	49.4	48.1	46.9	-	-	-	-	1500
Term. 2/	19.122	15.935	13.659	11.951	10.623	9.561	8.692	7.968	7.355	6.829	6.374	5.976	5.624	5.312	5.032	4.781	4.553	4.346	4.157	3.984	3.824	3.677	3.541	3.415	3.297	3.187	-	-	-	-	Term. 2/
L. H. 3/	.138680	.116767	.101114	.089375	.080244	.072940	.066964	.061983	.057769	.054157	.051027	.048288	.045871	.043722	.041800	.040070	.038505	.037082	.035783	.034592	.033496	.032485	.031548	.030679	.029869	.029113	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.9 tons and a ratio of empty car miles to loaded car miles of 1.006. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 13.—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.7	14.7	12.6	11.1	9.8	8.9	8.1	7.4	6.8	6.4	5.9	5.6	5.2	5.0	4.7	4.5	4.3	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	-	-	-	-	10
20	19.3	16.1	13.8	12.1	10.8	9.7	8.8	8.[illegible]	7.5	7.0	6.5	6.1	5.8	5.5	5.2	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	-	-	-	-	20
30	20.9	17.4	15.0	13.1	11.7	10.5	[illegible]	[illegible]	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	-	-	-	-	30
40	22.5	18.8	16.1	14.2	12.6	11.4	[illegible]	9.5	8.8	8.2	7.7	7.2	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.6	4.4	4.2	4.1	4.0	-	-	-	-	40
50	24.1	20.1	17.3	15.2	13.5	12.2	[illegible]	10.2	9.5	8.8	8.3	7.8	7.3	6.9	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.4	4.3	-	-	-	-	50
60	25.7	21.5	18.5	16.2	14.5	13.1	11.9	11.0	10.1	9.5	8.8	8.3	7.9	7.4	7.1	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	-	-	-	-	60
70	27.3	22.8	19.6	17.2	15.4	13.9	12.7	11.7	10.8	10.1	9.4	8.9	8.4	7.9	7.6	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	-	-	-	-	70
80	28.9	24.2	20.8	18.3	16.3	14.7	13.4	12.4	11.5	10.7	10.0	9.4	8.9	8.4	8.0	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.5	5.3	-	-	-	-	80
90	30.5	25.5	22.0	19.3	17.2	15.6	14.2	13.1	12.1	11.3	10.6	10.0	9.4	8.9	8.5	8.1	7.8	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	5.6	-	-	-	-	90
100	32.1	26.9	23.1	20.3	18.2	16.4	15.0	13.8	12.8	11.9	11.2	10.5	10.0	9.4	9.0	8.6	8.2	7.9	7.5	7.3	7.0	6.8	6.5	6.3	6.1	6.0	-	-	-	-	100
120	35.3	29.6	25.5	22.4	20.0	18.1	16.5	15.2	14.1	13.2	12.3	11.6	11.0	10.4	9.9	9.5	9.1	8.7	8.4	8.0	7.8	7.5	7.2	7.0	6.8	6.6	-	-	-	-	120
140	38.5	32.3	27.8	24.5	21.9	19.8	18.1	16.6	15.4	14.4	13.5	12.7	12.0	11.4	10.9	10.4	9.9	9.5	9.2	8.8	8.5	8.2	8.0	7.7	7.5	7.3	-	-	-	-	140
160	41.7	35.0	30.1	26.5	23.7	21.4	19.6	18.1	16.8	15.6	14.7	13.8	13.1	12.4	11.8	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	-	-	-	-	160
180	45.0	37.7	32.5	28.6	25.6	23.1	21.1	19.5	18.1	16.9	15.9	14.9	14.1	13.4	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.6	-	-	-	-	180
200	48.2	40.4	34.8	30.6	27.4	24.8	22.7	20.9	19.4	18.1	17.0	16.0	15.2	14.4	13.7	13.1	12.6	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	-	-	-	-	200
220	51.4	43.1	37.2	32.7	29.2	26.5	24.2	22.3	20.7	19.4	18.2	17.1	16.2	15.4	14.7	14.0	13.4	12.9	12.4	12.0	11.5	11.2	10.8	10.5	10.2	9.9	-	-	-	-	220
240	54.6	45.8	39.5	34.8	31.1	28.2	25.8	23.8	22.1	20.6	19.4	18.2	17.3	16.4	15.6	14.9	14.3	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.8	10.5	-	-	-	-	240
260	57.8	48.5	41.8	36.8	32.9	29.8	27.3	25.2	23.4	21.8	20.5	19.4	18.3	17.4	16.6	15.9	15.2	14.6	14.0	13.5	13.1	12.6	12.2	11.9	11.5	11.2	-	-	-	-	260
280	61.0	51.2	44.2	38.9	34.8	31.5	28.8	26.6	24.7	23.1	21.7	20.5	19.4	18.4	17.5	16.8	16.1	15.4	14.8	14.3	13.8	13.4	12.9	12.6	12.2	11.8	-	-	-	-	280
300	64.2	53.9	46.5	41.0	36.6	33.2	30.4	28.0	26.0	24.3	22.9	21.6	20.4	19.4	18.5	17.7	16.9	16.3	15.7	15.1	14.6	14.1	13.7	13.2	12.9	12.5	-	-	-	-	300
320	67.4	56.6	48.8	43.0	38.5	34.9	31.9	29.4	27.4	25.6	24.0	22.7	21.5	20.4	19.4	18.6	17.8	17.1	16.5	15.9	15.3	14.8	14.4	13.9	13.5	13.2	-	-	-	-	320
340	70.7	59.3	51.2	45.1	40.3	36.6	33.5	30.9	28.7	26.8	25.2	23.8	22.5	21.4	20.4	19.5	18.7	18.0	17.3	16.7	16.1	15.6	15.1	14.6	14.2	13.8	-	-	-	-	340
360	73.9	62.0	53.5	47.1	42.2	38.2	35.0	32.3	30.0	28.0	26.4	24.9	23.6	22.4	21.3	20.4	19.6	18.8	18.1	17.4	16.8	16.3	15.8	15.3	14.9	14.5	-	-	-	-	360
380	77.1	64.7	55.8	49.2	44.0	39.9	36.5	33.7	31.3	29.3	27.5	26.0	24.6	23.4	22.3	21.3	20.4	19.6	18.9	18.2	17.6	17.0	16.5	16.0	15.6	15.1	-	-	-	-	380
400	80.3	67.4	58.2	51.3	45.9	41.6	38.1	35.1	32.7	30.5	28.7	27.1	25.6	24.4	23.3	22.2	21.3	20.5	19.7	19.0	18.4	17.8	17.2	16.7	16.2	15.8	-	-	-	-	400
420	83.5	70.1	60.5	53.3	47.7	43.3	39.6	36.6	34.0	31.8	29.9	28.2	26.7	25.4	24.2	23.1	22.2	21.3	20.5	19.8	19.1	18.5	17.9	17.4	16.9	16.4	-	-	-	-	420
440	86.7	72.8	62.8	55.4	49.5	44.9	41.1	38.0	35.3	33.0	31.0	29.3	27.7	26.4	25.2	24.1	23.1	22.2	21.3	20.6	19.9	19.2	18.6	18.1	17.6	17.1	-	-	-	-	440
460	89.9	75.5	65.2	57.4	51.4	46.6	42.7	39.4	36.6	34.2	32.2	30.4	28.8	27.4	26.1	25.0	23.9	23.0	22.1	21.4	20.6	20.0	19.4	18.8	18.2	17.7	-	-	-	-	460
480	93.1	78.2	67.5	59.5	53.3	48.3	44.2	40.8	38.0	35.5	33.4	31.5	29.8	28.4	27.1	25.9	24.8	23.8	23.0	22.1	21.4	20.7	20.1	19.5	18.9	18.4	-	-	-	-	480
500	96.4	80.9	69.9	61.6	55.1	50.0	45.8	42.2	39.3	36.7	34.5	32.6	30.9	29.4	28.0	26.8	25.7	24.7	23.8	22.9	22.2	21.4	20.8	20.2	19.6	19.1	-	-	-	-	500
600	112.4	94.4	81.5	71.9	64.4	58.4	53.5	49.4	45.9	42.9	40.4	38.1	36.1	34.3	32.8	31.3	30.1	28.9	27.8	26.8	25.9	25.1	24.3	23.6	23.0	22.3	-	-	-	-	600
700	128.5	107.9	93.2	82.2	73.6	66.8	61.1	56.5	52.5	49.1	46.2	43.6	41.3	39.3	37.5	35.9	34.4	33.1	31.9	30.8	29.7	28.8	27.9	27.1	26.3	25.6	-	-	-	-	700
800	144.5	121.4	104.9	92.5	82.9	75.2	68.8	63.6	59.1	55.3	52.0	49.1	46.6	44.3	42.3	40.5	38.8	37.3	35.9	34.7	33.5	32.4	31.5	30.5	29.7	28.9	-	-	-	-	800
900	160.6	134.9	116.6	102.8	92.1	83.5	76.5	70.7	65.8	61.5	57.9	54.6	51.8	49.3	47.0	45.0	43.2	41.5	40.0	38.6	37.3	36.1	35.0	34.0	33.1	32.2	-	-	-	-	900
1000	176.7	148.4	128.2	113.1	101.3	91.9	84.2	77.8	72.4	67.7	63.7	60.2	57.0	54.3	51.8	49.6	47.5	45.7	44.0	42.5	41.1	39.8	38.6	37.5	36.4	35.4	-	-	-	-	1000
1100	192.7	161.9	139.9	123.4	110.6	100.3	91.9	84.9	79.0	73.9	69.5	65.7	62.3	59.3	56.6	54.1	51.9	49.9	48.1	46.4	44.9	43.5	42.1	40.9	39.8	38.7	-	-	-	-	1100
1200	208.8	175.4	151.6	133.7	119.8	108.7	99.6	92.0	85.6	80.1	75.4	71.2	67.5	64.2	61.3	58.7	56.3	54.1	52.2	50.3	48.7	47.1	45.7	44.4	43.1	42.0	-	-	-	-	1200
1300	224.9	188.9	163.3	144.0	129.1	117.1	107.3	99.1	92.2	86.3	81.2	76.7	72.7	69.2	66.1	63.2	60.7	58.3	56.2	54.3	52.5	50.8	49.3	47.8	46.5	45.3	-	-	-	-	1300
1400	240.9	202.4	175.0	154.4	138.3	125.5	115.0	106.3	98.9	92.5	87.0	82.2	78.0	74.2	70.8	67.8	65.0	62.5	60.3	58.2	56.2	54.5	52.8	51.3	49.9	48.6	-	-	-	-	1400
1500	257.0	215.9	186.6	164.7	147.6	133.9	122.7	113.4	105.5	98.7	92.9	87.7	83.2	79.2	75.6	72.3	69.4	66.7	64.3	62.1	60.0	58.1	56.4	54.8	53.2	51.8	-	-	-	-	1500
Term. 2/	16.046	13.372	11.461	10.029	8.914	8.023	7.294	6.686	6.172	5.731	5.349	5.014	4.719	4.457	4.223	4.012	3.820	3.647	3.488	3.343	3.209	3.086	2.971	2.865	2.767	2.674	-	-	-	-	Term. 2/
L. H. 3/	.160620	.135050	.116786	.103088	.092433	.083910	.076936	.071125	.066208	.061993	.058340	.055144	.052324	.049817	.047574	.045555	.043729	.042068	.040552	.039163	.037884	.036704	.035611	.034596	.033652	.032770	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.869. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.13.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.46.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.60.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 14.—TERRITORY NO. 2 - EASTERN, excluding New England and Northern Illinois

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	86.4	66.3	56.2	50.2	46.2	43.3	41.1	39.4	38.1	37.0	36.1	35.3	34.7	34.1	33.6	33.1	32.7	32.4	32.1	31.8	31.5	31.3	31.1	30.9	30.7	30.5	30.3	30.2	30.1	10
20	92.0	70.1	59.1	52.5	48.1	45.0	42.7	40.8	39.4	38.2	37.2	36.3	35.6	35.0	34.4	34.0	33.5	33.1	32.8	32.5	32.2	31.9	31.7	31.5	31.3	31.1	30.9	30.8	30.6	20
30	97.6	73.8	62.0	54.9	50.1	46.7	44.2	42.2	40.6	39.3	38.3	37.3	36.6	35.9	35.3	34.8	34.3	33.9	33.5	33.2	32.9	32.6	32.3	32.1	31.9	31.7	31.5	31.3	31.1	30
40	103.1	77.6	64.9	57.2	52.1	48.5	45.7	43.6	41.9	40.5	39.3	38.4	37.5	36.8	36.2	35.6	35.1	34.6	34.2	33.9	33.5	33.2	33.0	32.7	32.5	32.3	32.1	31.9	31.7	40
50	108.7	81.4	67.7	59.5	54.1	50.2	47.3	45.0	43.2	41.7	40.4	39.4	38.5	37.7	37.0	36.4	35.9	35.4	35.0	34.6	34.2	33.9	33.6	33.3	33.1	32.8	32.6	32.4	32.2	50
60	114.3	85.2	70.6	61.9	56.1	51.9	48.8	46.4	44.4	42.8	41.5	40.4	39.4	38.6	37.9	37.2	36.7	36.2	35.7	35.3	34.9	34.6	34.2	33.9	33.7	33.4	33.2	33.0	32.8	60
70	119.9	89.0	73.5	64.2	58.1	53.6	50.3	47.7	45.7	44.0	42.6	41.4	40.4	39.5	38.7	38.1	37.4	36.9	36.4	36.0	35.6	35.2	34.9	34.6	34.3	34.0	33.8	33.5	33.3	70
80	125.4	92.7	76.4	66.6	60.0	55.4	51.9	49.1	47.0	45.2	43.7	42.4	41.3	40.4	39.6	38.9	38.2	37.7	37.1	36.7	36.3	35.9	35.5	35.2	34.9	34.6	34.3	34.1	33.9	80
90	131.0	96.5	79.3	68.9	62.0	57.1	53.4	50.5	48.2	46.3	44.8	43.4	42.3	41.3	40.5	39.7	39.0	38.4	37.9	37.4	36.9	36.5	36.1	35.8	35.5	35.2	34.9	34.7	34.4	90
100	136.6	100.3	82.1	71.3	64.0	58.8	54.9	51.9	49.5	47.5	45.9	44.5	43.3	42.2	41.3	40.5	39.8	39.2	38.6	38.1	37.6	37.2	36.8	36.4	36.1	35.8	35.5	35.2	35.0	100
120	147.7	107.8	87.9	75.9	68.0	62.3	58.0	54.7	52.0	49.8	48.0	46.5	45.2	44.0	43.0	42.2	41.4	40.7	40.0	39.5	39.0	38.5	38.1	37.7	37.3	36.9	36.6	36.3	36.1	120
140	158.9	115.4	93.7	80.6	71.9	65.7	61.1	57.4	54.5	52.2	50.2	48.5	47.1	45.8	44.8	43.8	42.9	42.2	41.5	40.9	40.3	39.8	39.3	38.9	38.5	38.1	37.8	37.5	37.1	140
160	170.0	123.0	99.4	85.3	75.9	69.2	64.1	60.2	57.1	54.5	52.4	50.5	49.0	47.7	46.5	45.4	44.5	43.7	42.9	42.3	41.7	41.1	40.6	40.1	39.7	39.3	38.9	38.6	38.2	160
180	181.2	130.5	105.2	90.0	79.9	72.6	67.2	63.0	59.6	56.8	54.5	52.6	50.9	49.5	48.2	47.1	46.1	45.2	44.4	43.7	43.0	42.4	41.9	41.4	40.9	40.5	40.1	39.7	39.3	180
200	192.3	138.1	111.0	94.7	83.8	76.1	70.3	65.7	62.1	59.2	56.7	54.6	52.8	51.3	49.9	48.7	47.7	46.7	45.9	45.1	44.4	43.7	43.1	42.6	42.0	41.6	41.2	40.8	40.4	200
220	203.5	145.6	116.7	99.4	87.8	79.5	73.3	68.5	64.7	61.5	58.9	56.6	54.7	53.1	51.6	50.4	49.2	48.2	47.3	46.5	45.7	45.0	44.4	43.8	43.3	42.8	42.3	41.9	41.5	220
240	214.6	153.2	122.5	104.0	91.8	83.0	76.4	71.3	67.2	63.8	61.0	58.7	56.6	54.9	53.4	52.0	50.8	49.7	48.8	47.9	47.1	46.3	45.7	45.1	44.5	44.0	43.5	43.0	42.6	240
260	225.8	160.7	128.2	108.7	95.7	86.4	79.5	74.0	69.7	66.2	63.2	60.7	58.6	56.7	55.1	53.6	52.4	51.2	50.2	49.3	48.4	47.7	47.0	46.3	45.7	45.1	44.6	44.2	43.7	260
280	236.9	168.3	134.0	113.4	99.7	89.9	82.5	76.8	72.2	68.5	65.4	62.7	60.5	58.5	56.8	55.3	53.9	52.7	51.7	50.7	49.8	49.0	48.2	47.5	46.9	46.3	45.8	45.3	44.8	280
300	248.1	175.9	139.8	118.1	103.7	93.3	85.6	79.6	74.8	70.8	67.5	64.8	62.4	60.3	58.5	56.9	55.5	54.2	53.1	52.1	51.1	50.3	49.5	48.8	48.1	47.5	46.9	46.4	45.9	300
320	259.2	183.4	145.5	122.8	107.6	96.8	88.7	82.3	77.3	73.2	69.7	66.8	64.3	62.1	60.2	58.6	57.1	55.8	54.6	53.5	52.5	51.6	50.8	50.0	49.3	48.7	48.1	47.5	47.0	320
340	270.4	191.0	151.3	127.5	111.6	100.2	91.7	85.1	79.8	75.5	71.9	68.8	66.2	63.9	62.0	60.2	58.7	57.3	56.0	54.9	53.8	52.9	52.0	51.2	50 5	49.8	49.2	48.6	48.1	340
360	281.5	198.5	157.0	132.1	115.5	103.7	94.8	87.9	82.4	77.8	74.1	70.9	68.1	65.8	63.7	61.8	60.2	58.8	57.5	56.3	55.2	54.2	53.3	52.5	51.7	51.0	50.3	49.7	49.2	360
380	292.7	206.1	162.8	136.8	119.5	107.1	97.9	90.6	84.9	80.2	76.2	72.9	70.0	67.6	65.4	63.5	61.8	60.3	58.9	57.7	56.5	55.5	54.6	53.7	52.8	52.2	51.5	50.9	50.2	380
400	303.8	213.6	168.6	141.5	123.5	110.6	100.9	93.4	87.4	82.5	78.4	74.9	71.9	69.4	67.1	65.1	63.4	61.8	60.4	59.1	57.9	56.8	55.9	54.9	54.1	53.3	52.6	52.0	51.3	400
420	315.0	221.2	174.3	146.2	127.4	114.0	104.0	96.2	89.9	84.8	80.6	77.0	73.9	71.2	68.8	66.8	64.9	63.3	61.8	60.5	59.3	58.1	57.1	56.2	55.3	54.5	53.8	53.1	52.4	420
440	326.1	228.8	180.1	150.9	131.4	117.5	107.1	99.0	92.5	87.2	82.7	79.0	75.8	73.0	70.6	68.4	56.5	64.8	63.3	61.9	60.6	59.5	58.4	57.4	56.5	55.7	54.9	54.2	53.5	440
460	337.3	236.3	185.8	155.6	135.4	121.0	110.1	101.7	95.0	89.5	84.9	81.0	77.7	74.8	72.3	70.1	68.1	66.3	64.7	63.3	62.0	60.8	59.7	58.7	57.7	56.9	56.1	55.3	54.6	460
480	348.4	243.9	191.6	160.2	139.3	124.4	113.2	104.5	97.5	91.5	87.1	83.0	79.6	76.6	74.0	71.7	69.6	67.8	66.2	64.7	63.3	62.1	60.9	59.9	58.9	58.0	57.2	56.4	55.7	480
500	359.6	251.4	197.4	164.9	143.3	127.9	116.3	107.3	100.1	94.2	89.2	85.1	81.5	78.4	[illegible]	73.3	71.2	69.3	67.6	66.1	64.7	63.4	62.2	61.1	60.1	59.2	58.3	57.6	56.8	500
600	415.3	289.2	226.2	188.3	163.1	145.1	131.6	121.1	112.7	105.8	100.1	95.2	91.1	87.5	84.3	81.5	79.1	76.9	74.9	73.1	71.4	69.9	68.6	67.3	66.1	65.1	64.1	63.1	62.3	600
700	471.0	327.0	255.0	211.8	183.0	162.4	146.9	134.9	125.3	117.5	110.9	105.4	100.6	96.5	92.9	89.7	86.9	84.4	82.1	80.1	78.2	76.5	74.9	73.5	72.1	70.9	69.8	68.7	67.7	700
800	526.8	364.8	283.8	235.2	202.8	179.6	162.3	148.8	138.0	129.1	121.8	115.5	110.2	105.6	101.5	98.0	94.8	91.9	89.4	87.1	85.0	83.0	81.3	79.7	78.2	76.8	75.5	74.3	73.2	800
900	582.5	402.6	312.6	258.6	222.6	196.9	177.6	162.6	150.6	140.8	132.6	125.7	119.8	114.6	110.1	106.2	102.6	99.5	96.6	94.1	91.7	89.6	87.6	85.8	84.2	82.6	81.2	79.9	78.6	900
1000	638.3	440.3	341.4	282.0	242.4	214.2	193.0	176.5	163.3	152.5	143.5	135.9	129.3	123.7	118.7	114.4	110.5	107.0	103.9	101.1	98.5	96.1	94.0	92.0	90.2	88.5	86.9	85.5	84.1	1000
1100	694.0	478.1	370.2	305.4	262.3	231.4	208.3	190.3	175.9	164.1	154.3	146.0	138.9	132.7	127.3	122.6	118.3	114.5	111.1	108.1	105.3	102.7	100.4	98.2	96.2	94.4	92.6	91.0	89.6	1100
1200	749.7	515.9	399.0	328.8	282.1	248.7	223.6	204.1	188.5	175.8	165.2	156.2	148.5	141.8	135.9	130.8	126.2	122.1	118.4	115.1	112.0	109.2	106.7	104.4	102.2	100.2	98.4	96.6	95.0	1200
1300	805.5	553.7	427.8	352.3	301.9	265.9	239.0	218.0	201.2	187.4	176.0	166.3	158.0	150.8	144.5	139.0	134.0	129.6	125.7	122.1	118.8	115.8	113.1	110.5	108.2	106.1	104.1	102.2	100.5	1300
1400	861.2	591.5	456.6	375.7	321.7	283.2	254.3	231.8	213.8	199.1	186.8	176.5	167.6	159.9	153.1	147.2	141.9	137.2	132.9	129.1	125.6	122.4	119.4	116.7	114.2	111.9	109.8	107.8	105.9	1400
1500	917.0	629.3	485.4	399.1	341.6	300.5	269.6	245.6	226.5	210.8	197.7	186.6	177.1	168.9	161.7	155.4	149.7	144.7	140.2	136.1	132.3	128.9	125.8	122.9	120.2	117.8	115.5	113.4	111.4	1500
Term. 2/	80.840	62.505	53.340	47.840	44.175	41.555	39.590	38.060	36.840	35.840	35.005	34.300	33.695	33.175	32.715	32.310	31.950	31.630	31.340	31.080	30.840	30.625	30.425	30.240	30.070	29.915	29.770	29.635	29.505	Term. 2/
L. H. 3/	.55742	.37784	.28805	.23417	.19825	.17260	.15336	.13839	.12642	.11662	.10846	.10155	.09563	.09050	.08601	.08205	.07853	.07538	.07255	.06996	.06765	.06552	.06357	.06177	.06011	.05858	.05715	.05583	.05459	H. L. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.350. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.21.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.30.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

TABLE 15.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.3	16.9	14.5	12.7	11.3	10.2	9.3	8.5	7.9	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	10
20	21.3	17.8	15.3	13.4	11.9	10.7	9.8	9.0	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.4	5.2	5.0	4.7	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	20
30	22.3	13.6	16.0	14.0	12.5	11.3	10.3	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	30
40	23.3	19.5	16.7	14.7	13.1	11.8	10.7	9.9	9.1	8.5	8.0	7.5	7.1	6.7	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.3	4.1	4.0	3.9	3.8	3.7	40
50	24.3	20.3	17.5	15.3	13.7	12.3	11.2	10.3	9.6	8.9	8.3	7.8	7.4	7.0	6.7	6.3	6.1	5.8	5.6	5.3	5.1	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	50
60	25.3	21.1	18.2	16.0	14.2	12.9	11.7	10.8	10.0	9.3	8.7	8.2	7.7	7.3	7.0	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	60
70	26.3	22.0	18.9	16.6	14.8	13.4	12.2	11.2	10.4	9.7	9.1	8.6	8.1	7.7	7.3	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.7	4.5	4.4	4.3	70
80	27.3	22.8	19.7	17.3	15.4	13.9	12.7	11.7	10.8	10.1	9.5	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	80
90	28.3	23.7	20.4	17.9	16.0	14.5	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	5.0	4.8	4.7	90
100	29.3	24.5	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.9	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	100
120	31.3	26.2	22.6	19.9	17.8	16.1	14.7	13.5	12.6	11.7	11.0	10.4	9.8	9.3	8.9	8.5	8.1	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	120
140	33.3	27.9	24.0	21.2	18.9	17.1	15.7	14.4	13.4	12.5	11.8	11.1	10.5	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	6.2	6.0	5.9	5.7	140
160	35.2	29.6	25.5	22.5	20.1	18.2	16.6	15.4	14.3	13.3	12.5	11.8	11.2	10.6	10.1	9.7	9.3	8.9	8.6	8.2	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.5	6.3	6.2	160
180	37.2	31.2	27.0	23.8	21.3	19.3	17.6	16.3	15.1	14.1	13.3	12.5	11.9	11.3	10.7	10.3	9.8	9.5	9.1	8.8	8.5	8.2	7.9	7.7	7.5	7.3	7.1	6.9	6.7	6.6	180
200	39.2	32.9	28.4	25.1	22.4	20.3	18.6	17.2	16.0	14.9	14.0	13.2	12.5	11.9	11.4	10.9	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.2	7.0	200
220	41.2	34.6	29.9	26.3	23.6	21.4	19.6	18.1	16.8	15.7	14.8	14.0	13.2	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.4	220
240	43.2	36.3	31.3	27.6	24.8	22.5	20.6	19.0	17.7	16.5	15.5	14.7	13.9	13.2	12.6	12.1	11.6	11.1	10.7	10.4	10.0	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	240
260	45.2	38.0	32.8	28.9	25.9	23.5	21.6	19.9	18.5	17.3	16.3	15.4	14.6	13.9	13.3	12.7	12.2	11.7	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.1	8.8	8.6	8.4	8.2	260
280	47.2	39.7	34.3	30.2	27.1	24.6	22.5	20.8	19.4	18.1	17.1	16.1	15.3	14.6	13.9	13.3	12.8	12.3	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.5	9.3	9.1	8.8	8.6	280
300	49.2	41.3	35.7	31.5	28.3	25.7	23.5	21.7	20.2	18.9	17.8	16.8	16.0	15.2	14.5	13.9	13.3	12.8	12.4	11.9	11.6	11.2	10.9	10.5	10.3	10.0	9.7	9.5	9.3	9.1	300
320	51.2	43.0	37.2	32.8	29.4	26.7	24.5	22.7	21.1	19.7	18.6	17.6	16.7	15.9	15.1	14.5	13.9	13.4	12.9	12.5	12.1	11.7	11.3	11.0	10.7	10.4	10.2	9.9	9.7	9.5	320
340	53.2	44.7	38.7	34.1	30.6	27.8	25.5	23.6	21.9	20.5	19.3	18.3	17.3	16.5	15.8	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.8	11.5	11.2	10.9	10.6	10.4	10.1	9.9	340
360	55.1	46.4	40.1	35.4	31.8	28.9	26.5	24.5	22.8	21.3	20.1	19.0	18.0	17.2	16.4	15.7	15.1	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.6	11.3	11.1	10.8	10.5	10.3	360
380	57.1	48.1	41.6	36.7	32.9	29.9	27.5	25.4	23.6	22.2	20.9	19.7	18.7	17.8	17.0	16.3	15.7	15.1	14.5	14.1	13.6	13.2	12.8	12.4	12.1	11.8	11.5	11.2	11.0	10.7	380
400	59.1	49.7	43.0	38.0	34.1	31.0	28.4	26.3	24.5	23.0	21.6	20.4	19.4	18.5	17.7	16.9	16.3	15.6	15.1	14.6	14.1	13.7	13.3	12.9	12.6	12.2	11.9	11.7	11.4	11.1	400
420	61.1	51.4	44.5	39.3	35.3	32.1	29.4	27.2	25.4	23.8	22.4	21.2	20.1	19.1	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	12.7	12.4	12.1	11.8	11.5	420
440	63.1	53.1	46.0	40.6	36.5	33.1	30.4	28.1	26.2	24.6	23.1	21.9	20.8	19.8	18.9	18.1	17.4	16.8	16.2	15.6	15.1	14.7	14.2	13.9	13.5	13.1	12.8	12.5	12.2	12.0	440
460	65.1	54.8	47.4	41.9	37.6	34.2	31.4	29.0	27.1	25.4	23.9	22.6	21.5	20.5	19.6	18.7	18.0	17.3	16.7	16.2	15.6	15.2	14.7	14.3	13.9	13.6	13.3	12.9	12.7	12.4	460
480	67.1	56.5	48.9	43.2	38.8	35.3	32.4	30.0	27.9	26.2	24.6	23.3	22.2	21.1	20.2	19.3	18.6	17.9	17.3	16.7	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.4	13.1	12.8	480
500	69.1	58.2	50.4	44.5	40.0	36.3	33.3	30.9	28.8	27.0	25.4	24.0	22.8	21.8	20.8	19.9	19.2	18.5	17.8	17.2	16.7	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	13.2	500
600	79.0	66.6	57.7	51.0	45.8	41.7	38.3	35.4	33.0	31.0	29.2	27.6	26.3	25.0	24.0	23.0	22.1	21.3	20.5	19.9	19.2	18.7	18.1	17.6	17.2	16.7	16.3	16.0	15.6	15.3	600
700	89.0	75.0	65.0	57.5	51.7	47.0	43.2	40.0	37.3	35.0	33.0	31.2	29.7	28.3	27.1	26.0	25.0	24.1	23.3	22.5	21.8	21.2	20.6	20.0	19.5	19.0	18.5	18.1	17.7	17.4	700
800	98.9	83.4	72.3	64.0	57.5	52.3	48.1	44.6	41.6	39.0	36.8	34.8	33.1	31.6	30.2	29.0	27.9	26.9	26.0	25.1	24.4	23.6	23.0	22.4	21.8	21.3	20.8	20.3	19.8	19.4	800
900	108.9	91.8	79.6	70.5	63.3	57.7	53.0	49.1	45.8	43.0	40.6	38.4	36.6	34.9	33.4	32.0	30.8	29.7	28.7	27.8	26.9	26.1	25.4	24.7	24.1	23.5	23.0	22.4	22.0	21.5	900
1000	118.8	100.2	86.9	76.9	69.2	63.0	57.9	53.7	50.1	47.0	44.4	42.0	40.0	38.2	36.5	35.1	33.7	32.5	31.4	30.4	29.5	28.6	27.8	27.1	26.4	25.8	25.2	24.6	24.1	23.6	1000
1100	128.8	108.6	94.2	83.4	75.0	68.3	62.8	58.2	54.4	51.0	48.2	45.6	43.4	41.4	39.7	38.1	36.7	35.3	34.1	33.1	32.0	31.1	30.3	29.5	28.7	28.0	27.4	26.8	26.2	25.6	1100
1200	138.7	117.0	101.5	89.9	80.9	73.6	67.7	62.8	58.6	55.1	52.0	49.2	46.9	44.7	42.8	41.1	39.6	38.2	36.9	35.7	34.6	33.6	32.7	31.8	31.0	30.3	29.6	28.9	28.3	27.7	1200
1300	148.7	125.4	108.8	96.4	86.7	79.0	72.6	67.4	62.9	59.1	55.8	52.8	50.3	48.0	46.0	44.1	42.5	41.0	39.6	38.3	37.2	36.1	35.1	34.2	33.3	32.5	31.8	31.1	30.4	29.8	1300
1400	158.6	133.8	116.2	102.9	92.6	84.3	77.6	71.9	67.2	63.1	59.5	56.4	53.7	51.3	49.1	47.2	45.4	43.8	42.3	41.0	39.7	38.6	37.5	36.5	35.6	34.8	34.0	33.2	32.5	31.9	1400
1500	168.6	142.3	123.5	109.4	98.4	89.6	82.5	76.5	71.4	67.1	63.3	60.0	57.1	54.6	52.3	50.2	48.3	46.6	45.0	43.6	42.3	41.1	40.0	38.9	37.9	37.0	36.2	35.4	34.6	33.9	1500
Term. 2/	19.324	16.103	13.803	12.078	10.736	9.662	8.784	8.052	7.432	6.901	6.441	6.039	5.684	5.368	5.085	4.831	4.601	4.392	4.201	4.026	3.865	3.716	3.579	3.451	3.332	3.221	3.117	3.019	2.928	2.842	Term. 2/
L. H. 3/	.099490	.084100	.073107	.064863	.058450	.053320	.049123	.045625	.042665	.040129	.037930	.036006	.034309	.032800	.031450	.030235	.029136	.028136	.027224	.026388	.025618	.024906	.024250	.023639	.023071	.022540	.022044	.021578	.021141	.020729	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.350. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 15 (Concluded).—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.4	3.3	3.2	3.1	3.0	3.0	[illegible]	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.2	[illegible]	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	70
80	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	100
120	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	120
140	5.6	5.5	5.4	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	140
160	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	3.8	160
180	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	180
200	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	200
220	7.2	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.8	4.7	4.7	220
240	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	5.0	240
260	8.0	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.2	260
280	8.5	8.3	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	280
300	8.9	8.7	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	300
320	9.3	9.1	8.9	8.7	8.6	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	320
340	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	340
360	10.1	9.9	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	360
380	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	7.9	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	380
400	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.3	400
420	11.3	11.1	10.9	10.6	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	420
440	11.7	11.5	11.2	11.0	10.8	10.6	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	440
460	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	460
480	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	8.5	8.4	480
500	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	500
600	15.0	14.7	14.4	14.1	13.9	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.1	11.9	11.8	11.6	11.5	11.3	11.2	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.1	600
700	17.0	16.7	16.4	16.1	15.8	15.5	15.2	15.0	14.8	14.5	14.3	14.1	13.9	13.8	13.6	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.8	11.7	11.6	700
800	19.0	18.7	18.3	18.0	17.7	17.4	17.1	16.8	16.6	16.3	16.1	15.8	15.6	15.4	15.2	15.0	14.9	14.7	14.5	14.3	14.2	14.0	13.9	13.8	13.6	13.5	13.4	13.2	13.1	13.0	800
900	21.1	20.7	20.3	19.9	19.6	19.2	18.9	18.6	18.3	18.1	17.8	17.6	17.3	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.7	15.6	15.4	15.3	15.1	15.0	14.8	14.7	14.6	14.4	900
1000	23.1	22.7	22.2	21.8	21.5	21.1	20.8	20.4	20.1	19.8	19.6	19.3	19.0	18.8	18.5	18.3	18.1	17.9	17.7	17.5	17.3	17.1	16.9	16.8	16.6	16.5	16.3	16.2	16.0	15.9	1000
1100	25.1	24.7	24.2	23.8	23.4	23.0	22.6	22.3	21.9	21.6	21.3	21.0	20.7	20.5	20.2	20.0	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.3	18.1	17.9	17.8	17.6	17.5	17.3	1100
1200	27.2	26.7	26.2	25.7	25.3	24.8	24.5	24.1	23.7	23.4	23.0	22.7	22.4	22.1	21.9	21.6	21.3	21.1	20.9	20.6	20.4	20.2	20.0	19.8	19.6	19.4	19.2	19.1	18.9	18.7	1200
1300	29.2	28.7	28.1	27.6	27.2	26.7	26.3	25.9	25.5	25.1	24.8	24.4	24.1	23.8	23.5	23.2	23.0	22.7	22.4	22.2	22.0	21.7	21.5	21.3	21.1	20.9	20.7	20.5	20.4	20.2	1300
1400	31.2	30.6	30.1	29.6	29.1	28.6	28.1	27.7	27.3	26.9	26.5	26.2	25.8	25.5	25.2	24.9	24.6	24.3	24.0	23.8	23.5	23.3	23.0	22.8	22.6	22.4	22.2	22.0	21.8	21.6	1400
1500	33.3	32.6	32.1	31.5	31.0	30.5	30.0	29.5	29.1	28.7	28.3	27.9	27.5	27.2	26.8	26.5	26.2	25.9	25.6	25.3	25.1	24.8	24.6	24.3	24.1	23.9	23.7	23.5	23.3	23.1	1500
Term. 2/	2.761	2.684	2.611	2.543	2.477	2.416	2.357	2.300	2.247	2.196	2.147	2.100	2.056	2.013	1.972	1.932	1.895	1.858	1.823	1.789	1.757	1.725	1.695	1.666	1.638	1.610	1.584	1.558	1.534	1.510	Term. 2/
L. H. 3/	.020341	.019975	.019628	.019300	.018988	.018693	.018411	.018143	.017887	.017643	.017410	.017187	.016973	.016769	.016572	.016384	.016203	.016029	.015861	.015700	.015545	.015395	.015250	.015110	.014975	.014845	.014719	.014597	.014479	.014364	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.350. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 16.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.6	17.2	14.7	12.9	11.5	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.8	18.2	15.6	13.7	12.2	11.0	10.0	9.2	8.5	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	20
30	23.1	19.3	16.6	14.5	12.9	11.7	10.6	9.8	9.0	5.4	7.8	7.4	6.9	6.6	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	30
40	24.4	20.3	17.5	15.3	13.7	12.3	11.2	10.3	9.5	8.9	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.8	40
50	25.6	21.4	18.4	16.1	14.4	13.0	11.8	10.9	10.1	9.4	8.8	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	50
60	26.9	22.5	19.3	17.0	15.1	13.7	12.5	11.4	10.6	9.9	9.2	8.7	8.2	7.8	7.4	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.2	5.0	4.8	4.7	4.6	4.4	4.3	60
70	28.1	23.5	20.2	17.8	15.9	14.3	13.1	12.0	11.1	10.4	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	70
80	29.4	24.6	21.2	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.6	9.0	8.6	8.2	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	80
90	30.6	25.6	22.1	19.4	17.3	15.6	14.3	13.1	12.2	11.4	10.6	10.0	9.5	9.0	8.5	8.1	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.1	90
100	31.9	26.7	23.0	20.2	18.0	16.3	14.9	13.7	12.7	11.9	11.1	10.5	9.9	9.4	8.9	8.5	8.1	7.8	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	100
120	34.4	28.8	24.8	21.8	19.5	17.6	16.1	14.8	13.8	12.9	12.0	11.3	10.7	10.2	9.7	9.2	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.6	6.5	6.3	6.1	5.9	5.8	120
140	36.9	31.0	26.7	23.5	21.0	19.0	17.3	16.0	14.8	13.8	13.0	12.2	11.6	11.0	10.5	10.0	9.6	9.2	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	140
160	39.5	33.1	28.5	25.1	22.4	20.3	18.6	17.1	15.9	14.8	13.9	13.1	12.4	11.8	11.2	10.7	10.3	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.8	7.5	7.3	7.1	6.9	6.8	160
180	42.0	35.2	30.4	26.7	23.9	21.6	19.8	18.2	16.9	15.8	14.8	14.0	13.3	12.6	12.0	11.5	11.0	10.5	10.1	9.8	9.4	9.1	8.8	8.6	8.3	8.1	7.8	7.6	7.5	7.3	180
200	44.5	37.3	32.2	28.3	25.4	23.0	21.0	19.4	18.0	16.8	15.8	14.9	14.1	13.4	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	200
220	47.0	39.4	34.0	30.0	26.8	24.3	22.2	20.5	19.0	17.8	16.7	15.8	14.9	14.2	13.5	12.9	12.4	11.9	11.5	11.0	10.7	10.3	10.0	9.7	9.4	9.1	8.9	8.7	8.5	8.3	220
240	49.5	41.6	35.9	31.6	28.3	25.6	23.4	21.6	20.1	18.8	17.7	16.7	15.8	15.0	14.3	13.7	13.1	12.6	12.1	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.7	240
260	52.0	43.7	37.7	33.2	29.7	27.0	24.7	22.8	21.2	19.8	18.6	17.5	16.6	15.8	15.1	14.4	13.8	13.3	12.8	12.3	11.9	11.5	11.2	10.8	10.5	10.2	10.0	9.7	9.5	9.2	260
280	54.6	45.8	39.5	34.9	31.2	28.3	25.9	23.9	22.2	20.8	19.5	18.4	17.5	16.6	15.8	15.1	14.5	13.9	13.4	13.0	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.2	10.0	9.7	280
300	57.1	47.9	41.4	36.5	32.7	29.6	27.1	25.0	23.3	21.8	20.5	19.3	18.3	17.4	16.6	15.9	15.2	14.6	14.1	13.6	13.1	12.7	12.3	12.0	11.6	11.3	11.0	10.7	10.5	10.2	300
320	59.6	50.0	43.2	38.1	34.1	30.9	28.3	26.2	24.3	22.8	21.4	20.2	19.1	18.2	17.4	16.6	15.9	15.3	14.7	14.2	13.7	13.3	12.9	12.5	12.2	11.8	11.5	11.2	11.0	10.7	320
340	62.1	52.2	45.1	39.7	35.6	32.3	29.6	27.3	25.4	23.8	22.3	21.1	20.0	19.0	18.1	17.4	16.6	16.0	15.4	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.1	11.8	11.5	11.2	340
360	64.6	54.3	46.9	41.4	37.0	33.6	30.8	28.4	26.4	24.7	23.3	22.0	20.8	19.8	18.9	18.1	17.3	16.7	16.1	15.5	15.0	14.5	14.1	13.7	13.3	12.9	12.6	12.3	12.0	11.7	360
380	67.1	56.4	48.7	43.0	38.5	34.9	32.0	29.6	27.5	25.7	24.2	22.9	21.7	20.6	19.7	18.8	18.1	17.4	16.7	16.1	15.6	15.1	14.6	14.2	13.8	13.5	13.1	12.8	12.5	12.2	380
400	69.7	58.5	50.6	44.6	40.0	36.3	33.2	30.7	28.6	26.7	25.1	23.7	22.5	21.4	20.4	19.6	18.8	18.0	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.6	13.3	13.0	12.7	400
420	72.2	60.6	52.4	46.2	41.4	37.6	34.4	31.8	29.6	27.7	26.1	24.6	23.3	22.2	21.2	20.3	19.5	18.7	18.0	17.4	16.8	16.3	15.8	15.4	14.9	14.5	14.2	13.8	13.5	13.2	420
440	74.7	62.8	54.3	47.9	42.9	38.9	35.7	33.0	30.7	28.7	27.0	25.5	24.2	23.0	22.0	21.0	20.2	19.4	18.7	18.1	17.5	16.9	16.4	15.9	15.5	15.1	14.7	14.3	14.0	13.7	440
460	77.2	64.9	56.1	49.5	44.4	40.2	36.9	34.1	31.7	29.7	27.9	26.4	25.0	23.8	22.7	21.8	20.9	20.1	19.4	18.7	18.1	17.5	17.0	16.5	16.0	15.6	15.2	14.8	14.5	14.2	460
480	79.7	67.0	57.9	51.1	45.8	41.6	38.1	35.2	32.8	30.7	28.9	27.3	25.9	24.6	23.5	22.5	21.6	20.8	20.0	19.3	18.7	18.1	17.6	17.1	16.6	16.1	15.7	15.4	15.0	14.7	480
500	82.2	69.1	59.8	52.7	47.3	42.9	39.3	36.4	33.8	31.7	29.8	28.2	26.7	25.4	24.3	23.2	22.3	21.5	20.7	20.0	19.3	18.7	18.1	17.6	17.1	16.7	16.3	15.9	15.5	15.1	500
600	94.8	79.7	69.0	60.9	54.6	49.6	45.4	42.0	39.1	36.6	34.5	32.6	30.9	29.4	28.1	26.9	25.8	24.9	24.0	23.2	22.4	21.7	21.1	20.5	19.9	19.4	18.9	18.4	18.0	17.6	600
700	107.4	90.3	78.2	69.0	61.9	56.2	51.6	47.7	44.4	41.6	39.1	37.0	35.1	33.5	32.0	30.6	29.4	28.3	27.3	26.3	25.5	24.7	24.0	23.3	22.7	22.1	21.5	21.0	20.5	20.1	700
800	120.0	100.9	87.3	77.1	69.2	62.9	57.7	53.3	49.7	46.5	43.8	41.4	39.3	37.5	35.8	34.3	32.9	31.7	30.6	29.5	28.6	27.7	26.9	26.1	25.4	24.8	24.2	23.6	23.0	22.5	800
900	132.6	111.6	96.5	85.3	76.5	69.5	63.8	59.0	55.0	51.5	48.5	45.9	43.5	41.5	39.6	38.0	36.5	35.1	33.9	32.7	31.7	30.7	29.8	29.0	28.2	27.5	26.8	26.1	25.5	25.0	900
1000	145.2	122.2	105.7	93.4	83.8	72.2	69.9	64.7	60.2	56.4	53.2	50.3	47.7	45.5	43.5	41.7	40.0	38.5	37.2	35.9	34.8	33.7	32.7	31.8	30.9	30.2	29.4	28.7	28.1	27.4	1000
1100	157.7	132.8	114.9	101.5	91.1	82.8	76.0	70.3	65.5	61.4	57.8	54.7	51.9	49.5	47.3	45.3	43.6	41.9	40.4	39.1	37.8	36.7	35.6	34.6	33.7	32.8	32.0	31.3	30.6	29.9	1100
1200	170.3	143.4	124.1	109.7	98.4	89.5	82.1	76.0	70.8	66.3	62.5	59.1	56.2	53.5	51.1	49.0	47.1	45.3	43.7	42.3	40.9	39.7	38.5	37.5	36.5	35.5	34.7	33.9	33.1	32.4	1200
1300	182.9	154.0	133.3	117.8	105.8	96.1	88.2	81.6	76.1	71.3	67.2	63.6	60.4	57.5	55.0	52.7	50.6	48.8	47.0	45.5	44.0	42.7	41.4	40.3	39.2	38.2	37.3	36.4	35.6	34.8	1300
1400	195.5	164.6	142.5	125.9	113.1	102.8	94.3	87.3	81.4	76.3	71.8	68.0	64.6	61.5	58.8	56.4	54.2	52.2	50.3	48.7	47.1	45.7	44.4	43.1	42.0	40.9	39.9	39.0	38.1	37.3	1400
1500	208.1	175.2	151.7	134.1	120.4	109.4	100.4	93.0	86.6	81.2	76.5	72.4	68.8	65.5	62.7	60.1	57.7	55.6	53.6	51.8	50.2	48.7	47.3	46.0	44.8	43.6	42.6	41.6	40.6	39.7	1500
Term. 2/	19.324	1[illegible].103	13.803	12.078	10.736	9.662	8.784	8.052	7.432	6.901	6.441	6.039	5.684	5.368	5.085	4.831	4.601	4.392	4.201	4.026	3.865	3.716	3.579	3.451	3.332	3.221	3.117	3.019	2.928	2.842	Term. 2/
L. H. 3/	.125840	.106058	.091929	.081331	.073089	.066495	.061100	.056604	.052800	.049539	.046713	.044241	.042059	.040119	.038384	.036823	.035410	.034125	.032952	.031877	.030888	.029975	.029130	.028345	.027614	.026932	.026294	.025695	.025133	.024604	L. H. 3/

1/ Based on a tare weight of 20.6 tons and a ratio of empty car miles to loaded car miles of 0.839. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table [illegible] herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 16 (Concluded).—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.8	2.7	2.5	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	10
20	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.8	20
30	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	30
40	3.7	3.6	3.5	3.5	3.4	3.3	3.	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	40
50	4.0	3.9	3.8	3.7	3.6	3.5	[illegible]	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	50
60	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	60
70	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	70
80	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	80
90	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	90
100	5.2	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	100
120	5.7	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	120
140	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.9	3.8	140
160	6.6	6.5	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	160
180	7.1	6.9	6.8	6.6	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	180
200	7.6	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.8	4.8	200
220	8.1	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	220
240	8.5	8.4	8.2	8.0	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	240
260	9.0	8.8	8.6	8.5	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	260
280	9.5	9.3	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	280
300	10.0	9.8	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	300
320	10.5	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	320
340	11.0	10.7	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	340
360	11.4	11.2	11.0	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	360
380	11.9	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	380
400	12.4	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	400
420	12.9	12.6	12.4	12.1	11.9	11.7	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	420
440	13.4	13.1	12.8	12.6	12.3	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	440
460	13.8	13.6	13.3	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.4	9.3	9.3	9.2	9.1	460
480	14.3	14.0	13.7	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	480
500	14.8	14.5	14.2	13.9	13.7	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	11.1	11.0	10.9	10.7	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	500
600	17.2	16.9	16.5	16.2	15.9	15.6	15.3	15.1	14.8	14.6	14.3	14.1	13.9	13.7	13.5	13.3	13.2	13.0	12.8	12.7	12.5	12.4	12.2	12.1	12.0	11.8	11.7	11.6	11.5	11.4	600
700	19.6	19.2	18.8	18.5	18.1	17.8	17.5	17.2	16.9	16.6	16.4	16.1	15.9	15.7	15.5	15.2	15.0	14.9	14.7	14.5	14.3	14.1	14.0	13.8	13.7	13.5	13.4	13.3	13.1	13.0	700
800	22.0	21.6	21.2	20.8	20.4	20.0	19.7	19.3	19.0	18.7	18.4	18.1	17.9	17.6	17.4	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.7	15.6	15.4	15.2	15.1	14.9	14.8	14.6	800
900	24.5	24.0	23.5	23.0	22.6	22.2	21.8	21.5	21.1	20.8	20.5	20.1	19.9	19.6	19.3	19.0	18.8	18.6	18.3	18.1	17.9	17.7	17.5	17.3	17.1	16.9	16.8	16.6	16.4	16.3	900
1000	26.9	26.3	25.8	25.3	24.8	24.4	24.0	23.6	23.2	22.8	22.5	22.2	21.8	21.5	21.2	21.0	20.7	20.4	20.2	19.9	19.7	19.5	19.3	19.0	18.8	18.7	18.5	18.3	18.1	17.9	1000
1100	29.3	28.7	28.1	27.6	27.1	26.6	26.1	25.7	25.3	24.9	24.5	24.2	23.8	23.5	23.2	22.9	22.6	22.3	22.0	21.7	21.5	21.2	21.0	20.8	20.6	20.4	20.2	20.0	19.8	19.6	1100
1200	31.7	31.0	30.4	29.9	29.3	28.8	28.3	27.8	27.4	27.0	26.6	26.2	25.8	25.4	25.1	24.8	24.4	24.1	23.8	23.6	23.3	23.0	22.8	22.5	22.3	22.1	21.8	21.6	21.4	21.2	1200
1300	34.1	33.4	32.8	32.1	31.6	31.0	30.5	30.0	29.5	29.0	28.6	28.2	27.8	27.4	27.0	26.7	26.3	26.0	25.7	25.4	25.1	24.8	24.5	24.3	24.0	23.8	23.5	23.3	23.1	22.9	1300
1400	36.5	35.8	35.1	34.4	33.8	33.2	32.6	32.1	31.6	31.1	30.6	30.2	29.7	29.3	28.9	28.6	28.2	27.8	27.5	27.2	26.9	26.6	26.3	26.0	25.7	25.5	25.2	25.0	24.7	24.5	1400
1500	38.9	38.1	37.4	36.7	36.0	35.4	34.8	34.2	33.7	33.2	32.7	32.2	31.7	31.3	30.9	30.5	30.1	29.7	29.3	29.0	28.7	28.3	28.0	27.7	27.5	27.2	26.9	26.6	26.4	26.1	1500
Term. 2/	2.761	2.684	2.611	2.543	2.477	2.416	2.357	2.300	2.247	2.196	2.147	2.100	2.056	2.013	1.972	1.932	1.895	1.858	1.823	1.789	1.757	1.725	1.695	1.666	1.638	1.610	1.584	1.558	1.534	1.510	Term. 2/
L. H. 3/	.024106	.023635	.023189	.022767	.022367	.021986	.021624	.021280	.020951	.020638	.020338	.020051	.019777	.019514	.019261	.019015	.018786	.018563	.018347	.018140	.017940	.017747	.017561	.017382	.017208	.017041	.016879	.016722	.016570	.016423	L. H. 3/

1/ Based on a tare weight of 20.6 tons and a ratio of empty car miles to loaded car miles of 0.839. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 17.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.6	17.2	14.8	12.9	11.5	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.7	4.5	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.9	18.3	15.7	13.8	12.2	11.0	10.0	9.2	8.5	7.9	7.4	7.0	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.5	3.4	3.3	20
30	23.2	19.4	16.7	14.6	13.0	11.7	10.7	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	30
40	24.5	20.5	17.6	15.4	13.8	12.4	11.3	10.4	9.6	8.9	8.4	7.9	7.4	7.0	6.7	6.3	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	40
50	25.8	21.6	18.5	16.3	14.5	13.1	11.9	11.0	10.2	9.5	8.8	8.3	7.8	7.4	7.1	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.5	4.3	4.2	4.1	50
60	27.1	22.7	19.5	17.1	15.3	13.8	12.6	11.6	10.7	10.0	9.3	8.8	8.3	7.8	7.5	7.1	6.8	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.4	60
70	28.4	23.8	20.4	18.0	16.0	14.5	13.2	12.1	11.2	10.5	9.8	9.2	8.7	8.3	7.8	7.5	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	70
80	29.7	24.9	21.4	18.8	16.8	15.1	13.8	12.7	11.8	11.0	10.3	9.7	9.1	8.7	8.2	7.9	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9	80
90	31.0	26.0	22.3	19.6	17.5	15.8	14.5	13.3	12.3	11.5	10.8	10.1	9.6	9.1	8.6	8.2	7.9	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	90
100	32.3	27.1	23.3	20.5	18.3	16.5	15.1	13.9	12.9	12.0	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	100
120	34.9	29.2	25.2	22.2	19.8	17.9	16.3	15.1	14.0	13.0	12.2	11.5	10.9	10.3	9.8	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.4	6.2	6.0	5.9	120
140	37.5	31.4	27.0	23.8	21.3	19.3	17.6	16.2	15.1	14.0	13.2	12.4	11.7	11.1	10.6	10.1	9.7	9.3	8.9	8.6	8.3	8.0	7.8	7.5	7.3	7.1	6.9	6.7	6.5	6.4	140
160	40.1	33.6	29.0	25.5	22.8	20.6	18.9	17.4	16.1	15.1	14.1	13.3	12.6	12.0	11.4	10.9	10.4	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.1	6.9	160
180	42.7	35.8	30.9	27.2	24.3	22.0	20.1	18.6	17.2	16.1	15.1	14.2	13.5	12.8	12.2	11.6	11.2	10.7	10.3	9.9	9.6	9.3	9.0	8.7	8.4	8.2	8.0	7.8	7.6	7.4	180
200	45.3	38.0	32.8	28.9	25.8	23.4	21.4	19.7	18.3	17.1	16.1	15.1	14.3	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.0	8.7	8.5	8.3	8.1	7.9	200
220	47.9	40.2	34.7	30.5	27.3	24.8	22.6	20.9	19.4	18.1	17.0	16.1	15.2	14.5	13.8	13.2	12.6	12.1	11.7	11.2	10.8	10.5	10.2	9.9	9.6	9.3	9.1	8.8	8.6	8.4	220
240	50.5	42.4	36.6	32.2	28.8	26.1	23.9	22.1	20.5	19.2	18.0	17.0	16.1	15.3	14.6	13.9	13.3	12.8	12.3	11.9	11.5	11.1	10.8	10.4	10.1	9.9	9.6	9.3	9.1	8.9	240
260	53.1	44.6	38.5	33.9	30.3	27.5	25.2	23.2	21.6	20.2	19.0	17.9	16.9	16.1	15.4	14.7	14.1	13.5	13.0	12.5	12.1	11.7	11.4	11.0	10.7	10.4	10.1	9.9	9.6	9.4	260
280	55.7	46.8	40.4	35.6	31.9	28.9	26.4	24.4	22.7	21.2	19.9	18.8	17.8	16.9	16.1	[illegible]	14.8	14.2	13.7	13.2	12.7	12.3	12.0	11.6	11.3	11.0	10.7	10.4	10.1	9.9	280
300	58.3	49.0	42.3	37.3	33.4	30.2	27.7	25.6	23.8	22.2	20.9	19.7	18.7	17.8	16.9	[illegible]	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.2	11.8	11.5	11.2	10.9	10.7	10.4	300
320	60.9	51.2	44.2	38.9	34.9	31.6	28.9	26.7	24.8	23.2	21.8	20.6	19.5	18.6	17.7	17.0	16.3	15.6	15.0	14.5	14.0	13.6	13.1	12.8	12.4	12.1	11.7	11.5	11.2	10.9	320
340	63.5	53.4	46.1	40.6	36.4	33.0	30.2	27.9	25.9	24.3	22.8	21.5	20.4	19.4	18.5	17.7	17.0	16.3	15.7	15.2	14.7	14.2	13.7	13.3	13.0	12.6	12.3	12.0	11.7	11.4	340
360	66.1	55.5	48.0	42.3	37.9	34.4	31.5	29.1	27.0	25.3	23.8	22.4	21.3	20.2	19.3	18.5	17.7	17.0	16.4	15.8	15.3	14.8	14.3	13.9	13.5	13.2	12.8	12.5	12.2	11.9	360
380	68.7	57.7	49.9	44.0	39.4	35.7	32.7	30.2	28.1	26.3	24.7	23.3	22.1	21.1	20.1	19.2	18.4	17.7	17.1	16.5	15.9	15.4	14.9	14.5	14.1	13.7	13.4	13.0	12.7	12.4	380
400	71.3	59.9	51.8	45.7	40.9	37.1	34.0	31.4	29.2	27.3	25.7	24.3	23.0	21.9	20.9	20.0	19.2	18.4	17.7	17.1	16.6	16.0	15.5	15.1	14.7	14.3	13.9	13.6	13.2	12.9	400
420	73.9	62.1	53.7	47.3	42.4	38.5	35.2	32.6	30.3	28.3	26.6	25.2	23.9	22.7	21.7	20.7	19.9	19.1	18.4	17.8	17.2	16.6	16.1	15.7	15.2	14.8	14.4	14.1	13.8	13.4	420
440	76.5	64.3	55.6	49.0	43.9	39.8	36.5	33.7	31.4	29.4	27.6	26.1	24.7	23.5	22.5	21.5	20.6	19.8	19.1	18.4	17.8	17.3	16.7	16.3	15.8	15.4	15.0	14.6	14.3	13.9	440
460	79.1	66.5	57.5	50.7	45.4	41.2	37.8	34.9	32.5	30.4	28.6	27.0	25.6	24.4	23.2	22.3	21.3	20.5	19.8	19.1	18.5	17.9	17.3	16.8	16.4	15.9	15.5	15.1	14.8	14.4	460
480	81.7	68.7	59.4	52.4	46.9	42.6	39.0	36.1	33.6	31.4	29.5	27.9	26.5	25.2	24.0	23.0	22.1	21.2	20.5	19.7	19.1	18.5	17.9	17.4	16.9	16.5	16.1	15.7	15.3	14.9	480
500	84.3	70.9	61.3	54.1	48.4	44.0	40.3	37.2	34.6	32.4	30.5	28.8	27.3	26.0	24.8	23.8	22.8	21.9	21.1	20.4	19.7	19.1	18.5	18.0	17.5	17.0	16.6	16.2	15.8	15.5	500
600	97.3	81.8	70.8	62.5	56.0	50.8	46.6	43.1	40.1	37.5	35.3	33.4	31.7	30.1	28.8	27.6	26.4	25.4	24.5	23.7	22.9	22.2	21.5	20.9	20.3	19.8	19.3	18.8	18.4	18.0	600
700	110.4	92.8	80.3	70.8	63.5	57.7	52.9	48.9	45.5	42.6	40.1	37.9	36.0	34.3	32.7	31.3	30.1	28.9	27.9	27.0	26.1	25.3	24.5	23.8	23.2	22.6	22.0	21.5	21.0	20.5	700
800	123.4	103.7	89.7	79.2	71.1	64.5	59.2	54.7	51.0	47.7	44.9	42.5	40.3	38.4	36.7	35.1	33.7	32.5	31.3	30.2	29.2	28.3	27.5	26.7	26.0	25.3	24.7	24.1	23.5	23.0	800
900	136.4	114.7	99.2	87.6	78.6	71.4	65.5	60.6	56.4	52.8	49.7	47.0	44.6	42.5	40.6	38.9	37.4	36.0	34.7	33.5	32.4	31.4	30.5	29.6	28.8	28.1	27.4	26.7	26.1	25.5	900
1000	149.4	125.7	108.7	96.0	86.2	78.3	71.8	66.4	61.8	57.9	54.6	51.6	49.0	46.7	44.6	42.7	41.0	39.5	38.1	36.8	35.6	34.5	33.5	32.5	31.7	30.9	30.1	29.4	28.7	28.1	1000
1100	162.4	136.6	118.2	104.4	93.7	85.1	78.1	72.2	67.3	63.0	59.4	56.1	53.3	50.8	48.5	46.5	44.7	43.0	41.5	40.1	38.8	37.6	36.5	35.5	34.5	33.6	32.8	32.0	31.3	30.6	1100
1200	175.4	147.6	127.7	112.8	101.2	92.0	84.4	78.1	72.7	68.1	64.2	60.7	57.6	54.9	52.5	50.3	48.3	46.5	44.8	43.3	41.9	40.7	39.5	38.4	37.3	36.4	35.5	34.6	33.9	33.1	1200
1300	188.4	158.5	137.2	121.2	108.8	98.8	90.7	83.9	78.2	73.3	69.0	65.3	62.0	59.0	56.4	54.1	51.9	50.0	48.2	46.6	45.1	43.7	42.5	41.3	40.2	39.1	38.2	37.3	36.4	35.6	1300
1400	201.4	169.5	146.7	129.6	116.3	105.7	97.0	89.7	83.6	78.4	73.8	69.8	66.3	63.2	60.4	57.9	55.6	53.5	51.6	49.9	48.3	46.8	45.4	44.2	43.0	41.9	40.9	39.9	39.0	38.2	1400
1500	214.4	180.4	156.2	138.0	123.9	112.6	103.3	95.6	89.1	83.5	78.6	74.4	70.6	67.3	64.3	61.6	59.2	57.0	55.0	53.2	51.5	49.9	48.4	47.1	45.8	44.7	43.6	42.5	41.6	40.7	1500
Term. 2/	19.324	16.103	13.803	12.078	10.736	9.662	8.784	8.05[illegible]	7.432	6.901	6.441	6.039	5.684	5.368	5.085	4.831	4.601	4.392	4.201	4.026	3.865	3.716	3.579	3.451	3.332	3.221	3.117	3.019	2.928	2.842	Term. 2/
L. H. 3/	.130040	.109558	.094929	.083956	.075422	.068595	.063009	.058354	.054415	.051039	.048113	.045553	.043294	.041286	.039489	.037873	.036410	.035080	.033865	.032752	.031728	.030783	.029907	.029095	.028338	.027632	.026971	.026352	.025770	.025222	L. H. 3/

1/ Based on a tare weight of 22.1 tons and a ratio of empty car miles to loaded car miles of 0.843. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 17 (Concluded).--TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	10
20	3.3	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	20
30	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	30
40	3.7	3.7	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	40
50	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	50
60	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	60
70	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	70
80	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	80
90	5.0	4.9	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	90
100	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	100
120	5.7	5.6	5.5	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	120
140	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.3	5.2	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.9	140
160	6.7	6.6	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	160
180	7.2	7.0	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	180
200	7.7	7.5	7.4	7.2	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	200
220	8.2	8.0	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	220
240	8.7	8.5	8.3	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	240
260	9.2	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	260
280	9.7	9.5	9.3	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	280
300	10.2	9.9	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	300
320	10.7	10.4	10.2	10.0	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	6.9	6.9	320
340	11.2	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	340
360	11.7	11.4	11.2	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.6	7.5	360
380	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	380
400	12.6	12.4	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.1	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	400
420	13.1	12.9	12.6	12.3	12.1	11.9	11.7	11.4	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	420
440	13.6	13.3	13.1	12.8	12.6	12.3	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	440
460	14.1	13.8	13.5	13.3	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	460
480	14.6	14.3	14.0	13.7	13.5	13.2	13.0	12.8	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.9	9.7	9.6	9.6	480
500	15.1	14.8	14.5	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.5	12.4	12.2	12.0	11.8	11.7	11.5	11.3	11.2	11.1	10.9	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.9	500
600	17.6	17.2	16.9	16.5	16.2	15.9	15.6	15.4	15.1	14.9	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.3	12.2	12.0	11.9	11.8	11.7	11.6	600
700	20.1	19.6	19.2	18.9	18.5	18.2	17.9	17.5	17.3	17.0	16.7	16.5	16.2	16.0	15.8	15.5	15.3	15.1	14.9	14.8	14.6	14.4	14.2	14.1	13.9	13.8	13.6	13.5	13.4	13.2	700
800	22.5	22.1	21.6	21.2	20.8	20.4	20.1	19.7	19.4	19.1	18.8	18.5	18.2	18.0	17.7	17.5	17.3	17.0	16.8	16.6	16.4	16.2	16.0	15.9	15.7	15.5	15.4	15.2	15.1	14.9	800
900	25.0	24.5	24.0	23.5	23.1	22.7	22.3	21.9	21.5	21.2	20.9	20.6	20.3	20.0	19.7	19.4	19.2	18.9	18.7	18.5	18.2	18.0	17.8	17.6	17.4	17.3	17.1	16.9	16.7	16.6	900
1000	27.5	26.9	26.4	25.9	25.4	24.9	24.5	24.1	23.7	23.3	23.0	22.6	22.3	22.0	21.7	21.4	21.1	20.8	20.6	20.3	20.1	19.8	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.3	1000
1100	29.9	29.3	28.7	28.2	27.7	27.2	26.7	26.3	25.8	25.4	25.0	24.7	24.3	24.0	23.6	23.3	23.0	22.7	22.4	22.2	21.9	21.7	21.4	21.2	21.0	20.7	20.5	20.3	20.1	19.9	1100
1200	32.4	31.7	31.1	30.5	30.0	29.4	28.9	28.4	28.0	27.5	27.1	26.7	26.3	26.0	25.6	25.3	24.9	24.6	24.3	24.0	23.7	23.5	23.2	23.0	22.7	22.5	22.3	22.0	21.8	21.6	1200
1300	34.9	34.2	33.5	32.9	32.3	31.7	31.1	30.6	30.1	29.6	29.2	28.8	28.3	27.9	27.6	27.2	26.9	26.5	26.2	85.9	25.6	25.3	25.0	24.7	24.5	24.2	24.0	23.7	23.5	23.3	1300
1400	37.3	36.6	35.9	35.2	34.5	33.9	33.3	32.8	32.3	31.8	31.3	30.8	30.4	29.9	29.5	29.1	28.8	28.4	28.1	27.7	27.4	27.1	26.8	26.5	26.2	26.0	25.7	25.4	25.2	25.0	1400
1500	39.8	39.0	38.2	37.5	36.8	36.2	35.6	35.0	34.4	33.9	33.4	32.9	32.4	31.9	31.5	31.1	30.7	30.3	29.9	29.6	29.2	28.9	28.6	28.3	28.0	27.7	27.4	27.1	26.9	26.6	1500
Term. 2/	2.761	2.684	2.611	2.543	2.477	2.416	2.357	2.300	2.247	2.196	2.147	2.100	2.056	2.013	1.972	1.932	1.895	1.858	1.823	1.789	1.757	1.725	1.695	1.666	1.638	1.610	1.584	1.558	1.534	1.510	Term. 2/
L. H. 3/	.024706	.024218	.023757	.023320	.022905	.022511	.022137	.021780	.021440	.021115	.020804	.020508	.020223	.019951	.019690	.019439	.019198	.018966	.018743	.018529	.018322	.018122	.017930	.017744	.017564	.017391	.017223	.017060	.016903	.016751	L. H. 3/

1/ Based on a tare weight of 22.1 tons and a ratio of empty car miles to loaded car miles of 0.843. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 18.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22.	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.7	14.8	12.7	11.1	9.9	8.9	8.1	7.4	6.9	6.4	5.9	5.6	5.3	5.0	4.7	4.5	4.3	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.7	10
20	19.1	16.0	13.7	12.0	10.7	9.6	8.8	8.1	7.5	6.9	6.5	6.1	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	20
30	20.6	17.2	14.8	12.9	11.5	10.4	9.5	8.7	8.0	7.5	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.8	4.6	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	30
40	22.0	18.4	15.8	13.9	12.4	11.2	10.2	9.3	8.6	8.1	7.5	7.1	6.7	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	40
50	23.5	19.6	16.9	14.8	13.2	11.9	10.9	10.0	9.2	8.6	8.1	7.6	7.2	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	3.8	50
60	24.9	20.8	17.9	15.7	14.0	12.7	11.6	10.6	9.8	9.2	8.6	8.1	7.6	7.2	6.9	6.5	6.3	6.0	5.8	5.5	5.3	5.1	5.0	4.8	4.6	4.5	4.4	4.3	4.1	4.0	60
70	26.3	22.0	19.0	16.7	14.9	13.4	12.3	[illegible]	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	70
80	27.8	23.3	20.0	17.6	15.7	14.2	12.9	[illegible]	11.0	10.3	9.6	9.1	8.6	8.1	7.7	7.4	7.1	6.8	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	80
90	29.2	24.5	21.1	18.5	16.5	14.9	13.6	12.6	11.6	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.1	6.9	6.6	6.4	6.1	5.9	5.7	5.6	5.4	5.3	5.1	5.0	4.8	90
100	30.7	25.7	22.1	19.4	17.4	15.7	14.3	13.2	12.2	11.4	10.7	10.1	9.5	9.0	8.6	8.2	7.8	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.3	5.1	100
120	33.6	28.1	24.2	21.3	19.0	17.2	15.7	14.5	13.4	12.5	11.8	11.1	10.5	9.9	9.5	9.0	8.6	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	120
140	36.4	30.5	26.3	23.1	20.7	18.7	17.1	15.8	14.6	13.7	12.8	12.1	11.4	10.8	10.3	9.9	9.4	9.1	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	6.5	6.4	6.2	140
160	39.3	33.0	28.4	25.0	22.4	20.2	18.5	17.1	15.8	14.8	13.9	13.1	12.4	11.7	11.2	10.7	10.2	9.8	9.4	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	160
180	42.2	35.4	30.5	26.9	24.0	21.7	19.9	18.3	17.0	15.9	14.9	14.1	13.3	12.7	12.1	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.5	7.3	180
200	45.1	37.8	32.6	28.7	25.7	23.3	21.3	19.6	18.2	17.0	16.0	15.1	14.3	13.6	12.9	12.3	11.8	11.4	10.9	10.5	10.2	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.0	7.8	200
220	48.0	40.2	34.7	30.6	27.3	24.8	22.7	20.9	19.4	18.1	17.0	16.1	15.2	14.5	13.8	13.2	12.6	12.1	11.7	11.2	10.9	10.5	10.2	9.9	9.6	9.3	9.1	8.8	8.6	8.4	220
240	50.8	42.7	36.8	32.4	29.0	26.3	24.0	22.2	20.6	19.3	18.1	17.1	16.2	15.4	14.6	14.0	13.4	12.9	12.4	12.0	11.5	11.2	10.8	10.5	10.2	9.9	9.6	9.4	9.2	8.9	240
260	53.7	45.1	38.9	34.3	30.7	27.8	25.4	23.5	21.8	20.4	19.1	18.1	17.1	16.3	15.5	14.8	14.2	13.6	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.2	10.0	9.7	9.5	260
280	56.6	47.5	41.0	36.1	32.3	29.3	26.8	24.8	23.0	21.5	20.2	19.1	18.1	17.2	16.4	15.7	15.0	14.4	13.9	13.4	12.9	12.5	12.1	11.8	11.4	11.1	10.8	10.5	10.3	10.0	280
300	59.5	49.9	43.1	38.0	34.0	30.8	28.2	26.0	24.2	22.6	21.3	20.1	19.0	18.1	17.2	16.5	15.8	15.2	14.6	14.1	13.6	13.2	12.8	12.4	12.0	11.7	11.4	11.1	10.8	10.6	300
320	62.4	52.4	45.2	39.8	35.7	32.3	29.6	27.3	25.4	23.7	22.3	21.1	20.0	19.0	18.1	17.3	16.6	15.9	15.4	14.8	14.3	13.8	13.4	13.0	12.6	12.3	12.0	11.7	11.4	11.1	320
340	65.3	54.8	47.3	41.7	37.3	33.8	31.0	28.6	26.6	24.9	23.4	22.1	20.9	19.9	19.0	18.1	17.4	16.7	16.1	15.5	15.0	14.5	14.1	13.7	13.3	12.9	12.6	12.2	12.0	11.7	340
360	68.1	57.2	49.4	43.6	39.0	35.4	32.4	29.9	27.8	26.0	24.4	23.1	21.9	20.8	19.8	19.0	18.2	17.5	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.1	12.8	12.5	12.2	360
380	71.0	59.6	51.5	45.4	40.7	36.9	33.8	31.2	29.0	27.1	25.5	24.1	22.8	21.7	20.7	19.8	19.0	18.2	17.6	16.9	16.4	15.9	15.4	14.9	14.5	14.1	13.7	13.4	13.1	12.8	380
400	73.9	62.1	53.6	47.3	42.3	38.4	35.2	32.5	30.2	28.2	26.5	25.1	23.8	22.6	21.6	20.6	19.8	19.0	18.3	17.7	17.1	16.5	16.0	15.5	15.1	14.7	14.3	14.0	13.6	13.3	400
420	76.8	64.5	55.7	49.1	44.0	39.9	36.5	33.7	31.4	29.4	27.6	26.1	24.7	23.5	22.4	21.4	21.0	19.8	19.0	18.4	17.8	17.2	16.7	16.2	15.7	15.3	14.9	14.5	14.2	13.9	420
440	79.7	66.9	57.8	51.0	45.7	41.4	37.9	35.0	32.6	30.5	28.7	27.1	25.7	24.4	23.3	22.3	21.4	20.5	19.8	19.1	18.5	17.9	17.3	16.8	16.3	15.9	15.5	15.1	14.7	14.4	440
460	82.6	69.3	59.9	52.8	47.3	42.9	39.3	36.3	33.8	31.6	29.7	28.1	26.6	25.3	24.1	23.1	22.2	21.3	20.5	19.8	19.1	18.5	18.0	17.4	17.0	16.5	16.0	15.7	15.3	14.9	460
480	85.4	71.8	62.0	54.7	49.0	44.4	40.7	37.6	35.0	32.7	30.8	29.1	27.6	26.2	25.0	23.9	23.0	22.1	21.3	20.5	19.8	19.2	18.6	18.1	17.6	17.1	16.7	16.2	15.9	15.5	480
500	88.3	74.2	64.1	56.5	50.7	45.9	42.1	38.9	36.2	33.8	31.8	30.1	28.5	27.1	25.9	24.8	23.8	22.8	22.0	21.2	20.5	19.9	19.3	18.7	18.2	17.7	17.2	16.8	16.4	16.0	500
600	102.7	86.3	74.6	65.8	59.0	53.5	49.0	45.3	42.2	39.4	37.1	35.1	33.2	31.6	30.2	28.9	27.7	26.7	25.7	24.8	24.0	23.2	22.5	21.9	21.3	20.7	20.2	19.7	19.2	18.8	600
700	117.1	98.5	85.1	75.1	67.3	61.1	56.0	51.7	48.1	[illegible]	42.4	40.0	38.0	36.2	34.5	33.0	31.7	30.5	29.4	28.4	27.4	26.6	25.8	25.0	24.3	23.7	23.1	22.5	22.0	21.5	700
800	131.6	110.6	95.6	84.4	75.6	68.6	62.9	58.1	54.1	50.7	47.7	45.0	42.7	40.7	38.8	37.2	35.7	34.3	33.1	31.9	30.9	29.9	29.0	28.2	27.4	26.7	26.0	25.4	24.8	24.2	800
900	146.0	122.7	106.1	93.6	84.0	76.2	69.9	64.6	60.1	56.3	52.9	50.0	47.5	45.2	43.2	41.3	39.7	38.1	36.8	35.5	34.3	33.3	32.3	31.4	30.5	29.7	28.9	28.2	27.6	27.0	900
1000	160.4	134.8	116.6	102.9	92.3	83.8	76.8	71.0	66.1	61.9	58.2	55.0	52.2	49.7	47.5	45.5	43.6	42.0	40.5	39.1	37.8	36.6	35.5	34.5	33.6	32.7	31.9	31.1	30.4	29.7	1000
1100	174.8	147.0	127.1	112.2	100.6	91.3	83.7	77.4	72.1	67.5	63.5	60.0	57.0	54.2	51.8	49.6	47.6	45.8	44.2	42.6	41.2	40.0	38.8	37.7	36.6	35.7	34.8	33.9	33.2	32.4	1100
1200	189.2	159.1	137.6	121.5	108.9	98.9	90.7	83.8	78.0	73.1	68.8	65.0	61.7	58.7	56.1	53.7	51.6	49.6	47.8	46.2	44.7	43.3	42.0	40.8	39.7	38.7	37.7	36.8	35.9	35.1	1200
1300	203.6	171.2	148.1	130.7	117.2	106.5	97.6	90.3	84.0	78.7	74.1	70.0	66.4	63.3	60.4	57.9	55.6	53.5	51.5	49.8	48.2	46.7	45.3	44.0	42.8	41.7	40.6	39.7	38.7	37.9	1300
1400	218.0	183.3	158.6	140.0	125.6	114.0	104.6	96.7	90.0	84.3	79.3	75.0	71.2	67.8	64.7	62.0	59.5	57.3	55.2	53.3	51.6	50.0	48.5	47.2	45.9	44.7	43.6	42.5	41.5	40.6	1400
1500	232.4	195.5	169.1	149.3	133.9	121.6	111.5	103.1	96.0	89.9	84.6	80.0	75.9	72.3	69.1	66.2	63.5	61.1	58.9	56.9	55.1	53.4	51.8	50.3	49.0	47.7	46.5	45.4	44.3	43.3	1500
Term. 2/	16.262	13.552	11.616	10.164	9.034	8.131	7.392	6.776	6.255	5.808	5.421	5.082	4.783	4.517	4.279	4.066	3.872	3.696	3.535	3.388	3.252	3.127	3.011	2.904	2.804	2.710	2.623	2.541	2.464	2.391	Term. 2/
L. H. 3/	.144110	.121283	.104979	.092750	.083239	.075630	.069405	.064217	.059827	.056064	.052803	.049940	.047432	.045194	.043192	.041390	.039760	.038277	.036924	.035683	.034542	.033466	.032513	.031607	.030764	.029977	.029240	.028550	.027902	.027291	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.982. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 18 (Concluded).—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.6	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.7	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.5	5.4	5.3	5.2	5.1	4.9	4.8	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.1	5.9	5.8	5.7	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.6	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.1	7.0	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.7	7.5	7.3	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.2	8.0	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.7	8.5	8.4	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.1	6.9	6.8	6.7	6.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.3	9.1	8.9	8.7	8.5	8.3	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.8	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.7	7.6	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.3	10.1	9.9	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.9	10.6	10.4	10.2	10.0	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.4	11.2	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.8	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.9	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.5	9.4	9.3	9.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.5	12.2	11.9	11.7	11.5	11.3	11.0	10.8	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	13.0	12.7	12.5	12.2	12.0	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.4	10.3	10.1	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.5	13.3	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	14.1	13.8	13.5	13.2	13.0	12.7	12.5	12.3	12.0	11.8	11.6	11.5	11.3	11.1	11.0	10.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.6	14.3	14.0	13.7	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	[illegible]	14.8	14.5	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.5	12.3	12.2	12.0	11.8	11.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	[illegible]	15.3	15.0	14.7	14.4	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	[illegible]	18.0	17.6	[illegible]	16.9	16.6	16.3	16.0	15.7	15.5	15.2	15.0	14.8	14.5	14.3	14.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	[illegible]	20.5	[illegible]	[illegible]	19.4	19.0	18.7	18.4	18.0	17.7	17.5	17.2	16.9	16.7	16.4	16.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.7	[illegible]	22.7	22.3	21.9	21.4	21.1	20.7	20.4	20.0	19.7	19.4	19.1	18.8	18.6	18.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.4	25.8	25.3	24.8	24.3	23.9	23.4	23.0	22.7	22.3	21.9	21.6	21.3	21.0	20.7	20.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	29.0	28.4	27.9	27.3	26.8	26.3	25.8	25.4	25.0	24.6	24.2	23.8	23.5	23.1	22.8	22.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.7	31.0	30.4	29.8	29.3	28.7	28.2	27.7	27.3	26.8	26.4	26.0	25.6	25.3	24.9	24.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	34.4	33.7	33.0	32.3	31.7	31.2	30.6	30.1	29.6	29.1	28.6	28.2	27.8	27.4	27.0	26.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	37.1	36.3	[illegible]	34.9	34.2	33.6	33.0	32.4	31.9	31.4	30.9	30.4	30.0	29.5	29.1	28.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.7	38.9	38.1	37.4	36.7	36.0	35.4	34.8	34.2	33.6	33.1	32.6	32.1	31.7	31.2	30.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	42.4	41.5	40.7	39.9	39.1	38.4	37.8	37.1	36.5	35.9	35.4	34.3	34.3	33.8	33.3	32.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
Term. 2/	2.323	2.259	2.198	2.140	2.085	2.033	1.983	1.936	1.891	1.848	1.807	1.768	1.730	1.694	1.659	1.626	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026715	.026172	.025655	.025171	.024709	.024270	.023852	.023455	.023076	.022714	.022366	.022037	.021720	.021417	.021126	.020846	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.932. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. 3 - Eastern, excl. N. E.
but incl. No. Ill.

STOCK CARS

TABLE 19.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.7	17.3	14.8	13.0	11.5	10.4	9.4	8.7	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.8	3.6	3.5	-	-	-	-	10
20	22.1	18.4	15.8	13.9	12.3	11.1	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.2	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	-	-	-	-	20
30	23.4	19.6	16.8	14.7	13.1	11.8	10.8	9.9	9.2	8.5	8.0	7.5	7.0	6.7	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	-	-	-	-	30
40	24.8	20.7	17.8	15.6	13.9	12.6	11.4	10.5	9.7	9.0	8.5	8.0	7.5	7.1	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	-	-	-	-	40
50	26.2	21.9	18.8	16.5	14.7	13.3	12.1	11.1	10.3	9.6	9.0	8.4	8.0	7.5	7.2	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.7	-	-	-	-	50
60	27.6	23.0	19.8	17.4	15.5	14.0	12.8	11.7	10.9	10.1	9.5	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.9	5.6	5.5	5.3	5.1	5.0	-	-	-	-	60
70	28.9	24.2	20.8	18.3	16.3	14.7	13.4	12.4	11.4	10.7	10.0	9.4	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	-	-	-	-	70
80	30.3	25.4	21.8	19.2	17.1	15.4	14.1	13.0	12.0	11.2	10.5	9.9	9.3	8.8	8.4	8.0	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	-	-	-	-	80
90	31.7	26.5	22.8	20.1	17.9	16.2	14.8	13.6	12.6	11.7	11.0	10.3	9.8	9.3	8.8	8.4	8.0	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	-	-	-	-	90
100	33.1	27.7	23.8	20.9	18.7	16.9	15.4	14.2	13.2	12.3	11.5	10.8	10.2	9.7	9.2	8.8	8.4	8.1	7.7	7.5	7.2	6.9	6.7	6.5	6.3	6.1	-	-	-	-	100
120	35.8	30.0	25.8	22.7	20.3	18.3	16.8	15.4	14.3	13.3	12.5	11.8	11.1	10.6	10.1	9.6	9.2	8.8	8.5	8.1	7.9	7.6	7.3	7.1	6.9	6.7	-	-	-	-	120
140	38.6	32.3	27.8	24.5	21.9	19.8	18.1	16.7	15.5	14.4	13.5	12.7	12.1	11.4	10.9	10.4	9.9	9.5	9.2	8.8	8.5	8.2	8.0	7.7	7.5	7.3	-	-	-	-	140
160	41.3	34.6	29.8	26.3	23.5	21.2	19.4	17.9	16.6	15.5	14.5	13.7	13.0	12.3	11.7	11.2	10.7	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.1	7.8	-	-	-	-	160
180	44.1	36.9	31.8	28.0	25.1	22.7	20.7	19.1	17.7	16.0	15.5	14.7	13.9	13.2	12.5	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.7	8.4	-	-	-	-	180
200	46.8	39.3	33.9	29.8	26.6	24.1	22.1	20.3	18.9	17.6	16.6	15.6	14.8	14.0	13.4	12.8	12.2	11.7	11.3	10.9	10.5	10.2	9.8	9.5	9.3	9.0	-	-	-	-	200
220	49.6	41.6	35.9	31.6	28.2	25.6	23.4	21.6	20.0	18.7	17.6	16.6	15.7	14.9	14.2	13.6	13.0	12.5	12.0	11.6	11.2	10.8	10.5	10.1	9.8	9.6	-	-	-	-	220
240	52.3	43.9	37.9	33.3	29.8	27.0	24.7	22.8	21.2	19.8	18.6	17.5	16.6	15.8	15.0	14.4	13.8	13.2	12.7	12.3	11.8	11.4	11.1	10.8	10.4	10.1	-	-	-	-	240
260	55.1	46.2	39.9	35.1	31.4	28.5	26.0	24.0	22.3	20.9	19.6	18.5	17.5	16.6	15.9	15.2	14.5	14.0	13.4	12.9	12.5	12.1	11.7	11.4	11.0	10.7	-	-	-	-	260
280	57.8	48.5	41.9	36.9	33.0	29.9	27.4	25.3	23.5	21.9	20.6	19.4	18.4	17.5	16.7	16.0	15.3	14.7	14.1	13.6	13.2	12.7	12.3	12.0	11.6	11.3	-	-	-	-	280
300	60.6	50.8	43.9	38.7	34.6	31.4	28.7	26.5	24.6	23.0	21.6	20.4	19.3	18.4	17.5	16.8	16.1	15.4	14.8	14.3	13.8	13.4	13.0	12.6	12.2	11.9	-	-	-	-	300
320	63.3	53.1	45.9	40.4	36.2	32.8	30.0	27.7	25.8	24.1	22.6	21.4	20.2	19.2	18.3	17.5	16.8	16.2	15.6	15.0	14.5	14.0	13.6	13.2	12.8	12.5	-	-	-	-	320
340	66.1	55.5	47.9	42.2	37.8	34.2	31.4	28.9	26.9	25.2	23.6	22.3	21.1	20.1	19.2	18.3	17.6	16.9	16.3	15.7	15.2	14.7	14.2	13.8	13.4	13.0	-	-	-	-	340
360	68.8	57.8	49.9	44.0	39.4	35.7	32.7	30.2	28.1	26.2	24.7	23.3	22.1	21.0	20.0	19.1	18.3	17.6	17.0	16.4	15.8	15.3	14.8	14.4	14.0	13.6	-	-	-	-	360
380	71.6	60.1	51.9	45.7	41.0	37.1	34.0	31.4	29.2	27.3	25.7	24.2	23.0	21.8	20.8	19.9	19.1	18.4	17.7	17.1	16.5	16.0	15.5	15.0	14.6	14.2	-	-	-	-	380
400	74.3	62.4	53.9	47.5	42.6	38.6	35.3	32.6	30.3	28.4	26.7	25.2	23.9	22.7	21.7	20.7	19.9	19.1	18.4	17.7	17.2	16.6	16.1	15.6	15.2	14.8	-	-	-	-	400
420	77.1	64.7	55.9	49.3	44.1	40.0	36.7	33.9	31.5	29.5	27.7	26.1	24.8	23.6	22.5	21.5	20.6	19.8	19.1	18.4	17.8	17.2	16.7	16.2	15.8	15.3	-	-	-	-	420
440	79.8	67.0	57.9	51.1	45.7	41.5	38.0	35.1	32.6	30.5	28.7	27.1	25.7	24.4	23.3	22.3	21.4	20.6	19.8	19.1	18.5	17.9	17.3	16.8	16.4	15.9	-	-	-	-	440
460	82.6	69.3	59.9	52.8	47.3	42.9	39.2	36.3	33.8	31.6	29.7	28.1	26.6	25.3	24.1	23.1	22.2	21.3	20.5	19.8	19.1	18.5	18.0	17.4	17.0	16.5	-	-	-	-	460
480	85.3	71.7	61.9	54.6	48.9	44.4	40.6	37.5	34.9	32.7	30.7	29.0	27.5	26.2	25.0	23.9	22.9	22.0	21.2	20.5	19.8	19.2	18.6	18.1	17.5	17.1	-	-	-	-	480
500	88.1	74.0	63.9	56.4	50.5	45.8	42.0	38.8	36.1	33.7	31.7	30.0	28.4	27.0	25.8	24.7	23.7	22.8	21.9	21.2	20.5	19.8	19.2	18.7	18.1	17.7	-	-	-	-	500
600	101.8	85.6	73.9	65.2	58.5	53.0	48.6	44.9	41.8	39.1	36.8	34.8	33.0	31.4	30.0	28.7	27.5	26.5	25.5	24.6	23.8	23.0	22.3	21.7	21.1	20.5	-	-	-	-	600
700	115.6	97.1	84.0	74.1	66.4	60.3	55.3	51.1	47.5	44.5	41.9	40.0	37.5	35.7	34.1	32.6	31.3	30.1	29.0	28.0	27.1	26.3	25.5	24.7	24.1	23.4	-	-	-	-	700
800	129.3	108.7	94.0	83.0	74.4	67.5	61.9	57.2	53.3	49.9	46.9	44.3	42.1	40.0	38.2	36.6	35.1	33.8	32.6	31.5	30.4	29.5	28.6	27.8	27.0	26.3	-	-	-	-	800
900	143.0	120.3	104.0	91.8	82.3	74.7	68.5	63.4	59.0	55.2	52.0	49.1	46.6	44.4	42.4	40.6	39.0	37.5	36.1	34.9	33.8	32.7	31.7	30.8	30.0	29.2	-	-	-	-	900
1000	156.8	131.9	114.0	100.7	90.3	82.0	75.2	69.5	64.7	60.6	57.0	53.9	51.2	48.7	46.5	44.6	42.8	41.2	39.7	38.3	37.1	35.9	34.9	33.9	33.0	32.1	-	-	-	-	1000
1100	170.5	143.4	124.1	109.5	98.2	89.2	81.8	75.6	70.4	66.0	62.1	58.7	55.7	53.1	50.7	48.5	46.6	44.8	43.2	41.8	40.4	39.1	38.0	36.9	35.9	35.0	-	-	-	-	1100
1200	184.3	155.0	134.1	118.4	106.2	96.4	88.4	81.8	76.2	71.3	67.1	63.5	60.3	57.4	54.8	52.5	50.4	48.5	46.8	45.2	43.7	42.4	41.1	40.0	38.9	37.9	-	-	-	-	1200
1300	198.0	166.6	144.1	127.3	114.2	103.7	95.1	87.9	81.9	76.7	72.2	68.3	64.8	61.7	59.0	56.5	54.2	52.2	50.3	48.6	47.0	45.6	44.2	43.0	41.8	40.8	-	-	-	-	1300
1400	211.8	178.2	154.1	136.1	122.1	110.9	101.7	94.1	87.6	82.1	77.3	73.1	69.4	66.1	63.1	60.5	58.1	55.9	53.9	52.0	50.4	48.8	47.4	46.0	44.8	43.6	-	-	-	-	1400
1500	225.5	189.7	164.2	145.0	130.1	118.1	108.4	100.2	93.3	87.4	82.3	77.9	73.9	70.4	67.3	64.4	61.9	59.5	57.4	55.5	53.7	52.0	50.5	49.1	47.8	46.5	-	-	-	-	1500
Term. 2/	19.324	16.103	13.803	12.078	10.736	9.662	8.784	8.052	7.432	6.901	6.441	6.039	5.684	5.368	5.085	4.831	4.601	4.392	4.201	4.026	3.865	3.716	3.579	3.451	3.332	3.221	-	-	-	-	Term. 2/
L. H. 3/	.137470	.115750	.100236	.088600	.079550	.072310	.066386	.061450	.057273	.053693	.050590	.047875	.045479	.043350	.041445	.039730	.038179	.036768	.035460	.034300	.033214	.032212	.031283	.030421	.029619	.028870	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.9 tons and a ratio of empty car miles to loaded car miles of 1.006. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 20.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.9	14.9	12.8	11.2	10.0	9.0	8.2	7.5	6.9	6.4	6.0	5.6	5.3	5.0	4.8	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.2	3.1	3.0	-	-	-	-	10
20	19.5	16.2	13.9	12.2	10.9	9.8	8.9	8.2	7.6	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	-	-	-	-	20
30	21.1	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.7	4.6	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-	30
40	22.7	18.9	16.3	14.3	12.7	11.5	10.5	9.6	8.9	8.3	7.7	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.1	4.9	4.8	4.6	4.4	4.3	4.1	4.0	-	-	-	-	40
50	24.2	20.3	17.4	15.3	13.6	12.3	11.2	10.3	9.5	8.9	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.6	5.3	5.1	5.0	4.8	4.6	4.5	4.3	-	-	-	-	50
60	25.8	21.6	18.6	16.3	14.5	13.1	12.0	11.0	10.2	9.5	8.9	8.4	7.9	7.5	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.7	-	-	-	-	60
70	27.4	23.0	19.7	17.3	15.5	14.0	12.7	11.7	10.9	10.1	9.5	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	-	-	-	-	70
80	29.0	24.3	20.9	18.4	16.4	14.8	13.5	12.4	11.5	10.7	10.1	9.5	8.9	8.5	8.1	7.7	7.4	7.0	6.8	6.5	6.3	6.0	5.8	5.7	5.5	5.3	-	-	-	-	80
90	30.6	25.6	22.1	19.4	17.3	15.6	14.3	13.1	12.2	11.4	10.6	10.0	9.5	9.0	8.5	8.1	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	-	-	-	-	90
100	32.2	27.0	23.2	20.4	18.2	16.5	15.0	13.8	12.8	12.0	11.2	10.6	10.0	9.5	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.6	6.3	6.1	6.0	-	-	-	-	100
120	35.4	29.7	25.6	22.5	20.1	18.1	16.6	15.3	14.2	13.2	12.4	11.7	11.0	10.5	10.0	9.5	9.1	8.7	8.4	8.1	7.8	7.5	7.3	7.0	6.8	6.6	-	-	-	-	120
140	38.6	32.4	27.9	24.5	21.9	19.8	18.1	16.7	15.5	14.4	13.5	12.8	12.1	11.5	10.9	10.4	10.0	9.6	9.2	8.8	8.5	8.2	8.0	7.7	7.5	7.3	-	-	-	-	140
160	41.8	35.0	30.2	26.6	23.7	21.5	19.6	18.1	16.8	15.7	14.7	13.9	13.1	12.4	11.8	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	-	-	-	-	160
180	45.0	37.7	32.5	28.6	25.6	23.2	21.2	19.5	18.1	16.9	15.9	15.0	14.1	13.4	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.6	-	-	-	-	180
200	48.2	40.4	34.8	30.7	27.4	24.8	22.7	20.9	19.4	18.1	17.0	16.0	15.2	14.4	13.7	13.1	12.6	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	-	-	-	-	200
220	51.4	43.1	37.2	32.7	29.3	26.5	24.2	22.3	20.7	19.4	18.2	17.1	16.2	15.4	14.7	14.0	13.4	12.9	12.4	12.0	11.5	11.2	10.8	10.5	10.2	9.9	-	-	-	-	220
240	54.6	45.8	39.5	34.8	31.1	28.2	25.8	23.8	22.1	20.6	19.3	18.2	17.3	16.4	15.6	14.9	14.3	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.8	10.5	-	-	-	-	240
260	57.8	48.5	41.8	36.8	32.9	29.8	27.3	25.2	23.4	21.8	20.5	19.3	18.3	17.4	16.6	15.8	15.2	14.6	14.0	13.5	13.0	12.6	12.2	11.8	11.5	11.2	-	-	-	-	260
280	61.0	51.2	44.1	38.9	34.8	31.5	28.8	26.6	24.7	23.1	21.7	20.4	19.4	18.4	17.5	16.7	16.0	15.4	14.8	14.3	13.8	13.3	12.9	12.5	12.2	11.8	-	-	-	-	280
300	64.2	53.8	46.5	40.9	36.6	33.2	30.3	28.0	26.0	24.3	22.8	21.5	20.4	19.4	18.5	17.7	16.9	16.2	15.6	15.1	14.6	14.1	13.6	13.2	12.8	12.5	-	-	-	-	300
320	67.4	56.5	48.8	43.0	38.4	34.8	31.9	29.4	27.3	25.5	24.0	22.6	21.4	20.4	19.4	18.6	17.8	17.1	16.4	15.8	15.3	14.8	14.3	13.9	13.5	13.1	-	-	-	-	320
340	70.6	59.2	51.1	45.0	40.3	36.5	33.4	30.8	28.6	26.8	25.1	23.7	22.5	21.4	20.4	19.5	18.7	17.9	17.2	16.6	16.1	15.5	15.0	14.6	14.2	13.8	-	-	-	-	340
360	73.8	61.9	53.4	47.1	42.1	38.2	34.9	32.2	30.0	28.0	26.3	24.8	23.5	22.3	21.3	20.4	19.5	18.8	18.1	17.4	16.8	16.3	15.8	15.3	14.8	14.4	-	-	-	-	360
380	77.0	64.6	55.7	49.1	44.0	39.8	36.5	33.7	31.3	29.2	27.5	25.9	24.6	23.3	22.3	21.3	20.4	19.6	18.9	18.2	17.6	17.0	16.5	16.0	15.5	15.1	-	-	-	-	380
400	80.2	67.3	58.1	51.2	45.8	41.5	38.0	35.1	32.6	30.5	28.6	27.0	25.6	24.3	23.2	22.2	21.3	20.4	19.7	19.0	18.3	17.7	17.2	16.7	16.2	15.7	-	-	-	-	400
420	83.3	70.0	60.4	53.2	47.6	43.2	39.5	36.5	33.9	31.7	29.8	28.1	26.6	25.3	24.1	23.1	22.1	21.3	20.5	19.7	19.1	18.5	17.9	17.4	16.9	16.4	-	-	-	-	420
440	86.5	72.6	62.7	55.3	49.5	44.8	41.1	37.9	35.2	32.9	30.9	29.2	27.7	26.3	25.1	24.0	23.0	22.1	21.3	20.5	19.8	19.2	18.6	18.0	17.5	17.0	-	-	-	-	440
460	89.7	75.3	65.0	57.3	51.3	46.5	42.6	39.3	36.5	34.2	32.1	30.3	28.7	27.3	26.0	24.9	23.9	22.9	22.1	21.3	20.6	19.9	19.3	18.7	18.2	17.7	-	-	-	-	460
480	92.9	78.0	67.4	59.4	53.2	48.2	44.1	40.7	37.9	35.4	33.3	31.4	29.8	28.3	27.0	25.8	24.7	23.8	22.9	22.1	21.3	20.6	20.0	19.4	18.9	18.3	-	-	-	-	480
500	96.1	80.7	69.7	61.4	55.0	49.9	45.6	42.1	39.2	36.6	34.4	32.5	30.8	29.3	27.9	26.7	25.6	24.6	23.7	22.9	22.1	21.4	20.7	20.1	19.5	19.0	-	-	-	-	500
600	112.1	94.1	81.3	71.7	64.2	58.2	53.3	49.2	45.8	42.8	40.2	38.0	36.0	34.2	32.7	31.2	30.0	28.8	27.7	26.8	25.9	25.0	24.3	23.5	22.9	22.3	-	-	-	-	600
700	128.1	107.6	92.9	81.9	73.4	66.5	60.9	56.3	52.3	49.0	46.0	43.5	41.2	39.2	37.4	35.8	34.3	33.0	31.8	30.6	29.6	28.7	27.8	27.0	26.2	25.5	-	-	-	-	700
800	144.0	121.0	104.5	92.2	82.6	74.9	68.6	63.4	58.9	55.1	51.8	48.9	46.4	44.1	42.1	40.3	38.7	37.2	35.8	34.5	33.4	32.3	31.3	30.4	29.6	28.8	-	-	-	-	800
900	160.0	134.4	116.1	102.4	91.8	83.2	76.2	70.4	65.5	61.3	57.6	54.4	51.6	49.1	46.9	44.8	43.0	41.3	39.8	38.4	37.2	36.0	34.9	33.9	32.9	32.0	-	-	-	-	900
1000	176.0	147.9	127.8	112.7	101.0	91.6	83.9	77.5	72.1	67.5	63.4	59.9	56.8	54.1	51.6	49.4	47.4	45.5	43.9	42.3	40.9	39.6	38.4	37.3	36.3	35.3	-	-	-	-	1000
1100	192.0	161.3	139.4	122.9	110.1	99.9	91.5	84.6	78.7	73.6	69.2	65.4	62.0	59.0	56.3	53.9	51.7	49.7	47.9	46.2	44.7	43.3	42.0	40.7	39.6	38.5	-	-	-	-	1100
1200	207.9	174.7	151.0	133.2	119.3	108.3	99.2	91.6	85.3	79.8	75.0	70.9	67.2	64.0	61.0	58.4	56.0	53.9	51.9	50.1	48.5	46.9	45.5	44.2	43.0	41.8	-	-	-	-	1200
1300	223.9	188.1	162.6	143.4	128.5	116.6	106.8	98.7	91.8	85.9	80.8	76.4	72.4	68.9	65.8	62.9	60.4	58.1	56.0	54.0	52.2	50.6	49.0	47.6	46.3	45.1	-	-	-	-	1300
1400	239.9	201.6	174.2	153.7	137.7	124.9	114.5	105.8	98.4	92.1	86.6	81.8	77.6	73.9	70.5	67.5	64.7	62.3	60.0	57.9	56.0	54.2	52.6	51.1	49.6	48.3	-	-	-	-	1400
1500	255.9	215.0	185.8	163.9	146.9	133.3	122.1	112.9	105.0	98.3	92.4	87.3	82.8	78.8	75.2	72.0	69.1	66.4	64.0	61.8	59.8	57.9	56.1	54.5	53.0	51.6	-	-	-	-	1500
Term. 2/	16.262	13.552	11.616	10.164	9.034	8.131	7.392	6.776	6.255	5.808	5.421	5.082	4.783	4.517	4.279	4.066	3.872	3.696	3.535	3.388	3.252	3.127	3.011	2.904	2.804	2.710	-	-	-	-	Term. 2/
L. H. 3/	.159730	.134300	.116136	.102513	.091917	.083440	.076505	.070725	.065835	.061643	.058010	.054831	.052026	.049533	.047303	.045295	.043479	.041827	.040320	.038938	.037666	.036492	.035406	.034396	.033457	.032580	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.869. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 21.—TERRITORY NO. 3 - EASTERN, excluding New England but including Northern Illinois

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																												Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	88.4	68.0	57.8	51.7	47.7	44.8	42.6	40.9	39.5	38.4	3[illegible].5	36.7	36.0	35.4	34.9	34.5	34.1	33.7	33.4	33.1	32.9	32.6	32.4	32.2	32.0	31.8	31.7	31.5	31.4	10
20	93.9	71.8	60.7	54.1	49.6	46.5	44.1	42.3	40.8	39.6	3[illegible].6	37.7	37.0	36.3	35.8	35.3	34.9	34.5	34.1	33.8	33.5	33.3	33.0	32.8	32.6	32.4	32.2	32.1	31.9	20
30	99.4	75.5	63.6	56.4	51.6	48.2	45.6	43.6	42.0	40.7	39.6	38.7	37.9	37.2	36.6	36.1	35.7	35.2	34.9	34.5	34.2	33.9	33.7	33.4	33.2	33.0	32.8	32.6	32.5	30
40	105.0	79.3	66.4	58.7	53.6	49.9	47.1	45.0	43.3	41.9	40.7	39.7	38.9	38.1	37.5	36.9	36.4	36.0	35.6	35.2	34.9	34.6	34.3	34.0	33.8	33.6	33.4	33.2	33.0	40
50	110.5	83.0	69.3	61.0	55.5	51.6	48.7	46.4	44.5	43.0	41.8	40.7	39.8	39.0	38.4	37.8	37.2	36.7	36.3	35.9	35.6	35.2	34.9	34.7	34.4	34.2	33.9	33.7	33.5	50
60	116.0	86.8	72.1	63.4	57.5	53.3	50.2	47.8	45.8	44.2	42.9	41.8	40.8	39.9	39.2	38.6	38.0	37.5	37.0	36.6	36.2	35.9	35.6	35.3	35.0	34.7	34.5	34.3	34.1	60
70	121.5	90.5	75.0	65.7	59.5	55.0	51.7	49.1	47.1	45.4	44.0	42.8	41.7	40.8	40.1	39.4	38.8	38.2	37.7	37.3	36.9	36.5	36.2	35.9	35.6	35.3	35.1	34.9	34.6	70
80	127.1	94.3	77.8	68.0	61.4	56.8	53.2	50.5	48.3	46.5	45.0	43.8	42.7	41.8	40.9	40.2	39.6	39.0	38.5	38.0	37.6	37.2	36.8	36.5	36.2	35.9	35.7	35.4	35.2	80
90	132.6	98.0	80.7	70.3	63.4	58.5	54.8	51.9	49.6	47.7	46.1	44.8	43.6	42.7	41.8	41.0	40.3	39.7	39.2	38.7	38.2	37.8	37.5	37.1	36.8	36.5	36.2	36.0	35.7	90
100	138.1	101.8	83.6	72.7	65.4	60.2	56.3	53.3	50.8	48.8	47.2	45.8	44.6	43.6	42.6	41.8	41.1	40.5	39.9	39.4	38.9	38.5	38.1	37.7	37.4	37.1	36.8	36.5	36.3	100
120	149.2	109.2	89.3	77.3	69.3	63.6	59.3	56.0	53.3	51.2	49.3	47.8	46.5	45.4	44.4	43.5	42.7	42.0	41.4	40.8	40.3	39.8	39.4	39.0	38.6	38.3	37.9	37.6	37.4	120
140	160.2	116.7	95.0	81.9	73.2	67.0	62.4	58.8	55.8	53.5	51.5	49.8	48.4	47.2	46.1	45.1	44.3	43.5	42.8	42.2	41.6	41.1	40.6	40.2	39.8	39.4	39.1	38.8	38.5	140
160	171.3	124.2	100.7	86.6	77.2	70.5	65.4	61.5	58.4	55.8	53.7	51.9	50.3	49.0	47.8	46.7	45.8	45.0	44.2	43.6	43.0	42.4	41.9	41.4	41.0	40.6	40.2	39.9	39.5	160
180	182.3	131.7	106.4	91.2	81.1	73.9	68.5	64.3	60.9	58.1	55.8	53.9	52.2	50.8	49.5	48.4	47.4	46.5	45.7	45.0	44.3	43.7	43.2	42.7	42.2	41.8	41.4	41.0	40.6	180
200	193.4	139.2	112.1	95.9	85.1	77.3	71.5	67.0	63.4	60.4	58.0	55.9	54.1	52.6	51.2	50.0	48.9	48.0	47.1	46.4	45.7	45.0	44.4	43.9	43.4	42.9	42.5	42.1	41.7	200
220	204.4	146.7	117.8	100.5	89.0	80.7	74.6	69.8	65.9	62.8	60.1	57.9	56.0	54.4	52.9	51.6	50.5	49.5	48.6	47.8	47.0	46.3	45.7	45.1	44.6	44.1	43.6	43.2	42.8	220
240	215.5	154.2	123.6	105.2	92.9	84.2	77.6	72.5	68.4	65.1	62.3	59.9	57.9	56.2	54.6	53.3	52.1	51.0	50.0	49.2	48.4	47.6	47.0	46.4	45.8	45.3	44.8	44.3	43.9	240
260	226.5	161.7	129.3	109.8	96.9	87.6	80.7	75.3	70.9	67.4	64.4	62.0	59.8	58.0	56.3	54.9	53.6	52.5	51.5	50.6	49.7	48.9	48.2	47.6	47.0	46.4	45.9	45.4	45.0	260
280	237.6	169.2	135.0	114.5	100.8	91.0	83.7	78.0	73.4	69.7	66.6	64.0	61.7	59.8	58.1	56.5	55.2	54.0	52.9	51.9	51.1	50.2	49.5	48.8	48.2	47.6	47.1	46.6	46.1	280
300	248.6	176.7	140.7	119.1	104.7	94.5	86.7	80.8	76.0	72.0	68.8	66.0	63.6	61.6	59.8	58.2	56.8	55.5	54.4	53.3	52.4	51.6	50.8	50.1	49.4	48.8	48.2	47.7	47.2	300
320	259.7	184.2	146.4	123.8	108.7	97.9	89.8	83.5	78.5	74.4	70.9	68.0	65.5	63.4	61.5	59.8	58.3	57.0	55.8	54.7	53.8	52.9	52.0	51.3	50.6	49.9	49.3	48.8	48.3	320
340	270.7	191.7	152.1	128.4	112.6	101.3	92.8	86.3	81.0	76.7	73.1	70.0	67.4	65.2	63.2	61.4	59.9	58.5	57.3	56.1	55.1	54.2	53.3	52.5	51.8	51.1	50.5	49.9	49.4	340
360	281.8	199.2	157.8	133.1	116.5	104.7	95.9	89.0	83.5	79.0	75.2	72.1	69.3	67.0	64.9	63.1	61.5	60.0	58.7	57.5	56.5	55.5	54.6	53.7	53.0	52.3	51.6	51.0	50.4	360
380	292.8	206.7	163.6	137.7	120.5	108.2	98.9	91.8	86.0	81.3	77.4	74.1	71.2	68.8	66.6	64.7	63.0	61.5	60.2	58.9	57.8	56.8	55.8	55.0	54.2	53.5	52.8	52.1	51.5	380
400	303.9	214.2	169.3	142.4	124.4	111.6	102.0	94.5	88.5	83.6	79.5	76.1	73.1	70.6	68.3	66.4	64.6	63.0	61.6	60.3	59.2	58.1	57.1	56.2	55.4	54.6	53.9	53.2	52.6	400
420	314.9	221.6	175.0	147.0	128.3	115.0	105.0	97.3	91.0	85.9	81.7	78.1	75.0	72.4	70.0	68.0	66.2	64.5	63.0	61.7	60.5	59.4	58.4	57.4	56.6	55.8	55.0	54.4	53.7	420
440	326.0	229.1	180.7	151.7	132.3	118.4	108.1	100.0	93.5	88.3	83.9	80.1	76.9	74.2	71.8	69.6	67.7	66.0	64.5	63.1	61.8	60.7	59.6	58.7	57.8	57.0	56.2	55.5	54.8	440
460	337.0	236.6	186.4	156.3	136.2	121.9	111.1	102.8	96.1	90.6	86.0	82.2	78.8	76.0	73.5	71.3	69.3	67.5	65.9	64.5	63.2	62.0	60.9	59.9	59.0	58.1	57.3	56.6	55.9	460
480	348.1	244.1	192.1	161.0	140.2	125.3	114.2	105.5	98.6	92.9	88.2	84.2	80.7	77.8	75.2	72.9	70.8	69.0	67.4	65.9	64.5	63.3	62.2	61.1	60.2	59.3	58.5	57.7	57.0	480
500	359.1	251.6	197.9	165.6	144.1	128.7	117.2	108.3	101.1	95.2	90.3	86.2	82.7	79.6	76.9	74.5	72.4	70.5	68.8	67.3	65.9	64.6	63.5	62.4	61.4	60.5	59.6	58.8	58.1	500
600	414.4	289.1	226.4	188.8	163.8	145.9	132.4	122.0	113.6	106.8	101.1	96.3	92.8	88.6	85.5	82.7	80.2	78.0	76.1	74.3	72.6	71.2	69.8	68.5	67.4	66.3	65.3	64.4	63.5	600
700	469.6	326.6	255.0	212.1	183.4	163.0	147.7	135.8	126.2	118.4	111.9	106.4	101.7	97.6	94.0	90.9	88.1	85.5	83.3	81.2	79.4	77.7	76.1	74.7	73.4	72.2	71.0	70.0	69.0	700
800	524.9	364.0	283.6	235.3	203.1	180.1	162.9	149.5	138.8	130.0	122.7	116.5	111.2	106.6	102.6	99.0	95.9	93.1	90.5	88.2	86.1	84.2	82.5	80.9	79.4	78.0	76.7	75.5	74.4	800
900	580.1	401.5	312.1	258.5	222.8	197.3	178.1	163.3	151.3	141.6	133.5	125.6	120.7	115.6	111.1	107.2	103.7	100.6	97.7	95.2	92.9	90.7	88.8	87.0	85.4	83.8	82.4	81.1	79.9	900
1000	635.4	439.0	349.7	281.8	242.5	214.4	193.4	177.0	163.9	153.2	144.3	136.7	130.2	124.6	119.7	115.4	111.5	108.1	105.0	102.2	99.6	97.3	95.1	93.2	91.4	89.7	88.1	86.7	85.3	1000
1100	690.6	476.4	369.3	305.0	262.2	231.6	208.6	190.8	176.5	164.8	155.0	146.8	139.7	133.6	128.3	123.5	119.3	115.6	112.2	109.1	106.4	103.8	101.5	99.3	97.4	95.5	93.8	92.2	90.8	1100
1200	745.9	513.9	397.9	328.3	281.8	248.7	223.8	204.5	189.0	176.4	165.8	156.9	149.3	142.6	136.8	131.7	127.2	123.1	119.4	116.1	113.1	110.3	107.8	105.5	103.4	101.4	99.5	97.8	96.2	1200
1300	801.1	551.4	426.4	351.5	301.5	265.8	239.1	218.3	201.6	188.0	176.6	167.0	158.8	151.6	145.4	139.9	135.0	130.6	126.6	123.1	119.8	116.9	114.2	111.7	109.4	107.2	105.2	103.4	101.7	1300
1400	856.4	588.8	455.0	374.7	321.2	283.0	254.3	232.0	214.2	199.6	187.4	177.1	168.3	160.6	153.9	148.1	142.8	138.1	133.9	130.1	126.6	123.4	120.5	117.8	115.4	113.1	110.9	109.0	107.1	1400
1500	911.7	626.3	483.6	398.0	340.9	300.1	269.5	245.8	226.7	211.2	198.2	187.2	177.8	169.7	162.5	156.2	150.6	145.6	141.1	137.0	133.3	129.9	126.8	124.0	121.4	118.9	116.6	114.5	112.6	1500
Term. 2/	82.870	64.285	54.990	49.415	45.695	43.040	41.050	39.500	38.260	37.250	36.405	35.690	35.075	34.545	34.080	33.670	33.305	32.980	32.665	32.420	32.180	31.960	31.755	31.570	31.400	31.240	31.095	30.955	30.825	Term. 2/
L. H. 3/	.55252	.37467	.28572	.23237	.19679	.17138	.15232	.13750	.12564	.11594	.10785	.10102	.09515	.09007	.08562	.08170	.07821	.07509	.07228	.06974	.06743	.06532	.06339	.06161	.05997	.05845	.05703	.05572	.05449	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.350. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.21.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.31.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

5306

Territory No. 4 - Total Eastern, incl.
N. E. & No. Ill.

BOX CARS

TABLE 22.—TERRITORY NO. 4 – TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.4	17.0	14.6	12.7	11.3	10.2	9.3	8.5	7.9	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.3	3.2	3.1	3.1	10
20	21.3	17.8	15.3	13.4	11.9	10.7	9.8	9.0	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	20
30	22.3	18.7	16.0	14.0	12.5	11.3	10.3	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.0	5.8	5.5	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	30
40	23.3	19.5	16.8	14.7	13.1	11.8	10.8	9.9	9.2	8.5	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	40
50	24.3	20.3	17.5	15.3	13.7	12.3	11.3	10.4	9.6	8.9	8.4	7.9	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.4	4.2	4.1	4.0	3.9	50
60	25.3	21.2	18.2	16.0	14.3	12.9	11.8	10.8	10.0	9.3	8.7	8.2	7.8	7.4	7.0	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.3	4.2	4.1	60
70	26.3	22.0	18.9	16.6	14.9	13.4	12.2	11.3	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	70
80	27.3	22.9	19.7	17.3	15.4	14.0	12.7	11.7	10.9	10.1	9.5	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.4	5.2	5.0	4.9	4.8	4.6	4.5	80
90	28.3	23.7	20.4	17.9	16.0	14.5	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9	4.7	90
100	29.3	24.5	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.3	9.7	9.1	8.7	8.3	7.9	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.1	4.9	100
120	31.3	26.2	22.6	19.9	17.8	16.1	14.7	13.6	12.6	11.7	11.0	10.4	9.8	9.3	8.9	8.5	8.1	7.8	7.5	7.2	7.0	6.7	6.5	6.3	6.1	6.0	5.8	5.6	5.5	5.4	120
140	33.3	27.9	24.1	21.2	18.9	17.2	15.7	14.5	13.4	12.5	11.8	11.1	10.5	10.0	9.5	9.1	8.7	8.4	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	6.2	6.1	5.9	5.8	140
160	35.3	29.6	25.5	22.5	20.1	18.2	16.7	15.4	14.3	13.4	12.5	11.8	11.2	10.6	10.1	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.3	7.1	6.9	6.7	6.5	6.3	6.2	160
180	37.3	31.3	27.0	23.8	21.3	19.3	17.7	16.3	15.1	14.2	13.3	12.6	11.9	11.3	10.8	10.3	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	6.6	180
200	39.3	33.0	28.5	25.1	22.5	20.4	18.6	17.2	16.0	15.0	14.1	13.3	12.6	12.0	11.4	10.9	10.5	10.1	9.7	9.3	9.0	8.7	8.5	8.2	8.0	7.8	7.6	7.4	7.2	7.0	200
220	41.2	34.6	29.9	26.4	23.6	21.4	19.6	18.1	16.9	15.8	14.8	14.0	13.3	12.6	12.0	11.5	11.1	10.6	10.2	9.9	9.5	9.2	9.0	8.7	8.4	8.2	8.0	7.8	7.6	7.4	220
240	43.2	36.3	31.4	27.7	24.8	22.5	20.6	19.0	17.7	16.6	15.6	14.7	14.0	13.3	12.7	12.1	11.6	11.2	10.8	10.4	10.1	9.7	9.4	9.2	8.9	8.7	8.5	8.2	8.0	7.9	240
260	45.2	38.0	32.8	29.0	26.0	23.6	21.6	20.0	18.6	17.4	16.3	15.4	14.6	13.9	13.3	12.7	12.2	11.8	11.3	10.9	10.6	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.5	8.3	260
280	47.2	39.7	34.3	30.3	27.1	24.6	22.6	20.9	19.4	18.2	17.1	16.2	15.3	14.6	13.9	13.3	12.8	12.3	11.9	11.5	11.1	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	8.7	280
300	49.2	41.4	35.8	31.6	28.3	25.7	23.6	21.8	20.3	19.0	17.9	16.9	16.0	15.3	14.6	14.0	13.4	12.9	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.0	9.8	9.5	9.3	9.1	300
320	51.2	43.1	37.2	32.9	29.5	26.8	24.6	22.7	21.1	19.8	18.6	17.6	16.7	15.9	15.2	14.6	14.0	13.5	13.0	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.2	10.0	9.8	9.5	320
340	53.2	44.7	38.7	34.2	30.7	27.8	25.5	23.6	22.0	20.6	19.4	18.3	17.4	16.6	15.8	15.2	14.6	14.0	13.5	13.1	12.6	12.2	11.9	11.5	11.2	10.9	10.7	10.4	10.2	10.0	340
360	55.2	46.4	40.2	35.5	31.8	28.9	26.5	24.5	22.8	21.4	20.2	19.1	18.1	17.2	16.5	15.8	15.2	14.6	14.1	13.6	13.2	12.7	12.4	12.0	11.7	11.4	11.1	10.9	10.6	10.4	360
380	57.2	48.1	44.6	36.8	33.0	30.0	27.5	25.4	23.7	22.2	20.9	19.8	18.8	17.9	17.1	16.4	15.7	15.1	14.6	14.1	13.7	13.2	12.9	12.5	12.2	11.9	11.6	11.3	11.0	10.8	380
400	59.1	49.8	43.1	38.1	34.2	31.0	28.5	26.4	24.6	23.0	21.7	20.5	19.5	18.6	17.7	17.0	16.3	15.7	15.2	14.7	14.2	13.7	13.3	13.0	12.6	12.3	12.0	11.7	11.5	11.2	400
420	61.1	51.5	44.6	39.4	35.3	32.1	29.5	27.3	25.4	23.8	22.4	21.2	20.2	19.2	18.4	17.6	16.9	16.3	15.7	15.2	14.7	14.3	13.8	13.5	13.1	12.8	12.5	12.2	11.9	11.6	420
440	63.1	53.1	46.0	40.7	36.5	33.2	30.5	28.2	26.3	24.6	23.2	22.0	20.8	19.9	19.0	18.2	17.5	16.8	16.3	15.7	15.2	14.8	14.3	13.9	13.6	13.2	12.9	12.6	12.3	12.0	440
460	65.1	54.8	47.5	42.0	37.7	34.2	31.4	29.1	27.1	25.4	24.0	22.7	21.5	20.5	19.6	18.8	18.1	17.4	16.8	16.2	15.7	15.3	14.8	14.4	14.0	13.7	13.3	13.0	12.7	12.5	460
480	67.1	56.5	48.9	43.3	38.8	35.3	32.4	30.0	28.0	26.2	24.7	23.4	22.2	21.2	20.3	19.4	18.7	18.0	17.3	16.8	16.2	15.8	15.3	14.9	14.5	14.1	13.8	13.5	13.2	12.9	480
500	69.1	58.2	50.4	44.6	40.0	36.4	33.4	30.9	28.8	27.0	25.5	24.1	22.9	21.8	20.9	20.0	19.3	18.5	17.9	17.3	16.8	16.3	15.8	15.4	15.0	14.6	14.2	13.9	13.6	13.3	500
600	79.0	66.6	57.7	51.1	45.9	41.7	38.3	35.5	33.1	31.1	29.3	27.7	26.4	25.1	24.1	23.1	22.2	21.4	20.6	20.0	19.3	18.8	18.2	17.7	17.3	16.8	16.4	16.1	15.7	15.4	600
700	89.0	75.0	65.0	57.5	51.7	47.1	43.3	40.1	37.4	35.1	33.1	31.3	29.8	28.4	27.2	26.1	25.1	24.2	23.4	22.6	21.9	21.3	20.7	20.1	19.6	19.1	18.7	18.2	17.8	17.5	700
800	98.9	83.4	72.4	64.0	57.6	52.4	48.2	44.7	41.7	39.1	36.9	35.0	33.3	31.7	30.4	29.1	28.0	27.0	26.1	25.3	24.5	23.8	23.1	22.5	21.9	21.4	20.9	20.4	20.0	19.6	800
900	108.9	91.8	79.7	70.5	63.4	57.8	53.1	49.2	46.0	43.1	40.7	38.6	36.7	35.0	33.5	32.2	31.0	29.9	28.8	27.9	27.1	26.3	25.6	24.9	24.2	23.7	23.1	22.6	22.1	21.7	900
1000	118.8	100.3	87.0	77.0	69.3	63.1	58.0	53.8	50.2	47.2	44.5	42.2	40.1	38.3	36.7	35.2	33.9	32.7	31.6	30.6	29.6	28.8	28.0	27.3	26.6	25.9	25.3	24.8	24.2	23.7	1000
1100	128.8	108.7	94.3	83.5	75.1	68.4	62.9	58.4	54.5	51.2	48.3	45.8	43.6	41.6	39.8	38.3	36.8	35.5	34.3	33.2	32.2	31.3	30.4	29.6	28.9	28.2	27.6	26.9	26.4	25.8	1100
1200	138.7	117.1	101.6	90.0	81.0	73.8	67.9	63.0	58.8	55.2	52.1	49.4	47.0	44.9	43.0	41.3	39.8	38.3	37.1	35.9	34.8	33.8	32.9	32.0	31.2	30.5	29.8	29.1	28.5	27.9	1200
1300	148.7	125.5	108.9	96.5	86.8	79.1	72.8	67.5	63.1	59.2	55.9	53.0	50.5	48.2	46.2	44.3	42.7	41.2	39.8	38.5	37.4	36.3	35.3	34.4	33.5	32.7	32.0	31.3	30.6	30.0	1300
1400	158.6	133.9	116.2	103.0	92.7	84.5	77.7	72.1	67.3	63.3	59.7	56.6	53.9	51.5	49.3	47.4	45.6	44.0	42.5	41.2	40.0	38.8	37.8	36.8	35.9	35.0	34.2	33.5	32.8	32.1	1400
1500	168.6	142.3	123.6	109.5	98.6	89.8	82.6	76.7	71.6	67.3	63.5	60.3	57.4	54.8	52.5	50.4	48.5	46.8	45.3	43.8	42.5	41.3	40.2	39.2	38.2	37.3	36.4	35.6	34.9	34.2	1500
1600	178.5	150.7	130.9	116.0	104.4	95.1	87.6	81.2	75.9	71.3	67.3	63.9	60.8	58.1	55.6	53.5	51.5	49.7	48.0	46.5	45.1	43.8	42.6	41.5	40.5	39.6	38.7	37.8	37.0	36.3	1600
1700	188.5	159.1	138.2	122.5	110.3	100.5	92.5	85.8	80.2	75.3	71.2	67.5	64.3	61.4	58.8	56.5	54.4	52.5	50.8	49.2	47.7	46.3	45.1	43.9	42.8	41.8	40.9	40.0	39.2	38.4	1700
1800	198.4	167.6	145.5	129.0	116.1	105.8	97.4	90.4	84.5	79.4	75.0	71.1	67.7	64.7	62.0	59.5	57.3	55.3	53.5	51.8	50.3	48.8	47.5	46.3	45.2	44.1	43.1	42.2	41.3	40.5	1800
Term. 2/	19.356	16.130	13.826	12.098	10.753	9.678	8.798	8.065	7.445	6.913	6.452	6.049	5.703	5.377	5.094	4.839	4.609	4.399	4.206	4.033	3.871	3.722	3.524	3.456	3.337	3.226	3.122	3.024	2.933	2.846	Term. 2/
L. H. 3/	.099480	.084125	.073157	.064931	.058533	.053415	.049227	.045738	.042755	.040254	.038030	.036141	.034447	.032942	.031595	.030383	.029286	.028269	.027373	.026544	.025776	.025067	.024411	.023802	.023234	.022705	.022210	.021745	.021309	.020899	L. H. 3/

1/ Based on a tare weight of 23.0 tons and a ratio of empty car miles to loaded car miles of 0.340. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 22 (Concluded).—TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	Miles
	Net load in tons per car																														
10	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	20
30	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	70
80	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.8	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	100
120	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.5	3.4	3.4	3.3	3.3	3.3	120
140	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	140
160	6.0	5.9	5.8	5.7	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	160
180	6.5	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	180
200	6.9	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	200
220	7.3	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	220
240	7.7	7.5	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	240
260	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.3	5.3	260
280	8.5	8.3	8.2	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	280
300	8.9	8.7	8.6	8.4	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	300
320	9.3	9.1	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	6.2	6.2	320
340	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.7	6.6	6.5	6.5	340
360	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	360
380	10.6	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	380
400	11.0	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	400
420	11.4	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	420
440	11.8	11.6	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	440
460	12.2	12.0	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	9.9	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	460
480	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	8.6	8.5	480
500	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	9.0	8.9	8.8	500
600	15.1	14.8	14.5	14.2	14.0	13.7	13.5	13.3	13.1	12.9	12.7	12.5	12.3	12.2	12.0	11.9	11.7	11.6	11.5	11.3	11.2	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.3	10.2	600
700	17.1	16.8	16.5	16.2	15.9	15.6	15.4	15.1	14.9	14.7	14.5	14.3	14.1	13.9	13.7	13.5	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.4	12.3	12.1	12.0	11.9	11.8	11.7	700
800	19.2	18.8	18.5	18.1	17.8	17.5	17.2	17.0	16.7	16.5	16.2	16.0	15.8	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.8	13.6	13.5	13.4	13.3	13.2	800
900	21.2	20.8	20.4	20.1	19.7	19.4	19.1	18.8	18.5	18.2	18.0	17.7	17.5	17.3	17.1	16.8	16.6	16.4	16.3	16.1	15.9	15.7	15.6	15.4	15.3	15.1	15.0	14.9	14.7	14.6	900
1000	23.3	22.8	22.4	22.0	21.6	21.3	20.9	20.6	20.3	20.0	19.7	19.5	19.2	19.0	18.7	18.5	18.3	18.1	17.9	17.7	17.5	17.3	17.1	17.0	16.8	16.6	16.5	16.3	16.2	16.1	1000
1100	25.3	24.8	24.4	24.0	23.6	23.2	22.8	22.5	22.1	21.8	21.5	21.2	20.9	20.7	20.4	20.2	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.3	18.1	18.0	17.8	17.7	17.5	1100
1200	27.4	26.9	26.4	25.9	25.5	25.1	24.7	24.3	23.9	23.6	23.3	22.9	22.6	22.4	22.1	21.8	21.6	21.3	21.1	20.8	20.1	20.4	20.2	20.0	19.8	19.6	19.5	19.3	19.1	19.0	1200
1300	29.4	28.9	28.4	27.9	27.4	26.9	26.5	26.1	25.7	25.4	25.0	24.7	24.4	24.0	23.8	23.5	23.2	22.9	22.7	22.4	22.2	22.0	21.8	21.5	21.3	21.1	21.0	20.8	20.6	20.4	1300
1400	31.5	30.9	30.3	29.8	29.3	28.8	28.4	27.9	27.5	27.1	26.8	26.4	26.1	25.7	25.4	25.1	24.8	24.6	24.3	24.0	23.8	23.5	23.3	23.1	22.9	22.7	22.4	22.3	22.1	21.9	1400
1500	33.5	32.9	32.3	31.8	31.2	30.7	30.2	29.8	29.3	28.9	28.5	28.2	27.8	27.4	27.1	26.8	26.5	26.2	25.9	25.6	25.3	25.1	24.8	24.6	24.4	24.2	23.9	23.7	23.5	23.3	1500
1600	35.6	34.9	34.3	33.7	33.1	32.6	32.1	31.6	31.2	30.7	30.3	29.9	29.5	29.1	28.8	28.4	28.1	27.8	27.5	27.2	26.9	26.6	26.4	26.1	25.9	25.7	25.4	25.2	25.0	24.8	1600
1700	37.6	36.9	36.3	35.6	35.1	34.5	34.0	33.4	33.0	32.5	32.0	31.6	31.2	30.8	30.5	30.1	29.7	29.4	29.1	28.8	28.5	28.2	27.9	27.7	27.4	27.2	26.9	26.7	26.5	26.2	1700
1800	39.7	39.0	38.3	37.6	37.0	36.4	35.8	35.3	34.8	34.3	33.8	33.4	32.9	32.5	32.1	31.7	31.4	31.0	30.7	30.4	30.1	29.8	29.5	29.2	28.9	28.7	28.4	28.2	27.9	27.7	1800
Term. 2/	2.765	2.688	2.616	2.547	2.482	2.420	2.360	2.304	2.251	2.200	2.151	2.104	2.059	2.016	1.975	1.936	1.898	1.861	1.826	1.792	1.760	1.728	1.698	1.669	1.640	1.613	1.587	1.561	1.536	1.512	Term. 2/
L. H. 3/	.020511	.020146	.019800	.019472	.019162	.018866	.018585	.018318	.018063	.017819	.017587	.017364	.017151	.016947	.016751	.016563	.016382	.016209	.016042	.015881	.015725	.015576	.015432	.015292	.015158	.015028	.014902	.014780	.014662	.014546	L. H. 3/

1/ Based on a tare weight of 23.0 tons and a ratio of empty car miles to loaded car miles of 0.340. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 23.—TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.6	17.2	14.8	12.9	11.5	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.7	4.5	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.9	18.3	15.7	13.7	12.2	11.0	10.0	9.2	8.5	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.5	3.4	3.3	20
30	23.2	19.3	16.6	14.6	13.0	11.7	10.6	9.8	9.0	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	30
40	24.4	20.4	17.5	15.4	13.7	12.4	11.3	10.4	9.6	8.9	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.8	40
50	25.7	21.5	18.5	16.2	14.4	13.0	11.9	10.9	10.1	9.4	8.8	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.1	4.9	4.7	4.6	4.5	4.3	4.2	4.1	50
60	27.0	22.6	19.4	17.0	15.2	13.7	12.5	11.5	10.6	9.9	9.3	8.7	8.2	7.8	7.4	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.3	60
70	28.2	23.6	20.3	17.8	15.9	14.4	13.1	12.1	11.2	10.4	9.8	9.2	8.7	8.2	7.8	7.4	7.1	6.8	5.5	6.3	6.1	5.8	5.6	5.5	5.3	5.1	5.0	4.8	4.7	4.6	70
80	29.5	24.7	21.2	18.7	16.7	15.1	13.7	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	5.9	5.8	5.6	5.4	5.3	5.1	5.0	4.8	80
90	30.8	25.8	22.2	19.5	17.4	15.7	14.4	13.2	12.2	11.4	10.7	10.1	9.5	9.0	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.2	6.0	5.9	5.7	5.5	5.4	5.2	5.1	90
100	32.1	26.8	23.1	20.3	18.1	16.4	15.0	13.8	12.8	11.9	11.2	10.5	9.9	9.4	9.0	8.6	8.2	7.9	7.5	7.3	7.0	6.8	6.5	6.3	6.1	6.0	5.8	5.6	5.5	5.3	100
120	34.6	29.0	25.0	22.0	19.6	17.7	16.2	14.9	13.8	12.9	12.1	11.4	10.8	10.2	9.8	9.3	8.9	8.5	8.2	7.9	7.6	7.4	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	120
140	37.1	31.1	26.8	23.6	21.1	19.1	17.4	16.1	14.9	13.9	13.1	12.3	11.6	11.1	10.5	10.1	9.6	9.2	8.9	8.6	8.2	8.0	7.7	7.5	7.3	7.0	6.9	6.7	6.5	6.3	140
160	39.7	33.3	28.7	25.2	22.6	20.4	18.7	17.2	16.0	14.9	14.0	13.2	12.5	11.9	11.3	10.8	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	160
180	42.2	35.4	30.5	26.9	24.0	21.8	19.9	18.4	17.0	15.9	15.0	14.1	13.3	12.7	12.1	11.5	11.1	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.3	180
200	44.7	37.5	32.4	28.5	25.5	23.1	21.1	19.5	18.1	16.9	15.9	15.0	14.2	13.5	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.5	9.2	8.9	8.7	8.5	8.2	8.0	7.8	200
220	47.3	39.7	34.2	30.2	27.0	24.5	22.4	20.6	19.2	17.9	16.8	15.9	15.0	14.3	13.6	13.0	12.5	12.0	11.5	11.1	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.8	8.5	8.3	220
240	49.8	41.8	36.1	31.8	28.5	25.8	23.6	21.8	20.2	18.9	17.8	16.8	15.9	15.1	14.4	13.8	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.3	10.1	9.8	9.5	9.3	9.0	8.8	240
260	52.4	44.0	38.0	33.4	29.9	27.1	24.8	22.9	21.3	19.9	18.7	17.7	16.8	15.9	15.2	14.5	13.9	13.4	12.9	12.4	12.0	11.6	11.3	10.9	10.6	10.3	10.0	9.8	9.6	9.3	260
280	54.9	46.1	39.8	35.1	31.4	28.5	26.1	24.1	22.4	20.9	19.7	18.6	17.6	16.7	16.0	15.3	14.6	14.1	13.5	13.1	12.6	12.2	11.8	11.5	11.2	10.9	10.6	10.3	10.1	9.8	280
300	57.4	48.2	41.7	36.7	32.9	29.8	27.3	25.2	23.5	21.9	20.6	19.5	18.5	17.5	16.7	16.0	15.4	14.8	14.2	13.7	13.3	12.8	12.4	12.1	11.7	11.4	11.1	10.8	10.6	10.3	300
320	60.0	50.4	43.5	38.4	34.4	31.2	28.5	26.4	24.5	22.9	21.6	20.4	19.3	18.4	17.5	16.8	16.1	15.4	14.9	14.4	13.9	13.4	13.0	12.6	12.3	12.0	11.6	11.4	11.1	10.8	320
340	62.5	52.5	45.4	40.0	35.8	32.5	29.8	27.5	25.6	23.9	22.5	21.3	20.2	19.2	18.3	17.5	16.8	16.1	15.5	15.0	14.5	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.3	340
360	65.1	54.7	47.2	41.7	37.3	33.9	31.0	28.7	26.7	24.9	23.5	22.2	21.0	20.0	19.1	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	12.7	12.4	12.1	11.8	360
380	67.6	56.8	49.1	43.3	38.8	35.2	32.3	29.8	27.7	25.9	24.4	23.0	21.9	20.8	19.8	19.0	18.2	17.5	16.9	16.3	15.8	15.3	14.8	14.4	14.0	13.6	13.2	12.9	12.6	12.3	380
400	70.1	58.9	50.9	44.9	40.3	36.5	33.5	30.9	28.8	26.9	25.3	23.9	22.7	21.6	20.6	19.7	18.9	18.2	17.5	16.9	16.4	15.9	15.4	14.9	14.5	14.1	13.8	13.4	13.1	12.8	400
420	72.7	61.1	52.8	46.6	41.7	37.9	34.7	32.1	29.9	27.9	26.3	24.8	23.6	22.4	21.4	20.5	19.7	18.9	18.2	17.6	17.0	16.5	16.0	15.5	15.1	14.7	14.3	14.0	13.6	13.3	420
440	75.2	63.2	54.7	48.2	43.2	39.2	36.0	33.2	30.9	28.9	27.2	25.7	24.4	23.2	22.2	21.2	20.4	19.6	18.9	18.2	17.6	17.1	16.6	16.1	15.6	15.2	14.8	14.5	14.1	13.8	440
460	77.8	65.4	56.5	49.9	44.7	40.6	37.2	34.4	32.0	29.9	28.2	26.6	25.3	24.0	23.0	22.0	21.1	20.3	19.5	18.9	18.3	17.7	17.2	16.7	16.2	15.8	15.4	15.0	14.7	14.3	460
480	80.3	67.5	58.4	51.5	46.2	41.9	38.4	35.5	33.1	30.9	29.1	27.5	26.1	24.9	23.7	22.7	21.8	21.0	20.2	19.5	18.9	18.3	17.7	17.2	16.8	16.3	15.9	15.5	15.2	14.8	480
500	82.8	69.6	60.2	53.2	47.7	43.3	39.7	36.7	34.1	31.9	30.1	28.4	27.0	25.7	24.5	23.5	22.5	21.7	20.9	20.2	19.5	18.9	18.3	17.8	17.3	16.9	16.4	16.0	15.7	15.3	500
600	95.5	80.3	69.5	61.4	55.0	50.0	45.8	42.4	39.5	37.0	34.8	32.9	31.2	29.7	28.4	27.2	26.1	25.1	24.2	23.4	22.6	21.9	21.3	20.7	20.1	19.6	19.1	18.6	18.2	17.8	600
700	108.2	91.0	78.8	69.6	62.4	56.7	52.0	48.1	44.8	42.0	39.5	37.4	35.5	33.8	32.3	30.9	29.7	28.6	27.6	26.6	25.8	25.0	24.2	23.6	22.9	22.3	21.8	21.3	20.8	20.3	700
800	120.9	101.8	88.1	77.8	69.8	63.4	58.2	53.8	50.1	47.0	44.2	41.8	39.7	37.8	36.2	34.6	33.3	32.0	30.9	29.8	28.9	28.0	27.2	26.4	25.7	25.1	24.4	23.9	23.3	22.8	800
900	133.6	112.5	97.3	86.0	77.2	70.1	64.3	59.5	55.5	52.0	49.0	46.3	44.0	41.9	40.0	38.4	36.9	35.5	34.2	33.1	32.0	31.0	30.1	29.3	28.5	27.8	27.1	26.5	25.9	25.3	900
1000	146.3	123.2	106.6	94.2	84.6	76.8	70.5	65.3	60.8	57.0	53.7	50.8	48.2	46.0	43.9	42.1	40.4	38.9	37.6	36.3	35.1	34.1	33.1	32.2	31.3	30.5	29.8	29.1	28.4	27.8	1000
1100	159.0	133.9	115.9	102.4	91.9	83.5	76.7	71.0	66.1	62.0	58.4	55.2	52.5	50.0	47.8	45.8	44.0	42.4	40.9	39.5	38.3	37.1	36.0	35.0	34.1	33.2	32.4	31.7	31.0	30.3	1100
1200	171.7	144.6	125.2	110.6	99.3	90.3	82.9	76.7	71.5	67.0	63.1	59.7	56.7	54.1	51.7	49.5	47.6	45.8	44.2	42.8	41.4	40.1	39.0	37.9	36.9	36.0	35.1	34.3	33.5	32.8	1200
1300	184.4	155.3	134.4	118.8	106.7	97.0	89.0	82.4	76.8	72.0	67.8	64.2	61.0	58.1	55.6	53.3	51.2	49.3	47.6	46.0	44.5	43.2	41.9	40.8	39.7	38.7	37.8	36.9	36.0	35.3	1300
1400	197.1	166.0	143.7	127.0	114.1	103.7	95.2	88.1	82.1	77.0	72.6	68.7	65.2	62.2	59.5	57.0	54.8	52.7	50.9	49.2	47.7	46.2	44.9	43.6	42.5	41.4	40.4	39.5	38.6	37.8	1400
1500	209.8	176.7	153.0	135.3	121.5	110.4	101.4	93.8	87.5	82.0	77.3	73.1	69.5	66.2	63.3	60.7	58.4	56.2	54.2	52.4	50.8	49.3	47.8	46.5	45.3	44.2	43.1	42.1	41.1	40.3	1500
1600	222.5	187.4	162.3	143.5	128.8	117.1	107.5	99.6	92.8	87.0	82.0	77.6	73.7	70.3	67.2	64.4	61.9	59.7	57.6	55.7	53.9	52.3	50.8	49.4	48.1	46.9	45.7	44.7	43.7	42.8	1600
1700	235.2	198.1	171.6	151.7	136.2	123.8	113.7	105.3	98.1	92.0	86.7	82.1	78.0	74.4	71.1	68.2	65.5	63.1	60.9	58.9	57.0	55.3	53.7	52.3	50.9	49.6	48.4	47.3	46.2	45.2	1700
1800	247.9	208.8	180.8	159.9	143.6	130.6	119.9	111.0	103.5	97.0	91.4	86.6	82.8	78.4	75.0	71.9	69.1	66.6	64.2	62.1	60.2	58.4	56.7	55.1	53.7	52.3	51.1	49.9	48.8	47.7	1800
Term. 2/	19.356	16.130	13.826	12.098	10.753	9.678	8.798	8.065	7.445	6.913	6.452	6.049	5.693	5.377	5.094	4.839	4.609	4.399	4.208	4.033	3.871	3.722	3.584	3.456	3.337	3.226	3.122	3.024	2.933	2.846	Term. 2/
L. H. 3/	.126960	.107025	.092786	.082106	.073800	.067155	.061718	.057188	.053354	.050068	.047220	.044728	.042529	.040575	.038826	.037253	.035829	.034534	.033352	.032269	.031272	.030352	.029500	.028709	.027972	.027285	.026642	.026039	.025473	.024940	L. H. 3/

1/ Based on a tare weight of 20.5 tons and a ratio of empty car miles to loaded car miles of 0.838. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 23 (Concluded).—TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	10
20	3.3	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	20
30	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	30
40	3.7	3.6	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	40
50	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	50
60	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	60
70	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	70
80	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	80
90	5.0	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	90
100	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	100
120	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	120
140	6.2	6.0	5.9	5.8	5.7	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	140
160	6.7	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	160
180	7.2	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	180
200	7.7	7.5	7.3	7.2	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.9	200
220	8.1	8.0	7.8	7.6	7.5	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	220
240	8.6	8.4	8.3	8.1	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	240
260	9.1	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.9	260
280	5.6	9.4	9.2	9.0	8.8	8.7	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	280
300	10.1	9.9	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	300
320	10.6	10.4	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.9	320
340	11.1	10.8	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	340
360	11.6	11.3	11.1	10.9	10.6	10.4	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	360
380	12.1	11.8	11.6	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	380
400	12.5	12.3	12.0	11.8	11.6	11.3	11.1	10.9	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	400
420	13.0	12.8	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.3	10.2	10.0	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	420
440	13.5	13.2	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	10.2	10.0	10.0	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	440
460	14.0	13.7	13.4	13.2	12.9	12.7	12.5	12.2	12.0	11.8	11.6	11.5	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	460
480	14.5	14.2	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	480
500	15.0	14.7	14.4	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	11.1	11.0	10.9	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	500
600	17.4	17.1	16.7	16.4	16.1	15.8	15.5	15.3	15.0	14.8	14.5	14.3	14.1	13.9	13.7	13.5	13.3	13.2	13.0	12.8	12.7	12.5	12.4	12.3	12.1	12.0	11.9	11.8	11.6	11.5	600
700	19.9	19.5	19.1	18.7	18.4	18.0	17.7	17.4	17.1	16.9	16.6	16.3	16.1	15.9	15.7	15.5	15.3	15.1	14.9	14.7	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.5	13.3	13.2	700
800	22.3	21.9	21.4	21.0	20.6	20.3	19.9	19.6	19.3	19.0	18.7	18.4	18.1	17.9	17.6	17.4	17.2	16.9	16.7	16.5	16.3	16.2	16.0	15.8	15.6	15.5	15.3	15.2	15.0	14.9	800
900	24.8	24.3	23.8	23.3	22.9	22.5	22.1	21.7	21.4	21.0	20.7	20.4	20.1	19.8	19.6	19.3	19.1	18.8	18.6	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.0	16.9	16.7	16.5	900
1000	27.2	26.7	26.1	25.6	25.2	24.7	24.3	23.9	23.5	23.1	22.8	22.5	22.1	21.8	21.5	21.2	21.0	20.7	20.5	20.2	20.0	19.8	19.5	19.3	19.1	18.9	18.7	18.6	18.4	18.2	1000
1100	29.6	29.0	28.5	27.9	27.4	27.0	26.5	26.1	25.6	25.2	24.9	24.5	24.1	23.8	23.5	23.2	22.9	22.6	22.3	22.1	21.8	21.6	21.3	21.1	20.9	20.7	20.5	20.3	20.1	19.9	1100
1200	32.1	31.4	30.8	30.3	29.7	29.2	28.7	28.2	27.8	27.3	26.9	26.5	26.1	25.8	25.4	25.1	24.8	24.5	24.2	23.9	23.6	23.4	23.1	22.9	22.6	22.4	22.2	22.0	21.7	21.5	1200
1300	34.5	33.8	33.2	32.6	32.0	31.4	30.9	30.4	29.9	29.4	29.0	28.6	28.2	27.8	27.4	27.0	26.7	26.4	26.1	25.7	25.5	25.2	24.9	24.6	24.4	24.1	23.9	23.7	23.4	23.2	1300
1400	37.0	36.2	35.5	34.9	34.2	33.6	33.1	32.5	32.0	31.5	31.0	30.6	30.2	29.7	29.4	29.0	28.6	28.3	27.9	27.6	27.3	27.0	26.7	26.4	26.1	25.9	25.6	25.4	25.1	24.9	1400
1500	39.4	38.6	37.9	37.2	36.5	35.9	35.3	34.7	34.1	33.6	33.1	32.6	32.3	31.7	31.3	30.9	30.5	30.1	29.8	29.4	29.1	28.8	28.5	28.2	27.9	27.6	27.3	27.1	26.8	26.6	1500
1600	41.9	41.0	40.2	39.5	38.8	38.1	37.5	36.8	36.3	35.7	35.2	34.7	34.2	33.7	33.3	32.8	32.4	32.0	31.6	31.3	30.9	30.6	30.2	29.9	29.6	29.3	29.0	28.8	28.5	28.2	1600
1700	44.3	43.4	42.6	41.8	41.0	40.3	39.7	39.0	38.4	37.8	37.2	36.7	36.2	35.7	35.2	34.8	34.3	33.9	33.5	33.1	32.7	32.4	32.0	31.7	31.4	31.1	30.7	30.5	30.2	29.9	1700
1800	46.8	45.8	44.9	44.1	43.3	42.6	41.8	41.2	40.5	39.9	39.3	38.7	38.2	37.7	37.2	36.7	36.2	35.8	35.4	35.0	34.6	34.2	33.8	33.5	33.1	32.8	32.5	32.2	31.9	31.6	1800
Term. 2/	2.765	2.688	2.616	2.547	2.482	2.420	2.360	2.304	2.251	2.200	2.151	2.104	2.059	2.016	1.975	1.936	1.898	1.861	1.826	1.792	1.760	1.728	1.698	1.669	1.640	1.613	1.587	1.561	1.536	1.512	Term. 2/
L. H. 3/	.024437	.023963	.023514	.023088	.022685	.022301	.021937	.021589	.021258	.020942	.020640	.020351	.020074	.019809	.019555	.019311	.019076	.018851	.018634	.018425	.018224	.018029	.017842	.017661	.017486	.017318	.017154	.016996	.016843	.016695	L. H. 3/

1/ Based on a tare weight of 20.5 tons and a ratio of empty car miles to loaded car miles of 0.838. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.
For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.
For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.
For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.
For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.
For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5310

41

Territory No. 4 - Total Eastern, incl.
N. E. & No. Ill.

GONDOLA AND HOPPER CARS

TABLE 24.--TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.7	17.2	14.8	12.9	11.5	10.4	9.4	8.7	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	10
20	22.0	18.3	15.7	13.8	12.3	11.1	10.1	9.2	8.5	7.9	7.4	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	3.4	20
30	23.3	19.5	16.7	14.6	13.0	11.8	10.7	9.8	9.1	8.5	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.7	4.5	4.3	4.2	4.1	3.9	3.8	3.7	3.6	30
40	24.6	20.6	17.7	15.5	13.8	12.5	11.3	10.4	9.6	9.0	8.4	7.9	7.4	7.1	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	40
50	25.9	21.7	18.6	16.3	14.6	13.1	12.0	11.0	10.2	9.5	8.9	8.4	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.2	4.1	50
60	27.2	22.8	19.6	17.2	15.3	13.8	12.6	11.6	10.8	10.0	9.4	8.8	8.3	7.9	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	60
70	28.6	23.9	20.5	18.0	16.1	14.5	13.3	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.8	4.6	70
80	29.9	25.0	21.5	18.9	16.9	15.2	13.9	12.8	11.9	11.0	10.4	9.7	9.2	8.7	8.3	7.9	7.6	7.2	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	80
90	31.2	26.1	22.4	19.7	17.6	15.9	14.5	13.4	12.4	11.6	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.2	90
100	32.5	27.2	23.4	20.6	18.4	16.6	15.2	14.0	13.0	12.1	11.3	10.7	10.1	9.6	9.1	8.7	8.3	8.0	7.6	7.4	7.1	6.8	6.6	6.4	6.2	6.0	5.9	5.7	5.5	5.4	100
120	35.1	29.4	25.3	22.3	19.9	18.0	16.5	15.2	14.1	13.1	12.3	11.6	11.0	10.4	9.9	9.4	9.0	8.7	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	6.2	6.1	5.9	120
140	37.8	31.6	27.3	24.0	21.4	19.4	17.7	16.3	15.2	14.1	13.3	12.5	11.8	11.2	10.7	10.2	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.6	6.4	140
160	40.4	33.9	29.2	25.7	23.0	20.8	19.0	17.5	16.3	15.2	14.2	13.4	12.7	12.1	11.5	11.0	10.5	10.1	9.7	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.1	6.9	160
180	43.0	36.1	31.1	27.4	24.5	22.2	20.3	18.7	17.4	16.2	15.2	14.4	13.6	12.9	12.3	11.7	11.3	10.8	10.4	10.0	9.7	9.3	9.0	8.8	8.5	8.3	8.0	7.8	7.6	7.5	180
200	45.7	38.3	33.0	29.1	26.0	23.6	21.6	19.9	18.5	17.2	16.2	15.3	14.5	13.7	13.1	12.5	12.0	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.1	8.8	8.6	8.4	8.2	8.0	200
220	48.3	40.5	34.9	30.8	27.5	24.9	22.8	21.1	19.6	18.3	17.2	16.2	15.3	14.6	13.9	13.3	12.7	12.2	11.8	11.3	10.9	10.6	10.3	9.9	9.7	9.4	9.1	8.9	8.7	8.5	220
240	50.9	42.7	36.9	32.5	29.1	26.3	24.1	22.2	20.7	19.3	18.1	17.1	16.2	15.4	14.7	14.1	13.5	12.9	12.4	12.0	11.6	11.2	10.9	10.5	10.2	10.0	9.7	9.4	9.2	9.0	240
260	53.5	44.9	38.8	34.2	30.6	27.7	25.4	23.4	21.8	20.4	19.1	18.0	17.1	16.3	15.5	14.8	14.2	13.6	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.2	10.0	9.7	9.5	260
280	56.2	47.2	40.7	35.9	32.1	29.1	26.7	24.6	22.9	21.4	20.1	19.0	18.0	17.1	16.3	15.6	14.9	14.4	13.8	13.3	12.9	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.0	280
300	58.8	49.4	42.6	37.6	33.6	30.5	27.9	25.8	24.0	22.4	21.1	19.9	18.9	17.9	17.1	16.4	15.7	15.1	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.6	11.3	11.0	10.8	10.5	300
320	61.4	51.6	44.6	39.3	35.2	31.9	29.2	27.0	25.1	23.5	22.0	20.8	19.7	18.8	17.9	17.1	16.4	15.8	15.2	14.7	14.2	13.7	13.3	12.9	12.5	12.2	11.9	11.6	11.3	11.0	320
340	64.1	53.8	46.5	41.0	36.7	33.3	30.5	28.1	26.2	24.5	23.0	21.7	20.6	19.6	18.7	17.9	17.2	16.5	15.9	15.3	14.8	14.3	13.9	13.5	13.1	12.8	12.4	12.1	11.8	11.6	340
360	66.7	56.0	48.4	42.7	38.2	34.7	31.8	29.3	27.3	25.5	24.0	22.7	21.5	20.4	19.5	18.7	17.9	17.2	16.6	16.0	15.5	15.0	14.5	14.1	13.7	13.3	13.0	12.7	12.3	12.1	360
380	69.3	58.2	50.3	44.4	39.8	36.1	33.0	30.5	28.4	26.6	25.0	23.6	22.4	21.3	20.3	19.4	18.6	17.9	17.3	16.7	16.1	15.6	15.1	14.7	14.3	13.9	13.5	13.2	12.9	12.6	380
400	71.9	60.4	52.2	46.1	41.3	37.4	34.3	31.7	29.5	27.6	25.9	24.5	23.2	22.1	21.1	20.2	19.4	18.6	17.9	17.3	16.7	16.2	15.7	15.3	14.8	14.4	14.1	13.7	13.4	13.1	400
420	74.6	62.7	54.2	47.8	42.8	38.8	35.6	32.9	30.6	28.6	26.9	25.4	24.1	22.9	21.9	21.0	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.9	15.4	15.0	14.6	14.3	13.9	13.6	420
440	77.2	64.9	56.1	49.5	44.3	40.2	36.9	34.1	31.7	29.7	27.9	26.4	25.0	23.8	22.7	21.7	20.8	20.0	19.3	18.6	18.0	17.5	16.9	16.4	16.0	15.6	15.2	14.8	14.4	14.1	440
460	79.8	67.1	58.0	51.2	45.9	41.6	38.1	35.2	32.8	30.7	28.9	27.3	25.9	24.6	23.5	22.5	21.6	20.8	20.0	19.3	18.7	18.1	17.5	17.0	16.6	16.1	15.7	15.3	15.0	14.6	460
480	82.5	69.3	59.9	52.9	47.4	43.0	39.4	36.4	33.9	31.7	29.8	28.2	26.7	25.5	24.3	23.3	22.3	21.5	20.7	20.0	19.3	18.7	18.1	17.6	17.1	16.7	16.3	15.9	15.5	15.1	480
500	85.1	71.5	61.8	54.6	48.9	44.4	40.7	37.6	35.0	32.8	30.8	29.1	27.6	26.3	25.1	24.0	23.1	22.2	21.4	20.6	20.0	19.3	18.8	18.2	17.7	17.2	16.8	16.4	16.0	15.6	500
600	98.2	82.6	71.4	63.1	56.5	51.3	47.1	43.5	40.5	37.9	35.7	33.7	32.0	30.5	29.1	27.8	26.8	25.7	24.8	24.0	23.2	22.5	21.8	21.2	20.6	20.0	19.5	19.1	18.6	18.2	600
700	111.4	93.7	81.0	71.5	64.2	58.3	53.4	49.4	46.0	43.1	40.6	38.3	36.4	34.7	33.1	31.7	30.4	29.3	28.2	27.3	26.4	25.6	24.8	24.1	23.5	22.9	22.3	21.7	21.2	20.8	700
800	124.5	104.8	90.6	80.0	71.8	65.2	59.8	55.3	51.5	48.3	45.4	43.0	40.8	38.8	37.1	35.5	34.1	32.8	31.7	30.6	29.6	28.7	27.9	27.1	26.3	25.7	25.0	24.4	23.9	23.3	800
900	137.7	115.8	100.2	88.5	79.4	72.2	66.2	61.2	57.0	53.4	50.3	47.6	45.2	43.0	41.1	39.4	37.8	36.4	35.1	33.9	32.8	31.8	30.9	30.0	29.2	28.5	27.8	27.1	26.5	25.9	900
1000	150.8	126.9	109.8	97.0	87.1	79.1	72.6	67.1	62.5	58.6	55.2	52.2	49.6	47.2	45.1	43.2	41.5	40.0	38.5	37.2	36.0	34.9	33.9	33.0	32.1	31.3	30.5	29.8	29.1	28.5	1000
1100	164.0	138.0	119.4	105.5	94.7	86.0	78.9	73.0	68.0	63.8	60.1	56.8	53.9	51.4	49.1	47.1	45.2	43.5	42.0	40.6	39.3	38.1	37.0	35.9	35.0	34.1	33.2	32.4	31.7	31.0	1100
1200	177.1	149.1	129.0	114.0	102.3	93.0	85.3	79.0	73.6	68.9	64.9	61.4	58.3	55.6	53.1	50.9	48.9	47.1	45.4	43.9	42.5	41.2	40.0	38.9	37.8	36.9	36.0	35.1	34.3	33.6	1200
1300	190.3	160.2	138.6	122.5	110.0	99.9	91.7	84.9	79.1	74.1	69.8	66.0	62.7	59.8	57.1	54.7	52.6	50.6	48.8	47.2	45.7	44.3	43.0	41.8	40.7	39.7	38.7	37.8	36.9	36.1	1300
1400	203.4	171.2	148.2	131.0	117.6	106.9	98.1	90.8	84.6	79.3	74.7	70.6	67.1	63.9	61.1	58.6	56.3	54.2	52.3	50.5	48.9	47.4	46.1	44.8	43.6	42.5	41.4	40.5	39.6	38.7	1400
1500	216.6	182.3	157.8	139.5	125.2	113.8	104.5	96.7	90.1	84.4	79.5	75.3	71.5	68.1	65.1	62.4	60.1	57.7	55.7	53.8	52.1	50.6	49.1	47.7	46.5	45.3	44.2	43.1	42.2	41.3	1500
1600	229.7	193.4	167.4	148.0	132.9	120.7	110.8	102.6	95.6	89.6	84.4	79.9	75.9	72.3	69.1	66.3	63.7	61.3	59.1	57.2	55.4	53.7	52.1	50.7	49.3	48.1	46.9	45.8	44.8	43.8	1600
1700	242.9	204.5	177.0	156.5	140.5	127.7	117.2	108.5	101.1	94.8	89.3	84.5	80.3	76.5	73.1	70.1	67.3	64.9	62.6	60.5	58.6	56.8	55.2	53.6	52.2	50.9	49.7	48.5	47.4	46.4	1700
1800	256.0	215.6	186.7	165.0	148.1	134.6	123.6	114.4	106.6	99.9	94.2	89.1	84.6	80.7	77.1	73.9	71.0	68.4	66.0	63.8	61.8	59.9	58.2	56.6	55.1	53.7	52.4	51.2	50.0	48.9	1800
Term. 2/	19.356	16.130	13.826	12.098	10.753	9.678	8.798	8.065	7.445	6.913	6.452	6.049	5.693	5.377	5.094	4.839	4.609	4.399	4.208	4.033	3.871	3.722	3.584	3.456	3.337	3.226	3.122	3.024	2.933	2.846	Term. 2/
L. H. 3/	.131480	.110792	.096014	.084931	.076311	.069415	.063773	.059071	.055092	.051682	.048727	.046141	.043859	.041831	.040016	.038383	.036905	.035561	.034335	.033210	.032176	.031221	.030337	.029516	.028752	.028038	.027371	.026745	.026158	.025604	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.845. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 24 (Concluded).--TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	10
20	3.3	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	20
30	3.5	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.0	30
40	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	40
50	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	50
60	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	60
70	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	70
80	4.8	4.7	4.6	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	80
90	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	90
100	5.3	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	100
120	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	120
140	6.3	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	140
160	6.8	6.6	6.5	6.3	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	160
180	7.3	7.1	7.0	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	180
200	7.8	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.0	5.0	4.9	200
220	8.3	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	220
240	8.8	8.6	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	240
260	9.3	9.1	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	5.9	260
280	9.8	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	280
300	10.3	10.1	9.9	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	300
320	10.8	10.6	10.3	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.0	7.0	320
340	11.3	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	340
360	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	360
380	12.3	12.0	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	380
400	12.8	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	400
420	13.3	13.0	12.7	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.1	9.0	8.9	8.9	8.8	8.7	420
440	13.8	13.5	13.2	13.0	12.7	12.5	12.3	12.0	11.8	11.6	11.5	11.3	11.1	10.9	10.8	10.6	10.5	10.3	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	440
460	14.3	14.0	13.7	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.9	10.7	10.6	10.5	10.3	10.2	10.1	10.0	9.9	9.8	9.6	9.5	9.4	9.4	460
480	14.8	14.5	14.2	13.9	13.6	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.6	10.5	10.3	10.2	10.1	10.0	9.9	9.8	9.7	480
500	15.3	15.0	14.7	14.4	14.1	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.2	12.0	11.8	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.7	10.6	10.5	10.3	10.2	10.1	10.0	500
600	17.8	17.4	17.1	16.8	16.4	16.1	15.9	15.6	15.3	15.1	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.3	13.1	12.9	12.8	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.7	600
700	20.3	19.9	19.5	19.1	18.8	18.4	18.1	17.8	17.5	17.2	17.0	16.7	16.4	16.2	16.0	15.8	15.6	15.4	15.2	15.0	14.8	14.6	14.5	14.3	14.1	14.0	13.9	13.7	13.6	13.4	700
800	22.8	22.4	21.9	21.5	21.1	20.7	20.4	20.0	19.7	19.4	19.1	18.8	18.5	18.2	18.0	17.7	17.5	17.3	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.8	15.6	15.4	15.3	15.2	800
900	25.3	24.8	24.3	23.9	23.4	23.0	22.6	22.2	21.9	21.5	21.2	20.9	20.6	20.3	20.0	19.7	19.5	19.2	19.0	18.8	18.5	18.3	18.1	17.9	17.7	17.5	17.4	17.2	17.0	16.9	900
1000	27.8	27.3	26.7	26.2	25.7	25.3	24.8	24.4	24.0	23.7	23.3	22.9	22.6	22.3	22.0	21.7	21.4	21.1	20.9	20.6	20.4	20.2	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.6	1000
1100	30.4	29.7	29.2	28.6	28.1	27.6	27.1	26.6	26.2	25.8	25.4	25.0	24.7	24.3	24.0	23.7	23.4	23.1	22.8	22.5	22.3	22.0	21.8	21.5	21.3	21.1	20.9	20.7	20.5	20.3	1100
1200	32.9	32.2	31.6	31.0	30.4	29.9	29.3	28.9	28.4	27.9	27.5	27.1	26.7	26.4	26.0	25.7	25.3	25.0	24.7	24.4	24.1	23.8	23.6	23.3	23.1	22.8	22.6	22.4	22.2	22.0	1200
1300	35.4	34.7	34.0	33.3	32.7	32.1	31.6	31.1	30.6	30.1	29.6	29.2	28.8	28.4	28.0	27.6	27.3	26.9	26.6	26.3	26.0	25.7	25.4	25.1	24.9	24.6	24.4	24.1	23.9	23.7	1300
1400	37.9	37.1	36.4	35.7	35.1	34.4	33.8	33.3	32.7	32.2	31.7	31.3	30.8	30.4	30.0	29.6	29.2	28.9	28.5	28.2	27.8	27.5	27.2	26.9	26.7	26.4	26.1	25.9	25.6	25.4	1400
1500	40.4	39.6	38.8	38.1	37.4	36.7	36.1	35.5	34.9	34.4	33.9	33.4	32.9	32.4	32.0	31.6	31.2	30.8	30.4	30.1	29.7	29.4	29.1	28.7	28.4	28.2	27.9	27.6	27.3	27.1	1500
1600	42.9	42.0	41.2	40.4	39.7	39.0	38.3	37.7	37.1	36.5	36.0	35.5	34.9	34.5	34.0	33.6	33.1	32.7	32.3	31.9	31.6	31.2	30.9	30.6	30.2	29.9	29.6	29.3	29.1	28.8	1600
1700	45.4	44.5	43.6	42.8	42.0	41.3	40.6	39.9	39.3	38.7	38.1	37.5	37.0	36.5	36.0	35.5	35.1	34.6	34.2	33.8	33.4	33.1	32.7	32.4	32.0	31.7	31.4	31.1	30.8	30.5	1700
1800	47.9	47.0	46.0	45.2	44.4	43.6	42.8	42.1	41.5	40.8	40.2	39.6	39.1	38.5	38.0	37.5	37.0	36.6	36.2	35.7	35.3	34.9	34.5	34.2	33.8	33.5	33.1	32.8	32.5	32.2	1800
Term. 2/	2.765	2.688	2.616	2.547	2.482	2.420	2.360	2.304	2.251	2.200	2.151	2.104	2.059	2.016	1.975	1.936	1.898	1.861	1.826	1.792	1.760	1.728	1.698	1.669	1.640	1.613	1.587	1.561	1.536	1.512	Term. 2/
L. H. 3/	.025083	.024590	.024124	.023683	.023264	.022866	.022488	.022127	.021784	.021456	.021142	.020842	.020555	.020280	.020016	.019763	.019520	.019286	.019060	.018844	.018635	.018433	.018239	.018051	.017869	.017694	.017525	.017360	.017202	.017048	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.845. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. 4 - Total Eastern, incl.
N. E. & No. Ill.

TANK CARS

TABLE 25.--TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.7	14.7	12.6	11.1	9.9	8.9	8.1	7.4	6.8	6.4	5.9	5.6	5.3	5.0	4.7	4.5	4.3	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.7	10
20	19.1	16.0	13.7	12.0	10.7	9.6	8.8	8.1	7.4	6.9	6.5	6.1	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	20
30	20.6	17.2	14.8	13.0	11.5	10.4	9.5	8.7	8.1	7.5	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.9	4.6	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	30
40	22.1	18.4	15.8	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.5	7.1	6.7	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	40
50	23.5	19.7	16.9	14.8	13.2	11.9	10.9	10.0	9.3	8.6	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	50
60	25.0	20.9	18.0	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.3	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.0	60
70	26.4	22.1	19.0	16.7	14.9	13.5	12.3	11.3	10.5	9.8	9.2	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.4	4.3	70
80	27.9	23.3	20.1	17.7	15.8	14.2	13.0	12.0	11.1	10.3	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.5	5.3	5.1	5.0	4.9	4.7	4.6	80
90	29.3	24.6	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9	90
100	30.8	25.8	22.2	19.5	17.4	15.8	14.4	13.3	12.3	11.5	10.8	10.1	9.6	9.1	8.6	8.3	7.9	7.6	7.3	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.2	100
120	33.7	28.3	24.3	21.4	19.1	17.3	15.8	14.6	13.5	12.6	11.8	11.1	10.5	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.5	7.2	7.0	6.7	6.5	6.4	6.2	6.0	5.9	5.7	120
140	36.6	30.7	26.5	23.3	20.8	18.8	17.2	15.9	14.7	13.7	12.9	12.2	11.5	10.9	10.4	9.9	9.5	9.1	8.8	8.4	8.2	7.9	7.6	7.4	7.2	7.0	6.8	6.6	6.4	6.3	140
160	39.6	33.2	28.6	25.2	22.5	20.4	18.6	17.2	15.9	14.9	14.0	13.2	12.5	11.8	11.3	10.8	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	160
180	42.5	35.6	30.7	27.0	24.2	21.9	20.0	18.5	17.2	16.0	15.0	14.2	13.4	12.8	12.2	11.6	11.1	10.7	10.3	9.9	9.6	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.4	180
200	45.4	38.1	32.8	28.9	25.9	23.4	21.4	19.8	18.4	17.2	16.1	15.2	14.4	13.7	13.0	12.5	11.9	11.5	11.0	10.6	10.3	9.9	9.6	9.3	9.0	8.8	8.6	8.3	8.1	7.9	200
220	48.3	40.5	35.0	30.8	27.6	25.0	22.8	21.1	19.6	18.3	17.2	16.2	15.4	14.6	13.9	13.3	12.7	12.2	11.8	11.3	11.0	10.6	10.3	10.0	9.7	9.4	9.1	8.9	8.7	8.5	220
240	51.2	43.0	37.1	32.7	29.2	26.5	24.2	22.4	20.8	19.4	18.3	17.2	16.3	15.5	14.8	14.1	13.5	13.0	12.5	12.1	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.5	9.3	9.0	240
260	54.2	45.4	39.2	34.6	30.9	28.0	25.7	23.7	22.0	20.6	19.3	18.2	17.3	16.4	15.7	15.0	14.3	13.8	13.3	12.8	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	260
280	57.1	47.9	41.4	36.4	32.6	29.6	27.1	25.0	23.2	21.7	20.4	19.2	18.2	17.3	16.5	15.8	15.2	14.6	14.0	13.5	13.1	12.6	12.2	11.9	11.5	11.2	10.9	10.7	10.4	10.1	280
300	60.0	50.4	43.5	38.3	34.3	31.1	28.5	26.3	24.4	22.8	21.5	20.3	19.2	18.3	17.4	16.7	16.0	15.3	14.8	14.2	13.8	13.3	12.9	12.5	12.2	11.8	11.5	11.2	11.0	10.7	300
320	62.9	52.8	45.6	40.2	36.0	32.6	29.9	27.6	25.6	24.0	22.5	21.3	20.2	19.2	18.3	17.5	16.8	16.1	15.5	15.0	14.5	14.0	13.6	13.2	12.8	12.4	12.1	11.8	11.5	11.3	320
340	65.8	55.3	47.7	42.1	37.7	34.2	31.3	28.9	26.9	25.1	23.6	22.3	21.1	20.1	19.2	18.3	17.6	16.9	16.3	15.7	15.2	14.7	14.2	13.8	13.4	13.1	12.7	12.4	12.1	11.8	340
360	68.9	57.7	49.9	44.0	39.4	35.7	32.7	30.2	28.1	26.3	24.7	23.3	22.1	21.0	20.0	19.2	18.4	17.7	17.0	16.4	15.9	15.4	14.9	14.4	14.0	13.7	13.3	13.0	12.7	12.4	360
380	71.7	60.2	52.0	45.8	41.1	37.2	34.1	31.5	29.3	27.4	25.7	24.3	23.0	21.9	20.9	20.0	19.2	18.4	17.8	17.1	16.6	16.0	15.5	15.1	14.7	14.3	13.9	13.6	13.2	12.9	380
400	74.6	62.6	54.1	47.7	42.7	38.8	35.5	32.8	30.5	28.5	26.8	25.3	24.0	22.8	21.8	20.9	20.0	19.2	18.5	17.9	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	400
420	77.5	65.1	56.2	49.6	44.4	40.3	36.9	34.1	31.7	29.7	27.9	26.3	25.0	23.8	22.7	21.7	20.8	20.0	19.3	18.6	18.0	17.4	16.9	16.4	15.9	15.5	15.1	14.7	14.4	14.0	420
440	80.4	67.6	58.4	51.5	46.1	41.8	38.3	35.4	32.9	30.8	29.0	27.4	25.9	24.7	23.5	22.5	21.6	20.8	20.0	19.3	18.7	18.1	17.5	17.0	16.5	16.1	15.7	15.3	14.9	14.6	440
460	83.3	70.0	60.5	53.4	47.8	43.4	39.7	36.7	34.1	31.9	30.0	28.4	26.9	25.6	24.4	23.4	22.4	21.6	20.8	20.0	19.4	18.8	18.2	17.7	17.2	16.7	16.3	15.9	15.5	15.1	460
480	86.3	72.5	62.6	55.2	49.5	44.9	41.1	38.0	35.3	33.1	31.1	29.4	27.9	26.5	25.3	24.2	23.2	22.3	21.5	20.8	20.1	19.4	18.8	18.3	17.8	17.3	16.9	16.5	16.1	15.7	480
500	89.2	74.9	64.7	57.1	51.2	46.4	42.5	39.3	36.6	34.2	32.2	30.4	28.8	27.4	26.2	25.0	24.0	23.1	22.3	21.5	20.8	20.1	19.5	18.9	18.4	17.9	17.5	17.0	16.6	16.2	500
600	103.8	87.2	75.4	66.5	59.6	54.1	49.6	45.8	42.6	39.9	37.5	35.5	33.6	32.0	30.6	29.2	28.1	27.0	26.0	25.1	24.3	23.5	22.8	22.2	21.5	21.0	20.4	19.9	19.5	19.0	600
700	118.4	99.5	86.0	75.9	68.0	61.7	56.6	52.3	48.7	45.6	42.9	40.5	38.4	36.6	34.9	33.4	32.1	30.9	29.8	28.7	27.8	26.9	26.1	25.4	24.7	24.0	23.4	22.8	22.3	21.8	700
800	132.9	111.8	96.6	85.3	76.5	69.4	63.6	58.8	54.7	51.3	48.2	45.6	43.3	41.2	39.3	37.6	36.1	34.8	33.5	32.4	31.3	30.3	29.4	28.6	27.8	27.1	26.4	25.7	25.1	24.6	800
900	147.5	124.0	107.3	94.7	84.9	77.1	70.7	65.3	60.8	56.9	53.6	50.7	48.1	45.7	43.7	41.8	40.2	38.6	37.2	36.0	34.8	33.7	32.7	31.8	30.9	30.1	29.3	28.6	28.0	27.3	900
1000	162.1	136.3	117.9	104.1	93.3	84.7	77.7	71.8	66.9	62.6	58.9	55.7	52.9	50.3	48.1	46.0	44.2	42.5	41.0	39.6	38.3	37.1	36.0	35.0	34.0	33.1	32.3	31.5	30.8	30.1	1000
1100	176.7	148.6	128.5	113.5	101.8	92.4	84.7	78.3	72.9	68.3	64.3	60.8	57.7	54.9	52.5	50.2	48.2	46.4	44.7	43.2	41.8	40.5	39.3	38.2	37.2	36.2	35.3	34.4	33.6	32.9	1100
1200	191.3	160.9	139.2	122.9	110.2	100.1	91.8	84.9	79.0	74.0	69.6	65.8	62.5	59.5	56.8	54.4	52.3	50.3	48.5	46.8	45.3	43.9	42.6	41.4	40.3	39.2	38.3	37.3	36.5	35.7	1200
1300	205.9	173.2	149.8	132.3	118.6	107.7	98.8	91.4	85.1	79.7	75.0	70.9	67.3	64.1	61.2	58.6	56.3	54.2	52.2	50.5	48.8	47.3	45.9	44.6	43.4	42.3	41.2	40.2	39.3	38.4	1300
1400	220.5	185.5	160.4	141.7	127.1	115.4	105.8	97.9	91.1	85.4	80.4	76.0	72.1	68.7	65.6	62.8	60.3	58.1	56.0	54.1	52.3	50.7	49.2	47.8	46.5	45.3	44.2	43.1	42.1	41.2	1400
1500	235.1	197.7	171.1	151.1	135.5	123.1	112.9	104.4	97.2	91.0	85.7	81.0	76.9	73.3	70.0	67.0	64.4	61.9	59.7	57.7	55.8	54.1	52.5	51.0	49.7	48.4	47.2	46.0	45.0	44.0	1500
1600	249.7	210.0	181.7	160.5	143.9	130.7	119.9	110.9	103.3	96.7	91.1	86.1	81.7	77.8	74.4	71.2	68.4	65.8	63.5	61.3	59.3	57.5	55.8	54.2	52.8	51.4	50.1	48.9	47.8	46.7	1600
1700	264.3	222.3	192.3	169.8	152.4	138.4	126.9	117.4	109.3	102.4	96.4	91.2	86.5	82.4	78.7	75.4	72.4	69.7	67.2	64.9	62.8	60.9	59.1	57.5	55.9	54.5	53.1	51.8	50.6	49.5	1700
1800	278.9	234.6	203.0	179.2	160.8	146.0	134.0	123.9	115.4	108.1	101.8	96.2	91.4	87.0	83.1	79.6	76.5	73.6	71.0	68.6	66.4	64.3	62.4	60.7	59.0	57.5	56.1	54.7	53.5	52.3	1800
Term. 2/	16.214	13.512	11.581	10.134	9.008	8.107	7.370	6.756	6.236	5.791	5.405	5.067	4.769	4.504	4.267	4.054	3.860	3.685	3.525	3.378	3.243	3.118	3.003	2.895	2.796	2.702	2.615	2.533	2.457	2.384	Term. 2/
L. H. 3/	.145910	.122817	.106321	.093950	.084328	.076630	.070332	.065083	.060642	.056836	.053537	.050650	.048103	.04[illegible]39	.043813	.041990	.040340	.038841	.037472	.036217	.035062	.033996	.033009	.032093	.[illegible]1240	.030443	.029698	.029000	.028344	.027726	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.983. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion; multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 25 (Concluded).--TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.9	3.8	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	2.9	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.8	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.7	6.5	6.4	6.2	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.2	7.0	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.7	7.6	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.2	6.1	6.0	6.0	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.3	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.8	8.6	8.4	8.3	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.4	9.2	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.9	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.5	10.2	10.0	9.8	9.6	9.4	9.3	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	11.0	10.8	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.5	11.3	11.1	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.5	9.4	9.2	9.1	9.0	8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	12.1	11.8	11.6	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.6	12.4	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	13.2	12.9	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.7	13.4	13.1	12.9	12.6	12.4	12.2	11.9	11.7	11.5	11.4	11.2	11.0	10.8	10.7	10.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	14.3	14.0	13.7	13.4	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.8	14.5	14.2	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	15.3	15.0	14.7	14.4	14.1	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	12.0	11.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.9	15.5	15.2	14.9	14.6	14.4	14.1	13.9	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.6	18.2	17.8	17.5	17.1	16.8	16.5	16.2	16.0	15.7	15.4	15.2	15.0	14.8	14.5	14.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	21.3	20.9	20.4	20.0	19.7	19.3	19.0	18.6	18.3	18.0	17.7	17.4	17.2	16.9	16.7	16.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	24.0	23.5	23.1	22.6	22.2	21.8	21.4	21.0	20.7	20.3	20.0	19.7	19.4	19.1	18.8	18.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.7	26.2	25.7	25.2	24.7	24.2	23.8	23.4	23.0	22.6	22.3	21.9	21.6	21.3	21.0	20.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	29.5	28.8	28.3	27.7	27.2	26.7	26.2	25.8	25.3	24.9	24.5	24.2	23.8	23.5	23.1	22.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	32.2	31.5	30.9	30.3	29.7	29.2	28.6	28.2	27.7	27.2	26.8	26.4	26.0	25.7	25.3	24.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	34.9	34.2	33.5	32.8	32.2	31.6	31.1	30.5	30.0	29.6	29.1	28.7	28.2	27.8	27.4	27.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	37.6	36.8	36.1	35.4	34.7	34.1	33.5	32.9	32.4	31.9	31.4	30.9	30.4	30.0	29.6	29.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	40.3	39.5	38.7	37.9	37.2	36.6	35.9	35.3	34.7	34.2	33.6	33.1	32.7	32.2	31.7	31.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	43.0	42.1	41.3	40.5	39.8	39.0	38.3	37.7	37.1	36.5	35.9	35.4	34.9	34.4	33.9	33.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
1600	45.7	44.8	43.9	43.1	42.3	41.5	40.8	40.1	39.4	38.8	38.2	37.6	37.1	36.5	36.0	35.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1600
1700	48.5	47.5	46.5	45.6	44.8	44.0	43.2	42.5	41.8	41.1	40.5	39.9	39.3	38.7	38.2	37.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1700
1800	51.2	50.1	49.1	48.2	47.3	46.4	45.6	44.9	44.1	43.4	42.7	42.1	41.5	40.9	40.3	39.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1800
Term. 2/	2.316	2.252	2.191	2.133	2.07[illegible]	2.027	1.977	1.930	1.885	1.843	1.802	1.762	1.725	1.689	1.654	1.621	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.027144	.026594	.026074	.025582	.025114	.024670	.024248	.023845	.023462	.023095	.022746	.022411	.022090	.021783	.021489	.021206	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.983. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.3[illegible].

For Cost Level IV, Carload operating expences, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 26.—TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
	Net load in tons per car																														
10	20.7	17.3	14.8	13.0	11.6	10.4	9.5	8.7	8.0	7.5	7.0	6.5	6.2	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.8	3.6	3.5	-	-	-	-	10
20	22.1	18.5	15.9	13.9	12.4	11.1	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	-	-	-	-	20
30	23.5	19.6	16.9	14.8	13.2	11.9	10.8	9.9	9.2	8.5	8.0	7.5	7.1	6.7	6.4	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	-	-	-	-	30
40	24.9	20.8	17.9	15.7	14.0	12.6	11.5	10.6	9.8	9.1	8.5	8.0	7.5	7.1	6.8	6.4	6.2	5.9	5.6	5.4	5.2	5.0	4.9	4.7	4.5	4.4	-	-	-	-	40
50	26.3	22.0	18.9	16.6	14.8	13.3	12.2	11.2	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	-	-	-	-	50
60	27.7	23.2	19.9	17.5	15.6	14.1	12.8	11.8	10.9	10.2	9.5	9.0	8.5	8.0	7.6	7.3	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	-	-	-	-	60
70	29.1	24.3	20.9	18.4	16.4	14.8	13.5	12.4	11.5	10.7	10.0	9.4	8.9	8.5	8.0	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	-	-	-	-	70
80	30.5	25.5	21.9	19.3	17.2	15.5	14.2	13.0	12.1	11.3	10.6	9.9	9.4	8.9	8.5	8.1	7.7	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.6	-	-	-	-	80
90	31.9	26.7	23.0	20.2	18.0	16.3	14.8	13.7	12.7	11.8	11.1	10.4	9.8	9.3	8.9	8.5	8.1	7.8	7.4	7.2	6.9	6.7	6.4	6.2	6.0	5.9	-	-	-	-	90
100	33.3	27.8	24.0	21.1	18.8	17.0	15.5	14.3	13.2	12.3	11.6	10.9	10.3	9.8	9.3	8.9	8.5	8.1	7.8	7.5	7.2	7.0	6.8	6.5	6.3	6.2	-	-	-	-	100
120	36.0	30.2	26.0	22.9	20.4	18.5	16.9	15.5	14.4	13.4	12.6	11.9	11.2	10.6	10.1	9.7	9.3	8.9	8.5	8.2	7.9	7.6	7.4	7.2	6.9	6.7	-	-	-	-	120
140	38.8	32.5	28.0	24.6	22.0	19.9	18.2	16.8	15.6	14.5	13.6	12.8	12.1	11.5	11.0	10.5	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.5	7.3	-	-	-	-	140
160	41.6	34.9	30.0	26.4	23.6	21.4	19.5	18.0	16.7	15.6	14.6	13.8	13.1	12.4	11.8	11.3	10.8	10.4	10.0	9.6	9.3	8.9	8.7	8.4	8.1	7.9	-	-	-	-	160
180	44.4	37.2	32.1	28.2	25.2	22.8	20.9	19.3	17.9	16.7	15.7	14.8	14.0	13.3	12.7	12.1	11.6	11.1	10.7	10.3	9.9	9.6	9.3	9.0	8.7	8.5	-	-	-	-	180
200	47.2	39.5	34.1	30.0	26.9	24.3	22.2	20.5	19.0	17.8	16.7	15.7	14.9	14.2	13.5	12.9	12.3	11.9	11.4	11.0	10.6	10.3	9.9	9.6	9.3	9.1	-	-	-	-	200
220	49.9	41.9	36.1	31.8	28.5	25.8	23.6	21.7	20.2	18.9	17.7	16.7	15.8	15.0	14.3	13.7	13.1	12.6	12.1	11.7	11.3	10.9	10.6	10.2	9.9	9.7	-	-	-	-	220
240	52.7	44.2	38.2	33.6	30.1	27.2	24.9	23.0	21.4	20.0	18.7	17.7	16.8	15.9	15.2	14.5	13.9	13.3	12.8	12.4	12.0	11.6	11.2	10.9	10.5	10.3	-	-	-	-	240
260	55.5	46.6	40.2	35.4	31.7	28.7	26.3	24.2	22.5	21.0	19.8	18.7	17.7	16.8	16.0	15.3	14.7	14.1	13.6	13.1	12.6	12.2	11.8	11.5	11.1	10.8	-	-	-	-	260
280	58.3	48.9	42.2	37.2	33.3	30.2	27.6	25.5	23.7	22.1	20.8	19.6	18.6	17.7	16.9	16.1	15.4	14.8	14.3	13.8	13.3	12.9	12.5	12.1	11.8	11.4	-	-	-	-	280
300	61.1	51.2	44.2	39.0	34.9	31.6	29.0	26.7	24.8	23.2	21.8	20.6	19.5	18.6	17.7	16.9	16.2	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.4	12.0	-	-	-	-	300
320	63.8	53.6	46.3	40.8	36.5	33.1	30.3	28.0	26.0	24.3	22.8	21.6	20.4	19.4	18.5	17.7	17.0	16.3	15.7	15.2	14.6	14.2	13.7	13.3	13.0	12.6	-	-	-	-	320
340	66.6	55.9	48.3	42.6	38.1	34.6	31.6	29.2	27.2	25.4	23.9	22.5	21.4	20.3	19.4	18.5	17.8	17.1	16.4	15.9	15.3	14.8	14.4	13.9	13.6	13.2	-	-	-	-	340
360	69.4	58.3	50.3	44.4	39.7	36.0	33.0	30.5	28.3	26.5	24.9	23.5	22.3	21.2	20.2	19.3	18.5	17.8	17.2	16.6	16.0	15.5	15.0	14.6	14.2	13.8	-	-	-	-	360
380	72.2	60.6	52.4	46.2	41.3	37.5	34.3	31.7	29.5	27.6	25.9	24.5	23.2	22.1	21.1	20.1	19.3	18.6	17.9	17.2	16.7	16.1	15.6	15.2	14.8	14.4	-	-	-	-	380
400	75.0	63.0	54.4	48.0	42.9	38.9	35.7	32.9	30.6	28.7	26.9	25.4	24.1	22.9	21.9	20.9	20.1	19.3	18.6	17.9	17.3	16.8	16.3	15.8	15.4	14.9	-	-	-	-	400
420	77.7	65.3	56.4	49.7	44.6	40.4	37.0	34.2	31.8	29.7	28.0	26.4	25.0	23.8	22.7	21.7	20.9	20.1	19.3	18.6	18.0	17.4	16.9	16.4	16.0	15.5	-	-	-	-	420
440	80.5	67.6	58.4	51.5	46.2	41.9	38.4	35.4	33.0	30.8	29.0	27.4	26.0	24.7	23.6	22.6	21.6	20.8	20.0	19.3	18.7	18.1	17.5	17.0	16.6	16.1	-	-	-	-	440
460	83.3	70.0	60.5	53.3	47.8	43.3	39.7	36.7	34.1	31.9	30.0	28.4	26.9	25.6	24.4	23.4	22.4	21.5	20.8	20.0	19.4	18.7	18.2	17.7	17.2	16.7	-	-	-	-	460
480	86.1	72.3	62.5	55.1	49.4	44.8	41.0	37.9	35.3	33.0	31.0	29.3	27.8	26.5	25.3	24.2	23.2	22.3	21.5	20.7	20.0	19.4	18.8	18.3	17.8	17.3	-	-	-	-	480
500	88.9	74.7	64.5	56.9	51.0	46.3	42.4	39.2	36.4	34.1	32.1	30.3	28.7	27.3	26.1	25.0	24.0	23.0	22.2	21.4	20.7	20.1	19.4	18.9	18.4	17.9	-	-	-	-	500
600	102.8	86.4	74.7	65.9	59.0	53.6	49.1	45.4	42.2	39.5	37.2	35.1	33.3	31.7	30.3	29.0	27.8	26.8	25.8	24.9	24.1	23.3	22.6	22.0	21.4	20.8	-	-	-	-	600
700	116.7	98.1	84.8	74.8	67.1	60.9	55.8	51.6	48.0	45.0	42.3	40.0	37.9	36.1	34.5	33.0	31.7	30.5	29.4	28.4	27.4	26.6	25.8	25.1	24.4	23.7	-	-	-	-	700
800	130.6	109.8	94.9	83.8	75.1	68.2	62.6	57.8	53.8	50.4	47.4	44.8	42.5	40.5	38.7	37.0	35.6	34.2	33.0	31.9	30.8	29.9	29.0	28.1	27.4	26.7	-	-	-	-	800
900	144.5	121.5	105.1	92.8	83.2	75.5	69.3	64.0	59.6	55.8	52.6	49.7	47.2	44.9	42.9	41.1	39.4	37.9	36.6	35.3	34.2	33.1	32.1	31.2	30.4	29.6	-	-	-	-	900
1000	158.4	133.2	115.2	101.7	91.2	82.9	76.0	70.3	65.4	61.3	57.7	54.5	51.8	49.3	47.1	45.1	43.3	41.7	40.2	38.8	37.6	36.4	35.3	34.3	33.4	32.5	-	-	-	-	1000
1100	172.3	144.9	125.4	110.7	99.3	90.2	82.7	76.5	71.2	66.7	62.8	59.4	56.4	53.7	51.3	49.1	47.2	45.4	43.8	42.3	40.9	39.7	38.5	37.4	36.4	35.4	-	-	-	-	1100
1200	186.2	156.6	135.5	119.7	107.3	97.5	89.4	82.7	77.0	72.2	67.9	64.2	61.0	58.1	55.5	53.2	51.0	49.1	47.4	45.8	44.3	42.9	41.7	40.5	39.4	38.4	-	-	-	-	1200
1300	200.1	168.3	145.6	128.6	115.4	104.8	96.1	88.9	82.8	77.6	73.1	69.1	65.6	62.5	59.7	57.2	54.9	52.9	51.0	49.2	47.7	46.2	44.8	43.6	42.4	41.3	-	-	-	-	1300
1400	214.0	180.0	155.8	137.6	123.4	112.1	102.9	95.2	88.6	83.0	78.2	73.9	70.2	66.9	63.9	61.2	58.8	56.6	54.6	52.7	51.0	49.5	48.0	46.7	45.4	44.2	-	-	-	-	1400
1500	227.9	191.7	165.9	146.5	131.5	119.4	109.6	101.4	94.4	88.5	83.3	78.8	74.8	71.3	68.1	65.2	62.7	60.3	58.2	56.2	54.4	52.7	51.2	49.7	48.4	47.2	-	-	-	-	1500
1600	241.8	203.4	176.0	155.5	139.5	126.8	116.3	107.6	100.2	93.9	88.4	83.6	79.4	75.6	72.3	69.3	66.5	64.0	61.8	59.7	57.8	56.0	54.4	52.8	51.4	50.1	-	-	-	-	1600
1700	255.7	215.1	186.2	164.5	147.6	134.1	123.0	113.8	106.0	99.3	93.5	88.5	84.0	80.0	76.5	73.3	70.4	67.8	65.4	63.2	61.1	59.3	57.5	55.9	54.4	53.0	-	-	-	-	1700
1800	269.6	226.8	196.3	173.4	155.6	141.4	129.7	120.0	111.8	104.8	98.7	93.3	88.6	84.4	80.7	77.3	74.3	71.5	69.0	66.6	64.5	62.5	60.7	59.0	57.4	56.0	-	-	-	-	1800
Term. 2/	19.356	16.130	13.826	12.098	10.753	9.678	8.798	8.065	7.445	6.913	6.452	6,049	5.693	5.377	5.094	4.839	4.609	4.399	4.208	4.033	3.871	3.722	3.584	3.456	3.337	3.226	-	-	-	-	Term. 2/
L. H. 3/	.139000	.117058	.101386	.089631	.080489	.073175	.067191	.062204	.057985	.054368	.051233	.048491	.046071	.043919	.041995	.040263	.038695	.037270	.035970	.034777	.033680	.032667	.031730	.030659	.030048	.029292	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.9 tons and a ratio of empty car miles to loaded car miles of 1.005. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 27.—TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.8	14.9	12.8	11.2	9.9	9.0	8.1	7.5	6.9	6.4	6.0	5.6	5.3	5.0	4.7	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.2	3.1	3.0	-	-	-	-	10
20	19.4	16.2	13.9	12.2	10.9	9.8	8.9	8.2	7.6	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	-	-	-	-	20
30	21.1	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-	30
40	22.7	18.9	16.3	14.3	12.7	11.5	10.5	9.6	8.9	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.2	4.0	-	-	-	-	40
50	24.3	20.3	17.5	15.3	13.7	12.3	11.2	10.3	9.6	8.9	8.3	7.8	7.4	7.0	6.7	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.4	-	-	-	-	50
60	25.9	21.7	18.6	16.4	14.6	13.2	12.0	11.1	10.2	9.5	8.9	8.4	7.9	7.5	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.2	5.0	4.8	4.7	-	-	-	-	60
70	27.5	23.0	19.8	17.4	15.5	14.0	12.8	11.8	10.9	10.2	9.5	9.0	8.5	8.0	7.6	7.3	6.9	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	-	-	-	-	70
80	29.1	24.4	21.0	18.4	16.4	14.9	13.6	12.5	11.6	10.8	10.1	9.5	9.0	8.5	8.1	7.7	7.4	7.1	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.3	-	-	-	-	80
90	30.7	25.7	22.2	19.5	17.4	15.7	14.3	13.2	12.2	11.4	10.7	10.1	9.5	9.0	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.7	-	-	-	-	90
100	32.4	27.1	23.3	20.5	18.3	16.5	15.1	13.9	12.9	12.0	11.3	10.6	10.0	9.5	9.1	8.6	8.3	7.9	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.0	-	-	-	-	100
120	35.6	29.8	25.7	22.6	20.2	18.2	16.7	15.3	14.2	13.3	12.5	11.7	11.1	10.5	10.0	9.6	9.1	8.8	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	-	-	-	-	120
140	38.8	32.5	28.0	24.7	22.0	19.9	18.2	16.8	15.6	14.5	13.6	12.8	12.1	11.5	11.0	10.5	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.5	7.3	-	-	-	-	140
160	42.1	35.2	30.4	26.7	23.9	21.6	19.8	18.2	16.9	15.8	14.8	14.0	13.2	12.5	11.9	11.4	10.9	10.5	10.1	9.7	9.4	9.0	8.7	8.5	8.2	8.0	-	-	-	-	160
180	45.3	38.0	32.7	28.8	25.7	23.3	21.3	19.6	18.2	17.0	16.0	15.1	14.3	13.5	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.5	9.2	8.9	8.6	-	-	-	-	180
200	48.5	40.7	35.1	30.9	27.6	25.0	22.9	21.1	19.6	18.3	17.2	16.2	15.3	14.5	13.9	13.2	12.7	12.2	11.7	11.3	10.9	10.5	10.2	9.9	9.6	9.3	-	-	-	-	200
220	51.7	43.4	37.4	32.9	29.5	26.7	24.4	22.5	20.9	19.5	18.3	17.3	16.4	15.5	14.8	14.1	13.6	13.0	12.5	12.1	11.6	11.3	10.9	10.6	10.3	10.0	-	-	-	-	220
240	55.0	46.1	39.8	35.0	31.3	28.4	26.0	23.9	22.2	20.8	19.5	18.4	17.4	16.5	15.8	15.1	14.4	13.9	13.3	12.8	12.4	12.0	11.6	11.3	10.9	10.6	-	-	-	-	240
260	58.2	48.8	42.1	37.1	33.2	30.1	27.5	25.4	23.6	22.0	20.7	19.5	18.5	17.5	16.7	16.0	15.3	14.7	14.1	13.6	13.2	12.7	12.3	12.0	11.6	11.3	-	-	-	-	260
280	61.4	51.5	44.5	39.2	35.0	31.7	29.0	26.8	24.9	23.3	21.9	20.6	19.5	18.6	17.7	16.9	16.2	15.6	15.0	14.4	13.9	13.5	13.1	12.7	12.3	12.0	-	-	-	-	280
300	64.7	54.3	46.8	41.2	36.9	33.4	30.6	28.2	26.2	24.5	23.0	21.7	20.6	19.6	18.6	17.8	17.1	16.4	15.8	15.2	14.7	14.2	13.8	13.4	13.0	12.6	-	-	-	-	300
320	67.9	57.0	49.2	43.3	38.8	35.1	32.1	29.7	27.6	25.8	24.2	22.8	21.6	20.6	19.6	18.7	18.0	17.2	16.6	16.0	15.5	15.0	14.5	14.1	13.7	13.3	-	-	-	-	320
340	71.1	59.7	51.5	45.4	40.6	36.8	33.7	31.1	38.9	27.0	25.4	23.9	22.7	21.6	20.6	19.7	18.8	18.1	17.4	16.8	16.2	15.7	15.2	14.8	14.3	13.9	-	-	-	-	340
360	74.4	62.4	53.9	47.5	42.5	38.5	35.2	32.5	30.2	28.3	26.5	25.1	23.7	22.6	21.5	20.6	19.7	18.9	18.2	17.6	17.0	16.4	15.9	15.5	15.0	14.6	-	-	-	-	360
380	77.6	65.1	56.2	49.5	44.3	40.2	36.8	34.0	31.6	29.5	27.7	26.2	24.8	23.6	22.5	21.5	20.6	19.8	19.1	18.4	17.8	17.2	16.6	16.1	15.7	15.3	-	-	-	-	380
400	80.8	67.8	58.6	51.6	46.2	41.9	38.3	35.4	32.9	30.8	28.9	27.3	25.8	24.6	23.4	22.4	21.5	20.6	19.9	19.2	18.5	17.9	17.4	16.8	16.4	15.9	-	-	-	-	400
420	84.0	70.6	60.9	53.7	48.1	43.6	39.9	36.8	34.2	32.0	30.1	28.4	26.9	25.6	24.4	23.3	22.4	21.5	20.7	20.0	19.3	18.7	18.1	17.5	17.0	16.6	-	-	-	-	420
440	87.3	73.3	63.3	55.8	49.9	45.3	41.4	38.3	35.6	33.2	31.2	29.5	28.0	26.6	25.4	24.2	23.2	22.3	21.5	20.7	20.0	19.4	18.8	18.2	17.7	17.2	-	-	-	-	440
460	90.5	76.0	65.6	57.8	51.8	46.9	43.0	39.7	36.9	34.5	32.4	30.6	29.0	27.6	26.3	25.2	24.1	23.2	22.3	21.5	20.8	20.1	19.5	18.9	18.4	17.9	-	-	-	-	460
480	93.7	78.7	68.0	59.9	53.6	48.6	44.5	41.1	38.2	35.7	33.6	31.7	30.1	28.6	27.3	26.1	25.0	24.0	23.1	22.3	21.6	20.9	20.2	19.6	19.1	18.6	-	-	-	-	480
500	97.0	81.4	70.3	62.0	55.5	50.3	46.1	42.5	39.6	37.0	34.8	32.8	31.1	29.6	28.2	27.0	25.9	24.9	24.0	23.1	22.3	21.6	21.0	20.3	19.8	19.2	-	-	-	-	500
600	113.1	95.0	82.1	72.4	64.8	58.8	53.8	49.7	46.2	43.2	40.6	38.4	36.4	34.6	33.0	31.6	30.3	29.1	28.0	27.1	26.2	25.3	24.5	23.8	23.2	22.5	-	-	-	-	600
700	129.3	108.6	93.8	82.7	74.1	67.2	61.6	56.9	52.9	49.5	46.5	43.9	41.7	39.6	37.8	36.2	34.7	33.4	32.1	31.0	30.0	29.0	28.1	27.3	26.5	25.8	-	-	-	-	700
800	145.4	122.2	105.5	93.1	83.4	75.6	69.3	64.0	59.5	55.7	52.4	49.5	46.9	44.6	42.6	40.8	39.1	37.6	36.2	35.0	33.8	32.7	31.7	30.8	29.9	29.1	-	-	-	-	800
900	161.6	135.7	117.3	103.5	92.7	84.1	77.0	71.2	66.2	62.0	58.3	55.0	52.2	49.7	47.4	45.4	43.5	41.8	40.3	38.9	37.6	36.4	35.3	34.3	33.3	32.4	-	-	-	-	900
1000	177.7	149.3	129.0	113.8	102.0	92.5	84.8	78.3	72.9	68.2	64.1	60.6	57.5	54.7	52.2	49.9	47.9	46.1	44.4	42.8	41.4	40.1	38.9	37.8	36.7	35.7	-	-	-	-	1000
1100	193.9	162.9	140.8	124.2	111.3	101.0	92.5	85.5	79.5	74.4	70.0	66.1	62.7	59.7	57.0	54.5	52.3	50.3	48.5	46.8	45.2	43.8	42.5	41.3	40.1	39.0	-	-	-	-	1100
1200	210.0	176.5	152.5	134.6	120.6	109.4	100.3	92.7	86.2	80.7	75.9	71.7	68.0	64.7	61.8	59.1	56.7	54.5	52.6	50.7	49.1	47.5	46.1	44.7	43.5	42.4	-	-	-	-	1200
1300	226.2	190.1	164.3	144.9	129.9	117.9	108.0	99.8	92.9	86.9	81.8	77.2	73.3	69.7	66.6	63.7	61.1	58.8	56.6	54.7	52.9	51.2	49.7	48.2	46.9	45.7	-	-	-	-	1300
1400	242.3	203.6	176.0	155.3	139.2	126.3	115.8	107.0	99.5	93.2	87.6	82.8	78.5	74.7	71.3	68.3	65.5	63.0	60.7	58.6	56.7	54.9	53.3	51.7	50.3	49.0	-	-	-	-	1400
1500	258.5	217.2	187.8	165.7	148.5	134.7	123.5	114.1	106.2	99.4	93.5	88.4	83.8	79.8	76.1	72.9	69.9	67.3	64.8	62.6	60.5	58.6	56.8	55.2	53.7	52.3	-	-	-	-	1500
1600	274.6	230.8	199.5	176.0	157.8	143.2	131.2	121.3	112.9	105.6	99.4	93.9	89.1	84.8	80.9	77.5	74.3	71.5	68.9	66.5	64.3	62.3	60.4	58.7	57.1	55.6	-	-	-	-	1600
1700	290.8	244.4	211.3	186.4	167.1	151.6	139.0	128.4	119.5	111.9	105.3	99.5	94.3	89.8	85.7	82.1	78.7	75.7	73.0	70.5	68.1	66.0	64.0	62.2	60.5	58.9	-	-	-	-	1700
1800	306.9	258.0	223.0	196.8	176.4	160.1	146.7	135.6	126.2	118.1	111.1	105.0	99.6	94.8	90.5	86.7	83.2	80.0	77.1	74.4	72.0	69.7	67.6	65.7	63.9	62.2	-	-	-	-	1800
Term. 2/	16.214	13.512	11.581	10.134	9.008	8.107	7.370	6.756	6.236	5.791	5.405	5.067	4.769	4.504	4.267	4.054	3.860	3.685	3.525	3.378	3.243	3.118	3.003	2.895	2.796	2.702	-	-	-	-	Term. 2/
L. H. 3/	.161500	.135808	.117457	.103694	.092989	.084425	.077418	.071579	.066638	.062404	.058733	.055522	.052688	.050169	.047916	.045888	.044052	.042384	.040861	.039465	.038180	.036994	.035896	.034877	.033928	.033042	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.867. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.14.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.63.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 28.--TERRITORY NO. 4 - TOTAL EASTERN, including New England and Northern Illinois

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	87.[illegible]	67.5	57.4	51.3	47.2	44.3	42.1	40.4	39.1	38.0	37.1	36.3	35.6	35.0	34.5	34.1	33.7	33.3	33.0	32.7	32.4	32.2	32.0	31.8	31.6	31.4	31.3	31.1	31.0	10
20	93.4	71.3	60.2	53.6	49.2	46.0	43.7	41.8	40.4	39.2	38.1	37.3	36.6	35.9	35.4	34.9	34.5	34.1	33.7	33.4	33.1	32.9	32.6	32.4	32.2	32.0	31.8	31.7	31.5	20
30	98.9	75.0	63.1	55.9	51.2	47.8	45.2	43.2	41.6	40.3	39.2	38.3	37.5	36.9	36.3	35.7	35.3	34.8	34.5	34.1	33.8	33.5	33.3	33.0	32.8	32.6	32.4	32.2	32.1	30
40	104.5	78.8	66.0	58.3	53.2	49.5	46.7	44.6	42.9	41.5	40.3	39.3	38.5	37.8	37.1	36.6	36.1	35.6	35.2	34.8	34.5	34.2	33.9	33.7	33.4	33.2	33.0	32.8	32.6	40
50	110.0	82.6	68.9	60.6	55.1	51.2	48.3	46.0	44.2	42.7	41.4	40.4	39.5	38.7	38.0	37.4	36.8	36.4	35.9	35.5	35.2	34.9	34.6	34.3	34.0	33.8	33.6	33.4	33.2	50
60	115.6	86.3	71.7	63.0	57.1	52.9	49.8	47.4	45.4	43.8	42.5	41.4	40.4	39.6	38.9	38.2	37.6	37.1	36.7	36.2	35.9	35.5	35.2	34.9	34.6	34.4	34.2	33.9	33.7	60
70	121.1	90.1	74.6	65.3	59.1	54.7	51.4	48.8	46.7	45.0	43.6	42.4	41.4	40.5	39.7	39.0	38.4	37.9	37.4	37.0	36.6	36.2	35.8	35.5	35.2	35.0	34.7	34.5	34.3	70
80	126.7	93.9	77.5	67.6	61.1	56.4	52.9	50.2	48.0	46.2	44.7	43.4	42.3	41.4	40.6	39.9	39.2	38.6	38.1	37.7	37.2	36.8	36.5	36.2	35.9	35.6	35.3	35.1	34.9	80
90	132.2	97.6	80.4	70.0	63.1	58.1	54.4	51.5	49.2	47.4	45.8	44.4	43.3	42.3	41.5	40.7	40.0	39.4	38.9	38.4	37.9	37.5	37.1	36.8	36.5	36.2	35.9	35.6	35.4	90
100	137.8	101.4	83.2	72.3	65.1	59.9	56.0	52.9	50.5	48.5	46.9	45.5	44.3	43.2	42.3	41.5	40.8	40.2	39.6	39.1	38.6	38.2	37.8	37.4	37.1	36.8	36.5	36.2	36.0	100
120	148.9	108.9	89.0	77.0	69.0	63.3	59.0	55.7	53.0	50.9	49.0	47.5	46.2	45.1	44.1	43.2	42.4	41.7	41.1	40.5	40.0	39.5	39.1	38.7	38.3	38.0	37.6	37.3	37.1	120
140	160.0	116.5	94.7	81.7	73.0	66.8	62.1	58.5	55.6	53.2	51.2	49.6	48.1	46.9	45.8	44.8	44.0	43.2	42.5	41.9	41.3	40.8	40.4	39.9	39.5	39.1	38.8	38.5	38.2	140
160	171.1	124.0	100.5	86.4	76.9	70.2	65.2	61.3	58.1	55.6	53.4	51.6	50.0	48.7	47.5	46.5	45.6	44.7	44.0	43.3	42.7	42.2	41.6	41.2	40.7	40.3	40.0	39.6	39.3	160
180	182.2	131.6	106.2	91.0	80.9	73.7	68.3	64.0	60.7	57.9	55.6	53.6	52.0	50.5	49.3	48.1	47.2	46.3	45.5	44.7	44.1	43.5	42.9	42.4	42.0	41.5	41.1	40.7	40.4	180
200	193.3	139.1	112.0	95.7	84.9	77.1	71.3	66.8	63.2	60.2	57.8	55.7	53.9	52.4	51.0	49.8	48.7	47.8	46.9	46.2	45.5	44.8	44.2	43.7	43.2	42.7	42.3	41.9	41.5	200
220	204.4	146.6	117.7	100.4	88.8	80.6	74.4	69.6	65.7	62.6	60.0	57.7	55.8	54.2	52.7	51.5	50.3	49.3	48.4	47.6	46.8	46.1	45.5	44.9	44.4	43.9	43.4	43.0	42.6	220
240	215.5	154.2	123.5	105.1	92.8	88.0	77.5	72.4	68.3	64.9	62.1	60.0	57.8	56.0	54.5	53.1	51.9	50.8	49.9	49.0	48.2	47.5	46.8	46.2	45.6	45.1	44.6	44.2	43.7	240
260	226.6	161.7	129.2	109.8	96.8	87.5	80.5	75.1	70.8	67.3	64.3	61.8	59.7	57.8	56.2	54.8	53.5	52.4	51.3	50.4	49.6	48.8	48.1	47.4	46.8	46.3	45.8	45.3	44.8	260
280	237.7	169.2	135.0	114.4	100.7	91.0	83.6	77.9	73.3	69.6	66.5	63.9	61.6	59.6	57.9	56.4	55.1	53.9	52.8	51.8	50.9	50.1	49.4	48.7	48.1	47.5	46.9	46.4	45.9	280
300	248.8	176.5	140.7	119.1	104.7	94.4	86.7	80.7	75.9	72.0	68.7	65.9	63.5	61.5	59.7	58.1	56.7	55.4	54.3	53.2	52.3	51.4	50.7	49.9	49.3	48.7	48.1	47.6	47.1	300
320	259.9	184.3	146.5	123.8	108.7	97.9	89.8	83.5	78.4	74.3	70.9	67.9	65.5	63.3	61.4	59.7	58.2	56.9	55.7	54.6	53.7	52.8	52.0	51.2	50.5	49.8	49.2	48.7	48.2	320
340	271.0	191.8	152.2	128.5	112.6	101.3	92.8	86.2	81.0	76.6	73.0	70.0	67.4	65.1	63.1	61.4	59.8	58.4	57.2	56.1	55.0	54.1	53.2	52.4	51.7	51.0	50.4	49.8	49.3	340
360	282.2	199.4	158.0	133.2	116.6	104.8	95.9	89.0	83.5	79.0	75.2	72.0	69.3	66.9	64.9	63.0	61.4	60.0	58.7	57.5	56.4	55.4	54.5	53.7	52.9	52.2	51.6	51.0	50.4	360
380	293.3	205.9	163.7	137.8	120.6	108.2	99.0	91.8	86.0	81.3	77.4	74.1	71.2	68.8	66.6	64.7	63.0	61.5	60.1	58.9	57.7	56.7	55.8	55.0	54.1	53.4	52.7	52.1	51.5	380
400	304.4	214.4	169.5	142.5	124.5	111.7	102.1	94.6	88.6	83.7	79.6	76.1	73.2	70.6	68.3	66.4	64.6	63.0	61.6	60.3	59.1	58.1	57.1	56.2	55.4	54.6	53.9	53.2	52.6	400
420	315.5	222.0	175.2	147.2	128.5	115.1	105.1	97.3	91.1	86.0	81.8	78.2	75.1	72.4	70.1	68.0	66.2	64.5	63.1	61.7	60.5	59.4	58.4	57.5	56.6	55.8	55.0	54.4	53.7	420
440	326.6	229.5	181.0	151.9	132.5	118.6	108.2	100.1	93.6	88.4	83.9	80.2	77.0	74.2	71.8	69.7	67.8	66.1	64.5	63.1	61.9	60.7	59.7	58.7	57.8	57.0	56.2	55.5	54.8	440
460	337.7	237.0	186.7	156.6	136.4	122.1	111.3	102.9	96.2	90.7	86.1	82.2	78.9	76.1	73.5	71.3	69.3	67.6	66.0	64.6	63.3	62.1	61.0	60.0	59.0	58.2	57.4	56.6	55.9	460
480	348.8	244.6	192.5	161.2	140.4	125.5	114.4	105.7	98.7	93.0	88.3	84.3	80.9	77.9	75.3	73.0	70.9	69.1	67.5	66.0	64.6	63.4	62.3	61.2	60.2	59.4	58.5	57.8	57.0	480
500	359.9	252.1	198.2	165.9	144.4	129.0	117.4	108.4	101.3	95.4	90.5	86.3	82.8	79.7	77.0	74.6	72.5	70.6	68.9	67.4	66.0	64.7	63.5	62.5	61.5	60.5	59.7	58.9	58.2	500
600	415.4	289.8	227.0	189.3	164.2	146.2	132.8	122.3	113.9	107.1	101.4	96.6	92.4	88.8	85.7	82.9	80.4	78.2	76.3	74.5	72.8	71.3	70.0	68.7	67.6	66.5	65.5	64.6	63.7	600
700	470.9	327.5	255.8	212.7	184.0	163.5	148.2	136.2	126.6	118.8	112.3	106.8	102.0	97.9	94.4	91.2	88.4	85.9	83.6	81.5	79.7	78.0	76.4	75.0	73.7	72.4	71.3	70.2	69.3	700
800	526.5	365.1	284.5	236.1	203.8	180.8	163.5	150.1	139.3	130.5	123.2	117.0	111.7	107.1	103.0	99.5	96.3	93.5	90.9	88.6	86.5	84.6	82.9	81.3	79.8	78.4	77.1	75.9	74.8	800
900	582.0	402.8	313.3	259.5	223.7	198.1	178.9	163.9	152.0	142.2	134.1	127.2	121.3	116.2	111.7	107.7	104.2	101.1	98.3	95.7	93.4	91.2	89.3	87.5	85.9	84.3	82.9	81.6	80.3	900
1000	637.5	440.5	342.0	282.9	243.5	215.4	194.3	177.8	164.7	154.0	145.0	137.4	130.9	125.3	120.4	116.0	112.2	108.7	105.6	102.8	100.2	97.9	95.8	93.8	92.0	90.3	88.7	87.3	85.9	1000
1100	693.1	478.2	370.8	306.3	263.3	232.6	209.6	191.7	177.4	165.7	155.9	147.6	140.6	134.4	129.0	124.3	120.1	116.3	112.9	109.9	107.1	104.5	102.2	100.0	98.0	96.2	94.5	92.9	91.4	1100
1200	748.6	515.8	399.5	329.7	283.2	249.9	225.0	205.6	190.1	177.4	166.8	157.8	150.2	143.5	137.7	132.6	128.0	123.9	120.3	116.9	113.9	111.1	108.6	106.3	104.1	102.2	100.3	98.6	97.0	1200
1300	804.1	553.5	428.3	353.1	303.0	267.2	240.4	219.5	202.8	189.1	177.7	168.1	159.8	152.6	146.4	140.9	135.9	131.6	127.6	124.0	120.8	117.8	115.1	112.6	110.2	108.1	106.1	104.3	102.5	1300
1400	859.6	591.2	457.0	376.5	322.8	284.5	255.7	233.3	215.5	200.8	188.6	178.3	169.4	161.8	155.1	149.1	143.9	139.2	134.9	131.1	127.6	124.4	121.5	118.8	116.3	114.0	111.9	109.9	108.1	1400
1500	915.2	628.9	485.8	399.9	342.6	301.7	271.1	247.2	228.1	212.5	199.5	188.5	179.1	170.9	163.7	157.4	151.8	146.8	142.3	138.2	134.5	131.1	128.9	125.1	122.4	120.0	117.7	115.6	113.6	1500
1600	970.7	666.6	514.5	423.3	362.5	319.0	286.5	261.1	240.8	224.2	210.4	198.7	188.7	180.0	172.4	165.7	159.7	154.4	149.6	145.2	141.3	137.7	134.4	131.3	128.5	125.9	123.5	121.3	119.2	1600
1700	1026.2	704.2	543.3	446.7	382.3	336.3	301.8	275.0	253.5	235.9	221.3	208.9	198.3	189.1	181.1	174.0	167.7	162.0	156.9	152.3	148.1	144.3	140.8	137.6	134.6	131.9	129.3	126.9	124.7	1700
1800	1081.8	741.9	572.0	470.1	402.1	353.6	317.2	288.8	266.2	247.7	232.2	219.1	207.9	198.2	189.8	182.2	175.6	169.6	164.3	159.4	155.0	151.0	147.3	143.9	140.7	137.8	135.1	132.6	130.3	1800
Term. 2/	82.250	63.735	54.480	48.925	45.225	42.580	40.595	39.050	37.820	36.510	35.965	35.255	34.645	34.115	33.655	33.245	32.880	32.555	32.265	32.000	31.760	31.540	31.340	31.155	30.980	30.825	30.675	30.540	30.415	Term. 2/
L. H. 3/	.55528	.37676	.28753	.23397	.19828	.17277	.15366	.13877	.12688	.11714	.10903	.10216	.09628	.09118	.08672	.08278	.07928	.07615	.07333	.07078	.06846	.06634	.06441	.06262	.06097	.05944	.05803	.05671	.05548	L. H. 3/

1/ Based on a tare weight of 23.0 tons and a ratio of empty car miles to loaded car miles of 0.340. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.21.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.31.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

TABLE 29.—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.0	14.2	12.1	10.6	9.5	8.5	7.7	7.1	6.6	6.1	5.7	5.3	5.0	4.8	4.5	4.3	4.1	3.9	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	2.5	10
20	17.7	14.8	12.7	11.1	9.9	8.9	8.1	7.5	6.9	6.4	6.0	5.6	5.3	5.0	4.7	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.1	3.0	3.0	2.9	2.8	2.7	20
30	18.5	15.4	13.3	11.6	10.3	9.3	8.5	7.8	7.2	6.7	6.3	5.9	5.6	5.3	5.0	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.9	30
40	19.3	16.1	13.8	12.1	10.8	9.7	8.9	8.1	7.5	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.8	4.5	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	40
50	20.0	16.7	14.4	12.6	11.2	10.1	9.2	8.5	7.9	7.3	6.9	6.4	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	3.2	50
60	20.8	17.4	14.9	13.1	11.7	10.5	9.6	8.8	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	60
70	21.5	18.0	15.5	13.6	12.1	11.0	10.0	9.2	8.5	7.9	7.4	7.0	6.6	6.3	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	70
80	22.3	18.6	16.0	14.1	12.6	11.4	10.4	9.5	8.8	8.2	7.7	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	3.7	3.7	80
90	23.0	19.3	16.6	14.6	13.0	11.8	10.7	9.9	9.2	8.5	8.0	7.5	7.1	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.1	4.0	3.9	3.8	90
100	23.8	19.9	17.1	15.1	13.5	12.2	11.1	10.2	9.5	8.8	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	100
120	25.3	21.2	18.3	16.1	14.3	13.0	11.9	10.9	10.1	9.5	8.9	8.4	7.9	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	4.3	120
140	26.8	22.5	19.4	17.0	15.2	13.8	12.6	11.6	10.8	10.1	9.5	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	140
160	28.3	23.8	20.5	18.0	16.1	14.6	13.4	12.3	11.4	10.7	10.0	9.5	9.0	8.5	8.1	7.7	7.4	7.1	6.8	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	160
180	29.8	25.0	21.6	19.0	17.0	15.4	14.1	13.0	12.1	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.9	7.5	7.3	7.0	6.8	6.5	6.3	6.1	6.0	5.8	5.6	5.5	5.4	5.2	180
200	31.4	26.3	22.7	20.0	17.9	16.2	14.9	13.7	12.7	11.9	11.2	10.6	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	5.5	200
220	32.9	27.6	23.8	21.0	18.8	17.0	15.6	14.4	13.4	12.5	11.8	11.1	10.5	10.0	9.5	9.1	8.7	8.4	8.1	7.8	7.5	7.3	7.1	6.9	6.7	6.5	6.3	6.2	6.0	5.9	220
240	34.4	28.9	24.9	22.0	19.7	17.8	16.3	15.1	14.0	13.1	12.3	11.7	11.0	10.5	10.0	9.6	9.2	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.7	6.5	6.3	6.2	240
260	35.9	30.1	26.0	23.0	20.6	18.7	17.1	15.8	14.7	13.7	12.9	12.2	11.6	11.0	10.5	10.0	9.6	9.3	8.9	8.6	8.3	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.7	6.5	260
280	37.4	31.4	27.2	24.0	21.5	19.5	17.8	16.5	15.3	14.3	13.5	12.7	12.1	11.5	11.0	10.5	10.1	9.7	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.1	7.0	6.8	280
300	38.9	32.7	28.3	24.9	22.4	20.3	18.6	17.2	16.0	15.0	14.1	13.3	12.6	12.0	11.5	11.0	10.5	10.1	9.8	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.1	300
320	40.4	34.0	29.4	25.9	23.2	21.1	19.3	17.9	16.6	15.6	14.6	13.8	13.1	12.5	11.9	11.4	11.0	10.5	10.2	9.8	9.5	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.4	320
340	41.9	35.3	30.5	26.9	24.1	21.9	20.1	18.6	17.3	16.2	15.2	14.4	13.7	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	7.8	340
360	43.5	36.5	31.6	27.9	25.0	22.7	20.8	19.3	17.9	16.8	15.8	14.9	14.2	13.5	12.9	12.3	11.9	11.4	11.0	10.6	10.3	10.0	9.7	9.4	9.1	8.9	8.7	8.5	8.3	8.1	360
380	45.0	37.8	32.7	28.9	25.9	23.5	21.6	20.0	18.6	17.4	16.4	15.5	14.7	14.0	13.4	12.8	12.3	11.8	11.4	11.0	10.7	10.3	10.0	9.7	9.5	9.2	9.0	8.8	8.6	8.4	380
400	46.5	39.1	33.8	29.9	26.8	24.3	22.3	20.6	19.2	18.0	17.0	16.0	15.2	14.5	13.9	13.3	12.7	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	8.7	400
420	48.0	40.4	34.9	30.9	27.7	25.2	23.1	21.3	19.9	18.6	17.5	16.6	15.7	15.0	14.3	13.7	13.2	12.7	12.2	11.8	11.4	11.1	10.8	10.5	10.2	9.9	9.7	9.4	9.2	9.0	420
440	49.5	41.7	36.1	31.8	28.6	26.0	23.8	22.0	20.5	19.2	18.1	17.1	16.3	15.5	14.8	14.2	13.6	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.3	10.0	9.8	9.6	9.3	440
460	51.0	42.9	37.2	32.8	29.5	26.8	24.6	22.7	21.2	19.8	18.7	17.7	16.8	16.0	15.3	14.7	14.1	13.5	13.1	12.6	12.2	11.9	11.5	11.2	10.9	10.6	10.4	10.1	9.9	9.7	460
480	52.5	44.2	38.3	33.8	30.4	27.6	25.3	23.4	21.8	20.5	19.3	18.2	17.3	16.5	15.8	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.9	11.5	11.2	11.0	10.7	10.4	10.2	10.0	480
500	54.0	45.5	39.4	34.8	31.2	28.4	26.1	24.1	22.5	21.1	19.8	18.8	17.8	17.0	16.2	15.6	15.0	14.4	13.9	13.4	13.0	12.6	12.2	11.9	11.6	11.3	11.0	10.8	10.5	10.3	500
600	61.6	51.9	44.9	39.7	35.7	32.5	29.8	27.6	25.7	24.1	22.7	21.5	20.4	19.5	18.6	17.9	17.2	16.6	16.0	15.4	15.0	14.5	14.1	13.7	13.4	13.0	12.7	12.4	12.1	11.9	600
700	69.2	58.3	50.5	44.7	40.1	36.5	33.5	31.1	29.0	27.2	25.6	24.3	23.1	22.0	21.0	20.2	19.4	18.7	18.0	17.5	16.9	16.4	15.9	15.5	15.1	14.7	14.4	14.1	13.7	13.5	700
800	76.7	64.7	56.1	49.6	44.6	40.6	37.3	34.5	32.2	30.2	28.5	27.0	25.7	24.5	23.4	22.5	21.6	20.8	20.1	19.5	18.9	18.3	17.8	17.3	16.9	16.5	16.1	15.7	15.4	15.0	800
900	84.3	71.1	61.6	54.5	49.0	44.6	41.0	38.0	35.5	33.3	31.4	29.7	28.3	27.0	25.8	24.8	23.8	23.0	22.2	21.5	20.8	20.2	19.6	19.1	18.6	18.2	17.7	17.3	17.0	16.6	900
Term. 2/	16.226	13.522	11.590	10.141	9.014	8.113	7.375	6.761	6.241	5.795	5.409	5.071	4.772	4.507	4.270	4.057	3.863	3.688	3.527	3.380	3.245	3.120	3.005	2.898	2.796	2.704	2.617	2.535	2.458	2.386	Term. 2/
L. H. 3/	.075630	.063942	.055593	.049331	.044461	.040565	.037377	.034721	.032473	.030546	.028877	.027416	.026126	.024981	.023955	.023033	.022196	.021439	.020746	.020110	.019526	.018987	.018487	.018023	.017591	.017188	.016811	.016458	.016126	.015813	L. H. 3/

1/ Based on a tare weight of 24.0 tons and a ratio of empty car miles to loaded car miles of 0.330. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 29 (Concluded).—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	Miles
	Net load in tons per car																														
10	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	10
20	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	20
30	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	30
40	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	40
50	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	50
60	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	60
70	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.0	70
80	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	80
90	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3	90
100	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	100
120	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	120
140	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	140
160	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.1	3.0	160
180	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	180
200	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	200
220	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.7	3.7	220
240	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	240
260	6.4	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	260
280	6.7	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	280
300	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.5	300
320	7.3	7.[illegible]	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	320
340	7.6	7.[illegible]	7.3	7.1	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	340
360	7.9	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	360
380	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	360
400	8.5	8.4	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.7	400
420	8.8	8.7	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.1	6.0	5.9	5.9	420
440	9.1	[illegible]	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.2	6.1	440
460	9.5	9.3	9.1	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	460
480	9.8	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.7	6.6	6.5	480
500	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	6.8	6.8	500
600	11.5	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	7.9	7.9	600
700	13.2	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	9.0	700
800	14.7	14.4	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.6	12.4	12.3	12.1	1[illegible]9	11.8	11.6	11.5	11.4	11.2	11.1	11.0	10.9	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.1	800
900	16.3	16.0	15.7	15.4	15.1	14.9	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.0	12.9	12.7	12.6	12.4	12.3	12.2	12.0	11.9	11.8	11.7	11.6	11.5	11.3	11.2	11.1	900
Term. 2/	2.318	2.254	2.193	2.135	2.080	2.028	1.979	1.932	1.887	1.844	1.803	1.764	1.726	1.690	1.656	1.623	1.591	1.560	1.531	1.502	1.475	1.449	1.423	1.399	1.375	1.352	1.330	1.309	1.288	1.268	Term. 2/
L. H. 3/	.015519	.015240	.014977	.014728	.014491	.014266	.014052	.013849	.013655	.013469	.013292	.013123	.012961	[illegible]2805	.012656	.012513	.012375	.012243	.012116	.011994	.011875	.011762	.011652	.011546	.011443	.011344	.011248	.011156	.011066	.010979	L. H. 3/

1/ Based on a tare weight of 24.0 tons and a ratio of empty car miles to loaded car miles of 0.330. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 30.—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.0	14.2	12.2	10.7	9.5	8.5	7.8	7.1	6.6	6.1	5.7	5.4	5.0	4.8	4.5	4.3	4.1	3.9	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	2.6	10
20	17.8	14.9	12.8	11.2	10.0	9.0	8.2	7.5	6.9	6.4	6.0	5.6	5.3	5.0	4.8	4.5	4.3	4.1	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	20
30	18.6	15.6	13.4	11.7	10.4	9.4	8.6	7.9	7.3	6.8	6.3	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.1	3.0	2.9	30
40	19.4	16.2	13.9	12.2	10.9	9.8	9.0	8.2	7.6	7.1	6.6	6.2	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	40
50	20.2	16.9	14.5	12.8	11.4	10.3	9.3	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	50
60	21.0	17.6	15.1	13.3	11.8	10.7	9.7	9.0	8.3	7.7	7.2	6.8	6.4	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	3.4	60
70	21.8	18.3	15.7	13.8	12.3	11.1	10.1	9.3	8.6	8.0	7.5	7.1	6.7	6.3	6.0	5.8	5.5	5.3	5.0	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5	70
80	22.6	18.9	16.3	14.3	12.8	11.5	10.5	9.7	9.0	8.4	7.8	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	80
90	23.4	19.6	16.9	14.8	13.2	12.0	10.9	10.1	9.3	8.7	8.1	7.7	7.2	6.9	6.5	6.2	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.5	4.3	4.2	4.1	4.0	3.9	90
100	24.3	20.3	17.5	15.4	13.7	12.4	11.3	10.4	9.7	9.0	8.5	8.0	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	4.1	4.0	100
120	25.9	21.7	18.7	16.4	14.7	13.3	12.1	11.2	10.4	9.7	9.1	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	4.4	120
140	27.5	23.0	19.8	17.5	15.6	14.1	12.9	11.9	11.0	10.3	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	4.7	140
160	29.1	24.4	21.0	18.5	16.5	15.0	13.7	12.6	11.7	10.9	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.2	5.0	160
180	30.7	25.7	22.2	19.5	17.5	15.8	14.5	13.4	12.4	11.6	10.9	10.3	9.7	9.2	8.8	8.4	8.1	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.4	180
200	32.3	27.1	23.4	20.6	18.4	16.7	15.3	14.1	13.1	12.2	11.5	10.8	10.3	9.8	9.3	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	200
220	33.9	28.4	24.5	21.6	19.4	17.5	16.1	14.8	13.8	12.9	12.1	11.4	10.8	10.3	9.8	9.4	9.0	8.6	8.3	8.0	7.7	7.5	7.3	7.0	6.8	6.7	6.5	6.3	6.2	6.0	220
240	35.5	29.8	25.7	22.7	20.3	18.4	16.8	15.6	14.5	13.5	12.7	12.0	11.4	10.8	10.3	9.9	9.5	9.1	8.7	8.4	8.2	7.9	7.6	7.4	7.2	7.0	6.8	6.7	6.5	6.3	240
260	37.1	31.1	26.9	23.7	21.2	19.3	17.6	16.3	15.1	14.2	13.3	12.6	11.9	11.3	10.8	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	6.7	260
280	38.7	32.5	28.1	24.8	22.2	20.1	18.4	17.0	15.8	14.8	13.9	13.2	12.5	11.9	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.2	7.0	280
300	40.3	33.9	29.3	25.8	23.1	21.0	19.2	17.8	16.5	15.5	14.5	13.7	13.0	12.4	11.8	11.3	10.9	10.4	10.1	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3	300
320	41.9	35.2	30.4	26.9	24.1	21.8	20.0	18.5	17.2	16.1	15.1	14.3	13.6	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.5	9.2	8.9	8.7	8.5	8.2	8.0	7.8	7.7	320
340	43.5	36.6	31.6	27.9	25.0	22.7	20.8	19.2	17.9	16.7	15.8	14.9	14.1	13.4	12.8	12.3	11.8	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.0	8.8	8.6	8.4	8.2	8.0	340
360	45.1	37.9	32.8	28.9	25.9	23.5	21.6	20.0	18.6	17.4	16.4	15.5	14.7	14.0	13.3	12.8	12.3	11.8	11.4	11.0	10.6	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	360
380	46.7	39.3	34.0	30.0	26.9	24.4	22.4	20.7	19.3	18.0	17.0	16.0	15.2	14.5	13.8	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.5	9.3	9.1	8.9	8.7	380
400	48.3	40.6	35.1	31.0	27.8	25.3	23.2	21.4	19.9	18.7	17.6	16.6	15.8	15.0	14.3	13.7	13.2	12.7	12.2	11.8	11.4	11.1	10.7	10.4	10.2	9.9	9.6	9.4	9.2	9.0	400
420	49.9	42.0	36.3	32.1	28.8	26.1	24.0	22.2	20.6	19.3	18.2	17.2	16.3	15.5	14.8	14.2	13.6	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.2	10.0	9.8	9.5	9.3	420
440	51.5	43.4	37.5	33.1	29.7	27.0	24.7	22.9	21.3	20.0	18.8	17.8	16.9	16.1	15.3	14.7	14.1	13.6	13.1	12.7	12.2	11.9	11.5	11.2	10.9	10.6	10.3	10.1	9.9	9.6	440
460	53.1	44.7	38.7	34.2	30.6	27.8	25.5	23.6	22.0	20.6	19.4	18.3	17.4	16.6	15.8	15.2	14.6	14.0	13.5	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.7	10.4	10.2	10.0	460
480	54.7	46.1	39.9	35.2	31.6	28.7	26.3	24.4	22.7	21.2	20.0	18.9	18.0	17.1	16.4	15.7	15.0	14.5	14.0	13.5	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.8	10.5	10.3	480
500	56.4	47.4	41.0	36.3	32.5	29.6	27.1	25.1	23.4	21.9	20.6	19.5	18.5	17.6	16.9	16.2	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.9	10.6	500
600	64.4	54.2	46.9	41.5	37.2	33.8	31.1	28.7	26.8	25.1	23.7	22.4	21.3	20.3	19.4	18.6	17.8	17.2	16.6	16.0	15.5	15.0	14.6	14.2	13.8	13.5	13.2	12.8	12.6	12.3	600
700	72.4	61.0	52.8	46.7	41.9	38.1	35.0	32.4	30.2	28.3	26.7	25.3	24.0	22.9	21.9	21.0	20.2	19.4	18.8	18.1	17.6	17.0	16.5	16.1	15.7	15.3	14.9	14.6	14.2	13.9	700
800	80.4	67.8	58.7	51.9	46.6	42.4	39.0	36.1	33.6	31.6	29.7	28.2	26.8	25.5	24.4	23.4	22.5	21.7	20.9	20.2	19.6	19.0	18.5	18.0	17.5	17.1	16.7	16.3	15.9	15.6	800
900	88.5	74.5	64.6	57.1	51.3	46.7	42.9	39.7	37.1	34.8	32.8	31.0	29.5	28.1	26.9	25.8	24.8	23.9	23.1	22.3	21.7	21.0	20.4	19.9	19.3	18.9	18.4	18.0	17.6	17.2	900
Term. [illegible]	16.226	13.522	11.590	10.141	9.014	8.113	7.375	6.761	6.241	5.795	5.409	5.071	4.772	4.507	4.270	4.057	3.863	3.688	3.527	3.380	3.245	3.120	3.005	2.898	2.798	2.704	2.617	2.535	2.458	2.386	Term. 2/
L. H. [illegible]	.080250	.067792	.058893	.052219	.047023	.042875	.039477	.036846	.034250	.032196	.030417	.028859	.027485	.026264	.025171	.024188	.023298	.022489	.021750	.021073	.020450	.019875	.019343	.018848	.018388	.017958	.017556	.017180	.016826	.016493	L. H. 3/

1/ Based on a tare weight of [illegible] tons and a ratio of empty car miles to loaded car miles of 0.568. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 30 (Concluded).—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	10
20	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	20
30	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	30
40	3.0	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	40
50	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	50
60	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	60
70	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.1	70
80	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	80
90	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	90
100	3.9	3.8	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	100
120	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	120
140	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	140
160	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	160
180	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.4	3.4	3.3	3.3	180
200	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	200
220	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	220
240	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	240
260	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	260
280	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	280
300	7.2	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	300
320	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	4.9	4.9	320
340	7.8	7.7	7.5	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	340
360	8.1	8.0	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.4	360
380	8.5	8.3	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	380
400	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.9	5.8	400
420	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.2	6.1	6.0	420
440	9.4	9.2	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.3	440
460	9.8	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	460
480	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.7	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	480
500	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	500
600	12.0	11.8	11.6	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	600
700	13.6	13.4	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.5	11.3	11.1	11.0	10.8	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	700
800	15.3	15.0	14.7	14.4	14.1	13.9	13.7	13.5	13.2	13.0	12.8	12.7	12.5	12.3	12.2	12.0	11.9	11.7	11.6	11.4	11.3	11.2	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.3	800
900	16.9	16.5	16.2	15.9	15.7	15.4	15.1	14.9	14.7	14.4	14.2	14.0	13.8	13.6	13.5	13.3	13.1	13.0	12.8	12.7	12.5	12.4	12.3	12.1	12.0	11.9	11.8	11.7	11.6	11.5	900
Term. 2/	2.318	2.254	2.193	2.135	2.080	2.028	1.979	1.932	1.887	1.844	1.803	1.764	1.726	1.690	1.656	1.623	1.591	1.560	1.531	1.502	1.475	1.449	1.423	1.399	1.375	1.352	1.330	1.309	1.288	1.268	Term. 2/
L. H. 3/	.016179	.015882	.015601	.015336	.015083	.014844	.014616	.014399	.014192	.013994	.013806	.013625	.013452	.013286	.013128	.012975	.012828	.012688	.012552	.012421	.012295	.012174	.012057	.011944	.011835	.011729	.011627	.011528	.011433	.011340	L. H. 3/

1/ Based on a tare weight of 19.4 tons and a ratio of empty car miles to loaded car miles of 0.568. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 31.--TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.3	14.4	12.3	10.8	9.6	8.7	7.9	7.2	6.7	6.2	5.8	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.6	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.7	2.7	2.6	10
20	18.3	15.3	13.1	11.5	10.2	9.2	8.4	7.7	7.1	6.6	6.2	5.8	5.5	5.2	4.9	4.7	4.4	4.2	4.1	3.9	3.7	3.6	3.5	3.4	3.2	3.1	3.0	3.0	2.9	2.8	20
30	19.3	16.1	13.8	12.1	10.8	9.7	8.9	8.1	7.5	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	30
40	20.4	17.0	14.6	12.8	11.4	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	3.2	40
50	21.4	17.9	15.4	13.5	12.0	10.8	9.9	9.1	8.4	7.8	7.3	6.9	6.5	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	3.4	50
60	22.4	18.7	16.1	14.1	12.6	11.4	10.4	9.5	8.8	8.2	7.7	7.2	6.8	6.5	6.1	5.9	5.6	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	60
70	23.4	19.6	16.9	14.8	13.2	11.9	10.9	10.0	9.3	8.6	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	70
80	24.5	20.5	17.6	15.5	13.8	12.5	11.4	10.5	9.7	9.0	8.5	8.0	7.5	7.1	6.8	6.4	6.2	5.9	5.7	5.4	5.2	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	80
90	25.5	21.3	18.4	16.1	14.4	13.0	11.9	10.9	10.1	9.4	8.8	8.3	7.9	7.4	7.1	6.7	6.5	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	4.2	90
100	26.5	22.2	19.1	16.8	15.0	13.5	12.4	11.4	10.5	9.8	9.2	8.7	8.2	7.8	7.4	7.0	6.7	6.5	6.2	6.0	5.7	5.5	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.4	100
120	28.6	23.9	20.6	18.1	16.2	14.6	13.4	12.3	11.4	10.6	10.0	9.4	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.0	4.9	4.8	120
140	30.7	25.7	22.1	19.5	17.4	15.7	14.4	13.2	12.3	11.4	10.7	10.1	9.6	9.1	8.6	8.2	7.9	7.6	7.3	7.0	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.4	5.3	5.2	140
160	32.7	27.4	23.6	20.8	18.6	16.8	15.4	14.2	13.1	12.3	11.5	10.8	10.2	9.7	9.3	8.8	8.5	8.1	7.8	7.5	7.2	7.0	6.8	6.6	6.4	6.2	6.0	5.9	5.7	5.6	160
180	34.8	29.2	25.1	22.1	19.8	17.9	16.4	15.1	14.0	13.1	12.3	11.6	10.9	10.4	9.9	9.4	9.0	8.7	8.3	8.0	7.8	7.5	7.2	7.0	6.8	6.6	6.4	6.3	6.1	6.0	180
200	36.9	30.9	26.6	23.4	21.0	19.0	17.4	16.0	14.9	13.9	13.0	12.3	11.6	11.0	10.5	10.0	9.6	9.2	8.9	8.5	8.3	8.0	7.7	7.5	7.3	7.1	6.9	6.7	6.5	6.4	200
220	38.9	32.6	28.1	24.8	22.2	20.1	18.3	16.9	15.7	14.7	13.8	13.0	12.3	11.7	11.1	10.6	10.2	9.8	9.4	9.1	8.8	8.5	8.2	7.9	7.7	7.5	7.3	7.1	6.9	6.8	220
240	41.0	34.4	29.6	26.1	23.4	21.1	19.3	17.8	16.6	15.5	14.5	13.7	13.0	12.3	11.8	11.2	10.8	10.3	9.9	9.6	9.3	8.9	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.2	240
260	43.0	36.1	31.2	27.4	24.5	22.2	20.3	18.8	17.4	16.3	15.3	14.4	13.7	13.0	12.4	11.8	11.3	10.9	10.5	10.1	9.8	9.4	9.1	8.9	8.6	8.4	8.1	7.9	7.7	7.5	260
280	45.1	37.8	32.7	28.8	25.7	23.3	21.3	19.7	18.3	17.1	16.1	15.2	14.4	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.3	9.9	9.6	9.3	9.1	8.8	8.6	8.3	8.1	7.9	280
300	47.2	39.6	34.2	30.1	26.9	24.4	22.3	20.6	19.2	17.9	16.8	15.9	15.0	14.3	13.6	13.0	12.5	12.0	11.5	11.1	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.8	8.5	8.3	300
320	49.2	41.3	35.7	31.4	28.1	25.5	23.3	21.5	20.0	18.7	17.6	16.6	15.7	14.9	14.3	13.6	13.1	12.5	12.1	11.6	11.3	10.9	10.6	10.2	9.9	9.7	9.4	9.2	9.0	8.7	320
340	51.3	43.1	37.2	32.8	29.3	26.6	24.3	22.5	20.9	19.5	18.3	17.3	16.4	15.6	14.9	14.2	13.6	13.1	12.6	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.6	9.4	9.1	340
360	53.4	44.8	38.7	34.1	30.5	27.7	25.3	23.4	21.7	20.3	19.1	18.0	17.1	16.3	15.5	14.8	14.2	13.7	13.1	12.7	12.3	11.9	11.5	11.2	10.8	10.5	10.3	10.0	9.8	9.5	360
380	55.4	46.5	40.2	35.4	31.7	28.8	26.3	24.3	22.6	21.1	19.9	18.8	17.8	16.9	16.1	15.4	14.8	14.2	13.7	13.2	12.8	12.3	12.0	11.6	11.3	11.0	10.7	10.4	10.2	9.9	380
400	57.5	48.3	41.7	36.8	32.9	29.8	27.3	25.2	23.5	21.9	20.6	19.5	18.5	17.6	16.7	16.0	15.4	14.8	14.2	13.7	13.3	12.8	12.4	12.1	11.7	11.4	11.1	10.8	10.6	10.3	400
420	59.5	50.0	43.2	38.1	34.1	30.9	28.3	26.2	24.3	22.8	21.4	20.2	19.1	18.2	17.4	16.6	15.9	15.3	14.8	14.2	13.8	13.3	12.9	12.5	12.2	11.8	11.5	11.3	11.0	10.7	420
440	61.6	51.7	44.7	39.4	35.3	32.0	29.3	27.1	25.2	23.6	22.1	20.9	19.8	18.9	18.0	17.2	16.5	15.9	15.3	14.8	14.3	13.8	13.4	13.0	12.6	12.3	12.0	11.7	11.4	11.1	440
460	63.7	53.5	46.2	40.7	36.5	33.1	30.3	28.0	26.0	24.4	22.9	21.6	20.5	19.5	18.6	17.8	17.1	16.4	15.8	15.3	14.8	14.3	13.9	13.4	13.1	12.7	12.4	12.1	11.8	11.5	460
480	65.7	55.2	47.7	42.1	37.7	34.2	31.3	28.9	26.9	25.2	23.7	22.4	21.2	20.2	19.2	18.4	17.7	17.0	16.4	15.8	15.3	14.8	14.3	13.9	13.5	13.2	12.8	12.5	12.2	11.9	480
500	67.8	57.0	49.2	43.4	38.9	35.3	32.3	29.9	27.8	26.0	24.4	23.1	21.9	20.8	19.9	19.0	18.2	17.5	16.9	16.3	15.8	15.3	14.8	14.4	14.0	13.6	13.2	12.9	12.6	12.3	500
600	78.1	65.6	56.7	50.1	44.9	40.7	37.3	34.5	32.1	30.0	28.2	26.7	25.3	24.1	23.0	22.0	21.1	20.3	19.6	18.9	18.3	17.7	17.2	16.7	16.2	15.8	15.4	15.0	14.6	14.3	600
700	88.4	74.3	64.3	56.7	50.8	46.1	42.3	39.1	36.4	34.1	32.0	30.3	28.7	27.3	26.1	25.0	24.0	23.1	22.2	21.5	20.8	20.1	19.5	19.0	18.4	17.9	17.5	17.1	16.7	16.3	700
800	98.7	83.0	71.8	63.4	56.8	51.6	47.3	43.7	40.7	38.1	35.8	33.9	32.1	30.6	29.2	28.0	26.9	25.8	24.9	24.1	23.3	22.5	21.9	21.2	20.7	20.1	19.6	19.1	18.7	18.3	800
900	109.1	91.7	79.3	70.0	62.8	57.0	52.3	48.3	45.0	42.1	39.7	37.5	35.6	33.9	32.3	31.0	29.7	28.6	27.6	26.6	25.8	25.0	24.2	23.5	22.9	22.3	21.7	21.2	20.7	20.3	900
Term. 2/	16.226	13.522	11.590	10.141	9.014	8.113	7.375	6.761	6.241	5.795	5.409	5.071	4.772	4.507	4.270	4.057	3.863	3.688	3.527	3.380	3.245	3.120	3.005	2.898	2.798	2.704	2.617	2.535	2.458	2.386	Term. 2/
L. H. 3/	.103140	.086867	.075243	.066525	.059744	.054320	.049552	.046183	.043054	.040371	.038047	.036013	.034218	.032622	.031195	.029910	.028746	.027691	.026726	.025842	.025028	.024277	.023581	.022936	.022334	.021773	.021248	.020756	.020294	.019859	L. H. 3/

1/ Based on a tare weight of 22.1 tons and a ratio of empty car miles to loaded car miles of 0.928. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 31 (Concluded).--TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	10
20	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	20
30	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	30
40	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	40
50	3.3	3.2	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	50
60	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.1	60
70	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	70
80	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	80
90	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.9	2.9	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	90
100	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	100
120	4.7	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	120
140	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	140
160	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	160
180	5.8	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	180
200	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.5	3.9	200
220	6.6	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	220
240	7.0	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	240
260	7.4	7.2	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	260
280	7.8	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	4.9	280
300	8.2	8.0	7.8	7.6	7.5	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	300
320	8.5	8.4	8.2	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.9	5.7	5.7	5.6	5.5	5.5	320
340	8.9	8.7	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	340
360	9.3	9.1	8.9	8.7	8.6	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.7	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	360
380	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	380
400	10.1	9.9	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	400
420	10.5	10.3	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.9	6.8	420
440	10.9	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.0	440
460	11.3	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.8	7.7	7.6	7.5	7.5	7.4	7.3	460
480	11.7	11.4	11.2	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	480
500	12.0	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	500
600	14.0	13.7	13.4	13.1	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.7	9.7	9.6	9.5	9.4	9.3	9.2	9.1	600
700	15.9	15.6	15.3	15.0	14.7	14.4	14.2	13.9	13.7	13.5	13.2	13.0	12.8	12.7	12.5	12.3	12.1	12.0	11.8	11.7	11.5	11.4	11.3	11.1	11.0	10.9	10.8	10.7	10.6	10.5	700
800	17.9	17.5	17.1	16.8	16.5	16.2	15.9	15.6	15.4	15.1	14.9	14.7	14.4	14.2	14.0	13.8	13.6	13.5	13.3	13.1	13.0	12.8	12.7	12.5	12.4	12.3	12.1	12.0	11.9	11.8	800
900	19.8	19.4	19.0	18.6	18.3	18.0	17.6	17.3	17.1	16.8	16.5	16.3	16.0	15.8	15.6	15.4	15.2	15.0	14.8	14.6	14.4	14.2	14.1	13.9	13.8	13.6	13.5	13.3	13.2	13.1	900
Term. 2/	2.318	2.254	2.193	2.135	2.080	2.028	1.979	1.932	1.887	1.844	1.803	1.764	1.726	1.690	1.656	1.623	1.591	1.560	1.531	1.502	1.475	1.449	1.423	1.399	1.375	1.352	1.330	1.309	1.288	1.268	Term. 2/
L. H. 3/	.019449	.019061	.018695	.018347	.018018	.017705	.017407	.017124	.016853	.016595	.016349	.016113	.015887	.015671	.015463	.015264	.015073	.014888	.014711	.014541	.014376	.014218	.014065	.013917	.013775	.013637	.013503	.013374	.013249	.013128	L. H. 3/

1/ Based on a tare weight of 22.1 tons and a ratio of empty car miles to loaded car miles of 0.928. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 32.—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	15.9	13.2	11.4	9.9	8.8	8.0	7.2	6.6	6.1	5.7	5.3	5.0	4.7	4.5	4.2	4.0	3.8	3.7	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.7	2.6	2.5	2.5	2.4	10
20	17.1	14.2	12.2	10.7	9.5	8.6	7.8	7.2	6.6	6.2	5.8	5.4	5.1	4.8	4.6	4.3	4.1	4.0	3.8	3.6	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.8	2.7	2.6	20
30	18.2	15.2	13.1	11.5	10.2	9.2	8.4	7.7	7.1	6.6	6.2	5.8	5.5	5.2	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	30
40	19.4	16.2	13.9	12.2	10.9	9.8	8.9	8.2	7.6	7.1	6.6	6.2	5.9	5.5	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	40
50	20.6	17.2	14.8	13.0	11.6	10.4	9.5	8.7	8.1	7.5	7.0	6.6	6.2	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.4	3.4	3.3	50
60	21.8	18.2	15.6	13.7	12.2	11.0	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	60
70	22.9	19.2	16.5	14.5	12.9	11.7	10.6	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	70
80	24.1	20.2	17.3	15.2	13.6	12.3	11.2	10.3	9.5	8.9	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.1	4.0	3.9	80
90	25.3	21.1	18.2	16.0	14.3	12.9	11.8	10.8	10.0	9.3	8.8	8.2	7.8	7.4	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	4.1	90
100	26.5	22.1	19.1	16.7	14.9	13.5	12.3	11.3	10.5	9.8	9.2	8.6	8.2	7.7	7.4	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	4.4	100
120	28.8	24.1	20.8	18.3	16.3	14.7	13.5	12.4	11.5	10.7	10.0	9.5	8.9	8.5	8.1	7.7	7.4	7.1	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	120
140	31.2	26.1	22.5	19.8	17.7	16.0	14.6	13.4	12.5	11.6	10.9	10.3	9.7	9.2	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	140
160	33.5	28.1	24.2	21.3	19.0	17.2	15.7	14.5	13.4	12.5	11.8	11.1	10.5	9.9	9.5	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	160
180	35.9	30.0	25.9	22.8	20.4	18.4	16.8	15.5	14.4	13.4	12.6	11.9	11.2	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	180
200	38.2	32.0	27.6	24.3	21.7	19.7	18.0	16.6	15.4	14.4	13.5	12.7	12.0	11.4	10.9	10.4	9.9	9.5	9.2	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.7	6.6	200
220	40.6	34.0	29.3	25.8	23.1	20.9	19.1	17.6	16.3	15.3	14.3	13.5	12.8	12.1	11.6	11.0	10.6	10.2	9.8	9.4	9.1	8.8	8.5	8.2	8.0	7.8	7.6	7.4	7.2	7.0	220
240	42.9	36.0	31.0	27.3	24.4	22.1	20.2	18.6	17.3	16.2	15.2	14.3	13.6	12.9	12.3	11.7	11.2	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.5	8.3	8.0	7.8	7.6	7.4	240
260	45.3	38.0	32.7	28.8	25.8	23.3	21.4	19.7	18.3	17.1	16.0	15.1	14.3	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.5	9.3	9.0	8.7	8.5	8.3	8.1	7.9	260
280	47.6	39.9	34.4	30.3	27.1	24.6	22.5	20.7	19.3	18.0	16.9	15.9	15.1	14.3	13.7	13.1	12.5	12.0	11.6	11.1	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.7	8.5	8.3	280
300	50.0	41.9	36.2	31.8	28.5	25.8	23.6	21.8	20.2	18.9	17.8	16.7	15.9	15.1	14.4	13.7	13.2	12.6	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.8	300
320	52.3	43.9	37.9	33.4	29.8	27.0	24.7	22.8	21.2	19.8	18.6	17.6	16.6	15.8	15.1	14.4	13.8	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5	10.2	9.9	9.7	9.4	9.2	320
340	54.7	45.9	39.6	34.9	31.2	28.3	25.9	23.9	22.2	20.7	19.5	18.4	17.4	16.5	15.8	15.1	14.4	13.9	13.3	12.9	12.4	12.0	11.6	11.3	11.0	10.7	10.4	10.1	9.9	9.6	340
360	57.0	47.8	41.3	36.4	32.6	29.5	27.0	24.9	23.1	21.6	20.3	19.2	18.2	17.3	16.5	15.7	15.1	14.5	13.9	13.4	13.0	12.6	12.2	11.8	11.5	11.2	10.9	10.6	10.3	10.1	360
380	59.4	49.8	43.0	37.9	33.9	30.7	28.1	26.0	24.1	22.5	21.2	20.0	18.9	18.0	17.2	16.4	15.7	15.1	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.6	11.3	11.0	10.8	10.5	380
400	61.7	51.8	44.7	39.4	35.3	32.0	29.3	27.0	25.1	23.5	22.0	20.8	19.7	18.7	17.9	17.1	16.4	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.5	12.1	11.8	11.5	11.2	11.0	400
420	64.1	53.8	46.4	40.9	36.6	33.2	30.4	28.0	26.1	24.4	22.9	21.6	20.5	19.5	18.6	17.7	17.0	16.3	15.7	15.2	14.7	14.2	13.7	13.3	13.0	12.6	12.3	12.0	11.7	11.4	420
440	66.4	55.7	48.1	42.4	38.0	34.4	31.5	29.1	27.0	25.3	23.8	22.4	21.2	20.2	19.3	18.4	17.7	17.0	16.3	15.8	15.2	14.7	14.3	13.8	13.5	13.1	12.7	12.4	12.1	11.8	440
460	68.8	57.7	49.8	43.9	39.3	35.6	32.6	30.1	28.0	26.2	24.6	23.2	22.0	20.9	20.0	19.1	18.3	17.6	16.9	16.3	15.8	15.3	14.8	14.4	13.9	13.6	13.2	12.9	12.6	12.3	460
480	71.1	59.7	51.5	45.4	40.7	36.8	33.8	31.2	29.0	27.1	25.5	24.0	22.8	21.7	20.7	19.8	18.9	18.2	17.5	16.9	16.3	15.8	15.3	14.9	14.4	14.1	13.7	13.3	13.0	12.7	480
500	73.5	61.7	53.3	46.9	42.0	38.1	34.9	32.2	29.9	28.0	26.3	24.8	23.5	22.4	21.4	20.4	19.6	18.8	18.1	17.5	16.9	16.3	15.8	15.4	14.9	14.5	14.2	13.8	13.5	13.1	500
600	85.2	71.6	61.8	54.5	48.8	44.3	40.5	37.4	34.8	32.6	30.6	28.9	27.4	26.1	24.9	23.8	22.8	21.9	21.1	20.4	19.7	19.1	18.5	17.9	17.4	17.0	16.5	16.1	15.7	15.3	600
700	97.0	81.4	70.4	62.0	55.6	50.4	46.2	42.6	39.7	37.1	34.9	32.9	31.2	29.7	28.4	27.1	26.0	25.0	24.1	23.2	22.5	21.8	21.1	20.5	19.9	19.4	18.9	18.4	18.0	17.5	700
800	108.7	91.3	78.9	69.6	62.4	56.6	51.8	47.9	44.5	41.7	39.2	37.0	35.1	33.4	31.9	30.5	29.2	28.1	27.1	26.1	25.3	24.5	23.7	23.0	22.4	21.8	21.2	20.7	20.2	19.7	800
900	120.5	101.[illegible]	87.5	77.2	69.1	62.7	57.5	53.1	49.4	46.2	43.5	41.1	38.9	37.0	35.4	33.8	32.5	31.2	30.1	29.0	28.1	27.2	26.3	25.6	24.9	24.2	23.6	23.0	22.5	21.9	900
Term. 2/	14.704	12.253	10.503	9.190	8.169	7.352	6.684	6.127	5.655	5.251	4.901	4.595	4.325	4.084	3.869	3.676	3.501	3.342	3.197	3.063	2.941	2.828	2.723	2.626	2.535	2.451	2.372	2.298	2.228	2.162	Term. 2/
L. H. 3/	.117520	.098850	.085514	.075513	.067733	.061510	.056418	.052175	.048585	.045507	.042840	.040506	.038447	.036617	.034979	.033505	.032171	.030959	.029852	.028836	.027904	.027042	.026244	.025504	.024814	.024170	.023568	.023003	.022473	.021974	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.999. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 32 (Concluded).--TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.3	2.3	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	[illegible]	1.9	1.8	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.0	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	4.3	4.1	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	6.0	5.8	5.7	5.6	5.5	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.5	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	6.4	6.3	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	6.8	6.7	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	7.3	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.7	5.6	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	7.7	7.5	7.4	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	8.1	7.9	7.8	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	8.6	8.4	8.2	8.0	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	9.0	8.8	8.6	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.1	7.0	6.9	6.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	9.4	9.2	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	9.8	9.6	9.4	9.2	9.0	8.9	8.7	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	10.3	10.0	9.8	9.6	9.4	9.2	9.1	8.9	8.7	8.6	8.5	8.3	8.2	8.1	7.9	7.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	10.7	10.5	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	11.1	10.9	10.7	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	11.6	11.3	11.1	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	12.0	11.7	11.5	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	12.4	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	12.9	12.6	12.3	12.1	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	15.0	14.7	14.4	14.1	13.8	13.5	13.3	13.1	12.8	12.6	12.4	12.2	12.0	11.8	11.7	11.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	17.2	16.8	16.4	16.1	15.8	15.5	15.2	14.9	14.7	14.4	14.2	14.0	13.8	13.6	13.4	13.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	19.3	18.9	18.5	18.1	17.8	17.4	17.1	16.8	16.5	16.3	16.0	15.7	15.5	15.3	15.0	14.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	21.5	21.0	20.6	20.2	19.8	19.4	19.0	18.7	18.4	18.1	17.8	17.5	17.2	17.0	16.7	16.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
Term. 2/	2.101	2.042	1.987	1.935	1.885	1.838	1.793	1.750	1.710	1.671	1.634	1.598	1.564	1.532	1.500	1.470	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.021503	.021058	.020638	.020239	.019862	.019503	.019161	.018836	.018526	.018230	.017947	.017676	.017417	.017169	.016931	.016702	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.999. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 33.—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.5	14.6	12.5	11.0	9.8	8.8	8.0	7.3	6.8	6.3	5.9	5.5	5.2	4.9	4.2	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	-	-	-	-	10
20	18.8	15.7	13.5	11.8	10.5	9.5	8.6	7.9	7.3	6.8	6.3	5.9	5.6	5.3	4.6	4.8	4.6	4.4	4.2	4.0	3.8	3.7	3.6	3.4	3.3	3.2	-	-	-	-	20
30	30.1	16.8	14.4	12.6	11.2	10.1	9.2	8.5	7.8	7.3	6.8	6.4	6.0	5.7	5.0	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	-	-	-	-	30
40	21.4	17.8	15.3	13.4	12.0	10.8	9.8	9.0	8.4	7.8	7.3	6.8	6.4	6.1	5.4	5.5	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	-	-	-	-	40
50	22.7	18.9	16.3	14.3	12.7	11.5	10.4	9.6	8.9	8.3	7.7	7.3	6.9	6.5	5.8	5.9	5.6	5.4	5.1	4.9	4.8	4.6	4.4	4.3	4.1	4.0	-	-	-	-	50
60	23.9	20.0	17.2	15.1	13.4	12.1	11.1	10.2	9.4	8.8	8.2	7.7	7.3	6.9	6.1	6.2	6.0	5.7	5.5	5.2	5.1	4.9	4.7	4.5	4.4	4.3	-	-	-	-	60
70	25.2	21.1	18.1	15.9	14.2	12.8	11.7	10.7	9.9	9.3	8.7	8.1	7.7	7.3	6.5	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	-	-	-	-	70
80	26.5	22.2	19.1	16.7	14.9	13.5	12.3	11.3	10.5	9.8	9.1	8.6	8.1	7.7	6.9	7.0	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	-	-	-	-	80
90	27.8	23.2	20.0	17.6	15.7	14.1	12.9	11.9	11.0	10.2	9.6	9.0	8.5	8.1	7.3	7.3	7.0	6.7	6.4	6.2	6.0	5.7	5.6	5.4	5.2	5.0	-	-	-	-	90
100	29.1	24.3	20.9	18.4	16.4	14.8	13.5	12.4	11.5	10.7	10.1	9.5	8.9	8.5	7.7	7.7	7.3	7.0	6.8	6.5	6.3	6.0	5.8	5.6	5.5	5.3	-	-	-	-	100
120	31.6	26.5	22.8	20.0	17.9	16.2	14.7	13.6	12.6	11.7	11.0	10.3	9.8	9.3	8.4	8.4	8.0	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	-	-	-	-	120
140	34.2	28.6	24.7	21.7	19.4	17.5	16.0	14.7	13.6	12.7	11.9	11.2	10.6	10.1	9.2	9.1	8.7	8.4	8.0	7.7	7.5	7.2	7.0	6.7	6.5	6.3	-	-	-	-	140
160	36.8	30.8	26.5	23.3	20.8	18.8	17.2	15.8	14.7	13.7	12.9	12.1	11.4	10.9	9.9	9.9	9.4	9.0	8.7	8.4	8.1	7.8	7.5	7.3	7.1	6.9	-	-	-	-	160
180	39.4	33.0	28.4	25.0	22.3	20.2	18.4	17.0	15.7	14.7	13.8	13.0	12.3	11.6	10.7	10.6	10.1	9.7	9.3	9.0	8.7	8.4	8.1	7.8	7.6	7.4	-	-	-	-	180
200	41.9	35.1	30.3	26.6	23.8	21.5	19.7	18.1	16.8	15.7	14.7	13.9	13.1	12.4	11.4	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.1	7.9	-	-	-	-	200
220	44.5	37.3	32.1	28.3	25.3	22.9	20.9	19.2	17.9	16.7	15.6	14.7	13.9	13.2	12.2	12.0	11.5	11.0	10.6	10.2	9.9	9.5	9.2	8.9	8.7	8.4	-	-	-	-	220
240	47.1	39.4	34.0	29.9	26.7	24.2	22.1	20.4	18.9	17.7	16.6	15.6	14.8	14.0	13.0	12.8	12.2	11.7	11.3	10.9	10.5	10.1	9.8	9.5	9.2	8.9	-	-	-	-	240
260	49.6	41.6	35.9	31.6	28.2	25.5	23.3	21.5	20.0	18.6	17.5	16.5	15.6	14.8	13.7	13.5	12.9	12.4	11.9	11.5	11.1	10.7	10.4	10.0	9.7	9.5	-	-	-	-	260
280	52.2	43.8	37.7	33.2	29.7	26.9	24.6	22.7	21.0	19.6	18.4	17.4	16.4	15.6	14.5	14.2	13.6	13.1	12.6	12.1	11.7	11.3	10.9	10.6	10.3	10.0	-	-	-	-	280
300	54.8	45.9	39.6	34.9	31.2	28.2	25.8	23.8	22.1	20.6	19.4	18.3	17.3	16.4	15.2	14.9	14.3	13.7	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5	-	-	-	-	300
320	57.4	48.1	41.5	36.5	32.6	29.6	27.0	24.9	23.1	21.6	20.3	19.1	18.1	17.2	16.0	15.7	15.0	14.4	13.8	13.3	12.9	12.5	12.1	11.7	11.3	11.0	-	-	-	-	320
340	59.9	50.3	43.3	38.2	34.1	30.9	28.3	26.1	24.2	22.6	21.2	20.0	18.9	18.0	16.7	16.4	15.7	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.9	11.5	-	-	-	-	340
360	62.5	52.4	45.2	39.8	35.6	32.2	29.5	27.2	25.3	23.6	22.2	20.9	19.8	18.8	17.5	18.1	16.4	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.4	12.1	-	-	-	-	360
380	65.1	54.6	47.1	41.5	37.1	33.6	30.7	28.3	26.3	24.6	23.1	21.8	20.6	19.6	18.3	17.8	17.1	16.4	15.8	15.2	14.7	14.2	13.8	13.3	12.9	12.6	-	-	-	-	380
400	67.6	56.7	48.9	43.1	38.6	34.9	31.9	29.5	27.4	25.6	24.0	22.6	21.4	20.4	19.0	18.6	17.8	17.1	16.4	15.8	15.3	14.8	14.3	13.9	13.5	13.1	-	-	-	-	400
420	70.2	58.9	50.8	44.7	40.0	36.3	33.2	30.6	28.4	26.6	24.9	23.5	22.3	21.2	19.8	19.3	18.5	17.7	17.1	16.5	15.9	15.4	14.9	14.4	14.0	13.6	-	-	-	-	420
440	72.8	61.1	52.7	46.4	41.5	37.6	34.4	31.7	29.5	27.5	25.9	24.4	23.1	22.0	20.5	20.0	19.2	18.4	17.7	17.1	16.5	16.0	15.4	15.0	14.6	14.1	-	-	-	-	440
460	75.3	63.2	54.5	48.0	43.0	38.9	35.6	32.9	30.5	28.5	26.8	25.3	23.9	22.8	21.3	20.7	19.9	19.1	18.4	17.7	17.1	16.5	16.0	15.5	15.1	14.7	-	-	-	-	460
480	77.9	65.4	56.4	49.7	44.5	40.3	36.9	34.0	31.6	29.5	27.7	26.2	24.8	23.6	22.0	21.5	20.6	19.7	19.0	18.3	17.7	17.1	16.6	16.1	15.6	15.2	-	-	-	-	480
500	80.5	67.5	58.3	51.3	45.9	41.6	38.1	35.1	32.7	30.5	28.7	27.0	25.6	24.3	22.8	22.2	21.3	20.4	19.7	18.9	18.3	17.7	17.1	16.6	16.2	15.7	-	-	-	-	500
600	93.3	78.3	67.6	59.6	53.3	48.3	44.2	40.8	37.9	35.5	33.3	31.4	29.8	28.3	26.6	25.8	24.7	23.8	22.9	22.1	21.3	20.6	20.0	19.4	18.8	18.3	-	-	-	-	600
700	106.2	89.1	77.0	67.8	60.7	55.0	50.4	46.5	43.2	40.4	38.0	35.8	34.0	32.3	30.4	29.4	28.2	27.1	26.1	25.2	24.3	23.5	22.8	22.1	21.5	20.9	-	-	-	-	700
800	119.1	99.9	86.3	76.1	68.1	61.7	56.5	52.2	48.5	45.3	42.6	40.2	38.1	36.2	34.2	33.1	31.7	30.5	29.3	28.3	27.3	26.4	25.6	24.9	24.2	23.5	-	-	-	-	800
900	131.9	110.7	95.6	84.3	75.5	68.4	62.7	57.8	53.8	50.3	47.3	44.6	42.3	40.2	38.0	36.7	35.2	33.8	32.5	31.4	30.3	29.4	28.5	27.6	26.8	26.1	-	-	-	-	900
Term. 2/	16.226	13.522	11.590	10.141	9.014	8.113	7.375	6.761	6.241	5.795	5.409	5.071	4.772	4.507	3.863	4.057	3.863	3.688	3.527	3.380	3.245	3.120	3.005	2.898	2.798	2.704	-	-	-	-	Term. 2/
L. H. 3/	.128530	.108025	.093379	.082394	.073850	.067015	.061423	.056763	.052819	.049439	.046510	.043947	.041685	.039675	.037676	.036258	.034793	.033461	.032246	.031131	.030106	.029160	.028283	.027470	.026712	.026005	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.8 tons and a ratio of empty car miles to loaded car miles of 1.500. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5972

TABLE 34.—TERRITORY NO. 5 - POCAHONTAS

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	15.9	13.3	11.4	10.0	8.9	8.0	7.3	6.7	6.2	5.7	5.3	5.0	4.7	4.5	4.2	4.0	3.8	3.7	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.7	-	-	-	-	10
20	17.1	14.3	12.3	10.7	9.6	8.6	7.8	7.2	6.7	6.2	5.8	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.1	3.0	2.9	-	-	-	-	20
30	18.3	15.3	13.1	11.5	10.3	9.2	8.4	7.7	7.1	6.7	6.2	5.8	5.5	5.2	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	-	-	-	-	30
40	19.5	16.3	14.0	12.3	10.9	9.9	9.0	8.3	7.6	7.1	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4	-	-	-	-	40
50	20.7	17.3	14.9	13.1	11.6	10.5	9.6	8.8	8.1	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-	50
60	21.9	18.3	15.8	13.8	12.3	11.1	10.2	9.3	8.6	8.0	7.5	7.1	6.7	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.7	4.5	4.3	4.2	4.1	3.9	-	-	-	-	60
70	23.2	19.4	16.6	14.6	13.0	11.8	10.7	9.9	9.1	8.5	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	-	-	-	-	70
80	24.4	20.4	17.5	15.4	13.7	12.4	11.3	10.4	9.6	9.0	8.4	7.9	7.5	7.1	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	-	-	-	-	80
90	25.6	21.4	18.4	16.2	14.4	13.0	11.9	10.9	10.1	9.4	8.9	8.3	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	-	-	-	-	90
100	26.8	22.4	19.3	16.9	15.1	13.7	12.5	11.5	10.6	9.9	9.3	8.7	8.3	7.8	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.1	4.9	-	-	-	-	100
120	29.2	24.4	21.0	18.5	16.5	14.9	13.6	12.5	11.6	10.8	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.1	6.9	6.6	6.4	6.1	5.9	5.8	5.6	5.4	-	-	-	-	120
140	31.6	26.5	22.8	20.0	17.9	16.2	14.8	13.6	12.6	11.8	11.0	10.4	9.8	9.3	8.9	8.5	8.1	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	-	-	-	-	140
160	34.0	28.5	24.5	21.6	19.3	17.4	15.9	14.7	13.6	12.7	11.9	11.2	10.6	10.1	9.6	9.2	8.8	8.4	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.4	-	-	-	-	160
180	36.4	30.5	26.3	23.1	20.7	18.7	17.1	15.8	14.6	13.6	12.8	12.1	11.4	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	-	-	-	-	180
200	38.8	32.6	28.1	24.7	22.1	20.0	18.3	16.8	15.6	14.6	13.7	12.9	12.2	11.6	11.0	10.5	10.1	9.7	9.3	9.0	8.6	8.4	8.1	7.8	7.6	7.4	-	-	-	-	200
220	41.3	34.6	29.8	26.2	23.5	21.2	19.4	17.9	16.6	15.5	14.6	13.7	13.0	12.3	11.7	11.2	10.7	10.3	9.9	9.6	9.2	8.9	8.6	8.4	8.1	7.9	-	-	-	-	220
240	43.7	36.6	31.6	27.8	24.8	22.5	20.6	19.0	17.6	16.4	15.4	14.6	13.8	13.1	12.5	11.9	11.4	10.9	10.5	10.1	9.8	9.5	9.2	8.9	8.6	8.4	-	-	-	-	240
260	46.1	38.6	33.3	29.3	26.2	23.8	21.7	20.0	18.6	17.4	16.3	15.4	14.6	13.8	13.2	12.6	12.1	11.6	11.1	10.7	10.4	10.0	9.7	9.4	9.1	8.9	-	-	-	-	260
280	48.5	40.7	35.1	30.9	27.6	25.0	22.9	21.1	19.6	18.3	17.2	16.2	15.4	14.6	13.9	13.3	12.7	12.2	11.7	11.3	10.9	10.6	10.2	9.9	9.6	9.4	-	-	-	-	280
300	50.9	42.7	36.8	32.4	29.0	26.3	24.0	22.2	20.6	19.2	18.1	17.0	16.1	15.3	14.6	14.0	13.4	12.8	12.4	11.9	11.5	11.1	10.8	10.4	10.1	9.9	-	-	-	-	300
320	53.3	44.7	38.6	34.0	30.4	27.5	25.2	23.2	21.6	20.2	18.9	17.9	16.9	16.1	15.3	14.7	14.0	13.5	13.0	12.5	12.1	11.7	11.3	11.0	10.7	10.4	-	-	-	-	320
340	55.7	46.8	40.3	35.5	31.8	28.8	26.4	24.3	22.6	21.1	19.8	18.7	17.7	16.8	16.0	15.3	14.7	14.1	13.6	13.1	12.6	12.2	11.8	11.5	11.2	10.8	-	-	-	-	340
360	58.2	48.8	42.1	37.1	33.2	30.1	27.5	25.4	23.6	22.0	20.7	19.5	18.5	17.6	16.8	16.0	15.4	14.7	14.2	13.7	13.2	12.8	12.4	12.0	11.7	11.3	-	-	-	-	360
380	60.6	50.8	43.9	38.6	34.6	31.3	28.7	26.5	24.6	23.0	21.6	20.4	19.3	18.3	17.5	16.7	16.0	15.4	14.8	14.3	13.8	13.3	12.9	12.5	12.2	11.8	-	-	-	-	380
400	63.0	52.8	45.6	40.2	36.0	32.6	29.8	27.5	25.6	23.9	22.5	21.2	20.1	19.1	18.2	17.4	16.7	16.0	15.4	14.9	14.4	13.9	13.5	13.1	12.7	12.3	-	-	-	-	400
420	65.4	54.9	47.4	41.7	37.4	33.9	31.0	28.6	26.6	24.8	23.3	22.0	20.9	19.8	18.9	18.1	17.3	16.6	16.0	15.5	14.9	14.4	14.0	13.6	13.2	12.8	-	-	-	-	420
440	67.8	56.9	49.1	43.3	38.7	35.1	32.1	29.7	27.6	25.8	24.2	22.9	21.7	20.6	19.6	18.8	18.0	17.3	16.6	16.0	15.5	15.0	14.5	14.1	13.7	13.3	-	-	-	-	440
460	70.2	58.9	50.9	44.8	40.1	36.4	33.3	30.7	28.6	26.7	25.1	23.7	22.4	21.3	20.3	19.5	18.6	17.9	17.2	16.6	16.1	15.5	15.1	14.6	14.2	13.8	-	-	-	-	460
480	72.6	61.0	52.6	46.4	41.5	37.6	34.5	31.8	29.6	27.6	26.0	24.5	23.2	22.1	21.1	20.1	19.3	18.5	17.9	17.2	16.6	16.1	15.6	15.1	14.7	14.3	-	-	-	-	480
500	75.0	63.0	54.4	47.9	42.9	38.9	35.6	32.9	30.6	28.6	26.8	25.3	24.0	22.8	21.8	20.8	20.0	19.2	18.5	17.8	17.2	16.7	16.1	15.7	15.2	14.8	-	-	-	-	500
600	87.1	73.1	63.2	55.7	49.9	45.2	41.4	38.2	35.5	33.2	31.2	29.5	28.0	26.6	25.4	24.3	23.3	22.4	21.5	20.8	20.1	19.4	18.8	18.3	17.8	17.3	-	-	-	-	600
700	99.2	83.3	71.9	63.4	56.8	51.5	47.2	43.6	40.5	37.9	35.6	33.6	31.9	30.3	28.9	27.7	26.5	25.5	24.6	23.7	22.9	22.2	21.5	20.9	20.3	19.7	-	-	-	-	700
800	111.3	93.4	80.7	71.2	63.8	57.8	53.0	48.9	45.5	42.6	40.0	37.8	35.8	34.1	32.5	31.1	29.8	28.7	27.6	26.7	25.8	24.9	24.2	23.5	22.8	22.2	-	-	-	-	800
900	123.3	103.6	89.5	78.9	70.7	64.1	58.8	54.3	50.5	47.2	44.4	41.9	39.8	37.8	36.1	34.5	33.1	31.9	30.7	29.6	28.6	27.7	26.9	26.1	25.4	24.7	-	-	-	-	900
Term. 2/	14.704	12.253	10.503	9.190	8.169	7.352	6.684	6.127	5.655	5.251	4.901	4.595	4.325	4.084	3.869	3.676	3.501	3.342	3.197	3.063	2.941	2.828	2.723	2.626	2.535	2.451	-	-	-	-	Term. 2/
L. H. 3/	.120690	.101492	.087779	.077494	.069494	.063095	.057859	.053496	.049804	.046639	.043897	.041497	.039379	.037497	.035813	.034298	.032926	.031680	.030541	.029498	.028538	.027652	.026831	.026070	.025360	.024698	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.696. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.09.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.35.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.47.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 35.--TERRITORY NO. 5 - POCAHONTAS

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	77.9	60.6	52.0	46.8	43.3	40.9	39.0	37.6	36.4	35.5	34.7	34.0	33.5	33.0	32.5	32.2	31.8	31.5	31.2	31.0	30.8	30.6	30.4	30.2	30.0	29.9	29.8	29.6	29.5	10
20	82.1	63.5	54.2	48.6	44.9	42.2	40.2	38.7	37.4	36.4	35.6	34.8	34.2	33.7	33.2	32.8	32.4	32.1	31.8	31.6	31.3	31.1	30.9	30.7	30.5	30.4	30.2	30.1	30.0	20
30	86.3	66.3	56.4	50.4	46.4	43.5	41.4	39.7	38.4	37.3	36.4	35.6	35.0	34.4	33.9	33.5	33.1	32.7	32.4	32.1	31.9	31.6	31.4	31.2	31.0	30.9	30.7	30.6	30.4	30
40	90.5	69.2	58.6	52.2	47.9	44.9	42.6	40.8	39.4	38.2	37.3	36.4	35.7	35.1	34.6	34.1	33.7	33.3	33.0	32.7	32.4	32.2	31.9	31.7	31.5	31.3	31.2	31.0	30.9	40
50	94.7	72.1	60.8	54.0	49.4	46.2	43.8	41.9	40.4	39.1	38.1	37.2	36.5	35.8	35.3	34.8	34.3	33.9	33.6	33.3	33.0	32.7	32.4	32.2	32.0	31.8	31.6	31.5	31.3	50
60	98.9	75.0	63.0	55.8	51.0	47.5	45.0	43.0	41.4	40.1	39.0	38.0	37.2	36.6	36.0	35.4	35.0	34.5	34.2	33.8	33.5	33.2	33.0	32.7	32.5	32.3	32.1	31.9	31.8	60
70	103.2	77.8	65.2	57.5	52.5	48.9	46.1	44.0	42.3	41.0	39.8	38.8	38.0	37.3	36.6	36.1	35.6	35.1	34.7	34.4	34.1	33.8	33.5	33.2	33.0	32.8	32.6	32.4	32.2	70
80	107.4	80.7	67.3	59.3	54.0	50.2	47.3	45.1	43.3	41.9	40.7	39.6	38.8	38.0	37.3	36.7	36.2	35.8	35.3	34.9	34.6	34.3	34.0	33.7	33.5	33.3	33.0	32.8	32.7	80
90	111.6	83.6	69.5	61.1	55.5	51.5	48.5	46.2	44.3	42.8	41.5	40.4	39.5	38.7	38.0	37.4	36.8	36.4	35.9	35.5	35.1	34.8	34.5	34.2	34.0	33.7	33.5	33.3	33.1	90
100	115.8	86.4	71.7	62.9	57.1	52.9	49.7	47.3	45.3	43.7	42.4	41.2	40.3	39.4	38.7	38.1	37.5	37.0	36.5	36.1	35.7	35.3	35.0	34.7	34.5	34.2	34.0	33.8	33.6	100
120	124.2	92.2	76.1	66.5	60.1	55.5	52.1	49.4	47.3	45.5	44.1	42.8	41.8	40.9	40.1	39.4	38.7	38.2	37.7	37.2	36.8	36.4	36.1	35.7	35.4	35.2	34.9	34.7	34.5	120
140	132.6	97.9	80.5	70.1	63.2	58.2	54.5	51.6	49.3	47.4	45.8	44.4	43.3	42.3	41.4	40.7	40.0	39.4	38.8	38.3	37.9	37.5	37.1	36.7	36.4	36.1	35.9	35.6	35.4	140
160	141.1	103.6	84.9	73.7	66.2	60.9	56.8	53.7	51.2	49.2	47.5	46.0	44.8	43.7	42.8	42.0	41.2	40.6	40.0	39.5	39.0	38.5	38.1	37.8	37.4	37.1	36.8	36.5	36.3	160
180	149.5	109.4	89.3	77.3	69.2	63.5	59.2	55.9	53.2	51.0	49.2	47.6	46.3	45.2	44.2	43.3	42.5	41.8	41.2	40.6	40.1	39.6	39.2	38.8	38.4	38.0	37.7	37.4	37.2	180
200	157.9	115.1	93.7	80.9	72.3	66.2	61.6	58.0	55.2	52.8	50.9	49.3	47.8	46.6	45.5	44.6	43.8	43.0	42.3	41.7	41.2	40.7	40.2	39.8	39.4	39.0	38.7	38.3	38.1	200
220	166.3	120.8	98.1	84.4	75.3	68.8	64.0	60.2	57.1	54.7	52.6	50.9	49.4	48.1	46.9	45.9	45.0	44.2	43.5	42.9	42.3	41.7	41.2	40.8	40.4	40.0	39.6	39.3	39.0	220
240	174.7	126.6	102.5	88.0	78.4	71.5	66.3	62.3	59.1	56.5	54.3	52.5	50.9	49.5	48.3	47.2	46.3	45.4	44.7	44.0	43.4	42.8	42.3	41.8	41.3	40.9	40.5	40.2	39.9	240
260	183.2	132.3	106.9	91.6	81.4	74.2	68.7	64.5	61.1	58.3	56.0	54.1	52.4	50.9	49.7	48.5	47.5	46.6	45.8	45.1	44.5	43.8	43.3	42.8	42.3	41.9	41.5	41.1	40.8	260
280	191.6	138.0	111.3	95.2	84.5	76.8	71.1	66.6	63.1	60.1	57.7	55.7	53.9	52.4	51.0	49.8	48.8	47.9	47.0	46.2	45.5	44.9	44.3	43.8	43.3	42.8	42.4	42.0	41.7	280
300	200.0	143.8	115.7	98.8	87.5	79.5	73.5	68.8	65.0	62.0	59.4	57.3	55.4	53.8	52.4	51.2	50.0	49.1	48.2	47.4	46.6	46.0	45.4	44.8	44.3	43.8	43.4	42.9	42.6	300
320	208.4	149.5	120.0	102.4	90.6	82.2	75.9	70.9	67.0	63.8	61.1	58.9	56.9	55.2	53.8	52.5	51.3	50.3	49.3	48.5	47.7	47.0	46.4	45.8	45.3	44.8	44.3	43.9	43.4	320
340	216.8	155.2	124.4	106.0	93.6	84.8	78.2	73.1	69.0	65.6	62.8	60.5	58.4	56.7	55.1	53.8	52.6	51.5	50.5	49.6	48.8	48.1	47.4	46.8	46.2	45.7	45.2	44.8	44.3	340
360	225.3	161.0	128.8	109.5	96.7	87.5	80.6	75.3	71.0	67.5	64.5	62.1	59.9	58.1	56.5	55.1	53.8	52.7	51.7	50.8	49.9	49.2	48.5	47.8	47.2	46.7	46.2	45.7	45.2	360
380	233.7	166.7	133.2	113.1	99.7	90.2	83.0	77.4	72.9	69.3	66.2	63.7	61.5	59.5	57.9	56.4	55.1	53.9	52.8	51.9	51.0	50.2	49.5	48.8	48.2	47.6	47.1	46.6	46.1	380
400	242.1	172.4	137.6	116.7	102.8	92.8	85.4	79.6	74.9	71.1	67.9	65.3	63.0	61.0	59.2	57.7	56.3	55.1	54.0	53.0	52.1	51.3	50.5	49.8	49.2	48.6	48.0	47.5	47.0	400
420	250.5	178.2	142.0	120.3	105.8	95.5	87.7	81.7	76.9	72.9	69.7	66.9	64.5	62.4	60.6	59.0	57.6	56.3	55.2	54.1	53.2	52.3	51.6	50.8	50.2	49.6	49.0	48.4	47.9	420
440	259.0	183.9	146.4	123.9	108.9	98.2	90.1	83.9	78.9	74.8	71.4	68.5	66.0	63.9	62.0	60.3	58.8	57.5	56.3	55.3	54.3	53.4	52.6	51.8	51.2	50.5	49.9	49.4	48.8	440
460	267.4	189.7	150.8	127.5	111.9	100.8	92.5	86.0	80.8	76.6	73.1	70.1	67.5	65.3	63.3	61.6	60.1	58.7	57.5	56.4	55.4	54.5	53.6	52.9	52.1	51.5	50.9	50.3	49.7	460
480	275.8	195.4	155.2	131.1	115.0	103.5	94.9	88.2	82.8	78.4	74.8	71.7	69.0	66.7	64.7	62.9	61.4	60.0	58.7	57.5	56.5	55.5	54.7	53.9	53.1	52.4	51.8	51.2	50.6	480
500	284.2	201.1	159.6	134.6	118.0	106.1	97.2	90.3	84.8	80.2	76.5	73.3	70.5	68.2	66.1	64.3	62.6	61.2	59.9	58.7	57.6	56.6	55.7	54.9	54.1	53.4	52.7	52.1	51.5	500
600	326.3	229.3	181.5	152.6	133.3	119.5	109.1	101.1	94.6	89.4	85.0	81.3	78.1	75.3	72.9	70.8	68.9	67.2	65.7	64.3	63.1	61.9	60.9	59.9	59.0	58.2	57.4	56.7	56.0	600
700	368.4	258.5	203.5	170.5	148.5	132.8	121.0	111.8	104.5	98.5	93.5	89.3	85.7	82.5	79.8	77.3	75.2	73.3	71.5	70.0	68.5	67.2	66.0	64.9	63.9	63.0	62.1	61.3	60.5	700
800	410.5	287.1	225.4	188.4	163.7	146.1	132.9	122.6	114.4	107.7	102.0	97.3	93.2	89.7	86.6	83.9	81.5	79.3	77.4	75.6	74.0	72.5	71.2	70.0	68.8	67.8	66.8	65.9	65.0	800
900	452.7	315.8	247.4	206.4	179.0	159.4	144.8	133.4	124.3	116.8	110.6	105.3	100.8	96.9	93.5	90.4	87.8	85.4	83.2	81.2	79.5	77.8	76.4	75.0	73.7	72.6	71.5	70.5	69.5	900
Term. 2/	73.680	57.745	49.780	45.000	41.815	39.535	37.830	36.500	35.440	34.570	33.845	33.235	32.710	32.255	31.855	31.505	31.190	30.910	30.660	30.430	30.225	30.035	29.865	29.705	29.555	29.420	29.295	29.175	29.065	Term. 2/
L. H. 3/	.42108	.28675	.21958	.17928	.15241	.13322	.11883	.10764	.09868	.09135	.08525	.08008	.07565	.07181	.06846	.06549	.06286	.06050	.05838	.05646	.05472	.05312	.05166	.05032	.04908	.04793	.04687	.0458	.04495	L. H. 3/

1/ Based on a tare weight of 24.0 tons and a ratio of empty car miles to loaded car miles of 0.330. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.21.

For Cost Leve III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.30.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

TABLE 36.—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.0	14.1	12.1	10.6	9.5	8.5	7.8	7.1	6.6	6.1	5.7	5.4	5.0	4.8	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	2.6	10
20	17.8	14.9	12.8	11.2	10.0	9.0	8.2	7.5	7.0	6.5	6.1	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.8	20
30	18.7	15.6	13.4	11.8	10.5	9.5	8.6	7.9	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.6	4.4	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	3.0	30
40	19.6	16.4	14.1	12.4	11.0	9.9	9.1	8.3	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.2	40
50	20.4	17.1	14.7	12.9	11.5	10.4	9.5	8.8	8.1	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.4	50
60	21.3	17.8	15.4	13.5	12.1	10.9	10.0	9.2	8.5	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.7	4.5	4.3	4.2	4.1	4.0	3.8	3.7	3.6	3.5	60
70	22.2	18.6	16.0	14.1	12.6	11.4	10.4	9.6	8.9	8.3	7.8	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	3.9	3.8	3.7	70
80	23.0	19.3	16.6	14.6	13.1	11.8	10.8	10.0	9.3	8.6	8.1	7.6	7.2	6.9	6.5	6.2	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.6	4.5	4.4	4.3	4.1	4.0	3.9	80
90	23.9	20.1	17.3	15.2	13.6	12.3	11.3	10.4	9.6	9.0	8.5	8.0	7.5	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.4	4.2	4.1	90
100	24.8	20.8	17.9	15.8	14.1	12.8	11.7	10.8	10.0	9.4	8.8	8.3	7.9	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.3	5.1	4.9	4.8	4.7	4.6	4.4	4.3	100
120	26.5	22.3	19.2	16.9	15.2	13.7	12.6	11.6	10.8	10.1	9.5	9.0	8.5	8.1	7.7	7.4	7.1	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	5.0	4.8	4.7	120
140	28.3	23.7	20.5	18.1	16.2	14.7	13.5	12.4	11.6	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	5.1	140
160	30.0	25.2	21.8	19.2	17.2	15.7	14.3	13.3	12.3	11.5	10.9	10.3	9.7	9.3	8.9	8.5	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.4	6.2	6.1	5.9	5.8	5.6	5.5	160
180	31.8	26.7	23.1	20.4	18.3	16.6	15.2	14.1	13.1	12.3	11.6	10.9	10.4	9.9	9.4	9.0	8.7	8.3	8.0	7.8	7.5	7.3	7.1	6.9	6.7	6.5	6.3	6.2	6.0	5.9	180
200	33.5	28.2	24.4	21.5	19.3	17.6	16.1	14.9	13.9	13.0	12.2	11.6	11.0	10.5	10.0	9.6	9.2	8.9	8.5	8.3	8.0	7.7	7.5	7.3	7.1	6.9	6.8	6.6	6.4	6.3	200
220	35.2	29.7	25.7	22.7	20.4	18.5	17.0	15.7	14.6	13.7	12.9	12.2	11.6	11.1	10.6	10.1	9.7	9.4	9.1	8.7	8.5	8.2	8.0	7.8	7.5	7.4	7.2	7.0	6.8	6.7	220
240	37.0	31.1	27.0	23.8	21.4	19.5	17.8	16.5	15.4	14.5	13.6	12.9	12.2	11.7	11.2	10.7	10.3	9.9	9.6	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.4	7.3	7.1	240
260	38.7	32.6	28.2	25.0	22.4	20.4	18.7	17.4	16.2	15.2	14.3	13.5	12.9	12.3	11.7	11.3	10.8	10.4	10.1	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	7.7	7.5	260
280	40.4	34.1	29.5	26.1	23.5	21.4	19.6	18.2	17.0	15.9	15.0	14.2	13.5	12.9	12.3	11.8	11.4	10.9	10.6	10.2	9.9	9.6	9.3	9.1	8.9	8.6	8.4	8.2	8.1	7.9	280
300	42.2	35.6	30.8	27.3	24.5	22.3	20.5	19.0	17.7	16.6	15.7	14.9	14.1	13.5	12.9	12.4	11.9	11.5	11.1	10.7	10.4	10.1	9.8	9.5	9.3	9.1	8.8	8.6	8.5	8.3	300
320	43.9	37.0	32.1	28.4	25.6	23.3	21.4	19.8	18.5	17.4	16.4	15.5	14.7	14.1	13.5	12.9	12.4	12.0	11.6	11.2	10.9	10.5	10.2	10.0	9.7	9.5	9.3	9.1	8.9	8.7	320
340	45.7	38.5	33.4	29.6	26.6	24.2	22.3	20.6	19.3	18.1	17.1	16.2	15.4	14.7	14.0	13.5	13.0	12.5	12.1	11.7	11.3	11.0	10.7	10.4	10.2	9.9	9.7	9.5	9.3	9.1	340
360	47.4	40.0	34.7	30.7	27.6	25.2	23.1	21.5	20.0	18.8	17.7	16.8	16.0	15.3	14.6	14.0	13.5	13.0	12.6	12.2	11.8	11.5	11.2	10.9	10.6	10.3	10.1	9.9	9.7	9.5	360
380	49.1	41.5	36.0	31.9	28.7	26.1	24.0	22.3	20.8	19.5	18.4	17.5	16.6	15.9	15.2	14.6	14.0	13.5	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.8	10.5	10.3	10.1	9.9	380
400	50.9	42.9	37.3	33.0	29.7	27.1	24.9	23.1	21.6	20.3	19.1	18.1	17.3	16.5	15.8	15.2	14.6	14.1	13.6	13.2	12.8	12.4	12.1	11.7	11.5	11.2	10.9	10.7	10.5	10.2	400
420	52.6	44.4	38.6	34.2	30.7	28.0	25.8	23.9	22.3	21.0	19.8	18.8	17.9	17.1	16.4	15.7	15.1	14.6	14.1	13.7	13.2	12.9	12.5	12.2	11.9	11.6	11.3	11.1	10.9	10.6	420
440	54.4	45.9	39.8	35.3	31.8	29.0	26.7	24.7	23.1	21.7	20.5	19.4	18.5	17.7	16.9	16.3	15.7	15.1	14.6	14.1	13.7	13.3	13.0	12.6	12.3	12.0	11.8	11.5	11.3	11.0	440
460	56.1	47.4	41.1	36.5	32.8	29.9	27.5	25.5	23.9	22.4	21.2	20.1	19.1	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.1	12.8	12.5	12.2	11.9	11.7	11.4	460
480	57.8	48.8	42.4	37.6	33.9	30.9	28.4	26.4	24.6	23.2	21.9	20.7	19.8	18.9	18.1	17.4	16.7	16.1	15.6	15.1	14.7	14.3	13.9	13.5	13.2	12.9	12.6	12.3	12.1	11.8	480
500	59.6	50.3	43.7	38.8	34.9	31.8	29.3	27.2	25.4	23.9	22.6	21.4	20.4	19.5	18.7	17.9	17.3	16.7	16.1	15.6	15.2	14.7	14.3	14.0	13.6	13.3	13.0	12.7	12.5	12.2	500
600	68.3	57.7	50.2	44.5	40.1	36.6	33.7	31.3	29.3	27.5	26.0	24.7	23.5	22.5	21.5	20.7	20.0	19.3	18.6	18.1	17.5	17.1	16.6	16.2	15.8	15.4	15.1	14.8	14.5	14.2	600
700	77.0	65.1	56.6	50.2	45.3	41.3	38.1	35.4	33.1	31.1	29.4	28.0	26.6	25.5	24.4	23.5	22.6	21.9	21.1	20.5	19.9	19.4	18.9	18.4	18.0	17.6	17.2	16.8	16.5	16.2	700
800	85.7	72.5	63.0	56.0	50.5	46.1	42.5	39.5	36.9	34.8	32.9	31.2	29.8	28.5	27.3	26.3	25.3	24.5	23.7	23.0	22.3	21.7	21.1	20.6	20.1	19.7	19.3	18.9	18.5	18.1	800
900	94.4	79.9	69.5	61.7	55.7	50.8	46.9	43.6	40.8	38.4	36.3	34.5	32.9	31.5	30.2	29.1	28.0	27.1	26.2	25.4	24.7	24.0	23.4	22.8	22.3	21.8	21.3	20.9	20.5	20.1	900
1000	103.1	87.2	75.9	67.5	60.9	55.6	51.3	47.7	44.6	42.0	39.8	37.8	36.0	34.5	33.1	31.8	30.7	30.0	28.7	27.9	27.1	26.4	25.7	25.1	24.5	23.9	23.4	22.9	22.5	22.1	1000
1100	111.8	94.6	82.4	73.2	66.1	60.3	55.7	51.8	48.5	45.6	43.2	41.1	39.2	37.5	36.0	34.6	33.4	32.3	31.3	30.3	29.5	28.7	28.0	27.3	26.6	26.1	25.5	25.0	24.5	24.0	1100
1200	120.5	102.0	88.8	78.9	71.2	65.1	60.1	55.9	52.3	49.3	46.6	44.3	42.3	40.5	38.9	37.4	36.1	34.9	33.8	32.8	31.9	31.0	30.2	29.5	28.8	28.2	27.6	27.0	26.5	26.0	1200
1300	129.2	109.4	95.3	84.7	76.4	69.8	64.5	60.0	56.2	52.9	50.1	47.6	45.4	43.5	41.7	40.2	38.8	37.5	36.3	35.2	34.3	33.3	32.5	31.7	31.0	30.3	30.0	29.1	28.5	28.0	1300
1400	137.9	116.8	101.7	90.4	81.6	74.6	68.9	64.1	60.0	56.5	53.5	50.9	48.6	46.5	44.6	43.0	41.5	40.1	38.8	37.7	36.6	35.7	34.8	33.9	33.2	32.4	31.7	31.1	30.5	30.0	1400
1500	146.6	124.2	108.2	96.2	86.8	79.4	73.2	68.2	63.8	60.2	57.0	54.2	51.7	49.5	47.5	45.8	44.2	42.7	41.4	40.2	39.0	38.0	37.0	36.2	35.3	34.6	33.8	33.2	32.5	31.9	1500
Term. 2/	16.090	13.408	11.493	10.056	8.939	8.045	7.314	6.704	6.188	5.746	5.363	5.028	4.732	4.469	4.234	4.023	3.831	3.657	3.498	3.352	3.218	3.094	2.980	2.873	2.774	2.682	2.595	2.514	2.438	2.366	Term. 2/
L. H. 3/	.086980	.073833	.064443	.057400	.051922	.047540	.043955	.040967	.038438	.036271	.034393	.032750	.031300	.030011	.028858	.027820	.026881	.026027	.025248	.024533	.023876	.023269	.022707	.022186	.021700	.021247	.020823	.020425	.020052	.019700	L. H. 3/

1/ Based on a tare weight of 22.4 tons and a ratio of empty car miles to loaded car miles of 0.294. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage paym per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter hav been increased by ratios shown.

See Text, Chapter I for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 36 (Concluded).—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.5	2.4	2.4	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	10
20	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	20
30	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	30
40	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	40
50	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	50
60	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	60
70	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3	70
80	3.8	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.4	2.4	80
90	4.0	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	90
100	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	100
120	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	120
140	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.3	140
160	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	160
180	5.8	5.7	5.6	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	3.8	180
200	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	200
220	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	220
240	6.9	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	240
260	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	260
280	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.3	5.3	280
300	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.1	6.9	6.8	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	5.5	300
320	8.5	8.3	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.9	5.8	320
340	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.2	6.1	340
360	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.6	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.8	6.7	6.6	6.6	6.5	6.4	6.4	360
380	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.9	6.8	6.7	6.7	380
400	10.0	9.9	9.7	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.1	7.0	7.0	400
420	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.4	7.3	7.2	420
440	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.7	7.6	7.5	440
460	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	8.0	7.9	7.8	460
480	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	8.3	8.2	8.2	8.1	480
500	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.8	8.7	8.6	8.5	8.5	8.4	500
600	13.9	13.7	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.1	11.9	11.8	11.6	11.5	11.3	11.2	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.1	10.0	9.9	9.8	600
700	15.9	15.6	15.3	15.1	14.8	14.6	14.3	14.2	14.0	13.8	13.6	13.4	13.3	13.1	12.9	12.8	12.7	12.5	12.4	12.3	12.2	12.0	11.9	11.8	11.7	11.6	11.5	11.4	11.3	11.2	700
800	17.8	17.5	17.2	16.9	16.6	16.4	16.1	15.9	15.7	15.5	15.3	15.1	14.9	14.7	14.6	14.4	14.2	14.1	14.0	13.8	13.7	13.6	13.4	13.3	13.2	13.1	13.0	12.9	12.8	12.7	800
900	19.8	19.4	19.1	18.7	18.5	18.2	17.9	17.7	17.4	17.2	17.0	16.8	16.6	16.4	16.2	16.0	15.8	15.7	15.5	15.4	15.2	15.1	14.9	14.8	14.7	14.5	14.4	14.3	14.2	14.1	900
1000	21.7	21.3	20.9	20.6	20.3	20.0	19.7	19.4	19.1	18.9	18.7	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.1	16.9	16.7	16.6	16.4	16.3	16.1	16.0	15.9	15.8	15.6	15.5	1000
1100	23.6	23.2	22.8	22.4	22.1	21.8	21.5	21.2	20.9	20.6	20.3	20.1	19.9	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.3	18.1	17.9	17.8	17.6	17.5	17.3	17.2	17.1	16.9	1100
1200	25.5	25.1	24.7	24.3	23.9	23.6	23.2	22.9	22.6	22.3	22.0	21.8	21.5	21.3	21.0	20.8	20.6	20.4	20.2	20.0	19.8	19.6	19.4	19.3	19.1	18.9	18.8	18.7	18.5	18.4	1200
1300	27.5	27.0	26.6	26.1	25.7	25.4	25.0	24.7	24.3	24.0	23.7	23.4	23.2	22.9	22.6	22.4	22.2	21.9	21.7	21.5	21.3	21.1	20.9	20.8	20.6	20.4	20.3	20.1	19.9	19.8	1300
1400	29.4	29.0	28.4	28.0	27.6	27.1	26.8	26.4	26.1	25.7	25.4	25.1	24.8	24.5	24.3	24.0	23.7	23.5	23.3	23.1	22.8	22.6	22.4	22.2	22.1	21.9	21.7	21.5	21.4	21.2	1400
1500	31.4	30.8	30.3	29.8	29.4	29.0	28.5	28.2	27.8	27.4	27.1	26.8	26.4	26.2	25.9	25.6	25.3	25.1	24.8	24.6	24.4	24.2	23.9	23.7	23.5	23.4	23.2	23.0	22.8	22.7	1500
Term. 2/	2.299	2.235	2.174	2.117	2.063	2.011	1.962	1.915	1.871	1.828	1.788	1.749	1.712	1.676	1.642	1.609	1.577	1.547	1.518	1.490	1.463	1.437	1.411	1.387	1.364	1.341	1.319	1.298	1.277	1.257	Term. 2/
L. H. 3/	.019369	.019056	.018759	.018479	.018213	.017960	.017720	.017490	.017272	.017064	.016864	.016674	.016491	.016317	.016149	.015988	.015833	.015685	.015542	.015404	.015271	.015143	.015019	.014900	.014785	.014673	.014566	.014461	.014360	.014263	L. H. 3/

1/ Based on a tare weight of 22.4 tons and a ratio of empty car miles to loaded car miles of 0.294. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 37.—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.2	14.3	12.3	10.8	9.6	8.6	7.8	7.2	6.7	6.2	5.8	5.4	5.1	4.8	4.6	4.4	4.1	4.0	3.8	3.6	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.8	2.7	2.6	10
20	18.2	15.2	13.1	11.5	10.2	9.2	8.4	7.7	7.1	6.6	6.2	5.8	5.5	5.2	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	20
30	19.3	16.1	13.9	12.2	10.8	9.8	8.9	8.2	7.6	7.1	6.6	6.2	5.9	5.5	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	30
40	20.4	17.0	14.7	12.9	11.5	10.4	9.4	8.7	8.0	7.5	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.3	40
50	21.5	17.9	15.4	13.6	12.1	10.9	10.0	9.2	8.5	7.9	7.4	7.0	6.6	6.3	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	50
60	22.5	18.9	16.2	14.3	12.7	11.5	10.5	9.7	9.0	8.4	7.8	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	60
70	23.6	19.8	17.0	15.0	13.4	12.1	11.0	10.2	9.4	8.8	8.2	7.8	7.3	7.0	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.1	4.0	70
80	24.7	20.7	17.8	15.7	14.0	12.7	11.6	10.7	9.9	9.2	8.7	8.2	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.4	5.3	5.1	4.9	4.8	4.7	4.5	4.4	4.3	4.2	80
90	25.7	21.6	18.6	16.4	14.6	13.2	12.1	11.2	10.4	9.7	9.1	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.4	5.2	5.0	4.9	4.8	4.6	4.5	4.4	90
100	26.8	22.5	19.4	17.1	15.3	13.8	12.6	11.6	10.8	10.1	9.5	8.9	8.5	8.0	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.5	5.3	5.1	5.0	4.9	4.8	4.6	100
120	29.0	24.3	21.0	18.5	16.5	15.0	13.7	12.6	11.7	11.0	10.3	9.7	9.2	8.7	8.3	8.0	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.1	120
140	31.1	26.1	22.5	19.9	17.8	16.1	14.8	13.6	12.7	11.8	11.1	10.5	10.0	9.5	9.0	8.6	8.3	7.9	7.7	7.4	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	5.5	140
160	33.3	27.9	24.1	21.3	19.1	17.3	15.8	14.6	13.6	12.7	12.0	11.3	10.7	10.2	9.7	9.3	8.9	8.6	8.2	8.0	7.7	7.4	7.2	7.0	6.8	6.6	6.5	6.3	6.1	6.0	160
180	35.4	29.7	25.7	22.7	20.3	18.4	16.9	15.6	14.5	13.6	12.8	12.1	11.4	10.9	10.4	9.9	9.5	9.2	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	6.6	6.5	180
200	37.6	31.6	27.3	24.1	21.6	19.6	18.0	16.6	15.4	14.5	13.6	12.8	12.2	11.6	11.1	10.6	10.2	9.8	9.4	9.1	8.8	8.5	8.3	8.0	7.8	7.6	7.4	7.2	7.1	6.9	200
220	39.7	33.4	28.9	25.5	22.8	20.7	19.0	17.6	16.4	15.3	14.4	13.6	12.9	12.3	11.8	11.3	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.4	220
240	41.8	35.2	30.4	26.9	24.1	21.9	20.1	18.6	17.3	16.2	15.2	14.4	13.7	13.0	12.4	11.9	11.4	11.0	10.6	10.3	9.9	9.6	9.3	9.1	8.8	8.6	8.4	8.2	8.0	7.8	240
260	44.0	37.0	32.0	28.3	25.4	23.0	21.1	19.6	18.2	17.1	16.1	15.2	14.4	13.7	13.1	12.6	12.1	11.6	11.2	10.8	10.5	10.2	9.9	9.6	9.3	9.1	8.9	8.7	8.5	8.3	260
280	46.1	38.8	33.6	29.7	26.6	24.2	22.2	20.5	19.1	17.9	16.9	16.0	15.2	14.5	13.8	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	8.7	280
300	48.3	40.6	35.2	31.1	27.9	25.4	23.3	21.5	20.1	18.8	17.7	16.8	15.9	15.2	14.5	13.9	13.3	12.9	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	9.2	300
320	50.4	42.5	36.8	32.5	29.2	26.5	24.3	22.5	21.0	19.7	18.5	17.5	16.7	15.9	15.2	14.6	14.0	13.5	13.0	12.6	12.2	11.8	11.5	11.1	10.8	10.6	10.3	10.1	9.8	9.6	320
340	52.6	44.3	38.3	33.9	30.4	27.7	25.4	23.5	21.9	20.5	19.4	18.3	17.4	16.6	15.9	15.2	14.6	14.1	13.6	13.1	12.7	12.3	12.0	11.7	11.3	11.1	10.8	10.5	10.3	10.1	340
360	54.7	46.1	39.9	35.3	31.7	28.8	26.5	24.5	22.8	21.4	20.2	19.1	18.2	17.3	16.5	15.9	15.3	14.7	14.2	13.7	13.3	12.9	12.5	12.2	11.8	11.5	11.3	11.0	10.8	10.5	360
380	56.9	47.9	41.5	36.7	33.0	30.0	27.5	25.5	23.8	22.3	21.0	19.9	18.9	18.0	17.2	16.5	15.9	15.3	14.8	14.3	13.8	13.4	13.0	12.7	12.4	12.0	11.8	11.5	11.2	11.0	380
400	59.0	49.7	43.1	38.1	34.2	31.1	28.6	26.5	24.7	23.2	21.8	20.7	19.6	18.7	17.9	17.2	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.2	12.9	12.5	12.2	12.0	11.7	11.4	400
420	61.2	51.5	44.7	39.5	35.5	32.3	29.7	27.5	25.6	24.0	22.7	21.5	20.4	19.4	18.6	17.8	17.2	16.5	16.0	15.4	15.0	14.5	14.1	13.7	13.4	13.0	12.7	12.4	12.2	12.0	420
440	63.3	53.3	46.2	40.9	36.8	33.4	30.7	28.5	26.5	24.9	23.5	22.2	21.1	20.2	19.3	18.5	17.8	17.1	16.6	16.0	15.5	15.1	14.6	14.2	13.9	13.5	13.2	12.9	12.6	12.3	440
460	65.5	55.2	47.8	42.3	38.0	34.6	31.8	29.4	27.5	25.8	24.3	23.0	21.9	20.9	20.0	19.2	18.4	17.8	17.1	16.6	16.1	15.6	15.2	14.7	14.4	14.0	13.7	13.4	13.1	12.8	460
480	67.6	57.0	49.4	43.7	39.3	35.7	32.8	30.4	28.4	26.6	25.1	23.8	22.6	21.6	20.7	19.8	19.1	18.4	17.7	17.2	16.6	16.1	15.7	15.3	14.9	14.5	14.2	13.8	13.5	13.3	480
500	69.7	58.8	51.0	45.1	40.5	36.9	33.9	31.4	29.3	27.5	25.9	24.6	23.4	22.3	21.3	20.5	19.7	19.0	18.3	17.7	17.2	16.7	16.2	15.8	15.4	15.0	14.6	14.3	14.0	13.7	500
600	80.5	67.9	58.9	52.1	46.9	42.7	39.2	36.4	33.9	31.9	30.1	28.5	27.1	25.9	24.8	23.8	22.9	22.0	21.3	20.6	20.0	19.4	18.9	18.4	17.9	17.5	17.1	16.7	16.3	16.0	600
700	91.2	77.0	66.8	59.1	53.2	48.4	44.6	41.3	38.6	36.2	34.2	32.4	30.8	29.4	28.2	27.1	26.0	25.1	24.3	23.5	22.8	22.1	21.5	20.9	20.4	19.9	19.5	19.0	18.6	18.2	700
800	101.9	86.0	74.7	66.1	59.5	54.2	49.9	46.3	43.2	40.6	38.3	36.3	34.6	33.0	31.6	30.3	29.2	28.2	27.2	26.4	25.6	24.8	24.2	23.5	22.9	22.4	21.9	21.4	20.9	20.5	800
900	112.7	95.1	82.6	73.2	65.8	60.0	55.2	51.2	47.8	44.9	42.4	40.2	38.3	36.6	35.0	33.6	32.4	31.2	30.2	29.2	28.4	27.6	26.8	26.1	25.5	24.9	24.3	23.8	23.3	22.8	900
1000	123.4	104.2	90.5	80.2	72.2	65.8	60.5	56.1	52.4	49.3	46.5	44.1	42.0	40.1	38.4	36.9	35.6	34.3	33.2	32.1	31.2	30.3	29.5	28.7	28.0	27.3	26.7	26.1	25.6	25.1	1000
1100	134.1	113.3	98.4	87.2	78.5	71.5	65.8	61.1	57.1	53.6	50.7	48.0	45.7	43.7	41.9	40.2	38.7	37.4	36.1	35.0	34.0	33.0	32.1	31.3	30.5	29.8	29.1	28.5	27.9	27.3	1100
1200	144.9	122.3	106.2	94.2	84.8	77.3	71.1	66.0	61.7	58.0	54.8	52.0	49.5	47.3	45.3	43.5	41.9	40.4	39.0	37.9	36.7	35.7	34.7	33.9	33.0	32.2	31.5	30.8	30.2	29.6	1200
1300	155.6	131.4	114.1	101.2	91.1	83.1	76.5	71.0	66.3	62.3	58.9	55.9	53.2	50.8	48.7	46.8	45.1	43.5	42.1	40.8	39.5	38.4	37.4	36.4	35.5	34.7	33.9	33.2	32.5	31.9	1300
1400	166.3	140.5	122.0	108.2	97.4	88.8	81.5	75.9	70.9	66.7	63.0	60.0	56.9	54.4	52.1	50.1	48.2	46.6	45.0	43.6	42.3	41.1	40.0	39.0	38.1	37.2	36.3	35.6	34.8	34.1	1400
1500	177.1	149.6	129.9	115.2	103.8	94.6	87.1	80.9	75.6	71.0	67.1	63.7	60.7	58.0	55.5	53.4	51.4	49.6	48.0	46.5	45.1	43.9	42.7	41.6	40.6	39.6	38.7	37.9	37.1	36.4	1500
Term. 2/	16.090	13.408	11.493	10.056	8.939	8.045	7.314	6.704	6.188	5.746	5.363	5.028	4.732	4.469	4.234	4.023	3.831	3.657	3.498	3.352	3.218	3.094	2.980	2.873	2.774	2.682	2.595	2.514	2.438	2.366	Term. 2/
L. H. 3/	.107310	.090775	.078964	.070106	.063217	.057705	.053195	.049438	.046258	.043532	.041170	.039103	.037279	.035658	.034208	.032903	.031721	.030648	.029667	.028769	.027942	.027179	.026472	.025816	.025205	.024635	.024102	.023602	.023132	.022690	L. H. 3/

1/ Based on a tare weight of 19.0 tons and a ratio of empty car miles to loaded car miles of 0.789. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 37 (Concluded).—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	10
20	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	20
30	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	30
40	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	40
50	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	50
60	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	60
70	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	70
80	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	80
90	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	90
100	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	100
120	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.2	120
140	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	140
160	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	160
180	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.2	4.1	180
200	6.8	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	200
220	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	220
240	7.6	7.5	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.2	5.1	5.1	240
260	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	260
280	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.9	5.8	5.7	5.7	280
300	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	300
320	9.4	9.2	9.1	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.6	6.5	6.5	6.4	6.3	320
340	9.9	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.8	6.7	6.6	340
360	10.3	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	360
380	10.8	10.5	10.3	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.2	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.3	380
400	11.2	11.0	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.7	7.6	400
420	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	420
440	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	8.3	8.2	440
460	12.5	12.3	12.1	11.8	11.6	11.4	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	9.0	8.9	8.8	8.7	8.6	8.5	460
480	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	480
500	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.3	9.2	500
600	15.7	15.4	15.1	14.8	14.6	14.3	14.1	13.9	13.7	13.5	13.3	13.1	12.9	12.7	12.6	12.4	12.3	12.1	12.0	11.9	11.7	11.6	11.5	11.4	11.3	11.2	11.1	11.0	10.9	10.8	600
700	17.9	17.6	17.2	16.9	16.6	16.4	16.1	15.9	15.6	15.4	15.2	15.0	14.8	14.6	14.4	14.2	14.1	13.9	13.7	13.6	13.4	13.3	13.2	13.0	12.9	12.8	12.7	12.6	12.5	12.4	700
800	20.1	19.7	19.4	19.0	18.7	18.4	18.1	17.8	17.6	17.3	17.1	16.9	16.6	16.4	16.2	16.0	15.8	15.7	15.5	15.3	15.2	15.0	14.9	14.7	14.6	14.4	14.3	14.2	14.1	13.9	800
900	22.3	21.9	21.5	21.2	20.8	20.5	20.1	19.8	19.5	19.3	19.0	18.7	18.5	18.3	18.0	17.8	17.6	17.4	17.2	17.0	16.9	16.7	16.5	16.4	16.2	16.1	15.9	15.8	15.7	15.5	900
1000	24.6	24.1	23.7	23.3	22.9	22.5	22.2	21.8	21.5	21.2	20.9	20.6	20.4	20.1	19.9	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.2	18.0	17.9	17.7	17.6	17.4	17.3	17.1	1000
1100	26.8	26.3	25.8	25.4	25.0	24.6	24.2	23.8	23.5	23.1	22.8	22.5	22.2	22.0	21.7	21.4	21.2	20.9	20.7	20.5	20.3	20.1	19.9	19.7	19.5	19.3	19.2	19.0	18.8	18.7	1100
1200	29.0	28.5	28.0	27.5	27.0	26.6	26.2	25.8	25.4	25.1	24.7	24.4	24.1	23.8	23.5	23.2	23.0	22.7	22.5	22.2	22.0	21.8	21.6	21.4	21.2	21.0	20.8	20.6	20.4	20.3	1200
1300	31.3	30.7	30.1	29.6	29.1	28.7	28.2	27.8	27.4	27.0	26.6	26.3	26.0	25.6	25.3	25.0	24.8	24.5	24.2	24.0	23.7	23.5	23.3	23.0	22.8	22.6	22.4	22.2	22.0	21.9	1300
1400	33.5	32.9	32.3	31.7	31.2	30.7	30.2	29.8	29.4	29.0	28.6	28.2	27.8	27.5	27.2	26.8	26.5	26.2	26.0	25.7	25.4	25.2	24.9	24.7	24.5	24.3	24.0	23.8	23.6	23.4	1400
1500	35.7	35.1	34.4	33.8	33.3	32.8	32.3	31.8	31.3	30.9	30.5	30.1	29.7	29.3	29.0	28.6	28.3	28.0	27.7	27.4	27.1	26.9	26.6	26.4	26.1	25.9	25.7	25.4	25.2	25.0	1500
Term. 2/	2.299	2.235	2.174	2.117	2.063	2.011	1.962	1.915	1.871	1.828	1.788	1.749	1.712	1.676	1.642	1.609	1.577	1.547	1.518	1.490	1.463	1.437	1.411	1.387	1.364	1.341	1.319	1.298	1.277	1.257	Term. 2/
L. H. 3/	.022273	.021879	.021507	.021154	.020819	.020501	.020199	.019911	.019636	.019374	.019123	.018884	.018654	.018434	.018223	.018021	.017826	.017639	.017459	.017256	.017119	.016958	.016803	.016653	.016508	.016368	.016232	.016101	.015974	.015851	L. H. 3/

1/ Based on a tare weight of 19.0 tons and a ratio of empty car miles to loaded car miles of 0.789. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 38.—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.3	14.4	12.4	10.8	9.6	8.7	7.9	7.3	6.7	6.2	5.8	5.5	5.1	4.9	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	10
20	18.5	15.5	13.3	11.6	10.4	9.3	8.5	7.8	7.2	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.5	4.3	4.2	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.9	20
30	19.7	16.5	14.2	12.4	11.1	10.0	9.1	8.4	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	30
40	20.9	17.5	15.1	13.2	11.8	10.6	9.7	8.9	8.3	7.7	7.2	6.8	6.4	6.1	5.7	5.5	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.6	3.5	3.4	3.4	40
50	22.2	18.5	15.9	14.0	12.5	11.3	10.3	9.5	8.8	8.2	7.7	7.2	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	3.6	50
60	23.4	19.6	16.8	14.8	13.2	11.9	10.9	10.0	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	3.9	60
70	24.6	20.6	17.7	15.8	13.9	12.6	11.5	10.6	9.8	9.1	8.6	8.1	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	70
80	25.8	21.6	18.6	16.4	14.6	13.2	12.1	11.1	10.3	9.6	9.0	8.5	8.0	7.6	7.3	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.5	4.3	80
90	27.0	22.6	19.5	17.2	15.3	13.9	12.7	11.7	10.8	10.1	9.5	8.9	8.5	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	90
100	28.2	23.7	20.4	17.9	16.0	14.5	13.3	12.2	11.4	10.6	9.9	9.4	8.9	8.4	8.0	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	5.0	4.8	100
120	30.6	25.7	22.2	19.5	17.5	15.8	14.5	13.3	12.4	11.6	10.9	10.2	9.7	9.2	8.8	8.4	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	120
140	33.1	27.7	23.9	21.1	18.9	17.1	15.7	14.4	13.4	12.5	11.8	11.1	10.5	10.0	9.5	9.1	8.7	8.4	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.5	6.3	6.1	6.0	5.8	140
160	35.5	29.8	25.7	22.7	20.3	18.4	16.8	15.5	14.4	13.5	12.7	12.0	11.4	10.8	10.3	9.8	9.4	9.1	8.7	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.8	6.6	6.5	6.3	160
180	37.9	31.8	27.5	24.2	21.7	19.7	18.0	16.7	15.5	14.5	13.6	12.9	12.2	11.6	11.1	10.6	10.1	9.7	9.4	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.2	7.0	6.8	180
200	40.3	33.9	29.3	25.8	23.1	21.0	19.2	17.8	16.5	15.5	14.5	13.7	13.0	12.4	11.8	11.3	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.5	8.3	8.1	7.9	7.7	7.5	7.3	200
220	42.8	35.9	31.1	27.4	24.6	22.3	20.4	18.9	17.5	16.4	15.4	14.6	13.8	13.2	12.6	12.0	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.1	8.8	8.6	8.4	8.2	8.0	7.8	220
240	45.2	38.0	32.8	29.0	26.0	23.6	21.6	20.0	18.6	17.4	16.4	15.5	14.7	14.0	13.3	12.8	12.2	11.8	11.3	11.0	10.6	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	240
260	47.6	40.0	34.6	30.6	27.4	24.9	22.8	21.1	19.6	18.4	17.3	16.3	15.5	14.7	14.1	13.5	12.9	12.5	12.0	11.6	11.2	10.9	10.5	10.2	10.0	9.7	9.4	9.2	9.0	8.8	260
280	50.1	42.1	36.4	32.1	28.8	26.2	24.0	22.2	20.6	19.3	18.2	17.2	16.3	15.5	14.8	14.2	13.6	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.2	10.0	9.7	9.5	9.3	280
300	52.5	44.1	38.2	33.7	30.2	27.5	25.2	23.3	21.7	20.3	19.1	18.1	17.1	16.3	15.6	14.9	14.3	13.8	13.3	12.9	12.4	12.1	11.7	11.4	11.1	10.8	10.5	10.2	10.0	9.8	300
320	54.9	46.2	40.0	35.3	31.7	28.7	26.4	24.4	22.7	21.3	20.0	18.9	18.0	17.1	16.4	15.7	15.0	14.5	14.0	13.5	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.8	10.5	10.3	320
340	57.3	48.2	41.7	36.9	33.1	30.0	27.6	25.5	23.7	22.2	20.9	19.8	18.8	17.9	17.1	16.4	15.7	15.2	14.6	14.1	13.7	13.2	12.9	12.5	12.2	11.9	11.6	11.3	11.0	10.8	340
360	59.8	50.3	43.5	38.4	34.5	31.3	28.8	26.6	24.8	23.2	21.9	20.7	19.6	18.7	17.9	17.1	16.4	15.8	15.3	14.8	14.3	13.8	13.4	13.1	12.7	12.4	12.1	11.8	11.5	11.3	360
380	62.2	52.3	45.3	40.0	35.9	32.6	29.9	27.7	25.8	24.2	22.8	21.5	20.5	19.5	18.6	17.9	17.2	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.3	12.9	12.6	12.3	12.0	11.8	380
400	64.6	54.4	47.1	41.6	37.3	33.9	31.1	28.8	26.8	25.2	23.7	22.4	21.3	20.3	19.4	18.6	17.9	17.2	16.6	16.0	15.5	15.0	14.6	14.2	13.8	13.5	13.1	12.8	12.5	12.3	400
420	67.0	56.4	48.9	43.2	38.8	35.2	32.3	29.9	27.9	26.1	24.6	23.3	22.1	21.1	20.1	19.3	18.6	17.9	17.2	16.7	16.1	15.6	15.2	14.8	14.4	14.0	13.7	13.3	13.0	12.8	420
440	69.5	58.5	50.6	44.7	40.2	36.5	33.5	31.0	28.9	27.1	25.5	24.2	22.9	21.9	20.9	20.0	19.3	18.5	17.9	17.3	16.7	16.2	15.8	15.3	14.9	14.5	14.2	13.9	13.5	13.3	440
460	71.9	60.5	52.4	46.3	41.6	37.8	34.7	32.1	29.9	28.1	26.4	25.0	23.8	22.7	21.7	20.8	20.0	19.2	18.5	17.9	17.4	16.8	16.3	15.9	15.5	15.1	14.7	14.4	14.1	13.7	460
480	74.3	62.6	54.2	47.9	43.0	39.1	35.9	33.2	31.0	29.0	27.4	25.9	24.6	23.4	22.4	21.5	20.7	19.9	19.2	18.6	18.0	17.4	16.9	16.5	16.0	15.6	15.2	14.9	14.6	14.2	480
500	76.7	64.6	56.0	49.5	44.4	40.4	37.1	34.3	32.0	30.0	28.3	26.8	25.4	24.2	23.2	22.2	21.4	20.6	19.9	19.2	18.6	18.0	17.5	17.0	16.6	16.2	15.8	15.4	15.1	14.7	500
600	88.9	74.9	64.9	57.4	51.5	46.9	43.0	39.9	37.2	34.9	32.9	31.1	29.6	28.2	27.0	25.9	24.9	24.0	23.1	22.4	21.7	21.0	20.4	19.9	19.3	18.9	18.4	18.0	17.6	17.2	600
700	101.0	85.1	73.8	65.2	58.6	53.3	49.0	45.4	42.3	39.7	37.4	35.5	33.7	32.1	30.8	29.5	28.4	27.3	26.4	25.5	24.7	24.0	23.3	22.7	22.1	21.6	21.0	20.6	20.1	19.7	700
800	113.1	95.3	82.7	73.1	65.7	59.8	55.0	50.9	47.5	44.6	42.0	39.8	37.8	36.1	34.5	33.1	31.9	30.7	30.0	28.7	27.8	27.0	26.2	25.5	24.9	24.3	23.7	23.1	22.6	22.2	800
900	125.3	105.6	91.5	81.0	72.8	66.3	60.9	56.4	52.7	49.4	46.6	44.2	42.0	40.1	38.3	36.8	35.4	34.1	32.9	31.9	30.9	30.0	29.1	28.4	27.6	27.0	26.3	25.7	25.2	24.6	900
1000	137.4	115.8	100.4	88.9	79.9	72.7	66.9	62.0	57.8	54.3	51.2	48.5	46.1	44.0	42.1	40.4	38.9	37.5	36.2	35.0	34.0	33.0	32.0	31.2	30.4	29.6	29.0	28.3	27.7	27.1	1000
1100	149.5	126.1	109.3	96.8	87.0	79.2	72.8	67.5	63.0	59.1	55.8	52.8	50.3	48.0	45.9	44.1	42.4	40.9	39.5	38.2	37.0	35.9	34.9	34.0	33.2	32.3	31.6	30.9	30.2	30.0	1100
1200	161.6	136.3	118.2	104.7	94.1	85.7	78.8	73.0	68.2	64.0	60.4	57.2	54.4	51.9	49.7	47.7	45.9	44.2	42.7	41.4	40.1	38.9	37.9	36.8	35.9	35.0	34.2	33.5	32.7	32.1	1200
1300	173.8	146.6	127.1	112.6	101.2	92.1	84.7	78.5	73.3	68.8	64.9	61.5	58.5	55.9	53.5	51.3	49.4	47.6	46.0	44.5	43.2	41.9	40.8	40.0	38.7	37.7	36.9	36.0	35.3	34.5	1300
1400	185.9	156.8	136.0	120.4	108.3	98.6	90.7	84.1	78.5	73.7	69.5	65.9	62.7	59.8	57.3	55.0	52.9	51.0	49.3	47.7	46.3	44.9	43.7	42.5	41.4	40.4	39.5	38.6	37.8	37.0	1400
1500	198.0	167.0	144.9	128.3	115.4	105.1	96.6	89.6	83.6	78.5	74.1	70.2	66.8	63.8	61.1	58.6	56.4	54.4	52.6	50.9	49.3	47.9	46.6	45.3	44.2	43.1	42.1	41.2	40.3	39.5	1500
Term. 2/	16.090	13.408	11.493	10.056	8.939	8.045	7.314	6.704	6.188	5.746	5.363	5.028	4.732	4.469	4.234	4.023	3.831	3.657	3.498	3.352	3.218	3.094	2.980	2.873	2.774	2.682	2.595	2.514	2.438	2.366	Term. 2
L. H. 3/	.121290	.102425	.088950	.078844	.070983	.064695	.059550	.055263	.051635	.048525	.045830	.043472	.041391	.039542	.037887	.036398	.035050	.033825	.032707	.031681	.030738	.029867	.029061	.028313	.027616	.026965	.026356	.025786	.025250	.024746	L. H. 3

1/ Based on a tare weight of 21.2 tons and a ratio of empty car miles to loaded car miles of 0.918. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

34	Miles
2.6	10
2.9	20
3.1	30
3.4	40
3.6	50
3.9	60
4.1	70
4.3	80
4.6	90
4.8	100
5.3	120
5.8	140
6.3	160
6.8	180
7.3	200
7.8	220
8.3	240
8.8	260
9.3	280
9.8	300
10.3	320
10.8	340
11.3	360
11.8	380
12.3	400
12.8	420
13.3	440
13.7	460
14.2	480
14.7	500
.2	600
.7	700
.2	800
.6	900
.1	1000
.0	1100
.1	1200
.5	1300
.0	1400
.5	1500
366	Term. 2
46	L. H. 3

payments
have

The

TABLE 38 (Concluded).—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car 35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	Miles
10	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	10
20	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	20
30	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	30
40	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	40
50	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	50
60	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	60
70	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	70
80	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	80
90	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	90
100	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	100
120	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.1	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	120
140	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.7	3.7	3.6	140
160	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.1	4.0	4.0	160
180	6.7	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.4	4.3	180
200	7.2	7.0	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	200
220	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	220
240	8.1	8.0	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	240
260	8.6	8.4	8.3	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	6.9	6.8	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.7	260
280	9.1	8.9	8.7	8.6	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	280
300	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	300
320	10.1	9.9	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	320
340	10.6	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.2	7.1	7.0	340
360	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	360
380	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	380
400	12.0	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.0	400
420	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	420
440	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.1	9.0	8.9	8.8	8.7	440
460	13.5	13.2	12.9	12.7	12.5	12.2	12.0	11.8	11.7	11.5	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.1	460
480	13.9	13.7	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	480
500	14.4	14.1	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	12.0	11.8	11.6	11.5	11.3	11.2	11.0	10.9	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	500
600	16.9	16.5	16.2	15.9	15.6	15.4	15.1	14.9	14.6	14.4	14.2	14.0	13.8	13.6	13.4	13.3	13.1	12.9	12.8	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.7	11.6	11.5	11.4	600
700	19.3	18.9	18.6	18.2	17.9	17.6	17.3	17.0	16.8	16.5	16.3	16.0	15.8	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.5	13.4	13.2	13.1	700
800	21.7	21.3	20.9	20.5	20.2	19.8	19.5	19.2	18.9	18.6	18.3	18.1	17.8	17.6	17.4	17.1	16.9	16.7	16.5	16.4	16.2	16.0	15.8	15.7	15.5	15.4	15.2	15.1	14.9	14.8	800
900	24.1	23.7	23.2	22.8	22.4	22.0	21.7	21.3	21.0	20.7	20.4	20.1	19.8	19.6	19.3	19.1	18.9	18.6	18.4	18.2	18.0	17.8	17.6	17.5	17.3	17.1	17.0	16.8	16.7	16.5	900
1000	26.6	26.1	25.6	25.1	24.7	24.3	23.9	23.5	23.1	22.8	22.5	22.2	21.9	21.6	21.3	21.0	20.8	20.5	20.3	20.1	19.9	19.6	19.4	19.2	19.1	18.9	18.7	18.5	18.4	18.2	1000
1100	29.0	28.4	27.9	27.4	26.9	26.5	26.1	25.6	25.3	24.9	24.5	24.2	23.9	23.6	23.3	23.0	22.7	22.4	22.2	21.9	21.7	21.5	21.2	21.0	20.8	20.6	20.4	20.2	20.1	19.9	1100
1200	31.4	30.8	30.2	29.7	29.2	28.7	28.2	27.8	27.4	27.0	26.6	26.2	25.9	25.5	25.2	24.9	24.6	24.3	24.1	23.8	23.5	23.3	23.0	22.8	22.6	22.4	22.2	22.0	21.8	21.6	1200
1300	34.9	33.2	32.6	32.0	31.5	30.9	30.4	30.0	29.5	29.1	28.7	28.3	27.9	27.5	27.2	26.9	26.5	26.2	25.9	25.6	25.4	25.1	24.8	24.6	24.4	24.1	23.9	23.7	23.5	23.3	1300
1400	36.3	35.6	34.9	34.3	33.7	33.2	32.6	32.1	31.6	31.2	30.7	30.3	29.9	29.5	29.2	28.8	28.5	28.1	27.8	27.5	27.2	26.9	26.7	26.4	26.1	25.9	25.6	25.4	25.2	25.0	1400
1500	38.7	38.0	37.3	36.6	36.0	35.4	34.8	34.3	33.8	33.3	32.8	32.4	31.9	31.5	31.1	30.7	30.4	30.0	29.7	29.4	29.0	28.7	28.5	28.2	27.9	27.6	27.4	27.1	26.9	26.7	1500
Term. 2/	2.299	2.235	2.174	2.117	2.063	2.011	1.962	1.915	1.871	1.828	1.788	1.749	1.712	1.676	1.642	1.609	1.577	1.547	1.518	1.490	1.463	1.437	1.411	1.387	1.354	1.341	1.319	1.298	1.277	1.257	Term. 2/
L. H. 3/	.024270	.023821	.023396	.022993	.022612	.022249	.021904	.021575	.021262	.020963	.020677	.020403	.020141	.019891	.019650	.019419	.019197	.018984	.018778	.018581	.018390	.018206	.018029	.017858	.017692	.017533	.017378	.017228	.017083	.016943	L. H. 3/

1/ Based on a tare weight of 21.2 tons and a ratio of empty car miles to loaded car miles of 0.918. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is commuted at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 39.--TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
	Net load in tons per car																														
10	15.4	12.8	11.0	9.6	8.6	7.7	7.0	6.5	6.0	5.5	5.2	4.9	4.6	4.3	4.1	3.9	3.7	3.6	3.4	3.3	3.1	3.0	2.9	2.8	2.7	2.6	2.5	2.5	2,4	2.3	10
20	16.8	14.0	12.0	10.5	9.4	8.5	7.7	7.1	6.6	6.1	5.7	5.4	5.0	4.8	4.5	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.8	2.7	2.6	20
30	18.2	15.2	13.0	11.4	10.2	9.2	8.4	7.7	7.1	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	3.0	2.9	30
40	19.6	16.3	14.1	12.3	11.0	9.9	9.1	8.3	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.2	40
50	20.9	17.6	15.1	13.2	11.8	10.7	9.7	9.0	8.3	7.7	7.3	6.8	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	50
60	22.3	18.7	16.1	14.1	12.6	11.4	10.4	9.6	8.9	8.3	7.8	7.3	6.9	6.6	6.2	5.9	5.7	5.5	5.2	5.0	4.9	4.7	4.5	4.4	4.3	4.1	4.0	3.9	3.8	3.7	60
70	23.7	19.9	17.1	15.0	13.4	12.1	11.1	10.2	9.5	8.8	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	70
80	25.1	21.0	18.1	15.9	14.2	12.9	11.8	10.8	10.1	9.4	8.8	8.3	7.8	7.4	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.4	4.2	80
90	26.5	22.2	19.1	16.8	15.0	13.6	12.4	11.5	10.6	9.9	9.3	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.8	4.6	4.5	90
100	27.9	23.4	20.2	17.7	16.9	14.4	13.1	12.1	11.2	10.5	9.8	9.3	8.8	8.3	7.9	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	100
120	30.7	25.7	22.2	19.5	17.5	15.8	14.5	13.3	12.4	11.6	10.9	10.3	9.7	9.2	8.8	8.4	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	120
140	33.4	28.1	24.2	21.3	19.1	17.3	15.8	14.6	13.6	12.7	11.9	11.2	10.6	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.7	6.5	6.3	6.2	6.0	5.9	140
160	36.2	30.4	26.2	23.1	20.7	18.8	17.2	15.9	14.7	13.8	12.9	12.2	11.6	11.0	10.[illegible]	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.5	7.3	7.1	6.9	6.8	6.6	6.4	160
180	39.0	32.7	28.3	24.9	22.3	20.2	18.5	17.1	15.9	14.9	14.0	13.2	12.5	12.0	11[illegible]	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.1	7.0	180
200	41.8	35.1	30.3	26.7	23.9	21.7	19.9	18.4	17.1	16.0	15.0	14.2	13.4	12.8	12.[illegible]	11.7	11.2	10.7	10.4	10,0	9.7	9.3	9.1	8.8	8.5	8.3	8.1	7.9	7.7	7.5	200
220	44.6	37.4	32.3	28.5	25.6	23.2	21.2	19.6	18.2	17.1	16.0	15.2	14.4	13.7	13.0	12.5	12.0	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	8.1	220
240	47.3	39.8	34.4	30.3	27.2	24.6	22.6	20.9	19.4	18.2	17.1	16.1	15.3	14.6	13.9	13.3	12.8	12.3	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.5	9.3	9.0	8.8	8.6	240
260	50.1	42.1	36.4	32.1	28.8	26.1	23.9	22.1	20.6	19.3	18.1	17.1	16.2	15.4	14.7	14.1	13.5	13.0	12.5	12.1	11.7	11.3	11.0	10.7	10.4	10.1	9.9	9.6	9.4	9.2	260
280	52.9	44.5	38.4	33.9	30.4	27.6	25.3	23.4	21.7	20.4	19.1	18.1	17.2	16.3	15.6	14.9	14.3	13.8	13.3	12.8	12.4	12.0	11.6	11.3	11.0	10.7	10.4	10.2	9.9	9.7	280
300	55.7	46.8	40.5	35.7	32.0	29.1	26.6	24.6	22.9	21.4	20.2	19.1	18.1	17.2	16.4	15.7	15.1	14.5	14.0	13.5	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.8	10.5	10.3	300
320	58.5	49.1	42.5	37.5	33.6	30.5	28.0	25.9	24.1	22.5	21.2	20.1	19.0	18.1	17.3	16.6	15.9	15.3	14.7	14.2	13.8	13.3	12.9	12.6	12.2	11.9	11.6	11.3	11.1	10.8	320
340	61.2	51.5	44.4	39.3	35.2	32.0	29.3	27.1	25.2	23.6	22.2	21.0	20.0	19.0	18.1	17.4	16.7	16.0	15.5	14.9	14.5	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.4	340
360	64.0	53.8	46.6	41.1	36.9	33.5	30.7	28.4	26.4	24.7	23.3	22.0	20.9	19.9	19.0	18.2	17.5	16.8	16.2	15.6	15.1	14.7	14.2	13.8	13.5	13.1	12.8	12.5	12.2	11.9	360
380	66.8	56.2	48.6	42.9	38.5	34.9	32.0	29.6	27.6	25.8	24.3	23.0	21.8	20.8	19.8	19.0	18.2	17.6	16.9	16.4	15.8	15.3	14.9	14.5	14.1	13.7	13.4	13.0	12.7	12.4	380
400	69.6	58.5	50.6	44.7	40.1	36.4	33.4	30.9	28.8	26.9	25.4	24.0	22.8	21.7	20.7	19.8	19.0	18.3	17.7	17.1	16.5	16.0	15.5	15.1	14.7	14.3	13.9	13.6	13.3	13.0	400
420	72.4	60.9	52.7	46.5	41.7	37.9	34.7	32.1	29.9	28.0	26.4	25.0	23.7	22.6	21.5	20.6	19.8	19.1	18.4	17.8	17.2	16.7	16.2	15.7	15.3	14.9	14.5	14.2	13.8	13.5	420
440	75.1	63.2	54.7	48.3	43.3	39.3	36.1	33.4	31.1	29.1	27.4	25.9	24.6	23.4	22.4	21.5	20.6	19.8	19.1	18.5	17.9	17.3	16.8	16.3	15.9	15.5	15.1	14.7	14.4	14.1	440
460	77.9	65.5	56.7	50.1	44.9	40.8	37.4	34.6	32.3	30.2	28.5	26.9	25.5	24.3	23.2	22.3	21.4	20.6	19.9	19.2	18.6	18.0	17.5	17.0	16.5	16.1	15.7	15.3	15.0	14.6	460
480	80.7	67.9	58.7	51.9	46.6	42.3	38.8	35.9	33.4	31.3	29.5	27.9	26.5	25.2	24.1	23.1	22.2	21.3	20.6	19.9	19.2	18.7	18.1	17.6	17.1	16.7	16.3	15.9	15.5	15.2	480
500	83.5	70.2	60.8	53.7	48.2	43.8	40.2	37.1	34.6	32.4	30.5	28.9	27.4	26.1	25.0	23.9	23.0	22.1	21.3	20.6	19.9	19.3	18.8	18.2	17.7	17.3	16.9	16.5	16.1	15.7	500
600	97.4	81.9	70.9	62.7	56.3	51.1	46.9	43.4	40.4	37.9	35.7	33.8	32.1	30.6	29.2	28.0	26.9	25.9	25.0	24.1	23.4	22.6	22.0	21.4	20.8	20.3	19.8	19.3	18.9	18.5	600
700	111.3	93.7	81.1	71.7	64.3	58.5	53.7	49.7	46.3	43.4	40.9	38.7	36.7	35.0	33.5	32.1	30.8	29.7	28.6	27.7	26.8	26.0	25.2	24.5	23.9	23.3	22.7	22.2	21.7	21.2	700
800	125.2	105.4	91.2	80.7	72.4	65.8	60.4	55.9	52.1	48.9	46.0	43.6	41.4	39.4	37.7	36.1	34.7	33.5	32.3	31.2	30.2	29.3	28.5	27.7	26.9	26.3	25.6	25.0	24.5	23.9	800
900	139.1	117.1	101.4	89.6	80.5	73.2	67.2	62.2	58.0	54.3	51.2	48.5	46.0	43.9	42.0	40.2	38.7	37.2	35.9	34.7	33.6	32.6	31.7	30.8	30.0	29.3	28.5	27.9	27.3	26.7	900
1000	152.9	128.8	111.6	98.6	88.6	80.5	73.9	68.5	63.8	59.8	56.4	53.4	50.7	48.3	46.2	44.3	42.6	41.0	39.6	38.3	37.1	36.0	34.9	34.0	33.1	32.2	31.5	30.7	30.0	29.4	1000
1100	166.8	140.5	121.7	107.6	96.6	87.9	80.7	74.7	69.7	65.3	61.6	58.3	55.4	52.8	50.5	48.4	46.5	44.8	43.2	41.8	40.5	39.3	38.2	[illegible]	36.1	35.2	34.4	33.6	32.8	32.1	1100
1200	180.7	152.2	131.9	116.6	104.7	95.2	87.5	81.0	75.5	70.8	66.7	63.2	60.0	57.2	54.7	52.5	50.4	48.6	46.9	45.3	43.9	42.6	41.4	[illegible]	39.2	38.2	37.3	36.4	35.6	34.9	1200
1300	194.6	163.9	142.0	125.6	112.8	102.6	94.2	87.2	81.3	76.3	71.9	68.1	64.7	61.7	59.0	56.6	54.4	52.4	50.6	48.9	47.4	45.9	44.6	43.4	42.3	41.2	40.2	39.3	38.4	37.6	1300
1400	208.5	175.7	152.2	134.6	120.9	109.9	101.0	93.5	87.2	81.8	77.1	73.0	69.3	66.1	63.2	60.6	58.[illegible]	56.2	54.2	52.4	50.8	49.3	47.9	46.6	45.3	44.2	43.1	42.2	41.2	40.3	1400
1500	222.4	187.4	162.3	143.6	129.0	117.3	107.7	99.8	93.0	87.2	82.2	77.9	74.0	70.6	67.5	64.7	62.2	59.9	57.9	56.0	54.2	52.6	51.1	49.7	48.4	47.2	46.1	45.0	44.0	43.1	1500
Term. 2/	13.996	11.663	9.997	8.748	7.776	6.998	6.362	5.832	5.383	4.999	4.665	4.374	4.116	3.888	3.683	3.499	3.332	3.181	3.043	2.916	2.799	2.692	2.592	2.499	2.413	2.333	2.257	2.187	2.121	2.058	Term. 2/
L. H. 3/	.138950	.117142	.101564	.089881	.080794	.073525	.067577	.062621	.058427	.054832	.051717	.048991	.046585	.044447	.042534	.040813	.039255	.037839	.036546	.035360	.034270	.033263	.032331	.031466	.030660	.029908	.029205	.028545	.027926	.027343	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.960. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 39 (Concluded).--TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.3	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.6	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.1	4.0	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.4	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.5	9.3	9.1	8.9	8.8	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.0	9.8	9.6	9.4	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.6	10.4	10.1	9.9	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.1	10.9	10.7	10.4	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.6	11.4	11.2	11.0	10.7	10.6	10.4	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.2	11.9	11.7	11.5	11.2	11.0	10.8	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	12.7	12.5	12.2	12.0	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.3	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	13.8	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.9	10.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.3	14.0	13.8	13.5	13.2	13.0	12.8	12.6	12.3	12.2	12.0	11.8	11.6	11.5	11.3	11.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	14.9	14.6	14.3	14.0	13.7	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.1	11.9	11.7	11.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.4	15.1	14.8	14.5	14.2	14.0	13.7	13.5	13.3	13.1	12.9	12.7	12.5	12.3	12.2	12.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.1	17.7	17.4	17.0	16.7	16.4	16.1	15.9	15.6	15.4	15.1	14.9	14.7	14.5	14.3	14.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	20.8	20.3	19.9	19.6	19.2	18.9	18.5	18.2	17.9	17.7	17.4	17.1	16.9	16.7	16.4	16.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.4	23.0	22.5	22.1	21.7	21.3	21.0	20.6	20.3	20.0	19.7	19.4	19.1	18.8	18.6	18.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.1	25.6	25.1	24.6	24.2	23.8	23.4	23.0	22.6	22.3	21.9	21.6	21.3	21.0	20.7	20.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	28.8	28.2	27.7	27.2	26.7	26.2	25.8	25.3	24.9	24.6	24.2	23.8	23.5	23.2	22.9	22.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.5	30.8	30.3	29.7	29.2	28.7	28.2	27.7	27.3	26.9	26.5	26.1	25.7	25.4	25.0	24.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	34.2	33.5	32.8	32.2	31.6	31.1	30.6	30.1	29.6	29.2	28.7	28.3	27.9	27.5	27.2	26.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	36.8	36.1	35.4	34.8	34.1	33.5	33.0	32.4	31.9	31.4	31.0	30.5	30.1	29.7	29.3	28.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.5	38.7	38.0	37.3	36.6	36.0	35.4	34.8	34.3	33.7	33.2	32.8	32.3	31.9	31.5	31.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	42.2	41.4	40.6	39.8	39.1	38.4	37.8	37.2	36.6	36.0	35.5	35.0	34.5	34.1	33.6	33.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
Term. 2/	1.999	1.944	1.891	1.842	1.794	1.750	1.707	1.666	1.627	1.590	1.555	1.521	1.489	1.458	1.428	1.400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026793	.026274	.025782	.025317	.024876	.024456	.024057	.023677	.023315	.022969	.022639	.022323	.022020	.021730	.021452	.021185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.960. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. - - Southern

STOCK CARS

TABLE 40.—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.3	14.4	12.4	10.8	9.6	8.7	7.9	7.2	6.7	6.2	5.8	5.5	5.1	4.9	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.0	2.9	-	-	-	-	10
20	18.4	15.4	13.2	11.6	10.3	9.3	8.5	7.8	7.2	6.7	6.3	5.9	5.5	5.2	5.0	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.5	3.4	3.3	3.2	-	-	-	-	20
30	19.6	16.4	14.1	12.4	11.0	9.9	9.1	8.3	7.7	7.2	6.7	6.3	5.9	5.6	5.3	5.1	4.9	4.6	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	-	-	-	-	30
40	20.8	17.4	15.0	13.1	11.7	10.6	9.6	8.9	8.2	7.6	7.2	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	-	-	-	-	40
50	22.0	18.4	15.8	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.6	7.1	6.8	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	-	-	-	-	50
60	23.2	19.4	16.7	14.7	13.1	11.8	10.8	9.9	9.2	8.6	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	-	-	-	-	60
70	24.3	20.4	17.6	15.4	13.8	12.5	11.4	10.5	9.7	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	-	-	-	-	70
80	25.5	21.4	18.4	16.2	14.5	13.1	12.0	11.0	10.2	9.5	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.3	5.1	4.9	4.8	-	-	-	-	80
90	26.7	22.4	19.3	17.0	15.2	13.7	12.5	11.6	10.7	10.0	9.4	8.8	8.4	7.9	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.4	5.2	5.1	-	-	-	-	90
100	27.9	23.4	20.1	17.7	15.8	14.3	13.1	12.1	11.2	10.5	9.8	9.3	8.8	8.3	7.9	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	-	-	-	-	100
120	30.2	25.4	21.9	19.3	17.2	15.6	14.3	13.2	12.2	11.4	10.7	10.1	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.0	5.9	-	-	-	-	120
140	32.6	27.4	23.6	20.8	18.6	16.9	15.4	14.2	13.2	12.4	11.6	11.0	10.4	9.5	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	7.0	6.8	6.6	6.4	-	-	-	-	140
160	35.0	29.3	25.3	22.3	20.0	18.1	16.6	15.3	14.2	13.3	12.5	11.8	11.2	10.6	10.2	9.7	7.3	8.9	8.6	8.3	8.0	7.8	7.5	7.3	7.1	6.9	-	-	-	-	160
180	37.3	31.3	27.1	23.9	21.4	19.4	17.8	16.4	15.2	14.3	13.4	12.7	12.0	11.4	10.9	10.4	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	7.4	-	-	-	-	180
200	39.7	33.3	28.8	25.4	22.8	20.6	18.9	17.5	16.3	15.2	14.3	13.5	12.8	12.2	11.6	11.1	10.7	10.3	9.9	9.5	9.2	8.9	8.7	8.4	8.2	8.0	-	-	-	-	200
220	42.0	35.3	30.5	26.9	24.1	21.9	20.1	18.6	17.3	16.2	15.2	14.4	13.6	13.0	12.4	11.8	11.4	10.9	10.5	10.2	9.8	9.5	9.2	9.0	8.7	8.5	-	-	-	-	220
240	44.4	37.3	32.3	28.5	25.5	23.2	21.2	19.6	18.3	17.1	16.1	15.2	14.4	13.7	13.1	12.6	12.0	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.3	9.0	-	-	-	-	240
260	46.7	39.3	34.0	30.0	26.9	24.4	22.4	20.7	19.3	18.0	17.0	16.1	15.2	14.5	13.9	13.3	12.7	12.3	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.5	-	-	-	-	260
280	49.1	41.3	35.7	31.5	28.3	25.7	23.6	21.8	20.3	19.0	17.9	16.9	16.0	15.3	14.6	14.0	13.4	12.9	12.4	12.0	11.6	11.3	10.9	10.6	10.3	10.1	-	-	-	-	280
300	51.5	43.3	37.5	33.1	29.7	26.9	24.7	22.9	21.3	19.9	18.8	17.8	16.9	16.0	15.3	14.7	14.1	13.6	13.1	12.6	12.2	11.9	11.5	11.2	10.9	10.6	-	-	-	-	300
320	53.8	45.3	39.2	34.6	31.1	28.2	25.9	23.9	22.3	20.9	19.7	18.6	17.7	16.8	16.1	15.4	14.8	14.2	13.7	13.3	12.8	12.4	12.1	11.7	11.4	11.1	-	-	-	-	320
340	56.2	47.3	40.9	36.1	32.4	29.5	27.0	25.0	23.3	21.8	20.6	19.4	18.5	17.6	16.8	16.1	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.3	12.0	11.7	-	-	-	-	340
360	58.5	49.3	42.6	37.7	33.8	30.7	28.2	26.1	24.3	22.8	21.5	20.3	19.3	18.4	17.6	16.8	16.2	15.6	15.0	14.5	14.0	13.6	13.2	12.8	12.5	12.2	-	-	-	-	360
380	60.9	51.3	44.4	39.2	35.2	32.0	29.4	27.2	25.3	23.7	22.3	21.1	20.1	19.1	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	12.7	-	-	-	-	380
400	63.3	53.2	46.1	40.7	36.6	33.2	30.5	28.2	26.3	24.7	23.2	22.0	20.9	19.9	19.0	18.2	17.5	16.9	16.3	15.7	15.2	14.8	14.4	14.0	13.6	13.2	-	-	-	-	400
420	65.6	55.2	47.8	42.3	38.0	34.5	31.7	29.3	27.3	25.6	24.1	22.8	21.7	20.7	19.8	19.0	18.2	17.5	16.9	16.4	15.8	15.4	14.9	14.5	14.1	13.8	-	-	-	-	420
440	68.0	57.2	49.6	43.8	39.3	35.8	32.8	30.4	28.3	26.6	25.0	23.7	22.5	21.5	20.5	19.7	18.9	18.2	17.6	17.0	16.4	15.9	15.5	15.1	14.7	14.3	-	-	-	-	440
460	70.3	59.2	51.3	45.3	40.7	37.0	34.0	31.5	29.3	27.5	25.9	24.5	23.3	22.2	21.3	20.4	19.6	18.9	18.2	17.6	17.0	16.5	16.1	15.6	15.2	14.8	-	-	-	-	460
480	72.7	61.2	53.0	46.9	42.1	38.3	35.2	32.6	30.3	28.5	26.8	25.4	24.1	23.0	22.0	21.1	20.3	19.5	18.8	18.2	17.6	17.1	16.6	16.2	15.7	15.4	-	-	-	-	480
500	75.0	63.2	54.8	48.4	43.5	39.5	36.3	33.6	31.4	29.4	27.7	26.2	24.9	23.8	22.7	21.8	21.0	20.2	19.5	18.8	18.2	17.7	17.2	16.7	16.3	15.9	-	-	-	-	500
600	86.8	73.2	63.4	56.1	50.4	45.8	42.1	39.0	36.4	34.1	32.2	30.5	29.0	27.6	26.4	25.4	24.4	23.5	22.7	21.9	21.3	20.6	20.0	19.5	19.0	18.5	-	-	-	-	600
700	98.6	83.1	72.1	63.8	57.3	52.1	47.9	[illegible]	41.4	38.9	36.7	34.7	33.0	31.5	30.1	28.9	27.8	26.8	25.9	25.0	24.3	23.5	22.9	22.3	21.7	21.2	-	-	-	-	700
800	110.4	93.1	80.7	71.4	64.2	58.4	53.7	[illegible]	46.5	43.6	41.1	39.0	37.0	35.3	33.8	32.5	31.2	30.1	29.1	28.1	27.3	26.5	25.7	25.0	24.4	23.8	-	-	-	-	800
900	122.2	103.0	89.4	79.1	71.1	64.7	59.5	55.2	51.5	48.3	45.6	43.2	41.1	39.2	37.5	36.0	34.6	33.4	32.3	31.2	30.3	29.4	28.6	27.8	27.1	26.4	-	-	-	-	900
1000	134.0	113.0	98.0	86.8	78.0	71.0	65.3	60.6	56.5	53.1	50.1	47.4	45.1	43.1	41.2	39.6	38.1	36.7	35.5	34.3	33.3	32.3	31.4	30.6	29.8	29.1	-	-	-	-	1000
1100	145.8	123.0	106.7	94.5	84.9	77.3	71.1	65.9	61.6	57.8	54.5	51.7	49.2	46.9	44.9	43.1	41.5	40.0	38.7	37.4	36.3	35.2	34.3	33.4	32.5	31.7	-	-	-	-	1100
1200	157.6	132.9	115.3	102.1	91.9	83.6	76.9	71.3	66.6	62.5	59.0	55.9	53.2	50.8	48.6	46.7	44.9	43.3	41.9	40.5	39.3	38.2	37.1	36.1	35.2	34.4	-	-	-	-	1200
1300	169.4	142.9	124.0	109.8	98.8	89.9	82.7	76.7	71.6	67.3	63.5	60.2	57.2	54.6	52.3	50.2	48.3	46.6	45.1	43.6	42.3	41.1	39.9	38.9	37.9	37.0	-	-	-	-	1300
1400	181.2	152.8	132.6	117.5	105.7	96.2	88.5	82.1	76.7	72.0	67.9	64.4	61.3	58.5	56.0	53.8	51.8	50.0	48.3	46.7	45.3	44.0	42.8	41.7	40.6	39.6	-	-	-	-	1400
1500	192.9	162.8	141.3	125.1	112.6	102.5	94.3	87.5	81.7	76.7	72.4	68.6	65.3	62.4	59.7	57.3	55.2	53.2	51.5	49.8	48.3	46.9	45.6	44.4	43.3	42.3	-	-	-	-	1500
Term. 2/	16.090	13.408	11.493	10.056	8.939	8.045	7.314	6.704	6.188	5.746	5.363	5.028	4.732	4.469	4.234	4.023	3.831	3.657	3.498	3.352	3.218	3.094	2.980	2.873	2.774	2.682	-	-	-	-	Term. 2/
L. H. 3/	.117900	.099600	.086529	.076725	.069100	.063000	.058009	.053850	.050331	.047314	.044700	.042413	.040394	.038600	.036995	.035550	.034243	.033055	.031970	.030975	.030060	.029215	[illegible]	.027707	.027031	.026400	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.5 tons and a ratio of empty car miles to loaded car miles of 0.897. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.16.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 41.—TERRITORY NO. 6 - SOUTHERN

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	15.6	13.0	11.1	9.8	8.7	7.8	7.1	6.5	6.0	5.6	5.2	4.9	4.6	4.4	4.2	4.0	3.8	3.6	3.4	3.3	3.2	3.1	2.9	2.8	2.7	2.7	-	-	-	-	10
20	17.1	14.3	12.3	10.8	9.6	8.6	7.9	7.2	6.7	6.2	5.8	5.5	5.2	4.9	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.4	3.3	3.2	3.1	3.0	-	-	-	-	20
30	18.7	15.6	13.4	11.8	10.5	9.5	8.6	7.9	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.6	4.4	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	-	-	-	-	30
40	20.3	16.9	14.6	12.8	11.4	10.3	9.4	8.6	8.0	7.4	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	-	-	-	-	40
50	21.8	18.2	15.7	13.8	12.3	11.1	10.1	9.3	8.6	8.1	7.5	7.1	6.7	6.4	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	-	-	-	-	50
60	23.4	19.6	16.8	14.8	13.2	11.9	10.9	10.0	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	-	-	-	-	60
70	24.9	20.9	18.0	15.8	14.1	12.8	11.6	10.7	9.9	9.3	8.7	8.2	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.6	5.4	5.3	5.1	4.9	4.8	4.6	-	-	-	-	70
80	26.5	22.2	19.1	16.8	15.0	13.6	12.4	11.4	10.6	9.9	9.3	8.7	8.3	7.8	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.3	5.1	5.0	-	-	-	-	80
90	28.1	23.5	20.3	17.8	15.9	14.4	13.2	12.1	11.2	10.5	9.8	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.3	-	-	-	-	90
100	29.6	24.8	21.4	18.8	16.8	15.2	13.9	12.8	11.9	11.1	10.4	9.8	9.3	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.4	6.1	6.0	5.8	5.6	-	-	-	-	100
120	32.8	27.5	23.7	20.8	18.6	16.9	15.4	14.2	13.2	12.3	11.6	10.9	10.3	9.8	9.3	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.6	6.5	6.3	-	-	-	-	120
140	35.9	30.1	26.0	22.9	20.4	18.5	16.9	15.6	14.5	13.6	12.7	12.0	11.4	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	-	-	-	-	140
160	39.0	32.7	28.2	24.9	22.3	20.2	18.4	17.0	15.8	14.8	13.9	13.1	12.4	11.8	11.2	10.7	10.3	9.9	9.5	9.2	8.8	8.6	8.3	8.0	7.8	7.6	-	-	-	-	160
180	42.2	35.4	30.5	26.9	24.1	21.8	20.0	18.4	17.1	16.0	15.0	14.2	13.4	12.8	12.2	11.6	11.1	10.7	10.3	9.9	9.0	9.3	9.0	8.7	8.5	8.2	-	-	-	-	180
200	45.3	38.0	32.8	28.9	25.9	23.5	21.5	19.8	18.4	17.2	16.2	15.3	14.5	13.7	13.1	12.5	12.0	11.5	11.1	10.7	10.4	10.0	9.7	9.4	9.1	8.9	-	-	-	-	200
220	48.4	40.6	35.1	30.9	27.7	25.1	23.0	21.2	19.7	18.4	17.3	16.4	15.5	14.7	14.1	13.4	12.9	12.4	11.9	11.5	11.1	10.8	10.4	10.1	9.8	9.6	-	-	-	-	220
240	51.5	43.3	37.4	32.9	29.5	26.7	24.5	22.6	21.0	19.7	18.5	17.4	16.5	15.7	15.0	14.3	13.8	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5	10.2	-	-	-	-	240
260	54.7	45.9	39.7	35.0	31.3	28.4	26.0	24.0	22.3	20.9	19.6	18.5	17.6	16.7	15.9	15.2	14.6	14.1	13.5	13.1	12.6	12.2	11.8	11.5	11.2	10.9	-	-	-	-	260
280	57.8	48.5	41.9	37.0	33.1	30.0	27.5	25.4	23.6	22.1	20.8	19.6	18.6	17.7	16.9	16.2	15.5	14.9	14.3	13.8	13.4	12.9	12.6	12.2	11.8	11.5	-	-	-	-	280
300	60.9	51.2	44.2	39.0	34.9	31.7	29.0	26.8	24.9	23.3	21.9	20.7	19.6	18.7	17.8	17.1	16.4	15.7	15.1	14.6	14.1	13.7	13.3	12.9	12.5	12.2	-	-	-	-	300
320	64.1	53.8	46.5	41.0	36.7	33.3	30.5	28.2	26.2	24.5	23.1	21.8	20.7	19.7	18.8	18.0	17.2	16.6	16.0	15.4	14.9	14.4	14.0	13.6	13.2	12.8	-	-	-	-	320
340	67.2	56.4	48.8	43.0	38.6	35.0	32.0	29.6	27.5	25.8	24.2	22.9	21.7	20.7	19.7	18.9	18.1	17.4	16.8	16.2	15.6	15.1	14.7	14.3	13.9	13.5	-	-	-	-	340
360	70.3	59.1	51.1	45.0	40.4	36.6	33.6	31.0	28.8	27.0	25.4	24.0	22.7	21.6	20.7	19.8	19.0	18.2	17.6	17.0	16.4	15.9	15.4	15.0	14.5	14.2	-	-	-	-	360
380	73.4	61.7	53.3	47.1	42.2	38.3	35.1	32.4	30.1	28.2	26.5	25.1	23.8	22.6	21.6	20.7	19.8	19.1	18.4	17.7	17.2	16.6	16.1	15.6	15.2	14.8	-	-	-	-	380
400	76[illegible]	64.4	55.6	49.1	44.0	39.9	36.6	33.8	31.4	29.4	27.7	26.2	24.8	23.6	22.5	21.6	20.7	19.9	19.2	18.5	17.9	17.3	16.8	16.3	15.9	15.5	-	-	-	-	400
420	79.7	67.0	57.9	51.1	45.8	41.6	38.1	35.2	32.7	30.7	28.8	27.2	25.8	24.6	23.5	22.5	21.6	20.7	20.0	19.3	18.7	18.1	17.5	17.0	16.6	16.1	-	-	-	-	420
440	82.8	69.8	60.2	53.1	47.6	43.2	39.6	36.6	34.1	31.9	30.0	28.3	26.9	25.6	24.4	23.4	22.4	21.6	20.8	20.1	19.4	18.8	18.2	17.7	17.2	16.8	-	-	-	-	440
460	86.0	72.3	62.5	55.1	49.4	44.8	41.1	38.0	35.4	33.1	31.1	29.4	27.9	26.6	25.4	24.3	23.3	22.4	21.6	20.9	20.2	19.5	19.0	18.4	17.9	17.4	-	-	-	-	460
480	89.1	74.9	64.7	57.1	51.2	46.5	42.6	39.4	36.7	34.3	32.3	30.5	28.9	27.6	26.3	25.2	24.2	23.3	22.4	21.6	20.9	20.3	19.7	19.1	18.6	18.1	-	-	-	-	480
500	92.2	77.5	67.0	59.2	53.0	48.1	44.1	40.8	38.0	35.5	33.4	31.6	30.0	28.5	27.3	26.1	25.0	24.1	23.2	22.4	21.7	21.0	20.4	19.8	19.3	18.7	-	-	-	-	500
600	107.9	90.7	78.4	69.2	62.1	56.4	51.7	47.8	44.5	41.6	39.2	37.0	35.2	33.5	32.0	30.6	29.4	28.3	27.3	26.3	25.5	24.7	23.9	23.3	22.6	22.0	-	-	-	-	600
700	123.5	103.9	89.8	79.3	71.1	64.6	59.2	54.8	51.0	47.8	45.0	42.5	40.3	38.4	36.7	35.1	33.7	32.5	31.3	30.2	29.2	28.3	27.5	26.7	26.0	25.3	-	-	-	-	700
800	139.2	117.0	101.2	89.4	80.2	72.8	66.8	61.8	57.5	53.9	50.7	47.9	45.5	43.3	41.4	39.6	38.1	36.6	35.3	34.1	33.0	32.0	31.0	30.2	29.4	28.6	-	-	-	-	800
900	154.8	130.2	112.7	99.5	89.2	81.0	74.3	68.8	64.0	60.0	56.5	53.4	50.7	48.3	46.1	44.2	42.4	40.8	39.4	38.0	36.8	35.7	34.6	33.6	32.7	31.9	-	-	-	-	900
1000	170.4	143.4	124.1	109.6	98.3	89.3	81.9	75.7	70.5	66.1	62.2	58.8	55.8	53.2	50.8	48.7	46.8	45.0	43.4	41.9	40.6	39.3	38.2	37.1	36.1	35.2	-	-	-	-	1000
1100	186.1	156.6	135.5	119.6	107.3	97.5	89.4	82.7	77.1	72.2	68.0	64.3	61.0	58.1	55.5	53.2	51.1	49.2	47.4	45.8	44.3	43.0	41.7	40.5	39.5	38.4	-	-	-	-	1100
1200	201.7	169.7	146.9	129.7	116.4	105.7	97.0	89.7	83.6	78.3	73.7	69.7	66.2	63.1	60.2	57.7	55.4	53.4	51.5	49.7	48.1	46.6	45.3	44.0	42.8	41.7	-	-	-	-	1200
1300	217.4	182.9	158.3	139.8	125.4	113.9	104.6	96.7	90.1	84.4	79.5	75.2	71.4	68.0	65.0	62.2	59.8	57.5	55.5	53.6	51.9	50.3	48.8	47.5	46.2	45.0	-	-	-	-	1300
1400	233.0	196.1	169.7	149.9	134.5	122.2	112.1	103.7	96.6	90.5	85.2	80.6	76.5	72.9	69.7	66.8	64.1	61.7	59.5	57.5	55.7	54.0	52.4	50.9	49.6	48.3	-	-	-	-	1400
1500	248.7	209.3	181.1	160.0	143.6	130.4	119.7	110.7	103.1	96.6	91.0	86.1	81.7	77.9	74.4	71.3	68.5	65.9	63.6	61.4	59.5	57.6	56.0	54.4	52.9	51.6	-	-	-	-	1500
Term. 2/	13.996	11.663	9.997	8.748	7.776	6.998	6.362	5.832	5.383	4.999	4.665	4.374	4.116	3.888	3.683	3.499	3.332	3.181	3.043	2.916	2.799	2.692	2.592	2.499	2.413	2.333	-	-	-	-	Term. 2/
L. H. 3/	.156450	.131725	.114064	.100819	.090517	.082275	.075532	.069913	.065158	.061082	.057550	.054459	.051732	.049308	.047139	.045188	.043421	.041816	.040350	.039006	.037770	.036629	.035572	.034591	.033678	.032825	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.846. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.30.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.18.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 65 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5310

TABLE 42.--TERRITORY NO. 6 - SOUTHERN

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Mi.
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	71.5	55.7	47.8	43.1	39.9	37.7	36.0	34.7	33.6	32.8	32.0	31.4	30.9	30.5	30.1	29.7	29.4	29.1	28.9	28.7	28.5	28.3	28.1	27.9	27.8	27.7	27.5	27.4	27.3	10
20	76.0	58.8	50.2	45.0	41.6	39.1	37.3	35.8	34.7	33.7	33.0	32.3	31.7	31.2	31.0	30.4	30.1	29.8	29.5	29.3	29.0	28.8	28.6	28.5	28.3	28.2	28.0	27.9	27.8	20
30	80.6	61.9	52.6	47.0	43.2	40.5	38.5	37.0	35.7	34.7	33.9	33.1	32.5	32.0	31.5	31.1	30.7	30.4	30.1	29.9	29.6	29.4	29.2	29.0	28.8	28.7	28.5	28.4	28.3	30
40	85.2	65.0	54.9	48.9	44.9	42.0	39.8	38.1	36.8	35.7	34.8	34.0	33.3	32.8	32.2	31.8	31.4	31.1	30.7	30.4	30.2	29.9	29.7	29.5	29.3	29.2	29.0	28.9	28.7	40
50	89.8	68.1	57.3	50.8	46.5	43.4	41.1	39.3	37.8	36.7	35.7	34.8	34.1	33.5	33.0	32.5	32.1	31.7	31.4	31.0	30.8	30.5	30.3	30.1	29.9	29.7	29.5	29.3	29.2	50
60	94.3	71.2	59.7	52.8	48.1	44.8	42.4	40.4	38.9	37.6	36.6	35.7	34.9	34.3	33.7	33.2	32.7	32.3	32.0	31.6	31.3	31.1	30.8	30.6	30.4	30.2	30.0	29.8	29.7	60
70	98.9	74.3	62.1	54.7	49.8	46.3	43.6	41.6	40.0	38.6	37.5	36.6	35.7	35.0	34.4	33.9	33.4	33.0	32.6	32.2	31.9	31.6	31.4	31.1	30.9	30.7	30.5	30.3	30.1	70
80	103.5	77.5	64.4	56.6	51.4	47.7	44.9	42.7	41.0	39.6	38.4	37.4	36.5	35.8	35.1	34.6	34.1	33.6	33.2	32.8	32.5	32.2	31.9	31.6	31.4	31.2	31.0	30.8	30.6	80
90	108.1	80.6	66.8	58.6	53.1	49.1	46.2	43.9	42.1	40.6	39.3	38.3	37.3	36.6	35.9	35.3	34.7	34.2	33.8	33.4	33.1	32.7	32.4	32.2	31.9	31.7	31.5	31.3	31.1	90
100	112.6	83.7	69.2	60.5	54.7	50.6	47.5	45.0	43.1	41.5	40.2	39.1	38.1	37.3	36.6	36.0	35.4	34.9	34.4	34.0	33.6	33.3	33.0	32.7	32.4	32.2	31.9	31.7	31.5	100
120	121.8	89.9	73.9	64.4	58.0	53.4	50.0	47.4	45.2	43.5	42.0	40.8	39.8	38.8	38.0	37.3	36.7	36.2	35.7	35.2	34.8	34.4	34.1	33.7	33.4	33.2	32.9	32.7	32.5	120
140	130.9	96.1	78.7	68.2	61.3	56.3	52.6	49.7	47.3	45.4	43.9	42.5	41.4	40.4	39.5	38.7	38.0	37.4	36.9	36.4	35.9	35.5	35.1	34.8	34.5	34.2	33.9	33.6	33.4	140
160	140.1	102.3	83.4	72.1	64.6	59.2	55.1	52.0	49.4	47.4	45.7	44.2	43.0	41.9	40.9	40.1	39.4	38.7	38.1	37.6	37.1	36.6	36.2	35.8	35.5	35.2	34.9	34.6	34.3	160
180	149.3	108.5	88.2	76.0	67.8	62.0	57.7	54.3	51.6	49.3	47.5	45.9	44.6	43.4	42.4	41.5	40.7	40.0	39.3	38.8	38.2	37.7	37.3	36.9	36.5	36.2	35.9	35.6	35.3	180
200	158.4	114.8	92.9	79.8	71.1	64.9	60.2	56.6	53.7	51.3	49.3	47.6	46.2	44.9	43.8	42.9	42.0	41.3	40.6	39.9	39.4	38.9	38.4	38.0	37.5	37.2	36.8	36.5	36.2	200
220	167.6	121.0	97.7	83.7	74.4	67.7	62.8	58.9	55.8	53.2	51.1	49.3	47.8	46.5	45.3	44.3	43.3	42.5	41.8	41.1	40.5	40.0	39.5	39.0	38.6	38.2	37.8	37.5	37.1	220
240	176.7	127.2	102.4	87.6	77.7	70.6	65.3	61.2	57.9	55.2	52.9	51.0	49.4	48.0	46.7	45.6	44.7	43.8	43.0	42.3	41.7	41.1	40.6	40.1	39.6	39.2	38.8	38.4	38.1	240
260	185.9	133.4	107.2	91.5	81.0	73.5	67.9	63.5	60.0	57.1	54.7	52.7	51.0	49.5	48.2	47.0	46.0	45.1	44.3	43.5	42.8	42.2	41.6	41.1	40.6	40.2	39.8	39.4	39.0	260
280	195.0	139.6	111.9	95.3	84.2	76.3	70.4	65.8	62.1	59.1	56.6	54.4	52.6	51.0	49.6	48.4	47.3	46.4	45.5	44.7	44.0	43.3	42.7	42.2	41.7	41.2	40.7	40.3	39.9	280
300	204.2	145.9	116.7	99.2	87.5	79.2	73.0	68.1	64.2	61.0	58.4	56.1	54.2	52.5	51.1	49.8	48.7	47.6	46.7	45.9	45.1	44.4	43.8	43.2	42.7	42.2	41.7	41.3	40.9	300
320	213.3	152.1	121.4	103.1	90.8	82.1	75.5	70.4	66.3	63.0	60.2	57.8	55.8	54.1	52.5	51.2	50.0	48.9	47.9	47.1	46.3	45.5	44.9	44.3	43.7	43.2	42.7	42.2	41.8	320
340	222.5	158.3	126.2	106.9	94.1	84.9	78.1	72.7	68.4	64.9	62.0	59.5	57.4	55.6	54.0	52.6	51.3	50.2	49.2	48.3	47.4	46.7	46.0	45.3	44.7	44.2	43.7	43.2	42.8	340
360	231.6	164.5	130.9	110.8	97.4	87.8	80.6	75.0	70.5	66.9	63.8	61.2	59.0	57.1	55.4	54.0	52.6	51.5	50.4	49.4	48.6	47.8	47.0	46.4	45.8	45.2	44.6	44.2	43.7	360
380	240.8	170.7	135.7	114.7	100.7	90.7	83.2	77.3	72.6	68.8	65.6	62.9	60.6	58.6	56.9	55.3	54.0	52.7	51.6	50.6	49.7	48.9	48.1	47.4	46.8	46.2	45.6	45.1	44.6	380
400	249.9	176.9	140.4	118.5	103.9	93.5	85.7	79.6	74.8	70.8	67.5	64.7	62.2	60.2	58.3	56.7	55.3	54.0	52.9	51.8	50.9	50.0	49.2	48.5	47.8	47.2	46.6	46.1	45.6	400
420	259.1	183.2	145.2	122.4	107.2	96.4	88.3	81.9	76.9	72.7	69.3	66.4	63.8	61.7	59.8	58.1	56.6	55.3	54.1	53.0	52.0	51.1	50.3	49.5	48.8	48.2	47.6	47.0	46.5	420
440	268.2	189.4	149.9	126.3	110.5	99.3	90.8	84.2	79.0	74.7	71.1	68.1	65.5	63.2	61.2	59.5	57.9	56.6	55.3	54.2	53.2	52.2	51.4	50.6	49.9	49.2	48.6	48.0	47.4	440
460	277.4	195.6	154.7	130.2	113.8	102.1	93.4	86.5	81.1	76.6	72.9	69.8	67.1	64.7	62.7	60.9	59.3	57.8	56.5	55.4	54.3	53.3	52.5	51.6	50.9	50.2	49.5	48.9	48.4	460
480	286.5	201.8	159.4	134.0	117.1	105.0	95.9	88.8	83.2	78.6	74.7	71.5	68.7	66.2	64.1	62.3	60.6	59.1	57.8	56.6	55.5	54.5	53.5	52.7	51.9	51.2	50.5	49.9	49.3	480
500	295.7	208.0	164.2	137.9	120.4	107.8	98.5	91.1	85.3	80.5	76.5	73.8	70.3	67.8	65.6	63.6	61.9	60.4	59.0	57.8	56.6	55.6	54.6	53.7	52.9	52.2	51.5	50.8	50.2	500
600	341.5	239.1	188.0	157.3	136.8	122.2	111.2	102.7	95.9	90.3	85.6	81.7	78.3	75.4	72.8	70.6	68.6	66.8	65.2	63.7	62.4	61.1	60.0	59.0	58.1	57.2	56.4	55.6	54.9	600
700	387.2	270.2	211.7	176.6	153.2	136.5	124.0	114.2	106.4	100.0	94.7	90.2	86.3	83.0	80.1	77.5	75.2	73.1	71.3	69.6	68.1	66.7	65.4	64.3	63.2	62.2	61.3	60.4	59.6	700
800	433.0	301.3	235.5	196.0	169.6	150.8	136.7	125.7	116.9	109.8	103.8	98.7	94.4	90.6	87.3	84.4	81.8	79.5	77.4	75.6	73.9	72.3	70.9	69.5	68.3	67.2	66.2	65.2	64.3	800
900	478.7	332.4	259.2	215.3	186.0	165.1	149.4	137.2	127.5	119.5	112.9	107.2	102.4	98.2	94.6	91.3	88.5	85.9	83.6	81.5	79.6	77.9	76.3	74.8	73.5	72.2	71.0	70.0	69.0	900
1000	524.5	363.5	283.0	234.7	202.4	179.4	162.2	148.8	138.0	129.3	121.9	115.7	110.4	105.8	101.8	98.3	95.1	92.3	89.7	87.4	85.3	83.4	81.7	80.1	78.6	77.2	75.9	74.7	73.6	1000
1100	570.3	394.6	306.7	254.0	218.9	193.8	174.9	160.3	148.6	139.0	131.0	124.3	118.5	113.4	109.1	105.2	101.7	98.7	95.9	93.4	91.1	89.0	87.1	85.3	83.7	82.2	80.8	79.5	78.3	1100
1200	616.0	425.7	330.5	273.4	235.3	208.1	187.7	171.8	159.1	148.8	140.1	132.8	126.5	121.1	116.3	112.1	108.4	105.0	102.0	99.3	96.8	94.6	92.5	90.6	88.8	87.2	85.7	84.3	83.0	1200
1300	661.8	456.8	354.2	292.7	251.7	222.4	200.4	183.3	169.7	158.5	149.2	141.3	134.5	128.7	123.5	119.0	115.0	111.4	108.2	105.2	102.6	100.1	97.9	95.9	94.0	92.2	90.6	89.1	87.7	1300
1400	707.6	487.8	378.0	312.1	268.1	236.7	213.2	194.9	180.2	168.2	158.3	149.8	142.6	136.3	130.8	125.9	121.6	117.8	114.3	111.2	108.3	105.7	103.3	101.1	99.1	97.2	95.5	93.9	92.3	1400
1500	753.3	518.9	401.7	331.4	284.5	251.0	225.9	206.4	190.8	178.0	167.3	158.3	150.6	143.9	138.0	132.9	128.3	124.2	120.5	117.1	114.1	111.3	108.7	106.4	104.2	102.2	100.4	98.6	97.0	1500
Term. 2/	66.880	52.585	45.435	41.145	38.285	36.245	34.715	33.520	32.570	31.790	31.140	30.590	30.115	29.710	29.350	29.035	28.755	28.505	28.280	28.075	27.890	27.720	27.565	27.420	27.290	27.165	27.055	26.950	26.850	Term. 2/
L. H. 3/	.45763	.31090	.23753	.19351	.16416	.14320	.12748	.11525	.10547	.09747	.09080	.08515	.08032	.07612	.07246	.06922	.06634	.06377	.06145	.05935	.05745	.05571	.05411	.05265	.05129	.05004	.04887	.04779	.04678	L. H. 3/

1/ Based on a tare weight of 22.4 tons and a ratio of empty car miles to loaded car miles of 0.294. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.21.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.30.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

TABLE 43.—TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.0	15.8	13.6	11.9	10.6	9.5	8.7	8.0	7.3	6.8	[illegible]	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	2.9	2.9	10
20	19.9	16.6	14.3	12.5	11.1	10.0	9.1	8.4	7.8	7.2	6.7	6.3	6.0	5.6	5.4	5.1	4.9	4.6	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.3	3.2	3.2	3.1	20
30	20.8	17.4	14.9	13.1	11.7	10.5	9.6	8.8	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	30
40	21.8	18.2	15.6	13.7	12.2	11.0	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	3.5	40
50	22.7	19.0	16.3	14.3	12.8	11.5	10.5	9.7	9.0	8.4	7.8	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.2	5.0	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	50
60	23.6	19.8	17.0	14.9	13.3	12.0	11.0	10.1	9.4	8.7	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	60
70	24.6	20.6	17.7	15.6	13.9	12.6	11.5	10.6	9.8	9.1	8.6	8.1	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.6	4.4	4.3	4.2	4.1	70
80	25.5	21.3	18.4	16.2	14.4	13.1	11.9	11.0	10.2	9.5	8.9	8.4	7.9	7.5	7.2	6.8	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	4.3	80
90	26.4	22.1	19.1	16.8	15.0	13.6	12.4	11.4	10.6	9.9	9.3	8.7	8.3	7.9	7.5	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.9	4.7	4.6	4.5	90
100	27.3	22.9	19.8	17.4	15.5	14.1	12.9	11.9	11.0	10.3	9.6	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	4.7	100
120	29.2	24.5	21.1	18.6	16.6	15.1	13.8	12.7	11.8	11.0	10.4	9.8	9.3	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	5.1	120
140	31.1	26.1	22.5	19.8	17.7	16.1	14.7	13.6	12.6	11.8	11.1	10.5	9.9	9.4	9.0	8.6	8.2	7.9	7.6	7.4	7.1	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	140
160	32.9	27.6	23.9	21.0	18.9	17.1	15.7	14.5	13.4	12.6	11.8	11.2	10.6	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.6	7.4	7.1	6.9	6.7	6.5	6.4	6.2	6.1	5.9	160
180	34.8	29.2	25.2	22.3	20.0	18.1	16.6	15.3	14.3	13.3	12.5	11.8	11.2	10.7	10.2	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.6	6.5	6.3	180
200	36.6	30.8	26.6	23.5	21.1	19.1	17.5	16.2	15.1	14.1	13.3	12.5	11.9	11.3	10.8	10.4	9.9	9.6	9.2	8.9	8.6	8.3	8.1	7.8	7.6	7.4	7.2	7.1	6.9	6.7	200
220	38.5	32.4	28.0	24.7	22.2	20.1	18.4	17.1	15.9	14.9	14.0	13.2	12.6	12.0	11.4	10.9	10.5	10.1	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.2	220
240	40.3	33.9	29.4	25.9	23.3	21.1	19.4	17.9	16.7	15.6	14.7	13.9	13.2	12.6	12.0	11.5	11.1	10.6	10.3	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	7.7	7.6	240
260	42.2	35.5	30.7	27.2	24.4	22.1	20.3	18.8	17.5	16.4	15.4	14.6	13.9	13.2	12.6	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.8	8.5	8.3	8.1	8.0	260
280	44.1	37.1	32.1	28.4	25.5	23.1	21.2	19.7	18.3	17.2	16.2	15.3	14.5	13.8	13.2	12.7	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.8	8.6	8.4	280
300	45.9	38.7	33.5	29.6	26.6	24.2	22.2	20.5	19.1	17.9	16.9	16.0	15.2	14.5	13.8	13.3	12.8	12.3	11.8	11.5	11.1	10.8	10.4	10.2	9.9	9.6	9.4	9.2	9.0	8.8	300
320	47.8	40.2	34.9	30.8	27.7	25.2	23.1	21.4	19.9	18.7	17.6	16.7	15.8	15.1	14.4	13.9	13.3	12.8	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	9.2	320
340	49.6	41.8	36.2	32.0	28.8	26.2	24.0	22.3	20.8	19.5	18.3	17.4	16.5	15.7	15.1	14.4	13.9	13.4	12.9	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.0	9.8	9.6	340
360	51.5	43.4	37.6	33.3	29.9	27.2	25.0	23.1	21.6	20.2	19.1	18.1	17.2	16.4	15.7	15.0	14.4	13.9	13.4	13.0	12.6	12.2	11.9	11.5	11.2	11.0	10.7	10.5	10.2	10.0	360
380	53.4	45.0	39.0	34.5	31.0	28.2	25.9	24.0	22.4	21.0	19.8	18.8	17.8	17.0	16.3	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.9	10.6	10.4	380
400	55.2	46.5	40.3	35.7	32.1	29.2	26.8	24.9	23.2	21.8	20.5	19.4	18.5	17.6	16.9	16.2	15.6	15.0	14.5	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.3	11.1	10.8	400
420	57.1	48.1	41.7	36.9	33.2	30.2	27.8	25.7	24.0	22.5	21.2	20.1	19.1	18.3	17.5	16.8	16.1	15.6	15.0	14.5	14.1	13.7	13.3	12.9	12.6	12.3	12.0	11.7	11.5	11.2	420
440	58.9	50.0	43.1	38.1	34.3	31.2	28.7	26.6	24.8	23.3	22.0	20.8	19.8	18.9	18.1	17.4	16.7	16.1	15.5	15.0	14.6	14.2	13.8	13.4	13.1	12.7	12.4	12.2	11.9	11.7	440
460	60.8	51.3	44.5	39.4	35.4	32.2	29.6	27.5	25.6	24.1	22.7	21.5	20.5	19.5	18.7	17.9	17.3	16.6	16.1	15.6	15.1	14.6	14.2	13.9	13.5	13.2	12.9	12.6	12.3	12.1	460
480	62.6	52.8	45.8	40.6	36.5	33.2	30.6	28.3	26.4	24.8	23.4	22.2	21.1	20.2	19.3	18.5	17.8	17.2	16.6	16.1	15.6	15.1	14.7	14.3	14.0	13.6	13.3	13.0	12.7	12.5	480
500	64.5	54.4	47.2	41.8	37.6	34.2	21.5	29.2	27.3	25.6	24.2	22.9	21.8	20.8	19.9	19.1	18.4	17.7	17.1	16.6	16.1	15.6	15.2	14.8	14.4	14.1	13.7	13.4	13.1	12.9	500
600	73.8	62.3	54.1	47.9	43.1	39.3	36.1	33.5	31.3	29.4	27.8	26.3	25.1	23.9	22.9	22.0	21.2	20.5	19.8	19.2	18.6	18.0	17.6	17.1	16.7	16.3	15.9	15.6	15.2	14.9	600
700	83.1	70.2	60.9	54.0	48.6	44.3	40.8	37.9	35.4	33.3	31.4	29.8	28.4	27.1	26.0	24.9	24.0	23.2	22.4	21.7	21.1	20.5	19.9	19.4	18.9	18.5	18.1	17.7	17.3	17.0	700
800	92.4	78.0	67.8	60.1	54.2	49.4	45.5	42.2	39.4	37.1	35.0	33.2	31.7	30.3	29.0	27.9	26.8	25.9	25.1	24.3	23.6	22.9	22.3	21.7	21.2	20.7	20.2	19.8	19.4	19.0	800
900	101.7	85.9	74.7	66.2	59.7	54.4	50.1	46.5	43.5	40.9	38.7	36.7	35.0	33.4	32.0	30.8	29.7	28.6	27.7	26.8	26.1	25.3	24.7	24.0	23.5	32.9	22.4	21.9	21.6	21.1	900
1000	111.0	93.8	81.5	72.3	65.2	59.5	54.8	50.9	47.6	44.7	42.3	40.1	38.2	36.6	35.1	33.7	32.5	31.4	30.3	29.4	28.6	27.8	27.0	26.3	25.7	25.1	24.6	24.0	23.6	23.1	1000
1100	120.3	101.7	88.4	78.4	70.7	64.5	59.4	55.2	51.6	48.6	45.9	43.6	41.5	39.7	38.1	36.6	35.3	34.1	33.0	32.0	31.0	30.2	29.4	28.7	28.0	27.3	26.7	20.2	25.6	25.1	1100
1200	129.6	109.5	95.3	84.5	76.2	69.5	64.1	59.5	55.7	52.4	49.5	47.0	44.8	42.9	41.1	39.5	38.1	36.8	35.6	34.5	33.5	32.6	31.8	31.0	30.2	29.5	28.9	28.3	27.7	27.2	1200
1300	138.8	117.4	102.1	90.7	81.7	74.6	68.7	63.9	59.8	56.2	53.2	50.5	48.1	46.0	44.2	42.5	40.9	39.5	38.3	37.1	36.0	35.0	34.1	33.3	32.5	31.8	31.1	30.4	29.8	29.2	1300
1400	148.1	125.3	109.0	96.5	87.2	79.6	73.4	68.2	63.8	60.1	56.8	53.9	51.4	49.2	47.2	45.4	43.8	42.3	40.9	39.7	38.5	37.5	36.5	35.6	34.8	34.0	33.2	32.5	31.9	31.3	1400
1500	157.4	133.2	115.9	102.9	92.8	84.7	78.1	72.6	67.9	63.9	60.4	57.4	54.7	52.3	50.2	48.3	46.6	45.0	43.6	42.2	41.0	39.9	38.9	37.9	37.0	36.2	35.4	34.7	34.0	33.3	1500
Term. 2/	18.046	15.038	12.890	11.279	10.026	9.023	8.203	7.519	6.941	6.445	6.015	5.639	5.308	5.013	4.749	4.512	4.297	4.101	3.923	3.760	3.609	3.470	3.342	3.223	3.111	3.008	2.911	2.820	2.734	2.654	Term. 2/
L. H. 3/	.092920	.078758	.068643	.061056	.055156	.050435	.046573	.043354	.040631	.038296	.036273	.034503	.032941	.031553	.030311	.029193	.028181	.027261	.026422	.025652	.024944	.024290	.023685	.023123	.022600	.022112	.021655	.021227	.020824	.020446	L. H. 3/

1/ Based on a tare weight of 22.9 tons and a ratio of empty car miles to loaded car miles of 0.378. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 43 (Concluded).—TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	10
20	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	20
30	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.8	30
40	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	40
50	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	50
60	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	60
70	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	70
80	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	80
90	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	90
100	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	100
120	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.2	120
140	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	3.5	3.5	140
160	5.8	5.7	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	4.0	3.9	3.9	3.8	3.8	3.7	160
180	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	180
200	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	200
220	7.0	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	220
240	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	240
260	7.8	7.6	7.5	7.3	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.3	5.2	260
280	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	5.5	280
300	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	6.0	5.9	5.8	5.8	300
320	9.0	8.8	8.7	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.3	6.2	6.1	6.1	320
340	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.6	6.5	6.4	6.4	340
360	9.8	9.6	9.4	9.3	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	6.7	360
380	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	7.0	380
400	10.6	10.4	10.2	10.0	9.9	9.7	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	7.3	7.2	400
420	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	420
440	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	440
460	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.0	8.9	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.3	8.2	8.1	460
480	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	8.5	8.4	480
500	12.6	12.4	12.2	11.9	11.7	11.5	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	500
600	14.6	14.4	14.1	13.9	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.3	12.1	12.0	11.8	11.7	11.5	11.4	11.3	11.2	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.2	600
700	16.6	16.3	16.0	15.8	15.5	15.3	15.0	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.5	13.3	13.2	13.0	12.9	12.7	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.8	11.7	11.6	700
800	18.6	18.3	18.0	17.7	17.4	17.1	16.9	16.6	16.4	16.1	15.9	15.7	15.5	15.3	15.1	15.0	14.8	14.6	14.5	14.3	14.2	14.0	13.9	13.8	13.6	13.5	13.4	13.3	13.2	13.1	800
900	20.7	20.3	19.9	19.6	19.3	19.0	18.7	18.4	18.1	17.9	17.7	17.4	17.2	17.0	16.8	16.6	16.4	16.2	16.1	15.9	15.7	15.6	15.4	15.3	15.2	15.0	14.9	14.8	14.7	14.5	900
1000	22.7	22.3	21.9	21.5	21.2	20.8	20.5	20.2	19.9	19.7	19.4	19.1	18.9	18.7	18.5	18.3	18.0	17.9	17.7	17.5	17.3	17.1	17.0	16.8	16.7	16.5	16.4	16.3	16.1	16.0	1000
1100	24.7	24.2	23.8	23.4	23.0	22.7	22.3	22.0	21.7	21.4	21.1	20.9	20.6	20.4	20.1	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.4	18.2	18.0	17.9	17.7	17.6	17.5	1100
1200	26.7	26.2	25.8	25.3	24.9	24.5	24.2	23.8	23.5	23.2	22.9	22.6	22.3	22.0	21.8	21.5	21.3	21.1	20.9	20.7	20.5	20.3	20.1	19.9	19.7	19.5	19.4	19.2	19.1	18.9	1200
1300	28.7	28.2	27.7	27.2	26.8	26.4	26.0	25.6	25.3	24.9	24.6	24.3	24.0	23.7	23.4	23.2	22.9	22.7	22.5	22.2	22.0	21.8	21.6	21.4	21.2	21.0	20.9	20.7	20.5	20.4	1300
1400	30.7	30.2	29.6	29.2	28.7	28.3	27.8	27.4	27.1	26.7	26.4	26.0	25.7	25.4	25.1	24.8	24.6	24.3	24.1	23.8	23.6	23.4	23.1	22.9	22.7	22.5	22.4	22.2	22.0	21.8	1400
1500	32.7	32.1	31.6	31.1	30.6	30.1	29.7	29.2	28.8	28.5	28.1	27.7	27.4	27.1	26.8	26.5	26.2	25.9	25.7	25.4	25.2	24.9	24.7	24.5	24.3	24.1	23.9	23.7	23.5	23.3	1500
Term. 2/	2.578	2.506	2.439	2.374	2.314	2.256	2.201	2.148	2.098	2.051	2.005	1.962	1.920	1.880	1.841	1.805	1.769	1.735	1.702	1.671	1.641	1.611	1.583	1.556	1.529	1.504	1.479	1.455	1.432	1.410	Term. 2/
L. H. 3/	.020089	.019751	.019432	.019130	.018844	.018571	.018312	.018065	.017830	.017606	.017391	.017186	.016989	.016801	.016620	.016447	.016280	.016120	.015966	.015818	.015675	.015537	.015404	.015275	.015151	.015031	.014915	.014802	.014694	.014588	L. H. 3/

1/ Based on a tare weight of 22.9 tons and a ratio of empty car miles to loaded car miles of 0.378. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 44.--TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.0	15.9	13.6	11.9	10.6	9.6	8.7	8.0	7.4	6.9	6.4	6.0	5.7	5.3	5.1	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	3.0	2.9	10
20	20.0	16.7	14.4	12.6	11.2	10.1	9.2	8.4	7.8	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	3.1	20
30	21.0	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.7	7.2	6.7	6.4	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	30
40	22.0	18.4	15.8	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.6	7.1	6.7	6.3	6.0	5.7	5.5	5.3	5.0	4.8	4.7	4.5	4.3	4.2	4.1	3.9	3.8	3.7	3.6	3.5	40
50	23.0	19.3	16.6	14.5	13.0	11.7	10.7	9.8	9.1	8.5	7.9	7.5	7.1	6.7	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	50
60	24.0	20.1	17.3	15.2	13.6	12.2	11.2	10.3	9.5	8.9	8.3	7.8	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.0	3.9	60
70	25.0	20.9	18.0	15.8	14.1	12.8	11.7	10.7	10.0	9.3	8.7	8.2	7.8	7.4	7.0	6.7	6.4	6.1	5.9	5.7	5.4	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	4.2	70
80	26.0	21.8	18.8	16.5	14.7	13.3	12.2	11.2	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	4.4	80
90	27.0	22.6	19.5	17.1	15.3	13.9	12.7	11.7	10.8	10.1	9.5	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	5.0	4.8	4.7	4.6	90
100	28.0	23.5	20.2	17.8	15.9	14.4	13.2	12.1	11.3	10.5	9.9	9.3	8.8	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.0	4.9	4.8	100
120	30.0	25.2	21.7	19.1	17.1	15.5	14.2	13.1	12.1	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	6.0	5.8	5.6	5.5	5.4	5.2	120
140	32.0	26.8	23.2	20.4	18.3	16.5	15.1	14.0	13.0	12.1	11.4	10.8	10.2	9.7	9.2	8.8	8.5	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.4	6.3	6.1	5.9	5.8	5.7	140
160	34.0	28.5	24.6	21.7	19.4	17.6	16.1	14.9	13.9	13.0	12.2	11.5	10.9	10.4	9.9	9.4	9.1	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	6.5	6.4	6.2	6.1	160
180	36.0	30.2	26.1	23.0	20.6	18.7	17.1	15.8	14.7	13.8	12.9	12.2	11.6	11.0	10.5	10.1	9.7	9.3	8.9	8.6	8.3	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.7	6.5	180
200	38.0	31.9	27.6	24.3	21.8	19.8	18.1	16.7	15.8	14.6	13.7	13.0	12.3	11.7	11.2	10.7	10.2	9.9	9.5	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.1	6.9	200
220	40.0	33.6	29.0	25.6	23.0	20.9	19.1	17.7	16.4	15.4	14.5	13.7	13.0	12.4	11.8	11.3	10.8	10.4	10.1	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.4	220
240	41.9	35.3	30.5	26.9	24.2	21.9	20.1	18.6	17.3	16.2	15.3	14.4	13.7	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.1	8.8	8.6	8.4	8.2	8.0	7.8	240
260	43.9	37.0	32.0	28.2	25.3	23.0	21.1	19.5	18.2	17.0	16.0	15.2	14.4	13.7	13.1	12.5	12.0	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.3	9.0	8.8	8.6	8.4	8.2	260
280	45.9	38.6	33.4	29.5	26.5	24.1	22.1	20.4	19.0	17.8	16.8	15.9	15.1	14.4	13.7	13.2	12.6	12.2	11.7	11.3	11.0	10.6	10.3	10.0	9.8	9.5	9.3	9.1	8.8	8.7	280
300	47.9	40.3	34.9	30.8	27.7	25.2	23.1	21.4	19.9	18.6	17.6	16.6	15.8	15.0	14.4	13.8	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5	10.2	10.0	9.7	9.5	9.3	9.1	300
320	49.9	42.0	36.4	32.1	28.9	26.2	24.1	22.3	20.8	19.5	18.3	17.3	16.5	15.7	15.0	14.4	13.8	13.3	12.8	12.4	12.0	11.7	11.3	11.0	10.7	10.4	10.2	9.9	9.7	9.5	320
340	51.9	43.7	37.8	33.5	30.0	27.3	25.1	23.2	21.6	20.3	19.1	18.1	17.2	16.4	15.6	15.0	14.4	13.9	13.4	13.0	12.5	12.2	11.8	11.5	11.2	10.9	10.6	10.4	10.2	9.9	340
360	53.9	45.4	39.3	34.8	31.2	28.4	26.1	24.1	22.5	21.1	19.9	18.8	17.9	17.0	16.3	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.8	10.6	10.4	360
380	55.9	47.1	40.8	36.1	32.4	29.5	27.0	25.0	23.4	21.9	20.6	19.5	18.6	17.7	16.9	16.2	15.6	15.0	14.5	14.0	13.6	13.2	12.8	12.5	12.1	11.8	11.5	11.3	11.0	10.8	380
400	57.9	48.8	42.2	37.4	33.6	30.5	28.0	26.0	24.2	22.7	21.4	20.3	19.3	18.4	17.6	16.9	16.2	15.6	15.1	14.6	14.1	13.7	13.3	12.9	12.6	12.3	12.0	11.7	11.5	11.2	400
420	59.9	50.4	43.7	38.7	34.7	31.6	29.0	26.9	25.1	23.5	22.2	21.0	20.0	19.0	18.2	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.1	12.8	12.5	12.2	11.9	11.7	420
440	61.9	52.1	45.2	40.0	35.9	32.7	30.0	27.8	25.9	24.3	23.0	21.7	20.7	19.7	18.9	18.1	17.4	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.6	13.2	12.9	12.6	12.3	12.1	440
460	63.8	53.8	46.7	41.3	37.1	33.8	31.0	28.7	26.8	25.2	23.7	22.5	21.4	20.4	19.5	18.7	18.0	17.3	16.7	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.4	13.1	12.8	12.5	460
480	65.8	55.5	48.1	42.6	38.3	34.8	32.0	29.7	27.7	26.0	24.5	23.2	22.1	21.0	20.1	19.3	18.6	17.9	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.2	13.8	13.5	13.2	12.9	480
500	67.8	57.2	49.6	43.9	39.5	35.9	33.0	30.6	28.5	26.8	25.3	23.9	22.8	21.7	20.8	19.9	19.2	18.5	17.9	17.3	16.7	16.3	15.8	15.4	15.0	14.6	14.3	14.0	13.6	13.4	500
600	77.8	65.6	56.9	50.4	45.3	41.3	38.0	35.2	32.9	30.8	29.1	27.6	26.2	25.1	24.0	23.0	22.1	21.4	20.6	20.0	19.4	18.8	18.3	17.8	17.4	16.9	16.5	16.2	15.8	15.5	600
700	87.7	74.0	64.3	56.9	41.2	46.7	42.9	39.8	37.2	34.9	33.0	31.2	29.7	28.4	27.2	26.1	25.1	24.2	23.4	22.7	22.0	21.4	20.8	20.2	19.7	19.3	18.8	18.4	18.0	17.7	700
800	97.7	82.5	71.6	63.4	57.1	52.0	47.9	44.4	41.5	39.0	36.8	34.9	33.2	31.7	30.4	29.2	28.1	27.1	26.2	25.4	24.6	23.9	23.3	22.7	22.1	21.6	21.1	20.6	20.2	19.8	800
900	107.7	90.9	78.9	70.0	63.0	57.4	52.8	49.0	45.8	43.0	40.7	38.6	36.7	35.1	33.6	32.3	31.1	30.0	29.0	28.1	27.3	26.5	25.8	25.1	24.5	23.9	23.4	22.9	22.4	21.9	900
1000	117.6	99.3	86.3	76.5	68.9	62.8	57.8	53.6	50.1	47.1	44.5	42.2	40.2	38.4	36.8	35.4	34.1	32.9	31.8	30.8	29.9	29.0	28.3	27.5	26.9	26.2	25.6	25.1	24.6	24.1	1000
1100	127.6	107.8	93.6	83.0	74.8	68.2	62.8	58.3	54.4	51.2	48.4	45.9	43.7	41.8	40.0	38.5	37.0	35.8	34.6	33.5	32.5	31.6	30.8	30.0	29.2	28.6	27.9	27.3	26.7	26.2	1100
1200	137.5	116.2	101.0	89.5	80.6	73.5	67.7	62.9	58.8	55.3	52.2	49.5	47.2	45.1	43.2	41.5	40.0	38.6	37.4	36.2	35.1	34.2	33.2	32.4	31.6	30.9	30.2	29.5	28.9	28.4	1200
1300	147.5	124.6	108.3	96.1	86.5	78.9	72.7	67.5	63.1	59.3	56.1	53.2	50.7	48.4	46.4	44.6	43.0	41.5	40.2	38.9	37.8	36.7	35.7	34.8	34.0	33.2	32.5	31.8	31.1	30.5	1300
1400	157.4	133.1	115.6	102.6	92.4	84.3	77.6	72.1	67.4	63.4	59.9	56.9	54.2	51.8	49.6	47.7	46.0	44.4	42.9	41.6	40.4	39.3	38.2	37.3	36.4	35.5	34.7	34.0	33.3	32.6	1400
1500	167.4	141.5	123.0	109.1	98.3	89.7	82.6	76.7	71.7	67.5	63.8	60.5	57.7	55.1	52.8	50.8	48.9	47.3	45.7	44.3	43.0	41.8	40.7	39.7	38.7	37.8	37.0	36.2	35.5	34.8	1500
Term. 2/	18.046	15.038	12.890	11.279	10.026	9.023	8.203	7.519	6.941	6.445	6.015	5.639	5.308	5.013	4.749	4.512	4.297	4.101	3.923	3.760	3.609	3.470	3.342	3.223	3.111	3.008	2.911	2.820	2.734	2.654	Term. 2/
L. H. 3/	.099570	.084300	.073393	.065213	.058850	.053760	.049595	.046125	.043188	.040671	.038490	.036581	.034897	.033400	.032061	.030855	.029764	.028773	.027867	.027038	.026274	.025569	.024917	.024311	.023747	.023220	.022727	.022266	.021832	.021424	L. H. 3/

1/ Based on a tare weight of 18.5 tons and a ratio of empty car miles to loaded car miles of 0.576. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value; including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 44 (Concluded).--TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	10
20	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	20
30	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	30
40	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	40
50	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2	50
60	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	60
70	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	70
80	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	80
90	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	90
100	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	2.9	100
120	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	120
140	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	140
160	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	4.0	3.9	3.9	3.8	160
180	6.4	6.2	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	180
200	6.8	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	200
220	7.2	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	220
240	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	240
260	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	5.5	5.4	5.4	5.3	260
280	8.5	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	280
300	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.1	6.0	5.9	300
320	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	6.2	320
340	9.7	9.5	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.7	6.6	6.5	340
360	10.2	9.9	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.8	360
380	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.2	380
400	11.0	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.5	400
420	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.8	420
440	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.1	440
460	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.8	8.7	8.6	8.5	8.4	8.4	460
480	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	480
500	13.1	12.8	12.6	12.4	12.2	12.0	11.7	11.6	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	9.0	500
600	15.2	14.9	14.6	14.4	14.1	13.9	13.7	13.5	13.3	13.1	12.9	12.7	12.5	12.4	12.2	12.1	11.9	11.8	11.7	11.5	11.4	11.3	11.2	11.1	11.0	10.9	10.8	10.7	10.6	10.5	600
700	17.3	17.0	16.7	16.4	16.1	15.8	15.6	15.3	15.1	14.9	14.7	14.5	14.3	14.1	14.0	13.8	13.6	13.5	13.3	13.2	13.0	12.9	12.8	12.6	12.5	12.4	12.3	12.2	12.1	12.0	700
800	19.4	19.0	18.7	18.4	18.1	17.8	17.5	17.2	17.0	16.7	16.5	16.3	16.1	15.9	15.7	15.5	15.3	15.1	15.0	14.8	14.7	14.5	14.4	14.2	14.1	14.0	13.8	13.7	13.6	13.5	800
900	21.5	21.1	20.7	20.4	20.0	19.7	19.4	19.1	18.8	18.6	18.3	18.1	17.8	17.6	17.4	17.2	17.0	16.8	16.6	16.5	16.3	16.1	16.0	15.8	15.7	15.5	15.4	15.3	15.1	15.0	900
1000	23.6	23.2	22.8	22.4	22.0	21.7	21.3	21.0	20.7	20.4	20.1	19.9	19.6	19.4	19.1	18.9	18.7	18.5	18.3	18.1	17.9	17.7	17.6	17.4	17.2	17.1	16.9	16.8	16.7	16.5	1000
1100	25.7	25.2	24.8	24.4	24.0	23.6	23.2	22.9	22.6	22.2	21.9	21.7	21.4	21.1	20.9	20.6	20.4	20.2	20.0	19.7	19.5	19.4	19.2	19.0	18.8	18.6	18.5	18.3	18.2	18.0	1100
1200	27.8	27.3	26.8	26.4	25.9	25.5	25.1	24.8	24.4	24.1	23.8	23.5	23.2	22.9	22.6	22.3	22.1	21.8	21.6	21.4	21.2	21.0	20.8	20.6	20.4	20.2	20.0	19.9	19.7	19.5	1200
1300	29.9	29.4	28.9	28.4	27.9	27.5	27.1	26.7	26.3	25.9	25.6	25.2	24.9	24.6	24.3	24.1	23.8	23.5	23.3	23.0	22.8	22.6	22.4	22.2	22.0	21.8	21.6	21.4	21.2	21.1	1300
1400	32.0	31.5	30.9	30.4	29.9	29.4	29.0	28.5	28.1	27.8	27.4	27.0	26.7	26.4	26.1	25.8	25.5	25.2	24.9	24.7	24.4	24.2	24.0	23.7	23.5	23.3	23.1	22.9	22.7	22.6	1400
1500	34.1	33.5	32.9	32.4	31.9	31.4	30.9	30.4	30.0	29.6	29.2	28.8	28.5	28.1	27.8	27.5	27.2	26.9	26.6	26.3	26.1	25.8	25.6	25.3	25.1	24.9	24.7	24.5	24.3	24.1	1500
Term. 2/	2.578	2.506	2.439	2.374	2.314	2.256	2.201	2.148	2.098	2.051	2.005	1.962	1.920	1.880	1.841	1.805	1.769	1.735	1.702	1.671	1.641	1.611	1.583	1.556	1.529	1.504	1.479	1.455	1.432	1.410	Term. 2/
L. H. 3/	.021039	.020675	.020331	.020005	.019696	.019403	.019123	.018857	.018603	.018361	.018130	.017909	.017697	.017494	.017299	.017112	.016932	.016760	.016593	.016433	.016279	.016130	.015987	.015848	.015714	.015585	.015460	.015339	.015221	.015108	L. H. 3/

1/ Based on a tare weight of 18.5 tons and a ratio of empty car miles to loaded car miles of 0.676. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 45.--TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.2	16.0	13.7	12.0	10.7	9.6	8.8	8.0	7.4	6.9	6.5	6.1	5.7	5.4	5.1	4.9	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	2.9	10
20	20.4	17.0	14.6	12.8	11.4	10.3	9.3	8.6	7.9	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	20
30	21.5	18.0	15.4	13.5	12.1	10.9	9.9	9.1	8.4	7.8	7.3	6.9	6.5	6.2	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	3.4	30
40	22.7	19.0	16.3	14.3	12.7	11.5	10.5	9.6	8.9	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	40
50	23.9	19.9	17.2	15.1	13.4	12.1	11.1	10.2	9.4	8.8	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	3.8	50
60	25.0	20.9	18.0	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.7	8.1	7.7	7.3	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	60
70	26.2	21.9	18.9	16.6	14.8	13.4	12.2	11.2	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.4	4.3	70
80	27.3	22.9	19.7	17.3	15.5	14.0	12.8	11.8	10.9	10.2	9.5	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.6	80
90	28.5	23.9	20.6	18.1	16.2	14.6	13.3	12.3	11.4	10.6	10.0	9.4	8.9	8.4	8.0	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.3	5.2	5.1	4.9	4.8	90
100	29.7	24.9	21.4	18.8	16.8	15.2	13.9	12.8	11.9	11.1	10.4	9.8	9.3	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.3	6.1	6.0	5.8	5.6	5.5	5.3	5.2	5.0	100
120	32.0	26.8	23.1	20.4	18.2	16.5	15.1	13.9	12.9	12.0	11.3	10.7	10.1	9.6	9.1	8.7	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	5.5	120
140	34.3	28.8	24.8	21.9	19.6	17.7	16.2	14.9	13.9	13.0	12.2	11.5	10.9	10.3	9.9	9.4	9.0	8.7	8.3	8.0	7.8	7.5	7.3	7.0	6.8	6.6	6.5	6.3	6.1	6.0	140
160	36.6	30.7	26.5	23.4	20.9	19.0	17.3	16.0	14.9	13.9	13.1	12.3	11.7	11.1	10.6	10.1	9.7	9.3	9.0	8.6	8.3	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.6	6.5	160
180	39.0	32.7	28.2	24.9	22.3	20.2	18.5	17.1	15.9	14.8	13.9	13.2	12.5	11.9	11.3	10.8	10.4	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.3	7.1	7.0	180
200	41.3	34.7	29.9	26.4	23.5	21.4	19.6	18.1	16.9	15.8	14.8	14.0	13.3	12.6	12.0	11.5	11.0	10.6	10.2	9.9	9.5	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.4	200
220	43.6	36.6	31.7	27.9	25.0	22.7	20.8	19.2	17.9	16.7	15.7	14.8	14.1	13.4	12.8	12.2	11.7	11.3	10.8	10.5	10.1	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.1	7.9	220
240	45.9	38.6	33.4	29.4	26.4	23.9	21.9	20.3	18.8	17.6	16.6	15.7	14.9	14.1	13.5	12.9	12.4	11.9	11.5	11.1	10.7	10.4	10.1	9.8	9.5	9.2	9.0	8.8	8.6	8.4	240
260	48.3	40.6	35.1	30.9	27.7	25.2	23.1	21.3	19.8	18.6	17.5	16.5	15.7	14.9	14.2	13.6	13.1	12.6	12.1	11.7	11.3	10.9	10.6	10.3	10.0	9.8	9.5	9.3	9.1	8.9	260
280	50.6	42.5	36.8	32.5	29.1	26.4	24.2	22.4	20.8	19.5	18.3	17.3	16.4	15.7	15.0	14.3	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	10.3	10.0	9.8	9.6	9.3	280
300	52.9	44.5	38.5	34.0	30.5	27.6	25.4	23.4	21.8	20.4	19.2	18.2	17.2	16.4	15.7	15.0	14.4	13.9	13.4	12.9	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.0	9.8	300
320	55.2	46.5	40.2	35.5	31.8	28.9	26.5	24.5	22.8	21.4	20.1	19.0	18.0	17.2	16.4	15.7	15.1	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.6	11.3	11.0	10.8	10.5	10.3	320
340	57.6	48.4	41.9	37.0	33.2	30.1	27.6	25.6	23.8	22.3	21.0	19.8	18.8	17.9	17.1	16.4	15.8	15.2	14.6	14.1	13.7	13.3	12.9	12.5	12.2	11.8	11.6	11.3	11.0	10.8	340
360	59.9	50.4	43.6	38.5	34.5	31.4	28.8	26.6	24.8	23.2	21.9	20.7	19.6	18.7	17.9	17.1	16.4	15.8	15.3	14.7	14.3	13.8	13.4	13.0	12.7	12.4	12.1	11.8	11.5	11.2	360
380	62.2	52.3	45.3	40.0	35.9	32.6	29.9	27.7	25.8	24.2	22.7	21.5	20.4	19.5	18.6	17.8	17.1	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.2	12.9	12.6	12.3	12.0	11.7	380
400	64.5	54.3	47.0	41.5	37.3	33.9	31.1	28.7	26.8	25.1	23.6	22.4	21.2	20.2	19.3	18.5	17.8	17.1	16.5	16.0	15.4	15.0	14.5	14.1	13.8	13.4	13.1	12.8	12.5	12.2	400
420	66.9	56.3	48.7	43.0	38.6	35.1	32.2	29.8	27.8	26.0	24.5	23.2	22.0	21.0	20.1	19.2	18.5	17.8	17.1	16.6	16.0	15.6	15.1	14.7	14.3	13.9	13.6	13.3	13.0	12.7	420
440	69.2	58.2	50.4	44.5	40.0	36.3	33.4	30.9	28.8	27.0	25.4	24.0	22.8	21.7	20.8	19.9	19.1	18.4	17.8	17.2	16.6	16.1	15.7	15.2	14.8	14.4	14.1	13.8	13.4	13.2	440
460	71.5	60.2	52.1	46.1	41.3	37.6	34.5	31.9	29.8	27.9	26.3	24.9	23.6	22.5	21.5	20.6	19.8	19.1	18.4	17.8	17.2	16.7	16.2	15.8	15.4	15.0	14.6	14.3	13.9	13.6	460
480	73.8	62.2	53.8	47.6	42.7	38.8	35.6	33.0	30.7	28.8	27.2	25.7	24.4	23.3	22.2	21.3	20.5	19.7	19.0	18.4	17.8	17.3	16.8	16.3	15.9	15.5	15.1	14.8	14.4	14.1	480
500	76.2	64.1	55.5	49.1	44.1	40.1	36.8	34.0	31.7	29.8	28.0	26.5	25.2	24.0	23.0	22.0	21.2	20.4	19.7	19.0	18.4	17.9	17.3	16.9	16.4	16.0	15.6	15.3	14.9	14.6	500
600	87.8	73.9	64.1	56.6	50.9	46.3	42.5	39.4	36.7	34.4	32.4	30.7	29.2	27.8	26.6	25.5	24.5	23.6	22.8	22.1	21.4	20.7	20.1	19.6	19.1	18.6	18.2	17.7	17.3	17.0	600
700	99.4	83.8	72.6	64.2	57.7	52.5	48.2	44.7	41.7	39.1	36.8	34.9	33.2	31.6	30.3	29.0	27.9	26.9	26.0	25.1	24.3	23.6	22.9	22.3	21.7	21.2	20.7	20.2	19.8	19.4	700
800	111.0	93.6	81.1	71.8	64.5	58.7	53.9	50.0	46.6	43.7	41.2	39.1	37.1	35.4	33.9	32.5	31.3	30.1	29.1	28.2	27.3	26.5	25.7	25.0	24.4	23.8	23.2	22.7	22.2	21.8	800
900	122.6	103.4	89.6	79.3	71.3	64.9	59.6	55.3	51.6	48.4	45.6	43.2	41.1	39.2	37.5	36.0	34.7	33.4	32.3	31.2	30.3	29.4	28.5	27.8	27.1	26.4	25.8	25.2	24.7	24.1	900
1000	134.3	113.2	98.2	86.9	78.1	71.1	63.4	60.6	56.5	53.1	50.1	47.4	45.1	43.0	41.2	39.5	38.0	36.7	35.4	34.3	33.2	32.2	31.3	30.5	29.7	29.0	28.3	27.7	27.1	26.5	1000
1100	145.9	123.0	106.7	94.5	84.9	77.3	71.1	65.9	61.5	57.7	54.5	51.6	49.1	46.8	44.8	43.0	41.4	39.9	38.6	37.3	36.2	35.1	34.1	33.2	32.4	31.6	30.9	30.2	29.5	28.9	1100
1200	157.5	132.8	115.2	102.0	91.7	83.5	76.8	71.2	66.4	62.4	58.9	55.8	53.1	50.6	48.5	46.5	44.8	43.2	41.7	40.4	39.1	38.0	36.9	36.0	35.1	34.2	33.4	32.7	32.0	31.3	1200
1300	169.1	142.7	123.8	109.6	98.5	89.7	82.5	76.5	71.4	67.0	63.3	60.0	57.0	54.4	52.1	50.0	48.1	46.4	44.9	43.4	42.1	40.9	39.7	38.7	37.7	36.8	35.9	35.1	34.4	33.7	1300
1400	180.7	152.5	132.3	117.1	105.4	95.9	88.2	81.8	76.4	71.7	67.7	64.1	61.0	58.2	55.8	53.5	51.5	49.7	48.0	46.5	45.1	43.7	42.5	41.4	40.4	39.4	38.5	37.6	36.8	36.1	1400
1500	192.4	162.3	140.8	124.7	112.2	102.1	93.9	87.1	81.3	76.4	72.1	68.3	65.0	62.0	59.4	57.0	54.9	52.9	51.2	49.5	48.0	46.6	45.3	44.1	43.0	42.0	41.0	40.1	39.3	38.5	1500
Term. 2/	18.046	15.038	12.890	11.279	10.026	9.023	8.203	7.519	6.941	6.445	6.015	5.639	5.308	5.013	4.749	4.512	4.297	4.101	3.923	3.760	3.609	3.470	3.342	3.223	3.111	3.008	2.911	2.820	2.734	2.654	Term. 2/
L. H. 3/	.116210	.098167	.085279	.075613	.068094	.062080	.057159	.053058	.049588	.046614	.044037	.041781	.039791	.038022	.036439	.035015	.033726	.032555	.031485	.030504	.029602	.028769	.027998	.027282	.026616	.025993	.025411	.024866	.024353	.023871	L. H. 3/

1/ Based on a tare weight of 21.9 tons and a ratio of empty car miles to loaded car miles of 0.802. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 45 (Concluded).--TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.8	2.7	2.7	2.8	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	10
20	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	20
30	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	30
40	3.5	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	70
80	4.5	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	90
100	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.1	100
120	5.4	5.3	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.4	3.4	120
140	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	140
160	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	160
180	6.8	6.6	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	180
200	7.3	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	200
220	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	220
240	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.3	240
260	8.7	8.5	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.9	5.8	5.7	5.7	260
280	9.1	8.9	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	280
300	9.6	9.4	9.2	9.0	8.9	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	300
320	10.1	9.9	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.7	320
340	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	340
360	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	360
380	11.5	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.6	380
400	11.9	11.7	11.5	11.3	11.0	10.8	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	400
420	12.4	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	8.3	420
440	12.9	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	440
460	13.3	13.1	12.8	12.6	12.4	12.1	11.9	11.7	11.5	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	9.0	460
480	13.8	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.7	9.7	9.6	9.5	9.4	9.3	480
500	14.3	14.0	13.7	13.5	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.7	11.5	11.3	11.2	11.1	10.9	10.8	10.7	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	500
600	16.6	16.3	16.0	15.7	15.4	15.1	14.9	14.7	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.3	12.2	12.1	11.9	11.8	11.7	11.6	11.5	11.4	11.3	600
700	19.0	18.6	18.2	17.9	17.6	17.3	17.0	16.7	16.5	16.2	16.0	15.8	15.5	15.3	15.1	14.9	14.8	14.6	14.4	14.3	14.1	13.9	13.8	13.7	13.5	13.4	13.3	13.1	13.0	12.9	700
800	21.3	20.9	20.5	20.1	19.8	19.4	19.1	18.8	18.5	18.3	18.0	17.7	17.5	17.3	17.0	16.8	16.6	16.4	16.2	16.1	15.9	15.7	15.5	15.4	15.2	15.1	14.9	14.8	14.7	14.5	800
900	23.7	23.2	22.8	22.3	22.0	21.6	21.2	20.9	20.6	20.3	20.0	19.7	19.4	19.2	18.9	18.7	18.5	18.3	18.0	17.8	17.7	17.5	17.3	17.1	16.9	16.8	16.6	16.5	16.3	16.2	900
1000	26.0	25.5	25.0	24.6	24.1	23.7	23.4	23.0	22.6	22.3	22.0	21.7	21.4	21.1	20.8	20.6	20.3	20.1	19.9	19.6	19.4	19.2	19.0	18.8	18.7	18.5	18.3	18.1	18.0	17.8	1000
1100	28.3	27.8	27.3	26.8	26.3	25.9	25.5	25.1	24.7	24.3	24.0	23.7	23.3	23.0	22.7	22.5	22.2	21.9	21.7	21.4	21.2	21.0	20.8	20.6	20.4	20.2	20.0	19.8	19.6	19.5	1100
1200	30.7	30.1	29.5	29.0	28.5	28.0	27.6	27.2	26.7	26.4	26.0	25.6	25.3	25.0	24.6	24.3	24.0	23.8	23.5	23.2	23.0	22.8	22.5	22.3	22.1	21.9	21.7	21.5	21.3	21.1	1200
1300	33.0	32.4	31.8	31.2	30.7	30.2	29.7	29.2	28.8	28.4	28.0	27.6	27.2	26.9	26.5	26.2	25.9	25.6	25.3	25.0	24.8	24.5	24.3	24.0	23.8	23.6	23.4	23.1	22.9	22.7	1300
1400	35.4	34.7	34.1	33.4	32.9	32.3	31.8	31.3	30.9	30.4	30.0	29.6	29.2	28.8	28.4	28.1	27.8	27.4	27.1	26.8	26.5	26.3	26.0	25.8	25.5	25.3	25.0	24.8	24.6	24.4	1400
1500	37.7	37.0	36.3	35.7	35.1	34.5	33.9	33.4	32.9	32.4	32.0	31.5	31.1	30.7	30.3	30.0	29.6	29.3	28.9	28.6	28.3	28.0	27.8	27.5	27.2	27.0	26.7	26.5	26.2	26.0	1500
Term. 2/	2.578	2.506	2.439	2.374	2.314	2.256	2.201	2.148	2.098	2.051	2.005	1.962	1.920	1.880	1.841	1.805	1.769	1.735	1.702	1.671	1.641	1.611	1.583	1.556	1.529	1.504	1.479	1.455	1.432	1.410	Term. 2/
L. H. 3/	.023416	.022986	.022580	.022195	.021829	.021483	.021152	.020838	.020538	.020252	.019979	.019717	.019467	.019227	.018997	.018776	.018564	.018360	.018163	.017974	.017792	.017616	.017446	.017283	.017125	.016972	.016824	.016681	.016542	.016408	L. H. 3/

1/ Based on a tare weight of 21.9 tons and a ratio of empty car miles to loaded car miles of 0.802. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. 7 - Southwestern, incl.
Southern Missouri

TANK CARS

TABLE 46.--TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	16.5	13.7	11.8	10.3	9.2	8.3	7.5	6.9	6.4	5.9	5.5	5.2	4.9	4.6	4.4	4.2	4.0	3.8	3.6	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.7	2.6	2.6	2.5	10
20	17.8	14.9	12.8	11.2	10.0	9.0	8.2	7.5	7.0	6.5	6.1	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.8	20
30	19.2	16.0	13.8	12.1	10.8	9.7	8.9	8.1	7.5	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.8	4.5	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	30
40	20.6	17.2	14.8	13.0	11.6	10.4	9.5	8.8	8.1	7.5	7.1	6.6	6.3	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	40
50	21.9	18.3	15.8	13.8	12.4	11.2	10.2	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	3.6	50
60	23.3	19.5	16.8	14.7	13.1	11.9	10.8	10.0	9.2	8.6	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.4	5.2	5.0	4.9	4.7	4.5	4.4	4.3	4.2	4.0	3.9	3.8	60
70	24.6	20.6	17.8	15.6	13.9	12.6	11.5	10.6	9.8	9.2	8.6	8.1	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	70
80	26.0	21.8	18.7	16.5	14.7	13.3	12.2	11.2	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	4.4	80
90	27.3	22.9	19.7	17.4	15.5	14.0	12.8	11.8	11.0	10.2	9.6	9.0	8.5	8.1	7.7	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	4.6	90
100	28.7	24.1	20.7	18.2	16.3	14.8	13.5	12.4	11.5	10.8	10.1	9.5	9.0	8.5	8.1	7.8	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.2	5.0	4.9	100
120	31.4	26.3	22.7	20.0	17.9	16.2	14.8	13.6	12.7	11.8	11.1	10.5	9.9	9.4	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.6	6.4	6.2	6.0	5.9	5.7	5.6	5.4	120
140	34.1	28.6	24.7	21.8	19.5	17.6	16.1	14.9	13.8	12.9	12.1	11.4	10.8	10.3	9.8	9.4	9.0	8.6	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	6.3	6.1	6.0	140
160	36.9	30.9	26.7	23.5	21.0	19.1	17.4	16.1	15.0	14.0	13.1	12.4	11.7	11.2	10.6	10.2	9.7	9.4	9.0	8.7	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.8	6.7	6.5	160
180	39.6	33.2	28.7	25.3	22.6	20.5	18.8	17.3	16.1	15.1	14.1	13.4	12.6	12.0	11.5	11.0	10.5	10.1	9.7	9.4	9.1	8.8	8.5	8.2	8.0	7.8	7.6	7.4	7.2	7.0	180
200	42.3	35.5	30.7	27.0	24.2	21.9	20.1	18.5	17.2	16.1	15.2	14.3	13.6	12.9	12.3	11.8	11.3	10.8	10.4	10.1	9.7	9.4	9.1	8.9	8.6	8.4	8.2	7.9	7.8	7.6	200
220	45.0	37.8	32.6	28.8	25.8	23.4	21.4	19.8	18.4	17.2	16.2	15.3	14.5	13.8	13.1	12.6	12.0	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.1	220
240	47.7	40.1	34.6	30.5	27.4	24.8	22.7	21.0	19.5	18.3	17.2	16.2	15.4	14.6	14.0	13.4	12.8	12.3	11.9	11.5	11.1	10.7	10.4	10.1	9.8	9.5	9.3	9.1	8.8	8.8	240
260	50.4	42.4	36.6	32.3	28.9	26.3	24.1	22.2	20.7	19.3	18.2	17.2	16.3	15.5	14.8	14.2	13.6	13.1	12.6	12.1	11.7	11.4	11.0	10.7	10.4	10.1	9.9	9.6	9.4	9.2	260
280	53.2	44.7	38.6	34.1	30.5	27.7	25.4	23.4	21.8	20.4	19.2	18.1	17.2	16.4	15.6	15.0	14.4	13.8	13.3	12.8	12.4	12.0	11.7	11.3	11.0	10.7	10.4	10.2	9.9	9.7	280
300	55.9	47.0	40.6	35.8	32.1	29.1	26.7	24.7	23.0	21.5	20.2	19.1	18.1	17.2	16.5	15.8	15.1	14.5	14.0	13.5	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.7	10.5	10.3	300
320	58.6	49.3	42.6	37.6	33.7	30.6	28.0	25.9	24.1	22.6	21.2	20.1	19.0	18.1	17.3	16.6	15.9	15.3	14.7	14.2	13.8	13.3	12.9	12.6	12.2	11.9	11.6	11.3	11.0	10.8	320
340	61.3	51.5	44.6	39.3	35.3	32.0	29.3	27.1	25.2	23.6	22.2	21.0	19.9	19.0	18.1	17.4	16.7	16.0	15.4	14.9	14.4	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.3	340
360	64.0	53.8	46.5	41.1	36.8	33.4	30.7	28.3	26.4	24.7	23.2	22.0	20.9	19.9	19.0	18.2	17.4	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.1	12.7	12.4	12.1	11.9	360
380	66.7	56.1	48.5	42.8	38.4	34.9	32.0	29.6	27.5	25.8	24.3	22.9	21.8	20.7	19.8	19.0	18.2	17.5	16.9	16.3	15.8	15.3	14.8	14.4	14.0	13.6	13.3	13.0	12.7	12.4	380
400	69.5	58.4	50.5	44.6	40.0	36.3	33.3	30.8	28.7	26.9	25.3	23.9	22.7	21.6	20.6	19.8	19.0	18.2	17.6	17.0	16.4	15.9	15.5	15.0	14.6	14.2	13.9	13.5	13.2	12.9	400
420	72.2	60.7	52.5	46.4	41.6	37.8	34.6	32.0	29.8	27.9	26.3	24.9	23.6	22.5	21.5	20.5	19.7	19.0	18.3	17.7	17.1	16.6	16.1	15.6	15.2	14.8	14.4	14.1	13.8	13.5	420
440	74.9	63.0	54.5	48.1	43.2	39.2	36.0	33.2	31.0	29.0	27.3	25.8	24.5	23.3	22.3	21.3	20.5	19.7	19.0	18.4	17.8	17.2	16.7	16.2	15.8	15.4	15.0	14.7	14.3	14.0	440
460	77.6	65.3	56.5	49.9	44.7	40.6	37.3	34.5	32.1	30.1	28.3	26.8	25.4	24.2	23.1	22.1	21.3	20.5	19.7	19.1	18.4	17.9	17.4	16.9	16.4	16.0	15.6	15.2	14.9	14.5	460
480	80.3	67.6	58.5	51.6	46.3	42.1	38.6	35.7	33.2	31.1	29.3	27.7	26.3	25.1	23.9	22.9	22.0	21.2	20.4	19.8	19.1	18.5	18.0	17.5	17.0	16.6	16.2	15.8	15.4	15.1	480
500	83.0	69.9	60.5	53.4	47.9	43.5	39.9	36.9	34.4	32.2	30.3	28.7	27.2	25.9	24.8	23.7	22.8	21.9	21.2	20.4	19.8	19.2	18.6	18.1	17.6	17.2	16.7	16.3	16.0	15.6	500
600	96.6	81.3	70.4	62.2	55.8	50.7	46.5	43.0	40.1	37.6	35.4	33.5	31.8	30.3	28.9	27.7	26.6	25.6	24.7	23.9	23.1	22.4	21.8	21.2	20.6	20.1	19.6	19.1	18.7	18.3	600
700	110.2	92.8	80.3	71.0	63.7	57.9	53.1	49.2	45.8	42.9	40.4	38.3	36.3	34.6	33.1	31.7	30.5	29.3	28.3	27.4	26.5	25.7	24.9	24.3	23.6	23.0	22.4	21.9	21.4	21.0	700
800	123.8	104.2	90.2	79.8	71.6	65.1	59.7	55.3	51.5	48.3	45.5	43.1	40.9	39.0	37.3	35.7	34.3	33.0	31.9	30.8	29.8	28.9	28.1	27.3	26.6	25.9	25.3	24.7	24.2	23.6	800
900	137.4	115.7	100.2	88.5	79.5	72.3	66.3	61.4	57.2	53.7	50.6	47.9	45.5	43.3	41.4	39.7	38.2	36.8	35.5	34.3	33.2	32.2	31.3	30.4	29.6	28.9	28.2	27.5	26.9	26.3	900
1000	151.0	127.1	110.1	97.3	87.4	79.5	73.0	67.5	63.0	59.0	55.6	52.6	50.0	47.7	45.6	43.7	42.0	40.5	39.0	37.7	36.6	35.5	34.4	33.5	32.6	31.8	31.0	30.3	29.6	29.0	1000
1100	164.5	138.6	120.0	106.1	95.3	86.6	79.6	73.7	68.7	64.4	60.7	57.4	54.6	52.0	49.7	47.7	45.8	44.2	42.6	41.2	39.9	38.7	37.6	36.6	35.6	34.7	33.9	33.1	32.4	31.7	1100
1200	178.1	150.0	130.0	114.9	103.2	93.8	86.2	79.8	74.4	69.8	65.7	62.2	59.1	56.4	53.9	51.7	49.7	47.9	46.2	44.7	43.3	42.0	40.8	39.6	38.6	37.6	36.7	35.9	35.1	34.3	1200
1300	191.7	161.5	139.9	123.7	111.1	101.0	92.8	85.9	80.1	75.1	70.8	67.0	63.7	60.7	58.1	55.7	53.5	51.6	49.8	48.1	46.6	45.2	43.9	42.7	41.6	40.6	39.6	38.7	37.8	37.0	1300
1400	205.3	172.9	149.8	132.5	119.0	108.2	99.4	92.0	85.8	80.5	75.9	71.8	68.2	65.1	62.2	59.7	57.4	55.3	53.3	51.6	50.0	48.5	47.1	45.8	44.6	43.5	42.4	41.5	40.5	39.7	1400
1500	218.9	184.4	159.8	141.3	126.9	115.4	106.0	98.2	91.5	85.8	80.9	76.6	72.8	69.4	66.4	63.7	61.2	59.0	56.9	55.0	53.3	51.7	50.2	48.9	47.6	46.4	45.3	44.3	43.3	42.4	1500
Term. 2/	15.122	12.602	10.801	9.451	8.401	7.561	6.874	6.301	5.816	5.401	5.041	4.726	4.448	4.201	3.979	3.781	3.600	3.437	3.287	3.150	3.024	2.908	2.800	2.700	2.607	2.520	2.439	2.363	2.291	2.224	Term. 2/
L. H. 3/	.135840	.114525	.099300	.087861	.079000	.071895	.066082	.061238	.057138	.053625	.050580	.047916	.045565	.043475	.041605	.039923	.038400	.037016	.035752	.034594	.033528	.032544	.031633	.030788	.030000	.029265	.028577	.027933	.027327	.026757	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.955. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 46 (Concluded).—TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.4	2.4	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.2	3.1	3.1	3.0	2.9	2.8	2.3	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.9	2.9	2.9	2.8	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	5.8	5.7	5.6	5.5	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.4	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	7.9	7.8	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.5	8.3	8.1	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.5	9.3	9.1	8.9	8.8	8.6	8.4	8.3	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.0	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.8	7.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.6	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.1	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.6	11.4	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	9.9	9.8	9.7	9.5	9.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.2	12.9	12.6	12.4	12.2	11.9	11.7	11.5	11.3	11.2	11.0	10.8	10.7	10.5	10.4	10.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	13.7	13.4	13.1	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	10.9	10.8	10.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.2	13.9	13.7	13.4	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	14.7	14.4	14.2	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	12.0	11.8	11.6	11.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.3	15.0	14.7	14.4	14.1	13.9	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	17.9	17.5	17.2	16.9	16.5	16.3	16.0	15.7	15.5	15.2	15.0	14.8	14.5	14.3	14.1	14.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	20.5	20.1	19.7	19.3	19.0	18.6	18.3	18.0	17.7	17.5	17.2	16.9	16.7	16.5	16.2	16.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.1	22.7	22.2	21.8	21.4	21.0	20.7	20.3	20.0	19.7	19.4	19.1	18.9	18.6	18.3	18.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	25.8	25.2	24.8	24.3	23.9	23.4	23.0	22.7	22.3	22.0	21.6	21.3	21.0	20.7	20.4	20.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	28.4	27.8	27.3	26.8	26.3	25.8	25.4	25.0	24.6	24.2	23.8	23.5	23.2	22.8	22.5	22.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.0	30.4	29.8	29.2	28.7	28.2	27.7	27.3	26.9	26.4	26.1	25.7	25.3	25.0	24.6	24.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	33.6	33.0	32.3	31.7	31.2	30.6	30.1	29.6	29.1	28.7	28.3	27.9	27.5	27.1	26.7	26.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	36.2	35.5	34.8	34.2	33.6	33.0	32.5	31.9	31.4	30.9	30.5	30.1	29.6	29.2	28.8	28.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	38.9	38.1	37.4	36.7	36.0	35.4	34.8	34.2	33.7	33.2	32.7	32.2	31.8	31.4	30.9	30.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	41.5	40.7	39.9	39.2	38.5	37.8	37.2	36.6	36.0	35.4	34.9	34.4	33.9	33.5	33.0	32.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
Term. 2/	2.160	2.100	2.044	1.990	1.933	1.890	1.844	1.800	1.758	1.718	1.680	1.644	1.609	1.575	1.543	1.512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026220	.025713	.025232	.024778	.024346	.023936	.023546	.023175	.022821	.022483	.022160	.021851	.021555	.021272	.021000	.020739	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.955. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 47.—TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.2	16.0	13.7	12.0	10.7	9.6	8.8	8.0	7.4	6.9	6.5	6.1	5.7	5.4	5.1	4.9	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	-	-	-	-	10
20	20.4	17.0	14.6	12.8	11.4	10.3	9.3	8.6	7.9	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.7	4.5	4.4	4.2	4.0	3.9	3.8	3.6	3.5	-	-	-	-	20
30	21.5	18.0	15.4	13.5	12.1	10.9	9.9	9.1	8.4	7.8	7.3	6.9	6.5	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	-	-	-	-	30
40	22.7	18.9	16.3	14.3	12.7	11.5	10.5	9.6	8.9	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	-	-	-	-	40
50	23.8	19.9	17.1	15.0	13.4	12.1	11.0	10.2	9.4	8.8	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	-	-	-	-	50
60	25.0	20.9	18.0	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	-	-	-	-	60
70	26.1	21.9	18.8	16.5	14.8	13.3	12.2	11.2	10.4	9.7	9.1	8.5	8.1	7.7	7.3	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	-	-	-	-	70
80	27.3	22.8	19.7	17.3	15.4	14.0	12.7	11.7	10.9	10.2	9.5	9.0	8.5	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	-	-	-	-	80
90	28.4	23.8	20.5	18.0	16.1	14.6	13.3	12.3	11.4	10.6	10.0	9.4	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.3	6.0	5.8	5.7	5.5	5.3	-	-	-	-	90
100	29.6	24.8	21.4	18.8	16.8	15.2	13.9	12.8	11.9	11.1	10.4	9.8	9.3	8.8	8.4	8.0	7.6	7.3	7.1	6.8	6.6	6.3	6.1	5.9	5.8	5.6	-	-	-	-	100
120	31.9	26.7	23.1	20.3	18.1	16.4	15.0	13.8	12.9	12.0	11.3	10.6	10.1	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	6.1	-	-	-	-	120
140	34.2	28.7	24.7	21.8	19.5	17.7	16.2	14.9	13.8	12.9	12.1	11.5	10.8	10.3	9.8	9.4	9.0	8.6	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	-	-	-	-	140
160	36.5	30.6	26.4	23.3	20.8	18.9	17.3	16.0	14.8	13.9	13.0	12.3	11.6	11.1	10.5	10.1	9.7	9.3	8.9	8.6	8.3	8.0	7.8	7.6	7.3	7.1	-	-	-	-	160
180	38.8	32.6	28.1	24.8	22.2	20.1	18.4	17.0	15.8	14.8	13.9	13.1	12.4	11.8	11.3	10.8	10.3	9.9	9.6	9.2	8.9	8.6	8.4	8.1	7.9	7.7	-	-	-	-	180
200	41.1	34.5	29.8	26.3	23.6	21.4	19.6	18.1	16.8	15.7	14.8	13.9	13.2	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.2	-	-	-	-	200
220	43.4	36.5	31.5	27.8	24.9	22.6	20.7	19.1	17.8	16.6	15.6	14.8	14.0	13.3	12.7	12.2	11.7	11.2	10.8	10.4	10.1	9.8	9.5	9.2	8.9	8.7	-	-	-	-	220
240	45.7	38.4	33.2	29.3	26.3	23.8	21.8	20.2	18.8	17.6	16.5	15.6	14.8	14.1	13.4	12.9	12.3	11.9	11.4	11.0	10.7	10.3	10.0	9.7	9.5	9.2	-	-	-	-	240
260	48.0	40.4	34.9	30.8	27.6	25.1	23.0	21.2	19.8	18.5	17.4	16.4	15.6	14.8	14.2	13.6	13.0	12.5	12.1	11.6	11.3	10.9	10.6	10.3	10.0	9.7	-	-	-	-	260
280	50.4	42.3	36.6	32.3	29.0	26.3	24.1	22.3	20.7	19.4	18.3	17.3	16.4	15.6	14.9	14.3	13.7	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5	10.2	-	-	-	-	280
300	52.7	44.3	38.3	33.8	30.3	27.5	25.2	23.3	21.7	20.3	19.1	18.1	17.2	16.4	15.6	15.0	14.4	13.8	13.3	12.9	12.4	12.1	11.7	11.4	11.1	10.8	-	-	-	-	300
320	55.0	46.2	40.0	35.3	31.7	28.8	26.4	24.4	22.7	21.3	20.0	18.9	18.0	17.1	16.3	15.7	15.0	14.5	13.9	13.5	13.0	12.6	12.3	11.9	11.6	11.3	-	-	-	-	320
340	57.3	48.2	41.7	36.8	33.0	30.0	27.5	25.4	23.7	22.2	20.9	19.8	18.8	17.9	17.1	16.3	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.4	12.1	11.8	-	-	-	-	340
360	59.6	50.1	43.4	38.3	34.4	31.2	28.6	26.5	24.7	23.1	21.8	20.6	19.5	18.6	17.8	17.0	16.4	15.8	15.2	14.7	14.2	13.8	13.4	13.0	12.6	12.3	-	-	-	-	360
380	61.9	52.1	45.1	39.8	35.7	32.5	29.8	27.5	25.7	24.0	22.6	21.4	20.3	19.4	18.5	17.7	17.0	16.4	15.8	15.3	14.8	14.3	13.9	13.5	13.2	12.8	-	-	-	-	380
400	64.2	54.0	46.8	41.3	37.1	33.7	30.9	28.6	26.6	25.0	23.5	22.2	21.1	20.1	19.2	18.4	17.7	17.0	16.4	15.9	15.4	14.9	14.5	14.1	13.7	13.4	-	-	-	-	400
420	66.5	56.0	48.5	42.8	38.4	34.9	32.1	29.7	27.6	25.9	24.4	23.1	21.9	20.9	20.0	19.1	18.4	17.7	17.1	16.5	16.0	15.5	15.0	14.6	14.2	13.8	-	-	-	-	420
440	68.8	57.9	50.2	44.3	39.8	36.2	33.2	30.7	28.6	26.8	25.3	23.9	22.7	21.6	20.7	19.8	19.0	18.3	17.7	17.1	16.6	16.1	15.6	15.2	14.8	14.4	-	-	-	-	440
460	71.1	59.9	51.8	45.8	41.1	37.4	34.3	31.8	29.6	27.8	26.1	24.7	23.5	22.4	21.4	20.5	19.7	19.0	18.3	17.7	17.1	16.6	16.2	15.7	15.3	14.9	-	-	-	-	460
480	73.4	61.8	53.5	47.3	42.5	38.6	35.5	32.8	30.6	28.7	27.0	25.6	24.3	23.2	22.1	21.2	20.4	19.6	18.9	18.3	17.7	17.2	16.7	16.2	15.8	15.4	-	-	-	-	480
500	75.7	63.8	55.2	48.8	43.8	39.9	36.6	33.9	31.6	29.6	27.9	26.4	25.1	23.9	22.9	21.9	21.1	20.3	19.6	18.9	18.3	17.8	17.3	16.8	16.3	15.9	-	-	-	-	500
600	87.3	73.5	63.7	56.3	50.6	46.0	42.3	39.1	36.5	34.2	32.3	30.6	29.0	27.7	26.5	25.4	24.4	23.5	22.7	22.0	21.3	20.6	20.0	19.5	19.0	18.5	-	-	-	-	600
700	98.8	83.3	72.2	63.8	57.4	52.2	48.0	44.4	41.4	38.9	36.6	34.7	33.0	31.5	30.1	28.9	27.8	26.8	25.8	25.0	24.2	23.5	22.8	22.2	21.6	21.1	-	-	-	-	700
800	110.4	93.0	80.6	71.4	64.1	58.4	53.6	49.7	46.4	43.5	41.0	38.9	36.9	35.2	33.7	32.4	31.1	30.0	29.0	28.0	27.2	26.4	25.6	24.9	24.3	23.7	-	-	-	-	800
900	121.9	102.8	89.1	78.9	70.9	64.5	59.3	55.0	51.3	48.1	45.4	43.0	40.9	39.0	37.3	35.8	34.5	33.2	32.1	31.1	30.1	29.2	28.4	27.6	26.9	26.3	-	-	-	-	900
1000	133.4	112.5	97.6	86.4	77.7	70.7	65.0	60.2	56.2	52.8	49.8	47.2	44.9	42.8	41.0	39.3	37.8	36.5	35.2	34.1	33.0	32.1	31.2	30.4	29.6	28.9	-	-	-	-	1000
1100	145.0	122.3	106.0	93.9	84.4	76.9	70.7	65.5	61.1	57.4	54.2	51.3	48.8	46.6	44.6	42.8	41.2	39.7	38.4	37.1	36.0	34.9	34.0	33.1	32.2	31.4	-	-	-	-	1100
1200	156.5	132.0	114.5	101.4	91.2	83.0	76.3	70.8	66.1	62.0	58.5	55.5	52.8	50.4	48.2	46.3	44.5	42.9	41.5	40.2	38.9	37.8	36.8	35.8	34.9	34.0	-	-	-	-	1200
1300	168.0	141.8	123.0	108.9	97.9	89.2	82.0	76.0	71.0	66.7	62.9	59.6	56.7	54.1	51.8	49.8	47.9	46.2	44.6	43.2	41.9	40.7	39.5	38.5	37.5	36.6	-	-	-	-	1300
1400	179.6	151.5	131.5	116.4	104.7	95.4	87.7	81.3	75.9	71.3	67.3	63.8	60.7	57.9	55.5	53.2	51.2	49.4	47.7	46.2	44.8	43.5	42.3	41.2	40.2	39.2	-	-	-	-	1400
1500	191.1	161.3	139.9	123.9	111.5	101.5	93.4	86.6	80.8	75.9	71.7	67.9	64.6	61.7	59.1	56.7	54.6	52.7	50.9	49.3	47.8	46.4	45.1	43.9	42.8	41.8	-	-	-	-	1500
Term. 2/	18.046	15.038	12.890	11.279	10.026	9.023	8.203	7.519	6.941	6.445	6.015	5.639	5.308	5.013	4.749	4.512	4.297	4.101	3.923	3.760	3.609	3.470	3.342	3.223	3.111	3.008	-	-	-	-	Term. 2/
L. H. 3/	.115380	.097475	.084686	.075094	.067633	.061665	.056782	.052713	.049269	.046318	.043750	.041522	.039547	.037792	.036221	.034808	.033529	.032366	.031304	.030331	.029436	.028610	.027844	.027134	.026472	.025855	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 21.0 tons and a ratio of empty car miles to loaded car miles of 0.332. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 48.—TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	16.5	13.8	11.8	10.3	9.2	8.3	7.5	6.9	6.4	5.9	5.6	5.2	4.9	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.2	3.1	3.0	2.9	2.8	-	-	-	-	10
20	17.9	14.9	12.8	11.2	10.0	9.0	8.2	7.5	7.0	6.5	6.1	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.4	3.3	3.2	3.1	-	-	-	-	20
30	19.3	16.1	13.8	12.1	10.8	9.8	8.9	8.2	7.6	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.8	3.6	3.5	3.4	-	-	-	-	30
40	20.7	17.3	14.9	13.0	11.6	10.5	9.6	8.8	8.1	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.2	4.9	4.7	4.6	4.4	4.2	4.1	4.0	3.8	3.7	-	-	-	-	40
50	22.0	18.4	15.9	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.6	7.2	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	-	-	-	-	50
60	23.4	19.6	16.9	14.8	13.2	12.0	10.9	10.0	9.3	8.7	8.1	7.7	7.2	6.9	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	-	-	-	-	60
70	24.8	20.8	17.9	15.7	14.0	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	-	-	-	-	70
80	26.2	21.9	18.9	16.6	14.8	13.4	12.3	11.3	10.5	9.8	9.2	8.6	8.2	7.7	7.4	7.0	6.7	6.4	6.2	6.0	5.7	5.6	5.4	5.2	5.0	4.9	-	-	-	-	80
90	27.6	23.1	19.9	17.5	15.6	14.2	12.9	11.9	11.1	10.3	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.2	-	-	-	-	90
100	29.0	24.3	20.9	18.4	16.5	14.9	13.6	12.5	11.6	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.7	5.5	-	-	-	-	100
120	31.7	26.6	22.9	20.2	18.1	16.4	15.0	13.8	12.8	12.0	11.2	10.6	10.0	9.5	9.1	8.7	8.3	8.0	7.6	7.4	7.1	6.9	6.7	6.5	6.3	6.1	-	-	-	-	120
140	34.5	29.0	25.0	22.0	19.7	17.8	16.3	15.0	14.0	13.0	12.2	11.6	10.9	10.4	9.9	9.5	[illegible]	8.7	8.4	8.1	7.8	7.5	7.3	7.1	6.9	6.7	-	-	-	-	140
160	37.3	31.3	27.0	23.8	21.3	19.3	17.6	16.3	15.1	14.1	13.3	12.5	11.9	11.3	10.7	10.3	9.8	9.5	9.1	8.8	8.5	8.2	7.9	7.7	7.5	7.3	-	-	-	-	160
180	40.1	33.6	29.0	25.6	22.9	20.7	19.0	17.5	16.3	15.2	14.3	13.5	12.8	12.2	11.6	11.1	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.3	8.1	7.9	-	-	-	-	180
200	42.8	36.0	31.0	27.4	24.5	22.2	20.3	18.8	17.5	16.3	15.3	14.5	13.7	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.8	9.5	9.2	9.0	8.7	8.5	-	-	-	-	200
220	45.6	38.3	33.1	29.2	26.1	23.7	21.7	20.0	18.6	17.4	16.4	15.5	14.6	13.9	13.3	12.7	12.2	11.7	11.3	10.9	10.5	10.2	9.9	9.6	9.3	9.1	-	-	-	-	220
240	48.4	40.6	35.1	30.9	27.7	25.1	23.0	21.3	19.8	18.5	17.4	16.4	15.6	14.8	14.1	13.5	13.0	12.5	12.0	11.6	11.2	10.8	10.5	10.2	9.9	9.7	-	-	-	-	240
260	51.1	43.0	37.1	32.7	29.3	26.6	24.4	22.5	20.9	19.6	18.4	17.4	16.5	15.7	15.0	14.3	13.8	13.2	12.7	12.3	11.9	11.5	11.2	10.8	10.5	10.2	-	-	-	-	260
280	53.9	45.3	39.1	34.5	30.9	28.1	25.7	23.8	22.1	20.7	19.5	18.4	17.4	16.6	15.8	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.8	11.5	11.1	10.8	-	-	-	-	280
300	56.7	47.6	41.2	36.3	32.6	29.5	27.1	25.0	23.3	21.8	20.5	19.4	18.4	17.5	16.7	16.0	15.3	14.7	14.2	13.7	13.2	12.8	12.4	12.1	11.7	11.4	-	-	-	-	300
320	59.5	50.0	43.2	38.1	34.2	31.0	28.4	26.3	24.4	22.9	21.5	20.3	19.3	18.4	17.5	16.8	16.1	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.0	-	-	-	-	320
340	62.2	52.3	45.2	39.9	35.8	32.5	29.8	27.5	25.6	24.0	22.5	21.3	20.2	19.2	18.4	17.6	16.9	16.2	15.6	15.1	14.6	14.2	13.7	13.3	13.0	12.6	-	-	-	-	340
360	65.0	54.6	47.2	41.7	37.4	33.9	31.1	28.8	26.8	25.2	23.6	22.3	21.1	20.1	19.2	18.4	17.7	17.0	16.4	15.8	15.3	14.8	14.4	14.0	13.6	13.2	-	-	-	-	360
380	67.8	57.0	49.3	43.5	39.2	35.4	32.5	30.0	27.9	26.1	24.6	23.3	22.1	21.0	20.1	19.2	18.4	17.7	17.1	16.5	16.0	15.5	15.0	14.6	14.2	13.8	-	-	-	-	380
400	70.5	59.3	51.3	45.3	40.6	36.9	33.8	31.2	29.1	27.2	25.6	24.2	23.0	21.9	20.9	20.0	19.2	18.5	17.8	17.2	16.7	16.1	15.7	15.2	14.8	14.4	-	-	-	-	400
420	73.3	61.7	53.3	47.1	42.2	38.3	35.1	32.5	30.3	28.3	26.7	25.2	23.9	22.8	21.8	20.8	20.0	19.2	18.6	17.9	17.3	16.8	16.3	15.8	15.4	15.0	-	-	-	-	420
440	76.1	64.0	55.3	48.9	43.8	39.8	36.5	33.7	31.4	29.4	27.7	26.2	24.8	23.7	22.6	21.6	20.8	20.0	19.3	18.6	18.0	17.5	16.9	16.5	16.0	15.6	-	-	-	-	440
460	78.9	66.3	57.4	50.7	45.4	41.3	37.8	35.0	32.6	30.5	28.7	27.2	25.8	24.5	23.4	22.5	21.6	20.7	20.0	19.3	18.7	18.1	17.6	17.1	16.6	16.2	-	-	-	-	460
480	81.6	68.7	59.4	52.4	47.0	42.7	39.2	36.2	33.7	31.6	29.8	28.1	26.7	25.4	24.3	23.3	22.3	21.5	20.7	20.0	19.4	18.8	18.2	17.7	17.2	16.8	-	-	-	-	480
500	84.4	71.0	61.4	54.2	48.7	44.2	40.5	37.5	34.9	32.7	30.8	29.1	27.6	26.3	25.1	24.1	23.1	22.3	21.5	20.7	20.1	19.4	18.9	18.3	17.8	17.4	-	-	-	-	500
600	98.3	82.7	71.5	63.2	56.7	51.5	47.3	43.7	40.7	38.2	35.9	34.0	32.3	30.7	29.4	28.1	27.0	26.0	25.1	24.2	23.5	22.7	22.1	21.5	20.9	20.4	-	-	-	-	600
700	112.1	94.4	81.7	72.2	64.8	58.8	54.0	50.0	46.5	43.6	41.1	38.9	36.9	35.2	33.6	32.2	30.9	29.8	28.7	27.8	26.9	26.1	25.3	24.6	23.9	23.3	-	-	-	-	700
800	126.0	106.0	91.8	81.1	72.8	66.2	60.7	56.2	52.4	49.1	46.2	43.7	41.5	39.6	37.8	36.3	34.8	33.5	32.4	31.3	30.3	29.4	28.5	27.7	27.0	26.3	-	-	-	-	800
900	139.8	117.7	101.9	90.1	80.9	73.5	67.5	62.4	58.2	54.5	51.4	48.6	46.2	44.0	42.1	40.3	38.7	37.3	36.0	34.8	33.7	32.7	31.7	30.8	30.0	29.3	-	-	-	-	900
1000	153.7	129.4	112.0	99.0	88.9	80.8	74.2	68.7	64.0	60.0	56.5	53.5	50.8	48.4	46.3	44.4	42.6	41.1	39.6	38.3	37.1	36.0	34.9	34.0	33.1	32.2	-	-	-	-	1000
1100	167.5	141.1	122.2	108.0	97.0	88.1	80.9	74.9	69.8	65.5	61.7	58.4	55.4	52.9	50.5	48.4	46.5	44.8	43.3	41.8	40.5	39.3	38.1	37.1	36.1	35.2	-	-	-	-	1100
1200	181.4	152.7	132.3	116.9	105.0	95.5	87.7	81.1	75.6	70.9	66.8	63.2	60.1	57.3	54.8	52.5	50.5	48.6	46.9	45.3	43.9	42.6	41.4	40.2	39.2	38.2	-	-	-	-	1200
1300	195.2	164.4	142.4	125.9	113.1	102.8	94.4	87.4	81.5	76.4	72.0	68.1	64.7	61.7	59.0	56.6	54.4	52.4	50.5	48.9	47.3	45.9	44.6	43.4	42.2	41.2	-	-	-	-	1300
1400	209.1	176.1	152.5	134.9	121.1	110.1	101.1	93.6	87.3	81.8	77.1	73.0	69.4	66.1	63.2	60.6	58.3	56.1	54.2	52.4	50.7	49.2	47.8	46.5	45.3	44.1	-	-	-	-	1400
1500	222.9	187.8	162.7	143.8	129.2	117.4	107.8	99.9	93.1	87.3	82.3	77.9	74.0	70.5	67.5	64.7	62.2	59.9	57.8	55.9	54.1	52.5	51.0	49.6	48.3	47.1	-	-	-	-	1500
Term. 2/	15.122	12.602	10.801	9.451	8.401	7.561	6.874	6.301	5.816	5.401	5.041	4.726	4.448	4.201	3.979	3.781	3.600	3.437	3.287	3.150	3.024	2.908	2.800	2.700	2.607	2.520	-	-	-	-	Term. 2/
L. H. 3/	.138550	.116787	.101236	.089575	.080506	.073250	.067314	.062367	.058181	.054593	.051483	.048763	.046362	.044228	.042318	.040600	.039045	.037632	.036341	.035158	.034070	.033065	.032135	.031271	.030467	.029717	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.658. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.20.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.29.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.49.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.62.

Note: The above costs do not include an allowance for loss and damage. See Table 65 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5332

83

Territory No. 7 - Southwestern, incl.
Southern Missouri

LESS-CARLOAD

TABLE 49.--TERRITORY NO. 7 - SOUTHWESTERN, including Southern Missouri

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	82.9	66.5	58.3	53.4	50.1	47.7	46.0	44.6	43.5	42.6	41.9	41.2	40.7	40.2	39.8	39.5	39.1	38.9	38.6	38.4	38.1	38.0	37.8	37.6	37.5	37.3	37.2	37.1	37.0	10
20	87.8	69.8	60.8	55.4	51.8	49.2	47.3	45.8	44.6	43.6	42.8	42.1	41.5	41.0	40.6	40.2	39.8	39.5	39.2	39.0	38.7	38.5	38.3	38.1	38.0	37.8	37.7	37.5	37.4	20
30	92.7	73.1	63.3	57.5	53.5	50.8	48.7	47.0	45.7	44.7	43.8	43.0	42.4	41.8	41.3	40.9	40.5	40.2	39.9	39.6	39.3	39.1	38.9	38.7	38.5	38.3	38.2	38.0	37.9	30
40	97.6	76.4	65.8	59.5	55.3	52.3	50.0	48.2	46.8	45.7	44.7	43.9	43.2	42.6	42.1	41.6	41.2	40.8	40.5	40.2	39.9	39.7	39.4	39.2	39.0	38.8	38.7	38.5	38.4	40
50	102.4	79.7	68.4	61.5	57.0	53.8	51.3	49.4	47.9	46.7	45.7	44.8	44.0	43.4	42.8	42.3	41.9	41.5	41.1	40.8	40.5	40.2	40.0	39.7	39.5	39.3	39.2	39.0	38.8	50
60	107.3	83.0	70.9	63.6	58.7	55.3	52.7	50.6	49.0	47.7	46.6	45.7	44.9	44.2	43.6	43.0	42.5	42.1	41.7	41.4	41.1	40.8	40.5	40.3	40.1	39.8	39.7	39.5	39.3	60
70	112.2	86.3	73.4	65.6	60.5	56.8	54.0	51.8	50.1	48.7	47.5	46.5	45.7	45.0	44.3	43.7	43.2	42.8	42.4	42.0	41.7	41.4	41.1	40.8	40.6	40.4	40.1	40.0	39.8	70
80	117.0	89.6	75.9	67.7	62.2	58.3	55.3	53.1	51.2	49.7	48.5	47.4	46.5	45.7	45.1	44.4	43.9	43.4	43.0	42.6	42.2	41.9	41.6	41.3	41.1	40.9	40.6	40.4	40.3	80
90	121.9	92.9	78.4	69.7	63.9	59.8	56.7	54.3	52.3	50.7	49.4	48.3	47.4	46.5	45.8	45.2	44.6	44.1	43.6	43.2	42.8	42.5	42.2	41.9	41.6	41.4	41.1	40.9	40.7	90
100	126.8	96.2	80.9	71.8	65.7	61.3	58.0	55.5	53.4	51.8	50.4	49.2	48.2	47.3	46.5	45.9	45.3	44.7	44.3	43.8	43.4	43.1	42.7	42.4	42.1	41.9	41.6	41.4	41.2	100
120	136.5	102.8	86.0	75.9	69.1	64.3	60.7	57.9	55.6	53.8	52.3	51.0	49.8	48.9	48.0	47.3	46.6	46.0	45.5	45.0	44.6	44.2	43.8	43.5	43.2	42.9	42.6	42.4	42.1	120
140	146.3	109.4	91.0	79.9	72.6	67.3	63.4	60.3	57.8	55.8	54.1	52.7	51.5	50.5	49.5	48.7	48.0	47.3	46.8	46.2	45.8	45.3	44.9	44.6	44.2	43.9	43.6	43.3	43.1	140
160	156.0	116.0	96.0	84.0	76.0	70.3	66.0	62.7	60.0	57.8	56.0	54.5	53.2	52.0	51.0	50.1	49.4	48.7	48.0	47.5	46.9	46.5	46.0	45.6	45.3	44.9	44.6	44.3	44.0	160
180	165.8	122.6	101.1	88.1	79.5	73.3	68.7	65.1	62.2	59.9	57.9	56.3	54.8	53.6	52.5	51.6	50.7	50.0	49.3	48.7	48.1	47.6	47.1	46.7	46.3	45.9	45.6	45.3	45.0	180
200	175.5	129.2	106.1	92.2	82.9	76.3	71.4	67.5	64.4	61.9	59.8	58.0	56.5	55.2	54.0	53.0	52.1	51.3	50.5	49.9	49.2	48.7	48.2	47.8	47.3	46.9	46.6	46.2	45.9	200
220	185.3	135.8	111.1	96.3	86.4	79.3	74.0	69.9	66.6	63.9	61.7	59.8	58.2	56.7	55.5	54.4	53.4	52.6	51.8	51.1	50.4	49.9	49.3	48.5	48.4	48.0	47.6	47.2	46.9	220
240	195.0	142.4	116.2	100.4	89.9	82.4	76.7	72.3	68.8	66.0	63.6	61.5	59.8	58.3	57.0	55.8	54.8	53.9	53.1	52.3	51.6	51.0	50.4	49.9	49.4	49.0	48.5	48.2	47.8	240
260	204.8	149.0	121.2	104.5	93.3	85.4	79.4	74.7	71.0	68.0	65.5	63.3	61.5	59.9	58.5	57.3	56.2	55.2	54.3	53.5	52.8	52.1	51.5	51.0	50.4	50.0	49.5	49.1	48.7	260
280	214.5	155.7	126.2	108.6	96.8	88.4	82.1	77.2	73.2	70.0	67.3	65.1	63.1	61.5	60.0	58.7	57.5	56.5	55.6	54.7	54.0	53.3	52.6	52.0	51.5	51.0	50.5	50.1	49.7	280
300	224.3	162.3	131.2	112.6	100.2	91.4	84.7	79.6	75.4	72.0	69.8	66.8	64.8	63.0	61.5	60.1	58.9	57.8	56.8	55.9	55.1	54.4	53.7	53.1	52.5	52.0	51.5	51.0	50.6	300
320	234.0	168.9	136.3	116.7	103.7	94.4	87.4	82.0	77.6	74.1	71.1	68.6	66.5	64.6	63.0	61.5	60.3	59.1	58.1	57.2	56.3	55.5	54.8	54.2	53.6	53.0	52.5	53.0	51.6	320
340	24[illegible]	175.5	141.3	120.8	107.2	97.4	90.1	84.4	79.8	76.1	73.0	70.4	68.1	66.2	64.5	63.0	61.6	60.4	59.3	58.4	57.5	56.7	55.9	55.2	54.6	54.0	53.5	53.0	52.5	340
360	253.5	182.1	146.3	124.9	110.6	100.4	92.7	86.8	82.0	78.1	74.9	72.1	69.8	67.7	66.0	64.4	63.0	61.7	60.6	59.6	58.6	57.8	57.0	56.3	55.6	55.0	54.5	53.9	53.5	360
380	263.3	188.7	151.4	129.0	114.1	103.4	95.4	89.2	84.2	80.2	76.8	73.9	71.4	69.3	67.5	65.8	64.3	63.0	61.9	60.8	59.8	58.9	58.1	57.4	56.7	56.1	55.5	54.9	54.4	380
400	273.0	195.3	156.4	133.1	117.5	106.4	98.1	91.6	86.4	82.2	78.7	75.7	73.1	70.9	68.9	67.2	65.7	64.3	63.1	62.0	61.0	60.1	59.2	58.4	57.7	57.1	56.4	55.9	55.3	400
420	282.7	201.9	161.4	137.2	121.0	109.4	100.8	94.0	88.6	84.2	80.5	77.4	74.8	72.5	70.4	68.6	67.1	65.6	64.4	63.2	62.2	61.2	60.3	59.5	58.8	58.1	57.4	56.8	56.3	420
440	292.5	208.5	166.5	141.3	124.4	112.4	103.4	96.4	90.8	86.3	82.4	79.2	76.4	74.0	71.9	70.1	68.4	67.0	65.6	64.4	63.3	62.3	61.4	60.6	59.8	59.1	58.4	57.8	57.2	440
460	302.2	215.1	171.5	145.3	127.9	115.5	106.1	98.8	93.0	88.3	84.3	81.0	78.1	75.6	73.4	71.5	69.8	68.3	66.9	65.6	64.5	63.5	62.5	61.7	60.8	60.1	59.4	58.8	58.2	460
480	312.0	221.7	176.5	149.4	131.4	118.5	108.8	101.3	95.2	90.3	86.2	82.7	79.8	77.2	74.9	72.9	71.2	69.5	68.1	66.9	65.7	64.6	63.6	62.7	61.9	61.1	60.4	59.7	59.1	480
500	321.7	228.3	181.6	153.5	134.8	121.5	111.5	103.7	97.4	92.3	88.1	84.5	81.4	78.7	76.4	74.3	72.5	70.9	69.4	68.1	66.9	65.7	64.7	63.8	62.9	62.1	61.4	60.7	60.1	500
600	370.5	261.3	206.7	174.0	152.1	136.5	124.8	115.7	108.4	102.5	97.5	93.3	89.7	86.6	83.9	81.5	79.3	77.4	75.7	74.1	72.7	71.4	70.2	69.1	68.1	67.2	66.3	65.5	64.8	600
700	419.2	294.3	231.9	194.4	169.4	151.6	138.2	127.8	119.4	112.6	107.0	102.2	98.0	94.5	91.3	88.6	86.1	83.9	82.0	80.2	78.6	77.1	75.7	74.5	73.3	72.3	71.3	70.3	69.5	700
800	467.9	327.3	257.0	214.8	186.7	166.6	151.5	139.8	130.4	122.8	116.4	111.0	106.3	102.3	98.8	95.7	92.9	90.5	88.3	86.3	84.4	82.8	81.2	79.8	78.5	77.3	76.2	75.2	74.2	800
900	516.7	360.3	282.2	235.3	204.0	181.7	164.9	151.9	141.4	132.9	125.8	119.8	114.6	110.2	106.3	102.8	99.8	97.0	94.5	92.3	90.3	88.4	86.7	85.2	83.7	82.4	81.1	80.0	78.9	900
1000	565.4	393.4	307.3	255.7	221.3	196.7	178.3	163.9	152.5	143.1	135.2	128.6	123.0	118.0	113.7	109.9	106.6	103.6	100.8	98.4	96.1	94.1	92.2	90.5	88.9	87.5	86.1	84.8	83.6	1000
1100	614.1	426.4	332.5	276.1	238.6	211.7	191.6	176.0	163.5	153.2	144.7	137.5	131.3	125.9	121.2	117.1	113.4	110.1	107.1	104.4	102.0	99.8	97.7	95.8	94.1	92.5	91.0	89.6	88.3	1100
1200	662.9	459.4	357.6	296.6	255.9	226.8	205.0	188.0	174.5	163.4	154.1	146.3	139.6	133.8	128.7	124.2	120.2	116.6	113.4	110.5	107.9	105.4	103.2	101.2	99.3	97.6	96.0	94.5	93.0	1200
1300	711.6	492.4	382.8	317.0	273.2	241.8	218.3	200.1	185.5	173.5	163.5	155.1	147.9	141.6	136.1	131.3	127.0	123.2	119.7	116.6	113.7	111.1	108.7	106.5	104.5	102.6	100.9	99.3	97.8	1300
1400	760.4	525.4	407.9	337.4	290.4	256.9	231.7	212.1	196.5	183.7	173.0	163.9	156.2	149.5	143.6	138.4	133.8	129.7	126.0	122.6	119.6	116.8	114.2	111.9	109.7	107.[illegible]	105.8	104.1	102.5	1400
1500	809.1	558.4	433.1	357.9	307.7	271.9	245.1	224.2	207.5	193.8	182.4	172.8	164.5	157.3	151.1	145.5	140.6	136.2	132.3	128.7	125.4	122.5	119.7	117.2	114.9	112.8	110.8	108.9	107.2	1500
Term. 2/	78.060	63.210	55.785	51.330	48.360	46.240	44.650	43.410	42.420	41.610	40.935	40.365	39.875	39.450	39.080	38.750	38.460	38.200	37.965	37.755	37.560	37.385	37.225	37.075	36.935	36.810	36.690	36.580	36.480	Term. 2/
L. H. 3/	.48735	.33015	.25153	.20437	.17292	.15046	.13361	.12052	.11003	.10146	.09431	.08827	.08308	.07859	.07466	.07119	.06811	.06535	.06287	.06062	.05858	.05672	.05500	.05343	.05198	.05064	.04939	.04823	.04714	L. H. 3/

1/ Based on a tare weight of 22.9 tons and a ratio of empty car miles to loaded car miles of 0.378. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.20.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.29.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes these expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

5351

TABLE 50.—TERRITORY NO. 5 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.8	16.5	14.2	12.4	11.0	9.9	9.0	8.3	7.7	7.1	6.7	6.2	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	10
20	20.7	17.3	14.8	13.0	11.6	10.4	9.5	8.7	8.1	7.5	7.0	6.6	6.2	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	20
30	21.6	18.0	15.5	13.6	12.1	10.9	9.9	9.1	8.4	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	3.4	30
40	22.5	18.8	16.1	14.2	12.6	11.4	10.4	9.5	8.8	8.2	7.7	7.2	6.8	6.5	6.1	5.9	5.6	5.4	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	40
50	23.4	19.5	16.8	14.7	13.2	11.9	10.8	10.0	9.2	8.6	8.1	7.6	7.2	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	50
60	24.2	20.3	17.5	15.3	13.7	12.4	11.3	10.4	9.6	9.0	8.4	7.9	7.5	7.1	6.7	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	60
70	25.1	21.0	18.1	15.9	14.2	12.8	11.7	10.8	10.0	9.3	8.8	8.2	7.8	7.4	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.7	4.5	4.4	4.3	4.2	70
80	26.0	21.8	18.8	16.5	14.7	13.3	12.2	11.2	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	4.4	80
90	26.9	22.5	19.4	17.1	15.3	13.8	12.6	11.6	10.8	10.1	9.5	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.6	90
100	27.8	23.3	20.1	17.7	15.8	14.3	13.1	12.1	11.2	10.4	9.8	9.2	8.7	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	100
120	29.8	24.8	21.4	18.8	16.9	15.3	14.0	12.9	12.0	11.2	10.5	9.9	9.4	8.9	8.5	8.1	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.2	120
140	31.4	26.3	22.7	20.0	17.9	16.2	14.9	13.7	12.8	11.9	11.2	10.6	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.2	6.0	5.8	5.7	5.6	140
160	33.1	27.8	24.0	21.2	19.0	17.2	15.8	14.6	13.5	12.7	11.9	11.2	10.6	10.1	9.7	9.2	8.9	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	6.0	160
180	34.9	29.3	25.4	22.4	20.0	18.2	16.7	15.4	14.3	13.4	12.6	11.9	11.3	10.7	10.2	9.8	9.4	9.0	8.7	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.8	6.7	6.5	6.4	180
200	36.7	30.8	26.7	23.5	21.1	19.1	17.6	16.2	15.1	14.1	13.3	12.6	11.9	11.3	10.8	10.4	10.0	9.6	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.4	7.3	7.1	6.9	6.8	200
220	38.5	32.4	28.0	24.7	22.2	20.1	18.4	17.1	15.9	14.9	14.0	13.2	12.6	12.0	11.4	10.9	10.5	10.1	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.2	220
240	40.3	33.9	29.3	25.9	23.2	21.1	19.3	17.9	16.7	15.6	14.7	13.9	13.2	12.6	12.0	11.5	11.0	10.6	10.3	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	7.7	7.6	240
260	42.0	35.4	30.6	27.0	24.3	22.1	20.2	18.7	17.4	16.3	15.4	14.6	13.8	13.2	12.6	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.1	8.0	260
280	43.8	36.9	31.9	28.2	25.3	23.0	21.1	19.6	18.2	17.1	16.1	15.2	14.5	13.8	13.2	12.6	12.1	11.7	11.3	10.9	10.6	10.2	9.9	9.7	9.4	9.2	8.9	8.7	8.5	8.4	280
300	45.6	38.4	33.2	29.4	26.4	24.0	22.0	20.4	19.0	17.8	16.8	15.9	15.1	14.4	13.8	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.6	9.4	9.1	8.9	8.8	300
320	47.4	39.9	34.6	30.6	27.5	25.0	22.9	21.2	19.8	18.6	17.5	16.6	15.7	15.0	14.4	13.8	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	10.3	10.0	9.8	9.6	9.3	9.1	320
340	49.1	41.4	35.9	31.7	28.5	25.9	23.8	22.1	20.6	19.3	18.2	17.2	16.4	15.6	14.9	14.3	13.8	13.3	12.8	12.4	12.0	11.6	11.3	11.0	10.7	10.5	10.2	10.0	9.8	9.5	340
360	50.9	42.9	37.2	32.9	29.6	26.9	24.7	22.9	21.4	20.0	18.9	17.9	17.0	16.2	15.5	14.9	14.3	13.8	13.3	12.9	12.5	12.1	11.8	11.5	11.2	10.9	10.6	10.4	10.2	9.9	360
380	52.7	44.4	38.5	34.1	30.6	27.9	25.6	23.7	22.1	20.8	19.6	18.6	17.6	16.8	16.1	15.5	14.9	14.3	13.8	13.4	13.0	12.6	12.2	11.9	11.6	11.3	11.0	10.8	10.6	10.3	380
400	54.5	45.9	39.8	35.3	31.7	28.8	26.5	24.6	22.9	21.5	20.3	19.2	18.3	17.4	16.7	16.0	15.4	14.9	14.3	13.9	13.5	13.1	12.7	12.4	12.0	11.7	11.5	11.2	11.0	10.7	400
420	56.3	47.4	41.1	36.4	32.7	29.8	27.4	25.4	23.7	22.3	21.0	19.9	18.9	18.1	17.3	16.6	16.0	15.4	14.9	14.4	13.9	13.5	13.2	12.8	12.5	12.2	11.9	11.6	11.4	11.1	420
440	58.0	49.0	42.5	37.6	33.8	30.8	28.3	26.2	24.5	23.0	21.7	20.6	19.6	18.7	17.9	17.2	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.3	12.9	12.6	12.3	12.0	11.8	11.5	440
460	59.8	50.5	43.8	38.8	34.9	31.7	29.2	27.1	25.3	23.7	22.4	21.2	20.2	19.3	18.5	17.7	17.0	16.4	15.9	15.4	14.9	14.5	14.1	13.7	13.4	13.0	12.7	12.5	12.2	11.9	460
480	61.6	52.0	45.1	39.9	35.9	32.7	30.1	27.9	26.1	24.5	23.1	21.9	20.8	19.9	19.0	18.3	17.6	17.0	16.4	15.9	15.4	14.9	14.5	14.2	13.8	13.5	13.2	12.9	12.6	12.3	480
500	63.4	53.5	46.4	41.1	37.0	33.7	31.0	28.7	26.8	25.2	23.8	22.6	21.5	20.5	19.6	18.8	18.1	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.2	13.9	13.6	13.3	13.0	12.7	500
600	72.3	61.0	53.0	47.0	42.3	38.5	35.5	32.9	30.8	28.9	27.3	25.9	24.6	23.5	22.6	21.7	20.9	20.1	19.5	18.9	18.3	17.8	17.3	16.8	16.4	16.0	15.7	15.3	15.0	14.7	600
700	81.2	68.6	59.6	52.8	47.6	43.4	39.9	37.1	34.7	32.6	30.8	29.2	27.8	26.6	25.5	24.5	23.6	22.8	22.0	21.3	20.7	20.1	19.6	19.1	18.6	18.2	17.8	17.4	17.0	16.7	700
800	90.1	76.1	66.2	58.7	52.9	48.2	44.4	41.3	38.6	36.3	34.3	32.5	31.0	29.6	28.4	27.3	26.3	25.4	24.6	23.8	23.1	22.5	21.9	21.3	20.8	20.3	19.9	19.5	19.1	18.7	800
900	99.0	83.7	72.7	64.5	58.2	53.1	48.9	45.4	42.5	40.0	37.8	35.9	34.2	32.7	31.3	30.1	29.0	28.1	27.1	26.3	25.6	24.8	24.2	23.6	23.0	22.5	22.0	21.5	21.1	20.7	900
1000	107.8	91.2	79.3	70.4	63.5	57.9	53.4	49.6	46.4	43.7	41.3	39.2	37.4	35.7	34.3	33.0	31.8	30.7	29.7	28.8	28.0	27.2	26.5	25.8	25.2	24.6	24.1	23.6	23.1	22.7	1000
1100	116.7	98.8	85.9	76.3	68.5	62.8	57.9	53.8	50.3	47.3	44.5	42.5	40.5	38.8	37.2	35.8	34.5	33.3	32.3	31.3	30.4	29.6	28.8	28.1	27.4	26.8	26.2	25.7	25.2	24.7	1100
1200	125.6	106.3	92.5	82.1	74.1	67.6	62.3	57.9	54.2	51.0	48.3	45.9	43.7	41.8	40.1	38.6	37.2	36.0	34.8	33.8	32.5	31.9	31.1	30.3	29.6	28.9	28.3	27.7	27.2	26.7	1200
1300	134.5	113.8	99.1	88.0	79.4	72.5	66.8	62.1	58.1	54.7	51.8	49.2	46.9	44.9	43.1	41.4	40.0	38.6	37.4	36.3	35.2	34.3	33.4	32.6	31.8	31.1	30.4	29.8	29.2	28.7	1300
1400	143.4	121.4	105.6	93.8	84.7	77.3	71.3	66.3	62.1	58.4	55.3	52.5	50.1	47.9	46.0	44.3	42.7	41.3	39.9	38.7	37.6	36.6	35.7	34.8	34.0	33.2	32.5	31.9	31.2	30.6	1400
1500	152.3	128.9	112.2	99.7	90.0	82.2	75.8	70.5	66.0	62.1	58.5	55.8	53.3	51.0	48.9	47.1	45.4	43.9	42.5	41.2	40.1	39.0	38.0	37.1	36.2	35.4	34.6	33.9	33.3	32.6	1500
Term. 2/	18.906	15.755	13.504	11.816	10.503	9.453	8.594	7.878	7.272	6.752	6.302	5.908	5.561	5.252	4.975	4.727	4.501	4.297	4.110	3.939	3.781	3.636	3.501	3.376	3.260	3.151	3.049	2.954	2.865	2.780	Term. 2/
L. H. 3/	.088940	.075450	.065814	.058588	.052967	.048470	.044791	.041725	.039131	.036907	.034980	.033294	.031806	.030483	.029300	.028235	.027271	.026395	.025596	.024863	.024188	.023565	.022989	.022454	.021955	.021490	.021055	.020647	.020264	.019903	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.341. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 50 (Concluded).—TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	10
20	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	20
30	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	30
40	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	40
50	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.2	2.2	50
60	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	60
70	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	[illegible]	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	70
80	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	[illegible]	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	80
90	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	90
100	4.7	4.6	4.4	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	100
120	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	120
140	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	140
160	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	160
180	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.1	180
200	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	200
220	7.0	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	220
240	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	240
260	7.8	7.6	7.5	7.3	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.4	5.3	5.3	5.2	260
280	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	280
300	8.6	8.4	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.8	300
320	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	6.1	320
340	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	340
360	9.7	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	6.8	6.8	6.7	6.6	360
380	10.1	9.9	9.8	9.6	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	380
400	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.5	8.4	8.3	[illegible]	8.1	8.0	7.9	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.3	7.2	400
420	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.5	8.4	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.6	7.5	420
440	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.8	440
460	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.1	460
480	12.1	11.9	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	8.6	8.5	8.4	8.4	480
500	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	500
600	14.4	14.2	13.9	13.7	13.5	13.2	13.0	12.8	12.6	12.5	12.3	12.1	12.0	11.8	11.7	11.5	11.4	11.3	11.2	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.2	10.1	600
700	16.4	16.1	15.8	15.5	15.3	15.0	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.5	13.3	13.2	13.0	12.9	12.7	12.6	12.5	12.3	12.2	12.1	12.0	11.9	11.8	11.7	11.6	11.5	700
800	18.4	18.0	17.7	17.4	17.1	16.9	16.6	16.4	16.1	15.9	15.7	15.5	15.3	15.1	14.9	14.8	14.6	14.4	14.3	14.1	14.0	13.9	13.7	13.6	13.5	13.4	13.3	13.1	13.0	12.9	800
900	20.3	19.9	19.6	19.3	19.0	18.7	18.4	18.1	17.9	17.6	17.4	17.2	17.0	16.8	16.6	16.4	16.2	16.0	15.9	15.7	15.5	15.4	15.2	15.1	15.0	14.8	14.7	14.6	14.5	14.4	900
1000	22.3	21.9	21.5	21.1	20.8	20.5	20.2	19.9	19.6	19.3	19.1	18.9	18.6	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.1	16.9	16.8	16.6	16.5	16.3	[illegible]	16.1	15.9	15.8	1000
1100	24.2	23.8	23.4	23.0	22.6	22.3	22.0	21.7	21.4	21.1	20.8	20.5	20.3	20.0	19.8	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.3	18.1	17.9	17.8	17.6	17.5	17.4	17.2	1100
1200	26.2	25.7	25.3	24.9	24.5	24.1	23.8	23.4	23.1	22.8	22.5	22.2	21.9	21.7	21.4	21.2	21.0	20.8	20.5	20.3	20.1	20.0	19.8	19.6	19.4	19.3	19.1	19.0	18.8	18.7	1200
1300	28.1	27.6	27.2	26.7	26.3	25.9	25.5	25.2	24.8	24.5	24.2	23.9	23.6	23.3	23.1	22.8	22.6	22.3	22.1	21.9	21.7	21.5	21.3	21.1	20.9	20.7	20.6	20.4	20.3	20.1	1300
1400	30.1	29.6	29.1	28.6	28.2	27.7	27.3	26.9	26.6	26.2	25.9	25.6	25.3	25.0	24.7	24.4	24.2	23.9	23.7	23.4	23.2	23.0	22.8	22.6	22.4	22.2	22.0	21.9	21.7	21.5	1400
1500	32.0	31.5	31.0	30.5	30.0	29.5	29.1	28.7	28.3	27.9	27.6	27.3	26.9	26.6	26.3	26.0	25.8	25.5	25.2	25.0	24.8	24.5	24.3	24.1	23.9	23.7	23.5	23.3	23.1	23.0	1500
Term. 2/	2.701	2.626	2.555	2.488	2.424	2.363	2.306	2.251	2.198	2.148	2.101	2.055	2.011	1.969	1.929	1.891	1.854	1.818	1.784	1.751	1.719	1.688	1.658	1.630	1.602	1.576	1.550	1.525	1.500	1.477	Term. 2/
L. H. 3/	.019563	.019242	.018938	.018650	.018377	.018118	.017871	.017636	.017412	.017198	.016993	.016798	.016611	.016431	.016259	.016094	.015935	.015783	.015636	.015494	.015358	.015227	.015100	.014978	.014859	.014745	.014634	.014527	.014424	.014323	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.341. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 51.—TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.9	16.6	14.3	12.5	11.1	10.0	9.1	8.4	7.7	7.2	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	10
20	21.0	17.5	15.0	13.2	11.7	10.6	9.6	8.8	8.2	7.6	7.1	6.7	6.3	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	20
30	22.0	18.4	15.8	13.8	12.3	11.1	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	30
40	23.0	19.2	16.5	14.5	12.9	11.7	10.6	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.0	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	40
50	24.1	20.1	17.3	15.2	13.5	12.2	11.2	10.3	9.5	8.8	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	50
60	25.1	21.0	18.1	15.9	14.1	12.8	11.7	10.7	9.9	9.3	8.7	8.2	7.7	7.3	7.0	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	60
70	26.1	21.9	18.8	16.5	14.8	13.3	12.2	11.2	10.4	9.7	9.1	8.5	8.1	7.7	7.3	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.4	4.3	70
80	27.1	22.7	19.6	17.2	15.4	13.9	12.7	11.7	10.8	10.1	9.5	8.9	8.4	8.0	7.6	7.3	6.9	6.7	6.4	6.2	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	4.7	4.5	80
90	28.2	23.6	20.3	17.9	16.0	14.4	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.1	5.0	4.9	4.8	90
100	29.2	24.5	21.1	18.5	16.6	15.0	13.7	12.6	11.7	10.9	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.3	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	5.0	100
120	31.3	26.2	22.6	19.9	17.8	16.1	14.7	13.6	12.6	11.8	11.1	10.4	9.9	9.4	8.9	8.5	8.2	7.8	7.5	7.3	7.0	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.6	5.4	120
140	33.3	27.9	24.1	21.2	19.0	17.2	15.8	14.5	13.5	12.6	11.9	11.2	10.6	10.1	9.6	9.2	8.8	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.9	140
160	35.4	29.7	25.6	22.6	20.2	18.3	16.8	15.5	14.4	13.5	12.6	11.9	11.3	10.7	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.6	6.4	6.3	160
180	37.4	31.4	27.1	23.9	21.4	19.4	17.8	16.4	15.3	14.3	13.4	12.7	12.0	11.4	10.9	10.4	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.1	6.9	6.7	180
200	39.5	33.2	28.7	25.3	22.6	20.5	18.8	17.4	16.2	15.1	14.2	13.4	12.7	12.1	11.6	11.1	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.3	7.2	200
220	41.5	34.9	30.2	26.6	23.9	21.7	19.8	18.3	17.1	16.0	15.0	14.2	13.5	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	7.6	220
240	43.6	36.7	31.7	28.0	25.1	22.8	20.9	19.3	18.0	16.8	15.8	14.9	14.2	13.5	12.9	12.3	11.8	11.4	11.0	10.6	10.3	9.9	9.6	9.4	9.1	8.9	8.6	8.4	8.2	8.0	240
260	45.7	38.4	33.2	29.3	26.3	23.9	21.9	20.2	18.8	17.6	16.6	15.7	14.9	14.2	13.5	13.0	12.5	12.0	11.6	11.2	10.8	10.5	10.1	9.9	9.6	9.3	9.1	8.9	8.7	8.5	260
280	47.7	40.1	34.7	30.7	27.5	25.0	22.9	21.2	19.7	18.5	17.4	16.5	15.6	14.9	14.2	13.6	13.1	12.6	12.1	11.7	11.3	11.0	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	280
300	49.8	41.9	36.2	32.0	28.7	26.1	23.9	22.1	20.6	19.3	18.2	17.2	16.3	15.6	14.9	14.2	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	10.3	10.0	9.8	9.6	9.4	300
320	51.8	43.6	37.8	33.4	29.9	27.2	25.0	23.1	21.5	20.2	19.0	18.0	17.1	16.2	15.5	14.9	14.3	13.8	13.3	12.8	12.4	12.0	11.7	11.4	11.1	10.8	10.5	10.3	10.0	9.8	320
340	53.9	45.4	39.3	34.7	31.1	28.3	26.0	24.0	22.4	21.0	19.[illegible]	18.7	17.8	16.9	16.2	15.5	14.9	14.3	13.8	13.4	13.0	12.6	12.2	11.9	11.5	11.2	11.0	10.7	10.5	10.2	340
360	55.9	47.1	40.8	36.0	32.4	29.4	27.0	25.0	23.3	21.8	20.6	19.5	18.5	17.6	16.8	16.1	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.0	11.7	11.4	11.2	10.9	10.7	360
380	58.0	48.8	42.3	37.4	33.6	30.5	28.0	26.0	24.2	22.7	21.4	20.2	19.2	18.3	17.5	16.8	16.1	15.5	15.0	14.5	14.0	13.6	13.2	12.9	12.5	12.2	11.9	11.6	11.4	11.1	380
400	60.1	50.6	43.8	38.7	34.8	31.6	29.0	26.9	25.1	23.5	22.2	21.0	19.9	19.0	18.2	17.4	16.7	16.1	15.6	15.0	14.6	14.1	13.7	13.4	13.0	12.7	12.4	12.1	11.8	11.6	400
420	62.1	52.3	45.3	40.1	36.0	32.7	30.1	27.8	26.0	24.3	22.9	21.7	20.6	19.7	18.8	18.1	17.4	16.7	16.1	15.6	15.1	14.7	14.2	13.9	13.5	13.2	12.8	12.5	12.3	12.0	420
440	64.2	54.1	46.8	41.4	37.2	33.8	31.1	28.8	26.9	25.2	23.7	22.5	21.4	20.4	19.5	18.7	18.0	17.3	16.7	16.2	15.7	15.2	14.8	14.4	14.0	13.6	13.3	13.0	12.7	12.4	440
460	66.2	55.8	48.4	42.8	38.4	35.0	32.1	29.7	27.7	26.0	24.5	23.2	22.1	21.1	20.1	19.3	18.6	17.9	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	13.2	12.9	460
480	68.3	57.6	49.9	44.1	39.6	36.1	33.1	30.7	28.6	26.9	25.3	24.0	22.8	21.7	20.8	20.0	19.2	18.5	17.9	17.3	16.7	16.2	15.8	15.3	15.0	14.6	14.2	13.9	13.6	13.3	480
500	70.4	59.3	51.4	45.5	40.9	37.2	34.2	31.6	29.5	27.7	26.1	24.7	23.5	22.4	21.5	20.6	19.8	19.1	18.4	17.8	17.3	16.8	16.3	15.8	15.4	15.1	14.7	14.4	14.1	13.8	500
600	80.6	68.0	59.0	52.2	46.9	42.7	39.3	36.4	34.0	31.9	30.1	28.5	27.1	25.9	24.8	23.8	22.9	22.0	21.3	20.6	20.0	19.4	18.8	18.3	17.9	17.4	17.0	16.7	16.3	16.0	600
700	90.9	76.7	66.5	58.9	53.0	48.3	44.4	41.2	38.4	36.1	34.0	32.3	30.7	29.3	28.1	26.9	25.9	25.0	24.1	23.4	22.7	22.0	21.4	20.8	20.3	19.8	19.4	18.9	18.5	18.1	700
800	101.2	85.4	74.1	65.7	59.1	53.8	49.5	45.9	42.9	40.3	38.0	36.0	34.3	32.7	31.4	30.1	29.0	27.9	27.0	26.2	25.4	24.6	24.0	23.3	22.7	22.2	21.7	21.2	20.8	20.3	800
900	111.5	94.1	81.7	72.4	65.1	59.4	54.6	50.7	47.3	44.5	42.0	39.8	37.9	36.2	34.6	33.3	32.0	30.9	29.9	28.9	28.1	27.3	26.5	25.8	25.2	24.6	24.0	23.5	23.0	22.5	900
1000	121.8	102.8	89.3	79.1	71.2	64.9	59.7	55.4	51.8	48.6	45.9	43.6	41.5	39.6	37.9	36.5	35.1	33.9	32.7	31.7	30.8	29.9	29.1	28.3	27.6	27.0	26.4	25.8	25.2	24.7	1000
1100	132.1	111.5	96.9	85.9	77.3	70.4	64.8	60.2	56.2	52.8	49.9	47.3	45.1	43.0	41.2	39.6	38.2	36.8	35.6	34.5	33.5	32.5	31.6	30.8	30.1	29.[illegible]	28.7	28.1	27.5	26.9	1100
1200	142.4	120.2	104.4	92.6	83.4	76.0	70.0	64.9	60.7	57.0	53.9	51.1	48.7	46.5	44.5	42.8	41.2	39.8	38.5	37.3	36.2	35.1	34.2	33.3	32.5	31.7	31.0	30.3	29.7	29.1	1200
1300	152.7	129.0	112.0	99.3	89.4	81.5	75.1	69.7	65.1	61.2	57.8	54.9	52.2	49.9	47.8	46.0	44.3	42.7	41.3	40.0	38.9	37.8	36.7	35.8	34.9	34.1	33.3	32.6	32.0	31.3	1300
1400	163.0	137.7	119.6	106.0	95.5	87.1	80.2	74.4	69.6	65.4	61.8	58.6	55.8	53.4	51.1	49.1	47.3	45.7	44.2	42.8	41.6	40.4	39.3	38.3	37.4	36.5	35.7	34.9	34.2	33.5	1400
1500	173.2	146.4	127.2	112.8	101.6	92.6	85.3	79.2	74.0	69.6	65.7	62.4	59.4	56.8	54.4	52.3	50.4	48.6	47.1	45.6	44.2	43.0	41.9	40.8	39.8	38.9	38.0	37.2	36.4	35.7	1500
Term. 2/	18.906	15.755	13.504	11.816	10.503	9.453	8.594	7.878	7.272	6.752	6.302	5.908	5.561	5.252	4.975	4.727	4.501	4.297	4.110	3.939	3.781	3.636	3.501	3.376	3.260	3.151	3.049	2.954	2.865	2.780	Term. 2/
L. H. 3/	.102890	.087075	.075779	.067306	.060717	.055445	.051132	.047538	.044496	.041889	.039630	.037653	.035909	.034358	.032971	.031723	.030593	.029566	.028628	.027769	.026978	.026248	.025572	.024945	.024360	.023815	.023305	.022827	.022377	.021954	L. H. 3/

1/ Based on a tare weight of 19.1 tons and a ratio of empty car miles to loaded car miles of 0.703. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 51 (Concluded).—TERRITORY NO. 5 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	10
20	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	70
80	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	90
100	4.9	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.1	3.0	100
120	5.3	5.2	5.1	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	120
140	5.7	5.6	5.5	5.4	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.7	3.7	3.6	140
160	6.1	6.0	5.9	5.8	5.7	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	160
180	6.6	6.4	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.3	180
200	7.0	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	200
220	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	4.9	220
240	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	240
260	8.3	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	6.7	5.6	5.5	5.5	260
280	8.7	8.6	8.4	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	280
300	9.2	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.2	6.1	300
320	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	320
340	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	340
360	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.2	7.1	7.0	360
380	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	380
400	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.6	400
420	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	8.0	420
440	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.7	8.6	8.5	8.4	8.3	8.3	440
460	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	460
480	13.0	12.8	12.6	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.8	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	9.0	8.9	480
500	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.4	9.3	9.2	500
600	15.6	15.3	15.0	14.8	14.5	14.3	14.0	13.8	13.6	13.4	13.2	13.0	12.9	12.7	12.5	12.4	12.2	12.1	12.0	11.8	11.7	11.6	11.5	11.3	11.2	11.1	11.0	10.9	10.8	10.7	600
700	17.8	17.5	17.1	16.8	16.5	16.3	16.0	15.8	15.5	15.3	15.1	14.9	14.7	14.5	14.3	14.1	14.0	13.8	13.7	13.5	13.4	13.2	13.1	13.0	12.8	12.7	12.6	12.5	12.4	12.3	700
800	19.9	19.6	19.2	18.9	18.6	18.3	18.0	17.7	17.4	17.2	16.9	16.7	16.5	16.3	16.1	15.9	15.7	15.5	15.3	15.2	15.0	14.9	14.7	14.6	14.4	14.3	14.2	14.0	13.9	13.8	800
900	22.1	21.7	21.3	20.9	20.6	20.2	19.9	19.6	19.3	19.1	18.8	18.5	18.3	18.1	17.8	17.6	17.4	17.2	17.0	16.9	16.7	16.5	16.3	16.2	16.0	15.9	15.8	15.6	15.5	15.3	900
1000	24.3	23.8	23.4	23.0	22.6	22.2	21.9	21.5	21.2	20.9	20.6	20.4	20.1	19.9	19.6	19.4	19.2	18.9	18.7	18.5	18.3	18.2	18.0	17.8	17.6	17.5	17.3	17.2	17.0	16.9	1000
1100	26.4	25.9	25.5	25.0	24.6	24.2	23.8	23.5	23.1	22.8	22.5	22.2	21.9	21.6	21.4	21.1	20.9	20.7	20.4	20.2	20.0	19.8	19.6	19.4	19.2	19.1	18.9	18.7	18.6	18.4	1100
1200	28.6	28.0	27.5	27.1	26.6	26.2	25.8	25.4	25.0	24.7	24.4	24.0	23.7	23.4	23.1	22.9	22.6	22.4	22.1	21.9	21.7	21.5	21.2	21.0	20.9	20.7	20.5	20.3	20.1	20.0	1200
1300	30.7	30.2	29.6	29.1	28.6	28.2	27.7	27.3	26.9	26.6	26.2	25.9	25.5	25.2	24.9	24.6	24.3	24.1	23.8	23.6	23.3	23.1	22.9	22.7	22.5	22.3	22.1	21.9	21.7	21.5	1300
1400	32.9	32.3	31.7	31.2	30.7	30.2	29.7	29.3	28.8	28.4	28.1	27.7	27.3	27.0	26.7	26.4	26.1	25.8	25.5	25.3	25.0	24.7	24.5	24.3	24.1	23.8	23.6	23.4	23.2	23.1	1400
1500	35.0	34.4	33.8	33.2	32.7	32.2	31.7	31.2	30.7	30.3	29.9	29.5	29.2	28.8	28.5	28.1	27.8	27.5	27.2	26.9	26.7	26.4	26.1	25.9	25.7	25.4	25.2	25.0	24.8	24.6	1500
Term. 2/	2.701	2.626	2.555	2.488	2.424	2.363	2.306	2.251	2.198	2.148	2.101	2.055	2.011	1.969	1.925	1.891	1.854	1.818	1.784	1.751	1.719	1.688	1.655	1.630	1.602	1.576	1.550	1.525	1.500	1.477	Term. 2/
L. H. 3/	.021556	.021179	.020823	.020486	.020165	.019861	.019572	.019296	.019034	.018783	.018543	.018314	.018095	.017884	.017683	.017489	.017303	.017124	.016952	.016786	.016626	.016472	.016324	.016180	.016042	.015908	.015778	.015652	.015531	.015413	L. H. 3/

1/ Based on a tare weight of 19.1 tons and a ratio of empty car miles to loaded car miles of 0.703. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 52.--TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.1	16.7	14.4	12.6	11.2	10.1	9.2	8.4	7.8	7.2	6.7	6.3	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	10
20	21.2	17.7	15.2	13.3	11.9	10.7	9.7	8.9	8.3	7.7	7.2	6.7	6.4	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	20
30	22.4	18.7	16.0	14.1	12.5	11.3	10.3	9.5	8.8	8.1	7.6	7.2	6.7	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.1	3.9	3.8	3.7	3.6	3.5	30
40	23.5	19.7	16.9	14.8	13.2	11.9	10.9	10.0	9.2	8.6	8.1	7.6	7.1	6.8	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	3.9	3.8	3.7	40
50	24.7	20.6	17.7	15.6	13.9	12.5	11.4	10.5	9.7	9.1	8.5	8.0	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	50
60	25.8	21.6	18.6	16.3	14.6	13.2	12.0	11.0	10.2	9.5	8.9	8.4	7.9	7.5	7.2	6.8	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	60
70	27.0	22.6	19.4	17.1	15.2	13.8	12.6	11.6	10.7	10.0	9.4	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.4	70
80	28.1	23.6	20.3	17.8	15.9	14.4	13.1	12.1	11.2	10.5	9.8	9.2	8.7	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.6	5.4	5.2	5.1	4.9	4.8	4.7	80
90	29.3	24.5	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.7	9.1	8.7	8.2	7.9	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.1	4.9	90
100	30.5	25.5	22.0	19.3	17.3	15.6	14.3	13.2	12.2	11.4	10.7	10.1	9.5	9.0	8.6	8.2	7.9	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.2	100
120	32.8	27.5	23.7	20.8	18.6	16.9	15.4	14.2	13.2	12.3	11.6	10.9	10.3	9.8	9.3	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.6	6.4	6.3	6.1	5.9	5.8	5.6	120
140	35.1	29.4	25.4	22.3	20.0	18.1	16.6	15.3	14.2	13.2	12.4	11.7	11.1	10.6	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	140
160	37.4	31.4	27.1	23.8	21.3	19.3	17.7	16.3	15.2	14.2	13.3	12.6	11.9	11.3	10.8	10.3	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	6.6	160
180	39.7	33.3	28.8	25.4	22.7	20.6	18.8	17.4	16.2	15.1	14.2	13.4	12.7	12.1	11.5	11.0	10.5	10.1	9.8	9.4	9.1	8.8	8.5	8.3	8.0	7.8	7.6	7.4	7.2	7.1	180
200	42.0	35.3	30.5	26.9	24.1	21.8	20.0	18.4	17.1	16.0	15.1	14.2	13.5	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	200
220	44.3	37.2	32.2	28.4	25.4	23.0	21.1	19.5	18.1	17.0	15.9	15.1	14.3	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.3	9.9	9.5	9.4	9.1	8.9	8.6	8.4	8.2	8.0	220
240	46.6	39.2	33.9	29.9	26.8	24.3	22.2	20.6	19.1	17.9	16.8	15.9	15.1	14.3	13.7	13.1	12.6	12.1	11.6	11.2	10.9	10.5	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.5	240
260	48.9	41.1	35.6	31.4	28.1	25.5	23.4	21.6	20.1	18.8	17.7	16.7	15.9	15.1	14.4	13.8	13.2	12.7	12.3	11.8	11.5	11.1	10.8	10.4	10.2	9.9	9.6	9.4	9.2	9.0	260
280	51.3	43.1	37.2	32.9	29.5	26.7	24.5	22.7	21.1	19.7	18.6	17.6	16.7	15.9	15.1	14.5	13.9	13.4	12.9	12.5	12.0	11.7	11.3	11.0	10.7	10.4	10.1	9.9	9.7	9.4	280
300	53.6	45.0	38.9	34.4	30.8	28.0	25.7	23.7	22.1	20.7	19.5	18.4	17.4	16.6	15.9	15.2	14.6	14.0	13.5	13.1	12.6	12.2	11.9	11.5	11.2	10.9	10.7	10.4	10.2	9.9	300
320	55.9	47.0	40.6	35.9	32.2	29.2	26.8	24.8	23.1	21.6	20.3	19.2	18.2	17.4	16.6	15.9	15.3	14.7	14.2	13.7	13.2	12.8	12.4	12.1	11.8	11.4	11.2	10.9	10.6	10.4	320
340	58.2	48.9	42.3	37.4	33.5	30.5	27.9	25.8	24.1	22.5	21.2	20.1	19.0	18.1	17.3	16.6	15.9	15.3	14.8	14.3	13.8	13.4	13.0	12.6	12.3	12.0	11.7	11.4	11.1	10.9	340
360	60.5	50.9	44.0	38.9	34.9	31.7	29.1	26.9	25.0	23.5	22.1	20.9	19.8	18.9	18.0	17.3	16.6	16.0	15.4	14.9	14.4	14.0	13.5	13.2	12.8	12.5	12.2	11.9	11.6	11.4	360
380	62.8	52.8	45.7	40.4	36.2	32.9	30.2	27.9	26.0	24.4	23.0	21.7	20.6	19.6	18.8	18.0	17.3	16.6	16.0	15.5	15.0	14.5	14.1	13.7	13.3	13.0	12.7	12.4	12.1	11.8	380
400	65.1	54.8	47.4	41.9	37.6	34.2	31.3	29.0	27.0	25.3	23.8	22.5	21.4	20.4	19.5	18.7	17.9	17.3	16.7	16.1	15.6	15.1	14.7	14.3	13.9	13.5	13.2	12.9	12.6	12.3	400
[illegible]	67.4	56.8	49.1	43.4	39.0	35.4	32.5	30.1	28.0	26.2	24.7	23.4	22.2	21.2	20.2	19.4	18.6	17.9	17.3	16.7	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.4	13.1	12.8	420
440	69.7	58.7	50.8	44.9	40.3	36.6	33.6	31.1	29.0	27.2	25.6	24.2	23.0	21.9	20.9	20.1	19.3	18.6	17.9	17.3	16.8	16.3	15.8	15.3	14.9	14.6	14.2	13.9	13.6	13.3	440
460	72.0	60.7	52.5	46.4	41.7	37.9	34.8	32.2	30.0	28.1	26.5	25.0	23.8	22.7	21.7	20.8	20.0	19.2	18.5	17.9	17.4	16.8	16.3	15.9	15.5	15.1	14.7	14.4	14.0	13.7	460
480	74.4	62.6	54.2	47.9	43.0	39.1	35.9	33.2	31.0	29.0	27.3	25.9	24.6	23.4	22.4	21.5	20.6	19.9	19.2	18.5	17.9	17.4	16.9	16.4	16.0	15.6	15.2	14.9	14.5	14.2	480
500	76.7	64.6	55.9	49.4	44.4	40.3	37.0	34.3	32.0	30.0	28.2	26.7	25.4	24.2	23.1	22.2	21.3	20.5	19.8	19.1	18.5	18.0	17.5	17.0	16.5	16.1	15.7	15.4	15.0	14.7	500
600	88.2	74.3	64.4	56.9	51.1	46.5	42.7	39.6	36.9	34.6	32.6	30.9	29.3	28.0	26.8	25.7	24.7	23.8	22.9	22.2	21.5	20.8	20.2	19.7	19.2	18.7	18.3	17.8	17.4	17.1	600
700	99.8	84.1	72.9	64.5	57.9	52.7	48.4	44.8	41.8	39.2	37.0	35.0	33.3	31.8	30.4	29.1	28.0	27.0	26.1	25.2	24.4	23.7	23.0	22.4	21.8	21.3	20.8	20.3	19.9	19.4	700
800	111.3	93.8	81.3	72.0	64.7	58.9	54.1	50.1	46.8	43.9	41.4	39.2	37.3	35.5	34.0	32.6	31.4	30.2	29.2	28.3	27.4	26.6	25.8	25.1	24.5	23.9	23.3	22.8	22.3	21.8	800
900	122.9	103.6	89.5	79.5	71.5	65.0	59.8	55.4	51.7	48.5	45.8	43.4	41.2	39.3	37.6	36.1	34.7	33.5	32.3	31.3	30.3	29.4	28.6	27.9	27.1	26.5	25.9	25.3	24.7	24.2	900
1000	134.4	113.4	98.3	87.0	78.2	71.2	65.5	60.7	56.6	53.2	50.1	47.5	45.2	43.1	41.3	39.6	38.1	36.7	35.5	34.3	33.3	32.3	31.4	30.6	29.8	29.1	28.4	27.8	27.2	26.6	1000
1100	146.0	123.1	106.8	94.5	85.0	77.4	71.2	66.0	61.6	57.8	54.5	51.7	49.1	46.9	44.9	43.1	41.5	40.0	38.6	37.4	36.2	35.2	34.2	33.3	32.5	31.7	30.9	30.2	29.6	29.0	1100
1200	157.5	132.9	115.3	102.1	91.8	83.6	76.9	71.2	66.5	62.4	58.9	55.8	53.1	50.7	48.5	46.6	44.8	43.2	41.8	40.4	39.2	38.1	37.0	36.0	35.1	34.3	33.5	32.7	32.0	31.4	1200
1300	169.1	142.6	123.8	109.6	98.6	89.7	82.5	76.5	71.4	67.1	63.3	60.0	57.1	54.5	52.2	50.1	48.2	46.5	44.9	43.5	42.1	40.9	39.8	38.7	37.8	36.8	36.0	35.2	34.4	33.7	1300
1400	180.6	152.4	132.2	117.1	105.3	95.9	88.2	81.8	76.4	71.7	67.7	64.2	61.0	58.3	55.8	53.6	51.5	49.7	48.0	46.5	45.1	43.8	42.6	41.5	40.4	39.4	38.5	37.7	36.9	36.1	1400
1500	192.2	162.2	140.7	124.5	112.1	102.1	93.9	87.1	81.3	76.4	72.1	68.3	65.0	62.1	59.4	57.1	54.9	53.0	51.2	49.5	48.0	46.7	45.4	44.2	43.1	42.0	41.1	40.2	39.3	38.5	1500
Term. 2/	18.906	15.755	13.504	11.816	10.503	9.453	8.594	7.878	7.272	6.752	6.302	5.908	5.561	5.252	4.975	4.727	4.501	4.297	4.110	3.939	3.781	3.636	3.501	3.375	3.260	3.151	3.049	2.954	2.865	2.73[illegible]	Term. 2/
L. H. 3/	.115530	.097608	.084807	.075206	.067739	.061765	.056877	.052804	.049358	.046404	.043843	.041603	.039626	.037869	.036297	.034883	.033602	.032439	.031376	.030402	.029506	.028679	.027913	.027202	.026540	.025922	.025344	.024802	.024293	.023813	L. H. 3/

1/ Based on a tare weight of 21.0 tons and a ratio of empty car miles to loaded car miles of 0.530. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 52 (Concluded).—TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	10
20	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	20
30	3.4	3.3	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	30
40	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	40
50	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	50
60	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	60
70	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	70
80	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	80
90	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	90
100	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	100
120	5.5	5.4	5.3	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.7	3.6	3.6	3.5	3.5	3.4	120
140	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	4.0	3.9	3.9	3.8	3.8	140
160	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	160
180	6.9	6.8	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	180
200	7.4	7.2	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.9	4.8	4.8	200
220	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	220
240	8.3	8.1	8.0	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	240
260	8.8	8.6	8.4	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	260
280	9.2	9.0	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	280
300	9.7	9.5	9.3	9.1	9.0	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	300
320	10.2	10.0	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.9	6.8	6.7	320
340	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.1	340
360	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	7.5	7.4	360
380	11.6	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	380
400	12.0	11.8	11.6	11.3	11.1	10.9	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.0	400
420	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	420
440	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	440
460	13.4	13.2	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	460
480	13.9	13.6	13.4	13.1	12.9	12.7	12.4	12.2	12.0	11.9	11.7	11.5	11.3	11.2	11.0	10.9	10.8	10.6	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	480
500	14.4	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.4	12.3	12.1	11.9	11.7	11.6	11.4	11.3	11.1	11.0	10.9	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	500
600	16.7	16.4	16.1	15.8	15.5	15.2	15.0	14.7	14.5	14.3	14.1	13.9	13.7	13.5	13.3	13.1	13.0	12.8	12.7	12.5	12.4	12.2	12.1	12.0	11.9	11.8	11.6	11.5	11.4	11.3	600
700	19.1	18.7	18.3	18.0	17.7	17.4	17.1	16.8	16.6	16.3	16.1	15.8	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.4	13.3	13.2	13.1	13.0	700
800	21.4	21.0	20.6	20.2	19.9	19.5	19.2	18.9	18.6	18.3	18.1	17.8	17.6	17.3	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.8	15.6	15.4	15.3	15.1	15.0	14.9	14.7	14.6	800
900	23.7	23.3	22.8	22.4	22.0	21.7	21.3	21.0	20.7	20.3	20.1	19.8	19.5	19.2	19.0	18.8	18.5	18.3	18.1	17.9	17.7	17.5	17.3	17.2	17.0	16.8	16.7	16.5	16.4	16.2	900
1000	26.1	25.6	25.1	24.6	24.2	23.8	23.4	23.1	22.7	22.4	22.0	21.7	21.5	21.2	20.9	20.6	20.4	20.2	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.4	18.2	18.0	17.9	1000
1100	28.4	27.9	27.3	26.9	26.4	25.9	25.5	25.1	24.8	24.4	24.0	23.7	23.4	23.1	22.8	22.5	22.3	22.0	21.7	21.5	21.3	21.0	20.8	20.6	20.4	20.2	20.0	19.9	19.7	19.5	1100
1200	30.7	30.1	29.6	29.1	28.6	28.1	27.6	27.2	26.8	26.4	26.0	25.7	25.3	25.0	24.7	24.4	24.1	23.8	23.6	23.3	23.0	22.8	22.6	22.4	22.1	21.9	21.7	21.5	21.3	21.2	1200
1300	33.1	32.4	31.8	31.3	30.7	30.2	29.8	29.3	28.9	28.4	28.0	27.6	27.3	26.9	26.6	26.3	26.0	25.7	25.4	25.1	24.8	24.6	24.3	24.1	23.8	23.6	23.4	23.2	23.0	22.8	1300
1400	35.4	34.7	34.1	33.5	32.9	32.4	31.9	31.4	30.9	30.5	30.0	29.6	29.2	28.9	28.5	28.1	27.8	27.5	27.2	26.9	26.6	26.3	26.1	25.8	25.6	25.3	25.1	24.9	24.6	24.4	1400
1500	37.7	37.0	36.4	35.7	35.1	34.5	34.0	33.5	33.0	32.5	32.0	31.6	31.2	30.8	30.4	30.0	29.7	29.3	29.0	28.7	28.4	28.1	27.8	27.5	27.3	27.0	26.8	26.5	26.3	26.1	1500
Term. 2/	2.701	2.626	2.555	2.488	2.424	2.363	2.306	2.251	2.198	2.148	2.101	2.055	2.011	1.969	1.929	1.891	1.854	1.818	1.784	1.751	1.719	1.688	1.658	1.630	1.602	1.576	1.550	1.525	1.500	1.477	Term. 2/
L. H. 3/	.023361	.022935	.022531	.022149	.021786	.021441	.021113	.020801	.020503	.020219	.019948	.019688	.019439	.019201	.018972	.018753	.018542	.018339	.018144	.017956	.017775	.017601	.017432	.017270	.017113	.016961	.016814	.016672	.016534	.016401	L. H. 3/

1/ Based on a tare weight of 21.0 tons and a ratio of empty car miles to loaded car miles of 0.530. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 53.--TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.4	14.5	12.5	10.9	9.7	8.8	8.0	7.3	6.7	6.3	5.9	5.5	5.2	4.9	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.6	10
20	18.8	15.7	13.5	11.8	10.5	9.5	8.6	7.9	7.3	6.8	6.4	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	2.9	20
30	20.2	16.9	14.5	12.7	11.3	10.2	9.3	8.6	7.9	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	3.2	30
40	21.6	18.1	15.5	13.6	12.1	11.0	10.0	9.2	8.5	7.9	7.4	7.0	6.6	6.2	5.9	5.6	5.4	5.2	4.9	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.6	3.5	3.4	40
50	23.0	19.2	16.5	14.5	12.9	11.7	10.7	9.8	9.1	8.5	7.9	7.5	7.0	6.7	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	50
60	24.4	20.4	17.6	15.4	13.8	12.4	11.3	10.4	9.7	9.0	8.4	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.5	4.3	4.2	4.1	4.0	60
70	25.8	21.6	18.6	16.3	14.6	13.2	12.0	11.1	10.3	9.6	9.0	8.4	8.0	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	4.3	70
80	27.2	22.7	19.6	17.2	15.4	13.9	12.7	11.7	10.8	10.1	9.5	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.5	80
90	28.6	23.9	20.6	18.1	16.2	14.6	13.4	12.3	11.4	10.7	10.0	9.4	8.9	8.5	8.0	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	90
100	30.0	25.1	21.6	19.0	17.0	15.4	14.1	12.9	12.0	11.2	10.5	9.9	9.4	8.9	8.5	8.1	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	5.1	100
120	32.7	27.4	23.7	20.8	18.6	16.8	15.4	14.2	13.2	12.3	11.6	10.9	10.3	9.8	9.3	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.8	6.6	6.4	6.3	6.1	5.9	5.8	5.6	120
140	35.5	29.8	25.7	22.6	20.2	18.3	16.8	15.5	14.4	13.4	12.6	11.9	11.2	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.3	7.1	6.9	6.7	6.5	6.3	6.2	140
160	38.3	32.1	27.7	24.4	21.8	19.8	18.1	16.7	15.5	14.5	13.6	12.9	12.2	11.6	11.0	10.5	10.1	9.7	9.3	9.0	8.7	8.4	8.1	7.9	7.7	7.5	7.3	7.1	6.9	6.7	160
180	41.1	34.5	29.8	26.2	23.5	21.3	19.5	18.0	16.7	15.6	14.7	13.8	13.1	12.5	11.9	11.4	10.9	10.5	10.1	9.7	9.4	9.1	8.8	8.5	8.3	8.0	7.8	7.6	7.4	7.3	180
200	43.9	36.8	31.8	28.0	25.1	22.7	20.8	19.2	17.9	16.7	15.7	14.8	14.0	13.3	12.7	12.2	11.7	11.2	10.8	10.4	10.1	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	200
220	46.7	39.2	33.8	29.8	26.7	24.2	22.2	20.5	19.0	17.8	16.7	15.8	15.0	14.2	13.6	13.0	12.4	12.0	11.5	11.1	10.7	10.4	10.1	9.8	9.5	9.2	9.0	8.8	8.6	8.4	220
240	49.4	41.5	35.9	31.6	28.3	25.7	23.5	21.7	20.2	18.9	17.8	16.8	15.9	15.1	14.4	13.8	13.2	12.7	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	240
260	52.2	43.9	37.9	33.4	29.9	27.2	24.9	23.0	21.4	20.0	18.8	17.8	16.8	16.0	15.3	14.6	14.0	13.5	13.0	12.5	12.1	11.7	11.4	11.0	10.7	10.4	10.2	9.9	9.7	9.5	260
280	55.0	46.2	39.9	35.2	31.6	28.6	26.2	24.2	22.5	21.1	19.8	18.7	17.8	16.9	16.1	15.4	14.8	14.2	13.7	13.2	12.8	12.4	12.0	11.7	11.3	11.0	10.8	10.5	10.2	10.0	280
300	57.8	48.6	42.0	37.0	33.2	30.1	27.6	25.5	23.7	22.2	20.9	19.7	18.7	17.8	17.0	16.2	15.6	15.0	14.5	13.9	13.5	13.1	12.7	12.3	12.0	11.6	11.3	11.1	10.8	10.5	300
320	60.6	50.9	44.0	38.8	34.8	31.6	28.9	26.7	24.9	23.3	21.9	20.7	19.6	18.7	17.8	17.1	16.4	15.7	15.2	14.6	14.2	13.7	13.3	12.9	12.6	12.2	11.9	11.6	11.4	11.1	320
340	63.4	53.3	46.0	40.6	36.4	33.0	30.3	28.0	26.0	24.4	22.9	21.7	20.6	19.6	18.7	17.9	17.2	16.5	15.9	15.4	14.8	14.4	14.0	13.5	13.2	12.8	12.5	12.2	11.9	11.6	340
360	66.2	55.6	48.1	42.4	38.0	34.5	31.6	29.2	27.2	25.5	24.0	22.7	21.5	20.5	19.5	18.7	17.9	17.3	16.6	16.1	15.5	15.0	14.6	14.2	13.8	13.4	13.1	12.8	12.5	12.2	360
380	68.9	58.0	50.1	44.2	39.6	36.0	33.0	30.5	28.4	26.6	25.0	23.6	22.4	21.3	20.4	19.5	18.7	18.0	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.3	13.0	12.7	380
400	71.7	60.3	52.1	46.0	41.3	37.5	34.3	31.7	29.6	27.7	26.0	24.6	23.4	22.2	21.2	20.3	19.5	18.8	18.1	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.3	13.9	13.6	13.3	400
420	74.5	62.6	54.2	47.8	42.9	38.9	35.7	33.0	30.7	28.8	27.1	25.6	24.3	23.1	22.1	21.1	20.3	19.5	18.8	18.2	17.6	17.0	16.5	16.1	15.6	15.2	14.8	14.5	14.1	13.8	420
440	77.3	65.0	56.2	49.6	44.5	40.4	37.1	34.3	31.9	29.9	28.1	26.6	25.2	24.0	22.9	22.0	21.1	20.3	19.6	18.9	18.3	17.7	17.2	16.7	16.2	15.8	15.4	15.0	14.7	14.4	440
460	80.1	67.3	58.2	51.4	46.1	41.9	38.4	35.5	33.1	31.0	29.1	27.6	26.1	24.9	23.8	22.8	21.9	21.0	20.3	19.6	19.0	18.4	17.8	17.3	16.8	16.4	16.0	15.6	15.3	14.9	460
480	82.9	69.7	60.3	53.2	47.7	43.3	39.8	36.8	34.2	32.1	30.2	28.5	27.1	25.8	24.6	23.6	22.7	21.8	21.0	20.3	19.6	19.0	18.5	18.0	17.5	17.0	16.6	16.2	15.8	15.5	480
500	85.6	72.0	62.3	55.0	49.4	44.8	41.1	38.0	35.4	33.2	31.2	29.5	28.0	26.7	25.5	24.4	23.4	22.6	21.8	21.0	20.3	19.7	19.1	18.6	18.1	17.6	17.2	16.8	16.4	16.0	500
600	99.6	83.8	72.5	64.0	57.4	52.2	47.9	44.3	41.2	38.6	36.4	34.4	32.7	31.1	29.7	28.5	27.4	26.3	25.4	24.5	23.8	23.0	22.3	21.7	21.1	20.6	20.1	19.6	19.2	18.7	600
700	113.5	95.5	82.7	73.0	65.5	59.5	54.6	50.6	47.1	44.1	41.6	39.3	37.3	35.6	34.0	32.6	31.3	30.1	29.1	28.1	27.2	26.3	25.6	24.9	24.2	23.6	23.0	22.5	21.9	21.5	700
800	127.4	107.2	92.8	82.0	73.6	66.9	61.4	56.8	52.9	49.6	46.7	44.2	42.0	40.0	38.2	36.7	35.2	33.9	32.7	31.6	30.6	29.7	28.8	28.0	27.3	26.6	25.9	25.3	24.7	24.2	800
900	141.3	119.0	103.0	91.0	81.7	74.3	68.2	63.1	58.8	55.1	51.9	49.1	46.7	44.5	42.5	40.7	39.1	37.7	36.4	35.1	34.0	33.0	32.0	31.2	30.3	29.6	28.8	28.2	27.5	26.9	900
1000	155.3	130.7	113.2	100.0	89.8	81.6	74.9	69.4	64.6	60.6	57.1	54.0	51.3	48.9	46.8	44.8	43.1	41.5	40.0	38.7	37.5	36.3	35.3	34.3	33.4	32.5	31.8	31.0	30.3	29.7	1000
1100	169.2	142.5	123.4	109.0	97.9	89.0	81.7	75.6	70.5	66.1	62.3	58.9	56.0	53.4	51.0	48.9	47.0	45.3	43.7	42.2	40.9	39.6	38.5	37.4	36.5	35.5	34.7	33.9	33.1	32.4	1100
1200	183.1	154.2	133.5	118.0	106.0	96.4	88.5	81.9	76.3	71.6	67.4	63.8	60.6	57.8	55.3	53.0	50.9	49.0	47.3	45.7	44.3	43.0	41.7	40.6	39.5	38.5	37.6	36.7	35.9	35.1	1200
1300	197.0	165.9	143.7	127.0	114.1	103.7	95.2	88.2	82.2	77.1	72.6	68.7	65.3	62.2	59.5	57.1	54.8	52.8	51.0	49.3	47.7	46.3	45.0	43.7	42.6	41.5	40.5	39.6	38.7	37.8	1300
1400	211.0	177.7	153.9	136.0	122.2	111.1	102.0	94.4	88.0	82.5	77.8	73.6	69.9	66.7	63.8	61.1	58.8	56.6	54.6	52.8	51.2	49.6	48.2	46.9	45.6	44.5	43.4	42.4	41.5	40.6	1400
1500	224.9	189.4	164.1	145.0	130.3	118.4	108.8	100.7	93.9	88.0	83.0	78.5	74.6	71.1	68.0	65.2	62.7	60.4	58.3	56.3	54.6	52.9	51.4	50.0	48.7	47.5	46.3	45.3	44.3	43.3	1500
Term. 2/	16.028	13.357	11.449	10.018	8.904	8.014	7.285	6.678	6.165	5.724	5.343	5.009	4.714	4.452	4.218	4.007	3.816	3.643	3.484	3.339	3.206	3.082	2.968	2.862	2.763	2.671	2.585	2.504	2.428	2.357	Term. 2/
L. H. 3/	.139230	.117358	.101736	.090019	.080906	.073615	.067650	.062679	.058473	.054868	.051743	.049009	.046597	.044453	.042534	.040808	.039245	.037825	.036528	.035340	.034246	.033237	.032302	.031434	.030626	.029872	.029166	.028505	.027883	.027299	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.990. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 53 (Concluded).—TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																															Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.4	2.4	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.5	5.4	5.3	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.6	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	5.9	5.8	5.7	5.7	5.6	5.5	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.2	8.0	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.7	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.2	9.0	8.9	8.7	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.8	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.7	7.6	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.3	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.8	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.4	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.9	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.3	9.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.5	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.5	13.2	13.0	12.7	12.5	12.3	12.0	11.8	11.6	11.4	11.3	11.1	10.9	10.8	10.6	10.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	14.1	13.8	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.0	10.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.6	14.3	14.0	13.7	13.5	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.5	11.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	15.1	14.8	14.5	14.2	14.0	13.7	13.5	13.2	13.0	12.8	12.6	12.4	12.2	12.1	11.9	11.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.7	15.3	15.0	14.7	14.5	14.2	14.0	13.7	13.5	13.3	13.1	12.9	12.7	12.5	12.3	12.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.3	18.0	17.6	17.3	16.9	16.6	16.4	16.1	15.8	15.6	15.3	15.1	14.9	14.7	14.5	14.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	21.0	20.6	20.2	19.8	19.4	19.1	18.8	18.4	18.1	17.9	17.6	17.3	17.1	16.8	16.6	16.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.7	23.2	22.8	22.3	21.9	21.5	21.2	20.8	20.5	20.2	19.8	19.6	19.3	19.0	18.7	18.[illegible]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.4	25.8	25.3	24.8	24.4	24.0	23.6	23.2	22.8	22.4	22.1	21.8	21.5	21.2	20.9	20.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	29.0	28.5	27.9	27.4	26.9	26.4	26.0	25.5	25.1	24.7	24.4	24.0	23.7	23.3	23.0	22.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.7	31.1	30.5	29.9	29.4	28.8	28.4	27.9	27.4	27.0	26.6	26.2	25.9	25.5	25.2	24.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	34.4	33.7	33.0	32.4	31.8	31.3	30.8	30.3	29.8	29.3	28.9	28.5	28.1	27.7	27.3	27.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	37.1	36.3	35.6	35.0	34.3	33.7	33.2	32.6	32.1	31.6	31.1	30.7	30.3	29.8	29.4	29.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.7	38.9	38.2	37.5	36.8	36.2	35.6	35.0	34.4	33.9	33.4	32.9	32.5	32.0	31.6	31.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	42.4	41.6	40.8	40.0	39.3	38.6	38.0	37.3	36.8	36.2	35.7	35.1	34.6	34.2	33.7	33.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
Term. 2/	2.290	2.226	2.166	2.109	2.055	2.004	1.955	1.908	1.864	1.821	1.781	1.742	1.705	1.670	1.636	1.603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026747	.026226	.025734	.025267	.024824	.024404	.024004	.023623	.023259	.022913	.022581	.022264	.021961	.021670	.021391	.021123	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.990. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 54.--TERRITORY NO. 6 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
10	20.1	16.7	14.4	12.6	11.2	10.1	9.2	8.4	7.8	7.2	6.7	6.3	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4	-	-	-	-
20	21.3	17.7	15.2	13.3	11.9	10.7	9.7	8.9	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.4	5.2	5.0	4.7	4.6	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-
30	22.4	18.7	16.1	14.1	12.6	11.3	10.3	9.5	8.8	8.2	7.6	7.2	6.8	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.1	3.9	-	-	-	-
40	23.6	19.7	16.9	14.9	13.3	12.0	10.9	10.0	9.3	8.6	8.1	7.6	7.2	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	-	-	-	-
50	24.8	20.7	17.8	15.6	13.9	12.6	11.5	10.6	9.8	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	-	-	-	-
60	25.9	21.7	18.7	16.4	14.6	13.2	12.1	11.1	10.3	9.6	9.0	8.4	8.0	7.6	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	-	-	-	-
70	27.1	22.7	19.5	17.2	15.3	13.8	12.6	11.6	10.8	10.0	9.4	8.9	8.4	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	-	-	-	-
80	28.3	23.7	20.4	17.9	16.0	14.5	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	-	-	-	-
90	29.5	24.7	21.2	18.7	16.7	15.1	13.8	12.7	11.8	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.9	5.7	5.5	-	-	-	-
100	30.6	25.7	22.1	19.4	17.4	15.7	14.4	13.2	12.3	11.5	10.7	10.1	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.8	-	-	-	-
120	33.0	27.6	23.8	21.0	18.7	17.0	15.5	14.3	13.3	12.4	11.6	11.0	10.4	9.9	9.4	9.0	8.6	8.2	7.9	7.6	7.4	7.1	6.9	6.7	6.5	6.3	-	-	-	-
140	35.3	29.6	25.5	22.5	20.1	18.2	16.7	15.4	14.3	13.3	12.5	11.8	11.2	10.6	10.1	9.7	9.3	8.9	8.6	8.2	8.0	7.7	7.5	7.2	7.0	6.8	-	-	-	-
160	37.7	31.6	27.3	24.0	21.5	19.5	17.8	16.4	15.3	14.3	13.4	12.7	12.0	11.4	10.9	10.4	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.3	-	-	-	-
180	40.0	33.6	29.0	25.5	22.9	20.7	19.0	17.5	16.3	15.2	14.3	13.5	12.8	12.2	11.6	11.1	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.3	8.1	7.9	-	-	-	-
200	42.4	35.6	30.7	27.1	24.2	22.0	20.1	18.6	17.3	16.2	15.2	14.3	13.6	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.4	9.1	8.9	8.6	8.4	-	-	-	-
220	44.7	37.5	32.4	28.6	25.6	23.2	21.3	19.7	18.3	17.1	16.1	15.2	14.4	13.7	13.1	12.5	12.0	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.2	8.9	-	-	-	-
240	47.0	39.5	34.2	30.1	27.0	24.5	22.4	20.7	19.3	18.0	17.0	16.0	15.2	14.5	13.8	13.2	12.7	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	-	-	-	-
260	49.4	41.5	35.9	31.6	28.4	25.7	23.6	21.8	20.3	19.0	17.9	16.9	16.0	15.2	14.5	13.9	13.3	12.8	12.4	11.9	11.5	11.[illegible]	10.8	10.5	10.2	10.0	-	-	-	-
280	51.7	43.5	37.6	33.2	29.7	27.0	24.7	22.9	21.3	19.9	18.7	17.7	16.8	16.0	15.3	14.6	14.0	13.5	13.0	12.6	12.1	11.8	11.4	11.1	10.8	10.5	-	-	-	-
300	54.1	45.5	39.3	34.7	31.1	28.2	25.9	23.9	22.3	20.9	19.6	18.6	17.6	16.8	16.0	15.3	14.7	14.1	13.6	13.2	12.7	12.3	12.0	11.6	11.3	11.0	-	-	-	-
320	56.4	47.4	41.0	36.2	32.5	29.5	27.0	25.0	23.3	21.8	20.5	19.4	18.4	17.5	16.7	16.0	15.4	14.8	14.3	13.8	13.3	12.9	12.5	12.2	11.8	11.5	-	-	-	-
340	58.8	49.4	42.8	37.8	33.9	30.7	28.2	26.1	24.3	22.7	21.4	20.2	19.2	18.3	17.5	16.7	16.1	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.1	-	-	-	-
360	61.1	51.4	44.5	39.3	35.2	32.0	29.4	27.1	25.3	23.7	22.3	21.1	20.0	19.1	18.2	17.4	16.7	16.1	15.5	15.0	14.5	14.1	13.7	13.3	12.9	12.6	-	-	-	-
380	63.5	53.4	46.2	40.8	36.6	33.3	30.5	28.2	26.3	24.6	23.2	21.9	20.8	19.8	18.9	18.1	17.4	16.8	16.2	15.6	15.1	14.7	14.2	13.8	13.5	13.1	-	-	-	-
400	65.8	55.4	47.9	42.3	38.0	34.5	31.7	29.3	27.3	25.6	24.1	22.8	21.6	20.6	19.7	18.9	18.1	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.6	-	-	-	-
420	68.2	57.4	49.6	43.9	39.4	35.8	32.8	30.4	28.3	26.5	25.0	23.6	22.4	21.4	20.4	19.6	18.8	18.1	17.4	16.9	16.3	15.8	15.4	14.9	14.5	14.2	-	-	-	-
440	70.5	59.3	51.4	45.4	40.7	37.0	34.0	31.4	29.3	27.4	25.8	24.5	23.2	22.1	21.1	20.3	19.5	18.7	18.1	17.5	16.9	16.4	15.9	15.5	15.1	14.7	-	-	-	-
460	72.8	61.3	53.1	46.9	42.1	38.3	35.1	32.5	30.3	28.4	26.7	25.3	24.0	22.9	21.9	21.0	20.1	19.4	18.7	18.1	17.5	17.0	16.5	16.0	15.6	15.2	-	-	-	-
480	75.2	63.3	54.8	48.4	43.5	39.5	36.3	33.6	31.3	29.3	27.6	26.1	24.8	23.7	22.6	21.7	20.8	20.1	19.4	18.7	18.1	17.6	17.1	16.6	16.1	15.7	-	-	-	-
500	77.5	65.3	56.5	50.0	44.9	40.8	37.4	34.6	32.3	30.3	28.5	27.0	25.6	24.4	23.4	22.4	21.5	20.7	20.0	19.3	18.7	18.1	17.6	17.1	16.7	16.3	-	-	-	-
600	89.3	75.2	65.1	57.6	51.7	47.0	43.2	40.0	37.3	35.0	33.0	31.2	29.6	28.3	27.0	25.9	24.9	24.0	23.2	22.4	21.7	21.0	20.[illegible]	19.9	19.4	18.9	-	-	-	-
700	101.0	85.1	73.7	65.2	58.6	53.3	49.0	45.3	42.3	39.7	37.4	35.4	33.7	32.1	30.7	29.4	28.3	27.3	26.3	25.5	24.7	23.9	23.3	22.6	22.0	21.5	-	-	-	-
800	112.7	95.0	82.3	72.8	65.5	59.6	54.7	50.7	47.3	44.4	41.8	39.6	37.7	35.9	34.4	33.0	31.7	30.6	29.5	28.5	27.7	26.8	26.1	25.4	24.7	24.1	-	-	-	-
900	124.4	104.9	90.9	80.5	72.3	65.8	60.5	56.0	52.3	49.1	46.3	43.8	41.7	39.8	38.1	36.5	35.1	33.8	32.7	31.6	30.6	29.7	28.9	28.1	27.4	26.7	-	-	-	-
1000	136.2	114.8	99.5	88.1	79.2	72.1	66.3	61.4	57.3	53.8	50.7	48.0	45.7	43.6	41.7	40.0	38.5	37.1	35.9	34.7	33.6	32.6	31.7	30.9	30.1	29.4	-	-	-	-
1100	147.9	124.7	108.1	95.7	86.1	78.3	72.0	66.8	62.3	58.5	55.2	52.3	49.7	47.4	45.4	43.6	41.9	40.4	39.0	37.8	36.6	35.5	34.6	33.6	32.8	32.0	-	-	-	-
1200	159.6	134.6	116.7	103.4	92.9	84.6	77.8	72.1	67.3	63.2	59.6	56.5	53.7	51.3	49.1	47.1	45.3	43.7	42.2	40.9	39.6	38.4	37.4	36.4	35.5	34.6	-	-	-	-
1300	171.3	144.5	125.4	111.0	99.8	90.9	83.6	77.5	72.3	67.9	64.0	60.7	57.7	55.1	52.8	50.6	48.7	47.0	45.4	43.9	42.6	41.3	40.2	39.1	38.1	37.2	-	-	-	-
1400	183.1	154.4	134.0	118.6	106.7	97.1	89.3	82.8	77.3	72.6	68.5	64.9	61.7	58.9	56.4	54.2	52.1	50.3	48.6	47.0	45.6	44.3	43.0	41.9	40.8	39.8	-	-	-	-
1500	194.8	164.3	142.6	126.2	113.5	103.4	95.1	88.2	82.3	77.3	72.9	69.1	65.8	62.8	60.1	57.7	55.5	53.5	51.7	50.1	48.6	47.2	45.8	44.6	43.5	42.5	-	-	-	-
Term. 2/	18.906	15.755	13.504	11.816	10.503	9.453	8.594	7.878	7.272	6.752	6.302	5.908	5.561	5.252	4.975	4.727	4.501	4.297	4.110	3.939	3.781	3.636	3.501	3.376	3.260	3.151	-	-	-	-
L. H. 3/	.117250	.099042	.086036	.076281	.068694	.062625	.057659	.053521	.050019	.047018	.044417	.042141	.040132	.038347	.036750	.035313	.034012	.032830	.031750	.030760	.029850	.029010	.028231	.027509	.026836	.026208	-	-	-	-

---

1/ Based on a tare weight of 20.1 tons and a ratio of empty car miles to loaded car miles of 0.906. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 55.—TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.5	14.6	12.5	10.9	9.7	8.8	8.0	7.3	6.8	6.3	5.9	5.5	5.2	4.9	4.7	4.4	4.2	4.0	3.9	3.7	3.6	3.4	3.3	3.2	3.1	3.0	-	-	-	-	10
20	18.9	15.8	13.5	11.9	10.6	9.5	8.7	8.0	7.4	6.8	6.4	6.0	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	-	-	-	-	20
30	20.3	17.0	14.6	12.8	11.4	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	-	-	-	-	30
40	21.7	18.2	15.6	13.7	12.2	11.0	10.1	9.2	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	-	-	-	-	40
50	23.2	19.4	16.7	14.6	13.0	11.8	10.7	9.9	9.2	8.5	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.3	5.1	5.0	4.8	4.6	4.5	4.3	4.2	-	-	-	-	50
60	24.6	20.6	17.7	15.5	13.9	12.5	11.4	10.5	9.8	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	-	-	-	-	60
70	26.0	21.8	18.7	16.5	14.7	13.3	12.1	11.2	10.3	9.6	9.0	8.5	8.0	7.6	7.3	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	-	-	-	-	70
80	27.4	23.0	19.8	17.4	15.5	14.0	12.8	11.8	10.9	10.2	9.6	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	-	-	-	-	80
90	28.9	24.2	20.8	18.3	16.4	14.8	13.5	12.4	11.5	10.8	10.1	9.5	9.0	8.5	8.1	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.6	5.4	-	-	-	-	90
100	30.3	25.4	21.9	19.2	17.2	15.5	14.2	13.1	12.1	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.7	-	-	-	-	100
120	33.1	27.8	23.9	21.1	18.8	17.0	15.6	14.4	13.3	12.5	11.7	11.0	10.4	9.9	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	-	-	-	-	120
140	36.0	30.2	26.0	22.9	20.5	18.6	17.0	15.6	14.5	13.6	12.7	12.0	11.4	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	-	-	-	-	140
160	38.8	32.6	28.1	24.8	22.1	20.1	18.4	16.9	15.7	14.7	13.8	13.0	12.3	11.7	11.2	10.7	10.2	9.8	9.4	9.1	8.8	8.5	8.2	8.0	7.8	7.5	-	-	-	-	160
180	41.7	35.0	30.2	26.6	23.8	21.6	19.7	18.2	16.9	15.8	14.9	14.0	13.3	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.1	-	-	-	-	180
200	44.5	37.4	32.3	28.4	25.5	23.1	21.1	19.5	18.1	16.9	15.9	15.0	14.2	13.5	12.9	12.3	11.8	11.4	10.9	10.5	10.2	9.9	9.6	9.3	9.0	8.8	-	-	-	-	200
220	47.4	39.8	34.4	30.3	27.1	24.6	22.5	20.8	19.3	18.1	17.0	16.0	15.2	14.4	13.8	13.2	12.6	12.1	11.7	11.3	10.9	10.5	10.2	9.9	9.6	9.4	-	-	-	-	220
240	50.2	42.2	36.4	32.1	28.8	26.1	23.9	22.1	20.5	19.2	18.0	17.0	16.1	15.3	14.6	14.0	13.4	12.9	12.4	12.0	11.6	11.2	10.9	10.5	10.3	10.0	-	-	-	-	240
260	53.1	44.6	38.5	34.0	30.4	27.6	25.3	23.3	21.7	20.3	19.1	18.0	17.1	16.3	15.5	14.8	14.2	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	-	-	-	-	260
280	56.0	47.0	40.6	35.8	32.1	29.1	26.7	24.6	22.9	21.4	20.1	19.0	18.0	17.2	16.4	15.7	15.0	14.4	13.9	13.4	13.0	12.6	12.2	11.8	11.5	11.2	-	-	-	-	280
300	58.8	49.4	42.7	37.7	33.7	30.6	28.0	25.9	24.1	22.5	21.2	20.0	19.0	18.1	17.2	16.5	15.8	15.2	14.7	14.2	13.7	13.2	12.8	12.5	12.1	11.8	-	-	-	-	300
320	61.7	51.8	44.8	39.5	35.4	32.1	29.4	27.2	25.3	23.7	22.3	21.0	19.9	19.0	18.1	17.3	16.6	16.0	15.4	14.9	14.4	13.9	13.5	13.1	12.7	12.4	-	-	-	-	320
340	64.5	54.2	46.9	41.3	37.0	33.6	30.8	28.5	26.5	24.8	23.3	22.0	20.9	19.9	19.0	18.2	17.4	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	-	-	-	-	340
360	67.4	56.6	48.9	43.2	38.7	35.1	32.2	29.7	27.7	25.9	24.4	23.0	21.8	20.8	19.8	19.0	18.2	17.5	16.9	16.3	15.8	15.3	14.8	14.4	14.0	13.6	-	-	-	-	360
380	70.2	59.0	51.0	45.0	40.4	36.6	33.6	31.0	28.9	27.0	25.4	24.0	22.8	21.7	20.7	19.8	19.0	18.3	17.6	17.0	16.5	16.0	15.5	15.0	14.6	14.2	-	-	-	-	380
400	73.1	61.4	53.1	46.9	42.0	38.1	35.0	32.3	30.1	28.1	26.5	25.0	23.7	22.6	21.6	20.7	19.8	19.1	18.4	17.8	17.2	16.6	16.1	15.7	15.2	14.8	-	-	-	-	400
420	75.9	63.8	55.2	48.7	43.7	39.6	36.3	33.6	31.3	29.3	27.5	26.0	24.7	23.5	22.5	21.5	20.6	19.8	19.1	18.5	17.9	17.3	16.8	16.3	15.9	15.5	-	-	-	-	420
440	78.8	66.2	57.3	50.5	45.3	41.1	37.7	34.9	32.5	30.4	28.6	27.0	25.7	24.4	23.3	22.3	21.4	20.6	19.9	19.2	18.6	18.0	17.5	17.0	16.5	16.1	-	-	-	-	440
460	81.6	68.6	59.3	52.4	47.0	42.6	39.1	36.2	33.7	31.5	29.7	28.0	26.6	25.3	24.2	23.2	22.2	21.4	20.6	19.9	19.3	18.7	18.1	17.6	17.1	16.7	-	-	-	-	460
480	84.5	71.0	61.4	54.2	48.6	44.2	40.5	37.4	34.9	32.6	30.7	29.0	27.6	26.2	25.1	24.0	23.0	22.2	21.4	20.6	20.0	19.3	18.8	18.2	17.7	17.3	-	-	-	-	480
500	87.3	73.4	63.5	56.1	50.3	45.7	41.9	38.7	36.0	33.8	31.8	30.0	28.5	27.1	25.9	24.8	23.8	22.9	22.1	21.4	20.7	20.0	19.4	18.9	18.4	17.9	-	-	-	-	500
600	101.6	85.4	73.9	65.3	58.6	53.2	48.8	45.1	42.0	39.4	37.1	35.0	33.3	31.7	30.3	29.0	27.8	26.8	25.8	25.0	24.2	23.4	22.7	22.1	21.5	20.9	-	-	-	-	600
700	115.8	97.5	84.3	74.5	66.8	60.7	55.7	51.5	48.0	45.0	42.3	40.0	38.0	36.2	34.6	33.2	31.8	30.7	29.6	28.6	27.6	26.8	26.0	25.3	24.6	24.0	-	-	-	-	700
800	130.1	109.5	94.8	83.7	75.1	68.2	62.6	57.9	54.0	50.6	47.6	45.1	42.8	40.8	39.0	37.3	35.9	34.5	33.3	32.2	31.1	30.2	29.3	28.5	27.7	27.0	-	-	-	-	800
900	144.4	121.5	105.2	92.9	83.4	75.8	69.5	64.3	60.0	56.2	52.9	50.1	47.5	45.3	43.3	41.5	39.9	38.4	37.0	35.8	34.6	33.6	32.6	31.7	30.8	30.1	-	-	-	-	900
1000	158.6	133.5	115.6	102.1	91.7	83.3	76.5	70.8	65.9	61.8	58.2	55.1	52.3	49.8	47.6	45.7	43.9	42.2	40.7	39.4	38.1	37.0	35.9	34.9	34.0	33.1	-	-	-	-	1000
1100	172.9	145.5	126.0	111.3	99.9	90.8	83.4	77.2	71.9	67.4	63.5	60.1	57.1	54.4	52.0	49.8	47.9	46.1	44.5	43.0	41.6	40.4	39.2	38.1	37.1	36.1	-	-	-	-	1100
1200	187.1	157.5	136.4	120.6	108.2	98.4	90.3	83.6	77.9	73.0	68.8	65.1	61.8	58.9	56.3	54.0	51.9	49.9	48.2	46.6	45.1	43.7	42.5	41.3	40.2	39.2	-	-	-	-	1200
1300	201.4	169.6	146.8	129.8	116.5	105.9	97.2	90.0	83.9	78.6	74.1	70.1	66.6	63.4	60.7	58.1	55.9	53.8	51.9	50.2	48.6	47.1	45.8	44.5	43.3	42.2	-	-	-	-	1300
1400	215.6	181.6	157.2	139.0	124.8	113.4	104.1	96.4	89.8	84.2	79.3	75.1	71.3	68.0	65.0	62.3	59.9	57.7	55.6	53.8	52.1	50.5	49.1	47.7	46.4	45.3	-	-	-	-	1400
1500	229.9	193.6	167.6	148.2	133.1	120.9	111.0	102.8	95.8	89.8	84.6	80.1	76.1	72.5	69.3	66.5	63.9	61.5	59.4	57.4	55.6	53.9	52.4	50.9	49.6	48.3	-	-	-	-	1500
Term. 2/	16.028	13.357	11.449	10.018	8.904	8.014	7.285	6.678	6.165	5.724	5.343	5.009	4.714	4.452	4.218	4.007	3.816	3.643	3.484	3.339	3.206	3.082	2.968	2.862	2.763	2.671	-	-	-	-	Term. 2/
L. H. 3/	.142580	.120150	.104129	.092113	.082767	.075290	.069173	.064075	.059762	.056064	.052860	.050056	.047582	.045383	.043416	.041645	.040043	.038586	.037257	.036038	.034916	.033881	.032922	.032032	.031203	.030430	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.698. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.57.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.72.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 56.--TERRITORY NO. 8 - WESTERN TRUNK LINE, excluding Northern Illinois and Southern Missouri

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 [1]

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	91.6	73.2	64.0	58.5	54.8	52.1	50.2	48.6	47.4	46.4	45.6	44.9	44.3	43.7	43.3	42.9	42.5	42.2	41.9	41.6	41.4	41.2	41.0	40.8	40.6	40.5	40.3	40.2	40.1	10
20	96.3	76.4	66.0	60.5	56.5	53.6	51.5	49.8	48.5	47.4	46.5	45.8	45.1	44.5	44.0	43.6	43.2	42.9	42.5	42.3	42.0	41.8	41.5	41.3	41.2	41.0	40.8	40.7	40.5	20
30	101.1	79.7	68.9	62.5	58.2	55.1	52.8	51.1	49.6	48.5	47.5	46.7	45.9	45.3	44.8	44.3	43.9	43.5	43.2	42.9	42.6	42.3	42.1	41.9	41.7	41.5	41.3	41.2	41.0	30
40	105.9	82.9	71.4	64.5	59.9	56.6	54.2	52.3	50.7	49.5	48.4	47.6	46.8	46.1	45.6	45.1	44.6	44.2	43.8	43.5	43.2	42.9	42.7	42.5	42.2	42.1	41.9	41.7	41.5	40
50	110.6	86.1	73.9	66.5	61.6	58.1	55.5	53.5	51.8	50.5	49.4	48.4	47.6	46.9	46.3	45.8	45.3	44.9	44.5	44.1	43.8	43.5	43.3	43.0	42.8	42.6	42.4	42.2	42.0	50
60	115.4	89.4	76.4	68.6	63.4	59.6	56.8	54.7	52.9	51.5	50.3	49.3	48.5	47.7	47.1	46.5	46.0	45.5	45.1	44.8	44.4	44.1	43.8	43.6	43.3	43.1	42.9	42.7	42.5	60
70	120.2	92.6	78.8	70.6	65.1	61.1	58.2	55.9	54.1	52.5	51.3	50.2	49.3	48.5	47.9	47.2	46.7	46.2	45.8	45.4	45.0	44.7	44.4	44.1	43.9	43.6	43.4	43.2	43.0	70
80	124.9	95.9	81.3	72.6	66.8	62.6	59.5	57.1	55.2	53.6	52.2	51.1	50.2	49.3	48.6	48.0	47.4	46.9	46.4	46.0	45.6	45.3	45.0	44.7	44.4	44.2	43.9	43.7	43.5	80
90	129.7	99.1	83.8	74.6	68.5	64.1	60.9	58.3	56.3	54.6	53.2	52.0	51.0	50.1	49.4	48.7	48.1	47.6	47.1	46.6	46.2	45.9	45.6	45.2	45.0	44.7	44.5	44.2	44.0	90
100	134.5	102.3	86.3	76.7	70.2	65.6	62.2	59.5	57.4	55.6	54.2	52.9	51.9	50.9	50.1	49.4	48.8	48.2	47.7	47.3	46.9	46.5	46.1	45.8	45.5	45.2	45.0	44.7	44.5	100
120	144.0	108.8	91.2	80.7	73.7	68.6	64.9	61.9	59.6	57.7	56.1	54.7	53.6	52.5	51.7	50.9	50.2	49.6	49.0	48.5	48.1	47.7	47.3	46.9	46.6	46.3	46.0	45.8	45.5	120
140	153.6	115.3	96.2	84.7	77.1	71.6	67.5	64.3	61.8	59.7	58.0	56.5	55.2	54.2	53.2	52.4	51.6	50.9	50.3	49.8	49.3	48.8	48.4	48.0	47.7	47.4	47.1	46.8	46.5	140
160	163.1	121.8	101.2	88.8	80.5	74.6	70.2	66.8	64.0	61.8	59.9	58.3	56.9	55.8	54.7	53.8	53.0	52.3	51.6	51.0	50.5	50.0	49.6	49.2	48.8	48.4	48.1	47.8	47.5	160
180	172.6	128.3	106.1	92.8	84.0	77.6	72.9	69.2	66.2	63.8	61.8	60.1	58.6	57.4	56.3	55.3	54.4	53.6	52.9	52.3	51.7	51.2	50.7	50.3	49.9	49.5	49.1	48.8	48.5	180
200	182.2	134.8	111.1	96.9	87.4	80.6	75.5	71.6	68.4	65.9	63.7	61.9	60.3	59.0	57.8	56.7	55.8	55.0	54.2	53.5	52.9	52.4	51.9	51.4	50.9	50.5	50.2	49.8	49.5	200
220	191.7	141.3	116.0	100.9	90.8	83.6	78.2	74.0	70.7	67.9	65.6	63.7	62.0	60.6	59.3	58.2	57.2	56.3	55.5	54.8	54.1	53.5	53.0	52.5	52.0	51.6	51.2	50.8	50.5	220
240	201.2	147.7	121.0	105.0	94.3	86.6	80.9	76.4	72.9	69.9	67.5	65.5	63.7	62.2	60.8	59.7	58.6	57.7	56.8	56.1	55.4	54.7	54.1	53.6	53.1	52.7	52.2	51.8	51.5	240
260	210.8	154.2	126.0	109.0	97.7	89.6	83.6	78.8	75.1	72.0	69.4	67.3	65.4	63.8	62.4	61.1	60.0	59.0	58.1	57.3	56.6	55.9	55.3	54.7	54.2	53.7	53.3	52.9	52.5	260
280	220.3	160.7	130.9	113.0	101.1	92.6	86.2	81.3	77.3	74.0	71.3	69.0	67.1	65.4	63.9	62.6	61.4	60.4	59.4	58.6	57.8	57.1	56.4	55.8	55.3	54.8	54.3	53.9	53.5	280
300	229.8	167.2	135.9	117.1	104.6	95.6	88.9	83.7	79.5	76.1	73.2	70.8	68.8	67.0	65.4	64.0	62.8	61.7	60.7	59.8	59.0	58.3	57.6	57.0	56.4	55.8	55.3	54.9	54.5	300
320	239.4	173.7	140.8	121.1	108.0	98.6	91.6	86.1	81.7	78.1	75.1	72.6	70.5	68.6	66.9	65.5	64.2	63.0	62.0	61.1	60.2	59.4	58.7	58.1	57.5	56.9	56.4	55.9	55.4	320
340	248.9	180.2	145.8	125.2	111.4	101.6	94.2	88.5	83.9	80.2	77.1	74.4	72.1	70.2	68.5	66.9	65.6	64.4	63.3	62.3	61.4	60.6	59.9	59.2	58.6	58.0	57.4	56.9	56.4	340
360	258.4	186.7	150.8	129.2	114.9	104.6	96.9	90.9	86.1	82.2	79.0	76.2	73.8	71.8	70.0	68.4	67.0	65.7	64.6	63.6	62.6	61.8	61.0	60.3	59.6	59.0	58.5	57.9	57.4	360
380	268.0	193.1	155.7	133.3	118.3	107.6	99.6	93.3	88.4	84.3	80.9	78.0	75.5	73.4	71.5	69.9	68.4	67.1	65.9	64.8	63.9	63.0	62.2	61.4	60.7	60.1	59.5	58.9	58.4	380
400	277.5	199.6	160.7	137.3	121.7	110.6	102.3	95.8	90.6	86.3	82.8	79.8	77.2	75.0	73.1	71.3	69.8	68.4	67.2	66.1	65.1	64.2	63.3	62.5	61.8	61.1	60.5	60.0	59.4	400
420	287.1	206.1	165.6	141.4	125.2	113.6	104.9	98.2	92.8	88.4	84.7	81.6	78.9	76.6	74.6	72.8	71.2	69.8	68.5	67.3	66.3	65.3	64.5	63.6	62.9	62.2	61.6	61.0	60.4	420
440	296.6	212.6	170.6	145.4	128.6	116.6	107.6	100.6	95.0	90.4	86.6	83.4	80.6	78.2	76.1	74.2	72.6	71.1	69.8	68.6	67.5	66.5	65.6	64.8	64.0	63.3	62.6	62.0	61.4	440
460	306.1	219.1	175.6	149.4	132.0	119.6	110.3	103.0	97.2	92.5	88.5	85.2	82.3	79.8	77.6	75.7	74.0	72.5	71.1	69.9	68.7	67.7	66.7	65.9	65.1	64.3	63.6	63.0	62.4	460
480	315.7	225.6	180.5	153.5	135.5	122.6	112.9	105.4	99.4	94.5	90.4	87.0	84.0	81.4	79.2	77.2	75.4	73.8	72.4	71.1	69.9	68.9	67.9	67.0	66.2	65.4	64.7	64.0	63.4	480
500	325.2	232.0	185.5	157.5	138.9	125.6	115.6	107.9	101.6	96.6	92.3	88.7	85.7	83.0	80.7	78.6	76.8	75.2	73.7	72.4	71.2	70.1	69.0	68.1	67.2	66.5	65.7	65.0	64.4	500
600	372.9	264.5	210.3	177.8	156.1	140.6	129.0	119.9	112.7	106.8	101.9	97.7	94.1	91.0	88.3	85.9	83.8	81.9	80.2	78.6	77.2	75.9	74.8	73.7	72.7	71.8	70.9	70.1	69.3	600
700	420.6	296.9	235.1	198.0	173.2	155.6	142.3	132.0	123.8	117.0	111.4	106.7	102.6	99.0	96.0	93.2	90.8	88.6	86.7	84.9	83.3	81.8	80.5	79.3	78.1	77.1	76.1	75.2	74.3	700
800	468.2	329.3	259.9	218.2	190.4	170.6	155.7	144.1	134.8	127.3	121.0	115.6	111.0	107.1	103.6	100.5	97.8	95.4	93.2	91.2	89.4	87.7	86.2	84.8	83.5	82.4	81.3	80.2	79.3	800
900	515.9	361.7	284.7	238.4	207.6	185.6	169.0	156.2	145.9	137.5	130.5	124.6	119.5	115.1	111.2	107.8	104.8	102.1	99.7	97.5	95.4	93.6	92.0	90.4	89.0	87.7	86.4	85.3	84.2	900
1000	563.6	394.2	309.5	258.6	224.7	200.5	182.4	168.3	157.0	147.7	140.0	133.5	127.9	123.1	118.9	115.1	111.8	108.8	106.2	103.7	101.5	99.5	97.7	96.0	94.4	93.0	91.6	90.4	89.2	1000
1100	611.3	426.6	334.3	278.9	241.9	215.5	195.7	180.4	168.0	158.0	149.6	142.5	136.4	131.1	126.5	122.4	118.8	115.6	112.6	110.0	107.6	105.4	103.4	101.6	99.8	98.3	96.8	95.4	94.2	1100
1200	658.9	459.0	359.1	299.1	259.1	230.5	209.1	192.4	179.1	168.2	159.1	151.4	144.8	139.1	134.1	129.7	125.8	122.3	119.1	116.3	113.7	111.3	109.1	107.1	105.3	103.6	102.0	100.5	99.1	1200
1300	706.6	491.4	383.9	319.3	276.3	245.5	222.5	204.5	190.2	178.4	168.7	160.4	153.3	147.1	141.8	137.0	132.8	129.0	125.6	122.5	119.7	117.2	114.9	112.7	110.7	108.9	107.2	105.6	104.1	1300
1400	754.3	523.9	408.6	339.5	293.4	260.5	235.8	216.6	201.2	188.7	178.2	169.3	161.7	155.2	149.4	144.3	139.8	135.7	132.1	128.8	125.8	123.1	120.6	118.3	116.2	114.2	112.4	110.7	109.1	1400
1500	802.0	556.3	433.4	359.7	310.6	275.5	249.2	228.7	212.3	198.9	187.7	178.3	170.2	163.2	157.0	151.6	146.8	142.5	138.6	135.1	131.9	129.0	126.3	123.9	121.6	119.5	117.5	115.7	114.0	1500
Term. [2]	86.800	69.925	61.490	56.430	53.055	50.645	48.835	47.430	46.305	45.385	44.615	43.970	43.410	42.930	42.510	42.135	41.805	41.510	41.240	41.000	40.780	40.580	40.400	40.230	40.075	39.930	39.795	39.670	39.555	Term. [2]
L. H. [3]	.47679	.32424	.24797	.20220	.17169	.14990	.13355	.12084	.11061	.10235	.09542	.08955	.08452	.08016	.07635	.07298	.06999	.06731	.06491	.06273	.06074	.05894	.05728	.05575	.05434	.05304	.05183	.05070	.04965	L. H. [3]

---

[1] Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.341. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.22.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.32.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

[2] Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

[3] Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

Territory No. 9 - Western Trunk Line, incl.
No. Ill. but excl.
Sou. Mo.

BOX CARS

TABLE 57.--TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.4	17.0	14.6	12.8	11.4	10.2	9.3	8.5	7.9	7.3	6.8	6.4	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.2	3.2	3.1	10
20	21.3	17.7	15.2	13.3	11.9	10.7	9.8	9.0	8.3	7.7	7.2	6.8	6.4	6.0	5.7	5.4	5.2	5.0	4.7	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3	20
30	22.2	18.5	15.9	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.5	7.1	6.7	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	3.5	30
40	23.0	19.3	16.5	14.5	12.9	11.7	10.6	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.0	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	40
50	23.9	20.0	17.2	15.1	13.5	12.2	11.1	10.2	9.4	8.8	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	3.9	50
60	24.8	20.8	17.9	15.7	14.0	12.6	11.5	10.6	9.8	9.2	8.6	8.1	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.0	60
70	25.7	21.5	18.5	16.3	14.5	13.1	12.0	11.0	10.2	9.5	8.9	8.4	7.9	7.5	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.4	4.2	70
80	26.6	22.3	19.2	16.9	15.0	13.6	12.4	11.4	10.6	9.9	9.3	8.7	8.3	7.8	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	4.4	80
90	27.5	23.0	19.8	17.4	15.6	14.1	12.9	11.9	11.0	10.3	9.6	9.1	8.6	8.1	7.7	7.4	7.1	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.8	4.6	90
100	28.4	23.8	20.5	18.0	16.1	14.6	13.3	12.3	11.4	10.6	10.0	9.4	8.9	8.4	8.0	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	5.0	4.8	100
120	30.1	25.3	21.8	19.2	17.2	15.5	14.2	13.1	12.2	11.4	10.7	10.1	9.5	9.0	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.6	6.3	6.2	6.0	5.8	5.6	5.5	5.4	5.2	120
140	31.9	26.8	23.1	20.4	18.2	16.5	15.1	13.9	12.9	12.1	11.4	10.7	10.2	9.7	9.2	8.8	8.4	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.4	6.2	6.1	5.9	5.8	5.6	140
160	33.7	28.3	24.4	21.5	19.3	17.5	16.0	14.8	13.7	12.8	12.1	11.4	10.8	10.3	9.8	9.4	9.0	8.6	8.3	8.0	7.7	7.5	7.3	7.0	6.8	6.7	6.5	6.3	6.2	6.0	160
180	35.5	29.8	25.7	22.7	20.3	18.4	16.9	15.6	14.5	13.6	12.8	12.0	11.4	10.9	10.4	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.7	6.6	6.4	180
200	37.2	31.3	27.0	23.9	21.4	19.4	17.8	16.4	15.3	14.3	13.5	12.7	12.1	11.5	10.9	10.5	10.1	9.7	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.1	7.0	6.8	200
220	39.0	32.8	28.4	25.0	22.4	20.4	18.7	17.3	16.1	15.0	14.1	13.4	12.7	12.1	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.4	7.2	220
240	40.8	34.3	29.7	26.2	23.5	21.3	19.6	18.1	16.8	15.8	14.8	14.0	13.3	12.7	12.1	11.6	11.1	10.7	10.3	10.0	9.7	9.4	9.1	8.8	8.6	8.4	8.1	8.0	7.8	7.6	240
260	42.6	35.8	31.0	27.4	24.5	22.2	20.5	18.9	17.6	16.5	15.5	14.7	13.9	13.3	12.7	12.2	11.7	11.2	10.8	10.5	10.1	9.8	9.5	9.3	9.0	8.8	8.6	8.4	8.2	8.0	260
280	44.3	37.3	32.3	28.5	25.6	23.3	21.3	19.7	18.4	17.2	16.2	15.4	14.6	13.9	13.3	12.7	12.2	11.8	11.3	11.0	10.6	10.3	10.0	9.7	9.5	9.2	9.0	8.8	8.6	8.4	280
300	46.1	38.8	33.6	29.7	26.7	24.2	22.2	20.6	19.2	18.0	16.9	16.0	15.2	14.5	13.9	13.3	12.8	12.3	11.9	11.5	11.1	10.8	10.4	10.2	9.9	9.6	9.4	9.2	9.0	8.8	300
320	47.9	40.3	34.9	30.9	27.7	25.2	23.1	21.4	20.0	18.7	17.6	16.7	15.8	15.1	14.4	13.8	13.3	12.8	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	9.2	320
340	49.7	41.8	36.2	32.0	28.8	26.2	24.0	22.2	20.7	19.4	18.3	17.3	16.5	15.7	15.0	14.4	13.8	13.3	12.9	12.4	12.1	11.7	11.4	11.0	10.8	10.5	10.2	10.0	9.8	9.6	340
360	51.4	43.3	37.5	33.2	29.8	27.1	24.9	23.1	21.5	20.2	19.0	18.0	17.1	16.3	15.6	15.0	14.4	13.9	13.4	12.9	12.5	12.2	11.8	11.5	11.2	10.9	10.7	10.4	10.2	10.0	360
380	53.2	44.8	38.9	34.4	30.9	28.1	25.8	23.9	22.3	20.9	19.7	18.7	17.7	16.9	16.2	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.3	11.9	11.6	11.3	11.1	10.8	10.6	10.4	380
400	55.0	46.3	40.2	35.5	31.9	29.1	26.7	24.7	23.1	21.6	20.4	19.3	18.4	17.5	16.8	16.1	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.1	11.8	11.5	11.2	11.0	10.7	400
420	56.8	47.8	41.5	36.7	33.0	30.0	27.6	25.6	23.8	22.4	21.1	20.0	19.0	18.1	17.4	16.6	16.0	15.4	14.9	14.4	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.4	11.1	420
440	58.5	49.4	42.8	37.9	34.0	31.0	28.5	26.4	24.6	23.1	21.8	20.7	19.6	18.7	17.9	17.2	16.6	16.0	15.4	14.9	14.5	14.0	13.6	13.3	12.9	12.6	12.3	12.0	11.8	11.5	440
460	60.3	50.9	44.1	39.0	35.1	31.9	29.4	27.2	25.4	23.8	22.5	21.3	20.3	19.3	18.5	17.8	17.1	16.5	15.9	15.4	14.9	14.5	14.1	13.7	13.4	13.0	12.7	12.5	12.2	11.9	460
480	62.1	52.4	45.4	40.2	36.2	32.9	30.3	28.1	26.2	24.6	23.2	22.0	20.9	19.9	19.1	18.3	17.6	17.0	16.4	15.9	15.4	15.0	14.5	14.2	13.8	13.5	13.2	12.9	12.6	12.3	480
500	63.9	53.9	46.7	41.4	37.2	33.9	31.2	28.9	27.0	25.3	23.9	22.6	21.5	20.6	19.7	18.9	18.2	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.2	13.9	13.6	13.3	13.0	12.7	500
600	72.7	61.4	53.3	47.2	42.5	38.7	35.6	33.0	30.9	29.0	27.4	25.9	24.7	23.6	22.6	21.7	20.9	20.1	19.5	18.9	18.3	17.8	17.3	16.8	16.4	16.0	15.7	15.3	15.0	14.7	600
700	81.6	68.9	59.9	53.1	47.8	43.5	40.1	37.2	34.7	32.7	30.8	29.3	27.9	26.6	25.5	24.5	23.6	22.8	22.0	21.3	20.7	20.1	19.6	19.1	18.6	18.2	17.7	17.4	17.0	16.7	700
800	90.5	76.4	66.4	58.9	53.0	48.4	44.5	41.3	38.6	36.3	34.3	32.6	31.0	29.6	28.4	27.3	26.3	25.4	24.6	23.8	23.1	22.4	21.8	21.3	20.8	20.3	19.8	19.4	19.0	18.6	800
900	99.4	84.0	73.0	64.7	58.3	53.2	49.0	45.5	42.5	40.0	37.8	35.9	34.2	32.7	31.3	30.1	29.0	28.0	27.1	26.3	25.5	24.8	24.1	23.5	22.9	22.4	21.9	21.4	21.0	20.6	900
1000	108.2	91.5	79.5	70.6	63.6	58.0	53.5	49.6	46.4	43.7	41.3	39.2	37.3	35.7	34.2	32.9	31.7	30.6	29.6	28.7	27.9	27.1	26.4	25.7	25.1	24.5	24.0	23.5	23.0	22.6	1000
1100	117.1	99.0	86.1	76.4	68.9	62.8	57.9	53.8	50.3	47.3	44.8	42.5	40.5	38.7	37.1	35.7	34.4	33.2	32.2	31.2	30.3	29.4	28.7	28.0	27.3	26.7	26.1	25.5	25.0	24.5	1100
1200	126.0	106.5	92.7	82.2	74.1	67.7	62.4	58.0	54.2	51.0	48.2	45.8	43.7	41.8	40.1	38.5	37.1	35.9	34.7	33.7	32.7	31.8	31.0	30.2	29.5	28.8	28.2	27.6	27.0	26.5	1200
1300	134.9	114.1	99.2	88.1	79.4	72.5	66.8	62.1	58.1	54.7	51.7	49.1	46.8	44.8	43.0	41.3	39.8	38.5	37.3	36.1	35.1	34.1	33.2	32.4	31.6	30.9	30.3	29.6	29.0	28.5	1300
1400	143.7	121.6	105.8	93.9	84.7	77.3	71.3	66.3	62.0	58.4	55.2	52.4	50.0	47.8	45.9	44.1	42.5	41.1	39.8	38.6	37.5	36.5	35.5	34.6	33.8	33.1	32.3	31.7	31.0	30.5	1400
1500	152.6	129.1	112.3	99.8	90.0	82.2	75.7	70.4	65.9	62.0	58.7	55.7	53.1	50.8	48.8	46.9	45.2	43.7	42.3	41.1	39.9	38.8	37.8	36.9	36.0	35.2	34.4	33.7	33.0	32.4	1500
Term. 2/	19.490	16.242	13.921	12.181	10.828	9.745	8.859	8.121	7.496	6.961	6.497	6.091	5.732	5.414	5.129	4.873	4.640	4.430	4.237	4.060	3.898	3.748	3.609	3.480	3.360	3.246	3.144	3.045	2.953	2.866	Term. 2/
L. H. 3/	.088740	.075250	.065614	.058388	.052767	.048270	.044591	.041525	.038931	.036707	.034780	.033094	.031606	.030283	.029100	.028035	.027071	.026195	.025396	.024663	.023988	.023365	.022789	.022254	.021755	.021290	.020855	.020447	.020064	.019703	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.341. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 57 (Concluded).—TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	20
30	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	3.9	3.8	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	60
70	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	70
80	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	80
90	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	90
100	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	100
120	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	120
140	5.5	5.4	5.3	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	3.5	140
160	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	4.0	3.9	3.9	3.8	3.8	160
180	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.2	4.1	4.1	180
200	6.7	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	200
220	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	220
240	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	240
260	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.4	5.3	5.2	5.2	260
280	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	280
300	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.9	5.8	5.8	300
320	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.2	6.1	6.0	320
340	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.5	7.4	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	340
360	9.8	9.6	9.4	9.2	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.9	6.8	6.7	6.7	6.6	360
380	10.1	9.9	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	380
400	10.5	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.2	400
420	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.5	420
440	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	440
460	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	460
480	12.1	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.2	9.1	9.0	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	480
500	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	8.6	500
600	14.4	14.1	13.9	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.1	11.9	11.8	11.6	11.5	11.4	11.2	11.1	11.0	10.9	10.8	10.7	10.5	10.4	10.4	10.3	10.2	10.1	10.0	600
700	16.3	16.0	15.8	15.5	15.2	15.0	14.7	14.5	14.3	14.1	13.9	13.7	13.6	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.4	12.3	12.1	12.0	11.9	11.8	11.7	11.6	11.5	11.4	700
800	18.3	17.9	17.6	17.3	17.0	16.8	16.5	16.3	16.0	15.8	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.8	13.6	13.5	13.4	13.3	13.1	13.0	12.9	12.8	800
900	20.2	19.8	19.5	19.2	18.9	18.6	18.3	18.0	17.8	17.5	17.3	17.1	16.8	16.6	16.4	16.3	16.1	15.9	15.7	15.6	15.4	15.3	15.1	15.0	14.8	14.7	14.6	14.5	14.3	14.2	900
1000	22.1	21.7	21.4	21.0	20.7	20.4	20.0	19.8	19.5	19.2	19.0	18.7	18.5	18.3	18.0	17.8	17.6	17.5	17.3	17.1	16.9	16.8	16.6	16.5	16.3	16.2	16.0	15.9	15.8	15.6	1000
1100	24.1	23.7	23.2	22.9	22.5	22.1	21.8	21.5	21.2	20.9	20.6	20.4	20.1	19.9	19.7	19.4	19.2	19.0	18.8	18.6	18.4	18.3	18.1	17.9	17.8	17.6	17.5	17.3	17.2	17.1	1100
1200	26.0	25.6	25.1	24.7	24.3	23.9	23.6	23.2	22.9	22.6	22.3	22.0	21.8	21.5	21.3	21.0	20.8	20.6	20.4	20.2	20.0	19.8	19.6	19.4	19.2	19.1	18.9	18.8	18.6	18.5	1200
1300	28.0	27.5	27.0	26.5	26.1	25.7	25.3	25.0	24.6	24.3	24.0	23.7	23.4	23.1	22.9	22.6	22.4	22.1	21.9	21.7	21.5	21.3	21.1	20.9	20.7	20.5	20.4	20.2	20.0	19.9	1300
1400	29.9	29.4	28.9	28.4	27.9	27.5	27.1	26.7	26.4	26.0	25.7	25.4	25.0	24.8	24.5	24.2	23.9	23.7	23.4	23.2	23.0	22.8	22.6	22.4	22.2	22.0	21.8	21.6	21.5	21.3	1400
1500	31.8	31.3	30.7	30.2	29.8	29.3	28.9	28.5	28.1	27.7	27.4	27.0	26.7	26.4	26.1	25.8	25.5	25.2	25.0	24.7	24.5	24.3	24.1	23.8	23.6	23.4	23.2	23.1	22.9	22.7	1500
Term. 2/	2.784	2.707	2.634	2.564	2.499	2.436	2.377	2.320	2.266	2.215	2.166	2.118	2.073	2.030	1.989	1.949	1.911	1.874	1.839	1.805	1.772	1.740	1.710	1.680	1.652	1.624	1.598	1.572	1.547	1.523	Term. 2/
L. H. 3/	.019363	.019042	.018738	.018450	.018177	.017918	.017671	.017436	.017212	.016998	.016793	.016598	.016411	.016231	.016059	.015894	.015735	.015583	.015436	.015294	.015158	.015027	.014900	.014778	.014659	.014545	.014434	.014327	.014224	.014123	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.341. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 58.--TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Mi
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.5	17.1	14.7	12.9	11.4	10.3	9.4	8.6	7.9	7.4	6.9	6.5	6.1	5.8	5.5	5.2	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.5	18.0	15.4	13.5	12.0	10.9	9.9	9.1	8.4	7.8	7.3	6.8	6.4	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	20
30	22.6	18.9	16.2	14.2	12.6	11.4	10.4	9.5	8.8	8.2	7.7	7.2	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5	30
40	23.6	19.7	16.9	14.9	13.3	12.0	10.9	10.0	9.3	8.6	8.1	7.6	7.2	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.8	3.7	40
50	24.6	20.6	17.7	15.5	13.9	12.5	11.4	10.5	9.7	9.0	8.5	8.0	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.4	5.2	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	50
60	25.7	21.5	18.5	16.2	14.5	13.1	11.9	11.0	10.2	9.5	8.9	8.3	7.9	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	4.2	60
70	26.7	22.3	19.2	16.9	15.1	13.6	12.4	11.4	10.6	9.9	9.3	8.7	8.2	7.8	7.4	7.1	6.8	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	70
80	27.7	23.2	20.0	17.6	15.7	14.2	12.9	11.9	11.0	10.3	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.5	5.3	5.1	5.0	4.9	4.7	4.6	80
90	28.8	24.1	20.7	18.2	16.3	14.7	13.5	12.4	11.5	10.7	10.1	9.5	9.0	8.5	8.1	7.7	7.4	7.1	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	5.0	4.8	90
100	29.8	24.9	21.5	18.9	16.9	15.3	14.0	12.9	11.9	11.1	10.4	9.8	9.3	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.4	6.1	6.0	5.8	5.6	5.5	5.3	5.2	5.0	100
120	31.8	26.7	23.0	20.2	18.1	16.4	15.0	13.8	12.8	12.0	11.2	10.6	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	120
140	33.9	28.4	24.5	21.6	19.3	17.5	16.0	14.8	13.7	12.8	12.0	11.3	10.7	10.2	9.7	9.3	8.9	8.5	8.2	7.9	7.7	7.4	7.2	6.9	6.7	6.6	6.4	6.2	6.1	5.9	140
160	36.0	30.2	26.0	22.9	20.5	18.6	17.0	15.7	14.6	13.6	12.8	12.1	11.5	10.9	10.4	9.9	9.5	9.1	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.7	6.5	6.4	160
180	38.0	31.9	27.6	24.3	21.7	19.7	18.0	16.7	15.5	14.5	13.6	12.8	12.2	11.6	11.0	10.6	10.1	9.7	9.4	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.1	7.0	6.8	180
200	40.1	33.7	29.1	25.6	23.0	20.8	19.1	17.6	16.4	15.3	14.4	13.6	12.9	12.3	11.7	11.2	10.7	10.3	9.9	9.6	9.3	9.0	8.7	8.4	8.2	8.0	7.8	7.6	7.4	7.2	200
220	42.1	35.4	30.6	27.0	24.2	21.9	20.1	18.6	17.3	16.1	15.2	14.3	13.6	12.9	12.4	11.8	11.3	10.9	10.5	10.1	9.8	9.5	9.2	8.9	8.7	8.5	8.2	8.0	7.8	7.7	220
240	44.2	37.1	32.1	28.3	25.4	23.0	21.1	19.5	18.1	17.0	16.0	15.1	14.3	13.6	13.0	12.5	11.9	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	8.1	240
260	46.2	38.9	33.6	29.7	26.6	24.1	22.1	20.5	19.0	17.8	16.8	15.8	15.0	14.3	13.7	13.1	12.6	12.1	11.6	11.2	10.9	10.5	10.2	9.9	9.7	9.4	9.2	8.9	8.7	8.5	260
280	48.3	40.6	35.1	31.0	27.8	25.2	23.1	21.4	19.9	18.7	17.6	16.6	15.7	15.0	14.3	13.7	13.2	12.7	12.2	11.8	11.4	11.1	10.7	10.4	10.1	9.9	9.6	9.4	9.2	9.0	280
300	50.4	42.4	36.6	32.4	29.0	26.3	24.2	22.3	20.8	19.5	18.3	17.3	16.5	15.7	15.0	14.3	13.8	13.3	12.8	12.3	11.9	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	300
320	52.4	44.1	38.2	33.7	30.2	27.5	25.2	23.3	21.7	20.3	19.1	18.1	17.2	16.4	15.6	15.0	14.4	13.8	13.3	12.9	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.1	9.8	320
340	54.5	45.8	39.7	35.0	31.4	28.6	26.2	24.2	22.6	21.2	19.9	18.8	17.9	17.0	16.3	15.6	15.0	14.4	13.9	13.4	13.0	12.6	12.2	11.9	11.6	11.3	11.0	10.7	10.5	10.3	340
360	56.5	47.6	41.2	36.4	32.7	29.7	27.2	25.2	23.5	22.0	20.7	19.6	18.6	17.7	16.9	16.2	15.6	15.0	14.5	14.0	13.6	13.1	12.8	12.4	12.1	11.8	11.5	11.2	10.9	10.7	360
380	58.6	49.3	42.7	37.7	33.9	30.8	28.2	26.1	24.4	22.8	21.5	20.3	19.3	18.4	17.6	16.9	16.2	15.6	15.1	14.6	14.1	13.7	13.3	12.9	12.6	12.2	11.9	11.7	11.4	11.1	380
400	60.6	51.1	44.2	39.1	35.1	31.9	29.3	27.1	25.2	23.7	22.3	21.1	20.0	19.1	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	12.7	12.4	12.1	11.8	11.6	400
420	62.7	52.8	45.7	40.4	36.3	33.0	30.3	28.0	26.1	24.5	23.1	21.8	20.8	19.8	18.9	18.1	17.4	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.2	12.9	12.6	12.3	12.0	420
440	64.8	54.5	47.2	41.8	37.5	34.1	31.3	29.0	27.0	25.3	23.9	22.6	21.5	20.5	19.6	18.8	18.0	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.3	13.0	12.7	12.5	440
460	66.8	56.3	48.8	43.1	38.7	35.2	32.3	29.9	27.9	26.2	24.7	23.3	22.2	21.2	20.2	19.4	18.6	18.0	17.3	16.8	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	13.2	12.9	460
480	68.9	58.0	50.3	44.5	39.9	36.3	33.4	30.9	28.8	27.0	25.5	24.1	22.9	21.8	20.9	20.0	19.3	18.5	17.9	17.3	16.8	16.3	15.8	15.4	15.0	14.6	14.2	13.9	13.6	13.3	480
500	70.9	59.8	51.8	45.8	41.1	37.4	34.4	31.8	29.7	27.8	26.2	24.8	23.6	22.5	21.5	20.7	19.9	19.1	18.5	17.9	17.3	16.8	16.3	15.9	15.5	15.1	14.7	14.4	14.1	13.8	500
600	81.2	68.5	59.4	52.5	47.2	43.0	39.5	36.6	34.1	32.0	30.2	28.6	27.2	25.9	24.8	23.8	22.9	22.1	21.3	20.6	20.0	19.4	18.9	18.3	17.9	17.4	17.0	16.6	16.3	15.9	600
700	91.5	77.2	66.9	59.2	53.3	48.5	44.6	41.3	38.6	36.2	34.1	32.4	30.8	29.4	28.1	27.0	25.9	25.0	24.2	23.4	22.7	22.0	21.4	20.8	20.3	19.8	19.3	18.9	18.5	18.1	700
800	101.8	85.9	74.5	66.0	59.3	54.0	49.7	46.1	43.0	40.4	38.1	36.1	34.3	32.8	31.4	30.1	29.0	28.0	27.0	26.1	25.4	24.6	23.9	23.3	22.7	22.2	21.7	21.2	20.7	20.3	800
900	112.1	94.6	82.1	72.7	65.4	59.6	54.8	50.8	47.4	44.5	42.0	39.9	37.9	36.2	34.7	33.3	32.0	30.9	29.9	28.9	28.0	27.2	26.5	25.8	25.1	24.5	24.0	23.4	22.9	22.5	900
1000	122.4	103.3	89.6	79.4	71.5	65.1	59.9	55.5	51.9	48.7	46.0	43.6	41.5	39.6	38.0	36.4	35.1	33.8	32.7	31.7	30.7	29.8	29.0	28.3	27.6	26.9	26.3	25.7	25.2	24.7	1000
1100	132.7	112.0	97.2	86.1	77.5	70.6	65.0	60.3	56.3	52.9	49.9	47.4	45.1	43.0	41.2	39.6	38.1	36.8	35.6	34.4	33.4	32.4	31.6	30.7	30.0	29.3	28.6	28.0	27.4	26.8	1100
1200	143.0	120.7	104.8	92.9	83.6	76.2	70.1	65.0	60.7	57.1	53.9	51.1	48.7	46.5	44.5	42.8	41.2	39.7	38.4	37.2	36.1	35.1	34.1	33.2	32.4	31.6	30.9	30.2	29.6	29.0	1200
1300	153.2	129.4	112.4	99.6	89.6	81.7	75.2	69.8	65.2	61.3	57.8	54.9	52.2	49.9	47.8	45.9	44.2	42.7	41.3	40.0	38.8	37.7	36.6	35.7	34.8	34.0	33.2	32.5	31.8	31.2	1300
1400	163.5	138.1	119.9	106.3	95.7	87.2	80.3	74.5	69.6	65.4	61.8	58.6	55.8	53.3	51.1	49.1	47.3	45.6	44.1	42.7	41.4	40.3	39.2	38.2	37.2	36.4	35.5	34.8	34.0	33.4	1400
1500	173.8	146.8	127.5	113.0	101.8	92.8	85.4	79.3	74.1	69.6	65.7	62.4	59.4	56.7	54.4	52.2	50.3	48.5	46.9	45.5	44.1	42.9	41.7	40.7	39.7	38.7	37.8	37.0	36.3	35.5	1500
Term. 2/	19.490	16.242	13.921	12.181	10.828	9.745	8.859	8.121	7.496	6.961	6.497	6.091	5.732	5.414	5.129	4.873	4.640	4.430	4.237	4.060	3.898	3.748	3.609	3.480	3.360	3.248	3.144	3.045	2.953	2.866	Term. 2/
L. H. 3/	.102890	.087042	.075721	.067231	.060628	.055345	.051023	.047421	.044373	.041761	.039497	.037516	.035768	.034214	.032824	.031573	.030440	.029411	.028472	.027610	.026818	.026087	.025409	.024780	.024195	.023648	.023137	.022658	.022208	.021784	L. H. 3/

1/ Based on a tare weight of 19.1 tons and a ratio of empty car miles to loaded car miles of 0.703. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

34	Miles
3.1	10
3.3	20
3.5	30
3.7	40
4.0	50
4.2	60
4.4	70
4.6	80
4.8	90
5.0	100
5.5	120
5.9	140
6.4	160
6.8	180
7.2	200
7.7	220
8.1	240
8.5	260
9.0	280
9.4	300
9.8	320
10.3	340
10.7	360
11.1	380
11.6	400
12.0	420
12.5	440
12.9	460
13.3	480
13.8	500
15.9	600
18.1	700
20.3	800
22.5	900
24.7	1000
26.8	1100
29.0	1200
31.2	1300
33.4	1400
35.5	1500
2.866	Term. 2/
021784	L. H. 3/

d

amage payments
latter have

haul. The

TABLE 58 (Concluded).--TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	10
20	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	20
30	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	30
40	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	40
50	3.9	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	50
60	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	60
70	4.3	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	70
80	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	90
100	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	100
120	5.4	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.4	120
140	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.7	140
160	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	4.0	160
180	6.6	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	180
200	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	200
220	7.5	7.3	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.9	220
240	7.9	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	240
260	8.3	8.2	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	5.5	260
280	8.8	8.6	8.4	8.3	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	280
300	9.2	9.0	8.8	8.7	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.2	6.1	300
320	9.6	9.4	9.2	9.1	8.9	8.7	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	320
340	10.1	9.8	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.8	6.7	340
360	10.5	10.	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	360
380	10.9	10.	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	7.5	7.4	7.3	380
400	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.5	8.4	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	400
420	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	420
440	12.2	12.0	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	8.3	8.2	440
460	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	8.5	460
480	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	480
500	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.9	10.7	10.6	10.5	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	500
600	15.6	15.3	15.0	14.7	14.5	14.2	14.0	13.8	13.6	13.4	13.2	13.0	12.8	12.7	12.5	12.3	12.2	12.0	11.9	11.8	11.6	11.5	11.4	11.3	11.2	11.1	11.0	10.9	10.8	10.7	600
700	17.8	17.4	17.1	16.8	16.5	16.2	16.0	15.7	15.5	15.2	15.0	14.8	14.6	14.4	14.2	14.1	13.9	13.7	13.6	13.4	13.3	13.1	13.0	12.9	12.8	12.6	12.5	12.4	12.3	12.2	700
800	19.9	19.5	19.2	18.8	18.5	18.2	17.9	17.6	17.4	17.1	16.9	16.6	16.4	16.2	16.0	15.8	15.6	15.4	15.3	15.1	14.9	14.8	14.6	14.5	14.3	14.2	14.1	13.9	13.8	13.7	800
900	22.0	21.6	21.2	20.8	20.5	20.2	19.8	19.5	19.2	19.0	18.7	18.4	18.2	18.0	17.7	17.5	17.3	17.1	16.9	16.7	16.6	16.4	16.2	16.1	15.9	15.8	15.6	15.5	15.4	15.2	900
1000	24.2	23.7	23.3	22.9	22.5	22.1	21.8	21.4	21.1	20.8	20.5	20.3	20.0	19.7	19.5	19.3	19.0	18.8	18.6	18.4	18.2	18.0	17.9	17.7	17.5	17.3	17.2	17.0	16.9	16.8	1000
1100	26.3	25.8	25.3	24.9	24.5	24.1	23.7	23.4	23.0	22.7	22.4	22.1	21.8	21.5	21.2	21.0	20.7	20.5	20.3	20.1	19.9	19.7	19.5	19.3	19.1	18.9	18.8	18.6	18.4	18.3	1100
1200	28.4	27.9	27.4	26.9	26.5	26.1	25.7	25.3	24.9	24.5	24.2	23.9	23.6	23.3	23.0	22.7	22.5	22.2	22.0	21.7	21.5	21.3	21.1	20.9	20.7	20.5	20.3	20.1	20.0	19.8	1200
1300	30.6	30.0	29.5	29.0	28.5	28.0	27.6	27.2	26.8	26.4	26.0	25.7	25.4	25.0	24.7	24.5	24.2	23.9	23.6	23.4	23.2	22.9	22.7	22.5	22.3	22.1	21.9	21.7	21.5	12.3	1300
1400	32.7	32.1	31.5	31.0	30.5	30.0	29.5	29.1	28.7	28.3	27.9	27.5	27.2	26.8	26.5	26.2	25.9	25.6	25.3	25.1	24.8	24.5	24.3	24.1	23.9	23.6	23.4	23.2	23.0	22.8	1400
1500	34.9	34.2	33.6	33.0	32.5	32.0	31.5	31.0	30.6	30.1	29.7	29.3	28.9	28.6	28.2	27.9	27.6	27.3	27.0	26.7	26.4	26.2	25.9	25.7	25.4	25.2	25.0	24.8	24.6	24.4	1500
Term. 2/	2.784	2.707	2.634	2.568	2.499	2.436	2.377	2.320	2.266	2.215	2.166	2.113	2.073	2.030	1.989	1.949	1.911	1.874	1.839	1.805	1.772	1.740	1.710	1.680	1.652	1.624	1.598	1.572	1.547	1.523	Term. 2/
L. H. 3/	.021384	.021007	.020650	.020312	.019991	.019686	.019396	.019120	.018857	.018606	.018366	.018136	.017916	.017705	.017503	.017309	.017123	.016943	.016771	.016605	.016445	.016290	.016141	.015997	.015858	.015724	.015594	.015469	.015347	.015229	L. H. 3/

1/ Based on a tare weight of 19.1 tons and a ratio of empty car miles to loaded car miles of 0.703. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 59.—TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.6	17.2	14.8	12.9	11.5	10.4	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.5	4.4	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.8	18.2	15.6	13.7	12.2	11.0	10.0	9.2	8.5	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	20
30	23.0	19.2	16.5	14.4	12.9	11.6	10.6	9.7	9.0	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.2	4.0	3.9	3.8	3.7	3.6	30
40	24.1	20.1	17.3	15.2	13.5	12.2	11.1	10.2	9.5	8.8	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.8	40
50	25.3	21.1	18.2	15.9	14.2	12.8	11.7	10.8	10.0	9.3	8.7	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.0	50
60	26.4	22.1	19.0	16.7	14.9	13.4	12.3	11.3	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.7	4.5	4.4	4.3	60
70	27.6	23.1	19.8	17.4	15.6	14.1	12.8	11.8	10.9	10.2	9.6	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.2	6.0	5.7	5.5	5.4	5.2	5.0	4.9	4.8	4.6	4.5	70
80	28.7	24.0	20.7	18.2	16.2	14.7	13.4	12.3	11.4	10.7	10.0	9.4	8.9	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	80
90	29.9	25.0	21.5	18.9	16.9	15.3	14.0	12.9	11.9	11.1	10.4	9.8	9.3	8.8	8.4	8.0	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.1	5.0	90
100	31.0	26.0	22.4	19.7	17.6	15.9	14.5	13.4	12.4	11.6	10.9	10.2	9.7	9.2	8.7	8.3	8.0	7.7	7.4	7.1	6.8	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.4	5.2	100
120	33.3	27.9	24.1	21.2	18.9	17.1	15.7	14.4	13.4	12.5	11.7	11.1	10.5	9.9	9.5	9.0	8.7	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.2	6.0	5.8	5.7	120
140	35.6	29.9	25.8	22.7	20.3	18.4	16.8	15.5	14.4	13.4	12.6	11.9	11.3	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.3	7.0	6.9	6.7	6.5	6.3	6.2	140
160	38.0	31.8	27.5	24.2	21.6	19.6	17.9	16.5	15.4	14.4	13.5	12.7	12.0	11.4	10.9	10.4	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	6.6	160
180	40.3	33.8	29.2	25.7	23.0	20.8	19.1	17.6	16.3	15.3	14.4	13.5	12.8	12.2	11.6	11.1	10.7	10.2	9.9	9.5	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.1	180
200	42.6	35.7	30.9	27.2	24.3	22.1	20.2	18.6	17.3	16.2	15.2	14.4	13.6	13.0	12.4	11.8	11.3	10.9	10.5	10.1	9.8	9.4	9.2	8.9	8.6	8.4	8.2	8.0	7.8	7.6	200
220	44.9	37.7	32.5	28.7	25.7	23.3	21.3	19.7	18.3	17.1	16.1	15.2	14.4	13.7	13.1	12.5	12.0	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	8.1	220
240	47.2	39.6	34.2	30.2	27.0	24.5	22.5	20.8	19.3	18.1	17.0	16.0	15.2	14.5	13.8	13.2	12.7	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.7	8.5	240
260	49.5	41.6	35.9	31.7	28.4	25.8	23.6	21.8	20.3	19.0	17.9	16.9	16.0	15.2	14.5	13.9	13.3	12.8	12.3	11.9	11.5	11.2	10.8	10.5	10.2	9.9	9.7	9.4	9.2	9.0	260
280	51.8	43.5	37.6	33.2	29.7	27.0	24.7	22.9	21.3	19.9	18.7	17.7	16.8	16.0	15.2	14.6	14.0	13.5	13.0	12.5	12.1	11.7	11.4	11.0	10.7	10.5	10.2	9.9	9.7	9.5	280
300	54.1	45.5	39.3	34.7	31.1	28.2	25.9	23.9	22.3	20.8	19.6	18.5	17.6	16.7	16.0	15.3	14.7	14.1	13.6	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.7	10.4	10.2	10.0	300
320	56.4	47.4	41.0	36.2	32.5	29.5	27.0	25.0	23.2	21.8	20.5	19.3	18.4	17.5	16.7	16.0	15.3	14.8	14.2	13.7	13.3	12.9	12.5	12.1	11.8	11.5	11.2	10.9	10.7	10.4	320
340	58.7	49.4	42.7	37.7	33.8	30.7	28.1	26.0	24.2	22.7	21.3	20.2	19.1	18.2	17.4	16.7	16.0	15.4	14.8	14.3	13.9	13.4	13.0	12.7	12.3	12.0	11.7	11.4	11.1	10.9	340
360	61.0	51.3	44.4	39.2	35.2	31.9	29.3	27.1	25.2	23.6	22.2	21.0	20.0	19.0	18.1	17.4	16.7	16.0	15.5	14.9	14.5	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6	11.4	360
380	63.3	53.3	46.1	40.7	36.5	33.2	30.4	28.1	26.2	24.5	23.1	21.8	20.7	19.7	18.9	18.1	17.3	16.7	16.1	15.5	15.0	14.6	14.1	13.7	13.4	13.0	12.7	12.4	12.1	11.8	380
400	65.7	55.2	47.8	42.2	37.9	34.4	31.5	29.2	27.2	25.5	24.0	22.7	21.5	20.5	19.6	18.8	18.0	17.3	16.7	16.1	15.6	15.1	14.7	14.3	13.9	13.5	13.2	12.9	12.6	12.3	400
420	68.0	57.2	49.5	43.7	39.2	35.6	32.7	30.2	28.2	26.4	24.8	23.5	22.3	21.2	20.3	19.4	18.7	18.0	17.3	16.8	16.2	15.7	15.3	14.8	14.4	14.1	13.7	13.4	13.1	12.8	420
440	70.3	59.1	51.2	45.2	40.6	36.8	33.8	31.3	29.1	27.3	25.7	24.3	23.1	22.0	21.0	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.8	15.4	15.0	14.6	14.2	13.9	13.6	13.3	440
460	72.6	61.1	52.9	46.7	41.9	38.1	34.9	32.3	30.1	28.2	26.6	25.1	23.9	22.8	21.7	20.8	20.0	19.3	18.6	18.0	17.4	16.9	16.4	15.9	15.5	15.1	14.7	14.4	14.0	13.7	460
480	74.9	63.0	54.6	48.2	43.3	39.3	36.1	33.4	31.1	29.2	27.5	26.0	24.7	23.5	22.5	21.5	20.7	19.9	19.2	18.6	18.0	17.4	16.9	16.4	16.0	15.6	15.2	14.9	14.5	14.2	480
500	77.2	65.0	56.2	49.7	44.6	40.5	37.2	34.4	32.1	30.1	28.3	26.8	25.5	24.3	23.2	22.2	21.3	20.6	19.8	19.2	18.6	18.0	17.5	17.0	16.5	16.1	15.7	15.4	15.0	14.7	500
600	88.7	74.7	64.7	57.2	51.4	46.7	42.9	39.7	37.0	34.7	32.7	30.9	29.4	28.0	26.8	25.7	24.7	23.8	23.0	22.2	21.5	20.8	20.2	19.7	19.2	18.7	18.2	17.8	17.4	17.0	600
700	100.3	84.5	73.2	64.7	58.1	52.9	48.6	45.0	41.9	39.3	37.1	35.1	33.3	31.8	30.4	29.2	28.0	27.0	26.1	25.2	24.4	23.7	23.0	22.4	21.8	21.3	20.8	20.3	19.8	19.4	700
800	111.8	94.2	81.6	72.2	64.9	59.0	54.2	50.2	46.8	43.9	41.4	39.2	37.3	35.6	34.0	32.6	31.4	30.2	29.2	28.2	27.4	26.5	25.8	25.1	24.4	23.8	23.3	22.7	22.2	21.8	800
900	123.4	104.0	90.1	79.7	71.6	65.2	59.9	55.5	51.8	48.8	45.8	43.4	41.2	39.3	37.6	36.1	34.7	33.5	32.3	31.3	30.3	29.4	28.6	27.8	27.1	26.4	25.8	25.2	24.6	24.1	900
1000	134.9	113.7	98.6	87.2	78.4	71.3	65.6	60.8	56.7	53.2	50.2	47.5	45.2	43.1	41.2	39.6	38.1	36.7	35.4	34.3	33.2	32.2	31.3	30.5	29.7	29.0	28.3	27.7	27.1	26.5	1000
1100	146.4	123.5	107.0	94.7	85.2	77.5	71.2	66.0	61.6	57.8	54.5	51.7	49.1	46.9	44.9	43.0	41.4	39.9	38.5	37.3	36.2	35.1	34.1	33.2	32.3	31.6	30.8	30.1	29.5	28.9	1100
1200	158.0	133.2	115.5	102.2	91.9	83.7	76.9	71.3	66.5	62.4	58.9	55.8	53.1	50.6	48.5	46.5	44.7	43.1	41.7	40.3	39.1	37.9	36.9	35.9	35.0	34.1	33.3	32.6	31.9	31.2	1200
1300	169.5	142.9	124.0	109.7	98.7	89.8	82.6	76.5	71.4	67.1	63.3	59.9	57.0	54.4	52.1	50.0	48.1	46.4	44.8	43.3	42.0	40.8	39.7	38.6	37.6	36.7	35.8	35.0	34.3	33.6	1300
1400	181.1	152.7	132.4	117.3	105.4	96.0	88.3	81.8	76.4	71.7	67.6	64.1	61.0	58.2	55.7	53.5	51.4	49.6	47.9	46.4	44.9	43.5	42.4	41.3	40.3	39.3	38.4	37.5	36.7	35.9	1400
1500	192.6	162.4	140.9	124.8	112.2	102.1	93.9	87.1	81.3	76.3	72.0	68.2	64.9	61.9	59.3	56.9	54.8	52.8	51.0	49.4	47.9	46.5	45.2	44.0	42.9	41.8	40.9	40.0	39.1	38.3	1500
Term. 2/	19.490	16.242	13.921	12.181	10.828	9.745	8.859	8.121	7.496	6.961	6.497	6.091	5.732	5.414	5.129	4.873	4.640	4.430	4.237	4.060	3.898	3.748	3.609	3.480	3.360	3.248	3.144	3.045	2.953	2.866	Term. 2/
L. H. 3/	.115400	.097467	.084657	.075050	.067578	.061600	.056709	.052633	.049185	.046229	.043667	.041425	.039447	.037689	.036116	.034700	.033419	.032255	.031191	.030217	.029320	.028492	.027726	.027014	.026352	.025733	.025155	.024613	.024103	.023624	L. H. 3/

1/ Based on a tare weight of 21.0 tons and a ratio of empty car miles to loaded car miles of 0.830. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 59 (Concluded).—TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
	3.0	2.9	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	10
	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	20
	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	30
	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	40
	3.9	3.8	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	50
	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	60
	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	70
	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.8	80
	4.9	4.8	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	90
	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	100
	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.5	120
	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	140
	6.5	6.3	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	160
	7.0	6.8	6.7	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	180
	7.4	7.3	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	200
	7.9	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.1	5.1	220
	8.3	8.2	8.0	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	240
	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	260
	9.3	9.1	8.9	8.7	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	280
	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	300
	10.2	10.0	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	320
	10.7	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	340
	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	360
	11.6	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	380
	12.1	11.8	11.6	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	400
	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	420
	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	440
	13.4	13.2	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.2	9.1	9.0	460
	13.9	13.6	13.3	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.5	11.3	11.2	11.0	10.9	10.7	10.6	10.5	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	480
	14.4	14.1	13.8	13.5	13.3	13.1	12.8	12.6	12.4	12.2	12.0	11.9	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	500
	16.7	16.4	16.0	15.7	15.5	15.2	14.9	14.7	14.5	14.2	14.0	13.8	13.6	13.4	13.3	13.1	12.9	12.8	12.6	12.5	12.3	12.2	12.1	11.9	11.8	11.7	11.6	11.5	11.4	11.2	600
	19.0	18.6	18.3	17.9	17.6	17.3	17.0	16.7	16.5	16.2	16.0	15.8	15.5	15.3	15.1	14.9	14.8	14.6	14.4	14.2	14.1	13.9	13.8	13.6	13.5	13.4	13.2	13.1	13.0	12.9	700
	21.3	20.9	20.5	20.1	19.8	19.4	19.1	18.8	18.5	18.2	18.0	17.7	17.5	17.2	17.0	16.8	16.6	16.4	16.2	16.0	15.8	15.7	15.5	15.3	15.2	15.0	14.9	14.8	14.6	14.5	800
	23.6	23.2	22.7	22.3	21.9	21.6	21.2	20.9	20.5	20.2	19.9	19.7	19.4	19.1	18.9	18.7	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.0	16.9	16.7	16.6	16.4	16.3	16.1	900
	26.0	25.5	25.0	24.5	24.1	23.7	23.3	22.9	22.6	22.2	21.9	21.6	21.3	21.0	20.8	20.5	20.3	20.0	19.8	19.6	19.4	19.1	18.9	18.8	18.6	18.4	18.2	18.0	17.9	17.7	1000
	28.3	27.7	27.2	26.7	26.3	25.8	25.4	25.0	24.6	24.2	23.9	23.6	23.2	22.9	22.6	22.4	22.1	21.8	21.6	21.3	21.1	20.9	20.7	20.5	20.3	20.1	19.9	19.7	19.5	19.3	1100
	30.6	30.0	29.4	28.9	28.4	27.9	27.5	27.1	26.6	26.2	25.9	25.5	25.2	24.8	24.5	24.2	23.9	23.6	23.4	23.1	22.9	22.6	22.4	22.2	22.0	21.7	21.5	21.3	21.2	21.0	1200
	32.9	32.3	31.7	31.1	30.6	30.1	29.6	29.1	28.7	28.3	27.8	27.5	27.1	26.7	26.4	26.1	25.8	25.5	25.2	24.9	24.6	24.4	24.1	23.9	23.6	23.4	23.2	23.0	22.8	22.6	1300
	35.2	34.5	33.9	33.3	32.7	32.2	31.7	31.2	30.7	30.3	29.8	29.4	29.0	28.6	28.3	27.9	27.6	27.3	27.0	26.7	26.4	26.1	25.8	25.6	25.3	25.1	24.9	24.6	24.4	24.2	1400
	37.5	36.8	36.1	35.5	34.9	34.3	33.8	33.2	32.7	32.3	31.8	31.4	30.9	30.5	30.2	29.8	29.4	29.1	28.8	28.4	28.1	27.9	27.6	27.3	27.0	26.8	26.5	26.3	26.1	25.8	1500
2/	2.784	2.707	2.634	2.564	2.499	2.435	2.377	2.320	2.266	2.215	2.166	2.118	2.073	2.030	1.989	1.949	1.911	1.874	1.839	1.805	1.772	1.740	1.710	1.680	1.652	1.624	1.598	1.572	1.547	1.523	Term. 2/
3/	.023171	.022744	.022341	.021958	.021595	.021250	.020922	.020610	.020312	.020027	.019756	.019496	.019247	.019008	.018780	.018560	.018349	.018146	.017951	.017763	.017582	.017407	.017239	.017076	.016919	.016767	.016620	.016477	.016340	.016206	L. H. 3/

sed on a tare weight of 21.0 tons and a ratio of empty car miles to loaded car miles of 0.830. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 60.--TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
10	18.0	15.0	12.9	11.3	10.0	9.0	8.2	7.5	7.0	6.5	6.0	5.7	5.3	5.1	4.8	4.6	4.3	4.1	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7
20	19.4	16.2	13.9	12.2	10.8	9.8	8.9	8.2	7.6	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0
30	20.8	17.3	14.9	13.1	11.6	10.5	9.6	8.8	8.1	7.6	7.1	6.7	6.3	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.5	3.4	3.3	3.3
40	22.2	18.5	15.9	14.0	12.4	11.2	10.2	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5
50	23.5	19.7	16.9	14.9	13.3	12.0	10.9	10.0	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8
60	24.9	20.9	17.9	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.1
70	26.3	22.0	19.0	16.7	14.9	13.4	12.3	11.3	10.5	9.8	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.5	4.3
80	27.7	23.2	20.0	17.6	15.7	14.2	12.9	11.9	11.0	10.3	9.7	9.1	8.6	8.1	7.8	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.5	5.3	5.1	5.0	4.9	4.7	4.6
90	29.1	24.4	21.0	18.5	16.5	14.9	13.6	12.5	11.6	10.8	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9
100	30.5	25.5	22.0	19.4	17.3	15.6	14.3	13.2	12.2	11.4	10.7	10.1	9.5	9.0	8.6	8.2	7.9	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.1
120	33.3	27.9	24.0	21.1	18.9	17.1	15.6	14.4	13.4	12.5	11.7	11.0	10.4	9.9	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.2	6.0	5.8	5.7
140	36.0	30.2	26.1	22.9	20.5	18.6	17.0	15.7	14.5	13.6	12.7	12.0	11.4	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	6.6	6.4	6.2
160	38.8	32.6	28.1	24.7	22.1	20.0	18.3	16.9	15.7	14.7	13.8	13.0	12.3	11.7	11.1	10.6	10.2	9.8	9.4	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8
180	41.6	34.9	30.1	26.5	23.7	21.5	19.7	18.2	16.9	15.8	14.8	14.0	13.2	12.6	12.0	11.5	11.0	10.5	10.1	9.8	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3
200	44.4	37.2	32.1	28.3	25.3	23.0	21.0	19.4	18.0	16.9	15.8	14.9	14.2	13.5	12.8	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.5	9.2	8.9	8.7	8.5	8.3	8.0	7.9
220	47.2	39.6	34.2	30.1	27.0	24.4	22.4	20.6	19.2	17.9	16.9	15.9	15.1	14.3	13.7	13.1	12.5	12.0	11.6	11.2	10.8	10.5	10.1	9.8	9.6	9.3	9.0	8.8	8.6	8.4
240	49.9	41.9	36.2	31.9	28.6	25.9	23.7	21.9	20.4	19.0	17.9	16.9	16.0	15.2	14.5	13.9	13.3	12.8	12.3	11.9	11.5	[illegible]	10.8	10.5	10.2	9.9	9.6	9.4	9.2	8.9
260	52.7	44.3	38.2	33.7	30.2	27.4	25.1	23.1	21.5	20.1	18.9	17.9	16.9	16.1	15.4	14.7	14.1	13.5	13.0	12.6	12.2	11.8	11.4	11.1	10.8	10.5	10.2	9.9	9.7	9.5
280	55.5	46.6	40.3	35.5	31.8	28.8	26.4	24.4	22.7	21.2	20.0	18.8	17.9	17.0	16.2	15.5	14.9	14.3	13.8	13.3	12.8	12.4	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.0
300	58.3	48.9	42.3	37.3	33.4	30.3	27.8	25.6	23.9	22.3	21.0	19.8	18.8	17.9	17.1	16.3	15.7	15.1	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.8	10.6
320	61.0	51.3	44.3	39.1	35.0	31.8	29.1	26.9	25.0	23.4	22.0	20.8	19.7	18.8	17.9	17.1	16.4	15.8	15.2	14.7	14.2	13.8	13.3	13.0	12.6	12.3	11.9	11.6	11.4	11.1
340	63.8	53.6	46.3	40.9	36.6	33.2	30.5	28.1	26.2	24.5	23.0	21.8	20.6	19.6	18.7	17.9	17.2	16.6	16.0	15.4	14.9	14.4	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.6
360	66.6	56.0	48.4	42.7	38.2	34.7	31.8	29.4	27.3	25.6	24.1	22.7	21.6	20.5	19.6	18.8	18.0	17.3	16.7	16.1	15.6	15.1	14.6	14.2	13.8	13.4	13.1	12.8	12.5	12.2
380	69.4	58.3	50.4	44.5	39.9	36.2	33.2	30.6	28.5	26.7	25.1	23.7	22.5	21.4	20.4	19.6	18.8	18.1	17.4	16.8	16.2	15.7	15.3	14.8	14.4	14.0	13.7	13.3	13.0	12.7
400	72.2	60.7	52.4	46.3	41.5	37.6	34.5	31.9	29.7	27.8	26.1	24.7	23.4	22.3	21.3	20.4	19.6	18.8	18.1	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.3	13.9	13.6	13.3
420	74.9	63.0	54.5	48.1	43.1	39.1	35.8	33.1	30.8	28.9	27.2	25.7	24.4	23.2	22.1	21.2	20.3	19.6	18.9	18.2	17.6	17.1	16.5	16.1	15.6	15.2	14.8	14.5	14.1	13.8
440	77.7	65.3	56.5	49.9	44.7	40.6	37.2	34.4	32.0	30.0	28.2	26.6	25.3	24.1	23.0	22.0	21.1	20.3	19.6	18.9	18.3	17.7	17.2	16.7	16.2	15.8	15.4	15.0	14.7	14.4
460	80.5	67.7	58.5	51.7	46.3	42.0	38.5	35.6	[illegible]	31.1	29.2	27.6	26.2	24.9	23.8	22.8	21.9	21.1	20.3	19.6	19.0	18.4	17.8	17.3	16.8	16.4	16.0	15.6	15.2	14.9
480	83.3	70.0	60.5	53.4	47.9	43.5	39.9	36.9	[illegible]	32.1	30.3	28.6	27.1	25.5	24.7	23.6	22.7	21.8	21.0	20.3	19.6	19.0	18.5	17.9	17.5	17.0	16.6	16.2	15.8	15.4
500	86.0	72.4	62.6	55.2	49.5	45.0	41.2	38.1	35.5	33.2	31.3	29.6	28.1	26.7	25.5	24.4	23.5	22.6	21.8	21.0	20.3	19.7	19.1	18.6	18.1	17.6	17.1	16.7	16.3	16.0
600	99.9	84.1	72.7	64.2	57.6	52.3	48.0	44.4	41.3	38.7	36.4	34.4	32.7	31.1	29.7	28.5	27.4	26.3	25.4	24.5	23.7	23.0	22.3	21.7	21.1	20.6	20.0	19.6	19.1	18.7
700	113.8	95.8	82.9	73.2	65.7	59.6	54.7	50.6	47.1	44.2	41.6	39.3	37.3	35.6	34.0	32.6	31.3	30.1	29.0	28.0	27.1	26.3	25.5	24.8	24.1	23.5	22.9	22.4	21.9	21.4
800	127.7	107.5	93.0	82.2	73.7	67.0	61.5	56.9	53.0	49.6	46.7	44.2	42.0	40.0	38.2	36.6	35.2	33.8	32.6	31.5	30.5	29.6	28.7	27.9	27.2	26.5	25.8	25.2	24.6	24.1
900	141.6	119.2	103.1	91.1	81.8	74.3	68.2	63.1	58.8	55.1	51.9	49.1	46.6	44.4	42.4	40.7	39.1	37.6	36.3	35.1	33.9	32.9	31.9	31.1	30.2	29.4	28.7	28.0	27.4	26.8
1000	155.5	130.9	113.3	100.1	89.8	81.6	74.9	69.3	64.6	60.5	57.0	54.0	51.2	48.8	46.7	44.7	43.0	41.4	39.9	38.6	37.3	36.2	35.1	34.2	33.3	32.4	31.6	30.9	30.2	29.5
1100	169.4	142.6	123.4	109.1	97.9	89.0	81.7	75.6	70.4	66.0	62.2	58.8	55.9	53.2	50.9	48.8	46.9	45.1	43.5	42.1	40.7	39.5	38.4	37.3	36.3	35.4	34.5	33.7	32.9	32.2
1200	183.3	154.3	133.6	118.0	106.0	96.3	88.4	81.8	76.2	71.5	67.3	63.7	60.5	57.7	55.1	52.8	50.8	48.9	47.2	45.6	44.1	42.8	41.6	40.4	39.3	38.3	37.4	36.5	35.7	34.9
1300	197.1	166.0	143.7	127.0	114.0	103.6	95.1	88.1	82.1	76.9	72.5	68.6	65.1	62.1	59.4	56.9	54.7	52.6	50.8	49.1	47.5	46.1	44.8	43.5	42.4	41.3	40.3	39.4	38.5	37.6
1400	211.0	177.7	153.9	136.0	122.1	111.0	101.9	94.3	87.9	82.4	77.6	73.5	69.8	66.5	63.6	60.9	58.6	56.4	54.4	52.6	50.9	49.4	48.0	46.7	45.4	44.3	43.2	42.2	41.2	[illegible]
1500	224.9	189.4	164.0	145.0	130.2	118.3	108.6	100.5	93.7	87.9	82.8	78.3	74.4	70.9	67.8	65.0	62.5	60.2	58.1	56.1	54.3	52.7	51.2	49.8	48.5	47.2	46.1	45.0	44.0	43.1
Term. 2/	16.604	13.837	11.860	10.378	9.224	8.302	7.547	6.918	6.386	5.930	5.535	5.189	4.884	4.612	4.369	4.151	3.953	3.774	3.610	3.459	3.321	3.193	3.075	2.965	2.863	2.767	2.678	2.594	2.516	2.442
L. H. 3/	.138880	.117033	.101429	.089725	.080622	.073340	.067382	.062417	.058215	.054614	.051493	.048763	.046353	.044211	.042295	.040570	.039010	.037591	.036296	.035108	.034016	.033008	.032074	.031207	.030400	.029647	.028942	.028281	.027661	.027076

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.390. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 60 (Concluded).--TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.8	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.6	6.5	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.1	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.7	7.5	7.3	7.2	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.2	8.0	7.9	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.5	6.4	6.4	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.7	8.5	8.4	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.3	9.1	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.8	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.7	7.6	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.3	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.0	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.9	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.4	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.2	9.0	8.9	8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.9	11.7	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.5	9.3	9.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.5	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	13.0	12.7	12.4	12.2	12.0	11.8	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.3	10.2	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.5	13.2	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	14.0	13.7	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.6	14.3	14.0	13.7	13.4	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	15.1	14.8	14.5	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.0	11.9	11.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.6	15.3	15.0	14.7	14.4	14.2	13.9	13.7	13.5	13.2	13.0	12.8	12.6	12.5	12.3	12.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.3	17.9	17.6	17.2	16.9	16.6	16.3	16.0	15.8	15.5	15.3	15.0	14.8	14.6	14.4	14.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	20.9	20.5	20.1	19.7	19.4	19.0	18.7	18.4	18.1	17.8	17.5	17.2	17.0	16.7	16.5	16.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.6	23.1	22.7	22.2	21.8	21.4	21.1	20.7	20.4	20.0	19.7	19.4	19.2	18.9	18.6	18.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.2	25.7	25.2	24.7	24.3	23.8	23.4	23.0	22.7	22.3	22.0	21.6	21.3	21.0	20.8	20.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	28.9	28.3	27.8	27.2	26.7	26.3	25.8	25.4	25.0	24.6	24.2	23.9	23.5	23.2	22.9	22.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.6	30.9	30.3	29.7	29.2	28.7	28.2	27.7	27.3	26.9	26.4	26.1	25.7	25.3	25.0	24.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	34.2	33.5	32.9	32.2	31.7	31.1	30.6	30.1	29.6	29.1	28.7	28.3	27.9	27.5	27.1	26.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	36.9	36.1	35.4	34.7	34.1	33.5	32.9	32.4	31.9	31.4	30.9	30.5	30.0	29.6	29.2	28.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.5	38.7	38.0	37.3	36.6	35.9	35.3	34.7	34.2	33.7	33.2	32.7	32.2	31.8	31.3	30.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	42.2	41.3	40.5	39.8	39.0	38.4	37.7	37.1	36.5	35.9	35.4	34.9	34.4	33.9	33.5	33.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
Term. 2/	2.372	2.306	2.244	2.185	2.129	2.076	2.025	1.977	1.931	1.887	1.845	1.805	1.766	1.730	1.694	1.660	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026526	.026006	.025514	.025047	.024605	.024185	.023785	.023405	.023042	.022695	.022364	.022048	.021745	.021454	.021176	.020908	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.990. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. 9 - Western Trunk Line, incl.
No. Ill. but excl.
Sou. Mo.

STOCK CARS

TABLE 61.—TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.7	17.2	14.8	12.9	11.5	10.4	9.4	8.7	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.8	3.6	3.5	-	-	-	-	10
20	21.8	18.2	15.6	13.7	12.2	11.0	10.0	9.2	8.5	7.9	7.4	6.9	6.5	6.2	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	-	-	-	-	20
30	23.0	19.2	16.5	14.5	12.9	11.6	10.6	9.7	9.0	8.4	7.8	7.4	6.9	6.6	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	-	-	-	-	30
40	24.2	20.2	17.4	15.2	13.6	12.2	11.2	10.3	9.5	8.8	8.3	7.8	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	-	-	-	-	40
50	25.4	21.2	18.2	16.0	14.3	12.9	11.7	10.8	10.0	9.3	8.7	8.2	7.7	7.3	7.0	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	-	-	-	-	50
60	26.[illegible]	22.2	19.1	16.8	14.9	13.5	12.3	11.3	10.5	9.8	9.2	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	-	-	-	-	60
70	27.7	23.2	19.9	17.5	15.6	14.1	12.9	11.9	11.0	10.2	9.6	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	-	-	-	-	70
80	28.9	24.2	20.8	18.3	16.3	14.7	13.5	12.4	11.5	10.7	10.0	9.5	8.9	8.5	8.1	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.3	-	-	-	-	80
90	30.0	25.1	21.7	19.0	17.0	15.4	14.0	12.9	12.0	11.2	10.5	9.9	9.3	8.9	8.4	8.0	7.7	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.8	5.6	-	-	-	-	90
100	31.2	26.1	22.5	19.8	17.7	16.0	14.6	13.5	12.5	11.6	10.9	10.3	9.7	9.2	8.8	8.4	8.0	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.9	-	-	-	-	100
120	33.6	28.1	24.2	21.3	19.1	17.2	15.8	14.5	13.5	12.6	11.8	11.1	10.5	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	-	-	-	-	120
140	35.9	30.1	26.0	22.8	20.4	18.5	16.9	15.6	14.5	13.5	12.7	12.0	11.3	10.8	10.3	9.8	9.4	9.0	8.7	8.3	8.1	7.8	7.5	7.3	7.1	6.9	-	-	-	-	140
160	38.2	32.1	27.7	24.4	21.8	19.7	18.1	16.7	15.5	14.5	13.6	12.8	12.1	11.5	11.0	10.5	10.1	9.7	9.3	9.0	8.6	8.4	8.1	7.9	7.6	7.4	-	-	-	-	160
180	40.6	34.1	29.4	25.9	23.2	21.0	19.2	17.7	16.5	15.4	14.5	13.6	12.9	12.3	11.7	11.2	10.7	10.3	9.9	9.6	9.2	8.9	8.7	8.4	8.2	7.9	-	-	-	-	180
200	42.9	36.0	31.1	27.4	24.5	22.2	20.4	18.8	17.5	16.3	15.4	14.5	13.7	13.1	12.4	11.9	11.4	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.7	8.5	-	-	-	-	200
220	45.3	38.0	32.8	28.9	25.9	23.5	21.5	19.9	18.5	17.3	16.2	15.3	14.5	13.8	13.2	[illegible]	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	-	-	-	-	220
240	47.6	40.0	34.5	30.5	27.3	24.7	22.7	20.9	19.5	18.2	17.1	16.2	15.3	14.6	13.9	[illegible]	12.8	12.3	11.8	11.4	11.0	10.7	10.3	10.0	9.8	9.5	-	-	-	-	240
260	50.0	42.0	36.3	32.0	28.7	26.0	23.8	22.0	20.5	19.1	18.0	17.0	16.1	15.3	14.6	[illegible]	13.4	12.9	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.0	-	-	-	-	260
280	52.3	44.0	38.0	33.5	30.0	27.2	25.0	23.1	21.5	20.1	18.9	17.8	16.9	16.1	15.4	14.7	14.1	13.6	13.1	12.6	12.2	11.8	11.5	11.1	10.8	10.5	-	-	-	-	280
300	54.7	45.9	39.7	35.0	31.4	28.5	26.1	24.1	22.5	21.0	19.8	18.7	17.7	16.9	16.1	15.4	14.8	14.2	13.7	13.2	12.8	12.4	12.0	11.7	11.4	11.1	-	-	-	-	300
320	67.0	47.9	41.4	36.6	32.8	29.7	27.3	25.2	23.5	22.0	20.7	19.5	18.5	17.6	16.8	16.1	15.5	14.9	14.3	13.8	13.4	13.0	12.6	12.2	11.9	11.6	-	-	-	-	320
340	59.3	49.9	43.1	38.1	34.1	31.0	28.4	26.3	24.5	22.9	21.5	20.4	19.3	18.4	17.6	16.8	16.1	15.5	15.0	14.5	14.0	13.6	13.1	12.8	12.4	12.1	-	-	-	-	340
360	61.7	51.9	44.9	39.6	35.5	32.2	29.6	27.3	25.5	23.8	22.4	21.2	20.1	19.2	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.1	13.7	13.3	13.0	12.6	-	-	-	-	360
380	64.0	53.8	46.6	41.1	36.9	33.5	30.7	28.4	26.4	24.8	23.3	22.0	20.9	19.9	19.0	18.2	17.5	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.1	-	-	-	-	380
400	66.4	55.8	48.3	42.7	38.3	34.7	31.9	29.5	27.4	25.7	24.2	22.9	21.7	20.7	19.8	18.9	18.2	17.5	16.9	16.3	15.8	15.3	14.8	14.4	14.0	13.7	-	-	-	-	400
420	68.7	57.8	50.0	44.2	39.6	36.0	33.0	30.5	28.4	26.6	25.1	23.7	22.5	21.5	20.5	19.6	18.9	18.1	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.2	-	-	-	-	420
440	71.1	59.8	51.7	45.7	41.0	37.2	34.2	31.6	29.4	27.6	26.0	24.6	23.3	22.2	21.2	20.3	19.5	18.8	18.1	17.5	17.0	16.4	16.0	15.5	15.1	14.7	-	-	-	-	440
460	73.4	61.8	53.5	47.2	42.4	38.5	35.3	32.7	30.4	28.5	26.9	25.4	24.1	23.0	22.0	21.0	20.2	19.5	18.8	18.1	17.6	17.0	16.5	16.1	15.6	15.2	-	-	-	-	460
480	75.7	63.7	55.2	48.7	43.7	39.7	36.5	33.7	31.4	29.5	27.7	26.2	24.9	23.7	22.7	21.7	20.9	20.1	19.4	18.7	18.1	17.6	17.1	16.6	16.2	15.7	-	-	-	-	480
500	78.1	65.7	56.9	50.3	45.1	41.0	37.6	34.8	32.4	30.4	28.6	27.1	25.7	24.5	23.4	22.4	21.6	20.8	20.0	19.4	18.7	18.2	17.6	17.1	16.7	16.3	-	-	-	-	500
600	89.8	75.6	65.5	57.9	52.0	47.2	43.4	40.2	37.4	35.1	33.1	31.3	29.7	28.3	27.1	26.0	24.9	24.0	23.2	22.4	21.7	21.1	20.4	19.9	19.4	18.9	-	-	-	-	600
700	101.5	85.5	74.1	65.5	58.8	53.5	49.1	45.5	42.4	39.8	37.5	35.5	33.7	32.1	30.7	29.5	28.3	27.3	26.3	25.5	24.7	23.9	23.3	22.6	22.0	21.5	-	-	-	-	700
800	113.3	95.4	82.7	73.1	65.7	59.7	54.9	50.8	47.4	44.5	41.9	39.7	37.7	36.0	34.4	33.0	31.7	30.6	29.5	28.5	27.6	26.8	26.1	25.3	24.7	24.1	-	-	-	-	800
900	125.0	105.3	91.3	80.7	72.5	66.0	60.6	56.2	52.4	49.1	46.3	43.9	41.7	39.8	38.1	36.5	35.1	33.8	32.7	31.6	30.6	29.7	28.9	28.1	27.4	26.7	-	-	-	-	900
1000	136.7	115.2	99.9	88.4	79.4	72.2	66.4	61.5	57.4	53.8	50.8	48.1	45.7	43.6	41.7	40.0	38.5	37.1	35.8	34.7	33.6	32.6	31.7	30.8	30.0	29.3	-	-	-	-	1000
1100	148.4	125.1	108.5	96.0	86.3	78.5	72.1	66.8	62.4	58.5	55.2	52.3	49.7	47.4	45.4	43.5	41.9	40.4	39.0	37.7	36.5	35.5	34.5	33.5	32.7	31.9	-	-	-	-	1100
1200	160.1	135.0	117.1	103.6	93.1	84.7	77.9	72.2	67.3	63.2	59.6	56.5	53.7	51.2	49.0	47.1	45.3	43.6	42.1	40.8	39.5	38.4	37.3	36.3	35.4	34.5	-	-	-	-	1200
1300	171.9	144.9	125.6	111.2	100.0	91.0	83.6	77.5	72.3	67.9	64.0	60.7	57.7	55.1	52.7	50.6	48.6	46.9	45.3	43.8	42.5	41.2	40.1	39.0	38.0	37.1	-	-	-	-	1300
1400	183.6	154.8	134.2	118.8	106.8	97.2	89.4	82.9	77.3	72.6	68.5	64.9	61.7	58.9	56.4	54.1	52.0	50.2	48.5	46.9	45.5	44.1	42.9	41.8	40.7	39.7	-	-	-	-	1400
1500	195.3	164.7	142.8	126.4	113.7	103.5	95.1	88.2	82.3	77.3	72.9	69.1	65.7	62.7	60.0	57.6	55.4	53.4	51.6	49.9	48.4	47.0	45.7	44.5	43.4	42.3	-	-	-	-	1500
Term. 2/	19.490	16.242	13.921	12.181	10.828	9.745	8.859	8.121	7.496	6.961	6.497	6.091	5.732	5.414	5.129	4.873	4.640	4.430	4.237	4.060	3.898	3.748	3.609	3.480	3.360	3.248	-	-	-	-	Term. 2/
L. H. 3/	.117200	.098967	.085943	.076175	.068578	.062500	.057527	.053383	.049877	.046871	.044267	.041988	.039976	.038189	.036589	.035150	.033848	.032664	.031583	.030592	.029680	.028838	.028059	.027336	.02666[illegible]	.026033	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.1 tons and a ratio of empty car miles to loaded car miles of 0.906. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 62.--TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	18.0	15.0	12.9	11.3	10.0	9.1	8.2	7.6	7.0	6.5	6.1	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	-	-	-	-	10
20	19.4	16.2	13.9	12.2	10.9	9.8	8.9	8.2	7.6	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	-	-	-	-	20
30	20.9	17.4	15.0	13.1	11.7	10.5	9.6	8.8	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-	30
40	22.3	18.6	16.0	14.0	12.5	11.3	10.3	9.5	8.8	8.2	7.6	7.2	6.8	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	-	-	-	-	40
50	23.7	19.8	17.0	15.0	13.3	12.0	11.0	10.1	9.4	8.7	8.2	7.7	7.2	6.9	6.5	6.2	5.9	5.7	5.5	5.2	5.1	4.9	4.7	4.6	4.4	4.3	-	-	-	-	50
60	25.1	21.0	18.1	15.9	14.2	12.8	11.7	10.7	9.9	9.3	8.7	8.2	7.7	7.3	7.0	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	-	-	-	-	60
70	26.5	22.2	19.1	16.8	15.0	13.5	12.4	11.4	10.5	9.8	9.2	8.7	8.2	7.8	7.4	7.0	6.7	6.5	6.2	6.0	5.7	5.5	5.4	5.2	5.0	4.9	-	-	-	-	70
80	28.0	23.4	20.1	17.7	15.8	14.3	13.0	12.0	11.1	10.4	9.7	9.2	8.7	8.2	7.8	7.5	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.2	-	-	-	-	80
90	29.4	24.6	21.2	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.3	9.7	9.1	8.7	8.2	7.9	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.5	-	-	-	-	90
100	30.8	25.8	22.2	19.5	17.5	15.8	14.4	13.3	12.3	11.5	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.6	6.3	6.1	6.0	5.8	-	-	-	-	100
120	33.6	28.2	24.3	21.4	19.1	17.3	15.8	14.6	13.5	12.6	11.8	11.2	10.6	10.0	9.5	9.1	8.7	8.4	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	-	-	-	-	120
140	36.5	30.6	26.4	23.2	20.7	18.8	17.2	15.8	14.7	13.7	12.9	12.1	11.5	10.9	10.4	9.9	9.5	9.1	8.8	8.5	8.2	7.9	7.6	7.4	7.2	7.0	-	-	-	-	140
160	39.3	33.0	28.4	25.0	22.4	20.3	18.5	17.1	15.9	14.8	13.9	13.1	12.4	11.8	11.3	10.8	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.0	7.8	7.6	-	-	-	-	160
180	42.1	35.4	30.5	26.9	24.0	21.8	19.9	18.4	17.1	16.0	15.0	14.1	13.4	12.7	12.1	11.6	11.1	10.7	10.3	9.9	9.6	9.2	8.9	8.7	8.4	8.2	-	-	-	-	180
200	45.0	37.8	32.6	28.7	25.7	23.3	21.3	19.7	18.3	17.1	16.0	15.1	14.3	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.0	8.8	-	-	-	-	200
220	47.8	40.1	34.7	30.5	27.3	24.8	22.7	20.9	19.5	18.2	17.1	16.1	15.3	14.5	13.8	13.2	12.7	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	-	-	-	-	220
240	50.7	42.5	36.7	32.4	29.0	26.3	24.1	22.2	20.6	19.3	18.1	17.1	16.2	15.4	14.7	14.1	13.5	13.0	12.5	12.0	11.6	11.3	10.9	10.6	10.3	10.0	-	-	-	-	240
260	53.5	44.9	38.8	34.2	30.6	27.8	25.4	23.5	21.8	20.4	19.2	18.1	17.2	16.3	15.6	14.9	14.3	13.7	13.2	12.8	12.3	11.9	11.6	11.2	10.9	10.6	-	-	-	-	260
280	56.3	47.3	40.9	36.0	32.3	29.3	26.8	24.7	23.0	21.5	20.2	19.1	18.1	17.2	16.4	15.7	15.1	14.5	14.0	13.	13.0	12.6	12.2	11.9	11.5	11.2	-	-	-	-	280
300	59.2	49.7	42.9	37.9	33.9	30.8	28.2	26.0	24.2	22.6	21.3	20.1	19.1	18.1	17.3	16.6	15.9	15.3	14.7	14.2	13.7	13.3	12.9	12.5	12.1	11.8	-	-	-	-	300
320	62.0	52.1	45.0	39.7	35.6	32.3	29.6	27.3	25.4	23.8	22.3	21.1	20.0	19.0	18.2	17.4	16.7	16.0	15.4	14.9	14.4	13.9	13.5	13.1	12.8	12.4	-	-	-	-	320
340	64.9	54.5	47.1	41.5	37.2	33.8	30.9	28.8	26.6	24.9	23.4	22.1	20.9	19.9	19.0	18.2	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	-	-	-	-	340
360	67.7	56.9	49.2	43.4	38.9	35.3	32.3	29.8	27.8	26.0	24.4	23.1	21.9	20.8	19.9	19.0	18.3	17.6	16.9	16.3	15.8	15.3	14.8	14.4	14.0	13.6	-	-	-	-	360
380	70.5	59.3	51.2	45.2	40.5	36.7	33.7	31.1	29.0	27.1	25.5	24.1	22.8	21.7	20.7	19.9	19.1	18.3	17.7	17.0	16.5	16.0	15.5	15.0	14.6	14.2	-	-	-	-	380
400	73.4	61.7	53.3	47.0	42.1	38.2	35.1	32.4	30.1	28.2	26.5	25.1	23.[illegible]	22.6	21.6	20.7	19.8	19.1	18.4	17.8	17.2	16.6	16.1	15.7	15.2	14.8	-	-	-	-	400
420	76.2	64.1	55.4	48.9	43.8	39.7	36.4	33.7	31.3	29.3	27.6	26.1	24.7	23.5	22.5	21.5	20.6	19.9	19.1	18.5	17.9	17.3	16.8	16.3	15.9	15.4	-	-	-	-	420
440	79.0	66.4	57.4	50.7	45.4	41.2	37.8	34.9	32.5	30.4	28.6	27.1	25.7	24.4	23.3	22.3	21.4	20.6	19.9	19.2	18.6	18.0	17.4	16.9	16.5	16.0	-	-	-	-	440
460	81.9	68.8	59.5	52.5	47.1	42.7	39.2	36.2	33.7	31.6	29.7	28.1	26.6	25.3	24.2	23.2	22.2	21.4	20.6	19.9	19.2	18.6	18.1	17.6	17.1	16.6	-	-	-	-	460
480	84.7	71.2	61.6	54.4	48.7	44.2	40.6	37.5	34.9	32.7	30.7	29.1	27.6	26.2	25.1	24.0	23.0	22.1	21.3	20.6	19.9	19.3	18.7	18.2	17.7	17.2	-	-	-	-	480
500	87.6	73.6	63.7	56.2	50.4	45.7	41.9	38.8	36.1	33.8	31.8	30.0	28.5	27.1	25.9	24.8	23.8	22.9	22.1	21.3	20.6	20.0	19.4	18.8	18.3	17.8	-	-	-	-	500
600	101.8	85.6	74.0	65.4	58.6	53.2	48.8	45.1	42.0	39.4	37.0	35.0	33.2	31.6	30.2	28.9	27.8	26.7	25.8	24.9	24.1	23.3	22.7	22.0	21.4	20.9	-	-	-	-	600
700	115.9	97.5	84.4	74.5	66.8	60.7	55.7	51.5	48.0	44.9	42.3	40.0	38.0	36.2	34.5	33.1	31.8	30.6	29.5	28.5	27.6	26.7	25.9	25.2	24.5	23.9	-	-	-	-	700
800	130.1	109.5	94.7	83.4	75.1	68.2	62.6	57.9	53.9	50.5	47.5	45.0	42.7	40.7	38.8	37.2	35.7	34.4	33.2	32.1	31.0	30.1	29.2	28.4	27.6	26.9	-	-	-	-	800
900	144.3	121.4	105.1	92.8	83.3	75.7	69.4	64.2	59.8	56.1	52.8	49.9	47.4	45.2	43.2	41.3	39.7	38.2	36.9	35.6	34.5	33.4	32.4	31.5	30.7	29.9	-	-	-	-	900
1000	158.5	133.4	115.5	102.0	91.5	83.2	76.3	70.6	65.8	61.6	58.0	54.9	52.1	49.7	47.5	45.5	43.7	42.1	40.6	39.2	37.9	36.8	35.7	34.7	33.8	32.9	-	-	-	-	1000
1100	172.7	145.4	125.8	111.2	99.8	90.6	83.2	77.0	71.7	67.2	63.3	59.9	56.9	54.2	51.8	49.6	47.7	45.9	44.3	42.8	41.4	40.1	39.0	37.9	36.9	35.9	-	-	-	-	1100
1200	186.9	157.3	136.2	120.3	108.0	98.1	90.1	83.3	77.6	72.8	68.5	64.8	61.6	58.7	56.1	53.7	51.6	49.7	48.0	46.3	44.9	43.5	42.2	41.1	40.0	39.0	-	-	-	-	1200
1300	201.1	169.3	146.5	129.5	116.2	105.6	96.9	89.7	83.6	78.3	73.8	69.8	66.3	63.2	60.4	57.9	55.6	53.5	51.7	49.9	48.3	46.9	45.5	44.2	43.1	42.0	-	-	-	-	1300
1400	215.3	181.2	156.9	138.7	124.5	113.1	103.8	96.1	89.5	83.9	79.0	74.8	71.0	67.7	64.7	62.0	59.6	57.4	55.3	53.5	51.8	50.2	48.8	47.4	46.2	45.0	-	-	-	-	1400
1500	229.5	193.2	167.3	147.8	132.7	120.6	110.7	102.4	95.5	89.5	84.3	79.8	75.8	72.2	69.0	66.1	63.6	61.2	59.0	57.1	55.3	53.6	52.0	50.6	49.2	48.0	-	-	-	-	1500
Term. 2/	16.604	13.837	11.860	10.378	9.224	8.302	7.547	6.918	6.386	5.930	5.535	5.189	4.884	4.612	4.369	4.151	3.953	3.774	3.610	3.459	3.321	3.193	3.075	2.965	2.863	2.767	-	-	-	-	Term. 2/
L. H. 3/	.141920	.119567	.103600	.091625	.082311	.074860	.068764	.063683	.059385	.055700	.052507	.049713	.047247	.045056	.043095	.041330	.039733	.038282	.036957	.035742	.034624	.033592	.032637	.031750	.030924	.030153	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.698. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.23.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.59.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.74.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 63.—TERRITORY NO. 9 - WESTERN TRUNK LINE, including Northern Illinois but excluding Southern Missouri

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	94.4	75.2	65.6	59.9	56.0	53.3	51.2	49.7	48.4	47.3	46.5	45.7	45.1	44.5	44.1	43.6	43.3	42.9	42.6	42.4	42.1	41.9	41.7	41.5	41.3	41.1	41.0	40.8	40.7	10
20	99.2	78.5	68.1	61.9	57.8	54.8	52.6	50.9	49.5	48.4	47.4	46.6	45.9	45.4	44.8	44.4	44.0	43.6	43.3	43.0	42.7	42.5	42.2	42.0	41.9	41.7	41.5	41.4	41.2	20
30	104.0	81.7	70.6	64.0	59.5	56.3	53.9	52.1	50.6	49.4	48.4	47.5	46.8	46.2	45.6	45.1	44.7	44.3	43.9	43.6	43.3	43.1	42.8	42.6	42.4	42.2	42.0	41.9	41.7	30
40	108.8	85.0	73.1	66.0	61.2	57.8	55.3	53.3	51.7	50.4	49.4	48.4	47.7	47.0	46.4	45.9	45.4	45.0	44.6	44.3	44.0	43.7	43.4	43.2	43.0	42.8	42.6	42.4	42.2	40
50	113.6	88.3	75.6	68.0	63.0	59.4	56.5	54.5	52.9	51.5	50.3	49.3	48.5	47.8	47.2	46.6	46.1	45.7	45.3	44.9	44.6	44.3	44.0	43.7	43.5	43.3	43.1	42.9	42.7	50
60	118.4	91.5	78.1	70.1	64.7	60.9	58.0	55.8	54.0	52.5	51.3	50.3	49.4	48.6	47.9	47.3	46.8	46.3	45.9	45.5	45.2	44.9	44.6	44.3	44.1	43.8	43.6	43.4	43.2	60
70	123.2	94.8	80.6	72.1	66.4	62.4	59.3	57.0	55.1	53.5	52.3	51.2	50.2	49.4	48.7	48.1	47.5	47.0	46.6	46.2	45.8	45.5	45.2	44.9	44.6	44.4	44.1	43.9	43.7	70
80	128.0	98.1	83.1	74.2	68.2	63.9	60.7	58.2	56.2	54.6	53.2	52.1	51.1	50.2	49.5	48.8	48.2	47.7	47.2	46.8	46.4	46.1	45.7	45.4	45.2	44.9	44.7	44.4	44.2	80
90	132.8	101.4	85.6	76.2	69.9	65.4	62.0	59.4	57.3	55.6	54.2	53.0	51.9	51.0	50.3	49.6	48.9	48.4	47.9	47.4	47.0	46.7	46.3	46.0	45.7	45.4	45.2	45.0	44.7	90
100	137.6	104.6	88.1	78.2	71.6	66.9	63.4	60.6	58.4	56.6	55.2	53.9	52.8	51.8	51.0	50.3	49.7	49.1	48.6	48.1	47.7	47.3	46.9	46.6	46.3	46.0	45.7	45.5	45.3	100
120	147.2	111.2	93.1	82.3	75.1	70.0	66.1	63.1	60.7	58.7	57.1	55.7	54.5	53.5	52.6	51.8	51.1	50.4	49.9	49.4	48.9	48.5	48.1	47.7	47.4	47.1	46.8	46.5	46.3	120
140	156.8	117.7	98.1	86.4	78.6	73.0	68.8	65.5	62.9	60.8	59.0	57.5	56.2	55.1	54.1	53.3	52.5	51.8	51.2	50.6	50.1	49.7	49.2	48.8	48.5	48.1	47.8	47.5	47.3	140
160	166.4	124.2	103.1	90.5	82.0	76.0	71.5	68.0	65.2	62.9	61.0	59.3	57.9	56.7	55.7	54.7	53.9	53.2	52.5	51.9	51.3	50.9	50.4	50.0	49.6	49.2	48.9	48.6	48.3	160
180	176.0	130.8	108.1	94.6	85.5	79.0	74.2	70.4	67.4	64.9	62.9	61.1	59.6	58.3	57.2	56.2	55.3	54.5	53.8	53.2	52.6	52.0	51.6	51.1	50.7	50.3	49.9	49.6	49.3	180
200	185.6	137.3	113.1	98.6	89.0	82.1	76.9	72.9	69.6	67.0	64.8	62.9	61.4	60.0	58.8	57.7	56.7	55.9	55.1	54.4	53.8	53.2	52.7	52.2	51.8	51.4	51.0	50.6	50.3	200
220	195.3	143.8	118.1	102.7	92.4	85.1	79.6	75.3	71.9	69.1	66.7	64.8	63.1	61.6	60.3	59.2	58.2	57.3	56.5	55.7	55.0	54.4	53.9	53.4	52.9	52.5	52.0	51.7	51.3	220
240	204.9	150.4	123.1	106.8	95.9	88.1	82.3	77.7	74.1	71.1	68.7	66.6	64.8	63.2	61.9	60.7	59.6	58.6	57.8	57.0	56.3	55.6	55.0	54.5	54.0	53.5	53.1	52.7	52.3	240
260	214.5	156.9	128.1	110.9	99.4	91.1	85.0	80.2	76.3	73.2	70.6	68.4	66.5	64.8	63.4	62.1	61.0	60.0	59.1	58.3	57.5	56.8	56.2	55.6	55.1	54.6	54.1	53.7	53.3	260
280	224.1	163.5	133.1	115.0	102.[illegible]	94.2	87.7	82.6	78.6	75.3	72.5	70.2	68.2	66.5	64.9	63.6	62.4	61.4	60.4	59.5	58.7	58.0	57.4	56.8	56.2	55.7	55.2	54.8	54.3	280
300	233.7	170.0	138.2	119.0	106.3	97.2	90.4	85.1	80.8	77.4	74.5	72.0	69.9	68.1	66.5	65.1	63.8	62.7	61.7	60.8	60.0	59.2	58.5	57.9	57.3	56.8	56.3	55.8	55.3	300
320	243.3	176.5	143.2	123.1	109.8	100.2	93.1	87.5	83.1	79.4	76.4	73.8	71.6	69.7	68.0	66.6	65.3	64.1	63.0	62.1	61.2	60.4	59.7	59.0	58.4	57.8	57.3	56.8	56.4	320
340	252.9	183.1	148.2	127.2	113.2	103.3	95.8	90.0	85.3	81.5	78.3	75.6	73.3	71.3	69.6	68.0	66.7	65.5	64.4	63.4	62.4	61.6	60.9	60.2	59.5	58.9	58.4	57.8	57.4	340
360	262.5	189.6	153.2	131.3	116.7	106.3	98.5	92.4	87.5	83.6	80.3	77.4	75.0	73.0	71.1	69.5	68.1	66.8	65.7	64.6	63.7	62.8	62.0	61.3	60.6	60.0	59.4	58.9	58.4	360
380	272.1	196.1	158.2	135.4	120.2	109.3	101.2	94.8	89.8	85.6	82.2	79.3	76.8	74.6	72.7	71.0	69.5	68.2	67.0	65.9	64.9	64.0	63.2	62.4	61.7	61.1	60.5	59.9	59.4	380
400	281.7	202.7	163.2	139.4	123.6	112.3	103.9	97.3	92.0	87.7	84.1	81.1	78.5	76.2	74.2	72.5	70.9	69.5	68.3	67.2	66.1	65.2	64.3	63.5	62.8	62.2	61.5	60.9	60.4	400
420	291.3	209.2	168.2	143.5	127.1	115.4	106.6	99.7	94.3	89.8	86.0	82.9	80.2	77.8	75.8	74.0	72.4	70.9	69.6	68.4	67.4	66.4	65.5	64.7	63.9	63.2	62.6	62.0	61.4	420
440	300.9	215.8	173.2	147.6	130.6	118.4	109.3	102.2	96.5	91.8	88.0	84.7	81.9	79.5	77.3	75.4	73.8	72.3	70.9	69.7	68.6	67.6	66.7	65.8	65.0	64.3	63.6	63.0	62.4	440
460	310.6	222.3	178.2	151.7	134.0	121.4	112.0	104.6	98.7	93.9	89.9	86.5	83.6	81.1	78.9	76.9	75.2	73.6	72.3	71.0	69.8	68.8	67.8	67.0	66.1	65.4	64.7	64.0	63.4	460
480	320.2	228.8	183.2	155.8	137.5	124.5	114.7	107.1	101.0	96.0	91.8	88.3	85.3	82.7	80.4	78.4	76.6	75.0	73.6	72.3	71.1	70.0	69.0	68.1	67.2	66.5	65.7	65.1	64.4	480
500	329.8	235.4	188.2	159.8	141.0	127.5	117.4	109.5	103.2	98.1	93.8	90.1	87.0	84.3	82.0	79.9	78.0	76.4	74.9	73.5	72.3	71.2	70.2	69.2	68.4	67.5	66.8	66.1	65.4	500
600	377.8	268.1	213.2	180.2	158.3	142.6	130.9	121.7	114.4	108.4	103.4	99.2	95.6	92.4	89.7	87.3	85.1	83.2	81.5	79.9	78.5	77.2	76.0	74.9	73.9	72.9	72.1	71.2	70.5	600
700	425.9	300.7	238.2	200.7	175.6	157.8	144.4	133.9	125.6	118.8	113.1	108.3	104.1	100.6	97.4	94.7	92.2	90.0	88.1	86.3	84.6	83.2	81.8	80.5	79.4	78.3	77.3	76.4	75.5	700
800	473.9	333.4	263.2	221.1	193.0	172.9	157.[illegible]	146.1	136.8	129.1	122.7	117.3	112.7	108.7	105.2	102.1	99.3	96.9	94.6	92.6	90.8	89.1	87.6	86.2	84.9	83.7	82.6	81.6	80.5	800
900	521.9	366.1	288.2	241.5	210.3	188.0	171.3	158.4	148.0	139.5	132.4	126.4	121.3	116.8	112.9	109.5	106.4	103.7	101.2	99.0	97.0	95.1	93.4	91.9	90.4	89.1	87.9	86.7	85.6	900
1000	570.0	398.8	313.2	261.9	227.6	203.2	184.8	170.6	159.2	149.8	142.0	135.5	129.8	124.9	120.6	116.9	113.5	110.5	107.8	105.4	103.1	101.1	99.2	97.5	96.0	94.5	93.1	91.9	90.7	1000
1100	618.0	431.5	338.2	282.3	245.0	218.3	198.3	182.8	170.3	160.2	151.7	144.5	138.4	133.0	128.4	124.3	120.6	117.3	114.4	111.7	109.3	107.1	105.1	103.2	101.5	99.9	98.4	97.0	95.7	1100
1200	666.1	464.2	363.2	302.7	262.3	233.4	211.8	195.0	181.5	170.5	161.4	153.6	146.9	141.2	136.1	131.7	127.7	124.2	121.0	118.1	115.5	113.1	110.9	108.9	107.0	105.3	103.7	102.2	100.8	1200
1300	714.1	496.9	388.3	323.1	279.6	248.6	225.3	207.2	192.7	180.9	171.0	162.6	155.5	149.3	143.8	139.0	134.8	131.0	127.6	124.4	121.6	119.1	116.7	114.5	112.5	110.7	108.9	107.3	105.8	1300
1400	762.1	529.6	413.3	343.5	297.0	263.7	238.8	219.4	203.9	191.2	180.7	171.7	164.0	157.4	151.6	146.4	141.9	137.8	134.1	130.8	127.8	125.0	122.5	120.2	118.0	116.0	114.2	112.5	110.9	1400
1500	810.2	562.2	438.3	363.9	314.3	278.9	252.3	231.6	215.1	201.6	190.3	180.8	172.6	165.5	159.3	153.8	149.0	144.6	140.7	137.2	134.0	131.0	128.3	125.8	123.6	121.4	119.5	117.6	115.9	1500
Term. 2/	89.560	71.935	63.120	57.830	54.305	51.790	49.900	48.430	47.255	46.295	45.495	44.815	44.235	43.730	43.290	42.900	42.555	42.245	41.970	41.715	41.485	41.280	41.085	40.910	40.750	40.595	40.455	40.325	40.205	Term. 2/
L. H. 3/	.48042	.32687	.25010	.20403	.17332	.15138	.13493	.12214	.11190	.10352	.09655	.09064	.08558	.08119	.07735	.07396	.07095	.06826	.06584	.06364	.06165	.05983	.05816	.05662	.05520	.05389	.05267	.05154	.05048	L. H. 3/

1/ Based on a tare weight of 22.0 tons and a ratio of empty car miles to loaded car miles of 0.341. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.23.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.33.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical reasons, this page number not shown

INTENTIONALLY LEFT BLANK

TABLE 64.—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles.
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.2	16.8	14.5	12.7	11.3	10.1	9.2	8.5	7.8	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	10
20	21.1	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	20
30	21.9	17.3	15.7	13.8	12.3	11.1	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	30
40	22.8	19.0	16.4	14.4	12.8	11.6	10.5	9.7	9.0	8.3	7.8	7.3	6.9	6.6	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	3.9	3.8	3.7	3.6	40
50	23.7	19.8	17.0	14.9	13.3	12.0	11.0	10.1	9.3	8.7	8.2	7.7	7.2	6.9	6.5	6.2	5.9	5.7	5.5	5.2	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.8	50
60	24.5	20.5	17.7	15.5	13.8	12.5	11.4	10.5	9.7	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.2	4.1	4.0	60
70	25.4	21.3	18.3	16.1	14.4	13.0	11.8	10.9	10.1	9.4	8.8	8.3	7.9	7.5	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.2	5.0	4.8	4.7	4.6	4.4	4.3	4.2	70
80	26.3	22.0	18.9	16.7	14.9	13.4	12.3	11.3	10.5	9.8	9.2	8.6	8.2	7.8	7.4	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	80
90	27.1	22.7	19.6	17.2	15.4	13.9	12.7	11.7	10.9	10.1	9.5	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	90
100	28.0	23.5	20.2	17.8	15.9	14.4	13.2	12.1	11.3	10.5	9.9	9.3	8.8	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.0	4.9	4.8	100
120	29.7	24.9	21.5	18.9	16.9	15.3	14.0	12.9	12.0	11.2	10.5	9.9	9.4	8.9	8.5	8.1	7.8	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	5.2	120
140	31.4	26.4	22.8	20.1	18.0	16.3	14.9	13.8	12.8	12.0	11.2	10.6	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.2	7.0	6.7	6.5	6.3	6.2	6.0	5.9	5.7	5.6	140
160	33.2	27.9	24.1	21.2	19.0	17.2	15.8	14.6	13.5	12.7	11.9	11.2	10.7	10.1	9.7	9.3	8.9	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	6.0	160
180	34.9	29.3	25.3	22.4	20.0	18.2	16.7	15.4	14.3	13.4	12.6	11.9	11.3	10.7	10.2	9.8	9.4	9.0	8.7	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.8	6.7	6.5	6.4	180
200	36.6	30.8	26.6	23.5	21.1	19.1	17.5	16.2	15.1	14.1	13.3	12.6	11.9	11.3	10.8	10.4	9.9	9.6	9.2	8.9	8.6	8.3	8.1	7.9	7.6	7.4	7.3	7.1	6.9	6.8	200
220	38.4	32.3	27.9	24.6	22.1	20.1	18.4	17.0	15.8	14.8	14.0	13.2	12.5	11.9	11.4	10.9	10.5	10.1	9.7	9.4	9.1	8.8	8.5	8.3	8.1	7.9	7.7	7.5	7.3	7.1	220
240	40.1	33.7	29.2	25.8	23.1	21.0	19.3	17.8	16.6	15.6	14.6	13.9	13.2	12.5	12.0	11.5	11.0	10.6	10.2	9.9	9.6	9.3	9.0	8.7	8.5	8.3	8.1	7.9	7.7	7.5	240
260	41.8	35.2	30.5	26.9	24.2	22.0	20.2	18.6	17.4	16.3	15.3	14.5	13.8	13.1	12.5	12.0	11.5	11.1	10.7	10.4	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	8.1	7.9	260
280	43.6	36.7	31.8	28.1	25.2	22.9	21.0	19.5	18.1	17.0	16.0	15.2	14.4	13.7	13.1	12.6	12.1	11.6	11.2	10.9	10.5	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.5	8.3	280
300	45.3	38.1	33.0	29.2	26.2	23.8	21.9	20.3	18.9	17.7	16.7	15.8	15.0	14.3	13.7	13.1	12.6	12.1	11.7	11.3	11.0	10.6	10.3	10.1	9.8	9.5	9.3	9.1	8.9	8.7	300
320	47.0	39.6	34.3	30.4	27.3	24.8	22.8	21.1	19.7	18.4	17.4	16.5	15.6	14.9	14.3	13.7	13.1	12.7	12.2	11.8	11.5	11.1	10.8	10.5	10.2	10.0	9.7	9.5	9.3	9.1	320
340	48.8	41.1	35.6	31.5	28.3	25.7	23.6	21.9	20.4	19.2	18.1	17.1	16.3	15.5	14.8	14.2	13.7	13.2	12.7	12.3	11.9	11.6	11.2	10.9	10.7	10.4	10.1	9.9	9.7	9.5	340
360	50.5	42.6	36.9	32.6	29.3	26.7	24.5	22.7	21.2	19.9	18.7	17.8	16.9	16.1	15.4	14.8	14.2	13.7	13.2	12.8	12.4	12.0	11.7	11.4	11.1	10.8	10.6	10.3	10.1	9.9	360
380	52.2	44.0	38.2	33.8	30.4	27.6	25.4	23.5	22.0	20.6	19.4	18.4	17.5	16.7	16.0	15.3	14.7	14.2	13.7	13.3	12.9	12.5	12.1	11.8	11.5	11.2	11.0	10.7	10.5	10.3	380
400	54.0	45.5	39.5	34.9	31.4	28.6	26.3	24.3	22.7	21.3	20.1	19.1	18.1	17.3	16.6	15.9	15.3	14.7	14.2	13.8	13.4	13.0	12.6	12.3	12.0	11.7	11.4	11.1	10.9	10.7	400
420	55.7	47.0	40.7	36.1	32.4	29.5	27.1	25.2	23.5	22.0	20.8	19.7	18.7	17.9	17.1	16.4	15.8	15.3	14.7	14.3	13.8	13.4	13.0	12.7	12.4	12.1	11.8	11.5	11.3	11.1	420
440	57.4	48.4	42.0	37.2	33.5	30.5	28.0	26.0	24.2	22.8	21.5	20.4	19.4	18.5	17.7	17.0	16.4	15.8	15.2	14.7	14.3	13.9	13.5	13.1	12.8	12.5	12.2	11.9	11.7	11.4	440
460	59.1	49.9	43.3	38.3	34.5	31.4	28.9	26.8	25.0	23.5	22.2	21.0	20.0	19.1	18.3	17.5	16.9	16.3	15.7	15.2	14.8	14.3	14.0	13.6	13.2	12.9	12.6	12.3	12.1	11.8	460
480	60.9	51.4	44.6	39.5	35.5	32.4	29.8	27.6	25.8	24.2	22.9	21.7	20.6	19.7	18.8	18.1	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.3	13.0	12.8	12.5	12.2	480
500	62.6	52.8	45.9	40.6	36.6	33.3	30.6	28.4	26.5	24.9	23.5	22.3	21.2	20.3	19.4	18.7	18.0	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.1	13.8	13.5	13.2	12.9	12.6	500
600	71.3	60.2	52.3	46.3	41.7	38.0	35.0	32.5	30.4	28.5	27.0	25.6	24.3	23.3	22.3	21.4	20.6	19.9	19.2	18.6	18.1	17.6	17.1	16.7	16.3	15.9	15.5	15.2	14.9	14.6	600
700	79.9	67.5	58.7	52.0	46.9	42.8	39.4	36.6	34.2	32.1	30.4	28.8	27.5	26.2	25.2	24.2	23.3	22.5	21.8	21.1	20.5	19.9	19.4	18.9	18.4	18.0	17.6	17.2	16.9	16.5	700
800	88.6	74.9	65.1	57.8	52.1	47.5	43.8	40.6	38.0	35.7	33.8	32.1	30.6	29.2	28.0	26.9	26.0	25.1	24.3	23.5	22.8	22.2	21.6	21.1	20.6	20.1	19.7	19.2	18.9	18.5	800
900	97.2	82.2	71.5	63.5	57.2	52.2	48.1	44.7	41.8	39.4	37.2	35.3	33.7	32.2	30.9	29.7	28.6	27.7	26.8	26.0	25.2	24.5	23.9	23.3	22.7	22.2	21.7	21.3	20.8	20.4	900
1000	105.9	89.6	77.9	69.2	62.4	56.9	52.5	48.8	45.6	43.0	40.6	38.6	36.8	35.2	33.8	32.5	31.3	30.2	29.3	28.4	27.6	26.8	26.1	25.5	24.9	24.3	23.8	23.3	22.8	22.4	1000
1100	114.5	96.9	84.3	74.9	67.5	61.7	56.9	52.9	49.5	46.6	44.0	41.8	39.9	38.2	36.6	35.2	34.0	32.8	31.8	30.8	29.9	29.1	28.4	27.7	27.0	26.4	25.9	25.3	24.8	24.3	1100
1200	123.2	104.3	90.7	80.6	72.7	66.4	61.2	56.9	53.3	50.2	47.5	45.1	43.0	41.2	39.5	38.0	36.6	35.4	34.3	33.3	32.3	31.4	30.6	29.9	29.2	28.5	27.9	27.3	26.8	26.3	1200
1300	131.8	111.6	97.1	86.3	77.9	71.1	65.6	61.0	57.1	53.8	50.9	48.4	46.1	44.1	42.4	40.8	39.3	38.0	36.8	35.7	34.7	33.8	32.9	32.1	31.3	30.6	30.0	29.4	28.8	28.3	1300
1400	140.5	119.0	103.6	92.0	83.0	75.9	70.0	65.1	60.9	57.4	54.3	51.6	49.2	47.1	45.2	43.5	42.0	40.6	39.3	38.1	37.1	36.1	35.1	34.3	33.5	32.8	32.1	31.4	30.8	30.2	1400
1500	149.2	126.3	110.0	97.7	88.2	80.6	74.3	69.1	64.8	61.0	57.7	54.9	52.3	50.1	48.1	46.3	44.7	43.2	41.8	40.6	39.4	38.4	37.4	36.5	35.6	34.9	34.1	33.4	32.8	32.2	1500
1600	157.8	133.6	116.4	103.4	93.4	85.3	78.7	73.2	68.6	64.6	61.1	58.1	55.5	53.1	51.0	49.1	47.3	45.8	44.3	43.0	41.8	40.7	39.7	38.7	37.8	37.0	36.2	35.5	34.8	34.1	1600
1700	166.5	141.0	122.8	109.1	98.5	90.0	83.1	77.3	72.4	68.2	64.6	61.4	58.6	56.1	53.8	51.8	50.0	48.3	46.8	45.4	44.2	43.0	41.9	40.9	40.0	39.1	38.3	37.5	36.8	36.1	1700
1800	175.1	148.3	129.2	114.9	103.7	94.8	87.5	81.4	76.2	71.8	68.0	64.6	61.7	59.0	56.7	54.6	52.7	50.9	49.3	47.9	46.5	45.3	44.2	43.1	42.1	41.2	40.3	39.5	38.8	38.0	1800
1900	183.8	155.7	135.6	120.6	108.9	99.5	91.8	85.4	80.0	75.4	71.4	67.9	64.8	62.0	59.6	57.3	55.3	53.5	51.8	50.3	48.9	47.6	46.4	45.3	44.3	43.3	42.4	41.5	40.7	40.0	1900
2000	192.4	163.0	142.0	126.3	114.0	104.2	96.2	89.5	83.9	79.0	74.8	71.1	67.9	65.0	62.4	60.1	58.0	56.1	54.4	52.8	51.3	49.9	48.7	47.5	46.4	45.4	44.5	43.6	42.7	41.9	2000
2100	201.1	170.4	148.4	132.0	119.2	108.9	100.6	93.6	87.7	82.6	78.2	74.4	71.0	68.0	65.3	62.9	60.7	58.7	56.9	55.2	53.7	52.2	50.9	49.7	48.6	47.5	46.5	45.6	44.7	43.9	2100
2200	209.7	177.7	154.8	137.7	124.3	113.7	104.9	97.7	91.5	86.2	81.6	77.6	74.1	71.0	68.2	65.6	63.3	61.3	59.4	57.6	56.0	54.6	53.2	51.9	50.7	49.6	48.6	47.6	46.7	45.9	2200
2300	218.4	185.1	161.3	143.4	129.5	118.4	109.3	101.7	95.3	89.8	85.1	80.9	77.2	74.0	71.0	68.4	66.0	63.9	61.9	60.0	58.4	56.9	55.4	54.1	52.9	51.7	50.7	49.6	48.7	47.8	2300
2400	227.1	192.4	167.7	149.1	134.7	123.1	113.7	105.8	99.1	93.4	88.5	84.2	80.3	76.9	73.9	71.2	68.7	66.4	64.4	62.5	60.8	59.2	57.7	56.3	55.0	53.8	52.7	51.7	50.7	49.8	2400
Term. 2/	19.332	16.110	13.809	12.083	10.740	9.666	8.787	8.055	7.435	6.904	6.444	6.041	5.686	5.370	5.087	4.833	4.603	4.394	4.203	4.028	3.866	3.718	3.580	3.452	3.333	3.222	3.118	3.021	2.929	2.843	Term. 2/
L. H. 3/	.086550	.073458	.064107	.057094	.051639	.047275	.043705	.040729	.038212	.036054	.034183	.032547	.031103	.029819	.028671	.027638	.026702	.025852	.025076	.024365	.023710	.023106	.022546	.022027	.021543	.021092	.020669	.020273	.019902	.019551	L. H. 3/

1/ Based on a tare weight of 22.7 tons and a ratio of empty car miles to loaded car miles of 0.333. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 64 (Concluded).—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.9	30
40	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	50
60	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	60
70	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	70
80	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	80
90	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	90
100	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	2.9	100
120	5.1	5.0	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	120
140	5.5	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	140
160	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	3.8	3.8	160
180	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.1	180
200	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	200
220	7.0	6.8	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	220
240	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	240
260	7.8	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.2	260
280	8.1	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	5.5	5.5	280
300	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.9	5.8	5.8	300
320	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	320
340	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	340
360	9.7	9.5	9.3	9.1	9.0	8.8	8.7	8.5	8.4	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	6.7	6.6	360
380	10.1	9.9	9.7	9.5	9.3	9.2	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.9	380
400	10.5	10.2	10.1	9.9	9.7	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.2	400
420	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.6	7.6	7.5	7.4	420
440	11.2	11.0	10.8	10.6	10.4	10.3	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	7.9	7.9	7.8	7.7	440
460	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	8.3	8.2	8.2	8.1	8.0	460
480	12.0	11.8	11.5	11.3	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.8	8.7	8.6	8.5	8.4	8.4	8.3	480
500	12.4	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.2	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.1	9.0	8.9	8.8	8.7	8.7	8.6	500
600	14.3	14.0	13.8	13.5	13.3	13.1	12.9	12.7	12.5	12.4	12.2	12.0	11.9	11.7	11.6	11.4	11.3	11.2	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.2	10.1	10.0	600
700	16.2	15.9	15.6	15.4	15.1	14.9	14.7	14.4	14.2	14.0	13.9	13.7	13.5	13.3	13.2	13.0	12.9	12.7	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.8	11.7	11.6	11.5	11.4	700
800	18.1	17.8	17.5	17.2	16.9	16.7	16.4	16.2	16.0	15.7	15.5	15.3	15.3	15.0	14.8	14.6	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.5	13.4	13.2	13.1	13.0	12.9	12.8	800
900	20.1	19.7	19.4	19.0	18.7	18.5	18.2	17.9	17.7	17.4	17.2	17.0	16.8	16.6	16.4	16.2	16.0	15.9	15.7	15.5	15.4	15.2	15.1	15.0	14.8	14.7	14.6	14.5	14.3	14.2	900
1000	22.0	21.6	21.[illegible]	20.9	20.5	20.2	19.9	19.7	19.4	19.1	18.9	18.6	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.1	16.9	16.7	16.6	16.4	16.3	16.2	16.0	15.9	15.8	15.6	1000
1100	23.9	23.5	23.1	22.7	22.4	22.0	21.7	21.4	21.2	20.8	20.5	20.3	20.0	19.8	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.2	18.1	17.9	17.8	17.6	17.5	17.3	17.2	17.1	1100
1200	25.8	25.4	25.0	24.5	24.2	23.8	23.5	23.1	22.8	22.5	22.2	21.9	21.7	21.4	21.2	21.0	20.7	20.5	20.3	20.1	19.9	19.7	19.6	19.4	19.2	19.1	18.9	18.8	18.6	18.5	1200
1300	27.7	27.3	26.8	26.4	26.0	25.6	25.2	24.9	24.5	24.2	23.9	23.6	23.3	23.1	22.8	22.5	22.3	22.1	21.9	21.6	21.4	21.2	21.1	20.9	20.7	20.5	20.4	20.2	20.0	19.9	1300
1400	29.7	29.2	28.7	28.2	27.8	27.4	27.0	26.6	26.2	25.9	25.6	25.3	25.0	24.7	24.4	24.1	23.9	23.6	23.4	23.2	23.0	22.7	22.5	22.3	22.2	22.0	21.8	21.6	21.5	21.3	1400
1500	31.6	31.1	30.5	30.0	29.6	29.1	28.7	28.3	27.9	27.6	27.2	26.9	26.6	26.3	26.0	25.7	25.4	25.2	24.9	24.7	24.5	24.2	24.0	23.8	23.6	23.4	23.2	23.1	22.9	22.7	1500
1600	33.5	32.9	32.4	31.9	31.4	30.9	30.5	30.1	29.7	29.3	28.9	28.6	28.2	27.9	27.6	27.3	27.0	26.7	26.5	26.2	26.0	25.7	25.5	25.3	25.1	24.9	24.7	24.5	24.3	24.1	1600
1700	35.4	34.8	34.3	33.7	33.2	32.7	32.2	31.8	31.4	31.0	30.6	30.2	29.9	29.5	29.2	28.9	28.6	28.3	28.0	27.8	27.5	27.2	27.0	26.8	26.6	26.3	26.1	25.9	25.7	25.5	1700
1800	37.4	36.7	36.1	35.5	35.0	34.5	34.0	33.5	33.1	32.7	32.3	31.9	31.5	31.1	30.8	30.5	30.2	29.9	29.6	29.3	29.0	28.7	28.5	28.3	28.0	27.8	27.6	7.4	27.2	27.0	1800
1900	39.3	38.6	38.0	37.4	36.8	36.3	35.8	35.3	34.8	34.4	33.9	33.5	33.1	32.8	32.4	32.1	31.7	31.4	31.1	30.8	30.5	30.3	30.0	29.7	29.5	29.2	29.0	8.8	28.6	28.4	1900
2000	41.2	40.5	39.8	39.2	38.6	38.1	37.5	37.0	36.5	36.0	35.6	35.2	34.8	34.4	34.0	33.6	33.3	33.0	32.6	32.3	32.0	31.8	31.5	31.2	31.0	30.7	30.5	0.2	30.0	29.8	2000
2100	43.1	42.4	41.7	41.0	40.4	39.8	39.3	38.7	38.2	37.7	37.3	36.8	36.4	36.0	35.6	35.2	34.9	34.5	34.2	33.9	33.6	33.3	33.0	32.7	32.4	32.2	31.9	31.7	31.4	31.2	2100
2200	45.0	44.3	43.6	42.9	42.2	41.6	41.0	40.5	39.9	39.4	38.9	38.5	38.0	37.6	37.2	36.8	36.4	36.1	35.7	35.4	35.1	34.8	34.5	34.2	33.9	33.6	33.4	33.1	32.8	32.6	2200
2300	47.0	46.2	45.4	44.7	44.0	43.4	42.8	42.2	41.7	41.1	40.6	40.1	39.7	39.2	38.8	38.4	38.0	37.6	37.3	36.9	36.6	36.3	35.9	35.6	35.3	35.1	34.8	34.5	34.3	34.0	2300
2400	48.9	48.1	47.3	46.6	45.8	45.2	44.5	43.9	43.4	42.8	42.3	41.8	41.3	40.9	40.4	40.0	39.6	39.2	38.8	38.4	38.1	37.8	37.4	37.1	36.8	36.5	36.2	36.0	35.7	35.4	2400
Term. 2/	2.762	2.685	2.612	2.544	2.478	2.417	2.358	2.301	2.248	2.197	2.148	2.101	2.057	2.014	1.973	1.933	1.895	1.859	1.824	1.790	1.757	1.726	1.696	1.667	1.638	1.611	1.585	1.559	1.534	1.510	Term. 2/
L. H. 3/	.019221	.018910	.018615	.018336	.018071	.017819	.017579	.017351	.017134	.016926	.016728	.016538	.016356	.016182	.016015	.015855	.015701	.015553	.015410	.015273	.015141	.015013	.014890	.014772	.014657	.014546	.014439	.014335	.014234	.014137	L. H. 3/

1/ Based on a tare weight of 22.7 tons and a ratio of empty car miles to loaded car miles of 0.333. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 65.—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.3	16.9	14.5	12.7	11.3	10.2	9.3	8.5	7.8	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	10
20	21.2	17.7	15.2	13.3	11.8	10.7	9.7	8.9	8.2	7.7	7.2	6.7	6.3	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.4	3.3	3.3	20
30	22.1	18.5	15.9	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.5	7.1	6.7	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	3.5	30
40	23.1	19.3	16.6	14.5	13.0	11.7	10.7	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	40
50	24.0	20.1	17.2	15.1	13.5	12.2	11.1	10.2	9.5	8.8	8.3	7.8	7.3	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	50
60	24.9	20.8	17.9	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.6	4.4	4.3	4.2	4.1	60
70	25.9	21.6	18.6	16.4	14.6	13.2	12.1	11.1	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	4.3	70
80	26.8	22.4	19.3	17.0	15.2	13.7	12.5	11.5	10.7	10.0	9.4	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.9	4.7	4.6	4.5	80
90	27.7	23.2	20.0	17.6	15.7	14.2	13.0	12.0	11.1	10.4	9.7	9.2	8.7	8.2	7.8	7.5	7.1	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	4.7	90
100	28.6	24.0	20.7	18.2	16.3	14.7	13.5	12.4	11.5	10.7	10.1	9.5	9.0	8.5	8.1	7.8	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.2	5.0	4.9	100
120	30.5	25.6	22.1	19.4	17.4	15.7	14.4	13.3	12.3	11.5	10.8	10.2	9.7	9.2	8.7	8.3	8.0	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.1	5.9	5.7	5.6	5.4	5.3	120
140	32.4	27.2	23.4	20.7	18.5	16.7	15.3	14.1	13.1	12.3	11.5	10.9	10.3	9.8	9.3	8.9	8.6	8.2	7.9	7.6	7.4	7.1	6.9	6.7	6.5	6.3	6.2	6.0	5.9	5.7	140
160	34.2	28.7	24.8	21.9	19.6	17.8	16.3	15.0	14.0	13.0	12.3	11.6	11.0	10.4	10.0	9.5	9.1	8.8	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	160
180	36.1	30.3	26.2	23.1	20.7	18.8	17.2	15.9	14.8	13.8	13.0	12.3	11.6	11.1	10.6	10.1	9.7	9.3	9.0	8.7	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.9	6.7	6.5	180
200	38.0	31.9	27.6	24.3	21.8	19.8	18.1	16.7	15.6	14.6	13.7	13.0	12.3	11.7	11.2	10.7	10.3	9.9	9.5	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.1	6.9	200
220	39.8	33.5	28.9	25.5	22.9	20.8	19.1	17.6	16.4	15.4	14.4	13.7	13.0	12.3	11.8	11.3	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.4	220
240	41.7	35.1	30.3	26.8	24.0	21.8	20.0	18.5	17.2	16.1	15.2	14.3	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	7.8	240
260	43.5	36.6	31.7	28.0	25.1	22.8	20.9	19.4	18.0	16.9	15.9	15.0	14.3	13.6	13.0	12.4	12.0	11.5	11.1	10.7	10.4	10.1	9.8	9.5	9.2	9.0	8.8	8.6	8.4	8.2	260
280	45.4	38.2	33.1	29.2	26.2	23.8	21.9	20.2	18.8	17.7	16.6	15.7	14.9	14.2	13.6	13.0	12.5	12.1	11.6	11.2	10.9	[illegible]	10.2	9.9	9.7	9.4	9.2	9.0	8.8	8.6	280
300	47.3	39.8	34.5	30.4	27.3	24.8	22.8	21.1	19.7	18.4	17.4	16.4	15.6	14.9	14.2	13.6	13.1	12.6	12.2	11.7	11.4	11.0	10.7	10.4	10.1	9.9	9.6	9.4	9.2	9.0	300
320	49.1	41.4	35.8	31.7	28.4	25.8	23.7	22.0	20.5	19.2	18.1	17.1	16.3	15.5	14.8	14.2	13.6	13.1	12.7	12.3	11.9	11.5	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	320
340	51.0	43.0	37.2	32.9	29.5	26.9	24.7	22.8	21.3	20.0	18.8	17.8	16.9	16.1	15.4	14.8	14.2	13.7	13.2	12.8	12.4	12.0	11.7	11.3	11.0	10.8	10.5	10.3	10.0	9.8	340
360	52.9	44.5	38.6	34.1	30.6	27.9	25.6	23.7	22.1	20.7	19.5	18.5	17.6	16.8	16.0	15.4	14.8	14.2	13.7	13.3	12.9	12.5	12.1	11.8	11.5	11.2	10.9	10.7	10.5	10.2	360
380	54.7	46.1	40.0	35.3	31.8	28.9	26.5	24.6	22.9	21.5	20.3	19.2	18.2	17.4	16.6	16.0	15.3	14.8	14.3	13.8	13.4	13.0	12.6	12.3	12.0	11.7	11.4	11.1	10.9	10.6	380
400	56.6	47.7	41.3	36.6	32.9	29.9	27.5	25.4	23.7	22.3	21.0	19.9	18.9	18.0	17.2	16.5	15.9	15.3	14.8	14.3	13.9	13.5	13.1	12.7	12.4	12.1	11.8	11.5	11.3	11.1	400
420	58.4	49.3	42.7	37.8	34.0	30.9	28.4	26.3	24.5	23.0	21.7	20.6	19.6	18.7	17.9	17.1	16.5	15.9	15.3	14.8	14.4	14.0	13.6	13.2	12.9	12.5	12.2	12.0	11.7	11.5	420
440	60.3	50.8	44.1	39.0	35.1	31.9	29.3	27.2	25.4	23.8	22.4	21.3	20.2	19.3	18.5	17.7	17.0	16.4	15.9	15.4	14.9	14.4	14.0	13.7	13.3	13.0	12.7	12.4	12.1	11.9	440
460	62.2	52.4	45.5	40.2	36.2	32.9	30.3	28.1	26.2	24.6	23.2	22.0	20.9	19.9	19.1	18.3	17.6	17.0	16.4	15.9	15.4	14.9	14.5	14.1	13.8	13.4	13.1	12.8	12.5	12.3	460
480	64.0	54.0	46.8	41.5	37.3	33.9	31.2	28.9	27.0	25.3	23.9	22.7	21.5	20.6	19.7	18.9	18.2	17.5	16.9	16.4	15.9	15.4	15.0	14.6	14.2	13.9	13.5	13.2	13.0	12.7	480
500	65.9	55.6	48.2	42.7	38.4	34.9	32.1	29.8	27.8	26.1	24.6	23.3	22.2	21.2	20.3	19.5	18.7	18.1	17.5	16.9	16.4	15.9	15.5	15.1	14.7	14.3	14.0	13.7	13.4	13.1	500
600	75.2	63.5	55.1	48.8	43.9	40.0	36.8	34.1	31.9	29.9	28.3	26.8	25.5	24.4	23.3	22.4	21.6	20.8	20.1	19.5	18.9	18.3	17.8	17.4	16.9	16.5	16.2	15.8	15.5	15.2	600
700	84.5	71.4	62.0	54.9	49.4	45.1	41.5	38.5	36.0	33.8	31.9	30.3	28.8	27.5	26.4	25.3	24.4	23.5	22.8	22.0	21.4	20.8	20.2	19.7	19.2	18.8	18.3	17.9	17.6	17.2	700
800	93.8	79.3	68.9	61.0	55.0	50.1	46.1	42.8	40.0	37.6	35.5	33.7	32.1	30.7	29.4	28.3	27.2	26.3	25.4	24.6	23.9	23.2	22.6	22.0	21.5	21.0	20.5	20.1	19.6	19.3	800
900	103.1	87.2	75.7	67.2	60.5	55.2	50.8	47.2	44.1	41.5	39.2	37.2	35.4	33.9	32.4	31.2	30.0	29.0	28.1	27.2	26.4	25.7	25.0	24.3	23.7	23.2	22.7	22.2	21.7	21.3	900
1000	112.5	95.1	82.6	73.3	66.0	60.2	55.5	51.5	48.2	45.3	42.8	40.6	38.7	37.0	35.5	34.1	32.9	31.7	30.7	29.8	28.9	28.1	27.3	26.7	26.0	25.4	24.8	24.3	23.8	23.4	1000
1100	121.8	102.9	89.5	79.4	71.6	65.3	60.2	55.9	52.3	49.1	46.5	44.1	42.0	40.2	38.5	37.0	35.7	34.5	33.4	32.3	31.4	30.5	29.7	29.0	28.3	27.6	27.0	26.5	25.9	25.4	1100
1200	131.1	110.8	96.4	85.5	77.1	70.3	64.8	60.2	56.3	53.0	50.1	47.6	45.3	43.3	41.6	40.0	38.5	37.2	36.0	34.9	33.9	33.0	32.1	31.3	30.5	29.8	29.2	28.6	28.0	27.5	1200
1300	140.4	118.7	103.3	91.7	82.6	75.4	69.5	64.6	60.4	56.8	53.7	51.0	48.6	46.5	44.6	42.9	41.4	39.9	38.7	37.5	36.4	35.4	34.5	33.6	32.8	32.1	31.4	30.7	30.1	29.5	1300
1400	149.7	126.6	110.1	97.8	88.2	80.5	74.2	68.9	64.5	60.7	57.4	54.5	51.9	49.7	47.7	45.8	44.2	42.7	41.3	40.1	38.9	37.8	36.9	35.9	35.1	34.3	33.5	32.8	32.2	31.6	1400
1500	159.0	134.5	117.0	103.9	93.7	85.5	78.8	73.3	68.5	64.5	61.0	57.9	55.2	52.8	50.7	48.8	47.0	45.4	44.0	42.6	41.4	40.3	39.2	38.3	37.4	36.5	35.7	35.0	34.3	33.6	1500
1600	168.3	142.4	123.9	110.0	99.2	90.6	83.5	77.6	72.6	68.4	64.6	61.4	58.5	56.0	53.7	51.7	49.8	48.2	46.6	45.2	43.9	42.7	41.6	40.6	39.6	38.7	37.9	37.1	36.4	35.7	1600
1700	177.7	150.3	130.8	116.1	104.7	95.6	88.2	82.0	76.7	72.2	68.3	64.9	61.9	59.2	56.8	54.6	52.7	50.9	49.3	47.8	46.4	45.1	44.0	42.9	41.9	40.9	40.1	39.2	38.5	37.7	1700
1800	187.0	158.2	137.7	122.3	110.3	100.7	92.8	86.3	80.8	76.0	71.9	68.3	65.2	62.3	59.8	57.5	55.5	53.6	51.9	50.4	48.9	47.6	46.4	45.2	44.2	43.2	42.2	41.4	40.5	39.8	1800
1900	196.3	166.1	144.5	128.4	115.8	105.7	97.5	90.6	84.8	79.9	75.6	71.8	68.5	65.5	62.9	60.5	58.3	56.4	54.6	52.9	51.4	50.0	48.7	47.5	46.4	45.4	44.4	43.5	42.6	41.8	1900
2000	205.6	174.0	151.4	134.5	121.3	110.8	102.2	95.0	88.9	83.7	79.2	75.2	71.8	68.7	65.9	63.4	61.1	59.1	57.2	55.5	53.9	52.5	51.1	49.9	48.7	47.6	46.6	45.6	44.7	43.9	2000
2100	214.9	181.9	158.3	140.6	126.9	115.9	106.8	99.3	93.0	87.6	82.8	78.7	75.1	71.8	68.9	66.3	64.0	61.8	59.9	58.1	56.4	54.9	53.5	52.2	51.0	49.8	48.8	47.8	46.8	45.9	2100
2200	224.2	189.8	165.2	146.7	132.4	120.9	111.5	103.7	97.1	91.4	86.5	82.2	78.4	75.0	72.0	69.3	66.8	64.6	62.5	60.6	58.9	57.3	55.9	54.5	53.2	52.0	50.9	49.9	48.9	48.0	2200
2300	233.5	197.7	172.1	152.9	137.9	126.0	116.2	108.0	101.1	95.2	90.1	85.6	81.7	78.2	75.0	72.2	69.6	67.3	65.2	63.2	61.4	59.8	58.2	56.8	55.5	54.3	53.1	52.0	51.0	50.0	2300
2400	242.8	205.6	178.9	159.0	143.4	131.0	120.9	112.4	105.2	99.1	93.7	89.1	85.0	81.3	78.1	75.1	72.4	70.0	67.8	65.8	63.9	62.2	60.6	59.1	57.8	56.5	55.3	54.1	53.1	52.1	2400
Term. 2/	19.332	16.110	13.809	12.083	10.740	9.666	8.787	8.055	7.435	6.904	6.444	6.041	5.686	5.370	5.087	4.833	4.603	4.394	4.203	4.028	3.866	3.718	3.580	3.452	3.333	3.222	3.118	3.021	2.929	2.843	Term. 2/
L. H. 3/	.093130	.078942	.068807	.061206	.055294	.050565	.046695	.043471	.040742	.038404	.036377	.034603	.033038	.031647	.030403	.029283	.028269	.027348	.026507	.025735	.025026	.024371	.023765	.023202	.022678	.022188	.021731	.021302	.020898	.020519	L. H. 3/

1/ Based on a tare weight of 16.1 tons and a ratio of empty car miles to loaded car miles of 0.760. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 65 (Concluded).—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	20
30	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	70
80	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.8	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.0	3.0	3.0	100
120	5.2	5.1	5.0	4.8	4.7	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	120
140	5.6	5.5	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	140
160	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	160
180	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	180
200	6.8	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	200
220	7.2	7.0	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	220
240	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	240
260	8.0	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	260
280	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.7	5.6	280
300	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	6.0	5.9	300
320	9.2	9.0	8.9	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	6.3	6.2	320
340	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.7	7.6	7.5	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.6	6.5	340
360	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.8	360
380	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.1	380
400	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.4	400
420	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.7	420
440	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	8.0	440
460	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	8.5	8.4	8.3	8.2	460
480	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	8.5	480
500	12.8	12.6	12.4	12.1	11.9	11.7	11.5	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.2	9.1	9.0	8.9	8.8	500
600	14.9	14.6	14.3	14.1	13.8	13.6	13.4	13.2	13.0	12.8	12.6	12.5	12.3	12.1	12.0	11.8	11.7	11.6	11.4	11.3	11.2	11.1	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	600
700	16.9	16.6	16.3	16.0	15.7	15.5	15.2	15.0	14.8	14.6	14.4	14.2	14.0	13.8	13.7	13.5	13.3	13.2	13.0	12.9	12.8	12.5	12.5	12.4	12.3	12.2	[illegible]	12.0	11.9	11.8	700
800	18.9	18.5	18.2	17.9	17.6	17.3	17.1	16.8	16.6	16.3	16.1	15.9	15.7	15.5	15.3	15.1	15.0	14.8	14.6	14.5	14.3	14.2	14.1	13.9	13.8	13.7	13.6	13.5	13.3	13.2	800
900	20.9	20.5	20.2	19.8	19.5	19.2	18.9	18.6	18.4	18.1	17.9	17.6	17.4	17.2	17.0	16.8	16.6	16.4	16.3	16.1	15.9	15.8	15.6	15.5	15.3	15.2	15.1	14.9	14.8	14.7	900
1000	22.9	22.5	22.1	21.7	21.4	21.1	20.7	20.4	20.1	19.9	19.6	19.4	19.1	18.9	18.7	18.4	18.2	18.0	17.9	17.7	17.5	17.3	17.2	17.0	16.9	16.7	16.6	16.4	16.3	16.2	1000
1100	24.9	24.5	24.1	23.7	23.3	22.9	22.6	22.2	21.9	21.6	21.4	21.1	20.8	20.6	20.3	20.1	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.4	18.2	18.1	17.9	17.8	17.6	1100
1200	27.0	26.5	26.0	25.6	25.2	24.8	24.4	24.1	23.7	23.4	23.1	22.8	22.5	22.3	22.0	21.7	21.5	21.3	21.1	20.8	20.6	20.4	20.3	20.1	19.9	19.7	19.6	19.4	19.2	19.1	1200
1300	29.0	28.5	28.0	27.5	27.1	26.7	26.3	25.9	25.5	25.2	24.8	24.5	24.2	23.9	23.7	23.4	23.1	22.9	22.7	22.4	22.2	22.0	21.8	21.6	21.4	21.2	21.1	20.9	20.7	20.6	1300
1400	31.0	30.4	29.9	29.4	29.0	28.5	28.1	27.7	27.3	26.9	26.6	26.3	25.9	25.6	25.3	25.1	24.8	24.5	24.3	24.0	23.8	23.6	23.4	23.1	22.9	22.7	22.6	22.4	22.2	22.0	1400
1500	33.0	32.4	31.9	31.3	30.8	30.4	29.9	29.5	29.1	28.7	28.3	28.0	27.6	27.3	27.0	26.7	26.4	26.1	25.9	25.6	25.4	25.1	24.9	24.7	24.5	24.3	24.1	23.9	23.7	23.5	1500
1600	35.0	34.4	33.8	33.3	32.7	32.2	31.8	31.3	30.9	30.5	30.1	29.7	29.3	29.0	28.7	28.4	28.0	27.8	27.5	27.2	26.9	26.7	26.4	26.2	26.0	25.8	25.5	25.3	25.1	25.0	1600
1700	37.0	36.4	35.8	35.2	34.6	34.1	33.6	33.1	32.7	32.2	31.8	31.4	31.1	30.7	30.3	30.0	29.7	29.4	29.1	28.8	28.5	28.2	28.0	27.7	27.5	[illegible]	27.0	26.8	26.6	26.4	1700
1800	39.1	38.4	37.7	37.1	36.5	36.0	35.4	34.9	34.5	34.0	33.6	33.2	32.8	32.4	32.0	31.7	31.3	31.0	30.7	30.4	30.1	29.8	29.5	29.3	29.0	28.8	28.5	28.3	28.1	27.9	1800
1900	41.1	40.4	39.7	39.0	38.4	37.8	37.3	36.8	36.3	35.8	35.3	34.9	34.5	34.1	33.7	33.3	33.0	32.6	32.3	32.0	31.7	31.4	31.1	30.8	30.5	30.3	30.0	29.8	29.6	29.3	1900
2000	43.1	42.3	41.6	40.9	40.3	39.7	39.1	38.6	38.0	37.5	37.1	36.6	36.2	35.8	35.3	35.0	34.6	34.2	33.9	33.6	33.2	32.9	32.6	32.3	32.1	31.8	31.5	31.3	31.0	30.8	2000
2100	45.1	44.3	43.6	42.9	42.2	41.6	41.0	40.4	39.8	39.3	38.8	38.3	37.9	37.4	37.0	36.6	36.2	35.8	35.5	35.1	34.8	34.5	34.2	33.9	33.6	33.3	33.0	32.8	32.50	32.3	2100
2200	47.1	46.3	45.5	44.8	44.1	43.4	42.8	42.2	41.6	41.1	40.6	40.1	39.6	39.1	38.7	38.3	37.9	37.5	37.1	36.7	36.4	36.0	35.7	35.4	35.1	34.8	34.5	34.3	34.0	33.7	2200
2300	49.1	48.3	47.5	46.7	46.0	45.3	44.6	44.0	43.4	42.8	42.3	41.8	41.3	40.8	40.3	39.9	39.5	39.1	38.7	38.3	38.0	37.6	37.3	36.9	36.6	36.3	36.0	35.7	35.5	35.2	2300
2400	51.1	50.3	49.4	48.6	47.9	47.2	46.5	45.8	45.2	44.6	44.0	43.5	43.0	42.5	42.0	41.6	41.1	40.7	40.3	39.9	39.5	39.2	38.8	38.5	38.2	37.8	37.5	37.2	36.9	36.7	2400
Term. 2/	2.762	2.685	2.612	2.544	2.475	2.417	2.358	2.301	2.248	2.197	2.148	2.101	2.057	2.014	1.973	1.933	1.895	1.859	1.824	1.790	1.757	1.726	1.696	1.667	1.638	1.611	1.585	1.559	1.534	1.510	Term. 2/
L. H. 3/	.020161	.019824	.019504	.019201	.018914	.018641	.018382	.018135	.017899	.017674	.017459	.017253	.017056	.016868	.016687	.016513	.016346	.016186	.016031	.015882	.015739	.015601	.015468	.015339	.015214	.015094	.014978	.014865	.014756	.014651	L. H. 3/

1/ Based on a tare weight of 16.1 tons and a ratio of empty car miles to loaded car miles of 0.760. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload ng deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 66.--TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.5	17.1	14.7	12.8	11.4	10.3	9.4	8.6	7.9	7.4	6.9	6.5	6.1	5.7	5.4	5.2	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	10
20	21.6	18.1	15.5	13.6	12.1	10.9	9.9	9.1	8.4	7.8	7.3	6.9	6.5	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	20
30	22.8	19.0	16.3	14.3	12.8	11.5	10.5	9.6	8.9	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.7	3.6	30
40	23.9	20.0	17.2	15.1	13.4	12.1	11.1	10.2	9.4	8.8	8.2	7.7	7.3	6.9	6.5	6.2	5.9	5.7	5.5	5.2	5.0	4.9	4.7	4.5	4.4	4.3	4.1	4.0	3.9	3.8	40
50	25.1	21.0	18.0	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.5	5.3	5.1	5.0	4.8	4.7	4.5	4.4	4.3	4.1	4.0	50
60	26.2	21.9	18.9	16.6	14.8	13.4	12.2	11.2	10.4	9.7	9.1	8.5	8.1	7.6	7.3	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	60
70	27.4	22.9	19.7	17.3	15.5	14.0	12.8	11.7	10.9	10.1	9.5	8.9	8.5	8.0	7.6	7.3	6.9	6.7	6.4	6.2	5.9	5.7	5.5	5.4	5.2	5.0	4.9	4.8	4.6	4.5	70
80	28.5	23.9	20.6	18.1	16.1	14.6	13.3	12.3	11.4	10.6	9.9	9.4	8.8	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.5	5.3	5.1	5.0	4.9	4.7	80
90	29.7	24.9	21.4	18.8	16.8	15.2	13.9	12.8	11.9	11.1	10.4	9.8	9.2	8.8	8.3	8.0	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	5.0	90
100	30.8	25.8	22.3	19.6	17.5	15.8	14.5	13.3	12.4	11.5	10.8	10.2	9.6	9.1	8.7	8.3	8.0	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.4	5.2	100
120	33.1	27.8	24.0	21.1	18.8	17.1	15.6	14.4	13.3	12.5	11.7	11.0	10.4	9.9	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.2	6.0	5.8	5.7	120
140	35.5	29.7	25.6	22.6	20.2	18.3	16.7	15.4	14.3	13.4	12.6	11.8	11.2	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.3	7.0	6.8	6.7	6.5	6.3	6.2	140
160	37.8	31.7	27.3	24.1	21.5	19.5	17.9	16.5	15.3	14.3	13.4	12.7	12.0	11.4	10.9	10.4	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	6.6	160
180	40.1	33.6	29.0	25.6	22.9	20.7	19.0	17.5	16.3	15.2	14.3	13.5	12.8	12.2	11.6	11.1	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.1	180
200	42.4	35.6	30.7	27.1	24.2	22.0	20.1	18.6	17.3	16.2	15.2	14.3	13.6	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	7.6	200
220	44.7	37.5	32.4	28.6	25.5	23.2	21.3	19.6	18.3	17.1	16.1	15.2	14.4	13.7	13.0	12.5	12.0	11.5	11.1	10.7	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	8.1	220
240	47.0	39.5	34.1	30.1	26.9	24.4	22.4	20.7	19.2	18.0	16.9	16.0	15.2	14.4	13.8	13.2	12.6	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.7	8.5	240
260	49.3	41.4	35.8	31.6	28.3	25.7	23.5	21.7	20.2	18.9	17.8	16.8	16.0	15.2	14.5	13.9	13.3	12.8	12.3	11.9	11.5	11.2	10.8	10.5	10.2	9.9	9.7	9.5	9.2	9.0	260
280	51.6	43.3	37.5	33.1	29.6	26.9	24.7	22.8	21.2	19.9	18.7	17.7	16.7	15.9	15.2	14.6	14.0	13.5	13.0	12.5	12.1	11.7	11.4	11.0	10.7	10.5	10.2	9.9	9.7	9.5	280
300	53.9	45.3	39.2	34.6	31.0	28.1	25.8	23.8	22.2	20.8	19.6	18.5	17.5	16.7	15.9	15.3	14.7	14.1	13.6	13.1	12.7	12.3	11.9	11.6	11.3	11.0	10.7	10.4	10.2	10.0	300
320	56.2	47.2	40.9	36.1	32.3	29.4	26.9	24.9	23.2	21.7	20.4	19.3	18.3	17.5	16.7	16.0	15.3	14.7	14.2	13.7	13.3	12.9	12.5	12.1	11.8	11.5	11.2	10.9	10.7	10.4	320
340	58.5	49.2	42.5	37.6	33.7	30.6	28.1	26.0	24.2	22.6	21.3	20.1	19.1	18.2	17.4	16.7	16.0	15.4	14.8	14.3	13.9	13.4	13.0	12.7	12.3	12.0	11.7	11.4	11.2	10.9	340
360	60.8	51.1	44.2	39.1	35.0	31.8	29.2	27.0	25.1	23.6	22.2	21.0	19.9	19.0	18.1	17.4	16.7	16.0	15.5	14.9	14.5	14.0	13.6	13.2	12.9	12.5	12.2	11.9	11.7	11.4	360
380	63.1	53.1	45.9	40.8	36.4	33.1	30.3	28.1	26.1	24.5	23.1	21.8	20.7	19.7	18.8	18.1	17.3	16.7	16.1	15.5	15.0	14.6	14.2	13.8	13.4	13.0	12.7	12.4	12.1	11.9	380
400	65.4	55.0	47.6	42.1	37.7	34.3	31.5	29.1	27.1	25.4	23.9	22.6	21.5	20.5	19.6	18.7	18.0	17.3	16.7	16.2	15.6	15.2	14.7	14.3	13.9	13.6	13.2	12.9	12.6	12.3	400
420	67.7	57.0	49.3	43.6	39.1	35.5	32.6	30.2	28.1	26.3	24.8	23.5	22.3	21.2	20.3	19.4	18.7	18.0	17.3	16.8	16.2	15.7	15.3	14.8	14.5	14.1	13.7	13.4	13.1	12.8	420
440	70.0	58.9	51.0	45.1	40.4	36.8	33.7	31.2	29.1	27.3	25.7	24.3	23.1	22.0	21.0	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.8	15.4	15.0	14.6	14.2	13.9	13.6	13.3	440
460	72.3	60.9	52.7	46.6	41.8	38.0	34.9	32.3	30.1	28.2	26.6	25.1	23.9	22.7	21.7	20.8	20.0	19.3	18.6	18.0	17.4	16.9	16.4	15.9	15.5	15.1	14.7	14.4	14.1	13.8	460
480	74.6	62.8	54.4	48.1	43.2	39.2	36.0	33.3	31.1	29.1	27.4	26.0	24.7	23.5	22.5	21.5	20.7	19.9	19.2	18.6	18.0	17.4	16.9	16.5	16.0	15.6	15.3	14.9	14.6	14.2	480
500	76.9	64.8	56.1	49.6	44.5	40.5	37.1	34.4	32.0	30.0	28.3	26.8	25.4	24.3	23.2	22.2	21.4	20.6	19.8	19.2	18.6	18.0	17.5	17.0	16.6	16.2	15.8	15.4	15.0	14.7	500
600	88.4	74.5	64.5	57.1	51.3	46.6	42.8	39.6	37.0	34.7	32.7	30.9	29.4	28.0	26.8	25.7	24.7	23.8	23.0	22.2	21.5	20.9	20.3	19.7	19.2	18.7	18.3	17.9	17.5	17.1	600
700	99.9	84.2	73.0	64.6	58.0	52.8	48.5	44.9	41.9	39.3	37.0	35.1	33.3	31.8	30.4	29.2	28.1	27.0	26.1	25.3	24.5	23.7	23.1	22.4	21.9	21.3	20.8	20.3	19.9	19.5	700
800	111.4	93.9	81.4	72.1	64.8	58.9	54.1	50.2	46.8	43.9	41.4	39.2	37.3	35.6	34.0	32.7	31.4	30.3	29.2	28.3	27.4	26.6	25.9	25.2	24.5	23.9	23.3	22.8	22.3	21.8	800
900	123.0	103.7	89.9	79.5	71.5	65.1	59.8	55.4	51.7	48.5	45.8	43.4	41.2	39.4	37.7	36.1	34.8	33.5	32.4	31.3	30.4	29.5	28.6	27.9	27.2	26.5	25.9	25.3	24.7	24.2	900
1000	134.5	113.4	98.3	87.0	78.3	71.2	65.5	60.7	56.6	53.2	50.2	47.5	45.2	43.1	41.3	39.6	38.1	36.7	35.5	34.3	33.3	32.3	31.4	30.6	29.8	29.1	28.4	27.8	27.2	26.6	1000
1100	146.0	123.1	106.8	94.5	85.0	77.4	71.2	66.0	61.6	57.8	54.5	51.7	49.1	46.9	44.9	43.1	41.5	40.0	38.6	37.4	36.2	35.2	34.2	33.3	32.5	31.7	30.9	30.2	29.6	29.0	1100
1200	157.5	132.8	115.2	102.0	91.8	83.6	76.8	71.2	66.5	62.4	58.9	55.8	53.1	50.7	48.5	46.6	44.8	43.2	41.8	40.4	39.2	38.0	37.0	36.0	35.1	34.3	33.5	32.7	32.0	31.4	1200
1300	169.0	142.6	123.7	109.5	98.5	89.7	82.5	76.5	71.4	67.0	63.3	60.0	57.1	54.5	52.1	50.1	48.2	46.4	44.9	43.4	42.1	40.9	39.8	38.7	37.7	36.8	36.0	35.2	34.4	33.7	1300
1400	180.5	152.3	132.1	117.0	105.3	95.9	88.2	81.8	76.3	71.7	67.6	64.1	61.0	58.2	55.8	53.5	51.5	49.7	48.0	46.5	45.1	43.8	42.6	41.4	40.4	39.4	38.5	37.7	36.9	36.1	1400
1500	192.0	162.0	140.6	124.5	112.0	102.0	93.8	87.0	81.2	76.3	72.0	68.3	65.0	62.0	59.4	57.0	54.9	52.9	51.1	49.5	48.0	46.6	45.3	44.2	43.0	42.0	41.0	40.1	39.3	38.5	1500
1600	203.6	171.8	149.1	132.0	118.8	108.2	99.5	92.3	86.2	80.9	76.4	72.4	68.9	65.8	63.0	60.5	58.2	56.2	54.3	52.5	51.0	49.5	48.1	46.9	45.7	44.6	43.6	42.6	41.7	40.9	1600
1700	215.1	181.5	157.5	139.5	125.5	114.3	105.2	97.5	91.1	85.6	80.8	76.6	72.9	69.6	66.6	64.0	61.6	59.4	57.4	55.6	53.9	52.3	50.9	49.6	48.3	47.2	46.1	45.1	44.1	43.2	1700
1800	226.6	191.2	166.0	147.0	132.3	120.5	110.8	102.8	96.0	90.2	85.1	80.7	76.8	73.3	70.2	67.4	64.9	62.6	60.5	58.6	56.8	55.2	53.7	52.3	51.0	49.8	48.6	47.6	46.5	45.6	1800
1900	238.1	200.9	174.4	154.5	139.0	126.6	116.5	108.1	100.9	94.8	89.5	84.9	80.8	77.1	73.9	70.9	68.3	65.9	63.7	61.6	59.8	58.1	56.5	55.0	53.6	52.4	51.2	50.0	49.0	48.0	1900
2000	249.6	210.7	182.9	162.0	145.8	132.8	122.2	113.3	105.9	99.4	93.9	89.0	84.7	80.9	77.5	74.4	71.6	69.1	66.8	64.7	62.7	60.9	59.3	57.7	56.3	54.9	53.7	52.5	51.4	50.4	2000
2100	261.1	220.4	191.3	169.5	152.5	139.0	127.9	118.6	110.8	104.1	98.2	93.2	88.7	84.7	81.1	77.9	75.0	72.3	69.9	67.7	65.7	63.8	62.0	60.4	58.9	57.5	56.2	55.0	53.8	52.7	2100
2200	272.6	230.1	199.8	177.0	159.3	145.1	133.5	123.9	115.7	108.7	102.6	97.3	92.6	88.4	84.7	81.4	78.3	75.6	73.0	70.7	68.6	66.6	64.8	63.1	61.6	60.1	58.7	57.5	56.2	55.1	2200
2300	284.2	239.9	208.2	184.5	166.0	151.3	139.2	129.1	120.6	113.3	107.0	101.4	96.6	92.2	88.3	84.8	81.7	78.8	76.2	73.8	71.6	69.5	67.6	65.9	64.2	62.7	61.3	59.9	58.7	57.5	2300
2400	295.7	249.6	216.7	192.0	172.8	157.4	144.9	134.4	125.5	117.9	111.4	105.6	100.5	96.0	92.0	88.3	85.0	82.0	79.3	76.8	74.5	72.4	70.4	68.6	66.9	65.3	63.8	62.4	61.1	59.9	2400
Term. 2/	19.332	16.110	13.809	12.083	10.740	9.666	8.787	8.055	7.435	6.904	6.444	6.041	5.686	5.370	5.087	4.833	4.603	4.394	4.203	4.028	3.866	3.718	3.580	3.452	3.333	3.222	3.118	3.021	2.929	2.843	Term. 2/
L. H. 3/	.115140	.097283	.084529	.074963	.067522	.061570	.056700	.052642	.049208	.046264	.043713	.041481	.039512	.037761	.036195	.034785	.033510	.032350	.031291	.030321	.029428	.028604	.027841	.027132	.026472	.025857	.025281	.024741	.024233	.023756	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.789. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 66 (Concluded).--TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	10
20	3.2	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	20
30	3.5	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.9	30
40	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	40
50	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	50
60	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	60
70	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	70
80	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.8	80
90	4.9	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	90
100	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	100
120	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	120
140	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	140
160	6.5	6.3	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	160
180	7.0	6.8	6.7	6.5	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	180
200	7.4	7.3	7.1	7.0	6.8	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	200
220	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	220
240	8.4	8.2	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	5.5	5.4	240
260	8.8	8.6	8.5	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.8	260
280	9.3	9.1	8.9	8.7	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	280
300	9.8	9.5	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.6	6.5	6.4	300
320	10.2	10.0	9.8	9.6	9.4	9.3	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.8	5.7	320
340	10.7	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.1	340
360	11.2	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	360
380	11.6	11.4	11.2	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	8.0	7.9	7.8	7.7	380
400	12.1	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	400
420	12.6	12.3	12.1	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	420
440	13.0	12.8	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	440
460	13.5	13.2	13.0	12.7	12.5	12.3	12.0	11.8	11.7	11.5	11.3	11.1	11.0	10.8	10.7	10.5	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	460
480	13.9	13.7	13.4	13.2	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.5	9.4	480
500	14.4	14.1	13.9	13.6	13.3	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	11.4	11.3	11.1	11.0	10.9	10.8	10.6	10.5	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	500
600	16.7	16.4	16.1	15.8	15.5	15.3	15.0	14.8	14.5	14.3	14.1	13.9	13.7	13.5	13.3	13.2	13.0	12.8	12.7	12.5	12.4	12.3	12.1	12.0	11.9	11.8	11.7	11.5	11.4	11.3	600
700	19.1	18.7	18.3	18.0	17.7	17.4	17.1	16.8	16.6	16.3	16.1	15.9	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.5	13.3	13.2	13.1	13.0	700
800	21.4	21.0	20.6	20.2	19.9	19.5	19.2	18.9	18.6	18.3	18.1	17.8	17.6	17.3	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.8	15.6	15.5	15.3	15.2	15.0	14.9	14.7	14.6	800
900	23.7	23.3	22.8	22.4	22.0	21.7	21.3	21.0	20.7	20.4	20.1	19.8	19.5	19.3	19.0	18.8	18.5	18.3	18.1	17.9	17.7	17.5	17.4	17.2	17.0	16.8	16.7	16.5	16.4	16.2	900
1000	26.1	25.6	25.1	24.6	24.2	23.8	23.4	23.1	22.7	22.4	22.1	21.7	21.5	21.2	20.9	20.6	20.4	20.2	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.4	18.2	18.0	17.9	1000
1100	28.4	27.9	27.3	26.9	26.4	25.9	25.5	25.1	24.8	24.4	24.0	23.7	23.4	23.1	22.8	22.5	22.2	22.0	21.7	21.5	21.3	21.0	20.8	20.6	20.4	20.2	20.0	19.9	19.7	19.5	1100
1200	30.7	30.1	29.6	29.1	28.6	28.1	27.6	27.2	26.8	26.4	26.0	25.7	25.3	25.0	24.7	24.4	24.1	23.8	23.6	23.3	23.0	22.8	22.6	22.4	22.1	21.9	21.7	21.5	21.3	21.2	1200
1300	33.1	32.4	31.8	31.3	30.7	30.2	29.7	29.3	28.8	28.4	28.0	27.6	27.3	26.9	26.6	26.3	26.0	25.7	25.4	25.1	24.8	24.6	24.3	24.1	23.8	23.6	23.4	23.2	23.0	22.8	1300
1400	35.4	34.7	34.1	33.5	32.9	32.4	31.9	31.4	30.9	30.4	30.0	29.6	29.2	28.8	28.5	28.1	27.8	27.5	27.2	26.9	26.6	26.3	26.1	25.8	25.6	25.3	25.1	24.9	24.6	24.4	1400
1500	37.7	37.0	36.3	35.7	35.1	34.5	34.0	33.4	32.9	32.5	32.0	31.6	31.2	30.8	30.4	30.0	29.7	29.3	29.0	28.7	28.4	28.1	27.8	27.5	27.3	27.0	26.8	26.5	26.3	26.1	1500
1600	40.1	39.3	38.6	37.9	37.3	36.6	36.1	35.5	35.0	34.5	34.0	33.5	33.1	32.7	32.3	31.9	31.5	31.1	30.8	30.5	30.1	29.8	29.5	29.2	29.0	28.7	28.4	28.2	27.9	27.7	1600
1700	42.4	41.6	40.8	40.1	39.4	38.8	38.2	37.6	37.0	36.5	36.0	35.5	35.0	34.6	34.2	33.7	33.4	33.0	32.6	32.3	31.9	31.6	31.3	31.0	30.7	30.4	30.1	29.8	29.6	29.3	1700
1800	44.7	43.9	43.1	42.3	41.6	40.9	40.3	39.7	39.1	38.5	38.0	37.5	37.0	36.5	36.1	35.6	35.2	34.8	34.4	34.0	33.7	33.3	33.0	32.7	32.4	32.1	31.8	31.5	31.2	31.0	1800
1900	47.0	46.2	45.3	44.5	43.8	43.1	42.4	41.7	41.1	40.5	40.0	39.4	38.9	38.4	37.9	37.5	37.1	36.6	36.2	35.8	35.5	35.1	34.8	34.4	34.1	33.8	33.5	33.2	32.9	32.6	1900
2000	49.4	48.4	47.6	46.7	46.0	45.2	44.5	43.8	43.2	42.5	42.0	41.4	40.9	40.3	39.8	39.4	38.9	38.5	38.0	37.6	37.2	36.9	36.5	36.1	35.8	35.5	35.1	34.8	34.5	34.3	2000
2100	51.7	50.7	49.8	48.9	48.1	47.3	46.6	45.9	45.2	44.6	43.9	43.4	42.8	42.3	41.7	41.2	40.8	40.3	39.9	39.4	39.0	38.6	38.2	37.9	37.5	37.2	36.8	36.5	36.2	35.9	2100
2200	54.0	53.0	52.1	51.2	50.3	49.5	48.7	48.0	47.3	46.6	45.9	45.3	44.7	44.2	43.6	43.1	42.6	42.1	41.7	41.2	40.8	40.4	40.0	39.6	39.2	38.9	38.5	38.2	37.8	37.5	2200
2300	56.4	55.3	54.3	53.4	52.5	51.6	50.8	50.0	49.3	48.6	47.9	47.3	46.7	46.1	45.5	45.0	44.5	44.0	43.5	43.0	42.6	42.1	41.7	41.3	40.9	40.5	40.2	39.8	39.5	39.2	2300
2400	58.7	57.6	56.6	55.6	54.6	53.8	52.9	52.1	51.3	50.6	49.9	49.3	48.6	48.0	47.4	46.8	46.3	45.8	45.3	44.8	44.3	43.9	43.5	43.0	42.6	42.2	41.9	41.5	41.1	40.8	2400
Term. 2/	2.762	2.685	2.612	2.544	2.478	2.417	2.358	2.301	2.248	2.197	2.148	2.101	2.057	2.014	1.973	1.933	1.895	1.859	1.824	1.790	1.757	1.726	1.696	1.667	1.638	1.611	1.585	1.559	1.534	1.510	Term. 2/
L. H. 3/	.023306	.022881	.022478	.022097	.021736	.021393	.021066	.020755	.020458	.020175	.019904	.019646	.019398	.019160	.018933	.018714	.018504	.018302	.018108	.017920	.017740	.017566	.017398	.017236	.017080	.016928	.016782	.016640	.016503	.016370	L. H. 3/

1/ Based on a tare weight of 23.3 tons and a ratio of empty car miles to loaded car miles of 0.789. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 67.--TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	18.0	15.0	12.9	11.3	10.0	9.0	8.2	7.5	7.0	6.5	6.0	5.7	5.3	5.1	4.8	4.6	4.3	4.1	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	2.9	2.8	2.7	10
20	19.3	16.1	13.9	12.1	10.8	9.7	8.9	8.1	7.5	7.0	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	20
30	20.7	17.3	14.9	13.0	11.6	10.5	9.5	8.8	8.1	7.5	7.1	6.6	6.3	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	30
40	22.1	18.4	15.8	13.9	12.4	11.2	10.2	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.0	5.8	5.5	5.3	5.0	4.8	4.7	4.5	4.3	4.2	4.1	3.9	3.8	3.7	3.6	3.5	40
50	23.4	19.6	16.8	14.8	13.2	11.9	10.9	10.0	9.3	8.6	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	50
60	24.8	20.7	17.8	15.7	14.0	12.6	11.5	10.6	9.8	9.2	8.6	8.1	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.5	5.3	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.1	60
70	26.0	21.9	18.8	16.5	14.8	13.3	12.2	11.2	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.4	4.3	70
80	27.5	23.0	19.8	17.4	15.6	14.1	12.8	11.8	11.0	10.2	9.6	9.0	8.5	8.1	7.7	7.4	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	80
90	28.8	24.2	20.8	18.3	16.3	14.8	13.5	12.4	11.5	10.8	10.1	9.5	9.0	8.5	8.1	7.8	7.4	7.1	6.8	6.6	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.1	5.0	4.9	90
100	30.2	25.3	21.8	19.2	17.1	15.5	14.2	13.1	12.1	11.3	10.6	10.0	9.4	9.0	8.5	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.2	6.1	5.9	5.7	5.5	5.4	5.3	5.1	100
120	32.9	27.6	23.8	20.9	18.7	16.9	15.5	14.3	13.3	12.4	11.6	10.9	10.4	9.8	9.4	9.0	8.6	8.2	7.9	7.6	7.4	7.1	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	120
140	35.6	29.9	25.8	22.7	20.3	18.4	16.8	15.5	14.4	13.5	12.6	11.9	11.3	10.7	10.2	9.8	9.3	9.0	8.6	8.3	8.0	7.8	7.5	7.3	7.1	6.9	6.7	6.5	6.4	6.2	140
160	38.4	32.2	27.8	24.5	21.9	19.8	18.1	16.7	15.5	14.5	13.6	12.9	12.2	11.6	11.0	10.6	10.1	9.7	9.3	9.0	8.7	8.4	8.1	7.9	7.7	7.5	7.3	7.1	6.9	6.7	160
180	41.1	34.5	29.8	26.2	23.5	21.3	19.5	18.0	16.7	15.6	14.7	13.8	13.1	12.5	11.9	11.4	10.9	10.4	10.1	9.7	9.4	9.1	8.8	8.5	8.3	8.0	7.8	7.6	7.4	7.3	180
200	43.8	36.8	31.7	28.0	25.0	22.7	20.8	19.2	17.8	16.7	15.7	14.8	14.0	13.3	12.7	12.2	11.6	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	200
220	46.5	39.1	33.7	29.7	26.6	24.1	22.1	20.4	19.0	17.7	16.7	15.7	14.9	14.2	13.5	12.9	12.4	11.9	11.5	11.1	10.7	10.4	10.0	9.8	9.5	9.2	9.0	8.8	8.5	8.3	220
240	49.2	41.3	35.7	31.5	28.2	25.6	23.4	21.6	20.1	18.8	17.7	16.7	15.8	15.1	14.4	13.7	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	240
260	52.0	43.6	37.7	33.2	29.8	27.0	24.7	22.9	21.3	19.9	18.7	17.7	16.7	15.9	15.2	14.5	14.0	13.4	12.9	12.5	12.1	11.7	11.3	11.0	10.7	10.4	10.1	9.9	9.6	9.4	260
280	54.7	45.9	39.7	35.0	31.4	28.5	26.1	24.1	22.4	21.0	19.7	18.6	17.7	16.8	16.0	15.3	14.7	14.2	13.6	13.2	12.7	12.3	11.9	11.6	11.3	11.0	10.7	10.4	10.2	10.0	280
300	57.4	48.2	41.7	36.8	32.9	29.9	27.4	25.3	23.5	22.0	20.7	19.6	18.6	17.7	16.9	16.1	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.2	11.9	11.6	11.3	11.0	10.7	10.5	300
320	60.1	50.5	43.7	38.5	34.5	31.3	28.7	26.5	24.7	23.1	21.7	20.5	19.5	18.5	17.7	16.9	16.3	15.6	15.1	14.5	14.1	13.6	13.2	12.8	12.5	12.2	11.8	11.6	11.3	11.0	320
340	62.8	52.8	45.7	40.3	36.1	32.8	30.0	27.8	25.8	24.2	22.8	21.5	20.4	19.4	18.5	17.7	17.0	16.4	15.8	15.2	14.7	14.3	13.8	13.5	13.1	12.7	12.4	12.1	11.8	11.6	340
360	65.5	55.1	47.6	42.0	37.7	34.2	31.4	29.0	27.0	25.3	23.8	22.5	21.3	20.3	19.4	18.5	17.8	17.1	16.5	15.9	15.4	14.9	14.5	14.1	13.7	13.3	13.0	12.7	12.4	12.1	360
380	68.3	57.4	49.6	43.8	39.3	35.7	32.7	30.2	28.1	26.3	24.8	23.4	22.2	21.2	20.2	19.3	18.6	17.9	17.2	16.6	16.1	15.6	15.1	14.7	14.3	13.9	13.6	13.2	12.9	12.6	380
400	71.0	59.7	51.6	45.6	40.9	37.1	34.0	31.4	29.3	27.4	25.8	24.4	23.1	22.0	21.0	20.1	19.3	18.6	17.9	17.3	16.8	16.2	15.8	15.3	14.9	14.5	14.1	13.8	13.5	13.2	400
420	73.7	62.0	53.6	47.3	42.4	38.5	35.3	32.7	30.4	28.5	26.8	25.3	24.0	22.9	21.9	20.9	20.1	19.3	18.7	18.0	17.4	16.9	16.4	15.9	15.5	15.1	14.7	14.4	14.0	13.7	420
440	76.4	64.3	55.6	49.1	44.0	40.0	36.7	33.9	31.6	29.6	27.8	26.3	25.0	23.8	22.7	21.7	20.9	20.1	19.4	18.7	18.1	17.5	17.0	16.5	16.1	15.7	15.3	14.9	14.6	14.2	440
460	79.1	66.6	57.6	50.8	45.6	41.4	38.0	35.1	32.7	30.6	28.8	27.3	25.9	24.6	23.5	22.5	21.6	20.8	20.1	19.4	18.8	18.2	17.7	17.2	16.7	16.3	15.8	15.5	15.1	14.8	460
480	81.9	68.8	59.6	52.6	47.2	42.8	39.3	36.3	33.8	31.7	29.8	28.2	26.8	25.5	24.4	23.3	22.4	21.6	20.8	20.1	19.4	18.8	18.3	17.8	17.3	16.8	16.4	16.0	15.7	15.3	480
500	84.6	71.1	61.5	54.4	48.8	44.3	40.6	37.6	35.0	32.8	30.9	29.2	27.7	26.4	25.2	24.1	23.2	22.3	21.5	20.8	20.1	19.5	18.9	18.4	17.9	17.4	17.0	16.6	16.2	15.8	500
600	98.2	82.6	71.5	63.1	56.7	51.5	47.2	43.7	40.7	38.1	35.9	34.0	32.3	30.7	29.4	28.1	27.0	26.0	25.1	24.2	23.5	22.8	22.1	21.5	20.9	20.4	19.9	19.4	18.9	18.5	600
700	111.7	94.1	81.4	71.9	64.6	58.7	53.8	49.8	46.4	43.5	41.0	38.8	36.8	35.1	33.5	32.1	30.9	29.7	28.7	27.7	26.8	26.0	25.3	24.6	23.9	23.3	22.7	22.2	21.7	21.2	700
800	125.3	105.9	91.4	80.7	72.5	65.9	60.5	56.0	52.1	48.9	46.0	43.6	41.4	39.4	37.7	36.1	34.7	33.4	32.3	31.2	30.2	29.3	28.4	27.6	26.9	26.2	25.6	25.0	24.4	23.9	800
900	138.9	117.0	101.3	89.5	80.4	73.1	67.1	62.1	57.9	54.2	51.1	48.4	45.9	43.8	41.9	40.1	38.6	37.1	35.8	34.6	33.5	32.5	31.6	30.7	29.9	29.2	28.4	27.8	27.2	26.6	900
1000	152.5	128.4	111.2	98.3	88.3	80.3	73.7	68.2	63.6	59.6	56.2	53.2	50.5	48.1	46.0	44.1	42.4	40.8	39.4	38.1	36.9	35.8	34.8	33.8	32.9	32.1	31.3	30.6	29.9	29.3	1000
1100	166.1	139.9	121.2	107.1	96.2	87.5	80.3	74.3	69.3	65.0	61.2	58.0	55.1	52.5	50.2	48.1	46.3	44.6	43.0	41.6	40.3	[illegible]	37.9	36.9	35.9	35.0	34.2	33.4	32.6	31.9	1100
1200	179.7	151.3	131.1	115.9	104.1	94.6	86.9	80.5	75.0	70.3	66.3	62.8	59.6	56.8	54.4	52.1	50.1	48.3	46.6	45.0	43.6	42.3	41.1	40.0	38.9	38.0	37.0	36.2	35.4	34.6	1200
1300	193.3	162.8	141.0	124.7	112.0	101.8	93.5	86.6	80.7	75.7	71.4	67.6	64.2	61.2	58.5	56.1	53.[illegible]	52.0	50.2	48.5	47.0	45.6	44.3	43.1	41.9	40.9	39.9	39.0	38.1	37.3	1300
1400	206.9	174.3	151.0	133.5	119.9	109.0	100.1	92.7	86.5	81.1	76.4	72.3	68.8	65.6	62.7	60.1	57.[illegible]	55.7	53.7	52.0	50.3	48.8	47.4	46.1	44.9	43.8	42.8	41.8	40.8	40.0	1400
1500	220.5	185.7	160.9	142.3	127.8	116.2	106.8	98.9	92.2	86.5	81.5	77.1	73.3	69.9	66.9	64.1	61.6	59.4	57.3	55.4	53.7	52.1	50.6	49.2	47.9	46.7	45.6	44.6	43.6	42.7	1500
1600	234.1	197.2	170.8	151.1	135.7	123.4	113.4	105.0	97.9	91.8	86.6	81.9	77.9	74.3	71.0	68.1	65.5	63.1	60.9	58.9	57.1	55.3	53.8	52.3	50.9	49.7	48.5	47.4	46.3	45.3	1600
1700	247.6	208.6	180.8	159.9	143.6	130.6	120.0	111.1	103.6	97.2	91.6	86.7	82.4	78.6	75.2	72.1	69.3	66.8	64.5	62.4	60.4	58.6	56.9	55.4	54.0	52.6	51.3	50.2	49.1	48.0	1700
1800	261.2	220.1	190.7	168.7	151.5	137.8	126.6	117.2	109.3	102.6	96.7	91.5	87.0	83.0	79.4	76.1	73.2	70.5	68.1	65.8	63.8	61.9	60.1	58.5	57.0	55.5	54.2	53.0	51.8	50.7	1800
1900	274.8	231.6	200.6	177.5	159.4	145.0	133.2	123.4	115.1	107.9	101.7	96.3	91.6	87.3	83.5	80.1	77.0	74.2	71.6	69.3	67.1	65.1	63.3	61.6	60.0	58.5	57.1	55.8	54.5	53.4	1900
2000	288.4	243.0	210.6	186.3	167.3	152.2	139.8	129.5	120.8	113.3	106.8	101.1	96.1	91.7	87.7	84.1	80.9	77.9	75.2	72.8	70.5	68.4	66.4	64.6	63.0	61.4	59.9	58.6	57.3	56.1	2000
2100	302.0	254.5	220.5	195.1	175.2	159.4	146.4	135.6	126.5	118.7	111.9	105.9	100.7	96.0	91.9	88.1	84.7	81.6	78.8	76.2	73.8	71.6	69.6	67.7	66.0	64.3	62.8	61.4	60.0	58.7	2100
2200	315.6	265.9	230.5	203.8	183.2	166.6	153.1	141.8	132.2	124.0	116.9	110.7	105.2	100.4	96.0	92.1	88.6	85.3	82.4	79.7	77.2	74.9	72.8	70.8	69.0	67.3	65.7	64.2	62.8	61.4	2200
2300	329.2	277.4	240.4	212.6	191.1	173.8	159.7	147.9	137.9	129.4	122.0	115.5	109.8	104.7	100.2	96.1	92.4	89.0	86.0	83.1	80.6	78.2	76.0	73.9	72.0	70.2	68.5	67.0	65.5	64.1	2300
2400	342.8	288.8	250.3	221.4	199.0	181.0	166.3	154.0	143.7	134.8	127.1	120.3	114.4	109.1	104.4	100.4	96.2	92.7	89.5	86.6	83.9	81.4	79.1	77.0	75.0	73.1	71.4	69.8	68.2	66.8	2400
Term. 2/	16.618	13.848	11.870	10.386	9.232	8.309	7.554	6.924	6.392	5.935	5.539	5.193	4.888	4.616	4.373	4.155	3.957	3.777	3.613	3.462	3.324	3.196	3.077	2.968	2.865	2.770	2.680	2.597	2.518	2.444	Term. 2/
L. H. 3/	.135900	.114583	.099357	.087938	.079056	.071950	.066136	.061292	.057192	.053679	.050633	.047969	.045618	.043528	.041658	.039975	.038452	.037068	.035804	.034646	.033580	.032596	.031685	.030839	.030052	.029317	.028629	.027984	.027379	.026809	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 1.000. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 67 (Concluded).—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.1	5.9	5.8	5.7	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.6	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.1	6.9	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.6	7.5	7.3	7.2	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.2	8.0	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.7	8.5	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.8	6.7	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.2	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.7	9.5	9.3	9.1	9.0	8.8	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.3	10.0	9.8	9.6	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.8	10.6	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.3	11.1	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.8	11.6	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.3	9.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.4	12.1	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.1	10.0	9.8	9.7	9.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	12.9	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.4	13.1	12.9	12.6	12.4	12.2	11.9	11.7	11.5	11.4	11.2	11.0	10.8	10.7	10.5	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	13.9	13.6	13.4	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	11.0	10.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.5	14.2	13.9	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.4	11.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	15.0	14.7	14.4	14.1	13.8	13.6	13.4	13.1	12.9	12.7	12.5	12.3	12.1	12.0	11.8	11.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.5	15.2	14.9	14.6	14.3	14.1	13.8	13.6	13.4	13.2	13.0	12.8	12.6	12.4	12.2	12.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.1	17.8	17.4	17.1	16.8	16.5	16.2	15.9	15.7	15.4	15.2	14.9	14.7	14.5	14.3	14.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	20.8	20.3	19.9	19.6	19.2	18.9	18.5	18.2	17.9	17.7	17.4	17.1	16.9	16.7	16.4	16.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.4	22.9	22.5	22.1	21.6	21.3	20.9	20.6	20.2	19.9	19.6	19.3	19.1	18.8	18.5	18.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.0	25.5	25.0	24.5	24.1	23.7	23.3	22.9	22.5	22.2	21.8	21.5	21.2	20.9	20.6	20.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	28.6	28.1	27.5	27.0	26.5	26.1	25.6	25.2	24.8	24.4	24.1	23.7	23.4	23.1	22.7	22.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.3	30.6	30.1	29.5	29.0	28.5	28.0	27.5	27.1	26.7	26.3	25.9	25.5	25.2	24.9	24.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	33.9	33.2	32.6	32.0	31.4	30.9	30.3	29.8	29.4	28.9	28.5	28.1	27.7	27.3	27.0	26.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	36.5	35.8	35.1	34.5	33.8	33.3	32.7	32.2	31.7	31.2	30.7	30.3	29.9	29.5	29.1	28.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.2	38.4	37.6	36.9	36.3	35.7	35.1	34.5	34.0	33.4	32.9	32.5	32.0	31.6	31.2	30.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	41.8	41.0	40.2	39.4	38.7	38.1	37.4	36.8	36.2	35.7	35.2	34.7	34.2	33.7	33.3	32.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
1600	44.4	43.5	42.7	41.9	41.2	40.5	39.8	39.1	38.5	37.9	37.4	36.8	36.3	35.8	35.4	34.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1600
1700	47.0	46.1	45.2	44.4	43.6	42.9	42.1	41.5	40.8	40.2	39.6	39.0	38.5	38.0	37.5	37.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1700
1800	49.7	48.7	47.8	46.9	46.0	45.3	44.5	43.8	43.1	42.4	41.8	41.2	40.7	40.1	39.6	39.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1800
1900	52.3	51.3	50.3	49.4	48.5	47.7	46.9	46.1	45.4	44.7	44.0	43.4	42.8	42.2	41.7	41.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1900
2000	54.9	53.8	52.8	51.8	50.9	50.1	49.2	48.4	47.7	47.0	46.3	45.6	45.0	44.4	43.8	43.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2000
2100	57.5	56.4	55.3	54.3	53.4	52.5	51.6	50.8	50.0	49.2	48.5	47.8	47.1	46.5	45.9	45.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2100
2200	60.2	59.0	57.9	56.8	55.8	54.9	53.9	53.1	52.3	51.5	50.7	50.0	49.3	48.6	48.0	47.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2200
2300	62.8	61.6	60.4	59.3	58.2	57.2	56.3	55.4	54.5	53.7	52.9	52.2	51.5	50.8	50.1	49.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2300
2400	65.4	64.1	62.9	61.8	60.7	59.6	58.7	57.7	56.8	56.0	55.2	54.4	53.6	52.9	52.2	51.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2400
Term. 2/	2.374	2.308	2.246	2.187	2.131	2.077	2.027	1.978	1.932	1.888	1.846	1.806	1.768	1.731	1.696	1.662	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026271	.025764	.025284	.024829	.024397	.023988	.023598	.023226	.022872	.022534	.022211	.021902	.021606	.021323	.021051	.020790	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 1.000. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 68.—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.4	17.0	14.6	12.8	11.4	10.3	9.3	8.6	7.9	7.3	6.9	6.4	6.1	5.7	5.4	5.2	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.5	-	-	-	-	10
20	21.5	18.0	15.4	13.5	12.0	10.8	9.9	9.1	8.4	7.8	7.3	6.8	6.4	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	-	-	-	-	20
30	22.6	18.9	16.2	14.2	12.7	11.4	10.4	9.6	8.8	8.2	7.7	7.2	6.8	6.5	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	-	-	-	-	30
40	23.7	19.8	17.0	14.9	13.3	12.0	11.0	10.1	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	-	-	-	-	40
50	24.8	20.7	17.8	15.7	14.0	12.6	11.5	10.6	9.8	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	-	-	-	-	50
60	25.9	21.7	18.6	16.4	14.6	13.2	12.0	11.1	10.3	9.6	9.0	8.4	8.0	7.5	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	-	-	-	-	60
70	27.0	22.6	19.4	17.1	15.2	13.8	12.6	11.6	10.7	10.0	9.4	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.5	5.3	5.1	5.0	-	-	-	-	70
80	28.1	23.5	20.2	17.8	15.9	14.4	13.1	12.1	11.2	10.4	9.8	9.2	8.7	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.4	5.2	-	-	-	-	80
90	29.2	24.4	21.0	18.5	16.5	14.9	13.7	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.5	-	-	-	-	90
100	30.3	25.4	21.9	19.2	17.2	15.5	14.2	13.1	12.1	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.7	-	-	-	-	100
120	32.5	27.2	23.5	20.6	18.5	16.7	15.3	14.1	13.1	12.2	11.5	10.8	10.2	9.7	9.2	8.8	8.5	8.1	7.8	7.5	7.3	7.0	6.8	6.6	6.4	6.2	-	-	-	-	120
140	34.6	29.1	25.1	22.1	19.7	17.9	16.4	15.1	14.0	13.1	12.3	11.6	11.0	10.4	9.9	9.5	9.1	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	6.7	-	-	-	-	140
160	36.8	30.9	26.7	23.5	21.0	19.1	17.4	16.1	15.0	14.0	13.1	12.4	11.7	11.2	10.6	10.2	9.7	9.4	9.0	8.7	8.4	8.1	7.9	7.6	7.4	7.2	-	-	-	-	160
180	39.0	32.8	28.3	24.9	22.3	20.2	18.5	17.1	15.9	14.9	14.0	13.2	12.5	11.9	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.2	7.9	7.7	-	-	-	-	180
200	41.2	34.6	29.9	26.4	23.6	21.4	19.6	18.1	16.8	15.7	14.8	14.0	13.3	12.6	12.0	11.5	11.0	10.6	10.2	9.9	9.5	9.2	8.9	8.7	8.4	8.2	-	-	-	-	200
220	43.4	36.5	31.5	27.8	24.9	22.6	20.7	19.1	17.8	16.6	15.6	14.8	14.0	13.3	12.7	12.2	11.7	11.2	10.8	10.4	10.1	9.8	9.5	9.2	8.9	8.7	-	-	-	-	220
240	45.6	38.3	33.1	29.2	26.2	23.8	21.8	20.1	18.7	17.5	16.5	15.6	14.8	14.1	13.4	12.8	12.3	11.8	11.4	11.0	10.7	10.3	10.0	9.7	9.4	9.2	-	-	-	-	240
260	47.8	40.2	34.7	30.6	27.5	24.9	22.9	21.1	19.7	18.4	17.3	16.4	15.5	14.8	14.1	13.5	13.0	12.5	12.0	11.6	11.2	10.9	10.5	10.2	10.0	9.7	-	-	-	-	260
280	50.0	42.0	36.3	32.1	28.8	26.1	23.9	22.1	20.6	19.3	18.1	17.2	16.3	15.5	14.8	14.2	13.6	13.1	12.6	12.2	11.8	11.4	11.1	10.8	10.5	10.2	-	-	-	-	280
300	52.2	43.9	37.9	33.5	30.1	27.3	25.0	23.1	21.5	20.2	19.0	17.9	17.0	16.2	15.5	14.8	14.2	13.7	13.2	12.8	12.4	12.0	11.6	11.3	11.0	10.7	-	-	-	-	300
320	54.3	45.7	39.5	34.9	31.3	28.5	26.1	24.1	22.5	21.1	19.8	18.7	17.8	16.9	16.2	15.5	14.9	14.3	13.8	13.3	12.9	12.5	12.1	11.8	11.5	11.2	-	-	-	-	320
340	56.5	47.6	41.2	36.4	32.6	29.6	27.2	25.1	23.4	21.9	20.7	19.5	18.5	17.7	16.9	16.2	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.3	12.0	11.7	-	-	-	-	340
360	58.7	49.4	42.8	37.8	33.9	30.8	28.3	26.1	24.4	[illegible]	21.5	20.3	19.3	18.4	17.6	16.8	16.2	15.6	15.0	14.5	14.0	13.6	13.2	12.9	12.5	12.2	-	-	-	-	360
380	60.9	51.3	44.4	39.2	35.2	32.0	29.3	27.2	25.3	23.7	22.3	21.1	20.1	19.1	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	12.7	-	-	-	-	380
400	63.1	53.1	46.0	40.6	36.5	33.1	30.4	28.2	26.2	24.5	23.2	21.9	20.8	19.8	19.0	18.2	17.5	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.2	-	-	-	-	400
420	65.3	55.0	47.6	42.1	37.8	34.3	31.5	29.2	27.2	25.5	24.0	22.7	21.6	20.6	19.7	18.8	18.1	17.4	16.8	16.3	15.7	15.3	14.8	14.4	14.0	13.7	-	-	-	-	420
440	67.5	56.8	49.2	43.5	39.0	35.5	32.6	30.2	28.1	26.4	24.8	23.5	22.3	21.3	20.3	19.5	18.7	18.1	17.4	16.8	16.3	15.8	15.4	14.9	14.5	14.2	-	-	-	-	440
460	69.7	58.7	50.8	44.9	40.3	36.7	33.7	31.2	29.1	27.2	25.7	24.3	23.1	22.0	21.0	20.2	19.4	18.7	18.0	17.4	16.9	16.4	15.9	15.5	15.1	14.7	-	-	-	-	460
480	71.8	60.5	52.4	46.3	41.6	37.8	34.8	32.2	30.0	28.1	26.5	25.1	23.8	22.7	21.7	20.8	20.0	19.3	18.6	18.0	17.4	16.9	16.4	16.0	15.6	15.2	-	-	-	-	480
500	74.0	62.4	54.0	47.8	42.9	39.0	35.8	33.2	30.9	29.0	27.3	25.9	24.6	23.5	22.4	21.5	20.7	19.9	19.2	18.6	18.0	17.5	17.0	16.5	16.1	15.7	-	-	-	-	500
600	85.0	71.8	62.1	54.9	49.3	44.9	41.2	38.2	35.6	33.4	31.5	29.9	28.4	27.1	25.9	24.8	23.9	23.0	22.2	21.5	20.8	20.2	19.6	19.1	18.6	18.2	-	-	-	-	600
700	95.9	80.9	70.1	62.0	55.8	50.8	46.7	43.2	40.3	37.9	35.7	33.8	32.2	30.7	29.4	28.2	27.1	26.1	25.2	24.4	23.7	23.0	22.3	21.7	21.2	20.7	-	-	-	-	700
800	106.9	90.1	78.2	69.2	62.2	56.6	52.1	48.3	45.0	42.3	39.9	37.8	35.9	34.3	32.8	31.5	30.3	29.2	28.2	27.3	26.5	25.7	25.0	24.3	23.7	23.1	-	-	-	-	800
900	117.8	99.4	86.2	76.3	68.6	62.5	57.5	53.3	49.7	46.7	44.1	41.8	39.7	37.9	36.3	34.8	33.5	32.3	31.2	30.2	29.3	28.5	27.7	26.9	26.3	25.6	-	-	-	-	900
1000	128.7	108.6	94.2	83.5	75.1	68.4	62.9	58.3	54.4	51.1	48.2	45.7	43.5	41.5	39.8	38.2	36.7	35.4	34.2	33.2	32.1	31.2	30.4	29.6	28.8	28.1	-	-	-	-	1000
1100	139.7	117.9	102.3	90.6	81.5	74.2	68.3	63.3	59.1	55.5	52.4	49.7	47.3	45.2	43.2	41.5	40.0	38.5	37.3	36.1	35.0	34.0	33.0	32.2	31.4	30.6	-	-	-	-	1100
1200	150.6	127.1	110.3	97.7	87.9	80.1	73.7	68.4	63.8	60.0	56.6	53.7	51.1	48.8	46.7	44.9	43.2	41.6	40.3	39.0	37.8	36.7	35.7	34.8	33.9	33.1	-	-	-	-	1200
1300	161.6	136.4	118.4	104.9	94.4	86.0	79.1	73.4	68.5	64.4	60.8	57.6	54.9	52.4	50.2	48.2	46.4	44.8	43.3	41.9	40.6	39.5	38.4	37.4	36.5	35.6	-	-	-	-	1300
1400	172.5	145.6	126.4	112.0	100.8	91.8	84.5	78.4	73.2	68.8	65.0	61.6	58.6	56.0	53.6	51.5	49.6	47.9	46.3	44.8	43.5	42.2	41.1	40.0	39.0	38.1	-	-	-	-	1400
1500	183.4	154.9	134.5	119.1	107.2	97.7	89.9	83.4	77.9	73.2	69.1	65.6	62.4	59.6	57.1	54.9	52.8	51.0	49.3	47.7	46.3	45.0	43.7	42.6	41.6	40.6	-	-	-	-	1500
1600	194.4	164.1	142.5	126.3	113.7	103.6	95.3	88.5	82.6	77.6	73.3	69.5	66.2	63.2	60.6	58.2	[illegible]	54.1	52.3	50.6	49.1	47.7	46.4	45.2	44.1	43.1	-	-	-	-	1600
1700	205.3	173.4	150.5	133.4	120.1	109.5	100.7	93.5	87.3	82.1	77.5	73.5	70.0	66.9	64.0	61.5	59.2	57.2	55.3	53.5	51.9	50.5	49.1	47.8	46.7	45.6	-	-	-	-	1700
1800	216.3	182.6	158.6	140.6	126.5	115.3	106.2	98.5	92.0	86.5	81.7	77.5	73.8	70.5	67.5	64.9	62.5	60.3	58.3	56.5	54.8	53.2	51.8	50.4	49.2	48.0	-	-	-	-	1800
1900	227.2	191.9	166.6	147.7	133.0	121.2	111.6	103.5	96.7	90.9	85.9	81.4	77.6	74.1	71.0	68.2	65.7	63.4	61.3	59.4	57.6	56.0	54.5	53.1	51.8	50.5	-	-	-	-	1900
2000	238.1	201.1	174.7	154.8	139.4	127.1	117.0	108.6	101.4	95.3	90.0	85.4	81.3	77.7	74.5	71.5	68.9	66.5	64.3	62.3	60.4	58.7	57.1	55.7	54.3	53.0	-	-	-	-	2000
2100	249.1	210.4	182.7	162.0	145.8	132.9	122.4	113.6	106.1	99.8	94.2	89.4	85.1	81.3	77.9	74.9	72.1	69.6	67.3	65.2	63.3	61.5	59.8	58.3	56.8	55.5	-	-	-	-	2100
2200	260.0	219.6	190.8	169.1	152.3	138.8	127.8	118.6	110.8	104.2	98.4	93.4	88.9	84.9	81.4	78.2	75.3	72.7	70.3	68.1	66.1	64.2	62.5	60.9	59.4	58.0	-	-	-	-	2200
2300	271.0	228.9	198.8	176.2	158.7	144.7	133.2	123.6	115.5	108.6	102.6	97.3	92.7	88.6	84.9	81.5	78.5	75.8	73.[illegible]	71.0	68.9	67.0	65.2	63.5	61.9	60.5	-	-	-	-	2300
2400	281.9	238.1	206.8	183.4	165.1	150.5	138.6	128.7	120.2	113.0	106.8	101.3	96.5	92.2	88.3	84.9	81.7	78.9	76.[illegible]	73.9	71.7	69.7	67.8	66.1	64.5	63.0	-	-	-	-	2400
Term. 2/	19.332	16.110	13.809	12.083	10.740	9.666	8.787	8.055	7.435	6.904	6.444	6.041	5.686	5.370	5.087	4.833	4.603	4.394	4.203	4.028	3.866	3.718	3.580	3.452	3.333	3.222	-	-	-	-	Term. 2/
L. H. 3/	.109400	.092500	.080429	.071375	.064333	.058700	.054091	.050250	.047000	.044214	.041800	.039688	.037824	.036167	.034684	.033350	.032143	.031045	.030043	.029125	.028280	.027500	.026778	.026107	.025483	.024900	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 19.6 tons and a ratio of empty car miles to loaded car miles of 0.879. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 69.—TERRITORY NO. 10 - MOUNTAIN PACIFIC

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	18.0	15.0	12.9	11.3	10.1	9.1	8.2	7.6	7.0	6.5	6.1	5.7	5.4	5.1	4.8	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.1	-	-	-	-	10
20	19.5	16.2	13.9	12.2	10.9	9.8	8.5	8.2	7.6	7.1	6.6	6.2	5.8	5.5	5.2	5.0	4.8	4.5	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	-	-	-	-	20
30	20.9	17.4	15.0	13.1	11.7	10.6	9.6	8.8	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	-	-	-	-	30
40	22.3	18.6	16.0	14.1	12.5	11.3	10.3	9.5	8.8	8.2	7.6	7.2	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	-	-	-	-	40
50	23.7	19.8	17.1	15.0	13.4	12.1	11.0	10.1	9.4	8.7	8.2	7.7	7.3	6.9	6.5	6.2	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	-	-	-	-	50
60	25.1	21.0	18.1	15.9	14.2	12.8	11.7	10.8	10.0	9.3	8.7	8.2	7.7	7.3	7.0	6.6	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	-	-	-	-	60
70	26.6	22.2	19.1	16.8	15.0	13.6	12.4	11.4	10.6	9.8	9.2	8.7	8.2	7.8	7.4	7.1	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.0	4.9	-	-	-	-	70
80	28.0	23.4	20.2	17.7	15.8	14.3	13.1	12.0	11.2	10.4	9.8	9.2	8.7	8.2	7.8	7.5	7.1	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.4	5.2	-	-	-	-	80
90	29.4	24.6	21.2	18.6	16.6	15.1	13.8	12.7	11.7	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.5	7.2	7.0	6.7	6.5	6.2	6.0	5.8	5.7	5.5	-	-	-	-	90
100	30.8	25.8	22.2	19.6	17.5	15.8	14.4	13.3	12.3	11.5	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.0	5.8	-	-	-	-	100
120	33.7	28.2	24.3	21.4	19.1	17.3	15.8	14.6	13.5	12.6	11.9	11.2	10.6	10.0	9.6	9.1	8.7	8.4	8.1	7.8	7.5	7.2	7.0	6.8	6.6	6.4	-	-	-	-	120
140	36.5	30.6	26.4	23.2	20.8	18.8	17.2	15.9	14.7	13.8	12.9	12.2	11.5	10.9	10.4	10.0	9.5	9.2	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	-	-	-	-	140
160	39.3	33.0	28.5	25.1	22.4	20.3	18.6	17.1	15.9	14.9	14.0	13.2	12.5	11.8	11.3	10.8	10.3	9.9	9.6	9.2	8.9	8.6	8.3	8.1	7.8	7.6	-	-	-	-	160
180	42.2	35.4	30.5	26.9	24.1	21.8	20.0	18.4	17.1	16.0	15.0	14.2	13.4	12.8	12.2	11.6	11.1	10.7	10.3	9.9	9.6	9.3	9.0	8.7	8.5	8.2	-	-	-	-	180
200	45.0	37.8	32.6	28.7	25.7	23.3	21.3	19.7	18.3	17.1	16.1	15.2	14.4	13.7	13.0	12.5	11.9	11.5	11.0	10.6	10.3	9.9	9.6	9.4	9.1	8.8	-	-	-	-	200
220	47.8	40.2	34.7	30.6	27.4	24.8	22.7	21.0	19.5	18.2	17.1	16.2	15.3	14.6	13.9	13.3	12.7	12.2	11.8	11.4	11.0	10.6	10.3	10.0	9.7	9.4	-	-	-	-	220
240	50.7	42.6	36.8	32.4	29.0	26.3	24.1	22.2	20.7	19.3	18.2	17.2	16.3	15.5	14.8	14.1	13.5	13.0	12.5	12.1	11.7	11.3	11.0	10.6	10.3	10.0	-	-	-	-	240
260	53.5	45.0	38.8	34.2	30.7	27.8	25.5	23.5	21.9	20.5	19.2	18.2	17.2	16.4	15.6	14.9	14.3	13.8	13.3	12.8	12.4	12.0	11.6	11.3	10.9	10.7	-	-	-	-	260
280	56.4	47.3	40.9	36.1	32.3	29.3	26.8	24.8	23.1	21.6	20.3	19.2	18.2	17.3	16.5	15.8	15.1	14.5	14.0	13.5	13.1	12.6	12.3	11.9	11.6	11.3	-	-	-	-	280
300	59.2	49.7	43.0	37.9	34.0	30.8	28.2	26.1	24.2	22.7	21.3	20.2	19.1	18.2	17.3	16.6	15.9	15.3	14.7	14.2	13.8	13.3	12.9	12.5	12.2	11.9	-	-	-	-	300
320	62.0	52.1	45.0	39.7	35.6	32.3	29.5	27.3	25.4	23.8	22.4	21.1	20.1	19.1	18.2	17.4	16.7	16.1	15.5	15.0	14.5	14.0	13.6	13.2	12.8	12.5	-	-	-	-	320
340	64.9	54.5	47.1	41.6	37.3	33.8	31.0	28.6	26.6	24.9	23.4	22.1	21.0	20.0	19.1	18.3	17.5	16.8	16.2	15.7	15.2	14.7	14.2	13.8	13.4	13.1	-	-	-	-	340
360	67.7	56.9	49.2	43.4	38.9	35.3	32.4	29.9	27.8	26.0	24.5	23.1	22.0	20.9	19.9	19.1	18.3	17.6	17.0	16.4	15.8	15.3	14.9	14.5	14.1	13.7	-	-	-	-	360
380	70.6	59.3	51.3	45.2	40.6	36.8	33.7	31.2	29.0	27.2	25.5	24.1	22.9	21.8	20.8	19.9	19.1	18.4	17.7	17.1	16.5	16.0	15.5	15.1	14.7	14.3	-	-	-	-	380
400	73.4	61.7	53.3	47.1	42.2	38.3	35.1	32.4	30.2	28.3	26.6	25.1	23.8	22.7	21.7	20.8	19.9	19.2	18.5	17.8	17.2	16.7	16.2	15.7	15.3	14.9	-	-	-	-	400
420	76.2	64.1	55.4	48.9	43.8	39.8	36.5	33.7	31.4	29.4	27.7	26.1	24.8	23.6	22.5	21.6	20.7	19.9	19.2	18.5	17.9	17.4	16.9	16.4	15.9	15.5	-	-	-	-	420
440	79.1	66.5	57.5	50.7	45.5	41.3	37.9	35.0	32.6	30.5	28.7	27.1	25.7	24.5	23.4	22.4	21.5	20.7	19.9	19.3	18.6	18.1	17.5	17.0	16.5	16.1	-	-	-	-	440
460	81.9	68.9	59.6	52.6	47.1	42.8	39.2	36.3	33.8	31.6	29.8	28.1	26.7	25.4	24.3	23.2	22.3	21.5	20.7	20.0	19.3	18.7	18.2	17.7	17.2	16.7	-	-	-	-	460
480	84.8	71.3	61.6	54.4	48.8	44.3	40.6	37.6	35.0	32.7	30.8	29.1	27.6	26.3	25.1	24.1	23.1	22.2	21.4	20.7	20.0	19.4	18.8	18.3	17.8	17.3	-	-	-	-	480
500	87.6	73.7	63.7	56.2	50.4	45.8	42.0	38.8	36.2	33.9	31.9	30.1	28.6	27.2	26.0	24.9	23.9	23.0	22.2	21.4	20.7	20.1	19.5	18.9	18.4	17.9	-	-	-	-	500
600	101.8	85.6	74.1	65.4	58.7	53.3	48.9	45.2	42.1	39.4	37.1	35.1	33.3	31.7	30.3	29.0	27.9	26.8	25.9	25.0	24.2	23.5	22.8	22.1	21.5	21.0	-	-	-	-	600
700	116.0	97.6	84.4	74.6	66.9	60.8	55.8	51.6	48.1	45.0	42.4	40.1	38.1	36.3	34.6	33.2	31.9	30.7	29.6	28.6	27.7	26.8	26.0	25.3	24.6	24.0	-	-	-	-	700
800	130.2	109.5	94.8	83.8	75.2	68.3	62.7	58.0	54.0	50.6	47.7	45.1	42.8	40.8	39.0	37.3	35.9	34.5	33.3	32.2	31.2	30.2	29.3	28.5	27.7	27.0	-	-	-	-	800
900	144.4	121.5	105.2	92.9	83.4	75.8	69.6	64.4	50.0	56.2	52.9	50.1	47.5	45.3	43.3	41.5	39.9	38.4	37.0	35.8	34.6	33.6	32.6	31.7	30.9	30.1	-	-	-	-	900
1000	158.6	133.5	115.5	102.1	91.6	83.3	76.4	70.7	65.9	61.8	58.2	55.1	52.3	49.8	47.6	45.6	43.9	42.2	40.7	39.4	38.1	37.0	35.9	34.9	34.0	33.1	-	-	-	-	1000
1100	172.8	145.4	125.9	111.3	99.9	90.8	83.3	77.1	71.9	67.4	63.5	60.0	57.0	54.3	51.9	49.8	47.8	46.1	44.4	43.0	41.6	40.3	39.2	38.1	37.1	36.1	-	-	-	-	1100
1200	187.0	157.4	136.3	120.4	108.1	98.3	90.2	83.5	77.8	72.9	68.7	65.0	61.8	58.9	56.3	53.9	51.8	49.9	48.2	46.5	45.1	43.7	42.4	41.3	40.2	39.2	-	-	-	-	1200
1300	201.2	169.4	146.7	129.6	116.4	105.8	97.1	89.9	83.8	78.5	74.0	70.0	66.5	63.4	60.6	58.1	55.8	53.8	51.9	50.1	48.6	47.1	45.7	44.5	43.3	42.2	-	-	-	-	1300
1400	215.3	181.3	157.0	138.8	124.6	113.3	104.0	96.3	89.7	84.1	79.2	75.0	71.2	67.9	64.9	62.2	59.8	57.6	55.6	53.7	52.0	50.5	49.0	47.7	46.4	45.2	-	-	-	-	1400
1500	229.5	193.3	167.4	148.0	132.9	120.8	110.9	102.6	95.7	89.7	84.5	80.0	76.0	72.4	69.2	66.4	63.8	61.4	59.3	57.3	55.5	53.8	52.3	50.8	49.5	48.3	-	-	-	-	1500
1600	243.7	205.2	177.8	157.1	141.1	128.3	117.8	109.0	101.6	95.3	89.8	85.0	80.7	76.9	73.6	70.5	67.8	65.3	63.0	60.9	59.0	57.2	55.6	54.0	52.6	51.3	-	-	-	-	1600
1700	257.9	217.2	188.1	166.3	149.3	135.8	124.7	115.4	107.6	100.9	95.0	90.0	85.5	81.5	77.9	74.7	71.8	69.1	66.7	64.5	62.[illegible]	60.6	58.8	57.2	55.7	54.3	-	-	-	-	1700
1800	272.1	229.2	198.5	175.5	157.6	143.3	131.5	121.8	113.5	106.4	100.7	94.9	90.2	86.0	82.2	78.8	75.8	73.0	70.4	68.1	65.9	64.0	62.1	60.4	58.8	57.4	-	-	-	-	1800
1900	286.3	241.1	208.9	184.7	165.8	150.8	138.4	128.2	119.5	112.0	105.6	99.9	94.9	90.5	86.5	83.0	79.8	76.8	74.1	71.7	69.4	67.3	65.4	63.6	61.9	60.4	-	-	-	-	1900
2000	300.5	253.1	219.2	193.8	174.1	158.3	145.3	134.6	125.4	117.6	110.8	104.9	99.7	95.0	90.9	87.1	83.7	80.7	77.9	75.3	72.9	70.7	68.7	66.8	65.1	63.4	-	-	-	-	2000
2100	314.7	265.1	229.6	203.0	182.3	165.8	152.2	140.9	131.4	123.2	116.1	109.9	104.4	99.6	95.2	91.3	87.7	84.5	81.6	78.9	76.4	74.1	72.0	70.0	68.2	66.5	-	-	-	-	2100
2200	328.9	277.0	240.0	212.2	190.5	173.3	159.1	147.3	137.3	128.8	121.4	114.9	109.2	104.1	99.5	95.4	91.7	88.4	85.3	82.5	79.9	77.5	75.3	73.2	71.3	69.5	-	-	-	-	2200
2300	343.1	289.0	250.3	221.3	198.8	180.8	166.0	153.7	143.3	134.4	126.6	119.9	113.9	108.6	103.8	99.6	95.7	92.2	89.0	86.0	83.3	80.8	78.5	76.4	74.4	72.5	-	-	-	-	2300
2400	357.3	300.9	260.7	230.5	207.0	188.2	172.9	160.1	149.2	139.9	131.9	124.9	118.6	113.1	108.2	103.7	99.7	96.0	92.7	89.6	86.8	84.2	81.8	79.6	77.5	75.6	-	-	-	-	2400
Term. 2/	16.618	13.848	11.870	10.386	9.232	8.309	7.554	6.924	6.392	5.935	5.539	5.193	4.888	4.616	4.373	4.155	3.957	3.777	3.613	3.462	3.324	3.196	3.077	2.968	2.865	2.770	-	-	-	-	Term. 2/
L. H. 3/	.141950	.119625	.103679	.091719	.082417	.074975	.068886	.063813	.059519	.055839	.052650	.049859	.047397	.045208	.043250	.041488	.039893	.038443	.037120	.035906	.034790	.033760	.032806	.031320	.031095	.030325	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.734. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.33.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.20.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.55.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.71.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 70.—TERRITORY NO. 10 - MOUNTAIN PACIFIC

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	92.0	73.5	64.3	58.7	55.0	52.4	50.4	48.9	47.6	46.6	45.8	45.1	44.5	44.0	43.5	43.1	42.7	42.4	42.1	41.8	41.6	41.4	41.2	41.0	40.8	40.7	40.5	40.4	40.3	10
20	96.4	76.5	66.6	60.6	56.6	53.8	51.7	50.0	48.7	47.6	46.7	45.9	45.3	44.7	44.2	43.8	43.4	43.0	42.7	42.4	42.2	41.9	41.7	41.5	41.3	41.2	41.0	40.9	40.7	20
30	100.9	79.6	68.9	62.5	58.2	55.2	52.9	51.1	49.7	48.5	47.6	46.8	46.1	45.4	44.9	44.4	44.0	43.6	43.3	43.0	42.7	42.5	42.2	42.0	41.8	41.7	41.5	41.3	41.2	30
40	105.4	82.6	71.2	64.4	59.9	56.6	54.2	52.3	50.7	49.5	48.5	47.6	46.8	46.2	45.6	45.1	44.7	44.3	43.9	43.6	43.3	43.0	42.8	42.5	42.3	42.1	42.0	41.8	41.6	40
50	109.9	85.7	73.6	66.3	61.5	58.0	55.4	53.4	51.8	50.5	49.4	48.4	47.6	46.9	46.3	45.8	45.3	44.9	44.5	44.2	43.9	43.6	43.3	43.1	42.8	42.6	42.4	42.3	42.1	50
60	114.4	88.7	75.9	68.2	63.1	59.4	56.7	54.5	52.8	51.4	50.3	49.3	48.4	47.7	47.0	46.5	46.0	45.5	45.1	44.8	44.4	44.1	43.8	43.6	43.3	43.1	42.9	42.7	42.6	60
70	118.8	91.8	78.2	70.1	64.7	60.8	57.9	55.7	53.8	52.4	51.1	50.1	49.2	48.4	47.8	47.2	46.6	46.1	45.7	45.3	45.0	44.7	44.4	44.1	43.8	43.6	43.4	43.2	43.0	70
80	123.3	94.8	80.5	72.0	66.3	62.2	59.2	56.8	54.9	53.3	52.0	50.9	50.0	49.2	48.5	47.8	47.3	46.8	46.3	45.9	45.5	45.2	44.9	44.6	44.4	44.1	43.9	43.7	43.5	80
90	127.8	97.8	82.9	73.9	67.9	63.6	60.4	57.9	55.9	54.3	52.9	51.8	50.8	49.9	49.2	48.5	47.9	47.4	46.9	46.5	46.1	45.8	45.4	45.1	44.9	44.6	44.4	44.1	43.9	90
100	132.3	100.9	85.2	75.8	69.5	65.0	61.7	59.0	56.9	55.2	53.8	52.6	51.6	50.7	49.9	49.2	48.6	48.0	47.5	47.1	46.7	46.3	46.0	45.6	45.4	45.1	44.8	44.6	44.4	100
120	141.2	107.0	89.8	79.6	72.7	67.8	64.1	61.3	59.0	57.1	55.6	54.3	53.1	52.2	51.3	50.5	49.9	49.3	48.7	48.2	47.8	47.4	47.0	46.7	46.4	46.1	45.8	45.5	45.3	120
140	150.2	113.1	94.5	83.4	75.9	70.6	66.6	63.6	61.1	59.0	57.4	55.9	54.7	53.6	52.7	51.9	51.2	50.5	49.9	49.4	48.9	48.5	48.1	47.7	47.4	47.0	46.8	46.5	46.2	140
160	159.2	119.2	99.1	87.1	79.1	73.4	69.1	65.8	63.1	61.0	59.1	57.6	56.3	55.1	54.1	53.3	52.5	51.8	51.1	50.6	50.0	49.6	49.1	48.7	48.4	48.0	47.7	47.4	47.1	160
180	168.1	125.2	103.8	90.9	82.4	76.2	71.6	68.1	65.2	62.9	60.9	59.3	57.9	56.6	55.6	54.6	53.8	53.0	52.3	51.7	51.2	50.7	50.2	49.8	49.4	49.0	48.7	48.4	48.1	180
200	177.1	131.3	108.5	94.7	85.6	79.0	74.1	70.3	67.3	64.8	62.7	60.9	59.4	58.1	57.0	56.0	55.1	54.3	53.5	52.9	52.3	51.8	51.3	50.8	50.4	50.0	49.6	49.3	49.0	200
220	186.0	137.4	113.1	98.5	88.8	81.8	76.6	72.6	69.3	66.7	64.5	62.6	61.0	59.6	58.4	57.3	56.4	55.5	54.8	54.1	53.4	52.8	52.3	51.8	51.4	51.0	50.6	50.2	49.9	220
240	195.0	143.5	117.8	102.3	92.0	84.6	79.1	74.8	71.4	68.6	66.3	64.3	62.6	61.1	59.8	58.7	57.7	56.8	56.0	55.2	54.5	53.9	53.4	52.9	52.4	51.9	51.5	51.2	50.8	240
260	204.0	149.6	122.4	106.1	95.2	87.4	81.6	77.1	73.5	70.5	68.0	65.9	64.1	62.6	61.2	60.0	59.0	58.0	57.2	56.4	55.7	55.0	54.4	53.9	53.4	52.9	52.5	52.1	51.7	260
280	212.9	155.7	127.1	109.9	98.4	90.3	84.1	79.4	75.5	72.4	69.8	67.6	65.7	64.1	62.7	61.4	60.3	59.3	58.4	57.5	56.8	56.1	55.5	54.9	54.4	53.9	53.5	53.0	52.6	280
300	221.9	161.8	131.7	113.7	101.6	93.1	86.6	81.6	77.6	74.3	71.6	69.3	67.3	65.6	64.1	62.7	61.6	60.5	59.6	58.7	57.9	57.2	56.6	56.0	55.4	54.9	54.4	54.0	53.6	300
320	230.8	167.9	136.4	117.5	104.9	95.9	89.1	83.9	79.7	76.2	73.4	70.9	68.9	67.1	65.5	64.1	62.9	61.8	60.8	59.9	59.1	58.3	57.6	57.0	56.4	55.9	55.4	54.9	54.5	320
340	239.8	173.9	141.0	121.2	108.1	98.7	91.6	86.1	81.7	78.1	75.1	72.6	70.4	68.6	66.9	65.5	64.2	63.0	62.0	61.0	60.2	59.4	58.7	58.0	57.4	56.9	56.3	55.8	55.4	340
360	248.8	180.0	145.7	125.0	111.3	101.5	94.1	88.4	83.8	80.0	76.9	74.3	72.0	70.0	68.3	66.8	65.5	64.3	63.2	62.2	61.3	60.5	59.7	59.1	58.4	57.8	57.3	56.8	56.3	360
380	257.7	186.1	150.3	128.8	114.5	104.3	96.6	90.6	85.9	82.0	78.7	75.9	73.6	71.5	69.7	68.2	66.8	65.5	64.4	63.4	62.4	61.6	60.8	60.1	59.4	58.8	58.2	57.7	57.2	380
400	266.7	192.2	155.0	132.6	117.7	107.1	99.1	92.9	87.9	83.9	80.5	77.6	75.2	73.0	71.2	69.5	68.1	66.8	65.6	64.5	63.6	62.7	61.9	61.1	60.4	59.8	59.2	58.7	58.1	400
420	275.6	198.3	159.6	136.4	120.9	109.9	101.6	95.2	90.0	85.8	82.3	79.3	76.7	74.5	72.6	70.9	69.4	68.0	66.8	65.7	64.7	63.8	62.9	62.1	61.4	60.8	60.2	59.6	59.1	420
440	284.6	204.4	164.3	140.2	124.1	112.7	104.1	97.4	92.1	87.7	84.0	81.0	78.3	76.0	74.0	72.2	70.7	69.3	68.0	66.8	65.8	64.9	64.0	63.2	62.4	61.8	61.1	60.5	60.0	440
460	293.6	210.5	168.9	144.0	127.4	115.5	106.6	99.7	94.1	89.6	85.8	82.6	79.9	77.5	75.4	73.6	72.0	70.5	69.2	68.0	66.9	65.9	65.0	64.2	63.4	62.7	62.1	61.5	60.9	460
480	302.5	216.6	173.6	147.8	130.6	118.3	109.1	101.9	96.2	91.5	87.6	84.3	81.5	79.0	76.8	74.9	73.3	71.8	70.4	69.2	68.1	67.0	66.1	65.2	64.5	63.7	63.0	62.4	61.8	480
500	311.5	222.6	178.2	151.6	133.8	121.1	111.6	104.2	98.3	93.4	89.4	86.0	83.0	80.5	78.3	76.3	74.6	73.0	71.6	70.3	69.2	68.1	67.2	66.3	65.5	64.7	64.0	63.3	62.7	500
600	356.3	253.1	201.5	170.5	149.9	135.1	124.1	115.5	108.6	103.0	98.3	94.3	90.9	87.9	85.4	83.1	81.1	79.3	77.6	76.1	74.8	73.6	72.5	71.4	70.5	69.6	68.8	68.0	67.3	600
700	401.1	283.5	224.7	189.5	165.9	149.1	136.6	126.8	118.9	112.5	107.2	102.6	98.8	95.4	92.5	89.9	87.6	85.5	83.6	82.0	80.4	79.0	77.8	76.6	75.5	74.5	73.6	72.7	71.9	700
800	445.9	314.0	248.0	208.4	182.0	163.2	149.0	138.0	129.2	122.0	116.1	111.0	106.6	102.9	99.6	96.6	94.1	91.7	89.7	87.8	86.1	84.5	83.1	81.7	80.5	79.4	78.4	77.4	76.5	800
900	490.7	344.4	271.2	227.3	198.1	177.2	161.5	149.3	139.6	131.6	124.9	119.3	114.5	110.3	106.6	[illegible]	100.6	98.0	95.7	93.6	91.7	90.0	88.4	86.9	85.6	84.3	83.1	82.1	81.1	900
1000	535.5	374.8	294.5	246.3	214.2	191.2	174.0	160.6	149.9	141.1	133.8	127.7	122.4	117.8	113.7	110.2	107.1	104.2	101.7	99.4	97.3	95.4	93.7	92.1	90.6	89.2	87.9	86.7	85.6	1000
1100	580.3	405.3	317.7	265.2	230.2	205.2	186.5	171.9	160.2	150.7	142.7	136.0	130.2	125.2	120.8	117.0	113.6	110.5	107.7	105.2	102.9	100.9	99.0	97.2	95.6	94.1	92.7	91.4	90.2	1100
1200	625.1	435.7	341.0	284.2	246.3	219.2	199.0	183.2	170.6	160.2	151.6	144.3	138.1	132.7	127.9	123.8	120.1	116.7	113.7	111.0	108.6	106.3	104.3	102.4	100.6	99.0	97.5	96.1	94.8	1200
1300	669.9	466.1	364.3	303.1	262.4	233.3	211.4	194.5	180.9	169.8	160.5	152.7	146.0	140.1	135.0	130.5	126.5	123.0	119.8	116.8	114.2	111.8	109.6	107.5	105.7	103.9	102.3	100.8	99.4	1300
1400	714.7	496.6	387.5	322.1	278.4	247.3	223.9	205.8	191.2	179.3	169.4	161.0	153.8	147.6	142.1	137.3	133.0	129.2	125.8	122.7	119.8	117.2	114.9	112.7	110.7	108.8	107.1	105.5	104.0	1400
1500	759.5	527.0	410.8	341.0	294.5	261.3	236.4	217.0	201.5	188.9	178.3	169.3	161.7	155.0	149.2	144.1	139.5	135.5	131.8	128.5	125.5	122.7	120.2	117.8	115.7	113.7	111.9	110.2	108.6	1500
1600	804.3	557.4	434.0	360.0	310.6	275.3	248.9	228.3	211.9	198.4	187.2	177.7	169.6	162.5	156.3	150.9	146.0	141.7	137.8	134.3	131.1	128.2	125.5	123.0	120.7	118.6	116.7	114.8	113.1	1600
1700	849.1	587.9	457.3	378.9	326.7	289.4	261.4	239.6	222.2	208.0	196.1	186.0	177.4	169.9	163.4	157.7	152.5	148.0	143.8	140.1	136.7	133.6	130.8	128.2	125.8	123.5	121.4	119.5	117.7	1700
1800	893.9	618.3	480.5	397.9	342.7	303.4	273.9	250.9	232.5	217.5	205.0	194.4	185.3	177.4	170.5	164.4	159.0	154.2	149.9	145.9	142.3	139.1	136.1	133.3	130.8	128.4	126.2	124.2	122.3	1800
1900	938.7	648.8	503.8	416.8	358.8	317.4	286.3	262.2	242.8	227.0	213.9	202.7	193.1	184.9	177.6	171.2	165.5	160.2	155.9	151.7	148.0	144.5	141.4	138.5	135.8	133.3	131.0	128.9	126.9	1900
2000	983.5	679.2	527.0	435.8	374.9	331.4	298.8	273.5	253.2	236.6	222.8	211.0	201.0	192.3	184.7	178.0	172.0	166.7	161.9	157.5	153.6	150.0	146.7	143.6	140.8	138.2	135.8	133.6	131.5	2000
2100	1,028.3	709.6	550.3	454.7	391.0	345.4	311.3	284.8	263.5	246.1	231.6	219.4	208.9	199.8	191.8	184.8	178.5	172.9	167.9	163.4	159.2	155.4	152.0	148.8	145.9	143.1	140.6	138.2	136.0	2100
2200	1,073.1	740.1	573.6	473.6	407.0	359.5	323.8	296.0	273.8	255.7	240.5	227.7	216.7	207.2	198.9	191.5	185.0	179.2	173.9	169.2	164.8	160.9	157.3	153.9	150.9	148.0	145.4	142.9	140.6	2200
2300	1,117.9	770.5	596.8	492.6	423.1	373.5	336.3	307.3	284.2	265.2	249.4	236.1	224.6	214.7	206.0	198.3	191.5	185.4	179.9	175.0	170.5	166.4	162.6	159.1	155.9	152.9	150.2	147.6	145.2	2300
2400	1,162.7	800.9	620.1	511.5	439.2	387.5	348.8	318.6	294.5	274.8	258.3	244.4	232.5	222.1	213.1	205.1	198.0	191.7	186.0	180.8	176.1	171.8	167.9	164.3	160.9	157.8	155.0	152.3	149.8	2400
Term. 2/	87.480	70.455	61.940	56.830	53.425	50.995	49.170	47.750	46.615	45.685	44.915	44.260	43.695	43.210	42.785	42.410	42.075	41.775	41.510	41.265	41.045	40.840	40.655	40.485	40.330	40.185	40.050	39.925	39.805	Term. 2/
L. H. 3/	.44800	.30437	.23255	.18946	.16073	.14021	.12483	.11286	.10328	.09545	.08892	.08339	.07866	.07455	.07096	.06779	.06498	.06246	.06019	.05814	.05627	.05457	.05301	.05157	.05025	.04902	.04788	.04682	.04583	L. H. 3/

1/ Based on a tare weight of 22.7 tons and a ratio of empty car miles to loaded car miles of 0.333. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.22.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.31.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

TABLE 71.—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.0	16.7	14.3	12.5	11.2	10.1	9.1	8.4	7.7	7.2	6.7	6.3	5.9	5.6	5.3	5.1	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	10
20	20.9	17.5	15.0	13.1	11.7	10.5	9.6	8.8	8.1	7.6	7.1	6.6	6.3	5.9	5.6	5.3	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	20
30	21.8	18.2	15.6	13.7	12.2	11.0	10.0	9.2	8.5	7.9	7.4	7.0	6.6	6.2	5.9	5.6	5.4	5.1	4.9	4.7	4.6	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5	3.4	30
40	22.7	19.0	16.3	14.3	12.8	11.5	10.5	9.6	8.9	8.3	7.8	7.3	6.9	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	40
50	23.6	19.7	17.0	14.9	13.3	12.0	10.9	10.1	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.4	5.2	5.0	4.9	4.7	4.5	4.4	4.3	4.1	4.0	3.9	3.8	50
60	24.5	20.5	17.6	15.5	13.8	12.5	11.4	10.5	9.7	9.1	8.5	8.0	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	60
70	25.4	21.2	18.3	16.1	14.3	13.0	11.8	10.9	10.1	9.4	8.8	8.3	7.9	7.4	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.2	5.0	4.8	4.7	4.6	4.4	4.3	4.2	70
80	26.3	22.0	18.9	16.7	14.9	13.5	12.3	11.3	10.5	9.8	9.2	8.6	8.2	7.8	7.4	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	80
90	27.2	22.8	19.6	17.2	15.4	13.9	12.7	11.7	10.9	10.2	9.5	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.6	90
100	28.1	23.5	20.3	17.8	15.9	14.4	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.4	8.0	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.1	4.9	4.8	100
120	29.8	25.0	21.6	19.0	17.0	15.4	14.1	13.0	12.1	11.3	10.6	10.0	9.4	9.0	8.6	8.2	7.8	7.5	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	5.2	120
140	31.6	26.5	22.9	20.2	18.1	16.4	15.0	13.8	12.8	12.0	11.3	10.6	10.1	9.6	9.1	8.7	8.4	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	6.2	6.0	5.9	5.7	5.6	140
160	33.4	28.1	24.2	21.4	19.1	17.3	15.9	14.7	13.6	12.7	12.0	11.3	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.4	7.2	7.0	6.8	6.6	6.5	6.3	6.1	6.0	160
180	35.2	29.6	25.6	22.5	20.2	18.3	16.8	15.5	14.4	13.5	12.7	12.0	11.4	10.8	10.3	9.9	9.5	9.1	8.8	8.5	8.2	7.9	7.7	7.5	7.2	7.1	6.9	6.7	6.5	6.4	180
200	37.0	31.1	26.9	23.7	21.3	19.3	17.7	16.3	15.2	14.2	13.4	12.6	12.0	11.4	10.9	10.4	10.0	9.6	9.3	9.0	8.7	8.4	8.1	7.9	7.7	7.5	7.3	7.1	6.9	6.8	200
220	38.8	32.6	28.2	24.9	22.3	20.3	18.6	17.2	16.0	15.0	14.1	13.3	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.1	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.4	7.2	220
240	40.6	34.1	29.5	26.1	23.4	21.2	19.5	18.0	16.8	15.7	14.8	14.0	13.3	12.6	12.1	11.6	11.1	10.7	10.3	10.0	9.6	9.3	9.1	8.8	8.6	8.3	8.1	7.9	7.8	7.6	240
260	42.4	35.6	30.8	27.2	24.4	22.2	20.4	18.8	17.6	16.4	15.5	14.6	13.9	13.2	12.7	12.1	11.6	11.2	10.8	10.5	10.1	9.8	9.5	9.3	9.0	8.8	8.6	8.4	8.2	8.0	260
280	44.1	37.2	32.2	28.4	25.5	23.2	21.3	19.7	18.3	17.2	16.2	15.3	14.5	13.9	13.2	12.7	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	9.0	8.8	8.6	8.4	280
300	45.9	38.7	33.5	29.6	26.6	24.2	22.2	20.5	19.1	17.9	16.9	16.0	15.2	14.5	13.8	13.3	12.7	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.9	9.6	9.4	9.2	9.0	8.8	300
320	47.7	40.2	34.8	30.8	27.6	25.1	23.1	21.4	19.9	18.7	17.6	16.7	15.8	15.1	14.4	13.8	13.3	12.8	12.4	11.9	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	9.2	320
340	49.5	41.7	36.1	31.9	28.7	26.1	24.0	22.2	20.7	19.4	18.3	17.3	16.5	15.7	15.0	14.4	13.8	13.3	12.9	12.4	12.0	11.7	11.4	11.0	10.8	10.5	10.2	10.0	9.8	9.6	340
360	51.3	43.2	37.4	33.1	29.8	27.1	24.9	23.0	21.5	20.1	19.0	18.0	17.1	16.3	15.6	15.0	14.4	13.9	13.4	12.9	12.5	12.2	11.8	11.5	11.2	10.9	10.7	10.4	10.2	10.0	360
380	53.1	44.7	38.8	34.3	30.8	28.0	25.8	23.9	22.3	20.9	19.7	18.7	17.7	16.9	16.2	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.3	11.9	11.6	11.3	11.1	10.8	10.6	10.4	380
400	54.9	46.2	40.1	35.5	31.9	29.0	26.7	24.7	23.0	21.6	20.4	19.3	18.4	17.5	16.8	16.1	15.5	14.9	14.4	13.9	13.5	13.1	12.7	12.4	12.1	11.8	11.5	11.2	11.0	10.8	400
420	56.7	47.8	41.4	36.7	32.9	30.0	27.6	25.5	23.8	22.4	21.1	20.0	19.0	18.1	17.4	16.7	16.0	15.4	14.9	14.4	14.0	13.6	13.2	12.8	12.5	12.2	11.9	11.7	11.4	11.2	420
440	58.4	49.3	42.7	37.8	34.0	31.0	28.5	26.4	24.6	23.1	21.8	20.7	19.6	18.7	17.9	17.2	16.6	16.0	15.4	14.9	14.5	14.0	13.7	13.3	13.0	12.6	12.3	12.1	11.8	11.6	440
460	60.2	50.8	44.1	39.0	35.1	31.9	29.4	27.2	25.4	23.8	22.5	21.3	20.3	19.4	18.5	17.8	17.1	16.5	15.9	15.4	15.0	14.5	14.1	13.7	13.4	13.1	12.8	12.5	12.2	12.0	460
480	62.0	52.3	45.4	40.2	36.1	32.9	30.3	28.0	26.2	24.6	23.2	22.0	20.9	20.0	19.1	18.3	17.7	17.0	16.4	15.9	15.4	15.0	14.6	14.2	13.8	13.5	13.2	12.9	12.6	12.4	480
500	63.8	53.8	46.7	41.4	37.2	33.9	31.2	28.9	27.0	25.3	23.9	22.7	21.6	20.6	19.7	18.9	18.2	17.6	17.0	16.4	15.9	15.5	15.0	14.6	14.3	13.9	13.6	13.3	13.0	12.8	500
600	72.7	61.4	53.3	47.2	42.5	38.7	35.6	33.1	30.9	29.0	27.4	26.0	24.7	23.6	22.6	21.7	20.9	20.2	19.5	18.9	18.3	17.8	17.3	16.9	16.5	16.1	15.7	15.4	15.0	14.7	600
700	81.7	69.0	59.9	53.1	47.8	43.6	40.1	37.3	34.8	32.7	30.9	29.3	27.9	26.7	25.6	24.6	23.7	22.8	22.1	21.4	20.8	20.2	19.6	19.1	18.7	18.2	17.8	17.4	17.1	16.7	700
800	90.6	76.6	66.5	59.0	53.1	48.5	44.6	41.4	38.7	36.4	34.4	32.7	31.1	29.7	28.5	27.4	26.4	25.5	24.6	23.9	23.2	22.5	21.9	21.4	20.9	20.4	19.9	19.5	19.1	18.7	800
900	99.5	84.1	73.1	64.9	58.5	53.3	49.1	45.6	42.7	40.1	37.9	36.0	34.3	32.8	31.4	30.2	29.1	28.1	27.2	26.4	25.6	24.9	24.2	23.6	23.0	22.5	22.0	21.6	21.1	20.7	900
1000	108.5	91.7	79.7	70.8	63.[illegible]	58.2	53.6	49.8	46.6	43.8	41.4	39.3	37.5	35.8	34.4	33.0	31.8	30.8	29.8	28.9	28.0	27.2	26.5	25.9	25.2	24.7	24.1	23.6	23.1	22.7	1000
1100	117.4	99.3	86.3	76.6	69.1	63.0	58.1	54.0	50.5	47.5	44.9	42.7	40.7	38.9	37.3	35.9	34.6	33.4	32.3	31.3	30.4	29.6	28.8	28.1	27.4	26.8	26.2	25.7	25.2	24.7	1100
1200	126.3	106.9	92.9	82.5	74.4	67.9	62.6	58.2	54.4	51.2	48.4	46.0	43.8	41.9	40.2	38.7	37.3	36.0	34.9	33.8	32.9	32.0	31.1	30.3	29.6	29.0	28.3	27.7	27.2	26.7	1200
1300	135.3	114.4	99.6	88.4	79.7	72.8	67.1	62.4	58.3	54.9	51.9	49.3	47.0	45.0	43.2	41.5	40.0	38.7	37.4	36.3	35.3	34.3	33.4	32.6	31.8	31.1	30.4	29.8	29.2	28.7	1300
1400	144.2	122.0	106.2	94.3	85.0	77.6	71.6	66.5	62.3	58.6	55.4	52.7	50.2	48.0	46.1	44.3	42.8	41.3	40.0	38.8	37.7	36.7	35.7	34.8	34.0	33.3	32.5	31.9	31.2	30.6	1400
1500	153.1	129.6	112.8	100.2	90.3	82.5	76.1	70.7	66.2	62.3	58.9	56.0	53.4	51.1	49.0	47.2	45.5	44.0	42.6	41.3	40.1	39.0	38.0	37.1	36.2	35.4	34.6	33.9	33.3	32.6	1500
1600	162.1	137.2	119.4	106.0	95.7	87.4	80.6	74.9	70.1	66.0	62.5	59.3	56.6	54.1	52.0	50.0	48.2	46.6	45.1	43.8	42.5	41.4	40.3	39.3	38.4	37.5	36.7	36.0	35.3	34.6	1600
1700	171.0	144.7	126.0	111.9	101.0	92.2	85.1	79.1	74.0	69.7	66.0	62.7	59.8	57.2	54.9	52.8	50.9	49.2	47.7	46.3	44.9	43.7	42.6	41.6	40.6	39.7	38.8	38.1	37.3	36.6	1700
1800	179.9	152.3	132.6	117.8	106.3	97.1	89.5	83.3	78.0	73.4	69.5	66.0	63.0	60.3	57.8	55.7	53.7	51.9	50.2	48.7	47.4	46.1	44.9	43.8	42.8	41.8	40.9	40.1	39.3	38.6	1800
1900	188.9	159.9	139.2	123.7	111.6	101.9	94.0	87.5	81.9	77.1	73.0	69.3	66.1	63.3	60.8	58.5	56.4	54.5	52.8	51.2	49.8	48.4	47.2	46.1	45.0	44.0	43.1	42.2	41.4	40.6	1900
2000	197.8	167.5	145.8	129.6	116.9	106.8	98.5	91.6	85.8	80.8	76.5	72.7	69.3	66.4	63.7	61.3	59.1	57.2	55.4	53.7	52.2	50.8	49.5	48.3	47.2	46.1	45.2	44.2	43.4	42.6	2000
2100	206.7	175.1	152.4	135.4	122.2	111.7	103.0	95.8	89.7	84.5	80.0	76.0	72.5	69.4	66.6	64.1	61.9	59.8	57.9	56.2	54.6	53.2	51.8	50.5	49.4	48.3	47.3	46.3	45.4	44.6	2100
2200	215.7	182.6	159.0	141.3	127.5	116.5	107.5	100.0	93.6	88.2	83.5	79.3	75.7	72.5	69.6	67.0	64.6	62.4	60.5	58.7	57.0	55.5	54.1	52.8	51.6	50.4	49.4	48.4	47.4	46.5	2200
2300	224.6	190.2	165.6	147.2	132.9	121.4	112.0	104.2	97.6	91.9	87.0	82.7	78.9	75.5	72.5	69.8	67.3	65.1	63.0	61.2	59.5	57.9	56.4	55.0	53.8	52.6	51.5	50.4	49.4	48.5	2300
2400	233.5	197.8	172.2	153.1	138.2	126.3	116.5	108.4	101.5	95.6	90.5	86.0	82.1	78.6	75.4	72.6	70.1	67.7	65.6	63.7	61.9	60.2	58.7	57.3	56.0	54.7	53.6	52.5	51.5	50.5	2400
2500	242.5	205.4	178.8	159.0	143.5	131.1	121.0	112.6	105.4	99.3	94.0	89.4	85.3	81.6	78.4	75.4	72.8	70.4	68.2	66.2	64.3	62.6	61.0	59.5	58.2	56.9	55.7	54.6	53.5	52.5	2500
2600	251.4	212.9	185.4	164.8	148.8	136.0	125.5	116.7	109.3	103.0	97.5	92.7	88.4	84.7	81.3	78.3	75.5	73.0	70.7	68.6	66.7	64.9	63.3	61.8	60.3	59.0	57.8	56.6	55.5	54.5	2600
2700	260.3	220.5	192.1	170.7	154.1	140.8	130.0	120.9	113.3	106.7	101.0	96.0	91.6	87.7	84.2	81.1	78.2	75.7	73.3	71.1	69.1	67.3	65.6	64.0	62.5	61.2	59.9	58.7	57.5	56.5	2700
Term. 2/	19.128	15.940	13.663	11.955	10.627	9.564	8,695	7.970	7.357	6.831	6.376	5.978	5.626	5.313	5.034	4.782	4.554	4.347	4.158	3.985	3.826	3.678	3.542	3.416	3.298	3.188	3.085	2.989	2.898	2.813	Term. 2/
L. H. 3/	.089340	.075767	.066071	.058800	.053144	.048620	.044918	.041833	.039223	.036986	.035047	.033350	.031853	.030522	.029332	.028260	.027290	.026409	.025604	.024867	.024188	.023562	.022981	.022443	.021941	.021473	.021035	.020625	.020239	.019876	L. H. 3/

1/ Based on a tare weight of 22.5 tons and a ratio of empty car miles to loaded car miles of 0.351. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 71 (Concluded).—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	10
20	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.3	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	30
40	3.5	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	50
60	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	60
70	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	70
80	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	80
90	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	90
100	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	2.9	100
120	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	120
140	5.5	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.5	3.5	140
160	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	3.8	3.8	160
180	6.2	6.1	6.0	5.9	5.8	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.1	180
200	6.6	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	200
220	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	220
240	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	240
260	7.8	7.7	7.5	7.4	7.2	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.3	5.2	260
280	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	280
300	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.8	300
320	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	6.1	320
340	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	340
360	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	6.9	6.8	6.8	6.7	6.6	360
380	10.2	10.0	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	380
400	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.8	8.7	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.3	7.2	400
420	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.5	8.4	8.3	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.6	7.5	420
440	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.8	440
460	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.1	460
480	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	8.5	8.4	8.3	480
500	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.3	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	500
600	14.5	14.2	13.9	13.7	13.5	13.2	13.0	12.8	12.6	12.5	12.3	12.1	12.0	11.8	11.7	11.5	11.4	11.3	11.2	11.0	10.9	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.1	600
700	16.4	16.1	15.8	15.5	15.3	15.0	14.8	14.6	14.4	14.2	14.0	13.8	13.6	13.5	13.3	13.1	13.0	12.9	12.7	12.6	12.5	12.3	12.2	12.1	12.0	11.9	11.8	11.7	11.6	11.5	700
800	18.4	18.0	17.7	17.4	17.1	16.9	16.6	16.4	16.1	15.9	15.7	15.5	15.3	15.1	14.9	14.7	14.6	14.4	14.3	14.1	14.0	13.8	13.7	13.6	13.5	13.3	13.2	13.1	13.0	12.9	800
900	20.3	19.9	19.6	19.3	19.0	18.7	18.4	18.1	17.9	17.6	17.4	17.2	16.9	16.7	16.5	16.4	16.2	16.0	15.8	15.7	15.5	15.4	15.2	15.1	14.9	14.8	14.7	14.6	14.4	14.3	900
1000	22.3	21.9	21.5	21.1	20.8	20.5	20.2	19.9	19.6	19.3	19.1	18.8	18.6	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.0	16.9	16.7	16.6	16.4	16.3	16.1	16.0	15.9	15.8	1000
1100	24.2	23.8	23.4	23.0	22.6	22.3	21.9	21.6	21.3	21.0	20.8	20.5	20.3	20.0	19.8	19.6	19.3	19.1	18.9	18.8	18.6	18.4	18.2	18.1	17.9	17.7	17.6	17.5	17.3	17.2	1100
1200	26.2	25.7	25.3	24.9	24.5	24.1	23.7	23.4	23.1	22.8	22.5	22.2	21.9	21.7	21.4	21.2	20.9	20.7	20.5	20.3	20.1	19.9	19.7	19.6	19.4	19.2	19.1	18.9	18.8	18.6	1200
1300	28.1	27.6	27.2	26.7	26.3	25.9	25.5	25.2	24.8	24.5	24.2	23.9	23.6	23.3	23.0	22.8	22.5	22.3	22.1	21.8	21.6	21.4	21.2	21.0	20.9	20.7	20.5	20.4	20.2	20.0	1300
1400	30.1	29.6	29.1	28.6	28.1	27.7	27.3	26.9	26.5	26.2	25.9	25.5	25.2	24.9	24.6	24.4	24.1	23.9	23.6	23.4	23.2	22.9	22.7	22.5	22.3	22.2	22.0	21.8	21.6	21.5	1400
1500	32.0	31.5	30.9	30.4	30.0	29.5	29.1	28.7	28.3	27.9	27.5	27.2	26.9	26.6	26.3	26.0	25.7	25.4	25.2	24.9	24.7	24.5	24.2	24.0	23.8	23.6	23.4	23.2	23.1	22.9	1500
1600	34.0	33.4	32.8	32.3	31.8	31.3	30.9	30.4	30.0	29.6	29.2	28.9	28.5	28.2	27.9	27.6	27.3	27.0	26.7	26.5	26.2	26.0	25.7	25.5	25.3	25.1	24.9	24.7	24.5	24.3	1600
1700	35.9	35.3	34.7	34.2	33.6	33.1	32.6	32.2	31.8	31.3	30.9	30.6	30.2	29.8	29.5	29.2	28.9	28.6	28.3	28.0	27.8	27.5	27.3	27.0	26.8	26.6	26.3	26.1	25.9	25.7	1700
1800	37.9	37.2	36.6	36.0	35.5	34.9	34.4	33.9	33.5	33.1	32.6	32.2	31.9	31.5	31.1	30.8	30.5	30.2	29.9	29.6	29.3	29.0	28.8	28.5	28.3	28.0	27.8	27.6	27.4	27.2	1800
1900	39.8	39.2	38.5	37.9	37.3	36.7	36.2	35.7	35.2	34.8	34.3	33.9	33.5	33.1	32.8	32.4	32.1	31.7	31.4	31.1	30.8	30.5	30.3	30.0	29.7	29.5	29.3	29.0	28.8	28.6	1900
2000	41.8	41.1	40.4	39.7	39.1	38.6	38.0	37.5	37.0	36.5	36.0	35.6	35.2	34.8	34.4	34.0	33.6	33.3	33.0	32.7	32.3	32.1	31.8	31.5	31.2	31.0	30.7	30.5	30.2	30.0	2000
2100	43.8	43.0	42.3	41.6	41.0	40.4	39.8	39.2	38.7	38.2	37.7	37.3	36.8	36.4	36.0	35.6	35.2	34.9	34.5	34.2	33.9	33.6	33.3	33.0	32.7	32.4	32.2	31.9	31.7	31.4	2100
2200	45.7	44.9	44.2	43.5	42.8	42.2	41.6	41.0	40.4	39.9	39.4	38.9	38.5	38.0	37.6	37.2	36.8	36.4	36.1	35.7	35.4	35.1	34.8	34.5	34.2	33.9	33.6	33.4	33.1	32.9	2200
2300	47.7	46.8	46.1	45.3	44.6	44.0	43.3	42.7	42.2	41.6	41.1	40.6	40.1	39.7	39.2	38.8	38.4	38.0	37.6	37.3	36.9	36.6	36.3	36.0	35.7	35.4	35.1	34.8	34.6	34.3	2300
2400	49.6	48.8	48.0	47.2	46.5	45.8	45.1	44.5	43.9	43.3	42.8	42.3	41.8	41.3	40.9	40.4	40.0	39.6	39.2	38.8	38.5	38.1	37.8	37.5	37.1	36.8	36.5	36.3	36.0	35.7	2400
2500	51.6	50.7	49.8	49.1	48.4	47.6	46.9	46.3	45.6	45.1	44.5	44.0	43.4	43.0	42.5	42.0	41.6	41.2	40.8	40.4	40.0	39.6	39.3	39.0	38.6	38.3	38.0	37.7	37.4	37.2	2500
2600	53.5	52.6	51.7	50.9	50.1	49.4	48.7	48.0	47.4	46.8	46.2	45.6	45.1	44.6	44.1	43.6	43.2	42.7	42.3	41.9	41.5	41.2	40.8	40.4	40.1	39.8	39.5	39.2	38.9	38.6	2600
2700	55.5	54.5	53.6	52.8	52.0	51.2	50.5	49.8	49.1	48.5	47.9	47.3	46.8	46.2	45.7	45.2	44.8	44.3	43.9	43.5	43.1	42.7	42.3	41.9	41.6	41.2	40.9	40.6	40.3	40.0	2700
Term. 2/	2,733	2.657	2.585	2.517	2.452	2.391	2.333	2.277	2.224	2.174	2.125	2.079	2.035	1.993	1.952	1.913	1.875	1.839	1.805	1.771	1.739	1.708	1.678	1.649	1.621	1.594	1.568	1.543	1.518	1.494	Term. 2/
L. H. 3/	.019534	.0192[illegible]1	.018905	.018616	.018341	.018080	.017832	.017595	.017370	.017155	.016949	.016752	.016564	.016383	.016210	.016044	.015884	.015731	.015583	.015441	.015304	.015171	.015044	.014921	.014802	.014687	.014575	.014468	.014363	.014263	L. H. 3/

1/ Based on a tare weight of 22.5 tons and a ratio of empty car miles to loaded car miles of 0.351. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.
For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.
For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.
For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.
For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.
For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 72.—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.1	16.8	14.4	12.6	11.2	10.1	9.2	8.4	7.8	7.2	6.8	6.3	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	3.0	10
20	21.1	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	20
30	22.1	18.4	15.8	13.9	12.4	11.2	10.2	9.3	8.6	8.0	7.5	7.1	6.7	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	3.8	3.6	3.5	3.4	30
40	23.0	19.3	16.5	14.5	12.9	11.7	10.6	9.8	9.1	8.4	7.9	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	40
50	24.0	20.1	17.3	15.2	13.5	12.2	11.1	10.2	9.5	8.8	8.3	7.8	7.3	7.0	6.6	6.3	6.0	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.9	50
60	25.0	20.9	18.0	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.1	60
70	26.0	21.7	18.7	16.4	14.7	13.3	12.2	11.1	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.9	5.6	5.4	5.3	5.1	4.9	4.8	4.7	4.5	4.4	4.3	70
80	27.0	22.6	19.4	17.1	15.3	13.8	12.6	11.6	10.8	10.0	9.4	8.9	8.4	7.9	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	80
90	27.9	23.4	20.2	17.7	15.8	14.3	13.1	12.1	11.2	10.4	9.8	9.2	8.7	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.2	5.9	5.8	5.6	5.4	5.2	5.1	5.0	4.8	4.7	90
100	28.9	24.2	20.9	18.4	16.4	14.9	13.6	12.5	11.6	10.8	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.5	5.3	5.2	5.1	4.9	100
120	30.9	25.9	22.3	19.7	17.6	15.9	14.6	13.4	12.5	11.6	10.9	10.3	9.7	9.3	8.8	8.4	8.1	7.7	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	5.5	5.3	120
140	32.8	27.5	23.8	20.9	18.7	17.0	15.5	14.3	13.3	12.4	11.7	11.0	10.4	9.9	9.5	9.0	8.7	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.4	6.2	6.1	5.9	5.8	140
160	34.8	29.2	25.2	22.2	19.9	18.0	16.5	15.2	14.2	13.2	12.4	11.7	11.1	10.6	10.1	9.6	9.2	8.9	8.6	8.2	8.0	7.7	7.5	7.3	7.0	6.9	6.7	6.5	6.3	6.2	160
180	36.7	30.9	26.7	23.5	21.0	19.1	17.5	16.1	15.0	14.0	13.2	12.5	11.8	11.2	10.7	10.3	9.8	9.5	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	6.6	180
200	38.7	32.5	28.1	24.8	22.2	20.1	18.5	17.0	15.9	14.8	14.0	13.2	12.5	11.9	11.3	10.9	10.4	10.0	9.7	9.3	9.0	8.7	8.5	8.2	8.0	7.8	7.6	7.4	7.2	7.0	200
220	40.7	34.2	29.5	26.1	23.4	21.2	19.4	18.0	16.7	15.6	14.7	13.9	13.2	12.5	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.7	8.4	8.2	8.0	7.8	7.6	7.5	220
240	42.6	35.8	31.0	27.3	24.5	22.3	20.4	18.9	17.6	16.4	15.5	14.6	13.9	13.2	12.6	12.1	11.6	11.2	10.7	10.4	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	8.1	7.9	240
260	44.6	37.5	32.4	28.6	25.7	23.3	21.4	19.8	18.4	17.2	16.2	15.3	14.6	13.9	13.2	12.7	12.2	11.7	11.3	10.9	10.6	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.5	8.3	260
280	46.5	39.1	33.9	29.9	26.8	24.4	22.4	20.7	19.3	18.0	17.0	16.1	15.2	14.5	13.9	13.3	12.8	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.9	9.6	9.4	9.1	8.9	8.7	280
300	48.5	40.8	35.3	31.2	28.0	25.4	23.3	21.6	20.1	18.8	17.7	16.5	15.9	15.2	14.5	13.9	13.4	12.9	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.1	9.8	9.6	9.4	9.2	300
320	50.4	42.5	36.8	32.5	29.2	26.5	24.3	22.5	21.0	19.6	18.5	17.5	16.6	15.8	15.1	14.5	13.9	13.4	12.9	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.0	9.8	9.6	320
340	52.4	44.1	38.2	33.8	30.3	27.5	25.3	23.4	21.8	20.4	19.3	18.2	17.3	16.5	15.8	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.9	11.6	11.3	11.0	10.7	10.5	10.2	10.0	340
360	54.4	45.8	39.6	35.0	31.5	28.6	26.3	24.3	22.7	21.2	20.0	18.9	18.0	17.2	16.4	15.7	15.1	14.6	14.0	13.6	13.1	12.8	12.4	12.0	11.7	11.4	11.2	10.9	10.6	10.4	360
380	56.3	47.4	41.1	36.3	32.6	29.7	27.2	25.2	23.5	22.0	20.8	19.7	18.7	17.8	17.0	16.3	15.7	15.1	14.6	14.1	13.7	13.3	12.9	12.5	12.2	11.9	11.6	11.3	11.1	10.8	380
400	58.3	49.1	42.5	37.6	33.8	30.7	28.2	26.1	24.4	22.8	21.5	20.4	19.4	18.5	17.7	16.9	16.3	15.7	15.1	14.6	14.2	13.8	13.4	13.0	12.7	12.3	12.1	11.8	11.5	11.3	400
420	60.2	50.8	44.0	38.9	34.9	31.8	29.2	27.0	25.2	23.6	22.3	21.1	20.1	19.1	18.3	17.5	16.9	16.3	15.7	15.2	14.7	14.3	13.9	13.5	13.1	12.8	12.5	12.2	11.9	11.7	420
440	62.2	52.4	45.4	40.2	36.1	32.8	30.2	27.9	26.1	24.4	23.0	21.8	20.7	19.8	18.9	18.2	17.5	16.8	16.2	15.7	15.2	14.8	14.3	14.0	13.6	13.3	12.9	12.7	12.4	12.1	440
460	64.2	54.1	46.9	41.5	37.3	33.9	31.1	28.9	26.9	25.2	23.8	22.5	21.4	20.4	19.6	18.8	18.0	17.4	16.8	16.2	15.7	15.3	14.8	14.4	14.1	13.7	13.4	13.1	12.8	12.5	460
480	66.1	55.7	48.3	42.7	38.4	35.0	32.1	29.8	27.8	26.0	24.6	23.3	22.1	21.1	20.2	19.4	18.6	18.0	17.3	16.8	16.3	15.8	15.3	14.9	14.5	14.2	13.8	13.5	13.2	13.0	480
500	68.1	57.4	49.7	44.0	39.6	36.0	33.1	30.7	28.6	26.8	25.3	24.0	22.8	21.8	20.8	20.0	19.2	18.5	17.9	17.3	16.8	16.3	15.8	15.4	15.0	14.6	14.3	14.0	13.7	13.4	500
600	77.9	65.7	57.0	50.4	45.4	41.3	38.0	35.2	32.9	30.9	29.1	27.6	26.2	25.0	24.0	23.0	22.1	21.4	20.6	20.0	19.4	18.8	18.3	17.8	17.3	16.9	16.5	16.2	15.8	15.5	600
700	87.6	74.0	64.2	56.9	51.1	46.6	42.9	39.7	37.1	34.9	32.9	31.2	29.7	28.3	27.1	26.1	25.1	24.2	23.4	22.6	22.0	21.3	20.7	20.2	19.7	19.2	18.8	18.4	18.0	17.6	700
800	97.4	82.2	71.4	63.3	56.9	51.9	47.7	44.3	41.4	38.9	36.7	34.8	33.1	31.6	30.3	29.1	28.0	27.0	26.1	25.3	24.5	23.8	23.2	22.6	22.0	21.5	21.0	20.6	20.1	19.7	800
900	107.2	90.5	78.6	69.7	62.7	57.2	52.6	48.8	45.6	42.9	40.5	38.4	36.6	34.9	33.5	32.1	30.9	29.9	28.9	28.0	27.1	26.4	25.6	25.0	24.4	23.8	23.3	22.8	22.3	21.8	900
1000	117.0	98.8	85.8	76.1	68.5	62.5	57.5	53.4	49.9	46.9	44.3	42.0	40.0	38.2	36.6	35.2	33.9	32.7	31.6	30.6	29.7	28.9	28.1	27.4	26.7	26.1	25.5	24.9	24.4	23.9	1000
1100	126.8	107.1	93.1	82.5	74.3	67.7	62.4	57.9	54.1	50.9	48.1	45.6	43.4	41.5	39.8	38.2	36.8	35.5	34.4	33.3	32.3	31.4	30.6	29.8	29.1	28.4	27.7	27.1	26.6	26.1	1100
1200	136.6	115.4	100.3	88.9	80.1	73.0	67.3	62.4	58.4	54.9	51.8	49.2	46.9	44.8	42.9	41.3	39.7	38.4	37.1	36.0	34.9	33.9	33.0	32.2	31.4	30.7	30.0	29.3	28.7	28.2	1200
1300	146.4	123.7	107.6	95.3	85.9	78.3	72.1	67.0	62.6	58.9	55.6	52.8	50.3	48.1	46.1	44.3	42.7	41.2	39.9	38.6	37.5	36.4	35.5	34.6	33.7	33.0	32.2	31.5	30.9	30.3	1300
1400	156.2	132.0	114.7	101.7	91.7	83.6	77.0	71.5	66.9	62.9	59.4	56.4	53.7	51.4	49.2	47.3	45.6	44.0	42.6	41.3	40.1	39.0	37.9	37.0	36.1	35.2	34.5	33.7	33.0	32.4	1400
1500	165.9	140.3	121.9	108.2	97.5	88.9	81.9	76.1	71.1	66.9	63.2	60.0	57.2	54.7	52.4	50.4	48.5	46.9	45.3	44.0	42.7	41.5	40.4	39.4	38.4	37.5	36.7	35.9	35.2	34.5	1500
1600	175.7	148.6	129.1	114.6	103.2	94.2	86.8	80.6	75.4	70.9	67.0	63.6	60.6	57.9	55.6	53.4	51.5	49.7	48.1	46.6	45.3	44.0	42.8	41.8	40.8	39.8	38.9	38.1	37.4	36.6	1600
1700	185.5	156.8	136.4	121.0	109.0	99.5	91.7	85.1	79.6	74.9	70.8	67.2	64.0	61.2	58.7	56.5	54.4	52.5	50.8	49.3	47.8	46.5	45.3	44.2	43.1	42.1	41.2	40.3	39.5	38.7	1700
1800	195.3	165.1	143.6	127.4	114.8	104.8	96.5	89.7	83.9	78.9	74.6	70.8	67.5	64.5	61.9	59.5	57.3	55.4	53.6	51.9	50.4	49.0	47.8	46.6	45.4	44.4	43.4	42.5	41.7	40.9	1800
1900	205.1	173.4	150.8	133.8	120.6	110.1	101.4	94.2	88.1	82.9	78.4	74.4	70.9	67.8	65.0	62.5	60.3	58.2	56.3	54.6	53.0	51.6	50.2	49.0	47.8	46.7	45.7	44.7	43.8	43.0	1900
2000	214.9	181.7	158.0	140.2	126.4	115.3	106.3	98.8	92.4	86.9	82.2	78.0	74.4	71.1	68.2	65.6	63.2	61.0	59.1	57.3	55.6	54.1	52.7	51.4	50.1	49.0	47.9	46.9	46.0	45.1	2000
2100	224.7	190.0	165.2	146.6	132.2	120.6	111.2	103.3	96.6	90.9	86.0	81.6	77.8	74.4	71.3	68.6	66.1	63.9	61.8	59.9	58.2	56.6	55.1	53.7	52.5	51.3	50.2	49.1	48.1	47.2	2100
2200	234.5	198.3	172.4	153.1	138.0	125.9	116.1	107.8	100.9	94.9	89.7	85.2	81.2	77.7	74.5	71.7	69.1	66.7	64.6	62.6	60.8	59.1	57.6	56.1	54.8	53.6	52.4	51.3	50.3	49.3	2200
2300	244.3	206.6	179.7	159.5	143.8	131.2	120.9	112.4	105.1	98.9	93.5	88.8	84.7	81.0	77.7	74.7	72.0	69.6	67.3	65.3	63.4	61.6	60.0	58.5	57.2	55.9	54.6	53.5	52.4	51.4	2300
2400	254.0	214.9	186.9	165.9	149.6	136.5	125.8	116.9	109.4	102.9	97.3	92.4	88.1	84.3	80.8	77.7	74.9	72.4	70.1	67.9	66.0	64.2	62.5	60.9	59.5	58.1	56.9	55.7	54.6	53.5	2400
2500	263.8	223.1	194.1	172.3	155.3	141.8	130.7	121.5	113.6	106.9	101.1	96.0	91.5	87.5	84.0	80.8	77.9	75.2	72.8	70.6	68.6	66.7	64.9	63.3	61.8	60.4	59.1	57.9	56.7	55.6	2500
2600	273.6	231.4	201.3	178.7	161.1	147.1	135.6	126.0	117.9	110.9	104.9	99.6	95.0	90.8	87.1	83.8	80.8	78.1	75.6	73.3	71.2	69.2	67.4	65.7	64.2	62.7	61.4	60.1	58.9	57.8	2600
2700	283.4	239.7	208.5	185.1	166.9	152.4	140.5	130.5	122.1	114.9	108.7	103.2	98.4	94.1	90.3	86.8	83.7	80.9	78.3	75.9	73.7	71.7	69.9	68.1	66.5	65.0	63.6	62.3	61.0	59.9	2700
Term. 2/	19.128	15.940	13.663	11.955	10.627	9.564	8.695	7.970	7.357	6.831	6.376	5.978	5.626	5.313	5.034	4.782	4.554	4.347	4.158	3.985	3.826	3.678	3.542	3.416	3.298	3.188	3.085	2.989	2.898	2.813	Term. 2/
L. H. 3/	.097880	.082883	.072171	.064138	.057889	.052890	.048800	.045392	.042508	.040036	.037893	.036019	.034365	.032894	.031579	.030395	.029324	.028350	.027461	.026646	.025896	.025204	.024563	.023968	.023414	.022897	.022413	.021959	.021533	.021132	L. H. 3/

1/ Based on a tare weight of 17.4 tons and a ratio of empty car miles to loaded car miles of 0.723. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 72 (Concluded).--TERRITORY NO. 11 - TOTAL WESTERN, Including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	10
20	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	30
40	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.8	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	70
80	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	100
120	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	120
140	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.6	140
160	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	160
180	6.5	6.3	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	180
200	6.9	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	200
220	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	220
240	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	240
260	8.1	8.0	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	260
280	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.7	280
300	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.2	6.1	6.0	6.0	300
320	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.2	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	6.3	320
340	9.8	9.6	9.4	9.2	9.1	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.8	6.7	6.6	6.6	340
360	10.2	10.0	9.8	9.6	9.4	9.3	9.1	9.0	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	[illegible]	7.5	7.4	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.9	360
380	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.4	8.3	8.2	8.1	8.0	[illegible]	7.8	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.2	380
400	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.2	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	7.5	400
420	11.4	11.2	11.0	10.8	10.6	10.4	10.3	10.1	9.9	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.8	420
440	11.9	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.5	8.4	8.3	8.2	8.1	8.1	440
460	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.6	9.5	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	8.5	8.4	8.4	460
480	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	480
500	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.5	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	9.0	500
600	15.2	14.9	14.6	14.4	14.1	13.9	13.7	13.4	13.2	13.0	12.9	12.7	12.5	12.4	12.2	12.1	11.9	11.8	11.6	11.5	11.4	11.3	11.2	11.0	10.9	10.8	10.7	10.6	10.5	10.5	600
700	17.3	16.9	16.6	16.3	16.1	15.8	15.5	15.3	15.1	14.9	14.7	14.5	14.3	14.1	13.9	13.7	13.6	13.4	13.3	13.1	13.0	12.9	12.7	12.6	12.5	12.4	12.3	12.2	12.0	11.9	700
800	19.3	19.0	18.6	18.3	18.0	17.7	17.4	17.2	16.9	16.7	16.4	16.2	16.0	15.8	15.6	15.4	15.3	15.1	14.9	14.8	14.6	14.5	14.3	14.2	14.0	13.9	13.8	13.7	13.6	13.4	800
900	21.4	21.0	20.6	20.3	19.9	19.6	19.3	19.0	18.8	18.5	18.2	18.0	17.8	17.5	17.3	17.1	16.9	16.7	16.6	16.4	16.2	16.0	15.9	15.7	15.6	15.5	15.3	15.2	15.1	14.9	900
1000	23.5	23.1	22.6	22.3	21.9	21.5	21.2	20.9	20.6	20.3	20.0	19.8	19.5	19.3	19.0	18.8	18.6	18.4	18.2	18.0	17.8	17.6	17.5	17.3	17.1	17.0	16.8	16.7	16.6	16.4	1000
1100	25.6	25.1	24.6	24.2	23.8	23.5	23.1	22.8	22.4	22.1	21.8	21.5	21.3	21.0	20.7	20.5	20.3	20.0	19.8	19.6	19.4	19.2	19.1	18.9	18.7	18.5	18.4	18.2	18.1	17.9	1100
1200	27.6	27.1	26.7	26.2	25.8	25.4	25.0	24.6	24.3	23.9	23.6	23.3	23.0	22.7	22.5	22.2	21.9	21.7	21.5	21.2	21.0	20.8	20.6	20.4	20.3	20.1	19.9	19.7	19.6	19.4	1200
1300	29.7	29.2	28.7	28.2	27.7	27.3	26.9	26.5	26.1	25.7	25.4	25.1	24.7	24.4	24.2	23.9	23.6	23.4	23.1	22.9	22.6	22.4	22.2	22.0	21.8	21.6	21.4	21.2	21.1	20.9	1300
1400	31.8	31.2	30.7	30.2	29.7	29.2	28.8	28.3	27.9	27.5	27.2	26.8	26.5	26.2	25.9	25.6	25.3	25.0	24.7	24.5	24.3	24.0	23.8	23.6	23.4	23.2	23.0	22.8	22.6	22.4	1400
1500	33.9	33.3	32.7	32.1	31.6	31.1	30.6	30.2	29.8	29.4	29.0	28.6	28.2	27.9	27.6	27.3	27.0	26.7	26.4	26.1	25.9	25.6	25.4	25.1	24.9	24.7	24.5	24.3	24.1	23.9	1500
1600	35.9	35.3	34.7	34.1	33.5	33.0	32.5	32.1	31.6	31.2	30.8	30.4	30.0	29.6	29.3	28.9	28.6	28.3	28.0	27.7	27.5	27.2	26.9	26.7	26.5	26.2	26.0	25.8	25.6	25.4	1600
1700	38.0	37.3	36.7	36.1	35.5	34.9	34.4	33.9	33.4	33.0	32.6	32.1	31.7	31.4	31.0	30.6	30.3	30.0	29.7	29.4	29.1	28.8	28.5	28.3	28.0	27.8	27.5	27.3	27.1	26.9	1700
1800	40.1	39.4	38.7	38.0	37.4	36.9	36.3	35.8	35.3	34.8	34.3	33.9	33.5	33.1	32.7	32.3	32.0	31.6	31.3	31.0	30.7	30.4	30.1	29.8	29.6	29.3	29.1	28.8	28.6	28.4	1800
1900	42.2	41.4	40.7	40.0	39.4	38.8	38.2	37.6	37.1	36.6	36.1	35.7	35.2	34.8	34.4	34.0	33.6	33.3	32.9	32.6	32.3	32.0	31.7	31.4	31.1	30.9	30.6	30.3	30.1	29.9	1900
2000	44.2	43.5	42.7	42.0	41.3	40.7	40.1	39.5	39.0	38.4	37.9	37.4	37.0	36.5	36.1	35.7	35.3	34.9	34.6	34.2	33.9	33.6	33.3	33.0	32.7	32.4	32.1	31.9	31.6	31.4	2000
2100	46.3	45.5	44.7	44.0	43.3	42.6	42.0	41.4	40.8	40.2	39.7	39.2	38.7	38.3	37.8	37.4	37.0	36.6	36.2	35.9	35.5	35.2	34.8	34.5	34.2	33.9	33.6	33.4	33.1	32.8	2100
2200	48.4	47.5	46.7	45.9	45.2	44.5	43.9	43.2	42.6	42.0	41.5	41.0	40.5	40.0	39.5	39.1	38.7	38.3	37.9	37.5	37.1	36.8	36.4	36.1	35.8	35.5	35.2	34.9	34.6	34.3	2200
2300	50.5	49.6	48.7	47.9	47.2	46.4	45.7	45.1	44.5	43.9	43.3	42.7	42.2	41.7	41.2	40.8	40.3	39.9	39.5	39.1	38.7	38.4	38.0	37.7	37.3	37.0	36.7	36.4	36.1	35.8	2300
2400	52.5	51.6	50.7	49.9	49.1	48.3	47.6	46.9	46.3	45.7	45.1	44.5	44.0	43.4	42.9	42.5	42.0	41.6	41.1	40.7	40.3	39.9	39.6	39.2	38.9	38.5	38.2	37.9	37.6	[illegible]	2400
2500	54.6	53.6	52.7	51.9	51.0	50.3	49.5	48.8	48.1	47.5	46.9	46.3	45.7	45.2	44.7	44.2	43.7	43.2	42.8	42.3	41.9	41.5	41.2	40.8	40.4	40.1	39.8	39.4	39.1	[illegible]	2500
2600	56.7	55.7	54.7	53.8	53.0	52.2	51.4	50.7	50.0	49.3	48.7	48.0	47.5	46.9	46.4	45.8	45.4	44.9	44.4	44.0	43.5	43.1	42.7	42.4	42.0	41.6	41.3	40.9	40.6	40.3	2600
2700	58.8	57.7	56.7	55.8	54.9	54.1	53.3	52.5	51.8	51.1	50.4	49.8	49.2	48.6	48.1	47.5	47.0	46.5	46.1	45.6	45.2	44.7	44.3	43.9	43.5	43.2	42.8	42.5	42.1	41.8	2700
Term. 2/	2.733	2.657	2.585	2.517	2.452	2.391	2.333	2.277	2.224	2.174	2.125	2.079	2.035	1.993	1.952	1.913	1.875	1.839	1.805	1.771	1.739	1.706	1.678	1.649	1.621	1.594	1.568	1.543	1.518	1.494	Term. 2/
L. H. 3/	.020754	.020397	.020059	.019739	.019436	.019148	.018873	.018612	.018363	.018125	.017898	.017680	.017472	.017273	.017082	.016898	.016722	.016552	.016389	.016231	.016080	.015934	.015793	.015657	.015525	.015398	.015275	.015156	.015041	.014930	L. H. 3/

1/ Based on a tare weight of 17.4 tons and a ratio of empty car miles to loaded car miles of 0.723. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 73.--TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.3	16.9	14.5	12.7	11.3	10.2	9.3	8.5	7.8	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	10
20	21.4	17.9	15.3	13.4	12.0	10.8	9.8	9.0	8.3	7.8	7.2	6.8	6.4	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	20
30	22.6	18.9	16.2	14.2	12.6	11.4	10.4	9.5	8.8	8.2	7.7	7.2	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.8	3.7	3.6	3.5	30
40	23.7	19.8	17.0	14.9	13.3	12.0	11.0	10.1	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	40
50	24.9	20.8	17.9	15.7	14.0	12.6	11.5	10.6	9.8	9.1	8.6	8.0	7.6	7.2	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	50
60	26.0	21.8	18.7	16.4	14.7	13.2	12.1	11.1	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.5	4.3	4.2	60
70	27.2	22.7	19.6	17.2	15.3	13.9	12.7	11.6	10.8	10.1	9.4	8.9	8.4	7.9	7.6	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.5	70
80	28.3	23.7	20.4	17.9	16.0	14.5	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	5.0	4.8	4.7	80
90	29.5	24.7	21.2	18.7	16.7	15.1	13.8	12.7	11.8	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.2	7.0	6.7	6.5	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.1	4.9	90
100	30.6	25.6	22.1	19.4	17.4	15.7	14.3	13.2	12.3	11.4	10.7	10.1	9.6	9.1	8.6	8.2	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.8	5.6	5.4	5.3	5.2	100
120	32.9	27.6	23.8	20.9	18.7	16.9	15.5	14.3	13.2	12.4	11.6	10.9	10.3	9.8	9.4	8.9	8.6	8.2	7.9	7.6	7.3	7.1	6.9	6.7	6.5	6.3	6.1	5.9	5.8	5.6	120
140	35.2	29.5	25.5	22.4	20.1	18.2	16.6	15.3	14.2	13.3	12.5	11.8	11.1	10.6	10.1	9.6	9.2	8.9	8.5	8.2	7.9	7.7	7.4	7.2	7.0	6.8	6.6	6.4	6.3	6.1	140
160	37.5	31.5	27.1	23.9	21.4	19.4	17.7	16.4	15.2	14.2	13.3	12.6	11.9	11.3	10.8	10.3	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	7.1	6.9	6.8	6.6	160
180	39.8	33.4	28.8	25.4	22.7	20.6	18.9	17.4	16.2	15.1	14.2	13.4	12.7	12.1	11.5	11.0	10.6	10.1	9.8	9.4	9.1	8.8	8.5	8.3	8.0	7.8	7.6	7.4	7.2	7.1	180
200	42.1	35.3	30.5	26.9	24.1	21.8	20.0	18.5	17.2	16.0	15.1	14.2	13.5	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	200
220	44.4	37.3	32.2	28.4	25.4	23.1	21.1	19.5	18.1	17.0	16.0	15.1	14.3	13.6	13.0	12.4	11.9	11.4	11.0	10.6	10.3	9.9	9.6	9.4	9.1	8.8	8.6	8.4	8.2	8.0	220
240	46.7	39.2	33.9	29.9	26.8	24.3	22.3	20.6	19.1	17.9	16.8	15.9	15.1	14.3	13.7	13.1	12.6	12.1	11.6	11.2	10.9	10.5	10.2	9.9	9.6	9.4	9.1	8.9	8.7	8.5	240
260	49.0	41.2	35.6	31.4	28.1	25.5	23.4	21.6	20.1	18.8	17.7	16.7	15.9	15.1	14.4	13.8	13.2	12.7	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.9	9.6	9.4	9.2	9.0	260
280	51.3	43.1	37.3	32.9	29.5	26.7	24.5	22.7	21.1	19.7	18.6	17.5	16.6	15.8	15.1	14.5	13.9	13.4	12.9	12.4	12.0	11.6	11.3	11.0	10.7	10.4	10.1	9.9	9.6	9.4	280
300	53.6	45.0	38.9	34.4	30.8	28.0	25.6	23.7	22.1	20.7	19.4	18.4	17.4	16.6	15.8	15.2	14.6	14.0	13.5	13.0	12.6	12.2	11.9	11.5	11.2	10.9	10.6	10.4	10.1	9.9	300
320	55.9	47.0	40.6	35.9	32.2	29.2	26.8	24.8	23.0	21.6	20.3	19.2	18.2	17.3	16.6	15.9	15.2	14.7	14.1	13.6	13.2	12.8	12.4	12.1	11.7	11.4	11.1	10.9	10.6	10.4	320
340	58.2	48.9	42.3	37.4	33.5	30.4	27.9	25.8	24.0	22.5	21.2	20.0	19.0	18.1	17.3	16.6	15.9	15.3	14.7	14.2	13.8	13.4	13.0	12.6	12.3	11.9	11.6	11.4	11.1	10.8	340
360	60.5	50.9	44.0	38.9	34.9	31.7	29.0	26.9	25.0	23.4	22.1	20.9	19.8	18.9	18.0	17.3	16.6	15.9	15.4	14.8	14.4	13.9	13.5	13.1	12.8	12.4	12.1	11.8	11.6	11.3	360
380	62.8	52.8	45.7	40.4	36.2	32.9	30.2	27.9	26.0	24.3	22.9	21.7	20.6	19.6	18.7	17.9	17.2	16.6	16.0	15.5	15.0	14.5	14.1	13.7	13.3	13.0	12.6	12.3	12.1	11.8	380
400	65.1	54.7	47.4	41.9	37.6	34.1	31.3	29.0	27.0	25.3	23.8	22.5	21.4	20.4	19.5	18.6	17.9	17.2	16.6	16.1	15.5	15.1	14.6	14.2	13.8	13.5	13.1	12.8	12.5	12.3	400
420	67.4	56.7	49.1	43.3	38.9	35.3	32.4	30.0	28.0	26.2	24.7	23.3	22.2	21.1	20.2	19.3	18.6	17.9	17.2	16.7	16.1	15.6	15.2	14.8	14.4	14.0	13.6	13.3	13.0	12.7	420
440	69.7	58.6	50.7	44.8	40.2	36.6	33.6	31.1	28.9	27.1	25.5	24.2	22.9	21.9	20.9	20.0	19.2	18.5	17.9	17.3	16.7	16.2	15.7	15.3	14.9	14.5	14.2	13.8	13.5	13.2	440
460	72.0	60.6	52.4	46.3	41.6	37.8	34.7	32.1	29.9	28.0	26.4	25.0	23.7	22.6	21.6	20.7	19.9	19.2	18.5	17.9	17.3	16.8	16.3	15.8	15.4	15.0	14.7	14.3	14.0	13.7	460
480	74.3	62.5	54.1	47.8	42.9	39.0	35.8	33.1	30.9	29.0	27.3	25.8	24.5	23.4	22.3	21.4	20.6	19.8	19.1	18.5	17.9	17.3	16.8	16.4	15.9	15.5	15.2	14.8	14.5	14.2	480
500	76.5	64.4	55.8	49.3	44.3	40.2	36.9	34.2	31.9	29.9	28.1	26.6	25.3	24.1	23.1	22.1	21.2	20.4	19.7	19.1	18.5	17.9	17.4	16.9	16.5	16.0	15.7	15.3	14.9	14.6	500
600	88.0	74.2	64.2	56.8	51.0	46.4	42.6	39.4	36.8	34.5	32.5	30.8	29.2	27.9	26.7	25.6	24.6	23.7	22.8	22.1	21.4	20.8	20.2	19.6	19.1	18.6	18.2	17.8	17.4	17.0	600
700	99.5	83.9	72.7	64.3	57.7	52.5	48.3	44.7	41.7	39.1	36.9	34.9	33.2	31.6	30.3	29.0	27.9	26.9	26.0	25.1	24.3	23.6	22.9	22.3	21.7	21.2	20.7	20.2	19.8	19.4	700
800	111.0	93.6	81.1	71.7	64.5	58.7	53.9	50.0	46.6	43.7	41.2	39.0	37.1	35.4	33.9	32.5	31.2	30.1	29.1	28.1	27.3	26.5	25.7	25.0	24.4	23.8	23.2	22.7	22.2	21.7	800
900	122.5	103.3	89.5	79.2	71.2	64.8	59.6	55.2	51.5	48.3	45.6	43.2	41.0	39.2	37.5	36.0	34.6	33.3	32.2	31.1	30.2	29.3	28.5	27.7	27.0	26.3	25.7	25.1	24.6	24.1	900
1000	134.0	113.0	97.9	86.7	77.9	70.9	65.2	60.4	56.4	52.9	50.0	47.3	45.0	42.9	41.1	39.4	37.9	36.6	35.3	34.2	33.1	32.1	31.2	30.4	29.6	28.9	28.2	27.6	27.0	26.4	1000
1100	145.5	122.7	106.4	94.2	84.7	77.1	70.9	65.7	61.3	57.5	54.3	51.4	48.9	46.7	44.7	42.9	41.3	39.8	38.4	37.2	36.0	35.0	34.0	33.1	32.3	31.5	30.7	30.1	29.4	28.8	1100
1200	156.9	132.4	114.8	101.6	91.4	83.2	76.5	70.9	66.2	62.1	58.6	55.6	52.8	50.4	48.3	46.3	44.6	43.0	41.5	40.2	39.0	37.8	36.8	35.8	34.9	34.1	33.3	32.5	31.8	31.2	1200
1300	168.4	142.1	123.2	109.1	98.1	89.3	82.2	76.2	71.1	66.8	63.0	59.7	56.8	54.2	51.9	49.8	47.9	46.2	44.7	43.2	41.9	40.7	39.6	38.5	37.5	36.6	35.8	35.0	34.2	33.5	1300
1400	179.9	151.8	131.7	116.6	104.9	95.5	87.8	81.4	76.0	71.4	67.3	63.8	60.7	58.0	55.5	53.3	51.3	49.4	47.8	46.2	44.8	43.5	42.3	41.2	40.2	39.2	38.3	37.4	36.6	35.9	1400
1500	191.4	161.5	140.1	124.1	111.6	101.6	93.5	86.7	80.9	76.0	71.7	68.0	64.7	61.7	59.1	56.7	54.6	52.7	50.9	49.3	47.8	46.4	45.1	43.9	42.8	41.8	40.8	39.9	39.1	38.3	1500
1600	202.9	171.2	148.5	131.5	118.3	107.8	99.1	91.9	85.8	80.6	76.1	72.1	68.6	65.5	62.7	60.2	57.9	55.9	54.0	52.3	50.7	49.2	47.9	46.6	45.4	44.3	43.3	42.4	41.5	40.6	1600
1700	214.4	180.9	156.9	139.0	125.1	113.9	104.8	97.1	90.7	85.2	80.4	76.2	72.5	69.2	66.3	63.7	61.3	59.1	57.1	55.3	53.6	52.1	50.6	49.3	48.1	46.9	45.8	44.8	43.9	43.0	1700
1800	225.8	190.6	165.4	146.5	131.8	120.0	110.4	102.4	95.6	89.8	84.8	80.4	76.5	73.0	69.9	67.1	64.6	62.3	60.2	58.3	56.5	54.9	53.4	52.0	50.7	49.5	48.4	47.3	46.3	45.3	1800
1900	237.3	200.3	173.8	154.0	138.5	126.2	116.1	107.6	100.5	94.4	89.1	84.5	80.4	76.8	73.5	70.6	67.9	65.5	63.3	61.3	59.5	57.8	56.2	54.7	53.3	52.1	50.9	49.7	48.7	47.7	1900
2000	248.8	210.0	182.2	161.4	145.2	132.3	121.7	112.9	105.4	99.0	93.5	88.6	84.3	80.5	77.1	74.1	71.1	68.8	66.5	64.3	62.4	60.6	59.0	57.4	56.0	54.6	53.4	52.2	51.1	50.1	2000
2100	260.3	219.7	190.7	168.9	152.0	138.4	127.4	118.1	110.3	103.6	97.8	92.7	88.3	84.3	80.7	77.5	74.6	72.0	69.6	67.4	65.3	63.5	61.7	60.1	58.6	57.2	55.9	54.7	53.5	52.4	2100
2200	271.8	229.4	199.1	176.4	158.7	144.6	133.0	123.4	115.2	108.2	102.2	96.9	92.2	88.0	84.3	81.0	78.0	75.2	72.7	70.4	68.3	66.3	64.5	62.8	61.2	59.8	58.4	57.1	55.9	54.8	2200
2300	283.3	239.1	207.5	183.9	165.4	150.7	138.7	128.6	120.1	112.8	106.5	101.0	96.1	91.8	87.9	84.4	81.3	78.4	75.8	73.4	71.2	69.1	67.3	65.5	63.9	62.4	60.9	[illegible]	58.3	57.2	2300
2400	294.7	248.8	215.9	191.3	172.2	156.9	144.3	133.9	125.0	117.5	110.9	105.1	100.1	95.6	91.5	87.9	84.6	81.6	78.9	76.4	74.1	72.0	70.0	68.2	66.5	64.9	63.4	[illegible]	60.7	59.5	2400
2500	306.2	258.5	224.4	198.8	178.9	163.0	150.0	139.1	129.9	122.1	115.2	109.3	104.0	99.3	95.1	91.4	88.0	84.9	82.0	79.4	77.0	74.8	72.8	70.9	69.1	67.5	66.0	64.5	63.2	61.9	2500
2600	317.7	268.2	232.8	206.3	185.6	169.1	155.6	144.4	134.8	126.7	119.6	113.4	107.9	103.1	98.7	94.8	91.3	88.1	85.1	82.5	80.0	77.7	75.6	73.6	71.8	70.1	68.5	67.0	65.6	64.2	2600
2700	329.2	277.9	241.2	213.7	192.4	175.3	161.3	149.6	139.7	131.3	124.0	117.5	111.9	106.8	102.1	98.3	94.6	91.3	88.3	85.5	82.9	80.5	78.3	76.3	74.4	72.6	71.0	69.4	68.0	66.6	2700
Term. 2/	19.128	15.940	13.663	11.955	10.627	9.564	8.695	7.970	7.357	6.831	6.376	5.978	5.626	5.313	5.034	4.782	4.554	4.347	4.158	3.965	3.826	3.678	3.542	3.416	3.298	3.188	3.085	2.989	2.898	2.813	Term. 2/
H. 3/	.114840	.097017	.084286	.074738	.067311	.061370	.056509	.052458	.049031	.046093	.043547	.041319	.039353	.037606	.036042	.034635	.033362	.032205	.031148	.030179	.029288	.028465	.027704	.026996	.026338	.025723	.025148	.024609	.024103	.023626	L. H. 3/

1/ Based on a tare weight of 21.7 tons and a ratio of empty car miles to loaded car miles of 0.812. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 73 (Concluded).—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 [1]

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	10
20	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	20
30	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	30
40	3.7	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	40
50	3.9	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	50
60	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	60
70	4.4	4.2	4.1	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	70
80	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	80
90	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	90
100	5.1	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.1	100
120	5.5	5.4	5.3	5.2	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	120
140	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.9	3.8	3.8	140
160	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	160
180	6.9	6.8	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	180
200	7.4	7.2	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.8	4.8	4.7	200
220	7.8	7.7	7.5	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	220
240	8.3	8.1	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	240
260	8.8	8.6	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	260
280	9.2	9.0	8.8	8.7	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	6.0	280
300	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	300
320	10.1	9.9	9.7	9.5	9.4	9.2	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0		6.9	6.8	6.8	6.7	320
340	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4		7.2	7.2	7.1	7.0	340
360	11.1	10.8	10.6	10.4	10.2	10.0	9.9	9.7	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	[illegible]	7.6	7.5	7.4	7.3	360
380	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	7.9	7.8	7.7	7.7	380
400	12.0	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	8.0	400
420	12.5	12.2	12.0	11.7	11.5	11.3	11.1	10.9	10.8	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.7	8.6	8.5	8.4	8.3	420
440	12.9	12.7	12.4	12.2	12.0	11.7	11.5	11.4	11.2	11.0	10.8	10.7	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	440
460	13.4	13.1	12.9	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.8	10.6	10.5	10.3	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.1	9.0	460
480	13.9	13.6	13.3	13.1	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.5	11.3	11.1	11.0	10.8	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	480
500	14.3	14.0	13.8	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.7	11.5	11.4	11.2	11.1	10.9	10.8	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.9	9.8	9.7	9.6	500
600	16.6	16.3	16.0	15.7	15.4	15.2	14.9	14.7	14.4	14.2	14.0	13.8	13.6	13.4	13.2	13.1	12.9	12.7	12.6	12.5	12.3	12.2	12.0	11.9	11.8	11.7	11.6	11.5	11.4	11.2	600
700	19.0	18.6	18.2	17.9	17.6	17.3	17.0	16.7	16.5	16.2	16.0	15.7	15.5	15.3	15.1	14.9	14.7	14.6	14.4	14.2	14.1	13.9	13.8	13.6	13.5	13.4	13.2	13.1	13.0	12.9	700
800	21.3	20.9	20.5	20.1	19.7	19.4	19.1	18.8	18.5	18.2	18.0	17.7	17.5	17.2	17.0	16.8	16.6	16.4	16.2	16.0	15.8	15.7	15.5	15.3	15.2	15.0	14.9	14.8	14.6	14.5	800
900	23.6	23.1	22.7	22.3	21.9	21.5	21.2	20.8	20.5	20.2	19.9	19.7	19.4	19.1	18.9	18.6	18.4	18.2	18.0	17.8	17.6	17.4	17.2	17.1	16.9	16.7	16.6	16.4	16.3	16.1	900
1000	25.9	25.4	24.9	24.5	24.1	23.7	23.3	22.9	22.6	22.2	21.9	21.6	21.3	21.0	20.8	20.5	20.3	20.0	19.8	19.6	19.4	19.2	19.0	18.8	18.6	18.4	18.2	18.1	17.9	17.7	1000
1100	28.2	27.7	27.2	26.7	26.2	25.8	25.4	25.0	24.6	24.2	23.9	23.6	23.2	22.9	22.6	22.4	22.1	21.8	21.6	21.4	21.1	20.9	20.7	20.5	20.3	20.1	19.9	19.7	19.5	19.4	1100
1200	30.5	30.0	29.4	28.9	28.4	27.9	27.5	27.0	26.6	26.2	25.9	25.5	25.2	24.8	24.5	24.2	23.9	23.7	23.4	23.1	22.9	22.6	22.4	22.2	22.0	21.8	21.6	21.4	21.2	21.0	1200
1300	32.9	32.2	31.6	31.1	30.5	30.0	29.6	29.1	28.7	28.2	27.8	27.5	27.1	26.7	26.4	26.1	25.8	25.5	25.2	24.9	24.6	24.4	24.1	23.9	23.7	23.4	23.2	23.0	22.8	22.6	1300
1400	35.2	34.5	33.9	33.3	32.7	32.2	31.7	31.2	30.7	30.2	29.8	29.4	29.0	28.6	28.3	27.9	27.6	27.3	27.0	26.7	26.4	26.1	25.9	25.6	25.4	25.1	24.9	24.7	24.5	24.3	1400
1500	37.5	36.8	36.1	35.5	34.9	34.3	33.7	33.2	32.7	32.3	31.8	31.4	31.0	30.6	30.2	29.8	29.5	29.1	28.8	28.5	28.2	27.9	27.6	27.3	27.1	26.8	26.6	26.3	26.1	25.9	1500
1600	39.8	39.1	38.3	37.7	37.0	36.4	35.8	35.3	34.8	34.3	33.8	33.3	32.9	32.5	32.1	31.7	31.3	30.9	30.6	30.3	29.9	29.6	29.3	29.0	28.8	28.5	28.2	28.0	27.7	27.5	1600
1700	42.1	41.3	40.6	39.9	39.2	38.5	37.9	37.3	36.8	[illegible]	35.8	35.3	34.8	34.4	33.9	33.5	33.1	32.8	32.4	32.0	31.7	31.4	31.1	30.8	30.5	30.2	29.9	29.6	29.4	29.1	1700
1800	44.5	43.6	42.8	42.1	41.4	40.7	40.0	39.4	38.8	[illegible]	37.7	37.2	36.7	36.3	35.8	35.4	35.0	34.6	34.2	33.8	33.5	33.1	32.8	32.5	32.2	31.9	31.6	31.3	31.0	30.8	1800
1900	46.8	45.9	45.1	44.3	43.5	42.8	[illegible]	41.5	40.9	40.3	39.7	39.2	38.7	38.2	37.7	37.2	36.8	36.4	36.0	35.6	35.2	34.9	34.5	34.2	33.9	33.5	33.2	32.9	32.7	32.4	1900
2000	49.1	48.2	47.3	46.5	45.7	44.9	44.2	43.5	42.9	42.3	41.7	41.1	40.6	40.1	39.6	39.1	38.6	38.2	37.8	37.4	37.0	36.6	36.2	35.9	35.5	35.2	34.9	34.6	34.3	34.0	2000
2100	51.4	50.4	49.5	48.7	47.8	47.1	46.3	45.6	44.9	44.3	43.7	43.1	42.5	42.0	41.5	41.0	40.5	40.0	39.6	39.2	38.7	38.3	38.0	37.6	37.2	36.9	36.6	36.2	35.9	35.6	2100
2200	53.7	52.7	51.8	50.9	50.0	49.2	48.4	47.7	47.0	46.3	45.6	45.0	44.4	43.9	43.3	42.8	42.3	41.8	41.4	40.9	40.5	40.1	39.7	39.3	38.9	38.6	38.2	37.9	37.6	37.3	2200
2300	56.0	55.0	54.0	53.1	52.2	51.3	50.5	49.7	49.0	48.3	47.6	47.0	46.4	45.8	45.2	44.7	44.2	43.7	43.2	42.7	42.3	41.8	41.4	41.0	40.6	40.3	39.9	39.5	39.2	38.9	2300
2400	58.4	57.3	56.2	55.2	54.3	53.4	52.6	51.8	51.0	50.3	49.6	48.9	48.3	47.7	47.1	46.5	46.0	45.5	45.0	44.5	44.0	43.6	43.2	42.7	42.3	41.9	41.6	41.2	40.8	40.5	2400
2500	60.7	59.5	58.5	57.4	56.5	55.6	54.7	53.9	53.1	52.3	51.6	50.9	50.2	49.6	49.0	48.4	47.8	47.3	46.8	46.3	45.8	45.3	44.9	44.4	44.0	43.6	43.2	42.9	42.5	42.1	2500
2600	63.0	61.8	60.7	59.6	58.6	57.7	56.8	55.9	55.1	54.3	53.6	52.8	52.2	51.5	50.9	50.3	49.7	49.1	48.6	48.1	47.6	47.1	46.6	46.2	45.7	45.3	44.9	44.5	44.1	43.8	2600
2700	65.3	64.1	62.9	61.8	60.8	59.8	58.9	58.0	57.1	56.3	55.5	54.8	54.1	53.4	52.7	52.1	51.5	50.9	50.4	49.8	49.3	48.8	48.3	47.9	47.4	47.0	46.6	46.2	45.8	45.4	2700
Term. [2]	2.733	2.657	2.585	2.517	2.452	2.391	2.333	2.277	2.224	2.174	2.125	2.079	2.035	1.993	1.952	1.913	1.875	1.839	1.805	1.771	1.739	1.708	1.676	1.649	1.621	1.594	1.568	1.543	1.518	1.494	Term. [2]
L. H. [3]	.023177	.022753	.022351	.021971	.021610	.021268	.020941	.020631	.020335	.020052	.019782	.019524	.019277	.019040	.018812	.018594	.018384	.018183	.017989	.017802	.017622	.017448	.017281	.017119	.016963	.016812	.016666	.016524	.016387	.016255	L. H. [3]

---

[1] Based on a tare weight of 21.7 tons and a ratio of empty car miles to loaded car miles of 0.812. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

[2] Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

[3] Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 74.—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line,
Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for [illegible] 1/

Net load in tons per car

Miles	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
10	17.6	14.7	12.6	11.1	9.8	8.9	8.1	7.4	6.8	6.4	5.9	5.6	5.2	5.0	4.7	4.5	4.3	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	2.9	2.8	2.7	2.7	10
20	19.0	15.9	13.6	11.9	10.6	9.6	8.7	8.0	7.4	6.9	6.4	6.1	5.7	5.4	5.1	4.9	4.6	4.4	4.3	4.1	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	3.0	2.9	20
30	20.4	17.0	14.6	12.8	11.4	10.3	9.4	8.6	8.0	7.4	7.0	6.5	6.2	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	30
40	21.7	18.2	15.6	13.7	12.2	11.0	10.1	9.2	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.5	40
50	23.1	19.3	16.6	14.6	13.0	11.8	10.7	9.9	9.1	8.5	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	3.9	3.8	3.7	50
60	24.5	20.5	17.6	15.5	13.8	12.5	11.4	10.5	9.7	9.0	8.5	8.0	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	4.0	60
70	25.8	21.6	18.6	16.4	14.6	13.2	12.1	11.1	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.2	5.1	4.9	4.8	4.6	4.5	4.4	4.3	70
80	27.2	22.8	19.6	17.2	15.4	13.9	12.7	11.7	10.9	10.1	9.5	8.9	8.5	8.0	7.6	7.3	7.0	6.7	6.4	6.2	5.9	5.7	5.6	5.4	5.2	5.1	4.9	4.8	4.7	4.5	80
90	28.6	23.9	20.6	18.1	16.2	14.6	13.4	12.3	11.4	10.7	10.0	9.4	8.9	8.5	8.0	7.7	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	90
100	29.9	25.1	21.6	19.0	17.0	15.4	14.0	12.9	12.0	11.2	10.5	9.9	9.4	8.9	8.5	8.1	7.7	7.4	7.1	6.9	6.6	6.4	6.2	6.0	5.8	5.7	5.5	5.3	5.2	5.1	100
120	32.7	27.4	23.6	20.8	18.6	16.8	15.4	14.2	13.2	12.3	11.5	10.9	10.3	9.8	9.3	8.9	8.5	8.2	7.8	7.6	7.3	7.1	6.8	6.6	6.4	6.2	6.1	5.9	5.8	5.6	120
140	35.4	29.7	25.6	22.5	20.2	18.3	16.7	15.4	14.3	13.4	12.5	11.8	11.2	10.6	10.1	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.2	7.0	6.8	6.6	6.5	6.3	6.2	140
160	38.1	32.0	27.6	24.3	21.8	19.7	18.0	16.6	15.5	14.4	13.6	12.8	12.1	11.5	11.0	10.5	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.9	6.7	160
180	40.9	34.3	29.6	26.1	23.3	21.2	19.4	17.9	16.6	15.5	14.6	13.8	13.0	12.4	11.8	11.3	10.8	10.4	10.0	9.6	9.3	9.0	8.7	8.5	8.2	8.0	7.8	7.6	7.4	7.2	180
200	43.6	36.6	31.6	27.9	24.9	22.6	20.7	19.1	17.7	16.6	15.6	14.7	13.9	13.3	12.6	12.1	11.6	11.1	10.7	10.3	10.0	9.7	9.4	9.1	8.8	8.6	8.4	8.1	7.9	7.8	200
220	46.3	38.9	33.6	29.6	26.5	24.0	22.0	20.3	18.9	17.7	16.6	15.7	14.9	14.1	13.5	12.9	12.4	11.9	11.4	11.0	10.7	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	220
240	49.1	41.2	35.6	31.4	28.1	25.5	23.3	21.6	20.0	18.7	17.6	16.6	15.8	15.0	14.3	13.7	13.1	12.6	12.2	11.7	11.3	11.0	10.6	10.3	10.0	9.8	9.5	9.3	9.0	8.8	240
260	51.8	43.5	37.6	33.2	29.7	26.9	24.7	22.8	21.2	19.8	18.6	17.6	16.7	15.9	15.1	14.5	13.9	13.4	12.9	12.4	12.0	11.6	11.3	10.9	10.6	10.3	10.1	9.8	9.6	9.4	260
280	54.5	45.8	39.6	34.9	31.3	28.4	26.0	24.0	22.3	20.9	19.7	18.6	17.6	16.8	16.0	15.3	14.7	14.1	13.6	13.1	12.7	12.3	11.9	11.6	11.2	10.9	10.7	10.4	10.1	9.9	280
300	57.3	48.1	41.6	36.7	32.9	29.8	27.3	25.3	23.5	22.0	20.7	19.5	18.5	17.6	16.8	16.1	15.4	14.8	14.3	13.8	13.4	12.9	12.5	12.2	11.8	11.5	11.2	11.0	10.7	10.4	300
320	60.0	50.4	43.6	38.5	34.5	31.3	28.7	26.5	24.6	23.1	21.7	20.5	19.4	18.5	17.7	16.9	16.2	15.6	15.0	14.5	14.0	13.6	13.2	12.8	12.4	12.1	11.8	11.5	11.2	11.0	320
340	62.7	52.7	45.6	40.2	36.1	32.7	30.0	27.7	25.8	24.1	22.7	21.5	20.4	19.4	18.5	17.7	17.0	16.3	15.7	15.2	14.7	14.2	13.8	13.4	13.0	12.7	12.4	12.1	11.8	11.5	340
360	65.5	55.0	47.6	42.0	37.6	34.2	31.3	28.9	26.9	25.2	23.7	22.4	21.3	20.2	19.3	18.5	17.8	17.1	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.3	12.9	12.6	12.3	12.1	360
380	68.2	57.3	49.6	43.8	39.2	35.6	32.6	30.2	28.1	26.3	24.7	23.4	22.2	21.1	20.2	19.3	18.5	17.8	17.2	16.6	16.0	15.5	15.1	14.6	14.2	13.9	13.5	13.2	12.9	12.6	380
400	71.0	59.7	51.6	45.5	40.8	37.1	34.0	31.4	29.2	27.4	25.8	24.3	23.1	22.0	21.0	20.1	19.3	18.6	17.9	17.3	16.7	16.2	15.7	15.3	14.8	14.5	14.1	13.8	13.4	13.1	400
420	73.7	62.0	53.6	47.3	42.4	38.5	35.3	32.6	30.4	28.4	26.8	25.3	24.0	22.9	21.8	20.9	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.9	15.4	15.0	14.7	14.3	14.0	13.7	420
440	76.4	64.3	55.6	49.1	44.0	39.9	36.6	33.9	31.5	29.5	27.8	26.3	24.9	23.7	22.7	21.7	20.8	20.1	19.3	18.7	18.1	17.5	17.0	16.5	16.1	15.6	15.2	14.9	14.5	14.2	440
460	79.2	66.6	57.6	50.8	45.6	41.4	38.0	35.1	32.7	30.6	28.8	27.2	25.8	24.6	23.5	22.5	21.6	20.8	20.1	19.4	18.7	18.2	17.6	17.1	16.7	16.2	15.8	15.4	15.1	14.7	460
480	81.9	68.9	59.6	52.6	47.2	42.8	39.3	36.3	33.8	31.7	29.8	28.2	26.8	25.5	24.3	23.3	22.4	21.5	20.8	20.1	19.4	18.8	18.3	17.7	17.3	16.8	16.4	16.0	15.6	15.3	480
500	84.6	71.2	61.6	54.4	48.8	44.3	40.6	37.6	35.0	32.8	30.8	29.2	27.7	26.4	25.2	24.1	23.2	22.3	21.5	20.8	20.1	19.5	18.9	18.4	17.9	17.4	17.0	16.6	16.2	15.8	500
600	93.3	82.7	71.6	63.2	56.7	51.5	47.3	43.7	40.7	38.1	35.9	34.0	32.3	30.7	29.4	28.1	27.0	26.0	25.1	24.2	23.4	22.7	22.1	21.4	20.9	20.3	19.8	19.4	18.9	18.5	600
700	112.0	94.2	81.5	72.0	64.7	58.7	53.9	49.9	46.5	43.5	41.0	38.8	36.8	35.1	33.5	32.1	30.9	29.7	28.7	27.7	26.8	26.0	25.2	24.5	23.9	23.3	22.7	22.2	21.7	21.2	700
800	125.6	105.7	91.5	80.9	72.6	66.0	60.5	56.0	52.2	48.9	46.1	43.6	41.4	39.5	37.7	36.1	34.7	33.4	32.3	31.2	30.2	29.3	28.4	27.6	26.9	26.2	25.6	25.0	24.4	23.9	800
900	139.3	117.3	101.5	89.7	80.5	73.2	67.2	62.2	57.9	54.3	51.2	48.4	46.0	43.8	41.9	40.2	38.6	37.1	35.8	34.6	33.5	32.5	31.6	30.7	29.9	29.1	28.4	27.8	27.1	26.5	900
1000	153.0	128.8	111.5	98.6	88.5	80.4	73.8	68.3	63.7	59.7	56.3	53.2	50.6	48.2	46.1	44.2	42.4	40.9	39.4	38.1	36.9	35.8	34.8	33.8	32.9	32.1	31.3	30.6	29.9	29.2	1000
1100	166.6	140.3	121.5	107.4	96.4	87.7	80.5	74.5	69.4	65.1	61.3	58.0	55.1	52.6	50.3	48.2	46.3	44.6	43.0	41.6	40.3	39.1	37.9	36.9	35.9	35.0	34.2	33.4	32.6	31.9	1100
1200	180.3	151.8	131.5	116.2	104.4	94.9	87.1	80.5	75.2	70.5	66.4	62.9	59.7	56.9	54.4	52.2	50.1	48.3	46.6	45.1	43.6	42.3	41.1	40.0	38.9	37.9	37.0	36.2	35.4	34.6	1200
1300	194.0	163.3	141.5	125.1	112.3	102.1	93.8	86.8	80.9	75.9	71.5	67.7	64.3	61.3	58.6	56.2	54.0	52.0	50.2	48.5	47.0	45.6	44.3	43.1	41.9	40.9	39.9	39.0	38.1	37.3	1300
1400	207.6	174.9	151.5	133.9	120.3	109.3	100.4	93.0	86.7	81.3	76.6	72.5	68.9	65.7	62.8	60.2	57.9	55.7	53.8	52.0	50.4	48.9	47.5	46.2	44.9	43.8	42.8	41.8	40.8	40.0	1400
1500	221.3	186.4	161.4	142.7	128.2	116.6	107.0	99.1	92.4	86.6	81.7	77.3	73.5	70.0	67.0	64.2	61.7	59.4	57.4	55.5	53.7	52.1	50.6	49.3	48.0	46.8	45.6	44.6	43.6	42.6	1500
1600	235.0	197.9	171.4	151.5	136.1	123.8	113.7	105.3	98.1	92.0	86.7	82.1	78.0	74.4	71.1	68.2	65.6	63.2	61.0	59.0	57.1	55.4	53.8	52.3	51.0	49.7	48.5	47.4	46.3	45.3	1600
1700	248.6	209.4	181.4	160.4	144.1	131.0	120.3	111.4	103.9	97.4	91.8	86.9	82.6	78.8	75.3	72.2	69.4	66.9	64.6	62.4	60.5	58.7	57.0	55.4	54.0	52.6	51.4	50.2	49.1	48.0	1700
1800	262.3	220.9	191.4	169.3	152.0	138.3	127.0	117.6	109.6	102.8	96.9	91.7	87.2	83.1	79.5	76.2	73.3	70.6	68.1	65.9	63.8	61.9	60.2	58.5	57.0	55.6	54.2	53.0	51.8	50.7	1800
1900	276.0	232.5	201.4	178.1	160.0	145.5	133.6	123.7	115.4	108.2	102.0	96.6	91.8	87.5	83.7	80.2	77.1	74.3	71.7	69.4	67.2	65.2	63.3	61.6	60.0	58.5	57.1	55.8	54.5	53.4	1900
2000	289.6	244.0	211.4	186.9	167.9	152.7	140.3	129.9	121.1	113.6	107.1	101.4	96.3	91.9	87.9	84.3	81.0	78.0	75.3	72.8	70.6	68.5	66.5	64.7	63.0	61.4	60.0	58.6	57.3	56.1	2000
2100	303.3	255.6	221.4	195.5	175.9	159.9	146.9	136.0	126.9	119.0	112.2	106.2	100.9	95.2	92.0	88.3	84.9	81.7	78.9	76.3	73.9	71.7	69.7	67.8	66.0	64.4	62.8	61.4	60.0	58.8	2100
2200	317.0	267.0	231.4	204.6	183.8	167.2	153.6	142.2	132.6	124.4	117.2	111.0	105.5	100.5	96.2	92.3	88.7	85.5	82.5	79.8	77.3	75.0	72.9	70.9	69.0	67.3	65.7	64.2	62.8	61.4	2200
2300	330.6	278.5	241.4	213.5	191.8	174.4	160.2	148.4	138.3	129.8	122.3	115.8	110.1	105.0	100.4	96.3	92.6	89.2	86.1	83.3	80.7	78.3	76.0	74.0	72.0	70.2	68.6	67.0	65.5	64.1	2300
2400	344.3	290.1	251.3	222.3	199.7	181.6	166.8	154.5	144.1	135.1	127.4	120.6	114.6	109.3	104.6	100.3	96.4	92.9	89.7	86.7	84.0	81.5	79.2	77.1	75.1	73.2	71.4	69.8	68.3	66.8	2400
2500	358.0	301.6	261.3	231.1	207.6	188.9	173.5	160.7	149.8	140.5	132.5	125.4	119.2	113.7	108.8	104.3	100.3	96.6	93.3	90.2	87.4	84.8	82.4	80.1	78.1	76.1	74.3	72.6	71.0	69.5	2500
2600	371.6	313.1	271.3	240.0	215.6	196.1	180.1	166.8	155.6	145.9	137.6	130.3	123.8	118.1	112.9	108.3	104.1	100.3	96.9	93.7	90.8	88.1	85.6	83.2	81.1	79.1	77.2	75.4	73.7	72.2	2600
2700	385.3	324.6	281.3	248.8	223.5	203.3	186.8	173.0	161.3	151.3	142.6	135.1	128.4	122.4	117.1	112.3	108.0	104.0	100.5	97.2	94.1	91.3	88.7	86.3	84.1	82.0	80.0	78.2	76.5	74.9	2700
Term. 2/	16.262	13.568	11.630	10.176	9.046	8.141	7.401	6.784	6.262	5.815	5.427	5.088	4.789	4.523	4.285	4.071	3.877	3.700	3.540	3.392	3.256	3.131	3.015	2.908	2.807	2.714	2.626	2.544	2.467	2.394	Term. 2/
L. H. 3/	.136670	.115208	.099879	.088381	.079439	.072285	.066432	.061554	.057427	.053889	.050823	.048141	.045774	.043669	.041787	.040093	.038560	.037166	.035893	.034727	.033654	.032663	.031746	.030895	.030102	.029362	.028669	.028020	.027411	.026837	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.977. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 74 (Concluded).--TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain-Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.6	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.6	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	5.0	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.5	5.4	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.2	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.1	6.9	6.8	6.6	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.6	7.4	7.3	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.1	6.1	6.0	5.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.6	8.4	8.3	8.1	7.9	7.8	7.7	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.2	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.8	7.7	7.6	7.5	7.3	7.2	7.1	7.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.4	8.3	8.2	8.0	7.9	7.8	7.7	7.6	7.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.2	10.0	9.8	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	8.0	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.7	10.5	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.3	11.0	10.8	10.6	10.4	10.2	10.0	9.8	9.7	9.5	9.4	9.2	9.1	8.9	8.8	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.3	12.1	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.8	9.7	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	12.8	12.6	12.3	12.1	11.9	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	9.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.4	13.1	12.8	12.6	12.3	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	13.9	13.6	13.3	13.1	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.2	11.1	10.9	10.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.4	14.1	13.8	13.6	13.3	13.1	12.8	12.6	12.4	12.2	12.0	11.8	11.7	11.5	11.3	11.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	14.9	14.6	14.3	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.5	12.3	12.1	11.9	11.8	11.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.5	15.2	14.9	14.6	14.3	14.0	13.8	13.6	13.3	13.1	12.9	12.7	12.5	12.4	12.2	12.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.1	17.7	17.4	17.0	16.7	16.4	16.1	15.9	15.6	15.4	15.1	14.9	14.7	14.5	14.3	14.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	20.7	20.3	19.9	19.5	19.2	18.8	18.5	18.2	17.9	17.6	17.4	17.1	16.9	16.6	16.4	16.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.4	22.9	22.4	22.0	21.6	21.2	20.9	20.5	20.2	19.9	19.6	19.3	19.0	18.7	18.5	18.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.0	25.5	25.0	24.5	24.1	23.6	23.2	22.8	22.5	22.1	21.8	21.5	21.2	20.9	20.6	20.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	28.6	28.0	27.5	27.0	26.5	26.0	25.6	25.2	24.8	24.4	24.0	23.7	23.3	23.0	22.7	22.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.3	30.6	30.0	29.5	28.9	28.4	28.0	27.5	27.1	26.6	26.2	25.9	25.5	25.1	24.8	24.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	33.9	33.2	32.6	32.0	31.4	30.8	30.3	29.8	29.3	28.9	28.5	28.0	27.7	27.3	26.9	26.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	36.5	35.8	35.1	34.4	33.8	33.2	32.7	32.1	31.6	31.1	30.7	30.2	29.8	29.4	29.0	28.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.1	38.4	37.6	36.9	36.3	35.6	35.0	34.5	33.9	33.4	32.9	32.4	32.0	31.5	31.1	30.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	41.8	40.9	40.2	39.4	38.7	38.0	37.4	36.8	36.2	35.6	35.1	34.6	34.1	33.7	33.2	32.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
1600	44.4	43.5	42.7	41.9	41.1	40.4	39.8	39.1	38.5	37.9	37.3	36.8	36.3	35.8	35.3	34.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1600
1700	47.0	46.1	45.2	44.4	43.6	42.8	42.1	41.4	40.8	40.2	39.6	39.0	38.5	37.9	37.4	36.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1700
1800	49.7	48.7	47.7	46.9	46.0	45.2	44.5	43.8	43.1	42.4	41.8	41.2	40.6	40.1	39.5	39.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1800
1900	52.3	51.3	50.3	49.3	48.5	47.6	46.8	46.1	45.4	44.7	44.0	43.4	42.8	42.2	41.6	41.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1900
2000	54.9	53.8	52.8	51.8	50.9	50.0	49.2	48.4	47.6	46.9	46.2	45.6	44.9	44.3	43.7	43.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2000
2100	57.5	56.4	55.3	54.3	53.3	52.4	51.6	50.7	49.9	49.2	48.4	47.8	47.1	46.5	45.8	45.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2100
2200	60.2	59.0	57.9	56.8	55.8	54.8	53.9	53.0	52.2	51.4	50.7	49.9	49.2	48.6	47.9	47.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2200
2300	62.8	61.6	60.4	59.3	58.2	57.2	56.3	55.4	54.5	53.7	52.9	52.1	51.4	50.7	50.1	49.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2300
2400	65.4	64.1	62.9	61.8	60.7	59.6	58.6	57.7	56.8	55.9	55.1	54.3	53.6	52.8	52.2	51.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2400
2500	68.1	66.7	65.5	64.2	63.1	62.0	61.0	60.0	59.1	58.2	57.3	56.5	55.7	55.0	54.3	53.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2500
2600	70.7	69.3	68.0	66.7	65.6	64.4	63.4	62.3	61.4	60.4	59.5	58.7	57.9	57.1	56.4	55.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2600
2700	73.3	71.9	70.5	69.2	68.0	66.8	65.7	64.7	63.7	62.7	61.8	60.9	60.0	59.2	58.5	57.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2700
Term. 2/	2.326	2.261	2.200	2.142	2.087	2.035	1.986	1.938	1.893	1.850	1.809	1.770	1.732	1.696	1.661	1.628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026296	.025785	.025301	.024843	.024409	.023996	.023604	.023230	.022873	.022533	.022208	.021897	.021599	.021314	.021040	.020777	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.977. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. 11 - Total Western, incl. Southwestern,
West. Trunk Line, Mt. Pac.,
No. Illinois and Sou. Missouri.

STOCK CARS

TABLE 75.—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	20.3	16.9	14.5	12.7	11.3	10.2	9.3	8.5	7.8	7.3	6.8	6.4	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	-	-	-	-	10
20	21.4	17.9	15.3	13.4	12.0	10.8	9.8	9.0	8.3	7.7	7.2	6.8	6.4	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	4.0	3.8	3.7	-	-	-	-	20
30	22.6	18.8	16.2	14.2	12.6	11.4	10.4	9.5	8.8	8.2	7.7	7.2	6.8	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	-	-	-	-	30
40	23.7	19.8	17.0	14.9	13.3	12.0	10.9	10.1	9.3	8.7	8.1	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	-	-	-	-	40
50	24.8	20.8	17.9	15.7	14.0	12.6	11.5	10.6	9.8	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	-	-	-	-	50
60	26.0	21.7	18.7	16.4	14.6	13.2	12.1	11.1	10.3	9.6	9.0	8.4	8.0	7.6	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	-	-	-	-	60
70	27.1	22.7	19.5	17.2	15.3	13.8	12.6	11.6	10.8	10.0	9.4	8.9	8.4	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	-	-	-	-	70
80	28.3	23.7	20.4	17.9	16.0	14.4	13.2	12.1	11.3	10.5	9.8	9.3	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.2	5.9	5.7	5.6	5.4	5.2	-	-	-	-	80
90	29.4	24.6	21.2	18.6	16.6	15.1	13.8	12.7	11.7	11.0	10.3	9.7	9.1	8.7	8.3	7.9	7.5	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.7	5.5	-	-	-	-	90
100	30.5	25.6	22.0	19.4	17.3	15.7	14.3	13.2	12.2	11.4	10.7	10.1	9.5	9.1	8.6	8.2	7.9	7.6	7.3	7.0	6.7	6.5	6.3	6.1	5.9	5.7	-	-	-	-	100
120	32.8	27.5	23.7	20.9	18.7	16.9	15.4	14.2	13.2	12.3	11.6	10.9	10.3	9.8	9.3	8.9	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.6	6.4	6.3	-	-	-	-	120
140	35.1	29.4	25.4	22.4	20.0	18.1	16.5	15.3	14.2	13.2	12.4	11.7	11.1	10.5	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.6	7.4	7.2	7.0	6.8	-	-	-	-	140
160	37.4	31.4	27.1	23.8	21.3	19.3	17.7	16.3	15.2	14.2	13.3	12.6	11.9	11.3	10.8	10.3	9.9	9.5	9.1	8.8	8.5	8.2	8.0	7.7	7.5	7.3	-	-	-	-	160
180	39.7	33.3	28.7	25.3	22.7	20.5	18.8	17.4	16.1	15.1	14.2	13.4	12.7	12.0	11.5	11.0	10.5	10.1	9.7	9.4	9.1	8.8	8.5	8.3	8.0	7.8	-	-	-	-	180
200	41.9	35.2	30.4	26.8	24.0	21.8	19.9	18.4	17.1	16.0	15.0	14.2	13.5	12.8	12.2	11.7	11.2	10.8	10.4	10.0	9.7	9.3	9.1	8.8	8.5	8.3	-	-	-	-	200
220	44.2	37.1	32.1	28.3	25.3	23.0	21.1	19.4	18.1	16.9	15.9	15.0	14.2	13.5	12.9	12.4	11.9	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.1	8.8	-	-	-	-	220
240	46.5	39.1	33.8	29.8	26.7	24.2	22.2	20.5	19.1	17.8	16.8	15.8	15.0	14.3	13.6	13.1	12.5	12.0	11.6	11.2	10.8	10.5	10.2	9.9	9.6	9.3	-	-	-	-	240
260	48.8	41.0	35.4	31.3	28.0	25.4	23.3	21.5	20.0	18.7	17.6	16.7	15.8	15.0	14.4	13.7	13.2	12.7	12.2	11.8	11.4	11.0	10.7	10.4	10.1	9.8	-	-	-	-	260
280	51.1	42.9	37.1	32.8	29.4	26.6	24.4	22.6	21.0	19.7	18.5	17.5	16.6	15.8	15.1	14.4	13.8	13.3	12.8	12.4	12.0	11.6	11.3	10.9	10.6	10.4	-	-	-	-	280
300	53.4	44.9	38.8	34.2	30.7	27.9	25.5	23.6	22.0	20.6	19.4	18.3	17.4	16.5	15.8	15.1	14.5	14.0	13.5	13.0	12.6	12.2	11.8	11.5	11.2	10.9	-	-	-	-	300
320	55.6	46.8	40.5	35.7	32.0	29.1	26.7	24.7	23.0	21.5	20.2	19.1	18.1	17.3	16.5	15.8	15.2	14.6	14.1	13.6	13.2	12.7	12.4	12.0	11.7	11.4	-	-	-	-	320
340	57.9	48.7	42.1	37.2	33.4	30.3	[illegible]	25.7	23.9	22.4	21.1	19.9	18.9	18.0	17.2	15.5	15.8	15.2	14.7	14.2	13.7	13.3	12.9	12.5	12.2	11.9	-	-	-	-	340
360	60.2	50.6	43.8	38.7	34.7	31.5	[illegible]	26.7	24.9	23.3	22.0	20.8	19.7	18.8	17.9	17.2	16.5	15.9	15.3	14.8	14.3	13.9	13.5	13.1	12.7	12.4	-	-	-	-	360
380	62.5	52.6	45.5	40.2	36.0	32.7	30.0	27.8	25.9	24.2	22.8	21.6	20.5	19.5	18.7	17.9	17.2	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.3	12.9	-	-	-	-	380
400	64.8	54.5	47.2	41.7	37.4	34.0	31.2	28.8	26.9	25.2	23.7	22.4	21.3	20.3	19.4	18.6	17.8	17.2	16.6	16.0	15.5	15.0	14.6	14.2	13.8	13.4	-	-	-	-	400
420	67.1	56.4	48.8	43.2	38.7	35.2	32.3	29.9	27.8	26.1	24.6	23.2	22.1	21.0	20.1	19.3	18.5	17.8	17.2	16.6	16.1	15.6	15.1	14.7	14.3	13.9	-	-	-	-	420
440	69.3	58.4	50.5	44.6	40.1	36.4	33.4	30.9	28.8	27.0	25.4	24.1	22.8	21.8	20.8	19.9	19.2	18.4	17.8	17.2	16.6	16.1	15.7	15.2	14.8	14.5	-	-	-	-	440
460	71.6	60.3	52.2	46.1	41.4	37.6	34.5	32.0	29.8	27.9	26.3	24.9	23.6	22.5	21.5	20.6	19.8	19.1	18.4	17.8	17.2	16.7	16.2	15.8	15.4	15.0	-	-	-	-	460
480	73.9	62.2	53.9	47.6	42.7	38.8	35.7	33.0	30.8	28.8	27.2	25.7	24.4	23.3	22.2	21.3	20.5	19.7	19.0	18.4	17.8	17.3	16.8	16.3	15.9	15.5	-	-	-	-	480
500	76.2	64.1	55.5	49.1	44.1	40.1	36.8	34.0	31.7	29.7	28.0	26.5	25.2	24.0	23.0	22.0	21.1	20.4	19.7	19.0	18.4	17.8	17.3	16.8	16.4	16.0	-	-	-	-	500
600	87.6	73.8	63.9	56.5	50.8	46.2	42.4	39.3	36.6	34.3	32.4	30.6	29.1	27.8	26.5	25.5	24.5	23.6	22.8	22.0	21.3	20.7	20.1	19.5	19.0	18.5	-	-	-	-	600
700	99.0	83.4	72.3	63.9	57.5	52.3	48.0	44.5	41.5	38.9	36.7	34.7	33.0	31.5	30.1	28.9	27.8	26.8	25.8	25.0	24.2	23.5	22.8	22.2	21.6	21.1	-	-	-	-	700
800	110.4	93.1	80.7	71.4	64.1	58.4	53.6	49.7	46.4	43.5	41.0	38.8	36.9	35.2	33.7	32.3	31.1	30.0	28.9	28.0	27.1	26.3	25.6	24.9	24.3	23.7	-	-	-	-	800
900	121.8	102.7	89.0	78.8	70.8	64.5	59.3	54.9	51.2	48.1	45.3	43.0	40.8	39.0	37.3	35.8	34.4	33.2	32.0	31.0	30.1	29.2	28.4	27.6	26.9	26.2	-	-	-	-	900
1000	133.2	112.3	97.4	86.2	77.5	70.6	64.9	60.1	56.1	52.7	49.7	47.1	44.8	42.7	40.9	39.2	37.7	36.4	35.1	34.0	33.0	32.0	31.1	30.3	29.5	28.8	-	-	-	-	1000
1100	144.6	122.0	105.8	93.7	84.2	76.7	70.5	65.3	61.0	57.2	54.0	51.2	48.7	46.5	44.5	42.7	41.1	39.6	38.2	37.0	35.9	34.8	33.9	33.0	32.1	31.3	-	-	-	-	1100
1200	156.0	131.6	114.2	101.1	90.9	82.8	76.1	70.6	65.9	61.8	58.3	55.3	52.6	50.2	48.1	46.1	44.4	42.8	41.3	40.0	38.8	37.7	36.6	35.7	34.8	33.9	-	-	-	-	1200
1300	167.5	141.3	122.5	108.5	97.6	88.9	81.7	75.8	70.7	66.4	62.7	59.4	56.5	53.9	51.6	50.0	47.7	46.0	44.4	43.0	41.7	40.5	39.4	38.3	37.4	36.5	-	-	-	-	1300
1400	178.9	150.9	130.9	115.9	104.3	95.0	87.3	81.0	75.6	71.0	67.0	63.5	60.4	57.7	55.2	53.0	51.0	49.2	47.5	46.0	44.6	43.3	42.1	41.0	40.0	39.0	-	-	-	-	1400
1500	190.3	160.5	139.3	123.4	111.0	101.1	93.0	86.2	80.5	75.6	71.3	67.6	64.3	61.4	58.8	56.5	54.3	52.4	50.6	49.0	47.5	46.2	44.9	43.7	42.6	41.6	-	-	-	-	1500
1600	201.7	170.2	147.7	130.8	117.7	107.2	98.6	91.4	85.4	80.2	75.7	71.7	68.2	65.2	62.4	59.9	57.7	55.6	53.7	52.0	50.5	49.0	47.6	46.4	45.2	44.1	-	-	-	-	1600
1700	213.1	179.8	156.0	138.2	124.4	113.3	104.2	96.6	90.2	84.7	80.0	75.8	72.2	68.9	66.0	63.3	61.0	58.8	56.8	55.0	53.4	51.8	50.4	49.1	47.9	46.7	-	-	-	-	1700
1800	224.5	189.5	164.4	145.7	131.0	119.4	109.8	101.8	95.1	89.3	84.3	79.9	76.1	72.6	69.6	66.8	64.3	62.0	59.9	58.0	56.3	54.7	53.2	51.8	50.5	49.3	-	-	-	-	1800
1900	235.9	199.1	172.8	153.1	137.7	125.5	115.4	107.1	100.0	93.9	88.6	84.0	80.0	76.4	73.1	70.2	67.6	65.2	63.0	61.0	59.2	57.5	55.9	54.5	53.1	51.8	-	-	-	-	1900
2000	247.3	808.7	181.2	160.5	144.4	131.6	121.0	112.3	104.8	98.5	93.0	88.2	83.9	80.1	76.7	73.7	70.9	68.4	66.1	64.0	62.1	60.3	58.7	57.1	55.7	54.4	-	-	-	-	2000
2100	258.7	218.4	189.6	167.9	151.1	137.7	126.7	117.5	109.7	103.1	97.3	92.3	87.8	83.9	80.3	77.1	74.2	71.6	69.2	67.0	65.0	63.2	61.4	59.8	58.3	56.9	-	-	-	-	2100
2200	270.1	228.0	197.9	175.4	157.8	143.8	132.3	122.7	114.6	107.7	101.6	96.4	91.7	87.6	83.9	80.6	77.6	74.8	72.3	70.0	67.9	66.0	64.2	62.5	61.0	59.5	-	-	-	-	2200
2300	281.6	237.7	206.3	182.8	164.5	149.9	137.9	127.9	119.5	112.2	106.0	100.5	95.6	91.3	87.5	84.0	80.9	78.0	75.4	73.0	70.8	68.8	66.9	65.2	63.6	62.1	-	-	-	-	2300
2400	293.0	247.3	214.7	190.2	171.2	156.0	143.5	133.1	124.3	116.8	110.3	104.6	99.6	95.1	91.1	87.5	84.2	81.2	78.5	76.0	73.8	71.7	69.7	67.9	66.2	64.6	-	-	-	-	2400
2500	304.4	256.9	223.1	197.6	177.9	162.1	149.1	138.3	129.2	121.4	114.6	108.7	103.5	98.8	94.7	90.9	87.5	84.4	81.6	79.0	76.7	74.5	72.5	70.6	68.8	67.2	-	-	-	-	2500
2600	315.8	266.6	231.4	205.1	184.6	168.2	154.7	143.6	134.1	126.0	119.0	112.8	107.4	102.6	98.2	94.4	90.8	87.6	84.7	82.1	79.6	77.3	75.2	73.3	71.4	69.7	-	-	-	-	2600
2700	327.2	276.2	239.8	212.5	191.3	174.3	160.4	148.8	139.0	130.6	123.3	116.9	111.3	106.3	101.8	97.8	94.2	90.8	87.8	85.1	82.5	80.2	78.0	75.9	74.1	72.3	-	-	-	-	2700
Term. 2/	19.128	15.940	13.663	11.955	10.627	9.564	8.695	7.970	7.357	6.831	6.375	5.978	5.626	5.313	5.034	4.782	4.554	4.347	4.158	3.985	3.826	3.678	3.542	3.416	3.298	3.138	-	-	-	-	Term. 2/
L. H. 3/	.114100	.096400	.083757	.074275	.066300	.061000	.056173	.052150	.048746	.045329	.043300	.041088	.039135	.037400	.035847	.034450	.033186	.032036	.030987	.030025	.029140	.028323	.027567	.026864	.026210	[illegible]	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.1 tons and a ratio of empty car miles to loaded car miles of 0.880. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 76.—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car 5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
10	17.7	14.8	12.7	11.1	9.9	8.9	8.1	7.4	6.9	6.4	5.9	5.6	5.3	5.0	4.7	4.5	4.3	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.1	3.0	-	-	-	-	10
20	19.1	15.9	13.7	12.0	10.7	9.6	8.8	8.0	7.4	6.9	6.5	6.1	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.1	3.9	3.8	3.7	3.5	3.4	3.3	-	-	-	-	20
30	20.5	17.1	14.7	12.9	11.5	10.4	9.4	8.7	8.0	7.5	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.8	4.6	4.5	4.3	4.1	4.0	3.9	3.7	3.6	-	-	-	-	30
40	21.9	18.3	15.7	13.8	12.3	11.1	10.1	9.3	8.6	8.0	7.5	7.1	6.7	6.3	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	-	-	-	-	40
50	23.3	19.5	16.8	14.7	13.1	11.9	10.8	9.9	9.2	8.6	8.0	7.6	7.1	6.8	6.4	6.1	5.9	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	-	-	-	-	50
60	24.7	20.7	17.8	15.6	13.9	12.6	11.5	10.6	9.8	9.1	8.6	8.1	7.6	7.2	6.9	6.5	6.2	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	-	-	-	-	60
70	26.1	21.9	18.8	16.5	14.8	13.3	12.2	11.2	10.4	9.7	9.1	8.5	8.1	7.7	7.3	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	-	-	-	-	70
80	27.5	23.1	19.9	17.5	15.6	14.1	12.9	11.8	11.0	10.2	9.6	9.0	8.5	8.1	7.7	7.4	7.0	6.7	6.5	6.2	6.0	5.8	5.6	5.4	5.3	5.1	-	-	-	-	80
90	28.9	24.2	20.9	18.4	16.4	14.8	13.5	12.5	11.6	10.8	10.1	9.5	9.0	8.6	8.1	7.8	7.4	7.1	6.9	6.6	6.4	6.1	5.9	5.8	5.6	5.4	-	-	-	-	90
100	30.4	25.4	21.9	19.3	17.2	15.6	14.2	13.1	12.2	11.3	10.6	10.0	9.5	9.0	8.6	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9	5.7	-	-	-	-	100
120	33.2	27.8	24.0	21.1	18.9	17.1	15.6	14.4	13.3	12.5	11.7	11.0	10.4	[illegible]	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	-	-	-	-	120
140	36.0	30.2	26.0	22.9	20.5	18.5	17.0	15.6	14.5	13.6	12.7	12.0	11.4	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.3	7.1	6.9	-	-	-	-	140
160	38.8	32.5	28.1	24.7	22.1	20.0	18.3	16.9	15.7	14.7	13.8	13.0	12.3	11.7	11.1	10.6	10.2	9.8	9.4	9.1	8.8	8.5	8.2	8.0	7.7	7.5	-	-	-	-	160
180	41.6	34.9	30.1	26.5	23.8	21.5	19.7	18.2	16.9	15.8	14.8	14.0	13.2	12.6	12.0	11.5	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.1	-	-	-	-	180
200	44.4	37.3	32.2	28.4	25.4	23.0	21.1	19.4	18.1	16.9	15.9	15.0	14.2	13.5	12.9	12.3	11.8	11.3	10.9	10.5	10.1	9.8	9.5	9.2	9.0	8.7	-	-	-	-	200
220	47.2	39.7	34.2	30.2	27.0	24.5	22.4	20.7	19.2	18.0	16.9	16.0	15.1	14.4	13.7	13.1	12.6	12.1	11.6	11.2	10.8	10.5	10.2	9.9	9.6	9.3	-	-	-	-	220
240	50.1	42.0	36.3	32.0	28.7	26.0	23.8	22.0	20.4	19.1	18.0	16.9	16.1	15.3	14.6	13.9	13.4	12.8	12.4	11.9	11.5	11.2	10.8	10.5	10.2	9.9	-	-	-	-	240
260	52.9	44.4	38.4	33.8	30.3	27.5	25.2	23.2	21.6	20.2	19.0	17.9	17.0	16.2	15.4	14.8	14.2	13.6	13.1	12.6	12.2	11.8	11.5	11.1	10.8	10.5	-	-	-	-	260
280	55.7	46.8	40.4	35.6	31.9	29.0	26.5	24.5	22.8	21.3	20.0	18.9	17.9	17.1	16.3	15.6	14.9	14.4	13.8	13.4	12.9	12.5	12.1	11.8	11.4	11.1	-	-	-	-	280
300	58.5	49.1	42.5	37.5	33.6	30.4	27.9	25.8	24.0	22.4	21.1	19.9	18.9	18.0	17.1	16.4	15.7	15.1	14.6	14.1	13.6	13.2	12.8	12.4	12.0	11.7	-	-	-	-	300
320	61.3	51.5	44.5	39.3	35.2	31.9	29.3	27.0	25.1	23.5	22.1	20.9	19.8	18.9	18.0	17.2	16.5	15.9	15.3	14.8	14.3	13.8	13.4	13.0	12.7	12.3	-	-	-	-	320
340	64.1	53.9	46.6	41.1	36.8	33.4	30.6	28.3	26.3	24.6	23.2	21.9	20.8	19.8	18.9	18.0	17.3	16.7	16.0	15.5	15.0	14.5	14.1	13.7	13.3	12.9	-	-	-	-	340
360	66.9	56.3	48.6	42.9	38.5	34.9	32.0	29.6	27.5	25.7	24.2	22.9	21.7	20.7	19.7	18.9	18.1	17.4	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	-	-	-	-	360
380	69.8	58.6	50.7	44.7	40.1	36.4	33.3	30.8	28.7	26.8	25.3	23.9	22.6	21.5	20.6	19.7	18.9	18.2	17.5	16.9	16.4	15.8	15.4	14.9	14.5	14.1	-	-	-	-	380
400	72.6	61.0	52.7	46.5	41.7	37.9	34.7	32.1	29.9	28.0	26.3	24.9	23.6	22.4	21.4	20.5	19.7	18.9	18.3	17.6	17.0	16.5	16.0	15.6	15.1	14.7	-	-	-	-	400
420	75.4	63.4	54.8	48.4	43.4	39.4	36.1	33.3	31.0	29.1	27.3	25.8	24.5	23.3	22.3	21.3	20.5	19.7	19.0	18.3	17.7	17.2	16.7	16.2	15.7	15.3	-	-	-	-	420
440	78.2	65.8	56.9	50.2	45.0	40.8	37.4	34.6	32.2	30.2	28.4	26.8	25.5	24.2	23.1	22.2	21.3	20.5	19.7	19.0	18.4	17.8	17.3	16.8	16.4	15.9	-	-	-	-	440
460	81.0	68.1	58.9	52.0	46.6	42.3	38.8	35.9	33.4	31.3	29.4	27.8	26.4	25.1	24.0	23.0	22.1	21.2	20.5	19.8	19.1	18.5	18.0	17.5	17.0	16.5	-	-	-	-	460
480	83.8	70.5	61.0	53.8	48.3	43.8	40.2	37.1	34.6	32.4	30.5	28.8	27.3	26.0	24.9	23.8	22.9	22.0	21.2	20.5	19.8	19.2	18.6	18.1	17.6	17.1	-	-	-	-	480
500	86.7	72.9	63.0	55.6	49.9	45.3	41.5	38.4	35.8	33.5	31.5	29.8	28.3	26.9	25.7	24.6	23.6	22.7	21.9	21.2	20.5	19.9	19.3	18.7	18.2	17.7	-	-	-	-	500
600	100.7	84.7	73.3	64.7	58.1	52.7	48.4	44.7	41.7	39.0	36.7	34.7	33.0	31.4	30.0	28.7	27.6	26.6	25.6	24.7	23.9	23.2	22.5	21.9	21.3	20.7	-	-	-	-	600
700	114.8	96.6	83.6	73.8	66.2	60.2	55.2	51.1	47.6	44.6	42.0	39.7	37.7	35.9	34.3	32.8	31.5	30.4	29.3	28.3	27.4	26.5	25.8	25.0	24.4	23.7	-	-	-	-	700
800	128.9	108.4	93.9	82.9	74.4	67.6	62.0	57.4	53.5	50.1	47.2	44.6	42.4	40.4	38.6	37.0	35.5	34.2	33.0	31.9	30.8	29.9	29.0	28.2	27.4	26.7	-	-	-	-	800
900	142.9	120.3	104.1	92.0	82.6	75.0	68.9	63.7	59.4	55.6	52.4	49.6	47.1	44.8	42.9	41.1	39.5	38.0	36.6	35.4	34.3	33.2	32.3	31.4	30.5	29.8	-	-	-	-	900
1000	157.0	132.2	114.4	101.1	90.7	82.5	75.7	70.0	65.3	61.2	57.6	54.5	51.8	49.3	47.1	45.2	43.4	41.8	40.3	39.0	37.7	36.6	35.5	34.5	33.6	32.8	-	-	-	-	1000
1100	171.1	144.0	124.7	110.2	98.9	89.9	82.5	76.4	71.2	66.7	62.8	59.4	56.5	53.8	51.4	49.3	47.4	45.6	44.0	42.5	41.2	39.9	38.8	37.7	36.7	35.8	-	-	-	-	1100
1200	185.2	155.9	135.0	119.3	107.1	97.3	89.3	82.7	77.1	72.2	68.0	64.4	61.2	58.3	55.7	53.4	51.3	49.4	47.7	46.1	44.6	43.3	42.0	40.9	39.8	.8	-	-	-	-	1200
1300	199.2	167.7	145.3	128.4	115.3	104.8	96.2	89.0	83.0	77.8	73.3	69.3	65.9	62.8	60.0	57.5	55.3	53.2	51.4	49.6	48.1	46.6	45.3	44.0	42.9	41.8	-	-	-	-	1300
1400	213.3	179.6	155.5	137.5	123.4	112.2	103.0	95.3	88.9	83.3	78.5	74.3	70.5	67.2	64.3	61.6	59.2	57.0	55.0	53.2	51.5	50.0	48.5	47.2	45.9	44.8	-	-	-	-	1400
1500	227.4	191.5	165.8	146.6	131.6	119.6	109.8	101.7	94.8	88.8	83.7	79.2	75.2	71.7	68.6	65.7	63.2	60.8	58.7	56.8	55.0	53.3	51.8	50.3	49.0	47.8	-	-	-	-	1500
1600	241.5	203.3	176.1	155.7	139.8	127.1	116.7	108.0	100.6	94.4	88.9	84.1	79.9	76.2	72.9	69.8	67.1	64.6	62.4	60.3	58.4	56.6	55.0	53.5	52.1	50.8	-	-	-	-	1600
1700	255.5	215.2	186.4	164.7	147.9	134.5	123.5	114.3	106.5	99.9	94.1	89.1	84.6	80.7	77.1	74.0	71.1	68.5	66.1	63.9	61.9	60.1	58.3	56.7	55.2	53.8	-	-	-	-	1700
1800	269.6	227.0	196.6	173.8	156.1	141.9	130.3	120.6	112.4	105.4	99.4	94.0	89.3	85.2	81.4	78.1	75.0	72.3	69.7	67.4	65.3	63.3	61.5	59.8	58.3	56.8	-	-	-	-	1800
1900	283.7	238.9	206.9	182.9	164.3	149.3	137.1	127.0	118.3	111.0	104.6	99.0	94.0	89.6	85.7	82.2	79.0	76.1	73.4	71.0	68.7	66.7	64.8	63.0	61.3	59.8	-	-	-	-	1900
2000	297.8	250.8	217.2	192.0	172.4	156.8	144.0	133.3	124.2	116.5	109.8	103.9	98.7	94.1	90.0	86.3	82.9	79.9	77.1	74.5	72.2	70.0	68.0	66.2	64.4	62.8	-	-	-	-	2000
2100	311.8	262.6	227.5	201.1	180.6	164.2	150.8	139.6	130.1	122.0	115.0	108.9	103.4	98.6	94.3	90.4	86.9	83.7	80.8	78.1	75.6	73.4	71.3	69.3	67.5	65.8	-	-	-	-	2100
2200	325.9	274.5	237.8	210.2	188.8	171.6	157.6	145.9	136.0	127.6	120.2	113.8	108.1	103.1	98.6	94.5	90.8	87.5	84.6	81.7	79.1	76.7	74.5	72.5	70.6	68.8	-	-	-	-	2200
2300	340.0	286.5	248.0	219.3	197.0	179.1	164.4	152.3	141.9	133.1	125.4	118.7	112.8	107.6	102.9	98.6	94.8	91.3	88.1	85.2	82.5	80.1	77.8	75.6	73.7	71.8	-	-	-	-	2300
2400	354.1	298.2	258.3	228.4	205.1	186.5	171.3	158.6	147.8	138.6	130.7	123.7	117.5	112.0	107.1	102.7	98.7	95.1	91.8	88.8	86.0	83.4	81.0	78.8	76.7	74.8	-	-	-	-	2400
2500	368.1	310.1	268.6	237.5	213.3	193.9	178.1	164.9	153.7	144.2	135.9	128.6	122.2	116.5	111.4	106.8	102.7	98.9	95.5	92.3	89.4	86.7	84.3	82.0	79.8	77.8	-	-	-	-	2500
2600	382.2	321.9	278.9	246.6	221.5	201.4	184.9	171.2	159.6	149.7	141.1	133.6	126.9	121.0	115.7	111.0	106.7	102.7	99.2	95.9	92.9	90.1	87.5	85.1	82.9	80.8	-	-	-	-	2600
2700	396.3	333.8	289.2	255.7	229.6	208.8	191.8	177.6	165.5	155.2	146.3	138.5	131.6	125.5	120.0	115.1	110.6	106.5	102.8	99.4	96.3	93.4	90.8	88.3	86.0	83.8	-	-	-	-	2700
Term. 2/	16.282	13.568	11.630	10.176	9.046	8.141	7.401	6.784	6.262	5.815	5.427	5.088	4.789	4.523	4.285	4.071	3.877	3.700	3.540	3.392	3.256	3.131	3.015	2.908	2.807	2.714	-	-	-	-	Term. 2/
L. H. 3/	.140740	.118600	.102786	.090925	.081700	.074320	.068282	.063250	.058992	.055343	.052180	.049413	.046971	.044800	.042858	.041110	.039529	.038091	.036778	.035575	.034468	.033446	.032500	.031621	.030803	.030040	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.695. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.22.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.32.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.21.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.56.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.70.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

Territory No. 11 - Total Western, incl. Southwestern,
West. Trunk Line, Mt. Pac.,
No. Illinois and Sou. Missouri

LESS-CARLOAD

TABLE 77.—TERRITORY NO. 11 - TOTAL WESTERN, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																												
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0
10	91.4	73.0	63.8	58.2	54.6	51.9	50.0	48.4	47.2	46.2	45.3	44.6	44.0	43.5	43.0	42.6	42.3	41.9	41.7	41.4	41.1	40.9	40.7	40.5	40.4	40.2	40.1	39.9	39.8
20	96.2	76.2	66.2	60.3	56.3	53.4	51.3	49.6	48.3	47.2	46.3	45.5	44.9	44.3	43.8	43.4	43.0	42.6	42.3	42.0	41.7	41.5	41.3	41.1	40.9	40.7	40.6	40.4	40.3
30	100.9	79.4	68.7	62.3	58.0	54.9	52.6	50.8	49.4	48.2	47.2	46.4	45.7	45.1	44.5	44.1	43.6	43.3	42.9	42.6	42.3	42.1	41.9	41.6	41.4	41.3	41.1	40.9	40.8
40	105.7	82.7	71.2	64.3	59.7	56.4	53.9	52.0	50.5	49.2	48.2	47.3	46.5	45.9	45.3	44.8	44.3	43.9	43.6	43.2	42.9	42.7	42.4	42.2	42.0	41.8	41.6	41.4	41.3
50	110.4	85.9	73.6	66.3	61.4	57.9	55.3	53.2	51.6	50.2	49.1	48.2	47.4	46.7	46.1	45.5	45.0	44.6	44.2	43.9	43.5	43.3	43.0	42.7	42.5	42.3	42.1	41.9	41.8
60	115.2	89.1	76.1	68.3	63.1	59.4	56.6	54.4	52.7	51.2	50.1	49.1	48.2	47.5	46.8	46.2	45.7	45.3	44.9	44.5	44.1	43.8	43.6	43.3	43.0	42.8	42.6	42.4	42.2
70	119.9	92.4	78.6	70.3	64.8	60.9	57.9	55.6	53.8	52.3	51.0	49.9	49.0	48.2	47.6	47.0	46.4	45.9	45.5	45.1	44.7	44.4	44.1	43.8	43.6	43.3	43.1	42.9	42.7
80	124.7	95.6	81.0	72.3	66.5	62.3	59.2	56.8	54.9	53.3	51.9	50.8	49.9	49.0	48.3	47.7	47.1	46.6	46.1	45.7	45.3	45.0	44.7	44.4	44.1	43.9	43.6	43.4	43.2
90	129.4	98.8	83.5	74.3	68.2	63.8	60.6	58.0	56.0	54.3	52.9	51.7	50.7	49.8	49.1	48.4	47.8	47.3	46.8	46.3	45.9	45.6	45.2	44.9	44.6	44.4	44.1	43.9	43.7
100	134.2	102.0	86.0	76.3	69.9	65.3	61.9	59.2	57.1	55.3	53.8	52.6	51.5	50.6	49.8	49.1	48.5	47.9	47.4	47.0	46.5	46.2	45.8	45.5	45.2	44.9	44.7	44.4	44.2
120	143.7	108.5	90.9	80.4	73.3	68.3	64.5	61.6	59.2	57.3	55.7	54.4	53.2	52.2	51.3	50.6	49.9	49.2	48.7	48.2	47.7	47.3	46.9	46.6	46.3	46.0	45.7	45.4	45.2
140	153.2	115.0	95.8	84.4	76.7	71.3	67.2	64.0	61.4	59.4	57.6	56.1	54.9	53.8	52.8	52.0	51.2	50.6	50.0	49.4	48.9	48.5	48.1	47.7	47.3	47.0	46.7	46.4	46.1
160	162.7	121.4	100.8	88.4	80.1	74.2	69.8	66.4	63.6	61.4	59.5	57.9	56.6	55.4	54.3	53.4	52.6	51.9	51.3	50.7	50.1	49.6	49.2	48.8	48.4	48.0	47.7	47.4	47.1
180	172.2	127.9	105.7	92.4	83.6	77.2	72.5	68.8	65.8	63.4	61.4	59.7	58.2	57.0	55.9	54.9	54.0	53.2	52.5	51.9	51.3	50.8	50.3	49.9	49.5	49.1	48.7	48.4	48.1
200	181.7	134.3	110.6	96.4	87.0	80.2	75.1	71.2	68.0	65.4	63.3	61.5	59.9	58.5	57.4	56.3	55.4	54.6	53.8	53.1	52.5	52.0	51.4	51.0	50.5	50.1	49.7	49.4	49.1
220	191.2	140.8	115.6	100.5	90.4	83.2	77.8	73.6	70.2	67.5	65.2	63.2	61.6	60.1	58.9	57.8	56.8	55.9	55.1	54.4	53.7	53.1	52.6	52.1	51.6	51.2	50.8	50.4	50.0
240	200.7	147.2	120.5	104.5	93.8	86.2	80.4	76.0	72.4	69.5	67.1	65.0	63.2	61.7	60.4	59.2	58.1	57.2	56.4	55.6	54.9	54.3	53.7	53.2	52.7	52.2	51.8	51.4	51.0
260	210.2	153.7	125.5	108.5	97.2	89.1	83.1	78.4	74.6	71.5	68.9	66.8	64.9	63.3	61.9	60.6	59.5	58.5	57.6	56.8	56.1	55.4	54.8	54.3	53.7	53.3	52.8	52.4	52.0
280	219.7	160.2	130.4	112.5	100.6	92.1	85.7	80.8	76.8	73.5	70.8	68.5	66.6	64.9	63.4	62.1	60.9	59.9	58.9	58.1	57.3	56.6	56.0	55.4	54.8	54.3	53.8	53.4	53.0
300	229.2	166.6	135.3	116.5	104.0	95.1	88.4	83.2	79.0	75.6	72.7	70.3	68.3	66.5	64.9	63.5	62.3	61.2	60.2	59.3	58.5	57.8	57.1	56.5	55.9	55.3	54.8	54.4	53.9
320	238.7	173.1	140.3	120.6	107.4	98.1	91.0	85.6	81.2	77.6	74.6	72.1	69.9	68.0	66.4	65.0	63.7	62.5	61.5	60.5	59.7	58.9	58.2	57.5	56.9	56.4	55.9	55.4	54.9
340	248.2	179.5	145.2	124.6	110.8	101.0	93.7	88.0	83.4	79.6	76.5	73.9	71.6	69.6	67.9	66.4	65.1	63.8	62.8	61.8	60.9	60.1	59.3	58.6	58.0	57.4	56.9	56.4	55.9
360	257.7	186.0	150.1	128.6	114.3	104.0	96.3	90.3	85.6	81.7	78.4	75.6	73.3	71.2	69.4	67.8	66.4	65.2	64.0	63.0	62.1	61.2	60.5	59.7	59.1	58.5	57.9	57.4	56.9
380	267.2	192.4	155.1	132.6	117.7	107.0	99.0	92.7	87.8	83.7	80.3	77.4	74.9	72.8	70.9	69.3	67.8	66.5	65.3	64.3	63.3	62.4	61.6	60.8	60.1	59.5	58.9	58.4	57.8
400	276.7	198.9	160.0	136.6	121.1	110.0	101.6	95.1	89.9	85.7	82.2	79.2	76.6	74.4	72.4	70.7	69.2	67.8	66.6	65.5	64.5	63.6	62.7	61.9	61.2	60.6	59.9	59.4	58.8
420	286.2	205.4	164.9	140.7	124.5	112.9	104.3	97.5	92.1	87.7	84.1	80.5	78.3	76.0	73.9	72.2	70.6	69.2	67.9	66.7	65.7	64.7	63.8	63.0	62.3	61.6	61.0	60.4	59.8
440	295.7	211.8	169.9	144.7	127.9	115.9	106.9	99.9	94.3	89.8	85.9	82.7	79.9	77.6	75.5	73.6	72.0	70.5	69.2	68.0	66.9	65.9	65.0	64.1	63.3	62.6	62.0	61.4	60.8
460	305.2	218.3	174.8	148.7	131.3	118.9	109.6	102.3	96.5	91.8	87.8	84.5	81.6	79.1	77.0	75.0	73.3	71.8	70.4	69.2	68.1	67.0	66.1	65.2	64.4	63.7	63.0	62.3	61.7
480	314.7	224.7	179.7	152.7	134.7	121.9	112.2	104.7	98.7	93.8	89.7	86.3	83.3	80.7	78.5	76.5	74.7	73.1	71.7	70.4	69.3	68.2	67.2	66.3	65.5	64.7	64.0	63.3	62.7
500	324.2	231.2	184.7	156.7	138.1	124.8	114.9	107.1	100.9	95.8	91.6	88.0	85.0	82.3	80.0	77.9	76.1	74.5	73.0	71.7	70.5	69.4	68.4	67.4	66.6	65.8	65.0	64.3	63.7
600	371.8	263.5	209.3	176.8	155.2	139.7	128.1	119.1	111.9	106.0	101.1	96.9	93.3	90.2	87.5	85.1	83.0	81.1	79.4	77.9	76.4	75.2	74.0	72.9	71.9	71.0	70.1	69.3	68.6
700	419.3	295.8	234.0	197.0	172.2	154.6	141.4	131.1	122.8	116.1	110.5	105.7	101.7	98.1	95.1	92.3	89.9	87.7	85.8	84.0	82.4	81.0	79.6	78.4	77.2	76.2	75.2	74.3	73.4
800	466.8	328.0	258.7	217.1	189.3	169.5	154.6	143.1	133.8	126.2	119.9	114.6	110.0	106.1	102.6	99.5	96.8	94.4	92.2	90.2	88.4	86.8	85.3	83.9	82.6	81.4	80.3	79.3	78.3
900	514.3	360.3	283.4	237.2	206.4	184.4	167.9	155.0	144.8	136.4	129.4	123.5	118.4	114.0	110.1	106.7	103.7	101.0	98.6	96.4	94.4	92.6	90.9	89.4	87.9	86.6	85.4	84.3	83.2
1000	561.8	392.6	308.0	257.3	223.4	199.3	181.1	167.0	155.7	146.5	138.8	132.3	126.7	121.9	117.7	114.0	110.6	107.7	105.0	102.6	100.4	98.4	96.5	94.8	93.3	91.8	90.5	89.2	88.1
1100	609.3	424.9	332.7	277.4	240.5	214.1	194.4	179.0	166.7	156.7	148.3	141.2	135.1	129.8	125.2	121.2	117.5	114.3	111.4	108.8	106.4	104.2	102.2	100.3	98.6	97.0	95.6	94.2	92.9
1200	656.8	457.2	357.4	297.5	257.5	229.0	207.8	191.0	177.7	166.8	157.7	150.0	143.4	137.7	132.8	128.4	124.4	120.9	117.8	114.9	112.3	110.0	107.8	105.8	104.0	102.3	100.7	99.2	97.8
1300	704.4	489.5	382.0	317.6	274.6	243.9	220.9	203.0	188.6	176.9	167.2	158.9	151.8	145.7	140.3	135.6	131.3	127.6	124.2	121.1	118.3	115.8	113.4	111.3	109.3	107.5	105.8	104.2	102.7
1400	751.9	521.8	406.7	337.7	291.6	258.8	234.1	214.9	199.6	187.1	176.6	167.7	160.2	153.6	147.8	142.8	138.2	134.2	130.6	127.3	124.3	121.6	119.1	116.8	114.6	112.7	110.9	109.2	107.6
1500	799.4	554.1	431.4	357.8	308.7	273.7	247.4	226.9	210.6	197.2	186.0	176.6	168.5	161.5	155.4	150.0	145.2	140.9	137.0	133.5	130.3	127.4	124.7	122.3	120.0	117.9	115.9	114.1	112.4
1600	846.9	586.3	456.1	377.9	325.8	288.5	260.6	238.9	221.5	207.3	195.5	185.5	176.9	169.4	162.9	157.2	152.1	147.5	143.4	139.7	136.3	133.2	130.3	127.7	125.3	123.1	121.0	119.1	117.3
1700	894.4	618.6	480.7	398.0	342.8	303.4	273.9	250.9	232.5	217.5	204.9	194.3	185.2	177.3	170.5	164.4	159.0	154.1	149.8	145.8	142.2	139.0	136.0	133.2	130.7	128.3	126.1	124.1	122.2
1800	941.9	650.9	505.4	418.1	359.9	318.3	287.1	262.9	243.5	227.6	214.4	203.2	193.6	185.3	178.0	171.6	165.9	160.8	156.2	152.0	148.2	144.8	141.6	138.7	136.0	133.5	131.2	129.1	127.1
1900	989.4	683.2	530.1	438.2	376.9	333.2	300.4	274.9	254.4	237.7	223.8	212.0	201.9	193.2	185.5	178.8	172.8	167.4	162.6	158.2	154.2	150.6	147.3	144.2	141.4	138.7	136.3	134.1	131.9
2000	1,037.0	715.5	554.7	458.3	394.0	348.1	313.6	286.8	265.4	247.9	233.3	220.9	210.3	201.1	193.1	186.0	179.7	174.0	169.0	164.4	160.2	156.4	152.9	149.7	146.7	144.0	141.4	139.0	136.8
2100	1,084.5	747.8	579.4	478.4	411.0	363.0	326.9	298.8	276.4	258.0	242.7	229.7	218.6	209.0	200.6	193.2	186.6	180.7	175.4	170.6	166.2	162.2	158.5	155.2	152.0	149.2	146.5	144.0	141.7
2200	1,132.0	780.1	604.1	498.5	428.1	377.8	340.1	310.8	287.3	268.1	252.1	238.6	227.0	216.9	208.2	200.4	193.5	187.3	181.8	176.7	172.2	168.0	164.2	160.6	157.4	154.4	151.6	149.0	146.6
2300	1,179.5	812.3	628.8	518.6	445.2	392.7	353.4	322.8	298.3	278.3	261.6	247.5	235.4	224.9	215.7	207.6	200.4	194.0	188.2	182.9	178.1	173.8	169.8	166.1	162.7	159.6	156.7	154.0	151.4
2400	1,227.0	844.6	653.4	538.7	462.2	407.6	366.6	334.8	309.3	288.4	271.0	256.3	243.7	232.8	223.2	214.8	207.3	200.6	194.6	189.1	184.1	179.6	175.4	171.6	168.1	164.8	161.8	159.0	156.3
2500	1,274.5	876.9	678.1	558.8	479.3	422.5	379.9	346.7	320.2	298.5	280.5	265.2	252.1	240.7	230.8	222.0	214.2	207.2	201.0	195.3	190.1	185.4	181.1	177.1	173.4	170.0	166.9	163.9	161.2
2600	1,322.0	909.2	702.8	578.9	496.3	437.4	393.1	358.7	331.2	308.7	289.9	274.0	260.4	248.6	238.3	229.2	221.1	213.9	207.4	201.5	196.1	191.2	186.7	182.6	178.8	175.2	172.0	168.9	166.1
2700	1,369.5	941.5	727.4	599.0	513.4	452.2	406.4	370.7	342.2	318.8	299.4	282.9	268.8	256.5	245.9	236.4	228.0	220.5	213.8	207.6	202.1	197.0	192.3	188.1	184.1	180.5	177.0	173.9	170.9
Term. 2/	86.670	69.760	61.305	56.230	52.850	50.435	48.625	47.215	46.085	45.165	44.395	43.745	43.185	42.705	42.280	41.910	41.575	41.210	41.015	40.770	40.550	40.350	40.170	40.000	39.840	39.700	39.565	39.440	39.320
L. H. 3/	.47514	.32286	.24672	.20133	.17057	.14882	.13250	.11981	.10966	.10135	.09443	.08857	.08355	.07920	.07540	.07204	.06905	.06638	.06398	.06180	.05982	.05802	.05636	.05484	.05343	.05213	.05092	.04980	.04875

1/ Based on a tare weight of 22.5 tons and a ratio of empty car miles to loaded car miles of 0.351. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.22.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.32.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

5401

TABLE 78.--TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.5	16.3	14.0	12.2	10.9	9.8	8.9	8.2	7.6	7.0	6.6	6.2	5.8	5.5	5.2	4.9	4.7	4.5	4.3	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	10
20	20.5	17.1	14.7	12.8	11.4	10.3	9.4	8.6	8.0	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4	3.3	3.2	3.1	20
30	21.4	17.9	15.3	13.5	12.0	10.8	9.8	9.0	8.4	7.8	7.3	6.8	6.4	6.1	5.8	5.5	5.3	5.0	4.8	4.6	4.5	4.3	4.1	4.0	3.9	3.8	3.6	3.5	3.4	3.3	30
40	22.3	18.6	16.0	14.1	12.5	11.3	10.3	9.5	8.8	8.2	7.6	7.2	6.8	6.4	6.1	5.8	5.5	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.7	3.6	3.5	40
50	23.2	19.4	16.7	14.7	13.1	11.8	10.8	9.9	9.2	8.5	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1	3.9	3.8	3.7	50
60	24.2	20.2	17.4	15.3	13.6	12.3	11.2	10.3	9.6	8.9	8.4	7.9	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.0	3.9	60
70	25.1	21.0	18.1	15.9	14.2	12.8	11.7	10.8	10.0	9.3	8.7	8.2	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.6	5.4	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.2	4.1	70
80	26.0	21.8	18.7	16.5	14.7	13.3	12.1	11.2	10.4	9.7	9.1	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.5	4.3	80
90	26.9	22.6	19.4	17.1	15.3	13.8	12.6	11.6	10.8	10.1	9.4	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	4.8	4.7	4.5	90
100	27.9	23.3	20.1	17.7	15.8	14.3	13.1	12.0	11.2	10.4	9.8	9.2	8.7	8.3	7.9	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9	4.7	100
120	29.7	24.9	21.5	18.9	16.9	15.3	14.0	12.9	12.0	11.2	10.5	9.9	9.4	8.9	8.5	8.1	7.8	7.4	7.2	6.9	6.7	6.4	6.2	6.0	5.9	5.7	5.5	5.4	5.3	5.1	120
140	31.5	26.5	22.8	20.1	18.0	16.3	14.9	13.8	12.8	11.9	11.2	10.6	10.0	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	5.5	140
160	33.4	28.0	24.2	21.3	19.1	17.3	15.8	14.6	13.6	12.7	11.9	11.3	10.7	10.1	9.7	9.3	8.9	8.5	8.2	7.9	7.6	7.4	7.2	7.0	6.8	6.6	6.4	6.2	6.1	5.9	160
180	35.2	29.6	25.6	22.5	20.2	18.3	16.8	15.5	14.4	13.5	12.7	11.9	11.3	10.8	10.3	9.8	9.4	9.1	8.7	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.8	6.7	6.5	6.3	180
200	37.1	31.2	26.9	23.7	21.3	19.3	17.7	16.3	15.2	14.2	13.4	12.6	12.0	11.4	10.9	10.4	10.0	9.6	9.2	8.9	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.1	6.9	6.7	200
220	38.9	32.7	28.3	25.0	22.4	20.3	18.6	17.2	16.0	15.0	14.1	13.3	12.6	12.0	11.5	11.0	10.5	10.1	9.8	9.4	9.1	8.8	8.6	8.3	8.1	7.9	7.7	7.5	7.3	7.1	220
240	40.8	34.3	29.6	26.2	23.5	21.3	19.5	18.0	16.8	15.7	14.8	14.0	13.3	12.6	12.1	11.6	11.1	10.7	10.3	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	7.7	7.5	240
260	42.6	35.9	31.0	27.4	24.6	22.3	20.4	18.9	17.6	16.5	15.5	14.7	13.9	13.3	12.7	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	8.7	8.5	8.3	8.1	7.9	260
280	44.5	37.4	32.4	28.6	25.6	23.3	21.4	19.8	18.4	17.2	16.2	15.4	14.6	13.9	13.3	12.7	12.2	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.4	9.2	8.9	8.7	8.5	8.3	280
300	46.3	39.0	33.7	29.8	26.7	24.3	22.3	20.6	19.2	18.0	17.0	16.0	15.2	14.5	13.9	13.3	12.8	12.3	11.8	11.4	11.1	10.7	10.4	10.1	9.9	9.6	9.4	9.1	8.9	8.7	300
320	48.2	40.5	35.1	31.0	27.8	25.3	23.2	21.5	20.0	18.8	17.7	16.7	15.9	15.1	14.5	13.9	13.3	12.8	12.4	11.9	11.6	11.2	10.9	10.6	10.3	10.0	9.8	9.6	9.3	9.1	320
340	50.0	42.1	36.5	32.2	28.9	26.3	24.1	22.3	20.8	19.5	18.4	17.4	16.5	15.7	15.1	14.4	13.9	13.4	12.9	12.5	12.1	11.7	11.4	11.0	10.7	10.5	10.2	10.0	9.8	9.5	340
360	51.9	43.7	37.8	33.4	30.0	27.3	25.1	23.2	21.6	20.3	19.1	18.1	17.2	16.4	15.7	15.0	14.4	13.9	13.4	13.0	12.5	12.2	11.8	11.5	11.2	10.9	10.6	10.4	10.2	9.9	360
380	53.7	45.2	39.2	34.6	31.1	28.3	26.0	24.1	22.4	21.0	19.8	18.8	17.8	17.0	16.2	15.6	15.0	14.4	13.9	13.5	13.0	12.6	12.3	11.9	11.6	11.3	11.1	10.8	10.6	10.3	380
400	55.6	46.8	40.5	35.9	32.2	29.3	26.9	24.9	23.2	21.8	20.5	19.4	18.5	17.6	16.8	16.2	15.5	15.0	14.4	14.0	13.5	13.1	12.7	12.4	12.1	11.8	11.5	11.2	11.0	10.7	400
420	57.4	48.4	41.9	37.1	33.3	30.3	27.8	25.8	24.0	22.5	21.2	20.1	19.1	18.2	17.4	16.7	16.1	15.5	15.0	14.5	14.0	13.6	13.2	12.9	12.5	12.2	11.9	11.6	11.4	11.1	420
440	59.3	49.9	43.3	38.3	34.4	31.3	28.7	26.6	24.8	23.3	22.0	20.8	19.8	18.9	18.0	17.3	16.6	16.0	15.5	15.0	14.5	14.1	13.7	13.3	13.0	12.6	12.3	12.1	11.8	11.5	440
460	61.1	51.5	44.6	39.5	35.5	32.3	29.7	27.5	25.6	24.1	22.7	21.5	20.4	19.5	18.6	17.9	17.2	16.6	16.0	15.5	15.0	14.6	14.1	13.8	13.4	13.1	12.8	12.5	12.2	11.9	460
480	62.9	53.1	46.0	40.7	36.6	33.3	30.6	28.3	26.4	24.8	23.4	22.2	21.1	20.1	19.2	18.5	17.7	17.1	16.5	16.0	15.5	15.0	14.6	14.2	13.9	13.5	13.2	12.9	12.6	12.3	480
500	64.8	54.6	47.4	41.9	37.7	34.3	31.5	29.2	27.2	25.5	24.1	22.8	21.7	20.7	19.8	19.0	18.3	17.6	17.0	16.5	16.0	15.5	15.1	14.7	14.3	13.9	13.6	13.3	13.0	12.7	500
600	74.0	62.4	54.2	48.0	43.1	39.3	36.1	33.5	31.3	29.4	27.7	26.2	25.0	23.8	22.8	21.9	21.1	20.3	19.6	19.0	18.4	17.9	17.4	16.9	16.5	16.1	15.7	15.4	15.1	14.8	600
700	83.3	70.3	61.0	54.0	48.6	44.3	40.7	37.8	35.3	33.1	31.3	29.7	28.2	26.9	25.8	24.8	23.9	23.0	22.2	21.5	20.9	20.3	19.7	19.2	18.7	18.3	17.9	17.5	17.1	16.8	700
800	92.5	78.1	67.8	60.1	54.1	49.3	45.3	42.1	39.3	36.9	34.9	33.1	31.5	30.1	28.8	27.7	26.6	25.7	24.8	24.1	23.3	22.7	22.1	21.5	20.9	20.4	20.0	19.5	19.1	18.8	800
900	101.7	85.9	74.6	66.1	59.5	54.3	50.0	46.4	43.3	40.7	38.4	36.5	34.7	33.2	31.8	30.5	29.4	28.4	27.4	26.6	25.8	25.1	24.4	23.7	23.2	22.6	22.1	21.6	21.2	20.8	900
1000	111.0	93.7	81.4	72.2	65.0	59.3	54.6	50.6	47.3	44.5	42.0	39.9	38.0	36.3	34.8	33.4	32.2	31.1	30.0	29.1	28.2	27.4	26.7	26.0	25.4	24.8	24.2	23.7	23.2	22.8	1000
1100	120.2	101.6	88.2	78.2	70.5	64.3	59.2	54.9	51.3	48.3	45.6	43.3	41.2	39.4	37.8	36.3	34.9	33.7	32.6	31.6	30.7	29.8	29.0	28.3	27.6	27.0	26.4	25.8	25.3	24.8	1100
1200	129.4	109.4	95.1	84.3	75.9	69.3	63.8	59.2	55.4	52.1	49.2	46.7	44.5	42.5	40.7	39.2	37.7	36.4	35.2	34.1	33.1	32.2	31.4	30.6	29.8	29.1	28.5	27.9	27.3	26.8	1200
1300	138.7	117.2	101.9	90.4	81.4	74.2	68.4	63.5	59.4	55.8	52.8	50.1	47.7	45.6	43.7	42.0	40.5	39.1	37.8	36.7	35.6	34.6	33.7	32.8	32.0	31.3	30.6	30.0	29.3	28.8	1300
1400	147.9	125.0	108.7	96.4	86.9	79.2	73.0	67.8	63.4	59.6	56.4	53.5	51.0	48.7	46.7	44.9	43.3	41.8	40.4	39.2	38.0	37.0	36.0	35.1	34.2	33.5	32.7	32.0	31.4	30.8	1400
1500	157.2	132.8	115.5	102.5	92.3	84.2	77.6	72.1	67.4	63.4	59.9	56.9	54.2	51.8	49.7	47.8	46.0	44.5	43.0	41.7	40.5	39.4	38.3	37.4	36.5	35.6	34.8	34.1	33.4	32.8	1500
1600	166.4	140.7	122.3	108.5	97.8	89.2	82.2	76.4	71.4	67.2	63.5	60.3	57.5	54.9	52.7	50.7	48.8	47.2	45.6	44.2	42.9	41.8	40.7	39.6	38.7	37.8	37.0	36.2	35.5	34.8	1600
1700	175.6	148.5	129.1	114.6	103.3	94.2	86.8	80.7	75.4	71.0	67.1	63.7	60.7	58.1	55.7	53.5	51.6	49.8	48.2	46.8	45.4	44.1	43.0	41.9	40.9	40.0	39.1	38.3	37.5	36.8	1700
1800	184.9	156.3	135.9	120.6	108.7	99.2	91.4	85.0	79.5	74.8	70.7	67.1	64.0	61.2	58.7	56.4	54.4	52.5	50.8	49.3	47.8	46.5	45.3	44.2	43.1	42.1	41.2	40.4	39.5	38.8	1800
1900	194.1	164.1	142.7	126.6	114.2	104.2	96.1	89.2	83.5	78.5	74.3	70.5	67.2	64.3	61.6	59.3	57.1	55.2	53.4	51.8	50.3	48.9	47.6	46.4	45.3	44.3	43.3	42.4	41.6	40.8	1900
2000	203.3	172.0	149.6	132.7	119.7	109.2	100.7	93.5	87.5	82.3	77.8	73.9	70.5	67.4	64.6	62.2	59.9	57.9	56.0	54.3	52.7	51.3	50.0	48.7	47.6	46.5	45.5	44.5	43.6	42.8	2000
2100	212.6	179.8	156.4	138.8	125.1	114.2	105.3	97.8	91.5	86.1	81.4	77.3	73.7	70.5	67.6	65.0	62.7	60.6	58.6	56.8	55.2	53.7	52.3	51.0	49.8	48.6	47.6	46.6	45.7	44.8	2100
2200	221.8	187.6	163.2	144.9	130.6	119.2	109.9	102.1	95.5	89.9	85.0	80.7	77.0	73.6	70.6	67.9	65.5	63.2	61.2	59.4	57.6	56.1	54.6	53.3	52.0	50.8	49.7	48.7	47.7	46.8	2200
2300	231.0	195.4	170.0	150.9	136.1	124.2	114.5	106.4	99.5	93.7	88.6	84.1	80.2	76.7	73.6	70.8	68.2	65.9	63.8	61.9	60.1	58.5	56.9	55.5	54.2	53.0	51.8	50.8	49.7	48.8	2300
2400	240.3	203.3	176.8	157.0	141.5	129.2	119.1	110.7	103.6	97.5	92.2	87.5	83.5	79.8	76.6	73.7	71.0	68.6	66.4	64.4	62.6	60.8	59.3	57.8	56.4	55.1	54.0	52.8	51.8	50.8	2400
2500	249.5	211.1	183.6	163.0	147.0	134.2	123.7	115.0	107.6	101.2	95.8	90.9	86.7	82.9	79.6	76.5	73.8	71.3	69.0	66.9	65.0	63.2	61.6	60.1	58.6	57.3	56.1	54.9	53.8	52.8	2500
2600	258.8	218.9	190.4	169.1	152.5	139.2	128.3	119.3	111.6	105.0	99.3	94.4	90.0	86.1	82.6	79.4	76.6	74.0	71.6	69.4	67.5	65.6	63.9	62.3	60.9	59.5	58.2	57.0	55.9	54.8	2600
2700	268.0	226.7	197.2	175.1	157.9	144.2	132.9	123.6	115.6	108.8	102.9	97.8	93.2	89.2	85.5	82.3	79.3	76.7	74.2	72.0	69.9	68.0	66.2	64.6	63.1	61.7	60.3	59.1	57.9	56.8	2700
2800	277.2	234.5	204.1	181.2	163.4	149.2	137.5	127.8	119.6	112.6	106.5	101.2	96.5	92.3	88.5	85.2	82.1	79.3	76.8	74.5	72.4	70.4	68.6	66.9	65.3	63.8	62.4	61.2	59.9	58.8	2800
2900	286.5	242.4	210.9	187.2	168.9	154.2	142.2	132.1	123.6	116.4	110.1	104.6	99.7	95.4	91.5	88.0	84.9	82.0	79.4	77.0	74.8	72.8	70.9	69.1	67.5	66.0	64.6	63.2	62.0	60.8	2900
3000	295.7	250.2	217.7	193.3	174.3	159.2	146.8	136.4	127.7	120.2	113.7	108.0	103.0	98.5	94.5	90.9	87.7	84.7	82.0	79.5	77.3	75.2	73.2	71.4	69.7	68.2	66.7	65.3	64.0	62.8	3000
3100	304.9	258.0	224.5	199.4	179.8	164.2	151.4	140.7	131.7	123.9	117.2	111.4	106.2	101.6	97.5	93.8	90.4	87.4	84.6	82.1	79.7	77.5	75.5	73.7	71.9	70.3	68.8	67.4	66.1	64.8	3100
3200	314.2	265.8	231.3	205.4	185.3	169.2	156.0	145.0	135.7	127.7	120.8	114.8	109.5	104.7	100.5	96.7	93.2	90.1	87.2	84.6	82.2	79.9	77.9	75.9	74.2	72.5	70.9	69.5	68.1	66.8	3200
3300	323.4	273.7	238.1	211.5	190.7	174.2	160.6	149.3	139.7	131.5	124.4	118.2	112.7	107.8	103.5	99.5	96.0	92.8	89.8	87.1	84.6	82.3	80.2	78.2	76.4	74.7	73.1	71.6	70.1	68.8	3300
3400	332.6	281.5	244.9	217.5	196.2	179.2	165.2	153.6	143.7	135.3	128.0	121.6	116.0	110.9	106.4	102.4	98.8	95.4	92.4	89.6	87.1	84.7	82.5	80.5	78.6	76.8	75.2	73.6	72.2	70.8	3400
3500	341.9	289.3	251.7	223.6	201.7	184.1	169.8	157.9	147.8	139.1	131.6	125.0	119.2	114.0	109.4	105.3	101.5	98.1	95.0	92.1	89.5	87.1	84.8	82.8	80.8	79.0	77.3	75.7	74.2	72.8	3500
Term. 2/	18.614	15.512	13.296	11.634	10.341	9.307	8.461	7.756	7.159	6.648	6.205	5.817	5.475	5.171	4.898	4.654	4,432	4.230	4.047	3.878	3.723	3.580	3.447	3.324	3.209	3.102	3.002	2.908	2.820	2.737	Term. 2/
L. H. 3/	.092360	.078225	.068129	.060556	.054667	.049955	.046100	.042888	.040169	.037839	.035820	.034053	.032494	.031108	.029868	.028753	.027743	.026825	.025987	.025219	.024512	.023360	.023256	.022695	.022172	.021685	.021229	.020802	.020400	.020022	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.335. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 78 (Concluded).--TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.8	2.7	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	10
20	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	20
30	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	30
40	3.4	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	40
50	3.6	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2	50
60	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	60
70	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	70
80	4.2	4.1	4.0	3.9	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	80
90	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.8	2.7	90
100	4.6	4.5	4.4	4.3	4.2	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	100
120	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.2	120
140	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.6	3.5	3.5	3.4	140
160	5.8	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.7	160
180	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	180
200	6.6	6.5	6.3	6.2	6.1	6.0	5.8	5.7	5.6	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.3	200
220	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	220
240	7.4	7.2	7.1	6.9	6.8	6.7	6.6	6.5	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.6	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.1	5.0	5.0	4.9	4.9	240
260	7.8	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.4	5.3	5.2	5.2	5.1	260
280	8.2	8.0	7.8	7.7	7.5	7.4	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.4	280
300	8.6	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.3	6.2	6.1	6.1	6.0	5.9	5.9	5.8	5.8	5.7	300
320	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	6.0	6.0	320
340	9.3	9.2	9.0	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	6.3	340
360	9.7	9.5	9.4	9.2	9.0	8.9	8.7	8.6	8.4	8.3	8.2	8.1	7.9	7.8	7.7	7.6	7.5	7.4	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.7	6.7	6.6	6.6	360
380	10.1	9.9	9.7	9.6	9.4	9.2	9.1	8.9	8.8	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.3	7.2	7.1	7.0	7.0	6.9	6.8	380
400	10.5	10.3	10.1	9.9	9.8	9.6	9.4	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.3	7.2	7.1	400
420	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	7.7	7.6	7.5	7.5	7.4	420
440	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.1	8.0	7.9	7.8	7.8	7.7	440
460	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.4	8.3	8.2	8.1	8.0	8.0	460
480	12.1	11.9	11.6	11.4	11.2	11.0	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.7	9.6	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.7	8.6	8.5	8.4	8.3	8.3	480
500	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	8.7	8.6	8.5	500
600	14.5	14.2	13.9	13.7	13.4	13.2	13.0	12.8	12.6	12.4	12.3	12.1	11.9	11.8	11.6	11.5	11.3	11.2	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.0	10.0	600
700	16.4	16.1	15.8	15.5	15.3	15.0	14.8	14.6	14.4	14.1	13.9	13.8	13.6	13.4	13.2	13.1	12.9	12.8	12.6	12.5	12.4	12.2	12.1	12.0	11.9	11.8	11.7	11.6	11.5	11.4	700
800	18.4	18.0	17.7	17.4	17.1	16.8	16.6	16.3	16.1	15.9	15.6	15.4	15.2	15.0	14.9	14.7	14.5	14.4	14.2	14.0	13.9	13.8	13.6	13.5	13.4	13.2	13.1	13.0	12.9	12.8	800
900	20.4	20.0	19.6	19.3	19.0	18.7	18.4	18.1	17.8	17.6	17.3	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.8	15.6	15.4	15.3	15.1	15.0	14.8	14.7	14.6	14.5	14.3	14.2	900
1000	22.3	21.9	21.5	21.2	20.8	20.5	20.2	19.9	19.6	19.3	19.0	18.8	18.6	18.3	18.1	17.9	17.7	17.5	17.3	17.1	17.0	16.8	16.6	16.5	16.3	16.2	16.0	15.9	15.8	15.6	1000
1100	24.3	23.8	23.4	23.0	22.7	22.3	22.0	21.6	21.3	21.0	20.7	20.5	20.2	20.0	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.3	18.1	18.0	17.8	17.6	17.5	17.3	17.2	17.0	1100
1200	26.3	25.8	25.3	24.9	24.5	24.1	23.7	23.4	23.1	22.7	22.4	22.1	21.9	21.6	21.3	21.1	20.9	20.6	20.4	20.2	20.0	19.8	19.6	19.4	19.3	19.1	18.9	18.8	18.6	18.5	1200
1300	28.2	27.7	27.2	26.8	26.3	25.9	25.5	25.2	24.8	24.5	24.1	23.8	23.5	23.2	23.0	22.7	22.4	22.2	22.0	21.7	21.5	21.3	21.1	20.9	20.7	20.6	20.4	20.2	20.0	19.9	1300
1400	30.2	29.6	29.1	28.6	28.2	27.7	27.3	26.9	26.5	26.2	25.8	25.5	25.2	24.9	24.6	24.3	24.0	23.8	23.5	23.3	23.1	22.8	22.6	22.4	22.2	22.0	21.8	21.6	21.5	21.3	1400
1500	32.2	31.6	31.0	30.5	30.0	29.6	29.1	28.7	28.3	27.9	27.5	27.2	26.8	26.5	26.2	25.9	25.6	25.3	25.1	24.8	24.6	24.3	24.1	23.9	23.7	23.5	23.3	23.1	22.9	22.7	1500
1600	34.1	33.5	32.9	32.4	31.9	31.4	30.9	30.4	30.0	29.6	29.2	28.9	28.5	28.2	27.8	27.5	27.2	26.9	26.6	26.4	26.1	25.9	25.6	25.4	25.2	24.9	24.7	24.5	24.3	24.1	1600
1700	36.1	35.4	34.8	34.3	33.7	33.2	32.7	32.2	31.8	31.3	30.9	30.5	30.2	29.8	29.4	29.1	28.8	28.5	28.2	27.9	27.6	27.4	27.1	26.9	26.6	26.4	26.2	26.0	25.8	25.6	1700
1800	38.1	37.4	36.7	36.1	35.5	35.0	34.5	34.0	33.5	33.1	32.6	32.2	31.8	31.4	31.1	30.7	30.4	30.1	29.7	29.4	29.2	28.9	28.6	28.4	28.1	27.9	27.6	27.4	27.2	27.0	1800
1900	40.0	39.3	38.6	38.0	37.4	36.8	36.3	35.7	35.2	34.8	34.3	33.9	33.5	33.1	32.7	32.3	32.0	31.6	31.3	31.0	30.7	30.4	30.1	29.8	29.6	29.3	29.1	28.8	28.6	28.4	1900
2000	42.0	41.2	40.5	39.9	39.2	38.6	38.1	37.5	37.0	36.5	36.0	35.5	35.1	34.7	34.3	33.9	33.6	33.2	32.9	32.5	32.2	31.9	31.6	31.3	31.1	30.8	30.5	30.3	30.0	29.8	2000
2100	44.0	43.2	42.4	41.7	41.1	40.4	39.8	39.3	38.7	38.2	37.7	37.2	36.8	36.3	35.9	35.5	35.1	34.8	34.4	34.1	33.7	33.4	33.1	32.8	32.5	32.2	32.0	31.7	31.5	31.2	2100
2200	45.9	45.1	44.3	43.6	42.9	42.3	41.6	41.0	40.5	39.9	39.4	38.9	38.4	38.0	37.5	37.1	36.7	36.3	36.0	35.6	35.3	34.9	34.6	34.3	34.0	33.7	33.4	33.2	32.9	32.6	2200
2300	47.9	47.0	46.2	45.5	44.8	44.1	43.4	42.8	42.2	41.6	41.1	40.6	40.1	39.6	39.2	38.7	38.3	37.9	37.5	37.2	36.8	36.4	36.1	35.8	35.5	35.2	34.9	34.6	34.3	34.1	2300
2400	49.9	49.0	48.1	47.4	46.6	45.9	45.2	44.6	44.0	43.4	42.8	42.3	41.8	41.3	40.8	40.3	39.9	39.5	39.1	38.7	38.3	38.0	37.6	37.3	36.9	36.6	36.3	36.0	35.8	35.5	2400
2500	51.8	50.9	50.0	49.2	48.4	47.7	47.0	46.3	45.7	45.1	44.5	43.9	43.4	42.9	42.4	41.9	41.5	41.1	40.6	40.2	39.8	39.5	39.1	38.8	38.4	38.1	37.8	37.5	37.2	36.9	2500
2600	53.8	52.8	51.9	51.1	50.3	49.5	48.8	48.1	47.4	46.8	46.2	45.6	45.1	44.5	44.0	43.5	43.1	42.6	42.2	41.8	41.4	41.0	40.6	40.2	39.9	39.6	39.2	38.9	38.6	38.3	2600
2700	55.8	54.8	53.8	53.0	52.1	51.3	50.6	49.9	49.2	48.5	47.9	47.3	46.7	46.2	45.6	45.1	44.7	44.2	43.7	43.3	42.9	42.5	42.1	41.7	41.4	41.0	40.7	40.4	40.0	39.7	2700
2800	57.7	56.7	55.7	54.8	54.0	53.1	52.4	51.6	50.9	50.2	49.6	49.0	48.4	47.8	47.3	46.7	46.2	45.8	45.3	44.9	44.4	44.0	43.6	43.2	42.8	42.5	42.1	41.8	41.5	41.1	2800
2900	59.7	58.6	57.6	56.7	55.8	55.0	54.2	53.4	52.7	52.0	51.3	50.7	50.0	49.5	48.9	48.4	47.8	47.3	46.9	46.4	45.9	45.5	45.1	44.7	44.3	43.9	43.6	43.2	42.9	42.6	2900
3000	61.7	60.6	59.5	58.6	57.7	56.8	55.9	55.2	54.4	53.7	53.0	52.3	51.7	51.1	50.5	50.0	49.4	48.9	48.4	47.9	47.5	47.0	46.6	46.2	45.8	45.4	45.0	44.7	44.3	44.0	3000
3100	63.6	62.5	61.4	60.4	59.5	58.6	57.7	56.9	56.1	55.4	54.7	54.0	53.4	52.7	52.1	51.6	51.0	50.5	50.0	49.5	49.0	48.5	48.1	47.7	47.3	46.9	46.5	46.1	45.7	45.4	3100
3200	65.6	64.4	63.4	62.3	61.3	60.4	59.5	58.7	57.9	57.1	56.4	55.7	55.0	54.4	53.8	53.2	52.6	52.0	51.5	51.0	50.5	50.1	49.6	49.2	48.7	48.3	47.9	47.5	47.2	46.8	3200
3300	67.5	66.4	65.3	64.2	63.2	62.2	61.3	60.4	59.6	58.8	58.1	57.4	56.7	56.0	55.4	54.8	54.2	53.6	53.1	52.6	52.1	51.6	51.1	50.6	50.2	49.8	49.4	49.0	48.6	48.2	3300
3400	69.5	68.3	67.2	66.1	65.0	64.0	63.1	62.2	61.4	60.6	59.8	59.0	58.3	57.6	57.0	56.4	55.8	55.2	54.6	54.1	53.6	53.1	52.6	52.1	51.7	51.3	50.8	50.4	50.0	49.7	3400
3500	71.5	70.2	69.1	67.9	66.9	65.9	64.9	64.0	63.1	62.3	51.5	60.7	60.0	59.3	58.5	58.0	57.4	56.8	56.2	55.6	55.2	54.6	54.1	53.6	53.2	52.7	52.3	51.9	51.5	51.1	3500
Term. 2/	2.659	2.585	2.515	2.449	2.386	2.327	2.270	2.216	2.164	2.115	2.068	2.023	1.980	1.939	1.899	1.861	1.825	1.790	1.756	1.724	1.692	1.662	1.633	1.605	1.577	1.551	1.526	1.501	1.477	1.454	Term. 2/
L. H. 3/	.019666	.019329	.019011	.018709	.018423	.018151	.017893	.017646	.017412	.017188	.016973	.016768	.016572	.016384	.016204	.016031	.015865	.015705	.015551	.015403	.015260	.015122	.014989	.014861	.014737	.014618	.014502	.014390	.014281	.014176	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.335. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below: The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 79.—TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.7	16.4	14.1	12.3	11.0	9.9	9.0	8.2	7.6	7.1	6.6	6.2	5.8	5.5	5.2	5.0	4.7	4.5	4.3	4.2	4.0	3.8	3.7	3.6	3.5	3.3	3.2	3.1	3.0	3.0	10
20	20.7	17.3	14.9	13.0	11.6	10.4	9.5	8.7	8.1	7.5	7.0	6.6	6.2	5.9	5.6	5.3	5.1	4.8	4.6	4.4	4.3	4.1	4.0	3.8	3.7	3.6	3.5	3.4	3.3	3.2	20
30	21.8	18.2	15.6	13.7	12.2	11.0	10.0	9.2	8.5	7.8	7.4	7.0	6.6	6.2	5.9	5.6	5.4	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	30
40	22.9	19.1	16.4	14.4	12.8	11.6	10.6	9.7	9.0	8.4	7.8	7.4	6.9	6.6	6.2	5.9	5.7	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	3.9	3.8	3.7	3.6	40
50	23.9	20.0	17.2	15.1	13.5	12.2	11.1	10.2	9.4	8.8	8.2	7.7	7.3	6.9	6.6	6.3	6.0	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	3.9	3.8	50
60	25.0	20.9	18.0	15.8	14.1	12.7	11.6	10.7	9.9	9.2	8.6	8.1	7.7	7.3	6.9	6.6	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.1	60
70	26.0	21.8	18.8	16.5	14.7	13.3	12.1	11.2	10.3	9.6	9.0	8.5	8.0	7.6	7.2	6.9	6.6	6.3	6.1	5.8	5.6	5.4	5.3	5.1	4.9	4.8	4.6	4.5	4.4	4.3	70
80	27.1	22.7	19.5	17.2	15.3	13.9	12.7	11.6	10.8	10.1	9.4	8.9	8.4	8.0	7.6	7.2	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.2	5.0	4.9	4.7	4.6	4.5	80
90	28.2	23.6	20.3	17.9	16.0	14.4	13.2	12.1	11.3	10.5	9.8	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.8	4.7	90
100	29.2	24.5	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.7	9.1	8.7	8.2	7.9	7.5	7.2	6.9	6.7	6.5	6.2	6.0	5.8	5.7	5.5	5.3	5.2	6.1	4.9	100
120	31.4	26.3	22.7	19.9	17.8	16.1	14.7	13.6	12.6	11.8	11.1	10.4	9.9	9.4	8.9	8.5	8.2	7.8	7.5	7.3	7.0	6.8	6.5	6.3	6.2	6.0	5.8	5.7	5.5	5.4	120
140	33.5	28.1	24.2	21.3	19.1	17.3	15.8	14.6	13.5	12.6	11.9	11.2	10.6	10.1	9.6	9.2	8.8	8.4	8.1	7.8	7.5	7.3	7.1	6.8	6.6	6.5	6.3	6.1	6.0	5.8	140
160	35.6	29.9	25.8	22.7	20.3	18.4	16.8	15.5	14.4	13.5	12.7	12.0	11.3	10.8	10.3	9.8	9.4	9.0	8.7	8.4	8.1	7.8	7.6	7.4	7.1	6.9	6.8	6.6	6.4	6.3	160
180	37.7	31.7	27.3	24.1	21.6	19.5	17.9	16.5	15.3	14.3	13.5	12.7	12.1	11.5	10.9	10.5	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.9	6.7	180
200	39.9	33.5	28.9	25.5	22.8	20.7	18.9	17.5	16.3	15.2	14.3	13.5	12.8	12.2	11.6	11.1	10.6	10.2	9.8	9.5	9.2	8.9	8.6	8.4	8.1	7.9	7.7	7.5	7.3	7.1	200
220	42.0	35.3	30.5	26.9	24.1	21.8	20.0	18.5	17.2	16.1	15.1	14.3	13.5	12.8	12.1	11.7	11.3	10.8	10.4	10.1	9.7	9.4	9.1	8.9	8.6	8.4	8.2	8.0	7.8	7.6	220
240	44.1	37.1	32.0	28.2	25.3	23.0	21.0	19.4	18.1	16.9	15.9	15.0	14.2	13.6	12.9	12.4	11.9	11.4	11.0	10.6	10.3	9.9	9.6	9.4	9.1	8.9	8.6	8.4	8.2	8.0	240
260	46.2	38.8	33.6	29.6	26.6	24.1	22.1	20.4	19.0	17.8	16.7	15.8	15.0	14.3	13.6	13.0	12.5	12.0	11.6	11.2	10.8	10.5	10.2	9.9	9.6	9.3	9.1	8.9	8.7	8.5	260
280	48.3	40.6	35.1	31.0	27.8	25.2	23.1	21.4	19.9	18.6	17.5	16.6	15.7	15.0	14.3	13.7	13.1	12.6	12.2	11.7	11.4	11.0	10.7	10.4	10.1	9.8	9.6	9.3	9.1	8.9	280
300	50.5	42.4	36.7	32.4	29.0	26.4	24.2	22.4	20.8	19.5	18.3	17.3	16.4	15.7	15.0	14.3	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	10.3	10.0	9.8	9.6	9.4	300
320	52.6	44.2	38.3	33.8	30.3	27.5	25.2	23.3	21.7	20.3	19.1	18.1	17.2	16.4	15.6	15.0	14.4	13.8	13.3	12.9	12.5	12.1	11.7	11.4	11.1	10.8	10.5	10.3	10.0	9.8	320
340	54.7	46.0	39.8	35.2	31.5	28.6	26.3	24.3	22.6	21.2	20.0	18.9	17.9	17.1	16.3	15.6	15.0	14.4	13.9	13.4	13.0	12.6	12.2	11.9	11.6	11.3	11.0	10.7	10.5	10.2	340
360	56.8	47.8	41.4	36.5	32.8	29.8	27.3	25.3	23.5	22.0	20.8	19.6	18.6	17.8	17.0	16.2	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.4	12.0	11.7	11.4	11.2	10.9	10.7	360
380	59.0	49.6	42.9	37.9	34.0	30.9	28.4	26.2	24.4	22.9	21.6	20.4	19.4	18.5	17.6	16.9	16.2	15.6	15.1	14.6	14.1	13.7	13.3	12.9	12.5	12.2	11.9	11.6	11.4	11.1	380
400	61.1	51.4	44.5	39.3	35.3	32.1	29.4	27.2	25.4	23.8	22.4	21.2	20.1	19.2	18.3	17.5	16.8	16.2	15.6	15.1	14.6	14.2	13.8	13.4	13.0	12.7	12.4	12.1	11.8	11.6	400
420	63.2	53.2	46.1	40.7	36.5	33.2	30.5	28.2	26.3	24.6	23.2	21.9	20.8	19.9	19.0	18.2	17.5	16.8	16.2	15.7	15.2	14.7	14.3	13.9	13.5	13.2	12.9	12.6	12.3	12.0	420
440	65.3	55.0	47.6	42.1	37.8	34.3	31.5	29.2	27.2	25.5	24.0	22.7	21.6	20.5	19.6	18.8	18.1	17.4	16.8	16.2	15.7	15.2	14.8	14.4	14.0	13.7	13.3	13.0	12.7	12.4	440
460	67.5	56.8	49.2	43.5	39.0	35.5	32.6	30.1	28.1	26.3	24.8	23.5	22.3	21.2	20.3	19.5	18.7	18.0	17.4	16.8	16.3	15.8	15.3	14.9	14.5	14.1	13.8	13.5	13.2	12.9	460
480	69.6	58.6	50.7	44.9	40.3	36.6	33.6	31.1	29.0	27.2	25.6	24.2	23.0	21.9	21.0	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.8	15.4	15.0	14.6	14.3	13.9	13.6	13.3	480
500	71.7	60.4	52.3	46.2	41.5	37.7	34.7	32.1	29.9	28.0	26.4	25.0	23.8	22.6	21.7	20.8	20.0	19.2	18.5	17.9	17.4	16.8	16.4	15.9	15.5	15.1	14.7	14.4	14.1	13.8	500
600	82.3	69.4	60.1	53.2	47.8	43.4	39.9	36.9	34.5	32.3	30.5	28.8	27.4	26.1	25.0	24.0	23.1	22.2	21.4	20.7	20.1	19.5	18.9	18.4	17.9	17.5	17.1	16.7	16.3	16.0	600
700	92.9	78.3	67.9	60.1	54.0	49.1	45.1	41.8	39.0	36.6	34.5	32.7	31.1	29.6	28.4	27.2	26.2	25.2	24.3	23.5	22.8	22.1	21.5	20.9	20.4	19.9	19.4	19.0	18.6	18.2	700
800	103.6	87.3	75.7	67.0	60.2	54.8	50.4	46.7	43.5	40.9	38.5	36.5	34.7	33.1	31.7	30.4	29.3	28.2	27.2	26.4	25.5	24.8	24.1	23.5	22.9	22.3	21.8	21.3	20.8	20.4	800
900	114.2	96.3	83.5	73.9	66.5	60.5	55.6	51.5	48.1	45.1	42.6	40.4	38.4	36.6	35.1	33.6	32.4	31.2	30.1	29.2	28.3	27.4	26.7	26.0	25.3	24.7	24.1	23.6	23.1	22.6	900
1000	124.8	105.3	91.3	80.8	72.7	66.2	60.8	56.4	52.6	49.4	46.6	44.2	42.0	40.1	38.4	36.9	35.5	34.2	33.0	32.0	31.0	30.1	29.3	28.5	27.8	27.1	26.5	25.9	25.3	24.8	1000
1100	135.4	114.2	99.1	87.8	78.9	71.9	66.1	61.3	57.2	53.7	50.7	48.0	45.7	43.6	41.8	40.1	38.6	37.2	35.9	34.8	33.7	32.8	31.8	31.0	30.2	29.5	28.8	28.2	27.6	27.0	1100
1200	146.0	123.2	106.9	94.7	85.2	77.6	71.3	66.1	61.7	58.0	54.7	51.9	49.3	47.1	45.1	43.3	41.7	40.2	38.8	37.6	36.5	35.4	34.4	33.5	32.7	31.9	31.2	30.5	29.8	29.2	1200
1300	156.7	132.2	114.7	101.6	91.4	83.2	76.6	71.0	66.3	62.3	58.8	55.7	53.0	50.6	48.5	46.5	44.8	43.2	41.7	40.4	39.2	38.1	37.0	36.0	35.1	34.3	33.5	32.8	32.1	31.4	1300
1400	167.3	141.2	122.5	108.5	97.6	88.9	81.8	75.9	70.8	66.5	62.8	59.5	56.7	54.1	51.8	49.7	47.9	46.2	44.6	43.2	41.9	40.7	39.6	38.6	37.6	36.7	35.8	35.1	34.3	33.6	1400
1500	177.9	150.1	130.3	115.4	103.9	94.6	87.0	80.7	75.4	70.8	66.9	63.4	60.3	57.6	55.2	53.0	51.0	49.2	47.5	46.0	44.6	43.4	42.2	41.1	40.0	39.1	38.2	37.4	36.6	35.8	1500
1600	188.5	159.1	138.1	122.4	110.1	100.3	92.3	85.6	79.9	75.1	70.9	67.2	64.0	61.1	58.5	56.2	54.1	52.2	50.4	48.8	47.4	46.0	44.8	43.6	42.5	41.5	40.5	39.6	38.8	38.0	1600
1700	199.1	168.1	145.9	129.3	116.3	106.0	97.5	90.5	84.5	79.4	74.9	71.1	67.6	64.6	61.9	59.4	57.2	55.2	53.3	51.6	50.1	48.7	47.3	46.1	45.0	43.9	42.9	41.9	41.1	40.2	1700
1800	209.8	177.1	153.7	136.2	122.6	111.7	102.8	95.3	89.0	83.7	79.0	74.9	71.3	68.1	65.2	62.6	60.3	58.2	56.2	54.5	52.8	51.3	49.9	48.6	47.4	46.3	45.2	44.2	43.3	42.4	1800
1900	220.4	186.0	161.5	143.1	128.8	117.4	108.0	100.2	93.6	87.9	83.0	78.7	74.9	71.6	68.6	65.9	63.4	61.2	59.1	57.3	55.6	54.0	52.5	51.1	49.9	48.7	47.6	46.5	45.6	44.6	1900
2000	231.0	195.0	169.3	150.0	135.0	123.0	113.2	105.1	98.1	92.2	87.1	82.6	78.6	75.1	71.9	69.1	66.5	64.2	62.0	60.1	58.3	56.6	55.1	53.7	52.3	51.1	49.9	48.8	47.8	46.8	2000
2100	241.6	204.0	177.1	157.0	141.3	128.7	118.5	109.9	102.7	96.5	91.1	86.4	82.3	78.6	75.3	72.3	69.6	67.2	64.9	62.9	61.0	59.3	57.7	56.2	54.8	53.5	52.3	51.1	50.1	49.1	2100
2200	252.2	213.0	184.9	163.9	147.5	134.4	123.7	114.8	107.2	100.8	95.2	90.2	85.9	82.1	78.6	75.5	72.7	70.2	67.8	65.7	63.7	61.9	60.2	58.7	57.2	55.9	54.6	53.4	52.3	51.3	2200
2300	262.9	221.9	192.7	170.8	153.7	140.1	128.9	119.7	111.8	105.0	99.2	94.1	89.6	85.6	82.0	78.7	75.8	73.2	70.7	68.5	66.5	64.6	62.8	61.2	59.7	58.3	57.0	55.7	54.6	53.6	2300
2400	273.5	230.9	200.5	177.7	160.0	145.8	134.2	124.5	116.3	109.3	103.2	97.9	93.2	89.1	85.3	82.0	78.9	76.2	73.6	71.3	69.2	67.2	65.4	63.7	62.1	60.7	59.3	58.0	56.8	55.7	2400
2500	284.1	239.9	208.3	184.6	166.2	151.5	139.4	129.4	120.9	113.6	107.3	101.8	96.9	92.5	88.7	85.2	82.0	79.2	76.5	74.1	71.9	69.9	68.0	66.2	64.6	63.1	61.7	60.3	59.1	57.9	2500
2600	294.7	248.9	216.1	191.6	172.5	157.2	144.7	134.2	125.4	117.9	111.3	105.6	100.5	96.0	92.0	88.4	85.1	82.1	79.4	76.9	74.6	72.5	70.6	68.8	67.1	65.5	64.0	62.6	61.3	60.1	2600
2700	305.3	257.8	223.9	198.5	178.7	162.9	149.9	139.1	130.0	122.2	115.4	109.4	104.2	99.5	95.4	91.6	88.2	85.1	82.3	79.7	77.4	75.2	73.2	71.3	69.5	67.9	66.3	64.9	63.6	62.3	2700
2800	315.9	266.8	231.7	205.4	184.9	168.5	155.1	144.0	134.5	126.4	119.4	113.3	107.8	103.0	98.7	94.8	91.3	88.1	85.2	82.6	80.1	77.8	75.7	73.8	72.0	70.3	68.7	67.2	65.9	64.6	2800
2900	326.6	275.8	239.5	212.3	191.2	174.2	160.4	148.8	139.1	130.7	123.5	117.1	111.5	106.5	102.1	98.1	94.4	91.1	88.1	85.4	82.9	80.5	78.3	76.3	74.4	72.7	71.0	69.5	68.1	66.7	2900
3000	337.2	284.8	247.3	219.2	197.4	179.9	165.6	153.7	143.6	135.0	127.5	120.9	115.2	110.0	105.4	101.3	97.5	94.1	91.0	88.2	85.6	83.1	80.9	78.8	76.9	75.1	73.4	71.8	70.3	68.9	3000
3100	347.8	293.7	255.1	226.2	203.6	185.6	170.9	158.6	148.2	139.3	131.5	124.8	118.8	113.5	108.8	104.5	100.6	97.1	93.9	91.0	88.3	85.8	83.5	81.3	79.3	77.5	75.7	74.1	72.6	71.1	3100
3200	358.4	302.7	262.9	233.1	209.9	191.3	176.1	163.4	152.7	143.5	135.6	128.6	122.5	117.0	112.1	107.7	103.7	100.1	96.8	93.8	91.0	88.4	86.1	83.8	81.8	79.9	78.1	76.4	74.8	73.3	3200
3300	369.0	311.7	270.7	240.0	215.1	197.0	181.3	168.3	157.3	147.8	139.6	132.5	126.1	120.8	115.5	110.9	106.9	103.1	99.7	96.6	93.7	91.1	88.6	86.4	84.2	82.3	80.4	78.7	77.1	75.5	3300
3400	379.7	320.7	278.5	246.9	222.3	202.7	186.6	173.2	161.8	152.1	143.7	136.3	129.8	124.0	118.8	114.2	110.0	106.1	102.6	99.4	96.5	93.7	91.2	88.9	86.7	84.7	82.8	81.0	79.3	77.7	3400
3500	390.3	329.6	286.3	253.8	228.6	208.4	191.8	178.0	166.4	156.4	147.7	140.1	133.4	127.5	122.2	117.4	113.1	109.1	105.5	102.2	99.2	96.4	93.8	91.4	89.2	87.1	85.1	83.3	81.6	79.9	3500
Term. 2/	18.614	15.512	13.296	11.634	10.341	9.307	8.461	7.756	7.159	6.648	6.205	5.817	5.475	5.171	4.898	4.654	4.432	4.230	4.047	3.878	3.723	3.580	3.447	3.324	3.209	3.102	3.002	2.908	2.820	2.737	Term. 2/
L. H. 3/	.106190	.089750	.078007	.069200	.062350	.056870	.052386	.048650	.045488	.042779	.040430	.038375	.036562	.034950	.033508	.032210	.031036	.029968	.028993	.028100	.027278	.026519	.025817	.025164	.024557	.023990	.023460	.022963	.022495	.022056	L. H. 3/

1/ Based on a tare weight of 18.1 tons and a ratio of empty car miles to loaded car miles of 0.748. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 79 (Concluded).--TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN FLAT CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6	10
20	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	20
30	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	30
40	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2	2.1	2.1	2.1	40
50	3.7	3.6	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.2	2.2	50
60	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	60
70	4.2	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.5	70
80	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	2.8	90
100	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	100
120	5.3	5.2	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	120
140	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	140
160	6.1	6.0	5.9	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	160
180	6.6	6.4	6.3	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.2	4.2	180
200	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.5	200
220	7.4	7.3	7.1	7.0	6.8	6.7	6.6	6.5	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9	4.9	4.8	220
240	7.9	7.7	7.5	7.4	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.0	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	240
260	8.3	8.1	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.5	6.4	6.3	6.2	6.1	6.1	6.0	5.9	5.8	5.8	5.7	5.7	5.6	5.5	5.5	5.4	260
280	8.7	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	6.0	5.9	5.8	5.8	5.7	280
300	9.2	9.0	8.8	8.6	8.4	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.2	6.1	6.0	300
320	9.6	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.3	320
340	10.0	9.8	9.6	9.4	9.3	9.1	8.9	8.8	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.1	7.0	6.9	6.8	6.8	6.7	6.6	340
360	10.4	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	7.2	7.1	7.0	6.9	360
380	10.9	10.7	10.4	10.3	10.1	9.9	9.7	9.5	9.4	9.2	9.1	9.0	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.5	7.4	7.3	7.3	380
400	11.3	11.1	10.9	10.7	10.5	10.3	10.1	9.9	9.8	9.6	9.5	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.9	7.8	7.7	7.6	7.6	400
420	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.2	10.0	9.8	9.7	9.6	9.4	9.3	9.2	9.1	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.3	8.2	8.1	8.0	7.9	7.9	420
440	12.2	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	440
460	12.6	12.4	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.6	8.5	460
480	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.9	8.8	480
500	13.5	13.2	13.0	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.2	10.1	10.0	9.8	9.7	9.6	9.5	9.4	9.3	9.3	9.2	9.1	500
600	15.6	15.3	15.0	14.8	14.5	14.3	14.0	13.8	13.6	13.4	13.2	13.0	12.8	12.6	12.5	12.3	12.2	12.0	11.9	11.7	11.6	11.5	11.4	11.2	11.1	11.0	10.9	10.8	10.7	10.6	600
700	17.8	17.5	17.1	16.8	16.5	16.2	16.0	15.7	15.5	15.2	15.0	14.8	14.6	14.4	14.2	14.1	13.9	13.7	13.6	13.4	13.3	13.1	13.0	12.8	12.7	12.6	12.5	12.4	12.2	12.1	700
800	20.0	19.6	19.2	18.9	18.5	18.2	17.9	17.7	17.4	17.1	16.9	16.6	16.4	16.2	16.0	15.8	15.6	15.4	15.2	15.1	14.9	14.7	14.6	14.4	14.3	14.2	14.0	13.9	13.8	13.7	800
900	22.1	21.7	21.3	20.9	20.6	20.2	19.9	19.6	19.3	19.0	18.7	18.5	18.2	18.0	17.8	17.5	17.3	17.1	16.9	16.7	16.6	16.4	16.2	16.1	15.9	15.7	15.6	15.5	15.3	15.2	900
1000	24.3	23.8	23.4	23.0	22.6	22.2	21.8	21.5	21.2	20.9	20.6	20.3	20.0	19.8	19.5	19.3	19.0	18.8	18.6	18.4	18.2	18.0	17.8	17.7	17.5	17.3	17.2	17.0	16.9	16.7	1000
1100	26.5	26.0	25.5	25.0	24.6	24.2	23.8	23.4	23.1	22.7	22.4	22.1	21.8	21.5	21.3	21.0	20.8	20.5	20.3	20.1	19.9	19.7	19.5	19.3	19.1	18.9	18.7	18.6	18.4	18.2	1100
1200	28.6	28.1	27.6	27.1	26.6	26.2	25.8	25.4	25.0	24.6	24.3	23.9	23.6	23.3	23.0	22.8	22.5	22.2	22.0	21.7	21.5	21.3	21.1	20.9	20.7	20.5	20.3	20.1	19.9	19.8	1200
1300	30.8	30.2	29.7	29.1	28.6	28.2	27.7	27.3	26.9	26.5	26.1	25.8	25.4	25.1	24.8	24.5	24.2	23.9	23.7	23.4	23.2	22.9	22.7	22.5	22.3	22.1	21.9	21.7	21.5	21.3	1300
1400	33.0	32.3	31.7	31.2	30.7	30.2	29.7	29.2	28.8	28.4	28.0	27.6	27.2	26.9	26.6	26.2	25.9	25.6	25.4	25.1	24.8	24.6	24.3	24.1	23.8	23.6	23.4	23.2	23.0	22.8	1400
1500	35.1	34.5	33.8	33.2	32.7	32.1	31.6	31.2	30.7	30.3	29.8	29.4	29.0	28.7	28.3	28.0	27.7	27.3	27.0	26.7	26.5	26.2	25.9	25.7	25.4	25.2	25.0	24.8	24.5	24.3	1500
1600	37.3	36.6	35.9	35.3	34.7	34.1	33.6	33.1	32.6	32.1	31.7	31.3	30.9	30.5	30.1	29.7	29.4	29.0	28.7	28.4	28.1	27.8	27.6	27.3	27.0	26.8	26.5	26.3	26.1	25.9	1600
1700	39.4	38.7	38.0	37.3	36.7	36.1	35.6	35.0	34.5	34.0	33.5	33.1	32.7	32.2	31.8	31.5	31.1	30.7	30.4	30.1	29.8	29.5	29.2	28.9	28.6	28.4	28.1	27.9	27.6	27.4	1700
1800	41.6	40.8	40.1	39.4	38.7	38.1	37.5	36.9	36.4	35.9	35.4	34.9	34.5	34.0	33.6	33.2	32.8	32.5	32.1	31.8	31.4	31.1	30.8	30.5	30.2	29.9	29.7	29.4	29.2	28.9	1800
1900	43.8	43.0	42.2	41.5	40.8	40.1	39.5	38.9	38.3	37.8	37.2	36.7	36.3	35.8	35.4	34.9	34.5	34.2	33.8	33.4	33.1	32.7	32.4	32.1	31.8	31.5	31.2	31.0	30.7	30.4	1900
2000	45.9	45.1	44.3	43.5	42.8	42.1	41.4	40.8	40.2	39.6	39.1	38.6	38.1	37.6	37.1	36.7	36.3	35.9	35.5	35.1	34.7	34.4	34.0	33.7	33.4	33.1	32.8	32.5	32.2	32.0	2000
2100	48.1	47.2	46.4	45.6	44.8	44.1	43.4	42.7	42.1	41.5	40.9	40.4	39.9	39.4	38.9	38.4	38.0	37.6	37.2	36.8	36.4	36.0	35.7	35.3	35.0	34.7	34.4	34.1	33.8	33.5	2100
2200	50.3	49.3	48.5	47.6	46.8	46.1	45.3	44.7	44.0	43.4	42.8	42.2	41.7	41.2	40.7	40.2	39.7	39.3	38.8	38.4	38.0	37.6	37.3	36.9	36.6	36.2	35.9	35.6	35.3	35.0	2200
2300	52.4	51.5	50.5	49.7	48.8	48.1	47.3	46.6	45.9	45.3	44.6	44.0	43.5	42.9	42.4	41.9	41.4	41.0	40.5	40.1	40.0	39.3	38.9	38.5	38.2	37.8	37.5	37.2	36.8	36.5	2300
2400	54.6	53.6	52.6	51.7	50.9	50.0	49.3	48.5	47.8	47.1	46.5	45.9	45.3	44.7	44.2	43.7	43.2	42.7	42.2	41.8	41.3	40.9	40.5	40.1	39.8	39.4	39.1	38.7	38.4	38.1	2400
2500	56.8	55.7	54.7	53.8	52.9	52.0	51.2	50.4	49.7	49.0	48.3	47.7	47.1	46.5	45.9	45.4	44.9	44.4	43.9	43.4	43.0	42.6	42.1	41.7	41.3	41.0	40.6	40.3	39.9	39.6	2500
2600	58.9	57.8	56.8	55.8	54.9	54.0	53.2	52.4	51.6	50.9	50.2	49.5	48.9	48.3	47.7	47.1	46.6	46.1	45.6	45.1	44.6	44.2	43.8	43.3	42.9	42.6	42.2	41.8	41.5	41.1	2600
2700	61.1	60.0	58.9	57.9	56.9	56.0	55.1	54.3	53.5	52.8	52.0	51.4	50.7	50.1	49.5	48.9	48.3	47.8	47.3	46.8	46.3	45.8	45.4	44.9	44.5	44.1	43.7	43.4	43.0	42.6	2700
2800	63.3	62.1	61.0	59.9	58.9	58.0	57.1	56.2	55.4	54.6	53.9	53.2	52.5	51.8	51.2	50.6	50.0	49.5	49.0	48.4	47.9	47.5	47.0	46.6	46.1	45.7	45.3	44.9	44.5	44.2	2800
2900	65.5	64.2	63.1	62.0	61.0	60.0	59.0	58.2	57.3	56.5	55.7	55.0	54.3	53.6	53.0	52.4	51.8	51.2	50.6	50.1	49.6	49.1	48.6	48.2	47.7	47.3	46.9	46.5	46.1	45.7	2900
3000	67.6	66.3	65.2	64.0	63.0	62.0	61.0	60.1	59.2	58.4	57.6	56.8	56.1	55.4	54.7	54.1	53.5	52.9	52.3	51.8	51.2	50.7	50.2	49.8	49.3	48.9	48.4	48.0	47.6	47.2	3000
3100	69.7	68.5	67.2	66.1	65.0	64.0	63.0	62.0	61.1	60.3	59.4	58.7	57.9	57.2	56.5	55.8	55.2	54.6	54.0	53.4	52.8	52.4	51.9	51.4	50.9	50.4	50.0	49.6	49.2	48.7	3100
3200	71.9	70.6	69.3	68.1	67.0	65.9	64.9	64.0	63.0	62.1	61.3	60.5	59.7	59.0	58.3	57.6	56.9	56.3	55.7	55.1	54.5	54.0	53.5	53.0	52.5	52.0	51.6	51.1	50.7	50.3	3200
3300	74.1	72.7	71.4	70.2	69.0	67.9	66.9	65.9	64.9	64.0	63.2	62.3	61.5	60.8	60.0	59.3	58.7	58.0	57.4	56.8	56.2	55.6	55.1	54.6	54.1	53.6	53.1	52.7	52.2	51.8	3300
3400	76.2	74.8	73.5	72.2	71.1	69.9	68.8	67.8	66.8	65.9	65.0	64.1	63.3	62.5	61.8	61.1	60.4	59.7	59.1	58.4	57.8	57.3	56.7	56.2	55.7	55.2	54.7	54.2	53.8	53.3	3400
3500	78.4	77.0	75.6	74.3	73.1	71.9	70.8	69.7	68.7	67.8	66.9	66.0	65.1	64.3	63.6	62.8	62.1	61.4	60.8	60.1	59.5	58.9	58.3	57.8	57.3	56.7	56.2	55.8	55.3	54.9	3500
Term. 2/	2.659	2.585	2.515	2.449	2.386	2.327	2.270	2.216	2.164	2.115	2.068	2.023	1.980	1.939	1.899	1.861	1.825	1.790	1.756	1.724	1.692	1.662	1.633	1.605	1.577	1.551	1.526	1.501	1.477	1.454	Term. 2/
L. H. 3/	.021641	.021250	.020880	.020529	.020196	.019880	.019579	.019293	.019020	.018759	.018510	.018272	.018044	.017825	.017615	.017414	.017221	.017035	.016856	.016683	.016517	.016357	.016203	.016053	.015909	.015770	.015635	.015505	.015379	.015255	L. H. 3/

1/ Based on a tare weight of 18.1 tons and a ratio of empty car miles to loaded car miles of 0.748. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 80.—TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 [1]

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.8	16.5	14.2	12.4	11.1	10.0	9.1	8.3	7.7	7.1	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	3.2	3.1	3.0	10
20	21.1	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	20
30	22.3	18.6	16.0	14.0	12.5	11.3	10.3	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.0	5.7	5.5	5.2	5.0	4.8	4.5	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	30
40	23.5	19.7	16.9	14.8	13.2	11.9	10.9	10.0	9.2	8.6	8.0	7.6	7.1	6.8	6.4	6.1	5.8	5.6	5.4	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	3.7	40
50	24.8	20.7	17.8	15.6	13.9	12.6	11.5	10.5	9.8	9.1	8.5	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.1	4.0	50
60	26.0	21.7	18.7	16.4	14.6	13.2	12.1	11.1	10.3	9.6	9.0	8.4	8.0	7.5	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4	4.3	4.2	60
70	27.2	22.8	19.6	17.2	15.4	13.9	12.7	11.7	10.8	10.1	9.4	8.9	8.4	7.9	7.6	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.6	4.5	70
80	28.5	23.8	20.5	18.0	16.1	14.5	13.3	12.2	11.3	10.6	9.9	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	5.1	5.0	4.8	4.7	80
90	29.7	24.9	21.4	18.8	16.8	15.2	13.9	12.8	11.8	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.3	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.5	5.4	5.2	5.1	4.9	90
100	30.9	25.9	22.3	19.6	17.5	15.8	14.5	13.3	12.4	11.5	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.6	6.3	6.1	6.0	5.8	5.6	5.5	5.3	5.2	100
120	33.4	28.0	24.1	21.2	18.9	17.1	15.7	14.4	13.4	12.5	11.7	11.1	10.5	9.9	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.2	6.9	6.7	6.5	6.3	6.1	6.0	5.8	5.7	120
140	35.8	30.0	25.9	22.8	20.4	18.4	16.9	15.5	14.4	13.5	12.6	11.9	11.3	10.7	10.2	9.8	9.3	9.0	8.6	8.3	8.0	7.7	7.5	7.3	7.1	6.9	6.7	6.5	6.3	6.2	140
160	38.3	32.1	27.7	24.4	21.8	19.8	18.1	16.7	15.5	14.5	13.6	12.8	12.1	11.5	11.0	10.5	10.0	9.6	9.3	8.9	8.6	8.3	8.1	7.8	7.6	7.4	7.2	7.0	6.8	6.7	160
180	40.8	34.2	29.5	26.0	23.2	21.1	19.3	17.8	16.5	15.4	14.5	13.7	12.9	12.3	11.7	11.2	10.7	10.3	9.9	9.6	9.2	8.9	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.2	180
200	43.2	36.3	31.3	27.6	24.7	22.4	20.5	18.9	17.5	16.4	15.4	14.5	13.8	13.1	12.5	11.9	11.4	11.0	10.6	10.2	9.9	9.5	9.2	9.0	8.7	8.5	8.2	8.0	7.8	7.6	200
220	45.7	38.3	33.1	29.2	26.1	23.7	21.7	20.0	18.6	17.4	16.3	15.4	14.6	13.9	13.2	12.7	12.1	11.7	11.2	10.8	10.5	10.1	9.8	9.5	9.2	9.0	8.8	8.5	8.3	8.1	220
240	48.1	40.4	34.9	30.8	27.5	25.0	22.9	21.1	19.6	18.4	17.3	16.3	15.4	14.7	14.0	13.4	12.8	12.3	11.9	11.5	11.1	10.7	10.4	10.1	9.8	9.5	9.3	9.0	8.8	8.6	240
260	50.6	42.5	36.7	32.4	29.0	26.3	24.1	22.2	20.7	19.3	18.2	17.2	16.3	15.5	14.8	14.1	13.5	13.0	12.5	12.1	11.7	11.3	11.0	10.6	10.3	10.1	9.8	9.6	9.3	9.1	260
280	53.1	44.6	38.5	34.0	30.4	27.6	25.3	23.3	21.7	20.3	19.1	18.0	17.1	16.3	15.5	14.8	14.2	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	10.3	10.1	9.8	9.6	280
300	55.5	46.6	40.3	35.5	31.8	28.9	26.5	24.5	22.7	21.3	20.0	18.9	17.9	17.1	16.3	15.6	14.9	14.4	13.8	13.4	12.9	12.5	12.1	11.8	11.4	11.1	10.9	10.6	10.3	10.1	300
320	58.0	48.7	42.1	37.1	33.3	30.2	27.7	25.6	23.8	22.3	20.9	19.8	18.8	17.8	17.0	16.3	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.7	11.4	11.1	10.8	10.6	320
340	60.4	50.8	43.9	38.7	34.7	31.5	28.9	26.7	24.8	23.2	21.9	20.7	19.6	18.6	17.8	17.0	16.3	15.7	15.1	14.6	14.1	13.7	13.3	12.9	12.5	12.2	11.9	11.6	11.3	11.1	340
360	62.9	52.9	45.7	40.3	36.1	32.8	30.1	27.8	25.9	24.2	22.8	21.5	20.4	19.4	18.6	17.8	17.0	16.4	15.8	15.3	14.8	14.3	13.9	13.5	13.1	12.7	12.4	12.1	11.8	11.6	360
380	65.4	54.9	47.5	41.9	37.6	34.1	31.3	28.9	26.9	25.2	23.7	22.4	21.2	20.2	19.3	18.5	17.7	17.1	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.3	12.9	12.6	12.3	12.1	380
400	67.8	57.0	49.3	43.5	39.0	35.4	32.5	30.0	27.9	26.2	24.6	23.3	22.1	21.0	20.1	19.2	18.4	17.7	17.1	16.5	16.0	13.5	15.0	14.6	14.2	13.8	13.5	13.1	12.8	12.5	400
420	70.3	59.1	51.1	45.1	40.5	36.7	33.7	31.1	29.0	27.1	25.5	24.1	22.9	21.8	20.8	19.9	19.1	18.4	17.8	17.2	16.6	16.1	15.6	15.2	14.7	14.4	14.0	13.7	13.3	13.0	420
440	72.7	61.2	52.9	46.7	41.9	38.0	34.9	32.2	30.0	28.1	26.5	25.0	23.7	22.6	21.6	20.7	19.8	19.1	18.4	17.8	17.2	16.7	16.2	15.7	15.3	14.9	14.5	14.2	13.8	13.5	440
460	75.2	63.2	54.7	48.3	43.3	39.3	36.1	33.4	31.1	29.1	27.4	25.9	24.6	23.4	22.3	21.4	20.5	19.8	19.1	18.4	17.8	17.3	16.8	16.3	15.8	15.4	15.0	14.7	14.3	14.0	460
480	77.7	65.3	56.5	49.9	44.8	40.6	37.3	34.5	32.1	30.1	28.3	26.8	25.4	24.2	23.1	22.1	21.3	20.4	19.7	19.0	18.4	17.9	17.3	16.8	16.4	16.0	15.6	15.2	14.8	14.5	480
500	80.1	67.4	58.3	51.5	46.2	41.9	38.5	35.6	33.1	31.0	29.2	27.6	26.2	25.0	23.9	22.9	22.0	21.1	20.4	19.7	19.0	18.5	17.9	17.4	16.9	16.5	16.1	15.7	15.3	15.0	500
600	92.4	77.8	67.3	59.5	53.4	48.5	44.5	41.1	38.3	35.9	33.8	32.0	30.4	28.9	27.7	26.5	25.5	24.5	23.6	22.8	22.1	21.4	20.8	20.2	19.7	19.2	18.7	18.3	17.8	17.5	600
700	104.7	88.1	76.3	67.4	60.5	55.0	50.5	46.7	43.5	40.8	38.4	36.4	34.5	32.9	31.5	30.1	29.0	27.9	26.9	26.0	25.2	24.4	23.7	23.0	22.4	21.9	21.3	20.8	20.3	19.9	700
800	117.0	98.5	85.3	75.4	67.7	61.5	56.5	52.3	48.7	45.7	43.0	40.7	38.7	36.9	35.2	33.8	32.5	31.3	30.2	29.2	28.2	27.4	26.6	25.9	25.2	24.5	23.9	23.4	22.9	22.4	800
900	129.3	108.9	94.3	83.4	74.9	68.1	62.5	57.8	53.9	50.6	47.6	45.1	42.8	40.8	39.0	37.4	36.0	34.6	33.4	32.3	31.3	30.4	29.5	28.7	27.9	27.2	26.6	25.9	25.4	24.8	900
1000	141.6	119.3	103.3	91.3	82.0	74.6	68.5	63.4	59.1	55.4	52.2	49.4	47.0	44.8	42.8	41.1	39.5	38.0	36.7	35.5	34.4	33.3	32.4	31.5	30.7	29.9	29.2	28.5	27.9	27.3	1000
1100	153.9	129.6	112.3	99.3	89.2	81.1	74.5	69.0	64.3	60.3	56.8	53.8	51.1	48.8	46.6	44.7	43.0	41.4	40.0	38.6	37.4	36.3	35.3	34.3	33.4	32.6	31.8	31.1	30.4	29.7	1100
1200	166.2	140.0	121.3	107.3	96.4	87.6	80.5	74.5	69.5	65.2	61.4	58.2	55.3	52.7	50.4	48.3	46.5	44.8	43.2	41.8	40.5	39.3	38.2	37.1	36.2	35.3	34.4	33.5	32.9	32.2	1200
1300	178.5	150.4	130.3	115.3	103.5	94.2	86.5	80.1	74.7	70.1	66.0	62.5	59.4	56.7	54.2	52.0	50.0	48.2	46.5	45.0	43.6	42.3	41.1	39.9	38.9	37.9	37.0	36.2	35.4	34.6	1300
1400	190.8	160.8	139.3	123.2	110.7	100.7	92.5	85.7	79.9	74.9	70.7	66.9	63.6	60.6	58.0	55.6	53.5	51.5	49.8	48.1	46.6	45.2	43.9	42.8	41.6	40.6	39.6	38.7	37.9	37.1	1400
1500	203.1	171.1	148.3	131.2	117.9	107.2	98.5	91.2	85.1	79.8	75.3	71.3	67.7	64.6	61.8	59.3	57.0	54.9	53.0	51.3	49.7	48.2	46.8	45.6	44.4	43.3	42.3	41.3	40.4	39.5	1500
1600	215.4	181.5	157.3	139.2	125.0	113.7	104.5	96.8	90.3	84.7	79.9	75.6	71.9	68.6	65.6	62.9	60.5	58.3	56.3	54.4	52.7	51.2	49.7	48.4	47.1	46.0	44.9	43.9	42.9	42.0	1600
1700	227.7	191.9	166.3	147.1	132.2	120.3	110.5	102.4	95.5	89.6	84.5	80.0	76.0	72.5	69.4	66.6	64.0	61.7	59.5	57.6	55.8	54.2	52.6	51.2	50.0	48.6	47.5	46.4	45.4	44.4	1700
1800	240.0	202.3	175.3	155.1	139.4	126.8	116.5	107.9	100.7	94.5	89.1	84.3	80.2	76.5	73.2	70.2	67.5	65.1	62.8	60.8	58.9	57.1	55.5	54.0	52.6	51.3	50.1	49.0	47.9	46.9	1800
1900	252.3	212.7	184.3	163.1	146.6	133.3	122.5	113.5	105.9	99.3	93.7	88.7	84.3	80.4	77.0	73.8	71.0	68.4	66.1	63.9	61.9	60.1	58.4	56.8	55.4	54.0	52.7	51.5	50.4	49.3	1900
2000	264.6	223.0	193.3	171.0	153.7	139.9	128.5	119.1	111.1	104.2	98.3	93.1	88.5	84.4	80.8	77.5	74.5	71.8	69.3	67.1	65.0	63.1	61.3	60.0	58.1	56.7	55.3	54.1	52.9	51.8	2000
2100	276.9	233.4	202.3	179.0	160.9	146.4	134.5	124.6	116.3	109.1	102.9	97.4	92.6	88.4	84.6	81.1	78.0	75.2	72.6	70.2	68.1	66.1	64.2	62.5	60.9	59.4	58.0	56.6	55.4	54.2	2100
2200	289.2	243.8	211.3	187.0	168.1	152.9	140.5	130.2	121.5	114.0	107.5	101.8	96.8	92.3	88.3	84.8	81.5	78.6	75.9	73.4	71.1	69.0	67.1	65.3	63.6	62.0	60.6	59.2	57.9	56.7	2200
2300	301.5	254.2	220.3	195.0	175.2	159.4	146.5	135.8	126.7	118.8	112.1	106.2	100.9	96.3	92.1	88.4	85.0	81.9	79.1	76.6	74.2	72.0	70.0	68.1	66.4	64.7	63.2	61.8	60.4	59.2	2300
2400	313.8	264.5	229.3	202.9	182.4	166.0	152.5	141.3	131.8	123.7	116.7	110.5	105.1	100.3	95.9	92.0	88.5	85.3	82.4	79.7	77.3	75.0	72.9	70.9	69.1	67.4	65.8	64.3	62.9	61.6	2400
2500	326.1	274.9	238.3	210.9	189.6	172.5	158.5	146.9	137.0	128.6	121.3	114.9	109.2	104.2	99.7	95.7	92.0	88.7	85.7	82.9	80.3	78.0	75.8	73.7	71.8	70.1	68.4	66.9	65.4	54.1	2500
2600	338.4	285.3	247.3	218.9	196.7	179.0	164.5	152.5	142.2	133.5	125.9	119.2	113.4	108.2	103.5	99.3	95.5	92.1	88.9	86.0	83.4	80.9	78.7	76.6	74.6	72.8	71.0	69.4	67.9	66.5	2600
2700	350.7	295.7	256.3	226.8	203.9	185.5	170.5	158.0	147.4	138.4	130.5	123.6	117.5	112.1	107.3	103.0	99.0	95.5	92.2	89.2	86.5	83.9	81.6	79.4	77.3	75.4	73.7	72.0	70.4	69.0	2700
2800	363.0	306.0	265.3	234.8	211.1	192.1	176.5	163.6	152.6	143.2	135.1	128.0	121.7	116.1	111.1	106.6	102.5	98.8	95.5	92.4	89.5	86.9	84.5	82.2	80.1	78.1	76.3	74.6	72.9	71.4	2800
2900	375.3	316.4	274.3	242.8	218.2	198.6	182.5	169.2	157.8	148.1	139.7	132.3	125.8	120.1	114.9	110.3	106.0	102.2	98.7	95.5	92.6	90.0	87.3	85.0	82.8	80.8	78.9	77.1	75.4	73.9	2900
3000	387.6	326.8	283.3	250.8	225.4	205.1	188.5	174.7	163.0	153.0	144.3	136.7	130.0	124.0	118.7	113.9	109.5	105.6	102.0	98.7	95.6	92.8	90.2	87.8	85.6	83.5	81.5	79.7	77.9	76.3	3000
3100	399.9	337.2	292.3	258.7	232.6	211.7	194.5	180.3	168.2	157.9	148.9	141.1	134.1	128.0	122.5	117.5	113.0	109.0	105.3	101.8	98.7	95.8	93.1	90.6	88.3	86.2	84.1	82.2	80.5	78.8	3100
3200	412.2	347.5	301.3	266.7	239.7	218.2	200.5	185.8	173.4	162.8	153.5	145.4	138.3	132.0	126.3	121.2	116.6	112.4	108.5	105.0	101.8	98.8	96.0	93.5	91.1	88.8	86.7	84.8	83.0	81.2	3200
3300	424.5	357.9	310.3	274.7	246.9	224.7	206.6	191.4	178.6	167.6	158.1	149.8	142.4	135.9	130.1	124.8	120.1	115.7	111.8	108.2	104.8	101.8	98.9	96.3	93.8	91.5	89.4	87.4	85.5	83.7	3300
3400	436.8	368.3	319.3	282.6	254.1	231.2	212.6	197.0	183.8	172.5	162.7	154.2	146.6	139.9	133.9	128.5	123.6	119.1	115.1	111.3	107.9	104.7	101.8	99.1	96.6	94.2	92.0	89.9	88.0	86.1	3400
3500	449.1	378.7	328.3	290.6	261.3	237.8	218.6	202.5	189.0	177.4	167.3	158.5	150.7	143.8	137.7	132.1	127.1	122.5	118.3	114.5	111.0	107.7	104.7	101.9	99.3	96.9	94.6	92.5	90.5	88.6	3500
Term. [2]	18.614	15.512	13.296	11.634	10.341	9.307	8.461	7.756	7.159	6.648	6.205	5.817	5.475	5.171	4.898	4.654	4.432	4.230	4.047	3.878	3.723	3.580	3.447	3.324	3.209	3.102	3.002	2.908	2.820	2.737	Term. [2]
L. H. [3]	.123000	.103758	.090014	.079706	.071689	.065275	.060027	.055654	.051954	.048782	.046033	.043628	.041506	.039619	.037932	.036413	.035038	.033789	.032648	.031602	.030640	.029752	.028930	.028166	.027455	.026792	.026171	.025589	.025042	.024526	L. H. [3]

[1] Based on a tare weight of 21.9 tons and a ratio of empty car miles to loaded car miles of 0.857. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.23.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

[2] Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

[3] Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 80 (Concluded).--TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN GONDOLA AND HOPPER CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	10
20	3.1	3.1	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	20
30	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	30
40	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	40
50	3.9	3.8	3.7	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	50
60	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.4	60
70	4.3	4.2	4.1	4.0	4.0	3.9	3.[illegible]	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.6	2.6	70
80	4.6	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.8	80
90	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	2.9	90
100	5.1	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.2	3.1	3.1	100
120	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4	120
140	6.0	5.9	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	140
160	6.5	6.4	6.2	6.1	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.2	4.1	160
180	7.0	6.8	6.7	6.5	6.4	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	4.9	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.5	4.4	180
200	7.5	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.6	5.5	5.4	5.4	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9	4.8	4.8	200
220	7.9	7.8	7.6	7.5	7.3	7.2	7.0	6.9	6.8	6.7	6.6	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	5.3	5.3	5.2	5.2	5.1	220
240	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.3	7.2	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.1	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.5	5.5	5.4	240
260	8.9	8.7	8.5	8.4	8.2	8.0	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.9	5.8	5.8	260
280	9.4	9.2	9.0	8.8	8.6	8.5	8.3	8.2	8.0	7.9	7.8	7.7	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.1	280
300	9.9	9.7	9.5	9.3	9.1	8.9	8.8	8.6	8.5	8.3	8.2	8.1	7.9	7.8	7.7	7.5	7.5	7.4	7.3	7.2	7.1	7.0	6.9	6.9	6.8	6.7	6.6	6.6	6.5	6.4	300
320	10.4	10.1	9.9	9.7	9.5	9.4	9.2	9.0	8.9	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.5	7.4	7.3	7.2	7.1	7.0	7.0	6.9	6.8	6.8	320
340	10.8	10.6	10.4	10.2	10.0	9.8	9.6	9.5	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.4	7.3	7.2	7.2	7.1	340
360	11.3	11.1	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.1	9.0	8.9	8.7	8.6	8.5	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.4	360
380	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.5	9.4	9.2	9.1	9.0	8.9	8.8	8.7	8.5	8.4	8.4	8.3	8.2	8.1	8.0	7.9	7.8	7.8	380
400	12.3	12.0	11.8	11.5	11.3	11.1	10.9	10.7	10.6	10.4	10.2	10.1	9.9	9.8	9.6	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	8.3	8.2	8.2	8.1	400
420	12.8	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	8.6	8.5	8.4	420
440	13.2	13.0	12.7	12.5	12.2	12.0	11.8	11.6	11.4	11.2	11.0	10.9	10.7	10.6	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4	9.3	9.2	9.1	9.0	8.9	8.8	8.7	440
460	13.7	13.4	13.2	12.9	12.7	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	10.9	10.8	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.4	9.4	9.3	9.2	9.1	460
480	14.2	13.9	13.6	13.4	13.1	12.9	12.7	12.4	12.2	12.0	11.8	11.7	11.5	11.3	11.2	11.0	10.9	10.7	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	9.6	9.5	9.4	480
500	14.7	14.4	14.1	13.8	13.6	13.3	13.1	12.9	12.7	12.4	12.3	12.1	11.9	11.7	11.6	11.4	11.3	11.1	11.0	10.8	10.7	10.6	10.5	10.4	10.2	10.1	10.0	9.9	9.8	9.7	500
600	17.1	16.7	16.4	16.1	15.8	15.5	15.2	15.0	14.7	14.5	14.3	14.1	13.9	13.7	13.5	13.3	13.1	13.0	12.8	12.7	12.5	12.4	12.2	12.1	12.0	11.9	11.7	11.6	11.5	11.4	600
700	19.5	19.1	18.7	18.4	18.0	17.7	17.4	17.1	16.8	16.6	16.3	16.1	15.9	15.6	15.4	15.2	15.0	14.8	14.7	14.5	14.3	14.2	14.0	13.9	13.7	13.6	13.4	13.3	13.2	13.1	700
800	21.9	21.5	21.0	20.6	20.3	19.9	19.6	19.3	18.9	18.7	18.4	18.1	17.8	17.6	17.4	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.8	15.6	15.4	15.3	15.1	15.0	14.8	14.7	800
900	24.3	23.8	23.4	22.9	22.5	22.1	21.7	21.4	21.0	20.7	20.4	20.1	19.8	19.6	19.3	19.0	18.8	18.6	18.4	18.1	17.9	17.7	17.5	17.4	17.2	17.0	16.8	16.7	16.5	16.4	900
1000	26.7	26.2	25.7	25.2	24.7	24.3	23.9	23.5	23.1	22.8	22.4	22.1	21.8	21.5	21.2	21.0	20.7	20.4	20.2	20.0	19.7	19.5	19.3	19.1	18.9	18.7	18.5	18.4	18.2	18.0	1000
1100	29.1	28.5	28.0	27.5	27.0	26.5	26.1	25.6	25.2	24.9	24.5	24.1	23.8	23.5	23.2	22.9	22.6	22.3	22.0	21.8	21.5	21.3	21.1	20.9	20.6	20.4	20.2	20.0	19.9	19.7	1100
1200	31.5	30.9	30.3	29.7	29.2	28.7	28.2	27.8	27.3	26.9	26.5	26.1	25.8	25.4	25.1	24.8	24.5	24.2	23.9	23.6	23.3	23.1	22.8	22.6	22.4	22.2	21.9	21.7	21.5	21.3	1200
1300	33.9	33.2	32.6	32.0	31.4	30.9	30.4	29.9	29.4	29.0	28.6	28.2	27.8	27.4	27.0	26.7	26.4	26.0	25.7	25.4	25.2	24.9	24.6	24.4	24.1	23.9	23.6	23.4	23.2	23.0	1300
1400	36.3	35.6	34.9	34.3	33.7	33.1	32.6	32.0	31.5	31.1	30.6	30.2	29.7	29.3	29.0	28.6	28.2	27.9	27.6	27.3	27.0	26.7	26.4	26.1	25.8	25.6	25.3	25.1	24.9	24.7	1400
1500	38.7	38.0	37.2	36.6	35.9	35.3	34.7	34.2	33.6	33.1	32.6	32.2	31.7	31.3	30.9	30.5	30.1	29.8	29.4	29.1	28.8	28.4	28.1	27.9	27.6	27.3	27.0	26.8	26.5	26.3	1500
1600	41.1	40.3	39.6	38.8	38.1	37.5	36.9	36.3	35.7	35.2	34.7	34.2	33.7	33.3	32.8	32.4	32.0	31.6	31.3	30.9	30.6	30.2	29.9	29.6	29.3	29.0	28.7	28.5	28.2	28.0	1600
1700	43.5	42.7	41.9	41.1	40.4	39.7	39.0	38.4	37.8	37.3	36.7	36.2	35.7	35.2	34.8	34.3	33.9	33.5	33.1	32.7	32.4	32.0	31.7	31.4	31.0	30.7	30.4	30.2	29.9	29.6	1700
1800	45.9	45.0	44.2	43.4	42.6	41.9	41.2	40.5	39.9	39.3	38.7	38.2	37.7	37.2	36.7	36.2	35.8	35.4	35.0	34.6	34.2	33.8	33.5	33.1	32.8	32.5	32.1	31.8	31.6	31.3	1800
1900	48.3	47.4	46.5	45.7	44.9	44.1	43.4	42.7	42.0	41.4	40.8	40.2	39.7	39.1	38.5	38.1	37.7	37.2	36.8	36.4	36.0	35.6	35.2	34.9	34.5	34.2	33.9	33.5	33.2	32.9	1900
2000	50.7	49.8	48.8	47.9	47.1	46.3	45.5	44.8	44.1	43.5	42.8	42.2	41.6	41.1	40.6	40.1	39.6	39.1	38.6	38.2	37.8	37.4	37.0	36.6	36.2	35.9	35.6	35.2	34.9	34.6	2000
2100	53.1	52.1	51.1	50.2	49.3	48.5	47.7	46.9	46.2	45.5	44.9	44.2	43.6	43.0	42.5	42.0	41.4	41.0	40.5	40.0	40.0	39.2	38.8	38.4	38.0	37.6	37.3	36.9	36.6	36.3	2100
2200	55.6	54.5	53.4	52.5	51.5	50.7	49.9	49.1	48.3	47.6	46.9	46.2	45.5	45.0	44.4	43.9	43.3	42.8	42.3	41.9	41.4	40.9	40.5	40.1	39.7	39.3	39.0	38.6	38.2	37.9	2200
2300	58.0	56.8	55.8	54.8	53.8	52.9	52.0	51.2	50.4	49.7	48.9	48.3	47.6	47.0	46.4	45.8	45.2	44.7	44.2	43.7	43.2	42.7	42.3	41.9	41.4	41.0	40.7	40.3	39.9	39.6	2300
2400	60.4	59.2	58.1	57.0	56.0	55.1	54.2	53.3	52.5	51.7	51.0	50.3	49.5	48.9	48.3	47.7	47.1	46.6	46.0	45.5	45.0	44.5	44.1	43.6	43.2	42.8	42.4	42.0	41.6	41.2	2400
2500	62.8	61.5	60.4	59.3	58.3	57.3	56.3	55.5	54.6	53.8	53.0	52.3	51.6	50.9	50.2	49.6	49.0	48.4	47.9	47.3	46.8	46.3	45.8	45.4	44.9	44.5	44.1	43.7	43.3	42.9	2500
2600	65.2	63.9	62.7	61.6	60.5	59.5	58.5	57.6	56.7	55.9	55.1	54.3	53.5	52.8	52.2	51.5	50.9	50.3	49.7	49.1	48.6	48.1	47.6	47.1	46.6	46.2	45.8	45.3	44.9	44.5	2600
2700	67.6	66.3	65.0	63.8	62.7	61.7	60.7	59.7	58.8	57.9	57.1	56.3	55.5	54.8	54.1	53.4	52.8	52.1	51.5	51.0	50.4	49.9	49.4	48.9	48.4	47.9	47.5	47.0	46.6	46.2	2700
2800	70.0	68.6	67.3	66.1	65.0	63.9	62.8	61.8	60.9	60.0	59.1	58.3	57.5	56.8	56.0	55.3	54.7	54.0	53.4	52.8	52.2	51.7	51.1	50.6	50.1	49.6	49.2	48.7	48.3	47.9	2800
2900	72.4	71.0	69.7	68.4	67.2	66.1	65.0	64.0	63.0	62.1	61.2	60.3	59.5	58.7	58.0	57.2	56.5	55.9	55.2	54.6	54.0	53.5	52.9	52.4	51.8	51.3	50.9	50.4	49.9	49.5	2900
3000	74.8	73.3	72.0	70.7	69.4	68.3	67.2	66.1	65.1	64.1	63.2	62.3	61.5	60.7	59.9	59.1	58.4	57.7	57.1	56.4	55.8	55.2	54.7	54.1	53.6	53.1	52.6	52.1	51.6	51.2	3000
3100	77.2	75.7	74.3	72.9	71.7	70.5	69.3	68.2	67.2	66.2	65.2	64.3	63.5	62.6	61.8	61.1	60.3	59.6	58.9	58.3	57.6	57.0	56.4	55.9	55.3	54.8	54.3	53.8	53.3	52.8	3100
3200	79.6	78.1	76.6	75.2	73.9	72.7	71.5	70.4	69.3	68.2	67.3	66.3	65.4	64.5	63.8	63.0	62.2	61.5	60.8	60.1	59.4	58.8	58.2	57.6	57.0	56.5	56.0	55.5	55.0	54.5	3200
3300	82.0	80.4	78.9	77.5	76.1	74.9	73.5	72.5	71.4	70.3	69.3	68.3	67.4	66.5	65.7	64.9	64.1	63.3	62.6	61.9	61.2	60.6	60.0	59.4	58.8	58.2	57.7	57.1	56.6	56.1	3300
3400	84.4	82.8	81.2	80.0	78.4	77.1	75.8	74.5	73.5	72.4	71.4	70.4	69.4	68.5	67.6	66.8	66.0	65.2	64.5	63.7	63.0	62.4	61.7	61.1	60.5	59.9	59.4	58.8	58.3	57.8	3400
3500	86.8	85.1	83.5	82.0	80.6	79.3	78.0	76.7	75.6	74.5	73.4	72.4	71.4	70.5	69.5	68.7	67.9	67.1	66.3	65.6	64.8	64.2	63.5	62.9	62.2	61.6	61.1	60.5	60.0	59.4	3500
Term. 2/	2.659	2.585	2.515	2.449	2.386	2.327	2.270	2.216	2.164	2.115	2.068	2.023	1.980	1.939	1.899	1.861	1.825	1.790	1.756	1.724	1.692	1.662	1.633	1.605	1.577	1.551	1.526	1.501	1.477	1.454	Term. 2/
L. H. 3/	.024043	.023585	.023151	.022741	.022351	.021981	.021629	.021294	.020974	.020669	.020378	.020099	.019832	.019576	.019331	.019095	.018869	.018651	.018442	.018240	.018045	.017858	.017677	.017503	.017334	.017171	.017013	.016860	.016713	.016570	L. H. 3/

1/ Based on a tare weight of 21.9 tons and a ratio of empty car miles to loaded car miles of 0.857. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 81.--TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	Miles
	Net load in tons per car																														
10	17.2	14.3	12.3	10.8	9.6	8.6	7.9	7.2	6.7	6.2	5.8	5.4	5.1	4.8	4.5	4.4	4.1	4.0	3.8	3.6	3.5	3.4	3.2	3.1	3.0	2.9	2.8	2.7	2.7	2.6	10
20	18.6	15.5	13.3	11.7	10.4	9.4	8.5	7.8	7.2	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.5	4.3	4.2	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	3.0	2.9	2.9	20
30	20.0	16.7	14.3	12.5	11.2	10.1	9.2	8.5	7.8	7.3	6.8	6.4	6.0	5.7	5.4	5.2	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	3.5	3.4	3.3	3.2	3.1	30
40	21.4	17.9	15.3	13.5	12.0	10.8	9.9	9.1	8.4	7.8	7.3	6.9	6.5	6.2	5.8	5.6	5.3	5.1	4.9	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.4	40
50	22.8	19.0	16.4	14.4	12.8	11.6	10.5	9.7	9.0	8.4	7.8	7.4	7.0	6.6	6.3	6.0	5.7	5.5	5.2	5.0	4.9	4.7	4.5	4.4	4.2	4.1	4.0	3.9	3.8	3.7	50
60	24.1	20.2	17.4	15.3	13.6	12.3	11.2	10.3	9.6	8.9	8.4	7.9	7.4	7.0	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3	4.2	4.0	3.9	60
70	25.5	21.4	18.4	16.2	14.4	13.0	11.9	10.9	10.1	9.5	8.9	8.3	7.9	7.5	7.1	6.8	6.5	6.2	6.0	5.7	5.5	5.3	5.2	5.0	4.8	4.7	4.6	4.4	4.3	4.2	70
80	26.9	22.5	19.4	17.1	15.2	13.8	12.6	11.6	[illegible]	10.0	9.4	8.8	8.3	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.9	4.7	4.6	4.5	80
90	28.3	23.7	20.4	18.0	16.0	14.5	13.2	12.2	11.3	10.6	9.9	9.3	8.8	8.4	8.0	7.6	7.3	7.0	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.3	5.1	5.0	4.9	4.7	90
100	29.7	24.9	21.4	18.9	16.8	15.2	13.9	12.8	11.9	11.1	10.4	9.8	9.3	8.8	8.4	8.0	7.7	7.3	7.1	6.8	6.5	6.3	6.1	5.9	5.7	5.6	5.4	5.3	5.1	5.0	100
120	32.5	27.2	23.5	20.7	18.5	16.7	15.3	14.1	13.0	12.2	11.4	10.8	10.2	9.7	9.2	8.8	8.4	8.1	7.8	7.5	7.2	7.0	6.8	6.5	6.4	6.2	6.0	5.8	5.7	5.6	120
140	35.3	29.5	25.5	22.5	20.1	18.2	16.6	15.3	14.2	13.3	12.5	11.8	11.1	10.6	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.6	7.4	7.2	7.0	6.8	6.6	6.4	6.2	6.1	140
160	38.1	31.9	27.5	24.2	21.7	19.6	18.0	16.6	15.4	14.4	13.5	12.7	12.1	11.4	10.9	10.4	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.0	6.8	6.5	160
180	40.9	34.3	29.6	26.0	23.3	21.1	19.3	17.8	16.6	15.5	14.5	13.7	13.0	12.3	11.8	11.2	10.8	10.3	9.9	9.6	9.3	9.0	8.7	8.4	8.2	7.9	7.7	7.5	7.3	7.2	180
200	43.6	36.6	31.6	27.8	24.9	22.6	20.7	19.1	17.7	16.6	15.6	14.7	13.9	13.2	12.6	12.0	11.5	11.1	10.7	10.3	9.9	9.6	9.3	9.0	8.8	8.5	8.3	8.1	7.9	7.7	200
220	46.4	39.0	33.6	29.6	26.5	24.0	22.0	20.3	18.9	17.6	16.6	15.7	14.8	14.1	13.4	12.9	12.3	11.8	11.4	11.0	10.6	10.3	10.0	9.7	9.4	9.1	8.9	8.7	8.4	8.2	220
240	49.2	41.3	35.7	31.4	28.1	25.5	23.4	21.6	20.0	18.7	17.5	16.6	15.8	15.0	14.3	13.7	13.1	12.6	12.1	11.7	11.3	10.9	10.6	10.3	10.0	9.7	9.5	9.2	9.0	8.8	240
260	52.0	43.7	37.7	33.2	29.8	27.0	24.7	22.8	21.2	19.8	18.6	17.6	16.7	15.9	15.1	14.5	13.9	13.3	12.8	12.4	12.0	11.6	11.2	10.9	10.6	10.3	10.0	9.8	9.5	9.3	260
280	54.8	46.0	39.7	35.0	31.4	28.4	26.1	24.1	22.4	20.9	19.7	18.6	17.6	16.7	16.0	15.3	14.7	14.1	13.6	13.1	12.6	12.2	11.9	11.5	11.2	10.9	10.6	10.3	10.1	9.9	280
300	57.6	48.4	41.8	36.8	33.0	29.9	27.4	25.3	23.5	22.0	20.7	19.5	18.5	17.6	16.8	16.1	15.4	14.8	14.3	13.8	13.3	12.9	12.5	12.1	11.8	11.5	11.2	10.9	10.6	10.4	300
320	60.4	50.7	43.8	38.6	34.6	31.4	28.8	26.6	24.7	23.1	21.7	20.5	19.5	18.5	17.7	16.9	16.2	15.6	15.0	14.5	14.0	13.6	13.1	12.8	12.4	12.1	11.8	11.5	11.2	10.9	320
340	63.1	53.0	45.8	40.4	36.2	32.9	30.1	27.8	25.9	24.2	22.8	21.5	20.4	19.4	18.5	17.7	17.0	16.3	15.7	15.2	14.7	14.2	13.8	13.4	13.0	12.7	12.3	12.0	11.7	11.5	340
360	65.9	55.4	47.9	42.2	37.8	34.3	31.4	29.1	27.0	25.3	23.8	22.5	21.3	20.3	19.4	18.5	17.8	17.1	16.5	15.9	15.4	14.9	14.4	14.0	13.6	13.3	12.9	12.6	12.3	12.0	360
380	68.7	57.7	49.9	44.0	39.4	35.8	32.8	30.3	28.2	26.4	24.8	23.4	22.3	21.2	20.2	19.3	18.5	17.8	17.2	16.6	16.0	15.5	15.1	14.6	14.2	13.8	13.5	13.2	12.8	12.6	380
400	71.5	60.1	51.9	45.8	41.1	37.3	34.1	31.5	29.4	27.5	25.8	24.4	23.2	22.0	21.0	20.1	19.3	18.6	17.9	17.3	16.7	16.2	15.7	15.2	14.8	14.4	14.1	13.7	13.4	13.1	400
420	74.3	62.4	54.0	47.6	42.7	38.7	35.5	32.8	30.5	28.6	26.9	25.4	24.1	22.9	21.9	20.9	20.1	19.3	18.6	18.0	17.4	16.8	16.3	15.9	15.4	15.0	14.6	14.3	13.9	13.6	420
440	77.1	64.8	56.0	49.4	44.3	40.2	36.8	34.0	31.7	29.7	27.9	26.4	25.0	23.8	22.7	21.8	20.9	20.1	19.4	18.7	18.1	17.5	17.0	16.5	16.0	15.6	15.2	14.8	14.5	14.2	440
460	79.9	67.1	58.0	51.2	45.9	41.7	38.2	35.3	32.9	30.8	28.9	27.3	25.9	24.7	23.6	22.6	21.7	20.9	20.1	19.4	18.7	18.2	17.6	17.1	16.6	16.2	15.8	15.4	15.0	14.7	460
480	82.6	69.5	60.1	53.0	47.5	43.1	39.5	36.5	34.0	31.8	30.0	28.3	26.9	25.6	24.4	23.4	22.4	21.6	20.8	20.1	19.4	18.8	18.3	17.7	17.2	16.8	16.4	16.0	15.6	15.2	480
500	85.4	71.8	62.1	54.8	49.1	44.6	40.9	37.8	35.2	32.9	31.0	29.3	27.8	26.5	25.3	24.2	23.2	22.3	21.5	20.8	20.1	19.5	18.9	18.4	17.9	17.4	16.9	16.5	16.1	15.8	500
600	99.4	83.5	72.3	63.8	57.2	51.9	47.6	44.0	41.0	38.4	36.1	34.2	32.4	30.9	29.5	28.2	27.1	26.1	25.1	24.3	23.5	22.8	22.1	21.5	20.9	20.3	19.8	19.3	18.9	18.5	600
700	113.3	95.3	82.4	72.8	65.3	59.3	54.4	50.3	46.8	43.9	41.3	39.0	37.0	35.3	33.7	32.3	31.0	29.8	28.8	27.8	26.9	26.1	25.3	24.6	23.9	23.3	22.7	22.2	21.6	21.2	700
800	127.2	107.0	92.6	81.8	73.4	66.6	61.1	56.5	52.6	49.3	46.4	43.9	41.7	39.7	37.9	36.3	34.9	33.6	32.4	31.3	30.3	29.3	28.5	27.7	26.9	26.2	25.6	25.0	24.4	23.9	800
900	141.1	118.7	102.8	90.8	81.4	74.0	67.9	62.8	58.5	54.8	51.6	48.8	46.3	44.1	42.1	40.4	38.8	37.3	36.0	34.8	33.7	32.6	31.7	30.8	30.0	[illegible]	28.5	27.8	27.1	26.6	900
1000	155.1	130.5	112.9	99.7	89.5	81.3	74.6	69.0	64.3	60.2	56.7	53.6	50.9	48.5	46.4	44.4	42.7	41.1	39.6	38.3	37.1	35.9	34.9	33.9	33.0	32.1	31.3	30.6	29.9	29.2	1000
1100	169.0	142.2	123.1	108.7	97.6	88.6	81.3	75.3	70.1	65.7	61.9	58.5	55.6	52.9	50.6	48.5	46.6	44.8	43.2	41.8	40.4	39.2	38.1	37.0	36.0	35.1	34.2	33.4	32.7	31.9	1100
1200	182.9	153.9	133.2	117.7	105.6	96.0	88.1	81.5	75.9	71.2	67.0	63.4	60.2	57.4	54.8	52.5	50.5	48.6	46.8	45.3	43.8	42.5	41.3	40.1	39.0	38.0	37.1	36.2	35.4	34.6	1200
1300	196.8	165.7	143.4	126.7	113.7	103.3	94.8	87.7	81.7	76.6	72.2	68.3	64.8	61.8	59.0	56.6	54.3	52.3	50.5	48.8	47.2	45.8	44.4	43.2	42.1	41.0	40.0	39.0	38.2	37.3	1300
1400	210.8	177.4	153.6	135.7	121.8	110.7	101.6	94.0	87.5	82.1	77.3	73.1	69.5	66.2	63.3	60.6	58.2	56.1	54.1	52.3	50.6	49.1	47.6	46.3	45.1	43.9	42.9	41.9	40.9	40.0	1400
1500	224.7	189.1	163.7	144.7	129.9	118.0	108.3	100.2	93.4	87.5	82.4	78.0	74.1	70.6	67.5	64.7	62.1	59.8	57.7	55.8	54.0	52.4	50.8	49.4	48.1	46.9	45.7	44.7	43.7	42.7	1500
1600	238.6	200.9	173.9	153.7	137.9	125.4	115.1	106.5	99.2	93.0	87.6	82.9	78.7	75.0	71.7	68.7	66.0	63.6	61.3	59.3	57.4	55.6	54.0	52.5	51.1	49.8	48.6	47.5	46.4	45.4	1600
1700	252.5	212.6	184.1	162.7	146.0	132.7	121.8	112.7	105.0	98.4	92.7	87.7	83.3	79.4	75.9	72.8	69.9	67.3	64.9	62.8	60.8	58.9	57.2	55.6	54.2	52.8	51.5	50.3	49.2	48.1	1700
1800	266.5	224.3	194.2	171.6	154.1	140.0	128.5	119.0	110.9	103.9	97.9	92.6	88.0	83.8	80.1	76.8	73.8	71.1	68.6	66.3	64.2	62.2	60.4	58.7	57.2	55.7	54.4	53.1	51.9	50.8	1800
1900	280.4	236.1	204.4	180.6	162.2	147.4	135.3	125.2	116.7	109.4	103.0	97.5	92.6	88.3	84.4	80.9	77.7	74.8	72.2	69.8	67.6	65.5	63.6	61.9	60.2	58.7	57.3	55.9	54.7	53.5	1900
2000	294.3	247.8	214.6	189.6	170.2	154.7	142.0	131.4	122.5	114.8	108.2	102.4	97.2	92.7	88.6	84.9	81.6	78.6	75.8	73.3	70.9	68.8	66.8	65.0	63.2	61.6	60.1	58.7	57.4	56.2	2000
2100	308.3	259.5	224.7	198.6	178.3	162.1	148.8	137.7	128.3	120.3	113.3	107.2	101.9	97.1	92.8	89.0	85.5	82.3	79.4	76.8	74.3	72.1	70.0	68.1	66.3	64.6	63.0	61.5	60.2	58.9	2100
2200	322.2	271.3	234.9	207.6	186.4	169.4	155.5	143.9	134.1	125.7	118.5	112.1	106.5	101.5	97.0	93.0	89.4	86.1	83.0	80.3	77.7	75.4	73.2	71.2	69.3	67.5	65.9	64.4	62.9	61.5	2200
2300	336.1	283.0	245.0	216.6	194.4	176.7	162.2	150.2	140.0	131.2	123.6	117.0	111.1	105.9	101.2	97.1	93.3	89.8	86.7	83.8	81.1	78.7	76.4	74.3	72.3	70.5	68.8	67.2	65.7	64.2	2300
2400	350.0	294.7	255.2	225.6	202.5	184.1	169.0	156.4	145.8	136.7	128.8	121.8	115.7	110.3	105.5	101.1	97.1	93.6	90.3	87.3	84.5	82.0	79.6	77.4	75.3	73.4	71.7	70.0	68.4	66.9	2400
2500	364.0	306.5	265.4	234.6	210.6	191.4	175.7	162.7	151.6	142.1	133.9	126.7	120.4	114.7	109.7	105.1	101.0	97.3	93.9	90.8	87.9	85.2	82.8	80.5	78.4	76.4	74.5	72.8	71.2	69.6	2500
2600	377.9	318.2	275.5	243.5	218.7	198.8	182.5	168.9	157.4	147.6	139.1	131.6	125.0	119.1	113.9	109.2	104.9	101.1	97.5	94.3	91.3	88.5	86.0	83.6	81.4	79.3	77.4	75.6	73.9	72.3	2600
2700	391.8	329.9	285.7	252.5	226.7	206.1	189.2	175.1	163.2	153.0	144.2	136.5	129.6	123.6	118.1	113.2	108.8	104.8	101.1	97.8	94.7	91.8	89.2	86.7	84.4	82.3	80.3	78.4	76.7	75.0	2700
2800	405.7	341.6	295.9	261.5	234.8	213.4	196.0	181.4	169.1	158.5	149.3	141.3	134.3	128.0	122.4	117.3	112.7	108.5	104.8	101.3	98.1	95.1	92.4	89.8	87.5	85.2	83.2	81.2	79.4	77.7	2800
2900	419.7	353.4	306.0	270.5	242.9	220.8	202.7	187.6	174.9	164.0	154.5	146.2	138.9	132.4	126.6	121.3	116.6	112.3	108.4	104.8	101.5	98.4	95.6	92.9	90.5	88.2	86.1	84.0	82.2	80.4	2900
3000	433.6	365.1	316.2	279.5	251.0	228.1	209.4	193.9	180.7	169.4	159.6	151.1	143.5	136.8	130.8	125.4	120.5	116.0	112.0	108.3	104.8	101.7	98.8	96.0	93.5	91.1	88.9	86.9	84.9	83.1	3000
3100	447.5	376.8	326.4	288.5	259.0	235.5	216.2	200.1	186.5	174.9	164.8	156.0	148.1	141.2	135.0	129.4	124.4	119.8	115.6	111.8	108.2	105.0	101.9	99.1	96.5	94.1	91.8	89.7	87.7	85.8	3100
3200	461.5	388.6	336.5	297.5	267.1	242.8	222.9	206.4	192.4	180.3	169.9	160.9	152.8	145.6	139.2	133.5	128.3	123.5	119.2	115.3	111.6	108.3	105.1	102.2	99.6	97.0	94.7	92.5	90.4	88.5	3200
3300	475.4	400.3	346.7	306.5	275.2	250.1	229.7	212.6	198.2	185.8	175.1	165.7	157.4	150.0	143.5	137.5	132.2	127.3	122.8	118.8	115.0	111.5	108.3	105.4	102.6	100.0	97.6	95.3	93.2	91.2	3300
3400	489.3	412.0	356.8	315.4	283.2	257.5	236.4	218.9	204.0	191.3	180.2	170.6	162.0	154.5	147.7	141.6	136.1	131.0	126.5	122.3	118.4	114.8	111.5	108.5	105.6	102.9	100.5	98.1	95.9	93.9	3400
3500	503.2	423.8	367.0	324.4	291.3	264.8	243.2	225.1	209.8	196.7	185.4	175.4	166.7	158.9	151.9	145.6	140.0	134.8	130.1	125.8	121.8	118.1	114.7	111.6	108.6	105.9	103.3	100.9	98.7	96.5	3500
Term. 2/	15.790	13.158	11.279	9.869	8.772	7.895	7.177	6.579	6.073	5.639	5.263	4.934	4.644	4.386	4.155	3.948	3.760	3.589	3.433	3.290	3.158	3.037	2.924	2.820	2.722	2.632	2.547	2.467	2.392	2.322	Term. 2/
L. H. 3/	.139270	.117317	.101636	.089875	.080726	.073410	.067423	.062433	.058212	.054593	.051457	.048713	.046291	.044139	.042213	.040480	.038912	.037486	.036185	.034992	.033894	.032861	.031943	.031071	.030260	.029503	.028795	.028131	.027508	.026921	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.977. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portions, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portions, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 81 (Concluded).--TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN TANK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	
10	2.6	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
20	2.8	2.7	2.6	2.5	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
30	3.0	3.0	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.2	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30
40	3.3	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.6	2.6	2.5	2.5	2.5	2.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40
50	3.6	3.5	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
60	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60
70	4.1	4.0	3.9	3.8	3.7	3.7	3.5	3.5	3.4	3.4	3.3	3.2	3.2	3.1	3.1	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
80	4.4	4.2	4.2	4.1	4.0	3.9	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.3	3.3	3.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
90	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90
100	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
120	5.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5	4.4	4.3	4.3	4.2	4.1	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
140	5.9	5.8	5.7	5.6	5.4	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.5	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140
160	6.4	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
180	7.0	6.8	6.7	6.6	6.4	6.3	6.2	6.1	6.0	5.8	5.7	5.7	5.6	5.5	5.4	5.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
200	7.5	7.4	7.2	7.1	6.9	6.8	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
220	8.1	7.9	7.7	7.6	7.4	7.3	7.1	7.0	6.9	6.7	6.6	6.5	6.4	6.3	6.2	6.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220
240	8.6	8.4	8.2	8.0	7.9	7.7	7.6	7.5	7.3	7.2	7.1	7.0	6.9	6.8	6.6	6.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240
260	9.1	8.9	8.7	8.5	8.4	8.2	8.1	7.9	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
280	9.6	9.4	9.2	9.0	8.9	8.7	8.5	8.4	8.2	8.1	8.0	7.8	7.7	7.6	7.5	7.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280
300	10.2	9.9	9.7	9.5	9.4	9.2	9.0	8.8	8.7	8.5	8.4	8.3	8.1	8.0	7.9	7.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
320	10.7	10.5	10.2	10.0	9.8	9.7	9.5	9.3	9.2	9.0	8.9	8.7	8.6	8.5	8.3	8.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
340	11.2	11.0	10.8	10.5	10.3	10.1	10.0	9.8	9.6	9.5	9.3	9.2	9.0	8.9	8.7	8.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340
360	11.7	11.5	11.3	11.0	10.8	10.6	10.4	10.2	10.1	9.9	9.7	9.6	9.4	9.3	9.2	9.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360
380	12.3	12.0	11.8	11.5	11.3	11.1	10.9	10.7	10.5	10.4	10.2	10.0	9.9	9.7	9.6	9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380
400	12.8	12.5	12.3	12.0	11.8	11.6	11.4	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
420	13.3	13.0	12.8	12.5	12.3	12.1	11.8	11.6	11.4	11.3	11.1	10.9	10.7	10.6	10.4	10.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420
440	13.9	13.6	13.3	13.0	12.8	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.2	11.0	10.8	10.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440
460	14.4	14.1	13.8	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.8	11.6	11.4	11.3	11.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	460
480	14.9	14.6	14.3	14.0	13.8	13.5	13.3	13.0	12.8	12.6	12.4	12.2	12.0	11.9	11.7	11.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480
500	15.4	15.1	14.8	14.5	14.2	14.0	13.7	13.5	13.3	13.1	12.8	12.6	12.5	12.3	12.1	11.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
600	18.1	17.7	17.3	17.0	16.7	16.4	16.1	15.8	15.6	15.3	15.1	14.8	14.6	14.4	14.2	14.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600
700	20.7	20.3	19.9	19.5	19.1	18.8	18.5	18.1	17.8	17.6	17.3	17.0	16.8	16.5	16.3	15.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
800	23.3	22.9	22.4	22.0	21.6	21.2	20.8	20.5	20.1	19.8	19.5	19.2	18.9	18.7	18.4	18.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800
900	26.0	25.5	24.9	24.5	24.0	23.6	23.2	22.8	22.4	22.1	21.7	21.4	21.1	20.8	20.5	20.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900
1000	28.6	28.0	27.5	27.0	26.5	26.0	25.5	25.1	24.7	24.3	23.9	23.6	23.2	22.9	22.6	22.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1000
1100	31.3	30.6	30.0	29.4	28.9	28.4	27.9	27.4	27.0	26.6	26.2	25.8	25.4	25.0	24.7	24.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1100
1200	33.9	33.2	32.6	31.9	31.3	30.8	30.3	29.8	29.3	28.8	28.4	28.0	27.6	27.2	26.8	26.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1200
1300	36.5	35.8	35.1	34.4	33.8	33.2	32.6	32.1	31.6	31.1	30.6	30.1	29.7	29.3	28.9	28.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1300
1400	39.2	38.4	37.6	36.9	36.2	35.6	35.0	34.4	33.8	33.3	32.8	32.3	31.9	31.4	31.0	30.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1400
1500	41.8	41.0	40.2	39.4	38.7	38.0	37.3	36.7	36.1	35.6	35.0	34.5	34.0	33.6	33.1	32.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1500
1600	44.4	43.5	42.7	41.9	41.1	40.4	39.7	39.0	38.4	37.8	37.3	36.7	36.2	35.7	35.2	34.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1600
1700	47.1	46.1	45.2	44.4	43.6	42.8	42.1	41.4	40.7	40.1	39.5	38.9	38.3	37.8	37.3	36.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1700
1800	49.7	48.7	47.8	46.9	46.0	45.2	44.4	43.7	43.0	42.3	41.7	41.1	40.5	39.9	39.4	38.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1800
1900	52.4	51.3	50.3	49.4	48.5	47.6	46.8	46.0	45.3	44.6	43.9	43.3	42.6	42.1	41.5	41.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1900
2000	55.0	53.9	52.8	51.8	50.9	50.0	49.2	48.3	47.6	46.8	46.1	45.5	44.8	44.2	43.6	43.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2000
2100	57.6	56.5	55.4	54.3	53.3	52.4	51.5	50.7	49.9	49.1	48.3	47.6	47.0	46.3	45.7	45.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2100
2200	60.3	59.0	57.9	56.8	55.8	54.8	53.9	53.0	52.1	51.3	50.6	49.8	49.1	48.4	47.8	47.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2200
2300	62.9	61.6	60.4	59.3	58.2	57.2	56.2	55.3	54.4	53.6	52.8	52.0	51.3	50.6	49.9	49.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2300
2400	65.5	64.2	63.0	61.8	60.7	59.6	58.6	57.6	56.7	55.8	55.0	54.2	53.4	52.7	52.0	51.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2400
2500	68.2	66.8	65.5	64.3	63.1	62.0	61.0	60.0	59.0	58.1	57.2	56.4	55.6	54.8	54.1	53.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2500
2600	70.8	69.4	68.0	66.8	65.6	64.4	63.3	62.3	61.3	60.3	59.4	58.6	57.7	56.9	56.2	55.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2600
2700	73.4	72.0	70.6	69.3	68.0	66.8	65.7	64.6	63.6	62.6	61.7	60.8	59.9	59.1	58.3	57.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2700
2800	76.1	74.6	73.1	71.7	70.4	69.2	68.0	66.9	65.9	64.8	63.9	62.9	62.1	61.2	60.4	59.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2800
2900	78.7	77.1	75.6	74.2	72.9	71.6	70.4	69.2	68.1	67.1	66.1	65.1	64.2	63.3	62.5	61.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2900
3000	81.4	79.7	78.2	76.7	75.3	74.0	72.8	71.6	70.4	69.3	68.3	67.3	66.4	65.5	64.6	63.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3000
3100	84.0	82.3	80.7	79.2	77.8	76.4	75.1	73.9	72.7	71.6	70.5	69.5	68.5	67.6	66.7	65.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3100
3200	86.6	84.9	83.3	81.7	80.2	78.8	77.5	76.2	75.0	73.9	72.7	71.7	70.7	69.7	68.8	67.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3200
3300	89.3	87.5	85.8	84.2	82.7	81.2	79.8	78.5	77.3	76.1	75.0	73.9	72.8	71.8	70.9	70.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3300
3400	91.9	90.1	88.3	86.7	85.1	83.6	82.2	80.9	79.6	78.4	77.2	76.1	75.0	74.0	73.0	72.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3400
3500	94.5	92.6	90.9	89.2	87.6	86.0	84.6	83.2	81.9	80.6	79.4	78.3	77.2	76.1	75.1	74.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3500
Term. 2/	2.256	2.193	2.134	2.078	2.024	1.974	1.926	1.880	1.836	1.794	1.754	1.716	1.680	1.645	1.611	1.579	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Term. 2/
L. H. 3/	.026367	.025844	.025350	.024882	.024437	.024015	.023613	.023231	.022866	.022518	.022186	.021867	.021563	.021271	.020991	.020722	-	-	-	-	-	-	-	-	-	-	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.977. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

5409

TABLE 62.—TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN STOCK CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	19.8	16.5	14.2	12.4	11.1	10.0	9.1	8.3	7.7	7.2	6.7	6.3	5.9	5.6	5.3	5.0	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	-	-	-	-	10
20	21.1	17.6	15.1	13.2	11.8	10.6	9.7	8.9	8.2	7.6	7.1	6.7	6.3	6.0	5.7	5.4	5.1	4.9	4.7	4.5	4.3	4.2	4.0	3.9	3.8	3.6	-	-	-	-	20
30	22.3	18.6	16.0	14.0	12.5	11.3	10.3	9.4	8.7	8.1	7.6	7.1	6.7	6.4	6.0	5.7	5.5	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	-	-	-	-	30
40	23.5	19.6	16.9	14.8	13.2	11.9	10.9	10.0	9.2	8.6	8.0	7.6	7.1	6.8	6.4	6.1	5.8	5.6	5.3	5.1	4.9	4.8	4.6	4.4	4.3	4.2	-	-	-	-	40
50	24.7	20.7	17.8	15.6	13.9	12.6	11.5	10.5	9.7	9.1	8.5	8.0	7.5	7.1	6.8	6.5	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.6	4.4	-	-	-	-	50
60	26.0	21.7	18.7	16.4	14.6	13.2	12.0	11.1	10.3	9.6	9.0	8.4	8.0	7.5	7.2	6.8	6.5	6.3	6.0	5.8	5.6	5.4	5.2	5.0	4.9	4.7	-	-	-	-	60
70	27.2	22.7	19.6	17.2	15.3	13.9	12.6	11.6	10.8	10.1	9.4	8.9	8.4	7.9	7.5	7.2	6.9	6.6	6.3	6.1	5.9	5.7	5.5	5.3	5.1	5.0	-	-	-	-	70
80	28.4	23.8	20.5	18.0	16.1	14.5	13.2	12.2	11.3	10.5	9.9	9.3	8.8	8.3	7.9	7.6	7.2	6.9	6.7	6.4	6.2	6.0	5.8	5.6	5.4	5.2	-	-	-	-	80
90	29.6	24.8	21.4	18.8	16.8	15.2	13.8	12.7	11.8	11.0	10.3	9.7	9.2	8.7	8.3	7.9	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.9	5.7	5.5	-	-	-	-	90
100	30.9	25.8	22.3	19.6	17.5	15.8	14.4	13.3	12.3	11.5	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.8	-	-	-	-	100
120	33.3	27.9	24.1	21.2	18.9	17.1	15.6	14.4	13.4	12.5	11.7	11.0	10.4	9.9	9.4	9.0	8.6	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	-	-	-	-	120
140	35.8	30.0	25.8	22.6	20.3	18.4	16.8	15.5	14.4	13.5	12.6	11.9	11.3	10.7	10.2	9.7	9.3	8.9	8.6	8.3	8.0	7.7	7.5	7.3	7.0	6.8	-	-	-	-	140
160	38.2	32.0	27.6	24.3	21.8	19.7	18.0	16.6	15.4	14.4	13.5	12.8	12.1	11.5	10.9	10.5	10.0	9.6	9.3	8.9	8.6	8.3	8.1	7.8	7.6	7.4	-	-	-	-	160
180	40.7	34.1	29.4	25.9	23.2	21.0	19.2	17.7	16.5	15.4	14.5	13.6	12.9	12.3	11.7	11.2	10.7	10.3	9.9	9.5	9.2	8.9	8.6	8.4	8.1	7.9	-	-	-	-	180
200	43.1	36.2	31.2	27.5	24.6	22.3	20.4	18.8	17.5	16.4	15.4	14.5	13.7	13.1	12.5	11.9	11.4	11.0	10.6	10.2	9.8	9.5	9.2	8.9	8.7	8.4	-	-	-	-	200
220	45.6	38.2	33.0	29.1	26.1	23.6	21.6	20.0	18.5	17.3	16.3	15.4	14.6	13.9	13.2	12.6	12.1	11.6	11.2	10.8	10.4	10.1	9.8	9.5	9.2	9.0	-	-	-	-	220
240	48.0	40.3	34.8	30.7	27.5	24.9	22.8	21.1	19.6	18.3	17.2	16.3	15.4	14.6	14.0	13.4	12.8	12.3	11.9	11.4	11.1	10.7	10.4	10.1	9.8	9.5	-	-	-	-	240
260	50.5	42.4	36.6	32.3	28.9	26.2	24.0	22.2	20.6	19.3	18.1	17.1	16.2	15.4	14.7	14.1	13.5	13.0	12.5	12.1	11.7	11.3	10.9	10.6	10.3	10.0	-	-	-	-	260
280	52.9	44.5	38.4	33.9	30.3	27.5	25.2	23.3	21.7	20.3	19.0	18.0	17.1	16.2	15.5	14.8	14.2	13.7	13.2	12.7	12.3	11.9	11.5	11.2	10.9	10.6	-	-	-	-	280
300	55.4	46.5	40.2	35.5	31.8	28.8	26.4	24.4	22.7	21.2	20.0	18.9	17.9	17.0	16.2	15.5	14.9	14.3	13.8	13.3	12.9	12.5	12.1	11.7	11.4	11.1	-	-	-	-	300
320	57.8	48.6	42.0	37.0	33.2	30.1	27.6	25.5	23.7	22.2	20.9	19.7	18.7	17.8	17.0	16.3	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.3	12.0	11.6	-	-	-	-	320
340	60.3	50.7	43.8	38.6	34.6	31.4	28.8	26.6	24.8	23.2	21.8	20.6	19.5	18.6	17.8	17.0	16.3	15.7	15.1	14.6	14.1	13.7	13.3	12.9	12.5	12.2	-	-	-	-	340
360	62.7	52.7	45.6	40.2	36.1	32.7	30.0	27.7	25.8	24.1	22.7	21.5	20.4	19.4	18.5	17.7	17.0	16.4	15.8	15.2	14.7	14.3	13.8	13.4	13.1	12.7	-	-	-	-	360
380	65.2	54.8	47.4	41.8	37.5	34.0	31.2	28.8	26.8	25.1	23.6	22.3	21.2	20.2	19.3	18.4	17.7	17.0	16.4	15.8	15.3	14.9	14.4	14.0	13.6	13.3	-	-	-	-	380
400	67.6	56.9	49.2	43.4	38.9	35.3	32.4	29.9	27.9	26.1	24.6	23.2	22.0	21.0	20.0	19.2	18.4	17.7	17.1	16.5	15.9	15.4	15.0	14.6	14.2	13.8	-	-	-	-	400
420	70.1	58.9	51.0	45.0	40.3	36.6	33.6	31.0	28.9	27.1	25.5	24.1	22.8	21.8	20.8	19.9	19.1	18.4	17.7	17.1	16.6	16.0	15.6	15.1	14.7	14.3	-	-	-	-	420
440	72.5	61.0	52.7	46.6	41.8	37.9	34.8	32.2	29.9	28.0	26.4	24.9	23.7	22.5	21.5	20.6	19.8	19.0	18.4	17.7	17.2	16.6	16.1	15.7	15.3	14.9	-	-	-	-	440
460	75.0	63.1	54.5	48.2	43.2	39.2	36.0	33.3	31.0	29.0	27.3	25.8	24.5	23.3	22.3	21.3	20.5	19.7	19.0	18.4	17.8	17.2	16.7	16.2	15.8	15.4	-	-	-	-	460
480	77.4	65.1	56.3	49.7	44.6	40.5	37.2	34.4	32.0	30.0	28.2	26.7	25.3	24.1	23.0	22.1	21.2	20.4	19.7	19.0	18.4	17.8	17.3	16.8	16.3	15.9	-	-	-	-	480
500	79.9	67.2	58.1	51.3	46.0	41.8	38.4	35.5	33.0	31.0	29.1	27.6	26.2	24.9	23.8	22.8	21.9	21.1	20.3	19.6	19.0	18.4	17.9	17.4	16.9	16.5	-	-	-	-	500
600	92.1	77.5	67.1	59.3	53.2	48.3	44.3	41.0	38.2	35.8	33.7	31.9	30.3	28.9	27.6	26.4	25.4	24.4	23.6	22.8	22.0	21.4	20.8	20.2	19.6	19.1	-	-	-	-	600
700	104.4	87.9	76.1	67.2	60.3	54.8	50.3	46.6	43.4	40.7	38.3	36.2	34.4	32.8	31.4	30.1	28.9	27.8	26.8	25.9	25.1	24.3	23.6	23.0	22.4	21.8	-	-	-	-	700
800	116.6	98.2	85.0	75.2	67.5	61.3	56.3	52.1	48.6	45.5	42.9	40.6	38.6	36.8	35.1	33.7	32.4	31.2	30.1	29.1	28.2	27.3	26.5	25.8	25.1	24.5	-	-	-	-	800
900	128.9	108.5	94.0	83.1	74.6	67.8	62.3	57.7	53.7	50.4	47.5	44.9	42.7	40.7	38.9	37.3	35.9	34.5	33.3	32.2	31.2	30.3	29.4	28.6	27.8	27.1	-	-	-	-	900
1000	141.1	118.9	103.0	91.0	81.8	74.3	68.3	63.2	58.9	55.3	52.1	49.3	46.8	44.7	42.7	40.9	39.4	37.9	36.6	35.4	34.3	33.2	32.3	31.4	30.5	29.8	-	-	-	-	1000
1100	153.4	129.2	111.9	99.0	88.9	80.8	74.2	68.8	64.1	60.1	56.7	53.6	51.0	48.6	46.5	44.6	42.8	41.3	39.8	38.5	37.3	36.2	35.2	34.2	33.3	32.5	-	-	-	-	1100
1200	165.6	139.5	120.9	106.9	96.0	87.3	80.2	74.3	69.3	65.0	61.2	58.0	55.1	52.6	50.3	48.2	46.3	44.6	43.1	41.7	40.4	39.2	38.1	37.0	36.1	35.2	-	-	-	-	1200
1300	177.9	149.9	129.9	114.9	103.2	93.8	86.2	79.8	74.5	69.8	65.8	62.3	59.2	56.5	54.0	51.8	49.8	48.0	46.4	44.9	43.4	42.1	40.9	39.8	38.8	37.9	-	-	-	-	1300
1400	190.1	160.2	138.8	122.8	110.3	100.3	92.2	85.4	79.6	74.7	70.4	66.7	63.4	60.4	57.8	55.5	53.3	51.4	49.6	48.0	46.5	45.1	43.8	42.6	41.5	40.5	-	-	-	-	1400
1500	202.4	170.5	147.8	130.7	117.5	106.9	98.2	90.9	84.8	79.6	75.0	71.0	67.5	64.4	61.6	59.1	56.8	54.7	52.9	51.1	49.5	48.1	46.7	45.4	44.3	43.2	-	-	-	-	1500
1600	214.6	180.9	156.8	138.7	124.6	113.4	104.1	96.5	90.0	84.4	79.6	75.4	71.7	68.3	65.4	62.7	60.3	58.1	56.1	54.3	52.6	51.0	49.6	48.3	47.0	45.8	-	-	-	-	1600
1700	226.9	191.2	165.7	146.6	131.7	119.9	110.1	102.0	95.2	89.3	84.2	79.7	75.8	72.3	69.2	66.3	63.8	61.5	59.4	57.4	55.6	54.0	52.5	51.1	49.7	48.5	-	-	-	-	1700
1800	239.1	201.5	174.7	154.6	138.9	126.4	116.1	107.6	100.3	94.1	88.8	84.1	79.9	76.2	72.9	70.0	67.3	64.8	62.6	60.6	58.7	57.0	55.4	53.9	52.5	51.2	-	-	-	-	1800
1900	251.4	211.9	183.7	162.5	146.0	132.9	122.1	113.1	105.5	99.0	93.4	88.4	84.1	80.2	76.7	73.6	70.8	68.2	65.9	63.7	61.8	59.9	58.2	56.7	55.2	53.9	-	-	-	-	1900
2000	263.6	222.2	192.6	170.4	153.2	139.4	128.1	118.7	110.7	103.9	97.9	92.8	88.2	84.1	80.5	77.2	74.3	71.6	69.1	66.9	64.8	62.9	61.1	59.5	58.0	56.5	-	-	-	-	2000
2100	275.9	232.5	201.6	178.4	160.3	145.9	134.1	124.2	115.9	108.7	102.5	97.1	92.3	88.1	84.3	80.9	77.8	75.0	72.4	70.0	67.9	65.9	64.0	62.3	60.7	59.2	-	-	-	-	2100
2200	288.1	242.9	210.6	186.3	167.5	152.4	140.0	129.7	121.0	113.6	107.1	101.5	96.5	92.0	88.1	84.5	81.3	78.3	75.6	73.2	70.9	68.8	66.9	65.1	63.4	61.9	-	-	-	-	2200
2300	300.4	253.2	219.5	194.3	174.6	158.9	146.0	135.3	126.2	118.4	111.7	105.8	100.6	96.0	91.8	88.1	84.8	81.7	78.9	76.3	74.0	71.8	69.8	67.9	66.2	64.5	-	-	-	-	2300
2400	312.6	263.6	228.5	202.2	181.7	165.4	152.0	140.8	131.4	123.3	116.3	110.2	104.7	99.9	95.6	91.8	88.2	85.1	82.1	79.5	77.0	74.8	72.7	70.7	68.9	67.2	-	-	-	-	2400
2500	324.9	273.9	237.5	210.1	188.9	171.9	158.0	146.4	136.6	128.2	120.9	114.5	108.9	103.9	99.4	95.4	91.7	88.4	85.4	82.6	80.1	77.7	75.5	73.5	71.6	70.0	-	-	-	-	2500
2600	337.1	284.2	246.4	218.1	196.0	178.4	164.0	151.9	141.7	133.0	125.5	118.9	113.0	107.8	103.2	99.0	95.2	91.8	88.7	85.8	83.1	80.7	78.4	76.3	74.4	72.5	-	-	-	-	2600
2700	349.4	294.6	255.4	226.0	203.2	184.9	169.9	157.5	146.9	137.9	130.1	123.2	117.2	111.8	107.0	102.6	98.7	95.2	91.9	88.9	86.2	83.7	81.3	79.1	77.1	75.2	-	-	-	-	2700
2800	361.6	304.9	264.4	234.0	210.3	191.4	175.9	163.0	152.1	142.7	134.6	127.5	121.3	115.7	110.7	106.3	102.2	98.5	95.2	92.1	89.2	86.6	84.2	81.9	79.8	77.9	-	-	-	-	2800
2900	373.9	315.2	273.3	241.9	217.5	197.9	181.9	168.6	157.3	147.6	139.2	131.9	125.4	119.7	114.5	109.9	105.7	101.9	98.4	95.2	92.3	89.6	87.1	84.8	82.6	80.6	-	-	-	-	2900
3000	386.1	325.6	282.3	249.8	224.6	204.4	187.9	174.1	162.5	152.5	143.8	136.2	129.6	123.6	118.3	113.5	109.2	105.3	101.7	98.4	95.3	92.6	90.0	87.6	85.3	83.2	-	-	-	-	3000
3100	398.4	335.9	291.3	257.8	231.7	210.9	193.9	179.7	167.6	157.3	148.4	140.6	133.7	127.6	122.1	117.2	112.7	108.6	104.9	101.5	98.4	95.5	92.8	90.4	88.1	85.9	-	-	-	-	3100
3200	410.6	346.2	300.2	265.7	238.9	217.4	199.8	185.2	172.8	162.2	153.0	144.9	137.8	131.5	125.9	120.8	116.2	112.0	108.2	104.7	101.5	98.5	95.7	93.2	90.8	88.6	-	-	-	-	3200
3300	422.9	356.6	309.2	273.7	246.0	223.9	205.8	190.7	178.0	167.1	157.6	149.3	142.0	135.5	129.5	124.4	119.7	115.4	111.4	107.8	104.5	101.5	98.6	96.0	93.5	91.2	-	-	-	-	3300
3400	435.1	366.9	318.2	281.6	253.2	230.4	211.8	196.3	183.2	171.9	162.2	153.6	146.1	139.4	133.4	128.0	123.2	118.7	114.7	111.0	107.6	104.4	101.5	98.8	96.3	93.9	-	-	-	-	3400
3500	447.4	377.2	327.1	289.5	260.3	236.9	217.8	201.8	188.3	176.8	166.8	158.0	150.2	143.4	137.2	131.7	126.7	122.1	117.9	114.1	110.6	107.4	104.4	101.6	99.0	96.6	-	-	-	-	3500
Term. 2/	18.614	15.512	13.296	11.634	10.341	9.307	8.461	7.756	7.159	6.648	6.205	5.817	5.475	5.171	4.898	4.654	4.432	4.230	4.047	3.878	3.723	3.580	3.447	3.324	3.209	3.102	-	-	-	-	Term. 2/
L. H. 3/	.122510	.103350	.089664	.079400	.071417	.065030	.059805	.055450	.051765	.048607	.045870	.043475	.041362	.039483	.037803	.036290	.034921	.033677	.032541	.031500	.030542	.029658	.028839	.028079	.027371	.026710	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 20.4 tons and a ratio of empty car miles to loaded car miles of 0.919. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 83.—TERRITORY NO. 12 - TOTAL UNITED STATES

CARLOAD COST SCALES FOR COMMODITIES MOVING IN REFRIGERATOR CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																														Miles
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
10	17.3	14.4	12.4	10.8	9.6	8.7	7.9	7.2	6.7	6.2	5.8	5.5	5.1	4.9	4.6	4.4	4.2	4.0	3.8	3.7	3.5	3.4	3.3	3.2	3.0	2.9	-	-	-	-	10
20	18.8	15.7	13.5	11.8	10.5	9.5	8.6	7.9	7.3	6.8	6.4	6.0	5.6	5.3	5.1	4.8	4.6	4.4	4.2	4.0	3.9	3.7	3.6	3.5	3.4	3.3	-	-	-	-	20
30	20.3	17.0	14.6	12.8	11.4	10.3	9.4	8.6	7.9	7.4	6.9	6.5	6.1	5.8	5.5	5.2	5.0	4.8	4.6	4.4	4.2	4.1	3.9	3.8	3.7	3.6	-	-	-	-	30
40	21.8	18.2	15.7	13.7	12.2	11.1	10.1	9.3	8.6	8.0	7.5	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.1	4.0	3.9	-	-	-	-	40
50	23.3	19.5	16.8	14.7	13.1	11.8	10.8	9.9	9.2	8.6	8.0	7.5	7.1	6.7	6.4	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	-	-	-	-	50
60	24.8	20.8	17.9	15.7	14.0	12.6	11.5	10.6	9.8	9.2	8.6	8.1	7.6	7.2	6.9	6.5	6.3	6.0	5.7	5.5	5.3	5.1	5.0	4.8	4.7	4.5	-	-	-	-	60
70	26.3	22.0	19.0	16.6	14.9	13.4	12.3	11.3	10.4	9.7	9.1	8.6	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3	5.1	5.0	4.8	-	-	-	-	70
80	27.8	23.3	20.0	17.6	15.7	14.2	13.0	11.9	11.1	10.3	9.7	9.1	8.6	8.2	7.8	7.4	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.5	5.3	5.1	-	-			80
90	29.3	24.6	21.1	18.6	16.6	15.0	13.7	12.6	11.7	10.9	10.2	9.6	9.1	8.6	8.2	7.8	7.5	7.2	6.9	6.6	6.4	6.2	6.0	5.8	5.6	5.5	-	-	-	-	90
100	30.8	25.8	22.2	19.6	17.5	15.8	14.4	13.3	12.3	11.5	10.8	10.2	9.6	9.1	8.7	8.3	7.9	7.6	7.3	7.0	6.8	6.5	6.3	6.1	5.9	5.8	-	-	-	-	100
120	33.8	28.4	24.4	21.5	19.2	17.4	15.9	14.6	13.6	12.7	11.9	11.2	10.6	10.1	9.6	9.1	8.7	8.4	8.1	7.8	7.5	7.2	7.0	6.8	6.6	6.4	-	-	-	-	120
140	36.8	30.9	26.6	23.4	20.9	19.0	17.3	16.0	14.8	13.8	13.0	12.2	11.6	11.0	10.5	10.0	9.6	9.2	8.8	8.5	8.2	7.9	7.7	7.4	7.2	7.0	-	-	-	-	140
160	39.9	33.4	28.8	25.4	22.7	20.5	18.8	17.3	16.1	15.0	14.1	13.3	12.6	11.9	11.4	10.9	10.4	10.0	9.6	9.3	8.9	8.6	8.4	8.1	7.9	7.6	-	-	-	-	160
180	42.9	35.9	31.0	27.3	24.4	22.1	20.2	18.7	17.3	16.2	15.2	14.3	13.6	12.9	12.3	11.7	11.2	10.8	10.4	10.0	9.7	9.3	9.0	8.8	8.5	8.3	-	-	-	-	180
200	45.9	38.5	33.2	29.2	26.2	23.7	21.7	20.0	18.6	17.4	16.3	15.4	14.6	13.8	13.2	12.6	12.1	11.6	11.2	10.8	10.4	10.0	9.7	9.4	9.2	8.9	-	-	-	-	200
220	48.9	41.0	35.4	31.2	27.9	25.3	23.1	21.3	19.8	18.5	17.4	16.4	15.5	14.8	14.1	13.5	12.9	12.4	11.9	11.5	11.1	10.7	10.4	10.1	9.8	9.5	-	-	-	-	220
240	51.9	43.5	37.6	33.1	29.6	26.9	24.6	22.7	21.1	19.7	18.5	17.5	16.5	15.7	15.0	14.3	13.7	13.2	12.7	12.2	11.8	11.4	11.1	10.8	10.4	10.2	-	-	-	-	240
260	54.9	46.1	39.8	35.0	31.4	28.4	26.0	24.0	22.3	20.9	19.6	18.5	17.5	16.7	15.9	15.2	14.6	14.0	13.5	13.0	12.5	12.1	11.8	11.4	11.1	10.8	-	-	-	-	260
280	57.9	48.6	42.0	37.0	33.1	30.0	27.5	25.4	23.6	22.0	20.7	19.5	18.5	17.6	16.8	16.1	15.4	14.8	14.2	13.7	13.3	12.8	12.4	12.1	11.7	11.4	-	-	-	-	280
300	60.9	51.1	44.2	38.9	34.8	31.6	28.9	26.7	24.8	23.2	21.8	20.6	19.5	18.6	17.7	16.9	16.2	15.6	15.0	14.5	14.0	13.5	13.1	12.7	12.4	12.0	-	-	-	-	300
320	63.9	53.7	46.3	40.9	36.6	33.2	30.4	28.0	26.1	24.4	22.9	21.6	20.5	19.5	18.6	17.8	17.1	16.4	15.8	15.2	14.7	14.2	13.8	13.4	13.0	12.7	-	-	-	-	320
340	66.9	56.2	48.5	42.8	38.3	34.7	31.8	29.4	27.3	25.6	24.0	22.7	21.5	20.4	19.5	18.7	17.9	17.2	16.6	16.0	15.4	14.9	14.5	14.1	13.7	13.3	-	-	-	-	340
360	69.9	58.7	50.7	44.7	40.1	36.3	33.3	30.7	28.6	26.7	25.1	23.7	22.5	21.4	20.4	19.5	18.7	18.0	17.3	16.7	16.2	15.6	15.2	14.7	14.3	13.9	-	-	-	-	360
380	72.9	61.3	52.9	46.7	41.8	37.9	34.7	32.1	29.8	27.9	26.2	24.8	23.5	22.3	21.3	20.4	19.6	18.8	18.1	17.5	16.9	16.3	15.8	15.4	15.0	14.5	-	-	-	-	380
400	76.0	63.8	55.1	48.6	43.5	39.5	36.2	33.4	31.1	29.1	27.3	25.8	24.5	23.3	22.2	21.3	20.4	19.6	18.9	18.2	17.6	17.0	16.5	16.0	15.6	15.2	-	-	-	-	400
420	79.0	66.3	57.3	50.5	45.3	41.1	37.6	34.8	32.3	30.2	28.4	26.9	25.5	24.2	23.1	22.1	21.2	20.4	19.6	19.0	18.3	17.7	17.2	16.7	16.2	15.8	-	-	-	-	420
440	82.0	68.9	59.5	52.5	47.0	42.6	39.1	36.1	33.6	31.4	29.5	27.9	26.5	25.2	24.0	23.0	22.0	21.2	20.4	19.7	19.1	18.4	17.9	17.4	16.9	16.4	-	-	-	-	440
460	85.0	71.4	61.7	54.4	48.8	44.2	40.5	37.4	34.8	32.6	30.6	28.9	27.4	26.1	24.9	23.8	22.9	22.0	21.2	20.5	19.8	19.1	18.6	18.0	17.5	17.1	-	-	-	-	460
480	88.0	73.9	63.9	56.4	50.5	45.8	42.0	38.8	36.1	33.8	31.7	30.0	28.4	27.1	25.8	24.7	23.7	22.8	22.0	21.2	20.5	19.8	19.2	18.7	18.2	17.7	-	-	-	-	480
500	91.0	76.5	66.1	58.3	52.2	47.4	43.4	40.1	37.3	34.9	32.8	31.0	29.4	28.0	26.7	25.6	24.5	23.6	22.7	21.9	21.2	20.5	19.9	19.4	18.8	18.3	-	-	-	-	500
600	106.0	89.1	77.0	68.0	60.9	55.3	50.7	46.8	43.6	40.8	38.4	36.3	34.4	32.7	31.2	29.9	28.7	27.6	26.6	25.7	24.8	24.1	23.3	22.7	22.0	21.4	-	-	-	-	600
700	121.1	101.8	88.0	77.7	69.6	63.2	57.9	53.5	49.8	46.6	43.9	41.5	39.3	37.4	35.8	34.2	32.9	31.6	30.5	29.4	28.4	27.6	25.7	26.0	25.2	24.6	-	-	-	-	700
800	136.1	114.4	99.0	87.3	78.3	71.1	65.2	60.2	56.1	52.5	49.4	46.7	44.3	42.2	40.3	38.6	37.0	35.6	34.3	33.1	32.1	31.1	30.1	29.3	28.5	27.7	-	-	-	-	800
900	151.2	127.1	109.9	97.0	87.0	79.0	72.4	66.9	62.3	58.4	54.9	51.9	49.3	46.9	44.8	42.9	41.2	39.6	38.2	36.9	35.7	34.6	33.5	32.6	31.7	30.9	-	-	-	-	900
1000	166.2	139.8	120.9	106.7	95.7	86.9	79.7	73.7	68.6	64.2	60.4	57.1	54.2	51.6	49.3	47.2	45.3	43.6	42.0	40.6	39.3	38.1	36.9	35.9	34.9	34.0	-	-	-	-	1000
1100	181.2	152.4	131.8	116.4	104.4	94.8	86.9	80.4	74.8	70.1	66.0	62.3	59.2	56.3	53.8	51.5	49.5	47.6	45.9	44.3	42.9	41.6	40.3	39.2	38.1	37.1	-	-	-	-	1100
1200	196.3	165.1	142.8	126.1	113.1	102.7	94.2	87.1	81.1	75.9	71.5	67.6	64.1	61.1	58.3	55.9	53.6	51.6	49.8	48.1	46.5	45.1	43.7	42.5	41.3	40.3	-	-	-	-	1200
1300	211.3	177.7	153.7	135.8	121.8	110.6	101.4	93.8	87.3	81.8	77.0	72.8	69.1	65.8	62.8	60.2	57.8	55.6	53.6	51.8	50.1	48.6	47.1	45.8	44.6	43.4	-	-	-	-	1300
1400	226.4	190.4	164.7	145.4	130.5	118.5	108.7	100.5	93.6	87.6	82.5	78.0	74.0	70.5	67.4	64.5	61.9	59.6	57.5	55.5	53.7	52.1	50.5	49.1	47.8	46.5	-	-	-	-	1400
1500	241.4	203.1	175.7	155.1	139.1	126.4	115.9	107.2	99.8	93.5	88.0	83.2	79.0	75.2	71.9	68.8	66.1	63.6	61.3	59.3	57.3	55.6	53.9	52.4	51.0	49.7	-	-	-	-	1500
1600	256.4	215.7	186.6	164.8	147.8	134.3	123.2	113.9	106.1	99.4	93.5	88.4	84.0	80.0	76.4	73.2	70.3	67.6	65.2	63.0	61.0	59.1	57.3	55.7	54.2	52.8	-	-	-	-	1600
1700	271.5	228.4	197.6	174.5	156.5	142.2	130.4	120.6	112.3	105.2	99.1	93.7	88.9	84.7	80.9	77.5	74.4	71.6	69.1	66.7	64.6	62.6	60.7	59.0	57.4	55.9	-	-	-	-	1700
1800	286.5	241.0	208.5	184.2	165.2	150.1	137.7	127.3	118.6	111.1	104.6	98.9	93.9	89.4	85.4	81.8	78.6	75.6	72.9	70.5	68.2	66.1	64.1	62.3	60.6	59.1	-	-	-	-	1800
1900	301.6	253.7	219.5	193.9	173.9	158.0	144.9	134.0	124.8	116.9	110.1	104.1	98.8	94.1	89.9	86.2	82.7	79.6	76.8	74.2	71.8	69.6	67.5	65.6	63.9	62.2	-	-	-	-	1900
2000	316.6	266.4	230.5	203.5	182.6	165.9	152.1	140.7	131.1	122.8	115.6	109.3	103.8	98.9	94.4	90.5	86.9	83.6	80.6	77.9	75.4	73.1	70.9	68.9	67.1	65.4	-	-	-	-	2000
2100	331.7	279.0	241.4	213.2	191.3	173.8	159.4	147.4	137.3	128.6	121.1	114.5	108.7	103.6	99.0	94.8	91.0	87.6	84.5	81.6	79.0	76.6	74.3	72.2	70.3	68.5	-	-	-	-	2100
2200	346.7	291.7	252.4	222.9	200.0	181.7	166.6	154.1	143.6	134.5	126.6	119.8	113.7	108.3	103.5	99.1	95.2	91.6	88.4	85.4	82.6	80.1	77.7	75.6	73.5	71.6	-	-	-	-	2200
2300	361.7	304.3	263.3	232.6	208.7	189.6	173.9	160.9	149.8	140.4	132.2	125.0	118.7	113.0	108.0	103.5	99.4	95.6	92.2	89.1	86.2	83.6	81.1	78.9	76.7	74.8	-	-	-	-	2300
2400	376.8	317.0	274.3	242.3	217.4	197.4	181.1	167.6	156.1	146.2	137.7	130.2	123.6	117.7	112.5	107.8	103.5	99.6	96.1	92.8	89.9	87.1	84.5	82.2	80.0	77.9	-	-	-	-	2400
2500	391.8	329.7	285.3	252.0	226.1	205.3	188.4	174.3	162.3	152.1	143.2	135.4	128.6	122.5	117.0	112.1	107.7	103.6	100.0	96.6	93.5	90.6	87.9	85.5	83.2	81.0	-	-	-	-	2500
2600	406.9	342.3	296.2	261.6	234.8	213.2	195.6	181.0	168.6	157.9	148.7	140.6	133.5	127.2	121.5	116.4	111.8	107.6	103.8	100.3	97.1	94.1	91.3	88.8	86.4	84.2	-	-	-	-	2600
2700	421.9	355.0	307.2	271.3	243.4	221.1	202.9	187.7	174.8	163.8	154.2	145.9	138.5	131.9	126.0	120.8	116.0	111.6	107.7	104.0	100.7	97.6	94.7	92.1	89.6	87.3	-	-	-	-	2700
2800	436.9	367.6	318.1	281.0	252.1	229.0	210.1	194.4	181.1	169.6	159.7	151.1	143.4	136.6	130.6	125.1	120.1	115.6	111.5	107.8	104.3	101.1	98.1	95.4	92.8	90.4	-	-	-	-	2800
2900	452.0	380.3	329.1	290.7	260.8	236.9	217.4	201.1	187.3	175.5	165.3	156.3	148.4	141.4	135.1	129.4	124.3	119.6	115.4	111.5	107.9	104.6	101.5	98.7	96.0	93.6	-	-	-	-	2900
3000	467.0	393.0	340.1	300.4	269.5	244.8	224.6	207.8	193.6	181.4	170.8	161.5	153.3	146.1	139.6	133.7	128.5	123.6	119.3	115.2	111.5	108.1	104.9	102.0	99.3	96.7	-	-	-	-	3000
3100	482.1	405.6	351.0	310.1	278.2	252.7	231.9	214.5	199.8	187.2	176.3	166.7	158.3	150.8	144.1	138.1	132.6	127.6	123.1	119.0	115.1	111.6	108.3	105.3	102.5	99.8	-	-	-	-	3100
3200	497.1	418.3	362.0	319.8	286.9	260.6	239.1	221.2	206.1	193.1	181.8	172.0	163.3	155.5	148.6	142.4	136.8	131.6	127.0	122.7	118.7	115.1	111.7	108.6	105.7	103.0	-	-	-	-	3200
3300	512.1	430.9	372.9	329.4	295.6	268.5	246.4	227.9	212.3	198.9	187.3	177.2	168.2	160.3	153.1	146.7	140.9	135.6	130.8	126.4	122.4	118.6	115.1	111.9	108.9	106.1	-	-	-	-	3300
3400	527.2	443.6	383.9	339.1	304.3	276.4	253.6	234.6	218.6	204.8	192.8	182.4	173.2	165.0	157.6	151.0	145.1	139.7	134.7	130.2	126.0	122.1	118.5	115.2	112.1	109.3	-	-	-	-	3400
3500	542.2	456.3	394.9	348.8	313.0	284.3	260.9	241.3	224.8	210.6	198.4	187.6	178.1	169.7	162.2	155.4	149.2	143.7	138.6	133.9	129.6	125.6	121.9	118.5	115.4	112.4	-	-	-	-	3500
Term. 2/	15.790	13.158	11.279	9.869	8.772	7.895	7.177	6.579	6.073	5.639	5.263	4.934	4.644	4.386	4.155	3.948	3.760	3.589	3.433	3.290	3.158	3.037	2.924	2.820	2.722	2.632	-	-	-	-	Term. 2/
L. H. 3/	.150410	.126600	.109593	.096838	.086917	.078980	.072486	.067075	.062496	.058571	.055170	.052194	.049568	.047233	.045145	.043265	.041564	.040018	.038607	.037313	.036122	.035023	.034006	.033061	.032181	.031360	-	-	-	-	L. H. 3/

1/ Based on a tare weight of 27.3 tons and a ratio of empty car miles to loaded car miles of 0.795. The Carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Carload operating expenses, rents and taxes, plus a return at 4 percent upon the carload portion of the value, multiply by 1.21.

For Cost Level III(b), Carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the carload portion of the value, multiply by 1.31.

For Cost Level IV, Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, but excluding return, multiply by 1.17.

For Cost Level V(a), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.50.

For Cost Level V(b), Carload operating expenses, rents and taxes, plus the passenger and less-carload operating deficits, and a return at 5-3/4 percent upon the total value, including the less-carload and passenger portion, multiply by 1.65.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds by commodity groups and by territories. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

TABLE 84.--TERRITORY NO. 12 - TOTAL UNITED STATES

LESS-CARLOAD COST SCALES BASED ON SHIPMENTS MOVING IN BOX CARS

Cost in Cents per Hundred Pounds, Based on Freight Operating Expenses, Rents and Taxes for 1939 1/

Miles	Net load in tons per car																													Miles
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
10	84.6	66.0	56.8	51.2	47.5	44.8	42.8	41.3	40.1	39.1	38.2	37.5	36.9	36.4	35.9	35.5	35.1	34.8	34.5	34.2	34.0	33.8	33.6	33.4	33.2	33.1	32.9	32.8	32.6	10
20	89.6	69.4	59.4	53.3	49.3	46.4	44.2	42.6	41.7	40.1	39.2	38.4	37.8	37.2	36.7	36.2	35.8	35.5	35.2	34.9	34.6	34.4	34.2	34.0	33.8	33.6	33.4	33.3	33.2	20
30	94.6	72.9	62.0	55.4	51.1	48.0	45.6	43.8	42.4	41.2	40.2	39.4	38.6	38.0	37.5	37.0	36.6	36.2	35.8	35.5	35.2	35.0	34.8	34.5	34.3	34.1	34.0	33.8	33.7	30
40	99.6	76.3	64.6	57.6	52.9	49.5	47.0	45.1	43.5	42.3	41.2	40.3	39.5	38.8	38.3	37.8	37.3	36.9	36.5	36.2	35.9	35.6	35.3	35.1	34.9	34.7	34.5	34.3	34.2	40
50	104.7	79.7	67.2	59.7	54.7	51.1	48.4	46.3	44.7	43.3	42.2	41.2	40.4	39.7	39.1	38.5	38.0	37.6	37.2	36.8	36.5	36.2	35.9	35.7	35.5	35.2	35.0	34.9	34.7	50
60	109.7	83.1	69.8	61.8	56.5	52.7	49.8	47.6	45.8	44.4	43.2	42.2	41.3	40.5	39.8	39.3	38.7	38.3	37.9	37.5	37.1	36.8	36.5	36.3	36.0	35.8	35.6	35.4	35.2	60
70	114.7	86.5	72.4	63.9	58.3	54.2	51.2	48.9	47.0	45.4	44.2	43.1	42.1	41.3	40.6	40.0	39.5	39.0	38.5	38.1	37.8	37.4	37.1	36.8	36.6	36.3	36.1	35.9	35.7	70
80	119.7	89.9	75.0	66.0	60.1	55.8	52.6	50.1	48.1	46.5	45.2	44.0	43.0	42.2	41.4	40.8	40.2	39.7	39.2	38.8	38.4	38.0	37.7	37.4	37.1	36.9	36.6	36.4	36.2	80
90	124.7	93.3	77.6	68.2	61.9	57.4	54.0	51.4	49.3	47.6	46.1	44.9	43.9	43.0	42.2	41.5	40.9	40.4	39.9	39.4	39.0	38.6	38.3	38.0	37.7	37.4	37.2	36.9	36.7	90
100	129.8	96.7	80.2	70.3	63.7	58.9	55.4	52.7	50.4	48.6	47.1	45.8	44.8	43.8	43.0	42.3	41.6	41.1	40.5	40.1	39.6	39.2	39.9	38.5	38.2	38.0	37.7	37.5	37.2	100
120	139.8	103.5	85.4	74.5	67.3	62.1	58.2	55.2	52.8	50.8	49.1	47.7	46.5	45.5	44.6	43.8	43.1	42.4	41.9	41.4	40.9	40.5	40.1	39.7	39.4	39.1	38.8	38.5	38.2	120
140	149.8	110.3	90.6	78.8	70.9	65.2	61.0	57.7	55.1	52.9	51.1	49.6	48.3	47.2	46.2	45.3	44.5	43.8	43.2	42.6	42.1	41.7	41.2	40.8	40.5	40.1	39.8	39.5	39.3	140
160	159.9	117.2	95.8	83.0	74.5	68.3	63.8	60.2	57.4	55.0	53.1	51.5	50.0	48.8	47.8	46.8	46.0	45.2	44.6	43.9	43.4	42.9	42.4	42.0	41.6	41.2	40.9	40.6	40.3	160
180	169.9	124.0	101.0	87.2	78.0	71.5	66.6	62.7	59.7	57.2	55.1	53.3	51.8	50.5	49.3	48.3	47.4	46.6	45.9	45.2	44.6	44.1	43.6	43.1	42.7	42.3	42.0	41.6	41.3	180
200	179.9	130.8	106.2	91.5	81.6	74.6	69.4	65.3	62.0	59.3	57.1	55.2	53.6	52.1	50.9	49.8	48.9	48.0	47.2	46.5	45.9	45.3	44.8	44.3	43.8	43.4	43.0	42.7	42.3	200
220	190.0	137.6	111.4	95.7	85.2	77.8	72.1	67.8	64.3	61.4	59.0	57.0	55.3	53.8	52.5	51.3	50.3	49.4	48.6	47.8	47.1	46.5	46.0	45.4	44.9	44.5	44.1	43.7	43.3	220
240	200.0	144.4	116.6	100.0	88.8	80.9	74.9	70.3	66.6	63.6	61.0	58.9	57.1	55.5	54.1	52.9	51.8	50.8	49.9	49.1	48.4	47.7	47.1	46.6	46.1	45.6	45.1	44.7	44.4	240
260	210.1	151.2	121.8	104.2	92.4	84.0	77.7	72.8	68.9	65.7	63.0	60.8	58.8	57.1	55.7	54.4	53.2	52.2	51.3	50.4	49.6	49.0	48.3	47.7	47.2	46.7	46.2	45.8	45.4	260
280	220.1	158.1	127.0	108.4	96.0	87.2	80.5	75.3	71.2	67.8	65.0	62.6	60.6	58.8	57.2	55.9	54.7	53.6	52.6	51.7	50.9	50.2	49.5	48.9	48.3	47.8	47.3	46.8	46.4	280
300	230.1	164.9	132.2	112.7	99.6	90.3	83.3	77.9	73.5	70.0	67.0	64.5	62.3	60.5	58.8	57.4	56.1	55.0	53.9	53.0	52.2	51.4	50.7	50.0	49.4	48.9	48.3	47.9	47.4	300
320	240.2	171.7	137.4	116.9	103.2	93.4	86.1	80.4	75.8	72.1	69.0	66.3	64.1	62.1	60.4	58.9	57.6	56.4	55.3	54.3	53.4	52.6	51.8	51.2	50.5	49.9	49.4	48.9	48.4	320
340	250.2	178.5	142.7	121.1	106.8	96.6	88.9	82.9	78.1	74.2	71.0	68.2	65.8	63.8	62.0	60.4	59.0	57.7	56.6	55.6	54.7	53.8	53.0	52.3	51.6	51.0	50.5	49.9	49.4	340
360	260.2	185.3	147.9	125.4	110.4	99.7	91.7	85.4	80.4	76.3	72.9	70.1	67.6	65.4	63.6	61.9	60.4	59.1	58.0	56.9	55.9	55.0	54.2	53.5	52.8	52.1	51.5	51.0	50.5	360
380	270.3	192.1	153.1	129.6	114.0	102.8	94.5	87.9	82.7	78.5	74.9	71.9	69.3	67.1	65.2	63.4	61.9	60.5	59.3	58.2	57.2	56.2	55.4	54.6	53.9	53.2	52.6	52.0	51.5	380
400	280.3	199.0	158.3	133.9	117.6	106.0	97.2	90.5	85.0	80.6	76.9	73.8	71.1	68.8	66.7	64.9	63.3	61.9	60.6	59.5	58.4	57.5	56.6	55.8	55.0	54.3	53.7	53.1	52.5	400
420	290.4	205.8	163.5	138.1	121.2	109.1	100.0	93.0	87.3	82.7	78.9	75.6	72.8	70.4	68.3	66.5	64.8	63.3	62.0	60.7	59.7	58.7	57.7	56.9	56.1	55.4	54.7	54.1	53.5	420
440	300.4	212.6	168.7	142.3	124.8	112.2	102.8	95.5	89.7	84.9	80.9	77.5	74.6	72.1	69.9	68.0	66.2	64.7	63.3	62.1	60.9	59.9	58.9	58.0	57.2	56.5	55.8	55.1	54.5	440
460	310.4	219.4	173.9	146.6	128.4	115.4	105.6	98.0	92.0	87.0	82.9	79.4	76.4	73.8	71.5	69.5	67.7	66.1	[illegible]	63.4	62.2	61.1	60.1	59.2	58.4	57.5	56.8	56.2	55.5	460
480	320.5	226.2	179.1	150.8	132.0	118.5	108.4	100.6	94.3	89.1	84.8	81.2	78.1	75.4	73.1	71.0	69.1	67.5	[illegible]	64.6	63.4	62.3	61.3	60.3	59.5	58.7	57.9	57.2	56.6	480
500	330.5	233.0	184.3	155.1	135.6	121.6	111.2	103.1	96.6	91.3	86.8	83.1	79.9	77.1	74.6	72.5	70.5	68.9	[illegible]	65.9	64.7	63.5	62.5	61.5	60.6	59.8	59.0	58.3	57.6	500
600	380.7	267.1	210.3	176.3	153.5	137.3	125.1	115.7	108.2	101.9	96.7	92.4	88.6	85.4	82.6	80.0	77.8	75.8	74.0	72.4	70.9	69.6	68.4	67.2	66.2	65.2	64.3	63.5	62.7	600
700	430.9	301.2	236.4	197.5	171.5	153.0	139.1	128.3	119.6	112.6	106.7	101.7	97.4	93.7	90.5	87.6	85.1	82.8	80.7	78.9	77.2	75.7	74.3	73.0	71.8	70.6	69.6	68.7	67.8	700
800	481.1	335.3	262.4	218.7	189.5	168.7	153.0	140.9	131.2	123.2	116.6	111.0	106.2	102.0	98.4	95.2	92.3	89.7	87.4	85.4	83.5	81.7	80.1	78.7	77.3	76.1	74.9	73.9	72.9	800
900	531.3	369.4	288.4	239.9	207.5	184.3	167.0	153.5	142.7	133.9	125.5	120.3	114.9	110.3	106.3	102.7	99.5	96.7	94.1	91.8	89.7	87.8	86.0	84.4	82.9	81.5	80.3	79.1	77.9	900
1000	581.5	403.5	314.4	261.1	225.4	200.0	180.9	166.1	154.2	144.5	136.4	129.6	123.7	118.6	114.2	110.3	106.8	103.7	100.8	98.3	96.0	93.9	91.9	90.2	88.5	87.0	85.6	84.3	83.0	1000
1100	631.6	437.5	340.5	282.2	243.4	215.7	194.9	178.7	165.8	155.2	146.4	138.9	132.5	126.9	122.1	117.8	114.0	110.6	107.5	104.8	102.2	99.9	97.8	95.9	94.1	92.4	90.9	89.5	88.1	1100
1200	681.8	471.6	366.5	303.4	261.4	231.4	208.8	191.3	177.3	165.8	156.3	148.2	141.3	135.3	130.0	125.4	121.2	117.6	114.2	111.2	108.5	106.0	103.7	101.6	99.7	97.9	96.2	94.7	93.2	1200
1300	732.0	505.7	392.5	324.6	279.4	247.0	222.8	203.9	188.8	176.5	166.2	157.5	150.0	143.6	137.9	132.9	128.5	124.5	120.9	117.7	114.8	112.1	109.5	107.4	105.3	103.3	101.5	100.0	98.7	1300
1400	782.2	539.8	418.6	345.8	297.3	262.7	236.7	216.5	200.4	187.1	176.1	166.8	158.8	151.9	145.8	140.5	135.7	131.5	127.6	124.2	121.0	118.2	115.5	113.1	110.9	108.8	106.8	105.1	103.4	1400
1500	832.4	573.9	444.6	367.0	315.3	278.4	250.7	229.1	211.9	197.8	186.0	176.1	167.6	160.2	153.7	148.0	143.0	138.4	134.3	130.6	127.3	124.2	121.4	118.8	116.4	114.2	112.2	110.3	108.5	1500
1600	882.6	608.0	470.6	388.2	333.3	294.1	264.6	241.7	223.4	208.5	196.0	185.4	176.3	168.5	161.6	155.6	150.2	145.4	141.0	137.1	133.5	130.3	127.3	124.6	122.0	119.7	117.5	115.5	113.6	1600
1700	932.8	642.0	496.6	409.4	351.3	309.7	278.6	254.3	235.0	219.1	205.9	194.7	185.1	176.8	169.5	163.1	157.4	152.3	147.7	143.6	139.8	136.4	133.2	130.3	127.6	125.1	122.8	120.7	118.7	1700
1800	983.0	676.1	522.7	430.6	369.2	325.4	292.5	267.0	246.5	229.8	215.8	204.0	193.9	185.1	177.4	170.7	164.7	159.3	154.4	150.1	146.0	142.4	139.1	136.0	133.2	130.6	128.1	125.9	123.7	1800
1900	1,033.1	710.2	548.7	451.8	387.2	341.1	306.5	279.6	258.0	240.4	225.7	213.3	202.7	193.4	185.4	178.2	171.9	166.2	161.1	156.5	152.3	148.5	145.0	141.8	138.8	136.0	133.4	131.1	128.8	1900
2000	1,083.3	744.3	574.7	473.0	405.2	356.8	320.4	292.2	269.6	251.1	235.6	222.6	211.4	201.7	193.3	185.8	179.1	173.2	167.8	163.0	158.6	154.6	150.9	147.5	144.4	141.5	138.8	136.3	133.9	2000
2100	1,133.5	778.4	600.7	494.2	423.2	372.4	334.4	304.8	281.1	261.7	245.6	231.9	220.2	210.1	201.2	193.3	186.4	180.2	174.5	169.5	164.9	160.6	157.8	153.2	149.9	146.9	144.1	141.5	139.0	2100
2200	1,183.7	812.5	626.8	515.4	441.1	388.1	348.3	317.4	292.6	272.4	255.5	241.2	229.0	218.4	209.1	200.9	193.6	187.1	181.2	175.9	171.1	166.7	162.7	159.0	155.5	152.3	149.4	146.7	144.1	2200
2300	1,233.9	846.5	652.8	536.6	459.1	403.8	362.3	330.0	304.2	283.0	265.4	250.5	237.7	226.7	217.0	208.4	200.8	194.1	187.9	182.4	177.4	172.8	168.6	164.7	161.1	157.8	154.7	151.9	149.2	2300
2400	1,284.1	880.6	678.8	557.8	477.1	419.4	376.2	342.6	315.7	293.7	275.3	259.8	246.5	235.0	224.9	216.0	208.1	201.0	194.6	188.9	183.6	178.9	174.5	170.4	166.7	163.2	160.0	157.1	154.3	2400
2500	1,334.3	914.7	704.9	579.0	495.1	435.1	390.2	355.2	327.2	304.3	285.2	269.1	255.3	243.3	232.8	223.6	215.3	208.0	201.3	195.3	189.9	184.9	180.4	176.2	172.3	168.7	165.4	162.3	159.4	2500
2600	1,384.5	948.8	730.9	600.2	513.0	450.8	404.1	367.8	338.7	315.0	295.2	278.4	264.1	251.6	240.7	231.1	222.6	214.9	208.0	201.8	196.2	191.0	186.3	181.9	177.9	174.1	170.7	167.5	164.5	2600
2700	1,434.6	982.9	756.9	621.4	531.0	466.5	418.1	380.4	350.3	325.6	305.1	287.7	272.8	259.9	248.6	238.7	229.8	221.9	214.7	208.3	202.4	197.1	192.2	187.6	183.5	179.6	176.0	172.7	169.5	2700
2800	1,484.8	1,017.0	782.9	642.6	549.0	482.1	432.0	393.0	361.8	336.3	315.0	297.0	281.6	268.2	256.5	246.2	237.0	228.8	221.4	214.8	208.7	203.1	198.0	193.4	189.0	185.0	181.3	177.9	174.6	2800
2900	1,535.0	1,051.0	809.0	663.8	567.0	497.8	445.9	405.6	373.3	347.0	324.9	306.3	290.4	276.5	264.4	253.8	244.3	235.8	228.1	221.2	214.9	209.2	203.9	199.1	194.6	190.5	186.6	183.1	179.7	2900
3000	1,585.2	1,085.1	835.0	685.0	584.9	513.5	459.9	418.2	384.9	357.6	334.9	315.6	299.1	284.9	272.3	261.3	251.5	242.8	234.8	227.7	221.2	215.3	209.8	204.8	200.2	195.9	192.0	188.3	184.8	3000
3100	1,635.4	1,119.2	861.0	706.2	602.9	529.2	473.8	430.8	396.4	368.3	344.8	324.9	307.9	293.2	280.3	268.9	258.7	249.7	241.5	234.2	227.5	221.3	215.7	210.6	205.8	201.4	197.3	193.5	189.9	3100
3200	1,685.6	1,153.3	887.1	727.4	620.9	544.8	487.8	443.4	407.9	378.9	354.7	334.2	316.7	301.5	288.2	276.4	266.0	256.7	248.2	240.6	233.7	227.4	221.6	216.3	211.4	206.8	202.6	198.7	195.0	3200
3300	1,735.8	1,187.4	913.1	748.6	638.9	560.5	501.7	456.0	419.5	389.6	364.6	343.5	325.5	309.8	296.1	284.0	273.2	263.6	254.9	247.1	240.0	233.5	227.5	222.0	217.0	212.3	207.9	203.9	200.1	3300
3400	1,786.0	1,221.5	939.1	769.8	656.8	576.2	515.7	468.6	431.0	400.2	374.5	352.8	334.2	318.1	304.0	291.5	280.5	270.6	261.6	253.6	246.2	239.6	233.4	227.8	222.6	217.7	213.2	209.1	205.2	3400
3500	1,836.2	1,255.5	965.1	791.0	674.8	591.9	529.6	481.3	442.5	410.9	384.5	362.1	343.0	326.4	311.9	299.1	287.7	277.5	268.3	260.0	252.5	245.6	239.3	233.5	228.1	223.2	218.5	214.3	210.3	3500
Term. 2/	79.570	62.630	54.160	49.080	45.690	43.270	41.455	40.045	38.915	37.990	37.22	36.570	36.010	35.525	35.105	34.730	34.395	34.100	33.830	33.590	33.370	33.170	32.985	32.815	32.660	32.515	32.380	32.255	32.140	Term. 2/
L. H. 3/	.50188	.34083	.26038	.21197	.17975	.15674	.13948	.12606	.11532	.10654	.09921	.09302	.08771	.08311	.07908	.07553	.07237	.06955	.06700	.06470	.06261	.06070	.05895	.05734	.05585	.05447	.05319	.05201	.05089	L. H. 3/

1/ Based on a tare weight of 22.8 tons and a ratio of empty car miles to loaded car miles of 0.335. The Less-carload cost study provides for several levels of cost. Cost Level II is that shown in this table. Compute the cost for other levels by multiplying the costs shown herein by the ratios shown below. The return is computed at both 4 percent and 5-3/4 percent.

For Cost Level III(a), Less-carload operating expenses, rents and taxes, plus a return at 4 percent upon the less-carload portion of the value, multiply by 1.21.

For Cost Level III(b), Less-carload operating expenses, rents and taxes, plus a return at 5-3/4 percent upon the less-carload portion of the value, multiply by 1.31.

Note: The above costs do not include an allowance for loss and damage. See Table 85 herein for loss and damage payments per 100 pounds on less-carload traffic. Payments to be added to cost scales after latter have been increased by ratios shown.

See Text, Chapter I, for a discussion of the economic significance of each of the above levels of cost.

2/ Terminal expenses per 100 pounds. Includes those expenses which are independent of the length of haul.

3/ Line-haul expenses per 100 pounds per mile. Includes those expenses which are variable with the length of haul. The factors shown for terminal and line-haul expenses were those used in compiling the cost scale.

For mechanical
reasons, this
page number
not shown

INTENTIONALLY LEFT BLANK

Table 85.--Statement of Loss and Damage Payments by Commodity Groups for 1939 1/

Line No.	Commodity groups (1)	I.C.C. commodity class numbers (2)	Total loss and damage payments (3)	Amount of traffic (hundredweight) (4)	Loss and damage per 100 lbs. (5) (Cents)	Line No.
1	Grain	10, 20, 30, 40, 41, 42, 162	$490,598	866,627,260	0.057	1
2	Flour and other mill products	50, 51, 52, 60, 61	395,600	388,025,700	.102	2
3	Cotton	90, 91	45,994	67,337,420	.068	3
4	Fresh fruits (except citrus)	120, 121, 122, 124, 125, 127, 128	1,057,722	63,790,980	1.658	4
5	Fresh fruits, citrus	110, 111	437,819	56,081,480	.781	5
6	Melons	123, 126	552,884	8,955,240	6.174	6
7	Vegetables, fresh	130, 140, 141, 142, 143, 152	1,938,955	124,461,060	1.558	7
8	All other products of agriculture	70,71,80,100,101,150,151,160,161,163,164	142,776	363,140,840	.039	8
9	Livestock	170, 180, 181, 190, 191, 200, 201, 230	1,112,054	143,488,120	.775	9
10	Fresh and cured meats, packing-house products, dressed poultry	210, 220, 222, 231	236,880	86,748,280	.273	10
11	Butter, butter substitutes and cheese	221, 250, 251	48,792	16,504,340	.296	11
12	Eggs in shell	240	136,280	6,869,520	1.984	12
13	All other animals & animal products except fertilizer & fert. material	260, 270, 271, 280, 281, 282	52,216	55,927,020	.093	13
14	Coal and coke	290, 300, 310	556,100	6,618,941,480	.008	14
15	All other products of mines	320, 330, 331, 332, 333, 350, 351, 352, 353, 360, 370, 380, 390, 391, 392	229,884	3,319,838,160	.007	15
16	Lumber and forest products	400, 401, 402, 410, 420, 430, 431, 432, 440, 441, 442, 443	204,268	1,063,008,860	.019	16
17	Petroleum oils	450, 451, 452, 453	70,518	999,545,360	.007	17
18	Vegetable oils	460, 461, 462	66,455	35,717,900	.186	18
19	Sugar	470	269,150	97,726,560	.275	19
20	Iron, steel and other metal articles, n.o.s. incl. wire	490, 491, 500, 510, 511, 512, 513, 520, 521, 522, 523, 583, 693	218,966	1,106,000,900	.020	20
21	Machinery (other than agricultural) and boilers	530	277,812	32,892,820	.845	21
22	Brick, artificial stone and building tile	550, 551, 552	282,296	127,440,980	.222	22
23	Sewer pipe and drain tile (not metal)	570	469,172	17,282,860	2.715	23
24	Agricultural implements and parts, vehicles, horse drawn and parts	580, 581	60,140	12,740,020	.472	24
25	Automobiles, autotrucks, tractors, tires, parts, etc.	582, 590, 591, 592, 593	369,100	131,292,680	.280	25
26	Furniture, new	610, 611	483,150	13,422,580	3.600	26
27	Paper (newsprint)	650, 651	181,252	90,688,460	.200	27
28	Canned food products (in tin or glass)	680	349,621	93,979,040	.372	28
29	Tobacco, manufactured products	690	38,118	5,420,980	.703	29
30	Glass, flat other than plate, bottles, jars and jelly glasses	699, 700	68,096	47,021,800	.145	30
31	Ale, wine, beer, alcoholic liquors and mineral water	620	297,473	50,915,240	.584	31
32	Unassigned	471,472,540,560,561,630,640,660,661,662, 670,671,691,692,694,695,696,697,698,701	2,874,889	1,906,465,620	.151	32
33	Total, carload	850	14,015,030	18,018,299,560	.078	33
34	Total, l.c.l.	710	4,507,463	297,498,980	1.515	34
35	Grand total, carload and l.c.l.	860	18,522,493	18,315,798,540	.101	35

1/ The amounts shown in this table include only the loss and damage payments as reported by the carriers in answer to a questionnaire dated November 19, 1940. The remaining charges to Account 418 have been treated as an overhead and are included in the figures shown in the cost scales. Reference appears in footnote 1 of each table of the cost scales directing the reader to Table 85 for loss and damage payments per 100 pounds by commodity groups and by territories. Subsequent to the completion of the cost scales the conclusion was reached that the loss and damage payments by territories based upon the traffic originated, and received from connections, would not be meaningful for the purpose intended. For this reason the loss and damage payments per hundred pounds by commodity groups are shown only for the United States as a whole. The costs per hundredweight were obtained by dividing the payments shown in column (3) by the hundredweight originated or terminated, whichever was the greater. (See column (4)). The amount of traffic by commodity groups was obtained from Freight Commodity Statistics, Statement 40100 (1939). The difference reported between the traffic originated and terminated by Class I carriers is occasioned by the interchange of such traffic with Class II and Class III carriers, Canadian and Mexican railroads, and switching and terminal companies. The larger figure more closely represents the volume of traffic handled. The loss and damage payments shown necessarily represent the amount applicable to the average length haul obtaining in the United States on the respective commodity groups.

Table 86.—Statement of Territorial Average Tare Weights and Ratios of Empty to Loaded Car Miles by Classes of Equipment for 1939 1/

Terr. No.	Territory (1)	Average tare weight in tons by classes of equipment: Box (2)	Flat (3)	Gondola and hopper (4)	Tank 2/ (5)	Stock (6)	Refrigerator 2/ (7)	Ratio of empty to loaded car-miles by classes of equipment: Box (8)	Flat (9)	Gondola and hopper (10)	Tank (11)	Stock (12)	Refrigerator (13)	Terr. No.
1	New England	21.1	19.5	21.1	22.1	20.4	27.5	0.284	0.827	0.880	0.993	0.981	0.862	1
2	Eastern, excluding New England and Northern Illinois	23.3	20.6	22.1	24.1	20.9	27.5	.350	.839	.843	.982	1.006	.869	2
3	Eastern, excluding New England but including Northern Illinois	23.3	20.6	22.1	24.1	20.9	27.5	.350	.839	.843	.982	1.006	.869	3
4	Total Eastern, including New England and Northern Illinois	23.0	20.5	22.0	23.9	20.9	27.5	.340	.838	.845	.983	1.005	.867	4
5	Pocahontas	24.0	19.4	22.1	3/	20.8	28.5	.330	.568	.928	.999	1.500	.696	5
6	Southern	22.4	19.0	21.2	21.3	20.5	27.3	.294	.789	.918	.960	.897	.848	6
7	Southwestern, including Southern Missouri	22.9	18.5	21.9	21.9	21.0	25.9	.378	.676	.802	.955	.832	.658	7
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	22.0	19.1	21.0	23.2	20.1	27.5	.341	.703	.830	.990	.906	.698	8
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	22.0	19.1	21.0	23.2	20.1	27.5	.341	.703	.830	.990	.906	.698	9
10	Mountain Pacific	22.7	16.1	23.3	23.5	19.6	27.7	.333	.760	.789	1.000	.879	.734	10
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri	22.5	17.4	21.7	22.7	20.1	27.2	.351	.723	.812	.977	.880	.695	11
12	Total United States	22.8	18.1	21.9	22.8	20.4	27.3	.335	.748	.857	.977	.919	.795	12

1/ Tare weights are based on a weighted average of the tare weights for railroad owned equipment as reported by the carriers in reply to a questionnaire issued under date of November 19, 1940. Territorial averages obtained by weighting the weight reported by each carrier for each class of equipment by the number of carloads forwarded in such class of equipment by each carrier.
Ratios of empty to loaded car-miles are based on the data furnished by carriers in response to questionnaire under date of November 19, 1940. Territorial averages obtained by weighting the ratio of the empty to loaded car-miles reported by each carrier for each class of equipment by the number of carloads forwarded in such class of equipment by each carrier.

2/ Figures based on railroad owned equipment. United States average tare weights used for all territories in compiling cost scales.

3/ No information provided.

Table No. 87.—Territorial Summary of Aggregate Costs, Aggregate Units, Unit Costs, and the Computation of the Territorial Allowances for Less-carload Deficit, Passenger Deficit, and Return on the Value of the Property

Terri-tory No.	Territory	Group I Carload and less-carload freight-train car expenses - running, other than mileage cars			Group II Carload and less-carload other running expenses common to all cars, mileage and other				Group III Carload and less-carload remaining running expenses treated on a gross ton-mile basis			Group IV Carload switching expenses, origin or destination only, treated on per loaded car basis			Group IV Less-carload switching expenses, origin or destination only, treated on per loaded car basis			Terri-tory No.
		Expenses	Revenue car-miles, other than mileage cars - loaded and empty	Cost per revenue car-mile - loaded and empty (col.(1) ÷ col.(2))	Expenses	Total revenue car-miles including mileage cars, loaded and empty	Cost per revenue car-mile - loaded and empty (col.(4) ÷ col.(5))	Total cost per car-mile other than mileage cars (col.(3) + col.(6)) 1/	Expenses	Revenue gross ton-miles - cars and contents excluding caboose	Cost per revenue gross ton-mile (col.(8) ÷ col.(9))	Expenses	Cars switched, loads	Cost per loaded car (col.(11) ÷col.(12))	Expenses	Cars switched, loads	Cost per loaded car (col.(14) ÷ col.(15))	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
				(cents)			(cents)	(cents)			(cents)							
1	New England	$7,073,859	429,137,839	1.648	$9,055,808	556,394,936	1.628	3.276	$44,276,137	20,543,832,439	0.216	$10,943,008	1,842,281	$5.940	$1,962,426	449,074	$4.370	1
2	Eastern, excluding New England and Northern Illinois	101,562,081	5,948,142,884	1.707	137,970,365	7,505,535,172	1.838	3.545	441,945,319	307,544,631,518	.144	133,653,751	20,888,549	6.398	9,311,977	1,988,623	4.683	2
3	Eastern, excluding New England but including Northern Illinois	107,699,826	6,386,011,603	1.686	148,497,568	8,149,315,933	1.822	3.508	476,815,364	333,599,924,157	.143	147,553,599	22,802,923	6.471	11,156,974	2,341,624	4.765	3
4	Total Eastern, including New England and Northern Illinois	114,773,685	6,815,149,442	1.684	157,553,376	8,705,710,869	1.810	3.494	521,091,501	354,143,756,596	.147	158,496,607	24,645,204	6.431	13,119,400	2,790,698	4.701	4
5	Pocahontas	20,238,646	1,254,251,790	1.614	13,755,755	1,349,552,033	1.019	2.633	71,754,029	64,970,253,775	.110	17,466,430	2,871,857	6.082	780,439	176,346	4.426	5
6	Southern	25,935,027	1,925,171,447	1.347	27,439,106	2,449,685,530	1.120	2.467	151,947,454	94,035,948,836	.162	29,154,061	5,666,975	5.145	4,248,861	1,147,123	3.704	6
7	Southwestern, including Southern Missouri	17,713,524	1,207,138,800	1.467	20,043,143	1,834,876,398	1.058	2.525	116,172,934	72,875,898,151	.159	18,828,759	3,678,132	5.119	2,022,865	545,723	3.707	7
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	31,028,361	2,209,568,404	1.404	35,327,591	3,176,794,871	1.112	2.516	195,411,645	121,778,488,444	.160	39,595,292	6,642,553	5.961	4,835,293	1,115,397	4.335	8
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	37,166,106	2,647,437,123	1.404	45,854,794	3,820,575,632	1.200	2.604	230,281,690	147,833,781,083	.156	53,495,140	8,556,927	6.252	6,680,290	1,468,398	4.549	9
10	Mountain Pacific	25,060,989	1,863,033,431	1.345	25,664,900	2,801,356,542	.916	2.261	176,313,762	109,871,068,282	.160	27,374,589	4,548,717	6.018	2,710,055	616,432	4.396	10
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois, and Southern Missouri	79,940,615	5,717,609,354	1.398	91,562,837	8,516,808,572	1.075	2.473	522,768,386	330,580,747,516	.158	99,698,488	16,783,776	5.940	11,413,210	2,630,553	4.339	11
12	Total United States	234,750,228	15,274,313,314	1.537	279,783,871	20,377,976,243	1.373	2.910	1,232,691,325	817,675,414,084	.151	290,915,738	48,053,438	6.054	27,716,913	6,391,719	4.336	12
	Northern Illinois	6,137,745	437,868,719	1.402	10,527,203	643,780,761	1.635	3.037	34,870,045	26,055,292,639	.134	13,899,848	1,914,374	7.261	1,844,997	353,001	5.227	
	Southern Missouri	944,574	73,057,534	1.293	1,542,282	117,023,714	1.318	2.611	6,178,291	4,519,169,200	.137	953,836	130,883	7.288	88,829	19,122	4.645	

1/ Freight train-car maintenance and rentals, other than mileage cars, in switching service, plus detention for loading and unloading at origin or destination only, expenses treated on loaded car basis.

Table No. 87.—(Continued) Territorial Summary of Aggregate Costs, Aggregate Units, Unit Costs, and the Computation of the Territorial Allowances for Less-carload Deficit, Passenger Deficit, and Return on the Value of the Property

Territory No.	Territory	Group V			Group VI						Group VII			Group VIII			Territory No.
		Less-carload switching expenses, account transfer, treated on loaded car-mile basis			Carload freight-train car maintenance and rentals other than mileage, origin or destination 1/			Less-carload freight-train car maintenance and rentals other than mileage, origin or destination 1/			Less-carload freight-train car maintenance and rentals, switching service, account transfer only 2/			Carload station expenses, clerical origin or destination			
		Expenses (17)	Less-carload loaded car-miles (18)	Total cost stated in terms of loaded car-miles (col. (17) ÷ (18)) (19) (cents)	Expenses (20)	Loaded cars (21)	Cost per loaded car (col. (20) ÷ col. (21)) (22)	Expenses (23)	Loaded cars (24)	Cost per loaded car (col. (23) ÷ col. (24)) (25)	Expenses (26)	Loaded car-miles (27)	Total cost stated in terms of loaded car-miles (col. (26) ÷ (27)) (28) (cents)	Expenses (29)	Consignments (30)	Cost per consignment (col. (29) ÷ col. (30)) (31)	
1	New England	$1,147,389	73,666,205	1.558	$3,128,672	1,478,142	$2.117	$460,215	449,074	$1.069	$298,634	73,666,205	0.405	$3,445,522	1,842,281	$1.870	1
2	Eastern, excluding New England and Northern Illinois	6,325,038	507,343,760	1.247	28,881,770	18,781,649	1.538	1,624,748	1,988,623	.817	1,079,084	507,343,760	.213	33,949,780	20,888,549	1.625	2
3	Eastern, excluding New England but including Northern Illinois	7,280,993	591,205,493	1.232	31,144,984	20,336,445	1.531	1,899,532	2,341,624	.811	1,220,598	591,205,493	.206	37,853,021	22,802,923	1.660	3
4	Total Eastern, including New England and Northern Illinois	8,428,382	664,871,698	1.268	34,273,656	21,814,587	1.571	2,379,747	2,790,698	.853	1,519,232	664,871,698	.229	41,298,543	24,645,204	1.676	4
5	Pocahontas	571,192	58,209,144	.981	2,114,520	2,776,818	.761	62,353	176,346	.354	38,425	58,209,144	.066	3,646,530	2,871,857	1.270	5
6	Southern	2,165,651	269,224,845	.804	5,078,844	4,850,360	1.047	670,805	1,147,123	.585	302,138	269,224,845	.112	10,499,178	5,666,975	1.853	6
7	Southwestern, including Southern Missouri	940,671	120,806,821	.779	4,071,492	2,784,990	1.462	408,040	545,723	.748	189,706	120,806,821	.157	8,981,529	3,678,132	2.442	7
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	2,378,413	262,693,674	.905	8,036,654	5,585,292	1.439	810,445	1,115,397	.727	403,988	262,693,674	.154	13,636,023	6,642,553	2.053	8
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	3,334,368	346,555,407	.962	10,299,868	7,140,088	1.443	1,085,229	1,468,398	.739	545,502	346,555,407	.157	17,539,264	8,556,927	2.050	9
10	Mountain Pacific	1,042,180	160,283,082	.650	4,967,632	3,660,811	1.357	438,796	616,432	.712	181,703	160,283,082	.113	10,418,841	4,548,717	2.291	10
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri	5,317,219	627,645,310	.847	19,338,992	13,585,889	1.423	1,932,065	2,630,553	.734	916,911	627,645,310	.146	36,939,634	16,783,776	2.201	11
12	Total United States	15,526,489	1,536,089,264	1.011	58,542,798	41,472,858	1.412	4,770,186	6,391,719	.746	2,635,192	1,536,089,264	.172	88,480,644	48,053,438	1.841	12
	Northern Illinois	955,955	83,861,733	1.140	2,263,214	1,554,796	1.456	274,784	353,001	.778	141,514	83,861,733	.169	3,903,241	1,914,374	2.039	
	Souther Missouri	58,405	5,963,519	.979	149,278	97,389	1.533	16,105	19,122	.842	10,754	5,963,519	.180	483,014	130,883	3.690	

1/ Freight train-car maintenance and rentals, other than mileage cars, in switching service, plus detention for loading and unloading at origin or destination only, expenses treated on loaded car basis.
2/ Less-carload freight train-car maintenance and rentals, other than mileage cars, in switching service, plus detention for loading and unloading, account transfer only, expenses treated on loaded car-mile basis.

Table No. 87.—(Continued) Territorial Summary of Aggregate Costs, Aggregate Units, Unit Costs, and the Computation of the Territorial Allowances for Less-carload Deficit, Passenger Deficit, and Return on the Value of the Property

Territory No.	Territory	Group VIII - Continued Less-carload station expenses, clerical, origin or destination			Group IX Less-carload platform costs, origin or destination			Group X Less-carload platform handling account transfer			Total freight operating expenses, rents and taxes, excluding passenger portion of nonrevenue freight expenses, loss and damage payments, miscellaneous operations and car hire for cars rented on a mileage basis 1/	Territory No.
		Expenses (32)	Less-carload tons (33)	Cost per less-carload ton (col. (32) ÷ col. (33)) (34)	Expenses (35)	Less-carload tons, origin plus destination (36)	Cost per ton, origin or destination (col. (35) ÷ col. (36)) (37)	Expenses (38)	Less-carload net ton-miles (39)	Cost per net ton-mile (col. (38) ÷ col. (39)) (40) (cents)	(41)	
1	New England	$3,749,992	2,489,357	$1.506	$2,388,147	2,489,357	$0.959	$1,436,465	382,364,341	0.3757	$89,386,274	1
2	Eastern, excluding New England and Northern Illinois	17,994,592	11,470,131	1.569	11,637,953	11,470,131	1.015	7,568,443	3,298,741,507	.2294	933,504,901	2
3	Eastern, excluding New England but including Northern Illinois	20,840,426	12,795,462	1.629	13,851,021	12,795,462	1.082	8,705,594	3,699,027,235	.2353	1,014,519,500	3
4	Total Eastern, including New England and Northern Illinois	24,590,418	15,284,819	1.609	16,239,168	15,284,819	1.062	10,142,059	4,081,391,576	.2485	1,103,905,774	4
5	Pocahontas	1,082,017	844,301	1.282	1,102,505	844,301	1.306	833,990	331,539,406	.2516	133,446,831	5
6	Southern	6,929,709	4,997,469	1.387	5,056,399	4,997,469	1.012	2,663,787	1,427,583,060	.1866	272,091,020	6
7	Southwestern, including Southern Missouri	4,924,142	2,026,707	2.430	1,867,212	2,026,707	.921	872,771	563,457,144	.1549	197,036,788	7
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	9,461,527	4,003,178	2.364	5,021,260	4,003,178	1.254	2,391,422	1,073,401,742	.2228	348,337,914	8
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	12,307,361	5,328,509	2.310	7,234,328	5,328,509	1.358	3,528,573	1,473,687,470	.2394	429,352,513	9
10	Mountain Pacific	5,120,269	2,365,221	2.165	3,487,889	2,365,221	1.475	1,206,955	663,013,356	.1820	283,988,556	10
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri	22,351,772	9,720,437	2.299	12,589,429	9,720,437	1.295	5,608,299	2,700,157,970	.2077	910,377,857	11
12	Total United States	52,108,082	29,521,695	1.765	32,774,433	29,521,695	1.110	18,110,984	8,140,386,284	.2225	2,338,806,883	12
	Northern Illinois	2,845,834	1,325,331	2.147	2,213,068	1,325,331	1.670	1,137,151	400,285,728	.2841	81,014,599	
	Southern Missouri	248,740	67,005	3.712	66,278	67,005	.989	43,928	25,932,454	.1694	10,784,314	

1/ Sum of columns (1), (4), (8), (11), (14), (17), (20), (23), (26), (29), (32), (35) and (38).

Table No. 67.—(Continued) Territorial Summary of Aggregate Costs, Aggregate Units, Unit Costs, and the Computation of the Territorial Allowances for Less-carload Deficit, Passenger Deficit, and Return on the Value of the Property

Territory No.	Territory	Carload oper. expe., rents and taxes incl. car hire for cars rented on a mileage basis	Less-carload deficits				Passenger deficits				Cost of providing 5-3/4% return on less-carload value			Less-carload deficits after return at 4%		Passenger deficits after return at 4%		Cost of providing 4% return on less-carload value		Territory No.
			Less-carload operating deficit (after oper. expe., rents, taxes and P.U.&D.)	Ratio of less-carload deficit to carload oper. expe., rents and taxes (col. (43) + col. (42))	Total less-carload deficit (after ret. at 5-3/4%)	Ratio of less-carload deficit (after ret. at 5-3/4%) to carload oper. expe., rents and taxes (col. (45) + col. (42))	Passenger operating deficit	Ratio of pass. oper. deficit to carload oper. expe., rents and taxes (col. (47) + col. (42))	Total pass. deficit (after ret. of 5-3/4%)	Ratio of passenger deficit (after ret. of 5-3/4%) to carload oper. expe., rents and taxes (col. (49) + col. (42))	Less-carload oper. expe., rents and taxes (excl. L.&D. and P.U. & D.)	Cost of providing 5-3/4% ret. on less-carload portion of value	Ratio of less-carload 5-3/4% return to less-carload oper. expe. rents and taxes (excl. L.&D. and P.U.&D.) (col. (52) + col. (51))	Total less-carload deficit (after ret. at 4%)	Ratio of less-carload deficit (after ret. at 4%) to carload oper. expe., rents and taxes (col. (54) + col. (42))	Total pass. deficit (after ret. of 4%)	Ratio of passenger deficit (after ret. of 4%) to carload oper. expe., rents and taxes (col. (56) + col. (42))	Cost of providing 4% return on less-carload portion of value	Ratio of less-carload 4% return to less-carload oper. expe., rents and taxes (excl. L&D. and P.U.&D.) (col. (58) + col. (51))	
		(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	
				(percent)		(percent)		(percent)		(percent)			(percent)		(percent)		(percent)		(percent)	
1	New England	$72,544,623	$1,885,609	2.60	$8,025,103	11.06	$10,617,390	14.64	$31,140,958	42.93	$19,868,019	$6,139,494	30.90	$6,156,561	8.49	$24,894,655	34.32	$4,270,951	21.50	1
2	Eastern, excluding New England and Northern Illinois	862,485,916	27,401,144	3.18	59,021,307	6.84	88,056,687	10.21	198,208,743	22.98	105,836,617	31,620,162	29.88	49,397,779	5.73	164,684,204	19.09	21,996,635	20.78	2
3	Eastern, excluding New England but including Northern Illinois	932,550,332	30,683,537	3.29	67,955,708	7.29	101,015,372	10.83	224,841,696	24.11	121,059,960	37,272,170	30.79	56,612,004	6.07	187,155,422	20.07	25,928,467	21.42	3
4	Total Eastern, including New England and Northern Illinois	1,005,094,955	32,569,146	3.24	75,980,811	7.56	111,632,762	11.11	255,982,654	25.47	140,927,979	43,411,664	30.80	62,768,365	6.25	212,050,077	21.10	30,199,416	21.43	4
5	Pocahontas	126,889,686	800,543	.63	3,488,784	2.75	11,000,177	8.67	17,143,683	13.51	8,909,970	2,688,241	30.17	2,670,623	2.10	15,273,920	12.04	1,870,080	20.99	5
6	Southern	237,584,633	2,871,262	1.21	16,619,492	7.00	35,290,275	14.85	65,778,567	27.69	45,857,075	13,748,231	29.98	12,435,249	5.23	56,499,489	23.78	9,563,987	20.86	6
7	Southwestern, including Southern Missouri	189,520,279	7,080,709	3.74	13,471,710	7.11	31,087,704	16.40	48,980,061	25.84	22,118,158	6,391,001	28.89	11,526,622	6.08	43,534,560	22.97	4,445,913	20.10	7
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	318,916,741	16,659,616	5.22	32,258,094	10.11	56,716,031	17.78	97,848,345	30.68	48,879,522	15,598,478	31.91	27,510,732	8.63	85,329,614	26.76	10,851,117	22.20	8
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	388,981,157	19,942,009	5.13	41,192,495	10.59	69,674,716	17.91	124,481,298	32.00	64,102,865	21,250,486	33.15	34,724,957	8.93	107,801,032	27.71	14,782,949	23.06	9
10	Mountain Pacific	275,469,827	8,258,360	3.00	17,130,018	6.22	45,501,256	16.52	86,781,488	31.50	28,216,497	8,871,657	31.44	14,429,948	5.24	74,217,937	26.94	6,171,590	21.87	10
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri	853,971,263	35,281,078	4.13	71,794,223	8.41	146,263,676	17.13	260,242,847	30.47	114,437,520	36,513,144	31.91	60,681,527	7.11	225,553,529	26.41	25,400,452	22.20	11
12	Total United States	2,153,476,121	68,239,636	3.17	158,948,909	7.38	291,228,105	13.52	572,514,798	26.59	294,909,201	90,709,272	30.76	131,341,739	6.10	486,905,797	22.61	63,102,105	21.40	12
	Northern Illinois	70,064,416	3,282,393	4.68	8,934,401	12.75	12,958,685	18.50	26,632,953	38.01	15,223,343	5,652,008	37.13	7,214,225	10.30	22,471,218	32.07	3,931,832	25.83	
—	Southern Missouri	10,756,324	210,094	1.95	497,839	4.63	1,823,351	16.95	2,525,545	23.48	1,014,191	287,745	28.37	410,265	3.81	2,311,834	21.49	200,171	19.74	

Table No. 87.—(Concluded) Territorial Summary of Aggregate Costs, Aggregate Units, Unit Costs, and the Computation of the Territorial Allowances for Less-carload Deficit, Passenger Deficit, and Return on the Value of the Property

Territory No.	Territory	Carload operating expenses, rents & taxes	Cost of providing 5-3/4% return on carload portion of value		Cost of providing 5-3/4% return on total freight value carload and less-carload		Cost of providing 5-3/4% return on total value freight and passenger		Cost of providing 4% return on carload portion of value		Cost of providing 4% return on total freight value carload and less-carload		Cost of providing 4% return on total value, freight and passengen.		Cost of providing current rate of return		
			Amount	Ratio of carload 5-3/4% ret. to carload oper. expe., rents and taxes (col. (61) + col. (60))	Amount	Ratio of total frt. 5-3/4% ret., carload and less-carload, to carload oper. expe., rents and taxes (col. (63) + col. (60))	Amount	Ratio of total 5-3/4% ret., frt. and pass., to carload oper. expe., rents & taxes (col. (65) + col. (60))	Amount	Ratio of carload 4% ret. to carload oper. expe., rents and taxes (col. (67) + col. (60))	Amount	Ratio of tot. frt. 4% ret., carload & less-carload, to carload oper. expe., rents and taxes (col. (69) + col. (60))	Amount	Ratio of tot. 4% ret., frt. & pass., to carload oper. expe., rents and taxes (col. (71) + col. (60))	Current return all services, 1939	Recommended value of property As of Dec. 31, 1939	Current rate of return, all services (col. (73) + col. (74))
		(60)	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)	(73)	(74)	(75)
				(percent)		(percent)		(percent)		(percent)		(percent)		(percent)			(percent)
1	New England	$72,544,623	$23,281,578	32.09	$29,421,072	40.56	$49,944,637	68.85	$16,195,880	22.33	$20,466,831	28.21	$34,744,096	47.89	$21,685,408	$874,237,243	2.48
2	Eastern, excluding New England and Northern Illinois	862,485,916	259,115,506	30.04	290,735,668	33.71	400,887,720	46.48	180,254,263	20.90	202,250,898	23.45	278,878,415	32.33	236,139,415	7,022,164,519	3.36
3	Eastern, excluding New England but including Northern Illinois	932,550,332	282,537,030	30.30	319,809,200	34.29	443,635,518	47.57	196,547,497	21.08	222,475,964	23.86	308,616,012	33.09	250,419,432	7,776,466,586	3.22
4	Total Eastern, including New England and Northern Illinois	1,005,094,955	305,818,608	30.43	349,230,272	34.75	493,580,155	49.11	212,743,377	21.17	242,942,795	24.17	343,360,108	34.16	272,104,835	8,650,703,829	3.15
5	Pocahontas	126,889,686	38,853,916	30.62	41,542,157	32.74	47,685,663	37.58	27,028,812	21.30	28,898,892	22.77	33,172,635	26.14	77,041,865	829,700,000	9.29
6	Southern	237,584,633	71,590,603	30.13	85,338,835	35.92	115,827,227	48.75	49,802,160	20.96	59,366,147	24.99	80,575,462	33.91	70,610,320	2,019,647,648	3.50
7	Southwestern, including Southern Missouri	189,520,279	54,635,510	28.83	61,026,512	32.20	78,918,870	41.64	38,007,312	20.05	42,453,225	22.40	54,900,082	28.97	33,904,653	1,380,512,309	2.46
8	Western Trunk Line, excluding Northern Illinois and Southern Missouri	318,916,741	100,354,447	31.47	115,952,923	36.36	157,085,241	49.26	69,811,785	21.89	80,662,902	25.29	109,276,688	34.26	66,846,688	2,763,191,849	2.42
9	Western Trunk Line, including Northern Illinois but excluding Southern Missouri	388,981,157	123,775,971	31.82	145,026,455	37.28	199,833,039	51.37	86,105,019	22.14	100,887,968	25.94	139,014,285	35.74	81,126,705	3,517,493,916	2.31
10	Mountain Pacific	275,469,827	91,501,087	33.22	100,372,744	36.44	141,652,975	51.42	63,652,930	23.11	69,824,520	25.35	98,541,200	35.77	68,320,722	2,522,269,504	2.71
11	Total Western, including Southwestern, Western Trunk Line, Mountain Pacific, Northern Illinois and Southern Missouri	853,971,263	269,912,568	31.61	306,425,711	35.88	420,404,884	49.23	187,765,261	21.99	213,165,713	24.96	292,455,567	34.25	183,352,080	7,420,275,729	2.47
12	Total United States	2,153,476,121	662,754,171	30.78	753,463,443	34.99	1,034,750,131	48.05	461,046,376	21.41	524,148,482	24.34	719,826,175	33.43	588,829,083	18,166,025,139	3.24
	Northern Illinois	70,064,416	23,421,524	33.43	29,073,532	41.50	42,747,798	61.01	16,293,234	23.25	20,225,066	28.87	29,737,597	42.44	14,280,017	754,302,067	1.89
	Southern Missouri	10,758,324	3,116,794	28.98	3,404,539	31.65	4,106,733	38.18	2,168,204	20.16	2,368,375	22.02	2,856,858	26.56	2,242,084	72,070,117	3.11

Current rate of return, all services (col. (73) + col. (74))
(75)
(percent)
2.48
3.36
3.22
3.15
9.29
3.50
2.46
2.42
2.31
2.71
2.47
3.24
1.89
3.11

Table 86.--Statement Showing the Procedure Used in the Assembly of Carload Unit Costs for the Purpose of Computing the Carload Cost Scales 1/

For Purposes of Illustration the Costs Shown Are Based on a Movement in Box Cars
The Expenses Are Those Compiled for the United States, Territory No. 17

Line No.	Net load per car tons	Expenses independent of distance (origin plus destination)						Expenses treated as proportional to the length of haul						Line No.
		Group IV - C.L. Industry and team track switching expense per loaded car 2/	Group VI - C.L. Carload freight train car maint. and rentals, switching serv. origin + dest. only, expense per loaded car 3/	Group VIII - C.L. Station clerical exp. so per carload 4/	Total C. L. switching expenses, freight train car expenses (terminal) and station expe., per loaded car (Cols. (2), (3), and (4))	Number of cwt. per net load per car (Col. (1) x 20 cwt.)	Switching freight train car maint., and station expenses per cwt. (Col. (5) + col. (6))	Group I - C. L. freight train car expenses - running, other than mileage cars, per loaded car-mile 5/	Group II - C.L. Running expe. common to all cars, incl. interchange and intertrain switching per loaded car-mile 6/	Gross tons of car & contents, incl. empty return (Col. (1) + footnote 1, line (d))	Group III - C.L. Remaining running expenses treated on GTM basis and converted to a cost per loaded car-mile (Col. (10) x .151 cents per GTM) 7/	Total running expe. stated in terms of loaded car-mile incl. empty ret. (Cols. (8), (9), and (11))	Running expe. per 100 pounds of net load per mile (Col. (12) + col. (6))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
							(Cents)	(Cents)	(Cents)		(Cents)	(Cents)	(Cents)	
1	5	$12.108	$2.824	$3.682	$18.614	100	18.614	2.052	1.833	35.438	5.351	9.236	0.092360	1
2	6	12.108	2.824	3.682	18.614	120	15.512	2.052	1.833	36.438	5.502	9.387	.078225	2
3	7	12.108	2.824	3.682	18.614	140	13.296	2.052	1.833	37.438	5.653	9.538	.068129	3
4	8	12.108	2.824	3.682	18.614	160	11.634	2.052	1.833	38.438	5.804	9.689	.060556	4
5	9	12.108	2.824	3.682	18.614	180	10.341	2.052	1.833	39.438	5.955	9.840	.054667	5
6	10	12.108	2.824	3.682	18.614	200	9.307	2.052	1.833	40.438	6.106	9.991	.049955	6
7	11	12.108	2.824	3.682	18.614	220	8.461	2.052	1.833	41.438	6.257	10.142	.046100	7
8	12	12.108	2.824	3.682	18.614	240	7.756	2.052	1.833	42.438	6.408	10.293	.042888	8
9	13	12.108	2.824	3.682	18.614	260	7.159	2.052	1.833	43.438	6.559	10.444	.040169	9
10	14	12.108	2.824	3.682	18.614	280	6.648	2.052	1.833	44.438	6.710	10.595	.037839	10
11	15	12.108	2.824	3.682	18.614	300	6.205	2.052	1.833	45.438	6.861	10.746	.035820	11
12	16	12.108	2.824	3.682	18.614	320	5.817	2.052	1.833	46.438	7.012	10.897	.034053	12
13	17	12.108	2.824	3.682	18.614	340	5.475	2.052	1.833	47.438	7.163	11.048	.032494	13
14	18	12.108	2.824	3.682	18.614	360	5.171	2.052	1.833	48.438	7.314	11.199	.031108	14
15	19	12.108	2.824	3.682	18.614	380	4.898	2.052	1.833	49.438	7.465	11.350	.029868	15
16	20	12.108	2.824	3.682	18.614	400	4.654	2.052	1.833	50.438	7.616	11.501	.028753	16
17	21	12.108	2.824	3.682	18.614	420	4.432	2.052	1.833	51.438	7.767	11.652	.027743	17
18	22	12.108	2.824	3.682	18.614	440	4.230	2.052	1.833	52.438	7.918	11.803	.026825	18
19	23	12.108	2.824	3.682	18.614	460	4.047	2.052	1.833	53.438	8.069	11.954	.025987	19
20	24	12.108	2.824	3.682	18.614	480	3.878	2.052	1.833	54.438	8.220	12.105	.025219	20
21	25	12.108	2.824	3.682	18.614	500	3.723	2.052	1.833	55.438	8.371	12.256	.024512	21
22	26	12.108	2.824	3.682	18.614	520	3.580	2.052	1.833	56.438	8.522	12.407	.023860	22
23	27	12.108	2.824	3.682	18.614	540	3.447	2.052	1.833	57.438	8.673	12.558	.023256	23
24	28	12.108	2.824	3.682	18.614	560	3.324	2.052	1.833	58.438	8.824	12.709	.022695	24
25	29	12.108	2.824	3.682	18.614	580	3.209	2.052	1.833	59.438	8.975	12.860	.022172	25
26	30	12.108	2.824	3.682	18.614	600	3.102	2.052	1.833	60.438	9.126	13.011	.021685	26
27	31	12.108	2.824	3.682	18.614	620	3.002	2.052	1.833	61.438	9.277	13.162	.021229	27
28	32	12.108	2.824	3.682	18.614	640	2.908	2.052	1.833	62.438	9.428	13.313	.020802	28
29	33	12.108	2.824	3.682	18.614	660	2.820	2.052	1.833	63.438	9.579	13.464	.020400	29
30	34	12.108	2.824	3.682	18.614	680	2.737	2.052	1.833	64.438	9.730	13.615	.020022	30
31	35	12.108	2.824	3.682	18.614	700	2.659	2.052	1.833	65.438	9.881	13.766	.019666	31
32	36	12.108	2.824	3.682	18.614	720	2.585	2.052	1.833	66.438	10.032	13.917	.019329	32
33	37	12.108	2.824	3.682	18.614	740	2.515	2.052	1.833	67.438	10.183	14.068	.019011	33
34	38	12.108	2.824	3.682	18.614	760	2.449	2.052	1.833	68.438	10.334	14.219	.018709	34
35	39	12.108	2.824	3.682	18.614	780	2.386	2.052	1.833	69.438	10.485	14.370	.018423	35
36	40	12.108	2.824	3.682	18.614	800	2.327	2.052	1.833	70.438	10.636	14.521	.018151	36
37	41	12.108	2.824	3.682	18.614	820	2.270	2.052	1.833	71.438	10.787	14.672	.017893	37
38	42	12.108	2.824	3.682	18.614	840	2.216	2.052	1.833	72.438	10.938	14.823	.017646	38
39	43	12.108	2.824	3.682	18.614	860	2.164	2.052	1.833	73.438	11.089	14.974	.017412	39
40	44	12.108	2.824	3.682	18.614	880	2.115	2.052	1.833	74.438	11.240	15.125	.017188	40
41	45	12.108	2.824	3.682	18.614	900	2.068	2.052	1.833	75.438	11.391	15.276	.016973	41
42	46	12.108	2.824	3.682	18.614	920	2.023	2.052	1.833	76.438	11.542	15.427	.016768	42
43	47	12.108	2.824	3.682	18.614	940	1.980	2.052	1.833	77.438	11.693	15.578	.016572	43
44	48	12.108	2.824	3.682	18.614	960	1.939	2.052	1.833	78.438	11.844	15.729	.016384	44
45	49	12.108	2.824	3.682	18.614	980	1.899	2.052	1.833	79.438	11.995	15.880	.016204	45
46	50	12.108	2.824	3.682	18.614	1,000	1.861	2.052	1.833	80.438	12.146	16.031	.016031	46
47	51	12.108	2.824	3.682	18.614	1,020	1.825	2.052	1.833	81.438	12.297	16.182	.015865	47
48	52	12.108	2.824	3.682	18.614	1,040	1.790	2.052	1.833	82.438	12.448	16.333	.015705	48
49	53	12.108	2.824	3.682	18.614	1,060	1.756	2.052	1.833	83.438	12.599	16.484	.015551	49
50	54	12.108	2.824	3.682	18.614	1,080	1.724	2.052	1.833	84.438	12.750	16.635	.015403	50
51	55	12.108	2.824	3.682	18.614	1,100	1.692	2.052	1.833	85.438	12.901	16.786	.015260	51
52	56	12.108	2.824	3.682	18.614	1,120	1.662	2.052	1.833	86.438	13.052	16.937	.015122	52
53	57	12.108	2.824	3.682	18.614	1,140	1.633	2.052	1.833	87.438	13.203	17.088	.014989	53
54	58	12.108	2.824	3.682	18.614	1,160	1.605	2.052	1.833	88.438	13.354	17.239	.014861	54
55	59	12.108	2.824	3.682	18.614	1,180	1.577	2.052	1.833	89.438	13.505	17.390	.014737	55
56	60	12.108	2.824	3.682	18.614	1,200	1.551	2.052	1.833	90.438	13.656	17.541	.014618	56
57	61	12.108	2.824	3.682	18.614	1,220	1.526	2.052	1.833	91.438	13.807	17.692	.014502	57
58	62	12.108	2.824	3.682	18.614	1,240	1.501	2.052	1.833	92.438	13.958	17.843	.014390	58
59	63	12.108	2.824	3.682	18.614	1,260	1.477	2.052	1.833	93.438	14.109	17.994	.014281	59
60	64	12.108	2.824	3.682	18.614	1,280	1.454	2.052	1.833	94.438	14.260	18.145	.014176	60

1/ (a) Territorial average tare weight: 22.8 tons. Computed by weighting the tare weight of each reporting carrier in the given territory by the number of carloads handled by each carrier in this type of car.
(b) Territorial ratio of empty to loaded car-miles: 33.5%. Computed by weighting the ratio for each reporting carrier in the territory for the type of car shown by the number of carloads handled by each carrier in this type of car.
(c) Equated empty tare tons: 7.638 tons. (Line (a) x line (b)).
(d) Total territorial tare weight: 30.438 tons. (Line (a) + line (c)).

2/ Table 87, twice column (13).

3/ Table 87, twice column (22). Where costs are developed for equipment rented on a mileage basis (refrigerator cars and tank cars) column (3) is not filled in, since the mileage rental is presumed to include maintenance and rentals chargeable to the terminal operations as well as the line haul.

4/ Table 87, twice column (31).

5/ Cost computed for loaded and empty directions in terms of the loaded direction only. Lines (a) and (b) used for railroad owned equipment and lines (c) and (d) for equipment rented on a mileage basis. The amounts from lines (b) or (d) are carried forward to column (8)

Item	Source	Amount	
		Railroad owned equipment	Cars rented on mileage basis
(a) R.R. owned equipment, cost per mile, loaded direction ..	Table 87, column (3).	1.537	xxx
(b) R.R. owned equipment, cost per mile, loaded + empty ret.	Line (a) x (1.0 + .335 ratio) from 1/, line (b)	2.052	xxx
(c) Equipment rented on mileage basis, cost per mile loaded direction	Cost per mile from AAR Mileage Tariffs, Series 7, x (1.0 + __ ratio of traffic general and misc. overheads and taxes to all other expenses incl. equip. rents.)	xxx	xxx
(d) Equipment rented on mileage basis, cost per mile loaded plus empty return	Line (c) x (1.0 + ________ ratio) from 1/, line (b)	xxx	xxx

6/ Cost computed for loaded and empty directions in terms of loaded direction only. Cost per car-mile from Table 87, column (6), 1.373 cents x (1.0 + .335 ratio) from 1/, line (b).

7/ Cost per gross ton-mile from Table 87, column (10).

Table 89.--Statement Showing the Procedure Used in the Assembly of Less-Carload Unit Costs for the Purpose of Computing the Less-Carload Cost Scales 1/ For Purposes of Illustration, the Expenses Are Those Compiled for the United States, Territory No. 12

Line No.	Expenses independent of distance (origin plus destination)									Expenses treated as proportional to the length of haul										Line No.
	Net load per less-carload car (tons)	Grp. IV Less-carload switching expenses, frthouse, per loaded car 2/	Grp. VI Less-carload frt. train car maint. & rentals switching expe. per loaded car 3/	Grps. IV & VI Switching plus freight train car expenses per ton (Cols. (2) + (3)) ÷ Col. (1))	Grp. VIII Less-carload station clerical expenses per ton 4/	Grp. IX Less-carload station platform handling per ton 5/	Total less-carload switching expe., frt. train car expe. (terminal) & station expe. per ton (Cols. (4), (5) and (6))	Number of cwt. per net load (Col. (1) x 20 cwt.)	Total switching frt. train car expe. (terminal) station clerical and platform expe. per cwt. (Col. (7) ÷ 20 cwt.)	Grp. I Less-carload frt. train expenses - running, per loaded car-mile 6/	Grp. II Less-carload running expe. common to all cars incl. interchange & intertrain switching per loaded car-mile 7/	Grp. V Less-carload freighthouse switching expe. acct. transfer stated in terms of loaded car-miles (Table 87, col. (19))	Grp. VII Less-carload frt. train car expe. (terminal) acct. transfer stated in terms of loaded car-miles (Table 87, col. (28))	Subtotal running expenses stated in terms of loaded car-miles, incl. empty return (Cols. (10), (11), (12) and (13))	Gross tons of car and contents, incl. empty return 8/	Grp. III Less-carload remaining running expe. treated on GTM basis and converted to cost per loaded car-mile (Col. (15) x .151 cents per GTM 9/	Subtotal running expe. treated on loaded car-mile basis, incl. empty return (Col. (14) + col. (16))	Subtotal running expe. per 100 lbs. of net load per mile (Col. (17) ÷ col. (8))	Total running expe. per 100 lbs. per mile, incl. station platform expe., account transfer (Col. (18) + .01113 cents per 100 lbs.) 10/	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
									(Cents)	(Cents)	(Cents)	(Cents)	(Cents)	(Cents)		(Cents)	(Cents)	(Cents)	(Cents)	
1	1.0	$8.672	$1.492	$10.164	$3.530	$2.220	$15.914	20	79.570	2.052	1.833	1.011	0.172	5.068	31.438	4.747	9.815	0.49075	0.50188	1
2	1.5	8.672	1.492	6.776	3.530	2.220	12.526	30	62.630	2.052	1.833	1.011	.172	5.068	31.938	4.823	9.891	.32970	.34083	2
3	2.0	8.672	1.492	5.082	3.530	2.220	10.832	40	54.160	2.052	1.833	1.011	.172	5.068	32.438	4.898	9.966	.24915	.26028	3
4	2.5	8.672	1.492	4.066	3.530	2.220	9.816	50	49.080	2.052	1.833	1.011	.172	5.068	32.938	4.974	10.042	.20084	.21197	4
5	3.0	8.672	1.492	3.388	3.530	2.220	9.138	60	45.690	2.052	1.833	1.011	.172	5.068	33.438	5.049	10.117	.16862	.17975	5
6	3.5	8.672	1.492	2.904	3.530	2.220	8.654	70	43.270	2.052	1.833	1.011	.172	5.068	33.938	5.125	10.193	.14561	.15674	6
7	4.0	8.672	1.492	2.541	3.530	2.220	8.291	80	41.455	2.052	1.833	1.011	.172	5.068	34.438	5.200	10.268	.12835	.13948	7
8	4.5	8.672	1.492	2.259	3.530	2.220	8.009	90	40.045	2.052	1.833	1.011	.172	5.068	34.938	5.276	10.344	.11493	.12606	8
9	5.0	8.672	1.492	2.033	3.530	2.220	7.783	100	38.915	2.052	1.833	1.011	.172	5.068	35.438	5.351	10.419	.10419	.11532	9
10	5.5	8.672	1.492	1.848	3.530	2.220	7.598	110	37.990	2.052	1.833	1.011	.172	5.068	35.938	5.427	10.495	.09541	.10654	10
11	6.0	8.672	1.492	1.694	3.530	2.220	7.444	120	37.220	2.052	1.833	1.011	.172	5.068	36.438	5.502	10.570	.08808	.09921	11
12	6.5	8.672	1.492	1.564	3.530	2.220	7.314	130	36.570	2.052	1.833	1.011	.172	5.068	36.938	5.578	10.646	.08189	.09302	12
13	7.0	8.672	1.492	1.452	3.530	2.220	7.202	140	36.010	2.052	1.833	1.011	.172	5.068	37.438	5.653	10.721	.07658	.08771	13
14	7.5	8.672	1.492	1.355	3.530	2.220	7.105	150	35.525	2.052	1.833	1.011	.172	5.068	37.938	5.729	10.797	.07198	.08311	14
15	8.0	8.672	1.492	1.271	3.530	2.220	7.021	160	35.105	2.052	1.833	1.011	.172	5.068	38.438	5.804	10.872	.06795	.07908	15
16	8.5	8.672	1.492	1.196	3.530	2.220	6.946	170	34.730	2.052	1.833	1.011	.172	5.068	38.938	5.880	10.948	.06440	.07553	16
17	9.0	8.672	1.492	1.129	3.530	2.220	6.879	180	34.395	2.052	1.833	1.011	.172	5.068	39.438	5.955	21.023	.06124	.07237	17
18	9.5	8.672	1.492	1.070	3.530	2.220	6.820	190	34.100	2.052	1.833	1.011	.172	5.068	39.938	6.031	11.099	.05842	.06955	18
19	10.0	8.672	1.492	1.016	3.530	2.220	6.766	200	33.830	2.052	1.833	1.011	.172	5.068	40.438	6.106	11.174	.05587	.06700	19
20	10.5	8.672	1.492	.968	3.530	2.220	6.718	210	33.590	2.052	1.833	1.011	.172	5.068	40.938	6.182	11.250	.05357	.06470	20
21	11.0	8.672	1.492	.924	3.530	2.220	6.674	220	33.370	2.052	1.833	1.011	.172	5.068	41.438	6.257	11.325	.05148	.06261	21
22	11.5	8.672	1.492	.884	3.530	2.220	6.634	230	33.170	2.052	1.833	1.011	.172	5.068	41.938	6.333	11.401	.04957	.06070	22
23	12.0	8.672	1.492	.847	3.530	2.220	6.597	240	32.985	2.052	1.833	1.011	.172	5.068	42.438	6.408	11.476	.04782	.05895	23
24	12.5	8.672	1.492	.813	3.530	2.220	6.563	250	32.815	2.052	1.833	1.011	.172	5.068	42.938	6.484	11.552	.04621	.05734	24
25	13.0	8.672	1.492	.782	3.530	2.220	6.532	260	32.660	2.052	1.833	1.011	.172	5.068	43.438	6.559	11.627	.04472	.05585	25
26	13.5	8.672	1.492	.753	3.530	2.220	6.503	270	32.515	2.052	1.833	1.011	.172	5.068	43.938	6.635	11.703	.04334	.05447	26
27	14.0	8.672	1.492	.726	3.530	2.220	6.476	280	32.380	2.052	1.833	1.011	.172	5.068	44.438	6.710	11.778	.04206	.05319	27
28	14.5	8.672	1.492	.701	3.530	2.220	6.451	290	32.255	2.052	1.833	1.011	.172	5.068	44.938	6.786	11.854	.04088	.05201	28
29	15.0	8.672	1.492	.678	3.530	2.220	6.428	300	32.140	2.052	1.833	1.011	.172	5.068	45.438	6.861	11.929	.03976	.05089	29

1/ Unless otherwise indicated, the less carload assembly is based on movement of less-carload traffic in box cars.
2/ From Table 87, twice column (16).
3/ From Table 87, twice column (25).
4/ From Table 87, twice column (34).
5/ From Table 87, twice column (37).
6/ Cost computed for loaded and empty directions in terms of the loaded direction only. Amount for line (b) carried forward to column (10).

	Item	Source	Amount
(a)	Cost per mile, loaded direction	Table 87, column (3)	1.537
(b)	Cost per mile, loaded plus empty return	Line (a) x (1.0 + .335 ratio) See Table 88 1/, line (b)	2.052

7/ Cost computed for loaded and empty directions in terms of loaded direction only. Cost per car-mile from Table 88, column (9).
8/ Computed as follows: Column (1) + 30.438 tare tons, loaded plus empty direction, from Table 88, footnote 1, line (d).
9/ Cost per gross ton-mile from Table 87, column (10).
10/ Cost per net ton mile .2225 (cents), from Table 87, column (40) divided by 20 cwt.

Table No. 90.--Average Load Per Car by Commodities and by Districts and Regions, Carload Traffic 1/

Class No.	Commodity group or class	New England region	Eastern district excluding New England region 2/	Eastern district including New England region	Pocahontas region	Southern region	Southwestern region	Western district	United States
		(tons)	(tons)	(tons)	(tons)	(tons)	(tons)	(tons)	(tons)
	GROUP I. PRODUCTS OF AGRICULTURE (C. L.)								
10	Wheat	47.7	45.9	46.1	41.1	44.8	47.6	45.6	45.6
20	Corn	41.7	42.7	42.6	37.7	42.2	40.1	42.0	42.2
30	Oats	30.6	31.0	30.9	26.9	29.4	30.2	33.5	31.9
40	Barley and rye	37.4	40.6	40.4	30.4	38.5	39.4	40.9	40.8
41	Rice	27.6	29.2	29.1	24.6	19.8	29.4	30.4	27.9
42	Grain, N. O. S.	22.4	29.4	28.7	26.5	23.4	24.0	28.7	28.3
50	Flour, wheat	26.2	26.7	26.6	22.7	21.9	24.7	25.6	25.5
51	Meal, corn	28.7	25.8	26.1	21.9	23.3	23.3	25.3	25.0
52	Flour and meal, edible, N. O. S.	25.3	25.0	25.0	23.8	20.5	23.2	25.0	24.0
60	Cereal food preparations, edible, N. O. S.	19.6	18.5	18.6	18.9	20.1	19.7	20.3	19.3
61	Mill products, N. O. S.	23.6	23.6	23.6	22.1	21.8	23.1	23.8	23.4
70	Hay and alfalfa	13.1	12.6	12.8	12.4	12.9	14.0	14.7	13.3
71	Straw	13.3	15.4	15.0	13.0	16.8	16.4	14.7	15.1
80	Tobacco, leaf	14.0	13.3	13.4	11.2	10.6	19.0	15.6	11.1
90	Cotton in bales	21.3	25.3	23.1	22.9	18.1	18.7	17.3	18.3
91	Cotton linters, noils, and regins	15.6	19.3	18.3	20.0	17.7	22.7	22.8	19.0
100	Cottonseed	-	19.4	19.4	20.1	27.0	28.5	29.0	27.9
101	Cottonseed meal and cake	25.0	25.4	25.3	25.0	25.7	27.4	26.3	25.9
110	Oranges and grapefruit	18.2	18.2	18.2	18.5	17.6	17.2	17.6	17.8
111	Lemons, limes, and citrus fruits, N. O. S.	17.1	17.2	17.2	17.6	17.2	17.1	17.4	17.3
120	Apples, fresh	15.3	15.5	15.5	14.4	16.3	18.0	18.2	17.1
121	Bananas	10.5	10.6	10.6	10.6	10.8	10.6	10.7	10.7
122	Berries, fresh	17.3	18.3	18.1	8.8	8.9	9.5	17.0	15.1
123	Cantaloupes and melons, N. O. S.	11.5	11.4	11.4	12.2	11.4	11.3	11.4	11.4
124	Grapes, fresh	17.2	17.1	17.1	17.2	17.0	16.9	17.1	17.1
125	Peaches, fresh	11.0	11.3	11.3	11.1	11.2	12.0	14.7	12.6
126	Watermelons	14.1	13.4	13.5	13.7	13.3	12.7	12.7	13.3
127	Fruits, fresh, domestic, N. O. S.	15.2	16.1	16.0	18.0	16.2	16.3	16.8	16.6
128	Fruits, fresh, tropical, N. O. S.	13.5	12.8	12.9	12.3	12.0	13.3	13.5	12.4
130	Potatoes, other than sweet	19.7	17.4	17.7	16.0	16.0	16.8	17.3	17.7
140	Cabbage	12.7	12.6	12.6	12.4	12.4	12.8	13.1	12.7
141	Onions	13.1	13.1	13.1	12.9	13.4	13.7	14.1	13.6
142	Tomatoes	10.7	11.7	11.6	10.5	10.6	10.9	11.0	11.1
143	Vegetables, fresh, N. O. S.	11.4	11.7	11.6	11.0	11.2	11.4	11.8	11.7
150	Beans and peas, dried	21.2	26.2	25.9	29.3	29.1	30.5	30.9	28.5
151	Fruits, dried or evaporated	22.7	26.8	26.2	26.1	31.1	32.5	29.2	28.8
152	Vegetables, dry, N. O. S.	15.3	13.5	14.0	14.1	14.1	12.8	13.6	13.9
160	Vegetable-oil cake and meal, except cottonseed	24.4	25.8	25.7	24.8	26.3	23.5	23.5	25.1
161	Peanuts	16.3	15.4	15.5	15.4	15.4	18.0	17.3	15.8
162	Flaxseed	20.8	43.7	43.5	17.3	31.7	38.8	40.6	40.9
163	Sugar beets	-	34.1	34.1	15.0	30.0	33.9	44.8	44.3
164	Products of agriculture, N. O. S.	22.2	30.0	29.2	23.1	28.1	27.5	27.8	28.4
(800)	Total products of agriculture	21.3	24.2	23.6	18.9	19.2	23.1	26.3	24.1
	GROUP II. ANIMALS AND PRODUCTS (C. L.)								
170	Horses, mules, ponies, and asses	12.1	12.0	12.0	11.5	11.9	12.0	12.0	12.0
180	Cattle and calves, single-deck	10.9	11.8	11.7	11.9	10.8	10.5	11.2	11.3
181	Calves, double-deck	12.3	12.3	12.3	11.6	13.1	13.4	13.5	13.0
190	Sheep and goats, single-deck	6.1	7.4	7.4	6.3	8.5	6.0	6.3	6.9
191	Sheep and goats, double-deck	9.3	9.5	9.5	9.2	9.5	10.2	10.3	10.1
200	Hogs, single-deck	8.8	8.3	8.4	7.7	8.4	8.2	7.8	8.0
201	Hogs, double-deck	12.7	12.5	12.6	12.5	12.5	13.2	13.2	12.8
210	Fresh meats, N. O. S.	11.2	11.7	11.6	12.9	12.3	11.6	12.0	11.8
220	Meats, cured, dried, or smoked	15.5	14.9	15.0	14.7	15.0	15.9	16.8	15.4
221	Butterine and margarine	12.1	12.0	12.0	12.6	12.1	12.5	13.2	12.3
222	Packing-house products, edible, N. O. S., not including canned meats	16.1	17.0	17.0	14.7	17.1	16.0	17.2	17.0
230	Poultry, live	9.3	8.1	8.1	8.2	8.6	8.2	8.2	8.2
231	Poultry, dressed	11.9	11.9	11.9	12.2	11.5	11.5	12.3	12.0
240	Eggs	11.3	11.7	11.6	10.9	11.1	11.8	11.8	11.7
250	Butter	12.3	12.5	12.5	12.2	11.5	11.8	12.4	12.4
251	Cheese	13.6	14.2	14.1	14.4	14.1	16.7	14.9	14.4
260	Wool	12.7	13.4	13.1	14.9	11.2	13.7	14.3	13.8
270	Hides, green	22.7	23.8	23.6	25.6	24.6	25.8	25.5	24.3
271	Leather	19.4	19.4	19.4	18.1	18.6	18.4	16.9	19.1
280	Fish or sea-animal oil	20.8	26.0	25.4	29.1	29.3	28.3	30.6	28.1
281	Animals, live, N. O. S.	17.3	11.0	12.4	13.3	20.4	24.2	21.3	13.6
282	Animal products, N. O. S. (other than fertilizers and fertilizer materials)	19.7	23.5	22.5	27.9	21.0	26.7	25.1	23.2
(810)	Total animals and products	13.7	13.5	13.5	13.6	13.1	12.2	12.5	13.0
	GROUP III. PRODUCTS OF MINES (C. L.)								
290	Anthracite coal	47.4	50.5	50.3	47.6	37.1	39.1	30.3	50.1
300	Bituminous coal	51.8	54.8	54.7	58.8	51.3	47.0	45.1	53.8
310	Coke	35.3	35.5	35.5	33.3	35.1	40.3	34.9	35.3
320	Iron ore	58.6	72.1	72.0	66.2	61.1	58.0	59.7	64.2
330	Copper ore and concentrates	50.8	61.2	59.9	28.3	46.8	38.4	65.8	65.5
331	Lead ore and concentrates	36.0	47.7	47.7	58.6	48.1	48.6	51.5	50.0
332	Zinc ore and concentrates	-	50.8	50.8	52.8	56.4	57.3	53.1	52.3
333	Ores and concentrates, N. O. S.	32.5	55.8	55.5	58.5	58.7	57.5	52.4	54.6
350	Gravel and sand (other than glass or molding)	50.5	56.8	56.7	56.8	54.9	55.1	56.5	56.3
351	Stone, broken, ground, or crushed	56.7	56.6	56.8	55.9	55.0	56.3	54.9	55.6
352	Stone, rough, N. O. S.	39.5	50.0	48.9	50.7	42.6	42.8	46.8	46.0
353	Stone, finished, N. O. S.	27.9	30.4	29.9	30.6	34.2	34.0	33.2	31.6
360	Petroleum, crude	27.3	35.9	35.9	37.6	36.3	35.2	35.8	35.9
370	Asphalt (natural, by-product, or petroleum)	35.5	36.1	36.1	37.3	35.9	34.6	35.9	36.0
380	Salt	32.6	33.0	33.0	32.6	30.2	30.8	31.7	32.2
390	Phosphate rock, crude (ground or not ground)	67.2	44.1	44.5	42.9	53.8	50.8	57.7	53.5
391	Sulphur (brimstone)	41.4	41.3	41.3	51.3	47.0	52.2	55.1	52.4
392	Products of mines, N.O.S.	36.0	53.5	52.4	50.7	44.1	49.3	48.6	50.7
(820)	Total products of mines	46.5	53.3	53.0	58.0	50.5	47.6	50.4	52.7
	GROUP IV. PRODUCTS OF FORESTS (C. L.)								
400	Logs	31.3	26.1	26.6	27.3	34.2	40.7	39.6	38.4
401	Posts, poles, and piling	26.2	28.3	28.1	28.3	26.4	25.	26.8	27.0
402	Wood (fuel)	20.5	27.3	23.3	37.4	29.6	36.0	33.3	32.3
410	Ties, railroad	25.9	30.0	29.8	32.3	33.7	35.7	34.7	33.2
420	Pulp wood	29.8	28.9	29.4	32.5	38.6	43.9	37.8	36.2
430	Lumber, shingles, and lath	25.4	25.9	25.8	25.3	25.0	26.2	27.4	26.3
431	Box, crate, and cooperage materials	20.7	21.9	21.7	22.6	20.9	23.5	23.2	22.0
432	Veneer and built-up wood	24.3	24.4	24.4	22.6	23.5	25.0	26.8	25.6
440	Rosin	24.6	24.7	24.7	22.3	24.3	26.2	26.1	24.5
441	Turpentine	20.1	25.0	24.7	25.7	24.2	21.8	23.1	24.3
442	Crude rubber (not reclaimed)	29.5	32.6	31.9	33.5	32.2	36.9	34.5	32.1
443	Products of forests, N. O. S.	17.0	16.7	16.8	23.6	26.6	20.9	22.1	20.9
(830)	Total products of forests	25.6	25.3	25.3	26.3	27.7	28.9	30.4	28.4
	GROUP V. MANUFACTURES AND MISCELLANEOUS (C. L.)								
450	Petroleum oils, refined, and all other gasolines	28.8	28.3	28.3	28.3	28.4	27.0	27.1	27.6
451	Fuel, road, and petroleum residual oils, N. O. S.	33.9	31.9	32.2	29.7	31.6	31.9	33.3	32.7
452	Lubricating oils and greases	20.1	22.8	22.7	20.3	20.6	21.7	21.5	22.0
453	Petroleum products, N. O. S.	22.7	21.8	21.9	23.3	26.5	25.6	22.5	22.4
460	Cottonseed oil	23.1	29.4	29.0	31.1	29.7	29.5	30.1	29.6
461	Linseed oil	25.6	28.2	28.0	22.6	22.4	23.6	25.9	27.0
462	Vegetable oils, N. O. S.	33.9	28.8	29.1	29.1	27.8	30.0	29.9	29.3
470	Sugar (beet or cane)	26.3	31.0	30.5	26.9	32.9	37.6	37.4	34.6
471	Table sirups and edible molasses	28.7	33.7	33.0	27.0	28.1	31.8	32.5	31.9
472	Molasses, blackstrap and beet residual	37.8	43.5	42.8	41.9	45.8	46.0	47.7	46.1
490	Iron, pig	52.6	55.1	54.9	55.5	57.1	56.9	55.8	55.5
491	Iron and steel, rated 6th class in official classification, N. O. S.	40.8	51.1	51.0	41.2	47.0	43.7	51.9	51.0
500	Rails, fastenings, frogs, and switches	48.3	42.8	43.0	40.0	41.3	48.0	48.4	44.1
510	Cast-iron pipe and fittings	21.6	23.3	23.0	23.2	26.1	26.5	26.8	25.1
511	Iron and steel pipe and fittings, N. O. S.	23.4	29.8	29.6	23.7	26.8	33.8	32.5	30.1
512	Iron and steel: Nails and wire, not woven	23.5	25.6	25.4	23.9	25.7	26.2	28.3	26.0
513	Iron and steel, rated 5th class in official classification, N. O. S. (also tin and terne plate)	28.2	33.5	33.1	30.0	29.4	31.7	34.0	32.9
520	Copper: Ingot, matte, and pig	45.4	44.9	45.1	24.2	52.9	52.3	51.2	48.1
521	Copper, brass, and bronze: Bar, sheet, and pipe	16.8	30.2	26.8	16.7	18.7	51.5	52.8	37.8
522	Lead and zinc: Ingot, pig, or bar	41.9	43.5	43.4	43.3	46.1	48.7	48.3	45.4
523	Aluminum: Ingot, pig, or slab	34.3	37.4	37.3	42.2	44.5	20.0	29.0	38.9
530	Machinery and boilers	15.5	18.3	17.8	17.2	16.9	18.4	19.1	18.0
540	Cement, natural or Portland (building)	34.6	35.1	35.1	33.9	34.2	34.2	35.1	34.9
550	Brick, common	38.0	42.0	41.5	38.0	37.4	35.8	35.0	37.8
551	Brick, N. O. S., and building tile	33.2	37.0	36.8	37.3	32.2	34.9	35.0	35.9
552	Artificial stone, N. O. S.	25.4	29.2	28.6	32.2	29.3	31.7	31.8	29.5
560	Lime, common (quick or slaked)	26.7	29.1	28.8	30.7	26.8	28.4	28.6	28.5
561	Plaster (stucco or wall) and dry kalsomine	22.5	23.8	23.7	22.6	23.3	23.8	24.5	23.9
570	Sewer pipe and drain tile (not metal)	16.4	16.8	16.8	19.3	17.1	17.7	17.5	17.1
580	Agricultural implements and parts, N. O. S.	16.4	15.2	15.2	15.7	16.3	15.5	15.0	15.2
581	Vehicles, horse-drawn, and parts, N. O. S.	12.4	14.3	14.2	13.0	13.9	13.6	13.1	13.7
582	Tractors and parts	14.2	15.7	15.7	14.5	14.8	16.6	14.9	15.1
583	Railway car wheels, axles, and trucks	22.1	31.3	31.0	29.3	29.9	35.3	31.0	30.8
590	Automobiles (passenger)	6.0	6.1	6.0	6.1	6.0	6.1	6.1	6.0
591	Autotrucks	7.3	9.4	9.2	9.2	7.9	7.1	7.3	8.2
592	Automobiles and autotrucks, K. D. and parts, N. O. S.	18.1	18.2	18.2	18.2	20.1	19.3	18.6	18.4
593	Automobile and autotruck tires	12.0	14.3	14.1	13.0	14.4	17.7	17.3	14.8
610	Furniture, metal	9.9	10.1	10.1	10.1	10.0	11.7	11.4	10.5
611	Furniture, other than metal	8.0	8.2	8.1	7.9	7.9	9.3	9.0	8.3
620	Beverages	21.2	22.3	22.1	21.8	22.3	25.2	23.5	22.8
630	Ice	29.9	30.0	29.9	25.2	24.5	19.8	27.4	27.6
640	Fertilizers, N. O. S.	26.3	30.0	29.6	31.4	31.4	31.8	34.1	31.3
650	Newsprint paper	26.5	26.9	26.7	26.2	26.4	27.7	27.4	26.9
651	Printing paper, N. O. S.	21.9	22.5	22.3	23.9	22.2	23.7	23.9	22.6
660	Alcohol, denatured or wood	20.3	22.9	22.7	24.0	24.5	23.7	21.7	22.9
661	Sulphuric acid	45.9	49.5	49.4	53.9	52.8	50.3	49.0	50.5
662	Explosives, N. O. S.	18.8	17.1	17.3	15.4	18.2	14.6	16.2	16.9
670	Cotton cloth and cotton fabrics, N. O. S.	11.5	11.8	11.7	12.5	11.6	14.1	14.6	11.8
671	Bagging and bags, burlap, gunny, or jute	17.0	18.8	18.4	18.3	17.3	15.8	19.4	18.5
680	Canned food products, N. O. S.	21.5	22.5	22.4	21.9	23.0	26.2	26.4	24.0
690	Tobacco, manufactured products	16.1	19.1	19.0	19.7	19.6	20.8	20.8	19.8
691	Paints in oil and varnishes	19.8	21.7	21.4	20.3	22.7	23.6	24.6	22.4
692	Furnace slag	38.2	58.0	58.0	60.5	49.2	52.3	52.5	54.9
693	Scrap iron and scrap steel	38.8	42.3	42.0	41.2	42.6	44.1	44.9	42.7
694	Paper bags and wrapping paper	22.1	21.9	21.9	23.1	23.2	24.1	23.8	22.8
695	Paperboard, pulpboard, and wallboard (paper)	20.6	20.9	20.9	20.2	21.8	22.9	23.6	21.6
696	Building paper and prepared roofing materials	22.3	21.8	21.9	22.9	23.4	23.3	23.2	22.5
697	Building woodwork (millwork)	18.3	19.6	19.5	18.7	20.1	21.2	21.3	20.6
698	Soap and washing compounds	22.9	21.5	21.7	21.2	21.2	21.0	21.3	21.6
699	Glass, flat, other than plate	24.9	26.4	26.3	35.0	25.8	29.9	30.3	28.5
700	Glass: Bottles, jars, and jelly glasses	16.7	17.4	17.3	17.1	17.6	17.5	18.0	17.4
701	Manufactures and miscellaneous, N. O. S.	19.8	21.4	21.2	24.5	21.7	20.2	20.5	21.2
(840)	Total manufactures and miscellaneous	22.7	26.1	25.7	25.6	25.9	25.9	26.0	25.8
(850)	Grand total, carload traffic	25.8	37.0	35.9	47.3	31.8	28.6	31.1	34.5
701A	Forwarder traffic included in Class 701	10.6	11.3	11.2	14.3	12.4	14.1	14.9	12.2

1/ The average load is obtained by dividing the number of tons of total freight traffic by the number of carloads, Freight Commodity Statistics Statement No. 40100 (1939) Table 3. The railroads included in each of the regions and districts listed are the same as those used for the purpose of compiling the Freight Commodity Statistics, with the exception of the Eastern district. See footnote 2.

2/ Based on combination of data shown for Great Lakes Region and Central Eastern Region.

Note:--The average load per car represents an average based on the sum of the tons originated and the tons received from connections divided by the corresponding number of carloads, thereby including duplications in each territory. This is necessary to give effect in each territory to the total traffic handled. The average load per car originated would differ slightly from the averages shown. For the average load of less-carload traffic see text p. 35.

Rail - Form A, 1-41

Exhibit No. ____________

Witness [illegible]

EXHIBIT 4

ICC Docket 28300 - Class Rate Investigation, 1939
ICC Docket 28310 - Consolidated Freight Classification

Railway

Freight Service Costs

For the year 1939

Computed by the Bureau of Statistics
Interstate Commerce Commission

By ______________________________
(Name of Carrier)

TABLE OF CONTENTS

Schedule A, Sheet 1	-	System freight statistics and locomotive repair expenses separated between territories.
Schedule A, Sheet 2	-	Equipment maintenance and rental expenses separated by classes of equipment and by territories.
Schedule A, Sheet 3	-	Computation of car-miles and car-days in running, switching, and loading and unloading services and a separation of the mileage and time portion of the freight-train car expenses by territories.
Schedule B, Sheet 1	-	System freight maintenance of way expenses separated between territories and special services.
Schedule B, Sheet 2	-	Territorial freight maintenance of way expenses separated between running, switching, station service, general overhead, and special services.
Schedule C, Sheet 1	-	System freight transportation expenses separated between territories.
Schedule C, Sheet 2	-	Territorial freight transportation expenses separated between running, switching, station service, general overhead, and special services.
Schedule D, Sheet 1	-	Computation of territorial unit costs in station service.
Schedule E, Sheet 1	-	Computation of the ratio of traffic, general and miscellaneous overhead, and taxes to the remaining operating expenses.
Schedule E, Sheet 2	-	Computation of the revenue gross ton-miles and the revenue freight portion of the total freight operating expenses.
Schedule E, Sheet 3	-	Computation of the less-carload and passenger deficiencies and the ratio of such deficiencies to carload operating expenses, rents and taxes.
Schedule F, Sheet 1	-	Separation of the total rate-making value between less-carload freight traffic, carload freight traffic, and passenger traffic, and the computation of the ratio of the cost of providing the specified returns to the less-carload and carload operating expenses, rents and taxes.
Schedule F, Sheet 2	-	Separation of the value of road and equipment by territories and by services.
Schedule F, Sheet 3	-	Separation of the value of equipment by territories.
Schedule G	-	Summary of loss and damage payments by commodity groups.
Schedule H, Sheet 1	-	Summary of carrier operating expenses, rents and taxes by expense groups.
Schedule H, Sheet 2	-	Footnotes for Schedule H, Sheet 1.
Schedule H, Sheet 3	-	Separation of switching expenses by classes of switching.
Territorial Summary, Sheets 1-8	-	Territorial summary of aggregate costs, aggregate units and unit costs.
Loss and Damage Summary	-	Loss and damage payments by commodity groups. (Each sheet provides for two commodity groups. Use as many sheets as necessary to provide for all commodities).
Carload Assembly Schedule, Sheet 1	-	Assembly of costs for net loads of from 5 to 34 tons, inclusive.
Carload Assembly Schedule, Sheet 2	-	Assembly of costs for net loads of from 35 to 64 tons, inclusive.
Less-carload Assembly Schedule, Sheet 1	-	Assembly of costs for less-carload traffic.
Territorial Carload Cost Scales, Sheet 1	-	Carload distance cost scales based on net loads of 5 to 19 tons, inclusive, and hauls of 10 to 500 miles. (Additional sheets were used as needed to provide for net loads of more than 19 tons and hauls of more than 500 miles).
Less-carload Cost Scales	-	Less-carload distance cost scales for net loads of from 1.0 to 7.5 tons and hauls of from 10 to 3,500 miles, inclusive. (Additional sheets were used as needed to provide for net loads of more than 7.5 tons).

INTRODUCTORY REMARKS

1. (a) This rail cost formula, designated as Rail - Form A, is one of several developed by the Bureau of Statistics for use in different types of cases. Form A is intended to develop costs based upon respondent's system average operations, including main and branch lines, through and way trains, and large and small terminals.

(b) The formula provides for several levels of cost based upon a distribution of respondent's operating expenses, rents and taxes, and return on value, to the movement of the traffic, giving consideration to the following:

1. Length of haul,
2. Net weight of load,
3. Tare weight of car,
4. Percent of empty return movement of the equipment,
5. Volume of switching service (carload versus less-carload),
6. Car rental expenses paid, if any.

The levels of cost are as follows:

I. Carload and less-carload out-of-pocket costs. (Based on the application of the formula to the out-of-pocket portion of each account).

II. Carload and less-carload freight operating expenses, rents and taxes.

III(a). Carload and less-carload operating expenses, rents and taxes, plus an allowance for a return at 4 percent, upon the carload and less-carload portions of the value of the property.

III(b). Carload and less-carload operating expenses, rents and taxes, plus an allowance for a return at 5-3/4 percent upon the carload and less-carload portions of the value of the property.

IV. Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits, but excluding return.

V(a). Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits and a return at 4 percent upon the total value of the property, including the less-carload and passenger portions.

V(b). Carload operating expenses, rents and taxes, plus less-carload and passenger operating deficits, and a return at 5-3/4 percent upon the total value of the property, including the less-carload and passenger portions.

(c) The formula provides for the computation of the passenger and less-carload deficits. These deficits represent that portion of the total operating expenses, rents and taxes (with and without an allowance for return) which were assigned to the passenger and less-carload services and which the revenues from those services during the annual period covered by the study were unable to meet. The amount of the deficit apportioned to any given carload traffic movement is based upon the freight service expenses assigned assigned and apportioned to such carload traffic, i.e., the distribution is based on the relative use which such carload traffic itself makes of respondent's transportation facilities. No consideration is given to the commodity's relative ability to pay.

1 - Continued

(d) The respective levels of cost developed by the formula serve to indicate that average revenue which each 100 pounds of freight would have had to earn during the period studied (considering the length of haul, net weight of load, percent of empty return movement and tare weight of the equipment) to cover the elements of cost indicated. The nature of the commodity carried receives consideration in these scales only through the variation in load per car, and type of car used. Loss and damage receives separate consideration apart from the scales.

(e) This formula does not reflect those rate-making factors which occasion differences in rates which cannot be justified under a strict adherence to a cost of service principle. Such factors include ability to pay, value of service, value of commodity, competitive relationships, degree of manufacture, etc.

2. The steps in filling out this questionnaire are as follows:
   (a) Fill out Schedules A, B, C, D, E, F, G, and H from the accounting and statistical sources indicated.
   (b) Fill out the Territorial Summaries from the sources indicated.
   (c) Fill out the carload and less-carload assembly schedules from the sources indicated.
   (d) Fill out the carload and less-carload cost scales from the sources indicated.

3. Apportionment factors shown throughout the formula should be used only in the absence of data permitting direct assignment.

4. Where cost scales are being developed for individual carriers, observe the following:

(a) In the development of the unit costs respondent should not include the joint facility debits and credits where it does not also include in its statistics the corresponding service units. (For example, if respondent's expenses include joint facility debits for yard engine operations performed for it by others, but its statistics do not include the corresponding yard engine hours performed, its costs per yard engine hour will be overstated. Similarly, if respondent performs switching service for others and includes in its statistics the total engine hours for such work performed, its cost per engine hour will be understated, unless it excludes the corresponding joint facility credit for the amount billed others). Such debits and credits should be assigned to the columns designated "Special services" when they will significantly affect the computation of the unit costs. See paragraph (b) for instructions in this respect.

(b) Where an annual debit or credit of the nature outlined in (a) above exceeds $_______ for an individual facility (freight portion only) assign such debit or credit to the column designated "Special services". Distribute the remaining joint facility debits and credits on the basis indicated in each schedule hereto.

______________ Railway
Schedule A
Sheet 1 of 3

System Freight Statistics and Locomotive Repair Expenses for 1939 Separated between Territories

Statistics

Line No.	Item (1)	System statistics--Freight: Source (2)	System statistics--Freight: Total (3)	(Territory) 1/ (4)	(Territory) 1/ (5)	(Territory) 1/ (6)	(Territory) 1/ (7)	Line No.
	Locomotive-miles							
1	Locomotive-miles, principal, helper and light	A.R. Sch. 531, items 21-23, col.(b)						1
2	Locomotive-miles, train switching	A.R. Sch. 531, item 24, col. (b)						2
3	Locomotive-miles, yard switching	A.R. Sch. 531, item 25, col. (b)						3
4	Total (lines 1 to 3)	A.R. Sch. 531, item 26, col. (b)						4
	Ton-miles							
5	Gross ton-miles of locomotives and tenders	A.R. Sch. 531, item 60, col. (b)						5
6	Gross ton-miles of freight-train cars and contents, excluding cabooses	2/						6
7	Gross ton-miles of passenger-train cars & contents in freight trains .	A.R. Sch. 531, item 62, col. (b)						7
	Car-miles							
8	Total car-miles, loaded and empty, including cabooses	A.R. Sch. 531, items 40, 41, 48, col.(d)						8
9	Car-miles, cars rented on a mileage basis, loaded and empty	Car hire records						9
10	Car-miles, other than mileage cars, loaded & empty, incl. cabooses ...	Line 8 minus line 9						10
11	Car-miles, other than mileage cars, loaded & empty, excl. cabooses ...	Line 10 minus caboose miles						11
	Train-miles							
12	Total (with locomotives)	A.R. Sch. 531, item 13, col. (b)						12

Separation of Locomotive Repair Expenses by Territories Based upon the Repair Expenses by Classes of Locomotives and the Mileage Run by Each Class in Each Territory,
(Data to be Supplied Where the Carriers Currently Accumulate Repair Expenses by Classes of Locomotives and the Mileage Run by Each Class in Each Division. Use Added Sheets Where Necessary)
(Show in Columns (9) to (13) System Data for Freight Locomotives or Locomotives Common to both Freight and Passenger Service)

Line No.	Item (8)	System data					(Territory)		(Territory)		(Territory)		(Territory)		Line No.
		Class of locomotive 1/ (9)	Avg. wt. of locos for class (tons) 4/ (10)	Total expenses (11)	Total loco. miles 5/ (12)	Expenses per mile (col. (11) ÷ col. (12)) (13)	Loco. miles freight 5/ (14)	Expenses (cols. 14 x 13) (15)	Loco. miles freight 5/ (16)	Expenses (cols. 16 x 13) (17)	Loco. miles freight 5/ (18)	Expenses (cols. 18 x 13) (19)	Loco. miles freight 5/ (20)	Expenses (cols. 20 x 13) (21)	
13	Loco., repairs, Yard (Accts. 308, 311)														13
14	" " " "														14
15	" " " "														15
16	" " " "														16
17	" " " "														17
18	" " " "														18
19	" " " "														19
20	Total	xxx	xxx			xxx	xxx		xxx		xxx		xxx		20
21	Loco., repairs, other (Accts. 308, 311)														21
22	" " " "														22
23	" " " "														23
24	" " " "														24
25	" " " "														25
26	" " " "														26
27	" " " "														27
28	" " " "														28
29	" " " "														29
30	" " " "														30
31	" " " "														31
32	" " " "														32
33	" " " "														33
34	" " " "														34
35	" " " "														35
36	Total	xxx	xxx			xxx	xxx		xxx		xxx		xxx		36

1/ Name the divisions assigned to each territory for the purpose of Schedules A, B. & C of this statement:

______________ Territory includes ______________________________ (Div's)
______________________________ (Div's)
______________ Territory includes ______________________________ (Div's)
______________________________ (Div's)
______________ Territory includes ______________________________ (Div's)
______________________________ (Div's)

2/ A.R. Schedule 531, item 61, column (b) minus caboose ton-miles. Compute the caboose ton-miles by multiplying the caboose car-miles by the average weight of a caboose.

3/ Designate the classes or groups for which the carrier currently compiles its repair costs. The class designation is that used by the carrier for managerial purposes.

4/ Weight of locomotive, including tender two-thirds loaded.

5/ Locomotive miles include principal, helper and light and train switching (if latter available).

Equipment Maintenance and Rental Expenses for 1939 Separated by Classes of Equipment

________________ Railway
Schedule A
Sheet 2 of 3

Line No.	Acct. No. (1)	Item (2)	System freight expenses from Annual Report (3)	Apportionment factors (4)	Steam and other locomotives		Freight train cars			Work equipment (10)	Floating equipment 1/		Line No.
					Road (5)	Yard (6)	Rented on mileage basis (7)	All other			Road (Running) (11)	Yard (Switching) (12)	
								Mileage portion (8)	Time portion (9)				
		Maintenance of Equipment											
1	308	Steam locomotives, repairs		Direct			xxx	xxx	xxx	xxx	xxx	xxx	1
2	311	Other locomotives, repairs		Direct			xxx	xxx	xxx	xxx	xxx	xxx	2
3	314	Freight-train cars, repairs		Ml. 70%; T. 30%	xxx	xxx	xxx			xxx	xxx	xxx	3
4	323	Floating equipment, repairs		Direct 1/	xxx	xxx	xxx	xxx	xxx	xxx			4
5	326	Work equipment, repairs		Direct	xxx	xxx	xxx	xxx	xxx		xxx	xxx	5
6		Total, accounts 308-26		-			xxx						6
7		Percentage distribution line 6 .	$	-	$	$	xxx	$	$	$	$	$	7
8	301-05 326 & 331 332-37	Supt. shop mach. misc. equip. rep. & depr., inj., ins., staty., & jt. equipment		Line 7			xxx						8
9	329-30	Equipment retirements		Line 10			xxx						9
10	331	Equip. depr. (excl. misc. equip.)		2/			xxx						10
		Equipment Rents											
	503 & 536	Hire of Freight Cars (net):											
11		(a) Cars on mileage basis		Direct	xxx	xxx		xxx	xxx	xxx	xxx	xxx	11
12		(b) Cars on per diem basis ...		Direct 3/	xxx	xxx	xxx			xxx	xxx	xxx	12
13		(c) Cars on other basis		Direct 3/	xxx	xxx	xxx			xxx	xxx	xxx	13
14	504 & 537	Locomotive rent (net)		Accts. 308, 311			xxx	xxx	xxx	xxx	xxx	xxx	14
15	506 & 539	Floating equipment rent (net) ..		Acct. 323	xxx	xxx	xxx	xxx	xxx	xxx			15
16	507 & 540	Work equipment rent (net)		Direct	xxx	xxx	xxx	xxx	xxx		xxx	xxx	16
17		Total (lines 6-16, excl. line 7)		-									17
18		Total, less passenger portion of nonrevenue frt. (line 17 x ________ ratio) 4/		-									18

Separation of Equipment Maintenance and Rental Expenses by Territories

Line No.	Item (13)	System data				(Territory)		(Territory)		(Territory)		Line No.
		Source (14)	Expenses (15)	Miles (A.R. Sch. 531) (16)	Unit cost (cols. 15 ÷ 16) (17)	Miles (Sch. A, sheet 1) (18)	Expenses 5/ (19)	Miles (Sch. A, sheet 1) (20)	Expenses 5/ (21)	Miles (Sch. A, sheet 1) (22)	Expenses 5/ (23)	
	Locomotives, road and yard											
19	Yard locomotives	L. 18, col. (6)		LM		LM		LM		LM		19
20	Loco.-train switch. (Exps. = miles x yd. eng. cost per mile)	L. 20, col. (16) x L. 19, col. (17) 13/		LM		LM		LM		LM		20
21	Road locomotives--total	L. 18, col. (5)		xxx	xxx	xxx		xxx		xxx		21
22	Road locomotives--running	L. 21 — L. 20		xxx	xxx	xxx		xxx		xxx		22
23	Rd. loco.--running, loco.-mile portion	40% of L. 22		LM		LM		LM		LM		23
24	Rd. loco.--running, loco.-ton-mile portion	60% of L. 22		LTM 6/		LTM 6/		LTM 6/		LTM 6/		24
	Yard locomotives--Territorial separation											
25	Loco. rep.--yard, Accts. 308, 311	Tot. Sch. A, sheet 1		xxx	xxx	xxx		xxx		xxx		25
26	Shop overheads	L. 25 x ___ ratio 7/		xxx	xxx	xxx		xxx		xxx		26
27	Distr. of depr. retire. & rents on LM basis	From col. (6) L. 9, 10 and 14		LM		LM		LM		LM		27
28	Total, yd. locos. (L. 25-27) (Insert adj. tot. in line 19) 8/	L. 25-27										28
	Road locomotives--Territorial separation											
29	Loco. repairs--road, Accts. 308, 311	Tot. from Sch. A, sh. 1		xxx	xxx	xxx		xxx		xxx		29
30	Shop overheads	L. 29 x ___ ratio 7/										30
31	Distr. of depr. retire. & rents on LTM basis	Col. (5), L. 9, 10 & 14		LTM 6/		LTM 6/		LTM 6/		LTM 6/		31
32	Tot. rd. locos. (L. 29-31) (Insert adj. tot. in Line 21) 8/	L. 29-31										32
	Frt.-train car exp. (other than mileage)											
33	Running portion	Sch. A, sh. 3 line 31 10/		CM 9/		CM 9/		CM 9/		CM 9/		33
34	Switching portion	Sch. A, sh. 3, line 32 11/										34
35	Loading and unloading portion	Sch. A, sh. 3, line 29 12/										35

(See reverse side for footnotes)

Footnotes for Schedule A, sheet 2

1/ Repairs to floating equipment to be separated between line and terminal from information supplied by the carriers, where necessary.

2/ Compute depreciation as follows: (Where carrier has no regularly assigned yard engines, omit Parts I.-II, III, and apply Part IV)

Part I. Depreciation - Steam locomotives

Item	Source	Amount
(a) Road portion of loco. tons (given weight of 1.2 per Eng. Section, Bu. of Val.)	A.R.Sch.417, p.405, col.(z), (lines 1 plus 2 plus 3) x 1.2	tons
(b) Yd. portion of loco. tons (wt. given 1.0)	A.R.Sch.417, p.405, line 4, col.(z)	tons
(c) Total rd. plus yd. portion loco. tons.	Lines (a) plus (b)	tons
(d) Yd. portion of total tons	Line (b) divided by line (c)	ratio
(e) Total depreciation expense (frt. and passenger)	A.R.Sch. 320, page 308, line 132, col. (b)	$
(f) Yard portion of total depreciation ...	Lines (d) x (e)	$
(g) Ratio of yd. switching loco. miles, frt., to total yd. switching loco. miles	A.R.Sch. 531, p.508, item 25, col.(b) divided by col.(d)	ratio
(h) Frt. port. of yd. loco. depreciation .	Line (f) x line (g)	$
(i) Tot. loco. deprec., frt., road and yard.	A.R.Sch.320, line 132, col.(e)	$
(j) Deprec. steam locos., frt., road portion.	Line (i) minus line (h)	$

Part II. Depreciation - Other locomotives

Item	Source	Amount
(k) Tot. weight of internal combustion switchers (yd.)	A.R.Sch.419, col.(j), line 1 x line 7	tons
(l) Wt. of electric locos., switching (yard)	A.R.Sch.417, line 8, col.(z)	tons
(m) Tot. wt. internal combustion and electric locomotives (yard)	Line (k) plus line (l)	tons
(n) Tot. weight electric and internal combustion locomotives, road plus yard	A.R.Sch.417, p.405, line 9, plus line 10, col.(z)	tons
(o) Ratio of wt., yd. switching locos. to total locos.	Line (m) divided by line (n)	ratio
(p) Total depreciation - other locomotives	A.R.Sch.320, line 133, col.(b)	$
(q) Yd. portion of total loco. depreciation	Line (o) x line (p)	$
(r) Frt. port. of loco. depr., - yard	Line (g) x line (q) *	$
(s) Tot. loco. depr., frt., road and yard.	A.R.Sch.320, line 133, col.(e)	$
(t) Depr., other locos., road portion	Line (s) minus line (r)	$

Part III. Total depreciation, steam and other locomotives, separated between road and yard

Item	Source	Amount
(u) Road portion	Line (j) plus line (t)	$
(v) Yard portion	Line (h) plus line (r)	$

Part IV. Treatment where carrier has no regularly assigned locomotives in yard service

Item	Source	Amount
(w) Ratio of yard switching loco. miles to total loco miles in freight service	A.R.Sch.531, col.(b), item 25 divided by item 26	ratio
(x) Locomotive depreciation, steam and other locomotives, freight service ..	A.R.Sch.320, col.(e), lines 132 and 133	$
(y) Yd. port. of loco. depr. steam and other, freight	Line (w) x line (x)	$
(z) Rd. port. of loco. depr. steam and other, freight	Line (x) minus line (y)	$

Part V. Freight-train car depreciation

Assign 45% to the mileage portion, col.(8), and 55% to time portion, col.(9).

* It is assumed that the distribution of the yard locomotive-miles between freight and passenger is the same for steam locomotives as other locomotives. Separate mileage for (1) steam locomotives and (2) other locomotives, in freight versus passenger service, is not available.

3/ For the purpose of territorial aggregations, assign 100% to column (9). (Note: Where supplemental studies are to be made by individual carriers, assign as follows: If a debit balance, 100% to column (9); if a credit balance, apportion _____ % of such amount between columns (8) and (9) on basis of lines 3, 8, and 10, columns (8) and (9). Show remainder in column (4) for purpose of reconciliation. Such remainder must be deducted from the allowences for return on carrier's valuation when such valuation includes all freight car equipment owned. See Schedule . This procedure to be followed only upon special instructions).

4/ Ratio from Schedule E, sheet 2, line 28, column (14).

5/ Where the separation of locomotive expense, running, by territories is made on the basis of lines 23 and 24, the expenses equal column (17) multiplied by columns (18), (20), or (22), as applicable. Where the separation is provided by the carriers, see Schedule A, sheet 1, lines 13 to 35. Where the separation of locomotive expense, yard, by territories is made on the basis of line 19, the expenses equal column (17) multiplied by columns (18), (20), or (22), as applicable.

6/ Thousands.

7/ Column (3), line 8, divided by line 5.

8/ Adjust totals for passenger portion of nonrevenue freight by multiplying by ratio shown in footnote 4. The aggregate of the adjusted territorial totals should equal the amount shown in line 18, column (6) (for yard locomotives) and column (5) for road locomotives.

9/ Leave blank.

10/ Insert system and territorial (if any) expenses direct from Schedule A, sheet 3, line 31. Leave columns (16), (18), (20), and (22) blank.

11/ Insert system and territorial (if any) expenses direct from Schedule A, sheet 3, line 32. Leave columns (16), (18), (20), and (22) blank.

12/ Insert system and territorial (if any) expenses direct from Schedule A, sheet 3, line 29. Leave columns (16), (18), (20), and (22) blank.

13/ Where a carrier shows no expenses for yard locomotives, separate the expenses for road locomotives between train switching and running on the basis of the locomotive-miles in each service. Compute as follows:

Item	Source	Amount
(a) Train switching portion of mileage	Column 16, line 20 ÷ (column 16, line 20 + line 23)	Ratio
(b) Train switching expenses	Column 5, line 18 x line (a)	
(c) Road - running portion of expenses	Column 5, line 18 minus line (b)	

_______________Territory or system

_______________Railway
Schedule A
Sheet 3 of 3

Separation of System Freight-train Car Expenses between Running, Switching and Loading and Unloading 1/

Separation of Statistics

Line No.	Item	Number of cars		Car-miles		System car days in running, switching and loading and unloading						Line No.
							Switching service		Loading & unloading			
		Source	Aggregate	Normal movement (miles)	Total car-miles (Col.(3), times col.(4))	Running service	Approx. car days per car 2/	Total car days (Col. (3) x col.(7))	Approx. car days per car 2/	Total car days (Col.(3) x col.(9))	Total car-days (Cols. (6) + (8) + (10))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
						Running Service						
1	Total freight cars, loaded & empty, incl. cabs. .	xxx	xxx	xxx	3/	4/	xxx	xxx	xxx	xxx		1
						Switching Service and Loading and Unloading						
2	Carrier term.switch.,indus. & team trks (loads) .	5/				xxx						2
3	Carrier term.switch.,indus. & team trks (empties)	6/				xxx			xxx	xxx		3
4	Carrier term.switching, freighthouse trks (loads)	7/				xxx						4
5	Carrier term.switch. freighthouse trks (empties).	6/				xxx			xxx	xxx		5
6	Connection term. switch.(cars originated or terminated by respondent & receiving connecting line road haul) (loads)	5/				xxx						6
7	Connection term. switch.(cars originated or terminated by respondent and receiving connecting line road haul) (empties)	6/				xxx			xxx	xxx		7
8	Interchange switching (loads)	8/				xxx			xxx	xxx		8
9	Interchange switching (empties)	9/				xxx			xxx	xxx		9
10	Intermediate switching (loads)	18/				xxx			xxx	xxx		10
11	Intermediate switching (empties)	9/				xxx			xxx	xxx		11
12	Intraterminal switching (loads)	10/				xxx						12
13	Intraterminal switching (empties)	6/				xxx			xxx	xxx		13
14	Interterminal switching (loads)	11/				xxx						14
15	Interterminal switching (empties)	6/				xxx			xxx	xxx		15
16	Intertrain & intratrain switching (loads)	12/				xxx			xxx	xxx		16
17	Intertrain & intratrain switching (empties)	9/				xxx			xxx	xxx		17
18	Carrier terminal switching, nonrevenue (loads) ..	19/ (d)				xxx						18
19	Carrier terminal switching, nonrevenue (empties).	19/ (e)				xxx						19
20	Subtotal (lines 2-19, inclusive)	xxx	xxx	xxx		xxx	xxx		xxx			20
21	Total equated car-miles in switching (line 20 x 2.00) 13/	xxx	xxx	xxx		xxx	xxx	xxx	xxx	xxx	xxx	21
						Totals - Running, Switching & Loading & Unloading						
22	Total equated car-miles (line 1 plus line 21) .	xxx	xxx	xxx		xxx	xxx	xxx	xxx	xxx	xxx	22
23	Total car-days (line 1 plus line 20)	xxx	xxx	xxx	xxx		xxx		xxx			23

Separation of Expenses

Line No.	Item	System			Terr. ( )			Terr. ( )			Terr. ( )			Line No.
		Equated units			Equated units			Equated units			Equated units			
		Amount	Percent of sys.tot. 15/	Freight train car expenses 16/	Amount	Percent of sys.tot. 15/	Freight train car expenses 16/	Amount	Percent of sys.tot. 15/	Freight train car expenses 16/	Amount	Percent of sys.tot. 15/	Freight train car expenses 16/	
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
	Mileage portion		Car miles 14/			Car miles 14/			Car miles 14/			Car miles 14/		
24	Running		%			%			%			%		24
25	Switching		%			%			%			%		25
26	Total		100%			%			%			%		26
	Time portion		Car days 17/			Car days 17/			Car days 17/			Car days 17/		
27	Running		%			%			%			%		27
28	Switching		%			%			%			%		28
29	Loading and unloading		%			%			%			%		29
30	Total		100%			%			%			%		30
	Total - Mileage + time portion													
31	Running (line 24 plus line 27).	xxx	xxx		xxx	xxx		xxx	xxx		xxx	xxx		31
32	Switching (line 25 + 28)	xxx	xxx		xxx	xxx		xxx	xxx		xxx	xxx		32
33	Grand total (lines 29, 31 and 32)	xxx	xxx		xxx	xxx		xxx	xxx		xxx	xxx		33

(See reverse side for footnotes)

6075

Footnotes for Schedule A, sheet 3

1/ Where the separation of respondent's freight-train car expenses is made on a system basis use only one sheet of this schedule, filling out lines 1 to 33 with columns (16) to (24) being left blank. Where the separation of respondent's freight-train car expenses is required on a territorial basis use a separate sheet for each territory. The total car-miles and car-days for all territories shall be aggregated and the expenses distributed on lines 24 to 33, columns (12) to (24), using for this purpose the first of the territorial pages, leaving such portion of the remaining territorial pages blank.

2/ Show the approximate car-days per car for each class of switching for which the number of cars are shown in column (3). Such estimates should reflect system averages, the data to be estimated on the basis of car records, per diem reclaims, demurrage records and available switching studies. Unless otherwise instructed, assume the following:

Class of switching	Switching service	Loading and unloading
(a) Carrier term. switch., indus. and team tracks		
(b) Carrier term. switching, freight-house tracks		
(c) Interchange switching		
(d) Other (designate)________		
(e) Other (designate)		

3/ From Annual Report, Schedule 531, column (d), sum of items 40, 41, and 48.

4/ Compute car days - running service as follows:

Item	Amount
(a) Train hrs. incl. train-switch. hours at way stations (A.R. Sch. 531, item 64, col.(b))	
(b) Avg. cars per train (A.R.Sch.531, (items 40 and 41, col.(b)))÷ (items 15, col.(b))	
(c) Freight train cars, hrs. - running (line (a) x line (b))	
(d) Freight train car days - running (line (c) ÷ 24 hours)	
(e) Caboose car days (train hours, line (a) ÷ 24)	
(f) Total car days, incl. caboose (line (d) plus line (e))	

For purposes of territorial breakdown, distribute between territories on the basis of the total car-miles, loaded and empty, including cabooses, shown on Schedule A, sheet 1, line 8, columns (4) to (7).

5/ Compute total loads from A.R. Sch. 541, Class 850, sum of columns (d) and (f) plus twice column (b). If information available, exclude respondent's cars upon which origin or destination switching is performed by connecting line. In such case show on lines 6 and 7 the cars for which origin or destination switching is performed for a connecting line. For purposes of compiling territorial aggregates, this adjustment may be ignored.

6/ The number of empties equals the number of loads times the ratio of the total empties spotted and switched out to the total loads spotted and switched out as developed from available test studies. (Show ratios used: Line 3 ______ ; line 5 ______ ; line 7 ______ ; line 13 _____ ; line 15 ______).

7/ If not readily available, compute as follows:

Item	Source	Amount
(a) Total tons of l.c.l. traffic handled	A.R.Sch.541, Class 710, sum of cols. (e) + (g) + twice col. (c)	tons
(b) Average load, tons per loaded car	From Senate Resolution 146, 76th Congress, First Session, Vol.1, Statement 6, col.(14)	tons
(c) Number of loaded cars	Line (a) divided by line (b)	cars
(d) Number of loaded cars originated or terminated, re transfers ..	Tons transferred (from Sch.D, sh.1, 6/ line (g), col.(3)) ÷ avg. load, line (b)	cars
(e) Total cars	Line (c) plus line (d)	cars

Note: If information available, exclude respondent's cars upon which origin or destination switching performed by connecting line. In such case show on lines 6 and 7 the cars for which origin or destination switching is performed by connecting line. For purposes of compiling territorial aggregates this adjustment may be ignored.

8/ Compute as follows:

Item	Source	Amount
(a) Number of cars, carload traffic	A.R.Sch.541, Class 850, sum of cols. (d) + (f) + twice col. (h)	c.ls.
Number of cars, l.c.l. traffic:		
(b) Number tons rec. from and deliv. to conn.	A.R.Sch.541, Class 710, cols. (e) + (g) + twice col. (i)	tons
(c) Percentage of tons (interline traffic) in thru cars not worked at interchg.	Senate Resolution 146, State. 6, cols. (3) ÷ (2)	ratio
(d) Number of tons (interline) in thru cars not worked at interchange points	Line (b) x line (c)	tons
(e) Average tons for thru car, interline	Senate Resolution 146, State. 6, col. (13)	tons
(f) Number of cars not worked at interchange	Line (d) divided by line (e)	cars
(g) Total cars, c.l. and l.c.l. ...	Line (a) plus line (f)	cars

9/ The number of empties equals the number of loads multiplied by the system ratio of empty car-miles to loaded car-miles. A.R. Sch. 531, col. (d), item 41 divided by item 40 ______ ratio.

10/ Insert, if available, from data furnished by respondent. Give single count for each car handled covering switching at both origin and destination industries. Increase estimates of car-days and car-miles accordingly.

11/ Insert, if available, from data furnished by respondent.

12/ To be computed from an analysis of the number of intertrain and intratrain switching movements received by the average car for the average length haul. For purposes herein, compute the number of handlings, loads, by dividing the loaded car-miles in A.R. Sch. 531, col. (d), item 40 by 150. (This treatment assumes that there is one handling for every 150 car-miles).

13/ The factor of 2.0 is used to give weight to the conclusion that a car handled one mile in switching service is subject to 2.0 times as much wear as a car handled one mile in running service. Weighting based on studies made by Engineering Section of Bureau of Valuation.

14/ Car-miles, running, from line 1, column (5). Car-miles, switching, from line 21, column (5).

15/ Show percentage relationship that the car-miles bear to the total system equated car-miles in line 26, column (13). Compute the corresponding relationship for the car-days to the system total car-days shown on line 30, column (13).

16/ Insert the mileage portion of freight-train car expenses in line 26, column (15) and the time portion in line 30, column (15) from Sch. A, sheet 2, line 18, columns (8) and (9), respectively. Distribute the mileage portion of the system freight-train car expenses shown on line 26, column (15) on the basis of the percentage distribution of the car-miles in columns (14), (17), (20), and (23). Similarly, distribute the time portion of the freight-train car expenses shown on line 30, column (15) on the basis of the percentage distribution of the car-days.

17/ Insert in lines 27, 28, and 29 the car-days from line 23, columns (6), (8), and (10), respectively.

18/ Insert, if available, from data furnished by respondent. Give single count for each car handled covering switching at point of receipt and point of delivery. Increase estimates of car-days and car-miles accordingly.

19/ The entries in columns (4), (7), and (9), line 18, are the same as in line 2, columns (4), (7), and (9), respectively. The entries in columns (4), (7), and (9), line 19, will be the same as the entries in line 3, columns (4), (7), and (9), respectively. Compute count of cars as follows:

Item	Source	Amount
(a) Tons of nonrevenue freight carried .	A.R.Sch. 531, item 80	
(b) Average net load of company material	Sch.E. sheet 2, line 5, col.(3) ÷ col.(5)	
(c) Total number of loaded cars handled, nonrevenue freight	Line (a) ÷ line (b)	
(d) Count of cars, nonrevenue, loads	Line (c) x 2	
(e) Count of cars, nonrevenue, empties .	Line (c) x 2	

Where the carrier's expenses and statistics are broken down by territories, distribute the system entries in Schedule A, sheet 3, column (3), lines 18 and 19, on the basis of the entries in column (3), lines 2 and 3.

_______________ Railway
Schedule B
Sheet 1 of 2

System Freight Maintenance of Way Expenses for 1939 Separated between Territories and Special Services

Line No.	Acct. No. (1)	Expense groups (2)	System freight expenses from Annual Report (3)	Apportionment factors 1/ (4)	(Territory) (5)	(Territory) (6)	(Territory) (7)	(Territory) (8)	Special services (system) (9)	Line No.
		Maintenance of Way and Structures								
1	201	Superintendence		Direct					2/	1
2	202-22	Track expense-yard switching tracks		Direct					xxx	2
3		-way switching tracks		Direct					xxx	3
4		-running tracks		Direct					xxx	4
5	227-28	Station and office buildings		Direct					xxx	5
6	229-30	Roadway buildings		Direct					xxx	6
7	231-34	Water and fuel stations		Direct					xxx	7
8	235-36	Shops and enginehouses		Direct					xxx	8
9	237-38	Grain elevators		Direct	xxx	xxx	xxx	xxx		9
10	239-40	Storage warehouses		Direct	xxx	xxx	xxx	xxx		10
11	241-42	Wharves and docks		Direct					xxx	11
12	243-44	Coal and ore wharves		Direct					xxx	12
13	247-48	Telegraph and telephone lines		Direct					xxx	13
14	249-50	Signals and interlockers		Direct					xxx	14
15	253-54	Power plants		Direct					xxx	15
16	257-58	Power-transmission systems		Direct					xxx	16
17	265-66	Miscellaneous structures		Direct					xxx	17
18	269-73	Roadway machines, etc.		Direct 3/					xxx	18
19	274-75	Injuries to persons and insurance		Direct					2/	19
20	276-77	Stationery and other expenses		Direct					2/	20
21	278	Maintenance joint tracks, yards, etc. - Dr. ...		Direct					xxx	21
22	279	Maintenance joint tracks, yards, etc. - Cr. ...		Direct					xxx	22
23	281	Right-of-way expense		Direct					xxx	23
24		Total (lines 1 to 23)		--						24
25		Maintenance of work equipment	Sch. A, sheet 2, col. (10) line 17	Line 24, cols. (5) to (8), inclusive						25
26		______________________ 4/								26
27		______________________ 4/								27

1/ Expenses which can not be directly assigned shall be apportioned between columns (5) to (9) on basis of the directly assigned charges in accounts 202-73, inclusive.
2/ Insert in column (9) that portion of accounts 201, 274-75, 276-77, which were directly assigned or apportioned to grain elevators and storage warehouses.
3/ Expenses which can not be directly assigned shall be apportioned to the territories on the basis of accounts 202-22, inclusive.
4/ Carriers to leave blank.

Territorial Freight Maintenance of Way and Structures Expenses for 1939 Separated between Running, Switching, Station Services, General Overhead & Special Services

______________ Territory

______________ Railway

Schedule B

Sheet 2 of 2

Line No.	Acct. No. (1)	Expense groups (2)	Territorial expenses (3)	Apportionment factors (4)	Running service (5)	Switching service Train (6)	Switching service Yard (7)	Station service (8)	General overhead & special services (9)	Line No.
		Maintenance of Way and Structures								
1	202-22,	Track expense - yard switching tracks		Direct	xxx	xxx		xxx	xxx	1
2		- way switching tracks		Direct	xxx		xxx	xxx	xxx	2
3		- running tracks		Direct		xxx	xxx	xxx	xxx	3
4		Total (lines 1 to 3)						xxx	xxx	4
5		Percentage distribution, line 4	100%					xxx	xxx	5
6	227-28	Station and office buildings		15% Run., 85% Sta.		xxx	xxx		xxx	6
7	231-34	Water and fuel stations		1/				xxx	xxx	7
8	235-36	Shops and enginehouses 8/..............		Loco.-miles 2/				xxx	xxx	8
9	237-38	Grain elevators		Direct	xxx	xxx	xxx	xxx		9
10	239-40	Storage warehouses		Direct	xxx	xxx	xxx	xxx		10
11	241-42	Wharves and docks		Direct	xxx	xxx		xxx	xxx	11
12	243-44	Coal and ore wharves		Direct	xxx	xxx		xxx	xxx	12
13	249-50	Signals and interlockers		Direct		xxx	xxx	xxx	xxx	13
14	253-54	Power plants		3/				xxx		14
15	257-58	Power-transmission systems		4/				xxx		15
16		Total (line 4 plus lines 6 to 15, inclusive)		-						16
17	247-248, 265-266	Telephone & telegraph lines, miscellaneous structures		Direct	xxx	xxx	xxx	xxx		17
18		Total (line 16 plus line 17)		-						18
19		Percentage distribution of line 18	100%							19
20	229-30 269-273, 278-79 281	Roadway buildings, machines, tools, removing snow, etc., public improvements, joint facilities and right-of-way expenses		Line 5						20
21	201, 274-77	Superintendence, injuries, insurance, stationery, and other expenses		Line 19						21
22		Maintenance of work equipment 5/		Line 19						22
23		Total (line 16 plus lines 20-22)		-						23
24		Total less passenger proportion of non-revenue freight (line 23 x ____ ratio 6/)		-						24
25		Total for reconciliation purposes (line 17 plus line 23)	7/	-						25

1/ Separate between road and yard on basis of accounts 382 and 394. Separate road portion between running and train switching on the basis of account 394. Compute as follows the apportionment factor to be applied to amount shown above in column (3):

Line No.	Acct. No.	Item	Total	Running	Switching Train	Switching Yard
(1)	382	(A.R. Sch. 320, p.308, 1, 173, col. (e))		xxx	xxx	
(2)	394	(Sch. C, sheet 2, line 9) *				xxx
(3)		Total				
(4)		Percentage distribution of line (3) ...	%	%	%	%

* Line (2), account 394 - Take total from Annual Report, Schedule 320, line 185, col. (e). Compute train switching portion by obtaining proportion of account 394 to accounts 394-97, Schedule C, sheet 2, line 9, and multiplying this percentage by the train switching amount, line 9, Schedule C, sheet 2, column (6). Obtain running portion by deducting train switching portion from total

2/ See locomotive-miles, Schedule A, sheet 2, column (16), as follows: Running - line 23, train switching - line 20, yard switching - line 19. For territorial locomotive mileage see columns (18), (20) and (22).

3/ Separate between road and yard on the basis of accounts 383 and 395. Separate road portion between running and train switching on the basis of account 395. Compute ratio to be applied to amount in column (3) as follows: (If no charges to these accounts, assign entire amount to column (9)).

Line No.	Acct. No.	Item	Total	Running	Switching Train	Switching Yard
(1)	383	(A.R. Sch. 320, p.308, 1.174, col.(e))		xxx	xxx	
(2)	395	(Sch. C, sheet 2, line 9)*..........				xxx
(3)		Total				
(4)		Percentage distribution of line (3) ..	%	%	%	

* Line (2), account 395 - Take total from Annual Report, Schedule 320, line 186, column (e). Compute train switching portion by obtaining proportion of account 395 to accounts 394-97, Schedule C, sheet 2, line 9, and multiplying by the train switching amount, line 9, Schedule C, sheet 2, column (6). Obtain running portion by deducting train switching portion from total.

4/ Separate between road and yard on basis of accounts 383, 384 and 395, 396. Separate road portion between running and train switching on basis of accounts 395 and 396 from Schedule C, sheet 2, lines 10 and 11, respectively. Compute ratio to be applied to amount in column (3) as follows: (If no charges to these accounts, assign entire amount to column (9)).

Line No.	Acct. No.	* Item *	Total	Running	Switching Train	Switching Yard
(1)	383	(A.R. Sch.320, p.308, 1. 174, col. (e))		xxx	xxx	
(2)	384	(A.R. Sch.320, p.310, 1. 177, col. (e))		xxx	xxx	
(3)	395	(Sch. C, sheet 2, line 10)				xxx
(4)	396	(Sch. C, sheet 2, line 11)				xxx
(5)		Total				
(6)		Percentage distribution of line (5)	%	%	%	%

* Amounts under accounts 383 and 384 to be secured directly from Annual Report, Schedule 320, lines 174 and 177, column (e), respectively. Account 395 to be apportioned between running and train switching as per footnote 3. Account 396 to be apportioned between running and train switching by obtaining the proportion of account 396 to accounts 394-97, Schedule C, sheet 2, line 9, and multiplying this percentage by the amount in line 9, Schedule C, sheet 2, column (6). Running portion is obtained by deducting train switching portion from total.

5/ From Schedule A, sheet 2, line 17, column (10).

6/ Ratio from Schedule E, sheet 2, line 28, column (14).

7/ For carrier operations within one territory this total should agree with A.R. Schedule 320, page 307, line 114, column (e) plus maintenance of work equipment from Schedule A, sheet 2, line 17, column (10). If expenses separated by territories, total should equal that shown for the respective territories on Schedule B, sheet 1, line 28.

8/ Charges to accounts 245-46, gas producing plants, included with accounts 235-36.

______________ Railway
Schedule C

System Freight Transportation Expenses for 1939 Separated between Territories

Sheet 1 of 2

Line No.	Acct. No. (1)	Expense groups (2)	System freight expenses from Annual Report (3)	Apportionment factors 1/ (4)	(Territory) (5)	(Territory) (6)	(Territory) (7)	(Territory) (8)	Special services (system) (9)	Line No.
1	371	Superintendence		Direct					xxx	1
2	372	Dispatching trains		Direct					xxx	2
	373	Station employees:								
3		(a) Platform labor		Direct					xxx	3
4		(b) Other employees		Direct					xxx	4
5	374	Weighing, inspection, and demurrage bureaus		Direct					xxx	5
6	375	Coal and ore wharves		Direct					xxx	6
7	376	Station supplies and expenses		Direct					xxx	7
8	377	Yardmasters and yard clerks		Direct					xxx	8
9	378	Yard conductors and brakemen		Direct					xxx	9
10	379	Yard switch and signal tenders		Direct					xxx	10
11	380	Yard enginemen		Direct					xxx	11
12	381	Yard motormen		Direct					xxx	12
13	382	Yard switching fuel		Direct					xxx	13
14	383	Yard switching power produced		Direct					xxx	14
15	384	Yard switching power purchased		Direct					xxx	15
16	385	Water for yard locomotives		Direct					xxx	16
17	386	Lubricants for yard locomotives		Direct					xxx	17
18	387	Other supplies for yard locomotives		Direct					xxx	18
19	388	Enginehouse expenses - Yard		Direct					xxx	19
20	389	Yard supplies and expenses		Direct					xxx	20
21	390	Operating joint yards, terminals - Dr.		Direct					xxx	21
22	391	Operating joint yards, terminals - Cr.		Direct					xxx	22
23	392	Train enginemen		Direct					xxx	23
24	393	Train motormen		Direct					xxx	24
25	394	Train fuel		Direct					xxx	25
26	395	Train power produced		Direct					xxx	26
27	396	Train power purchased		Direct					xxx	27
28	397	Water for train locomotives		Direct					xxx	28
29	398	Lubricants for train locomotives		Direct					xxx	29
30	399	Other supplies for train locomotives		Direct					xxx	30
31	400	Enginehouse expenses - train		Direct					xxx	31
32	401	Trainmen		Direct					xxx	32
33	402	Train supplies and expenses		Direct					xxx	33
34	404	Signal and interlocker operation		Direct					xxx	34
35	405	Crossing protection		Direct					xxx	35
36	406	Drawbridge operation		Direct					xxx	36
37	407	Telegraph and telephone operation		Direct					xxx	37
	408	Operating floating equipment:								
38		(a) In line-haul service		Direct					xxx	38
39		(b) In terminal operations		Direct					xxx	39
40	410	Stationery and printing		Direct					xxx	40
41	411	Other expenses		Direct					xxx	41
42	412	Operating joint tracks and facilities - Dr.		Direct					xxx	42
43	413	Operating joint tracks and facilities - Cr.		Direct					xxx	43
44	414	Insurance		Direct					xxx	44
45	415	Clearing wrecks		Direct					xxx	45
46	416	Damage to property		Direct					xxx	46
47	417	Damage to livestock on right-of-way		Direct					xxx	47
48	418	Loss and damage - freight		Direct	xxx	xxx	xxx	xxx		48
49	420	Injuries to persons		Direct					xxx	49
50		Total (lines 1-49)		—						50

1/ Expenses which can not be directly assigned shall be apportioned between columns (5) to (9) on basis of the directly assigned charges in accounts 372-408, inclusive, (excluding accounts 390-391).

Territorial Freight Transportation Expenses for 1939 Separated between Services

_______________ Territory
_______________ Railway
Schedule C
Sheet 2 of 2

Line No.	Acct. No. (1)	Expense group (2)	Territorial expenses (3)	Apportionment factors (4)	Running service (5)	Switching service		Station service (8)	General overhead & special services (9)	Line No.
						Train (6)	Yard (7)			
		Transportation - Rail Line								
1	372	Dispatching trains		Direct		xxx	xxx	xxx	xxx	1
	373	Station employees:								
2		(a) Platform labor 1/		Direct.	xxx	xxx	xxx		xxx	2
3		(b) Other employees 1/		15% running, 85% sta.		xxx	xxx		xxx	3
4	375	Coal and ore wharves		Direct	xxx	xxx		xxx	xxx	4
5	376	Station supplies and expenses		Acct. 373 (a) & (b)		xxx	xxx		xxx	5
6	377-391	Yard expenses		Direct	xxx	xxx		xxx	xxx	6
7	392	Train enginemen		2/			xxx	xxx	xxx	7
8	393	Train motormen		2/			xxx	xxx	xxx	8
9	394-397	Train fuel, power, and water		3/			xxx	xxx	xxx	9
10	398	Lubricants for train locomotives		2/			xxx	xxx	xxx	10
11	399	Other supplies for train locomotives		2/			xxx	xxx	xxx	11
12	400	Enginehouse expenses - Train		2/			xxx	xxx	xxx	12
13	401	Trainmen		4/			xxx	xxx	xxx	13
14	402	Train supplies and expenses		Direct		xxx	xxx	xxx	xxx	14
15	404-406	Signals, interlockers, cross. & drawbridge opr.		Direct		xxx	xxx	xxx	xxx	15
16	408	Operating floating equipment		Direct 5/		xxx		xxx	xxx	16
17	412-413	Operating joint tracks & facilities (net) ...		Direct 6/		xxx	xxx	xxx	xxx	17
18	415-417	Clearing wrecks, damage to property, damage to livestock on right-of-way		Direct		xxx	xxx	xxx	xxx	18
19		Subtotal, lines 1 to 18		-						19
20	374, 407	Weighing, inspection, etc.; tel. & tel.		-	xxx	xxx	xxx	xxx		20
21		Total, lines 19 and 20								21
22		Percentage distribution of line 21	100%	-	%	%	%	%	%	22
23	371, 410-411, 414, 420	Superintendence, stationery, insurance, injuries, etc.		Line 22						23
24		Total, line 19 + line 23								24
25		Total, less passenger proportion of non-[illegible] freight (line 24 x ____ratio) 7/		-					xxx	25
26	418	Loss and damage—Freight		Direct	xxx	xxx	xxx	xxx		26
27		Total for reconciliation (lines 21, 23, 26) 8/		-						27

1/ If no breakdown provided, charge to platform labor all station employees' compensation included in A.R., Sch. 561, pp. 522-23, division Nos. 88, 89, 90, 91, 92, and 94. Charge remainder of account 373 to "Other employees."

2/ Separate between running and train switching on the basis of the percent of the locomotive-miles in each service as follows: (From A.R., schedule 531, p. 508, column (b))

Item No.	Item	Locomotive-miles	Percent
21-23	Running - principal, helper and light locomotives ..		%
24	Train switching		%
	Total		%
25	Yard switching		xxx
26	Total (Reconciliation)		xxx

3/ Compute train-switching portion col. (6), on basis of average fuel, power, and water cost per yard switching locomotive-mile multiplied by the train switching miles as follows:

Line No.	Item (1)	Source (2)	Amount (3)
(1)	Sys. exp., yd., fuel, power, water.	A.R. Sch. 320, Accts. 382, 383, 384, 385 col. (c), or Terr.-data, Sch. C, sheet 1.	
(2)	Cost/yd. sw. loco.-mile	Line (1) + item 25, footnote 2/	
(3)	Train sw. portion	Line (2) x item 24, footnote 2/	

Note: Col. (3) minus train switching portion equals running portion.

4/ Separate between running and train switching on the basis of the percent that the ordinary and light train-miles on the one hand and the train switching miles on the other hand bear to the total. Compute percentages as follows: (From A.R. schedule 531, p. 508, column (b)).

Item No.	Item	Miles	Percent
11-12	Running, ordinary and light train-miles		%
24	Train switching		%
	Total		%

5/ Separation to be provided by carrier.

6/ On the territorial basis the net charges should approach zero. The net debits and credits assignable to train switching in such event are negligible for the purpose of this territorial study.

7/ See Schedule E, sheet 2, line 25, column (14).

8/ When system data is provided in this schedule, the total should agree with A.R. Schedule 320, line 215, column (c). Where a territorial breakdown of a carrier's expenses is made, the total shown on line 24, column 3, plus the amount shown on line 20, column (3), should equal the total shown in Schedule C, sheet 1, line 50, columns (5), (6), (7) or (8), respectively, depending upon the territory for which the expenses have been brought forward.

Computation of Territorial Unit Costs in Station Service

Station Expenses Separated between Carload and Less Carload

____________________ Territory
____________________ Railway
Schedule D
Sheet 1 of 1

Line No.	Account No. (1)	Expense groups (2)	Source (3)	Amount (4)	Apportionment factors (5)	Carload clerical cost (6)	Less carload		Line No.
							Clerical cost (7)	Platform (8)	
1	373(a)	Station—platform labor	Sch. C, sheet 2, col. (8)		Direct	xxx	xxx		1
2	373(b)	Station—other employees	Sch. C, sheet 2, col. (8)		Test 1/			xxx	2
3		Subtotal	Lines 1-2, inclusive						3
4		Percentage distribution of line 3		%		%		%	4
5	376	Station supplies and expenses	Sch. C, sheet 2, col. (8)		See line 8	xxx	xxx	xxx	5
6	371, 410-11, 414, 420	Superintendence, etc.	Sch. C, sheet 2, col. (8)		See line 8	xxx	xxx	xxx	6
7		Maintenance of way and structures	Sch. B, sheet 2, line 23, col. (8)		See line 8	xxx	xxx	xxx	7
8		Subtotal	Lines 5-7, inclusive		Line 4				8
9		Total	Line 3 plus line 8						9
10		Total—Less passenger portion of nonrevenue freight	Line 9 x ______ ratio 2/						10
10a		Total increased for overhead and taxes	Line 10 x (1.0 + ______ ratio) Sch. E, sheet 1, line 16, col. (5)						10a

Computation of Unit Station Costs 3/

Line No.	Item (9)	Source (10)	Carload (clerical) (11)	L.C.L. (clerical) (12)	L.C.L. (platform) (13)	Line No.
	Clerical					
11	Consignments, carload and l.c.l.	4/, 5/			xxx	11
12	Cost per consignment, carload and l.c.l., respectively	Carload: Line 10a, col. (6) divided by line 11, col. (11) L.C.L.: Line 10a, col. (7) divided by line 11, col. (12)			xxx	12
	Platform					
13	L.C.L. tons handled at origin and at destination	5/	xxx	xxx		13
14	L.C.L. tons receiving a platform transfer	6/	xxx	xxx		14
15	Total l.c.l. tons originated, terminated and transferred	Line 13 plus line 14	xxx	xxx		15
16	Platform cost per ton	Line 10a, col. (8) divided by line 15	xxx	xxx		16
17	Aggregate platform cost for tons originated and terminated	Line 13 x line 16	xxx	xxx		17
18	Aggregate platform cost for tons transferred (assignable as line-haul cost)	Line 14 x line 16	xxx	xxx		18

1/ Compute apportionment factors as follows: (Assign weight of 5.0 to carload consignments and the weight of 1.0 to l.c.l. consignments in column (3) of the following)

Line	Item (1)	Number of consignments (2)	Weighting (3)	Weighted consignments (cols. 2 x 3) (4)	Percentage distribution (5)
(a)	C.L. consignments (see line 11, col. (11))				%
(b)	L.C.L. consignments (see line 11, col. (12))				%
(c)	Total, lines (a) plus (b)				%

2/ Ratio from Schedule E, sheet 2, line 28, column (14).

3/ The unit cost developed herein must be multiplied by 2 to obtain the total cost for both origin and destination.

4/ Compute carload consignments by giving a separate count to each carload originated, to each carload terminated, and to each carload billed in switching service, the billing of which has not been previously included in the above. For system figures see A.R. Schedule 541, class 850, sum of columns (d) and (f) plus twice column (b). Add count of cars billed in switching service if furnished by carrier ____________ carloads. For territorial data, see statement to be furnished by carriers.

5/ Compute l.c.l. consignments and tons as follows:
- (a) L.C.L. tons originated and terminated (see A.R. Schedule 541, class 710, column (e), plus column (g) plus twice column (c), or territorial data furnished by carrier) ______________ tons.
- (b) Estimated average weight of l.c.l. shipments (see item 7 of statement I supplied by carriers). Convert to tons to two decimal places ______________ tons.
- (c) Total number of l.c.l. consignments (lines (a) divided by (b)) ______________

6/ L.C.L. tons receiving a platform transfer to be developed from forwarder report (Senate Resolution 146, 76th Congress, first session, Vol. I, statement 6), as follows:

Line	Item (1)	Source (2)	Amount (3)
(a)	Tons originated—Test period	Forwarder report, statement 6, col. (1)	
(b)	Tons received—Test period	Forwarder report, statement 6, col. (2)	
(c)	Total—Test period	(a) plus (b)	
(d)	Tons actually transferred—Test period	Forwarder report, statement 6, col. (5)	
(e)	Ratio of tons actually transferred to originated and received—Test period	(d) divided by (c)	
(f)	Total tons originated and received—Annual period	A.R. Sch. 541, class 710, col. (k)*	
(g)	Total tons transferred—Annual period	(e) x (f)	

* For the purpose of line (f) (territorial application), see statement entitled "System Statistics for Carload and L.C.L. Traffic for 1939, Separated between Territories", furnished by the carrier in answer to a questionnaire dated November 19, 1940. For territorial data take one-half of the sum of items 3 and 4, columns (4)-(7), as applicable. (Note: The sum of items 3 and 4, column (3), representing the system aggregates, when divided by 2 should equal the system tons handled, as reported in A.R. Schedule 541, class 710, column (k)).

____________________ Railway
Schedule E
Sheet 1 of 3

Computation of the Ratio of Traffic, General, Miscellaneous Overheads and Taxes to the Remaining Operating Expenses

Line No.	Expense groups (1)	Source of data (2)	System freight expenses (3)	Traffic, general and miscellaneous overheads & taxes (4)	Grand total (5)	Line No.
1	Maintenance of equipment and equipment rents	Schedule A, sheet 2, line 18, column (3)		xxx	xxx	1
2	General overhead - Tel. & tel. & miscellaneous structures, maintenance of way	Sch. B. sh. 2, line 17, col. (3)	xxx		xxx	2
3	General overhead - Tel. & tel. & miscellaneous structures; overhead from maintenance of way accounts	Line 2 x ___ ratio (Sch. B, sh. 2, col. (3), line 21 divided by line 18)	xxx		xxx	3
4	Maintenance of way & structures (total, excl. work equipment, tel. and tel., miscellaneous structures)	1/		xxx	xxx	4
5	General overhead - Weighing, inspection, tel. & tel. (from Transportation - Rail line)	Sch. C. sheet 2, line 20, column (3)	xxx		xxx	5
6	General overhead - Weighing, inspection, tel. & tel.; overhead from transportation account	Line 5 x ___ ratio (Sch. C, sheet 2, col. (3), line 23 divided by line 21)	xxx		xxx	6
7	Transportation expenses, excl. tel. & tel., etc., and loss and damage, freight	Sch. C, sh. 2, line 24, col. (3) minus line 6, col. (4) (above = ______. Multiply remainder by ratio frm. Sch. E, line 28, col. (14) sh. 2		xxx	xxx	7
8	General overhead - Loss and damage (excluding claim payments)	Sch. C, sh. 2, line 26, col. (3), minus total L. & D. payments furnished by carrier, State. I, item 6 (c.l. plus l.c.l.) 2/	xxx		xxx	8
9	Traffic	A. R. Sch. 320, line 160, col. (e)	xxx		xxx	9
10	Miscellaneous operations	A. R. Sch. 320, line 228, col. (e)		xxx	xxx	10
11	General	A. R. Sch. 320, line 245, col. (e)	xxx		xxx	11
12	Joint facility rents	A. R. Sch. 300I, net of accts. 508 & 541, col. (g)	xxx		xxx	12
13	Rent of bldgs. and other property	A. R. Sch. 310, acct. 142, col. (c) -Cr.	xxx	Cr.	xxx	13
14	Taxes, freight portion	A. R. Sch. 300I, line 6, col. (g)	xxx		xxx	14
14a	Transportation for investment -Cr.	A. R. Sch. 320, line 246, column (e)	xxx	Cr.	xxx	14a
15	Total	Lines 1 to 14a inclusive				15
16	Ratio (percent) of traffic, general and misc. overheads and taxes to other expenses	Line 15, column (4) divided by column (3)	xxx	xxx	%	16
	Total expenses for reconciliation purposes					
17	Total operating expenses, rents and taxes	Sch. 300I, (A.R.) lines 4, 6 and 24, column (g)	xxx	xxx		17
18						18
19	Rents of buildings	A. R. Sch. 310, line 36, column (c) -Cr.	xxx	xxx	Cr.	19
20	Subtract loss and damage - Claim payments	Furn. by carrier, Statement I, item 6 (c.l. plus l.c.l.)	xxx	xxx	Cr.	20
21	Total (lines 17, 19 and 20) 3/		xxx	xxx		21

1/ Compute as follows:

(a) Total M. of W. expenses from Sch. B, sheet 2, col. (3), line 23 ** .... $__________
(b) Subtract M. of work equipment, Sch. B, sheet 2, col. (3), line 22 .... $__________
(c) Subtract overhead assigned to tel. & tel., etc., Sch. E, sheet 1, col. (4), line 3 $__________
(d) Total, excluding duplications and overhead (Subtract (b) plus (c) from (a)) .... $__________
(e) Total, less passenger portion of nonrevenue freight ((d) x ________ ratio*) ... $__________

* Ratio from Schedule E, sheet 2, line 28, column (14).

** Where a territorial breakdown of a carrier is provided on Schedule B, change line (a) to read as follows:
Total maintenance of way expenses from Schedule B, sheet 2, line 23, column (3) plus Schedule B, sheet 1, line 24, column (9).

2/ Where the carrier's costs are separated on a territorial basis, line 8, column (2) should read as follows:
Schedule C, sheet 1, line 48, column (9) minus total loss and damage claim payments furnished by carrier, Statement 1, item 6 (carload plus l.c.l.).

3/ The reconciliation of the distributed expenses, lines 1-15, with the total expenses from the Annual Report plus the statement of loss and damage claim payments furnished by carriers, columns (17)-(20), is made as follows:

(a) See column (3) sum of lines 1, 4 and 7 .... $__________
(b) Line (a) + ______ ratio from Sch. E, sh. 2, line 28, col. (14) $__________
(c) Line 10, col. (3), plus line 15, column (4) .... $__________
(d) Sum of lines (b) + (c). This amount should equal line 21, column (5) .... $__________

Railway
Schedule E
Sheet 2 of 3

Computation of Revenue Gross Ton-miles and the Revenue Freight Portion of the Total Freight Operating Expenses

Line No.	Item (1)	Computation of gross ton-miles of nonrevenue freight and cabooses Percent of nonrev. net ton-mi. by classes of equip. (Furn. by carrier from State. I, item 3) (2)	Net ton-miles of nonrevenue freight (Total line 5, col. (3) x percent in col. (2)) (3)	Average net load per car by classes of equip. (Comp. from A.R. Sch. 541 or QCS State. 1/) (4)	Loaded car-miles nonrevenue freight (Cols. (3)÷(4)) (5)	Avg. tare weight (Furn. by carrier, State. I item 5) (6)	Tare gross ton-miles loaded direction (Col. (5) x col. (6)) (7)	Ratio-Empty to loaded miles (Furn. by car. State. I, item 5) (8)	Empty car-miles (Col. (5) x col. (8)) (9)	Tare gross ton-miles, empty return (Col. (7) x col. (8)) (10)	Total nonrevenue gross ton-miles (Cols. (3) + (7) + (10)) (11)	Line No.
					Computation of Nonrevenue Gross Ton-miles							
1	Box cars	%										1
2	Gondola & hopper cars	%										2
3	Tank cars	%										3
4	All other cars	%										4
5	Total, all cars	100%	2/	xxx		xxx		xxx				5
					Computation of Caboose Ton-miles							
6	Cab. GTM (From A.R. Sch. 531, line 48, col. (b)). Insert total in col. (9)	xxx	xxx	xxx	xxx		xxx	xxx		xxx	3/	6
					Total Gross Ton-miles, Nonrevenue Plus Caboose							
7	Total GTM for nonrev. frt., plus cab. (line 5 + line 6).	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx		7

Computation of Revenue Gross Ton-miles, Revenue Car-miles, and Ratio of Revenue Freight Operating Expenses to Total Freight Operating Expenses

Line No.	Item (12)	Source (13)	System total (14)	Apportionment factor (15)	(Territory) (16)	(Territory) (17)	(Territory) (18)	(Territory) (19)	Line No.
				Computation of Revenue Gross Ton-miles					
8	GTM of frt. tr. cars, contents & cabs. in frt. trains 4/	A.R. Sch. 531, line 61, col. (b) or furnished by carrier, Sch. A, sheet 1, line 6		-					8
9	GTM of pass. train cars and contents in freight trains	A.R. Sch. 531, line 62, col. (b) or furnished by carrier, Sch. A, sheet 1, line 7		-					9
10	Total GTM of cars, contents & cabooses in freight trains	Line 8 plus line 9		-					10
11	Percentage distribution of total GTM by territories	-	100%	Line 10	%	%	%	%	11
12	Nonrevenue GTM	Line 5, column (11)		Line 11					12
13	Caboose GTM - System	Line 6, column (11) 4/		-	xxx	xxx	xxx	xxx	13
14	Total, nonrev. GTM, plus cab. GTM	Line 12 plus line 13		-					14
15	Revenue GTM, excl. nonrev. GTM and caboose GTM	Line 10 minus line 14		-					15
				Computation of Revenue Car-miles					
16	Total loaded & empty frt. car-miles, excluding cabooses	A.R. Sch. 531, lines 40 + 41, col. (d)		-					16
17	Car-miles, cars rented on a mileage basis, loaded and empty	Furn. by carrier, State. I, item 1		-					17
18	Car-miles, other than mileage cars, loaded & empty, excl. cabooses	Line 16 minus line 17 or furn. by carr. (terr. distr.) Sch. A. sh. 1, line 11		-					18
19	Nonrevenue car-miles	Line 5, col. (5) plus col. (9) 5/		Line 11					19
20	Revenue car-miles, other than mileage cars, loaded & empty, excl. cabs. ...	Line 18 minus line 19							20
	Computation of the Ratio of the Revenue Freight Portion of the Operating Expenses to the Total Freight Operating Expenses (i.e., Total Excluding Passenger Portion of Nonrevenue Freight Expenses)								
21	Total GTM, revenue + nonrev., excl. cab..	Col. (14), line 10 minus line 13		-	xxx	xxx	xxx	xxx	21
22	Ratio of nonrev. GTM to total GTM, excluding cabooses	Col. (14), line 12 divided by line 21		-	xxx	xxx	xxx	xxx	22
23	Ratio of rev. GTM to total GTM, rev. plus nonrev., excl. cabooses	Col. (14), line 15 divided by line 21		-	xxx	xxx	xxx	xxx	23
24	Freight operating expenses	A.R. Sch. 300I, p. 301, line 4, col. (g)		-	xxx	xxx	xxx	xxx	24
25	Total operating expenses	A.R. Sch. 300I, p. 300, line 4, col. (b)		-	xxx	xxx	xxx	xxx	25
26	Ratio of frt. oper. expenses to total operating expenses	Col. (14), line 24 divided by line 25		-	xxx	xxx	xxx	xxx	26
27	Frt. portion of nonrev. traffic ratio .	Col. (14), line 22 x line 26		-	xxx	xxx	xxx	xxx	27
28	Revenue frt. portion of frt. oper. exp., expressed as ratio (i.e., total excl. passenger portion of nonrev. frt. traffic)	Col. (14), line 23 plus line 27		-	xxx	xxx	xxx	xxx	28

1/ To be computed as follows: Assign each commodity to the class of equipment in which it is commonly handled. Obtain a total of the carloads and tons carried for each class (see A.R. Sch. 541, cols. (j) and (k). Divide the number of tons by the number of cars to obtain the tons per car for each class of equipment. (Work to be done on tabulating machines).

2/ Net ton-miles from A.R., Sch. 531, item 81, col. (d).

3/ Columns (6) x (9).

4/ Where the figures for GTM have been furnished by the carrier on Sch. A, sheet 1, lines 6 and 7, the figures are exclusive of caboose GTM. In such case leave line 13 blank.

5/ Exclude nonrevenue car-miles in private-line cars. Adjustment in this regard is made only on tank cars and then only when the percentage of nonrev. net ton-miles in tank cars constitutes more than 25% of tot. nonrev. net ton-miles. (see line 3, col. (2)). Tank car-miles engaged in hauling company materials to be obtained from carrier. Exclude private-line tank car mileage engaged in hauling company materials from total shown in column (14). ____________ P.L. miles.

6083

______________ Territory
______________ Railway
Schedule E
Sheet 3 of 3

Computation of L.C.L. and Passenger Deficiencies, with and without Returns, and the Ratio of such Deficiencies to Carload Operating Expenses, Rents and Taxes

Line No.	Item (1)	Source (2)	System data (3)	Territory (4)	Territory (5)	Territory (6)	Line No.
	L.C.L. Deficiencies						
	Computation of l.c.l. station costs						
1	Station clerical costs	Schedule D, line 10A, col. (7)	$	$	$	$	1
2	Platform costs	Schedule D, line 10A, col. (8)					2
3	Total station costs, clerical and platform	Line 1 plus line 2					3
	Computation of l.c.l. line-haul costs						
4	Total l.c.l. tons originated & received from connections	A. R. Sch. 541, Class 710, col. (k) 1/	tons				4
5	(Line left blank)						5
6	(Line left blank)						6
7	Average haul per ton originated & received from connections	Forwarder Report, Stat. 6, col. (18) 2/	miles				7
8	Net ton-miles	Line 4 x line 7	net t.m.				8
9	Average net ton-miles per loaded car-mile	Forwarder Report, Stat. 6, col. (15) 2/					9
10	Loaded car-miles	Line 8 divided by line 9	ld.c.m.				10
11	Tare ton-miles, loaded direction (box cars)	Line 10 x ____ tons (frm.Sch. E, sh. 2, col.(6),line 1)	t.m.				11
12	Empty tare ton-miles (box cars)	Line 11 x ____ ratio (frm.Sch. E, sh. 2, col.(8),line 1)	t.m.				12
13	Total, gross ton-miles (thousands)	(Line 8 plus line 11 plus line 12) divided by 1,000	1000 GTM				13
14	Cost per 1,000 revenue gross ton-miles	Schedule H, sheet 1, line 18 (times 1,000)	$	$	$	$	14
15	Line-haul costs treated on GTM basis	Line 13 x line 14					15
16	Total car-miles	Line 10 x (1.0 plus ____ ratio,frm.line 12, col. (2))	Tot. c.m.				16
17	Unit cost per car-mile	Schedule H, sheet 1, line 4 plus line 11	$	$	$	$	17
18	Line-haul costs treated on CM basis	Line 16 x line 17					18
19	Total line-haul costs	Line 15 plus line 18					19
	L.C.L. switching costs						
20	Aggregate costs - Freighthouse cars	Sch. H, sh. 1, lines 28 + 29 + 34 + 36					20
	Total l.c.l. costs, including operating expenses, rents & taxes						
21	Total, station, line-haul, and switching	Lines 3, 19, and 20					21
22	Payments to others for pick-up and delivery	A.R. Sch. 310, (see *footnote), sum of lines (a), (b) and (c), excluding carload payments, if any		xxx	xxx	xxx	22
23	Total l.c.l. operating expenses, rents, and taxes plus payments for pick-up and delivery service	Line 21 plus line 22		xxx	xxx	xxx	23
24	Carload operating exps., rents & taxes (total excl. l.c.l.)	5/					24
	Ratio of l.c.l. deficit (excluding & including return) to carload operating expenses, rents and taxes						
25	L.C.L. revenue	A. R. Sch. 541, Class 710, col. (l)		xxx	xxx	xxx	25
26	L.C.L. oper. income or deficit (indicate income (+) or def. (-)) ..	Line 25 minus line 23	(+)or(-)	7/	7/	7/	26
27	Ratio of l.c.l. income or def. (after oper. exps., rents, taxes & pick-up & delivery payments) to carload oper.exps.,rents & taxes	Line 26 divided by line 24		6/	6/	6/	27
28	Return on l.c.l. portion of valuation at ____ percent	Schedule F, line 3 x ______ ratio 3/	$(-)	$	$	$	28
29	Total l.c.l. income or deficit (after operating expenses and return at ______%)	Line 26 plus line 28, signs considered	(+)or(-)				29
30	Ratio of l.c.l. income or deficit (after oper. exps. and return at ______%) to carload operating expenses	Line 29 divided by line 24					30
	Passenger Deficiencies						
31	Passenger service net railway operating income or deficit (indicate income plus (+) or deficit (-))	A.R. Sch. 300I, line 25, col. (j)	(+)or(-)				31
32	Expenses for passenger portion of nonrevenue freight traffic	Freight oper. exps. x ______ ratio 4/	(-)				32
33	Total passenger operating income or deficit (indicate)	Line 31 plus line 32, signs considered	(+)or(-)	9/	9/	9/	33
34	Ratio of passenger operating income or deficit to carload operating expenses, rents and taxes (excluding l.c.l. expenses)	Line 33 divided by line 24		8/	8/	8/	34
35	Return on passenger portion of the valuation at ______%	Schedule F, line 5 x ______ ratio 3/	(-)				35
36	Total passenger income or deficit (after operating expenses & return at ______%)	Line 33 plus line 35, signs considered	(+)or(-)				36
37	Ratio of passenger operating income or deficit (after operating expenses and return at ______%) to carload operating expenses (excluding l.c.l.)	Line 36 divided by line 24					37

1/ If territorial separation is made, data must be obtained from carriers.

2/ Senate Resolution 146, 76th Congress, First Session, Volume I, Statement 6, total pedler and other l.c.l. cars.

3/ Ratio to be determined by rate of return (i.e., ratio for 5-3/4% equals .0575).

4/ Maintenance of equipment, maintenance of way and transportation expenses, Sch. E, sheet 1, column (3), the sum of lines 1 plus 4 plus 7 divided by the ratio in Sch. E, sheet 1, footnote 1, line (e), totalling $________ times ________ ratio (ratio equals 1.00 minus ratio from Sch. E, sheet 2, line 28, column (14)).

5/ Compute as follows:

	Item	Amount
(a)	Sch. E, sh. 1, line 15, col. (5)	$
(b)	Subtract exps. miscl. opers., Sch. E, sh. 1, line 10, col. (3)	
(c)	Subtract overhead assignable to miscl. opers. (line (b) above x ratio from Sch. E, sh. 1, line 16, col. (5))	
(d)	Subtract l.c.l. exps., station, line-haul & switching (from Sch. E, sh. 3, line 21, col. (3))	
(e)	Carload costs (freight serv. costs minus costs for miscl. opers. & l.c.l.) (line (a) minus lines (b), (c) and (d))	

(See reverse side for continuation of footnotes)

Footnotes for Schedule E, sheet 3 - Continued

5/ Continued

Supplement to Footnote 5 of Schedule E, Sheet 3, to Be Used for the Purpose of Computing Carload Operating Expenses, Rents, and Taxes Where Territorial Separations Are Made
(See line (g) below)

Line	Item (1)	Source (2)	Total all territories (3)	Territory	Territory	Territory	Territory	Line
(a)	Total freight expenses, c.l. and l.c.l., excluding car hire and overhead apportioned to such car hire	Schedule H, sheet 1, line 44, columns (4), (5), (6) or (7), as appropriate	$	$	$	$	$	(a)
(b)	Percentage distribution of car-miles, cars rented on mileage basis	Schedule A, sheet 1, line 9, columns (4), (5), (6), and (7), respectively, + column (3)						(b)
(c)	Distribution of hire of freight cars rented on a mileage basis .	Schedule A, sheet 2, line 11, column (3) ($________) times ratio from line (b) above	$	$	$	$	$	(c)
(d)	Increase of the car hire for overhead and taxes	Line (c) times ______ ratio from schedule E, sheet 1, line 16, column (5)	$	$	$	$	$	(d)
(e)	Total freight service costs, c.l. and l.c.l.	Sum of lines (a), (c), and (d)	$	$	$	$	$	(e)
(f)	L.C.L. expense, station, line haul, and switching	Schedule E, sheet 3, line 21, columns (4), (5) or (6)	$	$	$	$	$	(f)
(g)	Carload costs (freight service costs minus cost for miscellaneous operations plus l.c.l.) (Carry forward to line 24)	Line (e) minus line (f)	$	$	$	$	$	(g)

6/ Insert the same figure as shown in line 27, column (3).

7/ Line 24 x ratio (percent) shown in line 27. If a deficit exists, indicate with a minus sign.

8/ Insert the same figure as shown in line 34, column (3).

9/ Line 24 x ratio (percent) shown in line 34. If a deficit exists, indicate with a minus sign.

Basis I for Treatment of Return on Valuation

Seperation of the Total Rate-making Valuation between L.C.L. Freight Traffic, Carload Freight Traffic and Passenger Traffic,
and the Computation of the Ratio of the Cost of Providing the Specified Returns to L.C.L. and Carload Operating Expenses, Rents and Taxes

______________________ Territory
______________________ Railway
Schedule F
Sheet 1 of 3

Line No.	Item (1)	Source (2)	System aggregate (3)	Territory (4)	Territory (5)	Territory (6)	Line No.
	Valuation of Carrier Property (Average as of January 1, 1939 and January 1, 1940)						
1	Tentative valuation of carrier property Rate-making valuation of carrier property	1/ Bureau of Valuation, I.C.C.					1
	Seperation of Valuation between L.C.L. Freight Service, Carload Freight Service, and Passenger Service on an Operating Expense Basis						
2	Freight portion of valuation	Line 1 x ____ ratio 2/					2
3	L.C.L. portion of freight service valuation	Line 2 x ____ ratio 3/					3
4	Carload portion of valuation	Line 2 minus line 3					4
5	Passenger portion of valuation	Line 1 x ____ ratio 4/					5
	L.C.L. and Carload Operating Expenses, Rents and Taxes						
6	Total freight oper. exps., rents & taxes, incl. l.c.l. & carload traffic and miscellaneous operations (excl. L. & D.)	Schedule E, sheet 1, line 15, col. (5)					6
7	L.C.L. oper. exps., rents & taxes (excl. L. & D. & pick-up & delivery)	Schedule E, sheet 3, line 21, col. (3)					7
8	Carload oper. exps., rents & taxes (excl. l.c.l., misc. opers. & L. & D.)	Schedule E, sheet 3, line 24, col. (3)					8
	Cost of Providing 5-3/4% Return on Valuation						
9	Cost of providing 5-3/4% return on l.c.l. portion of valuation	Line 3 x .0575					9
10	Ratio of cost of providing l.c.l. return to l.c.l. oper. exps., rents and taxes (excl. L. & D.)	Line 9 divided by line 7					10
11	Cost of providing 5-3/4% return on carload portion of valuation	Line 4 x .0575					11
12	Ratio of return on carload valuation to carload oper. exps., rents and taxes (excl. L. & D.)	Line 11 divided by line 8					12
13	Cost of providing return on the total frt. valuation, carload + l.c.l.	Line 2 x .0575					13
14	Ratio of total freight return, carload & l.c.l. to carload oper. exps., rents and taxes (excl. l.c.l. and L. & D.)	Line 13 divided by line 8					14
15	Cost of providing return on total valuation, freight & passenger	Lines (2 plus 5) x .0575					15
16	Ratio of the total return, freight & passenger, to carload oper. exps., rents and taxes (excl. l.c.l., misc. opers. and L. & D.)	Line 15 divided by line 8					16
	Cost of Providing 4% Return on Valuation						
17	Cost of providing 4% return on l.c.l. portion of valuation	Line 3 x .04					17
18	Ratio of cost of providing l.c.l. return to l.c.l. oper. exps., rents and taxes (excl. L. & D.)	Line 17 divided by line 7					18
19	Cost of providing 4% return on carload portion of valuation	Line 4 x .04					19
20	Ratio of return on carload valuation to carload oper. exps., rents and taxes (excl. L. & D.)	Line 19 divided by line 8					20
21	Cost of providing return on the total frt. valuation, carload + l.c.l.	Line 2 x .04					21
22	Ratio of total freight return, carload & l.c.l., to carload oper. exps., rents and taxes (excl. l.c.l. and L. & D.)	Line 21 divided by line 8					22
23	Cost of providing return on total valuation, freight and passenger	Lines (2 plus 5) x .04					23
24	Ratio of the total return, freight & passenger, to carload oper. exps., rents and taxes (excl. l.c.l., misc. opers. and L. & D.)	Line 23 divided by line 8					24
	Cost to the Carload Freight Traffic of Providing the System Current Rate of Return for the Year 1939						
25	Current return, all services, for year 1939, (indicate if income (+) or deficit (-))	A. R. Sch. 300I, line 25, col. (b)	(+)or(-)				25
26	Current rate of return, all services (show percent)	Line 25 divided by line 1, above, 5/					26
27	Current net railway operating income, carload traffic, 6/	7/					27
28	Ratio of carload net railway oper. income to the total carload freight costs (excl. l.c.l., misc. opers. and L. & D.)	Line 27 divided by line 8					28

(See reverse side for footnotes)

Footnotes for Schedule F, sheet 1

1/ Docket 26712, Exhibit 1263, Cost of reproduction new less depreciation plus present value of land and rights brought down to December 31, 1939 on the basis of the changes shown in A.R. Sch.211E plus an allowance for working capital based on the ratio of the working capital to total value of property on January 1, 1937. The tentative valuation, if used, is to be replaced by the recommended rate-making valuation, furnished by the Bureau of Valuation, when such becomes available.

2/ Compute ratio as follows:

Item	Amount
(a) A.R.Sch. 320, col.(e), line 247 minus lines 160, 228, and 245	
(b) Carload and l.c.l. portion of frt. exps. (line (a) x ratio, Sch. E, sheet 2, line 28, col.(14)),(excl. passenger port. nonrev. exps.).	
(c) L.C.L. and carload overhead exps. (A.R.Sch.320, col.(e), sum of lines 160 and 245) (Assign 100% to freight for purposes herein) ..	
(d) Total carload & l.c.l. port. of frt. exps., excl. passenger portion of nonrevenue expenses (line (b) plus line (c))	
(e) Ratio of carload and l.c.l. oper. exps. to total expenses (line (d) divided by A.R. Sch. 320, col.(b), line 247)	(ratio)

3/ Compute ratio as follows: L.C.L. costs divided by total freight service costs, i.e., Sch. E, sheet 3, col. (3), line 21, divided by sum of lines 21 plus 24. _______ ratio.

4/ Compute ratio as follows:

Item	Amount
(a) A.R. Sch. 320, col. (h), line 247	
(b) Passenger port. of nonrevenue frt. oper. exps. (A.R.Sch. 320, col.(e), line 247 minus lines 160, 228, and 245, the remainder to be multiplied by (1.0 minus ratio, Sch.E, sheet 2, line 28, col.(14))	
(c) Total passenger exps., incl. passenger portion of nonrevenue freight (line (a) plus line (b))	
(d) Passenger portion of valuation (line (c) divided by A.R. Sch. 320, col. (b), line 247)	(ratio)

5/ Do not compute if there is a net railway operating deficit.

6/ The carload net railway operating income indicates that income which the carload traffic (freight) necessarily had to earn during 1939 if the carrier was to yield the return indicated on lines 25 and 26, after allowances for the passenger, less-carload, or other deficits (or income).

1/ I. Compute from Schedule E, sheet 3, the less-carload income (or deficit) before payments to others for pick-up and delivery service, as follows:

- (a) Where Schedule E, sheet 3, line 26, column (3), shows a deficit, and that amount is greater than that shown on line 22, obtain the less-carload deficit by subtracting the amount shown on line 22 from that shown on line 26.
- (b) Where the amount on line 26 reflects an income, obtain less-carload income by adding the amount shown on line 22 to that shown on line 26.
- (c) Where Schedule E, sheet 3, line 26, column (3), shows a deficit and that amount is less than that shown on line 22, obtain the less-carload income by subtracting the amount shown on line 26 from that shown on line 22.

II. Compute the carload traffic portion of the net railway operating income as follows:

- (a) Where the total freight railway operations show an income (A.R. Schedule 300I, line 25, column (g) __________) and the less-carload operations show a deficit, (I-(a) above), obtain by adding the less-carload deficit to the income shown in Schedule 300I. Insert result in column (3) and indicate (+).
- (b) Where the total freight railway operations show an income (A.R. Schedule 300I, line 25, column (g) __________) and the less-carload operations show an income (I-(b) or (c) above), obtain by subtracting the less-carload income from the income shown in Schedule 300I. Insert result in column (3) and indicate (+).
- (c) Where the total freight railway operations show a deficit (A.R. Schedule 300I, line 25, column (g) __________) and the less-carload operations show a deficit (I-(a) above), obtain by subtracting the less-carload deficit from the deficit shown in Schedule 300I. Insert result in column (3) and indicate (+) or (-) as applicable.
- (d) Where the total freight railway operations show a deficit (A.R. Schedule 300I, line 25, column (g) __________) and the less-carload operations show an income (I-(b) or (c) above), obtain by adding the less-carload income to the deficit shown in Schedule 300I. Insert result in column (3) and indicate (-).

Separation of the Value of the Road and Equipment by Territories and by Services, Freight and Passenger

Railway
Schedule F
Sheet 2 of 3

Line No.	Item	I (Territory)				II (Territory)				Line No.
	(1)	Total territorial expenses (from data by carrier) (2)	Special services and miscellaneous operations (3)	Total frt. portion (from data furnished by carrier) (4)	Total passenger portion (5)	Total territorial expenses (from data by carrier) (6)	Special services and miscellaneous operations (7)	Total frt. portion (from data furnished by carrier) (8)	Total passenger portion (9)	
1	Maintenance of way expenses	1/	2/	3/	4/	1/	2/	3/	4/	1
2	Transportation expenses	1/	xxx	5/	4/	1/	xxx	5/	4/	2
3	Subtotal (lines 1 and 2)									3
4	Adjustment for passenger portion of nonrevenue freight expenses 6/	xxx	xxx			xxx	xxx			4
5	Subtotal adjust. for psgr. port. nonrev. frt.									5
6	Traffic & general exps. - freight service 7/ ...		xxx		xxx		xxx		xxx	6
7	Traffic & general exps. - passenger service 8/ .		xxx	xxx			xxx	xxx		7
8	Total (sum of lines 5, 6 and 7)									8
9	Miscellaneous operations 9/			xxx	xxx			xxx	xxx	9
10	Total expenses by territories (excl. maint. of equip.) (sum of lines 8 and 9)									10
11	Percentage distribution of exps. by terrs. 10/ .	100%				100%				11
12	Distribution of terr. road value between misc., freight and passenger services 11/									12
13	Value of equipment by territories 12/		xxx				xxx			13
14	Total value road and equipment (sum of lines 12 and 13) 13/									14

Line No.	Item	III (Territory)				IV (Territory)				Line No.
	(10)	Total territorial expenses (from data by carrier) (11)	Special services and miscellaneous operations (12)	Total frt. portion (from data furnished by carrier) (13)	Total passenger portion (14)	Total territorial expenses (from data by carrier) (15)	Special services and miscellaneous operations (16)	Total frt. portion (from data furnished by carrier) (17)	Total passenger portion (18)	
15	Maintenance of way expenses	1/	2/	3/	4/	1/	2/	3/	4/	15
16	Transportation expenses	1/	xxx	5/	4/	1/	xxx	5/	4/	16
17	Subtotal (lines 15 and 16)									17
18	Adjustment for passenger portion of nonrevenue freight expenses 6/	xxx	xxx			xxx	xxx			18
19	Subtotal adjust. for psgr. port. nonrev. frt.									19
20	Traffic & general exps. - freight service 7/ ...		xxx		xxx		xxx		xxx	20
21	Traffic & general exps. - passenger service 8/ .		xxx	xxx			xxx	xxx		21
22	Total (sum of lines 19, 20 and 21)									22
23	Miscellaneous operations 9/			xxx	xxx			xxx	xxx	23
24	Total expenses by territories (excl. maint. of equip.) (sum of lines 22 and 23)									24
25	Percentage distribution of exps. by terrs. 10/ .	100%				100%				25
26	Distribution of terr. road value between misc., freight and passenger services 11/									26
27	Value of equipment by territories 12/		xxx				xxx			27
28	Total value road and equipment (sum of lines 26 and 27) 13/									28

(See reverse side for footnotes)

____________ Railway

Schedule F
Sheet 2 - Contd.

Footnotes for Schedule F, sheet 2

1/ Furnished by carriers in reply to letter of March 12, 1941.

2/ Distribute the special services shown in Schedule B, sheet 1, line 24, column (9), to territories on the basis of Sch. B, sheet 1, line 24, columns (5), (6), (7) or (8) as applicable. Insert territorial costs thus computed in Schedule F, sheet 2, line 1, columns (3) and (7) and Line 15, columns (12) and (16), as applicable.

3/ Schedule B, sheet 1, line 24, columns (5), (6), (7) or (8) as applicable.

4/ Compute by subtracting the sum of the special service and miscellaneous expenses and the freight expenses from the total expenses. For example, in Territory 1, subtract the sum of columns (3) and (4) from column (2).

5/ Compute transportation expenses for each territory as follows:

LINE	Item	Source	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Total
(a)	Total transp. exps. excl. L. & D. ..	Sch. C. sh. 1, line 50, cols. (5,6,7, 8 resp.)					
(b)	Percentage distrib. of line (a)						
(c)	Distribution of L. & D., frt., by territories	Distribute amount from Sch. C, sh. 1, line 50, col. (9) on basis of line (b)					
(d)	Tot. transp. exps., frt., by terrs.	Line (a) + line (c)					

6/ Adjust for passenger portion of nonrevenue freight expenses as follows using Territories I and II as an example. Multiply line 3, columns (4) and (8), respectively, by _______ ratio. (Ratio equals 1.00 minus _______ ratio from Schedule E, sheet 2, line 28, column (12)). Insert the product as a credit in line 4, columns (4) and (8), respectively. Insert the product as a debit in line 4, columns (5) and (9), respectively. The effect of this computation is to reduce the freight expenses by the amount of the adjustment for "the passenger portion of the nonrevenue freight expenses," and to add this amount to the passenger expenses.

7/ Apportion the sum of the amounts shown in A. R. Schedule 320 column (e) line 160 and line 245, on the basis of the amounts shown in line 3, columns (4) and (8) and line 17, columns (13) and (17).

8/ Apportion the sum of the amounts shown in Annual Report, Schedule 320, column (h), line 160 and line 245, on the basis of the amounts shown in line 3, columns (5) and (9) and line 17, columns (14) and (18).

9/ Distribute total miscellaneous expenses from Annual Report, Schedule 320, line 228, column (b), to territories on the basis of the amounts shown in line (8) columns (2) and (6) and line 22, columns (11) and (15).

10/ Compute the percentage relationship by territories, i.e., for Territory I, columns (3), (4) and (5) divided by column (2).

11/ Insert in columns (2), (6), (11) and (15) the value of road as furnished by the Bureau of Valuation. Distribute each territorial road value on the basis of the territorial percentages shown in lines 11 and 25, respectively.

12/ From Schedule F, sheet 3, line 41.

13/ Freight portion of value by territories to be carried forward to Schedule F, sheet 1, line 2, columns (4), (5) or (6) as applicable. Passenger portion of value by territories to be carried forward to Schedule F, sheet 1, line 5, columns (4), (5), or (6) as applicable.

Segregation of the Value of Equipment by Territories and between Freight and Passenger for Each Territory for Those Railroads Whose Expenses Are Separated by Territories

______________________ Railway
Schedule F
Sheet 3 of 3

Line No.	Item (1)	Source of system data, col. (3) (2)	System (3)	Apportionment factor (4)	System expenses Freight (5)	System expenses Passenger (6)	Line No.
1	Value of steam locomotives	Bureau of Valuation		xxx	xxx	xxx	1
2	Yard portion of value of steam locomotives	Line 1 x ______ ratio from Sch. A, sh. 2, 2/, line (d)		Col. (5) (Frt.): Col. (3) x ______ ratio from Sch. A, sh.2, 2/, line (g) Col. (6) (Pass.): Remainder			2
3	Percentage distribution of gross ton-miles of locomotives and tenders, road service .	A.R. Sch. 531, item 60, column (d)		Col. (5) (Frt.): Col. (d) ÷ (b), A.R. Sch. 531 Col. (6) (Pass.): Col. (d) ÷ (c), A.R. Sch. 531			3
4	Road port. of value of steam locomotives ...	Line 1 minus line 2		Line 3			4
5	Value of other locomotives	Bureau of Valuation		xxx	xxx	xxx	5
6	Yard portion of value of other locomotives .	Line 5 x ______ ratio from Sch. A, sh. 2, 2/, line (c)		Col. (5) (Frt.): Col. (3) x ______ ratio from Sch. A, sh.2, 2/, line (g) Col. (6) (Pass.): Remainder			6
7	Road portion of value of other locomotives .	Line 5 minus line 6		Line 3			7
8	Value of floating equipment	Bureau of Valuation		Col. (5) (Frt.): Col. (3) x ______ ratio (A.R. Sch.320, line 136, col. (e) ÷ col. (b) Col. (6) (Pass.): Remainder			8
9	Value of work equipment	Bureau of Valuation		Col.(5) (Frt.): Col.(3) x ______ ratio (A.R. Sch.320, line 137, col. (e) ÷ col. (b) Col. (6) (Pass.): Remainder			9
10	Value of miscellaneous equipment	Bureau of Valuation		Col. (5) (Frt.): Col.(3)x ______ ratio (A.R. Sch.320, line 138, col. (e) ÷ col. (b) Col. (6) (Pass.): Remainder			10

	Item (7)	Source of total amount, col.(9) (8)	Total		Apportionment factor (11)	I (Territory)		II (Territory)		III (Territory)		IV (Territory)		
			Amount (9)	Percent (10)		Freight (12)	Passenger (13)	Freight (14)	Passenger (15)	Freight (16)	Passenger (17)	Freight (18)	Passenger (19)	
11	Percent distrib.loco.miles,yd.swtchg.,frt.	See Sch.A, sh.1, line 3	xxx	100%	-		xxx		xxx		xxx		xxx	11
12	Steam loco. value, yd., frt. portion	Line 2, col. (5)		xxx	Line 11		xxx		xxx		xxx		xxx	12
13	Other loco. value, yard, freight	Line 6, col. (5)		xxx	Line 11		xxx		xxx		xxx		xxx	13
14	Percent distrib.loco.miles,yd.swtchg.pass.	2/	xxx	100%	-	xxx		xxx		xxx		xxx		14
15	Steam loco. value, yd., pass. portion	Line 2, col. (6)		xxx	Line 14	xxx		xxx		xxx		xxx		15
16	Other loco. value, yard, passenger	Line 6, col. (6)		xxx	Line 14	xxx		xxx		xxx		xxx		16
17	Percent. distrib. of gross ton-miles, locos. and tenders, freight	See Sch. A, sheet 1, line 5	xxx	100%	-		xxx		xxx		xxx		xxx	17
18	Steam locos., value, road, freight	Line 4, col. (5)		xxx	Line 17		xxx		xxx		xxx		xxx	18
19	Other loco. value, road, freight	Line 7, col. (5)		xxx	Line 17		xxx		xxx		xxx		xxx	19
20	Percent. distrib. of pass. loco.miles, rd.	2/	xxx	100%	-	xxx		xxx		xxx		xxx		20
21	Steam loco. value, road, pass. portion ...	Line 4, col. (6)		xxx	Line 20	xxx		xxx		xxx		xxx		21
22	Other loco. value, road, pass. portion ...	Line 7, col. (6)		xxx	Line 20	xxx		xxx		xxx		xxx		22
23	Total active freight train car days, other than mileage cars	Schedule H, sheet 2, footnote 3/, line 1		xxx	-		xxx		xxx		xxx		xxx	23
24	Percent. distrib. active frt. train car days, other than mileage cars	Line 23	xxx	100%	-		xxx		xxx		xxx		xxx	24
25	Value of freight train cars	Bureau of Valuation		xxx	Line 24		xxx		xxx		xxx		xxx	25
26	Passenger train car-miles	2/		xxx	-	xxx		xxx		xxx		xxx		26
27	Percent. distrib. of pass.train car-miles.	Line 26	xxx	100%	-	xxx		xxx		xxx		xxx		27
28	Value of passenger train cars	Bureau of Valuation		xxx	Line 27	xxx		xxx		xxx		xxx		28
29	Percent. distrib. of exps. of floating equip. freight	Sch. H, sheet 1, sum of lines 5 and 21	xxx	100%	-		xxx		xxx		xxx		xxx	29
30	Value of floating equipment, freight	Line 8, col. (5)		xxx	Line 29		xxx		xxx		xxx		xxx	30
31	Value of floating equipment, passenger ...	Line 8, col. (6)		xxx	Line 29	xxx		xxx		xxx		xxx		31
32	Percent. distrib. of M. of W. expenses, freight	Sch.F, sh.2, line 1,cols. (4)&(8), and line 15, cols. (13) & (17)	xxx	100%	-		xxx		xxx		xxx		xxx	32
33	Value of work equipment, freight	Line 9, col. (5)		xxx	Line 32		xxx		xxx		xxx		xxx	33
34	Percent. distrib. of M. of W. expenses, passenger	Sch.F, sh.2, line 1,cols. (5) & (9), and line 15, cols. (14) & (18)	xxx	100%	-	xxx		xxx		xxx		xxx		34
35	Value of work equipment, passenger	Line 9, col. (6)		xxx	Line 34	xxx		xxx		xxx		xxx		35
36	Subtotal (lines 12,13,15,16,18,19,21, 22,25,28,30,31,33,35)	-		xxx	-									36
37	Percent.distrib.subtotal freight portion .	Line 36, cols. (12), (14), (16) & (18)	xxx	100%	-		xxx		xxx		xxx		xxx	37
38	Percent. distribution of subtotal, passenger portion	Line 36, cols. (13), (15), (17) & (19)	xxx	100%	-	xxx		xxx		xxx		xxx		38
39	Value of misc. equip, freight	Line 10, col. (5)		xxx	Line 37		xxx		xxx		xxx		xxx	39
40	Value of misc. equipment, passenger	Line 10, col. (6)		xxx	Line 38	xxx		xxx		xxx		xxx		40
41	Total value of equipment	Lines 36 + 39 + 40	1/	xxx	-									41

1/ This value is to reconcile with the total value of equip. accts. 51 to 58, incl., furnished by the Valuation Bureau, excl. of transportation water line properties (for example, the Morgan Line properties).
2/ Compute from data furnished by carrier in reply to letter of March 12, 1941.

Summary of Loss and Damage Payments by Commodity Groups

____________________ Railway
Schedule G
Sheet 1 of 1

Line No.	Commodity groups (1)	System loss and damage payments (furnished by railway, Statement I, item 6)(omit cents) (2)	Number of carloads from A.R. Sch. 541 1/ (3)	Expense per carload col. (2) ÷ col. (3) (4)	Number of tons from A.R. Sch. 541 1/ (5)	Expense per ton col. (2) ÷ col. (5) (6)	Revenue from A.R.Sch. 541 1/ (7)	Ratio of expenses to revenue (%) col. (2) ÷ col. (7) (8)	Line No.
1	Grain			$		$			1
2	Flour and other mill products								2
3	Cotton								3
4	Fresh fruits (except citrus)								4
5	Fresh fruits, citrus								5
6	Melons								6
7	Vegetables, fresh								7
8	All other products of agriculture								8
9	Livestock								9
10	Fresh and cured meats, packing-house products, dressed poultry								10
11	Butter, butter substitutes and cheese								11
12	Eggs in shell								12
13	All other animals & animal products ex. fertilizer & fert. material								13
14	Coal and coke								14
15	All other products of mines								15
16	Lumber and forest products								16
17	Petroleum oils								17
18	Vegetable oils								18
19	Sugar								19
20	Iron, steel and other metal articles, n.o.s. incl. wire								20
21	Machinery (other than agricultural) and boilers								21
22	Brick, artificial stone and building tile								22
23	Sewer pipe and drain tile (not metal)								23
24	Agricultural implements and parts, vehicles, horse drawn and parts								24
25	Automobiles, autotrucks, tractors, tires, parts, etc.								25
26	Furniture, new								26
27	Paper (newsprint)								27
28	Canned food products (in tin or glass)								28
29	Tobacco, manufactured products								29
30	Glass, flat other than plate, bottles, jars and jelly glasses								30
31	Ale, wine, beer, alcoholic liquors and mineral water								31
32	Unassigned								32
33	Total, carload								33
34	Total, l.c.l.		xxx	xxx					34
35	Grand total, carload and l.c.l.								35

1/ Data to be assembled on the tabulating machines from cards previously punched.

______ Railway
Schedule H
Sheet 1 of 3

Summary of Carrier Operating Expenses, Rents and Taxes Separated between Running Service, Switching Service and Station Service

Line No.	Item (1)	Source (2)	System freight data (3)	Territory (4)	Territory (5)	Territory (6)	Territory (7)	Line No.
	Group I - Carload and L.C.L. Freight-train car expenses - Running, Other than mileage cars							
1	Freight-train cars - Running, mileage plus time portion, other than mileage cars	Sch. H, sheet 2, 3/, line (bb)	$	$	$	$	$	1
2	Total increased for overhead and taxes	Line 1 x (1.0 + ___ ratio 2/						2
3	Revenue car-miles, other than mileage cars (excl. nonrevenue and caboose car-miles) (Ld. & Mty)	Sch. E, sheet 2, line 20						3
4	Cost per rev. car-mile (other than mileage cars)	Line 2 ÷ line 3	$	$	$	$	$	4
	Group II - Other running expenses common to all cars, mileage and other							
5	Floating equipment - Running	Sch. A, sh. 2, line 18, col. (11) 4/						5
6	Total increased for overhead and taxes	Line 5 x (1.0 + ___ ratio 2/)						6
7	Line-haul portion of switching expenses	Sch. H, sh. 3, line 25, col. (6) 5/						7
8	Nonrevenue port. of frt.-train car exps. - Mileage plus time portion 6/	Sch. H, sheet 2, 3/, line (ff)						8
9	Total expenses common to all cars	Lines 6, 7 and 8						9
10	Total rev. car-miles, incl. mileage cars (Ld. & Mty.)	Sch. E, sh. 2, line 17 + line 20 7/						10
11	Cost per rev. car-mile, incl. mileage cars (Ld. & Mty.)	Line 9 ÷ line 10 8/						11
	Group III - Carload and L.C.L. remaining running expenses treated on a gross ton-mile basis							
12	Locomotives, running	Sch. A, sh. 2, line 22, cols.(15),(19),etc.9/						12
13	Maintenance of way and structures	Sch.B,sh.2,l.24,col.(5)+ ls.14&15,col.(9)						13
14	Transportation - Rail-line	Sch. C, sh. 2, line 25, col. (5)						14
15	Total	Lines 12 to 14, incl.						15
16	Total increased for overhead and taxes	Line 15 x (1.0 + ___ ratio 2/)						16
17	Revenue GTM, cars and contents, excl. cabooses	Sch. E, sh. 2, line 15						17
18	Unit cost per revenue GTM	Line 16 ÷ line 17						18
	Group IV - Carload and L.C.L. switching expenses at origin and destination points only, treated on a per loaded car basis							
-	Equipment maintenance and rentals - Switching portion:							
19	Locomotives - Yard switching	Sch.A,sh.2,line 19,cols.(15),(19),etc.						19
20	Locomotives - Train switching	Sch.A,sh.2,line 20,cols.(15),(19),etc.						20
21	Floating equipment - Switching portion	Sch.A,sh.2, line 18,col.(12) 4/						21
22	Freight-train cars, switch.port., mil. exp.	Sch.A,sh.3, line 25, col. (16),(18), etc.						22
23	Maint. of way & structures - Train & yard switching	Sch.B,sh.2,line 24, cols. (6) + (7)						23
24	Transportation - Train & yard switching	Sch.C, sh.2, line 25, cols. (6) + (7)						24
25	Total	Lines 19 to 24, incl.						25
26	Total increased for overhead and taxes	Line 25 x (1.0 + ___ ratio 2/)						26
27	Carrier terminal switching, industry and team tracks	Sch.H,sh.3,line11,cols.(6)or (12) as appropriate 10/						27
28	Carrier terminal switching, freighthouse tracks at origin and destination points	Sch.H,sh.3,line 14,cols.(6)or (12) as appropriate 10/						28
	Group V - L.C.L. switching expenses, account transfer, treated on loaded car-mile basis							
29	Carrier term. swtchg.,frthouse.tracks, acct.transfer	Sch.H,sh.3,line 17,cols.(6) or (12)						29
30	L.C.L. loaded car-miles	Sch.E,sh.3,line 10,cols.(3),(4), etc.						30
31	Cost per loaded car-mile	Line 29 ÷ line 30						31
	Group VI - Carload and L.C.L. Freight-train car maintenance and rentals, other than mileage cars, in switching service plus detention for loading and unloading at origin or destination only, expenses treated on loaded car basis							
32	Frt.-train car exps., industry & team tracks - Carload	11/, line (i)						32
33	Cost per loaded car,frt.-train car exps.,industry & team trks	2.75 (car-days)x ____ (per day) from 3/, line(m)						33
34	Frt.-train car exps., freighthouse tracks - L.C.L.	12/, line (b)						34
35	Cost per loaded car,frt.-tr.exps.,frthouse.tracks	1.4(car-days)x ____ (per day) from 3/, line (m)						35
	Group VII - L.C.L. freight-train car maintenance and rentals, other than mileage cars in switching service plus detention for loading and unloading, account transfer only, expenses treated on loaded car-mile basis							
36	Frt.-train car exps., frthouse.tracks, acct. transfer	12/, line (d)						36
37	Expenses per loaded car-mile, account transfer	Line 36 ÷ line 30						37
	Group VIII - Carload and L.C.L. station expenses, clerical, at origin and destination, treated on a consignment basis 13/							
38	Station expenses - Carload, clerical	Sch. D, sh. 1, line 10A, col. (6)						38
39	Station expenses - L.C.L., clerical	Sch. D, sh. 1, line 10A, col. (7)						39
	Group IX - L.C.L. station expenses, platform handling at origin & destination, treated on a per ton handled basis 13/							
40	Station expenses, platform	Sch. D, sh. 1, line 17, col. (13)						40
	Group X - L.C.L. station expenses, platform handling account transfer, treated on net ton-mile basis							
41	Station expenses, platform cost for tons transferred (assignable as line-haul cost)	Sch. D, sh. 1, line 18, col.(13)						41
42	Net ton-miles l.c.l. traffic	Sch. E, sh. 3, line 8						42
43	Unit cost per l.c.l. net ton-mile	Line 41 ÷ line 42						43
44	Total frt. oper. exps., rents and taxes (excl. passenger portion of nonrevenue frt. exps., L. & D. claim payments and miscl. opers.) 14/	Lines 2, 6, 8, 16, 26, 32, 34, 36, 38, 39, 40 and 41	$	$	$	$	$	44

(For footnotes see Schedule H, sheet 2)

Footnotes for Schedule H, sheet 1

1/ Compute ratio of revenue car-miles to total car-miles, other than mileage as follows: Schedule E, sheet 2, column (14), line 20 ÷ line 18 __________ (ratio).

2/ Ratio from Schedule E, sheet 1, line 16, column (5). NOTE: Convert the percentage figure to ratio before bringing forward. For example, if the figure shown on Schedule E equals 15%, the ratio equals 0.15. This figure added to 1.0 equals 1.15. __________ (ratio).

3/ Compute cost per active car-day, revenue and nonrevenue traffic, as follows:

Item	Source	Amount
(a) Time portion of freight train car expenses, other than mileage cars	For system expense, see Schedule A, sheet 2, line 18, column (9); for territorial expense see Schedule A, sheet 3, line 30, columns (18), (21) or (24) as applicable	$
(b) Total increased for overhead and taxes	Line (a) x (1.0 + ratio) from 2/	$
Computation of total active car days, revenue and nonrevenue, other than mileage cars		
(c) Car days in running service, revenue and nonrevenue, including mileage cars	Sch. A, sheet 3, line 1, col. (11)	
(d) Ratio of car-miles, other than mileage cars, revenue and nonrevenue, to total car-miles .	Sch. E, sheet 2, col. (14), lines 18 ÷ 16	
(e) Car days, running service, revenue and nonrevenue, other than mileage cars	Line (c) x line (d)	
Computation of active car days in terminals, other than mileage cars		
(f) Car days in terminals, revenue only, including mileage cars but excluding l.c.l. cars ...	Sch. A, sheet 3, col. (11), lines 2 and 3, 6, 7, 12-15	
(g) Car days in terminals, other than mileage cars, carload traffic only	Line (f) x ratio from 11/ line (f)	
(h) Car days, freighthouse cars only	Sch. A, sheet 3, col. (11), lines 4 & 5	
(i) Car days, interchange switching and inter- and intratrain switching	Sch. A, sheet 3, col. (11), lines 8, 9, 16, and 17	
(j) Car days, interchange switching, inter- & intratrain switching, other than mileage cars	Line (i) x line (d)	
(k) Car days, nonrevenue, in terminals	Sch.A, sheet 3, col.(11), lines 18 & 19	
Total active car days, other than mileage cars		
(l) Total car days, revenue and nonrevenue, other than mileage cars	Lines (e), (g), (h), (j), and (k)	
Computation of cost per active car day, other than mileage cars		
(m) Cost per car day, other than mileage cars, including overhead and taxes	Line (b) ÷ line (l)	
(n) Cost per car day, other than mileage cars, excluding overhead and taxes	Line (a) ÷ line (l)	
Computation of revenue car-day costs, other than mileage cars, running service		
(o) Ratio of nonrevenue car-miles to total car-miles, other than mileage cars	Sch. E, sheet 2, col. (14), line 19 ÷ line 18	
(p) Nonrevenue portion of car days in running service	Line (e) x line (o)	
(q) Revenue car days in running service, other than mileage cars	Line (e) minus line (p)	
(r) Aggregate cost for revenue car days, other than mileage cars, running service, excluding overhead and taxes	Line (q) x line (n)	

3/ - Continued

Item	Source	Amount
Computation of nonrevenue car days, running, switching, plus loading and unloading		
(s) Car days in inter- and intratrain switching, revenue and nonrevenue, including mileage cars	Sch.A, sheet 3, col.(11), lines 16 and 17	
(t) Car days, inter- and intratrain switching, revenue and nonrevenue, other than mileage cars	Line (s) x line (d)	
(u) Nonrevenue car days, inter- and intratrain switching, other than mileage cars	Line (t) x line (o)	
(v) Total nonrevenue car days, loading, unloading, running and switching (excl. intchg.)	Lines (k), (p), and (u)	
Computation of active revenue car-day cost in running service plus interchange, intertrain and intratrain switching		
(w) Revenue car days in interchange switching and inter- and intratrain switching, other than mileage cars	Line (j) minus line (u)	
(x) Aggregate cost for revenue car days in interchange, inter- and intratrain switching, other than mileage cars, excluding overhead and taxes .	Line (w) x line (n)	
(y) Total revenue car-day cost, running service, plus interchange, inter- and intratrain switching, other than mileage cars, excluding overhead and taxes	Line (r) + line (x)	
Computation of the revenue portion of the mileage portion of the freight train car expenses, other than mileage cars		
(z) Running port. of frt. train car mileage exp., other than mileage cars	Sch. A, sheet 3, line 24, cols. (15), (18), etc.	
(aa) Rev. car-mile port. of frt. train car mileage exps., other than mileage cars	Line (z) x _____ ratio, from Sch. H, sheet 2 1/	
Total freight train car expenses, running, mileage plus time portion, other than mileage cars (insert in Sch. H, sheet 1, line 1		
(bb) Total frt. train car exps., rev. port., mileage plus time, run. service, other than mileage cars, excl. overhead and taxes	Line (y) + line (aa)	
Computation of the nonrevenue portion of freight train car expenses, including the nonrevenue portion of the car-day expenses, running, switching, loading, and unloading, and the nonrevenue portion of the mileage expenses, running service only (insert total in Sch. H, sheet 1, line 8)		
(cc) Nonrev. port. of frt. train car exps., mileage port., running service, other than mileage cars, excl. overhead and taxes	Line (z) minus line (aa)	
(dd) Total nonrev. frt. train car day exps., running, switching, loading and unloading, other than mileage cars, excl. overhead and taxes ..	Line (v) x line (n)	

(See reverse side for remaining footnotes)

(Footnotes for Schedule H, sheet 1 - continued)

3/ - Continued

Item	Source	Amount
(ee) Total nonrevenue freight train car expense, mileage plus time portion, excluding overhead and taxes	Line (cc) + line (dd)	
(ff) Total nonrevenue freight train car expenses, mileage plus time portion, including overhead and taxes	Line (ee) x (1.0 + _______ ratio) from 2/	
Reconciliation of freight train car expenses with total expenses in Sch. A, sheet 2		
(gg) Total freight train car expenses, running, mileage plus time portion, other than mileage cars incr. for overhead and taxes	Sch. H, sheet 1, line 1, col. (3) x (1.0 + ratio 2/)	
(hh) Freight train car expenses, switching, mileage portion, incr. for overhead & taxes .	Sch. H, sheet 1, line 22, col. (3) x (1.0 + ratio 2/)	
(ii) Total nonrevenue freight train car expenses, mileage plus time portions	Sch. H, sheet 1, line 6, col. (3)	
(jj) Freight train car-day expenses, switching at origin and destination industries, team tracks and freighthouses ...	Sch. H, sheet 1, col. (3), lines 32, 34, and 36	
(kk) Total freight train car expenses incr. for overhead and taxes	Sum of lines (gg) to (jj), inclusive	
(ll) Reconciliation - line (kk) should agree with total freight train car expenses, mileage plus time portion incr. for overhead & taxes .	Schedule A, sheet 2, line 18, (columns (8) plus (9)) x (1.0 plus _______ ratio 2/). For territorial expenses, see Schedule A, sheet 3, line 33, (columns (18), (21) or (24) as applicable) x 1.0 plus _______ ratio 2/).	
Reconciliation of active car days		
(mm) Total active car days for reconciliation with Sch. A, sheet 3, line 23, col. (11)	Sum of lines c + f + h + i + k	

4/ Where territorial distribution is made, distribute on the basis of special study in each case based upon the location of the floating equipment. For this purpose see Ex Parte 122 file, and distribution of operating expenses made by carrier on Schedule C, sheet 1, lines 38-39.

5/ Where territorial separation is made, bring forward the territorial totals, line 25, cols. (6) and (12), respectively.

6/ Freight-train car repairs, other than mileage cars, chargeable to the movement of nonrevenue traffic must be distributed over the traffic moving both in railroad-owned equipment and in cars rented on a mileage basis. For this reason the freight-train car expenses incurred in the handling of company material are distributed over all revenue traffic on the basis of car-miles.

7/ If cars rented on a mileage basis are used for the hauling of company materials, subtract the nonrevenue car-miles thus produced (see Schedule E, sheet 2, footnote 5) from the car-miles shown in Schedule E, sheet 2, line 17, column (14). The remainder should then be added to line 20 brought forward.

8/ Compute car-mile costs for cars rented on a mileage basis by adding to the cost per revenue car-mile, shown on line 11 (loaded + empty movement) the appropriate rental charge. (For example, 1.5 cents per car-mile, loaded and empty, for tank cars and gondolas and hoppers, 2.0 cents for refrigerator cars, etc. (AAR Mileage Tariff, Series No. 7)). Such rental charge must be increased for overhead and taxes by multiplying the rental per mile (i.e., 1.5 cents; 2.0 cents, etc.) by (1.0 + _______ ratio, from footnote 2). NOTE: The ratio of overhead expenses and taxes to operating expenses is derived by dividing the former by the operating expenses, including mileage rental payments.

9/ If carrier provides a separation of road locomotive repairs by territories on Sch. A, sheet 1, lines 21 to 36, bring forward territorial figures from Sch. A, sheet 2, line 22, cols. (19), (21), and (23), respectively. If carrier provides no such territorial breakdown and the separation was statistically made on the basis of the locomotive miles and locomotive ton-miles operating in each territory, bring forward the sum of lines 23 and 24, Sch. A, sheet 2, cols. (19), (21), and (23), respectively.

10/ See Schedule H, sheet 3, cols. (7) and (13) for the unit cost per car. Where territorial separation is made bring forward the territorial data.

11/ In computing the aggregate freight-train car expenses handled in other than mileage cars, data must be adjusted for (1) Overheads and taxes, (2) Distribution of freight-train car expenses incurred in the hauling of nonrevenue freight, and (3) Separation of the total car-days in terminal between that for mileage cars and that for other than mileage cars. Separation made by assigning to mileage cars all carload traffic reported in the freight commodity statistics customarily handled in refrigerator cars and tank cars. (In 1938 only 5.6% of the tank cars were railroad owned. The comparable figure for refrigerators was 15.1%. All Class I carriers. From Stat. of Railways in U.S., 1939, pages 21 and 23). Balance assigned to "Other than mileage" cars. The necessary ratio is developed on lines (a) to (f) below. This ratio is then applied to the total car-days in terminals for carload traffic to obtain the car days in terminal chargeable to "Other than mileage" cars. This step is taken on line (h) below. The car-days in terminal for "Other than mileage" cars, carload traffic, is then multiplied by the car-day cost per active car-day to obtain the aggregate freight-train car expense, industry and team track, "Other than mileage" cars, for carload traffic. The product is to be inserted in Schedule H, sheet 1, line 32, column (3).

Item	Source	Amount
(a) Carloads assigned to refrigerator cars	A.R. Sch. 541, cols. (d) plus (f) plus twice col. (b), classes 110-143, 210-222, 231-251, 630	
(b) Carloads assigned to tank cars	A.R. Sch. 541, cols. (d) plus (f) plus twice col. (b), classes 280, 360, 370, 441, 450, 451, 460-462, 472, 660, 661	
(c) Total carloads assigned to refrigerator and tank cars (Total assumed to approximate the mileage cars originated & terminated	Sum of (a) plus (b)	
(d) Total carload traffic mileage plus "All other" cars	A.R. Sch. 541, Class 650, cols. (d) plus (f) plus twice (b)	
(e) Carloads, originated and terminated, "Other than mileage" cars	Line (d) minus line (c)	
(f) Ratio of carloads, "Other than mileage" cars, to the total carloads, carload traffic	Line (e) ÷ line (d)	
(g) Car-days incl. mileage cars, sw. plus detention for ldg.& unldg.	Sch. A, sheet 3, col. (11), sum of lines 2, 3, 6, 7, and 12-15	
(h) Car-days, "Other than mileage" cars, sw. plus detention for loading and unloading	Line (f) x line (g)	
(i) Aggregate frt. trn. car exp.other than mileage cars, carld.traf. .	Line (h) x cost per active car-day from footnote 3, line (m)	

12/ Compute freight-train car expenses for L.C.L. traffic at origin and destination points, also at transfer points, as follows: (Assumes use of other than mileage cars)

Item	Source	Amount
(a) Car-days, including switching plus detention for loading and unloading, origin and destination points only	Sch. A, sheet 3, 7/, line (c) x _______ days per loaded car, (Sch. A, sheet 3, line 4, cols. (7) + (9) + (_______ ratio x line 5, col. (7). See Sch. A, sheet 3, 6/, line 5, for ratio.	
(b) Aggregate expenses, L.C.L. traffic at origin and destination points	Line (a) x cost per car-day from 3/, line (m)	
(c) Car-days, L.C.L., account transfer	Sch. A, sheet 3, 7/, line (c) x days per loaded car (See line (a))	
(d) Aggregate expenses, L.C.L., account transfer	Line (c) x cost per car-day from 3/, line (m)	

13/ For unit costs, see Schedule D, lines 12 or 16.

14/

Item	Source	Amount
Reconciliation of total expenses, Schedule H, with total expenses, Schedule E, sheet 1, line 15, column (5)		
(a) Aggregate expenses	Sch. H, sheet 1, line 44, column (3)	
Items included in Schedule E but not brought forward in Schedule H		
(b) Hire of mileage cars	Sch. A, sheet 2, line 11, column (3)	
(c) Maintenance of grain elevators and storage warehouses	Sch. B, sheet 2, column (3), lines 9 + 10	
(d) Miscellaneous operations	Sch. E, sheet 1, line 10, column (3)	
(e) _______________		
(f) Total	Lines (b) to (d), inclusive	
(g) Total including overhead and taxes	Line (f) x (1.0 + ratio, 2/	
(h) Grand total	Lines (a) + (g)	

Separation of Switching Expenses by Classes of Switching 5/

(Expenses exclude all freight-train car expenses except switching portion of mileage expenses)

______________________ Railway
Schedule 5
Sheet 3 of 3

Line No.	Item	System or territory						Territory						Line No.
		Number of cars 1/	Weighting 2/	Equated handlings (Cols. (2) x (3))	Ratio of equated handlings to total 3/	Separation of expenses (Line 26, col. (6) x ratio col.(5))	Expenses per car (Col. (6) + col. (2))	Number of cars 1/	Weighting 2/	Equated handlings (Cols. (8) x (9))	Ratio of equated handlings to total 3/	Separation of expenses (Line 26, col. (12) x ratio col.(11))	Expenses per car (Col.(12) + col. (8))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
	Terminal Switching - Carload													
1	Carrier terminal switching, industry & team tracks (loads)													1
2	Carrier terminal switching, industry & team tracks (empties)													2
3	Connection terminal switching (cars originated or terminated by respondent & receiving connecting line road haul (loads)													3
4	Connection terminal switching (cars originated or terminated by respondent & receiving connecting line road haul (empties)													4
5	Intraterminal switching (loads)													5
6	Intraterminal switching (empties) ..													6
7	Interterminal switching (loads)													7
8	Interterminal switching (empties) ..													8
9	Other (designate) ____________ ..													9
10	Other (designate) ____________ ..													10
11	Total switching - Carload (lines 1 to 10, inclusive)													11
	Terminal Switching - L. C. L.													
12	Carrier terminal switching, freighthouse (loads) at orig. & dest.													12
13	Carrier terminal switching, freighthouse (empties) at orig. & dest. ..													13
14	Subtotal - Freighthouse switching, origin & destination													14
15	Carrier terminal switching, freighthouse (loads) account transfer													15
16	Carrier terminal switching, freighthouse (empties) account transfer ..													16
17	Subtotal - Terminal switching, frthouse, acct. transfer													17
18	Total switching - L.C.L.													18
	Switching treated as variable with distance (on car-mile basis)													
19	Interchange switching (loads)													19
20	Interchange switching (empties)													20
21	Intermediate switching (loads)													21
22	Intermediate switching (empties) ...													22
23	Intertrain & intratrain switching (loads)													23
24	Intertrain & intratrain switching (empties)													24
25	Total, lines 19 to 24, incl.													25
26	Grand total (lines 11, 18 & 25)					4/						4/		26

1/ See Schedule A, sheet 3, column (3) for the number of cars.
2/ Weighting to be furnished by carrier from available switching studies, or constructively developed by the Bureau of Statistics from presently available information.
3/ Lines 1 to 25 of column (4) to be divided by grand total appearing in line 26. (Omit count of non-revenue cars from lines 9 and 10).
4/ Insert system or territorial switching expenses, as appropriate, from Schedule H, sheet 1, line 26.
5/ Where territorial break-down of expenses is made, use as many sheets of this Schedule as are required.

Territorial Summary of Aggregate Costs, Aggregate Units and Unit Costs

____________________ Territory

Territorial Summary - Sheet 1 of 8

Line No.	Carrier (1)	Divisions or states assigned to territory (2)	Group I Carload and L.C.L. Freight-train car expenses - Running, other than mileage cars			Group II Carload and L.C.L. Other running expenses common to all cars, mileage and other			Total cost per car-mile other than mileage cars (Col. (5) + col. (8)) 1/ (9)	Group III Carload and L.C.L. Remaining running expenses treated on a gross ton-mile basis			Line No.
			Expenses (Sch. H, sheet 1, line 2) (3)	Revenue car-miles, other than mileage cars-Loaded and empty (Sch. H, sh. 1, line 3) (4)	Cost per revenue car-mile-Loaded & empty Col. (3) + col. (4)) (5)	Expenses (Sch. H, sheet 1, line 9) (6)	Total revenue car-miles including mileage cars loaded & empty (Sch. H, sh. 1, line 10) (7)	Cost per revenue car-mile-Loaded & empty (Col. (6) + col. (7)) (8)		Total Expenses (Sch. H, sheet 1, line 16) (10)	Revenue gross ton-miles - Cars and contents excl. caboose (Sch. H, sh. 1, line 17) (11)	Cost per revenue gross ton-mile (Col. (10) + col. (11)) (12)	
1													1
2													2
3													3
4													4
5													5
6													6
7													7
8													8
9													9
10													10
11													11
12													12
13													13
14													14
15													15
16													16
17													17
18													18
19													19
20													20
21													21
22													22
23													23
24													24
25													25
26													26
27													27
28													28
29													29
30													30
31													31
32													32
33													33
34													34
35													35
36													36
37													37
38													38
39													39
40													40
41													41
42													42
43													43
44													44
45													45
46													46
47													47
48													48
49													49
50													50
51													51
52													52
53													53
54													54
55	Total												55

1/ The cost per revenue car-mile for cars rented on a mileage basis will equal column (8) plus the mileage rental paid.

1

Territorial Summary of Aggregate Costs, Aggregate Units and Unit Costs, Continued

________________ Territory.

Territorial Summary - Sheet 2 of 8

Line No.	Carrier	Group IV Carload switching exps., orig. & dest. only, treated on per loaded car basis			Group IV L.C.L. switching exps., origin & dest. only, treated on per loaded car basis			Group V L.C.L. switching exps., acct. transfer, treated on loaded car-mile basis			Group VI Carload frt. train car maint. & rentals other than mileage, origin or dest. 1/			Line No.
		Expenses (Sch. H, sheet 1, line 27, cols. (3), (4), etc.))	Number of cars switched loads (Sch. H, sh. 3, lines 1, 3, 5, & 7, cols. (2) or (8))	Cost per loaded car (Col. (2) + col. (3))	Expenses (Sch. H, sheet 1, line 28, cols. (3), (4), etc.))	Number of cars switched loads (Sch. H, sh. 3, line 12, Cols. (2) or (8))	Cost per loaded car (Col. (5) + col. (6))	Expenses (Sch. H, sheet 1, line 29, cols. (3), (4), etc.))	Number of l.c.l. loaded car-miles (Sch. H, sh. 1, line 30, cols. (3), (4), etc.))	Total cost stated in terms of loaded car-miles (Col. (8) + (9))	Expenses (Sch. H, sheet 1, line 32, cols. (3), (4), etc.))	Loaded cars (Sch. H, sheet 2 11/ line (e)) 2/	Cost per loaded car (Col. (11) + col. (12))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
1														1
2														2
3														3
4														4
5														5
6														6
7														7
8														8
9														9
10														10
11														11
12														12
13														13
14														14
15														15
16														16
17														17
18														18
19														19
20														20
21														21
22														22
23														23
24														24
25														25
26														26
27														27
28														28
29														29
30														30
31														31
32														32
33														33
34														34
35														35
36														36
37														37
38														38
39														39
40														40
41														41
42														42
43														43
44														44
45														45
46														46
47														47
48														48
49														49
50														50
51														51
52														52
53														53
54														54
55	Total													55

1/ Freight-train car maintenance and rentals, other than mileage cars, in switching service, plus detention for loading and unloading at origin or destination only, expenses treated on loaded car basis.

2/ Where the carrier's expenses and statistics are broken down by territories compute the loaded cars by applying the ratio shown in Schedule H, sheet 2, footnote 11, line (f), to the loaded cars for the territory involved. (Schedule H, sheet 3, sum of lines 1, 3, 5, and 7)

Territorial Summary of Aggregate Costs, Aggregate Units and Unit Costs, Continued

P

________________ Territory

Territorial Summary - Sheet 3 of 8

Line No.	Carrier (1)	Group VI L.C.L. frt. train car maint. & rentals other than mileage, origin or dest. 1/			Group VII L.C.L. frt. train car maint. & rentals, switching service, acct. transfer only2/			Group VIII Carload station expenses, clerical, origin or destination			Group VIII L.C.L. station expenses, clerical, origin or destination			Line No.
		Expenses (Sch. H, sh. 1, line 34, cols. (3) (4), etc.) (2)	Loaded cars (Sch. H, sh. 3, line 12, col. (2)) (3)	Cost per loaded car (Col. (2) + col. (3)) (4)	Expenses (Sch. H, sh. 1, line 36, cols. (3), (4), etc.) (5)	Loaded car-miles (Sch. H, sh. 1, line 30, cols. (3), (4), etc.) (6)	Total cost stated in terms of loaded car-miles (Col. (5) + (6)) (7)	Expenses (Sch. H, sh. 1, line 38, cols. (3), (4), etc.) (8)	Consignments (Sch. D, line 11, col. (11)) (9)	Cost per consignment (Col. (8) + col. (9)) (10)	Expenses (Sch. H, sh. 1, line 39 cols. (3), (4), etc.) (11)	L.C.L. tons (Sch. D, sh. 1, line 13, col. (13)) (12)	Cost per L.C.L. ton (Col. (11) + col. (12)) (13)	
1														1
2														2
3														3
4														4
5														5
6														6
7														7
8														8
9														9
10														10
11														11
12														12
13														13
14														14
15														15
16														16
17														17
18														18
19														19
20														20
21														21
22														22
23														23
24														24
25														25
26														26
27														27
28														28
29														29
30														30
31														31
32														32
33														33
34														34
35														35
36														36
37														37
38														38
39														39
40														40
41														41
42														42
43														43
44														44
45														45
46														46
47														47
48														48
49														49
50														50
51														51
52														52
53														53
54														54
55	Total													55

1/ Freight-train car maintenance and rentals, other than mileage cars, in switching service, plus detention for loading and unloading at origin or destination only, expenses treated on loaded car basis.

2/ L.C.L. freight-train car maintenance and rentals, other than mileage cars, in switching service, plus detention for loading and unloading, account transfer only, expenses treated on loaded car-mile basis.

Territorial Summary of Aggregate Costs, Aggregate Units and Unit Costs, Continued

_______________ Territory

Territorial Summary - Sheet 4 of 8

Line No.	Carrier	Group IX L.C.L. platform costs, origin or destination			Group X L.C.L. platform handling account transfer				Line No.
		Expenses (Sch. H, sheet 1, line 40, cols. (3), (4), etc.)	L.C.L. tons, origin plus destination (Sch. D, sheet 1, line 13, col. (13))	Cost per ton orig. or dest. (Col. (2) ÷ col. (3))	Expenses (Sch. H, sheet 1, line 41, cols. (3), (4), etc.)	L.C.L. net ton-miles (Sch. H, sheet 1, line 42, cols. (3), (4), etc.)	Cost per net ton-mile (Col. (5) ÷ col. (6))	Total freight operating expenses, rents & taxes, excl. passenger portion of nonrevenue freight expenses, loss & damage payments and misc. operations 1/	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1									1
2									2
3									3
4									4
5									5
6									6
7									7
8									8
9									9
10									10
11									11
12									12
13									13
14									14
15									15
16									16
17									17
18									18
19									19
20									20
21									21
22									22
23									23
24									24
25									25
26									26
27									27
28									28
29									29
30									30
31									31
32									32
33									33
34									34
35									35
36									36
37									37
38									38
39									39
40									40
41									41
42									42
43									43
44									44
45									45
46									46
47									47
48									48
49									49
50									50
51									51
52									52
53									53
54									54
55	Total								55

1/ Compute column (8) as follows: Sum of Territorial Summary, sheet 1, line 55, columns (3), (6), (10); sheet 2, line 55, columns (2), (5), (8), (11); sheet 3, line 55, columns (2), (5), (8), (11) and sheet 4, line 55, columns (2) and (5). The total in column (8) should reconcile with Schedule H, sheet 1, line 44, columns (3), (4), etc.

Territorial Summary of L.C.L. and Passenger Deficiencies, and Cost of Providing 5-3/4% Return on L.C.L. Portion of Valuation

________________ Territory

Territorial Summary - Sheet 5 of 6

Line No.	Carrier (1)	C.L. oper. exps., rents and taxes (Sch. F, sh. 3, line 24) (2)	L. C. L. deficiencies 1/				Passenger deficiencies 1/				Cost of prov. 5-3/4% ret. on L.C.L. value			Line No.
			L.C.L. oper. inc. or def. (after oper. exps., rents, taxes and P.U.&D.) (Sch. F, sh. 3, line 26) (3)	Ratio of L.C.L. inc. or def. to C.L. oper. exps., rents and taxes (Col. (3) ÷ col. (2)) (4)	Total L.C.L. inc. or def. (after ret. at 5-3/4%) (Sch. E, sheet 3, line 29) (5)	Ratio of L.C.L. inc. or deficit (after ret. at 5-3/4%) to C.L. oper. exps., rents and taxes (Col. (5) ÷ col. (2)) (6)	Passenger operating income or deficit (Sch. E, sheet 3, line 33) (7)	Ratio of pass. oper. inc. or def. to C.L. oper. exps., rents and taxes (Col. (7) ÷ col. (2)) (8)	Total pass. inc. or def. (after ret. of 5-3/4%) (Sch. E, sheet 3, line 36) (9)	Ratio of pass. income or deficit (after ret. of 5-3/4%) to C.L. oper. exps., rents and taxes (Col. (9) ÷ col. (2)) (10)	L.C.L. oper. exps., rents and taxes (excl. L.&D. and P.U.&D.) (Sch. F, line 7) (11)	Cost of providing 5-3/4% ret. on L.C.L. portion of valuation (Sch. F, line 9) (12)	Ratio of L.C.L. 5-3/4% return to L.C.L. oper. exps., rents and taxes (excl. L.&D. and P.U.&D.) Col. (12) ÷ col. (11)) (13)	
1														1
2														2
3														3
4														4
5														5
6														6
7														7
8														8
9														9
10														10
11														11
12														12
13														13
14														14
15														15
16														16
17														17
18														18
19														19
20														20
21														21
22														22
23														23
24														24
25														25
26														26
27														27
28														28
29														29
30														30
31														31
32														32
33														33
34														34
35														35
36														36
37														37
38														38
39														39
40														40
41														41
42														42
43														43
44														44
45														45
46														46
47														47
48														48
49														49
50														50
51														51
52														52
53														53
54														54
55	Total													55

1/ Indicate income by a plus sign (+) or a black entry. Indicate deficit by a minus sign (-) or a red entry. Apply to each column, (3) to (10), inclusive.

Territorial Summary of L.C.L. and Passenger Deficiencies, and Cost of Providing 4% Return on L.C.L. Portion of Valuation 1/

__________________ Territory

Territorial Summary - Sheet 6 of 8

			L. C. L. deficiencies 2/				Passenger deficiencies 2/				Cost of prov. 4% ret. on L.C.L. value			
Line No.	Carrier (1)	C.L. oper. exps., rents and taxes (Sch.E, sh.3, line 24) (2)	L.C.L. oper. inc. or def. (after oper. exps., rents, taxes and P.U.&D.) (Sch.E, sh.3, line 26) (3)	Ratio of L.C.L. inc. or def. to C.L. oper. exps., rents and taxes (Col. (3) + col. (2)) (4)	Total L.C.L. inc. or def. (after ret. at 4%) (Sch. E, sheet 3, line 29) (5)	Ratio of L.C.L. inc. or deficit (after ret. at 4%) to C.L. oper. exps., rents and taxes (Col.(5) + col. (2)) (6)	Passenger operating income or deficit (Sch. E, sheet 3, line 33) (7)	Ratio of pass. oper. inc. or def. to C.L.oper. exps., rents and taxes (Col. (7) + col. (2)) (8)	Total pass. inc. or def. (after ret. of 4%) (Sch. E, sheet 3, line 36) (9)	Ratio of pass. income or deficit (after ret. of 4%) to C.L. oper. exps., rents and taxes (Col. (9) + col. (2)) (10)	L.C.L. oper. exps., rents and taxes (excl. L.&D. and P.U.&D.) (Sch. F, line 7) (11)	Cost of providing 4% return on L.C.L. portion of valuation (Sch. F, line17) (12)	Ratio of L.C.L. 4% return to L.C.L. oper. exps., rents and taxes (excl. L.&D. and P.U.&D.) (Col.(12) + col. (11)) (13)	Line No.
1														1
2														2
3														3
4														4
5														5
6														6
7														7
8														8
9														9
10														10
11														11
12														12
13														13
14														14
15														15
16														16
17														17
18														18
19														19
20														20
21														21
22														22
23														23
24														24
25														25
26														26
27														27
28														28
29														29
30														30
31														31
32														32
33														33
34														34
35														35
36														36
37														37
38														38
39														39
40														40
41														41
42														42
43														43
44														44
45														45
46														46
47														47
48														48
49														49
50														50
51														51
52														52
53														53
54														54
55	Total													55

1/ When the L.C.L. deficiencies and passenger deficiencies are computed to include an allowance for a return of 4%, Schedule E, sheet 3, lines 25 to 37, column (3) should be reworked on the basis of a 4% return (see lines 28 and 35).

2/ Indicate income by a plus sign (+) or a black entry. Indicate deficit by a minus sign (-) or a red entry. Apply to each column (3) to (10), inclusive.

5155

Territorial Summary of Cost to the Carload Traffic of Providing 5-3/4% Return and 4% Return, Respectively, on C.L. Portion of Valuation, on Total Freight Valuation (C.L. and L.C.L.) and on Total Valuation Freight Plus Passenger

_______________ Territory

Territorial Summary - Sheet 7 of 8

Line No.	Carrier	Carload oper. exps., rents & taxes (Sch. E, sh. 3, line 24)	Cost of providing 5-3/4% return on C.L. portion of valuation		Cost of providing 5-3/4% return on total freight valuation, C.L. and L.C.L.		Cost of providing 5-3/4% return on total valuation freight and passenger		Cost of providing 4% return on C.L. portion of valuation		Cost of providing 4% return on total freight valuation, C.L. and L.C.L.		Line No.
			Amount (Sch. F, line 11)	Ratio of C.L. 5-3/4% ret. to C.L. oper. exps., rents and taxes (Col. (3) ÷ col. (2))	Amount (Sch. F, line 13)	Ratio of total frt. 5-3/4% ret. C.L. & L.C.L. to C.L. oper. exps., rents and taxes (Col. (5) ÷ col. (2))	Amount (Sch. F, line 15)	Ratio of total 5-3/4% ret., frt. and pass. to C.L. oper. exps., rents & taxes (Col. (7) ÷ col. (2))	Amount (Sch. F, line 19)	Ratio of C.L. 4% ret. to C.L. oper. exps., rents and taxes (Col. (9) ÷ col. (2))	Amount (Sch. F, line 21)	Ratio of tot. frt. 4% ret. C.L. & L.C.L. to C.L. oper. exps., rents and taxes (Col. (11) ÷ col. (2))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
1													1
2													2
3													3
4													4
5													5
6													6
7													7
8													8
9													9
10													10
11													11
12													12
13													13
14													14
15													15
16													16
17													17
18													18
19													19
20													20
21													21
22													22
23													23
24													24
25													25
26													26
27													27
28													28
29													29
30													30
31													31
32													32
33													33
34													34
35													35
36													36
37													37
38													38
39													39
40													40
41													41
42													42
43													43
44													44
45													45
46													46
47													47
48													48
49													49
50													50
51													51
52													52
53													53
54													54
55	Total												55

6102

95156

______________________Territory

Territorial Summary - Sheet 8 of 8

Territorial Summary of the Cost to the Carload Traffic of Providing 4% Return on Total Valuation Freight and Passenger, and of Providing a System Current Rate of Return Earned during Year 1939

Line No.	Carrier	Carload operating expenses, rents and taxes (Sch. E, sheet 3, line 24)	Cost of providing 4% return on total valuation, freight and passenger		Cost of providing current rate of return					Line No.
			Amount (Schedule F, line 23)	Ratio of total 4% return, freight and passenger, to C.L. operating expenses, rents and taxes (Col. (3) ÷ col. (2))	Current return all services, 1939 (Schedule F, line 25) 1/	Valuation of carrier property (Schedule F, line 1)	Current rate of return, all services (Col. (5) ÷ col. (6)) 1/			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1	~~Kansas City Southern Ry. - Territory 1~~									1
2	~~Missouri-Kansas-Texas R. R. - Territory 1~~									2
3										3
4										4
5										5
6										6
7										7
8										8
9										9
10										10
11										11
12										12
13										13
14										14
15										15
16										16
17										17
18										18
19										19
20										20
21										21
22										22
23										23
24										24
25										25
26										26
27										27
28										28
29										29
30										30
31										31
32										32
33										33
34										34
35										35
36										36
37										37
38										38
39										39
40										40
41										41
42										42
43										43
44										44
45										45
46										46
47										47
48										48
49										49
50										50
51										51
52										52
53										53
54										54
55	Total									55

1/ Indicate income by a plus sign (+) or a black entry. Indicate deficit by a minus sign (-) or a red entry.

Summary of Loss and Damage Payments by Commodity Groups
(From Schedule G)

5157 Territory

Loss and Damage Summary -- Sheet 1 of ___

Line No.	Carrier	Commodity group: ______							Commodity group: ______							Line No.
		Loss and damage payments	Number of carloads	L. & D. payments per carload (Col.(2) + col. (3))	Number of tons	L. & D. payments per ton (Col.(2) + col.(5))	Freight revenue	Ratio of L. & D. payments to revenue (Col.(2) + col. (7))	Loss and damage payments	Number of carloads	L & D. payments per carload (Col.(9) + col.(10))	Number of tons	L. & D. payments per ton (Col.(9) + col.(12))	Freight revenue	Ratio of L. & D. payments to revenue (Col.(9) + col.(14))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
1																1
2																2
3																3
4																4
5																5
6																6
7																7
8																8
9																9
10																10
11																11
12																12
13																13
14																14
15																15
16																16
17																17
18																18
19																19
20																20
21																21
22																22
23																23
24																24
25																25
26																26
27																27
28																28
29																29
30																30
31																31
32																32
33																33
34																34
35																35
36																36
37																37
38																38
39																39
40																40
41																41
42																42
43																43
44																44
45																45
46																46
47																47
48																48
49																49
50																50
51																51
52																52
53																53
54																54
55	Total															55

6104

Assembly of Costs of ____________ Car 1/ Traffic, Operating Expenses, Rents and Taxes

____________ Territory
Carload Assembly Schedule
Sheet 1 of 2

Line No.	Net load per car tons	Expenses independent of distance (origin plus destination)						Expenses treated as proportional to the length of haul						Line No.
		Group IV - C.L. Industry and team track switching expenses per loaded car 2/	Group VI - C.L. Carload freight train car maint. and rentals, switching serv. origin + dest. only, expense per loaded car 3/	Group VIII - C.L. Station clerical expense per carload 4/	Total C. L. switching expenses, freight train car expenses (terminal) and station exps., per loaded car (Cols. (2), (3), and (4))	Number of cwt. per net load per car (Col. (1) x 20 cwt.)	Switching freight train car maint., and station expenses per cwt. (Col. (5) + col. (6))	Group I - C. L. freight train car expenses - running, other than mileage cars, per loaded car-mile 5/	Group II - C.L. Running exps. common to all cars, incl. interchange and intertrain switching per loaded car-mile 6/	Gross tons of car & contents, incl. empty return (Col. (1) + footnote 1, line (d))	Group III - C.L. Remaining running expenses treated on GTM basis and converted to a cost per loaded car-mile (Col. (10) x ______ cents per GTM 7/	Total running exps. stated in terms of loaded car-mile incl. empty ret. (Cols. (8), (9), and (11))	Running exps. per 100 pounds of net load per mile (Col. (12) - col. (6))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
1	5													1
2	6													2
3	7													3
4	8													4
5	9													5
6	10													6
7	11													7
8	12													8
9	13													9
10	14													10
11	15													11
12	16													12
13	17													13
14	18													14
15	19													15
16	20													16
17	21													17
18	22													18
19	23													19
20	24													20
21	25													21
22	26													22
23	27													23
24	28													24
25	29													25
26	30													26
27	31													27
28	32													28
29	33													29
30	34													30

1/ (a) Territorial average tare weight: ____________ tons. Computed by weighting the tare weight of each reporting carrier in the given territory by the number of carloads handled by each carrier in this type of car.

(b) Territorial ratio of empty to loaded car-miles: ________%. Computed by weighting the ratio for each reporting carrier in the territory for the type of cars shown by the number of carloads handled by each carrier in this type of car.

(c) Equated empty tare tons: ____________ tons. (Line (a) x line (b))

(d) Total territorial tare weight: ____________ tons. (Line (a) + line (c))

2/ Territorial Summary, sheet 2, twice column (4).

3/ Territorial Summary Schedule, sheet 2, twice column (13) Where costs are being developed for equipment rented on a mileage basis (refrigerator cars and tank cars) leave column (3) blank.

4/ Territorial Summary Schedule, sheet 3, twice column (10)

5/ Compute cost for loaded and empty directions in terms of the loaded direction only. Use lines (a) and (b) for railroad owned equipment and lines (c) and (d) for equipment rented on a mileage basis. Carry forward the amounts from lines (b) or (d), respectively to column (8)

Item	Source	Amount	
		Railroad owned equipment	Cars rented on mileage basis
(a) R.R. owned equipment, cost per mile, loaded direction ..	Summary Schedule, sheet 1, column (5)		xxx
(b) R.R. owned equipment, cost per mile, loaded + empty ret.	Line (a) x (1.0 + ratio) from 1/, line (b)		xxx
(c) Equipment rented on mileage basis, cost per mile loaded direction	Cost per mile from AAR Mileage Tariffs, Series 7, x (1.0 + ratio) from Sch. E, sh. 1, line 16, col. (5)	xxx	
(d) Equipment rented on mileage basis, cost per mile loaded plus empty return	Line (c) x (1.0 + __________ ratio) from 1/, line (b)	xxx	

6/ Compute cost for loaded and empty directions in terms of loaded direction only. Cost per car-mile from Summary Schedule, sh. 1, col. (8), line 55. ________ cents x (1.0 + _______ ratio) from 1/, line (b).

7/ Cost per gross ton-mile from Summary Schedule, sheet 1, column (12), line 55.

Assembly of Costs of ______________ Car 1/ Traffic, Operating Expenses, Rents and Taxes

______________________ Territory
Carload Assembly Schedule
Sheet 2 of 2

Line No.	Net load per car tons	Expenses independent of distance (origin plus destination)						Expenses treated as proportional to the length of haul						Line No.
		Group IV - C.L. Industry and team track switching expenses per loaded car 2/	Group VI - C.L. Carload freight train car maint. and rentals, switching serv. origin + dest. only, expense per loaded car 3/	Group VIII - C.L. Station clerical expense per carload 4/	Total C. L. switching expenses, freight train car expenses (terminal) and station exps., per loaded car (Cols. (2), (3), and (4))	Number of cwt. per net load per car (Col. (1) x 20 cwt.)	Switching freight train car maint., and station expenses per cwt. (Col. (5) + col. (6))	Group I - C. L. freight train car expenses - running, other than mileage cars, per loaded car-mile 5/	Group II - C.L. Running exps. common to all cars, incl. interchange and intertrain switching per loaded car-mile 6/	Gross tons of car & contents, incl. empty return (Col. (1) + footnote 1, line (d))	Group III - C.L. Remaining running expenses treated on GTM basis and converted to a cost per loaded car-mile (Col. (10) x ______ cents per GTM 7/	Total running exps. stated in terms of loaded car-mile incl. empty ret. (Cols. (8), (9), and (11))	Running exps. per 100 pounds of net load per mile (Col. (12) + col. (6))	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
1	35													1
2	36													2
3	37													3
4	38													4
5	39													5
6	40													6
7	41													7
8	42													8
9	43													9
10	44													10
11	45													11
12	46													12
13	47													13
14	48													14
15	49													15
16	50													16
17	51													17
18	52													18
19	53													19
20	54													20
21	55													21
22	56													22
23	57													23
24	58													24
25	59													25
26	60													26
27	61													27
28	62													28
29	63													29
30	64													30

1/ (a) Territorial average tare weight: ______________ tons. Computed by weighting the tare weight of each reporting carrier in the given territory by the number of carloads handled by each carrier in this type of car.
(b) Territorial ratio of empty to loaded car-miles: ________%. Computed by weighting the ratio for each reporting carrier in the territory for the type of cars shown by the number of carloads handled by each carrier in this type of car.
(c) Equated empty tare tons: ______________ tons. (Line (a) x line (b))
(d) Total territorial tare weight: ______________ tons. (Line (a) + line (c)

2/ Territorial Summary, sheet 2, twice column (4).
3/ Territorial Summary Schedule, sheet 2, twice column (13) Where costs are being developed for equipment rented on a mileage basis (refrigerator cars and tank cars) leave column (3) blank.
4/ Territorial Summary Schedule, sheet 3, twice column (10)
5/ Compute cost for loaded and empty directions in terms of the loaded direction only. Use lines (a) and (b) for railroad owned equipment and lines (c) and (d) for equipment rented on a mileage basis. Carry forward the amounts from lines (b) or (d), respectively to column (8)

Item	Source	Amount: Railroad owned equipment	Amount: Cars rented on mileage basis
(a) R.R. owned equipment, cost per mile, loaded direction ..	Summary Schedule, sheet 1, column (5)		xxx
(b) R.R. owned equipment, cost per mile, loaded + empty ret.	Line (a) x (1.0 + ratio) from 1/, line (b)		xxx
(c) Equipment rented on mileage basis, cost per mile loaded direction	Cost per mile from AAR Mileage Tariffs, Series 7, x (1.0 + ratio) from Sch. E.sh. 1 ,line 16,col.(5)	xxx	
(d) Equipment rented on mileage basis, cost per mile loaded plus empty return	Line (c) x (1.0 + ____________ratio) from 1/, line (b)	xxx	

6/ Compute cost for loaded and empty directions in terms of loaded direction only. Cost per car-mile from Summary Schedule, sh. 1, col. (8),line 55. _________cents x (1.0 + _______ ratio) from 1/, line (b).
7/ Cost per gross ton-mile from Summary Schedule, sheet 1, column (12), line 55.

5r160

______ Territory
L.C.L. Assembly Schedule
Sheet 1 of 1

Assembly of Costs of L.C.L. Traffic, Operating Expenses, Rents and Taxes 1/

Line No.	Net load per LCL car (tons)	Grp. IV-LCL Switching expenses, frthouse, per loaded car 2/	Grp. VI-LCL frt. train car maint. & rentals switching exps. per loaded car 2/	Grps. IV & VI Switching plus freight train car expenses per ton (Cols. (2) + (3)) ÷ Col. (1)	Grp. VIII-LCL Station clerical expenses per ton 4/	Grp. IX-LCL station platform handling per ton 5/	Total L.C.L. switching exps., frt. train car exps. (terminal) & station exps. per ton (Cols. (4), (5) and (6))	Number of cwt. per net load (Col. (1) x 20 cwt.)	Total switching frt. train car exps. (terminal) station clerical & platform exps. per cwt. (Col. (7) ÷ 20 cwt.)	Grp. I-LCL Frt. train car exps. - running, per loaded car-mile 6/	Grp. II-LCL Running exps. common to all cars incl. interchange & intertrain switching per loaded car-mile 7/	Grp. V - LCL Freighthouse switching exps. acct. transfer stated in terms of loaded car-miles (Terr. Summary Sch. sh. 2, col. (10), line 55	Grp. VII-LCL frt. train car exps. (terminal) acct. transfer stated in terms of loaded car-miles (Terr. Summary Sch. sh. , col. (7)	Subtotal running expenses stated in terms of loaded car-miles, incl. empty return (Cols. (10), (11), (12) and (13))	Gross tons of car and contents, incl. empty return 8/	Grp. III-L.C.L. Remaining running exps. treated on GTM basis & converted to cost per loaded car-mile (Col. (15) x ______ cents per GTM 9/)	Subtotal running expt. treated on loaded car-mile basis, incl. empty return (Col. (14) + col. (16))	Subtotal running exps. per 100 lbs. of net load per mile (Col. (17) ÷ col. (8))	Total running exps. per 100 lbs. per mile, incl. station platform exps., account transfer (Col. (18) + ______ cents per 100 lbs) 10/	Line No.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
1	1.0																			1
2	1.5																			2
3	2.0																			3
4	2.5																			4
5	3.0																			5
6	3.5																			6
7	4.0																			7
8	4.5																			8
9	5.0																			9
10	5.5																			10
11	6.0																			11
12	6.5																			12
13	7.0																			13
14	7.5																			14
15	8.0																			15
16	8.5																			16
17	9.0																			17
18	9.5																			18
19	10.0																			19
20	10.5																			20
21	14.0																			21
22	11.5																			22
23	12.0																			23
24	12.5																			24
25	13.0																			25
26	13.5																			26
27	14.0																			27
28	14.5																			28
29	15.0																			29

Columns (1)–(9): Expenses independent of distance (origin plus destination). Columns (10)–(19): Expenses treated as proportional to the length of haul.

1/ Unless otherwise indicated, the L.C.L. assembly is based on movement of L.C.L. traffic in box cars.
2/ From Territorial Summary, sheet 2, line 55, twice column (7).
3/ From Territorial Summary, sheet 3, line 55, twice column (4).
4/ From Territorial Summary, sheet 3, line 55, twice column (13).
5/ From Territorial Summary, sheet 4, line 55, twice column (4)
6/ Compute cost for loaded and empty directions in terms of the loaded direction only. Carry forward the amount for line (b) to column (10).

	Item	Source	Amount
(a)	Cost per mile, loaded direction	Territorial Summary, sheet 1, line 55, column (5)	______
(b)	Cost per mile, loaded plus empty return	Line (a) x (1.0 + ______ ratio, - See Carload Assembly Schedule, sheet 1, box cars, 1/, line (b)	______
(c)	(Leave blank)		______
(d)	(Leave blank)		______

7/ Compute cost for loaded and empty directions in terms of loaded direction only. Cost per car-mile from Carload Assembly Schedule, sheet 1, box cars, column (9).
8/ Compute as follows: Column + ______ tare tons, loaded plus empty direction, from Carload Assembly Schedule, sheet 1, footnote 1, line (d)
9/ Cost per gross ton-mile from Territorial Summary, sheet 1, line 55, column (12).
10/ Cost per net ton mile ______ (cents), from Territorial Summary, sheet 4, line 55, column (7) divided by 20 cwt.

Table No.______

Carload Distance Cost Scale for Commodities in ___________ Cars, Including Operating Expenses, Rents and Taxes for _____(year) 1/

_______________ Territory
Carload Cost Scales
Sheet 1 of ____

Distance in miles	Net load per car in tons														
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
						(Cost per 100 pounds in cents)									
0															
10															
20															
30															
40															
50															
60															
70															
80															
90															
100															
120															
140															
160															
180															
200															
220															
240															
260															
280															
300															
320															
340															
360															
380															
400															
420															
440															
460															
480															
500															

1/ Compute the cost scale by inserting in the line designated "0" the terminal expenses per hundred pounds for each net load shown in the Carload Assembly Schedule, column (7). For any given distance increase such terminal expense per hundred pounds by the line-haul expenses obtained by multiplying the length of haul in miles by the line-haul expenses per hundred pounds per mile for each net load shown in the Carload Assembly Schedule, column (13). The carload cost study provides for several levels of cost. Cost Level II, covering operating expenses, rents and taxes, is that shown in this table. To compute the remaining levels of cost, III to V(b), inclusive, increase the costs shown herein by the percentages developed from the Territorial Summary as follows:

Cost Level III(a): See Territorial Summary Schedule, sheet 7, column (10).
Cost Level III(b): See Territorial Summary Schedule, sheet 7, column (4).
Cost Level IV: See Territorial Summary Schedule, sheet 5, columns (4) plus (8).
Cost Level V(a): See Territorial Summary Schedule, sheet 5, columns (4) plus (8), plus sheet 8, column (4).
Cost Level V(b): See Territorial Summary Schedule, sheet 5, columns (4) plus (8) plus sheet 7, column (8).

See Introductory Page 1 for the items included in each level of cost. Include the loss and damage for any given commodity group by adding to the costs shown above the loss and damage payments per hundred pounds for such group. Payments to be added after the cost scales have been increased by the percentages referred to above.

Table No. ______

L.C.L. Distance Cost Scale, Assuming Traffic Moved in Box Cars, and Including Operating Expenses, Rents and Taxes for _____(year) 1/

__________________ Territory
L.C.L. Cost Scales
Sheet 1 of 2

Distance in miles.	Net load per car in tons													
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5
					(Cost per 100 pounds in cents)									
0														
10														
20														
30														
40														
50														
60														
70														
80														
90														
100														
120														
140														
160														
180														
200														
220														
240														
260														
280														
300														
320														
340														
360														
380														
400														
420														
440														
460														
480														
500														

Distance in miles	Net load per car in tons													
	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5
					(Cost per 100 pounds in cents)									
600														
700														
800														
900														
1000														
1100														
1200														
1300														
1400														
1500														
1600														
1700														
1800														
1900														
2000														
2100														
2200														
2300														
2400														
2500														
2600														
2700														
2800														
2900														
3000														
3100														
3200														
3300														
3400														
3500														

1/ Compute the less-carload cost scale by inserting in the line designated "0" the terminal expenses per hundred pounds for each net load shown in the Less-carload Assembly Schedule, column (9). For any given distance increase such terminal expense per hundred pounds by the line-haul expenses obtained by multiplying the length of haul in miles by the line-haul expenses per hundred pounds per mile for each net load shown in the Less-carload Assembly Schedule, column (19). The less-carload cost study provides for three levels of cost. Cost Level II, covering operating expenses, rents and taxes, is that shown in this table. To compute the remaining levels of cost, III(a) and III(b), increase the costs shown herein by the percentages developed from the Territorial Summary as follows:

Cost Level III(a): See Territorial Summary Schedule, sheet 6, column (13).
Cost Level III(b): See Territorial Summary Schedule, sheet 5, column (13).

See Introductory Page 1 for the items included in each level of cost. Include the loss and damage by adding to the costs shown above the loss and damage payments per hundred pounds on less-carload traffic. Payments to be added after the cost scales have been increased by the percentages referred to above.

EXHIBIT 5

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Witness Hills.

Progression in Freight Rate Mileage Scales

(Revised Issue)

(This study, issued as information, has not been considered or adopted by the Interstate Commerce Commission.)

Statement No. 4031
File No. 26-A-11
(56 pages)

Washington, D. C.
August 1940

FILE COPY

192

Office - Supreme Court, U. S.
FILED
AUG 1 1946
CHARLES ELMORE CROPLEY
CLERK

44945
Sup. Ct.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL.,

Appellants,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

STATEMENT AS TO JURISDICTION

Nathaniel L. Goldstein,
Attorney General of New York;

Parker McCollester,
Frank J. Clark,
Special Assistant Attorneys General of New York;

Clair John Killoran,
Attorney General of Delaware;

James A. Emmert,
Attorney General of Indiana;

William Curran,
Attorney General of Maryland;

Paul Hammond,
Deputy Attorney General of Maryland;

John R. Dethmers,
Attorney General of Michigan;

James W. Williams,
Assistant Attorney General of Michigan;

Walter D. Van Riper,
Attorney General of New Jersey;

Robert Peacock,
Deputy Attorney General of New Jersey;

Hugh S. Jenkins,
Attorney General of Ohio;

Kenneth L. Sater,
Special Counsel for Ohio;

John Martin,
Attorney General of Wisconsin;

Hugh T. Ferguson,
Assistant Attorney General of Wisconsin;

James H. Duff,
Attorney General of Pennsylvania;

E. A. DeLaney,
Deputy Attorney General of Pennsylvania,

Counsel for Appellants.

INDEX

SUBJECT INDEX

Page

Statement as to jurisdiction 1
  Jurisdiction 2
  The statutes of the United States which are involved 2
  Date of the judgment or decree sought to be reviewed and the date upon which the application for appeal was presented 3
  Nature of the case and rulings of the District Court 3
  The substantial character of the issues 11
  Opinion, decree and order of the District Court 13
  Prayer for Reversal 14
Appendix "A"—Opinion of the District Court 15
Appendix "B"—Interlocutory injunction of the District Court 46
Appendix "C"—Final decree of the District Court and order continuing interlocutory injunction 52

TABLE OF CASES CITED

Ann Arbor R. Co. v. *U. S.*, 281 U. S. 658 2
Atchison, T. & S. F. Ry. Co. v. *U. S.*, 284 U. S. 248 2, 10
Class Rate Investigation, 1939, Docket No. 28300 and Consolidated Freight Classification, Docket No. 28310, 202 I. C. C. 447 3
Consolidated Southwestern Cases, 123 I. C. C. 203, 205 I. C. C. 601 6
Eastern Class Rate Investigation, 164 I. C. C. 314, 171 I. C. C. 481, 177 I. C. C. 156, 203 I. C. C. 357 6
Southern Class Rate Investigation, 100 I. C. C. 513, 109 I. C. C. 300, 113 I. C. C. 200, 128 I. C. C. 567 6
Texas & Pacific Ry. Co. v. *U. S.*, 289 U. S. 627 2
Western-Southern Class Rates, 226 I. C. C. 497, 231 I. C. C. 315, 232 I. C. C. 81, 238 I. C. C. 681, 246 I. C. C. 119 6

—6117

Page

Western Trunk Line Class Rates, 164 I. C. C. 1, 204 I. C. C. 595 6

United States v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499 2

Statutes Cited

Interstate Commerce Act:
    Section 1(4) 2
    Section 1(5)(a) 2
    Section 3(1) 2
    Section 15(1) 2
Transportation Act, 1940, Section 5(b) (U. S. C., Title 49, footnote following Section 3(5) in 1945 supplement, 54 Stat. 902) 3
United States Code, Title 28:
    Section 41 3
    Section 43 to 48 3
    Section 47(a) 2

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN, AND THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiffs,

vs.

THE UNITED STATES OF AMERICA,

Defendant.

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL.,

Plaintiffs,

vs.

THE UNITED STATES OF AMERICA,

Defendant.

JURISDICTIONAL STATEMENT

Pursuant to Rule 12 of the revised rules of the Supreme Court of the United States, the plaintiff appellants respectfully present the following statement disclosing the basis upon which it is contended that the Supreme Court of the United States has jurisdiction upon appeal to review the final judgment or decree in the above entitled cause sought to be reviewed.

A. Jurisdiction

The statutory provisions believed to sustain the jurisdiction of the Supreme Court to review by direct appeal the final decree entered in these causes by the Court below are contained in U. S. C., Title 28, Section 47a, which provides:

> "A final judgment or decree of the District Court in the cases specified in Section 44 of this title may be reviewed by the Supreme Court of the United States if appeal to the Supreme Court be taken by an aggrieved party within sixty days after the entry of such final judgment or decree, and such appeals may be taken in like manner as appeals are taken under existing law in equity cases." (36 Stat. 1150; 38 Stat. 220.)

These causes being actions "to enjoin, set aside, annul, or suspend in whole or in part" orders of The Interstate Commerce Commission are cases "specified in Section 44 of this title."

The following decisions sustain the jurisdiction of the Supreme Court to review the final decree and order on direct appeal in these causes:

Ann Arbor R. Co. v. *United States*, 281 U. S. 658;
Texas & Pacific Ry. Co. v. *United States*, 289 U. S. 627;
United States v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499;
Atchison, T. & S. F. Ry. Co. v. *United States*, 284 U. S. 248.

B. The Statutes of the United States which are involved

The validity of a statute of a state, or of a treaty of the United States, is not involved.

The statutory provisions involved are Section 1(4) and (5)(a), Section 3(1) and Section 15(1) of the Interstate Commerce Act (U. S. C., Title 49) and Section 5(b) of the

Transportation Act, 1940 (U. S. C., Title 49, footnote following Section 3(5) in 1945 supplement, 54 Stat. 902), commonly referred to as the Ramspeck Resolution.

C. Date of the judgment or decree sought to be reviewed and the date upon which the application for appeal was presented.

The decree sought to be reviewed was entered on May 27, 1946. The petition for appeal was presented and allowed on June 25, 1946, together with the assignment of errors.

D. Nature of the Case and of the Rulings of the District Court.

These are two suits, brought in the United States District Court for the Northern District of New York, under the provisions of U. S. Code, Title 28, Sections 41 and 43 to 48, inclusive, seeking a review of and a final decree setting aside, annulling and enjoining orders of the Interstate Commerce Commission in proceedings before it entitled *Class Rate Investigation, 1939,* Docket No. 28300, and *Consolidated Freight Classification,* Docket No. 28310. These proceedings were conducted upon a single record as one investigation, commonly referred to as the Class Rate Investigation. The Commission's original report is printed in 202 I. C. C. 447. A supplemental report made by the Commission has not yet been printed. The orders sought to be enjoined were a so-called interim order, dated May 15, 1945, as amended with respect to its effective date by several subsequent orders, and a supplemental order dated October 30, 1945, which for brevity are jointly referred to herein as the Commission's orders.

In the course of the development of railroad systems and railroad transportation, the country, for the purposes of railroad freight rates, has come to be divided into sections referred to as rate or classification "territories." The boundaries of these territories conform generally but with some exceptions with the termini of the railroad systems so that each territory embraces railroads which are chiefly competitive each with the other and are affected by common, physical, business, and other conditions. Official or Official Classification Territory, so-called, is roughly that portion of the United States north of the Ohio and Potomac Rivers and east of the western shore of Lake Michigan, extending diagonally to the western bank of the Mississippi River opposite Illinois. It embraces the plaintiff states and New England. The Southern or Southern Classification Territory is that section of the country, roughly, south of the Ohio and Potomac Rivers and east of the Mississippi River. Western or Western Classification Territory includes the part of the country west of the Mississippi River and also part of Wisconsin.

Corresponding with the foregoing divisions of the country, the railroads publish and maintain in tariff schedules filed with the Commission three major classifications of freight, known respectively as the Official, Southern and Western Classifications. In these classifications many thousands of articles of freight are listed and are assigned to classes—for example, first class, second class, etc.—for the purpose of determining the freight rates to be charged for transportation by railroad. Then by other tariff schedules filed with the Commission the several railroads publish and maintain freight rates to be charged for the transportation of freight of each of the several classes between various points. These rates are known as the class rates. The classifications or classes to which many of the articles are assigned are not uniform in the several classifications. For example, an article may be classified third class in the Official, fourth class in the Southern, and fifth class in the Western Classifications.

In addition to the classifications and class rates, the railroads in the several sections or rate territories have from time to time published and now maintain tariff schedules providing numerous exceptions to the classifications. They also have filed and published a large number of tariff schedules naming rates for the transportation of individual commodities between specified points, which rates are commonly referred to as "commodity rates." As a general rule these exceptions and commodity rates are lower than and supersede the class rates so that the classifications and class rates determine the charges for transportation only as to freight for which no exception or commodity rates are in effect.

Due to various factors, such as the characteristics and volumes of freight to be transported, the varying competitive conditions encountered and the influences and orders of different governmental authorities, the railroads in the several classification and class rate territories—Official, Southern and Western—have followed different theories and practices in establishing and maintaining their various rates. In Official Territory the transportation of a larger proportion of the total freight moving by railroad is made subject to class rates, as distinguished from exception and commodity rates, than is the case in Southern and Western territories. The class rates are charged principally for the transportation of manufactured articles. Many commodity rates, for the transportation of low-grade freight and raw materials, are higher mile for mile in Official Territory than the corresponding rates in Southern and Western territories. For the transportation of many articles for which the railroads in Official Territory charge class rates, the railroads in the South and West charge exception rates or commodity rates which are lower than the class rates in those territories and in some instances are as low as or lower than the class rates charged in Official Territory for the same distances.

The Commission's order with which this action is concerned related only to the class rates.

The present class rates for transportation in each territory and from one territory to another were prescribed by the Commission not long ago after extensive investigations. In these investigations, because of and on the basis of findings of great differences in the kinds and volumes of freight in the several territories, in the physical and competitive conditions encountered by the railroads, in the rate schemes of the railroads and in other factors, the Commission prescribed quite different class rate scales for the several territories, different in level and in rate of progression with distance. The class rates for transportation between points in Official Territory [illegible]e set at a level somewhat lower than the levels determined for the class rate in the South and West. *Eastern Class Rate Investigation* (1930), 164 I. C. C. 314; 171 I. C. C. 481; 177 I. C. C. 156; 203 I. C. C. 357; *Southern Class Rate Investigation* (1925), 100 I. C. C. 513; 109 I. C. C. 300; 113 I. C. C. 200; 128 I. C. C. 567; *Western Trunk Line Class Rates* (1930), 164 I. C. C. 1 and several supplemental reports of which the sixth (1934), 204 I. C. C. 595 contains the principal bases for the present rates; *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203 and several supplemental reports of which the twenty-first (1934), 205 I. C. C. 601 contains the principal bases for the present rates; *Western-Southern Class Rates* (1938), 226 I. C. C. 497; 231 I. C. C. 315; 232 I. C. C. 81; 238 I. C. C. 681 and 246 I. C. C. 119 (1941).

Notwithstanding these facts, the Commission in its report here in issue has concluded that the class rates for transportation in each territory and from Southern and Western territories to Official Territory are unlawful under the

Interstate Commerce Act because they are not uniform and to the extent that each is higher or lower than the other. Based upon such a conclusion and as a temporary measure pending the working out of a completely revised basis of class rates the Commission has made the interim order involved in this action. By this order, for the purpose of bringing about, as nearly as may be, a uniform level of class rates, the Commission would require the railroads in Official Territory to increase by ten percent their class rates for transportation within that Territory and would require a ten percent reduction in the class rates for transportation in the South and West and from those territories to Official Territory.

Civil No. 2311 was brought by nine Northern States located in Official Classification Territory, the States suing in their own capacity as shippers and receivers of freight and also in their representative capacities on behalf of their communities, citizens and industries, who would be subjected by the Commission's order to the ten percent increase in the class rates for railroad transportation within Official Territory. Because of the large volume of freight on which class rates are charged in Official Territory, the Commission's findings and the evidence indicate that the increases in freight charges resulting from the Commission's order would amount to many millions of dollars annually.

Civil No. 2337 was brought by the Western railroads and attacked particularly so much of the Commission's order as would require a ten percent reduction in the class rates charged by those railroads.

The Governors of the New England States intervened in both actions. The Western railroads intervened as intervening plaintiffs in No. 2311 and the States of New York and Ohio intervened as intervening plaintiffs in No. 2337.

The Commission appears to have been led to its ultimate conclusion upon which its interim order was based by a belief that the so-called Ramspeck Resolution together with an amendment made to Section 3 of the Interstate Commerce Act by the Transportation Act of 1940 accomplished a change in the substantive requirements of the law and that the Commission was thereby under a mandate or at least authorized to bring about a uniform basis of class rates throughout the country, to find the existing class rates unlawful because not uniform and to order both increases and reductions to accomplish uniformity without findings on proof of the preliminary facts which have heretofore been held to be essential as the basis of ultimate findings that rates are in violation of Sections 1 and 3 of the Interstate Commerce Act.

Thus the Commission's order, in supposed exercise of its power to prescribe minimum reasonable rates, would require a ten percent increase in the class rates for transportation between points in Official Territory, notwithstanding that there is no finding and no evidence to support a finding that the existing class rates are not fully compensatory to the railroads for the transportation for which they are charged, or a finding that the maintenance of the present class rates threatens a rate war or is otherwise likely to jeopardize the financial ability of the railroads to provide adequate and efficient transportation service. The question is presented whether the Commission may require rates raised under such circumstances and in the face of evidence, reflected also in findings in its report, that the existing class rates are highly profitable to the railroads in Official Territory. It has never heretofore been held that the Commission may order an increase in freight rates under these circumstances.

One of the principal questions for determination in the action is whether under the law as it now is and in the light of the changes made by the Transportation Act of 1940, the Commission has the power and is under a duty to require shippers and receivers of freight in Official Territory to pay increased freight charges to the carriers by whom they ship in order that uniformity of class rates may be accomplished at a level which will not bankrupt the railroads in other sections of the country.

Again the action presents a question whether, in the guise of accomplishing a uniform level of class rates, the Commission may require an increase in the class rates for transportation in Official territory and may find that undue prejudice and preference in violation of Section 3(1) of the Interstate Commerce Act exists by reason of the differences in the levels of the published class rates, in the absence of findings and of evidence to support findings that the freight for the transportation of which class rates are charged in Official Territory is likewise subject to class rates for transportation within and from the other territories, in the absence of any finding or evidence to support a finding that the differences in the levels of the class rates have been the cause of any substantial injury to Southern and Western territories or to shippers or industries therein, and in the face of findings and evidence that whereas the class rates to be increased for transportation within Official Territory are charged upon a very large volume of freight transported within that Territory, only a negligible proportion of freight is charged class rates in the other territories because the railroads have there established exception or commodity rates lower than the class rates.

The case presents the very important and far-reaching question whether notwithstanding the wide variations in kinds and volumes of freight transported in the different territories, the different physical and other transportation conditions encountered by the carriers therein, the different schemes of rates evolved and maintained by the carriers in the different territories, in the face of the fact that for the most part the carriers serving one territory do not operate in another territory, and in the face of the Commission's own decisions in the past that these considerations required that the freight rates should be at different levels in the different sections of the country, the class rates are now unlawful because not on a uniform level throughout the entire country east of the Rocky Mountains.

Without here detailing all of the other matters involved, these actions further present the question whether the Court should not take judicial notice of the profound economic changes wrought by the war now confronting the nation in the postwar period, as it took judicial notice of the consequences of the depression of the '30s, *Atchison T. & S. F. Ry. Co.* v. *United States*, 284 U. S. 248, and whether in the light thereof it should not conclude, as it did in the case cited, that because the Commission's order is based upon evidence relating to conditions in 1939 and the early war years, this order which would take effect in the postwar period is now invalid because not based upon competent proof as to the conditions in which it is to operate.

The statutory district court denied a permanent injunction of the Commissioner's order. The court appears to have rested its decision primarily upon a holding that the amendment made to Section 3(1) of the Interstate Commerce Act by the Transportation Act, 1940 so changed the law that the Commission in the accomplishment of a uniform level of freight rates was justified in finding the existing rates previously prescribed by it unlawful without findings of preliminary facts heretofore considered essential to such an ultimate conclusion. However, the district court has certified reasonable doubt as to its decision in this regard.

E. The substantial character of the issues

The impact of the Commission's decision and order would fall principally upon the States, communities, industries and individuals embraced within Official Territory. The mere fact that a ten percent increase is proposed in the freight rates charged upon a substantial proportion of the total freight traffic transported throughout the northern quarter of the country should alone call for full judicial review, lest the citizens of that section be subjected to additional freight costs amounting to many millions of dollars annually as the result of an erroneous interpretation of the law or without adequate justification in the evidence for overturning a rate adjustment upon which the business of the country has developed.

But it is not only the magnitude of the territorial reach of the Commission's order or the amount of the additional transportation costs which it would impose upon shippers and receivers of freight in the appellant States which affords basis for the appeal to the Supreme Court. The fact that these results proceed from or are based upon an interpretation of an amendment to the Interstate Commerce Act not heretofore judicially construed and whose construction will affect railroad rate regulation in the future adds to the importance of the issues. In addition to this is the significant feature that the Commission's decision and order resting upon its interpretation represent a departure from or reversal of previously established tenets as to what must be proved and found to sustain an ultimate conclusion that freight rates violate the Interstate Commerce Act and what is necessary to justify the exercise by the Commission of its power to order freight rates increased. These considerations certainly afford strong reason for scrutiny by the highest court of the lower court's decision upholding the action of the Commission.

The Commission knew that it was departing from previously recognized paths in the interpretation and administration of the Interstate Commerce Act, as is indicated by its attempt to find justification of its action in the supposed change in the law accomplished by the amendment to Section 3 of the Act. That there was doubt as to the soundness of the decision of the majority of the Commission both as to the interpretation of the law and as to the sufficiency of the evidence to sustain the order is shown by the vigorous dissents of some of the members of the Commission. The decision of the District Court upholding the order of the Commission, which represents a departure both from previous rate-making practices and standards and from long accepted interpretation of the Interstate Commerce Act, which rests upon legislative enactment not heretofore construed by the Supreme Court but whose effect will be felt in all future rate litigation, and which would impose an added freight burden of many millions of dollars upon the communities, shippers and industries of a large section of the country, is certainly of such importance as to be worthy of review by the Supreme Court.

And if there were need for further confirmation that this is a case especially calling for review by the Supreme Court, it is found in the final decree signed by the three judges of the district court, where after having pondered the record, the authorities and the original arguments of the parties in the preparation of its decision and then having heard the parties in all-day argument upon motions to continue and to dissolve the interlocutory injunction, the court certified:

> "The decision of these consolidated cases necessarily involves the determination of novel questions of law of great importance to the shippers, the carriers and the public of this country. There are reasonable

> and serious doubts as to the determination of these novel and important questions."

Toward the conclusion of the argument upon the continuance of the interlocutory injunction, Circuit Judge Chase, the presiding judge of the three-judge court, said:

> "While we used our best endeavors to decide this case promptly I still am and always have had serious doubt as to whether we properly construed that Section 3 of 1940, whether we have given it the right scope, and if we have, I should have serious doubt as to whether the findings made by the Commission were adequate to support their conclusions as to prejudice and discrimination." (Minutes of Hearing, May 28, 1946, p. 73)

Shortly before that Judge Knox had said:

> "I think from our study of the law the order may not be sound * * *." (Minutes, p. 69)

With doubt thus expressed by the court below as to the crroectness of its decision and as to the validity of the Commission's order, and with members of the Commission having challenged the action of their associates in issuing the order, it is submitted that there can be no question but what the Supreme Court should hear this appeal.

F. Opinion, decree and order of the District Court

Appended to this Statement are: (1) Copy of the opinion of the District Court, dated May 9, 1946; (2) the interlocutory injunction dated December 20, 1945, restraining the enforcement of the Commission's order pending determination of the petitions for a permanent injunction; and (3) final decree and order of the District Court dated May 24, 1946, dismissing the petitions in the above entitled causes and continuing the interlocutory injunction in effect, pending the taking of an appeal and the determination thereof by the United States Supreme Court.

Prayer for Reversal

WHEREFORE appellants pray that their appeal may be heard and that the judgment, decree and order of the District Court may be reversed.

Respectfully submitted,

NATHANIEL L. GOLDSTEIN,
Attorney General,
Albany New York;
PARKER McCOLLESTER,
FRANK J. CLARK,
Special Assistant
Attorneys General,
25 Broadway,
New York 4, N. Y.,
For Plaintiff
The State of New York;
CLAIR JOHN KILLORAN,
Attorney General,
Wilmington, Delaware,
For Plaintiff
The State of Delaware;
JAMES A. EMMERT,
Attorney General,
Indianapolis, Indiana,
For Plaintiff
The State of Indiana;
WILLIAM CURRAN,
Attorney General;
PAUL HAMMOND,
Deputy Attorney General,
Baltimore, Maryland,
For Plaintiff
The State of Maryland;
JOHN R. DETHMERS,
Attorney General;
JAMES WILLIAMS,
Assistant Attorney
General,
Lansing, Michigan,
For Plaintiff
The State of Michigan;

WALTER D. VAN RIPER,
Attorney General;
ROBERT PEACOCK,
Deputy Attorney General,
Trenton, New Jersey,
For Plaintiff
The State of New Jersey;
HUGH S. JENKINS,
Attorney General;
KENNETH L. SATER,
Special Counsel,
Columbus, Ohio,
For Plaintiff
The State of Ohio;
JOHN MARTIN,
Attorney General;
HUGH T. FERGUSON,
Assistant Attorney
General,
Madison, Wisconsin,
For Plaintiff
The State of Wisconsin;
JAMES H. DUFF,
Attorney General;
E. A. DELANEY,
Deputy Attorney
General,
Harrisburg, Pennsylvania,
For Plaintiff The Commonwealth of Pennsylvania.

APPENDIX "A"

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, Michigan, New Jersey, Ohio, Wisconsin and The Commonwealth of Pennsylvania, *Plaintiffs,*

against

THE UNITED STATES OF AMERICA, *Defendant*

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY CO., et al., *Plaintiffs,*

against

THE UNITED STATES OF AMERICA, *Defendant*

Before Chase, Circuit Judge, Knox and Brennan, District Judges

Two suits brought pursuant to 28 U. S. C. A. Pars. 41 (28) and 43-48 inclusive and also under the general jurisdiction of the court in equity to enjoin, annul, set aside and suspend orders of the Interstate Commerce Commission, Petitions dismissed.

Parker McCollester, New York City; Frank J. Clark, New York City, Special Assistant Attorneys General, for the State of New York.

Herbert T. Ferguson, Madison, Wisconsin, Assistant Attorney General for the State of Wisconsin.

Kenneth L. Sater, Columbus, Ohio for the State of Ohio.

Robert Peacock, for the State of New Jersey, Deputy Attorney General.

Henry E. Foley, Boston, Mass., for New England Governors.

Vincent G. Hart, New York City in behalf of Department of Law of the State of New York.

H. C. Barron, Chicago, Ill., for Western Railroads.

Edward H. Miller, Special Assistant to the Attorney General, Washington, D. C., for The United States of America.

Daniel W. Knowlton, Chief Counsel to the U. S. Interstate Commerce Commission, Washington, D. C., for Interstate Commerce Commission.

George T. Simpson, St. Paul, Minn. for J. A. A. Burnquist, Attorney General, and the State of Minnesota.

J. V. Norman, Louisville, Kentucky, for the Southern States and Southern Governors' Conference.

Byron M. Gray, Topeka, Kansas, for States of North Dakota, South Dakota, Kansas, Nebraska, Oklahoma, Texas and Arkansas, and their respective State Commissions.

C. E. Logwood, Public Service Commission of South Carolina, Columbia, South Carolina, for Public Service Commission.

Robert F. Park, Montgomery, Alabama, for Alabama Public Service Commission.

Douglas F. Smith, Chicago, Ill., for Western Railroads.

Lewis Petteway, Tallahassee, Florida, for Florida Railroad Commission.

Karl J. Stipher, Deputy Attorney General of Indiana, Indianapolis, Indiana.

Hugh S. Jenkins, Columbus, Ohio, for State of Ohio.

J. C. Murray, Little Rock, Arkansas, for State of Arkansas, the Governor of Arkansas and the Arkansas Public Service Commission.

Neal E. Williams, Fargo, North Dakota, Solicitor for Nels G. Johnson, Attorney General of North Dakota, and Public Service Commission, State of North Dakota.

H. Emerson Kokjer, Deputy Attorney General of Nebraska, Lincoln, Nebraska, Solicitor for State of Nebraska and Nebraska State Railway Commission.

Duane T. Swanson, State Capitol Bldg., Lincoln, Nebraska, for State Railway Commission.

C. B. Bee, Oklahoma City 5, Oklahoma, for Governor Robert S. Kerr; State of Oklahoma, Corporation Commission, and Western and Southwestern States.

Walter R. McDonald, Georgia Public Service Commission, Atlanta, Georgia, for Southeastern Association of R. R. and Utilities Commissioners.

Jerry W. Carter, Tallahassee, Florida, for Florida Railroad Commission.

David O. Mathews, Special Assistant to the Attorney General of the United States, of Counsel for the United States.

D. Robert Thomas, Chicago, Ill., for Western Railroads.

James Noel, Assistant Attorney General, Austin, Texas, for State of Texas and Railroad Commission of Texas.

STATEMENT AND FINDINGS OF FACT BY THE COURT

These two suits put in issue the validity of the same orders of the Interstate Commerce Commission and were consolidated for hearing before a court of three judges constituted in accordance with provisions of the Urgent Deficiencies Act, 38 Stat. 29.

The first was brought against the United States by the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and The Commonwealth of Pennsylvania to enjoin, set aside, annul and suspend orders of the Interstate Commerce Commission requiring an increase of ten per cent in what are called the class rates charged by the railroads for transporting freight in the so-called Official Territory and a decrease of ten per cent in the class rates charged by railroads for transporting freight in the so-called Southern Territory, Western Trunk Line Territory and Southwestern Territory and corresponding changes in the interterritorial rates. Parties in interest were permitted to intervene [1] and, after hearing, an injunction pendent lite was granted.

---

[1] Horace A. Hildreth, Governor of Maine; Charles M. Dale, Governor of New Hampshire; Mortimer R. Proctor, Governor of Vermont; Maurice J. Tobin, Governor of Massachusetts; John A. Pastore, Governor of Rhode Island; Raymond E. Baldwin, Governor of Connecticut, (Referred to as the New England Governors), Intervening Plaintiffs. The Atchison, Topeka and Santa Fe Railway Company; Beaver, Meade and Englewood Railroad Company; Chicago, Burlington & Quincy Railroad Company; Chicago Great Western Railway Company; Chicago, Milwaukee, St. Paul and Pacific Railroad Company; Chicago and North Western Railway Company; The Chicago, Rock Island and Pacific Railway Company; and Joseph B. Fleming and Aaron Colnon, Trustees of The Chicago, Rock Island and Pacific Railway Company, Combined; Chicago, Saint Paul,

Footnote continued on page 18

Footnote 1 continued from page 17

Minneapolis and Omaha Railway Company; The Colorado and Southern Railway Company; The Denver and Rio Grande Western Railroad Company; The Duluth, South Shore and Atlantic Railway Company; Elgin, Joliet & Eastern Railway Company; Fort Dodge, Des Moines & Southern Railway Company; Fort Worth and Denver City Railway Company; Great Northern Railway Company; Green Bay and Western Railroad Company; Gulf, Colorado and Santa Fe Railway Company; The Kansas City Southern Railway Company; Midland Valley Railroad Company; The Minneapolis & St. Louis Railway Company; Minneapolis, St. Paul & Sault Ste. Marie Railroad Company; Missouri and Arkansas Railway Company; Missouri-Kansas-Texas Railroad Company; Missouri-Kansas-Texas Railroad Company of Texas; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Northern Pacific Railway Company; Panhandle and Santa Fe Railway Company; St. Louis Southwestern Railway Company; Southern Pacific Company; Texas and New Orleans Railroad Company; Union Pacific Railroad Company; The Texas and Pacific Railway Company; The Wichita Valley Railway Company, Intervening Plaintiffs. The United States, Defendants. The Interstate Commerce Commission; The Southern States; Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee; and The Southern Governors' Conference, a voluntary organization of the Governors of the Southern States; The States of Arkansas, Kansas, Nebraska, North Dakota, Oklahoma, South Dakota, and Texas, and their respective State Commissions; The Arkansas Public Service Commission, The State Corporation Commission of Kansas, The Kansas Industrial Development Commission, The Nebraska State Railway Commission, The Public Service Commission of the State of North Dakota, The Corporation Commission of the State of Oklahoma, The Public Utilities Commission of the State of South Dakota, and The Railroad Commission of the State of Texas; The State of Minnesota; and The Southeastern Association of the Railroad and Utilities Commissioners, Intervening Defendants.

Thereafter the Atchison, Topeka and Santa Fe Railway Company and others which will be referred to as the Western Lines,[2] brought another petition against the United States in which the same relief was sought in respect to the same orders. Interested parties were allowed to intervene.[3]

These two suits were heard as a consolidated action, all questions relating to venue having been waived.

In order to understand the issues here presented, as well as the action of the Commission and the relevancy of the facts found by it, some preliminary statement of what was in 1939 apparently the prevailing situation in this country in respect to freight classifications and freight rates is necessary.

For the purpose of fixing freight rates the country was, and now is, divided into the four territories already mentioned and one other which is called Mountain-Pacific Territory, and which is not involved in these suits. It covers the States of Montana, New Mexico, the western portions of Colorado and Wyoming, and all the States west of them. The other territories, which are all involved in these suits, may be roughly described as follows: Western Trunk Line Territory includes the States east of Mountain-Pacific Territory, north of Oklahoma and Arkansas, and west of the Mississippi River and the greater part of Wisconsin and the northwestern portion of Michigan. Southwestern Territory includes the country south of Western Trunk Line Territory and west of the Mississippi River. Southern Territory consists of the country lying east of the Mississippi and south of the Ohio and Potomac rivers. Official Territory comprises the remainder of the country lying north of the Ohio and Potomac rivers and east of the western boundary of Lake Michigan and a line drawn diagonally therefrom to the western bank of the Mississippi River opposite Illinois. Official Territory has two subdivisions one of which includes all of New England and the other of which, known as Zone C, takes in the northern part of Michigan and a small part of Wisconsin. In the Southern Territory the greater part of Florida is a subdivision and in Western Trunk Line Territory there are Zones I, II, III, and IV. In each of these subdivisions rate differentials are applicable which vary the class rates from those in force elsewhere in the territories.

---

[2] The plaintiffs were the Western Railroads, supra footnote 1.

[3] The States of New York and Ohio; The New England Governors (listed above), Plaintiff Intervenors. The Interstate Commerce Commission; The Southern States, and The Southern Governors' Conference (listed above); The Western States and their respective Commissions; The Southeastern Association of Railroad and Utilities Commissioners, Defendant Intervenors.

There are different freight rates in all the territories and these are known as class rates, exceptions to class rates, column rates and commodity rates. Only the class rates are involved in these suits. They are rates based on published classifications which are lists of commodities by name grouped in designated classes. To compute a freight charge under class rates it is necessary to know the classification, the rate for that classification and then take into account factors like weight of the shipment and distance to be carried. The basic rate so fixed for Class I is applicable percentagewise to the other classes, the rates for them being higher or lower than for Class I as the case may be. Commodity rates are special rates which have been fixed for designated commodities transported between specified points regardless of the class rates; column rates are special rates for certain named commodities which are based upon a given percentage of the class rates; and exception rates are, as their name implies, variations from the class rates. There are also key rates which apply to certain so-called key points. These differing rates, of which all but the class rates will hereafter be called for convenience special rates, have come into being because of various considerations among which have been competition between the railroads themselves, between railroads and carriers by water and by motor truck, orders issued by the Interstate Commerce Commission, which will hereafter be called the Commission, composition and amount of traffic available for carriage, cost of operation and other like relevant factors. The result is more or less of a hodge podge at least so far as class rates are concerned and various efforts have been made to secure greater uniformity and simplicity in rate making ever since the Commission was created. Despite the efforts of the Commission and the cooperation of the railroads these efforts have heretofore been mainly fruitful only in respect to improving conditions in regard to intraterritorial rates.

Not only have the class rates varied among the territories but the classifications published for the several territories have been so different that like articles were, and are, often classified in one class in one territory and in a different class in the others or in one of them. All this has brought about a most complex system of class rate fixing which has, generally speaking, produced lower class rates for Official Territory than for the others though that appears not to hold true in respect to special rates. Another result has been that a greater proportion of all freight in Official Territory moves on class rates than in the others where exception, column and commodity rates have become more prevalent, though it has come about that in all the territories only a comparatively small percentage of the entire freight carried has been on class rates. What is so carried moves both in carload, and in less-than-carload, lots and the cost of its transportation varies accordingly throughout the territories and also varies somewhat because of dissimilar conditions affecting cost of operation.

Although the products of farm, mine and forest are by no means negligible within Official Territory, that portion of the country does in some respects stand apart from the remainder because it is there that the greatest concentration of industrial plants, population, and buying power is found. The larger and better markets which producers in general wish to reach are found there and the prevailing lack of uniformity in classifications and in class rates, in so far as they directly bear upon the cost of transportation by freight within Official Territory and interterritorially between it and the other territories, and indirectly through the special rates, was thought by many to be on the whole more favorable to Official Territory, and to shippers and receivers of freight therein, than to the other territories and their shippers and receivers of freight.

It was against this general background that the Commission determined to institute two investigations and on July 29, 1939, issued orders which, as later modified, resulted in prolonged hearings by Division 2 of the Commission upon due notice to all parties in interest, as to the lawfulness of the classifications and of the class rates in each of the territories now involved. These investigations known as Docket No. 28300 which dealt with the rates and Docket No. 28310 which dealt with the classifications were so related that they were conducted simultaneously. The cooperation of the state commissions was sought in accordance with Par. 13 of the Interstate Commerce Act (49 U. S. C. A. Par. 13), and a committee representing such conmisssions sat with the Division. The investigation became extremely comprehensive and a large amount of evidence was received which was reviewed by the full Commission. It filed a proposed report in No. 28310 providing for the creation of a uniform classification for all the territories including that part which is now subject to what is called the Illinois classification which has some interstate application in a border area between Official Territory and Western Territory but has no interterritorial effect, to be compiled by the Commission or by the railroads for the approval of the Commission provided the railroads were willing to undertake the task. The railroads indicated their willingness to do so and the classification is now being made. That will require an enormous amount of work and will take a considerable time, perhaps years. No issues respecting that classification which is dealt with in Part I of the Report are raised now.

Without serving a proposed report in No. 28300, the Commission filed a comprehensive report dealing with class rates to become effective when the classification is prepared and approved. This report contained numerous findings as to the characteristics of the existing rate structures, the importance of interterritorial traffic, the relative levels of class rates in each territory and the indirect results of the proposed revision. Evidence afforded by intricate and detailed cost studies made by employees of the Commission to show the relative cost of the carriage of freight in the several territories was also received and considered following revisions of the studies made in response to criticisms by interested parties. Findings were made as to interterritorial class rates, the relative levels of revenue from all freight in the Southern and Official Territories, the effect of applying the Official Territory level of all freight rates to all freight moved in Southern Territory, the relative costs and composition of all freight moved in Southern Territory, and the rates of return. The Commission also made findings as to the effect of the class rates on shippers in Southern Territory, the relative costs and composition of the traffic, the rates of return and their effect on the economic development of that territory. Findings on similar or kindred subjects were made respecting the other territories and the interterritorial freight movement among them. The costs of carload and less-than-carload service were considered and findings made as to each. Findings were made as to the effect of motor truck and water-borne freight competition, as to the effect of the special rates on movement of freight taking class rates, and of the discrepancies in the existing class rates on the attainment of uniformity in classification. There is an area geographically within Official Territory which is served by the so-called Pocahontas lines, which are predominantly coal carrying roads, that is for statistical purposes at times treated separately from the remainder of Official Territory because, though those railroads do carry freight at class rates, the bulk of their freight, being coal, is quite different in respect to the means and cost of carriage from the kinds of freight which characterize the carriage elsewhere in the territory. For like reasons Kentucky in the Southern territory was at times likewise treated separately from the remainder of Southern territory in the Report.

The Commission then found as follows:

> "1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within

official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) of the act.

“2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the futre will make, give, or cause undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

“4 That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudical, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(a) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

(b) The rates herein prescribed are to applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(c) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage

> relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates,* 164 I. C. C. 1282 contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by dropping those less than one-half and by increasing these of one-half cent or more to the next whole cent.
>
> (d) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rate revisions.
>
> (e) That such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.
>
> (f) That such revised uniform class rates and classification ratings shall be made applicable simultaneously."

No order putting the class rates found to be just and reasonable for the future has been, or will be, made until the new classification becomes effective and no issue is now directly raised as to such rates with which the Commission dealt, but not unanimously in Part II of its Report.

What the Commission, also not unanimously did which is ~~now~~ attacked was to provide in Part III of its Report for an ad interim class rate revision which with certain designated minima class I rates provides in general for a 10 per cent increase in class rates in Official Territory and for a 10 percent decrease in such rates in the other territories involved herein with corresponding changes in interterritorial class rates as already mentioned. The Commission said in part:

> "In parts I and II of this report we have found the classification ratings and class rates involved in

this proceeding to be an unjust and unreasonable, and unduly and unreasonably preferential and advantageous, as well as unduly and unreasonably prejudicial and disadvantageous in certain respects for the reasons therein stated. It is our duty under Section 15 (1) of the act to determine and prescribe what will be the just and reasonable rates and charges, and what classification will be just, fair, and reasonable, to be hereafter followed.

"The record herein is extensive, but from the very nature of these proceedings the comprehensive basis of just and reasonable rates cannot at this time be established in connection with a uniform classification such as we have found to be required as just, fair and reasonable, until that classification is brought into being. The comprehensive rate revision and classification, unification and revision should be accomplished simultaneously, if possible. From our prior experience with extensive rate readjustments and classification proceedings, and from the record in this proceeding, we know that necessarily considerable time must elapse before the respondents can formulate and tender for our approval a classification which will conform to our findings with respect to justness, fairness, and reasonableness. The many complexities inherent in a task of such character and magnitude are inevitable. The shipping public and rate-making authorities of the States should be afforded opportunity for participation in the undertaking as far as their interests are concerned. And as shown by the record, and as within our common knowledge, there is at the present time a shortage of men who may be devoted to such task by the respondent carriers, public authorities, including this Commission, and by shippers and their organizations. This latter condition is a direct consequence of the withdrawal of such experts from their former employment for active participation in the war.

"We find, however, that in the circumstances it is possible and practicable to make certain readjustments in the existing basis of class rates, predicated upon the continued application of the existing classifications, which will be just and reasonable, which will have the effect of bringing to the minimum the preferences and prejudices which we have found to be unlawful, as completely as it is practicable now to eliminate such violations. This finding is based upon the peculiar circumstances of the present time, largely the result of the war, and because time will be needed to effectuate a classification revision and application of a scale or scales of class rates as our findings in part I and part II hereof contemplate. The adoption of the simple and direct method of rate revision which we are about to outline will conserve time, and will obviate many tariff publishing difficulties without complete revision of the classifications before us and the determination and prescription of new scales of rates based thereon.

"Our general conclusions and findings heretofore made have emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures under consideration closer together in level and more upon the same pattern or scheme. We have also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The basis which we shall not outline is in harmony with that objective, and will approach, as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair, and reasonable.

"We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

"We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern and western trunk-line territories as those territories have heretofore been described in this report, and interterritorially between those territories, and also between those territories, and official territory, as hereinbefore described, will be unjust and unreasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding. In applying the scale of minimum rates, the distances between groups or blocks of stations upon which the present class rates are based are to be observed, rather than the actual distances to or from such station, when differing therefrom. (The table of rates included at this point in the report is here omitted).

"We find and determine that simultaneously as a part of the adjustment hereinbefore outlined, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maximum scales, superseding the intraterritorial official class-rate scale heretofore prescribed or authorized by us, subject to the qualifications hereinafter indicated, and that as so increased those scales will be just and reasonable as maximum. The increase of maximum class rates applicable within official territory is to be made by using the present current applicable class I rates as a base, and increasing them 10 percent. The rates on the other classes should be correspondingly increased by observing the same percentage relations to the maximum class I rates as thus increased that such classes bear to the currently applied class I rates. No changes in existing exception rates or column rates are contemplated by this finding. The same provision with respect to disposition of fractions of a cent, as to groupings, and as to the ascertainment of distance hereinbefore stated with respect to the reductions within and between other territories and between those territories and official territory, shall in like manner apply to the increases in the maximum class-rate charge without additional charge therefor. We also find and determine that such pick-up and delivery service has been extended in scope largely since our findings and orders in the various proceedings hereinbefore recited which prescribed or approved the class rates in issue in this proceeding. We find and determine from the evidence of record in this proceeding, that when such service is performed the applicable class rate with the existing minimum charge as stated does not yield the out-of-pocket costs incident to the transportation service which it purports to cover. We further find that to the extent the minimum charge per shipment is less than 75 cents, it is below a just and reasonable minimum rate and charge. Upon the record as it stands, and predicated upon the adjustments for the interim period hereinbefore found to be just and reasonable, we determine and find that the minimum charge per shipment, whether pick-up and delivery service is afforded or not, whenever such charge is below 75 cents, is below the minimum of a just and reasonable rate and charge and that 75 cents is and will be a just and reasonable minimum charge to be made.

"The foregoing findings and determinations are made as of the date when the order to be entered herein becomes effective. Inasmuch as these proceedings will necessarily be held open upon our docket and as our power to suspend, modify, or set aside our orders is recognized [illegible] act, we do not now prescribe, a specified period of time during which these findings as to the interim adjustment shall continue in force, but make them as continuing until our further order.

"In certain States the applicable intrastate class rates are held to a basis prescribed by us in orders entered in proceedings under section 13 (3) and (4) of the act. No especial consideration has been given to such intrastate rates in this proceeding. If any modification of our outstanding orders seems necessary, it should be sought by appropriate action as contemplated by our general rules of practice.

"Our outstanding orders will be modified to the extent necessary to enable the carriers which are bound thereby to publish and file schedules embodying such increases and decreases; and authority will be given by appropriate order under section 6 of the act for the publication of simple forms of supplements to existing schedules to effectuate such increases and decreases. If carriers need relief under the provisions of section 4 of the act, we will give prompt consideration to applications therefor."

And order was entered making this ad interim revision effective as of January 1, 1946, but it was suspended pendente lite by order of this Court.

We find that the facts found by the Commission are supported by substantial evidence and adopt them as our findings. Their inclusion herein by reference to the Commission's Report is to be understood.

The Western Lines were allowed at the final hearing in this court, over the objection of the defendant, to introduce some evidence on the question of the confiscatory character of the ad interim order as to them. This was received subject to a motion to strike on which decision was reserved at the close of the hearing. The motion to strike is now denied on the authority of Baltimore & Ohio R. R. *v.* United States, 298 U. S. 349 and we make the following findings on the evidence thus received.

A very large number of different commodities are carried at one time or another in less-than-carload lots by the so-called Western Lines within the rate territories here involved west of the Mississippi River. Some of this traffic, though what percentage was not definitely shown, moves on exception rates and some on commodity rates but a substantial amount of it is carried on class rates. The average loading per car of this traffic for the year 1939 was 4.3 tons and that is close to what it had been for some six years previously, though on the whole the year 1939 showed a little decline mainly due to competition by carriers by motor truck and to the greater combining of shipments into carload lots. Because of an order of the Office of Defense Transportation issued in 1942 the minimum per car loading of the less-than-carload traffic was set at 10 tons and that more than doubled the previous average loading per car. That order was still in effect at the time of the hearing. When it is rescinded the railroads intend to return to pre-order practices and may have to cut the average loading to move the freight more quickly though that will depend upon the impact of competition and the volume offered for such carriage. There are some items in what is known as Consolidated Freight Classification No. 16, and the supplements thereto, which are rated fourth class, column 55, to which no commodity or exception ratings are applicable in less-than-carload lots. That is also true in respect to some third class ratings, column 70. There is a substantial movement of such commodities in Southwestern Territory and there is no major railroad, other than the so-called Burlington Lines, which relies for its revenues exclusively on its operations within the Western Trunk Line and Southwestern Territories which has not been in some sort of a receivership or bankruptcy proceeding within the last five years. The raising of rates, other than class rates, for less-than-carload lots as suggested by the Commission in its report for consideration by the railroads has not been done since that has not been thought feasible in view of the probable loss of traffic it would cause.

There was evidence indicating that the carriage of the commodities above referred to which are not carried by the railroads within Western Trunk Line and Southwestern Territories other than on class rates in less-than-carload lots will not produce enough revenue to pay the cost of their carriage when the ad interim reduction in class rates becomes effective but we are unable to find that to be a fact proved. The statistical evidence to support that contention was based on the assumption that the average car loadings would be as low as 4.3 tons, which was a low point average, and apparently did not take into account that part of the Commission's order which requires a minimum charge of 75 cents per shipment less-than-carload instead of the 55 cent minimum charge heretofore. We have not sufficient confidence in that type of evidence to be satisfied that it proves that deficit carriage is required by the ad interim order, though we find from the evidence that costs of the carriage have for some time been increasing and will probably show additional increases.

Chase, Circuit Judge:

The Commission acted, in making the investigations and the resulting orders, pursuant to its conception of its duties as the agency created to administer the Interstate Commerce Act (49 U. S. C. A. Par. 1.), which will hereinafter be called the Act. Its action was taken particularly with reference to Par. 1 (4) which imposes upon every railroad which is a common carrier in interstate commerce the duty

> "to provide and furnish transportation upon reasonable request therefor, and to establish * * * just and reasonable rates, fares, charges and classifications applicable thereto; * * *."

And to Par. 1 (5) (a) which provides that:

> "All charges made for any service rendered or to be rendered in the transportation of passengers or property, * * * or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful."

Also to Par. 3 (1), which, as amended by the Transportation Act of 1940 (49 U. S. C. A. (Supp.) Par. 3 (1), provides that it shall be unlawful:

"For any common carrier * * * to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever; * * *."

"That whenever after full hearing, upon a complaint made as provided in section 13 of this part, or after full hearing under an order for investigation and hearing made by the Commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the Commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this part for the transportation of persons or property as defined in the first section of this part, or that any individual or joint classification, regulation or practice whatsoever of such carrier or carriers subject to the provisions of this part, is or will be unjust or unreasonable or unjustly discriminatory or unduly prefential or prejudicial, or otherwise in violation of any of the provisions of this part, the Commission is hereby authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge or rates, fares, or charges, to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classification, regulation or practice is or will be just, fair and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation other than the rate, fare, or charge for such transportation other than the rate, fare, or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation or practice so prescribed."

The inquiries were commenced, the report filed, and the order made as provided in Pars. 13 (2), 14 (1) and 15 (1) of the Act.

In the first of the two suits which were brought the plaintiffs and the intervenors who support them attack the ad interim order on the grounds that it is an attempt to regulate industrial conditions by means of rate making; that it is the result of political agitation; that findings essential to support the order are lacking and that the evidence does not support the findings made, in that there is no proof of facts to support so-called ultimate findings above quoted to keep them from being merely arbitrary and capricious. These so-called preliminary findings which are lacking and of which proof is also lacking are said to be that there is no finding of a threatened rate war which would jeopardize the revenues of the railroads in Official Territory; or that the existing class rates are not fully compensatory to railroads in Official Territory for the transportation services for which they are charged; or that they are so low as to cast an undue burden upon other traffic. Also it is argued that the finding of undue prejudice and preference created as between territories by the present class rates is arbitrary because not based upon preliminary findings made on proof by means of substantial evidence to the effect that the class rates published are the rates at which the freight moves; because findings and proof of a competitive relationship between the party preferred and the party prejudiced are lacking; because findings and proof of substantial injury to the party found to be prejudiced and of substantial benefit to the party found to be preferred are lacking; because findings and proof that the same carrier or carriers are responsible for or control both the preferential and prejudicial rates are lacking; because findings and proof that the carriers charge existing class rates on the same kinds of freight moved into Official Territory which is carried at class rates within Official Territory are lacking; because findings and proof that similar freight is carried under similar conditions in each territory are lacking; and perhaps there are other grounds of similar nature. The suit brought by the Western Lines and supported by the intervenors aligned with them adds the ground that the ad interim reduction in the class rates in the West is confiscatory.

The petency of much of the argument in support of the grounds relied on by the plaintiffs depends upon the effect to be given the before mentioned amendment to Par. 3(1) of the Act by the Transportation Act of 1940 and to Par. 5 (b) of the latter. The change thus made in Par. 3(1) of the Act was the addition of the words ‘‘region’’, ‘‘district, territory’’ following ‘‘transit point’’ in the enumeration of the persons, places and traffic as to which preference and prejudice was expressly made unlawful and prohibited. In accordance with what has become a somewhat common practice, the Transportation Act of 1940 contains a declaration of policy which in part is ‘‘to encourage the establishment and maintenance of reasonable charges for transportation service without unjust discriminations, undue preferences or advantages or unfair or destructive competitive practices.’’ And in Par. 5(b) is found what is known as the Ramspeck Resolution where it is provided that:

‘‘The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory, and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: * * *."

The Commission undertook to carry out the mandate of this statute by means of the investigations it had already initiated as above set forth. It found, however, that, because of conditions largely attributable to the war, it was advisable to confine its investigation and orders to classifications and class rates established and maintained by common carriers by rail and accordingly did so.

But it is earnestly argued by the plaintiffs, especially by the Western Lines, that the Commission misinterpreted the above changes in the statute to amount to a mandate requiring it to bring about an equalization and uniformity of rates for like kinds and amounts of commodities mile for mile among the various rate territories of the country and to increase its powers so to do. It is recalled that the Commission had previously mistakenly construed the so-called Hoch-Smith Resolution to give it added powers to correct what it found to be unjust discriminations "as between the various localities and parts of the country." And it is pointed out that if such a mistaken interpretation has been made the order which is the result of it is erroneous and must be set aside. Ann Arbor R. R. *v.* United States, 281 U. S. 658; Atchison, T., & S. F. Ry. *v.* United States, 284 U. S. 248, 262. That the same mistake has been made is thought to be apparent because the words "parts of the country" in the above quotation from the Hock-Smith Resolution are as broad and comprehensive as "regions, districts, territories" added by the 1940 Amendment to Par. 3 (1). Yet even if this premise be true, it does not follow that the same mistake has now been made. It does not appear that the Commission has herein acted upon any assumption that the 1940 changes altered the basic principles governing its action. On the contrary, it appears that in determining the existence of discriminatory rates it has construed the changes in the statute to mean that where it is found that class rates are different in the different territories, and interterritorially, and those differences cannot be justified under recognized principles of rate making by proof of sufficient differences in costs of transportation, composition and amount of traffic, competition by common carriers other than railroads, and the like, those rates may be found unjustly preferential or prejudicial because unduly discriminatory and consequently unlawful as between regions, districts and territories.

We think this interpretation of Par. 3 (1) of the Act as amended is supported by the legislative history. The original Interstate Commerce Act was primarily aimed at the elimination of unjust discriminations of various kinds. Louisville & Nashville R. R. *v.* United States, 282 U. S. 740, 749-50. Yet it did not until the amendment of Par. 3 (1) in 1940 expressly prohibit unjust discriminations against any region, district or territory as such. "Territory" had become a word of art denoting the several rate territories which had grown up and, by adding region and district, parts of such territories were included to amplify the words "locality, port, port district, gateway, transit point" which had previously been the only designation of what might be called geographical units in the specific reference in the statute to a person, company, firm, corporation, association, * * *, or particular description of traffic" as to which unjust preference and prejudice and discrimination were made unlawful. These words had proved to be, in their effect upon geographical designation as such, of somewhat restricted application as was shown by Texas & Pacific Ry. *v.* United States, 289 U. S. 627.

This amendment to Par. 3(1) appeared in S. 2009. In the report made by the Senate Committee on Interstate Commerce[5] It was said as to Par. 3(1), "There has been no substantial change therein, except that the words 'region, district and territory' appearing in lines 20 and 23 on page 26 have been inserted." And the chairman of the committee said in part in explanation of the amendment, "The previous provision with regard to 'discrimination' simply referred to discrimination as to 'locality, port, port districts, gateway, transit point, without specifying the region, district or territory. So, we felt that by broadening the language we would at least take away that excuse, and we would provide expressly that the Commission should not discriminate in its rate structure."[6] In the discussion of the bill in the Senate the chairman of the committee in charge of it was asked if he thought the proposed amendment of Par. 3(1) would make toward the equalization of rates in the various regions. And he replied, "I do not think there is any doubt about it at all, because that is the purpose of the bill; it is the intention of the bill."[7] We think Par. 3(1) as thus amended does add new factors to be taken into account by the Commission in determining, under the old and well recognized principles which were before guides to decision in such matters, whether existing rates are unlawful. These new factors are whether such rates are unjustly preferential, prejudicial and discriminatory as between regions, district or territories; and, in our opinion, Par. 3(1) now empowers the Commission to find such rates unlawful even though they would have been lawful in the light of all relevant considerations before the amendment. We may, indeed, take it for granted that they were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission. That the Commission correctly interpreted its powers and duties after the amendment appears to be shown by the following quotation from its report: "By the amendment to the substantive antidiscrimination provisions of section 3(1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected."

---

[5] Report No. 433, 76 Cong. 1st Session at page 11.

---

[6] Cong. Rec. Vol. 84, Part 6, p. 5889, 76th Cong., 1st Sess.

[7] Cong. Rec., Vol. 84, Part 6, p. 6072.

We, therefore, hold that the Commission correctly decided that the ad interim order under review was within the scope of its statutory power and proceed to determine whether the order was erroneous in any respect on the other grounds advanced for setting it aside.

First, there should be a brief allusion to the contention that the plaintiff States have no standing to sue as parens patriae but only as shippers and receivers of freight. This point has become more or less academic since there are states who are parties plaintiff who plainly may sue as freight shippers and consignees directly affected by the order. But all the States who are parties are political entities which are also regions or districts within the rate-making territories involved and they are directly affected as such and have an interest in behalf of their citizens and communities above and apart from the rights of any particular shipper or receiver of freight to a continuance of existing rates or the maintenance of others. This we think distinguishes such cases as Oklahoma v. Atchison, T. & S. F. Ry., 220 U. S. 277, 286; Sprunt & Son, Inc. v. United States, 281 U. S. 249; and Alabama Power Co. v. Ickes, 302 U. S. 464, and gives these States standing to sue as parens patriae to preserve or enhance the welfare of their citizens by securing to them the proper administration of federal laws under the principles applied in Georgia v. Pennsylvania R. R., 324 U. S. 439, 446-52.

Our review of orders made by the Commission within the scope of its authority is limited to the following broad considerations and matters incidental thereto: (1) Whether the order is based upon adequate findings; (2) Whether there is substantial evidence in the record to support the findings made; and, (3) Whether the record was made as the result of adequate hearings of which due notice was given to all interested parties and at which those who appeared were fairly permitted to present their evidence and be heard in argument. Board of Trade v. United States, 314 U. S. 534; Rochester Telephone Corp. v. United States, 307 U. S. 125, 140; Atchison, T. & S. F. Ry. v. United States, 284 U. S. 248; Merchants Warehouse Co. *v.* United States, 283 U. S. 501.

We may dispose of the last of these quickly. It is apparent that the Commission did give due notice to all interested parties; that it did conduct numerous and lengthy hearings in various parts of the country involved; and that it did admit into the record and give proper consideration to, after giving a fair opportunity for argument, such relevant evidence as was offered.

In considering the second we are limited to a search for substantial evidence to support such findings as were made. There is such evidence. While it is not uncontradicted, the over-all weight of the evidence cannot be determined by us but is for the sole consideration of the Commission. Questions pertaining to the effect of rates and to rate making are extremely involved and highly technical matters and have to be decided after evaluating intricate evidence which is often based in part upon assumptions. Persons unskilled in those matters are much handicapped in dealing with such subjects and the well established rule is that the expert knowledge of the Commission and its experience, when resorted to and given effect in sufficiently supported findings which are the result of adequate and properly conducted proceedings, should be left undisturbed by the courts under the doctrine of administrative finality. Rochester Telephone Corp. *v.* United States, supra; Interstate Commerce Commission *v.* Illinois C. R. R., 215 U. S. 452; Chicago, St. P., M. & O. Ry. *v.* United States, 322 U. S. 1; Gregg Cartage & S. Co. *v.* United States, 316 U. S. 74.

In considering the first, we must decide whether the so-called primary findings and proof to support them are indispensable to establish the kind of unlawfulness here found by the Commission in the light of the above-mentioned amendment of the Act.

Such primary findings need not be listed again. We now refer to them as set forth in the above statement. They relate in one way or another to what have been held essential to be proved to establish a basis for findings of preference, or prejudice or discrimination as to rates before the amendment of 1940 to Par. 3 (1) of the Act. They are matters which are still pertinent and if evidence to support findings to supply the lack pointed out as to this record had, or could have been, offered it would undoubtedly have been admissible and findings in accord with it would have given added support to the order made. But is is quite another thing to say that all such findings are needed to support the so-called ultimate findings made and the ad interim order based on them. For instance, it has been argued that there can be no increase in class rates in Official Territory unless there is first a so-called primary finding, supported by substantial evidence that the present rates are not compensatory. While that fact, if proved, would have been of much significance the failure to prove it and the consequent lack of a finding that present rates are confiscatory does not leave the Commission's finding that the rates are unlawful unsupported by substantial evidence. It weighed all the evidence and found that it tipped the scales in favor of its ultimate finding that the present rates were unlawful. That basic conclusion if supported sufficiently by other evidence, was enough to justify the exercise of the Commission's statutory power to alter the rates as needed to make them lawful for the future. Pennsylvania R. Co. *v.* United States, 323 U. S. 588; Chicago, B. & Q. R. R. *v.* United States, 60 F. Supp. 580; Scandrett *v.* United States, 32 F. Supp. 995, aff'd 312 U. S. 661; Jefferson Island Salt Mining Co. *v.* United States, 6 F. (2) 315. We think enough was proved and found to warrant such basic conclusion. There was ample evidence on which the Commission found that the class rates in the various territories involved and the interterritorial class rates among those territories were on different levels within the existing classification as well as based upon differing classifications. The Commission found on substantial evidence many so-called primary facts, which need not be enumerated here but which appear in its report, showing transportation costs, composition of traffic, kinds of markets, natural resources, commodities produced or manufactured in the various territories and the parts thereof, and found preference, prejudice, and discrimination as above set forth. Having found the basic facts as pointed out, the Commission was under the duty to exercise its judgment and discretion in determining their effect upon the territories. We may not agree with its decision and we may not agree with the wisdom of the ad-interim order but we have no power to set the order aside because of any such disagreement and substitute our own judgment for that of the Commission. Norfolk & Western Ry. *v.* United States, 287 U. S. 134. For instance, it would be unlawful because discriminatory to try to equalize clearly inherently unequal business conditions, not due to existing freight rates in the various territories or any regions or districts therein, by manipulating rates. Anchor Coal Co. v. United States, 25 F. (2d) 462. We might think that the probable import of this order, but we are bound by the Commission's action in justifiably finding facts to give another, and a lawful, basis for it. Again it is well known that there is a zone of reasonableness between the maxima and minima in rate making in which a carrier may usually set the rates it charges. United States *v.* Chicago, M., St. P. & P. R. R., 294 U. S. 499. We might think these existing class rates are within such a zone, but again we may not interfere with the order for that reason. Nor can other like considerations prevail to brush aside the statutory control over rates which has been confided to the Commission.

It has been earnestly argued that the investigations and order under review are the result of political agitation having for its ultimate object the dislocation of industry from Official territory and its establishment in the other territories, principally in the Southern, and that does appear plausible. Yet such a question is not within the bounds of judicial cognizance but relates to matters of legislative policy. Whether such policy is wise or the opposite is not for us to determine. We can only be concerned with decision as to whether or not the Commission's action was within its power properly exercised under statutory authority which does not go beyond Constitutional limitations. Chicago, B. & Q. R. R. *v.* McGuire, 219 U. S. 549; Rochester Telephone Corp. *v.* United States, supra.

The contention that the order should be set aside as to the Western Lines because confiscatory as to them raises a question of Constitutional limitation under the Fifth Amendment upon the statutory authority which can be conferred upon the Commission. The railroads in Southern territory make no such contention and it would seem that the Western Lines came somewhat late to rely upon any violation of Constitutional safeguards as to them.

From the cost studies relied upon by the Commission after it decided what weight should be given them, the Commission found that what is called less-than-carload traffic is not, when war-time loading is excluded, "yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight." It is, therefore, argued that the confiscatory nature of the ordered reduction in class rates moving in less-than-carload lots is self-evident and that as it does not produce its out-of-pocket costs no trial period is necessary to determine the unlawfulness of the order since an increase in traffic brought about by the lowered rates would obviously but increase the out-of-pocket costs and increase the deficit.

It will be remembered that the Western Lines carry only .6 of one per cent of their total freight at rates affected by this order. We don't suggest that even that is less than enough to entitle them to relief if they can show that they will be compelled to carry it in the future for less than actual cost. But this less-than-carload traffic to which the cost studies relate is not by any means wholly carried on class rates and in its supplemental report of October 30, 1945, the Commission correctly said:

> "The cost data on less-than-carload traffic relates to such traffic as a whole and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception and commodity rates. Obviously, the class-rate traffic bears the highest rates. Consequently, even if under present condition less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such a result is due in large measure to the maintenance of exception and commodity rates. In any event, data based only on averages for all

this traffic do not necessarily demonstrate the impropriety of reductions in the highest level of rates. Even as to class rates on less-than-carload traffic, the record shows that in western trunk-line and southwestern territories many intrastate class rates are maintained which are lower than the corresponding reduced interstate class rates required by our interim order."

The attempt in this court by the Western Lines to break down less-than-carload lot carriage into parts carried wholly on class rates and parts as to which the above finding of the Commission is correct, and to show that the part carried wholly on class rates would not pay its way under the ad interim order has failed in our judgment to measure up to the required standard of certainty by way of proof as to transportation costs for particular commodities. Compare, Baltimore & Ohio R. R. *v.* United States, supra. There is too much assumption and opinion involved in such evidence to justify definite findings, in advance of a trial period, to the effect that the ad interim rates will be confiscatory. See St. Joseph Stock Yards Co. *v.* United States, 298 U. S. 38; Minnesota Rate Cases, 230 U. S. 352; Wilcox *v.* Consolidated Gas Co., 212 U. S. 19; City of Knoxville *v.* Knoxville Water Co., 212 U. S. 1.

Nor is the order erroneous because the carriers were not allowed any alternative method for the removal of the discriminations which make the present class rates unlawful. This was a rate order made under Par. 15 and not an order under Par. 3 in which an alternative must be provided as held in Texas & Pacific Ry. *v.* United States, supra.

The denial by the Commission of the application to reopen the proceedings and receive additional evidence especially as to conditions subsequent to 1939 was not an abuse of its discretion. It is inevitable in such matters that an order by the Commission cannot be based on strictly up-to-the-minute proof. There must be unusual circumstances, not here present, to justify the reversal of an order such as this on the ground that it was based on a stale record. Interstate Commerce Commission *v.* City of Jersey City, 322 U. S. 503. But see, Atchison T. & S. F. Ry.

v. United States, 284 U. S. 248 as limited by United States *v.* Northern Pacific Ry., 288 U. S. 490.

A decree will be entered dismissing the petitions in each case but the dismissal of the petition by the Western Lines will be without prejudice to another suit to restrain the enforcement of the ad interim rates if they are found, after a fair test, to be confiscatory. See Darnell *v.* Edwards, 244 U. S. 564.

If any of the parties desire findings of fact in addition to those made, proposed findings may be submitted to the court within fifteen days.

May 9, 1946.

HARRIE B. CHASE,
U. S. Circuit Judge.
JNO. C. KNOX,
U. S. District Judge.
STEPHEN W. BRENNAN,
U. S. District Judge.

APPENDIX "B"

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK.

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN, AND THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiffs,

against

THE UNITED STATES OF AMERICA,

Defendant

Interlocutory Injunction

The States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, having filed their verified petition in this Court praying a permanent injunction forever annulling and enjoining enforcement of certain orders of the Interstate Commerce Commission in a proceeding before it entitled Class Rate Investigation, 1939, Docket No. 28300, and praying also an interlocutory injunction enjoining the enforcement of said order pending final determination of its petition; and service of said petition having been made as required by law upon the Attorney General of the United States and the Interstate Commerce Commission; and the Interstate Commerce Commission having intervened as a defendant herein; and the Governors of the New England States and various Western railroads having intervened in this proceeding as additional parties plaintiff; the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Kansas, Oklahoma, Arkansas, Texas, Nebraska, North Dakota and South Dakota, and other parties having intervened as defendants; and the Honorable Harrie B. Chase, Circuit Judge, and the Honorable John C. Knox, District Judge, having been called to the aid of Honorable Stephen W. Brennan, Judge of this District, as required by Title 28, U. S. Code, Section 47; and an order to show cause having issued and been served upon the Attorney General of the United States and the Interstate Commerce Commission requiring them to show cause before this Court so constituted at a hearing to be held in Room 110, United States Court House in the City of New York, N. Y., on December 13, 1945, at 2:00 P.M., why the interlocutory injunction prayed for by plaintiffs should not issue; and at least five days' notice of said hearing having been given as required by law; and said hearing having been had, the Court sitting in New York City for the convenience of and with the consent and by stipulation of all parties; and plaintiffs and intervening plaintiffs having been heard by counsel and having filed various affidavits with the Court; and the United States having been heard by its Assistant Attorney General, and having filed affidavits with the Court, the Interstate Commerce Commission by its Chief Counsel, and other interveners by their respective counsel; and the Court having considered the verified petition and the affidavits presented to it and the arguments of counsel, the undersigned as such Court now make the following findings of fact and conclusions of law:

Findings of Fact

1. This is a suit brought under the provisions of Title 28, U. S. Code, Sections 41 and 43 to 48 inclusive, seeking an injunction annulling and enjoining orders of the Interstate Commerce Commission in a proceeding entitled *Class Rate Investigation, 1939*, Docket Nos. 28300 and 28310 on the Commission's docket.

2. Plaintiffs are sovereign states and bring this action both as shippers and receivers of freight, on which rates affected by the Commission's orders are charged, and also in their sovereign capacities on behalf of their citizens and communities because of the effect of the Commission's orders upon the states, their citizens and communities.

3. The orders of the Interstate Commerce Commission sought to be enjoined would require, effective January 1,

1946, an increase of ten per cent in the class rates charged by the railroads for the transportation of class rate freight within Official Territory and a reduction of ten per cent in the class rates charged by the railroads for the transportation of such freight as moves under class rates within Southern, Southwestern and Western territories and between the several territories.

4. The class rates are charged by the railroads in Official Classification Territory for the transportation by them of a large variety of manufactured articles, products of industry and agricultural products. The report of the Interstate Commerce Commission dated May 15, 1945, indicates that 5.8 per cent of all carload freight transported in Official Territory moves at class rates. A ten per cent increase in these class rates would impose upon industry, shippers and receivers of freight transported within Official Territory an increased freight cost of many million dollars a year.

5. The ten per cent increase if required and permitted to be charged by the railroads for transportation within Official Classification Territory pending final determination of this suit would subject industries, shippers and receivers of freight, and the citizens and communities of the states in Official Territory to great injury, for which they will have no redress in the event the Commission's orders should finally be held invalid and permanently enjoined, in that the increased charges on shipments at class rates will increase the cost to industries of shipping and receiving their products, will increase the cost of products to consumers, will discourage production and conversion to peacetime operation, and will tend to cause unemployment and consequent local distress.

6. The present class rates in Official Territory which would be continued in effect if an interlocutory injunction should issue suspending the effect of the Commission's orders were prescribed by the Interstate Commerce Commission in 1930, and there has been no complaint in the proceedings before the Commission against these rates and no demand by any shipper, receiver, community or state that these rates be increased.

7. The injury which would be suffered by the industries, shippers, receivers, communities and citizens in Official Territory would greatly exceed any injury to shippers and communities or states in other sections of the country from withholding the reductions in rates ordered by the Commission, pending final determination herein, for the reason that a much greater volume of freight is transported by the railroads within official Territory upon which the class rates are charged, which would be increased ten per cent, than the volume of freight upon which the Commission's orders would require a reduction in the freight rates. The Commission found that the class rates are charged on 5.8 per cent of the carload freight transported within Official Territory, on only 1.8 per cent of the carload freight transported in Southern Territory, .6 per cent of the freight transported in Western Trunk Line Territory, .9 per cent of the freight transported from Southern to Official Territory, and 3.1 per cent of the freight transported from Western Trunk Line to Official Territory. In addition to this, the higher percentage in Official Territory is to be applied to a much greater volume of freight. The Commission found that in a period of two days the carload freight transported within Official Territory aggregated 111,914 carloads, while the carload movement within Southern Territory was only 23,512 carloads, and within Western Trunk Line Territory was only 32,889 carloads. The movement from Southern to Official Territory amounted to only 15,989 carloads and from Western Trunk Line to Official Territory to 12,120 carloads. Computations contained in affidavits presented to the Court indicate that the ten per cent increase in the class rates for transportation within Official Territory of both carload and less-carload freight would cause an increase in freight charges to shippers and receivers of freight in that territory of over $15,000,000 annually, as compared with reductions in the charges for shippers in Southern Territory of not more than one-tenth of this figure.

8. Greater disturbance and confusion would result if the changed rates ordered by the Commission should be per-

mitted to go into effect and the Commission's orders should thereafter be held to be invalid and enjoined.

9. The reduced rates ordered by the Commission with respect to freight transported by the Western railroads would cause a very substantial reduction in their revenues, which they would have no means of recouping, if the Commission's orders should finally be held to be invalid and permanently enjoined.

10. The present class rates in all territories were prescribed by orders of the Commission in various proceedings as maximum reasonable rates and these orders would be operative to maintain the present rates in effect if the orders attacked in this suit should be suspended.

11. Although tariff schedules have already been filed with the Commission by the railroads providing rates to become effective January 1, 1946, in conformity with the Commission's orders sought to be enjoined, the Official Classification railroads and the Western railroads by their counsel have advised the Court that such tariff schedules have been filed only under compulsion of the Commission's orders and that if such compulsion is removed by the suspension and enjoining of said orders, they will take appropriate steps to continue in effect their present class rates.

Conclusions of Law

1. Plaintiffs have capacity to maintain this suit both as shippers and receivers of freight, the rates on which would be affected by the Commission's orders sought to be enjoined. The question as to whether plaintiffs in their sovereign capacities are otherwise proper parties hereto is not now decided.

2. The fact that the railroads under compulsion of the orders have already filed tariff schedules providing rates in conformity therewith, to take effect on January 1, 1946, does not render this suit moot or deprive this Court of power to grant effective relief by interlocutory injunction.

3. There are reasonable grounds for believing that the reports and orders of the Commission may be erroneous, contrary to and without adequate support in the evidence, and should be permanently annulled and their enforcement enjoined. This cannot, however, be determined until final hearing herein and upon examination of the evidence before the Commission which will then be before the Court.

4. There is greater justification for continuing in effect temporarily the present class rates which the Commission has prescribed and under which business has been done for a number of years than for permitting a sudden change in rates required by new orders, the validity of which is open to question.

5. Considering the doubt as to the validity of the Commission's reports and orders, and balancing the conveniences and equities of the situation, the Court in its discretion should issue an interlocutory injunction enjoining and suspending the enforcement of the Commission's orders pending final determination herein.

Wherefore, good cause appearing therefor, it is Ordered, Adjudged and Decreed that an interlocutory injunction be and it is hereby granted enjoining and suspending until further order of this Court the order of the Interstate Commerce Commission dated May 15, 1945, as amended, and its order dated October 30, 1945, in its Docket Nos. 28300 and 28310; and until further order of this Court, said orders of the Interstate Commerce Commission are hereby enjoined and suspended and shall have no force or effect.

And It Is Further Ordered that the United States and the Interstate Commerce Commission and their several officials, agents, servants and attorneys be and they are hereby enjoined from taking any action to enforce compliance with said orders of the Interstate Commerce Commission or prosecuting any alleged violation thereof pending further order of this Court.

Let plaintiffs file a stipulation for costs in the sum of $5000.

HARRIE B. CHASE,
U. S. C. J.;
JOHN C. KNOX,
U. S. D. J.;
STEPHEN W. BRENNAN,
U. S. D. J.

Dated: December 20, 1945.

Original filed, Dec. 21, 1945; 5:05 P.M., Clerk's Office at Utica, N. Y.

APPENDIX "C"

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

CIVIL ACTION No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA,
Plaintiffs,
against
THE UNITED STATES OF AMERICA,
Defendant.

CIVIL ACTION No. 2337

THE ATCHISON, TOPEKA and SANTA FE RAILWAY COMPANY, ET AL.,
Plaintiffs,
against
THE UNITED STATES OF AMERICA,
Defendant.

Final Decree and Order Continuing Interlocutory Injunction

This cause coming on to be heard before the undersigned sitting as a specially constituted court of three judges pursuant to the Urgent Deficiencies Act, 28 U. S. C., Sections 41, 43-48, and full hearing having been had, the pleadings and evidence having been considered and the parties having been heard by counsel in argument and the cause having been submitted for final decree, and this Court having been fully advised in the premises and having filed its opinion, findings of fact and conclusions of law, it is

Ordered, adjudged and decreed:

(1) The petitions of the plaintiffs herein be and they are hereby dismissed.

(2) Dismissal of the petition filed by the plaintiff railroads in Civil Action No. 2337 is without prejudice to another suit to restrain enforcement of the ad interim rates prescribed in the Commission's orders if those rates are found to be confiscatory after a fair test.

And the parties having further been heard upon petition and motions of the plaintiffs and of certain intervenors for continuance of the interlocutory injunction granted by this Court on December 20, 1945 pending the perfecting and final determination of appeals to the United States Supreme Court and the motion of defendants that said interlocutory injunction be dissolved, the Court hereby makes the following findings of fact and conclusions of law:

Findings of Fact

1. The Court hereby reaffirms and adopts the findings of fact made by it in the order entered herein on December 20, 1945, granting the said interlocutory injunction, as fully as if the said findings of fact were restated herein.

2. If the said interlocutory injunction is not continued pending the perfecting and final determination of the appeals from the final order of the Court herein, the carriers in Official Territory, contrary to their wishes expressed in this Court and solely by reason of the compulsion of the Commission's orders, will be required to file and make effective tariff schedules increasing by ten per cent their class rates charged by them for the transportation of class

rate freight between points in Official Territory, including points in plaintiff States, and the Western Lines will be required to file and make effective tariff schedules reducing by ten per cent their class rates charged by them for the transportation of class rate freight between points in Western Trunk Line Territory and in Southwestern Territory, and to join with the carriers in Official Territory and Southern Territory in reducing by ten per cent their class rates charged by them for the transportation of interterritorial class rate freight.

3. The relative levels of the class rates in the several rate territories affected by the orders of the Interstate Commerce Commission in this proceeding were established by orders of the Interstate Commerce Commission and have been in effect for many years. If the said interlocutory injunction is not continued pending the perfecting and final determination of the appeals from the final order of this Court, the long established class rate relationships among the rate territories would be materially changed, and if the final order of this Court is thereafter reversed by the United States Supreme Court, the disturbance and disruption of business throughout the country would be of serious proportions. Such disruption would cause more hardship to business and to the shippers, receivers, and carriers of freight, than would be caused by the continuance of the long established rate relationships pending the final determination of the appeal from the final order of this Court herein.

4. The Commission's orders, if presently enforced with respect to class rates charged on freight transported by the Western Lines, would cause a very substantial reduction in the revenues of the railroads, which they would have no means of recouping if the Commission's orders should finally be held to be invalid and permanently enjoined.

5. Great and irreparable injury would be done to plaintiffs, their citizens and communities and to the Western Line, if on appeal the orders of the Interstate Commerce Commission are held invalid and if pending appeal their enforcement shall not have been stayed and enjoined and

such injury appears greater than any injury which defendants or intervening defendants might suffer if the Commission's orders are stayed pending appeal and should finally be held valid.

Conclusions of Law

1. The decision of these consolidated causes necessarily involves the determination of novel questions of law of great importance to the shippers, the carriers, and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions.

2. Considering the reasonable doubts as to the validity of the orders of the Interstate Commerce Commission herein, the novel character of the questions of law to be determined, the fact that the present class rates were established by the Interstate Commerce Commission itself and have been in effect for many years, and considering the equities of the shippers, the carriers, and the public, the Court in its discretion should continue the interlocutory injunction pending the perfecting and final determination of any and all appeals from the final order of the Court herein.

And, all facts considered, the Court being of opinion and finding that the enforcement of the Commission's orders should be stayed pending appeal from the decision of this Court, now, therefore, it is

Ordered, adjudged and decreed that the motion of the United States and the Interstate Commerce Commission to dissolve the interlocutory injunction granted by the decree of this Court dated December 20, 1945, be and it is hereby denied and that the said interlocutory injunction be and it hereby ~~is~~ continued for a period of sixty days from the date hereof, and if during said period plaintiffs or any of them perfect an appeal to the Supreme Court of the United States, said interlocutory injunction be further continued pending such appeal and until final determination on appeal and order pursuant thereto unless and until otherwise ordered by this Court or by the Supreme Court of the United States. If before the expiration of sixty days from the date hereof no appeal shall have been taken and perfected from the final decree and order of this Court dismissing the petitions, the interlocutory injunction shall thereupon be dissolved and shall thereafter be of no effect.

Approved as to form only

Edward H. Miller, Special Asst. to the Atty, Gen.
J. V. Norman, Byron M. Gray, H. Emerson Kokjer.

Harrie B. Chase,
U. S. C. J.
Jno. C. Knox,
U. S. D. J.
Stephen W. Brennan,
U. S. D. J.

Dated: May 24, 1946.

FILE COPY

Office - Supreme Court, U. S. [illegible]

CHARLES [illegible]

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA,
ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE
COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF
VERMONT, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE
COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY,
BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO,
BURLINGTON & QUINCY RAILROAD COMPANY, ET AL.,
APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE
COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF NEW YORK

BRIEF FOR THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, APPELLANTS

PARKER MCCOLLESTER,
KENNETH L. SATER,
Attorneys for Appellant States.

INDEX

PAGE

OPINIONS BELOW 2

JURISDICTION OF THIS COURT 2

THE STATUTES INVOLVED 3

STATEMENT OF THE CASE 3

1. The Freight Rate Structure and the Freight Rates Involved 4
   - (a) The territorial divisions 4
   - (b) The classifications and class rates 6
   - (c) The exception rates 8
   - (d) The commodity rates 8
   - (e) Further facts regarding the class rates and their history 9
2. The Proceedings before the Commission 14
   - (a) The orders of investigation 14
   - (b) The hearings before the Commission 14
   - (c) The evidence 15
   - (d) The Commission's decision and orders 17
3. The Decision of the Court Below 21
4. The Historical Background of the Proceeding 22
5. The Principal Issues 28

SPECIFICATION OF ASSIGNED ERRORS INTENDED TO BE URGED 31

SUMMARY OF ARGUMENT 31

ARGUMENT:

Introduction 39

A. Some general comments upon the nature and scope of, and the limitations upon, the authority and functions of the Commission 39

B. Plan of this argument in the light of the nature of the issues 45

C. Some important factual considerations 47

PAGE

POINT I—The orders of the Commission requiring a 10 per cent increase in class rates for transportation within official territory are invalid as an attempted exercise by the Commission of authority to prescribe minimum reasonable rates, and its ultimate determination that the then existing class rates previously prescribed by the Commission as maximum reasonable rates were less than minimum reasonable rates in violation of Section 1, paragraphs (4) and (5) (a) of the Interstate Commerce Act was arbitrary and invalid because not supported by essential preliminary findings and because without support of substantial evidence 54

A. The Law 54

B. There is no finding and no evidence to support a finding that the class rates for transportation between points in Official territory are not fully compensatory. Indeed both the evidence and the Commission's findings require the conclusion that the class rates which the Commission ordered increased 10 per cent were already highly profitable 58

C. There is no finding and no evidence to support a finding that the level of the class rates for transportation within Official territory threatens a rate war or otherwise will tend to impair the financial integrity of the carriers 64

D. The Commission's finding predicated upon the returns from Operations of the Carriers in the several territories, that "the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories" is not a finding that the class rates for transportation in Official territory are non-compensatory, sufficient to sustain a minimum rate order requiring an increase in those rates.. 65

PAGE

Point II—To the extent that the orders purport to rest upon a determination that the present class rates create undue prejudice and preference in violation of Section 3(1) of the Interstate Commerce Act, the orders are arbitrary and invalid because not supported by essential preliminary findings and because without support of substantial evidence. The court below erred in not so deciding 69

A. The Law 70

B. There is no finding and no evidence to support a finding that for the transportation of the same kinds of freight from the South and West to Official territory on which class rates are charged within Official territory the railroads demand corresponding class rates. In fact both the findings and the evidence are to the contrary 76

C. The Commission's findings negative any conclusion that the differences in the levels of the class rates are the cause of substantial injury, prejudice and disadvantage to shippers or receivers of freight in the South and West or to those territories as a whole and of preference and advantage to Official territory and shippers therein 80

D. If portions of the Commission's reports are to be interpreted as constituting a finding that the class rates in Official territory and those for transportation from other territories into Official territory are controlled by similar circumstances and conditions, such a finding is arbitrary, contrary to the evidence, and inconsistent with other statements or findings made by the Commission 96

Point III—The Court below and the Commission erred in concluding that the amendment to Section 3(1) of the Interstate Commerce Act by the Transportation Act, 1940 coupled with Section 5(b) to the latter Act so changed the law as to require and sustain the Commission's decision and orders 98

PAGE

POINT IV—The Commission's determination that the class rates are unlawful because not on a uniform level and that the class rates for transportation within Official territory should be increased to approach uniformity is not supported by preliminary findings of fact or by the evidence, and the factual considerations stated by the Commission do not sustain its conclusion 110

A. The Commission's findings as to average cost of transportation and the evidence on this subject do not support the decision and orders 112

B. The fact that there are differences in the kinds of freight, transported within the several territories does not support of the Commission's orders. On the contrary, the evidence as to socalled "consists" of traffic in the several territories precludes an ultimate finding that the class rates are unlawful because not uniform 127

C. The Commission's orders are not supported by the references to the small proportions of freight moving at class rates in the South and West and interterritorially 130

D. The fact that the average rate of return of the railroads in Official territory has been slightly less in recent years than the corresponding average figures for the railroads of the South and West does not support the ultimate finding of undue prejudice and preference in violation of Section 3(1) or the finding that the present class rates in Official territory are less than minimum reasonable rates in violation of Section 1(4) and (5)(a) and does not justify the orders requiring an increase in the latter rates... 132

POINT V—The orders, in requiring a 10 per cent increase in the class rates for transportation in Official territory, in view of the compensatory character of the existing rates, violate Section 15a(2) of the Interstate Commerce Act 134

PAGE

POINT VI—The orders are beyond the authority of the Commission, arbitrary and discriminatory in that they would require shippers and receivers in Official territory to pay increased freight rates for the benefit of the railroads in the South. The lower Court erred in not so deciding 135

POINT VII—The Commission's orders represent an attempt to alter economic and industrial conditions and for that reason are beyond the authority of the Commission 138

POINT VIII—To the extent that the orders rest on a finding of undue preference and prejudice in violation of Section 3(1) they are invalid because they do not leave the carriers an alternative as to the method of removing the rate differences 142

POINT IX—The Court below erred in failing to hold that the evidence does not support the orders which are to take effect in the postwar period, and that the Commission erred in refusing to reopen the proceeding to take evidence as to the present and probable future conditions 147

POINT X—The recent decision and order of the Commission in Ex Parte 162, *Increased Railway Rates, Fares and Charges, 1946*, and the general increases in their freight rates made by the railroads pursuant thereto, have completely altered the rate situation to which the Commission's orders in the *Class Rate Case* were directed and have made those orders obsolete and impossible of enforcement according to their terms so that they should be set aside and permanently enjoined 151

CONCLUSION 156

APPENDIX A: Excerpts from Pertinent Statutes 158

APPENDIX B: Excerpts from Findings in Ex Parte 162 161

APPENDIX C: Interstate Commerce Commission's Order in Ex Parte 162 163

TABLE OF CASES CITED

PAGE
Abingdon Sanitary Mfg. Co. Inc. v. Akron C. & Y. Ry. Co., 208 I. C. C. 661 9
Adams Lbr. Co. v. Akron C. & Y. Ry. Co., 253 I. C. C. 179 72
Alabama Rock Asphalt, Inc. v. Abilene & S. Ry Co., 176 I. C. C. 555 73
Alexandria Paper Co. v. Atchison, T. & S. F. Ry. Co., 171 I. C. C. 252 72
Alpena Leather Corp. v. Pennsylvania R. Co., 185 I. C. C. 106 9
Anchor Coal Co. v. United States, 25 F. (2d) 462 .. 32, 33, 34, 43, 75, 140
Ann Arbor R. Co. v. United States, 281 U. S. 658 ... 36, 108
Atchison Ry. v. United States, 295 U. S. 193 41
Atchison, T. & S. F. Ry. Co. v. United States, 284 U. S. 248 .... 36, 108, 149

Baltimore & O. R. Co. v. United States, 298 U. S. 349 .... 36, 121
Bituminous Coal to Youngstown, 197 I. C. C. 617 ... 144
Board of Trade of Carrollton, Ga. v. Central of Georgia Ry. Co., 28 I. C. C. 154 75
Boston Wool Trade Asso. v. B. & A. R. R. Co., 78 I. C. C. 178 72

Calif. Growers' & Shippers' Protective League v. S. P. Co., 129 I. C. C. 25 .... 36, 120
Carbon Limestone Co. v. Pennsylvania R. Co., 173 I. C. C. 167 73
Central R. R. Co. of New Jersey v. United States, 257 U. S. 247 .... 35, 75
City Ice & Supply Co. v. C. & N. W. Ry., 36 I. C. C. 514 72
Class Rate Investigation 1939, 262 I. C. C. 447; 264 I. C. C. 41 .... 2, 14
Clover Splint Coal Co. Inc. v. Louisville & N. R. Co., 197 I. C. C. 276 75
Colorado Interstate Gas Co. v. Federal Power Com'n., 142 F. (2d) 943 43
Commonwealth of Kentucky v. Ahnapee & W. Ry. Co., 213 I. C. C. 297 .... 36, 120
Consolidated Freight Classification, 262 I. C. C. 447; 264 I. C. C. 41 .... 2, 14

PAGE

Dewey Portland Cement Co. v. Alton & E. R. Co., 176 I. C. C. 671 72

Eastern Class Rate Investigation, 164 I. C. C. 314 .... 9, 10, 11, 48, 49, 51, 64, 97
Eastern Class Rate Investigation, 171 I. C. C. 481, 177 I. C. C. 156, 203 I. C. C. 357 48

Florida v. United States, 282 U. S. 194 .... 32, 33, 44, 67
Florida v. United States, 292 U. S. 1 .... 34, 67

Gwinn Milling Co. v. Pennsylvania R. Co., 255 I. C. C. 690 74

House Heating Furnaces From The East to The Pacific Coast, 255 I. C. C. 787 74
Hurst v. Boise Valley Traction Co., 146 I. C. C. 625 71

Increased Railway Rates, Fares and Charges, 1946 Ex Parte 162 .... 30, 38, 58, 151
Indianapolis Freight Bureau v. Cleveland C. C. C. & St. L. Ry. Co., 23 I. C. C. 195 71
I. C. C. v. Columbus & Greenville Ry., 319 U. S. 551 .... 30, 40
I. C. C. v. Diffenbaugh, 222 U. S. 42 141
Int. Comm. Comm. v. Inland Waterways Corp., 319 U. S. 671 146
Int. Com. Com'n v. Louisville & Nash R. R., 227 U. S. 88 .... 32, 42

Jefferson Island Salt Mining Co. v. United States, 6 F. (2d) 315 55

Mason City Brick and Tile Co. v. C., M. St. P. & P. R. Co., 258 I. C. C. 312 73

New Automobiles in Interstate Commerce, 259 I. C. C. 475 56
Nor. Pac. R. v. Dept. Public Works, 268 U. S. 39 .... 36, 120
North Carolina v. United States, 325 U. S. 507 .... 34, 68
Northeastern New York Traffic Assn. v. Delaware & H. R. Corp., 200 I. C. C. 134 73

Paper and Paper Articles to New Orleans, 96 I. C. C. 600 72
Pensacola Chamber of Commerce v. L. & N. R. R. Co., 98 I. C. C. 567 71

INDEX

PAGE

Pure Oil Co. v. Atlantic Coast Line R. Co., 256 I. C. C. 723 74

Scandrett v. United States, 32 Fed. Supp. 995; affd. 312 U. S. 661 55

Smith Bros. Mfg. Co. v. Aberdeen & R. R. Co., 181 I. C. C. 137 72

Southern Class Rate Investigation, 100 I. C. C. 513 10

State of Alabama v. New York Central R. Co., 235 I. C. C. 255 (Southern Governors Case) 23, 88

Southern Pac. Co. v. Interstate Comm. Comm., 219 U. S. 433 ....32, 44, 141

State of New York v. United States, 65 F. Supp. 856 2

Stoves, Ranges, Boilers and House-Heating Furnaces, 182 I. C. C. 59 140

Texas & Pacific Ry. Co. v. United States, 289 U. S. 627 ....33, 34, 35, 56, 71, 75, 141, 142, 143, 145, 146

Transportation Act 1940, Section 5(b) 94

United States v. Abilene & So. Ry. Co., 265 U. S. 274 43

United States v. Carolina Freight Carriers Corp., 315 U. S. 475 ....32, 42

United States v. Chicago, M. St. P. & P. R. Co., 294 U. S. 499 ....31, 32, 33, 34, 40, 41, 66, 81, 146

United States v. Director General, 80 I. C. C. 143 74

United States v. Gulf Refining Co., 268 U. S. 5[illegible] 9

United States v. Illinois Cent. R. R., 263 U. S. 515 ....31, 34, 39, 75, 141, 146

United States v. Seatrain Lines, Inc. (Decided January) 48

Western Carolina Shippers' Assn. v. Asheville S. Ry. Co., 174 I. C. C. 353 72

Western Trunk Line Class Rates, 164 I. C. C. 1 10, 11, 36, 97, 119

Western Trunk-Line Class Rates, 204 I. C. C. 659 97

Youngstown Sheet & Tube Co. v. United States, 295 U. S. 476 ....143, 144, 145, 146

Congressional Record, Vol. 84, Part 6, p. 5889 25, 104, 107

Congressional Record, Vol. 84, Part 6, p. 5890 105

Congressional Record, Vol. 84, Part 9, p. 9712 105

Congressional Record, Vol. 86, Part 17, p. 5555 26

STATUTES

PAGE

Interstate Commerce Act (24 Stat. 379), as amended (U. S. C. Title 49)
  Sections 1(4) and 5(a) 3, 17, 28, 32, 37, 40, 46, 54, 55, 58, 59, 61, 68, 69, 111, 132, 146, 148
  Section 2 74
  Section 3(1) 3, 17, 32, 34, 36, 37, 46, 70, 71, 73, 74, 75, 76, 80, 97, 100, 101, 102, 105, 108, 132, 142
  Section 15(1) 3, 143, 146, 147, 159
  Section 15a(2) 3, 38, 66, 67, 108, 134, 135, 160

Transportation Act, 1940, Section 5(b) (54 Stat. 905) (U. S. C. Title 49, 1946, Supp., footnote to Section 3(5)) 3, 36, 70, 97, 98, 100, 101, 103, 160

Hoch-Smith Joint Resolution (43 Stat. 801) (U. S. C. Title 49, Section 55) 36

Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

BRIEF FOR THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, APPELLANTS

These are three appeals from a decision and decree of a statutory three-judge court for the Northern District of New York denying a permanent injunction to set aside and annul certain orders of the Interstate Commerce Commission. The orders of the Commission would require a revision in the so-called class rates of the applicable railroads for transportation in all that part of the country east of the Rocky Mountains. More particularly, in so far as these appellants are concerned, the Commission's orders would require the class rates for transportation in so-called Official territory in which these States are included to be increased 10 per cent. At the same time it would require a 10 per cent reduction in the class rates for transportation in the South and West and from points in those territories to Official territory.

Opinions Below

The opinion of the specially constituted District Court (R. 1411, *et seq.*) is reported in *State of New York* v. *United States*, 65 F. Supp. 856.

The decisions and orders of the Interstate Commerce Commission (R. 62-386, 429-486), to review which the actions were instituted in the court below, were rendered in Docket No. 28300, *Class Rate Investigation 1939*, and Docket No. 28310, *Consolidated Freight Classification*. These proceedings were heard on a consolidated record and the Commission's decisions therein are reported in 262 I. C. C. 447 and 264 I. C. C. 41. For brevity, the consolidated proceeding is hereinafter generally referred to as the *Class Rate Investigation*.

Jurisdiction of This Court

The action in the court below was brought under the provisions of acts approved June 10, 1910 (38 Stat. L.

149) and October 23, 1913 (38 Stat. L. 219) commonly referred to as the Commerce Court Act and the Urgent Deficiencies Appropriations Act, all as re-enacted in Title 28 U. S. C. A., Section 41(28) and Sections 43 to 48, inclusive, having to do with suits brought to enjoin and set aside orders of the Interstate Commerce Commission. The direct appeals from the final decree of the court below were taken to this Court under the provisions of U. S. Code, Title 28, Sections 47a and 345.

Probable jurisdiction was noted by this Court on October 14, 1946 (R. 1527)*.

The Statutes Involved

The statutory provisions involved are Section 1(4) and (5)(a), Section 3(1), Section 15(1) and Section 15a(2) of the Inte[illegible]te Commerce Act (U. S. C., Title 49) and Section 5(b) [illegible] the Transportation Act, 1940 (U. S. C., Title 49, footnote following Section 3(5) in 1946 supplement, 54 Stat. 902) commonly referred to as the Ramspeck Resolution. These provisions are reproduced in Appendix A hereto.

Statement of the Case

Appellants in No. 343 (the nine States for whom this brief is filed) (R. 1, *et seq.*) and appellants in No. 345, the Western railroads (R. 833, *et seq.*) instituted independent suits in the court below, each seeking an injunction to set aside and annul the Commission's decisions and orders in the *Class Rate Investigation*. The States of New York and Ohio intervened in the railroads' suit (R. 864, 865), and the railroads intervened in the suit of the States (R. 489,

---

* Figures in parentheses preceded by "R." refer to pages of the printed record.

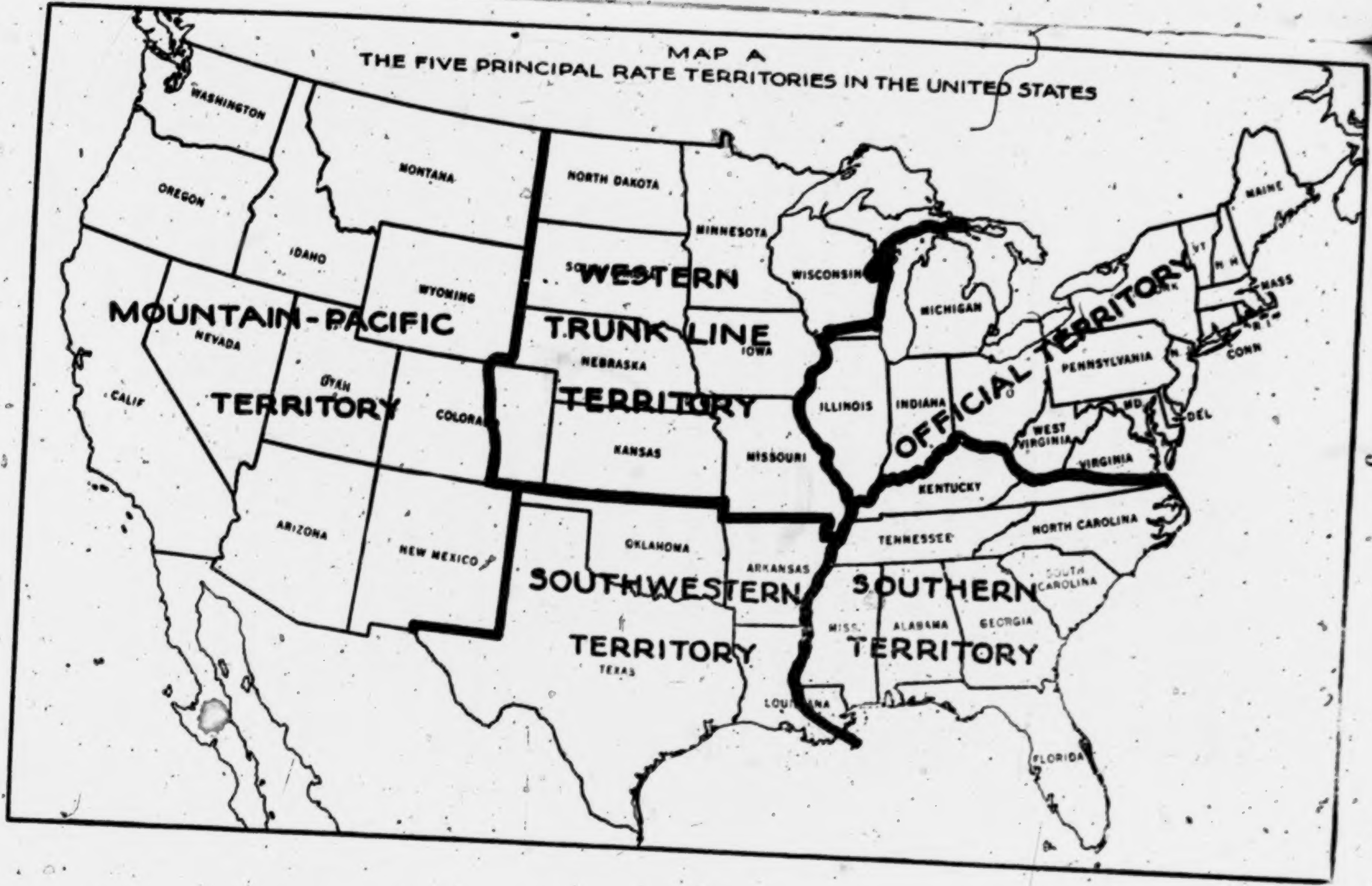
490). The appellants in No. 344, the New England governors, did not file a separate petition in the court below but intervened as plaintiffs in both suits (R. 512, 866). The foregoing actions were consolidated for hearing before the court below (R. 881).

1. The Freight Rate Structure and the Freight Rates Involved

(a) *The territorial divisions*

In the course of the development of railroad transportation and the growth of railroad systems, the country, for the purposes of railroad freight rates and certain other matters, has come to be divided into sections or so-called rate or classification "territories". The boundaries of these territories conform generally, but with exceptions, with termini of the major railroad systems, so that each territory embraces the railroads which are chiefly competitive each with the other and are affected by common physical, traffic and other conditions.

Official or Official Classification Territory, so-called, is roughly that portion of the United States north of the Ohio and Potomac Rivers and east of the western shore of Lake Michigan and of a line extending diagonally to the western bank of the Mississippi River opposite Illinois. Southern or Southern Classification Territory is that section of the country roughly south of the Ohio and Potomac Rivers and east of the Mississippi. Western Classification or Western territory includes the part of the country west of the Mississippi River and also part of Wisconsin. Western Classification Territory is, for certain purposes, subdivided into Western Trunk Line, Southwestern and Mountain-Pacific territories, and there are subdivisions of the other territories which are not material here (R. 4926a).



MAP A
THE FIVE PRINCIPAL RATE TERRITORIES IN THE UNITED STATES

MOUNTAIN-PACIFIC TERRITORY
WESTERN TRUNK LINE TERRITORY
OFFICIAL TERRITORY
SOUTHWESTERN TERRITORY
SOUTHERN TERRITORY
WASHINGTON
OREGON
CALIF
NEVADA
IDAHO
MONTANA
WYOMING
UTAH
COLORADO
ARIZONA
NEW MEXICO
NORTH DAKOTA
SO
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
WISCONSIN
MICHIGAN
ILLINOIS
INDIANA
KENTUCKY
TENNESSEE
MISS
ALABAMA
GEORGIA
FLORIDA
SOUTH CAROLINA
NORTH CAROLINA
VIRGINIA
WEST VIRGINIA
MD
DEL
PENNSYLVANIA
NJ
CONN
R I
MASS
N H
VT
MAINE

These major divisions are illustrated on the map on the opposite page, which is a reproduction of an exhibit in the record (Ex. 1, R. 4911).

As will be seen, the nine appellant States and New England are embraced in Official territory, except that portions of Michigan and Wisconsin are in Western territory.

(b) *The classifications and class rates*

The freight rates of the railroads, so far as is here pertinent, may be divided into three general categories commonly referred to as "class rates", "exception rates" and "commodity rates."

Corresponding with the foregoing divisions of the country, the railroads of the country publish and maintain in schedules filed with the Commission three major freight classifications, so-called, known respectively as the Official, Southern and Western Classifications. In these classifications many thousands of articles of freight are listed and are assigned to classes—for example, first class, second class, etc.—for the purpose of determining the freight rates to be charged for transportation by railroad. Then by other tariff schedules filed with the Commission the several railroads publish and maintain freight rates to be charged for the transportation of freight of each of the several classes between practically all points. It is these rates which are known as the class rates.

The Official Classification and the Official Territory class rates are published and maintained by and determine the charges of the railroads for the transportation of classified or class rate freight within Official Territory. The Southern and Western classifications and class rates as their names indicate, determine charges for the transportation of class rate freight within Southern and Western Classification Territories. The tariffs contain rules specifying which classifications determine the ratings and rates for transportation from one territory to another.

For purposes of publication, all three classifications are combined in one volume, called the Consolidated Freight Classification, with uniform rules, regulations and definitions of various articles listed. The classifications or ratings to which many of the articles are assigned, are not uniform in the several classifications. For example, an article may be classified third class in the Official, fourth class in the Southern, and fifth class in the Western Classifications.

As will be pointed out in more detail presently, the class rates are actually charged upon a negligible proportion of the freight transported in Southern and Western territories because the railroads for transportation in these territories have provided lower exception or commodity rates. For transportation within Official territory, however, the class rates are actually charged upon a substantially greater proportion of the total freight and upon a much larger actual volume.

The first class rates, or the rates provided for transporting articles classified first class, are what may be described as the basic class rates, since the rates for the transportation of freight classified in the other classes bear percentage relationships to the first class rates. Formerly the other classes were generally described as second class, third class, etc., but the rates for these classes reflected uniform percentages of the first class rates in each territory, although the percentage relationships between the first class rates and the rates for other classes were not always uniform in all territories (R. 55). More and more, however, it has become the custom to refer to the rates or ratings for classes other than first as column rates or ratings, each column representing a percentage figure, such as column 85, which is 85 per cent of first class, column 35, which is 35 per cent of first class, etc. Thus the number of classes is subject to indefinite expansion to correspond with the number of possible percentage relationships to first class.

It is the class rates to which the orders here in suit are addressed and therefore the facts concerning these rates must be more fully described, which will be done after reference to the other categories of rates.

(c) The exception rates

As their name implies, the exception rates are rates which the railroads have provided for the transportation of freight for which the class rates, for one reason or another, are not considered suitable and for which, therefore, exceptions of rather general application are desired. To this end the railroads publish tariffs providing exceptions to the classification, which provide that either generally throughout a territory or between various points the articles specified, instead of being classified in accordance with the classification ratings, will be classified at lower percentages of first class and will be charged freight rates accordingly.

(d) The commodity rates

The so-called commodity rates are rates which are established for the transportation of specified commodities between particular points. They are often established for articles which are transported in great volume between certain origins and destinations but do not move generally throughout the country. There are many commodity rates for the transportation of raw materials and low grade freight (p.* 564, R. 179; p. 569, R. 184; pp. 593-604, R. 209-219).

A shipper is entitled to the lowest freight rate which the railroads maintain for the transportation of his goods and where there are several different rates in the tariffs for the transportation of the same commodity between the same points the lowest rate is ordinarily the one which is applicable. *United States* v. *Gulf Refining Co.*, 268 U. S. 542.

---

* Figures preceded by "p." indicate pages in the printed reports of the Commission involved in this proceeding, except where the context indicates otherwise.

Hence, although almost every conceivable commodity, other than bulk freight such as coal, is classified in the classifications, so that theoretically there are class rates for its transportation, the class rates are not the rates which are actually charged if the railroads' tariffs provide exception or commodity rates which are lower.

(e) Further facts regarding the class rates and their history

Rates which are merely maintained in tariffs but are not actually charged, because the transportation is provided with lower rates, are commonly referred to as paper rates. *Alpena Leather Corp.* v. *Pennsylvania R. Co.*, 185 I. C. C. 106, 107; *Abingdon Sanitary Mfg. Co., Inc.* v. *Akron C. & Y. Ry. Co.*, 208 I. C. C., 661, 664.

To a very large extent, as has been indicated and as will be shown more fully presently, the class rates are only paper rates in so far as transportation within the South and West and from those territories to Official territory is concerned. Within Official territory, however, the class rates, which the Commission's orders would require to be increased 10 per cent, are rates actually charged on 5.8 percent of the total large volume of carload freight transported within that territory (R. 179, p. 564).

The class rates within Official territory, which the Commission now finds to be less than minimum reasonable rates and orders increased 10 per cent, and the class rates within Southern and Western territories, which the Commission now finds to be excessive and orders reduced 10 per cent, were all prescribed by the Commission itself after extended investigations. *Eastern Class Rate*

Investigation, 164 I. C. C. 314; *Southern Class Rate Investigation*, 100 I. C. C. 513; *Western Trunk Line Class Rates*, 164 I. C. C. 1.

Mile for mile the class rates within Official territory are lower than the class rates within the other territories. Treating the Official territory first class rates as 100 per cent, a table on page 569 (R. 184) of the Commission's report shows that the averages of the first class rates in the other territories for various distances up to 1,000 miles reflect the following percentages of the averages of the Official territory rates:

Southern	137.7 per cent
Western, Zone I	129.6 per cent
Western, Zone II	144.4 per cent
Western, Zone III	159.4 per cent

The class rates within the several territories were, as the Commission's reports in the cases referred to indicate, prescribed in the light of the rate structures, the traffic, transportation and competitive conditions found to exist in each territory. In Official territory the commodity rates charged for the transportation of many raw materials and low-grade manufactured articles are substantially higher than the corresponding commodity rates which the Southern railroads have provided for shippers and receivers in that territory, and the class rates in Official territory generally applicable to the transportation of manufactured articles were made relatively lower in consideration of this fact.

Likewise, the Commission in the *Eastern Class Rate* case, in prescribing the class rates in that territory, was influenced by the fact that the class rates are actually charged on a very large volume of freight which in the South and West is provided with commodity or exception rates which are lower than the class rates in those territories. In these respects the circumstances and the purpose of the class rates in Official territory were noticeably different from conditions in the other territories, where lower commodity and exception rates have been provided for a large proportion of the movement of freight and the class rates are really a negligible part of the rate structure so far as being actually charged.

The Commission remarked upon these important differences in the *Eastern Class Rate* case, saying (p. 391):

> " * * * In the other territories class rates, at least in the past, appear to have been of particular interest to jobbers, and the traffic which they move seems to have been, and perhaps still is, predominantly less than carload. For carload traffic of any important volume commodity rates have generally been provided. This is not the situation in official territory, where a great deal of very important carload traffic moves on class rates. Of the traffic embraced by the revenue test about 68 per cent was carload. Among the commodities which generally move in carloads on class rates in official territory but are given commodity rates in other territories are fruits and vegetables (including apples, cabbage, and potatoes), dairy products, vegetable oils, furniture, wrapping paper, soap, sash, doors, and blinds.
>
> "A corollary of this situation is that, as compared with the class rates, the commodity rates on heavy, low-grade articles in official territory are often relatively high and in the other territories relatively low. While it is difficult to determine the fact with exactness, it is quite clear from general knowledge, and also from evidence here of record, that the spread between the class rates in official territory and those in effect in the South and West is not an accurate index of the differences in general average rate levels, the latter differences being relatively considerably less."

The Commission in the *Western Class Rate* case said (p. 188):

"Class rates in w.t.l. territory appreciably higher than in official territory are justified also by the nature

> and volume of the articles moving under such rates in the respective territories. Many articles handled in enormous volume pay class rates in official territory, whereas in w.t.l. and southern territories they enjoy commodity rates lower than the corresponding class rates. This in a large measure will account for and warrant relatively low class rates in official territory as compared with other territories."

The following table on page 564 of the Commission's report (R. 179) which was based upon Exhibit 228 (R. 11834) and reflected a study of all carload traffic transported on September 23, 1942, shows the proportions of carload traffic upon which the different categories of rates were charged for transportation in the several territories and interterritorially:

Territories (within or from one to another)	Percent of carloads Class rates	Exception rates	Commodity rates
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk line	.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.9
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Southern to western trunk line	1.5	13.5	85.0
Western trunk line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Western trunk line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

It will be seen from this table, as will be reiterated hereafter, that the shippers and receivers of freight in the appellant States would be subjected by the Commission's orders to a 10 per cent increase in their freight charges on 5.8 per cent of the total large volume of carload traffic moving in Official territory for the ostensible purpose of bringing about an approach to uniformity with class rates which are charged upon less than one per cent of the total carload traffic transported within the West and only 1.8 per cent of that in the South. This is because the railroads have provided lower exception or commodity rates which are actually charged for transportation in those territories of freight for whose transportation in Official territory the class rates are charged.

It follows, therefore, that the differences in the levels of the first class rates afford no indication as to the comparative levels of the freight rates actually charged for the transportation of the same or similar freight in the several territories.

Moreover, even where the class rates are charged for transportation in the South and West, it frequently happens that the articles are accorded lower classification ratings than in Official territory, so that the resulting rates may be as low as or lower than those charged for the transportation of the same freight within Official territory (R. 123, p. 508).

Furthermore, the differences in the levels of the class rates were influenced by the marked differences in the kinds and volumes of freight transported in each territory. The railroads in each section of the country are necessarily dependent for their livelihood upon the freight originating or terminating in that section and differences in the kinds and quantities of freight to be transported mean differences in the sources of their revenues and in the amounts which they must derive from each kind of freight. Not only are there different kinds and quantities of freight by which the total expense of railroad maintenance and operation must be borne, but the differences invite different theories of rate structure, and these have occurred (R. 1753-1785; 3621-3636; Ex. 15, R. 6037; Ex. 16, R. 6179).

2. The Proceedings before the Commission

(a) *The orders of investigation*

The proceedings resulting in the promulgation of the orders in question were instituted by the Commission on its own motion by two orders dated July 29, 1939 (R. 55, 57) subsequently amended by two orders dated August 1, 1940 (R. 59, 60). The Commission designated its investigation as Docket No. 28300, *Class Rate Investigation, 1939*, and Docket No. 28310, *Consolidated Freight Classification*. Substantially all of the railroads of the country were made respondents in the investigation.

By its orders in Docket No. 28300 (R. 55, 59) the Commission instituted an investigation into the lawfulness of the present class rates for transportation between all points within that portion of the United States east of the Rocky Mountains, and the Commission indicated that the principal matters to be investigated pursuant to these orders were whether or not there should be a uniform scale of class rates to be charged for transportation throughout the portion of the country described, or whether there should be several scales of class rates in different sections of the country and, if so, the relationships which should exist between them. By its orders in Docket No. 28310 the Commission instituted an investigation into the lawfulness of the freight classifications in effect throughout the entire United States and indicated that the principal issues to be investigated were whether or not there should be a single uniform classification, or whether there should be different classifications and, in either event, what the different classifications and the ratings therein should be (R. 57, 60, 70).

(b) *The hearings before the Commission.*

In due course, extended hearings were held before the Commission at various points. Many witnesses were heard, including members of the Commission's own staff, officials of railroads, rate experts and statisticians, professors, economists or so-called economists, operators of freight rate bureaus, Governors and other public officials, representatives of many Southern industries who opposed nationwide uniformity of rates, spokesmen for chambers of commerce, and a few shippers who had something to complain of but who generally on cross examination proved to be prospering under the existing rate adjustment.

Following the hearings, many briefs were filed and oral argument was had before the Commission. Contrary to the Commission's usual custom in proceedings of this sort, no recommended report and findings of its Examiners were submitted to the parties for the purpose of consideration and exception.

(c) *The evidence.*

For the convenience of the Court, if it can be called a convenience, the entire record of the testimony and exhibits before the Commission which was filed in the lower court has been printed. As so printed, it consists of 21 volumes with a total of 12,719 pages. Obviously, it would extend this brief beyond all reasonable limits to attempt herein an abstract or even the most summary resumé of the evidence.

Appellants are quite aware of the demands upon the credulity of the Court which are involved in their contention that a record of this magnitude does not contain evidence to support the Commission's orders. However, this contention is most emphatically urged and it is believed that the Court's weighing of its validity and examination of the evidence for this purpose will be eased if detailed discussion of the evidence and, more particularly, reference to the deficiencies in the record are reserved for the argument. For, as appellants submit, the issues involved are such that the character of evidence required to sustain the Commission's orders is quite definitely established by the law, and the complete absence of such evidence can be pointed out and ascertained without attempting to summarize the evidence as a whole.

One large part of the record can be disposed of in so far as this case is concerned because of the fact that it relates to the question of the desirability or possibility of a uniform freight classification. The Commission's orders contain no requirement as to the classifications and therefore this evidence has no direct bearing upon the issues here. Another large segment relates to the so-called Florida arbitraries, which do not play a part in this suit.

To be sure, the record contains a vast amount of testimony and statistics of miscellaneous facts, such as the size and volume of mineral deposits, the views of theorists as to the economic ills of the country, the causes therefor and their cure, and a great many tables of freight rates of different kinds.

However, of evidence that the class rates for transportation in Official territory are not renumerative, that they threaten a rate war or breakdown of the financial integrity of the railroads, or of proof of the costs of transporting freight upon which the class rates are charged (as distinguished from average tonnage costs of all transportation) there is a complete lack. There is also an almost total absence of proof that the same freight upon which class rates are charged in Official territory moves at class rates in the South and West, and indeed the evidence is to the contrary. There is no proof that differences in the levels of class rates have ever prevented the location of an industry in the South, and there is proof to the opposite effect. In short, on these matters which, as appellants claim, are vital to sustain the Commission's orders, there is an absence of evidence—and obviously a lack of evidence cannot be summarized. The one relevant point upon which there is question as to the sufficiency of the evidence that was received is as to the effect of the differences in class rate levels upon shippers in the South and West and their ability to ship in competition with producers in Official territory. But on this point, the Commission has fully reviewed and weighed the proof in its report, and its findings certainly require the conclusion that the evidence fails to establish the existence of substantial injury as a result of the rate differences, which it is submitted that the law requires to sustain a determination that rates are unlawful in violation of Section 3 of the Act.

(d) *The Commission's decision and orders.*

On May 15, 1945, with Commissioners Mahaffie and Patterson concurring only in part and Commissioners Porter and Barnard filing vigorous dissents, the Commission promulgated its first decision, embodied in its report herein (R. 62, 262 I. C. C. 447) and issued its basis order, which is one of the orders sought to be enjoined.

Without reviewing the Commission's main report and order at length at this point, it is enough to say that the Commission found, first, that a uniform freight classification for the entire country would be desirable but that it would require a long time for its preparation and it therefore made no order with regard thereto. It then found that the class rates to be charged in connection with the uniform classification should be upon a uniform basis, distance considered, throughout the entire portion of the country east of the Rocky Mountains and that the present class rates in the several territories were unlawful in violation of Sections 1 and 3 of the Act because of their lack of uniformity. In other words, the class rates for transportation in Official territory previously prescribed by the Commission as maximum reasonable rates were found to be unlawful because lower than the class rates in the South and West, and the class rates in the South and West were found to be unlawful because higher than the class rates within Official territory, and the class rates for the different sections of Western territory were found to be unlawful because on different levels. The Commission determined and set out in its report a mileage scale to be the basis of the uniform class rates to be established. However, it concluded that uniform rates in accordance with this scale could not be brought about until a uniform classification could be made ready. Meanwhile, it concluded that there should be an "approach" to uniformity and to this end it determined that the class rates for transportation within Official territory were unlawful to the extent that they were less than 10 per cent higher than their present levels and that the class rates for transportation in the South and West were unlawful to the extent that they were higher than 10 per cent below their present levels. By its order it directed that the class rates in Official territory be increased 10 per cent and that the class rates for transportation in the South and West and from those territories to Official territory should be reduced 10 per cent.

Commissioner Porter, in his dissenting expression said (p. 712, R. 327):

> "In my opinion, the record falls far short of supporting the finding that to be just and reasonable, and free from undue prejudice and preference, the class rates throughout the area east of the Rocky Mountains must be placed in the strait-jacket of a uniform distance scale."

Commissioner Barnard in his dissent said (pp. 725 and 728; R. 340, 343):

> "I am of the opinion that the record in this proceeding does not support or warrant the findings and conclusions reached by the majority and, therefore, I dissent."

* * * * *

> "I am unable to find in this record sufficient evidence to support the claim of the Southern Governors Conference that the class rate structures within the

South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country. Furthermore, the evidence fails to convince me that the products of the South cannot compete with the products of official territory in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates."

Commissioners Mahaffie and Patterson concurred with the majority only in part. Commissioner Mahaffie said (p. 708; R. 323):

> "With that portion of the report which requires a permanent readjustment of class rates I do not agree. As to what I consider its defects I am in accord, in the main, with COMMISSIONER PORTER's comments in his dissent herein. In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly."

Commissioner Patterson agreed "with much of what COMMISSIONER PORTER has to say in criticism of the majority report." He expressed the view (pp. 708-709; R. 323-324):

> "that there should be an '*ad interim* class rate revision' in connection with which an increase in official territory class rates, as contemplated by the majority report, should be tentatively approved, subject to protest and suspension, but that such increase

> may not be required. I find no justification for the action of the majority in entering a minimum-rate order."

He said further (p. 709; R. 324):

> "I do not subscribe to the 'Ultimate Findings' of the majority. In my opinion any attempt to prescribe the rates to apply in connection with a uniform classification which is not yet in existence is premature."

Thereafter, in July 1945, and within the period allowed therefor by the Commission's Rules of Procedure, petitions for reconsideration were filed with the Commission on behalf of appellants, of various chambers of commerce and commercial organizations, of various groups of shippers, and of various railroads. In some of these petitions it was alleged that greatly changed conditions, both as to transportation and as to industrial production, had been brought about by the war and thereafter by reconversion, and that because of these circumstances the evidence, relating as it did almost entirely to conditions in 1939 or the early war years, was stale and, apart from all other considerations, would not for this reason support an order prescribing rates for the future (R. 416, 417). It was alleged that the war conditions had prevented many interested parties from presenting evidence and that it would be unjust to subject them to changed rates unless and until the respondent railroads should establish and make effective the changed rates prescribed thereby on November 30, 1945 upon not less than thirty days' notice, instead of upon August 30, 1945 (R. 418, 419). By order, dated October 26, 1945, the Commission further amended its order of May 15, 1945 to require that the changed rates prescribed therein be made effective on January 1, 1946 upon not less than thirty days' notice (R. 431).

On or about November 1, 1945, the Commission issued its supplemental report, dated October 30, 1945 (R. 432), and its order pursuant thereto of the same date (R. 479). The Commission in this supplemental report found that certain changes should be made in its original report and order, but it denied the petitions for reconsideration filed on behalf of appellants and others, refused to grant reconsideration or further hearing for the receipt of evidence as to conditions at the present time, and affirmed its previous decision and interim order that as an interim adjustment the class rates within Official territory should be increased 10 per cent. Without any further evidence before it, it made certain additional findings of fact, some of which are more particularly referred to hereafter. Again Commissioners Porter and Barnard dissented (R. 478).

When the Commission refused to postpone its order, the railroads, solely under the compulsion thereof, were compelled to file tariff schedules making the rate changes required, but when an interlocutory injunction was granted staying the enforcement of the Commission's orders these tariff schedules were set aside.

3. The Decision of the Court Below

As promptly as possible after the Commission's last decision and order these suits were instituted. The statutory three-judge court (Judges Chase, Knox and Brennan) granted an interlocutory injunction staying the enforcement of the Commission's orders pending its decision upon the merits.

Following a hearing, at which, as has been said, the entire record before the Commission was offered in evidence and additional evidence was presented by the Western railroads, the court announced its final decision denying a permanent injunction. It is difficult to follow and summarize the reasoning of the court:

The court made no independent findings of its own but simply adopted the findings made by the Commission. The court said that there was ample evidence to sustain the Commission's finding that the class rates in the several territories are upon different levels, a fact which of course is not contested by anyone. It held that the Commission could require an increase in the class rates in Official territory without a primary finding supported by substantial evidence that the present rates are not compensatory. It made various statements, cited in appellants' assignment of errors, with regard to the Commission's findings which are not borne out by the Commission's report. It apparently rested its decision largely upon the conclusion that the amendment made to Section 3 of the Act by the Transportation Act, 1940 empowered the Commission to make the orders under attack.

Thereafter, however, after further hearing, the court certified to reasonable doubt as to the correctness of its decision and continued the interlocutory injunction pending the appeal to this Court.

4. The Historical Background of the Proceeding

Both the proceedings before the Commission and the legislative changes which have played an important part in its action and in the decision of the court below must be viewed in the perspective of their historical background if they are to be properly understood and judged.

It is a historical fact, amply documented by the testimony of witnesses before the Commission, that the Commission's orders were the culminating act in a chain of events which began years before with the decision of the Governors of several of the Southern States to inaugurate a campaign for the promotion of the industrial development of their States. A remarkably aggressive campaign of advertising was instituted by the Southern Governors

Conference, examples of which are to be found in the record here (Exhibits 160, R. 10293; 180, R. 10848), in which the advantages of the South for the location of manufacturing enterprises were stressed and the great successes of the Southern States in attracting new industries were extolled.

Ignoring the freight rate advantages which Southern communities and industries have had in the form of many substantially lower rates than were available in the North for the transportation of raw materials to manufacturing points and their numerous exception and commodity rates, the Southern Governors hit upon the fact that the class rates for transportation in the South and from the South to Official territory (which rates were generally not paid because lower commodity or exception rates were available) were higher than the class rates for transportation within Official territory for corresponding distances and that for the transportation of certain goods from the South to Northern markets the interterritorial rates were somewhat higher, distance considered, than the rates within the North. They apparently conceived the idea of a campaign for "uniformity" of freight rates—not uniformity of all rates but uniformity of rates where the published rates in the South were higher than those for transportation in the North. There was much in the press, in magazines, and in speeches regarding rate discrimination against the South. It was testified before the Commission here that "in the early part of 1937, the agitation started through the Southern Governors Conference for a revision in the rates on certain commodities" (R. 2429, 3837).

The first action in the way of rate litigation was the so-called *Southern Governors Case, State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255, in which complaint was made to the Commission against the rates from Southern producing points to destinations in Official territory on a few specified commodities. In this case, following the thesis of a pamphlet issued by the Tennessee Valley Authority and prepared by an economist who is now a member of the Commission and was one of those concurring in the majority report and the orders here under attack, it was alleged that the rates from the South were unlawful to the extent that they were on a higher level than the level of the rates on the same freight obtaining in the territory of destination.

The late Commissioner Eastman, one of the ablest and fairest men ever to sit upon the Commission, had this to say in his report in that case concerning the atmosphere in which the Commission was called upon to render its decision (p. 333):

> "The Commission is called upon to decide this case, on the record, after it has in effect been decided, in advance and without regard to the record, by many men in public life, of high and low degree, who have freely proclaimed their views on what they conceive to be the basic issues. Their thesis has been that the section of our country generally known as the South is our 'Economic Problem No. 1', because, among other things, it is low in industrial development, and that a major reason for this condition has been and is an unfair adjustment of freight rates which has favored the producers of the North and burdened those of the South. It has become a political issue. While, however, the South gave birth to the issue, public representatives of the West now cry out against like supposed oppression, and public representatives of the North or East, as it is variously called, have risen in defense of their section.
>
> "Under such conditions, it is not easy to decide the case without being influenced by emotional reactions, one way or the other, which should play no part in the decision."

Shortly after the decision in the *Southern Governors Case*, the Commission issued its orders of investigation in this proceeding. Although ostensibly a proceeding of investigation on the Commission's own motion, it was testified regarding its origin that there was "no doubt but what Governor Graves (of Alabama) beat the tom-toms" (R. 3836, 3887).

The able Assistant Attorney General, at the hearing before the three-judge court on the application for an interlocutory injunction, referred to the investigations as responsive

> "to a ground swell of agitation about it over a number of years" (Transcript, p. 72).

The campaign entered the halls of Congress and various bills were introduced, which by their terms would require the Commission to prescribe uniform class rates and ratings for the transportation of manufactured articles or would make it unlawful for the railroads to maintain different rates for transportation in different sections of the country. None of the bills of this character was enacted, but there finally emerged the so-called Ramspeck Resolution, which was adopted as Section 5(b) of the Transportation Act, 1940. It will be referred to more fully presently, but it is sufficient at this point to state that it authorized and directed the Commission to institute an investigation into the freight rates for transportation from one territory to another.

The Southern Governors' freight rate campaign was also reflected in many expressions on the floors of Congress, reported in the Congressional Record. Thus the Chairman of the Senate Committee on Interstate and Foreign Commerce congratulated the Senator from Alabama upon his influence in that there were two Commissioners from Alabama upon the Interstate Commerce Commission, one of them the author of the T.V.A. study on freight rates (Congressional Record, Vol. 84, p. 5889, Part 6, May 22, 1939) who joined in the Commission's decisions in the *Southern Governors* case and in this proceeding. The occasion of the congratulations referred to confirmed the faith of a Southern Congressman, who on the floor of the House some time before had said (Congressional Record, p. 5555, Appendix, Vol. 86, Part 17, 76th Congress, Third Session):

> "During the past few years, we have won notable victories for the removal of the interterritorial discriminations. When President Roosevelt became President the South had only one member of the eleven members of the Interstate Commerce Commission. President Roosevelt has given the South four members on the Commission and has publicly declared a deep interest in the removal of the discriminations. It was with sore regret that I witnessed the resignation of Mr. Marion Caskie from the Commission, but you may be assured that we, your Representatives in Washington, are insisting that the vacancy be filled by the appointment of a southern man who understands the interterritorial problem and who will be absolutely fair to the South. I have faith to believe that such a man will be appointed."

It was contended by counsel for the United States in the lower court that no point should be made of the agitation and the atmosphere thus created because it reflected the operation of the democratic process. It is not suggested here that if rate making by the legislative action of Congress is sought, a campaign of publicity may not be appropriate. We have, however, a system of regulation under which rates are to be changed, not by act of Congress pursuant to popular outcry from one group or another, but solely on the basis of findings by the Commission, based upon evidence after an impartial hearing. Rates are not unlawful in violation of the Act merely because an active section of the people claims that they should be changed or thinks that railroad tariffs are cumbersome or that a more consistent rate quoting method would be desirable.

In this connection, moreover, it should be noted that the loudness and persistence of the agitation regarding freight rates made by the Southern Governors and other spokesmen should not be taken as proof of unanimous sentiment even in the South, or of general dissatisfaction with the existing rates. This is indicated by the fact that when the Commission instituted its investigation and held extended hearings, to which great publicity was given, only a paltry number of actual shippers or manufacturers in the South had sufficient interest in the matter to attend the hearings and present testimony. And as the Commission itself has found, and as will be shown later in this brief, it developed that in large part the rates which they complained of were not the class rates at all and that where complaint was made of the class rates they had not in any way operated to curtail the ability of the shippers to produce and ship their products into Northern markets (R. pp. 615-619, 670, 671, 673, 720, 721; R. 230-234, 285, 288, 335, 336). On the contrary, there was very vigorous testimony from representatives of manufacturing industries in the South and from the sort of industries which the Southern Governors desired to attract to their States in opposition to the plea for uniformity. This opposition was predicated largely upon the importance to them of the low rates on their inbound raw materials and of the fact that the railroads had provided reasonable rates for their outbound products (p. 615, R. 230).

We cite the agitation in the background of this proceeding because, as will be later pointed out, it may explain why, in the face of a complete absence of evidence, as we contend, which under previously established principles and interpretations of the Interstate Commerce Act would be required to sustain the Commission's determination and orders, the Commission has nevertheless been led to its decision that the law requires that class rates be found unlawful if not on a uniform level throughout the country.

Finally, it should be said that appellants regret and hope that the sectional aspects of this litigation may be ignored lest they tend to obscure the more fundamental and far-reaching features of the proceeding, which go to the integrity and administration of our regulatory system and therefore concern the country as a whole. Despite the fact that the Commission's orders would injure the appellant States by imposing a substantial increase in the costs of railroad transportation therein while the portions of the orders requiring reductions in the South and West would benefit but an insignificant fraction of traffic in those territories, much the most serious features of the case are the two basic conceptions upon which, apparently, the Commission has acted; namely, that the law requires uniformity of class rates, and that the Commission may require uniformity even at the expense of imposing additional freight charges on a large section of the country without findings or evidence of facts which would ordinarily be necessary to justify the exercise by the Commission of minimum rate power or sustain a determination that Sections 1 and 3 of the Act are violated.

5. The Principal Issues

Despite the great importance of the subject matter, the size of the record and the all too lengthy details which are necessary to a complete statement of the case and to its argument, the principal issues involved are few and may be stated briefly and simply.

1. May the Commission, as an exercise of authority conferred by the Interstate Commerce Act to prescribe minimum reasonable rates, order the railroads in one section of the country to increase their class rates charged by them for the transportation of an important part of their total freight, thereby imposing an added freight burden of many millions of dollars annually on shippers and receivers in that territory, for the purpose of bringing

about an approach to uniformity in the level of those class rates with the level of class rates in other territories;

(a) When there is no finding and no evidence to support a finding that the class rates so to be increased are not adequately compensatory for the service rendered, nor is there any finding or evidence that such class rates threaten a rate war or a destruction of railroad revenues, and when, on the contrary, the evidence shows and the Commission finds that the class rates to be increased are already highly profitable to the carriers for their services;

(b) When the class rates to be increased are actually charged on a large volume of freight while the class rates in other territories with which they would be equalized are charged upon a very small percentage of freight because the railroads in the other territories have provided lower exception or commodity rates, so that uniformity of class rates would not mean equalization of rates actually charged?

2. May the Commission determine that class rates result in undue prejudice and preference as between territories in violation of Section 3 (1) of the Act because they are on different levels in the different territories and thereupon order the lower class rates to be increased to bring about uniformity of levels;

(a) When there is no finding or evidence to support a finding that the corresponding class rates are actually charged and paid in the several territories and when, on the contrary, the findings and evidence indicate that in large part freight which is transported at the class rates to be increased in Official territory is charged at lower commodity or exception rates in the other territories;

(b) When there is no finding and no evidence to support a finding that the differences in the levels of the class rates are the cause of any substantial injury to individual shippers or to territories as a whole and the findings and evidence are to the contrary, and

(c) When the class rates in each territory were prescribed by the Commission after hearings and in the light of the different conditions found by it to exist in the several territories and there is no finding nor evidence that such conditions have changed?

3. Did the amendment made to Section 3 (1) by the Transportation Act, 1940 and the so-called Ramspeck Resolution constitute a mandate to the Commission to prescribe uniform class rates in all territories and so change the law as to empower the Commission to do the foregoing things despite the absence of the findings and evidence described and previously held essential thereto?

4. As a result of such legislation, are class rates unlawful merely because on different levels in different territories and because there are not corresponding differences in the average costs of transporting all freight in the several territories?

5. Did the court below err in declining to take judicial notice that conditions affecting freight rates probably changed radically as the result of the war and then of reconversion, and in not setting aside the Commission's orders which were based on evidence relating largely to conditions in 1939 and the early war years pending further consideration by the Commission of such changed conditions?

6. Have the general increases in all rates, including the class rates, made by the carriers pursuant to a recent investigation, decision and order of the Commission, Ex Parte 162, *Increased Railway Rates, Fares and Charges,*

1946, in the light of increased costs and changed conditions since January 1, 1946, which increases have completely altered the rate structure and eliminated the rates to which the orders here in suit were addressed, rendered such orders obsolete so that they should now be annulled?

Specification of assigned errors intended to be urged

Appellants intend to urge all of the errors assigned in their assignment of errors (R. 1455-1465).

Summary of Argument

Preliminary: The Commission is a regulatory agency of broad powers, but the importance of the matters with which it deals and the scope of its functions require that its action be scrutinized lest it transcend the limits of its authority. The Commission is not the manager of the railroads. *United States* v. *Illinois Central R. R.,* 263 U. S. 515, 522; *Interstate Commerce Commission* v. *Columbus & Greenville Ry.,* 319 U. S. 551, 560. A zone of reasonableness exists between maximum and minimum rates and within this zone carriers are ordinarily free to adjust their charges. *United States* v. *Chicago, M. St. P. & P. R. Co.,* 294 U. S. 499. Since it is the function of the Commission only to enforce the Interstate Commerce Act, it may not require rates to be changed because it differs with the business policy or economic theories of railroad management, nor for the purpose of bringing about a shift in the location of industry or of equalizing disadvantages of industries due to location. The Commission may require freight rates to be changed only upon a finding that they violate one of the provisions of the Act. And it must make precise findings as to why and the respects in which the existing rates violate the statute. Its orders and ultimate findings of violations must be based upon essential preliminary findings of fact supported by evidence of record. In the absence of such preliminary findings, the courts will not examine the evidence in order to determine whether such findings could have been made, nor may essential preliminary findings be supplied by implication. *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, 504, 505; *Florida* v. *United States*, 282 U. S. 194, 215; *United States* v. *Carolina Freight Carriers Corp.*, 315 U. S. 475. The Court will however, examine the evidence to determine whether the preliminary findings of fact which are made are supported by substantial evidence. *Int. Com. Com'n.* v. *Louisville & Nash. R. R.*, 227 U. S. 88, 91; *Florida* v. *United States*, 282 U. S. 194. Furthermore, since the Commission is authorized to change rates only if it finds after hearing that existing rates are unlawful, its findings and orders must be based upon evidence presented to it at such hearings and not upon its own independently held ideas as to what is economically desirable. *Southern Pacific Co.* v. *Interstate Commerce Commission*, 219 U. S. 433, 444; *Anchor Coal Co.* v. *United States*, 25 F. (2d) 462, 472.

1. The orders of the Commission requiring a 10 per cent increase in class rates for transportation within Official territory, which would impose an added freight cost of many millions of dollars annually upon shippers and receivers of freight in the appellant States, are invalid as an attempted exercise by the Commission of authority to prescribe minimum reasonable rates and its ultimate determination that the existing class rates which were previously prescribed by the Commission as maximum reasonable rates had become less than minimum reasonable rates in violation of Section 1, paragraphs (4) and (5) of the Interstate Commerce Act was arbitrary and invalid because not supported by essential preliminary findings and because without support of substantial evidence.

The Commission may determine that rates are less than minimum reasonable rates and order them increased only if it makes preliminary findings supported by evidence, that the rates are non-compensatory or cast a burden on other traffic, or threaten ruinous rate wars and disruption of a lawful and reasonable rate structure, or otherwise jeopardize the carriers' financial ability to provide the public with adequate economical and efficient transportation services. *Texas & Pacific Ry. Co.* v. *United States,* 289 U. S. 627, 633; *Anchor Coal Co.* v. *United States;* 25 F. (2d) 462, 471, 472; *United States* v. *Chicago, M. St. P. & P. R. Co.,* 294 U. S. 499, 506.

There is a complete absence here of any such findings or of evidence that the class rates in Official territory or the differences in levels of the class rates produce such effects or that the class rates for transportation between points in Official territory are not fully compensatory.

The Commission's finding that comparisons of rates of return indicate that the revenue needs of the carriers in Official territory with respect to their class rate traffic are greater than is the case as to the carriers in other territories, is not a finding sufficient to sustain a minimum rate order requiring an increase in rates, since it does not appear that the relative rates of return are due to the class rates or that an increase in the class rates would raise the rate of return of the Official territory railroads, or that the rate of return of those railroads is inadequate.

On the contrary, the Commission's findings and the evidence demonstrate that the class rates which the Commission ordered increased 10 per cent were already highly profitable and there is, therefore, no justification for requiring Official territory shippers to pay still higher rates. In such circumstances this Court has repeatedly held invalid orders of the Commission requiring increases in rates for the purported purpose of increasing revenues. *Florida* v. *United States,* 282 U. S. 194, *Florida* v. *United*

States, 292 U. S. 1, 8; *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, 507, 508; *North Carolina* v. *United States*, 325 U. S. 507, 516.

2. To the extent that the orders purport to proceed on the theory that the differences in the levels of the class rates create undue prejudice and preference in violation of Section 3(1) of the Interstate Commerce Act, the orders are arbitrary and invalid because not supported by essential preliminary findings and because without support of substantial evidence. The court below erred in not so deciding. No finding of undue prejudice and preference may be made because of differences in the levels of the class rates unless it appears that they are the rates actually charged. Discrimination is something more than a difference in rates. *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627. There must also be a competitive relationship between the party prejudiced and the party preferred, and a finding that the difference in rates is the cause of substantial injury to the former or benefit to the latter.

Further, before undue prejudice and preference may be found it must be established that the differences in rates to competing shippers or localities are not justified by differences in transportation conditions. Where the disparity in rates is due to differences in transportation conditions, the differences may not be held to cause discrimination. To require the elimination of differences in rates under such circumstances for the benefit of the supposed prejudiced party would be to equalize the fortunes of shippers. This neither the carriers nor the Commission may do. *United States* v. *Illinois Cent. R. Co.*, 263 U. S. 515, 524; *Anchor Coal Co.* v. *United States*, 25 F. (2d) 462, 473. The prohibition contained in Section 3(1) against discrimination is directed to carriers subject to the Act and there can be no finding of undue prejudice and preference unless there is a preliminary finding that the same carrier or carriers are responsible for or control both the preferential and prejudicial rates. *Texas & Pacific Ry. Co. v. United States*, 289 U. S. 627, 650; *Central R. R. Co. of New Jersey* v. *United States*, 257 U. S. 247.

There is a complete absence of such essential preliminary findings here and of evidence to support them. There is no finding nor evidence to support a finding that the commodities moving on class rates in Official territory also move on class rates from the South and West to Official territory. On the contrary, the Commission's findings and the evidence indicate that on the traffic moving from the South and West to Official territory the railroads have generally provided lower exception and commodity rates so that the class rates are merely "paper rates" which cannot be the cause of undue prejudice and preference since they are not charged. There is also no finding that the differences in the levels of the class rates have caused substantial injury to shippers in the South and West or have curtailed or restricted the industrialization of the South. The Commission's summary of the economic evidence in this regard, contained at pages 619 to 624 of its report, and also set forth at pages 91 to 94 of this brief, negative any such suggestion. The findings and evidence show that the South has prospered and has had a greater industrial growth than the rest of the country. The Commission made an express finding that no specific instance was proved where an industry was not established in the South because of the class rate level (R. 237).

There is no finding nor evidence that the class rates within Official territory and those applicable to transportation from the South and West into Official territory are controlled by similar circumstances and conditions and the findings and evidence are to the contrary.

3. The court below and the Commission erred in concluding that the amendment to Section 3(1) of the Interstate Commerce Act by the Transportation Act, 1940, coupled with Section 5(b) to the latter Act so changed the law as to require and sustain the Commission's decision and orders. The Commission was influenced by the agitation for rate uniformity and not by the language of the provisions. It made the same sort of an error as it did in construing the so-called Hoch-Smith Joint Resolution and in making certain orders thereunder which were held invalid by this Court in *Ann Arbor R. Co. v. United States*, 281 U. S. 658, and *Atchison, Topeka and Santa Fe R. Co. v. United States*, 284 U. S. 248.

4. Factual grounds upon which the Commission rested its determination that the class rates are unlawful because not on a uniform level are not supported by preliminary findings of fact or by the evidence and do not sustain its conclusion.

The cost computations upon which the Commission relied as indicating the relative costs of transporting freight in the several territories are estimated of average costs of handling all kind of freight and do not purport to show the costs of handling class rate traffic in the respective territories. These cost studies have numerous other major defects. The Commission's conclusions are directly in conflict with the conclusions reached by it in *Western Trunk Line Class Rates*, 164 I. C. C. 1, 188, and *Commonwealth of Kentucky v. Ahnapee and W. Ry. Co.*, 213 I. C. C. 297, 308, in which it expressly held that the average cost of handling traffic could not be considered indicative of the cost of handling class rate traffic. See also *Nor. Pac. R. v. Dept. of Public Works*, 268 U. S. 39, 43, 44; *Baltimore & O. R. Co. v. United States*, 298 U. S. 349, 380 and *Calif. Growers and Shippers Protective League v. So. P. Co.*, 129 I. C. C. 25, 52.

Neither does the fact that there are differences in the kinds of freight transported within the several territories support the Commission's orders. On the contrary, the evidence as to so-called "consists" of traffic in the several territories precludes an ultimate finding that the class rates are unlawful because not uniform. In Official territory the carriers have followed the policy of maintaining rates on manufactured and other products of high value which are lower than the rates maintained in the South and West and have maintained relatively high rates on raw and low grade materials, whereas the railroads in in the South and West have followed a policy of maintaining low rates on this character of freight.

The Commission's orders are not supported by the references in its report to the small proportions of freight moving at class rates in the South and West and between those territories and Official territory. The fact that only a small volume of freight moves on class rates in territories other than Official territory, indicates only that the carriers in those territories have established lower exception and commodity rates on which the traffic moves.

The fact that the average rate of return of the railroads in Official territory has been slightly less in recent years than the corresponding average figures for the railroads of the South and West does not support the ultimate finding of undue prejudice and preference in violation of Section 3(1) or the finding that the present class rates in Official territory are less than minimum reasonable rates in violation of Section 1(4) and (5) (a) and does not justify the orders requiring an increase in the latter rates. There is no finding and no evidence that would support a finding that the differences in the rates of return of the carriers in the several territories are due to the class rates. On the contrary the evidence shows that the class rates in Official territory are the most profitable.

5. The orders in requiring a 10 per cent increase in the class rates for transportation in Official territory, in view

of the compensatory character of the existing rates, violate Section 15a(2) of the Interstate Commerce Act. That section requires that rates shall be established in consideration of the lowest cost consistent with the furnishing of adequate and efficient transportation services. Since the existing class rates are profitable the increase ordered therein violates this section.

6. The orders are beyond the authority of the Commission, arbitrary and discriminatory in that they would require shippers and receivers in Official territory to pay increased freight rates for the benefit of the railroads in the South. The lower Court erred in not so deciding.

7. The Commission's orders represent an attempt to alter economic and industrial conditions and for that reason are beyond the authority of the Commission.

8. To the extent that the orders rest on a finding of undue preference and prejudice in violation of Section 3(1) they are invalid because they do not leave the carriers an alternative as to the method of removing the rate differences.

9. The court below erred in failing to hold that the evidence does not support the orders which are to take effect in the postwar period, and that the Commission erred in refusing to reopen the proceeding to take evidence as to the present and probable future conditions.

10. The recent decision and order of the Commission in Ex Parte 162, *Increased Railway Rates, Fares and Charges, 1946*, and the general increases in their freight rates made by the railroads pursuant thereto, have completely altered the rate situation to which the Commission's orders in the *Class Rate Case* were directed and have made those orders obsolete and impossible of enforcement according to their terms so that they should be set aside and permanently enjoined.

ARGUMENT

Introduction

A. Some general comments upon the nature and scope of, and the limitations upon, the authority and functions of the Commission

The Commission is a regulatory agency of broad powers. It must often act upon complicated and detailed statistics and evidence of many technical matters. Hence, its decisions on the evidence should not be lightly disturbed. Its functions extend to matters of vital import to the economy of the country. The very importance of the matters with which it deals and the broad scope of its authority require, however, that its action be closely scrutinized lest it transcend the bounds which Congress has placed upon its authority.

Of these limits there are several which are pertinent here, which have been clearly defined by the decisions of this Court and of the Interstate Commerce Commission itself. Thus it is well settled that the Commission is not the manager of the railroads, and that matters of business or pricing policy are not for it to determine, provided the rates actually charged are just, reasonable and nondiscriminatory measured by recognized standards.

In *United States* v. *Illinois Cent. R. R.*, 263 U. S. 515 (1923), this Court said (p. 522):

> "A carrier is entitled to initiate rates and, in this connection, to adopt such policy of rate-making as to it seems wise. *Interstate Commerce Commission* v. *Chicago Great Western Ry. Co.*, 209 U. S. 108, 118-119; *Southern Pacific Co.* v. *Interstate Commerce Commission*, 219 U. S. 433; *Interstate Commerce Commission* v. *Louisville & Nashville R. R. Co.*, 227 U. S. 88, 92."

Again, in *United States* v. *Chicago, M. St. P & P. R. Co.*, 294 U. S. 499 (1934), it was reaffirmed (p. 506) that:

> "A zone of reasonableness exists between maxima and minima within which a carrier is ordinarily free to adjust its charges for itself. *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, 636; *United States* v. *Illinois Central R. Co.*, 263 U. S. 515, 522."

In *I. C. C.* v. *Columbus & Greenville Ry.*, 319 U. S. 551 (1942), Mr. Justice Douglas, in a concurring opinion, stated (p. 560):

> "The rule governing the right of carriers to initiate rates has not changed. *United States* v. *Chicago, M. & St. P. & P. R. Co.*, 294 U. S. 499, 506."

Certainly if there is any matter which is one of business policy it is the nomenclature to be applied to rates and the kinds or categories of rates to be published and charged. Because rates are called "class rates" does not give the Commission any special authority to deal with them. Nor is it a function of the Commission to take action designed to induce the charging of rates called "class rates" rather than of commodity or exception rates. This point is of importance here because of the emphasis placed by the Commission in its report (R. 698, 699) on the fact that in the South and West the rates actually charged on all but an infinitesimal portion of the freight are commodity or exception rates. Indeed the Commission seems influenced to its decision by a view that it will be desirable that more freight should be charged class rather than commodity or exception rates and that the class rates are unlawful because they are not more generally charged in the South and West.

But it is clear that rates can be unlawful under the Act only if they *are* charged, or are the rates to be charged if any freight should move. Mere "paper rates" are not unlawful, because the Act provides that it is the "charges made for any service rendered or to be rendered" which must be just and reasonable (Section 1(5)(a)).

Furthermore, since it is the function of the Commission only to enforce the provisions of the Interstate Commerce Act, it may not require rates to be changed because it differs with the business policy or economic theories of railroad management. It may not require rates to be changed for the purpose of bringing about a shift in the location of industry or of equalizing disadvantages of location in order to subsidize the establishment or development of industry at one place rather than another in accordance with its economic theories, however valid they may be. The Commission may require freight rates to be changed only upon a finding that the existing freight rates established and charged by the railroads violate one of the provisions of the Interstate Commerce Act, and it must make precise findings as to why and the respects in which the existing rates violate the statute.

In *United States* v. *Chicago, M., St. P. & P. R. Co.*, 294 U. S. 499 (1934), it was said (pp. 504-505):

> "This court has held that an order of the Interstate Commerce Commission is void unless supported by findings of the basic or quasi-jurisdictional facts conditioning its power. *Florida* v. *United States*, 282 U. S. 194, 215; *United States* v. *Baltimore & Ohio R. Co.*, 293 U. S. 454. 'In the absence of such findings, we are not called upon to examine the evidence in order to resolve opposing contentions as to what it shows or to spell out and state such conclusions of fact as it may permit.' *Florida* v. *United States*, *supra*."

Again in *Atchison Ry.* v. *United States*, 295 U. S. 193 (1934), it was said (pp. 201-202):

> "Its (the Commission's) report does not disclose the basic facts on which it made the challenged order. This court will not search the record to ascertain whether, by use of what there may be found, general and ambiguous statements in the report intended to serve as findings may by construction be

> given a meaning sufficiently definite and certain to constitute a valid basis for the order. In the absence of a finding of essential basic facts, the order cannot be sustained. *Florida* v. *United States*, 282 U. S. 194, 215. Recently this court has repelled the suggestion that lack of express finding by an administrative agency may be supplied by implication. *Panama Refining Co.* v. *Ryan*, 293 U. S. 388, 433. See *Beaumont, S. L. & W. Ry.* v. *United States*, 282 U. S. 74, 86. *Interstate Commerce Comm'n.* v. *Chicago, B. & Q. R. Co.*, 186 U. S. 320, 341."

In *United States* v. *Carolina Carriers Corp.*, 315 U. S. 475 (1941), the Court, after noting that the precise grounds of the Commission's determination were not clear, said (pp. 488-489):

> "* * * as in *Florida* v. *United States*, 282 U. S. 194, 215, the defect is not merely one of the absence of a 'suitable complete statement' of the reasons for the decision; it is the 'lack of the basic or essential findings required to support the Commission's order.' And see *United States* v. *Baltimore & Ohio R. Co.*, 293 U. S. 454, 464; *United States* v. *Chicago, M., St. P. & P. R. Co.*, 294 U. S. 499, 510-511. * ** An insistence upon the findings which Congress has made basic and essential to the Commission's action is no intrusion into the administrative domain."

Moreover, mere findings of the Commission that existing freight rates violate the statute will not sustain an order requiring the rates to be changed unless the findings are themselves supported by substantial evidence, and it is the province of the Court to examine the record and ascertain whether such is the fact.

The Supreme Court in *Int. Com. Comm.* v. *Louis & Nash. R. R.*, 227 U. S. 88 (1912), held (p. 91):

> "A finding without evidence is arbitrary and baseless. And if the Government's contention is correct, it would mean that the Commission had a power possessed by no other officer, administrative body, or

tribunal under our Government. It would mean that where rights depended upon facts, the Commission could disregard all rules of evidence, and capriciously make findings by administrative fiat. Such authority, however beneficently exercised in one case, could be injuriously exerted in another; is inconsistent with rational justice, and comes under the Constitution's condemnation of all arbitrary exercise of power.

"In the comparatively few cases in which such questions have arisen it has been distinctly recognized that administrative orders, quasi-judicial in character, are void if a hearing was denied; if that granted was inadequate or manifestly unfair; if the finding was contrary to the 'indisputable character of the evidence'."

In *United States* v. *Abilene & So. Ry. Co.,* 265 U. S. 274 (1923), the Court said:

> "* * * a finding without evidence is beyond the Commission's power."

In *Anchor Coal Co.* v. *United States,* 25 F. (2d) 462 (D. C., S. D. West Virginia 1928), it was stated (p. 464):

> "To understand, however, exactly what the power is which the Commission has assumed to exercise, it is necessary that we go behind its merely formal conclusions that rates are reasonable or unreasonable, and ascertain exactly what it is that it has done, and upon what facts and upon the application of what principles it has arrived at its conclusions. This is our duty to do. *Southern Pacific Co.* v. *Interstate Commerce Commission,* 219 U. S. 433, 31 S. Ct. 288, 55 L. Ed. 283; *U. S.* v. *N. Y. Central Railroad,* 263 U. S. 603, 44 S. Ct. 212, 68 L. Ed. 470."

In *Colorado Interstate Gas Co.* v. *Federal Power Com'n,* 142 F. (2d) 943 (C. C. A., Tenth Circuit, 1944) it was held (p. 954):

> "* * * the right of the Commission to make a finding of unreasonableness depends upon the existence of the fact. In the absence of substantial evidence to show

> that the rates and charges in existence are unreasonable, a finding to that effect constitutes the arbitrary exercise of power by administrative fiat and cannot stand. *Interstate Commerce Commission* v. *Louisville & N. R. Co.*, 227 U. S. 88, 33 S. Ct. 185, 57 L. Ed. 431."

In *Florida* v. *United States*, 282 U. S. 194 (1930) this Court stated (p. 215):

> "The question is not merely one of the absence of elaboration or of a suitably complete statement of the grounds of the Commission's determination, to the importance of which this Court has recently adverted (*The Beaumont, Sour Lake & Western Railway Company* v. *United States, ante,* p. 74), but of the lack of the basic or essential findings required to support the Commission's order. In the absence of such findings, we are not called upon to examine the evidence in order to resolve opposing contentions as to what it shows or to spell out and state such conclusions of fact as it may permit. The Commission is the fact-finding body and *the Court examines the evidence not to make findings for the Commission but to ascertain whether its findings are properly supported.*" (Italics added.)

Finally, since the Commission is authorized to change rates only if it finds existing rates unlawful and only when it makes such a finding after hearing, it necessarily follows that its determination must be based upon the evidence presented to it at the hearing and not upon its own independently held economic ideas as to what is sound or desirable. *Southern Pac. Co.* v. *Interstate Commerce Commission*, 219 U. S. 433, 444; *Anchor Coal Co.* v. *United States*, 25 F. (2d) 462, 472.

The application here of these basic principles and of the limitations which they impose upon the Commission's functions and action will become apparent with the more detailed analysis of the facts and the issues which will follow.

B. Plan of this argument in the light of the nature of the issues.

The appellant States are naturally primarily concerned with so much of the Commission's order as would require a 10 per cent increase in the class rates of the railroads for transportation within Official territory in which appellant States are comprised. This is so for several reasons.

In the first place, the evidence before the Commission showed that there is a very substantial volume of the total transportation within Official territory upon which the carriers charge class rates which would be increased under the Commission's orders. The Commission found in accordance with its Exhibit No. 228 (R. 11834), which was based on a study of all carload traffic moving on September 23, 1942, that 5.8 percent of all carload traffic within Official territory was charged the class rates. It is this substantial portion of the very large volume of carload traffic within Official territory upon which shippers and receivers would be required by the Commission's order to pay freight charges 10 percent higher than those in effect at the time the order was made. It is estimated that these increased charges would certainly amount to at least $15,000,000 per annum (R. 574).

In the second place, a 10 percent reduction in the class rates for transportation within Southern and Western territories and from those territories to Official territory can be of little benefit to those territories as compared with the great burden which the portion of the orders requiring a 10 percent increase in the class rates within Official territory would place upon shippers and receivers in Official territory. This is because of the further fact disclosed by Exhibit 228, previously referred to, that the railroads have provided commodity or exception rates for 98.2 percent of the carload traffic transported within Southern territory and 99.4 percent of the total carload traffic transported within Western Trunk Line territory, so that it is only an infinitesimal portion upon which the railroads demand class rates which would be reduced under the Commission's orders.

It follows that from the standpoint of real interest to the parties, other than the Western railroads, the principal issue in this case is whether that portion of the Commission's orders requiring a 10 percent increase in the class rates for transportation between points in Official territory is valid.

The answer to this question requires, first, examination of the law as to what must be found and proved to sustain an ultimate determination that rates are unreasonably low in violation of Section 1 of the Interstate Commerce Act or that they result in undue and unreasonable preference in violation of Section 3. It next requires examination of the findings and the evidence in the present case to ascertain whether the Commission has found and whether the record justifies such essential findings of facts. Appellants will direct the two first points of their argument to the discussion of these underlying questions.

If, as appellants contend, neither the findings of the Commission nor the evidence satisfy the requirements previously held necessary to sustain an ultimate determination that rates are unreasonably low in violation of Section 1 or that they produce undue preference and prejudice in violation of Section 3, it will remain to consider in the third point whether the amendments of 1940, as the Commission appears to have held, changed the law and the requirements for determinations of violations of Sections 1 and 3, or whether for some other reasons, rates prescribed by the Commission and long in effect are now unlawful because not on a uniform level.

Then examination will be made as to whether the findings of the Commission and the factual considerations relied upon are sufficient to sustain the orders requiring an increase in class rates within Official territory under the law as so changed.

Finally, it will be necessary to consider whether, since the Commission's findings and orders were predicated in very large part upon evidence as to conditions in 1939 and the early war years, the Court is not called upon to take notice and hold that conditions have so changed since that time as to render the Commission's orders now anachronistic and unenforceable.

C. Some important factual considerations

As a background for the consideration of the questions just outlined, there are certain important facts to be considered which have a direct bearing upon the determination of the issues which are here to be decided. Some of these facts will have to be restated later in the argument herein but since they have such general bearing upon all of the issues to be decided, a brief reference to them at this point appears appropriate.

(1) As previously stated, the Commission's order would require a 10 percent increase in the freight rates actually charged upon a very substantial portion of the large volume of freight transported between points within Official territory. It is estimated that this phase of the orders would impose an added cost for transportation and therefore of doing business in the appellant States amounting to at least $15,000,000 per year (R. 574).

(2) Although the professed purpose of the Commission is to bring about uniformity of freight charges and remove what it believes to be undue prejudice and preference as between the several rate territories, nevertheless in contrast with the very substantial proportion of the total traffic upon which class rates are actually charged in Official territory, which rates would be increased 10 percent by the Commission's orders, there is only a negligible amount of freight upon which the class rates are charged for transpor-

tation in Southern and Western territories, because the railroads have provided commodity or exception rates for transportation within those territories which, being lower, have superseded the class rates (R. 179, p. 564).

(3) No shipper or receiver in any territory claimed that the class rates for transportation between points in Official territory were too low. Instead, the Southern and Western spokesmen generally sought uniformity on the Official territory level.

(4) Class rates for transportation within Official territory which the Commission now finds to be less than minimum reasonable rates were prescribed by the Commission itself not long ago as maximum reasonable rates. *Eastern Class Rate Investigation,* 164 I. C. C. 314 (1930), 171 I. C. C. 481, 177 I. C. C. 156, 203 I. C. C. 357 (1934). The Commission's orders, therefore, would assume that the class rates have traversed the "zone of reasonableness" from the maximum level for which they were prescribed by the Commission in the *Eastern Class Rate Investigation* to 10 percent less than the minimum reasonable level at the present time. However, the Commission has made no findings as to any facts nor is there evidence in the record to support findings as to changes in transportation conditions since these rates were so prescribed which would now render them less than minimum reasonable rates. The only change is the Commission's adoption of a new policy* that class rates should be uniform throughout the country and should not be made in the light of the conditions, the traffic and the rate structures of each territory.

(5) As shown by the statements from its reports quoted earlier herein, the Commission itself has recognized, in prescribing the class rates which its orders herein would

---

*cf. *United States* v. *Seatrain Lines, Inc.*, decided January 7, 1947.

change, that it did so in contemplation of the very different factors influencing the levels of the different sorts of freight rates in the several rate territories.

Thus the Commission's report in the *Eastern Class-Rate Investigation*, 164 I. C. C. 314, sets forth the considerations which have produced the class rates within Official territory. An examination of this report will indicate that the rates were influenced by such factors as the competition of the Erie and New York State barge canals; the large volume of passenger traffic of the principal railroads; the large volume of freight traffic and the important proportions thereof, consisting of manufactured articles and of products of mines; the harmonizing of the rates prescribed with the rates previously in existence; the preservation of the revenues of the railroads; the nature of the rate structure in the territory, including the relatively high commodity rates on heavy low-grade articles, and the very large proportion of freight traffic moving at class rates. At page 391 of its report in the *Eastern Class-Rate* case, the Commission said:

> "Class rates in official territory differ materially from those in other sections of the country. They are much lower in level, with the exception of certain rates in western trunk-line territory which approach them in level. They also apply, generally speaking, to a much wider range of traffic. *In the other territories class rates*, at least in the past, *appear to have been of particular interest to jobbers, and the traffic which they move seems to have been, and perhaps still is, predominantly less than carload. For carload traffic of any important volume commodity rates have generally been provided. This is not the situation in official territory, where a great deal of very important carload traffic moves on class rates.* Of the traffic embraced by the revenue test about 68 per cent was carload. Among the commodities which generally move in carloads on class rates in official territory but are given commodity rates in other territories are fruits and vegetables (including apples, cabbage, and pota-

> toes), dairy products; vegetable oils, furniture, wrapping paper, soap, sash, doors, and blinds.
>
> "A corollary of this situation is that, *as compared with the class rates, the commodity rates on heavy, low-grade articles in official territory are often relatively high and in the other territories relatively low.* While it is difficult to determine the fact with exactness, it is quite clear from general knowledge, and also from evidence here of record, that *the spread between the class rates in official territory and those in effect in the South and West is not an accurate index of the differences in general average rate levels,* the latter differences being relatively considerably less." (Italics added.)

With regard to the interterritorial class rates generally, the Commission said:

> "Interterritorial rates usually represent a blend of, or lamination derived from, the rate levels within the territories or zones concerned" (p. 476).

(6) Of equal importance, especially in view of the role which its new policy of so-called uniformity apparently has played in the Commission's determination and orders herein, is the fact that uniformity of class rates is by no means the equivalent of uniformity of transportation rates and charges.

It is not to be ignored, especially since it played an important part in the legislative background of the present litigation, that there has been a widespread campaign to create the impression in the minds of the public that the South has been subjected to much higher freight rates than are charged to shippers and industry in the North and that thereby the South has been kept in a state of "economic bondage" to the North. The evidence here and the Commission's findings make it clear that such an impression is erroneous when freight rates as a whole are considered.

Thus the Commission finds that the Southern level of all freight revenue is only 3.9 percent above that for Official territory (p. 606, R. 221).

Again, the Commission at pages 666 through 669 of its report in this proceeding (R. 281-284) cites examples which are "illustrative" of the situation that in some instances "commodity rates within the southwest or from or to the southwest are lower than on like traffic for equal distances within official territory." Similarly, on page 593 of the report (R. 208) the Commission finds that "in many instances, commodity rates in the south are lower than commodity rates on like traffic in official territory." There follow seven pages of examples of commodity rates, to a large extent on raw materials or low-grade freight, which were either voluntarily established by the railroads or prescribed by the Commission itself which are on a lower level for transportation within the South than the rates for the transportation of the same commodities within Official territory. This is so as to logs (R. 211), lumber (R. 212), pig iron (R. 212), sand, gravel, crushed stone, and slag (R. 213), as well as other commodities.

It was testified by Witness Bell, a former traffic official of the Southern Railway, that these low rates for the transportation of raw materials in the South had been a result of the rate-making policy of the Southern railroads and orders of the Southern State authorities to induce the use of raw materials within the South (R. 3626-3630).

As the Commission said in the *Eastern Class-Rate Case*, page 391, a corollary of the differences in the class rate levels "is that, as compared with the class rates, the commodity rates on heavy, low-grade articles in official territory are often relatively high and in the other territories relatively low * * *. The spread between the class rates in official territory and those in effect in the south and west is not an accurate index of the differences in the general average rate levels * * *."

(7) In addition to the foregoing consideration is the further fact that even freight which moves at class rates in both Official territory and the South often enjoys a lower classification rating in the South so that despite the fact that the first class rates for transportation within the South are higher than the first class rates for transportation for similar distances in Official territory, the class rates actually charged upon the same freight are frequently lower in the South than in Official territory. At page 567 of its report (R. 182) the Commission found that "in making any comparisons of the levels of the class rates within the respective territories or zones, we are confronted with the fact that differences in the applicable classifications affect the levels of the rates as much as or more, in some instances, than the differences in the levels of the class rate scales."

(8) Finally, as a background for the consideration of the validity of the orders requiring an increase in the class rates in Official territory, it is important to inquire what must be the real reason why the Commission, having determined that the class rates should be brought to approximate uniformity or to a closer proximation to uniformity, decided that this should be achieved by an increase in the class rates within Official territory as well as by a reduction in class rates for transportation in the South and West and from those territories to Official territory.

The only expression of any reason to be found in the Commission's report is its statement on page 705 (R. 320) that its finding that the present class rates in Official territory should be increased 10 percent "is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in Official territory with respect to their class rate traffic are greater than is the case as to the class rate traffic of the carriers in the other territories described.'' The soundness of this statement and its validity as a basis for the Commission's ultimate conclusion and orders will be discussed more fully presently. At this point, however, it is sufficient to suggest simply that it hardly affords a substantial basis for a minimum rate order requiring an increase in upwards of $15,000,000 annually in the freight charges paid by shippers and receivers in Official territory. It is true that the figures of average rate of return upon property investment of the railroads in Official territory was somewhat lower than that for the railroads in other territories, but the statistics also show that this was the situation at the time the class rates were prescribed as maximum reasonable rates. Moreover, there was no finding and no evidence that the difference in rates of return is due to the difference in class rates or that an increase in class rates would increase the rate of return of the Official territory lines relative to that of the railroads in the South or in the West. It is apparent, therefore, that this statement is designed to conceal rather than to present the real reason for the Commission's action.

The real reason is clearly apparent in the evidence (Ex. 16, R. 6186; Ex. 195, R. 11271, 11272) and the Commission's reference thereto in its report (pp. 607-608; R. 222, 223) that to accomplish uniformity in class rates without increasing the rates within Official territory, namely, by reducing the rates in the South to the Official territory level, would involve a revenue loss to the Southern railroads of $23,499,831 per year based upon traffic handled in 1939 (R. 11271, 11272). It is obvious that the Southern railroads could not afford such a revenue reduction.

It follows, therefore, that the Commission's orders requiring a 10 per cent increase in class rates within Official territory would require shippers and receivers in that territory to pay increased freight charges not because their present rates afford inadequate compensation to the Official territory railroads for the transportation of class rate freight, but in order to protect the revenues of the railroads in the South transporting freight for others. As will be argued presently, it is submitted that a minimum rate order requiring an increase in freight rates with this purpose or result is plainly beyond the power of the Commission.

With this preliminary survey of a few basic features of the rate situation and the action of the Commission, we turn to an examination of the law and the facts to ascertain whether the orders requiring a 10 per cent increase in class rates within Official territory can be sustained as a valid exercise of the Commission's rate power.

POINT I

The orders of the Commission requiring a 10 per cent increase in class rates for transportation within official territory are invalid as an attempted exercise by the Commission of authority to prescribe minimum reasonable rates, and its ultimate determination that the then existing class rates previously prescribed by the Commission as maximum reasonable rates were less than minimum reasonable rates in violation of Section 1, paragraphs (4) and (5) (a) of the Interstate Commerce Act was arbitrary and invalid because not supported by essential preliminary findings and because without support of substantial evidence.

A. The Law

The decisions of the courts and of the Commission itself, since Congress gave the Commission authority under certain circumstances to prescribe minimum rates and to order existing rates to be increased, clearly lay down the conditions which must exist to support a determination that rates violate Section 1 (4) and (5) by being too low, and the findings of facts which are essential to the issuance by the

Commission of a minimum rate order requiring that rates be increased.

Although the Interstate Commerce Act was first enacted in 1887, Congress did not confer upon the Commission the power to prescribe the minimum rates to be charged by carriers or to require them to increase their charges to the shipping public until 1920. The discussions of the subject leave no doubt that the power to set minimum limits to the freight rates to be paid by shippers was regarded as such a drastic power, whose exercise might so seriously affect the economic life of the country and the welfare of its citizens and communities, that there was hesitancy to confer such authority upon an administrative government agency. Finally in 1920 the law was amended to confer upon the Commission the power to prescribe minimum as well as maximum rates. Then for the first time could the Commission find a rate to be unreasonable in violation of Section 1(4) and (5)(a) because too low. However, it has still been consistently recognized that so far reaching may be this power that it should be exercised sparingly and with extreme caution and that a rate should be condemned under Section 1 as too low and a higher rate prescribed only on the basis of convincing proof that such action is necessary to prevent most serious consequences, partaking of the nature of an emergency, jeopardizing the transportation system or threatening imposition of a financial burden upon other traffic than that directly affected.

This is made clear by the expressions of the courts outlining the considerations which led to the amendment of the Act to give the Commission authority to order rates increased and stressing the changed objective of the legislation from the protection of shippers against exorbitant charges to the preservation of the financial capacity of the carriers to provide service. *Jefferson Island Salt Mining Co.* v. *United States*, 6 F. (2d) 315; *Scandrett* v. *United States*, 32 Fed. Supp. 995, affd. 312 U.S. 661; *Anchor Coal Co.* v. *United States*, 25 F. (2d) 462.

Consistently with this altered objective of the Act, the decisions of this Court and of the Commission have clearly indicated that the minimum rate power should be exercised only when the facts found indicate a threat to this objective.

Thus in *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627 (1933), the Court said (p. 633):

> "The evidence failed to show that the rates of the Texas & Pacific and the L. R. & N. on export and import shipments to and from New Orleans were not compensatory. The Commission refused to find that they were so low as to cast a burden on other traffic. There was therefore no basis for an order fixing minimum reasonable rates under § 15(1) of the Act."

In a recent report of the Commission, *New Automobiles in Interstate Commerce*, 259 I. C. C. 475, the Commission reviewed quite fully the subject of the minimum rate power conferred upon it by the Transportation Act, 1920 and the circumstances under which that power may be exercised. It said, in part (pp. 534-535):

> "The power to prescribe reasonable minimum rates was first conferred upon us in the Transportation Act of 1920, mainly to prevent destructive competition and enable us to carry out the mandate in section 15 (a) of the same act, so that the carriers might 'earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation.' In *Salt Cases of 1923*, 92 I. C. C. 388, we said, at page 410:
>
> "If the minimum rate-making power were intended by Congress to be used only in cases where the rate assailed had been proven with arithmetical exactitude to be less than the cost of service, the grant of that power would be ineffectual, because such a test of exact cost of service is impracticable of application to specific rates on a single commodity, and this has been recognized by the Supreme Court of the United States.

> "The act prescribes no different tests or standards for the determination of just and reasonable minimum rates than for just and reasonable maximum rates. And there is nothing in the act which either directs or implies that we should use tests of different general character in the determination of reasonable minimum rates than those which we have consistently and uniformly applied for many years, with the tacit consent and sanction of the Congress and the express approval of the Courts, in fixing maximum reasonable rates.

"Our order in that proceeding was sustained in *Jefferson Island Salt Mining Co.* v. *United States*, 6 Fed. (2d) 315.

"In *Lake Cargo Coal*, 139 I. C. C. 367, proposed reduced rates that would have disturbed the rate adjustment were found not justified. We discussed our minimum-rate power and referred to court decisions holding that authority to exercise such power was not confined to situations where the rates were below a compensatory level. Although our order therein was set aside, *Anchor Coal Co.* v. *United States*, 25 Fed. (2d) 462, the court upheld our right to prescribe minimum rates 'to prevent ruinous rate wars and to guarantee reasonable earnings, not only to the carriers affected, but also to competing carriers, who may labor under higher costs of doing business.' The Supreme Court reversed the lower court, on other grounds, but what was said by the lower court later came to be regarded as settled law.

"The minimum-rate power has always been exercised sparingly. See *Inland Empire Paper Co.* v. *Great Northern Ry Co. Co.*, 219 I. C. C. 501, 510. In *Petroleum and Petroleum Products, Calif. to Ariz.*, 241 I. C. C. 21, 41, we said:

> "Our power to fix minimum rail rates is granted by section 15 (1) of the Interstate Commerce Act. By the terms of that section, its exercise is to be limited to instances where after full hearing we shall be of the opinion that a rate or charge is or will be unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of such act. This power has been used sparingly. Generally its application has been confined to instances in which we have found that a rate was so low as needlessly to sacrifice a carrier's revenue."

In no case will any suggestion be found that the Commission is authorized to condemn a rate as unreasonably low in violation of Section 1 or to exercise its minimum rate power to require an increase in rates for the purpose of effecting or stimulating a change in the industrial or economic map of the country, for the purpose of equalizing business fortunes and conditions, or for the purpose of enforcing the ideas of the Commission as to what would be a more orderly and logical rate structure.

Examination of the Commission's reports here will show a complete absence of any findings of facts or conditions such as those described in the foregoing citations. And a review of the record will demonstrate that there is no evidence which would support such findings with regard to the class rates for transportation within Official territory.

B. There is no finding and no evidence to support a finding that the class rates for transportation between points in Official territory are* not fully compensatory. Indeed both the evidence and the Commission's findings require the conclusion that the class rates which the Commission ordered increased 10 per cent were already highly profitable.

The action of the Commission in adding, by its supplemental report, an additional finding that the inter-territorial class rates within Official and Illinois territories are less than just and reasonable rates and are and for the future will be unjust and unreasonable in violation of Section 1(4) and (5) (a) of the Act (R. 477) does not bolster the Commission's orders. It is the findings of underlying facts essential to support such an ultimate finding which are wholly lacking and these are not supplied by the supplemental report, nor could they be because there was no evidence to sustain them.

---

* It must be understood that in all of this discussion until the last point in this brief, the factual matters stated, although the present tense may be used, are as they are disclosed by the record and the Commission's findings in the *Class Rate Investigation*. Since the Commission's decision and orders therein, the railroads have sought and have been granted general increases in all of their freight rates on the ground that their added costs since January 1, 1946 have made the former rates inadequate, *Increased Railway Rates, Fares and Charges, 1946.*. It will be urged in the last point that this drastic change in conditions and in the rate situation has rendered the orders involved in this action inoperative and so obsolete that they should be permanently set aside. But the purpose of this note is to make it clear that except in the last point appellants are here speaking in terms of the record and not of actual conditions at the present time.

The Official territory railroads made no complaint and offered no proof that their class rates were too low. When, after the Commission's orders and its denial of further reconsideration, they filed tariff schedules to increase their rates, they did so not voluntarily but only under the compulsion of the orders, and as soon as the enforcement of those orders was enjoined they cancelled the tariffs. Certainly railroad management could be expected to be the first to seek adequate compensation for the service of their companies.

The record will be searched in vain for a suggestion by anyone that the class rates for the transportation of carload freight within Official territory were not fully and highly compensatory to the railroads in Official territory.

It was urged by certain trucking interests who sought to have the railroads increase their rates for freight in less-than-carload lots in order that they might advance their own charges, that the less-than-carload rates of the railroads were not fully compensatory. And there are some statements in the Commission's reports pointing in this direction. But the small volume of less-than-carload freight is of minor importance in comparison with the great tonnage of freight in carloads.

So far as the large volume of carload traffic is concerned, there is not a word in the Commission's reports which can be construed as a finding that the class rates which the Commission ordered increased 10 per cent were not already fully and highly compensatory to the railroads for their services. Not only is there no finding but there is no evidence whatever that the existing class rates in Official territory are not fully compensatory. On the contrary, as Commissioner Porter says, "the cost study (made by the Commission's staff, upon which the majority so heavily relied) indicates that carload traffic in the East is being handled at a profit" (p. 719; R. 334).

The cost study referred to was a study, or rather a series of exhibits prepared by the Commission's staff for the purpose of arriving at a means of ascertaining the average expense to the railroads of transporting in each territory a given quantity of freight for a given distance and loaded in a particular type of railroad car. These so-called studies were prepared under the direction of Dr. Edwards of the Commission's staff and he testified regarding them at the hearings. His testimony will be referred to more particularly hereafter.

The virtues and vices of these cost computations as the basis of any conclusion concerning the need or justification for a uniform level of class rates throughout the country will be discussed in a later point. At the present time, however, accepting these cost studies at their face value, they indicate most emphatically that the class rates in effect for transportation of freight within Official territory at the time the Commission made its orders afforded more than reasonable compensation to the railroads for the transportation of such freight.

The majority find that from the standpoint of volume of freight the fifth class rating is the most important in Official territory. Elsewhere the Commission remarks that a 300-mile haul may be taken as fairly representative. A chart included in Dr. Edwards' Exhibit 13 shows that his computed cost of transporting a 20-ton load (which would certainly be a reasonable average loading for fifth class freight) in a box car for a haul of 300 miles would be about 18 cents per 100 pounds, this being what Dr. Edwards refers to as "total distributed expense", which includes "a fair return" upon the carrier's property. As compared with this figure, the present fifth class rate for 300 miles is 34 cents per 100 pounds, or nearly twice the cost, including a fair ~~return~~.

Certainly there can be no justification whatever for finding that a rate almost twice the cost, including a fair return, is unlawful in violation of Section 1 because it is less than a minimum reasonable rate. Nor can there be justification for prescribing as a minimum reasonable rate for such a haul a figure of 10 per cent in excess of the present highly profitable rate.

Again, Table 3 of Dr. Edwards' Exhibit 12, shows a figure of 16 cents per 100 pounds as the full distributed cost, including a four per cent return, of transporting 25 tons of freight in a box car 300 miles in Official territory, exclusive of New England and of the Pocahontas lines. Appendix P of the same exhibit shows that the lowest class rate (sixth class) under the Official territory scale for this distance is 27 cents. The fifth class rate is 34 cents and the first class rate is 96 cents, or six times the computed cost, including a fair return on investment. Such a rate simply cannot be less than a minimum reasonable rate permitted by Section 1(4) and (5)(a), or else the Act has a meaning contrary to all ordinary ideas of language. Even if only five tons are loaded in a car, Table 3 shows a computed cost of 48.4 cents per 100 pounds. There is little, if any, freight with such a light loading for which the class rate is less than third class. Appendix P shows that the third class rate for 300 miles is 67 cents.

In the case of the Pocahontas lines, which are in Official territory and would be required to increase their class rates 10 per cent, the present class rates are even more profitable, judged by a comparison of the rates with Dr. Edwards' computations of average costs of transportation. Here the average cost of transporting 25 tons of freight in a box car 300 miles is only 10.8 cents as compared with a present sixth class rate of 26 cents, a fifth class rate of 34 cents and a fourth class rate of 48 cents. With only five tons of freight in a car the cost is shown as 36.3 cents compared with first, second and third class rates of 96, 82 and 67 cents, respectively.

Further proof that the class rates applicable to carload traffic are not only highly profitable but provide a greater margin of profit than any other rates is contained in statistics set forth in the Commission's reports.

It will be noted from the table on page 611 (R. 226) of the Commission's report that in the Eastern district "Group V: Manufactures and Miscellaneous", although constituting a lesser proportion of the total carload traffic transported in that territory than "Group III: Products of Mines", produced 41.41 per cent of the total freight revenues in the Eastern district, which is greater than the amount of revenue produced by any other commodity group. It is the commodities included in Group V that constitute the great prepondence of the carload traffic moving on class rates in the East. In this connection a further table appearing on page 612 of the Commission's report is of interest. This table shows the relative extent to which the different commodity groups contribute revenues in excess of out-of-pocket costs. It will be observed that in the Eastern district Group V, consisting of "Manufactures and Miscellaneous" freight, although constituting only 29.57 per cent of the total tonnage in that district, contributed 53.5 per cent of the total revenues in excess of the out-of-pocket costs, which is a greater contribution than made by any commodity group, including "Products of Mines."

Since, as found by the Commission, the railroads as a whole in Official territory have operated at a profit there can be no question that the class rates applicable to the movement of carload traffic in Official territory are very profitable and that they do not throw a burden upon other traffic.

With regard to less-carload shipments statistics included in the Commission's report (p. 611, R. 226) show that in 1939 they constituted only 1.61 percent of the total tonnage of the railroads in Official territory and produced only 7.06 percent of their total revenue from carload and less-than-carload traffic combined. In the South less-than-carload traffic was only 2.75 percent of the total traffic and yielded 11 percent of the total revenue, while in the West the corresponding figures are 1.5 percent and 6.77 percent respectively. Moreover, not all less-than-carload traffic moves on class rates (p. 569, R. 184).

It is therefore apparent that even if there were findings and evidence to support such findings that the class rates in Official territory are less than compensatory for the transportation of less-carload traffic, this would not warrant an order requiring an increase in all class rates, including the class rates on the very large volume of carload traffic for which, as just shown, the class rates are highly compensatory.

However, any suggestion that even the less-than-carload rates fell so far short of providing adequate compensation to the railroads as to justify a minimum rate order requiring that they be increased is answered in the first place by the Commission's action with respect to the class rates in Western Trunk Line territory. The Commission found (p. 585, R. 200) that based upon 1939 statistics the losses incurred by the carriers in the West in the handling of less-than-carload traffic were relatively and actually much greater than any losses incurred by the carriers in Official territory (p. 585, R. 200). Nevertheless it ordered the class rates in Western territory *reduced* 10 percent. This is obviously inconsistent with the requirement that the class rates in Official territory be increased 10 percent, if predicated upon any idea of the non-compensatory character of the less-than-carload rates.

Moreover, Dr. Edwards' cost computation (Exhibit 13, R. 5917) shows that for a loading of only 6.5 tons of less-than-carload freight per car the first, second and third class rates in Official territory, which are probably the most commonly used for less-carload freight, exceed out-of-pocket cost plus solely related expenses.

C. There is no finding and no evidence to support a finding that the level of the class rates for transportation within Official territory threatens a rate war or otherwise will tend to impair the financial integrity of the carriers.

The Commission does not suggest nor is there the slightest indication of any evidence that the fact that the class rates for transportation within Official territory are upon a lower level than those of the class rates in Southern and Western territories threatens a rate war or a competitive reduction in rates, which will impair the financial ability of the railroads to render adequate service to the public.

When it is borne in mind that the present class rates were prescribed by the Commission itself as maximum reasonable rates, it is obvious that a finding that they now are so low as to invite a rate war would be absurd. These rates have been in effect since the Commission's decision in the *Eastern Class Rate Case* for a period of over ten years and it is to be assumed that both carriers and shippers have become adjusted thereto.

D. The Commission's finding predicated upon the returns from Operations of the Carriers in the several territories, that "the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories" is not a finding that the class rates for transportation in Official territory are non-compensatory, sufficient to sustain a minimum rate order requiring an increase in those rates

At page 705 (R. 320) of its original report, after stating its determination that the class rates in Official territory should be increased 10 percent, the Commission said further:

> "This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described."

At page 613 (R. 228) of its report the Commission stated that the rate of return of the railroads in the Southern region generally had been a little higher than that of the Eastern district railroads during the six-year period 1936-41 and during the seven-year period 1936-42. Quite different figures of rates of return for the carriers in the Eastern district for the years 1939-41 are set forth in a table on page 657 in the Commission's original report (R. 272). The rates of return for the Eastern district railroads in each of the last three years shown were higher than corresponding figures for the railroads of the Western district, which hardly lends support for the finding of the Commission previously quoted.

However, whatever may be the relative figures as to rates of return on property investment, it is submitted that they afford no indication as to the profitableness or the opposite of the class rates. The rates of return are composites of earnings on all traffic and considering the percentages of freight upon which the class rates are charged, it is difficult to see how a comparison of the rates of return for the entire freight business of the railroads affords any indication that the class rates alone do not contribute adequately to the total of the carriers' revenues.

There is not a scintilla of evidence showing that the revenues of the carriers in Official territory from their class rates are not sufficient to enable them to provide adequate and efficient service. On the contrary, the evidence establishes, as has been shown above, that the class rates are highly profitable and they are the highest rates charged in Official territory.

Neither is there a preliminary finding or evidence that would support the view that an increase in the class rates would produce increased revenues. Indeed as to "the effect of rates on the movement of traffic" the Commission's own findings indicate that an increase in the class rates may well discourage their use and drive the carriers to establish exception and commodity rates.

In such circumstances this Court has held invalid orders of the Commission requiring increases in rates for the purported purpose of increasing revenues. In *United States v. Chicago, M. St. P. & P. R. Co.,* 294 U. S. 499 (1934), which involved the validity of an order of the Commission requiring the respondent carriers to cancel reduced interstate rates on coal on the ground that such rates would cause a depletion of the carriers' revenues in violation of Section 15a(2), the Court held that the Commission's ultimate finding was invalid because it was not supported by an appropriate finding of fact that the carriers' revenues actually would be depleted thereby. Citing as authority its decisions in *Florida* v. *United States,* 282 U. S. 194 and 292 U. S. 1, the Court said at pages 507 and 508:

> "There is not a fact to indicate that the rates so reduced will be less than compensatory or that capacity for service to the public will be impaired or put in jeopardy. '*The raising of rates does not necessarily increase revenue. It may in particular localities reduce revenue instead of increasing it, by discouraging patronage.*' *Florida* v. *United States, supra,* at p. 214. As applied to the Indiana groups, the broad conclusions of the report, when related to the supporting findings, amount to this and nothing more, that the new schedule for Milwaukee is likely to be followed by new schedules maintaining the same ratio for other lines in Indiana. Even if the outcome for those lines is a diminution of the profits (the return being none the less compensatory), this without more does not make it wrongful for Milwaukee to restore the long standing parity between Brazil and Springfield. At the very least the findings should inform us, if only approximately, of the extent of the expected loss; they should make it clear whether the impairment of revenues will be trivial or substantial, for only thus can the impairment be related to capacity for service. Cf. *Florida* v. *United States,* 292 U. S. 1, 9. Nothing of the kind is shown." (Italics added.)

In *Florida* v. *United States,* 292 U. S. 1, the Court, discussed its prior decision in 282 U. S. 194, in which it had set aside an order of the Commission requiring an increase in intrastate rates because the Commission had failed to make requisite findings that the increases would satisfy the mandate of Section 15a that they increase the carrier's revenue. The Court said at page 8:

> "* * * in considering the authority of the Commission to enter the state field and to change a scale of intrastate rates in the interest of the carrier's revenue, the question was that of the relation of rates to income. But *to support the order then under review, the Commission had made no findings* as to the revenue which had been derived by the carrier from the traffic in

> question, or which could reasonably be expected under the increased rates, or *that the alteration of the intrastate rates would produce, or was likely to produce, additional income necessary to prevent an undue burden upon the carrier's interstate revenues and to maintain an adequate transportation service. Florida* v. *United States, supra*" (282 U. S. pp. 212, 214, 215, 75 L. ed. 302, 303, 304, 51 S. Ct. 119). (Italics added.)

Again in *North Carolina* v. *United States,* 325 U. S. 507, the Court said at page 516:

> "The Commission made no findings as to what contribution from intrastate traffic would constitute a fair proportion of the railroad's total income. It made no finding as to what amount of revenue was required to enable these railroads to operate efficiently. Instead, it relied on the mere existence of a disparity between what it said was a reasonable interstate rate and the intrastate rate fixed by North Carolina."

Certainly, the statement of the Commission regarding comparative rates of return cannot be held to satisfy the requirements recognized in the foregoing cases for a finding that the class rates for transportation in Official territory are not fully compensatory.

It is submitted, therefore, that there is absolutely no foundation in essential findings or in the evidence for a decision by the Commission that the class rates for transportation within Official territory, prescribed by the Commission as maximum reasonable rates, to which carriers and industries have become adjusted over several years, are now less than minimum reasonable rates in violation of Section 1(4) and (5) or for an order, in exercise of the Commission's minimum rate power, requiring a 10 per cent increase in those rates.

POINT II

To the extent that the orders purport to rest upon a determination that the present class rates create undue prejudice and preference in violation of Section 3 (1) of the Interstate Commerce Act, the orders are arbitrary and invalid because not supported by essential preliminary findings and because without support of substantial evidence. The court below erred in not so deciding.

The foregoing point has dealt with the lack of essential findings and of evidence to support the Commission's decision that the class rates in Official territory are less than minimum reasonable rates in violation of Section 1(4) (5)(a) because less than the class rates in the South and West, and that the latter are in excess of maximum reasonable rates in violation of the same sections because higher than the class rates in Official territory. The Commission rests its orders requiring an increase in the rates in Official territory also upon an ultimate finding that the relation between the interterritorial class rates applicable to transportation from Southern, Southwestern, and Western Trunk Line territories to Official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within Official and Illinois territories, on the other hand, causes undue and unreasonable preference and advantage

> "to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects * * * southern, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3(1) of the act." (Ultimate Finding 3, p. 701, R. 316.)

It is submitted that this ultimate finding is arbitrary and invalid because without support in essential preliminary findings of fact, because there is no evidence of record to support necessary preliminary findings of fact, and because the ultimate finding proceeds from an erroneous view of the law.

A. The Law

Section 3(1), the pertinent portions of which are quoted in Appendix A of this brief, prohibits "undue or unreasonable preference or advantage" and "undue or unreasonable prejudice or disadvantage" to

> "any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic. * * *."

The words "region, district, territory" were added to this section by the Transportation Act, 1940. The Commission rests its orders in large part upon the claim that this amendment changed the law not only as to the subjects of prohibited preference and prejudice but also as to what constitutes preference and prejudice and what must be found in order to support an ultimate finding of a violation of this section. This contention will be dealt with in a later point. As a background to this later discussion, however, and also because the Commission finds undue prejudice and preference not only as between "territories as a whole" but also as between "the shippers and receivers of freight located therein", as to whom no change in this section of the law was made by the 1940 amendment, it is pertinent to examine the authorities briefly to discover what facts must be established and found in order to support an ultimate finding and order under this section.

First of all, it is obvious that no finding of undue prejudice and preference as between either territories or shippers and receivers of freight can be found because of differences in the levels of the class rates unless it appears that the corresponding class rates are the rates actually charged or demanded in each instance. Thus, if a particular kind of machinery is classified fourth class in Official territory but is classified sixth class in the Southern classification for purposes of transportation from the South to the North, the fact that the fourth class interterritorial rate is higher than the fourth class rate for transportation within Official territory would not mean that there is a difference in the rates actually charged upon which to base a finding of undue prejudice and preference. Similarly, if the Official territory railroads charge class rates on certain freight but for transportation of the same freight from the South or west to markets in Official territory the railroads have established exception or commodity rates materially lower than the class rates, the differences in the levels of the class rates themselves are entirely academic and immaterial.

Hence, the very first requisite to an ultimate finding of undue prejudice and preference based upon differences in the levels of the class rates is a finding and proof that on the same commodities on which class rates are charged in Official territory the railroads charge or demand corresponding class rates for transportation from the South, Southwest and West into Official territory.

Moreover, it is well settled both by decisions of the courts and by long administrative interpretation reflected in the reports of the Commission, that discrimination is something more than difference and that a mere showing of differences in rates does not establish undue prejudice and preference in violation of Section 3(1). *Texas & Pacific Ry. Co. v. United States*, 289 U. S. 627; *Indianapolis Freight Bureau v. Cleveland C. C. C. & St. L. Ry. Co.*, 23 I. C. C. 195; *Pensacola Chamber of Commerce v. Louisville & N. R. Co.*, 98 I. C. C. 567; *Hurst v. Boise Valley Traction Co.*, 146 I. C. C. 625.

For a finding of undue preference and prejudice there must be a preliminary finding and proof of a competitive relationship between the party preferred and the party prejudiced, so that the difference in rates is the source of benefit to the former and injury to the other. *City Ice & Supply Co.* v. *C. & N. W. Ry.*, 36 I. C. C. 514, 517; *Boston Wool Trade Asso.* v. *B. & A. R. R. Co.*, 78 I. C. C. 178, 183; *Paper and Paper Articles to New Orleans*, 96 I. C. C. 600, 608; *Dewey Portland Cement Co.* v. *Alton & E. R. Co.*, 176 I. C. C. 671, 685.

The following excerpts from the multitude of decisions by the Commission illustrate the long and consistent administrative interpretation of Section 3(1). In *Alexandria Paper Co.* v. *Atchison, T. & S. F. Ry. Co.*, 171 I. C. C. 252, at pages 257-258, the Commission said:

> "With respect to the three points at which the other producing points have an advantage the record will not support a finding of undue prejudice, as there is no showing of a competitive situation thereat as between complainant and its competitors."

In *Western Carolina Shippers' Assn.* v. *Asheville S. Ry. Co.*, 174 I. C. C. 353, it said at page 358:

> "The rates assailed to the complaining points do not appear to be properly aligned with the rates to the points alleged to be preferred, but the record contains no evidence of competition between the complaining points and the alleged preferred points; therefore a finding of undue prejudice can not be sustained."

Moreover, since it is only *undue* or unreasonable prejudice and preference which are prohibited, it has been held that the difference in rates must be found to be the cause of substantial injury to the party found to be prejudiced, and of substantial benefit to the other. *Smith Bros. Mfg. Co.* v. *Aberdeen & R. R. Co.*, 181 I. C. C. 137.

In *Adams Lbr. Co.* v. *Akron, C. & Y. Ry Co.*, 253 I. C. C. 179, 189, it was stated:

> "A mere disparity in rates is not sufficient to establish undue prejudice. In order to establish the fact

> that there is undue prejudice and preference, the evidence must establish that the alleged prejudice and preference constitute a source of undue disadvantage to one party and of undue advantage to another. *Danville Chamber of Commerce, Inc.* v. *Southern Ry. Co.*, 209 I. C. C. 571, 572."

In *Mason City Brick and Tile Co.* v. *C., M. St. P. & P. R. Co.*, 258 I. C. C. 312, the Commission said at page 313:

> "A disparity of rates does not necessarily result in undue prejudice, and a mere showing that rates of long standing in one group are higher than those in another group does not establish undue prejudice. No group adjustment can effect exact justice in rate making, and the small disadvantage to one point or another incident to such an adjustment does not constitute the undue prejudice made unlawful by section 3 of the act. See *Prine Lbr. Co.* v. *Ann Arbor R. Co.*, 156 I. C. C. 349, 353. The rate relation must be a source of positive advantage to another and of disadvantage to complainant."

In *Carbon Limestone Co.* v. *Pennsylvania R. Co.*, 173 I. C. C. 167, it was stated that the proof to support findings under section 3 "must be definite and convincing" (p. 172).

Similarly in *Northeastern New York Traffic Assn.* v. *Delaware & H. R. Corp.*, 200 I. C. C. 134, the Commission stated at page 146:

> "* * * Complainants' evidence consists of a mere showing of disparity of rates and of general declarations as to competition and injury supported by evidentiary facts, and a finding of undue prejudice is not warranted."

Again in *Alabama Rock Asphalt, Inc.* v. *Abilene & S. Ry. Co.*, 176 I. C. C. 555, it was said at page 565:

> "* * * The evidence dealing with the alleged undue prejudice resulting from the rate adjustments in effect

> from the southwestern producing points mentioned and Bowling Green is so general in nature, however, that we are not justified in making any finding of undue prejudice and preference under section 3. While undue prejudice and preference may be established by a preponderance of evidence, that evidence must be such as to make reasonably clear how and where the prejudice and preference result from a rate maladjustment of which complaint is made. That may not be assumed or left to mere inference. Barrett Co. v. Atchison, T. & S. F. Ry. Co., 172 I. C. C. 319, 333. The record contains no substantial evidence that the Texas intrastate rates unduly prejudice the southeastern complainant or discriminate unjustly against interstate commerce."

In *United States* v. *Director General,* 80 I. C. C. 143, the Commission said:

> "It is contended, but not shown, that the lack of industries and communities on the Wharton is due to the rate adjustment here assailed. A finding of undue prejudice cannot be based upon assumptions such as these."

See also *House Heating Furnaces from East to Pacific Coast,* 255 I. C. C. 787, 792; *Gwinn Milling Co.* v. *Pennsylvania R. Co.,* 255 I. C. C. 690, 694; *Pure Oil Co.* v. *Atlantic Coast Line R. Co.,* 256 I. C. C. 723, 731.

Again, Section 3(1) has been construed as prohibiting differences in rates to competing shippers or localities only where the transportation is performed under similar circumstances or the rates are influenced by similar conditions. Section 2 of the Interstate Commerce Act, which likewise contains a prohibition against discrimination, in express terms limits the prohibition to the charging of different rates "in the transportation of a like kind of traffic under substantially similar circumstances and conditions." These latter words are not found in Section 3. However, it has been consistently held that Section 3 is to be construed and enforced as though these words were included therein, *Board of Trade of Carrollton, Ga.* v. *Central of Georgia Ry. Co.*, 28 I. C. C. 154; *Clover Splint Coal Co. Inc.* v. *Louisville & N. R. Co.*, 197 I. C. C. 276, 277.

Consequently, where the disparity in rates is due to differences in transportation conditions there is no basis for complaint by the shipper paying the higher rates even though such rates prevent or impede the doing of business in particular markets or territories. To regulate rates in such circumstances to enable shippers to reach markets would not constitute regulation of transportation charges but would constitute an attempt to equalize the advantages and disadvantages of the competing shippers. Thus carriers may not disregard the more unfavorable commercial and geographical conditions under which competing shippers operate with a view of placing them on an equality with shippers doing business under more favorable conditions. Nor does the Commission possess the authority to require carriers to equalize the fortunes of their shippers. *United States* v. *Illinois Cent. R. Co.*, 263 U. S. 515, 524; *Anchor Coal Co.* v. *United States*, 25 F. (2d) 462, 473.

Finally since Section 3(1) is a prohibition directed to the carriers, there can be no ultimate finding of a violation thereof unless there is a preliminary finding that the same carrier or carriers are responsible for or control both the preferential and the prejudicial rates, because a carrier cannot be held to violate the statute by something for which the carrier is itself not responsible and which, pursuant to an order of the Commission, it is powerless to correct. *Texas & Pacific Ry. Co.* v. *United States* 289 U. S. 627 (650); *Central R. of New Jersey* v. *United States*, 257 U. S. 247, 66 L. ed. 217, 42 Sup. Ct. 80.

The Commission's report will be searched in vain for the foregoing essential preliminary findings, and we submit that an examination of the record will disclose an absence of proof of the facts necessary for such preliminary findings and for an ultimate finding of a violation of Section 3(1).

B. There is no finding and no evidence to support a finding that for the transportation of the same kinds of freight from the South and West to Official territory on which class rates are charged within Official territory the railroads demand corresponding class rates. In fact both the findings and the evidence are to the contrary.

As has been said, in order to support the Commission's ultimate finding that the differences in the levels of the class rates within Official territory and those published from the South and West into Official territory result in undue preference and prejudice as between Official territory and shippers therein and Southern and Southwestern territories and shippers in those territories, the first essential finding would be that the corresponding class rates are actually charged to or demanded of competing shippers in the several territories. There would obviously be no justification for increasing the class rates charged to a manufacturer of electrical equipment in Official territory to the level of the class rates prescribed for transportation from the South to Official territory on the ground that the difference in the class rate levels gives the Official territory manufacturer a preference and subjects his southern competitor to prejudice unless his southern competitor is actually required to pay the higher interterritorial class rates. The Commission's reports contain no such finding. On the contrary, the findings and discussion in the reports, as well as the evidence, negative the existence of this essential foundation for an ultimate finding of a violation of Section 3.

First of all, a difference in the levels of the class rates would not mean a difference in the rates charged for the transportation of a particular commodity in the different territories unless the commodity is accorded the same classification rating for transportation within Official territory as for movement from the South and West into that territory. For example, if an article is classified second class or 85 per cent of first class in Official territory but is classified fourth class or 55 per cent of first class for interterritorial movement (see Report, p. 467, R. 82), although the first class rate might be 30 per cent higher in Official than in Southern territory for a given distance, the freight charge paid by the southern shipper for the transportation of this particular commodity would actually be less than the freight charge paid by the northern manufacturer. That there are a great many articles where the classification ratings are different in the several territories, so that the differences in the levels of the class rates do not reflect differences in the freight charges demanded or paid, is made clear by the Commission's discussion and findings at pages 469 to 475 of its report. Thus the Commission said (pp. 469-470, R. 84-85):

> "Despite the relatively high degree of uniformity in any-quantity and less-than-carload ratings, substantial disparities exist on individual article items as indicated in appendix 4 to this report. Thus, on certain items, on which the ratings are stated for any quantity, southern classification is never higher than either official or western, but has one rating of class 55 for which the two others name class 100, whereas official and western are alike in all but one such rating. As to less-than-carload, on items rated class 50 in official the ratings in southern range from classes 30 to 70, and in western from classes 55 to 85; on items rated class 70 in southern the ratings range from classes 50 to 100 in official, and from classes 55 to 85 in western; and on items rated class 55 in western the ratings range from classes 40 to 100 in official, and from classes 30 to 100 in southern.
>
> "Still greater variations, relatively, are presented in the carload ratings, set out in appendix 5, of which

> the following are examples; on items rated class 35 in official, the ratings in southern and western both range from classes 17½ to 55; on items rated class 40 in southern, the ratings in official range from classes 27½ to 70, and in western, from classes 17½ to 40; and on items rated class 45 in western, the ratings in official range from classes 27½ to 85, and in southern, from classes 30 to 55."

On page 508 (R. 123), the Commission found:

> "Abundant evidence has been received showing that the differences in classification ratings compel shippers, in each of the classification territories, to pay on certain articles transportation rates that are relatively higher than the rates paid on the same articles by shippers in one or both of the other territories, considering present class-rate levels in the respective rate territories. *In fact, on many articles a shipper in a lower-rated territory must pay higher rates than one in a higher-rated territory, owing to differences in classification ratings. The showing made is typical of the entire situation at present*, and would continue so with whatever rate level or levels we may find lawful in docket No. 28300 or in any other proceeding." (Italics ours.)

Then, too, the Commission's findings and discussion make it clear that there is a very substantial volume of freight for the transportation of which class rates are charged in Official territory but which is transported at commodity or exception rates from other territories into Official territory, so that again the differences in the levels of the class rates could not be the cause of undue prejudice and preference. This is shown by the Commission's finding that whereas 5.8 per cent of all carload freight transported within Official territory is charged class rates, only .9 per cent of the carload freight shipped from Southern territory into Official territory moves at class rates while 4.9 per cent has exception rates and 94.2 per cent is accorded commodity rates (pp. 479, 564, R. 94, 179).

This point finds further confirmation in the Commission's summary of the testimony of the few individual southern shippers who appeared as witnesses. They were called as witnesses for the Southern Governors Conference and presumably their testimony was offered as typical of the experience of southern shippers. The Commission's summary of the testimony of these nine shippers (pp. 615-619, R. 230-234) shows that all but two shipped to Official territory at commodity or exception rates. At page 618 (R. 233), the Commission records that the secretary and manager of the Atlanta Freight Bureau, who was the principal rate witness for the Southern Governors,

> "introduced in evidence an exhibit listing 14 groups of commodities, the rates on which were claimed to have been detrimental to southern shippers. Only 6 of the 14 move on class rates."

Again, in discussing the testimony presented on behalf of Southwestern shipper interests the Commission found (pp. 665-666, R. 280-281):

> "*We have referred to the fact that a comparison of first-class rates within or between territories does not, in most instances, reflect the differences between the rates on which the traffic moves. That observation is particularly suitable to the Southwest.* The extent to which exceptions have been published within, and to and from, that area is not specifically shown of record, but there is general testimony to the effect that *the class rates in issue move only a small proportion of the total traffic.* This is supported by the study made by a member of our staff showing the proportions of traffic transported on 1 day in 1942 on class rates, exception rates, and commodity rates.
>
> * * * * * * *
>
> "It will be noted that, on the day mentioned, *95.1 per cent of the total traffic transported from southwestern to official territory moved at commodity rates, and that only 1.5 per cent moved at class rates,*

> whereas of the total from official to southwestern territory 22.5 per cent was transported at class rates, and 25.5 per cent at commodity rates. Although the proportions of traffic moved at class, exception, or commodity rates between southwestern territory and other territories vary, a great preponderance of the traffic, except from official territory, moved at commodity rates. *The levels of the commodity rates are much below the class-rate levels.*" (Italics added.)

Thus, not only is there a complete absence from the Commission's reports of a finding of the first essential fact to support its ultimate finding that the differences in the levels of the class rates from the South and West to Official territory and those within Official territory cause undue prejudice and preference, but the findings which the Commission has made and the discussion of the evidence in the reports negative the possibility of such an essential preliminary finding.

C. The Commission's findings negative any conclusion that the differences in the levels of the class rates are the cause of substantial injury, prejudice and disadvantage to shippers or receivers of freight in the South and West or to those territories as a whole and of preference and advantage to Official territory and shippers therein

If, as is submitted, there can be no valid determination that rates are unlawful in violation of Section 3 without a preliminary conclusion that the differences in rates are the cause of substantial injury and benefit, then the Commission's findings as to the effect of the rate differences must support such a conclusion and the evidence in turn must sustain the findings. That is certainly not the case here.

In their briefs in the court below the appellees, confronted with a complete absence of any findings by the Commission which would support a conclusion that the differences in the levels of the class rates are the cause of substantial injury either to shippers and receivers in the South and West or to those territories as a whole, went to great lengths in discussing the testimony of witnesses on this point.

It is, of course, the function of the Commission to weigh the evidence and make findings of fact on the basis thereof, and if it fails to do so it is no part of the duty of the Court to examine the record for the purpose of making findings which the Commission has failed to make. The record is to be examined only to ascertain whether the evidence sustains those findings which the Commission has embodied in its report after weighing the evidence. In *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, this Court said (pp. 504-505):

> "This court has held that an order of the Interstate Commerce Commission is void unless supported by findings of the basic or quasi-jurisdictional facts conditioning its power. *Florida* v. *United States*, 282 U. S. 194, 215; *United States* v. *Baltimore & Ohio R. Co.*, 293 U. S. 454. 'In the absence of such findings, we are not called upon to examine the evidence in order to resolve opposing contentions as to what it shows or to spell out and state such conclusions of fact as it may permit.' *Florida* v. *United States, supra.* Orderly review requires that this objection, being basic and jurisdictional, be disposed of at the beginning."

On the subject here discussed the Commission's reports contain clear preliminary findings evaluating the evidence upon this essential issue. If, nevertheless, the Court will go to the record and examine the testimony, to which appellees will doubtless make reference, of various witnesses with regard to their alleged objections to the differences in rate levels, it will find that either on the basis of further facts developed on cross examination or because the testimony of the witnesses themselves on direct examination indicated that they were not concerned with the class rates at all, or because it appeared that the witnesses' businesses had greatly prospered under the rates, the Commission's summary of the evidence correctly evaluates it. And it is submitted here that this summary negatives any conclusion that either shippers in the South and West generally or Southern and Western territories as a whole suffer injury by reason of the differences in the levels of the class rates.

Before examining the Commission's findings on this point, it is pertinent to observe that this conclusion naturally follows from at least two facts previously mentioned: first, that to a very large extent the railroads have provided exception or commodity rates for the movement of goods from Southern and Western territories to Official territory, so that the differences in the levels of the class rates are immaterial as to a large part of the freight movement; and second, that frequently Southern producers have the benefit of low inbound raw material rates which they are unwilling to surrender despite their pleas for rate uniformity.

The Commission has summarized the testimony of all of these southern witnesses at pages 615 to 619 of its report (R. 230-234). This summary can only be construed as a finding that there is no evidence that the differences in levels of the class rates are the cause of injury, prejudice and disadvantage to individual shippers in the South. This was the conclusion reached and forcefully stated by Commissioner Porter at pages 719 and 720 of his dissent (R. 334, 335), and concurred in by Commissioner Barnard (R. 340, ff.). For convenience, we repeat the Commission's summary of this testimony, adding paragraph numbers as an aid to discussion. The Commission stated:

"The testimony of shippers called on behalf of the Southern Governors' Conference respecting the payment of class rates may be summarized as follows:

(1) A manufacturer of washboards at Raleigh, N. C., ships washboards in less than carloads on class rates. In September 1941, a representative month, he made 42 less-than-carload shipments to official territory on which he paid total charges of $184.06. Charges on the official territory level would have been $15.14 less. One shipment was made to Dallas, Tex., on which he would have saved 77 cents at the official territory level. Twenty-five shipments were made to points in southern territory. Charges on the official territory level would have been $45.77 less than actually paid. The principal competitors are at Columbus, Ohio, and Saginaw, Mich., the latter with a branch factory at Memphis, Tenn. If the official territory level had applied not only from Raleigh, but also from Columbus to the South, the charges from Columbus would be reduced by greater amounts than from Raleigh. Application of the official territory level of rates on the September shipments to the North would have reduced his freight charges by 8 per cent. Twenty-five per cent of the shipments to the North were to Detroit, Mich., a short distance from Saginaw, where one of his chief competitors is located. The business of the manufacturer who gave this testimony however, has increased substantially.

(2) The operator of a tanning plant at Andrews, N. C., testified that he had recently taken over the tannery at that point, which had been out of operation for several years, and in May 1942, began tanning operations. As of the date of the hearing, September 28, 1942, the company was beginning to make out-bound shipments of leather to some of the 20 principal points to which leather moves, most of which are in official territory. While most of the shipments will be in carloads, on which both class and commodity rates apply, some less than-carload shipments are anticipated, on which the class rates will apply. Between May 22, 1942, and June 18, 1942, he shipped

9 carloads of green salted hides, 6 from New York, N. Y., 2 from Harrison, N. J., and 1 from Detroit, Mich., and 5 carloads of dry hides, 3 from New York, 1 from Brooklyn, N. Y., and 1 from Waverly, N. J., on which class rates applied. The total charges at the applicable class rates were $6,063.45, whereas the total charges at the official territory level would have been $4,504.63. Leather is usually sold f. o. b. tannery or warehouse. This company has experienced difficulty in selling and quoting prices competitive with tanneries able to ship at lower freight rates.

(3) Imported hides now move from the New York area to Andrews. Under present war conditions most steamers discharge at New York, but, in peacetime, cargoes of hides could be discharged at Norfolk or New Orleans, and this company might obtain imported hides through those ports. This company will also use domestic hides which will be obtained principally in Chicago, Ill., Detroit, Mich., and St. Louis, Mo. There are very few hides produced in the South. However, in *Schoen Bros., Inc.* v. *Erie R. Co.,* 255 I. C. C. 501, 258 I. C. C. 161, we prescribed reasonable rates on green salted hides from certain points in Alabama, Georgia, and Florida, to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass. The four principal markets for finished leather are New York, St. Louis, Chicago, and Philadelphia.

Quebracho extract, used in tanning, is imported. The differences in freight rates on this commodity are said to be more drastic than on hides and leather, but no exhibit was introduced showing these rates. Chestnut extract, also used in tanning, is produced in the South and the freight rate is a very small cost factor.

(4) A shipper of wine at Atlanta complained of the rates on wine from that point to official territory. The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which are exception rates from Atlanta to border points. His principal competition comes from New York City, but he also operates a winery at Brooklyn, N. Y. His

product is nationally advertised and he does a nationwide business. A larger plant has recently been constructed at Atlanta indicating that the business has made substantial progress at that point.

(5) Testimony for a manufacturer of macaroni products at Memphis, Tenn., was offered by the manager of the Memphis Freight Bureau. For example, from Memphis to Evansville, Ind., 301 miles, the rate on macaroni and noodles and spaghetti, in less than carloads, is 68 cents, whereas from Chicago, 284 miles, the rate is 48 cents, a difference in favor of Chicago of 20 cents. If both rates were made 50 percent of the eastern first-class scale they would be 49 cents and 48 cents, respectively, and the rate advantage of 20 cents which Chicago has would be reduced to 1 cent. This shipper has never complained to the railroads about his rates, which are fourth class (50 percent of first class) in official territory and, by exception, class 50 in the South, in less than carloads: In *Macaroni & Noodle Mfrs. of America* v. *Alabama G. S. R. Co.*, 50 I. C. C. 289, the fourth-class rating was found not shown to be unreasonable or unduly prejudicial for all territories. In the South, fourth class is 55 percent of first class. This shipper has competitors at Louisville, Ky., and New Orleans, La., and distributes his products throughout the South and to Kentucky and some Ohio River points.

Five other shippers who testified on behalf of the Southern Governors' Conference do not ship their products on class rates. They testified with respect to furniture from Birmingham, Ala., glass bottles from Chattanooga, Tenn., cucumber pickles from Faison, N. C., peanut products from Columbus, Ga., and grading machinery from Toccoa, Ga., and Vicksburg, Miss.

(6) Present rates on glass bottles from Chattanooga to official territory are on a combination basis, using a commodity rate to Cincinnati, plus exception rates beyond. Approximately 25 percent of the production of the shipper who testified is shipped to the North, although he has only a 'limited amount of tonnage' to offer in that territory. His sales have also been extended to the West.

(7) The pickle manufacturer ships 25 percent of his output of salt stock and brine pickles to the North, and the finished product to the North and South. The applicable rates are truck-competitive rates and are lower than the normal official territory level of rates. The witness's chief concern is that his present rates might be increased.

(8) The shipper of peanut products ships them to all parts of the country, except New England, on rates lower than class rates. The company purchases a million dollars worth of peanuts annually and has annual sales of 5 million dollars.

(9) The manufacturer of grading machinery ships his products all over the world. His first plant in the East was at Peoria, Ill. Later he established plants at Toccoa and Vicksburg. He made no complaint about his rates and testified that the plants were established in the South because of the many advantages in that territory."

As will be seen from the foregoing, the Commission found that only two of the industries or shippers represented by these witnesses shipped their products on class rates. These were a manufacturer of washboards in Raleigh, N. C., referred to in paragraph 1 above, and an operator of a tanning plant in Andrews, N. C., referred to in paragraph 2. The washboard manufacturer's business had increased substantially in recent years and about 25 percent of his shipments were sold at points in Official territory in proximity to Saginaw, Michigan, where one of his competitors was located. The operator of the tanning plant at Andrews, N. C., started operations in May 1942 and most of his output was intended for movement to Official territory in lots consisting of carload and less-than-carload shipments. This witness testified that he was subjected to "considerable difficulty" in meeting the competition of other tanneries (R. 1517-1521). In its summary the Commission states that the tannery products move on both class and commodity rates, but it was testified by a witness that the rates on which these products moved are commodity rates (R. 4003, 4004).

The shippers of the other products referred to in the above numbered paragraphs do not, as is indicated, make use of class rates in the shipment of their products and consequently their testimony is of no relevancy. In fact, certain of these shippers said that they had no complaint about their rates and that they had established their plants in the South because of the many advantages in that territory. See, for instance, the testimony of the witness referred to in paragraph 9.

In so far as individual shippers in the South are concerned, it is to be assumed that the widely publicized hearings called forth all who had grievances against the class rates. And certainly it can be inferred that the vigorous counsel who represented the Southern Governors brought to the witness stand all who could be found who would testify on the point. The result as shown by the Commission's findings was that out of the thousands of manufacturing establishments in the South, representatives of exactly nine appeared as witnesses. Of these only two shipped at class rates, and of these two the business of one, a manufacturer of washboards at Raleigh, N. C., had substantially increased in recent years, while the other, a tanning plant, had begun operations only four or five months before its representative testified and was already "beginning to make shipments' to the 20 principal points to which leather moves, most of which are in official territory" (Report, p. 616, R. 231).

The Commission, at page 618 of its report (R. 233), also referred to the testimony of the Secretary and Manager of the Atlanta Freight Bureau, appearing for the Southern Governors, who presented testimony purporting to indicate shipper dissatisfaction with southern class rates.

This witness introduced evidence listing fourteen groups of commodities, the rates on which were claimed to have been detrimental to southern shippers. As pointed out by the Commission, however, only six of the fourteen moved on class rates. These consisted of calendars, electric appliances, lead products, iron or steel tanks, cloths and rags. As to the electrical appliances, the Commission referred to its decision in the *Southern Governors* case in which the rates on these commodities had been dealt with. With regard to the other commodities, it appears on the basis of the Commission's own statements either that the shippers shipped their entire output to southern points and had never asked the railroads for competitive rates to the North, or that the class rates appeared to be of no controlling importance in the sale of the products.

At page 618 of its report (R. 233) the Commission also refers to the testimony of a witness for the Nashville Freight Bureau who criticized the railroads for failure to reduce rates on steel automobile truck bodies from Nashville, Tenn. to Metuchen, N. J. This witness made no complaint against the general level of the class rates or the territorial relationships. Even as to the particular rates complained of, it appears that they did not prevent him from shipping his product to Metuchen. This witness criticized the rates also on shell boxes from Nashville to all points in Official territory. It appears however that the rates that he sought had actually been established to thirteen destinations, which presumably were all that he was interested in.

Thus, based upon the Commission's own summary, it appears that the record contains evidence on the question of discrimination by not more than five or six shippers located in Southern territory who use class rates. Even as to these five or six shippers, the evidence in some instances is decidedly vague and involves criticism of the rates only from specific origin points to specific destinations. No claim is made by any shipper or group of shippers that the class rates, as a whole, in Southern and Official territories result in unjust discrimination against southern shippers. The few specific origin points involved cannot be considered representative of Southern territory as a whole nor is there any finding by the Commission that they were.

With all earnestness, it is submitted that the foregoing evidence does not constitute proof sufficient to sustain a finding that the differences in the levels of the class rates are the cause of substantial injury and undue prejudice to southern shippers—much less to Southern territory as a whole.

In regard to the West, the Commission records (p. 673, R. 288) that "only three commercial witnesses, speaking for individual establishments in the Southwest and Western Trunk Line territory testified in this proceeding." These were a steel manufacturer at Denver, Colo., who uses class rates to a very limited extent and did not advocate rate parity with Official territory; a manufacturer of coal-washing machinery at Pittsburg, Kan., and a manufacturer of lamps and stoves at Wichita, Kan. The last two testified that they shipped most of their products to Official territory. The Commission said that "neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are" (p. 673, R. 288), and, as pointed out by Commissioner Porter in this dissenting opinion (pp. 720, 721, R. 335, 336), neither of them "left any impression that he was hurt by the present adjustment."

Turning next to Southwestern territory, there was again no finding and no evidence that the differences in the class rate levels have been the cause of prejudice or injury to any shippers. No individual shipper testified in criticism of the existing class rates applying from the Southwest to Official territory. There was presented, however, a witness, Professor Frederick of the University of Texas, who glibly referred to the "economic burden" of the rate disparity upon the business of five shippers. The testimony of this witness is reviewed by the Commission at pages 670 and 671 of its report (R. 285, 286). As the Commission says, he gave no indication as to whether the rates applicable to the particular commodities to which he had reference were class or commodity rates. Nor does the evidence show the existence of competition between these five concerns in the Southwest and competitors, if any, in Official territory.

With regard to "territories as a whole", it seems plain that they can be the subject of injury, prejudice and disadvantage as the result of freight rates only to the extent that shippers located in the territories are so affected or to the extent that shippers are prevented from locating in the territories or industrial and economic development is stifled by the freight rates.

The first angle in so far as the territories are concerned is disposed of by the evidence and findings just discussed. In other words, there is no finding and no proof that the differences in the class rate levels cause substantial injury to individual shippers in Southern, Western Trunk Line or Southwestern territories and thereby to the "territories as a whole."

As the Commission, itself, remarked in discussing the testimony of the spokesman for the Southwest (p. 671, R. 286):

> "The witness did not specify what part, if any, of the freight charges assessed on the shipments of the five manufacturers studied were at the class rates here in issue; nor the kind (class, exception, or commodity) of rates published in official territory that were used in the comparisons. Undoubtedly many of

> the in-bound raw materials, and some of the outbound finished products such as canned goods and lime, did not move at class rates; and it is unlikely that all the official territory rates were class rates that could be directly affected by the decision in this proceeding. **Apparently, the** traffic of only these five companies was surveyed, with *no attempt to produce a representative cross-section of Texas industries, some of whose freight charges may be lower than those in official territory.*" (Italics added.)

So far as the other angle of the matter is concerned, there is the evidence outlined by the Commission at pages 619-624 of the report, which completely negatives any suggestion that the differences in the class rate levels have curtailed or restricted the industrialization of the South or the location of industries in that part of the country. As illustrative we quote the following findings from the report, which are fully supported by the evidence and certainly dispel any possibility of a preliminary finding that the differences in the levels of the class rates have been or are the cause of substantial injury or prejudice to the "territories as a whole".

> "The industrial development of the East is due to many factors other than transportation services and costs, such as climate, soil, natural resources, available water power, supplies of natural gas and coal, and early settlements of population which antedated the building of railroads.
>
> "The principal factors which control the location of industries are: Availability of and cost of obtaining and assembling raw materials, availability of markets, including cost of reaching such markets, adequacy and cost of fuel and power, climate, labor, capital, and, sometimes, momentum of an early start, and the personality of the individual founding the industry. In 1939, freight revenue on commodities in the manufactures and miscellaneous group was but 5.3 per cent of the destination value of manufactured goods. From this it would seem that any differences in freight charges resulting from differences in class rate levels

is only a small fraction of that figure (Report, p. 619, R. 234).

* * * * *

"In order to determine if the South is or is not growing industrially, statistics over a period of years must be examined. Unless otherwise stated, the years used are 1929 and 1939. The following facts are derived from the statistics examined:

"For the 10-year period, 1929 to 1939, the *number of wage earners in manufacturing industries in the country as a whole decreased 11 percent; in official territory, 12 percent;* and in New York State, 13 percent. There was *an increase of 5 percent in the South.*

"There was a 22-percent *decrease in manufacturing wages for the entire country,* 23-percent decrease in official territory, and 3-percent decrease in the South. *Some southern States had an increase.*

"The *values of manufactured products for the entire country decreased 21 percent; in official territory, 25 percent;* in New York State, 29 percent; and there was *a 1-percent increase in the South.* North Carolina had an increase of 8 percent.

"*Value added by manufacture,* for the *United States as a whole, decreased 23 percent,* 24 percent in official territory, 12 percent in the South, and in New York State, 33 percent. *North Carolina had an increase of 7 percent.*

"From 1930 to 1940, there was a greater decrease in agricultural employment in southern than in official territory; but *manufacturing employment increased in the South and decreased in the North.*

"In 1941, *income payments* for the United States were 111 percent of those in 1929, *for official territory 100 percent,* and *for the South 128 percent.*

"From 1930 to 1940, the number of *gainfully occupied workers* in manufacturing in official territory decreased from 70.5 percent to 69.4 percent of the country's total, but *in the South, increased from 10 percent to 11.9 percent.*

"During the period from 1929 to 1939, the number of *wage earners* in the *canned fruit and vegetable industry in the South increased 68 percent,* as compared with an increase of 28 percent in official territory.

"The number of *wage earners* in the *cotton industry in 10 northern States decreased 45 percent*, as compared with *an increase of 12 percent in 6 southern States.*

"*Value of cotton products* decreased 55 percent in the northern States and 12 percent in the southern States, and the value *added by manufacture decreased 48 percent in the North and increased 8 percent in the South.*

"*Manufacture of heating and cooking apparatus*, except electric, during the 10-year period, *increased in the South* and *increased* (should read '*decreased*') *in the North. There was an increase of 39 percent in the number of wage earners in the South*, and a *decrease of 21 percent in the North. Value* added by manufacture *increased 8 percent in the South* and *decreased 32 percent in the North.*

"The *number of wage earners* in the *furniture industry increased 18 percent in 6 southern States* and *decreased 38 percent in 12 northern States.* Value added by manufacture decreased 43 percent in the northern States and less than 0.5 of one percent in the southern States.

"There are other branches of manufacturing that have progressed more rapidly in the South than in the North, but there are some in which, during the 10-year period, the industrial trend was not as favorable in the South as in the North. These include the manufacture of morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products (Report, pp. 621-22, R. 236-237).

• • • • • • • •

"A witness for the southern interests was the editor of an industrial publication devoted to the cause of industrial development of the South and Southwest. Excerpts from copies of this publication in 1940, contain a *statement by the southern governors that, 'In two years the volume of the South's manufactured products has increased approximately 35 percent* and is now 2½ times the value of its agriculture output; during the same period the *number of manufacturing plants in the South increased by 803 as* *contrasted to a decline in the rest of the United States of 3120.'* The publication contains *many pages listing new industries that have located in the South, some of which are the largest in the country.* They include plants manufacturing cigarettes, textiles, footwear, household furniture, paints, stoves, ranges, water heaters, tin cans, clothing, vegetables, drugs and medicines, flour, optical goods, and fluorescent lamps" (Report, p. 622, R. 237). (Italics added.)

Attention is particularly directed to the finding on page 622 (R. 237):

> "No specific instance was proved where an industry was not established in the South because of the class-rate level."

Even this finding, however, does not tell the whole story of the evidence because it was affirmatively testified by witnesses who had had experience in locating industries that they had not been deterred from locating plants in the South because of the differences in the class-rate levels (R. 3151, 3809-98, 4179-89, 4785-86). This disposes of the Commission's apparent attempt to minimize the finding just quoted by the remark:

> "However, in the nature of things this fact would be difficult to prove because of the many factors entering into the location of an industry."

Moreover, it must be recalled that while the Southern Governors were with one breath proclaiming to the world the great industrial progress of the South and in the next trying to create the impression before the Commission that the difference in the class rate levels has prevented this very progress, there are important interests in the South itself who agree with the former but oppose the latter activity of the governors. Thus, the Commission reports (p. 615, R. 230):

> "Several industrial organizations and groups of shippers in the South, such as the Southern States

Industrial Council, the Southeastern Shippers' Conference, and the New Orleans Joint Traffic Bureau, opposed pleas for uniformity of class rates on the eastern basis. They expressed the opinion that the present rate structure within the South, and between the South and other territories, has proven generally satisfactory and that the reductions in class rates sought by the Southern Governors' Conference would result in substantial railroad revenue losses, which would require, as an offset, increases in southern commodity rates that would seriously injure southern industry."

The state of the record on this vital point is aptly described by Commissioner Porter in his dissent, where he said (p. 722, R. 337):

> "An unbiased consideration of the foregoing data, together with others of similar import upon this record, can lead to but one conclusion, namely, that *the class-rate adjustment here before us has had no appreciable effect, one way or the other, upon the industrial or economic development of the South or the West, and that not a single shipper, nor any particular class of shippers, nor any particular territory, has suffered injury by reason of that adjustment.* Accordingly, I can find in this record no adequate support for the majority findings of undue prejudice and preference." (Italics added.)

Similarly, Commissioner Barnard remarked (p. 728, R. 343):

> "I am unable to find in this record sufficient evidence to support the claim of the Southern Governors' Conference that the class rate structures within the South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, *the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country.* Furthermore, the evidence fails to

> convince me that the products of the South cannot compete with the products of official territory in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates." (Italics added.)

In view of this state of the record and of the Commission's findings as to the proof on this matter, its ultimate finding 3 (p. 701, R. 316) that the relationship between the class rates in the several territories

> "subjects southern, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act"

is plainly arbitrary and unjustified, if substantial injury and benefit are essentials of such a finding.

D. If portions of the Commission's reports are to be interpreted as constituting a finding that the class rates in Official territory and those for transportation from other territories into Official territory are controlled by similar circumstances and conditions, such a finding is arbitrary, contrary to the evidence, and inconsistent with other statements or findings made by the Commission.

It must first be again recalled that both the class rates within Official territory and the existing class rates from Southern and Western territories into Official territory were prescribed by the Commission, itself, after extensive investigations and on the basis of evidence pertinent thereto (pp. 516 *et seq.*). Therefore, there is certainly a strong presumption that the fact that the levels of the rates are different is due to the existence of different circumstances and conditions affecting the class rates in Official territory and the other territories. This is clearly shown by the quotations from the reports of the Commission in the proceedings in which these different class rate scales were prescribed, which are set out earlier in this brief, *Eastern Class Rate Investigation*, 164 I. C. C. 314, 391; *Western Trunk-Line Class Rates*, 164 I. C. C. 1; *Western Trunk-Line Class Rates*, 204 I. C. C. 659, 660.

There is no finding and no evidence that there have been such changes in conditions that these differences affecting the levels of the class rates in the several territories have been eliminated, and that the class rates are now charged in all territories under substantially similar circumstances and conditions.

The lower court plainly recognized the inadequacy of the proof of injury and disadvantage and the lack of evidence as to similarity of conditions but upheld the Commission's action, evidently upon the ground that the amendment of Section 3 (1) of the Act by the Transportation Act, 1940 and the Ramspeck Resolution rendered such findings and proof no longer essential in a proceeding involving alleged undue prejudice and preference as between rate territories. The Commission apparently was also of the same view, which seems to have been largely responsible for its ultimate determination and orders. This then leads to consideration of the 1940 legislation and whether it accomplished a change in the substance of Section 3 and the essentials of undue prejudice and preference thereunder.

POINT III

The Court below and the Commission erred in concluding that the amendment to Section 3 (1) of the Interstate Commerce Act by the Transportation Act, 1940 coupled with Section 5 (b) to the latter Act so changed the law as to require and sustain the Commission's decision and orders.

By the Transportation Act of 1940, paragraph 3 (1) of the Interstate Commerce Act prohibiting undue prejudice and preference was amended simply by the addition of "region, district, territory" to the list of persons or things not to be unduly prejudiced or preferred. As a result, that section was made to prohibit undue or unreasonable prejudice or disadvantage and undue or unreasonable preference or advantage

> "to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, * * *"

By the same Act, Congress adopted the so-called Ramspeck Resolution, which was paragraph 5 (b) of the Interstate Commerce Act, 1940 and read as follows:

> "The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided,* That the Commission in its discretion may

> confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation."

These two measures have occupied an important part in the discussion in the Commission's report and in the opinion of the lower court.

The reasoning of the lower court is altogether confusing. At one point it says (R. 1431):

> "It does not appear that the Commission has herein acted upon any assumption that the 1940 changes altered the basic principles governing its action."

It then proceeds to a discussion of what it conceives to be the grounds of the Commission's decision, which plainly imply a conception on the part of the Commission that the law had somehow been changed to justify it in finding rates unlawful if upon different levels although they would not have been unlawful under the Act as it previously existed, and the court concludes (R. 1433):

> "in our opinion Par. 3(1) now empowers the Commission to find such rates unlawful even though they would have been lawful in the light of all relevant considerations before the amendment. We may, indeed, take it for granted that they were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission."

It was the impression of the lower court as to the Commission's action (R. 1431):

> "that in determining the existence of discriminatory rates it has construed the changes in the statute to mean that where it is found that class rates are different in the different territories, and interterritorially, and those differences cannot be justified under recognized principles of rate making by proof of sufficient differences in costs of transportation, com-

> position and amount of traffic, competition by common carriers other than railroads, and the like, those rates may be found unjustly preferential or prejudicial because unduly discriminatory and consequently unlawful as between regions, districts and territories.''

The court expressed the view ''that this interpretation of Par. 3(1) of the Act as amended is supported by the legislative history.''

At page 688 of its report (R. 303) under the heading ''*Recent Amendments of the Act*'', the Commission said:

> ''While the rates in issue in this proceeding are to be tested by all pertinent provisions of the act, it is important to give particular attention to certain amendatory legislation which Congress has recently enacted.''

The addition of the words ''region, district, territory'' to Section 3 (1) and the Ramspeck amendment are then referred to. The Commission stated that it had advised Congress that ''it might consider the instant proceeding as an investigation under its special legislation'' (p. 689, R. 304). Then having asked itself the question whether ''these amendments to the act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject?'', the Commission, after several pages of discussion, concluded (p. 692, R. 307):

> ''it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country. The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate

> entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law *are unlawful and should be corrected.*"

It is plain, therefore, that the majority of the Commission were of the view that the amendment to Section 3(1) and the Ramspeck Resolution constituted a Congressional mandate to the Commission in this proceeding to prescribe uniform rates. They have regarded the substantive law as so changed that rates on different levels in different territories are *prima facie* unlawful, and that, unless the burden should be sustained of proving differences in costs of transportation or other facts commensurate with the differences in levels as between territories, highly remunerative rates become unlawful merely because lower than rates in other territories.

It is submitted that both the Commission and the lower court were in error in their view of the effect of the 1940 legislation upon the Act and the lawfulness of railroad freight rates thereunder.

As to Section 1 (4) and (5) (a), the conception of the law upon which the Commission predicated its order would mean that the rates in one territory must be held in excess of reasonable maximum rates if higher than those in another territory and that the rates in the latter must be held to be less than reasonable minimum rates because lower than the rates in the former. As to Section 3, the argument would be that, contrary to the long accepted interpretation, discrimination means difference, without more. The Commission says (p. 691, R. 306):

> "Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments—all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country."

The words of the 1940 legislation plainly do not warrant any such conclusions. No change was made in Section 1 or in any definition of maximum or minimum reasonable rates. As for Section 3, the only change was the addition of the words "region, district, territory" to the list of parties or interests as between whom undue preference and prejudice are prohibited. There is no other verbal change such as would be necessary to alter the concept of undue prejudice and preference or the requirements essential to a finding thereof. Certainly this is so as to all of the parties or interests previously listed in Section 3 (1), such as persons, companies, firms, corporations, associations, localities or ports. In other words, there is no reason to believe from this amendment that the proof and preliminary findings essential to an ultimate finding of undue prejudice and preference as between corporations, localities or ports were changed in any way by the addition of "region, district, territory" to the list. On the contrary, the very fact that these three terms were added to the list can mean only that a finding of undue prejudice and preference as between them must be supported by the same kind of preliminary findings and proof as are necessary for a finding of undue prejudice and preference between persons, localities or ports. The circumstances indicating injury and prejudice, may, of course, differ, just as they differ between a case involving individual shippers and in a case of discrimination between localities or port districts. But there is no reason to conclude that findings of substantial injury and benefit and of similar circumstances and conditions are any less requisite to an ultimate finding of a violation of Section 3(1) where regions, districts or territories are concerned than in a case involving individual shippers, localities or ports.

As for Section 5(b) of the Transportation Act, 1940, this was in no sense an amendment to the substantive law but was merely an authorization and direction to the Commission to conduct an investigation.

The conclusion is inescapable that those comprising the majority of the Commission in interpreting these provisions of the 1940 Act were led to give effect rather to what they conceived to be the purpose of the agitators for uniformity than to the language of the legislation and the intention of Congress as indicated thereby. Thus, after asking whether the 1940 legislation changed the substantive law and enlarged its power, the Commission said that "in seeking an answer to this question it is pertinent and helpful to review briefly the legislative background of these amendments" (p. 689, R. 304). It included in its report certain excerpts from the Congressional debates and reached its conclusion as to the effects of the amendments by considering, as it said among other things, "the history of the times when the law was amended, as well as the statements of the legislators as to the purpose of the amendments."

It is perhaps not strange that the majority have been thus influenced. Assuming, as the majority report states, that they have given heed to "the history of the times" and "the statements of the legislators", they have of course noted the statement of a Congressman quoted earlier in this brief. On the other hand, the excerpts from the Congressional debates quoted in the footnote on page 691 of the report (R. 306) hardly present a complete or fair report of the views expressed by members of Congress regarding the purposes of the amendments. For some reason the Commission in this footnote quotes only the remarks which appear to lend support to the majority's interpretation of the amendments and are responsive to the wave of agitation in the South.

In a brief being filed by other appellants herein, the history of the 1940 legislation will be reviewed and examined more at length. It will therefore suffice here to cite only a few matters indicating that the Commission was led to a misconception of the effect of the legislation by confusing the remarks of the agitators with what Congress really did.

That many things were being done at that time to appease the agitators of the South is apparent in the following comments when the bill embracing the amendments was debated in the Senate on May 22, 1939 (Congressional Record, p. 5889, vol. 84, part 6):

> "Mr. Wheeler: I also wish to call the attention of the Senator from Texas to something which the Senator from Alabama already knows, that recently the President of the United States appointed a new Interstate Commerce Commissioner. He is the author of a study on freight-rate discriminations. The State of Alabama now has two Commissioners on the Interstate Commerce Commission, and both of them are there, as I understand, because of the request and suggestion of the Senator from Alabama. I congratulate the Senator upon the influence he now has, and I am sure that with these two added Commissioners from Alabama—
>
> "Mr. Hill: And one from Texas.
>
> "Mr. Wheeler: I am not sure that there are not two from Texas.

> "Mr. Connally: That would be cause for comment.
> "Mr. Wheeler: Yes. Unquestionably this matter will be straightened out."

However, the majority's footnote makes no reference to the statement of Representative Halleck, reported in the Congressional Record, page 9712, Vol. 84, Part 9, 76th Congress, 1st Session, where he said:

> "Something has been said about the alleged freight rate differentials of the South. I sat through all those hearings and heard the claims of the people who came there. I submit on the record of the hearings that when we finally got through with them the most they asked was some extension of the anti-discrimination provisions of the Interstate Commerce Act to apply to regions and sections. We wrote that in the bill. In addition they asked a direction to the Interstate Commerce Commission that the Commission inquire into the alleged discriminations with a view to correcting them if any existed. That is all the people who came there asked us for, and I submit it on the record of the hearings."

Moreover, while noting that Senator Wheeler in answer to a question from one of the Southern Senators, Senator George, as to whether the amendment of Section 3(1) "will make toward the equalization of rates in the various regions" replied, "I do not think there is any doubt about that at all, because that is the purpose of the bill; it is the intention of the bill", the Commission failed to observe that this same Senator during the debate in the Senate on May 22, 1939, in response to a question from Senator Frazier of North Dakota, said the bill "does not mean that rates are to be equalized". This statement culminated the part of the debate which is quoted below (Congressional Record, p. 5890, vol. 84, part 6):

> "Mr. Frazier: Is it the expectation of the Committee that by the amendment in section 52 [now section 5(b) of the Act] the rates in the various

classification territories will be equalized or made the same in different territories?

"Mr. Wheeler: I do not think that is possible.

"Mr. Frazier: I do not see how it is possible. I was wondering what the intention was.

"Mr. Wheeler: It is not possible for a number of reasons. For example, it costs more to carry freight over the mountains in two trains than to carry it on the plains in one train. Likewise, we must recognize the fact that railroad transportation service and rates depend somewhat on the intensity of the traffic. In long stretches of territory with no traffic, shippers must pay more for railroad service than do shippers in a densely settled part of the country where traffic is plentiful and where there is much competition from busses, trucks, and things of that kind. However, it seems to me from my study of the question that apparent inequalities ought to be corrected. * * *.

"Mr. Frazier: In North Dakota we have a large volume of wheat to transport in the fall of the year, and because we have that large volume, and because our territory is practically level, we have a rather beneficial rate on wheat as compared with some other territories. Our railroad commission and traffic experts are afraid that the provision to which reference has been made will take that special rate away from us.

"Mr. Wheeler: I believe this provision will help the people of the Senator's State rather than harm them in many respects.

"Mr. Frazier: We have a much lower rate than prevails in many other sections of the country. If rates are to be equalized, it will mean raising our rates.

"Mr. Wheeler: The bill does not mean that rates are to be equalized. * * * The people of the Senator's State might just as well disabuse their minds of the fear that as a result of the bill they will lose any benefit which they now have. * * *."

It is also interesting to observe that when Senator Connally of Texas was asked by Senator Reed of Kansas whether he would desire that the amendments be made "sufficiently strong to require the State of Texas to remove the regional distinction which it maintains by State authority within the State of Texas", he replied that he "did not mean to imply that all these regions should be done away with" (Congressional Record, p. 5889, vol. 84, part 6).

The action of the majority of the Commission in reading into the Congressional direction that it conduct an investigation, a change in the substantive law not supported by the language of the legislation, and a mandate to it to prescribe rates in conformity with the demands of the public outcry from southern spokesmen for uniformity was entirely similar to what happened twenty years before in connection with an outcry from the agrarian interests of the West. Following the first World War, there occurred a serious depression in agriculture which adversely affected the Western and Middle Western States. This brought loud complaints against the freight rates and it was charged that the freight rates discriminated against agricultural products. There was much discussion in Congress and finally Congress enacted what became known as the Hoch-Smith Joint Resolution, approved January 30, 1925. This resolution provided in part:

> "That it is hereby declared to be the true policy in rate making to be pursued by the Interstate Commerce Commission in adjusting freight rates, that the conditions which at any given time prevail in our several industries should be considered in so far as it is legally possible to do so, to the end that commodities may freely move.
>
> "That the Interstate Commerce Commission is authorized and directed to make a thorough investigation of the rate structure of common carrier subject to the interstate commerce act, in order to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly dis-

> criminatory, or unduly preferential, thereby imposing undue burdens, or giving undue advantage as between the various localities and parts of the country, the various classes of traffic, and the various classes and kinds of commodities, and to make, in accordance with law, such changes, adjustments, and redistribution of rates and charges as may be found necessary to correct any defects so found to exist.
>
> * * * * * * *
>
> "In view of the existing depression in agriculture, the Commission is hereby directed to effect with the least practicable delay such lawful changes in the rate structure of the country as will promote the freedom of movement by common carriers of the products of agriculture affected by that depression, including livestock, at the lowest possible lawful rates compatible with the maintenance of adequate transportation service: * * *."

With a view to carrying out the mandate of this resolution, the Commission instituted a number of nationwide investigations into the rates on various kinds of freight. Following these investigations, it ordered reductions in the freight rates for the transportation of various agricultural commodities and, on the ground that the Hoch-Smith Resolution had effected a change "in the basic law," it found the previously existing rates to be unreasonable. These orders came to this Court in *Ann Arbor R. Co.* v. *United States,* 281 U. S. 658, and *Atchison, T. & S. F. Ry. Co.* v. *United States,* 284 U. S. 248. The Court held that the Commission had misconstrued the effect of the Hoch-Smith Resolution and that, although directing the Commission to investigate the freight rates, it had made no change in the substantive provisions of Sections 3(1) and 15 of the Act. In the *Ann Arbor* case, the Court said (p. 666):

> "The joint resolution is the outgrowth of several measures proposed in Congress but not adopted. Some of the measures may have been designed by

their proposers to make real changes in existing laws relating to transportation rates. But they are not before us. The measure that is before us is the joint resolution which emerged from the legislative deliberations and proceedings. It is brought here to the end that we may determine its proper construction, which of course is to be done by applying to it the rules applicable to legislation in general.

"The question presented is whether the resolution changes the substantive provisions of existing laws relating to transportation rates, and particularly whether rates which would be lawful under those laws are made unlawful by it."

In regard to the third paragraph which the Commission had construed as making a change "in the basic law," the Court stated at pages 667 and 668:

> "The third paragraph was construed by the commission as making a change 'in the basic law' as placing agricultural products in a 'most favored' class, and as justifying a reduction in the rates on deciduous fruits moving from California to eastern points, notwithstanding most of the carriers 'have not as yet made the fair return' for which § 15a of the Interstate Commerce Act makes provision as a means of securing the maintenance of an adequate transportation system. Indeed, it is apparent from the commission's opinion that it regarded this paragraph as requiring it to condemn the existing rates as unreasonable and unlawful, although, had they been considered independently of the paragraph, they must have been upheld as reasonable and lawful under the applicable sections 1(5) and 3(1), of the existing law.
>
> "We are of opinion that the commission's construction cannot be supported. The paragraph does not purport to make any change in the existing law, but on the contrary requires that that law be given effect. Nor does it purport to make unlawful any rate which under the existing law is a lawful rate, but on the contrary leaves the validity of the rate to be tested by that law."

The same conclusion is required here. The Commission, moved by the vocal agitation of certain spokesmen in the South, as it was by that of the farmers, has misconstrued a congressional direction to it to make an investigation as a change of the substantive law and a mandate as to the results which its "investigation" must produce, regardless of the evidence and of previously well established standards governing the administration of the Act.

It is submitted, therefore, that the Commission's orders rest upon a fundamental error of law and for this reason must be set aside.

POINT IV

The Commission's determination that the class rates are unlawful because not on a uniform level and that the class rates for transportation within official territory should be increased to approach uniformity is not supported by preliminary findings of fact or by the evidence, and the factual considerations stated by the Commission do not sustain its conclusion.

Apart from the legal misconceptions just discussed, the Court will find it difficult to deduce from the Commission's report a clear understanding of the factual basis of its ultimate conclusions and of the interim orders whose validity is here challenged. A large part of the voluminous report is devoted to discussions or descriptions of evidence and contentions with no indication as to how they have influenced the thinking of the majority upon the issues involved.

Starting from its viewpoint that the 1940 legislation changed the law and constituted a mandate to bring rates to a common level, the essence of the majority's conclusion is, of course, uniformity. There is no suggestion that if the Commission were considering the class rates for transportation within Official territory by themselves.

it would find that they violate Section 1(4) and (5)(a) because they are less than minimum reasonable rates. Certainly there is not a scintilla of evidence which would support such a conclusion. It is only in relation to the class rates within the South and West and from the South and West to Official territory that the majority of the Commission find the class rates within Official territory unlawful. They are unlawful in the Commission's view only because they are lower than the class rates in the South and West. The class rates in the South and West are in excess of maximum reasonable rates only because they are higher than the class rates within Official territory. The level of rates in each territory is made the standard of maximum and minimum lawfulness for the rates in each other territory and interterritorially.

The Commission's report gives no clear indication of the reasoning processes by which this central conclusion is arrived at from the various statements and so-called findings in the report. However, having in earlier points endeavored to show the Court that the report is lacking in preliminary findings essential to the ultimate findings made by the Commission and that the record contains no evidence to support such essential preliminary findings, we desire now to discuss the various points mentioned in the Commission's reports, in order to show that these various points either are incorrect or do not support the ultimate findings and orders. The various considerations of fact which can be deduced from the report as apparently relied upon by the Commission in support of its orders are the following:

(a) The computations of average costs of transportation.

(b) The existence of variations in the kinds of freight transported within the several territories, notwithstanding the fact that the same class rates prevail in the territories.

(c) The fact that the class rates are charged on only a very small proportion of the total traffic in the South and West and from those territories to Official territory.

(d) The fact that the average rate of return of the railroads in Official territory has been slightly less in recent years than the corresponding average figures for the railroads in the South and West.

A. The Commission's findings as to average cost of transportation and the evidence on this subject do not support the decision and orders.

The Commission's report leaves no doubt that the majority has attempted ~~to find~~ color of support for its decision in the evidence as to relative average costs of transportation in the several territories. This is indicated by the extended discussion of the matter of costs at pages 571 to 591 (R. 186-206) of the report and again at pages 692 to 694 (R. 307-309). It is shown by its conclusion at page 694 (R. 309): "Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified."

Commissioner Porter remarked, at page 717 (R. 332): "One is required to guess from the text of the report the reasons which impelled the majority to prescribe a uniform scale of rates throughout this area, because the basis or bases for this finding are not clearly stated. The emphasis placed upon it in the report indicates that the cost evidence is the principal basis for the finding."

Commissioner Barnard similarly said: "The only ground that I can conceive which impels the majority to condemn the class rates prescribed in the class-rate scales is the cost evidence prepared by members of our staff" (p. 728, R. 343).

The evidence as to the relative costs of transportation in the several territories consists of the testimony and exhibits of Dr. Ford K. Edwards, the Commission's chief cost analyst, the testimony and exhibits of various railroad statisticians criticizing Dr. Edwards' methods and figures and also the testimony and exhibits of Charles E. Bell, a railroad analyst and statistician of great experience and distinguished standing, retained by the State of New York. The testimony of Dr. Edwards will be found at the following pages of the record: R. 1553-1647, 1657-1665, 1728-1730, 1738-1750, 3505-3531, 4348-4395, 4853-4857. His exhibits are exhibits 2 to 4 inclusive, (R. 5139, 5141, 5423); exhibits 10 to 13 inclusive, (R. 5652, 5678, 5744, 5910); exhibit 195 (R. 11 257); exhibit 196 (R. 11 367). The testimony and exhibits of Dr. Edwards and Mr. Bell will be referred to more particularly in the discussion to follow.

The computations which the majority have accepted and employed are those of Dr. Edwards and the Commission has plainly rejected the criticisms made by other witnesses with regard to Dr. Edwards' methods and the conclusions to be derived therefrom. It is therefore necessary to examine Dr. Edwards' testimony and exhibits very briefly to see what his computations are and what they are not.

Cost accounting is a complicated business. Especially is this so in the case of railroads, where there are thousands of commodities transported and millions of different movements and operations which produce the total costs to be defrayed by total revenues. Cost computation, as the term is employed in this connection and has been used throughout this proceeding, consists not really in an ascertainment of actual costs of particular movements or railroad operations, but rather in the apportionment as between hypothetical movements of the many items of total expense which the railroads incur and which appear upon their books, kept in accordance with the accounting regulations prescribed by the Commission. These apportionments and the method to be employed in making them involve the exercise of judgment. It may not be the function of the Court to substitute its opinion for that of the Commission as to which method of apportionment is most likely to produce a figure of the character sought. It is the function of the Court, however, to inform itself of obvious errors in the method employed, which are bound to distort the results of the computations, and also to examine the Commission's use of the computations and the conclusions which it bases thereon to see whether the computations which the Commission has elected to accept are of such a sort as to support the inferences or findings of fact which the Commission has attempted to predicate thereon.

The first point in this connection is that while the Commission's orders herein relate only to class rates and that it is only in so far, if at all, as Dr. Edwards' computations indicate the relative costs of transporting class rate freight that the computations afford any proof whatsoever bearing upon the issues to be determined by the Commission, nevertheless *Dr. Edwards' studies do not indicate and did not purport to indicate the cost of handling freight transported at class rates.* This is the first reason why there is no evidentiary support in the record for the Commission's findings as to costs of transportation as a basis for its conclusion that the class rates should be on a uniform level and are unlawful to the extent that they are not uniform.

Moreover, the most that Dr. Edwards himself claimed for his computations is that from them one can obtain a figure supposed to represent the average of the total expenses of the railroads in Official territory allocated to the movement of a certain tonnage of freight in a certain type of car for a certain distance, regardless of the kind of freight or the freight rates paid thereon, and a corresponding figure for the same weight of freight in the same kind of car for the same distance in the South or in the West. The figure would be the same whether the freight moved at class rates or commodity rates. It would be the same regardless of the classification rating of the freight.

Therefore, where different freight rates are charged for the transportation of different kinds of freight having the same weight and loading per car, Dr. Edwards' computations would indicate nothing more than the average revenue which all shipments of all of these commodities for a given distance must produce. Since the rate structures in two territories are radically different, Dr. Edwards' computations would afford no indication whatever as to how the rates for the transportation of a group of commodities in one territory should compare with the rates for the transportation of the same commodities in another territory. The point can be illustrated by an example taken from one of Dr. Edwards' exhibits and from his testimony with reference thereto. Thus, in one of his computations, embodied in his Exhibit 2, at page 24 thereof, Dr. Edwards has computed a figure of 11.8 cents per 100 pounds as representing the average cost (cost level 11, embracing carload operating expenses, rents and taxes) for the transportation of 24.6 tons of freight in a box car for 300 miles in Eastern territory, excluding Pocahontas. Using this figure as illustrative of what his computations were intended to show, Dr. Edwards was examined and testified as follows:

> "Q. In order that we may be sure that we understand the conclusion to be drawn from the figures which are there shown, and from similar figures in the other table, I would like to ask you this question: assuming the correctness of your computations, and the method employed, is it the correct conclusion to be drawn from table 2 that if, looking for example at line 2, the average revenue per ton of all railroads in

Eastern territory, excluding New England and Northern Illinois, from freight handled by them in box cars for an average distance of 300 miles and an average loading of 24.6 tons, is 11.8 cents per hundred pounds, then the railroads have earned their costs on the basis of cost level No. 2?

A. That is true, Mr. McCollester, based on our first cost study put in.

Q. (By Mr. McCollester.) Now, if it should so happen, Dr. Edwards, that of freight having that average haul and that average loading per car in Eastern territory, some freight should produce revenue less than 11.8 cents per hundred pounds and other freight should produce revenue in excess of 11.8 cents per hundred pounds, the railroads would earn their costs, under cost level No. 2, if the average came out to be 11.8 cents per hundred pounds; is that correct?

A. Yes.

Q. Therefore, would you not agree, Doctor, that if it should appear that the average costs so computed for that length of haul and that loading in one section of the country were the same as in another, and that some freight in one territory yielded lower revenue than in another territory, while other freight yielded a higher revenue, the fact that the costs were equal would not indicate that all of the rates would have to be equalized, on all classes of traffic, in order to yield cost, would it?

A. That is right. There might be a different distribution of the transportation burden, as between different commodities in different territories.

Q. And that is in effect what you mean, is it not, when you say, in a somewhat different connection, I believe on page 3 of your Exhibit No. 2, that if some service pays less, other service must pay more?

A. Yes" (R. 3520, 3521).

In his Exhibits 10 to 13 (R. 5652-5910), Dr. Edwards presented various other computations and figures of so-called costs, the resulting figures reflecting certain modifications in his methods and in the estimates which he employed. However, an examination of the evidence will certainly show that all of the figures computed and submitted as costs were of the same essential character, namely, averages of allocations of total expenses for freight of a certain loading per car moving in a certain type of car for a given distance without regard to the kind of freight or the nature or amount of the freight rate charged thereon. The Commission's description of the cost studies at pages 571 to 591 (R. 186-206) makes this clear. At page 575 (R. 190) it is stated:

> "Territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in the respective territories, taking into consideration every kind of traffic carried, whether handled in box, gondola, tank, stock, flat, or refrigerator cars, and covering 300 miles of haul."

On page 573 (R. 188), it was said:

> "The cost study gave no consideration to differences in the ability to pay of the various kinds of traffic handled in each territory, this being viewed as an element for consideration separate and apart from costs."

It is in the use of the computations and the deductions and conclusions derived therefrom that the majority of the Commission acted entirely arbitrarily and contrary to their own description and to Dr. Edwards' testimony as to what the cost computations disclosed.

In the summary on page 591 (R. 206), the majority of the Commission state:

> "The various comparisons of territorial costs reviewed hereinabove show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas territory."

On page 694 (R. 309), the majority conclude:

> "Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on

cost of service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified."

Here is where the majority of the Commission have plainly gone astray. The evidence shows and the Commission finds that there is a wide variation in the kinds and quantities of freight transported in the several territories. More than this, and even more important for this particular point, is the fact that the railroads in the several territories have radically different rate structures, as the result of which the transportation of different kinds of freight is expected to contribute in different ratios or proportions to the total expense of maintaining transportation systems. The record shows and the Commission finds, for example, that although the class rates are on a lower level in Official territory than in the South, there are commodity and exception rates in the South on the same freight which moves at class rates in Official territory which are as low as or lower than the latter. And the evidence shows, also, that in the South there are many commodity rates on raw materials and low-grade freight that are very much lower than the rates charged for the transportation of the same commodities by the railroads in Official territory (pp. 593-600, R. 208-215). For example, the rate for the transportation of pig iron from Pittsburgh to Buffalo, for 232 miles, is $3.61 a long ton. The rate for the transportation of pig iron from Birmingham, Ala. to Macon, Ga., for 247 miles is only $2.61. Assuming that 25 tons of pig iron were transported in a box car, in each instance Dr. Edwards' computation would produce a figure referred to by the majority as "cost". This figure would, however, be the same in each instance as if the commodity in the box car had consisted of 25 tons of high-grade machinery, charged fourth class rates. The fact that Dr. Edwards' computed figure for the northern movement might be approximately the same as that for the southern movement, no more proves that the freight rates on machinery are unlawful because the northern rate is lower than the southern rate than it proves that the freight rates on pig iron are unlawful because the northern rate is higher than the southern rate. In other words, so long as the rate structures are different in the two territories, an approximate equality of average cost figures proves nothing as to what the relative levels of the rates on particular commodities or groups of freight should be in the different territories.

The Commission has itself frequently held that computations of average costs cannot be accepted as proof as to what individual rates or groups of rates should be.

In the *Western Trunk-Line Class Rates,* 164 I. C. C. 1, at page 188, the Commission said:

> "We are not willing to assume that average unit line-haul costs on all traffic represent line-haul costs on class traffic * * *."

The Commission made also the following remark, previously quoted, which is especially pertinent here:

> "Class rates in w.t.l. territory appreciably higher than in official territory are justified also by the nature and volume of the articles moving under such rates in the respective territories. Many articles handled in enormous volume pay class rates in official territory, whereas in w.t.l. and southern territories they enjoy commodity rates lower than the corresponding class rates. *This in a large measure will account for and warrant relatively low class rates in official territory as compared with other territories. It is particularly pertinent in connection with the endeavor of certain interests to show that the average cost of all traffic in w.t.l. territory is not much, if any, above that in official territory.*" (Italics added.)

In *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, 213 I. C. C. 297, the Commission, at page 308, said:

> "In 1929, the year on which the figures are based, 78 percent of the traffic of the Louisville & Nashville consisted of products of mines and of forests, which are affected by their own peculiar transportation conditions. Only 13 percent of its traffic consisted of products of manufacturers, which require a much different service than coal and lumber. The Pennsylvania, on the other hand, derived only 64 percent of its tonnage from products of mines and forests, and manufactured articles accounted for about 28 percent of its total. *These differences cast doubt on the validity of average costs as an index to the comparative cost of handling class-rate traffic or to the proper level of such rates and indicate that comparatively little weight should be given to such costs in determining the proper level of class rates.*" (Italics added.)

The Commission's report here gives no indication why computations of average costs afford any more evidence as to the cost of handling or the proper level of class rates now than they did when the case last cited was decided.

In *Calif. Growers' & Shippers' Protective League* v. *S. P. Co.*, 129 I. C. C. 25, the Commission, referring to the cost studies before it in that proceeding, said (p. 52):

> "If these are accepted, the deciduous-fruit traffic is carried at a loss. *They are based on the average cost of handling all traffic, and can not be accepted as showing the cost of the deciduous-fruit tonnage. Nor. Pacific Ry Co.* v. *Dept. Public Works*, 268 U. S. 39." (Italics ours.)

In *Nor. Pacific* v. *Dept. Public Works*, 268 U. S. 39, Mr. Justice Brandeis, writing for the Court, said (pp. 43-44):

> "The Department's findings concerning operating costs rested largely upon deductions from data found

in published reports of the carriers and in their exhibits filed in this case. Instead of attempting to show by evidence, reasonably specific and direct, what the actual operating cost of this traffic was to the several carriers, the Department created a composite figure representing the weighted average operating cost per 1,000 gross ton miles of all revenue freight carried on the four systems and made that figure a basis for estimating the operating cost of the log traffic in Washington. This was clearly erroneous.

"A precise issue was the cost on each railroad of transporting logs in carload lots in western Washington, the average haul on each system being not more than 32 miles. In using the above composite figure in the determination of this issue, the Department necessarily ignored, in the first place, the differences in the average unit cost on the several systems; and then the differences on each in the cost incident to the different classes of traffic and articles of merchandise, and to the widely varying conditions under which the transportation is conducted. In this unit cost figure no account is taken of the differences in unit cost dependent, among other things, upon differences in the length of haul; in the character of the commodity; in the configuration of the country; in the density of the traffic; in the daily loaded car movement; in the extent of the empty car movement; in the nature of the equipment employed; in the extent to which the equipment is used; in the expenditures required for its maintenance. Main line and branch line freight, interstate and intrastate, car load and less than car load, are counted alike. The Department's error was fundamental in its nature. The use of this factor in computing the operating costs of the log traffic vitiated the whole process of reasoning by which the Department reached its conclusion."

See also *Baltimore & O. R. Co. v. United States*, 298 U. S. 349, 380.

Commissioner Porter in his dissenting opinion effectively pointed out the unwarranted and arbitrary nature of the Commission's action in basing its decision upon cost computations when he said, among other things (p. 717, R. 332):

> "The cost evidence was prepared by members of our staff. It does not even purport to reflect the actual or relative costs of transporting class-rate traffic in the different rate territories. The territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in certain territories selected by our cost section on traffic handled in different types of equipment, such as box, gondola, tank, stock, flat, or refrigerator cars. Class-rate traffic is not transported exclusively in any type of equipment, and although a substantial quantity is moved in boxcars the volume of class-rate traffic transported in boxcars is much less than the volume of traffic transported in that type of equipment at exception or commodity rates. It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories."

The misuse by the majority of the cost computations and the error and injustice produced by the principal reliance which they have placed thereon is emphasized when the real character of the cost computations themselves is further analyzed and the weaknesses and fallacies therein are considered. It is submitted that other features of the cost computations place them beyond the limits within which the Commission's judgment upon the evidence should be accepted by the Court.

First, the computations themselves of necessity involved assumptions and estimates whose validity is seriously open to question. They are so much the results of approximation that we submit the results cannot properly be made the basis of a drastic order requiring an increase of many millions in the freight charges to be paid by the shippers in Official territory. On this feature of the computations, Commissioner Porter said (p. 717, R. 332):

> "The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things."

Second, the computations of costs cannot be matched with the rates prescribed or when so matched do not support the Commission's ultimate findings. It seems obvious that to be pertinent to a determination as to rates, the average cost figures relied upon should be averages for the same railroads or groups of railroads for which rates are prescribed. Here the order attempts to bring about an increase in the class rates for all railroads in Official territory and a reduction for all railroads in Southern territory on the basis of ultimate findings that the class rates for each territory as a whole are unjust and unreasonable and are unduly preferential and prejudicial. To the extent, if at all, that computations of average costs would be relevant to such ultimate findings, it seems plain that they would have to be averages for all railroads in each territory affected by the orders.

Dr. Edwards, however, in his initial computations did not group the railroads whose statistics he averaged in accordance with the rate groups. Instead, he excluded from the statistics for Official territory those of the so-called Pocahontas Lines. His explanation was that the traffic of the Pocahontas Lines is so predominantly coal that their statistics should be separated from those of other railroads. However, the Pocahontas lines traverse Official territory and they charge Official territory class rates. The Commission's orders would require a 10 per cent increase in their class rates. Moreover, the evidence shows that there is no such difference between the Pocahontas lines and other important railroads in Official territory in the matter of the proportions of coal traffic to total business as obtain between some of the railroads which are included in the Southern group for the computation of average costs for that territory (R. 3732-3734; Exhibits 166, R. 10454, 225-27, R. 11829, 11831, 11832).

The matter is important in view of the weight which the Commission in its report has attached to comparisons of average costs, as indicated by its conclusion on page 694, that

> "based on cost service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified"

and in view of its finding on page 591 (R. 206) that it is only if Pocahontas territory is excluded

> "that there is little significant difference in the cost of furnishing transportation in the South as compared to the East."

The exhibits show and the Commission correctly finds on page 591 (R. 206) that

> "If the Pocahontas territory is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 per cent above those for the East."

It may be remarked further, that since the class rates in a large part of New England are differentially higher than the class rates elsewhere in Official territory, the correct comparison, especially in the case of the appellant States, would be of the average costs of transportation for all lines in Official territory other than New England with the averages for the railroads in the South. No such figure has been computed by Dr. Edwards, but since the costs for New England are somewhat higher than those for the rest of Official territory, it is plain that the average of the costs for Official territory other than New England would be more than 3 to 6 per cent lower than the average costs for the South.

In the third place, the Commission's orders require a 10 per cent increase in the class rates in Official territory for the purpose of equalizing them, not only with the class rates in the South but also with the class rates in the West. However, if costs are to be a standard, the Commission's own findings as well as the evidence require that the class rates in Official territory should be substantially lower than those in the West. The majority of the Commission make no finding whatever that there is even approximate equality of costs between Official territory and the West. On the contrary, they find, at page 591 (R. 206), that if Pocahontas territory is included in Official territory, the average costs for Official territory, based upon the period 1930 to 1939, were 18 per cent lower than those in the West. Certainly with this difference it cannot be said that the evidence as to costs justifies a finding that the rates in Official territory are unlawful because not uniform with those in the West.

We will not burden the Court with criticisms of the details of the methods of computation, some of which are summarized by the Commission in its report. One further feature of the computations should, however, be brought to the Court's attention as an additional indication of the arbitrary character of the Commission's orders in so far as they purport to be predicated upon the cost figures. This is the fact that the average computed figures which are presented as those for Southern territory reflect the results of favorable railroad operations which are actually performed in Official territory. The reason why this is so is that the Louisville & Nashville and Illinois Central are grouped as Southern railroads for accounting purposes and their figures are included in the Southern averages (R. 3754-3760, Exhibit 166, part 1, R. 10454). But their relatively low costs, which bring down the Southern averages, are due to the transportation of coal, a large part of which takes place over their lines in Official territory (R. 3760-3765). Dr. Edwards made some adjustments for this fact but was not able to obtain all figures necessary to separate the operations of these lines in Official territory from the balance in Southern territory. Consequently it is fair to assume that the figures which are presented as the average computed costs for Southern territory are really lower than the actual average costs for transportation over the lines on which the Southern class rates are charged. Similarly the averages for Official territory do not have the benefit of the lower figures which would doubtless be produced by the inclusion therein of the statistics relating to transportation performed by these railroads in Official territory.

In short, it is submitted that neither the majority's discussion of the evidence as to average costs nor the evidence itself in any way supports the ultimate finding that the class rates are unlawful because not uniform. Even less, if that be possible, do they sustain the requirement that the class rates in Official territory be increased.

B. The fact that there are differences in the kinds of freight transported within the several territories does not support the Commission's orders. On the contrary, the evidence as to so-called "consists" of traffic in the several territories precludes an ultimate finding that the class rates are unlawful because not uniform.

On page 694 (R. 309), the majority of the Commission say:

> "When analyzed in detail there are many more differences in the consists of traffic in these respective territories than when basic commodity groups, such as those used by us in the compilation of traffic statistics, are considered."

The majority concluded (p. 695, R. 310):

> "When analyzed in this light, the differences that exist in the consists of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in class rates.
>
> "The record discloses that the class rates are substantially higher in southern, southwestern, and western trunk-line territories than in official territory, and that the interterritorial class rates between official and the other territories are substantially higher than those in official territory. These differences have resulted in a greatly diminished use of class rates and the establishment of numerous exceptions to the classifications, together with column and commodity rates, on a lower level than class rates. The great preponderance of traffic now moves on the exception, column, and commodity rates."

The view of the majority appears to be that since a single basis of class rates is in effect throughout each rate territory, notwithstanding the fact that many different kinds of freight are transported within the territory, therefore there should be uniformity of class rates throughout all territories.

The first answer to this suggestion is that in each territory the class rates are a part of a scheme of rates made up of class, commodity, and exception rates, prevailing generally throughout that territory, but that these schemes differ radically as between territories. The Commission's argument would be valid only if there were involved a unification of all rates—commodity, exception, and class rates—throughout all territories.

The second answer to the suggestion is that it is based upon incorrect premises, contrary to the evidence. On pages 611 and 612 of the report (R. 226, 227), the Commission presents tables showing the broad categories into which freight has been divided in terms of the percentages of each category in the respective territories. A comparison of the percentages, however, is no indication whatever as to the different kinds of freight and particularly as to the different volumes of freight making up the traffic in each territory. Any assumption of similarity of traffic or possible traffic as between the several territories which inevitably affect the rate structures and the rates which the railroads may profitably charge is disposed of by the Commission's own findings, such as the following (p. 537, R. 152):

> "Official territory greatly outranks all other territories in the proportion of semidurable and durable commodities which constitute the more important sources of the secondary metal supply. Depending on whether Michigan and Virginia are excluded or included, official territory is estimated to contain between 60 and 62 percent of the manufacturing establishments, between 44 and 46 percent of the hotel rooms, 59 and 61 percent of the office, trade, and other business structures, 50 and 52 percent of the dwelling units, 48 and 50 percent of the motor vehicles, 56 and 58 percent of the miles of wire in cable, and 64 and 66 per cent of the miles of all wire of telephone companies. This territory is somewhat less important relatively in its secondary metal reserves represented by railway plant and equipment, which is one of the

most important sources of secondary metal. Although this territory had between 28 and 31 percent of the miles of road, it does not greatly outrank the western trunk-line territory in this respect, although very much above all three of the other rate territories. However, class I railroads of the eastern district, which roughly coincides with official territory, owned between 41 and 46 percent of steam locomotives and a majority of the steel or steel underframe passenger-train cars in 1938. These roads also owned more than half of the steel and steel underframe freight-train cars if the Pocahontas region is included with the eastern district, and nearly 47 percent if it is excluded."

Exhibit 165 shows that in 1939 the railroads in Official territory handled 961,769,420 tons of coal and coke as compared with only 208,544,676 tons handled by the railroads in the South, and in the same period the railroads in Official territory handled 482,668,076 tons of other freight as compared with but 143,766,136 tons handled by the Southern railroads. Certainly these tremendous differences in the total volume of freight, and especially in the volume of highly profitable coal and coke traffic, render it impossible to conclude that there are such similarities in the consists of freight in the several territories as to require uniformity of class rates.

One important kind of highly profitable freight is iron and steel. Exhibit 165 (R. 3780, 10398) shows that in 1940, 83.86 per cent of the total tons of iron and steel articles of the entire country originated in the appellant States and only 6.65 per cent in the South. Iron and steel tonnage handled by the railroads in the appellant States amounted to over 62,000,000 tons and comprised over 15 per cent of the total traffic handled by these railroads as compared with 7,346,000 tons handled by the Southern railroads, which constituted 5 per cent of their total traffic.

These differences are the causes not the results, of the differences in the freight rates. Thus the record shows that 90 per cent of the glass and glass containers of the country are manufactured in Pennsylvania, West Virginia, Ohio, Illinois, and Indiana and that this is due to the abundance of coal, glass-sand, limestone, and sodas available in close proximity in these states. The existence of salt, coal, hydro-electric power or gas within easy access of each other in the North and not in the South has brought about a large production of heavy chemicals in the North (R. 3749).

The catalogue of differences in the kinds and volumes of freight produced and available to the railroads in the several territories could be extended at length from the evidence of record. Suffice it to say that the evidence fully supports the comment of Commissioner Mahaffie that

> "In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the exent equality is justified by transportation conditions" (p. 708, R. 323).

C. The Commission's orders are not supported by the references to the small proportions of freight moving at class rates in the South and West and interterritorially.

As has been previously remarked, one of the most significant facts in this proceeding, which, as we contend, negatives all basis for the Commission's orders, is the meagre proportion of freight in the South and West and from the South and West to Official territory on which the class rates affected by the orders are demanded. On page 696 and elsewhere in the report, the majority endeavor to turn this fact into a ground for their ultimate findings. They say, for example (p. 696, R. 311):

> "It is clear that the method of distribution of the rate burden between types of traffic now observed in southern, southwestern, and western trunk-line territories has resulted in rates so high that they have prevented the free movement of traffic *at the rates in issue*. This result is fully proved by the fact that numerous lower exception and commodity rates which move the great preponderance of the traffic and produce the great preponderance of the revenues in those territories, have been established." (Italics added.)

This is a most misleading and meretricious remark, in the sense in which it was evidently intended. It was perhaps hoped that the italicized words would be overlooked by the careless reader and that the impression would be conveyed that the rate structures have "resulted in rates so high that they have prevented the free movement of traffic." Of course if that were true, it would be a serious indictment of the rate structures. However, the fact that in the South and West an insignificant proportion of the freight transported moves at class rates proves nothing more than that the railroads in those territories have provided lower exception or commodity rates upon which the freight actually moves freely. Correctly construed, the statement is really nothing more than that the class rates in the South and West are merely "paper rates" and, therefore, do not result in violations of the Act since they are not *charged* because lower rates are available.

Moreover, if, as the majority would have it appear, one of the excuses for their orders is to stimulate an increased movement of freight at class rates rather than at commodity rates, it is apparent that the requirement that the class rates in Official territory be increased runs squarely counter to such a purpose. The reasoning of the majority is inconsistent with itself.

D. The fact that the average rate of return of the railroads in Official territory has been slightly less in recent years than the corresponding average figures for the railroads of the South and West does not support the ultimate finding of undue prejudice and preference in violation of Section 3 (1) or the finding that the present class rates in Official territory are less than minimum reasonable rates in violation of Section 1 (4) and (5) (a) and does not justify the orders requiring an increase in the latter rates.

On page 705 (R. 320), the Commission says that its finding that the present class rates in Official territory should be increased 10 per cent

> "is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described."

This is a statement that has been previously discussed in this brief. It simply does not make sense.

It is not clear from the language of the report just what figures the Commission referred to, but presumably they are taken from Statistics of Railways as reported by the carriers to the Commission and include the figures in the tables on pages 613 and 657 of the report (R. 228, 272). It is understood that rate of return means the per cent which the net railway operating income from all railroad operations in each territory bears to the total reported investment in railway property used in transportation service by the carriers in that territory plus cash and material and supplies. The figures in the two tables do not appear to correspond, since, for example, the rate of return for the Eastern district for the year 1941 is shown on page 613 (R. 228) as 3.62 per cent and on page 657 (R. 272) as 5.51 per cent.

In any event, however, just as computations of average costs do not afford proof of the cost of handling class rate freight or of the relative costs of handling such freight in the several territories, so the figures as to rates of return do not afford the slightest proof that the class rates in one territory are less remunerative than those in another or that "the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described."

In view of the much higher rates for the transportation of raw materials and low-grade freight in Official territory than in the South and in view of the tremendous volumes of coal and iron and steel and other freight moving in Official territory which is not available to the railroads in other territories, it is much more likely that the revenue needs of the carriers in Official territory from their class rate traffic are less than is the case in other territories.

There are other reasons why the majority's statement is wholly arbitrary and without any basis in finding or evidence. Thus there is no finding and no evidence that the figures of property investment, in relation to which the percentages are computed, are arrived at in the same way. There is no proof that the investments are equally proper and necessary. There is neither finding nor proof that they properly represent the values of property to be used as rate bases. Since the cost evidence is no proof of the actual costs of transporting class rate traffic, there is no basis for a finding that the class rates contribute greater or less net revenue in one territory than in another. There is no finding and no evidence that the differences in "rates of return" are not due to passenger traffic, less-carload freight, or freight moving at commodity or exception rates.

In short, the remark, page 705 (R. 320), that

> "the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case"

in other territories, is gratuitous, arbitrary, and utterly unsupported by the evidence.

It is submitted, therefore, that such considerations as appear from the report to constitute the factual grounds upon which the majority rest their ultimate finding that the class rates are unlawful because not uniform in all territories are not valid and do not support its determinations.

POINT V

The orders, in requiring a 10 per cent increase in the class rates for transportation in Official territory, in view of the compensatory character of the existing rates, violate Section 15a(2) of the Interstate Commerce Act.

Section 15a(2) requires that the Commission "in the exercise of its power to prescribe just and reasonable rates" shall

> "give due consideration, among other factors * * * to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service."

It is not found, and there was certainly no evidence before the Commission that the class rates for transportation in Official territory were so low as not to be consistent with the furnishing of "adequate and efficient railway transportation service." On the contrary, as previously argued, the evidence and the Commission's findings demonstrate that the class rates are highly compensatory for the service furnished. Neither is there any suggestion that the service furnished in transporting class rate freight is not "adequate and efficient."

Hence, it is submitted that in ordering that these highly compensatory rates be increased, the Commission failed to obey the mandate of Section 15a(2), and denied to shippers and receivers in Official territory, shipping at class rates, the due consideration required by the Act of their need for railway transportation "at the lowest rates consistent with the furnishing of such service."

POINT VI

The orders are beyond the authority of the Commission, arbitrary and discriminatory in that they would require shippers and receivers in Official territory to pay increased freight rates for the benefit of the railroads in the South. The lower Court erred in not so deciding.

Although not expressly stated, one of the real reasons why the Commission, having decided upon uniformity, has required that it should be accomplished by increasing the level of the class rates in Official territory, is disclosed by several significant portions of the majority's reports.

At pages 607 to 608 of its first report (R. 222, 223), the Commission discussed the evidence bearing upon the effect on the revenues of the Southern railroads which would be produced by substituting the Official territory rates for the rates in the South; in other words, by bringing about equalization on the Official territory level. The Commission pointed out that a witness for the Southern railroads calculated that if the revenue per ton-mile of the railroads in the Eastern district produced by the rates charged by the carriers in that district for the year 1939 were applied to the traffic handled by the Southern railroads, this would bring about a reduction in their revenues of $40,403,665 for that year. The Commission's cost analyst, according to the report, reworked these figures, making certain adjustments, as the result of which he computed that the revenue loss would be $23,499,831, based on traffic handled in 1939.

On page 634 (R. 249), the Commission, in discussing the so-called Florida arbitraries, set forth a table showing the net railway operating incomes, rate of return and deficits as of three important Southern railroads, the Atlantic Coast Line, Seaboard Air Line, and Florida East Coast, for the years 1927 to 1940, inclusive, and remarked:

> "If these statistics are accepted at their face value, the carriers' need for additional revenues in the years shown is plainly indicated."

At page 696 (R. 311), the Commission said:

> "One of the principal contentions of southern and western respondents, and of certain industrial interests, is that the establishment of the eastern level of class rates in the South and West will require upward revisions of exception, column, and commodity rates in order that the railroads may recoup revenue lost from the reduced class rates. They show that many of the exception and column rates in the South and West are higher than the eastern level of class rates, and contend that establishment of the eastern class-rate level in those territories would require reductions of those exception and column rates which are higher than the eastern class rates, thereby further reducing respondents' revenues. These contentions are directed against the establishment of the eastern class-rate level in the other territories but are not an answer to the claim that the differences

between the intraterritorial and interterritorial class rates in and between the several territories are not justified by transportation conditions."

Thus it is apparent that the majority of the Commission adopted the expedient of ordering an increase in the class rates in Official territory in furtherance of their purpose "of bringing the several intraterritorial freight-rate structures under consideration closer together in level" (p. 703, R. 318) in order to minimize the revenue loss for the Southern carriers involved in so doing. In short, Official territory shippers would be compelled to pay increased freight rates to carriers in Official territory to prevent reductions in the revenues of the carriers in Southern territory.

The Commission has certain powers under the Act to deal with the freight rates "demanded or collected" of shippers. It may prescribe rates in the light of the revenue needs of the carriers demanding or collecting them. But certainly there is no authority granted to the Commission to find that carrier A must increase the charges which it makes to its shipper X, in order that carrier B may grant equal rates to its shipper Y without depleting its earnings.

Under the orders the Official territory shippers would be compelled to pay more, despite the profitableness of their present rates, to enable the shippers in the South to have equality which the Southern railroads themselves cannot afford to give them. This is discriminatory and arbitrary action.

POINT VII

The Commission's orders represent an attempt to alter economic and industrial conditions and for that reason are beyond the authority of the Commission.

Since the majority's decision and the orders are not sustained by preliminary findings of fact essential to a finding of a violation of the Act, and since the reasons which are given by the majority are wholly inconsistent or fail completely to afford logical support for the decision, it is appropriate to inquire further as to the real basis for the orders.

The circumstances in which the investigation was instituted and conducted cannot be ignored; we have referred to them at the beginning of this argument: the "ground swell of agitation", the "feeling * * * deeply rooted" as to "the basic troubles in the economy", to borrow the language of the Assistant Attorney General in argument in the lower court. We have the word of the Chairman of the Senate Committee on Interstate Commerce that

> "recently the President of the United States appointed a new Interstate Commerce Commissioner. He is the author of a study on freight-rate discriminations. The State of Alabama now has two Commissioners on the Interstate Commerce Commission and both of them are there * * * because of the request and suggestion of the Senator from Alabama." (Congressional Record, p. 5889, Vol. 84, Part 6.)

It has been correctly remarked that the alleged "industrial lag" of the South is "an economic question." Is it not probable that these members of the Commission who "are there * * * because of the request and suggestion of the Senator from Alabama" conceived that they were there to aid in meeting this "economic question"?

The testimony presented by the Southern Governors and the large part of the report devoted to the subject strongly indicate that the decision, which cannot be justified on transporation grounds, really reflects an effort to give effect to the economic theories as to how the "industrial lag" of the South is to be overcome. Although without factual support in the statistics and testimony of record, the method advocated by the "agitation" was to remove the difference in the levels of class rates and thus to encourage industry to shift from the North to the South.

This proceeding was used as the vehicle to accomplish this purpose. Thus, the majority have made their orders responsive to the testimony of Governor Holland of Florida, who after informing the Commission from the witness stand "that the Southern Governors' Conference has been behind the bringing of this case as its principal activity" (R. 2540), stated that he voiced the attitude of all Southern Governors, who had urged that "key industries, vital industries, be decentralized and spread out over vast stretches of the country" (R. 2541). He said:

> "It is our view that the taking of prompt action in this case is necessary so that these war industries will have uniform levels of rates so that at the end of the war they can convert to peacetime manufacture, both *to prevent maladjustment in labor population* and the like, and *to keep our nation from* getting back into the old rut, *the old situation of too many key industries in one region,* thus jeopardizing our own security and the peace of the world.
>
> "We feel that no American will say that such efforts to carry out *this new National Policy of distribution or scattering of industry* is other than in the immediate public interest. We feel as well that there is no better time to establish uniform class rates than right now" (R. 2541-2542). (Italics added.)

Governor Cooper of Tennessee also discoursed at length on "the economic ills of the South" and emphasized that "the plea of the Southern Governors * * * is a plea * * * for national economic stability" (R. 2432). Their demand for equality of class rates for the purpose of "scattering industry" is in accordance with the continuing policy of other southern spokesmen.

As Commissioner Eastman said in his concurring opinion in *Stoves, Ranges, Boilers and House-Heating Furnaces,* 182 I. C. C. 59, 74:

> "However, it is undeniable, I think, that in the past both southern manufacturers and southern carriers have shown a tendency to demand that the rates to the North be equalized in level with those within the North, on the ground that such equalization is commercially essential to the southern industries. It is a sufficient answer to say that it is not our province to equalize commercial conditions. However, the evidence in this case has served a useful purpose in making it quite clear that the southern manufacturers have certain advantages over their northern rivals, so far as operating and overhead costs are concerned, which would have to be taken into consideration if it were our duty to equalize commercial conditions through an adjustment of freight rates."

In the same case the majority said (p. 68):

> "the position of the southern interests is in effect that we should require the northern carriers to join with the southern carriers in joint rates from the South to the North sufficiently low to enable southern manufacturers to obtain an amount of trade in the North satisfactory to them. With this contention we can not agree. It is not within our power to equalize natural disadvantages of locations."

The courts also have held that the Commission has not been endowed with authority to order changes in freight rates for such a purpose.

Judge Parker in *Anchor Coal Co.* v. *United States,* 25 F. (2d) 462, in much cited language, said (p. 470):

> "It is perfectly evident * * * that, in reducing the rates from the northern field, and in directing the

> cancellation of the reduction from the southern field, the Commission was primarily concerned, not in fixing rates, but in fixing the differential which was to prevail between the two fields * * *. But it must be manifest that increasing the differential to meet such a situation [and the same would be true of decreasing a differential] is not regulation of rates, but regulation of industrial conditions under the guise of regulating rates. * * * it is in essence a regulation of industrial conditions through manipulation of rates.
>
> * * * * * * * * *
>
> "The Commission does not have the right * * * to regulate industrial conditions under the guise of regulating rates.
>
> * * * * * * * * *
>
> nowhere (in the Act) is it provided that * * * the Commission * * * may fix rates * * * with a view of placing competing producers upon an equality * * *."

In *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, at page 637, the Supreme Court used the language previously quoted, in which it said:

> "A tariff published for the purpose of destroying a market or building up one, of diverting traffic from a particular place to the injury of that place, or in aid of some other, is unlawful; and obviously what the carrier may not lawfully do, the Commission may not compel." (Citing various authorities.)

See also *So. Pacific Co.* v. *Interstate Comm. Comm.*, 219 U. S. 433; *I. C. C.* v. *Diffenbaugh*, 222 U. S. 42; *United States* v. *Illinois Central Ry.*, 263 U. S. 515, 524.

In the situation here the orders would certainly have the effect of a tariff or duty. They would impose a heavy charge on the doing of business in the appellant states, with the purpose of encouraging industrialists to choose locations in the South or West. Such orders constitute an attempt "to regulate industrial conditions under the guise of regulating rates" and are invalid.

POINT VIII

To the extent that the orders rest on a finding of undue preference and prejudice in violation of Section 3(1) they are invalid because they do not leave the carriers an alternative as to the method of removing the rate differences.

It has been held that the very nature of the offense prohibited by Section 3(1) requires that the carriers shall have an alternative as to the method of removing the prejudice and preference, whether by increasing the preferential rates or reducing the prejudicial rates. And if the circumstances are such that the carriers cannot have an alternative, no violation of Section 3(1) can be found to exist. *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, 650.

The only exception to this rule may be in an instance where the lower rates are less than minimum reasonable rates or the higher rates are in excess of maximum reasonable rates.

The Commission's ultimate finding that the class rates within Official territory are less than minimum reasonable rates is a nullity for the reasons outlined in Point I hereof.

And if it be argued that, although the class rates in Official territory are profitable for the railroads in that territory, nevertheless class rates at that level would be inadequate for the railroads in the South and West, this could mean only that there is no violation of Section 3(1), because it would demonstrate that the transportation conditions in the several territories are so different as to justify different rate levels.

Counsel for the Commission and certain of the other defendants, however, argued in the court below, as they will undoubtedly do before this Court, that where a violation of Section 3(1) is found to exist, the Commission is not required to allow an alternative but has authority to prescribe maximum or minimum rates for the purpose of removing undue preference or prejudice, although such rates may not be unjust and unreasonable within the purview of Section 1 of the Act. This argument rests upon an alleged distinction between orders under Section 3 and orders under Section 15, said to be suggested by the opinion in *Texas & Pacific Ry Co.* v. *United States,* 289 U. S. 627, and by that in *Youngstown Sheet & Tube Co.* v. *United States,* 295 U. S. 476. An examination of these decisions will show that the distinction, to the extent that any exists, is merely verbal and not one of substance.

Section 15(1) provides, in part, that whenever the Commission shall find any rate

> "unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial * * * the Commission is authorized and empowered to determine and prescribe what will be the just and reasonable * * * rate * * * to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged * * * and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist. * * *"

In the *Texas & Pacific* case, *supra,* the Court stated at page 650:

> "Where an order is made under § 3 an alternative must be afforded. The offender or offenders may abate the discrimination by raising one rate, lowering the other, or altering both. Compare *American Express Co.* v. *Caldwell,* 244 U. S. 617, 624; *United States* v. *Penna. R. Co.,* 266 U. S. 191; *Chicago, I. & L. Ry Co.* v. *United States,* 270 U. S. 287, 292; *Minneapolis & St. L. R. Co.* v. *Peoria & Perkin U. R.*

> *Co.*, 270 U. S. 580, 582. The situation must be such that the carrier or carriers if given an option have an actual alternative."

In connection with the first sentence of this statement, it inserted a footnote reading as follows (p. 650):

> "This is not true of an order pursuant to section 15(1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not issued under that section."

The *Youngstown* case involved the validity of an order of the Commission which required the carriers concerned to increase certain competitive coal rates because the existing rates were unreasonably low. The nature of the findings on which the Commission based its order is, in part, indicated in the Court's opinion on page 480:

> "In the first place the Commission here found the required minimum reasonable; in the second place, it had, after full investigation in this and the Ohio case, held the existing rate structure—built upon certain reasonable key or controlling rates by application of proper differentials—just and reasonable, and the ex-river rates here in issue, in contrast, too low. Comparisons of other rates in the same or adjacent territory, while not a conclusive test of reasonableness of a rate under investigation, have probative value. There was much other evidence bearing upon the character of the service and cost. The order of the Commission was based primarily upon the reasonableness of the minimum prescribed. The existing rate structure furnished support for the finding of reasonableness."

Reference to the Commission's decision, *Bituminous Coal to Youngstown*, 197 I. C. C. 617, 634, will show that it also made a finding that the maintenance of rates on a basis *less* than the prescribed minima would unduly prefer the points from which the rates found unlawful applied and unduly prejudice other coal origin points. The carriers attacked the Commission's order on two grounds. First, they contended that there was no evidence to support the finding that the rates involved were unreasonably low. The Court dismissed this contention. Then the carriers further contended that the order was a Section 3 order and that it was void because it deprived them of an alternative method of removing discrimination. In answer to this contention the Court stated at page 480:

> "3. There is no merit in the contention that the order was a § 3 order and invalid for failure to afford the carriers an alternative of raising the contested rate or lowering others to remove discrimination. It is true the Commission found prejudice to shippers all rail, but in essence the order entered was a § 15 order and not one made under § 3."

While the Court's opinion does not explicitly indicate such to be the fact, it would seem that the contention made in the *Youngstown* case that the order was a Section 3 order and that, hence the carriers were entitled to an alternative in removing the discrimination, was based upon the assumption that the Commission had erred in finding the rates in issue less than just and reasonable and that, consequently, if any violation existed it was a violation of Section 3(1). As we have seen, however, the Court found that there was ample evidence to support the finding of unreasonableness and the order requiring the establishment of prescribed minimum rates. Since the minima were prescribed under the authority conferred by Section 15(1), the order was referred to as a Section 15 order. In the *Texas & Pacific* case the Court expressly found that there was no basis for the exercise of the minimum rate authority conferred by Section 15 and that, consequently, the carriers were entitled to an alternative in removing the undue preference and prejudice.

Strictly speaking, there is no such thing as a Section 3 order. That section contains no provisions for the making of orders. It is Section 15 that confers authority upon the Commission to make orders requiring the carriers to cease and desist from unlawful acts. The nature of the order which the Commission may make depends upon the precise violation of the Act found to exist, which brings into play the Commission's authority to issue an order to accomplish its removal. For example, it has been the consistent practice of the Commission when it finds that a particular rate or group of rates is unreasonably high or low, in violation of Section 1, to prescribe the maximum or minimum reasonable rates thereafter to be observed. It is recognized, however, that ordinarily there is what is referred to as a zone of reasonableness between the extremes of the maximum and minimum rates permitted by Section 1. *United States* v. *Chicago, M. St. P. & P. Co.*, 294 U. S. 499; *Int. Comm. Comm.* v. *Inland Waterways Corp.*, 319 U. S. 671, 685.

It may happen, as in *United States* v. *Illinois Cent. R. R.*, 263 U. S. 515, and in the *Texas & Pacific* case, *supra*, that the different rates charged two competing shippers, both of which are within the zone of reasonableness, produce undue preference and prejudice, in violation of Section 3. In this event the only function of the Commission is to require the carriers to cease and desist from the discrimination by adjusting the rates to a non-discriminatory basis, and since the rates are within the zone of reasonableness the carriers must be given an alternative as to how the discrimination shall be removed. To deprive them of this alternative would be to deprive them of their right to adjust their rates within lawful limits. *United States* v. *Illinois Cent. R. R.*, 263 U. S. 515; *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, 506. This is plainly what was meant by the Court in the *Texas & Pacific* and *Youngstown* cases when it referred to an order made under Section 3, namely, an order pursuant to Section 15(1), which would require nothing more than a removal of a violation of Section 3.

POINT IX

The Court below erred in failing to hold that the evidence does not support the orders which are to take effect in the postwar period, and that the Commission erred in refusing to reopen the proceeding to take evidence as to the present and probable future conditions.

The evidence before the Commission concerning competitive and industrial conditions as they might affect the issues in the proceeding was almost entirely confined to conditions as they existed in 1939 and prior thereto. At one of the final hearings this evidence was supplemented by evidence showing new industries which had located in the South in the year 1941 (Exhibit 219, R. 11676). The cost computations of Dr. Edwards were based upon statistics for the year 1939 and most of the railroad figures in the record were for that year. By stipulation at the oral argument, leave was granted to refer to certain statistics reported by the railroads to the Interstate Commerce Commission for subsequent years, but so far as appears from the report the only later figures cited by the Commission were the percentages of rates of return of the railroads for the years 1942 and 1943 (p. 613, R. 228).

As a consequence, most of the evidence before the Commission on which it could base its decision relates to the prewar era. Since then this country has undergone the tremendous economic and transportation upheaval produced by our participation in World War II, and the nation is still in the throes of another radical change of its economic, industrial and transportation structure resulting from the termination of the war and the reconversion of the country to an economy geared to postwar conditions.

During the course of the proceedings before the Commission, objection was made to the continuance of the investigation on the ground that it would be utterly unrealistic and unreasonable to assume that the evidence which was being presented, based upon conditions before the war and in the very early war years, would afford a fair indication of conditions which would confront the country and its transportation agencies when the war should terminate. Leading railroad executives and others testified that the war conditions as they had even then developed had already changed the movement of traffic and other transportation factors and that they could not predict what the conditions would be after the war (R. 1805, 2070-2080, 2087-2089, 2093, 2094).

In briefs after the conclusion of the evidence, it was again urged upon the Commission that the record would afford no proper basis for orders prescribing rates to take effect and be operative in the future after the termination of the war. When the Commission announced its decision and issued its orders, these contentions were renewed and the Commission was petitioned to reopen the proceedings for the purpose of taking evidence as to changed conditions which had thus far developed as a result of the war. These petitions were denied by the Commission.

Obviously, the Court may and should take judicial notice that the war has occurred; that the United States has participated therein; that the war brought about an almost complete change in our industrial production and in our internal economy and that in the early postwar period this country is facing both world-wide and domestic economic conditions different from those which obtained before the war. We submit that it should conclude that since the orders are based upon evidence as to conditions before the war and in its early stages, it cannot be assumed that they are responsive to the conditions in which they are supposed to take effect.

In reply it may be argued that in the nature of things the Commission's orders, since they must be based upon evidence, are always predicated upon facts in the past rather than in the future. This is so. But in normal times it may reasonably be assumed that conditions do not so rapidly change that the evidence as to the past may not be accepted as fairly portraying the conditions in which the orders are to operate. But in this case we do not have normal times. The Court must take judicial notice that wars produce such drastic disruptions and changes of economic needs and practices and of industrial processes that the past cannot be fairly assumed to be an indication of the future. We need only refer to the unlimited demand for goods of all kinds in the devastated areas throughout the world to suggest that in the immediate years ahead, when the Commission's orders would take effect, the commerce and industrial production of this country are likely to have an entirely different character and outlook than we have ever known before.

We have previously cited *Atchison, T. & S. F. Ry. Co. v. United States*, 284 U. S. 248, as presenting a parallel to the present case in that there the Commission had acted upon the assumption that a Congressional resolution calling for an investigation of freight rates because of a wave of agitation, changed the substantive law affecting rates. This same case likewise affords a controlling precedent upon the point here discussed. In that case it appeared that following the period covered by the evidence before the Commission there had occurred the nationwide depression of the early 30's. The Commission had been asked to reopen its proceedings for the purpose of receiving evidence as to the changed conditions produced by that depression, and it had been urged that the evidence did not support the order which was to take effect in such changed conditions. The Commission had declined to reopen. This Court held that this was error. It said (pp. 260-261):

> "There can be no question as to the change in conditions upon which the new hearing was asked. Of that change we may take judicial notice. It is the outstanding contemporary fact, dominating thought and action throughout the country. As the Interstate Commerce Commission said in its recent report to the Congress, 'a depression such as the country is now passing through is a new experience to the present generation.' The Commission also recognized in that report 'the very large reductions in railroad earnings which have accompanied the economic depression,' and stated that 'the chief cause of these reductions has been loss of traffic.' For 'in such depressions the railroads suffer severely. Their traffic is a barometer of general business conditions.'
>
> "It is plain that a record which was closed in September, 1928—relating to rates on a major description of the traffic of the carriers in a vast territory—cannot be regarded as representative of the conditions existing in 1931. *That record pertains to a different economic era and furnishes no adequate criterion of present requirements.*" (Italics added.)

We submit that the same conclusion is required here. The record before the Commission on which its orders are based "pertains to a different economic era and furnishes no adequate criterion of present requirements."

POINT X

The recent decision and order of the Commission in Ex Parte 162, *Increased Railway Rates, Fares and Charges, 1946*, and the general increases in their freight rates made by the railroads pursuant thereto, have completely altered the rate situation to which the Commission's orders in the *Class Rate Case* were directed and have made those orders obsolete and impossible of enforcement according to their terms so that they should be set aside and permanently enjoined.

The Commission's findings in the *Class Rate Case* were based upon evidence relating to conditions largely as they existed in 1939 and the early war years. Its orders, dated May 15 and October 30, 1945, found unlawful and ordered a 10 per cent increase in the class rates for transportation in Official territory which it referred to in terms as "the existing and current interstate class rates", the "existing applicable interstate class rates" and the "present current applicable" class rates. It ordered "the present rate" in the West and South reduced 10 per cent.

But those rates no longer exist and cannot be increased or reduced. The Commission's orders cannot operate upon the rates which it specified and found unlawful.

This is because of what has recently occurred in the proceeding referred to in the heading to this point, commonly mentioned as *Ex Parte 162*.

In the spring of 1946 the railroads of the country filed with the Commission a petition alleging that because of increases in their operating and other costs since January 1, 1946 their then existing rates were no longer high enough to supply them with adequate revenues to meet their expenses and provide a return on their property used for transportation. They therefore sought authority to increase all of their freight rates 25 percent, subject to certain maxima or exceptions with regard to the rates for the transportation of a few particular commodities.

The Commission by an interim report permitted the railroads to make temporary increases of approximately 6 and 11 percent in their rates for interstate transportation pending final determination. It then held extensive hearings, receiving a large amount of testimony as to increases in railroad costs and increases in freight rates required by the railroads to render their rates reasonable and to provide an adequate return on the values of their properties and also evidence of shippers and others in support of or opposition to increases in rates. On December 5, 1946 the Commission issued its final report and its order pursuant thereto. The Commission proceeded to its ultimate conclusion with the following preface:

> "We therefore pass to our ultimate findings and conclusions. Before stating them, we think the following observations should be made.
>
> There are here involved all the freight rates and charges, and all the passenger fares of the railroads and many other carriers of the Nation, large and small. What we do will directly affect production and distribution in the industries of the Nation, and the welfare of its various regions, as well as the transportation industry. It will have its effect upon the forces tending to economic stabilization or the reverse. We have accorded every reasonable opportunity for those in any way affected to be heard, while pressing the proceeding with as much speed as the size and complexity in detail of the proposals permitted. No case has ever received from us more earnest study."

Its report is far too voluminous to reproduce in this brief but pertinent excerpts from its findings and its order are set out as appendices B and C hereto.

The Commission's findings stressed the changed conditions and increases in costs since January 1, 1946 with which the railroads of the country were confronted.

By its order, the railroads were permitted to increase their class rates 25 per cent in Official territory (the maximum sought by the railroads to render their rates compensatory in the light of their increased costs), 20 per cent in other territories and 22½ per cent interterritorially. They were authorized to increase their other rates generally 20 per cent with limited increases in the rates for the transportation of certain commodities.

The consequence of this decision, so far as the present case is concerned, is three-fold: (1) the Commission has recognized and found greatly different conditions and factors affecting transportation rates from those in the light of which the decision and orders in this suit were made, (2) the establishment of rates pursuant to Ex Parte 162 has made the rates to which the orders were addressed non-existent, and (3) the effect of enforcement of the order in the *Class Rate Case* upon the present day rates would produce results which plainly were not contemplated thereby.

On this latter point, for example, if the order in the Class Rate Case were now given effect with regard to the rates resulting from Ex Parte 162, the consequence would be an increase of 37½ per cent in the class rates for transportation within Official territory over the rates in effect when the order was made in 1945, and an increase of only 8 per cent in the class rates for transportation within the South and West. This would be a very different result from that contemplated by the orders in the Class Rate Case at the time they were made.

Again in the Class Rate Case the Commission gave as its principal reason for its interim order and for bringing about its approach to uniformity by increasing the class rates in Official territory as well as by reducing the class rates in other territories, the comparatively lower rate of return upon property investment of the railroads in Official territory which the Commission evidently construed as indicating a greater revenue need. The whole purpose of Ex Parte 162, however, was to provide additional revenues for the railroads and the Commission in its report in that proceeding has discussed the comparative rates of return of the railroads in the several territories at great length. It is clear from the findings in Ex Parte 162 that by allowing an increase of 25 per cent in the class rates of the railroads in Official territory while permitting an increase of only 20 per cent in the corresponding rates of the railroads in the South and West, the Commission was seeking to equalize the rates of return on property investment of the railroads in the several territories. In any event, the Commission has taken comparative rates of return into account and has thereby altered the basic revenue situation upon which the Commission predicated its order in the *Class Rate Investigation* which would have required a 10 per cent increase in the class rates in Official territory and a reduction in other territories.

In the *Class Rate Investigation* the Commission attempted to bolster its order requiring a 10 per cent increase in the class rates for transportation within Official territory by a finding in its supplemental report that the class rates which it ordered increased were less than just and reasonable rates (p. 158, R. 477). Whether or not such a finding was justified by evidence relating largely to 1939, it is impossible to see how those rates increased 25 per cent, which was the maximum increase which the Commission permitted to be made pursuant to the decision in Ex Parte 162, can now be less than minimum, just and reasonable rates. Especially is this so since the present rates reflecting the 25 per cent increase are the maximum rates which the railroads in Official territory asked authority to establish and which the Commission has said represents the highest reasonable rates and since the Commission in Ex Parte 162 has found the increased rates to be just and reasonable.

Finally, on this point the interim orders in the *Class Rate Investigation* to which these suits are addressed were, according to the Commission's report, designed as an approach to that uniformity of class rates throughout the country which it was the aim of the Commission ultimately to achieve. This uniformity was to be based upon the mileage scale set out at page 704 of the Commission's report (R. 319). The Commission's action in Ex Parte 162, however, has made that mileage scale a relic of the past. It is so much lower than the class rates which the Commission has now permitted the carriers to establish that it cannot be assumed that the Commission longer intends it to be the basis of the uniform class rates ultimately to be established. Nor can it be said that it is intended that the mileage scale shall itself be increased by the amounts of the percentage increases permitted by the order in Ex Parte 162. Is it to be increased 20 percent, the amount of the increase permitted in class rates in Southern and Western territories, or is it to be increased to 25 percent, the amount of the increase in class rates authorized in Official territory? If either of these alternatives were adopted, the resulting rates would be vastly different from those which the Commission has permitted. On the other hand, if the scale were subjected to both increases, namely, 20 percent, as applied to the rates for transportation in Southern and Western territories, and 25 per cent, as applied to transportation in Official territory, it would cease to be a uniform mileage scale. Consequently, the ultimate uniformity contemplated by the decision in the *Class Rate Case* can now no longer be achieved on the basis found by the Commission in that case to be just and reasonable, and if there is to be uniformity, further findings as to the basis upon which such uniformity shall be accomplished are necessary. This being so, the interim orders, to which this suit is addressed, can no longer be deemed orders to accomplish an approach to the uniformity to be ultimately brought about on the basis of the mileage scale.

It is submitted, therefore, that the order in Ex Parte 162 and the making effective of a 25 percent increase in class rates for transportation in unofficial territory and a 20 percent increase in the class rates for transportation in western and southern territories have so altered the entire rate situation that apart from all other considerations it cannot now be assumed that the Commission's order in the *Class Rate Investigation*, which is the subject of these suits, is designed to take effect under such conditions. Nor can it do so by its own terms. Hence, it should be annulled and enjoined.

Conclusion

For the reasons set forth herein, appellants ask that the judgment of the court be reversed, that the Commission's orders be held unlawful, and that the case be remanded to the District Court with direction to annul, set aside and permanently enjoin the orders.

Respectfully submitted,

✓ PARKER McCOLLESTER,
✓ KENNETH L. SATER,
Attorneys for Appellant States.

NATHANIEL L. GOLDSTEIN
Attorney General, State of New York

FRANK J. CLARK
Special Assistant Attorney General, State of New York

CLAIR JOHN KILLORAN
Attorney General, State of Delaware

JAMES A. EMMERT
Attorney General, State of Indiana

KARL J. STIPHER
Deputy Attorney General, State of Indiana

HALL HAMMOND
Attorney General, State of Maryland

FOSS O. ELDERE
Attorney General, te of Michigan

JAMES W. WILLIAMS
Assistant Attorney General, State of Michigan

WALTER D. VAN RIPER
Attorney General, State of New Jersey

ROBERT PEACOCK
Deputy Attorney General, State of New Jersey

HUGH S. JENKINS
Attorney General, State of Ohio

JOHN E. MARTIN
Attorney General, State of Wisconsin

HERBERT T. FERGUSON
Assistant Attorney General, State of Wisconsin

JAMES H. DUFF
Attorney General, Commonwealth of Pennsylvania

E. A. DELANEY
Deputy Attorney General,
Commonwealth of Pennsylvania

Of Counsel

Appendix A

EXCERPTS FROM PERTINENT STATUTES

Interstate Commerce Act

Section 1 (4):

"It shall be the duty of every common carrier subject to this part to provide and furnish transportation upon reasonable request therefor, and to establish reasonable through routes with other such carriers, and just and reasonable rates, fares, charges, and classifications applicable thereto; and it shall be the duty of common carriers by railroad subject to this part to establish reasonable through routes with common carriers by water subject to part III, and just and reasonable rates, fares, charges, and classifications applicable thereto. It shall be the duty of every such common carrier establishing through routes to provide reasonable facilities for operating such routes and to make reasonable rules and regulations with respect to their operation, and providing for reasonable compensation to those entitled thereto; and in case of joint rates, fares, or charges, to establish just, reasonable, and equitable divisions thereof, which shall not unduly prefer or prejudice any of such participating carriers."

• • •

Section 1(5):

"(a) All charges made for any service rendered or to be rendered in the transportation of passengers or property, or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful."

• • •

Section 3(1):

"It shall be unlawful for any common carrier subject to the provisions of this part to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description."

* * *

Section 15(1):

"That whenever, after full hearing, upon a complaint made as provided in section 13 of this part, or after full hearing under an order for investigation and hearing made by the Commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the Commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this part for the transportation of persons or property as defined in the first section of this part, or that any individual or joint classification, regulation, or practice whatsoever of such carrier or carriers subject to the provisions of this part, is or will be unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of this part, the Commission is hereby authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates, fares, or charges, to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classification, regulation, or practice is or will be just, fair, and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation other than the rate, fare, or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation or practice so prescribed."

* * *

Section 15a.(2):

"In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable the carriers, under honest, economical, and efficient management to provide such service."

Transportation Act, 1940

Section 5(b):

"The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided*, That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation."

Appendix B

EXCERPTS FROM FINDINGS IN EX PARTE 162

"From a consideration of the entire record in these proceedings, we conclude and find:

"1. It is requisite for the carrying out of the purposes of the national transportation policy, and the development, coordination, and preservation of a national transportation system adequate to meet the needs of commerce, the postal service, and the national defense, and in order that freight rates and charges shall be such as to move the greatest volume of traffic, while providing adequate and efficient transportation at the lowest cost consistent with the furnishing of such service, and to enable the petitioning carriers by railroad and by water under honest, economical, and efficient management to provide such service, that there be substantial increases in the basic freight rates and charges of the petitioners, and the continued maintenance of the present temporarily increased basis of passenger fares and charges. That the basic freight rates and charges, and passenger fares and charges, increased or authorized to be continued in the manner and to the extent herein found and approved in detail, will be just and reasonable, but that the full amount of the increases in the form proposed in the petition in Ex Parte No. 162 have not been shown to be just and reasonable, in respects not herein approved.

"2. Except as otherwise specifically provided in these findings or in the appendix thereto, all basic freight rates and charges of the petitioning rail and water carriers justly and reasonably may be increased for the future by 20 percent. By basic freight rates and charges are meant those now in effect, whether established by order of the Commission or voluntary act of the petitioning carriers (including rates held under investigation and suspension orders)—excluding, however, from such freight rates and charges as now in effect such portion thereof as represents the interim increases authorized by the report and order entered herein on June 20, 1946. Basic freight rates and charges include also rates prescribed by outstanding orders of the Commission, when and as the rates therein prescribed become effective, subject to any exceptions specifically noted herein."

• • • • •

"4. The following increases in the basic freight rates and charges for miscellaneous services will be just and reasonable for the future:

"Except as otherwise provided in appendix 1, rates on articles under the general commodity grouping of Manufactures and Miscellaneous, class rates and rates on less-than-carload and any-quantity traffic may be increased 25 percent within official territory, as defined in our prior (interim) report at page 743, 20 percent within and between other territories, and 22.5 percent between official territory and points in other territories."

* * * * *

"20. Appropriate orders for relief under sections 4 (1), 6, 217, 306, and 405 of the Interstate Commerce Act will be entered; except as specified in the following sentence of this finding our outstanding orders will be modified accordingly. As the effectiveness of our order in *Class Rate Investigation, 1939,* docket No. 28300, is now stayed and enjoined, we do not hereby in any manner suspend or supersede, or modify or affect the findings and order entered in that proceeding."

* * * * *

"APPENDIX 1

"Basic freight rates, whether class or commodity, and charges, on the commodities hereinafter specified, may be increased in the amounts and in the manner set forth as to each commodity class or group. The commodity group numbers (or commodity class numbers) used in this appendix, and throughout the entire report and order, for convenience, are those specified in the order of Division Four of November 22, 1927, *In the Matter of Freight Commodity Statistics,* which was in effect at the date of the submission herein, although a new list of commodity classes with articles assigned thereto has been promulgated by order of Division One, September 24 and October 16, 1946, to become effective January 1, 1947. They are intended generally to cover the items customarily included by the carriers in their reports to the Commission under each numbered description, as of the date for the submission."

Appendix C

INTERSTATE COMMERCE COMMISSION'S ORDER IN EX PARTE 162

"ORDER

"At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 5th day of December, A. D. 1946.

"EX PARTE NO. 162

INCREASED RAILWAY RATES, FARES, AND CHARGES, 1946

"EX PARTE NO. 148

INCREASED RAILWAY RATES, FARES, AND CHARGES, 1942

"*It appearing,* That further supplemental petitions have been filed, further hearings have been held, and parties have been heard in oral argument and upon briefs filed October 25, 1946;

"*And it further appearing,* That the Commission, on the date hereof, has made its report in these proceedings containing its findings of fact and conclusions thereon, which said report, together with the reports heretofore made in these proceedings, are hereby referred to and made a part hereof;

"*It is ordered,* That the increased freight rates and charges therein authorized shall supersede and be in lieu of the emergency increases authorized in the prior report of June 20, 1946. The authorized increased rates and charges may be made effective during the period from January 1, 1947 to February 28, 1947, upon not less than five days' notice to the Commission and to the general public, by filing and posting in the manner prescribed in the Interstate Commerce Act;

"*It is further ordered,* That outstanding unexpired orders in other proceedings are hereby modified so as to permit the increases in freight rates and charges herein authorized to be established; *Provided,* however, that the provisions of this paragraph shall not be construed to suspend or supersede or modify or affect the findings and order entered in *Class Rate Investigation, 1939,* Docket No. 28300, the operation of which is stayed by court order;

"*It is further ordered,* That rates, increased as authorized herein, within official territory from and to border points, may be applied as a minimum on interterritorial traffic through such border points to the extent necessary to conform to the provisions of section 4(1) of the act, in like manner as was authorized in the prior report of June 20, 1946;

"*It is further ordered,* That the authorization contained in the report and order of June 20, 1946, respecting increased rates on iron ore to the upper lake ports and increased handling charges on iron ore at those ports, is hereby cancelled effective January 1, 1947;

"*It is further ordered,* That the increase in passenger fares authorized by the order in Ex Parte No. 148, dated January 21, 1942, as modified by the order in Ex Parte No. 148, dated October 20, 1945, be, and it is hereby, continued in effect without expiration date;

"*And it is further ordered,* That all tariffs or supplements changing rates or charges under the authority of this order, which rates or charges are now maintained or held in force by virtue of outstanding orders of the Commission, shall bear on their title pages specific reference to this order."

Certificate of Service

I hereby certify that copies of the foregoing brief were this day mailed to the following conusel of record:

Tom C. Clark, Attorney General
Department of Justice
Washington, D. C.

Philip B. Perlman, Solicitor General
Department of Justice
Washington, D. C.

Wendell Berge, Assistant Attorney General
Department of Justice
Washington, D. C.

Edward H. Miller, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

David O. Mathews, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Chief Counsel
Interstate Commerce Commission
Washington, D. C.

Edward M. Reidy, Assistant Chief Counsel
Interstate Commerce Commission
Washington, D. C.

J. V. Norman
Kentucky Home Life Building
Louisville, Kentucky

Byron M. Gray
608 National Bank of Topeka Building
Topeka, Kansas

George T. Simpson
State Capitol Building
St. Paul, Minnesota

Certificate of Service.

C. B. Bee
State Capitol
Oklahoma City 5, Oklahoma

Walter R. McDonald
Georgia Public Service Commission
Atlanta, Georgia

Douglas F. Smith
11 South LaSalle Street
Chicago, Illinois

H. C. Barron
Western Traffic Executive Committee
Room 310, Union Station
Chicago, Illinois

Henry E. Foley
10 Post Office Square
Boston, Massachusetts

Dated this 8th day of February, 1947.

PARKER MCCOLLESTER,
Of Counsel for Above Named
Appellant States.

FILE COPY

Supreme Court of the United States

October Term, 1946

No. 343

State of New York, State of Delaware, State of Indiana, et al., Appellants,

v.

The United States of America, Interstate Commerce Commission, State of Alabama, et al.

No. 344

State of Maine, State of New Hampshire, State of Vermont, et al., Appellants,

v.

The United States of America, Interstate Commerce Commission, et al.

No. 345

The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company, Chicago, Burlington & Quincy Railroad Company, et al., Appellants,

v.

The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Appeal from the District Court of the United States for the Northern District of New York

REPLY BRIEF FOR THE STATES OF NEW YORK DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, APPELLANTS.

Parker McCollester,
Kenneth L. Sater,
Attorneys for Appellant States.

INDEX

PAGE

I. General comments on opposing briefs 2

II. Points which are unchallenged in the opposing briefs require reversal of the District Court's decision and a decree annulling the Commission's orders 4

III. The argument of appellees that the 1940 amendments did not change the substantive law, except to enlarge the list of those as to whom undue prejudice and preference was prohibited, does not support the Commission's orders, but instead only emphasizes the legal error inherent in the decision of the Court below and in the Commission's action, since it is clear that the Commission, and certainly the lower Court, erroneously regarded the 1940 legislation as changing the law 7

IV. Appellees' argument that the findings of the Commission, claimed to sustain its orders, were supported by substantial evidence is unsound both because the argument fails to distinguish between rates which are published but not charged and rates which are actually charged for transportation and also because, in fact, the Commission did *not* make the findings suggested, so that appellees' argument is really that this Court, in order to sustain the Commission's orders, should accept their view of certain evidence and make findings which the Commission declined or failed to do 13

  A. The differences in the levels of the class rates do not represent differences in the rates charged or in the rates under which "Movements" of freight occur 13

  B. Since it is not the function of the Court to make findings to sustain the Commission's orders when the Commission itself failed to do so, appellees' contention concerning and their references to the evidence, are irrelevant here since the Commission has properly not regarded the evidence as justifying findings 16

PAGE

C. Appellees' argument that the "higher class rates have impeded the development and movement of class rate traffic within Southern and Western Territories and from these Territories to Official Territory" is both invalid in itself and as a claim that the differences in class rates have caused substantial injury to the South and West is negatived by the Commission's findings 29

D. The decision of the lower court and the Commission's orders cannot be sustained by the computations of comparative costs for transportation in the several territories as contended by the appellees 32

E. As to the differences in the consists of traffic.. 34

F. As to the comparative levels of the commodity and exception rates 36

V. Appellees' argument that "interterritorial rate problems are insoluable without uniformity of class ratings and rates" is an argument against the validity of the interim orders in issue here .. 38

VI. The arguments in the briefs for appellees confirm appellants' contention that the real purpose of the Commission's orders was to bring about a redistribution of industry. Far from sustaining the validity of the orders, the argument requires that they be held unlawful 39

VII. Despite arguments to the contrary in the briefs for some appellees, the conclusion is inescapable that the Commission's orders rest, in the last analysis, upon an erroneous conception of the effect of the amendment to Sections 3(1) and 5(1) of the Transportation Act, 1940 42

Conclusion 43

Cases Cited

PAGE

Ann Arbor R. Co. v. United States, 281 U. S. 658 43

Atchison, T. & S. F. Ry. Co. v. United States, 284 U. S. 248 43

Eastern Class Rate Case, 164 I. C. C. 314 35

Florida v. United States, 282 U. S. 194 17

Staley case (United States v. Wabash R. Co., 321 U. S. 403) 37

State of Alabama v. New York Central R. Co., 235 I. C. C. 255 (Southern Governors Case) 24

State of Georgia v. Pennsylvania R. Co., 324 U. S. 439, 450 42

Texas & Pacific Ry. Co. v. United States, 289 U. S. 627 8

United States v. Chicago, M. S. P. & P. R. Co., 294 U. S. 494 18

Western Class Rate Case, 164 I. C. C. 1 35

Supreme Court of the United States

OCTOBER TERM, 1946

◆

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

◆

REPLY BRIEF FOR THE STATES OF NEW YORK DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN and THE COMMONWEALTH OF PENNSYLVANIA, APPELLANTS.

In large part the main brief for these appellants contains their answers to the arguments in the briefs of the several appellees. In other words, if the Court, after reading the briefs of appellees, will again turn to the main brief of these appellants, it will there find their replies to most of the arguments by which it is sought to persuade the Court that the decision of the lower court and the Commission's orders should be upheld.

However, both in regard to the general tenor of the briefs for the appellees and also in regard to certain contentions which are advanced therein, a few further comments may be pertinent and helpful to the Court.

I

General comments on opposing briefs.

There are several features which are common to the briefs of all the parties who here seek to sustain the lower court's decision and the Commission's orders.

A. No serious attempt is made by any appellee to argue that the class rates charged for transporting freight between points in Official territory, when considered as compensation for the service for which they are paid and judged in relation to the rate structure and conditions in Official territory, are unreasonably low in violation of Section 1. Nor could such an argument be made in the light of the Commission's preliminary findings and of the record, which show that the rates are highly profitable. Indeed, the perfunctory ultimate finding included by the Commission in its supplemental report that the intraterritorial class rates within Official territory are less than just and reasonable rates in violation of Section 1(4) and (5)(a) of the Interstate Commerce Act (Petition, p. 158) is hardly referred to in appellees' briefs. To the extent that any attempt is made to support this perfunctory ultimate finding, it rests entirely upon a comparison of the Official territory class rates with the class rates published by the carriers in other territories rather than upon any claim of inadequacy of the class rates within Official territory considered by themselves.

B. The arguments in support of the Commission's authority to order an increase in the class rates within Official territory rest practically entirely upon contentions as to its power to require the removal of undue prejudice and preference (referred to generally as "discrimination") in violation of Section 3(1). The discussion of these contentions, however, and frequent remarks in the briefs calmly assume the existence of discrimination, whereas one of the principal questions before the Court is whether the Commission's reports contain preliminary findings of fact essential for the support of an ultimate conclusion that in charging the existing class rates, the railroads in Official territory violate Section 3(1) of the Act. It is obviously futile to argue that the Commission has the broad powers claimed for it to remove discrimination unless its reports and the record support an ultimate finding that discrimination exists.

C. Although all appellees urge that the Court is bound by the findings of the Commission, a large part of the discussion in the opposing briefs is devoted to evidence plainly rejected by the Commission and not embodied in findings in its reports and constitutes argument which might be urged before the Commission but is not properly addressed to this Court.

II

Points which are unchallenged in the opposing briefs require reversal of the District Court's decision and a decree annulling the Commission's orders.

Repeating to some extent but in different form the foregoing comments, the Court, after reading appellees' briefs, will note that they leave unchallenged the following grounds of attack upon the Commission's orders, which alone call for their annulment.

A. Although the Commission's orders requiring an increase in the class rates charged for transportation within Official territory rest in part upon an ultimate perfunctory finding that these rates are less than minimum reasonable rates in violation of Section 1(4) and (5)(a), no denial is or could be made that:

(1) There is no finding that the present class rates for transportation within Official territory are noncompensatory;

(2) There is no evidence which would support such a finding;

(3) The cost evidence heavily relied upon by the Commission indicates that the class rates are highly profitable to the railroads of Official territory;

(4) There is no finding and no evidence which would support a finding that the existing class rates in Official territory threaten a rate war which would deplete the revenues of the carriers and impair their ability to render adequate service or would destroy other carriers;

(5) There is no finding and no evidence to support a finding that the class rates in Official territory actually charged for the transportation of shipments moving within that territory, although lower than the

corresponding class rates published in the tariffs of the Southern and Western railroads, are really lower than the freight rates actually demanded or charged by the railroads in the South and West for the transportation of the same freight either within those territories or from those territories to Official territory.

B. To the extent that the Commission's orders requiring an increase in the class rates charged for transportation within Official territory purport to rest upon an ultimate finding of undue preference and prejudice in violation of Section 3(1), no denial is or could be made in the opposing briefs that

(1) There is no preliminary finding and no evidence which would support a finding that the differences in the class rates represent differences in the freight rates actually demanded or charged for transportation within Official Territory and for transportation of the same freight from the South and West to Official territory, or that the evidence shows that all but an insignificant portion of the interterritorial movement has the benefit of exception or commodity rates and thus negatives the possibility of such a finding;

(2) The findings made by the Commission and embodied in its reports with respect to the evidence as to the effect of freight rates upon the shipments of individual shippers, their ability to reach common markets, the development of their businesses, and the industrial growth of the South and West, represent findings by the Commission that the differences in the levels of the class rates have not been the cause of substantial injury to the South or to the West as territories or to individual shippers or industries therein;

(3) The Commission's orders requiring an increase in the class rates in Official territory, which are already profitable, are inconsistent with and violate the

requirement of Section 15a (2) that the Commission, in the exercise of its power to order just and reasonable rates, shall "give due consideration, to the need * * * in the public interest, of adequate and efficient railway transportation at the lowest cost consistent with the furnishing of such service;"

C. The cost computations on which the Commission placed substantial reliance do not represent the costs of handling class rate freight, but are averages of the costs of handling all freight;

D. Although the Commission purports to predicate its orders requiring an increase in the Official territory class rates in part upon the fact that the average rates of return of the Official territory railroads upon their property investments have been slightly lower than those of the Southern carriers, there is no finding and no proof that this is due to the class rates or that an increase in the class rates would increase the rate of return.

Apart from all other angles of the case, it is submitted that these fundamental points alone, which appellees do not appear to challenge, constitute sufficient grounds for enjoining the Commission's orders because there can be no valid ultimate finding of violations of either Section 1 or Section 3 in the absence of the foregoing preliminary findings, which are completely lacking and for which there is no evidential basis in the record.

III

The argument of appellees that the 1940 amendments did not change the substantive law, except to enlarge the list of those as to whom undue prejudice and preference was prohibited, does not support the Commission's orders, but instead only emphasizes the legal error inherent in the decision of the court below and in the Commission's action, since it is clear that the Commission, and certainly the lower court, erroneously regarded the 1940 legislation as changing the law.

The brief for the United States and the Interstate Commerce Commission apparently seeks to convey the impression that there is substantial agreement between appellants and appellees on major issues and controlling principles and that, since this is so, the conclusion contended for by appellees must be the correct one. But this is plainly a *non sequitur.* If there is agreement on certain important propositions of law, this only emphasizes the conflict between the parties as to their application here. And it is submitted that the application made and the inference sought to be deduced by appellees from these propositions as to which agreement is claimed are unsound and in contravention of the facts.

Perhaps the principal question of law is whether the amendment made to Section 3 of the Act and the Ramspeck Resolution wrought a major change in the applicable law and rendered rates unlawful which were entirely law theretofore.

It is said in the brief for the Commission and the United States, at pages 66 ff., that by the 1940 amendment to Section 3 and the so-called Ramspeck Resolution, Congress did *not* and did not intend by legislative fiat to require nationwide uniformity of class rates and did not impose a mandate upon the Commission to bring about such uniformity or an approach thereto. With this we agree. It is, moreover, the position of these appellants that the 1940 amendment to Section 3 did not change the requirements for a determination that rates produce undue prejudice and preference in violation of Section 3 but merely added regions, districts, or territories to the list of parties or things between which discrimination was prohibited. Indeed, had it not been for the decision of this Court in *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, narrowly construing the word "locality", these appellants would be inclined to the view that the 1940 amendment was unnecessary and it is their conception that it merely added language to give to Section 3 the effect which it was generally assumed that it already had prior to the decision in the *Texas & Pacific* case. Hence as we argue, and as the United States and the Commission apparently agree, there was no more a mandate upon the Commission to bring about nationwide uniformity of class rates after the 1940 amendment than there was before. Class rates were no more unlawful because on different levels in different territories after that amendment than they were prior thereto. We contend, further, that to sustain a determination of undue prejudice and preference as between regions, districts, and territories the same general character of preliminary findings and of evidence was required as had always been held essential to sustain a determination of a violation of Section 3(1) as it was prior to 1940.

But the important point is not whether counsel for appellants and counsel for appellees now by their briefs agree that the 1940 legislation worked no fundamental change in the law. The question is whether the court below and the Commission conceived that the law had been changed and predicated their decisions on such a conception.

As for the lower court, it is plain from its opinion that it regarded the law as changed and based its action in upholding the Commission's orders upon its view that rates which were lawful before were rendered unlawful by the 1940 legislation and that such legislation empowered the Commission to declare rates in violation of Section 3 of the Act without preliminary findings of facts previously held to be essential to such a determination. The lower court, in its opinion said (R. 1432, 3):

> "We think Par. 3(1) as thus amended does add new factors to be taken into account by the Commission in determining, under the old and well recognized principles which were before guides to decision in such matters, whether existing rates are unlawful. These new factors are whether such rates are unjustly preferential, prejudicial and discriminatory as between regions, districts or territories; and, in our opinion, Par. 3(1) now empowers the Commission to find such rates unlawful even though they would have been lawful in the light of all relevant considerations before the amendment. We may, indeed, take it for granted that they were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission."

It is equally clear that the Commission was moved to its determination by a belief that the 1940 legislation had changed the essentials of a finding that Section 3 is violated where the prejudice and preference alleged are between "territories". and that in such a situation it had received a mandate different from any under which it had previously functioned. The Commission said (pp. 691-692, R. 306-307):

> "Considering the breadth of the language used in the amendments here under consideration, the evils

> sought to be cured by this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments—all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country."

And its view of the law as so amended, was stated by it, in language quoted by the lower court (R. 1433):

> "'By the amendment to the substantive antidiscrimination provisions of section 3(1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that *such discriminations as those mentioned* which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making *applied in the light of the amended law* are unlawful and should be corrected.'" (Italics added.)

This is certainly a statement of the supposed essentials of a determination that rates violate Section 3 far different from any previous interpretation of that Section. It had never been held before that rates were *prima facie* in violation of Section 3 because different, or that if the different rates resulted from "differences in the method of distributing the general rate burden", a determination that Section 3 was violated was required unless the rate differences were "justified upon proper consideration of recognized elements of rate making." On the contrary, it was the well settled law that mere difference was not discrimination, that differences resulting from differences in the rate structures *were* justified, and that there could be no determination of a violation of Section 3 without preliminary findings that the different rates were affected by and charged under substantially similar conditions and that the differences were the cause of substantial injury to the party alleged to be prejudiced or substantial benefit to the party claimed to be preferred.

But it is plain here that the Commission conceived that merely because on different levels in the different territories the class rates were at least *prima facie* unlawful and that the burden of proof was upon those who sought to defend them, notwithstanding that the Commission had itself prescribed the rates. It is plain also that the Commission conceived that because of the 1940 legislation it should hold the rates unlawful without any findings by it or evidence of facts such as had previously been held essential to a condemnation of rates as violative of Section 3.

In no other way can the Commission's finding of a violation of Section 3 be explained because of the obvious absence from the reports of findings of fact heretofore always regarded by the courts and the Commission itself as essential to such a determination.

Thus the Commission's report will be examined in vain for any finding that the difference in levels of the class rates has been or is the cause of substantial injury to Southern and Western territories, as such, and of substantial preference and benefit to Official territory.* Again, there is no finding that the class rates on their differing levels are charged for the transportation of the same or competing freight in the several territories and the Commission's findings clearly negative such an assumption. Neither is there a finding that the different conditions and considerations and different characters of the rate structures in the several territories, which led the Commission itself to prescribe the class rates on their present differing levels in each of the several territories, have changed so that there is now a substantial similarity of circumstances and conditions affecting the class rates.

It is submitted, therefore, that the agreement of counsel for the United States and for the Commission that the 1940 legislation did not change the substantive law as to the essentials of a determination of unlawful prejudice and preference in violation of Section 3 of the Act supports appellants' contention that the decision of the lower court and the orders of the Commission rested on errors of law.

---

* This point will be discussed further presently. It is pertinent to observe that counsel for the United States and the Commission agree therewith because at page 125 of their brief they recognize the absence of any such finding and endeavor to compensate for it by reference to evidence which they argue would have warranted such a finding.

IV

Appellees' argument that the findings of the Commission, claimed to sustain its orders, were supported by substantial evidence is unsound both because the argument fails to distinguish between rates which are published but not charged and rates which are actually charged for transportation, and also because, in fact, the Commission did *not* make the findings suggested, so that appellees' argument is really that this Court, in order to sustain the Commission's orders, should accept their view of certain evidence and make findings which the Commission declined or failed to do.

A. The differences in the levels of the class rates do not represent differences in the rates charged or in the rates under which "movements" of freight occur.

Beginning on page 86 of the brief for the United States and the Commission, there is discussion of what are referred to as the six major findings of the Commission which are claimed to support its conclusion that the conditions within the different freight rate territories do not warrant the existing differences in class rates. The first ten pages are devoted to tables and statements of figures to support the caption that "Class rates within Southern and Western territories, and from these territories to Official Territory, are much higher, article for article, than the rates within Official Territory."

We must remind the Court that all of these figures are figures as to the class rates published in the tariffs and do not represent comparisons of rates actually charged. This caution is necessary because the language of the brief, doubtless through inadvertence, may convey an incorrect impression in this regard. For example, on page 88, reference is made to "comparisons for interterritorial movements" and there are other references to the rates for "movements." Thus, it is said on page 88 that

> "On a movement of 800 miles within Official Territory, the table above shows that a rate of $1.60 per 100 pounds applies on first class traffic, while for the same distance in Southern Territory, the rate is $2.22."

This is entirely misleading, however, if it is construed as meaning that in the case of the commodity for the transportation of which for a distance of 800 miles in Official territory a rate of $1.60 is charged, the rate actually charged for transportation for the same distance in the South is $2.22. As pointed out in appellants' main brief, there is absolutely no finding and no evidence to support a finding that the differences in the levels of the class rates indicate the differences, if any, in the freight rates actually charged. Again, on page 91, referring to the fact that the Official Classification classifies at first class 2,092 items "each of which moves at a rate of 80 cents for a haul of 200 miles", it is said that in the Southern Classification "2,075 of these 2,092 articles are classified first-class, moving at a rate of $1.12 for 200 miles." There is, however, no finding and no evidence that if these 2,075 articles or any of them are shipped for 200 miles in Southern territory the freight rate charged thereon is $1.12.

The point here made is of great concern to these appellants. If it be the law that a difference in freight rates as between territories constitutes undue prejudice and preference in violation of Section 3 or renders the lower rates unlawfully low in violation of Section 1 and the higher rates unlawfully high in violation of the same section, then this can only be so with regard to the rates actually charged. The feature of the Commission's orders to which appellants primarily object is their requirement that the class rates for transportation within Official territory be increased 10 per cent. It would be grossly unfair, under a claim of accomplishing an approach to uniformity, to require shippers and receivers in Official territory to pay, in addition to their present rates, which are clearly profitable to the railroads, many millions of dollars of additional freight charges in increased rates which they actually pay in order to bring about equality with rates which shippers in the South and West do not pay because lower exception or commodity rates have been provided for them.

There follow at pages 98 to 127 examples of what are referred to as "specific class rate inequalities in concrete situations, of which, as the Commission found, there was 'abundant evidence' ".

The language quoted must obviously be intended to convey the impression that the examples cited were actually found by the Commission to afford "abundant evidence" of rate inequalities due to differences in the levels of the class rates in the several territories. Reference to the page of the record cited will show, however, that such an impression is not justified. At the page cited the Commission was discussion not the class rates, but the classification ratings and the differences in ratings of various commodities in the several territories. The Commission said:

> "Abundant evidence has been received showing that the differences in classification ratings compel shippers, in each of the classification territories, to pay on certain articles transportation rates that are relatively higher than the rates paid on the same articles by shippers in one or both of the other territories, considering present class rate levels in the respective rate territories."

Of course the Commission's interim orders, whose validity is challenged in these suits, were not directed to the classification ratings and the Commission made no order whatsoever with regard thereto, leaving the carriers to work out a revision of their classification ratings. Hence, the finding of the Commission, from which the words "abundant evidence" were quoted, had nothing to do with the issues here, which are whether the differences in the levels of the class rates result in undue prejudice and preference in violation of Section 3 and whether the rates are unjust and unreasonable rates in violation of Section 1. Indeed, after the language quoted the Commission went on to say

> "In fact, on many articles a shipper in a lower rated territory must pay higher rates than one in a higher rated territory, owing to differences in classification ratings."

In other words, although the first class rate in Official territory for a given distance may be lower than the first class rate for the same distance in the South and West, a shipper of a particular commodity in Official territory may actually pay higher freight rates than a shipper of the same commodity in the South or West because of the fact that the article is accorded a lower classification rating in the South or West than in Official territory. In other words, the difference in the levels of the class rates does not mean or cause a corresponding difference in the freight charges actually paid.

B. Since it is not the function of the Court to make findings to sustain the Commission's orders when the Commission itself failed to do so, appellees' contention concerning, and their references to the evidence, are irrelevant here since the Commission has properly not regarded the evidence as justifying findings.

Beginning on page 98 of appellees' brief, there are set out (with record references) a series of examples which are supposed to demonstrate "how discriminatory and unreasonable the class rate structures are" (p. 126).

The first comment upon these examples is that although they are cited under a caption (p. 86), beginning with the words "The findings of the Commission" (as if to suggest that the Commission actually found the existence of these various instances as examples of unreasonableness, prejudice or injury caused by the differences in the levels of the class rates), the Commission itself actually made no finding whatsoever to that effect. Even had the Commission unwittingly ignored the testimony to which the examples refer, and, through error or oversight, had failed to make findings in accordance with the description of the testimony set out in appellees' brief, it would still not be the function of this Court to create support for the Commission's orders by itself making such findings. The law is well settled on this point.

In *Florida* v. *United States*, 282 U. S. 194 (1930), this Court stated (p. 215):

> "The question is not merely one of the absence of elaboration or of a suitably complete statement of the grounds of the Commission's determination, to the importance of which this Court has recently adverted (*The Beaumont, Sour Lake & Western Railway Company* v. *United States, ante*, p. 74), but of the lack of the basic or essential findings required to support the Commission's order. *In the absence of such findings, we are not called upon to examine the evidence in order to resolve opposing contentions as to what it shows or to spell out and state such conclusions of fact as it may permit. The Commission is the fact-finding body and the Court examines the evidence not to make findings for the Commission but to ascertain whether its findings are properly supported.*" (Italics added.)

This language was quoted in *United States* v. *Chicago, M. S. P. & P. R. Co.*, 294 U. S. 494, at pages 504 and 505.

The fact is, however, that the Commission did not overlook the testimony as to the various examples listed in appellees' brief. Instead, in its report, it analyzed and summarized all of this testimony and its discussion thereof plainly indicates that it rejected the evidence as proof of any discrimination or injury because of the differences in levels of the class rates and particularly as any proof of discrimination against Southern and Western territories as a whole and in favor of Official territory as a whole. We refer the Court to pages 615-619, 650-651, 665-671 of the Commission's report (R. 230-234, 265-266, 280-286).

For example, with regard to examples of differences in the levels of the class rates as between Official territory and the Southwest the Commission found (p. 665; R. 280):

> "We have referred to the fact that a comparison of first-class rates within or between territories does not, in most instances, reflect the differences between the rates on which the traffic moves. That observation is particularly suitable to the Southwest. The extent to which exceptions have been published within, and to and from, that area is not specifically shown of record, but there is general testimony to the effect that the class rates in issue move only a small proportion of the total traffic."

And it found further (p. 666; R. 281):

> "* * * Although the proportions of traffic moved at class, exception, or commodity rates between southwestern territory and other territories vary, a great preponderance of the traffic, except from official territory, moved at commodity rates. The levels of the commodity rates are much below the class-rate levels.
>
> "The foregoing description of the rate evidence in-

troduced includes the rate evidence introduced by the Committee. Additional rate evidence was introduced by members of the committee, by a witness representing the Fort Worth Freight Bureau, Fort Worth Chamber of Commerce, Texas Cottonseed Crushers' Association, Southwestern Peanut Shellers' Association, West Texas Chamber of Commerce, Freight Rate Equality Federation and by witnesses for Railroad Commission of Texas, Arkansas Rice Traffic Bureau, and El Paso Freight Bureau. Their rate evidence did not deal with the class rates in issue, but with rates on specific commodities which had been established either as exception or commodity rates.

"In some instances, commodity rates within the Southwest or from or to the Southwest are lower than the rates on like traffic for equal distances within official territory."

Counsel for appellees, having set out the "examples" in their brief, thereafter admit somewhat guardedly that the Commission in its findings did not adopt these examples as proof that the differences in the class rates had the effects claimed for them. At pages 125-126, they say:

> "It may be conceded that these summaries by the Commission are not always as complete or illuminating or helpful as they might be. Therefore in this brief the statements have been based on the record itself and the illustrative material summarized above should certainly demonstrate beyond any doubt how discriminatory and unreasonable the class rate structures are, both in general levels and in particular situations."

The present case affords a striking example of the soundness of the decisions previously cited, holding that it is not the function of the Court to search the record to make findings where the Commission has not done so. The unwarranted consequence which would flow from an attempt of the Court to make findings for the purpose of sustaining an order of the Commission which the Commission itself has apparently judged not warranted by the evidence are plainly apparent here. Certainly the Court should not take the statements in appellees' brief with regard to the so-called "specific class rate inequalities" as a substitute for findings by the Commission, when an analysis of some of these samples will demonstrate why the Commission rejected them and made no finding that they constituted instances of undue prejudice and preference or unjustness and unreasonableness of the rates or of injury brought about by differences in the levels of the class rates.

Thus the very first example on page 98 of appellee's brief cites rates for the transportation of gas black from the Pennsylvania oil fields and from Amarillo, Texas, but an examination of the record will show that the rates from Amarillo which were cited were not class rates (R. 2794, 2795, 8607). Moreover, the witness for the Southwestern Steering Committee who gave the testimony concerning these rates said (R. 2801):

> "Q. Is this submitted to show that in your judgment those rates are too high? A. No. I just show the rates."

It is no wonder that the Commission made no finding based upon this testimony.

In the next paragraph of the brief it is said that "oil well supplies move on class rates". but the record shows that the rates from Tulsa, Oklahoma, are not class rates (R. 8608, 8609), so that the differences in the rates are not due to differences in the class rates in the several territories.

The next instance cited on page 99 of the brief is that of a Kansas manufacturer of coal preparation plants and washeries. The brief asserts that this manufacturer "must absorb in competitive bidding the differentials in class rate levels which favor the manufacturers in Official territory" and that "solely because of this rate inequality, this company is considering moving its plant to Cincinnati, Ohio, where possible sites for a new location have been offered in order to get the lower Official rates." If the Court should adopt appellees' interpretation of the evidence it would give thereto a greatly different effect than did the Commission, which said (p. 673; R. 288):

> "Only three commercial witnesses, speaking for individual establishments in the Southwest and western trunk-line territory, testified in this proceeding. These were a steel company at Denver, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a lamp and stove company at Wichita. The representatives of the two manufacturers last named testified that a great preponderance of their products was shipped to official territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are."

The Commission, although summarizing at considerable length the various contentions of representatives of Western territory, did not consider the testimony of the "Minnesota traffic expert", referred to at considerable length at pages 100 and 101 of appellees' brief, worthy of specific mention. It did say, however, as previously indicated, that "only three commercial witnesses, speaking for individual establishments in the Southwest and western trunk-line territory, testified in this proceeding" (p. 673, R. 288). This conclusion covers also the examples with regard to Iowa and Kansas, set forth at pages 101 and 102 of the brief. Moreover, examination of the record pages cited in connection with the reference to the testimony of "an Iowa traffic expert" indicates that none of the shippers in the territory referred to shipped at class rates in competition with shippers in Official territory.

The Commission did specifically refer to the testimony of the manufacturer of heating appliances cited at page 101 of the brief and found that both he and the manufacturer of coal washing machinery at Pittsburg, Kansas, previously referred to, had testified "that a great preponderance of their products was shipped to Official territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they were". Examination of the record will show that the Kansas manufacturer of heating appliances testified definitely that he was satisfied with his out-bound rates and did good business in Official territory (R. 3239, 3242, 3243).

During the hearing itself Commissioner Aitchison indicated, with regard to some of the statistics and rate and distance comparisons presented by the "Iowa traffic expert", referred to on pages 102 and 103 of the brief, that they had little relation to reality and remarked that since there was no movement for some of the distances shown "we might as well take the distance to the moon" (R. 3023).

With regard to the testimony of the Western "shipper interests" as a whole, the Commission said (p. 650; R. 265):

> "All shipper interests oppose the prescription of minimum class rates; all want the railroads left completely free to meet the competition with whatever source. All oppose changes in their present commodity rates that may be designed to compensate for any readjustment required in class rates."

On page 104 of the brief for the United States and the Commission, there is reference to the testimony of a witness referred to as a "transportation and industry expert from the University of Texas". The brief says that he "analyzed the economic effects of freight rates on five concerns in Texas" and that "his Exhibit 104 contains convincing data showing numerous rate inequalities that inhibit Southwestern industries". His testimony was not ignored by the Commission but was discussed at pages 670 and 671 of the report (R. 285, 286). It will be seen that the Commission was not impressed that the testimony of this witness indicated any substantial injury from the class rates. It found that one of the five concerns referred to by this expert "turned over its capital almost three and one-half times in 1941, made a gross or operating profit of 35.6 percent, and shipped its products in carload and less-than-carload lots to 32 States other than Texas." Another of the companies cited had a profit of 47.5 percent and distributed its products to 33 States. The Commission found that a third company had a profit of 11.5 percent, that its freight charges were less than 5 percent of its net sales, that it procured 54.1 percent of its inbound raw materials from Official territory and shipped out 34.1 percent of its finished products to that territory. In conclusion, the Commission found that this witness did not specify what part, if any, of the freight charges on the shipments of five companies cited were at the class rates in issue, nor the kind of rates in Official territory used for comparisons: that undoubtedly many of the products did not move at class rates; and that there was "no attempt to produce a representative cross-section of Texas industries, some of whose freight charges may be lower than those in official territory".

At page 107 of the brief, reference is made to the testimony of an Atlanta freight rate expert. The testimony of this witness was discussed by the Commission at page 618 of its report (R. 233), where the Commission noted that although this witness presented evidence as to fourteen groups of commodities, "the rates on which were claimed to have been detrimental to southern shippers", "*Only 6 of the 14 move on class rates*". As to two of these commodities, the Commission found that the manufacturers sold all of their output in the South and had never asked the railroads to establish lower rates to the North. With regard to another commodity group, i.e., electrical appliances, the Commission recalled that in the *Southern Governors Case* it had found that the class rates were not unlawful and that the ability of the manufacturer to sell these products did not depend upon the class rates. As to the other commodities moving on class rates, the Commission's conclusion was that the levels of the class rates had no effect upon the ability of the producers to sell in the North.

Nearly four pages of the brief (pp. 108-111) are devoted to the testimony of this witness with regard to the rates for the transportation of rags, ending with his statement that "There is no chance for the Atlanta manufacturer to secure any of that business." Whatever may be the truth as to this last assertion, however, the important point is that it has nothing to do with the class rates or the relationship between the levels of the class rates in the two territories because, as the Commission found (p. 618; R. 233):

> "It appears that the rates on cloth and rags about which complaint was made were not class rates."

At page 111 of the brief, reference is made to the testimony of a "Tennessee public official, a rate expert" with the statement that he "explained 'why it is that Nashville cannot sell work clothing in the North and East, as her rates mile for mile are approximately 31.5 percent higher than her competitors' in Central Territory' " and a table of rates is shown comparing, for example, rates from Nashville to Cleveland and Grand Rapids with rates from New York City to these two points. The brief does not state, however, that the witness admitted having no knowledge whether any work clothing manufactured in New York was ever sold in Cleveland or Grand Rapids (R. 2608, 2609) and finally, having been directed by the presiding Commissioner to answer a question which he had evaded, he admitted that he did not know whether there was any movement, under any of the rates shown, in Official territory (R. 2609).

Next, reference is made to a potato starch plant at Laurel, Mississippi. Testimony concerning this plant was given by an employee of the Tennessee Valley Authority, who, although tendered by counsel for the T. V. A. with the comment that the T. V. A. had "no financial interest in this proceeding" and was "more or less in the position of a friend of the court" (R. 2403), agreed that he could not recall appearing in any case to express views that would not benefit the Authority (R. 2403). He cited a number of plants which he had "studied" and the facts which were developed as to the potato starch plant were typical of all of them. His examination showed that the difference in the levels of class rates was no impediment to this business, first, because the business had grown and, second, because the greatest volume of shipments had been made to Lawrence, Mass., the most distant destination in Official territory (R. 2419).

The reference in the brief to the washboard manufacturer at Raleigh, N. C., is fully answered by the Commission's finding with reference thereto (pp. 615-616; R. 230-231) where it appeared that this manufacturer's business had increased substantially, that 25 per cent of his output went to Detroit, Michigan, a short distance from the location of one of his principal competitors, and that the difference between the levels of the freight rates amounted to only $15.14 on one month's business to Official territory.

Certainly it would require much more proof than this to sustain a finding that the differences in the levels of the class rates impair the ability of Southern shippers and industries to market their products in competition with Northern manufacturers and cause substantial injury to Southern territory as a whole and to justify an order requiring an increase of $15,000,000 or more per year in the freight charges paid by shippers for transportation within Official territory and yet, as the Commission found, there was only one other direct representative of a Southern concern shipping under class rates who testified in the proceeding.

Counsel for the United States and the Commission refer to appellants' argument as a "contention that there were too few shipper witnesses" and assert that the answer to this contention "is that class rates cover a great variety of miscellaneous articles of freight and affect practically every community and every shipper and receiver of freight in the United States" (Brief, p. 126). It is argued that

> "There are tens of thousands of communities, and hundreds of thousands of shippers and receivers of class rate traffic"

and that

> "as a practical proposition, all these thousands of communities and shippers could not have been heard in this case without extending the proceedings beyond all reasonable limits"

and it is said that the Commission used "other ways of obtaining the necessary information".

Appellants do not urge that the testimony of any particular number of shipper witnesses was requisite to establish a case of undue prejudice and preference. This is, however, a case where the prejudice and preference alleged to exist are between territories. Appellees agree that a finding of substantial injury, supported by proof, is essential to sustain an order of the Commission requiring an ultimate conclusion that rates violate Section 3 of the Act and an order requiring that they be changed. On page 128 of appellees' brief, counsel state:

> "We agree with appellants that a rate inequality without a showing of injury does not demand correction."

Where the claimed prejudice and preference are between territories, necessarily the "injury" must be injury to territories. Such injury if it existed could be shown by proof, if it were the fact, that differences in the levels of the class rates in the several territories cause differences in the freight charges actually paid by competing shippers shipping or desiring to ship into common markets and that such differences obstruct or impede their competitive ability and retard their sales and business growth. It is submitted, first, that to justify a finding of injury to Southern or Western territories as a whole, based upon such proof, a substantial number of instances would have to be shown to warrant an inference of injury to the territories as a whole. Especially is this so in the present case, where the method adopted by the Commission to remove the supposed undue prejudice involves requiring an increase in the class rates paid by all shippers and receivers in Official territory shipping under the class rates, whether they are in competition with Southern or Western manufacturers or not. Obviously such a drastic order, imposing increased freight costs of many millions of dollars annually upon the shippers and communities in Official territory under the guise of removing undue preference and prejudice as between territories, would not be justified if based upon the testimony of a single small shipper in the South complaining of the rates on washboards, especially if the record showed, as has been said, that under the existing rates his business has grown and prospered (R. 231). Had the Commission made a finding of injury to the South as a whole and of undue preference to Official territory as a whole, on the basis of such evidence, it is plain that its action would be set aside as arbitrary. The question here is whether the fact that in addition to the shipper of washboards there was testimony of just one other shipper in the South shipping on class rates, the operator of a tanning plant at Andrews, North Carolina, who testified in fact that his products moved on commodity rates (R. 4003-4004), is sufficient to sustain an ultimate determination that the differences in the levels of the class rates unduly prejudice Southern territory as a whole and prefer Official territory and to sustain an order requiring a 10 per cent increase in all class rates in Official territory to eliminate the discrimination. For the Commission's own analysis of the evidence of individual shippers at pages 615 [illegible]19 of its report (R. 230-234) and quoted at pages 83 to 86 of our main brief, indicates that these were the only two shippers in the South for whom testimony was presented whose transportation charges were affected by the differences in the levels of the class rates. Indeed, as to the washboard manufacturer the Commission found that the application of the Official territory level of rates on his September shipments would have reduced his freight charges by 8 per cent. Certainly such a finding does not justify an order requiring that the class rates in Official territory be increased 10 per cent and those in the South reduced by a like percent.

As shown in appellants' main brief and as plainly apparent from the report of the Commission itself, similar comments are required with regard to the alleged proof of injury to individual shippers as between those in the Southwest and West and shippers in Official territory.

It may be remarked, further, with regard to the small number of these individual shipper witnesses that in a proceeding where there were many days of hearings in various parts of the country, the fact that only nine persons directly connected with industries in the South and three with industries in the West and Southwest were sufficiently concerned to appear and testify at all, affords a striking demonstration that the differences in the levels of the class rates do not have the adverse and throttling effects upon Southern and Western industries and upon those territories as a whole which have been so loudly proclaimed.

It is not necessary to argue that testimony from any particular number of witnesses is necessary to prove injury to one territory and benefit and preference to another. It is sufficient here that both the paltry number who appeared and the nature of their testimony negative any inference of territorial injury and discrimination as the result of the differences in levels of the class rates.

C. Appellees' argument that the "higher class rates have impeded the development and movement of class rate traffic within Southern and Western Territories and from these Territories to Official Territory" is both invalid in itself and as a claim that the differences in class rates have caused substantial injury to the South and West is negatived by the Commission's findings.

The same general comments are applicable to the argument in appellees' brief with regard to the so-called economic testimony, the testimony of would-be economic experts as distinguished from shippers who actually pay freight charges. The Commission did not ignore this evidence but discussed and summarized it and plainly rejected it as proof that the differences in the levels of the class rates result in any injury to the South and West.

This economic testimony is discussed at pages 127 ff. of the United States and the Commission under the heading

> "Higher class rates have impeded the development and movement of class rate traffic within Southern

and Western Territories, and from these Territories to Official Territory, and thus have made all the class rate structures involved in this proceeding obsolete".

The first part of the argument under this heading is devoted to statistics and the testimony of the so-called economic experts. On this point it is sufficient to direct the Court's attention to the Commission's discussion of this evidence at pages 536-548, 650-654, 673, 674, 695-697 of its report (R. 151-163, 265-269, 288, 289, 310, 311), where the Commission plainly found that neither the class rates nor anything else had impeded or retarded the industrial development of the South.

The second part of the argument begins at page 138 with the sub-heading "Non-use of class rates". It is, of course, an undisputed fact and the Commission has found that the class rates are charged on an insignificant portion of the freight originating in the South and West, whether moving locally within those territories or shipped from those territories into Official territory.

The inference that we think should be drawn from this fact is that the differences in the levels of the class rates and the fact that the class rates as such are higher in the South and West than in Official territory cannot be the cause of unjust and unreasonable charges since they are not the rates which are charged, and cannot produce undue and unreasonable prejudice and preference for the same reason. The corresponding fact is that the railroads have provided exception or commodity rates for the transportation of the products of the South and West to a greater extent than they have done for the transportation of the products of Official territory. This is true as to interterritorial traffic as well as traffic within each of the territories. Thus, industries in Official territory shipping into the Southwest pay class rates on 22.5 per cent of their carload shipments; whereas the railroads have provided commodity rates for 95.9 per cent of the business shipped by Southwestern manufacturers into Official territory.

Appellees attempt to meet this fact by asserting, quite without proof in the evidence and certainly without findings by the Commission, that "exception and commodity rates can never be obtained until the industry has been developed and shipments are ready to move" (Brief, p. 145). The Commission found, however, that no instance was proved "where an industry was not established in the South because of the class rate level" (p. 622; R. 237) and there was affirmative testimony by witnesses who had had experience in locating industries that they had not been deterred in locating plants in the South because of the difference in the class rate levels (R. 3464, 3871-3894, 3907, 3960, 4095-4106).

It may to the observer seem desirable or at least less complicated that the rates charged on a greater proportion of shipments should be class rather than commodity rates. However, as argued in our main brief, rates are not unlawful merely because they are commodity rates rather than class rates. The lawfulness of the commodity rates was not in issue in this proceeding and the class rates cannot be unlawful if they are not charged. Whether the rates actually charged are class rates or commodity rates or exception rates or some new kind of rates is plainly a matter of managerial discretion for the railroads rather than lawfulness of the charges, and the Commission is without authority to require that the rates charged shall be of one type rather than another.

But even if it were within the authority of the Commission to require class rates to be changed in order to induce the charging of class rates rather than commodity or exception rates upon a larger proportion of railroad traffic, this would not justify or explain all of the action of the Commission here. It may explain or justify reducing class rates in the South and West so that they will be more attractive or will supersede the commodity or exception rates. It can certainly not be a reason justifying an increase in the class rates in Official territory. For it is too much to assume that an increase in the class rates in Official territory would increase the volume of proportion of traffic moving at class rates. Moreover, the inconsistency of the Commission's action in so far as Official territory shippers are concerned is shown by the fact that the Commission's interim orders would reduce the class rates for transportation from Official to Southwestern Trunk Line and Western territories, where at the present time the class rates are charged on 12.6, 12.3 and 22.5 per cent of the total carload traffic, and would increase the class rates charged for transportation entirely within Official territory, where the class rates are charged on only 5.8 per cent of the total traffic. Anyway the matter is looked at, the reasoning of the Commission in this respect and appellants' argument endeavoring to support it is unsound and does not sustain the interim orders.

D. The decision of the lower court and the Commission's orders cannot be sustained by the computations of comparative costs for transportation in the several territories as contended by the appellees.

The subject of costs has been discussed at pages 112 to 127 of the main brief for these appellants. Little more need be said in answer to the argument of appellees with regard thereto.

The first point which should be noted is that in dealing with costs, as in all of their arguments, appellees have predicated their contentions upon the assumption that the 1940 legislation wrought a fundamental change in the law and altered the burden of proof, not merely procedurally but substantively, so that rates in one territory were made unlawful because upon a different level from that of rates in another territory unless the difference was shown to conform to differences of costs of transportation. The fallacy of such an argument is patent from the fact that if the class rates are unlawful because the differences in the territorial levels thereof do not correspond with the differences in the computed costs for transportation, then most of the rate structure of the country must be unlawful. The commodity rates on raw materials and finished products in the South, which are on a lower level than those within Official territory and the higher rates in Official territory, must also be unlawful. A conception of the law which would invalidate the entire rate structure cannot be sound.

Second, it may be well to repeat what was said in appellants' main brief that the cost computations do not and do not purport to show the comparative costs of transporting freight upon which class rates are charged.

The cost computations are a product of the financial figures produced by the operations of the several groups of railroads in the handling of their traffic. According to Dr. Edwards, if the average revenue from all freight of all kinds transported in a particular type of car for a given distance with a given loading equals the computed average cost for that distance, type of car and loading, then the rates are adjusted on the average to meet the carriers' revenue needs (R. 3520). The record shows that as between Official territory and the South, for example, the differences in the average revenues per ton of all freight in each territory correspond approximately with the differences in the computed average costs (R. 206, 221). This certainly indicates that the rates actually charged are adjusted with reasonable relation to transportation costs and that to increase the class rates charged in Official territory without reducing other rates which go to produce the average revenues, would conflict with the conclusion called for by the basic nature of the cost computations themselves.

The only further comment which appellees' brief invites in addition to what is said in appellants' main brief is that nowhere in the brief for appellees is any attempt made to explain how the argument as to costs sustains a finding that the class rates in Official territory should be made uniform with those in the West and should be increased in order to accomplish an approach to uniformity. The cost computations show substantially higher average cost of transportation in Western territory than in Official territory and if costs are to be controlling, there is plainly no justification for increasing the class rates in Official territory so that their level will approach uniformity with that of western class rates.

E. As to the differences in the consists of traffic.

Here again appellees' argument, following the reasoning of the Commission, emphasizes that they both rest upon the assumption that the 1940 legislation changed the law. The reasoning in the Commission's report, which appellees adopt, was that since the class rates for transportation within each territory are on a uniform level (an assumption incorrect as to Official territory, where the class rates are higher in certain sections), therefore differences between the levels of the rates in one territory and those in another territory are to be held unlawful unless it appears that there are greater differences between territories in the kinds of freight transported in each than the differences existing between different railroads in each territory.

How great a change this represents in the conception of the law upon which the Commission has heretofore acted is shown by the fact that the class rates now found to be unlawful unless justified, were prescribed by the Commission itself and that the Commission expressly found in fixing the maximum levels of the rates in each territory, that it did so in the light of the traffic and rate structure in that territory and the differences between one territory and another in these regards. As has been pointed out, the Commission in the *Western Class Rate Case,* 164 I. C. C. 1, at page 188 said

> "Class rates in w.t.l. territory appreciably higher than in official territory are justified also by the nature and volume of the articles moving under such rates in the respective territories."

In the *Eastern Class Rate Case,* 164 I. C. 314, the Commission similarly indicated that in prescribing the class rates in Official territory, it fixed those rates at a lower level than the level of the class rates in the South and West because of the differences in the nature of the traffic and the rate structures in the several territories. Appellees do not argue that there is any finding or evidence that these facts have changed.

We agree with appellees' statement (p. 189) that

> "The consist problem then really resolved itself into one of providing adequate revenues for the carriers from the traffic which they transport,"

It is difficult to see, however, why it follows that the class rates in one territory, which are a part of the total rate structure and provide the carriers in that territory with their revenues from all of the traffic which they transport, become unlawful unless justified because on a different level from that of the class rates in another territory, established on a different theory in the light of a different rate structure and traffic movement. It is, of course, for the Commission to weigh the evidence on such matters. But the Commission acts arbitrarily and unlawfully if it approaches the same facts with a changed point of view and reaches a different conclusion without any finding or proof of altered conditions, or if it does so upon the assumption that the law has been changed when such is not the case.

F. As to the comparative levels of the commodity and exception rates.

Appellees' argument with regard to the differences between the commodity and exception rates in the several territories misinterprets the contentions of appellants with regard thereto and goes outside of the record for its factual basis. Reference is made to the report of the Board of Investigation and Research, reproduced as House Document No. 303, 78th Congress, First Session, for a statement that on a limited number of commodities, such as brick, cement, fertilizer, logs, etc. "there are substantial regional differences in the levels, with higher rates in the South and West than in Eastern Territory", and it is said that

> "The major premise of appellants, that commodity rates are lower in the South and West, is thus without support in the record, * * *."

Of course we do not know what study the Board of Investigation and Research made, but the record in the present case certainly shows and the Commission found that on most of the commodities listed the rates in Official territory are substantially higher, mile for mile, than the rates for the transportation of the same commodities in the South. Moreover, while the Commission said that it could not reach a conclusion from the record as to the relative average levels of the rates on raw materials generally in the South and Official territory (p. 602, R. 217), it definitely found that the rates on brick (p. 593, R. 208), fertilizer and fertilizer materials (p. 594, R. 209), coke (p. 595, R. 210), lime (p. 595, R. 210), logs (p. 596, R. 211), pig iron (p. 597, R. 212) pulpwood (p. 597, R. 212), sand, gravel, etc. (p. 598, R. 213), iron and steel scrap for certain distances (p. 599, R. 214), sulphuric acid (p.

599, R. 214) and iron ore (p. 599, R. 214) are higher in Official territory than in Southern territory.

Appellees also argue that the Commission may require changes in the class rates without changing the commodity rates, because on the authority of the so-called *Staley* case (*United States* v. *Wabash R. Co.*, 321 U. S. 403) it may proceed one step at a time in enforcing the statute. The latter proposition may be accepted, but it does not meet appellants' argument. The point which appellants urge is that the class rates are merely parts of the entire structure or pattern of transportation rates in each territory, that the territorial machinery of rate making is a necessary or logical development, at least so long as the railroads are not nation-wide systems and with few exceptions the boundaries of the territories conform to the termini of the railroads in each territory and that unless all rates are to be made uniform and are unlawful unless this is done, it cannot be said that the class rates forming a part of the rate structure of one territory are unlawful because on a different level from the class rates which are the part of a different rate structure in a different territory and serve a different purpose in providing the carriers with revenues. It was on this theory that the Commission itself prescribed the class rates in the several territories, and unless the law has been changed the principle is still valid.*

---

* It may be interesting, incidentally, to speculate how nationwide, or even territorial, uniformity of classifications and rates is to be achieved and maintained if the Department of Justice, which here urges it, succeeds in its actions against the railroads for violations of the anti-trust-laws in their rate-making practices.

V

Appellees' argument that "interterritorial rate problems are insoluable without uniformity of class ratings and rates" is an argument against the validity of the interim orders in issue here.

The Commission determined that uniformity of class rates should await uniformity of classification ratings. The working out of a uniform classification with uniform ratings for all commodities in all territories is a matter left to the future. Under these circumstances, the argument at pages 196 to 205 of the brief for the United States and the Commission only emphasizes the impropriety of a finding that rates are unlawful because not uniform so long as the classification ratings are not uniform. Especially is this so as to the portion of the orders requiring an increase in rates in Official territory, in view of the fact that the differences in the classification ratings generally favor the other territories.

Thus, the Commission found, as previously observed, that "on many articles a shipper in a lower rated territory (Official) must pay higher rates than one in a higher rated territory (Southern or Western), owing to differences in classification ratings (R. 123, p. 508). In other words, so long as the classification and classification ratings are not made uniform, the effect of the Commission's order is to require that "on many articles" the rates which shippers in Official territory pay, which because of higher classification ratings, are already higher than the rates for the transportation of the same articles in the South or West, must be further increased, while the lower rates in the South and West are to be reduced. If this is not arbitrary action, it is hard to imagine what would be. Certainly it is without support in any theory of approaching uniformity.

VI

The arguments in the briefs for appellees confirm appellants' contention that the real purpose of the Commission's orders was to bring about a redistribution of industry. Far from sustaining the validity of the orders, the argument requires that they be held unlawful.

In the summary, beginning at page 196 of the brief for the United States and the Commission, as well as in the briefs of some of the other appellees, it is argued that regional rate making, should give way to nationwide uniformity and that differences in rate levels in different territories which for the purposes of the argument are referred to as "rate barriers", should be eliminated to the end of stimulating the industrial development of the South and West. To be sure, in order to give a semblance of respect for the decisions holding that the Commission has no authority to order changes in rates for such a purpose, it is said (p. 200) that the rate differences should be eliminated "not to change our economy, but to remove discriminatory conditions which unfairly and unlawfully prevent the possibility of change". The whole tenor of the argument, however, is that rates should be changed in order that "the low income status of the South and West may be improved by removing the barriers to industrialization in those regions" (p. 204). It is said that the differences in the levels of the class rates provide "something remarkably similar to the working of a protective tariff" (p. 204).

The argument plainly echoes the campaign of agitation which provided the atmosphere in which the proceeding was inaugurated and decided by the Commission, and it probably reflects the underlying motive of at least some members of the majority of the Commission. This, however, only serves to emphasize the unlawfulness of the

Commission's action because to the entire argument there are several conclusive answers, which are likewise applicable to the decision and orders of the Commission themselves.

First of all, the factual premise which the argument assumes and numerous statements made in the course of the argument are contrary to the true facts, both as found by the Commission and as shown by the evidence. The Commission did not find nor did the evidence as a whole show that the differences in the levels of the class rates have acted in any way to discourage or impede the industrial development of the South or West or have operated as a trade barrier to the movement of goods produced in these territories to markets in Official territory. The Commission found, as the evidence shows, that in the ten-year period from 1930 to 1940 manufacturing employment increased in the South and decreased in the North; that while Official territory had a 25 per cent decrease in the values of manufactured products, the South had an increase; that the number of wage earners in manufacturing industries decreased by 12 per cent in Official territory and increased 5 per cent in the South (p. 621, R. 236). Indeed, as the Commission found, when the Southern Governors were proclaiming to the world the virtues of the South (instead of appearing before the Commission to plead poverty in order to secure a revision of freight rates in their favor), they proudly published a statement that in a period of two years "the number of manufacturing plants in the South increased by 803 as contrasted to a decline in the rest of the United States of 3,120" (p. 622, R. 237).

In further contradiction of the argument that the differences in class rate levels have acted as a trade barrier, stimulating the industrial development of the East and discouraging that of the South or West, the Commission found (p. 619, R. 234) that

> "The industrial development of the East is due to many factors other than transportation services and costs,"

and these factors were listed. It found that "any differences in freight charges resulting from differences in class rate levels is only a small fraction" of the destination value of manufactured goods and that "many commodities have a nationwide market" (p. 619, R. 234). The Commission found further that "no specific instance was proved where an industry was not established in the South because of the class rate level" (p. 622, R. 237).

In the second place, it is well settled that the Commission is without authority to order changes in freight rates for the purpose of inducing the location of industry at one point or in one section of the country rather than in another. (See cases cited and discussion of this point at pp. 138 to 141 of appellants' main brief.)

Finally, appellees, while arguing that freight rate barriers to industrial development should be removed, are really seeking to support the Commission's action in order to accomplish this very purpose but for the benefit of different sections of the country. This is especially so in view of the nature of the orders, whose validity is here in issue. The particular orders attacked in this suit would admittedly be of little benefit to the South and West in causing lower transportation charges in those territories, especially in the South, because of the small volume of traffic upon which the class rates are charged. The primary effect of the orders would be to impose increased costs upon doing business in Official territory. Appellees are, therefore, arguing that because, as they claim, a wider distribution of industrialization throughout the coutry is desirable, this should be accomplished by increasing, through the mediu of increased freight charges, the costs of doing industria business in Official territory and thereby discouraging industries to locate or remain in that territory and encouraging them to move elsewhere. This would indeed be usin freight rates, as this Court said in *State of Georgia v. Pennsylvania R. Co.*, 324 U. S. 439, 450, cited at page 205 of appellees' brief, as "but one form of trade barriers". It is plain that the Commission has no authority to order rates increased for such a purpose.

VII

Despite arguments to the contrary in the briefs for some appellees, the conclusion is inescapable that the Commission's orders rest, in the last analysis, upon an erroneous conception of the effect of the amendment to Section 3(1) and 5(b) of the Transportation Act, 1940.

It is argued in the brief for the United States and the Commission and in those for the Southern and Western States that the Commission's decision has not been influenced by the Ramspeck Resolution, which was Section 5 (b) of the Transportation Act, 1940, and that it rested solely upon Section 3(1). However, as has been shown, all of the arguments in support of the orders and the Commission's reports themselves, because of the complete lack of preliminary findings otherwise essential to ultimate findings of violation of Sections 1 and 3, can only be explained on the ground that they assume that Congress has decreed that class rates must be uniform in all territories. Without this underlying assumption that because levels are different the class rates in the several territories are unlawful, neither the reasoning in the Commission's report nor the arguments in support of the Commission's orders overcome the absence of essential findings.

Plainly the mere addition of the three words "region, district, territory" to Section 3 did not, by itself, change the substance or effect of Section 3 except to enlarge the parties entitled to its protection. It did not alter the nature of the requirements for a finding of a violation of the section. The conclusion is inescapable, therefore, that it was either the Ramspeck Resolution or the remarks made in Congress by and to Southern Congressmen or the "groundswell of agitation" which led the Commission to believe that the law had been changed to impose the requirement of uniformity. Since neither the amendment to Section 3 (1) nor Section 5 (b) of the Transportation Act can be read as having any such effect and such a purpose is denied by the remarks in Congress other than those by and to Southern Congressmen, the situation here is plainly analogous to that in the cases involving the Hoch-Smith Resolution, where the Commission construed the resolution directing it to investigate as a mandate requiring it to order the change in rates for which there was clamor. It is immaterial here whether the Commission considered that its orders were directly required by Section 5(b) (the Ramspeck Resolution) or whether it issued its orders to enforce Section 3(1) but was led by the resolution and the popular clamor to construe the amendment of Section 3(1) as requiring uniformity of class rates where "territories" are concerned. In either event, its action was erroneous as a matter of law and its orders invalid for the same reasons, as were the orders condemned in *Ann Arbor R. Co.* v. *United States*, 281 U. S. 658 and *Atchison, T. & S. F. Ry. Co.* v. *United States*, 284 U. S. 248.

Conclusion

It is submitted that the arguments of appellees do not overcome the contentions made by the appellants and that, in accordance therewith, the judgment of the court below should be reversed and the case remanded with

direction to annul, set aside, and permanently enjoin t
orders of the Interstate Commerce Commission, who
validity is here in issue.

Respectfully submitted,

Parker McCollester,
Kenneth L. Sater,
Attorneys for Appellant States.

Nathaniel L. Goldstein
Attorney General, State of New York

Frank J. Clark
Special Assistant Attorney General, State of New York

Clair John Killoran
Attorney General, State of Delaware

James A. Emmert
Attorney General, State of Indiana

Karl J. Stipher
Deputy Attorney General, State of Indiana

Hall Hammond
Attorney General, State of Maryland

Foss O. Eldere
Attorney General, State of Michigan

James W. Williams
Assistant Attorney General, State of Michigan

Walter D. Van Riper
Attorney General, State of New Jersey

Robert Peacock
Deputy Attorney General, State of New Jersey

Hugh S. Jenkins
Attorney General, State of Ohio

John E. Martin
Attorney General, State of Wisconsin

Herbert T. Ferguson
Assistant Attorney General, State of Wisconsin

James H. Duff
Attorney General, Commonwealth of Pennsylvania

E. A. DeLaney
Deputy Attorney General,
Commonwealth of Pennsylvania
Of Counsel

Certificate of Service

I hereby certify that copies of the foregoing brief were served on the following counsel of record:

Tom C. Clark, Attorney General
Department of Justice
Washington, D. C.

Solicitor General
Department of Justice
Washington, D. C.

Wendell Berge, Assistant Attorney General
Department of Justice
Washington, D. C.

Edward H. Miller, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

David O. Mathews, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Chief Counsel
Interstate Commerce Commission
Washington, D. C.

Edward M. Reidy, Assistant Chief Counsel
Interstate Commerce Commission
Washington, D. C.

J. V. Norman
Kentucky Home Life Building
Louisville, Kentucky

Byron M. Gray
608 National Bank of Topeka Building
Topeka, Kansas

George T. Simpson
State Capitol Building
St. Paul, Minnesota

C. B. Bee
State Capitol
Oklahoma City 5, Oklahoma

Walter R. McDonald
Georgia Public Service Commission
Atlanta, Georgia

Douglas F. Smith
11 South LaSalle Street
Chicago, Illinois

H. C. Barron
Western Traffic Executive Committee
Room 310, Union Station
Chicago, Illinois

Henry E. Foley
10 Post Office Square
Boston, Massachusetts

Dated this 3rd day of March, 1947.

PARKER MCCOLLESTER,
Of Counsel for Above Named
Appellant States.

AUG 1 1946

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE,
STATE OF VERMONT, ET AL.,
Appellants,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE NORTHERN DISTRICT OF NEW YORK

STATEMENT AS TO JURISDICTION

HENRY E. FOLEY,
Counsel for Appellants.

INDEX

SUBJECT INDEX

Page
Statement as to jurisdiction 1
  Jurisdiction 2
  Statutes or treaties involved 3
  Nature of the case 4
  The questions involved are substantial 9
  Decisions sustaining jurisdiction 10

TABLE OF CASES CITED

Ann Arbor Railroad Co. v. *United States,* 281 U. S. 658 10
Texas & Pacific Railway Co. v. *United States,* 289 U. S. 627 10
United States v. *Chicago, Milwaukee & St. Paul Railroad Co.,* 294 U. S. 499 10

STATUTES CITED

Interstate Commerce Act of February 4, 1887 (24 Stat. 379):
  Section 1(4) (49 U. S. C. 1(4)) 3, 6
  Section 1(5) (49 U. S. C. 1 (5)) 3, 6
  Section 3 (1) (49 U. S. C. 3)(1)) 4
  Section 15(1) (49 U. S. C. 15(1)) 4, 8
Judicial Code, Section 210 (28 U. S. C. A. 47a) 2
Ramspeck Resolution (54 Stat. 902) 4
United States Code, Title 28:
  Section 41(28) 5
  Section 44 5
  Section 46 5
  Section 47 5
  Section 47(a) 2

—6201

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil Action No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN, AND THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiffs,

vs.

THE UNITED STATES OF AMERICA,

Defendant.

Civil Action No. 2337

THE ATCHISON, TOPEKA & SANTA FE RAILWAY CO., ET AL.,

Plaintiffs,

vs.

THE UNITED STATES OF AMERICA,

Defendant

STATEMENT AS TO JURISDICTION UPON APPEAL

Pursuant to Paragraph 1 of Rule 12 of the Rules of the Supreme Court of the United States, The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New Hampshire; The Honorable Mortimer R. Proctor, Governor of the State of Vermont; The Honorable Maurice J. Tobin, Governor of The Commonwealth of Massachusetts; The Honorable John O. Pastore, Governor of the State of Rhode Island; and The Honorable Raymond E. Baldwin, Governor of the State of Connecticut (hereinafter called your petitioners), interveners in the above-entitled consolidated proceedings, submit herewith their statement particularly disclosing the basis upon which the Supreme Court of the United States has jurisdiction upon appeal to review the final decree and order entitled—Final Decree and Order Continuing Interlocutory Injunction—(Appendix C hereto)* made and entered by this Court on May 27, 1946, in the above-entitled proceedings. Your petitioners' petition for appeal was filed on June 25, 1946, and is presented to this Court herewith.

I

Jurisdiction

The jurisdiction of the Supreme Court of the United States to review, upon direct appeal, the final decree and order entered in these proceedings is conferred by Section 210 of the Judicial Code (United States Code, Title 28, Section 47a), which provides, in part, as follows:

> "A final judgment or decree of the district court in the cases specified in section 44 of this title may be reviewed by the Supreme Court of the United States if appeal to the Supreme Court be taken by an aggrieved party within sixty days after the entry of such final judgment or decree, and such appeals may be taken in like manner as appeals are taken under existing law

---

*(Clerk's Note.—The Opinion, Interlocutory Injunction, Final Decree and Order Continuing Interlocutory Injunction are printed as Appendices "A", "B" and "C" to the Jurisdictional Statement in No. 343 and are not reprinted here.)

> in equity cases. * * * The Supreme Court may affirm, reverse, or modify as the case may require the final judgment or decree of the district court in the cases specified in section 44 of this title."

The above-entitled proceedings are cases specified in said section 44 of Title 28, within the meaning of the statute. That section provides in part as follows:

> "The procedure in the district courts * * * (b) in respect to cases brought to enjoin, set aside, annul, or suspend in whole or in part any order of the Interstate Commerce Commission shall be as provided in sections 45, 45a, 46, 47, 47a and 48 of this title." (38 Stat. 220)

Statutes or Treaties Involved

The validity of a statute of a State, or of a statute or treaty of the United States is not involved.

The construction of various provisions of the Interstate Commerce Act of February 4, 1887 (24 Stat. 379), as amended, is involved, however. These provisions include the declaration of national transportation policy contained in the preamble to the Act, which is, in part, as follows:

> "It is hereby declared to be the national transportation policy of the Congress * * * to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices * * *" (54 Stat. 899);

the provisions of Sections 1(4) and 1(5) of the Act (United States Code, Title 49, Sections 1(4) and 1(5)), requiring the establishment and maintenance of just and reasonable, and prohibiting unjust and unreasonable, rates, fares and charges for railway transportation; the provisions of Section 3(1) of the Act (United States Code, Title 49, Section 3(1)) forbidding undue preference or advantage in favor of and undue prejudice or disadvantage against any "particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory or any particular description of traffic"; and the provisions of Section 15(1) of the Act (United States Code, Title 49, Section 15(1)), which confers upon the Commission the power to order the correction of any unlawfulness which it finds, and, under certain circumstances, to prescribe the manner of correction.

Also involved in these proceedings is the matter of construction of the Resolution of Congress commonly known as the Ramspeck Resolution (54 Stat. 902), the text of which is as follows:

> "(b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided,* That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation."

The Nature of the Case and the Rulings Below

The above-entitled proceedings were instituted in the District Court of the United States for the Northern District of New York (hereinafter called the District Court) pursuant to the provisions of United States Code, Title 28, Sections 41(28), 44, 46 and 47, to enjoin, set aside and forever annul a certain order made and entered by the Interstate Commerce Commission (hereinafter called the Commission) on May 15, 1945, as amended by a supplemental order made and entered by the Commission on October 30, 1945—in a proceeding pending before the Commission entitled—Class Rate Investigation, 1939—and numbered 28,300 in the dockets of the Commission. Said orders, if permitted to become effective, would require increases in all railroad class rates within Official Territory so-called, being generally all that portion of the United States lying east of the Mississippi River and north of the Ohio and Potomac Rivers, and a reduction in all railroad class rates in the remaining portions of the United States east of the Rocky Mountains, as well as a similar reduction in class rates applicable into Official Territory from such other regions.

Plaintiffs in their petitions alleged that the orders entered by the Commission were invalid and unlawful, for the reasons, among others, that the orders were arbitrary and capricious, were based upon an erroneous interpretation of the law, were lacking in support of necessary and adequate preliminary findings of fact, and were inconsistent with and contrary to both the subsidiary findings of fact of the Commission and the evidence. Upon application by the plaintiffs, and after hearing the parties, the District Court entered an interlocutory injunction (Appendix A hereto), restraining enforcement of the Commission's orders pending its final determination of the issues on the merits.

The orders of the Commission which are complained of are *ad interim* orders, so-called, which seek to prescribe the rates to be charged by the carriers, parties respondent in said proceedings before the Commission, pending completion of other changes which the Commission has found required, but which it has not as yet ordered to be made effective. Thus, in a proceeding entitled—Consolidated Freight Classification—which was consolidated with said Class Rate proceeding and decided at the same time, the Commission found that all freight classifications presently maintained by the carriers are unlawful to the extent that they are not uniform, and it has instructed the carriers to prepare and submit a uniform classification for the Commission's consideration. The Commission has also found, in its Class Rate proceeding, that all class rates in the territory east of the Rocky Mountains are and in the future will be unlawful unless uniform, and it has indicated the uniform scale of rates which it will order to be made effective concurrently with the establishment of the uniform classification hereinbefore mentioned. The *ad interim* orders of the Commission are represented to be merely temporary and partial remedies for the alleged unlawfulness which the Commission has "found".

In its report accompanying its order dated May 15, 1945 (262 I. C. C. 447), the Commission found that all class rates now in effect within and between the several rate territories comprising the area east of the Rocky Mountains are unjust and unreasonable in violation of Sections 1(4) and 1(5) of the Act, and in its supplemental report accompanying its supplemental order dated October 30, 1945 (264 I. C. C. 41), the Commission indicated that it had found Official Territory class rates unjustly and unreasonably low. The Commission further found that, because of the lack of uniformity between Official Territory class rates and interterritorial class rates from other territories into Official Territory, said rates are, and for the future will be, unduly preferential of Official Territory as a whole and the shippers and receivers of freight therein and unduly prejudicial to Southern, Southwestern and Western Territories and the shippers and receivers of freight therein. On the basis of these so-called ultimate findings, the Commission prescribed rates for the future, which are approximately 15% in excess of present Official Territory class rates and lower, by approximately the same or greater amounts, than present class rates in the other territories, and while not requiring such prescribed rates to be made effective immediately, did order immediate increases approximating 10% in Official Territory class rates and concurrent reductions of approximately 10% in Southern, Southwestern and Western Territory class rates, and in all interterritorial class rates.

The issues raised in the proceedings include the issue of whether the orders of the Commission can be sustained as valid and proper orders, notwithstanding the fact that in connection with the Commission's ultimate finding that Official Territory rates are unreasonably low, the Commission has failed to make any finding of particular facts supporting its so-called ultimate finding of unreasonableness (such as a finding that said rates are noncompensatory or threaten a rate war or will otherwise have harmful effects upon the revenues and transportation efficiency of the carriers maintaining such rates or upon other and competing carriers) and notwithstanding the fact that the record not only precludes the making of any such particular findings, but also, and on the contrary, requires findings, which the Commission has made, which are inconsistent with such required particular findings and said ultimate finding. The further issue is raised as to whether the provisions of the Transportation Act of 1940 so altered the substantive transportation law as to render the Commission's orders valid and lawful, notwithstanding the fact that, in connection with the Commission's ultimate finding that Official Territory class rates and interterritorial class rates into Official Territory, are, because of their relationship, unduly preferential and prejudicial, the Commission has failed to make any findings of particular facts supporting its so-called ultimate finding of undue preference and prejudice (such as findings that the non-uniform rates are charged, or that if charged, they are charged on the same types of freight, or upon freight of competing shippers, or that injury results from the continued maintenance of such nonuniform rates, or that transportation conditions are uniform and that nonuniformity of rates is therefore not justified) and notwithstanding the further fact that the record not only precludes the making of any such particular findings, but also, and on the contrary, requires findings, which the Commission has made, which are inconsistent with such required particular findings, and with said ultimate finding. A further issue raised is as to whether an order of the Commission directing the removal of undue preference and prejudice must afford the carrier or carriers involved alternative methods of correcting said violation, at least in the absence of a finding, and evidence to support such a finding, that lawful alternative methods do not exist.

The District Court has ruled that the orders of the Commission are not invalid, and has held in substance that while the Commission's ultimate findings are not supported by adequate particular findings of fact, this omission is not fatal; that the Commission having weighed the evidence must be deemed to have decided the issues correctly. On the issue of whether the carriers must be afforded alternatives in any order seeking to correct a Section 3 violation, the Court has ruled that an order entered under Section 15(1) of the Act does not require such alternatives. The decision of the District Court appears as Appendix B hereto.

The decision of the District Court is squarely in conflict with the decisions of the Supreme Court of the United States holding that the validity of an order of the Commission is dependent upon the support which the Commission's findings of particular facts afford the Commission's ultimate findings. Said decision is also squarely in conflict with the decisions of the Supreme Court of the United States with respect to the necessity of alternatives in an order requiring correction of a Section 3 violation.

The Questions Involved Are Substantial

The immediate substantial importance of the issues raised in these proceedings was well stated by the District Court in its final decree herein, wherein this Court concluded, as a matter of law,

> "The decision of these consolidated causes necessarily involves the determination of novel questions of law of great importance to the shippers, the carriers, and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions."

These issues, while of great importance in so far as concerns the immediate effect of their determination, are of even more far-reaching significance as concerns the future transportation law generally, and more specifically, the powers and duties of the Commission. The decision of the Commission under review in these proceedings represents a sharp break with the past and an embarkment upon a new course of regulatory practice, based upon the newly-embraced concept of uniformity. Acting under a supposed mandate from Congress to substitute the standard of uniformity for the time-honored standards of legality to which it has adhered for 58 years, the Commission has cast aside all those considerations which have guided its deliberations in the past, and now holds that class rates must be made uniform virtually throughout the nation, notwithstanding the transportation factors which caused such rates to be established at non-uniform levels originally, which factors still prevail. If the Commission has rightly interpreted (and it is clear that it has not) the action of Congress, and if rate uniformity is to become the new standard of lawfulness, this revolutionary change in the law will have broad repercussive effects upon, not merely the class rates which are in issue in these proceedings, but upon all railroad rates.

Decisions Sustaining Jurisdiction

United States v. *Chicago, Milwaukee & St. Paul Railroad Co.,* 294 U. S. 499 (1935);

Texas & Pacific Railway Co. v. *United States,* 289 U. S. 627 (1933);

Ann Arbor Railroad Co. v. *United States,* 281 U. S. 658 (1930).

Respectfully submitted,

Henry E. Foley
Counsel for
The Honorable Horace A. Hildreth, Governor of the State of Maine;
The Honorable Charles M. Dale, Governor of the State of New Hampshire;
The Honorable Mortimer R. Proctor, Governor of the State of Vermont;
The Honorable Maurice J. Tobin, Governor of the Commonwealth of Massachusetts;
The Honorable John O. Pastore, Governor of the State of Rhode Island; and
The Honorable Raymond E. Baldwin, Governor of the State of Connecticut.

Dated: June 25, 1946.

FILE COPY

Supreme Court of the United States

October Term, 1946

No. 344

HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, CHARLES M. DALE, GOVERNOR OF THE STATE OF NEW HAMPSHIRE, ET. AL.,
Appellants,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

BRIEF ON BEHALF OF APPELLANTS

Henry E. Foley,
Counsel for Appellants.

Filed February 10, 1947

PRESS OF GEO. H. DEAN CO., BOSTON

INDEX

PAGE

OPINION OF THE COURT BELOW 1

STATEMENT AS TO JURISDICTION 1

STATEMENT OF THE CASE 2

Class Rates 4

The Extent of Present Class Rate Uniformity 5

The Relationship between Class Rates and Other Types of Railroad Rates 9

Relative Levels of Class Rates and of All Rates 10

The Commission's Report and Order 11

The Action of the District Court 13

Further Action of the Commission During the Pendency of these Appeals 14

SPECIFICATION OF ERRORS 15

SUMMARY OF ARGUMENT 21

ARGUMENT 23

POINT ONE 23

The Commission's Ad Interim Order, Which The District Court Refused to Enjoin, Set Aside And Annul, Has Been Vitiated By The Order Which The Commission Entered on December 5, 1946 in Ex Parte 162, And This Court Should Therefore Summarily Reverse The Order of The District Court and Remand The Proceedings With Instructions To The District Court to Issue A Permanent Injunction 23

POINT TWO 26

The Ad Interim Order Of The Commission Requiring A 10% Increase In Official Territory Class Rates Is Invalid, And The District Court Erred In Refusing To Enter an Order Enjoining, Setting Aside, And Annulling Said Order 26

Page

A. The Commission Has No Authority To Require Changes in Established Rates unless Such Rates are Unlawful .. 26

B. An Order of the Commission is Invalid Unless the Ultimate Findings Upon Which Said Order Rests Are Supported by Adequate Particular Findings Which in Turn Are Supported by Substantial Evidence............. 27

C. The Commission's Ad Interim Order Requiring a 10% Increase in Official Territory Class Rates Cannot Be Sustained as a Valid and Appropriate Correction of a Violation of Section 1 of the Act.................. 29

1. Rates are not unreasonably low, in violation of Section 1 of the Act, unless they are either noncompensatory, or otherwise threaten to have harmful effects upon the revenues and therefore the transportation efficiency of the carriers which maintain such rates or of other and competing carriers 29

a. The law was such prior to the legislation of 1940 29

b. The 1940 "amendments" to the Act did not change the test of unreasonableness 34

2. The Commission has not found and, on the evidence, could not find, either that Official Territory class rates are noncompensatory or otherwise threaten to have harmful affects upon the revenues of the carriers which maintain such rates or of other and competing carriers; in fact, the Commission's own subsidiary findings preclude such a finding............ 38

a. The Commisison has not found that Official Territory class rates are noncompensatory or threaten to create a noncompensatory situation................ 38

b. The record will not warrant, and the Commission's own subsidiary findings preclude, a finding that Official Territory class rates are noncompensatory, or threaten to create a noncompensatory situation.. 39

PAGE

(1) The evidence does not warrant, and the Commission's subsidiary findings preclude, a finding that Official Territory class rates, generally, are noncompensatory or threaten a noncompensatory situation 39

(2) The evidence does not warrant, and the Commission's own subsidiary findings preclude, a finding that any particular Official Territory class rates are noncompensatory or threaten a noncompensatory situation 43

3. Even if the evidence had warranted (as it does not) and the Commission's findings had not precluded (as they do) a finding that Official Territory less-than-carload rates or any other particular class rates are unreasonably low such a finding would not warrant an order increasing all Official Territory class rates 45

D. The Commission's Ad Interim Order cannot be sustained as a Valid and Appropriate Correction of a Violation of Section 3 of the Act 46

1. The record does not warrant, and the preliminary findings of the Commission are inconsistent with, and therefore vitiate, the Commission's ultimate finding of a Section 3 violation 47

a. Rate disparity does not result in undue preference and prejudice within the meaning of Section 3 of the Act unless such disparity (1) results in disparity in actual shipping charges, (2) causes injury, and (3) is unjustified by transportation conditions. The 1940 amendment of Section 3 of the Act did not alter this well-established concept 47

b. The Commission's ultimate finding of a Section 3 violation is not only based upon a misconception of law, but is unwarranted by the record and inconsistent with the Commission's own subsidiary findings 52

PAGE

(1) The Commission misconstrued the Transportation Act of 1940 52

(2) The record will not warrant, and the Commission's own subsidiary findings are inconsistent with its ultimate finding of undue preference and prejudice 53

(a) The record does not warrant, and the Commission's findings preclude, a finding that articles move, or even that articles generally move both within Official Territory and into Official Territory on non-uniform class rates and that class rates differences therefore result in actual differences in shipping charges.... 54

(b) The record does not warrant, and the Commisison's subsidiary findings preclude, a finding that differences between class rates within and class rates into Official Territory result in injury 58

(c) The record does not warrant, and the Commission's subsidiary findings preclude, a finding that differences in transportation conditions do not justify differences between class rates into Official Territory 65

Cost Differences 66

Traffic Consist Differences 68

2. The Commission's order, which fails to provide the carriers with alternative methods of removal of preferences and prejudice, would be invalid as a remedy for a Section 3 violation even if such violation had been shown to exist 73

Page

Point Three 81

The District Court Erred In Dismissing The Petition of the Plaintiffs Below, and in Refusing To Issue an Order Permanently Enjoining Enforcement of The Commission's Ad Interim Order 81

Appendix 85

Conclusions, Findings and Order of the Interstate Commerce Commission in Ex Parte 162 85

Interstate Commerce Act, Section 15(1) 97

Certificate of Service 99

TABLE OF CASES CITED

Page

Albany Port District Commission v. *Ahnapee and W. Ry. Co.*, 219 I. C. C. 151 51

Anchor Coal Co. v. *United States*, 25 F. (2d) 462 36

Ann Arbor R. R. Co. v. *United States*, 281 U. S. 658 36

Ballard v. *Searls*, 130 U. S. 50 25

Berry v. *Davis*, 242 U. S. 468 25

Butler v. *Eaton*, 141 U. S. 241 .... 24, 25

City of Moorhead v. *Great Northern Railway Co.*, 172 I. C. C. 38 49

City of Philadelphia v. *Baltimore & O. R. Co.*, 231 I. C. C. 21 .. 51

Crozier v. *Krupp*, 224 U. S. 290, 302 25

Dinsmore v. *Southern Express Co.*, 183 U. S. 115, 120 25

Duluth Chamber of Commerce v. *Chicago, St. P., M. & O. Ry. Co.*, 122 I. C. C. 739 49

Federated Metals Corp. v. *Pennsylvania Railroad Co.*, 161 I. C. C. 287 49

Florida v. *United States*, 282 U. S. 194, 215 28

Gulf, Colorado & Santa Fe Ry. Co. v. *Dennis*, 224 U. S. 503, 506 24

Interstate Commerce Commission v. *Chicago G. & W. Ry.*, 209 U. S. 108 .... 26, 49, 77

Interstate Commerce Commission v. *Railway Co.*, 167 U. S. 479 77

Jefferson Island Salt Mining Co. v. *United States*, 6 F. (2d) 315 32

Jones v. *Montague*, 194 U. S. 147 25

Lumber from Pacific Coast to Eastern Points, 210 I. C. C. 317 26

Mills v. *Green*, 159 U. S. 651 25

Patterson v. *Alabama*, 294 U. S. 600 25

Scandrett v. *United States*, 32 F. Supp. 995 32

Texas & Pacific Railway Co. v. *United States*, 289 U. S. 627 .. 31, 74

PAGE

The Schooner Rachel v. *United States*, 6 Cranch 329 25

United States v. *Baltimore & Ohio R. Co.*, 293 U. S. 454 28

United States v. *Chicago, Milwaukee & St. Paul R. R. Co.*, 294 U. S. 499 .... 28, 30, 31, 39

United States v. *Hamburg-Amerikanische Packetfahrt-Action Gesellschaft*, 239 U. S. 466, 475, 498 25

United States v. *Illinois Central Railroad Company*, 263 U. S. 515 50

United States v. *The Schooner Peggy*, 1 Cranch 103, 109-110 .. 25

U. S. Phosphoric Products Corp. v. *Butte, A. & P. Ry. Co.*, 153 I. C. C. 459 49

Utah State Automobile Association v. *Atchison, T. & S. F. Ry. Co.*, 92 I. C. C. 376 49

Villa et al v. *Van Schaick*, 299 U. S. 152 25

Watts, Watts & Co., Ltd. v. *Unione Austriaca Di Navigazione*, 248 U. S. 9 24

Youngstown Sheet & Tube Co. v. *United States*, 295 U. S. 476 .. 32

Ziffrin, Inc. v. *United States*, 318 U. S. 73 25

Supreme Court of the United States

OCTOBER TERM, 1946

No. 344

HORACE A. HILDRETH, GOVERNOR OF THE STATE
OF MAINE, CHARLES M. DALE, GOVERNOR OF
THE STATE OF NEW HAMPSHIRE, ET AL.,
Appellants,

vs.

THE UNITED STATES OF AMERICA,
INTERSTATE COMMERCE COMMISSION, ET AL.

BRIEF ON BEHALF OF APPELLANTS

OPINION OF THE COURT BELOW

The opinion of the Court below is reported at 65 Federal Supplement 856.

STATEMENT AS TO JURISDICTION

The above-entitled proceeding is an appeal from the final decree and order of the District Court of the United States for the Northern District of New York in two proceedings brought to enjoin, set aside and annul a certain order of the Interstate Commerce Commission. Section 210 of the Judicial Code (U.S.C., Title 28, Section 47a) confers jurisdiction upon this Court to review final judgments or decrees of District Courts in such cases upon direct appeal.

STATEMENT OF THE CASE

In this proceeding this Court is asked to review the final decree and order of the District Court of the United States for the Northern District of New York, entered May 27, 1946 and entitled—Final Decree and Order Continuing Interlocutory Injunction—which decree and order dismissed petitions filed in two proceedings before said District Court (a) by the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio and Wisconsin and the Commonwealth of Pennsylvania (hereinafter called the Northern States) and (b) by The Atchison, Topeka & Santa Fe Railway Co. and thirty-one other Western railroad companies (hereinafter called the Western railroads) respectively, asking that a certain report and order of the Interstate Commerce Commission (hereinafter called the Commission) be permanently enjoined, set aside, and forever annulled. While the District Court granted an interlocutory injunction forbidding enforcement of the Commission's order during the pendency of the proceedings in the District Court, and while it has continued that interlocutory injunction pending the final determination of the issues by this Court, it has declined to enter an order permanently enjoining enforcement of the Commission's order.

Appellants in this proceeding (Case No. 344) participated in the proceedings before the District Court as plaintiffs-interveners, and their appeal to this Court from said final decree and order was allowed on June 25, 1946, concurrently with the appeals of the Northern States and the Western railroads, appellants in Cases numbered 343 and 345. (R. 1465, 1474, 1483) The three proceedings have now been consolidated for hearing, and a single record has been printed.

The report and order of the Commission which appellants* sought to have enjoined, set aside and annulled by the District Court are the report and order of the Commission dated May 15, 1945 and, as amended, October 30, 1945, in two investigation proceedings—*Class Rate Investigation, 1939* (Docket No. 28300)—and—*Consolidated Freight Classification* (Docket No. 28310). The Commission's report and supplemental report (modifying its original report) are reported officially at 262 I.C.C. 447, and 264 I.C.C. 41 respectively and appear at pages 62 to 381 and 432 to 483 of the record herein.

The Commission has found, in its report, that railroad class rates must, as a matter of law, be made uniform throughout all that portion of the United States which lies east of the Rocky Mountains and that, notwithstanding the very widespread and substantial differences in transportation conditions which prevail throughout the area, such railroad class rates will be lawful in the future only if they are uniform. The Commission's order requires the railroads to take steps toward achieving such uniformity by increasing all class rates in the Northeastern portion of the United States by 10% and reducing all class rates in the South and West (as well as all class rates between regions) by 10%. (R. 384-5) Appellants have attacked the Commission's report and order as based upon an erroneous theory as to the law, as not supported by the Commission's subsidiary findings of fact or by the evidence and as inconsistent with, and wholly improper in view of the subsidiary findings of fact which the record required and the Commission itself made.

Preliminary factual matters, the understanding of which is essential to an understanding of the issues herein, include a description of class rates, of the extent to which class rates are now uniform, of the relationship between class rates and other types of rates, and of the relative levels of class rates and of all rates applicable east of the Rocky Mountains. These matters will be considered at the outset.

---

* Unless otherwise is indicated references in this brief to appellants include appellants in cases numbered 343 and 345, which are to be heard with this proceeding.

CLASS RATES

The class rate method of rate publication, which was devised as a means of publishing rates for all commodities for all distances in relatively compact form entails two procedures—(a) the preparation of a freight classification, which assigns the articles of freight, for which rates are to be published, into classes, grouping in the same class, in so far as possible, all articles of freight having similar transportation characteristics, and (b) the establishment of a distance or mileage scale of rates for one of those classes. A form of mileage scale appears as Appendix 10 to the report of the Commission (Rep. 766; R. 381).* All articles of freight assigned to the class for which the mileage scale is established (which is invariably first class or Class 100) are charged the rates set forth in the scale. Rates for all other classes are either fixed percentages or fixed multiples of the first class or scale rates. A shipper who wishes to know the class rate for transporting his particular goods a given distance, 200 miles for example, need only consult the freight classification tariff, to find the class to which his commodity is assigned, and then the distance scale to find his actual class rate. Thus, if the article is assigned to first class, the shipper's rate is the full scale rate, which for 200 miles might be 80¢ per 100 lbs. If the article were assigned to fourth class in official territory (which is charged only 50% of the first class rate) the shipper's rate would, of course, be only 40¢. Virtually all articles of commerce are included in the more than 20,000 items listed in the railroads' present freight classification tariff, and therefore have published class rates.

---

* For the convenience of the Court, each reference to the Commission's decision will include a reference to the page of its decision as reported in 262 I.C.C. (preceded by the abbreviation—Rep.—) or its supplemental report in 264 I.C.C. (preceded by the abbreviation—Supp. Rep.)

These class rates may be and commonly are superseded by lower rates of other types (as is hereinafter pointed out).

THE EXTENT OF PRESENT CLASS RATE UNIFORMITY

Class rates are, for the most part, and at the present time, uniform within two of the three well-defined broad areas of the country, which are known as territories for railroad rate-making purposes, and within each of the three zones of the third broad area.

These territories are—(1) Official Classification Territory (or Official Territory) comprising generally that part of the United States which lies east of the Mississippi River and north of the Ohio and Potomac Rivers, and including the six New England States; (2) Southern Classification Territory (or Southern Territory) comprising that part of the United States lying east of the Mississippi River and south of the Ohio and Potomac Rivers and (3) Western Classification Territory (or Western Territory) comprising that part of the United States lying west of the Mississippi River.* Western Territory, as so defined, of course, includes the southwestern part of the United States, which is sometimes separately designated as Southwestern Territory.

---

* The line separating Official and Western Territories follows the Mississippi River north as far as the southwestern corner of Wisconsin, from which point it crosses the State of Wisconsin diagonally to Milwaukee, Wisconsin and thereafter follows, northerly, the western shore of Lake Michigan. (Rep. 457, R. 72). Actually, therefore, all of Minnesota, a large part of Wisconsin and the Upper Peninsula of Michigan are in Western Territory. Other than in this one respect, the areas comprising the three territories are substantially as stated.

Insofar as freight classification is concerned, complete uniformity exists territorially. Thus, the railroads in Official Territory publish and maintain a single freight classification for uniform application throughout Official Territory. The carriers in Southern Territory and Western Territory, respectively, maintain separate classifications which apply uniformly throughout their respective territories. (Rep. 457, R. 72) For purposes of convenience of shippers and carriers, the three classifications are combined in one volume, which is known as the Consolidated Freight Classification. (R. 4, 823)

Class rate uniformity does not cross territorial boundaries at the present time, and substantial differences exist as between class rates in one territory and class rates in another territory. Such differences result in part from differences in freight classification but principally because the applicable mileage scale rates are so substantially different. (Rep. 744, R. 359)

So also, interterritorial class rates applicable to the movement of class-rate traffic between territories differ from the intraterritorial class rates applicable to movement within any particular territory. The former are governed, as to classification, by either the classification of the origin territory or that of the destination territory (and the railroads' tariffs indicate the governing classification) and, as to rates, generally speaking, by formulae which the carriers have devised, or which the Commission has prescribed, which blend the distance scales of the territories through which the traffic moves. (Rep. 476, R. 91; Rep. 526-36, R. 141-151)

Economic considerations arising out of the manner in which the nation's rail transportation system has developed explain fully the fact of general uniformity of class rates within each of the major rate territories and general nonuniformity of class rates on any broader basis. The railroads of this country developed, expanded and now operate within regional lines which conform closely to present territorial boundaries. (R. 3621-23) Thus, the northern railroads, in the course of their development, frequently extended their lines to, but seldom below, the Ohio or Potomac Rivers, and the southern railroads were seldom extended northward across these rivers. Very few railroads in either area extended their lines further west than, at most, west bank crossing points on the Mississippi River. Western railroad development, on the other hand, was concentrated west of the Mississippi River. This same regionalization of development characterized the period of raiload mergers and consolidations. The great system lines carriers which emerged from that period emerged and now operate, not as transcontinental railroads, and rarely as interregional railroads, but in virtually all cases as extensive systems in and throughout either the North, the South or the West. Generally speaking, the most extended lines of each of these systems reach to, but not beyond, the major geographic barriers which are now recognized as territorial boundaries. (R. 3622)

Because the railroads have developed and now operate along the regional lines referred to, it is feasible for them now to maintain substantial regional uniformity of rates in Official and Southern Territories, and uniformity throughout extensive zones in Western Territory. Railroads, like other business enterprises, are required, in fixing their charges, to take primarily into account the conditions which prevail in the areas in which they operate. If the carrier's territory of operation is wide and extensive so that varying conditions are encountered, the carrier's rates may, of course, be so made as to meet the average of these conditions. But whatever the area of operations, if the conditions prevalent in that area are not observed, the carriers' rates will be either too low to produce adequate revenues or too high to permit the free flow of traffic by rail. At the outset, and prior to the period of expansion and merger, this practical necessity of relating railroad rates to conditions experienced in operations led to many and wide divergencies between rates in the various sections of the country, as the different carriers sought to reflect, in their rates, the widely differing conditions which they encountered in their own limited operations. (R. 3621) Later, as the large system railroads developed, and commenced operating throughout the wide areas which are now called territories, it became feasible for these carriers to take account of the average of all conditions affecting transportation in their territory and to publish rates based thereon which would be uniform throughout the territory. (R. 3622)

Uniformity of rates on any broader basis than the territorial basis, however, has not been achieved, due to the circumstance that conditions in the different rate territories vary, and that no carrier or group of carriers is in a position to average out such differences. (R. 3623) The Commission recognized this when it prescribed the class rates which it now finds unlawful (Rep. 516-7; R. 131-2) and as the late Commissioner Porter pointed out in his dissenting opinion to the Commission's report:

> "Throughout the history of its regulation, the Commission has consistently recognized what is still the fact, namely, that conditions in the various rate territories differ with respect to the volume and kind of traffic transported, the distribution of the rate burden, and the revenue needs of the railroads. These and other factors have resulted in the maintenance of different rate territories, the boundaries of which have been determined largely by the basic fact that, in general, the rails of the carriers within the respective territories do not extend beyond their borders, and in the establishment of different rate levels within those territories." (Rep. 712; R. 327)

THE RELATIONSHIP BETWEEN CLASS RATES AND OTHER TYPES OF RAILROAD RATES

In addition to class rates, the railroads publish exception rates and commodity rates, both of which, generally speaking, are lower than class rates, and both of which move substantially greater volumes of traffic than class rates. Exceptions and commodity rates are special "reduced" rates which the railroads establish, sometimes over a wide area, and at other times within a very limited area, in order to attract traffic or to hold traffic which would use other types of transportation rather than pay the class rates. Thus, exception and commodity rates are established where the volume of traffic is unusually heavy (as for example in the case of automobiles from Detroit), where motor truck or water competition is a transportation factor, and where required to enable shippers to meet the competition of other manufacturers in remote markets.

Exception rates are very similar to class rates and are almost always upon the same mileage scales as the class where motor truck or water competition is a transportation rates. (Rep. 549, R. 164) They are called exception rates because they result from the railroad's creating exceptions to the standard or regular classification. Thus, an article regularly assigned to first class may, by the publication of a so-called exception tariff, be assigned to third class in a certain area, or between two points, or in one direction between those two points. Wherever the exception applies, of course, the higher class rate is superseded and becomes a mere "paper" rate.

Commodity rates follow no single specific pattern. They are, essentially, specific rates for particular hauls on individual commodities. Some commodity rates apply only in one direction between two points ten miles apart. Others apply to all movements of the particular commodity within a territory and are based upon mileage scales, either the class rate scale or a special commodity scale. Commodity rates, like exception rates, to the extent applicable, generally supersede and are lower than the regular class rates, the latter becoming merely paper rates. (Rep. 476, R. 91) The only commodity rates which move substantial amounts of traffic and yet do not supersede regular class rates are commodity rates which are published for the relatively few articles which are not listed in the Consolidated Freight Classification and which, therefore, do not have regular published class rates.

In all territories, the great majority of the traffic (both intraterritorial and interterritorial) moves on commodity rates. Exception rates move the next largest volume of traffic and class rates the least. (Rep. 479, R. 94) In Official Territory, approximately 5.8% of the total carload traffic moves on class rates; in the South and West the percentages are only 1.8 and .6, respectively.

The Commission's investigation did not formally extend to exception and commodity rates, and its order does not apply to them.

RELATIVE LEVELS OF CLASS RATES AND OF ALL RATES

Class rates are generally lower, mile for mile, in Official Territory than in either Southern or Western Territories, although it is impossible to determine and state accurately the exact difference in levels. For example, for certain distances, the Official Territory mileage scale rates are approximately 30% higher than the Southern Territory scale rates, but for other distances, the difference may be either greater or less. (Rep. 475, R. 90) So also, it is necessary to take into account the effect of classification differences, for the assignment of particular commodities to lower classifications in the South or West than the same commodities enjoy in Official Territory necessarily reduces and may eliminate the rate difference indicated by a comparison merely of the distance scales. (Rep. 474, R. 89)

Because interterritorial class rates reflect, generally, a blending of the class rate levels of more than one territory, these rates between Official Territory and other territories are generally somewhat higher than Official Territory intraterritorial class rates and somewhat lower than intraterritorial rates in the other territories. (Rep. 476, R. 91)

While class rates are thus generally somewhat lower in Official Territory and to and from Official Territory than in either the South or the West, it cannot seriously be disputed that both the South and West have the benefit of unusually favorable exception rates and commodity rates. While the Commission's investigation did not comprehend exception and commodity rates as such and while the record is not complete as to specific rates in these categories, both the record and the Commission's report afford ample indication that the exception and commodity rates in the South, at least, are commonly lower than such rates in Official Territory. Thus, the Commission itself recognized in its report (Rep. 593, R. 208) that in many instances commodity rates are lower in the South than the rates applicable to the same articles in Official Territories. It then proceeds to consider in detail certain types of traffic for which commodity rates in the South are lower, and substantially lower. These commodities include brick, fertilizer, and fertilizer materials, coke, lime, logs, lumber, pig iron, pulpwood, sand, gravel, crushed stone, slag, iron or steel scrap, sulphuric acid, and iron ore—commodities which move in very heavy volume in the South.

The record discloses and the Commission has found that the level of all rates in the South exceeds the level of all rates in Official Territory by only about 4%. (Rep. 606, R. 221)

THE COMMISSION'S REPORT AND ORDER

The order of the Commission which appellants sought to have enjoined and set aside by the District Court was entered at the conclusion of the Commission's investigation proceedings, hereinbefore referred to, and was an ad interim order so-called. Its purpose was to accomplish and achieve temporarily a portion of the results which the findings in its report indicate to be the Commission's ultimate goal—namely, uniformity of all classification ratings and class rates throughout the nation. Said order directed the railroads serving in Official Territory to increase forthwith by 10% (from their then level) all class rates applicable within Official Territory; directed all railroads serving in Southern and Western Territories to decrease forthwith by 10% (from their then level) all class rates applicable within those respective territories (except rates applicable in Western Territory west of the Rocky Mountains), and directed all railroads participating in transportation between the various territories to decrease forthwith by 10% (from their then level) all class rates applicable to such interterritorial movement. (R. 385)

While the Commission entered no order requiring railroad action with respect to the unification of classification ratings, it indicated an intention to do so if the railroads should fail to undertake such action voluntarily. The Commission's action in this respect explains in part its ad interim order, and it is therefore essential to consider the Commission's ultimate findings with respect to both classifications and class rates.

The Commission's ultimate findings with respect to the Consolidated Freight Classification were that the present classifications, to the extent they are not uniform, are unlawful in violation of Sections 1 and 3 of the Act; that it would be feasible for the railroads to establish a uniform classification, and that such a uniform classification would be just and reasonable. The railroads were thereupon "given reasonable opportunity to initiate such uniform classification by their own collective action before we undertake the task." (Rep. 511, R. 126)

The Commission's ultimate findings with respect to class rates were that all such class rates, intraterritorial and interterritorial, east of the Rocky Mountains were unjust and unreasonable in violation of Section 1 of the Act, and that the relationship between the Official Territory rates, on the one hand, and the interterritorial rates applicable to Official Territory from each of the other territories, on the other hand, was unlawful in violation of Section 3 of the Act.

Numerous parties to the proceedings before the Commission (including appellants in this proceeding) filed petitions requesting rehearing, reargument and/or reconsideration by the Commission of its report and order. These petitions were, except as to formal matters, denied by the Commission by its order dated October 30, 1945. (R. 482-3)

THE ACTION OF THE DISTRICT COURT

Following the refusal of the Commission to reconsider its ad interim order, the appellants, Northern States and Western railroads, filed with the District Court their petitions for an order enjoining, setting aside and annulling the order of the Commission.

The District Court, at appellants' request and after hearing and notice, entered an interlocutory injunction on December 20, 1945 staying enforcement of the Commission's order pending further order of the Court. (R. 805)

On May 9, 1946, the District Court announced its decision that the petitions should be dismissed. (R. 1411) Appellants moved for continuance of the interlocutory injunction pending final determination of their appeals to this Court, (R. 1441, 1445, 1449) and these motions were allowed, the District Court concluding as a matter of law:

> "1. The decision of these consolidated causes necessarily involves the determination of novel questions of law of great importance to the shippers, the carriers, and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions.

> 2. Considering the reasonable doubts as to the validity of the orders of the Interstate Commerce Commission herein, the novel character of the questions of law to be determined, the fact that the present class rates were established by the Interstate Commerce Commission itself and have been in effect for many years, and considering the equities of the shippers, the carriers, and the public, the Court in its discretion should continue the interlocutory injunction pending the perfecting and final determination of any and all appeals from the final order of the Court herein." (R. 1452)

The final decree and order of the District Court was entered on May 27, 1946, and appellants' appeals to this Court were allowed by said District Court on June 25, 1946. (R. 1465, 1474, 1483)

FURTHER ACTION OF THE COMMISSION DURING THE PENDENCY OF THESE APPEALS

Since the docketing of the appeals in this proceeding, the Commission has issued a final report and order in proceedings entitled—*Increased Railway Rates, Fares and Charges,* 1946—and—*Increased Railway Rates, Fares and Charges,* 1942 (numbered 162 and 148, respectively, in the Ex Parte dockets of the Commission), authorizing certain general freight rate increases throughout the United States, including increases of 25% in Official Territory intraterritorial class rates, increases of 20% in class rates within the South and West and of 22½% in class rates applying between points in Official Territory and points outside thereof. A copy of the order of the Commission in said proceeding and of the Commission's ultimate findings and conclusions as set forth in its report therein appear in the Appendix hereto.

In so far as intraterritorial class rates within the South and West and all interterritorial class rates are concerned, of course, the 1945 orders of the Commission (requiring 10% reduction in said rates from the 1945 level in effect when the orders were made) are completely inconsistent with the Commission's 1946 order authorizing 20% and 22½% increases in those same rates. Thus, whereas the Commission found in the Class Rate Investigation proceeding (the subject matter of this appeal) that all Southern, Western and interterritorial class rates were *unreasonably high* and would be unlawful *unless reduced 10% below their May 15, 1945 level,* the Commission has now found, in the general increase proceeding (hereinafter referred to as Ex Parte 162) that these same rates which it had previously ordered reduced may now lawfully and properly *be increased by 20%* (and 22½% interterritorially between Official Territory and other territories) over the level at which such rates were maintained on May 15, 1945.

The situation with respect to the Official Territory rates is just as confusing. The Commission has now authorized increases of 25% in Official Territory class rates. It had previously *ordered* increases of 10%, but such ordered increases had been stayed by order of the District Court. It would appear from the report of the Commission in Ex Parte 162 that, if the Commission's 1945 order requiring 10% higher class rates in Official Territory were now to become effective, the Commission's subsequent 25% permissive increase would become applicable to the rates as so increased by 10%. If this interpretation be correct, the railroads would be required to maintain Official Territory class rates at not less than 110% of their May 15, 1945 levels and would be permitted to maintain rates 25% higher than such increased rates, or 137½% of their 1945 levels.

SPECIFICATION OF ERRORS

Appellants in this Case No. 344 specify as the assigned errors which they intend to urge, the following errors, being the errors set forth in their Assignment of Errors upon which this appeal was taken (R. 1468) and adopted as their statement of points to be relied upon in this Court (R. 1521).

1. The District Court erred in dismissing the petitions of the plaintiffs in said proceedings.

2. The District Court erred in ruling that the ad interim order of the Interstate Commerce Commission (hereinafter called the Commission) entered May 15, 1945, as amended by the order of the Commission entered October 30, 1945, in the proceeding entitled—*Class Rate Investigation, 1939*—and numbered 28,300 in the dockets of the Commission (said order entered May 15, 1945, as so amended, being hereinafter called the order of the Commission), is lawful and valid.

3. The District Court erred in holding

> "that the Commission correctly decided that the ad interim order under review was within the scope of its statutory power." (P. 27)

4. The District Court erred in failing to rule that the order of the Commission, in so far as it directed an increase in Official Territory intraterritorial class rates, is unlawful and invalid (a) in that such order lacks the support of necessary and adequate preliminary findings of fact, (b) in that the subsidiary findings of fact which the Commission has made are contrary to the ultimate conclusions of the Commission and preclude the making of the preliminary findings of fact which would be necessary to support the order of the Commission, and (c) in that the evidence would not have permitted or supported the making of such necessary and adequate preliminary findings of fact.

5. The District Court erred in ruling implicitly, (a) that the lack of adequate and necessary preliminary findings does not render the order of the Commission invalid, and

(b) that the only test of the validity of said order is whether it is supported by substantial evidence.

6. The District Court erred in finding that the facts found by the Commission are supported by substantial evidence, in adopting such findings of fact as findings of the District Court, and in finding that there was substantial evidence to support such findings as the Commission made.

7. The District Court erred in failing to rule that the order of the Commission, in so far as it directs an increase in Official Territory intraterritorial class rates, which the evidence and the preliminary findings of the Commission show to be profitable, is inconsistent with and violative of Section 15a (2) of the Interstate Commerce Act, which requires the Commission, in determining just and reasonable rates, to give due consideration to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service.

8. The District Court erred in failing to rule that the order of the Commission, in so far as it directs an increase in Official Territory intraterritorial class rates, cannot be sustained as a valid order remedying a Section 1 violation.

9. The District Court erred in ruling that it might not properly set aside an order of the Commission requiring increases in rates which are within the so-called zone of reasonableness between reasonable minimum and reasonable maximum rates.

10. The District Court erred in failing to rule that the Commission's finding that intraterritorial class rates within Official Territory are unjust and unreasonable in violation of Sections 1 (4) and 1 (5) of the Interstate Commerce Act is not a valid and proper finding, but a mere conclusion

which not only is lacking the support of necessary and adequate preliminary findings but is in fact inconsistent with and contrary to the findings which the Commission has made and to the evidence before the Commission.

11. The District Court erred in failing to rule that a finding that rates are unjustly and unreasonably low, in violation of Section 1 of the Act, must, to be valid, be based upon a subsidiary finding, supported by evidence, either that such rates are noncompensatory and so low as to burden other traffic, or that the continuance of such rates will be likely to result in a rate war or otherwise be harmful, from a revenue standpoint, to the carrier publishing the rates or to other and competing carriers.

12. The District Court erred in failing to rule that an order of the Commission, directing increases in rates by reason of a conclusion of a violation of Section 1 of the Act, must be based not only upon a valid finding that such rates are unjustly and unreasonably low but also upon a finding, supported by evidence, that rates lower than the rates required to be established pursuant to the Commission's order either would be noncompensatory and so low as to burden other traffic or would be likely to result in a rate war or otherwise be harmful, from a revenue standpoint, to the carrier publishing the rates or to other and competing carriers.

13. The District Court erred in failing to find that the Commission has not made, and that the evidence would not support any of the preliminary findings of fact required to support a finding that Official Territory intraterritorial class rates are unjustly and unreasonably low in violation of Section 1 of the Act, but that it has, on the contrary, made particular findings of fact which are inconsistent with and contrary to its ultimate finding as aforesaid.

14. The District Court erred in failing to rule that the order of the Commission, in so far as it directs an increase in Official Territory intraterritorial class rates, cannot be sustained as a valid order remedying a Section 3 violation.

15. The District Court erred in failing to rule that the provisions of the Transportation Act of 1940 effect no change in the substantive law with respect to the elements of proof of undue preference and prejudice, and that preliminary findings of fact which were essential to the validity of an ultimate finding of undue preference of and prejudice against an entity entitled to protection against prejudice, prior to the enactment of said 1940 Act, continue to be essential to the validity of such an ultimate finding.

16. The District Court erred in ruling that the absence of the preliminary findings which the Court finds to have been held essential to be proved to establish a basis for findings of preference or prejudice or discrimination as to rates before the 1940 amendment of Section 3(1) of the Act, does not now invalidate a finding of preference and prejudice.

17. The District Court erred in failing to rule that the Commission's finding that Official Territory intraterritorial class rates and class rates into Official Territory from other territories are unduly preferential of Official Territory as a whole and of the shippers and receivers of freight located therein and unduly prejudicial to Southern, Southwestern and Western Territories as a whole and shippers and receivers of freight located therein, in violation of Section 3 of the Act, is not a valid and proper finding, but a mere conclusion which not only is lacking the support of adequate and preliminary findings, but is in fact inconsistent with and contrary to the findings which the Commission has made and is not supported by the evidence.

18. The District Court erred in failing to rule that the order of the Commission is invalid and unlawful, in so far as it rests upon the Commission's ultimate finding of undue preference and prejudice (a) in that such an ultimate finding must be based upon a preliminary finding that the allegedly unlawful rates are charged on the same types of freight or the freight of competing shippers, (b) in that the Commission has not made, and the evidence will not support, such a finding and (c) in that other preliminary findings which the Commission has made preclude the making of such preliminary finding which is necessary to the validity of its ultimate finding and therefore its order.

19. The District Court erred in failing to rule that the order of the Commission is invalid and unlawful, in so far as it rests upon the Commission's ultimate finding of undue preference and prejudice (a) in that such an ultimate finding must be based upon a preliminary finding that injury results or will result to the allegedly prejudiced territories or the shippers and receivers of freight therein, by reason of the continued maintenance of the allegedly unlawful rates, (b) in that the Commission has not made, and the evidence will not support such a finding and (c) in that other preliminary findings which the Commission has made preclude the making of such preliminary finding which is necessary to the validity of its ultimate finding and therefore its order.

20. The District Court erred in failing to rule that the order of the Commission is invalid and unlawful, in so far as it rests upon the Commission's ultimate finding of undue preference and prejudice arising from lack of territorial class rate uniformity (a) in that such an ultimate finding must be based upon a preliminary finding that transportation conditions do not justify any differences between said allegedly unlawful rates, (b) in that the Commission has not made, and the evidence will not support such a finding

and (c) in that other preliminary findings which the Commission has made preclude the making of such preliminary finding which is necessary to the validity of its ultimate finding and therefore its order.

21. The District Court erred in ruling that the Commission's order is not improper and beyond the power and authority of the Commission because of the failure of the order to afford the carriers alternative methods of removing the allegedly found discrimination.

SUMMARY OF ARGUMENT

The order of the District Court dismissing the petitions of the Northern States and the Western railroads for an order permanently enjoining enforcement of the Commission's ad interim order should be reversed and these proceedings should be remanded with instructions to the District Court to enter a permanent injunction.

The Commission's ad interim order has been vitiated by the order which the Commission entered on December 5, 1946 in Ex Parte 162, and this Court should therefore summarily reverse the District Court's order and remand the proceedings with instructions to the District Court to enter a permanent injunction. The reductions in Southern and Western class rates which are required by said ad interim order cannot stand, in view of the Commission's order in Ex Parte 162, and, as the ad interim order is integral, the order, as an entirety, cannot stand.

The ad interim order of the Commission is wholly invalid, even apart from its inconsistency with the Commission's order in Ex Parte 162, and the enforcement of such order should have been enjoined by the District Court. The Commission does not have authority to require changes in established rates unless such rates are unlawful, and no order which it enters requiring such changes is valid unless the ultimate findings of unlawfulness upon which such order rests are supported by adequate particular findings which are in turn supported by substantial evidence. While the Commission has purported to find Official Territory class rates violative of Section 1 of the Act, and to find the relationship between such rates and inter-territorial rates from other territories to Official Territory violative of Section 3 of the Act, an analysis of the record and of the Commission's report and order shows that the Commission's order cannot be supported as an appropriate correction of either a Section 1 or a Section 3 violation. Thus, while the Commission concluded that Official Territory class rates were less than just and reasonable rates in violation of Section 1, it made no findings which support this conclusion. The record does not permit such findings, and other findings which the Commission has made are inconsistent with and preclude such findings. The same is true with respect to the Commission's conclusions and findings concerning a Section 3 violation. The Commission has misconstrued the 1940 amendment to Section 3(1) of the Act as a Congressional mandate to establish uniformity, or near uniformity, as a new standard of lawfulness, and on that basis the Commission has made an ultimate finding of a Section 3 violation. This ultimate finding, however, when examined in the light of established regulatory principles, is not only wholly unwarranted, but is also inconsistent with and precluded by the Commission's preliminary findings. The Commission's order would be further objectionable as an order to correct a violation of Section 3 (even if such violation could be found to exist) because the order fails to afford the carriers alternative methods of removing the alleged "undue preference and prejudice."

ARGUMENT

Point One

The Commission's Ad Interim Order, which the District Court Refused to Enjoin, Set Aside and Annul, Has Been Vitiated by the Order which the Commission Entered on December 5, 1946 in Ex Parte 162, and this Court Should Therefore Summarily Reverse the Order of the District Court and Remand the Proceedings with Instructions to the District Court to Issue a Permanent Injunction.

The Commission's ad interim order, which appellants sought to have the District Court enjoin, is obviously an integral order. Said order concerns the relationship between class rates in Official Territory and all other class rates, and, if permitted to become effective, would alter the relationship by altering all such class rates. Any order which is concerned with the relationship of rates is necessarily integral. When the order itself directly affects all of the rates which create the relationship the integral character of the order is obvious.

The Commission's ad interim order in the Class Rate Investigation proceeding, in so far as it ordered reductions in Southern and Western class rates, can no longer stand. In the Class Rate Investigation proceeding, the Commission found that maximum reasonable class rates in the South and West were ten percent lower than the rates then in effect, namely, the rates of May 15, 1945, and ordered that the rates be reduced to maximum reasonable rates as so found. In Ex Parte 162, decided December 5, 1946, the Commission concluded that maximum reasonable class rates in the South and West were 20% higher than the class rates in effect on May 15, 1945. It is obvious that an order cannot now be sustained which, for example, directs a reduction in a 100¢ rate to 90¢ on the ground that 90¢ is the maximum reasonable rate, when the Commission has subsequently made clear that a rate substantially in excess of 100¢ is the maximum reasonable rate. So far as the ordered reduction rests on a finding of a Section 1 violation (namely, maintenance of rates in excess of reasonable maxima) the subsequent finding in Ex Parte 162 shows that the first finding no longer may be relied upon. The ordered reduction cannot rest on a finding of a Section 3 violation because *neither Western nor Southern class rates have been found to be prejudicial.* Moreover, in so far as the order in the Class Rate Investigation proceedings seeks to correct any preference and prejudice, it starts a change in relationship on the assumption of its finding (no longer acceptable) that maximum reasonable class rates in the South and West are rates 10% lower than those in effect on May 15, 1945. *Inasmuch as the ordered reduction in Southern and Western class rates was premised exclusively on a finding that those rates exceeded maximum reasonable class rates by 10%, it now being apparent from the Commission's subsequent action that those rates are in fact materially less than maximum reasonable class rates, the ordered reduction cannot stand and as the order is integral, the order as an entirety cannot stand.*

This Court clearly has the power to consider the effect of the Commission's action in Ex Parte 162, and, on the basis thereof, to enter a summary order reversing the final order of the District Court and directing said Court to enter the permanent injunction which the Northern States and Western railroads originally requested. As Mr. Justice Brandeis said, speaking for the Court in *Watts, Watts & Co., Ltd.* v. *Unione Austriaca Di Navigazione,* 248 U. S. 9, 21 (1918):

> "This Court, in the exercise of its appellate jurisdiction, has power not only to correct error in the judgment entered below, but to make such disposition of the case as justice may at this time require. *Butler* v. *Eaton,* 141 U. S. 240; *Gulf, Colorado & Santa Fe Ry. Co.* v. *Dennis,* 224 U. S. 503, 506. And in determining

what justice now requires the court must consider the changes in fact and in law which have supervened since the decree was entered below. *United States* v. *Hamburg-Amerikanische Packetfahrt-Actien Gesellschaft*, 239 U. S. 466, 475, 498; *Berry* v. *Davis*, 242 U. S. 468; *Crozier* v. *Krupp*, 224 U. S. 290, 302; *Jones* v. *Montague*, 194 U. S. 147; *Dinsmore* v. *Southern Express Co.*, 183 U. S. 115, 120; *Mills* v. *Green*, 159 U. S. 651; *The Schooner Rachel* v. *United States*, 6 Cranch 329; *United States* v. *The Schooner Peggy*, 1 Cranch 103, 109-110."

and see also:

Patterson v. *Alabama*, 294 U. S. 600, 607 (1934)

Villa et al v. *Van Schaick*, 299 U. S. 152, 155 (1936)

That supervening decisions and orders of the Interstate Commerce Commission fall within the purview of Mr. Justice Brandeis' remarks, is clear from the decision of this Court in *Ziffrin, Inc.* v. *United States*, 318 U. S. 73, 79 (1942). Moreover, where, as in this case, it is clear that the change in circumstances is controlling and that further proceedings below would be of no avail, this Court has reversed the judgments below and remanded the cases to the lower court with directions to enter judgment for the party entitled thereto.

Butler v. *Eaton*, 141 U.S. 240, 243-4 (1890),

and see

Ballard v. *Searls*, 130 U. S. 50 (1889)

POINT TWO

THE AD INTERIM ORDER OF THE COMMISSION REQUIRING A 10% INCREASE IN OFFICIAL TERRITORY CLASS RATES IS INVALID, AND THE DISTRICT COURT ERRED IN REFUSING TO ENTER AN ORDER ENJOINING, SETTING ASIDE, AND ANNULLING SAID ORDER.

A. *The Commission Has no Authority to Require Changes in Established Rates unless Such Rates are Unlawful.*

That the Commission is without authority to condemn, or require changes in, existing rates unless such existing rates are properly found to be unlawful is well established. Both the courts and the Commission have long recognized that it is not the function of the Commission to serve as traffic manager for the railroads. The initiative in matters affecting rate levels and structures lies with the carriers. If the rate structures which they evolve are just and reasonable, are free from undue preference or prejudice and are otherwise lawful, the Commission is not authorized to substitute its judgment for that of the carriers with respect to the appropriate level of any particular rate or group of rates. Recognition of this inherent limitation upon the Commission's grant of authority has been widespread and repeated. As this Court said, in *Interstate Commerce Commission* v. *Chicago G. W. Ry.*, 209 U.S. 108 (1908),

> "It must be remembered that railroads are the private property of their owners; that while from the public character of the work in which they are engaged the public has the power to prescribe rules for securing faithful and efficient service and equality between shippers and communities, yet in no proper sense is the public a general manager . . .
>
> "'Subject to the two leading prohibitions that their charges shall not be unjust or unreasonable, and that they shall not unjustly discriminate so as to give undue

> preference or disadvantage to persons or traffic similarly circumstanced, the act to regulate commerce leaves common carriers, as they were at the common law, free to make special rates looking to the increase of their business, to classify their traffic, to adjust and apportion their rates so as to meet the necessities of commerce and of their own situation and relation to it, and generally to manage their important interests upon the same principles which are regarded as sound and adopted in other trades and pursuits.' " (Pp. 118-9)

and as the Commission itself recognized in *Lumber from Pacific Coast to Eastern Points*, 210 I.C.C. 317 (1935),

> "The respondents (railroads) may be mistaken in their judgment as to the effect of those reductions, but that fact is not determinative of the lawfulness or unlawfulness of the rates in question. They are entitled, as a matter of right, to make the experiment unless upon this record we can say that their action or its probable results will violate some provision of the act." (P. 346)

B. *An Order of the Commission is Invalid Unless the Ultimate Findings upon which Said Order Rests are Supported by Adequate Particular Findings which in Turn are Supported by Substantial Evidence.*

This Court has made clear, in earlier decisions, the standards to which an order of the Commission must conform in order to be sustained as a valid order.

Such order of the Commission, to be valid, must contain not only ultimate findings, but also particular findings which warrant the ultimate findings, and these particular findings must be supported by substantial evidence. The necessity for appropriate ultimate findings was pointed out in *United*

States v. *Chicago, Milwaukee & St. Paul R.R. Co.*, 294 U.S. 499 (1935) as follows:

> "This court has held that an order of the Interstate Commerce Commission is void unless supported by findings of the basic or quasi-jurisdictional facts conditioning its power. *Florida* v. *United States*, 282 U.S. 194, 215; *United States* v. *Baltimore & Ohio R. Co.*, 293 U.S. 454. (P. 504)

But appropriate ultimate findings are not sufficient. Parties are entitled to know how those findings are arrived at in order that they may determine whether the Commission erred in its application of the law and whether its conclusions are supported. In this connection the Court pointed out in the *Milwaukee* case,

> "The second report of the Commission is a long and discursive narrative. Two paragraphs at the end give the key to its meaning (200 I.C.C. 621, 622): . . .
>
> "The statement in the second of these paragraphs that the proposed rates would be 'unreasonable' must be read in the light of the report as a whole, *and then appears as a conclusion insufficient as a finding unless supported by facts more particularly stated.*" (Emphasis supplied) (pp. 505-6)

That the evidence must lend substantial support to the findings needs no citation of authority.

In view of the foregoing, it is obvious that an order of the Commision is invalid if the Commission's findings of fact are inconsistent with its ultimate findings and its order.

C. *The Commission's Ad Interim Order Requiring a 10% Increase in Official Territory Class Rates Cannot be Sustained as a Valid and Appropriate Correction of a Violation of Section 1 of the Act.**

The Commission's order in this proceeding requiring an increase in Official Territory class rates cannot be sustained as a valid order for the correction of a Section 1 violation because the Commission has not made a proper and valid finding that such rates are violative of Section 1 and its subsidiary findings preclude such a finding.

1. *Rates are not unreasonably low, in violation of Section 1 of the Act, unless they are either noncompensatory, or otherwise threaten to have harmful effects upon the revenues and therefore the transportation efficiency of the carriers which maintain such rates or of other and competing carriers.*

a. *The law was such prior to the legislation of 1940:*

---

* In Point One of this brief it was pointed out that the Commission's order here under consideration is integral and has been wholly vitiated by the Commission's action and findings in Ex Parte 162. The remainder of this brief is devoted to argument that, wholly apart from said order in Ex Parte 162, the Commission's ad interim order cannot be sustained under either Section 1 or Section 3 of the Act, the only sections which the Commission "found" violated. (Rep. 700-702, R. 315-317) This portion of the argument dealing with the Commission's Section 1 finding, is concerned only with that portion of the Commission's order which required increases in Official Territory class rates, and which will, if sustained, provide the basis for higher than present class rates in Official Territory under the Commission's Ex Parte 162 order. The invalidity of that part of the order which required reductions in Southern, Western and interterritorial rates has already been considered.

Sections 1(4) and 1(5)(a) of the Act (U.S.C., Title 49, Sections 1(4) and 1(5)(a)) insofar as pertinent, provide as follows:

> "(4) It shall be the duty of every common carrier subject to this part to provide and furnish transportation upon reasonable request therefor, and to establish reasonable through routes with other such carriers, and just and reasonable rates, fares, charges, and classifications applicable thereto; . . .
>
> "(5) (a) All charges made for any service rendered or to be rendered in the transportation of passengers or property, or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful."

While the Commission in its supplemental report has purportedly "found" that Official Territory class rates are unreasonably low, such a finding is, of itself, a mere conclusion of law. The Commission's statement that Official Territory class rates are unreasonably low, to quote Mr. Justice Cardozo in *United States v. Chicago, Milwaukee & St. Paul R.R. Co.*, (supra)

> ". . . must be read in the light of the report as a whole, and then appears as a conclusion insufficient as a finding unless supported by facts more particularly stated." (p. 506)

The "facts more particularly stated" which are required to sustain a conclusion that rates are unreasonably low in violation of Section 1 of the Act are facts which show that the rates are either themselves non-compensatory and burden other traffic or threaten, because of their low level, to create a noncompensatory rate situation for other and competing carriers. While the Commission has had jurisdiction over railroad rates since 1887, it was not given authority to order increased rates until the enactment of the Transportation Act of 1920. The power then grudgingly given was given in recognition of the fact that, while inexpensive transportation is generally in the public interest, the public interest can be adversely affected by the maintenance of rates which are so low as to burden other traffic of the publishing carrier or to impair the efficiency of the national transportation system or any part of it, and that the Commission should be empowered to prevent these results. In recognition of these inherent and well-understood limitations upon the Commission's minimum rate power, it has been consistently held that a finding of a Section 1 violation cannot be sustained unless it appears that the rates claimed to be unreasonably low are noncompensatory or threaten a noncompensatory situation. Thus in *Texas & Pacific Railway Co. v United States,* 289 U.S. 627 (1933) this Court said

> "... The evidence failed to show that the rates of the Texas and Pacific and the L. R. & N. on export and import shipments to and from New Orleans were not compensatory. The Commission refused to find that they were so low as to cast a burden on other traffic. There was therefore no basis for an order fixing minimum reasonable rates under Section 15(1) of the Act." (P. 633)

and in *United States v. Chicago, Milwaukee & St. Paul Railroad.,* (supra), in holding an ordered increase invalid, this Court said

> "There is no suggestion in the report that the rates have been so reduced as to be less than compensatory ... they do not pass the minima beyond which charges are too low." (P. 506)

> "... There is not a fact to indicate that the rates so reduced will be less than compensatory or that capacity for service to the public will be impaired or put in jeopardy." (P. 507)

Counsel for the United States and for the Commission have previously cited, and will undoubtedly cite to this Court, the cases of *Jefferson Island Salt Mining Co. v. United States*, 6 F. 2d 315 (1925); *Scandrett v. United States*, 32 F. Supp. 995 (1940) or *Youngstown Sheet & Tube Co. v. United States*, 295 U.S. 476 (1940) and argue that, in each of said cases, a minimum rate order was sustained without proof or finding that the rates which the Commission ordered increased had been noncompensatory. While this proposition is literally true, there is nothing in any of said cases which casts doubt upon the proposition that a conclusion that rates are unreasonably low requires a finding either that such rates are noncompensatory or that they threaten to create a noncompensatory situation. In each case there was a finding of a threatened noncompensatory situation. In the *Jefferson Island Salt Mining* case the Court referred to the necessity of avoidance of ruinous rate wars and to the maintenance of a reasonable relation between cost of service and rates as a justification of the Commission's order. In the *Scandrett* case, the finding was that the rates condemned were so low that competing motor carriers, if they were to continue to compete, would be forced to publish ruinously destructive noncompensatory rates. Similarly, in the *Youngstown* case the Commission's concern was with the maintenance of the existing rate structure and the avoidance of a situation which would precipitate destructive and ruinous rate reductions.

If a railroad chooses to publish a particular rate, and that rate is high enough so that the railroads are compensated, high enough to permit good service without burdening other traffic of the railroad, and not so low that competing carriers will either be weakened or be forced to burden their other traffic if they try to meet the rate and continue to compete, then that rate is not unreasonably low, and the Commission has no power to order the rate increased.

The argument may be made that a rate, even if it meets all of the tests just outlined, can be found unreasonably low merely because it creates discrimination (which the rates in this case do not, as will hereinafter be pointed out), but this Court has never so held, and the proposition itself is unsound. Nothing in the *Youngstown* case warrants a claim that a rate may be found unreasonably low and higher rates prescribed merely because lower rates would create undue discrimination. It is true that the Commission found undue prejudice in the *Youngstown* case, but the finding upon which its order rested was that lower rates would tend to disrupt the entire rate structure and this Court took pains to exclude the finding of undue prejudice as a basis for the minimum rate order, saying

> "The order of the Commission was based primarily upon the unreasonableness of the minimum prescribed. The existing rate structure *furnished support for the finding of unreasonableness.*
>
> ". . . It is true the Commission found prejudice to shippers all rail, *but in essence* the order entered was a Section 15 order and not one made under Section 3." (P. 480) (Emphasis supplied)

The unsoundness of any possible claim that a rate can be found unreasonably low merely because it is discriminatory can be developed through an example. Suppose points A and B are the same number of miles from point C and that transportation conditions are the same between A and C as between B and C. Suppose further that the rate from point A to point C is $1.00 per 100 lbs. and that this rate, meeting all of the tests of reasonableness previously outlined herein, is high enough to be compensatory, warrants good service without burdening other traffic and is not so low as to embarrass competing carriers, rail or otherwise. If the carrier which charges $1.00 between A and C charges $1.25

between B and C, it discriminates in favor of A and against B. But it is the relationship between the AC-BC rates which produces the discrimination, not either of the rates by itself. It is absurd to say that because the relationship is discriminatory, the $1.00 rate is unreasonably low, and the $1.25 rate unreasonably high. Proof of such absurdity is that, if the carrier were to reduce the high rate to the level of the low rate, the discrimination would disappear and the low rate would cease being "unreasonably low". Obviously the lower rate was never "unreasonably low", for if it had been, its "unreasonableness" could not have been remedied by adjusting another and different rate.

b. *The 1940 "amendments" to the Act did not change the test of unreasonableness.*

In its report, the Commission has referred to three provisions of the Transportation Act of 1940 and has indicated its belief that its order is justified in the light of such provisions (R. pp. 688-692). These provisions are:

> (1) the provision extending the prohibitions of Section 3(1) of the Act to include prohibitions against undue preference of and undue prejudice to "regions, districts and territories";
>
> (2) the provision authorizing and directing the Commission to institute an investigation of certain rates within and between territories and to enter appropriate orders for the removal of any unlawfulness found to exist (Section 5(b)); and
>
> (3) the statement of national transportation policy contained in the preamble.

Of these three provisions only the first actually amends the Interstate Commerce Act and this provision merely adds "regions", "districts", and "territories" to the objects protected against undue preference and prejudice under the Act. It did not alter the tests of unreasonableness of rates under Section 1 of the Act. The amendment had nothing to do with Section 1. While the amendment made clear that rates are unlawful if they unduly prefer and prejudice regions, districts or territories, such rates are unlawful under Section 3 of the Act, and not under Section 1. They are unlawfully prejudicial only; they do not, by any force of the amendment, become unreasonably high or low in violation of Section 1. Just as the finding of prejudice to all-rail shippers in the *Youngstown* case was not material to the finding of a Section 1 violation, so a finding that rates discriminate against a region, district or territory would not be material on the issue of their reasonableness under Section 1. Whether Official Territory class rates are unreasonably low must be determined without regard to the 1940 amendment of Section 3.

Nor does Section 5(b) of the Transportation Act of 1940 either change the tests of reasonableness or extend the Commission's powers with respect to the removal of unlawfulness when found to exist. Section 5(b) merely authorizes and directs that specific investigations be made by the Commission and this is not confined, as here, to class rates but extends to all rates in the fields described. Section 5(b) authorizes and directs the Commission

> "to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: Provided . . ."

This section clearly makes no attempt to change the tests of rate reasonableness. The direction is merely to determine "whether said rates are unjust and unreasonable or unlawful". The standard of determination is obviously the existing standard of the Act. No other standard is even hinted at. Nor does the section increase the Commission's power with respect to remedies for unlawfulness. Nothing, for example, contains any suggestion that a minimum rate may be fixed when theretofore it might not be. The direction is to enter, in the event of a determination of unlawfulness, an "appropriate" order. In this respect the section is analogous the Hoch-Smith Resolution of 1935 which provided that, upon a determination of unlawfulness, the Commission should order any "lawful change". The Commission interpreted this mandate as a broadening of its powers. This Court said in *Ann Arbor R.R. Co. v. United States,* 281 U.S. 658 (1930) with respect thereto, however,

> "The third paragraph was construed by the commission as making a change 'in the basic law' . . . Indeed it is apparent from the commission's opinions that it regarded this paragraph as requiring it to condemn the existing rates as unreasonable and unlawful, although, had they been considered independently of the paragraph, they must have been upheld as reasonable and lawful under the applicable sections, 1(5) and 3(1), of the existing law.
>
> "We are of opinion that the commission's construction can not be supported. The paragraph does not purport to make any change in the existing law, but on the contrary requires that that law be given effect. Nor does it purport to make unlawful any rate which under the existing law is a lawful rate, but on the contrary leaves the validity of the rate to be tested by that law." (pp. 667-8)

And, as the United States District Court said, in *Anchor Coal Co. v. United States* 25 F. (2d) 462 (1928), in commenting upon the reliance placed upon the Hoch-Smith resolution by the Commission in the proceedings there under review,

> ". . . the fact that the Commission seemed to consider that the Hoch-Smith resolution required it to consider or give effect to industrial conditions and the shift of traffic, or at least showed a spirit and purpose in that regard which should be deferred to, is of itself sufficient to invalidate the order complained of." (P. 474)

It is clear that the direction to make an appropriate order is a direction to make an order appropriate under the governing law—the Interstate Commerce Act. Power to issue a minimum rate order under circumstances which would not otherwise have permitted such an order cannot reasonably be inferred from this language. Such drastic interference with the managerial discretion of the carriers cannot so easily be inferred.

The remaining provision of the Transportation Act of 1940 upon which the Commission in these proceedings seeks support for its unprecedented action, namely, the declaration of policy contained in the Act, is obviously a makeweight and not only lends no strength to the Commission's decision but actually emphasizes the intended continued application of existing and established standards. The declaration sets forth that it is the national transportation policy, among other things,

> "to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages or unfair or destructive competitive practices."

2. *The Commission has not found and, on the evidence, could not find, either that Official Territory class rates are noncompensatory or otherwise threaten to have harmful affects upon the revenues of the carriers which maintain such rates or of other and competing carriers; in fact, the Commission's own subsidiary findings preclude such a finding.*

a. *The Commission has not found that Official Territory class rates are noncompensatory or threaten to create a noncompensatory situation.*

In its original report the Commission carefully refrained even from finding that class rates within Official Territory (which by its ad interim order were ordered increased 10% and which the report implies should ultimately be increased approximately 15%) were unreasonably low. The Commission made only the ultimate finding,

> "1. That the intraterritorial class rates . . . applicable within official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1(4) and (5)(a) of the act." (Rep. 700-701, R. 315-316).

This omission did not escape the attention of the late Commissioner Porter, whose vigorous dissenting opinion has previously been referred to. As Commissioner Porter pointed out, after stating that, in his opinion, the record fell "far short of supporting the finding that to be just and reasonable and free from undue prejudice and preference, the class rates throughout the area east of the Rocky Mountains must be placed in a strait-jacket of a uniform distance scale",

> "Even the report does not warrant such a conclusion, and it seems the majority could not quite bring themselves to make the direct finding that the class rates are and will be unlawful where and to the extent that they depart from such a scale." (Rep. 712, R. 327).

When this absolute lack of any particular finding to support its ultimate finding was called to the Commission's attention, the Commission, without further evidence, prepared and filed its supplemental report (R. 432), in which it amended its prior report to include the following finding:

> "We are of the opinion that our findings as to those rates are sufficiently stated in the prior report, but to remove any doubt, we find that the class rates within official and Illinois territories are less than just and reasonable rates, with the exceptions as stated in the prior report and in this report, and therefore unlawful. . . ." (Supp. Rep. 62, R. 467)

This supplemental finding is not sufficient. It is itself merely a conclusion of law. No finding short of a finding that Official Territory class rates are noncompensatory or threaten to create a noncompensatory situation will meet the requirement as to necessary preliminary findings of *United States* v. *Chicago, Milwaukee & St. Paul R. R. Co.* (supra).

No such finding has been made.

b. *The record will not warrant, and the Commission's own subsidiary findings preclude, a finding that Official Territory class rates are noncompensatory or threaten to create a noncompensatory situation.*

(1) *The evidence does not warrant, and the Commission's subsidiary findings preclude, a finding that Official Territory class rates, generally, are noncompensatory or threaten a noncompensatory situation.*

At no time during the entire course of the proceedings was any claim asserted or any evidence offered which would tend to show that Official Territory class rates generally were noncompensatory or threatened to create a noncompensatory situation. No respondent, no shipper and no competing carrier so asserted. If, in fact, Official

Territory class rates were too low, it is reasonable to suppose that protest would have been made to the Commission in these proceedings, either by the Official Territory railroads, objecting to an unduly low level of earnings, or by the shippers in Official Territory who use commodity and exception rates, objecting to the burden cast upon them by the fact of unduly depressed class rates, or by competing carriers, claiming inability to meet the railroads' rates. Unreasonably low class rates would necessarily result in (a) noncompensatory earnings for the carriers maintaining such rates and/or (b) unreasonably high rates on other traffic and/or (c) competitive disadvantage to other and competing carriers. Yet none of these groups complained of the general level of Official Territory class rates. The railroads in Official Territory defended the lawfulness of their existing rate structures at every stage of the proceedings, and as soon as the order of this Court was made, enjoining enforcement of the Commission's minimum rate order, the Official Territory carriers took prompt action to cancel the class rate increases which the Commission's orders had required them to publish. (See R. 809) Neither was any protest made by any shipper or shipper's representative in Official Territory. No shipper or shipper's representative who testified concerning Official Territory rates asserted that they were too low, and an examination of the record will clearly so show. Competing carriers' complaints were limited to certain less-than-carload rates (hereinafter considered) and did not relate either to carload class rates (which are both numerically and from a traffic standpoint, far the more important) or to class rates generally.

Official Territory class rates were not even attacked as too low by those parties who complained of the nonuniformity of class rates throughout the nation. In fact, many of these southern and western proponents of uniformity recommended the adoption of the Official Territory level of class rates in their own territories. Others stated merely that the problem of how uniformity should be achieved should be left to the Commission; they did not suggest that the record warranted an increase in Official Territory rates.

Official Territory class rates not only were not claimed by anyone in the proceeding to be unreasonably low but such rates could not possibly have been shown to be less than reasonable rates or noncompensatory. Subsidiary findings based upon evidence credited by the Commission confirm this unequivocally. The revenues of the Official Territory carriers are, and consistently have been, adequate for a number of years, during which the present Official Territory class rate adjustment has been in effect. The following chart, from Page 613 of the Commission's Report, (R. 228) reflecting earnings in terms of percentage return on investment of the carriers in Southern Territory and Eastern District (which, as defined at page 605 of the Report (R. 220), is virtually synonymous with Official Territory) shows not only that Official Territory earnings have been completely adequate in recent years (averaging 4.28% for the three-year period 1941-3) but also that even in the depressed period of earnings in the 1930's, the Official Territory carriers consistently had either greater or approximately the same earnings as the Southern carriers, *whose class rates the Commission found excessive:*

	Southern region Percent	*Eastern district Percent*
Year 1936	2.52	2.67
Year 1937	2.35	2.27
Year 1938	1.90	1.26
Year 1939	2.50	2.34
Year 1940	2.57	2.66
Average of 1936-1940	2.37	2.24
Average of 1941-1943	5.49	4.28

So also, the fact is, and the Commission has so found (Supp. Rep. 65, R. 471) that class rates are the highest rates which the railroads publish and therefore produce greater mile-for-mile revenues than any other rates which the railroads publish. The 17.6% of the traffic which (according to the traffic study made and submitted in evidence in the proceedings before the Commission as Exhibit 228)* moves on exception rates within Official Territory, and a substantial portion of the 76.7% of the traffic which (according to said study) moves on commodity rates therein, necessarily moves on rates which are lower than class rates in relation to the cost of the transportation service furnished, for these exception and commodity rates are all** rates which the railroads have published in lieu of the higher class rates which would otherwise be applicable.

The conclusion is inevitable that class rates generally cannot be found to be unreasonably low or noncompensatory in Official Territory, when, as the Commission has found, the Official Territory rate structure, as a whole, afforded the Official Territory carriers a profit upon their investment (more than 4.25% in 1943, the latest year for which complete data were available at the time of the Commission's decision (Rep. 612, R. 227), and when, as the Commission has found, 94.3% of all Official Territory traffic moves on rates which are not class rates (Rep. 564, R. 179).

Subsidiary findings of the Commission also preclude a finding that Official Territory class rates threaten a noncompensatory situation. Thus the Commission has found that virtually all of the class rates which it "found" unlawful were established as the result of its general rate investigations between 1925 and 1930, subject to certain relatively minor modifications in 1934, 1935, and 1938 and a general increase in 1938. (Rep. 516, R. 131) The Official Territory rates were, as the Commission finds, founded upon distance scales and key rates prescribed by the Commission in 1930, and except for the general increase of 1938 and certain lake-rail modifications made in 1935, had remained virtually unchanged since that time. (Rep. 517, R. 132) These findings would preclude the Commission from finding that the continuance of Official Territory class rates at their existing levels would threaten ruinous rate wars, or disturb seriously the established rate structure, or force other and competing carriers to suffer ruinous rate reductions. These findings show that the Official Territory class rates were integral and important parts of an established rate structure of approximately 15 years standing and obviously therefore could not threaten to disturb that structure.

---

*R. 11,834. Summarized at p. 564 of the Report. (R. 179)

**Except only rates published for the relatively few commodities which are not included in the Consolidated Classification.

(2) *The evidence does not warrant, and the Commission's own subsidiary findings preclude, a finding that any particular Official Territory class rates are noncompensatory or threaten a noncompensatory situation.*

The only claim that any Official Territory class rate was unreasonably low was the claim advanced by certain motor carrier interests that less-than-carload class rates are unduly low in *all* territories and should be increased. No claim was made that any Official Territory carload class rate was noncompensatory. The motor carriers' claim was based upon the Edwards Cost Studies, so called, which are referred to in the Commission's Report and which were claimed to indicate that, upon certain assumptions, less-than-carload rates applicable to *third class and lower* are inadequate to cover out-of-pocket expenses, including the costs incurred in performing pickup and delivery services, plus constant expenses which are allegedly attributable solely to the handling of less-than-carload traffic.

The Commission's subsidiary findings in its supplemental report provide the best refutation of any claim that the evidence, consisting only of these Edwards Cost Studies, shows that less-than-carload class rates are noncompensatory, either in Official Territory or any other territory. In the first place, as the Commission has found, the *Edwards*

Cost Studies, upon which the claim of unreasonableness is based, *do not reflect presently existing conditions.* As the Commission states, in answering the objection of the motor carriers to the *reduction* of Southern and Western less-than-carload rates,

> "The petitioners contend that our finding that the less-than-carload class rates should be reduced, except in official territory, is in conflict with our finding on page 697 of the original report, based upon the cost data, that less-than-carload traffic generally is not bearing its proper share of the costs of transportation. *That finding was based on operations of the railroad in 1939* when the average load per car of less-than-carload shipments amounted to only 4.3 tons in the West, 5.5 tons in the South, and 6.4 tons in the East including Pocahontas and New England territories. *Since then there has been a substantial increase in the average loading of such shipments which has materially decreased the unit costs* attributable to less-than-carload traffic. The increased loading was brought about under war-time conditions, but it does not follow that in the post-war period, especially in the immediate future, loadings will decline to the levels of 1939." (Supp. Rep. 65, R. 471) (Emphasis supplied)

Secondly, as the Commission has found, the cost studies are not reflective of the cost of handling merely *class rate* less-than-carload traffic, but rather, they reflect the cost of handling *all* less-than-carload traffic, including all of the less-than-carload traffic which moves on exception and commodity rates. Thus, the Commission states,

> "The cost data on less-than-carload traffic relate to such *traffic as a whole* and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception rates and commodity rates. Obviously, the class-rate traffic bears the highest rates. Consequently, even if under present conditions less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such result is due in a large measure to the maintenance of exception and commodity rates." (Supp. Rep. 65, R. 471-2)

From the foregoing supplemental findings of the Commission it is apparent that the record will not permit a finding that any less-than-carload rates in Official Territory are unreasonably low or noncompensatory. The Commission has itself pointed out the two principal reasons why the Edwards Cost Studies cannot be used as a basis for testing the compensatory character of any less-than-carload class rates. There was no other evidence or finding bearing on the issue.

Just as the subsidiary findings referred to preclude a finding that any particular Official Territory class rate or group of class rates was noncompensatory, so also other findings which the Commission has made would preclude its finding that any such rate or group of rates threaten to create a noncompensatory situation. The Commission has found specifically that there is no evidence which would enable it to determine whether any particular classification rating is, or was, unreasonable. (Rep. 502, R. 117) The Commission has also found that, "A (classification) rating must be complemented by a class rate, and vice versa, in order to give substance to either." (Rep. 473, R. 88) These two findings constitute an admission by the Commission of what was the fact, namely, that there was no evidence which would enable the Commission to find any particular class rate unreasonable, whether unreasonably low or unreasonably high.

3. *Even if the evidence had warranted (as it does not) and the Commission's findings had not precluded (as they do) a finding that Official Territory less-than-carload rates or any other particular class rates are unreasonably low such a finding would not warrant an order increasing all Official Territory class rates.*

As has hereinbefore been pointed out, the record contains no evidence which has any tendency to show that Official Territory carload class rates, or class rates generally, or Official Territory first and second class less-than-carload class rates, are lower than reasonable minimum rates, and the subsidiary findings of the Commission bar any such finding.

The only rates which were placed in issue with respect to reasonableness were third and lower class less-than-carload rates, and here again not only the lack of evidence, but also the subsidiary findings of the Commission, bar any finding that such rates are less than reasonable rates.

But even if the Commission had found, based on substantial evidence (and it has not) that third class and lower less-than-carload class rates in Official Territory are unreasonably low, such a finding obviously would not warrant a finding that *all* class rates in Official Territory are unreasonably low. Without such findings, supported by substantial evidence, no basis is provided for the entry of the present minimum rate order to correct unreasonableness. No one has contended that first and second class less-than-carload class traffic and all carload class traffic in Official Territory is not paying the full cost of its transportation and more, and if certain other less-than-carload rates were in fact shown to be burdening other traffic, such rates would be burdening *all* other traffic, including *all* other class rate traffic.. If this were the case, the only course properly open to the Commission, in the event of a finding that certain less-than-carload rates are unduly depressed, would have been to order increases in the specific "unlawful" less-than-carload rates. The burden, if any, to which all other class rate traffic is subjected cannot be alleviated by *increasing* the rates upon that traffic, and such rates, not themselves unreasonably low, could not lawfully be increased.

D. *The Commission's Ad Interim Order cannot be Sustained as a Valid and Appropriate Correction of a Violation of Section 3 of the Act.*

There are two complete and insurmountable obstacles to any attempt to sustain the Commission's order in this proceeding as a valid order to correct a violation of Section

3. First, the record does not warrant, and the preliminary findings of the Commission are inconsistent with and therefore preclude the Commission's ultimate finding of a Section 3 violation. Second, even had the record warranted a finding of an unlawful relationship of rates in violation of Section 3 of the Act, the Commission's authority would be limited to the entry of an alternative order, there being various possible and lawful methods of correcting the relationship.

1. *The record does not warrant, and the preliminary findings of the Commission are inconsistent with, and therefore vitiate, the Commission's ultimate finding of a Section 3 violation.*

a. *Rate disparity does not result in undue preference and prejudice within the meaning of Section 3 of the Act unless such disparity (1) results in disparity in actual shipping charges, (2) causes injury, and (3) is unjustified by transportation conditions. The 1940 amendment of Section 3 of the Act did not alter this well-established concept.*

Section 3(1) of the Act provides as follows:

> "It shall be unlawful for any common carrier subject to the provisions of this part to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description."

For the relationship of any two or more rates to result in undue preference and prejudice within the meaning of Section 3 it is clear that the relationship between the allegedly preferential rates and the allegedly prejudicial rates must result in disparity in actual charges (that is, it must appear that the rates or groups of rates complained of actually apply and that neither has been superseded in fact by other rates); that the disparity is actually injurious to the prejudiced shipper or territory, and that the disparity is unjustified.

The first of these elements, namely, the requirement that the rates which allegedly result in preference and prejudice must be found to produce disparity in charges is of critical importance in this proceeding, notwithstanding the fact that it appears to be self-evident and elementary. A class rate of $100 between two points in Official Territory as compared with a class rate of $110 between a point in Southern Territory and a point in Official Territory cannot be preferential of Official Territory or shippers therein and prejudicial to Southern territory or shippers if in fact there is a commodity or exception rate of, for example, $90, which supersedes the class rate and which is the actual rate charged for the interterritorial movement from the South to Official Territory. There would obviously be no justification for equalizing the two class rates at $105, if the Southern shipper had available already a $90 rate. The so-called equalization would merely be penalization of the Official Territory shipper.

Because this proceeding is concerned with class rates only and because the Commission has concluded that certain class rate differences result in preference and prejudice, it is necessary that this Court determine whether the record warrants a finding (which is essential but which the Commission has not made) that class rate differences actually produce differences in charges. If the class rate for a particular commodity has been superseded, and in effect cancelled, by the railroads' establishment of a commodity rate or an exception rate—so that no shipper would or could be charged the class rate—the class rate does not result in a charge, and could not prefer or prejudice.

That a finding of undue preference and prejudice also requires a finding of injury resulting from rate disparity is well established. Thus, this Court, in *Interstate Commerce Commission v. Chicago Great Western Railway*, 209 U. S. 108 (1908), in invalidating an order of the Commission which condemned a rate relationship under Section 3 of the Act, rested its decision principally upon the lack of convincing evidence of injury, saying:

> "While it may be that the proceedings are not to be narrowly limited to an inquiry whether this particular complainant has been in any way injured by the action of the railroad companies, yet that question must be regarded as the one which was the special object of inquiry and consideration." (P. 118)

The Court then cited the lower court's finding that complainant had not been injured, and stated, at P. 121:

> "If . . . the lower rate given to the packers does not directly influence or injure the shippers of livestock, it is difficult to see what foundation there can be for the claim of an undue and unreasonable preference."

The Commission itself has consistently recognized the necessity for a finding of injury in a Section 3 proceeding.

Duluth Chamber of Commerce v. Chicago, St. P., M. & O. Ry. Co., 122 I. C. C. 739, 742 (1927)

Utah State Automobile Association v. Atchison, T. & S. F. Ry. Co., 92 I. C. C. 376, 386 (1924)

City of Moorhead v. Great Northern Railway Co., 172 I. C. C. 38, 42-3 (1931)

U. S. Phosphoric Products Corp. v. Butte, A. & P. Ry. Co., 153 I. C. C. 459, 465 (1929)

Federated Metals Corp. v. Pennsylvania Railroad Co., 161 I. C. C. 287, 288 (1931)

The third essential element of undue preference and prejudice, namely, that such disparity in charges, if any, as the rates produce is not justified by transportation conditions is well recognized. As this Court stated in *United States v. Illinois Central Railroad Company*, 263 U. S. 515, 524 (1924),

> "To bring a difference in rates within the prohibition of Section 3, it must be shown that the discrimination practiced is unjust when measured by the transportation standard. In other words, the difference in rates cannot be held illegal, *unless it is shown that it is not justified by the cost of the respective services, by their values, or by other transportation conditions.*" (Emphasis supplied.)

The 1940 amendment of Section 3(1) in no way alters the tests of unlawfulness thereunder. As has hereinbefore been pointed out, that amendment merely added "regions, districts and territories" to the list of entities which are protected against discrimination under the Act. The amendment does not affect or purport to affect the tests of preference and prejudice or the test of what is "undue". The chain of circumstances which so indicates began with the decision of the Commission in the *Texas & Pacific* case (supra) in which the Commission found that the port of New Orleans was unduly preferred by a certain rate relationship and that the port of Galveston was unduly prejudiced thereby. This Court subsequently held in that case that a port was not a locality and that, as Section 3 (in its then wording) forbade only undue preference of and undue prejudice to "any particular person, company, firm, corporation or locality, or any particular description of traffic", a port could not be unduly preferred or prejudiced. Shortly thereafter Congress amended Section 3 so as to include "ports" and "gateways" as points which might not lawfully be preferred and prejudiced. This still left open the question of whether a region, district or territory could be said to be a locality (rather than merely a group of localities) and hence protected against undue prejudice. Accordingly, in the Transportation Act of 1940, Congress again amended Section 3 so as to make clear that regions, districts and territories come within the protective purview of the Act. But the test of when preference and prejudice are undue was in no way affected. The issue was not presented any more than it had been presented by the earlier proposal that "ports" be allowed to complain when unduly prejudiced. See: *Albany Port District Commission* v. *Ahnapee & W. Ry. Co.*, 219 I.C.C. 151, 171 (1936); *City of Philadelphia* v. *Baltimore & O. R. Co.*, 231 I.C.C. 21 (1938). It is obvious that, in a Section 3 proceeding involving any other than a "region, district or territory", it must be shown that the relationship arises from rates actually in force which cause injury and which are unjustified by transportation conditions. *It is absurd to contend that Congress, when it added the words "region, district and territory" to the list of entities which might not lawfully be preferred or prejudiced, contemplated an exception with respect to these entities alone in the application of the tests of unlawfulness or gave the Commission more extensive powers, in this instance alone, with respect to the removal of preference and prejudice.* As the late Commissioner Porter pointed out,

> "Certainly there has been no change in the criteria, to one of which I have just referred, which have long been applied by us in determining whether undue prejudice or preference exists." (Rep. 722, R. 337)

Nor can it be successfully contended that, when discrimination between territories is drawn in issue, the requirements of the Act with respect to quantum of proof of unlawfulness are less exacting. If anything, the required quantum of proof should approach maximum in a proceeding wherein the Commission's order will affect rates throughout at least one-quarter of the nation (and no territory comprises substantially less).

b. *The Commission's ultimate finding of a Section 3 violation is not only based upon a misconception of law, but is unwarranted by the record and inconsistent with the Commission's own subsidiary findings.*

(1) *The Commission misconstrued the Transportation Act of 1940.*

It has hereinbefore been pointed out that the Transportation Act of 1940 created no changes in the standards of lawfulness under the Interstate Commerce Act and no enlargement of the powers of the Commission with respect to the removal of unlawfulness when properly found to exist (See pages 34 to 37 and 50 to 51 hereof).

The Commission erroneously concluded otherwise. The Commission's minimum rate order requiring a 10% increase in Official Territory intraterritorial class rates manifests not an attempt by the Commission to remedy unlawfulness under the established and well recognized standards of the Interstate Commerce Act but rather one step in the attempt to impose uniformity of class rates upon the nation, in response to what the Commission supposes, erroneously, to be a new mandate of Congress. The key to an understanding of the Commission's findings and order lies in the Commission's interpretation of the provisions of the Transportation Act of 1940 which the Commission deems "recent amendments of the Act". With respect to these provisions, the Commission states, at Page 692 of its Report (R. 307),

> ". . . *it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country.* The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of section 3 (a) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were

> brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making *applied in the light of the amended law* are unlawful and should be corrected." (Emphasis supplied)

It is highly significant that the Commission believes that the amended law effects changes either in the recognized elements of rate-making or in the manner in which they are to be taken into account as justification for rate differences. This statement evidences clearly the Commission's belief that Congress has empowered the Commission to achieve rate uniformity or nearer uniformity throughout the nation and to establish uniformity or nearer uniformity as a new standard of lawfulness. Acting on this completely erroneous assumption, the Commission has proceeded to find that, because class rates are not uniform throughout the United States, they are therefore not lawful.

Clearly the order complained of in this proceeding is based upon an erroneous theory of law.

With respect to such an order the Court said in the *Anchor Coal* case (supra):

> "If, however, in making the order complained of, the Commission has exceeded its powers, or has proceeded upon an erroneous theory of law . . . the courts are not bound by its action." (P. 471)

(2) ***The record will not warrant, and th Commission's own subsidiary findings are inconsistent with its ultimate finding of undue preference and prejudice.***

The Commission has found that class rates applicable to transportation wholly within Official Territory are generally somewhat lower than class rates applicable to transportation into Official Territory from other territories, and that because of these differences, the Official Territory intraterritorial rates are unduly preferential to Official Territory generally and to shippers and receivers of freight therein and the interterritorial rates are unduly prejudicial to the other territories generally and to shippers and receivers of freight therein in violation of Section 3 of the Act. (Rep. 701, R. 316) In effect the Commission has found the rates in issue unlawful because not uniform.

As has hereinbefore been pointed out, however, uniformity is not, in and of itself, a standard of lawfulness. A finding of undue preference and prejudice requires more than a showing of differences in rates. It must appear that the rate differences result in *actual differences in charges*, that these differences cause injury and that the differences are not justified by transportation conditions. (See pages 47 to 51 hereof).

(a) *The record does not warrant, and the Commission's findings preclude, a finding that articles move, or even that articles generally move, both within Official Territory and into Official Territory on non-uniform class rates and that class rate differences therefore result in actual differences in shipping charges.*

Class rates for movement wholly within Official Territory are admittedly generally lower than class rates for movement into Official Territory, but it does not follow that a shipper must generally pay more (mile for mile) to ship goods into Official Territory than he would pay if he were shipping the same goods from one point in Official Territory to another. It would only so follow if the differing class rates were the only rates which actually applied to the respective movements. If the charge for transporting a particular shipment *into* Official Territory is determined by a commodity rate, or an exception rate, rather than by a class rate, whereas the charge for the comparable intraterritorial shipment of the same commodity in Official Territory is determined by a class rate, the *difference in the class rates* cannot produce a difference in the charges actually paid for the two shipments. Similarly, if the applicable rate for the Official Territory shipment be a commodity rate, and the comparable rate for the shipment into Official Territory be a class rate, the *difference in class rates* cannot produce a difference in actual charges. Only if a particular commodity moves both into Official Territory and within Official Territory on class rates will the difference in class rates produce a difference in shipping charges.

These basic and elementary considerations underlie the inability of the record in this proceeding to support either a preliminary finding of the Commission that class rate differences produce differences in charges, or an ultimate finding that such class rate differences result in unlawful preference and prejudice.

The record affords no basis whatsoever for a finding, and subsidiary findings are inconsistent with a finding, even generally, that those articles which move on class rates *within* Official Territory also move *into* Official Territory on class rates or that articles which move on class rates into Official Territory move on class rates in Official Territory. The record and subsidiary findings show that, generally, the same traffic does not move both *within* and *into* Official Territory on the same kind of rates. Less than 6% of the total traffic within Official Territory moves on intraterritorial class rates and *almost no traffic moves on interterritorial class rates into Official Territory.* (Rep. 564, R. 179) Less than 1% of the traffic moving into Official Territory from Southern Territory moves on class rates and only 3.1% of that moving from Western Territory (Rep. 564, R. 179). There is no basis for inference that the same or similar types of articles are involved in these unusually limited volumes or that, if they are, the class rates involved are more favorable to Official Territory shippers. In fact, the likelihood is to the contrary. The probabilities are that the traffic which moves into Official Territory on class rates is moving on those class rates which are the same as, *or lower than,* Official Territory class rates. That there are many such rates is evident from the Commission's findings in Appendices 2 and 3 to its Report. (Rep. 731-733, R. 346-348). But, whatever the probabilities may be, the fact remains that *the record affords no basis for any finding either that articles move, or that articles generally move, both within and into Official Territory on class rates which are not uniform and are more favorable to the Official Territory shipper.* Such a finding could not be premised upon any evidence other than a traffic test reflecting the facts with respect to traffic movement within and into Official Territory, and admittedly no such test was offered in evidence. In the absence of such a traffic test, it cannot be assumed that those articles which move on class rates within Official Territory also move into Official Territory on class rates which are less favorable.

This infirmity in the record and these subsidiary findings are clearly fatal, for the *sine qua non* of a finding that the relationship *between two class rates* results in undue preference and prejudice in violation of Section 3 of the Act is evidence that the allegedly preferred shipper avails himself of *one of said class rates* and pays charges which are lower in relation to the service with which he is provided than does the allegedly prejudiced shipper who *must* avail himself of *the other class rate.* If either shipper does not use the class rate which allegedly prefers or prejudices him, but uses an exception or commodity rate, it becomes impossible, in the nature of things, to find that preference or prejudice results *from the relationship between the class rates.* The only preference or prejudice which could result would be from the relationship between the actual governing rates, whether class, commodity or exception, *and as to this there is no evidence.*

The Commission's error, in this regard, is not a mere technical error, but one of substance having far-reaching consequences. If the Commission's order is permitted to stand, despite this error, the effect will be that thousands of shippers in Official Territory will be required to pay increased freight rates in order to "correct" what is a wholly illusory "discrimination". Consider, for example, a jewelry manufacturer in New England shipping his manufactures throughout Official Territory on class rates, and on a representative shipment, paying, let us suppose, a rate of $100. Assume that a Southern jewelry manufacturer sells his product in Official Territory in competition with the New Englander and that if the Southern shipper were required to ship on class rates, his rate (for the same distance) would be $130. But the applicable rate for the Southern shipper is not the class rate, but either an exception rate or a commodity rate which is also $100. Yet the Commission would order the Official Territory rate increased to $110, and, in a wholly futile and useless gesture, order the Southern rate decreased to $117 ($130 less 10%). *Everything about such a situation is illusory except the $10 increase which the Northern shipper is required to pay.* The discrimination is wholly illusory; the reduction in the Southern class rate (already a "paper" rate) is meaningless. *The 10% increase in the Northern shipper's rate, however, is real, despite the fact that it is wholly unwarranted.*

The Commission is well aware that this situation is common. It has found that class rates, particularly within the South, are generally superseded by exception rates and commodity rates, and that the exception rates, particularly, tend to be of territory-wide application. This latter fact is important, for the Southern Classification and exceptions to it apply on interterritorial traffic from the South to the North. *The Commission has found that in 1940 the Southern carriers established exception rates for more than 3500 items in the Southern classification, thereby making "paper rates" of the 3500 formerly prevailing* *class rates.* (Rep. 477, R. 92). *Yet the Commission has "found" these 3500 paper rates prejudicial to the South and, to remove that wholly illusory prejudice has ordered increases in Official Territory rates on these 3500 commodities.* The Commission's order requires higher Northern rates (to remove "prejudice") on 3500 articles (which were "removed" from the Southern classification in 1940) and on the many thousands of other articles for which the Southern carriers have established territory-wide exceptions. Yet the interterritorial *class* rates on these articles cannot possibly cause prejudice or injury, direct or indirect, because the *present* shipper pays and the *potential* shipper would or will pay, not the interterritorial class rate, *but an interterritorial exception rate.*

A record, which will not warrant a finding and which contains subsidiary findings which are inconsistent with a finding, that differences in the rates in issue even generally produce differences in shipping charges paid or required to be paid cannot sustain an ultimate finding that the rates in issue are violative of Section 3 of the Act.

(b) *The record does not warrant, and the Commission's subsidiary findings preclude, a finding that differences between class rates within and class rates into Official Territory result in injury.*

The record is barren of evidence of injury to any person or territories resulting from differences between class rates applicable within and class rates applicable into Official Territory or even of injury generally, consequent upon such differences. The absence of such evidence is inevitable in view of two circumstances pointed out in the preceding section hereof, (1) that there is a complete absence of evidence that *class rate* differences have even generally caused higher relative charges on articles moving into Official Territory than on articles moving within that Territory, and (2) that the record and subsidiary findings of the Commission demonstrate that differences between such class rates cannot generally require the payment of higher rates for the movement into Official Territory, because the very small proportion of such traffic which is class-rate traffic, has not been shown to consist of traffic in the same articles as move on class rates within Official Territory.

Southern and Western proponents of rate uniformity attempted to show that injury had resulted from the lack of uniformity of class rates by attempting first to show that individual shippers have been injured by such lack of uniformity.

Recognizing that the evidence introduced by them to support this proposition had wholly failed to achieve its purpose, these proponents of uniformity next endeavored to show that industry generally in the territories other than Official Territory, and particularly Southern industry, had experienced an arrested growth and a retarded development which should be attributed to the lack of uniformity of class rates. This latter myth, as the record shows and as the Commission's subsidiary findings demonstrate (Rep. 621-2, R. 236-7), was completely exploded by overwhelming statistical evidence that dynamic growth, rather than arrested development, has been the principal characteristic of Southern industry in recent years.

The evidence which was introduced for the purpose of establishing injury to industrial shippers in Southern Territory is summarized in the subsidiary findings at pp. 615 to 619 of the Commission's report. (R. 230-234) This evidence was offered with respect to rates on particular commodities and, as appears from the Commission's subsidiary findings, cannot possibly be regarded as support of a finding of even the slightest injury. The products and shipping points in question, together with a summary of the testimony and/or the Commission's comments thereon are as follows:

(a) *Washboards from Raleigh, North Carolina*: The shipper of this commodity who uses class rates into

Official Territory, competes with two manufacturers in Official Territory. *Whether his competitors use class rates does not appear.* 25% of his shipments into Official Territory are to Detroit, adjacent to a competitor's plant. The Commission's comment is that: "The business of the manufacturer who gave his testimony . . . has increased substantially." (Rep. 616, R. 231)

(b) *Leather, hides, tanning extracts to and from Andrews, North Carolina*: On leather, both commodity and class rates apply, and the only shipments clearly identified as taking class rates (viz., less-than-carload shipments) were merely anticipated at the time of the hearings. Hides do not move *into* Official Territory from this shipper's plant. No showing was made as to rates applicable on tanning extracts. (Rep. 616, R. 231)

(c) *Wine from Atlanta, Georgia:* With respect to this testimony the Commission said: "The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which, are *exception* rates from Atlanta to border points." The witness' company has recently constructed a larger plant at Atlanta, indicating, according to the Commission "that the business has made substantial progress at that point." (Rep. 617, R. 232)

(d) *Macaroni products from Memphis, Tennessee:* This shipper does not ship into Official Territory but would use *an exception rate* if he were to do so. Moreover, his exception rate is approximately 10% lower than the rate which the Commission, in a special macaroni rate proceeding, has found reasonable and nonprejudicial. (Rep. 617, R. 232)

(e) *Furniture from Birmingham, Alabama:* The shipper *does not use class rates.* (Rep. 617, R. 232)

(g) *Cucumber pickles from Faison, North Carolina:* The shipper *does not use class rates,* but truck competitive rates, which are *lower* than Official Territory class rates. (Rep. 618, R. 233)

(h) *Peanut products from Columbus, Georgia:* The shipper *does not use class rates,* but commodity rates lower than class rates. (Rep. 618, R. 233)

(i) *Grading machinery from Taccoa, Georgia and Vicksburg, Mississippi:* The shipper *does not use class rates.* His first Eastern plant was in Official Territory. Later, he established two plants in the South because of its many advantages. (Rep. 618, R. 233)

(j) *Calendars:* These products move on class rates. The shipper claimed injury from the loss of a 1943 contract to supply calendars. He was, however, awarded the contract in 1944. (Rep. 618, R. 233)

(k) *Electric appliances:* As recently as 1938 the Commission reviewed these rates and found them lawful. Existing freight rates were not found to interfere with competitive relationship. (Rep. 618, R. 233)

(l) *Lead products:*
and

(m) *Iron and steel tanks:* The shippers of these products do not ship into Official Territory but sell their whole output in the South and have never requested competitive rates into Official Territory. (Rep. 618, R. 233)

(n) *Cloth and rags:* These commodities take both class and commodity (or exception) rates. *The rates complained of, however, were not class rates.* (Rep. 618, R. 233)

(o) *Steel automobile truck bodies from Nashville, Tennessee:* It was admitted that this shipper has been able to sell his product f. o. b. Nashville for Official Territory delivery. (Rep. 618, R. 233)

(p) *Shell boxes from Nashville:* The complaining "shipper" does not produce the boxes and has no contract to do so. Another, non-witness, manufacturer is actually shipping from Nashville. (Rep. 619, R. 234)

Such evidence, introduced by Southern proponents of uniformity to establish injury, relates to sixteen different commodities or groups of commodities. In summary it is noteworthy that, of these sixteen commodities:

- 7 move, or would, if they did, move, into Official Territory on commodity or exception rates, rather than class rates (wine, macaroni, furniture, glass bottles, cucumber pickles, peanut products, and grading machinery)
- 1 moves on class rates which are not complained of (cloth and rags)
- 1 moves on commodity rates into Official Territory except in less-than-carload lots (leather)
- 1 moves on class rates which the Commission has specifically recently found lawful (electric appliances)
- 2 do not move into Official Territory because of the sufficiency of local demand (lead products and iron and steel tanks).

The evidence of injury, therefore, depends upon the testimony concerning

1. The washboard manufacturer who is able to sell washboards within commuting distance of his principal competitor's factory and has increased his business substantially;
2. The calendar manufacturer who lost the 1943 contract but obtained a 1944 contract from the same customer;
3. The automobile truck body manufacturer who is able to sell f. o. b. his plant; and
4. The would-be shell box manufacturer in Nashville.

The evidence with respect to the injury to Western shipping interests is aptly summarized by the late Commissioner Porter, in his dissenting opinion. As is there pointed out,

> "The western interests offered only three shipper witnesses, a steel manufacturer at Pueblo, Colo., who

> uses class rates to a very limited extent and did not advocate rate parity with Official Territory, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a manufacturer of lamps and stoves at Wichita, Kans. The last two now ship most of their products to official territory, and neither left any impression that he was hurt by the present adjustment." (Rep. 720-1, R. 335-6)

The testimony of shipper witnesses and the Commission's findings with regard thereto, it is submitted, whether considered individually or collectively, cannot be said to evidence the slightest injury resulting from differences between class rates within and into Official Territory.

Equally untenable is the second claimed basis for a finding of injury, advanced by Southern interests, namely, that differences between class rates within and class rates into Official Territory have resulted in the retarding of Southern industrial development. Both the contention that differences between such class rates has affected Southern industrial development and the contention that Southern industrial development has been retarded are wholly without support in the evidence and are negatived by the Commission's subsidiary findings.

Certainly differences between class rates on interterritorial traffic into Official Territory and class rates within Official Territory cannot be found to have served as a deterrent to Southern shippers or potential shippers. The Commission has found, on the basis of a traffic count made by Dr. Aitchison for May 27 and September 23, 1942, that the South on those days was moving two-thirds as many cars consigned to Official Territory as it was moving cars intraterritorially. (Rep. 565, R. 180) Moreover, as the Commission finds, the rates available to the traffic moving into Official Territory were, in many instances, either lower than Official Territory rates (Rep. 601, R. 216) or on substantially the same level. (Rep. 602-3, R. 217-8)

Nor is there any evidence that the growth and development of industry within the South has been retarded, either by differences in class rates or by any other circumstance. As the late Commissioner Porter stated, in this regard,

> ". . . it is urged by the southern interests, and especially in behalf of the Southern Governors' Conference, that the industrial development of the South as a whole has been and will continue to be retarded, and therefore that the South as a territory has been and will continue to be injured, by the class-rate adjustment unless class-rate uniformity is brought about. The evidence is overwhelmingly to the contrary. The facts are that from 1929 to 1939, which is a representative period, the South made greater progress industrially and economically than any other section of the country . ." (Rep. 721, R. 336)

The statistical data set forth at pages 621 and 622 of the Commission's report (R. 236-237), evidencing the far greater industrial and economic progress made by the South, both generally and in respect of particular industries fully substantiates Commissioner Porter's position. After referring to these data in the majority report, Commissioner Porter continued,

> "Similar data of record show like trends in the furniture industry, in the manufacture of heating and cooking apparatus, and in other industries. Only in the manufacture of a relatively few products, such as morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products, was industrial trend during that period less favorable in the South than in the North. From 1930 to 1940 there was a greater decrease in agricultural employment in southern than in official territory, but manufacturing employment increased in the South and decreased in the North. In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent." (Rep. 721, R. 336)

In view of the evidence and the subsidiary findings of the Commission with respect to injury, it is clear that the Commission's ultimate finding of undue preference and prejudice cannot be sustained.

(c) *The record does not warrant, and the Commission's subsidiary findings preclude, a finding that differences in transportation conditions do not justify differences between class rates within and class rates into Official Territory.*

While the Commission's ad interim order does not itself prescribe complete uniformity of class rates, it is important to remember that the Commission has based its ad interim order upon an ultimate finding that class rates within Official Territory, on the one hand, and class rates into Official Territory, on the other hand, are unduly preferential and prejudicial to the extent that *such rates are not uniform.* The Commission's ad interim order, as the Commission makes clear, does not purport to *eliminate* the preference and prejudice allegedly found but only to *reduce* that "unlawfulness" until such time as it can be wholly eliminated, as the Commission says, by the establishment of a uniform classification and the uniform rate scale which is set forth in Appendix 10 to the report. *The finding of unlawfulness is a finding that no departure from uniformity is justified.* (Rep. 701, R. 316) Such finding to be valid therefore must be based upon subsidiary findings to the effect that conditions affecting the two types of transportation service are not materially different.

Examined in the light of these considerations, it is obvious that the Commission's finding of violation cannot be sustained. The record does not contain evidence to warrant a finding that nonuniformity is unjustified, and the subsidiary findings of the Commission clearly will not permit such a finding. It is true, of course, that class rates into Official Territory (reflecting usually a blending of the origin territory rate level with the Official Territory level) are generally somewhat higher than class rates on traffic moving wholly within Official Territory. *But, the Commission itself has found that transportation costs are lower in Official Territory than in Southern Territory, and substantially lower in Official Territory than in Western Territory, from which it must be obvious that justification exists for a generally lower level of rates in Official Territory than from other territories into Official Territory.* The Commission has also found that Official Territory has, by far, the greatest preponderance of well-paying traffic, from which it follows that Official Territory rates on such traffic (generally class rates) may be lower than in any other territory, and lower than interterritorial class rates blending Official Territory and other rate levels.

Cost Differences

The fact that transportation costs are lower in Official Territory than in any of the other major rate territories affords the first important justification for the establishment and maintenance of nonuniform territorial rates, that is, of *lower rates generally* for Official Territory intraterritorial movement than for interterritorial movement into Official Territory.

That transportation costs are lower, and materially lower, in Official Territory than in any of the other major rate territories has repeatedly been recognized by the Commission in the past and is re-affirmed by findings based upon evidence, credited by the Commission, including the Edwards Cost Studies. *This evidence shows that Southern Territory costs are more than* 6%, *and that Western Territory costs are more than* 15%, *higher than Official Territory costs.* These differences are reflected in the table, appearing on Page 579 of the Commission's Report, (R. 194) wherein are set forth Dr. Edwards' territorial comparisons of costs for traffic moving 100, 300 and 500 miles in all classes of equipment, and reflecting actual average loads. The following table reflects the cost figures for 300-mile hauls in the three major rate territories:

Territory	*U. S. Costs —100*	*Official Territory Costs—100*
Official Territory	95	100
Southern Territory..........	101	106.2
Western Territory	110	115.8

To cover their higher costs the southern and western carriers are entitled to assess higher rates (including class rates) against freight moving within their territories than the Official Territory level of rates (including class rates); they are justified in assessing such higher charges against the freight which they originate for movement into Official Territory; and the Official Territory carriers are justified in joining in interterritorial class rates which reflect higher charges for the portion of the haul in Southern or Western Territory, as the case may be. Nonuniformity of class rates is plainly justified.

The Commission, in its attempt to construct a basis for the prescription of uniform class rates, has attempted to minimize the differences, between territories, in the cost of rendering transportation service. To achieve this result it has dealt, at considerable length, (Rep. 578-581, R. 193-196) with cost evidence which is irrelevant because based upon the arbitrary exclusion of the so-called Pocahontas lines from Official Territory. If the Pocahontas lines' revenues and expenses are excluded from Official Territory cost data, the resultant "Official Territory" costs can be shown to be approximately equal to Southern costs. Nothing could be more arbitrary and capricious, however, than a comparison based upon such exclusion. The Pocahontas lines are Official Territory carriers; they serve within Official Territory, maintain Official Territory rates, compete with other Official Territory carriers, and would be required, unless the Commissioner's minimum rate order with respect to Official Territory rates is enjoined in this proceeding, to increase their class rates by 10%. To exclude Pocahontas costs from Official Territory costs is to lay the basis for a cost comparison so arbitrary and unrealistic as to be meaningless. It is this comparison and this comparison only, which supports the Commission's view that territorial differences in costs ought to be disregarded.

Southern Territory costs are at least 6% in excess of Official Territory costs, whereas the general freight rate level in the South is only 4% higher than the level in Official Territory. The Commission's capricious juggling of cost data to obtain a different and unrealistic result is wholly unwarranted.

No amount of cost data juggling can obscure the substantial spread between Official Territory and Western Territory costs, which difference justifies substantial non-uniformity of rates (including class rates) and renders a requirement of class rate uniformity wholly unwarranted.

Traffic Consist Differences

In view of the cost differences which exist as between territories and which are discussed in the next preceding section, it is obvious that, even if no other transportation condition existed to warrant differences in territorial class rate levels, differences in territorial costs would justify the maintenance of class rates in Official Territory on a somewhat lower level than in either Southern or Western Territories, and would also, therefore, justify the maintenance of class rates on a somewhat lower level for movement wholly within Official Territory than for movement partly in another territory and only partly in Official Territory.

A further and fully as important justification exists for the maintenance of lower class rates in Official Territory than in other territories, and this justification is based upon differences, as between territories, in the nature of the traffic which is available to the carriers. These differences may be summarized by stating that the carriers in Official Territory have available to them a large actual, as well as relative, volume of highly remunerative freight, so called, which can afford to pay its own out-of-pocket costs of carriage and in addition contribute substantially to additional costs and profit, whereas the carriers in the other territories do not have this type of freight available in as large volume, actual or relative.

In all territories, considerable traffic moves upon rates which are very little more than compensatory, for the very understandable reason that such traffic would not or could not move at all by rail on higher rates. This traffic, while covering its direct costs, makes relatively little contribution to such items as overhead and return on investment, leaving these burdens primarily to other traffic which can and will move on more remunerative rates. Differences in the actual and relative volume of well-paying traffic available to the carriers have definite bearing upon the carriers' rates. It is elementary, for example, that carriers which can require 40% of their traffic to pay not only "its own way" but also the bulk of the indirect expense and profit of running the railroad, need not charge such high unit rates for the movement of that 40% as must carriers who must require only 20% of their traffic to bear the bulk of their overhead burden. While the figures used in the foregoing example are used for purposes of illustration only, the evidence credited by the Commission indicates clearly that the basic situation depicted in the illustration does in fact exist and that Official Territory carriers find it possible to secure their needed revenues by charging lower rates on their larger volumes of highly remunerative traffic, while the southern and western carriers are faced with the necessity of obtaining adequate revenues by charging high rates on a small, actual as well as relative, volume of highly remunerative traffic.

Manufactures and Miscellaneous traffic (which is the most important class rate traffic) and Products of Mines traffic are admittedly the most highly remunerative types of traffic and, as the Commission has found (Rep. 612, R. 227), both are even more remunerative to the Official Territory Carriers than to the carriers in Southern Territory, even though Official Territory rates are lower than Southern Territory rates. In the first place, these two commodity groups provide, throughout the United States as a whole, more than 80% of all revenues received by the carriers over and above their out-of-pocket costs even though they constitute only 72.2% of the total carload traffic (Rep. 612, R. 227). Moreover, these two types of traffic are more remunerative to the Official Territory carriers than to the Southern Territory carriers, notwithstanding the fact of higher Southern rates. Thus, as appears from the tables on Page 612 of the Commission's Report (R. 227), these two groups which, combined, account for 82.4% of Official Territory revenue net ton-miles and only 70.4% of Southern Territory revenue net ton-miles, produce 88.5% of Official Territory revenues in excess of actual cost and only 71.4% of Southern Territory revenues in excess of costs.

A further circumstance which increases the rate burden which must be borne by class rate traffic in the South, particularly, is the fact that Products of Mines traffic in the South is not capable of contributing so substantially to gross revenues as it contributes in Official Territory. Products of Mines traffic which, in Official Territory, is highly remunerative and accounts for 38.% of all revenues in excess of out-of-pocket costs, is considerably less remunerative in the South, where it accounts for only 21.2% of such revenues. One of the consequences of this fact is that more than one-half of all revenues in excess of Southern costs must be obtained by the Southern carriers from the one-quarter of their traffic in the manufactures and miscellaneous group.

Subsidiary findings also establish, beyond question, that the Official Territory carriers have available to them greater volumes, actually as well as relatively, of this more highly remunerative traffic than do the carriers of either of the other territories. This fact is apparent from the findings contained on Pages 611 and 612 of the Commission's Report. (R. 226-7) Thus, from the table appearing on Page 611 of the Report, the following comparisons with respect to Manufactures and Miscellaneous and Products of Mines traffic are shown:

	Percentage of total tonnage	*Percentage of total revenues*
Official Territory	88.42%	77.99%
Southern Territory	73.60%	58.31%
Western District	66.02%	53.92%

Other data of record, which the majority of the Commission has chosen to ignore, are reviewed by the late Commissioner Porter in his vigorous dissenting opinion. While the Commissioner was not in agreement with the majority in its conclusions and findings in the Report, his statements with respect to the evidence merit careful attention. As Commissioner Porter pointed out, in this regard, at Page 712 et seq. of the Report (R. 327 et seq.),

> "In the proceedings wherein these (territorial) levels were recently prescribed, we recognized that the volume of high-grade traffic was much greater and the articles included therein of much higher value in official territory than in the other territories; and that the volume of other than class-rate traffic, excluding coal, in comparison with the total traffic, was much greater, and the articles included in the other traffic of lower grade, in the other territories than in official territory. Because of these differing conditions, and the further fact that relatively lower rates were maintained on raw materials and basic commodities within the other territories than in official, we prescribed higher class-rate levels in southern, south-western, and western trunk-line territories than in official territory.

> "Since the decisions in which those prescriptions were made, the situation as to volume and kind of traffic transported in the various territories, has not changed, except in degree." (Rep. 712-3, R. 327-8)

After reviewing the evidence with respect to the much greater volume of manufactures and miscellaneous and products of mines traffic in Official Territory, the Commissioner continued,

> "Two classes of traffic, namely, coal and coke and iron and steel articles, move in much greater volume, constitute a far greater proportion of the total tonnage of freight handled, and provide absolutely and relatively a much larger amount of revenue in official territory than in the South. In 1939, approximately 95 percent of the coal and coke production of the country originated east of the Mississippi River, divided, official territory, including the Pocahontas region, 82.23 percent and southern territory, 12.9 percent. Excluding New England, in which there is no coal production but which imports a vast quantity, and the Pocahontas region, the coal and coke tonnage originated in official territory was 46.19 percent of the United States total. Coal and coke traffic is more diffused and is more evenly shared by the major eastern railroads than by those in the South, where it is largely confined to four railroads, Louisville & Nashville, Southern, Illinois Central, and Clinchfield." (Rep. 713, R. 328)

and further,

> "Official territory railroads handled 481 million tons of freight other than coal and coke in 1939, as compared with 143 million tons transported by southern railroads. Included in the former figure was a large volume of iron and steel traffic far in excess of the tonnage of like articles in southern territory." (Rep. 714, R. 329)

• • • • •

> "Thus, coal, coke, and iron and steel tonnage provide official territory railroads with large sources of revenue which are available only in small degree to southern railroads."

In concluding his discussion on this point, he stated,

> "From the foregoing it is plain that the consist of the traffic is vastly different in official territory than it is in either southern or western territory, and that the chief difference lies in the much larger proportion and volume of the high-grade and more remunerative traffic in official than in either of the other territories.
>
> * * * * *
>
> "These important facts mean that the eastern roads by reason of their large volume of the more profitable traffic can render adequate service to the public with a lower rate level on other traffic, such as class-rate traffic, than can the southern and western roads." (Rep. 716, R. 331)

The Commission's subsidiary findings that cost differences (while they exist) do not wholly justify lower Official Territory rates and that consist differences (while they exist) do not wholly justify such lower rates do not provide a basis for disputing what is the fact, namely, that cost and consist differences combined *do* justify important class rate differences, and *such subsidiary findings obviously preclude a finding that no rate differences are justified by transportation conditions.*

2. *The Commission's order, which fails to provide the carriers with alternative methods of removal of preferences and prejudice, would be invalid as a remedy for a Section 3 violation even if such violation had been shown to exist.*

Even if the Commission's ultimate finding of a Section 3 violation could be sustained (which it cannot), the Commission's ad interim order could not be sustained as a proper order to remedy such violation. An order to correct a preferential and prejudicial relationship must permit the carriers alternative methods of removing the discrimination unless, of course, there is only one lawful way in which the result can be achieved. The reason for this is that Section 3 of the Act is concerned with the relationship between rates, and with nothing else. If the relationship between two rates is unlawful, the Commission is empowered to order that relationship corrected. It is not empowered to prescribe the method by which the relationship shall be corrected, unless, of course, there is but one lawful method of correction. As this Court expressly said in *Texas and Pacific Railway Co.* v. *United States* (supra), in holding invalid the Commission's order

> " . . . Where an order is made under section 3 an alternative must be afforded. The offender or offenders may abate the discrimination by raising one rate, lowering the other, or altering both. (Citing cases) The situation must be such that the carrier or carriers if given an option have an actual alternative." (P. 650)

It is true that the Court referred in said case to the Commission's order as an order under Section 3, but the order obviously would not have been valid (although the contrary has been suggested) if the Commission on the same findings and for the same alleged illegality had stated that its order was entered under Section 15(1) of the Act. The Court was not concerned with the formal issue of whether the Commission in entering its order had referred to the wrong section as the source of its authority, but rather with the substantive issue of whether, when the illegality was in the relationship of rates, the Commission *could* order anything more than a change in the relationship, various means of effecting such change being possible and lawful. The plain meaning of the decision in the *Texas and Pacific* case is that when the Commission properly finds that illegality arises from a rate relationship, it may order that the relationship be corrected but may not require the establishment of a particular rate unless the correction of the relationship may lawfully be made only by the establishment of such rate and it is to this latter possibility that the Court's reference to Section 15(1) relates (289 U.S., fn. 39, p. 6[illegible]). If various lawful possibilities of correction exist, the carriers must be left free to determine the manner of correction in accordance with their managerial discretion. It is no answer to say that this rule does not apply in cases where the Commission also finds the lower rate unreasonable in violation of Section 1, for as is hereinbefore pointed out, the Commission has not made a valid finding to that effect in this case.

The District Court erred in its application of the law in this regard, holding that because the Commission's order was entered under Section 15(1) of the Act, and not Section 3, an alternative need not be afforded. (R. 1438) The Court apparently accepted the argument of counsel for the United States and the Commission that Section 15(1) must be interpreted literally, and that this Court's opinion in the *Texas & Pacific* case was to be disregarded.

Inasmuch as these contentions will undoubtedly be made again, before this Court, careful consideration of them is warranted.

The contention that Section 15(1)* should be interpreted literally proves too much and leads to obviously absurd conclusions. In Section 15(1) it is provided that if "the Commission shall be of opinion that any . . . rate, fare OR charge . . . OR classification, regulation OR practice . . . is or will be" (a) unjust or unreasonable, OR (b) unjustly discriminatory, OR (c) unduly preferential or prejudicial, OR (d) otherwise in violation of any of the provisions of the Act, the Commission may prescribe (a) the just and reasonable rate, fare or charge to be observed in such case, or the maximum or minimum or maximum and minimum, AND (b) the just, fair, and reasonable classification, regulation or practice to be followed, AND (c) order the carrier to cease and desist from violation, and not to collect rates, fares, and charges or maintain classifications, regulations or practices other than those prescribed. It will be noted that, while the types of unlawfulness are stated *disjunctively*, the available remedies are stated *conjunctively*. If section 15(1) is to be interpreted literally, as is contended for and if, accordingly, the Commission is to have the right to prescribe rates in a case where its only finding of unlawfulness is as to a rate relationship, then the Commission should by the same literal interpretation be deemed authorized, upon finding a tariff regulation unlawful, to prescribe not only a different regulation but a different rate. A literal interpretation of Section 15(1) would mean that if the Commission were to find, for example, that a particular carrier maintains an unjust and unreasonable tariff regulation affecting the manner of packing household furniture for transportation between New York and Chicago in violation of Section 1(6) of the Act, the Commission would be empowered not only to correct the specific violation by prescribing a just, fair and reasonable regulation, but might also, and in addition, prescribe a new rate for household goods between New York and Chicago (provided only that the rate be just and reasonable) and might order the carrier to cease and desist from publishing or collecting any other rate than that prescribed. Of course, such a result would be absurd, as those who contend for a literal interpretation of Section 15(1) would agree.

---

*The full text of the Section appears in the appendix hereto.

Section 15(1) must be interpreted in the light of the firmly established regulatory principle with respect to the managerial discretion of the carriers stated by this Court in

Interstate Commerce Commission v. *Chicago Great Western Railway*, 209 U. S. 108 as follows:

> " 'Subject to the two leading prohibitions that their charges shall not be unjust or unreasonable, and that they shall not unjustly discriminate so as to give undue preference or disadvantage to persons or traffic similarly circumstanced, the act to regulate commerce leaves common carriers, as they were at the common law, free to make special rates looking to the increase of their business, to classify their traffic, to adjust and apportion their rates so as to meet the necessities of commerce and of their own situation and relation to it, and *generally to manage their important interests upon the same principles which are regarded as sound and adopted in other trades and pursuits.*' " (pp. 118-9) (Emphasis supplied)

The history of the exercise of the Commission's regulatory authority has been characterized by the fundamental recognition on the part of the courts that, in the absence of unlawfulness, the carriers are free to adjust their charges in accordance with the discretion of their managers and that, accordingly, the Commission, upon a finding of unlawfulness, may only enter such orders as are *necessary* to correct the unlawfulness, unless Congress has *specifically* authorized it to do more. Thus when the Commission has sought to invoke powers which were neither necessary nor expressly granted, but which the Commission has believed would be convenient, and has accordingly found 'implied' in the terms of the Act, the exercise of such powers has been annulled by this Court. One of the earliest such instances occurred in *Interstate Commerce Commission* v. *Railway Co.*, 167 U. S. 479 (1897) wherein the Commission had sought to infer, from its power "to execute and enforce the Act", the power to prescribe rates, and wherein the Court said:

> "The vice of this argument is that it is building up indirectly and by implication a power which is not in

> terms granted . . . if it (Congress) had intended to grant the power to establish rates, it would have said so in unmistakable terms." (P. 509)

An examination of the nature of the wrong of undue preference and the terms of Section 15(1) in the light of the Act as a whole shows clearly that the power to order the removal of undue preference and prejudice *in a particular manner* is not a necessary power, and that it has not been specifically granted to the Commission. In the first place, the Commission, in order effectively to remove discrimination or undue preference and prejudice, ***need not do more than*** order the discrimination removed. The wrong arises only from the relationship of the two or more rates, and as this Court said in the *Texas and Pacific* case,

> "The offender or offenders may abate the discrimination by raising one rate, lowering the other, or altering both." (P. 650)

Secondly, it is clear that Congress has not specifically granted the Commission power to remove undue preference and prejudice by prescribing specific rates. As has hereinbefore been pointed out, the only interpretation of Section 15(1) which is consistent with such a grant leads to the absurd proposition that, once the Commission has found any type of unlawfulness, the Commission may immediately take over virtually all rate making and tariff functions of the carriers.

An examination of other provisions of the Act shows conclusively that Congress did not, and did not intend to, invest the Commission with power under Section 15(1) to prescribe a specific manner of removal of discrimination unless only one method of removal were possible and lawful. Section 13(4) of the Act contains the type of language which Congress would have used had it intended such a result.

In that section, the Commission is authorized, if it finds that intrastate rates discriminate against interstate commerce, to

> "prescribe the (intrastate) rate, fare or charge or the maximum or minimum, or maximum and minimum, thereafter to be charged . . . in such manner as, *in its judgment*, will remove such advantage, preference, prejudice or discrimination." (Emphasis supplied)

Section 13(4) thus contains a grant, in unmistakable terms, of the power to remove discrimination in a specific manner, and its language is to be contrasted with the wholly different language of Section 15(1). It is further significant that the provisions of Section 13(4) and the amendments to 15(1) relied upon by the Commission *were both contained in the same act, the Transportation Act of* 1920. *When Congress intended the Commission to assume the function of determining how prejudice should be removed, it knew how to make clear its intent.*

There is no incongruity in the Commission's having power to order specific changes in discriminatory intrastate rates (notwithstanding the State's sovereign rights) and yet being without power to order specific changes in interstate rates which result in undue preference and prejudice. Any claimed incongruity in this situation is illusory and unreal. In order to deal at all effectively with intrastate rates which discriminate, the Commission must have power to order specific increases or decreases in such rates, for it does not have comprehensive coercive power over intrastate rates and it is the existence of this comprehensive coercive power over the interstate carriers and interstate rates which permits the Commission to deal effectively with discriminatory interstate rates merely by ordering the carriers to remove the discrimination. State sovereignty is encroached upon far less by the Commission's being given the single specific power to increase discriminatory intrastate rates than it would be, were the Commission to be given the comprehensive control of intrastate rates which (without such specific power) it would need in order to deal effectively with intrastate-interstate discrimination.

The fact that the power to prescribe the manner of removal of undue preference and prejudice is not necessary to correct the relationship and has not been expressly conferred upon the Commission by Section 15(1) properly construed, indicates clearly that, in stating in the *Texas & Pacific* case that,

> "Assuming that neither rate is unreasonable, the one carrier cannot be compelled to alter its rate because the other's is higher or lower for the same service . . . Where an order is made under Section 3 an alternative must be afforded." (P. 650)

this Court recognized that the power to order the specific method of removal of discrimination is neither an essential power nor a specifically granted power of the Commission and that, therefore, the carriers are entitled, in the exercise of their managerial discretion, to determine the method of correction of any Section 3 violation which the Commission finds as long as lawful alternatives exist.

The District Court's apparent belief that the afore-quoted language from this Court's decision in the *Texas & Pacific* case is applicable only to orders under Section 3 to correct a Section 3 violation and not to orders entered under Section 15(1) to correct a Section 3 violation (R. 1438) is plainly wrong, and for several reasons. The first such reason is that literally an order cannot be entered under Section 3, for that section merely forbids discrimination. It does not authorize Commission action. The terms —a section 3 order—and—an order under Section 3—are common, however, and mean orders entered under Section 15(1) to correct violations of Section 3. This Court was speaking of such an order in the *Texas & Pacific* case and both the majority and minority opinions so state. Thus, in the majority opinion, at page 634, Mr. Justice Roberts refers to the Court's prior order restoring the cause to the docket for reargument and directing counsel's attention to specific questions of undue preference and prejudice "within the sense and meaning of Sections 3(1) *and* 15(1) of the interstate commerce act . . ."* Mr. Justice Stone begins his dissenting opinion as follows:

> "The Interstate Commerce Commission, acting under Section 3(1) and Section 15(1) of the Interstate Commerce Act . . . has found", etc.

The statements thus quoted also defeat any possible claim that the language in the *Texas & Pacific* decision is applicable only to cease and desist orders entered under Section 12 of the Act.

POINT THREE

THE DISTRICT COURT ERRED IN DISMISSING THE PETITION OF THE PLAINTIFFS BELOW, AND IN REFUSING TO ISSUE AN ORDER PERMANENTLY ENJOINING ENFORCEMENT OF THE COMMISSON'S AD INTERIM ORDER.

The Commission's order, which appellants sought and seek to have enjoined, set aside and forever annulled, does not represent the lawful exercise of lawful authority by the

---

*The complete text of said order, as set forth in footnote 10 to the Court's opinion is as follows:

> "This cause is restored to the docket for reargument upon all questions involved, and the attention of counsel is invited to the question whether the respective relations of the Louisiana ports and the Texas ports to the export, import, and coastwise traffic affected, and to the rates condemned, by the orders in controversy are such that the Louisiana ports may be regarded as localities unduly or unreasonably preferred by such rates within the sense and meaning of sections 3(1) and 15(1) of the interstate commerce act and that the Texas ports may be regarded as localities unduly or unreasonably prejudiced by such rates within the sense and meaning of the same sections." Journal, October Term, 1931, P. 342.

Commission, but constitutes rather one phase of a social and economic experiment upon which the Commission has embarked under the imagined pressure of misinterpreted Congressional legislation (see pages 52 to 53 hereof). The late Commissioner Porter virtually so pointed out, in a preface to his vigorous dissenting opinion, stating,

> "I am forced to dissent from the majority report, first, because of its one-sided and inadequate statement of a number of the important facts; second, because the class-rate uniformity called for by the findings of the majority, . . . and the manner in which it is to be accomplished, not only are without adequate support upon the record and ignore the standards of rate-making consistently followed by this Commission throughout its 58-year history, but in my opinion ignore and are contrary to the best interests of the shipping public, as well as of the railroads, in each of the territories affected . . . ;" (Rep. 709, R. 324)

The cost of the experiment will be borne, if the Commission's order is permitted to become effective, almost entirely by the shippers and receivers of freight in Official Territory. As has hereinbefore been pointed out, Official Territory class rates will, if the ad interim order of the Commission is sustained, and the Commission's Ex Parte 162 order is not modified, be authorized to be increased 37½% over their 1945 levels. Class rates are of far greater importance in Official Territory, both relatively and actually, than in either Southern Territory or Western Territory, and both the District Court and the Commission have so found. (Rep. 638, R. 253; Rep. 565-6, R. 180-1; R. 808, 1451) Not only does a much larger proportion of the total traffic move on class rates in Official Territory than moves on class rates in either the South or the West but because the total volume of traffic in Official Territory far exceeds the total volume of traffic in either Southern Territory or Western Territory, the actual volume of class rate traffic in Official Territory far exceeds the actual volume of traffic moving on such rates in either the South or the West. The shippers and receivers of freight in Official Territory will be required to pay the aforementioned greatly increased freight charges to the Official Territory carriers. These carriers in turn will either become the beneficiaries of increased rates which are higher than they sought, or will, as is more likely, be required to pay substantial portions of their increased revenues to the Southern and Western carriers in the form of divisions of joint rates for interterritorial movement. The class rate reductions which the Commission has ordered in the South and West to complete its uniformity experiment cannot fail to reduce the revenues of the carriers serving in those territories, and, when the Commission becomes faced with the problem of determining a fair basis for dividing interterritorial revenues between the participating carriers, it will find that the Act requires it to consider, among other things,

> ". . . the efficiency with which the carriers concerned are operated, *the amount of revenue required to pay their respective operating expenses, taxes, and a fair return on their railway property* held for and used in the service of transportation . . . *and any other fact or circumstance* which would ordinarily, without regard to the mileage haul, entitle one carrier to a greater or less proportion than another carrier of the joint rate, fare or charge." (Sec. 15(6))

There is no escape from the conclusion that Official Territory shippers and receivers of freight will be required to underwrite and subsidize the uniformity experiment which the Commission has so unlawfully decreed shall be performed. The late Commissioner Porter so pointed out in his dissenting opinion (Rep. 716, R. 331)

Where an order of the Commission is made which is so arbitrary and so transcendent of the Commission's lawful authority as the Commission's minimum rate order here under attack, and where such an order will assuredly result in heavy additional costs to Northern shippers, which additional costs are clearly unwarranted, this Court should exhibit no hesitancy in effectively preventing its illegal enforcement. This Court should reverse the order of the District Court and remand the proceeding with instructions to that Court to issue a permanent injunction.

Respectfully submitted,

HENRY E. FOLEY

Counsel for

THE HONORABLE HORACE A. HILDRETH,
Governor of the State of Maine

THE HONORABLE CHARLES M. DALE,
Governor of the State of New Hampshire

THE HONORABLE ERNEST W. GIBSON,
Governor of the State of Vermont

THE HONORABLE ROBERT F. BRADFORD,
Governor of the Commonwealth of Massachusetts

THE HONORABLE JOHN O. PASTORE,
Governor of the State of Rhode Island

THE HONORABLE JAMES L. MCCONAUGHY,
Governor of the State of Connecticut

APPENDIX

Conclusions, Findings and Order of the Interstate Commerce Commission in Ex Parte 162

Conclusions

We therefore pass to our ultimate findings and conclusions. Before stating them, we think the following observations should be made.

There are here involved all the freight rates and charges, and all the passenger fares of the railroads and many other carriers of the Nation, large and small. What we do will directly affect production and distribution in the industries of the Nation, and the welfare of its various regions, as well as the transportation industry. It will have its effect upon the forces tending to economic stabilization or the reverse. We have accorded every reasonable opportunity for those in any way affected to be heard, while pressing the proceedings with as much speed as the size and complexity in detail of the proposals permitted. No case has ever received from us more earnest study. What was said in dealing with another difficult problem of great importance may be repeated here (*Consolidation of Railroads*, 159 I. C. C. 522, at page 524):

> "In a matter of this magnitude in scope and complexity in detail, even after the most careful study and the fullest and freest interchange of views by those charged with the duty of preparing this plan, there must remain many differences of opinion as to the several components parts, both large and small, comprised in the final result. Such is here the case. While a clear majority of us, although not always the same majority, have agreed as to each part of the plan proposed, not all of us have agreed as to all its parts, but all concur in the result. * * *"

When, in 1920, shortly after the close of federal control of the railroads, we were dealing with a situation in many ways comparable with that now presented, the late Commissioner Eastman in concurring in our authorization of large increases in freight rates and passenger fares, made certain observations which are forceful here. He said in part (*Increased Rates, 1920*, 58 I. C. C. 220, at page 258):

"Summing the matter up, conditions are critical and they have not been made less so by the transition from federal to private control. The evil of poor service we have with us, and it is certain that the health of the nation will suffer seriously unless this evil is cured. It is my best judgment that the railroads cannot function successfully without materially increased rates, and I am also persuaded that it is in the best interest of the country that the present plan of operations should receive without delay the best test that can be given it. Under all the circumstances, it follows that it would be a mistake if the railroads were now accorded rates designed to produce substantially less revenue than their responsible executives with unanimity assert that they need in order that good service may be provided. What revenue will actually be produced no one can tell. If the rates prove unduly high, they may later be reduced. The present proceeding has nothing of finality about it and in many respects is similar to a suspension case, where the question is whether or not certain proposed rates shall be permitted to take effect without suspension, a matter left by the act to the discretion of the Commission."

Findings

From a consideration of the entire record in these proceedings, we conclude and find:

1. It is requisite for the carrying out of the purposes of the national transportation policy, and the development, coordination, and preservation of a national transportation system adequate to meet the needs of commerce, the postal

service, and the national defense, and in order that freight rates and charges shall be such as to move the greatest volume of traffic, while providing adequate and efficient transportation at the lowest cost consistent with the furnishing of such service, and to enable the petitioning carriers by railroad and by water under honest, economical, and efficient management to provide such service, that there be substantial increases in the basic freight rates and charges of the petitioners, and the continued maintenance of the present temporarily increased basis of passenger fares and charges. That the basic freight rates and charges, and passenger fares and charges, increased or authorized to be continued in the manner and to the extent herein found and approved in detail, will be just and reasonable, but that the full amount of the increases in the form proposed in the petition in Ex Parte No. 162 have not been shown to be just and reasonable, in respects not herein approved.

2. Except as otherwise specifically provided in these findings or in the appendix thereto, all basic freight rates and charges of the petitioning rail and water carriers justly and reasonably may be increased for the future by 20 per cent. By basic freight rates and charges are meant those now in effect, whether established by order of the Commission or voluntary act of the petitioning carriers (including rates held under investigation and suspension orders)—excluding, however, from such freight rates and charges as now in effect such portion thereof as represents the interim increases authorized by the report and order entered herein on June 20, 1946. Basic freight rates and charges include also rates prescribed by outstanding orders of the Commission, when and as the rates therein prescribed become effective, subject to any exceptions specifically noted herein.

3. The basic freight rates and charges on the commodities specified in appendix 1 may be increased by the specific

percentages or amounts shown therein, and such rates increased as provided therein, will be just and reasonable for the future.

4. The following increases in the basic freight rates and charges for miscellaneous services will be just and reasonable for the future:

Rates and charges on milk and cream in passenger and freight service, including all commodities listed in the applicable basic milk and cream tariffs, may be increased 15 per cent.

Rates and charges for protective services published in Perishable Protective Tariff No. 14, Agent Quinn's I. C. C. No. 25, may be increased 15 per cent.

Charges for collection-on-delivery services may be increased 25 per cent.

Rates and charges for switching, including intraplant and intraterminal switching, whether or not absorbed by line-haul carriers, may be increased 25 per cent.

Where tariffs provide for absorption of charges for switching, subject to a stated minimum revenue for a line-haul carrier, such stated minimum may be increased by the same amount as the charge or charges for switching.

Charges for loading or unloading provided in section 2 of Consolidated Classification Rule 15 may be increased to 5 cents per 100 pounds.

Rates and charges for special train, trap- and ferry-car, and crane service, and for handling railway equipment on its own wheels, may be increased 25 per cent.

All commodity freight rates, and rates and charges on freight in truck bodies, may be increased 25 per cent.

Rates and charges for handling commodities (except milk and cream) in baggage or passenger-train service, including excess baggage but excluding corpses, may be increased 25 per cent.

Except as otherwise herein specifically provided, an increase of 25 per cent may be made in the basic rates and charges for accessorial and terminal services such as storage, handling, loading, unloading, reconsignment, diversion, fabrication, other transits, weighing, etc., other than (a) demurrage charges, on which no increase is here authorized, and (b) charges for handling, loading, or unloading export, import, coastwise, or intercoastal traffic which do not affect the measure of the line-haul rate and are not in addition to the line-haul rate, on which there will be no increase.

Terminal railroads may increase their charges to the railroads for performing the loading and unloading of livestock at public stockyards, by 15 per cent, and such increased charges should be absorbed, or otherwise paid, by the railroads performing the line-haul transportation, except when they accrue for unloading or reloading en route at the request of the shipper, consignee, or owner, or to try an intermediate market, or to comply with quarantine regulations.

Minimum charges per shipment may be increased to $1, except on single shipments of milk and cream. Minimum charges per car in line-haul service, as provided in Consolidated Classification Rule 13 and corresponding rules in other tariffs, may be increased to $20. Minimum line-haul rates where pick-up and delivery services are included may be increased to 50 cents, as provided in our interim findings.

Except as otherwise provided in appendix 1, rates on articles under the general commodity grouping of Manufactures and Miscellaneous, class rates and rates on less-than-carload and any-quantity traffic may be increased 25 per cent within official territory, as defined in our prior (interim) report at page 743, 20 per cent within and between other territories, and 22.5 per cent between official territory and points in other territories.

5. Where through rates are made by combining separately stated rates (two-factor or multiple-factor rates),

such combination will not be increased separately, except as otherwise provided as to rates on grain and grain products, but a single increase should be applied to the entire through rate.

6. Joint, international rates to and from Canada or Mexico may be increased to the same extent and in the same manner as is here authorized within the United States. Where rates on international traffic are made by the use of combinations on the international border, the factor within the United States to or from the international border may be increased to the same extent and in the same manner as is here authorized within the United States.

7. In the initial publication, rates applicable on import, export, coastwise, and intercoastal traffic may be increased to the same extent and in the same manner as provided for domestic rates. The findings herein as to reasonableness are predicated upon the assumption that after the increases become effective such rates will be revised promptly by specific publication to restore recognized port relationships, if such adjustment cannot be made simultaneously with publication of the increases.

8. In the initial publication rates with ocean, lake, and inland waterways carriers may be increased to the same extent and in the same manner as provided for all-rail rates. The findings herein as as to reasonableness are predicated upon the assumption that after the increases become effective, such rates will be revised promptly by specific publication to restore existing differentials in cents per 100 pounds or other unit, if such adjustment cannot be made simultaneously with publication of the increases.

9. The increases herein provided may be applied to joint rates with motor carriers to the same extent and in the same manner as is proposed for all-rail rates.

10. Fractions should be disposed of as follows: In connection with rates or charges which, without the emergency increases of July 1, 1946, are approximately 5 cents or lower, resolve fractions to the nearest quarter cent; rates higher than approximately 5 cents, but not higher than approximately 10 cents, resolve fractions to the nearest half cent; rates higher than approximately 10 cents, resolve fractions to the nearest whole cent, except on grain and grain products and articles taking the same rates; in all instances resolve fractions in connection with commodity rates to the nearest half cent. When, in connection with rates rounded out to quarter cents, fractions fall midway between two quarter cents, increase to the next higher quarter cent; and similarly in conection with rates rounded out to half and to whole cents.

11. The increase in passenger fares authorized by our order in Ex Parte No. 148, dated January 21, 1942, as modified by our order in Ex Parte No. 148, dated October 30, 1945, may be continued in effect without expiration date, and for the future will be just and reasonable.

12. Where carriers earn specific stated amounts as their compensation or division out of joint through rates, such amounts should be increased in the same percentages as the joint through rates.

13. When accessorial charges or switching charges are increased as herein authorized, and such charges prior to the increase were absorbed wholly or in part by a carrier, the amount of the absorption should be increased in the same proportion as the increase in the accessorial or switching charge.

14. The increases in freight rates and charges herein authorized shall supersede and be in lieu of the emergency increases authorized in our prior (interim) report and

order of June 20, 1946. The authorized increased rates and charges may be made effective in the period January 1, 1947, to February 28, 1947, upon not less than 5 days' notice to the Commission and to the general public, by filing and posting in the manner prescribed in the Interstate Commerce Act.

15. Rates and charges increased as herein permitted are not considered as prescribed rates, within the meaning of Arizona Grocery Co. v. Atchison T. & S. F. Ry. Co., 284 U. S. 370.

16. Rates, increased as authorized herein, within official territory from and to border points may be applied as a minimum on interterritorial traffic through such border points to the extent necessary to conform to the provisions of section 4 (1) of the act, in like manner as was authorized in our prior (interim) report.

17. The various railroads, other than the class I railroads, and water carriers which have become parties to this proceeding, will be authorized to make the same increases as the class I railroads. If this authorization does not dispose of the issues raised by their petitions, the matter may be called to our attention, provided any disputed matters prove to be incapable of adjustment informally.

18. Freight forwarders may increase their rates and charges simultaneously and ratably, or in direct proportion to analogous or corresponding increases made in the freight rates and charges of the common carriers whose facilities and transportation services they use. No order is considered necessary to enable them to publish and file such increased rates, subject to possible protest and suspension, other than under section 405 of the act. Appropriate orders will be entered under that section upon proper applications.

19. The record will be held open for the purpose of giving consideration to any necessary readjustments or corrections which the circumstances may warrant, if brought to our attention in the manner prescribed in our Rules of Practice. We will aid in the informal adjustment of any matters arising hereunder, if our aid shall be deemed helpful.

20. Appropriate orders for relief under sections 4(1), 6, 217, 306, and 405 of the Interstate Commerce Act will be entered; except as specified in the following sentence of this finding our outstanding orders will be modified accordingly. As the effectiveness of our order in Class Rate Investigation, 1939, docket No. 28300, is now stayed and enjoined, we do not hereby in any manner suspend or supersede, or modify or affect the finding and order entered in that proceeding.

Chairman Barnard and Commissioner Johnson did not participate in the disposition of this proceeding.

Appendix I

(Omitted in printing)

Order

At a General Session of the Interstate Commerce Commission, held at its office in Washington, D. C., on the 5th day of December, A. D. 1946.

Ex Parte No. 162, Increased Railway Rates, Fares, and *Charges, 1946; Ex Parte No. 148, Increased Railway Rates, Fares, and Charges, 1942:*

It appearing, That further supplemental petitions have been filed, further hearings have been held, and parties have been heard in oral argument and upon briefs filed October 25, 1946;

And it further appearing, That the Commission, on the date hereof, has made its report in these proceedings containing its findings of fact and conclusions thereon, which said report, together with the reports heretofore made in these proceedings, are hereby referred to and made a part hereof;

It is ordered, That the increased freight rates and charges therein authorized shall supersede and be in lieu of the emergency increases authorized in the prior report of June 20, 1946. The authorized increased rates and charges may be made effective during the period from January 1, 1947, to February 28, 1947, upon not less than five days' notice to the Commission and to the general public, by filing and posting in the manner prescribed in the Interstate Commerce Act;

It is further ordered, That outstanding unexpired orders in other proceedings are hereby modified so as to permit the increases in freight rates and charges herein authorized to be established; provided, however, that the provisions of this paragraph shall not be construed to suspend or supersede or modify or affect the findings and order entered in *Class Rate Investigation, 1939,* Docket No. 28300, the operation of which is stayed by court order;

It is further ordered, That rates, increased as authorized herein, within official territory from and to border points, may be applied as a minimum on interterritorial traffic through such border points to the extent necessary to conform to the provisions of section 4(1) of the act, in like manner as was authorized in the prior report of June 20, 1946;

It is further ordered, That the authorization contained in the report and order of June 20, 1946, respecting increased rates on iron ore to the upper lake ports and increased handling charges on iron ore at those ports, is hereby canceled effective January 1, 1947;

It is further ordered, That the increase in passenger fares authorized by the order in Ex Parte No. 148, dated January 21, 1942, as modified by the order in Ex Parte No. 148, dated October 20, 1945, be, and it is hereby, continued in effect without expiration date;

And it is further ordered, That all tariffs or supplements changing rates or charges under the authority of this order, which rates or charges are now maintained or held in force by virtue of outstanding orders of the Commission, shall bear on their title pages specific reference to this order.

Fourth Section Order No. 15650

It appearing, That the Commission in its report in the above-entitled proceedings, hereby referred to and made a part hereof, has approved certain proposed increases for the transportation of property over the lines of rail and water carriers, parties to the proceedings, operating within the United States;

It further appearing, That the said increases as approved and authorized by the Commission in the above-entitled proceedings cannot be published and made effective in the manner authorized therein without producing in some instances rates or charges that yield greater compensation in the aggregate for the transportation of like kind of property for a shorter than for a longer distance over the same line or route in the same direction or greater compensation as a through rate than the aggregate of intermediate rates or charges subject to the Interstate Commerce Act, in contravention of the fourth section of said act;

It is ordered, That, until further order of the Commission, carriers subject to the Interstate Commerce Act parties to the proceedings be, and they are hereby, authorized to establish the increases so approved without observing the provisions of section 4 of the act; *Provided,* That (1) the authority contained herein to maintain rates in contravention of the aggregate-of-intermediates provision of section 4 shall expire July 1, 1947; and (2) where rates established under the authority contained herein are increased by relatively greater amounts to or from intermediate points than to or from more distant points, or where increases are made in rates to or from intermediate points and not to or from more distant points, thereby creating or increasing departures from the long-and-short-haul provision of section 4 of the act, the relief herein shall expire July 1, 1947, except that if applications are filed on or before July 1, 1947, for relief to continue any of such rates beyond that date, the rates included in and covered by such applications may be continued until the determination thereof by this Commission.

It is further ordered, That in those instances in which rates in contravention of the provisions of section 4 are established under the authority contained herein the schedule or schedules containing such rates shall make reference to this order in the manner required by rule 28 of Tariff Circular No. 20.

Supplemental Fourth Section Order No. 14500

It appearing, That the Commission by its order this day entered in the above proceeding, which is hereby referred to and made a part hereof, has approved certain proposed increased fares for the transportation of passengers over the lines of carriers in the United States; and upon further consideration of fourth section order No. 14500, entered January 21, 1942, in *Increased Railway Rates, Fares, and Charges, 1942,* 248 I. C. C. 545, as amended by supplemental orders entered July 6, 1942, August 20, 1942, and September 9, 1942, granting relief from the long-and-short-haul and aggregate-of-intermediates provisions of section 4 of the interstate commerce act necessary to establish increased fares previously authorized in the proceeding:

It is ordered, That fourth section order No. 14500, entered and amended as aforestated, be, and it is hereby, further modified and amended so as to provide that the same measure of relief from the aggregate-of-intermediates and long-and-short-haul provisions of section 4 of the act as is authorized therein with respect to present fares and charges shall also apply, subject to the same terms and conditions, to passenger fares and charges between the same points increased as authorized by order entered this day in the proceeding referred to above and made a part hereof.

By the Commission

W. P. BARTEL,
Secretary.

(SEAL)

INTERSTATE COMMERCE ACT, SECTION 15 (1)

"That whenever, after full hearing, upon a complaint made as provided in section 13 of this part, or after full hearing under an order for investigation and hearing made by the Commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the Commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this part for the transportation of persons or property as defined in the first section of this part, or that any individual or joint classification, regulation, or practice whatsoever of such carrier or carriers subject to the provisions of this part, is or will be unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of this part, the Commission is hereby authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates, fares or charges, to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classification, regulation, or practice is or will be just, fair and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation other than the rate, fare, or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation or practice so prescribed."

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing brief upon counsel for the adverse parties in this proceeding by causing a copy thereof to be mailed, postage prepaid, to each of said counsel.

Dated this 8th day of February, 1947, at Boston, Massachusetts.

Henry E. Foley
Counsel for Appellants

10 Post Office Square
Boston, Massachusetts

FILE COPY

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

8

Office - Supreme Court, U. S.
FILED
AUG 1 1946
CHARLES ELMORE CROPLEY
CLERK

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL.,

Appellants,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

STATEMENT AS TO JURISDICTION

H. C. Barron,
C. W. Feddis,
James G. Blaine,
H. E. Boe,
P. F. Gault,
J. A. Gillen,
R. G. Hagman,
Toll R. Ware,
G. H. Muckley,
Conrad Olson,
F. J. Melia,
Carson L. Taylor,
Robert Thompson,
Douglas F. Smith,
D. Robert Thomas, Jr.,
Counsel for Appellants.

Sidley, Austin, Burgess & Harper,
Ferris, Burgess, Hughes & Dorrance,
Of Counsel.

INDEX

SUBJECT INDEX

Page

Statement as to jurisdiction 1
  Jurisdiction 2
  Statutes involved 2
  The issues and the rulings below 4
  The questions are substantial 9
Exhibit "1"—Report of the Interstate Commerce Commission in Docket Nos. 28300 and 28310 13
Exhibit "2"—Supplemental Report of the Interstate Commerce Commission 333

TABLE OF CASES CITED

Ann Arbor R. Co. v. *United States*, 281 U. S. 658 2
Texas & Pacific Ry. Co. v. *U. S.*, 289 U. S. 627 2
United States v. *Hancock Truck Lines, Inc.*, 324 U. S. 774 2

STATUTES CITED

Interstate Commerce Act of February 4, 1887 (24 Stat. 379), as amended (Title 49, U. S. C. A., Sections 1, 3(1) and 15) 2
Transportation Act of 1940, Section 5 (b), commonly known as the Ramspeck Resolution (49 U. S. C. A. Supp. 1945, Sec. 3, footnote; 54 Stat. 902) 4
United States Code, Title 28, Section 47a 2

DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN AND THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiffs;

vs.

THE UNITED STATES OF AMERICA,

Defendant

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL.,

Plaintiffs,

vs.

THE UNITED STATES OF AMERICA,

Defendant

STATEMENT OF JURISDICTION

In compliance with Rule 12 of the Revised Rules of the Supreme Court of the United States, The Atchison, Topeka and Santa Fe Railway Company, et al., submit herewith their statement particularly disclosing the basis upon which the Supreme Court has jurisdiction on appeal to review the final decree and order of the District Court entered in the above entitled consolidated causes on May

27, 1946. A petition for appeal was filed by The Atchison, Topeka and Santa Fe Railway Company, et al., on June 25th, 1946, and is presented to the District Court herewith.

I

Jurisdiction

The jurisdiction of the Supreme Court to review by direct appeal the final decree and order entered in these causes is conferred by Title 28, Section 47a of the United States Code, and particularly the following provisions thereof:

> "A final judgment or decree of the District Court in the cases specified in section 44 of this title may be reviewed by the Supreme Court of the United States if appeal to the Supreme Court be taken by an aggrieved party within sixty days after the entry of such final judgment or decree, and such appeals may be taken in like manner as appeals are taken under existing law in equity cases." (36 Stat. 1150; 38 Stat. 220)

The following decisions sustain the jurisdiction of the Supreme Court to review the final decree and order on direct appeal in this case:

Ann Arbor R. Co. v. *United States*, 281 U. S. 658;
Texas & Pacific Ry. Co. v. *United States*, 289 U. S. 627;
United States v. *Hancock Truck Lines, Inc.*, 324 U. S. 774.

II

Statutes Involved

The principal statute involved is the Interstate Commerce Act of February 4, 1887 (24 Stat. 379), as amended (Title 49 U. S. C. A. Sections 1, 3(1) and 15), and particularly the following provisions thereof:

> "It is hereby declared to be the national transportation policy of the Congress * * * to encourage the

establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices * * *." (49 U. S. C. A. Supp. 1945, p. 4; 54 Stat. 899)

"Section 1(4): It shall be the duty of every common carrier subject to this chapter to provide and furnish transportation upon reasonable request therefor and to establish * * * just and reasonable rates, fares, charges and classifications applicable thereto; * * *." (49 U. S. C. A. Sec. 1(4))

"Section 1(5)(a): All charges made for any service rendered or to be rendered in the transportation of passengers or property as aforesaid, or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful" (49 U. S. C. A. Sec. 1(5)(a)).

"Section 3(1): It shall be unlawful for any common carrier subject to the provisions of this chapter to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit points, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, to any undue or unreasonable prejudice or disadvantage in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description." (49 U. S. C. A. Sec. 3(1)).

There is also involved in these causes a Resolution of Congress contained in the Transportation Act of 1940, Section 5(b), commonly known as the Ramspeck Resolution (49 U. S. C. A. Supp. 1945, Sec. 3, footnote; 54 Stat. 902), which reads as follows:

> "(b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided,* That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation."

III

The Issues and the Ruling Below

This proceeding was initiated by the Interstate Commerce Commission on July 29, 1939 to investigate the lawfulness of the freight classifications throughout the United States (I. C. C. Docket No. 28310) and the lawfulness of the class rates throughout all the United States east of the Rocky Mountains (I. C. C. Docket No. 28300). Said class rates, with few exceptions, had been prescribed by the Commission itself in previous extended investigations as being just, reasonable and nondiscriminatory. Such rates vary as between the several rate territories and within the respective territories, reflecting and pursuant to the differences in costs of transportation and other factors of rate making which, prior to its said orders, were always recognized by the Commission as controlling. The class rates in the western territories had been prescribed by the Commission at levels substantially higher than the levels prescribed by it for Official Territory, which comprises the heaviest traffic density territory and is that part of the country lying north of the Ohio and Potomac Rivers and east of the Mississippi. ("Official Territory," as referred to herein, includes "Illinois Territory.")

The Commission conducted extensive hearings in these proceedings over a period of years and submitted in the record of the proceedings the most comprehensive study ever made of costs of railroad transportation in this country, a cost study made under the direction of the Commission's cost section. More than five thousand pages of testimony and hundreds of exhibits were introduced into the record. Wide publicity was given to the proceeding and the Commission invited shippers to appear.

The fact that the shippers in the western territories are satisfied with the long-standing rate structure was demonstrated forcefully, since not a single shipper or receiver of freight in Southwestern Territory testified at the hearings, and only three commercial witnesses, speaking for individual establishments in the extensive Western Trunk Line Territory testified. One of those three urged that the western class rates be maintained on a basis thirty per cent higher than class rates in Official Territory.

The oral arguments were held before the full Commission for a period of ten days, June 14 to June 23, inclusive, 1944. The case was submitted to the Commission on July 15 of that year. The Commission announced its decision on May 15 of the following year. That decision, with four Commissioners dissenting, or concurring only in part, is reported at 262 I. C. C. pages 447 to 766, inclusive. (Exhibit 1 attached hereto)

In its report, the Commission found that the cost study possessed sufficient attributes of accuracy to enable the Commission to rely upon it. (262 I. C. C. at 693) The Commission also found that the study showed the costs of less-than-carload traffic in the western territories to be from 27% to 34% higher than in Official Territory, 39% higher than in the Pocahontas Region of Official Territory, and from 37% to 45% higher than in Southern Territory. It further found the costs of carload traffic in the western territories to be from 16% to 18% higher than in Official Territory.' The Commission's cost study thus confirmed the general knowledge of the differences in territorial costs theretofore recognized by the Commission and underlying the historic differences between the rate levels in Western Territory and Official and Southern Territories as prescribed by the Commission. Nevertheless the Commission held by its said orders that the class rates and territorial rate differentials which it had itself established, and previously approved after extensive investigations and mature consideration, were all unjust, unreasonable, discriminatory, and unlawful, and concluded that all the interstate class rates from the Rocky Mountains to the Atlantic Ocean should be identical without regard to the existing territorial differences in costs and other transportation considerations. It ordered all the interstate class rates set aside and approved for application its own single scale of rates. (262 I. C. C. at 701) It provided for the preparation of a single uniform classification of freight, and concluded "That such revised uniform class rates and classification ratings shall be made applicable simultaneously," with the completion of such uniform classification. (262 I. C. C. at 702)

To effectuate its conclusion that all the presently effective class rates are unlawful because not uniform, and that uniform rates should be applied, the Commission ordered all the carriers east of the Rocky Mountains, including plaintiffs, to cancel the existing class rates and to maintain, during the period of preparation of the uniform classification, as an interim basis, new class rates which "will approach as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair and reasonable" 262 I. C. C. at 703). This so-called *ad interim* scale, would reduce by ten per cent the class rates of carriers in the western territories where the cost of performing the service is highest, would reduce, also by ten per cent, the class rates of carriers in the Southern Territory where the costs of performing the service is substantially lower than in the west, would increase by ten per cent the intraterritorial class rates of carriers in Official Territory where the cost of performing the transportation service on carload traffic is lowest, and would uniformly reduce by ten per cent all interterritorial class rates notwithstanding the varying costs.

Petitions for reopening and reconsideration were filed by several parties. The petition of the Western Lines pointed out, in part, that the newly prescribed rates would increase the deficit which the Commission found already to exist in the transportation of less-than-carload traffic, and would be confiscatory.

On October 30, 1945 the Commission issued its supplemental report and order (Exhibit 2, atached hereto) in which it rejected the petition of the Western Lines for reopening and reconsideration. The supplemental report and order made certain minor changes in the original report and order, and provided that the newly prescribed rates should become effective on January 1, 1946.

On November 27, 1945, the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio and Wisconsin and the Commonwealth of Pennsylvania filed their petition in the District Court of the United States for the Northern District of New York, seeking an order enjoining, setting aside and annulling the said reports and orders of the Commission. The District Court granted petitions to intervene on behalf of the thirty-three western railroads making this statement, the Governors of all the New England States, the Interstate Commerce Commission, the southern States and southwestern States, certain middle western States, the Southern Governors' Conference, and several State commissions.

After hearing, on oral argument and on brief, an injuction *pendente lite* was granted on December 20, 1945, restraining the enforcement of the Commission's orders. (Exhibit 3, attached hereto) *

Thereafter, the western carriers which had intervened in the initial suit filed their petition in the same court also seeking to set aside the said orders of the Commission. The States of New York and Ohio and the Governors of all the New England States intervened as parties plaintiff, the Interstate Commerce Commission, the southern States, the Southern Governors' Conference, the western States and their commissions intervened as parties defendant. By order of the court, the two causes were consolidated into a single consolidated cause.

The District Court, consisting of the Honorable Harrie B. Chase, Circuit Judge, and the Honorable John C. Knox and Stephen W. Brennan, District Judges, held a hearing on February 18 to 21, inclusive, during which the Court received certain additional testimony and exhibits relating to the issues of the confiscation which would be caused to the western carriers if the proposed rates were to be placed in effect, received briefs and heard extended argument.

---

* (Clerk's Note.—Exhibits 3, 4, and 5 are printed as appendices to the jurisdictional statement in No. 343 and are not reprinted here.)

The Court then considered the case at length. On May 9, 1946, the Court filed a thirty-four page opinion, concluding that the petitions should be dismissed without prejudice to another suit by the western carriers to enjoin the new rates after a test period. (Exhibit 4, attached hereto) The opinion did not discuss or refer to the findings of the Commission that the costs of transportation in the western territories are substantially higher than in Official Territory. It did not point to any evidence or findings sustaining the Commission's conclusion that it has become unlawful for carriers in different parts of the country whose costs of transportation are substantially different, to charge different rates.

On May 23, 1946, the District Court heard extended arguments on motions to continue the injunction pending appeal. On May 27, 1946, it filed its final decree and order dismissing the petitions in accordance with the opinion and continuing the stay of the Commission's orders, pending the determination of appeals. (Exhibit 5, attached hereto)

IV

The Questions Are Substantial

The decision of the Commission in this proceeding is generally recognized as the most momentous and far-reaching in the history of the Commission. Its tremendous economic importance is indicated, but not adequately measured, even by its broad geographical scope, by its serious and immediate financial effect, and by the large numbers of States, carriers and other parties to these proceedings.

The decision marks a clean break with the principles of rate making that have been applied through the country for generations, by the carriers, the Commission, and the courts. The Commission, in its report, referred to "the magnitude and complexity of the issues in these proceedings", (262 I. C. C. at 455) and concluded that the provisions of the Transportation Act of 1940 had so changed the legal tests of the lawfulness of rates and had so "enlarged the power of the Commission over this subject" (262 I. C. C. at 689) that all the existing territorial differences in costs of transportation, density of traffic, composition and consist of traffic could and should be disregarded and flat uniform class rates ordered into effect. In thus abandoning the criteria by which the lawfulness of rates has always heretofore been tested, the Commission has established a novel rule that it is unreasonable and discriminatory for different carriers operating in different territories to charge different rates, mile for mile, notwithstanding the fact that the costs and other transportation conditions are different, and the fact that the present rates thus condemned were established by the Commission itself in recognition of such different conditions.

The Commission has further held that the present class rates for less-than-carload traffic in the western territories which are lower than the costs of transporting that traffic, should be further lowered for the purpose of establishing uniformity with the rates in Official Territory, in disregard of the territorial differences in the costs of transporting such traffic. The District Court has held that such reduced rates should be put into effect for a test period, notwithstanding the Commission's finding that even the present rates produce a deficit.

The District Court concluded that the questions of law here are "of great importance to the shippers, the carriers and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions." (See Exhibit 5, p. 4, attached hereto)

We believe the questions presented by this appeal are novel and substantial and are of the utmost public importance.

Respectfuly submitted,

H. C. Barron,
C. W. Feddis,
James G. Blaine,
H. E. Boe,
P. F. Gault,
J. A. Gillen,
R. G. Hagman,
Toll R. Ware,
G. H. Muckley,
Conrad Olson,
F. J. Melia,
Carson L. Taylor,
Robert Thompson,
Douglas F. Smith,
D. Robert Thomas, Jr.
Attorneys for Plaintiffs.

Sidley, Austin, Burgess & Harper,
11 South LaSalle Street,
Chicago 3, Illinois;
Ferris, Burgess, Hughes & Dorrance,
First National Bank Building,
Utica, New York,
Of Counsel.

Dated: June 25th, 1946.

EXHIBIT 1 13

24573

INTERSTATE COMMERCE COMMISSION

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Submitted July 17, 1944. Decided May 15, 1945

PART I

Upon investigation in No. 28310 into descriptions of articles, carload minimum weights, and ratings in official, Illinois, southern, and western classifications applicable to transportation of property throughout the United States, in interstate or foreign commerce, by railroad, by water, or partly by railroad and partly by water, found:

1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are and for the future will be unjust and unreasonable, in violation of section 1 (4) and (6) of the Interstate Commerce Act.
2. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, because of the substantial number of differences in such ratings, result and will result in undue and unreasonable preference and advantage and in undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.
3. That to make the classification fair and reasonable it is essential that the grouping of analagous articles and those with similar transportation characteristics, shall be made according to accepted and recognized principles of classification, and that scales of class rates be maintained providing different rates for the several classes of property, which shall bear a just and reasonable relation each with the others.
4. That it is impossible, without a basic unity in classification ratings throughout the country, to maintain a just and reasonable relation between the class rates on commodities moving in carload and less-than-carload lots, or as between competing commodities moving at class rates.
5. That the establishment of a uniform classification of property for transportation, with reference to which class rates of respondents are or may be made or prescribed, will be just and reasonable; and to the extent the classifications established by respondents are different and nonuniform, to that extent their existing classifications, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable in violation of section 1 (4) and (6) of the act.
6. That the findings as to uniformity are not intended to prevent establishment of exceptional classification ratings provided they are justified individually upon their own merits, do not violate the act, are not inconsistent with the national transportation policy, and do not tend to impair the general requirement of uniformity of classification.

7. That the general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by respondents and should be established by them within a reasonable time.
8. That is it just and reasonable that a uniform classification should be established containing (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation*, 164 I. C. C. 314, 373; 171 I. C. C. 481, 490; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes lower than the lowest class in the official classification. And that these classes in the uniform classification should be 80 in number ranging from class 400 to class 13.
9. That substantial uniformity exists in the present classifications as to descriptions of articles and carload minimum weights.
10. Respondents are given reasonable opportunity to initiate a lawful uniform classification before the Commission undertakes the task; respondents are expected to advise the Commission within 90 days from the service of this report whether they will undertake to make and tender a uniform classification based upon the findings herein. Jurisdiction retained to make such further order in the premises as may be proper in the event respondents decline to make and tender a uniform classification or omit to respond within the time specified.
11. That the uniform classification must be closely connected with the class scale or class scales of rates to be applied, to insure proper preservation of revenue for the carriers, and that the rates shall be just and reasonable and otherwise in conformity with the act.

Part II

Upon investigation in No. 28300 into lawfulness of interstate class rates, determined by ratings in official, Illinois, southern, and western classifications, applicable to transportation in interstate or foreign commerce of property by common carriers by railroad, by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States except those in mountain-Pacific territory, found:

1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects, and for the future will subject, southern, southwestern, and

15

western trunk-line territories, as a whole, and the shippers and receivers of freight located therein, to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(*a*) The application, as a maximum for class 1, of the scale of rates shown in appendix 10.

(*b*) The rates herein prescribed are to be applied to the distances over the shortest possible rail route by which carload traffic can be interchanged between carriers without transfer of lading.

(*c*) Class-rate scales, other than class 1, shall bear percentage relations to the class 1 rates, as found to be just, fair, and reasonable in part I hereof. Rule prescribed for the disposition of fractions.

(*d*) Key point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class-rate revisions.

(*e*) Such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

(*f*) Such revised uniform class rates and classification ratings shall be made applicable simultaneously.

PART III

Pending establishment of the rate revisions and classification unification contemplated by the findings in part I and part II hereof, certain readjustments in the existing basis of class rates are required which will be just and reasonable and will bring to the minimum the preferences and prejudices found to be unlawful, as completely as it is practicable now to eliminate such violations. It is found that, on and after the effective date of the order to be entered in this proceeding:

1. The existing interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories and interterritorially between those territories, and also between those territories and official territory, will be unjust and unreasonable unless reduced 10 percent, subject to specified distance rates as minima; but no changes in existing exception rates or column rates, or in groupings in connection with the present class rates, are contemplated by this finding.

2. Simultaneously as part of the adjustment, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased [illegible] percent as maxima, in the manner specified in the report, and as so increased the class-rate scales will be just and reasonable; this finding is based in part upon the finding that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to class-rate traffic of the carriers in the other territories described.

3. The present minimum charge per shipment on less-than-carload shipments moving at class rates in the territory included in No. 28300, is less than a just and reasonable minimum charge to the extent that it is less than

75 cents; and 75 cents is a just and reasonable minimum charge on such shipments.

T. P. Healy, J. F. Eshelman, H. L. Walker, W. L. Grubbs, Charles Clark, F. W. Gwathmey, E. J. Zoll, Jr., W. T. Hughes, J. P. Plunkett, J. R. Bell, D. T. Smith, H. C. Barron, C. T. Abeles, B. F. Batts, J. G. Blaine, H. E. Boe, R. E. Boyle, Jr., H. D. Boynton, R. D. Brooks, W. M. Crandall, J. P. Canny, Henry Christianson, J. Cibulka, P. H. Daniel, A. J. Dixon, A. P. Donadio, E. H. Dulaney, C. S. Edmonds, A. B. Enoch, C. L. Ewing, J. A. Fisher, J. E. Flansburg, W. S. Flint, R. C. Fyfe, J. P. Ganly, P. F. Gault, J. A. Gillen, L. J. Gosney, H. L. Hanes, J. P. Harrington, H. J. Hart, N. W. Hawkes, J. W. Hewitt, E. A. Hodkinson, G. W. Holmes, E. J. Hyett, George Jeck, Denver Jordan, W. J. Kelly, C. B. Kerr, J. G. Kerr, L. E. Kipp, W. F. Knobeloch, H. H. Larimore, D. R. Lincoln, J. R. MacAnanny, J. C. McGohan, H. H. McLean, T. H. Maguire, E. M. Martin, Richard Mussenbrock, L. S. Nichols, W. A. Northcutt, L. R. Nowotny, Conrad Olson, Guernsey Orcutt, A. B. Pfaff, C. P. Reynolds, V. A. Roane, M. G. Roberts, G. A. Ryser, D. T. Smith, E. A. Smith, William Spaulding, H. E. Spencer, B. H. Stanage, R. S. Stephenson, C. L. Taylor, Robert Thompson, L. A. Veroneau, G. L. Vivian, H. W. Ward, C. H. Ware, W. W. Wolford, and *D. L. Younger* for respondent class I railroads.

C. A. Miller for respondent members of American Short Line Railroad Association.

N. D. Belnap and *F. W. Sullivan* for certain respondent water carriers.

O. T. Huntsman for Office of Price Administration and Director of Economic Stabilization; *G. L. Wilson* and *W. C. Parks* for Office of Price Administration; *C. R. Nutting* for War Food Administrator; *J. K. Knudson* and *Fletcher Quillian* for United States Department of Agriculture; and *W. C. Fitts, Jr., C. J. McCarthy, R. H. Marquis, R. H. Sheppard,* and *A. D. Spottswood* for Tennessee Valley Authority.

H. E. Foley for Governors of all New England States; *W. R. McDonald, Hugh White, J. W. Carter, W. O. Martin, Greek Rice, Stanley Winborne, J. W. Wolfe, H. A. Manning,* and *Porter Dunlap* for Southeastern Association of Railroad and Utilities Commissioners; *Prentice Cooper, J. M. Broughton, J. V. Norman* and *W. H. Wagner* for Southern Governors' Freight Rate Conference, representing States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee; and *J. C. Murray, C. B. Bee, B. M. Gray, C. C. Cammack, P. A. Frye, R. D. Moorhead, A. J. Scrivner,* and *E. R. Tanner* for Steering Committee of Southwestern States and Kansas.

Tom Stewart, United States Senator from Tennessee.

Hugh White for Alabama Public Service Commission; *A. A. Betts*, *H. G. Freas*, *William Peterson*, *L. G. Reif*, and *W. T. Wright* for Arizona Corporation Commission; *H. A. Adkins* for State of Arkansas; *J. C. Murray* and *T. E. Wood* for Arkansas Corporation Commission; *E. S. Reed* for Arkansas Agricultural and Industrial Commission; *L. R. Wood* for Arkansas State Highway Commission; *R. L. Riley* and *H. G. Freas* for California State Railroad Commission; *H. S. Sherman* and *T. S. Wood* for Colorado Public Utilities Commission; *S. L. Holland*, *F. C. Hillyer*, *J. W. Carter*, *T. C. Maurer*, *T. T. Turnbull*, and *I. T. Williams* for State of Florida and Florida Railroad Commission; *F. E. Harrison, Jr.*, for Governor of Florida and Florida State Road Department; *Fred Pettijohn* for Florida Railroad Commission; *W. R. McDonald* for Georgia Public Service Commission; *H. A. Hollopeter* for Governor of Indiana; *Walter Condran* and *J. A. Lucas* for State of Iowa and Iowa State Commerce Commission; *H. E. Davidson*, *C. W. Reed*, *C. B. Ellis*, and *W. A. McClintock* for Iowa State Commerce Commission.

B. M. Gray for Kansas Corporation Commission and Kansas Industrial Development Commission; *C. S. Hunter* for Kansas Corporation Commission; *E. S. Dummit*, *Hubert Meredith*, *M. B. Holifield*, and *L. F. Orr* for Commonwealth of Kentucky, *F. L. McCarthy*, *J. E. Fisher*, *Mrs. J. W. Langley*, *C. M. Bishop*, *J. E. Marks*, and *R. E. Webb* for Kentucky Railroad Commission; *P. A. Frey* and *L. F. Sherer* for State of Louisiana and Louisiana Public Service Commission; *W. O. Martin* for Louisiana Public Service Commission; *W. C. Walsh* for State of Maryland; *A. O. Graves* for Michigan Public Service Commission; *L. R. Bitney* and *O. A. Radke* for State of Minnesota and Minnesota Railroad and Warehouse Commission; *P. R. Moore*, *E. A. Nightingale*, and *R. E. Wilson* for Minnesota Resources Commission; *Greek Rice* for Mississippi Public Service Commission; *B. R. Gillespie*, *H. F. Cholet*, *J. D. James*, and *W. A. Weeks* for Missouri Public Service Commission.

H. E. Kokjer, *Edwin Vail*, *F. A. Good*, *J. A. Little*, *D. T. Swanson*, *W. R. Johnson*, and *H. C. King* for Nebraska State Railway Commission; *C. B. Sexton* for Nevada Public Service Commission; *D. T. Wilentz*, *Robert Peacock*, and *C. V. Hanlon* for State of New Jersey; *Robert Peacock* for Governor of New Jersey and New Jersey Board of Commerce and Navigation; *Parker McCollester*, *C. E. Bell*, *J. J. Bennett, Jr.*, *F. J. Clark*, *Timothy Cohan*, and *N. L. Goldstein* for State of New York; *L. J. Dorr* for New York State Department of Agriculture and Markets; *Stanley Winborne* and *H. M. Nicholson* for North Carolina Utilities Commission; *N. E. Williams* and *A. C. Strutz* for State of North Dakota; *B. C. Larkin*, *S. S. McDonald*, *C. W. McDonnell*, *J. M. Agrey*, and *C. F. Kelsch* for North Dakota Public Service Commission.

T. J. Herbert and *K. L. Sater* for State of Ohio; *C. B. Bee* and *Bennett Bond* for Oklahoma Corporation Commission; *Edward Martin*, *E. A. DeLaney*, and *J. H. Duff* for Commonwealth of Pennsylvania; *J. W. Wolfe* for South Carolina Public Service Commission; *H. A. Manning* for South Carolina State Ports Authority; *William Williamson* and *C. A. Carr* for South Dakota Public Utilities Commission; *Porter Dunlap* and *J. O. Hendley* for Tennessee Railroad and Public Utilities Commission; *Grover Sellers*, *R. D. Moorhead*, *G. C. Mann*, and *C. C. Cammack* for State of Texas; *B. H. Jester*, *Olin Culberson*, *E. O. Thompson*, and *A. J. Scrivner* for Texas Railroad Commission; *C. A. Root* for Utah Public Service Commission; *H. E. Ketner* for Virginia State Corporation Commission; *P. H. Porter*, *C. E. Schreiber*, and *I. A. Sherman* for Wisconsin Public Service Commission; and *N. F. Bahrenburg* for Wyoming Public Service Commission.

D. H. Berry for city and port of Beaumont, Tex.; *H. W. Wagner* for Norfolk, Va., Port Traffic Commission; *Herman Mueller* for St. Paul, Minn., Port Authority; and *T. J. McGinn* for Savannah, Ga., Port Authority.

P. H. Porter, *G. M. Cummings*, *J. R. Davy*, *Allen Dean*, *F. A. Doebber*, *R. A. Ellison*, *Carl Giessow*, *A. O. Graves*, *H. A. Hollopeter*, *J. A. Jacobson*, *J. V. McMahon*, *H. B. McNeely*, *K. A. Moore*, *D. O. Moore*, *W. H. Ott*, *H. J. Schroeder*, and *A. H. Schwietert* for Central Territory Rate Conference; *A. H. Schwietert* for Illinois Territory Traffic League; *W. H. Day*, *A. H. Ferguson*, and *H. E. Foley* for New England Traffic League; and *W. S. Creighton*, *J. H. Donnell*, *T. M. Henderson*, and *E. D. Wood* for Southern Traffic League.

M. S. Allison, *T. R. Atchison*, *F. P. Aughnay*, *E. J. Bachman*, *C. G. Baker*, *D. A. Bandeen*, *G. W. Baxter*, *C. S. Belsterling*, *I. G. Bentley*, *E. H. Berg*, *D. H. Berry*, *A. E. Bocher*, *R. F. Bohman*, *Isaac Born*, *G. H. Boyle*, *Freeman Bradford*, *H. R. Brashear*, *A. H. Brown*, *J. E. Bryan*, *W. C. Bulette*, *J. S. Burchmore*, *W. G. Burnette*, *F. W. Burton*, *E. P. Byars*, *F. A. Cameron*, *K. S. Carberry*, *C. E. Childe*, *C. A. Clymp*, *G. C. Cochran*, *H. J. Conley*, *C. S. Connolly*, *P. D. Cook*, *A. B. Costello*, *W. S. Creighton*, *G. M. Cummins*, *C. R. Cunningham*, *G. H. Cunningham*, *E. P. Daspit*, *L. F. Daspit*, *J. M. Davison*, *J. R. Davy*, *W. H. Day*, *Allen Dean*, *F. L. DeGroat*, *C. L. Denk, Jr.*, *E. S. DePass*, *M. L. Dickerson*, *F. A. Doebber*, *Charles Donley*, *J. H. Donnell*, *J. F. Dougherty*, *T. A. Durrant*, *W. M. Dyer*, *H. C. Eargle*, *C. J. Edelmann*, *C. E. Elerick*, *R. A. Ellison*, *M. M. Emmert*, *H. R. Fritz*, *C. L. Fenstermaker*, *A. H. Ferguson*, *H. J.*

Fernandez, R. L. Flynn, H. E. Foley, S. L. Foote, N. W. Ford, C. E. Fowler, A. W. Fox, H. M. Frazer, W. E. Gayle, H. W. Gehrke, Carl Giessow, Earl Girard, W. W. Glenn, L. A. Gossage, T. E. Grady, William Graf, A. O. Graves, H. A. Gray, P. F. Guerke, W. A. Gunn, G. E. Griffith, G. O. Griffith, J. R. Hafstrom, J. J. Hailey, H. V. Haley, H. M. Hancock, C. V. Hanlon, C. A. Hansen, C. J. Harriss, E. L. Hart, E. T. Hayes, J. P. Haynes, E. D. Hedstrom, C. O. Heinley, R. J. Henderson, T. M. Henderson, W. H. Hendling, C. C. Hibbard, J. K. Hiltner, E. M. Hinkle, J. J. Hoban, H. A. Hollopeter, L. A. Howe, A. E. Hueneryager, H. G. Huhn, H. Ignatius, J. C. Iselin, P. T. Jackson, J. A. Jacobson, C. E. Jones, Elmer Jones, J. B. Jones, W. R. Johnson, F. F. Kator, H. G. Kazanjean, R. K. Keas, F. A. Keiser, F. W. Kemp, W. H. Kimball, L. O. Kimberly, Jr., H. C. King, Donald Kirkpatrick, W. W. Klingensmith, H. F. Klocker, H. E. Kokjer, H. L. Krogman, Leslie LaCroix, Wilbur LaRoe, Jr., R. J. Laubenstein, C. D. Lavlin, E. F. Ledwidge, G. M. Leedom, H. D. Lorance, J. W. Lowry, L. E. Luth, T. F. Lynch, R. A. McCaffrey, Parker McCollester, B. J. McHugh, E. B. McKinney, J. V. McMahon, M. J. McMahon, H. B. McNeely, G. E. Mace, T. W. Mackey, J. C. Magness, H. E. Manghum, J. G. Mann, H. A. Manning, G. E. Martin, T. C. Maurer, Ralph Merriam, R. I. Miles, C. A. Mitchell, E. A. Momberger, L. F. Mongeon, A. G. T. Moore, K. A. Moore, D. O. Moore, F. G. Moore, W. A. Moore, R. A. Morin, R. L. Murphy, H. D. Musick, P. J. Naughton, C. A. New, G. A. Nimmo, J. H. Noble, F. E. Norton, O. W. O'Berg, L. M. O'Leary, M. J. O'Mahoney, G. W. Orewiler, L. F. Orr, W. H. Ott, Jr., W. A. Palmen, F. L. Partridge, G. A. Pendleton, M. D. Perry, W. J. Petersen, M. L. Pieper, C. G. Plowman, P. H. Porter, R. A. Potter, F. E. Potts, A. B. Pratt, I. W. Preetorius, J. H. Ranney, A. A. Raphael, H. T. Ratliff, C. F. Real, B. E. Reed, F. M. Renshaw, A. J. Ribe, W. E. Rosenbaum, W. W. Rouse, F. L. Ruland, J. C. Ryan, R. D. Rynder, V. Schaffenburg, H. J. Schroeder, R. L. Schulz, Ted Schwachhofer, L. A. Schwartz, A. H. Schwietert, W. R. Scott, C. R. Seal, G. H. Shafer, O. J. Shafer, L. M. Shepardson, B. C. Sheron, T. J. Slattery, C. R. Smith, R. H. Smith, G. M. Springer, Jr., E. F. Stecher, H. G. Stern, H. F. Sundberg, G. F. Talley, E. R. Tanner, J. H. Tedrow, C. B. Tefft, R. H. Thompson, E. H. Thornton, T. W. Titsworth, F. B. Townsend, W. A. Vahle, Edwin Vail, Harry Van Antwerp, A. F. Versen, H. F. C. Wade, W. H. Wagner, S. T. Watkins, O. H. Weaver, W. M. Wharton, C. E. Widell, R. B. Willard, N. E. Williams, S. H. Williams, W. J. Williamson, E. B. Wilson, E. D. Wood, and *W. M. Wood* for other shipper interests.

J. R. Turney, A. L. Reed, C. E. Cotterill, C. H. Anderson, F. P. Aughnay, C. E. Bellew, Ferdinand Born, G. M. Brewer, J. A. Con-

nors, *K. G. Foster, Jr.*, *L. E. Golden*, *J. D. Hughett*, *C. F. Jackson*, *B. W. LaTourette*, *Donald MacLeay*, *C. G. Moore*, *C. R. Morrow*, *G. D. Rives*, *H. M. Sell*, *F. F. Shields*, *George Shuler, Jr.*, *W. R. Staggs*, *D. C. Stone*, *D. T. Waring*, and *Edgar Watkins, Jr.*, for motor carriers and their associations.

B. L. Smelker for Interstate Commerce Commission.

REPORT OF THE COMMISSION

BY THE COMMISSION:

We have had the benefit of oral argument. Statements of matters of fact in this report are to be considered as findings by us, except when it is clear that we are merely reciting issues raised or contentions made by the parties, or are summarizing evidence adduced.

Two proceedings, allied, and heard and submitted together, are embraced in this report. Both are investigations on our own motion instituted by our orders of July 29, 1939, as modified August 1, 1940. No. 28310 is an investigation of the lawfulness of the description of articles, carload minimum weights, and ratings provided in the consolidated freight classification, containing the ratings on articles so described in official, Illinois, southern, and western classifications, applicable to the transportation of property in interstate or foreign commerce by common carriers by railroad or water, or partly by railroad and partly by water, subject to the Interstate Commerce Act. Its territorial scope is the entire United States. All common carriers engaged in the transportation described above were made respondents.

Docket No. 28300, Class Rate Investigation, 1939, concerns the lawfulness of interstate class rates,[1] all-rail, all-water, and rail-and-water, applicable in the United States generally, except in mountain-Pacific territory and between that territory and the remainder of the country. As modified by order of August 1, 1940, it includes all rates determined by ratings in the four classifications named above, irrespective or whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class, but none other. It does not embrace exceptions to the classifications.

The two complementary related investigations were heard simultaneously before division 2 of the Commission, to which the proceedings were assigned for administrative handling, at St. Louis, Mo., on July 10 and 11, 1941, Indianapolis, Ind., September 22 to October 1, 1942, Columbus, Ohio, November 16 to 27, 1942, and Washington, D. C., March 29 to April 1, 1943. All the States were notified of the pendency of the proceeding. In accordance with section 13 (3) of the act, we sought the cooperation of the State commissions. Their committee, consisting of Commissioners McConnaughey of Ohio, Scott of South Carolina, and Murphy of South Dakota, sat with division 2 througout the St. Louis, Indianapolis, and Columbus hearings, and the two commissioners first named with Commissioner Doherty of South Dakota sat with the division at the Washington hearing and with us at the oral argument, which was held at Washington, June 14 to 23, inclusive, 1944. A very large number of briefs were submitted. A proposed report in No. 28310 was served upon the parties. Numerous exceptions and replies filed have been considered. No proposed report was served in No. 28300.

---

[1] Rates are stated in this report in cents per 100 pounds.

Because of the magnitude and complexity of the issues in these proceedings, certain steps preliminary to the commencement of hearings were taken by division 2. On January 9, 1940, a notice was issued to the parties and to the public, stating the broad objectives of the investigations, listing some, but not all, subjects to be explored, and suggesting the assembling and compiling of data pertinent to the issues. Among the subjects named for consideration was whether the establishment throughout the United States of a rail and water freight classification, simplified and uniform, or more nearly uniform when compared with the existing classifications, would be lawful and practicable. The notice was accompanied by an order in both proceedings requiring respondents to compile and furnish information concerning traffic moved on specified days in 1939, and an order in docket No. 28310 requiring respondents to compile and furnish specified information relating to the classification of freight. These orders were subsequently vacated, the latter because respondents agreed to furnish the information required without an order, and the former because of the difficulty under conditions then existing owing to the national emergency, and the expense and delay in obtaining and compiling the information sought. The public was informed that certain studies to be prepared by our staff would be offered in evidence at subsequent hearings by qualified witnesses.

A prehearing conference, attended by upwards of 400 persons, was held in Chicago, Ill., on October 28 and 29, 1940. The purpose thereof was to develop more clearly the matters in issue, the particular phases of the general subjects designated in the orders of investigation to be first explored, and to give direction to the studies and research of the interested parties. All persons attending were afforded an opportunity to be heard and to discuss the matters considered. The general opinion of the conference was that the order requiring the compilation of traffic data should be rescinded, and, as stated, that was done by order of November 25, 1940.

Certain studies prepared by our staff were made available to the parties and the public prior to and during the course of the hearings, and were received in evidence.

Numerous petitions were filed by respondents and other interests seeking the discontinuance or indefinite postponement of these proceedings until after the emergency caused by the war. They were all denied. The State of Ohio moved that those petitions be reconsidered and sustained; and the Wisconsin commission and Wisconsin Manufacturers' Association referred to their concurrence in the petitions and reiterated their opinion that the investigations should be discontinued or postponed until after the war. The motion is overruled.

We will report first upon the issues raised with respect to classification in No. 28310, although it is impossible to consider such issues as wholly distinct from intermingled issues raised in the related class rate proceeding, No. 28300. The following, therefore, will constitute Part I of the general report in both proceedings.

Part I

CLASSIFICATION OF FREIGHT

Each of the three major classifications, official, southern, and western, has both intraterritorial and interterritorial application. They contain rules and other provisions relevant to traffic generally, and set forth the ratings for ascertainment of class rates, wherever such traffic and rates are made subject to the respective classifications by specific reference thereto in the rate tariffs. Usually the tariffs are subject also to publications, entitled exceptions to a particular classification, which contain rules, provisions, and ratings more liberal to shippers than, and take precedence over, the classification. Many of them apply throughout an entire classification territory. In addition, there are often commodity rates that take precedence over both the classifications and exceptions as to particular articles.

Illinois classification is used in the border area between official and western classification territories. It has rather limited interstate application and none as to interterritorial traffic. At present it governs, besides Illinois intrastate traffic, the class rates between Illinois and points in the Indiana portion of the Chicago switching district, and traffic between Illinois points traversing routes partly in Indiana on which it authorizes charges over intrastate routes between the same Illinois points lower than what the corresponding charges would be at interstate rates governed by official classification.

Intraterritorial application.—The boundaries of the territories within which the respective classifications have intraterritorial application are roughly sketched on the map of the United States, appendix 1 to this report.

Official classification applies between all points in the part of the country known as official territory, which may be described as lying generally east of the following line: Lake Michigan, including west-bank car-ferry ports on official-territory traffic, south to Milwaukee, Wis., thence the line of the Chicago, Milwaukee, St. Paul & Pacific Railway (the Milwaukee) to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul & Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee through Watertown to Madison, Wis., thence the line of the Chicago & North Western Railway to Dodgeville, Wis., thence the line of the Illinois Central Railroad to the Illinois State line and west along the latter to the Mississippi River, thence south along that river, including west-bank crossing points on official-territory traffic, to the Ohio River; and lying generally north of the following line: The Ohio River east from its mouth, including south-bank crossing points on official-territory traffic, to Cincinnati, Ohio, thence east on the line of the Chesapeake & Ohio Railway to Kenova, W. Va., thence on the main line of the Norfolk & Western Railway to its crossing with the line of the Virginian Railway west of Roanoke, Va., thence on the Virginian Railway to Suffolk, Va., thence on the main line of the Norfolk & Western to Norfolk, Va., including also all lines of the Chesapeake & Ohio Railway in Kentucky and all lines of the Norfolk & Western Railway except those extending south from Roanoke, Va., to Winston-Salem, N. C., and from Brookneal, Va., to Durham, N. C. This territory, sometimes referred to as official-Illinois territories, embraces New England, trunk-line, central, and Illinois traffic territories, and comprises roughly 14 percent of the land area of continental United States, excluding Alaska, which may for brevity be termed "the country."

Southern classification applies between all points in the part of the United States, called southern territory, which contains about 13 percent of the country's land area, lying south of official territory and east of the Mississippi River, including north-bank Ohio River and west-bank Mississippi River crossing points on southern territory traffic.

Western classification applies between all points in the part of the United States, termed western territory, lying west of official and southern territories, including east-bank Mississippi River points on western territory traffic. It encompasses western trunk-line, southwestern, and mountain-Pacific rate territories, and approximately 73 percent of the land area of the country.

Interterritorial application.—In the several comprehensive class-rate investigations made over a number of years, we have prescribed which of the classifications should govern the interterritorial rates required between the rate territories lying roughly east of the Rocky Mountains, and, on complaints, to some extent from west thereof. However, long before those proceedings the carriers of necessity had subjected to one or the other classification the many interterritorial single-factor rates they had voluntarily established. Without attempting the detailing of extraordinary situations, the present interterritorial applications of the classifications are in general as follows, which applications are graphically portrayed on appendix 1 to this report:

Official classification governs class rates from western trunk-line territory, including the Northwest,[2] Wyoming, Utah common points, and intermediate Utah stations east of those points, to official territory east of Illinois; from official territory east of Illinois to the Northwest; and between official territory and certain points on the Chesapeake & Ohio and Norfolk & Western railways in northeastern Kentucky and southwestern Virginia.

Southern classification governs class rates between official territory, including west-bank Lake Michigan ports, and southern territory, except as to the Kentucky and Virginia points noted above in connection with official classification; and from western trunk-line territory, including the Northwest and southern Missouri, to southern territory.

Western classification governs all through class rates between mountain-Pacific territory, including transcontinental traffic, and official and southern territories, except from Wyoming and Utah as stated above in discussing official classification; from official territory to western trunk-line territory, except the Northwest; between southern Missouri and official territory; from southern territory to western trunk-line territory, including the Northwest and southern Missouri; from western trunk-line territory to Illinois territory, which comprises Illinois and southeastern Wisconsin embraced in official territory; and between southwestern territory and official and southern territories.

Owing to the differences, often substantial, measured by relations to corresponding first-class rates in the particular territories, caused by the varying ratings in the respective classifications, difficult situations occur from subjecting interterritorial class rates to a classification other than that applicable within one of the territories involved. Sometimes a classification determines the rates applying over direct routes passing through all three classification territories, adding to the difficulties. Where a classification has been prescribed on the destination-territory principle later described, different rates result in opposite directions between the same points, and over the same routes, on classes that do not bear like percentage relations to the corresponding first-class rates in the two territories concerned.

---

[2] The term "Northwest" is the designation used herein for that part of western trunk-line territory on and east of the Northern Pacific Railway from Duluth to Hinckley, Minn., thence the Great Northern Railway to Twin Cities, Minn., thence east of the Mississippi River but including west-bank crossing points. It thus includes a narrow strip of Minnesota, Wisconsin except a part in Illinois territory, and the Upper Peninsula of Michigan.

EFFORTS TO PROMOTE UNIFICATION OF CLASSIFICATIONS

Beginning with the year 1887, and continuing to the present time, we have endeavored to promote the unification of freight classifications throughout the United States. Efforts during the first 25 years are narrated in some detail in *Western Classification Case* (1912), 25 I. C. C. 442, 459. In that report we spoke of the multiplicity of varying classifications then prevailing, and condemned them as a public evil that caused confusion and constant embarrassment in the interchange of freight between railroads. As there stated, we, in our first annual report (1887) to the Congress, commended the work of the railroads in reducing the great number of classifications then in effect,[3] characterizing it to be "extremely important and useful," but emphasized the necessity of a single classification for the entire country. The importance and practical necessity of uniformity were reiterated in succeeding annual reports. The desirability of a uniform classification has been urged repeatedly by State railroad commissioners at their annual conventions, by shippers' organizations, and by some railroad officials. Always we have been concerned with the just complaints from shippers against disadvantages they suffered because of inconsistencies and divergencies in classifications.

Although we insistently pressed and encouraged unification in every way possible, and made suggestions toward that end, throughout the years reviewed in the above report (25 I. C. C. 442), we adhered to the opinion that the actual work of unification could be undertaken best by the carriers themselves. We recognized fully the great difficulties to be overcome, but declared that they are not insurmountable to carriers' specialists of long experience in work of this sort, and that unification is practicable. Cognizance was taken of the obvious fact that the merging of ratings would necessitate mutual concessions from shippers and carriers, in that the effect must be to lower the ratings on some articles of commerce, and to increase them upon others. Opposition was expected from interests that would be unfavorably affected.

Continuing in *Western Classification Case, supra*, we said that during the years prior to 1888 "the movement toward uniformity seemed to give promise for the establishment of a single classification for the entire country"; but that in the fifth annual report (1891) we recorded the failure of the carriers to adopt the uniform classification proposed by their committee in 1890, and recommended to the Congress the passage of an act "requiring the adoption within one year from the date of its passage of a uniform classification of freight by the carriers subject to the act."[4] Much additional history was recited, embracing pertinent quotations from a number of annual reports, detailing our persistent endeavor to promote uniformity.

---

[3] Individual railroads would have two or more classifications in effect: One for local traffic in one direction, one for through traffic in one direction and another for that in the opposite direction, and a fourth, perhaps, for traffic from or to a particular section of the country. One railroad had nine different classifications in effect in 1883 for traffic originating on its line.

Until the *Consolidated Classification Case* (1919), 54 I. C. C. 1, official, southern, and western classifications were published as separate issues, each with its individual set of rules, descriptions of articles, and ratings. In that report we again adverted to our annual reports to the Congress mentioning our efforts to stimulate the work in the direction of greater uniformity in freight classifications. In view of the progress made, it had been apparent early in 1918 that a complete unification of the rules and descriptions of articles in the three major classifications was possible at a not distant date, and we "inquired of the carriers why they could not by January 1, 1919, or sooner, effect a consolidation of the three general classifications into one volume containing one set of uniform commodity descriptions with three rating columns, one for each territory, subtended, and with one set of rules."

This occurred during World War I and the period of Federal control of the principal railroad lines of the country by the United States Railroad Administration, whose director of traffic appointed a small committee, of which our classification agent became a member, to carry out the work. That committee submitted a "Proposed Consolidated Freight Classification No. 1" in one volume, which accomplished the consolidation and uniformity to the extent suggested by us, and in addition contained many proposed changes in the ratings. Upon request of the Director General of Railroads for recommendations as to the advisability of adopting the proposed classification for application by the carriers under Federal control, *Consolidated Classification Case*, *supra*, was instituted to inquire into the reasonableness and propriety of that classification, and all carriers subject to the act, not under Federal control, were made respondents.

We said in the report last cited, on page 3:

> The consolidated classification is the result of effort toward uniformity extending over a long term of years, and since uniform rules and descriptions are necessary before uniformity in ratings is possible, it marks an important step toward a uniform classification.

---

[4] That recommendation, repeated in subsequent annual reports, was not adopted. Amendments of the act, sections 1 and 15, June 18, 1910, first inserted in terms a requirement for the maintenance of lawful classifications of freight by the carriers.

With regard to the ratings in the proposed classification we said, page 4:

> There was no concerted effort [by the carriers' committee] to make the ratings uniform, but the desirability of uniformity seems to have been kept in mind, * * *.

At page 9 we stated:

> The fact that a uniform classification would be a convenience is a consideration of relatively minor importance; we have advocated uniformity because it is an essential part of the general scheme which contemplates greater consistency in rate making and elimination of discriminations and inequalities. * * * In large part different ratings in the three territories are not due to actual or substantial differences in circumstances and conditions, but are the result of mere differences of opinion and the natural inclination of traffic officials to give expression to their respective theories of classification.

Although no recommendation was made regarding ratings, we tentatively suggested a 10 class (for first class and lower) classification for the entire country, and the percentage relations for the 10 numbered classes in rate scales.[8] The opinion was expressed, at page 11, that "an absolutely uniform classification could be prepared and proposed only in connection with a universal system of rate scales having a uniform number of classes."

The general conclusions reached in that proceeding, page 71, were that:

> So far as rules, descriptions, packing specifications, and [carload] minimum and estimated weights are concerned, and subject to the modifications thereof indicated in this report, we recommend the adoption of the consolidated classification for application in lieu of the present official, southern, and western classifications by carriers under federal control. We do not recommend any changed ratings except as the establishment of new items may indirectly effect changes, and such as may be a reasonably necessary part of the establishment of uniform descriptions, specifications, or minimum weights.
>
> The same rules, descriptions, packing specifications, and minimum and estimated weights subject to the same modifications and limitations are, tentatively, and without prejudice, found just and reasonable for carriers not under federal control.

The new consolidated classification, conforming generally to our recommendations, was published by the carriers and became effective December 30, 1919.

Uniformity was also recommended by us to the Director General of Railroads, responsive to his request for advice, in *Illinois Classification* (1919), 55 I. C. C. 290, as to the rules, and items of description of articles, packing specifications, and carload minimum and estimated

---

[8] The classes and percentages tentatively suggested were as follows:

Classes	1	2	3	4	5	6	7	8	9	10
Percentages	100	85	70	60	45	35	30	25	22½	20

weights, of the Illinois classification[6] to correspond with those approved, as modified, in *Consolidated Classification Case, supra.* After conferences between the shippers and carriers, in which we and the Public Utilities Commission of Illinois participated, the separately published Illinois classification was revised, not only as to the rules and article descriptive items along the line of the consolidated classification, but also as to ratings. In most instances, the same ratings as in official classification were established, except when the competition encountered by the Illinois shippers came from western territory, in which event the western classification rating was adopted. (Thirty-fourth annual report of the Commission, 1920, page 40.) The Illinois classification was merged in the consolidated classification, effective November 15, 1933.

In annual reports to the Congress subsequent to the establishment of the consolidated classification we frequently commented upon the matter of uniformity, sometimes commending the carriers for the progress made, often giving the number of changes and occasionally specifying the degree of uniformity accomplished[7] and sometimes remarking that the progress has been slow, but always indicating our desire for completion of the task within a reasonable time. The showing of official, southern, and western classification ratings in parallel columns of the consolidated classification was noted as serving in striking fashion to bring inconsistencies to the attention of shippers and carriers, and as being a strong influence toward uniformity.

Once we suggested to carriers the advisability of proceeding more slowly just at that time with respect to unifying ratings that would cause large rate increases, because of the coinciding general increase of 1920 in rate levels by substantial percentages, but said that any changes made should be toward uniformity. Carriers heeded the suggestion. After the general rate reduction of 1922, we remarked upon the accelerated pace in unifying ratings, even though some changes meant only the merging of ratings as to two of the classifications. Also in the 1923 annual report we spoke approvingly of the establishment of less-than-carload and carload ratings in lieu of any-quantity ratings, especially in southern classification, which was characterized as having been an any-quantity classification in the past.

---

[6] The Illinois classification governed tariffs making reference thereto, and at that time applied generally to traffic between points in Illinois, and between Illinois and points on west bank of the Mississippi River in Iowa and Missouri, in southeastern Wisconsin, and in Indiana on interstate routes between Illinois stations.

[7] Unification achieved of any-quantity and less-than-carload ratings combined in the three classifications, beginning with the establishment of the consolidated classification in 1919, was given in the fifty-first annual report (1937) as follows: Year 1919, 31.3 percent; 1922, 39.01 percent; 1927, 42.0 percent; 1932, 59.13 percent; and 1937, 86.0 percent. Nonuniformity of such ratings as to all three classifications was 14.7, 12.05, 11.0, 6.15, and 2.2 percent, respectively. The percentage last stated represented only 204 of the 9,251 ratings.

Reference was made in the thirty-ninth annual report (1925) to the prescription for the first time of uniform percentage relations for the former 10 classes, and the 2 additional classes created by us, in *Southern Class Rate Investigation* (1925), 100 I. C. C. 513, for class rates applicable throughout southern territory and between that and official territory. In the forty-first annual report (1927) reference was made to the fact that similar action had been taken in *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203, as to the usual 10 classes, governed by western classification, prescribed for application throughout southwestern territory and between that and the territories north and east thereof extending to the entire Atlantic seaboard. The percentages prescribed for the upper classes in the latter proceeding were the same as those in the former, permitting unification of ratings in western and southern classifications, particularly for less than carloads, and correction of numerous cases of undue prejudice and preference on traffic between the South and Southwest or in either of the competitive channels on the east and west banks of the Mississippi River, which divides those territories; but the issues in the latter proceeding, and the difference in the number of classes, prevented uniform percentage relations for the lower classes.

In our forty-third annual report (1929) we mentioned pending complaints from North Carolina and Kentucky as to interterritorial rates, due to the location of those States immediately south of official territory where a classification prevailed differing radically from that in southern territory. The opinion was expressed that the comprehensive class-rate revisions in various parts of the country in process then and in the preceding few years would improve the situation, "but eventually it may be necessary to give it further attention and to consider even the advisability of bringing about substantially complete uniformity in classification throughout the country."

The filing of tariffs, effective December 3, 1931, pursuant to *Western Trunk Line Class Rates*, 164 I. C. C. 1, and *Eastern Class Rate Investigation*, 164 I. C. C., 314, was recorded in the forty-fifth annual report (1931). The former decision prescribed class rates within western trunk-line territory and between that and official territory, and the latter between all points within official territory including Illinois. It was stated in the annual report, page 66, that the rates prescribed for the various classes in official territory would, for the first time, bear a fixed relation to each other. It was further stated, at page 67, that:

> Further study of the subject of classification uniformity and the experience which we have gained in recent years in fixing class rates make it increasingly apparent that, while complete unification and merger of the Southern and Western Classifications is possible, such unification cannot be fully extended to embrace

> the Official Classification unless and until there is a closer alignment of the basic rate structures, as between official territory and the other sections of the country, than it has so far been found practicable to accomplish, although revisions heretofore required by us have been in that direction.

In many reports we have reiterated our stand for unification of ratings in the diverse classifications. Illustrative are decisions requiring revisions of class rates throughout extensive classification territories, adjoining others with greatly varying ratings, as well as class rates for interterritorial application, usually for the first time displacing former combinations containing, as factors, territorial rates subject to different classifications. In each proceeding it was necessary, of course, to decide upon a single classification to govern interterritorial through rates. This presented a difficult problem arising from the fact that whichever classification was prescribed would conflict sharply, or in some measure, with the classification applicable in one of the territories affected.

In one of these reports, *Southern Class Rate Investigation*, *supra*, after discussing difficulties in determining interterritorial rates, especially to and from border zones embracing North Carolina and Kentucky, it was stated, at page 667, that:

> until materially greater progress has been made towards harmonizing the radically different rates and classifications applied within official and southern territories, respectively, complications in the interterritorial adjustments will be inevitable.

In *Consolidated Southwestern Cases*, *supra*, where western classification was decided upon to govern class rates between the Southwest and western trunk-line, southern, and official territories, we said, at page 398:

> For years we have endeavored to promote uniformity in classifications. Except for unification of rules and commodity descriptions, the progress in that direction has not been encouraging. * * * So long as vital differences in classification exist it is impossible to bring about uniform class percentages throughout the country, but, on the other hand, until the class percentages are made more nearly uniform, progress toward uniform classification is impeded. We believe that in every such general proceeding as the present, such progress toward uniformity in this direction should be made as is possible.

In another proceeding of this character, *Western Trunk-Line Class Rates*, *supra*, it was declared, at page 217, that:

> This record further demonstrates the need for uniform classification ratings throughout the country. One of the beneficial results of these extensive investigations, in which joint interterritorial class rates governed by one classification are prescribed between major rate territories within each of which different classifications exist, should be the hastening of the much-desired uniformity of ratings.

Western classification had been prescribed in the original report in *Western Trunk Line Class Rates*, *supra*, to govern interterritorial class rates in both directions between western trunk-line and official territories. In the sixth supplemental report in that proceeding (1934), 204 I. C. C. 595, for the first time we found necessary the prescription of the governing classification according to the classification applicable in the destination territory, in order to remove relative unreasonableness and undue prejudice as to the east-bound rates generally, which thus became subject to official classification. It had been found that "Unquestionably the ratings in official are on the whole more favorable from the shippers' viewpoint than those in western." (See page 671.)

On reconsideration of the original report in *Western-Southern Class Rates* (1938), 226 I. C. C. 497, in which the destination-territory classification principle was adhered to for governing class rates between western trunk-line, including southern Missouri, and southern territories, we held in the second supplemental report (1939), 232 I. C. C. 81, that "Difficulties and inconsistencies in applying this finding such as respondents adduce will inhere in any interterritorial class-rate structure so long as the classification ratings are not uniform in the different territories."

Our efforts to bring about unification were instrumental in obtaining the unification of the rules and description of articles. In later years the necessary prescription of single classifications to govern the interterritorial through class rates, required in the comprehensive proceedings cited above, has been a compelling force in bringing about the present comparatively high degree of uniformity of ratings in the three classifications, or at least merging in two of the three.

ANALYSIS OF CONSOLIDATED CLASSIFICATION

The consolidated freight classification comprises official, Illinois, southern, and western classifications, which govern tariffs making reference to them. It contains descriptions of all articles of commerce, including kind of shipping container or nature of packages contemplated by the ratings, and rules and packing descriptions, that are uniform in all the classifications. Opposite the descriptions of articles are shown in three parallel columns the less-than-carload ratings, carload minimum weights or indication of any-quantity, and carload ratings, respectively. Where specified as "AQ", or any quantity, the rating is duplicated in the two rating columns. Where the rating is uniform in all classifications, a single figure appears in the respective rating column; otherwise three ratings are set forth for official, including Illinois, southern, and western classifications, respectively, unless the Illinois classification rating differs from that in official, in which instance four ratings are stated, of which the second is for Illinois classification and the third and fourth for southern and western.[8] Numbers in rating columns higher than 12 (except R26, meaning rule 26, and rates stated in cents per car-mile on railway cars) represent percentages of class 100,[9] published in the class-rate tariffs.

Ratings often vary on a given article for certain reasons, such as the manner of packing or whether the article is set up or knocked down. Many articles have more than one carload rating, depending upon different minimum weights. Numerous carload minima are subject to a rule (rule 34) requiring the computation of freight charges on a higher minimum when the car used exceeds the length specified for the minimum appearing opposite the article descriptive item. Practically all articles have both less-than-carload and carload ratings. In comparatively rare instances, one or all classifications will not provide ratings on articles, but will show that they are subject to the rates of individual carriers, or are not taken, or the rating is stated for one or two classifications only. As to one small category, railway cars moving on their own wheels, the classifications name rates in cents per car-mile instead of giving ratings.

Illinois classification ratings are the same as official on the bulk of the items. The remaining ratings are mostly the same as western, but sometimes the same as southern, and occasionally they are higher or lower than in either of the three major classifications. It is said that the rating on a given article published in Illinois classification is adopted from the classification applicable in the territory from which Illinois shippers encounter their principal competition. Discussion of Illinois classification in the same detail as regarding the other classifications seems unnecessary, inasmuch as the former now governs comparatively little interstate traffic, and whatever is said or done with respect to the others apparently will be pertinent to and dispose of this classification.

While each classification contains numerous ratings which are set forth in percentages of class 100, many being the same as those prescribed by us for so-called regular classes, the classifications do not specify any percentage relations for the regular numbered and lettered classes, but many tariffs do publish them. Such percentages were prescribed by us in the eastern revision for rates governed by official classification; in the southern revision for rates governed by southern classification, in the western trunk-line and southwestern revisions for rates governed by western classification, except in mountain-Pacific territory and on transcontinental traffic. As to mountain-Pacific territory, although there are important exceptions, the percentages generally reflected in the class rates are those which appeared as the relations in the rates required in *Portland Chamber of Commerce* v. *Oregon R. & Nav. Co.* (1911), 21 I. C. C. 640. They were followed in subsequent reports involving rates in all parts of that territory, including *Utah Shippers Traffic Assn.* v. *Atchison, T. & S. F. Ry. Co.* (1931), 172 I. C. C. 306, 311, in which the class-rate scale was extended to 1,500 miles. No consistency exists in the relations between class rates applicable on transcontinental traffic, which are subject to western classification. Class rates governed by Illinois classification have percentage relations not prescribed by us.

---

[8] These single figures, or the figures for the respective classification where the ratings are different, will be sometimes termed "sets" in this report.

[9] Class 100 is the term generally used in this report for first class, as explained later.

Articles are classified in official, Illinois, southern, and western classifications, respectively, into 7, 12 (or 11 since classes 6 and C are same percentage of first class), 12, and 10 regular numbered or lettered classes. In addition, there are 7 classes, namely, 1¼, 1½, 1¾, 2, 2½, 3 and 4 times class 100 rates. The regular class designations and their percentage relations to class 100 reflected in the rates in tariffs applicable in the respective rate territories are stated in the following table:

Percent of class 100	Regular class designation				
	Official	Illinois	Southern	Western	
				Western trunk line and Southwestern territories	Mountain-Pacific territory
100	1	1	1	1	1
85	2	2	2	2	2
70	3	3	3	3	3
60					4
55	R26[1]	R26	4	4	
50	4	4			5, A
45			5	A	
40		A	6		B
37½				5	
35	5	5	7		
32½		B		B	
30			8	C	C
27½	6	6, C			
25			9		D
22½		D	10	D	
20		E	11		E
17½			12	E	

[1] Formerly official classification provided rule 26 ratings, for which 70 percent of class 100 was prescribed in the eastern revision. It has been replaced by class 3 in the classification, although it may still appear in some tariffs.

Besides the classes described above, there are in official, southern, and western classifications, respectively, 16, 14, and 12 classes that are stated in percentages of class 100, of which 3, 5, and 3 classes are the same equivalents of class 100 rates as are certain regular classes in the particular classification. Only one of them, 1½ percent, which provides a rating on one article descriptive item in less than carloads, is above class 100 in each classification, and those below range from 77½ to 20 percent.

The total of all classes, namely, those above class 100, regular (numbered and lettered), and percentage, in official, southern, and western classifications, are 27, 28, and 26, respectively, counting as one equivalent regular and percentage classes; and the full range of all classes in each classification is from 17½ to 400, except that in official the lowest is class 20.

In order to avoid possible confusion and misunderstanding, all classes, however stated in the classifications, will be denoted generally in this report by percentages of class 100, and class 100 may be taken as equivalent to class 1 or first class, as those terms are used in the current classification. Unless otherwise indicated, the official, southern, and western class-rate percentages hereinafter mentioned will be understood to mean those prescribed in the eastern, southern, and western revisions, respectively.

The following facts are found from study of an exhaustive analysis in the record of the consolidated classification as in effect on August 3, 1942.

The sets of ratings on article descriptive items and subitems on which all, or at least one, of the three major classifications provide ratings aggregated 20,915, of which 83 were any-quantity (counting duplicate ratings in less than carloads and carload columns in the classification as one), 10,151 less-than-carload ratings, and 10,682 carload ratings (including 273 tank-car ratings). Of the aggregate, 4,077 ratings were stated as percentages of class 100 rates. The number of different kinds of combinations of ratings found in these sets, consisting of regular class and class-and-percentage ratings, both uniform and nonuniform, and appearing in the three classifications is 16 for any quantity, 80 for less than carloads, and 288 for carloads including tank-car ratings. In addition, there were 11 items of railway cars moving on their own wheels on which rates were named in cents per car-mile instead of ratings. Appendix 4 to this report sets forth the any-quantity and less-than-carload ratings as distributed among the classes in the respective classifications, and appendix 5 the carload ratings (including the tank-car ratings).

As would be expected, ratings in excess of class 100 are used almost entirely for any quantity and less than carloads. They account for approximately 16 percent of the former, somewhat less than 10 percent of the latter, and only about 0.23 percent of the carload ratings.

Omitting the article items and subitems on which any one of the three major classifications fails to provide a rating, the following table shows the degree of uniformity existing in ratings, and the

xtent to which the ratings in two classifications are alike, or unlike
a any two:

	Any quantity		Less than carloads		Carloads		Grand totals	
	Number of ratings	Percent	Number of ratings	Percent	Number of ratings	Percent	Number of ratings	Percent
tals	80	100.00	10,134	100.00	10,664	100.00	20,878	100.00
iform in the 3 classifications	64	80.00	8,622	85.08	3,868	36.27	12,554	60.13
ke in—								
Official and southern	67	83.75	9,343	92.18	5,114	47.96	14,524	69.57
Official and western	76	95.00	8,876	87.59	4,522	42.40	13,474	64.53
Southern and western	64	80.00	8,822	87.05	6,320	59.27	15,206	72.83
like in any 2 classifications	1	1.25	337	3.32	2,444	22.92	2,782	13.33

Uniformity is greatest in the less-than-carload ratings, and least in
e carload ratings. The percentages of unlikeness are extremely
nall, except as to carloads. A slight retrogression occurred in the
ombined any-quantity and less-than-carload ratings since 1937, at
hich time our annual report stated the uniformity as 86 percent,
hereas it is now 85 percent; and a progression of unlikeness from
2 percent to 3.3 percent. That report does not contain correspond-
g figures for carload ratings, which are now only 36 percent uniform
d 23 percent unlike in any two classifications.

On article descriptive items provided in each classification with
tings, any-quantity ratings in the 3 classifications range from
asses 50 to 300, less-than-carloads from classes 30 to 400, and carloads
om classes 17½ to 200. Although these ranges embrace quite a
umber of classes, including regular and percentage, the bulk of the
ticle items are concentrated in comparatively few. The less-than-
rload ratings in official and southern are distributed among 16
asses each, but 89.65 and 85.96 percent, respectively, of the items
e in 5 classes (100, 85, 70, 55, and 50); while in western they are
und in 12 classes, but 90.13 percent are in 4 classes (100, 85, 70, and
). Carload ratings are more widely scattered, in official among 21
asses, but 72.82 percent of the items are in 5 classes (70, 55, 40, and
), and 98.28 percent are in 10 classes (additions, 100, 85, 45, 37½,
d 27½); in southern, among 23 classes, but 74.34 percent of the
ems are in 4 classes (70, 55, 45, and 40), and 91.45 percent are in 8
asses (additions, 100, 85, 35, and 30); and in western among 21
asses, but 81.52 percent of the items are in 4 classes (70, 55, 45, and
½), and 95.45 percent are in 8 classes (additions, 100, 85, 32½, and
)..

Despite the relatively high degree of uniformity in any-quantity
d less-than-carload ratings, substantial disparities exist on indi

vidual article items as indicated in appendix 4 to this report. Thus, on certain items, on which the ratings are stated for any quantity, southern classification is never higher than either official or western, but has one rating of class 55 for which the two others name class 100, whereas official and western are alike in all but one such rating. As to less-than-carload, on items rated class 50 in official the ratings in southern range from classes 30 to 70, and in western from classes 55 to 85; on items rated class 70 in southern the ratings range from classes 50 to 100 in official, and from classes 55 to 85 in western; and on items rated class 55 in western the ratings range from classes 40 to 100 in official, and from classes 30 to 100 in southern.

Still greater variations, relatively, are presented in the carload ratings, set out in appendix 5, of which the following are examples; on items rated class 35 in official, the ratings in southern and western both range from classes 17½ to 55; on items rated class 40 in southern, the ratings in official range from classes 27½ to 70, and in western, from classes 17½ to 40; and on items rated class 45 in western, the ratings in official range from classes 27½ to 85, and in southern, from classes 30 to 55.

All proponents of a change from one classification to another advocated adoption of the official classification as the basis. That classification, from the shippers' standpoint, is regarded as more favorable than the two others on traffic that is moving under class rates. Mathematically, there is little difference on the whole, in that the weighted general averages of the percentage relations to class 100 of all ratings in the respective classifications fall within less than one percentage point, being 67.91, 67.82, and 68.70 percent for official, southern, and western. Broken down by character of ratings, official, southern, and western average percentages of class 100 are, respectively: Any quantity, 112.81, 108.69, and 112.81; less-than-carloads, 87.02, 85.95, and 87.21; and carloads, 49.40, 50.26, and 50.75.

The following table shows total ratings, grouped according to percentages in official classification, and the extent to which the corresponding ratings in southern and western classifications are like, or higher or lower than, those in official, as in effect August 3, 1942. As stated, distribution according to percentages of class 100 in southern and western classifications is shown in appendixes 4 and 5 to this report.

Official classification			Corresponding ratings in—					
Percentage of class 100	Ratings		Southern			Western		
	Kind[1]	Number	Alike	Higher	Lower	Alike	Higher	Lower
400	l. c. l	2	2	0	0	2	0	0
300	aq	6	6	0	0	6	0	0
	l. c. l	16	16	0	0	16	0	0
250	aq	1	1	0	0	1	0	0
	l. c. l	21	21	0	0	21	0	0
	aq	4	4	0	0	4	0	0
200	l. c. l	356	356	0	0	356	0	0
	c. l	5	3	0	2	3	0	2
175	l. c. l	13	13	0	0	13	0	0
	aq	2	2	0	0	2	0	0
150	l. c. l	482	482	0	0	482	0	0
	c. l	3	1	0	2	1	0	2
125	l. c. l	99	99	0	0	99	0	0
	c. l	19	18	0	1	18	0	1
110	l. c. l	1	1	0	0	1	0	0
	aq	34	31	0	3	33	0	1
100	l. c. l	2,092	2,075	0	17	2,076	0	16
	c. l	213	199	0	14	202	0	11
	aq	15	13	0	2	15	0	0
85	l. c. l	2,672	2,600	0	72	2,625	0	47
	c. l	766	575	1	190	587	1	178
75	c. l	2	2	0	0	2	0	0
	aq	15	7	0	8	15	0	0
70	l. c. l	2,716	2,390	0	326	2,571	0	145
	c. l	1,433	1,330	1	102	1,381	1	51
65	c. l	6	0	0	6	0	5	1
60	l. c. l	14	0	2	12	0	4	10
	c. l	3	1	0	2	1	0	2
57	l. c. l	[illegible]	0	0	1	0	0	1
55	l. c. l	616	565	3	48	613	3	0
	c. l	1,270	1,183	10	68	1,198	19	53
	aq	3	3	0	0	0	3	0
50	l. c. l	995	682	13	300	0	995	0
	c. l	1,185	93	812	280	57	999	129
45	c. l	335	315	8	12	323	8	4
40	l. c. l	33	33	0	0	0	33	0
	c. l	1,105	809	292	4	32	990	83
37½	c. l	766	90	664	12	644	118	4
35	c. l	2,709	380	1,928	401	3	2,460	46
32½	c. l	7	5	0	2	6	0	1
30	c. l	89	72	13	4	50	33	6
27½	c. l	677	16	418	243	0	463	214
25	c. l	34	8	1	25	0	9	25
22½	c. l	20	14	0	6	14	0	6
20	c. l	1	1	0	0	0	1	0
Totals	a. q	80	67	0	13	76	3	1
	l. c. l	[2] 10,129	9,335	18	776	8,875	1,035	219
	c. l	[2] 10,648	5,115	4,157	1,376	4,522	5,107	1,019
Percentages	a. q	100.00	83.75	0.00	16.25	95.00	3.75	1.25
	l. c. l	100.00	92.16	0.18	7.66	87.62	10.22	2.16
	c. l	100.00	48.04	39.04	12.92	42.47	47.96	9.57

[1] Abbreviations: aq., any quantity; l. c. l., less than carload; c. l., carload.

[2] Here the total number of less-than-carload and carload ratings are 5 and 16, respectively, less than stated in the preceding table. Both tables were compiled from the same exhibit, but from different parts thereof.

Compared with official classification, no any-quantity rating in southern is higher, and in western only 3 are in higher; and those lower are 13 and 1, respectively. A similar situation exists as to less-than-carloads, where out of 10,129 ratings only 18 in southern, but 1,035 in western, are higher than in official, whereas 776 and 219, respectively, are lower. As to carloads, it is different in this regard, in that out of 10,648 ratings, 4,157 in southern and 5,107 in western are higher than in official, and 1,376 and 1,019, respectively, are lower.

Many incongruities apear among the ratings. Thus, out of more than 10,000 sets of less-than-carload ratings, 1 item is rated in the 3 classifications class 110, which is not a regular class; 13 items are rated in official class 60, not a regular class, but are assigned to either regular classes 70 or 55 in southern and western; and a single item is rated class 57 in official, which is not a regular class and only 2 percentage points above class 55 wherein it is placed in southern and western. As to carloads, many item ratings in each classification are not regular. For example, official has 2 in class 75, 6 in class 65, 3 in class 60, 7 in class 32½, and 1 in class 20; southern has 24 in class 77½, 4 in class 75, 11 in class 65, and 6 in class 60; and western has 24 in class 77½, 2 in class 75, 11 in class 65, 1 in class 60, 1 in class 42½, and 8 in class 35. Few of the more than 10,000 carload items are assigned in southern classification to regular classes 25, 20, and 17½,[10] or 48, 37, and 86 ratings, respectively.

There is no consistency in the assignment of ratings on the same article as between less-than-carloads and carloads. A few examples of the inconsistencies are: On an article descriptive item one classification will provide the same rating for less-than-carloads as for carloads, but in the others the rating for the former is higher than the latter; the same uniform rating in the three classifications will be shown for both less-than-carloads and carloads, and a carload minimum weight will be specified which, in effect, results in any-quantity ratings, but the ratings are not listed as any quantity; and a uniform carload rating and minimum weight will be stated for a number of items, indicating to some extent similar transportation characteristics of the articles embraced, but the variations in less-than-carload ratings are, for example, from class 55 to class 100, and from class 70 to class 250. Although the less-than-carload and carload ratings are the same on many items, on the great majority of them the former are higher than the latter, and often extremely wide spreads occur, counting regular ratings. For example, in southern and western classifications the spreads are from class 17½ to class 100, or of 11 and 9 classes, respectively, meaning that the less-than-carload ratings are 471 percent higher than carload ratings. If grouped according to number of classes represented by the spreads, probably the largest group would be that of spreads of 2 regular classes.

RATE EFFECT OF CLASSIFICATION DIFFERENCES

In our report in *Eastern Class-Rate Investigation*, *supra*, at pages 372–373, we undertook as a part of the comprehensive revision of class rates there made, to "introduce a proper degree of flexibility into the tructure" of the class-rate tariffs. After discussing efforts to obtain his result in other proceedings, and the utility of a greater number f percentage columns related to first-class rates (and thereby automatically related to all the classification ratings) we made a finding s to the percentage relations of the columns of rates to the first-class ates. As amended in our supplemental report in that proceeding, 71 I. C. C. 481, 499, the finding reads as follows:

---

[10] In the southern revision we prescribed these for regular classes 9, 11, and 12 respectively.

> 1. We find that for the future the class rate tariffs in official territory should ontain columns of rates bearing the following percentage relations to the first ass rates prescribed in this proceeding: 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, 13.

xamination of the comparative table which appears above shows at only to a slight extent have these percentages (other than those ed for the so-called regular classes) been carried into the several assifications before use for the purpose of providing classification tings additional to those of the regular classes. Flexibility, when nsidered necessary, has all but invariably been accomplished by aking an exception to the classification and thus removing the comodity from the classification, rather than by giving it a rating stated percentage of first class. This is so, although the feasibility of aking use of such intermediate percentages is evident from the fact at they have been so used, but not enough to avoid the whittling vay of the classification by the process of making exceptions thereto. he table shows that some of the percentage relations have not been ed in the official classification at all; if those percentages are used r the statement of rates, it is by the device of removing the comodity *pro tanto* from the classification and assigning it a rate in pecial tariff.

Although the proceeding in No. 28310 brings in issue only the ssifications, discussion of the differences as between them in ratings uld be purely academic without indicating in some degree the eft they have upon the rates in the various territories. A rating st be complemented by a class rate, and vice versa, in order to give bstance to either. Therefore, for the purpose of conveying some a of the effect that the classification differences have upon rates escribed in territories embraced in docket No. 28300, appendixes nd 3 to this report have been compiled, in which the rates for a gle distance are stated. The appendixes do not purport to show average territorial rate levels, because the progressions with disce in the scales in official, southern, and western territories differ some extent one from another, producing relations between the ritories varying with distance; and rate levels in certain parts of territories, such as in New England and the Florida peninsula, higher than in the major portions of the territories.

Appendixes 2 and 3, respectively, cover less than carload and carload ratings and rates, and each contains tables numbered I, II, and III, which deal with official versus southern, official versus western, and southern versus western classification ratings and intraterritorial rates. The ratings are those in effect August 3, 1942, except that southern versus western ratings as effective March 17, 1942, are used because August 3 data therefor are lacking.

Inasmuch as a high degree of uniformity already exists in the ratings above class 100, the comparisons in appendixes 2 and 3 are with class 100 and below, confined to the classes representing a substantial number of ratings. Article descriptive items covered are those proprovide with less-than-carload or carload ratings in each of the three classifications.

The class rates appearing in these appendixes are taken from the distance scales prescribed in the eastern, southern, and western revisions, subjected to the 10-percent general increase of 1938. Rates for 200 miles, the approximate average haul of revenue freight by class I railroads per line of railroad are used, although the average haul per shipment is longer, especially if heavy moving short-haul traffic that moves on commodity or exception rates is excluded. As representative of western territory, the rates for western trunk-line zone I are shown. The corresponding rates for zones II and III are higher by averages of about 14 and 25 percent, respectively. The latter scale was prescribed also for southwestern territory.

As will be observed from appendixes 2 and 3, the article ratings of a particular class in a given classification are found for the most part in the same class, or fairly close thereto, in the other classifications, and the remainder are distributed or scattered widely among other classes. But even where the ratings are the same, the rate effect differs substantially because of the variances in territorial rate levels.

Thus, the 616 articles rated class 55 in less than carloads in official classification, which move at a rate of 44 cents for 200 miles in official territory, are rated from classes 40 to 85 in southern classification on which the rates for 200 miles are from 45 to 95 cents in southern territory; 565 of the articles are, however, in class 55 in southern classification with rate of 62 cents. The same articles are rated from classes 55 to 85 in western classification, on which the rates for 200 miles in western trunk-line zone I range from 53 to 82 cents; 613 of the articles are, however, in class 55, with a rate of 53 cents for 200 miles.

The most important carload class in official territory is class 35, comprising 2,709 article ratings, on which the rate for 200 miles is 28 cents. Those articles are rated from classes 17½ to 55 in southern classification, and the rates thereon vary from 20 to 62 cents in southern erritory, but 1,646 ratings are in class 40 with a 45-cent rate. In estern classification, the carload ratings on such articles extend from lasses 17½ to 55, on which rates in zone I range from 17 to 53 cents, ith 2,115 of the ratings in class 37½, rate 36 cents.

Comparisons of mountain-Pacific with official and southern terri- ories, of the same nature as those in appendixes 2 and 3, would have ttle significance because the territories are not contiguous. A better ne is with the bordering western trunk-line zone III and southwestern rritory, in both of which zone III scale applies, and which bears rela- ons to the rates in zone I which are stated in appendixes 2 and 3. While one classification governs in these western territories and be- ween them, as stated the relations of the rates to class 100 of the regu- r 10 classes in mountain-Pacific territory are not the same as in the thers on classes below class 70.

Because the progression with distance of the maximum rates in the ale prescribed in several proceedings from and to points in virtually very part of mountain-Pacific territory differs materially from the rogressions in scales prescribed in the eastern, southern, and western visions, and the percentage relations between the regular classes also ffer (but ratings stated in percentages in western classification are e same in all western rate territories), rate comparisons for a single stance might tend to mislead. Therefore, in order to present some mparison, rates are set forth in the following tables that were pre- ribed in the territories and zones named for distances of 50, 100, 200 mployed in appendixes 2 and 3), 400, and 800 miles, subjected to the -percent general increase of 1938. The first table shows the 10 asses in mountain-Pacific territory, their percentage relations to t class as prescribed, and rates for the specified distances.[11] The cond table shows the rates in the other territories and zones on per- ntages corresponding to those prescribed for regular classes in ountain-Pacific territory:

Mountain-Pacific territory

ses	1	2	3	4	5	A	B	C	D	E
centages	100	85	70	60	50	50	40	30	25	20
s:										
0 miles	50	42	35	30	25	25	20	15	12	10
00 miles	77	66	54	46	39	39	31	23	20	15
00 miles	111	94	78	67	56	56	44	33	28	22
00 miles	171	145	120	103	86	86	68	51	43	34
00 miles	281	238	197	169	141	141	112	84	70	56

---

[11] At present in mountain-Pacific territory many class rates are lower than prescribed; class 5 is often a lower percentage of class 100 than is class A, for both of which reflecting 50 percent of first class were fixed.

Other territories and zones

Percentages	100	85	70	60	50	50	40	30	25
Western trunk-line zone III and southwestern territory									
50 miles	65	55	46	39	33	33	26	20	16
100 miles	90	77	63	54	45	45	36	27	23
200 miles	123	105	86	74	62	62	49	37	31
400 miles	172	146	120	103	86	86	69	52	43
800 miles	263	224	184	158	132	132	106	79	66
Western trunk-line zone									
50 miles	53	45	37	32	27	27	21	16	13
100 miles	73	62	51	44	37	37	29	22	18
200 miles	97	82	68	58	49	49	39	29	24
400 miles	136	116	95	82	68	68	54	41	34
800 miles	210	179	147	126	105	105	84	63	53
Official territory									
50 miles	47	40	33	28	24	24	19	14	12
100 miles	62	53	43	37	31	31	25	19	16
200 miles	80	68	56	48	40	40	32	24	20
400 miles	109	93	76	65	55	55	44	33	27
800 miles	160	136	112	96	80	80	64	48	40
Southern territory									
50 miles	62	53	43	37	31	31	25	19	16
100 miles	84	71	59	50	42	42	34	25	21
200 miles	112	95	78	67	56	56	45	34	28
400 miles	156	133	109	94	78	78	62	47	39
800 miles	222	189	155	133	111	111	89	67	56

Comparisons of similar character for interterritorial rates governe by the different classifications are not practicable because such rat vary greatly in amounts for like distances depending upon the propo tions thereof in the respective territories through which the rat making routes are computed. Interterritorial rates usually represe a blend of, or lamination derived from, the rate levels within t territories or zones concerned.

EXCEPTIONS TO CLASSIFICATIONS

In recent years the importance of the classifications as factors the determination of freight charges by rail has lessened. This sit ation has been brought about by the establishment of innumeral exceptions which take precedence over the classifications, and by t use of commodity rates. Normally the effect of the establishment a commodity rate is to exclude the application of the classificati and class rates which otherwise would apply and govern the comp tation of the charge. The level of ratings in exceptions and of co modity rates, as distinguished from the level of ratings in the clas fications, which is made by the respective classification committees determined by individual carriers or groups of carriers, and is fi upon consideration of principles usually different from those accord weight in the determination of classification ratings. Some of t reasons for the establishment of exceptions to the classifications the following: To meet motortruck and other competition: c venience and expedition in publication; to accomplish a more restricted application of particular rates; to remove or reduce the amount of differences between class rates and between less-than-carload and carload rates; and to provide a quicker and less burdensome method of complying with section 4 of the act. Many exceptions to the classifications are stated as percentages of first class, and they usually result in rates lower than would apply by the use of classification ratings.

The complete extent to which exceptions to the classifications have been established is not shown in the record. While in all territories, except the South, the greater part of less-than-carload tonnage moves subject to ratings in the classifications, it is generally conceded that as to carload traffic the exceptions have superseded the classifications in large degree. In comparison with other rate territories, the degree in mountain-Pacific territory is smaller. The volume of traffic in all territories which moves under rates subject to exception ratings greatly surpasses that subject to the classification ratings.

In southern territory, rates published as exceptions, or as "column" rates[12] both bearing definite relation to the first-class rates, apply to 644 articles; between southern and central territories, to 582 articles; between southern and Illinois territories, to 606 articles; between southern and trunk-line and New England territories, to 581 articles; between southern and southwestern territories, to 379 articles; and between southern and western trunk-line territories, to 222 articles when moving north-bound, and to 255 articles when moving south-bound. Many of the lower-grade, heavily loading commodities move in southern territory under commodity rates, which are not governed by classification ratings. During 1941, 38 percent of the total originated tonnage of class I railroads in the southern region was transported under such rates. It consisted of brick, cast-iron pipe, cement, lime, road aggregates, livestock, fertilizer, sulphuric acid, cotton, petroleum, iron and steel articles, scrap iron, lumber, and pulpwood.

On September 1, 1940, less-than-carload ratings on approximately 3,500 article descriptive items were established in exceptions to the southern classification that were lower than the classification ratings on such items, ostensibly to meet motortruck competition. On more than 200 of the items carload ratings of 1 regular class below that on less than carloads were published. The territorial application of the exceptions are coextensive with southern classification, or generally throughout southern territory, between southern and official territories, and from western trunk-line territory, including southern Missouri, to southern territory. These exceptions were to be incorporated in the southern classification as soon as practicable, but this had not been done when the hearings closed.

---

[12] In recent years, certain rates in the tariffs of the railroads have been designated therein as "column" rates, as for example, column 20. They are specific percentages of 100. In the example shown, column 20 means 20 percent of the first-class rate, which is 100 percent.

It is estimated that in Texas 50 percent of less-than-carload traffic and less than 10 percent of carload traffic move on classification ratings and class rates. Shippers in that State and in the Southwest are said to have little use for the classification ratings, and this seems to be so particularly as to carload traffic. Exceptions to the western classification applicable in the Southwest are published in a tariff which contains 86 columns of rates, including the 10 regular classes. ranging from 110 to 8.5 percent of first class. Exceptions in the form of 26 different percentage columns apply to 279 descriptions of less-than-carload traffic, and 70 different percentage columns apply to 919 descriptions of carload traffic. The exceptions also contain less-than-carload ratings lower than those determined by the classification on large groups of articles designated as mixtures, such as drugs and chemicals, hardware, and groceries, each mixture subject to a single rate.

The tariffs provide 86 columns of rates lower than first class for application in western trunk-line territory. Between that territory and central territory, in instances where the rates are governed by official classification and exceptions thereto, they provide 122 columns of rates lower than first class, and where the rates are governed by western classification and exceptions thereto, they provide 110 such columns of rates; on traffic between western trunk-line and southern territories, there are 98 columns of rates lower than first class south-bound and 66 columns of such rates north-bound.

An examination of 4 typical rate tariffs shows that 102 percentage columns of rates apply in official territory, 130 in southern territory, 89 in western trunk-line territory, and 85 in southwestern territory. The great number of columns is necessitated by the numerous different ratings in classification exceptions and by commodity rates. In some instances they were published to provide for the lesser percentage of increase authorized in general increases on certain traffic, such as agricultural products, irrespective of whether moving under class or commodity rates. Appropriate columns in the tariffs described above are used also for the numbered and lettered regular classes, of which 7, 12, and 10 have been prescribed for application in official, southern, and western territories, respectively, and for the percentage ratings in the classifications.

The evidence does not show the extent to which exceptions apply in official territory, but there are general statements to the effect that they are numerous and have extensive application, although les numerous than in other territories, and that they have been established principally to meet motortruck competition.

A study of the carload freight traffic of the railroads transported on 1 day was made and testified to by a member of our staff. The basis of the study was a tabulation of the waybills for September 23, 1942, showing the number of carloads of each commodity moved by rail on that day. The tabulation did not reveal the nature of the rate at which the commodity constituting a particular carload moved, and to supply this deficiency, the kind of rate, that is, whether class, exception or commodity, was supplied by our Bureau of Traffic according to the most probable rate charged. This study, while possessing many infirmities because of the lack of basic data, is the only evidence which purports to indicate the proportions of carload traffic moving on class, exception and commodity rates, respectively. It has not been successfully challenged as a reasonable approximation of the facts stated in detail.

The following table, compiled from the study, gives the distribution of carload traffic on September 23, 1942, for each of the major rate territories and interterritorially:

Territories (within, or from one to another)	Class rates	Exception rates	Commodity rates
	Percent	*Percent*	*Percent*
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	0.6	0.2	99.2
Southwestern	2.4	4.4	93.2
Mountain-Pacific	1.7	(1)	98.3
Official to southern	12.6	36.3	51.1
Southern to official	0.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Official to mountain-Pacific	11.3	(1)	88.7
Mountain-Pacific to official	0.7		99.3
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Southern to mountain-Pacific	4.1	4.9	91.0
Mountain-Pacific to southern	1.5	0	98.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0
Western trunk-line to mountain-Pacific	2.6	0	97.4
Mountain-Pacific to western trunk-line	0.7	0	99.3
Southwestern to mountain-Pacific	3.9	0	96.1
Mountain-Pacific to southwestern	2.1	0	97.9
All territories to official	4.8	14.4	80.8
Official to all territories	6.7	19.4	73.9
All territories to southern	4.1	11.9	84.0
Southern to all territories	2.1	6.2	91.7
All territories to western trunk-line	2.3	5.4	92.3
Western trunk-line to all territories	1.7	0.6	97.7
All territories to southwestern	5.6	10.6	83.8
Southwestern to all territories	2.0	3.9	94.1
All territories to mountain-Pacific	3.3	0.2	96.5
Mountain-Pacific to all territories	1.5	(1)	98.5
All territories to all territories	4.1	10.	85.2

---

[1] Less than 0.05 percent.

SUGGESTIONS BY MEMBER OF OUR STAFF

Included in the evidence in this proceeding is a study made by a member of our staff, the assistant to the director of the Bureau of Traffic, entitled "Some Suggestions for Improvements in Railroad Class Rates." It contains principally suggestions for revision of the boundaries of the major freight-rate territories, and for reductions in the levels of the intraterritorial and interterritorial rates. The witness expressed the opinion that revision of the classification should not be attempted until revision of the class rates has been completed. As he proposes that the levels of the class rates should be reduced, the resulting loss of revenue must, in his opinion, be recouped by increases in the classification ratings. He suggests that the initiative of readjustments of the classifications be left to the railroads, and that in the selection of appropriate ratings the existing machinery for consulting interested shippers and the classification and rate committees be used. In order to permit the work to go forward in an orderly manner, the transfer from the old to the new scales of rates should be effected gradually by groups of commodities, and complete cancelation of the present class-rate scales should be deferred until the process has been finished.

It is his view that in reality the exceptions to the classification in all territories constitute the classifications, and that the truly exceptional traffic is that which moves at ratings in the classifications; hence in the revision he would substitute the exceptions for the classification ratings, subject to whatever adjustment might be necessary to preserve revenue.

Referring to the efforts to unify the several classifications, the witness stated that, considering classification in its narrow sense, much progress in that direction has been made, but the unification in fact has been largely factitious and the chief results has been to multiply classification exceptions in the South and West. He expresses the view that a closer approach to real uniformity will result if ratings are readjusted to move the traffic and the readjusted ratings are readjusted to move the traffic and the readjusted ratings published in the classifications rather than in the exceptions.

In his opinion a preliminary reform, which could and should be effected now, is to require all ratings in all classifications to be uniformly stated as that percentage of first class which they actually represent, and to eliminate the many ratings that are designated by a "confusing array of numbers, letters and other meaningless symbols."

RESPONDENTS' POSITION

The position of respondents is that complete classification uniformity is impracticable; that the existing classifications perform useful and necessary functions, and there has been no such departure from or disregard of the principles of freight classification generally recognized or observed in the past as to make the existing classifications obsolete, or to warrant a new revised classification. They point out that the descriptions of articles, packing requirements and rules are now uniform, that substantial uniformity exists as to the ratings class 70 and higher, and that the principal remaining differences are with respect to carload ratings. These differences are regarded ~~as~~ fundamental, and respondents oppose changing the ratings ~~solely~~ to achieve uniformity. They contend that commercial conditions would be disturbed by precipitate changes, their revenues would be seriously affected, and attainment of uniformity would cause demands for an even greater number of exceptions to the classification and of commodity rates than now exists. In their opinion, a uniform classification is not in the best interests of the carriers or of the shipping public.

Even if complete uniformity were practicable and desirable, respondents contend it could not be prescribed in this proceeding because of the lack of evidence as to the lawfulness of any particular rating. In this connection they direct attention to the fact that there is no attack upon, and no evidence was introduced that would enable us to determine the lawfulness of, any given rating, but that the discussion in the record centered on the question whether it is desirable to have a uniform classification in all territories. They insist that the issue is whether the present classification ratings are unlawful in any respect, and not the desirability of a uniform classification. In their brief, respondents in official territory argue that the only question before us is: "Does this lack of uniformity mean that the ratings which are not uniform are, *per se*, unlawful, and if so, which of the ratings are unlawful, the high or the low, or both."

Evidence was introduced on behalf of respondents by members of their classification committees. Responding to our request, the principles according to which articles at present are assigned to the respective classes in the classifications were stated. These are: Weight per cubic foot of the article as packed, liability to damage, liability to damage to other goods with which loaded, the value per pound in comparison with analogous articles of light weight and value, comparison with competitive articles, possible movement in carloads, character of the article and of the packing to determine extent to which the capacity of cars can be used, commercial conditions and units of sales, trade conditions, and value of the service.

All these elements are considered, by the several classification committees in the rating of an article, but the weight accorded particular elements has changed in recent years. Formerly, when the railroads had practically a monopoly of transportation, the principle given the greatest consideration was value of service, described as the ability to bear a particular rating with profit to the shipper or manufacturer and the railroads. Less weight was accorded the cost of service element. Development of competitive transportation agencies with flexible service, and a disregard of the element of value by the competitive agencies in the determination of their charges, have reacted upon the policies of the classification committees with the result that generally weight density is now the dominant consideration in determining classification ratings. This does not mean that value and other principles of classification are completely eliminated from consideration; but it does mean that the value of an article does not control the rating to the extent it formerly did. An illustration of this change is the action of respondents in southern territory in reducing about 3,500 less-than-carload ratings on September 1, 1940, by the publication of exceptions to the classification in that territory. In the examination of the ratings included in the revision it had been noted that value to the exclusion of everything else originally had determined the higher rating in those instances where there were different ratings on the same article in different types of packages. The policy adopted in that revision was to assign the lower rating to the article packed in all kinds of acceptable containers, thus giving less weight to value.

During the past 20 years the western classification committee has endeavored to meet our desire for uniformity. It is claimed that while greater uniformity now exists than ever before, the result has been serious loss of revenue to the railroads, and that further uniformity can be accomplished only by additional losses which must be made up by increases on commodities produced in the West. Acting under instructions from the executive committees representing the railroads in official, southern, and western territories, in December 1936 the classification committees brought about substantial uniformity of ratings in class 70 and higher. This action caused mo[illegible]an 700 reductions in the West. But in September 1940 the publication by exceptions to southern classification of the 3,500 less-than-carload ratings on moving traffic in the South had the effect of destroying in large measure the high degree of actual uniformity in less-than-carload ratings that previously had been attained, even though apparent uniformity of the classifications in the same degree continued. It was declared that shippers want uniformity only when the revision is downward and oppose it when accomplished by increases.

Classes 55, 45, and 37½, regular classes 4, A, and 5, respectively, are described as important classes in western classification. Class 55 contains numerous less-than-carload and carload ratings, but the two others comprise carload ratings only. A witness gave the number of article descriptive items in these classes that are rated the same in official classification, the numbers thereof that are higher and lower, and the distribution of the items among ratings in official classification. Similar data are discussed in the chapter herein entitled "Analysis of Consolidated Classification," and the distribution is shown in appendixes 4 and 5 to this report. Class 45 is important largely because under it moves machinery of all kinds, as for example contractors' outfits and electrical machinery. This traffic, in official territory, moves mostly under class 40 or lower. Efforts to increase the ratings in official territory have been unsuccessful because of strong pressure exerted by manufacturers.

The comparisons indicated were made in order to illustrate the effect upon the carriers' revenues or upon the charges paid by the shipper which would result from a uniform classification. The chairman of the Western Classification Committee testified that, if there is to be uniformity, the ratings in western classification must be revised upward "unless you give the railroads away."

Requests for changes in classification are placed on the public dockets of the classification committees, and all interested persons are heard before a change is made. The rail carriers denied that changes suggested by the classification committee of one territory can not be made unless the committees of other territories agree to them. Sometimes a change is docketed that would seriously affect western territory, perhaps not on the particular article, but on competing articles. In such circumstances the western committee states its objections and suggests to the other committees that the change be published as an exception to the classification. Continuance of this procedure is advocated.

In 1907, at our insistence, a committee of 15 railroad representatives, with an equal number from official, southern, and western territories, was appointed to explore the matter of a uniform classification and to make recommendation. In April 1908, the committee reported to the executives of the railroads that it was feasible and desirable to make uniform rules, uniform descriptions, uniform packing regulations, and uniform minimum weights, but that uniformity of ratings was impossible. The committee met in cities throughout the country with national associations of shippers, received their recommendations and formulated uniform descriptions, rules, packing regulations, and minimum carload weights. Toward the end of Federal control the railroads, which began during World War I, the chairmen of the three major classification committees were called to Washington and were instructed to prepare a more simplified and consolidated classification. In that work, an effort was made to iron out some of the low and high spots, and after hearings, the proposed revision, with some modifications, was recommended by the Commission to the Director General of Railroads. *Consolidated Classification Case, supra.*

As an appendix to the report in that proceeding, a tentative classification was prepared by our staff which suggested it as a possible basis for bringing about uniformity in the classifications in the major territories. The proposal as such never became effective. The chairman of the western classification committee analyzed the ratings for article descriptive items whose initial letters were A to F, inclusive, in that proposal and found that the suggested changes in less-than-carload and carload ratings would have resulted in the following: Increases, 661 in official, 614 in southern and 496 in western; reductions, 700 in official, 623 in southern and 921 in western; total increases 1,771, total reductions 2,244. There are 329 additional pages in the tentative classification, and the witness estimated that a complete check would disclose that more than 10,000 changes in ratings were suggested. The analysis was made for the purpose of illustrating the serious effects upon shippers and carriers whenever a uniform classification is established.

In reply to a proposal that "the exceptions [to the classification] indicate a classification level which is appropriate to the present position of the rail carriers in the competitive field," the witness stated that the buk of exceptions were made to meet motor competition, without consideration of the usual elements of classification, were inconsistent with one another, and could not serve as standards for a permanent and consistent classification, because every factor entering into the construction of a classification has been ignored in making the exceptions. Another serious question to be considered is the reduction in the differences between less-than-carload and carload ratings, if there should be reductions in the former. Such a situation would create demands for restoration of the former differences between less-than-carload and carload ratings.

If the application of official classification were extended to the Missouri River, the many exceptions to western classification would no longer apply in that portion of western territory, and, although there would be reductions in the ratings on numerous items in the classification, there also would be a sufficient number of increases to give the western shippers concern. Exceptions which would no longer apply are: Burlap, gunny, and jute bags, class 70 in official and class 55 in western territory; old wooden barrels, class 30, minimum 20,000 pounds, in western territory, and in official by exceptions, class 40, minimum 18,000 pounds, and class 45, minimum 14,000 pounds. All-freight rates in the West are classes 75 and 60, minimum 12,000 and 25,000 pounds, respectively. No corresponding exceptions were found in official territory, but it is understood that an all-freight rate of class

70, minimum 30,000 pounds, applies between certain points in that territory.

In determining ratings, the southern classification committee has been guided by principles stated from time to time in our decisions. Prior to the adoption of Consolidated Freight Classification No. 1, which combined in one book the official, southern and western classifications, effective December 30, 1919, the southern committee conducted its classification work entirely independent of the official and western classification committees. No formal record of data developed at periodic meetings with shippers was made. During that time the southern committee kept in touch with the ratings listed on the public dockets of the other committees, but those ratings were not controlling in the determination of ratings by the southern committee. For the reasons stated, the earlier records of the southern committee are lacking in the details of the transportation characteristics of articles classified, except in a few instances.

After December 30, 1919, the system previously observed by the southern committee was radically changed. Public dockets were made up and public hearings were held jointly by the southern, official, and western committees, and applications on approved forms for changes in ratings were demanded. Shippers were required to furnish information regarding the transportation characteristics of the articles. With the new procedure, which included a stenographic record of proceedings before the joint committee, data were obtained on which to base conclusions as to the propriety of changes requested.

The principal factor in determining southern classification ratings after 1919 and until recent years, except on unusually light and bulky articles, was value of service, described as "another term for the value of the commodity." The principles underlying the assignment of classification ratings have remained the same, but there has been a change in recent years in the influence of the controlling factors. The policies of the classification committees have been affected by competition between agencies of transportation, so that shipping weight density is now the dominant consideration in determining southern classification ratings. Value is of diminishing importance, and in certain instances as between like articles has disappeared altogether as a factor. The same is true also in the abandonment, to an extent, of differentiation and graduation of the ratings according to the methods or forms of packing.

The classification committees have no proposal or plan in contemplation for completely unifying the ratings in the classifications. There is, however, a definite trend in the direction of greater uniformity as indicated by the action in 1936, by which the ratings on virtually all articles in official, southern, and western classifications

52

in class 70 or higher were made uniform. As additions and new items are given ratings an effort is made, particularly in the merchandise category, to establish uniform ratings. Section 4 of the act has had an important part in the revision of southern classification in that many hundreds of ratings have been reduced so as not to exceed, by percentage of first class, those in western classification. The policy generally of the southern committee is to make ratings no higher by percentage of first class than those on the same articles in official classification. In carrying out the policy many southern ratings would become lower than in western classification, requiring reductions in the latter in order to achieve uniformity.

The following illustration of the number of changes which would have to be made to bring about uniformity of ratings on articles in class 55 in southern classification was given, 297 less-than-carload and 843 carload ratings in official, and 897 less-than-carload and 157 carload ratings in western, classification.

The contentions of respondents as summarized in their briefs are as follows:

1. Great headway has been made towards unifying the three major classifications.

2. Classification items are established largely with the aid and advice of shippers, and after public hearings held by the consolidated classification committee; and many have been prescribed by us.

3. The classification being not a unit but a multiplicity of individual items, we are not warranted even in the interest of uniformity in requiring changes except upon proper representations and information from those directly affected by such changes, and such representations and information were not submitted, despite our invitation to the public to appear.

4. Because of the manifest indifference of the shipping public, we have received no adequate evidence upon which we can conclude that any of the thousands of classification items are unlawful, especially in view of the facts that governed their origin.

5. Classification exceptions arose under circumstances which do not warrant their adoption as standards for classifying freight, or a requirement that they be established permanently as classification ratings.

6. We are not aided in reaching conclusions by the mere expression of an individual's preferences or desires without the support of competent and relevant evidence.

7. There has been no such departure from or disregard of the principles of freight classification, generally recognized and observed in the past, as either to make the classification obsolete or to warrant us in prescribing any new or revised classification.

8. For many years there has been no general desire or sentiment on the part of those who use the classifications for nation-wide uniformity in classification ratings.

Trends in classification changes.—To ascertain, if possible, what had influenced the assignment of articles of freight to particular classes, or the trends reflected in such assignments, we requested respondents to furnish specified information pertaining to changes in ratings and newly established ratings published in the past. The information sought and supplied covers the 800 of those actions as to each of the 3 major classifications that occurred immediately prior to January 1, 1931, and June 1, 1940, respectively, and also all after the latter date and until shortly before the hearing. It contains the name of the article rated or rerated; the former rating, if any, and the new rating; whether the rating was for any quantity, less-than-carloads, or carloads; and the weight per cubic foot and value per pound taken into account. Excluded from the request were indirect changes in ratings resulting from modification in packing or loading requirements, or reductions in ratings made without obtaining the prevailing value and weight density of the article, such as reductions made primarily to promote uniformity among the classifications or to remove departures from the provisions of section 4 of the act. The consequent periods are: First, from June 30, 1928, to December 31, 1930; second, from December 24, 1936, to May 31, 1940; and third, from June 1, 1940, to September 30, 1942. The third period embraces 804 changes or new items in official classification, 771 in southern, and 684 in western.

The following analysis is made from the information obtained:

Average weights per cubic foot and values per pound for classes which present sufficient items to obtain significant averages during the three periods for the three classifications, and for less-than-carload (or any quantity) and carload ratings, are compiled in appendix 6 to this report. The averages show the expected inverse relation between weight per cubic foot and value per pound, i. e., for a class containing items of low average weight per cubic foot the average value per pound is high, and vice versa. This relation is largely illusory, due to the wide range of weights and values about their averages within a class. There is no suggestive correlation between weight and value when the separate items are considered. Articles of high value may be accorded a comparatively high rating regardless of heavy or light weight, while light, bulky articles may be assigned a high rating despite low value per pound. In other words, while a high value combined with a low weight density usually yields a high rating, and a low value combined with high weight density a low rating, the in-between cases of high value with high weight, and low value with low weight are subject to the exigencies of the particular situation.

For less-than-carload ratings in the three classifications the average weights per cubic foot increase, and the average values per pound decrease, as the percent of first class becomes smaller, for each of the three periods under consideration. This comports with the theories that light and bulky goods should be rated at a higher level than heavy articles, and that valuable goods are better able to carry a high rating than less costly articles.

As between the three periods, in all classifications there occurred a marked decrease in the average weight per cubic foot of articles assigned to any one class between the first and second periods. This is an indication that bulkiness has lost part of its importance as a reason for assignment of relatively high ratings. Articles which would have been rated in a given class in the first period are now rated, on the average, in lower classes. Most of the change in this respect occurred between these two periods, there being little difference in average weights per cubic foot for any given class between the second and third periods.

The principal change in average value per pound for any given class came between the second and third periods. For the third period the average value per pound is considerably higher than was the case previously, indicating that goods which once would have been given a high rating because of high value are now being rated for other reasons at lesser percents of first class.

Carload ratings in the three classifications exhibit generally the same characteristics as to average weight per cubic foot and average value per pound as the less-than-carload ratings. The tendency of the average weight per cubic foot for any one class to diminish has not been as marked as in the case of less-than-carload ratings. The greater part of such change as has taken place occurred between the first and second periods. Average weight densities in the lower-rated classes in official and southern classifications have not changed significantly as between the first and third periods.

Average values per pound for articles in the various carload classes have tended to drop slightly between the first and second periods. However, between the second and third periods there was a marked increase in the average value of the goods assigned to any one class, indicating that goods of a given value are now being assigned to lower-rated classes than previously.

Some of the apparent changes in average values per pound are undoubtedly due to changes in the general price level. However, this cause is not sufficient to account for the variation in the value figures.

Between 1930 and June 1940, the Bureau of Labor Statistics index of wholesale prices of all commodities, except farm products, decreased 7 percent. The average value per pound for each of the various classes either increased somewhat in this interval, or decreased less than the general decrease in the price level, except in the cases of articles assigned for carload ratings to class 35 in official classification and to class 70 in southern and western classifications, indicating a net increase in average value per pound in all classes, except these, between the first and third periods.

The wholesale price index increased about 14 percent between 1930 and September 1942, the last month included in the third period. The average value per pound for each of the classes increased much more than 14 percent, except in the case of class 35 carload ratings in official classification, again indicating a true increase in the value of goods assigned to any one class.

As between June 1940 and September 1942, the third period, except for class 40 carload ratings in official classification and class 30 carload ratings in southern classification, the percentage increases in average values per pound assigned to the various classes greatly exceed a 22-percent increase in the wholesale price index.

In general, it will be observed that bulky goods are now being assigned to classes at a lower percentage of first class than prior to 1931, and that the average weight per cubic foot of the articles placed in any class is now lower than at that time. Likewise, articles of high value are now given ratings lower than those in the first period, the average value per pound of the items rated in any particular class being higher than in that period. Although not directly measurable, competition in any form is reflected in the attitude toward weight and value, which are measurable.

If the items appearing in the information furnished by respondents are examined with respect to the average [13] of the ratings assigned for various ranges of weight per cubic foot and value per pound, the observations heretofore made still hold. For this study, appendix 7 to this report was compiled to show by weight and value groupings the average ratings, in percentages of first class, assigned to article descriptive items that were rated or newly rated during the three periods, respectively, separately for less than carloads and carloads, in each of the three classifications. Weights per cubic foot of 70 pounds or more and values per pound of 60 cents or more are omitted, since items falling in these groupings are not sufficiently numerous to provide representative averages for significant weight and value intervals.

---

[13] The geometric average is used, since percentages are being averaged.

In the second period the tendency was to assign items of given weight densities to lower-rated classes than in the first period, about 10 years before. This tendency has been reversed for the lightest, bulkiest articles in the third period for both less-than-carload and carload ratings. In the latter category the heavier articles have continued to be assigned to lower-rated classes than in the first period. It will be noted that in the first period there was little difference in the average ratings for goods weighing between 20 and 70 pounds. In the third period the spread between the ratings for the intervals within this range has increased.

Generally speaking, the average ratings assigned to items of various values per pound increase with increased value. There are some exceptions, particularly in the carload ratings in the second period. The spread between the average ratings for articles value at less than 10 cents and those valued between 50 and 60 cents per pound has decreased considerably in the third period from what it was in the first period. This reduction is largely accounted for by the relatively greater decrease in ratings between the first and third periods for the higher-valued articles. This tends to verify the statement that in determining a rating, value as such is given less consideration than weight at the present time.

The information herein discussed was requested in the hope that it would enable the translation of the classification elements of weight density and value, along with others, into a formula or rule for the determination of lawful classification ratings. The analysis thereof produced interesting and instructive results. It developed that articles varying greatly in value and weight density are placed in the same class. Even the average percentage relations to first class of all articles in the respective classes are sometimes higher for the greater densities and lower values than for the lesser densities and greater values. These facts demonstrate that practically the classification committees have acted on their opinion that the importance of value and density in the classification of articles is not and cannot be determined by any fixed rule, but is dependent in large measure upon the exercise of judgment. Evolvement of the desired formula is therefore impossible. Although these elements must be taken into account in assigning an article to the proper class, they cannot be controlling or displace the sound judgment of experts in this field, who must appraise and evaluate these and other well-recognized classification elements and principles. The foregoing represents a fair summarization of the position taken by the respondents, as stated in their testimony and arguments.

SHIPPER INTERESTS OPPOSING UNIFORMITY

Public bodies in certain States,[14] and associations of shippers located in official territory, including New England, oppose the prescription of a uniform classification throughout the country. Generally, they take the position that the evidence does not warrant such prescription, and that a uniform classification, although it may be desirable, is not practicable because of the effects upon the revenues of the carriers, upon relations between shippers, and because transportation conditions in the different territories are not the same. Separate briefs were filed by interests in trunk-line, central, and New England territories and by the State of Ohio.

The trunk-line interests assert that, regardless of the desirability of a uniform classification, there is no basis in the present record for prescribing one. It is their view that before we can properly proceed with any unification of the present classification ratings in whole or in part, and before there can be intelligent consultation between the interested parties, having as an objective unification of the classification ratings, the following information must be developed:

1. The extent that the ratings on the various articles are the same or different in the three major classifications.

2. The extent that exception and column ratings are accorded the various articles in the same or different territories and interterritorially; also the percentage relation of each exception to first class.

3. The extent that exception and column ratings in each territory and interterritorially differ from: (*a*) The regular ratings published in the governing major classification, and (*b*) corresponding exception and column ratings in other territories, and for interritorial application.

4. The extent that exception and column ratings in each territory and interterritorially were established: (*a*) To meet actual needs and requirements of the respective articles by reason of their inherent nature and transportation characteristics, and (*b*) to meet motor-carrier competition or competition from other forms of transportation.

5. A list of commodities for which there is no need for a classification rating.

The relative weight or consideration that should be accorded to each of the foregoing items of information, claimed to be essential in order to determine the lawful rating on a particular article, is not elucidated.

These interests are concerned as to the effect upon freight charges to be paid by shippers, if unification should be accomplished by some kind of leveling or averaging process, because of the greater volume of traffic that moves on class rates in official territory than in other territories. If uniformity, for example, should be brought about by increasing fifth class (35 percent) in official territory to 40 percent, and reducing fifth class (45 percent) in southern territory to 40 percent, using 100 and 138 cents[15] as the first-class rates in official and southern territories, the fifth-class rate in official territory would be increased from 35 cents to 40 cents, and the fifth-class rate in southern territory reduced from 62 cents to 55 cents. Similarly, if sixth class (27.5 percent) in official territory is increased to 34 percent and sixth class (40 percent) in southern territory is reduced to 34 percent, the sixth-class rate in official territory would be increased from 28 cents to 34 cents, and the sixth-class rate in southern territory reduced from 55 cents to 47 cents.

---

[14] Connecticut, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Rhode Island, Vermont, and Wisconsin.

Some simplification of the classifications is possible without actually changing relations or the substance of the ratings. This can be done if, in instances in which ratings in the 3 major classifications on a particular article differ in nomenclature but bear the same percentage relation to first class, the same term for the same percentage is adopted in all classifications. For example, rule 26 in official classification is 55 percent of first class, and fourth class in southern and western classifications is also 55 percent. In the 3 classifications there are also a number of ratings which are stated as 55 percent of first class. If the same term were used in the 3 classifications for all such ratings, there would be both apparent and actual uniformity of 565 less-than-carload and 1,708 carload ratings, where at present there are apparent but not actual differences. Such simplification would reduce by a substantial number the variations which appear to exist between the several classifications.

The central territory interests also oppose the making of an order requiring uniformity of classification ratings. They object to any required uniformity, upon the grounds, among others, that the several classification committees should continue to have freedom of action to classify articles in their own territories in the light of prevailing transportation and traffic conditions, commercial demands and necessities, and competition, with which they are familiar. There are two reforms that they do favor. One is for a uniform nomenclature for the classes in the different classifications, and the other is a uniform relation between the several classes.

In support of their proposals for a uniform nomenclature in the several classifications and uniform percentage relations between the classes, they emphasize the fact that the greatest degree of uniformity has been attained in those ratings where the class designation and the class percentage are uniform. When there is a deviation, either as to the name of the class or as to the class percentage, there is a marked decrease in the percentage of uniformity. In instances where there is neither a corresponding class by name or percentage, there is practically no uniformity. In those situations there is a tendency to distribute ratings over a much wider range of classes. They assert that these obstacles can be overcome in only one practical way, and that is by setting up a standard set of classes to be adopted by all the classification committees. As to the number of classes, they have no definite opinion, but suggest that this report include a tentative proposal for a specific number of classes for discussion and argument.

---

[15] Intended to represent the average of the first-class rates for all distance blocks in the 1,500-mile basic scales prescribed in the eastern and southern revisions.

The New England interests urge that the evidence shows that the existing classifications are lawful, and refer to the absence of any complaints from shippers; that the mere fact of a difference in ratings does not prove that one or the other rating is unreasonable or otherwise unlawful; and that factors which determine the rating to be accorded a particular article bear with varying importance in different regions. Even if a uniform classification were desirable and could be properly ordered, they contend that there is no basis for the prescription of such classification because data with respect to the relative importance by territories of the various factors which enter into and affect the classification of freight are not of record. It is claimed that the absence of these data precludes us from ordering a revision of the classifications, and that the evidence clearly shows that uniformity of classification ratings is not warranted.

The State of Ohio requests that, if we should find that a uniform classification is necessary and desirable, respondents should be allowed sufficient time properly to prepare such classification, based upon principles heretofore prescribed or recognized by us in arriving at proper ratings, and that conferences between shippers and carriers be permitted prior to its submission as an exhibit in this proceeding; further, that before ordering the formal filing of a revised classification, hearings should be held to receive evidence thereon; and that we should require a traffic study, based upon any proposed revised ratings, in order to determine their effect on the revenues and movement of freight traffic.

Opposition to any general revision of southern classification or of the southern class-rate structures was expressed by witnesses representing Southern States Industrial Council, a voluntary, nonprofit organization composed of important manufacturing interests located in 13 southern States, certain shippers in Tennessee, and of 60 individual shippers in the South whose operations are small or only moderately large. Their evidence was directed principally to the effect upon southern industry of uniform class rates, and related only incidentally to classification; but they declared that no evidence was introduced to aid us in formulating a new classification, and therefore it is neither possible nor practicable to proceed with its preparation. Representatives of Louisville, Ky., Board of Trade and Cincinnati Chamber of Commerce oppose revision of the existing class-rate structures, and refer to the fact that they were made after exhaustive and painstaking investigations.

PROPONENTS OF UNIFORM CLASSIFICATION, OR EXTENSION OF OFFICIAL CLASSIFICATION

The major classifications have been compared and analyzed, and the diversity of the ratings has been shown. Proponents either of a uniform classification or of the extension of official classification to other sections of the country introduced voluminous evidence, showing the effect of the lack of uniformity upon shippers in their territories, and the extent to which the classifications have been rendered useless by the establishment of exceptions and commodity rates. It is impracticable and unnecessary to state the substance of the evidence of each witness. Much of it has been discussed earlier herein, and all has been carefully considered. It is appropriate to set forth the positions of these proponents of classification changes, and to refer to such additional evidence as tends to support their respective positions.

The Southern Governors' Conference, appearing on behalf of the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee is of the view that the present class-rate structure, including the classifications, within the South, and between the South and other territories, no longer meets the needs of commerce and is unreasonable and unduly prejudicial. It advocates a uniform classification throughout the country, but until such a classification is worked out, it suggests the extension of official classification for application throughout the territory east of the Mississippi River. Similar positions were taken by the Southeastern Association of Railroad and Utilities Commissioners, the State of Florida separately, and the Southern Traffic League.

The regulatory bodies of the Southwestern States and of the western trunk-line States of North Dakota, South Dakota, and Nebraska, Tennessee Valley Authority, American Farm Bureau Federation, motor-carrier interests, and associations of shippers in southern, southwestern, and western trunk-line States advocate a uniform classification throughout the country. In its brief, the Tennessee Valley Authority suggests a plan of uniform classification with class 100 as an index, and intervals, between classes, of 5 percentage points from 100 to 35 percent, 2½ percentage points between classes below 35 percent, and 25 percenage points between classes higher than class 100.

It has been shown that a large number of articles are rated in one classification differently from those in another, which generally results in different charges on the same article in the various territories. Even when an article is rated lower in one territory than in another, the shipper with the lower rating may be at a disadvantage as compared with the shipper with the higher rating, because of higher territorial rate levels and the less favorable percentage relations between the classes in the territories. In some instances, the disadvantage is overcome because the advantage in the ratings is sufficient to wipe out the differences in rate levels and in relations between the classes. But in many instances, the existence of ratings in one territory lower than in another does not result in lower charges in the former because the difference in ratings is not sufficient to neutralize the rate disadvantage caused by the variations between class-rate levels and relations between the classes. The rate effect of such differences is indicated in appendixes 2 and 3 to this report.

Kentucky State authorities do not question the desirability of a uniform classification throughout the country, but are chiefly interested in obtaining for the entire State of Kentucky a classification which does not differ from that applicable in official territory. At present the official-territory rate structure applies in the northeastern part of that State.

State authorities, shippers and manufacturers in Iowa, Minnesota, and Wisconsin seek the extension of official classification to govern traffic within these States and between them and official territory. The Minnesota commission also advocates the cancelation of all exception ratings and their transfer to the classification; and Green Bay, Wis., asks that, if Wisconsin's request is not granted in its entirety, official classification be extended at least to that community and nearby points.

Some interests ask that, if a uniform classification is not required, the classification applicable within the territory of destination be prescribed to govern interterritorial rates.

Evidence was introduced by some of the interests named under this subheading relating to economic, traffic, and transportation conditions in the territories or communities they represent, as compared with corresponding data for other territories or communities where different classifications and rate levels apply. The purpose of these data is to prove that such conditions are sufficiently alike to warrant a common level of class rates and the same classification. Most of the evidence deals with the class-rate situation and is not directed specifically to the matter of classification. Such evidence will be discussed in part II of this report.

MOTOR CARRIERS' SUGGESTED FORMULA FOR RATINGS

Certain motor-carrier interests, consisting of a national association of carriers by motor vehicle and a number of their territorial rate bureaus or conferences, urge the prescription of a nation-wide, stable freight classification to be applied uniformly by all freight carriers subject to the act. However, only all-rail and rail-and-water ratings are in issue. These interests further urge that such classification be based upon defined principles of value, density, utility, and risk. In this proceeding they are concerned chiefly with package freight in less than carloads and carloads, which is competitive between rail and motor carriers, leaving to the railroads the classification of the kind of freight that moves predominantly by railroad, particularly that handled in open-top equipment. This is apparent from the scale of ratings they advocate, the lowest of which is class 50 (denominated class 15 in their formula), whereas the lowest rating contained in the present railroad classifications is class 17½.

These interests suggest that before a revised classification is promulgated, a comprehensive traffic test be made to develop the following information, regarded by them as a prerequisite to the establishment of a just and reasonable revised classification and class-rate system:

1. Normal movement in cars, tons, and ton-miles of articles covered by the individual items of the revised classification.

2. Normal intraterritorial and interterritorial movement in cars, tons, and ton-miles under each classification item.

3. The volume in cars, tons, and ton-miles of traffic moving under the revised classification which would fall within each of the classes in such classification, segregated territorially.

4. The revenues and volume in cars, tons, and ton-miles of traffic moving under commodity or other special rates not subject to the classification, segregated territorially.

As the information described is not kept currently by respondents it can be developed only by a detailed waybill analysis, and the rerating of a sufficient volume to present a typical picture. Because of war conditions, either the waybills of a prewar period must be selected, collected, and analyzed, an expensive undertaking, or the test must be deferred until after the war, when it can be made much more economically upon a current basis, and would be typical of conditions in the postwar period.

The view of these motor carrier interests is that after a uniform nation-wide classification has been established, changes therein should be permitted only upon an affirmative showing of a necessity therefor; that no exceptions should be allowed upon a territorial basis; and that the burden of proof as to need and propriety of a specific exception should be affirmatively placed upon the proponent.

Pending the establishment of such a classification, made according to the principles and upon the basis of a formula advanced by them, the motor carriers suggest the extension of official classification to include southern territory. They contend that, from the standpoint of an industrial region such as official territory now is and southern territory is rapidly becoming, the official classification is better designed than the southern, said to be the outgrowth of a classification for a territory that originally was predominantly agricultural.

In an endeavor to arrive at a formula which would provide a simple means for classifying all articles of commerce, a survey of traffic handled by motor carriers was made. It covered 24 class I motor carriers operating in various parts of the country with operating revenues in 1940 of over $50,000,000. Ten of them were in the East, 9 in the South, and 5 in the West. The results were analyzed and a formula was presented to be used in the classification of articles. The controlling principle is said to be a proper and nondiscriminatory evaluation of the chief transportation characteristics that affect the movement of traffic, namely (1) value of the service, (2) cubic weight density of the freight, and (3) the risk involved. The formula about to be described is suggested as something not immutable, but one which the rail carriers might be required to use as a general basis in revising and simplifying the classifications and class-rate structures.

The element of value to be used is the weighted average of domestic articles at point of manufacture and of imported articles at port of entry, but it is admitted that much must be left to judgment in this respect. Nine groups of value are suggested, stated in cents per pound over the lower but not over the higher amount, as follows: 0 to 5 (base group), 5 to 10, 10 to 15, 15 to 25, 25 to 50, 50 to 100, 100 to 200, 200 to 400, and over 400 (maximum group). It is conceded that the formula would have to be adjusted in the event of a substantial rise or fall in general values.

Weight density determines to a certain extent the relative efficiency of the utilization of equipment, because there is a direct relation between the cubical loading capacity and the maximum load which a vehicle can carry. The formula uses as a base for this factor 22½ pounds per cubic foot as a maximum density, although the density of commodities handled in railroad boxcars ranges up to 180 pounds and over per cubic foot. The six groups suggested to take care of the element of weight density in classifying articles are, 22½-pound group to include freight weighing 20 pounds and over; 17½-pound group, 15 pounds but under 20; 12½-pound group, 9.25 pounds but under 15; 7½-pound group, 6.75 pounds but under 9.25; 5-pound group, 4.25 pounds but under 6.75; and 2½-pound group, under 4.25 pounds.

Theoretically, a car of a given cubic capacity will carry approximately 28 percent greater load of a commodity having a density of 22½ than of one with a density of 17½ pounds, 80 percent more than one of a density of 12½ pounds, 200 percent more than one with a density of 7½ pounds, 350 percent more than one of a density of 5 pounds, and 800 percent more than one with a density of 2½ pounds. It is claimed that actually relative efficiency in the utilization of cubic space increases as the density diminishes. The weight of 22½ pounds is described as the optimum or most favorable density in handling traffic as respects transportation costs, and it is stated that package freight having greater density has little or no advantage over the optimum in respect to transportation economy. For the reasons given, the motor carriers propose the following relations of other densities to the base of 22½ pounds; 17½ pounds, 125 percent; 12½ pounds, 175 percent; 7½ pounds, 250 percent; 5 pounds, 350 percent; and 2½ pounds, 600 percent. These relations are said to be predicated, to a large extent, on what the traffic will bear, and are the result of experimentation with various percentages.

Value is one of the elements to be considered in the classification of articles. The motor carriers suggest that in determining this element the intrinsic value of a given article and its economic essentiality and utility must be considered and evaluated for classification purposes. The necessity therefor is the failure of some traffic, highly essential but of low value, to meet fully the transportation burden. To offset this failure, articles of higher value and less economic utility must be rated above the average cost of the service; otherwise it would not be possible to maintain the transportation system. In the formula the lowest-valued articles, those in the 5 cents per pound group, are given a base rating factor of 100 percent. Rating factors suggested for the other per-pound value groups are as follows: Between 5 and 10 cents, 105 percent; between 10 and 15 cents, 115 percent; between 15 and 25 cents, 125 percent; between 25 and 50 cents, 140 percent; between 50 and 100 cents, 160 percent; between 100 and 200 cents, 180 percent; between 200 and 400 cents, 200 percent; and over 400 cents, 225 percent. The manner in which these percentages were determined was not explained.

Rating factors, determined as described, are shown in what is called “Value-Density Table,” reproduced below:

Value in cents per pound	Percentage	Density per cubic foot, in pounds					
	Base	22½ (base)	17½ (125 percent)	12½ (175 percent)	7½ (250 percent)	5 (350 percent)	2½ (600 percent)
ver 0 and not over 5	Base	50	62½	82½	125	175	300
ver 5 and not over 10	105	52½	65½	92	130	180	310
ver 10 and not over 15	115	57½	72	100⅝	135	190	335
ver 15 and not over 25	125	62½	78	107	145	200	360
ver 25 and not over 50	140	70	86	117½	162½	215	385
ver 50 and not over 100	160	80	99	135	187½	235	410
ver 100 and not over 200	180	90	110	150	210	250	425
ver 200 and not over 400	200	100	122½	165	235	275	435
ver 400	225	112½	135	180	250	300	450

In the foregoing table, the density rating factors for the various lensity groups are obtained by applying the percentages shown orizontally to the base (the figure 50); and the value rating factors re determined by applying the percentages shown vertically to the ase (the figure 50). For example, the rating factor of 62½ in the 7½ pound group is 125 percent of the rating factor of 50 in the 22½ ound group. If the article is in the value group of over 5 and not ver 10 cents per pound, the density-value rating factor becomes 65½, hich is 105 percent of 62½.

The rating factors as shown in the table are converted into 23 per-entage groups, and to each group is assigned a percentage, which in ome instances is the average of the rating factors in the group. These roups are then converted into 15 numbered and 8 lettered classes, he former ranging from class 1 (100 percent) to class 15 (50 percent), he lowest class proposed, and the latter from class A (450 percent) o class H (110 percent). The relation between the numbered classes s such that beginning with class 15 and proceeding upward to class 1 ach class is not less than 95 percent of the next higher class, but ifferences proposed between the lettered classes are greater. The ollowing table shows the range of the rating factors, the mean rating actor, and the classes into which articles would be placed by the use f the mean rating factors:

First and lower classes

Rating factor range	Mean rating factor	Class	Rating factor range	Mean rating factor	Class
to 105	100	1	65½ to 68	67	9
to 97	95	2	62½ to 65	64	10
to 92	90	3	60 to 62	61	11
to 88	86	4	57 to 59	58	12
to 84	82	5	54 to 56	55	13
to 79	78	6	52 to 53	52½	14
to 76	74	7	50 to 51	50	15
to 72	70	8			

Classes higher than first class

Rating factor range	Mean rating factor	Class	Rating factor range	Mean rating factor	Class
416 and up	450	A	171 to 212	190	E
333 to 415	369	B	136 to 170	151	F
256 to 332	295	C	116 to 135	121	G
213 to 255	236	D	106 to 115	110	H

The ratings in the value-density formula would be readjusted or modified according to the utility of the article. Basic necessaries would take 100 percent of the rating shown in the foregoing table, and the following groups of commodities would be related to the basic-necessaries group by the following percentages: Basic raw materials and unprocessed farm products, 85 percent; processed farm products, 90 percent; industrial materials, 95 percent; partial necessaries, 105 percent; industrial equipment, 110 percent; luxuries and accessories, 115 percent. The 85, 90, and 95 percent groups would be subject to class 15 as minimum for less-than-carload traffic. These figures represent the judgment of proponents and are not derived from any test.

The ratings determined by the value-density formula, as modified by the utility percentages, would be further modified to reflect the inherent qualities of the particular article in respect of susceptibility to theft or damage, its contaminating or perishable character, its stowage possibilities, size, weight and shape of package, and the care or attention necessary in transporting it. The consideration to be given these elements must be a matter of judgment based on transportation experience.

It is proposed that the same classification be used for less-than-carload and carload freight, except that in the case of low-grade raw materials and unprocessed farm products which move exclusively, or almost exclusively, in carloads, special carload classes should be set up. The nature of these special classes or the manner in which they should be determined are not elaborated. It is also suggested that there should be dual scales of class rates for less-than-carload and carload traffic, and that such scales, if properly constructed, would remove any necessity for carload ratings different from less-than-carload ratings on most articles.

In presenting the formula, the motor carriers admitted that in the classification of articles necessarily judgment must be exercised in a marked degree, and stated that the particular rating factors which they suggest are put forth merely to illustrate what they think might be done. The principles of classificaion might be appraised in a different and equally satisfactory manner by others. The important thing, in their opinion, is not so much what particular rating factors are inally prescribed, but that a clear-cut, precise, and uniform definition f principles be made and the weight to be uniformly accorded them e defined.

Respondents challenge the so-called formula as not a formula at all, ut only a beginning for the exercise, as always, of judgment by classiication experts respecting the proper classification of particular rticles. Several comparisons of existing ratings with those obtained y use of the formula were submitted. They are:

	Present less-than-carload ratings (percent of first class)	Formula rating (percent of first class)
attresses	150	189
igarettes	85	131
ats and caps	200	450
e-cream cones	100	226
akery goods	70	160
ock-wool batts	85	295

The observations made in respect to the analysis of the information urnished by respondents regarding the classification elements of eight density and value are applicable here. In other words, we hink that a formula such as is here suggested by the motor carriers is ot practicable for use by the rail carriers universally. As stated, it designed for package freight only, but does not distinguish between he containers used or the manner of packing, and makes no real proision for articles of great weight density or high value, nor, of course, or bulk freight.

CONCLUSIONS AND FINDINGS AS TO CLASSIFICATION OF FREIGHT

These investigations afford the first opportunity for us to pass upon atings as a whole in all classifications governing class rates on intertate and foreign traffic between all points throughout the United tates. No recommendation regarding ratings was made in *Consoliated Classification Case, supra,* for reasons stated in that report.

Section 1 (4) of part I of the act provides that it shall be the duty of very common carrier subject to that part to furnish transportation pon reasonable request therefor, and to establish just and reasonable lassifications applicable to freight rates and charges; and section 1 6) prohibits every unjust and unreasonable classification. Section 3 1) declares that it shall be unlawful for any common carrier subject o part I to make, give, or cause any undue or unreasonable preference advantage to any particular person, company, firm, corporation, sociation, locality, port, port district, gateway, transit point, region, istrict, territory, or any particular description of traffic, in any respect whatsoever. Section 15 (1) of the act requires us to find and prescribe what will be the just, fair, and reasonable classification to be thereafter followed. Under the provisions of the act, we are empowered and directed to determine whether the present classifications of freight are unlawful in any respect, and, if they are unlawful, to require the establishment of a lawful classification.

The notice of January 9, 1940, to the parties and the public stated that one of the matters to be considered in this investigation was whether the establishment throughout the country of a rail and water classification, simplified and uniform, or more nearly uniform when compared with the present consolidated freight classification, would be lawful and practicable. They were informed that in the earlier stages of the hearings evidence would not be received pertaining to the classification descriptions, minima and ratings on individual articles, save to the extent necessary to develop and illustrate facts relevant and material to the general aspects of the matters in issue.

At the hearing the evidence produced relating to the classification of freight consisted chiefly of comparisons of the ratings in the three major classifications, the effect of the ratings upon the charges paid by shippers in the principal freight-rate territories, and the extent to which the classifications have been departed from by the establishment of exception ratings and commodity rates. There is no evidence which would enable us to determine whether any particular classification rating, description, or carload minimum is unreasonable. Nor was any specific formula proposed for use in the construction of a revised classification, except that advanced by certain motor-carrier interests.

The evidence and arguments of most proponents of changes in the classification were directed to the propositions that there should be a uniform classification throughout the United States, that the application of the official classification should be extended to embrace the entire country, or the South and large sections of the West, and that the percentage relations between the classes should be uniform in all rate territories. There was a suggestion by some that the ratings in the exceptions should be substituted for those in the classifications, but such exception ratings are probably more diverse than the ratings in the classifications. A plan proposed for simplification of the classifications contemplates stating the classes in percentages of 100 with uniform relations between the classes.

Uniformity in classification has been an objective since the passage of the act in 1887. Progress in that direction has been made, and there is now substantial uniformity in classification rules and descriptions, and in the ratings of class 70 and higher. Much of the present uniformity in ratings is theoretical rather than actual, in that while its exists as to the classifications proper, exceptions to the respective classifications provide literally thousands of lower ratings on the same articles. The exceptions may apply in one territory and not in another, or they may apply in parts of but not all the same territory. In recent years exception ratings have increased in number, principally as the result of competitive forces, and apply to a greater volume of traffic than is transported under ratings in the classification.

There is less uniformity in the carload than in less-than-carload ratings, except in the South where the 3,500 less-than-carload exception ratings were established in 1940. This is owing partly to the fact that the relations between classes lower than class 70, which embrace most of the carload ratings, are different in the three major classifications, because the number of regular classes in the classifications varies, and because of the absence in a particular classification of a class whose percentage relation to first class is the same as that of a class in another classification. In addition, differences in ratings on the same article in the three major classifications have been influenced by revenue needs of the carriers in the respective territories, by variations in rate levels, by competition between carriers, by pressure of shippers, and by the diverse judgments of the members of the several classification committees.

Few question the desirability of classification uniformity, but those who oppose uniformity contend that it is not practicable. This contention is based primarily upon the apprehension that in any unification many ratings will be reduced, thereby affecting the revenues of the carriers, and that established relations between shippers and between articles will be altered by any changes. Dissimilar conditions in the different territories and their effect upon the movement of traffic also are advanced as justifying varying ratings in the several classifications. The present classifications are said to reflect the needs of shippers and carriers, and the methods employed in the classification of articles are claimed to be duly responsive to changes in conditions as they occur. It is asserted that these results would not be possible under a uniform classification, except by the establishment of exception ratings and commodity rates; and if they are established in large number to meet the needs of commerce, there would be only theoretical uniformity, and the actual situation would remain the same.

From a practical standpoint, unification of ratings would remove serious complications, encountered in border areas where classification territories adjoin, in connection with through interterritorial rates governed by one of the classifications. So long as there were no such rates, particularly class rates, as was predominantly the situation before 1928, differences between the classifications presented comparatively few tariff problems, because the through rates were made by combining rate factors to and from the territorial gateways, and the application of a rating to one factor different from that governing the other caused little difficulty. But the advent of interterritorial clas rates, governed by a single classification, created complicated tarif problems, numerous instances of undue prejudice and preference, departures from the long-and-short-haul and aggregate-of-intermediates provisions of section 4 of the act, and rates different in opposite directions between the same points.

The situation gave rise to many complaints, required the granting of relief from section 4, called for the prescription of the rates in effect in one of the territories as the minimum basis, and necessitated the resort to supplementary distance scales of rates in order to avoid excessive differences between intraterritorial rates to border points and interterritorial rates to points just beyond the border.

The situation created by the diversity of ratings and classes in the several classifications, the lack of uniformity in percentage relations between the classes, and the designation of classes in the classifications by different numbers or letters, have combined to compel the establishment of countless exceptions which have shorn the rating in the classifications of much of their usefulness and proper function. This is shown by the fact that the volume of traffic, particularly in carloads, moved at class rates subject to ratings in the classification is relatively small both intraterritorially and interterritorially, and is considerably less than that moved at rates under exceptions. It is clear that the existing classifications are outmoded and should be revised.

Although classification is not an exact science, no convincing reaso appears why the same principles of classification should not be applie in every territory, to the same article of commerce, or why substantially the same weight should not be accorded to those principles, in determining the rating of the article for movement anywhere in th country.

The alleged differences in conditions in various portions of th country, referred to by those opposing a uniform classification, an considered by them as insurmountable obstacles to uniformity, ar principally competition, variations in territorial rate levels, and differences in the composition of traffic. Competition may exist betwe dissimilar articles used for the same purpose, between shippers in different territories, and between transportation agencies. None of the forms justifies diverse ratings in different territories. Exceptions t the classification may be essential in order that competition betwe shippers or with other forms of transportation may continue, but i the process of providing classification ratings, it is improper to give such competition any weight.

Variations in the territorial class-rate levels have been responsible to a degree for some of the differences in ratings in the several classifications. Where the level of rates in one territory was higher than in another, ratings in the former were sometimes made lower in order to offset, wholly or partly, the rate disadvantage of the shipper in the higher-rated territory. This disadvantage is usually removed or lessened by the publication of exceptions or commodity rates. Classifications are not the correct media for remedying inequalities in territorial class-rate levels, which should be accomplished by modifying the rates themselves. Where adequate justification exists for lower charges in a portion of a territory, or from and to particular points, the proper remedy is the establishment of lawful exceptions to the classification, or commodity rates. The situation described does not justify exceptions that have territory-wide application and afford relatively lower rates than in the immediately adjoining or adjacent territory.

While exceptions to classifications are not in issue in this proceeding, it is difficult to understand how a particular rating on a given article or description of traffic is justified for application throughout an entire present classification territory, but is not extended to an adjoining territory. It would be unusual if the justifying conditions ended abruptly at the territorial boundaries.

Differences in classification ratings are defended upon the ground that they are justified by differences in the composition of traffic in the several territories. Thus in one territory, there may be a large movement of low-grade commodities on which the ratings are relatively low and a small movement of manufactured articles on which the ratings are relatively high, and in another territory the reverse may be true. The contention is that in order to obtain the necessary revenue, it is proper to make the ratings higher in one territory than in another. This presupposes that in the determination of a reasonable rating consideration and weight must be given to the volume of the traffic in the respective territories.

We believe that the assignment to the same article of commerce of a rating which is different (in terms of percentage relation between class rates governed thereby) throughout one territory from the rating in another, because the article moves in large volume in the one as a whole and in small volume in the other, causes undue preference and prejudice between the shippers in the two territories, as well as between the traffic and between the territories. A heavy movement between particular points might be so great and regular as to justify commodity rates between such points lower than the corresponding rates under classification ratings, and heavy movements between many points in a broader, though localized, area might justify exceptions to the classification restricted to such area; but neither situation would warrant classification, or exception, ratings throughout one of the present extensive classification territories, different from those in the adjoining territory.

Probably the principal objection of respondents to a uniform classification is their apprehension that its achievement may adversely affect their revenues. Sufficient revenues to maintain and operate the carriers are of course essential, but their needs should not be satisfied by practicing undue preferences and prejudices in ratings such as are shown by the evidence. The revenues required should be provided by rate levels high enough to produce funds for their needs, and not by resort to increases in classification ratings that cause unlawfulness. The aim for uniformity is not merely for the sake of uniformity, but to remove the resulting unjust differences in rates.

From the standpoint of classification of freight for the ascertainment of class rates that are themselves on a lawful basis, no sound reason has been adduced by respondents or other opponents why there should not be complete unification of the ratings throughout the country. The fact that uniformity has progressed to the present degree is proof that it should be practicable as to all articles.

Respondents and shipper interests, mostly in official territory, plead that the railroads' classification committees be permitted the continued freedom of action to determine the classification ratings according to their fully informed judgment of conditions prevailing in their respective territories. They imply thereby that the committee members do not possess adequate knowledge, or can not obtain information, concerning adjoining territories. This plea ignores the significant fact that each of the three major classifications has extensive interterritorial application, and the committee members must of necessity comprehend the conditions in other territories. Thus, official classification governs class rates from Norfolk, Va. to Duluth, Minn., and from Salt Lake City, Utah, to New York, N. Y.; southern classification, from New Orleans, La., to Eastport, Maine, and from Minot, N. Dak., to Miami, Fla.; and western classification, from Brownsville, Tex., to Bay City, Mich., and from Charleston, S. C., to Cheyenne, Wyo., as well as transcontinental traffic between the Pacific coast and the Atlantic seaboard.

Long before our decisions prescribing interterritorial class rates, the carriers subjected to a single classification the interterritorial rates which they had voluntarily established. Of the latter character may be entioned transcontinental rates, governed by western classification; oint rates between central territory east of Illinois and Duluth and win Cities, Minn., and the intermediate area in Minnesota and Wisonsin, and from trunk-line territory to the latter points and area, overned by official classification; and through rates between the outhwest and official territory, and from parts of western trunk-line erritory to Mississippi Valley, governed by western classification.

Moreover, conditions are not the same throughout the respective erritories within which official, southern, and western classifications overn, and which embrace roughly 14, 13, and 73 percent of the early 3 million square miles of land area of the country. There are arked contrasts in conditions between northern Maine and southern llinois in official territory, Florida and Kentucky in southern terriory, and North Dakota and southern California in western territory, et the classification committees have determined upon one rating for given article throughout each territory. Despite the fact that conlitions are not shown to vary in homogeneous regions, like the Missisippi and Ohio River Valleys and southern West Virginia and irginia, through which pass the present territorial dividing lines onsisting only of rivers or railroads, the committees have developed lassifications in neighboring sections on either side of such lines that re different, and ratings on many articles vastly different.

It is apparent from the record that members of the classification ommittees, who have expert knowledge of transportation, economic, roduction, commercial, and industrial conditions sufficient to deternine ratings within these extensive classification territories and beween them, acting as one committee, if willing, could initially decide pon uniform ratings for the entire country throughout which they ow determine the ratings, with close approximation to the standards of justness and reasonableness laid down in the act. They have done so, but only in part.

The preponderance of the testimony is that of the various classifications now in force, or which have been suggested upon the record, he pattern of the official classification is the one which best comports with the requirements of the statute that the individual and joint classifications shall be just, fair, and reasonable, for application uniformly throughout the country. This, however, does not carry the implication that the official classification as it stands is suitable for general application. The existence of the numerous exception ratings which have been required by the exigencies of commerce, and the almost total omission to make use of the intermediate columns prescribed in *Eastern Class Rate Investigation*, *supra*, except by withdrawing the commodities from the classification, are most persuasive that a rerating of the official classification itself is necessary so tha the individual ratings therein shall be reasonable, fair, and just. To this end it will be necessary to examine the various exceptions upo their merits, and as far as possible to weave them into the going classification. Only when this is done can any classification be said to be fair, just, and reasonable. Nevertheless, there must be a pattern, and the pattern which seems to us to comport best with the standards of the act is that of the official classification, with the added classes set forth as percentage columns in Finding 1 of the report in *Eastern Class Rate Investigation, supra.*

Respondents and certain others assert that on this record we cannot require a change in any of the classification ratings because no evidence was received concerning individual articles. We think they are in error. Abundant evidence has been received showing that the differences in classification ratings compel shippers, in each of the classification territories, to pay on certain articles transportatio rates that are relatively higher than the rates paid on the same article by shippers in one or both of the other territories, considering presen class-rate levels in the respective rate territories. In fact, on man articles a shipper in a lower-rated territory must pay higher rate than one in a higher-rated territory, owing to differences in classification ratings. The showing made is typical of the entire situatio at present, and would continue so with whatever rate level or levels we may find lawful in docket No. 28300 or in any other proceeding The duty is not imposed upon us in a proceeding of this character to receive and consider evidence as to each of the more than 20,000 les than-carload and carload ratings in the classifications, and to fin as to each of them whether the rating is lawful. General finding may be made as to classifications and territories as a whole. No ad quate justification has been offered for the wholesale advantages a disadvantages resulting from the classification differences.

The primary purpose of a freight classification is to assign eac article, or a group of articles, to a class according to well-known classification principles or elements which recognize distinctions from transportation standpoint, along fairly broad lines, in order to me the needs of commerce. None of the principles or elements should b controlling, but all that are relevant should be considered. Amo them are: Weight per cubic foot and value per pound as packed f shipment; liability to loss, damage, waste, or theft in transit; like hood of injury to other freight with which it may come in contac risks due to hazards of carriage; kind of container or package as bea ing upon the matter of liability or risk; expense of, and care i handling; ratings on analogous articles; fair relation of ratings between all articles; competition between articles of different descr ion but largely used for similar purposes; commercial conditions and units of sales; trade conditions; value of service; volume of movement for the entire country in either less than carloads or carloads; adaptability to movement in carloads; and carload minimum weights just to carriers and shippers. These transportation characteristics would be substantially similar on most articles irrespective of the territory in which the movement occurs.

Classification of freight has long been recognized as an important phase of rate making. Section 1 (4) and (6) of the act, already referred to, read in connection with section 15 (1) make it the specific duty of all common carriers by railroad to establish, observe, and enforce just, fair, and reasonable classifications of property for transportation. The basic considerations which should determine the classification of an article, as previously explained herein, are generally the same in all territories. That being true, it follows that wherever differences in transportation conditions from a geographic standpoint are sufficient to require recognition in the rate structure, the situation should be met in the levels of the rates themselves, supplemented, wherever desirable, by the employment of a limited number of exception ratings in connection with the established rates, rather than in the basic freight classification itself. The use of classifications to accomplish such purposes inevitably leads to inequitable and indefensible results. Without reiterating the defenses urged for the large number of disparities that now exist in classification ratings in the several territories, it is clear that they are not now reasonable and are unjustified. Furthermore, the departures from the standard classification ratings brought about by the employment of an ever increasing number of exception ratings furnish ample proof, in addition to the other facts of record which point to the same conclusion, that the three primary classifications and the Illinois classification maintained and observed in the several territories are not presently meeting the requirements of the law and will not do so for the future.

ULTIMATE FINDINGS

Upon the record, therefore, we find:

1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are, and for the future will be unjust and unreasonable, in violation of section 1 (4) and (6) of the act.

2. That the several classifications named in finding 1, insofar as the ratings therein are concerned, as a whole, because of the substantial number of differences in such ratings that now exist, result, and will result in the future, in undue and unreasonable preference, advantage, prejudice, and disadvantage as between shippers and receivers

of freight in interstate commerce and as between classification territories, in violation of section 3 (1) of the act.

3. That in the assignment of commodities to various classes in th
classification, in order that the classification may be just, fair, an
reasonable, it is essential not only that the grouping of analogou
articles and those possessing similar transportation characteristic
according to the accepted principles of classification recognized by u
shall be observed, but it is essential that there be maintained scal
of class rates, providing different rates for the several classes
property, which shall bear a just and reasonable relation for th
various classes each with the others. That, as stated in the repor
the respondents have fixed 100 percent for first class, and 85 and
percent thereof as proper relations for classes 2 and 3, to be appli
when using class rates for commodities falling within those thr
classes. Such percentages have also been found by us to be just a
reasonable for such application of class rates to commodities clas
fied as falling within class 1, class 2, and class 3, in each of the clas
fications embraced in the Consolidated Freight Classifications, a
also generally throughout the country. The remaining percenta
relations, except those above 100, in the various classifications, ho
ever, differ in their percentage relation to the classes as to whi
uniformity is observed, as stated in the report, and therefore the a
parent uniformity denoted by the use of identical class descriptio
is in point of fact inharmonious with reference to the classificatio
considered as a whole, because of the varying relations of other clas
to each other and to classes 1, 2, and 3 in the different territori
and because differing classification ratings have been assigned to oth
commodities in the several territorial classifications.

4. That it is impossible, without a basic unity in classification r
ings throughout the country, to maintain a just and reasonable relati
between the class rates on commodities moving in carload and le
than-carload lots, or as between competing commodities moving
class rates.

5. That it is entirely feasible for the respondents to establish,
serve, and enforce classifications of property for transportation, w
reference to which their class rates are or may be made or prescrib
which shall be uniform throughout the territory served by the seve
respondents. That the establishment, observance, and enforcem
of such a uniform classification of property for transportation, w
reference to which the class rates of the respondents are or may be m
or prescribed, will be just and reasonable, and that to the extent
classifications established, observed, and enforced by them with re
ence to which their class rates are or may be made or prescribed,
different and nonuniform, to that extent their existing classificati

of property for transportation, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable and in violation of section 1 (4) and (6) of the Interstate Commerce Act.

6. That it is not intended that the foregoing findings with respect to uniformity shall prevent the making of exceptional classification ratings when required either by the provisions of the Interstate Commerce Act or for commercial or competitive reasons, provided such exceptional ratings may be justified individually upon their own merits, and shall not have the effect of creating a violation of some provision of the Interstate Commerce Act or of being inconsistent with the national transportation policy, and shall not tend to impair the general requirement of uniformity of classification hereby found to be just and reasonable.

7. That upon the basis of the present record, the classification pattern prescribed for application in connection with class rates in eastern territory, known as the official classification, comports better with the requirements of the statute that the classification should be just and reasonable than do either of the remaining classifications embraced in the Consolidated Freight Classification. The general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by the respondents, and should be so established by them within a reasonable time.

8. That it is just, fair, and reasonable that a uniform classification should be established which should contain (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation*, 164 I. C. C. 314, 373; 171 I. C. C. 481, 499; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes for commodities which should take lower ratings than the lowest class in the official classification. And that these classes in the uniform classification should be as follows: Classes 400, 300, 250, 200, 175, 150, 125, 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, and 13.

9. That substantial uniformity exists in classifications as to descriptions of articles and carload minimum weights.

Respondents are hereby given reasonable opportunity to initiate such uniform classification by their own collective action before we undertake the task, and they will be expected within 90 days from the service of this report to advise us whether they will undertake to make and tender to us a classification based upon the findings herein made. If the respondents shall decline so to undertake to make and tender a classification or shall omit to respond within the time specified, we retain jurisdiction to make such further order in the premises as may be proper.

The uniform classification which we find will be necessary to comply with the statute must be closely connected with the class scale or class scales which are to be applied, both to insure proper preservation of revenue for the carriers and that the rates shall be just and reasonable as respects the shipper, and otherwise in conformity with the act. The question as to whether the existing class scales are just and reasonable, as required by section 1 (4) and (5), and as to whether they give any undue preference or advantage which is forbidden by section 3 (1) of the act, are considered in the following part of this report. In that part we will determine and state the rate basis applicable to a uniform classification which the present record appears to justify.

Part II

HISTORY OF PROCEEDING AND ISSUES

Docket No. 28300, is an investigation into and concerning the lawfulness of interstate class rates, determined by ratings in official, Illinois, southern, and western classifications. The ratings include those in the classifications stated under the regular numbered or lettered classes or as percentages of first class, but none other. The class rates included were those applicable to the transportation in interstate or foreign commerce of property by common carriers by railroad, or by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States lying on and generally eastward of the following line: The western boundaries of the States of North Dakota, South Dakota, and Nebraska south to the main line of the Union Pacific Railroad Company, thence along that railway west to Cheyenne, Wyo., thence south on the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo, and Trinidad, Colo., to the border of the State of New Mexico, thence successively east, south, and west along the latter border to the Rio Grande (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico. All common carriers subject to the Interstate Commerce Act engaged in the transportation described above were made respondents. The investigation does not embrace rates between points in what is known as mountain-Pacific territory or those between that territory and the remainder of the United States; or rates between points within the territorial scope of the proceeding which are determined by exceptions to the classifications or commodity rates.

Section 5 (b) of the Transportation Act of 1940 authorized and directed us to institute an investigation into the rates on manufactured

79

products, agricultural commodities and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect. In our annual report, 1940, we said at page 30:

> The extensive class-rate and classification investigations above discussed may, we think, very properly be regarded as a highly important first step in this general investigation which Congress has directed us to institute.

The purpose of the investigation is to determine whether the rates and charges in issue, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and to make such findings and order or orders as may be proper.

Although rates applicable to the transportation of foreign commerce also are in issue, no evidence was offered pertaining to specific import and export rates, or as to the structure of export and import rates. In view of the record, the discussion herein will be understood to concern only the interstate rates.

All-water and rail-and-water rates.[16]—Included among the rates in issue are lake-rail rates by way of the Great Lakes, all-barge and barge-rail rates applicable on the inland waterways, and all-ocean and ocean-rail rates subject to our jurisdiction on July 29, 1939, the date of the order of investigation. Upon request of parties in Docket No. 26712, Rail and Barge Joint Rates, for the exclusion at the initial hearings, of evidence pertaining to the joint barge-rail class rates applicable partly on the Mississippi and Warrior Rivers and their tributaries and the differentials below all-rail rates used in the determination of such rates, because of the pendency of Docket No. 26712, evidence respecting the lawfulness of such rates and differentials was not received at the hearings.

Although the water carriers publishing or participating in the lake-rail, all-barge, all-ocean and ocean-rail rates in issue were made respondents to this investigation, none of them introduced any evidence and only a few disclosed their position at the hearings. Likewise there was no evidence with respect to any of these rates by the rail respondents or shipper interests, except by representatives of New Orleans (La.) Joint Traffic Bureau, Minneapolis (Minn.) Traffic Association, St. Paul (Minn.) Association of Commerce, Duluth

---

[16] Water-rail denotes that the rates apply over, or that the routes include, the lines of both water and rail carriers, irrespective of whether the actual sequence is water-and-rail, rail-and-water, or rail-water-and-rail. Similarly ocean-rail, barge-rail, lake-rail, and canal-rail indicate more specifically that the rates or routes contemplate transportation on the Atlantic Ocean or Gulf of Mexico, on barges on inland waterways, on boats on the Great Lakes, and on barges on canals, respectively.

(Minn.) Chamber of Commerce, and the North Dakota commission.

The representative of Great Lakes Transit Corporation stated that if the general levels of all-rail class rates are fixed so as closely to approximate the present levels, that corporation will be satisfied with the maintenance of the present differential relations between lake-rail and all-rail rates; but if radical changes are made in the all-rail rates so that the maintenance of the existing differentials would work hardships, it would be compelled to ask for relief. He was unable to discuss definitely the measure of the differentials because of uncertainty as to the level of the all-rail rates that may result from this investigation, but stated that in any event the lake-rail rates of Great Lakes Transit Corporation should be governed by the same classification and exceptions thereto as govern the all-rail rates.

The position of the other water carriers[17] is that it would be wholly impracticable to offer evidence in this record as to the amounts of the differentials between all-rail and rail-water rates that should reasonably be fixed if a change in the level of the all-rail rates should be brought about as a result of this proceeding. The reasons therefor are; (1) Because of the scope of the proceeding, it would hardly be practicable to go into the question at any length without unduly burdening the record; (2) the steamship companies (except to a very limited extent) are not operating their coastwise services, their vessels having been taken over by the Government; (3) there is no way of forecasting what, if any, new all-rail rates will be prescribed; and (4) the traffic departments of these companies have been so drastically curtailed that they are not adequately equipped to prepare and offer evidence. The water carriers do not advocate any change in the all-rail rates, but if such rates are readjusted, they ask that provisions be made for differentials no lower than those now observed.

The territories covered by the differential rates in which the water carriers are interested are, briefly, as follows: Between trunk-line and New England territories and southern territories; from trunk-line and New England territories to trunk-line, central, western trunk-line territories and extended areas thereof and certain portions of southwestern territory, from trunk-line and central territories to north Atlantic ports; between New England territory and New York, N. Y., and its environs.

Only meager evidence was introduced by the Minneapolis, St. Paul, and Duluth interests concerning lake-rail rates, but they stated their general positions with respect thereto. The Twin Cities advocate greater differentials between lake-rail and standard all-rail rates beween the Twin Cities and eastern lake-rail rate areas A, B, and C as described in the lake-rail revision[18] between standard rail-lake and differential lake-rail rates from New York and New England to the Twin Cities, and between canal-lake-rail and standard lake-rail rates from New York to the Twin Cities. Canal-lake-rail rates are not in issue, and we are not empowered to prescribe specific through rates for the future over differential lake-rail routes, part of which are in Canada, because our jurisdiction is limited. Duluth's position is that if no marked changes are made in the all-rail rates from trunk-line and New England territories to western trunk-line territory, the present differentials between lake-rail and all-rail rates to Duluth should be continued. If decided changes in the levels of all-rail rates are prescribed, the carriers should be required to establish lake-rail rates lower than all-rail rates, giving consideration to the value of the service and the economy of water transportation, but lake-rail rates made on the equated mileage theory are opposed.

---

[17] Agwilines, Inc. (Clyde-Mallory Lines), Baltimore Steam Packet Company, Bull Steamship Line, Eastern Steamship Lines, Inc., Merchants and Miners Transportation Company, Philadelphia and Norfolk Steamship Company, and Ocean Steamship Company of Savannah.

The New Orleans Joint Traffic Bureau neither supports nor opposes the efforts to readjust the class rates and is not asking for a revision of those rates. Its main interest is the continuance of class rates over the coastwise water routes through the gulf ports differentially lower than class rates that may be required to be established over all-rail routes between trunk-line and New England territories and points in the Southwest and Mississippi Valley, Memphis, Tenn., and south. If all-rail rates from and to the above territories are ordered reduced, we are urged to require reductions in the class rates over coastwise routes through the gulf ports which will preserve the existing differences between all-rail and coastwise rates.

Owing to the war, practically all water carriers which have participated in joint rates with the railroads have suspended operations because their vessels have been taken over by the Government for war purposes. The lack of evidence respecting such rates is doubtless due to this fact. As the present record is inadequate upon which to prescribe reasonable and otherwise lawful all-water or rail-water rates, no findings will be made with respect thereto, and they will not be discussed further in this report.

Subsequent to the close of the hearings, certain public authorities, shippers, and associations of shippers were permitted to intervene and to participate in future proceedings in both investigations.

HISTORICAL BACKGROUND AND GENERAL BASES OF PRESENT INTERSTATE ALL-RAIL CLASS RATES

The section of the United States embraced in Docket No. 28300 comprises all of official and southern classification territories, and about the eastern half of western classification territory. The boundaries of those territories are defined in part I of this report, and are sketched in appendix 1. Intraterritorial class rates between points within each classification territory are governed by the classification that bears the same name as the territory. Interterritorial rates are subject to the classifications as stated in part I of the report and as graphically portrayed in appendix 1.

---

[18] *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101, 198.

Official territory encompasses New England, trunk-line, central, and Illinois territories;[19] southern territory lies south of official territory and east of the Mississippi River, and includes the Florida peninsula;[20] and the eastern half of western territory contains western trunk-line and southwestern territories, and southern Missouri.[21] Although ordinarily not considered a part of any rate territory, southern Missouri from a rate standpoint has been treated sometimes with either western trunk-line or southwestern territory. It will be discussed in this report under the headings of the former territory.

The description herein of the general bases of interstate maximum class rates and their history will set forth details sufficient only to present the principal aspects of the general rate structures. No attempt will be made to cover relatively minor variations in them, or departures therefrom in comparatively small sections of States or territories made by railroads for competitive reasons usually.

Present class rates within and between the rate territories embraced in this proceeding are founded upon distance scales of rates, or key rates in specific amounts between named points in the determination of which the scales were used as a guide, applicable to both single and joint-line movements, prescribed by us in several extensive investigations,[22] and subjected to the general increase of 1938.[23] The first of these investigations was the southern revision originally decided in 1925, followed by the southwestern in 1927, and the eastern and western trunk-line revisions decided at approximately the same time in 1930. In 1934 the western trunk-line revision and the southwestern revision were modified as to the measure of the rate scales. In 1935 the lake-rail revision was required, and in 1938 the western-southern revision.

---

[19] Description of the territories composing official territory are: New England, lying east of the eastern State-line of New York, but including points in New York State served directly by New England railroads and certain others, which takes in practically all points east of the Hudson River; trunk-line territory, extending westwardly from New England and the Atlantic Ocean to a line drawn through Buffalo and Salamanca, N. Y., Warren, Oil City, Pittsburgh, and Washington, Pa., Wheeling, Parkersburg, Charleston, and Gauley, W. Va.; and central-Illinois territories, which are west of that line.

[20] The Florida peninsula is all that part of the State south of the Seaboard Air Line Railway extending from Jacksonville to River Junction, Fla.

[21] The boundaries of western trunk-line and southwestern territories and southern Missouri are depicted in appendix 1 hereto. To the extent affected, the western boundaries of these territories are the western limits of the territorial scope of this proceeding, and the eastern boundaries are the same as the eastern boundary of western classification territory. The southern boundary of western trunk-line territory west of the Mississippi River is as follows: On and north of the St. Louis-San Francisco Railway from St. Louis to Pacific, Mo., thence the Missouri Pacific Railway to Labadie, Mo., thence the Chicago, Rock Island & Pacific Railway to Kansas City, Mo., thence south along the eastern State line of Kansas, thence west along the southern State line of Kansas, thence west along the southern State line of Colorado to a point south of Trinidad, Colo. That is also the northern boundary of southwestern territory, except that east of Kansas it is Missouri's State line south and east of Kansas to the Mississippi River. The part of Missouri lying between those boundaries is termed southern Missouri in this report.

Broadly speaking, in those revisions all-rail class rates on a distance basis were required to be established intraterritorially within New England, trunk-line and central territories and southern, western trunk-line, and southwestern territories, respectively, and between the territories named for relatively moderate distances; key rates mostly were prescribed interterritorially between points farther apart, except largely between official and southern territories, and as to all rates between western trunk-line and southern territories. A substantial grouping with the base points taking distance rates, and with the key points taking key rates, of all other points in the territories concerned was authorized and established. Water-rail rates prescribed in the revisions were made in relation to, but lower than, the all-rail rates.

Computation of distance rates over all-rail routes between territories or zones accorded different rate levels, except between official and southern territories, contemplated the addition of differentials or arbitraries for distances in specified areas, called the western trunk-line or laminated formula [24] where the differentials are imposed on an underlying rate scale which is applied through for the entir distance. In the exception noted, differentials for distances in of cial territory are added to rate factors in the South. Distances used in all the revisions were those figured over the shortest possible ra routes by which carload traffic can be interchanged between carrier without transfer of lading, except where longer routes traversin territories or zones of lower rate levels produced rates appreciabl lower than over the shortest route; but the resulting rates apply ove one or more reasonably direct routes.

---

[22] They will be termed "revisions" in this report, called by the following names, which revisions were prescribed in the proceedings cited: Eastern, *Eastern Class Rate Investigation* (1930), 164 I. C. C. 314, and supplemental reports, 171 I. C. C. 481, 177 I. C. C. 156, and 203 I. C. C. 357; southern, *Southern Class Rate Investigation* (1925), 100 I. C. C. 513, and supplemental reports 109 I. C. C. 300, 113 I. C. C. 200, and 128 I. C. C. 567; western trunk-line, *Western Trunk Line Class Rates* (1930), 164 I. C. C. 1, and several supplemental reports of which the sixth (1934), 204 I. C. C. 595, contains the principal bases for present rates; southwestern, *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203, and a number of supplemental reports of which the twenty-first (1934), 205 I. C. C. 601, contains the principal bases for present all-rail class rates; western-southern, *Western-Southern Class Rates* (1938), 226 I. C. C. 497, and supplemental reports 231 I. C. C. 315, 232 I. C. C. 81, 238 I. C. C. 681, and 246 I. C. C. 119; and lake-rail *Lake and Rail Class and Commodity Rates* (1935), 201 I. C. C. 101, and supplemental report 214 I. C. C. 93.

[23] The rates described were subject also to the emergency general increase of 1942 during the period it was in effect, namely, March 18, 1942, to May 14, 1943, both inclusive.

[24] The formula was devised in the original report in the western trunk-line revision in order properly to reflect, in the interzone and interterritorial rates prescribed, the varying rate levels in the different rate zones and territories traversed. It requires the application of an underlying scale of rates, being the one prescribed for the lower or lowest-rated zone or territory affected, to the entire distance over such route, plus the differential or differentials for the remainder or successive remainders of the distance in the higher-rated zone or zones; provided, that whenever the route enters the same zone or territory more than once the distances are aggregated before applying the appropriate underlying scale of rates or zone differentials; and, provided further, that where the route passes directly from one zone or territory to another which adjoins but which is not on the next-higher rate level, the differential for the zone or zones of intermediate rate level not entered is nevertheless

Key rates apply between so-called key points, for which were selected substantially all the larger centers of population and industry, supplemented by a sufficient number of less-important places in order to furnish an adequate framework for complete and workable rate structures. In determining the measure of the individual rates, the initial guides were amounts produced by the distance method, including appropriate differentials, modified by the weight accorded relevant practical considerations. Such considerations contemplated the grouping of other points with the key points under the same rates, the blanketing of key rates back over intermediate points to the next less-distant key point, observance of the long-and-short-haul provision of section 4 of the act, long-established custom, and well-recognized rate relations between particular points and ports. The influence of lower ocean and ocean-rail rates on all-rail rates between points in the Atlantic seaboard area, or points reasonably related thereto, also was given consideration. Points other than key points in areas of the respective territories accorded key rates are embraced with congruous key points so as to compose logical and natural groupings.

Distance rates are subject to key rates as maxima. All interterritorial rates are subject also to rates within one or the other territory as minima. Special provisions to fit unusual situations prevail; for example, as to rates to and from the environs of New York, N. Y., and rates for short and financially weak railroads. The maxima for all rates are the lowest aggregates of intermediate rates subject to the act.

Nearly all of the distance and key rates prescribed in the revisions referred to above were those on class 1, which is also referred to as class 100, because other columns of rates are percentages of such class rates. Percentages of class 100, depending upon the classification

---

added for a distance equal of that remaining in the higher-rated zone or zones, which distance is aggregated with any otherwise used in the same zone. The resulting rate is applicable in either direction between the two points.

It may be explained that the differentials for a particular zone represent the amounts that the scale rates for that zone are above those in the next lower-rated zone for the corresponding distance blocks. For that reason the formula contemplates the addition of the differential for an intermediate zone, even though it is not entered, equivalent to the aggregate distance remaining in the higher-rated zone or zones in order to build up to the rate level in the zones actually entered.

that governed, were prescribed for the lower regular classes. In addition, five of the revisions required that the class-rate tariffs affected should contain a number of columns of rates bearing certain percentage relations to class 100, four of which specified identical columns. All such percentages are listed in the following table, with indication of the particular percentage columns named in a given revision, and which of them were fixed for the regular classes. Percentages for classes under the Illinois classification are denoted also, although they were not prescribed by us, and that classification governs little interstate traffic.[25]

Percentage relations of regular classes prescribed, and columns required to be published in class-rate tariffs

Rate column (percent)	Revisions						Under Illinois classification
	Eastern[1]	Southern[2]	Western-trunk-line[3]	Southwestern[4]	Western Southern[5]	Lakerail[6]	
	Class	*Class*	*Class*	*Class*			*Class*
100	*1	1	*1	*1	•	•	1
92.5	•		•		•	•	
85	*2	2	*2	*2	•	•	2
77.5	•		•		•	•	
70	*3	3	*3	*3	•	•	3
65	•		•	•	•	•	
60	•		•	•	•	•	
55	*R26	4	*4	*4	•	•	R26
50	*4		•	•	•	•	4
45	•	5	*A	*A	•	•	
42.5				•			
40	•	6	•	•	•	•	A
38				•			
37.5	•		*5	*5	•	•	5
35	*5	7	•	•	•	•	
32.5	•		*B	*B	•	•	B
30	•	8	*C	*C	•	•	
27.5	*6		•	•	•	•	6, C
25	•	9	•	•	•	•	
22.5	•	10	*D	*D	•	•	D
20	•	11	•	•	•	•	E
17.5	•	12	*E	*E	•	•	
16	•		•	•	•	•	
15				•			
14.5	•		•		•	•	
13.5				•			
13	•		•		•	•	
12.5				•			
12				•			
6.5				•			

[1] Rates are governed by official classification. At time of original report in the eastern revision, official classification still published R25, or rule 25, rating on certain article descriptive items, for which 70 percent was fixed, or the same as for class 3. The classification no longer contains rating R25.

[2] Rates, both intraterritorially and interterritorially, are governed by southern classification.

[3] Rate percentages shown are those for rates governed by western classification; where interterritorial rates are governed by official classification, they are the same as in the eastern revision.

[4] Rates, both intraterritorially and interterritorially, are governed by western classification.

[5] All rates apply interterritorially, and class rates are the same percentages as in the southern and western trunk line revisions, according to whether governed by southern or western classification, respectively.

[6] Class rates are the same percentages as prescribed in the eastern and western trunk-line revisions, according to whether governed by official or western classification, respectively.

* Indicates the percentage column required to be published in class-rate tariffs.

---

[25] The interstate application of Illinois classification is now confined to class rates between Illinois and points in the Indiana portion of the Chicago switching district, and to traffic between Illinois points traversing routes partly in Indiana on which the Illinois classification authorizes charges over intrastate routes between the same Illinois points lower than what the corresponding charges would be at interstate rates governed by official classification.

Removal of the unlawfulness found in these revisions resulted in the application of uniform percentage relations between the classes throughout official territory, southern territory, and the eastern half of western territory, respectively, and interterritorially when the rates are governed by the same classification. It also established harmony among rate levels, even though different levels were prescribed for defined parts of the same territory, in place of the great variations that had existed.

Intraterritorial rates.—The principal scales of class 100 rates prescribed in the important class-rate revisions for the respective territories, and for certain parts of those territories, including the general increase of 1938, are set forth in appendix 8.

Within official territory.—The bases for present rates in this territory were prescribed in the eastern revision. The rate history appears at pages 323–335 and elsewhere in the report therein (164 I. C. C. 314). For the purposes of that proceeding, official territory included the west-bank Mississippi River crossings in Missouri and Iowa, west-bank Lake Michigan ports in Wisconsin and in the Upper Peninsula of Michigan, the lines of the Chesapeake & Ohio Railway in Kentucky, and those of the Norfolk & Western Railway to Norton, Va., and Bristol, Va.-Tenn. It did not include rates to and from local points on the Southern, Atlantic Coast Line, and Seaboard Air Line railways in Virginia.

These rates are grounded upon the so-called eastern scale, shown in appendix 8. Neither the measure nor progression of that scale was modeled after any other, but the average of the class 100 rates for all distance blocks through 1,500 miles is 73.1 percent of the southern scale, 77.9 percent of the western trunk-line zone I scale, and about 62.3 percent of the southwestern (or zone III) scale.

The eastern scale was prescribed or employed for making rates over standard class I railroad lines, including all electric lines, engaged in the general transportation of freight, and all switching and terminal carriers. It determines the rates within trunk-line and central-Illinois territories, with differentials or arbitraries added in certain parts, and was used in constructing key rates between trunk-line-New England and central-Illinois territories. It fixes the distance rates between trunk-line territory and New England zones A and B,[26] being applied to and from zone A, with the addition of differentials that represent about 8.8 percent of the eastern scale for the distances in zone B.

Within New England, the scale in zone A is 105 percent of the eastern scale, and the scale in zone B is 110 percent of the zone A scale, or 115.5

---

[26] New England zones roughly are divided by a line drawn through Windsor, Vt., Concord, N. H., and Portland, Maine, the portion south of that line being designated zone A, and north thereof as zone B.

percent of the eastern scale. Between these zones the zone A scale applies, plus differentials for distances in zone B the same as those used in making rates between zone B and trunk-line territory, which average about 8.8 percent of the eastern scale. Between zone B and other parts of official territory, no arbitraries are added.

Between points in zone C in Lower Michigan,[27] as well as the west-bank Lake Michigan car-ferry ports,[28] and between them and other points in central territory, the basis prescribed for interstate rates is the eastern scale plus differentials for distances in zone C, which average 8.8 percent of the eastern scale.

Special arbitraries, in distance or in cents per 100 pounds, are added to the distances or rates in applying the eastern scale to and from New York City and its environs, including provision for lighterage and floatage deliveries, from and to defined long-and-short-haul areas in trunk-line territory; and also in the rates from and to New England under the New England zone scales. From and to points on Long Island outside New York City, the rates include arbitraries over New York City. Distance arbitraries are represented in rates applicable over routes involving interchange movements across New York Harbor entirely or partly by car float, and where the rate-making distance is computed over routes of the New York, New Haven & Hartford and New York Central railroads.

Between designated Philadelphia, Pa., and Baltimore, Md., groups and trunk-line and New England territories, rates reflect distance arbitraries added to the actual distances to particular stations in those groups; and at Philadelphia a constructive distance is allowed where routes of less than 80 miles require crossing the Delaware River.[29]

In order to make rates to and from points on specified lines or branches of certain railroads in northeastern New York State, Virginia, West Virginia, and Kentucky, for distances on such lines or branches, carriers were authorized to add to the rate to the main-line junctions differentials representing 10 percent of the eastern scale in some instances, and, in others, arbitraries on a higher scale. The record does not indicate the extent, if any, to which the carriers have availed themselves of that authority.[30] These rate situations are not sufficiently important to develop at length in a statement of the general bases over nearly two-thirds of the United States.

---

[27] Zone C includes that portion of Lower Michigan north of a line drawn eastwardly from Muskegon through Greenville, Edmore, Alma, Midland, and Bay City, excluding the "thumb" of Michigan.

[28] Subsequently the carriers voluntarily reduced the rates between the west-bank Lake Michigan ports and trunk-line-New England territories.

[29] As indicated, between these Atlantic port areas and central Illinois territories specific key rates apply, which include the additional amounts for port areas.

[30] For example, the Norfolk & Western Railway elected to publish rates to and from its Bristol and Norton lines in southwestern Virginia on the standard-line eastern scale, without arbitraries. They were found justified in *Rates on Bristol and Norton Lines of Norfolk & W. Ry.* (1933, 192 I. C. C. 315.

Certain New England short lines were exempted from the requirement to establish joint class rates where none had been published previously.

Within southern territory.—Rates in this territory, founded upon the southern revision, were established January 15, 1928, and later modified. The preceding history is reviewed in the original report in that revision (100 I. C. C. 513) at pages 520 to 530.

A scale, known as the southern or K–2 scale, extending through 1,500 miles, was prescribed for general application in southern territory and is set forth in appendix 8 to this report. For distances in the Florida peninsula a scale of differentials, representing about 15 percent of the southern scale, was added.[31]

Modification of the application of the southern scale between points in Virginia on and south of the Virginian Railway and points in North Carolina was required by us and became effective October 27, 1936. It is termed the "border area" scale in appendix 8. It consists of a scale through 600 miles, in which the rates are the same as in the southern scale for distances between 200 and 400 miles and somewhat lower and higher than in that scale for shorter and longer distances, respectively.[32]

For distances through 190 miles, the carriers, on July 7, 1941, voluntarily reduced to the basis of the border area scale all rates throughout southern territory that previously had been constructed on the southern scale.[33] No corresponding change was made in the differentials imposed for distances in the Florida peninsula.

Arbitraries were authorized for short and financially weak lines.

Within western trunk-line territory.—The history of the class rates within this territory, interstate and intrastate, for upwards of 50 years preceding the decision in 1930, is recited in the original report in the western trunk-line revision (164 I. C. C. 1) at pages 23–36. It describes the numerous and varying rate bases, with widely differing percentage relations of the respective lower classes to class 100, evolved piecemeal by the carriers since the early railroad development of the West, by us upon many formal complaints against interstate rates, and as to intrastate rates, by the regulatory commissions of every State in the territory.

---

[31] The southern scale of rates and the Florida scale of differentials were prescribed in the second and third supplemental reports on reconsideration in the southern revision (1926 and 1927), 113 I. C. C. 200, and 128 I. C. C. 567, respectively.

[32] This scale was first prescribed in *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.* (1935), 213 I. C. C. 259.

[33] This action came after the prescription of the scale referred to for determining lawful intrastate rates in North Carolina in *Class Rates Within the State of North Carolina* (1940), 238 I. C. C. 225.

In that report related distance bases of maximum reasonable interstate rates were prescribed. Western trunk-line territory, which for the purposes of the proceeding included no part of Illinois, was divided into three principal rate zones; and eastern and southeastern Wisconsin were accorded separate rate treatment.[34] Boundaries between zones are not on State lines. Scales of rates were provided for application between all points in each of the rate zones, the measure or level of the scale for zone I being the lowest. The scales for zones II and III were higher than the scale for zone I by approximately 12 and 20 percent, respectively.[35] For the eastern and southeastern portions of Wisconsin, the interstate bases prescribed were those fixed in the eastern revision for zone C in Michigan and for Illinois, respectively. Between these portions and the western trunk-line zones, the basis prescribed was the same distance basis hereinafter described in connection with interterritorial rates between those zones and Michigan zone C and Illinois territory.

In the western trunk-line rate structure that had been evolved up to the western trunk-line revision there were 10 classes, with no uniformity in percentage relations between them, governed by western classification and exceptions thereto. The prescription of official classification within eastern and southeastern Wisconsin was the only change made in the governing classifications and exceptions. The number and designation of classes, where they were to be governed by western classification, remained the same, but uniform percentage relations between them were provided. Rates published in purported compliance with the original report, as modified,[36] became effective December 3, 1931.

Rates within western trunk-line territory were subsequently required to be changed,[37] and the revision became effective August 20,

---

[34] These rate zones are as follows: Zone I, Upper Michigan, Wisconsin except the eastern and southeastern portions, the eastern and southeastern portions of Minnesota, Iowa, and the northern half of Missouri; zone II, the remainder of Minnesota, the eastern thirds of North and South Dakota, the eastern half of Nebraska, and the eastern third of Kansas except the southeastern corner; and zone III, the remainder of North and South Dakota, Nebraska, and Kansas, Colorado on and east of the common-point line extending through Denver, Colorado Springs, and Trinidad, and the small southeastern or Cheyenne corner of Wyoming. The portions of Wisconsin not embraced in zone I were treated as two rate areas, one being the part in Illinois territory, and the other the part that lies north thereof and on and east of a line from Madison to Green Bay and termed extended zone C in Wisconsin. These zones and separately treated portions are sketched on appendix G to the original report in the western trunk-line revision. Carriers later voluntarily projected extended zone C northward along the west bank of Green Bay to embrace Marinette, Wis., and Menominee, Mich.

[35] The original scale for zone I extended through 1,500 miles (as did those for zones II and III), and the rates therein for representative distances were 5 miles 32 cents, 50 miles 49 cents, 100 miles 68 cents, 200 miles 92 cents, 400 miles 126 cents, 600 miles 158 cents, 1,000 miles 210 cents, and 1,500 miles 270 cents.

[36] In supplemental and second supplemental reports (1931), 173 I. C. C. 637, and 178 I. C. C. 619, respectively.

[37] Sixth supplemental report (1934) in the western trunk-line revision.

1935. No change was made in the rates within the parts of eastern and southeastern Wisconsin previously defined. The plan of the original report for constructing rates was adhered to, but the zone scales were modified mainly by increasing the rate of progression and measure for the relatively longer distances, although many of the rates for the shorter distances in zone I scale were reduced somewhat. Zone differentials were modified accordingly. The approximate average percentage relations to zone I of rate levels in zones II and III were increased to 114 and 125 percent, respectively.[38] Rates in the revised zone I scale for all distance blocks through 1,500 miles average 128.4 percent of the eastern scale, 93.9 percent of the southern scale, and 80.0 percent of the revised southwestern (or zone III scale). No change was made in the zone boundaries, laminated formula for interzone rates, number and percentage relations of the classes, or in the governing classification and exceptions, save that rates within extended zone C in Wisconsin were required to be governed by western classification.

Southern Missouri's earlier class-rate history is recited in *Interstate Rates in Missouri* (1932), 181 I. C. C. 259, at pages 264–266. In that proceeding southern Missouri was denominated zone II, except the strip along the Arkansas border which was named zone III. Pursuant thereto the bases for present interstate rates are those fixed in the western trunk-line revision for zones II and III, respectively. For rates between these zones, as well as between them and northern Missouri (zone I), application of the laminated formula was prescribed. No change was made in the governing (western) classification and exceptions. Rates in compliance with the findings in that proceeding became effective July 17, 1932.

Within southwestern territory.—The rate structure in this territory as it existed in 1927 is described, and a brief history thereof is given, at page 217 and elsewhere in the original report in the southwestern revision (123 I. C. C. 203). In that report, distance rates were prescribed throughout the territory on the southwestern scale,[39] with the addition of differentials, representing 20 percent of the southwestern scale, for any distance in Texas-Oklahoma differential territory.[40] For the crossing of the Mississippi River, the carriers were authorized to add arbitararies of 4 cents at Thebes, Ill., and Memphis, Tenn., and 6 cents at crossings south thereof. As modified prior to the establishment of the rates on July 14, 1928, the percentage relations of the classes to class 100 prescribed were:

---

[38] The scales of rates in the three zones appear in appendix 8.

[39] The original scale in the southwestern revision for the distance rates established July 14, 1928, extended through 1,500 miles. For representative distances the rates were, 5 miles 36 cents; 50 miles 58 cents; 100 miles 79 cents; 200 miles 109 cents; 400 miles 157 cents; 600 miles 192 cents; 1,000 miles 253 cents; and 1,500 miles 318 cents.

[40] Roughly, Texas-Oklahoma differential territory lies generally west of a line in Texas drawn north from Corpus Christi through San Antonio, San Angelo, Midland, Lubbock, and Amarillo, thence northeastward and north so as to include the Panhandle section of Oklahoma west of the 100° meridian.

Classes	1	2	3	4	A	5	B	C	D	E
Percentages	100	85	70	55	45	40	32½	30	22½	17½

Shortly after the original decision in the western trunk-line revision, the southwestern proceeding was reopened for further hearing in recognition of the differences between the rates that had been prescribed in the original reports in these two revisions, and to integrate the two rate adjustments as much as possible. In supplemental reports in the reopened proceeding, the twenty-first as modified by the twenty-second supplemental report (1934 and 1935), Texas-Oklahoma differential territory was designated as zone IV, and the Southwest [41] as zone III. The scale fixed for zone III was the same as had been provided in the sixth supplemental report in western trunk-line revision for zone III, and, for zone IV, a scale 15 percent higher.[42] Rates between zones III and IV were required to be constructed on the laminated formula.

Addition of arbitraries for Mississippi River crossings was no longer permitted in rates to and from east-bank river points. Houston, Galveston, and Texas City, Tex., were grouped generally as to rates between those cities and points more than 200 miles, later made 150 miles, from Houston by adding 15 miles to the distance to and from Houston.[43]

The percentage relation of class 5 was reduced from 40 percent to 37½ percent of class 100, thus unifying the percentage relations between all classes where the rates are governed by western classification in the southwestern and western trunk-line revisions. Rates in accordance with the modifications described were published effective April 9, 1937, and the class rates which had been established pursuant to the original report, as modified, were canceled.

The reduction from 120 percent to 115 percent in the rate level for Texas-Oklahoma differential territory (later designated zone IV) had been earlier required in the nineteenth supplemental report [44] (1933) in the southwestern revision.

---

[41] The Southwest is all of southwestern territory lying east of Texas-Oklahoma differential territory.

[42] Southwestern zone III scale is set forth in appendix 8 to this report. The scale for zone IV is not shown there because the carriers no longer avail themselves of its level above zone III.

[43] Twenty-second and twenty-ninth supplemental reports (1935 and 1943) in the southwestern revision, 211 I. C. C. 575, and 256 I. C. C. 636. The reports cited provide that in instances in which the short-line distances from Houston approximate or exceed the corresponding distances from Galveston the scales shall be applied to the Houston distance.

[44] 196 I. C. C. 507.

Effective August 16, 1941, the carriers voluntarily reduced the rate level in zone IV to the basis of the zone III rate scale, and eliminated the zone IV differentials in the rates between zones III and IV.

Interterritorial rates.—There is no scale that alone determines the class rates between any two of the principal rate territories. As indicated, for the most part key rates have been prescribed; and, where distance scales are used, differentials for the higher-rated territories or zones are added to the underlying rate scale, or the intraterritorial scales are used as rate factors and differentials for the other territory are added. In the circumstances, the setting forth in full of any such scales would serve no useful purpose.

Between official and southern territories.—The early history of these rates generally is set forth in the original report in the southern revision (100 I. C. C. 513) at pages 550 to 566, and in supplemental reports in that revision. As to southern Virginia, North Carolina, Kentucky, and northeastern Tennessee, being the area in southern territory contiguous to official territory, it is further reviewed in reports in the so-called "border cases."[45]

The present adjustment generally consists of joint rates. Rates are on either a key or distance basis, maintained for the most part in accordance with the southern revision, and as to the area[46] bordering on official territory they are made pursuant to the subsequent border cases. Exceptions to the adjustment are the rates between Maine north of the extensive Portland group and southern territory below the border area, which are made on combinations.

Key rates apply to the extent prescribed in the southern revision between selected key points, and other places grouped therewith by the carriers, in trunk-line territory or New England and southern territory (not including the southern border area). We outlined the grouping of southern territory, including the Florida peninsula. The all-rail key rates were designed to reflect the influence of the more economical water transportation afforded by all-ocean or ocean-rail rates, which becomes less and finally disappears as the locations of the points are farther and farther inland.[47] For that reason, part of

---

[45] *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.* (1935), 213 I. C. C. 259, *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, and *Eas Tennessee Border Traffic Assn.* v. *Akron, C. & Y. Ry. Co.* (1936), 214 I. C. C. 316; an all three proceedings are embraced in the following supplemental reports: 218 I. C. C. 521, 229 I. C. C. 20, and 231 I. C. C. 453.

[46] This border area comprises southern Virginia, being that part of the State lying sout of the Norfolk & Western Railway between Norfolk and Bristol, and south of the Virginia Railway between Norfolk and Roanoke; the States of North Carolina and Kentucky; an northeastern Tennessee, which embraces Johnson City, Kingsport, Elizabethton, Bluff City Wautauga, Piney Flats, and Bemberg.

[47] Key rates over ocean-rail routes were prescribed in the southern revision, between majority of the eastern key-points and southern groups, in varying amounts lower tha the all-rail key rates.

Tennessee was excluded from the southern territory groups accorded key rates, and was placed on the interritorial distance basis.

The rates between official and southern territories, except key rates, are on the distance-basis formula prescribed in the southern revision, save that to and from the southern border area the rates are nearly all on the distance formula prescribed in the border cases. The formula combines the intraterritorial rate factors south of the Ohio River gateways for all distances, or south of Virginia gateways for southern points beyond the border area over direct routes, with the appropriate differentials for distances in official territory north of the gateways. Four scales of differentials are used dependent upon the varying distances in southern territory. As the distances in the South lengthen the differentials become relatively less. To and from points in the Florida peninsula the differentials previously described for distances in the peninsula are added.

Rates between official territory and the southern border area, except northeastern Tennessee, are on a distance formula like the one prescribed interterritorially to and from most of southern territory, but the factors south of the Ohio River and Virginia gateways, and the official territory differentials north thereof, are lower, and the distance spreads in the South that determine the use of the particular scale of such differentials are different. To and from the Tennessee points the rates are made by adding an arbitrary of 48 cents to the official territory differentials, with a slight modification in certain instances as to one of the points.

Differentials for distances in zone B in New England similar to those authorized in the eastern revision, are not included in the interterritorial rates between zone B in New England and southern territory. Differentials were authorized to and from points in Michigan, *Southern Class Rate Investigations*, 128 I. C. C. 567, 601, similar to those which are applied in determining first-class rates within central territory, and apparently zone C arbitraries are added in constructing class rates between zone C and southern territory.

Although certain points on the Chesapeake & Ohio Railway in Kentucky, and on the Norfolk & Western Railway in Virginia, are within the boundaries of southern territory, rates between them and official territory are discussed under this title of the report dealing with rates within the latter, because in the eastern revision they were treated with rates in official territory; and they are subject to official classification.

Between official and western trunk-line territories.—Rates, as then in effect, are described in the original report in the western trunk-line revision (164 I. C. C. 1), along with some history, at pages 36–42.

While the rates were mostly combinations of separately publish factors, governed by either official or western classification, there wer many important exceptions.

The bases prescribed in that original report for all-rail rates to an from the three western trunk-line rate zones previously described co sisted of distance rates and key rates, depending upon the location i official territory of a given point respectively east or west of a lin extending south across the southeastern corner of Michigan, thenc the western boundary of Ohio. Interterritorial rates in both dire tions were required to be governed by western classification, but classi fication exceptions were not prescribed. Key rates were fixed i specific amounts, while the distance rates were prescribed accordin to the laminated formula employed for interzone rates within wester trunk-line territory, but using as the underlying through scale th so-called basic scale.[48] The latter applied only in conjunction wit the zone differentials. It was the same as the eastern scale throug 85 miles, but, beyond, became higher gradually, and for all distanc blocks through 1,500 miles was 106.4 percent of the eastern scale; an approximated 84 percent of the scale for western trunk-line zone I.

In order to avoid excessive "humps" in the interterritorial rates t and from points in the eastern portion of zone I, a reasonable gradin into the interterritorial rates published on the normal basis wa achieved by subjecting them as maxima to rates obtained by adding t the class 100 rates prescribed in the eastern revision east of those gat ways a so-called bridge scale of arbitraries for distances through 17 miles. Through rates so arrived at for class 100, to which the lowe classes were related by the same percentages as fixed within wester trunk-line territory, were also governed by western classification.

Between the eastern and southeastern parts of Wisconsin outsid zone I and official-Illinois territories the rates were prescribed o either the distance or key-point plan on the same bases as used in th eastern revision to and from the corresponding areas in zone C i Michigan and Illinois, respectively.

A general modification of the interterritorial rates, mostly up ward, was required in the sixth supplemental report in the weste trunk-line revision, and became effective August 20, 1935, sim taneously with the modified rates within western trunk-line territor Included were the rates between the western trunk-line zones and th parts of eastern and southeastern Wisconsin previously describe but the rates between these parts of Wisconsin and official-Illino territories were not altered. No change occurred in the dividing li etween the areas in official territory to and from which key and istance rates were provided; but the revised interterritorial rates eflected modifications in the underlying basic scale relatively the ame as were effected in the sixth supplemental report respecting the estern trunk-line zone scales, as well as from changes in the zone ifferentials used according to the laminated formula. The revised asic scale to and including 85 miles remained unaltered and the same s the eastern scale, but for greater distances became relatively higher han the latter.[49] The aggregate of the class 100 rates for all disance blocks in the basic scale through 1,500 miles is 112.6 percent of he aggregate of the class 100 rates in eastern scale; and, correspondngly, 87.7 percent of the zone I scale.

---

[48] The original basic scale extended through 2,200 miles, and the rates (prescribed pr to the general increase of 1938) for representative distances were, 5 miles 30 cents; miles 43 cents; 100 miles 57 cents; 200 miles 78 cents; 400 miles 106 cents; 600 mi 134 cents; 1,000 miles 117 cents; 1,500 miles 228 cents; and 2,200 miles 298 cents.

Important features of the general revision effective August 20, 935, were the changes required in the classifications and exceptions overning the interterritorial class rates, which were determined ainly by applying the destination-territory classification. Classifiation exceptions had not been embraced in the findings in the origial report.[50] Rates made by the use of the bridge scale of arbitraries lso were affected materially by these changes.

The specific bridge-scale arbitraries published separately between he eastern gateways of zone I and points within 170 miles thereof in hat zone, for use in constructing alternate maximum through interrritorial rates, are governed by western classification and exceptions; nd the same treatment is accorded points within 170 miles of the estern boundary of the Northwest.[51] The rate factor applicable ast of the gateway or boundary on a given shipment, to which the rbitrary is added, remains subject to official classification of a class ate. In contrast, the original report had provided such alternate axima by addition of the class 100 arbitraries to the class 100 rate actors east of the gateways, which total was published in single mounts governed through by western classification; and the lower lasses were related thereto by the western percentages.

Between official territory and southern Missouri.—Formerly combiation rates based on the Mississippi River applied generally to and rom official territory. In consequence of successive readjustments in interterritorial rates applying over routes through Missouri traffic between official territory and points in Arkansas, Oklahom and Kansas, necessitated by compliance with findings in the south western and western trunk-line revisions, and of expiration of reli from section 4 of the act which had permitted temporarily the maint nance of higher rates to and from intermediate points in Missouri, th carriers established joint rates between official territory east of Illino and southern Missouri. They are constructed approximately on th bases employed in the southwestern revision, except that to and fro points near the Kansas border and north of Cornell, Kans., the rat conform to the western trunk-line revision. Only a small part of th adjustment was protested upon publication, but was found justifi by division 2 in *Class Rates Between Missouri and Official Territo* (1940), 237 I. C. C. 451.

---

[49] The revised basic scale extended through 2,400 miles, and the class 100 rates therein r representative distances were, 5 miles 30 cents; 50 miles 43 cents; 100 miles 57 cents; 0 miles 78 cents; 400 miles 109 cents; 600 miles 140 cents; 1,000 miles 191 cents; 1,500 iles 251 cents; and 2,400 miles 359 cents.

[50] The finding as to classification exceptions was rescinded in report on further hearing n *Western Trunk Line Class Rates* (1941), 246 I. C. C. 119.

[51] That boundary is formed by the Northern Pacific Railway from Duluth to Hinckley, inn., thence the Great Northern Railway to Twin Cities, Minn., thence the Mississippi iver to the northern State line of Illinois. The "Northwest" here contemplated embraces innesota east of the boundary described, Upper Michigan, and Wisconsin except the ortions in extended zone C and Illinois territory. As stated in part I of this report, fficial classification governs class rates between the Northwest and official territory east f Illinois.

Between official and southwestern territories.—All-rail rates, as th existed in 1927, between so-called "defined territories" and other are on the one hand, and southwestern territory on the other, are di cussed at page 218 and elsewhere in the original report in the sout western revision (123 I. C. C. 203).

Except Illinois, most of which was then included in western defin territories, official territory consisted of eastern defined territori extending from Illinois through the Buffalo-Pittsburgh line, a trunk-line-New England territories east thereof. The outlines of t defined territories varied greatly, depending upon the parts of sout western territory to and from which the rates applied. From easte defined territories to southwestern territory generally rates were ma differentially over St. Louis, Mo., while in the opposite directi combinations on southwestern gateways[52] applied. Groups often large size obtained at both ends in connection with these rates, Tex common-point territory[53] generally having the same destination rat Wide disparities prevailed between the rates from defined territori Between trunk-line-New England and southwestern territories ra were generally combinations of flat rates, or flat rates and proportion rates, on southwestern gateways or Chicago, Ill.

The pattern of the rate bases above described to and from the easte defined territories was followed largely in the bases for interterritor rates in both directions prescribed in the original report in the sout western revision, as modified prior to the establishment of rates p suant thereto. Rate factors were provided between base points official territory and the southwestern gateways, to which were add the factors fixed between the gateways and extensive groups th

---

[52] The southwestern gateways are: St. Louis, Cairo, Ill., Memphis, Vicksburg, Miss., New Orleans, La.

[53] Texas common-point territory comprised all of Texas east of Texas differe territory.

together comprised all of southwestern territory. These groups represented segments of roughly circular bands extending between two lines which were approximately indicated distances from a given gateway. Factors between such groups and gateways were made according to the measure of the rates prescribed in the southwestern revision within and between southwestern and Kansas-Missouri territories. Official territory points, other than those particularly named in the original report in that revision, were required to be either grouped with the base points or established as additional base points with which other points could be grouped, and to be supplied with rates in harmony with those prescribed for the base points named. The official territory rate factors reflected in some degree the differentials for that territory set forth in appendix Q to the original report in the southern revision. Joint rates on the bases prescribed became effective July 14, 1928.

These interterritorial rates were governed by western classification, and the percentage relations between the classes prescribed were the same as stated herein for the rates within southwestern territory resulting from the original report, as modified, in the southwestern revision.

In the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision, the rate pattern was changed as a result of the reopening of that revision for the purpose of interrelating the adjustment therein with that in the western trunk-line revision. Key rates were prescribed between key points in southwestern territory and key points in official territory, except the parts of Illinois and Indiana south of a line from St. Louis to Cincinnati, Ohio. To and from these excepted parts rates on distance bases were ordered, which were constructed on the laminated formula by using the basic rate scale for the entire distances and adding appropriate mileage differentials for distances within the zones in western trunk-line and southwestern territories.

All these readjusted interterritorial rates were required to be governed by western classification, and the percentage relations fixed between the classes were the same as those in the contemporaneous readjustment of rates within southwestern territory. They became effective April 9, 1937.

The rates described to and from points in zone IV were voluntarily reduced by the carriers on August 16, 1941, in amounts equal to the appropriate zone IV differentials, contemporaneously with like action within southwestern territory.

Between southern and western trunk-line territories.—A brief history of the rates between western trunk-line and southern territories prior to 1930 appears in the original report in the western trunk-line revision (164 I. C. C. 1) at pages 42 and 43. The rate adjustment existing in 1938 between this western territory, including southern Missouri, and the South is described in the original report in the western-southern revision (226 I. C. C. 497) at pages 501 and 502. With important exceptions, the rates were then generally made by combinations of rate factors, usually on the Ohio and Mississippi River crossings, Virginia cities, or Chicago or other interior points in Illinois. For example, rates between most of Kansas-Missouri territory[54] and the South, which were approved in the original report, as modified, in the southwestern revision, were through one-factor rates, having become effective April 9, 1937.

On June 7, 1939, through one-figure rates were established between western and southern territories on the basis of the full line of key rates prescribed in the western-southern revision. Because the two territories are not closely contiguous over railroad routes, the finer grading afforded by distance scales was not deemed necessary, and no scale was prescribed; but we suggested that carriers themselves provide reasonable grading near the gateways where essential in order t avoid rate bumps.

As in the case of key rates fixed in other proceedings, the initia guides were the amounts produced by the distance method applie according to the laminated formula. The scales of rates and differ entials used therefor were the same as prescribed in the other class-rat revisions for the respective territories and zones traversed, the ra level employed for the South being the same as that for wester trunk-line zone II.

From western trunk-line territory to the South rates were requir to be governed by southern classification, and by western classificati in the opposite direction.

Between southern and southwestern territories.—The rate structu in existence in 1927 is outlined in the original report in the sout western revision as one of the several interterritorial adjustmen Reference thereto has been made in the portion of this report deali with history of the rates between official and southwestern territori Explanations there made of a general nature as to the adjustmen particularly those regarding rates from defined territories, are per nent here. The South was then contained in the southeastern defi territories. Rates from the latter to southwestern territory usua were made differentially over St. Louis, but sometimes over Mis sippi River crossings south thereof. East-bound, combinations rates on that river applied.

---

[54] Kansas-Missouri territory was described in the southwestern revision as compri all of Kansas, and Missouri south of the Missouri River, except St. Louis and Kansas C

In the original report, as modified, in the southwestern revision, he method of constructing these interterritorial rates was like that mployed for rates to and from official territory, previously described erein, including the same percentage relations between the classes, ll governed by western classification. The same groups and rate actors were used between southwestern territory and the gateways f Memphis, Vicksburg, Miss., and New Orleans, La., to which were dded the factors named between the gateways and specified base oints throughout southern territory, except the Florida peninsula, o and from which no joint rates were provided. Effective July 14, 928, joint rates in accordance with this outline were established.

The rates described in the next-preceding paragraph were super- eded on April 9, 1937, by joint rates prescribed in the twenty-first, as odified by the twenty-second, supplemental report in the south- estern revision. We followed a plan similar to that employed in he same reports respecting rates between southwestern and official erritories. Key rates were prescribed between named key points in outhwestern territory and in southern territory on and east of an rregular line drawn southwardly through Louisville and Bowling reen, Ky., Nashville, Tenn., Decatur, Birmingham, Montgomery, nd Dothan, Ala., and Tallahassee, Fla. To and from points west f that line the carriers were required to compute rates on the distance asis according to the laminated formula, using the same scales of ates and differentials as had been prescribed within southwestern erritory, and treating the southern-territory area as on the same rate evel as western trunk-line zone II. Western classification continued o govern these interterritorial rates. Percentage relations between he classes were the same as required for the contemporaneous read- ustments of rates within southwestern territory. Again no rates ere fixed to and from the Florida peninsula.

As in the case of other rates resulting from the southwestern evision, the zone IV differentials were removed on August 16, 1941.

Between western trunk-line and southwestern territories.—The akotas, eastern Colorado, and the Cheyenne corner of Wyoming ere not within the interterritorial scope of the southwestern revi- on. They will be discussed apart from the portion of western trunk- ne territory affected by that revision, which did include southern issouri as to interterritorial rates.

Between western trunk-line territory affected by the southwestern vision and southwestern territory the rates in 1927 were on various ses, as described at page 217 and elsewhere in the original report that revision. The principal bases were: To and from western defined territories[55] (the affected area north of Kansas-Missou territory, except the portions of Nebraska and Minnesota outside defined territories) the rates were extensively grouped and usual constructed differentially over St. Louis, but rates to and from Tex common-point territory[56] (which generally was blanketed under t same rates) were mostly joint rates; to and from the lower Missou River cities (Kansas City to St. Joseph, Mo., inclusive) specific ra applied that roughly increased with distance, but here common-poi territory was divided into two groups of which the Dallas-Fort Wor group comprised northeast Texas; and Texas-Oklahoma differenti territory rates were made by adding differentials to the commo point rates. Between southwestern and Kansas-Missouri territor the rates were made generally on certain distance scales that w widely divergent.

To and from the portions of Nebraska and Minnesota not embrac in western defined territories, rates were combinations made o Missouri River cities or other points within those territories, amo the most important being the Twin Cities, Minn., and Sioux C Iowa.

The rates described above (except those covered in the next prec ing paragraph) were displaced on July 14, 1928, by rates on ba prescribed in the original report in the southwestern revision, modified. They were: Between southwestern and Kansas-Misso territories, rates computed point to point on the original southwest scale, plus the 20 percent differentials for any distances in Te Oklahoma differential territory; and to and from the remainder[57] affected western trunk-line territory, rates constructed by adding specified rate factors between the southwestern groups[58] and gateways of Kansas City or St. Louis the rate factors named betw the gateways and base points north thereof. Factors south of gateways reflected the increments for Texas-Oklahoma differen territory. The aggregated factors were published as joint rates, were governed by western classification. Percentage relations tween the classes were the same as stated in the part herein dea with rates within the southwestern territory.

---

[55] Western defined territories embraced southeastern Nebraska and southern and eastern Minnesota, including the Twin Cities, but not that part of western trunk-line tory north and west thereof.

[56] All of Texas east of Texas differential territory.

[57] This remainder included points on, east, and south of a line commencing at D Minn., and extending roughly through Hinckley, St. Cloud, and Pipestone, Minn., Falls, S. Dak., Sioux City, and Emerson, Oakland, Fremont, Grand Island, and L Nebr., to the Nebraska-Kansas State line on which it continued to the Missouri thence to the Mississippi River.

[58] These groups were devised in the original report in the southwestern revision, a described herein in connection with the interterritorial rates between official southwestern territories.

Although rates to and from the parts of Nebraska and Minnesota outside of western defined territories were also in issue, no bases therefor were prescribed in the original report in the southwestern revision, and carriers did not undertake to establish joint rates coincidently with the rates made effective July 14, 1928. However, they did extend joint rates on July 15, 1932, to and from Nebraska on the original southwestern scale on a point to point basis; and on November 20, 1933, they extended joint rates to and from northern Minnesota, but on bases somewhat higher than that scale, and the points were grouped.

Like other interterritorial rates to and from southwestern territory, the rates from and to affected western trunk-line territory, including all of Nebraska and Minnesota, were changed effective April 9, 1937, to conform to the pattern prescribed in the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision. Key rates were provided throughout, including the Missouri River cities and St. Louis, but excepting Kansas-Missouri territory. To and from Kansas-Missouri territory, except the Kansas points on the Missouri River, distance rates were required to be constructed according to the laminated formula applied to the scales of rates and differentials prescribed for the respective zones.[59] Such distance rates applied from point to point, except that to and from zone II, for distances greater than 200 miles, the points were grouped and specified rates were required. The latter method was extended to all points beyond 200 miles in zone III of Kansas-Missouri territory on June 7, 1939. Percentage relations fixed between the classes were the same as herein stated for rates within southwestern territory that were established April 9, 1937.

The zone IV differentials were eliminated from these rates on August 16, 1941.

Coming to the part of western trunk-line territory beyond the interterritorial scope of the southwestern revision: Prior to November 20, 1933, combination rates applied between southwestern territory and the Dakotas, made generally over the Twin Cities, Sioux City, or Sioux Falls, S. Dak. On that date the carriers established joint rates to and from grouped points which, as to South Dakota, were made on about the original southwestern scale, but, as to North Dakota, were made somewhat higher than the scale.

Between most Colorado stations on and east of the Colorado common-point line, including Cheyenne, Wyo., and southwestern territory, joint rates were applicable for some years prior to July 1, 1934, the basis for which does not appear. They were then replaced, by action of the carriers, by joint rates on approximately the original southwestern scale.

---

[59] All zones in these territories were described in the twenty-first supplemental report in the southwestern revision.

Effective April 9, 1937, to and from the Dakotas, and May 31, 1937, to and from eastern Colorado and Wyoming described above, the rates were changed to reflect bases similar to those that had been prescribed for affected western trunk-line territory in the twenty-first and twenty-second supplemental reports in the southwestern revision.

The rates were governed by western classification. Percentage relations between the classes were made to correspond with the origina and modified adjustments in the southwestern revision, respectivel On August 16, 1941, the zone IV differentials were removed fro the rates to and from that zone.

DISTRIBUTION OF NATURAL RESOURCES AND ECONOMIC DEVELOPMENT O THE FIVE PRINCIPAL FREIGHT RATE TERRITORIES

Irrespective of whether freight rates are or have been responsibl for differences in the growth and development of the different freigh rate territories, it seems reasonable to assume that both freight rate and the material prosperity of the population of these rate areas hav been associated in some degree with the natural resources within thei boundaries. We will therefore examine the distribution of the natura resources of the five principal freight-rate territories (official, southern, western trunk-line, southwestern, and mountain-Pacific).

Minerals.—The distribution of available iron ore reserves is show by the following table:

Iron ore reserves of the United States by freight-rate territories, 1935 (approximate)

Territory	Amount in millions of tons of 2,240 pounds	Percent United St
Official	147	
Southern	2,120	
Western trunk-line	1,450	
Southwestern	200	
Mountain-Pacific	71	
United States	3,988	1

The distribution of copper reserves is shown by the following tab

Reserves of metallic copper, by freight-rate territories, 1936

Territory	Tons	Percent United S
Official	----	----
Southern	120,000	
Western trunk-line, including Michigan	335,000	
Southwestern	----	----
Mountain-Pacific	24,884,000	
	[1] 25,339,000	

---

[1] Does not include 800,000 tons of copper in mines whose location is not shown in the table.

The distribution of lead and zinc reserves is shown by the following table:

Lead and zinc reserves, by freight-rate territories, 1936

Territory	Lead	Zinc
	Short tons	*Short tons*
Official	85,000	2,940,000
Southern	90,000	510,000
Western trunk-line	1,696,000	1,516,800
Southwestern	193,560	4,483,200
Mountain Pacific	1,237,158	2,713,580
Total	3,302,158	12,163,580
	Percent of total	*Percent of total*
Official	2.57	24.17
Southern	2.73	4.19
Western trunk-line	51.37	12.47
Southwestern	5.86	36.86
Mountain Pacific	37.47	22.31
Total	100.00	100.00

Reserves of metallic minerals, however, are not confined to the existing ore reserves. The processes of production have built up large reserves of these metals in the various finished products into which they enter. This is particularly true with respect to iron and steel, copper, lead, and to a lesser extent, with respect to zinc.

In 1936, reserves of iron and steel represented in products in use aggregated in excess of 1 billion tons. No estimates of secondary reserves for the other metals are available. For the period 1914 through 1939, however, the average ratio of secondary production to primary production for copper was 58.24 percent; for lead, 41.01 percent; and for zinc from 1914 through 1934, 29.45 percent.

Official territory greatly outranks all other territories in the proportion of semidurable and durable commodities which constitute the more important sources of the secondary metal supply. Depending on whether Michigan and Virginia are excluded or included, official territory is estimated to contain between 60 and 62 percent of the manufacturing establishments, between 44 and 46 percent of the hotel rooms, 59 and 61 percent of the office, trade, and other business structures, 50 and 52 percent of the dwelling units, 48 and 50 percent of the motor vehicles, 56 and 58 percent of the miles of wire in cable, and 64 and 66 percent of the miles of all wire of telephone companies. This territory is somewhat less important relatively in its secondary metal reserves represented by railway plant and equipment, which is one of the most important sources of secondary metal. Although this territory had between 28 and 31 percent of the miles of road, it does not greatly outrank the western trunk-line territory in this respect, although very much above all three of the other rate territories. However, class I railroads of the eastern district, which roughly coincides with official territory, owned between 41 and 46 percent of steam locomotives and a majority of the steel or steel underframe passenger-train cars in 1938. These roads also owned more than half of the steel and steel underframe freight-train cars if the Pocahontas region is included with the eastern district, and nearly 47 percent if it is excluded.

The following table shows the value of the products of all mineral industries for 10-year periods 1902 to 1939:

All mineral industries: Value of products by freight-rate territories, 1902–39

Period	Territory					United States
	Official	Southern	Western trunk line	South-western	Mountain-Pacific	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1902	454,223	80,866	128,229	14,609	148,890	796,826
Year 1909	623,457	72,101	203,351	47,358	262,825	1,209,092
Year 1919	1,526,902	228,096	394,179	479,702	493,680	3,122,559
Year 1929	1,385,854	261,221	405,722	1,179,270	1,010,350	4,244,902
Year 1939	1,074,824	214,126	291,685	897,017	725,238	3,220,929

Period	Official Increase	Official United States total	Southern Increase	Southern United States total	Western trunk line Increase	Western trunk line United States total	South-western Increase	South-western United States total	Mountain-Pacific Increase	Mountain-Pacific United States total	United States Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1902	-------	57.0	-------	6.4	-------	16.1	-------	1.8	-------	18.7	-------	100.0
Year 1909	37.3	51.6	41.7	6.0	58.6	16.8	224.2	3.9	76.5	21.7	51.7	100.0
Year 1919	144.9	48.9	216.4	7.3	93.8	12.6	912.9	15.4	87.8	15.8	158.3	100.0
Year 1929	[1] 9.2	32.6	14.5	6.1	2.9	9.6	145.8	27.8	104.7	23.8	35.9	100.0
Year 1939	[1] 22.4	33.4	[1] 18.0	6.6	[1] 28.1	9.1	[1] 23.9	27.8	[1] 28.2	22.5	[1] 24.1	100.0

[1] Decrease.

Energy.—The term "energy resources" as ordinarily used refers to water power, a replenishable source of energy, and to the minerals from which energy is usually derived, coal, petroleum, and natural gas, or presumably nonreplenishable sources.

The decline in the coal industry in recent years (prior to World War II) has been due in part to the extensive substitution of other forms of energy generation for coal, but also to the amazing strides that have been made in increasing the efficiency of coal utilization. Coal has been losing ground relatively since the early part of this century, though the actual quantities mined continued to increase until 1918. At the peak of consumption which occurred in that year (under the stimulus of World War I) coal supplied 82 percent of the total energy derived from minerals and water power. By 1929 the proportion was down to 63 percent, and by 1937, to 54 percent. Since 1923 and until World War II the industry had been in a state of almost continuous depression. Despite this fact, coal remains the principal energy source, petroleum, natural gas, and water power following in the order named.

In 1937 the Bureau of Mines placed the supply of energy derived from coal at 12,977 trillion b. t. u. as against 7,666 trillion from domestic petroleum and 2,526 trillion for natural gas, or a total of 10,357 trillion for the latter two. It is apparent, therefore, that in this fairly active industrial year, energy derived from coal exceeded the combined total from petroleum and natural gas by substantially 2,500 trillion units or more than 25 percent. So far as reserves are concerned, coal represents practically 99 percent of the total heat value of the nonreplenishable mineral sources of energy.

Water power represents only a small fraction of the total energy supply. The Bureau of Mines estimates that our total use of energy in 1937 was equivalent to 24,183 trillion b. t. u.; water power, included in terms of prevailing use of fuels in generating power at central electric stations, is estimated to have supplied 849 trillion, or 3.51 percent of the total.

For the nonreplenishable energy resources, coal, oil, and gas, estimates of the total reserves have frequently been made and the data are in such form that approximate geographical distributions of these reserves can be made by freight rate territories. Because of the location of the fields, all of the Virginia reserves have been included in outhern territory, although more than half of the area of that State ies in official territory. The total production of Colorado has been ncluded in mountain-Pacific territory. The distribution of coal eserves as of January 1, 1937, is shown by the following table:

Distribution of reserves of coal, by freight-rate territories, Jan. 1, 1937

Territory	Bituminous and semibituminous	Subbituminous	Lignite	Anthracite
	Quantity (tons of 2,000 pounds)			
fficial	602,389,369,000			14,589,460,000
outhern	235,692,383,000			488,976,000
estern trunk-line	142,027,579,000		600,965,153,000	
outhwestern	64,033,017,000		23,018,747,000	222,695,000
ountain-Pacific	364,265,943,000	818,083,894,000	315,473,543,000	114,471,000
United States	1,407,808,291,000	818,083,894,000	939,457,443,000	15,415,602,000
	Percent distribution			
fficial	42.79			94.64
uthern	16.70			3.17
estern trunk-line	10.09		63.97	
uthwestern	4.55		2.45	1.45
ountain-Pacific	25.87	100.00	33.58	.74
United States	100.00	100.00	100.00	100.00

The foregoing table shows very clearly the heavy preponderance the total reserves of bituminous and semibituminous coal in official rritory, this area possessing between 40 and 45 percent of the total r the United States or approximately as much as southern and mountain-Pacific territories combined. Also, official territory possesses a practical monopoly of the anthracite reserves.

The following table contains estimates of petroleum reserves fo selected years by freight-rate territories:

Selected estimates of proven reserves of petroleum, 1925–39

Territory	1925	1934	1935	1937	1938	1939
	Thousands of barrels of 42 gallons					
Official	393,500	415,000	601,000	531,241	432,471	[illegible]
Southern	78,974	30,000	50,000	38,846	38,366	[illegible]
Western trunk-line	314,501	194,000	390,000	590,000	607,017	[illegible]
Southwestern	2,027,153	6,894,000	8,494,000	10,470,915	12,222,422	[illegible]
Mountain-Pacific	2,507,299	5,825,500	4,097,000	4,225,188	4,450,563	[illegible]
Total	5,321,427	13,358,500	13,632,000	15,856,190	17,750,839	17,348,16
	Percent of United States totals					
Official	7.4	3.1	4.4	3.4	2.4	[illegible]
Southern	1.5	.2	.4	.2	.2	.2
Western trunk-line	5.9	1.5	2.9	3.7	3.4	[illegible]
Southwestern	38.1	51.6	62.3	66.0	68.9	[illegible]
Mountain-Pacific	47.1	43.6	30.0	26.7	25.1	[illegible]
Total	100.0	100.0	100.0	100.0	100.0	[illegible]

Outside southwestern and mountain-Pacific territories the petroleum reserves are relatively small. Southwestern territory, with 68 percent of the total in 1939, is outstanding in its possession of prove petroleum reserves, and this territory together with the mountai Pacific territory had 92.9 percent of the total, in 1939. None of th foregoing estimates include any allowances for oil production fro oil shales or from coal.

Approximately one-half of the natural-gas reserves of the Unit States shows practically the same geographical distribution as th petroleum reserves. This is because approximately one-half of th natural gas is produced with oil, the gas being the soure of energ which brings the oil to the surface. Natural gas, however, is al found in many areas which do not produce petroleum, and large volumes of gas are also being found with petroleum oil discovere and produced from progressively greater depths. The approxima distribution of natural gas reserves by freight-rate territories is a follows:

Territory	Trillio cubic fe
Official	[illegible]
Southern	[illegible]
Western trunk-line	[illegible]
Southwestern	[illegible]
Mountain-Pacific	[illegible]
	[illegible]

The distribution of total energy of mineral fuel resources is shown by the following table:

Distribution of total energy of mineral fuel resources by freight-rate territories, Jan. 1, 1937 (in trillions of B. t. u.)

Territory	All coal	Petroleum	Natural gas	All minerals	
				Total	Percent of United States
Official	16,136,942	3,187	6,450	16,146,579	25.1
Southern	6,171,296	233	3,225	6,174,754	9.6
Western trunk-line	11,422,143	3,540	11,825	11,437,508	17.8
Southwestern	1,978,046	62,825	44,075	2,084,946	3.2
Mountain-Pacific	28,451,354	25,351	41,925	28,518,630	44.3
United States	64,159,781	95,136	107,500	64,362,417	100.00

The following table shows the water-power resources both actual and potential:

Water-power resources and energy production, by freight-rate territories

Territory	Potential water power, 1936 [1]		Capacity of installed water wheels 1937 [2]	Production of electric energy, 1937 [3]		
	Available 90 percent of the time	Available 50 percent of the time		Hydro	Fuel	Total
	Horsepower, thousands			Thousands of kilowatt-hours		
ficial [4]	7,086	10,741	5,966	15,283,709	56,757,208	72,040,917
outhern [5]	4,328	6,094	3,888	8,261,194	3,376,746	11,637,940
estern trunk-line [6]	1,466	2,391	1,356	2,843,981	7,602,062	10,446,043
outhwestern [7]	764	967	149	261,215	6,126,569	6,387,784
ountain-Pacific [8]	28,509	36,991	5,761	17,051,901	3,485,045	20,536,946
Total	42,733	57,184	17,120	43,702,000	77,347,630	121,049,630
	Percent of United States totals					
icial [4]	17.98	18.78	34.85	34.97	73.38	59.51
uthern [5]	10.12	10.66	22.71	18.90	4.37	9.61
estern trunk-line [6]	3.43	4.18	7.92	6.51	9.83	8.63
uthwestern [7]	1.79	1.69	.87	.60	7.92	5.28
untain-Pacific [8]	[illegible]	64.69	33.65	39.02	4.50	16.97
Total	100.00	100.00	100.00	100.00	100.00	100.00

Potential water power in the United States, U. S. Department of the Interior (mimeographed), Aug. 20,

U. S. Department of the Interior, Geological Survey. For plants having 100 horsepower or more.

Federal Power Commission, Electric Power Statistics, 1937. Production for strictly private use not tied, but electric railways, electrified sections of steam railways, and miscellaneous Federal and other s serving Government or public are included.

Including Michigan and Virginia and excluding Wisconsin. The exclusion of the highly industrialized em portion of Wisconsin from official territory somewhat underestimates the importance of this territory.

Excluding Virginia and Louisiana.

Including Wisconsin and excluding Colorado.

Including Louisiana.

Including Colorado.

Mountain-Pacific and official territories are outstanding in the pro-tion of hydro electric energy and also in the horsepower of installed water wheels. Together they account for over 70 percent of the hydroelectric energy and around two-thirds of the capacity of installed water wheels. Southern territory ranks third in hydroelectric production and capacity of installed water wheels.

Agriculture.—The following table shows the gross farm income from crops and livestock in 1939:

Gross farm income from crops and livestock, by freight-rate territories, 1939

Territory	Crops	Livestock and livestock products	Total
	1,000 dollars		
Official	945,954	1,814,350	2,760,304
Southern	933,632	574,475	1,508,107
Western trunk-line	615,896	1,762,524	2,378,420
Southwestern	510,388	513,965	1,024,353
Mountain-Pacific	656,395	634,306	1,290,701
United States	3,662,265	5,299,620	8,961,885
	Percent of territory totals		
Official	34.27	65.73	100.00
Southern	61.91	38.09	100.00
Western trunk-line	25.90	74.10	100.00
Southwestern	49.83	50.17	100.00
Mountain-Pacific	50.86	49.14	100.00
United States	40.86	59.14	100.00
	Percent of United States totals		
Official	25.83	34.23	30.80
Southern	25.49	10.84	16.83
Western trunk-line	16.82	33.26	26.54
Southwestern	13.94	9.70	11.43
Mountain-Pacific	17.92	11.97	14.40
	100.00	100.00	100.00

The highly industrialized character of official territory should not obscure the fact that it is at the same time an important agricultural area. For example, in 1939 the gross farm income of the United States aggregated 8.96 billion dollars, of which official territory produced 2.76 billion, or approximately 31 percent. Western trunk-line territory was a close second, accounting for 2.38 billion, or approximately 27 percent of the total, and was followed by the southern, mountain-Pacific, and southwestern rate areas in the order named. No one of these last three areas, however, produced as much as 17 percent of the United States total.

Agricultural resources as measured by the quality of the land is shown by a grading of all the land of the United States according to its productivity for crop production. The method used attempts to take into consideration all the principal physiographical conditions influencing productivity such as soil type, topography, rainfall, and temperature.

Land area classified according to its productivity,[1] by freight-rate territories, 1934

[Percent of United States totals (1,000 acres)]

Grade	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Grouping A [2]						
Excellent	27.13	2.65	63.78	5.97	0.47	100.00
Good	25.37	10.61	41.91	20.47	1.64	100.00
Fair	20.64	21.50	23.68	25.10	9.08	100.00
Excellent to fair	23.15	15.12	35.68	20.68	5.37	100.00
Poor	18.24	21.23	18.91	17.79	23.83	100.00
Incapable of tillage	6.24	6.99	6.69	8.47	71.61	100.00
All grades	14.38	12.51	19.05	14.47	39.59	100.00
Grouping B [2]						
Excellent	24.90	3.93	66.00	4.70	.47	100.00
Good	19.39	13.75	46.30	19.06	1.50	100.00
Fair	16.40	26.31	27.27	22.98	7.04	100.00
Excellent to fair	18.67	18.85	39.32	18.91	4.25	100.00
Poor	14.23	26.68	24.69	14.36	20.04	100.00
Incapable of tillage	4.13	8.17	13.33	7.90	66.47	100.00
All grades	11.08	15.39	24.48	12.94	36.11	100.00

[1] Graded according to ability to produce without irrigation, or without additional drainage.

[2] The variation between grouping A and grouping B is due to a difference in the allocation of States divided by freight-rate territory boundaries as follows:

State	*Grouping A*	*Grouping B*
Michigan	Official	Western trunk-line.
Wisconsin	Western trunk-line	Western trunk-line.
Virginia	Official	Southern.
Louisiana	Southwestern	Southern.
Colorado	Mountain-Pacific	Western trunk-line.

The total land area and its uses in agriculture is shown by the following table:

Land area, by uses and freight-rate territories,[1] 1940

[Percent of United States totals (acres)]

Item	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Cropland in farms	19.76	14.30	40.18	15.32	10.44	100.00
Plowable pasture in farms	21.20	15.77	34.39	15.53	13.11	100.00
Potential cropland	20.11	14.67	38.75	15.37	11.10	100.00
Other land in farms	10.69	12.98	21.04	22.22	33.07	100.00
Total land in farms	18.40	13.82	29.90	18.79	22.09	100.00
Other land	11.16	12.54	9.56	8.45	58.29	100.00
Total land area [2]	13.52	13.25	20.89	14.22	38.12	100.00

[1] Data for States divided by freight-rate territories were apportioned on the basis of county figures as shown in the Census reports of 1930. At the time this table was prepared, county figures were not released for the Census of 1940.

[2] Total land area as of 1930.

The total land in farms shown in the foregoing table does not represent all the land devoted to agricultural uses because there is an enormous proportion of the total land area of the United States outside of land in farms which is used for pasture. This acreage aggregates 31 percent of the total land area of the United States and is located for the most part, as of 1930, in the three western freight-rate territories, more particularly in the mountain-Pacific territory. The acreages of these pasture lands for the western freight-rate territories, as of 1930, are as follows:

Territory	Pasture not in farms (1,000 acres)	Land area (1,000 acres)	Percent of land area
Western trunk-line	15,637	397,619	3.9
Southwestern	56,427	270,528	20.8
Mountain-Pacific	358,530	726,480	49.4
Total	430,594	1,393,627	30.9

The following table shows the production of livestock, poultry, and related products on farms:

Livestock and poultry—production on farms, by freight-rate territories, 1939

[Percent of United States totals]

Item	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Cattle and calves	21.83	8.04	30.51	15.54	15.08	100.00
Sheep and lambs	14.99	4.75	25.17	10.69	44.40	100.00
Hogs	29.35	12.62	46.92	7.85	3.26	100.00
Milk and milk products	36.18	9.82	35.76	7.87	10.37	100.00
Wool	12.56	2.39	15.35	21.30	48.40	100.00
Mohair			1.06	85.31	13.63	100.00
Chickens	34.99	17.47	29.71	10.65	7.18	100.00
Chicken eggs	37.87	11.93	29.99	10.27	9.94	100.00
Turkeys	20.08	6.45	33.54	17.03	22.90	100.00

The following table shows the value of all farm products by freight-rate territories at 10-year periods 1899 to 1939, with the percents of increase and the percents of the United States totals:

Value of all farm products by freight-rate territories, 1899–1939

Period	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	United States
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1899	1,304,671	685,823	1,067,915	402,137	261,883	3,742,129
Year 1909	2,021,385	1,180,725	2,148,291	683,340	495,259	6,808,000
Year 1919	4,760,839	3,159,729	5,342,134	2,194,303	1,539,921	16,996,926
Year 1929	3,161,325	2,117,559	3,569,744	1,465,208	1,605,119	11,923,801
Year 1939	2,657,625	1,622,740	2,464,479	1,068,602	1,307,164	9,120,610

Period	Official: Increase	Official: United States total	Southern: Increase	Southern: United States total	Western trunk line: Increase	Western trunk line: United States total	Southwestern: Increase	Southwestern: United States total	Mountain-Pacific: Increase	Mountain-Pacific: United States total	United States: Increase	United States: United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1899		34.9		18.3		29.1		10.7		7.0		100.0
Year 1909	54.9	31.1	69.2	17.8	97.5	33.0	69.9	10.5	89.1	7.6	73.9	100.0
Year 1919	135.5	28.0	172.5	18.6	148.7	31.4	221.1	12.9	210.9	9.1	161.2	100.0
Year 1929	[1] 33.6	26.5	[1] 33.0	17.8	[1] 33.2	29.9	[1] 33.2	12.3	4.2	13.5	[1] 29.8	100.0
Year 1939	[1] 15.9	29.2	[1] 23.4	17.8	[1] 31.0	27.0	[1] 27.1	11.7	[1] 18.6	14.3	[1] 23.5	100.0

[1] Decrease.

Timber.—The distribution of forest resources between freight rate territories is shown by numerous tables, the most significant of which is the following:

Stand of saw timber on commercial forest land by character of growth and by freight-rate territories, 1938

[Percent of United States totals (million board feet)]

Materials	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	United States total
GROUPING A [1]						
Softwoods:						
Old growth	2.54	3.30	0.59	1.16	92.41	100.00
Second growth	9.92	32.07	2.37	12.72	42.92	100.00
Total softwoods	4.20	9.79	.99	3.78	81.24	100.00
Hardwoods:						
Old growth	28.24	40.70	6.90	24.16		100.00
Second growth	36.95	32.83	9.16	17.96	3.10	100.00
Total hardwoods	33.38	36.06	8.23	20.50	1.83	100.00
Total saw timber	8.68	13.82	2.10	6.34	69.06	100.00
GROUPING B [1]						
Softwoods:						
Old growth	1.71	3.90	1.20	0.78	92.41	100.00
Second growth	6.68	38.25	3.11	9.04	42.92	100.00
Total softwoods	2.83	11.65	1.63	2.65	81.24	100.00
Hardwoods:						
Old growth	12.46	56.93	19.00	11.61		100.00
Second growth	29.03	44.61	12.63	10.63	3.10	100.00
Total hardwoods	22.28	49.66	15.25	11.03	1.83	100.00
Total saw timber	5.81	17.48	3.72	3.93	69.06	100.00

---

[1] The variation between Grouping A and B is due to a difference in the allocation of States divided by freight-rate territory boundaries as follows:

State	*Grouping A*	*Grouping B*
Michigan	Official	Western trunk line.
Wisconsin	Western trunk line	Western trunk line.
Virginia	Official	Southern.
Louisiana	Southwestern	Southern.
Colorado	Mountain-Pacific	Mountain-Pacific.

112

Manufacturing.—The economic development of the United States by freight-rate territories is indicated by the following table showing the value of products of all manufacturing industries.

All manufacturing industries: Value of products by freight rate territories, 1899–1939

[For all establishments, including hand and neighborhood industries, having products valued at $500 or more in year 1899. For all establishments, excluding hand and neighborhood industries, having products valued at $500 or more in 1909, and $5,000 or more in later years]

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1899	9,725,850	812,790	1,613,949	296,771	550,789	13,000,149
Year 1909	14,988,970	1,455,927	2,524,248	625,443	1,077,464	20,672,052
Year 1919	44,508,154	4,517,728	7,309,672	2,277,861	3,804,664	62,418,079
Year 1929	49,135,105	5,413,010	7,840,136	2,802,092	5,244,520	70,434,863
Year 1939	38,550,160	5,685,323	5,641,327	2,567,821	4,398,394	56,843,025

Period	Official: Increase	Official: United States total	Southern: Increase	Southern: United States total	Western trunk line: Increase	Western trunk line: United States total	Southwestern: Increase	Southwestern: United States total	Mountain-Pacific: Increase	Mountain-Pacific: United States total	United States: Increase	United States: United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1899		74.8		6.3		12.4		2.3		4.2		100.0
Year 1909	54.1	72.5	79.1	7.1	56.4	12.2	110.7	3.0	95.6	5.2	59.0	100.0
Year 1919	196.9	71.3	210.3	7.2	189.6	11.7	264.2	3.7	253.1	6.1	201.9	100.0
Year 1929	10.4	69.8	19.8	7.7	7.3	11.1	23.0	4.0	37.8	7.4	12.8	100.0
Year 1939	[1] 21.5	67.8	5.0	10.0	[1] 28.0	9.9	[1] 8.4	4.5	[1] 16.1	7.8	[1] 19.3	100.0

[1] Decrease.

The following table shows the value added by manufacture of all manufacturing industries:

All manufacturing industries: Value added by manufacture, by freight-rate territories, 1899–1939

[For all establishments, including hand and neighborhood industries, having products valued at $500 or more in year 1899. For all establishments, excluding hand and neighborhood industries, having products valued at $500 or more in 1909 and $5,000 or more in later years]

Period	Territory					United States
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Year 1899	4,346,034	364,490	603,515	116,728	225,754	5,656,5
Year 1909	6,331,947	662,871	855,546	243,312	435,585	8,529,2
Year 1919	18,701,077	1,880,300	2,229,401	729,867	1,501,053	25,041,6
Year 1929	23,235,038	2,587,014	2,942,164	950,462	2,170,606	31,885,2
Year 1939	17,616,297	2,325,207	2,140,344	823,700	1,777,370	24,682,9

Period	Official: Increase	Official: United States total	Southern: Increase	Southern: United States total	Western trunk line: Increase	Western trunk line: United States total	Southwestern: Increase	Southwestern: United States total	Mountain-Pacific: Increase	Mountain-Pacific: United States total	United States: Increase	United States: United States total
	Pct.	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*
Year 1899		76.8		6.4		10.7		2.1		4.0		100.0
Year 1909	45.7	74.2	81.9	7.8	41.8	10.0	108.4	2.9	92.9	5.1	50.8	100.0
Year 1919	195.3	74.7	183.7	7.5	160.6	8.9	200.0	2.9	244.6	6.0	193.6	100.0
Year 1929	24.2	72.9	37.6	8.1	32.0	9.2	30.2	3.0	44.6	6.8	27.3	100.0
Year 1939	[1] 24.2	71.4	[1] 10.1	9.4	[1] 27.3	8.7	[1] 13.3	3.3	[1] 18.1	7.2	[1] 22.6	100.0

[1] Decrease.

Population and gainful workers.—The economic development of the freight-rate territories is further shown by the following tables showing total population and the total gainful workers:

Total population of the United States by freight-rate territories, 1900–1940

Period	Territory										United States	
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific			
Year 1900	37,573,531		15,380,940		12,956,165		6,532,290		3,551,649		75,994,575	
Year 1910	44,835,190		17,554,940		14,770,805		8,784,534		6,028,797		91,972,266	
Year 1920	52,079,465		19,309,643		16,115,945		10,242,224		7,963,343		105,710,620	
Year 1930	60,871,250		21,594,823		17,271,712		12,176,830		10,860,431		122,775,046	
Year 1940	64,118,346		23,948,562		17,777,873		13,064,525		12,759,969		131,669,275	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1900		49.4		20.2		17.1		8.6		4.7		100.0
Year 1910	19.3	48.7	14.1	19.1	14.0	16.1	34.5	9.5	69.7	6.6	21.0	100.0
Year 1920	16.2	49.3	10.0	18.3	9.1	15.2	16.6	9.7	32.1	7.5	14.9	100.0
Year 1930	16.9	49.6	11.8	17.6	7.2	14.1	18.9	9.9	36.4	8.8	16.1	100.0
Year 1940	5.3	48.7	10.9	18.2	2.9	13.5	7.3	9.9	17.5	9.7	7.2	100.0

Total gainful workers of the United States by freight-rate territories, 1900–1930

Period	Territory										United States	
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific			
Year 1900	14,718,464		5,904,622		4,643,977		2,321,323		1,484,844		29,073,233	
Year 1910	18,722,588		7,553,942		5,680,179		3,507,081		2,703,546		38,167,336	
Year 1920	21,416,753		7,228,998		5,950,002		3,716,248		3,302,247		41,614,248	
Year 1930	24,952,861		8,206,697		6,585,165		4,518,232		4,566,965		48,829,920	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1900		50.6		20.3		16.0		8.0		5.1		100.0
Year 1910	27.2	49.0	27.9	19.8	22.3	14.9	51.1	9.2	82.1	7.1	31.3	100.0
Year 1920	14.4	51.5	[1] 4.3	17.4	4.8	14.3	6.0	8.9	22.1	7.9	9.0	100.0
Year 1930	16.5	51.1	13.5	16.8	10.7	13.5	21.6	9.3	38.3	9.3	17.3	100.0

[1] Decrease.

Railway mileage.—The following table shows the distribution of railway mileage between the freight-rate territories:

Railway mileage of the United States by freight-rate territories, 1900–1940

Year ended Dec. 31—	Territory										United States	
	Official		Southern		Western trunk line		South-western		Mountain-Pacific			
	Miles		*Miles*		*Miles*		*Miles*		*Miles*		*Miles*	
1900	66,687		32,722		54,106		18,221		21,610		193,346	
1910	72,755		41,472		62,736		31,121		32,355		240,439	
1920	73,387		44,333		65,254		32,972		36,899		252,845	
1930	71,681		43,246		63,660		33,227		37,238		249,052	
1940	67,022		40,126		59,484		31,497		35,541		233,670	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1900		34.5		16.9		28.0		9.4		11.2		100.0
1910	9.1	30.3	26.7	17.2	16.0	26.1	70.8	12.9	49.7	13.5	24.4	100.0
1920	.9	29.0	6.9	17.5	4.0	25.8	5.9	13.1	14.0	14.6	5.2	100.0
1930	[1] 2.3	28.8	[1] 2.5	17.4	[1] 2.4	25.6	.8	13.3	.9	14.9	[1] 1.5	100.0
1940	[1] 6.5	28.7	[1] 7.2	17.2	[1] 6.6	25.4	[1] 5.2	13.5	[1] 4.6	15.2	[1] 6.2	100.0

[1] Decrease.

DEPARTURES FROM MAXIMUM INTERSTATE LEVELS OF CLASS RATES SUBJECT TO CLASSIFICATIONS

The freedom with which traffic moves on the full measure of the rates in issue, i. e., class rates subject to ratings in the major classifications, is one of the matters to be considered in the determination of their lawfulness. The record does not disclose the tonnages transported under such rates, but it does indicate that the number of carloads so moving between all points in the United States represents only 4.1 percent of the total, and produces 6.3 percent of the total carload revenue. Of the respective territorial carload totals, the percentage in official territory exceeds somewhat, and in others is lower than the national average.

Aside from the weight to be accorded those results, it is clear from the record that for a long time the proportions of all traffic that have been moving under rates of the kind in issue have been steadily diminishing. In order to meet motor-truck competition, the railroads have published more and more exceptions providing ratings lower than those in the classifications, including exceptions on less-than-carloads and less-than-carload mixtures of long lists of articles; and have established class rates that are below, often greatly below, the interstate maximum bases prescribed. This has been particularly true of intrastate rates in a number of States, which rates the railroads were required by the State commissions to establish, or had published for competitive reasons on bases that State commissions had ordered for motor carriers.

Exceptions to the classification.—In discussing generally the matter of reduced ratings by exceptions applicable on interstate traffic it is shown in part I of this report that many exceptions are published in every territory embraced in Docket No. 28300, and in some, especially in southern, more extensively than in others. Exceptions are published also interterritorially. Those that have broad application throughout a given territory or between territories are issued by tariff publishing agents acting for many railroads, and authorize the charges on the principal movement of the traffic that is subject to exceptions. There are also exceptions of less extensive application that are published by individual railroads.

Exception ratings cover hundreds of articles of which there is an appreciable movement. They are for the most part lower than the ratings that would otherwise apply on the same articles in the classification, not only in carloads but also in less-than-carloads. For example, substantially throughout western trunk-line and southwestern territories exception ratings are available on straight or mixed less-than-carload lots of important specified articles.[80]

In instances where the actual exception ratings referred to in the next-preceding paragraph are the same as, or higher than, the corresponding classification ratings they are, nevertheless, generally more favorable to the shipper from the standpoint of packaging, mixing, or otherwise. The ratings on particular articles are restricted sometimes by special provisions, as, for example, that they apply or do not apply on intrastate traffic in the States specified.

Exception ratings are applicable in many instances in other territories and interterritorially on various articles, individually and mixed, falling within groupings similar to those indicated.

Another type of exceptions provides column ratings designated 1, 2, 3, and 4, and by certain numerals ranging from 110 to 27½, which are published in a tariff that states it contains rates on "Commodities, L. C. L." Those ratings, embraced in some 40 items covering several hundred individual articles of wide variety,[61] apply betwee certain important points and stations in northwestern territory extending from Lake Michigan to the western part of North Dakota. The tariff is governed also by less-than-carload ratings in western classification, over which the exception ratings in the tariff tak precedence. In effect, the ratings in that tariff on "columns" 1, 2, 3, and 4 are purely regular classes so numbered, and other numeral ratings merely represent the percentages of column or class 1. These exception ratings are from one to several classes below the less-than-carload ratings in western classification on the same articles, on some amounting to less than one-half of the classification ratings, figured in percentage relations to class 1. The ratings, originally published in order to meet motortruck competition, were successively noted to expire at the end of each following year, but a few years ago the expiration date was eliminated.

---

[80] Of such individual articles, which also may be mixed with others in the respective groups, the following groupings may be mentioned: Agricultural implements, rated in exceptions class 70, whereas in western classification the ratings range from classes 70 to 150; confectionery, exceptions class 57, classification classes 70 to 100; drugs, medicines, chemicals, and toilet preparations, exceptions class 70 on small quantities, and classes 68, 65, and 55 on minima of 5,000, 10,000, and 15,000 pounds, respectively, classification classes 55 to 200; named articles of furniture, and of games and toys, variously rated in exceptions ranging down to one-half of the ratings in the classification; groceries and grocery or general-store supplies, exceptions usually class 55, classification classes 55 to 100 but mostly classes 55 and 70; hardware and hardware-store supplies, with which may be included automobile parts, exceptions class 70 on small quantities, and classes 66 and 63 on minima of 5,000 and 10,000 pounds, respectively, classification classes 55 to 150 and on one article class 200; automobile parts, exceptions class 70 (in southwestern territory also classes 66 and 63 on minima of 5,000 and 10,000 pounds, respectively) classification classes 50 to 100 and on a few articles to class 200; iron and steel articles, exceptions class 50, classification classes 55 to 100; and paper and paper articles, exceptions class 55 on small quantities, and classes 50, 47, and 37½ on minima of 7,000, 10,000, and 15,000 pounds, respectively, classification classes 55 to 85 and on one article class 100. The class 37½ rating named in connection with the last-mentioned group is the same rating as published in western classification on many kinds of paper and paper articles, in carloads, minimum 30,000 pounds.

Intrastate class rates.—It appears that such rates between points in the States or parts of States embraced in official territory are the same as the interstate rates previously described herein, with only a few variations.[62]

Except in Kentucky and the Florida peninsula, the intrastate class rates within every State or portion of a State comprising southern territory seem to be the same as the corresponding interstate rates. Kentucky intrastate rates are governed by official classification and are on the eastern scale, except that for distances exceeding 150 miles the rates are progressively higher than th[illegible] scale, the differences on class 100 being 3 cents at 200 miles, 5 cents [illegible] 300 miles, and 12 cents at 400 miles.[63] Departures from this higher basis occur in rates between points on the Chesapeake & Ohio Railway, between all points on the Ohio River, and between such railway and river points, which are on the eastern scale. The average of the rates through 300 miles in the scale progressed as described is 101.3 percent of the eastern scale.

In the Florida peninsula the Florida arbitraries no longer are included in intrastate rates on classes 1 to 7 (classes 100 to 35). They were eliminated by the railroads after the Florida commission had allowed their removal from motortruck rates:

---

[61] The variety of articles is indicated by the following: Agricultural implements, bag and bagging, bakery goods, building woodwork, canned goods, cotton, clothing, drug and medicines, cottonpiece goods, electrical appliances, automobile engines, food preparations, furniture, groceries, hardware, iron and steel articles, paints, paper articles, petroleum and products, stoves and ranges, surgical supplies, manufactured tobacco, typewriters, and wheels for farm tractors.

[62] For instance, in New Jersey the variations are due to a different grouping of certain points under the intrastate rates from that under interstate rates, found not in violation of section 13 of the act in *Intrastate Class Rates in New Jersey* (1934), 203 I. C. C. 357.

[63] The Kentucky intrastate class rates were found not shown to be in violation of section 13 of the act in *Intrastate Class and Commodity Rates in Kentucky* (1937), 223 I. C. C. 109.

States throughout western trunk-line and southwestern territories have scales of intrastate class rates, either prescribed by State commissions or published to meet motortruck competition, that are lower than the interstate maximum bases. Such rates have the benefit generally of the many exception ratings heretofore discussed; and those on less-than-carload traffic usually include pick-up and delivery services, or allowances to shippers in lieu thereof, to the same extent as under the corresponding interstate rates. A review of these intrastate rates follows:

Wisconsin, lying mostly in western trunk-line zone I,[64] has a 440-mile scale in which the rates are the same as the eastern scale through 150 miles, but beyond that distance they progress more rapidly than the eastern and finally grade into the zone I scale. Class 100 rates for these greater distances under the Wisconsin, eastern, and zone I scales, respectively, are: For 150 miles, 73, 73, and 86 cents; for 200 miles, 84, 80, and 97 cents; for 300 miles, 106, 96, and 117 cents; and for 400 miles, 128, 109, and 136 cents. All Wisconsin intrastate rates are governed by official classification, whereas zone I rates are subject to the western. Hauls in Wisconsin average less than 150 miles, which includes about 75 percent of the class-rate traffic. On most of the remainder the hauls are less than 200 miles, so that the intrastate traffic moves under virtually the official territory level of rates and classification. Rates still lower than those in the State scale described are available on less-than-carload traffic within Wisconsin for distances through 65 miles, which on class 100 range lower than the eastern scale by 8 cents at 5 miles to 1 cent at 65 miles. Wisconsin's less-than-carload scale, as a whole, averages about 103 percent of the eastern scale.

Intrastate rates in Iowa, which is entirely in zone I, have never been on the zone I level. They are on class 100 somewhat higher than the Wisconsin scale through 70 miles, and the same as that scale for greater distances, but are governed by western classification. The percentage on class 4 is 50, whereas it is 55 interstate. Through 500 miles, the extent of Iowa's scale, the class 100 rates average 108 percent of the eastern scale. For hauls of average length the Iowa rates are approximately the same as the eastern scale.

Missouri has an intrastate scale, for distances through 360 miles, on less-than-carload traffic that is lower than the eastern scale through

---

[64] The remainder of Wisconsin is in either Illinois territory or extended zone C, in the former of which the rate level is the eastern scale, and in the latter about 110 percent of that scale.

190 miles, beyond which it is the same as, or 1 cent above or below, the latter scale. As a whole, it averages 96 percent of such scale. The motor-competitive class 100 rate on interstate and intrastate traffic from St. Louis to Kansas City, 272 miles, is 92 cents, or the same as the eastern scale, whereas the prescribed interstate maximum rate is 113 cents. On interstate traffic the northern part of Missouri is in zone I, and the southern part in zone II, save that the comparatively narrow strip bordering on Arkansas is in zone III.

Subsequently to the western trunk-line revision, which placed less than one-fourth of Minnesota in zone I and the remainder in zone II, the Minnesota commission prescribed the zone I scale for the entire State on intrastate traffic.[65] That basis has been continued on carloads. The railroads did not seek State authority to increase less-than-carload rates at the time of the general increase of 1938, because of motortruck competition. The less-than-carload rates through the 600-mile maximum are 110 percent of the eastern scale. On less than carloads, minimum 6,000 pounds, the railroads sought and obtained permission from the Minnesota commission to publish volume rates reflecting 80 percent of the normal rates on the first four classes, respectively, the same as the motortruck rates.[66] All these rates are governed by western classification and by practically all exceptions thereto maintained by western trunk-line railroads on interstate traffic.

Not more than one-third, the eastern part, of North Dakota is in zone II, and the remainder is in zone III. The North Dakota commission has prescribed from and to jobbing points throughout the State a single-line, distributing scale of rates extending through 500 miles, subject to western classification and a small number of intrastate exceptions.[67] That scale on class 100 is lower than the zone II scale by 20 cents at 5 miles, 19 cents at 70 miles, 25 cents at 150 miles, 20 cents at 300 miles, and 10 cents at 500 miles. It averages 82.8 percent of the zone II scale. At no distance does it equal the zone III scale. Moreover, while regular class 2 in the North Dakota scale is 85 percent of first class, the percentages for classes 3 and 4 are 66 and 51, respectively, whereas interstate they are 70 and 55. Compared with the eastern scale, the North Dakota scale on class 100 is lower for all distances through 145 miles, is the same for 150 and 155 miles, and is higher beyond. For all distances it averages 115.7 percent of the eastern scale.[68] Probably the majority of affected shipments move at rates about the same as, or lower than, the eastern scale, although the record is silent on this point. On the light traffic from and to stations other than jobbing points an intrastate scale applies that is somewhat higher than the one described above.

---

[65] This basis of Minnesota intrastate rates, which by petitions of Watertown, S. Dak., and Superior, Wis., shippers had been assailed as in violation of section 13 of the act, was found not unlawful in the fifth supplemental report (1933), on further hearing, in the western trunk-line revision (197 I. C. C. 57).

[66] The railroads also published these less-than-carload and volume rates to apply interstate between Minnesota and border points in Wisconsin, North Dakota, and South Dakota.

[67] Rates according to the North Dakota distributing scale have been voluntarily extended interstate to the border points of Moorhead and East Grand Forks, Minn., on traffic from and to North Dakota stations on the Great Northern Railway generally, and a limited number of stations on the Northern Pacific Railway.

Approximately the eastern one-third of South Dakota is in zone II and the balance in zone III, which includes a part of the State east of the Missouri River. For competitive reasons the railroads adopted for less-than-carload traffic the rate scales, extending through 600 miles, that the South Dakota commission had prescribed for motortrucks on the first four regular classes, which classes are related to one another by the usual western percentages. One scale applies east of the Missouri River, another west, and an average of the two intersectionally. The scale east of the river, compared with the zone II scale, is lower on class 100 by 11 cents at 10 miles, 21 cents at 70 miles, 24 cents at 150 miles, 18 cents at 300 miles, and 18 cents at 600 miles. ~~Through 120 miles it is~~ lower than the eastern scale. The scale west of the river is 15 percent higher than the one east, and throughout is lower than the zone III scale.

No specific evidence was offered as to the intrastate class rates in Nebraska.[69] More than one-third of the State, the eastern part, lies in zone II and the remainder in zone III.

As to the rates within Kansas, only those for the representative distances set forth in the table next following are shown of record. Zone II embraces about the eastern one-third and zone III the rest of this State.

In eastern Colorado, which lies in zone III, the railroads have adopted for intrastate rates on the first four classes scales representing 107 percent of the zone I scale.[70] The Colorado commission had prescribed those rates on motortruck traffic in small lots, and about 76 and 53 percent of such rates on shipments of 5,000 and 10,000 pounds, respectively. These volume rates also were adopted by the railroads, but the tariff naming them contains a notice of protest to the effect that they are deemed extremely low and not compensatory. Nevertheless they have been in effect since 1935.

---

[68] Cognizance should be taken of the manner of applying the distance scales, i. e., North Dakota to the single-line distances, and eastern to the shortest possible distances.

[69] It appears from the oral argument, that railroad class rates in Nebraska are lower than in South Dakota, and that they are made on a scale which is applied to the air-line distances between points.

[70] As stated, for all distance blocks through 1,500 miles the interstate zone III scale is 125 percent of the zone I scale. Through 300 miles it is 124.2 percent.

Arkansas is entirely within zone III. Railroads publish for application in that State an intrastate scale of rates on less-than-carload traffic moving under the first four classes that is approximately 70 percent of the zone III scale through 150 miles, beyond which it grades up rapidly and reaches the zone III basis at 210 miles.[71] This scale is lower than the eastern scale for all distances through 100 miles.

Oklahoma, whose interestate rate basis is now zone III throughout, has intrastate less-than-carload rates on the first four classes that, compared with the zone III scale, are 75 percent at 5 miles and gradually ascend to about 93 percent at 500 miles, beyond which the rates are the same as scale III.[72]

Since 1941, when the railroads voluntarily eliminated the southwestern zone IV rate level, interstate rates throughout Texas have been on the zone III basis. Intrastate rates, published through 900 miles, are for most distance blocks somewhat lower than interstate, and average about 97 percent of the zone III scale.

For ready comparison there are set forth in the following table the less-than-carload rates, for representative distances, on classes 1 and 4 (which are not stated as percentage classes, because the class 4 rates are not in all States 55 percent of first class) published for intrastate application in the western trunk-line and southwestern-territory States listed, and the corresponding rates in the interstate scales for western zones I, II, and III, and in the eastern scale. Application of the particular zone scales in such western States has been heretofore indicated.

---

[71] The same scale is in effect on interstate traffic between Arkansas and contiguous points in Missouri, Oklahoma, Louisiana, and Texas, as well as between Arkansas and Memphis, Tenn., for limited application.

In *Less Carload Class Rates, Arkansas and Louisiana*, 256 I. C. C. 656, division 2 on January 14, 1944, found a proposal of the rail carriers and common carrier motor carriers, operating between northern Louisiana and southern Arkansas to cancel their less-than-carload and less-than-truckload class rates leaving in effect the normal class rates, would result in increased rates not shown to be reasonable. In a report on reconsideration, 258 I. C. C. 525, May 8, 1944, we found that the proposed rates, insofar as they would apply from points in Arkansas to destinations in Louisiana, were just and reasonable and not otherwise unlawful; and that the proposed rates, insofar as they would apply from points in Louisiana to destinations in Arkansas, were reasonable, but would be unduly prejudicial to Louisiana shippers and unduly preferential of Arkansas and Memphis shippers to the extent of their excess over the rates concurrently maintained for corresponding distances within Arkansas and from Memphis.

[72] These rates are published also interstate between Oklahoma and contiguous points in Missouri and Arkansas for limited application.

Intrastate rates in Western States on classes 1 and 4, for representative distances, compared with rates in interstate scales

Scales	20 miles		40 miles		60 miles		80 miles		100 miles		130 miles		160 miles	
	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4
	Cts.	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*	*Cts.*
Wisconsin	30	15	39	20	50	25	57	29	62	31	68	34	75	38
Iowa	40	20	46	24	53	27	57	28	62	31	68	34	75	38
Missouri	32	18	39	21	46	25	53	29	59	32	66	36	72	40
Minnesota	36	20	44	24	52	29	60	33	66	36	74	41	80	44
North Dakota	22	11	37	19	48	25	54	27	59	30	67	35	75	39
South Dakota (E)[1]	34	19	40	22	46	25	52	29	59	32	68	37	78	43
South Dakota (W)[1]	39	21	46	25	53	29	60	33	68	37	78	43	90	49
Kansas	36	20	45	25	54	30	63	34	72	40	85	46	97	53
Colorado (Eastern)	42	23	51	28	61	33	69	39	76	42	86	47	93	51
Arkansas	33	18	41	23	48	26	55	30	61	34	69	38	83	46
Oklahoma	36	20	45	25	54	30	63	35	72	40	85	47	97	53
Texas	47	26	58	29	69	38	79	43	87	48	99	54	109	60
Zone I	40	22	46	26	57	31	66	36	73	40	81	45	88	48
Zone II	44	24	55	30	65	36	75	41	83	46	92	51	100	55
Zone III	47	26	59	32	70	39	81	45	90	50	100	55	110	61
Eastern	37	19	44	22	51	26	57	29	62	31	68	35	74	37

[1] South Dakota (E) and (W) mean east and west of the Missouri River; between east and west of the river an average of the 2 scales applies.

Except for upper Michigan, Nebraska, Wyoming's Cheyenne corner, and Louisiana west of the Mississippi River, the States listed in the foregoing table constitute all of western trunk-line and southwestern territories. Intrastate class rates within the excepted States, or portions, apparently are also lower than the interstate bases. Although the record is lacking in that respect, some indication of the relations between intrastate and interstate rate levels may be obtained by aggregating the class 1 rates in the table for these western States lying wholly or partly within a particular interstate zone,[73] and dividing the aggregate by the number of such States for an average. In like manner the average for all western States may be determined for comparison with the eastern scale.[74] Computations by this rather rough and imperfect method produce the following mathematical averages of class 1 rate levels, intrastate or interstate, limited to the representative distances shown in the foregoing table: In zone I, 86.1 percent, in zone II, 76.2 percent, and in zone III, 77.7 percent. The average intrastate levels in the respective zones are 99.5, 99.7, and 110.2 percent of the corresponding class 1 rates in the eastern scale, and the average for all the western States listed in the table is 107.4 percent of that scale.

Among interstate rates that are lower than the maximum bases prescribed are less-than-carload rates, published to meet motortruck competition, that are really regular class rates or percentages thereof but are termed less-than-carload commodity rates in the tariff. They are governed by less-than-carload ratings in western classification, over which the exceptions in the tariff take precedence. The latter have been referred to in discussing the classification exceptions in this portion of the report. As there explained, they are simply the rates on regular classes 1, 2, 3, and 4, and on certain percentages from 110 to 27½ of class 1. The rates apply between Chicago and Peoria, Ill., and Milwaukee, Wis., on the one hand, and Wisconsin, upper Michigan, Minnesota, and North Dakota, on the other; and between Twin Cities, Duluth, Minn., and Superior, Wis., on the one hand, and Wisconsin and upper Michigan, on the other. Volume rates are provided on shipments of 5,000, 10,000, and 16,000 pounds of 95, 90, and 85 percent, respectively, of such class rates, and of the percentage rates that range from 90 to 57. The rate of 116 cents (106.4 percent of the corresponding eastern scale rate) on column or class 1 between Chicago and Twin Cities (400 miles) is blanketed back over a large group, and is 23 cents lower at Twin Cities than the prescribed maximum class 1 rate also published between Chicago and Twin Cities. Rate differences between Chicago and other points in the States named, similarly computed, are generally less than at Twin Cities. Thus, in the class 1 rate of 187 cents between Chicago and Fargo, N. Dak., the difference is 11 cents, and to and from other points in North Dakota the differences are smaller by varying amounts. In some instances there are no differences. Differences in corresponding rates to and from Milwaukee are less than those in the rates to and from Chicago. The so-called commodity rates on classes 2, 3, and 4 reflect percentage relations to class 1 that in most instances are about the same as the western interstate relations.

---

[73] A State with parts in more than one interstate zone was counted in each zone, except that as to South Dakota, whose two parts have different scales, the eastern part was treated as in zone II and the western part as in zone III.

[74] Here the rates for eastern and western South Dakota were averaged in figuring the level for the State.

Changing conditions over the years in the field of transportation, especially intensified motortruck competition, indicate that the interstate maximum class-rate levels in territories other than official no longer move freely business that formerly was regarded as of class-rate type, particularly in less than carloads. In the higher-rated territories, notably in the West and Southwest, extremely small proportions of all traffic move subject to classification ratings and at class-rate bases.

As stated, competition with motor carriers has induced the railroads to establish numerous exceptions to the classifications, and to adopt the rates of their competitors on much intrastate class-rate traffic and to some extent on interstate traffic. Prevalence of such competition has dissuaded the railroads from petitioning us for relief under section 13 of the act where commissions of certain western States have ordered rail rates lower than the interstate bases, because f apprehension that restoration of those bases would divert traffic o competitors and would reduce railroad revenue. Even in this proeeding respondents make no point of, much less assail as unlawful, he existence of intrastate rates substantially lower than the conemporaneous interstate rates; nor do shipper interests raise that uestion.

POSITIONS OF PARTIES

Rail respondents generally take the position that the present intraerritorial and interterritorial class rates were prescribed by us, that such rates are the result of many years of thorough investigations and arnest efforts by this Comission, the shippers, and railroads, directed to adjusting rates to meet the needs of commerce, and that the present rates adequately meet those needs, and are in many instances below the maximum level prescribed or approved. They contend that the full measure of proof of unlawfulness of the present rates must include proof of changed conditions of reasonable permanency, and that the record is devoid of such proof; that actually the changes in conditions that have occurred are those brought about by the country's entrance into war, and that they are not conditions upon which any permanent freight rate adjustment can be built judiciously or with confidence.

In addition to a denial of the unlawfulness of the rates in issue generally, official territory respondents also deny that the rates within official terriotry, or to and from that territory, are in excess of maximum reasonable rates or otherwise unlawful; but if we should find that reasonable and nonprejudicial class rates within other territories should be equal to those in official territory, they would not oppose joining in the establishment of interterritorial class rates on the official territory level if appropriate conditions are observed. The conditions would provide that class rates be made subject to uniform classification ratings, apply in both directions, and be subject, in their division, to equal bases of divisional prorating factors for the groups of carriers in the different territories.

If revisions are required in the present class rates over standard railroad lines, Bangor and Aroostook Railroad Company and Canadian Pacific Lines, which operate in northern Maine, and Norfolk Southern Railway Company, whose lines are in Virginia and North Carolina, seek special treament in the form of arbitraries for the haul over their lines similar to that accorded in previous proceedings.

Class I respondents do not consider that the question of a rate basis for earnings to which they may be entitled is presented for consideration in this investigation. They wish to make clear that by refraining from making a valuation presentation herein, they do not agree to or accept the valuation in the cost studies prepared by our staff, and that they do not concede that such values are the true and actual values of their railroad properties, or that they were reached through the application of correct principles or methods.

The advocates of changes in the existing class rates may be grouped as follows: Those seeking (1) a single and uniform level of class rates throughout the territory included in the investigation; (2) a single and uniform level of class rates in the territory east of the Mississippi River; and (3) the extension to certain States or areas of an existing lower level of class rates.

In the first group are public bodies and associations of shippers in the States of Arkansas, Kansas, Louisiana (west of the Mississippi River), Nebraska, North Dakota, Oklahoma, South Dakota, and Texas, American Farm Bureau Federation, and Tennessee Valley Authority. Generally, they allege that the intraterritorial and interterritorial class rates in and between the territories embraced in the investigation are unreasonable and unduly prejudicial and preferential, and they propose the extension of the official territory level of class rates to the remainder of the considered territory. If the latter cannot be found justified, a few of the parties in western trunk-line territory suggest as an alternative substantial reductions in the differences between the rate levels in the territories or zones.

The second group comprises Southern Governors' Conference, representing the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, Southeastern Association of Railroad and Utilities Commissioners, appearing on behalf of the regulatory authorities of the eight southern States above named, the State of Florida and other Florida interests appearing separately, South Carolina State Ports Authority, Southern Traffic League, and the East Tennessee Border Traffic Association. This group seeks the establishment of the official territory level of class rates throughout the area east of the Mississippi River, and the elimination of the Florida arbitraries. The motor-carrier interveners advocate the same level of class rates east of the Mississippi River, but they contend that the official territory class rates are too low, particularly as applied to less-than-carload traffic.

As part of a permanent adjustment of class rates, the motor carriers propose dual scales of class rates for carloads and less than carloads, with restrictions as to the minimum rates which may be established voluntarily to meet competition. They suggest, however, that a comprehensive traffic test is a prerequisite to the establishment of a rate system on the basis proposed, and appear to favor deferring the test until after the war when it would reflect conditions prevailing in the postwar period and could be made at less cost. All parties, except the motor carriers and those representing Omaha, Nebr., and

Wichita, Kans., opposed dual scales of class rates for carload and less-than-carload traffic, and, as stated, the motor-carrier interests do not propose their establishment at this time.

The proposals made by the motor carriers will be discussed further in this report.

In the third group are State authorities and associations of shippers in Iowa, Kansas, Kentucky, and Minnesota, Topeka Chamber of Commerce, Topeka Traffic Association, Wichita Chamber of Commerce, and two steel manufacturers in the St. Louis district. The States of Iowa, Kentucky, and Minnesota suggest the establishment of the official territory level of class rates in and between those States and official territory and, in the case of Kentucky, between Kentucky and other territories. Twin Cities and Duluth ask such extension to those cities and all of zone I. Topeka advocates that northeastern Kansas be placed in that same zone or territory as northern Missouri or southern Iowa for rate-making and classification purposes. Wichita favors a uniform level of class rates throughout the territory involved in this proceeding. If that is not done, it asks that a single level be prescribed between all points in western trunk-line territory, provided that the level between Wichita and all points included in the investigation be made no higher than that now in effect, or that which may be prescribed within, and to and from points in, western trunk-line zone I. It asks also that it be relieved of the undue preference finding (No. 27) made in the southwestern revision. The Colorado commission does not advocate a single level of class rates throughout the considered territory, but suggests that the class-rate levels in the western trunk-line zones, and the differences between them be substantially reduced. A steel manufacturer at Pueblo, Colo., suggests the extension of the zone II rate level to all of zone III, including the Southwest.

St. Louis manufacturers of iron and steel articles seek rates on those commodities in southwestern and western trunk-line territories properly related to those in southern and official territories. The rates referred to are not the class rates in issue in this proceeding.

Typical of the positions of those parties who seek either a uniform level of class rates throughout the territory involved, or in the territory east of the Mississippi River, is that of the Southern Governors' Conference. It states on brief: "We think that our position is summed up in the one word 'parity'. By 'parity' we mean the uniform application of class rates and classification ratings throughout the territory east of the Mississippi River with a uniformity of class rates and ratings between all of such latter territory and all other territories. * * * So the South here says that if you will let it write the word 'parity', it is willing to leave to the Commission the methods and manner of bringing about parity." In addition to allegations of violations of sections 1 and 3 of the act, the members of the conference emphasize the contention that the present class-rate structure discriminates against the South and retards its industrial development.

Opposed to a general revision of the class-rate structures are the Governors or public authorities, shippers, and associations of shippers in the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont, comprising New England territory; New York, New Jersey, Pennsylvania, Maryland, and Delaware in trunk-line territory; Ohio, Indiana, Illinois, and Michigan in central territory, Wisconsin, partly in western trunk-line and partly in official territory; and groups of shippers in southern territory. In general, their position is that we prescribed the present class rates after comprehensive proceedings extending over a period of years to fit conditions in the respective territories, that there is no evidence of changes in conditions that would warrant findings that the class-rate structures are now unlawful, and that it would be unwise to attempt to devise class-rate structures to apply under conditions that will exist in the postwar period, the nature of which no one can now foresee.

The official territory interests stress the facts that there is no complaint by shippers in official territory that the class rates therein are unlawful, and no contention by official territory respondents that such rates are below maximum reasonable levels. They contend, therefore, there is no basis in the record for increases in the class rates in that territory. They insist that even if the evidence shows that a change in the class-rate structure is necessary to make possible and to stimulate the industrial development of the South and Southwest, which they deny, we are without power to require a revision of the class rates for such a purpose; and that, even if rates could be prescribed for the purpose of influencing the location of manufacturing industries, we should not ignore the effects upon the communities and population of the North that may result from a shift of industry from the North to the South.

The State of Ohio, Public Service Commission of Wisconsin, and Wisconsin Manufacturers Association are opposed to a general revision of the class-rate structure, and, as stated, have sought to have the investigation discontinued or deferred for the period of the emergency caused by the war. If, however, there is a general revision of the class-rate structures, the Wisconsin interests seek the application of the eastern scale of class rates between all of Wisconsin or, at least, the lower half of the State and official territory, except as key rates in harmony therewith shall be provided, and class rates between Wisconsin and other territories based on the principles of the so-called cottonseed formula.[75] If the official territory level of class rates should not be extended to the entire State of Wisconsin, Green Bay Association of Commerce asks for its extension to Green Bay and nearby points, and the elimination of the zone C differentials.

The Missouri Public Service Commission and commercial interests at St. Louis, Kansas City, St. Joseph, and Springfield, Mo., oppose a revolutionary turnover of the rate structure; but if revisions are made, they urge that the adjustment of rates to be prescribed for Missouri should be brought closer to that which may be provided for central territory.

Representatives of certain southern industrial interests and shippers located in the southern States oppose a general revision of the southern class-rate structure or of the class rates between southern and official territories. Their position is that the present class rates considered as a whole are lawful and are well suited to southern economy, do not retard the development of manufacturing in the South, and that mile-for-mile uniformity of southern class rates with those in official territory would so affect the revenues of southern carriers as to require an upward revision of commodity rates within and from the South, with disastrous effects upon southern industry. Certain southern interests on oral argument strongly opposed any action herein which might result in increases in the levels of exception or commodity rates within or to and from southern territory.

The Southern States Industrial Council, a voluntary, nonprofit organization, composed of the major manufacturing interests in 13 southern States, expressed the view that rate inequalities should be adjusted through recognized channels without involving the entire basic rate structure of the country. It does not favor widespread changes that will affect adversely the South's present industrial economy, the growth and development of which is said to have been fostered by the basic commodity rate structure in southern territory.

On argument, the Southeast Shippers' Conference, a voluntary organization of manufacturers, shippers, commercial organizations, and receivers of freight located in the South, stated that the prevailing system in the South of distributing the prices of transportation among articles of commerce is responsive to the South's development and has proved generally satisfactory. It opposes the uniformity sought.

The New Orleans Joint Traffic Bureau on argument expressed the opposition of its members to uniformity of class rates.

A large meat packer requests us to provide in our report that no order entered in this proceeding shall be taken as authority for, or shall effect a change in, the rates now charged for the transportation of packing-house products. In several proceedings, relations between the rates on such products from competing origins have been prescribed. Some of these rates were originally class rates, but they have been removed from that category as a result of general increases. This packer's position is that any readjustment which would affect the closely integrated structure of rates on packing-house products should be made only in a proceeding in which all of the facts peculiar to the transportation of those commodities are considered.

---

[75] The cottonseed formula was prescribed by the Commission in *Cottonseed, Its Products, and Related Articles* (1932), 188 I. C. C. 605, 657; but it was rescinded in the supplemental report in that proceeding (1934), 203 I. C. C. 117.

GENERAL CHARACTERISTICS OF RATE STRUCTURES

Freight-rate structures are composed of class rates, governed either by the ratings in a standard freight classification or by exceptions to the classification;[76] column rates, which apply to specific commodities or groups of commodities and thus assume the nature of commodity rates, but follow the contour of class-rate scales by fixed percentages of the first-class rates; and commodity rates, which are published to apply on particular commodities, but are not related by definite percentages to the first-class rates. Exception rates and column rates which, in some instances, apply throughout a particular territory and, in others, to limited portions of the territory or between particular points, are usually designed to fit the special conditions relating to the transportation of a single commodity or group of commodities. The principal reasons usually assigned for relating rates to first-class rates by definite percentages are: Simplicity of publication and the advantage of relief from the provisions of section 4 of the act already granted in connection with the class rates.

The interstate class rates under investigation in this proceeding are, generally speaking, those prescribed by us in the general class rate revisions previously described. These distance scales of class rates when prescribed, and as subsequently changed, were subject to various modifications, such as the employment of formulas for making certain interterritorial rates, the superimposition of subterritorial and zone arbitraries, the employment of key rates, and moderate groupings of stations.

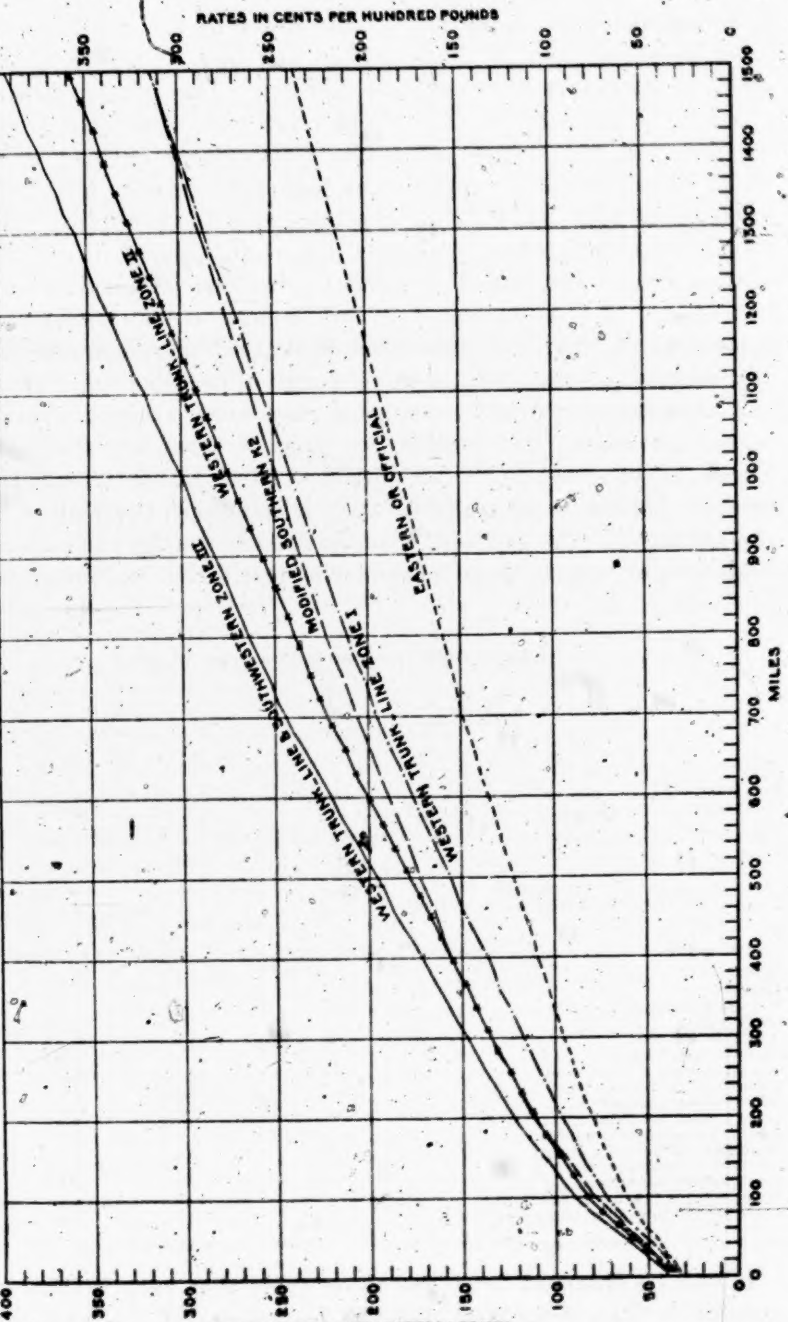
These distance scales are marked not only by differences in level but also by variations in the rates of progression. The levels and progressions of the class-rate scales prescribed by us in the general class-rate revisions, as increased in 1938, and as reduced in some instances by the voluntary action of the carriers, are shown on the accompanying chart:

---

[76] Exceptions are of two types, those that transfer the rates on an article from one standard class-rate column to another, and those that utilize intermediate columns in the system of class rates not assigned to any standard class.

INTRATERRITORIAL FIRST CLASS RATE SCALES IN OFFICIAL, SOUTHERN, SOUTHWESTERN, AND WESTERN TRUNK LINE, TERRITORIES.

DOCKET NOS. 28300 & 28310
SHEET 128



From the standpoint of the volume of traffic transported, class rates are the least important of the different kinds of rates. The great preponderance of traffic within and between the several territories is transported on commodity rates. The relative proportion of traffic transported at class or other rates has fluctuated from time to time, but the volume of traffic, particularly carload traffic on which class rates have applied has been substantially less for many years than that on which exception rates have applied. Motor-vehicle competition has accelerated the establishment in recent years of numerous exception and commodity rates, even on less than carloads.

A study of the movement of all carload traffic transported on September 23, 1942, and the revenue received therefrom, testified to by a member of our staff, affords a rough approximation of the relative importance of traffic moving on class rates, exception rates, and commodity rates. The results, by types of rates, are shown below. The first table contains the proportions of freight by carloads and the revenue thereon on all traffic between all points in the United States, and the second table is the percentage distribution by carloads of carload freight within and between the territories embraced in this proceeding.

All carload traffic transported on Sept. 23, 1942

Type of rate	Percent of carloads	Percent of revenue
Class	4.1	6.3
Exception	10.7	16.1
Commodity	85.2	77.6

Territories (within, or from one to another)	Percent of carloads		
	Class rates	Exception rates	Commodity rates
Official	5.5	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.9
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.1
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

It will be observed from the above table that very little traffic is carried on class rates, and that the percentage of the total carload traffic moving on such rates is generally much greater on interterritorial traffic than it is on intraterritorial traffic. This is a rather surprising and significant fact in view of what we said relative to the proper functioning of class-rate structures in the prior decisions in which many of these rates were prescribed.[77] The least use of class rates is in western trunk-line territory, where it is only 0.6 percent. In southern territory it is only 1.8 percent and in southwestern territory, 2.4 percent. In official territory it is 5.8 percent. On the other hand, on interterritorial traffic the percentage is as high as 22.5 percent.

IMPORTANCE OF INTERTERRITORIAL TRAFFIC

The importance of interterritorial traffic as compared with intraterritorial traffic is shown by the following studies:

On May 27 and September 23, 1942, the intraterritorial movement of all carload freight within official territory aggregated 111,914 carloads; 33,693 carloads moved to official territory from other territories; and 20,215 carloads moved from official territory to other territories. The total interterritorial movement between official territory and other territories amounted to 54,008 carloads, 48.3 percent of the intraterritorial traffic, and 32.6 percent of the combined intraterritorial and interterritorial movement.

On the same dates the intraterritorial movement within southern territory amounted to 23,512 carloads; 10,556 carloads moved to southern territory from other territories, including 7,008 carloads from official territory; and 18,649 carloads moved from southern territory to other territories, including 15,989 carloads to official territory. The total interterritorial movement between southern and other territories amounted to 29,205 carloads, 124.2 percent of the intraterritorial traffic, and 55.4 percent of the combined intraterritorial and interterritorial movement.

---

[77] In our decision in the *Southern Class Rate Investigation,* 100 I. C. C. 513, at page 603, in setting forth certain general principles to be observed as a guide in the prescription of the new basis of class rates in southern territory we said, among other things: "The new class rates should look also to the future. They should, for example, be so framed as to facilitate the elimination not only of special classification exceptions but also of many commodity rates which provoke complaints of discrimination and have no other excuse than an inadequate and imperfect class-rate structure."

In a later proceeding, *Consolidated Southwestern Cases,* 123 I. C. C. 203, in pursuance of the same principle in connection with class rates in the Southwest, we said, at page 234: "We are persuaded that the interests neither of the public nor of the carriers are served by maintaining carload class rates on such high bases that they are rarely used, making it necessary to follow the practice which has prevailed for many years in the Southwest of establishing commodity rates on practically all commodities which move in carloads in material volume. It is due to this practice that many of the discrepancies in rates which are the subjects of complaint have arisen. Existing widespread dissatisfaction with the complexity of tariffs in the Southwest is discussed in a later section of this report. Much of this complexity arises out of the prevalence of commodity rates and the failure to adjust them on a basis which would fairly relate the various points which compete with one another. In the circumstances, we are of opinion that we should follow the principle that carload class rates should be prescribed which are capable of moving many of the carload commodities, as is the case today in official and western trunk-line territories, thus making it possible to eliminate from the tariffs thousands of commodity rates."

On May 27 and September 23, 1942, within western trunk-line territory the intraterritorial movement consisted of 32,989 carloads; 12,943 carloads moved to that territory from other territories; and 12,120 carloads moved from that territory to other territories. The aggregate interterritorial movement between western trunk-line territory and other territories amounted to 25,063 carloads, 76.0 percent of the intraterritorial movement, and 43.2 percent of the combined intraterritorial and interterritorial movement.

Within southwestern territory on the dates named, the intraterritorial movement consisted of 10,985 carloads; 4,870 carloads moved to that territory from other territories; and 11,356 carloads moved from that territory to other territories. The total interterritorial movement between the Southwest and other territories amounted to 16,226 carloads, 147.7 percent of the southwestern intraterritorial traffic, and 59.6 percent of the combined intraterritorial and interterritorial movement.

The relative importance of interterritorial traffic becomes much greater when carload shipments that move on class rates or on exception rates are considered alone or together. For example, if the percentages of class, exception, and commodity rates charged on September 23, 1942, hereinbefore indicated, are applied to the carloads that moved on both that date and May 27, 1942, it is found that only 423 carloads moved on class rates within southern territory, whereas 883 carloads moved on class rates from official territory to southern territory, and 144 carloads moved on such rates from southern territory to official territory. Hence, if class-rate traffic is considered alone, the interterritorial movement between southern and official territories, 1,027 carloads, was 243 percent of the southern intraterritorial volume, and 70.8 percent of the sum of that traffic and the southern-official interterritorial movement. These ratios are not appreciably affected if traffic that moves on exception rates is considered together with traffic that moves on class rates. By the use of the method of computation just described, it is indicated that the combined exception and class-rate movement on the 2 days stated amounted to 3,427 carloads from official to southern territory, 927 carloads from southern to official territory, and 1,834 carloads within southern territory. The interterritorial movement between southern and official territories on class and exception rates, 4,354 carloads, was 237 percent of the southern intraterritorial movement, and 70.4 percent of the combined interterritorial and intraterritorial movement, 6,188 carloads.

RELATIVE LEVELS OF CLASS RATES IN EACH TERRITORY

Class 100 rates applicable at the close of the hearings, April 1, 1943, exclusive of the temporary general increase of 1942 then also in effect but suspended May 15, 1943, between representative points throughout the several territories embraced in this proceeding are set forth in appendix 9 to this report, together with the distances over the shortest routes by which carload traffic can be moved without transfer of lading. Opposite the rates, except within official territory, are shown the rates for corresponding distances under the eastern scale.

Some of the typical rates shown in appendix 9 are as follows: The rate from New York, N. Y., to Chicago, Ill., is 167 cents, whereas the eastern scale rate for the distance of 890 miles is 171 cents. The rate from Atlanta, Ga., to New Orleans, La., 490 miles, is 173 cents, whereas the eastern scale rate is 122 cents. From Duluth, Minn., to Wichita, Kans., 789 miles, the rate is 230 cents, whereas the eastern scale rate is 160 cents. From Memphis, Tenn., to Houston, Tex., 554 miles, the rate is 209 cents, whereas the eastern scale rate is 130 cents.

Looking at the interterritorial rates, the rate from Atlanta to New York, 873 miles, is 212 cents, whereas the eastern scale rate is 168 cents. The rate from Atlanta to Chicago, 728 miles, is 210 cents, whereas the eastern scale rate is 153 cents. The rate from Pittsburgh, Pa., to Kansas City, Mo., 852 miles, is 197 cents, whereas the eastern scale rate is 168 cents. The rate from Detroit, Mich., to Dallas, Tex., 1,116 miles, is 289 cents, whereas the eastern scale rate is 196 cents. The rate from Atlanta to Kansas City, 879 miles, is 240 cents, whereas the eastern scale rate is 171 cents. The rate from Atlanta to Dallas, 822 miles, is 261 cents, whereas the eastern scale rate is 163 cents.

In order to limit their number to a reasonable and practical minimum, 56 points are used in appendix 9. Distances between them range from 133 to 2,537 miles. Less than 1.6 percent of the 1,542 distance items used are under 200 miles.

In making any comparisons of the levels of the class rates within the respective territories or zones, we are confronted with the fact that differences in the applicable classifications affect the levels of the class rates as much as or more, in some instances, than the differences in the levels of the class rate scales. When comparisons are made with the eastern class rate scale, it must be remembered that higher class rates apply between points in New England zones A and B, between points in Michigan zone C, and to some extent between those points and the remainder of official territory; and that the key rates prescribed are in general somewhat lower than the scale.

Official classification has 7 regular classes ranging from 100 to 27½ percent of first class; southern classification has 12 regular classes ranging from 100 to 17½ percent of first class; and western classification has 10 regular classes ranging from 100 to 17½ percent of first class. In addition, each classification has 7 regular classes above 100. There are also certain irregular classes usually expressed in terms of percentages of first class in each classification. A comparison based on averages of all class rates for the regular classes gives undue weight to classes which are relatively unimportant. Such a comparison also gives undue weight to classes below 27½ percent of first class in southern and western classification which have no counterpart in official classification.

A comparison based on averages of the first-class rates for all distance blocks in the various first-class rate scales gives undue weight to the rates for the shorter distances because of the larger number of distance blocks for the distances up to 200 miles.

An analysis of less-than-carload traffic for the week of September 8 to 14, 1939, inclusive, was made by the Association of American Railroads by direction of the chief traffic executives of the class I railroads. This study shows that the weighted average of class rates and rates related by fixed percentages to first class, on intraterritorial traffic in official territory, was 65.9 percent of first class, and on traffic originated and terminated in official territory 66.6 and 66.1 percent of first class, respectively. For southern territory the corresponding figures were 56.1, 59.0, and 61.1 percent of first class. For western territory the corresponding figures were 68.9, 69.2, and 69.5 percent of first class. In all three territories the average rate on such less-than-carload traffic is above fourth class and below third class (fourth class being 50 percent in official and 55 percent in western and southern classifications, and third class being 70 percent of first class in all three territories).

The total number of pounds of less-than-carload traffic, under all types of rates, carried in each territory is shown in the following table:

Official territory	
Intraterritorial	292, 487, 885
Originated	347, 317, 520
Terminated	318, 572, 095
Southern territory	
Intraterritorial	97, 694, 576
Originated	125, 215, 386
Terminated	130, 275, 846
Western territory	
Intraterritorial	179, 622, 327
Originated	190, 887, 914
Terminated	214, 822, 479

The originated and terminated pounds include both interterritorial and intraterritorial traffic. A separation between interterritorial and intraterritorial traffic is only partially made.

The average haul of less-than-carload traffic within the South is considerably less than in official territory. For example, 50 percent of the tonnage in official territory was carried for distances up to 350 miles and the balance for longer distances, whereas in southern territory 50 percent was carried for distances up to about 175 miles and the balance for longer distances. The percentage of the higher-rated traffic carried increased for the longer distances in each territory.

The ratio of less-than-carload traffic moving on commodity rates to the total less-than-carload traffic moving on class rates was 5.1 percent in official, 139.2 percent in southern, and 40.0 percent in western territory. These figures are for intraterritorial traffic and are representative. It is noted that more less-than-carload traffic moves in the South on commodity rates than on class rates. This may be accounted for by the heavy movement in the South of cotton, grain products, and fertilizer on less-than-carload commodity rates.

A comparison of the first-class rates in the various class rate scales, using 50-mile blocks up to 200 miles and 100-mile blocks up to 1,000 miles, is shown by the following table:

Distance	Eastern scale	Modified [1] southern scale		Zone I		Zone II		Zone III	
	Rate	Rate	Percentage of eastern	Rate	Percentage of eastern	Rate	Percentage of eastern	Rate	Percentage of eastern
Miles	*Cents*	*Cents*		*Cents*		*Cents*		*Cents*	
0	47	57	121.3	53	112.8	61	129.8	65	138.3
00	62	79	127.4	73	117.7	83	133.9	90	145.2
150	73	96	131.5	86	117.8	98	134.2	107	146.6
00	80	112	140	97	121.3	111	138.8	123	153.8
00	96	134	139.6	117	121.9	134	139.6	147	153.1
00	109	156	143.1	136	124.8	156	143.1	172	157.8
00	122	173	141.8	156	127.9	178	145.9	196	160.7
00	135	189	140	176	130.4	200	148.1	220	163
00	149	206	138.3	196	131.5	222	149	244	163.8
00	160	222	138.8	210	131.3	239	149.4	263	164.4
00	171	235	137.4	226	132.2	256	149.7	282	164.9
1,000	182	249	136.8	240	131.9	273	150	300	164.8
Average			137.7		129.6		144.4		159.4

---

[1] As modified voluntarily by the carriers in 1941 for distances up to 100 miles.

INDIRECT RESULTS OF PROPOSED REVISION

The first-class rates have been used, since they were prescribed in the general revisions heretofore mentioned, as a base to which column rates and rates on other classes have been related. As this method of publishing rates has become a general practice which we have approved and have frequently employed in prescribing rates on particular commodities or groups of commodities, the progressions and levels of the first-class rate scales have assumed a correspondingly increasing importance both to shippers and to carriers.

While, as previously explained, rates governed by exceptions to the classification and column rates are not directly in issue in this proceeding, at the same time evidence of a general nature concerning such rates and their relation to class rates was admitted. In determining the issues in this proceeding, it seems to us that we should not close our eyes to the possible indirect effect which our decision may ultimately have upon these collateral segments of the freight-rate structure and the consequent results upon the revenues of the railroads. *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, 213 I. C. C. 259. This means, of course, that we should take notice of, and in our ultimate conclusions accord proper weight to, the fact that an important percentage of both intraterritorial and interterritorial traffic is transported at exception or column rates which might be affected if class rates are substantially changed.

A witness for the southern carriers introduced an exhibit purporting to show the effect of applying the official classification and the official class rate scales between points in southern territory, and between points in that territory and points in official, southwestern, and western trunk-line territories, to carload commodity rates published as exceptions to the governing classification or as column rates related to the first-class rates. Atlanta, Ga., and Louisville, Ky., are used as representative of the southern territory and rates between those points are assumed to be representative of rates between points in that territory. Chicago, Ill., and New York, N. Y., are used as representative of official territory and rates between Atlanta and those two points are assumed to be representative of rates between southern and official territories. Similarly, rates between Atlanta and Dallas, Tex., are assumed to be typical of rates between southern and southwestern territories, and rates between Atlanta and Omaha, Nebr., are assumed to be typical of rates between southern and western trunk-line territories.

According to this comparison, application of the official class-rate scales and the present official classification would result in changes in carload rates, now published as exceptions to the classification or as column rates, as indicated in the following table:

Between Atlanta, Ga., and—	Reductions		Increases	
	Number	Percent	Number	Percent
Louisville, Ky	705	76.2	211	22.8
Chicago, Ill	580	72.1	200	24.9
New York, N. Y	406	53.4	355	46.6
Dallas, Tex	399	88.5	50	11.1
Omaha, Nebr	335	72.2	117	25.[illegible]
Total	2,425	71.2	933	27.4

No change would be made in 3 percent of the rates from and to Chicago, 1 percent from and to Louisville, 0.4 percent from and to Dallas, and 2.6 percent from and to Omaha. In the aggregate no change would be made in 47 rates, 1.4 percent of the total.

The exhibit does not purport to show that there is a movement of each of the commodities, or to show the volume of movement under any of these rates. It does not disclose which rates are exceptions to the classification and which rates are column rates. Between Atlanta and New York the reductions average 53.4 percent and the increases average 46.6 percent. It may be doubted that the rates between Atlanta and Chicago and New York are representative of the interterritorial rates between official and southern territories. Interterritorial class rates between official territory and the border States of Kentucky, southern Virginia, North Carolina, and northeastern Tennessee are on a lower basis. It is also doubtful whether rates between Atlanta and Louisville are representative of rates between all points in southern territory.

COST STUDIES

Cost studies relating to the relative cost of rendering transportation service in the various territories, prepared by F. K. Edwards, our head cost analyst, were received in evidence. Such studies are hereinafter referred to as the Edwards cost studies.[78] Starting with the operating expenses, rents, and taxes of class I steam railways, as reported in their 1939 annual reports, separated between freight service and passenger service in accordance with the rules prescribed by us, the studies involve three principal steps:

1. Assignment of railroads, or divisions thereof, to geographical areas corresponding as nearly as practicable to the rate territories.
2. Expenses for individual railroads, or divisions thereof, in each territory were divided into groups, each group of expenses being associated with appropriate service units, including revenue car-miles, revenue gross ton-miles, and cars originated and terminated. The unit costs were then obtained by dividing the aggregate of the territorial expenses in each group by the applicable territorial units.
3. The cost for particular services was then built up from the unit costs.

Rail costs are fundamentally divisible into two components. First, those expenses which vary directly with the traffic handled, and hence are directly assignable to particular kinds of traffic, i. e., the out-of-pocket or variable expenses, and secondly, those expenses of a constant or fixed character, which are not capable of assignment to particular kinds of traffic, and which must be borne by the various kinds of traffic in proportion to the ability of each to pay. The sum of the out-of-pocket costs plus a pro rata distribution of the constant cost is referred to as fully distributed cost.

---

[78] They have been reproduced in substantial part in Senate Document No. 63, 78th Cong., 1st sess., under the title "Rail Freight Service Cost Studies In the Various Rate Territories of the United States."

Out-of-pocket or variable costs were separated among (1) running, (2) switching, (3) station, (4) special services not related to the study (such as the operation of grain elevators and storage warehouses), and (5) general overhead expenses.

Running expenses (for carload service) were further subdivided among (*a*) freight-train car maintenance and rental expense for "other than mileage" cars, (*b*) miscellaneous running expenses common to all cars (including expenses for interchange, intertrain and intratrain switching), and (*c*) all other running expenses (including the wages of train crews, locomotive maintenance, maintenance of way, and train fuel). These three groups of running expenses were distributed over the traffic on the basis of revenue car-miles, excluding mileage cars; revenue car-miles of all cars, including mileage cars; and revenue gross ton-miles, respectively.

Switching expenses were separated between those incurred in connection with work performed at origin and destination points and those incurred in connection with work performed at intermediate points where trains are reclassified or cars interchanged. This separation of the expenses was based on the count of cars given each class of switching, weighted for the relative engine-minutes per car for each kind of work. The weighting factors used were developed from or checked against the engine-minutes determined from a number of switching studies which had previously been introduced in other cases before us, or which had been made by our cost analysts at our direction. Switching expenses at origin and destination were reduced to a loaded-car basis. Switching expenses at intermediate points were included with the miscellaneous running expenses and treated on a car-mile basis. Freight-train car maintenance, both mileage and time portion, incurred in connection with origin and destination switching work, and detention for loading and unloading, was distributed on the basis of revenue carloads originated and terminated.

Station expenses (clerical) were apportioned to carload traffic on a weighted consignment basis, and were reduced to a cost per carload consignment.

Overhead expenses were apportioned to running, switching, station, and services not included in the study on the basis of the directly assigned or apportioned expenses.

The same general procedure was followed in developing costs for less-than carload traffic, except that different weighting factors were used for freight-house-track switching than for industry or team-rack switching. Station clerical expenses, apportioned to less-than-arload traffic on a weighted consignment basis, were reduced to a cost er consignment. Station less-than-carload platform expenses were pportioned between origin and destination work, and work at transfer oints, on the basis of the tons handled in each type of service. The xpenses at origin and destination points were treated on a cost per on basis, while that at transfer points was treated as a cost per less-han-carload net ton-mile.

For the purpose of determining the carload fully distributed expenses and over-all revenue needs, the constant costs were distributed ver the revenue tons and revenue ton-miles of carload traffic handled fter deducting the contribution, if any, made towards such expenses y the less-than-carload and passenger services. This has the effect f spreading the constant expenses over the revenue producing units f traffic ignoring differences of ability to pay. Constant expenses elated to origin and destination terminal work were apportioned on per ton basis, while the remainder was apportioned on a ton-mile asis. Insofar as the constant expenses are concerned, one ton or on-mile was treated as no different from any other ton or ton-mile. he cost study gave no consideration to differences in the ability to ay of the various kinds of traffic handled in each territory, this being iewed as an element for consideration separate and apart from costs.

The results of apportioning the constant or fixed expenses on the asis of the directly assigned costs, a procedure commonly used in cost tudies, was also introduced. However, such figures were restated by ur head cost analyst, the explanation being made that the apportionnent of the constant expenses on the basis of the direct costs has the ffect of substantially increasing the fully distributed cost on light-oading traffic such as less-than-carload traffic. Where the direct costs er ton or per ton-mile vary widely from the system average, the listribution of the constant costs on the basis of such direct costs pportions a relatively large amount of the constant expenses to hipments where the out-of-pocket costs are relatively high and a elatively small amount where the out-of-pocket costs are low. Less-han-carload traffic has a relatively high out-of-pocket cost. The net oad per car may range from 4 to 10 tons compared to the carriers' ystem average loads for all traffic ranging from 25 to 35 tons. The atio of gross ton-miles to revenue ton-miles may exceed 5 to 1 as ompared to ratios of between 2.0 to 1 and 2.5 to 1 obtaining for the arriers' system average traffic. The station clerical expenses per undredweight are substantially higher than for carload traffic. Less-han-carload traffic receives a platform handling which is not generally accorded carload traffic. It is obvious that such transportation conditions surrounding the movement of less-than-carload traffic will result in high out-of-pocket or direct expenses per hundredweight. On the other hand, the constant or fixed costs by their very nature are unaffected by the unfavorable transportation conditions peculiar to less-than-carload traffic. As these latter expenses continue irrespective of how the less-than-carload traffic is loaded, and would continue unchanged even though this traffic were not handled at all, their apportionment on a basis which reflects an extremely high ratio of gross ton-miles to net ton-miles, and similar unfavorable operating factors, would not be justified.

Allowances for return were based on recommended rate-making values furnished by our Bureau of Valuation. The return was treated on two bases. Under one method the total allowance for return, computed at both 4 percent and 5¾ percent, was apportioned on the basis of the operating expenses, rents, and taxes. Under the second method the property was separated between line haul and terminal, and the allowance for return distributed using in large measure the same units as were used in distributing the expenses. The study treated 50 percent of the rate-making value of road property and 100 percent of the rate-making value of the equipment as being variable with traffic volume over the long term period. This is equivalent to approximately 57.5 percent of the total rate-making value of the carriers. The allowance for return on the variable portion of the line-haul road property was distributed on a gross ton-mile basis, while the return on the variable portion of the terminal property was distributed on an equated car basis between origin and destination switching and intermediate switching. The allowance for return on freight-train cars was apportioned between running, origin, and destination switching (including detention for loading and unloading), and intermediate switching on an active car-day basis. The allowance for return on the value of locomotives used in switching service was similarly apportioned between origin and destination switching and intermediate switching on the basis of the equated cars handled. The allowance for return on road property, freight-train cars, and yard locomotives thus charged to origin and destination switching was distributed on a per-car basis. The return on property devoted to intermediate switching was treated as proportional to the length of haul and distributed on a car-mile basis. The return on the value of freight-train cars, apportioned on an active car day to running service, was also distributed on a car-mile basis. The return on the value of road locomotives used in running service was distributed on a gross ton-mile basis.

The allowance for return on the constant or fixed portion of the property was treated on the same basis as was the constant or fixed portion of the operating expenses. The return on the constant portion of the property used in connection with origin and destination terminal work was distributed over the traffic originated and terminated on a revenue ton basis. The remainder was related to the line-haul operation and distributed on a revenue ton-mile basis. In the foregoing computations the allowance for return was computed at 4 percent. Adjustments of the cost to reflect any other rate of return were provided for. The territorial cost comparisons were principally based, however, on the 4-percent figure, this being relatively close to the return earned by the carriers in the year covered by the study.

The service units required to move various net loads in given types of cars for varying distance were next accumulated giving recognition to the weight of the load, the tare weight of the car used (box, gondola, et cetera), and the ratio of empty to loaded car-miles experienced throughout the territory on each type of equipment.

These service units were priced out at the territorial average unit costs. This produced the running, switching, and station costs per carload, such cost being next reduced to a cost per 100 pounds of net load. The costs thus computed reflect the net weight of the load, the length of the haul, the tare weight of the equipment, the percent empty return of the equipment and, insofar as switching and station expenses are concerned, whether carload or less than carload. They also reflect territorial average transportation conditions, i. e., main-line and branch-line operation, through-train and way-train operation, operation on lines of heavy traffic density and lines of light traffic density, and the switching performed in large terminals and small terminals. The influence of hauling some types of traffic, such as coal and ore, in heavier than average trains, with the remainder of the traffic being handled in lighter than average trains, was also given consideration in supplementary studies. The territorial comparisons would not be significantly affected by this element.

Relative territorial costs.—Territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in the respective territories, taking into consideration every kind of traffic carried, whether handled in box, gondola, tank, stock, flat, or refrigerator cars, and covering 300 miles of haul. Although cost data were compiled for all lengths of haul, principal weight was attached to the haul of 300 miles per shipment originated as this distance most closely approximates the length of haul in each territory in 1939.

Approximate average hauls per shipment in the East, South, and West for the year 1939 were computed as follows:

	East, excluding Pocahontas	East, including Pocahontas	South	West
	Miles	*Miles*	*Miles*	*Miles*
Carload	269	273	278	[illegible]
Less than carload	454	470	465	[illegible]
All shipments	252	276	282	[illegible]

Most of the comparisons were based on both the out-of-pocket and the fully distributed costs. While the principal cost comparisons were related to the year 1939, consideration was also given to the relative territorial costs for the periods 1930–39, 1937–41, and 1941. The figures quoted hereinafter are based on cost scales introduced by our head cost analyst, but adjusted to reflect the corrections of record made by him in response to criticisms of the study, and corrected to reflect the revised assignment of commodities to classes of equipment. They do not include payment of loss and damage claims.

The following table contains, for 1939, the indexes of out-of-pocket and fully distributed costs of hauling boxcar, gondola-car and hopper-car traffic for distances of 100, 300, and 500 miles in each territory. Costs are based, first, on assumed identical loads and, secondly, where territorial loading data were available, on the actual average loading by types of equipment experienced in each territory. The base, 100, to which the territorial figures are related, is the average car-load cost in that year for the traffic, in the same classes of cars, in the United States, as a whole.

Relative territorial carload cost indexes (1939) for traffic moving in box and gondola and hopper cars for hauls of 100, 300, and 500 miles

[For purposes of comparison United States average cost=100]

Line No.	Territory and miles	Boxcars				Gondola and hopper cars			
		Based on assumed identical load of 25 tons		Based on actual average loading of boxcars		Based on assumed identical load of 50 tons		Based on actual average loading of gondola	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	New England (territory 1):								
1	100 miles	111	134			119	148		
2	300 miles	119	143			128	152		
3	500 miles	123	145			131	154		

Relative territorial carload cost indexes (1939) for traffic moving in box and gondola and hopper cars for hauls of 100, 300, and 500 Miles—Continued

Line No.	Territory and miles	Boxcars				Gondola and hopper cars			
		Based on assumed identical load of 25 tons		Based on actual average loading of boxcars		Based on assumed identical load of 50 tons		Based on actual average loading of gondola	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Eastern excluding New England (territory 2):								
4	100 miles	106	101			106	100		
5	300 miles	105	100			103	97		
6	500 miles	106	100			103	97		
	Eastern including New England (territories 1, 2):								
7	100 miles	106	102	108	104	106	102	106	102
8	300 miles	105	102	107	103	103	100	103	100
9	500 miles	106	102	106	102	104	100	104	99
	Pocahontas (territory 5):								
10	100 miles	83	69	84	70	84	65	84	65
11	300 miles	82	67	84	68	82	63	82	63
12	500 miles	82	67	83	67	81	63	81	63
	Eastern including New England and Pocahontas (territories 1, 2, 5):								
13	100 miles	102	98	104	99	103	95	100	95
14	300 miles	102	96	103	96	102	94	100	93
15	500 miles	102	95	103	96	101	93	100	93
	Eastern including New England and State of Kentucky:								
16	100 miles	104	101			106	100		
17	300 miles	104	101			103	99		
18	500 miles	104	100			103	99		
	Eastern including New England, Pocahontas, and State of Kentucky:								
19	100 miles	102	97			103	95		
20	300 miles	101	96			100	93		
21	500 miles	101	95			100	93		
	Southern (territory 6):								
22	100 miles	89	92	90	94	94	95	100	98
23	300 miles	93	96	96	97	97	99	103	102
24	500 miles	95	98	97	99	100	101	105	104
	State of Kentucky:[1]								
25	100 miles	79	76			84	75		
26	300 miles	82	77			86	77		
27	500 miles	83	77			88	78		
	Southern, excluding State of Kentucky:[1]								
28	100 miles	91	95			94	100		
29	300 miles	95	101			100	105		
30	500 miles	97	103			102	107		
	Eastern, including New England and Southern (territories 1, 2, 6):								
31	100 miles	102	100			103	100		
32	300 miles	102	101			103	100		
33	500 miles	103	100			103	100		
	Western (territory 11):								
34	100 miles	98	107	98	107	100	109	113	115
35	300 miles	99	108	99	108	98	109	109	115
36	500 miles	100	108	99	108	99	109	109	114

---

[1] Because of an inability to separate the Kentucky carriers' constant or fixed costs between those solely related to Kentucky and those common to the carriers' entire system operations, an expense basis of apportionment was used. This treatment, coupled with the very heavy density of traffic in Kentucky, results in some understatement of the fully distributed costs for the State of Kentucky and a small overstatement of these costs in the remainder of the South.

Referring to lines 7–9 and 22–24 of the table, it will be noted that the fully distributed costs for the South are generally a little lower than for the East, including New England, but excluding the Pocahontas territory. The fully distributed costs in the West, on the other hand, lines 34–36, exceed those of the East by from 6 to 15 percent. The relatively high figure of 15 percent applicable on gondola- and hopper-car traffic is occasioned in part by the low average loading for gondola and hopper cars in the West, i. e., 43.0 tons as compared with 50.4 tons in the East. It will be noted that the combination of the costs for eastern and southern territories, exclusive of the Pocahontas territory, lines 31–33, results in costs for the combined territories which are equal to or slightly lower than those for the eastern territory when taken alone. The costs for the South would have to be approximately equal to those for the East to produce this result.

If the Pocahontas territory is included with the East, lines 13–15, the figures show approximately equal costs between the South and East on boxcar traffic, but differences favoring the East of from 5 to 9 percent on gondola- and hopper-car traffic. The costs for the West are 12 percent higher on boxcar traffic and from 15 to 22 percent higher on gondola- and hopper-car traffic than those for the East if the Pocahontas territory is included with the East.

Although relative costs are not shown separately for the western trunk-line, southwestern, and mountain-Pacific territories, the Edwards cost studies indicate that the differences between the costs shown for the total West and the costs for these three rate territories considered separately are relatively small.[79]

The costs in the Pocahontas and Kentucky territories are low because of the existence of a very heavy coal tonnage. A comparison of the costs for the East, excluding Pocahontas territory, lines 7–9, with the costs for the South, excluding Kentucky, lines 28–30, and based on assumed identical loads in each territory, show a slightly lower cost on boxcar traffic in the South but a higher cost by 5 percent on gondola-car traffic. These studies indicate that the costs for the State of Kentucky are lower than the costs for either the East or South.

The preceding comparisons have been based on boxcar traffic and gondola- and hopper-car traffic. Similar cost comparisons were made for several territories for stock-car traffic, refrigerator-car traffic, tank-car traffic, and flat-car traffic. Based on the actual average loads experienced for each class of equipment, the costs for the South are lower than those for the East (including New England but excluding Pocahontas) for traffic moving in all the foregoing classes of equipment. The costs for the West are lower than those for the East as to stock-car traffic, refrigerator-car traffic, and flat-car traffic, but higher for tank-car traffic.

---

[79] Our head cost analyst verified two sets of exhibits: In the first the constant or fixed costs were apportioned on the basis of the out-of-pocket costs. As this procedure had the disadvantage of apportioning a relatively large amount of the constant expenses to shipments where the out-of-pocket expense is relatively high, the costs were restated apportioning the constant or fixed costs on a ton and ton-mile basis. The restatement shows costs only for the West taken as a whole.

Comparison based on carload traffic handled in all classes of equipment.—The following table provides territorial comparisons of indexes of the carload out-of-pocket and fully distributed costs (1939) for traffic moving distances of 100, 300, and 500 miles in all classes of equipment. This comparison is limited to certain territories as the unit costs for each class of equipment were not computed for all areas. The figures in columns (2) and (3) are computed for identical loads in each territory, i. e., boxcars, 25 tons; gondola and hopper cars, 50 tons; flat cars, 29 tons; stock cars, 11 tons; refrigerator cars, 14 tons; and tank cars, 30 tons. These loads approximate the United States averages for the classes of equipment named. The figures in columns (4) and (5) are computed for the actual average loads obtaining for each class of equipment in each territory. The weighting given to the costs for each class of equipment was based on the volume of traffic handled in each type of equipment in the United States. The terminal costs for each class of equipment were weighted for the total United States traffic handled in each class of equipment as measured by tons originated plus tons terminated. Line-haul costs by classes of equipment were weighted for the ton-miles of traffic handled in each class of equipment:

Relative territorial cost indexes (1939) for all carload traffic for hauls of 100, 300, and 500 miles

[United States average cost=100]

Line No.	Territory and miles (1)	Based on identical [illegible] loads		Based on actual average loads	
		Out-of-pocket costs (2)	Fully distributed costs (3)	Out-of-pocket costs (4)	Fully distributed costs (5)
	Eastern including New England (territories 1, 2):				
1	100 miles	106	102	106	103
2	300 miles	105	102	106	102
3	500 miles	105	101	106	102
	Pocahontas (territory 5):				
4	100 miles	84	68	84	68
5	300 miles	82	67	83	67
6	500 miles	82	66	82	66
	Eastern including New England and Pocahontas (territories 1, 2, 5):				
7	300 miles		95		95
	Southern (territory 6):				
8	100 miles	92	94	96	96
9	300 miles	97	98	100	101
10	500 miles	98	100	102	102
	Western (territory 11):				
11	100 miles	98	108	103	110
12	300 miles	99	108	102	110
13	500 miles	99	108	102	110

It will be noted from the table, that, based on identical loads and hauls of 300 miles, the fully distributed costs in the South are 4 percent below those for the East, excluding the Pocahontas territory, and

3 percent above the East, including the Pocahontas territory. Based on the actual average loads the fully distributed costs for the South are 1 percent below those for the East, excluding the Pocahontas territory, and 6 percent above the costs for the East, including the Pocahontas territory. Based on identical loads, the fully distributed costs for the West are 6 percent above those for the East, excluding the Pocahontas territory, and 13 percent above those for the East, including the Pocahontas territory. Based on actual average loads the fully distributed costs for the West are 8 percent above those for the East, excluding the Pocahontas territory, and 15 percent above those for the East, including the Pocahontas territory.

The figures in this table were based on the costs for each class of equipment weighted for the volume of traffic handled in each type of equipment, taking the United States as a whole. The substitution of a weighting based on the territorial consist of traffic, i. e., the volume of traffic handled in each type of equipment in the respective territories, would make no significant difference in the comparisons shown in this table.

Cost of hauling the boxcar and gondola-car traffic of one territory in another territory.—Comparisons were made of the cost of hauling the entire consist of the traffic of one territory, at the average loads and unit costs applicable in that territory, with the cost of hauling the identical traffic at the average loads and unit costs obtaining in other territories. For example, a comparison was made of the expense of hauling the southern territory boxcar traffic a distance of 300 miles at the average load for each commodity using Southern unit costs, with the cost of hauling this identical traffic a distance of 300 miles at the average loads and unit costs obtaining in the Eastern territory (excluding New England and Pocahontas). Similar comparisons were made using the Eastern consist of boxcar traffic. Like studies were made also for gondola and hopper-car traffic. The results of these comparisons are shown in the following table:

Comparison of the cost of hauling southern and eastern boxcar and gondola-car traffic at the average loads and unit costs obtaining in each territory

Item (1)	Ratio (percent) of southern costs to eastern costs using southern consist of traffic (2)	Ratio (percent) of southern costs to eastern costs using eastern consist of traffic (3)
Boxcar traffic		
Out-of-pocket costs	95	90
Fully distributed costs	100	97
Gondola- and hopper-car traffic		
Out-of-pocket costs	97	102
Fully distributed costs	102	106

The above comparisons are based on the cost figures for eastern territory No. 2 which excludes New England. If New England were included the percentage figures shown would be reduced by 1 or 2 percent.

Comparison of the costs of hauling the United States, eastern, southern, and western consists of traffic in each territory.—The following table provides a comparison based on the assumption that the total consist of traffic handled in each of several territories was hauled in the East, South, and West at the unit costs and average loads actually obtaining for each class of equipment in each of these territories. The figures do not include loss and damage and no attempt was made to develop the average loading by individual commodity classes, the composite average load by classes of equipment being used. The comparisons are not based on any given mileage, the aggregate costs being computed for the total revenue tons originated and terminated and the total revenue ton-miles by classes of equipment.

Comparison of the cost of hauling the United States, eastern, southern, and western consist of traffic in each of several territories at the unit costs and actual average loads (by classes of equipment) computed for such territories

[United States average cost=100]

Line No.	Consist of traffic (1)	If hauled at United States average costs (2)	If hauled at eastern [1] costs (3)	If hauled at southern costs (4)	If hauled at western costs (5)
1	United States consist	100	102	101	110
2	Eastern consist [1]	100	101	101	111
3	Southern consist	100	102	101	
4	Western consist	100	102		108

[1] Eastern consist and costs include New England but exclude Pocahontas.

The costs in the South are approximately equal to or slightly lower than the costs for the East, excluding Pocahontas. The costs in the West are from 6 to 10 percent higher than those in the East, depending upon the consist of traffic used in making the comparisons.

Comparisons of the east, excluding Pocahontas, with the south, excluding Kentucky.—Cost comparisons for the East, excluding the Pocahontas territory, with the South, excluding the State of Kentucky, are shown separately for boxcars and gondola and hopper cars. Similar comparisons covering all classes of equipment could not be provided as the data for stock, refrigerator, tank, and flat cars were not available. However, as boxcars and gondola and hopper cars together account for about 90 percent of the total revenue ton-miles in the eastern district and about 83 percent of the total revenue ton-miles in the southern region, a comparison was made based on these two classes of equipment combined. The results should be reasonably indicative of the over-all costs. It was assumed that the traffic was equally distribute between the two classes of equipment, i. e., the same weight was giv to the cost per ton for traffic handled in boxcars as was given traf handled in gondolas.[80] A load of 25 tons was used for the boxcar and a load of 50 tons for the gondola and hopper cars. The fully distributed cost per 100 pounds for a haul of 300 miles in boxcars is 16 cents in the East and 16.1 cents in the South, excluding the State o Kentucky. The cost for gondola and hopper cars is 13 cents in the Eas and 13.6 cents in the South, excluding the State of Kentucky. Th weighted average cost for the South, excluding Kentucky, of 14.85 cent per 100 pounds exceeds the weighted-average cost for the East, excluding Pocahontas, of 14.60 cents by 1.7 percent. From this test it appear that the 1939 over-all costs for the South, excluding Kentucky, ar but little different from the costs for the East, excluding the Pocahonta region.

Comparisons based on the territorial average costs per ton-mil adjusted for differences in lengths of haul and consist of traffic.—Th southern carriers introduced territorial comparisons based on averag net ton-mile costs adjusted for differences in the length of haul and the consist of the traffic. The studies covered a 10-year period, 1930–39. Our head cost analyst restated the data to remove the deficiencie which he believed were present in the studies.[81] The results of the restatements, based on the application of the southern unit costs and the eastern unit costs, respectively, to the eastern consist of traffic, show the costs for the South to be approximately 1 or 2 percent below those for the East, excluding the Pocahontas territory. Practically the same results are obtained by using the southern consist of traffic. The costs for the South are found to be 6 to 8 percent higher than the costs for the East, including the Pocahontas region. The eastern carriers introduced the same type of cost comparisons based, not on the years 1930-39, but on the 5 years, 1937–41, a period which reflects the increased traffic volume of 1940 and 1941. The costs for the South were found to be approximately 9 percent below those for the East, excluding Pocahontas, and approximately the same as those for the East, including the Pocahontas region.

The same basis of comparison, using the period 1930–39, shows the costs for the West to exceed those for the East, excluding the Pocahontas region, by from 5 to 7 percent, depending on the use of the western or the eastern consist of traffic. A comparison with the East, including the Poçahontas region, and using the eastern consist of traffic, shows the Western costs to be higher by 18 percent. No similar comparison was made based on the period 1937–41.

---

[80] In 1941, 44 percent of the tons originated and terminated in the eastern district consisted of anthracite, bituminous coal, and iron ore, while in the southern region, excluding Kentucky, the comparable figures were only 18.7 percent. While these commodities do not account for all the traffic moving in gondolas and hoppers it is sufficient to indicate that the use of an equal weight for boxcar costs as for gondola- and hopper-car costs slightly overstates the over-all costs for the South relative to that for the East which has the lower cost for gondola- and hopper-car traffic.

[81] The deficiencies are discussed hereinbelow in the description of cost studies introduced by others.

Territorial comparisons of less-than-carload costs.—The following table provides territorial comparisons of the less-than-carload cost indexes based both on the less-than-carload out-of-pocket expenses and the out-of-pocket expenses plus those constant expenses which could be solely related to less-than-carload traffic. The less-than-carload costs do not include any of the constant or fixed costs common to all traffic. If these costs were included (but excluding passenger and less-than-carload deficits which were grouped with these constant expenses), the costs shown in columns (4) and (7) would be increased by approximately 5 to 7 percent. Deficits incurred in the handling of less-than-carload traffic based on the difference between less-than-carload revenues and the sum of the out-of-pocket costs, the constant costs solely related to less-than-carload traffic and the payments for collection and delivery service, are included in the carload fully distributed cost indexes.

Relative territorial cost indexes (1939) for less-than-carload traffic having hauls of 100, 300, and 500 miles, based, first, on an assumed identical load of 5 tons and, secondly, on the actual average load experienced in each territory in 1939

[United States average cost=100]

Line No.	Territory	Assumed identical load			Actual average load		
		Load (tons)	Out-of-pocket cost	Out-of-pocket cost plus constant expenses solely related to less than carload	Load (tons)	Out-of-pocket cost	Out-of-pocket cost plus constant expenses solely related to less than carload
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Eastern, including New England (territories 1, 2):						
1	100 miles	5	102	98	6.4	92	92
2	300 miles	5	105	101	6.4	94	93
3	500 miles	5	107	103	6.4	94	94
	Pocahontas (territory 5):						
4	100 miles	5	93	89	5.6	92	88
5	300 miles	5	90	89	5.6	89	87
6	500 miles	5	89	88	5.6	87	87
	Eastern, including New England and Pocahontas (territories 1, 2, 5):						
7	100 miles	5	101	97	[1]		
8	300 miles	5	103	100	[1]		
9	500 miles	5	104	101	[1]		
	Southern (territory 6):						
10	100 miles	5	87	84	5.5	86	84
11	300 miles	5	89	87	5.5	88	86
12	500 miles	5	90	88	5.5	89	87
	Western (territory 11):						
13	100 miles	5	108	114	4.3	122	123
14	300 miles	5	104	109	4.3	120	121
15	500 miles	5	102	107	4.3	120	120

[1] Average load not available.

This table indicates that the less-than-carload costs in the South are lower than those in the East, while the less-than-carload costs in the West are higher than those in the East, particularly when the costs are based on the actual average less-than-carload loading experienced in the respective territories in 1939.

A witness for the official territory lines compared the rate scales for classes 1, 2, 3, and 4, subject to the 45-cent minimum rate for pick-up and delivery, with scales of costs developed from the Edwards cost studies for the East, including New England and Pocahontas, using average loads of 6.5, 8, 10, and 12 tons. Order No. 1 of the Office of Defense Transportation, requires, with certain exceptions, a minimum load of 10 tons of less-than-carload freight. In October 1942 the average loading was 10.6 tons. Whether this loading can be maintained after the war is problematical. The indications are that the railroads will endeavor to do so. The results of this comparison may be summarized as follows:

Cost level	6½ tons	8 tons	10 tons	12 tons
1. Out-of-pocket operating expenses, rents, and taxes	Below fourth-class rate scale.	Below fourth-class scale.	Below fourth-class scale.	Below fourth-class scale.
2. Total out-of-pocket including the 4-percent return.	Below fourth-class rate scale for hauls under 470 miles.			
3. Out-of-pocket operating expenses, rent, taxes, and pick-up and delivery.	Below third-class rate scale.[1]			
4. Total out-of-pocket including 4-percent return and pick-up and delivery.		Below fourth-class scale for hauls under 260 miles (1).		
5. Total out-of-pocket and solely related expenses.		Below third-class scale.	Below third-class scale.	Below fourth-class scale except for for hauls of 225 to 380 miles.[2]
6. Total out-of-pocket, solely related expenses plus pick-up and delivery.	Below second-class rate scales except for hauls of 25 to 90 miles and under first-class rates except for hauls of 25 to 45 miles.	Below third-class scale except for hauls of 40 to 200 miles. Below second-class scale except for hauls between 40 and 70 miles.	Below third-class scale except for hauls of 75 to 140 miles	Below third-class scale except for hauls of 95 to 120 miles.

(1) Closely approximates fourth-class rate scale for longer hauls.
(2) Closely approximates fourth-class rate scale for distances in excess of 225 miles.

The rate scales in each instance include pick-up and delivery service, whereas only three of the cost bases include the cost of pick-up and delivery. The average cost of pick-up and delivery was computed by dividing the total pick-up and delivery expenses by the total less-than-carload 100 pounds carried. The resulting average was 7.68 cents per 100 pounds. Some of the less-than-carload traffic does not receive a pick-up and delivery service. Class-rate traffic moves over routes that are probably 10 percent or more longer than the short line on which the class-rate scales are based. If the pick-up and delivery payments and allowances were spread only over the traffic that receives collection and delivery service the cost of such service would be higher than 7.68 cents per 100 pounds. If allowance were made for circuity the line-haul costs would be increased by at least 10 percent. Payment of loss and damage claims was not included in any of these cost bases.

It will be observed that with a 6.5-ton load only the first- and second-class rates are above the cost basis No. 6, total of the out-of-pocket and solely related expenses plus pick-up and delivery, and that for certain distances they are not above this basis of cost. A test which was made in 1939 shows that 69 percent of the less-than-carload revenues in official territory came from traffic rated 65 percent of first class or higher. The analysis of less-than-carload traffic for the week of September 8 to 14, 1939, previously referred to, shows that the weighted-average class rate on intraterritorial traffic in official territory was 65.9 percent of first class, and on traffic originated, and terminated in official territory 66.6 and 66.1 percent of first class, respectively. Second-, third-, and fourth-class rates in official territory are 85, 70, and 50 percent of first class, respectively; rule 26 is 55 percent of first class.

The following table shows the deficits incurred in handling less-than-carload traffic in 1939:

Less-than-carload comparisons of costs, revenues, and deficits

Line No.	Item (1)	Eastern (territories 1 and 2) (2)	Pocahontas (territory 5) (3)	Southern (territory 6) (4)	Western (territory 11) (5)	United States (territory 12) (6)
1	Out-of-pocket cost including 4 percent return on value	$96, 746, 492	$6, 987, 291	$35, 375, 667	$88, 912, 591	$226, 818, 622
2	Constant expenses solely related to less than carload	25, 824, 542	1, 578, 871	8, 425, 605	24, 592, 128	60, 421, 143
3	Constant expenses solely related to less than carload, adjusted [1]	17, 936, 694	1, 186, 369	5, 911, 853	16, 484, 022	41, 518, 937
4	Collection and delivery payments and allowances	10, 737, 873	632, 881	3, 649, 912	9, 641, 496	24, 662, 162
5	Out-of-pocket cost plus total solely related expenses plus collection and delivery (lines 1, 2, 4)	133, 308, 907	9, 199, 043	47, 451, 184	123, 146, 215	311, 901, 927
6	Out-of-pocket cost plus adjusted solely related expenses plus collection and delivery (lines 1, 3, 4)	125, 421, 059	8, 806, 541	44, 937, 432	115, 038, 109	292, 999, 721
7	Less-than-carload revenues	107, 155, 756	8, 742, 308	46, 635, 725	88, 797, 938	251, 331, 727
	Less-than-carload income or deficit					
8	Basis of total solely related expenses plus c. and d. (line 7 minus line 5)	[2] 26, 153, 151	[2] 456, 735	[2] 815, 459	[2] 34, 348, 277	[2] 60, 570, 200
9	Basis of adjusted solely related expenses plus c. and d. (line 7 minus line 6)	[2] 18, [illegible] 303	[2] 64, 233	+1, 698, 293	[2] 26, 240, 171	[2] 41, 667, 994

---

[1] For purposes of territorial comparison it is assumed that 100 percent of the constant portion of terminal operating expenses, rents, and taxes assigned and apportioned between carload and less-than-carload services, are separable between the two services. Actually, however, some portion of these expenses are common to all services and would continue if less-than-carload service were discontinued. If we adjust for this fact by reducing by 59 percent the constant station clerical expenses as solely related to less than carload we arrive at the adjusted figures shown above.

[2] Deficit.

The best showing is in southern territory.

Comment on the territorial differences in costs.—A significant feature of all preceding comparisons is that the out-of-pocket costs (i. e., the directly assignable expenses) in the South and West are frequently as low as, or even lower than the out-of-pocket costs in the East. This is despite the fact that a uniform percentage of each expense item was taken in the East, South, and West in computing the out-of-pocket costs, although the analysis of the out-of-pocket costs by territories indicated that, if anything, a somewhat larger percentage of the expenses in the East is variable with added traffic than is true of the South and West.[32] The difference in the fully distributed costs between the East and the West is largely in the constant or fixed expenses and the passenger and less-than-carload deficits.

Data of record indicate that the increase in freight traffic volume received by the carriers subsequent to the year 1939 has served to reduce the unit costs of transportation in the South and West in a proportionately greater degree than in the East. This results from the fact noted above that a larger proportion of the carload freight revenue needs in the South and West consists of the constant or fixed costs than is true in the East, and these expenses do not increase with added freight traffic. For example, the ton-miles of revenue freight carried in 1941 as compared with 1939 increased by 43 percent in the eastern (including New England) 27 percent in the Pocahontas, 44 percent in the southern, and 46 percent in the western territories. The cost per revenue ton-mile decreased by only about 5 percent in the East and the Pocahontas territories as compared with decreases of something in excess of 10 percent in the South and West.

Criticisms of the Edwards cost studies.—Carriers and shippers offered many criticisms of the Edwards cost studies. Some were directed to such items as errors in computation, erroneous separations of running and train switching expenses, the exclusion of intraterminal switch cars, and the count of less-than-carload and carload tonnage handled. Corrections for several items of this character were made and introduced in the record.

Other criticisms were directed to the apportionment factors used in the formula, such as the relative weight from a cost of service standpoint, given to each class of switching service; the car-day allowances for loading, unloading, and switching of freight-train cars; the separation of station clerical expenses between carload and less-than-carload; and the ratio of empty to loaded mileage by classes of equipment. In support of the factors used, our head cost analyst referred to various special studies made for the purpose of this, and other cases, and to his analysis of data of a similar character introduced by carriers in other proceedings. He also introduced a series of tables showing the effect on the cost scales of various possible variations in the factors used, the result in most cases being but a negligible shift in the expenses from one type of car to another type of car, or from one length of haul to another length of haul. This followed from the fact that most of the apportionment factors while reflecting the relative cost for one class of work relative to another class of work, had no influence on the aggregate costs. Allowance for empty miles by classes of equipment was reconciled with the carriers' total empty miles reported by regions for all classes of equipment. Also reconciled within a very close margin were the costs developed in the cost scales and the carriers' total known expenses by regions and districts. The reconciliation appears below:

---

[32] The reason apparently lies in the fact that the East, with its higher traffic density is closer to the maximum capacity of the plant than is true in the other districts and hence the influence of added traffic on costs is here greater.

Line No.	Territory (1)	Aggregate expenses, increased for a 4-percent return computed by applying cost to traffic handled (1939) (2)	Actual expenses as reported by carriers increased for a 4-percent return (1939) (3)	Ratio (percent) of computed expenses to actual expenses (4)
1	Eastern	$1,426,960,260	$1,451,484,949	98.3
2	Pocahontas	183,076,590	185,387,990	98.8
3	Southern	450,448,155	449,601,663	100.3
4	Western	1,382,540,982	1,395,188,845	99.1
5	United States (lines 1-4)	3,443,024,987	3,481,063,347	98.9

Judging from the above table, whatever errors may exist in the Edwards studies, they have not had the effect of overstating or understating the carriers' costs in the aggregate to any appreciable degree.

For the purpose of the foregoing reconciliation, costs were developed by individual commodity classes and summarized, the constant costs (as explained hereinabove) being distributed pro rata on a ton and ton-mile basis disregarding the element of value of service. The resulting costs by commodity classes were criticized by the carriers on the ground that the ratios of freight revenues to fully distributed costs on some commodities in the South, such as peaches and livestock (cattle and calves, single deck), show them to be more profitable than coal. The result was stated to be contrary to the generally accepted experience. The ratios referred to reflect the compensatory character of the revenues when reduced to a per ton or per ton-mile basis. For example, the revenue per ton-mile for peaches, livestock, and coal in the South was shown to be 1.95 cents, 2.20 cents, and 0.59 cents, respectively. Ton-mile for ton-mile the contribution of peaches and livestock to the constant costs is greater than that realized on coal. On the other hand, when the relative volume of the traffic is taken into consideration, the studies indicate that the aggregate contribution made by peaches or livestock to the carriers' fixed costs and return, i. e., the excess of total revenue over out-of-pocket costs, constitutes only about 1 or 2 percent of that realized from the coal traffic.

A similar example was offered based on the transportation of watermelons and coal in the Pocahontas region. The revenues are 1.32 cents and 0.54 cent per ton-mile and the contributions above out-of-pocket costs are 0.51 and 0.25 cent per ton-mile, respectively. Based on the volume of watermelon and coal traffic the contribution to fixed costs and profits made by watermelons approximates 53 thousand dollars as compared to approximately 75 million dollars for bituminous coal. Viewed in this light, the cost studies support the generally accepted view as to the profitability of coal traffic.

Criticism was made that the territorial average costs for gondola and hopper-car traffic found for the western territory were not applicable to the ore tonnage handled by the Great Northern or the Duluth, Missabe and Iron Range Railroad. This is true. On the other hand, the intent of the cost study was to reflect territorial average operating conditions, including main-line and branch-line operations, through train and way train operations, operations of lines of heavy-traffic density and lines of light-traffic density, and the switching performed at large terminals and small terminals. It is obvious that some lines in virtue of their topography or traffic density will have costs which are lower or higher than the territorial average. The Duluth, Missabe and Iron Range and the ore-handling sections of the Great Northern are obviously in this category. The fact that the territorial average costs as developed do not exactly fit such operations does not invalidate the costs for the purpose for which they were developed. The exclusion of the Great Northern has a negligible effect upon the territorial average costs.

Criticism was made of the rate-making values used, the figures being based on data furnished by our Bureau of Valuation. This criticism has little weight, however, as the relation between our Bureau's rate-making value and the carriers' book investment differed little by territories. The comparisons of relative territorial costs would be little affected regardless of whose valuation figures were used.

Criticism was made of the carrier and territorial groupings used in the Edwards studies. Our head cost analyst subsequently reworked the costs to show all combinations of regions and areas requested by respondents to the proceeding.

Territorial cost studies introduced by others.—Cost data dealings with the relative territorial costs were introduced by witnesses for the southern governors, the southern carriers, the State of New York, and the Kansas State Corporation Commission. Exhibits introduced by the southern governors provided an analysis of the terminal and line-haul costs appearing in the Edwards studies showing variations in the unit costs among the individual railroads in each district. Maximum, minimum, and average costs were presented. The exhibits also contained statistical data showing the relative importance of various commodities in each of the several regions, average loads, traffic densities by regions and individual carriers, et cetera. The purport of the data was to support the thesis that costs are lower in the South than in the East.

The southern carriers introduced cost comparisons for the South and East, both including and excluding the Pocahontas territory, based on the average net ton-mile costs in each region adjusted for differences in the length of haul and the consist of traffic. The studies covered the 10-year period, 1930–39. These studies are subject to some criticisms. The data relied to a substantial degree upon the separation of expenses between line-haul and terminal developed in the Edwards cost studies. However, the southern carriers made a drastic departure from the Edwards formula in that it grouped with the terminal expenses all of the fixed or constant expenses which were attributed by the Edwards study to the line-haul operation and distributed on a ton-mile basis. For example, whereas the Edwards study developed that the costs for the East were 24-percent independent of distance and 76 percent variable with distance, the southern carriers changed this to 53 percent independent of the distance and 47 percent variable with distance. The effect was to eliminate from consideration, as to substantial part of the expenses, the longer average haul obtaining in the South compared to the East. Other factors subject to criticism relate to the average haul per ton per railroad which was used in lieu of the average haul per shipment upon which the formula was based, and the composition of traffic assigned to gondola and hopper cars. Our head cost analyst restated these exhibits and expanded them to include comparisons for the 10-year period between the eastern and western carriers. The results of such restatements have been shown above. The eastern carriers introduced exhibits restating the southern carriers' studies, but using the 5-year period 1937–41. The figures showed the costs for the South to be 98.2 percent of those for the East, including Pocahontas, and 91.3 percent of the costs for the East, excluding Pocahontas. Our head cost analyst restated the latter exhibits to correct what he believed to be minor errors of application. The result changed the foreging figures to read 99.4 and 91.9 percent, respectively.

Witness for the State of New York introduced comparisons of the costs per revenue ton-mile for various groups of railroads in the South and East. Such comparisons of revenue ton-mile costs, however, are subject to the following criticisms: No separation was made between line and terminal with the result that, other factors being equal, the territory having the longest average haul per shipment would inevitably have the lowest cost per revenue ton-mile, the terminal expenses being spread over more ton-miles. No separation was made between classes of equipment, the low cost per revenue ton-mile for heavy loading coal traffic being combined on a weighted-average basis with the higher ton-mile cost for manufactured products. Other factors being equal, the region having the greatest proportion of coal traffic would, under such a procedure, show the lowest cost. No effort was made to accumulate the cost on the basis of homogeneous service units required in the handling of each class of traffic in each class of equipment, such as was accomplished in the Edwards studies.

The Kansas State Corporation Commission introduced cost and statistical comparisons purporting to show that the costs in southern Missouri were lower than those of the Kansas railways, and that the costs for the Kansas railways in turn were lower than those in northern Missouri. Reliance was placed on various statistical ratios, including freight-operating rations, freight expense per locomotive ton-mile, freight expense per revenue ton-mile, ratio of revenue freight ton-miles to gross ton-miles, ratio of nonrevenue freight to revenue freight, freight expense per gross ton-mile, average carloading, and ratio of empty car-miles to loaded car-miles. It was found that six out of the eight ratios favored southern Missouri as compared with northern Missouri, the conclusion being reached that southern Missouri freight costs were lower than northern Missouri costs. Five of the eight ratios favored southern Missouri as compared with Kansas, the conclusion being reached that southern Missouri railways had a lower relative freight cost than Kansas railways. Some of these ratios, such as the operating ratio, may reflect not merely relative costs but differences in rate levels and differences in the consist of traffic. No attempt was made to adjust for differences in the average length of haul through a separation of the terminal expenses from the line-haul expenses, nor were differences in the consist of traffic recognized by developing costs by classes of equipment. The differences in some of the ratios are relatively small. For example, the freight expense per gross ton-mile was found to be 0.245 cent in Kansas, 0.251 cent in northern Missouri and 0.258 cent in southern Missouri. The costs per revenue ton-mile were 0.785 cent in Kansas, 0.823 cent in northern Missouri, and 0.763 cent in southern Missouri. While many of the ratios favored southern Missouri, the margin in many cases is very small. Relatively small segments of the operations of many of the carriers were included in the study, and the separation of the expenses for these segments is not wholly reliable. From the data of record, it is not possible to draw any specific conclusions that the costs in one or other of the areas named exceed the costs in the remaining areas. At most, the conclusion may be drawn that the costs in the respective areas do not vary substantially.

Summary.—The various comparisons of territorial costs reviewed hereinabove show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas territory. The figures both for the year 1939 and the period 1930–39 indicate that, taken as a whole, the costs in the South are equal to or a little lower than those in the East. If the period 1937–41 is used, the costs in the South are substantially lower than those in the East.

If the Pocahontas territory is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East. This differential would be increased to something between 6 and 8 percent if the years 1930–39 were used, a period including years of depression traffic. On the other hand, this differential would be eliminated if the 5-year period, 1937–41, were used. The unit costs of rendering transportation service in the South increase more rapidly with declining traffic volume and decrease more rapidly with increased traffic volume than is true for the East. On the basis of the 1939 figures, the costs for the East, including New England but excluding Pocahontas, are approximately the same as the costs for the South, excluding the State of Kentucky.

Comparisons based on the year 1939 and the period 1930–39 show the over-all cost of rendering transportation service in the western territory to be between 5 and 10 percent higher than in the East, excluding the Pocahontas territory. If the year 1941 were used, this difference would be reduced to 5 percent or less. A comparison based on the inclusion of the Pocahontas territory with the eastern roads for the period 1930–39 shows a difference of 18 percent. Based on the year 1939 the difference shrinks to approximately 15 percent. Based on the year 1941 it would be reduced to something in the neighborhood of 10 percent.

The relative territorial costs of less-than-carload traffic, for a haul of 500 miles, based on actual average loads are 5 to 8 percent higher in the East, including New England but excluding Pocahontas, than in the South. Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas. Less-than-carload traffic as a whole, is carried at a deficit in all territories, except possibly in the South.

SOUTHERN TERRITORY

Systems and levels of class rates, South versus East.—The class-rate structures of the South and official territory differ from each other in four major respects: (1) In the levels of the scales, (2) in the progressions of the scales, (3) in the relations of the several component scales which make up the class-rate system, and (4) in the governing freight classifications. The difficulties involved in any attempt to compare the average levels of these two rate structures, as well as the others, have been pointed out. As previously stated, the first-class rates in the South average about 37.7 percent higher than the first-class rates in official territory. The K–2 scale of class rates within the South grades up with distance more rapidly than the official scale. However, for distances up to 190 miles the two scales have been brought more closely together by voluntary action of the southern carriers on July 7, 1941.

A comparison of the first-class rates in the K–2 scale, with those in the modified southern scale, and with those in the eastern or official scale, for distances up to 190 miles is shown below:

All rates shown include the Ex Parte No. 123 increase of 10 percent

Miles	K-2 scale	Modified K-2 scale	Difference	Eastern official scale	Modified southern scale, percent of eastern scale
5	37	40	+3	33	121.
10	40	40	------	34	117.
15	43	42	−1	36	116.
20	45	44	−1	37	118.
25	48	46	−2	40	115
30	51	48	−3	41	117
35	54	51	−3	43	118.
40	56	53	−3	44	120.
45	59	55	−4	46	119.
50	62	57	−5	47	121.
55	65	59	−6	50	118
60	67	62	−5	51	121.
65	70	64	−6	53	120.
70	73	66	−7	54	122.
75	75	68	−7	56	121.
80	77	70	−7	57	122.
85	79	73	−6	58	125.
90	80	75	−5	59	127.
95	81	77	−4	61	126.
100	84	79	−5	62	127.
110	87	83	−4	64	129.
120	90	86	−4	66	130.
130	94	89	−5	68	130.
140	97	92	−5	70	131.
150	100	96	−4	73	131.
160	103	99	−4	74	133.
170	106	102	−4	76	134.
180	108	106	−2	77	137.
190	110	109	−1	79	137

Lack of uniform ratings in relation to first class produces many differences in rates as between the South and official territory. The extent to which items are rated differently, in relation to first class in the southern and the official classifications, is indicated in the following table:

	Number of items				Percent of total
	Less than carload	Any quantity	Carload	Total	
outhern and official ratings the same	9, 253	66	4, 937	14, 256	69. 8
outhern ratings higher than official	21	0	4, 021	4, 042	19. 8
outhern ratings lower than official	771	13	1, 344	2, 128	10. 4
Total	10, 045	79	10, 302	20, 426	

It will be noted that nearly 70 percent of the ratings are the same, hat of the 79 any-quantity ratings 13 are lower, and none are higher, in the southern classification, and that of the 10,045 less-than-carload atings 771 are lower, and only 21 are higher, in the southern classification; but that there are 4,021 higher carload ratings in the South han in official territory, as compared with only 1,344 lower such ratings in the South. Considering the ratings as a whole, 19.8 percent are higher, and 10.4 percent are lower in the southern classification han in the official classification. In many instances the rates based on the lower southern ratings are higher than those produced by the higher official classification ratings, because of the higher level of the outhern class rates.

Fifth class is generally considered the most important carload class in official territory. Fifth class is 35 percent of first class in official erritory and 45 percent of first class in the South. There are 2,184 atings of fifth class or 35 percent of first class in official territory. These same items are rated in southern classification, or exceptions thereto, from 17.5 to 55 percent of first class, and produce rates in the South ranging from 70 to 220 percent of the rates in official territory. The weighted average (weighted according to the number of ratings) is 155 percent.

RELATIVE LEVELS OF COMMODITY RATES, SOUTH VERSUS EAST

In many instances, commodity rates in the South are lower than commodity rates on like traffic in official territory. There is no comprehensive showing as to the general level of commodity rates in the South as compared with that in official territory. The record does reveal, however, that in the following instances commodity rates in the South are lower than rates on the same commodity in official territory:

Brick, building and facing.—The rates under the distance scale maintained in southern territory are the same for a few distance blocks as those under the central territory scale, and are lower for all other distances than those under the latter scale. In all instances the southern-scale rates are lower than those under the trunk-line scale. For example, for 100 miles, the southern rate is $1.60 per net ton, the central-territory rate is $1.85, and the trunk-line rate is $2.15; for 460 miles the southern rate is $3.80, the central territory rate is also $3.80, and the trunk-line rate is $4.79; and for 1,000 miles the southern rate is $5.80, the central territory rate is $6.27, and the trunk-line rate is $7.59. The average rate on brick from Canton, Ohio, to 17 points in eastern trunk-line territory for an average distance of 446.6 miles is $4.66, while the rate for that distance in southern territory is $3.60; and the average rate from Pittsburgh, Pa., to the same destinations in trunk-line territory for an average distance of 370.9 miles is $4.01, while the rate for that distance in the South is $3.40. The southern scale was prescribed in *Brick and Clay Products in the South*, 88 I. C. C. 543, for distances of 1,000 miles and less. The central territory and trunk-line scales were prescribed in *National Paving Brick Mfrs. Assn.* v. *Alabama & V. Ry. Co.*, 68 I. C. C. 213, for distances of 150 miles and less. The carriers have voluntarily extended the latter scales to 1,000 miles.

Fertilizer and fertilizer materials.—The present southern scale is lower for all distances than the scale prescribed in *Eastern Fertilizer Cases*, 198 I. C. C. 483, 203 I. C. C. 787, on basis of 22.5 percent of first class between points in trunk-line territory; and the southern scale is lower for distances of 680 miles and less than the scale prescribed in the report on further hearing in *Ohio Farm Bureau Federation* v. *Ahnapee & W. Ry. Co.*, 146 I. C. C. 419, for application between points in central territory. However, for some (not all) distances greater than 680 miles up to 800 miles, the maximum distance under the latter scale, that scale is slightly lower than the southern scale. For distances of 300 miles and less, the southern scale is much lower than either the central-territory scale or the trunk-line scale. For example, for 100 miles the southern scale rate is $1.35 per net ton, the central territory scale rate $2.40, and the trunk-line scale rate $2.80; for 200 miles the southern rate is $2.35, the central territory rate $3.20, and the trunk-line rate $3.60; and for 380 miles the southern rate is $4.45, the central territory rate $4.40, and the trunk-line rate $4.80. The trunk-line and central-territory scales are subject to a minimum of 40,000 pounds, while the southern scale is subject to a minimum of 60,000 pounds. For all distances, the present southern scale is substantially lower than the scale we prescribed in *Fertilizers Between Southern Points*, 113 I. C. C. 389, for application between points in southern territory in connection with a minimum of 40,000 pounds. The rates under the present southern scale for distances of 300 miles and less were established to meet motor-truck competition.

Coke.—In the report on reconsideration in *Coke from Alabama and Tennessee to Central Territory*, 215 I. C. C. 384, we prescribed on coke, in carloads, from Birmingham, Ala., Chattanooga, Tenn., and points in Wise County, Va., to destinations in central and Illinois territories a distance scale the same as the scale designated the column 2 scale which had been prescribed in *Coke between Points in Central and Illinois Territories*, 194 I. C. C. 640, for application on like traffic within central and Illinois territories. We said, in the report on reconsideration in the first-cited proceeding (pages 385, 386):

> The column 2 rates are now applicable between points in central territory, with a few exceptions mentioned in the original report. The rates from Chattanooga, Birmingham, and Wise County, Va., to southern destinations are in certain instances slightly higher, and in others lower, than they would be if made strictly on the column 2 basis, but they average about the same. From Chattanooga and Birmingham combined to all destinations having a population of 5,000 or more, both the present and the column 2 rates average $2.96 per ton. * * * Coke is among the commodities taking commodity rates in the South approximately the same as those in official territory.

That scale is substantially lower than the scale previously prescribed for application within trunk-line territory and from that territory to New England. The latter scale was prescribed originally in *Seaboard By-Product Coke Co.* v. *Director General*, 62 I. C. C. 317, for distances of 600 miles and less from Seaboard, N. J., to destinations in New England, New York, and New Jersey. It was later prescribed in *Hudson Valley Coke & Products Corp.* v. *N. Y., N. H. & H. R. Co.*, 129 I. C. C. 472, for application from Troy, N. Y., to destinations in New England.[8a]

Lime.—For all distances the southern scale on lime is substantially lower than the trunk-line scale, and, for distances of 380 miles and more, the southern scale is lower than the central-territory scale. For distances less than 380 miles, however, the southern scale is higher than the central territory scale. For example, for 100 miles, the southern scale rate is $2.64 per net ton, the central territory rate is $2.60, and the trunk-line rate is $2.75; for 380 miles the southern rate is $3.96, the central territory rate is $4, and the trunk-line rate is $4.40; and for 700 miles the southern rate is $4.84, the central territory rate is $5, and the trunk-line rate is $5.61. The southern scale was approved originally in *Lime Between Southern Points*, 129 I. C. C. 635, for distances of 800 miles and less; and in *Dann-Gerow Co., Inc.*, v. *Atlantic Coast Line R. Co.*, 172 I. C. C. 482, that scale was extended to 1,400 miles. The central territory scale was prescribed in *Eastern Lime Mfrs. Traffic Bureau* v. *Akron & B. B. R. Co.*, 112 I. C. C. 7, and in *Lime to Central Territory*, 203 I. C. C. 407, was approved for application from Buffalo, N. Y., to central territory. The trunk-line scale, made 110 percent of the central territory scale, was approved in *Ohi* *Lime Mfrs.* v. *Pennsylvania R. Co.*, 214 I. C. C. 417. A scale made 1 percent of the central territory scale was approved in *Lime from an* *to New England*, 222 I. C. C. 665, for application from, to, and withi New England.

[8a] An Alabama intrastate scale that is lower than even the column 2 interstate scale maintained between points in central territory applies on coke when for furnace use between certain points in Alabama.

Logs.—In *Indiana Public Service Commission* v. *Ann Arbor R. Co* 85 I. C. C. 533, we prescribed on logs, in carloads, between points i central territory, maximum reasonable rates equivalent to 65 perce of the sixth-class rates contemporaneously in effect between the sam points. That basis is now in effect generally between points in centra territory and points in trunk-line territory, as 18 percent of first clas by reason of exceptions to the official classification.

A number of distance scales apply on logs between points in souther territory. The lowest of these scales which we have prescribed is th so-called Pierpont scale, which is a single-line scale that was prescribe originally in *Pierpont Mfg. Co.* v. *Southern Ry. Co.*, 50 I. C. C. 8 and, subjected to the general rate changes, provides local and transi rates between points on the lines of certain standard railroads in northern Florida, eastern Alabama, Georgia, South Carolina, North Carolina, and southern Virginia. This single-line scale is substantiall lower than the general basis hereinbefore stated applicable in officia territory for both single-line and joint-line hauls. For example, fo 200 miles the Pierpont scale rate is 9.5 cents per 100 pounds while th official territory rate is 14 cents; for 500 miles these rates are 18 cent and 22 cents, respectively; for 800 miles they are 24 cents and 29 cents and for 1,000 miles, 29 and 33 cents.

In *Farris Hardwood Lbr. Co.* v. *Louisville & N. R. Co.*, 178 I. C. C 671, we prescribed resonable single-line and joint-line distance scal of rates on logs, in carloads, from points in southern territory, no including points in Florida south of the line of the Seaboard Air Li Railway Company from Jacksonville to River Junction, to certai points in Tennessee for distances to and including 800 miles. Th prescribed single-line rates were 2.5 cents per 100 pounds lower tha the corresponding joint-line rates. The proceeding was comprehensi in its scope and resulted in a general readjustment of rates over a extensive territory. The rates under the joint-line scale therein pr scribed, as modified by the subsequent general rate changes, are in mo instances the same as the official territory rates for like distances an in other instances, are either 1 cent higher or lower than the corre sponding official territory rates. With respect to the Pierpont scal prescription of which was sought in the proceeding last cited, we sai at page 682:

> This record indicates that the Pierpont scale had its origin in rate structur designed (1) to facilitate the clearing of land for farming purposes, (2) to m

ings from regions in which the preponderance of the timber is softwood, and (3) to fit the comparatively favorable operating conditions existing in the level coastal areas in the Southeast. It would be manifestly unjust to require the extension of such a scale into the region here considered, throughout which the reverse of the above-mentioned conditions largely obtains.

The distance-scale basis prescribed in *Farris Hardwood Lbr. Co.* v. *Louisville & N. R. Co., supra*, was subsequently prescribed in a number of other proceedings for application between points in other sections of southern territory, and to points in that territory from origins in official territory. See *Pulaski Veneer Corp.* v. *Atlantic & Y. Ry. Co.*, 258 I. C. C. 706, and 259 I. C. C. 313, and the decisions therein cited.

Lumber.—The southern scale on lumber is lower than the official scale except that for a few of the longer distances the rates under the two scales are the same. For 50 miles the southern rate is 7 cents per 100 pounds, the official rate 11 cents; for 100 miles the southern rate is 9.5 cents, the official rate 14 cents; for 200 miles these rates are 14.5 cents and 18 cents, respectively; for 300 miles they are 19 cents and 22 cents; for 400 miles they are 24 and 25 cents, respectively; for 600 miles they are each 30 cents; and for distances of 900 miles (the maximum distance under the southern scale) and over 600 miles the southern rates are the same as, or 1 cent less than, the corresponding rates under the official scale. Each of these scales is lower than the scale prescribed by us for application in the affected territory. In *Lumber between Points in Official Territory*, 214 I. C. C. 493, we prescribed rates on lumber between points in official territory on the basis of 25 percent of first class. Since that decision the railroads have voluntarily established rates on lumber in official territory 22.5 percent of first class. In *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, 157 I. C. C. 280, we approved a general revision of rates on lumber between points in southern territory based on a distance scale. That scale was substantially higher than the scale now maintained voluntarily within southern territory.

Pig iron.—Specific rates on pig iron from Birmingham, Ala., to consuming points in southern territory are much lower than rates on pig iron for like distances from blast-furnace points in official territory to consuming points in official territory. For example, the rate from Pittsburgh to Buffalo, 232 miles, is $3.61 per long ton, whereas the rate from Birmingham, to Macon, Ga., 247 miles, is only $2.61; and the rate from Birmingham to Roanoke, Va., 535 miles, is $4.65, while the rate from Pittsburgh to Evansville, Ind., 525 miles, is $6.38.

Pulpwood.—The southern scale on pulpwood is substantially lower than the scale applicable within trunk-line territory. The southern scale applies on both single-line and joint-line movements, whereas separate scales for such movements are maintained within trunk-line territory. For 200 miles the southern scale rate is 6.575 cents per 100 pounds, the trunk-line rate for single-line hauls is 11 cents, and the trunk-line rate for joint-line hauls is 12 cents. For 660 miles, the southern rate is 15 cents, the trunk-line single-line rate is 22 cents, and the trunk-line joint-line rate is 23 cents. The trunk-line scales were prescribed originally in *West Virginia Pulp & Paper Co.* v. *Baltimore & O. R. Co.*, 104 I. C. C. 495, for application from the District of Columbia and points in Maryland, Virginia, and West Virginia to interstate destinations in Delaware, Maryland, Pennsylvania, and West Virginia. The southern scale is on a voluntary basis.

Sand, gravel, crushed stone, and slag.—The southern scale is generally lower than any of the three official territory scales, but in some instances is the same as one of the latter scales, the so-called West Penn scale, which was prescribed in *Pennsylvania Sand & Gravel Producers Assn.* v. *B. & O. R. Co.*, 104 I. C. C. 717, for application from points in western Pennsylvania to destinations in Ohio, West Virginia, and New York. For distances of 35 to 170 miles, inclusive, the southern scale is the same as the West Penn scale; but for distances less than 35 miles and those over 170 miles to 200 miles, inclusive (the maximum distance under the West Penn scale being 200 miles), the southern scale is lower than the West Penn scale. For all distances the southern scale is lower either than the scale prescribed in *Rates on Crushed Stone, Gravel, Sand, and Slag in Ohio*, 191 I. C. C. 206, for application on crushed stone from Hillsville, Shaw Junction, and Walford, Pa., and on slag from Midland and Sharpsville, Pa., and Weirton, W. Va., to destinations in Ohio; or than the so-called Buckland scale originally prescribed in *Buckland* v. *Boston & A. R.*, 139 I. C. C. 88, for application on slag from Bethlehem and Hokendauqua, Pa., to points in New Jersey, New York, and New England and found reasonable in numerous other proceedings for application between other points in trunk-line territory. The southern scale is lower than the single-line and joint-line scales prescribed in *Rates on Chert, Clay, Sand, and Gravel*, 122 I. C. C. 133, for application on sand, gravel, crushed stone, and slag from Montgomery, Ala., and Chattanooga, Tenn., to destinations in Georgia and Mississippi, between points in Georgia, and between points in Georgia and other points in southern territory except points in Florida.

Iron or steel scrap.—In official territory the rates on iron or steel scrap are on various bases. In *Newport News Shipbuilding & Dry Dock Co.* v. *B. & O. R. Co.*, 160 I. C. C. 620, division 3 prescribed from Newport News, Va., to destinations in Maryland, Delaware, New Jersey, and eastern Pennsylvania, and from Newport News, Norfolk, Portsmouth, and Richmond, Va., to Baltimore, Md., a basis of rates on iron or steel scrap of 70 percent of the basic scale of rates on iron and steel which we had found reasonable in *Iron and Steel Articles*, 155 I. C. C. 517. Following the Newport News case, we prescribed this 70-percent basis as reasonable for application between various points in official territory. See *Summer & Co.* v. *Erie R. Co.*, 255 I. C. C. 475, and 262 I. C. C. 43 for list of cases. Two scales, based on alternative minima of 50,000 and 80,000 pounds, are in effect on iron or steel scrap in southern territory for distances of 1,500 miles and less. The higher southern scale, subject to the 50,000-pound minimum, provides lower rates than the 70-percent basis prescribed in official territory for distances from 70 to 480 miles, inclusive, but higher rates for distances less than 60 miles and greater than 500 miles. The southern scale subject to the 80,000-pound minimum provides lower, and in most instances substantially lower, rates than the 70-percent basis for distances from 40 to 1,000 miles, inclusive. The two southern scales were established pursuant to fourth-section relief granted in *Scrap Iron and Scrap Steel in Southern Territory*, 182 I. C. C. 175.

Sulphuric acid.—The southern scale on sulphuric acid, in tank cars, is substantially lower than the scale applicable in official territory, which was prescribed in *Bertha Mineral Co.* v. *Baltimore & O. R. Co.*, 112 I. C. C. 754, for application on like traffic from Tiltonville, Ohio, to points in the Wheeling, W. Va., Youngstown, Ohio, and Pittsburgh, Pa., districts. The latter scale was prescribed for distances of 160 miles and less. As modified by the subsequent general increases, it provides rates of $2.10 per net ton for 50 miles, as compared with $1.58 for that distance under the southern scale; $2.80 for 100 miles, as compared with a southern rate of $2.10; and $3.80 for 160 miles, as compared with a southern rate of $2.63 for that distance. The present southern scale is maintained voluntarily by the railroads in southern territory at a level considerably lower than that of the specific rates prescribed in *International Agricultural Corp.* v. *Louisville & N. R. Co.*, 22 I. C. C. 488, for application on sulphuric acid from Copperhill, Tenn., to numerous southern destinations, as affected by the general rate changes.

Iron ore.—There are no comparisons of record herein between interstate rates on iron ore between points in southern territory and like rates between points in official territory. The record does reveal, however, that rates under an Alabama intrastate scale applicable between certain points in Alabama on iron ore, when for furnace use, are lower than specific rates for like distances on ex-lake iron ore between points in official territory. For example, the ex-lake rate from Cleveland, Ohio, to Pittsburgh, Pa., 131 miles, is $1.21 per long ton while the rate for that distance under the Alabama intrastate scale mentioned is 90 cents; and the rate from Lorain, Ohio, to Pittsburgh, 157 miles, is $1.21, as compared with the rate of $1.01 for that distance under the Alabama scale.

At the oral argument it was contended that the comparisons of commodity rates just made indicate that the general level of rates on industrial raw materials in the South is low in comparison with that on similar traffic in official territory, and that the disadvantage to the South resulting from higher rates on manufactured articles is thereby offset. However, the record does not reveal the relative average levels of the rates on raw materials generally in the two territories. It will be noted also that a number of the low commodity rates in the South apply on commodities that cannot be classed as industrial raw materials, such as brick, fertilizer, and sand and gravel.

INTERTERRITORIAL CLASS RATES

The interterritorial class rates between the South and official territory represent a blending of the scales of class rates applicable in each territory. The interterritorial class 100 rates are either key rates reflecting the existence of water competition along the Atlantic seaboard, or rates made on the so-called K-2 Q-1 formula. Between points in official territory and points in the States of Kentucky, North Carolina, southern Virginia, and northeastern Tennessee, the class rates reflect the formulae prescribed in the so-called border State cases, *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, *supra*, *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, and *East Tennessee Border Traffic Assn.* v. *Akron C. & Y. Ry. Co.*, *supra*, previously described. Generally speaking, the blending of th southern and eastern class rate scales results in interterritorial rat lower than those which prevail in the South.

In some instances, however, particularly for the longer distance the interterritorial rates exceed those in the K-2 scale. This fact wa referred to in *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry Co.*, *supra*, where we stated:

> Another ground of criticism stressed by complainants is that in many ca interterritorial rates exceed those in the K-2 scale for the same distances, a complainants declare that this was not contemplated in our findings in t *Southern Class Rate Investigation*, *supra*. Such a result, however, was fore and fully discussed in our reports in that case, in which we expressly refu to require that interterritorial rates be subject to the K-2 scale as a maximu

The following table shows certain inconsistencies in the int territorial first-class rates between official and southern territori

	Miles	First-class rate	K-2 scale rate	Relation of first class to K-2 scale
Between Pittsburgh, Pa. and—		*Cents*	*Cents*	*Cents*
Atlanta, Ga.	779	229	219	10 (higher)
Birmingham, Ala.	792	220	222	2 (lower)
Spread	13 (greater)	9 (lower)	3 (higher)	
Between Pittsburgh, Pa. and—				
Spartanburg, S. C.	694	207	206	1 (higher)
Florence, S. C.	693	193	206	13 (lower)
Spread	1 (lower)	14 (lower)	0	
Between Detroit, Mich. and—				
Goldsboro, N. C.	812	186	226	40 (lower)
Macon, Ga.	825	228	226	2 (higher)
Spread	13 (greater)	42 (higher)	0	

From Pittsburgh to Birmingham the distance is 13 miles greater than that to Atlanta, but the rate to Atlanta is 9 cents higher. Measured by the K-2 scale the rate to Atlanta should be 3 cents lower than to Birmingham. Distances from Pittsburgh to Spartanburg and Florence differ by only 1 mile, but the rate to Florence is 14 cents lower than to Spartanburg. From Detroit to Macon the distance is 13 miles greater than that to Goldsboro, but the rate to Macon is 42 cents higher than the rate to Goldsboro.

Interterritorial commodity rates.—During recent years numerous reductions have been made in commodity rates from the South to official territory. A member of the auxiliary committee, central freight association, who testified for respondent rail carriers, named commodity rates on 97 commodities from specific points in southern territory to specific destinations in official territory that were reduced in 1940, 1941, and 1942; and compared these reduced rates with rates on like traffic within official territory. In many instances, the reduced interterritorial rates are lower than rates for the same distances on the basis that prevails generally in official territory. In most such instances, the official territory rates are class rates based on the classification, and in a majority of the others, they are exception rates. In a relatively few cases the higher rates in official territory named are commodity rates. Illustrative of the latter situation are the present rates on bauxite ore, in carloads, from Cunningham, Seney, Shannon, and Six Mile, Ga., to Baltimore, Md., and Philadelphia and Plymouth Meeting, Pa., which range from 15.1 to 16.5 percent of the eastern first-class rates for equal distances, whereas this traffic moves generally in official territory at commodity rates that are 16.8 percent of eastern first-class rates. Also cigarette paper, in less than carloads, in lots of 15,000 pounds, moves from Pisgah Forest, N. C., to New York City at a rate 48.4 percent of the eastern first-class rate for that distance whereas a commodity-rate basis that is 54 percent of the like class rates applies generally in official territory. The rate on shelled peanuts, in carloads, from Hempstead, N. C., to Pittsburgh is 37.9 percent of the eastern first-class rate for the same distance, while a commodity-rate basis that is 40 percent of first class is maintained generally within official territory. On ferromanganese, in carloads, from 11 points in southern territory to 176 destinations in official territory the rates average 21.5 percent of eastern first-class rates, whereas within official territory the rates on like traffic range from 17.4 to 25.6 percent of first class. Because of motortruck competition, the less-than-carload rates on alum, glass bottles, and jars, metal covers, tops, or caps, and tumeric from points in official territory to Faison, N. C., a point at which pickles are produced in commercial quantities, range from 9.5 to 31.7 percent less than the rates on similar traffic for equal distances within official territory.

A parity is now maintained between the rates from southern territory to official territory and those within official territory on the following articles: Ferroalloys; unfinished aluminum, blanks, stampings, and shapes; asphalt petroleum, coke; leather; pig iron; aluminum pig or ingot; cast-iron pipe; iron or steel plumber's goods; cast-iron hollow ware; hydrants and fire plugs; upholstering fabric and trimming; cotton flannels or napped fabric; and automobile-body parts, wooden, painted. On automobile tires, there are some combination rates from the South to official territory that are lower than the rates on tires for the same distances within official territory.

In some instances, the rates on manufactured products from the South to official territory exceed the rates on like products within official territory to a greater extent than the corresponding interterritorial rates on raw materials, that compose the manufactured products, exceed the rates on like raw materials within official territory, but in other instances the reverse is true. The following examples of the former situation were given by a witness for the Tennessee Valley Authority, the manufactured products being named in parentheses. The percentage figures state the relation of the interterritorial rates on the commodity named to the rates on the same commodity within official territory: Cottonseed 107 percent (oleomargarine 137 percent, cooking or salad oil 137 percent); woodpulp 109 percent (pulpboard 110 percent, paper bags 111 percent, and newsprint paper 159 percent); asphalt petroleum 100 percent (asphalt roofing 110 percent, asphalt paint 153 percent); clay 112 percent (chinaware plumber's goods 139 percent, chinaware pottery 140 percent); and pig iron 100 percent (steel bars and sheets 129 percent, tractors 140 percent, and mechanics' tools 151 percent). A witness for the southern carriers gave the following instances in which the rates from the South to official territory on manufactured products bear lower percentage relations to the rates on like articles within official territory, than do the interterritorial rates on raw materials with respect to the rates on those materials within official territory: Hides 127 percent (sole leather 100 percent, boots and shoes 90 percent); aluminum pig or ingot 100 percent (aluminium sheet or plate 92 percent); scrap iron 134 percent (cast-iron pipe, iron or steel plumber's goods, cast-iron hollow ware, and hydrants and fire plugs, each 100 percent); and unmanufactured tobacco 106 percent (cigarettes 77 percent and smoking and chewing tobacco 97 percent). It will be noted that the rates from the South to official territory on boots and shoes, aluminum sheet or plate, and cigarettes and smoking and chewing tobacco are lower than the rates for equal distances on like traffic within official territory.

In a number of proceedings we have prescribed or approved substantially the same mile-for-mile levels of rates on particular commodities from points in southern territory to points in official territory as were maintained thereon between points within the latter territory. *Brick and Clay Products in the South*, 88 I. C. C. 543; *American Distilling Co. v. Akron, C. & Y. Ry. Co.*, 140 I. C. C. 633; *Krupp Foundry Co. v. Southern Ry. Co.*, 148 I. C. C. 743, 156 I. C. C 415; *Hosiery From Southern Points*, 156 I C. C. 117; *Cullet in Southern Territory*, 169 I. C. C. 153; *Eastern Tanners Glue Co. v. Southern Ry. Co.*, 171 I. C. C. 213; *Stone, Marble, and Slate from or to Southern Points*, 183 I. C. C. 611; *Muscle Shoals White Lime Co. v. Akron & B. R. Co.*, 205 I. C. C. 273; *Coke from Alabama and Tennessee to Central Territory*, 208 I. C. C. 281, 215 I. C. C. 384; *Sugar from Gulf Coast Port Groups to Northern Points*, 234 I. C. C. 247, *State of Alabama v. New York Central R. Co.*, 235 I. C. C. 255, 237 I. C. C. 515; and *Alabama By-Products Corp. v. Ahnapee & W. Ry. Co.*, 256 I. C. C. 649. In *Coke from Alabama and Tennessee to Central Territory, supra*, we prescribed rates on coke from southern producing points to consuming points in central territory on the same level, mile for mile, as we had previously found reasonable for application within central territory; and the judgment of the District Court of the United States for the Northern District of Illinois upholding our order in that proceeding was affirmed by the Supreme Court in *Baltimore & O. R. Co. v. United States*, 304 U. S. 58.

In some instances, we have prescribed commodity rates between southern and official territories that exceeded by 10 percent or less the rates found reasonable for application within official territory. For example, in *Paper, Official-Illinois Territories to South*, 234 I. C. C. 81, 238 I. C. C. 104, we prescribed maximum reasonable rates on paperboard, pulpboard, paperboard boxes, pulpboard boxes, and other paper articles, in carloads, from points in official territory to destinations in Southern territory 10 percent higher than the rates in effect for like distances within official territory; and found not unreasonable rates on like traffic between these territories in the reverse direction. The latter rates were already on a basis 10 percent higher than the official territory level.

In *Livestock to and from the South*, 253 I. C. C. 241, we prescribed on edible livestock, in carloads, between points in southern territory and from points in southern territory to destinations in official territory a scale of rates for distances up to 1,600 miles which were 1 or 2 cents per 100 pounds higher than the corresponding rates under the scale, as extended, which we had prescribed in *Eastern Livestock Cases of 1926*, 165 I. C. C. 277, for application within central territory for distances up to 800 miles.

In our report on reargument and reconsideration in *Schoen Bros., Inc.* v. *Erie R. Co.*, 258 I. C. C. 161, we found that just and reasonable rates for the future on green salted hides, in carloads, from certain points in Alabama, Georgia, and Florida to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass., would be rates from 1 to 3 cents per 100 pounds higher than the rates for like distances within official territory. The prescribed interterritorial rates ranged from approximately 1.5 to 5.6 percent higher than the corresponding official territory rates.

In our report on further hearing in *Cotton, Woolen, and Knitting Factory Products*, 258 I. C. C. 471, we stated that the maximum reasonable any-quantity rates, prescribed in prior reports in that proceeding on finished cotton piece goods from the South to official territory averaged 9 or 10 percent higher than the rates prescribed for application within official territory; that the rates on those products actually established by the rail carriers from the South to official territory we only about 4 percent higher than the rates prescribed for official territory, but approximately 8 or 9 percent higher than the level the carriers actually established within the North; and that the internation rates in effect on dry goods and on grey goods and yarn generally showed a closer relation to the northern level than obtained in th adjustment on finished cotton piece goods.

RELATIVE LEVELS OF REVENUE FROM ALL FREIGHT, SOUTH VERSUS EAST

The actual freight revenue levels per revenue ton-mile in the Sout in relation to the freight revenue levels per revenue ton-mile in offici and western territories, has been a subject of study in this investig tion.[24]

For statistical purposes we have assigned the steam railways territorial groups described as follows:

---

[24] The distinction between a comparison of rate levels and a comparison of reve levels is that the former is based on the published rates, whereas the latter is based on revenue actually received from the traffic which moved.

Eastern district.—That portion of the United States bounded on the west by the northern and western shore of Lake Michigan to Chicago, thence by a line to Peoria, thence to East St. Louis, thence down the Mississippi River to the mouth of the Ohio River, and on the south by the Ohio River from its mouth to Parkersburg, W. Va., thence by a line to the southwestern corner of Maryland, thence by the Potomac River to its mouth. The eastern district is divided into the New England region, comprising the New England States; the Great Lakes Region, comprising the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York; and the central eastern region, comprising the section south of the Great Lakes region, east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

Southern district.—That portion of the United States bounded on the north by the eastern district and on the west by the Mississippi River. The southern district is divided into the Pocahontas region comprising the section north of the southern boundary of Virginia, ast of Kentucky and the Ohio River north to Parkersburg, W. Va., nd south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth; and the outhern region, comprising the section east of the Mississippi River nd south of the Ohio River to a point near Kenova, W. Va., and a line hence following the eastern boundary of Kentucky and the southern oundary of Virginia to the Atlantic Ocean.

Western district.—That portion of the United States which is west f the eastern and southern districts. It comprises the northwestern egion, the section adjoining Canada lying west of the Great Lakes egion, north of a line from Chicago to Omaha and thence to Portand and by the Columbia River to the Pacific Ocean; the centralestern region, the section south of the northwestern region, west of a ine from Chicago to Peoria and thence to St. Louis, and north of a ine from St. Louis to Kansas City and thence to El Paso and by he Mexican boundary to the Pacific Ocean; and the southwestern egion, the section lying between the Mississippi River south of St. ouis and a line from St. Louis to Kansas City and thence to El Paso nd by the Rio Grande to the Gulf of Mexico.

The boundaries between the districts do not correspond exactly o those between the class-rate territories. For example, most of the ocahontas region is in official territory.

In most of the cost studies the Pocahontas region is separately ated, or statistics for the eastern district are shown both including and excluding the Pocahontas region. The traffic handled in the Pocahontas region consists of from 85 to 90 percent products of mines, about 84 percent consisting of coal.

Comparisons are made of the freight revenue levels in the eastern district with those in the southern region and in the western district, adjustment being made for differences in the average length of haul, the count of interterritorial traffic and the count of bridge traffic. The comparisons are made by applying the eastern average revenue level per ton-mile by individual commodity classes, as shown by our freight commodity statistics statement No. 40100 for the year 1939, to the traffic handled in the southern region and western district. The constructive gross freight revenues thus computed for the South and West are compared with the actual gross freight revenues for the South and West taken from the freight commodity statistics, statement No. 40100. The results indicate that the actual gross revenues in the South in 1939 exceeded by 5.5 percent the constructive gross revenue based on the application of the eastern level of revenues to the southern traffic. This indicates that the southern level of revenue is about 5.5 percent higher than the eastern level. These gross revenues include divisions of joint rates, both intraterritorial and interterritorial, local rates, import and export rates, switching charges, and various accessorial charges.

When comparison is made between the East, including the Pocahontas region, on the one hand, and the South on the other, the southern level of freight revenue is found to be 3.9 percent above that for the East. The actual gross revenue in the West exceeds by 16.6 percent the constructive gross revenue obtained by applying the eastern revenue level to the western traffic. When comparison is made with the East, including the Pocahontas region, the actual gross revenues exceed the constructive gross revenues by 15.2 percent.

The above comparisons are subject to the criticism that the revenues by commodity classes are gross revenues rather than the net revenues. The gross revenues are before deductions for pick-up and delivery allowances, switching absorptions, et cetera. In some instances they include refrigeration revenues. A comparison between the gross revenues and the net revenues by districts indicates that the overstatement of the net revenues is greater in the southern region than in the eastern district, the Pocahontas region, or the western district. The ratios (percent) of the gross revenues to net revenues by districts and regions are shown below:

Eastern district	104.6
Pocahontas region	101.1
Southern region	105.8
Western district	103.9
United States	104.1

Based on the above it appears that the so-called actual revenues taken from the freight commodity statistics are overstated by a small amount in each territory. Such overstatement is greater by something over 1 percent in the southern region as compared to the East. This would have the effect of narrowing the difference between the southern and eastern revenue levels to somewhere between 3 and 5 percent.

EFFECT OF APPLYING OFFICIAL TERRITORIAL LEVEL OF ALL FREIGHT RATES TO CONSIST OF ALL FREIGHT TRAFFIC IN THE SOUTH

A witness for the southern carriers introduced an exhibit purporting to show the effect of applying the eastern district revenue per ton-mile shown by our freight commodity statistics for the year 1939 by individual commodity classes, numbered 10 to 701, on carload traffic and the revenue per ton-mile on less-than-carload traffic, adjusted for differences in average haul, to the revenue ton-miles of each commodity class and to the revenue ton-miles of less-than-carload traffic carried in the southern region. The commodity classes were also divided according to the type of equipment which would ordinarily be used. The results are shown in the following table with the revenues applying to each class of equipment:

Type of equipment	Southern region revenue	Southern region constructive gross revenue at eastern district rate per ton-mile for southern region haul
Boxcars, carload	$181, 559, 994	$156, 569, 555
Boxcars, less than carload	49, 420, 914	41, 254, 418
Boxcars, total	230, 980, 908	197, 823, 973
Refrigerator cars	47, 180, 337	33, 144, 124
Gondolas and hoppers	126, 218, 104	136, 543, 713
Stock cars	3, 852, 326	3, 478, 255
Tank cars	35, 942, 950	30, 766, 754
Flatcars	5, 219, 306	7, 233, 449
Grand Total	449, 393, 93[illegible]	408, 990, 268

Net reduction in revenue 8.99 percent = $40,403,665.

The following explanatory statement is quoted from the carriers' exhibit:

> (a) The computed revenue ton-miles for the Eastern District were 1,043,100,000 and for the Southern Region, 336,500,000. In order to obtain the true average haul in each district the computed revenue ton-miles were divided by the number f tons originated or terminated, whichever was greater. Thus the Eastern District ton-miles were divided by 4,140,502 tons terminated which produced an ver-all average haul in the Eastern District of 252 miles and the Southern Region omputed revenue ton-miles were divided by 1,008,522 tons terminated which roduced an over-all average haul of 334 miles. It is realized that where the ns terminated are used to compute the over-all average haul, that tons origi-

nated which leave the district and the "overhead" tons are not included and, that where tons originated are used, that tons terminating coming from beyond the district and "overhead" tons are not included. It is not thought, however, that this results in any serious distortion but, in any event, the data necessary to obtain the true count of tons handled in a given district is not available.

Certain methods of computation used in the exhibit just mentioned were criticized by our head cost analyst who made a restatement of this exhibit. The exhibit was corrected to include a count of ton-miles of interterritorial traffic which had been omitted in the carriers' exhibit. The correction for count of interterritorial tons was based upon the 2-day analysis of carload traffic moving on May 27 and September 23, 1942, previously described. Correction for count of tons of bridge traffic was also made based on the 1-day traffic analysis of all carloads moving on May 27, 1942. Average haul was computed for each commodity classification per shipment per territory.

The exhibit was also reworked to provide for adjustments for differences in length of haul based on the eastern class-rate progression in lieu of the southern class-rate progression, inasmuch as the study computes the effect of superimposing the eastern district revenue levels on southern traffic. The following table shows the results of recomputation by our head cost analyst:

Type of equipment	Southern region revenue	Southern region constructive gross revenue at eastern district rate per ton-mile for southern region average haul.
Boxcars, carload	$181, 559, 994	$163, 884, 67
Boxcars, less than carload	49, 420, 914	45, 163, 83
Boxcars, total	230, 980, 908	208, 988, 32
Refrigerator cars	47, 180, 337	36, 419, 31
Gondolas and hoppers	126, 218, 104	136, 090, 08
Stock cars	3, 852, 326	3, 008, 05
Tank cars	35, 942, 950	32, 920, 28
Flatcars	5, 219, 308	6, 988, 03
Grand total	449, 393, 933	425, 964, 10

Net reduction in revenue 5.2 percent=$23,429,831.

If we include the rate per ton-mile for the Pocahontas region with the rate per ton-mile for the eastern district, a similar computation shows a net reduction in revenue in the southern region of $16,987,789, or 3.8 percent of the total gross revenue. Classification exception rates and commodity rates are not directly in issue in this proceeding. The exhibit just mentioned, and the revised exhibit prepared by our head cost analyst were based upon the assumption of imposing the eastern district level of class, exception, and commodity rates, including import and export rates, switching charges, and accessorial charges, upon all southern region traffic. Therefore the results shown do not reflect the change in revenues that would be effected by applying the eastern class rates in the South. It does not follow that an equalization of class rates would mean an equalization of all rates and charges.

COSTS AND CONSIST OF TRAFFIC

As previously stated, the Edwards cost studies show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas region. If the Pocahontas region is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East.

The southern carriers argue that the showing that the average ton-mile earnings and average unit costs in southern territory are but little greater than, or even less than, those developed for official territory, largely ignores the fact that the volume of traffic in official territory is very much greater than that for the southern carriers; that the average number of tons per car, and the average number of cars per train are very much greater in the North than in the South; that the average hauls are dissimilar, being much longer in the South than in the North; and that the volumes of the several kinds of freight, particularly high-grade well-paying freight, are very different in the North than those in the South. Average hauls were shown in the section of this report entitled "Cost Studies." It is true that the density of traffic, the average number of tons per car, and the average number of cars per train are greater in the North than in the South. On the other hand, some important factors favor the South. The southern region has a lower compensation per employee per annum, i. e., $1,753 versus $1,925; a lower ratio of empty to loaded car-miles, 57.6 versus 60.5; more miles actually run per hour per train and engine employee in freight service, 14.1 versus 11.5; and more transportation service car-miles per employee, 26,459 versus 24,012. Furthermore, the lighter trains and smaller loads of the South are compensated for in greater or less degree by lower costs. While the revenue ton-miles per train-mile of 553 in the South are 62.5 percent of the corresponding figure of 885 for the East, the expense per train-mile in the South $3.69, is 61.6 percent of the corresponding figure of $5.99 for the East. The foregoing figures are based on operations in 1939.

Most of the factors favorable to the carriers in official territory listed by the southern carriers relate to line-haul service rather than to the terminal costs. It is principally the low terminal costs in the South that account for its relatively low total costs.

In our original report in *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255 (decided November 22, 1939); 237 I. C. C. 515, we said at pages 321–326:

> When the southern class-rate investigation was instituted the class rates within and from the South did not reflect the general level of rates. The result accomplished in that proceeding, broadly speaking, was to remove inconsistencies and incongruities in the existing class rates, of which there were many, thereby bringing about greater uniformity and harmony in those rates throughout southern territory and between southern and official territories without materially changing their then-existing average levels. * * * The class rates in the North, prescribed in the eastern class-rate investigation, on the other hand, did rather closely reflect the general rate level therein.
>
> It is obvious from a consideration of these matters that the class rates prescribed in the southern class-rate investigation are on somewhat higher levels, compared with those within the North, than could be justified by considerations of transportation conditions. This was generally recognized when those rates were prescribed. And we have stated a number of times that no inference as to the degree of difference, if any, in the general rate levels and in transportation conditions in the two territories could properly be drawn from a comparison of the class-rate levels.
>
> * * * * * * *
>
> It is a fair conclusion from the record as a whole, and we accordingly find, that the cost of transporting the articles named in the complaint from producing points in the South into the North, compared with that of transporting like articles within the North, does not justify the maintenance thereon of higher levels of rates than are applicable on like articles within the North.

In *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, we said, at pages 285, 286:

> If what are termed transportation conditions are understood as including only physical conditions affecting transportation costs, it may be said that neither the eastern class rates nor the southern have been based on transportation conditions except perhaps to a minor extent. In both the eastern and the southern cases the evidence as to these conditions was exceedingly fragmentary and did not purport to show anything resembling complete costs of transporting class-rate traffic. For that reason we stated in our report in *Eastern Class Rate Investigation*, 164 I. C. C. 314, that the differences in level between the rate scale there prescribed and the scales in southern and southwestern territories were not to be regarded as an index of comparative general rate levels or transportation costs as between the various territories. If it be conceded that cost studies reflecting average conditions affecting aggregate traffic in the two territories, differing widely in composition, disclose no difference in cost corresponding to the difference between the class rates, the question still remains whether in the light of transportation conditions alone, the southern rates are too high or the eastern rates too low. In the southern and the eastern cases alike principal emphasis was placed by shippers as well as carriers on the undesirability of departing too far from existing conditions, and little or no attention was paid to harmonizing the two rate structures. In the eastern case in particular most of the more active shippers opposed the injection of that question into the proceeding.

The southern carriers argue that even assuming that the average unit cost per ton-mile is no higher in southern territory than in official, such unit cost could not safely be used in measuring the reasonableness of rates in one section as compared with another for the

177

reason that the compositions of traffic from which the aggregate revenues are derived are wholly different. Certain commodities must be called upon to assume a greater share of the transportation burden than others. It is also true that carriers must obtain their revenue from the traffic which moves in the territory in which they operate. As previously stated, however, the ratio of interterritorial traffic between the South and other territories to intraterritorial carload traffic in the South is 124.2 percent, and the great majority of the interterritorial traffic to and from the South is to and from official territory. As to interterritorial traffic the consist is common to both territories.

The following table taken from an exhibit submitted by the southern carriers and based on our freight commodity statistics for the year 1939 shows the percentage distribution of total tons carried and the percentage of revenue for each of the major commodity groups in each territory:

Percentage distribution of total tons carried and revenue by commodity groups

CLASS I RAILROAD 1939

	Eastern district		Eastern (including Pocahontas region)		Southern region		Western district	
	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue
Group I: Products of agriculture	6.57	8.73	6.07	8.03	10.80	17.73	18.88	23.70
Group II: Animals and products	1.64	4.72	1.47	4.23	1.45	3.51	3.00	6.30
Group III: Products of mines	58.06	34.85	61.53	40.24	46.39	23.65	36.64	13.98
Group IV: Products of forests	2.43	2.74	2.43	2.69	11.40	9.45	10.59	9.31
Group V: Manufactures and miscellaneous	29.57	41.41	26.89	37.75	27.21	34.66	29.38	39.94
Total all carload traffic	98.27	92.45	98.39	92.94	97.25	89.00	98.49	93.23
All less-than-carload traffic	1.73	7.55	1.61	7.06	2.75	11.00	1.51	6.77

It will be observed that, comparing the eastern district with the southern region, group I, products of agriculture, constitutes a greater portion of the tonnage and revenue in the South than in the East; in group II, animals and products, the percentages are similar; in group III, products of mines, the percentages are greater in the eastern district; in group IV, products of forests, the percentages are greater in the South; in group V, manufactures and miscellaneous, the percentages are greater in the East, the difference in tonnage being 2.3 percent and the difference in revenue being 6.8 percent. Less-than-carload traffic constitutes a greater percentage of the tonnage and revenue in the South than in the East, even though, as we have seen, considerabl more traffic moves on class rates in the East than in the South.

The above table is based on tons carried in each territory. Ton carried as reported in our freight commodity statistics, however, contain a great many duplications. A study of the distribution of carload traffic based on revenue ton-miles for the year 1939 shows the followin results.

Distribution of carload traffic based on revenue net ton-miles, percent

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of agriculture	10.7	2.7	15.8	26.8	16.4
Animals and products	3.8	.5	2.2	4.5	3.5
Products of mines	49.3	87.4	40.8	20.1	41.5
Products of forests	3.1	1.6	11.6	13.6	7.9
Manufactures and miscellaneous	33.1	7.8	29.6	35.0	30.7
Grand total, carload	100.0	100.0	100.0	100.0	100.0

The above table indicates that products of mines in the eastern district constitute a greater percentage of the total traffic volume than in the southern region, i. e., 49.3 versus 40.8 percent. This is true in lesser degree of the manufactures and miscellaneous group, i. e., 33.1 versus 29.6 percent As between the eastern district and the western district the percentage of products of agriculture in the western district is much greater and the percentage of products of mines is much smaller. However, the percentage of manufactures and miscellaneous is slightl greater in the western district.

The contribution in excess of out-of-pocket cost made by the major classes of commodities, in carloads, is shown by the Edwards cos studies, taking the total contribution above out-of-pocket cost made by all carload traffic as equal to 100, for the year 1939:

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of agriculture	4.2	3.1	15.[illegible]	18.0	10.8
Animals and products	1.5	1.1	3.[illegible]	4.3	2.7
Products of mines	38.0	73.4	21.[illegible]	13.9	29.7
Products of forests	2.8	2.8	9.[illegible]	8.1	5.7
Manufacturers and miscellaneous	53.5	19.6	50.2	55.7	51.1
Grand total, carload	100.0	100.0	100.0	100.0	100.0

It will be observed that the classes of commodities which contribute most in excess of out-of-pocket costs are products of mines and manufactures and miscellaneous, both of which move in the eastern distric in somewhat larger proportion to the total traffic than in the southern region. In the western district, products of agriculture appear to make a substantial contribution above out-of-pocket costs, in fact, a greater percentage of contribution than the products of mines group.

There are wide variations in the consist of traffic as between regions in the same district. The extreme difference between the eastern district and the Pocahontas region, and between the southern region and the Pocahontas region leads us to show the costs for each separately and in combination. There are also extreme differences in the consist of traffic as between individual railroads operating in the same district or region.

RATES OF RETURN

The southern carriers argue that if the costs are less in the South than in official territory, or, if the costs are substantially the same in each territory, the southern carriers with their admittedly higher general level of freight rates should have produced a substantially greater rate of return than the eastern district carriers, but that such is not the case. In recent years, however, the return of carriers in the southern region has generally exceeded the return of carriers in the eastern district, based on reported investment.

As previously stated, the general level of freight revenues per revenue ton-mile in the South appears to exceed that of the East by 3 to 5 percent, based on 1939 freight commodity statistics. If we compare the revenue level for all traffic, freight and passenger, these territorial differences are slightly reduced. The passenger revenues per passenger-mile, both including and excluding commutation traffic, are lower in the southern region than in the eastern district.

The Edwards cost studies show freight costs as a whole in the South to be slightly lower than those in the East, excluding the Pocahontas region from the East. They also show that, excluding Kentucky from the South, the costs as a whole in the South, are slightly higher by 1 or 2 percent than in the East.

The rate of return in the southern region generally has been a little higher than for the eastern district during the 6-year period 1936–41, and during the 7-year period 1936–42. The following table shows rates of return based on net railway operating income and reported investment in railway property used in transportation service, plus cash and material and supplies, taken from "Statistics of Railways" 1936–43:

	Southern region	Eastern district
	Percent	*Percent*
ar 1936	2.52	2.67
ar 1937	2.35	2.27
ar 1938	1.90	1.26
ar 1939	2.50	2.34
ar 1940	2.57	2.66
ar 1941	4.24	3.63
erage of 1936–41	2.69	2.47
ar 1942	6.51	4.90
erage of 1936–42	3.26	2.82
ar 1943	5.73	4.32

The rate of return in the southern region has exceeded that in the eastern district in 4 years out of the 6-year period 1936–41, and in 5 years out of the 7-year period 1936–42. The rate in 1943 was less than in 1942, but the rate of return in the southern region exceeded that in the eastern district. Nonoperating income of the eastern carriers is relatively much greater than that of the southern carriers, and if taken into account would indicate a higher return in the East. However, nonoperating income does not provide a test of relative transportation costs, rates, or of operating efficiency.

The higher level of freight rates in the South is offset to some extent by the lower level of passenger revenues. The revenue per passenger-mile in the South in 1939 was 91 percent of that for the East. Excluding commutation traffic, the Southern revenue per passenger-mile was 79 percent of that for the East. The operating revenues for passenger and allied services in the South in 1939 constituted 70 percent of the passenger operating expenses, rents, and taxes as compared with a figure of 80 percent for the East. This is the reverse of the situation as to freight traffic. The freight revenues in the South in 1939 constituted 140 percent of the total freight operating expenses, rent, and taxes as compared to a figure of 134 percent in the East. Combining the freight and passenger revenues the percentage ratio of the total revenues to the total expenses is 123 in the South as compared to 119 in the East.

CONTENTIONS OF PARTIES

The Southern Governors' Conference and associated interests, including the motor carriers, the Tennessee Valley Authority, and a number of organizations of southern shippers,[55] contend that the class rates within the South and between the South and other territories are unreasonable and unduly prejudicial. They seek the uniform application of class rates and classification ratings throughout the territory east of the Mississippi River with a uniformity of class rates and ratings between all of the latter territory and all other territories. To effect this uniformity they ask that we prescribe immediately the present eastern class-rate scale and the present official classification for application throughout the territory east of the Mississippi River until a uniform classification for general application throughout the United States can be worked out and adopted, and that we remove the Florida arbitraries. In their opinion, the existing class rates constitute an important factor in retarding industrial development of the South, the spread between the first-class rates in southern territory and the first-class rates in official territory is not warranted by transportation conditions, and a readjustment of the class rates would not necessitate a change in the commodity rates. They contend that the relief they seek would not cause a transfer of industry from the North to the South, but would permit the South to absorb its proper proportion of increased national development of industry and would benefit not only the South but also the country as a whole.

---

[55] Among the organizations of southern shippers supporting the position taken by the Southern Governors' Conference are the Southern Traffic League, the Atlanta Freight Bureau, the North Carolina Traffic League, the Charlotte Shippers & Manufacturers Association, the Nashville Freight Bureau, the Memphis Freight Bureau, the Jacksonville Traffic Bureau, the Tampa Traffic Association, the Greater-Miami Traffic Association, the Southern Furniture Manufacturers Association, and the Georgia Canning Manufacturers Association.

Several industrial organizations and groups of shippers in the South, such as the Southern States Industrial Council, the Southeastern Shippers' Conference, and the New Orleans Joint Traffic Bureau, opposed pleas for uniformity of class rates on the eastern basis. They expressed the opinion that the present rate structure within the South, and between the South and other territories, has proven generally satisfactory and that the reductions in class rates sought by the Southern Governors' Conference would result in substantial railroad revenue losses, which would require, as an offset, increases in southern commodity rates that would seriously injure southern industry.

The Southern Paper Manufacturers' Conference, which represents about 95 percent of the paper manufacturers in the South, and the Southern Pine Association, which represents manufacturers of approximately 40 percent of the pine lumber produced in the South and the Southwest, are interested principally in the continuance in the South of commodity rates which are not related to class rates. They ask that any findings herein be restricted to the class rates in issue and that we provide specifically in this report that no change in the exception or commodity rates is intended directly or indirectly by the findings made.

EVIDENCE OF SHIPPERS AS TO CLASS RATES

The testimony of shippers called on behalf of the Southern Governors' Conference respecting the payment of class rates may be summarized as follows:

A manufacturer of washboards at Raleigh, N. C., ships washboards in less than carloads on class rates. In September 1941, a representative month, he made 42 less-than-carload shipments to official territory on which he paid total charges of $184.06. Charges on the official territory level would have been $15.14 less. One shipment was made to Dallas, Tex., on which he would have saved 77 cents at the official territory level. Twenty-five shipments were made to points in southern territory. Charges on the official territory level would have been $45.77 less than actually paid. The principal competitors are at

Columbus, Ohio, and Saginaw, Mich., the latter with a branch factory at Memphis, Tenn. If the official territory level had applied not only from Raleigh, but also from Columbus to the South, the charges from Columbus would be reduced by greater amounts than from Raleigh. Application of the official territory level of rates on the September shipments to the North would have reduced his freight charges by 8 percent. Twenty-five percent of the shipments to the North were to Detroit, Mich., a short distance from Saginaw, where one of his chief competitors is located. The business of the manufacturer who gave this testimony however, has increased substantially.

The operator of a tanning plant at Andrews, N. C., testified that he had recently taken over the tannery at that point, which had been out of operation for several years, and in May 1942, began tanning operations. As of the date of the hearing, September 28, 1942, the company was beginning to make out-bound shipments of leather to some of the 20 principal points to which leather moves, most of which are in official territory. While most of the shipments will be in carloads, on which both class and commodity rates apply, some less-than-carload shipments are anticipated, on which the class rates will apply. Between May 22, 1942, and June 18, 1942, he shipped 9 carloads of green salted hides, 6 from New York, N. Y., 2 from Harrison, N. J., and 1 from Detroit, Mich., and 5 carloads of dry hides, 3 from New York, 1 from Brooklyn, N. Y., and 1 from Waverly, N. J., on which class rates applied. The total charges at the applicable class rates were $6,063.45, whereas the total charges at the official territory level would have been $4,504.63. Leather is usually sold f. o. b. tannery or warehouse. This company has experienced difficulty in selling and quoting prices competitive with tanneries able to ship at lower freight rates.

Imported hides now move from the New York area to Andrews. Under present war conditions most steamers discharge at New York, but, in peacetime, cargoes of hides could be discharged at Norfolk or New Orleans, and this company might obtain imported hides through those ports. This company will also use domestic hides which will be obtained principally in Chicago, Ill., Detroit, Mich., and St. Louis, Mo. There are very few hides produced in the South. However, in *Schoen Bros., Inc.*, v. *Erie R. Co.*, 255 I. C. C. 501, 258 I. C. C. 161, we prescribed reasonable rates on green salted hides from certain points in Alabama, Georgia, and Florida, to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass. The four principal markets for finished leather are New York, St. Louis, Chicago, and Philadelphia.

Quebracho extract, used in tanning, is imported. The differences in freight rates on this commodity are said to be more drastic than on hides and leather, but no exhibit was introduced showing these rates. Chestnut extract, also used in tanning, is produced in the South and the freight rate is a very small cost factor.

A shipper of wine at Atlanta complained of the rates on wine from that point to official territory. The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which are exception rates from Atlanta to border points. His principal competition comes from New York City, but he also operates a winery at Brooklyn, N. Y. His product is nationally advertised and he does a nation-wide business. A larger plant has recently been constructed at Atlanta indicating that the business has made substantial progress at that point.

Testimony for a manufacturer of macaroni products at Memphis, Tenn., was offered by the manager of the Memphis Freight Bureau. For example, from Memphis to Evansville, Ind., 301 miles, the rate on macaroni and noodles and spaghetti, in less than carloads, is 68 cents, whereas from Chicago, 284 miles, the rate is 48 cents, a difference in favor of Chicago of 20 cents. If both rates were made 50 percent of the eastern first-class scale they would be 49 cents and 48 cents, respectively, and the rate advantage of 20 cents which Chicago has would be reduced to 1 cent. This shipper has never complained to the railroads about his rates, which are fourth class (50 percent of first class) in official territory and, by exception, class 50 in the South, in less than carloads. In *Macaroni & Noodle Mfrs. of America* v. *Alabama G. S. R. Co.*, 50 I. C. C. 289, the fourth-class rating was found not shown to be unreasonable or unduly prejudicial for all territories. In the South, fourth class is 55 percent of first class. This shipper has competitors at Louisville, Ky., and New Orleans, La., and distributes his products throughout the South and to Kentucky and some Ohio River points.

Five other shippers who testified on behalf of the Southern Governors' Conference do not ship their products on class rates. They testified with respect to furniture from Birmingham, Ala., glass bottles from Chattanooga, Tenn., cucumber pickles from Faison, N. C., peanut products from Columbus, Ga., and grading machinery from Taccoa, Ga., and Vicksburg, Miss.

Present rates on glass bottles from Chattanooga to official territory are on a combination basis, using a commodity rate to Cincinnati, plus exception rates beyond. Approximately 25 percent of the production of the shipper who testified is shipped to the North, although he has only a "limited amount of tonnage" to offer in that territory. His sales have also been extended to the West.

The pickle manufacturer ships 25 percent of his output of salt stock and brine pickles to the North, and the finished product to the North and South. The applicable rates are truck-competitive rates and are lower than the normal official territory level of rates. The witness's chief concern is that his present rates might be increased.

The shipper of peanut products ships them to all parts of the country, except New England, on rates lower than class rates. The company purchases a million dollars worth of peanuts annually and has annual sales of 5 million dollars.

The manufacturer of grading machinery ships his products all over the world. His first plant in the East was at Peoria, Ill. Later he established plants at Taccoa and Vicksburg. He made no complaint about his rates and testified that the plants were established in the South because of the many advantages in that territory.

Testimony with respect to shipper dissatisfaction with southern class rates was given by the secretary and manager of the Atlanta Freight Bureau, appearing for the southern governors, and by the commissioner of the Nashville Freight Bureau. The former introduced in evidence an exhibit listing 14 groups of commodities, the rates on which were claimed to have been detrimental to southern shippers. Only 6 of the 14 move on class rates. These are calendars, electric appliances, lead products, iron or steel tanks, cloths, and rags. The evidence shows that although the calendar manufacturer lost a contract to supply calendars to an oil refinery in 1943 he obtained a 1944 contract from the same company. In *State of Alabama* v. *New York Central R. Co., supra*, we declined to disturb the existing basis of rates on certain electrical appliances, i. e., conduit outlet boxes, junction boxes, switch boxes, and outlet plates, and stated that the purchaser's familiarity with the manufacturer and with its products is generally controlling. It appears that the rates on cloth and rags about which complaint was made were not class rates. The shipper of lead at Atlanta ships his entire output to the South and has never asked the southern railroads for competitive rates to the North. The same is true with respect to the shipper of iron and steel tanks. To the Ohio River crossings, the Virginia cities, Chicago and Peoria, Ill., commodity rates on iron and steel tanks substantially lower than the class rates apply.

The witness for the Nashville Freight Bureau criticized respondents' failure to reduce rates on steel automobile truck bodies from Nashville to Metuchen, N. J., but admitted that the Nashville shipper obtained a contract for such truck bodies which provided for their purchase f. o. b. Nashville. His other criticism on behalf of a particular shipper was of the failure of the railroads to reduce the rates on shell boxes from Nashville to all points in official territory. He stated that rates on the basis sought had been established to 13 destinations. This shipper had not obtained a contract for the boxes and does not produce them. There is one actual manufacturer of shell boxes at Nashville who is engaged in shipping the boxes.

EFFECT OF CLASS RATES ON ECONOMIC DEVELOPMENT

The southern proponents of class-rate uniformity argue that the southern class-rate structure has retarded and is retarding industrial development in the South; that whatever development has occurred has been largely in primary industries, and that uniformity of class rates in the South with those in the East is necessary to make possible and to stimulate greater industrial development in the South. The general revisions which we have made in the southern class rates and in the eastern class rates were based largely upon the preexisting levels of class rates. Our general revisions served to harmonize the class rates within those two territories, and to place them upon a basis reasonably related to distance, but, as previously stated, in neither of these revisions was primary attention given to harmonizing the two rate structures. At the time of the southern revision, motor carriers were not substantial competitors of the railroads, and at the time of the eastern revision, interstate motor carriers were not subject to regulation. In this connection it may be noted that the motor-carrier interveners are here advocating uniform class rates east of the Mississippi River, but on a basis much higher than in effect either in the South or East.

It is, of course, true that the South does not have as many industries as the East, and that a comparison of other data relating to manufacturing shows that manufacturing is vastly greater in extent in the East than in the South. The industrial development of the East is due to many factors other than transportation services and costs, such as climate, soil, natural resources, available water power, supplies of natural gas and coal, and early settlements of population which antedated the building of railroads.

The principal factors which control the location of industries are: Availability of and cost of obtaining and assembling raw materials, availability of markets, including cost of reaching such markets, adequacy and cost of fuel and power, climate, labor, capital, and, sometimes, momentum of an early start, and the personality of the individual founding the industry. In 1939, freight revenue on commodities in the manufactures and miscellaneous group was but 5.3 percent of the destination value of manufactured goods. From this it would seem that any differences in freight charges resulting from differences in class rate levels is only a small fraction of that figure. Many commodities have a nation-wide market, regardless of the location of the plants in which they are manufactured. Nearness to markets and ability to ship to markets, on a basis fairly and reasonably related to the rates of competitors, are nevertheless potent factors in the location of a manufacturing plant. In fact, rate relations are more important to the manufacturer and shipper than the levels of the rates.

Statistics and testimony by southern witnesses relied upon to show retarded growth of the South industrially are mostly for the year 1939 and include the following:

Official territory has 16 percent of the land area and 53 percent of the population of the country.

Southern territory has 13 percent of the land area and 16 percent of the population.

Official territory has 55 percent of all persons gainfully employed and 69 percent of the persons employed in manufacturing industries.

Official territory has but 29 percent of the persons engaged in the extractive occupations in agriculture, forestry, mining, and fishing.

In 1939, added values for manufacturing accounted for 42 percent of the total income in official territory compared with 24 percent in the South, Southwest, and western trunk-line territory combined.

In 1940, the average per capita income for the 8 southern States ranged from $268 in Alabama to $481 in Florida, and the average dollar incomes per person employed from $649 to $1,335. In the same year corresponding data for 17 States in official territory were, per capita incomes from $417 in West Virginia to $1,063 in the District of Columbia, and average dollar incomes per person employed from $1,439 in Vermont to $2,446 in Delaware.

The average value of manufactured goods sold by official territory shippers in other parts of the country was $125.77 per ton in 1939. For the South, Southwest, and western trunk-line territories combined, the average value per outbound ton was $24.32.

The average ton shipped from official territory includes added values for manufacturing of $54.69; for the South, Southwest and western trunk-line territory combined, it was $4.18.

The South and West are much more dependent upon agricultural commodities and other raw and similar materials than official territory, and there is a downward slope of income as dependence of raw materials increases.

The South has a surplus of labor that agriculture cannot comfortably employ.

Southern labor is easily adapted to manufacturing pursuits.

Official territory does not have a monopoly of material and energy resources.

There is an abnormal concentration of national markets in official territory. It has 53 percent of the total market for necessaries; it absorbs 62 percent of consumer luxuries because of higher individual income; it has a concentrated market for raw materials and industrial machinery and equipment:

Other evidence offered to support the South's position included per capita income in the States comprising southern and official territories, ratios of the South to the United States with respect to wages, retail and wholesale trade, and availability of labor suitable for employment in industries requiring skill.

It is not contended that freight rates are the sole cause for the South's failure to enjoy a greater share of industry and the national income, but, as stated in the brief filed on behalf of the Southern Governors' Conference, "we do contend that the discriminatory freight rate adjustment has not only contributed to the failure of the South to develop in the past, but that unless it is removed the future industrial development of the South will continue to be retarded."

In order to determine if the South is or is not growing industrially, statistics over a period of years must be examined. Unless otherwise stated, the years used are 1929 and 1939. The following facts are derived from the statistics examined:

For the 10-year period, 1929 to 1939, the number of wage earners in manufacturing industries in the country as a whole decreased 11 percent; in official territory, 12 percent; and in New York State, 13 percent. There was an increase of 5 percent in the South.

There was a 22-percent decrease in manufacturing wages for the entire country, 23-percent decrease in official territory, and 3-percent decrease in the South. Some southern States had an increase.

The values of manufactured products for the entire country decreased 21 percent; in official territory, 25 percent; in New York State, 29 percent; and there was a 1-percent increase in the South. North Carolina had an increase of 8 percent.

Value added by manufacture, for the United States as a whole, decreased 23 percent, 24 percent in official territory, 12 percent in the South, and in New York State, 33 percent. North Carolina had an increase of 7 percent.

From 1930 to 1940, there was a greater decrease in agricultural employment in southern than in official territory; but manufacturing employment increased in the South and decreased in the North.

In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

From 1930 to 1940, the number of gainfully occupied workers in manufacturing in official territory decreased from 70.5 percent to 69.4 percent of the country's total, but in the South, increased from 10 percent to 11.9 percent.

During the period from 1929 to 1939, the number of wage earners in the canned fruit and vegetable industry in the South increased 68 percent, as compared with an increase of 28 percent in official territory.

The number of wage earners in the cotton industry in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States.

Value of cotton products decreased 55 percent in the northern States and 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South.

Manufacture of heating and cooking apparatus, except electric, during the 10-year period, increased in the South and increased in the North. There was an increase of 39 percent in the number of wage earners in the South, and a decrease of 21 percent in the North. Value added by manufacture increased 8 percent in the South and decreased 32 percent in the North.

The number of wage earners in the furniture industry increased 18 percent in 6 southern States and decreased 33 percent in 12 northern States. Value added by manufacture decreased 43 percent in the northern States and less than 0.5 of one percent in the southern States.

There are other branches of manufacturing that have progressed more rapidly in the South than in the North, but there are some in which, during the 10-year period, the industrial trend was not as favorable in the South as in the North. These include the manufacture of morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products.

No specific instance was proved where an industry was not established in the South because of the class-rate level. However, in the nature of things this fact would be difficult to prove because of the many factors entering into the location of an industry.

A witness for the southern interests was the editor of an industrial publication devoted to the cause of industrial development of the South and Southwest. Excerpts from copies of this publication in 1940, contain a statement by the southern governors that, "In two years the volume of the South's manufactured products has increased approximately 35 percent and is now 2½ times the value of its agricultural output; during the same period the number of manufacturing plants in the South increased by 803 as contrasted to a decline in the rest of the United States of 3120." The publication contains many pages listing new industries that have located in the South, some of which are the largest in the country. They include plants manufacturing cigarettes, textiles, footwear, household furniture, paints, stoves, ranges, water heaters, tin cans, clothing, vegetables, drugs and medicines, flour, optical goods, and fluorescent lamps.

The southern governors called attention to the fact that since the start of the war, many plants manufacturing war materials have been established in the South, and that, when peace comes, these plants will have to have rates on which they can begin immediately to do business. This is a national problem, as well as a territorial problem.

Another contention made by the Southern Governors' Conference is that raw materials and semimanufactured goods produced in the South, which are relatively low priced, are shipped to the North for final manufacture with subsequent reshipment of higher-priced manufactured goods back to the South, thus draining the South of its raw materials and semimanufactured products, and depriving it of the benefits flowing from the manufacture of high-priced goods. Raw materials, however, usually move on commodity rates.

The 2-day traffic analysis of all carload shipments moving on May 27 and September 23, 1942, shows the following distribution of traffic:

On the test days 3,507 carloads of products of agriculture originated in the South, of which 1,942 carloads, or 55.3 percent remained there, and 1,356 carloads, or 38.7 percent, were shipped to the East; 84.7 percent of the total carload movement of cotton, one of the South's most important agriculture products, moved between points in the South, some of which moved to the ports for export, and 13 percent was shipped to official territory. The most important movement of agriculture products from the South to official territory comprises fruits and vegetables.

In the animals and products group, 283 carloads, or 56.9 percent of the carloads originating in the South, moved to official territory, and 192 carloads, or 38.6 percent, moved to points in the South. Considerably more than half of the total movement of animals and products consisted of livestock and live poultry, practically all of which moves on commodity rates. The livestock rates both within the South and from the South to official territory were recently prescribed by us in *Alabama Public Service Comm.* v. *Aberdeen & R. R. Co.*, 253 I. C. C. 241.

Of the total movement of products of mines originating in the South, 53.4 percent moved to the South and 43.9 percent to official territory; 78 percent of the latter movement was coal and coke. Coal from the South to official territory moves on commodity rates which are differentially related to rates from mines in official territory, and the rates on coke have been fixed by us on the same basis as the rates on coke in central territory.

In the products of forest group, 64 percent of the carloads originating in the South moved to points in the South, and 30.1 percent to official territory. The movement of the raw materials in this group, namely, logs, poles, fuel, and pulpwood was 90 percent to the South and 5.9 percent to the North, the movement of lumber, cooperage and plywood, manufactured products, was 2,031 carloads to the South and

2,064 carloads to official territory. These products moved on commodity rates.

In the manufactures and miscellaneous group, 10,301 carloads originated in the South, of which 3,193 or 31 percent were shipped to the official territory, and 5,666 or 55 percent to the South. On the same days, 55,789 carloads originated in official territory, of which 8 percent or 4,463 were shipped to the South and 77 percent or 42,958, to official territory.

FLORIDA PENINSULA[86]

In the southern revision, we prescribed class rates from and to the Florida peninsula on a higher level than for the remainder of southern territory. This higher basis was in the form of a distance scale of arbitraries,[87] referred to herein as the L–2 scale or arbitraries, for the haul within the peninsula to be added to the standard or basic rate from origin to destination. They accrue solely to the peninsula lines, and apply uniformly on all interstate class-rate traffic, intraterritorial and interterritorial, on which the rates were prescribed on a distance basis. On the average, they are about 15 percent of the prescribed basic southern K–2 scale for the same distance. The addition of these arbitraries to the basic rates was authorized because of the unfavorable conditions confronting the carriers operating in the peninsula, such as light density of traffic, high ratio of empty to loaded car mileage, and the inability of those carriers to earn a reasonable return on investment. For the same reasons, similar arbitraries were included in the class rates prescribed in the western-southern revision between the peninsula and western trunk-line territory, all of which were key rates. No arbitraries were included in, nor do the L–2 arbitraries apply in connection with, the key or group rates prescribed in the southern revision between the peninsula and the north Atlantic ports and points in the eastern portion of official territory. For example, the first-class rate between New York, N. Y., and Miami, Fla., is $2.89, which is lower than the K–2 scale rate of $2.95, exclusive of any Florida arbitrary. In constructing these group rates we gave consideration to both the rail and the water routes, and the rates were made somewhat lower over the former and somewhat higher over the latter than if such routes had been dealt with separately.

In the instant proceeding, the Governor and the Railroad Commission of Florida and certain associations and shippers, hereinafter collectively referred to as the State, join in the plea of the other southern States for the establishment of uniform classification ratings and rates, and specifically request that the Florida peninsula be placed on an equality with and accorded the same level of class rates, mile for mile, as the remainder of southern territory.[88] It is the State's position that the addition of arbitraries to the basic rates to and from the peninsula results in unreasonable rates and discrimination against the peninsula, and favors the other southern States; that there has been an enormous increase in the number of tons of freight originated and terminated in Florida since the southern revision; and that the peninsula can no longer be considered an area of light-traffic density. Respondents' position is that there have been no such changes in conditions, either as to traffic density, operating costs, or otherwise in the peninsula since the southern revision as would warrant the elimination of the present arbitratries; and that the rail rates at present in effect are reasonably adapted to meet all requirements of Florida industries and shippers, such rates in numerous instances being below the prescribed maximum reasonable level as the result of the railroads' effort to meet the competition of other transportation agencies.

---

[86] This subdivision of southern territory embraces all points in Florida south of the line of the Seaboard Air Line Railway Company from Jacksonville to River Junction, Fla.

[87] Known as the appendix L–2 scale in our third supplemental report (128 I. C. C. 567) in the southern revision.

The present rates for the 12 numbered classes between 9 representative points in the peninsula[89] and 19 representative points in southern territory, or border points,[90] for an average distance of 665 miles average $1.0244, as compared with an average of 94.35 cents under the basic K-2 scale. The excess of the present rates over the K-2 rates between these points averages 8.56 percent. Differences resulting from the addition of the arbitraries also occur in the rates between the points in the peninsula and points in other territories. In all instances, however, the excess of the peninsula rates over the basic southern scale decreases as the distances and basic rates increase.

Between the 9 points in the peninsula and the 19 points in southern territory referred to above, the first-class rates average $2.185 and produce an average earning of 65.7 mills per ton-mile. Under the K-2 scale for the same average distance of 665 miles, the first-class rate is $2.02 and it produces 60.07 mills per ton-mile. The excess over the K-2 first-class rates resulting from the arbitraries averages about 16.5 cents per 100 pounds and 5.15 mills per ton-mile.

The three principal railroads operating in the peninsula are the Atlantic Coast Line, the Seaboard Air Line, and the Florida East

---

[88] A substantial portion of the State's evidence is directed to the higher level of rates in southern territory than in official territory, and to the differences in classification ratings in the respective territories. Those matters are dealt with elsewhere in this report. We will here consider only the evidence relating to the propriety of the addition of arbitraries to the basic rates for the haul in the Florida peninsula, as was done in the southern revision.

[89] Fort Myers, Gainesville, Lake Wales, Miami, Melbourne, Ocala, Orlando, Tampa, and West Palm Beach, Fla.

[90] Birmingham, Montgomery, and Mobile, Ala., Atlanta and Macon, Ga., Cairo, Ill., Evansville, Ind., Louisville, Ky., New Orleans, La., Jackson, Miss., Charlotte and Raleigh, N. C., Cincinnati, Ohio, Columbia, S. C., Memphis, Chattanooga, and Nashville, Tenn., and Lynchburg and Richmond, Va.

Coast.[91] They operate approximately 2,027, 1,687, and 685 miles of road, respectively, in Florida, and reach practically all parts of the peninsula and to a large extent serve the same areas. The Atlantic Coast Line and the Seaboard Air Line also operate in Alabama, Georgia, North Carolina, South Carolina, and Virginia, but the Florida East Coast operates in the peninsula only. These three railroads transported a total of 18,298,630 tons of freight in the State in 1940.

In support of its contention that the traffic density of the Florida railroads has materially increased since the southern revision, the State points out that, based on the reports of carriers to the Railroad Commission of Florida, the total tons of revenue freight carried by the railroads in Florida were 10,667,895 tons in 1921 and 22,701,66 tons in 1940, an increase of 112 percent. As to the traffic density of Florida compared with that of other States, the State submitted in evidence an exhibit, compiled from statements issued by our Bureau of Transport Economics and Statistics showing that the tonnage originated and terminated on class I railroads in Florida in 1940 exceeded the corresponding tonnages handled by class I carriers in 25 and 22 States, respectively, in the same year.[92] The composition of Florida's originated and terminated traffic for that year, segregated as to the five groups of commodities used in our statistical compilations, is as follows:

Group	Products of—	Originated			Terminated		
		Number of commodities	Number of tons (of 2,000 pounds)	Percent of total	Number of commodities	Number of tons (of 2,000 pounds)	Percent of total
I	Agriculture	42	1,156,458	8.15	42	418,769	2.9
II	Animals	22	21,612	.15	22	157,296	1.11
III	Mines	18	8,144,574	57.39	18	8,071,085	57.1
IV	Forest	12	2,380,610	16.77	12	2,064,382	14.
V	Manufacture and miscellaneous.	62	2,488,981	17.54	62	3,392,762	24.0
	Total	156	14,192,235	100.00	156	14,124,276	100.0

In the comparisons made of the tonnage in this table with that of other States for the same year, it is shown that Florida's originated tonnage exceeded that of New Jersey by more than 1,857,000 tons; that of Maryland by more than 5 million tons; that of Georgia and South Carolina combined; that of North Carolina and Mississippi combined; and that it not only exceeded each of the New Engl

---

[91] The Louisville & Nashville Railroad, Georgia & Florida Railroad (Southern Railway System), and St. Louis-San Francisco Railway each have a relatively small mileage in northern Florida. In addition, a number of class II railroads operate in the State, including the Atlanta & Saint Andrews Bay Railway, Apalachicola Northern Railroad, Live Oak, Perry & Gulf Railroad, and South Georgia Railway.

[92] The States and the number of tons originated and terminated are listed in statements Q-550 and series 1940, No. 12, compiled by our Bureau of Railway Economics and Statistics from carrier reports.

States of Maine, Massachusetts, Vermont, New Hampshire, Connecticut, and Rhode Island, but was within about 200,000 tons of the total combined tonnage of those States. With respect to the terminated tonnage, it is shown that Florida exceeded that of Georgia by more than 2 million tons; that of Kentucky by more than 2.5 million; that of North Carolina by more than 2.75 million; that of South Carolina by more than 7 million; and that of Mississippi by more than 7.75 million. A somewhat similar comparison was made by respondents in connection with the tons of revenue freight handled by the Atlantic Coast Line and the Seaboard Air Line systems in 1940, and, on brief, the State points to this data as supporting the foregoing comparisons. As to the Atlantic Coast Line, the tons of revenue freight carried by it were, in million tons, 7.1 in Florida, 4.1 in Virginia, 5.2 in North Carolina, 5.5 in South Carolina, 5.2 in Georgia, and 2.3 in Alabama; and the figures shown for the Seaboard Air Line are 7.8 in Florida, 6.1 in North Carolina, 4.5 in South Carolina, 5.9 in Georgia, 2.1 in Alabama, and 4.5 in Virginia.

The following table, compiled from an exhibit of respondents, shows the trend in the traffic density over a period of years in connection with the revenue freight tonnage and ton-mile revenue freight per mile of road of the Atlantic Coast Line in Florida and other southern States traversed by that railroad:

Atlantic Coast Line Railroad

Period	Florida		Alabama		Georgia		North Carolina		South Carolina		Virginia	
	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]
Year 1925	12.20	0.74	2.05	0.90	7.95	1.21	7.91	0.86	6.20	0.88	5.51	1.98
Year 1926	15.11	0.86	2.07	0.94	8.75	1.36	7.85	0.82	6.02	0.85	5.31	1.96
Year 1927	10.98	0.57	1.77	0.74	6.40	0.88	7.42	0.75	6.04	0.83	5.15	1.88
Year 1928	8.62	0.44	1.73	0.69	5.41	0.70	7.29	0.71	5.80	0.79	4.80	1.74
Year 1929	8.54	0.40	1.40	0.56	5.56	0.75	6.81	0.71	5.54	0.80	4.80	1.83
Year 1930	7.66	0.36	1.17	0.49	5.03	0.66	5.78	0.61	4.92	0.68	4.02	1.54
Year 1931	6.21	0.30	0.90	0.39	4.30	0.57	4.90	0.53	4.50	0.62	3.49	1.35
Year 1932	4.52	0.22	0.56	0.25	2.95	0.39	3.22	0.35	2.66	0.39	2.43	0.94
Year 1933	4.84	0.23	0.52	0.28	3.02	0.40	3.58	0.38	2.83	0.41	2.61	1.00
Year 1934	5.56	0.25	0.65	0.29	3.25	0.43	3.76	0.39	2.84	0.40	2.65	0.97
Year 1935	5.70	0.22	0.67	0.29	3.21	0.43	3.93	0.41	3.01	0.48	2.76	1.02
Year 1936	6.50	0.27	1.13	0.42	4.27	0.55	4.50	0.48	3.62	0.52	3.25	1.20
Year 1937	6.58	0.30	1.20	0.50	5.07	0.66	5.45	0.57	4.52	0.64	3.73	1.42
Year 1938	6.03	0.27	1.14	0.45	4.42	0.57	4.76	0.51	3.85	0.54	3.31	1.28
Year 1939	7.16	0.31	1.20	0.50	5.23	0.65	5.20	0.56	4.50	0.63	3.76	1.44
Year 1940	8.74	0.37	1.54	0.64	6.25	0.79	5.73	0.64	5.56	0.75	4.15	1.60

[1] Millions of tons (of 2,000 pounds) of revenue freight.
[2] Average ton-mile revenue freight per mile of road, expressed in millions.

It will be observed from this table that the figures shown in column A bear out the State's contention with respect to Florida's revenue freight tonnage as compared with that in the other States shown. Respondents, however, stress the comparisons made in column B, which shows that the average ton-mile revenue freight per mile of road in Florida is lower than that in the other States named. In this respect, they call attention to the comparison made for the year 1939, which indicates that the traffic density in Florida, as expressed in ton-miles of revenue freight per mile of road, was barely more than half of that in Alabama; less than half of that in Georgia or South Carolina; only slightly more than half of that in North Carolina; and far below that in Virginia. They also call attention to the comparison made for the 5-year period from 1935 to 1939, as contrasted with the years 1925 and 1926, when the southern revision was before us. At no time during the latest 5-year period of what may be termed normal operations was the relation of Florida's traffic density, as indicated in column B of the table, to that of the other States as favorable, relatively, as it was in 1925 and 1926 when the volume of traffic in Florida was to a considerable extent affected by the Florida real estate "boom" of those years, which were therefore abnormal.

Respondents criticize the "tonnage originated" and "tonnage terminated" comparisons made by the State, on the ground that they failed to take into account the overhead, or transstate, traffic, or either the composition of the tonnage or the extent to which the same traffic may both originate and terminate in the same State. They call attention to the fact that the total of all tonnage originated by class I railroads in Florida in 1940, 14,192,235 tons, was almost identical with the total tonnage terminated. In view of that fact, it is their position that the traffic which originates in Florida contributes very little to the tonnage of other States because by far the greater portion of the traffic which originates in Florida also terminates in that State. In this connection, respondents submitted in evidence an exhibit showing that for the year 1940 the rail tonnage originating and terminating in Florida on 10 commodities,[93] generally of low grade and heavy loading, contributed 11,363,671 tons, or approximately 80 percent, of the originated and 10,598,529 tons, or about 75 percent, of the terminated traffic. Phosphate rock and crushed stone constituted more than 51 percent of the entire tonnage originated and 46 percent of all tonnage terminated. More than 95 percent of the stone handled originated and terminated within the State. Large quantities of the prosphate rock moved a weighted average distance of 32 miles from inland points[94] to Tampa for export. The greater portion of the lumber originated and terminated in the State. Most of the petroleum products were received by water and were either used at the ports or were distributed to inland points within Florida; and most of the fertilizers used in the State were also produced there.

---

[93] Sand and gravel; stone, broken, crushed or ground; phosphate rock; logs, pulpwood; lumber; shingles and lath: box, crate and cooperage material; refined petroleum oils; fuel road and residual oils; and fertilizers.

[94] Agricola, Brewster, Coronet, Mulbery, Nichols, Phomisco, Pierce, and Ridgewood, Fla.

The State contends that the Florida arbitraries have been an important factor in the rapid development of Florida's water, water-rail, and rail-water traffic and motortruck traffic, and that the high level of class rates to and from the peninsula have diverted an enormous quantity of traffic to those agencies which the railroads would have handled if the arbitraries had been eliminated. However, the arbitraries have in many instances been eliminated to meet such competition.

Normally, there is intense competition between the rail carriers and the water and motor carriers for Florida's traffic, and this competition is reflected in the traffic densities and freight revenues of the peninsula railroads. Florida's 1,315 miles of ocean coast line exceed that of any continental State in the Union. It has 18 deep-water ports and 28 navigable waterways. Prior to the present war, common and contract carriers operated on the inland waterways and regular service was afforded from the ports by ocean-going vessels in coastwise, intercoastal, and foreign trade. The population of the cities and towns in Florida in 1940 was 1,137,996. There are 61 cities or towns located directly on the waterways, and their population was 77 percent of the urban population in 1940. The average distance from 67 other towns, not on the waterways, to the nearest port or waterway is 39 miles, or, stated differently, 79 percent of the urban population is within 10 miles of waterways, 17 percent within 50 miles, and the remaining 4 percent within 100 miles.

Statistics in the form of exhibits taken from the United States Army Engineers' publications show that in 1939, 16,066,747 tons of traffic moved by water within, to, and from Florida, divided as follows: Foreign commerce, 2,621,948 tons; coastwise traffic, 7,384,049 tons; domestic traffic other than local, 5,232,247 tons; and local traffic, 828,503 tons. An average of 10,369,478 tons of foreign, domestic, and internal water-borne traffic has moved to and from Florida through 12 of its principal ports[95] in the 7 years through 1940, and each year except 1940 shows an increase over the preceding year. In respect of the water-borne foreign commerce in the States bordering on the oceans, the Gulf, and other waterways, Florida ranked ninth in volume of traffic in 1939 and was exceeded only by New York, California, Texas, Ohio, Louisiana, Maryland, Pennsylvania, and Massachusetts. The water-borne traffic handled in 1939 was distributed through the 12 principal ports named; and at least half of the foreign commerce and coastwise tonnage transported between Florida ports and the Atlantic, Gulf, and Pacific coasts moved through Tampa and Jacksonville.

---

[95] Fernandina, Fort Pierce, Jacksonville, Key West, Panama City, Pensacola, Port Everglades, Port St. Joe, Miami, Port of Palm Beach, South Boca Grande, and Tampa, Fla.

With respect to motortruck competition, the record shows that 101,483 truck and trailer licenses were issued by the State of Florida in 1940, 97.4 percent of which was for privately owned or operated trucks and trailers and the remainder for "for hire" trucks. The privately owned and operated trucks provide the principal highway competition. Hucksters purchase fruits and vegetables in Florida and haul them to practically every State east of the Rocky Mountains. Between October 1941 and May 1942, observers stationed at the State line by the Florida Department of Agriculture reported truck movements of freight equivalent to 31,961 carloads. Nonregulated truckers haul return loads for very little more than the out-of-pocket cost of gasoline and oil. From December 1940 to April 1941 the truck movement of onions from central territory to Florida was equivalent to 88 carloads.

Respondents testified that they have been at all times alert to establish reduced rates by rail, either voluntarily or upon request of shippers, to meet water and motortruck competition. The peninsula arbitraries on intrastate traffic moving at column 100 to column 35 rates, inclusive, were voluntarily removed by them to meet competition of the motortrucks, which had eliminated the arbitraries from their rates. Aside from citrus fruits and vegetables, it is said that the principal products which are shipped in any important volume from Florida to northern and eastern markets are phosphate rock, lumber, naval stores, raw sugar manufactured at a plant in south Florida, and canned fruits and vegetables, principally canned citrus fruits and juices.

Rates on fruits and vegetables made percentages of first class were prescribed by us in *Florida Railroad Commrs.* v. *Aberdeen & R. R. Co.*, 144 I. C. C. 603, 177 I. C. C. 735; and in *Southeastern Vegetable Case*, 200 I. C. C. 273; but because of motortruck competition the railroads reduced the prescribed rates about 15 percent. The present rates are, however, still on a column basis and therefore include the Florida arbitraries. Application of the eastern class-rate basis to this traffic as requested by the State would, respondents say, cut joint revenues of the railroads $400,000 in one season. There is no proof of this assertion. Application of the eastern class-rate scale from points in Florida to points in central territory would in some instances make lower class rates than the present column rates, but there is no showing of the amount of revenue that would be involved.

In *Citrus Fruit from Florida to North Atlantic Ports*, 211 I. C. C. 535, 218 I. C. C. 637, 226 I. C. C. 315, 237 I. C. C. 245, the rail carriers were authorized to establish and maintain on citrus fruits, in carloads, from producing points in Florida to the north Atlantic ports, rates on the basis of the truck rates to the Florida ports and the water rates beyond, without observing the long-and-short-haul provision of section

4 of the act. The rates authorized were established by the railroads and they contain no Florida arbitraries.

In *Commodity Rates to South Atlantic Ports*, 186 I. C. C. 675, 197 I. C. C. 309, 214 I. C. C. 7, 222 I. C. C. 427, division 2 authorized carriers to establish and maintain over their all-rail routes from points in central and Buffalo-Pittsburgh territories, and portions of western trunk-line territory, to certain south Atlantic and Florida ports, on carload traffic for which they compete with rail-and-water routes from and to the same points through north Atlantic ports, commodity rates made 110 percent of the rates over the latter routes, without observing the long-and-short-haul provision of section 4. The rates authorized were established by the railroads on a rather long list of commodities, and these rates do not contain any Florida arbitraries.

Among the principal commodities which move from or to Florida on rates which include no arbitraries are the following: Lumber, which comprised 11.5 percent of the rail tonnage exported from Florida in 1939; forest products, which in 1940 constituted 16.77 percent of the tonnage originated, and 14.75 percent of the tonnage terminated, in that State; phosphate rock, which in 1940 represented 35.29 percent of the tonnage originated, and 30.56 percent of the tonnage terminated; fuel oil, which in that year comprised 2.77 percent of the tonnage originated, and 2.56 percent of the tonnage terminated; fertilizer and fertilizer materials, which in 1939 constituted 33.2 percent of the total import traffic to Florida and in 1940 comprised 3.3 percent of the tonnage originated, and 2.85 percent of the tonnage terminated; gypsum rock, which in 1939 represented 12.29 percent of the total import traffic to Florida; sugar, which in 1939 comprised 2.84 percent of the total Florida imports; coffee, which in 1939 comprised 1.9 percent of the total import traffic to that State; bananas and pineapples, which represented 10.15 percent of the traffic imported through five Florida ports in 1939; and sodium sulphate, which constituted 5.3 percent of the traffic imported through four Florida ports in 1939. Scrap iron and steel represented 6.38 percent of the export traffic from Florida in 1939 and the rates thereon bear no relation to the class rates. Movements between Panama City, Fla., and Port St. Joe, Fla., are outside the Florida arbitrary territory, and the rates thereon do not include any arbitraries.

Raw cane sugar is produced in Florida and shipped out of the State on special commodity rates which contain no arbitraries. Blackstrap molasses is produced in large quantities in Florida sugar mills and shipped to consumers in southern and official territories at rates based on percentages of first class from which the arbitraries have been eliminated. On livestock from the Southwest to Florida the rates prescribed by us do not include any arbitraries. With respect to the north-bound rates on livestock from Florida, the carriers voluntarily agreed to eliminate the arbitraries therefrom.

On the other hand, we have from time to time since the southern revision approved the addition of arbitraries in varying amounts to prescribed commodity rates between points in the peninsula and points in southern, official, and other territories. In the case of some commodities the arbitraries were made approximately 15 percent of the basic distance scale. In other instances they are higher. A rather complete review of the cases in which arbitraries have been prescribed appears in *Fresh Meats and Packing-House Products* (1933), 191 I. C. C. 257.

Respondents stress the fact that in the eastern revision we prescribed arbitraries or differentials of approximately 15 percent for the northern part of New England (zone B) and approximately 10 percent for zone C in the northern part of lower Michigan, and take the position that, if conditions warrant the continuance of New England and Michigan arbitraries, they justify the continuance of the arbitraries for the Florida peninsula, quoting the following from page 404 of our original report in the eastern revision, 164 I. C. C. 314:

> Differences in transportation conditions between northern and southern New England justifying different rate levels have long been recognized by both Federal and State regulatory bodies. The carriers in zone B have a much lower density of traffic than those of zone A (southern New England). In this respect the situation of the northern zone is not unlike that of the Florida peninsula, described in *Southern Class Rate Investigation*, 100 I. C. C. 513. In that proceeding rates were prescribed to and from points in the peninsula based on the normal scale, plus arbitraries substantially 15 percent of that scale for the portion of the haul within the peninsula.

In the report in the eastern revision we prescribed the distance scales set forth in appendixes G and H thereto, for application within zones A and B, respectively, of New England. The appendix G scale was made about 5 percent higher than the basic eastern appendix E scale, and the appendix H scale was made 10 percent higher than the appendix G scale. The scales prescribed for zones A and B apply between points within those respective zones only, and do not apply on traffic between points in New England and points in the remainder of official territory. For application to traffic between points in zone B and points in trunk-line territory and between points in Michigan zone C and points in central territory, we prescribed the appendix E scale, plus the distance scale of arbitraries set forth in appendix F of our original report for the hauls within the zones. These arbitraries range from about 6.4 to 9.5 percent and average about 8.8 percent of the eastern basic appendix E scale for the same distance. As hereinbefore pointed out, the Florida L-2 arbitraries average about 15 percent of the southern basic K-2 scale for the same distance. It should also be noted that the appendix J key rates prescribed in the eastern revision for application between central territory and other subterritories, including New England, contain no arbitraries.

The size of the State of Florida closely approximates that of the New England States combined. The land areas are 54,262 square miles for Florida and 63,205 square miles for New England. Florida has 5,218 miles of railroad; the New England States, 5,677 miles. In 1940 Florida originated 2,719.86 tons of freight per mile of road while the New England States originated 2,536.46 tons per mile of road. In the same year the tonnage terminated per mile of road in Florida was 2,706.92; in the New England States, 6,098.23. Total tonnage originated and terminated per mile of road was 5,426.84 for Florida and 8,634.69 for New England. There are 44 counties in Florida which lie wholly in the arbitrary territory, embracing a combined land area of 38,224 square miles. In the States of Maine, New Hampshire, and Vermont there are 30 counties lying wholly within zone E arbitrary territory, having a land area of 41,560 square miles. For the same year, the traffic density (revenue net ton miles per mile of road) for the Florida East Coast was 590,603; for the Boston & Maine, 1,259,409; the Central Vermont, 1,335,647; Maine Central, 640,764; New York, New Haven & Hartford, 4,695,763; Detroit, Toledo & Ironton, 1,199,486; Pere Marquette, 1,384,192; and New York Central, 2,695,596.

One of the contentions stressed by the State is that small industries have been handicapped by ~~the present class-rate structure in~~ doing business in official territory. Among the commodities mentioned are palmetto brush fiber and fiber brushes, crystallized or candied citrus fruit, furniture, and several others. With respect to these commodities respondents' records failed to disclose that as to most of them the railroads had ever been approached by either shipper organizations or shippers themselves upon the subject of rates from the peninsula producing points. In instances where they had been approached, the competitive rates of the water or motortruck carriers were found to be so low that the railroads would not undertake to meet them under any circumstances. Pursuant to requests of the shippers of crystallized citrus candy and lawn and garden furniture, the rates on these commodities within the South and from the South to the North were substantially reduced in 1942.

The following statements show the net railway operating income of the Atlantic Coast Line, the Seaboard Air Line, and the Florida East Coast, the rate of return on their recorded investment in property used for common-carrier purposes, and the deficits after fixed charges:

Period	Atlantic Coast Line			Seaboard Air Line			Florida East Coast		
	Net railway operating income	Rate of return	Deficit after fixed charges	Net railway operating income	Rate of return	Deficit after fixed charges	Net railway operating income	Rate of return	Deficit after fixed charges
		Percent			*Percent*			*Percent*	
Year 1927							$592, 205	0. 48	$1, 774, 7
Year 1928							1, 426, 619	1. 15	1, 097, 6
Year 1929							1, 637, 961	1. 33	1, 325, 2
Year 1930				$5, 817, 039	1. 90	$4, 596, 620	1, 040, 154	.67	1, 998, 1
Year 1931	$4, 748, 109	1. 57	$672, 654	2, 578, 649	.84	7, 110, 747	664, 636	[illegible]	2, 346, 0
Year 1932	108, 199	.37	5, 251, 024	208, 830	.07	9, 281, 174	*881, 776*		3, 316, 0
Year 1933	4, 299, 811	1. 47	986, 935	2, 622, 093	.88	6, 530, 504	*134, 910*		3, 185, 9
Year 1934	4, 289, 557	1. 47	958, 690	1, 631, 913	.54	8, 029, 553	225, 476	.19	2, 806, 8
Year 1935	2, 578, 763	.89	2, 610, 224	1, 501, 943	.50	7, 609, 365	*222, 595*		3, 222, 7
Year 1936	4, 415, 754	1. 52	674, 150	3, 515, 582	1. 15	6, 097, 462	877, 796	.77	2, 071, 6
Year 1937	4, 938, 774	1. 70	118, 263	3, 753, 989	1. 21	4, 630, 279	741, 578	.88	2, 181, 1
Year 1938	2, 390, 751	.81	2, 659, 786	1, 449, 486	.46	7, 590, 161	1, 029, 492	1. 22	1, 965, 5
Year 1939	3, 781, 872	1. 30	1, 187, 166	3, 594, 371	1. 13	5, 556, 555	743, 699	.87	2, 091, 0
Year 1940	3, 757, 234	1. 28	1, 051, 712	4, 404, 333	1. 36	4, 973, 349	985, 219	1. 15	1, 912, 9

Deficits in italics.

If these statistics are accepted at their face value, the carriers' need for additional revenues in the years shown is plainly indicated The elimination of the arbitraries would, of course, reduce these carriers' revenues to the extent that they now apply, unless additional revenues could be found to offset the loss. The carriers failed to show how much revenue is obtained by the addition of arbitraries either to the class rates or the commodity rates. No traffic test has been made, and there is no separation of the traffic and revenue statistics as between the peninsula and northern Florida and other States in which the peninsula lines operate.

KENTUCKY AND EVANSVILLE, IND.

The Commonwealth of Kentucky was not associated[96] with the Southern Governors' Conference in this proceeding and did not actively support the plea for parity of class rates in southern and official territories. It and the railroad commission of the State urged that there is no sound economic, financial, or operating reason why Kentucky should not have the same rates, classifications, and exceptions as apply in official territory, regardless of what we may do as respects southern territory as a whole. They base this upon the grounds that, with the possible exception of the short stub end of the Nashville, Chattanooga & St. Louis and Tennessee Central railroads extending a short distance into Kentucky, the operating costs of the railroads in the State are as low, and the earnings are as high, as any to be found in the country, except on the Pocahontas lines, even with which the costs and earnings of the other Kentucky lines compare favorably.

Kentucky was included within southern territory in the southern revision. Subsequently, in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, we accorded it treatment different from that in the South generally with respect to class rates to and from official territory. The effect of that decision was to reduce the class rates between interior Kentucky points and official territory to a basis approximately 15 percent higher than the basic eastern scale. The rates between official territory and points in Kentucky on the Pocahontas lines were already on the level of that scale. The intrastate rates in Kentucky prescribed by the State railroad commission, were before us in *Intrastate Class and Commodity Rates in Kentucky* (1937), 223 I. C. C. 109, but we did not require them to be changed. They are on substantially the same basis as that applicable in official territory for the distances most of the traffic in Kentucky moves, and are governed by the official classification. The only interstate adjustment of class rates in Kentucky which is on a basis different from the official territory level is that to and from stations in the State served by southern carriers. The present class 100 rates, between all points in the State with a population of 1,000 or more persons and representative cities (Boston, Mass., New York, N. Y., Philadelphia, Pa., Buffalo, N. Y., Pittsburgh, Pa., Cleveland, Ohio, Columbus, Ohio, Detroit, Mich., Indianapolis, Ind. Chicago, Ill., St. Louis, Mo.) in official territory, average 9.8 percent in excess of the rates for corresponding distances in the latter territory.

---

[96] This is true also of the public authorities of the State of Virginia, on whose behalf no evidence was introduced and no brief was filed.

One of the principal contentions of the Kentucky interests is that railroad operating costs in Kentucky are lower than those in the remainder of the South and lower than those in the East. This contention is based upon the cost data prepared by our staff previously referred to. Cost of service is only one factor to be taken into consideration in the prescription of reasonable rates. Railroad operating costs in Kentucky are influenced in major degree by the enormous coal tonnage of the Louisville and Nashville Railroad.

Our actions in prescribing, in the eastern revision, the eastern scale of rates to points in northwestern Illinois and southern Wisconsin, and in extending, in other proceedings, the official territory basis to points not served by eastern district lines, are referred to. It is asserted by Kentucky interests that the treatment accorded Kentucky is much less favorable than that accorded southern Illinois, southern Indiana, southern Ohio, northern Michigan, New England, various other Illinois points, and Virginia and West Virginia, in which areas, it is alleged, less favorable operating conditions obtained than in Kentucky.

The Kentucky interests contend that, under the provisions of section 15a of the act, which, among other things, requires us, in the exercise of our authority to prescribe just and reasonable rates, to give due consideration, among other factors, to the effect of rates on the movement of traffic, we are obliged to take due cognizance of a rate structure which has enabled intercity trucks to take over an undue proportion of the total traffic.

A witness for the State testified that the total intercity truck traf could be loaded in the empty space of railroad cars already moving partially loaded, and that the added traffic could be handled at littl cost to the railroads. Nearly 50 percent of both truckload and les than-truckload intercity truck tonnage, and about two-thirds or mor of the revenue ton-miles performed in such services, are from shipments transported for distances beyond 300 miles over routes largel paralleling railroads. The witness also expressed the view that thi traffic can, as a general rule, be handled economically by rail and generally speaking, is handled by carriers by motor vehicle only because of their opportunity to choose traffic as a result of the continuance of an outmoded railroad rate structure.

There is also a claim that the existing class rates in Kentucky hav hindered industrial development in that State. Since our decision in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co., supra,* (decided December 9, 1935), when interstate class rates into and from Kentucky were reduced to a basis slightly higher than the official level, the industrial development in Kentucky has been less than in Tennessee, in which the higher southern level of class rates has applied during that period. Many of the contentions of the Kentucky interests and much of the testimony introduced herein in their behalf were before us and were considered by us in the proceeding last cited.

No Kentucky shipper testified in opposition to the present adjustment. The representative of the Louisville Board of Trade asserted that the shippers and receivers of freight in Louisville have no complaint about the existing class-rate adjustment, and specifically requested us not to disturb it.

The State of Kentucky calls our attention to certain provisions of the Constitution of the United States in support of its claim to an equality of rates with official territory. The provisions in question are the first clause of section 8, article 1, requiring that duties, imposts and excises laid and collected by Congress "shall be uniform throughout the United States" and the sixth clause of section 9 of the same article which provides that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another." It is urged, first, that all regulations of commerce under these sections must be uniform throughout the United States, and second, that inasmuch as the evidence in this record establishes the fact that costs of transportation by railroad in Kentucky are no high than they are in official territory, we must interpret and apply the Constitutional mandates in our administration of the Interstate Com merce Act so as to accord Kentucky rates that are no higher than those which currently apply within official territory.

In support of the foregoing position, the State of Kentucky refers to the decision of the Supreme Court in *Knowlton* v. *Moore*, 178 U. S. 41. In that case the Court reviewed the history relating to the adoption of these provisions of the Constitution; stated that, although the provision prohibiting preference between ports and that requiring uniformity of duties, imposts, and excises were one in purpose and one in their adoption, they became separated only in arranging the Constitution according to an adopted style; and concluded that the words "uniform throughout the United States" in the latter provision signify simply a geographical, and not an intrinsic uniformity.

In *Louisiana Public Service Commission* v. *Texas & N. O. R. Co.*, 284 U. S. 125, the Court had occasion to review an order of this Commission entered in *Sand, Gravel, Crushed Stone, and Shells*, 155 I. C. C. 247, 157 I. C. C. 498, whereby we prescribed rates, based on distances, for the transportation of sand, gravel, and certain other road materials in Arkansas, Oklahoma, Texas, and a part of Louisiana, but provided that the rates to and from certain points on the east bank of the Mississippi River were to be determined by adding to the distance rates 8 cents per ton. It was contended on behalf of Louisiana ports on the east bank of the river that the provision for the addition of the latter amount to the distance rates to and from those ports constituted a preference of Texas ports over those of Louisiana, caused by a regulation of commerce, in violation of the port preference clause of section 9, article 1, of the Constitution. In rejecting this contention, the Court said, at page 131:

> The specified limitations on the power of Congress were set to prevent preference as between States in respect of their ports or the entry and clearance of vessels. It does not forbid such discriminations as between ports. Congress, acting under the commerce clause, causes many things to be done that greatly benefit particular ports and which incidentally result to the disadvantage of other ports in the same or neighboring States. The establishing of ports of entry, erection and operation of lighthouses, improvement of rivers and harbors, and the providing of structures for the convenient and economical handling of traffic are examples. *Pennsylvania* v. *Wheeling & Belmont Bridge Co.*, 18 How. 421, 433–435. And see *Armour Packing Co.* v. *United States*, 209 U. S. 56, 80.

In *Armour Packing Co.* v. *United States*, *supra*, the Court said:

> The fact that regulation, within the acknowledged power of Congress to enact, may affect the ports of one State more than those of another, cannot be construed as a violation of this constitutional provision.

In our opinion, the particular provisions of the Constitution just referred to, as construed by the Supreme Court, do not require that freight rates be the same in each State or section of the United States, regardless of differences that may exist in the circumstances and conditions generally recognized as controlling factors in the making and regulation of rates.

The traffic manager of the Evansville, Ind., Chamber of Commerce requested that the level of the class rates in southern territory be reduced. He also complained that St. Louis, Mo., has some advantage over Evansville in class rates from those points to destinations in the Southeast and Southwest. The nature of the complaint, however, cannot be determined upon the record. Evansville is a border point on the Ohio River between southern and official class-rate territories. Class rates between Evansville and points in official territory are on the official territory level; those between Evansville and points in southern territory are on the southern territory basis. Thus, shippers at Evansville are in a position to ship into either territory on the level of class rates that applies within the destination territory.

OFFICIAL TERRITORY

The volume of traffic moving on class rates within official territory is much greater than in any other territory. Considering, first, less-than-carload traffic as class-rate traffic,[97] the revenue therefrom in 1941 was as follows:

	Revenue
Official territory	$150,263,282
Southern region	55,890,927
Western district	100,678,278

Second, much more freight moves on class rates or exceptions to the classification in official territory than in other territories. Third, the volume of interterritorial traffic handled by official respondents is greater than that of any other group of carriers, both as to the amount that moves on class rates or on exception ratings, or on all kinds of rates.

A study testified to by a member of our staff shows the distribution of carload traffic in each statistical commodity group by territorial movement on May 27 and September 23, 1942. Of all carloads transported on those days, 49.2 percent originated in official territory and 54.2 percent terminated there. Official territory originated 132,129 carloads, of which 111,914 carloads or 84.7 percent terminated there, and 15.3 percent terminated in other territories. The distribution of traffic on the two test days in southern, western trunk-line, and southwestern territories was as follows: southern territory originated 42,161 carloads, of which 15,989 carloads, or 37.9 percent, terminated in official territory; western trunk-line territory originated 45,109 carloads, of which 8,246 carloads, or 18.3 percent, terminated in official territory;

---

[97] This assumption is not entirely warranted because much less-than-carload traffic moves on rates other than class rates, particularly in southern territory.

southwestern territory originated 22,341 carloads, of which 5,833 carloads, or 26.1 percent, terminated in official territory.

In the States wholly within official territory, more interterritorial traffic is terminated than originated, except tonnage in the statistical group designated under manufactures and miscellaneous. Of the total tons in that group originated in the United States, 58.88 percent originates in the States in which the official classification applies; and of the total tons in that group terminated in the United States, 55.87 percent terminates in those States. Official territory carriers are dependent, therefore, to a very large extent upon the revenues they receive from the class rates in issue and the rates definitely related thereto.

The carriers in official territory argue that the maintenance of higher class rates in other territories than apply within official territory cannot constitute undue preference or prejudice, inasmuch as the railroads that serve official territory do not control the rates applicable within other territories. They do not deny, however, that they are jointly responsible with the railroads in other territories for the maintenance of interterritorial rates.

Trunk line and New England territories.—Much of the evidence and many of the contentions of official territory interests, which included public officers, public authorities, shippers, and shipper organizations in the States of New York, New Jersey, Pennsylvania, Maryland, and Delaware, have previously been discussed. A contention already considered herein is the alleged injury to other sections of the country that may result from a parity of class rates in the South and the North, without a parity of rates on in-bound raw materials in the two territories. It is claimed that such a situation would be unjust because: (1) The South has much lower rates on in-bound raw materials and low-grade freight; (2) equalization of the class rates alone would give the South a preferential rate basis and discriminate against the North; (3) equalization by reduction of the southern class rates would adversely affect the revenue of southern carriers; (4) an increase in the official territory class rates to accomplish uniformity, with no corresponding change in the raw material rates in the South, would result in an increase in rates which move an important part of official territory traffic in order to accomplish a parity which would affect only a very small percentage of the traffic in the South, and at the same time would leave the South with the benefit of its lower raw material rates on a large volume of its traffic.

We are asked not to ignore the effects that a possible shift of industry from the North to the South might have upon communities and populations of the North, the great consuming territory and market for all territories. Some industries which were for many years of great importance in official territory have already transferred all, or a substantial portion, of their operations to the South. The greater part of the textile industry has migrated from the North to the South, leaving New England communities with large portions of their population without employment. New York has also lost many of its textile mills to the South. At one time, the stove manufacturing industry was an important one in New York State, but its operations have greatly diminished; and many companies in that industry have gone out of business, while the stove industry of the South has grown. Industries in New York which have been affected by competition of producers elsewhere are the pipe industry, and the industry manufacturing grey iron products which uses pig iron. Jamestown, N. Y., was formerly a large center for the manufacture of furniture, but such industry in that city has been greatly reduced during the past 20 years, while the furniture industry of the South has grown. In Jamestown, 26 furniture manufacturing concerns have gone out of business during that period. Those still in business there meet competition in the northeastern portion of the United States, their principal market, from manufacturers at North Carolina points. The number of wage earners in the furniture industry decreased 33 percent in the North, compared with an increase of 18 percent for 6 southern States. The wage earners in the stove and other heating- and cooking-appliance industries decreased 21 percent in the North and increased 39 percent in the South during the decade ended in 1939.

Central territory and Wisconsin.—Interests in central territory, which included the States of Ohio, Indiana, Illinois, Michigan, and Wisconsin, and shippers and shipper organizations in those States, contend that the rate uniformity sought herein is not warranted and that this proceeding should be dismissed. They consider the rates in official territory as the most successful in surviving changes in the transportation situation, brought about, principally, by the advent of common and contract motor carriers and the private operation of motor vehicles since the class-rate levels were prescribed.

These interests are of the view that if the intraterritorial class-rate levels in southern, southwestern, and western trunk-line territories are reduced so that the total revenue of the carriers within such territories falls short of meeting their financial needs, any deficiency of revenues should be met by increases in other rates within, or to or from such other territories, and not by adjusting divisions of rates to offset such reductions, or by requiring carriers and shippers in official territory to assist in carrying the transportation burden in such other territories.

They contend that, if the present rates are found to be unlawful, interterritorial rates generally should not be determined by applying a percentage to the rates in another territory. Such a method, in their opinion, presupposes the rate maker can start with a class-rate structure which is correct for the lowest-rated territory and increase the scales in such structure by given percentages to produce scales appropriate for other territories; and that it assumes such action allows for, and reflects in the resulting rates, differences in transportation conditions in the respective territories, as well as differences in the part which the class-rate traffic is called upon to bear in contributing to the railroads' required revenues.

In support of their view, they argue that the method described is fallacious because there are several basic rate structures under consideration rather than a single one, and that each territory has its own peculiarities and its own particular problems. In order to meet such conditions the basic structure would have to reflect the conditions which prevail in other territories. Thus, at present, the progression in the western trunk-line scales is maintained for the longer distances at a faster rate than in the eastern scale. This is also true of the so-called "basic" scale used in the western revision to construct interterritorial rates between official and western trunk-line territories. The purpose of the faster rate of progression was to exact from the longer hauls, particularly to and from points in the western part of western trunk-line territory, an adequate measure of revenue and to lessen somewhat the drastic nature of the reductions resulting from the rates prescribed in the western revision.

With respect to interterritorial rates, the central territory States and shippers take the position that such rates should reflect the class-rate levels applicable within the respective territories in proportion to the length of the haul in each territory; and they prefer to use as the formula for such rates the so-called cottonseed formula prescribed in *Cottonseed, Its Products, and Related Products*, 188 I. C. C. 605 (subsequently rescinded in 208 I. C. C. 177, because of the expense and work required to compute distances and rates in accordance with the formula). They contend that if new interterritorial rates are prescribed, the rates should be on the same level in both directions.

Official territory scale.—In the eastern revision (164 I. C. C. 314, at page 393), we said:

> Neither in measure nor in progression has the scale been modeled after the other class-rate scales which we have had occasion to prescribe, but the progression is similar to that of the new western trunk-line scales. It so happens that the first-class rates average about 80 per cent of those in the new western trunk-line scale No. 1, 72 per cent of those in the southern scale, and 66 per cent of the southwestern first-class rates. These percentages are purely fortuitous and should not be regarded as an index of comparative general rate levels or transportation costs as between the various territories. The scale has not been devised with the object of arriving at any particular rate for any given distance or between any given points. It represents our best judgment upon the record before us, giving consideration to the revenue situation, to the character of traffic which moves upon class rates in official territory, and to the characteristics of the general rate structure in that territory. Judged alone by the class rates which exist in other parts of the country, a considerably higher scale would be warranted.

A comparative study and analysis of the construction of various class-rate scales prescribed by us shows that usually they were of a pattern in which the greatest rate of progression was in the first 75 miles. The purpose was to reflect the relatively expensive service furnished by way-freight trains. Beyond 75 miles the progression was at a more moderate rate to reflect the relatively lower cost of through freight service. In the longer reaches of the scales there was a still lower rate of progression for the purpose of permitting traffic to move long distances.

All scales prescribed by us do not by any means always follow this pattern, and even when the general pattern is observed, there are variations as to the distances at which the rates of progression break and in the rates of progression intended to be adapted to the conditions for which the scales have been provided.

The eastern class-rate scale is the lowest intraterritorial scale involved in this proceeding. It was originally prescribed for distances up to 900 miles and later extended to apply for distances up to 1,500 miles. The mileage blocks are in units of 5 miles up to 100 miles, 10 miles between 100 and 240 miles, 20 miles between 240 and 800 miles, and 25 miles between 800 and 1,500 miles. The initial rate in the scale for 5 miles was 30 cents. The progression of the scale, as originally prescribed, was 1 cent and sometimes 2 cents for each 5 miles increase in distance up to 100 miles; between 100 and 240 miles the progression was usually 2 cents but sometimes 1 cent for each 10 miles; and between 240 and 800 miles the progression was usually 2 cents and sometimes 3 cents for each 25 miles. The progression has been somewhat changed by the 10-percent increase in

1938. For distances up to 100 miles, in two instances, the increase for 5 miles has become 3 cents. In other instances, the progression has become 1 cent greater than before the increase of 1938. Between 700 and 800 miles the increase is 11 cents and remains 11 cents for each 100 miles thereafter. The curve of the scale therefore becomes a straight line beyond 700 miles. The following table shows the eastern class-rate scale, as increased in 1938, the percentages of actual increase for each 100 miles, and the successive differences in the percentages of actual increase:

Eastern class-rate scale

Miles	Rate	Actual increase		
		Amount	Percent	Differences [1]
	Cents	*Cents*		
5	33			
100	62	29	87.9	
200	80	18	29.0	58.9
300	96	16	20.0	9.0
400	109	13	13.5	6.5
500	122	13	11.9	1.6
600	135	13	10.7	1.2
700	149	14	10.4	.3
800	160	11	7.4	[2] 3.0
900	171	11	6.9	.5
1,000	182	11	6.4	.5
1,100	193	11	6.0	.4
1,200	204	11	5.7	.3
1,300	215	11	5.4	.3
1,400	226	11	5.1	.3
1,500	237	11	4.9	.2

[1] Differences in successive percents of actual increase.
[2] Irregularity.

One of the criteria of a smooth progression in a rate scale is that each successive percent of increase in the rate, at each 100-mile interval, for example, shall be less than the one immediately preceding, and also that the differences between successive percents of increase shall not progress in an ascending order. Between 700 and 800 miles the difference in the percents of increase shows an increase instead of a decrease.

Relative earnings.—The relative earnings in the eastern district as indicated by rates of return and operating ratios (freight), have not been as favorable as those in the southern region during the period 1936–43, inclusive, and not as favorable as those in the western district in the years 1942 and 1943, as shown in the following table. The rates of return and operating ratios (freight) are also shown for the Pocahontas region and the regions which compose the western district. The southwestern region corresponds substantially with southwestern territory.

Rate of return based on the net railway operating income and the book investment (increased for cash, materials and supplies) and operating ratio—freight

[The figures shown are percentages]

	1936	1937	1938	1939	1940	1941	1942	19
Eastern district								
Rate of return	2.67	2.27	1.26	2.34	2.66	3.62	4.90	[illegible]
Operating ratio, freight	64.95	67.86	68.98	64.53	63.92	63.04	61.93	[illegible]
Southern region								
Rate of return	2.52	2.35	1.90	2.80	2.57	4.24	6.51	[illegible]
Operating ratio, freight	65.38	67.77	66.73	64.99	65.34	61.07	56.84	[illegible]
Pocahontas region								
Rate of return	7.58	6.61	4.54	5.89	6.21	6.67	5.29	[illegible]
Operating ratio, freight	47.04	50.63	53.59	50.71	49.77	48.12	49.62	[illegible]
Northwestern region								
Rate of return	2.00	1.90	.86	1.77	2.44	3.62	4.66	[illegible]
Operating ratio, freight	64.86	66.42	69.05	64.91	61.94	58.93	56.63	[illegible]
Central western region								
Rate of return	1.81	1.54	1.25	1.67	1.96	3.13	6.14	[illegible]
Operating ratio, freight	64.97	67.32	65.47	64.23	63.82	62.37	55.56	[illegible]
Southwestern region								
Rate of return	1.86	1.81	1.08	1.41	1.74	3.52	6.71	[illegible]
Operating ratio, freight	65.60	66.84	68.22	66.95	65.92	60.85	55.26	[illegible]
Western district								
Rate of return	1.88	1.71	1.09	1.65	2.06	3.36	5.80	[illegible]
Operating ratio, freight	65.07	66.93	67.13	65.01	63.63	60.96	55.79	[illegible]

NOTE.—Source: Statistics of Railways.

WISCONSIN

Separate briefs were filed by the Public Service Commission of Wisconsin and the Wisconsin Manufacturers Association, on behalf of Wisconsin shipping interests generally, and by Green Bay Association of Commerce, on behalf of interests located in Green Bay and De Pere and nearby Wisconsin points, including Oconto, Algona, and Kewaunee and the Door County Peninsula. These interests have joined generally in the general brief filed by the Central Territory Rate Conference, and Green Bay and associated interests have joined in the brief of the Wisconsin commission and Wisconsin Manufacturers Association.

The Wisconsin commission reiterated its belief that there was no such urgency for general changes in the class-rate structures of the country as to justify a general investigation and proceeding of this character, as originally stated in motions previously filed herein, in which it joined, to dismiss the proceeding, or to defer it for the period of the emergency. It does not desire to be understood as advocating general changes in class rates or class-rate structures and would welcome an order deferring any further procedure herein until after the war.

While these parties are not entirely satisfied with the present class-rate adjustment to and from Wisconsin (except as to Illinois Freight Association territory), they do not find such acute dissatisfaction and complaint as would warrant a general revision, or drastic changes, at this time. In the event that we prescribe a general revision of class rates, they urge that Wisconsin rates be considered and treated along with other rates, and that the basic eastern scale should be extended to embrace at least that part of Wisconsin south of a line from Green Bay to the Twin Cities. As to interterritorial rates, they are of the opinion that maximum class rates should be constructed on the cottonseed formula, previously referred to herein.

Wisconsin's economic life depends principally on industry, agriculture, and forestry. Industry has become the most important. In 1939, manufacturing added $686.6 millions of value to the State's raw materials, as compared with a value of $304.5 millions for its products of agriculture, forestry, and fishing. Mechanical and manufacturing occupations accounted for 329,015 workers in 1940, as compared with 275,164 workers in the three other occupations named.

Eliminating Cook County in Illinois, in which Chicago is located, and Wayne County in Michigan, in which Detroit is situated, and Milwaukee County in Wisconsin, in which Milwaukee is located, statistics for 1939 show the following results with respect to the value of manufactured products: Wisconsin, $1,008 millions; Illinois, $1,508 millions; Michigan, $1,629 millions. The comparable figure for Indiana, with her foremost county excluded, was $1,408 millions.

Industrial development in Wisconsin has occurred largely in the southern half of the State, and principally in extended zone C and that part of the State (the southeastern corner) in Illinois territory. We have recognized in previous decisions that industrial activity in these two areas, namely, extended zone C and southeastern Wisconsin, is comparable with that in central territory, and have commented on the favorable traffic and transportation conditions therein. To a lesser degree, industrial activity prevails in southern Wisconsin, particularly south of a line drawn from Green Bay to the Twin Cities. In the latter area are 30 of the 33 Wisconsin cities, each having a population of more than 10,000 persons. This part of the State produces $1,126 millions of the State's $1,138 millions worth of manufactured products.

The term "southern Wisconsin," as used by these proponents, comprises all Wisconsin counties lying principally south of the line of the Chicago & North Western Railway from Green Bay through Wausau to Marshfield, thence the Minneapolis, St. Paul & Sault Ste. Marie Railway through Owen and Chippewa Falls to the Twin Cities, and the adjoining counties of Minnesota and Iowa bordering the Mississippi River. The above-described territory in area, population, and industrial development is almost a counterpart of the State of Indiana. The similarity is shown in the following statistics:

	Southern Wisconsin	Indiana
Area square miles	39,530	36,2
Population (1940)	3,854,280	3,427,7
Urban population [1] (1940)	2,491,033	1,887,71
Manufacturing establishments	8,011	4,3
Wage earners (1939)	245,954	277,6
Industrial wages paid (1939)	$312,465,178	$345,475,1
Value of manufactured products	$2,090,000,000	$2,228,000,0
Value added by manufacture	$883,000,000	$970,000,0

[1] Residing in cities of 10,000 or more persons

The consist of traffic transported by rail to and from Wisconsin compares favorably with that in any of the major rate territories. A comparison of the composition of traffic, made by adopting the division between low and high-grade commodities used in a tentative order prepared by our staff for the purpose of obtaining a traffic test (the traffic test was later abandoned), shows that, during the 3-year period 1938 to 1940, 40.1 percent of the rail tonnage originating in Wisconsin was of the higher grade, as compared with 21.2 percent in the entire country, 29.2 percent in the eastern district, 17.3 percent in the southern region, and 18.1 percent in the western district. With coal and iron ore eliminated, the percentages of high-grade traffic to total traffic are as follows:

	Percent
Wisconsin	44.1
United States	38.2
Eastern district	51.3
Southern region	27.1
Western district	24.4

Measuring the quality of the traffic by all commodities, the respective percentages of total manufactures to total traffic originated during the same period are:

	Percent
Wisconsin	52.0
United States	32.4
Eastern district	38.8
Southern region	30.9
Western district	33.5

Wisconsin is a border State and, in this respect, differs from States more particularly identified with one-rate territory. Unusual problems of class-rate construction are frequently presented in the case of border States. As to Wisconsin, such problems arise particularly in respect of class rates between Wisconsin and official territory, including Illinois territory.

The State is served by western trunk-line railroads, except the west-bank Lake Michigan car-ferry ports, which are the western termini of ertain official territory railroads. The southeastern part of the State is under the jurisdiction of the Illinois Freight Association and is a part of official territory. Class rates to and from this section are constructed the same, and have the same level, as those applying to and from Illinois. The west bank of Lake Michigan, north of Illinois territory, has always been considered as within official territory on traffic moved cross-lake via car-ferry routes.

At present the official classification governs, (1) class rates between Wisconsin and official territory east of the Illinois-Indiana State line in both directions, (2) class rates on Wisconsin intrastate traffic, and (3) between southeastern Wisconsin and Illinois. The western classification applies between Wisconsin and Illinois and between Wisconsin and other portions of western trunk-line territory, except as previously indicated.

The Wisconsin class-rate structure has also been influenced by adjustments made in class rates between Duluth and the Twin Cities and official territory; and the last-mentioned rates have been affected by lake-rail routes and rates, and by the volume and nature of the interterritorial traffic to and from these points.

The contention is made, and it is justified by the facts, that the lass-rate structure between Wisconsin and official territory has been nd is within the sphere of influence of the official territory rates.

Specific proposals advocated by the Wisconsin interests, in the vent there is a general revision of class rates required, are the ollowing:

1. Elimination of the zone C differentials.
2. Extension of the basic official territory boundaries to include vest-bank Mississippi River cities from Dubuque, Iowa, to Minneapolis, Minn., and the intermediate territory in Wisconsin and Minnesota on and south of the Minneapolis, St. Paul and Sault Ste. Marie Railway from Minneapolis through Eau Claire and Owen, Wis., to Vausau, and the line of the Chicago and North Western from Wausau hrough Shawano to Green Bay.
3. If it should be found that traffic and transportation conditions in Visconsin north of the line described do not justify the same level f rates as in the territory south of the line, there might be provided system of differentials which would preserve the same form of rate tructure and harmonize the rates from both sections of the State.

The above proposals are urged "not for the mere sake of uniformity," ut because Wisconsin interests believe that the bases proposed reflect raffic and transportation conditions in the State, and because experience has shown that the official classification and class-rate structure an be fairly, reasonably, and successfully applied to the traffic.

Green Bay.—In 1940, the population of Green Bay and nearby com munities, respectively, were as follows: Green Bay, 46,235; De Per 6,373; Kewaunee, 2,533; Sturgeon Bay, 5,439; and Oconto, 5,3 Green Bay is in eastern Wisconsin at the mouth of the Fox River an on Green Bay, an arm of Lake Michigan. It is 112 miles north o Milwaukee, 31 miles west of Manitowoc, and 36 miles northwest o Kewaunee, all car-ferry ports. It is served by the Chicago & Nort Western, Chicago, Milwaukee, St. Paul & Pacific, and the Green B & Western railroads. Green Bay and De Pere have deep draft cha nels. Six paved highways converge at Green Bay, and approximately 25 common carriers of property by motor vehicle, 8 motorbus lin and numerous contract carriers by motor vehicle operate from the cit in all directions. It is a port of call for 4 large steamship lines an many other carriers by water.

Competition of Green Bay manufacturers is for the most part wit manufacturers in official territory. For example, cheese, of whic Green Bay is the largest single concentration and shipping center i the United States, is manufactured also in New York State. Crane derricks, power shovels, and other machinery is manufactured at Milwaukee, Wis., Chicago, Ill., Lima, Marion and Lorain, Ohio, Erie, Pa and other official territory points. Manufacturers of canned vegetables, pickles, and fruits at Green Bay, Sturgeon Bay, and Oconto mus meet the competition of manufacturers of like articles in Illinois an official territory, as the principal markets are in that territory.

Next to Milwaukee, Green Bay is the largest jobbing and distributing point in the State. Groceries, hardware, produce, building supplies, plumbing supplies, iron and steel, mill supplies, and electrica supplies constitute the principal articles sold. Most of these commodities originate in official or Illinois territory, and Green Bay jobber must meet the competition of jobbers and wholesalers who are locate generally at Milwaukee, Chicago, and Detroit. It is also one of th largest merchandise and bulk storage warehousing points on the Gre Lakes.

Class rates and the rates on certain commodities between Gree Bay and points in official, Illinois, and western trunk-line territori were prescribed by us in the western revision on the following basi

Between Green Bay and Ohio and east thereof, except Illinois territory, key-point class rates were established on the level and basis rates prescribed in the eastern revision, and are governed by the offici classification and exceptions. Between Green Bay and points i official territory, west of Ohio, distance rates apply. Zone C was extended to include Green Bay and Wisconsin points south thereof to th northern boundary of Illinois territory, and the zone C arbitrari for the portion of the haul in that zone are included in the rates.

Between trunk-line and New England territories and west-bank Lake Michigan ports, rates were fixed in the eastern revision; later the carriers voluntarily reduced rates from and to such ports and, at the same time, made similar adjustments in the Green Bay rates.

Between Green Bay and other points in extended zone C territory and Illinois territory, rates were fixed also on the basis of the eastern scale plus zone C arbitraries for that portion of the haul north in extended zone C. The western classification was prescribed on this traffic. Because of differences in the applicable classifications, minimum rate sections in the tariffs, and certain exceptions to the classification are required.

Class rates between points in western trunk-line territory, including Green Bay and other extended zone C points in Wisconsin, were prescribed on a distance basis. Appendix L arbitraries, in the report in the western revision, are added to the basic scale for the portion of the distances traversed in extended zone C territory. Western classification and exceptions apply.

Between Green Bay and southern territory, including the Mississippi Valley, the class rates were prescribed in *Western-Southern Class Rates, supra.* They are governed by southern classification, which applies in both directions, and by exceptions to that classification which are applicable from and to Illinois territory and the South. We also prescribed key-point rates on the basis of rates applicable between Illinois and central territory, on the one hand, and southern territory, on the other, increased by the extended zone C arbitraries prescribed in the last-mentioned proceeding for the distance through the latter territory. The rates between Green Bay and points in southwestern territory were prescribed in the southwestern revision, especially the eighth supplemental report, 164 I. C. C. 565. Green Bay is in group 45, under which a 20-cent first-class arbitrary over Milwaukee is added to rates to and from points east of the Neosho-Laredo line, and 11 cents first-class to rates to and from points west of that line. Western classification and exceptions apply in both directions.

Rail-lake-and-rail, rail-and-lake, and lake-and-rail rates between official territory and Green Bay were prescribed by us in *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101, and supplemental orders. The differential under all-rail rates is 12 cents first class with relative amounts on the lower classes. The rates apply through the ports of Milwaukee and Chicago, and no direct rates to Green Bay Harbor have been established. The lake lines reach the port of Green Bay in connection with their contract-carrier service, but not in connection with common-carrier service.

Green Bay is nearer to Lake Erie and Lake Ontario ports tha Milwaukee, Chicago, and Duluth by 61, 126, and 219 miles, respe tively. The distance via the route through Green Bay figured b rail-lake-and-rail to Minneapolis and St. Paul is 98 miles shorte than via Milwaukee, 243 miles shorter than via Chicago, and 81 mil shorter than via Duluth.

In formulating our conclusions and findings, we are requested t consider specifically the situation prevailing at Green Bay. No sep arate finding dealing with that city individually is requested, becaus the findings which have been advocated in the more general briefs ar adequate to cover that situation. If we fail to make the finding sought in the more general briefs, we are requested to recognize th situation at Green Bay by a special finding that the official territor basis of class rates shall be extended to and from that community.

WESTERN TRUNK-LINE TERRITORY SHIPPER INTERESTS

Inasmuch as most of Wisconsin is in western trunk-line territor from the standpoint of interstate class rates, evidence pertainin principally to that State as a whole will be discussed under this titl As explained, the southeastern and eastern portions of the State ar now on the same rate levels as official Illinois territories south an east thereof.

The railroad commissions of every State in western trunk-line terri tory introduced evidence, except Michigan, Colorado, and Wyomin only portions of which States are in that territory. Missouri's evi dence was not introduced for the purpose of showing unlawfulne in the class rates. Most of the participating State commissions joine in the preparation and presentation of analyses of the ratings in th classifications and classification exceptions. All shipper interes oppose the prescription of minimum class rates; all want the railroad left completely free to meet competition from whatever source. Al oppose changes in their present commodity rates that may be designe to compensate for any readjustment required in class rates.

As indicated in the statement of positions of the parties, all partici pating urge uniformity in classification ratings, except the Wiscons commission and interests; and all seek class rates based on the easter scale for application throughout western trunk-line territory, an between that and the other territories, except Wisconsin, Missour and Colorado. The fact is emphasized that no railroads terminate the Mississippi River from south of Twin Cities to north of St. Loui about 500 miles, the greater extent of which is the dividing lin between official-Illinois territories and zone I.

Although not entirely satisfied with the present rate bases, an favoring discontinuance or postponement of the investigation, Wi consin and Missouri ask that, if we readjust class rates generally, the interstate rates within their States, and between them and official-Illinois territories, be made according to the eastern scale. As to other interterritorial rates, Wisconsin suggests the use of the so-called cottonseed formula, and, secondly, the laminated formula, applied to the rate levels in the respective territories. In fixing the short-line distances to be employed in arriving at interterritorial rates affected thereby, Wisconsin asks that we adhere to our practice of regarding those over car-ferry routes across Lake Michigan the same as over rails. Missouri is of the opinion that cost studies are unreliable, and that the results they produce can play but a minor part in the actual fixing of rates.

Kansas City prefers to retain its present interstate class rates if reductions in them would entail increases in its commodity rates on livestock, grain, coal, and other heavy-loading commodities. It is most interested in preserving its milling industry. It declares that rates cannot be made on costs alone, in disregard of other factors.

Colorado expressed the view that class-rate uniformity on the eastern scale would reduce the revenues of western railroads too drastically. While the Colorado commission suggests no rate level, a large manufacturer of iron and steel articles near Pueblo, Colo., which ships only a small proportion of its products to these western territories on class rates subject to classification ratings, urges the abolition of zone III and the expansion of zone II from the Missouri River to the Rocky Mountains and over the entire Southwest, with a rate level of 130 percent of the eastern scale.

If a uniform rate level cannot be prescribed, South Dakota suggests that the scale for zone I be made no higher than the eastern scale, that those for zones II, III, and IV be graded upward therefrom, and that the scale for zone IV be made not in excess of 130 percent of the eastern scale.[98]

In any event, Topeka and Wichita, Kans., ask that they be accorded the same rate level as may be prescribed for zone I.

Western trunk-line shipper interests request that, if the class rates are reduced, the burden of compensating for the loss in railroad revenues should not be shifted to agricultural products and livestock and products by increasing the commodity rates thereon.

Every western trunk-line State and interest is striving toward greater industrial development, claimed by most of them to be retarded by the existing interstate class-rate structure, but some concede that rates on the eastern scale alone would not accomplish that objective. Much of the territory is sparsely settled, and all is largely agricultural, facts well known and borne out by United States census data. The rural population in 1940 of the west-north-central division, which includes all western trunk-line States except upper Michigan, Wisconsin, Wyoming's Cheyenne corner, and eastern Colorado, was 5 percent of the total population, the percentages in the individual States ranging from 48.2 in Missouri to 79.4 in North Dakota; and in Wisconsin and all Colorado 46.5 and 47.4 percent, respectively.

---

[98] Zone IV, in which the present interstate scale of maximum rates is 115 percent of that for zone III, lies west of the territorial scope of this investigation.

It appears that some parts of western trunk-line territory are nearing their maximum absorption of population in agricultural pursuits. Therefore, the territorial interests seek to expand their industries and encourage new ones in order to afford employment for growing populations; but these interests disclaim any desire to attract manufacturers now established in official territory. Although the population of the territory as a whole increased slightly, 1940 over 1930, the percentages being 1.7 in the west-north-central division, 8.4 in Wisconsin, and 6.8 in Colorado, percentage decreases occurred in 4 States, namely, 5.7 in North Dakota, 7.2 in South Dakota, 4.5 in Nebraska, and 4.3 in Kansas. In October 1942, North Dakota estimated a further decline in its population of nearly 100,000, or to about 20 percent below 1930. The reasons therefor are the continued unfavorable conditions in agriculture,[99] lack of manufacturing development, no war industries, and the needs of the armed services.

Small or very slight decreases, 1940 under 1930, occurred also in the population of some cities of 25,000 inhabitants, or more, in these States, such as Oshkosh and Superior, Wis., Duluth, Council Bluffs, Iowa, Kansas City, Mo.-Kans., and St. Louis. Of these, Oshkosh and St. Louis already have the official territory basis of class rates to and from that territory.

Manufacturing.—In an investigation like the present one, the relative extent and importance of manufacturing industry in the various territories are entitled to consideration greater than ordinarily warranted, because manufactured products contribute to rail tonnage moving at class rates, much more heavily than do the products that fall in the four other statistical groups of carload commodities.

As one proceeds from official territory westward into western trunk-line territory, manufacturing thins out. The change is less marked in southern Wisconsin, southeastern Minnesota including Twin Cities, in certain parts of Iowa at or near the larger cities, and at cities along the Missouri River through Missouri and from Kansas City to Sioux Falls, S. Dak. Substantial manufacturing takes place also in cities of southeastern Nebraska and eastern Kansas. Official

---

[99] The value of farm lands and buildings in North Dakota dropped to about 400 milli dollars in 1940, representing a loss of approximately 1 billion dollars below that of 1920.

Illinois territories are important sources from which western trunk-line territory manufacturers draw in large quantities many of their supplies of raw materials, semifinished materials, and parts.

While Wisconsin's economic life depends fundamentally on industry and on agriculture and forestry, industry has become of greater importance. In 1939 the value added to raw materials by manufacture was $686,600,000, as compared with $304,500,000 worth of products of agriculture, forestry, and fishing. Wisconsin ranked tenth among all States of the Union in value of manufactured products.

Every county in Iowa has manufacturing; but in a number of them the value of products in 1939 was less than $1,000,000 per county.

North Dakota in 1939 had only 350 manufacturing establishments doing a business of $5,000 or more annually. Those establishments added to the raw materials used, a value of $11,000,000. In only 2 counties, those containing Fargo and Grand Forks, did the wage earners engaged in manufacturing exceed 250. North Dakota is primarily an agricultural State, as shown by the fact, among others, that from 1928 to 1940, inclusive, 82.5 percent of all carloads originated consisted of products of agriculture and animals and products, while its originated manufactures and miscellaneous represented only 8.3 percent. In 1940, the latter group of commodities produced 7,918 carloads originated, about 11 percent of the total number of carloads originated, in contrast with 41,955 carloads terminated, or 44.4 percent of the total terminated.

Nebraska adverts to the manufacturing possibilities of the grain-producing States of the West generally, and of its State particularly. It has provided a research program to find ways and means of utilizing Nebraska's raw materials, especially its grain surplus. The objective is to create employment for the many people now leaving the State for industrial centers elsewhere.

Nebraska seeks no preferential freight-rate treatment in order to insure success of its planned industrial development, but asks for a rate structure that will enable it to reach markets on an equality with competitors. It asserts that freight rates often prove to be artificial barriers that curtail, if not absolutely destroy the possibility of, the establishment of new industries in the State. In envisioning the manufacturing possibilities of the grain-producing States, Nebraska speaks of freight rates in a generic sense, and not specifically of the class rates in issue.

In the following table are set forth certain statistics for 1939 pertaining to manufacturing, in establishments doing an annual business of $5,000 or more, performed in most States of western trunk-line territory compared with States in central territory:

Manufacturing data for 1939

State	Establishments		Wage earners average	Wages [2]	Value of products [2]	Value added by manufacture
	Number	Index [1]				Amount [2]
Western trunk-line territory:						
Wisconsin	6,717	92	200,807	$251,047	$1,004,507	690,605
Minnesota	4,008	103	79,753	98,887	845,772	310,628
Iowa	2,670	82	65,314	73,406	718,532	244,795
Missouri	4,796	94	178,538	190,736	1,368,056	567,962
Kansas	1,494	80	31,614	36,938	464,354	118,952
Nebraska	1,[illegible]61	80	18,810	20,624	273,525	69,087
South Dakota	[illegible]	93	5,536	6,036	81,172	19,955
North Dakota	350	109	2,639	2,771	43,767	11,102
Central territory:						
Illinois	12,980	92	596,473	750,229	4,794,951	2,201,596
Indiana	4,337	91	277,467	345,475	2,227,048	970,212
Ohio	10,070	90	598,397	812,676	4,584,606	2,125,474
Michigan	6,311	113	522,243	789,976	4,348,223	1,796,404

[1] Index number, using the year 1925 as 100 to indicate relative increase or decrease.

[2] Stated in thousands of dollars.

The number of wage earners, aggregate wages, value of products and value added by manufacture, in every State listed in the foregoing table, fell sharply in 1935 below 1925, rose in 1937—much more, relatively, in the central territory States than in the western States—and in 1939, in all States declined by varying percentages

The data above and other pertinent evidence indicate that manufacturing in western trunk-line territory, particularly beyond the tier of States bordering the Mississippi River, is not nearly so extensive or diversified as in central territory.

Certain other economic data.—These are based on 1939, except that data for 1940 are used with respect to the first two of the following items. Population and effective buying income were less in western trunk-line than in central territory States. A survey by counties shows that farm income from all sources was greater in southern Wisconsin, southern Minnesota, and Iowa, and less in other parts of western trunk-line territory, than in central territory; that income from farm crops was larger in certain parts of western trunk-line than in central territory, but in no area of similar extent in the former did it exceed that in the north-central portion of Illinois; that income from livestock in Iowa and certain other parts of western trunk-line territory exceeded that in central territory; that income from dairy products (milk, cream, butter, and cheese) was much greater in Wisconsin, and in less degree in southern Minnesota and northern Iowa, than in central territory; that income from poultry and eggs was higher in Iowa and certain other parts of western trunk-line than in central territory; and that volumes of sales in the wholesale and retail trade were much less in western trunk-line than in central territory.

Railroad operating statistics and costs.—Minnesota introduced evidence designed to show that conditions and costs of operations of clas

I railroads in its own State and, when aggregated with Iowa, Missouri, and Wisconsin, composing practically all of the eastern section of western trunk-line territory, are more favorable than in the territory's western section and in southwestern territory; and that the costs and some of the operating results in such eastern section and in the northwestern region, which embraces all or parts of the railroads owning most of the section's mileage, are better than in the eastern and western statistical districts as a whole and in the separate regions thereof.

In the following table are set forth some of the figures pertaining to freight traffic for 1941 for the States named and for groups comprising sections of western trunk-line territory, southwestern territory, and the State of Illinois:

Freight traffic for 1941

Territory and State	Average miles of railroad operated	Revenue per ton-mile	Per mile of line	
			Revenue ton-miles	Revenue
Official territory:				
Illinois	9,173	*Mills* 8.77	2,625,722	$23,026
Western trunk-line territory:				
Eastern section:				
Minnesota	8,474	9.39	1,710,457	16,053
Iowa	9,383	9.14	1,158,041	10,587
Missouri	7,203	9.59	1,515,977	14,546
Michigan (Upper Peninsula)	1,530	12.41	642,949	7,980
Wisconsin	6,705	9.73	1,281,275	12,470
Total	33,301	9.51	1,377,080	13,093
Western section:				
North Dakota	5,045	8.67	633,826	7,660
South Dakota	3,994	9.58	364,389	3,492
Nebraska	6,108	8.67	883,826	7,660
Kansas	8,805	9.67	1,136,473	10,993
Colorado	4,527	9.44	994,697	9,391
Total	28,479	9.28	1,006,144	9,341
Southwestern territory:				
Arkansas	4,161	9.71	1,408,233	13,674
Louisiana	4,022	10.21	1,141,968	11,664
Oklahoma	6,610	9.65	853,166	8,230
Texas	15,357	9.82	971,662	9,544
Total	30,150	9.83	1,017,337	10,000

Traffic density figures are affected by the fact that South Dakota, unlike other western States, contains a relatively small amount of the mileage of transcontinental railroads, and by the fact that Iowa has a large proportion of railroad mileage that consists of branch lines over which the traffic moved is relatively light.

Respondents contend that the weight which may be accorded to the Minnesota operating data is diminished greatly by the effect thereon of the heavy tonnage of ore transported for comparatively short distances from the iron ranges of the State to the head of the Lakes.

This principally affects operations in northern Minnesota. Almost 100 percent of the Great Northern Railway's ore tonnage, about 25 million tons in 1941, is handled in Minnesota. Although the enormous ore tonnage, and the relatively small class-rate tonnage, in northern Minnesota is entitled to some consideration along with many other pertinent factors, it cannot be of controlling importance in a class-rate proceeding.

The results set out in the foregoing table indicate that traffic conditions in the eastern section of western trunk-line territory, except upper Michigan, are more favorable than in the territory's western section, and better than in southwestern territory; and that on the whole such western section is somewhat less favored than the Southwest.

Supporting the claim of favorable operating conditions in Minnesota, data for 4 years as to freight and allied services of eight railway systems[1] allocated to the northwestern region are compared with those of the same systems in Minnesota. For 1941, Minnesota's ratios to those of the aggregate of the systems were: Miles of road operated 17.5; operating revenues 21.0; total expenses (operating expenses, taxes, and rents) 19.9; net railway operating income 23.9; revenue ton-miles 20.7; expense per revenue ton-mile 96.1; and average haul 49.9. The average hauls were 255 miles for the entire systems, and 127 miles for Minnesota. Considered from a mileage standpoint freight operating results of these railway systems in Minnesota are better than the average over the entire systems.

A similar claim is made for the section consisting of Minnesota, Iowa, and Wisconsin, composing the greater portion of the eastern part of western trunk-line territory, upper Michigan and Missouri being omitted here. It is supported by freight-traffic returns, combined for the three States, and aggregated for the railroad system referred to in the preceding paragraph, except that the Chicago, Burlington & Quincy Railroad (central-western region railway) is substituted for the Chicago Great Western Railway. The ratios of these States to the whole of the systems for 1941 were: Miles of road operated 37.58; net railway operating income 46.62; carload revenue tons originated 46.51, and terminated 48.99; revenue ton-miles 41.76; average, per mile of line, of revenue tons originated 12[illegible]7, terminated 130.35, and of revenue ton-miles 111.13. The average haul for the systems was 264 miles.

---

[1] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

Intended to prove that returns on property investment,[2] and operating results of freight and allied services are more favorable in the northwestern region,[3] particularly in Minnesota, than in other regions in the western and eastern districts, data were presented for the years 1939, 1940, and 1941, from which the two following tables have been compiled. Returns on all services do not make as good a showing as for freight alone, for the reason that the passenger-service deficits for the western lines were relatively greater than for the lines in the eastern district.

Rates of return

District, region, or railroads	1939		1940		1941	
	A [1]	B [2]	A [1]	B [2]	A [1]	B [2]
Western district	4.54	2.66	5.15	3.34	7.13	5.53
Northwestern region	4.53	2.69	5.44	3.67	7.26	5.63
Central-western region	4.44	2.65	4.87	3.13	6.60	5.08
Southwestern region	4.85	2.65	5.38	3.29	8.37	6.77
Eastern district	4.69	3.53	5.39	4.06	6.77	5.51
Great Lakes region	4.30	3.19	5.07	3.70	6.86	5.46
Central-eastern region	5.20	3.98	5.91	4.60	6.81	5.65
New England region	3.76	2.70	4.17	2.89	6.21	5.06
Minnesota railroads:						
Trunk lines [3]	7.19	5.19	8.30	6.31	9.52	7.38
Ore roads [4]	12.74	11.64	20.04	18.86	23.33	22.22

[1] Column A, freight and allied services.

[2] Column B, all services.

[3] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

[4] Duluth, Missabe & Iron Range Railway and Duluth, Winnipeg & Pacific Railway.

Freight and allied services, for 1941

District, region, or railroads	Average miles per revenue ton	Averages per revenue ton-mile			
		Revenue	Total operating revenues	Total expenses	Net railway operating income
		Mills	*Mills*	*Mills*	*Mills*
Western district	276	9.46	9.78	7.08	2.70
Northwestern region	215	9.19	9.63	6.77	2.86
Central-western region	366	9.49	9.72	7.19	2.53
Southwestern region	241	9.84	10.18	7.32	2.86
Eastern district	164	9.90	10.25	7.72	2.53
Great Lakes region	172	9.61	9.96	7.53	2.42
Central-eastern region	163	9.62	9.96	7.53	2.43
New England region	130	14.99	15.45	11.08	4.37
Minnesota railroads:					
Trunk lines [1]	127	9.45	9.67	6.48	3.19
Ore roads [2]	78	9.44	10.87	6.57	4.30

[1] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

[2] Duluth, Missabe & Iron Range Railway and Duluth, Winnepeg & Pacific Railway.

---

[2] The rate-base values on which the returns were computed are said to be the original cost less depreciation, plus present value of land and rights, and working capital, as of January 1, 1940. They were derived from certain data prepared by our Bureau of Valuation and introduced as an exhibit in another proceeding.

[3] Five of the railroads in the northwestern region were either in the hands of receivers, or in process of being taken out of their hands, at the time of hearing.

Emphasis is placed by these interests on the fact that the average freight-service expense per revenue ton-mile is appreciably lower in the northwestern region, and still lower for the eight Minnesota trunk lines, than in the other regions; and this is so as to the Minnesota lines despite their shorter average haul than those of the respective regions. But the net railway operating income per revenue ton-mile in the southwestern region is the same as in the northwestern region.

The strong influence that iron-ore tonnage has upon the freight-traffic statistics for Minnesota is illustrated by the fact that in 1941, for example, the freight revenue received from Minnesota operations by the two ore roads, referred to in the two tables was $33,000,000, whereas for the eight trunk lines named it was $100,000,000. The latter figure includes the iron ore carried in Minnesota, especially the large volume by the Great Northern Railway, 65.1 percent of whose entire system tonnage consisted of products of mines including ore; that of the Northern Pacific Railway was 24.8 percent. While the figures for Minnesota and the northwestern region contain the contribution from ore, the Pocahontas region (heavy coal-carrying lines) is not grouped with the eastern district in the comparisons described, although the Pocahontas region is part of official territory whose class-rate basis is sought by the western trunk-line interests.

Some of the western trunk-line territory interests argue that carload freight traffic should not be burdened with the deficits in passenger-service and in less-than-carload traffic, but that each category should be required to bear its own share of the costs. A similar question was raised in *Revenues in Western District* (1926), 113 I. C. C. 3, but we said, at pages 22–23:

> We do not subscribe to the proposition that where freight rates are producing on the property devoted to freight service, the rate of return which has been fixed as fair, we can as a matter of law authorize no increases in such rates to correct deficiencies in aggregate earnings growing out of the inability of the passenger business to meet its full share of the revenue burden. The freight and the passenger services are both essential and both may be subjected to reasonable rates and charges to produce the fair aggregate return authorized by law even though thereby a higher rate of return may be exacted from one than from the other.

Topeka.—This city is now in zone II, but is here seeking the zone I basis of rates. It suggests the accomplishment thereof by expanding westward the present boundary of zone I to a line that would pass through Topeka and Lincoln, Nebr., and extend to Sioux City, Iowa.[4] As so extended, zone I would embrace all or parts of the northeastern 16 counties of Kansas and a portion of eastern Nebraska. No evidence concerning conditions in the latter was offered.

Topeka asserts that the traffic and transportation conditions have changed materially in its favor since the decision in the original report (1930) in the western trunk-line revision, wherein the present zone boundaries were fixed. Its population in 1940 was 91,247, and the county containing it manufactured products in 1939 valued at $29,000,000, or 6.4 percent of the State's total.

Even though average costs of railroad operations in western trunk-line territory may not be much higher than in official territory, Topeka is of the view that higher class rates are justified in the former because of territorial differences in the consist of traffic, in commodity rates, and in carrier needs. Assuming that the class-rate levels are not made uniform in all territories, the laminated formula is suggested for determining interterritorial rates.

Witnesses for Topeka declare that its competitive situation requires that it be placed in the same rate zone as the lower Missouri River cities, and other points in northern Missouri and southern Iowa, in order to insure its continued existence as an important jobbing, manufacturing, and distributing center. In respect to those activities, probably fifth class (37.5 percent of first class) is the important class on carload shipments that move subject to class rates. Topeka contends that a fair average added sum reflected in Topeka's rates, owing to location in zone II, would be the zone II differential on that class for 65 miles, the distance from Kansas City. On that assumption, the added amount would be 3 cents per 100 pounds.

The request for expansion into northeastern Kansas of whatever rate level and classification may be prescribed for southern Iowa and northern Missouri is predicated on a showing of traffic and economic conditions. Such conditions in these areas are claimed to be practically homogeneous. More particularly, the areas are the 16 counties of northeastern Kansas, including Topeka and Kansas City, Kans., the three southern tiers of counties in Iowa, and the counties in northern Missouri, which are subdivided into those north of the Missouri River and those in zone I. The last-mentioned group includes Kansas City and St. Louis.

---

[4] Specifically, the suggested line would leave the present boundary of zone I at Windsor, Mo., go thence west on Missouri-Kansas-Texas Railroad to Paola, Kans., thence on Missouri Pacific Railroad to Topeka, thence on Union Pacific Railroad to Lincoln, thence on Chicago & North Western Railway to Fremont, Nebr., thence on Chicago, Burlington & Quincy Railroad to Sioux City, where the line would rejoin the present boundary of zone I.

Illustrative of the general situation concerning the groups of counties described are the following:

Sections	Number of counties	Land area		Population (1940)		
		Square miles	Percentage of State	Total (thousands)	Per square mile	Percentage of State
Northeastern Kansas	16	9,060	11	521	57.6	29
Southern Iowa	31	16,023	29	631	39.7	25
Northern Missouri:						
North of Missouri River	44	23,853	34	786	32.7	21
Zone I	62	35,433	51	2,671	75.4	[illegible]

Climatic conditions in northeastern Kansas are much like, and altitudes are similar to, those found in southern Iowa and northern Missouri. The topography of the plains of northeastern Kansas is favorable for construction and operation of railroads, which usually run east and west, in that the rivers flow eastwardly and the railroads extend in their valleys, whereas in southern Iowa and northern Missouri the rivers flow generally in a southwardly direction and must be crossed by the railroads.

Based upon the average figures for 1940, the proportion of land in farms was somewhat greater in northeastern Kansas than in northern (zone I) Missouri, but less than in southern Iowa. Southern Iowa exceeded northeastern Kansas in value per farm of land and buildings and of implements and machinery. As to practically all kinds of livestock, the average per farm in southern Iowa generally was greater than in northeastern Kansas; northern Missouri had more horses and mules, and, in several items, the aggregate for southern Iowa and northern Missouri exceeded northeastern Kansas. The situation as to grains was similar to that for livestock. Northeastern Kansas excelled in the production of potatoes, Irish and sweet.

Relative commercial and manufacturing activities in the sections of the three States are indicated in the following table, according to returns for 1935:

[In millions of dollars]

Sections	Retailing sales	Wholesaling sales	Value of manufactures
Northeastern Kansas	113.35	86.21	200.72
Southern Iowa	135.60	57.17	[illegible]
Northern Missouri:			
North of Missouri River	146.39	135.18	[illegible]
Zone I	790.70	1,704.11	1,078.87
Southern Iowa and Missouri zone I combined	926.30	1,761.28	[illegible]

In order to prove that the traffic density of northeastern Kansas is heavier than in northern Missouri, the State of Iowa and in other States, the revenue ton-miles per mile of line of the divisions of the

4 railroads [5] operating through Topeka are compared in various ways. Those divisions do not include all of the railroad mileage in the 16 counties of northeastern Kansas. They do include substantial mileage in Kansas outside such counties. Among the comparisons are those for 1925 to 1940, both inclusive, showing that the density on the 4 divisions described averaged 57 percent of the eastern district, whereas northern Missouri and the State of Iowa averaged 52 and 36 percent. The claim that the density is greater in northeastern Kansas than in the whole State of Kansas is based on results for 1926 to 1938, inclusive. For that period, the density on the divisions of the railroads that pass through Topeka was 1,452,818 ton-miles per mile of line compared with 957,441 ton-miles per mile of line of the 4 railroads for all Kansas, and 945,868 ton-miles for all railroads in the State of Kansas. In the first 4 items of the following table are stated the densities adduced by Topeka for 1940, to which have been added the densities on the class I western railroads for certain other States:

Freight traffic densities for 1940

[Revenue ton-miles per mile of line]

Divisions on which Topeka is located	1, 370, 778
Northern Missouri	1, 215, 147
State of Iowa	917, 472
Eastern district	2, 624, 236
State of Missouri	1, 164, 927
State of Nebraska	1, 024, 209
State of Minnesota	1, 343, 073
State of Wisconsin	1, 028, 402
State of Illinois	2, 095, 143

Wichita.—It is contended on behalf of this city that the Edwards cost studies and the testimony in regard thereto definitely show that a uniform class-rate structure is justified throughout all the territories embraced in this proceeding; and that there must be separate scales of class rates for less-that-carload and carload traffic, because costs on the former are relatively much higher than on the latter. This and other evidence are cited in substantiation of the allegations that the class rates throughout western trunk-line and southwestern territories are unreasonable and unduly prejudicial, and preferential of official territory. In particular, such allegations are made respecting Wichita's zone III location.

If territorial rate uniformity is not required, witnesses for Wichita expressed the view that there are compelling reasons for including Wichita in zone I. A new western line first suggested for zone I would extend in Kansas from the eastern State line immediately west of Joplin, Mo., around to the northern State line at Superior, Nebr.,[6] the effect of which would be to blanket under zone I all of the Kansas portion at present in zone II, and enough more to contain Wichita; but no continuation of the new line was specified beyond the borders of Kansas in order to round out an enlarged zone I. Later, on oral argument, an alternative partial line was offered, namely, a line branching off the present zone I boundary at St. Joseph, and extending over certain railroads through Topeka to Wichita, counsel saying he would leave the line there for us to complete.

---

[5] These roads are the Atchison, Topeka & Sante Fe Railway, Chicago, Rock Island & Pacific Railway, Missouri Pacific Railroad, and Union Pacific Railroad. Topeka is on the main lines of these roads, except that it is at the end of a branch line of the Missouri Pacific.

Almost all manufactured goods, characterized as railroad revenue-yielding tonnage, produced in Kansas are made in the counties east of a line drawn north and south to include Hutchinson and Wichita. Eastern Kansas, so defined, represents 45.5 percent of the State's land area, but the value of its manufactures was 97.1 percent of the State's total of $168,000,000 in 1939.

Wichita is 200 miles southwest of Kansas City and had a population in 1940 of 143,311. The county containing it produced manufactures in 1939 valued at $57,000,000, or 12.3 percent of the State's total. Wichita relies chiefly upon the business activities of its particular area, comprising four counties of central-eastern Kansas, namely, Butler, Harvey, Marion, and Sedgwick (containing Wichita) to justify the requested change in zone boundary. The counties are west of zone II.

The record contains many comparisons between economic conditions in the western trunk-line zones, in central territory, and in the four counties named which are now in zone III. Most of the territory in those counties would be brought into zone I if that zone were extended to the line first described above. Some of the comparisons are shown on the following table.

Item	Wichita's 4 counties	Western trunk-line territory			Central territory[2]
		Zone I	Zone II	Zone III[1]	
Area in square miles	3,943	168,965	178,936	215,650	161,446
Miles of class I railroads	611	23,190	17,891	9,886	32,161
Population (1940):					
Total (thousand)	215	7,264	5,015	2,008	24,076
Per square mile	54.8	43.0	28.0	9.3	149.1
Per mile of railroad	353.5	313.0	280.0	203.0	749.0
Value of manufactures (1939):					
Total (million)	$93	$2,146	$1,156	$246	$16,267
Per 1,000 of population (thousand)	$433	$295	$230	$122	$674
Per mile of railroad (thousand)	$153	$92	$64	$24	$505

[1] Omits the parts of Colorado and Wyoming in zone III.
[2] Ohio, Indiana, Illinois, lower Michigan, and southeastern counties of Wisconsin.

---

[6] The western boundary in Kansas suggested for zone I would extend from Joplin on the Missouri-Kansas-Texas Railroad to Columbus, thence on St. Louis-San Francisco Railway through Oswego and Severy to Wichita, thence north on Atchison, Topeka & Sante Fe Railway through Newton to Peabody, thence north on Chicago, Rock Island & Pacific Railway to Lost Springs, thence on Atchison, Topeka & Sante Fe Railway through Detroit, Abilene, Manchester, and Concordia to Superior.

Average figures for the 4 counties as a whole are not far behind those for the 16 northeastern counties of Kansas, previously referred to, in respect of population per square miles, 54.8 as compared with 57.6, or the value of manufactures per 1,000 population, $433,000 as compared with $460,000. Expansion of zone I to include Wichita's 4 counties would draw into that zone 23 additional Kansas counties, other than the northeastern counties now in zone II, of which little mention is made.[6a] In the aggregate, these 27 counties have a population per square mile of 32.3, and a value of manufactures per 1,000 population of $195,000. Both of these figures are much below the averages for zone I as well as for northeastern Kansas, but as compared with the entire western trunk-line zone II they are somewhat higher as to the population figure and lower as to manufactures.

Manifestly, the question of broadening a rate zone to encompass an additional area brings under review the entire area and not a portion only. Although northeastern Kansas compares favorably with present zone I, the same conclusion cannot be reached as to the 27 counties described, or as to the aggregate of such counties and the 16 northeastern Kansas counties. Wichita lies 154 rail miles southwest of Topeka and 51 rail miles north of the Kansas-Oklahoma border, and, with its surroundings, constitutes, in effect, an industrial island in the great expanse of agricultural and plains country, whereas northeastern Kansas adjoins zone I.

Another issue raised by Wichita is whether the continued maintenance of finding 27 in the original report in the southwestern revision as to class rates is necessary and justified. Finding 27 required the removal of the undue prejudice and preference set forth in findings 1 to 11 in the report in that proceeding. So far as concerns undue prejudice and preference between Kansas and Oklahoma, finding 27 is now confined to the comparatively narrow strip of Kansas on and south of a line through Wichita.[7] Wichita claims that finding 27 acts as a bar to its participation in essential competitive rate adjustments peculiar to the needs of western trunk-line territory within which it is located.[8] In view of the *ad interim* findings hereinafter made, modification of finding 27 of the southwestern revision is unnecessary at this time.

[6a] These 23 Kansas counties cover a land area of 15,619 square miles. They had a population, in 1940, of 416,217 or only 26.6 per square mile, and in 1939 produced manufactures of 30 million dollars or only 72.4 thousand dollars per 1,000 population.

[7] The line is entirely in Kansas and extends from the Kansas-Missouri border westwardly on the Missouri Pacific Railroad through Fort Scott, Iola, Eureka, and Eldorado to Wichita, thence on the Atchison, Topeka & Santa Fe Railway to Pratt, thence southwestwardly on the Chicago, Rock Island & Pacific Railway to the Kansas-Oklahoma border.

[8] In the twenty-eighth supplemental report (1942) in the southwestern revision, 253 I. C. C. 599, the question of the modification of the findings of undue prejudice and preference was considered. No modification was made with respect to class rates as such, but the provisions of the outstanding order regarding prejudice and preference in that revision, insofar as they apply to rates on commodities on which no specific column or percentage of the first-class rates had been prescribed for general application to, from, and between points in the Southwest, were suspended for the duration of the war and 6 months thereafter, or until the further order of the Commission.

SOUTHWESTERN TERRITORY SHIPPER INTERESTS

Interests in the southwestern States of Arkansas, Louisiana (west of the Mississippi River), Oklahoma, and Texas and in Kansas, hereinafter referred to as the Southwest or southwestern States, advocating changes in the class rates are represented by a committee appointed for the purposes of introducing pertinent testimony, conducting cross-examination, and presenting briefs and oral arguments. Their authority was derived from action of the governors, and of the regulatory commissions having jurisdiction of the railroad rates, in the above-named States. The Legislature of Texas specifically directed its attorney general to proceed in the matters concerned.

The evidence presented by the committee is, in character and substance, substantially similar to that introduced on behalf of the Southern Governors' Conference, and, as in the case of the conference, much reliance is placed on the testimony of the witness for the Tennessee Valley Authority, which dealt principally with economic questions heretofore discussed.

As previously stated, the remedy sought by these interests is uniformity of class rates, mile for mile, within the Southwest and between that area and all other rate territories covered by our order of investigation. The specific rate level sought is the eastern scale, extended for distances beyond 1,500 miles at the rate of progression for each additional 100 miles as now used in that scale between 1,400 and 1,500 miles.

Southwestern interests, unlike those in the South, interpose no objection to revision of exception and commodity rates within, to, and from the Southwest on a uniform basis with that in the East, whereas the Southern Governors' Conference insists most emphatically that such rates are not in issue and should not be disturbed in this proceeding. The Southwest agrees that if there is to be uniformity of the rates within and between the various territories, it should be complete and should extend to all kinds or types of rates, except that in a few appropriate situations uniformity may be departed from to meet peculiar and unusual conditions. In their exceptions to the examiners' report in docket No. 28310, they expressed the view that, if the classes they there proposed are established, little or no necessity will remain for the maintenance of commodity rates on particular articles.

Strong representations are made that the economic development of the Southwest has been retarded by the present class-rate structure, and that this alleged condition is one of the principal factors to be taken into consideration in the prescription of reasonable and nondiscriminatory rates.

Committee evidence.—The rate evidence dealing with class rates was presented by a member of the committee. It consists of a comparison of the distance scales of first-class rates prescribed in the several territories, including averages, totals, progressions of scales, and percentage relations of scales; a comparison of specific first-class rates between representative points in official territory and southwestern points with rates for equal distances in official territory; the bridge-scale arbitraries applicable on traffic to and from stations in Arkansas and Louisiana within 170 miles of the Mississippi River, Memphis, and south, in determining maximum rates from and to official and southern territories; traffic to which the bridge-scale arbitraries are applied, moving at rates in certain tariffs from and to southern territory to and from points in Arkansas and Louisiana within 140 miles of the Mississippi River crossings, Memphis, and south; a comparison of the first four classes, intrastate and interstate, in Kansas (which also apply between Arkansas and contiguous points in adjoining States) with prescribed southwestern zone III and official territory scales; the percentage relations of the first-class rates in the tariff naming the preceding rates to those in the southwestern zone III scale; a comparison of the first four classes, intrastate and interstate, in Oklahoma and between Oklahoma points and localities in contiguous States with the southwestern scale; and percentages of first class prescribed by us for application on specified commodities in southwestern and official territories.

The comparisons are similar in many respects to those in appendix 9 They show that the class rates in the Southwest and between the Southwest and other territories are materially higher than those in official territory.

We have referred to the fact that a comparison of first-class rates within or between territories does not, in most instances, reflect the differences between the rates on which the traffic moves. That observation is particularly suitable to the Southwest. The extent to which exceptions have been published within, and to and from, that area is ot specifically shown of record, but there is general testimony to the ffect that the class rates in issue move only a small proportion of the otal traffic. This is supported by the study made by a member of our staff showing the proportions of traffic transported on 1 day in 1942 n class rates, exception rates, and commodity rates. Those proportions have been shown, but as to southwestern traffic they are repeated here for convenience:

Territories	Class rates	Exception rates	Commodity rates
	Percent	*Percent*	*Percent*
Southwestern	2.4	4.4	[illegible]
Official to southwestern	22.5	52.0	[illegible]
Southwestern to official	1.5	3.4	[illegible]
Southern to southwestern	6.1	22.1	[illegible]
Southwestern to southern	1.2	4.3	[illegible]
Western trunk-line to southwestern	13.0	6.2	[illegible]
Southwestern to western trunk-line	2.0	3.0	[illegible]

It will be noted that, on the day mentioned, 95.1 percent of the total traffic transported from southwestern to official territory moved at commodity rates, and that only 1.5 percent moved at class rates, whereas of the total from official to southwestern territory 22.5 percent was transported at class rates, and 25.5 percent at commodity rates. Although the proportions of traffic moved at class, exception, or commodity rates between southwestern territory and other territories vary, a great preponderance of the traffic, except from official territory, moved at commodity rates. The levels of the commodity rates are much below the class-rate levels.

The foregoing description of the rate evidence introduced includes the rate evidence introduced by the committee. Additional rate evidence was introduced by members of the committee, by a witness representing the Fort Worth Freight Bureau, Fort Worth Chamber of Commerce, Texas Cottonseed Crushers' Association, Southwestern Peanut Shellers' Association, West Texas Chamber of Commerce, Freight Rate Equality Federation[9] and by witnesses for Railroad Commission of Texas, Arkansas Rice Traffic Bureau, and El Paso Freight Bureau. Their rate evidence did not deal with the class rates in issue, but with rates on specific commodities which had been established either as exception or commodity rates.

In some instances, commodity rates within the Southwest or from or to the Southwest are lower than the rates on like traffic for equal distances within official territory. The following comparisons are illustrative of this situation:

Sand, gravel, crushed stone, and related articles.—In *Sand, Gravel, Crushed Stone, and Shells*, 155 I. C. C. 247, we prescribed, for application on interstate carload shipments between points in the Southwest, a single-line scale and a joint-line scale for distances up to and including 800 miles. This southwestern single-line scale averaged percent of the so-called west Penn. single-line scale prescribed in *Pennsylvania Sand & Gravel Producers Assn. v. B. & O. R. Co.*, 104 I. C. C. 717, for application from points in western Pennsylvania to destinations in Ohio, West Virginia, and New York; and the prescribed southwestern joint-line scale averaged 94.4 percent of the west Penn. joint-line scale. The prescribed southwestern single-line scale averaged 95.3 percent of the so-called Ohio single-line scale prescribed in *Rates on Crushed Stone, Gravel, Sand, and Slag in Ohio*, 191 I. C. C. 206, for application to destinations in Ohio from certain points in Pennsylvania and from Weirton, W. Va.; but the prescribed southwestern joint-line scale averaged 106.2 percent of the Ohio joint-line scale. However, truck-competitive rates which are much lower than the prescribed scales apply on sand, gravel, crushed stone, and related commodities, from and to many points in the Southwest. The southwestern truck-competitive single-line scale averages only 72 percent of the Ohio single-line scale and 89.1 percent of the west Penn. single-line scale; and the southwestern truck-competitive joint-line scale averages 81.3 percent of the Ohio joint-line scale and 72.5 percent of the west Penn. joint-line scale.

---

[9] This federation represents 132 counties in West Texas containing 185 affiliated tow and cities.

Brick.—The interstate carload rates on brick, and related articles carried in the uniform brick list, between points in the Southwest are based on the single-line and joint-like scales which we prescribed for distances up to and including 1,000 miles in *Southwestern Brick Cases*, 107 I. C. C. 681, decided February 16, 1926, as modified by the subsequent general rate changes. The average rate under the southwestern single-line scale is 83.7 percent of the average rate under the eastern trunk-line single-line scale, and the average rate under the southwestern joint-line scale is 86.8 percent of the average rate under the eastern trunk-line joint-line scale. But the southwestern scales are higher than the central-territory scales, the single-line scale in the Southwest averaging 102.1 percent of the corresponding central territory scale and the southwestern joint-line scale averaging 105.8 percent of the central territory scale for joint-line hauls.

Butter, eggs, and dressed poultry.—In some instances, specific rates within, from, or to the Southwest are lower than the rates for like distances in official territory, but in other instances the reverse is true. For example, the rate from Little Rock, Ark., to Memphis, Tenn., 34 miles, is 29 cents per 100 pounds, while the rate from Wooster, Ohio, to Pittsburgh, Pa., 134 miles, is 34 cents; the rate from Enid, Okla., to St. Louis, Mo., 546 miles, is 54 cents while the rates to New York, N. Y., from Leesburg, Pa., 507 miles, and Linesville, Pa., 546 miles, are 57 and 59 cents, respectively; and the rates to Kansas City, Mo., from Vinita, Okla., 189 miles, and from Clinton, Okla., 404 miles, are 31 and 45 cents, respectively, as compared with rates to Chicago, Ill., of 37 cents from Muncie, Ind., 187 miles, and 48 cents from Bremen, Ohio, 404 miles. But a rate of 54 cents is maintained from Tulsa, Okla., to St. Louis, 425 miles, whereas the rate from Oil City, Pa., to Cincinnati, Ohio, 430 miles, is only 50 cents; a rate of 62 cents applies from Clinton, Okla., to St. Louis, 641 miles, while a rate of only 46 cents is maintained from Mansfield, Ohio, to Chicago, 642 miles; and a rate of 67 cents is in effect from Dallas, Tex., to St. Louis, 707 miles, while a rate of 65 cents applies from Toledo, Ohio, to New York, 701 miles.

Compressed cotton.—The rates from representative origins in the Southwest to representative destinations in official and southwestern territories are generally lower than the rates for like distances in official territory. For example, the rate from Blytheville, Ark., to Chicago, 514 miles, is 47 cents per 100 pounds, minimum 50,000 pounds, while the rate for the same distance in official territory is 60 cents; the rate from Little Rock, Ark., to Houston, Tex., 435 miles, is 40 cents, minimum 65,000 pounds, while the rate for that distance in official territory is 55 cents; and the rate from Oklahoma City, Okla., to Houston, 465 miles, is 40 cents, minimum 65,000 pounds, as compared with a rate of 57 cents for the latter distance in official territory.

Refined petroleum.—Rates from Tulsa to points in western trunk-line territory are lower than rates for like distances from Whiting, Ind., to destinations in official territory. For example, rates on refined petroleum (gasoline), *in packages*, in carloads, from Tulsa are: Twenty-eight cents per 100 pounds to Kansas City, Mo., 244 miles, as compared with a rate of 29 cents from Whiting to Marion, Ohio, 242.6 miles; 36 cents to Omaha, Nebr., 424.8 miles, while a rate of 39 cents is maintained from Whiting to Richardson, Ky., 429.2 miles; 36 cents to Des Moines, Iowa, 452.3 miles, while a rate of 39 cents is in effect from Whiting to Spencer, W. Va., 457.6 miles; and a rate of 46 cents to Minneapolis, Minn., 713.2 miles, as compared with a rate of 48 cents from Whiting to New Berlin, N. Y., 711.2 miles. On refined petroleum (gasoline), *in tank carloads*, the rates from Tulsa range from 4 to 9 cents per 100 pounds less than the rates on the same commodity in packages. The rates from Whiting apply on refined petroleum in any kind of equipment.

Lumber.—Generally, the rates on lumber (hardwood, yellow pine, and cyprus) from the Southwest to official territory are somewha higher than rates for equal distances on like traffic within official territory. In a few instances, however, the interterritorial rates on lumber from the Southwest to official territory are lower than the lumber rates on the basis that applies generally in official territory. For example, from Crossett, Ark., and Tenaha, Tex., to Boston, Mass., and Portland

Maine, a rate of only 53 cents per 100 pounds is maintained for distances that range from 1,579 to 1,827 miles as compared with rates ranging from 56 to 62 cents for equal distances on the official territory basis of 22.5 percent of the eastern first-class rates.

In addition to the rate evidence, testimony was given by the Governor of Arkansas and several witnesses representing the State of Texas, Louisiana Public Service Commission, Kansas State Geological Survey, Arkansas State Planning Board, and Arkansas Agricultural and Industrial Commission. They described the extensive and varied resources of their respective States, testified to the nonutilization of many of such resources for final manufacture in their respective States, and enumerated what they consider are the economic effects of the absence or deficiency of manufacturing establishments in their States upon the fullest utilization of their natural resources.

The gist of their testimony is that the class rates within the Southwest, and between that area and other portions of the country embraced in this proceeding, have prevented the establishment of manufacturing plants in the former area. Evidence introduced to prove this contention was as follows:

Some time prior to the hearing at which these witnesses testified, a synthetic rubber plant was established at Baton Rouge, La. The only rate available from the plant to official territory on synthetic rubber was on the basis of 50 percent of the class 100 rate in the southern scale, as compared with a rate of 36 percent of the class 100 rate applicable within official territory. Six months elapsed before the latter level of rates was published from the Baton Rouge plant.

The Arkansas State Planning Board is a member of several committees of the South-Central Region of the National Resources Planning Board, which comprises the four southwestern States. A joint board of the above organization found, in a report made in 1942, that the region described, as compared with the United States, has nearly 10 percent of the national population but only 5 percent of the industrial establishments and 3 percent of all the wage earners in manufacturing establishments, and that it paid less than 3 percent of the total wages, and produced only 4 percent by value of all manufactured products.

No industries of any particular moment have been established at El Paso during the past 10 years. Industries in that community have operated in large part under a system of rates that did not contain any differentials for distances in differential territory and which were for the most part not class rates.

The Arkansas Agricultural and Industrial Commission, whose duties include the development and promotion of agriculture and industry in the State, has not had much success in securing the location of manufacturing industries in the State. Its executive director attributed the lack of success to the alleged handicap of unequal freight rates. Contacts made with many large manufacturing concerns had failed to persuade them to locate in the State. None of the industries named offered evidence. Complaint had been made to the witness, the details of which were not disclosed, that canneries within the State are unable to reach the populous centers of the United States because of freight rates. The location of industries in Arkansas which would use raw materials such as agricultural products, products of the forests or of the mines, would not, in his opinion, adversely affect the best interests of other sections of the nation.

A professor of transportation and industry of the University of Texas was engaged by the committee to compare the actual freight charges paid on in-bound and out-bound shipments made in 1 year by five manufacturing companies in Texas with charges computed at rates in effect in official territory for the same distances. His study shows that the charges paid on such shipments were $83,054.62 more than the sum produced by the latter basis. The witness stated that this difference represents the "economic burden" of these manufacturers, and is typical for Texas industries. It also represents what respondents' loss would be on the business of these five shippers, and affords an indication of the losses respondents would sustain if the action sought by advocates of uniformity was required.

One of these concerns, a chili canning company, turned over its capital almst three and one-half times in 1941, made a gross or operating profit of 35.6 percent, and shipped its products in carload and less-than-carload lots to 32 States other than Texas. A cotton-mill company had a capital stock turnover four times in 1941. Its gross profit was 11.5 percent, and the total freight paid, both in-bound and out-bund was less than 5 percent of net sales. In 1941, 54.1 percent of its in-bound raw materials traffic came from official territory, and 34.1 percent of the finished products was shipped to that territory.

A manufacturer of toilet preparations, perfumes, et cetera, had a gross profit in 1941 of approximately $300,000, or about 47.5 percent, representing a capital stock turnover 16 times. The added value produced by manufacture was $300,000 at a labor cost of $8,728. In tha year, it distributed its products to 33 States.

Another of the companies is a manufacturer of a bread-making compound whose total sales in 1941 amounted to only $26,000. Its products were shipped to about 70 points in Texas, also to destinatio in Oklahoma, Louisiana, Arkansas, Georgia, Florida, Alabama, Mississippi, Michigan, Pennsylvania, Colorado, Iowa, Kansas, New Mexico, Montana, and California. Its administrative salaries were $6,500 or 25 percent of net sales, and wages paid amounted to $2,660, or about 10 percent of net sales.

The fifth concern produces lime. The average freight charges per ton paid in 1939 were slightly less than $3.50. A check of the freight charges computed on the official territory level indicates that the rates used to show the difference between the freight charges on that level and those assessed are not correct.

The witness did not specify what part, if any, of the freight charges assessed on the shipments of the five manufacturers studied were at the class rates here in issue; nor the kind (class, exception, or commodity) of rates published in official territory that were used in the comparisons. Undoubtedly many of the in-bound raw materials, and some of the out-bound finished products such as canned goods and lime, did not move at class rates; and it is unlikely that all the official territory rates were class rates that could be directly affected by the decision in this proceeding. Apparently, the traffic of only these five companies was surveyed, with no attempt to produce a representative cross-section of Texas industries, some of whose freight charges may be lower than those in official territory.

MOUNTAIN-PACIFIC TERRITORY

Rates within, and to and from, mountain-Pacific territory are not in issue in this proceeding, and no evidence was introduced with respect to those rates by any shipper or carrier interests in that territory. However, a representative of the Railroad Commission of the State of California, Arizona Corporation Commission, and Public Service Commission of the State of Nevada appeared at the oral argument. He contended that uniformity is unnecessary and impracticable, and that this is not the time to bring about a general adjustment of the rate structure for the following reasons: The volume and composition of traffic have undergone drastic changes during recent years; many classes of commercial traffic have virtually disappeared; many changes in conditions will occur in various sections of the country upon the termination of the war; there are no available means of determining at this time the character of the rate structure which will be necessary for the future; and the evidence of record is already old.

The establishment of the uniform classification herein found reasonable for the entire country will necessarily make changes in the measure of the class rates on certain articles within, and to and from, mountain-Pacific territory. Whether an investigation concerning class rates within, and to and from, that territory will be necessary in order to apply the uniform classification, and in order to harmonize such class rates with the class rates herein prescribed, will be later determined.

WESTERN RESPONDENTS

Defense of the class rates in the Southwest and western trunk-line territory was assumed by a committee of representatives of class I railroads operating in those territories.

As stated, we prescribed the class rates within the Southwest and western trunk-line territory, and between those and other territories, in a series of investigations extending over many years, the latest of which was concluded in 1939. In the view of these respondents, such rates, having been prescribed by us, are presumptively lawful, and the burden of proof of their unlawfulness is upon those interests which would overturn them. They assert that the principal changes in conditions since 1939, when the western-southern revision was decided, are those brought about by the European war and this country's entrance into World War II, and that these are not changed conditions as we would usually consider the term in examining the lawfulness of a freight rate adjustment.

On the matter of uniformity, western respondents' position is that freight service cannot be sold at a uniform rate throughout the country, and that differences inherent in the economic and transportation needs of the respective rate territories must reflect themselves in freight-rate structures in order to promote the best interests of those territories and to preserve the transportation system. These respondents contend that uniformity in class rates, or in any other type of freight rates, is incompatible with such sharply contrasting differences; and that a more plausible foundation for uniformity would have been laid if proponents could have established that substantial uniformity exists between the territories in the volume and nature of traffic, occupations, products, and other material factors, rather than that pronounced differences prevail. They challenge the accuracy and conclusiveness of the cost studies of record and their usefulness as media to judge the lawfulness of, or to prescribe freight rates on, classes or commodities. In addition, they argue that contentions based on social and economic grounds interposed on this record are not relevant to the issues. Neither we nor any other existing body has, in their opinion, the power to exercise the role of an economic arbiter over the affairs and lives of the nation's people. They declare that the demand for a readjustment of rates at respondents' expense constitutes an effort to persuade us to require railroads to grant a subsidy in order to finance an adventure in experimental sociology, and that such is not our function, citing *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, (1935), 213 I. C. C. 207, and *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42.

Respondents do not question the sincerity of the State governors in contending that the class-rate adjustment impedes, handicaps, and obstructs industrial progress and even excludes industry from the Southeast and Southwest, but they point out that, except for a single reference to a creamery by the Governor of Arkansas and generalizations by two employees of the Arkansas State government, there is no proof that freight rates have had any such effects; and that even the four industrial concerns mentioned by one of the above witnesses would have no use for class rates in the movement of their products. None of the large industries, whose failure to locate establishments in Arkansas was attributed by these witnesses to the level of the class rates, appeared at the hearing to confirm their testimony.

Only three commercial witnesses, speaking for individual establishments in the Southwest and western trunk-line territory, testified in this proceeding. These were a steel company at Denver, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a lamp and stove company at Wichita. The representatives of the two manufacturers last named testified that a great preponderance of their products was shipped to official territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are. The steel company at Denver uses class rates only to a very limited degree.

There has been greater industrial progress in the Southwest than in western trunk-line territory. In 1929, the two groups of States, combined, received 19.88 percent of the national income of the United States as a whole, excluding mountain-Pacific territory, and in 1941, 19.72 percent. In 1929, the four southwestern States received 5,055 million dollars, or 6.81 percent, of such income; in 1941, their percentage was 7.24, amounting to 5,848 million dollars, an increase of about 800 million dollars. This showing is more favorable than that for the nine western trunk-line States, whose percentage of the same total income dropped from 13.07 in 1929 to 12.48 in 1941. However, the total income of these States increased 400 million dollars.

With respect to the nonfarm portion of the national income, the four southwestern States received 5.82 percent of the United States total, excluding mountain-Pacific territory, in 1929 and 6.21 percent in 1941. The percentages of the total for the western trunk-line States dropped from 9.94 in 1929 to 9.16 in 1941.

The following table shows the number of wage earners in the southwestern, western trunk-line, and official territory States for various years, and the percentage of each group to the total number of wage earners in the country, as a whole, exclusive of mountain-Pacific territory:

Period	Western trunk-line States		Southwestern States		Official territory States	
	Wage earners	Percent of total [1]	Wage earners	Percent of total [1]	Wage earners	Percent of total [1]
Year 1921	602,752	9.17	229,508	3.49	4,969,884	75.60
Year 1929	771,750	9.30	297,743	3.59	6,102,688	73.54
Year 1933	502,888	8.80	192,885	3.37	4,110,195	71.90
Year 1939	606,817	8.19	262,583	3.54	5,367,779	72.42

[1] Excluding the States in mountain-Pacific territory.

The number of manufacturing establishments decreased in official territory, excluding Virginia and West Virginia 13.14 percent in 1939 as compared with 1921; and the number of such establishments decreased 12.08 percent in western trunk-line territory in the same period, as compared with an increase of 23.65 percent for the four southwestern States. In connection with this showing, it should be borne in mind that the average value of manufactures per establishment is larger in official than in southwestern and western trunk-line territories. In 1939 such average values were as follows: Official, $346,000; southwestern, $256,000; and western trunk-line, $246,000.

The Bluebook of Southern Progress, 1941, a publication devoted to the development and expansion of industry in the southern and southwestern States, lists 45 new industrial plants, and extensions, in 1940 in Arkansas, Louisiana, Oklahoma, and Texas, 32 of these being in Texas.

Analysis of movements of all carload freight on 2 days in 1942, hereinbefore referred to, shows that of the 22,341 carloads of all freight originating in the Southwest on the 2 days, 10,985 carloads, or 49.17 percent, terminated within the territory and 5,833 carloads, or 26.109 percent, were destined to stations in official territory. In the manufactures and miscellaneous group there were 8,954 carloads, representing 40.079 percent of all carloads originating in the Southwest. Of this number, 35.47 percent, or 3,176 carloads, terminated within the Southwest. and 3,477 carloads, or 38.832 percent, were destined to official territory. The latter figure reflects heavy movements of petroleum products from the Southwest. On the 2 days, official territory originated 1,366 carloads of manufactures and miscellaneous for shipment to the Southwest.

On the 2 days studied, 45,109 carloads originated in western trunk-line territory. Of this number, 32,989 carloads, or 73.132 percent of the total, were terminated in that territory; 8,246 carloads, or 18.28 percent, were destined to official territory; 1,167 carloads, or 2.587 percent, to southern territory; 1,527 carloads, or 3.385 percent, to the Southwest; and 820 carloads, or 2.616 percent, to mountain-Pacific territory, Canada, and Mexico. In the manufactures and miscellaneous group, western trunk-line territory originated 2,667 carloads destined to official territory, and the latter originated 3,192 carloads destined to western trunk-line territory.

The western respondents, like respondents in other territories, take the position that although commodity rates and classification exceptions are not in issue, they are indisputably involved, and that the argument for an equality of class rates, if sound, is a valid argument for equality of all other rates, and that, therefore, we are confronted with a question far broader than the limitations of this proceeding.

The western district, which includes both western trunk-line and southwestern territories, as well as mountain-Pacific territory, is distinguished from official territory by dissimilarities in the composition of traffic, in the volume of business, and by other factors. As most railroad statistics are compiled by districts or regions into which the country has been divided for statistical purposes instead of by rate territories, the data are available only for these districts or regions.

In 1941 the western-district class I railroads operated an average of 129,906 miles of road in freight service. This was 56.45 percent of the 230,094 miles operated in the entire country. The western roads originated 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern district roads operated 56,377 miles, or 24.50 percent of the total mileage, but they originated 47.40 percent of the total carload traffic originated, excluding the Pocahontas region.

When the composition of traffic originated in the two districts is analyzed, the contrast becomes greater. In comparing traffic data, the figures used are based on those for the year 1941 from which, however, the figures for the Pocahontas region are excluded because the railroads of that region originate an extraordinarily large tonnage of coal. In that year the western district originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent originated by carriers in the eastern district. This volume of products of agriculture originated in the West was but 6.33 percent of the total of all carload traffic originated in the country.

In the same year the western roads originated 28.06 percent of manufactures and miscellaneous tonnage as compared with 60.66 percent originated by the eastern carriers. A striking contrast in the character of traffic is shown by the fact that the western district railroads originated 68.82 percent of the total tonnage of products of agriculture while the eastern railroads originated 60.66 percent of the total tonnage of manufactures and miscellaneous. While the difference in these figures is only 8 percentage points, the eastern roads' tonnage of manufactures and miscellaneous is almost three times the tonnage of products of agriculture originated by the western district railroads. The eastern roads' preponderance of high-grade traffic affords a greater source of revenue to them than do the products of agriculture to the western carriers.

In 1941 the western roads originated 63.03 percent of the total tons of animals and products originated in the country, excluding the Pocahontas region, as compared with 28.51 percent originated by eastern roads. While the western roads' percentage is high, the tonnage which it represents was less than 1 percent of the total tons of carload traffic originated in the United States. We have stated (*Livestock—Western District Rates*, 176 I. C. C. 1, 83) that livestock is a commodity which from its nature cannot be expected to do more than pay its own way. In other words, it cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit.

The western district roads in 1941 originated 58.73 percent of the total tons of products of forests originated in the country as compared with 7.52 percent originated by the eastern roads. The western tonnage is 3.80 percent of such total. This group of commodities is subject to freight rates which are outside of the higher brackets.

In 1941 the western roads originated 33.31 percent of the total tons of products of mines as compared with 49.85 percent originated by the eastern roads. The origination in the West was 17.47 percent of the total originated in the country as compared with 26.14 percent for the eastern district. The figures for the West include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks.

Because averages may not always give a true picture of the situation, the western respondents show the tonnages of traffic originated in the individual States of Minnesota, Kansas, Iowa, North Dakota, South Dakota, Nebraska, Oklahoma, and Colorado. These data establish the fact that the several groups of commodities do not originate in equal quantities per mile of line, or per railroad system. In 1941, Minnesota led all the western States, included in this investiagtion, in the volume of products of agriculture originated, but, because of the large tonnage of iron ore, Minnesota's vast agricultural output represented only 9.75 percent of the total tonnage originated in the State. In Kansas, a close second, 46.62 percent of the State's total tonnage consisted of agricultural products. Iowa's percentage in that group was 36.34 percent, North Dakota's 67.40 percent, South Dakota's 58.57 percent, and Nebraska's 48.01 percent. Oklahoma's percentage of the State's total, in the same group, was 19.87 percent and Colorado's 23.70 percent. Differences of the same nature are shown with respect to the tons originated in the animals and products group.

The 13 States,[10] comprising roughly western trunk-line and southwestern territories, originated a total of 258,735,397 tons of all carload freight, as contrasted with 199,140,599 tons of manufactures and miscellaneous alone which were originated in the eastern district.

In 1940 the ratio to total population, of the rural population in the three western trunk-line zones, excluding the affected parts of Wyoming and Colorado, was 57.4, and of the urban population, 42.6; in the four southwestern States the ratios were 60.2 and 39.8, respectively. Predominance of urban residents existed in none of the southwestern States and only slightly in two of the western trunk-line States, whereas it existed in all but four of the official-territory States.

There is a wide difference between the traffic densities of the eastern and western districts. During the period from 1921 to 1941 the revenue ton-miles per mile of line of eastern-district roads have been more than twice, and in some years three times, those of the western-district roads. In 1921 the former's density was 2,357,040 ton-miles, and that of the latter 829,858. Corresponding figures in 1941 were 3,392,964 and 1,358,041, respectively. During all of the 21-year period the western roads were substantially below the United States average, excluding the Pocahontas lines, while the eastern roads exceeded that average by large amounts.

The western district has a larger proportion of branch-line mileage than any other region or district. The ratios of branch-line mileage to total miles of line are as follows:

	Percent
Eastern district	34
Southern region	25
Western district	39

Of the total railroad mileage abandoned under certificates of convenience and necessity issued by us from 1921 to 1941, inclusive, 54.88 percent of the total, or 14,653 miles, was in the western district. Totals in the East and South were 6,988 and 5,056 miles, respectively.

Testimony was offered by southwestern respondents that traffic tests, which they had introduced in evidence in the southwestern revision, indicated that the intraterritorial and interterritorial class and commodity rates prescribed in the original report in that revision, including a then anticipated reduction from 40 to 37.5 in the class 5 percentage relation to class 1, represented an annual revenue loss of roughly $5,500,000. Additional losses were incurred by the voluntary elimination on August 16, 1941, of the Texas and Oklahoma zone IV differentials and of applying in that zone the zone III rate level. Other reductions also were made by the carriers within the framework of the class-rate adjustment prescribed in the southwestern revision.

---

[10] Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin, Arkansas, Louisiana, Oklahoma, and Texas.

Texas intrastate commodity rates.—On commodities that supply 48.99 percent of the total railroad tonnage in Texas, the Texas intrastate rates average 80.4 percent of the rates for equal distances in central territory. On commodities that provide 34.53 percent of the total Texas tonnage, the Texas intrastate rates average 109.7 percent of the central territory rates. The portion of the total Texas tonnage thus represented is 83.52 percent, and on such traffic the Texas intrastate rates average 95 percent of the central territory rates. The witness who introduced in evidence the exhibit from which the comparisons are taken expressed the opinion that the relation of the Texas intrastate rates to the rates in official territory on the remaining 16.48 percent of the Texas tonnage would be approximately the same as the relation of the 83.52 percent of the tonnage included in his study.

Texas intrastate rates are generally lower than (and in other instances the same as) the rates on the same commodities in central territory with respect to the following commodities or commodity groups: Brick (common and face); calves, cattle, goats, hogs, and sheep (stocker or feeder); canned goods; carbon, activated; cotton and linters; cottonseed; cottonseed cake; cottonseed meal; crude sulphur; food preparations; fruits, citrus; fuller's earth; grain, coarse; horses and mules; meat, fresh; nursery stock, dormant; nursery stock, trees, shrubs; oil, cooking vegetable; paper, newsprint; plaster; plasterboard; posts, poles, and piling; rice, rough; pulpwood; road-building materials, including sand, gravel, and crushed stone; scrap iron; tile, drain; potatoes and 20 other fresh or green vegetables; vinegar; and wheat.

The Texas intrastate rates are higher than central territory rates on the following commodities: Acids, muriatic and sulphuric; beer and carbonated beverages; box and crate material; calves, cattle, goats, hogs, and sheep (except stocker or feeder); cement; cheese, in less than carloads; containers, beverage; cotton piece goods; feed, citrus pulp; fertilizer and fertilizer compounds; gas, liquefied petroleum; gasoline; junk, scrap brass, et cetera; kerosene; lime; lumber; oil, crude; oil, lubricating; paper, scrap; parts, plow or cultivator; pipe, cast-iron; pipe, wrought-iron and steel; roofing, prepared; sugar; and tankage.

In preceding cases before us extending over many years the position generally taken by western shipper interests, particularly those in western trunk-line territory, was that the west-bound rates from official territory were too high to permit jobbers in the West and Southwest to distribute their products in competition with eastern manufacturers. In this proceeding the western interests have shifted their position and now lay emphasis upon the alleged unlawfulness of the east-bound rates. The adoption of the eastern scale for application between official territory and western trunk-line territory and the Southwest would benefit eastern manufacturers because it would reduce the spread now existing between rates from the East and those from western trunk-line and southwestern manufacturing points to a common destination in the last-mentioned territories.

Since 1887, we have made more than 200 reports dealing with class rates within, to, or from western trunk-line territory. Many of these, arising upon complaints of private interests or State commissions, constituted efforts to obtain reduced rates from the East to the West on various manufactured articles. The western and western-southern revisions were the culmination of the foregoing proceedings. In the former there were 18,300 pages of testimony and 1,700 exhibits.

The western trunk-line revision was an outgrowth of Ex Parte No. 87 (Sub-No. 1), in which the western-district carriers had sought increases in their revenues. As a result of our decisions in that revision, the class rates in the eastern portion of western trunk-line territory were increased, but for the extreme distances in the territory the rates were sharply reduced. Thus, the class 100 rate from Chicago to Denver was reduced from 273.5 cents to 254 cents, which by the general increase of 1938 became 279 cents. The interterritorial rates, which usually had been made by combination of certain rates, were reduced, particularly for the long hauls. For example, changes in class 100 rates to Denver were: From Cleveland, Ohio, from 349.5 cents to 289 cents, now 318 cents; New York from 412 cents to 350 cents, now 385 cents; and Boston from 412 to 362 cents, now 398 cents.

The increases granted, particularly on short hauls, have been nullified to a considerable extent by reductions because of motortruck competition. Another result of the western revision was the establishment of the interterritorial key rates prescribed therein on a lower level than would have obtained if the rates between the key points had been based on the distance scales. Thus, reductions in interterritorial rates between key points were even greater than would have resulted from applying the scales; but the key rates are applicable also to and from substantial groups of intermediate points as to many of which such rates are higher than if distance basis of rates were applied to their individual distances.

In the original report in the western trunk-line revision, we prescribed 22 scales lower than class 100, ranging downward from 92.5 to

13 percent thereof, and suggested that future needs for more classes should be anticipated. The present tariffs of western trunk-line railroads provide 86 columns of rates lower than class 100, the lowest being 9 percent. Between points in central and western trunk-line territories, where official classification governs rates east-bound, the railroads have published 122 columns of rates lower than class 100, and where western classification governs west-bound, 110 columns lower than class 100. In the western-southern revision, we required publication of the same 22 columns lower than class 100, but the railroads provided 49 columns south-bound and 46 columns north-bound. Since the original publication 44 additional columns have been established south-bound and 20 additional columns north-bound.

The percentage columns of rates which have been set up within the prescribed rate structures represent: (1) Those we required; (2) those established by the railroads to meet truck competition; and (3) those established for the purpose of working into the rate structure the percentage increases authorized in general revenue proceedings. The latter required, in many instances, intermediate columns.

The Northern Pacific and Great Northern railroads, neither of which is a member of the western trunk-line committee, referred to the fact that years ago class rates between points in Minnesota and North Dakota north and west of the Twin Cities, and points east and south thereof, including official territory, were made by combination of rates based on the Twin Cities, the eastern termini of these northern lines. Sharp reductions occurred in the combinations when they were replaced by the joint rates prescribed in the original report in the western trunk-line revision; but the modifications effected by the sixth supplemental report in that revision raised the rates somewhat, especially for the longer hauls. Although not entirely satisfied with the present class-rate adjustment, these railroads are aware of no circumstances in their territory warranting any basic change therein.

Referring to the proposals herein made by the western trunk-line and southwestern interests advocating changes in the existing rate structures, respondents point out that, except for the proposal for uniformity, essentially the same character of evidence was introduced and the same contentions are made as were before us in the proceedings in which the general revisions of the western trunk-line and southwestern rate structures were made.

An elaborate statistical analysis of economic conditions in selected portions of western trunk-line and central territories was introduced in evidence by respondents. Its purpose was to show that there have not been sufficient changes in such conditions since the western revision to justify the remaking of the zones or leveling of the class rates.

The opposition of the western respondents to the suggested uniformity of class rates may be summarized as follows:

1. The proposal does violence to rules of rate making which have been evolved through decades of experience of this Commission, railroads, and industries.

2. It rests upon false premises.

3. It evades the facts which must underlie any freight-rate adjustment if that adjustment is to have commercial vitality.

4. The suggestion presupposes a country compact and homogeneous throughout its extent, a national commerce of even flow and character, business methods and practices without conflicting interests, and railroad systems which function under identical circumstances and ownership.

5. It involves the merging of unlike things, or the transfer of the peculiar conditions of one section to another section on the fiction that rates need not bear any relation to conditions as they actually exist.

6. It will not accelerate industrial expansion in the West, but, to the extent that "uniformity" is obtained through rate reductions, will admit manufactured products from eastern plants to the West on lower charges and bring revenue losses to these respondents.

7. Such a class-rate readjustment must necessarily exert both direct and indirect influences upon other types of rates, since charges upon high-grade traffic quickly become standards for measuring other rates, and since uniformity in class rates can serve to incite demands for uniformity in other rates.

8. The present intraterritorial and interterritorial class rates were prescribed by us as just, reasonable, and nondiscriminatory under conditions not disturbed by the war, and parties to this proceeding have offered no evidence that such rates have become unjust, unreasonable, or unduly discriminatory by virtue of any pertinent change in conditions. These respondents have reduced many of their charges to levels below the maxima authorized by the publication of classification exceptions or commodity rates, all to the avantage of the public.

MOTOR CARRIERS

Several motor-carrier associations and territorial rate bureaus and conferences introduced evidence. Their interest in this proceeding is to protect motor carriers against a policy of rate making which they consider to be detrimental to them. This policy is said to be the practice of charging noncompetitive traffic of the railroads with operating deficits resulting from noncompensatory rates on rail traffic for which the motor carriers compete. They contend that this policy, if carried far enough, may eliminate the motor carrier not only from the competitive field, but from the field where it is the economical and efficient agency of transportation.

The motor carriers declare that there are three fields of competitive influence between the railroads and the motor carriers. In the first and largest, where the great preponderance of the traffic and revenues exists, the railroads are the most efficient and economical carrier. The second field is a smaller one and includes the class-rate traffic involved in this proceeding, and is divided between the two types of carriers. In the third field, a still smaller one, which includes less-than-truck-load and less-than-carload traffic the motor carriers are said to be the efficient and economical carrier.

They conclude from the Edwards cost studies that many of the existing class rates of the railroads, particularly on less-than-carload traffic, are below marginal cost. Such cost is described as the cost of handling traffic, or a particular class of traffic, which varies more or less directly with the volume of the traffic handled, and is substantially the same as out-of-pocket cost. The motor carriers therefore suggest that separate carload and less-than-carload scales of reasonable class rates be prescribed on bases no less than the compensatory cost of providing the service, surcharged to take into account the fact that the value of the service to class traffic is greater than to any other type of traffic. The term "compensatory cost" is described as the full, distributed cost, including direct, indirect and overhead expenses, charges and deductions from operating revenue or income, and also the return on value.

They advocate further that, in order to preserve competition between carriers, the prescribed maximum rates should be observed as minimum rates, except where lower rates are necessary to enable respondents to meet those of competing carriers of any type, in which case the marginal cost (out-of-pocket cost) of providing the service should be observed as a minimum.

As a permanent adjustment, these motor-carrier interests favor a uniform classification throughout the United States, to apply on both rail and motor-carrier traffic, but before such a classification can be made effective, they insist that a traffic test should be made in order to determine the effect of the new classification upon the revenues of the carriers. At the hearings they presented a plan for a new classification which has been described in part I of this report, but they do not recommend that this plan be adopted prior to the traffic test. They do not believe that a reliable traffic test can be made until after the termination of the war.

As a temporary adjustment, they suggest that the application of the official classification be extended to all of the territory east of the

Mississippi River, which would include southern territory, and that it be made to apply in connection with scales of class rates constructed according to a plan advocated in their brief. This plan would recognize the important elements of a reasonable rate, namely, the cost of providing the service, the value of the service to the particular traffic or shippers involved, and equality of treatment, but none of these elements would constitute the exclusive criterion.

For the purpose of constructing the class-rate scales the motor carriers accept, with some qualifications, as compensatory costs the costs in the Edwards cost studies introduced at the St. Louis hearing. But they consider to be erroneous the treatment according constant expenses in the later Edwards cost studies introduced at the Indianapolis hearing, in which constant costs were distributed over the revenue-producing units of traffic (that is, revenue tons and revenue ton-miles). In their view this distribution wholly ignores not only wide differences in ability to pay and value of service, but large differences in actual service costs. They submit that it is erroneous to distribute costs upon any basis except that of service, and therefore adopt the basis for distributing constant costs used in the original studies introduced at the St. Louis hearing, namely, on the basis of the directly assigned costs. As indicated in the section of this report dealing with the cost studies, we believe the methods used in the later studies more nearly reflect actual costs.

In their computations, the motor carriers made a test to determine if the year 1939 was typical of normal conditions. They did this by applying the unit costs for 1939, as determined by the Edwards cost studies to the traffic of the succeeding years of 1940, 1941, and 1942, when traffic reached all-time peaks. This test showed that aggregate costs for 1939 were within one-half of 1 percent of the aggregate 1940 costs, within 5 percent of the 1941 costs, and within 18 percent of the aggregate 1942 costs. Despite the tremendous increases in traffic in the years after 1939, the 1939 unit costs are shown to be the lowest. They therefore assume that the 1939 costs are typical of normal conditions, since it is quite unlikely under normal conditions that there would be any greater variation than that between 1939 and the immediately succeeding years.

The motor-carrier interveners contend that less-than-carload traffic is being handled not only at a loss when all costs are included, but at an actual out-of-pocket loss. They conclude that different class-rate scales should be prescribed for less-than-carload traffic than for carload traffic. They submit that there is no justification for charging the less-than-carload revenue deficiency to carload traffic, particularly to such essential commodities as coal, grain, farm products and the like.

They also contend that less-than-carload traffic is usually the type of traffic best able to bear its full share of the transportation burden.

The next element considered in the construction of the scales is value of the service, which has always been given greater consideration in the construction of class rates because of the relatively higher value of the articles which move thereunder. In order that this element be evaluated, the motor carriers consider it necessary to consider class-rate traffic as a whole, and commodity-rate traffic as a whole. A correct and permanent evaluation of this element could only be made after a comprehensive analysis of normal traffic flow and movement, and the data for such an analysis could be obtained only by a traffic test.

As previously stated, the official classification is suggested by the motor carriers for temporary application in the area east of the Mississippi River. For the purpose of constructing their proposed class-rate scales to apply temporarily in that area, the value of service element is evaluated by relating the revenues received from class-rated traffic to the full cost of that traffic in official territory. Excess over cost, assuming that carload traffic is being handled at a profit, is treated as the surcharge above cost which inheres in the present carload class rates under the official classification. The computation shows that carload class traffic in official territory produced revenues in 1939 which, including profit, were 136 percent of costs. This percentage is adopted by the motor carriers as indicating the weight given to value of service in the official classification to traffic now moved at class rates under that classification; and also as indicating the weight to be given to that element to traffic hereafter moved in the proposed new eastern-southern territory under such classification.

As motor carriers actively compete with railroads for less-than-carload traffic, it is assumed that the commodity content of railroad less-than-carload traffic is not materially different from the traffic transported by motor carriers. It is also assumed that the commodity content of less-than-carload traffic is substantially the same as that of carload class-rate traffic. Therefore, the same surcharge is used for less-than-carload traffic as determined for movements of carload class-rate traffic.

The next step was to determine the number of class scales necessary to take into account the wide variations in cost due to difference in net load of the car, and to expand into the six primary classes of the official classification the single or composite scale made up of the average line-haul and terminal costs. The average railroad load of 10 tons in 1942 was used as the basis of the less-than-carload scale. Average net loads in 1939 of carload class traffic in both official and southern territories varied from less than 10 tons to more than 40 tons. Included within these limits are three fairly well-defined and more or less homogeneous weight groups. These are a light-loading group averaging a little in excess of 10 tons per car, a median group slightly in excess of 20 tons per car, and a heavy group averaging about 30 tons per car. The motor carriers suggest three carload scales to include commodities having the average loadings shown:

Scale I. Light-loading commodities, minimum weight between 5 and 15 tons, average load between 8 and 12 tons.

Scale II. Median-loading commodities, minimum weight between 15 and 20 tons, average load between 18 and 22 tons.

Scale III. Heavy-loading commodities, minimum weight of 20 tons or more, average load of over 20 tons.

To arrive at the average or composite revenue per 100 pounds for the average distance on carload class traffic, the motor carriers grouped 39 statistical class carload groups into the three carload weight groups previously described in accordance with their respective average loads in official territory for 1939, showing for each commodity and group the revenues, tons, ton-miles, and average haul, and computed the composite rate and its relation (composite rating) to the actual first-class rate. The service unit costs were then converted into price unit costs, and the resulting less-than-carload and carload line-haul and terminal factors, increased 10 percent for circuity and 36 percent for value of the service, were then expanded into first-class rate factors by dividing by the composite ratings.

A summary of the first-class scales thus arrived at, compared with the eastern and southern first-class rates, is shown in the following table:

Proposed compensatory scales

Miles	Present first-class rates		Proposed first-class rates			
				Carload minimum weight		
	Official	Southern	Less carload	Under 15 tons	15 to 20 tons	Over 20 tons
	Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
10	34	40	116	44	37	28
50	47	57	126	54	45	36
100	62	79	137	65	56	46
150	73	95	149	77	67	55
200	80	112	161	89	79	65
300	95	134	184	113	101	85
400	109	156	208	136	123	105
500	122	173	232	160	145	125
700	149	206	279	207	189	164
900	171	238	326	254	233	204
1,000	182	254	350	278	255	224
1,200	204	286	397	325	300	263
1,400	226	316	445	372	344	303

For the purpose of testing the revenue results of the proposed carload scales, a comparison was made of the 1939 revenues in official and southern territories for the three carload commodity groups set up by the motor carriers with the revenues which would result by applying to such traffic the carload rates under the proposed scales. This comparison shows that in the East there would be gains in revenues of 25.1 percent in scale I commodities, 9.2 percent in scale II commodities, and a loss of 14.3 percent in scale III commodities. The overall gain in the East is shown to be $13,600,000. In the South, there would be a gain of 2.5 percent in scale II commodities, and losses of 1.2 percent and 12.5 percent in scale I and scale III commodities, respectively. The overall result in the South would be a loss of $1,070,000. With respect to less-than-carload traffic, the overall gain in the East would be $104,000,000, and in the South $37,000,000.

The increase in less-than-carload revenues indicated would, in the opinion of the motor carriers, be greater than wou[illegible]e actually realized, it being their conviction that on the basis of m[illegible]r-carrier costs introduced in other proceedings maximum reasonable rates of motor carriers would be on a lower basis than many of the compensatory class rates which they propose for the railroads; and that this situation would result in the voluntary reduction by the railroads of their rates to the level of reasonable rates based upon truck costs, in order that the railroads could compete with the motor carriers for less-than-carload traffic.

The position of the motor carriers is, however, that to preserve competition and to avoid unjust inequalities, the railroads should not be permitted to depart from the prescribed reasonable compensatory rates, except to the extent necessary to meet the competition of other carriers, rail or motor, and that when there is such departure, they should be required to observe marginal cost scales as minima. They state that it is possible for railroads to reduce class rates to a level at which the motor carrier cannot operate and to make up the deficit resulting from the handling of this traffic by applying higher rates on noncompetitive traffic; and unless the railroads are prevented from going below a minimum basis on the competitive traffic, competition by motor carrier will eventually be eliminated.

They, therefore, suggest so-called marginal scales for carload and less-than-carload traffic, constructed substantially the same as the proposed compensatory scales, and differing only in the following respects: (1) Only the out-of-pocket cost is included in the scale; (2) circuity is taken into consideration, but not the element of value of service; (3) only one class is provided for the marginal scales because they represent the minimum cost of providing service for any class traffic. The proposed marginal scales are shown in the following table:

Proposed marginal scales

Miles	Less than carload	Carload		
		Under 15 tons	15 to 20 tons	Over 20 tons
	Cents	*Cents*	*Cents*	*Cents*
10	42	12	6	3
50	45	14	7	4
100	48	16	9	5
150	52	19	10	6
200	56	21	11	7
300	63	27	14	9
400	70	32	17	11
500	78	37	20	13
700	93	47	26	17
900	108	57	32	21
1,000	115	62	35	23
1,200	130	73	41	27
1,400	145	83	47	31

With respect to rates in the area west of the Mississippi River, the motor carriers had little to say, except to insist that the rate level there should be higher than in the East.

In order to assure stability in the operations of both types of carriers, the motor carriers strongly urge that the classifications and the rate scales be established concurrently for both rail carriers and motor carriers.

STAFF RATE-STRUCTURE STUDIES

Prior to the first hearing, a study entitled "Some Suggestions for Improvements in Railroad Class Rates," previously referred to in part I, was prepared by a rate specialist on our staff, and was distributed to the public. It was introduced in evidence at the St. Louis hearing, and its author, who at that time was our classification expert, was made available for examination. The study had not been approved by us and reflects only the views of its author. It is not based upon the evidence of record. Suggestions made in the study did not meet with the approval of the parties, except that the suggestion advocating removal of the Florida arbitraries was favored by southern proponents of changes in the class-rate structure. Most of the other suggestions were strongly opposed. We have given consideration to this testimony, and our own views on the matters discussed appear elsewhere herein.

GENERAL CONCLUSIONS AND ULTIMATE FINDINGS

NATURE AND SCOPE OF THE EVIDENCE

Appropriate to the breadth and variety of the interests involved in this proceeding, the record has not been narrowly restricted to rate comparisons and the competitive and other effects of rates upon particular industries or individual shippers, but has been developed within a sufficiently broad perspective to permit us to consider all the essential circumstances and conditions which affect the welfare of carriers, of producers, shippers, and consumers, and of localities, districts, regions, and territories. More specifically, cost of service has been explored and analyzed more comprehensively and thoroughly than in any other similar investigation. Studies and analyses have also been made of the natural resources of the areas concerned and of the growth and development of these areas in terms of agricultural, forest, and mineral production, manufacturing, and distribution of population. Other analyses have dealt with the composition and movement of traffic and with employment, labor, and income.

The record also affords us an opportunity to analyze and appraise the functioning over a period of more than 12 years of different territorial class-rate structures. It enables us also to compare the results of such a test one with another, to check such results with the purposes intended to be accomplished when these rate structures were prescribed, and on the whole to translate into our conclusions all the lessons thus learned by experience.

In the former general class-rate revisions attention centered primarily in the prescription of more uniform adjustments of rates to fit the local conditions prevailing within each of the four major class-rate territories included in the present investigation. The nature and sequence of those proceedings did not permit a simultaneous harmonization or integration of the several intraterritorial class-rate structures. Each of the above-mentioned intraterritorial revisions represented a marked improvement over the rate situation previously existing, and each of them corrected numerous discriminations that had long existed within the respective territories, and resulted in much more harmonious intraterritorial rate adjustments. In the present investigation the principal emphasis has turned towards the problem of harmonizing the widely differing intraterritorial class-rate structures of the various territories. Cost studies of the character of those introduced into the record in this proceeding were not before us in the former investigations.

RECENT AMENDMENTS OF THE ACT

While the rates in issue in this proceeding are to be tested by all pertinent provisions of the act, it is important to give particular attention to certain amendatory legislation which Congress has recently enacted. By the Transportation Act of 1940, section 3 (1) of the act was amended by the addition of the words "region, district territory." Coupled with that amendment was a provision designated as section 5 (b) of the amendatory act of 1940. It authorized and directed us to investigate the rates on manufactured products, agricultural commodities, and raw materials between and within classification territories for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness found to exist. As previously explained herein, we have advised Congress that it might consider the instant proceeding as an investigation under this special legislation.

Another new provision was attached to the Transportation Act of 1940 and designated as the "National Transportation Policy." In general terms, Congress undertook to express the policy which it had in mind in providing for the regulation of all modes of transportation and required that all provisions of the act shall be administered and enforced with a view of carrying out that policy. One of the declared purposes in this declaration of policy is "to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices."

Have these amendments to the act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject? In seeking an answer to this question it is pertinent and helpful to review briefly the legislative background of these amendments.

Unjust discrimination in various forms was the principal evil aimed at in the original Act to Regulate Commerce. *Louisville & Nashville R. Co.* v. *United States*, 282 U. S. 740. The major antidiscrimination provisions of the act, sections 2 and 3, were modeled upon the English Railways Act of 1854. *Import Rate Case*, 162 U. S. 197. The United States Supreme Court declared in *The Shreveport* case, 234 U. S. 342, referring particularly to section 3 which had remained unchanged up to that time since its original enactment, that the language "is certainly sweeping enough to embrace all the discriminations of the sort described which it was within the power of Congress to condemn." As originally enacted and as it remained until 1940, section 3 did not in terms specifically prohibit discrimination against a region, district, or territory. It specified, after the amendment of 1935 hereinafter discussed, only a person, company, firm, corporation, association, locality, port, port district, gateway, transit point, or particular description of traffic. The only word in that series that refers to a geographical unit (other than any one of those in the subseries concerning the special subject of ports and other gateways, not here apposite) is "locality." This word can apply to a region, district, or territory only in a plural sense. When used in that sense, however, the remaining is not as appropriate as that denoted by the more exact words added in 1940, since an aggregation or plurality of localities is not the same thing as a region, district, or territory. The same observation might be made also as to the other objects mentioned in this section—person, company, firm, corporation, or association. Assuming that those words are sufficient to comprehend all shippers and receivers of freight in any given region, district, or territory—and they undoubtedly are—they do not have the same significance as the latter group of words. A region, district, or territory usually imports a definite entity, geographically, economically, and socially, and the word "territory" as applied to rate making has come to have a special meaning of its own, indicating a separate and distinct rate structure. The legislative history of the amendment of 1940 discloses quite clearly that Congress was aware of that special transportation significance.

The amendment of 1935 was the result of a decision of the Supreme Court in *Texas & P. Ry. Co.* v. *United States*, 289 U. S. 627, holding that the word "locality" did not include a port or port district. Congress corrected this deficiency by an act approved August 12, 1935 (49 Stat. L. 607) in which "port, port district, gateway, transit point" were added to section 3 (1). We had occasion to pass upon the effect of this amendment in *Albany Port District Comm.* v. *Ahnapee & W. Ry. Co.*, 219 I. C. C. 151. The Albany Port District, by complaint before us, had contended that the existing adjustment of rates on export, import, coastwise, and intercoastal traffic precluded its development as a port district inasmuch as lower rates on similar traffic applied to and from other north Atlantic ports. The defendants, relying upon the decision of the Supreme Court in *Texas & P. Ry. Co.* v. *United States*, *supra*, and other cases, contended that they could not be held liable for undue prejudice against the port of Albany, the traffic through that port, or shippers of such traffic, because there was no common source of discrimination and because no one carrier or group of carriers could remedy the situation under an alternative order issued in conformity with section 3 (1) of the act. In answer to that contention, we first examined the rate structure which caused the complaint of the Albany Port District and found that it was not a "loose aggregation of separately established rates, but a single entity composed of interrelated rates bound together by the port differentials." Then, after tracing the legislative history of the amendment, we declared that it was intended to cover just such situations. The description of the rates of which the Albany Port District complained—that is, that they are not a loose aggregation of separately established rates but a single entity composed of interrelated rates—is particularly apropos of the territorial and interterritorial rate structures with which we are concerned in this proceeding.

Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments [11]—

---

[11] The amendment enacted in 1940 to section 3 (1) of the act was contained in a Senate ill designated S. 2009. That bill was reported favorably by the Senate Committee on nterstate Commerce in Report No. 433, 76th Congress, 1st Session, which was presented o the Senate by Chairman Wheeler of that committee on May 16, 1939. At page 11 of hat report, the committee stated with respect to section 3 (1): "There has been no ubstantial change therein, except that the words 'region, district, and territory' appearing n lines 20 and 23 on page 26 have been inserted." In explanation of this amendment, Chairman Wheeler said to the Senate on May 22, 1939: "The previous provision with egard to 'discrimination' simply referred to discrimination as to 'locality, port, port listrict, gateway, transit point' without specifying the region, district, or territory. So ve felt that by broadening the language we would at least take away that excuse, and ve would provide expressly that the Commission should not discriminate in its rate tructures." (Congressional Record, page 5889, vol. 84, part 6, 76th Congress, 1st Session.)

This bill was debated further in the Senate on May 24, 1939. With respect to another mendment for the removal of rate discriminations between territories that had been roposed by Senator Miller of Arkansas, Chairman Wheeler said: "The amendment, in my udgment, would not do what the Senator from Arkansas wants to do with reference to liscrimination. Let me say to the Senator that the amendments we have already put into he bill go much further toward accomplishing the purpose the Senator has in mind than vould this amendment. I am in thorough accord with the statements made by the Senator rom Arkansas with reference to discriminations. I think they ought to be stopped, and f the Commission pursues the investigation and follows what we have laid down in this ill, many of the discriminations between territories will be eliminated. A great many re absolutely arbitrary, and it seems to me without any justification." (Congressional Record, pages 6071 and 6072, vol. 84, part 6.) Thereupon Senator George commented as ollows: "I am glad to hear the distinguished Senator make that statement, because it eems to me to be more important, and I dare say it is more important as the coming days f the Congress must demonstrate, that we establish just and nondiscriminatory rates etween the various regions than to continue even a rate that may not be justified in a articular region." On the same page of the Record (6072) is found this question directed y Senator George to Senator Wheeler with respect to the amendment of section 3 (1) of he act: "The Senator thinks that it will make toward the equalization of rates in the arious regions?" To this question, Senator Wheeler replied: "I do not think there is ny doubt about that at all, because that is the purpose of the bill; it is the intention of he bill."

This bill (S. 2009) passed the Senate on May 25, 1939, and was sent to the House. After onsideration of the bill by the House Committee on Interstate and Foreign Commerce, Chairman Lea of that committee reported it to the House without appreciable change in he amendment to section 3 (1) of the act that had been approved by the Senate. With eference to this amendment and the provision coupled with it (known in the House as he Ramspeck resolution) which directed us to investigate interterritorial and intraterriorial rates, Chairman Lea said to the House on July 21, 1939: "Now I want to refer for moment to the Ramspeck resolution. That is embodied in this bill. It directs the nterstate Commerce Commission to make an investigation of certain freight differentials, nd then to make the orders that are necessary to remove the unlawfulness of rates found o be unlawful. It further provides, in the provisions prohibiting discriminations, the rotection of territories and districts. In my judgment that resolution is directed at what one of the most important situations in rate structure. It points to a place in our rate tructure where the greatest opportunity to help our transportation system on an economic asis lies. The correction of that condition would serve the interests of shippers and arriers alike." (Congressional Record, page 9705, vol. 18, part 9, 76th Congress, 1st ession.)

On July 26, 1939, the House passed this bill as amended, and sent it to conference with e Senate. After the conference report had been adopted by the Senate, Senator Hill, airman of a subcommittee that had held hearings on the measure, stated to the Senate all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country. The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected.

COSTS OF SERVICE GENERALLY

Since the inception of Federal regulation of common carriers cost of service has been recognized as one of the basic elements entering into the process of making and judging rates. It has never been out of mind even though it has not always been in sight. *Lake Cargo Coal Rates, 1925*, 101 I. C. C. 513. The reality of costs in the rendition of transportation service is indisputable. The problem, from the standpoint of rate making and rate regulation, is to convert such costs into practicable and usable terms. Cost finding as applied to common carriers has been and still is a progressive science. The carriers have never installed or observed, because of the expense involved, a system of routine cost accounting. All cost calculations and computations, therefore, of necessity must be made by special studies. In making these studies the data afforded by the carriers' records, which are kept in accordance with our prescribed system of accounting, have been used as a base, but this material has generally been supplemented and

---

on September 9, 1940, with respect to the amendments here considered: "Under these amendments any undue or unreasonable preference or advantage of one region, district, or territory over another region, district, or territory is made unlawful and prohibited and the Interstate Commerce Commission is directed to investigate immediately and upon finding such undue or unreasonable preference or advantage to exist to enter such orders as may be necessary for the removal of same. Under these amendments now to become the law of the land the unjust and unfair discriminations between sections in freight rates should be removed and all sections of our country permitted to enjoy that development and prosperity to which the character and genius of their people and their natural resources entitle them." (Congressional Record, page 5553, appendix, vol. 86, part 17, 76th Congress, 3rd Session.)

reinforced by such special information and field investigations as the necessities in each case have required. Pursuit of this method of cost finding over the years has enabled us, with the assistance of the carriers, shippers, and other students of the subject, to make extensive progress in this field. While perfection has not been attained, we are convinced that the studies made and presented by members of our staff as evidence in this proceeding possess sufficient attributes of accuracy to enable us to rely upon them in reaching our conclusions. Respondents have not supplied us with any better ones, although they have, through their criticisms and suggestions, enabled us to make a better analysis and appraisal of those introduced by members of our own staff.

There are different degrees of refinement in costs depending upon the purposes for which the costs are intended. The ascertainment of the costs of transporting a particular commodity over a single railroad or a group of roads, for instance, obviously requires more refinement in procedure than the calculation of relative costs for transporting all traffic, or important and well-defined segments of traffic, by territorial groups of carriers. It is the latter type of cost computation that we now have before us. The methods employed, the procedures followed, and the results obtained have been previously explained and discussed.

Discretion and flexibility of judgment within reasonable limits have always attended the use of costs in the making of rates. Costs alone do not determine the maximum limits of rates. Neither do they control the contours of rate scales or fix the relations between rates or between rate scales. Other factors along with costs must be considered and given due weight in these aspects of rate making. Out-of-pocket costs, however, should ordinarily establish the floor of all rates. Rates yielding merely out-of-pocket costs have been condemned as being less than reasonable minima. *Freight, All Kinds, Lincoln, Omaha, and Nebraska Points*, 32 M. C. C. 339; *Petroleum from South Atlantic Ports to Southeast*, 245 I. C. C. 23; *All Freight from Eastern Ports to the South*, 251 I. C. C. 361. Rates which yield something more than out-of-pocket costs have also been found to be less than reasonable minima. *Petroleum Between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609; order sustained, *Scandrett* v. *United States*, 32 Fed. Supp. 995, *Scandrett* v. *United States*, 312 U. S. 661.

Moreover, it has long been recognized that it is unwise from the standpoint of both shippers and carriers to attempt to reflect in any rate schedule or rate structure all the minute and unsubstantial variations in the costs of service that occur on different divisions or segments of the same railroad or between individual railroads or groups of railroads. The tendency has been, rather, to deal with average costs in such manner as to avoid needless rate variations and to permit the freest possible movement of traffic. We recognized this principle very early in our existence. *In re Proposed Advances in Freight Rates*, 9 I. C. C. 382; *City of Spokane* v. *Northern Pac. Ry. Co.*, 15 I. C. C. 376; *Kindel* v. *New York, N. H. & H. R. Co.*, 15 I. C. C. 555; *Receivers & Shippers Assn.* v. *C., N. O. & T. P. Ry. Co.*, 18 I. C. C. 440; *Commercial Club, Salt Lake City* v. *A., T. & S. F. Ry. Co.*, 19 I. C. C. 218; *Advance in Rates—Eastern Case*, 20 I. C. C. 243; *Lum* v. *Great Northern Ry.*, 33 I. C. C. 541, and have followed it ever since. The rule of rate making embodied in section 15a of the act emphasizes and accentuates the importance of this principle.

Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified.

CONSISTS OF TRAFFIC AND DISTRIBUTION OF GENERAL RATE BURDEN

Respondents' principal argument against a uniform level of clas rates in the rate-making territories here under consideration is that the consists of traffic in the several territories, particularly in southern, southwestern, and western trunk-line, as compared to official, are s substantially dissimilar and variant that separate schemes of rate with different distributions of the general rate burden as betwee commodities and classes of traffic must prevail; and that, because o the greater percentage of high-grade traffic moving in official territory a lower and different system of class rates is justified in that territor than in the others. These contentions and the evidence relied upon t support them have heretofore been discussed. It is only necessar here to state our final conclusions.

When analyzed in detail there are many more differences in th consists of traffic in these respective territories than when basic commodity groups, such as those used by us in the compilation of traffi statistics, are considered. Mere differences in the nomenclature o commercial characteristics of commodities, however, are of littl significance in the determination of this question. The problem i primarily one of providing adequate revenues for the carriers fro the traffic which they transport. It is, therefore, the revenue-producing qualities, or rate-bearing characteristics, of the commodities whic compose the commerce of these territories that constitute the governin factor in this situation. The fact that phosphate rock moves regularl in substantial volume by railroad in southern territory while movin only sporadically and in small quantities in each of the other territ ries, for instance, means little or nothing if some other commodity or commodities with equal revenue-producing potentialities are at hand to take the place of it in the general rate structure of the other territories. Furthermore, a large and increasing volume of traffic flows across territorial boundaries and thus becomes common to two or more territories. When analyzed in this light, the differences that exist in the consists of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in class rates.

The record discloses that the class rates are substantially higher in southern, southwestern, and western trunk-line territories than in official territory, and that the interterritorial class rates between official and the other territories are substantially higher than those in official territory. These differences have resulted in a greatly diminished use of class rates and the establishment of numerous exceptions to the classifications, together with column and commodity rates, on a lower level than class rates. The great preponderance of traffic now moves on the exception, column, and commodity rates.

A study of the movement of all carload traffic transported on September 23, 1942, and of the revenue received therefrom affords an indication of the relative importance of the traffic moving on the several kinds of rates. In the United States, as a whole, class rates were applied on 4.1 percent of the carloads and produced 6.3 percent of the revenue; exception rates were applied on 10.7 percent of the carloads, and produced 16.1 percent of the revenue; commodity rates applied on 85.2 percent of the carloads and produced 77.6 percent of the revenue. Within the respective territories, class rates applied on 5.8 percent of the carloads in official territory, 1.8 percent in southern, 0.6 percent in western trunk-line, and 2.4 percent in southwestern. On interterritorial traffic from official territory to the other territories, the volume of movement at class rates ranged from 12.3 to 22.5 percent of the carloads. From the other territories to official territory, the movement at class rates ranged from 0.9 percent to 3.1 percent of the carloads.

Although manufacturing has grown in the South and Southwest and to a lesser extent in western trunk-line territory in the last decade, it is still vastly less in diversification and amount than in official territory. The increases in manufacturing in these territories has created a demand for rates which will at once permit the free movement of the manufactured articles, but because of the level of the intraterritorial and interterritorial class rates, such free movement has been impeded insofar as such commodities move at class rates. In most instances it has been necessary either to reduce the class-rate levels or to establish exception or commodity rates in order that the manufactured products may move freely, and this action has frequently been subject to long delays because of the failure of individual carriers or groups of carriers to agree upon a basis.

Official territory is the greatest consuming territory in the country, and is the market that nearly all manufacturers desire to reach, particularly where they have a surplus of their products to sell. In shipping to official territory, manufacturers in the other territories not only have the disadvantage of location, but are subjected to an additional burden in those instances where they must pay class rates on a much higher level than their competitors in official territory. This situation reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in official territory, tends to restrict the growth and expansion of the manufacturers in the other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories.

It is clear that the method of distribution of the rate burden between types of traffic now observed in southern, southwestern, and western trunk-line territories has resulted in rates so high that they have prevented the free movement of traffic at the rates in issue. This result is fully proved by the fact that numerous lower exception and commodity rates which move the great preponderance of the traffic and produce the great preponderance of the revenues in those territories, have been established.

One of the principal contentions of southern and western respondents, and of certain industrial interests, is that the establishment of the eastern level of class rates in the South and West will require upward revisions of exception, column, and commodity rates in order that the railroads may recoup revenue lost from the reduced class rates. They show that many of the exception and column rates in the South and West are higher than the eastern level of class rates, and contend that establishment of the eastern class-rate level in those territories would require reductions of those exception and column rates which are higher than the eastern class rates, thereby further reducing respondents' revenues. These contentions are directed against the establishment of the eastern class-rate level in the other territories but are not an answer to the claim that the differences between the intraterritorial and interterritorial class rates in and between the several territories are not justified by transportation conditions. Considerations of costs of service, consists of the traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates justify the conclusion that the class rates within southern, southwestern, and western trunk-line territories, and between those territories and official territory are unjust and unreasonable, and that the class rates to official territory from the other territories ar nduly prejudicial to such other territories and unduly preferential f official territory.

COSTS OF LESS-THAN-CARLOAD SERVICE

There is another question in this proceeding concerning less-than-arload rates in all territories and between such territories in connec-ion with which costs must be specially considered. It has been lleged by the motor-carrier interveners that the cost studies clearly lemonstrate the failure of this category of rates to cover their fair hare of the burden of transportation. At the present time, the same et of class rates is applicable both to carload and less-than-carload hipments, the classification being used as the means of effectuating ate differentiations between the two types of shipments. Since the rescription of these rates, the railroads have generally inaugurated ick-up and delivery service at terminals, which has augmented the osts of less-than-carload transportation. The record permits us to ompare the weighted-average less-than-carload rates, as well as individual less-than-carload scales, with the computed costs for this raffic. The railroads generally load and unload less-than-carload raffic and this entails an expense not assumed in connection with arload traffic. One of the results of this method of handling less-han-carload shipments, however, is to mix freight of different classes n the same railroad car for transportation purposes, so that the costs re generally a composite of all classes of less-than-carload freight ather than a separately ascertainable figure for each commodity. The weighted-average rate is, therefore, the best criterion for judging he sufficiency of the less-than-carload rates in the light of the costs. Such an analysis unmistakably reveals the fact that less-than-carload raffic generally in all the territories is not bearing its proper share f the costs of transportation—in fact, excluding wartime loading, t is not yielding, on the average, its out-of-pocket costs plus constant xpenses solely related to this traffic, plus the cost of collection and lelivery, in any territory except possibly in the southern where the nargin of difference between revenues and these expenses is slight.

RATE AND REVENUE COMPARISONS

Many comparisons of rates and rate levels have been made in the ecord before us. In some of these comparisons an attempt has been nade to measure the average levels of the several territorial class-rate tructures. Others have dealt with particular rate schedules; but much tress has been placed upon comparisons of average levels. Comparisons of this nature, although important as steps in the process of aging the general effect of rate structures upon the economy of a egion or territory, and upon the total revenues of the carriers, do not furnish adequate answers to complaints of individual shipper and receivers of freight. The latter are necessarily interested in th competitive problems growing out of the relations of individual rate upon the same or similar commodities, and the law recognizes such a interest. This evidence discloses extensive, widespread, and varyin differences in the several territorial class-rate structures. The differences in the class rates themselves, however, are greater than the average differences in the rate structures as a whole, or than the averag differences in class rates, exception rates, and column rates taken together. The basic class-rate scales not only differ in level but also i their rates of progression with distance. There are also disparities an variations in the percentage relations between the scales.

The origin of the foregoing condition as it relates to interterritoria as contrasted with intraterritorial rates may be explained by a stud of our previous decisions in which the several territorial class-rat structures were prescribed. Prior to the dates of those revision there was a general miscellany of class rates prevailing within eac territory as well as extensive differences, on the average, between th territories. Those decisions resulted in the prescription of intr territorial class-rate structures that exhibited a marked and previousl unattained degree of uniformity and consistency. They failed, however, to effectuate uniformity as between the territories. As a resu of this incongruous situation, the interterritorial rates could not b properly harmonized with the intraterritorial rate structures. Inte territorial shippers using class rates are thus adversely affected, pa ticularly when they ship into official territory where the greate disparities between interterritorial and intraterritorial rates exis The record indicates a distinct probability of continuing growth o interterritorial traffic as a result of changes in the economic patte of the country. All territories are experiencing an industrial growt This fact emphasizes the need for properly adjusted interterritori class rates.

PURPOSES OF A CLASS-RATE SYSTEM; DEPARTURES THEREFROM IN PRESENT CLASS RA

One of the expressed purposes in view in the prescription of the cla rates in the several territories here involved was to provide class-ra systems that would actually move a substantial volume of traffic an not merely sporadic shipments of miscellaneous freight. In oth words, it was felt that the proper function of a system of class rat was to serve not merely as a pattern or as points of departure f rates generally, but to take care of the needs of shippers for reasonab and nondiscriminatory rates on an important class of traffic. T evidence before use, however, indicates that in most of the territories namely, in southern, southwestern, and western trunk-line—the purposes have not been accomplished. The same thing is true in large measure of interterritorial class rates although, percentagewise, the interterritorial class rates accommodate more traffic than the intraterritorial class rates. This situation is not true to the same extent in official territory. The system of class rates in that territory has served a relatively large volume of traffic.

The record reveals the fact that departures from the bases of class rates prescribed by us, particularly in all territories other than official, and between territories, have become widespread. One phase of these departures has taken the form of exception rates, all-commodity rates, and mixture rules which have, to a considerable degree, supplanted the application of the regular class rates. Another form of departure has centered in changes in the class-rate scales themselves for intrastate application. In some instances, the level of these intrastate rates now approach, or even equal, the official territory level. The reduced class rates are occasionally limited to apply only on less-than-carload traffic. We have also prescribed or approved reductions in the original interstate level of class rates. Instances of this kind are to be found immediately south of the border between official and southern territories in Kentucky, east Tennessee, and North Carolina. The southern carriers have voluntarily reduced in recent years, the class rates in that territory for distances from 5 to approximately 190 miles. The departures in western trunk-line and southwestern territories are more prevalent than in the South.

All the foregoing facts of record indicate that the class-rate systems originally prescribed by us in these several territories do not now serve the purposes for which they were designed.

An over-all disparity has also resulted from these changes in that while the intraterritorial structures have been disrupted by reductions in the scales themselves, the interterritorial class rates have been left on a basis, which is higher, in many instances, than the class rates in either territory of origin or the territory of destination, and the interterritorial class rates apply to a higher percent of the total interterritorial traffic than the percent of intraterritorial traffic moving on class rates.

EFFECT OF CLASS RATE DISPARITIES ON ATTAINMENT OF CLASSIFICATION UNIFORMITY

The class-rate system is not complete without a freight classification. The desirability of greater classification uniformity is elsewhere discussed in our report in this proceeding. In our annual report for 1931, however, we called attention, at page 67, to one of the deterrents against the attainment of classification uniformity which is of interest in connection with our consideration of the class-rate structures. We there said:

> Further study of the subject of classification uniformity and the experie which we have gained in recent years in fixing class rates make it increasing apparent that, while complete unification and merger of the southern and we ern classifications is possible, such unification cannot be fully extended to e brace the official classification unless and until there is a closer alignment of t basic rate structures as between official territory and the other sections of t country than it has so far been found practicable to accomplish, although r visions heretofore required by us have been in that direction.

The force of that comment is apparent. A satisfactory degree classification uniformity cannot be attained without a closer alin ment of the basic class-rate structures.

SHORT- OR WEAK-LINE ARBITRARIES AND RAIL AND WATER RATES

It has been the custom heretofore to permit arbitraries to be add to the basic rates for the benefit of short or weak lines of railro but in only one or two instances has a request been made on this reco for the continuation of such arbitraries. The evidence is therefo insufficient to enable us to determine the general question of ar traries of this character. Rail-and-water rates are also technical included in this investigation, but at the present time the commo carrier water service along the coast has been suspended on account the exigencies of the war. For that reason we have not had the o portunity to hear from the water lines concerning their future inter in such rates. Both of these matters, therefore, will be reserved f later consideration.

KEY POINT RATES

In all of the general class rate revisions since the southern revisi we have prescribed key rates for the longer distances and have r required a rigid application of the scales or formulas adopted. A scales and formulas based on short-line mileages result in fourth-s tion departures over reasonably direct and heavily traveled rout The present key class rates were designed to meet competitive con tions between related or contiguous cities, to avoid fourth-sect departures, and to diminish the number of individual rates wh must be computed and published. Carriers may submit for our proval key-point class rates based on the scale herein found reas able between points where such rates were prescribed by us in prior general class-rate revisions.

ULTIMATE FINDINGS

Upon the record, therefore, we ultimately find:

1. That the intraterritorial class rates (except as they apply to r and-water coastal service or relate to short- or weak-line arbitrari applicable within official, Illinois, southern, southwestern, and west

trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(*a*) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

(*b*) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(*c*) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates*, 164 I. C. C. 1, 282, contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by dropping those less than one-half and by increasing those of one-half cent or more to the next whole cent.

(*d*) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rate revisions.

(*e*) That such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

(*f*) That such revised uniform class rates and classification ratings shall be made applicable simultaneously.

In part III hereof, which follows, we will determine an interim adjustment of class rates, based upon the maintenance of the existing classifications, pending the necessary revisions of the classification and rates above required.

PART III

AD INTERIM CLASS RATE REVISION

In parts I and II of this report we have found the classification ratings and class rates involved in this proceeding to be unjust and unreasonable, and unduly and unreasonably preferential and advantageous, as well as unduly and unreasonably prejudicial and disadvantageous in certain respects for the reasons therein stated. It is our duty under section 15 (1) of the act to determine and prescribe what will be the just and reasonable rates and charges, and what classification will be just, fair, and reasonable, to be hereafter followed.

The record herein is extensive, but from the very nature of these proceedings the comprehensive basis of just and reasonable rates cannot at this time be established in connection with a uniform classification such as we have found to be required as just, fair, and reasonable, until that classification is brought into being. The comprehensive rate revision and classification unification and revision should be accomplished simultaneously, if possible. From our prior experience with extensive rate readjustments and classification proceedings, and from the record in this proceeding, we know that necessarily considerable time must elapse before the respondents can formulate and tender for our approval a classification which will conform to our finding with respect to justness, fairness, and reasonableness. The many complexities inherent in a task of such character and magnitude are inevitable. The shipping public and rate-making authorities of the States should be afforded opportunity for participation in the undertaking as far as their interests are concerned. And, as shown by the record, and as within our common knowledge, there is at the present time a shortage of men who may be devoted to such task by the respondent carriers, public authorities, including this Commission, and by shippers and their organizations. This latter condition is a direct consequence of the withdrawal of such experts from their former employment for active participation in the war.

We find, however, that in the circumstances it is possible and practicable to make certain readjustments in the existing basis of clas rates, predicated upon the continued application of the existing classifications, which will be just and reasonable, which will have the effect of bringing to the minimum the preferences and prejudices which we have found to be unlawful, as completely as it is practicable now to eliminate such violations. This finding is based upon the peculiar circumstances of the present time, largely the result of the war, and because time will be needed to effectuate a classification revision and application of a scale or scales of class rates as our findings in part I and part II hereof contemplate. The adoption of the simple and direct method of rate revision which we are about to outline will conserve time, and will obviate many tariff publishing difficulties without complete revision of the classifications before us and the determination and prescription of new scales of rates based thereon.

Our general conclusions and findings heretofore made have emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures under consideration closer together in level and more upon the same pattern or scheme. We have also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The basis which we shall now outline is in harmony with that objective, and will approach, as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair, and reasonable.

We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories as those territories have heretofore been described in this report, and interterritorially between those territories, and also between those territories and official territory, as hereinbefore described, will be unjust and unreasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding. In applying the scale of minimum rates, the distances between groups or blocks of stations upon which the present class rates are based are to be observed, rather than the actual distances to or from such station, when differing therefrom.

Table of minimum class 1 (class 100) rates

Miles	Cents	Miles	Cents	Miles	Cents	Miles	Cents	Miles	Cents
5	40	160	82	580	152	1,150	234	1,775	311
10	43	170	84	600	155	1,175	237	1,800	313
15	46	180	86	620	158	1,200	240	1,825	316
20	48	190	88	640	161	1,225	244	1,850	319
25	50	200	90	660	164	1,250	247	1,875	322
30	52	210	92	680	167	1,275	250	1,900	324
35	54	220	94	700	170	1,300	253	1,925	327
40	56	230	96	720	173	1,325	257	1,950	330
45	58	240	98	740	176	1,350	260	1,975	332
50	60	260	102	760	179	1,375	263	2,000	334
55	61	280	106	780	182	1,400	266	2,025	337
60	62	300	110	800	185	1,425	269	2,050	340
65	63	320	113	825	189	1,450	272	2,075	343
70	64	340	116	850	193	1,475	275	2,100	344
75	65	360	119	875	196	1,500	278	2,125	347
80	66	380	122	900	199	1,525	281	2,150	349
85	67	400	125	925	203	1,550	284	2,175	351
90	68	420	128	950	207	1,575	287	2,200	353
95	69	440	131	975	210	1,600	290	2,250	357
100	70	460	134	1,000	213	1,625	293	2,300	361
110	72	480	137	1,025	217	1,650	296	2,350	365
120	74	500	140	1,050	221	1,675	299	2,400	368
130	76	[illegible]	143	1,075	224	1,700	302	2,450	372
140	78	540	146	1,100	227	1,725	305	2,500	375
150	80	560	149	1,125	231	1,750	308		

We find and determine that simultaneously as a part of the adjustment hereinbefore outlined, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maximum scales, superseding the intraterritorial official class-rate scale heretofore prescribed or authorized by us, subject to the qualifications hereinafter indicated, and that as so increased those scales will be just and reasonable as maxima. The increase of maximum class rates applicable within official territory is to be made by using the present current applicable class 1 rates as a base, and increasing them 10 percent. The rates on the other classes should be correspondingly increased by observing the same percentage relations to the maximum class 1 rates as thus increased that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. The same provision with respect to disposition of fractions of a cent, as to groupings, and as to the ascertainment of distance hereinbefore stated with respect to the reductions within and between other territories and between those territories and official territory, shall in like manner apply to the increases in the maximum class-rate scales within official territory herein found to be just and reasonable. This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described.

The respondents maintain flat minimum charges for each less-than-carload shipment which may be and sometimes are stated and embodied in a rule of the governing freight classifications, and in other instances in varying measure are published in freight tariffs of the respondents or in exceptions to the classifications. The minimum charge provided by the various classifications is uniformly 55 cents. While this proceeding of investigation does not extend to rules of the classification, the minimum charge stated therein is in the nature of a rate, and is so published as a matter of convenience. We therefore find and determine that the minimum charge upon class-rate shipments in the territory included in No. 28300 is within the scope of this investigation.

From the record we find and determine that in many instances when commodities transported take class rates, the respondents have extended the service of picking up and delivering shipments and perform such service under the applicable class-rate charge without additional charge therefor. We also find and determine that such pick-up and delivery service has been extended in scope largely since our findings and orders in the various proceedings hereinbefore recited which prescribed or approved the class rates in issue in this proceeding. We find and determine from the evidence of record in this proceeding, that when such service is performed the applicable class rate with the existing minimum charge as stated does not yield the out-of-pocket costs incident to the transportation service which it purports to cover. We further find that to the extent the minimum charge per shipment is less than 75 cents, it is below a just and reasonable minimum rate and charge. Upon the record as it stands, and predicated upon the adjustments for the interim period hereinbefore found to be just and reasonable, we determine and find that the minimum charge per shipment, whether pick-up and delivery service is afforded or not, whenever such charge is below 75 cents, is below the minimum of a just and reasonable rate and charge and that 75 cents is and will be a just and reasonable minimum charge to be made.

The foregoing findings and determinations are made as of the date when the order to be entered herein becomes effective. Inasmuch as these proceedings will necessarily be held open upon our docket, and as our power to suspend, modify, or set aside our orders is recognized by the act, we do not now prescribe a specified period of time during which these findings as to the interim adjustment shall continue in force, but make them as continuing until our further order.

In certain States the applicable intrastate class rates are held to a basis prescribed by us in orders entered in proceedings under section 13 (3) and (4) of the act. No especial consideration has been given to such intrastate rates in this proceeding. If any modification of our outstanding orders seems necessary, it should be sought by appropriate action as contemplated by our general rules of practice.

Our outstanding orders will be modified to the extent necessary to enable the carriers which are bound thereby to publish and file schedules embodying such increases and decreases; and authority will be given by appropriate order under section 6 of the act for the publication of simple forms of supplements to existing schedules to effectuate such increases and decreases. If carriers need relief under the provisions of section 4 of the act, we will give prompt consideration to applications therefor.

During the pendency of this proceeding the membership of the cooperating committee of State commissioners was changed by the withdrawal of Commissioners McConnaughey, of Ohio, and Murphy, of South Dakota, upon their retirement from their respective State commissions. Commissioner Doherty was assigned to replace Commissioner Murphy, and he and Commissioner Scott heard the argument. After the argument, Commissioner McConnaughey retired and was succeeded, in the spring of 1945, by Commissioner Meins, of Massachusetts. Copies of this report have been studied by all three of these cooperating commissioners, and we are authorized to say on their behalf that Commissioners Doherty and Scott agree with the conclusions and that Commissioner Meins agrees only in part.[12]

An appropriate order will be entered.

---

[12] The position of Commissioner Meins of Massachusetts is more fully set out in this footnote as follows:

"There are certain conclusions of the majority decision in which I do not concur.

"While I do not disagree that in many respects the accomplishment of a uniform classification on nation-wide basis would eventually be desirable, I do not believe that it

COMMISSIONER JOHNSON participated in the disposition of this proceeding.

---

can be accomplished immediately, and that it is unreasonable at this time when the country is engaged in armed conflict with foreign powers to attempt to arrive at a national uniform classification. In the main I agree on this question with the comment of COMMISSIONER MAHAFFIE in his separate opinion at paragraph three (3).

"I believe the accomplishment of a uniform nation-wide classification, if eventually possible, should be accomplished with the least possible violence to the now existing rate structure established by means of the territorial classifications. For many years rates based on the existing classification area groupings have been accepted by the Commission, and it seems to me that changes in the rate structure in the various territories in the first instance, at least, can best be handled by the railroad classification committees in the various territories with their intimate knowledge of the various factors contributing to the flow of traffic in their respective groupings. The knowledge in possession of these classification committees by long experience should not be arbitrarily cast aside as they are familiar with the needs of the shippers and the public. Although uniform classification eventually may be desirable, I do not think it follows from the evidence in the case, nor is it prudent in the public interest at the present time, for the Commission to reverse the essence of its previous findings by declaring that present class rates are now, or rates in the future based on territorial divisions will be, of themselves unlawful or discriminatory.

"It seems to be unreasonable with the United States at war to expect the carriers in the several rate territories to bring about immediate agreement of a nation-wide uniform classification.

"The order of the Commission relative to *ad interim* adjustment revising the rates downward in the southern and western territories based upon evidence of cost of operation in the record in these territories may be justified, but to order arbitrarily an increase in class rates in the so-called official territory when no such increase of rates is requested by the carriers of that territory, at least in this proceeding, seems to me an unwarranted and unjustifiable burden to place upon the intraterritorial shippers in the largest industrial and manufacturing area of the country.

"If present classifications are unlawful (in which I do not concur) then the arbitrary percentage adjustments during any *ad interim* period must be equally unlawful.

"It would appear from the record that one of the purposes of national uniform classification in rates was the expectation that there would be a reduction in the aggregate number of 'commodity' and 'exception' or column rates now in effect to a great degree in the southern and western territories. The reduction recommended by the Commission in these territories in class rates I doubt would be sufficient to eliminate the majority of such existing 'exceptions', and if the minimizing of such exceptions in the various territories is a desirable goal, certainly the increase of class levels in official territory would obviously tend to increase the amount of traffic which will move in the future in official territory on 'commodity' and 'exception' rates.

"I do not believe that there is a preponderance of evidence in the record sufficient for the Commission to find that the grouping of rates in the present territorial areas are of necessity unlawful or discriminatory insofar as the difference of scale of classification in each area is concerned.

"I believe, however, that the various carriers should be directed to work toward eventual uniform classifications on a nation-wide basis if possible and allowed a reasonable period after the cessation of hostilities for the various economic adjustments which inevitably will manifest themselves after the close of the war.

"I am of the opinion that a nation-wide uniform classification is only a part of a properly balanced fair and equitable system of nation-wide carriers tariffs and in any such uniform nation-wide system the adjustment of 'commodity' and 'exception' rates is a matter which requires exhaustive study, particularly if the goal is for the hope of moving the bulk of traffic in any nation-wide class-rate structure. It is my understanding that 'commodity' rates and 'exception' rates are not subject to these proceedings which is a further reason for my disagreement with the findings of the Commission in ordering immediate nation-wide reclassification.

"The Commission's decision for nation-wide immediate reclassification comes at a time when the minds of the industrial leaders—manufacturers, producers, and shippers, as well as carriers—are bending every effort to win the war, and the attempt to bring about a peacetime revision of rate structures could well have been deferred until final victory is an accomplished fact."

MAHAFFIE, *Commissioner*, concurring in part:

The attempt to bring about uniformity in classification seems to me worth while. The effort has not been very successful up to this time but I think it should be continued. Hence I concur generally in that portion of the report which deals with Docket No. 28310. I do not agree with the findings made therein under section 3 of the act.

I also concur in the *ad interim* adjustment. The relative earnings and operating ratios of the carriers in the different districts at this time afford an opportunity more nearly to equalize rates. It appears not unlikely that before very long it may be necessary to increase freight rates in order to maintain adequate service. A horizontal increase necessarily disregards discrepancies in the earnings of individual carriers and almost equally of different groups and districts. Percentage increases accentuate differences in rate levels. The adjustment now prescribed as temporary will help to harmonize the rate levels in the different territories so far as is practicable on the basis of the present earnings. In addition it has the advantage that it can probably be put into effect without a long period of waiting and without further litigation. It can also readily be modified if changed conditions make modification desirable.

With that portion of the report which requires a permanent readjustment of class rates I do not agree. As to what I consider its defects I am in accord, in the main, with COMMISSIONER PORTER'S comments in his dissent herein. In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly. The prejudice findings on which the new adjustment is largely predicated are calculated, if carried to a logical conclusion, to lead to a rigid rate structure based on mileage. While this may seem on its face to be equitable its accomplishment would entail radical industrial and agricultural readjustments. I doubt if the country should be required to incur the expense of making them.

PATTERSON, *Commissioner*, concurring in part:

I agree with much of what COMMISSIONER PORTER has to say in criticism of the majority report, but not with his conclusions. It is my view that there should be an "*ad interim* class rate revision" in connection with which an increase in official territory class rates, as contemplated by the majority report, should be tentatively approved, subject to protest and suspension, but that such increase may not be required. I find no justification for the action of the majority in entering a minimum-rate order. I concur in the view that the intraterritorial class rates in other territories, and the interterritorial class rates, are unreasonable to the extent found and should be required to be reduced as part of the *ad interim* revision. I do not, however, regard the revenues of the carriers serving these territories as excessive and, in my opinion, the reductions should not be made effective until the carriers have had an opportunity to propose and put into effect such revision of rates on other than class traffic as may be necessary to recoup the losses in revenue resulting directly or indirectly from the reductions in the class rates.

I do not subscribe to the "Ultimate Findings" of the majority. In my opinion any attempt to prescribe the rates to apply in connection with a uniform classification which is not yet in existence is premature. Orderly procedure requires, as the first step, the working out of uniform classification ratings. After this is done there should be a revision of the class rates for application in connection with the revised ratings, which should be on such a level as to move a substantially greater volume of traffic than do the present class rates, and which also should have due regard for differences in transportation conditions, the consist of the traffic, and the revenue needs of the carriers, in the different sections of the country.

PORTER, *Commissioner*, dissenting:

I favor bringing together much more closely than they are now the respective class-rate structures of the country. But I am forced to dissent from the majority report, first, because of its one-sided and inadequate statement of a number of the important facts; second, because the class-rate uniformity called for by the findings of the majority, under which the same set of class rates is to be applied throughout the country from Portland, Maine, to El Paso, Tex., and from Bismarck, N. Dak., to Miami, Fla., and the manner in which it is to be accomplished, not only are without adequate support upon the record and ignore the standards of rate-making consistently followed by this Commission throughout its 58-year history, but in my opinion ignore and are contrary to the best interests of the shipping public, as well as of the railroads, in each of the territories affected; and third, because the interim steps in rate changes contemplated by the majority fall below the relief to which the southern and western shippers are presently entitled. A permanent rate basis need not await a uniform classification, which in my opinion will not be realized for at least another 10 years, but can and should be established now. My reasons in greater detail will be found below.

The principal findings of the majority are divided into two categories; those relating to a permanent adjustment of the classifications and class rates here in issue and those relating to a so-called temporary or interim adjustment. The findings having to do with the permanent adjustment, made under sections 1 and 3 of the act, contemplate:

1. A uniform classification throughout the country, based on the official classification, with intermediate and additional classes added.

2. A uniform scale of class rates throughout the portion of the country east of the Rocky Mountains, which is to approximate 115 percent of the basic scale of first-class rates prescribed in the eastern revision as increased by the general increases of 1938.

3. Percentage relations of classes other than first class to the first-class rates on the basis of those in official territory.

The findings dealing with the so-called temporary or interim adjustment, made under section 1, contemplate:

1. A reduction of 10 percent in the existing interstate class rates within southern, southwestern, and western trunk-line territories, and interterritorially, subject to a distance scale of class rates, which is about 115 percent of the eastern scale, as minima.

2. An increase of 10 percent in the existing interstate class rates within official territory.

3. The new intraterritorial and interterritorial class rates to be governed by the existing classifications and in the manner now provided for.

The interim adjustment is to continue in force until a uniform classification is prepared, preferably by the respondents with the assistance of the shipping public and rate-making authorities of the States, and the prescribed uniform class rates and the uniform classification are to become effective simultaneously at some future date.

Because of the magnitude of the issues in these proceedings and the importance to the shipping public and the railroads of the findings made, I consider it necessary to discuss the report and the findings in some detail:

Uniform classification.—I agree in principle with the finding that a uniform classification would be just and reasonable. From its inception the Commission has favored and encouraged the carriers in classification uniformity. But despite that encouragement, which has at times reached the point of insistence, approximately 40 percent of the more than 20,000 ratings in the respective classifications have not been unified. Now, suddenly, in the midst of a world war, when the railroads, the shippers, and the regulating bodies have been drained of manpower which could be made available for the purpose without hurting the war effort, the majority demand prompt revamping of nearly half of the total classification ratings affecting many thousands of important articles, among which are the most controversial and difficult in the art of commodity classification. If the war effort is not to be retarded, as of course it should not be, and if the uniform classification thus demanded of the carriers is to be just and reasonable as the law requires, we might as well face the truth that the difficult job of classification uniformity cannot be completed for many years to come. Anyone reasonably familiar with the principles of classification could tear to pieces the present classifications and compile one in which the ratings in the respective territories were uniform, and upon order from the Commission the carriers might even establish such a paper classification, but that would not bring about the use of uniform rates in actual transportation. There is room for some doubt whether uniform classification on all articles of transportation will ever be practicable, but certainly any such classification hurriedly put together will simply precipitate a multitude of additional classification exceptions and commodity rates, and a flock of complaints to this Commission, the net result of which will be defeat of the principal objective sought, namely, uniformity in transportation charges for like services under similar conditions in all of the territories concerned at the earliest practicable date.

In bringing about classification uniformity on the great bulk of the articles concerned, I know of no practicable substitute for the customary methods employed by the classification committees of the railroads themselves, who alone have, or can obtain with reasonable promptness, the mass of data which must be considered before intelligent action can be taken. Those committees should be streamlined for more prompt and more cooperative effort, supplemented where the need arises by representatives of this Commission and of the State regulatory bodies. But even if or when that is done, and if classification uniformity, so far as may be practicable, is eventually accomplished, it is more than likely that the number of classification exceptions and special commodity rates will be at least as great as now and that the proportion of the total rail traffic which will move on the uniform classification basis will be at least no greater than it is today.

For the foregoing reasons, and looking at the problems before us from a practical standpoint, while I agree that classification uniformity is a worthy objective which should be attained so far as the law demands at the earliest practicable date, I cannot believe that it will have much effect on rate uniformity. Accordingly, I see no sufficient reason for withholding a permanent class-rate adjustment until the establishment of a uniform classification, which, as stated, is many years off and may never reach complete fruition.

As I read the record, there is no greater merit in the official classification than there is in any of the others, and I am not in accord, therefore, with the finding of the majority that "the pattern of the official classification is the one which best comports with the requirements of the statute that the individual and joint classifications shall be just, fair, and reasonable, for application uniformly throughout the country." The testimony of the classification committees, who know more about it than anyone else, is that the respective classifications have been made to fit the conditions of the respective territories, and the witnesses for those committees introduced voluminous evidence in refutation of the opinions expressed by the proponents of uniformity that the official classification is superior to the others. As the record now stands, there is no evidence dealing with any individual rating and therefore no support for any change in a single rating. The "pattern" of the official classification thus laid down by the majority seems to me worse than no pattern at all.

Uniform class rates.—In my opnion, the record falls far short of supporting the finding that to be just and reasonable, and free from undue prejudice and preference, the class rates throughout the area east of the Rocky Mountains must be placed in the strait-jacket of a uniform distance scale. Even the report does not warrant such a conclusion, and it seems the majority could not quite bring themselves to make the direct finding that the class rates are and will be unlawful where and to the extent that they depart from such a scale. Nevertheless, that is the net result of the findings made, and with that result I am not in accord.

Throughout the history of its regulation, the Commission has consistently recognized what is still the fact, namely, that conditions in the various rate territories differ with respect to the volume and kind of traffic transported, the distribution of the rate burden, and the revenue needs of the railroads. These and other factors have resulted in the maintenance of different rate territories, the boundaries of which have been determined largely by the basic fact that, in general, the rails of the carriers within the respective territories do not extend beyond their borders, and in the establishment of different rate levels within those territories. In the proceedings wherein these levels were recently prescribed, we recognized that the volume of high-grade traffic was much greater and the articles included therein of much higher value in official territory than in the other territories; and that the volume of other than class-rate traffic, excluding coal, in comparison with the total traffic, was much greater, and the articles included in the other traffic of lower grade, in the other territories than in official territory. Because of these differing conditions, and the further fact that relatively lower rates were maintained on raw materials and basic commodities within the other territories than in official, we prescribed higher class-rate levels in southern, southwestern, and western trunk-line territories than in official territory.

Since the decisions in which those prescriptions were made, the situation as to volume and kind of traffic transported in the various territories has not changed, except in degree. The principal change has been in official territory where a smaller proportion of the total traffic now moves at the rates in issue. Nevertheless, according to an exhibit of record, in official territory 23.4 percent of the total traffic still moves at class rates and at exception rates which are related by percentages to the class rates, and 76.6 percent at commodity rates, as compared with only 7.8 percent at class or exception rates and 92.2 percent at commodity rates in southern territory, 0.8 and 99.2 percent, respectively, in western trunk-line territory, and 6.8 and 93.2 percent in southwestern territory.

Articles in the manufactures and miscellaneous, and products of mines groups are usually considered the most remunerative to the railroads, and those in the products of agriculture, animals and products, and products of forests groups less remunerative. In 1939, a representative year, commodities in the first two groups accounted for 87.63 percent of the total tons of carload freight carried, and 76.26 percent of the total carload revenue for class I railroads in the eastern district. Comparable figures for the southern region are 73.60 percent and 58.31 percent, respectively, and for the western district, 66.02 and 53.92 percent. Shipments in the products of agriculture, animals and products, and products of forests groups represented 10.64 percent of the total tons of carload freight carried and 14.29 percent of the total carload revenue for class I railroads in the eastern district, 23.65 percent of the tons and 30.69 percent of the revenue in the southern region, and 32.47 and 39.31 percent, respectively, in the western district.

Two classes of traffic, namely, coal and coke and iron and steel articles, move in much greater volume, constitute a far greater proportion of the total tonnage of freight handled, and provide absolutely and relatively a much larger amount of revenue in official territory than in the South. In 1939, approximately 95 percent of the coal and coke production of the country originated east of the Mississippi River, divided, official territory, including the Pocahontas region, 82.23 percent and southern territory, 12.9 percent. Excluding New England, in which there is no coal production but which imports a vast quantity, and the Pocahontas region, the coal and coke tonnage originated in official territory was 46.19 percent of the United States total. Coal and coke traffic is economical and profitable to handle. The coal traffic is more diffused and is more evenly shared by the major eastern railroads than by those in the South, where it is largely confined to four railroads, Louisville & Nashville, Southern, Illinois Central, and Clinchfield.

Official territory railroads handled 481 million tons of freight other than coal and coke in 1939, as compared with 143 million tons transported by southern railroads. Included in the former figure was a large volume of iron and steel traffic far in excess of the tonnage of like articles in southern territory. Thus, the ratios of the tonnage in iron and steel articles to the total freight tonnage handled, and of the revenue received from iron and steel tonnage to the total revenue from all freight, for the central-eastern and Great Lakes regions, which roughly constitute official territory other than the New England and Pocahontas regions, were, respectively, 15.32 and 14.66 percent, as compared with only 5.11 and 5.02 percent for the southern region. So also, the tonnage of iron and steel articles originated was 20.91 percent in the portion of official territory described and only 3.92 percent in the southern region. In 1940, 83.86 percent of the rail tonnage of iron and steel articles of the country originated in official territory, excluding New England and the Pocahontas region, as compared with only 6.65 percent in the South. The primary reason for this difference in tonnage lies in the natural advantage which accrues to the large official territory steel mills because of their location near great deposits of coal and on or close to the Great Lakes where cheap transportation of iron ore by water and, if need be, short rail hauls beyond are available. The cars used to transport ore from lake ports to the interior mills are afforded return loads by the large quantities of cargo coal moving to those ports. Moreover, the greatest consuming markets for manufactured iron and steel are in official territory.

Thus, coal, coke, and iron and steel tonnage provide official territory railroads with large sources of revenue which are available only in small degree to southern railroads. This fact affects, and in my opinion should affect, both the principles underlying the making of the northern and southern rate structures and the levels of the rates provided for class-rate traffic.

In the movement of low-grade, heavy-loading freight the situation is quite different from that portrayed above. The relative importance of the movement of two groups of low-grade commodities in 1939 for the southern region and the central-eastern and Great Lakes regions is shown in the following table. Group 1 comprises sand and gravel, broken and ground stone, phosphate rock, furnace slag, iron ore, fuel wood, pulpwood, logs, posts, poles and piling, and common brick, all of which are among the lowest-grade commodities transported. Group 2 consists mainly of manufactured goods in the category of low-grade tonnage and includes lumber, shingles and laths, box, crate, and cooperage material, built-up wood, railroad ties, products of forests, products of mines, brick, building tile, common lime, cement, fertilizers, cottonseed, crude petroleum, and asphalt.

	Commodities	Southern region	Central-eastern and Great Lakes regions
Percentage tonnage handled to total tonnage all freight.[2]	Group 1	[1] 21.32	[1] 5.06
	Group 2	19.48	18.68
Total		[1] 40.80	[1] 23.74
Percentage freight revenue to total freight revenue [2]	Group 1	6.63	1.70
	Group 2	15.01	11.43
Total		[1] 21.64	[1] 13.13

[1] Excludes iron ore.
[2] Excludes coal and coke.

In 1941, the western district class I railroads operated in freight service 56.45 percent of the 230,094 miles operated in the country. But they originated only 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern roads operated 24.50 percent of the total mileage, but originated 47.40 percent of the total originated carload traffic, excluding the Pocahontas region.

An analysis of the composition of the traffic originated in these two districts shows an even greater contrast. In 1941, the western railroads originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent by carriers in the eastern district, but the volume of the products of agriculture originated in ~~the West~~ is only 6.33 percent of the total of all carload traffic originated in the country. In that year, the western roads originated 28.06 percent of manufactures and miscellaneous tonnage, as compared with 60.66 percent by the eastern carriers. The eastern roads' share of manufactures and miscellaneous is almost three times the tonnage of agricultural products of the western roads, and thus the eastern roads' preponderance of high-grade traffic affords a much greater source of revenue to them than do the products of agriculture to the western carriers.

In the same year, the western roads originated 63.03 percent of the total tons of animals and products originated in the country, and the eastern roads only 28.51 percent, but here again the western tonnage is less than 1 percent of the total of all carload traffic in the country. The Commission has found that livestock is a commodity which cannot be expected to do more than pay its own way, *Livestock—Western District Rules*, 176 I. C. C. 1, 83, so there can be little profit in that kind of traffic.

In 1941, western roads originated 58.73 percent of the total tons of forest products and the eastern roads, 7.52 percent. The western tonnage is 3.80 percent of the United States total. Here again, this group of commodities is subject to freight rates which are not in the higher brackets. The tonnage of products of mines originated by the western roads was 33.31 percent of the total, as compared with 49.85 percent for the eastern roads, and was 17.47 percent of the United States total as compared with 26.14 percent for the eastern district. The western figures include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks.

The 13 western trunk-line and southwestern States originated a total of 258,735,397 tons of all carload freight, as contrasted with 199,140,599 tons of manufactures and miscellaneous alone originated in the eastern district.

During the period from 1921 to 1941 the revenue ton-miles per mile of line (traffic density) of the eastern railroads were more than twice, and in some years three times, those of the western roads. In 1921, the former's density was 2,357,040 and that of the latter 829,858. In 1941, corresponding figures were 3,392,964 and 1,358,041, respectively.

From the foregoing it is plain that the consist of the traffic is vastly different in official territory than it is in either southern or western territory, and that the chief difference lies in the much larger proportion and volume of the high-grade and more remunerative traffic in official than in either of the other territories. Alongside that very important fact there should be placed another, which the southern and western interests should realize is of great importance to them, namely, that on many raw or basic materials vital to the life of the South and the West, and which generally move on commodity rates, the rates in the South and the West are on a lower level than in the East. Using the South for illustration, the rates are now lower than in the East on such commodities as pig iron, pulpwood, logs, lumber, scrap iron, brick, lime, sand, gravel, crushed stone, fertilizer, and sulphuric acid. These important facts mean that the eastern roads by reason of their large volume of the more profitable traffic can render adequate service to the public with a lower rate level on other traffic, such as class-rate traffic, than can the southern and western roads. They mean also that if, as the majority here insist, that natural advantage is to be taken away from them and the class rates are to be made uniform in all of the territories east of the Rocky Mountains by increasing the eastern class rates by about 15 percent and reducing those in the other territories to that level, the ultimate result will be either that the eastern roads will make unreasonably large profits, which through divisions of the interterritorial rates they will be expected to share liberally with the southern and the western roads, and the official territory shippers and consumers will be called upon to help carry the burden thus thrust upon them by the relatively low rates on raw materials in the South and the West, or the latter rates, as well as a number of other exception and commodity rates in the West and the South, will have to be increased so as to provide the southern and western roads with sufficient revenue to enable them to continue to render adequate service to the public. To say, as do a number of the parties advocating uniformity, and as in effect does the majority report, that exception and commodity rates are not here involved and are not to be affected by what is done here, is simply playing the proverbial ostrich and should deceive no one.

One is required to guess from the text of the report the reasons which impelled the majority to prescribe a uniform scale of rates throughout this area, because the basis or bases for this finding are not clearly stated. The emphasis placed upon it in the report indicates that the cost evidence is the principal basis for the finding. It seems important, therefore, to discuss briefly the cost studies and the weight which should be accorded them.

The cost evidence was prepared by members of our staff. It does not even purport to reflect the actual or relative costs of transporting class-rate traffic in the different rate territories. The territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in certain territories selected by our cost section on traffic handled in different types of equipment, such as box, gondola, tank, stock, flat, or refrigerator cars. Class-rate traffic is not transported exclusively in any type of equipment, and although a substantial quantity is moved in boxcars, the volume of class-rate traffic transported in boxcars is much less than the volume of traffic transported in that type of equipment at exception or commodity rates. It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories.

The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things.

Moreover, the territorial subdivisions shown in the report in connection with the cost study do not reflect accurately the class-rate adjustments in the several rate territories. For example, the basic eastern scale does not apply in New England, and the basic southern scale does not apply in the Florida peninsula, but the basic eastern scale does apply in the Pocahontas region. The report does not contain any comparison of costs in official territory, including the Pocahontas region but excluding New England, with southern territory, excluding the Florida peninsula. Likewise, the territorial comparisons on which reliance is placed are for the western district as a whole, including mountain-Pacific territory. The latter territory is outside the scope of the class-rate proceeding and its rates are on a higher level than in western trunk-line and southwestern territories.

Among the incongruous results revealed by the cost study are that bituminous coal earns only 70 percent in the western district, only 72 percent in the southern region, and only 81 percent in the eastern district of "fully distributed costs," although it is a well-known fact that the heavy coal-carrying roads have always been the most prosperous; that iron and steel articles produce 99 percent of cost in the East as against 244 percent in the South, although on much of the iron and steel traffic the level of the rates in both territories is about the same; and that passenger automobiles earn 111 percent of cost in the East, 117 percent in the West, and 157 percent in the South, in the face of the fact that we have just concluded a lengthy nation-wide investigation of the rates on automobiles, in which it was shown that numerous rates on that commodity have been greatly reduced to meet motor-carrier competition and there is much reason to believe that many of them are so low as to cast a burden on other traffic. Either this Commission has been grossly misinformed by dozens of sworn witnesses in the last half century, or this cost study is practically worthless for the purpose of fixing rates. I do not mean to say that it is not the best that can be produced at this stage of the science of cost-finding, but I do mean to say that it is so full of estimates and assumptions that even if it purported to show the cost of transporting class-rate traffic, which it does not, it would be unsafe to base the prescription of class rates or class-rate relations upon it.

Aside from serving as a guide in fixing minimum rates, it seems to me the sensible policy toward the use of cost studies in rate making, now as then, is that set forth by the Commission in *Switching at St. Louis and East St. Louis*, 120 I. C. C. 216, where at page 220 we said:

> A cost study is ordinarily little more than a very rough indication, and even if unusually comprehensive and exact, it should not be the sole basis for fixing rates. The value of the service to the shipper and many practical considerations may be of equal or greater importance.

"But," say the majority, in effect, "we are not here basing the actual rates on cost, but are using cost to fix the rate relations between the respective territories." That is a dangerous policy, which is likely to plague this Commission for years to come, for it is perfectly plain that if a general cost study such as the one upon this record can be and is used as the vehicle for forcing uniformity in class rates, the same study can and probably should be used as an excuse for forcing uniformity in all rates, exception and commodity rates included. Certain it is that the study has no more merit for the fixing of class rates or class-rate relations than it has for the fixing of rates or relations on exception or commodity traffic. Would uniformity on all traffic be in the interest of the South with its relatively low rates on raw materials, or of the West with its relatively low rates on products of agriculture, including Idaho poatoes? I fear not. But on the theory of this report, and whether we like it or not, that is the direction in which we are now drifting.

The majority find that uniformity should be accomplished, among other steps, by increasing the class rates in official territory by 10 percent, to be changed later to about 15 percent, and as a basis for that finding they further find that the existing intraterritorial rates in official territory are unjust and unreasonable under section 1 (4) and (5) (a) of the act, and in their relation to the interterritorial rates are unduly preferential of official territory and its shippers and receivers of freight, and unduly prejudicial against the other territories and shippers and receivers therein located, in violation of section 3 (1). Aside from the cost study, which as stated is utterly inadequate for the purpose, the record embodies not one word of evidence in support of the finding that the official territory rates are unjust or unreasonable under section 1, and even the cost study indicates that carload traffic in the East is being handled at a profit. Excepting only the motor carriers, who are seeking an opportunity to increase their own rates, and testimony offered in their behalf, not a single party to this proceeding has gone on record as favoring an increase in the eastern rates and none of the evidence was directed toward that end.

So far as undue prejudice and preference under section 3 is concerned, this Commission has long taken the position, and it has been sustained by the courts, that in order to support a finding under that section there must be a clear indication of injury to the prejudiced party or parties. *Barrett Co.* v. *Atchison, T. & S. F. Ry Co.*, 172 I. C. C. 319, 333; *Bronstein* v. *Baltimore & O. R. Co.*, 215 I. C. C. 136, 141; *Hoffstot* v. *Monongahela Ry. Co.*, 248 I. C. C. 248, 253. Now, let us see what injury to southern and western shippers is shown on this record. The southern interests offered only nine shipper witnesses, and only three of them represented shippers whose products move on class rates here in issue. They are a manufacturer of washboards at

Raleigh, N. C., a manufacturer of macaroni products at Memphis, Tenn., and a manufacturer of wine at Atlanta, Ga. The Raleigh manufacturer's business has increased substantially in recent years, and about 25 percent of his shipments to official territory have been to Detroit, a short distance from Saginaw, Mich., where one of his chief competitors is located. Application of the eastern level of rates to his shipments to the North in a typical month would have reduced his freight charges by only 8 percent. The witness for the macaroni products manufacturer was not familiar with the basis on which macaroni products are sold, the volume of the shipper's traffic, the points to which shipments are made, or the rate of growth of the shipper's business. He had no knowledge of any injury by reason of the rate situation. The Atlanta manufacturer has a winery also at Brooklyn, N. Y., and does a nation-wide business. He recently constructed a larger plant at Atlanta and his business has made substantial progress.

Another southern witness had acquired a tannery at Andrews, N. C., about 4 months prior to the hearing. He had made no out-bound shipments, but had received some shipments of green and dry hides from official territory. The green hides moved at rates not here in issue, as will also out-bound shipments of leather when made. The dry hides, consisting of five carloads, moved at fourth-class rates which, according to an exhibit, were 31.1 percent higher than if the entire movement had taken place in official territory. No explanation for his failure to purchase hides at southern points was made by the witness, except the statement that "there are very few southern hides produced." This explanation is not in accord with our findings in *Schoen Bros., Inc.* v. *Erie R. Co.*, 258 I. C. C. 161, wherein the Commission prescribed rates on green salted hides from points in southern territory to official territory destinations. Therein, page 162, it appears that in the representative year of 1941, 29,774 tons of hides were originated in southern territory. This witness stated that one of the main reasons for his location at Andrews instead of elsewhere was because he had available at that point "the necessary supplies with which to carry on our business," especially an ample supply of chestnut wood. Numerous tanneries have been operating for many years at various points throughout the South, including a number in the general area of Andrews. None of them has expressed to us any dissatisfaction with the class-rate adjustment, with the single exception of this witness, who, as stated, had been operating in the South for only a few months at the time of the hearing.

The western interests offered only three shipper witnesses, a steel manufacturer at Pueblo, Colo., who uses class rates to a very limited extent and did not advocate rate parity with official territory, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a manufacturer of lamps and stoves at Wichita, Kans. The last two now ship most of their products to official territory, and neither left any impression that he was hurt by the present adjustment.

So far as appears, the products of each one of the foregoing shippers using class rates move freely under such rates, and the evidence falls far short of demonstrating that shippers are injured by them to any appreciable degree.

But it is urged by the southern interests, and especially in behalf of the Southern Governors' Conference, that the industrial development of the South as a whole has been and will continue to be retarded, and therefore that the South as a territory has been and will continue to be injured, by the class-rate adjustment unless class-rate uniformity is brought about. The evidence is overwhelmingly to the contrary. The facts are that from 1929 to 1939, which is a representative period, the South made greater progress industrially and economically than any other section of the country. In that period the number of wage earners in manufacturing industries in the country declined 11 percent, in official territory 12 percent, but in the South there was an increase of 5 percent. The values of manufactured products for the country declined 21 percent, in official territory 25 percent, but in the South there was an increase of 1 percent. The number of wage earners in the canned fruit and vegetable industry increased 68 percent in the South, as compared with an increase of 28 percent in official territory. In the cotton industry the number of wage earners in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States; the value of cotton products decreased 55 percent in the northern States and only 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South. Similar data of record show like trends in the furniture industry, in the manufacture of heating and cooking apparatus, and in other industries. Only in the manufacture of a relatively few products, such as morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products, was the industrial trend during that period less favorable in the South than in the North. From 1930 to 1940 there was a greater decrease in agricultural employment in southern than in official territory, but manufacturing employment increased in the South and decreased in the North. In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

Similar theories and arguments were advanced by Kentucky interests in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, 213 I. C. C. 297. The Kentucky commission had prescribed intra-

288

state class rates on substantially the eastern level, and that level of rates was sought from Kentucky to official territory. The claims were that the rate structure complained of had hindered the development of industry and had disintegrated the State's social structure. In that proceeding we required the existing interterritorial class rates to be reduced to substantially the eastern level, and such rates became effective in 1935. What happened? The industrial trend in Kentucky between 1927 and 1939 was less favorable than in the remainder of the South. In 1939 the number of industrial establishments in Kentucky was only 88 percent of the number in 1927, as compared with 101.8 percent for the South as a whole; the number of wage earners was 84 percent in Kentucky and 108.7 percent in the South; the value of the products of such establishments was 108 and 113.2 percent, respectively; and the value added by manufacture was 95 and 102.1 percent. In 1940, 5 years after the revision of the Kentucky class rates, the traffic density of manufactures and miscellaneous freight in Tennessee, in which the higher southern class rates applied and now apply, exceeded that in Kentucky by 68.5 percent; and in 1937 the value of manufactured goods in Tennessee exceeded that in Kentucky by 40.2 percent.

An unbiased consideration of the foregoing data, together with others of similar import upon this record, can lead to but one conclusion, namely, that the class-rate adjustment here before us has had no appreciable effect, one way or the other, upon the industrial or economic development of the South or the West, and that not a single shipper, nor any particular class of shippers, nor any particular territory, has suffered injury by reason of that adjustment. Accordingly, I can find in this record no adequate support for the majority findings of undue prejudice and preference.

Moreover, it seems to me the majority reach a labored construction of our powers under section 3 (1) of the act as amended in 1940 by the addition of the words "region, district, territory." In my opinion, those words added nothing to our powers, which prior to that amendment were ample to permit us to remove undue prejudice against one region, district, or territory, and undue preference of another. Certainly there has been no change in the criteria, to one of which I have just referred, which have long been applied by us in determining whether undue prejudice or preference exists.

I have no difficulty in agreeing that the evidence does warrant a finding of unreasonableness of the intraterritorial rates within the South and the West, as well as of the interterritorial rates between the respective territories, and that they should be substantially reduced. In order to bring together the class-rate structures still more closely than would result under such a finding of unreasonableness, I favor affording the eastern carriers the opportunity to make some increases in their class rates, but not by as much as 15 percent or even by 10 percent. To increase the eastern rates, especially on carload traffic, by either of the latter percentages will cast a heavy and unwarranted burden upon the official territory shippers of class-rate traffic. On a large proportion of the traffic which formerly moved, and normally should move, on class rates in official territory, exception or commodity rates have been established which are generally much below the class basis. The effect of what the majority require here, therefore, is to heap a further burden on those shippers, generally the small shippers, whose rates have never been reduced below the class basis, thus widening the advantage already enjoyed by those, mostly the large shippers, whose rates have been accorded special treatment. It may be confidently expected, if the eastern class rates are increased by 10 percent, and especially by 15 percent, either that much of the present class-rate traffic in official territory will be accorded exception or commodity rates on about the same level as the existing class rates, in which event the uniformity here aimed at will be largely destroyed, or that there will fall into the lap of this Commission a swarm of meritorious complaints against the resulting wholesale violations of the discrimination provisions of the act.

I would find that the present class rates in official territory, other than in New England and in Michigan zone C, are below a maximum reasonable level by about 6 percent, and that the existing class rates in the South and the West here in issue are unreasonable, (*a*) intraterritorially, to the extent that they exceed or may exceed the official territory rates as so increased by more than 10 percent in the southern region, except the Florida peninsula, and in western trunk-line zone I, and by more than 21 percent in western trunk-line zones II and III, in the Southwest, and in the Florida peninsula; and (*b*) interterritorially, between all territories, to the extent that they exceed or may exceed the resulting destination territory basis in each instance. The eastern scale, increased as above and sufficiently extended, should be straightened out so as to remove the irregularities caused by the general percentage increases of 1938, and the progression in its longer reaches should be slightly increased, before its use as a basis for the reasonable rates which would thus result. As so changed, the eastern rates would be little different from what they were until recently as a result of the general increases authorized in Ex Parte No. 148, *Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545, 258 I. C. C. 455. The eastern roads could be expected to establish such increased rates voluntarily, and no such violent disturbance of rate relations within official territory would result as must be expected under the basis prescribed in this report.

The foregoing reasonable bases, which in my opinion are the most favorable to the West and the South which the record supports, would result in greater reductions in the southern and western rates than will the interim basis prescribed by the majority, excepting only in western trunk-line zone I wherein the basis I propose would result in rates which on the average would be about as favorable as under the interim basis. Rates on these bases could and should be made effective permanently now. And in their establishment the time-honored principle that ordinarily an exception or a commodity rate must not exceed the corresponding class rate, should be observed. *C. Findeiss Sons Co.* v. *Pennsylvania R. Co.*, 241 I. C. C. 299. This principle is disregarded by the majority in their admonition that "no changes in existing exception rates or column rates are contemplated" by the interim findings. If that admonition is observed, there will be numerous exception or commodity rates in southern and western territories and interterritorially which will be higher than the corresponding class rates, a condition which on its face is unduly prejudicial and preferential and should not be permitted, much less required, by this Commission.

As a matter of fact, a reduction of only 10 percent in the existing rates in southern territory, the Southwest, and western trunk-line zone III will be of comparatively little benefit to those areas because of the thousands of exception and commodity rates which are now below the classification basis and on which the traffic is now moving. The majority recognize that one of the chief objectives in a general revision of class rates should be to minimize the use of exceptions, many of which are ambiguous and difficult of application, and to utilize to a much greater extent than before, the class rates for the actual movement of the traffic. A reduction of only 10 percent, and especially without disturbing existing exception or column rates, will not to any material extent meet this objective.

Moreover, it seems to me important, as urged by a number of the parties to this proceeding, that because of the intense commercial and industrial competition which may be expected in the postwar period, the crying need is for a stable and permanent adjustment on a fair and reasonable basis now, so that the shipping public, which will play an important part in that competitive struggle, can plan intelligently for the future. Looking at this, as we should, from a practical standpoint, I am convinced that the best interests of the country as a whole, and of the shippers and the carriers as well, would be better served by the establishment now—at a time when the revenues of the carriers can better stand the reductions and when there is still time to make readjustments in exception and commodity rates, if need be, before the intense competition of the postwar period sets in—of a permanent and stable rate adjustment, on the reasonable bases which are advocated in this expression, rather than by putting off to the distant future a permanent adjustment and foisting upon the public the unsound and unstable interim adjustment required by the majority.

Finally, the rate bases which I propose would not, as do the findings in the report, set aside long-established principles of rate making under which this country has become great and has developed the most efficient transportation system in the world; nor would they, as do the majority findings, "attempt to equalize fortune, opportunities, and abilities," which, as the Supreme Court pointed out in *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42, is contrary to the purposes of the Interstate Commerce Act.

BARNARD, *Commissioner*, dissenting:

I am of the opinion that the record in this proceeding does not support or warrant the findings and conclusions reached by the majority and, therefore, I dissent.

The Commission is in duty bound to confine itself to the record and in making its findings and arriving at its conclusions it may not go outside thereof. Unless its findings of fact upon which it bases its conclusions can find support in the evidence introduced, such findings and conclusions become unwarranted and unlawful.

This proceeding involves the classification ratings in all territories throughout the entire United States and class rates in official, southern, southwestern, and western trunk-line territories both interterritorially and intraterritorially. I purpose first to discuss the matter of a uniform classification.

Uniform classification.—The majority adopts the pattern of the official classification as the one which it thinks best comports with the requirement of the statute that the individual and joint classifications shall be just, fair, and reasonable for application throughout the country. The evidence fails to convince me that there is any greater merit in official classification than there is in any of the others. There is no evidence dealing with the classification ratings on particular articles. The record with respect to descriptions is general and consists mainly of comparisons of the ratings as a whole in one territory with another, and expressions of beliefs on the part of the southern and western interests that the official classification is lower and that they should have that classification because of their claim to parity with official classification. I feel that there should be a uniform classification throughout the country. I do not believe, however, that this objective can be effectively accomplished by displacing the classifications now in effect in Illinois, southern, and western territories with the official classification without giving proper consideration to the characteristics of all of the articles embraced in the classifications and the commercial and competitive conditions in the respective territories. It seems to be the view of the majority that the Commission is authorized to set aside the classifications now in effect without such a showing. I am not in accord with that view.

Uniform class rates.—I purpose next to consider the class rates embraced in this proceeding. Inasmuch as only a very small percentage of the traffic in the territories here involved moves on class rates, I have been at a loss to understand why the column rates and exceptions to the class rates were not included in this investigation, and I am of the opinion that the failure to consider these rates will bring about widespread revisions of the exceptions and the column rates made with relation to class rates. I appreciate that sound reasons can be given for not including commodity rates, but the failure to include column rates and exceptions to the class rates cannot, in my opinion, be successfully defended.

The principal findings of the report with respect to the class rates may be divided into two parts. The first part relates to a permanent adjustment to become effective at some uncertain date in the future and provides a uniform scale of class rates throughout that portion of the country east of the Rocky Mountains, which is to average 115 percent of the basic scale of first-class rates prescribed in the eastern revision as increased by the general increases of 1938, with other classes related percentage-wise to first class. The second part relates to the so-called *ad interim* adjustment which is to continue in force until a uniform classification is prepared. That adjustment provides for a reduction of 10 percent in the existing class rates within southern, southwestern, and western trunk-line territories and interterritorially, subject to a distance scale of class rates as minima, and an increase of 10 percent in the existing class rates within official territory, including Illinois territory. It is my view that the existing differences between the levels of the intraterritorial class rates in the South and West and those in official territory are too great, and that the interterritorial rates between the respective territories should be revised; but as the evidence of the proponents of changes in the present rate structures was directed to uniformity on the basis of the eastern level, there is not, however, sufficient evidence in this record to enable me to express an opinion as to what would be a just, reasonable, and nondiscriminatory class-rate adjustment.

In order to demonstrate of how very little importance is the class rate traffic within the respective territories and interterritorially as compared with the traffic which moves on rates other than the class rates, I call attention to the following table compiled from a study made by a member of our staff and which was received as evidence in this case and is made a part of the majority report:

Territories (within, or from one to another)	Percent of carloads		
	Class rates	Exception rates	Commodity rates
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	0.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Southern to western trunk-line	1.5	13.5	85.
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

I fail to see any justification for disrupting the entire rate structures throughout the territories involved for the sole purpose of bringing about uniformity of class rates, especially in view of the fact that, as heretofore stated, only a very small percentage of the total tonnage moves under those (class) rates.

The class rates now in effect in the territories here involved have been prescribed by orders of this Commission. They stand as the lawful and effective rates and may not be supplanted by other rates unless and until by a preponderance of the evidence such existing rates have been found to be unjust and unreasonable or unduly prejudicial or preferential.

Representatives of the eastern States and numerous shippers and the rail carriers in official territory urged that no increases be made in the class rates in that territory, and all expressed their satisfaction with the present class-rate structure. Also the Southern Governors' Conference, the foremost complainant, approves the present class rates in official territory and on page 277 of its brief filed in this proceeding in support of the retention of these rates, we find the following statement:

> The eastern first class scale has been used with apparent general satisfaction in official classification territory, subject to the official classification. Neither the railroads nor the shippers are asking that that scale and classification be changed. It therefore seems to us that it is proper to apply it throughout the territory east of the Mississippi River.

The evidence also further establishes that the southwestern and western trunk-line proponents of uniformity favor the retention of the class rates in official territory as they now exist. Nevertheless and in the face of this unanimity of approval, the majority, disregard-ful thereof, would increase these rates in official territory on an *ad interim* basis by 10 percent and a permanent basis by an average of 15 percent. I inquire of them, where is the evidence which authorizes such increases or as far as that be concerned any increases whatever?

I come now to the consideration of the class rates in southern, southwestern, and western trunk-line territories. The evidence introduced in these proceedings does not justify the reductions herein ordered, and in the absence of such showing, the action taken in making such reductions is unwarranted, and not only is this true, but as a result of these reductions in the class rates in southern, southwestern, and western trunk-line territories, the carriers operating therein will suffer substantial reductions in their revenues. Just what steps are contemplated by the majority to enable the carriers to recoup such losses when they occur, and in my opinion they are bound to occur, has not been made clear.

I am unable to find in this record sufficient evidence to support the claim of the Southern Governors' Conference that the class rate structures within the South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country. Furthermore, the evidence fails to convince me that the products of the South cannot compete with the products of official territoy in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates.

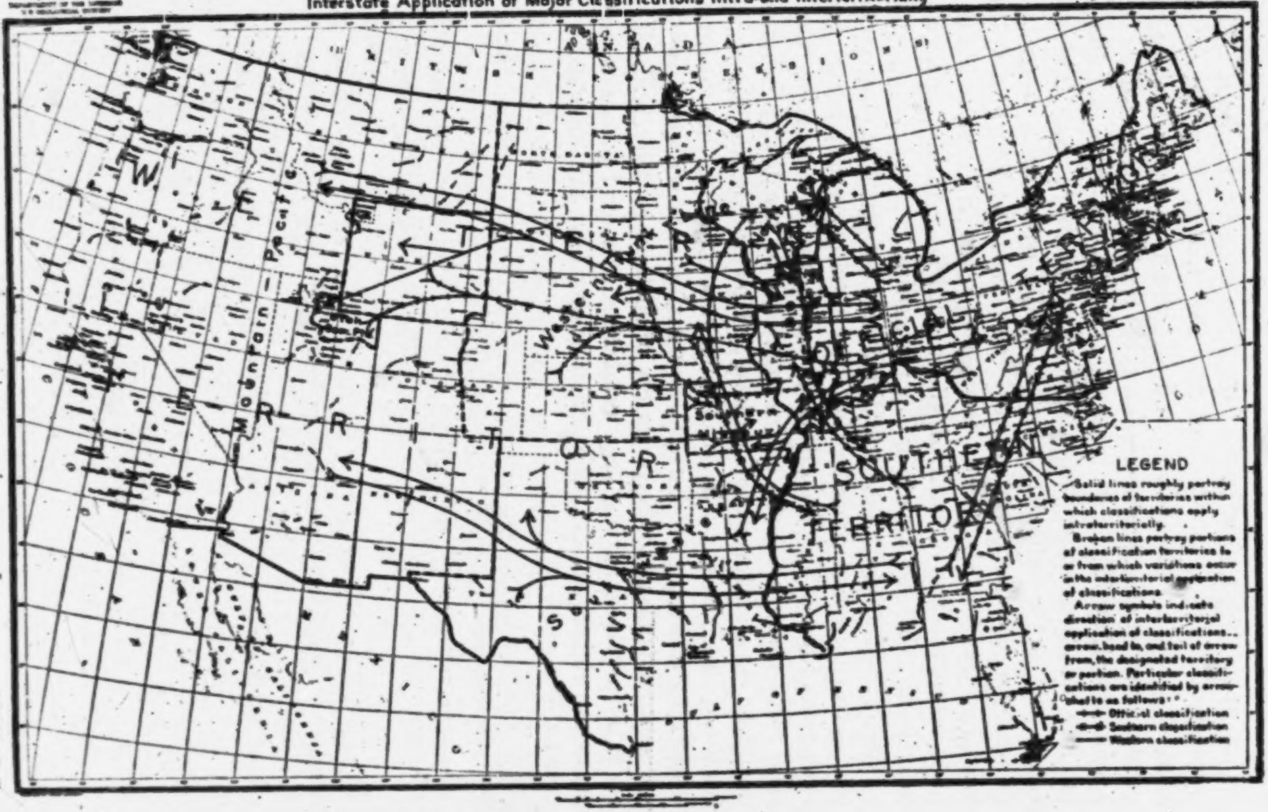
The only ground that I can conceive which impels the majority to condemn the class rates prescribed in the class-rate scales is the cost evidence prepared by members of our staff purporting to show that the cost of transporting freight by railroad is no greater in the South than in the North and but slightly greater in the southwestern and the western trunk-line territories than in the North. These studies attempt to arrive at a territorial comparison of average cost of all traffic and for traffic transported in different types of cars, i. e., box, gondola, and hopper, stock, flat, tank and refrigerator cars, and do not purport to show the costs of transporting class-rate traffic in any territory. The studies make no allowance for the difference in the consist of traffic in the different territories. If accepted at face value, they do not prove, nor were they intended to show the average cost of transporting class-rate traffic in any territory. Assuming, however, that the average cost of transporting class-rate traffic in the South and the West is either the same or not greatly in excess of transporting corresponding freight in the North for example, it does not follow upon such a premise that the rates must be the same. This is because of the well-known fact that the percent of profit on some kinds of traffic has always been and perforce must continue to be much greater than on others, as there is a great deal of traffic essential to the economic welfare of the country which would not move on rates that produce merely average percentages of profit above cost. Therefore, before we may conclude that substantially equal costs warrant the prescription of substantially equal rates, we must first find that the consist of traffic in the several territories is so similar as to make the rates remunerative in each of the territories. In my opinion, no such showing has been made in this proceeding.

Although it appears that the differences between the class rates in official territory and those in the other territories may be too great, there is nothing in this record which warrants the conclusion that the class rates throughout the entire area east of the Rocky Mountains should be on a uniform basis or level. However desirable a uniform system of class rates may be, if in order to accomplish that uniformity it becomes necessary to disrupt the existing rate structures without sufficient evidence as to the propriety of such uniformity, and without the rates involved having been condemned, the end does not justify the means employed, and such action cannot have my support.

Docket No. 28310

APPENDIX I

Interstate Application of Major Classifications Intra-and Interterritorially


UNITED STATES BASE MAP
CANADA
NORTH DAKOTA
WESTERN TERRITORY
Mountain - Pacific
Western
Southwestern
OFFICIAL
SOUTHERN TERRITORY
LEGEND
Solid lines roughly portray boundaries of territories within which classifications apply intraterritorially.
Broken lines portray portions of classification territories to or from which variations occur in the interterritorial application of classifications.
Arrow symbols indicate direction of interterritorial application of classifications—arrow head to, and tail of arrow from, the designated territory or portion. Particular classifications are identified by arrow-shafts as follows:
Official classification
Southern classification
Western classification

APPENDIX 2

Less-than-carloads

TABLE I.—*Official versus southern classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class.	Number of ratings	Rate
Official	100	2092	80	Official	55	616	44
Southern	100	2075	112	Southern	85	1	95
	85	5	95		70	2	78
	70	2	78		55	565	62
	55	7	62		50	2	56
	45	2	50		45	27	50
	40	1	45		40	19	45
Official	85	2672	68	Official	50	995	40
Southern	85	2600	95	Southern	70	2	78
	70	21	78		55	11	62
	55	42	62		50	682	56
	50	2	56		45	134	50
	45	2	50		40	162	45
	40	5	45		30	4	34
Official	70	2716	56				
Southern	70	2390	78				
	55	278	62				
	50	8	56				
	45	26	50				
	40	14	45				

---

[1] As in effect Aug. 3, 1942.

TABLE II.—*Official versus western classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	2092	80	Official	70	2716	56
Western	100	2076	97	Western	70	2571	68
	85	4	82		55	145	53
	70	10	68	Official	55	616	44
	55	2	53	Western	85	1	82
Official	85	2672	68		70	2	68
Western	85	2625	82		55	613	53
	70	29	68	Official	50	995	40
	55	18	53	Western	85	1	82
					70	3	68
					55	991	53

---

[1] As in effect Aug. 3, 1942.

TABLE III.—*Southern versus western classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Southern	100	2,068	112	Western	85	18	82
Western	100	2,066	97		70	164	68
	55	2	53		55	725	53
Southern	85	2,583	96	Southern	50	688	56
Western	100	1	97	Western	85	2	82
	85	2,578	82		70	4	68
	70	1	68		55	662	53
	55	3	53	Southern	45	193	50
Southern	70	2,407	78	Western	100	1	97
Western	85	4	82		70	24	68
	70	2,402	68		55	168	53
	55	1	53	Southern	40	233	45
Southern	55	907	62	Western	85	4	82
					70	10	68
					55	219	53

---

[1] As in effect Mar. 17, 1942.

APPENDIX 3

Carloads

TABLE I.—*Official versus southern classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	213	80	Official	40	1,105	32
Southern	100	190	112	Southern	70	1	78
	85	7	95		55	3	62
	75	2	84		45	286	50
	70	5	78		40	809	45
Official	85	706	68		37½	2	42
Southern	100	1	112		35	2	39
	85	575	95	Official	37½	766	30
	77½	24	87	Southern	55	7	62
	70	161	78		45	96	50
	55	4	62		40	561	45
	35	1	39		37½	90	42
Official	70	1,433	56		35	10	39
Southern	85	1	112		17½	2	20
	70	1,328	78	Official	35	2,709	28
	65	11	73	Southern	55	34	62
	60	1	67		45	190	50
	55	73	62		40	1,646	45
	45	10	50		37½	56	42
	40	5	45		35	380	39
	37½	1	42		32½	107	36
	35	1	39		30	294	34
Official	55	1,270	44		27½	38	31
Southern	70	19	78		25	13	28
	55	1,193	62		22½	36	25
	50	19	56		20	1	22
	45	30	50		17½	2	20
	40	13	45	Official	27½	677	22
	37½	3	42	Southern	40	35	45
	30	3	34		37½	2	42
Official	50	1,185	40		35	5	39
Southern	70	3	78		32½	26	36
	55	809	62		30	350	34
	50	93	56		27½	16	31
	45	204	50		25	25	28
	40	60	45		22½	106	25
	37½	9	42		20	33	22
	35	1	39		17½	77	20
	30	6	34				
Official	45	335	36				
Southern	55	8	62				
	45	315	50				
	40	12	45				

---

[1] As in effect Aug. 3, 1942.

TABLE II.—*Official versus western classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate
Official	100	213	80
Western	100	202	97
	85	7	82
	70	3	68
	55	1	53
Official	85	706	68
Western	100	1	97
	85	587	82
	77½	24	75
	70	182	68
	45	1	44
	32½	1	32
Official	70	1,433	56
Western	85	1	82
	70	1,381	68
	65	11	63
	55	29	53
	45	8	44
	37½	3	36
Official	55	1,270	44
Western	70	19	68
	55	1,198	53
	50	19	49
	45	31	44
	37½	2	36
	32½	1	32
Official	50	1,185	40
Western	70	4	68
	55	995	53
	50	57	49
	45	85	44
	42½	1	41
	40	3	39
	37½	29	36
	35	4	34
	32½	2	32
	30	5	29
Official	45	335	36
Western	55	8	53
	45	323	44
	40	1	39
	37½	3	36
Official	40	1,105	32
Western	70	1	68
	55	5	53
	45	984	44
	40	32	39
	37½	82	36
	35	1	34
Official	37½	766	30
Western	55	8	53
	45	110	44
	37½	644	36
	32½	2	32
	17½	2	17
Official	35	2,709	28
Western	75	36	73
	45	309	44
	37½	2,115	36
	35	3	34
	32½	133	32
	30	83	29
	22½	23	22
	17½	7	17
Official	27½	677	22
Western	45	1	44
	37½	83	36
	32½	136	32
	30	243	29
	22½	112	22
	17½	102	17

[1] As in effect Aug. 3, 1942.

TABLE III.—*Southern versus western classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate
Southern	100	201	112
Western	100	200	97
	85	1	82
Southern	85	580	95
Western	100	1	97
	85	578	82
	70	1	68
Southern	70	1,312	78
Western	85	14	82
	70	1,406	68
	55	2	53
Southern	55	2,102	62
Western	70	49	68
	55	2,135	53
	45	3	44
	42½	1	41
	40	1	39
	37½	2	36
	32½	1	32
Southern	45	1,105	50
Western	70	6	68
	55	131	53
	45	957	44
	40	2	39
	37½	5	36
	32½	3	32
	30	2	29
	22½	2	22
	17½	1	17
Southern	40	2,938	45
Western	55	36	53
	45	859	44
	40	17	39
	37½	2,061	36
	35	7	34
	32½	17	32
	30	6	29
	22½	2	22
	17½	2	17
Southern	35	338	39
Western	45	3	44
	37½	326	36
	35	1	34
	32½	5	32
	22½	2	22
	17½	1	17
Southern	30	618	34
Western	55	7	53
	45	2	44
	37½	140	36
	32½	132	32
	30	268	29
	22½	34	22
	17½	6	17
Southern	22½	176	25
Western	37½	5	36
	32½	22	32
	30	24	29
	22½	118	22
	17½	7	17

[1] As in effect Mar. 17, 1942.

APPENDIX 4

ANALYSIS OF CLASSIFICATIONS, ANY-QUANTITY AND LESS-THAN-CARLOAD RATINGS

Kind and number of any-quantity and less-than-carload ratings in official, southern and western classifications, respectively, their distribution into the different classes, and comparison, class for class, of the ratings in official with corresponding ratings in southern and western classifications. Total numbers of ratings in each class in the respective classifications are also stated

Record shows the source of these data as Consolidated Freight Classification No. 15, comprising Official Classification No. 59, Agent A. R. Greenley's I. C. C.-O. C. No. 59, Southern Classification No. 58, Agent E. H. Dulaney's I. C. C. No. 88, and Western Classification No. 70, Agent R. C. Fyfe's I. C. C. No. 28, as amended in effect on Aug. 3, 1942]

Official			Southern	4t1 (400)		3t1 (300)		2½t1 (250)		D1 (200)		1¾t1 (175)		1½t1 (150)		1¼t1 (125)		110		1 (100)	
Class and percentage	Number of ratings		Western	4t1 (400)		3t1 (300)		2½t1 (250)		D1 (200)		1¾t1 (175)		1½t1 (150)		1¼t1 (125)		110		1 (100)	
	AQ	LCL		AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL
4t1 (400)		2	Sou		2																
			West		2																
3t1 (300)	6	18	Sou			6	16														
			West			6	18														
2½t1 (250)	1	21	Sou					1	21												
			West					1	21												
D1 (200)	4	357	Sou							4	356										
			West							4	357										
1¾t1 (175)		13	Sou										13								
			West										13								
1½t1 (150)	2	483	Sou											2	482						
			West											2	483						
1¼t1 (125)		99	Sou														99				
			West														99				
110		1	Sou																1		
			West																1		
1 (100)	34	2,094	Sou																	31	2,075
			West																	33	2,078
2 (85)	15	2,674	Sou																		
			West																		
3 (70)	15	2,717	Sou																		
			West																		
60		14	Sou																		
			West																		
57		1	Sou																		
			West																		
R26 (55)		617	Sou																		
			West																		
4 (50)	3	996	Sou																		
			West																		
40		33	Sou																		
			West																		
IC	2	4	Sou																		
			West																		3
NR		5	Sou																		
			West																		
NT	1	2	Sou																		
			West			1															
Totals	83	10,151	Sou		2	6	16	1	21	4	356		13	2	482		99		1	31	2,075
			West		2	7	18	1	21	4	357		13	2	483		99		1	33	2,081

Kind and number of any-quantity and less-than-carload ratings in official, southerrn, and western classifications—Continued.

Official			Southern	2 (85)		3 (70)		4 (55)		50		5 (45)		6 (40)		8 (30)		IC		NR		NT	
Class and percentage	Number of ratings		Western	2 (85)		3 (70)		4 (55)												NR		NT	
	AQ	LCL		AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL
4t1 (400)		2	Sou.																				
			West																				2
3t1 (300)	6	18	Sou.																				
			West																				
2½t1 (250)	1	21	Sou.																				
			West																1				
D1 (200)	4	357	Sou.																				
			West																				
1¾t1 (175)		13	Sou.																				
			West																				1
1½t1 (150)	2	483	Sou.																				
			West																				
1¼t1 (125)		99	Sou.																				
			West																				
110		1	Sou.																				
			West																				
1 (100)	34	2,094	Sou.		5		2	3	7				2		1				2				
			West	1	4		10		2														1
2 (85)	15	2,674	Sou.	13	2,601		21	1	42		2		2	1	5								1
			West	15	2,626		29		18														

Class and percentage	AQ	LCL		2 (85) AQ	2 (85) LCL	3 (70) AQ	3 (70) LCL	4 (55) AQ	4 (55) LCL	50 AQ	50 LCL	5 (45) AQ	5 (45) LCL	6 (40) AQ	6 (40) LCL	8 (30) AQ	8 (30) LCL	IC AQ	IC LCL	NR AQ	NR LCL	NT AQ	NT LCL
3 (70)	15	2,717	Sou.			7	2,390	8	278		8		26		14						1		
			West			15	2,572		145														
60		14	Sou.				2		12														
			West				4		10														
57		1	Sou.						1														
			West						1														
R26 (55)		617	Sou.		1		2		566		2		27		19								
			West		1		2		613												1		
4 (50)	3	996	Sou.				2		11	3	682		134		162		4				1		
			West		1		3	3	992														
40		33	Sou.												33								
			West						33														
IC	2	4	Sou.															2	3				
			West		1	1		1															
NR		5	Sou.		1		1				1										2		
			West		1		1		1												2		
NT	1	2	Sou.																			1	2
			West																				2
Totals	83	10,151	Sou.	13	2,608	7	2,420	12	917	3	695		791	1	234		4	2	6		4	1	6
			West	16	2,634	16	2,621	4	1,815												3		3

Explanation of abbreviations and characters used in this appendix:
Sou. means southern classification.
West. means western classification.
4t1 means 4 times first class.
3t1 means 3 times first class.
2½t1 means 2½ times first class.
D1 means double first class.
1¾t1 means 1¾ times first class.
1½t1 means 1½ times first class.
1¼t1 means 1¼ times first class.
R26 means rule 26 rating.
AQ means any quantity.
LCL means less carloads.

Numerals greater than 8 (except R26) appearing in the headings of columns or in the first column, and standing alone, are the percentages of first class as specified in the respective classification; and those enclosed in parentheses immediately after the regular numbered class ratings are the percentages of first class prescribed in eastern, southern, and western trunk-line-southwestern revisions for class rates governed by official, southern, and western classifications, respectively. Percentages existing in mountain-Pacific territory differ on certain classes from those prescribed in the western revision and are not covered in this appendix.

IC means that the items covered are subject to the rates and regulations of individual carriers.

NR means that there are no ratings on the items covered.

NT means that the items covered are not taken by carriers.

APPENDIX 5

Analysis of classifications, carload ratings

KIND AND NUMBER OF CARLOAD RATINGS IN OFFICIAL, SOUTHERN, AND WESTERN CLASSIFICATIONS, RESPECTIVELY, THEIR DISTRIBUTION INTO THE DIFFERENT CLASSES, AND COMPARISON, CLASS FOR CLASS, OF THE RATINGS IN OFFICIAL WITH CORRESPONDING RATINGS IN SOUTHERN AND WESTERN CLASSIFICATIONS. TOTAL NUMBERS OF RATINGS IN EACH CLASS IN THE RESPECTIVE CLASSIFICATIONS ARE ALSO STATED

[Record shows the source of these data as Consolidated Freight Classification No. 15, comprising Official Classification No. 59, Agent A. R. Greenley's I. C. C.-O. C. No. 59, Southern Classification No. 58, Agent E. H. Dulaney's I. C. C. No. 88, and Western Classification No. 70, Agent R. C. Fyfe's I. C. C. No. 28, as amended in effect on August 3, 1942]

Official		Sou.	D1 (200)	1½t1 (150)	1¼t1 (125)	1 (100)	2 (85)	77½	75	3 (70)	70	65	60	4 (55)	55	50	5 (45)
Class and percentage	Number of ratings	West.	D1 (200)	1½t1 (150)	1¼t1 (125)	1 (100)	2 (85)	77½	75	3 (70)	70	65	60	4 (55)	55	50	A (45)
D1 (200)	5	Sou	3	1		1											
		West	3	1			1										
1½t1 (150)	3	Sou		1		1	1										
		West		1		1				1							
1¼t1 (125)	19	Sou			18		1										
		West			18		1										
1 (100)	215	Sou				199	7		2	5							
		West				204	7			3				1			
2 (85)	767	Sou				1	575	24		161				4			
		West				1	588	24		38	114						1
75	2	Sou							2								
		West							2								
3 (70)	1,437	Sou					1			1,329	1	11	1	73			10
		West					1			1,348	35	11		29			8
70	2	Sou									2						
		West									2						
65	6	Sou											4	2			
		West								5				1			
60	3	Sou											1	2			
		West											1	2			
R26 (55)	1,245	Sou								19				1,158		19	30
		West								19				1,154	19	19	31
55	25	Sou												2	23		
		West												4	21		
4 (50)	1,166	Sou								3				810		72	200
		West								4				997		36	78
50	22	Sou														21	
		West														21	
45	335	Sou												8			315
		West												8			322
40	1,105	Sou								1				3			288
		West								1				5			984
37½	766	Sou												7			95
		West												8			109
5 (35)	2,710	Sou												34			190
		West												36			309
32½	7	Sou															
		West															
30	89	Sou															
		West															
6 (27½)	679	Sou															
		West															
25	34	Sou															1
		West															
22½	20	Sou															
		West															
20	1	Sou															
		West															
IC	10	Sou															
		West															1
NR	9	Sou												3			
		West								3				3			
Totals	10,682	Sou	3	2	18	202	585	24	4	1,518	3	11	6	2,106	23	112	1,129
		West	3	2	18	206	598	24	2	1,422	151	11	1	2,248	40	76	1,843

Analysis of classifications, carload ratings—Continued

Official		Sou.	45		6 (40)	40	37½	7 (35)	35	32½	8 (30)	27½	9 (25)	10 (22½)	11 (20)	12 (17½)	IC	NR
Class and percentage[1]	Number of ratings	West.	45	42½		40	5 (37½)		35	B (32½)	C (30)			D (22½)		E (17½)		NR
D1 (200)	5	Sou																
		West																
1½t1 (150)	3	Sou																
		West																
1¼t1 (125)	19	Sou																
		West																
1 (100)	215	Sou															2	
		West																
2 (85)	767	Sou						1									1	
		West								1								
75	2	Sou																
		West																
3 (70)	1,437	Sou			5		1	1									3	1
		West					3											2
70	2	Sou																
		West																
65	6	Sou																
		West																
60	3	Sou																
		West																
R26 (55)	1,245	Sou			13		3				3							
		West					2			1								
55	25	Sou																
		West																
4 (50)	1,166	Sou	4		60		9	1			5							2
		West	7	1		3	29		4	2	4							1
50	22	Sou									1							
		West									1							
45	335	Sou			11	1												
		West	1			1	3											
40	1,105	Sou			785	24	2	1	1									
		West				32	82		1									
37½	766	Sou	1		561		90	10								2		
		West	1				644			2						2		
5 (35)	2,710	Sou			1,646		58	380		107	204	38	13	36	1	2		1
		West					2,116		3	133	83			23		7		
32½	7	Sou								5	1			1				
		West								6	1							
30	89	Sou			13						72	3		1				
		West					21			12	50					6		
6 (27½)	679	Sou			35		2	5		28	350	16	25	108	33	77		
		West					83			136	243			112		102		2
25	34	Sou									1		8	24		1		
		West					3				6			25				
22½	20	Sou												14	2	4		
		West												14		6		
20	1	Sou													1			
		West												1				
IC	10	Sou						1						4			4	
		West					2			1				4				
NR	9	Sou								1			2					3
		West												2				4
Totals	10,682	Sou	5		3,129	25	165	400	1	141	637	57	48	188	37	86	10	7
		West	9	1		36	2,988		8	294	388			181		123		9

Explanation of abbreviations and characters used in this appendix:

Sou. means southern classification.
West. means western classification.
D1 means double first class.
1½t1 means 1½ times first class.
1¼t1 means 1¼ times first class.
R26 means rule 26 rating.

Numerals greater than 12 (except R26) appearing in the headings of columns or in the first column, and standing alone, are the percentages of first class as specified in the respective classification; and those enclosed in parentheses immediately after the regular numbered or lettered class ratings are the percentages of first class prescribed in eastern, southern, and western trunk-line-southwestern revisions for class rates governed by official, southern, and western classifications, respectively. Percentages existing in mountain-Pacific territory differ on certain classes from those prescribed in the western revisions and are not covered in this appendix.

IC means that the items covered are subject to the rates and regulations of individual carriers.

NR means that there are no ratings on the items covered.

APPENDIX 6

TABLE I.—*Average rating assigned to items of various weights per cubic foot*

Weight per cubic foot	Average percent of first class					
	Less-than-carload ratings			Carload ratings		
	First period [1]	Second period [2]	Third period [3]	First period [1]	Second period [2]	Third period [3]
Official classification						
Under 10 pounds	129.3	106.4	111.9	66.5	48.1	67.6
10 pounds and under 20	91.2	81.1	83.4	48.3	42.9	49.4
20 pounds and under 30	82.1	78.9	76.6	43.2	40.0	43.6
30 pounds and under 40	78.6	75.3	73.5	42.7	38.4	40.8
40 pounds and under 50	77.1	71.0	66.7	42.0	40.3	38.7
50 pounds and under 60	80.3	71.1	64.8	41.3	39.0	37.3
60 pounds and under 70	76.0	65.3	65.1	41.3	38.7	35.6
Southern classification						
Under 10 pounds	128.0	109.0	109.7	67.5	52.9	66.2
10 pounds and under 20	93.7	82.8	82.5	53.4	48.0	49.3
20 pounds and under 30	83.6	79.0	73.4	47.5	44.8	43.1
30 pounds and under 40	80.0	74.3	70.8	47.8	43.3	41.5
40 pounds and under 50	78.3	71.1	64.4	47.1	46.5	39.0
50 pounds and under 60	83.1	70.0	63.8	47.6	40.2	37.2
60 pounds and under 70	79.0	63.2	62.0	47.6	41.4	37.3
Western classification						
Under 10 pounds	129.6	108.3	111.6	68.0	57.2	66.3
10 pounds and under 20	94.1	83.3	82.9	52.5	50.0	51.3
20 pounds and under 30	85.0	80.1	74.9	48.4	45.2	45.3
30 pounds and under 40	82.8	75.2	72.9	47.1	43.8	42.8
40 pounds and under 50	79.4	72.6	66.7	47.3	46.4	40.3
50 pounds and under 60	83.0	70.2	65.6	46.4	41.0	38.5
60 pounds and under 70	79.4	65.3	67.7	47.4	45.2	37.6

[1] From June 30, 1928, to Dec. 31, 1930.

[2] From Dec. 24, 1936, to May 31, 1940.

[3] From June 1, 1940, to Sept. 30, 1942.

TABLE II.—*Average rating assigned to items of various values per pound*

Value per pound	Average percent of first class					
	Less-than-carload ratings			Carload ratings		
	First period [1]	Second period [2]	Third period [3]	First period [1]	Second period [2]	Third period [3]
Official classification						
Under 10 cents	69.8	68.9	62.4	36.2	35.5	35.5
10 cents and under 20	85.3	75.8	69.7	44.6	39.7	40.7
20 cents and under 30	92.1	82.0	77.9	54.7	41.5	47.2
30 cents and under 40	92.8	86.4	84.6	49.7	45.3	49.6
40 cents and under 50	101.7	93.2	85.4	55.3	46.8	51.2
50 cents and under 60	111.5	89.5	90.0	60.4	45.5	54.4
Southern classification						
Under 10 cents	72.3	68.1	59.4	41.5	38.3	34.6
10 cents and under 20	86.9	77.3	68.5	50.5	45.7	41.3
20 cents and under 20	94.3	84.1	75.5	55.1	45.8	47.6
30 cents and under 40	96.8	87.7	83.0	55.0	56.6	50.4
40 cents and under 50	103.2	85.4	81.8	59.8	55.6	51.3
50 cents and under 60	115.8	88.4	90.0	63.5	52.5	53.9
Western classification						
Under 10 cents	74.2	69.[illegible]	62.[illegible]	40.8	39.5	36.5
10 cents and under 20	87.7	78.3	70.2	49.7	46.5	42.4
20 cents and under 30	95.2	85.4	77.6	53.6	51.8	49.5
30 cents and under 40	96.6	87.8	84.6	54.8	59.9	51.4
40 cents and under 50	106.7	87.7	84.0	60.1	54.4	53.3
50 cents and under 60	110.1	88.4	90.0	63.7	53.6	54.4

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

APPENDIX 7

TABLE I.—*Less-than-carload ratings—average by classes of weights per cubic foot and values per pound*

Class (regular and percentage)	First period [1]		Second period [2]		Third period [3]	
	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound
Official classification						
D1 (200)	7.53	37.66				
1½ (150)	9.73	35.18				
1 (100)	24.04	30.96	14.33	29.58	14.96	57.54
2 (85)	30.70	18.85	24.07	22.52	22.48	34.63
3 (70)	41.43	8.78	36.92	10.57	38.76	14.63
R26 (55)			42.35	5.12	46.03	7.47
4 (50)	53.79	3.39			55.84	4.32
Southern classification						
D1 (200)	7.77	38.14				
1½ (150)	10.82	33.55				
1 (100)	25.19	30.26	14.68	28.54	14.72	56.97
2 (85)	30.89	18.24	26.12	21.94	22.19	35.31
3 (70)	38.67	8.37	38.48	11.45	38.76	15.12
4 (55)	51.23	4.45	42.46	4.34	44.29	8.04
50					56.26	4.77
Western classification						
D1 (200)	9.26	41.00				
1½ (150)	10.80	32.99				
1 (100)	25.34	29.71	14.24	29.05	14.97	57.54
2 (85)	31.16	17.40	20.33	21.72	22.59	35.20
3 (70)	39.50	7.81	38.87	11.68	38.28	14.52
4 (55)	53.80	4.18	46.28	4.14	45.60	6.44

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

TABLE II.—*Carload ratings—average by classes of weights per cubic foot and values per pound*

Class (regular and percentage)	First period [1]		Second period [2]		Third period [3]	
	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound
Official classification						
2 (85)	4.21	22.10				
3 (70)	24.51	34.81			14.09	55.80
R26 (55)	34.69	24.18	23.28	22.95	23.03	34.23
4 (50)	32.01	18.80			30.26	26.51
45					30.99	22.59
40			38.09	19.93	34.11	[illegible]
37½			38.85	15.50		
5 (35)	35.61	9.67	32.78	5.82	41.40	10.15
6 (27½)	45.06	1.95			43.34	2.25
Southern classification						
2 (85)	8.56	46.20				
3 (70)	23.52	34.45	18.14	27.58	13.28	51.90
4 (55)	32.16	20.14	26.69	21.32	22.86	32.54
5 (45)	29.57	13.51	24.93	15.90	29.05	23.13
6 (40)	41.09	6.96	38.14	[illegible]	36.82	16.19
37½					42.04	11.97
7 (35)					43.70	9.93
8 (30)	38.91	2.62	32.70	2.90	38.19	3.37
Western classification						
2 (85)	8.31	44.42				
3 (70)	24.30	31.52	18.86	28.75	13.99	52.16
4 (55)	32.69	20.30	27.09	20.99	23.10	32.63
A (45)	27.24	14.16	29.64	13.46	30.35	21.86
40	39.80	8.04				
5 (37½)			40.15	7.41	41.22	10.39
B (32½)						
C (30)	48.77	2.02	43.94	2.24	43.62	3.03

---

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

APPENDIX 8

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
5	33	36	37	40	35	37	40
10	34	38	40	40	36	40	42
15	36	39	43	42	39	42	45
20	37	40	45	44	40	44	47
25	40	42	48	46	42	46	51
30	41	43	51	48	44	50	54
35	43	45	54	51	46	52	56
40	44	46	56	53	48	55	59
45	46	48	59	55	51	57	62
50	47	50	62	57	53	61	65
55	50	52	65	59	55	63	68
60	51	53	67	62	57	65	70
65	53	55	70	64	59	68	74
70	54	56	73	66	62	70	76
75	56	59	75	68	64	73	79

See footnotes at end of table.

***Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938*—Continued**

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		South-western territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
80	57	61	77	70	66	75	81
85	58	62	79	73	68	77	84
90	59	63	80	75	70	79	86
95	61	64	81	77	72	81	88
100	62	65	84	79	73	83	90
110	64	67	87	83	76	86	94
120	66	69	90	86	78	89	97
130	68	72	94	89	81	92	100
140	70	74	97	92	84	95	103
150	73	76	100	96	86	98	107
160	74	77	103	99	88	100	110
170	76	79	106	102	90	103	113
180	77	81	108	106	92	106	117
190	79	84	110	109	95	109	120
200	80	85	112	112	97	111	123
210	83	87	114	114	99	113	125
220	84	88	117	117	101	116	128
230	86	90	119	119	102	118	130
240	87	91	121	121	105	121	133
260	90	95	125	125	109	125	138
280	92	97	130	130	113	131	143
300	96	100	134	134	117	134	147
320	98	102	139	139	121	139	153
340	101	107	143	143	125	143	157
360	103	109	147	147	130	147	163
380	106	111	152	152	133	152	167
400	109	114	156	156	136	156	172
420	111	117	160	161	141	161	177
440	114	120	163	165	145	165	183
460	117	122	166	169	150	169	187
480	119	124	169	174	153	174	191
500	122	129	173	178	156	178	196
520	124	131	176	182	161	183	201
540	128	134	179	185	165	187	206
560	130	136	183	188	168	191	211
580	132	139	186	191	173	196	216
600	135	142	189	195	176	200	220
620	138	144	193	198	180	205	226
640	141	147	196	....	185	209	230
660	143	151	199	....	188	213	234
680	145	153	202	....	193	218	240
700	149	156	206	....	196	222	244
720	151	158	209	....	199	226	249
740	153	161	212	....	201	229	252
760	155	163	216	....	205	232	256
780	157	165	219	....	208	235	260
800	160	167	222	....	210	239	263
825	163	....	226	....	215	243	268
850	165	....	229	....	218	248	273
875	168	....	232	....	222	252	277
900	171	....	235	....	226	256	282
925	174	....	239	....	230	261	287
950	176	....	242	....	233	265	292
975	179	....	245	....	237	270	296
1,000	182	....	249	....	240	273	300
1,025	185	....	252	....	244	277	306
1,050	187	....	255	....	248	282	310
1,075	190	....	259	....	252	286	315
1,100	193	....	262	....	255	290	319

See footnotes at end of table.

***Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938*—Continued**

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
1,125	196		265		260	295	325
1,150	198		268		263	299	329
1,175	201		272		266	304	333
1,200	204		275		270	307	338
1,225	207		278		274	311	343
1,250	209		282		277	316	348
1,275	212		285		282	320	352
1,300	215		288		285	325	356
1,325	218		292		289	329	362
1,350	220		295		293	333	366
1,375	223		298		296	338	371
1,400	226		301		299	341	375
1,425	229		305		304	345	381
1,450	231		308		307	350	385
1,475	234		311		311	354	389
1,500	237		315		315	359	394

[1] New England zone B scale is 10 percent higher than the zone A scale.

[2] Scale prescribed as increased 10 percent. On July 7, 1941, the carriers voluntarily reduced the rates throughout southern territory for distances from 0 through 190 miles to basis of the border-area scale shown in the next column of this table.

[3] Scale prescribed in the area of southern territory bordering on official territory.

[4] This scale applies also zone III of western trunk-line territory. Southwestern zone IV scale, 15 percent higher than zone III scale, is not shown because carriers have abandoned it in favor of the latter scale.

APPENDIX 9

FIRST-CLASS RATES BETWEEN REPRESENTATIVE POINTS THROUGHOUT THE TERRITORIES EMBRACED IN THE PROCEEDING

[Distances stated are those computed over the shortest possible rail routes by which cars may be moved without transfer of lading; "Present rates" and "Eastern scale" are first-class rates in effect Apr. 1, 1943, but exclusive of the temporary general increase then also in effect but suspended May 15, 1943]

TABLE I.—*Intraterritorially*

Between official territory	And official territory																													
	Baltimore, Md.		Bangor, Maine		Boston, Mass.		Charleston, W. Va.		Chicago, Ill.		Dayton, Ohio		Detroit, Mich.		Louisville, Ky.		Montpelier, Vt.		New York, N. Y.		Pittsburgh, Pa.		Richmond, Vt.		St. Louis, Mo.		Syracuse, N. Y.		Terre Haute, Ind.	
	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate
Baltimore, Md.	------	----	663	152	428	114	432	110	767	154	535	125	598	132	682	145	530	134	201	83	313	98	165	76	882	168	364	106	716	151
Bangor, Maine	663	152	------	----	242	101	1,075	180	1,179	189	1,046	178	896	168	[1]1,209	194	278	110	458	131	871	167	808	169	1,380	212	534	134	1,213	193
Boston, Mass.	428	114	242	101	------	----	840	155	973	169	837	158	708	143	[1]1,010	174	202	95	247	95	663	139	573	132	1,174	193	328	101	936	173
Charleston, W. Va.	432	110	1,075	180	840	155	------	----	460	119	211	84	358	103	273	101	903	155	613	133	290	96	365	106	542	130	599	132	386	109
Chicago, Ill.	767	154	1,179	189	973	169	460	119	------	----	250	90	267	92	291	96	948	169	890	167	454	117	825	156	278	92	645	138	177	77
Dayton, Ohio	535	125	1,046	178	837	158	211	84	250	99	------	----	199	80	[1]164	77	812	158	690	145	254	90	576	129	349	103	508	121	182	79
Detroit, Mich.	598	132	896	168	708	143	358	103	267	92	199	80	------	----	[1]354	103	657	143	632	135	291	96	707	143	475	119	379	106	321	101
Louisville, Ky.	682	145	[1]1,209	194	[1]1,010	174	273	101	291	96	[1]164	77	[1]354	103	------	----	[1]976	174	[1]835	164	[1]426	114	697	144	264	92	[1]673	141	156	74
Montpelier, Vt.	530	134	278	110	202	95	903	155	948	169	812	158	657	143	[1]976	174	------	----	329	112	652	141	676	153	1,150	193	318	105	910	173
New York, N. Y.	201	83	458	131	247	95	613	133	890	167	690	145	632	135	[1]835	164	329	112	------	----	436	114	346	103	1,040	184	280	92	871	167
Pittsburgh, Pa.	313	98	871	167	663	139	290	96	454	117	254	90	291	96	[1]426	114	652	141	436	114	------	----	416	111	604	138	370	106	435	114
Richmond, Va.	165	76	808	169	573	132	365	106	825	156	576	129	707	143	697	144	676	153	346	103	416	111	------	----	909	169	510	124	751	152
St. Louis, Mo.	882	168	1,380	212	1,174	193	542	130	278	92	349	103	475	119	264	92	1,150	193	1,040	184	604	138	909	169	------	----	[1]846	160	168	76
Syracuse, N. Y.	364	106	534	134	328	101	599	132	645	138	508	121	379	106	[1]673	141	318	105	280	92	370	106	510	124	845	160	------	----	677	141
Terre Haute, Ind.	716	151	1,213	193	936	173	386	109	177	77	182	79	321	101	156	74	910	173	871	167	435	114	751	152	168	76	677	141	------	----

---

[1] Short-line distance computed partially over Louisville & Nashville Railroad.

TABLE I.—*Intraterritorially*—Continued

Between southern territory	And southern territory																	
	Atlanta, Ga.			Charleston, S. C.			Jackson, Miss.			Jacksonville, Fla.			Johnson City, Tenn.			Louisville, Ky.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.				308	139	98	414	160	111	331	143	101	302	139	98	451	166	117
Charleston, S. C.	308	139	98				678	202	145	232	121	87	379	152	106	689	206	149
Jackson, Miss.	414	160	111	678	202	145				584	189	135	609	193	138	564	186	132
Jacksonville, Fla.	331	143	101	232	121	87	584	189	135				527	179	128	782	219	160
Johnson City, Tenn.	302	139	98	379	152	106	609	193	138	527	179	128				347	147	103
Louisville, Ky.	451	166	117	689	206	149	564	186	132	782	219	160	347	147	103			
Memphis, Tenn.	417	160	111	725	212	153	211	117	84	667	202	145	530	179	128	377	149	106
Miami, Fla.	681	230	149	598	212	135	927	266	176	366	175	106	893	1 259	171	1,130	293	198
Montgomery, Ala.	172	106	77	430	163	114	248	125	90	336	143	101	453	166	117	489	173	122
Nashville, Tenn.	289	134	96	597	189	135	410	160	111	620	193	138	322	152	101	187	109	79
New Orleans, La.	490	173	122	748	216	155	180	106	77	608	193	138	715	209	151	747	216	155
Raleigh, N. C.	415	163	111	247	125	90	825	220	163	472	169	119	329	143	101	667	171	145

Between southern territory	And southern territory																	
	Memphis, Tenn.			Miami, Fla.			Montgomery, Ala.			Nashville, Tenn.			New Orleans, La.			Raleigh, N. C.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.	417	160	111	681	230	149	172	106	77	289	134	96	490	173	122	415	163	111
Charleston, S. C.	725	212	153	598	212	135	430	163	114	597	189	135	748	216	155	247	125	90
Jackson, Miss.	211	117	84	927	266	176	248	125	90	410	160	111	180	106	77	825	220	163
Jacksonville, Fla.	667	202	145	366	175	106	336	143	101	620	193	138	608	193	138	472	169	119
Johnson City, Tenn.	530	179	128	893	[1] 259	171	453	166	117	322	152	101	715	209	151	329	143	101
Louisville, Ky.	377	149	106	1,130	293	198	489	173	122	187	109	79	747	216	155	667	171	145
Memphis, Tenn.				1,008	276	185	331	143	101	230	119	86	391	156	109	823	226	163
Miami, Fla.	1,008	276	185				677	227	145	970	270	179	917	264	174	838	252	165
Montgomery, Ala.	331	143	101	677	227	145				302	139	98	318	139	98	587	189	135
Nashville, Tenn.	230	119	86	970	270	179	302	139	98				559	183	130	614	202	138
New Orleans, La.	391	156	109	917	264	174	318	139	98	559	183	130				905	239	174
Raleigh, N. C.	823	226	163	838	252	165	587	189	135	614	202	138	905	239	174			

[1] Rate applicable north-bound; south-bound rate is 257 cents.

TABLE I—*Intraterritorially*—Continued

Between western trunk-line territory	And western trunk-line territory																													
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis, Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak				526	205	128	461	165	119	765	257	157	364	151	106	152	100	74	561	190	132	550	185	130	495	177	122	273	131	92
Alliance, Nebr	526	205	128				657	220	143	238	133	87	865	267	168	677	235	145	955	268	179	548	204	130	260	138	90	715	233	151
Cedar Rapids, Iowa	461	165	119	657	220	143				787	248	160	381	133	109	475	167	119	329	121	101	290	117	96	430	158	114	244	105	90
Denver, Colo	765	257	157	238	133	87	787	248	160				994	279	182	915	283	174	1,085	293	193	620	222	138	357	163	103	845	257	165
Duluth, Minn	364	151	106	865	267	168	381	133	109	994	279	182				252	125	90	300	117	96	623	180	141	638	200	141	150	[1] 80	73
Fargo, N. Dak	152	100	74	677	235	145	475	167	119	915	283	174	252	125	90				519	175	124	669	206	145	614	202	138	232	119	87
Green Bay, Wis	561	190	132	955	268	179	329	121	101	1,085	293	193	300	117	96	519	175	124				590	169	135	728	215	153	288	117	96
Kansas City, Mo	550	185	130	548	204	130	290	117	96	620	222	138	623	180	141	669	206	145	590	169	135				294	134	96	478	153	119
Kearney, Nebr	495	177	122	260	138	90	430	158	114	357	163	103	638	200	141	614	202	138	728	215	153	294	134	96				488	172	122
Minneapolis, Minn	273	131	92	715	233	151	244	105	90	845	257	165	150	[1] 80	73	232	119	87	288	117	96	478	153	119	488	172	122			
Minot, N. Dak	264	143	92	791	261	160	708	227	151	1,028	308	187	486	185	122	233	129	87	752	232	155	815	249	163	760	244	155	465	180	119
Omaha, Nebr	365	150	106	413	173	111	257	109	90	538	202	128	486	156	122	483	171	122	557	168	130	191	95	80	186	109	79	341	130	103
Rapid City, S. Dak	347	160	103	178	117	77	653	219	143	416	177	111	676	229	145	499	190	122	858	256	168	708	228	151	438	183	114	570	208	132
St. Louis, Mo	738	212	153	809	248	163	290	112	96	890	268	171	671	179	145	765	216	157	458	123	117	272	113	92	566	190	132	534	160	128
Sault Ste. Marie, Mich	767	226	157	1,208	306	207	602	173	138	1,337	332	220	409	141	111	656	205	143	273	113	92	863	217	168	980	252	182	491	156	122
Scott City, Kans	799	250	160	570	216	132	666	218	145	332	157	101	943	265	176	919	271	174	977	263	182	374	164	106	410	173	111	793	244	160
Sioux Falls, S. Dak	182	109	79	545	202	130	303	121	98	674	232	145	343	147	103	306	139	98	501	156	124	373	133	106	318	136	98	227	105	86
Springfield, Mo	742	221	155	719	238	151	442	156	117	733	246	153	797	221	160	861	238	168	698	201	149	192	111	80	464	174	119	653	199	143
Trinidad, Colo	973	295	179	447	187	117	908	272	174	209	125	83	1,162	312	201	1,124	320	196	1,207	312	207	617	222	138	565	216	132	1,012	290	185
Wichita, Kans	657	218	143	538	200	128	491	176	122	512	201	124	789	230	160	776	239	157	790	224	160	200	117	80	284	140	96	645	208	143

---

[1] Rate applicable on less than carloads of less than 6,000 pounds; on less than carloads of greater weight and on carloads rate is 64 cents.

Between western trunk-line territory	And western trunk-line territory																													
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			St. Louis, Mo.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield, Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Easte rnscale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	264	143	92	365	150	106	347	160	103	738	212	153	767	226	157	799	250	160	182	109	79	742	221	155	973	295	179	657	218	143
Alliance, Nebr	791	261	160	413	173	111	178	117	77	809	248	163	1,208	306	207	570	216	132	545	202	130	719	238	151	447	187	117	538	200	128
Cedar Rapids, Iowa	708	227	151	257	109	90	653	219	143	290	112	96	602	173	138	666	218	145	303	121	98	442	156	117	908	272	174	491	176	122
Denver, Colo	1,028	308	187	538	202	128	416	177	111	890	268	171	1,337	332	220	332	157	101	674	232	145	733	246	153	209	125	83	512	201	124
Duluth, Minn	486	185	122	486	156	122	676	229	145	671	179	145	409	141	111	943	265	176	343	147	103	797	221	160	1,162	312	201	789	230	160
Fargo, N. Dak	233	129	87	483	171	122	499	190	122	765	216	157	656	205	143	919	271	174	306	139	98	861	238	168	1,124	320	196	776	239	157
Green Bay, Wis	752	232	155	557	168	130	858	256	168	458	123	117	273	113	92	977	263	182	501	156	124	698	201	149	1,207	312	207	790	224	160
Kansas City, Mo	815	249	163	191	95	80	708	228	151	272	113	92	863	217	168	374	164	106	373	133	106	192	111	80	617	222	138	200	117	80
Kearney, Nebr	760	244	155	186	109	79	438	183	114	566	190	132	980	252	182	410	173	111	318	136	98	464	174	119	565	216	132	284	140	96
Minneapolis, Minn	465	180	119	341	130	103	570	208	132	534	160	128	491	156	122	793	244	160	227	105	86	653	199	143	1,012	290	185	645	208	143
Minot, N. Dak				630	219	141	612	222	138	998	265	182	888	254	171	1,064	304	190	447	182	117	1,007	277	185	1,237	345	209	922	274	174
Omaha, Nebr	630	219	141				523	197	128	413	141	111	822	215	163	457	182	117	188	95	79	385	145	109	694	241	149	315	144	98
Rapid City, S. Dak	612	222	138	523	197	128				919	256	174	1,061	287	190	749	256	155	358	160	103	900	261	171	625	230	141	717	243	151
St. Louis, Mo	998	265	182	413	141	111	919	256	174				731	193	153	638	220	141	564	167	132	239	87	87	878	267	171	457	172	117
Sault Ste. Marie, Mich	888	254	171	822	215	163	1,061	287	190	731	193	153				1,250	305	209	723	199	133	971	245	179	1,480	354	237	1,083	267	190
Scott City, Kans	1,064	304	190	457	182	117	749	256	155	638	220	141	1,250	305	209				622	219	141	468	186	119	271	143	92	220	128	84
Sioux Falls, S. Dak	447	182	117	188	95	79	358	160	103	564	167	132	723	199	133	622	219	141				[1] 565	180	132	842	264	165	480	178	119
Springfield, Mo	1,007	277	185	385	145	109	900	261	171	239	87	87	971	245	179	468	186	119	565	180	132				701	241	151	259	131	90
Trinidad, Colo	1,237	345	209	694	241	149	625	230	141	878	267	171	1,480	354	237	271	143	92	842	264	165	701	241	151				446	187	117
Wichita, Kans	922	274	174	315	144	98	717	243	151	457	172	117	1,083	267	190	220	128	84	480	178	119	259	131	90	446	187	117			

TABLE I—*Intraterritorially*—Continued

Between southwestern territory	And southern territory																	
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Alpine, Tex.				546	211	130	676	240	145	497	196	122	221	132	86	509	220	135
Amarillo, Tex.	546	211	130				873	277	168	367	168	106	444	184	117	596	220	135
Brownsville, Tex.	676	240	145	873	277	168				541	211	130	897	282	171	358	163	103
Dallas, Tex.	497	196	122	367	168	106	541	211	130				646	235	143	242	139	90
El Paso, Tex.	221	132	86	444	184	117	897	282	171	646	235	143				820	268	163
Houston, Tex.	599	220	135	596	220	135	358	163	103	242	139	90	820	268	163			
Little Rock, Ark.	828	273	165	627	230	141	794	263	100	332	158	101	976	300	182	435	187	114
Memphis, Tenn.	960	294	179	760	253	155	912	265	174	463	193	119	1,108	322	196	554	209	130
New Orleans, La.	948	288	176	853	271	168	708	245	151	491	200	122	1,136	325	198	349	157	103
Oklahoma City, Okla.	609	225	138	274	144	92	742	256	155	228	132	86	718	248	151	465	192	119
San Antonio, Tex.	393	172	109	587	220	135	286	148	96	275	144	92	615	225	138	206	127	83
Shreveport, La.	688	244	149	553	211	130	591	220	135	191	124	80	836	273	165	232	139	87
Sweetwater, Tex.	304	153	98	242	139	90	636	230	141	233	134	87	412	177	111	408	177	111

Between southwestern territory	And southwestern territory																				
	Little Rock, Ark.			Memphis, Tenn.			New Orleans, La.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Easternscale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Alpine, Tex.	828	273	165	960	294	179	948	288	176	609	225	138	393	172	109	688	244	149	304	153	98
Amarillo, Tex.	627	230	141	760	253	155	853	271	168	274	144	92	587	220	135	553	211	130	242	139	90
Brownsville, Tex.	194	263	160	912	285	174	708	245	151	742	256	155	286	148	96	591	220	135	636	230	141
Dallas, Tex.	332	158	101	463	193	119	491	200	122	228	132	86	276	144	92	191	124	80	233	134	87
El Paso, Tex.	976	300	182	1,108	322	196	1,136	325	198	718	248	151	615	225	138	836	273	165	412	177	111
Houston, Tex.	435	187	114	554	209	130	349	157	103	465	192	119	206	127	83	232	139	87	408	177	111
Little Rock, Ark.				133	163	70	437	174	114	353	163	103	675	216	132	208	127	83	564	216	132
Memphis, Tenn.	133	103	70				(1)	(1)	(1)	485	193	122	706	245	151	321	154	101	696	241	149
New Orleans, La.	437	174	114	(1)	(1)	(1)				670	234	145	553	206	130	306	149	98	724	246	153
Oklahoma City, Okla.	353	163	103	485	193	122	670	234	145				477	192	119	369	168	106	308	153	98
San Antonio, Tex.	675	216	132	706	245	151	553	206	130	477	192	119				402	177	111	349	163	103
Shreveport, La.	208	127	83	321	154	101	306	149	98	369	168	106	402	177	111				424	182	114
Sweetwater, Tex.	564	216	132	696	241	149	724	246	153	308	153	98	349	163	103	424	182	114			

---

[1] Shown in table of distances and rates between points in southern territory.

TABLE II.—*Intraterritorially*

Between official territory	And southern territory														
	Atlanta, Ga.			Charleston, S. C.			Jackson, Miss.			Jacksonville, Fla.			Johnson City, Tenn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Easternscale
Baltimore, Md	686	[1] 196	149	560	[1] 169	130	1,060	253	190	792	204	160	449	121	117
Bangor, Maine	1,335	252	220	1,201	[1] 228	207	1,702	[1] 303	262	1,434	[1] 259	231	1,092	204	193
Boston, Mass	1,094	230	193	968	206	179	1,467	282	234	1,199	238	204	857	174	168
Charleston, W. Va	553	186	130	599	188	135	841	232	165	809	226	163	290	105	96
Chicago, Ill	728	210	153	988	249	182	738	206	153	1,059	263	190	638	166	141
Dayton, Ohio	529	183	128	758	215	155	728	200	153	860	239	168	416	134	111
Detroit, Mich	728	211	153	931	234	176	904	232	174	1,052	266	190	596	154	135
Montpelier, Vt	1,197	248	204	1,078	223	193	1,570	299	245	1,292	255	215	960	191	179
New York, N. Y	873	212	168	740	187	153	1,240	267	209	972	220	179	630	147	141
Pittsburgh, Pa	773	229	157	791	207	160	973	242	179	1,018	239	185	533	144	128
Richmond, Va	542	183	130	404	156	109	958	245	179	621	187	141	352	105	103
St. Louis, Mo	609	193	138	917	244	174	517	178	124	915	245	174	611	174	138
Syracuse, N. Y	1,029	235	187	914	212	174	1,237	270	209	1,131	244	198	752	163	155
Terre Haute, Ind	553	187	130	845	234	165	580	186	132	885	240	171	503	154	124

Between official territory	And southern territory—Continued																	
	Memphis, Tenn.			Miami, Fla.			Montgomery, Ala.			Nashville, Tenn.			New Orleans, La.			Raleigh, N. C.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	971	234	179	1,152	273	201	858	221	168	771	216	157	1,164	262	201	322	117	101
Bangor, Maine	1,578	[1] 289	248	1,795	[1] 329	270	1,501	[1] 275	240	1,394	[1] 274	226	1,807	[1] 312	273	965	201	179
Boston, Maine	1,372	267	223	1,560	307	245	1,267	253	212	1,180	252	204	1,572	290	245	730	167	153
Charleston, W. Va	641	190	143	1,175	298	201	685	209	149	451	165	117	943	242	176	403	128	111
Chicago, Ill	527	164	128	1,400	333	229	744	210	155	440	152	114	912	237	174	861	189	168
Dayton, Ohio	541	167	130	1,310	309	207	632	199	141	861	143	103	890	240	171	611	157	138
Detroit, Mich	705	190	151	1,409	338	229	834	228	165	541	172	130	1,080	263	193	761	177	157
Montpelier, Va	1,348	285	220	1,663	325	256	1,370	271	223	1,164	270	201	1,675	308	256	833	183	165
New York, N. Y	1,160	252	201	1,333	289	220	1,040	237	187	952	233	179	1,345	276	220	503	141	124
Pittsburgh, Pa	785	200	160	1,370	308	223	876	239	171	596	178	135	1,134	273	198	557	147	130
Richmond, Va	878	235	171	987	272	182	714	206	151	670	209	145	1,032	255	187	157	94	74
St. Louis, Mo	296	136	96	1,251	316	212	576	189	132	320	136	98	687	209	149	930	197	176
Syracuse, N. Y	1,044	231	187	1,497	314	237	1,144	253	198	660	211	168	1,390	288	226	667	161	145
Terre Haute, Ind	378	144	106	1,234	310	209	567	187	132	265	129	92	768	217	157	782	177	160

[1] Combination rate.

TABLE II.—*Intraterritorially*—Continued

Between official territory	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis, Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,423	295	229	1,626	345	253	979	193	182	1,743	371	261	1,194	237	204	1,392	288	226	909	172	174	1,134	234	198	1,399	288	226	1,155	233	201
Bangor, Maine	1,745	337	264	2,055	393	300	1,398	232	226	2,182	420	314	1,484	272	237	1,700	325	250	1,197	198	204	1,605	284	251	1,828	337	275	1,469	272	234
Boston, Mass	1,537	315	242	1,849	371	275	1,192	212	204	1,976	398	292	1,270	250	215	1,493	303	237	991	175	182	1,399	262	229	1,622	315	251	1,263	250	212
Charleston, W. Va	1,121	256	196	1,300	304	215	667	157	145	1,413	337	229	913	206	174	1,091	252	193	658	145	143	803	193	163	1,074	245	190	861	199	168
Chicago, Ill	661	201	145	876	254	171	219	100	84	1,006	279	185	452	151	117	631	198	141	196	87	80	437	143	114	649	197	143	401	139	111
Dayton, Ohio	911	230	174	1,096	278	193	457	132	117	1,209	304	207	703	180	151	880	228	171	447	121	117	599	165	135	869	223	165	650	175	143
Detroit, Mich	871	220	168	1,142	285	198	485	135	122	1,270	309	212	618	168	138	820	217	165	332	106	101	604	178	140	915	230	174	601	164	138
Louisville, Ky	932	240	176	1,097	281	193	472	144	119	1,155	305	201	743	196	155	922	234	174	489	177	122	537	158	128	830	230	165	602	185	149
Montpelier, Vt	1,494	315	237	1,824	371	273	1,167	212	201	1,954	398	289	1,139	250	198	1,384	303	226	963	175	179	1,382	263	226	1,597	315	248	1,221	250	207
New York, N. Y	1,466	304	234	1,764	360	267	1,108	204	196	1,886	385	281	1,206	239	207	1,422	294	229	920	172	174	1,288	248	215	1,537	303	242	1,193	239	204
Pittsburgh, Pa	1,115	256	196	1,329	308	220	673	161	145	1,451	332	231	881	200	171	1,079	250	193	596	142	135	852	197	168	1,102	251	196	848	196	165
Richmond, Va	1,486	394	237	1,666	350	256	1,036	196	187	1,778	371	270	1,278	248	215	1,456	299	234	1,012	176	185	1,169	237	201	1,439	292	231	1,226	241	209
Syracuse, N. Y	1,209	274	207	1,521	330	240	864	177	168	1,648	358	253	948	209	176	1,165	262	201	663	145	145	1,071	221	190	1,294	273	215	936	209	176
Terre Haute, Ind	795	220	160	947	262	176	335	118	101	1,040	284	187	629	177	141	805	220	163	374	119	106	430	139	114	705	210	151	575	164	132

Between official territory	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield, Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,618	340	251	1,220	244	207	1,630	347	253	938	185	176	1,507	328	240	1,280	255	213	1,130	245	198	1,750	371	264	1,333	285	220
Bangor, Maine	1,838	375	275	1,654	290	236	1,997	367	292	952	206	179	1,978	380	292	1,647	297	253	1,619	310	251	2,227	420	319	1,804	336	273
Boston, Mass	1,726	333	264	1,448	256	231	1,791	365	270	925	187	174	1,772	358	267	1,441	275	231	1,413	298	229	2,015	386	295	1,598	314	248
Charleston, W. Va	1,324	304	218	895	206	171	1,328	306	[illegible]	718	167	151	1,177	282	234	977	218	182	761	208	160	1,420	327	229	999	242	182
Chicago, Ill	864	264	168	476	153	119	[illegible]	253	168	471	154	119	810	240	163	519	161	124	518	172	124	1,053	290	190	636	200	141
Dayton, Ohio	1,112	279	195	690	180	149	1,110	282	195	664	149	120	973	257	179	760	198	155	589	179	135	1,216	304	207	799	217	160
Detroit, Mich	1,064	268	190	742	187	155	1,107	278	196	470	122	108	1,067	270	180	758	190	155	715	200	151	1,310	317	218	853	229	171
Louisville, Ky	1,155	286	201	677	184	145	1,125	283	198	655	176	143	993	250	174	775	198	157	503	166	126	1,144	300	198	721	215	153
Montpelier, Vt	1,617	353	251	1,424	[illegible]	229	1,765	366	287	751	187	153	1,766	356	267	1,416	275	229	1,[illegible]	288	226	1,[illegible]	[illegible]	[illegible]	1,561	314	248
New York, N. Y	1,555	345	256	1,361	[illegible]	223	1,718	355	282	[illegible]	188	171	1,662	343	256	1,280	264	223	1,280	270	215	1,[illegible]	[illegible]	284	1,480	299	237
Pittsburgh, Pa	1,311	303	218	923	207	174	1,320	307	218	647	168	143	1,[illegible]	292	239	973	219	179	843	216	165	1,[illegible]	312	234	1,052	249	190
Richmond, Va	1,569	351	259	1,260	240	212	1,685	352	259	1,062	195	190	1,542	336	242	1,225	261	220	1,147	256	198	1,765	371	270	1,366	266	228
Syracuse, N. Y	1,398	312	236	1,094	229	198	1,464	325	234	671	151	145	1,444	317	231	1,115	234	196	1,066	248	192	1,687	[illegible]	260	1,270	273	212
Terre Haute, Ind	1,038	270	187	543	162	130	[illegible]	296	182	[illegible]	168	135	804	240	163	639	177	141	[illegible]	152	111	1,047	[illegible]	187	626	201	141

TABLE II.—*Intraterritorially*—Continued

Between official territory	And southwestern territory														
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md.	1,928	438	286	1,664	359	256	1,848	429	275	1,432	340	231	2,076	443	303
Bangor, Maine	2,496	497	347	2,131	411	308	2,462	494	344	2,000	397	292	2,537	501	352
Boston, Mass.	2,290	471	325	1,925	389	284	2,256	468	322	1,794	375	270	2,330	475	330
Charleston, W. Va.	1,610	390	251	1,320	315	218	1,562	381	245	1,114	294	196	1,734	397	264
Chicago, Ill.	1,365	348	223	962	267	179	1,397	355	226	904	261	174	1,369	351	228
Dayton, Ohio	1,466	367	234	1,126	288	196	1,432	359	231	970	272	179	1,545	371	242
Detroit, Mich.	1,612	381	251	1,219	301	207	1,578	379	248	1,116	289	196	1,627	384	253
Montpelier, Vt.	2,269	471	322	1,912	389	284	2,235	468	319	1,773	375	267	2,344	475	330
New York, N. Y.	2,121	456	306	1,815	375	273	2,028	450	297	1,625	360	[illegible]	2,223	460	317
Pittsburgh, Pa.	1,720	401	262	1,380	320	226	1,686	393	259	1,224	304	207	1,787	404	270
Richmond, Va.	1,838	435	275	1,638	365	253	1,740	415	264	1,342	342	220	1,966	448	293
Syracuse, N. Y.	1,962	430	289	1,597	350	248	1,928	425	286	1,466	334	234	2,003	432	295
Terre Haute, Ind.	1,296	344	215	951	266	179	1,262	342	212	800	251	160	1,363	349	223

Between official territory	And southwestern territory																	
	Houston, Tex.			Little Rock, Ark.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md.	1,490	358	237	1,101	270	196	1,423	315	229	1,675	380	256	1,289	310	215	1,664	377	256
Bangor, Maine	2,103	413	336	1,669	328	256	1,914	367	264	2,242	443	319	1,871	370	278	2,222	432	317
Boston, Mass.	1,897	391	281	1,463	306	234	1,709	345	252	2,036	421	297	1,665	348	256	2,016	410	295
Charleston, W. Va.	1,204	304	207	783	223	160	1,081	268	193	1,357	328	223	972	263	179	1,346	330	220
Chicago, Ill.	1,035	295	187	604	195	138	776	250	157	1,174	311	201	805	239	163	1,061	290	190
Dayton, Ohio	1,073	290	190	639	200	141	892	244	171	1,212	316	207	841	242	165	1,200	306	204
Detroit, Mich.	1,219	309	207	794	223	160	1,006	259	185	1,358	326	223	987	262	182	1,344	321	218
Montpelier, Vt.	1,870	391	278	1,442	306	231	1,687	345	259	2,015	421	295	1,644	348	253	1,966	410	292
New York, N. Y.	1,669	374	256	1,294	297	215	1,581	331	248	1,808	405	278	1,482	329	237	1,857	386	278
Pittsburgh, Pa.	1,327	322	220	693	235	171	1,145	277	198	1,466	360	234	1,095	275	193	1,433	340	234
Richmond, Va.	1,351	342	236	1,011	270	165	1,364	321	227	1,571	362	245	1,169	305	201	1,574	365	245
Syracuse, N. Y.	1,505	353	245	1,135	266	198	1,380	305	226	1,709	382	262	1,337	307	220	1,686	370	259
Terre Haute, Ind.	903	270	174	469	174	119	710	221	151	1,042	297	187	670	219	142	1,016	285	185

TABLE II.—*Intraterritorially*—Continued

Between southern territory	And western trunk-line territory																													
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	1,317	309	218	1,415	345	229	860	233	168	1,432	364	231	1,172	277	204	1,330	310	220	924	241	174	579	240	171	1,100	294	201	1,094	270	193
Charleston, S. C	1,615	358	251	1,723	399	262	1,156	289	201	1,740	416	264	1,437	322	231	1,608	355	251	1,174	279	201	1,187	294	204	1,408	348	234	1,372	315	228
Jackson, Miss	1,216	298	207	1,200	326	204	792	223	160	1,213	340	207	1,137	271	198	1,209	303	212	920	238	176	674	228	145	945	281	176	1,030	262	187
Jacksonville, Fla	1,638	304	253	1,665	403	256	1,191	263	204	1,682	416	259	1,508	334	240	1,661	360	256	1,255	209	212	1,130	294	198	1,410	350	229	1,425	328	229
Johnson City, Tenn	1,276	297	215	1,419	340	229	817	206	163	1,502	361	240	1,098	261	193	1,260	294	212	835	210	165	883	238	171	1,170	280	204	1,033	251	187
Miami, Fla	1,979	443	292	2,006	461	295	1,533	363	242	2,033	495	293	1,857	416	278	2,007	449	295	1,604	375	251	1,471	374	234	1,751	428	267	1,771	409	267
Montgomery	1,302	306	218	1,329	341	220	856	233	168	1,346	352	220	1,190	281	204	1,330	311	220	937	243	176	794	235	160	1,674	288	190	1,094	272	193
Nashville, Tenn	1,028	257	187	1,126	294	198	571	171	132	1,206	314	207	889	224	171	1,041	264	187	635	180	141	590	184	135	883	244	171	805	216	163
Raleigh, N. C	1,520	325	240	1,695	365	259	1,006	237	190	1,609	393	273	1,311	279	218	1,492	320	237	1,058	223	190	1,199	262	204	1,409	311	234	1,256	273	212

Between southern territory	And western trunk-line territory																										
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	1,563	350	245	1,019	261	185	1,505	353	240	1,079	265	193	1,165	321	201	1,151	279	201	698	235	149	1,388	364	226	957	283	179
Charleston, S. C	1,840	404	275	1,327	316	220	1,809	406	273	1,296	293	215	1,473	372	234	1,459	330	234	1,006	288	185	1,695	416	259	1,265	333	212
Jackson, Miss	1,480	351	237	856	249	168	1,373	340	229	1,176	275	204	918	288	174	1,039	267	187	492	190	122	1,015	323	185	701	246	151
Jacksonville, Fla	1,894	418	281	1,312	316	218	1,625	411	273	1,410	314	229	1,415	363	229	1,471	334	234	948	276	176	1,601	416	251	1,217	321	207
Johnson City, Tenn	1,501	343	240	1,023	266	185	1,470	344	234	917	213	174	1,249	314	209	1,129	266	196	811	238	163	1,490	361	237	1,067	275	190
Miami, Fla	2,240	468	319	1,653	395	256	2,166	490	311	1,760	403	267	1,750	447	267	1,812	414	273	1,289	320	215	1,942	491	286	1,548	407	242
Montgomery, Ala	1,563	359	245	976	256	182	1,489	351	237	1,144	274	198	1,079	308	193	1,135	275	198	612	216	138	1,263	352	212	871	270	168
Nashville, Tenn	1,274	308	212	720	209	153	1,216	304	207	842	216	165	945	288	176	862	227	168	477	184	119	1,178	314	204	737	229	153
Raleigh, N. C	1,724	369	262	1,299	275	215	1,719	372	262	1,116	234	196	1,568	345	245	1,369	287	223	1,104	262	198	1,804	393	273	1,363	306	223

TABLE II.—*Intraterritorially*—Continued

Between southern territory	And southwestern territory														
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.	1,319	355	218	1,177	328	204	1,198	330	204	822	261	163	1,467	386	234
Charleston, S. C.	1,585	390	248	1,450	373	231	1,456	375	234	1,088	306	193	1,723	431	264
Jackson, Miss.	905	288	174	770	257	157	790	261	160	407	179	111	1,054	310	190
Jacksonville, Fla.	1,491	364	237	1,356	356	222	1,316	350	218	994	290	182	1,639	415	253
Johnson City, Tenn.	1,490	389	237	1,290	340	215	1,368	370	226	993	296	182	1,639	415	253
Louisville, Ky.	1,337	350	220	1,047	281	187	1,289	342	215	839	256	165	1,458	363	234
Miami, Fla.	1,832	459	275	1,607	420	259	1,625	424	251	1,335	363	220	1,980	490	292
Montgomery, Ala.	1,155	327	201	1,030	297	185	1,026	303	187	657	231	143	1,304	358	218
Nashville, Tenn.	1,190	334	204	990	281	182	1,142	326	198	693	242	149	1,339	362	220
Raleigh, N. C.	1,734	426	264	1,583	365	248	1,619	404	251	1,237	320	209	1,882	454	281

Between southern territory	And southwestern territory																	
	Houston, Tex.			Little Rock, Ark.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga.	839	260	166	540	190	130	932	272	174	1,083	299	187	631	219	141	1,086	308	190
Charleston, S. C.	1,097	301	193	857	257	168	1,210	326	207	1,299	341	215	907	269	171	1,321	351	218
Jackson, Miss.	431	179	114	257	128	90	586	218	135	619	219	138	217	127	84	641	232	143
Jacksonville, Fla.	957	275	179	799	248	160	1,152	317	201	1,162	319	201	808	251	163	1,227	324	209
Johnson City, Tenn.	1,039	298	187	662	229	145	1,015	296	185	1,227	324	209	825	260	163	1,226	340	209
Louisville, Ky.	930	274	176	500	180	124	816	235	163	1,083	301	198	668	226	149	1,071	301	190
Miami, Fla.	1,286	312	212	1,140	319	198	1,493	360	237	1,471	368	224	1,144	322	198	1,568	407	245
Montgomery, Ala.	607	228	145	453	180	119	816	259	163	869	289	169	467	194	119	891	277	171
Nashville, Tenn.	783	256	160	352	157	106	715	235	151	958	288	176	551	204	120	926	285	176
Raleigh, N. C.	1,260	320	212	955	270	179	1,308	321	218	1,448	370	231	1,046	292	187	1,479	376	234

TABLE II.—*Intraterritorially*—Continued

Between western trunk-line territory	And southwestern territory																	
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	1,394	367	226	983	287	182	1,562	392	245	1,034	289	187	1,378	366	226	1,278	334	215
Alliance, Nebr	1,168	332	201	676	240	145	1,143	382	231	937	282	176	946	290	176	1,166	328	201
Cedar Rapids, Iowa	1,219	331	207	819	251	163	1,317	350	218	774	244	157	1,223	332	207	1,016	288	185
Denver, Colo	930	291	176	438	182	114	1,311	361	218	805	265	163	708	248	151	1,034	310	187
Duluth, Minn	1,518	373	240	1,115	294	196	1,641	395	253	1,099	292	193	1,510	373	240	1,342	337	220
Fargo, N. Dak	1,512	383	240	1,101	304	196	1,680	409	259	1,167	306	201	1,496	383	237	1,393	350	226
Green Bay, Wis	1,518	369	240	1,115	289	196	1,592	384	248	1,058	281	190	1,522	372	240	1,234	312	209
Kansas City, Mo	929	288	176	526	199	128	1,025	305	187	484	195	122	933	288	176	726	246	153
Kearney, Nebr	1,020	303	185	609	218	138	1,188	333	204	682	233	149	989	298	182	911	282	174
Minneapolis, Minn	1,373	353	223	971	274	179	1,496	374	237	954	272	179	1,366	353	223	1,196	317	204
Minot, N. Dak	1,659	437	256	1,248	358	209	1,827	458	275	1,290	355	215	1,643	437	253	1,544	400	242
Omaha, Nebr	1,052	309	190	641	226	143	1,215	332	207	672	229	145	1,036	305	187	914	275	174
Rapid City, S. Dak	1,346	366	220	854	275	168	1,622	415	251	1,116	316	196	1,124	324	196	1,345	362	220
St. Louis, Mo	1,142	319	198	782	244	160	1,136	325	209	655	229	143	1,194	324	204	777	253	157
Sault Ste. Marie, Mich	1,792	407	270	1,389	326	226	1,864	422	278	1,331	318	220	1,796	408	270	1,507	349	240
Scott City, Kans	897	287	171	350	163	103	1,112	324	196	606	217	138	732	252	153	835	273	165
Sioux Falls, S. Dak	1,216	334	207	806	254	163	1,384	359	226	860	256	168	1,201	333	207	1,102	301	196
Springfield, Mo	903	285	174	569	210	132	959	294	179	416	178	111	1,012	303	185	658	239	143
Trinidad, Colo	721	259	153	253	139	90	1,126	329	198	620	225	138	499	196	122	849	277	165
Wichita, Kans	737	252	153	326	157	101	906	287	174	399	160	109	755	256	155	628	232	141

Between western trunk-line territory	And southwestern territory																				
	Little Rock, Ark.			Memphis, Tenn.			New Orleans, La.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	1,013	281	185	1,023	280	185	1,414	325	229	828	254	165	1,304	341	218	1,109	301	196	1,090	309	193
Alliance, Nebr	949	286	176	998	290	182	1,341	354	220	710	240	151	1,178	330	204	1,037	299	187	971	287	179
Cedar Rapids, Iowa	634	206	141	581	183	135	971	257	179	633	213	141	1,051	297	190	795	246	160	915	271	174
Denver, Colo	957	296	179	1,015	297	185	1,291	366	215	683	244	149	1,025	310	185	991	300	182	681	244	149
Duluth, Minn	1,015	290	185	932	234	176	1,317	299	218	964	260	179	1,376	343	226	1,174	297	201	1,213	315	207
Fargo, N. Dak	1,109	296	196	1,055	266	190	1,404	334	229	947	272	176	1,414	358	229	1,228	317	209	1,208	325	207
Green Bay, Wis	800	229	160	726	198	153	1,110	267	198	929	254	176	1,334	333	220	997	265	182	1,215	312	207
Kansas City, Mo	463	183	119	473	185	119	864	255	168	340	155	101	761	253	157	560	207	130	625	223	141
Kearney, Nebr	693	238	149	743	245	155	1,086	306	193	455	179	117	925	284	174	808	252	162	715	243	151
Minneapolis, Minn	878	245	171	826	223	165	1,217	292	207	790	240	160	1,230	323	209	1,031	283	187	1,089	295	190
Minot, N. Dak	1,270	329	212	1,269	311	212	1,660	382	256	1,094	323	198	1,561	407	245	1,367	366	223	1,354	378	223
Omaha, Nebr	648	218	143	653	211	143	1,044	275	187	486	186	122	949	279	176	750	239	155	747	249	155
Rapid City, S. Dak	1,128	320	198	1,162	303	201	1,519	366	240	888	274	171	1,255	364	223	1,215	333	207	1,097	323	193
St. Louis, Mo	344	154	103	296	136	96	587	209	135	541	197	130	917	279	174	545	202	130	800	263	168
Sault Ste. Marie, Mich	1,073	263	190	980	238	182	1,371	305	223	1,203	290	207	1,603	370	251	1,270	303	212	1,488	349	237
Scott City, Kans	663	234	145	748	250	155	1,055	306	190	380	167	109	847	273	165	750	254	155	593	220	135
Sioux Falls, S. Dak	841	248	165	859	228	168	1,243	294	207	650	221	143	1,119	308	196	936	268	176	912	276	174
Springfield, Mo	315	150	98	281	146	96	672	231	145	302	150	98	694	242	149	440	185	114	610	222	138
Trinidad, Colo	874	277	168	981	297	182	1,106	339	196	528	206	128	840	277	165	806	268	163	495	196	122
Wichita, Kans	445	185	117	540	200	128	838	270	168	171	118	77	639	232	141	532	204	128	433	183	114

APPENDIX 10

Scale of first-class rates (class 100)

[Prescribed for application in all territory covered by No. 28300]

Miles	Rate	Miles	Rate	Miles	Rate	Miles	Rate	Miles	Rate
5	40	160	82	580	152	1,150	234	1,775	311
10	43	170	84	600	155	1,175	237	1,800	313
15	46	180	86	620	158	1,200	240	1,825	316
20	48	190	88	640	161	1,225	244	1,850	319
25	50	200	90	660	164	1,250	247	1,875	322
30	52	210	92	680	167	1,275	250	1,900	324
35	54	220	94	700	170	1,300	253	1,925	327
40	56	230	96	720	173	1,325	257	1,950	330
45	58	240	98	740	176	1,350	260	1,975	332
50	60	260	102	760	179	1,375	263	2,000	334
55	61	280	106	780	182	1,400	266	2,025	337
60	62	300	110	800	185	1,425	269	2,050	340
65	63	320	113	825	189	1,450	272	2,075	342
70	64	340	116	850	193	1,475	275	2,100	344
75	65	360	119	875	196	1,500	278	2,125	347
80	66	380	122	900	199	1,525	281	2,150	349
85	67	400	125	925	203	1,550	284	2,175	351
90	68	420	128	950	207	1,575	287	2,200	353
95	69	440	131	975	210	1,600	290	2,250	357
100	70	460	134	1,000	213	1,625	293	2,300	361
110	72	480	137	1,025	217	1,650	296	2,350	365
120	74	500	140	1,050	221	1,675	299	2,400	368
130	76	520	143	1,075	224	1,700	302	2,450	372
140	78	540	146	1,100	227	1,725	305	2,500	375
150	80	560	149	1,125	231	1,750	308		

U. S. GOVERNMENT PRINTING OFFICE: 1945

EXHIBIT 2

INTERSTATE COMMERCE COMMISSION

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Decided October 30, 1945

On reconsideration, the findings in No. 28300 with respect to the ad interim class rate revision made in prior report, 262 I. C. C. 447, Part II, page 700, and Part III, pages 702-706, and the order with respect thereto, are modified as follows:

1. Class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); and (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise or intercoastal class rates, are excepted.

2. Class rates from and to points in the Southwest, which are subject to the Deming, N. Mex., rates as maxima, (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 per cent; and (2) where the rates are published specifically in amounts per 100 pounds, subject to the Deming rates as maxima, the class rates shall be recomputed on the zone III basis, the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

3. Findings with respect to class rates to or from points on short or weak lines modified to authorize the addition of existing arbitraries, reduced by 10 per cent.

4. Certain subnormal class rates applicable within and between southwestern and western trunk-line territories,

established to meet intrastate class rates or motor carrier or other competition, excepted in certain respects.

5. Extended zone C in Wisconsin is to be treated as a part of official territory with respect to rates between that extended zone and the remainder of official territory, except with respect to rates between Illinois territory and extended zone C.

6. Class rates governed by the official classification between Owensboro, Ky., and stations on lines of the Louisville and Nashville Railroad in official territory, including Cincinnati, Ohio, and Evansville, Ind., are excepted.

7. Reduced class rates not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates between the same points.

8. Petitions, insofar as they relate to the interim adjustment, are denied in all other respects.

9. Ultimate findings in part II, page 700, amended by adding to finding 1 thereof, a finding that the intraterritorial class rates, except as noted, within official and Illinois territories, are less than just and reasonable rates.

FIRST SUPPLEMENTAL REPORT OF THE COMMISSION

BY THE COMMISSION:

These two proceedings were instituted upon our own motion, and the original report therein was made on May 15, 1945, in 262 I. C. C. 447. The order entered on that date required the respondent carriers by railroad, during an interim period, to increase class rates 10 per cent within official territory and to reduce class rates 10 per cent in other territories and on interterritorial traffic (except within and to and from mountain-Pacific territory). By the terms of the order, as amended by order of July 25, 1945, the carriers were required to establish the new rates effective November 30, 1945, upon statutory notice. By order entered

October 26, 1945, the effective date was postponed to January 1, 1946, upon like notice.

Certain petitions [1] were filed by respondent carriers and other parties requesting modification of our findings and order. We have given further consideration to the matters presented in those petitions.

Coastwise and intercoastal class rates

In our report at page 515, we said:

> Owing to the war, practically all water carriers which have participated in joint rates with the railroads have suspended operations because their vessels have been taken over by the Government for war purposes. The lack of evidence respecting such rates is doubtless due to this fact. As the present record is inadequate upon which to prescribe reasonable and otherwise lawful all-water or rail-water rates, no findings will be

---

[1] Petitions were filed by the Southwestern Steering Committee on behalf of the States of Arkansas, Kansas, Louisiana, Oklahoma, and Texas; the Commonwealth of Kentucky and the Railroad Commission of Kentucky; the States of New York, New Jersey, Pennsylvania, and Maryland, and various chambers of commerce and commercial organizations in eastern trunk-line territory; the State of Ohio; the Governor of the State of Indiana; the Governors of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut, and the New England Traffic League et al.; the Corporation Commission of the State of New Mexico; the Public Service Commission of Wisconsin; the Central Territory Rate Conference; the Minneapolis Traffic Association; the North Atlantic Ports Conference; southern industrial interests; the motor carrier interveners; and all the respondent railroads. Replies to one or more of these petitions were filed by the Southern Governors' Conference; the States of Arkansas, Kansas, Louisiana, Nebraska, North Dakota, South Dakota, Oklahoma, and Texas, represented by the Steering Committee for those States, and certain commercial interests therein; the State of Florida, the Railroad Commission of Florida, and certain commercial organizations in Florida; North Dakota interests, including the Attorney General and Public Service Commission of the State of North Dakota and certain commercial organizations in North Dakota; the American Cotton Manufacturers' Association et al.; the Green Bay Association of Commerce et al.; the Wichita (Kans.) Chamber of Commerce; the official territory lines; and the class I western railroad respondents.

made with respect thereto, and they will not be discussed further in this report.

Railroad class rates applicable on interstate traffic to or from the Atlantic and Gulf of Mexico ports, carried from or to those ports by carriers by water in interstate commerce, were not specifically excepted from the interim order. Those rates, referred to as coastwise and intercoastal rates, are not published as joint rates with the carriers by water, and, therefore, are not, strictly speaking, rail-water rates. Respondent railroads request us to modify our interim order so as to except, in certain requests, their coastwise and intercoastal rates from its requirements. The respondent railroads in all three classification territories request us to modify our findings and interim order, so as not to require any change to be made in the class rates specifically published for application on coastwise and intercoastal traffic to or from the south Atlantic and Gulf ports. Specific coastwise and intercoastal class rates are now published between such ports and Ohio River crossings (including intermediate points in southern territory where the Ohio River crossing rates are held as maxima), Chicago, Ill., St. Louis, Mo., and certain territory north of the Ohio River, roughly described as lying west of the Chicago-Indianapolis-Cincinnati line.

Generally, the domestic class rates, governed by the southern classification, are applicable to and from southern ports (either with or without the addition of so-called port charges) on coastwise and intercoastal traffic, in the absence of class rates specifically published to apply on that traffic. This situation generally obtains on coastwise and intercoastal traffic between ports and interior southern points, from and to which the specific intercoastal rates do not produce lower rates; also on coastwise traffic from Ohio River to south Atlantic and Gulf ports. As to such class rates when applicable on coastwise and intercoastal traffic, no modification of our interim order is requested.

The existing specifically published coastwise and intercoastal class rates to and from the south Atlantic and Gulf ports are generally the same as the export and import rates from and to the same points, and are made with direct relation to the rates to and from the north Atlantic ports. For example, those so published from Chicago to south Atlantic and Gulf ports are the same as those so published from Chicago to Baltimore, and they are governed by official classification. The same is true of specifically published coastwise and intercoastal class rates from Cincinnati, Ohio.

It is apparent that an increase of 10 per cent within official territory and a decrease of 10 per cent between points in official territory and the south Atlantic and Gulf ports would disrupt the present relations of the rates to and from the ports. The railroads and the water carriers, and presumably the shippers, desire to retain those relations. We are of the opinion that their continuance during the interim period will be in the public interest, and will be just and reasonable.

Respondent railroads in official and western classification territories have filed a separate petition concerning the coastwise and intercoastal class rates to and from the north Atlantic ports (including the Virginia ports). Coastwise and intercoastal rates to and from the north Atlantic ports are generally the same as the import and export rates. The latter were specifically excepted from our findings and interim order. Respondents state that they made their coastwise and intercoastal class rates to and from the north Atlantic ports the same as the export and import rates in order to maintain the established port rate relations, because from a competitive standpoint this traffic has the same characteristics as import and export traffic. As between the north Atlantic ports themselves, a 10 per cent increase from points of origin in official territory and a 10 per cent reduction from western trunk-line territory origins would destroy the present relations. Petitioners in official and western classification territories ask that the report and order be modified so as to eliminate any requirement that the class rates applicable on coastwise and intercoastal traffic moving to and from north Atlantic ports be increased or reduced. This includes domestic class rates applicable on coastwise and intercoastal traffic in the absence of specific coastwise and intercoastal rates. For example, from some points in official territory only domestic class rates are published to Baltimore, and these rates apply also on coastwise and intercoastal, as well as on export and import traffic. In such cases it is contemplated that the old class rates shall continue to apply on coastwise and intercoastal traffic as well as on that which is export or import traffic.

Both petitions are supported by the North Atlantic Ports Conference, an organization of port authorities and commercial organizations representing various north Atlantic ports. The Ports Conference points out that there is no evidence relating directly to rates applicable on coastwise and intercoastal traffic, and that, in addition to disturbing the relations between the rates to and from the north Atlantic ports and those to and from south Atlantic and Gulf ports to the detriment of the former, the report and order, by increasing the rates to and from the north Atlantic ports, will place steamship lines, particularly intercoastal lines, under an additional competitive disadvantage as against competing rail or motor carrier routes.

The only other reply to the petitions is from representatives of the State of Florida and various commercial institutions in that State. That reply concedes that "since the export and import class rates are exempted, perhaps the rail proportional class rates in connection with coastwise and intercoastal traffic should also be exempted from the interim order."

Upon further consideration of the record, and the petitions and replies thereto, we find that our previous findings in Part III, pages 702 to 706, and our interim order should be modified by excepting: (1) Class rates applicable to coastwise and intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); and (2) class rates applicable to coastwise and intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise and intercoastal class rates.

Deming, N. Mex., class rates as maxima

The southwestern railroads have filed a petition for modification of our findings and interim order respecting class rates to and from points in the Southwest where the Deming, N. Mex., rates are held as maxima. Class rates prescribed in the *Consolidated Southwestern Revision* were in some instances higher than the transcontinental rates applicable to and from Deming. Therefore, the Deming rates were held as maxima. In some instances this was done by means of a tariff rule. In other instances the Deming rate, in cents per 100 pounds, was specifically published for application to and from points in the Southwest.

Obviously both situations should be treated alike in applying the 10 per cent reduction required by the interim order. Petitioners ask that our findings and order be modified so as to eliminate any requirement to reduce class rates to and from points in the Southwest where the Deming rate is held as a maximum. The southwestern steering committee in a reply asserts that to grant the petition as presented would not give shippers the benefit of reduced class rates where such reduced class rates would be lower than the Deming rates.

Our findings in Part III, pages 703 and 704, are hereby modified so as to provide that (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 per cent, and (2) where the rates are published specifically in cents per 100 pounds, using the Deming rates as maxima, the class rates should be recomputed on the zone-III basis and the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

Rates to and from points on short or weak lines

Respondent rail carriers have filed a petition seeking clarification of our interim order insofar as it relates to class rates to and from points on short or weak lines. The only reply to the petition is from Florida interests, including State authorities and representatives of various commercial associations. This reply interposes no objections to the petition "for fear that such objections might delay publication of the new rates," but adds "that any order issued in response to the petition should be subject to a proviso that the resulting rates will be in substantial accord with the Commission's findings."

In our original report (page 700), we reserved for later consideration the matter of arbitraries for short or weak lines. Nevertheless, technically both our interim and our ultimate findings apply to rates to, from or between points on short or weak lines as well as to, from or between points on standard lines. As there is as yet no order or effective date in connection with the ultimate adjustment, the omission of any specific findings with respect to the extent to which short or weak lines are entitled to arbitraries higher than the standard basis prescribed is not of immediate importance in connection therewith. Similarly, where, in the interim adjustment, the existing rates are increased or reduced by the full 19 per cent prescribed, no complications will result, as both the base rate and the arbitrary will be increased or reduced by the required percentage whether in the tariffs the arbitraries are published separately or included in the rate.

But where on interterritorial traffic or on traffic within western and southern territories, the minimum scale comes into play, the effect is to make a relatively greater reduction in rates to and from points on short or weak lines now having arbitraries, and to reduce or eliminate such arbitraries, due to the fact that there is no provision for adding any arbitraries in applying the minimum scale. For example, between Boston, Mass., and Valdosta, Ga., a point on a standard line, the first-class rate is $2.38. This rate reduced 10 per cent would become $2.14, but as the minimum scale for the distance is $2.40, no change is required and the rate remains unchanged, $2.38. But to Nashville, Ga., a nearby point on the Georgia & Florida Railroad, the present rate is $2.61, a portion of which represents an arbitrary authorized for the Georgia & Florida. If the rate be reduced 10 per cent it becomes $2.35, but, as the minimum scale rate is $2.40 under the findings and order, the Boston-Nashville rate becomes $2.40, and the present difference of 23 cents over Valdosta will be reduced to 2 cents. Thus the arbitrary for the Georgia & Florida which accrues exclusively to it is practically eliminated.

Such result was not intended. In order to avoid an unjust result to short or weak lines which have been accorded arbitraries, authority should be granted to add the existing arbitraries, reduced by 10 per cent, in applying the minimum scale. However, the petition points out that to readjust the rates precisely in this manner will require considerable time, because in many instances the arbitraries are not separately stated in the tariffs. In the interest of eliminating delay in effecting publication, respondents agree, if permitted, to produce substantially the same result by determining the differences between the existing first-class rates to or from the nearest junction point with the short or weak line and the existing first-class rates to and from points on the short or weak lines, and then to publish new first-class rates to and from the latter points in amounts exceeding the new rates to and from the junction point by the existing differences reduced 10 per cent.

Our findings in Part III on pages 703 and 704 of the report are hereby modified to authorize the addition of the existing arbitraries, reduced by 10 per cent, in applying the minimum scale, and the described method of publication will be considered as substantial compliance with the findings and order so modified, subject to later revision in cases where the difference is material.

SUBNORMAL CLASS RATES

The western rail respondents in southwestern and western trunk-line territories have filed a petition requesting modification of our findings and interim order so as not to apply to class rates within and between southwestern and western trunk-line territories which these respondents have published to meet the competition of intrastate class rates required to be published within the borders of various States or voluntarily established to meet motor carrier and other competition. Although not specifically excepted in the petition, it is understood that the request of these respondents does not extend to class rates voluntarily reduced from the zone IV basis to the zone III basis in southwestern territory.

The following tariffs provide interstate class rates which are below the bases prescribed by us in prior class rate revisions:

Agent Marsh's I. C. C. 3627 provides first, multiples of first, second, third, fourth, and one-half of fourth-class rates for distances 200 miles and less within southern Missouri, also between southern Missouri on the one hand, and Illinois and Kansas on the other hand.

Agent Marsh's I. C. C. 3628 provides first, multiples of first, second, third, one-half of third, fourth, and one-half of fourth-class ~~rates for~~ distances 500 miles and less between Arkansas, Kansas, southern Missouri and Oklahoma.

Agent Marsh's I. C. C. 3631 provides first, multiples of first, second, third, fourth, and one-half of fourth-class rates for distances 200 miles and less between Arkansas, southern Missouri and Oklahoma, also between those points on the one hand, and Illinois, Memphis, Tenn., Texarkana, Bloomberg, Cass and Whatley, Tex., on the other hand, also from northern Louisiana to Arkansas and Bloomberg, Cass, Texarkana and Whatley on the other hand.

Agent Kipp's I. C. C. No. A-3121 provides carload and less-carload class rates between points in Iowa on intrastate traffic also on interstate traffic to the extent indicated in Item 30 of the tariff.

Agent Kipp's I. C. C. No. A-3309 provides carload and less-carload class rates between points in Wisconsin on intrastate also on interstate to the extent indicated in Items 1505 to 1525, inclusive, of the tariff.

Agent Kipp's I. C. C. No. A-3437 provides carload and less-carload class rates between points in Nebraska on intrastate traffic, also on interstate traffic to extent indicated in Items 2001 and 2002.

Agent Kipp's I. C. C. No. A-3582 provides motor compelled less-carload class rates between points in Kansas; between stations in Missouri on Missouri River and stations in Kansas; between stations in Missouri on the Missouri River, intrastate and interstate.

Agent Kipp's I. C. C. No. A-3418 provides carload and less-carload class rates between points in Minnesota on intrastate traffic; also on interstate traffic to the extent indicated in Item 900 of the tariff.

Agent Kipp's I. C. C. No. A-3402 provides motor compelled less-carload class rates between St. Louis, Kansas City, St. Joseph, Mo., and stations in Missouri; between Atchison, Leavenworth, Kans., and stations in Missouri; between Alton, E. St. Louis, Belleville, Granite City, Ill., and stations in Missouri, also Atchison and Leavenworth, Kans., interstate and intrastate.

The minimum scale prescribed as a part of the interim adjustment will not prevent the reduction of these so-called subnormal class rates except for the shorter distances. For example, subnormal class rates for distances of 180 miles and less in Agent Marsh's I. C. C. 3627 would not be reduced because they are either as low as, or lower than, the minimum scale, but subnormal class rates published in that tariff for distances in excess of 180 miles would be reduced, and the rates so reduced would be in excess of the minimum scale.

In Kansas, and between points in Kansas, and Kansas City and St. Joseph, Mo., and other points in Missouri between Kansas City and St. Joseph, these respondents established class rates on less-than-carload traffic, classes 1 to 4, inclusive, to meet motor-truck competition. These class rates are published in Agent Kipp's I. C. C. A-3582. All of these rates are lower than the class rates which we prescribed between those points, as shown by the following table:

Kansas City, Mo., to Salina, Kans.	183 miles
Docket No. 17000, Part 2, first-class rate	$1.13[1]
Docket No. 17000, Part 2, reduced 10 per cent	1.02
Docket No. 28300 minimum rate	.88
Applicable first-class rate	1.07
Applicable first-class rate reduced 10 per cent	.96

---

[1] Including increase authorized in Ex Parte 123.

It will be noted that the subnormal first-class rate of $1.07 is 5 cents higher than the rate of $1.02, the normal class rate reduced 10 per cent. If the 10 per cent reduction is applied to the subnormal first-class rate of $1.07 it would become 96 cents, or 6 cents lower than the first-class rate prescribed by us reduced 10 per cent to $1.02. The minimum scale does not prevent the reduction of the subnormal first-class rate of $1.07 the full 10 per cent.

Kansas City, Mo., and Kansas City, Kans., both take the same class rates between those points and points in Kansas. The intrastate class rates would not be subject to our interim order. If the 10 per cent reduction were applied to the subnormal class rates between Kansas City, Mo., and points in Kansas, the first-class rate from Kansas City, Mo., to Salina would be reduced to 96 cents, as compared with a first-class intrastate rate of $1.07 from Kansas City, Kans., to Salina.

In Nebraska, following the western trunk-line revision, the railroads applied to the State Railway Commission of Nebraska for an order to make the interstate basis, as prescribed by us, applicable on Nebraska intrastate traffic. The application was approved as to the eastern portion of the State, but in the zone III portion of the State the Nebraska Commission required the railroads operating therein to establish the zone II scale. Such rates are applicable on Nebraska intrastate traffic, and on interstate traffic between Nebraska stations east and west of Julesburg, Colo., on the Union Pacific Railroad Company, hereinafter called the Union Pacific. They are published in Agent Kipp's I. C. C. No. A-3437.

For example, between Omaha and Sidney, Nebr., class rates on the Union Pacific, applicable on interstate traffic, are subnormal because the only route of that line from Omaha to Sidney is through Julesburg. The Chicago, Burlington & Quincy Railroad Company has an intrastate route between those points. Unless our findings and interim order in this proceeding are modified, the following situation will exist as to class rates between Omaha and Sidney:

Omaha to Sidney, Nebr.	405 miles
Docket No. 17000, Part 2, first-class rate	$1.73[1]
Docket No. 17000, Part 2, reduced 10 per cent	1.56
Docket No. 28300 minimum rate	1.28
Applicable first-class rate	1.67
Applicable first-class rate reduced 10 per cent	1.50

---

[1] Including increase authorized in Ex Parte 123.

The normal first-class rate prescribed by us is $1.73. The Nebraska intrastate rate prescribed by the State Commission is $1.67, a difference of 6 cents. A 10 per cent reduction in the normal first-class rate will result in the rate of $1.56, whereas when reduced 10 per cent the present subnormal first-class rate would be $1.50, or a difference of 6 cents. The minimum scale rate is $1.28.

What has been stated above as to the class rates between Omaha and Sidney is also true of the class rates between stations on the Union Pacific in Nebraska west of Julesburg and stations on the Union Pacific, Gering, Neb., and west, which are applicable via the interstate route of the Union Pacific through Egbert and Yoder, Wyo.

The class rates between Menominee, Mich., and points in Wisconsin north of extended zone C, published for the Chicago and North Western Railway Company and the Chicago, Milwaukee, St. Paul and Pacific Railroad Company in Agent Kipp's I. C. C. A-2592, are also lower than the class rates prescribed by us. They were established to meet motor-truck competition.

Subnormal class rates apply between Manistique-Cherry Valley, Mich., on the one hand, and Chicago, Ill., and Milwaukee, Wis., on the other hand. The subnormal first-class rate to Chicago is $1.08 and to Milwaukee 95 cents. The first-class rates prescribed by us are $1.31 to Chicago and $1.13 to Milwaukee. The subnormal class rates were published pursuant to fourth-section relief and do not apply as maxima at intermediate points. Traffic between these points can move wholly within official territory. Compliance with our interim order would result in class rates via the west-side route approximately 20 per cent less than via the east-side route because the east-side route class rates would be increased 10 per cent and the west-side route class rates would be reduced 10 per cent.

The southwestern steering committee opposes the petition. In some instances subnormal class rates do not alternate with the class rates prescribed by us. The committee contends that therefore to grant the petition will leave in effect rates higher than the so-called normal class rates reduced as provided in this proceeding. However, it is understood, and these respondents have stipulated, that if the petition is granted they will reduce the subnormal class rates so that in no instance will such rates, subject to western classification as involved in this proceeding, be in excess of the corresponding normal class rates as prescribed by us, subject to the reductions prescribed in our interim order in this proceeding. The steering committee further points out that in many instances key rates applicable intra- and interterritorially have been voluntarily changed by respondents, and assumes that to grant the petition will leave the respondents free to use their own judgment in determining which is a prescribed rate and which is a voluntary rate, and thus escape the prescribed 10 per cent reduction. We do not so understand the petition, but we agree that such modification of the findings as may be made should not extend to such situations.

Our findings in Part III, pages 703 and 704, are hereby modified to the following extent: Subnormal class rates named in rail respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631, and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3437, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., are hereby excepted from our findings in Part III of the original report, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by us, reduced 10 per cent. If there are other similar situations they should be brought to our attention.

Rates to and from Points in Extended Zone C in Wisconsin

Respondents in official and western trunk-line territories ask that the findings and order with respect to the interim adjustment of class rates applicable between that part of Wisconsin located in so-called "extended zone C" and official territory, including Illinois freight territory, be amended or clarified so as to make it clear that such rates shall be treated the same as rates between zone C in Michigan and official and Illinois territories, viz., be subjected to a 10 per cent increase. Green Bay Association of Commerce, joined by various associations and shippers in various cities in extended zone C, opposes the petition.

In our original report official territory is defined (at page 516) as including New England, trunk-line, central, and Illinois territories. The western boundary of official territory consists in part of the west bank of Lake Michigan, including west-bank car-ferry ports, south to Milwaukee, Wis., thence the line of the Milwaukee to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul and Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee through Watertown, Wis. Western trunk-line territory as defined in the report lies immediately west of this line. Technically therefore our findings and order treat rates between all points in Wisconsin west of the western boundary of official territory and points in Illinois and official territories as interterritorial, which must be reduced 10 per cent subject to the minimum scale shown on page 704. But in *Western Trunk Line Class Rates*, 164 I. C. C. 1, that portion of eastern Wisconsin lying west of the western boundary of official territory and on and east of a line extending from Green Bay to Watertown was termed "extended zone C" and made subject to the official classification and the same rates as applicable in zone C in Michigan. Thus in effect this small portion of eastern Wisconsin was transferred to official territory. Rates within zone C in Michigan and between that zone and the remainder of official territory are required by our findings to be increased 10 per cent. This includes rates between west-bank Lake Michigan points such as Manitowoc and Kewaunee, Wis., which are directly intermediate to Green

Bay, Fond du Lac and other points in extended zone C. For example, the first-class rate between New York and Manitowoc and Kewaunee, now $1.67, will be increased to $1.84. The present rate between New York and Green Bay is $1.72. Inasmuch as the minimum scale for the distance is greater than $1.72, this rate will remain at that figure if the findings and order are left unchanged, leaving a rate 12 cents lower than to intermediate west-bank Lake Michigan points through which the traffic moves. From Detroit to Manitowoc and Kewaunee the present first-class rate of $1 will become $1.10, but the existing rate of $1.06 to Appleton and Fond du Lac in extended zone C will remain unchanged. The reply of the extended zone C shipper interests takes the position that, under the present findings, the rates to west-bank Lake Michigan points would be applied as minima, thus avoiding fourth-section departures. In *Western Trunk Line Class Rates*, the western boundary of official territory is coincident with the western boundary of extended zone C. Therefore, the authority to apply gateway rates as minima would appear to relate to points beyond extended zone C rather than to points within that zone.

Rates between Illinois territory and extended zone C are in a different category from the remaining rates to and from official and Illinois territories in that, in the sixth supplemental report in the *Western Trunk Line Case*, these rates were made subject to the western classification. Between Illinois and zone I in western trunk-line territory, the class rates are somewhat higher than those for like distances to and from extended zone C, but this situation would be reversed if the rates to and from zone I are reduced and those to and from zone C increased. For example, between Chicago and Oshkosh in zone C, 165 miles, the present first-class rate is 81 cents and to and from Ripon, 168 miles, in zone I, it is 88 cents. Due to the application of the minimum scale, comparatively few rates between Illinois and zone C would, under our present findings, be reduced, although to and from the eastern part of zone I there will be considerable reductions. If the petition is granted the rates to and from zone C would be increased 10 per cent, resulting in rates higher than those to and from points beyond in zone I. For example, the Chicago-Oshkosh first-class rate would be increased to 89 cents and the rate to and from Ripon will be reduced to 84 cents.

Extended zone C in Wisconsin having been placed by us, in the *Western Trunk Line Class case*, in the same category as zone C in Michigan (with the exception of rates between extended zone C and Illinois territory) should be treated the same in this proceeding with the same exception. Therefore our findings in Part III, pages 703 and 704, are hereby modified so as to treat extended zone C in Wisconsin as being embraced within official territory in the matter of rates between points in that extended zone and points in official territory, other than rates to and from Illinois territory.

Class Rates Between Owensboro, Ky., and Points in Official Territory

The Louisville & Nashville Railroad Company seeks modification of the findings and order relating to the interim adjustment so as to eliminate therefrom any requirement that certain truck-competitive class rates governed by the official classification applying between Owensboro, Ky., and stations on the Louisville & Nashville in official territory, also Cincinnati, Ohio, and Evansville, Ind., be duced. Although Owensboro is on the Ohio River, it was treated in the *Southern Class Rate Investigation* as a point in southern territory, and rates to and from points in official territory were made on the interterritorial basis generally used between official territory and the South. This is because there is no railroad bridge at Owensboro and railroad traffic to and from that point must move through some gateway such as Evansville or Louisville in reaching official territory. Thus the prescribed rates are subject to the southern classification and made on the interterritorial basis.

In 1940 a highway bridge was constructed at Owensboro and motor carriers established class rates between Owensboro and certain points in official territory subject to the official classification. By fourth-section orders No. 14357 of August 26, 1941, and No. 14594 of April 16, 1942, the Louisville & Nashville was authorized to meet such rates without reducing rates from and to intermediate points in southern territory east and west of Owensboro, subject to the conditions that such rates should not be lower than the rates of the motor common carriers and that the prescribed rates subject to the southern classification should continue to apply alternatively therewith. It is to these rates subject to the official classification that the petition relates. No one questions that the rates subject to the southern classification should be reduced 10 per cent subject to the minimum scale. Petitioner points out that it is between two fires in that, technically speaking, the rates published by authority of the two fourth-section orders are interterritorial and therefore must be reduced in the manner prescribed for interterritorial rates in general, but it is prohibited from reducing such rates by the condition in the fourth-section order that it shall not maintain rates lower than those of the motor carriers. The only reply to the petition is from the State of Florida and certain commercial organizations in that State, which reply interposes no objection to the relief sought.

There is no specific evidence in the record with respect to these particular rates. Few, if any, other points in southern territory have the benefit of two sets of rates, one subject to the official classification, and the other to the southern, thus enabling shipments to move on the lower of the two bases. Our findings in Part III, pages 703 and 704, are hereby modified so as to eliminate any requirement that these class rates subject to the official classification be reduced.

Commodity, exception or column rates v. class rates

The Southwestern steering committee, representing various southwestern and middle western States and commercial interests therein, asks that the report and order be amended to require that in instances where the prescribed maximum class rates are lower than commodity rates, or rates based on exception ratings, such maximum class rates shall apply. As stated on page 454 of our original report, this proceeding includes all rates determined by ratings in the four classifications, irrespective of whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class, but none other. It does not embrace exceptions to the classifications. To require what the Southwestern steering committee asks would apparently go beyond the issues.

The rail respondents have filed a petition requesting that our findings and order prescribing the interim adjustment be amended sufficiently to permit the carriers to include in their tariffs provisions that the new class rates will not apply on particular shipments when there is in effect a commodity rate, or a rate resulting from a classification exception or column rating, from and to the same points via any route. The petition points out that as a result of practical difficulties few class rate tariffs contain complete routing. Class rates generally either apply over all routes composed of lines parties to the tariff, or over all routes not exceeding certain *general mileage* limitations, and therefore often apply over seldom used routes involving numerous transfers from one carrier to another. Where commodity or column rates have been established, in most instances routing has been provided, designed to hold the traffic to workable, reasonably direct routes involving a minimum of transfers. Over routes over which commodity rates or exception or column rates apply on certain commodities, the corresponding class rates have no application, but over other routes, which generally are not used for the transportation of such commodities, the class rates apply.

Where the class rates are reduced 10 per cent, as required in this proceeding, the new rates, in some instances, will be lower than the commodity or column rates. This is particularly true where the commodity rates are on group bases and the class rates are on a distance-scale basis. If the reduced class rates are allowed to become effective over the unused routes, shippers will be able to nullify the commodity or column rates either by specifically routing their shipments over unused routes over which such commodity or column rates do not apply, or by delivering their shipments to carriers unrouted, thus placing upon the carriers' agents the burden of determining whether there is any route over which there is a class rate lower than the commodity or column rate now used. In the latter instances, even if shipments are transported over the shorter and more generally used routes, the initial carrier may be called upon to shrink its earnings sufficiently to bring the charges on the shipment down to those resulting from the class rate over another and unused route.

Origin and destination differentials will in some instances be disturbed and groupings broken up if the reduced class rates are to apply in instances where they happen to be lower than commodity or column rates. Generally speaking, estimates of the immediate effect of the interim adjustment upon the carriers' revenues have been based on the assumption that the new rates will not apply on traffic which is not now moving on class rates subject to the ratings in the classifications, but, if the petition is denied, to all practical purposes the new class rates will apply in all instances where the charges resulting from their application are lower than those resulting from commodity or column rates between the same points. Disturbance of origin differentials brought to our attention is illustrated by the rates on compressed carbon black in carloads from Pampa, Tex., and Fairbanks, La., to northern and eastern points. Pampa is in the Amarillo group and Fairbanks in the Monroe group. Using Pittsburgh as a representative destination, the existing commodity rate from Pampa, $1.03, is lower than the reduced fifth-class rate, $1.05, but from Fairbanks, the commodity rate of 92 cents is 3 cents higher than the reduced fifth-class rate of 89 cents. The rates on carbon black from Pampa and Fairbanks were established pursuant to a decision of division 2 in *National Gas Products Assn.* v. *Akron, C. & Y. Ry. Co.*, 232 I. C. C. 619. In that proceeding a differential of 11 cents for the Amarillo group over the Monroe group to practically all destinations in the Northeast was approved, which differential adjustment would be disturbed under our decision in this case if left unchanged. In the *National Gas Products Assn. case*, division 2 also found commodity rates from the Monroe group not unreasonable even though they exceeded the class rates, this conclusion being based on the fact that the commodity rates at that time applied both on compressed and uncompressed shipments and the commodity rates were much lower on uncompressed carbon black than the class rates so that the adjustment as a whole was found not unreasonable. Respondents here ask us to apply the same principle as was followed in the *National Gas Products case* and avoid breaking down differential and grouping adjustments such as that on carbon black.

Florida interests oppose the petition. These interests take the position that the requested modification would disregard the long-established principle that commodity rates which exceed class rates on the same article are *prima facie* unreasonable; would have the effect of closing routes which are now available and deprive shippers of the privilege of routing their traffic in violation of section 15(8) of the act; and that the allegation in respondents' petition that unless it is granted they will be deprived of their long haul as permitted under section 15(4) of the act is erroneous. To grant the petition would not have the effect of closing any routes but would merely avoid unnecessary reductions in rates which today are not being used and which generally apply over routes over which traffic in general does not ordinarily move.

We recognize that further consideration will have to be given by the carriers and by us to commodity, exception, or column rates that will hereafter be higher than the reduced class rates, but it is our view that each situation should be considered on its merits rather than by forcing the application of the reduced class rates in all cases where there are now commodity, exception, or column rates. Such result was not contemplated. Our findings in Part III, pages 703 and 704, are hereby modified so as not to require the application of the reduced class rates, prescribed in Part III, over generally unused routes, where there are over other routes going commodity, column, or exception rates between the same points.

Class Rates to and from the Lexington and Big Sandy Branches of the Chesapeake and Ohio Railway in Kentucky.

The Commonwealth of Kentucky and the Railroad Commission of Kentucky, by petition, seek the following modifications of our findings and order prescribing the ad interim adjustment:

1. Elimination of the proposed increases in rates within official territory, pending revision of classification ratings and final revision of the rates.

2. Addition of a finding requiring the establishment of class rates to and from points on the Chesapeake and Ohio Railway in Kentucky not higher than the basic class rates applicable within official territory.

In Kentucky the Chesapeake and Ohio has one main line (Ashland to Cincinnati) and two branch lines, the Lexington branch from Ashland, Ky., to Lexington, 124 miles, and the Big Sandy Branch from Kenova, W. Va., to Elkhorn City, Ky., 134 miles, where it connects with the Clinchfield Railroad. Pikeville, Ky., is a typical point on the Big Sandy Branch. The Chesapeake and Ohio also operates west of Lexington over the line of the Louisville & Nashville Railroad to Louisville, Ky., but has no freight service to or from points between Lexington and Louisville.

Although the petition technically includes the main line as well as the branches, it is evident that petitioners are primarily concerned with the class rates between Kentucky points on the branch lines of the Chesapeake and Ohio and points on official territory. All such rates are now, and for many years have been, subject to the official classification except the rates between Lexington and Winchester and points in central and Illinois territories, which latter are subject to the southern classification. Between all the points where official classification now applies, class rates were prescribed in *Eastern Class Rate Investigation*, 164 I. C. C. 314, on the same basis as in official territory with the addition of differentials specified next below, except that the mileages used in computing the rates are those over the Chesapeake & Ohio to Ashland and not over lines such as the Louisville & Nashville through Cincinnati. In Finding 7 at Page 406, Appendix F arbitraries were authorized on the Ashland-Louisville line, and in Finding 8, at Page 408, Appendix I arbitraries on the Big Sandy

Branch. The Appendix F first-class arbitraries range from 2 cents up to 6 cents for hauls of 140 miles and over 95 miles. The Appendix I arbitraries are much higher, ranging from 8 cents up to 38 cents for distances over 100 miles. Both the Appendix F and Appendix I arbitraries have since been increased 10 per cent under Ex Parte 123 so that the authorized first-class arbitrary to Lexington is today 6 or 7 cents and to Elkhorn City 41 or 42 cents. Key-point rates were prescribed in Appendix J. Pages 473-475, between Lexington and Winchester, on the one hand, and points in trunk-line and New England territories, on the other hand. These key-point rates are approximately 6 cents higher than rates between trunk-line and New England territories and points in Ohio or Indiana for comparable distances.

The class rates published and now in effect between points on the Lexington branch and points in official territory are substantially on the basis approved in the *Eastern Class Rate Investigation* plus the 10 per cent increase of 1938, but those to and from points on the Big Sandy Branch are considerably lower than the authorized rates, but somewhat higher than if made on the Eastern Scale.

Class rates between Lexington and Winchester, on the one hand, and central and Illinois territories, on the other, hand, have never been subject to the Official Classification. Pursuant to *Southern Class Rate Investigation* rates to and from these two points were established on the same basis as generally applicable between the South and central territory. Subsequently, rates between Kentucky and official territory were reduced in *Commonwealth of Kentucky v. Ahnapee & W. Ry. Co.*, 213 I. C. C. 297. The present rates between these two points and central and Illinois Territories are on the basis prescribed in the latter case, subject to the Southern classification. The first-class rates are, roughly, 15 per cent higher than the Eastern scale. Due to differences in class percentages and classification ratings, it is impractical to estimate the average differences on all the classes.

In a supplemental report in *Eastern Class Rate Investigation*, 171 I. C. C. 481, at page 510, a petition filed by the

Lexington Board of Commerce was considered. That petition asked that the findings be modified so as to require the use of the Cincinnati, New Orleans and Texas Pacific Railway Company in making rates between Lexington and points in central territory. It also sought modification of the key rates prescribed between Lexington and points in trunk-line and New England territories so as to make them no higher in any case than the rates to and from Louisville. The petition was denied.

Our findings and order in this proceeding require a 10 per cent increase in class rates within official territory. Petitioners assume that as all the rates covered by their petition other than those between Lexington and Winchester and central and Illinois territories were prescribed in the *Eastern Class Rate Case*, they necessarily must be considered as intraterritorial in official territory and increased 10 per cent. This conclusion is not free from doubt inasmuch as both the Lexington and Big Sandy lines of the Chesapeake & Ohio are physically outside of official territory and were treated in *Western-Southern Class Rates* as being within southern territory and rates were prescribed to and from western trunk-line territory on the same basis as to and from points on southern lines in Kentucky and other southern States. Nevertheless, we resolve the doubts in favor of the construction placed upon our prior report by petitioners.

They show that a 10 per cent increase in the first-class rate between Lexington and New York, now $1.63 (the same as the eastern scale for the distance), would make that rate 11 cents higher than the first-class rate between New York and Frankfort, Ky. (which is west of Lexington on the Louisville & Nashville Railroad). Class rates between Frankfort and New York are subject to the southern classification and, due to the minimum scale, will not be changed under the interim order. Between Danville, Ky. (south of Lexington) and Pittsburgh the first-class rate of $1.20 (subject to the southern classification) will not be changed under the interim order but the first-class rate to and from Lexington ($1.18) subject to the official classification will be increased to $1.30. Thus on first class both of these sit-nations would involve fourth-section departures. But due to the differences in classification that would not be true of classes below third. For example, the new fourth-class rate between Lexington and New York would be 90 cents whereas the fourth-class rate between Frankfort and New York will remain 92 cents. The existence of a higher first-class rate from Lexington than from Frankfort does not necessarily demonstrate that the class rates on the average would become higher. On the other hand, the class rates between official territory points and Cincinnati are subject to the official classification and will, under our findings, be increased 10 per cent. The present first-class rate between New York and Cincinnati is $1.50 which will become $1.65 so that if the Lexington rate of $1.63 is left unchanged it will be lower than the Cincinnati rate and fourth section departures will occur over routes through Cincinnati. The first-class rate between New York and Louisville is $1.64 which will be increased to $1.80 so that if the Lexington rate is left unchanged it will be 17 cents less than the Louisville rate.

Petitioners also show that class rates between the Lexington and Big Sandy Branches and points in official territory will in many instances be higher under the interim adjustment than the maximum rates under the final adjustment (Appendix 10 scale). But that will also be true of practically all other class rates between points in official territory which in *Eastern Class Rate Investigation* were made higher than the eastern scale basis, such as the rates between points in zone C in Michigan and between points in zone B in New England.

The only reply to the petition is from Florida interests. They oppose the petition insofar as it seeks postponement of the effective date of the order, and insofar as it seeks any modification of the requirement that rates in official territory be increased. It takes no position with respect to the local issues raised by the petition affecting points on the Chesapeake & Ohio in Kentucky.

Petitioners' first prayer will be disposed of in connection with other petitions which seek elimination of the 10 per cent increase in official territory. The second prayer asks for the prescription of specific rates to and from the particular points in which petitioners are interested, namely, class rates to and from points on the branch lines of the Chesapeake & Ohio in Kentucky. In effect, petitioners ask us to modify certain findings in the *Eastern Class Rate Investigation* to the extent that they resulted in higher rates on these particular branch lines than were prescribed for official territory generally. Those findings, however, were based upon evidence which related not only to the general problem of branch-line and short-line arbitraries, but which dealt specifically with the traffic and transportation conditions on these particular branches of the Chesapeake & Ohio. In prescribing the arbitraries which petitioners now seek to have removed we pointed out in our report in the *Eastern Class Rate Investigation* the necessity of exercising care in fixing the relations between rates to and from these branch lines and rates to and from other points in the same area located on main lines. The record in the instant proceeding does not, in our judgment, contain sufficient evidence dealing specifically with the branch-line adjustments referred to in the Kentucky petition to justify us at this time in undertaking to modify the conclusions previously reached in the *Eastern Class Rate Investigation.*

Other Petitions

In addition to the petitions heretofore discussed, others have been filed by various States, State regulatory commissions, shipper interests, railroad respondents in the western district, and by carriers by motor vehicle. Many of these request postponement of the effective date of the order, reconsideration, reargument, further hearing, and modification of the findings and order with respect to the interim adjustment and related matters in the report, as well as the so-called permanent adjustment based upon a uniform classification. We will consider here only the portions of the petitions which relate to the interim adjustment.

The principal objection made by northern States and shipper interests in official territory to the interim adjustment is to the requirement that class rates within such territory be increased 10 per cent. They contend that we lack authority to require that increase without a finding that the present rates are not compensatory, or less than minimum reasonable rates and, therefore, unlawful; that the record does not warrant a finding that the class rates within official territory are unreasonable, or a finding that such rates are unduly preferential; and that, even if findings of undue preference and undue prejudice are warranted, we lack authority to require the unlawfulness in the rates to be removed as required in our order, and must afford the carriers an alternative as to the manner of removal.

The petition for reargument and reconsideration filed by the Minneapolis Traffic Association, also questions the legality of our findings under section 3, and our failure specifically to find that the class rates in official territory are less than reasonable rates. That petition contends further that we erred in prescribing one scale of class rates for less-than-carload traffic and carload traffic. A similar contention is discussed in connection with the petition of the motor carrier interveners. The Minneapolis Traffic Association asserts that the present class rates between Minneapolis and points in Illinois and official territories as prescribed in the western trunk-line class rates revision are unreasonable and that the record warrants prescription of the present official scale of class rates to and from points in official and Illinois territories and upper Michigan, from and to points in Northwest territory.

It is not necessary again to review the evidence as to the unreasonableness of the class rates brought in issue in these proceedings, or as to the undue preference and undue prejudice caused by and resulting from such rates, which we have found to exist. Having made the findings of unlawfulness, we have authority under section 15(1) of the Act and under section 5(b) of the Transportation Act of 1940, to prescribe the method for removing such unlawfulness, and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method.

In support of the contention that an alternative method of removing undue preference and undue prejudice must be provided, petitioners refer to *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, in which the Court stated that "where an order is made under section 3, an alternative must be afforded". In a footnote to that statement, however, the Court said:

> "This is not true of an order pursuant to Sec 15(1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not entered under that section." See also *Youngstown Co.* v. *United States*, 295 U. S. 476.

In requiring an increase in rates to remove unlawfulness we are not required first to find that existing rates, or proposed reduced rates initiated by carriers, are not compensatory. See *Petroleum between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609. We found in that proceeding that certain proposed reduced rates were compensatory, considering all costs, but that they were below a minimum reasonable level and hence unlawful. The order in that proceeding was sustained in *Scandrett* v. *United States*, 32 Fed. Supp. 995, and the judgment was affirmed by the United States Supreme Court in 312 U. S. 661. See also *Jefferson Island Salt Mining Co.* v. *United States*, 6 Fed. (2d) 315.

In the instant proceeding, in dealing with the interim adjustment, pages 702-706 of the report, we stated that our general findings and conclusions emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures closer together in level and more upon the same pattern or scheme. We also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The differences in such rates and the effect upon the welfare of carriers, producers, shippers, consumers, and upon the welfare of localities, districts, regions, and territories were fully discussed in the report. The costs of service were considered, together with the consist of traffic, the distribution of the general rate burden, rate and revenue comparisons, and other matters. Our conclusions were that the intraterritorial class rates within official and Illinois territories, as well as within the other territories dealt with, were unjust and unreasonable and that the relation between the interterritorial class rates from such other territories to official and Illinois territories, on the one hand, and the intraterritorial rates within the latter territories, on the other, gives and causes, and will continue to give and cause, an undue and unreasonable preference and advantage to official and Illinois territories as a whole and shippers and receivers of freight located therein, and subjects, and for the future will subject, the other territories as a whole, and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage.

Our general power under section 15(1) of the act to order the removal of any unlawfulness in rates found to exist after full hearing has been supplemented and reinforced, insofar as this particular investigation is concerned, by section 5(b) of the Transportation Act of 1940. After authorizing and directing us to institute an investigation of rates between points in one classification territory and points in another such territory, or within a territory, we are specifically empowered by that provision "to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist." In reaching our conclusions as to the necessity for increases in official and Illinois territories, and reductions in the other territories and interterritorially, we gave consideration not only to the factors previously mentioned, but also to the rates of return of the carriers in the respective territories and to their ability to render efficient service. The interim adjustment, as previously explained, was the initial step in the ultimate revision of the class rate structures found to be unlawful.

We are convinced from the evidence in these proceedings that the present class rates within official and Illinois territories are below a just and reasonable level and should be increased as a part of the adjustment, to remove the unlawfulness in such rates, in respect of both their unreasonably low level and their unduly preferential character. We are of the opinion that our findings as to those rates are sufficiently stated in the prior report, but to remove any doubt, we find that the class rates within official and Illinois territories are less than just and reasonable rates, with the exceptions as stated in the prior report and in this report, and therefore unlawful, as well as unlawful because of their unduly preferential character, as more fully stated in the prior report.

Some of the petitions present as an additional reason for reopening these proceedings, particularly with respect to the interim adjustment, for further hearing or, at least, for oral argument, the fact that no proposed report was issued in docket 28300. We have given consideration to the arguments submitted in support of that request. In view of the extensive hearings already had, the briefs filed, the oral argument, the numerous petitions filed for reconsideration and the replies thereto, we are of the opinion that the lack of service of a proposed report did not result in depriving any party of its right to a full hearing.

Petition of certain Southern Industrial Interests

Certain industrial interests,[2] located in southern States, request reconsideration and modification of our findings and order upon the ground that they are not supported by the record. These interests contend that rates in the South have followed a pattern different from that followed in other territories, that the present class rate structure is well adapted to the economic needs of the South, and that the findings and order in these proceedings will result in competitive relations less favorable for southern shippers and more favorable for northern shippers. The main objection raised by these petitioners is to the finding that class rates should be uniform throughout the territory included in docket 28300. This matter has been fully considered in our report. The petition, in our judgment, does not present sufficient grounds for reconsideration.

Petition of Western Rail Respondents

The principal contentions of the western rail respondents are that the record does not warrant findings of undue preference and undue prejudice; that the immediate effect of the interim adjustment will be a substantial loss of revenue; that the revenue needs of the western rail respondents are greater than those of the eastern rail respondents; that the favorable earnings of the western railroads in the past three or four years have been due to wartime traffic conditions which may not properly be considered as criteria for post-war traffic; that the effect of the reduction in class rates will be greater on western lines; that the reductions will eventually have the effect of bringing about reductions in commodity and exception rates, thus increasing the revenue loss; and that, although our order does not apply to any part of mountain-Pacific territory reductions will have to be made in some of the class rates to, from, and within that territory to harmonize such rates with the reduced rates prescribed.

---

[2] Consisting of a textile company and several marble manufacturers in eastern Tennessee and certain iron, asphaltic limestone, and lumber interests in Alabama, Georgia, Mississippi, and North Carolina.

All of these questions were considered by us in arriving at our original conclusions. Making due allowance for a substantial decline in traffic from the war peak and for the fact that in the decade preceding 1940 the earnings of the western rail respondents were relatively low, nevertheless, insofar as the prospects of traffic and revenues in the immediate future can be foreseen, there is no reason to conclude that the interim adjustment will have any serious effect upon those respondents.

Intrastate class rates generally in most of the western States, and many of the interstate class rates in western territory, are already lower than the interim basis prescribed in our prior report. That is clearly shown in the prior report and is substantiated by the petition filed by the western rail respondents, dealt with elsewhere in this report, for modification of our order respecting so-called subnormal class rates. These respondents cannot consistently maintain these so-called subnormal class rates and continue to maintain the relatively high basis of interstate class rates formerly prescribed by us as maximum in the western and southwestern class rate revisions. The comprehensive record made in this investigation is also convincing that the extent to which the level of those maximum class rates exceeds the levels of class rates in the

South and East, particularly the latter, is excessive and is greater than is warranted by the differences in average costs and average freight rate levels.

These respondents assert, as do certain other petitioners representing eastern territory interests, that there is no evidence of injury or damage to particular shippers, and that therefore there can be no finding of undue or unreasonable prejudice or disadvantage in violation of section 3(1). As pointed out in our original report, section 3(1) is not narrowly limited to individual shippers, but applies also to regions and territories. Nothing presented by any of the petitioners convinces us that no undue prejudice and preference results from the unduly wide differences in class rates that now exist in the West as compared with the East, and especially locally within the East as compared with the interterritorial class rates on which industries of the West must ship if they are to market their goods in the East. In order to sustain a finding of undue prejudice and preference it is not necessary that damages in a legal sense be shown to have been sustained by individual shippers.

The record does not support the contention that the revenue needs of the western rail respondents with respect to their class-rate traffic are greater than those of the eastern rail respondents. From the carrier's reports to us for the years 1942, 1943, as shown in our original report, and 1944, it clearly appears that there is a greater need for revenue by rail carriers in the eastern district as compared with rail carriers in the western district or in the southern region. The report shows also that a much larger percentage of the total traffic in the eastern district moves on class rates than in the western district or the southern region.

Petition of Motor Carrier Interveners

In their petition the motor carriers request us (1) to suspend our order indefinitely insofar as it requires the rail carriers to reduce their less-than-carload class rates by 10 per cent, or (2) to modify the order by restricting the less-than-carload rates prescribed as maxima in the interim adjustment so as to limit them to station-to-station rates only and to exclude pick-up or delivery service under such rates without prejudice to the establishment by the rail carriers of higher door-to-station, station-to-door, or door-to-door class rates. Replies to the petition were filed by American Cotton Manufacturers Association and other textile interests in the South; by the Southern Governors' Conference; by the State of Florida and Florida interests; by the Southwestern steering committee; by rail carriers in official territory; and by other interests.

The petitioners contend that our finding that the less-than-carload class rates should be reduced, except in official territory, is in conflict with our finding on page 697 of the original report, based upon the cost data, that less-than-carload traffic generally is not bearing its proper share of the costs of transportation. That finding was based on operations of the railroads in 1939 when the average load per car of less-than-carload shipments amounted to only 4.3 tons in the West, 5.5 tons in the South, and 6.4 tons in the East including Pocahontas and New England territories. Since then there has been a substantial increase in the average loading of such shipments which has materially decreased the unit costs attributable to less-than-carload traffic. The increased loading was brought about under wartime conditions, but it does not follow that in the post-war period, especially in the immediate future, loadings will decline to the levels of 1939.

The cost data on less-than-carload traffic relate to such traffic as a whole and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception rates and commodity rates. Obviously, the class-rate traffic bears the highest rates. Consequently, even if under present conditions less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such result is due in a large measure to the maintenance of exception and commodity rates. In any event, data based only on averages for all this traffic do not necessarily demonstrate the impropriety of reductions in the highest level of rates. Even as to class rates on less-than-carload traffic, the record shows that in western trunk-line and southwestern territories many intrastate class rates and interstate class rates are maintained which are lower than the corresponding reduced interstate class rates required by our interim order.

There is little support for the proposals of the motor carrier interveners that separate scales of class rates on less-than-carload and carload traffic be established. It is true that to widen the difference between less-than-carload class rates and carload class rates would not necessarily mean the use of separate scales, meaning by that scales having different progression. But unquestionably to make a 10 per cent reduction in carload class rates in the South and West while leaving the less-than-carload class rates unchanged would materially affect the competitive relations between shippers shipping in less-than-carload quantities compared with those shipping in carloads. There is no evidence upon which the extent of disadvantage that would result to l. c. l. shippers or the extent to which commercial and economic conditions would be disturbed thereby may be determined.

There is little direct evidence in this record with respect to pick-up and delivery on less-than-carload traffic. The cost of that service is not definitely shown. Such service was not included in transportation service under the class rates heretofore prescribed by us in our class-rate revisions as maxima in the West and South and interterritorially. The railroads in the southern and western territories began to provide the service to a limited extent in 1931. Pick up and delivery had been furnished, however, long before that time at certain points in official territory. Extension of the service to its present scope has been due to the rail carriers' efforts to meet motor carrier competition. The history and development of pick-up and delivery are discussed in *Pick-Up and Delivery in Official Territory,* 218 I. C. C. 441 (decided October 13, 1936). In that proceeding we found justified respondents' tariffs then in effect, and also respondents' proposed tariffs, which provided for pick-up and delivery on less-than-carload shipments in official territory, subject to a minimum rate of 45 cents per 100 pounds. The proposal of the motor carrier interveners to restrict the rates prescribed in our report and order in the instant proceeding so that they would apply only to station-to-station service would in effect reverse our findings in *Pick-Up and Delivery in Official Territory, supra.* We would not be justified upon the record here in so restricting our order. Moreover, numerous maladjustments in rates would result by such a restriction because pick-up and delivery services would remain available on a large volume of traffic that moves on exception and commodity rates. However, respondents will be expected to give careful consideration to the rates maintained by them on less-than-carload traffic with a view to making readjustments in ratings or rates, as promptly as possible, which will insure that the rates on such traffic are on a compensatory level. Traffic moving on exceptions, column, and commodity rates, as well as pick-up-and-delivery services accorded less-than-carload traffic, should be so studied.

New Mexico

The State Corporation Commission of New Mexico requests further hearing, reconsideration, and modification of the findings and order so as to place New Mexico, or at least the eastern portion thereof, on a parity with Zone IV in Texas. New Mexico is in mountain-Pacific territory. The rates within, and to and from, that territory were not in issue in docket 28300 and therefore, no findings were made or can be made with respect thereto in that proceeding.

Fourth section relief

Upon application of all railroad respondents in No. 28300, division 2 entered a fourth-section order, No. 15410, modifying all outstanding unexpired fourth-section orders, as amended, which grant relief from the long-and-short-haul provision of section 4, of the the act, over all-rail, rail-water, and rail-motor routes, covering class rates for interstate transportation of property moving within southern, official (including Illinois territory), southwestern, and western trunk-line territories, and interterritorially between those territories, as described in the report, so as to provide that the relief authorized in such orders shall also apply to class rates constructed on the bases prescribed or approved, or determined in relation to those prescribed or approved, in this proceeding, together with a proviso that such class rates may be applied over the same routes over which the class rates in effect immediately prior to the effective date of our order may be applied.

Rail-water rail-water-rail class rates

By order of July 25, 1945 we amended our order of May 15, 1945 by modifying all outstanding orders to the extent necessary to permit the reduced, or increased class rates to be applied. In order that corresponding changes may be made in the lake-rail and ocean-rail class rates, our orders of May 15, 1945 and July 25, 1945 will be amended so as to modify outstanding unexpired orders fixing rail-water and rail-water-rail class rates to the extent necessary to make corresponding changes in those rates.

We have given consideration to all other matters presented in the numerous petitions for reconsideration, modifications of the findings and order, further hearing and argument, and for postponement of the order, and the replies thereto. The petitions insofar as they relate to the interim adjustment are denied, except as stated in this report.

In a general readjustment as comprehensive as this, it is not practicable to attempt to revise individual rates. The findings in our prior report and in this report are made without prejudice to further consideration of individual rate situations in instances where it is shown that such revisions may be necessary; and without prejudice to the filing of tariffs by respondent carriers proposing changes in individual rates, or rates on particular commodities, subject to possible suspension.

Summary of modifications of ad interim class rate revision

Part III of original report

Our findings in Part III of the original report (pp. 702-706) are modified as follows:

1. Class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports) and (2) on coastwise or intercoastal traffic

moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise or intercoastal class rates, are excepted from our findings in Part III of the original report and from our interim order.

2. Class rates from and to points in southwestern territory, which are subject to the Deming, N. Mex., rates as maxima, and which would be reduced 10 per cent under our interim order, are to be computed as follows: (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 per cent; and (2) where the rates are published specifically in amounts per 100 pounds, subject to the Deming rates as maxima, the class rates shall be recomputed on the zone-III basis, the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

3. Class rates to and from points on short or weak lines, when required to be reduced 10 percent, and when the minimum scale is applicable under our interim order, are to be determined by the addition of existing arbitraries, reduced 10 per cent, to the rate to and from the junction point, in the method more particularly described in this report.

4. Subnormal class rates named in rail respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631 and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-4537, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., are excepted from our findings in Part III of the original report, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by us, reduced 10 per cent.

5. Class rates between extended zone C in Wisconsin and official territory are to be treated as within official territory, except rates between Illinois territory and extended zone C.

6. Class rates between Owensboro, Ky., and stations on the Louisville and Nashville Railroad in official territory, including Cincinnati, Ohio, and Evansville, Ind., governed by official classification, are excepted from our findings in Part III of the original report and from our interim order.

7. Reduced class rates are not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates, between the same points.

Amendment of Ultimate Findings, Part II

Finding 1, part II, page 700 of the report, is amended by adding thereto a paragraph reading as follows:

> That the intraterritorial class rates (except as apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official and Illinois territories are less than just and reasonable rates, and are, and for the future will be, unjust and unreasonable in violation of section 1 (4) and (5) (a) of the act.

An appropriate order will be entered.

Porter, *Commissioner*, concurring in part:

I agree with the modifications of or additions to the prior findings here made with respect to the *ad interim* class-rate revisions except where and to the extent they are intended to support a required increase in any of the class rates in official territory, including the rates from points on the Chesapeake and Ohio in Kentucky. As stated in my separate expression which accompanied the prior report, in my opinion the record is wholly inadequate to support any findings that the class rates within official territory are unreasonable under section 1 of the act. Also, I am unable to concur in what is said in the instant report in support of the prior findings of undue prejudice and preference under section 3, which to my mind are grounded upon unwarranted assumptions rather than upon any factual evidence before us. Accordingly, I would grant the petitions for reconsideration of the foregoing findings under sections 1 and 3.

Barnard, *Commissioner*, dissenting:

I am unable to give my approval to the supplemental report herein. It is my view as heretofore expressed in my dissent from the majority action upon the original report that rates which have been prescribed by orders of this Commission cannot be condemned as being unreasonable and therefore in violation of section 1 of the Interstate Commerce Act or otherwise unlawful because in violation of some other section of the act, unless and until competent testimony has been given establishing that such rates are either unreasonable or otherwise unlawful. No such showing was made on the record in this case and therefore, as I said in that dissent, findings made by the Commission and the conclusions based thereon were unlawful. I cannot give even a qualified approval to this supplemental report without thereby giving such recognition to the original report as in my opinion it is not entitled to have. Such action would be inconsistent with and contradictory of the views expressed in my original dissent.

Commissioner Patterson, necessarily absent, did not participate in the consideration and disposition of this supplemental report.

ORDER

At a General Session of the Interstate Commerce Commission, held at its office in Washington, D. C., on the 30th day of October, A. D. 1945.

No. 28300

CLASS RATE INVESTIGATION, 1939

It appearing, That on May 15, 1945, the Commission made and filed a report in this proceeding containing its findings of fact and conclusions thereon, and on the same date entered an order therein which was amended by order entered July 25, 1945;

It further appearing, That various petitions have been filed seeking reconsideration and modification of the said report and order;

And it further appearing, That the Commission has considered the matters and things involved in the said petitions, insofar as they request modifications of the findings, and of the said order, as amended, and has made and filed its supplemental report herein containing its findings of fact and conclusions thereon, which report and the report of May 15, 1945, are hereby referred to and made a part hereof:

It is ordered, That the said order of May 15, 1945, as amended, be, and it is hereby, further amended by adding to the second ordering paragraph additional provisos reading as follows:

> *Provided further,* That the requirement herein that certain class rates be reduced shall not apply to class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); or (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published to apply on coastwise or intercoastal traffic.
>
> *Provided further,* That (1) where class rates from and to points in the Southwest are made subject to the Deming, N. Mex., rates as maxima by means of a tariff rule, such rule may continue to apply to the class rates reduced 10 per cent; and (2) where class rates from and to points in the Southwest are published specifically in amounts per 100 pounds, subject to the Deming, N. Mex., rates as maxima, the class rates should be recomputed on the zone-III basis, the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.
>
> *Provided further,* That, with respect to class rates to or from points on short or weak lines, the addition of existing arbitraries, reduced by 10 per cent, is authorized, as more particularly set forth in the aforesaid supplemental report made and filed on the date hereof.
>
> *Provided further,* That the requirement herein that certain class rates be reduced shall not apply to the subnormal interstate class rates named in respond-

ents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631 and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3437, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., which subnormal rates were established and are maintained for the purpose of meeting motor carrier or other competition and are more particularly described in the supplemental report herein, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by this Commission, as modified by the reductions herein prescribed.

Provided further, That the requirement herein that certain class rates be reduced shall not apply to the class rates governed by the official classification between Owensboro, Ky., on the one hand, and stations on lines of the Louisville and Nashville Railroad Company in official territory, including Cincinnati, Ohio, and Evansville, Ind., on the other hand, which rates were established and are maintained in accordance with relief from section 4 of the Interstate Commerce Act for the purpose of meeting motor carrier competition.

And provided further, That the reduced class rates are not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates between the same points.

It is further ordered, That the said order of May 15, 1945, be, and it is hereby, further amended by adding to the third ordering paragraph two provisos reading as follows:

Provided, That the requirement herein that certain class rates be increased shall not apply to class rates on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports).

And provided further, That in the matter of class rates between points in extended zone C in Wisconsin, and points in official territory, extended zone C in Wisconsin shall be considered to be, and shall be treated as, part of official territory, except as to rates between Illinois territory and extended zone C in Wisconsin.

It is further ordered, That the order of May 15, 1945, as amended by our order of July 25, 1945, be and it is hereby, further amended by changing the two new paragraphs, added after the fifth ordering paragraph by said order of July 25, 1945, to read as follows:

> *It is further ordered,* That all outstanding unexpired orders, as amended, of the Commission, authorizing or prescribing class rates for the transportation in interstate commerce of property moving at the classification ratings within, and from and to, official territory (including Illinois territory), southern territory, southwestern territory, and western trunk-line territory, as described in the report herein, be, and they are hereby, modified, effective concurrently with the establishment of the rates herein required to be applied, to the extent necessary to permit the reduced rates or increased rates, herein required, to be applied, and to the extent necessary to allow respondents to make corresponding changes in their rail-water and rail-water-rail class rates.
>
> *It is further ordered,* That all tariffs or supplements changing rates by authority of this order, which are maintained or held by authority of outstanding orders of the Commission, shall bear on their title page specific reference to this order, as amended.

It is further ordered, That in all other respects the petitions insofar as they request reconsideration, reargument, further hearing, modification of the findings and order, or postponement of the effective date, with respect to the ad interim revision be, and they are hereby, denied.

And it is further ordered, That this order shall continue in force until the further order of the Commission.

By the Commission.

W. P. Bartel, Secretary (Seal).

(6220)

IN THE

Supreme Court of the United States

October Term, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, Et Al., *Appellants*,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, Et Al.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, Et Al., *Appellants*,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, Et Al.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, Et Al., *Appellants*,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, Et Al.

Appeals from the District Court of the United States for the Northern District of New York

BRIEF FOR THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL., (WESTERN RAILROADS).

THE GUNTHORP-WARREN PRINTING COMPANY, 810 WEST JACKSON, CHICAGO

INDEX.

PAGE

Opinion and Reports Below 1

Jurisdiction 2

Statement of the Case 2

Specification of Errors To Be Urged 12

Summary of Argument 16

Argument:

I. The Commission's Order Is Arbitrary Because It Is Not Supported by, and Is Contrary to, the Commission's Findings and the Evidence 22

A. In Holding the Rates in the West to Be Unlawful Unless Made Identical, Mile for Mile, With Those in the East and South, the Commission Arbitrarily Disregarded Its Own Findings That the Costs of the Western Railroads Greatly Exceed the Costs of the Eastern and Southern Railroads for Transporting Freight an Equal Distance 23

1. The Commission's Findings Show That the Western Freight Transportation Costs for All Traffic Are More Than 21 Percent Higher Than the Eastern Costs on the Same Traffic 26

2. The Commission Found That the Western Railroads' Costs of Transporting Less-Than-Carload Freight Are from 28 Percent to 40 Percent Higher Than the Costs of the Eastern Railroads and That, Despite the Higher Western Rates, the Western Railroads Incurred a Much Greater Deficit in Carrying Such Traffic 30

3. The Commission Found That the Western Costs for Carload Traffic Are 16 Percent to 18 Percent Higher Than the Costs in the Eastern Class Rate Territory as a Whole and Are More Than 60 Percent Higher Than the Costs in the Pocahontas Region of Eastern Territory 37

4. The Commission Found That the Western Costs for Boxcar Traffic and Gondola and Hopper Car Traffic at the Average Haul Are 13 Percent and 24 Percent Higher Respectively Than the Eastern Costs...... 41

5. The Commission Found That the Transportation Costs in the West Greatly Exceed the Transportation Costs in the South 44
   (a) The Commission Found That the Actual Less-Than-Carload Traffic Costs in the West Are 38 Percent to 46 Percent Higher Than in the South....... 45
   (b) The Commission Found That the Western Carload Costs Are from 8 Percent to 16 Percent Higher Than the Southern Costs 47
   (c) The Commission Found That the Western Costs for Boxcar Traffic and Gondola and Hopper Car Traffic at the Average Haul Are 11 Percent and 13 Percent Higher, Respectively, Than the Southern Costs.................. 47

6. The Commission Made No Cost Studies of the Comparative Territorial Costs Later Than for the Test Year, 1939, But Found That Other Data Indicated Higher Costs in the West Than in the East or South..... 50

B. The Commission Arbitrarily Disregarded Its Findings That the Traffic Density on the Eastern Railroads Is Approximately Three Times as Great as on the Western Railroads....... 53

C. The Commission Arbitrarily Disregarded Its Findings That the Rate of Return of Western Railroads, Despite Their Higher Rate Level, Has Consistently Averaged Less Than the Rate of Return in All Other Parts of the Nation 57

D. The Findings and Evidence Concerning the Movement on the Class Rates Do Not Support the Commission's Order.................. 62

E. The Findings of the Commission as to Consist of Traffic Do Not Support the Order But Demonstrate That the Consist in the West Is the Most Unfavorable in the Country......... 66

F. By the Lawful Standards of Rate-Making, the Social and Economic Data in the Reports and in the Evidence Impeach Rather Than Support the Order.............................. 73

II. The Commission's Order Is Void Because the Reduced Rates Prescribed by the Commission for Less-Than-Carload Traffic on Western Railroads Would Be Confiscatory........................ 99

A. The Findings and Evidence Demonstrate That the Prescribed Rates Would Be Less Than the Costs 101

1. The Commission Found That the Western Less-Than-Carload Traffic Is Carried at a Heavy Deficit Under Existing Rates and That This Western Deficit Is the Largest in the Country.............................. 103

2. The Commission Found That in the Test Year, 1939, the Partial Costs Per Unit of Western Less-Than-Carload Traffic (Both on the Normal Loading of 4.3 Tons and on the Wartime Loading of 10 Tons) Exceeded the Reduced Interim and Permanent Rates Ordered by the Commission... 105

3. At the Price and Wage Levels on January 1, 1946, the Commission's Cost Findings Demonstrate That the Reduced Interim and Permanent Western Rates Would Be Drastically Non-Compensatory, Both on the Normal Loading of 4.3 Tons and on the Wartime 10-Ton Loading.......... 110

B. The District Court Erred in Holding That the Interim Rates Should Go Into Effect for an Experimental Period 118

III. The Commission's Order Is Void Because the Commission Misconstrued the Interstate Commerce Act and the Transportation Act of 1940... 125

A. The Committee of Six Recommended the Continuance of the Territorial and Zone System of Rate-Making 132

B. The Senate Committee on Interstate Commerce Was Advised by the Commission Itself of the Dangers of Uniformity of Rates and Rejected Bills Proposing to Amend the Interstate Commerce Act to Provide for Uniform Rates 132

C. Senator Wheeler Assured the Senate That Nothing in the Bill Would Bring About Equalization of Freight Rates or Broaden the Powers of the Commission Over That Subject. 137

D. The House Committee on Interstate and Foreign Commerce Rejected the Proposed Amendments to Bring About Uniform Rates and the House Was Assured That the Legislation Recommended and Passed Would Not Increase the Authority or Power of the Commission Over the Subject of Territorial Freight Rates. 146

E. The Legislative History of the Transportation Act of 1940 Subsequent to Its Enactment Confirms the Fact That the Act Was Not a Direction from Congress to Bring About Uniformity of Freight Rates 153

F. The Order Is Invalid for the Same Type of Misconstruction That Invalidated the Commission's Decision Upon the Hoch-Smith Resolution 155

G. The District Court Erred in Holding That the Interstate Commerce Act Prior to 1940 Left the Commission Free to Establish Unjustly Discriminatory Rates Among the Territories and That the 1940 Amendments Empowered and Required the Commission to Hold Unlawful the Territorial Rates Previously Prescribed and to Require Uniform Rates, Despite the Disparity in Transportation Conditions.. 159

IV. In Requiring Rate Uniformity Without Any Consideration of Its Effect Upon the Western Carriers, the Commission Acted Arbitrarily and Without Due Process 163

V. The Commission's Order Is Invalid Under Section 3(1) of the Interstate Commerce Act Because the Carriers Do Not Have Common Control Over the Rates 182

Appendix A—Comparison Between the Present Rates Which Were All Prescribed by the Commission and the Lower Rates Now Found Lawful by the Commission 191

Appendix B—Commission Reports in Recent Reorganizations of Western Railroads 192

Appendix C—Recent Bankruptcies and Receiverships of Western Railroads 193

Appendix D—Excerpts from Typical Commission Decisions Prescribing Higher Rate Level for West Than for East 194

TABLE OF CASES.

Abbotts Dairies, Inc. v. Minneapolis, St. P. & S. S. M. Ry. Co., 216 I. C. C. 661 196

Alton Railroad Company Reorganization, F. D. 14030. 192

Alton Railroad Co., In re, C. C. H. Bkcy. L. Serv. ¶ 55,656 193

Anchor Coal Co. v. United States, 25 F. 2d 462, dismissed as moot 279 U. S. 812 95

Ann Arbor R. Co. v. United States, 281 U. S. 658 .... 125, 157, 188

Ashland Fire Brick Co. v. Southern Ry. Co., 22 I. C. C. 115 91

Brooks v. St. Louis-San Francisco Ry. Co., 153 F. 2d 312, certiorari denied 66 S. Ct. 1365 193

Central R. Co. v. United States, 257 U. S. 247 182

Chicago G. W. R. Co. Reorganization, 228 I. C. C. 585; 233 I. C. C. 63 192

Chicago G. W. R. Co., In re, 32 F. Supp. 217 193

Chicago, M. St. P. & P. R. Co. Reorganization, 239 I. C. C. 485; 240 I. C. C. 257 192

Chicago & N. W. Ry. Co. Reorganization, 236 I. C. C. 575; 239 I. C. C. 613 192

Chicago & N. W. Ry. Co. v. Bank Committee, 126 F. 2d 351, certiorari denied 318 U. S. 793 193

Chicago, R. I. & P. Ry. Co. Reorganization, 242 I. C. C. 298; 257 I. C. C. 307 192

Chicago, R. I. & P. R. Co., In re, 157 F. 2d 241 193

Cline & Bernheim v. Tennessee Central Ry. Co., 163 I. C. C. 365 195

Cutler Magner Co. v. Chicago, M. & St. P. Ry. Co., 144 I. C. C. 143 194

Denver & R. G. W. R. Co. Reorganization, 233 I. C. C. 515; 254 I. C. C. 349 192

Duluth, S. S. & A. Ry. Co. Reorganization, F. D. 11484 .... 192, 193

Eastern Class Rate Investigation, 164 I. C. C. 314 161

Eastern Live Stock Cases of 1926, 144 I. C. C. 731 195

Edgar & Son v. Baltimore & O. R. Co., 163 I. C. C. 659 195

Ecker v. Western Pac. R. Corp., 318 U. S. 448 193

Ex Parte 87, Revenues in Western District, 113 I. C. C. 3 .... 165, 174

Ex Parte 103, Fifteen Percent Case, 178 I. C. C. 539; 191 I. C. C. 361 174

Ex Parte 115, Emergency Freight Charges, 208 I. C. C. 4 174

Ex Parte 115, General Commodity Rate Increases, 223 I. C. C. 657 174

Ex Parte 123, Fifteen Percent Case, 226 I. C. C. 41 174

Ex Parte 148, Increased Railway Rates, Fares and Charges, 248 I. C. C. 545; 255 I. C. C. 357; 256 I. C. C. 502 .... 168, 174

Ex Parte 162, Increased Railway Rates, Fares and Charges, 264 I. C. C. 695; mimeograph report, Dec. 5, 1946 .... 100, 111, 116, 117

Group of Investors v. Milwaukee R. Co., 318 U. S. 523 193

Insurance Group Committee v. Denver and Rio Grande Western R. Co., 15 U. S. Law Week 4189 60

Interstate Commerce Commission v. Diffenbaugh, 222 U. S. 42 92

Interstate Commerce Commission v. Union Pacific R. Co., 222 U. S. 541 125

Jackson Traffic Bureau v. Chicago & A. R. Co., 152 I. C. C. 684 195

Minneapolis, St. P. & S. S. M. Ry. Co. Reorganization, 252 I. C. C. 525; 252 I. C. C. 615 192

Minneapolis, St. P. & S. S. M. Ry. Co., In Re, 48 F. Supp. 330, ... 193

Missouri Pac. R. Co., In re, 64 F. Supp. 64, ... 193

Missouri Pac. R. Co. Reorganization, 239 I. C. C. 7; 257 I. C. C. 745 192

Northern Pacific Ry. Co. v. North Dakota, 236 U. S. 585 .... 102, 124

Northern Pacific Ry. Co. v. Dept. of Public Works, 268 U. S. 39 .... 22, 54, 124

Rates and Charges on Grain and Grain Products, 91 I, C. C. 105 194

Rate Structure Investigation, Docket 17,000:
  Part 2, Western Trunk-Line Class Rates, 164 I. C. C. 1 ..... 108, 161, 165, 166, 167, 169-172, 178, 196
  Part 3, Cotton, 165 I. C. C. 595 167
  Part 4, Oil, 179 I. C. C. 19 167
  Part 5, Furniture, 177 I. C. C. 5 167
  Part 6, Iron & Steel, 155 I. C. C. 517 167
  Part 7, Grain, 164 I. C. C. 619, 205 I. C. C. 301 ... 167
  Part 8, Cottonseed, 188 I. C. C. 605 167
  Part 9, Livestock, 176 I. C. C. 1 167
  Part 10, Hay, 195 I. C. C. 461 167
  Part 11, Sand & Gravel, 155 I. C. C. 247 167
  Part 12, Non-Ferrous Metals, 204 I. C. C. 319 167
  Part 13, Salt, 197 I. C. C. 115 167

Reconstruction Finance Corp. v. Denver & R. G. W. R. Co., 66 S. Ct. 1282; 90 L. ed. 1134 193

Refined Petroleum Products in the Southwest, 171 I. C. C. 381 54

St. Louis-S. F. Ry. Co. Reorganization, 240 I. C. C. 383; 257 I. C. C. 399 192

St. Louis S. W. Ry. Co. Reorganization, 249 I. C. C. 5; 252 I. C. C. 325 192

St. Louis Southwestern R. Co. v. Henwood, C. C. H. Bkcy. L. Serv. ¶ 55,720 193

Shreveport Case, 234 U. S. 342 128

Southern Pacific Co. v. Interstate Commerce Commission, 219 U. S. 433 92

Spokane International Ry. Co. Reorganization, 228 I. C. C. 387; 233 I. C. C. 157 192

Spokane International Ry. Co., In re, C. C. H. Bkcy. L. Serv. ¶ 52,567 193

Sunflower Glass Co. v. Missouri Pac. Ry. Co., 22 I. C. C. 391 194

Texas & Pacific Ry. Co. v. Interstate Commerce Commission, 162 U. S. 197 163

Texas & Pacific Ry. Co. v. United States, 289 U. S. 627 .... 94, 184, 187

United States v. Illinois Central R. Co., 263 U. S. 515 .. 18, 93

Wabash Ry. Co. Receivership, 247 I. C. C. 581 193

Western Pac. R. Co. Reorganization, 230 I. C. C. 61, 233 I. C. C. 409 192

Western Trunk-Line Class Rates, 164 I. C. C. 1, 204 I. C. C. 595 ...... 108, 161, 165, 166, 167, 169-172, 178, 196

Wisconsin Central Ry. Co. Reorganization, F. D. 14720 .... 192, 193

Wool Rates Investigation, 91 I. C. C. 235 194

STATUTES.

Interstate Commerce Act, as amended by Transportation Act, 1940:

National Transportation Policy, 54 Stat. 899, 49 U. S. C. p. 4281 126

Sec. 1(4), 54 Stat. 900, 49 U. S. C. Sec. 1(4) 5, 14

Sec. 1(5), 54 Stat. 900, 49 U. S. C. Sec. 1(5)..5, 14, 157
Sec. 3(1), 54 Stat. 902, 49 U. S. C. Sec. 3(1)......
5, 8, 12, 15, 21, 94, 126, 128, 137, 147, 157, 162, 182, 187
Sec. 15a, 54 Stat. 912, 49 U. S. C. Sec. 15a......
..................................133, 146, 166, 180
Sec. 15(1), 54 Stat. 911, 49 U. S. C. Sec. 15(1).... 187

Joint Resolution of Jan. 30, 1925 (Hoch-Smith Resolution) 43 Stat. 801, 49 U. S. C. Sec. 55............
......................71, 128, 155, 156, 160, 167, 179, 188

Judicial Code, Sec. 210, 28 U. S. C. Sec. 47a.......... 2

Transportation Act of 1940:
Sec. 5(b) (Ramspeck Resolution) 54 Stat. 902, 49 U. S. C. Sec. 3, note.....................
12, 19, 21, 126, 127, 137, 143, 147, 150, 151, 156, 168, 188

OTHER CITATIONS.

Aitchison, After the War is Over — Transportation Problems, 11 I. C. C. Practitioner's Journal, pp. 743, 747 74

84 Cong. Rec.:
p. 5889 144-145
p. 5890 ....55, 72, 138-139
p. 5984 143-144
p. 6068 140-141
p. 6072 141-143
p. 9705 147-148
p. 9867 148-149
p. 9872 150-151
p. 9879 ....55-56, 151-152

House Document No. 145, 78th Cong. 1st Sess.....153-154

H. R. 2378, 78th Cong. 1st Sess...................... 154

H. R. 2531, 76th Cong. 1st Sess............72, 135-136, 147

H. R. 3172, 78th Cong. 1st Sess...................... 154

H. R. 3183, 78th Cong. 1st Sess. 154
H. R. 3369, 76th Cong. 1st Sess. 146
H. R. 3907, 78th Cong. 2nd Sess. 155
O. D. T., General Order No. 1, as amended, C. C. H. Fed. Carriers Serv. ¶ 6321d 120
O. D. T., General Permit No. 1-4a, C. C. H. Fed. Carriers Serv. ¶ 6306a 120
O. D. T. Statement, C. C. H. Fed. Carriers Serv. ¶ 6301j 109
Report of Committee of Six 132
Sharfman, The Interstate Commerce Commission, Vol. III-B (1936) pp. 685-687 96
S. 137, 76th Cong. 1st Sess. 133
S. 947, 78th Cong. 1st Sess. 154
S. 1124, 78th Cong. 1st Sess. 154
S. 2009, 76th Cong. 1st Sess. 132, 145, 147

IN THE

Supreme Court of the United States

October Term, 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, Et Al., *Appellants,*

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, Et Al.

No. 344

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, Et Al., *Appellants,*

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, Et Al.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, Et Al., *Appellants,*

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, Et Al.

Appeals from the District Court of the United States for the Northern District of New York

---

BRIEF FOR THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL., (WESTERN RAILROADS).

OPINION AND REPORTS BELOW.

The opinion of the District Court (R. 1411) is reported in 65 F. Supp. 856. The original and principal report

(R. 62) of the Interstate Commerce Commission (hereinafter referred to as "the Commission") is reported in 262 I. C. C. 447. The supplemental report of the Commission (R. 432) is reported in 264 I. C. C. 41.

JURISDICTION.

The final decree and order of the District Court was entered on May 27, 1946. (R. 1450.) The petition for appeal was filed by The Atchison, Topeka and Santa Fe Railway Company, *et al.*, Western railroads, on June 25, 1946 (R. 1475), and was allowed on the same day (R. 1483). The jurisdiction of this Court is invoked under Section 210 of the Judicial Code (38 Stat. 220; 28 U. S. C. Sec. 47a).

STATEMENT OF THE CASE.

This is an action to set aside, annul, and enjoin the enforcement of the reports and orders of the Commission in *Class Rate Investigation, 1939*, I. C. C. Docket No. 28300.

The decision of the Commission in this proceeding is generally recognized as the most momentous and far-reaching in the history of the Commission. Its tremendous importance is indicated by its broad geographical scope, by its immediate and far-reaching financial effect, and, above all, by the Commission's manifest purpose, not to use the power of regulation, as in the past, to require just and reasonable rates, but, instead, to use its power over rates to change, and in effect to regulate, the economy of the country.

The decision marks a complete break with the principles of rate-making that have been applied in this country for generations, by the Commission, by the courts, and by the carriers. The Commission, in its report, referred to "the magnitude and complexity of the issues in these proceedings", (R. 70) and concluded that the provisions of the Transportation Act of 1940 had so changed the standards governing the lawfulness of rates and had so "enlarged the power of the Commission over this subject" (R. 304) that all the existing territorial differences in costs of transportation, density of traffic, composition and consist of traffic could and should be disregarded and flat uniform class rates made effective everywhere. In thus abandoning the criteria by which the lawfulness of rates has always heretofore been tested, the Commission now takes the view that it is unreasonable and discriminatory for different carriers operating in different territories to charge different rates, mile for mile, notwithstanding the fact that the costs and other transportation conditions are different, and the fact that the rates now condemned were established by the Commission itself as being just and reasonable in recognition of such different conditions. In short, it is held that under the new standard of rate-making it is unlawful for one whose honest and efficient cost is higher than another, to charge a higher price for his product. Four Commissioners dissented or concurred only in part. (R. 323, 324, 340.)

The Atchison, Topeka and Santa Fe Railway Company and thirty-two other Western railroads, (each of which is a carrier by railroad within Western Trunk Line Territory or Southwestern Territory or both) were the original plaintiffs in one of the two causes in the District Court and were intervening plaintiffs in the other cause. The two causes were consolidated by order of the District Court. (R. 881.)

This proceeding was initiated by the Commission to investigate the lawfulness of the interstate class freight rates throughout all the United States east of the Rocky

Mountains. (I. C. C. Docket No. 28300.) The Commission consolidated this investigation of the lawfulness of the class rates with another investigation of the lawfulness of the railroad classifications over the entire country. (I. C. C. Docket No. 28310.) Classifications are descriptive lists of commodities assigning them to particular classes for freight rate purposes. The class rates themselves are the transportation charges applicable to those commodities. Most of the less-than-carload freight in the Eastern and Western territories moves on these class rates. (Report, R. 184.) Carload freight, however, in all parts of the country, moves principally on other types of rates. (Report, R. 179.)

All the class rates under investigation here, with few exceptions, were prescribed by the Commission itself in extended proceedings only recently before the initiation of this investigation. (Report, R. 135-151.) The rates were set by the Commission on varying levels in the several class-rate territories, and in certain zones within those territories, reflecting the substantial differences in costs of transportation, density of traffic, revenue needs of the carriers and other traffic and transportation conditions, which, under the established principles of rate-making, always had been recognized as controlling by the Commission and by the courts.

Because of the substantially higher operating costs of the Western railroads, due to their lower density of traffic and other unfavorable transportation conditions in the West, the rates in the West, including the rates on class traffic, have always been substantially higher than in the Eastern portion of the country.[1]

In the present investigation, the Commission conducted extensive hearings and placed in the record the most comprehensive study ever made in this country of costs of railroad transportation. That cost study shows that the costs of Western railroads on both less-than-carload and carload traffic are very materially higher than the costs of either the Eastern or the Southern railroads.

---

[1] Illustrative excerpts to this effect from Commission decisions are set out in Appendix D, this brief, page 194.

The Commission decided that all territorial differences in the class rates should be held unlawful under the Interstate Commerce Act, as amended by the Transportation Act of 1940, and that all class rates east of the Rocky Mountains should be placed on a single uniform scale, which it set out in its report (R. 317), without regard for the territorial differences in costs or other transportation conditions. It held that all the class rates under investigation, which it had itself established and approved after extensive hearings and mature consideration, were unjust, unreasonable and unlawful because they were not uniform. All the class rates which it had previously established in the West and South at levels above the newly-prescribed uniform scale, would now be held to be unjust and unreasonable and therefore in violation of Section 1(4) and (5) (a) of the Interstate Commerce Act, as amended. All the class rates which it had previously established in Eastern Territory, at levels below the newly-prescribed uniform scale, similarly would be held to be unjust and unreasonable and therefore in violation of the said provisions of the Act. (R. 316.) The Commission further made a finding that all the intraterritorial class rates in Official Territory and all the interterritorial class rates from the other territories into Official Territory, all of which rates it had prescribed, were now discriminatory in violation of Section 3(1) of the Interstate Commerce Act, as amended by the Transportation Act of 1940. (R. 316.) The Commission relied heavily upon the legislative history of the amendment.

It will be shown in this brief, both by the language of the "1940 amendments," and by their legislative history, that they were misconstrued by the Commission and that its decision thus rests on a mistake of law.

At the same time, the Commission decided that there should be a single uniform classification of commodities for use throughout the country. (R. 316.) With respect to the effective date of the newly-prescribed uniform scale of rates, it held: "That such revised uniform class rates and classification ratings shall be made applicable simultaneously." (R. 317.)

To effectuate its conclusion that all the presently effective class rates are unlawful because not uniform, and that uniform rates should be applied, the Commission ordered all the carriers east of the Rocky Mountains, including plaintiffs, to cancel the existing class rates and to maintain, during the period of preparation of the uniform classification, as an interim basis, new class rates which "will approach, as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair, and reasonable." (R. 318.) This so-called *ad interim* scale would reduce by ten percent the class rates of carriers in the Western territories where the cost of performing the service is highest. It would reduce, also by ten percent, the class rates of carriers in Southern Territory where the cost of performing the service is substantially lower than in the West. It would increase by ten percent the intraterritorial class rates of carriers in Official Territory where the cost of performing the transportation service is lowest. Finally, it would uniformly reduce by ten percent all interterritorial class rates among the several territories notwithstanding the varying costs. (R. 318-320.)[1]

---

[1] The interim reductions are subject to the prescribed permanent uniform rates as minimum rates (R. 318); the interim increases are not limited by the permanent rates (R. 319).

Petitions for reopening and reconsideration were filed by several parties. The petition of the Western railroads pointed out, in part, that the newly prescribed rates would increase the deficit which the Commission found already to exist in the transportation of less-than-carload traffic on the Western railroads and would be confiscatory. (R. 12670.)

On October 30, 1945, the Commission issued its supplemental report and order in which it rejected the petition of the Western railroads for reopening and reconsideration. (R. 469.) The supplemental report and order made certain minor changes in the original report and order, and included the explicit finding that the class rates in Official Territory are unreasonably low. (R. 477.) It provided that the newly prescribed interim rates should become effective on January 1, 1946.

After the complaints were filed in the District Court to set aside the orders, the court granted an injunction *pendente lite* on December 20, 1945. (R. 805.) The District Court held a hearing on February 18 to 21, 1946, inclusive, during which the court received certain additional testimony and exhibits relating to the issues of the confiscation which would be caused to the Western railroads if the proposed change in rates were to become effective.

The District Court filed its opinion on May 9, 1946, concluding that the petitions should be dismissed without prejudice to another suit by the Western railroads to enjoin the enforcement of the order after an experimental period. (R. 1439.) The opinion did not discuss the fact that the Commission had found the costs of the Western railroads to be substantially higher than the costs of either the Eastern railroads or the Southern railroads. It stated as a partial answer to the confiscation contention of the Western railroads, with respect to less-than-carload traffic, that "the railroads in Southern territory make no such contention * * *" (R. 1437), thereby indicating that it apparently had overlooked the fact that the Commission had found the transportation costs of the Western railroads on less-than-carload traffic to be from 38 percent to 40 percent higher than the costs of the Southern railroads (R. 198). The District Court referred to an amendment to Section 3(1) of the Interstate Commerce Act, which amendment was enacted in the Transportation Act of 1940, and stated: "We may, indeed, take it for granted that they [the existing class rates] were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission." (R. 1433.) The District Court approved the Commission's decision that the amendment and certain other provisions in the Transportation Act of 1940 had so changed the statutory power of the Commission, and the directions to the Commission from Congress, that the rate differentials reflecting territorial differences in costs and other transportation conditions had become unlawful. The District Court concluded that:

> "* * * in our opinion, Par. 3(1) now empowers the Commission to find such rates unlawful even though they would have been lawful in the light of all relevant considerations before the amendment." (R. 1433.)

The Commission based its decision upon its construction of the Congressional intent as shown in the Transportation Act of 1940 and in "the history of the times." (Report, R. 306.) The report and evidence emphasized a supposed policy to diffuse populations and to change occupations in the West and South from agriculture and other basic pursuits to manufacturing, through the method of setting uniform freight rates throughout the several territories. The District Court stated that it "might think that the probable import of this order" was "to try to equalize clearly inherently unequal business conditions not due to existing freight rates in the various territories or any regions or districts therein, by manipulating rates." (R. 1436.) It found that it "does appear plausible" that "the investigations and order under review are the result of political agitation having for its ultimate object the dislocation of industry from Official territory and its establishment in the other territories * * *." (R. 1436.) The court, however, stated that it was "bound by the Commission's action in justifiably finding facts to give another, and lawful, basis for it" (R. 1436) under the construction placed by the Commission and the District Court on the Transportation Act of 1940. The court held that the fact that the ultimate object of the order was the dislocation of industry "is not within the bounds of judicial cognizance but relates to matters of legislative policy." (R. 1436-1437.)

Thereafter, the District Court, on May 24, 1946, entered its final decree and order continuing in effect the interlocutory injunction. (R. 1450.) In that final decree it found that "The relative levels of the class rates in the several rate territories affected by the orders of the Interstate Commerce Commission in this proceeding were established by orders of the Interstate Commerce Commission and have been in effect for many years." (R. 1451.) It found that "The Commission's orders, if presently enforced with respect to class rates charged on freight transported by the Western Lines, would cause a very substantial reduction in the revenues of the railroads[1] * * *." (R. 1452.)

---

[1] It has been estimated that the annual loss of revenue to the Western railroads under the *ad interim* rates would be approximately $14,000,000 and that the annual increase of revenues to the railroads in Official Territory would be approximately $16,000,000. Monthly Comment on Transportation Statistics, Bureau of Transport Economics and Statistics, Interstate Commerce Commission, July 7, 1945.

The District Court made the following conclusion of law in its final decree:

> "1. The decision of these consolidated causes necessarily involves the determination of novel questions of law of great importance to the shippers, the carriers, and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions." (R. 1452.)

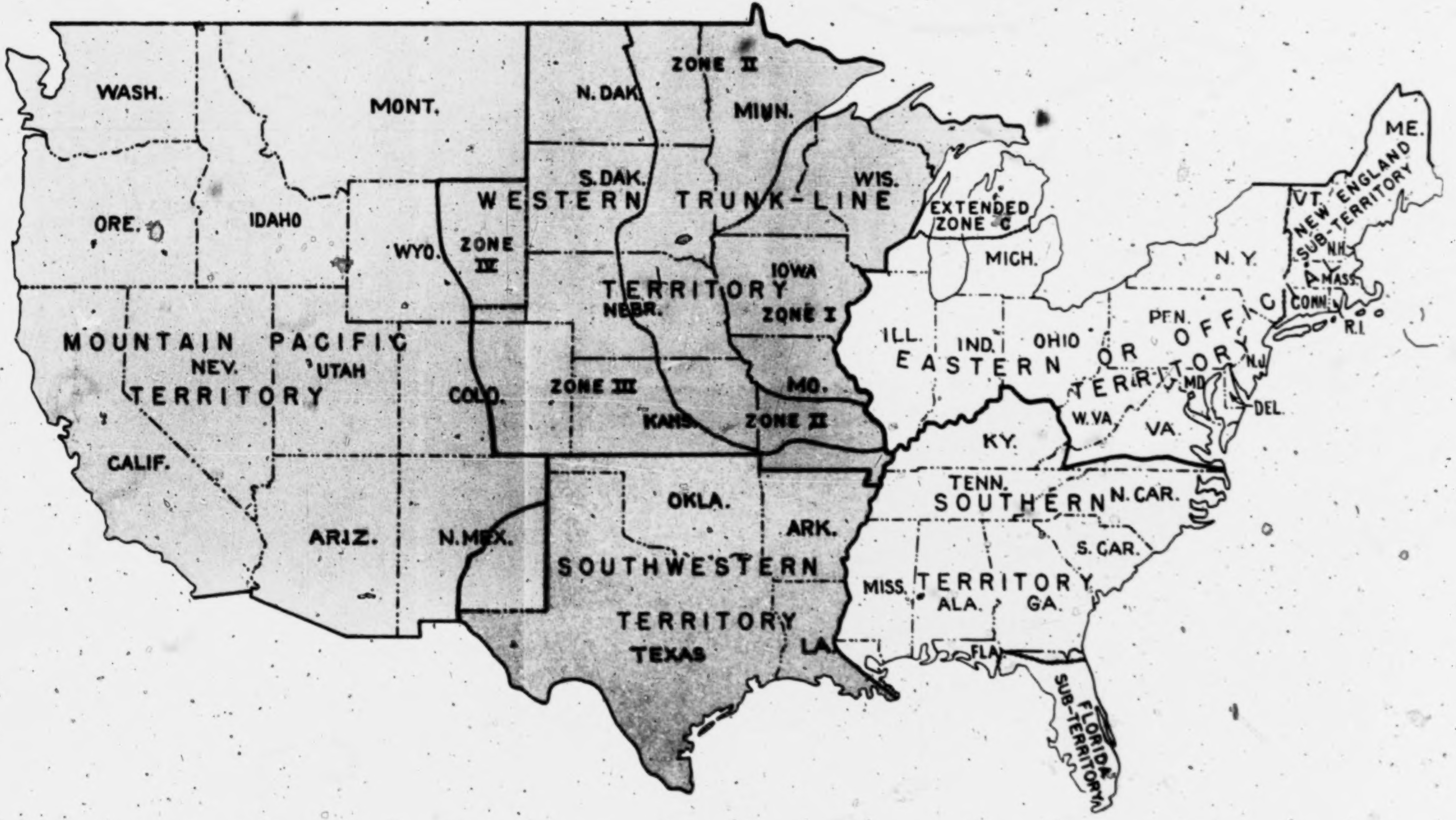
The boundaries of the several class rate territories are defined on the map which is inserted herein.[1] In general, the Eastern, Southern and Western railroads operate only in their respective territories, with a minor degree of overlapping. There are graduated levels of class rates in Zones A and B (New England) and Zone C of Official Territory, and in Zones I, II and III of Western Trunk Line Territory, reflecting the varying transportation conditions.

The single uniform scale of first-class rates found lawful by the Commission in this case for the entire country east of the Rocky Mountains is set out in the report at R. 381.[2] The corresponding present intraterritorial scales are set out as Appendix 8 at R. 359 to 361. The so-called "Eastern scale" or "basic Eastern scale" to which frequent reference is made in the Commission's reports, is the lowest of four graduated scales applicable in the different areas of Official Territory. (Report, R. 135, 136.) The Commission found in its supplemental report that the class rates on each of the four scales in Official Territory "are less than just and reasonable rates * * * and therefore unlawful, as well as unlawful because of their unduly preferential character * * *". (R. 467.)

---

[1] As used on the map and in this brief, and generally in the Commission's reports (R. 131), the term "Official Territory" includes Illinois Territory.

[2] It is reproduced, for illustrative mileages, in Appendix A, this brief, page 191, together with the Western rates.


WASH.
MONT.
N. DAK.
ZONE II
MINN.
WIS.
S. DAK.
WESTERN TRUNK-LINE TERRITORY
ORE.
IDAHO
WYO.
ZONE IV
NEBR.
IOWA
ZONE I
EXTENDED ZONE C
MICH.
N.Y.
ME.
VT.
NEW ENGLAND SUB-TERRITORY
N.H.
MASS.
CONN.
R.I.
PEN.
N.J.
MD.
DEL.
MOUNTAIN PACIFIC TERRITORY
NEV.
UTAH
ILL.
IND.
OHIO
EASTERN OR OFFICIAL TERRITORY
CALIF.
COLO.
ZONE III
KANS.
MO.
ZONE II
W.VA.
VA.
KY.
TENN.
SOUTHERN TERRITORY
N. CAR.
OKLA.
ARK.
S. CAR.
ARIZ.
N.MEX.
SOUTHWESTERN TERRITORY
MISS.
ALA.
GA.
TEXAS
LA.
FLA.
FLORIDA SUB-TERRITORY

MAP OF RAILROAD FREIGHT RATE TERRITORIES

We believe that the construction placed upon the Transportation Act of 1940 by the Commission and by the District Court is erroneous. This misconstruction lies at the heart of the Commission's action. The extent of the changes which would be wrought in the principles of rate-making by that construction of the Transportation Act of 1940 may best be ascertained by a consideration of the Commission's extensive findings as to the differences in territorial costs and other transportation conditions, as well as a consideration of the findings with respect to populations and the extent of manufacturing, upon which so much emphasis has been placed in the report. In this brief, therefore, we shall first discuss the evidence and the Commission's findings which, we submit, not only lend no support to the order upon the hitherto established principles of rate-making, but, instead, impeach the Commission's ultimate conclusions. We shall thereafter discuss the statutory changes which were made in the Transportation Act of 1940, and the legislative history of those changes which proves that the intent of Congress was wholly misconstrued by the Commission. In a separate section we shall discuss the evidence showing that on less-than-carload traffic, the rates prescribed by the Commission, under its construction of the Transportation Act of 1940, would be confiscatory in their effect upon the Western railroads.

SPECIFICATION OF ERRORS TO BE URGED.

The District Court erred:

1. In failing to set aside and perpetually enjoin the enforcement of the orders of the Commission in *Class Rate Investigation, 1939,* I. C. C. Docket No. 28300, on the grounds that said orders are not adequately supported by evidence, are not adequately supported by findings of the Commission, and are arbitrary.

2. In failing to hold that the said orders were invalid on the ground that the Commission had misconstrued the Transportation Act of 1940, including the so-called Ramspeck Resolution contained therein, to be a mandate and authority to the Commission to establish uniform freight rates in the several rate territories notwithstanding substantial differences in the governing traffic and transportation conditions in the several territories, including the substantial differences found by the Commission in costs of transportation, composition and consist of traffic, density of traffic, and revenue needs of the carriers, and had based its orders upon such mistake of law.

3. In holding that the class rates which it found "were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission" were made unlawful by the amendment to Section 3(1) of the Interstate Commerce Act contained in the Transportation Act of 1940, and in holding that the said amendment empowered the Commission to find such rates unlawful.

4. In failing to hold that the class rates prescribed in the Commission's orders for less-than-carload traffic in Western Trunk Line and Southwestern Territories would be confiscatory in violation of the Fifth Amendment to the Constitution of the United States.

5. In holding that the class rates prescribed by the Commission for less-than-carload traffic in Western Trunk Line and Southwestern Territories should be placed in effect for a trial period notwithstanding the fact that the undisputed evidence before the court proved such rates to be confiscatory in violation of the Fifth Amendment to the Constitution of the United States.

6. In failing to find that the said orders were invalid on the ground that the Commission, in making its finding that all interstate class rates throughout the nation east of the Rocky Mountains were unlawful, had arbitrarily disregarded the evidence and its own findings to the effect that the costs of transporting such traffic in Western Trunk Line and Southwestern Territories were and are far higher than in Official Territory or Southern Territory, and to the effect that the traffic and transportation conditions in the several rate territories involved are substantially different, one from the other, and because such different conditions prove the legality of the present rates and render unlawful the said orders of the Commission.

7. In failing to find that the said orders were invalid on the ground that the Commission, in holding that the relation between the interterritorial class rates from points in Western Trunk Line and Southwestern Territories to points in Official Territory and the intraterritorial class rates in Official Territory is unlawful, had arbitrarily disregarded the evidence and its own findings to the effect that the costs of transporting such interterritorial traffic were and are substantially higher than the costs of transporting such intraterritorial traffic, and that the governing traffic and transportation conditions in the several territories were and are substantially unlike.

8. In failing to find that the said orders were invalid on the ground that the Commission had arbitrarily dis-

regarded the evidence and its own preliminary findings that the long-established differences in class rates in Official Territory and in Western Trunk Line and Southwestern Territories were and are justified, under the recognized principles of rate-making, by the differences in costs of transportation, composition and consist of traffic, density of traffic, and the revenue needs of the carriers.

9. In failing to hold that the Commission had acted arbitrarily in finding the class rates to be unjust and unreasonable under Section 1(4) and Section 1(5)(a) of the Interstate Commerce Act notwithstanding (a) that the Commission itself had prescribed such rates, (b) that such rates were lawful and held by the District Court to be lawful prior to the Transportation Act of 1940, (c) that there had been no intervening change in said Section 1(4) and Section 1(5)(a), and (d) that there was no evidence and no finding of any intervening change in transportation conditions of such a nature as to support a finding that the said rates are unjust or unreasonable.

10. In holding the said orders to be valid because the Commission had found facts to give a formal basis for the orders despite the finding by the District Court that the probable import of the orders was "to try to equalize clearly inherently unequal business conditions, not due to existing freight rates in the various territories or any regions or districts therein, by manipulating rates."

11. In holding that the statutory control over rates which has been confided to the Commission is sufficiently comprehensive to empower the Commission to hold rates unlawful solely because of the different levels of such rates, and despite substantial differences in transportation costs and other factors which constitute the lawful and governing standards of rate-making.

12. In adopting the facts found by the Commission as

"ultimate findings" of the Commission, and the facts found by the Commission in Part III of its original report herein.

13. In failing to hold that the Commission's orders were invalid under Section 3(1) of the Interstate Commerce Act on the ground that none of the carriers involved in the alleged discrimination has any common control over the interterritorial class rates from Western Trunk Line and Southwestern Territories into Official Territory and the intraterritorial class rates in Official Territory, and that the said orders did not leave the respondent carriers the alternative of removing any discrimination found to exist by increasing the rates found to be preferential or by decreasing the rates found to be prejudicial.

SUMMARY OF ARGUMENT.

The ultimate finding and conclusion of the Commission that it is unlawful for the Western railroads to charge higher rates than are just and reasonable for the Eastern and Southern railroads is predicated not upon evidence, but upon the erroneous conclusion that the Transportation Act of 1940 constituted a directive to the Commission to prescribe uniform rates in the several territories. The Commission construed that legislation to change the standards of rate-making so drastically that all the territorial class rates which had been prescribed by the Commission itself only shortly before that legislation, as being just, reasonable and non-discriminatory, were unlawful when tested by the new legislation.

Pursuant to its conception of the meaning and intent of the 1940 legislation, the Commission held that the higher transportation costs of the Western railroads, measured by the Commission itself through an exhaustive cost study, must be disregarded, and the rates of the Western railroads reduced to the level of rates found just and reasonable for other railroads in other parts of the country where the operating costs are lower and the traffic and transportation conditions much more favorable than those in the West. The relative territorial costs, as found by the Commission in this proceeding, show that the costs of the Western railroads for all traffic are more than 21 percent higher than the costs of the Eastern railroads. They show that the costs of the Western railroads for less-than-carload traffic, most of which is carried on the class rates at issue here, are from 28 percent to 40 percent higher than those of the Eastern railroads. They show that the Western costs for carload traffic are 16 percent to 18 percent higher than the Eastern costs and more than 60 percent higher than the costs in one section of Eastern territory. Similarly, in comparison with the Southern railroads, the Commission found that the less-than-carload costs of the Western roads are 38 percent to 46 percent higher and that the carload costs of the Western railroads are 8 to 16 percent higher than the costs of the Southern railroads.

The Commission also found that the transportation conditions in the West are so unfavorable that the Western railroads must operate with only one-third the traffic density of the Eastern railroads, with the result that in the West one ton of traffic must bear many elements of expense which are shared by three tons of traffic in the East. It found that historically the rates of the Western railroads have been higher than in either the East or the South and that, despite the higher rate level, the average Western rate of return, because of the high Western costs, has been materially less than the rate of return on the railroads in any other territory. The Commission found, moreover, that the consist of the Western traffic contains a greater proportion of commodities the rates on which produce smaller profit margins than is the case with the Eastern and Southern railroads. All these basic factors, the Commission, for the first time in its history, would now ignore, in the belief that it is directed to establish uniform rates to effectuate a supposed national policy of diffusing the national population throughout the several territories, of reducing the number of persons engaged in agriculture and other basic industries in the West, and increasing the proportion of the country's manufacturing that is performed in the West.

We do not ask the Court to review the wisdom or lack of wisdom of such a policy, but we earnestly submit that the Commission and the District Court erred in holding that Congress has decreed any such policy. Congress has neither directed nor authorized the Commission to effectuate any such plan, or to prescribe rates which do not reflect the governing traffic and transportation conditions under which the service is performed. This Court has long insisted that the Commission has no power to test the lawfulness of railroad rates by considerations of industrial regulation and that "the difference in rates cannot be held illegal, unless it is shown that it is not justified by the cost of the respective services, by their values, or by other transportation conditions."[1]

The arbitrary character of the Commission's decision is highlighted by the fact that the reduced rates prescribed for less-than-carload traffic in the West would be substantially below the cost of transportation as determined by the Commission and shown on the face of its report. Both the interim and permanent rates would be less than the costs of carrying the class-rate traffic, as found by the Commission itself. This is true both on the basis of the normal peacetime loading, and on the heavier loading required since the fall of 1942 by the Office of Defense Transportation as an emergency order. The basic out-of-pocket expenses alone, as found by the Commission, *exceed* the reduced rates prescribed by the Commission. The Commission found that these specific partial costs of carrying the less-than-carload traffic exceed the rates. It found in explicit terms that all Western less-than-carload traffic is carried at existing rates at a very heavy deficit. Nevertheless, for the purpose of creating uniformity with the lower cost Eastern and Southern railroads, the Commission ordered a reduction in the Western rates which would greatly increase the Western deficit. With these facts proved by the Commission's own cost studies and recorded in the Commission's own findings, it was error for the Commission to order the reductions.

---

[1] Mr. Justice Brandeis, speaking for the Court in *United States* v. *Illinois Central R. Co.*, 263 U. S. 515, 524 (1924).

The Commission's interpretation of the Transportation Act of 1940, including the Ramspeck Resolution, as constituting a direction to it to bring about uniform rates in the several territories and henceforth to give only such effect to the transportation conditions and standards as might be consistent with that new factor of rate-making is contrary to the language of that legislation and to its legislative history. The Commission relied for its interpretation upon certain excerpts of that history and upon what it referred to as the "history of the times." The actual legislative history proves that the Congress considered and refused to enact each of several bills which were offered to bring about the uniformity which the Commission believes, nevertheless, to be required by the 1940 Act, in derogation of the established principles of rate-making. The Senate and the House, after the rejection of the bills for uniformity, passed that 1940 Act only after the most solemn assurances that: "The bill does not mean that rates are to be equalized." (Committee Chairman, Senator Wheeler); "This provision does not broaden the authority of the Interstate Commerce Commission in the slightest degree." (Senator Wheeler); "There was no preference shown as between one locality and another or as between one commodity and another in any unfair and unjust manner. We propose in this act to continue the same policy." (Representative Murdock); "It does not provide for a thing more than the Interstate Commerce Commission now has authority to do." (Representative South). The Commission erred in holding that the Ramspeck Resolution, and the other provisions of the Transportation Act of 1940 intended or accomplished such a change in rate-making standards that all rates which are not identical mile for mile are unlawful. Because of that mistake of law, this Court should set aside the Commission's order, just as it set aside an earlier order of the Commission based upon a similar misconstruction of the Hoch-Smith Resolution.

The Commission's order would seriously impair the ability of the Western railroads to maintain an adequate transportation service, but the Commission acted without any consideration of that factor. Relying upon a construction of the 1940 amendments to the Interstate Commerce Act, and upon evidence relating alike to all traffic, the Commission holds that to be lawful the class rates in the West must be identical mile for mile with those to be applied in the East. The Commission entirely ignored the fact that all of the major railroads but one, relying solely upon operations within the Western rate territories here involved have recently suffered bankruptcy under a rate structure substantially higher than that in the East. At the very time the Commission was purporting to appraise the reasonableness of the Western rates it was in the process of finding, in proceedings under Section 77 of the Bankruptcy Act, that the revenues of the Western roads had not been sufficient to cover the true, actual costs of performing the transportation service, and, as a result, that more than a billion dollars of their common and preferred stocks had become worthless. In thus requiring rate uniformity as between the East and the West, without the slightest consideration of the fact that the Western roads had failed to meet their higher costs and sustain their solvency on a rate structure substantially higher than the rate level in the East, the Commission acted so arbitrarily as to deny due process.

The Commission holds that the interterritorial rates between the West and the East are discriminatory to the extent that they exceed the rates found lawful for application wholly within the Eastern Territory. Under the decisions of this Court, no carrier can be guilty of discrimination within the meaning of Section 3(1) of the Interstate Commerce Act unless that carrier has control over both rates. None of the carriers has any such common control over the class rates found to be discriminatory in this proceeding. Mere participation in a joint rate does not constitute control over the measure of that rate. If either the Eastern or Western carriers withdrew from the joint interterritorial rate that action would make applicable the combination of local rates, and thus increase the disparity between such rates and the rates in the East. Moreover, the Western carriers do not participate in, have no responsibility for, and do not have the slightest control over the rates maintained by the Eastern carriers within Eastern Territory. The Commission's decision that the Ramspeck Resolution of 1940 had so enlarged its powers that it could hold the rates to be unlawfully discriminatory on the facts here, and, on that basis, could and should enter an order prescribing uniform rates, was a misconstruction of that Resolution and should be set aside as a mistake of law.

ARGUMENT.

I.

THE COMMISSION'S ORDER IS ARBITRARY BECAUSE IT IS NOT SUPPORTED BY, AND IS CONTRARY TO, THE COMMISSION'S FINDINGS AND THE EVIDENCE.

It has long been settled that an order reducing rates which is without support in the evidence is arbitrary and a denial of due process. Neither the existence of a large record, nor the affording of a full opportunity to be heard, is sufficient to save such action. In the words of Mr. Justice Brandeis, speaking for a unanimous Court:

> "An order based upon a finding made without evidence, *The Chicago Junction Case*, 264 U. S. 258, 263, or upon a finding made upon evidence which clearly does not support it, *Interstate Commerce Commission v. Union Pacific R. R.*, 222 U. S. 541, 547, is an arbitrary act against which courts afford relief. The error under discussion was of this character. It was a denial of due process. Compare *New York & Queens Gas Co. v. McCall*, 245 U. S. 345, 348." *Northern Pacific Ry. Co. v. Department of Public Works*, 268 U. S. 39, 44-45 (1925).

In that case, sometimes called the *Washington Log Case*, the railroad rates on logs were attacked before the state regulatory agency on the ground "that the rate structure lacked uniformity" and that the rates were excessive and discriminatory. Full hearings were held. "Much evidence was introduced." The agency found that the existing rates were highly remunerative, ordered the cancellation of proposed higher rates and established a uniform distance tariff on a reduced rate basis, for an experimental period. The order was assailed in Court both upon the ground that there was a denial of due process because the findings were arbitrary and unsupported by the evidence and upon the ground that the newly prescribed rates were confiscatory. This Court held that the ultimate findings had been made upon evidence which clearly did not support them, and that the order therefore constituted a denial of due process.

The principle of the *Washington Log Case* applies with full effect to the Commission's order here. We shall show that the evidence and preliminary findings on which the Commission acted, both as to costs and as to the other governing transportation conditions, afford no rational support for the conclusion holding the Western rates to be unlawful to the extent that they exceed the new uniform scale.

A.

IN HOLDING THE RATES IN THE WEST TO BE UNLAWFUL UNLESS MADE IDENTICAL, MILE FOR MILE, WITH THOSE IN THE EAST AND SOUTH, THE COMMISSION ARBITRARILY DISREGARDED ITS OWN FINDINGS THAT THE COSTS OF THE WESTERN RAILROADS GREATLY EXCEED THE COSTS OF THE EASTERN AND SOUTHERN RAILROADS FOR TRANSPORTING FREIGHT AN EQUAL DISTANCE.

The basic importance of costs in the comparison of territorial rates[1] caused the Commission in this proceeding to prepare, through its own experts, the most elaborate special cost studies in the history of rate regulation. The details of the preparation of these studies are set forth in the Commission's report at length, starting at R. 186. It is these studies to which the Commission referred as distinguishing the present investigation from the many previous investigations, as follows:

---

[1] "Since the inception of Federal regulation of common carriers cost of service has been recognized as one of the basic elements entering into the process of making and judging rates." (Report, R. 307.)

> "More specifically, cost of service has been explored and analyzed more comprehensively and thoroughly than in any other similar investigation." (Report, R. 303.) "While perfection has not been attained, we are convinced that the studies made and presented by members of our staff as evidence in this proceeding possess sufficient attributes of accuracy to enable us to rely upon them in reaching our conclusions." (Report, R. 308.)

We shall show from the findings of the Commission itself that it not only did not rely upon its own cost determination in reaching its final conclusions regarding the lawfulness of the Western rates, but, in fact, issued its order in complete disregard of its findings as to the higher costs of transportation in the West.

The Commission's cost studies were prepared by the Commission's Cost Section under the direction of its head cost analyst, Dr. F. K. Edwards. (Report, R. 186.) Since the volume of detailed information which is necessary in the preparation of such a study cannot be found in the regular reports to the Commission, elaborate questionnaires were sent to the railroads and answered by them. The Cost Section then divided the expenses for the many railroads into various groups. Expenses of the out-of-pocket nature were segregated from those which are constant. Each category was then divided into components such as running, switching, station, etc. expenses. These components were then further subdivided. For example, running expenses (for carload service) were subdivided among (a) freight-train car maintenance and rental expense, (b) common running expenses including specified kinds of interchange and switching expenses, and (c) all other running expenses of specified kinds. The several groups of running expenses were then distributed over the traffic on various bases. Similar divisions, subdivisions and allocations were made for the many other categories of railroad expenses. (Report, R. 186 to 190.)

The cost studies used in the previous investigations, and the evidence of cost as shown by such factors as density of traffic and comparisons of rates of return (after allowance for differences in rates) had all pointed to the existence of substantially higher transportation costs, mile for mile, in the West than in the East or in the South. Those same comparisons were made in this proceeding and were expressed in findings which demonstrated that the earlier conclusions were correct. But, the Commission pointed out, comprehensive and reliable cost studies of the character achieved in this case were available for the first time.

Based upon those studies, the Commission made express, detailed and repeated findings in its reports in this proceeding that *the transportation costs of the Western railroads are not only not uniform with the costs of the Eastern and Southern railroads but are by far the highest transportation costs in the country.* The findings show that the Western costs are so high that the Western railroads, which have suffered bankruptcy under their higher level of rates, simply could not live on a rate level as low as that of the Eastern roads. These are findings of the Commission itself spread upon the face of its reports in this proceeding. Whatever evidence or Congressional direction the Commission thought would justify its requirement that the rates be placed on the same mileage scale in the West that it found to be just and reasonable for the East and South, was something far removed from its detailed findings of the relative costs of performing the transportation service.

The cost findings were expressed in several different types of cost comparisons by the Commission. It is unnecessary to ask the Court to test the accuracy, or to examine into the details of the Commission's cost studies, but we do earnestly ask the Court to review the results of the studies as expressed in the findings of fact, and to consider whether they could afford any rational justification of the Commission's decision holding that the Western rates are unlawful under the Interstate Commerce Act, as amended, unless they are made identical, mile for mile, with the rates in the East and South where the costs are found to be substantially lower.

We shall first discuss the findings which show the overall comparison for the test year, and then discuss each of the several cost comparisons, first between the West and the East and then between the West and the South.

1.

The Commission's Findings Show That the Western Freight Transportation Costs For All Traffic Are More Than 21 Percent Higher Than the Eastern Costs on the Same Traffic.

A fundamental demonstration of the relative level of transportation costs in the West and the East is made by the Commission's comparison of the revenue levels (*i. e.*, the levels of rates on traffic actually moved), in the two territories and of the resulting rate of return on the Commission's own valuation of the two groups of roads. If the transportation costs were substantially uniform in the two territories, the higher level of rates in the West would produce a much higher rate of return than in the East. But the net railway operating income of the Western railroads is shown by this study to ~~be on~~ a much *lower* basis than that of the Eastern railroads *despite the fact that the rates of the Western railroads are higher than the Eastern* *railroads.* The difference discloses the degree by which the costs in the West exceed those in the East.

The Commission's Cost Section compared the revenue levels in a detailed study for the test year, 1939, and the results were incorporated in the Commission's findings at R. 219 to 220.[1] The Commission found that the Western revenue level was more than 15.2 to 16.6 percent higher than the Eastern revenue level,[2] (Report, R. 221), but, notwithstanding these higher Western rates, the rate of return earned by the Western roads was only 2.47 percent while the rate of return earned by the Eastern roads (on their lower rates) was 3.15 percent.[3] (Ex. 196, p. 46, R. 11404; offered at R. 4352.[4]) In other words, the Commission found that it costs the Western railroads so much more to carry the Western traffic that the higher Western rates fell short of meeting the great difference in costs in the two territories. To overcome this higher cost handicap in the test year, so that the rate of return would have been as high as that of the Eastern railroads, the Commission's study and findings show the Western revenue level would have had to be, not 16.6 percent, but *more than 21 percent higher* than in the East.[1]

---

[1] Following the test year, 1939, traffic and transportation factors were distorted by war conditions. (R. 1804, 4785.)

[2] The Commission points out that this comparison was made on a gross revenue basis rather than a net revenue basis and sets out a table showing that on the more proper net revenue basis the amount by which the Western revenue level exceeded the Eastern revenue level was somewhat greater than the figures set out above.

[3] The bases on which these returns were computed were not the Commission's physical valuations under Section 19a of the Act, but were its lower "rate-making values furnished by the Bureau of Valuation *for the purpose of this study.*" (Ex. 2, p. 48, R. 5190; offered at R. 1558.)

[4] The printed record incorrectly reverses the numbers on Exhibits 195 and 196 at R. 11257 and R. 11357, as is apparent by reference to the testimony at R. 4349 and R. 4352. To avoid ambiguity, however, we shall refer in this brief to the numbers as they appear in the printed record.

The full significance of the difference in the Western and Eastern revenue levels is apparent when the net railway operating incomes of the Western and Eastern railroads for that period are compared. The total actual Western net railway operating income for that period was only $178,115,556. Despite the lower Eastern revenue level, the transportation costs of the Eastern railroads were so much lower than the costs of the Western railroads that the Eastern railroads were able to enjoy a net railway operating income of $252,863,974. (Ex. 66, Sec. II, p. 9, R. 7619; offered at R. 2219.) If the Western railroads had been forced to reduce their rates to a revenue level identical with the Eastern revenue level, the net railway operating income of the Western railroads would have been reduced by $183,270,259, which is 16.6 percent of the actual

---

[1] The basic data underlying this computation are as follows: The net railway operating income of the Western District Class I railroads in 1939 was $178,155,556. (R. 7619.) Since that figure represents a return of 2.47 per cent (R. 11404), it would had to have been increased to $227,151,417 in order to produce a return of 3.15 per cent (R. 11404), which was the Eastern rate of return in that year. (In each instance the return is based on the Commission's own valuation.) The difference between those two figures is $49,035,861. If this amount is added to the actual 1939 Western District gross freight revenue of $1,289,979,579 (R. 11373), a constructive gross freight revenue of $1,339,015,440 is obtained. This constructive gross freight revenue is 121 per cent of the amount which the Commission found the Western railroads would have received on their 1939 traffic if their revenues had been on the lower Eastern average level. Actually, because of additional taxes and other charges that would be incurred if the gross freight revenue had been so increased, an increase in gross freight revenue of more than 21 per cent would have been required in order to increase the net railway operating income in the Western District by $49,035,861, and thus place the two groups of roads on the same earning basis.

Western gross freight revenues of $1,289,979,579. (Ex. 196, p. 15, R. 11373; offered at R. 4352.) *This means that if the low Eastern rates had applied to the Western railroads in the test year, the Western railroads would have had an operating deficit of $5,154,703, as compared with the net railway operating income of $252,863,974 enjoyed by the Eastern railroads on that same revenue level.* It would be impossible to state the critical nature of this issue to the Western roads more clearly than it appears from these comparisons of territorial costs as established by the Commission's Cost Section.

Conversely, in order to have earned the same rate of return that the Eastern roads earned, the Western roads would have had to so increase their higher rates as to produce additional revenue of more than $49,035,861, which would have made their revenue level more than 21 percent higher than the revenue level of the Eastern roads. The exact amount cannot be ascertained from the Commission's reports but, since the necessary increase in the revenue level would have resulted in increased taxes and other charges against gross revenues, the Western revenue level must have been increased to a level substantially greater than 21 percent above the Eastern level to produce a parity of earnings.

The Commission thus proved on this record that the higher rate level which it had established in the Western territory in previous cases was vitally necessary for those railroads (and for the public which relies upon this service) because of the higher cost of transportation in the West. *The higher cost basis in the West would have left an actual operating deficit to the Western roads from the same revenue level that produced a 3.15 percent return for the Eastern roads.*

2.

The Commission Found That the Western Railroads' Costs of Transporting Less-Than-Carload Freight Are From 28 Percent to 40 Percent Higher Than the Costs of the Eastern Railroads and That, Despite the Higher Western Rates, the Western Railroads Incurred a Much Greater Deficit In Carrying Such Traffic.

The Commission's extensive cost studies compared the costs of transporting different categories of freight in the West and in the East. The major breakdown of costs was between less-than-carload freight and carload freight. The findings with respect to less-than-carload freight are particularly important in this proceeding, since the large proportion of all such traffic, in both the West and the East, moves on the class rates. (Report, R. 184.)

The Commission made findings as to the relative territorial cost indexes for that less-than-carload traffic for hauls of 100, 300 and 500 miles, respectively. (Report, R. 198.) These territorial indexes are expressed in the findings in terms of the United States average cost as being represented by an index of 100. The subtraction of the low Eastern index from the high Western index, of course, does not measure the percentage by which the Western costs exceed the Eastern costs. In the table below, which is reproduced from the Commission's findings, there have therefore been added the percentages by which the Commission found the Western costs to exceed the Eastern costs. In comparing these costs for the actual conditions in the several territories, the Commission made separate findings for the two major parts of the Eastern class rate territory, but did not combine those figures to show an index for the Eastern class rate territory as a whole. The Commission's findings were as follows (Report, R. 198):

RELATIVE TERRITORIAL COST INDEXES FOR LESS-THAN-CARLOAD TRAFFIC BASED ON ACTUAL AVERAGE LOAD.

CLASS RATE TERRITORY	COST INDEXES
Eastern:	
(a) Eastern including New England but excluding Pocahontas	
100 miles	92
300 miles	93
500 miles	94
(b) Pocahontas	
100 miles	88
300 miles	87
500 miles	87
Western:	
100 miles	123
300 miles	121
500 miles	120

Percent by which Western costs are higher than Eastern costs:	
(a) Western compared with higher cost portion of Eastern (basis of (a) above):	
100 miles	West 33.7% higher
300 miles	West 30.1% higher
500 miles	West 27.6% higher
(b) Western compared with lower cost portion of Eastern (basis of (b) above):	
100 miles	West 39.8% higher
300 miles	West 39.1% higher
500 miles	West 37.9% higher

The foregoing findings of the Commission, therefore, are that, mile for mile, *it costs the Western railroads from 27.6 percent to 39.8 percent more to transport less-than-carload freight than it costs the Eastern railroads to transport such freight.*

It is perhaps significant of the Commission's general approach, as shown throughout its reports, that when it expressed the foregoing tabulated findings in the textual form, the only comparison it mentioned (other than its general finding that "the less-than-carload costs in the West are higher than those in the East" [Report, R. 199]), was for the particular mileage that shows the lowest spread between the West and the East (27.6 percent) and for that particular part of the Eastern class rate territory which also shows the lowest territorial difference.[1] The Commission's textual summary was as follows:

> "The relative territorial costs of less-than-carload traffic, for a haul of 500 miles, based on actual average loads are 5 to 8 percent higher in the East, including New England but excluding Pocahontas, than in the South. *Costs in the West are 27 percent higher than in the East, including New England but excluding*

---

[1] The Commission includes the higher cost New England territory and excludes the lower cost Pocahontas territory. The costs of the Pocahontas lines are less than those of the other Eastern railroads, and if included would reduce the average cost for the East, and increase the difference between the cost levels of the East and the West. The Commission therefore at several places states the costs of the Pocahontas roads separately or not at all. But the Commission would make no such distinction in respect to rates. It would require that the class rates in the West be identical with those prescribed for the East as a whole *including* the low cost Pocahontas lines. In the light of that fact we ask the Court particularly to note the striking disparity between the costs in the Pocahontas part of Eastern Territory and the costs in the West. In this connection it may be noted that in stating the Western costs the Commission declined to exclude the lower unit costs of the ore-carrying roads, declaring that "the intent of the cost study was to reflect territorial average operating conditions." (Report, R. 203; see also R. 273.)

> *Pocahontas. Less-than-carload traffic as a whole, is carried at a deficit in all territories,* except possibly in the South." (Report, R. 206.)[1]

The findings of the Commission just summarized compare the actual costs. The Commission also made findings comparing the territorial less-than-carload costs on an assumed identical load of five tons per car, which was below the actual loading made possible by the heavier concentration of traffic in the East, and above the Western actual loading, although it made no finding that transportation conditions in the East would so change in the foreseeable future as to yield that lower loading, nor that transportation conditions in the West after the emergency would so improve as to produce that hypothetical level. Notwithstanding the absence of any such finding or expectation to give pertinence to such data, and even on the basis of that assumption which has, and is asserted to have, no basis in fact, the Commission found that the Western transportation costs would substantially exceed the Eastern costs for every mileage and for every territorial comparison. The cost comparisons on this hypothetical basis were as follows (Report, R. 198):

RELATIVE TERRITORIAL COSTS FOR LESS-THAN-CARLOAD TRAFFIC ON HYPOTHETICAL BASIS OF ASSUMED IDENTICAL LOADING.

CLASS RATE TERRITORY	COST INDEXES
Eastern:	
(a) Eastern including New England but excluding Pocahontas:	
100 miles	98
300 miles	101
500 miles	103

---

[1] Emphasis in quotations in this brief is ours unless otherwise indicated.

CLASS RATE TERRITORY	COST INDEXES
(b) Pocahontas	
100 miles	89
300 miles	89
500 miles	88
(c) Eastern combined, including New England and Pocahontas	
100 miles	97
300 miles	100
500 miles	101
Western:	
100 miles	114
300 miles	109
500 miles	107
Percent by which Western costs on the assumed identical load would be higher than Eastern costs:	
(a) Western compared with higher cost portion of Eastern (basis of (a) above):	
100 miles	West 16.3% higher
300 miles	West 7.9% higher
500 miles	West 3.9% higher
(b) Western compared with lower cost portion of Eastern (basis of (b) above):	
100 miles	West 28.1% higher
300 miles	West 22.5% higher
500 miles	West 21.6% higher
(c) Western compared with Eastern combined (basis of (c) above):	
100 miles	West 17.5% higher
300 miles	West 9.0% higher
500 miles	West 5.9% higher

In addition to the findings showing the territorial indexes for costs of less-than-carload traffic in the West to exceed such costs in the East, the Commission made a direct comparison of costs, revenues and deficits arising from less-than-carload traffic in the several territories. (Report, R. 200.) In that comparison, the combined Eastern Class Rate Territory is not shown, but is divided between (a) Eastern, including New England but excluding Pocahontas, and (b) Pocahontas. The Commission found that, *despite the higher level of rates in the West,* the costs of the Western railroads are such that the Western railroads suffered an actual deficit on less-than-carload traffic. Moreover, the Commission found that this deficit in the West was the largest deficit incurred in the handling of this traffic anywhere in the country.

With total less-than-carload revenues of $88,797,938, the Commission found that the Western railroads had failed by $34,348,277, to earn enough to cover their out-of-pocket costs plus total expenses solely related to less-than-carload traffic, plus collection and delivery expense. In contrast, the Eastern railroads, by reason of their lower costs, had much smaller deficits despite their lower rates. The results of the comparative figures as found by the Commission are as follows (Report, R. 200):

LESS-THAN-CARLOAD COMPARISONS OF REVENUES AND DEFICITS.

	Total Western Class Rate Territory	Eastern Other Than Pocahontas	Excess Deficit in West
-than-carload revenues	$88,797,938	$107,155,756	....
cits on basis of:			
Total solely related expenses plus collection and delivery	34,348,277	26,153,151	$7,738,391

Reduced to a unit basis to emphasize the meaning of the findings, the Commission thus found that the deficit per ton of less-than-carload traffic carried[1] was as follows:

DEFICIT PER TON CARRIED.

	Western Territory	Eastern Other Than Pocahontas
Deficit on basis of total expenses solely related to less-than-carload plus collection and delivery expenses	$7.07	$3.75

The Commission's finding that the deficits from less-than-carload traffic in the West, (most of which is carried on the class rates which are here in issue), far exceed such deficits in the Eastern part of the country, notwithstanding the higher rates in the West, again confirms and verifies the Commission's findings that the Western costs of transportation exceed the Eastern costs by a greater margin than has been covered by the existing higher level of rates in the West. When it came to make its order, the Commission arbitrarily and irrationally disregarded its own findings by ordering a *reduction* of the rates in the West, which were found to have produced the greatest deficit, while, at the same time, ordering an *increase* in the rates in the East where the deficit was much less.

---

[1] Tons of less-than-carload traffic carried in test year (Ex. 13, Table 6, fn. 9, pp. 10 and 12; R. 5971, 5973; offered at R. 1742):

(a)	Eastern other than Pocahontas	6,979,744 tons
(b)	Pocahontas	422,150 tons
(c)	Eastern-combined	7,401,894 tons
(d)	Western	4,860,219 tons

3.

he Commission Found That the Western Costs For Carload Traffic Are 16 Percent to 18 Percent Higher Than the Costs In the Eastern Class Rate Territory as a Whole and Are More Than 60 Percent Higher Than the Costs In the Pocahontas Region of Eastern Territory.

The Commission made detailed findings of the relative erritorial costs of transporting carload traffic based upon ts elaborate special cost studies. The findings were exressed in a table similar to the table in which the Comnission set out its findings as to the relative costs of less-han-carload traffic. The Commission's findings of these arload costs in the test year, 1939, based on the actual onditions in the several territories, were as follows (Report, R. 194):

RELATIVE TERRITORIAL COST INDEXES FOR ALL CARLOAD TRAFFIC ON BASIS OF ACTUAL AVERAGE LOAD.

LASS RATE ERRITORY	COST INDEXES
astern:	
(a) Eastern including New England but excluding Pocahontas.	
100 miles	103
300 miles	102
500 miles	102
(b) Pocahontas.	
100 miles	68
300 miles	67
500 miles	66
(c) Eastern combined, including both New England and Pocahontas (no finding for 100 or 500 miles).	
300 miles	95

Western:

100 miles	110
300 miles	110
500 miles	110

Percent by which Western carload costs are higher than Eastern costs:

(a) Western compared with the higher cost portion of Eastern (basis of (a) above).

100 miles	West 6.8% higher
300 miles	West 7.8% higher
500 miles	West 7.8% higher

(b) Western compared with lower cost portion of Eastern (basis of (b) above).

100 miles	West 61.8% higher
300 miles	West 64.2% higher
500 miles	West 66.7% higher

(c) Western compared with total Eastern (basis of (c) above).

300 miles	West 15.8% higher

In addition to the foregoing findings showing how much higher the Western carload costs are than are the Eastern carload costs, the Commission made similar findings on the hypothetical basis of assumed identical loads. Here again, as in the case of the less-than-carload traffic, the Commission made no findings that the transportation conditions in the West would improve, or were expected to improve, to make that higher load a reality. Nevertheless, even on that hypothesis, the Commission found that the costs of the Western railroads would still be much higher than the Eastern costs. The Commission's findings were as follows (Report, R. 194):

RELATIVE TERRITORIAL COST INDEXES FOR ALL CARLOAD TRAFFIC ON ASSUMED BASIS OF IDENTICAL LOADS.

CLASS RATE TERRITORY	COST INDEXES
Eastern:	
(a) Eastern including New England but excluding Pocahontas.	
100 miles	102
300 miles	102
500 miles	101
(b) Pocahontas.	
100 miles	68
300 miles	67
500 miles	66
(c) Eastern combined, including New England and Pocahontas (no findings for 100 or 500 miles).	
300 miles	95
Western:	
100 miles	108
300 miles	108
500 miles	108

Percent by which Western carload costs are higher than Eastern costs on the hypothetical identical load basis:

(a) Western compared with higher cost portion of Eastern (basis of (a) above).	
100 miles	West 5.9% higher
300 miles	West 5.9% higher
500 miles	West 6.9% higher
(b) Western compared with lower cost portion of Eastern (basis of (b) above).	
100 miles	West 58.8% higher
300 miles	West 61.2% higher
500 miles	West 63.6% higher
(c) Western compared with total Eastern (basis of (c) above).	
300 miles	West 13.7% higher

Comparison with the findings of the Commission in the first table above shows that these latter findings on the hypothetical basis are understatements of the difference in costs. The *actual* Western carload costs were found to be higher than Eastern costs by substantially greater percentages than appear immediately above.

The Commission's findings of the territorial differences in costs in the test year were confirmed by its finding as to the relative costs over the ten-year period of 1930 through 1939. In that separate study the costs were compared on the basis of an assumed identical consist of traffic. The Commission stated, with regard to that ten-year period:

> "A comparison with the East, including the Pocahontas region [*i. e.*, the entire Eastern class rate territory] and using the eastern consist of traffic, shows the *Western costs to be higher by 18 percent.*" (Report, R. 198.)

Moreover, the Commission found that even if (1) the Pocahontas Region, which is the low cost region of the Eastern class rate territory, is omitted from the comparison, and (2) if New England, the highest cost region in the East (where the Commission has established rates on two graduated scales higher than the Eastern rates) is included, the overall average costs in the West for that period would still substantially exceed the Eastern costs. (Report, R. 197.)

To summarize the findings as to the comparative territorial transportation costs, the Commission found that the costs in the West were neither uniform nor substantially uniform with the costs in the East. It found that the overall average costs in the West exceed those in the East by more than 21%. As to carload traffic, it found that for the test year the average unit Western costs exceeded the average in the Eastern class rate territory by 16 percent. It found that even if the transportation conditions in the

Western territory were so improved that the loads in the several territories were identical, the average Western carload costs would have been 14 percent higher than the average Eastern costs.

Breaking down the Eastern class rate territory into its higher and lower cost areas, the Commission found that the average Western costs exceed the costs even in the higher cost area of Eastern class rate territory (in a large part of which the Commission has established class rates on levels higher than the so-called Eastern scale) by from 6 to 8 percent and exceed the costs in the other portion of Eastern class rate territory by 59 to 67 percent. Finally, for the ten-year period 1930-1939, the Commission found that the average Western costs were 18 percent higher than the average Eastern costs.

4.

The Commission Found That the Western Costs For Boxcar Traffic and Gondola and Hopper Car Traffic at the Average Haul Are 13 Percent and 24 Percent Higher Respectively Than the Eastern Costs.

The Commission made detailed findings as to the relative territorial costs of the traffic carried in boxcars or gondola and hopper cars, and found that the Western costs greatly exceed the Eastern costs on that traffic. It found that the full costs, based on the actual territorial conditions, were as follows (Report, R. 192):

RELATIVE CARLOAD COSTS FOR TRAFFIC MOVING IN BOXCARS, GONDOLA AND HOPPER CARS.

	COST INDEXES	
CLASS RATE TERRITORY	BOXCARS	GONDOLA HOPPER
EASTERN:		
(a) Eastern including New England but excluding Pocahontas		
100 miles	104	102
300 miles	103	100
500 miles	102	99
(b) Pocahontas		
100 miles	70	65
300 miles	68	63
500 miles	67	63
(c) Eastern combined, including New England and Pocahontas		
100 miles	99	95
300 miles	96	93
500 miles	96	93
WESTERN:		
100 miles	107	115
300 miles	108	115
500 miles	108	114
Percent by which Western costs are higher than Eastern costs		
(a) Western compared with the higher cost portion of Eastern (basis of (a) above)		
100 miles	West 2.9% higher	12.7% hi
300 miles	West 4.8% higher	15.0% hi
500 miles	West 5.9% higher	15.1% hi
(b) Western compared with the lower cost portion of Eastern (basis of (b) above)		
100 miles	West 52.8% higher	77.0% hi
300 miles	West 58.8% higher	82.5% hi
500 miles	West 61.2% higher	80.9% hi
(c) Western compared with total Eastern (basis of (c) above)		
100 miles	West 8.0% higher	21.0% hi
300 miles	West 12.5% higher	23.7% hi
500 miles	West 12.5% higher	22.6% hi

It will be seen that the Western costs exceed the Eastern costs for every territory and every mileage shown in the Commission's finding. There is no uniformity of costs between the West and the East; consistently, by varying percentages up to 83 percent, the Western costs were found to be higher. The Commission found that the 300-mile haul "most closely approximates the length of haul in each territory in 1939." (Report, R. 190.) At that mileage the Commission found that the average Western costs for traffic carried in boxcars were 13 percent higher than the average Eastern costs. It also found that the average Western costs for traffic carried in gondola and hopper cars were 24 percent higher than the average Eastern costs.

The Commission made comparisons of costs for this traffic on the purely supposititious basis (explained in the section above), of an identical load per car being carried in each territory. Even on this hypothetical basis, the Commission found that the average costs in the West would exceed the Eastern costs for every mileage, and, moreover, would exceed the costs in every portion of the East except in New England, where the rates, in recognition of the higher costs, have been established by the Commission at levels higher than the so-called Eastern scale. (Report, R. 191, 192.) The average full costs in the West for such traffic were found, even on that hypothesis, to be higher than the average full costs in Eastern class rate territory by 9.1%, 12.5% and 13.7%, respectively, for the hauls of 100, 300 and 500 miles. The Western costs on gondola and hopper car traffic were found to be higher than the Eastern costs on that same basis by 14.7%, 15.9% and 17.2%, respectively.

5.

The Commission Found That the Transportation Costs In the West Greatly Exceed the Transportation Costs In the South.

The findings of the Commission discussed thus far related to the West-East comparison, showing how much higher are the Western costs than are the costs in Eastern class rate territory, which comprises the northeast section of the country. But the Commission also found that the Western costs are substantially higher than the costs in the South.

Because of the genesis and the whole background of this proceeding the major part of the Commission's discussion of costs concerns the cost relationship of the South and the East. Indeed, the Commission stated that it found the Southern class rates to be unreasonably high as compared with the Eastern rates because of its conclusion that the difference in costs between the South and the East is not substantial. What the Commission did when it came to its order with respect to Western rates, however, was to order that those rates should be lowered to match the rates found reasonable for the East and South, despite the fact that it found that in both of these latter territories the costs are far lower than in the West. The arbitrary nature of that conclusion is illuminated by the strong emphasis and reliance which the Commission placed on what it deems a substantial parity of cost between the East and South.

(a).

THE COMMISSION FOUND THAT THE ACTUAL LESS-THAN-CARLOAD TRAFFIC COSTS IN THE WEST ARE 38 PERCENT TO 46 PERCENT HIGHER THAN IN THE SOUTH.

The Commission found that the actual Western costs of hauling less-than-carload traffic are higher than the Southern costs by from 38 percent to 46 percent; the cost difference on this traffic being even greater than between the West and the East. The comparison, together with the comparison on the hypothesis of identical loading, was tabulated as follows (Report, R. 198):

LESS-THAN-CARLOAD COSTS IN WEST AND SOUTH.

CLASS RATE TERRITORY	COST INDEXES ASSUMED IDENTICAL LOAD	 ACTUAL
Southern:		
100 miles	84	84
300 miles	87	86
500 miles	88	87
Western:		
100 miles	114	123
300 miles	109	121
500 miles	107	120
Percent by which Western costs are higher than Southern costs:		
100 miles	West 35.7% higher	46.4% higher
300 miles	West 25.2% higher	40.7% higher
500 miles	West 21.6% higher	37.9% higher

These findings, together with the findings set out above with regard to the Eastern costs, belie any pretense that cost or transportation conditions are uniform or anywhere near uniform between the West and the South or between the West and the East. The Commission's findings and the studies on which they rest condemn the order requiring the Western rates to be made uniform with the rates in the South and East.

Confirming the foregoing findings, the Commission found that the costs of less-than-carload traffic in the South are substantially covered by the rates received, whereas the costs in the West are so much higher that, even with class rate scales higher than in the South, the Western railroads have had to transport that traffic at a deficit of from $26,000,000 to $34,000,000. The tabulated findings in this respect were as follows (Report, R. 200):

LESS-THAN-CARLOAD COMPARISONS OF COSTS, REVENUES AND DEFICITS.

	SOUTHERN TERRITORY	WESTERN TERRITOR
Less-than-carload revenues	$46,635,725	$88,797,938
Less-than-carload income or deficit:		
(a) Basis of total expenses solely related to less-than-carload plus collection and delivery expenses	Deficit 815,459	Deficit 34,348,277
(b) Basis of adjusted expenses solely related to less-than-carload plus collection and delivery expenses	Income 1,698,293	Deficit 26,240,17

The Commission also commented in the text of its report upon the great deficit in covering the costs of this traffic in the West as contrasted with the situation in the South where the difference between revenues and expenses is slight. (Report, R. 312.)

Reduced to a unit basis, the Commission found that for all the less-than-carload traffic carried by the Western railroads, the higher costs produced a deficit of $5.40 per ton carried, on the adjusted basis. In contrast, the Southern railroads, on the adjusted basis, made a profit of $0.68 per ton carried. On the first basis the Southern railroads had a deficit of only $0.33 per ton as compared with the Western deficit of $7.07 per ton.[1]

(b).

THE COMMISSION FOUND THAT THE WESTERN CARLOAD COSTS ARE FROM 8 PERCENT TO 16 PERCENT HIGHER THAN THE SOUTHERN COSTS.

The Commission's findings as to the extent by which the Western costs of carload traffic exceed the Southern costs for such traffic were stated as follows (Report, R. 194):

Class Rate Territory	Cost Indexes Based on Assumed Identical Load	Actual
Southern:		
100 miles	94	96
300 miles	98	101
500 miles	100	102
Western:		
100 miles	108	110
300 miles	108	110
500 miles	108	110
Percent by which Western costs are higher than Southern costs		
100 miles	West 14.9% higher	14.6% higher
300 miles	West 10.2% higher	8.9% higher
500 miles	West 8.0% higher	7.8% higher

(c).

THE COMMISSION FOUND THAT THE WESTERN COSTS FOR BOXCAR TRAFFIC AND GONDOLA AND HOPPER CAR TRAFFIC AT THE AVERAGE HAUL ARE 11 PERCENT AND 13 PERCENT HIGHER, RESPECTIVELY, THAN THE SOUTHERN COSTS.

The Commission's findings comparing the Western costs on boxcar traffic with the Southern costs were as follows (Report, R. 192):

---

[1] The Southern railroads in the test year carried 2,498,735 tons of less-than-carload traffic, and the Western railroads carried 4,860,219 tons of such traffic. (Ex. 13, Table 6, fn. 9, pp. 10, 12; R. 5971, 5973; offered at R. 1742.)

CLASS RATE TERRITORY	COST INDEXES BASED ON ASSUMED IDENTICAL LOAD	ACTUAL
Southern:		
100 miles	92	94
300 miles	96	97
500 miles	98	99
Western:		
100 miles	107	107
300 miles	108	108
500 miles	108	108
Percent by which Western costs are higher than Southern costs		
100 miles	West 16.3% higher	13.8% higher
300 miles	West 12.5% higher	11.3% higher
500 miles	West 10.2% higher	9.1% higher

The Commission's findings comparing the Western costs and the Southern costs on gondola and hopper car traffic were as follows (Report, R. 192):

CLASS RATE TERRITORY	COST INDEXES BASED ON ASSUMED IDENTICAL LOAD	ACTUAL
Southern:		
100 miles	95	98
300 miles	99	102
500 miles	101	104
Western:		
100 miles	109	115
300 miles	109	115
500 miles	109	114
Percent by which Western costs are higher than Southern costs		
100 miles	West 14.7% higher	17.3% higher
300 miles	West 10.1% higher	12.7% higher
500 miles	West 7.9% higher	9.6% higher

In connection with these costs of boxcar traffic and gondola and hopper car traffic, the Commission made separate findings for the costs in the State of Kentucky, which is a border state between Southern and Eastern territories. The Commission heretofore has established interstate class rates in Kentucky on a basis only slightly higher than the basic Eastern scale. (Report, R. 251) In the present proceeding it has decided that Western class rates are unlawful unless reduced to a basis which will be identical with rates found by it to be just and reasonable for Kentucky. How far it was necessary for the Commission to go in disregard of its own findings to reach that conclusion is apparent from the following findings of the Commission comparing the boxcar costs in the West with those in Kentucky (Report, R. 192):

TERRITORY	COST INDEXES BASED ON ASSUMED IDENTICAL LOADING
Kentucky	
100 miles	76
300 miles	77
500 miles	77
Western	
100 miles	107
300 miles	108
500 miles	108
Percent by which Western costs are higher than Kentucky costs	
100 miles	West 40.8% higher
300 miles	West 40.2% higher
500 miles	West 40.2% higher

The cost comparisons between West and Kentucky on gondola cars show an even greater disparity of costs. (Report, R. 192.)

6.

The Commission Made No Cost Studies of the Comparative Territorial Costs Later Than for the Test Year, 1939, But Found That Other Data Indicated Higher Costs in the West Than in the East or South.

The preparation of the Commission's elaborate cost studies in this proceeding required an immense amount of time and of effort, both by the Commission's staff and by the carriers, as is indicated by the description of these studies in the Commission's report. The Commission made no territorial cost studies for any later period. There are certain cost comparisons in the record for the period 1937-1941 between the East and the South, but no such comparison was made for the West for that period. (Report, R. 197, 198.)

The only cost figures for the West for any year after the test year, 1939, were the simple cost comparisons per revenue ton-mile, and similar general figures, for 1941. The Commission found that such comparisons are unreliable for purposes of territorial cost comparisons and stated its criticisms of a similar computation as follows:

> —"Witness for the State of New York introduced comparisons of the costs per revenue ton-mile for various groups of railroads in the South and East. Such comparisons of revenue ton-mile costs, however, are subject to the following criticisms: No separation was made between line and terminal with the result that, other factors being equal, the territory having the longest average haul per shipment would inevitably have the lowest cost per revenue ton-mile, the terminal expenses being spread over more ton-miles. No separation was made between classes of equipment, the low cost per revenue ton-mile for heavy loading coal traffic being combined on a weighted-average basis with the higher ton-mile cost for manufactured prod-

> ucts. Other factors being equal, the region having the greatest proportion of coal traffic would, under such a procedure, show the lowest cost. No effort was made to accumulate the cost on the basis of homogeneous service units required in the handling of each class of traffic in each class of equipment, such as was accomplished in the Edwards studies." (Report, R. 205.)

Although the Commission thus found that comparisons of costs per revenue ton-mile were not reliable or informative, it noted that such data "indicate" that the unit costs both in the East and in the West had been reduced somewhat between 1939 and 1941 by the great increase of traffic (Report, R. 201)[1] incident to the transition to the emergency wartime economy. The Commission found that the volume of war traffic which the Western roads were called upon to handle had increased much more rapidly than had the traffic in the Eastern class rate territory. In the Pocahontas region of Eastern class rate territory, the traffic had increased only 27 percent, and in the remainder of Eastern class rate territory the increase was only 43 percent, as compared with an overall average increase in the West of 46 percent. Thus the traffic increase in Western traffic was somewhere from 3 to 19 percentage points greater than the traffic increase in the areas that comprise the Eastern class rate territory. Because of that added traffic the figures for cost per revenue ton-mile showed a decrease in the West and South of approximately 10 percent and a decrease in the East of approximately 5 percent. (Report, R. 201.)

In view of the wartime conditions existing in 1941, and the Commission's findings as to the lack of merit in costs per revenue ton-mile for comparative purposes, the figures mentioned above have little, if any, value. An actual cost study for 1941, similar to the one for 1939, would provide the vast number of adjustments which must be made to create a reliable cost indicator.[1] However, it is of interest to note that if the respective 5 percent and 10 percent changes could properly be used in connection with the Commission's cost findings for the test year, 1939, they would show that even in the abnormal year of 1941, notwithstanding the faster increase in traffic, the unit costs of transportation on Western roads continued to be very substantially higher than on the Eastern roads. For example, the Eastern carload cost index of 95 would be reduced to approximately 90, whereas the Western carload cost index of 110 would be reduced only to approximately 99. The Eastern less-than-carload cost index of 92 for the 100 mile haul (even excluding the lower-cost Pocahontas region) would be reduced in 1941 to approximately 87, as compared with the reduction of the Western index from 123 to approximately 111. Thus, on these illustrative comparisons, the Western costs, even in 1941, despite a faster increase in the war traffic of the Western railroads, would range from 10 percent to 28 percent *higher* than the comparable figures for the Eastern class rate territory.

---

[1] The only cost figures for 1941 are of the same type as the ones which the Commission criticized above, and are subject to the same criticism. (Report, R. 201.)

Change in the volume of freight traffic affects differently the unit costs in the East and in the West. As the volume of traffic increases, the reduction in the unit costs is greater in the West than in the East. Conversely when traffic falls off, the increase in unit costs is greater in the West than in the East. The Commission explains the reason for this as follows:

---

[1] The Commission's cost studies for the test year, 1939, were prepared and submitted by its head cost analyst, Dr. F. K. Edwards. Dr. Edwards testified, in response to a question from Chairman Aitchison, that the 1939 studies could not be brought down to a later date simply by the use of the annual reports (which show cost per revenue ton-mile) but that "we would practically have to repeat our process." (R. 1563.) That was not done and the record contains no cost study for the year 1941.

> "The reason apparently lies in the fact that the East, with its higher traffic density, is closer to the maximum capacity of the plant than is true in the other districts and hence the influence of added traffic on costs is here greater." (Report, R. 201.)

The corollary is that with the return of normal economic and traffic conditions, the costs in the West will rise more rapidly than the costs in the East, thereby accentuating the territorial cost differences.

It should be emphasized again that there were no cost studies for the Western railroads for any year later than 1939, and that the only figures for 1941 to which the Commission refers were those of the type which the Commission specifically found to be untrustworthy as a basis for comparing territorial costs. (Report, R. 205.) The only evidence of record relied upon by the Commission to establish the degree by which the Western costs exceed the Eastern costs was the evidence for 1939 and for the years 1930-1939.

B.

THE COMMISSION ARBITRARILY DISREGARDED ITS FINDINGS THAT THE TRAFFIC DENSITY ON THE EASTERN RAILROADS IS APPROXIMATELY THREE TIMES AS GREAT AS ON THE WESTERN RAILROADS.

The Commission has always recognized that no other single factor affects unit costs as directly as does traffic density. It found here that the traffic density of the Western railroads is not only not uniform or substantially uniform with the density of the Eastern railroads but, in fact, is only one-third of that of the Eastern railroads. This is a fact of the highest significance. It means that in the West one ton must bear many elements of expense which in the East are spread over three tons. But the Commission totally disregarded the evidence and its own findings of these dissimilar transportation conditions by ordering the Western railroads, despite their relatively light traffic, to reduce their rates for the purpose of establishing a blanket equality of rates with the heavy density roads in the East.

The importance of the density factor has been recognized time and again, both in the decisions of this Court and of the Commission. The "primary importance" which the Commission has attached to traffic density in the past is illustrated by its discussion of that factor in *Refined Petroleum Products in the Southwest,* 171 I. C. C. 381, 400 (1931) as follows:

> "One factor of primary importance in determining the general rate level on a particular line or in a particular territory is traffic density, which indicates the quantity of traffic that must bear the cost of transportation. The density of traffic depends upon the quantity of through or overhead traffic and also the quantity of local traffic originating or terminating on that line or in that territory. These factors, in turn, are influenced by such matters as population, productiveness of the area traversed, the amount of railroad mileage within the area, the quality of the service, and other matters. The quantity of traffic originating or terminating on a particular line indicates in a general way the amount of traffic that must bear the terminal expense."

In the opinion of Mr. Justice Brandeis for the Court in the ***Washington Log Case*** (***Northern Pacific Ry. Co.*** v. ***Department of Public Works***), 268 U. S. 39, 44 (1925) it was said:

> "In this unit cost figure [relied upon by the rate fixing agency] no account is taken of the differences

> in unit cost dependent, among other things, upon differences in the length of haul; in the character of the commodity; in the configuration of the country; *in the density of the traffic*; in the daily loaded car movement; in the extent of the empty car movement; in the nature of the equipment employed; in the extent to which the equipment is used; in the expenditures required for its maintenance. Main line and branch line freight, interstate and intrastate, car load and less than car load, are counted alike. The Department's error was fundamental in its nature. The use of this factor in computing the operating costs of the log traffic vitiated the whole process of reasoning by which the Department reached its conclusion."

The effect of density of traffic was expressly recognized and its importance restated by Senator Wheeler, Chairman of the Committee on Interstate Commerce, in the discussions leading to the Transportation Act of 1940, when he explained why there was no intention in that Act to equalize the rates in the various classification territories, as follows:

> "Likewise, we must recognize the fact that railroad transportation service and rates depend somewhat on *the intensity of the traffic.* In long stretches of territory with no traffic, shippers must pay more for railroad service than do shippers in a densely settled part of the country where traffic is plentiful and where there is much competition from busses, trucks, and things of that kind." (Cong. Rec., Vol. 84, Part 6, p. 5890.)

And in the House of Representatives, in the discussions leading to that same Act, Representative Halleck, who was then a member of the Committee on Interstate and Foreign Commerce, in explaining why that Committee had rejected proposals for rate equality, stated:

> "You can find differences in the freight rates within some sections of the country and official territory, but people will fairly explain to you that those differences

> result from differences in *the density of traffic* and a lot of other situations that do not really involve unjust discriminations." (Cong. Rec., Vol. 84, Part 9, p. 9879.)

In the light of these explicit declarations of Congressional intention to recognize and preserve the traditional importance of density of traffic as a standard for rate-making, and not to impose any overriding requirement of rate uniformity, it is highly important to examine the findings made by the Commission as to the comparative density of traffic East and West. These findings are as follows:

FREIGHT TRAFFIC DENSITY.

1941 Revenue Ton Miles Per Mile of Line.

Eastern:	
Eastern District (other than Pocahontas)	3,392,964
Pocahontas Region	7,519,840
Western (overall)	1,358,041
Eastern Section	1,377,089
Western Section	1,006,144
Southwestern Territory	1,017,337

(Report, R. 270, 292, except Pocahontas averages from Ex. 66, Sec. II, p. 5, R. 7615; offered at R. 2219.)

The density of traffic in the Pocahontas region of Eastern class rate territory is five and one-half times as great as on the Western railroads, and the density in the remainder of the Eastern class rate territory is two and one-half times as great as on the Western railroads. There is only one state (Minnesota) in the entire Western District in which the density is as much as one-half the average Eastern density. But the Commission was at pains to make these fundamental findings only to disregard them. They are given no consideration in the conclusion that the rates in the West, where the traffic density is only about one-third of that in the East, and one-sixth of that in the Pocahontas region, are unjust and unreasonable unless reduced to equality with the rates found to be just and reasonable in the East. In so doing, the Commission grossly disregarded the traditional standards of rate-making laid down by this Court and expressly recognized to be governing both in the Senate and in the House.

C.

THE COMMISSION ARBITRARILY DISREGARDED ITS FINDINGS THAT THE RATE OF RETURN OF WESTERN RAILROADS, DESPITE THEIR HIGHER RATE LEVEL, HAS CONSISTENTLY AVERAGED LESS THAN THE RATE OF RETURN IN ALL OTHER PARTS OF THE NATION.

The disastrously unfavorable earning experience of the Western railroads despite the higher rate level prevailing in the Western territory is recorded in the proceedings by the Commission under Section 77 of the Bankruptcy Act and in the recent bankruptcy and receivership proceedings in the courts.[1] The higher rates paid by the shippers on Western railroads have not been sufficient to cover the high unit costs of providing transportation service in the Western rate territory. The true, actual costs have been borne in substantial part by those whose funds have been invested in the properties.

The Commission found that the rate of return on the investment in Western railroads has averaged below the rate of return in all other parts of the country. Since the Western freight rates have always been higher than in the East, the sole reason for the low rate of return in the West is that the difference in rates has not been sufficient to cover the difference in costs between the East and the West. The Commission made no finding, and could not have found, that the Western rate of return for the past has been either excessive or adequate, and made no forecast that in the peacetime years of the future it would be excessive or would be even adequate. Its findings establish that only in an abnormal year and under war conditions, have the Western railroads been able to show a rate of return as high as the railroads in the rest of the country, *even with the help of the higher rate level in the West.* It is established by those findings that the Western railroads would have operated at *deficits* if their rate level had been uniform with the Eastern railroads. Upon those findings, the Commission's action in ordering the Western railroads to reduce their class rates to match the rates that were found to be just and reasonable for the Eastern railroads was arbitrary.

---

[1] The list of Western railroads recently in bankruptcy or receivership is too long for a footnote. It may be found in Appendix C, this brief, page 193.

The Commission's findings and the evidence show the comparative rates of return for the years 1936 to 1943, inclusive, and for the years 1921 to 1935 inclusive. The following table starkly demonstrates the impact of high transportation costs upon the Western railroads. The Western rates were at all times substantially higher than the Eastern rates, but the Western costs more than absorbed the difference in rates.

AVERAGE RATES OF RETURN IN PERCENTAGES.

	Eastern Class Rate Territory		Western
Year	Other Than Pocahontas[1]	Pocahontas	
1921-1941	3.14%	•	2.64%
1921-1943	3.27	•	2.91
1930-1939	2.12	•	1.59
1936-1941	2.47	6.25	1.97
1936-1942	2.82	6.10	2.53
1936-1943	3.01	5.99	2.89

The results for 1936 to 1943 (despite the higher level of rates in the West) were as follows:

---

[1] Report, R. 228; other averages computed from data in record; first three averages for Pocahontas not available in record.

RATES OF RETURN 1936-1943.

Year	Eastern Class Rate Territory Other than Pocahontas	Pocahontas	Southern	Western
1936	2.67%	7.58%	2.52%	1.88%
1937	2.27	6.61	2.35	1.71
1938	1.26	4.54	1.90	1.09
1939	2.34	5.89	2.50	1.65
1940	2.66	6.21	2.57	2.06
1941	3.62	6.67	4.24	3.36
1942	4.90	5.29	6.51	5.80
1943	4.32	5.22	5.73	5.22

Report, R. 259.

The results for the years 1921 to 1935 were as follows:

RATES OF RETURN, 1921-1935.

Year	Eastern Other Than Pocahontas	Southern	Western	Percentage Western Under (—) or Over (+) Eastern
1921	2.70	2.02	3.01	+11.48
1922	3.35	4.23	3.39	+ 1.19
1923	4.60	4.73	3.78	—17.83
1924	4.28	5.01	3.74	—12.62
1925	4.90	5.63	4.01	—18.16
1926	5.16	5.19	4.30	—16.67
1927	4.40	4.24	3.79	—13.86
1928	4.82	4.08	4.26	—11.62
1929	5.05	4.01	4.41	—12.67
1930	3.27	2.66	3.07	— 6.12
1931	1.89	1.34	1.91	+ 1.06
1932	1.46	0.79	0.77	—47.26
1933	1.97	1.85	1.23	—37.56
1934	1.91	1.71	1.26	—34.03
1935	2.17	1.56	1.32	—39.17
Weighted Annual Average[1]	**3.42**	**3.23**	**2.90**	**—15.21**

---

[1] **Ex. 66, Sec. II, Page 9, R. 7619; offered at R. 2219; weighted annual average computed from data therein. Data for Pocahontas region of Eastern class rate territory not available for the years prior to 1936. As shown in tables above, the rate of return for later years in Pocahontas is higher than in the rest of Eastern Territory.**

In two of the twenty-three years shown in the record, the returns were almost identical. *In eighteen of the other twenty-one years, the Western railroads failed, by substantial margins, to earn a rate of return as large as the Eastern rate of return.*[1] In years of general prosperity and depression alike, the high Western costs have more than absorbed the rate differential. Even in 1941, with its large increase in war traffic which, as the Commission pointed out, was greater in the West than in the East, the Western railroads earned less than did the Eastern roads. It took the war in the Pacific and the closing of the Panama Canal to commercial shipping to permit the higher Western rates to raise the Western rate of return slightly above the rate of return that the Eastern railroads were able to earn on their lower rates.

The fact that the Western railroads have been able to earn any return on value in the face of their high costs of operation has been due to their relatively higher rate level, although, as the results show, that rate differential has been sufficient to compensate only for a part of the higher costs. If the rate differential had been sacrificed to the principle of national uniformity of rates, and the Western railroads had been required to reduce their rates to the Eastern level, the Commission's findings show that the Western railroads would have transformed their net railway operating income in the test year, 1939, into an operating *deficit* of $5,154,703. (See page 29, *supra*.) The amount of the losses of the Western railroads in the other years if such uniformity had been required may be indicated approximately from the following table. This table shows the amount by which the Western revenues would have been reduced if the rate differential of 16.6% (as measured by the Commission in the test year 1939) had been abolished and the Western railroads had been forced to carry their traffic at Eastern rates.

---

[1] Referring to the recent decision of the Commission in *Ex Parte No. 162, Increased Railway Rates, Fares and Charges, 1946,* this Court has stated as follows:

> "While the reports of the Commission deal with the national railroad situation rather than with individual roads, an examination of them does not indicate that the Commission intended to supply by means of the increase in rates a net railway operating income sufficient to give a rate of return on invested capital substantially higher than for normal pre-war years. 264 I. C. C. 695, 722, 728; I. C. C., *Ex parte No. 162,* December 5, 1946, mimeographed report, p. 7." *Insurance Group Committee* v. *Denver and Rio Grande Western R. Co.,* 15 U. S. Law Week 4189, 4191, fn. 5 (Feb. 3, 1947).

Year	Actual Western Net Railway Operating Income[1]	Reduction in Revenues if Western Rates Had Been on Eastern Level[2]		Adjusted Western Net Railway Operating Income or Deficit if Rates Had Been on Eastern Level
1936	$200,976,806	$183,283,164		$ 17,693,642
1937	182,981,252	191,823,858	(def)	8,842,606
1938	117,543,553	169,860,798	(def)	52,317,245
1939	178,115,556	183,650,609	(def)	5,535,053
1940	224,169,895	195,172,191		28,997,704
1941	370,938,129	247,719,132		123,218,997
1942	655,220,805	355,761,040		299,459,765
1943	602,657,057	427,199,479		175,457,578
1944	487,758,925	449,832,205		37,926,720
1945	392,377,407	440,956,758	(def)	48,579,351
Average 1936-1945	$341,273,939	$284,525,924		$56,748,015

The Western railroads, which suffered bankruptcy even on the relatively higher rates established by the Commission through the years, could not have continued to render their public service if they had been forced to operate on the Eastern rates. To conclude, in the teeth of such findings and evidence, that the Western rates are unlawful because they are higher than rates which are just and reasonable for the Eastern railroads, is, we submit, so irrational and arbitrary as to constitute a denial of due process.

---

[1] From the Commission's Statistics of Railways (Annual Reports) except 1945 which is from the Commission's Preliminary Abstract.

[2] Western-Eastern differential in levels applied to actual Western gross freight revenues shown in Commission's annual Commodity Statistics.

D.

THE FINDINGS AND EVIDENCE CONCERNING THE MOVEMENT ON THE CLASS RATES DO NOT SUPPORT THE COMMISSION'S ORDER.

Repeatedly, in the reports, the Commission refers to the movement of traffic on class rates. (See for example, Report, R. 179-180, 310.) Its point is not that the freight does not actually move freely and in great volume, but is that both the Commission itself and the railroads historically have provided specific rates for the movement of most kinds of freight, which, the Commission stated, "are usually designed to fit the special conditions relating to the transportation of a single commodity or group of commodities"—and that this has reduced the movement on the class rates. (Report, R. 177.) These specific rates, which are made with special attention to the movement of the particular articles and to traffic conditions, consist of so-called "commodity" rates, and "exception" rates. The vast bulk of traffic in all parts of the country has moved for many years on such commodity or exception rates.[1]

---

[1] The following statements of Chairman Aitchison at the hearings in this proceeding are of interest in this connection.

"Chairman Aitchison: Well now, that gets right down to something that is very fundamental, as to which you may have a view. I was brought up, I might say, as a matter of elementary transportation economics, to regard a commodity rate as the normal rate on carload traffic, and the classification as intended only to take care of situations

The Commission found that

> "From the standpoint of the volume of traffic transported, class rates are the least important of the different kinds of rates. The great preponderance of traffic within and between the several territories is transported on commodity rates. The relative proportion of traffic transported at class or other rates has fluctuated from time to time, but *the volume of traffic, particularly carload traffic on which class rates have applied has been substantially less for many years than that on which exception rates have applied.*" (Report, R. 179.)

The Commission now purports to use this historical fact as a justification of its order for uniform rates, on the principle that too great a percentage of the traffic in all parts of the country, except in the East, moves on such rates and that the percentage of traffic moving on the class rates, except in the East, should be increased.

As that principle was applied here it is a novel and arbitrary theory of rate making. The Commission made no finding as to what would be a "proper" percentage moving on class rates, and none can be inferred from the rate changes which it prescribes. There is no evidence in the record upon which any such finding of the "proper" percentage could be supported and the actual order increasing some rates and reducing others, does not comport with any of the Commission's findings as to the movement on the class rates.

As to the less-than-carload traffic in Western territory, the record shows that 55.7% of that traffic moves on the class rates. (Computed from A. A. R. Merchandise Report,

---

which were not important enough to warrant a commodity rate." (R. 3283.)

"Chairman Aitchison: I say, it gets right back to what I stated before. It was our understanding out West that the commodity rates moved the great bulk of the traffic, and it was only the unusual thing that took the classification, such as your blacksmith's coal, or your silver ore, and so forth." (R. 3286-3287.)

R. 11922, *et seq.;* see also Report, R. 184.) The Commission ordered a reduction in these rates, notwithstanding that high percentage, either on the theory that such a percentage was not high enough, or on the theory, which is more probable, that the Commission's purpose to establish national uniformity of rates was so fixed, that it was immaterial whether a high or a low percentage moved on those rates.

With regard to the carload traffic, the Commission made a rough study for a single day, September 23, 1942, which showed the following percentages of movements in class rates:

Territories (within or from one to another)	Percent of Carloads moving on: Class rates	Exception rates	Commodity rates
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk line	.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to Southern	12.6	36.3	51.1
Southern to Official	.9	4.9	94.2
Official to Western trunk-line	12.3	35.4	52.3
Western trunk line to Official	3.1	1.0	95.9
Official to Southwestern	22.5	52.0	25.5
Southwestern to Official	1.5	3.4	95.9
Southern to Western trunk-line	1.5	13.5	85.0
Western trunk-line to Southern	6.1	3.1	90.8
Southern to Southwestern	6.1	22.1	71.8
Southwestern to Southern	1.2	4.3	94.5
Western trunk line to Southwestern	13.0	6.2	80.8
Southwestern to Western trunk-line	2.0	3.0	95.0

(Report, R. 179.)

The Commission frequently cited the foregoing table as justifying its order. It is therefore important to observe the complete lack of correlation between these percentages and the changes prescribed by the order. The following table, which is a rearrangement of the several classes of traffic in the order of the respective percentages, shows the foregoing data as compared with the effect of the order:

Territories (within or from one to another)	Percent on class rates	Effect of order on class rates
Western (less-than-carload)	55.7	Reduced
Official to Southwestern............	22.5	Reduced
Western trunk-line to Southwestern.	13.0	Reduced
Official to Western trunk-line......	12.3	Reduced
Official to Southern................	12.6	Reduced
Western trunk-line to Southern....	6.1	Reduced
Southern to Southwestern.........	6.1	Reduced
Official	**5.8**	**Increased**
Western trunk-line to Official	3.1	Reduced
Southwestern	2.4	Reduced
Southwestern to Western trunk-line.	2.0	Reduced
Southern	1.8	Reduced
Southwestern to Official............	1.5	Reduced
Southern to Western trunk-line....	1.5	Reduced
Southwestern to Southern..........	1.2	Reduced
Southern to Official	.9	Reduced
Western trunk-line	.6	Reduced

This table demonstrates the lack of substance in the Commission's reasoning about the percentage of traffic that moves on class rates as compared with the percentage for which the Commission and the railroads have established commodity or exception rates. If the Commission had actually believed that such percentages required that the rates be changed, it would have reduced only those rates on which a small percentage of traffic moves. It would have left unchanged, or would have increased, the rates on which a large percentage moves. But the foregoing table shows the Commission's total disregard for any such factors in its holding that the rates in all the territories should be made equal, mile for mile. That order would accomplish uniformity but it would do it by *reducing* all the class rates on which a high percentage of the traffic moves and *increasing* the class rates in the East on which only 5.8% of the traffic moves.

Finally, it should be understood that despite all the language in the Commission's reports to the effect that it was basing its decision as to Western rates on the propriety of increasing the volume that moves on class rates and decreasing the volume that moves on exception and commodity rates, the Commission in its supplemental report denied the petition of the Southwestern Steering Committee to amend the order so that the class rates would replace the exception and the commodity rates wherever the latter are higher than the class rates. (R. 453.) And it amended its order to protect against the possibility of the new class rates being used by shippers in lieu of commodity and exception rates that would, under the order, become higher than the class rates. (R. 455, 456.) That modification was necessary to protect against the drastic disruptions of rate relationships that would otherwise have been caused, but necessarily the effect is to maintain the percentages moving on the various rates just as they were before. Uniformity of class rates was to be "brought about" by the decision, but this alleged reason for bringing it about (*i. e.*, to affect the percentage of traffic moving on class rates) was abandoned. The evidence on which the Commission thus relies impeaches its action

E.

THE FINDINGS OF THE COMMISSION AS TO CONSIST OF TRAFFIC DO NOT SUPPORT THE ORDER BUT DEMONSTRATE THAT THE CONSIST IN THE WEST IS THE MOST UNFAVORABLE IN THE COUNTRY.

The Commission found that a much greater percentage of the total traffic on the Western railroads consists of articles which produce little revenue above the costs of their carriage than is true of the Eastern railroads. This factor of consist of traffic is highly important because of the fact that the revenue needs of a railroad or of geographical group of railroads must be supplied by the particular kinds of traffic transported by them. The Eastern railroads have a much heavier percentage of freight of a kind that produces excess revenue to carry the general expenses. The Western railroads, in contrast, have a heavier percentage of products of agriculture, livestock and products of forests than do the Eastern roads. Such products contribute little over the costs of their own carriage. The Western railroads are therefore required, to a much greater degree than the Eastern railroads, to rely upon their manufactures and miscellaneous products (including class rate traffic) for their general revenue needs.

The Commission's report shows that it recognized the importance of these principles but it arbitrarily disregarded them when it issued its order requiring uniform rates without regard to the territorial differences. The Commission stated:

> "The problem is primarily one of providing adequate revenues for the carriers from the traffic which they transport. It is, therefore, the revenue-producing qualities, or rate-bearing characteristics, of the commodities which compose the commerce of these territories that constitute the governing factor in this situation." (Report, R. 309.)

We shall show, from the Commission's findings themselves, that the problem of the Western railroads with respect to obtaining revenues from the class rate traffic, as well as from the other traffic of "manufactures and miscellaneous" articles, is much more acute than is the case with the Eastern roads. The marked dissimilarities in consist of traffic and other transportation conditions are described in the following quotation from the Commission's report:

> "*The western district, which includes both western trunk-line and southwestern territories, as well as mountain-Pacific territory, is distinguished from official*

territory by dissimilarities in the composition of traffic, in the volume of business, and by other factors. As most railroad statistics are compiled by districts or regions into which the country has been divided for statistical purposes instead of by rate territories, the data are available only for these districts or regions.

"In 1941 the western-district class I railroads operated an average of 129,906 miles of road in freight service. This was 56.45 percent of the 230,094 miles operated in the entire country. The western roads originated 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern district roads operated 56,377 miles, or 24.50 percent of the total mileage, but they originated 47.40 percent of the total carload traffic originated, excluding the Pocahontas region.

"*When the composition of traffic originated in the two districts is analyzed, the contrast becomes greater.* In comparing traffic data, the figures used are based on those for the year 1941 from which, however, the figures for the Pocahontas region are excluded because the railroads of that region originate an extraordinarily large tonnage of coal. In that year the western district originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent originated by carriers in the eastern district. This volume of products of agriculture originated in the West was but 6.33 percent of the total of all carload traffic originated in the country.

"In the same year the western roads originated 28.06 percent of manufactures and miscellaneous tonnage as compared with 60.66 percent originated by the eastern carriers. A striking contrast in the character of traffic is shown by the fact that the western district railroads originated 68.82 percent of the total tonnage of products of agriculture while the eastern railroads originated 60.66 percent of the total tonnage of manufactures and miscellaneous. While the difference in these figures is only 8 percentage points, the eastern roads' tonnage of manufactures and miscellaneous is almost three times the tonnage of products of agriculture originated by the western district railroads. *The eastern roads' preponderance of high-grade traffic affords a greater source of revenue to them than do the products of agriculture to the western carriers.*

> "In 1941 the western roads originated 63.03 percent of the total tons of animals and products originated in the country, excluding the Pocahontas region, as compared with 28.51 percent originated by eastern roads. While the western roads' percentage is high, the tonnage which it represents was less than 1 percent of the total tons of carload traffic originated in the United States. We have stated (*Livestock-Western District Rates,* 176 I. C. C. 1, 83) that *livestock is a commodity which from its nature cannot be expected to do more than pay its own way. In other words, it cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit.*
>
> "The western district roads in 1941 originated 58.73 percent of the total tons of products of forests originated in the country as compared with 7.52 percent originated by the eastern roads. The western tonnage is 3.80 percent of such total. *This group of commodities is subject to freight rates which are outside of the higher brackets.*
>
> "In 1941 the western roads originated 33.31 percent of the total tons of products of mines as compared with 49.85 percent originated by the eastern roads. The origination in the West was 17.47 percent of the total originated in the country as compared with 26.14 percent for the eastern district. The figures for the West include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks." (Report, R. 290, 291.)

The foregoing statements are reinforced in factual findings of the Commission elsewhere in the reports. The Commission set out a table showing the consist of traffic in the several territories, as divided into the groupings required by the Commission. In that table, the Commission found (as is generally known) that the Western railroads carry a much larger percentage of products of agriculture, animals and products, and products of forests than do the railroads in either the East or the South. In contrast, the Western railroads transport a much *smaller* percentage of products of mines than do the Eastern or Southern railroads. (Report, R. 226.) The following table summarizes these findings:

Commodity Groups	East (including Pocahontas) Percent of Tonnage.	West Percent of Tonnage	South Percent of Tonnage
Products of Agriculture Animals and Products Products of Forests	9.97	32.47	23.65
Products of Mines Manufactures & Miscellaneous	88.42	66.02	73.60
Less-than-carload	1.61	1.51	2.75
	100.00	100.00	100.00

The significance of these findings lies in the further findings of the Commission that "the classes of commodities which contribute most in excess of out-of-pocket cost are products of mines and manufactures and miscellaneous." (Report, R. 227.) These are the articles which are carried in heaviest proportion by the Eastern railroads (88.42%), as contrasted with the much smaller proportion of such articles on the Western railroads (66.02%).

In contrast to the excess revenue on such articles, the Commission found that livestock "cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit." (Report, R. 291.) It further found that the group of products of forests "is subject to freight rates which are outside of the higher brackets." (Report, R. 291.) As for the products of agriculture, it is well known that the Commission has for many years prescribed rates on such products at the lowest possible level, in relation to other traffic.[1] The Commission so found in this proceeding. (Report, R. 291.) These low rated articles are the ones which are carried in the greatest proportion by the Western railroads (32.47%) as compared with the Eastern railroads (9.97%). The Western roads are required to look to their smaller proportion of high rate traffic to carry the general expenses.

The vital importance of the territorial differences in the character of railroad freight traffic was emphasized by the Commission itself in its letter of February 8, 1939, to Congress, signed for the Commission by the late Commissioner Joseph B. Eastman. In that letter the Commission, as then constituted, successfully opposed the inclusion in the Transportation Act of 1940 of legislation directed toward the establishment of uniform rates in the several rate territories. The Commission there stated, *inter alia:*

> **"(5) In considering the objective of a 'reasonably uniform national system of freight rates' proposed in S. 126 and 137, it should be borne in mind that the character of railroad freight traffic differs widely in the various sections of the country, dependent on the character of their industrial activities. Freight rates normally reflect these differences. A particular kind of traffic, such as grain, livestock, or petroleum, may move in large volume and be given relatively low rates in a territory where freight rates are in general relatively high. There are also many important dif-**

---

[1] The Commission has been directed by Congress to set rates on agricultural products "including livestock, at the lowest possible lawful rates compatible with the maintenance of adequate transportation service: * * *" Hoch-Smith Resolution, 43 Stat. 801, 49 U. S. C. Sec. 55.

> ferences in competitive and transportation conditions. While the freight-rate structure of the country has many seeming inconsistencies, it is, after all, largely the product of evolution and adjustment to practical conditions, and any attempt to recast it abruptly into a radically different form, in disregard of such conditions, is likely to have results more disturbing than beneficial."[1]

When Congress came to consider the bill that was enacted as the Transportation Act of 1940, it was made plain that it recognized the low rates on agricultural products in the West and intended to preserve the variances in the territorial rate structures which are adapted to these substantial differences in the territorial consist of traffic. Senator Frazier of North Dakota expressed the fears that the legislation might be interpreted as authorizing the establishment of national uniform rates in disregard of the territorial conditions which have produced relatively low agricultural rates in the West. Those fears, by the action of the Commission here, have been proved to be justified. We ask the Court to contrast the following assurance by Senator Wheeler with the action here ordered.

> "Mr. Frazier. We have a much lower rate [on wheat] than prevails in many other sections of the country. If rates are to be equalized, it will mean raising our rates.
>
> "Mr. Wheeler. *The bill does not mean that rates are to be equalized.*" (Cong. Rec., Vol. 84. Part 6, p. 5890.)

We submit that the Commission's total disregard of its own basic findings of the fundamental differences in territorial consist of traffic, and its insistence on the establishment of equal rates despite the territorial differences, is wholly unauthorized by Congress and is arbitrary.

---

[1] See Vol. I., Omnibus Transportation Bill, Hearings before the Committee on Interstate and Foreign Commerce, H. of R., 76th Cong., 1st Sess. on H.R. 2531, pp. 717-719. Other parts of the letter are set out in the discussion of the legislative history of the Transportation Act of 1940, *infra*, pages 135-136.

F.

BY THE LAWFUL STANDARDS OF RATE-MAKING, THE SOCIAL AND ECONOMIC DATA IN THE REPORTS AND IN THE EVIDENCE IMPEACH RATHER THAN SUPPORT THE ORDER.

In the foregoing portions of the brief we have discussed the Commission's findings and the evidence establishing that the Western railroads' costs are much higher than the costs of the Eastern or Southern railroads, that the prescribed rates would be below the Western costs on less-than-carload traffic, that the Western density of traffic is only a third of that in the East, that the consist of the traffic in the West is the most unfavorable in the country due to the high proportion of agricultural products which are accorded the "lowest possible lawful rates," and that, despite a generally higher rate level, the Western railroads, except in the war years, have earned by far the lowest rate of return in the country. On the basis of the standards of lawfulness long recognized by this Court and by the Commission, those facts impeach the decision which would now condemn the class rates in the West because they are not identical mile for mile with the rates in the East.

We turn now to the social and economic data to which the Commission devoted so much of its attention and upon which the Government has relied for support of the decision. Briefly, the part of that data which is particularly relied upon is the part that shows Eastern territory to have the heaviest density of population and the most manufacturing in the country and the largest per capita income. The social and economic motivations of the decision simply do not fit into the framework of the tests of lawfulness of rates hitherto recognized by Congress, by this Court and, with but rare exceptions, by the Commission itself. In fact, as we shall show, the very data which are said to support the decision are data which, by the customary rate-making standards, lead directly to the conclusion that it is unjust, unreasonable and arbitrary to require the Western railroads to reduce their rates for the purpose of equalizing them, mile for mile, with the rates in the concentrated and industrialized East.

The problem is not only basic to this case but is of the utmost importance and significance for the future of American railroads, industry and agriculture. It was exactly and concisely defined during the pendency of this proceeding in the following statement by Chairman Clyde B. Aitchison, who presided at the hearings:

> "This leads to what is the final question to be posed, and is the most far-reaching of them all. Shall future transportation charges be based upon the transportation conditions involved, as in the past, or shall the Government frankly make use of its power to regulate or prescribe transportation charges as one of the means whereby it effectuates desired social or economic results, such as the diffusion of industry or of population, or the more rapid or uniform development of a particular section of the country?"[1]

The majority of the Commission, including Chairman Aitchison, adopted the novel latter course, as is apparent from a reading of the report and consideration of the findings of traffic and transportation differences between the East and the West.

The minority members deplored this abandonment of the rate-making standards. Commissioner Mahaffie stated, in part, as follows:

---

[1] Aitchison, "After the War Is Over—Transportation Problems", I. C. C. Practitioners' Journal, May, 1944, Vol. XI, pp. 743, 747.

> "In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly. The prejudice findings on which the new adjustment is largely predicated are calculated, if carried to a logical conclusion, to lead to a rigid rate structure based on mileage. While this may seem on its face to be equitable its accomplishment would entail radical industrial and agricultural readjustments. I doubt if the country should be required to incur the expense of making them." (Report, R. 323.)

Commissioner Patterson also strongly objected to the decision to disregard territorial transportation conditions and stated:

> "I do not subscribe to the 'Ultimate Findings' of the majority. * * * Orderly procedure requires, as the first step, the working out of uniform classification ratings. After this is done there should be a revision of the class rates for application in connection with the revised ratings, which should be on such a level as to move a substantially greater volume of traffic than do the present class rates, and which also should have due regard for differences in transportation conditions, the consist of the traffic, and the revenue needs of the carriers, in the different sections of the country." (Report, R. 324.)

Commissioner Porter stated that the class-rate uniformity called for by the findings of the majority is "without adequate support upon the record and [would] ignore the standards of rate-making consistently followed by this Commission throughout its 58-year history * * *." (Report, R. 324.) He further stated that the findings in the majority report "set aside long-established principles of rate making under which this country has become great and has developed the most efficient transportation system in the world" and that the majority findings "'attempt to equalize fortune, opportunities, and abilities,' which, as the Supreme Court pointed out in *Interstate Commerce Commission* v. *Diffenbaugh,* 222 U. S. 42, is contrary to the purposes of the Interstate Commerce Act." (Report, R. 340.)

And Commissioner Barnard concluded his dissenting opinion as follows:

> "However desirable a uniform system of class rates may be, if in order to accomplish that uniformity it becomes necessary to disrupt the existing rate structures without sufficient evidence as to the propriety of such uniformity, and without the rates involved having been condemned, the end does not justify the means employed, and such action cannot have my support." (Report, R. 344.)

The tremendous new power to remake the economy of the entire country, asserted for the first time by the majority of the Commission in this case, was defended by the Government in the District Court on the sweeping ground that the Commission has "the power to bring about a step by step equalization of all the rate levels on a national basis, starting with class rates, as the Commission has done in these proceedings, and reserving exception and commodity rates for later consideration." (Brief for the United States, p. 134.) The Government further acknowledged that this is "the principle on which the Commission is working," although "The rate structure of the United States cannot be remade in a day * * *." (*Id.*, p. 135.) The Government frankly defended the wisdom of the Commission's order on the following ground: "Specialization of the South and West in these pursuits [agriculture and production of raw materials] subjects the people of this area to economic deficiencies and dislocations. By establishing industries in the South and West, economic wastes could be avoided, one of which is caused by excessive congestion in the great urban industrial communities of Official Territory, far from most of the raw materials sources." (*Id.*, p. 96.)

The District Court, after studying the report and evidence and hearing arguments, found that the ultimate object of the order was the dislocation of industry from Eastern (or Official) Territory and its establishment in the other territories. But the Court then went on to abnegate any judicial responsibility in these circumstances on the ground that this "relates to matters of legislative policy" which, the Court thought, had been delegated by Congress to the Commission. The Court stated its views of the total lack of judicial cognizance, as follows:

> "It has been earnestly argued that the investigations and order under review are the result of political agitation having for its ultimate object the dislocation of industry from Official territory and its establishment in the other territories, principally in the Southern, and that does appear plausible. Yet such a question is not within the bounds of judicial cognizance but relates to matters of legislative policy. Whether such policy is wise or the opposite is not for us to determine. We can only be concerned with decision as to whether or not the Commission's action was within its power properly exercised under statutory authority which does not go beyond Constitutional limitations. *Chicago, B. & Q. R. R.* v. *McGuire*, 219 U. S. 549; *Rochester Telephone Corp.* v. *United States, supra.*" (R. 1436-1437.)

We respectfully submit that this is grievous error of most far-reaching consequences. We do not ask this Court nor did we ask the District Court, to determine whether it is a wise or an unwise policy to relocate industry, to diffuse and to redistribute the population, to remove people from the farms of the West and to place them in the assembly lines of the cities. But we do earnestly contend that the determination of the wisdom of such overwhelmingly important policy matters has never been delegated by the Congress to the Interstate Commerce Commission, and that the District Court was wrong in holding that the Commission is now vested with such powers under statutory authority.

The Interstate Commerce Act, as amended, and its legislative history, which we shall discuss in a later section of this brief, prove that Congress has not revoked the recognized rate-making standards. And, under those established standards, the economic and social data in this proceeding not only fail to support the order but, instead, constitute the fundamental economic reason for the higher transportation costs of the Western railroads and for their relatively unfavorable consist of traffic.

The Commission referred in its "General Conclusions and Ultimate Findings" to the evidence that it had considered in reaching its conclusion. It stated, in part, as follows:

> "Studies and analyses have also been made of the natural resources of the areas concerned and of the growth and development of these areas in terms of agricultural, forest, and mineral production, manufacturing, and distribution of population. Other analyses have dealt with the composition and movement of traffic and with employment, labor, and income." (Report, R. 303.)

The sociological and economic data most heavily relied upon in support of the order are concerned with the density of population in the several territories, the extent and location of manufacturing and the income per capita. We shall therefore discuss these portions of the data first, and shall then consider the findings which show the distinct advantages of the East in natural resources and location.

Population—The Commission found that about half the population of the country (48.7%) lives in Official Territory, whereas in Western Trunk Line and Southwestern Territories the percentages are 13.5 percent and 9.9 percent, respectively. (Report, R. 162.) The population of every territory has increased since 1900, but the percentage of total population has increased only in Southwestern and Mountain Pacific Territory. The percentages of total gainful workers are substantially in the same proportions as the percentages of total population. There has been no material change in the distribution of either the population or the gainful workers since the Commission established the class rates which it now holds to be unlawfully discriminatory.

With regard to the population of Western Trunk Line Territory, the Commission found that "much of the territory is sparsely settled, and all is largely agricultural, facts well known and borne out by United States census data." (Report, R. 266-267.) The rural population is 55.7 percent of the total population. The Commission's report shows the comparison between the differences in population and the effects upon the railroads in the following table (Report, R. 277):

	Western Trunk Line Territory			
Population (1940)	Zone I	Zone II	Zone III	Central Territory[1]
Total (thousand)	7,264	5,015	2,008	24,070
Per square mile	43	28	9	149
Per mile of railroad	313	280	203	749

---

[1] Central Territory is the subterritory of Eastern Territory that is closest to Western Trunk Line Territory and which consists of Ohio, Indiana, Illinois, lower Michigan and the southeastern counties of Wisconsin.

It will be seen that the sparse population in Western Trunk Line Territory puts an extraordinarily heavy burden upon the railroads in that territory as compared with those in the East. The relative handicap of the Western railroads is in fact greater than is here shown, since the population density east of Ohio is, of course, greater than in the central part of Eastern Territory. Each mile of railroad in the East has approximately three times as many people to support it as compared with the West. By the standards of rate-making hitherto established, such data furnish no support for identical rates but show, instead, why rates must be higher in the West if adequate service is to be provided.

The other way of viewing these figures, and the view taken by the Commission, is to say that in some way the populations should be redistributed and that as a matter of legislative policy the Government should bring about that redistribution. With regard to the population data and other arguments submitted by Southwestern Territory interests, the Commission stated that "much reliance is placed on the testimony of the witness for the Tennessee Valley Authority, which dealt principally with economic questions * * *." (Report, R. 279.) The witness, Mr. A. D. Spotswood, who admitted that he was not qualified to speak with regard to rates (R. 2422) made the following statements, in part:

> "That brings me to my second main proposition. For a number of years our national economy has been out of balance, in that the proportion of the people employed in the production of staple agricultural commodities and other raw materials is greater than is necessary to serve the people's needs. (R. 2368.)
>
> "Most of my remarks on the question of readjusting the national economy to a more useful and more productive basis will therefore be pointed to agriculture. (R. 2372.)

> "In drawing the conclusion that there is a considerable national need to shift resources and energies away from the raw materials occupations into other occupations, I am stating a principle that is accepted by most students of the national economy. (R. 2371.)
>
> "It is evident, then, that it is sound public policy to clear the way so that large numbers of persons, especially in the South and West, where pressure of population on farm land is greatest, can move out of agriculture into other occupations." (R. 2373.)

Although Witness Spotswood advocated the proposed equalization of class rates for the admitted and avowed purpose of shifting the populations and occupations of the people in the West and South, he conceded that he had paid no attention whatever to the economic effect of the proposed equalization of class rates upon the railroads involved. He testified as follows:

> Q. "You have not studied the economic effect of any rate change on the railroads in either territory; that is correct, is it not?
>
> A. "Because I did not have the material with which to study.
>
> Q. "The answer is 'No'?
>
> A. "The answer is 'No.'" (R. 2417.)

The findings and evidence as to population do not lend any support to the proposition that transportation conditions are similar in the West and the East. That material was offered and relied upon as showing, instead, that it would be good policy to use the power to regulate freight rates as an instrument to shift populations from the farms into the towns and cities, to reduce the population density of the East and to reconstruct the economy of the country through the manipulation of freight rates in order to bring about that reconstruction.

Income—The Commission not only found that there are fewer people in the West per mile of land and per mile of railroad as compared with the East, but also found that the people in the Western Trunk Line and Southwestern Territories have substantially less income per capita than do those in the East. Thus the unfavorable situation of the Western railroads is even more accentuated than appears from the bare comparisons of population. The Commission refers to the relative income data in its report but does not set it out in detail. However, table 6 of Exhibit 76 (R. 7972; offered at R. 2392) which was reproduced at page 94 of the Government's brief in the District Court, shows the following data for 1940:

Territory	Average Dollar Income Per Person Employed	Relative Income Level Per Person Employed
Official	$1,988.	118.
Southern	940.	56.
Southwestern	1,177.	70.
Western Trunk Line	1,411.	84.
Mountain Pacific	1,997.	118.

It will be seen that, except for Mountain Pacific Territory, which has the highest level of class rates in the country and also the highest per capita income, the income of the persons in the West is less than in the East. The handicap of the Western railroads in serving the territory in which they operate is therefore increased. Such data, we submit, cannot support a conclusion that it is lawful to force the Western roads to reduce their charges to the rate basis that is adequate and reasonable for railroads operating under the more favorable conditions in the East.

Manufacturing—The third major economic comparison that is relied upon by the Commission and the Government is with respect to manufacturing and the alleged economic desirability of reducing the percentage of manufacturing in the East and increasing it in other territories through the device of reducing the rates on manufactured articles in the South and West and increasing such rates in the East. In 1939 the value of manufactured products in Official Territory was 67.8 percent of the country's total as compared with 14.4 percent in Western Trunk Line and Southwestern Territories combined. (Report, R. 161.) From 1899 to 1939 the proportions which come from Official Territory and Western Trunk Line Territory have been steadily decreasing, while the proportions from the other territories have been increasing both in dollar amount and in percentages.

The Commission found that:

> "As one proceeds from official territory westward into western trunk-line territory, manufacturing thins out." (Report, R. 267.)

One of the most significant reasons for this appears in the Commission's finding that Official Territory is the important source of the raw materials for use by manufacturers in Western Trunk Line Territory. The Commission stated:

> "Official-Illinois territories[1] are important sources from which western trunk-line territory manufacturers draw in large quantities many of their supplies of raw materials, semifinished materials, and parts." (Report, R. 267-268.)

Since, as the Commission found, the raw materials used by Western Trunk Line manufacturers come in large quantities from Official Territory, it is apparent that the farther away the factory is from Official Territory the more uneconomical it becomes to ship those materials for fabrication. This is especially so in connection with the thesis of the Commission and the Government in this case that every effort should be made to require lower rates for use by the Western manufacturers in shipping the finished product back for sale in Official Territory. Moreover, as we shall show, the Commission found that the predominant natural sources of energy, both mineral and water power, are located in Official Territory. The proposed shift in populations and manufacturing from Official Territory westward would therefore involve the transportation of raw materials away from their sources and from the sources of energy in Official Territory, and the reshipment of the finished products back across the country for sale in the East.

---

[1] "Official territory encompasses * * *. Illinois territories * * *." (Report, R. 131.)

The Commission further examined and made findings regarding the extent of manufacturing in the West as related to the number of miles of railroad and compared those findings with similar data for the East. The comparison demonstrates the great territorial differences and the very material traffic and transportation difficulties of the Western roads. The table is as follows (Report, R. 277):

Value of Manufactures 1939	Western Trunk Line Territory Zone I	Zone II	Zone III	Central Territory
Total (million)	$2,146	$1,158	$246	$16,247
Per mile of railroad (thousand)	$ 92	$ 64	$ 24	$ 505

Clearly the fact that the value of manufactures produced in Western Trunk Line Territory per mile of line ranges only from $24,000 to $92,000 does not support the proposition that the Western railroads must therefore be required to reduce their rates to equality with Eastern railroads where the comparable value of manufactures is $505,000.

The findings and evidence on manufacturing, like those on population and income per capita, all point to the most significant and fundamental territorial differences in traffic and transportation conditions and, on the lawful standards of rate-making, totally fail to support the order requiring the reduction of rates in the West to the level identical with those in the East.

Relative Natural Advantages—The other economic findings of the Commission disclose the natural advantages of Eastern Territory over the Western territories with respect to mineral products, energy resources, timber reserves and agricultural production.

The following material is summarized principally from the lengthy section of the Commission's report entitled "Distribution of Natural Resources and Economic Development of the Five Principal Freight Rate Territories." (Report, R. 151-163.)

Energy—Fabrication of raw materials into manufactured goods requires great quantities of energy. The Commission found that the heavy preponderance of the country's total natural resource of energy supply is located in Official Territory. It found that "coal remains the principal energy source," that energy derived from coal far exceeds the combined total from petroleum and natural gas and that "So far as reserves are concerned, coal represents practically 99 percent of the total heat value of the nonreplenishable mineral sources of energy." (Report, R. 153, 154.) Because of the vital importance of coal, it is of particular significance to note that the Commission, after reproducing a table showing the coal reserves, made the following finding:

> "The foregoing table shows very clearly the heavy preponderance of the total reserves of bituminous and semibituminous coal in official territory, this area possessing between 40 and 45 percent of the total for the United States or approximately as much as southern and mountain-Pacific territories combined. Also, official territory possesses a practical monopoly of the anthracite reserves." (Report, R. 154-155.)

The Commission further found that Official Territory has a much larger percentage of the total mineral fuel resources than any other territory except Mountain Pacific, which is not included in this case. (Report, R. 156.) Indeed, the Official Territory's proportion of these mineral fuel resources was found to be much larger than the *combined* proportions of Western Trunk Line and Southwestern Territories.

Similarly, the Commission found that Official Territory has more than three and one-half times as much potential water power as do the combined Western Trunk Line and Southwestern Territories. (Report, R. 156.) The productive capacity for such energy and the actual amounts of energy produced are in approximately the same proportion as this total potential energy. Official Territory has 35 percent of the total capacity of water wheels, in contrast to the 9 percent in the other two territories combined. Moreover, in 1937, 60 percent of all electric energy originated in Official Territory; only 14 percent originated in the two western territories.

Raw Materials and Minerals—As previously noted, the Commission found that the manufacturers in Western Trunk Line Territory draw their raw materials in large quantities from Official Territory. (Report, R. 267-268.)

For the year 1939, fully one-third (33.4%) of the country's total value of products of mineral industries came from Official Territory. This was more than the mineral products of any other territory in the country. Western Trunk Line Territory produced only 9 percent of the minerals, and Southwestern Territory 27.8 percent (principally petroleum). (Report, R. 153.)

With regard to the potential reserves for certain metals, Southwestern Territory has only 5 percent of the country's reserve of iron ore. (Report, R. 151.) Western Trunk Line

Territory has 36 percent (Report, R. 151), which is located in the Mesabi range of the border state of Minnesota (R. 2394) and which, by reason of the natural location of the iron ore and coal resources, is economically useable only in Official Territory. It is necessary to bring iron ore and coal together in order to produce iron and steel (R. 2394) and the coal for use with this iron ore is located in Official Territory. There is only a short railroad haul from the Mesabi range to the head of the Lakes, from which point the ore is transported by water to the iron and steel centers along the Lakes. (Report, R. 270-271.) The iron and steel centers which use this ore, of course, are located near the natural supplies of coal and therefore are in Official Territory.

More than 98 percent of the copper is located in Mountain-Pacific Territory, which is not involved here. Western Trunk Line and Southwestern Territories combined have only 1.3 percent of the copper reserve. (Report, R. 151.) About half of the potential lead reserves are located in Western Trunk Line Territory, but only 5.8 percent are in Southwestern Territory. Official Territory has 24 percent of the zinc reserves, as compared with 12.4 percent in Western Trunk Line Territory and 36.8 percent in Southwestern Territory. (Report, R. 152.)

The Commission found that the reserves of metallic minerals are not confined to ore and that there are "large reserves of these metals in the various finished products into which they enter." It found that "Official Territory greatly outranks all other territories in the proportion of semidurable and durable commodities which constitute the more important sources of the secondary metal supply." (Report, R. 152.)

Agriculture.—After having found that Official Territory is the important source of large quantities of the raw materials used by western manufacturers, that it leads all territories in products of mineral industries, and has much more mineral fuel resources and more potential and actual waterpower resources than all of the combined Western Trunk Line and Southwestern Territories, the Commission turned to a consideration of agriculture. Here, again, it found that the East enjoys the most favorable position. It stated:

> "The highly industrialized character of official territory should not obscure the fact that it is at the same time an important agricultural area." (Report, R. 157.)

The Commission found that the *gross farm income from crops and livestock in Official Territory is the highest in the country,* and amounts to 31 percent of the total. Notwithstanding the fact that the land area of the Western Trunk Line and Southwestern Territories is approximately two and one-half times as great as that of Official Territory, (Report, R. 158) and the fact that the economies of the western territories are principally agricultural, the gross farm income in those territories was found to be only 26.5 percent and 11.4 percent, respectively, of the country's total. The findings as to "value of all farm products by freight-rate territories, 1899-1939," reflect substantially the same proportions. There, again, Official Territory leads the country.

Timber—The Commission stated that there were numerous tables in the record showing the distribution of forest resources among the freight rate territories, and reproduced what it found to be the "most significant" one. (Report, R. 160.) That table shows that Official Territory has much greater natural resources of standing saw timber than do either Western Trunk Line or Southwestern Territories and, in fact, (on the first of two alternative groupings shown) has more than the other two territories combined.

Miscellaneous Data—The Commission further found that Official Territory has:

60 to 62% of the manufacturing establishments;
44 to 46% of the hotel rooms;
59 to 61% of the business structures;
50 to 52% of the dwelling units;
48 to 50% of the motor vehicles;
56 to 58% of the miles of wire in cable;
64 to 66% of the miles of wire of telephone companies.
(Report, R. 152.)

Railway Mileage and Equipment—Because of the vast areas in the West, and despite the sparse population and low volume of traffic, the provision of railway service in Western Trunk Line and Southwestern Territories requires a far greater amount of railway mileage than in Official Territory. The Commission found that, in 1940, railway mileage in the two former territories was 90,981, in contrast to the 67,022 miles in Official Territory. (Report, R. 163.)

The high degree of utilization of this mileage in Official Territory in contrast to the unfavorable conditions in the West is shown by the finding that the class I railroads of the Eastern district own from 41 to 46 percent of all the steam locomotives and own more than half of all the steel and steel underframe passenger and freight-train cars. (Report, R. 152-153.)

Conclusions as to Effect of Economic Data.

The Commission found that the relatively small land area of the East contains disproportionately large shares of the country's natural resources. It concluded as follows:

> "The industrial development of the East is due to many factors other than transportation services and costs, such as climate, soil, natural resources, avail-

able water power, supplies of natural gas and coal, and early settlements of population which antedated the building of railroads." (Report, R. 234.)

Official Territory has the heavy preponderance of the natural resources of energy, both of mineral fuel and of water power. The Commission found that Official Territory is the important source of large quantities of many of the raw materials used by the western manufacturers, and that it produces more mineral products than either Western Trunk Line Territory or Southwestern Territory (three and one-half times as much as the former). It contains three times as much bituminous and semibituminous coal as do the other two territories combined, and has almost a complete natural monopoly of the anthracite coal. Its agricultural importance has often been obscured by its industrial activities, but the Commission found that, while the low rated products of agriculture constitute a much smaller proportion of the total tonnage handled by the Eastern roads, the East leads the West both in gross farm income and in the value of all farm products. It has approximately three times as much farm income and value of farm products as does the Southwestern Territory, although the land areas of those two territories are the same. It has more timber resources than either of these two territories (four times as much as Western Trunk Line). It was cleared first, settled first and industrialized first. It has ready access to water-borne shipping, both on the Atlantic Ocean and on the Lakes. With these combinations of unusually favorable natural resources, the highest level of agricultural production, short distances, high density of population and ready access to water-borne shipping and to the world trade routes, it is hardly surprising that the value of its products of manufacture is four times as much as in the other two territories. These factors constitute the natural advantages of Official Territory which the proponents of commercial equalization seek to offset by setting freight rates on a basis not justified by traffic or transportation conditions.

By the recognized standards of rate-making it is apparent that the Commission's findings on this social and economic data establish the basic reasons why the railroad systems which serve the Western Trunk Line and Southwestern Territories and which must draw their revenues from those territories are under a heavy handicap compared with the railroads that serve the Eastern Territory, and why the rate level which would be adequate, *just and reasonable for the Eastern railroads simply* would not enable the Western railroads to serve the transportation needs of their territories. The data furnish no rational support for a conclusion that it is unlawful for the Western railroads under those conditions to charge higher rates than the Eastern railroads.

We submit that the standards of making rates according to transportation conditions have not been repealed and that the Commission has not been authorized by Congress to change rates or establish new rates for the purpose of "the diffusion of industry or of population" or for any other purpose of offsetting the natural advantages of one territory over another. From the very beginnings of the Interstate Commerce Act, both the Commission and the courts have emphasized that the Commission was not created to be the economic dictator of the country's industrial growth, and that Congress has not lodged with the Commission the authority to equalize commercial and economic conditions in the various parts of the country. In *Ashland Fire Brick Co.* v. *Southern Ry. Co.*, 22 I. C. C. 115, 121 (1911) the Commission said:

> "It seems unnecessary here to state that the power has not been lodged with this tribunal to equalize economic advantages, to place one market in competition with another, or to treat all railroads as a part of

one great whole, apportion to each a certain territory, or to require all to meet upon a common basis at all points."

This Court early laid down the principle that when the Commission leaves the regulation of rates and invades the legislative field of regulation of industrial activities, it is the responsibility and duty of the courts to set aside all orders founded upon such considerations. One of the most frequently quoted statements of this principle is that of Mr. Justice Holmes declaring for the Court in *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42, 46 (1911), that the Commission has no authority to "attempt to equalize fortune, opportunities or abilities."

In *Southern Pacific Co.* v. *Interstate Commerce Commission*, 219 U. S. 433 (1911), the Commission found that an increased rate on lumber in the Willamette Valley was unreasonable and ordered it reduced to a point slightly higher than the rate at which it had been maintained for several years. The carriers charged that the rate had been set aside by the Commission because the latter "deemed that it would be equitable to shippers in a particular district to put in force a reduced rate." (p. 443.) They contended "that although the order made by the Commission may have been couched in a form which would cause it, superficially considered, to appear to be but the exercise of an authority to correct an unreasonable rate, yet if it plainly results from the record that the order of the Commission was not the exercise of such an authority, but was based upon the assumption by that body of the possession of a power not conferred by law, the mere form given by the Commission to its action does not relieve the courts from the duty of reviewing and correcting an abuse of power." (p. 443.) This Court unanimously concluded that the lower court had erred in failing to set aside the order "because it was made in consequence of the assumption by the Commission that it possessed the extreme powers which the railroad companies insist the order plainly manifests." (p. 444.) The Court further stated:

> "While it is true that the opinion of the Commission may contain some sentences which, when segregated from their context, may give some support to the contention that the order was based upon a consideration merely of the intrinsic unreasonableness of the rate which was condemned, we think when the opinion is considered as a whole in the light of the condition of the record to which we have referred it clearly results that it was based upon the belief by the Commission that it had the right under the law to protect the lumber interests of the Willamette Valley from the consequences which it was deemed would arise from a change of the rate, even if that change was from an unreasonably low rate which had prevailed for some time to a just and reasonable charge for the service rendered for the future. Manifestly, this was deemed by the Commission to be the power which was being exerted, since Mr. Commissioner Harlan, joined by the Chairman of the Commission, dissented on the ground that the order was an exertion of a power not possessed to give effect to a supposed equitable estoppel, and no language was inserted in the opinion to indicate to the contrary." (pp. 449-450.)

The language quoted immediately above is particularly apt in this case. Here, as there, the minority members of the Commission stated expressly that the majority were in fact asserting powers over the national economy which are not possessed by the Commission, and, in the words of this Court "no language was inserted in the opinion to indicate to the contrary."

Mr. Justice Brandeis, for the Court, stated in *United States* v. *Illinois Central R. Co.*, 263 U. S. 515, 524 (1924) as follows:

> "It is true that the law does not attempt to equalize opportunities among localities, *Interstate Commerce*

> *Commission* v. *Diffenbaugh*, 222 U. S. 42, 46; and that the advantage which comes to a shipper merely as a result of the position of his plant does not constitute an illegal preference. *Ellis* v. *Interstate Commerce Commission*, 237 U. S. 434, 445. *To bring a difference in rates within the prohibition of § 3, it must be shown that the discrimination practiced is unjust when measured by the transportation standard. In other words, the difference in rates cannot be held illegal, unless it is shown that it is not justified by the cost of the respective services, by their values, or by other transportation conditions.*" (p. 524.)

The Commission found any difference in rates between the East and the West to be discriminatory, holding the rates in the West to be unlawful precisely in the amount that they differ from rates found lawful for the East and South. In doing so, it disregarded the principle stated by this Court that "to bring a difference in rates within the prohibition of Section 3, it must be shown that the discrimination practiced is unjust when measured by the transportation standard." To refer, for example, to one of almost infinite differences in the transportation conditions established by this record, the difference in traffic density alone is such that many elements of expense which are shared by three tons of freight in the East must be borne by one ton in the West. Under these circumstances, to substitute uniform rates for the existing rates which were "measured by the transportation standard," is not to remove discrimination but to create it. It is the equivalent of a decree that a hotel guest must not be required to pay more for the single occupancy of a room in Oklahoma City than is paid by each of three guests who share a similar room in Toledo.

The principle of the foregoing cases was recognized and restated by this Court in *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627 (1933), in the following words:

> "While the carriers may, therefore, meet competi-

> tion by equalizing rates or maintaining differentials both to interior points and to ports, they may not adjust their rates with the motive of injuring or aiding a shipper, a particular kind of traffic, or a locality, for so to do is to depart from the transportation standard, conformity to which the Act contemplates, and substitute others which are prohibited. *A tariff published for the purpose of destroying a market or building up one, of diverting traffic from a particular place to the injury of that place, or in aid of some other, is unlawful; and obviously, what the carrier may not lawfully do, the Commission may not compel.* *Southern Pac. Co. v. Interstate Commerce Comm'n*, 219 U. S. 433, 444; *Interstate Commerce Comm'n v. Diffenbaugh*, 222 U. S. 42, 46; *Ellis v. Interstate Commerce Comm'n*, 237 U. S. 434, 445; *United States v. Illinois Central R. Co.*, 263 U. S. 515, 524; *Atchison T. & S. F. Ry. v. Interstate Commerce Comm'n*, 190 Fed. 591; *Anchor Coal Co. v. United States*, 25 F. (2d) 462, 471." (pp. 637-638.)

In one of the cases cited with approval by this Court, above, *Anchor Coal Co. v. United States*, 25 F. 2d 462 (D. C. W. Va. 1928) (dismissed as moot in 279 U. S. 812) the court reviewed an order of the Commission which had held unlawful the rates to Lake Erie ports from the coal producing territory in West Virginia, Virginia, Tennessee and Kentucky. The court found that, aside from the form of the order, the Commission's action was partly based upon an effort to regulate economic conditions in this and in a competing coal area through adjustment of rates, and must therefore be set aside. Judge Parker, for the unanimous court, stated the basis of the decision as follows:

> "To understand, however, exactly what the power is which the Commission has assumed to exercise, it is necessary that we go behind its merely formal conclusions that rates are reasonable or unreasonable, and ascertain exactly what it is that it has done, and upon what facts and upon the application of what principles

it has arrived at its conclusions. This it is our duty to do. *Southern Pacific Co.* v. *Interstate Commerce Commission*, 219 U. S. 433, 31 S. Ct. 288, 55 L. Ed. 283; *U. S.* v. *N. Y. Central Railroad*, 263 U. S. 603, 44 S. Ct. 212, 68 L. Ed. 470." (pp. 464-465.)

* * * * *

"*We think that the enforcement of the order here complained of should be enjoined:* (*1*) *Because the Commission exceeded its powers, in that its action was based, in part, at least, upon industrial conditions, and was essentially an effort to equalize industrial conditions or offset economic advantages through adjustment of rates;* * * *." (p. 471.)

"The Commission does not have the right, however, to regulate industrial conditions under the guise of regulating rates." (p. 472.)

"But nowhere is it provided that in doing so the Commission may prefer one section of the country over another, or that it may fix rates, or may prevent the fixing of rates by the carriers, with a view of placing competing producers upon an equality or of compensating for disadvantages under which competing communities may labor. Manifestly such a power is not conferred by the statutes referred to, for rates fixed with such an end in view are not 'reasonable,' but are unreasonable and constitute an unprecedented interference with the industrial conditions of the country." (p. 472.)

"To conclude, therefore, we think that in entering the order complained of the Commission exceeded its powers and proceeded upon erroneous theories of law. We think that its action was essentially an effort to equalize industrial conditions or to offset economic advantages by rate adjustments, not warranted by anything contained in the Transportation Act of 1920 or in the Hoch-Smith Resolution." (p. 479.)

Professor Sharfman, in his treatise entitled *The Interstate Commerce Commission*, Vol. III-B (1936), warns explicitly against the dangers of permitting the Commission to assume the regulation of industrial conditions under the easy guise of regulation of rates. He states, in part, as follows:

> "Whatever the extent of the authoritative recognition of commercial factors, the question should be raised as to its propriety, from the standpoint both of legal validity and of economic policy. * * *
>
> "On the other hand, to approve an arrangement of charges, even passively and by way of non-interference, because it increases commercial competition, or broadens sources of supply, or develops natural resources, or gives a fair share of business activity to this or that locality, port, or point of interchange, is to adopt an entirely different regulatory policy. If the arrangement is in keeping with accepted measures of transportation service, or if it is compelled by carrier competition, it needs no such reasons to justify it; if, lacking other support, it does need them, decision on such grounds would seem to constitute that arbitrary determination of where goods shall be produced or marketed which the courts, as well as the Commission, have deemed to be contrary to law. * * *
>
> "When rates are made to conform to transportation tests, producing and distributing communities enjoy such success as their location and other economic characteristics naturally afford; when, on the other hand, commercial equalization is recognized as a desirable goal, the effects of these natural advantages and disadvantages tend to be nullified. *It is easy for the Commission, in its general pronouncements, to declare repeatedly that it is not concerned with so adjusting rates as to equalize opportunities, and then in its subsidiary declarations and in its disposition of proceedings, to find actual merit in various aspects of commercial equalization. Because of this fact it is important to insist that the two approaches are fundamentally inconsistent, whatever the guise in which they are presented.*" (pp. 685-687.)

In sharp contrast to the decisions of this Court and of the District Court in the cases cited above, the lower court in the present case held that it must close its eyes to the substance of what the Commission was doing as long as the report contained formal findings to give another basis for it. The District Court stated that:

> "The Commission found on substantial evidence many so-called primary facts * * * showing * * * kinds of markets, natural resources, commodities produced or manufactured in the various territories and the parts thereof, and found preference, prejudice, and discrimination as above set forth. * * * *For instance, it would be unlawful because discriminatory to try to equalize clearly inherently unequal business conditions, not due to existing freight rates in the various territories or any regions or districts therein, by manipulating rates. Anchor Coal Co.* v. *United States*, 25 F. (2) 462. We might think that *the probable import of this order, but we are bound by the Commission's action* in justifiably finding facts to give another and a lawful, basis for it. * * * Nor can other like considerations prevail to brush aside the statutory control over rates which has been confided to the Commission." (R. 1436.)

The District Court went on to hold that although it found the ultimate object of the order to be the dislocation of industry from Official Territory and its establishment in the other territories, the court must stand aside because that is a matter of legislative policy, the wisdom of which is in the exclusive cognizance of the Commission. In so holding, the District Court failed to follow the decisions cited above that the Commission has been granted no jurisdiction over the legislative policy of the regulation of industry and that it is the responsibility of the courts upon review to examine the substance of the Commission's action and to be alert to protect against industrial regulation by the Commission despite the guise in which it may be presented.

The attempt of the majority of the Commissioners in this proceeding to diffuse the population and industry of the country by setting rates on a basis which disregards the actual transportation conditions is wholly unauthorized and arbitrary. We shall show in a later section of this brief that the Commission was led into this position by its erroneous conception of the effect of the Transportation Act of 1940 as constituting a mandate to it to bring about equalization in the several territories. On the recognized and lawful standards of rate-making, there is no support or justification for the Commission's order in the social and economic data.

II.

THE COMMISSION'S ORDER IS VOID BECAUSE THE REDUCED RATES PRESCRIBED BY THE COMMISSION FOR LESS-THAN-CARLOAD TRAFFIC ON WESTERN RAILROADS WOULD BE CONFISCATORY.

The Commission's determination to establish national uniform rates in this proceeding, notwithstanding all considerations of territorial differences, resulted in an order which would require the Western railroads to reduce the rates on less-than-carload traffic to a point so low that the prescribed rates would fail, by a wide margin, to meet the costs of that traffic. And the Commission took that action after having measured and found those costs in this proceeding. In our petition to the Commission for reopening, reargument and reconsideration, we urged that, on the face of the Commission's own decision, "the reduced basis ordered by the Commission is confiscatory." (R. 12670.) The Commission's supplemental report failed to mention this most fundamental contention.

We shall show that the Commission found that the existing rates on less-than-carload traffic were below the costs of the service. It found that the deficit thus incurred on the Western railroads was the greatest deficit in all the country, both in total dollar amount and in the deficit per ton. We shall show that the Commission, after having expressly stated that the costs found by it, in terms of cents per unit of traffic, were only part of the actual full costs, then proceeded to order reduced rates which would be *lower* than those limited or partial costs. The Commission found those costs both on the basis of the normal actual loading (4.3 tons) and also on the basis of the ten-ton wartime loading that was required by the emergency order of the Office of Defense Transportation starting in the fall of 1942. And, on either basis, the costs *exceed* the prescribed rates for the large bulk of Western less-than-carload traffic.

Indeed, in many cases the bare out-of-pocket expenses of such traffic, which were found by the Commission, are greater than the prescribed rates themselves. We shall compare the costs with both the so-called interim rates prescribed by the Commission and with the permanent rates prescribed by it. We shall show that the rates would be less than the costs both for 1939, which is the test year for this investigation, and for January 1, 1946, which is the date on which the order would have taken effect by its terms. We shall further show that the findings and orders of the Commission in the recent general rate case, *Ex parte No. 162, Increased Railway Rates, Fares and Charges, 1946*, decided December 5, 1946, confirm the findings in this proceeding that the costs are higher than the rates, and that this is true now as well as at the earlier dates.

The District Court stated that the evidence indicated that the reduced rates for third and fourth class traffic in the West, which apply to the great bulk of the traffic, "will not produce enough revenue to pay the cost of their carriage when the *ad interim* reduction in class rates becomes effective." (R. 1427.) However, the District Court decided that those reduced rates, notwithstanding that evidence, should be allowed to go into effect for a "trial period" and therefore provided that the dismissal of this petition of the Western railroads would "be without prejudice to another suit to restrain the enforcement of the *ad interim* rates if they are found, after a fair test, to be confiscatory." (R. 1439.) The District Court declined to make a finding of confiscation in advance of such a trial period. (R. 1438.) We shall show that the evidence in this record and the findings of the Commission so clearly demonstrate that the reduced rates would be less than the cost of transporting the traffic that the Court erred in failing to set aside the Commission's order, without waiting for the accrual of losses to the Western railroads through the actual operation of the confiscatory rates.

A.

THE FINDINGS AND EVIDENCE DEMONSTRATE THAT THE PRESCRIBED RATES WOULD BE LESS THAN THE COSTS.

The Commission's Cost Section made a detailed study of the costs of transporting less-than-carload traffic on Western railroads. The Commission, however, did not purport to ascertain the full costs allocable to such traffic. The costs which it determined were primarily the out-of-pocket expenses which increase or decrease directly with the volume of traffic. "In short, the out-of-pocket costs constitute that portion of the carriers' expenses which increase or decrease in direct proportion to changes in the carrier's traffic volume, *i. e.*, in direct proportion to the total amount of work performed." (Ex. 12, p. 7, R. 5757; offered at R. 1740.) The Commission's witness declared: "The out-of-pocket costs are those costs which would be added because of an increase in traffic or which would be eliminated because of a decrease in traffic." (Ex. 3, p. 69, R. 5211; offered at 1558.)

To these out-of-pocket expenses the Commission added only that part of those constant or fixed expenses which is *solely* related to the less-than-carload traffic. It did not allocate to the less-than-carload traffic any part of the constant or fixed expenses which are related to all traffic and constitute a large proportion of the total costs, such, for example, as the costs of maintenance of way, general expenses and taxes. We emphasize the fact that the Commission's costs which did not include these elements are, nevertheless, in excess of the prescribed rates, because this Court has held that to avoid confiscation, rates set by regulatory bodies must be such that all commodities bear a fair proportion of all items of expense.[1] The Commission found:

"The less-than-carload costs do not include any of the constant or fixed costs common to all traffic." (Report, R. 198.)

---

[1] This Court has ruled as follows: "* * * we entertain no doubt that, in determining the cost of the transportation of a particular commodity, all the outlays which pertain to it must be considered. We find no basis for distinguishing in this respect between so-called 'out-of-pocket costs,' or 'actual' expenses, and other outlays which are none the less actually made because they are applicable to all traffic, instead of being exclusively incurred in the traffic in question. Illustrations are found in outlays for maintenance of way and structures, general expenses and taxes. It is not a sufficient reason for excluding such, or other, expenses to say that they would still have been incurred had the particular commodity not been transported. That commodity has been transported; the common carrier is under a duty to carry, and the expenses of its business at a particular time are attributable to what it does carry. The State cannot estimate the cost of carrying coal by throwing the expense incident to the maintenance of the roadbed, and the general expenses, upon the carriage of wheat; or the cost of carrying wheat by throwing the burden of the upkeep of the property upon coal and other commodities. This, of course, does not mean that all commodities are to be treated as carried at the same rate of expense. The outlays that exclusively pertain to a given class of traffic must be assigned to that class, and the other expenses must be fairly apportioned. It may be difficult to make such an apportionment, but when conclusions are based on cost, the entire cost must be taken into account." (*Northern Pacific Ry. Co. v. North Dakota*, 236 U. S. 585, 596-597 (1914).)

Those common costs in the Western territory for the test year, 1939, amounted to $351,761,730, no part of which was allocated in the cost study to less-than-carload traffic. (Ex. 13, Table 6, p. 11, R. 5972; offered at R. 1742.) The Commission's costs are not the full costs, and we ask the Court especially to note that even the partial costs *exceed* the reduced rates prescribed for the Western railroads.

1.

The Commission Found That the Western Less-Than-Carload Traffic Is Carried at a Heavy Deficit Under Existing Rates and That the Western Deficit Is the Largest in the Country.

The Commission found that in the test year, 1939, the Western railroads suffered a deficit of $34,348,277 in attempting to meet the costs of transporting the Western less-than-carload traffic under the existing rates. (Report, R. 200.) It found that the deficit in the East on that basis was much less, namely, $26,153,151 and that the South had no substantial deficit, if any.

On a unit basis, for comparative purposes, the Commission thus found that for each ton of less-than-carload traffic in the West, the Western railroads had a loss of $7.07. In contrast, the Eastern lines had a loss of only one-half that amount, or $3.75 per ton. The explanation, of course, lies in the fact that although the Western rates were substantially higher than the Eastern rates, the Western costs were relatively even higher.

The Commission stated:

> "*Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas. Less-than-carload traffic as a whole, is carried at a deficit in all territories*, except possibly in the South." (Report, R. 206.)

In its general conclusions the Commission then stated:

> "The weighted-average rate is, therefore, the best criterion for judging the sufficiency of the less-than-carload rates in the light of the costs. Such an analysis unmistakably reveals the fact that less-than-carload traffic generally in all the territories is not bearing its proper share of the costs of transportation—in fact, excluding wartime loading, *it is not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory* except possibly in the southern where the margin of difference between revenues and these expenses is slight." (Report, R. 312.)

These overall findings of the Commission confirm that the Western railroads, under their existing rates, not only suffered deficits in meeting the costs of their less-than-carload traffic, but have failed by a wide margin on those existing rates to meet the basic out-of-pocket expenses plus that small part of the total common expenses that is related *solely* to less-than-carload traffic. The largest part of all that less-than-carload traffic is carried on the class rates that are here in issue. Since the existing rates were found not to be compensatory, the order further reducing rates would be both arbitrary and confiscatory.

2

The Commission Found That in the Test Year, 1939, the Partial Costs per Unit of Western Less-Than-Carload Traffic (Both on the Normal Loading of 4.3 Tons and on the Wartime Loading of 10 Tons) Exceeded the Reduced Interim and Permanent Rates Ordered by the Commission.

The costs shown in the following tables are computed directly from the Commission's cost studies in this case for the test year, 1939. As mentioned above, the Commission stated that these costs for less-than-carload traffic do not include *any* of the fixed costs common to all traffic; they are but partial costs. The Commission's partial costs were divided into factors for the line haul and for the terminal expenses, in order that the costs could be ascertained for each of the various lengths of haul. The studies also showed the cost factors from which can be computed the costs not only on the basis of the actual average load (4.3 tons) but also on the basis of a ten-ton load. (Ex. 13, R. 5932, offered at R. 1742.) The cost studies direct the inclusion of ten percent of the line-haul costs to cover the average circuity of route as compared with the so-called short-line route. (Ex. 12, p. 93, R. 5843; offered at R. 1740; Report, R. 199.) The Commission further found separately the costs for pickup and delivery expenses on the less-than-carload traffic. (Report, R. 200.) Moreover, the Commission found separately the other bare out-of-pocket expenses and the fixed expenses which are *solely* related to less-than-carload traffic. We shall show comparisons of the reduced rates both with the out-of-pocket expenses and with the figures which represent the sum of the partial costs found by the Commission.

The rates shown in the following tables are for the rate classifications applicable to the bulk of the Western less-than-carload traffic. Many thousands of commodities move on class rates and are assigned to one or another of the several classification ratings. The rating of each depends on its transportation characteristics. These ratings are described as first class, second class, third class, etc., and the rate for the classes is a specified percentage of the first class rate. The Commission found that "In all three territories the average rate on such less-than-carload traffic is above fourth class and below third class * * *." (Report, R. 183.) Therefore, the rates shown in the tables below are the reduced third and fourth class rates, both on the interim and on the permanent basis, as prescribed by the Commission.

The following comparison of the Commission's cost findings with the reduced Western rates for third class traffic, which moves at a rate *higher than the average* Western less-than-carload traffic, shows that *the reduced rates prescribed by the Commission would fail, by from 21 to 38 cents per hundred pounds, to meet the 1939 costs of transporting that traffic,* on the basis of the actual average loading, 4.3 tons.

DEFICIT PER CWT. UNDER REDUCED *Third*-CLASS RATES.

(Costs on Basis of Actual *4.3 Tons* Loading.)

Miles	1939 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.73	$0.49	$0.24	$0.49	$0.24
300	0.98	0.77	0.21	0.77	0.21
500	1.24	0.98	0.26	0.98	0.26
700	1.49	1.23	0.26	1.19	0.30
900	1.74	1.42	0.32	1.39	0.35
1000	1.87	1.51	0.36	1.49	0.38

When a comparison is made between the costs and the reduced rates for fourth class, the deficit that would be created by the Commission's order is, of course, even larger. The following table measures the deficit on the same basis as the preceding table except that the rates are for the fourth class traffic.

DEFICIT PER CWT. UNDER REDUCED *FOURTH*-CLASS RATES.

(Costs on Basis of Actual *4.3 Tons* Loading.)

Miles	1939 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.73	$0.39	$0.34	$0.39	$0.34
300	0.98	0.61	0.37	0.61	0.37
500	1.24	0.77	0.47	0.77	0.47
700	1.49	0.97	0.52	0.94	0.55
900	1.74	1.12	0.62	1.09	0.65
1000	1.87	1.19	0.68	1.17	0.70

It will be seen that *the reduced fourth class Western rates would be non-compensatory by from 34 cents to 70 cents per hundred pounds.* The deficits on the full basis of costs would, of course, be greater than are shown above, since the Commission's costs, set out in these tables, do not include any part of the constant or fixed costs that are common to all traffic.

Moreover, when a comparison is made between the reduced rates and that part only of the foregoing costs which the Commission found to be the bare out-of-pocket expenses of handling less-than-carload traffic, it will be seen that *the reduced rates are so low that they do not meet the out-of-pocket expenses.*

DEFICIT PER CWT. UNDER *Out-of-Pocket Costs* AT REDUCED *Fourth*-CLASS RATES.

(*Out-of-Pocket Costs Only,* on Basis of Actual *4.3 Tons* Loading.)

Miles	1939 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.50	$0.39	$0.11	$0.39	$0.11
300	0.74	0.61	0.13	0.61	0.13
500	0.98	0.77	0.21	0.77	0.21
700	1.23	0.97	0.26	0.94	0.29
900	1.47	1.12	0.35	1.09	0.38
1000	1.59	1.19	0.40	1.17	0.42

In the case of the third class traffic, the interim rates and the permanent rates would exceed these 1939 out-of-pocket expenses at only one of the six mileages shown. (Compare out-of-pocket expenses in table immediately above with third-class rates in preceding table.)

The deficiencies in the prescribed rates under the actual out-of-pocket costs as found in the Commission's cost study show forcibly that the Commission disregarded both the statutory and constitutional standards in ordering a reduction in the Western rates.

The foregoing findings were made on the basis of the actual conditions prevailing in Western Territory in the test year, 1939. The Commission found that the average loading of less-than-carload traffic in Western territory in that year was 4.3 tons. (Report, R. 198.) The District Court discussed this loading and found that such loading was normal for several years before 1939. (R. 1426.) The Commission found in *Western Trunk-Line Class Rates,* 164 I. C. C. 1, 87 (1930) that the average through the 1920's "appears to be between 4 and 5 net tons and probably nearer the smaller than the larger figure". Despite the increase in traffic with the growth of lend-lease activities in 1941, and the marked increase in 1942 after the United States entered the war, the loading remained at approximately that point until the effective date of the Office of Defense Transportation's General Order No. 1.[1] (R. 909.) The ODT stated that it recognized its order would cause hardship both to carriers and to shippers, but was necessary as a wartime emergency measure. It set six tons per car as the minimum load, effective May 1, 1942, to July 1, 1942. It then set eight tons as the minimum until September 1, 1942. After that date the minimum was set at ten tons. The order provided for a 36 hour delay in shipment as an effort to gather that high load, and further provided that if, after that delay, the required load had not been received, the carrier must turn over the articles to motor carriers or to other railroads.

It is therefore of interest to compare the interim rates prescribed by the Commission with that portion of the Commission's cost study which shows what its partial Western costs in the test year would have been if the average loading had been as high as ten tons. The following table shows that comparison.

---

[1] "During 1941 there was a total of 8,041,000 cars containing less carload freight (L.C.L.) forwarded from originating or transfer stations by Class 1 carriers and, in addition, 780,000 cars used as trap or ferry cars in intra-terminal movement. Merchandise traffic, therefore, requires the equivalent of over 100,000 closed cars out of a total of about 850,000 cars. The L.C.L. tonnage carried is less than 1½% of total railway tonnage. The inter-city cars on the average contained *approximately 5.3 tons.* * * * The intra-terminal cars averaged *only 2 tons per car.*" Office of Defense Transportation Statement, March 24, 1942, reported in Commerce Clearing House, Federal Carriers' Service, Par. 6301j.

DEFICIT PER CWT. ON REDUCED *Fourth*-CLASS RATES.
(Costs on Basis of Wartime *10-Ton* Loading.)

Miles	1939 Costs	Zone 1 Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.60	$0.39	$0.21	$0.39	$0.21
300	0.73	0.61	0.12	0.61	0.12
500	0.87	0.77	0.10	0.77	0.10
700	1.00	0.97	0.03	0.94	0.06
900	1.14	1.12	0.02	1.09	0.05
1000	1.20	1.19	0.01	1.17	0.03

Thus the findings show that if the emergency order had been in effect in the test year, 1939, so that the carriers and shippers would have had to incur the hardships incident to a ten-ton loading of this type of traffic, the partial or incomplete Western costs would have exceeded by a wide margin the reduced rates prescribed by the Commission. The Commission's cost findings demonstrate that the rates it prescribed would have been confiscatory either on the basis of the actual loading or on the basis of the ten-ton load required by the emergency order.

3.

At the Price and Wage Levels on January 1, 1946, the Commission's Cost Findings Demonstrate That the Reduced Interim and Permanent Western Rates Would Be Drastically Non-Compensatory, Both on the Normal Loading of 4.3 Tons and on the Wartime 10-Ton Loading.

It is notorious that in the years since 1939, the railroad wages, payroll taxes and prices of materials and supplies have greatly increased. Drastic as are the deficits shown above, they do not measure the full amount of the deficits on this less-than-carload traffic that would have been forced upon the Western railroads if the Commission's order reducing rates had gone into effect. We shall show below in two different ways the serious effect of those recent cost increases upon the Western railroads. First, we shall discuss the evidence introduced in the District Court which showed the increase in costs from 1939 to January 1, 1946. It was this evidence, together with the findings of the Commission, to which the District Court referred as indicating that the rates would be confiscatory. (R. 1427.) Second, we shall discuss the findings of the Commission itself in the recent emergency rate case, *Ex parte No. 162, Increased Railway Rates, Fares and Charges, 1946,* in which the Commission found that costs had increased since 1939 *in an amount more than twice as large as the amount of the increase in rates finally granted by the Commission.*

The cost increases from 1939 to January 1, 1946 are unquestioned. It is not necessary to go into detail as to these increases, but it should be pointed out that in the evidence before the District Court, the effect of those increases and the basic data as found by the Commission's Cost Section for the test year, 1939, were unchanged except for the addition thereto of the proper percentages of increase in the wages, payroll taxes and prices of material and supplies on the Western railroads from 1939 to January 1, 1946. (R. 919-921, 926-933.)

The reduced interim and permanent rates prescribed by the Commission for Western third class traffic would produce *deficits of from 13 cents to 45 cents per hundred pounds under the bare out-of-pocket expenses* of the Western railroads for transporting that traffic, as of the effective date of the order, January 1, 1946. And it will be recalled that the third class rate is higher than the average. (Report, R. 183.) The tabulated deficits on this basis are as follows:

DEFICIT PER CWT. UNDER *Out-of-Pocket Costs* ON REDUCED *Third*-CLASS RATES AS OF *Jan. 1, 1946.*

(Out-of-Pocket Costs on Basis of *4.3 Tons* Loading.)

Miles	Jan. 1, '46 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.62	$0.49	$0.13	$0.49	$0.13
300	0.91	0.77	0.14	0.77	0.14
500	1.21	0.98	0.23	0.98	0.23
700	1.50	1.23	0.27	1.19	0.31
900	1.79	1.42	0.37	1.39	0.40
1000	1.94	1.51	0.43	1.49	0.45

The reduced rates at the *fourth* class level would be *from 23 cents to 77 cents per hundred pounds under the out-of-pocket expenses as of January 1, 1946.* The deficit results at the various mileages on this *fourth* class traffic are as follows:

DEFICIT PER CWT. UNDER *Out-of-Pocket Costs* AT REDUCED *Fourth*-CLASS RATES AS OF *Jan. 1, 1946.*

(Out-of-Pocket Costs on Basis of *4.3 Tons* Loading.)

Miles	Jan. 1, '46 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.62	$0.39	$0.23	$0.39	$0.23
300	0.91	0.61	0.30	0.61	0.30
500	1.21	0.77	0.44	0.77	0.44
700	1.50	0.97	0.53	0.94	0.56
900	1.79	1.12	0.67	1.09	0.70
1000	1.94	1.19	0.75	1.17	0.77

The out-of-pocket costs shown above are the costs which, as the Commission found, vary directly in proportion to the volume of traffic. In other words, unlike the fixed expenses, *the addition of more traffic would not reduce the expenses per unit;* it would simply increase the aggregate deficit. The impact of the rising levels of wages and prices of materials and supplies is felt directly upon such out-of-pocket expenses.

The following table shows the heavy deficits under the reduced third class rates when the rates are compared with the Commission's out-of-pocket costs plus only those constant costs which are solely related to less-than-carload traffic, as of January 1, 1946. *The rates would fail by from 42 cents to 80 cents per hundred pounds to meet the costs.*

DEFICIT PER CWT. ON *Third*-CLASS REDUCED RATES AS OF *Jan. 1, 1946.* (Costs on Basis of *4.3 Tons* Loading.)

Miles	Jan. 1, '46 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.91	$0.49	$0.42	$0.49	$0.42
300	1.21	0.77	0.44	0.77	0.44
500	1.52	0.98	0.54	0.98	0.54
700	1.83	1.23	0.60	1.19	0.64
900	2.13	1.42	0.71	1.39	0.74
1000	2.29	1.51	0.78	1.49	0.80

The corresponding deficits on the fourth class traffic under the reduced rates, as of January 1, 1946, are substantially larger, ranging from *52 cents to $1.12.* The tabulated deficits on this fourth class traffic as of that date are as follows:

DEFICIT PER CWT. ON REDUCED *Fourth*-CLASS RATES AS OF *Jan. 1, 1946.*

(Costs on Basis of *4.3 Tons* Loading.)

Miles	Jan. 1, '46 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.91	$0.39	$0.52	$0.39	$0.52
300	1.21	0.61	0.60	0.61	0.60
500	1.52	0.77	0.75	0.77	0.75
700	1.83	0.97	0.86	0.94	0.89
900	2.13	1.12	1.01	1.09	1.04
1000	2.29	1.19	1.10	1.17	1.12

These deficits on the fourth class rates approximately equal the rates themselves. In other words, *the amount of the reduced rates ordered by the Commission is only about half of the Western costs determined by the Commission as adjusted to the January 1, 1946 levels of wages and prices.*

Moreover, even on the wartime ten-ton basis of loading, the Western deficits would be heavy under the reduced rates. On that ten-ton basis of loading the costs are found to be so high that the third class Western rates would produce *deficits ranging up to 27 cents per hundred pounds.* The table for traffic moving on third class rates, based on this emergency loading of ten tons, is as follows:

DEFICIT PER CWT. ON REDUCED *Third*-CLASS RATES AS OF *Jan. 1, 1946.*

(Costs on Basis of *10-Ton* Loading.)

Miles	Jan. 1, '46 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.76	$0.49	$0.27	$0.49	$0.27
300	0.92	0.77	0.15	0.77	0.15
500	1.08	0.98	0.10	0.98	0.10
700	1.24	1.23	0.01	1.19	0.05
900	1.40	1.42	+ 0.02	1.39	0.01
1000	1.48	1.51	+ 0.03	1.49	+ 0.01

NOTE: "+" represents excess.

On the same ten-ton loading basis, and on the costs as of January 1, 1946, the findings show that the reduced fourth class rates would produce *deficits of from 27 cents to 37 cents per hundred pounds.* The table of deficits on this basis is as follows:

DEFICIT PER CWT. ON REDUCED *Fourth*-CLASS RATES AS OF *Jan. 1, 1946.*

(Costs on Basis of *10-Ton* Loading.)

Miles	Jan. 1, '46 Costs	Zone I Interim Rates	Interim Deficit	Uniform Permanent Rates	Permanent Deficit
100	$0.76	$0.39	$0.37	$0.39	$0.37
300	0.92	0.61	0.31	0.61	0.31
500	1.08	0.77	0.31	0.77	0.31
700	1.24	0.97	0.27	0.94	0.30
900	1.40	1.12	0.28	1.09	0.31
1000	1.48	1.19	0.29	1.17	0.31

The District Court found from the evidence in this case "that costs of the carriage have for some time been increasing and will probably show additional increases."

(R. 1427.) The extent of the increase in costs of the carriage since 1939 has been very recently determined by the Commission in *Ex parte No. 162, Increased Railway Rates, Fares and Charges, 1946*, (preliminary decision, 264 I. C. C. 695 (1946); final decision December 5, 1946) as follows:

> "The cumulative effect of the increases for wages, vacations, payroll taxes, materials and supplies, as estimated by the petitioners that have occurred in the period from 1939 to 1946, as applied to the 1946 operations, is at the rate of $2,166,920,000 per year." (Report, Dec. 5, 1946, mimeograph sheet 5.)

The Commission's estimate of the increase on the basis of 1947 over 1939 was stated to be $2,176,240,000. Against that annual increase in cost the Commission authorized an increase in rates which it found would yield close to $1,000,000,000 annually, on the same basis of traffic.[1] The increase thus covers less than one-half of the established increase in costs, and the difference represents the worsening of the carriers' earning position since the test year of 1939, notwithstanding the recent increases.

The prescribed rates are shown to be confiscatory by comparison with the Commission's 1939 cost basis. But, due to the rising tide of prices and wages, that comparison does not reveal the full measure of the deficits which would be sustained under the Commission's interim and permanent scales. By their evidence in the District Court the Western roads showed the increases in wages, materials and supplies, January 1, 1946 over 1939, and compared the unit costs, so increased, with the rates prescribed. It is that comparison which accurately measures the extreme losses which would be incurred under the class rates prescribed herein, notwithstanding the rate increases allowed in *Ex Parte 162*. The additional revenues allowed the Western roads in that proceeding were but little more than sufficient to cover only that portion of the increased costs which were sustained by the Western roads subsequent to January 1, 1946, and such costs were not included in the showing before the District Court.

---

[1] The Commission so stated in its official public release which accompanies the report.

Of the total increase of $2,176,240,000 in the cost of wages, materials and supplies since 1939, as found by the Commission, the Western roads' proportion of the increase, as shown by the exhibits from which that figure is derived, is approximately 40 percent, or a total cost increase in that territory of $873,000,000. Of that total, $360,000,000 represents the cost increases occurring in the West after January 1, 1946. The *Ex Parte 162* rate increase for the Western roads is approximately $375,000,000[1], which only slightly exceeds the increases in wages, materials and supplies after January 1, 1946, leaving practically nothing to compensate for the great increase in cost between 1939 and 1946, which was reflected in the showing in the District Court.[2]

The Commission's statements and its order in *Ex Parte No. 162,* strongly emphasize the inadequacy of the reduced class rates prescribed for application in the West. The 1939 costs themselves exceeded the interim and permanent rates, as shown in the comparative tables above, and, by 1946, those costs had sharply increased. The increased rates allowed in *Ex Parte 162* would compensate only or substantially less than half that increase in costs.

---

[1] This figure may be somewhat increased or reduced de-ending on the action to be taken by the states.

[2] Moreover, as shown on the basis of the report in *Ex 'arte 162,* the levels for wages and materials *by May 1, 946, as compared with 1945,* had increased in the annual nount of $634,000,000 for wages and $197,000,000 for aterials and supplies. (264 I. C. C. 695, 730-731.) This tal of $831,000,000, as the Commission noted, was addition to the amount of the further wage increases of 'o and one-half cents per hour agreed upon on May 25, 46, retroactive to May 22, 1946.

They would compensate only for the approximate amount of the increases in costs which took place in the short period from 1945 to May 25, 1946. Rates which are inadequate and confiscatory as measured by the 1939 costs are clearly more inadequate and confiscatory now by reason of the lengths to which the great increase in costs has exceeded the recent limited increase in rates.

B.

THE DISTRICT COURT ERRED IN HOLDING THAT THE INTERIM RATES SHOULD GO INTO EFFECT FOR AN EXPERIMENTAL PERIOD.

The District Court, although it stated that the evidence indicated the interim Western rates would be confiscatory, nevertheless held that the rates should be allowed to go into effect for an experimental period and that the Western railroads should then be permitted to sue again for an injunction against the continuance of those rates. That second suit, of course, would have to be brought *after* the confiscation had occurred and the losses had been sustained.

The District Court gave two reasons as to why it did not permanently enjoin these rates on the basis of the present record. The first reason was that "the statistical evidence to support that contention [of confiscation] was based on the assumption that the average car loadings would be as low as 4.3 tons, which was a low point average * * *." (R. 1427.) The second reason was stated to be that the evidence of confiscation "apparently did not take into account that part of the Commission's order which requires a minimum charge of 75 cents per shipment less-than-carload instead of the 55 cent minimum charge heretofore." (R. 1427.) We submit that neither of the two reasons is valid and that the Court erred in relying upon them as the basis for its suggestion that there be an experimental test of the reduced rates.

As we shall point out, the loading of 4.3 tons per car was not "a low point average", but was the loading experience for years prior to the war and during the war ntil it was changed by an emergency order. It should be said first, however, that the reduced rates were shown to be confiscatory on a ten-ton loading as well as on the normal loading of 4.3 tons. In fact, much of the statistical data in the tables discussed above, comparing the prescribed rates with the costs, are on the basis of the wartime ten-ton load.[1] On that ten-ton load basis the Commission's cost findings, when compared with the reduced rates tabulated above, show that the Western costs for this traffic in the year 1939, before the increases in price levels, would exceed the rates. Moreover, the amount of that deficit is shown by the evidence to be much greater after the rise in prices and wages from the level of 1939 to the levels reached by January 1, 1946. On both the third and fourth class rates,[2] and with costs computed on the wartime ten-ton basis, the evidence shows that the costs would exceed the rates. The District Court erred in overlooking the data n the record (and in the brief of the Western railroads) vhich measure the costs on the ten-ton loading.

Moreover, the loading of 4.3 tons was not in any sense 'a low point average" as stated by the District Court. n the contrary, that loading was normal for many ears prior to the war. (R. 906.) The record demnstrates that the only reason why the average loading of ss-than-carload traffic jumped in 1942 to six tons, then ght tons and then ten tons was because of the emergency

---

[1] See tables at pages 110, 115, *supra.*

[2] These are, respectively, above and below the weighted erage rate on which the less-than-carload traffic moves the West. (Report, R. 183.)

General Order No. 1 of the Office of Defense Transportation, a war agency. The delays and hardships both to the railroads and the shippers in maintaining such emergency loading are such, the evidence demonstrates, that the loading will drop to or below the pre-war basis upon the lifting of that emergency order. (R. 909-911.) There is no conflict in the evidence on this point.[1]

The second reason stated by the District Court for failing to issue a permanent injunction on the basis of the evidence which, it said, indicated that the reduced rates would be confiscatory, was that the evidence allegedly did not take into account "that part of the Commission's order which requires a minimum charge of 75 cents per shipment less-than-carload instead of the 55 cent minimum charge heretofore." (R. 1427.) This statement, which refers to the principal ground on which the government sought to meet the charge of confiscation in that court, reflects a serious misconception; the change in the minimum charge affords no defense to the charge of confiscation.

The minimum charge has not been merely 55 cents, as the District Court seems to assume, but has been *either* that amount *or* the applicable rate for one hundred pounds, whichever is higher. (Rule 13, Consolidated Classification.[1]) Most of the minimum charges are collected on the basis of the hundred-pound rate, since that rate, for almost all distances, is higher than 55 cents, as is shown in the tables above. Since the Commission would drastically reduce the hundred-pound rate, *the net effect of its action upon the minimum charges,* exactly contrary to the assumption of the District Court, *would be to reduce the amounts of the minimum charges rather than to increase them.*

---

[1] The Office of Defense Transportation has recently begun to establish exceptions to its General Order No. 1. For example, cars used as "peddler," "pickup" or "way" cars are now entirely free from the loading requirement. (Gen. Order No. 1, as amended effective August 10, 1946, Commerce Clearing House, Federal Carriers Service, ¶ 6321d.) Cars of this type normally have had the lowest loadings of all less-than-carload cars. Similarly, the loading requirement for cars destined to any point in the great grain loading territory has been reduced to five tons. (General Permit, O. D. T. No. 1-4a, *id.*, ¶ 6306a.)

6

For example, take a shipment of 25 pounds (or any other amount less than 100 pounds).[2] Suppose it moves on the Western Zone I third class rate for a distance of 500 miles, which is almost exactly the average length of haul of Western less-than-carload traffic. (Report, R. 191.) That shipment, under the minimum charge rules, prior to the Commission's order, would take the third class rate for one hundred pounds, namely, $1.09. Under the Commission's order, that shipment would still be a minimum-charge shipment taking the third class rate for one hundred pounds, but the rate itself would be *reduced* to $0.98. The result is, therefore, that what the Commission has done is to *reduce* the applicable minimum charge on the great bulk of minimum-charge traffic, and has increased the charge only on the negligible proportion of that traffic where the hundred-pound rate is less than 75 cents.

---

[1] Consolidated Freight Classification Number 17, Rule 13, p. 136:

> "Unless otherwise provided in this Classification:
> Section 1. The minimum charge for a single LCL shipment from one consignor to one consignee on one bill of lading shall be:
> (a) If classified 1st class or lower, for 100 lbs. at the class or commodity rate applicable thereto; or
> (b) If classified higher than 1st class, for 100 lbs. at the 1st class rate; or
> (c) If shipment contains different articles, and no article is rated higher than 1st class, for 100 lbs. at the class or commodity rate applicable to the article taking highest rate; or if any one of the articles is rated higher than 1st class, for 100 lbs. at the 1st class rate; but
> (d) In no case shall the charge on a single shipment be less than [55 cents]."

[2] Only a small fraction of the less-than-carload shipments would be of such light weight, since the average shipment of such traffic weighs 384.2 pounds. (R. 933.)

The small number of shipments that would be affected by the change from 55 cents to 75 cents is indicated by the fact that, on the Western Zone I third class rates, the only shipments affected would be the light weight shipments of 100 pounds or less moving a distance of 280 miles or less. *All* shipments on those third class rates moving farther than 280 miles would be at *reduced* rates, under the interim order, regardless of their weight. On the Western Zone I first class rates, *all* shipments moving farther than 120 miles would be at reduced rates under the order and the increase from 55 cents to 75 cents would affect only the lightest weight shipments moving 120 miles or less. On the Western Zone II first class rates, *all* shipments moving farther than 100 miles would be at reduced rates under the order, and the increase from 55 cents to 75 cents would affect only the lightest weight shipments moving 100 miles or less.[1]

Reference to the charge on the "average" shipment of this traffic emphasizes the irrelevance of the slight increase in the minimum charge to the confiscation issue. The average less-than-carload shipment in the West weighs 384.2 pounds (R. 933), and moves approximately 500 miles (R. 191) on an average rate which is between third and fourth class. The charge on such a shipment in Zone I, on the basis of both the interim and the permanent rate prescribed by the Commission, would be between $3.76 (third class) and $2.96 (fourth class).[1] As shown above,[2] even the partial costs of handling such shipments, as established by the Commission's findings, exceed the prescribed rates. The increase from 55 cents to 75 cents per shipment would not alter the fact that the great volume of this traffic would be carried on a cost basis, as found by the Commission, which exceeds the rates prescribed by it.

---

[1] The respective rate scales are shown in the Report, Appendix 8, R. 359-361.

The District Court was therefore in error in assuming that the net effect of the Commission's order with respect to minimum-charge traffic was to increase the rates. But that Court was also in error in assuming, as it appears it did, that the confiscatory effect of the less-than-carload rates on the great bulk of the shipments could be ignored because the rates would be increased on the negligible few shipments on which an increased minimum charge would apply. The Commission expressly stated that the limited increase was intended solely to compensate for the costs of the particular shipments to which it was to apply. (Report, R. 320-321.) And, in any event, it has long been settled that confiscatory rates on certain types of shipments cannot be defended on the ground that there are increases on other types of shipments:

---

[1] The rates on these average shipments are computed as follows: The first class rate for 500 miles in Zone 1, Western Trunk Line Territory, is $1,56 per hundred pounds, as shown in Appendix 8, R. 360. The prescribed interim rate is 10 percent less, or $1.40 per hundred pounds, and that is also the permanent rate as shown in Appendix 10, R. 381. The third class rate would be 70 percent of $1.40, or 98 cents, and 98 cents for a shipment weighing 384 pounds would be $3.76. The fourth class rate would be 55 percent of $1.40, or 77 cents per hundred pounds, and for the average shipment of 384 pounds a total charge of $2.96.

[2] This brief, pages 105, *et seq.*

> "* * * It does not aid the argument to urge that the state may permit the carrier to make good its loss by charges for other transportation. If other rates are exorbitant, they may be reduced. Certainly, it could not be said that the carrier may be required to charge excessive rates to some in order that others might be served at a rate unreasonably low. That would be but arbitrary action." *Northern Pacific Ry. Co.* v. *North Dakota*, 236 U. S. 585, 598 (1915).

We submit that there is no merit in either of the reasons stated by the District Court for withholding a permanent injunction against these confiscatory rates until after they have been put into effect and a second suit has been commenced by the Western railroads. The effect of the prescribed rates in any test period would not be shown by the money remaining in the cash drawer at the end of that time as it might for a business with a less complicated accounting and cost system. The results would have to be shown by some such elaborate cost study as that made by the Commission here. This record and the Commission's findings demonstrate in the only manner that the fact can be demonstrated that the prescribed interim rates would be less than the costs. Where, as here, the evidence proves that the costs would exceed the rates, the order should be enjoined without compelling the Western railroads to suffer the losses which would be incurred in a test period. In *Northern Pacific Ry. Co.* v. *Dept. of Public Works*, 268 U. S. 39 (1925) the Court rejected the argument that the order reducing the rates should be allowed to go into effect experimentally, and Mr. Justice Brandeis, for the Court, stated:

> "If even the existing rates were confiscatory, as the carriers' evidence embodying the results of ample experience tended to show, there could be no reason for awaiting the test of the much lower rates which were prescribed. The cases which applied the prin-

ciple of awaiting the result of an experimental period for untried rates have no application here." (p. 45.)

The same rule applies to this case. The permanent injunction against these confiscatory rates should be granted now and not delayed until after the confiscation, which would be irremediable, has taken place.

III.

THE COMMISSION'S ORDER IS VOID BECAUSE THE COMMISSION MISCONSTRUED THE INTERSTATE COMMERCE ACT AND THE TRANSPORTATION ACT OF 1940.

It has long been settled that any order of the Commission based upon a mistake of law is void and should be set aside. *Interstate Commerce Commission* v. *Union Pacific R. Co.*, 222 U. S. 541 (1912); *Ann Arbor R. Co.* v. *United States*, 281 U. S. 658 (1930). In this case, the Commission predicated its decision upon the mistaken belief that by the amendments to the Interstate Commerce Act in 1940, Congress had required equalization and uniformity of rates among the various territories of the country and had drastically increased the authority and powers of the Commission. The Commission determined that the traditional standards of rate-making, recognized by the courts and by Congress for more than 50 years, were now to be observed only "in the light of" the Commission's construction of the amended law.

This was the stated and considered approach of the Commission to the evidence in the proceeding. The Commission received evidence and made findings showing the wide territorial differences in traffic and transportation conditions, but then, in the light of its view of the Transportation Act of 1940, it held that any rate differential in the several territories would be unlawful.

The Commission stated that it based its conclusions upon three provisions of the Transportation Act of 1940. That Act was a comprehensive revision of the Interstate Commerce Act. Part I of the Interstate Commerce Act, which concerns railroads, and Part II, which concerns motor carriers, were revised in many respects, and Part III was added to bring water carriers under the regulation of the Commission. The parts relied upon by the Commission in this case consist of a portion of the declaration of policy added to the Interstate Commerce Act, an amendment to Section 3(1) of that Act, and a joint resolution commonly known as the Ramspeck Resolution which was enacted as Section 5(b) of the Transportation Act of 1940.

The part of the statement of policy to which the Commission referred in holding that there had been a change in the law and a mandate for uniformity, stated that one of the purposes of the Interstate Commerce Act is "to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices." (54 Stat. 899, 49 U. S. C., p. 4281.)

The Transportation Act of 1940 also amended Section 3(1) of the Interstate Commerce Act by adding the words "region, district, territory" to read as follows:

> "Sec. 3. (1) It shall be unlawful for any common carrier subject to the provisions of this chapter to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular

> person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description." (54 Stat. 902, 49 U. S. C. Sec. 3(1).) (The proviso was also added in 1940 but is not involved in this case.)

The Ramspeck Resolution reads as follows:

> "(b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended (this chapter), for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided,* That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation." (54 Stat. 902, 49 U. S. C. Sec. 3, note.)

At the outset of its discussion of conclusions, the Commission said:

> "While the rates in issue in this proceeding are to be tested by all pertinent provisions of the act, it is important to give particular attention to certain amendatory legislation which Congress has recently enacted." (Report, R. 303.)

The Commission then summarized the provisions set out above and asked the following rhetorical question which it answered in the affirmative:

> "Have these amendments to the act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject?" (Report, R. 304.)

The Commission evidently recognized that, upon the face of the legislation, the answer was negative. Time and again the courts had stated that the policy of the Act since its original enactment in 1887 was to prevent unjust discrimination. Indeed, the Commission says in this report that:

> "Unjust discrimination in various forms was the principal evil aimed at in the original Act to Regulate Commerce." (Report, R. 304.)

The Commission quoted also the statement of this Court in the *Shreveport* case, 234 U. S. 342 (1914), "referring particularly to Section 3 which had remained unchanged up to that time since its original enactment, that the language 'is certainly sweeping enough to embrace all the discriminations of the sort described which it was within the power of Congress to condemn.'" (R. 304.)

The addition of "region, district, territory" in Section 3(1) merely recognized in specific terms what the Commission and all parties had understood that section to include. The class-rate structure in the West and in the East which the Commission here undertook to investigate had been established by the Commission itself under and pursuant to the Hoch-Smith Resolution which had directed the Commission to remove any unjust discriminations "as between the various localities *and parts of the country*". (43 Stat. 801, 49 U. S. C. Sec. 55.) In *Texas & Pacific Ry. Co.* v. *United States*, 289

U. S. 627 (1933), to which the Commission also referred, the majority opinion expressly recognized that Section 3 forbade discrimination among the shipping, producing and consuming "areas" and stated:

> "The word 'localities,' therefore, has its proper office as denoting the origin or destination of traffic and the shipping, producing, and consuming areas affected by rates and practices of carriers." (p. 638.)

That decision, holding that Section 3 did not apply to gateways or ports, as respects traffic merely passing through them, did not create any doubts whatsoever that the section fully protected all origin and destination areas.

Nor was there any mandate for uniformity or other substantive change on the face of the Ramspeck Resolution. That resolution, like the Hoch-Smith Resolution, merely directed an investigation and the removal of any unjust discriminations which might be found to exist.

But the Commission thought that it found in the legislative history of the foregoing provisions the mandate which changed the law as to uniformity of rates and as to the test of "discrimination". It said:

> "In seeking an answer to this question it is pertinent and helpful to review briefly the legislative background of these amendments." (Report, R. 304.)

The Commission therefore turned to the legislative history of the Transportation Act of 1940, apparently considering only those portions of that history which are set out in a footnote in its report at R. 306-307. It then concluded as follows:

> "Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by this legislation, *the history of the times when the law was amended*, as well as the statements of the legislators as to the purposes of

> the amendments—all proper aids of statutory interpretation—*it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country.* The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of Section 3(1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned *which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause,* if not justified upon proper consideration of recognized elements of rate making *applied in the light of the amended law* are unlawful and should be corrected." (Report, R: 306-307.)

The foregoing states the Commission's understanding of the meaning and purport of the new law, namely, that the Commission had been directed "to bring about a greater degree of equalization, harmony and uniformity in the different regional, or territorial rate structures of the country" and that "the recognized elements of rate-making" were now made subject to the qualification that they could only be "applied in the light of the amended law". Just what the Commission meant by its interpretation of that amended law with respect to "equalization, harmony and uniformity," it made perfectly clear by its report and decision. Those words, to the Commission, did not mean that each territory was to have "uniform" rates in the sense that the rates were to be so constructed as uniformly to reflect the differing costs and other transportation conditions in the several territories. The existing rate structure, created by the Commission itself, already reflected those factors and conditions. To the Commission, the equalization and uniformity that it thought it was directed to achieve meant identical rates, mile for mile, everywhere in the country. For example, the Commission stated that its previous decisions "failed, however, to effectuate uniformity as between the territories. As a result of this incongruous situation, the interterritorial rates could not be properly harmonized with the intraterritorial rate structures." (R. 313.) Plainly the Commission, by "harmony" and "uniformity," in its reference to what it thought Congress had directed it to bring about, means "identical rates".

The full legislative history of the Transportation Act of 1940, on the contrary, clearly discloses that *both houses of Congress refused to enact the kind of legislation that the Commission has now construed the 1940 Act to be.* That legislative history makes it apparent that Congress never intended to put the freight rates of the different sections of the country into what Commissioner Porter, in his dissenting opinion, refers to as "the strait-jacket" of a uniform scale of freight rates. (Report, R. 327.) The legislative history further demonstrates the leliberate and express refusal of Congress to broaden the owers of the Commission over the making of the ter-itorial freight rates or to change the effect to be given o the recognized elements of rate-making.

A.

THE COMMITTEE OF SIX RECOMMENDED THE CONTINUANCE OF THE TERRITORIAL AND ZONE SYSTEM OF RATE-MAKING.

The Transportation Act of 1940 was the result, in part, of the recommendations of a Committee of Six appointed by the President in 1938. The Committee's report to the President, December 23, 1938, urged many changes in the Interstate Commerce Act, but, with reference to the different levels of rates in the different sections of the country, made the following recommendation:

> "*The Commission should, as at present, be allowed* reasonable latitude to modify or adjust any particular rate which it may find to be unreasonable or unjustly discriminatory and *to prescribe different rates for different sections of the country.*" (Report of Committee of Six, set forth in Volume I, Omnibus Transportation Bill, Hearings before Committee on Interstate and Foreign Commerce, H. of R., 76th Cong., 1st Sess. on H. R. 2531, pp. 259, 265-266.)

B.

THE SENATE COMMITTEE ON INTERSTATE COMMERCE WAS ADVISED BY THE COMMISSION ITSELF OF THE DANGERS OF UNIFORMITY OF RATES AND REJECTED BILLS PROPOSING TO AMEND THE INTERSTATE COMMERCE ACT TO PROVIDE FOR UNIFORM RATES.

Pursuant to the recommendation of the Committee of Six, the Omnibus Transportation Bill, S. 2009, 76th Cong., 1st Sess., was introduced in the Senate. A subcommittee of the Senate Committee on Interstate Commerce, of which Senator Wheeler was Chairman, considered several bills and resolutions dealing with the general subject of differences in the rate levels in the several territories of the country. These bills varied in content. Several would have required the carriers to make their interterritorial rates for transportation between territories on the so-called "destination level" theory, *i.e.*, the theory that the interterritorial rate going into a territory should not exceed the intraterritorial rate for that article in the destination territory. Some proposed that the Commission be directed to formulate a plan for a uniform national rate structure and that it report its findings to Congress. Particular attention may be given to S. 137, 76th Cong., 1st Sess., introduced by Senator Bankhead of Alabama. The first part of S. 137 proposed the addition of the words "region, territory, subregion, subterritory" to Section 3(1) of the Interstate Commerce Act. In full recognition of the fact that such an amendment (which was the type of amendment that finally passed) would not make the substantive change in rate-making that certain Southern senators desired to accomplish, the second part proposed an amendment of the rate-making section of the Interstate Commerce Act as follows:

> "That section 15a of part I of the Interstate Commerce Act be amended by adding the following as paragraph (3):
>
> "'(3) The Commission shall also exercise its power to regulate rates in such manner as to abolish and eradicate, except when prevented by actual differences in transportation conditions, existing regional or territorial differences in rate structures and to establish and maintain in the future a reasonably uniform national rate structure for each type of service—freight, express, and passenger—to the end that there may be the freest possible flow of commerce among all regions, territories, and sections of the United States.'"

The Commission's construction of the 1940 legislation is a paraphrase of the second part of this bill, S. 137, which failed to receive approval by the committee or by either house of Congress except that the Commission has disregarded the great "actual difference in transportation conditions" which would have been recognized even under that legislation. In other words, *the Commission has taken what it conceived to be its directive, from the very legislation which Congress refused to accept and has construed that directive as being even more drastic than was the legislation that Congress rejected.*

One of the impelling reasons why the committee rejected the proposed bills directed toward the creation of uniform rates, while at the same time recommending the addition of the words "region, district, territory" to Section 3(1) was that the Commission itself, as then constituted, severely criticized the validity of the concept of uniform rates, drawing the attention of Congress to the wide differences among the various sections of the country, and pointing out that the recognized elements of rate-making result in proper territorial differences in rates and rate structures. On January 12, 1939, Senator Wheeler wrote asking the comments of the Commission on the proposed bills affecting the territorial rates. On February 8, 1939, the late Commissioner Joseph B. Eastman replied, stating that he had been authorized by the Commission to submit the comments on behalf of the Commission. He first stated that because there was then pending before the Commission the proceeding known as the "Southern Governors" case, the Commission could not comment fully upon the bills, but could make certain comments as to their practical operation. Despite the restriction, Commissioner Eastman, on behalf of himself and the other Commissioners, did not hesitate to condemn the proposal to bring about uniformity of freight rates, mile for mile, throughout the country. The letter stated, in part:

"The foregoing bills, while differing in details, have much in common. S. 126 and S. 158 would establish the principle for common carriers, subject to part I of the Interstate Commerce Act, that, distance considered, the freight rates on commodities moving into a rate-making or geographical area of the United States shall be no higher than the rates which apply locally on the same commodities within that area. This principle is not stated definitely in S. 137, but the objective appears to be similar.

* * * * * *

"(1) It would be impracticable to apply the proposed rule with respect to rates from one rate-making or geographical area to another without fixing the rates substantially on a mileage basis.

* * * * *

"(3) The proposed rule accepts the principle that rates should vary with distance. The underlying reason for this is, of course, that the cost of the transportation service ordinarily increases as the length of the haul increases. Cost of service, however, is affected by other factors as well, such as density of traffic, the character of the terrain, and gathering or distribution operations at origin or destination. In theory there is as much reason why rates should vary with these other factors which affect cost as with distance. The proposed rule, however, gives consideration only to distance.[1]

* * * * *

"(5) In considering the objective of a 'reasonably uniform national system of freight rates' proposed in S. 126 and 137, it should be borne in mind that the character of railroad freight traffic differs widely in the various sections of the country, dependent on the character of their industrial activities. Freight rates normally reflect these differences. A particular kind of traffic, such as grain, livestock, or petroleum, may move in large volume and be given relatively low rates in a territory where freight rates are in general relatively high. There are also many important differences in competitive and transportation conditions. While the freight-rate structure of the country has many seeming inconsistencies, it is, after all, largely the product of evolution and adjustment to practical conditions, and any attempt to recast it abruptly into a radically different form, in disregard of such conditions, is likely to have results more disturbing than beneficial.

---

[1] This rule, criticized by the Commission and rejected by Congress, is precisely the rule that the Commission has now prescribed.

"While, for the reasons indicated at the outset of this letter, we believe that we should not now express views on the general merits of these bills, it can be said, without danger of prejudging the issues in any pending proceeding, that we see no objection to the amendment of section 3(1) of the act which is proposed in S. 137.

"Respectfully yours,

"JOSEPH B. EASTMAN,

"Chairman, Legislative Committee."[1]

This letter is of unique significance in determining the Congressional intent in the legislation of 1940. The Commission there made it clear to Congress that the differences in territorial freight rates must arise from differences in density of traffic, the character of the terrain, the gathering or distribution operations at origin and destination, the character of industrial and agricultural activities, relative importance of particular commodities in the different sections, competition and other transportation conditions. Significantly, while the Commission realized that bills calling for uniform freight rates, mile for mile, such as

---

[1] The letter is set out in Vol. I, Omnibus Transportation Bill, Hearings before the Committee on Interstate and Foreign Commerce, H. of R., 76th Cong., 1st Sess., on H. R. 2531, pages 717-719, together with an accompanying letter to Chairman Lea of the House Committee referring to the letter to Senator Wheeler.

S. 137, would change the weight to be given to the traditional elements of rate-making, it quite evidently saw no such implications of uniformity in the addition of the words "region, district, territory" to Section 3(1). Yet the Commission has now interpreted that amendment to Section 3(1) to mean that it has been given a Congressional mandate to bring about uniform freight rates, mile for mile, and to cease giving their proper effect to the long-recognized elements of rate-making so recently emphasized by the Commission through Commissioner Eastman.

The comprehensive transportation bill, S. 2009, was reported by the Committee with no provision directed toward uniformity. The uniformity bills had failed to receive approval of the Committee. Instead, there was the addition of the three words to Section 3(1) and the provision for investigation by the Commission, not a direction to prescribe "uniformity," that word not being used in the resolution, but only to determine whether there was presently any undue and unjust discrimination. The latter provision, which was in the form of the Ramspeck Resolution (introduced in the Senate by Senator Hill), was Section 52 of that bill.

C.

SENATOR WHEELER ASSURED THE SENATE THAT NOTHING IN THE BILL WOULD BRING ABOUT EQUALIZATION OF FREIGHT RATES OR BROADEN THE POWERS OF THE COMMISSION OVER THAT SUBJECT.

The discussion on the floor of the Senate confirms the conclusion that Congress had no intention to equalize the rates. The Commission, in its report in this proceeding, referred to part of the comments of Senator Wheeler in the Senate, but the portion in which Senator Wheeler made it plain that no equalization of rates in the different territories was intended and that the differences in transportation circumstances were to be given the same full effect in rate-making that had always been accorded to them evidently did not come to the attention of the Commission. The following discussion between Senator Wheeler and Senator Frazier of North Dakota is directly contrary to the Commission's interpretation of the 1940 legislation:

> "Mr. Frazier. Is it the expectation of the committee that by the amendment in section 52 the rates in the various classification territories will be equalized or made the same in different territories?
>
> "Mr. Wheeler. *I do not think that is possible.*
>
> "Mr. Frazier. I do not see how it is possible. I was wondering what the intention was.
>
> "Mr. Wheeler. It is not possible for a number of reasons. For example, it *costs* more to carry freight over the mountains in two trains than to carry it on the plains in one train. Likewise, we must recognize the fact that railroad transportation service and rates depend somewhat on the *intensity of the traffic. In long stretches of territory with no traffic, shippers must pay more for railroad service than do shippers in a densely settled part of the country where traffic is plentiful* and where there is much competition from busses, trucks, and things of that kind. However, it seems to me from my study of the question that apparent inequalities[1] ought to be corrected.
>
> * * * * *
>
> "Mr. Frazier. In North Dakota we have a large volume of wheat to transport in the fall of the year, and because we have that large volume, and because our territory is practically level, we have a rather beneficial rate on wheat as compared with some other territories. Our railroad commission and traffic experts are afraid that the provision to which reference has been made will take that special rate away from us.

---

[1] It is apparent from the context that Senator Wheeler, by the word "inequalities", means "unjust discrimination" in the traditional sense of those words, and that in his statement to Senator George (*infra*, pp. 141-142) the word "equalization" was used in the same sense.

"Mr. Wheeler. I believe this provision will help the people of the Senator's State rather than harm them in many respects.

"Mr. Frazier. We have a much lower rate than prevails in many other sections of the country. If rates are to be equalized, it will mean raising our rates.

"Mr. Wheeler. *The bill does not mean that rates are to be equalized.*" (Cong. Rec., Vol. 84, Part 6, p. 5890.)

We ask the Court to contrast this solemn assurance with the action of the Commission which holds that the rates must be identical to be lawful and that all the class rates set by the Commission itself are now, by virtue of the 1940 legislation, unjust, unreasonable and unduly prejudicial and preferential because they are not identical in all parts of the country despite the admitted differences in costs, density of traffic and other transportation conditions. Senator Wheeler's assurance to the Senate that "The bill does not mean that rates are to be equalized" is diametrically opposed to the Commission's order in this proceeding.

Senator Miller of Arkansas stated that he would propose an amendment striking out the words "unjust and undue" before the word "discrimination". He made it clear that he wanted a direction to the Commission to bring about equalization, "harmony" and uniformity rather than just the removal of "unjust and undue" discriminations. In other words, he wanted the type of legislation that the Commission has now in effect, said Congress did in fact adopt. Senator Wheeler's forceful reply made it plain that Congress did not intend to go beyond a direction to the Commission to investigate and then exercise its powers which it already had, not to equalize rates, but to remove only such discriminations as might be found to be unjust and undue on the basis of the recognized elements of rate-making. The discussion was as follows:

> "Mr. Hatch. Then, the position of the Senator is that the bill merely does not go far enough?
>
> "Mr. Miller. That is all.
>
> "Mr. Wheeler. I should really like to have the Senator or someone else on this floor tell me just what language should be written into the bill which would go further than what is now in it. It is easy, in making a political speech, to say that we want certain legislation, and want to do this and want to do that, but it is quite another thing for one, after he has made the speech or made the recommendation, to write the language which will actually accomplish what he wants to accomplish *without discriminating against someone else or some other community*.
>
> "The Congress of the United States cannot make rates. The Congress must provide for a commission which will make rates. The Congress lays down broad general policies for that commission to follow. In the pending bill we have said to the Commission, 'We want you immediately to investigate the situation, and then we want you to issue orders which will correct the situation.'
>
> "*The Senate cannot investigate to ascertain whether discriminations exist in one particular territory or in another particular territory,* because if we were to do that we would have time for nothing else; we would spend all our time for the next 10 years investigating to determine whether discriminations exist here, there, or somewhere else throughout the United States, so that we could frame legislation in an effort to correct the situation.
>
> * * * * *
>
> "I wish to say something else in reference to the Senator's proposed amendment. I agree with the purpose of the amendment; but I call the Senator's attention to the fact that we submitted the amendment [*i.e.*, the amendment proposed by Senator Miller] to members of the Interstate Commerce Commission, and they

told us that "the language used in the amendment *would in many instances make it necessary for them to increase rates rather than to lower them.*" (Cong. Rec., Vol. 84, Part 6, p. 6068.)

The very dangers suggested by Senator Wheeler in any provision directing a change in the territorial rate levels, namely, that it would result in discrimination against someone else or some other community, and that it would in many instances require an increase in rates, are exemplified in the results of the Commission's orders in this case.

The legislative history discussed thus far was evidently not considered by the Commission. The portions of the legislative history to which the Commission's attention was directed and which it set out in its report as a basis for its conclusion that Congress had directed it to bring about a greater degree of uniformity were so separated from their context that they do not reflect the intent of Congress. One example is the quoted statement of Senator Wheeler that the intent of the bill was to make toward the "equalization" of regional rates, which he had denied flatly in his assurances to Senator Frazier. The full quotation from which this was taken shows that Senator Wheeler at that point was referring to the fact that the Transportation Act of 1940, by adding Part III to the Interstate Commerce Act, confers jurisdiction over water carriers and their rates upon the Interstate Commerce Commission:

> "Mr. George. The point I wanted to make was that in a great Nation such as ours, covering so wide an area, the opportunity for uniform development and progress is far more important than the mere fact that a rate in a particular region might have to be slightly raised.
>
> "Mr. Wheeler. If I may be pardoned for interrupting the Senator, I agree entirely with that statement, and I say to the Senator that, as a matter of fact,

that is what this bill seeks to do. We are seeking to put under the Interstate Commerce Commission the *regulation of all forms of transportation rates.*[1] What is happening? *A few people who are interested in shipping are coming here and saying: 'We want this particular group to have a special dispensation to get lower rates for a particular territory.' In so doing they are discriminating against the inland territory completely.* I agree exactly with what the Senator has said, and I say that this bill if enacted will have an extremely beneficial effect on the country taken as a whole.

"Mr. George. The Senator thinks that it will make toward the equalization of rates in the various regions?

"Mr. Wheeler. I do not think there is any doubt about that at all, because that is the purpose of the bill; it is the intention of the bill.

"Mr. President, I wish to call attention to the last provision of the amendment. It reads:

'It shall be unlawful to establish rates for any type of transportation which shall not be compensatory, as herein defined, where such rates are established to meet competition of other types of transportation or for other purposes.'

"I am afraid if that language were put in the bill it would have, on the whole, a very detrimental effect on some of the water carriers, because unquestionably some of the water carriers at present are carrying freight upon the Great Lakes and in some other places at a price that at least the railroads say is less than compensatory. If we put in the bill a provision that the rates have to be compensatory and that shippers cannot carry freight for less than a compensatory rate, I am afraid we would find that that language would be used against the very object the Senator desires to accomplish." (Cong. Rec., Vol. 84, Part 6, p. 6072.)

---

[1] Senator Wheeler was evidently referring here to Part III of the Interstate Commerce Act, added by the Transportation Act of 1940, which brought the regulation of water carriers under the Commission.

ertainly it is untenable to say that Senator Wheeler was peaking here of railroad rates and that he meant to reuire equal railroad rates in the several rate territories. o do so is to accuse him of bad faith in his direct answer nd assurances to the contrary. He was speaking of the ater carrier regulations of Part III, for one thing, and ot of the territorial freight rates, and it seems clear also hat by "making toward equalization" he meant the reoval of "inequalities" in the sense of unjust discriminaions in the traditional sense, and not the creation of a ingle nationwide uniform rate scale.

In debate on May 23, 1939, Senator Frazier of North akota and Senator White of Maine, a member of the Intertate Commerce Committee, asked Senator Wheeler for ssurance that the Ramspeck Resolution did not broaden he authority or the power of the Interstate Commerce ommission. It will be recalled that the Commission in this ase bases its decision on its conclusion that the historic imitations on its power had been removed and that the Transportation Act of 1940 had "enlarged the power of he Commission over this subject" (R. 304) and proceeded n accordance with that construction of the Act. Senator Wheeler stated specifically that it did not do so. The ssurance was given as follows:

> "Mr. Frazier. Mr. President, I should like to ask if there is any danger of intrastate rates being included in this amendment? I notice the phrase 'or in their relation to each other.'
>
> "Mr. Wheeler. *This provision does not broaden the authority of the Interstate Commerce Commission in the slightest degree.* It simply says that they shall carry on an investigation into these various territorial rates.

> "Mr. Frazier. It would not affect intrastate rates at all?
>
> "Mr. Wheeler. No.
>
> "Mr. White. I understood the Senator to say that this provision conferred no new power and imposed no new obligation on the Commission. I had rather assumed that was so, except for the language appearing in the second line, which directs the Commission to proceed immediately. I take it that is a new obligation and a specific obligation.
>
> "Mr. Wheeler. What I meant to say was that *that is a new obligation to proceed to investigate, but the powers of the Commission as to regulating rates are not changed at all.*
>
> "Mr. White. *That was my impression. I merely wanted to have it confirmed.*" (Cong. Rec., Vol. 84, Part 6, p. 5984.)

These clear and explicit answers to the very question posed by the Commission as to whether its powers were increased were not mentioned by the Commission in its summary of the legislative history to which its attention had been directed.

It may be noted that even Senator Connally of Texas, one of the leaders in asking for legislation directly affecting the territorial rates, instead of the measure which the committee had recommended, expressly disavowed any intention to destroy the territorial pattern of rate-making. He was questioned by Senator Reed of Kansas, a member of the Committee on Interstate Commerce, as follows:

> "Mr. Reed. I understand the Senator from Texas desires that the bill be made stronger?
>
> "Mr. Connally. In that respect.
>
> "Mr. Reed. Would the Senator suggest that we write the bill strong enough so as to remove the regional division of the State of Texas, which has been maintained by the Texas State authority for 70 years, since Texas established a railroad commission, and a

> distinguished United States Senator, John H. Reagan, resigned from the Senate to become chairman of the Texas Railroad Commission, one of the early railroad commissions in the country? From that day to this the State of Texas by State authority has divided its own State into two regions, known as 'common point' and 'differential territory.' In the 'differential territory' they charge a higher rate than they do in 'common point' territory. There is no difference in principle between what Texas does by State authority—a continuing practice throughout the years—and what the Interstate Commerce Commission does.
>
> "Would the Senator from Texas desire that we make the law sufficiently strong to require the State of Texas to remove the regional distinction which it maintains by State authority within the State of Texas?
>
> "Mr. Connally. I have never heard the Senator from Kansas make a stronger argument than he has by citing the precedent in my State. *Of course, I did not mean to imply that all these regions should be done away with,* but I did mean that the differentials between the regions in many cases are outrageous." (Cong. Rec., Vol. 84, Part 6, p. 5889.)

The Senate then passed S. 2009 with the assurances from Senator Wheeler, Chairman, and Senator Reed, member, of the Interstate Commerce Committee, that the purpose of the bill was not to bring about an equalization or uniformity of rates in the different territories, that the territorial differences in cost, density of traffic and other transportation conditions were to be recognized as they had been in the past and that while the Commission was to be directed to investigate the various territorial rates, and remove any unlawfulness found to exist, the standard of lawfulness and the Commission's authority and powers were not changed in the slightest degree. None of those assurances was mentioned by the Commission in reaching a contrary construction of the Act.

D.

THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE REJECTED THE PROPOSED AMENDMENTS TO BRING ABOUT UNIFORM RATES AND THE HOUSE WAS ASSURED THAT THE LEGISLATION RECOMMENDED AND PASSED WOULD NOT INCREASE THE AUTHORITY OR POWER OF THE COMMISSION OVER THE SUBJECT OF TERRITORIAL FREIGHT RATES.

S. 2009 was considered by the House at length, in July, 1939. The House Committee on Interstate and Foreign Commerce had held hearings and considered at length bills and resolutions on behalf of sectional interests of the same type as those referred to above in connection with the Senate Committee on Interstate Commerce. For example, one bill, H. R. 3369, 76th Cong., 1st Sess., introduced by Representative Bryson, on January 30, 1939, would have amended Section 15 of the Interstate Commerce Act to read as follows:

> "*Provided,* That the rates prescribed for any given rate-making or geographical section of the United States to which the Interstate Commerce Commission may adhere for rate-making purposes shall not be fixed in excess of the corresponding rates prescribed for any other rate-making section of the United States."

The same bill would have amended Section 15a of the Interstate Commerce Act as follows:

> "(3) The Interstate Commerce Commission shall revise existing rate structures in different rate-making sections of the United States, distance and other factors weighed, for the purpose of establishing and thereafter maintaining sectional and intersectional uniformity in rates, permitting the free and unfettered flow of commerce between different sections and States of the United States."

The House Committee also had the benefit of the comments of Commissioner Joseph B. Eastman in his letter on behalf of the Commission (quoted above at pages 135 and 136) setting forth the dangers of uniform rates and the necessity for recognition of the territorial differences in transportation conditions and other factors. (Hearings before Committee on Interstate and Foreign Commerce on H.R. 2531, 76th Cong., 1st Sess., pages 717 to 719.) It came to the same conclusions as did the Senate Committee, refused to recommend the bills setting uniform rates or calling for a study toward that object, and recommended instead only the changes adding the formal words "region, district, territory" in Section 3(1), and directing that an investigation be made into possible unjust discriminations. The House Bill, like S. 2009, thus contained the provisions which the Commission has now construed as a direction to bring about uniformity of freight rates. Here again, it was made definitely clear to the House that those provisions, contrary to the Commission's construction, *were not intended to bring about uniformity or equalization nor to increase the powers of the Commission nor to change the effect to be given to the elements of rate-making.*

Representative Lea of California was Chairman of the House Committee on Interstate and Foreign Commerce. In presenting the bill to the House, he said:

> "Now, I want to refer for a moment to the Ramspeck Resolution. That is embodied in this bill. It directs the Interstate Commerce Commission to make an investigation of certain freight differentials, and then to make the orders that are necessary to remove the unlawfulness of rates found to be unlawful. It further provides, in the provisions prohibiting discriminations, the protection of territories and districts. In my judgment that resolution is directed at what is one of the most important situations in rate structure.

> It points to a place in our rate structure where the greatest opportunity to help our transportation system on an economic basis lies. The correction of that condition would serve the interests of shippers and carriers alike." (Cong. Rec. Vol. 84, Part 9, p. 9705.)

The pattern in the House followed that in the Senate with respect to the attempt to make differences in freight rates unlawful, *and with respect to the assurances to the representatives of the western states that the bill would not bring about uniformity of rates.*

Representative Kitchens proposed an amendment striking out the words "unjust and undue" before the word "discrimination." This amendment was defeated. In its consideration, there was the following discussion in which Representative Lea, Chairman, and Representative Patrick, a member, of the Committee on Interstate and Foreign Commerce, participated:

> "Mr. Murdock of Arizona. Is it not true that for more than a half century the Interstate Commerce Commission has fixed our freight and passenger rates, and have they not in so fixing those rates acted properly, yet what they did might be called a discrimination?
>
> "Mr. Patrick. Yes.
>
> "Mr. Murdock of Arizona. In other words, the I.C.C. for years, in fixing rates, has discriminated but such was legal, reasonable, and not unjust. *All that this provides is that there shall be no unjust discrimination, and under this we will continue as in the past?*
>
> "Mr. Patrick. *Certainly.*
>
> "Mr. Lea. Mr. Chairman, I did not hear all the gentleman from Arizona stated, but *I call attention to the fact that for several decades this is language that has been a part of the transportation law of the country.*
>
> "Mr. Patrick. I just mentioned that fact.

"Mr. Murdock of Arizona. Mr. Chairman, I rise to elaborate just a little bit on what I said to the gentleman from Alabama (Mr. Patrick). We have had now for more than a half century a great quasi-legislative, quasi-judicial corporation or body established and empowered by Congress to fix passenger rates by rail, namely, the Interstate Commerce Commission. It is true that they have shown preferences for certain commodities, and apparently for certain sections, but that is a part of the general scheme of ratemaking and no doubt was so intended. *There was no preference shown as between one locality and another or as between one commodity and another in any unfair or unjust manner. We propose in this act to continue the same policy.* (Cong. Rec., Vol. 84, Part 9, p. 9867.)

"Mr. Houston. What I had in mind is what the gentleman just stated, and I refer to wheat in my country. If this word were taken out, it would leave us in a bad way.

"Mr. Murdock of Arizona. I understand the farmers of the West have a certain preferential rate on their farm commodities. It would be too bad for the farming sections of this country if that word 'unjust' should be taken out and any and all discrimination thus forbidden, because those farmers from the West and middle West very likely would be made to pay on farm commodities the same amount per mile as on other freight and *that would be an equality which would be unjust. What is fair and reasonable ought to be continued.*

"Mr. Patrick. Is not the same thing true in respect to preference? Is it not often necessary to take care of an economic condition that a preference must be established?

"Mr. Murdock of Arizona. I feel sure that is correct.

"Mr. Patrick. If you pass a law taking out all preferences, then you would not be permitted to exercise 'due preference.'" (Cong. Rec., Vol. 84, Part 9, p. 9867.)

The following colloquy is enlightening as to whether the House believed the Ramspeck Resolution was, as the Commission has found, an addition to the rate-making powers of that body and as to whether the Southern members thought that the bill meant what the Commission has now held it to mean:

> "Mr. Warren. I think subsection (b) is a mere jargon of words. The whole subsection is absolutely meaningless. It does not amount to a row of pins because *the Interstate Commerce Commission, under the general law today, has authority to do every single thing that it is intended to give them by this language put in the bill.*
>
> "Mr. Whittington. *I agree with the gentleman.* For 50 years they have had the power and authority, but we have now in the pending section given them substantial direction and authorization to undertake to remove a discrimination, and I believe the amendment is fair and should be adopted."
>
> * * * * *
>
> "Mr. Keefe. I did not hear the first part of the gentleman's statement; but I inquire as to whether or not there is any purpose or meaning in this entire paragraph. *The Interstate Commerce Commission now, under existing law, has all of that power; and is it not their duty to do so under the law?*
>
> "Mr. Bulwinkle. Upon complaint; yes.
>
> "Mr. Keefe. To make an investigation?
>
> "Mr. Bulwinkle. Yes; upon complaint.
>
> "Mr. Keefe. Then what does this paragraph mean?
>
> "Mr. Bulwinkle. *It simply means that it is the Ramspeck resolution, put in at the request of the southern Members, and that is all that it does mean—to advise the Commission that Congress wanted an investigation.*
>
> "Mr. Hinshaw. The only point about this paragraph that is of interest are the words in line 14 'and directed'. The Commission is already authorized to make an investigation, but this paragraph directs the Commission to make it.

> "Mr. South. As I said on the floor of the House 2 or 3 days ago, the Ramspeck resolution, so-called, is nothing more than a sop, so far as our rate problem is concerned. I have a very high regard for my colleague the gentleman from Georgia (Mr. Ramspeck). He has worked diligently on this rate proposition, and I presume this is the best he could get; but I say to him and to my colleague from North Carolina (Mr. Bulwinkle) that *the Members who met with the gentleman from Georgia (Mr. Ramspeck) from time to time to protest against unjust discriminations and rate differentials did not agree to the Ramspeck proposal, and most of us do not agree to it now.*"

And a few minutes later Mr. South said:

> "*It does not provide for a thing more than the Interstate Commerce Commission now has authority to do.* It says, 'You gentlemen investigate the rate structure in certain sections of the country as it relates to manufactured products, and then if any relief is needed, grant that relief to such products.' " (Cong. Rec., Vol. 84, part 9, pp. 9872, 9873.)

None of this decisive legislative history was mentioned y the Commission when it found that the legislative his- ry supports its construction of the legislation as an inrease in its powers and a change in the effect to be given the elements of rate-making.

The reasons why the Committee on Interstate and oreign Commerce had refused to recommend a change the rate-making rules and had instead recommended e passage of the Ramspeck Resolution were explained Representative Halleck, a member of that Committee, a passage to which the Commission did not refer, as llows:

> "Mr. Halleck. Mr. Chairman, it occurs to me that there are some things in connection with this amendment that should be said. In the course of our hearings the committee was asked to hear certain people

> —I do not say they were all from the southern sections, but I would say they were predominantly from those sections—who for years have been complaining about alleged freight-rate discriminations against them. The committee took time in the course of the hearings to hear them. When we started the hearings there had been proposals in the Congress which would in effect have put the Congress of the United States into the business of making rates. When the rate experts representing those sections appeared before our committee, every one of them admitted without exception, when questioned, that they did not expect the Congress of the United States to make the rates; that that was a power properly vested in the Interstate Commerce Commission and that it should remain there. The last thing in the world they wanted was that the Congress undertake to make the rates. Why, that is one of the most complicated matters of which you can conceive. * * *
>
> "Our hearings disclosed that there are really no discriminations in regard to freight moving from north to south and from south to north. *You can find differences in the freight rates within some sections of the country and official territory, but people will fairly explain to you that those differences result from differences in the density of traffic and a lot of other situations that do not really involve unjust discriminations.*" (Cong. Rec., Vol. 84, Part 9, p. 9879.)

Thus the House, as well as the Senate, made it abundantly clear that it did not intend to bring about the equalization or uniformity of freight rates or to amend the Interstate Commerce Act so as to change the powers of the Commission with respect thereto. It did not broaden the powers of the Commission or increase its authority.

E.

THE LEGISLATIVE HISTORY OF THE TRANSPORTATION ACT OF 1940 SUBSEQUENT TO ITS ENACTMENT CONFIRMS THE FACT THAT THE ACT WAS NOT A DIRECTION FROM CONGRESS TO BRING ABOUT UNIFORMITY OF FREIGHT RATES.

The Transportation Act of 1940 created a Board of Investigation and Research for the study of various problems of transportation. On March 30, 1943, the Board submitted a "Summary Report on Study of Interterritorial Freight Rates" to the President, the Vice President, and the Speaker of the House of Representatives. That report reads in part as follows:

> "* * * If present class-rate levels and relationships meet the test of reasonableness under the present act, and are in all respects lawful, it does not follow that all other levels or relationships would be unlawful. *If Congress is of the opinion that it is desirable, in the public interest, to have class rates throughout the country on as nearly uniform a basis as is consistent with transportation costs and the revenue needs of the carriers, it would be appropriate so to declare, and to direct the Interstate Commerce Commission to adjust rates in conformity with that policy.*[1]
>
> "It is important, however, that any adjustments in rates be brought about through the established agencies of control. Direct legislative prescription of rates is fraught with many difficulties and should be avoided. It is entirely fitting, however, and consistent with traditional methods of regulation, that Congress declare what policies it wishes to be observed in the regulation of carriers, and that it set up legislative standards and rules of guidance to be followed by the Interstate Com-

---

[1] It is plain from the evidence and findings in this case that if "uniformity" had been so interpreted by the Commission in this case, it would not have ordered the Western railroads to reduce their rates to the level that is just and reasonable for the low cost Eastern railroads.

> merce Commission in the prescription of rates. Various provisions of the Interstate Commerce Act constitute such rules of guidance and standards of control. *Aside from the general provisions of the Act that rates must be just and reasonable, and not unduly preferential or prejudicial, there is nothing in the Interstate Commerce Act that expresses definitely any Congressional policy regarding regional rate levels and the structure of interterritorial rates. It is true that Section 3 (1) of the Interstate Commerce Act was amended in 1940 to include any 'region', 'district', or 'territory' within the scope of the prohibition against undue preference and prejudice. This amendment recognizes that regional differences in rate levels may possibly be discriminatory, but it is doubtful whether it changes the substance of the law."* (House Document No. 145, 78th Cong. 1st Sess., p. 35.)

Thus the Board of Investigation and Research, established by the Transportation Act of 1940, reported in 1943, during the progress of the Commission's investigation, that there was nothing in the statutes expressing any Congressional policy regarding regional rate levels except the long established standards that all rates must be just and reasonable and not unduly preferential or prejudicial. It is of interest to note that one of the three members of the Board was the first witness before the House Committee on Interstate and Foreign Commerce when the proposed uniform freight rate bills were being considered. He was in a unique position of familiarity with the legislative history.

After the report of the Board, legislation was again introduced in both houses of Congress in 1943 to change the rate-making standards and bring about uniformity of freight rates. Again the proponents of uniformity failed to obtain support from the other members and the bills in both houses failed to pass. (78th Cong., 1st Sess.; S. 947, S. 1124; H. R. 2378, H. R. 3172, and H. R. 3183.) Similarly, in 1944 a bill was introduced and referred to the Committee on Interstate and Foreign Commerce to amend the Interstate Commerce Act by providing for a uniform scale of class rates for railroad freight for application throughout the country. (H. R. 3907, 78th Cong., 2nd Sess.) That bill provided that "all provisions of the Interstate Commerce Act, as amended, which are in conflict with the provisions of this section are hereby repealed." That bill, like all the other bills for the establishment of uniform class freight rates, was rejected.

But the Commission, in 1945, by construing the Transportation Act of 1940 as being a Congressional mandate to "bring about" equal rates, has done what Congress refused to do in 1939, 1940, 1943 and 1944, and has done it despite the fact that Congress itself recognized that the repeal of part of the Interstate Commerce Act would be necessary before such a change in the principles of rate-making could become lawful. The Commission felt constrained to follow the principles that Congress had refused repeatedly to adopt, and its conclusions were dominated at every step by its misconstruction of the amendments embodied in the Transportation Act of 1940.

F.

THE ORDER IS INVALID FOR THE SAME TYPE OF MISCONSTRUCTION THAT INVALIDATED THE COMMISSION'S DECISION UPON THE HOCH-SMITH RESOLUTION.

In a remarkable way history has repeated itself with respect to sectional demands upon Congress for transportation legislation favoring a particular section, the rejection of those demands by Congress coupled with the adoption of a resolution directing an investigation without changing the traditional rate-making standards, followed by the misinterpretation by the Commission of the legislation as constituting a change in the basic law and as rendering unlawful rates which were theretofore lawful. In the previous case it was necessary for the Supreme Court to hold the Commission's order invalid. The present order is equally invalid and for the same reason.

In the agricultural depression of 1925, the representatives of the agricultural states pressed Congress to amend the rate-making provisions of the Interstate Commerce Act to compel the establishment of lower rates for agricultural products. Congress refused to make such a change for the same reasons that it refused in 1940 to change the rate-making standards to eliminate territorial differences in rates. In response to the request for legislation, however, it enacted the Hoch-Smith Resolution directing the Commission to investigate to determine whether the rates were unjustly discriminatory or unduly preferential "as between the various localities and *parts of the country,"* and to correct any defects so found to exist, just as in 1940 it directed the same type of investigation of rates between points in different territories of the country or within those territories. In fact, the Ramspeck Resolution is a direct paraphrase of one paragraph of the Hoch-Smith Resolution under which the present class rates were prescribed.[1]

---

[1] "That the Interstate Commerce Commission is authorized and directed to make a thorough investigation of the rate structure of common carriers subject to the interstate commerce act, in order to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly discriminatory, or unduly preferential, thereby imposing undue burdens, or giving undue advantage as between the various localities and parts of the country, the various classes of traffic, and the various classes and kinds of commodities, and to make, in accordance with law, such changes, adjustments, and redistribution of rates and charges as may be found necessary to correct any defects so found to exist. * * *" (Hoch-Smith Resolution, 43 Stat. 801, 49 U. S. C. Sec. 55.)

The Commission misinterpreted the action that Congress had taken in response to that earlier sectional demand as having been a submission to that demand. It therefore entered upon the investigation which had been directed and, interpreting the direction as a mandate to change the existing rates, held the rates on deciduous fruits to be unlawful and ordered a reduction. It made clear in its report that it thought the legislation had changed the law and that it was proceeding on that basis although it also held the rates to be unreasonable under Section 1. There again, the exact parallel exists, for the Commission has now held that the legislation of 1940 gave it a mandate not just to investigate and test the validity of the rates which the Commission had just prescribed, but to hold those rates unlawful and to make new rates that would be uniform in the different parts of the country. And the Commission has placed its ultimate finding upon Sections 1 and 3(1) of the Act while at the same time making it manifest that it was testing the reasonableness and validity of those rates by a supposed requirement of uniformity and that it believed that it was limited in giving any effect to the recognized rate-making principles because of its construction of the 1940 legislation. In that case, as in this one, the Commission interpreted the legislation that Congress had adopted as containing the standards and directions which were in fact contained only in the bills that Congress had refused to adopt. This Court held unanimously that in such circumstances the Commission's order must be set aside. *Ann Arbor R. Co.* v. *United States,* 281 U. S. 658 (1930). The Court said in part:

> "True, in both the original and supplemental opinions it is said that the existing rates are unreasonable, but the opinions taken as a whole show that this means the rates were deemed unreasonable under the joint resolution when construed as the commission construed it, and not that they were deemed unreasonable

> under § 1(5) or § 3(1) of the Interstate Commerce Act. Throughout the opinions it is manifest that the commission was testing the reasonableness and validity of the rates by considerations not applicable under those sections but believed by it to have been brought into the problem by the resolution.
>
> "*The joint resolution is the outgrowth of several measures proposed in Congress but not adopted.* Some of the measures may have been designed by their proposers to make real changes in existing laws relating to transportation rates. But they are not before us. The measure that is before us is the joint resolution which emerged from the legislative deliberations and proceedings. * * *" (p. 266)
>
> "We are of opinion that the commission's construction can not be supported. The paragraph does not purport to make any change in the existing law, but on the contrary requires that that law be given effect. Nor does it purport to make unlawful any rate which under the existing law is a lawful rate, but on the contrary leaves the validity of the rate to be tested by that law." (p. 268)

It may be emphasized again that although the Commission in that case, as here, had found the rates to be unreasonable, the Court gave controlling weight to the fact that the Commission's construction of the law was revealed by its discussion of the applicable considerations and by the import of the Commission's discussion of the resolution in its report. Similarly, here, the fact that the Commission in its so-called ultimate findings has placed the decision upon a holding that the rates, which the Commission itself had fixed, constitute a violation of Section 1 and of Section 3(1) is not controlling, since it is manifest that the Commission was testing the reasonableness and validity of the rates by considerations of a supposed Congressional approval of uniformity of freight rates and repeal or material qualification of the standards of rate-making.

The order should be set aside because of the Commission's misconstruction of the law. The Commission, if it wishes, may then proceed to consider the reasonableness and validity of the rates under the lawful standards of rate-making, as Congress intended, rather than under a supposed compulsion to do everything possible to bring about uniformity in response to a non-existent Congressional mandate.

G.

THE DISTRICT COURT ERRED IN HOLDING THAT THE INTERSTATE COMMERCE ACT PRIOR TO 1940 LEFT THE COMMISSION FREE TO ESTABLISH UNJUSTLY DISCRIMINATORY RATES AMONG THE TERRITORIES AND THAT THE 1940 AMENDMENTS EMPOWERED AND REQUIRED THE COMMISSION TO HOLD UNLAWFUL THE TERRITORIAL RATES PREVIOUSLY PRESCRIBED AND TO REQUIRE UNIFORM RATES DESPITE THE DISPARITY IN TRANSPORTATION CONDITIONS.

The District Court held that the Commission was correct in its views of the effect of the 1940 legislation and that the changes wrought by that legislation were so sweeping that the comprehensive systems of class rates, which the Commission had established only recently before 1940 and which were clearly lawful, until that legislation, thereby became unlawful. It held that the factors for determining the lawfulness of rates had been changed by the addition of "new factors," the effect of which was so revolutionary as to make unlawful all the established class rates east of the Rockies. The Court said:

> "We may, indeed, take it for granted that they [the class rates] were lawful previous to the amendment since they had been in the main the result of comparatively recent investigations and orders of the Commission." (R. 1433.)
>
> "We think Par. 3(1) as thus amended *does add new factors to be taken into account* by the Commission in

determining, under the old and well recognized principles which were *before* guides to decision in such matters, whether existing rates are unlawful. These new factors are whether such rates are unjustly preferential, prejudicial and discriminatory as between regions, districts or territories; and, in our opinion, Par. 3(1) now empowers the Commission to find such rates unlawful *even though they would have been lawful in the light of all relevant considerations before the amendment.*" (R. 1432-1433.)

The Court's interpretation, therefore, is that although the Commission itself had fixed all the class rates east of the Rockies, it had so fixed them as to discriminate unjustly to the undue prejudice of the Western territories and the undue preference of the Eastern Territory. That supposedly unjust discrimination, according to the Court, was perfectly lawful under the Interstate Commerce Act because that Act, until 1940, freely permitted the Commission to discriminate unjustly among the several territories. Then, in 1940, "new factors" were added empowering the Commission to hold those rates to be unlawful.

We submit that the District Court's interpretation of the Interstate Commerce Act as it stood prior to 1940, and of the decisions of the Commission under that Act, is erroneous, and that such a doctrine of the supposed right of the Commission or the carriers to discriminate unjustly among the various territories of the country would have received short shrift in the courts. The very investigations which resulted in the fixing of the class rates for the several territories were conducted by the Commission pursuant to the direction in the Hoch-Smith Resolution "to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly discriminatory, or unjustly preferential * * * *as between the various* * * * *parts of the country* * * * and to make, in accordance with law, such changes * * * of rates and charges as may be found necessary to correct any defects so found to exist." (43 Stat. 801, 49 U. S. C. Sec. 55.) In establishing the class rate structure in the West, *Western Trunk-Line Class Rates,* 164 I. C. C. 1 (1930), the Commission considered and rejected the requests of some interests for uniform rates on the following ground: "Recognition must be given to the rate relations with adjoining territories, differences existing within w.t.l. territory as evidenced by conditions customarily considered in determining rate levels, and the revenue requirements for w.t.l. respondents." (p. 198) "Class rates in w. t. l. territory appreciably higher than in official territory are justified also by the nature and volume of the articles moving under such rates in the respective territories. Many articles handled in enormous volume pay class rates in official territory, whereas in w. t. l. and southern territories they enjoy commodity rates lower than the corresponding class rates. This in a large measure will account for and warrant relatively low class rates in official territory as compared with other territories." (p. 202) In the contemporaneous *Eastern Class Rate Investigation,* 164 I. C. C. 314 (1930), the Commission said:

> "Attention of the parties was called to this resolution early in the proceeding, and they were asked to keep it in mind in the presentation of evidence. Under the mandate of that resolution we have found that there should be an increase and readjustment of the class rates in western trunk-line territory, but the shippers in that territory opposing such an increase have contended that it would create an unfair disparity between the class rates in that territory and those in effect just across the territorial border in official territory. *This circumstance affords another reason why the instant case can not properly be decided from the narrow standpoint of conditions in the eastern district alone as they were in 1925. In our preliminary notice we particularly called attention to the relation between the rates here involved and those in other territories."*
> **(pp. 390-391)**

It is thus apparent, we submit, that the Commission, in the years before the 1940 legislation, and in the very investigations that established the class rates in Eastern Territory and in the several zones of the Western territories, entertained no notions that it was free to establish class rate structures that would be unjustly discriminatory, and, on the contrary, was at pains to take evidence, hear complaints and carefully decide the cases on the established standards of rate-making for the purpose of preventing any such discrimination. The inclusion in 1940 of the express words "region, district, territory" in Section 3(1) of the Interstate Commerce Act did not constitute any substantive change in the law. The District Court erred in holding that the Commission had been free to discriminate unjustly among the several territories prior to 1940 and had actually done so in establishing the great class rate structures. That court, and the Commission, also erred in holding that the 1940 changes had made unlawful the territorial differences in rates. That error is basic—it caused the Commission to decide that the 1940 law made unlawful the territorial rate differences that it had established pursuant to the proper rate-making principles based on traffic and transportation conditions, and that Congress was requiring and authorizing it to bring about uniformity. Such a basic mistake of law, we submit, renders the order void.

IV.

IN REQUIRING RATE UNIFORMITY WITHOUT ANY CONSIDERATION OF ITS EFFECT UPON THE WESTERN CARRIERS, THE COMMISSION ACTED ARBITRARILY AND WITHOUT DUE PROCESS.

The elementary principle that consideration must be given to the effect of rates on the "carrying companies" was recognized by this Court long before that admonition was written into Section 15a of the Interstate Commerce Act. In *Texas & Pacific Railway Co. v. Interstate Commerce Commission,* 162 U. S. 197 (1895) the Supreme Court, describing the considerations which should govern the Commission in inquiring into the unreasonable and discriminatory character of rates, stated that:

> "all circumstances and conditions which reasonable men would regard as affecting the welfare of the carrying companies, and of the producers, shippers and consumers, should be considered by a tribunal appointed to carry into effect and enforce the provisions of the act." (p. 219.)

The gross failure of the Commission in this proceeding to give any consideration to "the welfare of the carrying companies" makes its action so arbitrary as to amount to a denial of due process.

Not the class rates alone, but substantially the whole rate structure in the West is the handiwork of the Commission. At the time the Commission entered upon this investigation every major railroad, except one,[1] operating exclusively in these two western rate territories,[2] was in bankruptcy or receivership. For many years those roads had been forced to maintain a rate structure which did not permit the earning of a fair return on the basis of the Commission's own valuation of their properties, and in the discharge of its duties under Section 77 of the Bankruptcy Act, the Commission was even then in the process of declaring the whole of their preferred and common stocks to be without value. But the report, while holding the class rates in the West to be too high, does not note by so much as a passing word the contemporary loss of these great properties to their owners. Driving for rate uniformity, the Commission proceeded implacably to its determination that the entire class rate structure in the West, which, as we shall show, it had only recently found to be too low, should now be reduced by amounts ranging up to 43.5%.[1]

---

[1] The Burlington, which is owned jointly by the Great Northern and the Northern Pacific, is the only major road operating exclusively in Western Trunk Line and Southwestern rate territories which has not been in bankruptcy or receivership within the last ten years.

[2] Western Trunk Line, and Southwestern rate territories.

We ask this Court to consider the recent history of the rate structure in the West, including the class rates, and to view, in that perspective, the present action of the Commission, "as affecting the welfare of the carrying companies." We ask the Court to do this, not to determine whether or not the decision is a wise one, but to determine whether or not it is an arbitrary and unlawful one.

The Western roads, and particularly those operating in Western Trunk Line Territory, were experiencing the adverse effect of a constantly declining rate level[2] as early as 1925, and in that year filed petitions with the

---

[1] For comparison between the rates in effect when the Commission made its order herein (Report, Appendix 8, R. 359) and rates found lawful by the Commission (Report, Appendix 10, R. 381), see Appendix A, this brief, page 191.

[2] As shown, *infra*, p. 173, the revenue per ton mile of the roads in the Western District, which is the average price at which they are obliged to sell their product, declined steadily from 1921 to 1945.

Interstate Commerce Commission seeking authority to make a five percent increase in their rates on the grounds that (1) since the passage of the Transportation Act, 1920, they had not earned a fair return upon the value of the properties, (2) that they were finding it impossible to maintain the adequate transportation system contemplated by Congress, and (3) that because of the confiscatory rate of return under which they were operating their financial condition was precarious. (*Ex Parte 87, Revenues in Western District,* 113 I. C. C. 3, 8 (1926).) Authority to increase the class rates was specifically sought.[1]

The Commission entered upon an investigation of the rate level, as prayed, and rendered its report July 14, 1926,[2] finding that:

> "In the northwestern region and in western trunk-line territory the revenues of certain of the important carriers have not yielded 5.75 per cent [the rate of return then deemed reasonable by the Commission] upon any rate bases that can reasonably be adopted in advance of a final determination of present values for rate-making purposes. *The least favorable conditions in the district, so far as carrier revenues are concerned, appear to exist in western trunk-line territory.*" (p. 37).

Nevertheless, the Commission denied the modest increase of 5% then sought, (without prejudice, however, to the proceeding referred to below, 113 I. C. C. 39) on the ground that "so far as the major portion of the western district is concerned no financial emergency exists" (p. 37). Section 15a of the Act did not condition the right to rate relief upon the existence of an "emergency", and later when the emergency nature of the situation became unmistakable and extreme, successive petitions for rate increases were denied.

---

[1] "During the course of the hearings in *Ex Parte 87,* on November 19, 1925, they [the Western roads] filed with us a petition, *Ex Parte 87* (*Sub-No. 1*) praying for a complete revision of the chaotic class-rate structure within w. t. l. territory, to the end also that the revenues of the carriers in that territory 'may be increased to more nearly yield a fair return.'" (*Western Trunk Line Class Rates,* Docket 17000, Part 2, 164 I. C. C. 1, 11 (1930).)

[2] *Ex Parte 87, Revenues in Western District,* 113 I. C. C. 3 (1926).

Thereafter, in a proceeding known as *Rate Structure Investigation,* Docket 17000, *Part 2, Western Trunk-Line Class Rates,* the Commission, (having recognized that the "least favorable conditions in the district, so far as carrier revenues are concerned, appear to exist in Western Trunk Line Territory," *Ex Parte 87, supra*), entered upon an investigation into the lawfulness of "all class rates * * * between points within western trunk line territory, and between that territory on the one hand, and on the other official territory as well as Illinois, and southern territory." The Commission concluded the investigation with its report of May 6, 1930, 164 I. C. C. 1, and the revised class rate structure became effective December 3, 1931.

In that proceeding, one of the most comprehensive and exhaustive investigations ever conducted by it,[1] the Commission, in a 300 page report, prescribed the class rate structure for Western Trunk Line Territory. Those rates were aligned with the class rates prescribed contemporaneously, and virtually in the same proceeding,[2] for application in Eastern Territory. It should be emphasized that they were established also as a component and properly related part of the entire rate structure in the West, as revised by the Commission in *Rate Structure Investigation, Docket 17000* initiated under the Hoch-Smith Resolution. By that resolution the Commission was directed:

---

[1] In its report in the instant case, the Commission stated that the record in that proceeding embraced 18,300 pages of testimony and 1700 exhibits. (R. 294.)

[2] "At the last hearing, official-territory respondents made a motion to the effect that the action on the interterritorial all-rail rates be deferred until the respective intraterritorial rates in these proceedings and in the *Eastern case* have been finally determined. [*Eastern Class Rate Investigation,* 164 I. C. C. 314 (1930).] * * * *Since both proceedings are being considered and disposed of at approximately the same time, no action is needed on this motion.*" (164 I. C. C. 1, 206-207) (See also pp. 160-162, this brief.)

> "* * * to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly discriminatory, or unduly preferential, thereby imposing burdens, or giving *undue advantage as between the various localities and parts of the country,* the various classes of traffic, and the various classes and kinds of commodities, and to make, in accordance with law, such changes, adjustments, and redistribution of rates and charges as may be found necessary to correct any defects so found to exist."
>
> It was further directed: "In making any such * * * redistribution [to] give *due regard* * * * *to a natural and proper development of the country as a whole, and to the maintenance of an adequate system of transportation.*" (Pub. Res. No. 46, 68th Cong., 43 Stat. 801, 49 U. S. C. Sec. 55.)

Pursuant to that resolution the Commission prescribed thirteen major rate structures,[1] the investigation and revision of the class rate structure in the Western Trunk Line Territory being designated as Part 2 in the series.

---

[1] *Part 2—Class Rates,* 164 I. C. C. 1 (1930).
Part 3—Cotton, 165 I. C. C. 595 (1930).
Part 4—Oil, 179 I. C. C. 19 (1931).
Part 5—Furniture, 177 I. C. C. 5, (1931).
Part 6—Iron & Steel, 155 I. C. C. 517 (1929).
Part 7—Grain, 164 I. C. C. 619 (1930); 205 I. C. C. 301 (1935).
Part 8—Cottonseed, 188 I. C. C. 605 (1932).
Part 9—Livestock, 176 I. C. C. 1 (1931).
Part 10—Hay, 195 I. C. C. 461 (1933).
Part 11—Sand & Gravel, 155 I. C. C. 247 (1929).
Part 12—Non-Ferrous Metals, 204 I. C. C. 319 (1934).
Part 13—Salt, 197 I. C. C. 115 (1933).

The resolution also directed the Commission to establish on the products of agriculture including livestock, "the lowest possible lawful rates compatible with the maintenance of adequate transportation service." In response to that direction the Commission ordered widespread and drastic reductions in those rates, and that action fell with particular severity on the granger roads of the West.[1] In the test year (1939) 31.3% of the revenue net ton miles in the Western District were products of agriculture, livestock and products, as compared with 14.5% for the Eastern District. (Report, R. 227.) It cannot be too strongly emphasized that the present class rate structure was created as an integral and interdependent part of that general redistribution of the whole rate structure; and is now condemned without any reference to that fact, or any consideration of its effect upon the Western roads.[2]

---

[1] In *Increased Railway Rates, Fares and Charges, 1942, Ex Parte 148,* 248 I. C. C. 545 (1942), the Commission, adhering to the direction of the Hoch-Smith Resolution to maintain the lowest possible lawful rates on agricultural products, contrasted the effect of this policy respectively on the Eastern and Western roads as follows:

> "The situation as to relative strength of the granger roads and those properly treated as principally agricultural rail lines is the reverse from that of the principal bituminous coal and iron ore carrying lines in general. The former are relatively weak, and their revenues have no such cushion as the latter against the wage and other increases here considered. Relatively, the agricultural lines do not transport as much high-grade, manufactured traffic as the other roads, not primarily coal carriers."

[2] We ask the Court to observe that the Ramspeck Resolution under which this proceeding was conducted, directs the Commission to investigate the rates on "agricultural

In its report in the *Western Trunk-Line Class Rate Case,* 164 I. C. C. 1, Part 2 of that investigation, the Commission stated that, as in *Ex Parte 87,* the respondents contended that the roads operating in Western Trunk Line Territory have not earned a fair return for a long period of years, notwithstanding honest and efficient operation, and an adequate volume of traffic. (pp. 58-59) The report continues as follows:

> "A witness for the 'security holders' committee for a fair return,' stated that as a result of the earnings situation various bonds of roads operating in w. t. l. territory have been stricken from the list of legal investments for savings banks and trustees; and that as a result of the credit situation w. t. l. territory is a most unpopular place in which to invest money, many institutions, insurance companies, and savings banks having passed resolutions forbidding their officers to invest additional money in that territory. Another bank official testified that a canvass of 131 banks, members representing 90 per cent of the New York Association, disclosed the fact that for the 4-year period ended with 1926, their investment in all railroad bonds increased $108,538,000, but in the eight principal w. t. l. railroads decreased $4,807,000." (pp. 61-62)

After discussing the financial condition of the Western Trunk Line roads the Commission, referring to its decision in *Ex Parte 87,* said:

> "It was declared that 'the least favorable conditions in the district, so far as carrier revenues are concerned, appear to exist in western trunk line territory,' 113 I. C. C. 37; and *that declaration is*

---

commodities" as well as on "manufactured commodities" "for the purpose of determining whether said rates are unjust and unreasonable * * in their relation to each other and to enter such orders as may be appropriate." (54 Stat. 902, 49 U. S. C. Sec. 3, note.) The Commission has made no such determination.

> *amply borne out by the record in these proceedings."* (pp. 176-177)

The report continues:

> "The carriers as a whole in w. t. l. territory are in poor financial condition. * * * Their condition is not due to inefficient or uneconomical operation of these railroad properties, except possibly as to certain passenger operations mentioned in subchapter E-2; nor, so far as volume of traffic is concerned, to a prolongation of the business depression of 1921." (p. 177)
>
> "Class-rate traffic is of such a nature that it may well be expected to sustain rates relatively higher than other business, giving due regard to the rate levels in adjoining territories and to what the traffic will bear." (p. 181)
>
> * * * * *
>
> "Any future general improvement in the financial condition of w. t. l. respondents, with a substantial increase in the average rate of return on their property investment is no valid reason for denying them increases on their class-rate traffic. The rates prescribed herein are intended to be sufficiently high to yield a relatively greater amount of profit than class-rate traffic now contributes to the revenues of w. t. l. respondents.
>
> "*Finding 1.—We find that the general level of w. t. l. class rates is relatively low and that an increase is justified to the level resulting from the bases provided in subsequent findings herein; and that w. t. l. respondents are entitled to the increased revenues expected to be yielded by the increased class rates herein prescribed because of their financial condition, and because this class-rate traffic can reasonably bear such rates."* (p. 182.) (Italics by the Commission.)

With full knowledge, therefore, of the critical financial position of the railroads in this Western Territory, and with due consideration of the rate levels in the adjoining territories, the East and the South, as required by the Hoch-Smith Resolution, and as an integral part of a broad readjustment of the entire rate structure, the Commission prescribed the class rate structure in Western Trunk Line Territory, stating as follows:

> "In determining upon the measure of the class-rate distance scales within w. t. l. territory, two major objectives must be kept in mind, namely (1) to arrive at maximum reasonable class rates upon a level commensurate with the nature of this traffic and the value of the service, taking into consideration respondents' revenue needs; and (2) to arrive at appropriate relations with the rate levels in adjoining territories." (p. 201)
>
> * * * * *
>
> "*Class rates in w. t. l. territory appreciably higher than in official territory are justified also by the nature and volume of the articles moving under such rates in the respective territories.* Many articles handled in enormous volume pay class rates in official territory, whereas in w. t. l. and southern territories they enjoy commodity rates lower than the corresponding class rates. *This in a large measure will account for and warrant relatively low class rates in official territory as compared with other territories.*" (p. 202)

It developed later, as recorded in a supplemental report in the same proceedings issued in 1934[1] that the Commission had believed that its revision of the class rate structure would produce an annual increase in revenue of ten to twelve million dollars. The carriers' evidence showed at the subsequent hearing that an annual increase of only about one million dollars had actually been realized. In its supplemental report the Commission said:

> "This further record fully sustains respondents' claim of need for increases in their net revenues from

---

[1] *Western Trunk-Line Class Rates,* 204 I. C. C. 595 (1934).

> all traffic. It is obvious that the financial condition of the western trunk-line carriers has not improved since the original decision, but that *on the contrary their operations have failed by ascending amounts to yield a fair return.* It is equally obvious that the difference cannot be made up alone from the class-rate and related traffic herein under consideration, which represents only a small proportion of respondents' total tonnage. However, within the bounds of reasonableness, and taking into account the lawful interests of the shipping public, this traffic should contribute as much as possible toward that end.
>
> "The results of the 1932 traffic test as portrayed by respondents cannot be accepted at their full face value, but they are convincing that the increases yielded by the readjustment under review are not as great as anticipated." (204 I. C. C. 595, 655)

It was plain to the Commission, therefore, that the basic class rate structure was on a lower level in relation to the general rate structure, and lower in respect to its contribution to the urgent revenue needs of the Western roads, than the Commission had intended.

Even at the time when the Commission believed that its new class-rate structure would increase annual revenues by ten to twelve million dollars, it recognized that the revision would fall short of producing the additional revenue needed by the lines in that territory, as follows:

> "It is clear that the revenues obtainable from the increases in class rates herein authorized will not augment the earnings sufficiently to produce a fair return upon the carriers' property in the western group as a whole." (164 I. C. C. 1, 181)

But the deficiency in earnings, resulting, both from the Commission's miscalculation of the revenue to accrue from the revised class rate structure, and from the inadequacy of the revenue from other traffic as recognized above, was not made up. On the contrary, the rate level of the railroads of the Western District continued to go down as revealed by the decline in revenue per ton-mile as shown below:

Year	Revenue Per Ton-Mile (Cents)	Year	Revenue per Ton-Mile (Cents)
1918	0.944	1932	1.145
1919	1.098	1933	1.077
1920	1.170	1934	1.050
1921	1.422	1935	1.041
1922	1.292	1936	1.017
1923	1.227	1937	0.979
1924	1.208	1938	1.039
1925	1.195	1939	1.021
1926	1.187	1940	0.982
1927	1.179	1941	0.946
1928	1.166	1942	0.961
1929	1.162	1943	0.966
1930	1.149	1944	0.972
1931	1.136	1945	0.982

SOURCE: Revenue per ton-mile from I.C.C. Annual Reports of corresponding years except 1945 which is from the I.C.C. preliminary abstract of that year.

Although the Commission recognized that the Western roads were earning far less than the return deemed necessary to supply adequate transportation, and that the financial condition of many was becoming precarious, they were repeatedly denied authority to make rate increases sufficient to check the decline in ton mile earnings. Following the request of the Western roads to increase rates by five per cent, which was denied, and beginning about the time of the revision of the *Western Trunk Line Class Rate* Case, *supra,* in which the Commission recognized the inadequacy of their earnings, the roads filed a series of petitions seeking authority to increase their rates, first by fifteen percent and then by ten percent. All of these petitions were denied. The Commission allowed certain surcharges averaging about 2.5% (*Ex Parte 103*, 191 I. C. C. 361, 365 (1933)) for a short period in lieu of the fifteen percent increase requested, and later, small, so-called emergency charges were permitted, but only from March 18, 1942, until May 15, 1943, in lieu of the ten percent increase sought in successive petitions.[1]

The Commission's denial of any substantial relief in those proceedings must be viewed in the light of the fact that the petitioning roads were struggling to save themselves from general bankruptcy, that they were not earning a fair return upon the Commission's own value of their properties, that, through various rate revisions, the rate level was constantly declining, notwithstanding tremendously increased costs and investment, that railroad management believed that the traffic could and should bear higher rates, and that the increases sought would not put the rate level on a reasonable maximum basis, but were only calculated to maintain solvency. The small advances permitted by the Commission were not sufficient to arrest the continued downward trend in the rate level, as shown above.

---

[1] *Revenues in the Western District, Ex Parte 87*, July 14, 1926, 113 I. C. C. 3;
Fifteen Percent Case, 1931, Ex Parte 103, October 16, 1931, 178 I. C. C. 539;
Fifteen Percent Case, 1931, Ex Parte 103, March 7, 1933, 191 I. C. C. 361;
Emergency Freight Charges, 1935, Ex Parte 115, March 26, 1935, 208 I. C. C. 4;
General Commodity Rate Increases, 1937, Ex Parte 115, October 19, 1937, 223 I. C. C. 657;
Fifteen Percent Case, 1937-1938, Ex Parte 123, March 8, 1938, 226 I. C. C. 41;
Increased Railway Rates, Fares and Charges, 1942, Ex Parte 148, March 2, 1942, 248 I. C. C. 545, April 6, 1943, 255 I. C. C. 357; November 8, 1943, 256 I. C. C. 502.

About 1935, the continued decline in the earnings of the Western roads, and in the rate level in the West, a trend which the Commission had greatly accelerated by reducing the rates on agricultural products under the Hoch-Smith Resolution, and had then refused to arrest by permitting the measure of rate increases repeatedly sought, produced its inevitable result. The major roads in Western Trunk Line and Southwestern Territories found it impossible to meet interest requirements, and began to go into bankruptcy. By the time the Commission entered upon this investigation of the class rates, more than fifty-eight thousand miles of railroad in the West were in the hands of the courts, and, with one exception, this included every major road which was forced to rely entirely on revenue derived from operations in the two western rate territories here involved.

The higher rate level in the West than in the East and South was not sufficient to sustain the greatly higher costs of operation in that territory, and the incidence of bankruptcy was markedly heavier in the West. The statement below compares the Class I mileage in bankruptcy or receivership in the several rate territories, *inter se,* and that in the Western District with that for the United States as a whole.

	Mileage Operated Under Receivership or Trusteeship Within Last 10 years[1]	Percent Western District Mileage of Eastern, Southern and United States
Western District	58,407	—
Eastern District	9,831	594%
Southern District	9,346	625%
United States	77,584	75%

[1] Percent bankrupt mileage of average mileage operated in 1945 in each territory: Western District, 45.23%; Eastern District, 17.55%; Southern District, 21.57%; United States, 33.96%. Source, the official reports of the Interstate Commerce Commission; see Appendix B this brief, page 192.

During the course of this investigation of the class rates in the West, which was initiated in 1939 and completed in 1945, the Commission, acting under Section 77 of the Bankruptcy Act, promulgated plans of reorganization for substantially all the bankrupt mileage in the West. In those proceedings, as shown in its official reports, the Commission found all the outstanding preferred and common stocks of the carriers affected, to be without value, and those issues, together with certain junior bonds or debentures similarly eliminated, aggregated, in principal amount, more than one billion dollars. Of the fifteen roads named below, the mileage of twelve lies wholly or principally within Western Trunk Line or Southwestern Territories.

Mileage		Principal Amount of Preferred and Common Stocks Eliminated
1,512	Chicago Great Western	$ 74,646,050[1]
2,620	Denver & Rio Grande	16,445,600
958	Alton Railroad	17,000,575
11,126	Milwaukee Railroad	224,410,294
8,290	Chicago and North Western	180,835,300
8,333	Rock Island	128,892,511
1,536	M. & St. L.	10,972,600
3,232	Soo Line	37,810,200
5,267	Frisco Railroad	114,701,526
10,480	Missouri Pacific System	151,504,443
1,784	St. Louis & Southwestern	37,079,700
1,392	Western Pacific	75,800,000
1,157	Wisconsin Central	27,392,200[2]
549	Duluth, South Shore	23,500,000[2]
164	Spokane International	4,200,000
58,400		$1,125,190,999[3]

The elimination of that vast property interest was not an innocuous bookkeeping adjustment. It meant that many thousands of ordinary people who owned the railroads which perform most of the class rate service in these two large western rate territories were losing their ownership at the very time the Commission was undertaking to appraise the lawfulness of the compensation received for that service. That grim fact hangs like a shroud over the action of the Commission in now ordering drastic reductions in the class rates, some to a basis below the out-of-pocket costs of the service, without any consideration of "the welfare of the carrying companies", or of the unmistakable demonstration that the existing rate structure had proved insufficient to cover the true cost of performing the service.

---

[1] Includes certain bonds.

[2] Examiners' report only.

[3] Exclusive of 300,000 shares of no par Common Stock of Denver & Rio Grande. The Commission's reports are shown in Appendix B, this brief, page 192.

Petitioners earnestly ask the Court to compare the Commission's report in the proceeding in which it established the class rate structure in this territory (164 I. C. C. 1) with its report here. Read together, and in the light of what has happened since December 3, 1931, when the prior revision became effective, (the increase in costs and the bankruptcy of the Western roads) nothing could more clearly mark the desperate import of the present order to the Western Lines. The decisive point of the comparison, impressive though it is, is not that in the former report the Commission found that it should so increase the class rates in Western Trunk Line Territory as to produce ten or twelve million dollars more revenue annually, and having failed to do so, now drastically reduces the rates. The decisive thing which is demonstrated by a comparison of the two reports dealing with the same subject matter, is that the Commission has here repudiated the governing and authoritative standards of rate-making which it had recognized, in principle, for fifty years. Squarely confronted with the fact that because of their greatly higher costs of operation, substantially all the carriers in this Western Territory had become bankrupt under a level of rates substantially above that in the East, but without the slightest reference to that fact, the Commission, relying on something which it called "the history of the times when [1940] the law was amended," (Report, R. 306) found unlawful all the class rates previously prescribed by it in the West, exactly in the measure that they exceed those prescribed for the East and South.

The explanation faintly advanced by the Commission for this complete break with the past is that it was not until the 1940 amendments that the Commission was under any duty properly to align rates between the various sections of the country. It cannot be too strongly emphasized therefore, that in establishing the class-rate structure in the West, which it now condemns, the Commission was proceeding in stated compliance with the plain, positive directions of the Hoch-Smith Resolution. By that resolution the Commission was required:

> "* * * to determine to what extent and in what manner existing rates and charges may be unjust, unreasonable, unjustly discriminatory, or unduly prejudicial, *thereby imposing undue burdens, or giving undue advantages as between various localities and parts of the country,* the various classes of traffic, and * * * to correct any defects so found to exist. In making any such change, adjustment or redistribution the commission shall give *due regard * * * to a natural and proper development of the country as a whole, and to the maintenance of an adequate system of transportation.*"[1]

In compliance with the mandate of that resolution to remove any discrimination as between the "various localities and parts of the country" in such manner as to promote the "natural and proper development of the country as a whole" and to do so with "due regard * * * to the maintenance of an adequate system of transportation," the Commission discussed at length in its report, among other factors, the revenue plight of the Western roads and the necessity that they obtain maximum earnings from class rate traffic. Traffic and transportation conditions which had always been recognized to be a governing factor in rate-making were fully weighed. The Commission found and stated that the increased revenue which it then believed should be realized from the rates prescribed on class traffic would not produce the fair return to which the carriers were entitled, and that additional revenue must be sought elsewhere.

---

[1] Pub. Res. No. 46, 68th Cong., 43 Stat. 801, 49 U. S. C. Sec. 55.

Thereafter the Commission recognized that it had failed to produce from the class rate traffic the measure of revenue which it intended. Nevertheless the general rate increases necessary to prevent default were not permitted, and the result was bankruptcy for most of the railroads serving these two Western rate territories.

An assumed requirement of regional rate uniformity has completely changed the Commission's conception of the governing standards of rate-making. In striking contrast to its former report, the Commission leaves no doubt here that the factors deemed controlling in this particular proceeding do not include a consideration of the effect of a rate structure upon the revenue needs of the carriers which must maintain it, as directed both by Section 15a and the Hoch-Smith Resolution. It is thought sufficient under this new concept of rate-making to confirm the existence of the higher cost of the service in the West and then to ignore it. Why the rates must be the same when the cost of the service is different the Commission does not venture to explain.

The Western roads having failed to meet their higher costs and sustain their solvency on a rate structure substantially higher than the rate level in the East and South, the Commission, without the barest reference to that condition, concludes that the class rates in the West must be reduced as much as 43.5 percent in order to place them on the same level as the rates in the East and South. (Present rates, Appendix 8, and permanent basis found lawful, Appendix 10, Report, R. 361, 381.) It does so, moreover, in reliance on the 1940 amendments and various economic or sociological considerations of the widest generality applying as much, or as little, to all traffic as to class traffic, and notwithstanding the evidence of its Cost Section that to make rates on all traffic in the West on the Eastern level would reduce revenue of the Western roads by $183,000,000 for the test year, 1939, an amount in excess of their total net railway operating income for that year. (Ex. 196, p. 15, R. 11373; offered at R. 4352.) In defiance of its own showing that the cost of performing the service in the West greatly exceeds that in the East and South, the Commission declared that the rates for the service must be the same. It makes no findings which support that conclusion and points to no evidence which could conceivably sustain it.

One of the extraordinary features of this case was the fact that only three shippers in all the West appeared to testify in this protracted investigation. One did not ship on class rates, and as to the other two the Commission states, "neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are." (Report, R. 288.) It is significant that while finding a place in its report for a discussion of the testimony of those three shipper witnesses, the Commission is silent as to the many thousands of persons who were then in the process of losing their ownership of the Western roads under the rate structure prescribed by the Commission, and wholly ignores the bearing of that condition on the adequacy of the existing rate level.

The Commission's conclusion is so arbitrary, so lacking in reason, and so contrary to the evidence and the law, as to deny due process.

V.

THE COMMISSION'S ORDER IS INVALID UNDER SECTION 3(1) OF THE INTERSTATE COMMERCE ACT BECAUSE THE CARRIERS DO NOT HAVE COMMON CONTROL OVER THE RATES.

Wholly apart from the foregoing considerations, the order is void because it purports to hold the Western carriers guilty of discrimination in favor of the Eastern shippers, despite the fact that the Western carriers have no control whatsoever over the rates paid by the Eastern shippers for shipments within that territory.

The Commission holds that the Western carriers are guilty of discrimination in violation of Section 3(1) because the rates for interterritorial traffic from the Western territories to Official Territory exceed the local intraterritorial rates maintained by the Official carriers. The Western carriers have no way of controlling the Official intraterritorial scale of rates, which the Commission, in this case, has held to be unreasonably low. The only connection of the Western carriers with the alleged unjust discrimination is their participation in the joint interterritorial rates.

In *Central R. R. Co.* v. *United States*, 257 U. S. 247 (1921), Mr. Justice Brandeis, speaking for a unanimous Court, held that mere participation in joint rates does not render carriers subject to the charge of discrimination on account of preferences extended to shippers by the other participating carriers. In that case, two eastern carriers joined with other carriers in through rates from the west to the east under which the privilege of creosoting in transit was allowed by the western roads. The two eastern carriers also served competing industries at other points on their own routes to the same destination, but allowed no creosoting in transit to those shippers. The Commission found that the granting of the creosoting privilege to the through shippers was unjustly discriminatory and prejudicial to the local eastern shippers. This Court set aside the order. Mr. Justice Brandeis stated:

> "It is urged that, while the undue prejudice found results directly from the individual acts of southern and midwestern carriers in granting the privilege locally, the appellants, as their partners, make the prejudice possible by becoming the instruments through which it is applied. Discrimination may, of course, be practiced by a combination of connecting carriers as well as by an individual railroad; and the Commission has ample power under § 3 to remove discrimination so practiced. See *St. Louis Southwestern Ry. Co.* v. *United States*, 245 U. S. 136, 144. But participation merely in joint rates does not make connecting carriers partners. They can be held jointly and severally responsible for unjust discrimination only if each carrier has participated in some way in that which causes the unjust discrimination; as where a lower joint rate is given to one locality than to another similarly situated. *Penn. Refining Co.* v. *Western New York & Pennsylvania R. R. Co.*, 208 U. S. 208, 221, 222, 225. Compare *East Tennessee, Virginia & Georgia Ry. Co.* v. *Interstate Commerce Commission*, 181 U. S. 1, 18. If this were not so, the legality or illegality of a carrier's practice would depend, not on its own act, but on the acts of its connecting carriers. If that rule should prevail, only uniformity in local privileges and practices or the cancellation of all joint rates could afford to carriers the assurance that they were not in some way violating the provisions of § 3. *What Congress sought to prevent by that section, as originally enacted, was not differences between localities in transportation rates, facilities and privileges, but unjust discrimination between them by the same carrier or carriers. Neither the Transportation Act 1920, February 28, 1920,* c. 91,

41 Stat. 456, *nor any earlier amendatory legislation has changed, in this respect, the purpose or scope of § 3.*" (pp. 259-260.)

The same rule applies in this case, for although the Western carriers participate in the through rates, they have no control of or participation in the lower Official intraterritorial rates.

The decision above, together with other intervening decisions, was considered at length in *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627 (1933). That case, like the present proceeding, involved an allegedly unjust discrimination between through rates and local rates with which one of the parties to the through rates had no connection or participation. The Texas & Pacific Railway, an east-west line, runs through Texas and reaches New Orleans. It does not reach Galveston on its own lines, but was a party to through rates between Galveston and stations in Texas on the Texas & Pacific line. The Texas & Pacific maintained its own rates between New Orleans and certain of its Texas stations on an equality with the through rates between those stations and Galveston. Since Galveston and New Orleans were competing ports, Galveston claimed that it was being unjustly discriminated against, for the equalized rate to New Orleans covered a mileage longer than the mileage to Galveston. The Commission held that there was unjust discrimination and entered an order against the Texas & Pacific prescribing the minimum differentials for the future.

This Court set aside the order on two distinct grounds. The first was that Section 3(1) did not include discrimination against ports, on the ground that a port was a mere gateway for traffic and that the purpose of Section 3(1) was to protect against unjust discrimination as to origin or destination areas rather than to gateways. (The Act was amended in 1935 to include ports within Section 3(1).)

The other distinct ground of the decision may be best summarized by quoting one of the headnotes:

> "10. A carrier may not be held responsible for undue prejudice or preference to a locality in respect of rates unless both of the localities affected are upon its lines or it effectively participates in rates to both so that it may have the choice of raising one rate, lowering the other, or altering both. Earlier decisions distinguished. Pp. 646, 651."

The Court there gave the fullest consideration to the many cases on discriminations. It quoted and relied upon the *Central Railroad* case, *supra*. The portion quoted was part of the portion of Mr. Justice Brandeis' opinion in that case which is also set out above. Following the quotation from the *Central Railroad* case, Mr. Justice Roberts, for the majority of the Court, in the *Texas & Pacific* decision, said:

> "While this language was used with respect to circumstances differing from those here disclosed, it applies to the situation of appellants, who are by the Commission's order held responsible for what is not and cannot be the result of their own acts,—the level of the rates to the Texas ports." (p. 651.)

Similarly, in the proceeding now before this Court, the Western carriers are being held responsible for what is not and cannot be the result of their own acts, *i. e.*, the level of the intraterritorial rates in Official Territory. Indeed, the principle of the *Texas & Pacific* case applies here with greater force, for the Texas & Pacific itself maintained the local rate to New Orleans and was a party to the through rate to Galveston, whereas the Western carriers are only a party to the interterritorial through rate. This Court made the following full statement of the bases for its decision:

> "The classical case of discrimination in rates is presented where a single carrier serving two points

approximately equidistant from a common origin on the carrier's line, exacts unequal rates for the two hauls. Not only is the prejudice obvious, but equally so the ability of the carrier to abate it by raising the rates to the point enjoying the lower rates, or decreasing those to the point subject to the higher charge. The principle comprehends, as well, instances of joint rates where the same carriers participate in the rates to both points, and where the originating (or delivering) carriers are different, but the delivering (or originating) carriers are the same. So, too, a carrier may be responsible for preference or prejudice where it participates in one of several through routes between point of origin and the prejudiced destinations, although its own line may reach only one or neither of the latter, *St. Louis S. W. Ry.* v. *United States,* 245 U. S. 136, for the discrimination is brought about by the disparity of rates, and the order requiring its abatement necessarily runs against all the carriers parties to them. If one or more of the railroads whose lines make up the through route should refuse, upon an order to equalize rates, to afford one of the others a proper division of the rate, the latter may obtain redress from the Commission under § 15 (6). Where, however, a carrier whose lines reach, or which controls the rate to, one of the destinations, is a party to a joint rate to the other but cannot make or control the latter rate, or though it were to withdraw as a party thereto, or to cancel the rate, the discrimination would still continue—it cannot be held responsible, nor can any order to remove the prejudice run against it. This rule has been consistently applied in respect of export and import rates to the ports. The reason for the doctrine is that preference or prejudice can be found only by a comparison of two rates. If these are the rate of one carrier to point A and that of another to point B while a relationship of one to the other may be determined neither the first nor the second carrier alone can be held to have created the relation. Assuming that neither rate is unreasonable, the one carrier cannot be compelled to alter its rate,

> because the other's is higher or lower for the same service. *A carrier or group of carriers must be the common source of the discrimination—must effectively participate in both rates, if an order for correction of the disparity is to run against it or them.* Where an order is made under § 3 an alternative must be afforded. The offender or offenders may abate the discrimination by raising one rate, lowering the other, or altering both. Compare *American Express Co.* v. *Caldwell,* 244 U. S. 617, 624; *United States* v. *Penna. R. Co.,* 266 U. S. 191; *Chicago, I. & L. Ry. Co.* v. *United States,* 270 U. S. 287, 292; *Minneapolis & St. L. R. Co.* v. *Peoria & Pekin U. R. Co.,* 270 U. S. 580, 582. The situation must be such that the carrier or carriers if given an option have an actual alternative." (pp. 648-650.)

It is significant that while Congress carefully considered the effects of the decision in *Texas & Pacific Ry. Co.* v. *United States,* and amended Section 3(1) to alter the rule as to ports, which was the first of the two distinct bases of the decision, it did not in any way alter the Act to change the rule followed by the Court for the second ground of the decision. That rule is controlling now as it was at the time of the *Texas & Pacific* decision, and the Commission's order is as improper in this case as it was with respect to the Texas & Pacific.

The District Court here held that the *Texas & Pacific* case does not apply because this is an order under Section 15(1) and because this Court had indicated in a footnote that no option need be given where an order is issued under Section 15(1). The District Court entirely overlooked the fact that where there is no common control of the disparate rates, there is no discrimination under Section 3(1) and therefore the question of what kind of order to issue should never arise in such a case as this.

The Commission, in considering this point, held that its power under the Interstate Commerce Act "has been supplemented and reinforced, insofar as this particular investigation is concerned, by section 5(b) of the Transportation Act of 1940," and that "we are specifically empowered by that provision 'to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist.'" (R. 466.) But the standard of "unlawfulness" is in the Act, not in the resolution. In respect to the rates under discussion there was in actual fact no discrimination, unlawful or otherwise, because the Western roads had nothing to do with the intraterritorial rates in the East. The provision on which the Commission relied was *not* an amendment to the Interstate Commerce Act; it was merely the Ramspeck Resolution for an investigation and did not change the substance of the law any more than did the earlier Hoch-Smith Resolution. The Commission has committed the same error here that it committed in its interpretation of the Hoch-Smith Resolution and here, as in *Ann Arbor R. Co.* v. *United States,* 281 U. S. 658 (1930) this Court should set aside the Commission's order because of its misconstruction of a resolution of Congress. The rule of the cases cited above is applicable with full force here, and the Ramspeck Resolution has not repealed or changed it in the slightest degree.

CONCLUSION.

For the foregoing reasons, it is respectfully submitted that the final decree of the court below should be reversed, and that the Commission's orders in *Class Rate Investigation, 1939,* I. C. C. Docket No. 28300 should be permanently annulled and set aside and their enforcement enjoined.

H. C. Barron,
C. W. Fiddes,
James G. Blaine,
H. E. Boe,
P. F. Gault,
J. A. Gillen,
R. G. Hagman,
Toll R. Ware,
G. H. Muckley,
Conrad Olson,
Elmer B. Collins,
Carson L. Taylor,
Robert Thompson,
Douglas F. Smith,
D. Robert Thomas,
Attorneys for Western Railroads, Appellants.

Sidley, Austin, Burgess & Harper,
11 South LaSalle Street,
Chicago, Illinois,
Of Counsel.

February 10, 1947.

APPENDIX A.

Comparison between the present rates which were all prescribed by the Commission and the lower rates now found lawful by the Commission:

Distance (Miles)	ICC 28300 Appendix 10 Scale (Rate)*	Zone I Appendix 8 Scale Rate**	Zone I % of App. 10 Scale	Zone II Appendix 8 Scale Rate	Zone II % of App. 10 Scale	Zone III Appendix 8 Scale Rate	Zone III % of App. 10 Scale
25	50	42	84.0	46	92.0	51	102.0
50	60	53	88.3	61	101.7	65	108.3
100	70	73	104.3	83	118.6	90	128.6
150	80	86	107.5	98	122.5	107	133.8
200	90	97	107.8	111	123.3	123	136.7
300	110	117	106.4	134	121.8	147	133.6
400	125	136	108.8	156	124.8	172	137.6
500	140	156	111.4	178	127.1	196	140.0
600	155	176	113.5	200	129.0	220	141.9
700	170	196	115.3	222	130.6	244	143.5
800	185	210	113.5	239	129.2	263	142.2
900	199	226	113.6	256	128.6	282	141.7
1000	213	240	112.7	273	128.2	300	140.8
1100	227	255	112.3	290	127.8	319	140.5
1200	240	270	112.5	307	127.9	338	140.8
1300	253	285	112.6	325	128.5	356	140.7
1400	266	299	112.4	341	128.2	375	141.0
1500	278	315	113.3	359	129.1	394	141.7

*Appeudix 10 scale of rates found lawful by the Commission, Report, R. 381.

** Appendix 8 scale present rates, Report, R. 359, 360.

APPENDIX B.

Commission Reports in Recent Reorganizations of Western Railroads.

Spokane International Ry. Co. Reorganization, 228 I. C. C. 387, 402 (1938); 233 I. C. C. 157, 177 (1939).

Chicago G. W. R. Co. Reorganization, 228 I. C. C. 585, 626 (1938); 233 I. C. C. 63, 81 (1939).

Western Pac. R. Co. Reorganization, 230 I. C. C. 61, 101 (1938); 233 I. C. C. 409, 452 (1939).

Denver & R. G. W. R. Co. Reorganization, 233 I. C. C. 515, 578 (1939); 254 I. C. C. 349, 398 (1942).

Chicago & N. W. Ry. Co. Reorganization, 236 I. C. C. 575, 637 (1939); 239 I. C. C. 613, 644 (1940).

Missouri Pac. R. Co. Reorganization, 239 I. C. C. 7, 134 (1940); 257 I. C. C. 745, 756 (1944).

Chicago M. St. P. & P. R. Co. Reorganization, 239 I. C. C. 485, 570 (1940); 240 I. C. C. 257, 298 (1940).

St. Louis-S. F. Ry. Co. Reorganization, 240 I. C. C. 383, 424 (1940); 257 I. C. C. 399, 435 (1944).

Chicago, R. I. & P. Ry. Co. Reorganization, 242 I. C. C. 298, 479 (1940); 257 I. C. C. 307, 340 (1944).

St. Louis S. W. Ry. Co. Reorganization, 249 I. C. C. 5, 166 (1941); 252 I. C. C. 325, 380 (1942).

Minneapolis, St. P. & S. S. M. Ry. Co. Reorganization, 252 I. C. C. 525, 565 (1942); 252 I. C. C. 615, 638 (1942).

Alton Railroad Company Reorganization, F. D. 14030, September 19, 1945.

Wisconsin Central Ry. Co. Reorganization, F. D. 14720, August 1, 1946, *Examiner's Report,* pp. 2, 49.

Duluth, S. S. & A. Ry. Co. Reorganization, F. D. 11484, January 17, 1947, *Examiner's Report,* pp. 2, 35-36.

APPENDIX C.

RECENT BANKRUPTCIES AND RECEIVERSHIPS OF WESTERN RAILROADS.

Group of Investors v. *Milwaukee R. Co.*, 318 U. S. 523 (1943); *Reconstruction Finance Corp.* v. *Denver & R. G. W. R. Co.*, 66 S. Ct. 1282, 90 L. ed. 1134 (1946); *Ecker* v. *Western Pac. R. Corp.*, 318 U. S. 448 (1943), *rehearing denied*, 318 U. S. 803 (1943); *Chicago & N. W. Ry. Co.* v. *Bank Committee*, 126 F. 2d 351 (C. C. A. 7th, 1942), *cert. den.*, 318 U. S. 793 (1943), *rehearing denied*, 319 U. S. 781 (1943); *Brooks* v. *St. Louis-San Francisco Ry. Co.*, 153 F. 2d 312 (C. C. A. 8th, 1946), *cert. den.*, 66 S. Ct. 1365 (1946); *St. Louis Southwestern R. Co.* v. *Henwood*, (C. C. A. 8th, 1946), C. C. H. Bkcy. L. Serv. Par. 55,720; *In re Chicago R. I. & P. R. Co.*, 157 F. 2d 241 (C. C. A. 7th, 1946); *In re Chicago Great Western R. Co.*, 32 F. Supp. 217 (N. D. Ill. 1940); *In re Missouri Pac. R. Co.*, 64 F. Supp. 64 (E. D. Mo. 1945); *In re Minneapolis, St. P. & S. S. M. R. Co.*, 48 F. Supp. 330 (D. C. Minn. 1942); *In re Alton Railroad Co.*, (N. D. Ill. 1946), C. C. H. Bkcy. L. Serv. Par. 55,656, 55,773; *In re Spokane International Ry. Co.*, (D. C. Wash. 1940), C. C. H. Bkcy. L. Serv. Par. 52,567; *Wabash Ry. Co. Receivership*, 247 I. C. C. 581; *Duluth, S. S. & A. Ry. Co. Reorganization*, F. D. 11484, January 17, 1947, *Examiner's Report; Wisconsin Central Ry. Co. Reorganization*, F. D. 14720, August 1, 1946, *Examiner's Report.*

APPENDIX D.

Excerpts from Typical Commission Decisions Prescribing Higher Rates for West than for East.

The decisions cited below are typical of those rendered in the many hundreds of proceedings in which the Commission has prescribed the higher rate level in the Western District than that applying in the East. The Commission has taken that action, as it has stated over and over again, because the traffic and transportation conditions in the West impose higher operating costs than are encountered in the East.

Sunflower Glass Co. v. *Missouri Pac. Ry. Co.*, 22 I. C. C. 391, 392 (1912):

> "It is well understood that the general level of rates in central freight association territory east of the Mississippi River is very much lower than that prevailing in territory west of that river."

Wool Rates Investigation, 1923, 91 I. C. C. 235, 272 (1924):

> "We have previously found that differences in transportation conditions and density of traffic justify relatively higher rates in this western territory than in the East."

Rates and Charges on Grain and Grain Products, 91 I. C. C. 105, 131 (1924):

> "The foregoing indicates a reason for a higher unit cost of transportation in the western region and for a generally higher level of rates on all commodities."

Cutler Magner Co. v. *C. M. & S. P. Ry. Co.*, 144 I. C. C. 143, 146 (1928):

> "In *Eastern Lime Mfrs. Traffic Bureau* v. *A. & B. B. R. R. Co., supra,* we prescribed for application in central territory a rate of 18.5 cents on lime for 430 miles and over 400. Western trunk-line is admittedly a higher-rated territory than central."

Eastern Live Stock Cases of 1926, 144 I. C. C. 731, 759 (1928):

> "Another element which should be considered in this connection is the traffic density. It is well known that the density o[illegible]ll traffic combined is greater in official territory tha[illegible]n western or southern territory, and this fact constitutes a potent reason for the lower rate levels which so frequently prevail in official territory."

Jackson Traffic Bureau v. *Chicago & A. R. Co.,* 152 I. C. C. 684, 685-686 (1929):

> "We have frequently recognized that transportation conditions are more favorable in central territory than in western trunk line territory and have approved relatively lower rates for application in the former territory."

Cline & Bernheim v. *Tennessee Central Ry. Co.,* 163 I. C. C. 365, 367 (1930):

> "However, we have frequently found that higher rates are justified in the Southwest than in southern and official territories."

Edgar & Son v. *Baltimore & O. R. Co.,* 163 I. C. C. 659, 660 (1930):

> "New Orleans and the other east-bank origins are in southern territory, and the origins covered by the complaint are in southwestern territory. The general level of the rates in the territory west of the Mississippi River is higher than that from east-bank points, and this is necessary to enable the carriers on the west side of the river to earn revenues commensurate with those

earned on traffic of greater density at lower rates. *Memphis-Southwestern Investigation,* 80 I. C. C. 157."

Western Trunk-Line Class Rates, 1930, 164 I. C. C. 1 (1930):

> "* * * absolute [rate] uniformity in w. t. l. territory is not justified by the record, nor is it practicable. Recognition must be given to the rate relations with adjoining territories, differences existing within w. t. l. territory as evidenced by conditions customarily considered in determining rate levels, and the revenue requirements for w. t. l. respondents. Differences considered in fixing zone boundaries are the averages, throughout the areas, of traffic and population densities, operating conditions, jobbing and other commercial and industrial competitive situations, and the rate basis prescribed in other cases. (p. 198.)
>
> "Both bases give rate recognition to the more favorable transportation conditions found east of w. t. l. Zone I than in w. t. l. territory generally." (p. 208.)

Abbotts Dairies, Inc. v. *Minneapolis, St. P. & S. S. M. Ry. Co.,* 216 I. C. C. 661, 665 (1936):

> "Western trunk-line territory has a lower freight and passenger traffic density than official territory and on freight traffic is a higher-rated territory."

COPY

Office - Supreme Court, U. S.
FILED
MAR 3 1947
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

October Term, 1946.

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, Et Al., *Appellants*,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, Et Al.

No. 344.

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, Et Al., *Appellants*,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, Et Al.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, Et Al., *Appellants*,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, Et Al.

Appeals from the District Court of the United States for the Northern District of New York.

REPLY BRIEF FOR THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL., (WESTERN RAILROADS).

THE GUNTHORP-WARREN PRINTING COMPANY, 210 WEST JACKSON, CHICAGO

INDEX.

PAGE

Statement 2

Argument:

I. The Commission Found That the Costs of the Western Railroads Are Materially and Substantially Higher Than the Costs of Eastern or Southern Railroads 3

II. The Establishment by the Commission of Reduced Noncompensatory Rates on Western Less-Than-Carload Traffic Is Indefensible 16

III. The Order Is Void Because the Commission Misconstrued the Interstate Commerce Act and the Transportation Act of 1940 38

Conclusion 44

Appendix 45

TABLE OF CASES.

Aetna Insurance Co. v. Hyde, 275 U. S. 440 . . . . 35, 36

Ann Arbor R. Co. v. United States, 281 U. S. 658 39

Eastern-Central Motor Carriers Association v. United States, 321 U. S. 194 39

Florida v. United States, 282 U. S. 194 39

New Automobiles in Interstate Commerce, 263 I. C. C. 771 33

New England Divisions Case, 261 U. S. 184 . . . . 34, 38

North Carolina v. United States, 325 U. S. 507 . . . . 36, 39

Texas & Pacific Ry. Co., 289 U. S. 627 40

Statutes.

Interstate Commerce Act, as amended by Transportation Act, 1940: Sec. 3(1), 54 Stat. 902, 49 U. S. C. Sec. 3(1) 38, 39, 40, 42

Joint Resolution of Jan. 30, 1925 (Hoch-Smith Resolution) 43 Stat. 801, 49 U. S. C. Sec. 55 40

Other Citations.

Interstate Commerce Commission, First Annual Report (1887) 42

O. D. T., General Order No. 1, as amended, C. C. H. Fed. Carriers Serv. ¶ 6321d 21, 26, 28, 29

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

No. 343

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., *Appellants,*

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

No. 344.

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., *Appellants,*

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., *Appellants,*

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK.

REPLY BRIEF FOR THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL., (WESTERN RAILROADS).

STATEMENT.

A large part of the brief of the Government is devoted o a discussion of freight classifications and especially to he Commission's decision in *Consolidated Freight Classifi-*

cation, I. C. C. Docket No. 28310. That proceeding was heard and decided with this *Class Rate Investigation,* but no order was entered therein. The railroads have agreed to prepare a proposed new uniform classification (R. 84f) and the work is now being done. That single classification will supersede the present ones, regardless of the decision in this case.

The fact that there is to be a uniform classification does not mean that the rates for the commodities or classes must be the same in all territories. On the contrary, the Government admits at pages 29 and 30 of its brief that "where differences in geographic conditions produce widely divergent costs, revenue needs, or other factors requiring specific rate adjustments, these adjustments should be made *in the rate levels,* or by legitimate exceptions to the classification, rather than in the basic classification itself; * * *." (See, also, Report, R. 124.) The primary findings of the Commission are that the costs of the Western railroads and their revenue needs, as well as other transportation conditions, are widely divergent from those in the East and South. The necessity for a higher Western rate level in no way prevents the adoption of the classification which the railroads themselves are now preparing. For many years there has been a single uniform classification in effect throughout the West which has applied in connection with different levels of class rates which the Commission has long maintained within the Western Territory.

I.

THE COMMISSION FOUND THAT THE COSTS OF THE WESTERN RAILROADS ARE MATERIALLY AND SUBSTANTIALLY HIGHER THAN THE COSTS OF EASTERN OR SOUTHERN RAILROADS.

The Government (as well as the Southern group of states) concedes that the Western costs are higher than the costs in either the East or the South and urges the generality that they are "not sufficiently different to warrant territorial rate differentials." (p. 180.) When it came to the actual findings measuring the amount of the territorial costs, however, it found that it simply could not explain away the large territorial differences, and evidently decided that it was best not to discuss them. The Commission's many cost comparisons are set out in our principal brief and are unchallenged in the Government's brief.

We ask the Court to note particularly the Government's treatment of the two most significant territorial cost comparisons in the case, namely, the costs pertaining to less-than-carload traffic and those which show the average freight transportation costs for all traffic. The less-than-carload costs are especially important because most less-than-carload traffic in both Eastern and Western territories moves on the class rates.[1] (Report, R. 184.) These costs, therefore, unlike the others, directly measure the territorial differences in the transportation cost of class rate traffic that is involved in this case.

---

[1] The revenues from less-than-carload traffic of the Western railroads in 1939 were $87,355,186 (R. 7606) which is 6.77% of the total Western gross freight revenues (Report, R. 226) and is 49% of the total Western net railway operating income for that year. Reductions in the rates on less-than-carload traffic would be reflected, by approximately the same dollar amounts, in reductions in the net railway operating income. The rates on that traffic are of great importance to the Western railroads.

The Commission, after detailed examination of this less-than-carload traffic, found in the text of its report that *"Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas."*[1] (Report, R. 206.) In its statistical findings for the several mileages, it found that the Western less-than-carload costs are from 27.6 percent to 40 percent higher than in the East, and are from 38 percent to 46 percent higher than in the South. (See our principal brief, pp. 31, 45.) The *sole* reference in the Government's brief to these fundamental findings reads as follows:

> "The less-carload West-East cost comparisons will be treated in the later section of this brief on confiscation * * *." (p. 167.)

Despite that promise, neither that later section nor any other part of that brief contains even the slightest mention of these West-East or West-South cost comparisons.

The Government and the Commission have offered no reason in this Court, in the District Court or in the Commission's reports, why a territorial difference in transportation costs of from 27.6 percent to 46 percent is not a substantial difference which must be reflected in the rate levels, as it has been for fifty years. Nor have they offered any reason (aside from the alleged Congressional mandate for bringing about equalization) as to why it has become unlawful for the Western railroads to charge any more for their services than is just and reasonable for Eastern and Southern railroads whose costs are so much lower.

The other most important comparison in the Commission's findings is that which shows that the Western freight transportation costs for all traffic, including both carload and less-than-carload, are more than 21 percent higher than the Eastern costs. (See our principal brief, pp. 26-29.) Here, again, the Government makes no denial of the finding.[1] Nor does it deny or even mention the Commission's finding that Western costs are so high that, if the low Eastern rates had applied to the Western railroads in the test year, the Western railroads would have had an operating *deficit* of $5,154, 703, as compared with the Eastern net railway operating *income* of $252,863,974 in that year on that same revenue level. Instead, it suggests only the additional consideration that the freight operating ratios of the Western railroads in the war years were less than those of Eastern railroads. (pp. 169-170.) It does not explain that those ratios merely show what proportion the freight costs bear to the freight revenues. Since the Western freight revenue level is approximately 16.6 percent higher than the Eastern, any possible comparisons of the territorial operating ratios with a purpose of comparing the costs requires an allowance for that higher revenue level. When that allowance is made, the adjusted freight operating ratio of the Western roads in every year is less favorable than for the Eastern roads.

---

[1] Italics are ours unless otherwise indicated.

The difficulties of the Western railroads in their struggle to maintain their solvency despite the higher Western freight costs are accentuated by the fact that, as the Government concedes in this connection on page 170, the passenger deficits in the West "are far more unfavorable than in the East." In the words of the Government, the passenger deficit was properly distributed by the Commission in its cost findings "as a burden which the carload traffic as a whole must bear if the various services, including the carload freight service itself, are to survive." (p. 238.) The burden of the high direct freight costs in the West is therefore increased by the deficit arising from the fact that costs of passenger traffic in the West, like the costs of freight traffic, are much more unfavorable than in the East. In view of the Government's reference to the passenger deficit, it may be noted that this deficit in the West for the test year, 1939, exceeded the passenger deficit in the East by $42,596,400. (1939 I. C. C. Statistics of Railways, stipulated into record at R. 4777.) This figure is large, but is dwarfed by the Commission's finding that the Western freight revenues alone would have been decreased by $183,270,259 if the Western freight revenue level had been reduced to the Eastern level, thereby creating an actual operating deficit. (See our principal brief, p. 28.)

---

[1] Both in its brief in the District Court (p. 125) and in oral argument to that court (Transcript of oral arguments, p. 365) the Government urged that the Commission's order should be upheld with respect to the Southern railroads because the Commission's comparison of revenue levels and rates of return showed that the Southern level of costs equals or approximates that of the East. The Government has never been able to explain why the Commission's decision reducing Western rates to the level of the Eastern railroads is not arbitrary when the same findings as to the West show that the Western level of costs is more than 21 percent *higher* than that of the East.

The Government refers at pages 165 and 166 to the Commission's statement that between 1939 and 1941 the unit costs decreased more in the West and South than in the East. It does not mention, and cannot explain away the fact that, if it were proper to project the 1939 studies into 1941 on the basis suggested by it,[1] the Western costs for the less-than-carload traffic would be from 24 percent (for 500 miles) to 28 percent (for 100 miles) *higher* than the Eastern costs even if Pocahontas be excluded from the Eastern costs.[1] Moreover, since the unit costs in the South are stated to have decreased in exactly the same proportion as those in the West, the costs for this traffic would continue in 1941 to be from 38 percent to 46 percent higher in the West than the costs of the Southern railroads. (See our principal brief, p. 45.)

---

[1] The Government concedes that there was no comparative cost study for 1941 and that "costs of different territories cannot be compared in terms of one unit alone," such as the 1941 figures in the record. (p. 162, fn.) It contends, however, that by the use of those 1941 figures within each territory, the changes in that territory can be projected to 1941 from 1939, the year of the only cost study, "with results substantially as accurate as if an entire new

Since the Government now says (independently of any evidence or finding of the Commission) that the 1941 traffic level is "expected to prevail in the post-war period" (p. 165), the foregoing cost comparisons have especial significance. It is these differences, ranging up to 46 percent in that year, that must be wholly disregarded if the Western rates are to be reduced to the level of the low-cost Eastern and Southern railroads.

The Government's emphasis on 1941 as being the norm of the future lends additional significance to the Commission's finding that, notwithstanding their 16.6 percent higher revenue level, the Western roads in that year earned the lowest rate of return in the nation. The handicap of the high Western costs was so great that the higher Western rate level was insufficient to match the difference

---

costs study were made." No citation to the record was or could be given. This conclusion is wholly without support in the record and is flatly contrary to the testimony of the Commission's head cost analyst, who prepared the cost study for 1939 and who also assembled, from the annual reports, the general figures for 1941. (See our principal brief, p. 52 fn.)

[1] The measurement of the cost differential at 100 miles is explained on page 52 of our principal brief; the differential at 500 miles is computed from the Commission's table on page 31 of our principal brief by the same method.

in costs. The rates of return for that year were as follows (Report, R. 259):

Eastern:	
(a) Other than Pocahontas	3.62%
(b) Pocahontas	6.67%
Southern:	4.24%
Western:	3.36%

If the Western rates in 1941 had been on the Eastern level, the actual Western net railway operating income of $370,938,129 would have been reduced to $123,218,997. (See our principal brief, p. 61.) This would have reduced the Western rate of return to 1.12 percent as compared with the Eastern rates of return of 3.62 percent and 6.67 percent on that same level of rates. In other words, the Commission's action in holding that the Western rates are unlawful unless reduced to the basis that is just and reasonable for the East is condemned as arbitrary by the results of the very year that the Government would choose as being typical of post-war conditions.

For the latest year, 1946, the advance reports have now been compiled and show that the net railway operating income of the Western railroads was $318,107,614. The dependency of the Western railroads on their higher rates was demonstrated again in that year. If the Western rates in 1946 had been on the lower Eastern level, not only would that operating income have been entirely lost, but there would have been an operating *deficit* of $44,700,000. In contrast, the Eastern railroads, on their lower rates, had a net railway operating income of $208,601,753, of which $146,144,487 was the income of Eastern railroads other than those in Pocahontas region.

The final justification offered by the Government and the Commission for reducing the Western rates in disregard of the territorial differences in costs and other transportation conditions wholly negatives the contention that those differences are inconsequential. It is as follows:

> "Further, the western roads have complained for years about their inadequate share of divisions with the eastern roads (see I. C. C. Docket No. 28277), and readjustment of divisions is the appropriate cure for this kind of a revenue problem. *New England Divisions Case*, 261 U. S. 184." (p. 170)

In other words, having reduced the Western rates to parity with the East, in disregard of the costs and other transportation conditions, the Commission in the same breath invites the Western roads to initiate a divisions case against the Eastern roads, based on those very differences in costs and transportation conditions. The Western divisions are already in excess of the Eastern divisions, mile for mile. The disease to which the Commission and the Government referred is the loss which would be caused by this arbitrary order depressing the Western rates. "The appropriate cure," as the Commission now suggests, would be an order compensating the Western railroads out of the earnings of the Eastern railroads, which, in turn, would be derived from the increased charges assessed upon the Eastern shippers. But those increases are held to be necessary to bring the Eastern roads' own rates up to the level of reasonableness. This amazing suggestion of the Commission and the Government bares the arbitrary character of this rate order in reducing Western rates to establish identical rates in territories of vastly different transportation conditions. The Commission exceeds its legislative authority in issuing an order that would cause such a blight to the Western railroads, and this is nonetheless true because counsel at once offer to "cure" the noxious effects of this action by increasing the Western divisions.

The Government Finds It Necessary to Rely on Findings Which the Commission Did Not Make.

Because of the erroneous paraphrasing of the Commission's findings at several places in the Government's brief, (*e. g.*, at pp. 169, 180) we ask the Court particularly to note that (a) the Commission made no finding that the transportation costs of the Western railroads are not substantially higher than those in the East or South, and (b) the Commission made no finding that the highe Western costs would not justify and warrant substantial territorial rate differentials. The only finding on this point was carefully written and is as follows:

> "Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the differences in levels, schemes, and progressions of scales *that at present occur* in the several territorial class-rate structures here under review are not justified." (Report, R. 309.)

All the paraphrases of that finding in the Government's brief omit the same vital part of the finding, namely, the part that restricts it to the differences "that at present occur." It would be wholly unfair to the Western railroads to measure the lawfulness of the Western rates by comparison with Eastern rates which the Commission in the same proceeding found to be "below a just and reasonable level" and therefore unlawful, entirely aside from any unlawfulness arising from their relation to the Western rates. (Report, R. 467.) The Commission made no finding (and could not reasonably have made any such finding), that the territorial differences in transportation costs do not fully justify the difference between (a) the new rates which it found to be just and reasonable for the Eastern railroads and (b) the present levels of rates for the West. For example, the present first-class Western Zones I, II and III rates for the 300-mile haul are, respectively, 106%, 122% and 134% of the permanent rates found to be just and reasonable for the East. The arithmetical average of these Western rates is 121%. The difference in territorial costs for less-than-carload traffic between the West and the East, even excluding the Pocahontas region of the East, was found by the Commission to be from 27.6 percent to 33.7 percent. (See our principal brief, p. 31.) The difference in overall freight transportation costs was found by it to be more than 21 percent. (See our principal brief, pp. 26-29.) Nowhere in the report is there a finding that these differences are not material and substantial; instead, they both support and require the continued maintenance of higher rate levels in the West.

We especially ask the Court to note the wide gulf between the Commission's finding, quoted above, and a finding, which the Commission did *not* make, that "cost of service considerations" warrant the absolute rate uniformity which the Commission would prescribe.

The Commission and the Government state in their brief:

> "What else could the prohibition against discrimination in Section 3(1) mean except a mandate for rate uniformity *under substantially similar circumstances?*" (p. 84.)

But the Commission does not find that "substantially similar circumstances" exist as between the West and the East and South. No such finding could be made in the face of the Commission's primary findings showing the substantial differences in such circumstances. We suggest that the Government's statement, quoted above, carries a tacit admission that the finding actually made by the Commission falls far short of sustaining its requirement that, in order to be lawful, the rates must be uniform.

Comments on the Brief for the States of Arkansas, et al.

The States of Arkansas, *et al.*, have filed a brief containing, in part, a discussion of the relative territorial costs. Their principal point is that we treated Pocahontas territory as a part of Official (or Eastern) Territory and considered actual average loading rather than assumed identical loading as a proper test for relative costs. (See p. 9.) The answer is that we stated the comparisons just as the Commission made them. They are the Commission's findings, not ours. In some comparisons the Commission stated separately the costs for Pocahontas and Eastern including New England but excluding Pocahontas; at other points it combined them. We have reproduced those findings. We would be glad to compare the Western costs with the combined costs for all regions or territories east of Western territory, but the Commission made no such combined findings. However, it may be noted that the less-than-carload cost comparisons for Eastern including New England but *excluding* Pocahontas show the actual Western costs to be 28 percent, 30 percent and 34 percent higher for the respective mileages. (See our principal brief, p. 31.) Moreover, the finding that the Western freight transportation costs for all traffic are 21 percent higher than for Eastern, also is made for Eastern *excluding* Pocahontas.[1]

---

[1] The States of Arkansas, *et al.* err in saying that Pocahontas "is not, and was not treated by the Commission as, a part of official Territory" (p. 10). The Commission stated, *per contra*, that "most of the Pocahontas region is in official territory." (Report, R. 220.) The Government says that the Pocahontas lines are so integrated in the structure of Official Territory that their competitors cannot be given differentially higher rates "because this would divert even more traffic to the Pocahontas lines and make them even more profitable in relation to the other roads." (p. 171.)

The answer to the criticism about considering actual average loading rather than identical loading is the same. We showed them just as the Commission found them. It was the Commission which held that the actual loading figures, rather than a theoretical comparison of identical loadings, were the proper test for relative costs and used only that basis in its "Summary," finding that "Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas." (Report, R. 206.) The correctness of the Commission's finding as to the costs on the basis of actual average loading being the proper measure of relative territorial costs is apparent from the fact that the average loading of such traffic is principally controlled by the relative density. Where, as in the East, population is relatively heavy and towns and cities are close together, the cars carrying less-than-carload freight can be loaded more heavily without unreasonably delaying service. In the West, the population is thin, the towns and cities are far apart and the density of traffic is also light. These differences result in the relatively lighter loadings.

Arkansas, *et al.*, also argue (pp. 12-13) that it is improper to say "the Commission found" that the relative costs were what are stated by the Commission in the report, because the Commission also found that the out-of-pocket expenses were something else, and that in some instances these out-of-pocket expenses are higher in the East than in the West. It can hardly be argued seriously that the reduction of the Western rates to the level of the Eastern rates is justified on the ground that, if all the fixed or constant costs are disregarded, the out-of-pocket expenses are similar. To do so, of course, is to disregard in its entirety the whole effect of differences in density of traffic, for the principal transportation advantage of the Eastern railroads over the Western roads lies in the fact that their density of traffic is so heavy that they can spread their constant or fixed costs over more units of traffic and therefore have been able to produce substantial profits on rates which, the Commission found, would have produced operating deficits for the Western lines.

Arkansas, *et al.*, criticize the cost comparisons showing higher costs in the West because they are based on cost data which included Mountain-Pacific Territory in the Western costs. (p. 14.) Here, again, we have merely shown the Commission's own comparisons and findings. The Commission stated that the reason for not showing separately the costs for Western Trunk Line, Southwestern and Mountain-Pacific Territories was that the "cost studies indicate that the differences between the costs shown for the total West and the costs for these three rate territories considered separately are relatively small." (Report, R. 193.) At pages 14 and 15 of their brief, the States of Arkansas, *et al.*, challenge this finding by referring to a part of the data in Exhibit 3 (R. 5267) which was not adopted by the Commission. The author of that exhibit, who directed the preparation of the cost studies, later reworked his data to avoid distortions which he recognized as being contained in Exhibit 3. He testified that although the earlier exhibit had certain usefulness, "In view of the refinements incorporated in Exhibit 13, Table 1, and my Exhibit [196], Identification A, Table 1, future cost comparisons should be related to the data appearing in these exhibits." (R. 11330.) The Commission's findings, in accordance with this testimony, are related to the later cost comparisons, in contrast to the distorted data in the earlier exhibit.[1]

---

[1] These comments apply also to a similar example lifted from that same Exhibit 3 and reproduced in the Government's brief at pages 168-9 purporting to show, contrary to the Commission's findings, that if certain costs are excluded, the remaining costs would be about the same in the

At page 16, Arkansas, *et al.* say that the Commission "properly drew the conclusion that the costs of transportation as between the two territories did not differ substantially." The Commission made no such finding and, in view of the size of the cost differentials, could not have done so. It found the amounts of the differences between the territories, as shown in our brief. In its supplemental report (R. 467) it found that the Eastern rates were "less than just and reasonable" and it found that the spread between *those* Eastern rates and the Western rates was not justified by the differences in the costs, but it made no finding that the differences in cost are not substantial. Similarly, it made no finding that the spread between the present Western rates and the newly-prescribed Eastern rates, (which spread is less than the differential in costs) is not justified by that cost differential.

Finally, Arkansas, *et al.*, advance the unique suggestion that the Commission was wrong in finding the density of traffic to be as stated on page 56 of our brief, on the ground that miles of track should have been used as the measure instead of miles of line. (p. 17.) Here, again, we took the Commission's own measure of the relative density of traffic. Traffic densities have never been compared on any other basis by the Commission or anyone else, and for obvious reasons. It is common knowledge that the expenses of original investment and maintenance for two single-track miles of line substantially exceed such expenses for one double-track mile of line. The handicap of light traffic in the West, relative to the total size of the Western railroad system is, unfortunately, very real in comparison with the density of the Eastern railroads..

West as in the East. The author of the exhibit testified that the so-called "cost level II," referred to by the Government could not be used either for the purpose of determining minimum rates or maximum rates but was merely a base figure for further computations. (R. 1564.)

II.

THE ESTABLISHMENT BY THE COMMISSION OF REDUCED NON-COMPENSATORY RATES ON WESTERN LESS-THAN-CARLOAD TRAFFIC IS INDEFENSIBLE.

The Government defends the reduced rates which the Commission would force upon the Western roads for application to the less-than-carload traffic by contending that the Commission is engaged in changing the "rate structure of the United States" (p. 245), that the less-than-carload traffic of the Western railroads is only a small part of the total traffic in the country and that to require the Commission to refrain from reducing the Western less-than-carload rates below costs would be to require it to pursue a "will-o'-the-wisp ideal" (pp. 243-244). It further contends that the Commission is authorized to set rates for a group of carriers on evidence and findings that the group costs for the traffic in question exceed the reduced group rates, despite the admitted presumption that the average conditions are typical of each carrier, and contends that such action is neither arbitrary nor confiscatory, but is entirely lawful. (pp. 245-249.)

The Government suggests that, after all, there is no real harm done by the order because, it is said, the Western railroads have it within their power "to eliminate any fancied small inequities which they may feel will result from this monumental, unprecedented achievement in the field of rate making." (p. 245.) This alleged power to right the wrong which would be done under the order is said to be the power "to propose classification differences between carload and less-carload traffic, which will eliminate any grievances they claim to have about the noncompensatory character of less-carload rates in the West." (p. 235.) Thus, the Government would justify the issuance of the arbitrary and confiscatory order reducing the rates on the theory that it could not cause any harm because the Western railroads could restore the rates to their former level by the device of increasing the classification.

We fully agree with the Government that the Commission's action is "unprecedented." We wholly disagree with the theory that it is immaterial to the lawfulness of the Commission's order that, for the purpose of equalizing rates, it would reduce our less-than-carload rates below cost. We also disagree with the proposition that no harm is done because this is a "fancied small inequity" which can be remedied by restoring the Western rates to their previous level by a proposed change in classifications. This latter suggestion of the Government is of the same nature as its contention on p. 170 that it is proper to reduce the Western rates in disregard of the higher Western costs because "the appropriate cure" for the resulting condition would be an application to the Commission for an increase in the Western roads' share of the rate divisions.

The effect of the Commission's order upon Western less-than-carload rates and revenues cannot be lightly disregarded as *de minimis.* In the test year, 1939, the Western roads carried 7,058,025 tons of less-than-carload freight. From that freight they derived revenues of $87,355,186. (R. 7606.) This was 6.77 percent of the total Western gross freight revenues in that year. (Report, R. 226.) It was 49 percent as large as the total Western net railway operating income. The loss of millions of dollars annually which would be caused by the Commission's order cannot be dismissed as mere "fancied small inequity."

The very substantial deficits which would be caused by the reduced rates are shown in the tables in our principal brief at pages 106 to 115. With one minor exception,[1] the Government does not question the accuracy of those measurements of the degree by which the reduced rates would fail to compensate the Western railroads for their costs. The Government says, however, that these deficits would apply only to "a fraction even of the less-carload class rate traffic in the West." (p. 237.) This contention is repeated in a number of forms on different pages. The argument, apparently, is that since the tables directly show only the rates on third-class and fourth-class traffic, the confiscation is therefore inconsequential. The validity of this proposition may be tested by reference to the statement on page 239 of the Government's brief that "the average class rate less-carload traffic in the West moves at a rate higher than the third class rate (R. 1404)." The Commission, on the contrary, made the following finding:

> "In all three territories the average rate on such less-than-carload traffic is above fourth class and below third class (fourth class being 50 percent in official and 55 percent in western and southern classifications, and third class being 70 percent of first class in all three territories)." (Report, R. 183.)

---

[1] The average Western cost of pickup and delivery expense, (which is computed by dividing the territorial total of such expenses by the total number of 100 pound units of less-than-carload traffic) was 10 cents per cwt. in 1939 and 14 cents by January 1, 1946. Our tables show average costs and therefore use these respective figures. The Government suggests that, since some of the total less-than-carload traffic does not receive this service, the average amount as used in the tables should be reduced. (p. 237.) The error in this argument, as the Commission mentioned in connection with the same computation for Eastern Territory, is that if the pickup and delivery expenses were spread only over the traffic that receives the service, the cost for that traffic would be *higher* than the averages which were used. (Report, R. 199-200.)

The Government does not refer to this finding, but refers only to R. 1404, which is merely a computation handed to the District Court by Government counsel in the course of the arguments before the District Court, unsupported by any witness. According to that computation, the Commission was wrong in finding that the average Western less-than-carload class traffic moves at a rate less than 70 percent, but only because the computation claims that the average rate is 70.67 percent!

In other words, the Commission has found that the average rate is less than third class (70 percent) and more than fourth class (55 percent); Government counsel argue that the average rate is 70.67 percent; and the Commission's findings show that the reduced rates will be decidedly noncompensatory at the 70 percent rate as well as at the lower rates. The reduced rates for the *average* traffic, rather than just for a small "fraction" or "segment" of the traffic, are shown by the cost findings to be confiscatory both on the interim rates and on the permanent rates.

In view of the Government's comments concerning the number of classes on which the rates would be confiscatory, we set out the table below which shows the amount of the deficits that would be incurred throughout Western Territory on the first class and second class rates. These are the rates which were found by the Commission to be the new lawful rates for the entire country east of the Rocky Mountains, to become effective, pursuant to this decision, immediately upon the completion of the new classification which is now being prepared. As the Government states on page 256, this is a uniform "independent scale in terms of dollars and cents by mileage blocks, and when it goes into effect, it will supersede whatever scales of class rates are then in effect." The costs are the Commission's own costs as found by it for the normal peacetime loading, adjusted to the increased levels of prices, wages and taxes as of January 1, 1946.

Deficit Per Cwt: Throughout Western Territory on Reduced Uniform Permanent *First*-Class and *Second*-Class Rates.

(Out-of-pocket costs plus constant costs solely related to less-than-carload traffic and excluding all common constant costs, on basis of *4.3 tons* loading.)

Miles	Jan. 1, '46 Costs	First Class (Permanent)		Second Class (Permanent)	
		Rates	Deficit	Rates	Deficit
100	$0.91	$0.70	$0.21	$0.60	$0.31
300	1.21	1.10	0.11	0.94	0.27
500	1.52	1.40	0.12	1.19	0.33
700	1.83	1.70	0.13	1.45	0.38
900	2.13	1.99	0.14	1.69	0.44
1000	2.29	2.13	0.16	1.81	0.48

It will be seen that the Western railroads, under the Commission's rates, would be compelled to sell their services for much less than cost. At the first-class (100 percent) rates, the rates would fall short of covering the costs by from 11 cents to 21 cents per hundred pounds. At the second-class (85 percent) rates, the corresponding deficits would range from 27 cents to 48 cents.

At page 233, the Government says that the Western railroads "compared less-carload costs with *all* less-carload revenues, instead of only *class-rate* less-carload revenues * * *" (Italics theirs). The facts, to the contrary, are that each of the deficit tables set out in our brief compares the Commission's less-carload costs with the Commission's less-carload class rates. In addition, we also set out separately the finding made expressly by the Commission itself with respect to the existing deficits arising from the transportation of all less-than-carload traffic, both in the East and the West. It was on the basis of that finding that the Commission ordered an increase in the Eastern rates, to reduce the Eastern deficit, but ordered a reduction in the Western rates to achieve equalization, thereby increasing the Western deficit.

The Government states at page 235 that "the carriers have within their sole control the entire question of how expensive they want to make the less-carload service, through heavy or light loadings, speed of service, ratio of empty return cars, methods of loading freight so as to reduce damage claims, substitution of auxiliary truck service, etc." If this were so, the dream of the railway executives would indeed have come true. Of course, it is without support either in the record or in common knowledge. The citations are to testimony that the carriers will strive to reduce their costs and to provide good service, and that, as compared with the 4.3 tons which has been the approximate average Western loading since the 1920's, (see our principal brief, p. 108) the best that the Western railroads could hope for will be a loading of about five tons after the lifting of the O.D.T. wartime General Order No. 1. (R. 911.) The other citation in alleged support of the Utopia described by the Government is to testimony that the Pennsylvania railroad, operating in the industrialized northeast, where towns and cities are close together and traffic is available, has had a loading (prior to the O.D.T. wartime minimum order) of 6 tons in 1936, 1937, 1938 and 1939, 7 tons in 1940 and 8 tons in 1941. The Government does not mention that these loadings were produced under Eastern rates which the Commission, in this order, has held to be below a just and reasonable minimum. It may be noted here that the Commission has made no finding whatsoever that the Western railroads are operated less efficiently than the Eastern railroads. Indeed, the Government in its brief in this Court (p. 177) points out that the Western railroads, working against their unfavorable traffic and transportation conditions, have achieved relatively greater efficiency and economy than have the Eastern railroads even though there remain the cost differences found by the Commission.

The Reduced Rates Would Be Below Cost in All Three Western Zones.

The Government says that the showing of deficits under the new rates applies only to Zone I. (pp. 236, 239.) The facts are decidedly otherwise. Both on the uniform permanent scale and on the interim scales, the rates would be confiscatory throughout Western Territory. Each table set out in our principal brief (pp. 106 to 115) as well as the table set out above at page 20, shows the Commission's findings on costs throughout all three zones, compared with the uniform rates prescribed by the Commission for application throughout all three zones. *Each table shows that the uniform rates would produce consistent and heavy deficits throughout the West.*

For the sake of simplicity, the tables in our principal brief showed the interim rates and interim deficits only for Zone I. The Government well knows that the Commission's findings also show that those interim rates would be at deficit levels in each of the other two zones. We show below the amounts of those interim deficits in Zones II and III. Zone II rates apply in part of Western Trunk Line Territory. Zone III rates apply in another part of Western Trunk Line Territory and throughout Southwestern Territory. The costs shown in these tables are the identical costs shown in the corresponding tables of our principal brief. (pp. 113, 114 and 115.)

The first table measures the amount of these deficits on the third-class traffic; the Commission found that the average Western less-than-carload traffic takes a rate *below* third class:

DEFICIT PER CWT. ON *Third*-CLASS REDUCED RATES.

(Out-of-pocket costs plus constant costs solely related to less-than-carload traffic and excluding all common constant costs, on basis of *4.3 tons* loading.)

		ZONE II Interim		ZONE III Interim	
Miles	Jan. 1, '46 Costs	Rates	Deficit	Rates	Deficit
100	$0.91	$0.53	$0.38	$0.57	$0.34
300	1.21	0.85	0.36	0.92	0.29
500	1.52	1.12	0.40	1.23	0.29
700	1.83	1.40	0.43	1.54	0.29
900	2.13	1.61	0.52	1.78	0.35
1000	2.29	1.72	0.57	1.89	0.40

The following table measures the amount of the interim deficits on fourth-class traffic in Zones II and III.

DEFICIT PER CWT. ON REDUCED *Fourth*-CLASS RATES.

(Out-of-pocket costs plus constant costs solely related to less-than-carload traffic and excluding all common constant costs, on basis of *4.3 tons* loading.)

		ZONE II Interim		ZONE III Interim	
Miles	Jan. 1, '46 Costs	Rates	Deficit	Rates	Deficit
100	$0.91	$0.41	$0.50	$0.45	$0.46
300	1.21	0.67	0.54	0.73	0.48
500	1.52	0.88	0.64	0.97	0.55
700	1.83	1.10	0.73	1.21	0.62
900	2.13	1.27	0.86	1.40	0.73
1000	2.29	1.35	0.94	1.49	0.80

It will be seen that the reduced rates prescribed by the Commission for the interim period pending the effective date of the prescribed *lower* uniform rates would produce heavy losses at every mileage. In Zone III, which is the *highest* rated zone, and on third-class traffic, which is *above* the average, the deficits per hundred pounds would range from 29 cents to 40 cents. In terms of the rates in that zone, the costs would be higher than the rates by from 19 percent to 60 percent. On the fourth-class traffic in that highest-rated zone, the deficits would range from 46 cents to 80 cents per hundred pounds. The costs would be higher than the rates by from 51 percent to 102 percent.[1]

In Zone II, of course, the tables above show that the losses which would be caused by the reduced interim rates would be greater than in Zone III, and would range up to 94 cents per hundred pounds. The costs in that Zone II would be higher than the rates by from 31 percent to 122 percent.

If the admitted increases in prices, wages and taxes since 1939 were to be disregarded, still the prescribed interim rates, as well as the permanent rates, would be noncompensatory in Zones II and III as well as Zone I. The following table shows the comparison of the relatively low 1939 costs with the interim *third*-class rates for Zones II and III:

---

[1] These drastic losses may be contrasted to the Government's suggestion on page 237 fn. that the new permanent rates will partly compensate the Western railroads for their losses on all this Zone III traffic moving farther than 20 miles by adding one penny to the rate for that part of the Zone III traffic which moves no less than 6 miles and no more than 20 miles.

DEFICIT PER CWT. UNDER REDUCED *Third*-CLASS RATES.

(Out-of-pocket costs plus constant costs solely related to less-than-carload traffic and excluding all common constant costs, on basis of *4.3 tons* loading.)

		Zone II Interim		Zone III Interim	
Miles	1939 Costs	Rates	Deficit	Rates	Deficit
100	$0.73	$0.53	$0.20	$0.57	$0.16
300	0.98	0.85	0.13	0.92	0.06
500	1.24	1.12	0.12	1.23	0.01
700	1.49	1.40	0.09	1.54	+0.05
900	1.74	1.61	0.13	1.78	+0.04
1000	1.87	1.72	0.15	1.89	+0.02

Note: "+" represents excess.

The following table shows the comparison of the relatively low 1939 costs with the interim *fourth*-class rates for Zones II and III.

DEFICIT PER CWT. UNDER REDUCED *Fourth*-CLASS RATES.

(Out-of-pocket costs plus constant costs solely related to less-than-carload traffic and excluding all common constant costs, on basis of *4.3 tons* loading.)

		Zone II Interim		Zone III Interim	
Miles	1939 Costs	Rates	Deficit	Rates	Deficit
100	$0.73	$0.41	$0.32	$0.45	$0.28
300	0.98	0.67	0.31	0.73	0.25
500	1.24	0.88	0.36	0.97	0.27
700	1.49	1.10	0.39	1.21	0.28
900	1.74	1.27	0.47	1.40	0.34
1000	1.87	1.35	0.52	1.49	0.38

The foregoing 1939 costs are the exact costs of the Commission itself without any adjustment for the increases in prices, etc., since that date. They are unquestioned by the Government. They show that the reduced interim rates for the average traffic would produce deficits in Zones II and III up to 52 cents per hundred pounds.

Even under the wartime O. D. T. loading order, the highest Western average loading was only 9 tons, and in 1946, under that order, was 8.7 tons. (See p. 28, *infra.*) Because of the Government's discussion of a theoretical 10-ton loading, however, it is of interest to note the deficit that would be brought about by the Commission's order even on the unusual hypothesis that after the removal of the high minimum load requirements, the loading would increase instead of return to normal. Loading, of course, affects costs. The following table shows the deficits on that 10-ton loading basis, in the two higher-rated Western zones.

DEFICIT PER CWT. ON REDUCED *Fourth*-CLASS RATES.
(Out-of-pocket costs plus constant costs solely related to less-than-carload traffic and excluding all common constant costs, on basis of *10-ton* loading.)

		ZONE II Interim		ZONE III Interim	
Miles	Jan. 1, '46 Costs	Rates	Deficit	Rates	Deficit
100	$0.76	$0.41	$0.35	$0.45	$0.31
300	0.92	0.67	0.25	0.73	0.19
500	1.08	0.88	0.20	0.97	0.11
700	1.24	1.10	0.14	1.21	0.03
900	1.40	1.27	0.13	1.40	—
1000	1.48	1.35	0.13	1.49	+0.01

Note: "+" represents excess.

These losses in Zone II under the Commission's orders, on that assumed 10-ton loading, would be from 13 cents to 35 cents per hundred pounds, and, in Zone III, would be as much as 31 cents per hundred pounds.

All of the foregoing deficits are in Zones II and III and are under the interim rates. Under the even lower permanent rates, as shown in our principal brief, the losses throughout all the Western zones, under the normal loading and at the third-class rate would be from a minimum of 42 cents per hundred pounds up to 80 cents per hundred pounds. (See our principal brief, p. 113.) And, even on the hypothetical 10-ton loading basis, those losses under the permanent rates would range up to 27 cents per hundred pounds on the third-class rates and from 30 cents to 37 cents on the fourth-class rates. (See our principal brief, p. 115.)

The Government's Charts.

We ask the Court to note particularly the two charts inserted in the Government's brief opposite page 240. The first chart is restricted (a) to the *out-of-pocket* costs only and (b) to the level of those out-of-pocket costs at an average *10-ton loading* and (c) to the interim "stop-gap" rates, not the permanent rates prescribed by the Commission as lawful.

The Government simply could not deal with the actual costs of this traffic as compared with the reduced rates which the Commission would compel. There are three elements of costs of this traffic as found by the Commission. The first is the constant or fixed costs which are common both to carload and to less-than-carload traffic. The Commission found that those costs are, in part, chargeable to less-than-carload traffic, but, in the actual computations of its figures for less-than-carload costs, it wholly omitted those common constant costs. The cost comparisons and deficits which we have set out in our brief, therefore, also omit them, although all parties agree that they are properly chargeable to this traffic. The second cost element consists of those constant costs which are solely related to less-than-carload traffic. An example of this kind would be a freight loading platform or station which handles nothing but less-than-carload freight. These costs were included by the

Commission in the less-than-carload cost findings, but are wholly omitted in the Government's chart. The third element is the out-of-pocket costs. The Government's chart shows *only* this third element of the costs. If the solely related constant costs were added to the January 1, 1946, costs on the Government's chart, the costs would be shown to be higher than the rates of fourth-class traffic throughout all three Western zones. They would be higher than the rates for third-class traffic in Zone III on all traffic up to 300 miles, in Zone II on all traffic up to 430 miles and in Zone I on all traffic up to 830 miles. The weighted average traffic is between third class and fourth class.

But the chart is revealingly defective for another reason. Costs vary with the amount of the loading. The Government's chart shows only what the out-of-pocket costs would be if there were an average loading of 10 tons. The average Western loading in the test year, 1939, was 4.3 tons and that had been the approximate average since at least the middle of the 1920's. (See our principal brief, p. 108.) It continued to be the approximate average until the wartime O. D. T. order which provided for 36-hour delays and other interruptions of service to increase the loading to 10 tons, but subject to several exceptions. There is no evidence that the average loading, either in the West or in the country as a whole, has ever reached 10 tons. The average loadings of less-than-carload traffic for 1944, 1945 and 1946 were as follows:

ACTUAL AVERAGE LOADINGS UNDER O. D. T. WAR POWERS ORDER.[1]

	United States	Western
1944	9.2 tons	9.0 tons
1945	9.1 tons	9.0 tons
1946	9.2 tons	8.7 tons

---

[1] From monthly reports of O. D. T. to Car Service Division, Association of American Railroads.

Notwithstanding the O. D. T. orders, with their admittedly unfortunate but necessary hardships to shippers, the average Western loading in 1946 was only 8.7 tons. Those wartime orders, of course, are soon to be removed. The evidence shows that with continued efficiency the post-war Western loading will continue in the same range as the prewar loading. (R. 910-911.) There is no finding (and there could not have been any finding) that the post-war Western average would rise to 10 tons. Yet the Government has stated the out-of-pocket costs *only* on that 10-ton basis.

Finally, the Government has refrained from showing the uniform rates which the Commission has found to be lawful for the West as for the East. Instead, it shows *only* the temporary rates prescribed for the purpose of bridging the gap between the present rates and the ones held lawful by the Commission.

The Government's argument from its chart is, apparently, that *if* the Western railroads were able to change their prewar loading of 4.3 tons to a postwar average of 10 tons, and *if* all the costs of this traffic, as found by the Commission, be disregarded and forgotten, except those which are out-of-pocket costs, and *if* the Commission had not decided that the permanent scale of rates set out in its report (rather than the interim scale) is to be the just and reasonable one, then the reduced rates would at least cover those out-of-pocket costs. *Ergo*, it is proper and not arbitrary for the Commission to hold that the existing rates are unlawful and to order the rates reduced as shown. The defects of that argument are apparent.

The Government's second chart opposite page 240 is not for less-than-carload traffic or for carload class rate traffic, but, instead, is for *all* carload traffic that moves in box cars. When less-than-carload costs are compared with less-than-carload class rates, there is a direct relation. The costs of class-rate less-than-carload traffic are the same as the costs of such traffic on exception or commodity rates and, moreover, most of the total less-than-carload traffic is class-rate traffic. But when carload boxcar costs are compared with carload class rates, the relationship is most remote. In Western territory, the carload boxcar traffic consists largely of such items as wheat, oats, corn and other grains and grain products, cement, lime, fertilizer, salt, canned goods, sugar, lumber, shingles and lath, etc. (R. 11368.) The costs shown on the Government's chart for boxcar traffic represent the costs of moving those heavy loading commodities. The Government would compare them with the class rates, which apply, for the most part, to bulky, light-loading manufactured articles. The Commission did not find and could not reasonably have found that the average composite costs for moving all commodities that are moved in boxcars also measures the costs for the carload class rate traffic. Even counsel for the Government cannot quite bring themselves to say that the costs on that chart are the carload class rate costs, but their presentation of the chart is otherwise entirely irrelevant.

The Government's Computation in the District Court.

Brief reference is made at pages 235-236 of the Government's brief to a computation in an unnumbered exhibit offered by the Government in the District Court but without submitting any witness. The computation shows, and the Government here concedes (p. 235), that the 1939 Western less-than-carload costs, without any allowance for the increases in costs since that date, substantially exceed the revenues from that traffic. After certain adjustments to eliminate from consideration all traffic except the class-rate traffic, the computation concludes that the 1939 costs of this class-rate traffic alone, as found by the Commission, are *23 percent* higher than the interim class rates which the Commission would force upon the Western railroads. (R. 1405, item 14.) This is without any allowance for the increase in costs since 1939.

The Government then says (pp. 235-236) that if four changes are made in the Commission's cost findings, the result, as so changed, would show that the costs were less than the rates. The first change is to assume that the Commission has raised the revenues $3,000,000 annually by its change in the minimum charge from 55 cents to 75 cents. As shown in our principal brief (pp. 120 to 123), the Commission did not so find. Most minimum charges are collected on the basis of the straight 100-pound rate and the total losses through reductions in that rate much more than exceed the 20-cent increase on the small fraction of that minimum charge traffic. The Government does not deny that this is the fact, but it persists in using the assumed increase of $3,000,000 despite the fact that the collections from total minimum charges (which is the figure used in the Government's computation) would be *decreased* rather than increased. The Government's second adjustment is to eliminate all less-than-carload traffic except class-rate traffic, but its own computation shows that after this is done, the 1939 costs would be 23 percent *higher* than the reduced class rates. (R. 1405, item 14.) The third change is to disregard the normal loading and, without benefit of any finding by the Commission, assume the hypothesis that the post-war loading will be 10 tons, which is higher than either the Western or the national average even under the O. D. T. wartime orders. (See page 28, *supra.*) The last change in the Commission's cost findings would be to change the Commission's rate of return for certain items to the rate earned in 1939. Thus, in the third change, the computation would disregard the actual 1939 costs and transportation conditions such as loading, but, in the fourth change, would reduce the Commission's rate of return to the small rate that the Western railroads were able to earn in that year under those actual costs and transportation conditions.[1] The extent to which the Government finds it necessary to go in justifying the order by making such unwarranted assumptions and departures from the Commission's findings, demonstrates forcibly that the costs, which were found by the Commission, itself, far exceeds the reduced rates.

The Western Intrastate Rates.

The Government urges that it is lawful for the Commission to force these reductions in the interstate class rates because, in several of the Western states, the intrastate rates for intrastate distances are at levels lower than the interstate rates. (pp. 234-235.) It is said:

> "The carriers have reduced these rates voluntarily, or are maintaining them voluntarily, thus greatly reducing their revenues from less-carload traffic, a situation they have it wholly within their own control to remedy (p. 96, *supra*)."

At page 96 of its brief, to which it refers, the Government defines what it means by "voluntarily" and by the carriers' "own control." It says:

> "These western intrastate class rates are being maintained voluntarily by the carriers in the sense that they have voluntarily put them into effect, or have re-

---

[1] In a footnote to this statement the Government errs in saying that in adjusting the Commission's 1939 costs to the levels of January 1, 1946, we increased the rate of return figure as well as the expense figures. We made no change in the rate of return or in the dollar amount represented by that item. (The complete working papers of the witness who prepared the adjustment were submitted to the Government (R. 935-936) and analyzed by the Commission's head cost analyst during the hearings. On the basis of that study of the working papers, the Government waived cross-examination; not until its brief in this Court has it ever raised this point.)

> frained from asking the Commission or a court to raise them, *after a state has ordered the present rates.*"[1]

These intrastate rates, the Government thus says, are "voluntary" because the Western states in which they apply have compelled the reductions and the railroads have not sued the Western states to assert their constitutional right of freedom from confiscation. The Government's comment that the Western railroads "have it wholly within their control to remedy" the situation turns out to be merely that the Western railroads have a constitutional right to start a lawsuit to set aside the arbitrary and confiscatory state orders. After thus defining its terms, the Government asks this rhetorical question:

> "If the western carriers voluntarily keep their intrastate rates near or below the Official level, why should they complain of confiscation if the Commission undertakes to bring their interstate rates into alignment?" (p. 97.)

The Government is saying that the Interstate Commerce Commission, after making the most detailed and careful cost findings, is authorized to order the reduction of the interstate rates to levels very substantially below the costs, on the ground that several of the Western states previously have ordered similar reductions for the relatively short intrastate distances and the railroads have not sued to have them enjoined. The argument evidently is made seriously, but it is difficult to make a temperate reply. It seems apparent that confiscation by the Commission on interstate rates cannot be defended on the ground that there exists confiscation by certain states on the intrastate rates. There is no finding that the interstate rates are discriminatory in relation to the intrastate rates. Moreover, the Commission has found that the cost studies made by it in this proceeding were the most comprehensive and thorough in the history of railroad rate regulation. (Report, R. 303.) Those studies, of course, were not available to the Western states or to the railroads when the states compelled the intrastate rate reductions. Those findings clearly show the newly-prescribed rates to be noncompensatory. The existence of a confiscatory state-compelled intrastate rate is no defense to this order.

---

[1] If the intention here is to refer, also, to rates made to meet some particular competitive situation, it is evident that such rates would not be reasonable maximum rates and would not constitute a standard of lawfulness by which to measure other rates. The Commission has always so held. For example, it recently stated: "It is well settled that rates depressed to meet severe competition, as are many of the rail rates on automobiles, afford no proper standard by which to measure a reasonable maximum basis." *New Automobiles in Interstate Commerce*, 263 I. C. C. 771, 779 (1945).

The Evidence and Cost Findings of the Commission Are Proper Evidence of Confiscation.

There is irony in the Government's argument (pp. 245-249) seeking to avoid the use of the evidence and findings of the Commission on the cost of the Western group of carriers as proof of the confiscatory effect of its orders. At one time certain carriers argued to this Court that group evidence did not constitute evidence of the traffic and operating conditions, and of the rates and divisions, of the several carriers in the group. This Court, in a case which is cited in the Government's brief, upheld the contention of the Government and Commission there that such typical evidence was entirely proper. *New England Divisions Case*, 261 U. S. 184 (1923). Indeed, the Government shows that the group comparison method is the only practicable method and says, with respect to each carrier, that there is a "presumption that average conditions are typical of its traffic and operating conditions."

(p. 249.) For some unexplained reason, the Government then argues that this is not harmful to the carriers here because each carrier would be permitted to rebut that presumption. (pp. 248-249.) But we do not seek to rebut any such presumption. The Commission has examined and determined the costs of the Western railroads as a group and has ordered the reduction of those rates to a level far below those costs as measured by it in this proceeding. It has deemed "the evidence of averages * * * to be typical." (p. 249.) The evidence is as clear and probative in the courts as it was in the Commission.

The principal decision relied upon in this connection by counsel for the Government is *Aetna Insurance Co.* v. *Hyde,* 275 U. S. 440 (1928). That case involved an unusual statute of Missouri which authorized the Superintendent of Insurance to reduce rates when he found that the aggregate earnings of the insurance companies in Missouri exceeded an aggregate reasonable profit. The Court stated that the statute did not authorize a determination of the reasonableness of rates when applied to the business of any company. It was not claimed by any company, in the suit to set aside the Superintendent's order, that the rates would be too low to permit it to make a reasonable profit or have just compensation. It was claimed, instead, that the Superintendent had erred in making the only decision which he was authorized to make under that statute:—namely, whether the aggregate amount of collections of all companies was excessive. The Court said:

> "The complaint was framed to secure judicial review (§ 6284) of the determination of the respondent. * * * Neither of the sections authorized a determination of the reasonableness of rates when applied to the business of any company. The complaint did not allege any facts to show that the reduced rates were confiscatory as to any company. The court was not called upon to determine whether the order would operate to

deprive any company of its property without due process of law. It treated the suit as one to obtain the review provided for by § 6284." (pp. 447-448.)

There is nothing in the *Aetna* case to support the Government's theory that the group evidence of costs and the cost findings of the Commission may not be considered as probative on the issue of confiscation in the judicial review of the Commission's order. Here confiscation is claimed by each plaintiff railroad with regard to the rates as applied to its lines. The rates were prescribed under a statute quite different from the Missouri statute. The latter allowed an administrative determination only as to group averages; the individual company was not involved in the findings. Here the Interstate Commerce Act provides for the treatment of railroads on an individual basis. As the Court recently stated in a footnote to its decision in *North Carolina* v. *United States,* 325 U. S. 507, 515 (1945), setting aside a rate order of the Commission for lack of adequate findings to support the reasonableness of the rate prescribed by the Commission:

> "But Congress in 1933, 48 Stat. 211, repealed this part of the 1920 Act; the income pooling system was abandoned; the rule of rate making was re-written, and while the Commission was to give consideration to the need of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service, and to the need of revenue sufficient to enable the carriers under honest, economical and efficient management to provide such service, the rates were no longer to be treated on a national basis as though all railroads constituted one system. House Report No. 193, 73rd Cong., 1st Sess., pp. 30-31. *Railroads were to be treated on an individual basis.*"

In this proceeding, therefore, the Commission necessarily was treating the railroads on an individual basis. It found that the group evidence proved the conditions as to each railroad, and it found that the class rates of each railroad are unlawful and that the reduced class rates prescribed by it for each railroad are lawful. The Western railroads contend that the evidence before the Commission, as well as the same type of evidence before the Court, proves that the present rates of each Western railroad are lawful and that the newly prescribed rates would be confiscatory as to each Western railroad. The group evidence is probative both in the Commission and in the Court.

The very real dangers contained in the Government's proposition that the group evidence and findings before the Commission are inadmissible in the reviewing court as establishing confiscation are particularly illustrated in connection with the Government's request that this Court, for the first time in its history, refuse to consider evidence offered and received by the District Court on this issue of confiscation. (Government's brief, p. 249.) The Government has taken no appeal from the District Court's order receiving that evidence, and that issue is not before the Court, but the Government's position enlightens its attempt to exclude the group evidence as proof. Taken together, its arguments are that evidence of group averages is proper before the Commission as being typical of the several carriers, but that, upon review of the Commission's order, the carriers not only should be denied the right to offer additional evidence of confiscation but also should be denied the right to show that the findings of the Commission and the group evidence before the Commission, on which the Commission based its action, establish that the order is confiscatory. What would be the results of such rules? For its own protection, each carrier, in the Commission's proceedings, would have to insist on the right to prove the full evidence of its individual costs, operating conditions, etc. despite the fact that the group evidence was typical of its conditions, or else run the risk that it would have forfeited its right to protest if the order, when announced by the Commission, was confiscatory. The number of Western railroads filing this brief is thirty-three. In the words of the *New England Divisions Case, supra,* to require specific evidence before the Commission in respect to each carrier would be tantamount to denying the possibility of effective administrative action. By the same token, to refuse effect in the courts to the group findings of the Commission, and to require specific evidence in respect to each carrier would be tantamount to denying the possibility of effective judicial protection from arbitrary and confiscatory orders of the Commission.

III.

The Order Is Void Because the Commission Misconstrued the Interstate Commerce Act and the Transportation Act of 1940.

The Government concedes that the Commission took the view that the 1940 amendment to Section 3(1) made a very real change in the law. It argues that the Commission thought that "the law, before 1940, freely permitted discrimination [against territories], as held by the Court below * * *." (p. 82.) The Government says "this is the better view of the 1940 amendment, because otherwise it means nothing * * *." (p. 82.) The Commission thus believed that the law under which it had prescribed the present class rates had been radically altered in 1940. In the words of the Government again: "What it did was to recognize a mandate or direction to bring about 'a greater degree' of equalization and uniformity." (p. 85.) Proceeding to comply with that mandate, it held that all the class rates, which it had prescribed only shortly before in careful and extensive investigations, were made unlawful by the 1940 legislation, that all differences in the territorial rate levels must be abolished and that all the railroads must have the same uniform rates set out in its report.

The Government says, with reference to the Commission's construction of the Act:

> "If this was error, it was harmless error." (p. 82.)

But this assumes that the Commission would have reached the same end result if it had heard and determined this proceeding on the correct understanding that the law with respect to the lawfulness of different rate levels in the various parts of the country had not been changed by the 1940 legislation. That assumption is unwarranted. The Court long has held that it will not speculate on whether the Commission would have taken the same action under a correct understanding of the law that it took while under an erroneous understanding,[1] just as it will not speculate upon whether the Commission would or would not have made a finding that it has omitted to make.[2] If the Commission was wrong in its understanding that the factors testing the lawfulness of differing territorial rates in different parts of the country were completely altered by the legislation of 1940, or, if it was wrong in its understanding that it had received a mandate from Congress to change the rates so as to bring about a greater degree of equalization and uniformity than had been established by it prior to the 1940 legislation, and must therefore act under the compulsion of that mandate, the error was by no means a harmless one.

The theory that the Interstate Commerce Act, prior to 1940, freely permitted unjust and undue discrimination against territories or other areas of the country is wrong. The prohibition against discrimination in Section 3(1) has always been interpreted as including territories. The Hoch-Smith Resolution, pursuant to which the Commission held its investigations and prescribed the present rates, directed the Commission to investigate to determine whether the rates were "unjustly discriminatory * * * as between the various localities and *parts of the country*" and "to make, in accordance with law, such changes * * * as may be found necessary to correct any defects so found to exist. In making any such change, adjustment or redistribution the Commission shall give due regard * * * to a natural and proper development of *the country as a whole*, and to the maintenance of an adequate system of transportation." (43 Stat. 801, 49 U. S. C. Sec. 55.) The Commission investigated the Western Trunk Line Territory and Eastern Territory class rates contemporaneously, and held, in those companion decisions, that it was adjusting those rates with particular attention to the relation between the territories and subterritories. (See our principal brief, p. 161.) The Government does not deny this. In *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627 (1933), the majority opinion stated, respecting Section 3(1), that "The word 'localities,' therefore, has its proper office as denoting the origin or destination of traffic *and the shipping, producing, and consuming areas affected by rates and practices of carriers.*" (p. 638.) To the same effect, and even stronger, the dissenting opinion stated that "This Court has often declared that the purpose of the all-embracing language of the statute was to suppress every form of unreasonable discrimination which it was within the power of Congress to condemn." (p. 658.) The only difference between the majority and the minority on this subject was whether so-called "gateway" points, such as ports, were within the section with respect to their gateway traffic. The substantive law forbidding unjust and unreasonable discrimination with respect to territories or other areas or parts of the country was the same before 1940 as it was afterward, and the Commission was in serious error in deciding that the factors determining the lawfulness of the territorial rates were changed by the 1940 legislation.[1]

---

[1] *Ann Arbor R. Co.* v. *United States*, 281 U. S. 658 (1930); *Eastern-Central Motor Carriers Association* v. *United States*, 321 U. S. 194 (1944).

[2] *North Carolina* v. *United States*, 325 U. S. 507 (1945); *Florida* v. *United States*, 282 U. S. 194 (1931).

The Government says that the Commission did not describe the 1940 amendments as a mandate to bring about rate equalization and uniformity, but admits that it did "recognize a mandate or direction to bring about '*a greater degree*' of equalization and uniformity." (pp. 84-85.) We submit, first, that the language and the legislative history of the amendments prove conclusively that the Commission was wrong in believing that it had been directed by Congress to bring about "a greater degree" of equalization. Congress directed the Commission to investigate, but it refused to enact the bills that would have given a mandate either to abolish or to decrease the rate differentials. It intended that the lawfulness of the rates should be tested by the recognized standards. Therefore, rates lawful prior to the legislation in 1940 are also lawful under that Act, in the absence of changed conditions. The Commission had no mandate or direction to reduce the spread between the territorial rate levels. Further, we submit that the best way of determining whether the Commission thought its supposed mandate was to bring about equalization or only to bring about a greater degree of equalization is to examine what it actually has done in this case. Proceeding with express and particular regard for its construction of the 1940 legislation, it has held that, no territorial differences are to be recognized as lawful. From the Rocky Mountains to the Atlantic and from Canada to Mexico, there are not to be allowed any territorial rate differentials. It found cost differences among the territories in the percentages reproduced in our principal brief, and differences in other conditions as described there. But the rates, it held, must now be identical to be lawful. The interim rates are expressly prescribed as a temporary method of achieving, as closely as possible, the lawful uniform rates which, it is held, are to become effective upon completion of the new classification. We believe the Commission's actions, combined with its statements, define its understanding of the scope of the supposed mandate as requiring the uniformity which it prescribed rather than any lesser degree of uniformity. Under either interpretation, however, the fact remains that the Commission fundamentally was wrong in believing that it had been directed by a Congressional mandate to change the rates. That mistake of law vitiates its decision.

---

[1] For a more complete discussion of this point see our principal brief, pp. 159-162; see also the statements in Congress that the 1940 legislation was not intended to change the factors governing the lawfulness of the relative levels of territorial rates, pp. 137-152.

The Government, at page 83, urges that this decision fulfills the original purpose of the Interstate Commerce Act, saying: "The very thing Congress sought to achieve by Section 3(1), starting in 1887, was equality of rates." It is appropriate, therefore, to note that in 1887 the suggestion was made to the Commission that the purpose of the Act was to establish uniform and identical rates, mile for mile, throughout the country, and, in effect, that Congress, in the Act, had given the Commission a mandate to do so. The Commission, however, did not so construe the Act and stated, in its First Annual Report (1887) as follows:

> "It might possibly be within the competency of the legislative power to prescribe for the several interstate railroads equal mileage rates for the whole coun-

> try; but this, if enforced, * * * would, in fact, work a revolution in the business of the country, which, though it might be greatly beneficial in some directions, would be fearfully destructive in others. Congress has not by the existing legislation undertaken to inaugurate such a revolution; nothing in the act to regulate commerce looks in that direction * * *." (p. 40.)

Similarly, nothing in the Act today looks in the direction of the prescription of equal mileage rates for the whole country. Arguments in behalf of so changing the Act have been made to Congress and all have been rejected by it. The language quoted above applies to the 1940 legislation as well as to the original Act.

Finally, the Government says that it agrees with us "that equality is only justified if circumstances and conditions are substantially the same," (p. 83) and repeats the same qualification at many places. *But the Commission has made no finding that circumstances or conditions are substantially the same.* The original and supplemental reports of the Commission will be read in vain for any such finding. It is not quoted by the Government and it simply is not there. The Commission measured the amounts of the differences in costs and in density of traffic and other conditions as discussed in our principal brief and in the foregoing portions of this brief. We do not believe that it reasonably could have found that the large cost differentials and differentials in other conditions, West-East and West-South, were not substantial, but, at any rate, it made no such finding. Under its interpretation of the statute and under its supposed mandate it ordered the establishment of uniformity *despite* the differences which it found to exist; it did not deny that they exist or that they are substantial.

CONCLUSION.

For the reasons stated in our principal brief, and in this reply, it is respectfully submitted that the final decree of the court below should be reversed, and that the Commission's orders in *Class Rate Investigation, 1939,* I. C. C. Docket No. 28300 should be permanently annulled and set aside and their enforcement enjoined.

✓ H. C. Barron,
C. W. Fiddes,
James G. Blaine,
H. E. Boe,
P. F. Gault,
J. A. Gillen,
R. G. Hagman,
Toll R. Ware,
G. H. Muckley,
Conrad Olson,
Elmer B. Collins,
Carson L. Taylor,
Robert Thompson,
Douglas F. Smith,
D. Robert Thomas,
Attorneys for Western Railroads, Appellants.

Sidley, Austin, Burgess & Harper,
11 South LaSalle Street,
Chicago, Illinois,
Of Counsel.

March 3, 1947.

APPENDIX.

The following letter was served on all counsel immediately after the filing of our principal brief:

February 12, 1947.

Re: Brief for The Atchison, Topeka and Santa Fe Railway Co., *et al.*, filed February 10, 1947, in Causes Nos. 343, 344 and 345, United States Supreme Court, October Term, 1946.

To all Counsel:

1. The amount of the reduction which would have been caused to the revenues of the Western railroads in 1939 if the Western revenue level had been reduced to the Eastern revenue level, and the amount of the resulting Western operating deficit, are stated at pages 28-29 and at page 61 of our brief. The reduction stated on page 28 is $183,270,259, and the resulting deficit stated on page 29 is $5,154,703. The former figure, which is taken directly from the Commission's studies (Ex. 196, p. 15, R. 11373) represents 16.5599 percent of the constructive Western gross freight revenues on the Eastern revenue level, as found by the Commission's studies. The Commission rounded out the fraction to 16.6 percent (R. 221, 11373). The table on page 61 of our brief is computed by using the Commission's figure of 16.6 percent. The difference in the disposition of fractions results in a difference between the 1939 reductions and deficit, as shown on pages 28-29, and those shown in the table on page 61.

2. The last phrase in the sentence at the bottom of page 28 and the top of page 29 should be changed to read as follows: "which is approximately 16.6 percent of the

constructive Western gross freight revenues of $1,106,709,320." The sentence will then read as follows:

> "If the Western railroads had been forced to reduce their rates to a revenue level identical with the Eastern revenue level, the net railway operating income of the Western railroads would have been reduced by $183,270,259, which is approximately 16.6 percent of the constructive Western gross freight revenues of $1,106,709,320."

3. The foregoing statements will be included in the reply brief of the Western railroads.

Sidley, Austin, Burgess & Harper,
Attorneys for The Atchison, Topeka and Santa Fe Railway Company, et al.

cc-Charles Elmore Cropley, Esq.,
Clerk, United States Supreme Court.

FILE COPY

192

Office - Supreme Court, U. S.
FILED
FEB 24 1947
CHARLES ELMORE CROPLEY
CLERK

779457
Sup. Ct

Nos. 343, 344, 345

In the Supreme Court of the United States

OCTOBER TERM, 1946

THE STATES OF NEW YORK, DELAWARE, ET AL.,
APPELLANTS
v.
THE UNITED STATES OF AMERICA, ET AL.

THE HONORABLE HORACE A. HILDRETH, GOVERNOR
OF THE STATE OF MAINE, ET AL., APPELLANTS
v.
THE UNITED STATES OF AMERICA, ET AL.

THE ATCHISON, TOPEKA & SANTA FE RAILWAY
COMPANY, ET AL., APPELLANTS
v.
THE UNITED STATES OF AMERICA, ET AL.

---

*ON APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF NEW YORK*

**BRIEF FOR THE UNITED STATES AND THE
INTERSTATE COMMERCE COMMISSION**

INDEX

Page
Opinions below ... 2
Jurisdiction ... 2
Question presented ... 2
Statutes involved ... 3

Statement:

The proceedings below ... 3
The existing system of making railroad freight rates ... 10
(1) Relationship between classifications and class rates ... 10
(2) Freight classification ratings ... 12
(a) Commission's classification findings ... 29
(3) Class rate structures ... 32
(a) Intraterritorial class rates ... 33
(i) Within Official Territory ... 33
(ii) Within Southern Territory ... 37
(iii) Within Western Trunk-line Territory ... 40
(iv) Within Southwestern Territory ... 43
(v) Mountain-Pacific Territory ... 44
(b) Interterritorial class rates ... 45
(i) Between Southern and Official Territories ... 46
(ii) Between Western Trunk-Line and Official Territories ... 50
(iii) Between Western Trunk-Line and Southern Territories ... 53
(iv) Between Western Trunk-Line and Southwestern Territories ... 54
(v) Between Southwestern and Official Territories ... 55
(vi) Between Southern and Southwestern Territories ... 56
(c) Commission's class rate findings ... 57
Summary of argument ... 60

Argument:

I. Congress in 1940 gave the Interstate Commerce Commission a mandate to bring about freight rate uniformity between rate territories, unless conditions warranted territorial rate differentials ... 65
II. The findings of the Commission that conditions within the freight rate territories did not warrant the existing territorial freight classification and freight rate differentials were supported by substantial evidence ... 86
(A) Class rates within Southern and Western Territories, and from these territories to Official Territory, are much higher, article for article, than the rates within Official Territory ... 86

[illegible]ument—Continued

[illegible] The [illegible]ndings of the Commission—Continued

Page

(A) Class rates within, etc.—Continued

- (1) Levels of class rates 87
- (2) Specific class rate inequalities 98

(B) Higher class rates have impeded the development and movement of class rate traffic within Southern and Western Territories, and from these territories to Official Territory, and thus have made all the class rate structures involved in this proceeding obsolete 127

- (1) Impeding the development of class rate traffic—economic data 127
- (2) Non-use of class rates 138

(C) Comparative territorial costs of transportation service do not justify the existing class rate differentials 147

- (1) The problem before the Commission 147
- (2) The method employed by the Commission 151
  - (a) Describing a shipment in terms of the work performed 151
  - (b) How and why the service units used in apportioning the direct costs were selected 153
  - (c) Attributing the expenses incurred to the units of service performed 156
  - (d) Indirect or constant costs 159
- (3) The construction of cost scales 160
- (4) Procedures in territorial cost comparisons 161
- (5) Results of the territorial cost comparisons 164
- (6) Inclusion of Pocahontas with the East 170
- (7) Consideration of criticisms of the cost study 172
- (8) Factors corroborating the Commission's cost study 175
  - (a) Various operating and statistical data 175
  - (b) The southern carriers' cost study 177
  - (c) The eastern carriers' cost study 178
  - (d) Comparison of rates of return 178

Argument—Continued
II. The findings of the Commission—Continued
(C) Comparative costs—Continued Page
(9) Summary—the Commission's cost findings have not been successfully challenged 179
(D) Differing consists and volumes of traffic within the territories are no justification for the class rate differentials 181
(E) Equalizing the class rates of the territories is not dependent on equalizing the non-class rates 190
(F) Summary—interterritorial rate problems are insoluble without uniformity of class ratings and rates 196
III. The Commission's order was based on adequate preliminary findings 205
IV. The scope of judicial review in this technical and complex rate adjustment is narrow and limited 212
V. The authority of the Commission was exercised in strict compliance with statutory procedure 216
(A) The statutes involved 216
(B) The Commission was not required to afford the carriers alternative methods of removing the discrimination 221
(C) All the rates found to be discriminatory were controlled by the same carrier group, but the rates would be valid even if this were not so 226
VI. The new less-carload rates in the west cannot be regarded as confiscatory 233
(A) The facts negative confiscation 233
(B) The confiscation evidence should not have been received by the Court below 249
(C) Effect of changes in conditions since the Commission's decision—*Ex parte 162* 253
Conclusion 257
Appendix A 258
Apoendix B 267

CITATIONS

Court Decisions:

Aetna Insurance Co. v. *Hyde*, 275 U. S. 440 246
Ann Arbor R. Co. v. *United States*, 281 U. S. 658 .... 79, 80
Atchison, Topeka & Santa Fe Ry. Co. v. *United States*, 284 U. S. 248 .... 211, 212
Baltimore & Ohio R. Co. v. *United States*, 298 U. S. 349 .... 249, 250, 252
Beaumont, Sour Lake & Western Ry. Co. v. *United States*, 282 U. S. 74 246

Court Decisions—Continued

Page

Board of Trade of Kansas City v. *United States*, 314 U. S. 534 214

Chicago, Indianapolis & Louisville Ry. Co. v. *United States*, 270 U. S. 287 .... 227, 228

City of Knoxville v. *Knoxville Water Co.*, 212 U. S. 1 245

Darnell v. *Edwards*, 244 U. S. 564 245

Denver Union Stock Yard Co. v. *United States*, 304 U. S. 470 246

Georgia Public Service Commission v. *United States*, 283 U. S. 765 .... 220, 221, 249

Interstate Commerce Commission v. *City of Jersey City*, 322 U. S. 503 .... 212, 216

Interstate Commerce Commission v. *Inland Waterways Corp.*, 319 U. S. 671 207

Jefferson Island Salt Mining Co. v. *United States*, 6 F. 2d 315 208

Louisville & Nashville R. Co. v. *Garrett*, 231 U. S. 298 246

Louisville & Nashville R. Co. v. *United States*, 282 U. S. 740 .... 66, 217

Manufacturers Ry. Co. v. *United States*, 246 U. S. 457 249

Myers v. *Bethlehem Shipbuilding Corp.*, 303 U. S. 41 252

Minnesota Rate Cases, 230 U. S. 352 245

National Labor Relations Board v. *Jones & Laughlin Steel Corp.*, 301 U. S. 1 253

New England Divisions Case, 261 U. S. 184 .... 170, 247, 248

North Carolina v. *United States*, 325 U. S. 507 247

Northern Pacific Ry. Co. v. *North Dakota*, 236 U. S. 585 .... 147, 148, 244

Pennsylvania R. Co. v. *United States*, 323 U. S. 588 210

Rochester Telephone Corp. v. *United States*, 307 U. S. 125 213

St. Joseph Stock Yards Co. v. *United States*, 298 U. S. 38 .... 245, 250, 252

St. Louis Southwestern Ry. Co. v. *United States*, 245 U. S. 136 .... 226, 227

Scandrett v. *United States*, 32 F. Supp. 995, aff'd 312 U. S. 661 207

State of Georgia v. *Pennsylvania R. Co.*, 324 U. S. 439 205

Terminal R. Assn. v. *United States*, 266 U. S. 17 .... 219, 220

Texas & Pacific Ry. Co. v. *Interstate Commerce Commission*, 162 U. S. 197 127

Texas & Pacific Ry. Co. v. *United States*, 289 U. S. 627 .... 63, 66, 81, 221, 222, 224, 226, 228, 229, 230

United States v. *Chicago Heights Trucking Co.*, 310 U. S. 344 219

United States v. *Chicago, Milwaukee, St. Paul & Pacific R. Co.*, 294 U. S. 499 .... 218, 232

United States v. *Louisiana*, 290 U. S. 70 249

United States v. *Louisville & Nashville R. Co.*, 235 U. S. 314 219

United States v. *Pierce Auto Freight Lines, Inc.*, 327 U. S. 515 .... 211, 212

United States v. *Wabash R. Co.*, 321 U. S. 403 194

Virginian Ry. Co. v. *United States*, 272 U. S. 658 213

Court Decisions—Continued Page

Willcox v. *Consolidated Gas Co.*, 212 U. S. 19 245

Youngstown Sheet & Tube Co. v. *United States*, 295 U. S. 476 .. 224

I. C. C. Decisions:

W. H. Bintz Co. v. *Abilene & Southern Ry. Co.*, 216 I. C. C. 481 50

Class Rates Within the State of North Carolina, 238 I. C. C. 225; 248 I. C. C. 479 38

Commonwealth of Kentucky v. *Ahnapee & Western Ry. Co.*, 213 I. C. C. 297 49

Consolidated Classification Case, 54 I. C. C. 1 19

Consolidated Southwestern Cases, 123 I. C. C. 203; Twenty-First Supplemental Report, 205 I. C. C. 601; Twenty-Third Supplemental Report, 211 I. C. C. 601 .... 19, 20, 43, 54, 55, 56, 139

East Tennessee Border Traffic Association v. *Akron, Canton & Youngstown Ry. Co.*, 214 I. C. C. 316; and supplemental decisions at 218 I. C. C. 521, 229 I. C. C. 20, and 231 I. C. C. 453 49

Eastern Class Rate Investigation, 164 I. C. C. 314, and supplemental decisions at 171 I. C. C. 481, 177 I. C. C. 156, and 203 I. C. C. 357 .... 20, 28, 33, 34, 50

Ex Parte 162, 264 I. C. C. 695 (Dec. 5, 1946, unreported) 166, 179, 236, 253, 254, 255, 256

Ex Parte 163 (Oct. 28, 1946, unreported) 255

General Commodity Rate Increases, Ex Parte 115, 223 I. C. C. 657 171

Great Falls Traffic Association v. *Chicago, Burlington & Quincy R. Co.*, 226 I. C. C. 467, and 235 I. C. C. 459 50

Lake and Rail Class and Commodity Rates, 205 I. C. C. 101 and 214 I. C. C. 93 53

North Carolina Corporation Commission v. *Akron, Canton & Youngstown Ry. Co.*, 213 I. C. C. 259 .... 39, 49

Public Service Commission of Wyoming v. *Atchison, Topeka & Santa Fe Ry. Co.*, 196 I. C. C. 413 50

Rates from, to and between points in Southern Territory, 191 I. C. C. 507 40

Southern Class Rate Investigation, 100 I. C. C. 513, and supplemental decisions at 109 I. C. C. 300, 113 I. C. C. 200, and 128 I. C. C. 567 .... 19, 37, 38, 46, 139

State of Alabama v. *New York Central R. Co.*, 235 I. C. C. 255; 237 I. C. C. 515 26

Suspension of Western Classification, 25 I. C. C. 442 ... 12, 16, 18

Western-Southern Class Rates, 226 I. C. C. 497, 231 I. C. C. 315, 232 I. C. C. 81, and 238 I. C. C. 681 53

Western Trunk-Line Class Rates, 164 I. C. C. 1, and supplemental decisions at 173 I. C. C. 637, 178 I. C. C. 619, 181 I. C. C. 301, 196 I. C. C. 494, 197 I. C. C. 57, 204 I. C. C. 595, 210 I. C. C. 312, and 246 I. C. C. 119 .... 19, 31, 41, 42, 50, 56

Page

Statutes:

Interstate Commerce Act, Feb. 4, 1887, 24 Stat. 379, 49 U. S. C. 1, *et seq.*:
  Sec. 1, as amended:
    Par. (4) ---------------------------------- 12, 57, 217, 258
    Par. (5) (a) ---------------------------------- 57, 216, 258
    Par. (6) ---------------------------------- 13, 217, 259
  Sec. 3, as amended (Act of Sept. 18, 1940, 54 Stat. 902):
    Par. (1) ------ 13, 57, 65, 66, 74, 83, 84, 217, 222, 223, 259
  Sec. 6 (7) ---------------------------------- 194
  Sec. 13:
    Par. (3) ---------------------------------- 220, 260
    Par. (4) ---------------------------------- 220, 221, 261
  Sec. 15:
    Par. (1) --------- 13, 58, 216, 218, 220, 221, 223, 228, 261
    Par. (3) ---------------------------------- 218, 222, 263
  Sec. 15a, as amended Sept. 18, 1940, 54 Stat. 912 ---- 209, 220, 263

Transportation Act of 1940:
  National Transportation Policy, 54 Stat. 899, 49 U. S. C., note preceding Sec. 1 ------------------ 76, 265
  Sec. 5 (b). (Ramspeck Resolution), 54 Stat. 902, 49 U. S. C., note following Sec. 3 --------------- 65, 74, 264

Miscellaneous:

84 Cong. Rec. 5889, 5890, 6071–2, 9705 ----- 71, 72, 73, 74, 75, 76
86 Cong. Rec. 5553 ---------------------------------- 76, 77
House Document 303, 78th Cong., 1st Sess ------------- 192, 193
I. C. C. Statistics of Railways in the United States, 1939 -- 91, 177
I. C. C. Statistics of Railways in the United States, 1939–1944 ---------------------------------- 179
I. C. C. Statistics of Railways in the United States, 1941 - 166, 189
I. C. C. Statistics of Railways in the United States, 1944 -- 234
I. C. C. Monthly Statement M-220, Revenue Traffic Statistics (December, 1946) ---------------------- 166
First Annual Report of the Interstate Commerce Commission (1887) ---------------------------------- 18
Second Annual Report of the Interstate Commerce Commission, 2 I. C. C. 268 (1889) ------------------ 16, 17
Fifth Annual Report of the Interstate Commerce Commission, 3 I. C. C. 768 (1891) ------------------ 17, 31
Eleventh Annual Report of the Interstate Commerce Commission, 1897 ---------------------------------- 17
Postwar Traffic Levels (rev. ed.) 1944, Bureau of Transport Economics and Statistics, Interstate Commerce Commission ---------------------------------- 166
S. 2009, 76th Cong ---------------------------------- 71
Senate Document 119, 73d Cong., p. 29 ------------------ 197
Senate Report 433, 76th Cong., 1st Sess ------------------ 71

In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

THE STATES OF NEW YORK, DELAWARE, ET AL.,
APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL.

No. 344

THE HONORABLE HORACE A. HILDRETH, GOVERNOR
OF THE STATE OF MAINE, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL.

No. 345

THE ATCHISON, TOPEKA & SANTA FE RAILWAY
COMPANY, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL.

---

*ON APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF NEW YORK*

BRIEF FOR THE UNITED STATES AND THE INTERSTATE COMMERCE COMMISSION

OPINIONS BELOW

The opinion of the District Court (R. 1411) is reported in 65 F. Supp. 856. The report of the Interstate Commerce Commission (R. 62, 433) is set out in 262 I. C. C. 447, 264 I. C. C. 41.

JURISDICTION

The judgment of the District Court was entered on May 27, 1946 (R. 1450). Petitions for appeals were filed and allowed on June 25, 1946 (R. 1465, 1474, 1483). The jurisdiction of this Court is invoked under the Urgent Deficiencies Act of October 22, 1913, 38 Stat. 220, 28 U. S. C. 47a.

QUESTION PRESENTED

Whether the Interstate Commerce Commission exceeded its authority in ordering a 10 per cent decrease in railway class freight rates for all interstate shipments throughout the United States east of the Rocky Mountains, except for shipments within the northeastern area of the United States, and in ordering a 10 per cent increase in railway class freight rates for all interstate shipments within the northeastern area of the United States, and as an interim measure pending the bringing about of national uniformity in the classification of freight, and a greater degree of national uniformity throughout the United States in the class freight rate structures, based on findings that these changes are necessary in order to eliminate unreasonableness and undue discrimination in classifications and freight rates, in violation of Sections 1 and 3 of the Interstate Commerce Act.

STATUTES INVOLVED

Sections 1, 3, 13, 15, and 15a of the Interstate Commerce Act of 1887, as amended, and the Transportation Act of 1940, in their pertinent provisions, are reproduced in Appendix A, pp. 258–266 *infra*.

STATEMENT

THE PROCEEDINGS BELOW

These reports and orders resulted from two separate investigations instituted by the Interstate Commerce Commission on its own motion on July 29, 1939, Docket No. 28310 entitled "Consolidated Freight Classification," and Docket No. 28300 entitled "Class Rate Investigation, 1939," to inquire into the lawfulness or unlawfulness of the then existing rate-making standards for railroad[1] interstate class freight rates in the United States (R. 55, 57). The *classifications* inquired into in No. 28310 are the descriptive lists of all commodities moving by rail freight, which include the class or rating for rate-making purposes to which each commodity has been assigned, together with the various rules and regulations governing freight shipments. The *class rates* inquired into in No. 28300 are the rate schedules or scales which, by application to them of the classification ratings, make the actual class rates. Both investigations covered the entire United States except that the area west of the Rocky Mountains was excluded from the class rate investigation.

---

[1] Interstate rail-and-water and all-water rates and classifications were also involved in the investigation orders, but were later eliminated from consideration (R. 130).

All the railroads in the United States subject to rate regulation were made respondents, and all the States were given notice and invited to participate.

Because freight classifications and class rates are so closely interrelated and interdependent, and because of the emphasis in both investigations on the desirability of national uniformity in the method of making freight rates, the two investigations were immediately consolidated, heard together as one case, and made the subject of a single report (R. 62) by the Commission, which contains elaborate findings and conclusions, and specific directions to the railroads aimed at the uniformity found to be essential. Because the Commission realized that a new, uniform classification would take time to prepare, and because the revised class rate structure was realized to be dependent upon the new classification, the only order the Commission issued was an interim order (R. 383) designed to alleviate temporarily the existing unlawfulness in the classifications and class rates, pending the complete elimination of that unlawfulness in the manner prescribed in the report. This order, which called for a decrease of 10% in class rates in the South and West, and interterritorial class rates, and an increase of

10% in class rates in the East, was entered in No. 28300 only, but the order did incorporate, by reference, the single report of the Commission, filed to dispose of both proceedings, which is the subject of attack in appellants' petitions (R. 1, 28–35, 833, 845–59).

The Commission held extensive public hearings at St. Louis, Missouri; Indianapolis, Indiana; Columbus, Ohio; and Washington, D. C., in 1941, 1942, and 1943. A committee of State Commissioners participated. In January of 1940, a notice was issued to all the common carriers involved and to the public, outlining the scope of the investigations and suggesting that everyone interested assemble whatever data might be deemed relevant, and, at the same time, the common carriers involved were all ordered to compile and furnish certain traffic data and classification information. In October of 1940, a pre-hearing conference was called to define the issues and facilitate the presentation of proof. This conference was attended by more than 400 persons and resulted in the rescission of the order to compile traffic data, because of opposition from the carriers and other persons (R. 70). After the hearings were concluded, extensive oral arguments were had in June of 1944, and a great many written briefs were submitted. The Commission gave the record and briefs exhaustive consideration for almost a year before filing its report and order in May, 1945.

Numerous petitions for reconsideration were filed and considered (R. 387, 416, 425, 434). On October 30, 1945, a modified report (R. 432) and order (R. 479) were filed, but the petitions for reconsideration were otherwise denied.

Illustrative of the fairness and conscientiousness of the Commission in these proceedings, which were recognized by it and the parties as probably the most important and comprehensive investigations ever undertaken by the Commission, was the fact that studies prepared by the Commission's staff were circulated in advance of the hearings and their presentation in evidence; and, after presentation, the Commission took advantage of suggestions made by the parties for revision or recalculation of these studies, so that no suggested line of inquiry that was feasible would be unpursued (R. 71, 203; Ex. 196, R. 11257–61, 4352). The approximately 5,500 pages of the record of oral testimony in these proceedings by no means indicate their comprehensiveness, because the exhibits, aggregating over 12,000 pages, constitute most of the meat of the case.

Almost 500 lawyers and other persons appearing in a representative capacity were participants of record in the Commission's proceedings (R. 65–69). Not only was the subject matter highly complicated; the proceedings themselves, because of the numerous interests involved, lacked the formality of a courtroom trial where each side presents its evidence in turn, within the limitations of fairly rigid rules administered by a single judge.

The new interim rates, involving the 10 per cent increases and decreases, were ordered to become effective on January 1, 1946, with a requirement of 30 days' prior notice (R. 806). On November 29, 1945, the northern States of New York, Delaware, et al., appellants in No. 343, filed their petition in the court below seeking to set aside the reports and orders of the Commission in their entirety, and seeking an interlocutory injunction pending the hearing and determination of the case (R. 1, 53). A special statutory three-judge court was promptly established (R. 487). The Governors of the six New England States, the appellants in No. 344, intervened on the side of the plaintiffs (R. 512), as did most of the western railroads, the appellants in No. 345 (R. 490). The Interstate Commerce Commission intervened on the side of the United States (R. 511), as did the southern States (R. 508), the Southern Governors' Conference (R. 508), the western States of Arkansas, Kansas, Nebraska, North Dakota, South Dakota, Oklahoma, Louisiana, Texas (R. 505) and Minnesota (R. 820), and their respective State Commissions, and the Southeastern Association of Railroad and Utilities Commissioners (R. 830).

On December 13, 1945, the statutory court heard arguments and received affidavits on the question of the issuance of an interlocutory injunction and on December 21, 1945, an interlocutory injunction issued (R. 805).

On February 18, 1946, the cause came on for hearing on the merits. Meanwhile, on February 1, 1946, a separate action seeking substantially the same relief had been filed in the same court by most of the western railroads, appellants in No. 345, the petition in that case containing generally the same allegations as those in the petition in the original case, and, in addition, an allegation that the new rates established by the Commission were, in part, confiscatory (R. 833). The two cases were consolidated and tried together, the trial lasting from February 18 through February 21, 1946. Over the objection of appellees, evidence was introduced by the western railroads seeking to establish their confiscation allegation (R. 894–937). At the conclusion of the trial on February 21, the court took the cases under advisement (R. 937).

On May 9, 1946, the court filed a unanimous written opinion upholding the orders of the Commission in all respects and adopting all the Commission's findings of fact (R. 1411). The final decree was filed on May 27, 1946 (R. 1450). It contained a provision continuing the interlocutory injunction for 60 days, and thereafter until the final determination of the case on appeal if an appeal had been perfected by the end of the 60-

day period. On June 10, this Court denied the Government's motion to dissolve the stay.

The findings of the Commission and the solution adopted on the basis of the findings are unintelligible without some fairly detailed analysis of the present highly complicated and technical system of rate making. Therefore, even though it means the sacrifice of brevity, a substantial segment of this brief is given over to an explanation of the existing system of making railroad freight rates, so that this Court may have a clear idea of the situation with which the Commission was obliged to deal, which prompted its orders of investigation and motivated its choice of remedies.[2] This analysis of the present system will deal, first, with the freight classifications, and then with the class rate structures. After describing this background or setting, the findings of the Commission will be reduced to their essence. In the argument, the evidence supporting each of the six major points made by the Commission in support of its findings will be dealt with separately.

---

[2] The discussion of class rates in the Commission's report is much more lengthy and complicated than the analysis in this brief, and comprises the great bulk of the 160,000-word report (R. 62–381). Much of this discussion deals with minute details of the class rate structures and is highly technical. One purpose of this brief has been to try to simplify this subject, at least to some extent, and thus save the Court the labor of a detailed analysis of the entire report of the Commission. The following 50 pages are far shorter and less involved than any other description of the existing rate structures and rate-making process that has been discovered, including the descriptions in the Commission's report. It is impossible to make such a complicated, chaotic situation seem logical or simple, and it is hoped that the Court will agree with counsel that this section of the brief is indispensable to a full understanding of what the Commission was trying to accomplish.

THE EXISTING SYSTEM OF MAKING RAILROAD FREIGHT RATES

(1) *Relationship between classifications and class rates*

For a variety of reasons, some obvious and some rather nebulous, railroads charge different prices for handling different commodities. Since many thousands of different commodities are handled, it has traditionally been found convenient to group them into classes, those commodities in each class paying the same freight rate per 100 pounds. If freight rates increased in arithmetical progression by distance and volume, i. e., if the price for a 100-mile shipment were always ten times the price for a 10-mile shipment, and if the price for shipping 50,000 pounds were always ten times the price for shipping 5,000 pounds, regardless of method of packing, etc., the publication of freight rate tariffs would be relatively simple. If these conditions applied, the freight tariffs could consist merely of lists of the commodities assigned to each class, and the rate per mile for transporting 100 pounds of any commodity in each of the classes. However, none of these conditions exists; therefore, to avoid the necessity of publishing gigantic tariff publications containing every charge for every different commodity for every possible distance and for every possible volume and packing, one class of commodities has been designated as the standard class and called first class, or Class 100 (100%), and each other class has been fixed as a percentage, or a multiple, of first class. The kind of freight classification involved in this proceeding consists, then, of a list containing a description of every commodity moving by freight, and the class or classes to which it is assigned, i. e., its classification rating or ratings[3] (one commodity usually has more than one rating, depending upon volume and conditions of shipment), each rating indicated by a number, letter, or number-letter symbol. In the classification is also a statement of the regulations governing the carrier-shipper relationship, packing specifications, and minimum weights applicable to freight shipments. This whole document is called the classification.

Neither the classification nor the individual ratings in it tells the shipper what he must pay for any shipment. The cost of shipment will depend on the *class rates,* which, although subject to numerous and complex variations, are published separately in the form of a schedule containing the price per 100 pounds for moving *first-class* freight each possible distance it may be moved. Thus, to find out what a given shipment moving on class rates will cost, the first step is to look up the article in the classification, discover its classification rating therein (for the volume and under the conditions involved), then to look in the class rate tariff for the cost of shipment for the distance involved per 100 pounds at the first-class rate, and then to apply the percentage rating to the first-class rate. This is over-simplification, but it shows the relationship between the *classification*, the *rating*, the *class rate*, and the *cost of shipment*, and what each of these terms means as used in this brief.

---

[3] Which assign the articles to standard percentages of first class.

(2) *Freight classification ratings*

A classification serves two purposes: First, as the pattern for the whole rate structure, classification being the foundation or cornerstone of rate making; and second, to prescribe ratings fixing the percentage of the first-class rate to be paid for the actual movement of class rate freight traffic. *Suspension of Western Classification,* 25 I. C. C. 442 (1912). Classification undoubtedly originated as a convenience both to carriers and to shippers, but because of its importance, Congress in the original Interstate Commerce Act made classification a legal obligation. Section 1 (4) of the Act provides that it shall be the duty of the common carriers to establish just and reasonable classifications applicable to freight rates and charges, and Section 1 (6) prohibits every unjust and unreasonable classification. Section 3 (1) prohibits discrimination in classification. Section 15 (1) requires the Commission to prescribe just, fair and reasonable classifications, after a finding that existing classifications are unlawful.

All of Part I of the report of the Commission (R. 62, 71–127) is devoted to the *Consolidated Freight Classification* case, Docket No. 28310; and the Commission's conclusions and ultimate findings on this subject (R. 116–127). Appellants in their petitions have attacked these classification findings (R. 1, 28–30, 833, 843, 848–9) and the necessity of meeting this attack is one reason why classification is dealt with at some length in this brief, even though the Commission's order was confined to class rates (except to the extent that the order incorporates, by reference, the report containing the classification findings and directions). However, apart from this incorporation by reference, there is another compelling reason why classification constitutes an essential part of this brief; namely, that classification is so inextricably interrelated to class rates that in the *Class Rate Investigation, 1939,* Docket No. 28300, it was found impossible, as a practical matter, to deal with class rates without also dealing with classifications. These two investigations were therefore ordered and conducted simultaneously and as one. Nor could classifications be dealt with separately (R. 71). As the Commission said in its report:

> Although the proceeding in No. 28310 brings in issue only the classifications, discussion of the differences as between them in ratings would be purely academic without indicating in some degree the effect they have upon the rates in the various territories. A rating must be complemented by a class rate, and vice versa, in order to give substance to either (R. 88).

From the foregoing discussion it might have been assumed that all freight traffic moves on class rates. Actually, there are three other kinds of rates on which far more freight traffic moves; and, because these other three kinds, although not directly involved in this case, are so related to class rates that they will be frequently discussed below, they require identification and definition (R. 177).

Exception rates result from the transfer of a commodity out of its regularly assigned class in the classification and into another class for one reason or another—because someone has felt this traffic should be treated differently (usually more favorably), and on an exception basis.

Commodity rates are special rates set up for particular commodities which take them entirely out of the classes to which they were originally assigned or any other class. Thus commodity rates bear no class number or letter symbols, and have no percentage relationships to first-class rates.

Column rates generally are like commodity rates in that they apply only to particular commodities and have no class number or letter symbols, but they are like class rates in that they are fixed as definite percentages of first-class rates.

The theory of rate making thus is that every commodity which may move by freight originally is described in the classification and assigned to one of the classes, but that, because of special situations, it is sometimes considered necessary to give special treatment to certain traffic, ranging from a small segment representing a short haul between particular points for one commodity of one manufacturer, to all the traffic in a group of commodities throughout an entire territory. When such a variation has been decided on, it may be set up and published in any one of these three ways, i. e., as an *exception rate*, a *commodity rate*, or a *column rate*.

In the early days of railroads, classification of freight was patterned after that used for boats and wagons, and did not follow any definite standards, each road having its own practice. Usually only a small variety of traffic moved on any one short railroad, so the needs for freight classification were rather simple. One railroad might designate its traffic as "light goods," "heavy goods," "case goods," "logs," and "whiskey"—a far cry from the modern freight classification containing over 20,000 ratings.

According to an estimate, there were at one time in Eastern Trunk-Line Territory,[4] alone 138 systems of freight classification, each made up for the rail line to which it applied.[5] The increased interchange of traffic between railroads called for systems of classification more comprehensive than those applying to a single railroad.[6] Often a number of different classifications were in effect on one railroad: one for local traffic; one for joint traffic (involving another railroad) in one direction, another for the opposite direction; and one or more applying to traffic moving to or from a particular section of the country. *Suspension of Western Classification,* 25 I. C. C. 442 (1912).

This multiplicity of classifications caused great confusion. It was difficult for the railroads accurately to quote rates on a shipment moving over a route composed of several railroads, and shippers often were forced to pay higher charges than anticipated because of the differences in classification between rail lines. The need for more nearly uniform freight classification was acute. With the passage of the Interstate Commerce Act of 1887, a stimulus was provided for uniformity in freight classification, because by the Act unjust discrimination was made unlawful.

---

[4] Roughly, the Middle Atlantic States and West Virginia. See map opposite page 18.

[5] *Suspension of Western Classification*, 25 I. C. C. 442, 443 (1912).

[6] *Second Annual Report of the Interstate Commerce Commission*, 2 I. C. C. 268 (1889).

Establishment of the Official Classification was the most important early move in regional classification uniformity. Despite the large number of classifications in effect within the territory east of the Mississippi and north of the Ohio and Potomac Rivers, a committee appointed by the railroads in that area on February 18, 1887, "with a zeal and pertinacity unprecedented,"[7] finished its work on March 1, 1887, after only eleven days, of consolidating the numerous classifications into one classification, which became effective with the Act on April 1, 1887.[8]

A classification of limited application had been adopted in 1883 by a few of the Western railroads, and another classification by some of the Southern railroads in 1875,[9] but approximately 50 classifications were still in effect in the United States in 1886. The differences between these three major territorial classifications were then, and still are, fundamental and varied.[10]

---

[7] *Fifth Annual Report of the Interstate Commerce Commission*, 3 I. C. C. 768 (1891).

[8] 2 I. C. C. 269.

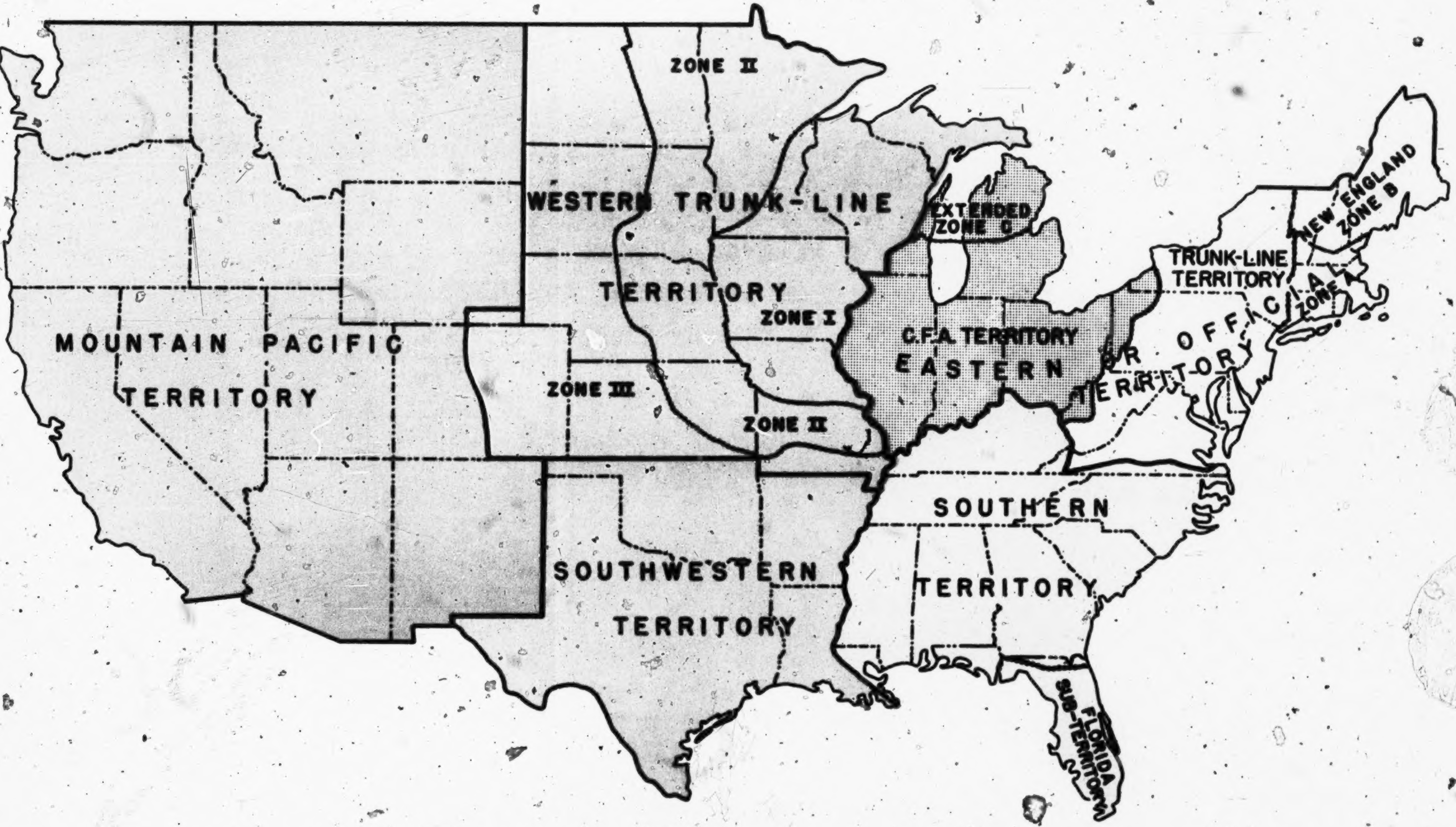
[9] *Eleventh Annual Report of the Interstate Commerce Commission* (1897), p. 62.

Since Congress and the Interstate Commerce Commission were and are dealing with a national economy rather than a regional economy, it was naturally to be expected that under the direction of the Commission, national classification uniformity would quickly follow the enactment of the Interstate Commerce Act in 1887, especially after the experience of the Eastern carriers in 1887 in bringing about substantial classification uniformity in the East in a matter of a few days. The Commission in its First Annual Report to Congress (1887) commended the work of the railroads in reducing the great number of classifications then in effect, but emphasized the necessity of a single classification for the entire country. In many subsequent annual reports, the Commission made it clear that it expected the carriers to take the initiative, and that it considered national classification uniformity a feasible and essential step. Early unification efforts are described in some detail in *Western Classification* case, 25 I. C. C. 442, 459 (1912).

The expectations of the Commission proved themselves unjustified. It was more than 30

---

[10] The map opposite this page is a rate territory map rather than a classification map, but it also indicates the classification territories. Official and Southern rate territories are roughly coextensive with their classification territories. Western classification territory embraces the entire area west of the Mississippi River.


ZONE II
WESTERN TRUNK-LINE TERRITORY
ZONE I
ZONE III
ZONE II
MOUNTAIN PACIFIC TERRITORY
EXTENDED ZONE C
C.F.A. TERRITORY
EASTERN OR OFFICIAL TERRITORY
TRUNK-LINE TERRITORY
NEW ENGLAND ZONE B
ZONE A
SOUTHERN TERRITORY
SOUTHWESTERN TERRITORY
FLORIDA SUB-TERRITORY

MAP OF RAILROAD FREIGHT RATE TERRITORIES

ITRUST DIVISION
PRESENTATION SECTION

years after the Interstate Commerce Act was passed before any real progress was made in classification uniformity. In 1919, the Commission and the Director General of Railroads together succeeded in bringing about classification uniformity in rules, descriptions, packing specifications, and minimum carload weights, and in having the three major classifications (Official, Southern, and Western) physically published in one book, the Consolidated Freight Classification, instead of three. However, this uniformity, while important, did not touch the really fundamental question of uniformity in classification ratings, so it had no real effect on class rate uniformity, but was confined to eliminating some of the chaos which had existed at the periphery of the classification unification problem. *Consolidated Classification Case,* 54 I. C. C. 1 (1919).

Finally, in 1925, the Commission decided to wait no longer for the carriers to act. Appropriately enough, it was in an investigation of class rates (*Southern Class Rate Investigation,* 100 I. C. C. 513 (1925)) that the Commission for the first time prescribed uniform percentage relations between the ten classes then in existence in Southern Territory, and two additional classes created by the Commission. Similar action was taken for the Southwest in 1927 (*Consolidated Southwestern Cases,* 123 I. C. C. 203); for Western Trunk-Line Territory in 1931 (*Western Trunk Line Class Rates,* 164 I. C. C. 1); and in the same year for Official Territory (*Eastern Class Rate Investigation*, 164 I. C. C. 314).

In the *Consolidated Southwestern Cases, supra*, the Commission, at page 398, made this rather plaintive progress report:

> For years we have endeavored to promote uniformity in classifications. Except for unification of rules and commodity descriptions, the progress in that direction has not been encouraging. * * * So long as vital differences in classification exist it is impossible to bring about uniform class percentages throughout the country, but, on the other hand, until the class percentages are made more nearly uniform, progress toward uniform classification is impeded.

All the Commission had been able to do up to 1939 had been to attempt further to clean up, territory by territory, the classification uniformity problems *within* the separate territories. Nothing very important had been accomplished in 52 years in formulating national classification uniformity in connection with ratings. The only national uniformity achieved had been the nonrating progress in 1919 (which, after all, had no real bearing on the rate structures), and the substantial unification of ratings in Classes 1, 2, and 3 in 1936 (R. 117). Progress had been largely confined within the separate regions. This, however, did have the advantage of being a logical and necessary preliminary to national uniformity.

In 1939, there were three major classifications, just as there had been in 1887. The differences between these classifications, and their relationships to each other, are illustrated by the following table (which also includes the separate Illinois classification, a further complication):

Percentage relations of regular classes prescribed, and columns required to be published in class rate tariffs. (R. 88)

Rate column (percent of first class)	Official	Southern	Western Trunk-Line and Southwestern	Illinois	Rate column (percent of first class)	Official	Southern	Western Trunk-Line and Southwestern	Illinois
	Class	*Class*	*Class*	*Class*		*Class*	*Class*	*Class*	*Class*
100	1	1	1	1	32.5			B	B
92.5					30		8	C	
85	2	2	2	2	27.5	6			6, C
77.5					25		9		
70	3	3	3	3	22.5		10	D	D
65					20		11		E
60					17.5		12	E	
55	R26	4	4	R26	16				
50	4			4	15				
45		5	A		14.5				
42.5					13.5				
40		6		A	13				
38					12.5				
37.5			5	5	12				
35	5	7			8.5				

From this table it may be observed that articles are classified in Official, Illinois, Southern, and Western Classifications, respectively, into 7, 12 (or 11, since classes 6 and C are the same percentage of first class), 12, and 10 *regular* numbered or lettered classes. In addition, there are 7 regular classes not shown in the table; namely, 1¼, 1½, 1¾, 2, 2½, 3, and 4 times the class 100 or first-class rates. Besides the regular classes described above, there are in Official, Southern, and

Western Classifications, respectively, 16, 14, and 12 additional classes that are stated in percentages of class 100, of which 3, 5, and 3 classes, respectively, are the same percentage of class 100 rates as are certain regular classes in these classifications (R. 82).

The total of all classes, namely, those above class 100, regular (numbered and lettered), and percentage, in Official, Southern, and Western Classifications, are 27, 28, and 26, respectively, counting equivalent regular and percentage classes as one.

In the Consolidated Freight Classification (analyzed in Ex. 167, R. 10469, 3780) as of August 3, 1942, 20,916 sets of ratings then in effect were listed (R. 83). Some, slightly over one-third of the carload ratings, were uniform in the three classifications, but the balance of all carload ratings represented differences between the three territories, and almost one-fourth of the total carload ratings were unlike in any two of the classifications.

The ratings are subject to numerous substantial variations, inconsistencies, and disparities, especially carload ratings. The great bulk of the article items are concentrated in comparatively few classes, and some classes contain no items at all, or only 1, 2, or 3 items. For example, as to less-carload ratings, on items rated class 50 in Official, the ratings in Southern range from classes 30 to 70, and in Western from classes 55 to 85; on items rated class 70 in Southern the ratings range from classes 50 to 100 in Official, and from classes 55 to 85 in Western; and on items rated class 55 in Western the ratings range from classes 40 to 100 in Official, and from classes 30 to 100 in Southern.[11]

Still greater variations, relatively, are presented in the carload ratings,[12] of which the following are examples: On items rated class 35 in Official, the ratings in Southern and Western both range from classes 17½ to 55; on items rated class 40 in Southern, the ratings in Official range from classes 27½ to 70, and in Western, from classes 17½ to 40; and on items rated class 45 in Western, the ratings in Official range from classes 27½ to 85, and in Southern, from classes 30 to 55. Out of 10,648 carload ratings, 4157 in Southern and 5107 in Western are higher than in Official, and 1376 and 1019, respectively, are lower.

There is no consistency in the assignment of ratings on the same article as between less-carloads and carloads. On a given item, one classification will provide the same rating for less-carloads as for carloads, but in the other classifications, the ratings for carloads will be lower (or perhaps higher) than for less-carloads. A uniform carload rating and minimum weight will be stated in all three classifications for a num-

---

94

[11] See table on p. 92, *infra.*

[12] See tables on pp. ~~[illegible]-90~~, *infra.*

93, 95

ber of other items, indicating similar transportation characteristics, but the variations in their less-carload ratings, are for example, from class 55 to class 100, and from class 70 to class 250. Although the less-carload and carload ratings are the same on many items, on the great majority of them the former are higher than the latter, and often extremely wide spreads occur, counting regular ratings. For example, in Southern and Western Classifications, the spreads are from class 17½ to class 100, meaning that the less-carload ratings are up to 471 percent higher than carload ratings.

These differences, of course, show up even more in the rates themselves than they do in the ratings. Even where the ratings are the same, the rate effect differs substantially, because of the variances in territorial rate levels. Thus, the 616 articles rated class 55 in less-carloads in the Official Classification, which move at a rate of 44 cents for 200 miles in Official Territory, are rated from classes 40 to 85 in Southern Classification on which the rates for 200 miles are from 45 to 95 cents in Southern Territory. The same articles are rated from classes 55 to 85 in Western Classification, on which the rates for 200 miles in Western Trunk-Line Zone I[13] range from 53 to 82 cents.

---

[13] The rate territories, as distinguished from the classification territories, are shown on the map opposite p. 18, which also shows rate territory zones and other subdivisions. The latter are explained in the next section of this brief.

To illustrate the glaring failure of the carriers to act toward simplification, it might be noted that they have not even simplified the classifications to the extent this would be possible without actually changing the relations or the substance of the ratings, where the only difference between the three major classifications on a particular article is in nomenclature. For example, Rule 26 in Official Classification is 55 percent of first class, and fourth class in Southern and Western Classifications is also 55 percent. In the three classifications there are also a number of other ratings which are simply 55 percent of first class. If the same term were used in the three classifications for all such ratings, there would be both apparent and actual uniformity of 565 less-carload and 1708 carload ratings, where at present there are apparent but not actual differences.

The real problem caused by different territorial classifications comes, of course, in the making of interterritorial rates.[14] With the differences already noted between these classifications, and between the rate levels, as well, of the several territories, it is readily apparent what a complicated situation exists in interterritorial rate making. Not only are the rate levels different and the articles assigned to different classes; the classes frequently have different identification symbols, or the same identification symbol represents classes having different percentage relationship to first class or to other classes. Sometimes a direct route goes through all three classification territories. Sometimes a classification has been prescribed on the destination territory principle. Thus, different rates exist in opposite directions between the same points, and over the same routes, on classes that do not bear like percentage relations to the corresponding first-class rates between the territories concerned (R. 73–74).

---

[14] Generally speaking, the Official Classification applies within Official Territory and from Western Trunk-Line Territory to Official. The Southern Classification applies within Southern Territory, between Official and Southern, and from Western Trunk-Line to Southern. The Western Classification applies within Western Territory, between Southwestern and Official, between Southwestern and Southern, from Official to Western Trunk-Line, between Mountain Pacific and Official, from Southern to Western Trunk-Line, and between Mountain-Pacific and Southern (R. 73).

A concrete example[15] will illustrate this situation. In 1939, the Commission ruled that stoves should move from Southern to Official Territory on the Official level of rates. Stoves in carloads within Official Territory generally move on 35 percent of first-class, which, for a 400-mile haul, would mean a rate of 38 cents per 100 pounds. However, the interterritorial level of rates between Southern and Official territories is considerably higher than within Official; namely, 135 percent of the Official rate, or 51 cents for the

---

[15] *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255 (1939); 237 I. C. C. 515 (1940).

400-mile haul. Therefore, the Commission tried to bring the northbound interterritorial rates down to the Official level by giving stoves the classification rating of 25.5 percent of first class for the haul.

This method could not bring about uniformity, because shippers with only a small portion of the interterritorial haul in Southern Territory and a large part of it in Official, obtained a rate lower than the Official level, while in the opposite situation shippers with a small portion of the interterritorial haul in Official Territory and a large part in Southern, obtained a rate higher than the Official level. Uniformity is an impossibility when the only method available is to adjust the classification ratings on interterritorial rates, where the classifications and rate levels differ between the territories involved. Therefore, the Commission finally prescribed both the Official Classification and the Official rate scale for the north-bound movement of stoves from Southern to Official Territory. Obviously, if the Commission, after more than 50 years' experience in rate making, is obliged to go through a complicated and cumbersome procedure like this for each of the tens of thousands of rate problems which may be presented, the time is ripe for some simplification of the system.

Two more factors deserve consideration. First is the apparent impossibility of ever achieving classification uniformity without having classification ratings assigned on a national basis. The factors which should enter into decisions about which class to put a particular item in are the subject of general agreement,[16] but the question of which factor, or factors, should be given greater weight than others, is a matter for individual judgment. An elaborate study which was introduced in evidence (Exs. 38–45, R. 6745–6818, 1929), makes it plain that no classification formula which would be administered by different territorial classification committees could ever hope to achieve uniformity.

The remaining point is the readily demonstrable fact that the carriers have shown such an aversion to the classification ratings, after their intraterritorial unification, that the class rates have become largely obsolete for practical purposes. In the *Eastern Class Rate Investigation, supra,* the Commission set up the class rate tariffs for Official Territory in terms of 23 percentage relationships to first-class rates, in addition to the 7 regular classes, with the objective of providing not only intraterritorial uniformity but also a "proper degree of flexibility" (164 I. C. C. 372). However, the railroads have carried these percentages into the several classifications only to a slight extent for the purpose of providing classification ratings additional to those of the regular classes (R. 349–50). Flexibility, when considered necessary, has all but invariably been accomplished by making an exception to the classification, thus removing the commodity from the classification for rate-making purposes, rather than giving it a rating of a percentage of first-class (R. 88). Most of the percentage relations have not been used in the Official Classification at all, and where these percentages have been used for rate making, resort has been had to the device of removing the commodity *pro tanto* from the classification and assigning it a rate in a special tariff (R. 2229–30).

---

[16] Weight, value, damage risk, degree of care necessary, packing, competitive relationship to other articles, commercial conditions, and units of sales, volumes, etc. (Ex. 69, R. 7739–44, 2234, 2283).

(a) Commission's classification findings

The conclusions and findings of the Commission on classification of freight (R. 116–27) may be summarized as follows: The existing classifications are unlawful and will continue unlawful until national uniformity of classification is achieved; the present limited classification uniformity is more theoretical than real and has been made more so by the constantly increasing exception ratings, which have made the classifications outmoded; the same classification principles apply everywhere, and where differences in geographic conditions produce widely divergent costs, revenue needs, or other factors requiring specific rate adjustments, these adjustments should be made in the rate levels, or by legitimate exceptions to the classification, rather than in the basic classification itself; the rigid territorial boundaries separating classification territories are artificial rather than real, and cause serious complications in border areas, especially in connection with joint, through, interterritorial rates which have been becoming increasingly important since 1928;[17] if the same classification rating can apply in a single area which includes regions so dissimilar as Maine and Southern Illinois, both of which are in Official Territory, or Florida and Kentucky, both of which are in Southern Territory, as at present, a single classification could apply with equal appropriateness throughout the United States; abundant evidence had been offered that shippers in one territory pay more than shippers in another territory on the same article, to a large extent because of classification differences, and this evidence was sufficient to support the decision that national classification uniformity is essential, without the necessity of examining every one of the more than 20,000 separate ratings; there is no real uniformity of classification ratings below

---

[17] Before 1928, interterritorial class rates involving more than one carrier were largely combination rates, i. e., made by adding up the rates charged by each carrier. With the intraterritorial class rate revisions, these through rates became largely joint rather than combination rates, i. e., they were built on the rate base of one or more of the territories (R. 1943-4).

Class 3, and without such uniformity it is impossible to maintain a just and reasonable relationship between class rates as between competing commodities; it is entirely feasible for the railroads to establish a uniform classification; and exceptions to the classification will be permitted when necessary, when they will not tend to impair general classification uniformity.

The Commission gave the railroads the opportunity to take the initiative in preparing the new, uniform classification, and they have stated that they will do so (R. 841). This commitment does not, of course, make classifications less important in this proceeding, because the Commission found that the class rate revision was dependent on classification revision, and *vice versa*. See p. 13, *supra*.

The opposition before the Commission to a uniform classification seemed to center on the unfeasibility of the undertaking. The Commission had before it the results of a previous investigation indicating that the classification differences within Official Territory prior to 1887 were at least as difficult and complicated, as between the three subdivisions of Official Territory at that time, as are the differences between the present three territories, Official, Southern, and Western. *Fifth Annual Report of the Interstate Commerce Commission*, 3 I. C. C. 768 (1891). If those differences in Official Territory could be satisfactorily resolved within 11 days in 1887, surely the resolving of the differences between the three major territories today, with the added experience of over fifty years, is not an undertaking beyond the bounds of possibility. In any event, the Commission found feasibility as a fact. (R. 125.)

(3) *Class rate structures*

As explained above, neither the classification alone, nor the class rate alone, makes the cost of the shipment. Also, as already noted, classification uniformity *within* territories has proceeded largely hand in hand with class rate structure uniformity *within* territories. However, whereas there are only three classifications and classification territories,[18] with no further subdivisions, there are five major rate territories. Two of the major classification territories, Official and Southern, have boundaries practically co-extensive with the rate territories bearing the same names. The third, Western Classification Territory, consists of the area west of the Mississippi River, in which three rate territories are located: Western Trunk-Line, Southwestern, and Mountain Pacific. The rate territories are indicated on the map opposite page 18.

The railroad freight rate structure of the United States has developed on a localized basis like a patchwork quilt, with each locality or railroad starting with a different level and scheme of rates. Particularly is this true of class rates. The localities and railroads have grown and merged into fewer levels and schemes, until they finally reached the territorial boundaries, but the crossing of these boundaries to achieve national uniformity had to await these proceedings.

---

[18] Except Illinois, which requires no further separate treatment.

The present class rate structure in each of the rate territories here involved is the result of a separate comprehensive investigation conducted by the Commission for each territory. These investigations brought a degree of order to the class rate structure on a regional basis, but no attempt was made to harmonize or relate the regional rate adjustments one to another. A brief description of the intraterritorial class rate adjustments or structures (rates applying *within* each territory) will first be given, and then the interterritorial class rate adjustments or structures (rates applying *between* rate territories).

(a) Intraterritorial class rates

(i) *Within Official Territory.*—This territory lies roughly east of the Mississippi River and north of the Ohio and Potomac Rivers, including most of Virginia. The class rates originally prescribed for it by the Commission became effective in 1931.[19] Prior to that investigation, Official Territory had three rate structure subdivisions: New England, Trunk-Line, and Central Freight Association territories.

---

[19] *Eastern Class Rate Investigation*, 164 I. C. C. 314 (1930), with supplemental decisions at 171 I. C. C. 481; 177 I. C. C. 156; and 203 I. C. C. 357.

New England comprised the six New England States. Trunk-Line Territory lay west of New England and the Atlantic Coast and extended as far west as the so-called Buffalo-Pittsburgh line.[20] Central Freight Association Territory, also known as C. F. A. or Central Territory, lay west of Trunk-Line Territory. Each had a different rate structure, concerning which the Commission has stated: "The rate structures in effect within and between the three subdivisions of Official Territory have grown up independently of each other and for the most part with little common resemblance."[21] That "the class rates between New England and Trunk-Line Territory are difficult to describe because they are not based upon any definite principle"[22] shows with what a heterogeneous array of rates the Commission was obliged to deal in the *Eastern Class Rate Investigation.*

As a result of the investigation, a single new class rate structure was prescribed for the whole

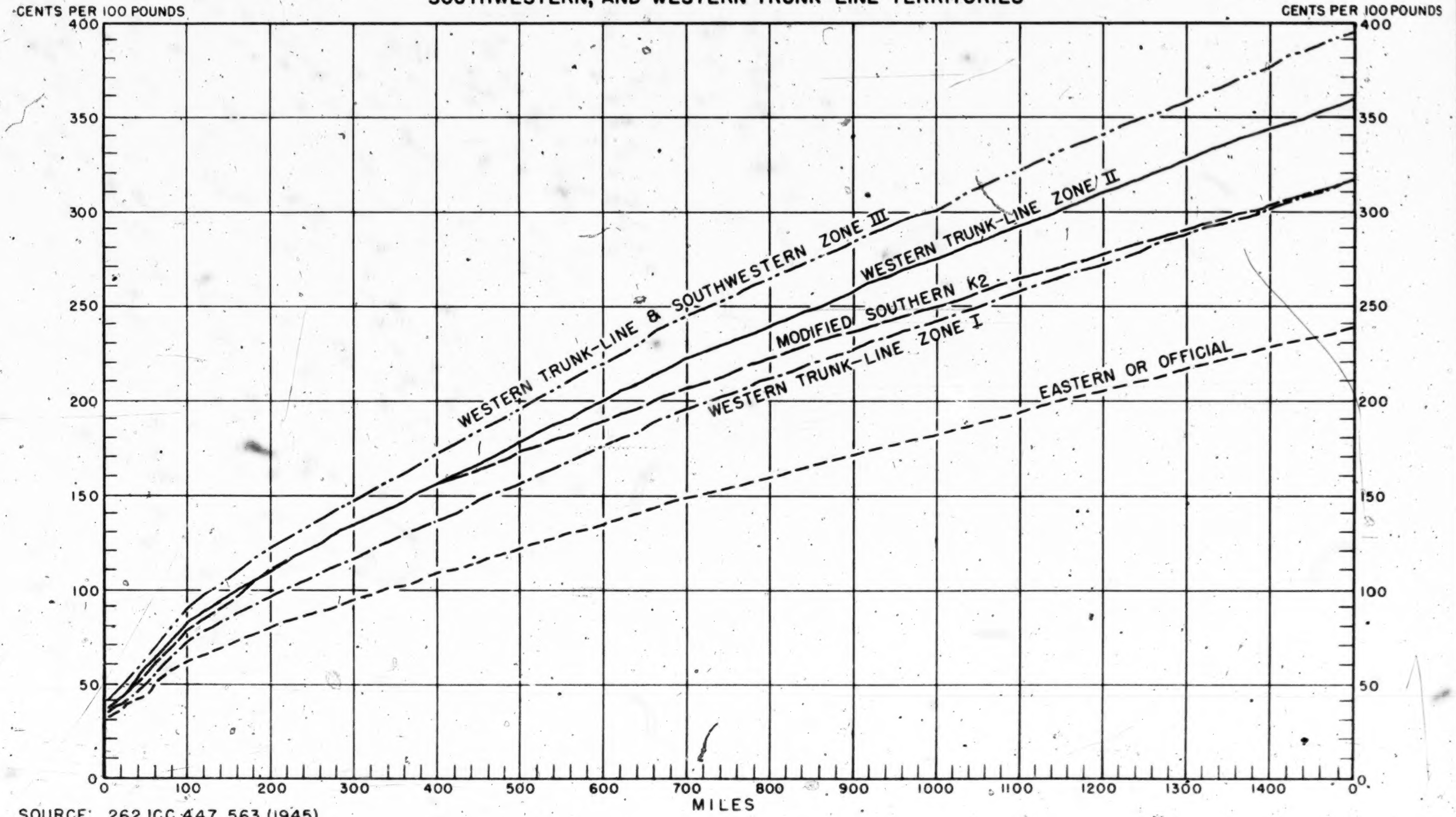
---

[20] Running through Buffalo and Salamanca, New York; Warren, Oil City, Pittsburgh, and Washington, Pennsylvania; Wheeling, Parkersburg, Charleston, and Gauley, West Virginia.

[21] 164 I. C. C. 323. For a discussion of the rate history of Official Territory when it was composed of three subdivisions see 164 I. C. C. 323–35.

[22] 164 I. C. C. 332.

INTRATERRITORIAL FIRST CLASS RATE SCALES IN OFFICIAL, SOUTHERN, SOUTHWESTERN, AND WESTERN TRUNK-LINE TERRITORIES



SOURCE: 262 ICC 447, 563 (1945)

of Official Territory, with somewhat higher rates for New England and a part of Central Territory designated as Zone C. The basic scale of first-class rates (known as a mileage or distance scale of rates) declared to be maximum reasonable rates started with a rate of 30 cents per 100 pounds for distances of 5 miles or less. In the first 100 miles the rate increased from the initial 30 cents to 56 cents. From 100 to 200 miles the increase was 17 cents; from 200 to 300 miles, 14 cents; from 300 to 700 miles, 12 cents for each 100 miles; and thereafter 10 cents for each 100 miles, to 1,500 miles. Comparative levels and progressions of the first class rates *within* each of the major rate territories are shown in the chart on the opposite page. In figuring distances, the shortest routes over which carload traffic can be moved without transfer of lading from one car to another were to be used.

The Commission prescribed a definite relation of the rates on lower classes to first class. These 23 columns bearing a percentage relation to first class rates were required: *100,* 92.5, *85,* 77.5, *70,* 65, 60, *55, 50,* 45, 40, 37.5, *35,* 32.5, 30, *27.5,* 25, 22.5, 20, 17.5, 16, 14.5, and 13. The percentages in italics represent those for the seven regular classes now observed in Official Classification, and correspond to classes 1, 2, 3, R26, 4, 5, and 6, respectively.

In New England, on the ground of varying transportation conditions, higher rates than the basic scale were prescribed. Two areas or zones were set up: Zone A, comprising southern New England, and Zone B, comprising Northern New England.[23] The scale for Zone A was 5 percent higher than the Official scale; that for Zone B was about 15 percent higher. On traffic moving between these zones the Zone A scale applies, with the addition of other so-called arbitraries for the distance traversed in Zone B. These latter arbitraries, averaging about 8.8 percent of the Official scale, were used in making rates between Zone B and Trunk-Line Territory. Between Zone B and other parts of Official Territory no arbitratries were added, nor were any arbitraries added for *any* other movements to or from Zone A.

Zone C originally comprised most of the northern part of the southern peninsula of Michigan. For distances in Zone C, arbitraries equal to 10 percent of the basic Official scale were added to the rate for the entire distance under the basic scale. Zone C was extended to include a strip of Wisconsin along Lake Michigan;[24] consequently, the territory is often referred to as "Extended Zone C".

---

[23] New England zones roughly are divided by a line drawn through Windsor, Vt., Concord, N. H., and Portland, Me., the portion south of the line being designated Zone "A" and north of the line Zone "B".

[24] *Western Trunk-Line Class Rates*, 164 I. C. C. 1, 211 (1930).

In addition to the special treatment afforded New England and Zone C, arbitraries were prescribed for thin-traffic branches of standard lines and for a number of weak and short-line railroads.

Although the class rate system prescribed for Official Territory was on a distance, or mileage, basis, a certain amount of grouping of points was found desirable, to which "key-point rates" were applied. Key-point rates apply between the larger centers of population and industry, with which are grouped less important contiguous points in order to make logical groups. These key rates are less than rates that would result from application of the basic distance scale.

(ii) *Within Southern Territory.*—Southern Territory lies south of Official Territory and east of the Mississippi River. The class rates within Southern Territory became effective in 1928.[25]

The class rate structure in Southern Territory, before this adjustment, was a hodge-podge of rates built around the old basing point system, under which small points having no competitive advantage paid rates consisting of the through rate to the basing point plus the local rate from the basing point to the small town having no competitive advantage of water service or railroad competition. Progress had been made in correcting abuses, but the Commission said of the Southern Territory rate structure prior to revision, "great inconsistencies prevail."[26]

---

[25] *Southern Class Rate Investigation*, 100 I. C. C. 513 (1925), with supplemental decisions at 109 I. C. C. 300; 113 I. C. C. 200; and 128 I. C. C. 567.

A distance scale of first-class rates, designated as maximum reasonable rates, was prescribed for use, with certain exceptions, throughout the territory. In figuring distances for applying the scale, the Commission required use of the shortest rail routes over which carload traffic can be moved without transfer of lading.

The class rate scale finally settled upon is known in transportation parlance as the "K–2" scale. It began with a rate of 34 cents for 5 miles or less. The rate of progression was 42 cents in the first 100 miles; 26 cents from 100 to 200 miles; 20 cents for each 100 miles from 200 to 400 miles; 15 cents for each 100 miles from 400 to 800 miles; and 12 cents for each 100 miles thereafter to 1,500 miles. Later, following a Commission decision on class rates in North Carolina,[27] the Southern railroads voluntarily changed the class rates throughout Southern Territory to conform with those established in North Carolina, resulting in lower rates on distances up to 190 miles.

The Commission required that there be twelve classes, including first class, bearing the following percentage relationships to first class: 100, 85, 70, 55, 45, 40, 35, 30, 25, 22.5, 20, and 17.5. These classes appear in the Southern Classification, and are designated as Class 1 through Class 12, respectively.

---

[26] 100 I. C. C. at 532. For a rate history of Southern Territory prior to the *Southern Class Rate Investigation* see 100 I. C. C. 520, *et seq.*

[27] *Class Rates within the State of North Carolina*, 238 I. C. C. 225 (1940); 248 I. C. C. 479 (1942).

Three departures were made from the single basic scale of class rates prescribed for Southern Territory. First, special treatment was given Florida on the theory that the peninsula had little "overhead"' traffic, which is traffic moving through the area that does not originate or terminate there. To allow additional revenue to the railroads operating in Florida, the Commission set up a scale of arbitraries, equal to about 15 per cent, to be added to the basic rate scale. Unlike the New England arbitraries (p. 36, *supra*), the Florida arbitraries applied to *all* movements.

The second departure from use of the basic scale within Southern Territory was between points in Virginia and North Carolina not covered in the general investigation. Subsequently a scale of rates was prescribed for use between points in Virginia in Southern Territory (Virginia points south of the Virginian Railway) and points in North Carolina.[38] The scale, known as the Virginia-Carolina scale, started with the same rate as the basic scale, but from 15 to 200 miles the rates were less than the basic scale. The scales became identical at 200 miles and remained so up to 400 miles, after which the Virginia-North Carolina scale was higher up to 600 miles, where it ends.

---

[38] *North Carolina Corporation Commission* v. *Akron, Canton & Youngstown Ry. Co.*, 213 I. C. C. 259 (1935).

The third departure allowed from the application of the single basic class rate scale in the South was for the benefit of weak and short-line railroads. Aside from the Norfolk & Southern Railroad, which was allowed the use of the Florida arbitraries for distances on its own line, these railroads were allowed to adopt such arbitraries as were deemed necessary and then to apply to the Commission for approval. Relief was granted to many weak and short lines, virtually giving approval to the various scales of arbitraries proposed by these railroads.[29]

The Commission pointed out to all the Southern railroads that flexibility in application of the basic scale was desirable, and suggested that the railroads might make sparing use of groups of points as though they were single origins or destinations. The Southern Territory carriers have followed this suggestion, with a tendency toward larger and larger groups.

(iii) *Within Western Trunk-Line Territory*—This rate territory is located approximately between Official Territory and the Rocky Mountains.

---

[29] *Rates from, to, and between points in Southern Territory*, 191 I. C. C. 507 (1933).

The prevailing class rates within Western Trunk-Line Territory were originally formulated by the Commission in 1930[30] and became effective in 1931.

The early history of class rates in the territory discloses numerous and varying rate bases evolved piecemeal by the railroads since the early days of railroad expansion in the West. The rate structure has been the subject of complaints by every state regulatory commission in the territory.[31]

For Western Trunk-Line the Commission established three subdivisions, or zones, and later a fourth, irrelevant for present purposes. A scale of first-class rates designated by the Commission to be reasonable maximum rates was set up for each zone. With the Zone I scale taken as 100 per cent, Zone II was about 112 percent, and Zone III 120 percent. Zoning was utilized to build up to the extremely high level of class rates prescribed for Southwestern Territory adjoining Western Trunk-Line on the South.

Generally, the decision on Western Trunk-Line class rates raised rates in the eastern part of that territory and lowered them in the western part, bringing the levels slightly closer together. The Zone I first-class rates began at 32 cents for 5 miles or less, while Zone II began at 34 cents, Zone III at 36 cents, and Zone IV at 38 cents.[32]

---

[30] *Western Trunk-Line Class Rates*, 164 I. C. C. 1 (1930). Supplemental decisions include 173 I. C. C. 637 (1931); 178 I. C. C. 619 (1931); 181 I. C. C. 301 (1931); 196 I. C. C. 494 (1933); 197 I. C. C. 57 (1933); 204 I. C. C. 595 (1934); 210 I. C. C. 312 (1935); 246 I. C. C. 119 (1941).

[31] For a brief history of these class rates see 164 I. C. C. 26–36.

As in other class-rate adjustments, distances were computed over the shortest rail routes over which carload traffic could be transported without unloading and reloading the freight.

There were 23 classes established with percentage relationships to first class as follows: *100*, 92.5, *85*, 77.5, *70*, 65, 60, *55*, 50, *45*, 40, *37.5*, 35, *32.5*, *30*, 27.5, 25, *22.5*, 20, *17.5*, 16, 14.5, and 13. The percentages in italics are the regular classes in the Western Classification, classes 1, 2, 3, 4, A, 5, B, C, D, and E, respectively.

A method of constructing rates for traffic movement through these zones, each with a different scale of rates, was, of course, necessary. This was done by taking the rate for the entire distance at the scale applying in the lowest-rated zone through which the rate-making distance was computed, plus the "zone differential"[33] for the next higher zone for the distance in that and higher zones, and so on for the full distance. To illustrate: If the distance between two cities in Western Trunk-Line is 600 miles, of which 150 miles is in Zone I, 350 miles in Zone II, and 100 miles in Zone III, the rate would consist of the Zone I rate for 600 miles, plus the Zone II differential for 450 miles, plus the Zone III differential for 100 miles. This method of building up a rate scale layer upon layer produces what is commonly called "a laminated scale". Obviously such a method builds up the class rates to higher and higher levels.

---

[32] *Western Trunk-Line Class Rates*, Sixth Supplemental Report, 204 I. C. C. 595 (1934).

[33] The zone differentials were prescribed by the Commission and represent the amount by which a rate in one zone exceeds the rate for the same distance in the zone next lower.

In Western Trunk-Line Territory, weak and short-line railroads were allowed to add arbitraries to give them additional revenue, as in other territories. A certain amount of grouping of origin and destination points was permitted, with the groups limited to a maximum diameter of 25 miles.

(iv) *Within Southwestern Territory.*—Southwestern Territory lies south of Western Trunk-Line Territory and west of the Mississippi River, and includes Arkansas, Texas, Oklahoma, and part of Louisiana. The structure of class rates in Southwestern Territory resulted from a decision of the Commission in 1927,[34] effective in 1928, plus over thirty supplemental reports, the twenty-first[35] of which revised the rates originally prescribed, and harmonized them with Zones III and IV of Western Trunk-Line. This became effective in 1937. Southwestern Territory thus was divided into Zones III and IV.

---

[34] *Consolidated Southwestern Cases*, 123 I. C. C. 203 (1927). The history of this rate structure begins at 123 I. C. C. 217.

[35] 205 I. C. C. 601 (1934).

It is unnecessary to explain the relationship between these two zones in Southwestern Territory, because effective in 1941 Zone IV was eliminated by the railroads with Commission consent (R. 2554), leaving the basic rate scale for the entire Southwest the same as Zone III in Western Trunk-Line Territory. Short-line distances were observed in the application of the rate scales, and weak and short lines were allowed the use of arbitraries.

The Commission, in the twenty-first supplemental report in the *Consolidated Southwestern Cases,* required the setting up of 26 columns of rates having the following percentage relationships to first class: *100, 85, 70,* 65, 60, *55,* 50, *45,* 42.5, 40, 38, *37.5,* 35, *32.5, 30,* 27.5, 25, *22.5,* 20, *17.5,* 16, 15, 13.5, 12.5, 12, 8.5. The percentages in italics are the ten regular classes provided in Western Classification, effective west of the Mississippi River.

(v) *Mountain-Pacific Territory.*—This territory is not included in the scope of the class rate investigation involved in this proceeding, so no description of its class rates is necessary here. The Commission has never made a comprehensive investigation of the class rates in Mountain-Pacific Territory, where rates still are made on a hodge-podge basis, comparable to the way rates were made in the other territories before their rates were established on regional bases as the result of the four major Commission class rate investigations described above.

(b) Interterritorial class rates

The preceding sections have dealt with class rates applying *within* the various rate territories, called intraterritorial class rates. Each territory has its own level and plan of these rates; consequently, the rate structures do not fit together at the boundaries and are unsuitable for moving traffic between territories.

A separate interterritorial rate structure applies between Official and Southern territories, another applies between Western Trunk-Line and Official, still another between Southern and Southwestern territories, and so on. These structures are extremely complex, and reflect the patchwork of numerous attempts to adapt the present class rate structures to what they are totally unsuited for—a national flow of traffic in the United States.

The object here is to describe in general terms representative interterritorial freight rate schemes and adjustments; no attempt will here be made to describe every interterritorial rate situation.

(i) *Between Southern and Official Territories*[38]

For the purpose of making class rates between these territories, Official Territory is divided roughly into two parts, divided generally by the Buffalo-Pittsburgh line (see p. 34, *supra*). The rates between the eastern portion of Official Territory and Southern Territory are on a different basis from those between the western part and the South.

Between Southern Territory and the area west of the Buffalo-Pittsburgh line, known as Central or C. F. A. (Central Freight Association) Territory, class rates are constructed according to a system established by the Commission in the *Southern Class Rate Investigation, supra.* These interterritorial rates are made by the joint use of two rate scales, the Southern K–2 scale (p. 38, *supra*), and the Q–1 scales of differentials, which are combined into the interterritorial K–2—Q–1 scheme.

To compute interterritorial rates under this scheme, the basic Southern Territory scale, K–2, is used for the distance within that territory to or from the point at which traffic passes from one territory to the other (known as a "gateway"). To this rate is added an additional amount, or differential, for the distance in Central Territory according to one of the Q–1 distance scales.

---

[38] From *Southern Class Rate Investigation*, 100 I. C. C. 513 (1925); 109 I. C. C. 300 (1926); 113 I. C. C. 200 (1926); 128 I. C. C. 567 (1927). The early history of these rates is given at 100 I. C. C. 550–566.

The Q–1 scales of differentials are four in number, and the scale used depends on the distance of the point of origin or destination in Southern Territory from the gateways. The highest differentials are applied if the origins or destinations in Southern Territory are 30 miles or less from the gateways. The next lower scale of differentials applies if the Southern origins or destinations are more than 30 miles from the gateways, but not more than 100 miles. The next lower scale of differentials applies on traffic to or from points more than 100 miles, but not more than 340 miles, from the gateways. The lowest scale of differentials applies if the Southern origins or destinations are more than 340 miles from the gateways. Thus for a distance of 200 miles in Central Territory, a first-class differential of 38 cents would be added if the Southern origin or destination were 30 miles or less from the gateway, 35 cents if it were over 30 and not over 100 miles from the gateway, 32 cents if more than 100 miles but not over 340 miles, and 28 cents if over 340 miles from the gateway.

The K–2—Q–1 interterritorial class rates are lower than the intraterritorial rates within the South for the same distances. This means that the shipper in Official Territory can ship to the South on a lower rate, mile for mile, than is available to the Southern Territory shipper for shipping within the South. Likewise, the Southern industry shipping to Official Territory is at a disadvantage when compared with the Official shipper moving his goods an equal distance within Official Territory, because the interterritorial scale is higher, distance considered, than the Official level of class rates (R. 2555–6).

The foregoing gives a general picture of the interterritorial rates between the western portion of Official Territory and the South. Left for consideration is that part of Official Territory east of the Buffalo-Pittsburgh line, made up of Trunk-Line and New England territories. The presence of joint rail and water service between this area and the South has depressed the rail rates, so the Commission has prescribed key-point rates between important points in New England and Trunk-Line territories, and groups of points in the South, lower than would result from applying the K–2—Q–1 formula (Ex. 88; R. 8137, 8144, 2578).

Between points in Kentucky, southern Virginia, North Carolina, and eastern Tennessee, known as "border territory", and Official Territory, there is a special adjustment of rates.[31] This gives a somewhat different basis from the K-2—Q-1 scheme. The general effect of this arrangement is lower rates between the border area and Official Territory—one of the piecemeal attempts to reduce the sharp differences in rates which otherwise would exist for contiguous points on different sides of the territorial boundary.

The all-rail and rail-water rates between New England and Trunk-Line Territories, and the South, were prescribed between the key points in New England and Trunk-Line Territory, and the rate groups in the eastern part of Southern Territory. There is no fixed differential relationship between the rail-water rates and the all-rail rates. Where the water distance is a large part of the through water-rail distance, the differential under the all-rail rate is considerable. As the rail portion of the haul increases, as it does to and from interior points, the spread decreases until it finally disappears.

---

[31] *North Carolina Corporation Commission* v. *Akron, Canton & Youngstown Ry. Co.*, 213 I. C. C. 259 (1935); *Commonwealth of Kentucky* v. *Ahnapee and Western Ry. Co.*, 213 I. C. C. 297 (1935); *East Tennessee Border Traffic Association* v. *Akron, Canton & Youngstown Ry. Co.*, 214 I. C. C. 316 (1936); and supplemental decisions in the combined dockets 218 I. C. C. 521 (1936), 229 I. C. C. 20 (1938), 231 I. C. C. 453 (1939).

(ii). *Between Western Trunk-Line and Official Territories*[38]

Between some of the western part of Official Territory, and Western Trunk-Line Territory, class rates are made on a mileage scale. The western part of Official Territory involved is made up of Illinois, the part of Wisconsin in Official Territory, Indiana, and Michigan except points in the southeast corner.

Class rates between this area (excluding Zone C)[39] and Western Trunk-Line are determined by applying a mileage scale, called the "basic scale," for the entire distance from origin to destination, and adding zone differentials for the distances in the various Western Trunk-Line zones, the laminated scale method described in connection with Western Trunk-Line zone class rates.[40]

---

[38] For a history of these rates see *Western Trunk-Line Class Rates*, 164 I. C. C. 1, 36–42 (1930). The interterritorial class rates between these two territories have been brought about by this decision and its supplements at 173 I. C. C. 637 (1931), 178 I. C. C. 619 (1931), 181 I. C. C. 301 (1931), 196 I. C. C. 494 (1933), 197 I. C. C. 57 (1933), 204 I. C. C. 595 (1934), 210 I. C. C. 312 (1935), and 246 I. C. C. 119 (1941); *Public Service Commission of Wyoming* v. *Atchison, Topeka & Santa Fe Ry. Co.*, 196 I. C. C. 413 (1933); *W. H. Bintz Co.* v. *Abilene & Southern Ry. Co.*, 216 I. C. C. 481 (1936), 218 I. C. C. 793 (1936); and *Great Falls Traffic Association* v. *Chicago, Burlington & Quincy R. Co.*, 226 I. C. C. 467 (1938), 235 I. C. C. 459 (1939).

[39] Between Zone C in Michigan and Wisconsin, and Western Trunk-Line, class rates are constructed as described here plus Zone C differentials as prescribed in the *Eastern Class Rate Investigation*, *supra*, subject to certain rates as maxima.

[40] *Supra*, p. 42.

An example will show how the laminated scale prescribed by the Commission is used: From point X in Official Territory to point Y in Western Trunk-Line Zone III the first-class rate is $2.57. The short line distance is 1,000 miles, of which 125 miles is in Eastern Territory, 200 miles in Western Trunk-Line Zone I, 156 miles in Zone II, and 519 miles in Zone III. The rate is constructed as follows:

	Cents
Basic scale for entire distance in both Official and Western Trunk-Line, 1,000 miles	191
Zone I differentials for distance in Zones I, II, III, 875 miles	26
Zone II differentials for distance in Zones II, III, 675 miles	23
Zone III differential for distance in Zone III, 519 miles	17
	257

Between the part of Official Territory lying east of Indiana, including the southeastern corner of Michigan mentioned above, and Western Trunk-Line Territory, key-point rates were prescribed by the Commission in the *Western Trunk-Line Class Rates* case, *supra.*[a] In this case rates were prescribed between 90 key points in Official Territory, and 193 key points in Western Trunk-Line Territory, including several points in Wyoming. These key-point rates are related to the basic distance scale and zone differentials explained above, but are different therefrom because the rates take into account long-established custom, and water and other competition.

---

[a] To and from Utah, Montana, and points in Wyoming west of Cheyenne, Casper, and Sheridan, key-point rates were not prescribed, but the rates were constructed by use of the Western Trunk-Line distance scales and formula.

The class rates between points in Official Territory and points in the eastern part of Western Trunk-Line "alternate" with (meaning that rates may be figured by more than one method and the lowest may be applied for the movement of the traffic) rates made up of a combination of the class rates applicable within Official Territory to or from the Mississippi River crossings and a special scale of "bridge arbitraries" (so called because they "bridge" the great differences between the rates prevailing within the rate territories; in this case to meliorate the abrupt increase resulting from applying the Western Trunk-Line rates immediately west of the Mississippi River in contrast with the relatively low Official scale of class rates). When the rates made on this combination are lower than those made on the normal basis described above, the lower combination rates apply to points not more than 170 miles west of the eastern boundary of Zone I, or approximately 170 miles west of the Mississippi River.

This very complex situation is one of the many results of attempting to adapt the separate regional class rate structures to the movement of traffic between the territories.

Lake-and-rail rates lower than the all-rail rates have been provided for by the Commission to apply between the eastern portion of Eastern

Territory, and points in Western Trunk-Line Territory.[42] These rates apply to rail routes through the western lake ports of Duluth, Chicago, and Milwaukee, and the eastern lake ports of Cleveland and Buffalo. In these rates the principle is followed that as the water haul becomes a smaller part of the total haul, the difference under the rail rates decreases.

(iii) *Between Western Trunk-Line and Southern Territories.*

For the purpose of making interterritorial rates between these two territories, the boundaries of both are slightly different from those shown on the map opposite page 18. Southern Territory loses part of Kentucky, and Western Trunk-Line includes Extended Zone C in Wisconsin that is normally part of Official Territory.

No distance or mileage rate scales were established by the Commission to apply between Western Trunk-Line and Southern territories;[43] key-point rates were prescribed between many important points. In the South, 114 key points were designated, and in the West, 218. Other points were required to be grouped with the key points, or given rates related to the key-point rates, and the carriers were allowed to select additional key points and establish rates at those points reasonably related to the established key rates.

---

[42] *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101 (1935); 214 I. C. C. 93 (1936).

[43] The class rates between Western Trunk-Line (except Zone IV) and Southern territories resulted from *Western-Southern Class Rates*, 226 I. C. C. 497 (1938); 231 I. C. C. 315 (1939); 232 I. C. C. 81 (1939); 238 I. C. C. 681 (1940). A brief history of the structure is found in 164 I. C. C. 1, 42–43.

These key-point rates are about the same as the rates made on the Southwestern and Western Trunk-Line rate scales, computed according to the Western Trunk-Line formula of laminated rates. The key-point rates are also influenced by long-established rate relationships and the necessity of avoiding great disparities at territorial boundaries. A scale of arbitraries was provided for use on various weak and short-line railroads in the South.

(iv) *Between Western Trunk-Line and Southwestern Territories*[44]

Extended Zone C in Wisconsin is treated as part of Western Trunk-Line Zone I for the purpose of establishing class rates between these territories. Between 135 points in the Southwest, and 78 points in Western Trunk-Line, key rates have been established at levels equal approximately to rates made on the basis of the Western Trunk-Line formula of laminated rates. Other specified points were grouped with the key points, and further grouping of points with key points was authorized, but with restrictions on the size of the groups.

---

[44] The basis for constructing class rates between these territories was prescribed by the Commission in *Consolidated Southwestern Cases*, twenty-first supplemental report, 205 I. C. C. 601 (1934).

Between points not given key-point rates, and points not grouped with key points, class rates were set up on a distance basis in which the scales in the various zones were used. To explain this fully would entail a long, technical discussion not necessary here.

The voluntary elimination by the rail lines of Southwestern Zone IV, effective in 1941, resulted in rates to and from former Zone IV on the Zone III basis.

(v) *Between Southwestern and Official Territories*[43]

Key-point rates were prescribed which were indicated as maximum reasonable rates for application between these territories; there were 135 key points set up in the Southwest, and 83 in Official Territory. Provision was made for additional key points.

Between points in Central Territory and points in Southwestern not provided with key-point rates, the class rates prescribed by the Commission as maximum reasonable rates were to be computed by applying the Western Trunk-Line basic scale for the entire length of the haul, plus the zone differentials according to the Western Trunk-Line formula, explained previously.

---

[43] The class rates between these territories are made on the basis prescribed by the Commission in the *Consolidated Southwestern Cases*, twenty-first supplemental report, 205 I. C. C. 601 (1934). History of the rates prior to these cases is found in the original report, 123 I. C. C. 203, 218.

On rail routes over the Mississippi River, with crossings at Memphis and south, a system involving bridge arbitraries similar to those used between Official and Western Trunk-Line, but higher, is in use.

Rates applicable on ocean-rail movements between groups of points in New England and Trunk-Line, and key points in the Southwest, have been set up by the Commission.[46] These are constructed on a distance basis, the difference under the rail rates decreasing as distance from the Gulf increases.

(vi) *Between Southern and Southwestern Territories*[47]

This class rate adjustment follows the pattern of other interterritorial rates to and from Southwestern Territory. Between 48 key points in Southern Territory (none in the western part), and 135 points in the Southwest, key points were prescribed and other key points authorized. Between points in the South not having key rates, and points in the Southwest, the Western Trunk-Line Zone II scale applies, plus zone differentials, using the Western Trunk-Line formula.

---

[46] *Consolidated Southwestern Cases*, twenty-third supplemental report, 211 I. C. C. 601 (1935).

[47] Prescribed by the Commission in *Consolidated Southwestern Cases*, twenty-first supplemental report, 205 I. C. C. 601 (1934).

Between points in Southwestern Territory, and east-bank Mississippi River crossings, Memphis and south thereof, the rates were not to exceed those constructed by the Zone III scale, plus the differentials for the distances in Zone IV. Now that Zone IV no longer exists in the Southwest (p. 44, *supra*) Zone III rates have been authorized for the former Zone IV area.

Between points in Southern Territory, and points in the Southwest not over 170 miles from the Mississippi River crossings, Memphis and south, the first-class rates may not exceed the rates applicable east of the crossings plus the so-called bridge arbitraries.

(c) Commission's class rate findings

The Commission's ultimate findings on class rates are that the intraterritorial rates within each of the territories involved violate Section 1 (4) and (5 (a)) of the Interstate Commerce Act; that the interterritorial rates between each of the territories involved violate these same statutory provisions; that the relation between the interterritorial class rates to Official Territory from the other territories involved, on the one hand, and the intraterritorial class rates within Official Territory, on the other hand, results in an unreasonable preference to Official Territory as a whole, and to shippers and receivers of freight therein, in violation of Section 3 (1) of the Act;

and that reasonable and nondiscriminatory rates, to cure the unlawfulness found to exist above, will be those rates based on the scale of first-class rates set out in Appendix 10 to the Commission's report, with scales of rates for classes other than first class based on the new uniform classification percentages prescribed as fair and reasonable in the classification section of the Commission's report, these new revised uniform class rates to become applicable simultaneously with the new revised classification (R. 315–7).

In view of the necessary delay in the effective date of the permanent class rate adjustment prescribed by the Commission, due to the Commission's finding that the new class rate structure must wait on the new uniform classification, the Commission prescribed an interim class rate revision which would have become effective on January 1, 1946, but for the District Court's interlocutory injunction (R. 317–21). The interim revision, in effect, reduced class rates within Southern, Southwestern, and Western Trunk-Line territories, and between them and Official Territory, 10 percent, subject to certain minima, and increased class rates within Official Territory 10 percent as maximum scales, pursuant to the Commission's power under Section 15 (1), the Commission having "found the classification ratings and class rates involved in this proceeding to be unjust and unreasonable, and unduly and unreasonably preferential and advantageous" (R.

317). The Commission, at the time of the filing of its report, simultaneously filed an order putting into effect this interim revision.

The preliminary class rate findings of the Commission, on which the ultimate findings and order were based, precede in the report the ultimate findings (R. 302–15). They are not numbered or sharply distinguished, but the major findings of the Commission seem reducible to six main points, to which the discussion of the evidence can and will be keyed:

(1) Class rates within Southern and Western territories, and from these territories to Official Territory, are much higher, article for article, than the rates within Official Territory.

(2) Higher class rates have impeded (a) the development, and (b) the movement, of class rate traffic within Southern and Western territories, and from these territories to Official Territory, and thus have made all the class rate structures involved in this proceeding obsolete.

(3) Comparative costs of transportation service do not justify the existing class rate differentials.

(4) Differing consists and volumes of traffic within the territories are no justification for the class rate differentials.

(5) Equalizing the class rates of the territories is not dependent on equalizing the non-class rates.

(6) Interterritorial rate problems are insoluble without uniformity of class ratings and rates.

SUMMARY OF ARGUMENT

I

Congress, in 1940, gave the Interstate Commerce Commission a mandate to remove all undue discriminations in rates as between territories, i. e., to bring about rate uniformity, if it found after full investigation, that transportation conditions were not sufficiently different to require rate differentials.

II

The Commission, after an elaborate investigation of the class rate structure within each of the four rate territories east of the Rocky Mountains, and an appraisal of the effects of 12 years' experience with the class rate uniformity *within* territories, which had been laboriously worked out during the 20's and early 30's, found that the class rate and classification differences between the territories were so great that the levels of class rates were almost 40 per cent higher in the South than in Official Territory, and from 50 to 60 per cent higher in the West than in Official Territory; that these rate differentials, which also adversely affected shippers seeking to market their goods in Official Territory by shipping from other territories, were causing serious injuries and unlawful discriminations in many specific instances; that the higher class rates in the South and West had impeded industrial development in those areas and thus prevented the shipment of manufactured products from and within those territories; and that the class rates paid in the South and West were so high that, for practical purposes, they had become obsolete and were no longer serving the purposes for which they had been designed, namely, setting the patterns for the entire rate structures and providing rates on which products could actually move. The Commission, as the result of the most ambitious transportation costs study ever undertaken, concluded that there were no substantial differences in transportation costs within the several territories, and that costs differentials requiring rate differentials were therefore lacking; that consists and volumes of traffic within the several territories were not sufficiently different *for revenue purposes* to justify the existing class rate differentials or, in fact, any class rate differentials; and that it was appropriate for the Commission to deal with the class rates separately from other kinds of rates, just as it had in each of the previous regional class rate investigations, without the necessity of trying to revise the entire rate structure for the nation in one proceeding. The Commission recognized the chaos in interterritorial rate-making which had been brought about by the independent development of a separate classification and class rate structure for each territory, and concluded that interterritorial rate problems were insoluble without uniformity of classification ratings and class rates. All of these conclusions are amply supported by the evidence in the record before the Commission.

III

The Commission made adequate preliminary findings, as outlined above, to support its order that class rates, pending the accomplishment of uniformity of classification and class rates, should be cut 10 per cent in the South and West, and interterritorially, and raised 10 percent in Official Territory. The raising of rates does not require a finding that existing rates are noncompensatory, especially where a discrimination has been found to exist, and even if such a finding is necessary, it is satisfied, in this case, by the finding that revenue levels in Official Territory are unduly low compared with those of the other territories.

IV

The scope of judicial review in this technical and complex rate adjustment is narrow and limited. The order carries a strong presumption of validity, and this Court has repeatedly disclaimed both technical competence and legal authority to interfere with and pass upon the wisdom of the expert judgment of the Commission in orders involving elaborate and delicate rate structures.

V

The Commission had jurisdiction over the subject matter, and proceeded in strict compliance with its statutory authority, in finding existing rates unreasonable under Section 1 of the Interstate Commerce Act, in finding undue discrimination in violation of Section 3 of the Act, and in prescribing "the" rates for the future under Section 15 of the Act. In so finding and prescribing, there was no necessity and, under the circumstances, no possibility of allowing to the carriers alternative methods for removing the unlawful discriminations. All the discriminations found to exist were controlled by the same carrier group—the carriers of Official Territory, which made the intraterritorial rates of that territory, and controlled the joint rates into that territory from the South and West. Further, the alternative remedy and common control necessity doctrines depend largely on the majority opinion in *Texas & Pacific Ry. Co.* v. *United States,* 289 U. S. 627, on the validity of which the strong dissent casts grave doubt. Also, that case was decided before the legislation of 1940, under which the power of the Commission to correct territorial discriminations seems to have been made independent of any necessity of the carriers involved in the two sides of the discrimination being the same, or under common control, because the different territories almost by definition contain different groups of carriers.

VI

The new less-carload rates in the West cannot be regarded as confiscatory. When considered from a proper costs accounting standpoint, they bear no more than their proper share of costs. They also are largely within the control of the carriers, due to voluntary rate reductions by the carriers for large segments of less-carload traffic, and the carriers' control over the classification and over the expenses of handling this traffic, like light versus heavy loadings. Further, no Nation-wide rate structure can make every shipment on every mile of every road move at a profit, and it was a rate structure on a nation-wide basis that the Commission was dealing with and building. Courts are always reluctant to nullify rates until they have been given a fair test of experience. The evidence introduced in the District Court was not persuasive or of a character which would support a finding of confiscation to nullify the order of the Commission in its entirety, and appellants all insist that the Commission's order is indivisible. Changes of conditions since the Commission's decision, notably the general freight rate increase authorized by the Commission effective January 1 of this year, fortify the Commission's order rather than impugn it.

ARGUMENT

I. CONGRESS IN 1940 GAVE THE INTERSTATE COMMERCE COMMISSION A MANDATE TO BRING ABOUT FREIGHT RATE UNIFORMITY BETWEEN RATE TERRITORIES, UNLESS CONDITIONS WARRANTED TERRITORIAL RATE DIFFERENTIALS

Against the background of the complicated and chaotic class rate structures above described, Congress, in 1940, finally realized that the hand of the Commission needed strengthening, and that piecemeal rate patchwork along the traditional lines could never adequately deal with the basic vice of regionalism and its attendant inequalities and discriminations. It accordingly undertook to remove any doubts about the power of the Commission, as a *national* rate body, to deal with the rate structures on a national instead of a regional basis, so that out of territorial and subterritorial puzzle pieces which did not fit and never could be made to fit, the Commission could build a national rate structure.

To effect this purpose, Congress extended the scope of Section 3 (1) of the Interstate Commerce Act so as to prohibit any undue or unreasonable preference or advantage to any "region, district, or territory"; and by Section 5 (b) of the 1940 Act, the Ramspeck resolution, it directed the Commission to institute an investigation of interterritorial and intraterritorial rates and to remove any unlawfulness found to exist.

Unjust discrimination in various forms was the principal evil aimed at in the original Interstate Commerce Act. *Louisville & Nashville R. Co.* v. *United States,* 282 U. S. 740. As originally enacted, and until 1940, Section 3 (1) did not, in terms, specifically prohibit discrimination against a region, district, or territory.

Until 1935, Section 3 (1) specified only a "person, company, firm, corporation, association, locality, or particular description of traffic," as prohibited objects of discrimination. The only word in that series that refers to a geographical unit is "locality." The word "locality" was held not broad enough to include a port district in *Texas & Pacific Ry. Co.* v. *United States,* 289 U. S. 627, and therefore, in 1935, Congress added to this series the following items: "port, port district, gateway, transit point."[48]

These words, especially after the *Texas & Pacific* case, seemed not broad enough to cover territories as a whole, which, of course, by 1940 were well recognized as words of art in the railroad regulation field, and the Act was further amended in 1940. The legislative history of the Amendment made to Section 3 (1) in 1940 shows quite clearly that Congress was aware of the limited application of the earlier language and sought to remove this limitation by broadening the language of the statute.

---

[48] 54 Stat. 902, 49 U. S. C., Sec. 3.

This legislative history shows plainly two propositions; (I) That Congress itself was not trying to enact territorial rate uniformity, regardless of differences in territorial conditions; and (II) that Congress was trying to prohibit and remove all territorial rate differences not justified by differences of territorial conditions, after the extent of such territorial discriminations had been ascertained by the Commission investigation directed by the Ramspeck resolution.[49] To the extent unlawful discriminations were found to exist and were removed, the Commission would necessarily be creating a greater degree of uniformity in territorial rates.

All of appellants' legislative history is designed to support Proposition I. The Government does not deny this proposition. The legislative history set out below is designed to support Proposition II. Appellants do not appear to deny this proposition. Thus, there is no real issue between the parties about what Congress intended, as evidenced by the legislative history, all of which is perfectly consistent if these two propositions are accepted.

Passing from the question of what Congress intended, to the question of what the Commission thought Congress intended, appellants in No. 345 say (Brief, p. 3) that the Commission concluded that, solely by virtue of the 1940 legislation, "all the existing territorial differences in costs of transportation, density of traffic, composition and consist of traffic could and should be disregarded and flat uniform class rates made effective everywhere." Certainly the Commission *said* no such thing. The Commission devoted a large part of its report to its findings on costs, consists, and other transportation conditions, and this is hardly compatible with the notion that these conditions were irrelevant. What appellants really are saying is that the evidence showed differences of conditions which made the Commission's action arbitrary. But this would not be a mistake of law—a misunderstanding of the 1940 legislation. It would be a mistake about what the evidence showed. Thus, the real issue is what the evidence showed, i. e., if it showed that territorial transportation conditions were or were not so substantially different as to justify the existing differences in class rates.

---

[49] In this portion of this brief we are assuming, as Congress assumed, that unjustified differences in rates as between territories and regions will be harmful to the territory or region discriminated against. That this was so in this case is shown *infra*, pp. 175–204.

Appellants in No. 345, in their legislative history argument, first cite the recommendation of the Committee of Six that the Commission should remain free to prescribe different rates for different sections of the country, and they go on to point out how the Commission itself asked Congress to allow it to keep this freedom of judgment.

Appellants then explain how the Congressional committees considering this legislation rejected other bills and amendments which would have required territorial rate uniformity regardless of differing territorial conditions, and as a matter of congressional fiat. Appellants next point out how Senator Wheeler and Representative Lea assured Congress that such was not the purpose of the Committees' amendment to Section 3 (1). There is no dispute about any of this. As Senator Wheeler pointed out, in language quoted by appellants (Brief p. 140), "The Congress of the United States cannot make rates. The Congress must provide for a commission which will make rates. * * * The Senate cannot investigate to ascertain whether discriminations exist in one particular territory or in another particular territory."

It must be recognized that when the 1940 legislation was enacted, no one in Congress knew, any more than the Commission knew, to what extent territorial rate differences were justified by different territorial conditions, and this could not be known until the Commission had completed its investigation and made its findings. This lack of knowledge accounts for some of the statements by Senator Wheeler which are quoted and relied on by appellants. Thus, when Senator Frazier asked him if it was the expectation of the committee "that by the amendment * * * the rates in the various classification territories will be equalized," and Senator Wheeler replied, "I do not think that is possible," and explained this answer by stating that costs and density of traffic and other factors would be different in different areas, Senator Wheeler was merely saying that he thought the Commission would find that some territorial conditions were so different from others that rate differences would be required. (Brief, p. 138). He was not saying, and surely could not have intended to say, that if the Commission's full investigation disclosed that he had been wrong, and that costs and other conditions did not differ substantially between territories, rate differences unsupported by differences of conditions would still be maintained. Senator Wheeler's subsequent statement, quoted by appellants, that "the bill does not mean that rates are to be equalized," must also be read in this light. Congress was not equalizing rates, or stating that they "are to be equalized" by the Commission, regardless of territorial conditions.

The following quotations will, it is submitted, show conclusively that Congress was trying to eliminate whatever unlawful territorial rate discriminations were found on investigation to exist, and to that extent to bring about a greater degree of equalization and uniformity in territorial rates. That the investigation by the Commission would disclose that none of the territorial class-rate differences were justified by different territorial conditions was a result which neither Congress nor the Commission could have anticipated, and it was certainly not a result which Congress directed the Commission to reach, regardless of its findings. Appellants in No. 345, when they argue so vigorously and at such length on what they call the question of setting uniform rates on a distance factor alone, in disregard of territorial differences in transportation conditions, are wasting words on an issue which is not, and never was, in this case.

The amendment of 1940 to Section 3 (1) was contained in Senate bill S. 2009. That bill was reported favorably by the Senate Committee on Interstate Commerce in Report No. 433, 76th Congress, 1st Session, and presented to the Senate by Chairman Wheeler of that Committee on May 16, 1939. At page 11 of that report, the Committee stated with respect to Section 3 (1): "There has been no substantial change therein, except that the words 'region, district, and territory' appearing in lines 20 and 23 on page 26 have been inserted." In explanation of this amendment, Chairman Wheeler said to the Senate on May 22, 1939: "The previous provisions with regard to 'discrimination' simply referred to discrimination as to 'locality, port, port district, gateway, transit point' without specifying the region, district or territory. So, we felt that by broadening the language we would at least take away that excuse, and we would provide expressly that the Commission should not discriminate in its rate structures" (Cong. Rec., vol. 84, part 6, p. 5889, 76th Cong., 1st Sess.).

On the same day, Senator Pepper asked the following question of the Chairman:

> I wonder if it is not also within the ambition of the Chairman of the Committee and the Committee that there may be something like equality for the whole country with respect to transportation facilities and transportation rates. In other words, should not every section of the country be allowed to develop economically according to its own merits, rather than through the fortunate instrumentality of a freight-rate structure which makes it possible for one section to grow and makes it obligatory that another section shall forever be retarded in its opportunity to grow?

In answer to this question, Senator Wheeler replied:

> I thank the Senator for his contribution, and I agree with him, of course. Various freight-rate structures grew up because of the fact that big shippers or localities received favorable treatment. There was discrimination against certain localities. That was one of the reasons why we created the Interstate Commerce Commission (84 Cong. Rec. 5890).

This bill was debated further in the Senate on May 24, 1939. With respect to another amendment looking toward rate equalization by Congressional fiat, that had been proposed by Senator Miller of Arkansas, Chairman Wheeler said:

> The amendment, in my judgment, would not do what the Senator from Arkansas wants to do with reference to discrimination. Let me say to the Senator that the amendments we have already put into the bill go much further toward accomplishing the purpose the Senator has in mind than would this amendment. I am in thorough accord with the statements made by the Senator from Arkansas with reference to discriminations. I think they ought to be stopped, and if the Commission pursues the investigation and follows what we have laid down in this bill, many of the discriminations between territories will be eliminated. A great many are absolutely arbitrary, and it seems to me without any justification (84 Cong. Rec. 6071–2).

Thereupon, Senator George commented as follows:

> I am glad to hear the distinguished Senator make that statement, because it seems to me to be more important, and I dare say it is more important as the coming days of the Congress must demonstrate, that we establish just and nondiscriminatory rates between the various regions than to continue even a rate that may not be justified in a particular region.

On the same page of the Record (6072) is found this question directed by Senator George to Senator Wheeler with respect to the amendment of

Section 3 (1) of the Act: "The Senator thinks that it will make toward the equalization of rates in the various regions?" To this question, Senator Wheeler replied: "I do not think there is any doubt about that at all, because that is the purpose of the bill; it is the intention of the bill."

This bill (S. 2009) passed the Senate on May 25, 1939, and was sent to the House. After its consideration by the House Committee on Interstate and Foreign Commerce, Chairman Lea of that Committee reported it out without relevant change in the amendment to Section 3 (1) of the Act that had been approved by the Senate. (See Brief p. 147.)

In addition to the amendment to Section 3 (1), a provision designated as Section 5 (b) of the Transportation Act of 1940 was adopted.[50] It "authorized and directed" the Commission to investigate "the rates on manufactured products, agricultural commodities, and raw materials," between and within classification territories, for the purpose of determining "whether such rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness found to exist."

In a letter of January 29, 1940, concerning S. 2009, printed as a public document, the Commission advised the Congress that its investigation instituted in 1939, here involved, would be carried out pursuant to this mandate of Congress.

---

[50] 54 Stat. 902, 49 U. S. C., Sec. 3, *note.*

During the debate on the floor of the Senate on May 22, 1939, concerning this provision which subsequently became Section 5 (b) of the 1940 Act, Senator Wheeler stated: "The Commission is directed to proceed immediately[51] . . . At the present time, however, I feel that as far as we could go would be to direct the Commission to investigate, and then to put into effect any orders necessary, and then to broaden the other section with reference to unjust discrimination" (84 Cong. Rec. 5889). Chairman Lea said to the House on July 21, 1939, in presenting Section 5 (b): "Now I want to refer for a moment to the Ramspeck resolution (which became Section 5 (b)). That is embodied in this bill. It directs the Interstate Commerce Commission to make an investigation of certain freight differentials, and then to make the orders that are necessary to remove the unlawfulness of rates found to be unlawful. It further provides, in the provisions prohibiting discriminations, the protection of territories and districts. In my judgment that resolution is directed at what is one of the most important situations in rate structure. It points to a place in our rate structure where the greatest opportunity to help our transportation system on an economic basis lies. The correction of that condition would serve the interests of shippers and carriers alike" (84 Cong. Rec. 9705).

---

[51] Commission hearings in the *Class Rate Investigation* had not yet been announced or started.

Congress also adopted, as part of the Transportation Act of 1940, a declaration designated as the "National Transportation Policy."[52] In general terms, Congress undertook to express its policy to govern the regulation of all modes of transportation, and required that all provisions of the Interstate Commerce Act shall be administered and enforced with a view to carrying out that policy. One of the declared purposes in this declaration of policy is "to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices."

On July 26, 1939, the House passed S. 2009 as amended, and sent it to conference with the Senate. After the conference report had been adopted by the Senate, Senator Hill, Chairman of the subcommittee that had held hearings on the measure, stated to the Senate on September 9, 1940, with respect to the amendments here considered: "Under these amendments any undue or unreasonable preference or advantage of one region, district, or territory over another region, district, or territory is made unlawful and prohibited and the Interstate Commerce Commission is directed to investigate immediately and upon finding such undue or unreasonable preference or advantage to exist to enter such orders as may be necessary for the removal of same. Under these amendments now to become the law of the land the unjust and unfair discriminations between sections in freight rates should be removed and all sections of our country permitted to enjoy that development and prosperity to which the character and genius of their people and their natural resources entitle them" (86 Cong. Rec. 5553).

---

[52] 54 Stat. 899, 49 U. S. C., *note* preceding sec. 1.

Appellants insist that the Commission has misconstrued Section 5 (b) of the Transportation Act of 1940 as extending its power beyond that granted by other provisions of the Interstate Commerce Act. Such was not the case. On the contrary, the Commission predicated its report and order squarely and solely upon Sections 1, 3, and 15 of the Act.

Except for the amendment to Section 3 (1), the Commission has not treated any of the 1940 amendments as extending the scope of its powers. The National Transportation Policy and Section 5 (b) were referred to only for the purpose of emphasizing their real relationship to the amendment made to Section 3 (1) in 1940, as is clear from the language used by the Commission in its report:

> Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by

this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments—all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country. The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected. (R. 306–7.)

Appellants rely primarily on *Ann Arbor R. Co.* v. *United States,* 281 U. S. 658. The Court's opinion in that case itself disposes of this contention. There the rates under attack had just been declared by the Commission to be lawful. The Hoch-Smith Resolution had utilized language which led the Commission to believe that a new standard of lawfulness had been created by Congress to apply to rates governing the transportation of agricultural commodities, and that the Commission was required by the provisions of the Hoch-Smith Resolution to depart from the ordinary rules of rate-making. The Court's opinion makes this quite clear (281 U. S. at 667–668):

> The original and supplemental opinions of the commission show quite plainly that the commission based the order entirely upon the joint resolution. * * *
>
> The third paragraph was construed by the commission as making a change "in the basic law," as placing agricultural products in a "most favored" class, and as justifying a reduction in the rates on deciduous fruits moving from California to eastern points, notwithstanding most of the carriers "have not as yet made the fair return" for which § 15a of the Interstate Commerce Act makes provision as a means of securing the maintenance of an adequate transportation system. Indeed, it is apparent from the commission's opinions that it regarded this paragraph as requiring it

> to condemn the existing rates as unreasonable and unlawful, although, had they been considered independently of the paragraph, they must have been upheld as reasonable and lawful under the applicable sections, 1 (5) and 3 (1), of the existing law.

A comparison of the language used by the Commission in the report involved in the case at bar, quoted above, with the language just quoted from the *Ann Arbor* case, shows clearly that the *Ann Arbor* case is not controlling here. Here the Commission construed the Ramspeck resolution only as a directive to investigate and correct violations of substantive law as defined elsewhere in the Act, and not, as in the case of the Hoch-Smith resolution, as a change, by resolution, of substantive law.

Appellants contend that the evidence before the Commission did not support the finding of discrimination between territories, on the ground that too few shippers testified they were discriminated against. This contention exposes the error that has led appellants to insist that the 1940 amendment to Section 3 (1) did not change the law. For whether two shippers, or two thousand shippers, had testified they were discriminated against, such evidence by itself, unless the Commission found these shippers could speak for every interest in the territory, would only have supported a finding of discrimination against "any particular person, company, firm, corporation, association"—objects of discrimination that were protected by the Act as it stood before 1940, and thus requiring no amendment of the Act for their protection.

Before 1940, the only protected object of discrimination having geographical significance was "locality."[53] "Locality" implies a particular place as distinguished from a general area, e. g., "local anesthetic," or "local election." Furthermore, in the *Texas & Pacific* case,[54] locality had been given a much narrower meaning than its usual one, when it was held not to include a port. Therefore, in 1940, Congress, which had not prohibited all discrimination, but only discrimination against enumerated objects, added as new objects of protection "region," "district," and "territory."

The distinction between a freight rate discrimination against a shipper and a freight rate discrimination against a territory is, from the point of view of the Commission, largely a distinction in method of proof. Discrimination continues to mean the same thing. The reason that proof of discrimination against two shippers in a territory, or two thousand shippers, would not of itself establish discrimination against a territory, is that a territory is an entity, a word of art in railroading, and discrimination against it involves its shippers, receivers, consumers, localities, and entire economy. Appellants undoubtedly would have complained, if the Commission had used the testimony of individual shippers, no matter how many, as the sole basis for a finding of territorial discrimination.

---

[53] Except "port," "port district," "gateway," "transit point," which obviously are inapplicable to territories.

[54] *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, *supra.*

Whether the 1940 amendment to Section 3 (1) made a change in the substantive law by prohibiting discrimination against territories, against which the law, before 1940, freely permitted discrimination, as held by the court below (and it is submitted that this is the better view of the 1940 amendment, because otherwise it means nothing), or whether the 1940 amendment was merely declaratory, the Commission clearly had the power in this proceeding to inquire into discrimination between territories, and the duty, having found such discrimination to exist, to remove it. The Commission took the view that the 1940 amendment to Section 3 (1) meant something. If this was error, it was harmless error. The Commission was directed by the Ramspeck resolution to investigate discrimination between territories and to remove any discrimination found to exist. The Commission thus considered, and rightly considered, that Congress in 1940 had given it a mandate to investigate, and a new object of discrimination to protect, if investigation showed that territorial discrimination existed.

The report will be searched in vain for any suggestion that the Commission considered itself obligated to create national uniformity of rates irrespective of circumstances and conditions.

Appellants say the Commission construed Section 3 (1) as requiring equalization of rates irrespective of circumstances. This contention has already been dealt with. They say, further, that equality is only justified if circumstances and conditions are substantially the same. But the latter is also the Commission's position. This issue, or lack of an issue, has been obscured to a remarkable extent by the reiteration of appellants' theme of the "mistaken idea of the Commission that Congress had issued a mandate to equalize rates". The fact is, obviously Congress did issue a mandate to the Commission to equalize rates. Equally obviously, this mandate had a qualification, inherent in the mandate and fully recognized by the Commission, but slurred over or omitted by appellants in their repetition of the theme of the mistaken idea of the Commission about the congressional mandate of rate uniformity, mile for mile.

Section 3 (1) has always been an unequivocal, though qualified, mandate for rate uniformity. The very thing Congress sought to achieve by Section 3 (1), starting in 1887, was equality of rates. Railroads were required by the original Section 3 (1) to charge equal rates to different persons, and prohibited from charging them different rates, in the absence (and, of course, this is the necessary qualification) of different circumstances requiring that these persons be given different treatment. If two persons under equal circumstances were shipping the same kind of freight from one point to another, they had to be treated equally. Of course, if the freight were of a different kind, or if the mileage or points were different, these or other differences might warrant a rate differentiation, but lacking substantial differences of circumstances, the essential mandate of Section 3 (1) would control.

What else could the prohibition against discrimination in Section 3 (1) mean except a mandate for rate uniformity under substantially similar circumstances? And where Section 3 (1) from its inception has been a mandate to the Commission to equalize rates as between persons, it became, in 1940, a mandate to equalize rates between regions and territories, subject always to the same inherent qualification. Of course Section 3 (1) is a mandate to rate uniformity and equalization. Congress has told the Commission to enforce equality of rates—not *regardless* of surrounding circumstances, but equality *unless* surrounding circumstances require rate differentiations.

The Commission did not describe the 1940 amendments as a mandate or direction to bring about rate equalization and uniformity, or issue an order going that far. What it did was to recognize a mandate or direction to bring about "a greater degree" of equalization and uniformity. Thus, instead of going beyond the limits of the congressional mandate, as appellants would have this Court believe, the Commission cautiously took action which fell short of the limits to which it could, and perhaps should, have gone. However, the result was the same. The Commission made its investigation as to whether or not discrimination existed between territorial rate levels, in a spirit, as shows plainly throughout the report, of an inquiry into the facts to see whether or not the admitted inequalities in the rate levels were required by substantially different conditions, or whether conditions between the territories were so similar that differences in rate levels could only be regarded as violations of the mandate of Section 3 (1) that rates must be equal and uniform, in the absence of substantially different conditions affecting consists, costs, etc. If Section 3 (1) is construed as we believe it must be, the only difference between the position of the Government and that of the appellants is whether or not the findings of the Commission that there were no conditions justifying territorial rate inequalities were supported by the evidence.

Having described the rate situation with which the Commission was confronted in 1939, which cried very loudly for change, and the impetus Congress gave the Commission in 1940, this brief turns next to the specific findings made by the Commission, and the evidence supporting them.

II. THE FINDINGS OF THE COMMISSION THAT CONDITIONS WITHIN THE FREIGHT RATE TERRITORIES DID NOT WARRANT THE EXISTING TERRITORIAL FREIGHT CLASSIFICATION AND FREIGHT RATE DIFFERENTIALS WERE SUPPORTED BY SUBSTANTIAL EVIDENCE

It was pointed out above that the elaborate findings of the Commission may appropriately be grouped into six major findings in connection with class rates, which are set out on page 59, *supra*. The evidence supporting each of these six separate points will be discussed in turn.

(A) *Class rates within Southern and Western territories, and from these territories to Official Territory, are much higher, article for article, than the rates within Official Territory*

The fact that class rates are higher in the South and West than in Official Territory will be demonstrated by a consideration of (a) general levels of rates, and (b) specific rate comparisons in competitive situations, as disclosed by the evidence in the record before the Commission. While appellants finally seem to have conceded this inequality (appellants' briefs, in No. 343 at p. 10, in No. 344 at p. 6, and in No. 345 at p. 4), the Court will want to know in facts and figures the extent of the inequality.

(1) Levels of class rates

The startling differences between territorial class rate levels are illustrated by the first-class rate scales within Official Territory as compared with the first-class rate scales applicable within the South and West (R. 184):

Intraterritorial rates

[In cents per 100 pounds]

Distance	Official scale rate	Southern scale		Western scale					
				Zone I		Zone II		Zone III	
		Rate	Percentage of Official	Rate	Percentage of Official	Rate	Percentage of Official	Rate	Percentage of Official
50 miles	47	57	......	53	......	61	......	65	......
100 miles	62	79	......	73	......	83	......	90	......
150 miles	73	96	......	86	......	98	......	107	......
200 miles	80	112	......	97	......	111	......	123	......
300 miles	96	134	......	117	......	134	......	147	......
400 miles	109	156	......	136	......	156	......	172	......
500 miles	122	173	......	156	......	178	......	196	......
600 miles	135	189	......	176	......	200	......	220	......
700 miles	149	206	......	196	......	222	......	244	......
800 miles	160	222	......	210	......	239	......	263	......
900 miles	171	235	......	226	......	256	......	282	......
1,000 miles	182	249	......	240	......	273	......	300	......
Average	......	......	137.7	......	129.6	......	144.4	......	159.4

These first-class intraterritorial rates are indicative of the class rate levels because they apply throughout the different territories and because they are used as a base in formulating rates on other classes of freight. They represent rate comparisons for *intra*territorial traffic, moving within each territory or zone. Comparisons for *inter*territorial movements, however, vary in amount, depending in large measure upon the proportion of the through haul in each freight-rate territory through which the rate-making routes are computed.

On a movement of 800 miles within Official Territory, the table above shows that a rate of $1.60 per 100 pounds applies on first-class traffic, while for the same distance in Southern Territory, the rate is $2.22. If the 800 miles are divided, 600 in Official and 200 in Southern, the rate is $2.00, or 40 cents higher than the normal Official rate and 22 cents lower than the all-Southern.

Examples of interterritorial movements from points in the South and West to Official Territory, as compared with intraterritorial movements for approximately equal distances within Official Territory, show the disadvantages suffered by the Southern and Western shipper attempting to market his product in Official Territory. The following table illustrates these disadvantages on first-class rates for equivalent service. The first comparison, for example, shows that the Nashville shipper pays 39 cents more on each 100 pounds of freight moving to Indianapolis, Indiana, than the shipper at Kent, Ohio (the distance being practically the same), a disadvantage of 41 per cent.

Interritorial rates

[In cents per 100 pounds]

Southern v. Official		Miles	First class rates	Disadvantage of Southern Territory shipper compared with Official Territory shipper	
From—	To—			In cents	In per cent
Nashville, Tenn	Indianapolis, Ind	297	135		
Kent, Ohio	Indianapolis, Ind	296	96	39	41
Knoxville, Tenn	Columbus, Ohio	395	155		
Baltimore, Md	Warren, Ohio	392	103	52	50
Birmingham, Ala	Muncie, Indiana	536	179		
Pittsburgh, Pa	Rockford, Ill	538	128	51	40
Chattanooga, Tenn	Chicago, Ill	594	187		
Philadelphia, Pa	Toledo, Ohio	595	135	52	39
Atlanta, Ga	Chicago, Ill	731	210		
Danville, Ill	Washington, D. C	733	151	59	39
Macon, Ga	Chicago, Ill	819	223		
Trenton, N. J	Danville, Ill	819	163	60	37

Source: Ex. 88, R. 8138-9, 2578.

Southwestern v. Official		Miles	First class rates	Disadvantage of Southwestern Territory shipper compared with Official territory shipper	
From—	To—			In cents	In per cent
Little Rock, Ark	Detroit, Mich	785	222		
Official Territory Point	Detroit, Mich	785	160	62	39
Oklahoma City, Okla	Cincinnati, Ohio	882	244		
Official Territory Point	Cincinnati, Ohio	882	171	73	43
Shreveport, La	Cleveland, Ohio	1,013	264		
Official Territory Point	Cleveland, Ohio	1,013	185	79	43
Dallas, Tex	Pittsburgh, Pa	1,224	304		
Official Territory Point	Pittsburgh, Pa	1,224	207	97	47

Source: Ex. 96, R. 8534, 2746.

Interterritorial rates—Continued

Western Trunk-Line v. Official		Miles	First class rates	Disadvantage of Western Trunk-Line Territory shipper compared with Official Territory shipper	
From—	To—			In cents	In per cent
Des Moines, Iowa	Toledo, Ohio	558	142		
Official Territory Point	Toledo, Ohio	558	118	24	20
St. Paul, Minn	South Bend, Ind	491	138		
Official Territory Point	South Bend, Ind	491	111	27	24
Lincoln, Nebr	Evansville, Ind	612	169		
Official Territory Point	Evansville, Ind	612	125	44	35
Denver, Colo	Cleveland, Ohio	1,329	289		
Official Territory Point	Cleveland, Ohio	1,329	200	89	45

Source: Ex. 64, R. 7556-9, 2175.

All of the foregoing comparisions are of first-class rates, without regard for actual rates on individual commodities. The disparities in rate levels are often intensified when rates on individual, identical commodities are considered.

A classification rating must be complemented by a class rate, and *vice versa,* in order to give substance to either. Therefore, for the purpose of conveying some idea of the effect that the classification differences have upon rates prescribed in territories embraced in this proceeding, illustrative tables are set out below.

The ratings in these tables cover less-carload and carload traffic on a substantial number of items rated class 100 (first class) and various lower classes. The class rates have been taken from the published distance scales prescribed by the Commission. The rates for 200 miles, which is the approximate average haul of revenue freight by Class I railroads per line of railroad, are used.[55] As representative of Western Territory, the rates for Western Trunk-Line Zone 1 are shown. The corresponding rates for Zones II and III are higher by averages of about 14 and 25 per cent respectively.

The following four tables show the effect of classification differences on rates paid on identical commodities in Official Territory compared first with Southern and then with Western Territory, on both less-carload and carload shipments.

Explanation of the initial group of items in the first table will illustrate. This shows that Official Classification in its class 100 (first class) has 2092 items, each of which moves at a rate of 80 cents for a haul of 200 miles. In Southern Classification, 2075 of these 2092 articles are classified first class,[56] moving at a rate of $1.12 for 200 miles. The remaining 17 items are classified in Southern Classification from class 85, with a rate of 95 cents for 200 miles, to class 40, with a rate of 45 cents for the 200 mile haul. Each group in the four tables is made up of similar comparisons (Ex. 167, R. 10469–99, 3780).

---

[55] *I. C. C. Statistics of Railways in the United States*, 1939, p. 42.

[56] As already noted, there is substantial classification uniformity in Classes 1, 2, and 3 (100 per cent, 85 per cent, and 70 percent respectively, of Class 1), but not in any of the lower classes.

These tables show that even though the shippers in the South and West may have the same or lower classification ratings for identical articles, they nevertheless pay higher charges than the shippers in Official Territory for equivalent service.

Comparison of Official with Southern classification ratings on identical items with applicable rates

[Rates stated in cents per 100 pounds for 200 miles]

LESS-CARLOAD

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	2,092	80	Official	55	616	44
Southern	100	2,075	112	Southern	85	1	95
	85	5	95		70	2	78
	70	2	78		55	565	62
	55	7	62		50	2	56
	45	2	50		45	27	50
	40	1	45		40	19	45
Official	85	2,672	68	Official	50	995	40
Southern	85	2,600	95	Southern	70	2	78
	70	21	78		55	11	62
	55	42	62		50	682	56
	50	2	56		45	134	50
	45	2	50		40	162	45
	40	5	45		30	4	34
Official	70	2,416	56				
Southern	70	2,390	78				
	55	278	62				
	50	8	56				
	45	26	50				
	40	14	45				

Comparison of Official with Southern classification ratings on identical items with applicable rates—Continued

CARLOAD

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	213	80	Official	40	1,105	32
Southern	100	199	112	Southern	70	1	78
	85	7	95		55	3	62
	75	2	84		45	288	50
	70	5	78		40	809	45
Official	85	706	68		37½	2	42
Southern	100	1	112		35	2	39
	85	475	95	Official	37½	706	30
	77½	24	87	Southern	55	7	62
	70	161	78		45	96	50
	55	4	62		40	561	45
	35	1	39		37½	90	42
Official	70	1,433	56		35	10	39
Southern	85	1	112		17½	2	20
	70	1,328	78	Official	35	2,709	28
	65	11	73	Southern	55	34	62
	60	1	67		45	190	50
	55	73	62		40	1,646	45
	45	10	50		37½	58	42
	40	5	45		35	380	39
	37½	1	42		32½	107	36
	35	1	39		30	204	34
Official	55	1,270	44		27½	28	31
Southern	70	19	78		25	13	28
	55	1,183	62		22½	36	25
	50	19	56		20	1	22
	45	30	50		17½	2	20
	40	13	45	Official	27½	677	22
	37½	3	42	Southern	40	25	45
	30	3	34		37½	2	42
Official	50	1,185	40		35	5	39
Southern	70	3	78		32½	28	36
	55	809	62		30	[illegible]	34
	50	93	56		27½	16	31
	45	204	50		25	25	28
	40	60	45		22½	108	25
	37½	9	42		20	33	20
	35	1	39		17½	77	20
	30	6	34				
Official	45	335	36				
Southern	55	8	62				
	45	315	50				
	40	17	45				

V

Comparison of Official with Western classification ratings on identical items with applicable rates

[Rates stated in cents per 100 pounds for 200 miles]

LESS-CARLOAD

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	2,092	80	Official	70	2,716	56
Western	100	2,076	97	Western	70	2,571	68
	85	4	82		55	145	53
	70	10	68	Official	55	616	44
	55	2	53	Western	85	1	82
Official	85	2,672	68		70	2	68
Western	85	2,625	82		55	613	53
	70	29	68	Official	50	995	40
	55	18	53	Western	85	1	82
					70	3	68
					55	901	53

Comparison of Official with Western classification ratings on identical items with applicable rates—Continued

CARLOAD

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	213	80	Official	45	335	36
Western	100	202	97	Western	55	8	53
	85	7	82		45	323	44
	70	3	68		40	1	39
	55	1	53		37½	3	36
Official	85	766	68	Official	40	4,105	32
Western	100	1	97	Western	70	1	62
	85	587	82		55	5	53
	77½	24	75		45	984	44
	70	152	68		40	32	39
	45	1	44		37½	92	36
	32½	1	32		35	1	34
Official	70	1,433	56	Official	37½	766	30
Western	85	1	82	Western	55	8	53
	70	1,381	68		45	110	44
	65	11	63		37½	644	36
	55	29	53		32½	2	32
	45	8	44		17½	2	17
	37½	3	36	Official	35	2,709	28
Official	55	1,270	44	Western	55	36	53
Western	70	19	68		45	309	44
	55	1,198	53		37½	2,145	36
	50	19	49		35	3	34
	45	31	44		32½	133	32
	37½	2	36		30	83	29
	32½	1	32		22½	23	22
Official	50	1,185	40		17½	7	17
Western	70	4	68	Official	27½	677	22
	55	995	53	Western	45	1	44
	50	57	49		37½	83	36
	45	85	44		32½	136	32
	42½	1	41		30	243	29
	40	3	39		22½	112	22
	37½	29	36		17½	102	17
	35	4	34				
	32½	2	32				
	30	5	29				

While the western carriers vigorously argue that the interstate class rates in the West should not be lowered, and that to lower them would be confiscatory, these same carriers are maintaining *intrastate* class rates that are substantially on the same level as Official Territory class rates, which are generally the same both interstate and intrastate. These western intrastate class rates are being maintained voluntarily by the carriers in the sense that they have voluntarily put them into effect, or have refrained from asking the Commission or a court to raise them, after a State has ordered the present rates.

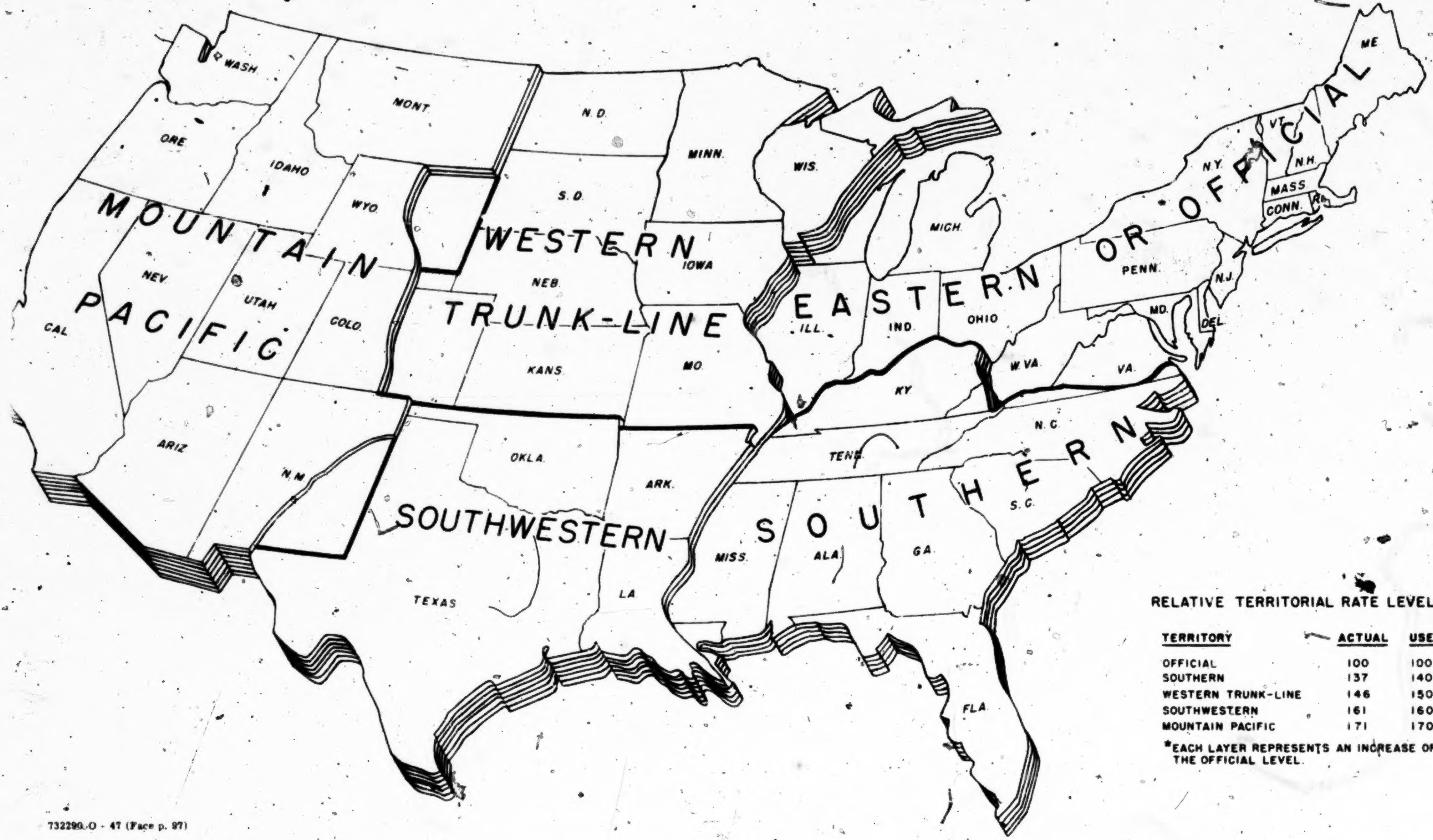
The following table contrasts less-carload rates for representative distances on intrastate traffic for the States listed, with the interstate levels in Zones I, II, and III of Western Trunk-Line, and also with the Official level of rates (R. 170):

Intrastate rates in Western States on class 100 for representative distances, compared with rates in Zones I, II, and III of Western Trunk-Line Territory, and rates in Official Territory

[In cents per 100 pounds]

	20 miles	40 miles	60 miles	80 miles	100 miles	130 miles	160 miles
Wisconsin	30	39	50	57	62	68	75
Iowa	40	48	53	57	62	68	75
Missouri	32	39	46	53	59	66	72
Minnesota	36	44	52	60	66	74	80
North Dakota	22	37	48	54	59	67	75
South Dakota (E)[1]	34	40	46	52	59	68	78
South Dakota (W)[1]	39	46	53	60	68	78	90
Kansas	36	45	54	63	72	85	97
Colorado (Eastern)	42	51	61	69	76	86	93
Arkansas	33	41	48	55	61	69	83
Oklahoma	36	45	54	63	72	85	97
Texas	47	58	69	79	87	99	109
Official Territory	37	44	51	57	62	68	74
Zone I, Western Trunk Line	40	48	57	66	73	81	88
Zone II, Western Trunk line	44	55	65	75	83	92	100
Zone III, Western Trunk Line	47	59	70	81	90	100	110

[1] South Dakota (E) and (W) mean east and west of the Missouri River; for shipments crossing the River, an average of the two scales applies.


WASH.
ORE.
CAL.
IDAHO
NEV.
UTAH
ARIZ.
MONT.
WYO.
COLO.
N.M.
N.D.
S.D.
NEB.
KANS.
OKLA.
TEXAS
MINN.
IOWA
MO.
ARK.
LA.
WIS.
ILL.
MICH.
IND.
OHIO
KY.
TENN.
MISS.
ALA.
GA.
FLA.
S.C.
N.C.
VA.
W.VA.
MD.
DEL.
PENN.
N.J.
N.Y.
VT.
N.H.
ME.
MASS.
CONN.
R.I.
MOUNTAIN PACIFIC
WESTERN TRUNK-LINE
SOUTHWESTERN
SOUTHERN
EASTERN OR OFFICIAL

RELATIVE TERRITORIAL RATE LEVEL BARRIERS

TERRITORY	ACTUAL	USED	LAYERS*
OFFICIAL	100	100	0
SOUTHERN	137	140	4
WESTERN TRUNK-LINE	146	150	5
SOUTHWESTERN	161	160	6
MOUNTAIN PACIFIC	171	170	7

*EACH LAYER REPRESENTS AN INCREASE OF 10% OVER THE OFFICIAL LEVEL.

Some indication of the relations between intrastate and interstate rate levels may be obtained by averaging the class 100 rates in the table for the Western States in each zone, and also computing an average for all the Western States, for a comparison with the Official scale. In Zone I the average intrastate class rates made up from this table are only 86.1 per cent of the interstate class 100 rate scale in effect for the Zone I States, in Zone II, 76.2 per cent, and in Zone III, 77.7 per cent. These average intrastate levels in the respective zones, compared with Official class rate levels, are 99.5, 99.7, and 110.2 per cent of the corresponding class 100 rates in the Official scale, and the average for all the Western States listed in the table is 107.4 per cent of that scale. If the western carriers voluntarily keep their intrastate rates near or below the Official level, why should they complain of confiscation if the Commission undertakes to bring their interstate rates into alignment?

A graphic method of presenting the contrasting levels of intraterritorial class rates was introduced before the Commission by the western carriers themselves (Ex. 66, R. 7579, 7629, 2219). This map has been brought up to date (Ex. 42, R. 6765, 1929) and is shown on the opposite page. It presents graphically a composite of the several intraterritorial class-rate levels. These are the rate barriers which are faced by the South and West.

(2) Specific class rate inequalities

The preceding section of this brief described the unequal *levels* of class rates, principally through use of the first-class scales, unrelated to particular commodities shipped. The following material summarizes some of the testimony showing specific class rate inequalities, in concrete competitive situations, of which, as the Commission found, there was "abundant evidence." (R. 123.)

A Philadelphia shipper of gas black from the Pennsylvania oil fields pays a rate to St. Louis, a distance of 981 miles, of 64 cents per hundred pounds, whereas from Amarillo, Texas, to Chicago, a distance of 978 miles, the rate is 85 cents per hundred pounds. If Amarillo and Philadelphia both ship to Chicago, the rate from Amarillo is 85 cents and the rate from Philadelphia is 57 cents, a difference of 28 cents per hundred pounds, or $112.00 per car for a difference in distance of only 167 miles in favor of Philadelphia. The distance from Philadelphia to Chicago is 811 miles. The rating is fifth class (R. 2795).

Oil well supplies move on class rates and are manufactured at Parkersburg, West Virginia; Fort Worth, Texas; and Tulsa, Oklahoma. The rate from Ft. Worth to Centralia, in the Illinois oil fields, is 99 cents per 100 pounds, 45 cents higher than if the Official scale, column 35, which

Parkersburg uses, is applied. On an average car of 40,000 pounds, there is a difference of $180.00 per car. From Tulsa to New Iberia, Louisiana, the rate is 47 cents per 100 pounds higher than the Official scale rate. The rate from Parkersburg to New Iberia is $1.19; if the Official scale were applicable, the rate would be 69 cents per 100 pounds (R. 2797; Ex. 102, R. 8610-11, 2802).

A Kansas manufacturer of coal preparation plants and washeries must absorb in competitive bidding the differentials in class rate levels which favor the manufacturers in Official Territory (R. 2931-36). On the Official basis the rates are 40 per cent of first-class, whereas from Kansas to Official Territory the charges actually paid are 45 per cent of a much higher interterritorial first-class rate scale. Solely because of this rate inequality, this company is considering moving its plant to Cincinnati, Ohio, where possible sites for a new location have been offered, in order to get the lower Official rates.

This Kansas company is now shipping to coal operators in Indiana, Kentucky, West Virginia, Ohio, and Pennsylvania, but has experienced great difficulty in meeting competition from Official Territory because of the higher freight rates. It has had to forego business in Pittsburgh, Pennsylvania, because of the rates (R. 2933), and has lost business to Link Belt of Chicago for the same reason (R. 2937).

A Minnesota traffic expert (R. 3120–40) testified that the Twin Cities need an adjustment of rates that will remove their present disadvantage in competing with industry in the more favored Official Territory. Since 1920, Minnesota and the Twin Cities have lost industry to Official Territory almost continuously. Specifically, the shifting of industry has been to Chicago, Freeport, and Peoria, Illinois, and to Ohio and Indiana, because of the disadvantage in freight rates affecting the industries of Minneapolis. Particular reference was made to the loss of the Caterpillar Tractor Company to Peoria, Illinois, because of unfavorable freight rates (R. 3126–7).

For many years Minneapolis and contiguous territory had a reasonable parity of rates with Official Territory and therefore enjoyed a reasonable industrial development. Now Minneapolis must ship its products under higher interterritorial class rates to Official Territory, in competition with Official Territory industry having an advantage under a lower level of class rates. Although the Official Classification governs between the Twin Cities and Eastern Territory, the first-class rate from Minneapolis to Chicago for 400 miles is $1.47, compared with a first-class rate of $1.15 for equal distances from competitive territory east of Chicago (R. 3126).

The interterritorial class rate structure available to the Minneapolis jobber or manufacturer importing from Official Territory is such that it does not permit the easy inbound movement of supplies and raw materials, in addition to the fact that outbound class rates handicap the movement of high-grade and diversified manufactures from the Twin Cities to Official Territory.

According to an Iowa traffic expert (R. 3032–51), the level of class rates between Official Territory and Iowa does not permit Iowa industries to purchase interterritorially, for the same cost, the miles of transportation their competitors across the river can buy within Official Territory. The present first-class rate between Waterloo or Cedar Falls and Indianapolis, Indiana, is $1.33 for the 415 miles. In Official Territory, this $1.33 will buy 580 miles of transportation, equivalent to the distance from Indianapolis, Indiana, to Omaha, Nebraska. This illustrates the severe rate handicap faced by shippers located adjacent to Official Territory (R. 3034).

A Wichita, Kansas, manufacturer (R. 3235–43; Ex. 142, R. 9754–8, 3241) of heating appliances which move on class rates, including large and heavy heating units like furnaces, competes with manufacturers in Ohio, Illinois, Kentucky, Pennsylvania, New York and Michigan. Between 1930 and 1941 some 442 cars of his products were moved into Official Territory under applicable class rates. This Kansas manufacturer, shipping gas or gasoline stoves to Chicago in carloads having a minimum weight of 16,000 pounds, pays $1.10 per 100 pounds as compared with the Pittsburgh producer's rate on similar shipments of 59 cents. He is also at a disadvantage in shipping house heating furnaces to Chicago. His rate is 75 cents per 100 pounds, while the Pittsburgh shipper enjoys a rate of 41 cents. Chicago is 454 miles from Pittsburgh, and 579 miles from Wichita.

Another Iowa traffic expert offered statistics on manufacturing, retailing, wholesaling, agriculture, and other business in Iowa, and testified that such business cannot confine itself to Iowa, and to states west of the Mississippi River, and prosper (R. 3018). He further testified that Iowa is so similar to Illinois that the Illinois Freight Association tariffs fix the rates which apply from eastern Iowa cities like Dubuque, considered as Illinois Territory, through Iowa following the Wabash Railway down to St. Louis. In other words, part of eastern Iowa is considered proper for operating purposes at the Illinois Freight Association rate level. As an example, from Dubuque to St. Louis, 318.4 miles, short line, the first-class rate is 98 cents, but from Cedar Rapids to St. Louis, 290 miles, almost paralleling the other service, first-class is $1.09, so that Cedar Rapids is penalized 11 cents per hundred pounds for being 28 miles closer than Dubuque to St. Louis. This is due entirely to the arbitrary territorial line set up at the Mississippi River. It has no foundation in rate making, from the witness' more than 30 years' experience (R. 3019). Official Territory shippers may buy 320 miles of transportation for $1.00 and 300 miles of transportation for 96 cents—much greater mileage than the 219 miles between Cedar Rapids and Chicago, which also cost 96 cents. Whereas the 362 miles from Cedar Rapids to Indianapolis cost $1.23, the Official Territory shipper may purchase 500 miles of transportation for $1.23. Specific competitive disadvantages of a power shovel manufacturer in Cedar Rapids, with a Milwaukee manufacturer, were described. The following table from Exhibit 121 (R. 9210, 3025), rounds out the Iowa picture:

Per cent interterritorial first class rates, Iowa points to Official Territory, exceed Official first class rates

From—	To—				
	Chicago	Evansville	Indianapolis	Detroit	Pittsburgh
Cedar Rapids	14.2	11.7	11.3	10.6	11.0
Ottumwa	14.1	13.7	12.2	10.9	7.9
Waterloo	18.4	15.9	19.8	12.5	13.9
Des Moines	18.4	21.8	21.4	18.5	17.1
Mason City	19.8	21.1	22.1	19.6	16.5
Fort Dodge	20.7	22.6	23.3	18.4	18.4
Council Bluffs	25.4	26.5	25.0	22.2	18.9
Sioux City	25.8	25.8	26.5	22.6	18.9

A rate expert of the Kansas State Corporation Commission described the application of the class rates to numerous Kansas minerals and derivative products (R. 2918–20). The witness compared the class rates on the Western Trunk-Line Territory Zone II and Zone III bases, with the

Official rate scale, using the average of all mileage blocks up to 1500 miles (Ex. 112, R. 8834, 2920). As an example, on porcelainware the average Zone II applicable class rate is 157 per cent of the Official Territory average, and Zone III is 172 per cent (R. 8836). Magnesium chloride, rated sixth class in Official and fifth class in Western, averages 199 per cent of the Eastern rate in Zone II, and 219 per cent of the Eastern rate in Zone III (R. 8837). Numerous other examples are shown in this exhibit, reflecting the wide disparities in class rate levels, and inequalities in ratings, as between Official and Western Trunk-Line territories.

A transportation and industry expert from the University of Texas analyzed the economic effects of freight rates on five concerns in Texas, using their paid freight bills (R. 2811–29), and his Exhibit 104 (R. 8629–42, 2820), contains convincing data showing numerous rate inequalities that inhibit Southwestern industries.

The freight bills on the shipments made by and to the industries in the Southwest, compared with what the rates would have been, inbound and outbound, on the same articles for similar distances within Official Territory, showed that the freight payments of these five concerns exceeded by $83,054.62 the amount that would have been paid had all inbound and outbound shipments been charged on the Official basis for equivalent service.

The Sche-Rose Manufacturing Company of Dallas, producers of bread-making compound, for the year 1941 paid approximately 63 per cent more in freight charges than it would have paid had the Official level of rates been applied. A shipment from Dallas to Philadelphia, for example, moved at a class rate of $1.93 per 100 pounds, when the Official level would have only been $1.33. The economic disadvantage suffered by this concern for 1941 on the basis of freight charges represented 57.7 per cent of its manufacturing wages, over 6 per cent of its capital stock, 5.9 per cent of net sales, and over 23 per cent of office and administrative salaries. The customers, workers, or stockholders could have enjoyed the savings to be realized in freight charges had the goods moved on the Official rate level (Ex. 104, R. 8634, 2820; 2817).

The freight charges on shipments made by the Walker's Austex Chili Company, Austin, Texas, during 1941 were over $14,000 more than would have been charged for equivalent service under the rates in effect in Official Territory. The economic disadvantages of freight charges for this company when compared with Official amounted to 7.31 per cent of its capital stock, 3.29 per cent of cost of goods sold, and 2.12 per cent of net sales (Ex. 104, R. 8630–1, 2820; 2816).

The Superior Products Company, Dallas, manufactures toilet preparations, perfumes, and related articles. Its actual inbound freight charges for the year 1941 amounted to $65,317.39. The charges for equivalent service under the Official level of rates would have been only $37,828.22. The total freight charges amounted to over 29 per cent of the cost of the goods sold, 18.29 per cent of net sales, 69.74 per cent of capital invested, and over 300 per cent of wages paid.

To illustrate the drastic differences between the rates that are charged this producer on the present levels, as against the rates under the Official basis, one actual shipment consisted of 51,495 pounds of drugs moving from Petrolia, Pennsylvania, to Dallas at a class rate of $1.14 per 100 pounds. The total charge collected was $5,870.49. Under the Official level for equivalent service, the same shipment would have moved at a class rate of 75 cents per 100 pounds and the charge would have been only $3,862.16 (Ex. 104, R. 8633, 2820).

A similar case history is revealed by an examination of freight charges paid by the Brenham Cotton Mills, Brenham, Texas. For example, it cost this concern $3.53 per 100 pounds in freight charges to ship textile machinery from Biddeford, Maine, to Brenham. During 1941, numerous shipments were received from Biddeford that moved on this class rate, whereas a rate of $2.48 is applicable on the same articles within Official Territory for equivalent service (Ex. 104, R. 8632, 2820).

E. L. Hart, Traffic Manager of the Atlanta Freight Bureau, testified in part, as follows (R. 4752):

> The next item appearing is calendars. We have in Atlanta some very large printers. We try to get some business in Official Territory. We do get some business some times and at the present time are doing a great deal of work for the Government, but of course that is not ordinary work, but with respect to the calendar situation we have one printer in Atlanta, and a rather large operation, and he endeavored to get into this business and did secure at one time some business in the North and I think the calendars made in Atlanta are just about as good—Now this Gulf Refining calendar, that business was secured one year and was later lost because of our inability to secure proper rates out of Atlanta, carload—they all move in carload quantities.
>
> The business of the International Agricultural Corporation was also lost for the same reason and you will find the 1940 contract of the Atlantic Coast Line Railroad, one of our main Southern railroads, was given to this concern but he hasn't had it since that date, although he is located on the Georgia Railroad, a child of the ACL, and the ACL today is buying their calendars in Chicago.
>
> When this Gulf Refining Company contract came up on April 9, 1941, I made a

very strenuous effort to have the Southern carriers do something about these rates into Official Territory.

I finally reached an agreement with the Southern lines as to certain rates to be published to Boston, New York, Philadelphia, Pittsburgh, Toledo, Louisville, and the proposal was filed under date of July 7, covered by submittal No. 26056, suggesting those particular rates which were not entirely satisfactory and were not on a destination level by any means, but nevertheless we felt might permit this manufacturer to continue being favored with this business.

That problem met the usual fate of all interterritorial problems that come from the little man. It was nonconcurred in very promptly by the Official Territory lines, and my file is closed. No rates were ever published. Consequently the calendar manufacturer in Atlanta is not in the calendar business any more, although he prints just as good a calendar as our very good friends.

* * * * *

(R. 4754):

The next item is machinery wiping rags. That is a manufactured product. It is produced in rather large quantities in Atlanta and at certain other points in Southern Territory and at particular points in Official Territory.

The carload basis within the South and from the South to the North is 180 per cent of the Official Territory level.

We were not very much concerned about the carload rates on these articles until there began a demand under the present emergency for the purchase of these rags in carload quantities.

The l. c. l. basis is the same as the rates on textiles, and it took about three years to have this particular adjustment made on these rags in the South and inter-territorially, but in any event they do not apply on carloads. Therefore, our l. c. l. rates into the North are very near the northern level so we haven't complained so much about the l. c. l. rates, but when this carload business came into the offing then we were very much embarrassed.

I have here, Mr. Commissioner, a number of bids of the United States Government which these people have bid on at Sewell's Point, Norfolk, Virginia, and Mechanicsburg, Pennsylvania, and Bayonne, New Jersey, and these bids have all gone to the northern manufacturers except that last one, and that comes about by the establishment of a rate from Atlanta to Norfolk at our insistence that would put this man in competition with the northern producing points.

That matter was first handled with the Southern Railway on October 7, 1942. The rates became effective on [R. 4755] March 2, 1943. There was fairly prompt handling of that situation at Norfolk. Of course, we agreed there was no hopes of getting the Trunk Lines to concur in rates to

Mechanicsburg and Bayonne, and we did not file a proposal to cover those rates.

The Southern Railway, however, was not willing to meet the northern level precisely at Norfolk. They were willing of course to establish a rate of 46 cents. That rate represented a rate 5 cents higher than if the Northern or Official Territory basis were applied.

I was forced to accept the rate although I felt that the Southern lines should establish the northern level which would have given Atlanta a rate of 41 cents.

After that rate was under consideration, and the assurance that it would be established by the Southern lines, this Atlanta producer was able to secure a contract from the Government covered by Negotiation No. 2698 dated January 15, 1943, distributed by the Navy Department for delivery of 690,000 pounds within a certain period at the Navy Yard at Norfolk, Virginia.

That business was secured by these people on a delivered basis of 10.35 (cents) per pound whereas their competitor at Hamilton, Ohio, who had been securing this business heretofore, bid 10.87 (cents) so you can see how close those two bids were and what the difference in rates means when you understand that the prior rate from Atlanta to Norfolk was 75 cents and from Hamilton, Ohio, 42 cents. That shows that the competitive situation is controlling in many instances with respect to a commodity of this character.

> I don't think it is necessary to read these bids that have been offered but they run into the millions of pounds of these rags, and it is valuable business, but there is no chance for the Atlanta manufacturer to secure any of that business.

A Tennessee public official, a rate expert (R. 2601–12), explained "why it is that Nashville cannot sell work clothing in the North and East, as her rates mile for mile are approximately 31.5 percent higher than her competitors' in Central Territory" (R. 2607; Ex. 91, R. 8330, 2608). The following rate comparisons were shown:

Comparison of rates in cents per 100 pounds, cotton work clothing, less-carload from Nashville, Tennessee, and from points in Official Territory to points in Official Territory

Origin	Destination	Miles	Rates
Nashville, Tenn.	Chicago, Ill.	443	106
Pittsburgh, Pa.	Chicago, Ill.	459	82
Nashville, Tenn.	Buffalo, N. Y.	725	137
Alton, Ill.	Buffalo, N. Y.	712	103
Nashville, Tenn.	Boston, Mass.	1178	176
Alton, Ill.	Boston, Mass.	1206	135
Nashville, Tenn.	Detroit, Mich.	545	120
Allentown, Pa.	Detroit, Mich.	585	91
Nashville, Tenn.	Cleveland, Ohio	549	118
New York, N. Y.	Cleveland, Ohio	556	90
Nashville, Tenn.	Grand Rapids, Mich.	537	120
New York, N. Y.	Grand Rapids, Mich.	779	108
Nashville, Tenn.	Indianapolis, Ind.	297	95
Buffalo, N. Y.	Indianapolis, Ind.	468	82

The Sweet Potato Growers, Inc., with a starch plant at Laurel, Mississippi, for the seven months ending February 28, 1941, paid freight charges which amounted to 21.8 per cent more in dollars paid than the Official Territory level for comparable movements. On carload shipments the excess of actual charges over the Official basis was 15.6 per cent and on less-carload shipments the excess amounted to 44.6 per cent (Ex. 76, R. 7981, 2393). This excess of actual charges was 2 per cent of the total net sales. If this difference in rates paid had been available to the Sweet Potato Growers, Inc., the corporation could have paid either 8 per cent more for raw materials, 10 per cent more in wages, or 124 per cent more in net profits (R. 2386).

A North Carolina washboard manufacturer's greatest competition is from Michigan and Ohio companies. Lower competitive interterritorial rates have been withheld from his company by the railroads, and therefore in bidding on a delivered-price basis against competition in Official Territory, he must absorb the higher freight charges from Raleigh (R. 2469–73).

The less-carload class rates paid on actual shipments from Raleigh, compared below with the rates available within Official Territory to competitors for equal service, are representative of the disadvantage of the Southern Territory shipper (Ex. 79, R. 8015–6, 2472):

To—	Mileage	Class rates in cents per 100 pounds	
		Paid by Raleigh shipper	Official basis
Charleston, West Virginia	403	90	78
Chicago, Illinois	862	132	118
Detroit, Michigan	760	124	109
Portland, Maine	831	126	116
Scranton, Pennsylvania	533	101	90
Toledo, Ohio	704	117	106
Wilkes-Barre, Pennsylvania	515	98	87

Shown below (Ex. 220, R. 11696, 4765) is a list of manufactured articles produced in Atlanta, Georgia, that have markets in Official Territory. These articles move on class rates in both Southern and Official Territories, and the disadvantage of the Georgia producer as compared with the Official producer is shown for each commodity in the last column:

Commodity (carloads, unless otherwise shown)	Classification ratings stated as percentages of first class			Percent Southern rate level is of Official
	Southern	Official	South to Official	
Calendars, paper	55	55	55	138
Electrical appliances: Switchboxes, outlet plates, conduit outlet boxes, with or without fittings. LCL	70	70	70	138
CL	45	40	45	156
Cloths or rags, wiping	40	30	40	180
Tanks, iron or steel, thinner than No. 2 gauge but not thinner than No. 16 gauge	55	55	55	138
Lead products:				
Sheet	30	35	35	138
Pipe and fittings	40	35	40	160
Wine (in tank cars)	55	55	55	138

The Commissioner of the Memphis, Tennessee, Freight Bureau testified as to the movement of macaroni, noodles, and spaghetti from Memphis, and comparative rates (R. 2335–56). The Memphis manufacturer distributes his goods throughout Southern Territory, but with the exception of border points, has been unable to market his goods in Official Territory in competition with manufacturers at Chicago and St. Louis, because shippers there enjoy rates relatively lower than those applicable from Memphis. He testified that the movement both in Southern and Official Territories was on class rates (R. 2336).

The rate on macaroni, spaghetti, and noodles, less-carload, from Memphis to Hamilton, Ohio (512 miles) is 82 cents per 100 pounds; the rate from St. Louis, Missouri, to Cleveland, Ohio (522 miles), is 62 cents per 100 pounds (Ex. 75, R. 2356 uu, 2341).

4 Taking Evansville, Indiana, as a representative border point destination, the rate from Memphis (301 miles) is 70 cents per 100 pounds. From Chicago (284 miles) the rate is 48 cents per 100 pounds. This 22-cent advantage was typical.

The rate from Memphis to Metropolis, Illinois, is 53 cents per 100 pounds for the haul of 179 miles, while the Chicago producer, for the haul of 355 miles, nearly twice as far, enjoys a rate of 52 cents (R. 2356 vv).

An official of a tanning company in Andrews, North Carolina, which ships leather products to the North, testified (R. 2455–61) that he had "experienced considerable difficulty in selling and quoting prices in line with prices quoted from tanneries who are in position to ship at lower freight rates" (R. 2457).

The significance of certain inbound class rate discrimination affecting this tannery is illustrated by specific inbound shipments which cost this company 25.7 per cent more in freight charges than would have accrued had they moved under Official Territory rates. The economic disadvantage here, arising out of payments on inbound consignments of dry hides, is emphasized when the applicable fourth-class rates to the following actual shipments (Ex. 77, R. 8[illegible]3, 2459) are compared with rates for equidistant hauls in Official Territory:

Illustrative shipments, dry hides, carload minimum 20,000 pounds.

From	Date	Car No.	Class rate formula miles	Class Rates		Revenue Differential (dollars)
				As applied	Official basis	
New York, N. Y.	6-10-42	PRR 78032	812	122	84	206.58
New York, N. Y.	6-10-42	PRR 80632	812	122	84	207.98
Waverly, N. J.	6-10-42	PRR 56782	812	122	84	154.08
New York, N. Y.	6-18-42	N-W 46790	812	122	84	156.84

A manufacturer of automobile truck bodies at Nashville, Tennessee (R. 4614–53) labors under a rate handicap as high as 253 per cent of the rates available to his competitor at Detroit, Michigan, in the sale of truck bodies at Metuchen, New Jersey (R. 4635). In this case the Nashville rate was the Southern Classification rating of second class—$2.10 per 100 pounds. The Detroit shipper enjoyed rates ranging from 53 cents to $1.03 per 100 pounds, depending upon the carload minimum weight. These rates represent Official Classification exceptions ratings applied to the Official level of rates (R. 4634). Metuchen is 965 miles from Nashville, and 616 miles from Detroit.

On palmetto fibre, used in the manufacture of brushes, the applicable class rates and certain basic scale rates from Jacksonville, Otter Creek, and Benson Junction, Florida, to representative Official Territory cities, are compared with the applicable import class rates from New York to the same localities (R. 2651). The following tabulation (Ex. 92, R. 8440–1, 2654) indicates, among other disparities, that a competing manufacturer in St. Louis, 1027 miles from New York, can get imported fibre from New York on a rate of $1.21, that is, 71 cents less than the rate on Florida fibre from Benson Junction, Florida, to St. Louis, for a comparable equidistant haul of

1029 miles. The Florida producer has a rate disadvantage of 58½ per cent (R. 2651):

Palm or palmetto brush fibre, less-carloads

[In cents per hundred pounds]

To— (A) Chicago, Ill. (B) St. Louis, Mo. From—	Mileage	Rates applicable (3d class)	Southern basic scale K-2 (3d class)	Official Territory basis	Amount and percentage difference, applicable rate over Official Territory basis	
					Amount	Percentage
Jacksonville, Fla.	(A) 1,061	184	181	133	51	38
	(B) 915	172	167	172	50	41
Otter Creek, Fla.	(A) 1,037	196	183	135	63	47
	(B) 933	181	169	123	58	46
Benson Junction, Fla.	(A) 1,173	207	190	141	66	47
	(B) 1,029	192	178	131	61	47
New York, N. Y.	(A) 890	[1] 111		120		
	(B) 1,027	[1] 121		131		

[1] Import class rates.

Of this testimony, another witness (R. 2706–30), who made studies of the manufacture and distribution of palmetto fibre at these Florida points, testified as follows (R. 2718):

> The differences in the rates, and the particularly low rates on imported fibres actually encourage the importation of fibres produced under low wage conditions. Inducement is given to import fibres rather than to use the only domestically produced vegetable brush fiber, Florida palmetto. The domestic fibre, Florida palmetto, suffers the disability of much higher freight rates and its production and usage is thereby curtailed.

The following tabulation (Ex. 92, R. 8442–3, 2654) indicates, for example, that fibre brushes manufactured in Florida must overcome a rate handicap of 48½ per cent in competition with the New York to St. Louis rate of 157 cents:

Fibre brushes, less carload

[In cents per hundred pounds]

To— (A) Chicago, Ill. (B) St. Louis, Mo. From—	Mileage	Rates applicable (3d class)	Southern basic scale K-2 (3d class)	Official Territory Basis	Amount and percentage difference, applicable rate over Official Territory basis	
					Amount	Percentage
Jacksonville, Fla.	(A) 1061	224	220	162	62	38
	(B) 915	208	203	148	60	40
Otter Creek, Fla.	(A) 1067	241	223	164	77	47
	(B) [illegible]	220	208	150	70	46
Benson Junction, Fla.	(A) 1173	251	232	171	80	47
	(B) 1029	233	217	159	72	47
New York, N. Y.	(A) 890	[1] 142		145		
	(B) 1027	[1] 157		159		

[1] Import class rates.

Another witness had this to say about the Florida fibre brush figures:

> It is my opinion based upon my study of this industry that the existing freight rate structure is partly, at least, accountable for the fact that the manufacture of brushes from fiber has been in Official Classification Territory and that the manufacture of brushes in Florida near the sources of raw materials is of such relatively insignificant proportions. It is my opinion that if an equitable and uniform basis of rates, mile for mile, were established, the manufacture in Florida of brushes from Florida palmetto fiber could be expanded far beyond the present output * * * (R. 2719).

6

The following table was also taken from Exhibit 92 (R. 8448, 2654):

Cigars, any quantity

[In cents per hundred pounds]

To— (A) Chicago, Ill. (B) St. Louis, Mo. From—	Mileage	Rates applicable (2d class)	Southern basic scale K-2 (2d class)	Official Territory Basis	Amount and percentage difference, applicable rate over Official Territory basis	
					Amount	Percentage
Jacksonville, Fla.	(A) 1061	224	220	162	62	38
	(B) 915	208	203	148	60	40
Tampa, Fla.	(A) 1226	256	240	178	78	44
	(B) 1049	239	217	159	80	50
New York, N. Y.	(A) 890	[1] 142		145		
	(B) 1027	[1] 157		159		

[1] Import class rates.

The Tampa producer of cigars pays $2.39 per 100 pounds to move his product to St. Louis, a distance of 1,049 miles; a competitor located in New York pays $1.57 per 100 pounds to ship imported cigars to St. Louis, a distance of 1,027 miles.

Unsuccessful efforts to obtain reduced rates on matches in 1939 resulted in the abandonment and loss of a Jacksonville plant which had previously manufactured safety matches in cardboard strips for use as advertising matter, shipped in appreciable volume, both carloads and less-carloads. Exhibit 92 (R. 8394, 2654) shows the fifth-class rates on matches, in carloads, from Jacksonville to important cities in Official Territory, and the percentages by which the rates exceeded the Official class rate basis. Reference, in particular, is made to the applicable rate of 118 cents from Jacksonville to Chicago as being 176 per cent of the Official basis or fifth-class rate of 67 cents for equidistant hauls. "The high level of the class rates from Jacksonville into Central Territory was one of the primary causes of the discontinuance of the manufacture of safety matches in the Jacksonville plant" (R. 2654).

A witness from the Southwest introduced exhibits containing comparative rate statements showing that the class rates to and from that section are, mile for mile, on a higher level than those applicable within Official Territory (R. 2731–63). The following tabulation (Ex. 96, R. 8550, 2746) is representative of the glaring rate disparities under which Southwestern shippers must operate:

Shortline distance and rates, fibreboard boxes (knocked down), carloads, from Sand Springs, Oklahoma, to points shown, and rate for distance in Official Territory

Destination	Distance	Rate 5th class (37½%)	Official 27½ J. (6th class)
Chicago, Ill	688	0.78	0.41
Pittsburgh, Pa	1,043	.96	.51
Cleveland, Ohio	956	.92	.49
Indianapolis, Ind	672	.79	.40
Baltimore, Md	1,391	1.11	.62
Grand Rapids, Mich	863	.86	.46
St. Louis, Mo	431	.64	.31
Kansas City, Mo	251	.49	.25

Shortline distance and rates, fibreboard boxes (knocked down), carloads, from Dallas, Texas, to points shown, and rate for same distance in Official Territory

Destination	Distance	Rate 5th class (37½%)	Official 27½ J. (5th class)
Chicago, Ill	939	0.98	0.48
Pittsburgh, Pa	1,233	1.14	.57
Cleveland, Ohio	1,143	1.09	.54
Indianapolis, Ind	862	.97	.46
Baltimore, Md	1,433	1.28	.64
Grand Rapids, Mich	1,084	1.06	.52
St. Louis, Mo	605	.47	.39
Kansas City, Mo	484	.47	.34

An expert rate witnes representing 95 per cent of the southern furniture manufacturers testified (R. 4815–33) that the present adjustment of rates on furniture within and from the South dates back to 1932 and represents various kinds of rates, all published as percentages of first class. Since the revisions of 1932, the rates on furniture within and from the South, with a few minor exceptions, have been made with direct relationship to the first-class rates, and therefore the first-class rates are the basis for determining the southern rates on furniture (R. 4816).

In the fall of 1932 the Official lines published truck competitive ratings on furniture by exceptions to the classification. The southern carriers then sought approval of Official carriers in revising the rates from Southern Territory, to a percentage of the applicable first-class rates which would approximate the level in Official Territory so as to equalize the reduced rates in the latter territory. The Official carriers declined to equalize the rates, and countered with a suggestion, accepted reluctantly by the southern carriers, that resulted in rates higher than the existing commodity rates established by the southern carriers. Immediately there began an erosion of the furniture traffic from the South to Official Territory—from the rails to highway carriers (R. 4820–1).

In 1940 the southern furniture manufacturers and carriers made vigorous renewed efforts to correct the discrimination, but were unsuccessful. As the result of the refusal of Official Territory carriers to concur in the reduced rates from the South, the southern carriers lost seven or eight thousand cars of furniture per year. The witness concluded as follows (R. 4822):

> Because of that situation and because of the numerous efforts we have made from time to time to get the clearance of the Official lines in an equalized basis of rates, *we are convinced that it can be done only if required by this Commission, or if first class rates are prescribed on the same level in the two territories or between the two territories.* [Emphasis supplied.]

The Executive Director of the Arkansas Agricultural and Industrial Commission testified (R. 2776–81) that his job was to develop industry in Arkansas. He testified that "in practically every case one of our troubles has been the unequal freight rates," and that without equalized freight rates and uniform classification with Official Territory on manufactured articles, Arkansas was not going to get proper industrial development (R. 2777-8).

An executive of a large iron and steel company located at Pueblo, Colorado, testified (R. 2495-2506) that his company's present eastern distribution radius is 700 miles, whereas to the North, West, and South, its steel products move from 1,000 to 1,600 miles to important markets; that the controlling factor in preventing a larger distribution to eastern markets is the prejudicial effect of the present class rate structure (R. 2498), which requires the payment of higher freight charges for the same distances than shipments from eastern origins. "The class rate structure is equally responsible whether the steel moves at the full fifth-class rate or at 32½ percent of first class. As a matter of fact, the Colorado Fuel and Iron Corporation pays the full fifth-class rate from its mill at Pueblo, Colorado, on most of its shipments to an area in northwestern Oklahoma and Texas that is larger than the six New England States put together" (R. 2499). Pittsburgh can ship 50 per cent farther for the same charge than Pueblo, as illustrated by the applicable Class 45 rate from

Pittsburgh to Omaha, Nebraska, against the current Class A rate from Pueblo, Colorado, to the same destination, on an actual movement of shell body forgings. The present rate from Pueblo to Omaha, for a haul of 601 miles, is $1.05, whereas from Pittsburgh to Omaha, involving a haul of 922 miles, the rate is only 99 cents, a double penalty inasmuch as the rate, mile for mile in the East, is lower than in the West, while at the same time the article is rated higher, 40 per cent of first class in the East, against 45 per cent (Class A) in the West. As the western United States becomes industrialized, they will ship new commodities, and it is unfair for a western-located industry to wait until the problem arises, only to discover that variations in classification impose extra and unexpected handicaps (R. 2503).

Additional examples of class rate disparities favoring Official Territory over Southern Territory are set forth in exhibit 88 (R. 8162–71, 2578). The figures shown in the last column of the following table represent the percentage relationship of the actual rates under the Southern class rate scale to the actual rates under the Official class rate scale for any selected distance.

Commodities (carloads, unless otherwise shown)	Classification ratings stated as percentages of first class			Per cent Southern rate level is of Official
	Southern	Official	South to Official	
1. Acid, sulphuric (in containers)	30	30	35	120
2. Acid, sulphuric (in tank cars)	27½	27½	35	110
3. Aluminum articles	75	75	75	138
4. Aluminum articles, LCL	100	100	100	138
5. Aluminum Stearate N. O. I. B. N	40	40	35	160
6. Batteries, electric storage	40	40	40	138
7. Bottles, glass	35	35	35	138
8. Charcoal, wood	22½	27½	25	125
9. Cement, concrete, waterproofing compound	40	40	35	160
10. Drugs	45	45	50	122
11. Iron and steel articles structural, LCL	40	40	50	114
12. Lead products, sheet	35	35	35	138
13. Lead products, pipe and fittings	40	40	35	160
14. Paint (other than earth) dry	40	40	35	160
15. Pottery	35	35	35	138
16. Starch	30	30	27½	150
17. Softener, cotton	37½	37½	35	150
18. Tanks, iron or steel:				
No. 2 Gauge	40	40	40	138
No. 3 Gauge	55	55	60	130
19. Wine	55	55	55	138
20. Yarn, rayon	45	45	55	115

Appellants insist that too few shipper witnesses testified to give the Commission a sufficient picture of class rate inequalities on which could be based its findings. Appellants, apparently in an attempt to discredit the shipper testimony, have gone to the extent of quoting at length, not only in briefs but in the original petition in No. 343 (R. 12–16), from the Commission's report, in which the testimony of certain shipper witnesses is summarized.

It may be conceded that these summaries by the Commission are not always as complete or illuminating or helpful as they might be. Therefore, in this brief, the statements have been based on the record itself, and the illustrative material summarized above should certainly demonstrate beyond any doubt how discriminatory and unreasonable the class rate structures are, both in general levels and in particular situations.

The answer to appellants' contention that there were too few shipper witnesses is that class rates cover a great variety of miscellaneous articles of freight, and affect practically every community and every shipper and receiver of freight in the United States. There are tens of thousands of communities, and hundreds of thousands of shippers and receivers of class rate traffic. The class rate structure, therefore, must be made to accommodate the legitimate needs of all these varied interests, present and prospective, and must, of necessity, be carefully integrated and spread over the vast territory affected. As a practical proposition, all these thousands of communities and shippers could not have been heard in this case without extending the proceedings beyond all reasonable limits. Furthermore, to undertake to hear any given number of individuals, and their own peculiar transportation problems, would always create a serious risk that if these witnesses were not heard by some carefully evolved system of sampling—which, as a practical matter, it would be impossible to effectuate—the record would be distorted so that a fair and just decision to all interests involved would be impossible. There are other ways of obtaining the necessary information than the method of depending wholly on shipper testimony, and the Commission, as demonstrated by the record, although it did not refuse to hear some shipper witnesses, found and used those other ways, with conscientiousness and faithfulness to its task.

(B) *Higher class rates have impeded the development and movement of class rate traffic within Southern and Western Territories, and from these Territories to Official Territory, and thus have made all the class rate structures involved in this proceeding obsolete*

(1) Impeding the development of class rate traffic—economic data

In *Texas & Pacific Ry. Co.* v. *Interstate Commerce Commission,* 162 U. S. 197, this Court, in describing the considerations which should govern the Commission in inquiring into the unreasonable and discriminatory character of rates, stated that (162 U. S. 219):

> all circumstances and conditions which reasonable men would regard as affecting the welfare of the carrying companies, and of the producers, shippers and consumers, should be considered by a tribunal appointed to carry into effect and enforce the provisions of the act.

The opening sentence of the Commission's findings and conclusions about class rates in this proceeding is as follows (R. 302-3):

> Appropriate to the breadth and variety of the interests involved in this proceeding, the record has not been narrowly restricted to rate comparisons and the competitive and other effects of rates upon particular industries or individual shippers, but has been developed within a sufficiently broad perspective to permit us to consider all the essential circumstances and conditions which affect the welfare of carriers, of producers, shippers, and consumers, and of localities, districts, regions, and territories.

The relevance of the economic data considered by the Commission stems, therefore, from precedent as well as logic. We agree with appellants that a rate inequality without a showing of injury does not demand correction. With territorial rate inequalities demonstrated, proof of territorial disadvantages is necessarily relevant. The extent of the causal connection may not be susceptible of exact determination, but the existence of a causal connection was certainly a legitimate inference for the Commission. (R. 310, 311, 313.)

The Commission considered in its investigation evidence pertaining to the raw materials and economic development of each freight rate territory. Basic Government statistics on natural resources, manufacturing, labor, income, and population were considered in making comparisons and analyses.

Official Territory has a vastly greater share of manufacturing than the other territories, particularly with respect to consumer goods. The following table shows the relationship between the five rate territories in terms of land, workers, and manufacturing.

Land area, gainful workers, value of manufactured products, and value added by manufacture, by freight rate territories as a per cent of the United States total

Territory	Land area, 1940	Gainful workers, 1930	Value of manufactured products, 1939	Value added by manufacture, 1939
Official	13.5	51.1	67.8	71.4
Southern	13.3	16.8	10.0	9.4
Western Trunk Line	20.9	13.5	9.9	8.7
Southwestern	14.2	9.3	4.5	3.3
Mountain Pacific	38.1	9.3	7.8	7.2
Total	100.0	100.0	100.0	100.0

Source: Ex. 1, R. 5016A, 1546, Ex. 9, R. 5631, 5640, 5643, 1728.

This table reveals that Official Territory has five times as much of the value added by manufacture as compared to Official's share of the land area; in contrast to this, Southern has 13.3% of the land area and only 9.4% of the value added by manufacture. Of particular significance is the fact that in 1939 Official had 67.8% of all the manufactured products in the United States, by value, and 71.4% of the total value added by manufacture.

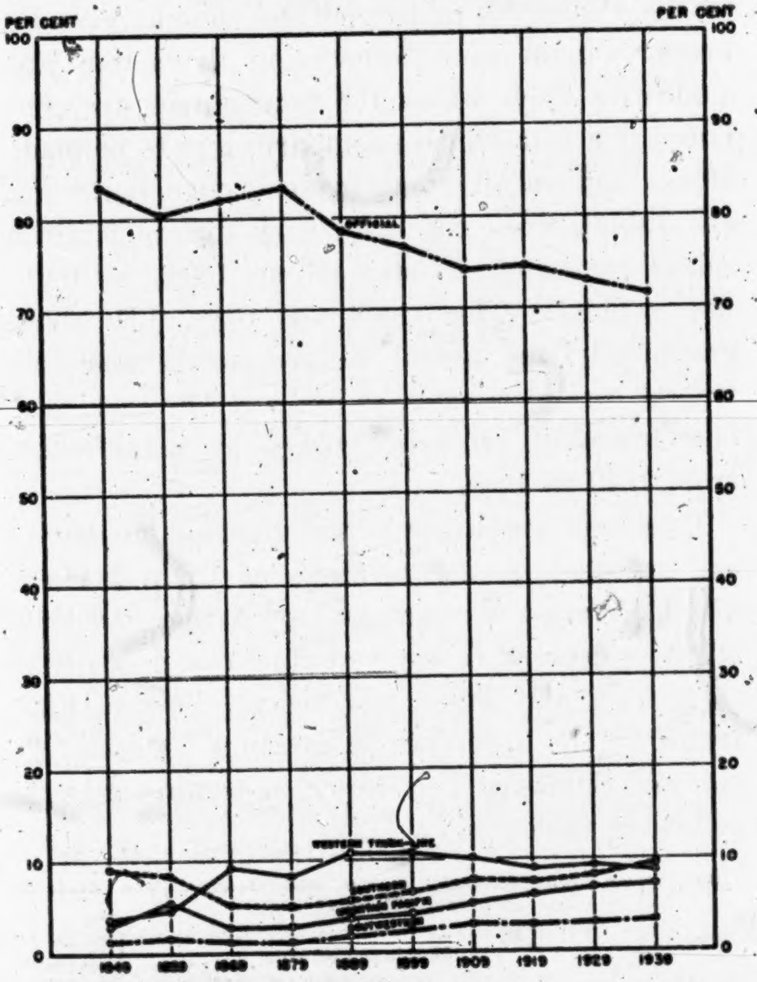
The next table below gives the figures on the industrial growth of each freight rate territory as measured by gainful workers and manufacturing. It should be noted that this actual increase in the value added by manufacture was seven times as much for Official Territory as it was for Southern, whereas the increase in the value of manufactured products was only five times as much for Official as it was for Southern. Simple percentages of increase, based on the widely different starting figures, do not indicate this important consideration. Thus, while Official Territory's increase in its value added by manufacture was 48% of the increase in its value of all manufactured products, Southern Territory only made a comparable showing of 39%, and Western Trunk-Line of 41%.

Actual increases in gainful workers, total value of manufactured products, and total value added by manufacture by freight rate territories.

Territory	Actual increase in total gainful workers from 1910 to 1930	Actual increase in value of products in all manufacturing industries from 1909 to 1939	Actual increase in value added by manufacture in all manufacturing industries from 1909 to 1939
Official	6,230,273	$23,561,190,000	$11,284,350,000
Southern	652,755	4,229,396,000	1,662,336,000
Western Trunk-Line	904,966	3,117,079,000	1,284,798,000
Southwestern	1,011,151	1,942,378,000	580,398,000
Mountain Pacific	1,863,419	3,320,930,000	1,341,785,000

Source: Ex. 9, R, 5631, 5640, 5643, 1728.

VALUE ADDED BY MANUFACTURE FOR ALL MANUFACTURING INDUSTRIES—PERCENTAGE DISTRIBUTION BY FREIGHT RATE TERRITORIES, 1849 TO 1939



Source: Ex. 9, R. 5643, 1728.

The rate of growth in manufacturing in the South has been greater than in Official Territory for recent years. This was to be expected in spite of unequal freight rates, because of the disproportionate original balance between the two territories and the advantages of the South in natural resources. In measuring this growth, however, trends expressed in percentages should give the proper weight to differences in the actual base quantities from which the percentages are computed if a fair relative comparison is to be made. Horse and rabbit stew, made of one horse and one rabbit, does not taste very different if the rabbit ingredient is stepped up 100% by using two rabbits. The chart on page 131 shows graphically the actual differences between the freight rate territories, as measured by each one's percentage of all value added by manufacture from 1849 to 1939.

Economic conditions in the different territories are reflected in the earnings of their workers, which govern their standard of living, and their effective demand to buy manufactured goods from their own and other territories. This is illustrated by the difference in earnings between Official and Southern Territories, as contained in the following table:

Total income payments, dollar income, and relative income levels per person employed, 1940

Territory	Total income payments		Average dollar income per person employed	Relative income level per person employed
	Millions of dollars	Per cent of total		
Official	$49,005	64.3	$1,988	118
Southern	6,648	8.7	940	56
Southwestern	4,889	6.4	1,177	70
Western Trunk-Line	6,863	9.0	1,411	84
Mountain Pacific	8,854	11.6	1,997	118

Source: Ex. 76, R. 7972-3, 2393.

It is significant that the average dollar income per person employed in Official Territory is more than twice as much as in Southern Territory, which is 44% below the national average as given in this table; Official is 18% higher. The principal reason for this is the greater volume of manufacturing in Official Territory, particularly in the upper stages of manufacturing. Primary manufactured goods, such as cotton cloth and heavy chemicals, are made in the South and shipped to Official Territory to make finished products, some of which are shipped back to the South. In these later stages of manufacturing, higher wages and profits are usually realized (R. 2367, 2614).

Unfortunately, manufacturers distributing their products on a regional or national scale do not price them in a particular state according to the average income per worker in that state. A manufacturer of canned goods, tools, shoes, farm implements, rubber nipples, or patent medicines will set his price for the country as a whole, and the difference in the price the consumer must pay is the difference in freight. Frequently differences in freight rates are at the expense of labor and profits.

Official Territory has less than 4% of the available iron ore reserves of the United States, and no reserves of metallic copper (Ex. 1, R. 4935-6, 1546). In sharp contrast to this, the manufacture of steel and copper products is highly concentrated in Official. In the South, where 53% of the iron ore reserves are located, there is an abundant supply of soft coal readily accessible (Ex. 1, R. 4935, 4992c). Another measure of this territorial specialization is the fact that Official Territory has 69% of all workers engaged in manufacturing in the United States, compared to only 29% of all workers in all extractive industries (Ex. 76, R. 7967, 2393).

The South and West furnish the raw materials to Official Territory, which adds intensively to their values by making the finished products. Consequently the South and West depend on northern manufacturers not only as a market for their raw materials, but also as a supplier of the finished products they need.

Expert witnesses told the Commission that further economic progress in the South and West is largely dependent on industrial development and greater diversification, and that, at present, the people have little alternative to earn a living except in agriculture or raw material production, both of which are at or near the saturation point in the South and West (R. 2379, 2947, 3089–90). The high dependence on agriculture and production of raw materials in the South and West, and the relatively low income in these regions, go hand in hand and are directly related. Specialization of the South and West in these pursuits subjects the people of this area to economic deficiencies and dislocations. By establishing industries in the South and West, economic wastes could be avoided, one of which is caused by excessive congestion in the great urban industrial communities of Official Territory, far from most of the raw materials sources.

One of the ways in which the present disparities in class rate levels discourage industrial expansion in the South and West is by forcing producers in such rate-handicapped locations to absorb higher freight charges resulting from rate inequalities. Many of the producers of manufactured products in the South and West feel the impact of this burden through reduced profits and narrower markets.

The differences and the effect of unequal class rates are strikingly illustrated by figures on value added by manufacture in the interterritorial traffic balances, which contribute so heavily to national income, and especially to the income of Official Territory. Thus the average ton of outbound freight from Official Territory represents value added by manufacture of $54.69, which is about thirteen times as great as the $4.19 value added by manufacture to the average ton outbound from the South and West (R. 2366).

Industrial expansion of the type most needed in the South and West, that is, of those industries engaged in processing in the later stages of production, is the most seriously affected by the present class rate system. In a study of shipments from Southern Territory to Official Territory, the rates on clay were 12% higher than the Official Territory rates for equal distances, while in the case of the more highly processed products of pottery and chinaware, the rate was 40% higher than the Official Territory rate for equal distances (Ex. 76, R. 7975, 2393).

The spread between raw material rates and manufactured goods rates moving from the South and West to Official Territory is further illustrated by cottonseed oil, a basic agricultural commodity on which the rates are 7% higher from Southern to Official Territory than they are within Official Territory. If the cottonseed oil is manufactured into oleomargarine, the rates from Southern to Official Territory become 35% higher than the rates within Official Territory (Ex. 76, R. 7975, 2393).

By this means, industries which intensively fabricate and process goods, and thereby add greatly to their values, are prevented from being established in such rate-handicapped territories. As a result of this condition, the relative income per capita for the inhabitants of these territories is the lowest in the country, and this in turn tends to perpetuate the high dependence on income from raw materials in the South and West.

The South and West are also dependent on Official Territory for markets for new manufacturing industries, because a substantial portion of the purchasing power is in Official Territory, which has over 49% of the population of the United States (Ex. 9, R. 5628, 1728), 76% of the national market for industrial machinery and raw materials, 64% for all goods and services, 62% for consumer luxuries, and 53% for consumer necessities (Ex. 76, R. 7979, 2393).

As was shown in the tables above, Official Territory has a substantially greater share of industrial production, and, with respect to volume, Official Territory has increased many times more than any other territory. It is true that the South and West have increased in terms of simple percentages, at a greater rate during the last 30 years, but not by weighted percentages of increase, and not in the dollars that count. For all practical purposes the relative position of the different territories with regard to manufacturing has not changed. It should also be pointed out that the South has developed some new industries such as cotton textiles, which were located in the South in spite of rate differences, and largely owing to lower wage rates. Some other industries have located in the South in spite of the difference in rates. It is impossible to measure quantitatively the effect of different freight rates on the location of industry any more than it is possible to tell how many years longer a person would live if he had the optimum amount of fresh air and sunshine. Obviously, freight rates are one important factor.

Although only a few of all the war industries built with government financing are in the South and West as compared with the North, there are a sufficient number to make it all—important that they continue in peacetime operation, and unless a rate pattern is established which will afford the war plants an opportunity to survive in peacetime, there will be little hope for these plants to operate on civilian production (R. 2434).

Piecemeal adjustment of class rates will not adequately meet this problem, as the evidence before the Commission indicates (R. 2387). A comprehensive readjustment is needed, not only for the reasons detailed elsewhere in this brief, but also because individual adjustments do not and cannot consider traffic which does not already exist. The class rates discriminate against the industries that use and pay them; they also discriminate against the industries in existence which would use them if they were not so high; but they go even further, and discriminate against industries still unborn and which cannot be born until fair class rates precede them into existence.

(2) Non-use of class rates

It has now been demonstrated that the territorial class rates are unequal, and that the inequalities have caused injury to individual shippers and to territories as a whole, and thus require revision. There is, however, another independent and perhaps more fundamental reason for class rate revision. As the Commission found, the class rates have, from the standpoint of non-use, become obsolete, and "do not now serve the purposes for which they were designed." (R. 314).

In *Southern Class Rate Investigation,* 100 I. C. C. 513, 603 (1925) the Commission said:

> The new class rates should look also to the future. They should, for example, be so framed as to facilitate the elimination not only of special classification exceptions but also of many commodity rates which provoke complaints of discrimination and have no other excuse than an inadequate and imperfect class-rate structure.

Later, in *Consolidated Southwestern Cases,* 123 I. C. C. 203, 234 (1927) the Commission said:

> We are persuaded that the interests neither of the public nor of the carriers are served by maintaining carload class rates on such high bases that they are rarely used, making it necessary to follow the practice which has prevailed for many years in the Southwest of establishing commodity rates on practically all commodities which move in carloads in material volume.

The class rates, however, move a relatively small amount of the freight. The waybill study and tabulation made of carload traffic moving on September 23, 1942, shown in the following table, make this obvious (Ex. 228, R. 11834–5, 4903).

Territories (within, or from one to another)	Class rates	Exception rates	Commodity rates
	Per cent	*Per cent*	*Per cent*
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0
All[1] territories to official	4.8	14.4	80.8
Official to all territories	6.7	19.4	73.9
All territories to southern	4.1	11.9	84.0
Southern to all territories	2.1	6.2	91.7
All territories to western trunk-line	2.3	5.4	92.3
Western trunk-line to all territories	1.7	.6	97.7
All territories to southwestern	5.6	10.6	83.8
Southwestern to all territories	2.0	3.9	94.1
All territories to all territories	4.1	10.7	85.2

[1] The "All" figures include Mountain-Pacific.

Within Official Territory 5.8 per cent of the carload traffic moved on class rates, while in Western Trunk-Line Territory only 0.6 per cent moved on class rates. Within Southern Territory 1.8 per cent of the total cars moved on class rates; within Southwestern Territory the figure was 2.4 per cent.

This record is replete with evidence relating to the non-use, or actual obsolescence, of class rates. The outstanding recent example of departure from the use of standard class rates was in the wholesale removal in September, 1940, of over 3000 commodities from the Southern Classification by classification exceptions. These reduced ratings were made applicable generally within Southern Territory, and between that Territory and Official Territory, purportedly to meet highway competition, and apply mostly to less-carload traffic (Ex. 38, R. 6749, 1929).

Since the creation of the existing regional class rate structures, the carriers have established exceptions ratings on a great number of commodities, which have general application within and from Southern Territory. The following tabulation shows the number of commodities subject to these exceptions ratings within Southern Territory and between that Territory and each of the other rate territories (Ex. 15, R. 6057–8, 1752). These exceptions are in addition to the 3000 mentioned above, applying generally to carload traffic and having greater scope than the 3000.

Application		*Number of Commodities*
Within Southern Territory		644
Between Southern Territory and		
Central Territory		582
Illinois Territory		606
Trunk Line and New England Territories		581
Southwestern Territory		379
Western Trunk Line Territory	Northbound	222
	Southbound	255

These tabulated exceptions ratings were originally published in the interterritorial class rate tariffs, but they soon became so bulky and voluminous that they had to be incorporated in separate books known as "Exceptions to Classification". Uniformity in these exceptions ratings is rare, and they are, like the Commission found the classifications, a "confusing array of numbers, letters and other meaningless symbols." (R. 95).

The only way fully to appreciate how incredibly and unnecessarily difficult it is to find out how much it will cost, under the present system, to make a shipment by freight, is to try to find out. An example of this process, selected at random, is set out in Appendix B of this brief, p. 267, *infra.*

An illustration of the non-use of class rates was given by a witness representing seven large rice mills in Arkansas (R. 2768–76). The interterritorial class rates on rice to Official Territory are not used by the Arkansas rice shippers, because lower motor carrier rates are available to Cairo, Illinois, and from there the rice can be reshipped east via railroad under the Official class rate level. Therefore, the railroads are not only losing a portion of the through haul on the rice tonnage from Arkansas, but it is also apparent that the present interterritorial class rates have been rendered useless and serve no purpose.

This example is representative of hundreds in the record. An expert witness representing national and New England furniture interests stated that "the Consolidated Classification ratings do not move the traffic, because they are too high and we need these exceptions." (R. 3211.) The Chairman of the Western Classification Committee testified that the Western Classification had been substantially "destroyed" by the publication of exceptions to meet motor-truck competition (R. 2232-3).

The so-called "mixture rules," which the carriers have made effective within the past few years, have further whittled away the classifications. At page 2915 of the record, a witness testified, in part, as follows:

> The grocery mixture and the hardware mixture have been presented as illustrative of the type of publications heretofore made by the railroads to regain this tonnage. There are other mixtures similar to these known as drug mixture, furniture mixture, packing house product mixture, dry goods mixture, paper and paper article mixture, etc. *The combined effect of these mixtures has been to break down the any-quantity classification rate structure throughout the Southwestern territory.* [Emphasis supplied.]

Additional inroads have been made on the classification ratings and class rates by the carriers' widespread use of so-called "all-commodity" carload rates, which apply generally on carload mixtures of items having a wide range of classification ratings, and the nationwide scope of car consolidating and distributing corporations known as "freight forwarders" (R. 2140-1).

The rate expert for the Colorado Public Utilities Commission testified:

> The class rates * * * have become, to a great extent, obsolete and should be revised * * *. If the natural resources of the various sections of the Nation are to be developed to the fullest extent, rate barriers must be removed as much as possible in order that all concerned may reach a common market on a relatively equal basis. (R. 2831-2.)

Intrastate class rates have been voluntarily abandoned by the carriers (p. 97, *supra*). While these departures from the prescribed class rate scales are more prevalent in the Southwestern and Western Trunk-Line territories, they are not confined to those areas. For example, the southern carriers voluntarily reduced the class rates in that area for distances up to 190 miles following the Commission's orders in the so-called border cases hereinbefore referred to (pp. 48-49, *supra*). The carriers have not only voluntarily eliminated the Florida arbitraries on classes 1 through 7 in connection with Florida intrastate traffic, but in addition have eliminated both the Florida and certain short-line arbitraries from the class rates applicable on a great number of commodities from points in Southern Territory to points in Official Territory.

The chairman of the Southwestern Steering Committee, J. C. Murray, testified that class rates in his territory are "too high to move the traffic" (R. 2739). Another witness testified that "the function of the primary classification in the Southwest has broken down" and that throughout the Southwest there is not very much use for the classification as such (R. 2806). Another witness indicated that the classification in the Western district had been largely broken down by exceptions (R. 2473–94), and the chief traffic officer of the Missouri-Pacific Lines admitted that the class rates for his railroad are uniformly too high to move the traffic (R. 2059).

Appellants endeavor to turn the obsolescence and breaking down of the classifications and class rate structures to their advantage by insisting that these high rates in the South and West cannot be said to hurt shippers, when the shippers have available the generally lower exception and commodity rates. Their argument seems to be that paper rates cannot hurt anyone, and that the class rates in the South and West have been demonstrated to be paper rates. The fallacy in this argument has already been pointed out (pp. 98–126, *supra*). One short answer to the argument is that industry cannot develop on discriminatory rates, and exception and commodity rates can never be obtained until the industry has been developed and shipments are ready to move. Another answer is that small shippers generally, and large shippers frequently, are unsuccessful in their attempts to get exceptions or commodity rates (R. 2758, 4763). However, there is perhaps a better answer than any of these.

The class rates are the heart of any rate structure. If they are so high that exception rates and commodity rates can, in the short space of time since the regional class rate revisions, supersede them almost completely, there is something fundamentally wrong with the rate structure. When class rates become obsolete, the hodgepodge that emerges, made up almost entirely of *ad hoc* rate adjustments, cannot accurately be called a coherent rate structure. The conversion by the carriers of class rates into paper rates, after the extensive labors of the Commission in setting up the regional class rate structures, proves that the regional class rates have become obsolete, largely by virtue of their maladjustment, region by region, with each other. The sound assigning of articles of commerce to properly related classes for rate purposes is the first and basic step in insuring the shipper, not only rates reasonable *per se,* but rates which are properly related to those of his competitors. The excessive use of *ad hoc* rates necessarily operates to break down the soundness of the rate structure.

In recognition of the foregoing circumstances shown by the record, the Commission in its report found that the class rates are obsolete, and do not move the traffic which they were designed to move, and thus require revision (R. 119, 171, 313-4). Under this evidence, it could hardly have found otherwise.

(C) *Comparative territorial costs of transportation service do not justify the existing class rate differentials*

The weight the Commission gave to the evidence on costs, and the violent and extensive attacks made on it, have prompted the inclusion in this brief of a rather detailed statement of this complicated material.[57]

(1) The problem before the Commission

The cost of rendering railroad service is an important factor which must be considered in prescribing railroad rate structures, both under the Interstate Commerce Act, Sec. 15a, and under this Court's mandate. *Northern Pacific Ry. Co.* v. *North Dakota,* 236 U. S. 585. Such rate structures, having territorial application and designed to cover territory-wide revenue needs of the carriers, must necessarily reflect territory-wide operating conditions. Confronted with the problem of determining whether the differences in the costs of furnishing railroad service in the several rate territories justify the present differences in the levels and patterns of the class rate scales, the Commission found it necessary to reduce railroad expenses in the three main rate territories involved to the territorial costs for purposes of comparison.

---

[57] The positions of appellants range from almost unqualified praise in No. 345 (Brief, pp. 4, 23) to almost unqualified condemnation in No. 343 (Brief, p. 122), with appellants in No. 344 somewhere in between.

The simplest method of meeting this problem of deriving territorial average costs would have been to total all of the expenses incurred by all of the railroads in each territory, and then divide these total costs by the total number of ton-miles of service performed in each territory to arrive at an over-all territorial average of the cost of a ton-mile. However, as the criticisms raised by appellants in this case indicate, this method would have been overly simplified and much too crude to afford reliable figures for cost comparisons between rate territories, inasmuch as it would have ignored certain variations in traffic conditions existing between territories, such as length of haul, etc. Furthermore, it would have violated certain well-recognized accounting principles regarding the fundamental nature of transportation costs and the breaking down and analyzing of expenses in order to identify, in so far as possible, each kind of expense with the particular class of transportation service in which it was incurred. This Court has made it mandatory that such principles be adhered to in cost finding for rate-making purposes, in the *Northern Pacific* case:

> The outlays that exclusively pertain to a given class of traffic must be assigned to

> that class, and the other expenses must be fairly apportioned. It may be difficult to make such an apportionment, but when conclusions are based on cost the entire cost must be taken into account. (236 U. S. 597.)

The other extreme would have been for the Commission to attempt to work out a weighted average cost for each territory by tracing the history of every shipment made in that territory over an extended period, and to weight all the costs in such a manner as to take into consideration all variations in every factor and condition found. While this would have been an almost impossibly cumbersome task, the method employed and the selection of units made by the Commission was the statistical equivalent of this procedure (Ex. 196, R. 11273, 4352).

The result was a cost study prepared under the supervision of the witness Ford K. Edwards, the Commission's head cost analyst, which appellants in No. 345 call the most elaborate and comprehensive ever undertaken in the transportation field.

Railroad costs are fundamentally divisible into two components: First, those expenses which vary directly with the volume of traffic handled, are directly assignable to particular kinds of traffic or service, and are usually referred to as "direct", "variable", or "out-of-pocket" expenses; and second, the remaining expenses, which are of a fixed or constant character, cannot be directly associated with any particular part of the service or traffic but rest as a burden on the railroad service as a whole, and are commonly designated as "indirect", "fixed", or "constant" costs.

As to the information available for the cost study, the railroad accounting records and classifications for operating expenses are sufficiently uniform and complete that most of the expenses are set forth and can be directly assigned to particular services performed. Where necessary, questionnaires were issued to the carriers for the purpose of developing the needed accounting and statistical data not available from the carriers' annual reports to the Commission (Ex. 2, R. 5201–2, 1558).

Where the breakdown of such information was not already available, the Commission drew upon the many previous related investigations, or made new supplementary studies to provide proper bases for some aspects of the process of separating and relating expenses and services performed (Ex. 2, R. 5245–9, 1558; Ex. 11, R. 5689–5708, 2872).

All property values used in the cost study were furnished by the Commission's Bureau of Valuation (Ex. 2, R. 5198, 1558).

The railroads were assigned to the territories in which they operated. Where a carrier operated in more than one territory, it was broken up by divisions and each division assigned to that territory in which the major portion of its trackage lay (Ex. 2, R. 5148–60, 1558).

(2) The method employed by the Commission

The expenses of the carriers were first broken down and translated into the territorial average unit costs of performing each of the kinds of services involved in moving a specific shipment or in furnishing a given amount of transportation service in each territory, and then these unit costs were multiplied by the number of units of each of the services found to be employed in moving this specific shipment or furnishing the given amount of service. The resulting total expenses represented the total average cost of moving this shipment or furnishing the given amount of service in the territory. Then the process was repeated for a sufficient number of different shipments or services to make the results fully representative of the territory under consideration.

The foregoing is merely a general outline or summary of the plan of the cost-finding technique used by the Commission, and has been interjected here for the sake of perspective in approaching the more exact and detailed explanation which is provided in the following paragraphs.

(a) *Describing a shipment in terms of work performed*

In the Commission's cost study it is recognized that any shipment can be broken down into homogeneous "units of service." (Ex. 196, R.

11264–5, 4352). Consider, for example, the manner in which a 300-mile haul in a box car carrying 25 tons (weight of empty car 22 tons) can be broken down into such units of service.

At the beginning of the shipment, switch engines take the car off of the shipper's siding and assemble it with other cars to form a train. Thus, an "origin switch" is performed, which is expressed (in part) in terms of "engine minutes" consumed. The loaded car is hauled 300 miles, yielding the following units of service: 300 "car-miles", 7,500 "net ton-miles" (computed by multiplying the 300-mile haul by the 25 tons carried in the car), and 14,100 "gross ton-miles" (computed by multiplying the 300-mile haul by the total weight hauled, which is equal to the 25 tons carried in the car, plus the weight of the car itself which equals 22 tons). For example, at an average rate of speed of 12½ m. p. h., the 300-mile haul will take 24 hours, yielding one "car-day". At junction points, cabooses are dropped, cars switched in and out of the train, etc., producing an "intra-train" switch" or an "inter-train switch". At the destination the car is switched on to the siding of the consignee, producing a "destination switch". Each shipment obviously necessitates the billing of a consignment, giving rise to a "consignment billed".

When the consignee has unloaded the car, it must be returned, generating empty return expenses. Recognition is given in the Commission's study to the fact that the percentage of empty return varies from territory to territory. For purposes of this illustration, a figure of 33⅓% will be used. Thus, for example, on the empty return there are generated 2,200 gross ton-miles (33⅓% of 6,600 gross ton- miles), ⅓ of a car-day, etc.

In this way, a shipment is described in terms of the work performed (Ex. 196, R. 11264–5, 4352).

(b) *How and why the service units used in apportioning the direct costs were selected*

The selection of the service units with which to apportion the costs depends upon the purpose of the costs study. Where direct costs are desired for a given carload shipment handled between two specific points, which reflect the weight of the particular train in which the shipment is handled, the grades encountered, the class of engines used, the engine-minutes of switching service rendered at the origin, intermediate, and destination points, etc., the units of performance would be selected accordingly. Locomotive-miles by classes of engines, locomotive ton-miles, helper locomotive-miles, train-miles, trailing gross ton-miles, etc. would necessarily have to be computed point-to-point, and engine-district by engine-district. The result would reflect the minute variations in costs due to grades, topography, size of terminals, differences in locomotive power, etc.

Such differences are obviously myriad even on a single railroad. On the other hand, rate structures which have territorial application and which are designed to provide territory-wide revenue must reflect territory-wide operating conditions. It is such rate structures which were here under consideration and the cost study was designed accordingly. The results represent a weighted average of all conditions, i. e., main-line and branch-line operation, through-train and way-train operation, operation on lines of heavy traffic density and lines of light traffic density, and the switching performed in large terminals and small terminals (Ex. 2, R. 5143, 1558; Ex. 196, R. 11273, 4352). Nothing less than this would reflect the level of the transportation costs in the respective territories taken as a whole.

On carload traffic, all the direct or out-of-pocket operating expenses were reduced to three types of major revenue service units: (1) car-miles, (2) gross ton-miles, and (3) carloads. There were seven ultimate major service units related to one or another of these three types (Ex. 2, R. 5194, 1558).

The theory of choosing service units was to work toward final costs scales in terms of (a) line haul or running expenses, and (b) terminal expenses, both expressed in cents per hundred pounds (the line-haul cost in cents per hundred pounds per mile). In achieving this final line-haul and terminal breakdown, the seven major service units, referred to above, were used. However, in order to arrive at unit costs for these seven major service units—four of which were related to length of haul, with the other three independent of the length of haul—it was necessary to use a great many subsidiary service units, where a given item of expense, as reported by the carriers, had to be broken up for assignment among two or more of the major units. Whereas an item of expense like station maintenance would be assigned entirely to one of the major units independent of the length of haul, on the other hand an expense like freight car maintenance would have to be broken up for partial assignment among two or more of the service units. For example, considering freight car maintenance expenses, paint is related to car days—not one of the major units—and must be separated into line-haul and terminal proportions, on the basis of the car days consumed. Other freight car maintenance expenses, like repairs to wheels, are related solely to car miles (Ex. 2, R. 5191, 1558; Ex. 4, R. 5426, 1570). Thus, although ultimately only seven major revenue service units were used, there were many sub-units used in the process of breaking up individual reported items of expenses into the portions properly assignable to each of the seven major revenue service units.

On less-carload traffic, a similar process was used, with appropriate variations, which involved ten major service units (Ex. 2, R. 5195).

Through the use of the units selected, the study reflected the weight of the load, the length of the haul, the type of equipment used, the tare weight of the equipment, and the amount of empty-return movement. A supplementary study was made to show the influence on the cost comparisons of separating the trains hauling coal and ore in solid trainloads from the trains hauling all other traffic. The resulting influence on the cost study was found to be too small to affect significantly the territorial comparisons (Ex. 196, R. 11332-7, 4352).

(c) *Attributing the expenses incurred to the units of service performed*

The production of each of the units of service necessarily generates specific expenses, such as clerical expense, maintenance of tracks, etc. The following additional examples are illustrative.

In origin switching, a switch engine is employed for a certain number of minutes. The fuel consumed, the wages of the engine crew, the wear and tear on the engine, etc., vary with the number of minutes the engine is employed in making that switch. Knowing the average number of minutes consumed in an origin switching movement, and the cost per engine minute, it is possible to determine the expense attributable to the engine minutes in this switching movement, which ultimately finds its way into terminal expenses.

On a line haul, certain expenses vary with gross ton-miles. For example, the wear and tear on the track is largely determined by the total weight moving over the tracks, and the fuel consumed in drawing the train is largely determined by the total weight which is being pulled. Those expenses, therefore, are distributed on a gross ton-mile basis (Ex. 2, R. 5194, 1558; Ex. 4, R. 5431, 5433, 5445, 1570).

Inter-train and intra-train switching expenses vary with the number of cars involved and the length of haul. Obviously the cars must be switched whether empty or full, so that inter-train or intra-train switching is not appreciably related to the tonnage. Hence, such expenses are distributed on the basis of car miles (Ex. 2, R. 5194, 1558; Ex. 4, R. 5445, 1570).

The clerical expense of billing is determined by the number of consignments billed, hence it is a function of the number of cars consigned (Ex. 2, R. 5194, 1558; Ex. 4, R. 5434, 1570).

All of the expenses which vary with the number of units of service produced were in a similar fashion assigned to the appropriate units of service (Ex. 196, R. 11264–5, 4352; Ex. 2, R. 5191–5202, 1558.)

The problem of distributing the direct or out-of-pocket expenses of each territory, therefore, resolves itself, on the one hand, into accumulating from the accounting records (and certain other sources) all of the expenses incurred in a given accounting period, and, on the other hand, into accumulating from the railroad's annual reports and from questionnaires the total volume of units of service produced in that accounting period. By dividing the total number of units of a specific type of service into the total expense incurred in performing that service, the territorial average cost of a unit of that service is obtained.

To sum up, the direct expenses were related to those service units with which the expenses were found to be directly variable, i. e., related to those units the production of which occasioned the expense.

Since any specific shipment (e. g., a 300-mile haul in a box car carrying 25 tons) can be broken down into a specific number of units of service, the determination of the territorial average out-of-pocket cost of a specific haul is simply a matter of multiplying the number of each of the units of service consumed in that shipment by its territorial average unit cost and adding up the accumulated costs.

(d) *Indirect or constant costs*

The procedure just described took care of the direct or out-of-pocket expenses. In previous transportation cost studies, the constant costs have usually been apportioned on the basis of the direct or variable costs, i. e., a fixed amount of such constant costs was added to each dollar of direct expense. This method of allocation has the defect of assigning a disproportionate part of the constant costs to shipments with relatively large direct costs per hundred pounds, such as light-loading traffic.

An alternative method is to allocate the constant costs on the basis of revenue units, that is, to give them a pro rata distribution over the total transportation service rendered, as measured in revenue tons and ton-miles. Thus, the constant terminal costs which are unrelated to the length of haul are given a pro rata distribution by charging a fixed amount of such expenses over the total revenue tons originated or terminated. All other constant costs, i. e., those related to distance, are spread evenly over the total revenue ton-miles. The Commission used both methods of allocating the constant costs, but relied more heavily upon the results of this alternative method (Ex. 12, R. 5751–3, 2872). Both methods, however, produced substantially the same results so far as the relative territorial average costs are concerned (Ex, 12, R. 5754–6, 2872; 1739–40).

Direct or out-of-pocket costs plus the indirect or constant costs are referred to as "fully distributed costs." Both the out-of-pocket and the constant costs were considered in the territorial comparisons by the Commission, in accordance with the mandate laid down by this Court in the *Northern Pacific* case.

(3) The construction of cost scales

Out-of-pocket costs plus the constant costs, i. e., the fully distributed costs, are the basis upon which the "cost scales" were constructed. In the table below is shown a small sample of data from the territorial cost scales (Ex. 13, R. 5920, 5925, 1742; Ex. 195, 11359–63, 4352).

Terminal costs in cents per 100 lbs. and line haul costs in cents per 100 lbs. per mile for various weight loads for box cars in carloads, 1939, Eastern Territory

	5 tons		*15 tons*		*60 tons*	
	Terminal Haul	*Line Haul*	*Terminal Haul*	*Line Haul*	*Terminal Haul*	*Line Haul*
Out-of-pocket costs:						
Operating expenses, rents and taxes	13.404	0.076300	4.468	0.028867	1.117	0.011079
Return on equipment (4%)	1.222	.003550	.407	.001250	.102	.000388
Return on road (4%)	.940	.009550	.313	.003883	.078	.001758
Subtotal	15.566	.089400	5.188	.034000	1.297	.013225
Constant costs	1.497	.015063	1.497	.015063	1.497	.015063
Fully distributed costs	17.063	.104463	6.685	.049063	2.794	.028288

Carload cost scales were computed for each of the rate territories for box cars, gondola and hopper cars, tank cars, stock cars, and refrigerator cars for all possible loads (to the nearest ton). Cost scales for less-carload traffic handled in box cars (to the nearest half-ton) were also computed (Ex. 13, R. 5922, 5924, 5926, 5928, 5930, 5932, 1742; Ex. 195, R. 11360, 11362, 4352). Additional scales were computed by combining and excluding various sections of each territory (e. g., Official with and without Pocahontas),[58] in accordance with the various suggestions of the appellants and other parties before the Commission. The cost scales are the basic framework of the entire study and must be understood in order to evaluate the territorial cost comparisons shown below.

(4) Procedures in territorial cost comparisons

Once having computed the average costs for each rate territory, the Commission was in a position to compare territorial average costs, which was the real purpose in making the cost study. The principal comparisons made were based on the year 1939, but supplementary studies were also made showing the relative costs for the periods 1930–39, inclusive, 1937–41, inclusive, and 1941.[59]

---

[58] Pocahontas is not literally a geographical entity, but, for the purpose of this study, is the operations of three railroads, the Chesapeake & Ohio, the Norfolk & Western, and the Virginian, which predominantly are carriers of coal (85% of their freight traffic) (R. 1559).

The territorial cost comparisons were most exhaustive, ranging from a showing of the costs of hauling given weight loads in a certain type of car for given distances in each territory, to a showing of the relative costs of hauling the entire traffic consist of each territory, East, South, and West, respectively: First, in the territory in which it actually moved, and second, in each of the remaining territories, the purpose in this being to eliminate the effects of any differences in the consist (composition) of traffic between the territories compared. The comparisons and analyses included both the out-of-pocket or direct costs and the fully distributed costs. They gave consideration to the freight moving for a wide range of distances in every type of equipment: box, gondola, tank, stock, flat, and refrigerator cars (Ex. 2, R. 5161–79, 1558; Ex. 12, R. 5754–6, 2872; Ex. 195, R. 11359–67, 4352; Ex. 13, R. 5920–32, 1742; Ex. 196, R. 11259–62, 4352).

---

[59] The western railroad appellants insist that there are no valid costs figures for 1941. They lose sight of the fact that although costs of different territories cannot be compared in terms of one unit alone, like revenue ton-miles, the changes in costs within a single territory can be compared in terms of basic units, with results substantially as accurate as if an entire new costs study were made. The validity of comparisons within a territory, and the unreliability of such comparisons between such territories, is explained by the fact that within a territory, transportation conditions are necessarily rather constant. The 1941 cost study utilized not only revenue ton-mile cost comparisons, but also comparisons in terms of gross ton-miles, less-carload tons originated and terminated, cars handled in terminals, and loaded-car miles (Ex. 11, R. 5081–8; Ex. 195, R. 11383).

Costs were compared for identical loads hauled in the principal types of equipment, using 25-ton loads for box cars and 50-ton loads for gondola and hopper cars. These two types of cars account for the preponderant part of the traffic actually carried. Comparative territorial costs were also computed for box cars using in each territory the average weight load experienced in that territory for box cars. Similar comparisons were made for each of the remaining types of equipment. These comparisons had the effect of eliminating, or adjusting for, the different types of equipment used and the different average loads between territories (Ex. 2, R. 5163–5, 1558).

Comparisons were also made of the cost of hauling the entire consist of the traffic of one territory, at the average loads and unit costs applicable in that territory, with the cost of hauling the identical traffic at the average loads and unit costs obtained in other territories (Ex. 2, R. 5161–79, 1558; Ex. 195, R. 11401–2, 4352; Ex. 196, R. 11259–60, 4352). For example, a comparison was made of the expense of hauling the Southern Territory box-car traffic a distance of 300 miles at the average load for each commodity using Southern unit costs, with the cost of hauling this identical traffic a distance of 300 miles at the average loads and unit costs obtaining in the Eastern Territory. Similar comparisons were made using the Eastern consist of box-car traffic. Like studies were also made for gondola and hopper-car traffic.

The Commission had before it cost comparisons showing the cost of hauling the entire traffic consist of each major territory for distances of 100, 300, and 500 miles at the unit costs and actual average weight loads obtaining in each territory (R. 190-2; Ex. 13, R. 5920-32, 1742; Ex. 195, R. 11359-63, 4352). This comparison was followed by an analysis of the relative cost of hauling the entire United States, Eastern, Southern, and Western consist of traffic, respectively, in each of the several territories at the unit costs and actual average loads (by classes of equipment) computed for such territories. This comparison was not limited to any given mileage, as the costs were computed for the actual distances the traffic actually moved (Ex. 195, R. 11363, 4352).

(5) Results of the territorial cost comparisons

The various territorial comparisons reviewed above indicate that in the pre-war period there was little significant difference between the level of the cost of furnishing railroad transportation service in the South and that in the East, excluding the Pocahontas region. The figures both for the year 1939 and the period 1930–1939 indicate that, taken as a whole, the levels of the costs in the South and West were not significantly different from the level for the East (Ex. 2, R. 5161–2, 1558; Ex. 12, R. 5754–6, 2872; Ex. 195, R. 11364–7, 4352; Ex. 196, R. 11257–62, 4352). The increase in freight traffic volume handled by the carriers subsequent to the year 1939 served to reduce the unit costs of transportation in the South and West to a greater degree than in the East. The reason is that the East, with its higher traffic density, is closer to the maximum capacity of its railroad plant than the other districts, and hence the expenses increase more nearly in proportion to the added volume of traffic carried than is true elsewhere. Between 1939 and 1941 the unit costs decreased by about 5 percent in the East and the Pocahontas region, as compared to decreases of something in excess of 10 per cent in the South and West (Ex. 11, R. 5682, 2872; Ex. 195, R. 11383–4, 4352). Since the 1941 traffic level is generally expected to prevail in the post-war period, territorial cost levels will probably possess a greater degree of equality than was shown by the 1939 cost comparisons, and there is good ground for placing chief reliance on the results of the later showing.[60]

The elaborate territorial costs comparisons described above are reflected principally in the Edwards testimony (R. 39–187; 203–212; 315–319; 330–348; 2184–2227; 3209–32; 3235–51; 4584–4655; 3505–19; 3520–30; 4348–94; 1553–1646; 1657–63; 1728–30; 1738–48; 2866–92) and exhibits (Exs. 2–4; 10–13; 195, 196). Verification of their unmistakable meaning—that costs in the three major territories do not differ substantially, the East being generally slightly above the South and slightly below the West, in average territorial costs—can readily be obtained in detail by these references.

The fact that so many different sets of comparisons were made, and that the field of possible comparisons was explored so exhaustively (in many instances at the request of appellants, in their effort to find some basis of narrow comparison which would point in their direction), necessarily means that somewhere among these comparisons isolated figures can be picked up from the evidence to demonstrate extremes. It is these extreme figures, which were found by the Commission to be unrepresentative, on which appellants, and particularly the western carriers which are appellants in No. 345, place their main reliance.[61] The less-carload West-East cost comparisons will be treated in the later section of this brief on confiscation, but it now seems desirable to clear up possible misapprehensions about the *general* West-East cost comparisons.

---

[60] Postwar Traffic Levels (revised edition), 1944, Bureau of Transport Economics and Statistics, Interstate Commerce Commission. Actually, traffic in the first postwar year was on a much higher level than 1941. *Ex Parte* 162, decided Dec. 5, 1946, unreported. In the 12 months ended October 31, 1946, the revenue tons carried in the West were 26% higher than for the year 1941, and the revenue ton miles were 43% higher than in 1941. *I. C. C. Statistics of Railways in the United States*, 1941; I. C. C. Monthly Statement M-220, *Revenue Traffic Statistics*, published December 1946.

The great bulk of class rate traffic moves in boxcars. On an out-of-pocket cost basis, using boxcar traffic costs, the costs in the West are uniformly below the Eastern costs (R. 192; Ex. 13, R. 5920–31, 1742; Ex. 195, R. 11359–63, 4352; Ex. 196, R. 11258–9, 4352). In 1939, the fully distributed costs on boxcar traffic for average actual loads for the typical distance of 300 miles shows only a 5% difference between costs for the East and the West, and a difference of 3% for the shorter distance of 100 miles. If the 1941 cost figures are used, there is even less difference between eastern and western costs, regardless of factors used. The following table gives the 1939 figures (Ex. 196, R. 11259; Ex. 195, R. 11392–4):

---

[61] e. g., comparing the West with Pocahontas alone, Brief, No. 345, pp. 8, 17, 52.

Relative territorial costs (1939) for traffic moving 300 miles in box cars and gondola cars

[U. S. average=100]

	Box cars		Gondola and hopper cars	
	25 ton load	Actual load	50 ton load	Actual load
Eastern	102	103	100	100
Southern	96	97	99	102
Western	108	108	109	115

An over-all comparison based on all six types of equipment, the cost for each type of equipment being weighted for the revenue ton-miles handled in the United States in each class of car (Ex. 196, R. 11260-1; Ex. 195, R. 11392-4) shows these cost comparisons:

Relative territorial costs (1939) for all traffic moving 300 miles

[U. S. average=100]

	Identical loads	Actual loads
Eastern including New England	102	102
Pocahontas	67	67
Eastern including New England and Pocahontas	95	95
Southern	98	101
Western	108	110

Exhibit 3, comparing the East with Western Trunk-Line and Southwestern territories on various cost levels, shows that in many instances costs in the East are equal to or higher than costs in the West. For example, using 25 tons as an average load and 300 miles as an average haul, the cost II level for box car traffic, which includes all costs but makes no allowance for return on value or passenger and less-carload deficits, shows the following (in cents per 100 pounds):

	Cents
East (excluding New England and northern Illinois)	11.6
East (including New England and northern Illinois)	11.6
Southwestern (including southern Missouri)	11.1
Western Trunk-Line (excluding northern Illinois and southern Missouri)	11.0
Western Trunk-Line (including northern Illinois and excluding southern Missouri)	11.1

The cost V level, which includes the three factors excluded from the cost II level, shows Eastern costs to be slightly below Western Trunk-Line costs but slightly above Southwestern costs.

These illustrations could be multiplied many times. If the Court desires to examine all the territorial cost comparisons that were made, it is believed that it will be apparent that the findings of the Commission that average territorial costs do not differ substantially as between territories were proper. Certainly no one could claim that they differ to an extent anything like the 37 to 60% territorial class rate differentials.

There is one more very significant comparison which appellants have not brought to the attention of the Court, namely, the territorial freight operating ratios, i. e., the ratio of freight revenues to freight operating expenses, set out in the following table (R. 259, with 1944 figures added, see R. 4777-8, 885-7):

	1941	1942	1943	1944
Eastern	63.04	61.93	66.23	71.73
Southern	61.07	56.84	59.41	64.59
Western	60.92	55.79	59.47	62.69

These operating ratios show what it really costs in each territory to carry freight alone, compared with the revenues from such carriage. These operating ratio figures are the answer to appellants' syllogism that the Western costs are 21% higher than the Eastern costs. Appellants, in reaching this conclusion for 1939, by comparing revenue and rate-of-return levels, mix figures for freight revenues only, with rate-of-return figures for both passengers and freight. The passenger deficits and passenger operating figures in the West are far more unfavorable than in the East. Excluding commutation traffic, the Western revenue per passenger mile in 1939 was only 77% of the Eastern figure, and operating revenues for passenger and allied services in the West in that year were only 64% of operating expenses, rents, and taxes for such services compared with 80% in the East (Ex. 2, R. 5185). Further, the western roads have complained for years about their inadequate share of divisions with the eastern roads (see I. C. C. Docket No. 28277), and readjustment of divisions is the appropriate cure for this kind of a revenue problem. *New England Divisions Case,* 261 U. S. 184.

(6) Inclusion of Pocahontas with the East

The grouping of the Pocahontas region with the East for cost study purposes has been the subject of much controversy. However, if the comparisons are based on 1941, the question of the treatment of the Pocahontas region becomes moot (R. 206; Ex. 215, R. 11635–6, 4659).

The Commission in the past has found it necessary to consider the needs of the other eastern carriers separate and apart from the needs of the Pocahontas lines, as is indicated in its decision in *General Commodity Rate Increases,*[62] where it was stated that the sole justification for increasing the bituminous coal rates for the Pocahontas lines lay in the "needs of the other railroads." In short, the level of the Eastern rate structure on coal, to say nothing of class rate traffic, was aimed, for all practical purposes, at the needs of the non-Pocahontas lines. The Pocahontas lines cannot be given lower rates than their competitors which earn less money, because this would divert even more traffic to the Pocahontas lines and make them even more profitable in relation to the other roads.

As the traffic consist of the Commonwealth of Kentucky is heavily weighted with coal, there may be some ground for excluding Kentucky from the South for the same reason that the Pocahontas lines were excluded from the East (Ex. 196, R. 11257–60, 4352). On this basis, the 1939 costs for the East (including New England but excluding Pocahontas) were approximately the same as the costs for the South, excluding Kentucky (Ex. 196,

---

[62] *Ex Parte 115,* 223 I. C. C. 657 (1937).

R. 11259–61, 4352). If the period 1937–41 were used, the costs would be lower in the South (Ex. 215, R. 11622–38, 4659).

(7) Consideration of criticisms of the cost study

Various criticisms of the cost study were made. Some were directed to such items as separations of running and train-switching expenses, the exclusion of intraterminal switch cars, and the count of less-carload and carload tonnage handled. Adjustments for the more significant items of this character were made and introduced in the record. They had but a negligible effect on the territorial cost comparisons (Ex. 195, R. 11392–5, 4352).

Other criticisms were directed to the apportionment factors used in the cost formula, such as the relative weight given to each class of switching service; the car-day allowances for loading, unloading, and switching of freight-train cars; the separation of station clerical expenses between carload and less-than-carload; and the ratio of empty to loaded mileage by classes of equipment. In support of the factors used, the witness Edwards referred to various special studies made for the purpose of this and other cases, and to his analysis of data of a similar character introduced by carriers in other proceedings. He also introduced a series of tables showing the effect on the cost scales of numerous possible variations in the factors used, the result in most cases being but a negligible shift in the expenses from one type of car to another type of car, or from one length of haul to another length of haul. This followed from the fact that most of the apportionment factors, while reflecting the relative cost for one class of work relative to another class of work, had no influence on the total known operating expenses (Ex. 2, R. 5224–44, 1558). Allowance made in the study for empty car-miles by classes of equipment based on responses to questionnaires directed to the carriers were reconciled with the carriers' total empty miles reported by regions for all classes of equipment (Ex. 196, R. 11323–4, 4352).

Appellants in No. 343 contend the costs figures were wholly valueless because they contain no figures for class rate traffic alone, as distinguished from commodity and exception rate traffic. However, in the next breath, those appellants destroy the basis for their contention by asserting that the costs involved in any particular movement are the same, whether the freight moves on class or commodity rates (Brief, p. 115). The method of billing has nothing to do with operating costs.

A convincing test of any cost formula is to apply the cost scales developed in the study to the traffic handled, commodity by commodity. The resulting costs, when aggregated for a period of time, should reconcile with the carriers' total reported expenditures for that period. The carriers stated that, from an accounting standpoint, such a check should have been made. The witness Edwards made such verification for four principal territories, applying the 1939 costs to the 1939 traffic. The results are shown below (Ex. 196, R. 11291-2, 4352):

Territory (1)	Aggregate expenses, increased by a 4-percent return computed by applying costs to traffic handled (1939) (2)	Actual expenses as reported by carriers increased by a 4-percent return (1939) (3)	Ratio (percent) of computed expenses to actual expenses (4)
Eastern	$1, 426, 950, 260	$1, 451, 484, 949	98. 3
Pocahontas	183, 076, 590	185, 387, 990	98. 8
Southern	450, 448, 155	449, 001, 663	100. 3
Western	1, 382, 549, 982	1, 395, 188, 845	99. 1
United States (lines 1-4)	3, 443, 024, 987	3, 481, 063, 447	98. 9

The territorial total expenses obtained by applying the cost scales to the 1939 traffic handled thus differed on the average by only about one per cent from the carriers' known expenses for 1939, and part of this difference lay in the fact that the boundaries of the districts and regions used in the assembly of the commodity statistics did not exactly coincide with the boundaries used for the cost study. Furthermore, this test was made prior to the correction of the cost scales to meet certain of the criticisms lodged by some of the respondents. Certainly, whatever errors might exist in the study, they had no significant effect on the showing of the relative levels of the cost of performing transportation service in the respective territories.

Criticism was made of the rate-making values used, the figures being based on data furnished by the Commission's Bureau of Valuation. This criticism has little weight, however, as the relation between the Bureau's rate-making value and the carriers' book investment differed little by territories. The comparisons of relative territorial costs would be little affected regardless of whose valuation figures were used (Ex. 196, R. 11295–6, 4352).

Criticism was made of the carrier and territorial groupings used in the Edwards studies. However, Edwards subsequently reworked the costs to show all combinations of regions and areas requested by any of the parties (Ex. 195, R. 11359–63, 4352; Ex. 196 R. 11257–62, 4352).

(8) Factors corroborating the Commission's cost study

(a) *Various operating and statistical data*

The reasonableness of the showing that there is relatively little difference in the costs for the three territories is supported by various operating and statistical data. For example, the contention that the traffic density of the eastern roads exceeds that of the southern and western roads, with more cars per train, and therefore the Eastern costs must be lower, overlooks the fact that there are many compensating factors at work. In 1939 the South had a lower compensation per employee per annum than the East, $1,753 versus $1,925; a lower ratio of empty to loaded car-miles, 57.6 versus 60.5; more miles actually run per hour per train and engine employee in freight service, 14.1 versus 11.5; more transportation service car-miles per employee, i. e., 26,459 versus 24,012. Furthermore, the effect of lighter trains and smaller loads in the South was more or less compensated for by lower train-mile costs. Although the revenue net ton-miles per train-mile of 553 in the South constituted only 62.5 percent of the corresponding figure of 885 in the East, the expenses per train-mile in the South of $3.69 were only 61.6 per cent of the corresponding figure of $5.99 in the East (Ex. 196, R. 11264, 4352). The foregoing figures, pointing to a similarity, at least, in the line-haul costs in the two territories, bear out the results of the cost study which showed such costs to be not very different in the two territories. It is true that on some traffic the Southern line-haul costs were found to exceed those for the East. On the other hand, the terminal costs in the South were found to be much lower than those in the East, where expensive switching is incurred in the numerous large industrial centers (Ex. 13, R. 5925, 5929, 1742; Ex. 196, 11264, 4352).

A similar comparison of the operating and statistical data for the West and East shows the following results. In 1939 the West had a lower compensation per employee per annum than the East, $1,892 versus $1,925; a lower ratio of empty to loaded car-miles, 59.7 versus 60.5; more miles actually run per hour per train and engine employee in freight service, 14.0 versus 11.5; more transportation service car-miles per employee, 29,341 versus 24,012. Furthermore, the effect of lighter trains and smaller loads in the West was more or less compensated for by lower train-mile costs. Although the revenue net ton-miles per train-mile of 604 in the West constituted only 68.2 per cent of the corresponding figure of 885 in the East, the expenses per train-mile in the West of $4.14 were only 69.1 percent of the corresponding figure of $5.99 in the East.[63]

(b) *The southern carriers' cost study*

The southern carriers introduced territorial cost comparisons based on average net ton-mile costs, adjusted for differences in the length of haul and the consist of the traffic. The studies covered the 10 years 1930–1939 (Ex. 181, R. 10876–82, 4042). Obvious statistical deficiencies present in the studies were removed and a restatement of the southern carriers' study, based on the application of the Southern unit costs and the Eastern unit costs, respectively, to the Eastern consist of traffic, showed the costs for the South to be approximately 1 to 2 per cent below those for the East, excluding the Pocahontas Territory. Practically the same results are obtained by using the Southern consist of traffic (Ex. 195, R. 11364–7, 4352; Ex. 196, R. 11293–7, 4352).

---

[63] *Statistics of Railways in the United States*, 1939, Table 165, and Ex. 16 (R. 6179).

(c) *The eastern carriers' cost study*

The eastern carriers introduced the same type of cost comparisons based on 1937–41, a period which reflects the increased traffic volume of 1940 and 1941. The costs for the South were found to be approximately the same as those for the East, even including the Pocahontas Region (Ex. 215, R. 11635–6, 4659).

(d) *Comparison of rates of return*

Excluding non-operating income, the rate of return in the South has in fact exceeded that in the East four years out of the six-year period 1936–41, and in five years out of the seven-year period 1936–42. Over the six-year period 1936–41 the return in the South averaged 2.69% against 2.47% for the East. In 1939 the southern carriers earned 3.50% as compared to 3.15% for the eastern carriers. In 1943, the Southern figure was 5.73% against 4.32% for the East; in 1944 it was 4.64% against 3.44%; and in 1945 the South had 5.38%, the East 4.30%.

Before the war, the rate of return averages were somewhat lower in the West than in the East, but since then the West has been consistently ahead of the East. The rate of return in the West in 1942 was 5.80% compared with 4.90% in the East; in 1943, the West was 5.22% compared to 4.32% for the East; in 1944, the West was 4.17% compared to 3.44% for the East; and in 1945, the Western rate was 5.71% compared to 4.30% for the East (I. C. C. *Statistics of Railways in the United States,* 1939-1944, see R. 4777–8, 885–7 for stipulation; 1945 figures from *Ex Parte 162,* decided June 20, 1946, by the Commission, 264 I. C. C. 695). If it should be contended that these figures are for war years, it might be answered that although the final 1946 figures are not yet available, the western and eastern carriers' own estimates for 1946 income amounts, a year of peace, submitted by them as evidence in *Ex Parte 162,* yield a rate of return figure of 2.59% for the West against .53% for the East, a greater disproportion than existed in any of the war years. These 1946 figures appear in the Commission's decision on the merits in *Ex Parte 162,* handed down December 5, 1946, not yet reported (mimeographed sheet 7).

(9) Summary—the Commission's cost findings have not been successfully challenged

In spite of elaborate attacks on the East-South costs comparisons in the two tribunals below, the southern and eastern carriers are not parties to the proceedings here, and no attack on the East-South comparisons, on separate grounds from the attack on the East-West comparisons, is being made in this Court.

The western carriers praise the cost studies on which the Commission relied, and themselves rely heavily on the results of these studies. On the basis of these studies, the Commission found explicitly that the costs of the several territories were not sufficiently different to warrant territorial rate differentials (R. 309), and, more specifically, that as of 1941 the over-all costs in the West differed from the costs in the East by "5% or less" (R. 206). The western carriers, on the basis of the same studies, apparently are differing with the Commission only on the question of what the studies mean. But the Commission was the judge of the evidence before it. The evidence supported the Commission's findings about differences in costs, and the western carriers are not quarreling with the evidence. Their sole point seems to be that they, and not the Commission, have the right to decide which facts in the costs study are entitled to the most weight. Even a court is not inclined to assert this kind of responsibility about the relative weight of different segments of evidence.

If all of the reasoning above about costs were rejected, the fact remains that no one seriously asserts in this proceeding that the western costs are higher than the eastern costs by anything like the 60% difference between the class rates in the Southwest, or the 50% difference in class rates in Western Trunk-Line Territory, when these class rates are compared with the Official class rates. Even if the argument that costs in the West are substantially higher than costs in the East should be accepted, there would be no justification for the present singling out of the class rate traffic in the West for the payment of exorbitantly high rates. The small amount of class rate traffic that moves in the West is largely the traffic of small shippers who are unable to exert enough economic influence to secure lower commodity or exception rates which have been secured by over 99% of the shippers in Western Trunk-Line Territory. Whatever conclusions may be reached about costs, they cannot support this kind of discrimination against the class rate traffic alone, and against the small, impotent shippers who still are using the class rates (R. 4752).

(D) *Differing consists and volumes of traffic within the territories are no justification for the class rate differentials*

Appellants have advanced two principal arguments against a uniform level of class rates in the rate-making territories under consideration here, based on differences in the traffic of the territories. These are: First, that the consists of traffic are so different in the several territories that separate rate structures with different distributions of the transportation burden between commodities and classes of traffic are necessary; and second, that because of the greater volume of traffic, and particularly the greater percentage of high-grade traffic in Official Territory, a lower and different system of class rates in that territory than in the others is required.

The Commission's position on these two points is that admittedly there are substantial differences in the consists and volumes of the several territories involved; that these differences constitute a matter for its consideration, that it has given them full and careful consideration, but that it has not found sufficient differences *for revenue purposes* to justify the present differences in class rates as between the territories (R. 309–10).

In more detail, the data before the Commission show that a large volume of all traffic flows across territorial boundaries and therefore becomes common to two or more territories.[84] This fact eliminates a considerable percentage of the traffic from consideration in dealing with differences in consists.

Appellants tend to emphasize the details in differences in consists by pointing out how the volume of traffic in a single commodity varies in two territories, instead of considering territory-wide consists. On appellants' basis, there are the same differences in consists to be found *within* the boundaries of each present territory. In other words, the differences in consists cited by appellants as a basis for a difference in rates between territories do not end abruptly at territorial boundaries but occur within each territory, within each railroad system, and in many instances within each division of a system. At the same time, appellants somewhat inconsistently, complain very vigorously about any separation of the Pocahontas lines from Official Territory, although these lines serve as an extreme example of just what appellants talk about with respect to territorial differences in consists. The Pocahontas traffic consist, when compared with that in Official Territory, is not only substantially different but almost wholly so, in that it is made up predominantly of coal (Ex. 195, R. 11376–9, 4352; Ex. 196, R. 11334, 1559). In Official Territory, as well as in Southern and Western territories, such coal traffic as is carried, although substantial in some instances, is well diffused with a great variety of other traffic. Outside of such extreme examples as Pocahontas and the Commonwealth of Kentucky, it is this diffusion of traffic that tends to average out differences due to particular commodities handled.

---

[84] See chart opposite p. 203, *infra*.

When consists are compared in terms of basic commodity groups, such as those used by the

Commission in the compilation of traffic statistics, much less difference is apparent between the territories than when the details of extreme examples are cited.

The following table from an exhibit submitted by the southern carriers (Ex. 16, R. 6180, 1785) and based on the Commission's freight commodity statistics for the year 1939, shows the percentage distribution of total tons carried and the percentage of revenue for each of the major commodity groups in each territory:

Percentage distribution of total tons carried and revenue by commodity groups

CLASS I RAILROADS 1939

	Official		Official (including Pocahontas)		Southern		Western	
	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue
Group I: Products of agriculture	6.57	8.73	6.07	8.03	10.80	17.73	18.88	23.70
Group II: Animals and products	1.64	4.72	1.47	4.23	1.45	3.51	3.00	6.30
Group III: Products of mines	58.06	34.85	61.53	40.24	46.39	23.65	36.64	13.98
Group IV: Products of forests	2.43	2.74	2.43	2.69	11.40	9.45	10.59	9.31
Group V: Manufactures and miscellaneous	29.57	41.41	26.89	37.75	27.21	34.66	29.38	39.94
Total all carload traffic	98.27	92.45	98.39	92.94	97.25	89.00	98.49	93.23
All less-carload traffic	1.73	7.55	1.61	7.06	2.75	11.00	1.51	6.77

It will be noted from this table that there is little difference between territories in the relative amount of high rated Manufactures and Miscellaneous traffic carried. The cost and revenue comparisons show that in all territories such traffic generally moves at relatively high rates, i. e., rates which, ton-mile for ton-mile, make a substantially greater than average contribution to the constant costs or burden (Ex. 195, R. 11403, 4352). The percentages of the total tons carried accounted for by Manufactures and Miscellaneous are: East, 29.57; East including Pocahontas, 26.89; South, 27.21; and West, 29.38. These figures are very similar. The corresponding percentages for revenue also differ but little: East, 41.41; East including Pocahontas, 37.75; South, 34.66; and West, 39.94.

The three principal remaining groups, Products of Agriculture, Products of Mines, and Products of Forests, can be broadly characterized as traffic which moves at relatively low rates and in substantial volume. By "low rates" it is meant that the traffic moves at rates which, ton-mile for ton-mile, yield a less than average contribution to the constant costs or burden (R. 11403). These three groups combined account for the following percentages of total tons carried: East, 67.06; East including Pocahontas, 70.03; South, 68.59; and West, 66.11. These figures differ but little, as is also true of the revenues: East, 46.32 per cent; East, including Pocahontas, 50.96 per cent; South, 50.83 per cent; and West, 46.99 per cent. The similarity in the distribution of the tons and revenue figures by rate territories indicates that, despite some differences in the distribution of the traffic by individual commodity classes, the revenue-producing qualities of this traffic in each territory, relative to the revenue-producing qualities of the total traffic in each territory, are very similar. This is demonstrated by the fact that the percentages of the total traffic which fall under the general grouping of Products of Agriculture, Products of Mines, and Products of Forests, are not only very similar in the East, South, and West, but they yield about the same percentages of the total revenues in each of these territories.

Animals and Products, the remaining group, is quite small, and accounted for the following percentages of tons: East, 1.64 per cent; East, including Pocahontas, 1.47 per cent; South, 1.45 per cent; and West, 3.00 per cent. The corresponding revenue figures are: East, 4.72 per cent; East, including Pocahontas, 4.23 per cent; South 3.51 per cent; and West, 6.30 per cent. The less-carload traffic constituted another small and rather uniform share in percentages of the tons in each territory, namely: East, 1.73; East, including Pocahontas, 1.61; South, 2.75; and West, 1.51. The percentages of total revenue accounted for by the less-carload traffic, while higher, are nevertheless in close relation to the tons carried, namely: East, 7.55; East, including Pocahontas, 7.06; South, 11.00; and West, 6.77.

To sum up, the distribution of the traffic as between that which moves at relatively high rates, principally Manufactures and Miscellaneous, and that which moves in large volume at relatively low rates, is not greatly different in the various rate territories.

The table below, indicating that territorial consists do not differ too much from each other, is based on tons carried in each territory. Tons carried as reported by each railroad for the Commission's freight commodity statistics, however, necessarily contain some duplications. A study of the distribution of carload traffic based on revenue ton-miles for the year 1939 shows the following results, which substantiate the showing of the preceding table (Ex. 195, R. 11375–82):

Distribution of carload traffic based on revenue net ton miles, percent

Item	Official	Official (including Pocahontas)	Southern	Western
Products of agriculture	10.7	9.0	15.8	27.1
Animals and animal products	3.8	3.1	2.2	4.6
Products of mines	49.3	57.5	40.8	20.4
Products of forests	3.1	2.8	11.6	13.8
Manufactures and miscellaneous	33.1	27.6	29.6	34.1
Grand total, carload	100.0	100.0	100.0	100.0

Following the same grouping for comparison, i. e., the high rated Manufactures and Miscellaneous against the combined three other most important groups, this table yields the following figures of percentages of the ton-miles of carload traffic: East, 33.1; East, including Pocahontas, 27.6; South, 29.6; and West 34.1. The corresponding figures for Products of Agriculture, Products of Mines, and Products of Forests, combined, were: East, 63.1; East, including Pocahontas, 69.3; South, 68.2; and West, 61.3.

The groupings of products in the foregoing comparisons follow the logical method of comparing low-rated traffic—which obviously includes products of mines—with the high-rated Manufactures and Miscellaneous traffic. The groupings submitted by the appellants in No. 345 lump the low-rated products of mines with the high-rated Manufactures and Miscellaneous, and then compare these two groups with the remaining groups. No rational basis appears for these groupings.

As to different densities of traffic in the East and West, appellants' argument is that since density in the East is approximately three times that of the West, one ton of freight in the West must carry costs which may be spread over three tons in the East. Obviously, their point must be confined to constant costs, as distinguished from direct or variable costs, which, by definition, vary with the volume of traffic. Also, the short answer to this whole argument is that whatever the effect of density is on costs, its effect is merged in the final costs figures, which show that higher terminal and other costs in the East act as a counterweight to the sparser traffic of the West. If density were controlling, there would have been no point in making the costs studies. The western carriers inconsistently accept and rely on the costs figures for the South, where the density is not much greater than in the West.[65] As shown above under the discussion of costs, if density merges in the final costs figures for the South, density can equally merge in the final costs figures for the West.

Appellants have also advanced the argument that where a commodity moves in greater volume in one territory than in another, it should be given a lower rate in the former than in the latter. However, when considered realistically, the bottom drops out of this argument, due to the fact that in such instances volume means nothing to the individual shipper, but only to the carrier, and then only from the standpoint of costs.

The consist problem then really resolves itself into one of providing adequate revenues for the carriers from the traffic which they transport, and the governing factor becomes the revenue-producing or rate-bearing characteristics of the commodities which compose the traffic of the several territories. The fact that some particular commodity, such as phosphate rock, for example, moves regularly in substantial volume in one territory while appearing only in small quantities in each of the others, means little or nothing if some other commodity or commodities with equal revenue-producing potentialities are available to take its place in the general rate structures of the other territories. When analyzed in this light, the differences found by the Commission in the consists and volumes of the traffic of the various territories are neither so substantial nor of such character as to justify the present differences in class rates, and the Commission made its findings accordingly.

---

[65] *I. C. C. Statistics of Railways in the United States, 1941.*

In the matter of deciding whether consists are *materially* different, the Commission must have reasonable latitude within which to function. Territorial consists will never be identical. Therefore, the factor of expert judgment immediately presents itself, and becomes controlling. This is like the costs comparison problem of what year or years to figure with, and whether Pocahontas is to be figured with the East or not. These are necessarily technical questions for experts.

(E) *Equalizing the class rates of the territories is not dependent on equalizing the non-class rates*

One of the points most relied on by appellants is their claim that exception and commodity rates charged in the South and West are lower for the same freight than the rates in Official Territory, and that it is improper and discriminatory to raise class rates in Official Territory and to lower class rates in the South and West without, at the same time, bringing about some kind of an equalization of exception and commodity rates, which move the great bulk of the traffic in all territories. The answer to this point is twofold: There was no proof that the territorial commodity and exception rate levels in the South and West are lower; and second, the Commission has every right to proceed to cure one evil at a time.

This argument rests on the premise that exception and commodity rates are, on the whole, lower in the South and West than they are in Official Territory. Unless appellants can support this premise by the record before the Commission, the argument falls of its own weight. An examination of the record proves conclusively that appellants cannot sustain this burden.

Comparing freight revenue levels, which include all the traffic that actually moves, shows that the Southern level is 3 to 5% above the Eastern (Ex. 196, R. 11268–9), and the Western level around 16% higher. These differences, because of the small fraction of class rate traffic in the South and West, are necessarily due to higher commodity and exception rates in the South and West.

There was a substantial amount of evidence in the record on the exception and commodity rates applicable to particular commodities between particular points. For example, elaborate statistical evidence was introduced by appellants of rates on certain major commodities like phosphate rock, coal, brick, fertilizer, lime, and logs, in the South as compared with Official Territory, and similar commodities moving between particular points in the West, with a comparison of these rates with rates for the same articles in Official Territory. However, the Commission found, and the record supports the finding, that there was no evidence showing the *average* rate levels of non-class rates in any rate territory, and that there was nothing in the record to show that the particular commodities selected by appellants, were typical of all of the commodities moving in the territories involved, nor was there any showing that there was not an equal or greater number of commodities moving on non-class rates which move at higher rates in the South and West than in Official Territory.[66]

In 1943, the Board of Investigation and Research, created by the Transportation Act of 1940, published a report on interterritorial freight rates, which was reproduced as House Document No. 303, 78th Cong., 1st Sess. This Board made an elaborate study of comparative intraterritorial rate levels within Official, Southern and Western territories, of commodity rates on certain important commodities. The general conclusion stated on page 148 of this report was as follows:

---

[66] The contention advanced in No. 343 that the East will be burdened with a $15,000,000 a year rate increase, and that such an increase is wholly unwarranted when compared with the much smaller savings to shippers in the South and West, is more than counteracted by the contention advanced in No. 345, that the new rates in the West alone will cost the western carriers $16,000,000 a year. The savings to shippers in the South must, of course, be added to this western figure. (Brief, No. 343, p. 47; No. 345, p. 9.)

> The foregoing analysis of commodity rates on a limited number of commodities which move in whole or in part on commodity rates shows that on most of the commodities there are substantial regional differences in the levels, with higher rates in the South and West than in Eastern Territory.

The major commodities studied were brick and other clay products, cement, coke, cotton textiles, cottonseed oil, fertilizer, and fertilizer materials, fresh meat and packing-house products, lime, livestock, logs, lumber, plaster and plasterboard, pulpwood, road aggregates or road-building materials, salt, scrap iron, and sugar.

The major premise of appellants, that commodity rates are lower in the South and West, is thus without support in the record, and such evidence as there is in the record which bears on this point is the other way.

Even if appellants' premise were sound, this would not take away from the Commission the power to bring about a step by step alignment of all the rate levels on a national basis, starting with class rates, as the Commission has done in these proceedings, and reserving exception and commodity rates for later consideration.

In *United States* v. *Wabash R. Co.*, 321 U. S. 403, a similar contention was made and rejected by the Court. In that case, the Commission had issued an order that spotting charges for cars at the plant of the Staley Company should be continued, because to cancel these charges would violate Section 6 (7) of the Act as a departure from the published tariffs. It was contended that this order discriminated against the Staley Company because other similar plants were not obliged to pay similar charges. The Commission had, several years before, made a general order that this type of charge must be made in this kind of plant, and the Commission then proceeded, plant by plant, to decide which plants should be made subject to the order. The Court said (at 414):

> * * * The suppression of abuses resulting from violations of § 6 (7) would be rendered practically impossible if the Commission were required to suppress all simultaneously or none. Section 12 (1) imposes on the Commission the duty to enforce the provisions of the Act. That duty under § 6 (7) would hardly be performed if the Commission were to decline to enforce it against one because it could not at the same time enforce it against all.

The *Wabash* case shows the propriety of the action of the Commission in starting with class rates, and not attempting to tackle the other kinds of rates in the same proceeding. An examination of the record will show the magnitude of the problems involved in dealing with the class rates alone on a national basis. The Commission's approach to rate equalization on a national basis had, as a precedent, its approach to uniformity within the several rate territories, in which, as here, the Commission began with one territory, by attacking the chaos existing there~~, and~~ without trying to do more than to handle one territory at a time, and then moved on to the next territory, dealing in the separate territories, as it is dealing here, with the class rates alone. The same Supreme Court precedent, and the same principle, are equally applicable to the Commission's action in entering the 10 per cent interim rate order, which was a substantial step towards equalization, but did not attempt to bring about complete equalization, reserving that until the uniform classification could be developed.

The reason for proceeding step by step in each of these instances has been a practical one. The rate structure of the United States cannot be remade in a day, and if the principle on which the Commission is working, and the objective of uniformity for which it is striving, is a valid one, appellants in this case can hardly say that because the Commission has not done everything within its power at once, it cannot do anything.

(F) *Summary—Interterritorial rate problems are insoluble without uniformity of class ratings and rates*

On a physical basis the railroads of the United States have developed into a national system. Carloads of freight loaded at any point can be delivered to any other point where standard-gauge railroads exist without unloading and reloading en route. However, the uniformity that characterizes this mechanical service does not extend to freight rates, the price of the service. Charges for equal amounts of service—equal tonnage of the same product moving equal distances—vary widely from region to region and frequently vary within the same region.

It is unfortunate that the advance in technology that has long since succeeded in overcoming the physical barriers that originally prevented unification of railroad service has not been accompanied by a corresponding unity in freight-rate structures and freight classifications. The Commission has done a great deal in recent years to unify on a *regional* basis the freight-rate structures and classifications, that have grown in a haphazard manner, but national unification was dormant until this case. Until now the railroads in each of the five rate territories have been allowed to go their differing, respective ways in rate making, so that they developed widely divergent policies in regard to the systems of charges to be paid on the freight moving in their territories. Consequently, there exists a composite of regional rate structures that do not fit together properly, because of pronounced differences in both the level and scheme of the rates.

The result of this regionalized freight-rate structure is to restrict commerce and trade by hampering a national flow of traffic across these territorial boundary lines. It is natural for commerce to expand as civilization progresses, and as long as these barriers against a national flow of commerce remain, economic progress in the United States will be retarded.

The existence of these freight-rate barriers was recognized by the late Joseph B. Eastman in his first report to Congress as Federal Coordinator of Transportation. The report states:

> * * * An objectionable phase of the railroad situation for many years has been the maintenance of regional differences and distinctions, which are very imperfectly related to differences in costs and of territorial boundary lines ("Chinese walls") where rate systems and practices change. It has tended to provincialize the railroads and discourage national unity of action. It has been a prolific source of complaints to the Commission.[67]

---

[67] Senate Document 119, 73rd Congress, p. 29 (1934).

To overcome this serious obstacle to a national flow of commerce, the basic rates—the class rates and the freight classification—should be established on a uniform basis. The absence of any recognized standard for making rates and classifications is a cause of disagreements among the different groups of shippers and carriers involved as to what a new basis should be. This places industry at a serious disadvantage in obtaining satisfactory rates to move its products. The customary procedure for obtaining suitable rates is for shippers to request the railroads to take voluntary action. When separate groups of carriers serving competing shippers are involved, there are often disagreement, prolonged negotiations, and failure (R. 2758, 4747, 4763) Such a prospect is extremely discouraging to shippers and potential shippers. Appeal to the Commission is an expensive process that often involves delay which many shippers cannot undergo. To avoid such delays, disputes, and expense there is pressing need for a definitely formulated policy of making rates that will satisfactorily bridge the present rate territory boundaries and encourage, rather than retard, a national flow of commerce.

There is no direct relation between the distribution of natural resources and the distribution of population in the United States. It happens that some of the areas richest in natural resources in the United States are sparsely populated. If the raw materials making up those natural resources are to be converted into finished products in that vicinity, allowing the area some economic benefit from their conversion, it will be necessary to transport considerable volumes of finished goods for long distances. Necessarily minerals are obtained where the deposits occur, and agricultural products must be produced in areas of suitable soil and climate. It is the task of the transportation system to carry commodities from points of production to consuming centers throughout the United States and to the ports for export. The more freely and cheaply the products are carried, the more competition there will be, the more production there will be, and the better will our transportation system serve our national economy.

The maintenance of a sound national economy requires the proper use of natural resources to insure reasonable economic opportunity of a stable nature for the people in each of the regions of the country. As indicated, population distribution is not in accord with the distribution of natural resources, and it would require many years for people to move to where these resources are, assuming it possible to induce such millions to migrate, or that it would be wise policy to do so even if possible. There are also areas of one-crop agriculture in which the people face readjustments to restore and protect the land and to obtain additional sources of livelihood.

In view of all this, one of the basic principles in making freight rates should be the elimination of rate barriers against regional development, not to change our economy, but to remove discriminatory conditions which unfairly and unlawfully prevent the possibility of change. Discriminatory or preferential rates favoring some regions or territories will certainly operate to hinder economic development necessary for the national welfare.

The existence of a number of intraterritorial rate structures, with their sub-territories, differing in level and plan, does not conform to the basic principle enunciated above. Makeshift efforts have been made to blend adjacent intraterritorial structures, but they never satisfactorily overcame the sharp breaks that create rate barriers. The most important aspect of the situation comes about through one region having the heavy concentration of population and also the lowest level of rates in the United States, ~~applies~~ as well as the most favorable classification ratings.

This Official Territory has approximately half of the population of the United States. Many of the products of the South and West must eventually find a market, if they are to be sold at all, in the rich markets of Official Territory. Not only do manufactured goods moving within Official Territory have the lowest relative levels of class rates; the Official Territory producer also has available to him a lower level of class rates from Official Territory to the South and West than is available to the shippers using the class rates applicable within the Southern and Western rate territories.

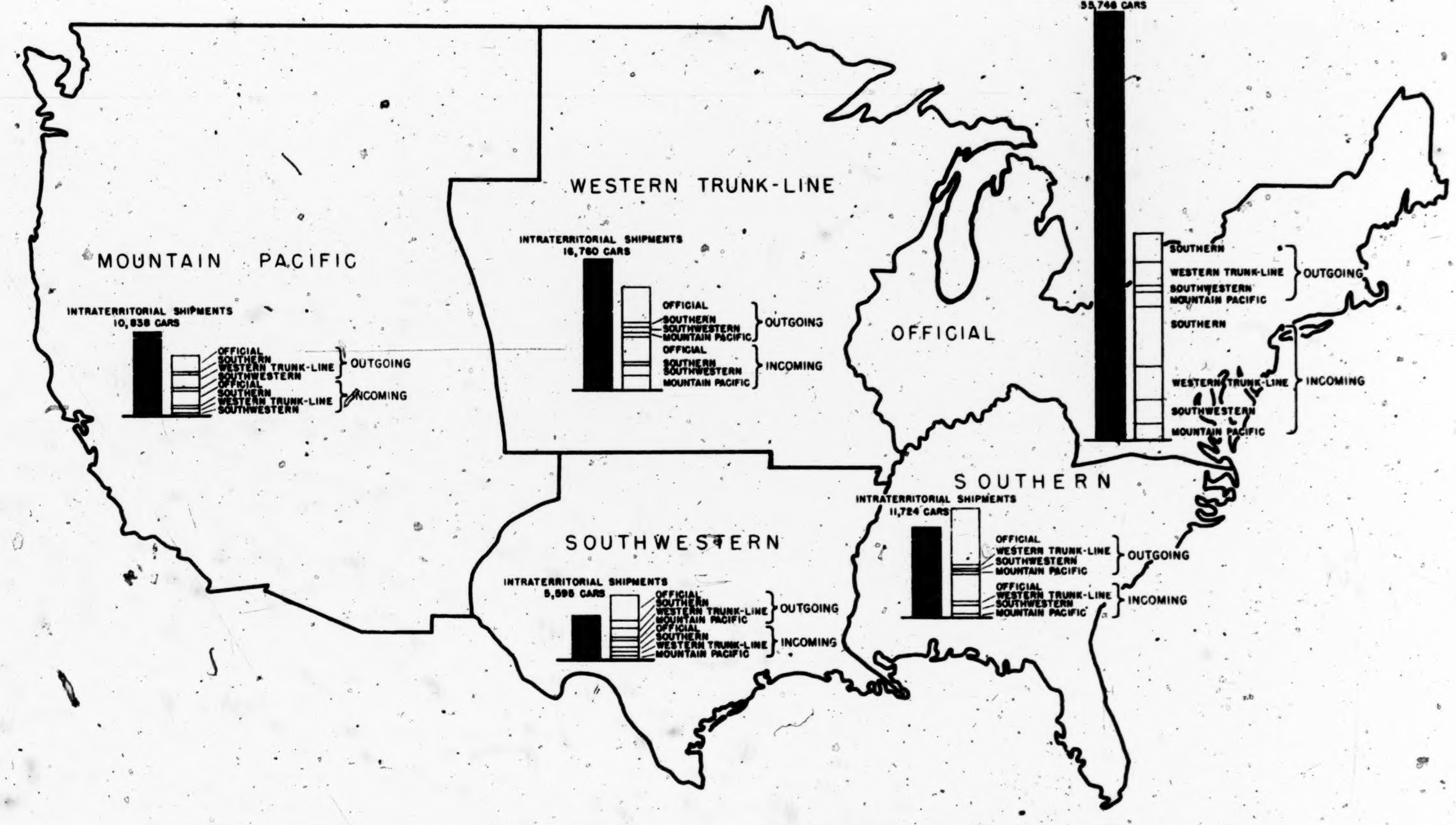
Manufactured articles from the South and West, when moved to Official Territory, generally meet competition from producers of similar articles located within Official Territory who can reach the same markets on Official intraterritorial rates that are substantially lower, mile for mile, than the interterritorial rates which the southern and western shipper must pay. An attempt to meet such competition generally results in a deduction from the price received for the product by the producer of the South or West because of greater freight-rate charges paid. This difference must either be absorbed by the southern or western manufacturer, resulting in a reduction in his profit, or be passed on in the form of lower wages to his employees or a lower price for the raw materials used in the product. These differences in freight rates, when expressed in terms of net profit, are frequently substantial, and may mean the difference between a profitable and a non-profitable business venture.

Thus, manufacturing in the South and West is discouraged and impeded, despite the fact that with the exception of nearness to markets, all the economic factors for industrial development are present in these regions.

The consumer has a definite interest in this situation. Free competition, which is the foundation of the American economic system, insures the consumer better goods at lower prices. When the freight-rate structure hinders or prevents the free flow of traffic, there is a lessening of competition, which means higher prices to consumers.

The preceding sections have shown in detail the relative disadvantages borne by the South and West in paying higher levels of class rates than prevail in Official Territory. The relative levels of rates have been contrasted by comparison of the prevailing first-class rate scales, by weighted aggregates of class rates, and by actual rates paid by, or available to, individual shippers. In each instance the substantial disadvantage suffered by the shippers in the South and West has been demonstrated.

Official Territory specializes in manufacturing, trade, and services, while the South and West are much more dependent on agricultural products and other raw and simple materials (R. 2360). Regional production has fallen into the pattern of a mother country and her colonial dependencies, with Official Territory, the center of industry and


INTRATERRITORIAL SHIPMENTS
55,748 CARS
SOUTHERN
WESTERN TRUNK-LINE
SOUTHWESTERN
MOUNTAIN PACIFIC
OUTGOING
SOUTHERN
WESTERN TRUNK-LINE
SOUTHWESTERN
MOUNTAIN PACIFIC
INCOMING
WESTERN TRUNK-LINE
INTRATERRITORIAL SHIPMENTS
16,760 CARS
OFFICIAL
SOUTHERN
SOUTHWESTERN
MOUNTAIN PACIFIC
OUTGOING
OFFICIAL
SOUTHERN
SOUTHWESTERN
MOUNTAIN PACIFIC
INCOMING
MOUNTAIN PACIFIC
INTRATERRITORIAL SHIPMENTS
10,838 CARS
OFFICIAL
SOUTHERN
WESTERN TRUNK-LINE
SOUTHWESTERN
OUTGOING
OFFICIAL
SOUTHERN
WESTERN TRUNK-LINE
SOUTHWESTERN
INCOMING
OFFICIAL
SOUTHERN
INTRATERRITORIAL SHIPMENTS
11,724 CARS
OFFICIAL
WESTERN TRUNK-LINE
SOUTHWESTERN
MOUNTAIN PACIFIC
OUTGOING
OFFICIAL
WESTERN TRUNK-LINE
SOUTHWESTERN
MOUNTAIN PACIFIC
INCOMING
SOUTHWESTERN
INTRATERRITORIAL SHIPMENTS
5,595 CARS
OFFICIAL
SOUTHERN
WESTERN TRUNK-LINE
MOUNTAIN PACIFIC
OUTGOING
OFFICIAL
SOUTHERN
WESTERN TRUNK-LINE
MOUNTAIN PACIFIC
INCOMING

REPRESENTATIVE INTRA-&INTERTERRITORIAL MOVEMENTS OF REVENUE FREIGHT CARS

SOURCE: WAYBILLS SUBMITTED BY RAILROADS TO O.D.T. ON CARLOAD FREIGHT ORIGINATING SEPTEMBER 23, 1942

RUST DIVISION — GRAPHIC PRESENTATION SECTION trade, obtaining large quantities of raw materials, adding to their values, and selling them back as high-valued manufactures (R. 2366).

Measure of the amounts of freight traffic moving within and between rate territories is of great importance in indicating the value of uniformity in class rates and freight classification. The chart opposite this page is based on the table following this paragraph. The data show that interterritorial commerce is more vital to the other rate territories than it is to Official Territory because the great preponderance of business in that Territory is *intra*territorial, indicating the great diversification in Official Territory of economic activity (Ex. 228, R. 11834–5).

Distribution of carload freight traffic, September 23, 1942

[Number of carloads]

Origin territory	Totals originated	Destination territory				
		Official	Southern	Western Trunk-Line	Southwestern	Mountain Pacific
Official	65, 269	55, 746	3, 517	3, 191	787	2, 028
Southern	20, 472	7, 518	11, 724	412	551	267
Western Trunk-Line	23, 130	4, 410	611	16, 760	742	607
Southwestern	11, 482	3, 169	1, 115	1, 324	5, 595	279
Mountain Pacific	15, 394	2, 115	267	1, 846	328	10, 838
Totals terminated	135, 747	72, 958	17, 234	23, 535	8, 003	14, 019
	Percentage distribution					
Official	48. 08	41. 07	2. 59	2. 35	. 58	1. 49
Southern	15. 08	5. 54	8. 64	. 30	. 40	. 20
Western Trunk-Line	17. 04	3. 25	. 45	12. 34	. 55	. 45
Southwestern	8. 46	2. 33	. 82	. 98	4. 12	. 21
Mountain Pacific	11. 34	1. 56	. 20	1. 36	. 24	7. 98
Totals terminated	100. 00	53. 75	12. 70	17. 33	5. 89	10. 33

This chart and table illustrate not only the extent of the economic attraction Official Territory exerts on the other rate territories, but also the relatively small amount of traffic shipped among the territories.

Obviously, the low income status of the South and West may be improved by removing the barriers to industrialization in those regions, and allowing industry to develop in a manner commensurate with the natural and human resources present there. The products of such industrialization must not be barred from the rich markets of Official Territory by territorial rate discriminations outlawed by Congress.

It has been emphasized that Official Territory shippers can come into other territories on lower levels of class rates, mile for mile, than shippers residing in those territories have to pay for shipping similar articles wholly within their own territories. One has here something remarkably similar to the working of a protective tariff, to the extent that certain favored interests effectively strive to protect themselves at home while retaining privileges elsewhere (R. 2799, 2800, 4752).

It is significant that neither the Official nor the Southern Territory railroads are parties to this proceeding. Having presented their case to the Commission, they are apparently willing to abide by the Commission's decision for uniform freight classification and class rate levels in the territory east of the Rocky Mountains. They have filed their tariffs to effectuate the new interim rates ordered by the Commission and, at least as far as the Southern railroads are concerned, have given no indication to this Court that they are complaining about the new rates.

In *State of Georgia* v. *The Pennsylvania R. Co.*, 324 U. S. 439, 450, this Court said:

> * * * Discriminatory rates are but one form of trade barriers. They may cause a blight no less serious than the spread of noxious gas over the land or the deposit of sewage in the streams. They may affect the prosperity and welfare of a State as profoundly as any diversion of waters from the rivers. They may stifle, impede, or cripple old industries and prevent the establishment of new ones. They may arrest the development of a State or put it at a decided disadvantage in competitive markets.

Uniform class rates and freight classification will do much to remedy the effects of discriminatory rates referred to by the Supreme Court. The Commission has so found, the court below has adopted those findings, and we submit this Court should find that the action of those two tribunals was not error.

III. THE COMMISSION'S ORDER WAS BASED ON ADEQUATE PRELIMINARY FINDINGS

Scattered through appellants' briefs are numerous assertions that the order of the Commission is not supported by requisite preliminary findings. There is no unanimity among appellants about the specific findings which they say are a legal necessity and are absent. Appellants approach fundamental questions, like findings as to the compensatory character of the new rates, from wholly different points of view, appellants in No. 343 arguing that the new class rates are far too high, while appellants in No. 345 argue that they are far too low. Appellants in No. 345 seem to consider confiscation in less-carload rates as the backbone of their case, whereas appellants in No. 343 call the less-carload traffic "of minor importance" (Brief, p. 59). Appellees have, in spite of this confusion and these conflicts, made an effort to determine, from careful examination of appellants' briefs, just what preliminary findings are asserted by one or more of appellants to be necessary and lacking.

The preliminary finding on which all appellants seem to lay most stress, as necessary and lacking, is a finding, as a prerequisite to that part of the order increasing rates in Official Territory, that the class rates in Official Territory are noncompensatory, or threaten to become noncompensatory through a rate war, and burden other traffic. There are three separate sufficient answers to this contention.

If two sets of rates are discriminatory, in violation of Section 3 (1) of the Interstate Commerce Act (and the Commission so found in this case), the question of whether they are compensatory or not is irrelevant. In *Interstate Commerce Commission* v. *Inland Waterways Corp.,* 319 U. S. 671, the Court, after referring to the zone of reasonableness, said, in effect, that while rates may lie within that zone, nevertheless they may result in undue prejudice and discrimination. The zone of reasonableness does not purport to be a zone of nondiscrimination, and at least some of the appellants seem to concede this fact (Brief, No. 343, p. 40). All rate structures must yield for the correction of a discrimination found to exist.

A second answer to appellants' contention is that the Commission found the class rates in Official Territory to be unreasonably low from a rate-of-return standpoint, when returns in this territory were compared with returns in other territories (*supra,* p. 175).

A third answer is that the Interstate Commerce Act does not, by its terms, require a finding that existing rates are noncompensatory, as a necessary prerequisite to a minimum rate order, and to require such a finding would in effect, be to substitute a new criterion for the criterion of "reasonableness" prescribed by the Interstate Commerce Act. The Commission has specifically found the existing class rates in Official Territory "unreasonable" in violation of Section 1 of the Act, as well as discriminatory in violation of Section 3. In *Scandrett* v. *United States,* 32 F. Supp. 995, affirmed 312 U. S. 661, it was held that rates which are compensatory are not necessarily just and reasonable, and that other factors may be decisive. The Commission had found the rates involved in that case to be "compensatory, considering all costs," and the Commission's order raising these rates was upheld. See also *Jefferson Island Salt Mining Co.* v. *United States,* 6 F. 2d 315.

Another preliminary finding stressed by appellants as necessary and lacking is a finding that present class rate differentials are not justified by actual transportation conditions, or, as put by appellants in No. 345, that there are substantially similar costs, consists, density of traffic, and other conditions affecting rates under traditional standards. It is hard to understand how anyone could read the report of the Commission and assert that these findings are absent. The elaborate analysis by the Commission of costs, consists, density of traffic, and other conditions has been expounded in considerable detail in point II of this brief, and the findings that there are no substantial differences in these conditions which would warrant the existing class rate differentials, are spelled out for anyone to read in the report, being summed up at R. 302–15. Not only are these preliminary findings not lacking; they are the cornerstone of the Commission's order.

A third preliminary finding asserted to be necessary and lacking, especially by appellants in

Nos. 343 and 344, is a finding that the differences in classifications and rate levels resulted in actual differences in the going rates, which cause injury in concrete situations. This ground has been covered in section II of this brief, particularly at pages 98 to 127.

Another preliminary finding urged as necessary is a finding that the new higher rates in Official Territory are in compliance with the lowest cost mandate of Section 15a of the Interstate Commerce Act. Appellants seem to forget that Section 15a requires the Commission to give due consideration, "among other factors," to the need of adequate and efficient railway transportation service "at the lowest cost *consistent with the furnishing of such services; and to the need of revenues sufficient to enable the carriers, under honest, economical and efficient management to provide such service.*"

Finally, it is insisted by appellants that the Commission cannot prescribe rates, based on a finding of discrimination, without a preliminary finding that it would be impossible to allow the carriers alternative methods for the removal of the discrimination, and that in any event there can be no prohibited discrimination unless it is found that all of the carriers involved in it are under common control. These legal points will be discussed in detail in a later section of this brief, as will all of the statutes under which the Commission was acting.

From a reading of appellants' briefs, one might get the impression that anyone attacking a rate order of the Commission need only contrive to spell out a series of elaborate preliminary findings which he conceives as necessary prerequisites to support the order of the Commission under attack, and that if he can then demonstrate that any one of these findings has not been expressly made by the Commission, the order must be declared invalid. Obviously this is not the law, and obviously the Commission has a wide discretion in making and phrasing its preliminary findings.

In *Pennsylvania R. Co.* v. *United States*, 323 U. S. 588, it was charged that the Commission had failed to make proper subsidiary findings. The Court disposed of the contention with the following words (p. 593):

> The appellants contend that even if the Commission was right in its interpretation of its statutory authority, its over-all conclusion is not supported by evidence or by the subsidiary findings. The claim is that the Commission did not make findings that the expense and inconvenience to the carriers concerned of rendering services over routes involving four, five, or six railroads, with the consequent interchange of traffic, would not be inordinately expensive and burdensome, and they point to certain evidence offered before the Commission which they say the Commission ignored. In the court below the same contention was con-

sidered and overruled. True, the Commission's findings are not sharp and clear on the point, but the matter was not ignored and the Commission's decision refers to it. We are unable to say that there was not sufficient in the record before the Commission, and in its findings, to justify the conclusion that the Commission, as it says it did, weighed the evidence and found that the balance was in favor of the order made.

A very recent pronouncement by this Court on the subject is contained in *United States* v. *Pierce Auto Freight Lines, Inc.,* 327 U. S. 515, in which the Court said that, given the essential findings, "the Commission is not compelled to annotate to each finding the evidence supporting it." This same case, incidentally, also disposes of the contention that the war has made the Commission's order so stale that there was an abuse of discretion in not granting a rehearing in 1945. The Court, after again stating that *Atchison, Topeka & Santa Fe Ry. Co.* v. *United States,* 284 U. S. 248, the case so strongly relied on by appellants, "stands virtually alone," goes on to say (327 U. S. at 535):

> * * * The Commission was well acquainted with the impact of the war upon facilities for transport and upon the transportation business in general. In addition to its own expert knowledge concerning such matters, it had before it not only the

facts set forth in the petition for rehearing but also those alleged in the extended replies filed by the applicants.

In the *Pierce Auto Freight Lines* case, the proceedings had been closed in October of 1940. The orders became effective in September, 1943. The three-judge court's "view was that the record was so stale, particularly in view of the influence of the war upon transportation facilities, that application of the doctrine of *Atchison, Topeka & Santa Fe Ry. Co.* v. *United States,* 284 U. S. 248, was proper." This Court felt otherwise. See also *Interstate Commerce Commission* v. *City of Jersey City,* 322 U. S. 503.

IV. THE SCOPE OF JUDICIAL REVIEW IN THIS TECHNICAL AND COMPLEX RATE ADJUSTMENT IS NARROW AND LIMITED

That judicial review of orders of the Commission, as here invoked, is narrow and closely circumscribed, is both well settled and eminently sound:

> To consider the weight of the evidence before the Commission, the soundness of the reasoning by which its conclusions were reached, or whether the findings are consistent with those made by it in other cases, is beyond our province. Whether a rate is unjustly discriminatory is a question on which the findings of the Commission, supported by substantial evidence, is conclusive, unless there was some irregularity in the proceeding or some error in the application of rules of law. [*Virginian Ry. Co.* v. *United States,* 272 U. S. 658, 663.]

The doctrine of administrative finality (*Rochester Telephone Corp.* v. *United States,* 307 U. S. 125) is especially applicable to rate cases, the technical complexity of which by its very nature prohibits judicial inquiry on the merits:

> The process of rate making is essentially empiric. The stuff of the process is fluid and changing—the resultant of factors that must be valued as well as weighed. Congress has therefore delegated the enforcement of transportation policy to a permanent expert body and has charged it with the duty of being responsive to the dynamic character of transportation problems. *Cf. Railroad Commission* v. *Rowan & Nichols Oil Co.,* 310 U. S. 573, 581–82.
>
> The wisdom of the narrow scope within which Congress has confined judicial participation in the rate-making process is strikingly vindicated by the history of this controversy. * * * There was no ready answer either in law reports or in economic experience. Any solution had to rest on informed judgment. And judgment in a situation like this implies, ultimately, prophecy based on the facts in the record as illumined by the seasoned wisdom of the expert body. In this perspective, the Commission had several choices before it—but all inevitably rested upon trial and error. * * * Of only one thing could the Commission be completely certain: no action could be taken without "adversely affecting certain of the conflicting interests."

> 164 I. C. C. 619, 698. * * * That the Commission itself was of divided mind in the successive stages of this controversy emphasizes that the problem is enmeshed in difficult judgments of economic and transportation policy. Neither rule of thumb, nor formula, nor general principles provide a ready answer. We certainly have neither technical competence nor legal authority to pronounce upon the wisdom of the course taken by the Commission. It is not for us to tinker with so sensitive an organism as the grain rate structure, only a minor phase of which is caught in the record before us. If we were to grant the relief sought by the appellants, we would be restoring evils which the exclusive rate-break adjustment was designed to remove—evils which, for all we know, would be far more serious than those complained of by the appellants. [*Board of Trade of Kansas City* v. *United States*, 314 U. S. 534, 546-548.]

Some economic problems are so difficult of solution that it is unfortunate that they have to be decided at all. However, when presented, some solution must be found, even though it may not be, or be claimed to be, the only possible solution; and where a rate problem of this kind is presented, both Congress and this Court have left no doubt that it is the Commission, and not the courts, which must make the decision and have the last say under the doctrine of administrative finality, subject only to those few well-defined and closely restricted lines of inquiry which the reviewing court may make:

> * * * "the Commission's order does not become suspect by reason of the fact that it is challenged. It is the product of expert judgment which carries a presumption of validity. And he who would upset the rate order under the Act carries the heavy burden of making a convincing showing that it is invalid because it is unjust and unreasonable in its consequences." *Federal Power Commission v. Hope Natural Gas Co.,* 320 U. S. 591, 602. The Commission considered that it had, and we find no reason to doubt that it had, the evidence before it that was needful to the discharge of its duty to the public and to the regulated railroad: "With that sort of evidence before them, rate experts of acknowledged ability and fairness, and each acting independently of the other, may not have reached identically the same conclusion. We do not know whether the results would have been approximately the same. For there is no possibility of solving the question as though it were a mathematical problem to which there could only be one correct answer. Still there was in this mass of facts that out of which experts could have named a rate. The law makes the Commission's finding on such facts conclusive." *Interstate Commerce Commission v. Union Pacific R. Co.,* 222 U. S. 541, 550. [*Interstate Commerce Commission v. City of Jersey City,* 322 U. S. 503, 512–513.]

V. THE AUTHORITY OF THE COMMISSION WAS EXERCISED IN STRICT COMPLIANCE WITH STATUTORY PROCEDURE

(A) *The statutes involved*

The proceedings here attacked were instituted by the commission on its own motion, as Section 15 (1) of the Interstate Commerce Act expressly authorizes. In these proceedings, the Commission inquired into two kinds of unlawfulness—unreasonableness and discrimination. The unlawfulness inquired into concerned classifications, and also class rates, each from the standpoint both of unreasonableness and discrimination. The jurisdiction of the Commission to inquire into unreasonableness of classifications and rates is defined in Section 1 of the Interstate Commerce Act, and its jurisdiction to inquire into discrimination is defined in Section 3 of the Act.

Section 1. Section 1(5)(a) is the major substantive section dealing with unreasonableness of rates. It provides that "all charges made for any service rendered * * * shall be just and reasonable", and it prohibits "every unjust and unreasonable charge."

Section 1(6) imposes the same obligations and prohibitions, with respect to classifications, which are imposed by Section 1(5)(a) in connection with rates. Section 1(6) makes it the duty of the carriers to establish and enforce "just and reasonable classifications of property for transportation, with reference to which rates, tariffs, regulations, or practices are * * * made", and it prohibits "every unjust and unreasonable classification, regulation and practice."

Section 1 (4), the only other subdivision of Section 1 of the Act which is relevant and under which the Commission purported to act, merely extends the provisions of the other two subsections to *through* rates and classifications.

The Commission found, in its inquiry under Section 1, that existing rates and classifications both were unreasonable within the meaning of this section.

Section 3. Section 3 (1) of the Act deals with discrimination. It mentions neither rates nor classifications, but its language is so broad that it obviously includes both. It prohibits "any undue or unreasonable preference or advantage * * * or * * * undue or unreasonable prejudice or disadvantage in any respect whatsoever" to persons, places, or kinds of traffic. The sweeping character of the prohibitions of Section 3 (1) has been emphasized by this Court many times, as in *Louisville & N. R. Co.* v. *United States,* 282 U. S. 740, 749–750:

> The legislative history of the Interstate Commerce Act shows clearly that the evil of discrimination was the principal thing aimed at. Senate Report No. 46, 49th Cong., 1st Sess., p. 215. See *Kansas City S. R. Co.* v. *C. H. Albers Commission Co.,* 223 U. S. 573, 597 [56 L. Ed 556, 568, 32 S. Ct. 316]. This Court has said that the

language of the Act "is certainly sweeping enough to embrace all the discriminations of the sort described which it was within the power of Congress to condemn." *The Shreveport Case* [*Houston, E. & W. T. R. Co.* v. *United States*], 234 U. S. 342, 356.

Section 15. Having found classifications and class rates unlawful under Sections 1 and 3 of the Act, the Commission was authorized to act under Section 15 to remove the unlawfulness.

Section 15 (1) provides that upon a finding by the Commission of unlawfulness of rates or classifications under Section 1 or Section 3, "the Commission is hereby authorized and empowered to determine and prescribe what will be the just and reasonable rates, * * * maximum or minimum, or maximum and minimum, * * * and classification," and it prohibits noncompliance with the rates and classifications so prescribed.

Section 15 (3) extends these provisions to through and joint rates and classifications.

In *United States* v. *Chicago, Milwaukee, St. Paul, & Pacific R. Co.*, 294 U. S. 499, the Court said (at 505, 509–510):

> Section 15 * * * is to the effect that the Commission shall have power to determine the just and reasonable rate when a rate in force or proposed is found to be unjust or unreasonable or unduly discriminatory or otherwise unlawful. * * *

> Under § 15 of the statute the Commission of its own motion may conduct a comprehensive inquiry into the rates of all the lines within the area of controversy, may fix the fair relation between one line and another, and may build the structure of the rates accordingly. *Florida* v. *United States*, 292 U. S. 1; *United States* v. *Louisiana*, 290 U. S. 70.

An indication of the broad power of the Commission to prescribe rates is contained in *United States* v. *Chicago Heights Trucking Co.*, 310 U. S. 344, 353:

> The particular problem here involved is but a segment of the larger complicated national problem of rates with which the Commission must deal.

The Commission has always been regarded as "being more of an administrative than a judicial tribunal." *United States* v. *Louisville & Nashville R. Co.*, 235 U. S. 314. However, in prescribing rates, it rises to the elevation of a legislative body, with all the presumptions of validity attaching to the rates it makes which would attach to the laws which other legislative bodies make. As stated by the court in *Terminal R. Assn.* v. *United States*, 266 U. S. 17, 30–31, "The making of rates under Section 15 (1) is a legislative and not a judicial function."

The only other statutory provision directly involved in this case and dealing with the authority of the Commission, which was in effect when these proceedings were instituted, is Section 15a, the rule of rate making, which calls on the Commission to give due consideration in the making of rates to a few specified factors "among other factors." One factor itemized in this section is "the effect of rates on the movement of traffic," a subject which is developed fully above, pp. 127–147, in demonstrating that the class rates which the Commission found unreasonable and discriminatory do not move *the traffic.*

Another section of the Interstate Commerce Act which may have some pertinence, although it is not directly involved and the Commission did not proceed under it, is Section 13, paragraphs (3) and (4), which outlaws discriminations as between intrastate commerce and interstate commerce, in language very similar to that of Section 15 (1). Section 13, paragraphs (3) and (4), like Section 15 (1), authorizes the Commission to prescribe "the" rates which will be free from the prohibited discrimination. The authority of the Commission to remove discriminations and prescribe new rates, where intrastate commerce is involved, was upheld and explained in *Georgia Public Service Commission* v. *United States*, 283 U. S. 765. That Congress intended by Section 15 (1) to give the Commission less power to correct discrimination in interstate rates than it gave the Commission by Section 13 (4) over intrastate rates seems hard to believe, although this apparently is a proposition seriously advanced by appellants.

The effect of the 1940 amendments to the Interstate Commerce Act has been discussed in detail in an earlier section of this brief. The purpose of the last few pages has been to direct the Court's attention to the underlying statutory provisions under which the Commission acted in this case. There follows an analysis of two legal questions raised by appellants, who are insisting that this Court has so interpreted the Interstate Commerce Act, and particularly Section 3 (1), as to read into that section two qualifying provisions which are not spelled out in the statute.

(B) *The Commission was not required to afford the carriers alternative methods of removing the discrimination*

Appellants' contention that the Commission erred in not giving the carriers a choice between alternative methods of removing the discriminations found by the Commission to exist rests on the following language of the Court in *Texas & Pacific Ry. Co. v. United States*, 289 U. S. 627, 650:

> A carrier or group of carriers must be the common source of the discrimination,—must effectively participate in both rates, if an order for the correction of the disparity is to run against it or them. *Where an order is made under § 3 an alternative must be afforded.* The offender or offenders may abate the discrimination by

V

> raising one rate, lowering the other or altering both. [Emphasis supplied.]

However, the Court, speaking through Mr. Justice Roberts, was careful to point out in the *Texas & Pacific* case that the rule there announced, and quoted above, does not apply to an order made under Section 15 (1) of the Act. The orders for the future here attacked were made under Section 15 (1). Footnote 39 to the opinion (p. 650), which immediately follows the statement quoted above, qualifies it in this way:

> This is not true of an order pursuant to § 15 (1), prescribing maximum or minimum or maximum and minimum rates, but the present orders were not issued under that section.

The Court thus clearly recognized in the *Texas & Pacific* case the simple distinction between an order made under Section 3 (1) and an order made under Section 15 (1). As already explained, Section 3 (1) makes unlawful any undue or unreasonable preference, advantage, prejudice, or disadvantage. When the Commission acts only under Section 3 (1), which gives the Commission no rate-making power, it necessarily limits its action to a finding that a discrimination exists, and an order that it be eliminated. Under those circumstances, the order is known as one made under Section 3, and an alternative must necessarily be afforded the carriers, for the Commission has not exercised its rate-making power under Section 15 (1) of the Act.

But when the proper bases exist for an order under Section 15 (1) and the Commission chooses to exercise the power thereby conferred upon it, the situation is entirely different. Section 15 (1) provides that whenever the Commission shall be of opinion that any rate or charge is "unjust or unreasonable *or* unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of this part," the rate or charge to apply in the future may be prescribed.

The Court will note that disjunctives were used. The words "unjust or unreasonable" clearly refer to the prohibitions of Section 1, whereas the words "unduly preferential or prejudicial" plainly refer to the evils which are condemned by Section 3 (1). A proper finding of unlawfulness under Section 3 (1) enables the Commission to prescribe for the future, i. e., not only to tell the carriers to remove the unlawfulness, but, in a proper case, to tell them how it must be done. Any other construction would negative the plain words of the statute.

That this Court, again speaking through Mr. Justice Roberts, clearly had in mind the distinction between a Section 3 order and a Section 15 order in the *Texas & Pacific* case, is shown by his opinion in *Youngstown Sheet & Tube Co. v. United States,* 295 U. S. 476. There the Court had under consideration an order prescribing rates for the future under Section 15 which had been issued by the Commission after it made a finding of undue discrimination in violation of Section 3 (1). The Court said (295 U. S. at 480):

> There is no merit in the contention that the order was a § 3 order and invalid for failure to afford the carriers an alternative of raising the contested rate or lowering others to remove discrimination. It is true the Commission found prejudice to shippers all rail, but in essence the order was a § 15 order and not one made under § 3.

In the *Youngstown* case, the Court cited with approval its earlier decision in *St. Louis Southwestern Ry. Co.* v. *United States*, 245 U. S. 136. Because the opinion in that case emphasizes the distinction between Section 3 orders and Section 15 orders, a quotation may be helpful (245 U. S. at 145):

> Orders to remove discrimination, as commonly framed, do not fix rates. They merely determine the relation of rates, by prohibiting the carrier from charging more for carriage to one locality than under similar conditions to another; and they usually leave the carriers free to remove the discrimination either by raising the lower rate or by lowering the higher rate or by doing both. *American Express Co.* v. *Caldwell*, 244 U. S. 617, 624. The order here complained of gives the carriers

no such option. It directs that the rates to Paducah shall be "not in excess of the rates at present in effect from the same points or groups to Cairo, Ill." In other words, the Commission, having found the 22-cent rate unduly high, reduces it to 16 cents, by establishing joint through rates. The injury resulting from discrimination was doubtless the reason which induced the Paducah Board of Trade to institute the proceedings; and the Commission may have considered the existence of the lower rate to Cairo persuasive evidence that the 22-cent rate to Paducah was unreasonably high and the resulting discrimination strong reason for establishing the 16-cent joint rate. But the order is strictly one under § 15 of the Act to Regulate Commerce to reduce existing through rates or, in the alternative, to establish new through routes with joint rates. It is not primarily an order to remove discrimination in violation of § 3.

It is submitted that the contention that an alternative must be afforded under the facts in this case is without merit. An alternative must be afforded when the order is made under Section 3, solely because the function of the Commission is limited in such a situation to finding an undue preference, and ordering it removed. Before one can remove discrimination, who has been ordered to do so, he must have the power to remove it. Hence the rule applicable to Section 3 orders, that an alternative must be afforded. But when the order is made under Section 15, the situation is different. The coercive legislative power of government is applied. The reason for the alternative remedy rule no longer exists.

The discussion immediately below supplies additional reasons why the alternative remedy argument is without merit.

(C) *All the rates found to be discriminatory were controlled by the same carrier group, but the rates would be valid even if this were not so*

The passage quoted from the *Texas & Pacific* case, *supra* (pp. 221–222), also provides the basis for appellant's contention that rates cannot be found discriminatory unless they are controlled by the same carrier or group. This point and the previous one are so interrelated that our answering arguments (pp. 222–233 hereof) are to a considerable extent applicable to both.

The Commission here found that the relation between the class rates from Southern, Southwestern, and Western Trunk-Line territories to Official Territory, on the one hand, and the class rates applicable within Official Territory, on the other, was unlawful because in violation of Section 3 (1) of the Act. The carriers in Official Territory control the rates within Official Territory, and also control, jointly with the carriers in each of the other territories, the rates from each other territory into Official.

It is not necessary that a carrier's rails reach the point subjected to prejudice before it is guilty of violating Section 3 (1). That precise point was presented to the Court in *St. Louis Southwestern Ry. Co.* v. *United States,* 245 U. S. 136, 144, where the Court stated:

> Carriers insist also that the order is void on the ground that, since their "rails do not reach Paducah, they cannot be guilty of discrimination against that city." They, however, bill traffic via Cairo or Memphis through to Paducah in connection with the Illinois Central, thus reaching Paducah, although not on their own rails. And, thereby, they become effective instruments of discrimination. Localities require protection as much from combinations of connecting carriers as from single carriers whose "rails" reach them. Clearly the power of Congress and of the Commission to prevent interstate carriers from practicing discrimination against a particular locality is not confined to those whose rails enter it. *Cincinnati, New Orleans & Texas Pacific Ry. Co.* v. *Interstate Commerce Commission, supra.*

In *Chicago, Indianapolis & Louisville Ry. Co.* v. *United States,* 270 U. S. 287, three steam railroads were ordered to stop discriminating against an electric carrier by refusing to interchange traffic with it through a fourth steam railroad, which was intermediate to the electric road and the other three, and with which the other three were interchanging traffic. The Court stated that the fact the three carriers alone could not remove the discrimination and that the consent of the connecting carrier, which was not discriminating, was necessary to remove it, did not invalidate the order. The Court said (270 U. S. at 293):

> * * * Direct physical connection with the carrier subjected to prejudice is not an essential. *St. Louis Southwestern Ry. Co.* v. *United States,* 245 U. S. 136, 144. Unjust discrimination may exist in law as well as in fact, although the injury is inflicted by a railroad which has no such direct connection. Wherever discrimination is, in fact, practiced, an order to remove it may issue; and the order may extend to every carrier who participates in inflicting the injury.

Although the rule of the *Texas & Pacific* case, *supra,* has probably been sufficiently clarified by the cases just discussed, so that appellants' arguments based on that case are met, there is another explanation of the *Texas & Pacific* case which distinguishes it from the instant case.

If a discrimination is found to exist in the relationship of two rates, the Commission has power to correct this discrimination under Section 15 (1) by fixing new reasonable rates, whether the old discriminatory rates were reasonable or unreasonable. However, to act under Section 15 (1), the Commission must make an express finding that the new rates it fixes are reasonable, and in order to make such finding, the Commission must have before it evidence on the question of reasonableness. Without such evidence on the subject of reasonableness, it can be argued that all the Commission could do to correct the discrimination would be to order the carriers to correct it.

The majority of the Court in the *Texas & Pacific* case seemed to assume that there was no evidence before the Commission on the subject of the reasonableness of any of the rates in question, and from this assumption, the Court reasoned that the Commission had no power to make new rates under Section 15 (1).[68] If the *Texas & Pacific* case is thus regarded as a case in which evidence on the subject of reasonableness was wholly lacking, it is clearly distinguishable from the case at bar, in which the Commission had a great deal of evidence before it on the subject of reasonableness, upon which evidence it based its specific findings that the old rates were unreasonable and the new rates reasonable. In any event, in the *Texas & Pacific* case the majority of the Court stated that "the parties agree that authority for the order must be found in § 3 (1)" (289 U. S. at 633). This last statement would seem to have the effect of stipulating away the validity of the Commission's rate-making order, since the Commission has no rate-making power, in the sense of fixing specific new rates, under Section 3 (1).

---

[68] "the assertion of unreasonableness was withdrawn and the Commission made no finding that the Galveston rates were unreasonable * * *. There was therefore no basis for an order fixing minimum reasonable rates under § 15 (1) of the Act" (289 U. S. at 633).

Finally, serious doubts are cast on the validity of the reasoning in the *Texas & Pacific* case by the dissenting opinion of Mr. Justice Stone, concurred in by Chief Justice Hughes, Mr. Justice Brandeis and Mr. Justice Cardozo, in which sharp issue is taken with the majority on the issues of the necessity of alternative remedies and a common source of the discrimination. Mr. Justice Stone stated (289 U. S. at 668–669):

> But the statute does not compel the Commission to afford such an alternative or permit an offending carrier to avoid its salutary provisions merely for the reason that, although participating in both the offending rates, it can with certainty control only one. It is true that in cases arising before the enactment of Transportation Act, 1920, by which power was given to the Commission to fix a minimum rate, it could not remove a discrimination by prescribing a minimum rate to one of the competing localities. But it could remove the discrimination by imposing a lower maximum rate, even though a joint rate participated in by the carrier whose rails did not reach the locality discriminated against, (compare *St. Louis Southwestern Ry. Co.* v. *United States, supra*) or, as already mentioned, it could leave the carriers free to remove the discrimination by raising one or lowering the other. See *American Ex-*

> *press Co.* v. *Caldwell, supra,* 624; *United States* v. *Pennsylvania R. Co.,* 266 U. S. 191. And now that the Commission has power under § 15 (1) to fix a minimum rate it may equally command the removal of the discrimination by directing a rate to be raised, just as where the carrier maintains discriminatory practices the Commission may direct the modification of one and not the other, and is not bound to allow the carrier a choice. * * *.
>
> The situation here appears to be identical with that presented to this Court in *United States* v. *Illinois Central R. Co., supra,* and in *St. Louis Southwestern Ry. Co.* v. *United States, supra.* In both cases the carriers' rails reached one of the competing points only through its connections. In the first the order leaving the carrier free to remove the discrimination by raising one rate or lowering the other, and in the second an order requiring the carrier to remove the discrimination by establishing a lower joint rate with its connections, was upheld by this Court. * * *

Of course, all of these cases cited above were decided before the 1940 amendment of Section 3 (1). The effect of that amendment on the question of whether there can be a discrimination between territories, not involving the same groups of carriers, which the Commission is, by the amendment, given power to correct, even though neither carrier is by itself guilty of an unlawful discrimination, has not been before this Court, and is not before the Court in this case, inasmuch as all the rates found discriminatory were controlled by the Official carriers. There is, however, a strong argument in favor of the existence of such power. The different rate territories almost by definition contain separate groups of carriers. If a Missouri shipper, competing in the Twin Cities with an Illinois shipper, must pay freight on the Western scale in order to go up the west bank of the Mississippi River to Minneapolis, and suffer a 50 percent higher freight rate than his competitor across the Mississippi River, who, using another carrier, is shipping on the Eastern rate basis to St. Paul, and the Commission is powerless to correct this discrimination, there is still a serious void in the Commission's power which was not corrected in 1940 by the addition of the word "territory" to Section 3 (1) of the Act. Even before 1940, this Court in *United States* v. *Chicago, Milwaukee, St. Paul & Pacific R. Co.*, 294 U. S. 499, said (at 509) that the Commission under Section 15 "may conduct a comprehensive inquiry into the rates of all the lines within the area in controversy, may fix the fair relation between one line and another, and may build the structure of the rates accordingly." If the power of the Commission is so narrow that its hands are tied in protecting shippers from discrimination, unless both rates involved in the rate relationship are controlled by the same carriers, the Commission will find it is unable to build a rate structure from which discrimination between territories can fairly be said to be absent. Surely, this was not the intention of Congress in 1940. See pages 65–87, *supra.*

VI. THE NEW LESS-CARLOAD RATES IN THE WEST CANNOT BE REGARDED AS CONFISCATORY

(A) *The facts negative confiscation*

Appellants in No. 345 raise the only constitutional issue in the case by their allegation that the new less-carload class rates in the West are confiscatory, and in support of this allegation they introduced evidence in the court below, over the objection of appellees. The court below stated it did not have "sufficient confidence in that type of evidence to be satisfied that deficit carriage is required by the ad interim order" (R. 1427). Their confiscation case did not inspire confidence, because their evidence compared less-carload costs with *all* less-carload revenues, instead of only *class-rate* less-carload revenues, when these appellants are voluntarily maintaining their *non-class* less-carload rates at much lower levels than their less-carload class rates. In addition, in comparing the new rates with costs, appellants did not consider all, but only a small segment, of the new class rates, and those were the lowest ones. Further, appellants' figures are subject to so many infirmities that no court would be justified in setting aside an entire national rate structure on such an uncertain and unconvincing showing dealing, at most, with an incidental, minute segment of the rates.

By and large, the transportation of less-carload freight, which accounts for only a very small percentage of total railroad freight tonnage (1.3% in 1944),[69] is exclusively within the control of the carriers. Unlike carload freight, the carriers load it, handle it, and unload it, and it is within their power to make this service expensive to themselves (for example, by light loading of cars), or to keep their costs down to the minimum (for example, by heavy loading of cars). If rates should be made to compensate carriers for the most expensive way of handling less-carload traffic, the inevitable result would be to reward inefficiency and to penalize shippers unnecessarily. In delicately balancing these interests in rate making, the Commission's highest degree of expert judgment is called into play.

The revenues from less-carload traffic in the West, which the western carriers compare with less-carload costs in the West, were revenues from all less-carload traffic, including exception, commodity, and intrastate rate less-carload traffic, all of which admittedly are on a lower rate basis than class rate traffic. The carriers have reduced these rates voluntarily, or are maintaining them voluntarily, thus greatly reducing their revenues from less-carload traffic, a situation they have it wholly within their own control to remedy (p. 96, *supra*). Furthermore, the carriers always apparently have preferred to have a single rate scale applicable to both carload and less-carload traffic, and to make their differences in rates charged between these two classes of traffic in the form of *classification* differences. Since the carriers are now preparing the new uniform classification, they have it wholly within their own control to propose classification differences between carload and less-carload traffic, which will eliminate any grievances they claim to have about the noncompensatory character of less-carload rates in the West. In addition to these factors, the carriers have within their sole control the entire question of how expensive they want to make the less-carload service, through heavy or light loadings, speed of service, ratio of empty return cars, methods of loading freight so as to reduce damage claims, substitution of auxiliary truck service, etc. (see R. 910, 4565–71).

---

[69] *I. C. C. Statistics of Railways in the United States*, 1944.

The tabulation set out at R. 1403–7 shows that even though the 1939 less-carload costs in the West had a ratio to revenues from all such traffic of 130 to 100, this ratio reverses itself to the point where, for the class-rate portion of the less-carload traffic, the out-of-pocket costs plus the solely related constant costs are only 81% of the revenues, when adjustments are made for (a) the increased revenues from the increased minimum charge per shipment from 55 to 75[70] cents, (b) the elimination of the less-carload traffic moving on exception, commodity, and intrastate rates, (c) a 10-ton load, and (d) the actual 2.47 percent rate of return of 1939, instead of the 4 percent rate used in the cost analysis.[71]

The highlight of the confiscation case of the western carriers seems to be the deficit tables contained in their brief, which purport to show that less-carload costs in the West are substantially higher than the third and fourth class rates on such traffic.

These tables, it should be noted, omit first and second-class traffic. They omit Zones II and III in the West, where the latter zone includes all of Southwestern Territory. The rates in these zones are much higher than the Zone I rates (see charts

---

[70] Increased from 75 cents to $1.00 by *Ex parte* 162, decided December 5, 1946, which also created a new minimum rate of 50 cents per 100 pounds on pick-up and delivery traffic. No effect is given to these charges in these calculations.

[71] Even allowing for the full alleged 24% rise in prices, the revenues would still exceed the out-of-pocket plus the solely related constant costs. Solely related constant costs for less-carload traffic mean those costs which do not vary with the volume of less-carload traffic, i. e., which would continue whether one ton or one million tons of less-carload traffic were handled, but which could be eliminated if no less-carload traffic were handled. They include items like freight-loading platforms, etc. In their 24% adjustment, appellants improperly increased their rate of return figure 24% as well as their expense figures.

opposite p. 240, *infra*). They use a 14-cent allowance for average pick-up-and-delivery expense, disregarding the fact that this service is not performed for all traffic (R. 199). They ignore the fact that some less carload class rates under the interim order will not be reduced at all, and under the permanent adjustment will actually be raised.[72] They thus pick out a very small segment of the class rate traffic, a fraction even of the less-carload class rate traffic in the West, and try to inflate it and make it decisive of the validity of the entire order of the Commission.

Returning to the western carriers' deficit tables, these tables reflect both the out-of-pocket costs

---

[72] An illustration of how the permanent adjustment rate scale will actually raise instead of lower some of the rates in the West is shown in the following table, made up of rates which will not be reduced at all under the interim order, and which under the permanent adjustment will be equal to or higher than the present rates.

Miles	Present first-class rates			New rates (R. 350, 381)
	Zone I	Zone II	Zone III	
5	35	37	40	40
10	36	40	42	43
15	39	42	45	46
20	40	44	47	48
25	42	46		50
30	44	50		52
35	46	52		54
40	48	55		56
45	51	57		58
50	53			60
55	55			61
60	57			62
65	60			63
70	62			64
75	64			65
80	66			66

and a pro rata apportionment of the solely related constant costs.[73] These solely related constant costs rest as a burden upon the less-carload traffic taken as a whole, and cannot be apportioned on a cost-of-service basis to any particular segment or class of less-carload traffic. However, if for comparative purposes they were prorated on a ton and ton-mile basis against all less-carload traffic whether moved at first, second, third, or fourth class, it mathematically would follow that the low-rated third- and fourth-class traffic would inevitably make a less than average contribution per 100 pounds to such constant expenses, while the first-class and second-class traffic would make a greater than average contribution. The tables of the western carriers deal only with that portion of the less-carload class rate traffic which makes the lowest contribution.

Constant costs were treated by the Commission on the practical basis of determining the contribution which less-carload and passenger services made to constant costs, and then distributing the remainder of the constant costs as a burden which the carload traffic as a whole must bear if the various services, including the carload freight service itself, are to survive. The ultimate *rev-*

---

[73] The argument that the costs figures omit common constant costs, and therefore only represent partially- and not fully-distributed costs, fails to mention the fact that on less-carload traffic in the West, the common constant costs amount to less than 6% of total costs (Ex. 13, R. 5933, 5972).

cine problem as to less-carload traffic is not so much that of apportioning the constant costs, as it is of determining for each type of traffic that schedule of rates which, *considering its ability to pay,* will provide the greatest contribution to constant costs, while avoiding discrimination, and taking into account public policy and fair returns to the carriers as a whole. Indeed, a major costs witness for the western carriers took the position before the Commission that constant costs should not be distributed at all in making territorial comparisons, because constant costs cannot be assigned to specific operations (R. 4266–8, Ex. 196, R. 11330–1, 4352).

If the compensatory character of the less-carload traffic is considered as a whole, the less-carload solely related constant costs should also be considered, but the deficit tables do not consider less-carload traffic as a whole. They merely pick out third- and fourth-class less-carload traffic, within the one lowest rated zone, in one territory, and when the figures are unfavorable to them, they leave out the third-class rate comparison tables. No substantial amount of less-carload traffic moves below fourth class (Ex. 135, R. 9594), and the average class rate less-carload traffic in the West moves at a rate higher than the third-class rate (R. 1404).

The showing the western carriers attempted to make on the basis of increased costs in 1945 as compared with 1939 is vitiated by the figures on rates of return. In 1939, the rate of return of the western carriers was 1.65 per cent. Yet, in spite of the alleged 24 per cent increase in costs, their rate of return in 1944 was 4.17 per cent and in 1945 it was 5.71 per cent. Not only have they absorbed any price increases; they have made a great deal more money in spite of these price increases.

To correct the erroneous impressions which the tables of the western carriers attempt to create, the Government has caused to be prepared two charts, *which are set out opposite this page,* to reflect the effect of the Commission's order, not on a small segment of less-carload class rate traffic in one zone in the West, but on all class rate traffic in all the western zones involved, both less-carload and carload. These charts show in proper perspective the significance of the relationship between the rate adjustments and the costs of the service. All rates shown are those provided for in the Commission's ad interim 10 per cent order.

The first chart shows the out-of-pocket less-carload costs based on a 10-ton load, both with and without the adjustment for the alleged 24 percent increase in cost of materials and labor, allowing for 10 per cent circuity, and 10 cents per 100 pounds for less-carload pick-up-and-delivery service, because some of this less-carload traffic does not receive this service (R. 199).

rd CLAS

DING 4'

S, ANI
ID LOS

7

It will be observed that all but a very small segment of the class rate scales exceed by a substantial margin the out-of-pocket costs of handling the traffic. The excess of rates above out-of-pocket costs represents the contribution toward constant costs which is made by the less-carload operations as a whole, but which, in computing costs, is not capable of direct assignment on a cost-of-service basis to a particular segment of less-carload traffic, even the total class rate segment.[74]

The second chart shows the same relationship as to carload class rate traffic, using a representative 1939 boxcar load of 25 tons. No adjustment was made for the alleged 24 percent price increase between 1939 and 1945, because obviously the sharply increased rates of return of the western carriers demonstrate that any price increases were more than absorbed by more favorable operating conditions from the standpoint of the western carriers. This chart shows by what a wide margin the carload class rates exceed the carload costs in the West.

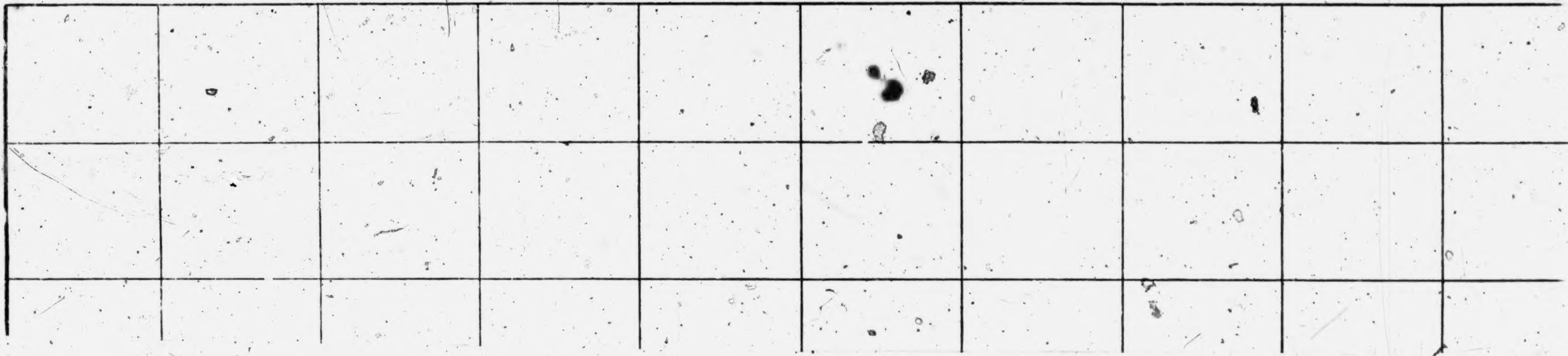
The Commission in these proceedings was trying to prescribe a rate structure to eliminate the

---

[74] However, in the Government tabulation mentioned on page 235, *supra*, it is demonstrated that the less-carload class rate traffic as a whole contributes more than its pro rata share of the constant costs solely related to less-carload traffic, even allowing for the alleged 24 per cent price increase.

Chart 1.– COMPARISON OF EDWARDS' LESS CARLOAD COSTS IN WESTERN DISTRICT WITH AD INTERIM CLASS RATES PRESCRIBED BY COMMISSION

(COSTS BASED ON PRESENT LOADING OF 10 TONS PER CAR AND WITH & WITHOUT OPERATING EXPENSES, RENTS, AND TAXES INCREASED 24 PERCENT. EXHIBITS 13 AND 195.)



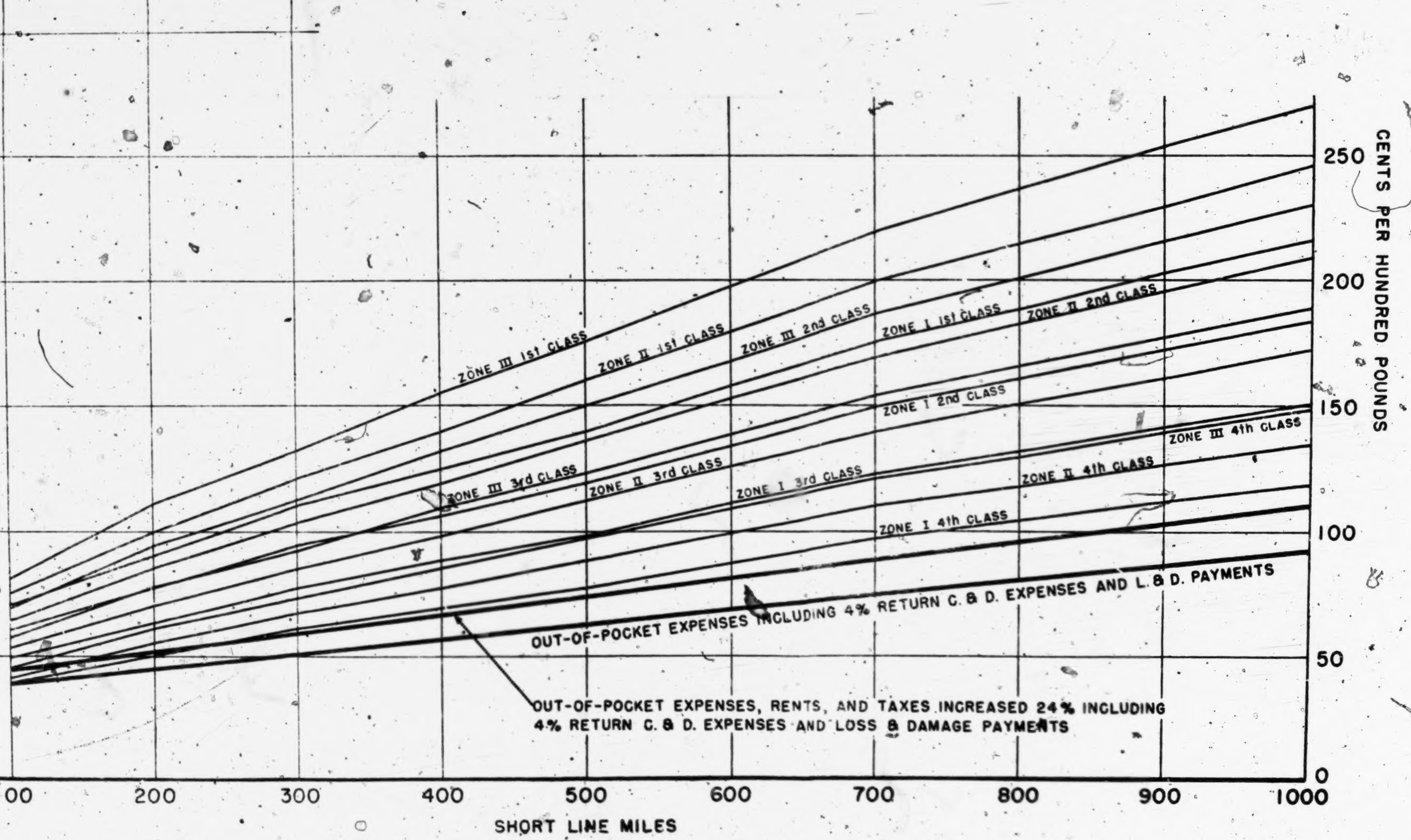
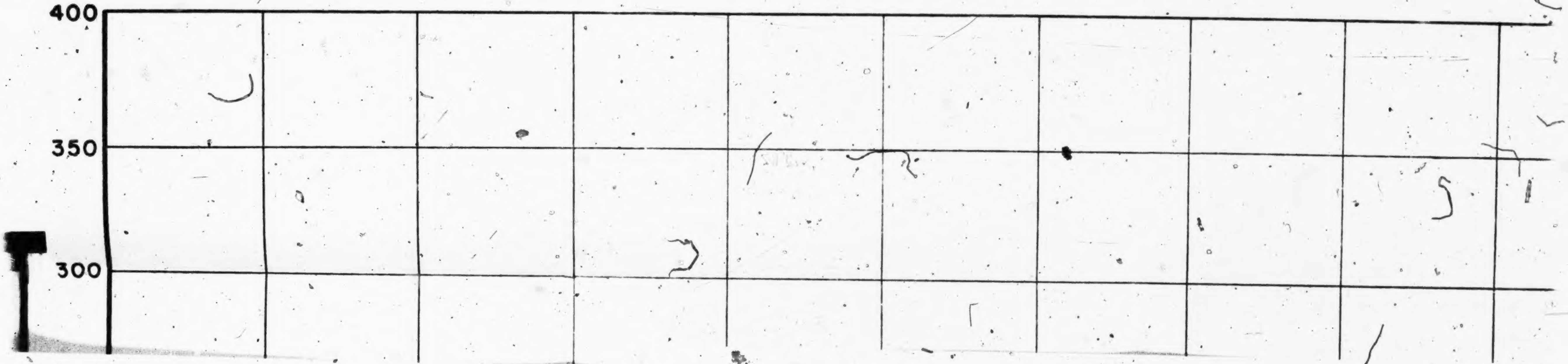
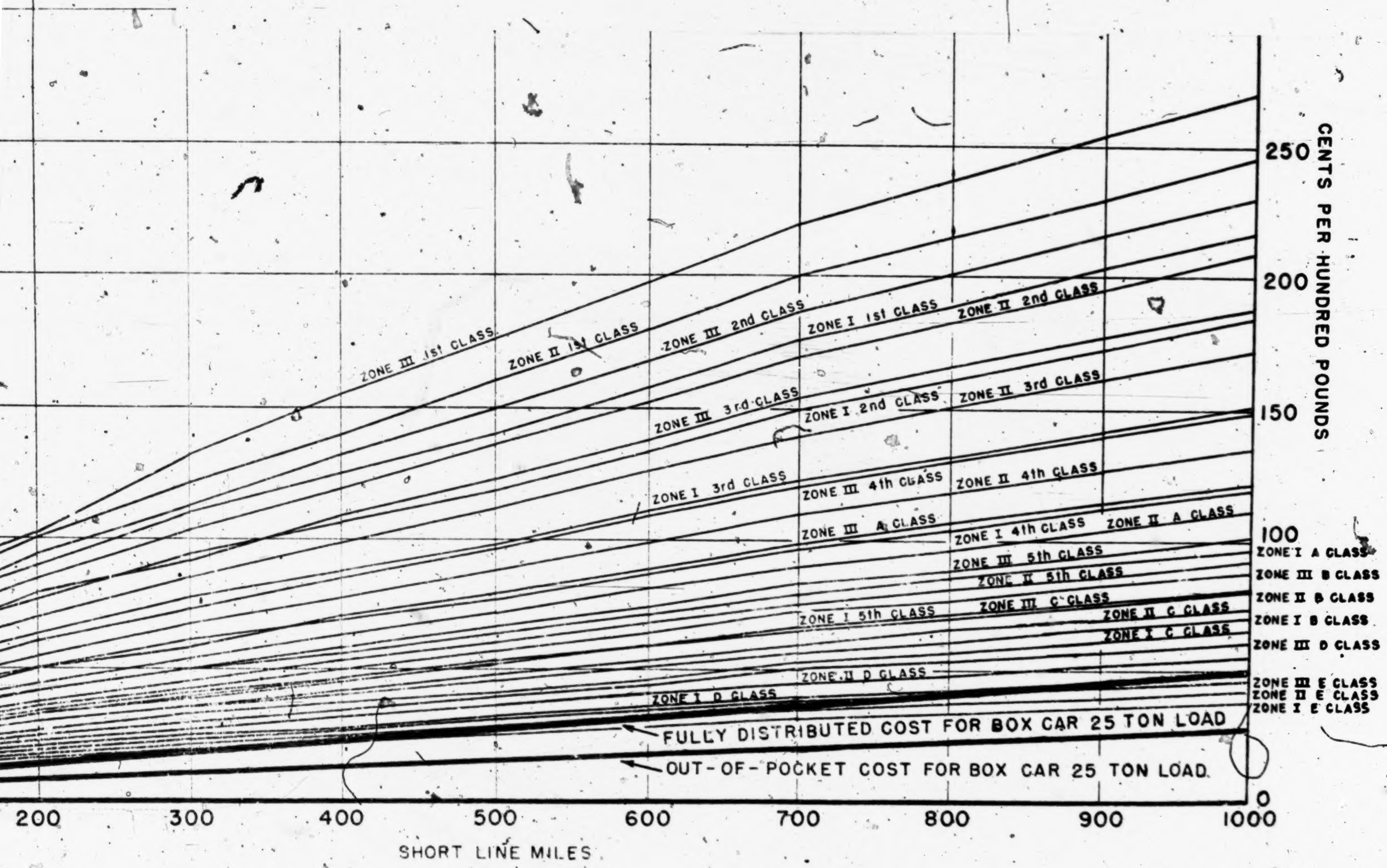

ZONE III 1st CLASS
ZONE II 1st CLASS
ZONE III 2nd CLASS
ZONE I 1st CLASS
ZONE II 2nd CLASS
ZONE I 2nd CLASS
ZONE III 3rd CLASS
ZONE II 3rd CLASS
ZONE I 3rd CLASS
ZONE III 4th CLASS
ZONE II 4th CLASS
ZONE I 4th CLASS
OUT-OF-POCKET EXPENSES INCLUDING 4% RETURN C. & D. EXPENSES AND L. & D. PAYMENTS
OUT-OF-POCKET EXPENSES, RENTS, AND TAXES INCREASED 24% INCLUDING 4% RETURN C. & D. EXPENSES AND LOSS & DAMAGE PAYMENTS
CENTS PER HUNDRED POUNDS
250
200
150
100
50
0
00
200
300
400
500
600
700
800
900
1000
SHORT LINE MILES

Chart 2.– COMPARISON OF EDWARDS' CARLOAD COSTS IN WESTERN DISTRICT WITH AD INTERIM CLASS RATES PRESCRIBED BY COMMISSION

(COSTS BASED ON REPRESENTATIVE LOAD OF 25 TONS IN BOX CARS. EXHIBITS 13 AND 195)




CENTS PER HUNDRED POUNDS
250
200
150
100
0
200
300
400
500
600
700
800
900
1000
SHORT LINE MILES
ZONE III 1st CLASS
ZONE II 1st CLASS
ZONE III 2nd CLASS
ZONE I 1st CLASS
ZONE II 2nd CLASS
ZONE III 3rd CLASS
ZONE I 2nd CLASS
ZONE II 3rd CLASS
ZONE I 3rd CLASS
ZONE III 4th CLASS
ZONE II 4th CLASS
ZONE III A CLASS
ZONE I 4th CLASS
ZONE II A CLASS
ZONE I A CLASS
ZONE III 5th CLASS
ZONE III B CLASS
ZONE II 5th CLASS
ZONE II B CLASS
ZONE III C CLASS
ZONE I 5th CLASS
ZONE II C CLASS
ZONE I B CLASS
ZONE I C CLASS
ZONE III D CLASS
ZONE II D CLASS
ZONE I D CLASS
ZONE III E CLASS
ZONE II E CLASS
ZONE I E CLASS
FULLY DISTRIBUTED COST FOR BOX CAR 25 TON LOAD
OUT-OF-POCKET COST FOR BOX CAR 25 TON LOAD

complicated and chaotic hodge-podges that had grown up in the several rate territories. Isolated differences in costs are bound to exist in the handling of traffic under any rate-making system based on what could properly be called a rate structure. If class-rate scales were adjusted to reflect all the minute differences in cost that exist within the different sections of the same carriers' lines, main line versus branch line, large terminal versus small terminal, one railroad versus another railroad, steep grade versus level track, number of bridges and tunnels, the result would be not a rate structure, but chaos.

Among the variable factors within the control of the carriers is circuity of routing. Exhibit 11 shows that freight traffic has a circuity range of at least from 1 to 46 per cent (R. 5700). No rate structure can be adjusted to deal with these circuity variations, but it can only be adjusted to *average* operating conditions, as has been done. This will always mean that some segments of the traffic will be more compensatory than others which move on the same rates, and this situation will always be extremely fluid.

As to less-carload traffic, loading is perhaps the most important variable factor within the control of the carriers. The witness Capron suggested that the Burlington might be forced by competition to go back to loadings of 1,000 pounds per car (R. 910). It is entirely up to the carriers to decide how far they will go in meeting competition, in terms of load, speed of service, and other factors. The Commission has no control in this field. If the Burlington can choose to load a car with only 1,000 pounds, after concluding, for a good reason or a bad reason, that this is in its best interests, there is nothing to prevent it, once O. D. T. emergency loading regulations are off, from loading only 100 pounds in a car. The Burlington's costs can thus be made not only a few per cent higher than Eastern costs, but several hundred or several thousand percent higher.

No rate structure can be made so compensatory as to take care of every variation in operating conditions which management in its judgment may choose to apply. To remove the losses on every item of traffic, in any size of shipment, would require an extremely complicated system of rates which would vary with every 50 or 100 pound change in the weight, and which would vary with the number of pieces carried, the number of interchanges, the length of the haul, and almost innumerable other factors. It would necessarily even result in different charges by individual competing carriers for identical shipments between the same points, as the costs of individual competing carriers for identical service sometimes vary by 15 per cent or more. (Ex. 2, R. 5178, 1558). In other words, for the

Commission to pursue the will-o'-the-wisp ideal of a rate structure which would insure that no shipment would ever move at less than cost and, at the same time, that the charge for no shipment would exceed cost and a fair rate of return, would call for a rate structure, if it could be called that, so complex that it would break down of its own weight.

No rate structure can make every shipment on every mile of each particular road move at a profit, or prevent some individual shipments from moving at rates which bring in far more than a fair rate of return. As stated by Mr. Justice Hughes in *Northern Pacific Ry. Co.* v. *North Dakota,* 236 U. S. 585, 600: "The rate-making power may be exercised in a practical way and * * * the legislature is not bound to assure a net profit from 'every mile, section, or other part into which the road may be divided.'" The distinction between deliberate discrimination directed at traffic in a particular commodity, on the one hand, and a complete rate structure covering all commodities, which may incidentally, *"in mere details,"* affect small segments of traffic adversely, is well explained by Mr. Justice Hughes, and is controlling in the case at bar.

A rate *structure* was what the Commission was dealing with. Appellants all concede, and even assert, that the Commission's order is a single, indivisible order ~~which~~ must stand or fall as a whole. The western carriers rest their case largely on the effect of the Commission's order on a minute segment of this broad rate structure (traffic "of minor importance," in the words of counsel for appellants in No. 343, Brief, p. 59), and ask this Court to nullify the painstaking 6-year labors of the Commission to bring order out of chaos in the rate structure of the United States. Surely this Court will not pursue that uninviting course, particularly when these western carriers have it almost completely within their own control to eliminate any fancied small inequities which they may feel will result from this monumental, unprecedented achievement in the field of rate making.

The new rates have never been given the test of experience, and unless proposed rates are conclusively proven to be inevitably confiscatory, it is the rule of this Court that they must be given a chance to work. *City of Knoxville* v. *Knoxville Water Co.,* 212 U. S. 1, 17; *Willcox* v. *Consolidated Gas Co.,* 212 U. S. 19, 54; *Minnesota Rate Cases,* 230 U. S. 352, 465; *St. Joseph Stock Yards Co.* v. *United States,* 298 U. S. 38, 69. The court below has protected appellants by a dismissal without prejudice to a later suit after a fair test (R. 1450). See *Darnell* v. *Edwards,* 244 U. S. 564, 569.

There is one final reason why the confiscation evidence was fatally defective, as a matter of law;

namely, that it dealt with a group of carriers, and failed to indicate the effect of the new rates on any individual appellant-carrier.

The petition of appellants in No. 345 alleged that the Commission's cost studies showed that the new rates would be non-compensatory to them as a group, or collectively, in violation of the Fifth Amendment (R. 846–7). The petition was amended so as to make the confiscation allegation for each carrier separately, when the Court's attention was directed to the rule in *Aetna Insurance Co.* v. *Hyde,* 275 U. S. 440 (R. 863). But this amendment did not rectify the situation, for the *evidence* upon which the carriers rely was presented in terms of aggregates rather than with respect to each of the carriers. Such a showing was held not to be sufficient in the *Aetna* case. Confiscation allegations must be detailed and definite, and must clearly show that confiscation necess[illegible]ly follows from the facts alleged. *Louisville &* [illegible]*shville R. Co.* v. *Garrett,* 231 U. S. 298; *Aetna Insurance Co.* v. *Hyde, supra; Beaumont, Sour Lake & Western Ry. Co.* v. *United States,* 282 U. S. 74; *Denver Union Stock Yard Co.* v. *United States,* 304 U. S. 470.

The appellant carriers contend that if it was proper for the Commission to make group comparisons, it was proper to show by group evidence that the present rates of each carrier are lawful and that the newly prescribed rates would be confiscatory. This contention is not sound.

Nor is it sustained by the footnote to the Court's opinion in *North Carolina* v. *United States*, 325 U. S. 507, relied on below.

The Commission's practice in considering group comparisons was examined and approved in the *New England Divisions Case*, 261 U. S. 184. There an attack was made upon an order of the Commission because divisions were fixed between groups of carriers without considering the carriers individually. This Court held that the Commission's order was based upon group comparisons which it assumed were typical in character and ample in quantity to justify the finding in respect to each division of each rate of every carrier. In that connection, the Court said (p. 197):

> Obviously, Congress intended that a method should be pursued by which the task, which it imposed upon the Commission, could be performed. The number of carriers which might be affected by an order of the Commission, if the power granted were to be exercised fully, might far exceed six hundred; the number of rates involved, many millions. The weak roads were many. The need to be met was urgent. To require specific evidence, and separate adjudication, in respect to each division of each rate of each carrier, would be tantamount to denying the possibility of granting relief. We must assume that Congress knew this; and that it knew also

> that the Commission had been confronted with similar situations in the past and how it had dealt with them.

The Court held further that Congress may, consistently with the due process clause, create rebuttable presumptions. In commenting upon the power of Congress, the Court said (p. 199):

> * * * It might, therefore have declared in terms, that if the Commission finds that evidence introduced is typical of traffic and operating conditions, and of the joint rates and divisions, of the carriers of a group, it may be accepted as *prima facie* evidence bearing upon the proper divisions of each joint rate of every carrier in that group. Congress did so provide, in effect, when it imposed upon the Commission the duty of determining the divisions. For only in that way could the task be performed. As pointed out in *Railroad Commission of Wisconsin* v. *Chicago, Burlington & Quincy R. R. Co.,* 257 U. S. 563, 579, serious injustice to any carrier could be avoided, by availing of the saving clause which allows any one to except itself from the order, in whole or in part, on proper showing.

It will be observed that the group comparison method provides the only practicable method by which the Commission may undertake an extensive rate investigation. But the carriers are not harmed by this method. The right of each carrier is protected by permitting it to rebut the presumption that average conditions are typical of its traffic and operating conditions. In effect, the findings of unlawfulness are made separately as to each carrier, based upon evidence of averages which the Commission deems to be typical. And each carrier is fully protected by a saving clause of the ~~kind~~ mentioned in the last quotation, which appears in the Commission's supplemental report (R. 477). See also *Georgia Public Service Commission* v. *United States,* 283 U. S. 765, 772; *United States* v. *Louisiana,* 290 U. S. 70, 77.

(B) *The confiscation evidence should not have been received by the court below*

Appellants in No. 345 insist that their confiscation evidence was properly admitted under the doctrine of *Baltimore & Ohio R. Co.* v. *United States,* 298 U. S. 349. But this Court has clearly and frequently indicated that it prefers to have the benefit of the Commission's judgment upon technical questions before passing upon constitutional questions. Thus, in *Manufacturers Ry. Co.* v. *United States,* 246 U. S. 457, the Court said (pp. 489–490):

> * * * correct practice requires that, in ordinary cases, and where the opportunity is open, all the pertinent evidence shall be submitted in the first instance to the Commission, and that a suit to set aside or

> annul its order shall be resorted to only where the Commission acts in disregard of the rights of the parties. * * * Hence, we cannot approve of the course that was pursued in this case, of withholding from the Commission essential portions of the evidence that is alleged to show the rate in question to be confiscatory. * * *

This rule was followed in *St. Joseph Stock Yards Co.* v. *United States*, 298 U. S. 38, and approved specifically in the *Baltimore & Ohio* case. Although the Court, in the *Baltimore & Ohio* case, approved the action of the district court in receiving new evidence on confiscation, its approval was predicated upon the Commission's refusal to receive evidence offered on the question of confiscation. The Court said:

> * * * Prior to the taking effect of the order, appellants filed a petition for rehearing in which they claimed that its enforcement would confiscate their property; they then made substantially the same contentions as they make in this suit and sought opportunity to support them by evidence in order to obtain the commission's findings of fact and decision upon the question of confiscation. But the commission denied their application. * * * The appellants were not given and could not obtain a hearing before the commission upon the question of confiscation. * * * Appellants conformed to practice appropriate and desirable as indicated in *Manufacturers*

> *Ry. Co.* v. *United States,* 246 U. S. 457, 489, and recently expounded in *St. Joseph Stock Yards Co.* v. *United States.* 298 U. S. 363, 372–373.

Mr. Justice Brandeis, joined by Mr. Justice Stone, Mr. Justice Roberts, and Mr. Justice Cardozo, disagreed with the majority of the Court on the admissibility of the evidence (298 U. S. at 392):

> In passing upon the issue of confiscation the Court discussed the question, whether the trial court properly admitted evidence which had not been introduced before the Commission; and decided that the evidence was admissible. I do not agree with the Court's conclusion on that subject. * * *

Appellants do not allege that the Commission erred in refusing to receive evidence on the question of confiscation, or that they offered to adduce such evidence before the Commission. On the contrary, in their petition for "reopening, reargument and reconsideration," filed with the Commission after entry of the order of May 15, 1945, the western carriers not only did not request an opportunity to introduce evidence on the question of confiscation, but they affirmatively advised the Commission as follows (R. 12681):

> There is no necessity for rehearing in this proceeding as long as the issues are restricted to the territory originally involved; this for the reason that the record

> as made by respondent carriers in the Western District was as complete as it was possible to present.

When they made that statement, the western carriers knew the level of the prescribed new rates, and were in a position to ascertain the effect of the rates on their revenues. They should not be permitted to advise the Commission that the "record as made by respondent carriers in the Western District was as complete as it was possible to present," and then to contend in the District Court and here to the contrary—on "a belated offering of evidence in support of a belated contention." 298 U. S. 388.

Finally, it is submitted that the better view is that administrative remedies must first be exhausted before appeal to a court, even on a constitutional question. *Myers* v. *Bethlehem Shipbuilding Corp.,* 303 U. S. 41. The *Myers* case seems to be an adoption by the Court of the sound view so long advocated by Mr. Justice Brandeis, that the administrative process cannot be adequately and effectively carried on unless the administrative tribunal is given an opportunity, in the first instance, to learn all the facts militating against its prospective orders. *St. Joseph Stock Yards Co.* v. *United States,* 298 U. S. 38, 73. There is nothing in this doctrine which would deprive a litigant of any substantive right which the majority of the Court in the *Baltimore & Ohio* and *St. Joseph Stock*

Yards cases indicated it was trying to protect, namely, the right to have a judicial tribunal consider all the evidence pertinent to the constitutional issue. The Court will have as much opportunity to consider such evidence if it is first introduced before the administrative tribunal as it would have if the evidence were held back and first introduced before the Court. Cf. *National Labor Relations Board* v. *Jones & Laughlin Steel Corp.*, 301 U. S. 1. If our view of the *Myers* case is the correct one, it is submitted that it would be desirable for this Court to clarify this point now.

(C) *Effect of changes in conditions since the Commission's decision—Ex parte 162*

All the appellants have so much to say in their briefs about the effects of the Commission's decision in the general rate increase case, *Ex Parte 162,* decided December 5, 1946, not yet reported, that it becomes necessary to straighten out some possible misconceptions that might be created about the effects of this decision.

One effect of the decision is, of course, to destroy much of the force of the confiscation argument of the western carriers, because all of the less-carload rates set out in their deficit ~~comparisons in~~ their brief are raised 20 per cent.

The western carriers attempt to overcome this obstacle to their confiscation argument by asserting that the rate increases allowed to them in *Ex Parte 162* only take care of increases in expenses subsequent to January 1, 1946, and on the basis of this premise, they flatly assert that their less-carload rates are now more confiscatory, even with the *Ex parte 162* increases, than they were on the basis of the 1939 figures. The facts are these: (a) The Commission in *Ex Parte 162* gave the western carriers substantially all the increase in rates they asked for, or showed any need for; and (b) the greater volume of traffic, and more efficient utilization of facilities, more than compensated the western carriers for their increases in expenses between 1939 and January 1, 1946, as evidenced by their greatly improved rates of return throughout the war years (p. 179, *supra.*)

The argument that changes of conditions subsequent to the Commission's decisions invalidate those decisions has been rejected time after time by this Court (pp. 211–12, *supra*). To make such an argument in this case is particularly inappropriate. The problem of territorial rate structures and rate relationships is one thing. The problem of price levels and wages is another. Rate structure adjustments can only be accomplished after lengthy, exhaustive investigations. By contrast, changes in revenue needs can arise unexpectedly and frequently, just as *Ex Parte 162* was claimed by the carriers to be an emergency situation, requiring an enormous rate increase on one day's notice and without a hearing.

Since the decision in the case at bar, the Commission has granted the large rate increases in *Ex Parte 162,* the passenger fare increases involved in the same decision, and the nationwide express increases in *Ex Parte 163,* decided October 28, 1946, not yet reported. The Commission also, in 1946, launched two new nationwide investigations into the problem of less-carload shipments—Docket No. 29555, to inquire into the practice of the railroads of granting what amounts to free pick-up-and-delivery service at the line-haul rate on less-carload shipments, and No. 29556 to inquire into all the rates, revenues, costs, and other conditions involving all small shipments by railroad, with principal emphasis on less-carload shipments of under 300 pounds each.

Problems directly related to revenue needs, which arise from changes in conditions, principally traffic, wage, and price levels, are matters of continuous concern to the Commission. They should be settled as revenue cases and not as territorial rate structure problems or discrimination problems. Revenue adjustments can be superimposed on the class rate structure now, as they have been in the past. The question of territorial rate structures and territorial discrimination should be handled on its own merits, and the problem of revenue needs handled on its own merits.

The three groups of appellants have different contentions about the effects of the decision in *Ex Parte 162,* but what has been said above is believed to be an adequate answer to the contentions made in Nos. 344 and 345. There is one further contention advanced in No. 343, to the effect that *Ex Parte 162* makes the new permanent uniform rate scale a relic, on the theory that it is uncertain whether that new scale is to be increased 20 per cent or 25 per cent. The answer is that the new scale is an independent scale in terms of dollars and cents by mileage blocks, and when it goes into effect, it will supersede whatever scales of class rates are then in effect. Of course, the new scale is not in issue here. It has not been ordered into effect, but is to wait on the completion of the new uniform classification, which in itself may have an important effect on the necessary level of rates at that time (e. g., if the new classification pushes most ratings up to first class, it would be proper to have a lower level of rates than would be required if the new classification substantially depresses most ratings from their present levels). If, at that future time when the new classification is ready, it becomes necessary to adjust the permanent scale upward or downward, in dollars and cents, the Commission can readily accomplish this, in the light of conditions then existing, preserving the scheme of the scale and changing only its level in dollars and cents.

* * * * *

CONCLUSION

For the reasons stated, the judgment of the District Court should be affirmed.

Respectfully submitted.

GEORGE T. WASHINGTON,
Acting Solicitor General.
WENDELL BERGE,
Assistant Attorney General.
EDWARD H. MILLER,
Special Assistant to the Attorney General.
DANIEL W. KNOWLTON
Chief Counsel,
Interstate Commerce Commission.

FEBRUARY 1947.

APPENDIX A

Section 1 of the Interstate Commerce Act (Feb. 4, 1887, 24 Stat. 379, 49 U. S. C. Sec. 1, as amended) contains the following paragraphs:

> (4) It shall be the duty of every common carrier subject to this chapter to provide and furnish transportation upon reasonable request therefor, and to establish reasonable through routes with other such carriers, and just and reasonable rates, fares, charges, and classifications applicable thereto; and it shall be the duty of common carriers by railroad subject to this chapter to establish reasonable through routes with common carriers by water subject to chapter 12 of this title, and just and reasonable rates, fares, charges, and classifications applicable thereto. It shall be the duty of every such common carrier establishing through routes to provide reasonable facilities for operating such routes and to make reasonable rules and regulations with respect to their operation, and providing for reasonable compensation to those entitled thereto; and in case of joint rates, fares, or charges, to establish just, reasonable, and equitable divisions thereof, which shall not unduly prefer or prejudice any of such participating carriers.
>
> (5) (a) All charges made for any service rendered or to be rendered in the transportation of passengers or property as aforesaid, or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service

> or any part thereof is prohibited and declared to be unlawful.
>
> (6) It is made the duty of all common carriers subject to the provisions of this chapter to establish, observe, and enforce just and reasonable classifications of property for transportation, with reference to which rates, tariffs, regulations, or practices are or may be made or prescribed, and just and reasonable regulations and practices affecting classifications, rates, or tariffs, the issuance, form, and substance of tickets, receipts, and bills of lading, the manner and method of presenting, marking, packing, and delivering property for transportation, the facilities for transportation, the carrying of personal, sample, and excess baggage, and all other matters relating to or connected with the receiving, handling, transporting, storing, and delivery of property subject to the provisions of this chapter which may be necessary or proper to secure the safe and prompt receipt, handling, transportation, and delivery of property subject to the provisions of this chapter upon just and reasonable terms, and every unjust and unreasonable classification, regulation, and practice is prohibited and declared to be unlawful.

Section 3 (1) of the Interstate Commerce Act, as amended, particularly by the Act of September 18, 1940, 54 Stat. 902, provides as follows:

> (1) It shall be unlawful for any common carrier subject to the provisions of this chapter to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular descrip-

> tion of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadavantage to the traffic of any other carrier of whatever description.

Section 13 of the Interstate Commerce Act contains the following paragraphs:

> (3) Whenever in any investigation under the provisions of this chapter, or in any investigation instituted upon petition of the carrier concerned, which petition is hereby authorized to be filed, there shall be brought in issue any rate, fare, charge, classification, regulation, or practice, made or imposed by authority of any State, the commission, before proceeding to hear and dispose of such issue, shall cause the State or States interested to be notified of the proceeding. The commission may confer with the authorities of any State having regulatory jurisdiction over the class of persons and corporations subject to this chapter or chapter 12 of this title with respect to the relationship between rate structures and practices of carriers subject to the jurisdiction of such State bodies and of the commission; and to that end is authorized and empowered, under rules to be prescribed by it, and which may be modified from time to time, to hold joint hearings with any such State regulating bodies on any matters wherein the commission is empowered to act and where the rate-mak-

> ing authority of a State is or may be affected by the action taken by the commission. The commission is also authorized to avail itself of the cooperation, services, records, and facilities of such State authorities in the enforcement of any provision of this chapter or chapter 12 of this title.
>
> (4) Whenever in any such investigation the commission, after full hearing, finds that any such rate, fare, charge, classification, regulation, or practice causes any undue or unreasonable advantage, preference, or prejudice as between persons or localities in intrastate commerce on the one hand and interstate or foreign commerce on the other hand, or any undue, unreasonable, or unjust discrimination against interstate or foreign commerce, which is hereby forbidden and declared to be unlawful, it shall prescribe the rate, fare, or charge, or the maximum or minimum, or maximum and minimum, thereafter to be charged, and the classification, regulation, or practice thereafter to be observed, in such manner as, in its judgment, will remove such advantage, preference, prejudice, or discrimination. Such rates, fares, charges, classifications, regulations, and practices shall be observed while in effect by the carriers parties to such proceeding affected thereby, the law of any State or the decision or order of any State authority to the contrary notwithstanding.

Section 15 of the Interstate Commerce Act contains the following paragraphs:

> (1) Whenever, after full hearing, upon a complaint made as provided in section 13 of this chapter, or after full hearing under an order for investigation and hearing

made by the commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this chapter for the transportation of persons or property, as defined in the first section of this chapter, or that any individual or joint classification, regulation, or practice whatsoever of such carrier or carriers subject to the provisions of this chapter, is or will be unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of this chapter, the commission is authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates, fares, or charges, to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classification, regulation, or practice is or will be just, fair, and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation other than the rate, fare, or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation of practice so prescribed.

* * * * *

(3) The Commission may, and it shall whenever deemed by it to be necessary or desirable in the public interest, after full hearing upon complaint or upon its own initiative without complaint, establish through routes, joint classifications, and joint rates, fares, or charges, applicable to the transportation of passengers or property by carriers subject to this chapter, or by carriers by railroad subject to this chapter and common carriers by water subject to chapter 12 of this title, or the maxima or minima, or maxima and minima, to be charged, and the divisions of such rates, fares, or charges as hereinafter provided, and the terms and conditions under which such through routes shall be operated. The Commission shall not, however, establish any through route, classification, or practice, or any rate, fare, or charge, between street electric passenger railways not engaged in the general business of transporting freight in addition to their passenger and express business, and railroads of a different character. If any tariff or schedule canceling any through route or joint rate, fare, charge, or classification, without the consent of all carriers parties thereto or authorization by the Commission, is suspended by the Commission for investigation, the burden of proof shall be upon the carrier or carriers proposing such cancelation to show that it is consistent with the public interest, without regard to the provisions of paragraph (4) of this section.

Section 15a of the Interstate Commerce Act, added February 28, 1920, 41 Stat. 488, as amended

June 16, 1933, 48 Stat. 220, and September 18, 1940, 54 Stat. 912, provides as follows:

> (1) When used in this section, the term "rates" means rates, fares, and charges, and all classifications, regulations, and practices relating thereto.
>
> (2) In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable the carriers, under honest, economical, and efficient management to provide such service.

Section 5 (b) of the Transportation Act of 1940, known as the Ramspeck resolution, 54 Stat. 902, 49 U. S. C., note following Sec. 3, provides as follows:

> The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended [this chapter], for the purpose of determining whether said rates are unjust and unreasonable or unlawful

in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided,* That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation.

The National Transportation Policy as declared in the Transportation Act of 1940, 54 Stat. 899, 49 U. S. C., note preceding Sec. 1, provides as follows:

> It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof; and to encourage fair wages and equitable working conditions; all to the end of developing, coordinating, and preserving a national transportation system by water, highway,

and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense. All of the provisions of this Act shall be administered and enforced with a view to carrying out the above declaration of policy.

APPENDIX B[1]

CANNED GRAPEFRUIT, CARLOADS, FROM WINTER HAVEN, FLORIDA, TO BUFFALO, NEW YORK

(A). 1. In attempting to ascertain the applicable all-rail rate on canned grapefruit, carloads, from Winter Haven, Florida, to Buffalo, New York, a shipper whose plant is on the Atlantic Coast Line Railroad would logically first look at the "Tariff Index" filed by that carrier with the Interstate Commerce Commission as ICC No. B-3126.

2. After examining the seven separate sections of this Index, the user concludes that Agent R.

---

[1] In order to follow this process through, the following documents are necessary (on file with the Commission):

Robert E. Boyle, Southern Classification No. 60, I. C. C. No. 102.

W. S. Curlett, Tariff No. 44–I, I. C. C. A.–800.

W. S. Curlett, Exceptions to Southern Classification, I. C. C. No. 141–A.

W. S. Curlett, Tariff, I. C. C. No. A–786.

W. S. Curlett, Exceptions to Southern Classification, No. 141–B, I. C. C. No. A–838.

W. S. Curlett, Tariff, I. C. C. No. A–797.

W. S. Curlett, Tariff, I. C. C. No. A–755.

A. H. Greenly, Official Classification No. 61, I. C. C.-O. C. No. 61.

R. H. Hoke, Canned Goods Tariff, I. C. C. No. 974.

B. T. Jones, Exceptions to Official Classification, I. C. C. No. 3926.

B. T. Jones, Exceptions to Official Classification, I. C. C. No. 2446.

I. C. C. Tariff Index, I. C. C. No. B-3126.

H. Hoke's Canned Goods Tariff, ICC No. 974, as referred to on page 8, Section 1 of the Index, will probably publish a through rate on canned grapefruit from Winter Haven to Buffalo, because that tariff applies from Florida to New York points. An examination of that tariff reveals that no through rates are published therein on canned grapefruit from Winter Haven to Buffalo.

3. The tariff user then goes back to the Tariff Index for another search. By reference to page 31 of Section 1 of the Index, he finds that Agent W. S. Curlett's Tariff No. 44-I, ICC No. A-800, publishes class and commodity rates between points in New York and points in Florida. Also he gets a copy of this tariff book, which is one of thousands of similar books similarly filed.

4. The title page of Agent Curlett's ICC A-800 indicates that the rates published therein are governed by Southern Classification No. 60, Agent Robert E. Boyle's ICC No. 102, together with exceptions to the Southern Classification as indicated in Item No. 5 of Curlett's ICC A-800.

5. The Tariff user now examines the "Table of Contents" as shown on page 5 of the tariff and reference is found to "Commodities, index of." Reference is there made to page 16 of the tariff. An examination of this index discloses that canned grapefruit is not included therein, thus indicating that there is no commodity rate available for his use.

6. The tariff user then refers back to Item No. 5, which is found on page 180 of Curlett's Tariff ICC A-800, to see if an exception rating is avail-

able. This item refers to Section 1 of Agent W. S. Curlett's Exceptions to Southern Classification, No. 141-A and to Item 620, page 193, for explanation thereof. Item 620 refers to Agent Curlett's ICC No. A-786. The latter tariff, when procured, is discovered to have been cancelled by Curlett's Tariff No. 141-B, ICC No. A-838, effective April 20, 1946.

7. The tariff user then examines Agent Boyle's Southern Classification No. 60, ICC No. 102, to find the classification rating and the packing and shipping regulations, and finds that "canned grapefruit" is listed therein under the generic heading of "foodstuffs" on page 278. Item 18430, page 278, authorizes a rating of Class 7 on "fruit, canned or preserved, in metal cans, in boxes, carload minimum 36,000 pounds."

8. The tariff user then goes back to Agent Curlett's Exceptions to Southern Classification, No. 141-B, ICC A-838, and finds that "canned grapefruit, carloads," is included in Item 18147½, page 158, because it is one of the commodities described in Note 34, page 99. This Item (18147½) provides two "exception" ratings on "canned goods", including canned grapefruit, namely, Class 30-K and Class 35-K. The former rating has a prefix symbol resembling a clover leaf, the explanation thereof placing the tariff user on notice that such rating is applicable only from "Southern Stations to Northern Stations." The latter rating has a prefix symbol resembling an inverted ship's anchor. The explanation of this symbol places the tariff user on notice that this rating is applicable only from "Northern Stations

to Southern Stations." The explanation of the terms Northern Stations and Southern Stations is found by referring back to the Table of Contents on page 2, wherein reference is made to page 78 for "Terms, Explanation of." To discover the meaning of these terms, the tariff user goes back to Agent Curlett's ICC No. A–800 and reviews pages 17 to 173.

9. The tariff user has now progressed to the point where it appears that his rate on canned grapefruit from Winter Haven to Buffalo is probably "Class 30–K." The exception rating of "Class 30–K" takes precedence over the Classification rating of "Class 7" by virtue of paragraph (a), Section 1, title page 110 of Curlett's ICC A–838. He therefore goes back to Agent Curlett's ICC A–800 and attempts to ascertain the Class 30–K rate. He finds, on page 116, Winter Haven as an origin point on the Atlantic Coast Line Railroad, "Index 9600," taking "Winter Haven" rates under "Section 1." He then locates Buffalo, New York, on page 43, taking "Buffalo" rates under Section 1. Referring to page 224, he finds two "Rate Basis" numbers as applying "between" Winter Haven and Buffalo under the column headed "A. R.", which means "all rail." Rate Basis No. 306 is subject to a reference symbol, 184, while Rate Basis No. 289 is subject to a reference symbol 185. To ascertain what these references mean, the tariff user refers to the Table of Contents on page 5 of the tariff, where reference is made to pages 174 to 176 for "explanation of reference marks." He there finds that Rate Basis No. 306 is, by the explanation of reference symbol 184:

> "Applicable as follows:
>
> (a) On all Commodities, except as provided for in 185.
>
> (b) On Canned Goods, northbound, as described in Item 18147½ of Agent W. S. Curlett's Tariff No. 141-A (See Item No. 620), and on Vegetable Plants as described in Item No. 33620 of Agent W. S. Curlett's Tariff No. 141-A (See Item No. 620), subject to the provisions of Note 26."

Note 26 which appears on page 179 reads, in part, as follows:

> NOTE 26.—Where reference is made hereto: On Canned Goods, apply the Class 30K rates less the amounts shown in Column A below.

When from stations shown on pages 96 to 173, inc., subject to rate basis names	In cents per 100 pounds	
	Column A	. .
FLORIDA		
. . .		
Winter Haven	5	. . .
	. . .	. . .

He finds that Rate Basis No. 289 is not, by the explanation of reference symbol 185, applicable on "canned grapefruit."

10. The tariff user has now learned that his rate on canned grapefruit from Winter Haven to Buffalo is "Class 30-K" obtained by use of Rate Basis No. 306, less 5 cents per 100 pounds as authorized in Note 26. He then looks up the Class 30-K rate opposite Rate Basis No. 306, which appears in Section 3, page 399, as 87 cents per 100 pounds. By deducting 5 cents from 87

cents, a rate of 82 cents is obtained which is the all-rail rate on canned grapefruit, carload, from Winter Haven to Buffalo, effective as of December 1, 1946, exclusive of *Ex Parte* Nos. *148* and *162,* general freight rate increases of 1946.

(B) 1. Page 340 (Title page of Section 3) of Agent Curlett's ICC A-800 provides "for alternative application of combination rates, see Rule as shown in Item No. 10", appearing on page 180 and quoted below:

> APPLICATION OF RATES
>
> *Item No. 10. Alternative application of combination rates*
>
> (a) (Not applicable in connection with Joint Motor-Rail Routes).
>
> The following rules apply only after the charge from point of origin to destination has been determined under the provisions of Sections 1, 2, 3 or 4 of this tariff.
>
> If the charge based on the aggregate of intermediate local, joint or proportional rates named in tariffs lawfully on file with the Interstate Commerce Commission over any route via which the through rates named in this tariff, as amended, apply, is lower than the charge accruing under the through rates published in tariff, from origin to destination, such lower charge will be the legal charge to apply via the route over which said lower aggregate of intermediate rates is applicable.
>
> (b) (Applicable only in connection with Joint Motor-Rail Routes). * * *

2. By the provisions of Item 10, quoted above, the tariff user is placed on notice that if he can

find a combination of rates from Winter Haven to Buffalo that produces a lower rate than the through rate of 82 cents he is entitled to such lower rate. In seeking a rate from Winter Haven to Buffalo in Agent Hoke's Canned Goods Tariff, ICC No. 974, he recalled that such tariff published specific commodity rates on canned grapefruit from Winter Haven to various gateway points intermediate to Buffalo, like Cincinnati, Ohio; Kenova, West Virginia; and Lynchburg, Roanoke, Richmond, and Norfolk, Virginia, to which points a commodity rate of 50 cents per 100 pounds (exclusive of Ex Parte 148 increase) is published. This rate is subject to a minimum weight of 60,000 pounds to Cincinnati and Kenova and 36,000 pounds to the other points.

3. By a process and procedure similar to the foregoing, the tariff user discovers that there are no specific commodity rates on canned grapefruit, carloads, from the above named border points to Buffalo. The class rates are governed by Official Classification No. 61, Agent A. H. Greenly's ICC–OC No. 61 which prescribes a rating of "Class 5" on canned grapefruit, carloads. The class rate tariffs applicable from these border points to Buffalo are governed by the Official Classification No. 61 and by "Exceptions to Official Classification" as published in Agent B. T. Jones' ICC No. 3926 and Agent W. S. Curlett's ICC A–797.

These "Exceptions" authorize a rating of Class 32–S on canned grapefruit, carload minimum weight 36,000 pounds. See Supplement

102, page 46, Item 3480–D of Agent B. T. Jones' ICC 3926 and Supplement 85, page 13, Item 2830–C of Agent W. S. Curlett's ICC A–797. The following results are obtained:

From—Winter Haven, Fla. To—	① Rate	To—Buffalo, N. Y. From—	① Rate	Total ① rate
Cincinnati, Ohio	[a] 50	Cincinnati, Ohio	[b] 34	84
Kenova, W. Va	[a] 50	Kenova, W. Va	[b] 34	84
Roanoke, Va	[a] 50	Roanoke, Va	[c] 42	92
Lynchburg, Va	[a] 50	Lynchburg, Va	[c] 41	91
Richmond, Va	[a] 50	Richmond, Va	[c] 40	90
Norfolk, Va	[a] 50	Norfolk, Va	[c] 42	92

Explanation of references: ① Exclusive of Ex Parte 148 increase. Rates in cents per 100 pounds.

Tariff Authorities: [a] Agent R. H. Hoke's ICC No. 974 (commodity rate); [b] Agent B. T. Jones' ICC No. 2446 (class 32-S); [c] Agent W. S. Curlett's ICC A–755 (class 32–S).

The above computations indicate that the through rate of 82 cents cannot be reduced by the aggregate of intermediates provision of Item 10 of Agent Curlett's Tariff ICC No. A–800. However, in another case it might have been, and the careful shipper will make the search.

(C) The foregoing study and conclusions relate to the rate and tariff situation existing as of October 1, 1946, exclusive of the 1946 general rate increases. Later, the following occurred:

1. In October, in Supplement No. 52 to Agent Curlett's ICC A–800, reference symbol 185 was amended so as to apply on "canned grapefruit" as described in Item 1042 of the tariff effective December 2, 1946. However, the latter item did not become effective.

2. In Supplement No. 56 to Agent Curlett's ICC A–800, published in November, Item 1042–A, effective December 2, 1946, is as follows:

ARTICLES TAKING COMMODITY RATES COLUMN

Apply rates shown in Section 3 resulting from Rate Base Number in Section 1 and Section 2 (except as otherwise indicated)

Item No.	Commodity	Commodity rate column
1042-A cancels 1042.	Canned citrus fruit, canned citrus fruit juice (not frozen), or papaya fruit products, not frozen, viz: Juice, unfermented (not including Papaya Juice concentrate); pulp, unfermented; ** in earthenware or glass packed in boxes, in metal cans in boxes, in pails or tubs in crates, or in bulk in barrels, in straight or mixed carloads;	
	(a) Minimum weight 36,000 pounds	30K
	(b) On weight in excess of 45,000 pounds, ***	80% of 30K

Applicable only from Southern Stations, taking Index Nos. *** A. C. L. *** 8770 to 10195' *** S. A. L. *** 5080 to 6415; *** to Northern Stations.

Page 118 of tariff, Winter Haven ACL Station takes No. 9600.

Page 118 of tariff, Winter Haven SAL Station takes No. 6185.

3. This item (1042–A) had the effect of publishing the former "Class 30K" exception rating as a commodity column rating of "Column 30K" which removes the application of the former "exception rating" of Class 30K as per Items 600 and 605 of Curlett's ICC A–800 which read as follows:

"RULES GOVERNING TARIFF

"*Application of class rates*

"*Item No. 600:*

"In the absence of commodity rates on articles given class ratings in the governing classification or exceptions thereto, apply rates for corresponding ratings under the heading 'Classes' published herein. Such rates are subject to the rules of this tariff and the rules of the governing classification or exceptions thereto applicable to class rates." See also Rule 38, page 144 of Consolidated Freight Classification No. 17 (Agent Robert E. Boyle's ICC 102).

> *"Application of commodity rates*
>
> *"Item No. 605:*
>
> "(a) On commodities assigned 'Commodity Rate Column' numbers in this tariff, apply rates for corresponding numbers under the heading 'Commodity Rate Columns' published herein.
>
> "(b) Commodity rates on the articles specified in this tariff, are subject to the descriptions (including packing requirements), estimated weights, and all other rules of the classification and exceptions thereto, which govern the class rates from and to the same points, unless it is provided in connection with the individual items that said classification provisions will not govern."

4. The "Column 30-K" rate from Winter Haven to Buffalo, exclusive of the 1946 general increases, is therefore obtained by use of Rate Basis No. 289, which produces a rate of 83 cents per 100 pounds. This rate became effective on December 2, 1946 and is subject to a minimum weight of 36,000 pounds and is applicable on quantities not in excess of 45,000 pounds. On quantities (in the same shipment) in excess of 45,000 pounds the rate is "80% of 30-K", indicated in a table at the bottom of page 3, Supplement No. 52 of Curlett's ICC A-800, as being 66 cents when the "Column 30-K" rate is 83 cents.

(D) This illustration was referred to at page 141 of this brief, in connection with the proposition that the class rates have become obsolete through disuse, and have been largely replaced by special rates, i. e., exceptions, commodity rates, or column rates. Under the new permanent rate and classification structure contemplated by the Commission, a single classification and a single scale of class rates would govern all shipments except where special rates were found to be absolutely necessary. In other words, exceptions would really be exceptions, and the class rates would move the freight except in very unusual situations, rather than moving it only in very unusual situations, as now. Thus the Commission would give the shipping public and the carriers some relief from the absurd, intolerable, and wholly unjustified tariff complexities that have replaced the class rates.

U. S. GOVERNMENT PRINTING OFFICE : 1947

Supreme Court of the United States

October Term, 1946.

No. 343.

STATES OF NEW YORK, DELAWARE, ET AL.,
APPELLANTS,
versus
UNITED STATES, ET AL.

No. 344.

THE HONORABLE HORACE A. HILDRETH,
GOVERNOR OF THE STATE OF MAINE, ET AL.,
APPELLANTS,
versus
UNITED STATES, ET AL.

No. 345.

THE ATCHISON, TOPEKA & SANTA FE RY. CO., ET AL.,
APPELLANTS,
versus
UNITED STATES, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF NEW YORK.

BRIEF ON BEHALF OF THE SOUTHERN STATES AND SOUTHERN GOVERNORS' CONFERENCE, APPELLEES.

J. V. NORMAN,
Attorney for the Southern States and Southern Governors' Conference.

WESTERFIELD-BONTE CO., INCORPORATED, LOUISVILLE, KY.

INDEX.

PAGE

REFERENCE TO THE OFFICIAL REPORT OF THE OPINION DELIVERED IN THE COURT BELOW 2

JURISDICTION 2

QUESTION PRESENTED 2

STATUTES INVOLVED 3

STATEMENT 3

HISTORY OF THESE PROCEEDINGS BEFORE THE INTERSTATE COMMERCE COMMISSION 4

THE PROCEEDING IN THE DISTRICT COURT . . 13

THE ONLY RAILROADS ATTACKING THE ORDER ARE THOSE IN THE WESTERN DISTRICT 14

SUMMARY OF ARGUMENT 15

ARGUMENT 17

THE ONLY QUESTION BEFORE THE COURT IS THE VALIDITY OF THE INTERIM ORDER INCREASING CLASS RATES WITHIN OFFICIAL TERRITORY BY 10 PERCENT AND REDUCING BY 10 PERCENT OTHER CLASS RATES EAST OF THE ROCKY MOUNTAINS . . 17

THE SCOPE OF REVIEW BY THIS COURT IS NARROW AND LIMITED TO THE DETERMINATION OF WHETHER THE RECORD ESTABLISHES THAT CLEAR AIND UNMISTAKABLE ERROR HAS BEEN COMMITTED 19

PAGE

THE COMMISSION MADE THE NECESSARY FINDINGS 21

THE EVIDENCE AS TO COST OF SERVICE SUPPORTS THE COMMISSION'S FINDINGS 25

THE FINDING THAT EXISTING RATES ARE UNDULY DISCRIMINATORY, IN VIOLATION OF THE ACT, FINDS AMPLE SUPPORT IN THE RECORD 30

EXISTENCE OF DISCRIMINATION ESTABLISHED BY DISPARITY IN RATES 33

DISCRIMINATION NOT JUSTIFIED BY DIFFERENCE IN COST OF SERVICE 35

DISCRIMINATION NOT JUSTIFIED BY DIFFERENCE IN CONSIST OF TRAFFIC OR DISTRIBUTION OF TRANSPORTATION BURDEN 36

OTHER EVIDENCE SUPPORTING THE FINDING OF UNDUE DISCRIMINATION 38

THE EVIDENCE SUPPORTS THE FINDING THAT THE EXISTING CLASS RATE STRUCTURE RESULTS IN INJURY TO SOUTHERN AND WESTERN TERRITORIES AND PREFERENCE TO OFFICIAL TERRITORY 40

THE SAME CARRIERS OR GROUP OF CARRIERS CONTROL THE CLASS RATES WITHIN OFFICIAL TERRITORY AND BETWEEN THAT TERRITORY AND THE OTHER TERRITORIES AND ARE RESPONSIBLE FOR THE DISCRIMINATION FOUND TO EXIST 43

HAVING FOUND PRESENT RATES ARE IN VIOLATION OF SECTION 3, THE COMMISSION HAD AUTHORITY TO PRESCRIBE RATES TO CURE SUCH VIOLATION 45

PAGE

IN VIEW OF THE ACQUIESCENCE OF THE OFFICIAL TERRITORY CARRIERS IN THE INCREASE IN THEIR CLASS RATES THE APPELLANTS WILL NOT BE HEARD TO OBJECT THAT THE ORDER OF THE COMMISSION FAILS TO GIVE SUCH CARRIERS AN ALTERNATIVE IN REMOVING THE UNLAWFUL DISCRIMINATION 55

IT WAS NOT NECESSARY, IN ORDER TO PRESCRIBE INCREASED RATES, THAT THE COMMISSION FIND EXISTING RATES WERE NOT COMPENSATORY OR WERE SO LOW AS TO CAST A BURDEN ON OTHER TRAFFIC, OR THAT SUCH RATES ARE NECESSARY TO PREVENT A THREATENED RATE WAR 59

THE COMMISSION HAS NOT PRESCRIBED MINIMUM RATES 66

THE EVIDENCE SUPPORTS THE COMMISSION'S FINDING THAT THE CLASS RATES IN OFFICIAL TERRITORY ARE LESS THAN JUST AND REASONABLE RATES AND SHOULD BE INCREASED 68

THE COMMISSION HAS PROPERLY INTERPRETED AND APPLIED THE 1940 AMENDMENT TO SECTION 3 OF THE ACT......... 71

THE COMMISSION DID NOT MISINTERPRET AND MISCONSTRUE SECTION 5(b) OF THE TRANSPORTATION ACT OF 1940, COMMONLY KNOWN AS THE "RAMSPECK RESOLUTION" 75

PAGE

THE FINDING THAT THE CLASS RATES WITHIN SOUTHERN, SOUTWESTERN AND WESTERN TRUNK LINE TERRITORIES AND BETWEEN THOSE TERRITORIES AND OFFICIAL TERRITORY ARE UNJUST AND UNREASONABLE, IN VIOLATION OF SECTION 1, IS SUSTAINED BY THE EVIDENCE 81

THE ALLEGATION OF THE WESTERN RAILROADS THAT THE RATES PRESCRIBED BY THE ORDER ARE SHOWN TO BE CONFISCATORY BY THE COMMISSION'S COST STUDIES AND ON THE FACE OF THE REPORTS AND ORDERS 85

COLLATERAL QUESTIONS RAISED BY APPELLANTS 90

IT IS NOT TRUE THAT RATES ON RAW MATERIALS ARE SHOWN TO BE LOWER IN THE SOUTH AND WEST THAN IN OFFICIAL TERRITORY 91

THERE IS NO MERIT IN THE CONTENTION THAT THE ORDER IS INVALID BECAUSE BASED UPON A "STALE" RECORD 95

THE COMMISSION DID NOT ACT ARBITRARILY IN EXCLUDING THE POCAHONTAS LINES IN ARRIVING AT AVERAGE COST OF TRANSPORTATION 100

THERE IS NO REASON FOR THE COMMISSION TREATING COMMODITY AND RAW MATERIAL RATINGS AT THE SAME TIME THAT IT PRESCRIBES CLASS RATES 102

THE FACT THAT THE COMMISSION HAD PREVIOUSLY PRESCRIBED CLASS RATES IN THE SEVERAL TERRITORIES HAS NO BEARING ON THE VALIDITY OF THE ORDERS HERE 104

THE RELIANCE OF APPELLANTS IN No. 343 ON THE DISSENTING OPINIONS IS NOT JUSTIFIED 105

PAGE

THE CHARGE THAT THE COMMISSION WAS INFLUENCED BY THE PENDENCY OF VARIOUS BILLS IN CONGRESS AND BY POLITICAL AND OTHER FACTORS CONSTITUTES A WHOLLY UNWARRANTED ATTACK UPON THE INTEGRITY OF THE COMMISSION..... 109

THE ORDER HERE UNDER REVIEW HAS NOT BEEN "VITIATED" OR "RENDERED OBSOLETE" BY THE ACTION OF THE COMMISSION IN EX PARTE 162.................... 113

THE ORDER IS DIVISIBLE.................... 120

CONCLUSION 121

APPENDIX (STATUTES INVOLVED) 122

CITATIONS.

PAGE

Algoma Coal & Coke Co. v. United States, 11 Fed. Supp. 487 57

American Trucking Assn. v. U. S., 56 Fed. Supp. 394. 112

Anchor Coal Co. v. U. S., 25 Fed (2) 462 .... 64, 65

Ann Arbor R. Co. v. U. S., 281 U. S. 658 .... 78, 79

Atchison, T. & S. F. R. Co. v. United States, 284 U. S. 248 .... 96, 97

Atlantic Coast Line v. North Carolina Corporation Commission, 206 U. S. 1 67

Baltimore & O. R. Co. v. U. S., 298 U. S. 349 106

Baltimore & Ohio v. United States, 305 U. S. 507 54

Board of Trade v. United States, 314 U. S. 534 10

California Growers' & Shippers' Protective League v. S. P. Co., 129 I. C. C. 25, 132 I. C. C. 582 78

Chesapeake & O. Ry. Co. v. United States, 296 U. S. 187 40

Cincinnati, H. & D. R. Co. v. Interstate Commerce Commission, 206 U. S. 142 20

City of Harrisonburg v. Chesapeake & O. Ry. Co., 34 Fed. Supp. 640 69

Class Rate Investigation, 1939, Docket 28300 .... 3, 4

Consolidated Freight Classification, Docket 28310 4

Diamond Tank Transport v. United States, 23 Fed. Supp. 497 .... 53, 54

Eastern Class Rate Investigation, 164 I. C. C. 314 (1930) 7

Ex Parte 162 .... 16, 113, 115, 116, 117, 118, 119

Federal Power Commission v. Natural Gas Pipe Line Co. 315 U. S. 584 118

Hay Rates Within Western District (1933), 195 I. C. C. 461 93

PAGE

International Assn., etc., v. National Lab. Rel. Bd., 311 U. S. 72 21

Interstate Commerce Commission v. Delaware & L. W. R. Co., 220 U. S. 235 106

Interstate Commerce Com. v. Jersey City, 322 U. S. 503 .... 96, 118

Jefferson Island Salt ~~Mining~~ Co. v. U. S., 6 Fed. (2) 315 .... 62, 63

Louisville & Nashville R. Co. v. United States, 238 U. S. 1 68

National Licorice Corp. v. National Lab. Rel. Board, 309 U. S. 350 21

Northeast Kentucky Coal Bu. v. Chesapeake & O. Ry. Co., 206 I. C. C. 445 40

Rochester Telephone Corp. v. United States, 307 U. S. 125 .... 19, 20

Scandrett v. U. S., 32 Fed. Supp. 995, 312 U. S. 661 ... 65

Southern Class Rate Inv., 100 I. C. C. 513, 109 I. C. C. 300 (1926) 6, 7

Sprunt & Son v. United States, 281 U. S. 249 ..... 44, 56, 57, 58, 62

State of Alabama v. New York Central R. Co., 235 I. C. C. 255 111

Texas & Pacific Case, 289 U. S. 627 .... 50, 53, 59, 60, 62

United States v. Atlanta, B. & C. R. Co., 282 U. S. 522 18

United States v. Chicago Heights Trucking Co., 310 U. S. 344 .... 30, 55

United States v. C. M. St. P. & P. R. Co., 294 U. S. 499. 54, 55

United States v. Illinois Central, 263 U. S. 515 45

Virginian R. Co. v. United States, 272 U. S. 658 .. 19, 83, 104

Western Trunk-Line Class Rates, 204 I. C. C. 595 (1934) 7

Youngstown Steel & Tube Co. v. U. S., 295 U. S. 476 .. 48, 57, 60, 61, 62

Supreme Court of the United States

October Term, 1946.

No. 343.

STATES OF NEW YORK, DELAWARE, ET AL.,
APPELLANTS,

v.

UNITED STATES, ET AL.

No. 344.

THE HONORABLE HORACE A. HILDRETH,
GOVERNOR OF THE STATE OF MAINE, ET AL.,
APPELLANTS,

v.

UNITED STATES, ET AL.

No. 345.

THE ATCHISON, TOPEKA & SANTA FE RY. CO., ET AL.
APPELLANTS,

v.

UNITED STATES, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF NEW YORK.

BRIEF ON BEHALF OF THE SOUTHERN STATES AND SOUTHERN GOVERNORS' CONFERENCE, APPELLEES.

REFERENCE TO THE OFFICIAL REPORT OF THE OPINION DELIVERED IN THE COURT BELOW.

The opinion of the court below is reported in 65 Fed. Supp., page 856, and will also be found in the record at pages 1411 to 1439. The original report of the Interstate Commerce Commission is reported in 262 I. C. C., at page 447, and will be found in the record at pages 62 to 381. The supplemental report of the Interstate Commerce Commission is reported in 264 I. C. C., page 41, and will be found in the record at pages 428 to 432.

JURISDICTION.

On October 14, 1946, this court noted probable jurisdiction in these cases. This being a proceeding to enjoin an order of the Interstate Commerce Commission jurisdiction is conferred by the Urgent Deficiencies Act of 1913, 38 Stat. 219, 28 U. S. C. A., Secs. 41, 43-48.

QUESTION PRESENTED.

The sole question here presented is as to the validity of an order of the Interstate Commerce Commission requiring, as an interim measure, an increase of 10% in class rate within Official territory (hereinafter described) and a reduction of 10% subject to a minimum scale in all other class rates in the territory east of the Rocky Mountains. This order was made upon a finding by the Commission that existing class rates were unjust, unreasonable and unduly prejudicial and preferential in violation of Sections 1 and 3 of the Interstate Commerce Act, and that the rates prescribed would be just and reasonable pending the bringing about of uniformity in classifications and the establishment of a permanent class freight rate structure which the Commission directed the railroads to ultimately establish but as to which it entered no order. The questions as to the uniform classification and permanent rate structure are therefore not in issue here.

STATUTES INVOLVED.

The pertinent provisions of Sections 1, 3, 15 and 15(a) are reproduced in the Appendix hereto.

STATEMENT.

This brief is filed on behalf of the States of Alabama, Florida, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee, and the Southern Governors' Conference, a voluntary organization of the Governors of said States, intervening defendants in the court below and appellees herein.

These are suits to set aside an order of the Interstate Commerce Commission dated May 15, 1945, as modified by its order dated October 30, 1945, entered in Docket No. 28300, *Class Rate Investigation, 1939.* They come to this court on an appeal from an order of the United States District Court for the Northern District of New York, sitting as a specially constituted Three Judge Court under the provisions of the District Court Jurisdiction Act, 38 Stat. L. 219, denying an injunction restraining the enforcement of the above-described order issued by the Interstate Commerce Commission and dismissing the petitions seeking such injunction.

HISTORY OF THESE PROCEEDINGS BEFORE THE INTERSTATE COMMERCE COMMISSION.

By order entered the 29th day of July, 1939, in Docket No. 29300, *Class Rate Investigation, 1939,* the Interstate Commerce Commission, pursuant to authority vested in it by Section 13(2) of the Interstate Commerce Act, instituted an investigation into the class rates applicable throughout the territory east of the Rocky Mountains and provided that the investigation was entered into "with a view to determining whether said rates and charges, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and making such finding and order, or orders, as may be proper in the premises." All parties were therefore put upon notice that all of the class rates throughout the territory east of the Rocky Mountains were brought under review for determination whether any of them are in violation of any provision of the Act and that upon a finding of unlawfulness as to any of them, the Commission would make such order or orders as may be proper in the premises.

On the same date an order was entered in Docket 28310, *Consolidated Freight Classification,* instituting an investigation into the lawfulness of freight classifications throughout the United States. While the two investigations were heard on the same record the investigation in Docket 28310 is not here involved, no order having been entered therein.

It will be noted that these investigations were ordered prior to the amendments of 1940 and therefore could not have been in compliance with such amendments. However, by letter dated January 29, 1940, the Commission advised Congress that the investigation instituted in 1939 would be carried out pursuant to such amendments.

These proceedings are but one step forward in a course which the Commission has been pursuing for many years. At the inception it is necessary, however, to understand the interterritorial problem and distinguish between class rates and commodity rates. Class rates usually apply to high grade commodities, such as manufactured articles, and are published on mileage scales in all territories and interterritorially. The commodity rates which move the raw materials, such as coal and iron ore and other commodities moving in volume between specific points, are made on many different bases and it is impossible to generalize concerning them.

The class rate structures of the United States have been developed on a regional basis. There are five general rate territories, they being as follows:

1. Eastern, or Official territory, which is roughly that part of the United States north of the Ohio and Potomac Rivers and east of the Mississippi River.

2. Southern territory, which is that part of the United States south of the Ohio and Potomac Rivers and east of the Mississippi River.

3. Western Trunk Line territory, which is that part of the United States west of the Mississippi River and north of the Oklahoma-Arkansas lines, extending to the Rocky Mountains. This territory is divided into three zones.

4. Southwestern territory, which is west of the Mississippi River, south of Western Trunk Line territory, extending to the Rocky Mountains.

5. Mountain Pacific territory, which is all of the territory west of Western Trunk Line and Southwestern territories. This territory is not involved in these proceedings.

Within each of these territories there is a separate and distinct class rate structure with higher class rates in the South and West than in Official territory and higher class rates between those territories and between them and Official territory than obtains within the latter territory.

Originally the class rates within the various territories were in a more chaotic condition and varied in measure as much or more than the class rates here involved. The Commission dealt with the class rates in each of the several territories separately and prescribed uniform scales for uniform application throughout such territories. This was done as to Southern territory in the *Southern Class Rate Investigation,* 100 I. C. C. 513, 109 I. C. C. 300 (1926), and subsequent reports. As to Official Classification territory the uniform scale for uniform application was prescribed in *Eastern Class Rate Investigation,* 164 I. C. C. 314 (1930). In that case the Commission said, at page 323:

> "The rate structures in effect within and between the three subdivisions of Official Territory have grown up independently of each other and for the most part with little common resemblance."

In referring to the situation within Trunk Line territory, which was then one of the three subdivisions of Official territory, the Commission said, page 324:

> "As a result of this vigorous market and carrier competition the class rates in Trunk-Line territory show a marked lack of uniformity, viewed from the standpoint of distance, as well as a great diversity of relations between the classes."

In the *Southern Class Rate Case,* the Commission said, at page 533:

> "All the southern lines publish distance scales of class rates which apply locally in the absence of specific rates, but there is no harmony or consistency in these scales. The levels differ widely, as do the percentage relationships of classes. This is also true of the specific rates."

Rates in Western Trunk Line territory were prescribed and many varying rates consolidated into a uniform scale. *Western Trunk-Line Class Rates,* 204 I. C. C. 595 (1934).

It will thus be seen that the only difference between this proceeding and the proceedings in the previous Class Rate Cases is that the territory embraced in this proceeding and for which uniform rates are ultimately to be established is more extended than in the other cases. The Commission has been ironing out the differences and discriminations step by step. At first the need was for a consistent class rate structure within the large territories into which the country had been divided for rate-making purposes. As traffic began to move greater distances and especially as it began to cross territorial lines in great volume it became necessary to widen the area within which class rates are made uniform, therefore this proceeding was a logical and almost inevitable outcome of the previous Class Rate Cases.

In its report herein the Commission recites the conditions that led up to the present proceedings and points out the necessity of harmonizing the rate structures of the several territories. At page 698 of the report (R. 313), the Commission says:

> "This evidence discloses extensive, widespread, and varying differences in the several territorial class-rate structures. The differences in the class rates themselves, however, are greater than the average differences in rate structures as a whole, or than the average differences in class rates, exception rates, and column rates taken together. The basic class-rate scales not only differ in level but also in their rates of progression with distance. There are also disparities and variations in the percentage relations between the scales.

"The origin of the foregoing condition as it relates to interterritorial as contrasted with intraterritorial rates may be explained by a study of our previous decisions in which the several territorial class-rate structures were prescribed. Prior to the dates of those revisions, there was a general miscellany of class rates prevailing within each territory as well as extensive differences, on the average, between the territories. Those decisions resulted in the prescription of intraterritorial class-rate structures that exhibited a marked and previously unattained degree of uniformity and consistency. They failed, however, to effectuate uniformity as between the territories. As a result of this incongruous situation, the interterritorial rates could not be properly harmonized with the intraterritorial rate structures. Interterritorial shippers using class rates are thus adversely affected, particularly when they ship into official territory where the greatest disparities between interterritorial and intraterritorial rates exist. The record indicates a distinct probability of continuing growth of interterritorial traffic as a result of changes in the economic pattern of the country. All territories are experiencing an industrial growth. This fact emphasizes the need for properly adjusted interterritorial class rates."

It will be seen that the Commission is pursuing a consistent course in an effort to harmonize the class rate structures throughout the country, so as to afford each community an equal opportunity for development. The necessity for a permanent expert body to work out such matters has always been recognized by the Congress, and we have here a striking illustration of what the court had in mind when in *Board of Trade v. United States,* 314 U. S. 534, it said, at page 546:

> "The process of rate making is essentially empiric. The stuff of the process is fluid and changing—the resultant of factors that must be valued as well as weighed. Congress has therefore delegated the enforcement of transportation policy to a permanent expert body and has charged it with the duty of being responsive to the dynamic character of transportation problems. *Cf.* Railroad Commission v. Rowan & N. Oil Co., 310 U. S. 573, 581, 582, 84 L. ed. 1368, 1373, 1374, 60 S. Ct. 1021."

Pursuant to the orders of investigation entered by it on July 29, 1939, the Commission held prolonged hearings throughout the country as to the lawfulness of the classifications and the class rates in and between all of the territories involved, resulting in a voluminous record, which is now before this court. In order that all pertinent facts be developed the Commission caused studies covering cost of transportation, economic resources and developments of the several territories and classifications of traffic to be prepared by its staff and presented in evidence by the authors thereof, who were subject to cross-examination as other witnesses. Many hundreds of shippers, as well as Governors and Public Service Commissions of the several States, appeared and participated in the proceedings. Voluminous briefs were filed and the Commission heard some ten days of oral argument.

The Commission, on May 15, 1945, handed down its original report herein, wherein it found that there should be a uniform classification for application throughout the United States and set up a scale of rates for application throughout the territories here involved. No order was entered, however, prescribing a uniform classification or requiring establishment of the uniform scale of rates found to be just and reasonable, but the railroads were admonished to proceed to prepare the Uniform Classification and upon its adoption to establish the scale of rates set up by the Commission.

However, an interim order was issued that required an increase of 10% in the interstate class rates applicable to freight traffic moving at the classification ratings within Official territory, and a reduction of 10% in interstate class rates applicable to freight traffic moving at the classification ratings within Southern, Southwestern and Western Trunk Line territories and interterritorially between those territories, and also between those territories and Official territory. It is this order, as modified in unimportant particulars by the order of October 30, 1945, that is here under attack. It is important to keep in mind that none of the other matters discussed by the Commission in its report, such as classification and permanent adjustment, is in issue here.

The order here is designated as an "interim order" because it is to remain in effect only until the uniform classification can be adopted and a uniform scale applied thereto. It will be noted, however, that the order does not go as far as the findings of the Commission because the order leaves the rates in the South and West and between the territories on a higher basis than the rates in Official territory; while the ultimate findings would require a parity. The first-class rate in the South under the order will be at least 113% of the first-class rate in Official territory and higher when affected by the prescribed minimum scale and in the West the percentage will be much higher. Interterritorial rates will also be higher in all instances than the rates within Official territory.

Within the prescribed time after the original report and order were issued, the appellants here, and others, filed lengthy petitions for reconsideration and modification, to which these appellees, and others, replied. Upon due consideration of these petitions and responses, the Commission issued its supplemental report of October 30, 1945, in which it considered the questions raised but reaffirmed its original report and order except for certain modifications that are unimportant here. Thereupon the carriers, including the appellants in No. 345, filed tariffs effective January 1, 1946, establishing rates pursuant to the order, but these tariffs were suspended by the Commission pursuant to the interlocutory injunction granted by the District Court and are still under suspension awaiting the decision of this court.

THE PROCEEDING IN THE DISTRICT COURT.

On November 27, 1945, the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio and Wisconsin, and the Commonwealth of Pennsylvania, filed their petition in the District Court of the United States for the Northern District of New York, seeking an order enjoining, setting aside and annulling the said reports and order of the Commission. A statutory Three Judge Court was organized, consisting of the Honorable Harrie B. Chase, Circuit Judge, and the Honorable John C. Knox and Steven W. Brennan, District Judges. The District Court granted petitions to intervene on behalf of the Western Railroads, the Governors of the New England States, the Interstate Commerce Commission, the Southern States and the Southern Governors Conference, certain Western and Southwestern States and several State Commissions. Later a separate petition was filed by the Western Railroads. The Governors of the New England States did not file a separate petition, but are intervening plaintiffs in both suits.

On December 20, 1945, the District Court granted an injunction *pendente lite* restraining the enforcement of the Commission's order.

The District Court, all three Judges sitting, held a hearing on February 18-21, inclusive, during which the court received certain additional testimony and exhibits relating to the issue of confiscation, which it was alleged would be caused to the western railroads if the proposed rates were placed in effect. The court received briefs and heard extended arguments and proceeded to consider the case at length. On May 9 1946, the court filed a comprehensive unanimous opinion concluding that the injunction should be denied and the petitions dismissed.

On May 23, 1946, the Court heard arguments on motion to continue the injunction pending appeal and on May 27, 1946, it filed its final decree and order dismissing the petitions in accordance with the opinion, but continuing the stay of the Commission's order pending determination of this appeal. The case is here on appeal from this final decree and order.

THE ONLY RAILROADS ATTACKING THE ORDER ARE THOSE IN THE WESTERN DISTRICT.

Neither the southern railroads nor the railroads in Official territory have made any attack on the Commission's order or in any way participated in the court proceedings. On the contrary, all of these carriers promptly published the rates in compliance with the order and have in every way evinced their willingness to put such rates in effect. This fact has an important bearing here since some of the questions raised, particularly in attacking the increase in the rates in Official territory, could, as we contend, be properly raised only by these railroads.

SUMMARY OF ARGUMENT.

1. The sole question here presented is as to the validity of the order of the Commission requiring an increase of 10% in class rates within Official territory and a reduction of 10% in other class rates in the territory east of the Rocky Mountains. While the Commission directed the railroads to prepare a uniform classification and apply a uniform class rate scale thereto, it entered no order with respect to such matters and therefore the validity of these findings is not before the court.

2. This court will not set aside an order of an administrative agency or commission which has been upheld by the reviewing court below unless "the record establishes that clear and unmistakable error has been committed."

3. The District Court did not err in holding "that the Commission correctly decided that the *ad interim* order under review was within the scope of its statutory authority"; and that there were full hearings and no irregularities in the proceedings.

4. The District Court correctly held that the Commission made all necessary primary and ultimate findings and that such findings are supported by substantial evidence.

5. The Commission properly construed the 1940 Amendment to Section 3 of the Interstate Commerce Act and Section 5(b) of the Transportation Act of

1940, commonly known as the "Ramspeck Resolution" as the District Court correctly held.

6. The District Court correctly held that the order is not erroneous because the carriers were not allowed an alternative method for the removal of discrimination since this is a rate order made under Section 15.

7. The District Court properly declined to hold that the order was invalid because of the alleged failure of the Commission to find that respondent railroads have a common control over the rates involved.

8. The District Court correctly held that it was not necessary in order to prescribe increased rates under Section 1 that the Commission find existing rates were not compensatory or would result in rate wars.

9. The District Court properly held that the order was not rendered invalid by refusal of the Commission to reopen the proceedings for further hearing.

10. Other collateral questions raised by appellants were correctly held by the District Court not to affect the validity of the Commission's order.

11. The order here under review has not been "vitiated" or "rendered obsolete" by the action of the Commission in *Ex Parte* 162.

ARGUMENT.

THE ONLY QUESTION BEFORE THE COURT IS THE VALIDITY OF THE INTERIM ORDER INCREASING CLASS RATES WITHIN OFFICIAL TERRITORY BY 10 PERCENT AND REDUCING BY 10 PER CENT OTHER CLASS RATES EAST OF THE ROCKY MOUNTAINS.

It is important to keep in mind that the only issue before the Court is as above stated because when this is done much of the argument of appellants loses its force, particularly the argument that the Commission misconstrued the Amendments of 1940 to require the establishment of uniform rates. The order in question does not establish uniform rates, nor does it go as far as the findings of the Commission would justify because the order leaves the rates in the South and West and between the territories on a higher basis than the rates in Official territory while the ultimate findings would require a substantial parity. The first class rate in the South under the order will be at least 113% of the first class rate in Official territory and higher when affected by the prescribed minimum scale and in the West the percentage will be much higher. Interterritorial rates under the order will also be higher in all instances than the rates within Official territory. Moreover, the order does not in any way involve the matter of classification since the rates ordered increased or reduced are subject to existing classifications which differ in the several territories.

As to the future preparation of the uniform classification and the application thereto of a uniform class rate scale, the action of the Commission is directory and therefore not subject to judicial review. The distinction between such action and the exercise of the Commission's mandatory power by an order requiring the carriers, subject to its jurisdiction, to do a particular thing or establish particular rates is clearly pointed out in *United States* v. *Atlanta, B. & C. R. Co.*, 282 U. S. 522, 528, where the court stated:

> "Even in the regulation of rates, as to which the Commission possesses mandatory power, it frequently seeks to secure the desired action without issuing a command. In such cases it customarily points out in its report what the carriers are expected to do. Such action is directory as distinguished from mandatory. *No case has been found in which matter embodied in a report and not followed by a formal order has been held to be subject to judicial review.*" (Italics ours.)

Here appellants, having attacked the "report and order," apparently seek to bring into issue before the Court various findings of the Commission as to classifications and rates which it directed, but did not order, the carriers to put into effect at some future date. By so doing, they seek to confuse the clear-cut issue here of the validity of the order, which was confined to requiring a 10% increase in the class rates in Official territory and a 10% reduction in other class rates.

THE SCOPE OF REVIEW BY THIS COURT IS NARROW AND LIMITED TO THE DETERMINATION OF WHETHER THE RECORD ESTABLISHES THAT CLEAR AND UNMISTAKABLE ERROR HAS BEEN COMMITTED.

In a long line of decisions this court has defined the narrow limits of review by it of orders of the Commission, especially when such orders have been upheld by the reviewing court below. It seems necessary to quote from only a few of the court's decisions to this effect.

In *Virginian R. Co.* v. *U. S.*, 272 U. S. 658, the court said, at page 663:

> "To consider the weight of the evidence before the Commission, the soundness of the reasoning by which its conclusions were reached, or whether the findings are consistent with those made by it in other cases, is beyond our province."

In *Rochester Telephone Corp.* v. *United States*, 307 U. S. 125, the court pointed out that it had theretofore "ascribed" to the findings of the Commission "the strength due to the judgment of a tribunal appointed by law and informed by experience," and also that in recognition of the Commission's expertise the court was led not to bind the Commission to common law evidential and procedural fetters and then proceeded to summarize the limitations on court review as evolved from its previous rulings, as follows (p. 139):

> "From these general considerations the court evolved two specific doctrines limiting judicial

review of orders of the Interstate Commerce Commission. One is the primary jurisdiction doctrine, firmly established in Texas & P. R. Co. v. Abilene Cotton Oil Co., 204 U. S. 426, 51 L. ed. 553, 27 S. Ct. 350, 9 Ann. Cas. 1075: Thereby matters which call for technical knowledge pertaining to transportation must first be passed upon by the Interstate Commerce Commission before a court can be invoked. The other is the *doctrine of administrative finality.* Even when resort to courts can be had to review a commission's order, *the range of issues open to review is narrow. Only questions affecting constitutional power, statutory authority and the basic prerequisites of proof can be raised. If these legal tests are satisfied the Commission's order becomes incontestable.* Interstate Commerce Commission v. Illinois C. R. Co., 215 U. S. 452, 470, 54 L. ed. 280, 287, 30 S. Ct. 155; Interstate Commerce Commission v. Union P. R. Co., 222 U. S. 541, 56 L. ed. 308, 32 S. Ct. 108." (Italics ours.)

In *Cincinnati, H. & D. R. Co. v. Interstate Commerce Commission,* 206 U. S. 142, the court said, at page 154:

> "The statute gives *prima facie* effect to the findings of the Commission, and, when those findings are concurred in by the circuit court, we think they should not be interfered with unless the record establishes that clear and unmistakable error has been committed."

The foregoing rule that the findings of fact made by an administrative board and concurred in by a reviewing court below will not be disturbed unless clear and unmistakable error has been committed is so well established we do not deem it necessary to quote additional authority. We might cite, however, the cases of *National Licorice Corp.* v. *National Lab. Rel. Board,* 309 U. S. 350; *International Assn. etc.* v. *National Lab. Rel. Bd.,* 311 U. S. 72.

THE COMMISSION MADE THE NECESSARY FINDINGS.

The charge is repeatedly made by appellants that the order of the Commission is invalid because of the failure to make necessary preliminary findings. It is somewhat difficult to determine all of the preliminary findings that all of the appellants insist should be made, but apparently they all insist that any findings that *might* have been made in support of the Commission's ultimate findings *must* be made or the ultimate finding is unsupported. In the opinion of the District Court there is set forth a rather complete enumeration of the findings which appellants contend were not made but are essential to the validity of the ultimate findings, as follows (p. 869; R. 1429, 1430):

> "These so-called preliminary findings which are lacking and of which proof is also lacking are said to be that there is no finding of a threatened rate war which would jeopardize the revenues of the railroads in Official Territory; or that the existing class rates are not fully compensatory to railroads in Official Territory for the transportation services for which they are charged; or that

they are so low as to cast an undue burden upon other traffic. Also it is argued that the finding of undue prejudice and preference created as between territories by the present class rates is arbitrary because not based upon preliminary findings made on proof by means of substantial evidence to the effect that the class rates published are the rates at which the freight moves; because findings and proof of a competitive relationship between the party preferred and the party prejudiced are lacking; because findings and proof of substantial injury to the party found to be prejudiced and of substantial benefit to the party found to be preferred are lacking; because findings and proof that the same carrier or carriers are responsible for or control both the preferential and prejudicial rates are lacking; because findings and proof that the carriers charge existing class rates on the same kinds of freight moved into Official Territory which is carried at class rates within Official Territory are lacking; because findings and proof that similar freight is carried under similar conditions in each territory are lacking; and perhaps there are other grounds of similar nature. The suit brought by the Western Lines and supported by the interveners aligned with them adds the ground that the *ad interim* reduction in the class rates in the West is confiscatory."

Later in its opinion, in discussing the question "whether the order is based upon adequate findings," the court said (p. 873; R. 1435):

"Such primary findings need not be listed again. We now refer to them as set forth in the above statement. They relate in one way or another to what have been held essential to be proved to establish a basis for findings of preference, or prejudice or discrimination as to rates before the amendment of 1940 to section 3 (1) of the Act. They are matters which are still pertinent and if evidence to support findings to supply the lack pointed out as to this record had, or could have been, offered it would undoubtedly have been admissible and findings in accord with it would have given added support to the order made. But it is quite another thing to say that all such findings are needed to support the so-called ultimate findings made and the *ad interim* order based on them. For instance, it has been argued that there can be no increase in class rates in Official Territory unless there is first a so-called primary finding, supported by substantial evidence that the present rates are not compensatory. While that fact, if proved, would have been of much significance the failure to prove it and the consequent lack of a finding that present rates are confiscatory does not leave the Commission's finding that the rates are unlawful unsupported by substantial evidence. It weighed all the evidence and found that it tipped the scales in favor of its ultimate finding that the present rates were unlawful. That basic conclusion if supported sufficiently by other evidence, was enough to justify the exercise of the Commission's statutory power to alter the rates as needed to make them lawful for the future. Pennsylvania R. Co. v. United States, 323 U.S. 588, 65 S. Ct. 543, 89 L. ed. 478; Chicago, B. & Q. R. v. United States, D. C., 60 F. Supp. 580; Scandrett v. United States, D. C., 32 F. Supp. 995, affirmed 312

> U.S. 661, 61 S. Ct. 736, 85 L. ed. 1108; Jefferson Island Salt Mining Co. v. United States, D. C., 6 F. 2d. 315. We think enough was proved and found to warrant such basic conclusion."

In our later discussion we will show that many of the findings enumerated by the court, which appellants claim are necesary to support the ultimate finding, were, as a matter of fact, made and that those which were not made were not necessary to support the ultimate findings and order.

The Commission found all of the rates unlawful, in violation of Section 1, because unjust and unreasonable and that the rates within and into Official territory were unlawful in violation of Section 3 because unduly discrimina[illegible]. This latter finding is the one of most importance to the appellees on whose behalf this brief is filed because it is pursuant to this finding that the rates from the South into Official territory are ordered to be reduced and the rates within Official territory increased. The rates within the South were ordered reduced under a finding that the existing rates are unreasonable, in violation of Section 1, and so far as has appeared no one is attacking that portion of the order. Certainly the Southern railroads are not attacking it and no one but the southern railroads appear to have any right to attack it.

We will, therefore, proceed to first discuss the question of sufficient findings to support the ultimate finding of a violation of Section 3, and also the authority of the Commission to enter the order based on such ultimate finding.

THE EVIDENCE AS TO COST OF SERVICE SUPPORTS THE COMMISSION'S FINDINGS.

Inasmuch as the evidence as to cost of service supports both the finding as to violation of Section 3 and the finding as to violation of Section 1, we will first briefly outline this evidence and the conclusions which the Commission draws therefrom.

At the prehearing conference in Chicago, October 28-29, 1940, it was suggested that the Commission's staff compile certain basic data. A cost study of the Class 1 steam railways was prepared by the Cost Section of the Commission's Bureau of Transport Economics and Statistics and presented by Dr. F. K. Edwards, head cost analyst of the Commission, and made available to the parties and the public prior to and during the course of the hearing and it was received in evidence. The study has been reproduced in substantial part as Senate Document No. 63, 78 Cong., 1st Sess. It is a relative cost study, showing the extent to which territorial differences in transportation cost exist in both the out-of-pocket and the fully distributed costs and reflects the differences in composition of traffic and distinguishes between the class of traffic carried on the basis of the class of equipment in which it was handled. The study is based upon the 1939 annual reports of the carriers, but adjusted to reflect relative territorial costs for the periods 1930-1939, 1937-1941 and 1941, and to reflect the revised assignment of commodities to classes of equipment. The study shows cost separately for the different classes of equipment—tank cars, box cars, gondola and hopper cars—and others. It recognizes the importance of differences in composition of traffic and distinguishes between the kinds of traffic carried on the basis of the classes of equipment in which it ordinarily moves. A more detailed discussion of the methods and formulas used in the Edwards cost study, as well as other studies offered in evidence will be found in the brief for the Government and the Interstate Commerce Commission and need not be repeated here.

Statements of the cost of transporting freight in various types of equipment in the different territories as developed by the cost study, are shown in the report. A comparison of 1939 carload cost for traffic moving in box and gondola and hopper cars for hauls of 100, 300 and 500 miles is shown on pages 576-77 of the report (R. 191, 192). Based on assumed identical loads and hauls of 300 miles in box cars the fully distributed costs in the South are 6 per cent below those for Official, excluding the Pocahontas territory, and approximately the same including the Pocahontas. The cost in the West exceeds those of the East, excluding Pocahontas, 6 per cent and 12 per cent including the Pocahontas. A similar comparison based on all carload traffic handled in all classes of equipment on page 579 of the report shows that the costs in the South are 4 per cent below those for the East excluding the Pocahontas territory, and 3 per cent above the Official, including the Pocahontas territory. On the same basis the cost in the West exceeds those of the East, excluding Pocahontas 6 per cent, and 13 per cent including

Pocahontas. The cost of hauling the box car and gondola car traffic of one territory in another territory is shown on page 580 of the report (R. 190). A comparison based on the assumption that the consist of the traffic handled in the United States and in each of the territories were hauled in the East, South and West at the unit costs in each of those territories, shows that the costs in the South are approximately equal to or slightly lower than the cost for the East, excluding Pocahontas. The costs in the West are from 6 to 10 per cent higher than those in the East, depending upon the consist of traffic used in making the comparisons (581, R. 196). Cost comparisons are also made excluding Pocahontas and Kentucky. The southern carriers introduced territorial comparisons based on average net ton-mile cost adjusted for differences in the length of haul and consist of the traffic for the period 1930-39. A restatement after removal of deficiencies shows the southern unit costs to be approximately 1 or 2 per cent below those for the East, excluding the Pocahontas territory, and 6 to 8 per cent higher than the East, including the Pocahontas territory (582, R. 197). The same type of data introduced by the eastern carriers for the period 1937-41 shows that the costs for the South were approximately 8 per cent below those for the East, excluding Pocahontas, and approximately the same as those for the East, including the Pocahontas region.

The costs of less-carload traffic in the various rate territories on the basis of an assumed load of 5 tons in box cars, in each territory and also on the basis of the actual average loads is shown on page 583 of the report (R. 200). The computation shows that the less carload costs in the South are lower than those in the East and higher in the West than those in the East.

Nearly all of the computations show that the costs in the South are below the U. S. average and below the cost in Official territory. Western territory costs exceed the U. S. average to some extent. The Commission said (591; R. 206):

> "The various comparisons of territorial costs reviewed hereinabove show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas territory. * * *"

The studies were criticized by many shippers and carriers. Many of the criticisms relate to details and failure to show absolute cost, and all of them were answered in detail by Dr. Edwards in his Exhibit 195 (R. 11257).

The studies were reworked to show all combinations of regions and areas requested by the parties to the proceeding. For the purpose of reconciliation, costs were developed by individual commodity classes and summarized, and the cost distributed pro rata on a ton and ton-mile basis. It is very difficult to develop cost for individual commodities, but a relative study reflects a satisfactorily relative comparison. The Commission stated (692, R. 307):

> "Since the inception of Federal regulation of common carriers cost of service has been recog-

> nized as one of the basic elements entering into the process of making and judging rates. * * * The problem, from the standpoint of rate-making and rate-regulation, is to convert such costs into practicable and usable terms. * * * All cost calculations and computations, therefore, of necessity must be made by special studies. In making these studies the data afforded by the carriers' records, which are kept in accordance with our prescribed system of accounting, have been used as a base, but this material has generally been supplemented and reinforced by such special information and field investigations as the necessities in each case have required. Pursuit of this method of cost finding over the years has enabled us, with the assistance of the carriers, shippers, and other students of the subject, to make extensive progress in this field."

The Commission concluded that while perfection has not been attained the cost studies possess sufficient attributes of accuracy to enable it to reach the conclusion that the differences in territorial rates are not justified by consideration of differences in cost. The Commission said that out-of-pocket cost should ordinarily establish the ~~floor~~ of all rates. In concluding that the present class rates in Official territory are below the maximum reasonable level and directing an interim increase, the Commission said (p. 705, R. 320):

> "This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents

in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in Official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described."

THE FINDING THAT EXISTING RATES ARE UNDULY DISCRIMINATORY, IN VIOLATION OF THE ACT, FINDS AMPLE SUPPORT IN THE RECORD.

Before discussing the evidence before the Commission we wish to call attention to a recent decision of this Court, outlining the functions of the Commission and of the court in determining the existence of preference or discrimination. In *United States* v. *Chicago Heights Trucking Co.,* 310 U. S. 344, the Commission had held that certain tariffs filed by forty-one interstate common carriers by motor vehicles were unlawfully discriminatory. No shipper had complained and there was no evidence except that offered in support of the tariffs. The District Court held the order void and perpetually enjoined its enforcement. This Court, in reversing the District Court, in a unanimous opinion, made the following clear statement as to the authority of the Commission to determine the question of discrimination, at page 352:

" 'It is not disputable that from the beginning the very purpose for which the Commission was created was to bring into existence a body which from its peculiar character, would be most fitted to primarily decide, whether from facts, disputed or undisputed, in a given case, preference or discrimination existed.' (United States v. Louisville & N. R. Co., 235 U. S. 314, 320, 59 L. Ed. 245, 250, 35 S. Ct. 113.) And where a court substituted 'its judgment as to the existence of preference for that of the Commission, on the ground that where there was no dispute as to the facts it had a right to do so (the court), obviously exerted an authority not conferred upon it by the statute.' So here, it has been pointed out that there was no dispute in the evidence before the Commission, all of which was introduced by respondents. But the differing inferences as to discrimination finding possible support in that evidence are made to stand out by the persuasive reasoning advanced in both the majority and minority opinions of the Commission. The Interstate Commerce Act does not attempt to define an unlawful discrimination with mathemetical precision. Instead, different treatment for similar transportation services is made an unlawful discrimination when 'undue,' 'unjust', 'unfair' and 'unreasonable.' And the courts have always recognized that Congress intended to commit to the Commission the determination, by application of an informed judgment to existing facts, of the existence of forbidden preferences, advantages and discrimination.''

Later in the opinion the court disposed of the contention, which is likewise here made, that the Commission acted without complaints by individual shippers. Here it is repeatedly alleged that no one requested an increase in the class rates in Official territory and the following extract from the court's opinion disposes of this contention and also points out that the Commission has authority, in its capacity as a public agency, to act "in the interest of shippers, generally, the national transportation system, and the public interest." The court said at page 353:

> "The fact that the Commission acted on its motion without complaints by individual shippers did not detract from the Commission's power to protect and maintain a transportation system free from partiality to particular shippers. The Commission acted in its capacity as a public agency and carried out duties imposed upon it by Congress in the interest of shippers generally, the national transportation system and the public interest. Its order was the embodiment of the Commission's judgment that the proposed tariff was a discrimination prohibited by the Act. 'The judgment so exercised, being supported by ample evidence, is conclusive.' "

We come now to consider just what evidence the Commission had before it to support its judgment that the existing rates resulted in undue discrimination and preference, in violation of Section 3 of the Act. It is clearly not feasible to recite all or any substantial part of the voluminous evidence that the Commission had before it in the 5,490 pages of testimony, the 233 statistical exhibits, all of which are now before the court, together with the reports showing the financial results of the railroads' operation subsequent to the closing of the hearings. Much of this evidence is recited in the brief for the Government and the Interstate Commerce Commission and will not be repeated here. To us it would seem, necessary only to consider the sufficiency of the evidence as recited by the Commission in its report. Surely it will not be contended that the Commission's report recites and refers to evidence which was not, in fact, before it, but if it is so contended counsel should point out in what particulars the Commission refers to evidence that was not before it. While the stereotyped allegation is repeatedly made that "there is no evidence sufficient to support a finding, etc.," yet it seems clear that the quarrel is rather with the deductions which the Commission makes from the evidence than with the fact of the existence of evidence.

EXISTENCE OF DISCRIMINATION ESTABLISHED BY DISPARITY IN RATES.

In the first place, the evidence shows a widespread disparity in the class rates within the various rate territories and shows that much the lowest scale applies in Official territory. A comparison of the first-class rates in the various class rate scales show that the Southern Scale is 137.7% of the Official, the Western Trunk Line scale is 129.6 for Zone 1, 144.4 for Zone 2, and 159.4 for Zone 3.

The interterritorial class rates represent a sort of blending of the intraterritorial scales of class rates applicable in the origin and destination territories, generally resulting interterritorial rates lower than those which prevail in the higher-rated territory, but higher than in the lower-rated territory. However, there is a tendency for them to be closer to the level of the higher-rated territory. Generally speaking, they do not properly blend the intraterritorial levels and the rates are usually higher than rates which reflect the respective intraterritorial levels in proportion to the distance hauled in each territory. As illustrative the Commission found, at page 600 of the report (R. 217), that the blending of the Southern and Eastern class rate scales result in interterritorial rates generally lower than those prevailing in the South, but in some instances, particularly for the longer distances, the interterritorial rates exceed those in the Southern Scale. Illustrative comparison of the differences are shown on page 601 and Appendix 9 of the report (R. 216, 362). The result of this method of making interterritorial rates is that the class rates in Official territory are lower than from the South and West into that territory, while the rate from Official territory to the South and West are lower than within the latter territories. Thus it is that the South and West are at a disadvantage in competing with Official territory whether they ship to points in official territory or to points within their own territory. The evidence as to the disparity in rates is recited and discussed at pages 566 to 571, inclusive (R. 181-186), and again at pages 600 to 604, inclusive (R. 215-219), and an actual comparison of intraterritorial scales is set forth in Appendix 8 to the report (R. 359), while comparison of specific interterritorial rates, is set forth in Appendix 9 to the report (R. 362).

The wide disparity in the rates clearly establishes discrimination, but not all discrimination is undue and it was necessary for the Commission to consider other evidence to determine whether the discrimination resulting from the disparity was undue or unlawful. It was contended by the beneficiaries of the discrimination that same was justified on two principal grounds: (a) differences in transportation conditions or cost of the service, and (b) differences in the composition of traffic and the methods used in establishing the rate structures in the different territories.

DISCRIMINATION NOT JUSTIFIED BY DIFFERENCE IN COST OF SERVICE.

In order to determine whether the discrimination was justified by differences in cost or transportation conditions the Commission directed the Cost Section of its Bureau of Transport Economics and Statistics to prepare and present an analysis of the costs in the different territories. We have dealt with this cost study elsewhere and suffice it to now say that it was the most complete and detailed cost study that has ever been presented to the Commission. It withstood all attacks made with all the ingenuity of the best railroad accountants in the United States. It was prepared by independent accountants having no interest in the result that might be shown.

As appears from the Commission's report the cost study showed that there was no substantial difference in cost throughout the territory east of the Mississippi River, while the cost west of the Mississippi River is somewhat higher. The evidence as to the cost of rendering the transportation service and as to whether the disparity in rates is justified by difference in cost is recited and discussed at pages 571-591 (R. 186-206), inclusive, and again at pages 692-694 (R. 307-309), of the Commission's original report.

After reciting the principles to be applied in the use of cost studies in making rates, the Commission summed up its finding on the question of whether the disparity in rates was justified by the cost of service in the following language (Original report 694, R. 309):

> "Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the difference in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified."

Certainly this finding is amply supported by the evidence and, in fact, the evidence would not support any other conclusion.

DISCRIMINATION NOT JUSTIFIED BY DIFFERENCE IN CONSIST OF TRAFFIC OR DISTRIBUTION OF TRANSPORTATION BURDEN.

The Commission also considered at length evidence on the question of consist of traffic and the methods of rate-making or difference in distribution of transportation burden, to determine whether the discrimination resulting from the disparity in rates is justified by these considerations. The evidence before the Commission on this subject was quite voluminous. It is recited in part and discussed by the Commission at pages 610 to 613 (R. 225-228), inclusive, of the original report, and also at pages 694 to 697 (R. 309-312). A table on page 611 (R. 226), taken from an exhibit submitted by the southern carriers and based on the Commission's freight commodity statistics for the year 1939, shows the consist of traffic in the various territories by groups of commodities. It will be seen from this table that as to "manufacturers and miscellaneous," which is the high-grade traffic usually moving on class rates, there is little difference in the various territories. For example, this group constitutes 26.89 per cent of the tonnage in Official territory, including the Pocahontas region, 27.21 percent of the tonnage in the Southern region and 29.38 per cent in the Western region. The evidence showed that there was not as great difference in the consist of the traffic as between the territories as there is within regions and between individual railroads operating in the same territory. Also the evidence showed that there was a large movement interterritorially and, of course, as to this interterritorial traffic the consist thereof is common to both of the territories between which it moves.

The Commission concluded from all this evidence that there was no such difference in the consist of traffic or the distribution of the rate burden as would justify the disparity in rates. The ultimate conclusion of the Commission upon consideration of cost of service, consist of traffic, and distribution of rate burden, is stated on page 696 of the original report (R. 311) as follows:

> "Considerations of costs of service, consists of traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates justify the conclusion that the class rates within southern, southwestern, and western trunk-line territories, and between those territories and official territory are unjust and unreasonable, *and that the class rates to official territory from the other territories are unduly prejudicial to such other territories and unduly preferential of official territory.*"

In view of the voluminous evidence that was before the Commission bearing on all of these subjects, we submit that it is impossible to say that this ultimate conclusion of the Commission is without support in the evidence.

OTHER EVIDENCE SUPPORTING THE FINDING OF UNDUE DISCRIMINATION.

There was much additional evidence which served to establish the existence of discrimination, such as (a) the effect of the existing class rate structure upon the carriers, producers, shippers and consumers and the various localities and territories, and (b) the growth and development of the several areas in terms of agricultural, forest, mineral production, manufacturing and distribution of population, and (c) the effect of the operation of the varying class rate structures over a period of more than twelve years. The

Commission sums up all of this evidence as follows (687-89, R. 302-304):

> "Appropriate to the breadth and variety of the interests involved in this proceeding, the record has not been narrowly restricted to rate comparisons and the competitive and other effects of rates upon particular industries or individual shippers, but has been developed within a sufficiently broad perspective to permit us to consider all the essential circumstances and conditions which affect the welfare of carriers, of producers, shippers, and consumers, and of localities, districts, regions, and territories. More specifically, cost of service has been explored and analyzed more comprehensively and thoroughly than in any other similar investigation. Studies and analyses have also been made of the natural resources of the areas concerned and of the growth and development of these areas in terms of agricultural, forest, and mineral production, manufacturing, and distribution of population. Other analyses have dealt with the composition and movement of traffic and with employment, labor, and income.
>
> "The record also affords us an opportunity to analyze and appraise the functioning over a period of more than 12 years of different territorial class-rate structures. It enables us also to compare the results of such a test one with another, to check such results with the purposes intended to be accomplished when these rate structures were prescribed, and on the whole to translate into our conclusions all the lessons thus learned by experience."

THE EVIDENCE SUPPORTS THE FINDING THAT THE EXISTING CLASS RATE STRUCTURE RESULTS IN INJURY TO SOUTHERN AND WESTERN TERRITORIES AND PREFERENCE TO OFFICIAL TERRITORY.

The record shows that there is competition for the sale of products in each of the territories by the producers in all of the territories. In other words, southern producers ship into Official territory, and the West. Official territory producers compete in the markets in the South and West and Western territory producers compete in the markets in Official territory and Southern territory. This being established, it necessarily follows that the producers having the lowest rates are preferred to the prejudice of those paying higher rates. In *Northeast Kentucky Coal Bureau* v. *Chesapeake & O. Ry. Co.*, 206 I. C. C. 445, 448, the Commission held:

> "Even though complainant's members may not be injured, their competitors are preferred. Preference, not necessarily injurious in itself, affords opportunity to gain success over and injure the other party. The act is specifically directed against undue preference and all other forms of unjust treatment of the shipping public."

The order of the Commission in this case was upheld in *Chesapeake & O. Ry. Co.* v. *United States*, 296 U. S. 187. However, the evidence here shows not only that Official territory is preferred but also that the South and West are prejudiced. This is particularly true in the markets within Official territory. The Commission, at page 696 of the original report (R. 311), found:

> "Official territory is the greatest consuming territory in the country, and is the market that nearly all manufacturers desire to reach, particularly where they have a surplus of their products to sell. In shipping to official territory, manufacturers in the other territories not only have the disadvantage of location, but are subjected to an additional burden in those instances where they must pay class rates on a much higher level than their competitors in official territory. This situation reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in official territory, tends to restrict the growth and expansion of the manufacturers in other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories."

This finding is amply supported by the record. In the first place, it cannot be denied that Official territory is the greatest consuming territory in the country, nor that the class rates from the South and the West into that territory are on a higher level than the rates within that territory. This being true, it would not seem to require evidence to show that the South and West are prejudiced in shipping into Official territory because such prejudice is inherent in the admitted facts. However, there was much evidence of the actual results in this discrimination and this evidence is recited throughout the report.

It is earnestly argued that because the movement of traffic from the South to Official territory on class rates is small there can be no finding of injury, but this misses the main point of the injury because the injury arises out of the failure of the traffic to move on class rates from the South to the North and that failure is due to the relatively high measure of the rates. It is claimed, however, that the small volume of the movement indicates that the carriers have established lower exception commodity rates on which the traffic does move. The record fails to support this contention, although it does show that some large shippers have been able to secure exception or commodity rates on their particular traffic which enables it to move, but the small shipper who wants to establish a plant in the South doesn't know how to go about securing these exceptional rates and therefore is restrained from attempting to establish a plant. Just the contrary is true as to the small shipper in Official territory because class rates are established on which he can ship and these rates are charged to all shippers. Can it be said that a situation such as this does not result in injury to Southern territory, even though there may be but a small movement on the present relatively exorbitant rates.

THE SAME CARRIERS OR GROUP OF CARRIERS CONTROL THE CLASS RATES WITHIN OFFICIAL TERRITORY AND BETWEEN THAT TERRITORY AND THE OTHER TERRITORIES AND ARE RESPONSIBLE FOR THE DISCRIMINATION FOUND TO EXIST.

It is urged by appellants that the Commission was without authority to make a finding of undue discrimination and an order requiring its removal because there was no evidence sufficient to support a finding that the same carrier or group of carriers control the levels of the class rates in the several territories. As had already been pointed out, the only finding of undue discrimination under Section 3 of the Act is as to the relation of the rates within Official territory to the rates from other territories into Official territory. It is obvious that the carriers in Official territory control both sets of rates and no finding by the Commission to that effect was necessary because those carriers admitted the common control. At page 639 of its original report (R. 254) the Commission said:

> "The carriers in official territory argue that the maintenance of higher class rates in other territories than apply within official territory cannot constitute undue preference or prejudice, inasmuch as the railroads that serve official territory do not control the rates applicable within other territories. *They do not deny, however, that they are jointly responsible with the railroads in other territories for the maintenance of interterritorial rates.*" (Italics ours.)

Not only did the Official territory carriers admit their common control over the rates found to be unduly discriminatory, but they have not contested either the finding that those rates result in undue discrimination or the method prescribed by the Commission for removing the discrimination. In *Sprunt & Son* v. *United States,* 281 U. S. 249, it was held that the shipper may not attack an order requiring the removal of discrimination where the carriers have voluntarily complied with the order. The application here of the principle of the *Sprunt case* will be more fully discussed in a later chapter. It is contended, however, that the *Sprunt case* is not here applicable because the western railroads join with the shippers in their atack on the Commission's order. However, the western railroads are not attacking that portion of the order here involved which requires an increase in the rates in Official territory, nor the reduction in the rates from the South into Official territory and would have no standing to make such an attack because they are not parties to either of those rates. They do attack the reduction in the rates within Western territory and between that territory and other territories, including Official. A reduction in all interterritorial rates is required upon a finding that those rates are unreasonable, in violation of Section 1, and as to the interterritorial rates into Official territory on the further finding that they are unduly discriminatory, in violation of Section 3. As to these latter rates the western carriers being necessary participants therein, are a party to the discrimination although control of the discrimination is in the hands of the Official territory carriers. See *United States v. Illinois Central*, 263 U. S. 515. The Commission found that these interterritorial rates "are not a loose aggregation of separately established rates but a single entity composed of interrelated rates," and therefore there is a common source of discrimination for which the carriers as a group are responsible.

It is therefore respectfully submitted that the carriers charged with the discrimination, having admitted their responsibility therefor and not having contested the method prescribed for its removal, appellants will not be heard to contend that the order is invalid because there is no common control of the rates found to be discriminatory and that aside from the admission, common control is shown to exist, particularly in view of the Commission's finding that the rates involved "are not a loose aggregation of separately established rates, but a single entity composed of inter-related rates" (p. 690, R. 305).

HAVING FOUND PRESENT RATES ARE IN VIOLATION OF SECTION 3, THE COMMISSION HAD AUTHORITY TO PRESCRIBE RATES TO CURE SUCH VIOLATION.

Appellants contend that the order of the Commission prescribing rates to remove the discrimination found to exist is invalid and beyond the Commission's authority because it fails to leave with the railroads the alternative method of removing the discrimination. The same contention was pressed before the Commission in the petitions for rehearing and again before the Court below. In overruling the contention the Commission said (Supplemental Report, pp. 60, 61, R. 464, 465):

> "It is not necessary again to review the evidence as to the unreasonableness of the class rates brought in issue in these proceedings, or as to the undue preference and undue prejudice caused by and resulting from such rates, which we have found to exist. Having made the findings of unlawfulness, we have authority under section 15(1) of the act and under section 5(b) of the Transportation Act of 1940, to prescribe the method for removing such unlawfulness, and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method.
>
> "In support of the contention that an alternative method of removing undue preference and undue prejudice must be provided, petitioners refer to *Texas & P. Ry. Co.* v. *United States*, 289 U. S. 627, in which the Court stated that 'where an order is made under section 3, an alternative must be afforded.' In a footnote to that statement, however, the Court said: 'That is not true of an order pursuant to Sec. 15 (1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not issued under that section.' See also *Youngstown Co.* v. *United States*, 295 U. S. 476."

The District Court disposed of this contention in a brief paragraph, stating (p. 875; R. 1438):

> "Nor is the order erroneous because the carriers were not allowed any alternative method for the removal of the discriminations which make the present class rates unlawful. This was a rate order made under Par. 15 and not an order under Par. 3 in which an alternative must be provided as held in Texas & Pacific R. v. United States, *supra.*"

It will thus be seen that both the Commission and the District Court held that the order was made under Section 15 and not under Section 3 and this would seem to dispose of the question since Section 15 specifically authorizes the Commission, upon a finding by it that existing rates are or will be "unjust or reasonable, o unjustly discriminatory or unduly preferential or prejudicial," to prescribe the rates to be charged for the future.

Apparently the contention of the appellants is that no order may be made under Section 15 to cure a violation of Section 3, but Section 15 clearly provides to the contrary. In fact, all rate orders of the Commission must be issued pursuant to the authority granted by Section 15 (1) of the Act since no other section of the Act provides for such orders. Section 3 does not provide for any order, nor does Section 1. These sections impose a duty upon the carriers to charge rates that shall be just and reasonable and free from undue prejudice or preference and provide that it shall be unlawful to charge rates that are unjust or preferential. There is, therefore, confusion in the statement, sometimes made, that an order is issued under Section 3 and not under Section 15. Thus in the *Youngstown case,* 295 U. S. 476, the Court said at page 480:

> "There is no merit in the contention that the order was a Section 3 order and invalid for failure to afford the carriers an alternative of raising the contested rate or lowering others to remove discrimination. It is true the Commission found prejudice to shippers all rail but in essence the order entered was a Section 15 order and not one made under Section 3."

Of course, the order there was made under Section 15, as all rate orders must be, and the Court evidently intended to hold that the order was made to correct a violation of Section 1 rather than Section 3 and that therefore the question of affording an alternative was not presented.

It is further contended, however, that where the order is issued under Section 15, pursuant to a finding of violation of Section 3, that the defendants must be allowed an alternative method of removing the discrimination either by lowering the higher rates or increasing the lower rates. This was the law prior to the enactment of the Transportation Act of 1920, but we do not believe that it is now the law. On the contrary, the Act specifically provides that where undue discrimination is found the Commission may prescribe the reasonable rates to be thereafter charged. This is the plain language of the Act, which provides as follows:

> "Sec. 15 (as amended June 29. 1906, June 18, 1910, February 28, 1920, March 4, 1927, June 19, 1934, August 9, 1935, and September 18, 1940) (U.

S. Code, Title 49, Sec. 15). (1) That whenever, after full hearing, upon a complaint made as provided in Section 13 of this part, or after full hearing under an order for investigation and hearing made by the Commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the Commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this part for the transportation of persons or property as defined in the first section of this part, or that any individual or joint classification, regulation, or practice whatsoever of such carrier or carriers subject to the provisions of this part, is or will be unjust or unreasonable *or unjustly discriminatory or unduly preferential or prejudicial*, or otherwise in violation of any of the provisions of this part, *the Commission is hereby authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates fares, or charges, to be thereafter observed in such case*, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classification, regulation, or practice is or will be just, fair, and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation *other than the rate, fare, or charges so prescribed*, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation or practice so prescribed." (Italics ours.)

It will be noted that the provisions of the Act are in the disjunctive and that it is specifically provided that where the Commission finds the rates to be "unjustly discriminatory or unduly preferential or prejudicial" the Commission has authority "to determine and prescribe what will be a just and reasonable individual or joint rate, fare, or charge, or rates, fares, or charges, to be thereafter observed." In other words, Congress has provided that while the carriers may initiate rates yet if the rates so initiated are found to be unjustly discriminatory or unduly preferential or prejudicial, the Commission may then substitute its judgment for that of the carrier "and prescribe what will be the just and reasonable * * * rates, fares, or charges, to be thereafter observed." The Commission is not confined to the prescription of minimum rates or maximum rates, but may prescribe *the* rates to be charged, the only limitation being that the rates prescribed must be "just and reasonable."

Appellants rely upon the *Texas & Pacific Case*, 289 U. S. 627, and we concede that there is language in the majority opinion which sustains their position, but there the Commission had not prescribed rates and had left to the carriers the method of removing the discrimination. The question was whether the carriers against whom the order ran had control over both rates and it was held that the complaining carriers controlled only one of the rates from which the discrimination resulted and therefore in no event could the alternative be afforded and it is in the light of this holding that the majority of the court used the following language so often quoted by appellants (650):

> "Where an order is made under Section 3 an alternative must be afforded. The offender or offenders may abate the discrimination by raising one rate, lowering the other, or altering both."

Had the question been as to the authority of the Commission to prescribe rates to remove a discrimination properly found to exist, it is difficult to believe that the court would have made the statement which is clearly contrary to the express provisions of Section 15(1).

Moreover, the court was careful to point out in a footnote (p. 650), following the statement that the alternative must be granted where an order is made under Section 3, that "this is not true of an order pursuant to Section 15(1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not issued under that section."

The minority opinion, by Justice Stone, in which Chief Justice Hughes and Justices Brandeis and Cardoza concurred, held that the carriers in question could control both rates and that in such situation it is not necessary in cases arising after the enactment of the Transportation Act of 1920, that the carriers be afforded an alternative method of removing undue discrimination found to exist. The minority opinion states (668):

"But the statute does not compel the Commission to afford such an alternative or permit an offending carrier to avoid its salutary provisions merely for the reason that, although participating in both the offending rates, it can with certainty control only one. It is true that in cases arising before the enactment of Transportation Act, 1920, by which power was given to the Commission to fix a minimum rate, it could not remove a discrimination by prescribing a minimum rate to one of the competing localities. But it could remove the discrimination by imposing a lower maximum rate, even though a joint rate participated in by the carrier whose rails did not reach the locality discriminated against (compare St. Louis, S. W. R. Co. v. United States, *supra*), or, as already mentioned, it could leave the carriers free to remove the discrimination by raising one or lowering the other. See American Exp. Co. v. South Dakota, *supra* (244 U. S. 624, 61 L. ed. 1357, 37 S. Ct. 636, P. U. R. 1917F, 45); United States v. Pennsylvania R. Co., 266 U. S. 191, 69 L. ed. 243, 45 S. Ct. 43. And now that the Commission has power under sec. 15 (1) to fix a minimum rate *it may equally command the removal of the discrimination by directing a rate to be raised*, just as where the carrier maintains discriminatory practices the Commission may direct the modification of one and not the other, *and is not bound to allow the carrier a choice.* Merchants Warehouse Co. v. United States, *supra* (283 U. S. 513, 75 L. ed. 1238, 51 S. Ct. 505); New York, N. H. & H. R. Co. v. Interstate Commerce Commission, *supra* (200 U. S. 404, 50 L. ed. 526, 26 S. Ct. 272)." (Italics ours.)

It will be noted that the opinion points out that prior to the enactment of the Transportation Act of 1920, the Commission could remove the discrimination "by imposing lower maximum rates" but that subsequent to the enactment, which gives the Commission the power to fix minimum as well as maximum rates, the Commission "is not bound to allow the carrier a choice."

Of course, undue discrimination arises out of the relationship of rates and can exist only where it can be cured by a change in relationship, however brought about. It does not follow, however, that the carriers which created the unlawful relationship must be left free to determine how it should be cured. Prior to the Transportation Act of 1920, the law left the carriers free to determine the method of removing the discrimination but by the provisions of Section 15(1) in that Act, the Interstate Commerce Commission was expressly authorized to determine the method of removing the discrimination by prescribing the rates to be thereafter charged.

In numerous cases since the decision in the *Texas & Pacific Case* the Commission has found rates and practices of the carriers to be unduly discriminatory and ordered them discontinued without affording the carriers any alternative and this Court has upheld such orders. In *Diamond Tank Transport v. United States*, 23 Fed. Supp. 497, the court stated, at page 501:

> "* * * if it finds that such rates are 'unjust or unreasonable or unjustly discriminatory * * * the Commission is authorized and em-

> powered to determine and prescribe what will be the just and reasonable * * * rates, fares, or charges, to be thereafter observed.' "

This case was affirmed by this Court by *per curiam* opinion 305 U. S. 367.

In *Baltimore & Ohio v. United States*, 305 U. S. 507, the court upheld an order of the Interstate Commerce Commission ordering the carriers to cease and desist from furnishing certain shippers storage space in warehouses, buildings or on piers owned and controlled directly or indirectly by such carriers at rates and charges which failed to compensate said carriers for the cost of providing said space. No alternative was granted because it appeared that certain shippers were not in position to use such services and were discriminated against by the carrier furnishing same to other shippers at less than cost. The court said, at page 524:

> "The power, however, is in the Commission, whenever it is of the opinion that any practice is unjust, unreasonable, preferential or otherwise violative of the Act, to prescribe what practice will be just, fair and reasonable."

In *United States* v. *C. M. St. P. & P. R. Co.*, 294 U. S. 499, the court stated, at page 505, the effect of Section 15 as follows:

> "Section 15 (subdivisions 1 and 7) is to the effect that the Commission shall have power to determine the just and reasonable rate when a rate in force or proposed is found to be unjust and un-

reasonable or *unduly discriminatory or otherwise unlawful.*" (Italics ours.)

In *United States* v. *Chicago Heights Trucking Co.*, 310 U. S. 344, the court upheld the order of the Interstate Commerce Commission, which ordered cancelled the tariffs of certain motor carriers on the ground that same created discrimination. No alternative was granted and the court held that the Commission had the power to enter the order cancelling the tariffs in order to remove discrimination.

It is therefore submitted that having found the existing class rates to be unjustly discriminatory and unduly preferential and prejudicial, the Commission had authority to enter an order prescribing rates to remove such unlawfulness, subject only to the requirement that such rates shall be just and reasonable.

IN VIEW OF THE ACQUIESCENCE OF THE OFFICIAL TERRITORY CARRIERS IN THE INCREASE IN THEIR CLASS RATES THE APPELLANTS WILL NOT BE HEARD TO OBJECT THAT THE ORDER OF THE COMMISSION FAILS TO GIVE SUCH CARRIERS AN ALTERNATIVE IN REMOVING THE UNLAWFUL DISCRIMINATION.

The Official territory carriers filed no petition with the Interstate Commerce Commission for reconsideration of so much of its report and order as required them to increase rates in Official territory by 10%. Neither have they appeared in this proceeding, but, on the contrary, they have filed with the Interstate Commerce Commission tariffs increasing the rates as required by the Commission's order.

The appellant states and their shippers therefore find themselves in the same position that were the shippers in *Sprunt & Son* v. *United States,* 281 U. S. 250, 74 L. Ed. 832. There the Commission had found a violation of Section 3 and ordered it removed by increasing the lower rate and somewhat reducing the higher rate. The Order of the Commission was attacked in the courts by both the shippers, whose rate was ordered increased, and the railroads. The lower court upheld the order and only the shippers appealed, the railroads abandoning the litigation and proceeding to publish the rates. This Court held that the result of this action on the part of the railroads was to leave the shippers in the same position they would have been had the railroads voluntarily established the rates, and that if the shippers believed the new rates to be unreasonable or unjust, their remedy was by complaint before the Commission. In its opinion the court states, at page 255:

> "Why the carriers filed the new rate structure now in force is no concern of the appellants. If the carriers had done so wholly of their own motion, obviously these shippers would have had no ground of complaint, before any tribunal, unless the new rates were unreasonable or unjust. If they were believed by the appellants to be so, a complaint before the Commission would be the appropriate remedy (citing cases). The appellants' position is legally no different from what it would have been if the carriers had filed the rates

> freely, pursuant to an informal suggestion of the Commission or one of its members; or if the filing had been made by carriers voluntarily after complaint filed before the Commission, which had never reached a hearing, because the rate structure complained of was thus superseded. The carriers who were respondents before the Commission filed the new rates, presumably because they now desire them. Nothing to the contrary is shown. As far as the carriers are concerned, it is as if the new rates had been filed wholly of their own accord and as if there had never been a controversy before the Commission. Since the appellants' economic advantage as shippers was an incident of the supposed right exercised by the carriers, the appellants cannot complain after the carriers are satisfied or prefer not to press their right, if any."

The distinction between the right of the shipper to attack an order of the Commission with which the carriers had complied, on the ground that the rates are unreasonable or unjust and their right to attack such order on the ground that the Commission exceeded its authority, is drawn by the Supreme Court in the *Youngstown case, supra,* where the *Sprunt case* is distinguished. In *Algoma Coal & Coke Co. v. United States,* 11 Fed. Supp. 487, the right of a shipper to attack a general rate order, such as that here, was denied because the shipper had still the right to attack any particular rate as unjust or unlawful. The Court distinguishes the *Youngstown case* on the ground that a particular rate was there definitely prescribed.

The opinion of the court in the *Sprunt case* shows that those railroads went much further to avoid compliance with the order than have the eastern railroads here. They even went so far as to join in a suit to set the order aside and pressed it until the decision of the lower court upholding the order, while here the eastern railroads did not even file with the Interstate Commerce Commission a petition for rehearing on this question. They orally announced to the lower court that if the interlocutory injunction was granted they would make application to postpone the effective date of their tariffs pending disposition of the case by the court, but further than this they have never gone either orally or in formal pleading. Certainly if the court could conclude that under the facts in the *Sprunt case* the action of the railroads in publishing the increased rates was voluntary, it must be conceded that here the grounds for so concluding are very much stronger than in the *Sprunt case*.

In view of the action of the Official territory lines in accepting the decision of the Commission, the appellant states and their shippers are left in the position where they can only complain if the rates to be published by the carriers are unreasonable or unjust and therefore their attacks upon the power and authority of the Commission to make the order in question cannot prevail.

IT WAS NOT NECESSARY, IN ORDER TO PRESCRIBE INCREASED RATES, THAT THE COMMISSION FIND EXISTING RATES WERE NOT COMPENSATORY OR WERE SO LOW AS TO CAST A BURDEN ON OTHER TRAFFIC, OR THAT SUCH RATES ARE NECESSARY TO PREVENT A THREATENED RATE WAR.

All of the appellants lay great stress on the fact that the Commission failed to find that the class rates in Official territory are non-compensatory or threatened to cause a rate war, and contend that such finding is necessary to that part of the order increasing rates in Official territory. We have already discussed the authority of the Commission to prescribe rates to cure a violation of Section 3 and have shown that the Commission is authorized to do so pursuant to Section 15(1). Appellants, however, deny the authority of the Commission to prescribe such rates to cure a violation of Section 3 and contend that in order to prescribe increased rates under Section 1 the Commission would have to first find that existing rates (a) were not compensatory or (b) were so low as to cast a burden on other traffic, and reliance is again had upon the case of *Texas & P. R. Co. v. U. S.*, 289 U. S. 627. We submit that this is too narrow a view of the powers of the Commission.

It is to be kept in mind that here the Commission had before it the entire class rate structure east of the Rocky Mountains and was called upon to consider the reasonableness of rates not only from the standpoint of the particular carriers charging them, but from the point of view of all other carriers and not only from the standpoint of given localities to which such rates applied, but also from the standpoint of all localities in the territory involved. (That is exactly what the Commission did in each of the previous class rate investigations, except the areas were smaller.) This was the right and duty of the Commission under the declaration of national transportation policy announced by Congress September 18, 1940, and under the admonition of the Hoch-Smith Resolution that the Commission shall give consideration "to a natural and proper development of the country as a whole, and to the maintenance of an adequate transportation system." It was the duty of the Commission to consider all of the rates involved and their relation to each other and determine which, if any of them, were unreasonable, and if it found any of them to be unreasonable or unjust it was the duty of the Commission, under Section 15 (1), to prescribe the rates that would remove the unlawfulness subject only to the condition that the rates so prescribed must be "just and reasonable."

We think this case clearly falls within the principles laid down by this Court in *Youngstown Steel & Tube Co.* v. *U. S.*, 295 U. S. 476, which was decided by a unanimous court subsequent to the decision in the *Texas & Pacific Case*, upon which reliance is had, the opinion of the court having been written in both cases by Mr. Justice Roberts. In the *Youngstown Case*, the court said, at page 479:

> "The Commission finds: These prescribed minima are reasonable; lower rates would create

> undue discrimination against shippers in origin districts who cannot use the water-rail route, and would tend to disrupt the rate structure, and to destroy the proper differentials between various producing districts on shipments to Ohio destinations. These findings have ample support in the evidence."

It will be noted that the Commission had made no finding that the proposed lower rates were not compensatory or were so low as to cast a burden on other traffic.

In considering whether the findings of the Commission were sufficient to support its order prescribing minimum rates and in holding that they were sufficient, the court said, at page 480:

> "In the first place the Commission here found the required minimum reasonable; in the second place it had, after full investigation in this and the Ohio case held the existing rate structure—built upon certain reasonable key or controlling rates by application of proper differentials—just and reasonable, and the ex-river rates here in issue, in contrast, too low. Comparisons of other rates in the same or adjacent territory, while not a conclusive test of reasonableness of a rate under investigation, have probative value. There was much other evidence bearing upon the character of the service and cost. The order of the Commission was based primarily upon the reasonableness of the minimum prescribed. The existing rate structure furnished support for the finding of reasonableness."

Here the Commission found the increased rates to be reasonable. Here, as in the cited case, the Commission had made a full investigation into the existing rate structure and a comparison of the rates with other rates "in the same or adjacent territory." Here, as there, "there was much other evidence bearing upon the character of the service and cost" and here, as there, "the existing rate structure furnished support for the finding of reasonableness."

In the *Texas & Pacific Case* no specific rates were prescribed, but the carriers were ordered to maintain certain differentials. The statement of the Court that since there was no evidence that the rates were not compensatory and the Commission refused to find that they were so low as to cast a burden on other traffic, "There was therefore no basis for an order fixing minimum reasonable rates under Section 15 (1) of the Act," was clearly *obiter,* especially since in that case the issue of unreasonableness under Section 1 was withdrawn. Even so, it is far from saying that the Commission may not, under any circumstances, order rates increased without such findings. If that language is to be construed as so limiting the Commission's authority it is in direct conflict with the later *Youngstown Case*, the opinion in which was written for the Court by the same Justice.

The action of the Commission in prescribing the increased rates in Official territory is also sustained by the decision of the Three Judge Court, sitting as a District Court for the Northern District of Ohio, in the case of *Jefferson Island Salt Mining Co. v. U. S.*, 6

Fed. (2d) 315. The facts in that case are strikingly similar to the facts here. In the proceeding there under review the Commission had before it all shippers and interstate carriers of salt east of the Rocky Mountains. The Commission prescribed minimum rates which were an increase in the rates from Detroit to Chicago and from Louisiana to Chicago. The Louisiana shippers attacked the order of the Commission as being beyond the power of the Commission since it had made no finding that the existing rates were non-compensatory or cast a burden on other traffic and charged that the Commission's order was not a regulation of freight rates but a regulation of competition between carriers and producers of salt and a substitution of the Commission's own rate-making policy, with a view to the parceling out of markets. This is in substance the argument now made here *but* after stating the argument, the court said, at page 317:

> "In our opinion, these arguments are not sound. They adopt too restricted a view of the powers conferred on the Commission by the Interstate Commerce Act, particularly by the amendments thereto made in the Transportation Act of 1920. The enlarged power conferred by amended sections 13, 15 and new 15a, is overlooked. Section 13(4), being U. S. Comp. St. Ann. Supp. 1923, sec. 8581, confers power on the Commission to prescribe minimum as well as maximum rates, whenever it finds any existing rate causes any undue or unreasonable advantage, preference, or prejudice, or any undue or unreasonable discrimination as between persons or localities in intra-

> state commerce, on the one hand, and interstate or foreign commerce, on the other. Section 15 (1) being U. S. Comp. St. Ann. Supp. 1923, sec. 8583, empowers the Commission, whenever it finds that any existing rate is or will be unjust or unreasonable, or unjustly discriminatory, or unduly preferential or prejudicial, to prescribe what will be a just and reasonable rate to be observed in the future, or the maximum or minimum rate thereafter to be charged. By these sections the Commission is empowered to raise the rates, not merely because non-compensatory to the carrier receiving them, but because they are unjust or unreasonable from the point of view of other carriers and localities."

It will be seen that the Court expressly holds that since the Transportation Act of 1920, the Commission "is empowered to raise the rates, not merely because non-compensatory to the carrier receiving them, but because they are unjust or unreasonable from the point of view of other carriers and localities."

In the case of *Anchor Coal Co.* v. *U. S.,* 25 Fed. (2d) 462, in which case the order of the Commission prescribing minimum rates in the lake cargo coal adjustment was enjoined, the court recognized the right of the Commission to prescribe minimum rates without finding that existing rates are unreasonable *per se.* The Court there said, at page 471:

> "Of course, since the passage of the Transportation Act of 1920 (49 U. S. C. A., Sec. 71, *et seq.;* Comp. St., Sec. 10071¼, *et seq.*), the Commission has the right to prescribe minimum rates, and we agree with the Commission that a construction of

> the law is too narrow which limits its right to prescribe such rates to cases where the rates proposed are unreasonable *per se,* or are so low as to cast a burden on other traffic. It has the right to prescribe minimum rates also to prevent ruinous rate wars and to guarantee reasonable earnings, not only to the carriers affected, but also to competing carriers, who may labor under a higher cost of doing business. New England Divisions Case, 261 U. S. 184, 43 S. Ct. 270, 67 L. Ed. 605; Dayton-Goose Creek R. Co. v. U. S., 263 U. S. 456, 44 S. Ct. 169, 68 L. Ed. 388, 33 A. L. R. 472."

In *Scandrett* v. *U. S.,* 32 Fed. Supp. 995, affirmed 312 U. S. 661, the Commission had found the rates involved to be "compensatory considering all costs," but the Commission's order raising the rates was upheld on the ground that rates which are compensatory are not necessarily just and reasonable.

We therefore submit that it is well-established law that the Commission may prescribe minimum rates or precise rates, or prescribe an increase in rates without finding that existing rates are non-compensatory or are so low as to cast a burden on other traffic, and therefore the contention presented by the appellants is unsound, and the order of the Commission, made pursuant to a finding that the rates were unreasonable in their relation to other rates and to the entire rate structure, is a valid order.

In disposing of this question, the Commission in its supplemental report holds (p. 61; R. 465):

> "In requiring an increase in rates to remove unlawfulness we are not required first to find that

> existing rates, or proposed reduced rates initiated by carriers, are not compensatory. See *Petroleum between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609. We found in that proceeding that certain proposed reduced rates were compensatory, considering all costs, but that they were below a minimum reasonable level and hence unlawful. The order in that proceeding was sustained in *Scandrett* v. *United States*, 32 Fed. Supp. 995, and the judgment was affirmed by the United States Supreme Court in 312 U. S. 661. See also *Jefferson Island Salt Mining Co.* v. *United States*, 6 Fed. (2d) 315."

The Commission Has Not Prescribed Minimum Rates.

The argument that the Commission was required to find that existing rates were not compensatory or were so low as to cast a burden on other traffic, is, as we have seen, predicated on the assumption that the Commission here prescribed minimum rates and that such findings are necessary to support a minimum rate order.

The only order entered by the Commission relates to the temporary or interim adjustment. It is true that the order authorizes and directs that the class rates in Official territory shall be increased by 10% but such increased rates are not prescribed as minima, but are prescribed "to remove the unreasonableness in the rates and to bring to the minimum the undue preference and undue prejudice found to exist." The question therefore is not as to the findings that must be made to support a minimum rate order as that is commonly understood, but as to whether the Commission had the authority to direct an increase in rates in order "to remove the unreasonableness in the rates and to bring to the minimum the undue preference and undue prejudice found to exist."

In prescribing rates, after finding a violation of the Act, the Commission is not necessarily exercising its authority to fix minimum or maximum rates but may be exercising the authority specifically granted in Section 15 (1) to "prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates, fares, or charges, to be thereafter observed in such cases." In so doing it is not necessary for it to find that any rate lower than the rate prescribed would be less than a reasonable minimum rate or to find that anything in excess of the rate prescribed would be higher than a maximum reasonable rate, but only that the prescribed rate will be "a just and reasonable rate." In other words, Congress has provided that while the carriers may initiate rates, yet if the rates so initiated are found to be unlawful the Commission may then substitute its judgment for that of the carriers "and prescribe what will be just and reasonable rates, fares, or charges to be thereafter observed." The Commission is not confined to the prescription of minimum rates or maximum rates, but may prescribe *the* rates to be charged, the only limitation being that the rates prescribed must be "just and reasonable." That comes within "the flexible limit of judgment which belongs to the power to fix rates" to which this Court alluded in *Atlantic Coast Line* v. *North Carolina Corporation Commission*, 206 U. S. 1.

THE EVIDENCE SUPPORTS THE COMMISSION'S FINDING THAT THE CLASS RATES IN OFFICIAL TERRITORY ARE LESS THAN JUST AND REASONABLE RATES AND SHOULD BE INCREASED.

In the foregoing chapters, in which we discuss the law governing the Commission's authority to order increases in rates to remove violations of Section 3 of the Act, we have pointed out much of the evidence which supports the findings of unreasonablness in violation of Section 1. We have shown that the Commission had before it the entire class rate structure east of the Rocky Mountains and therefore had to consider the reasonableness of the rates in relation to each other and in their effect upon other carriers and localities. The evidence shows, without contradiction, that the rates in Official territory were substantially lower than any rates charged for similar services any place in the United States. While a comparison of rates is ordinarily not a conclusive test, although having probative value, yet where, as here, the showing that the rates in question are lower than all other class rates in all other territories and all interterritorial rates for similar services, certainly constitutes substantial evidence that such rates are too low. In *Louisville & Nashville R. Co.* v. *United States*, 238 U. S. 1, the court said, at page 15:

> "Giving the widest possible effect to the fact that mere comparison between rates does not necessarily tend to establish the reasonableness of

> either, it is still true that, when one of many rates is found to be higher than all others, there may arise a presumption that the single rate is high."

Moreover, when increased by 10%, as prescribed by the Order, the rates in Official territory will still be the lowest class rates in the United States. The weight to be given to this evidence was for the Commission to determine.

In *City of Harrisonburg* v. *Chesapeake & O. Ry. Co.*, 34 Fed. Supp. 640, the court said at page 645:

> "In determining the reasonableness of a questioned rate, comparison with other rates in the same territory is not a conclusive test of the reasonableness or unreasonableness of the questioned rate, but such comparisons are proper evidence and have probative value: United States v. Northern Pacific R. Co., 288 U. S. 490, at page 500, 53 S. Ct. 406, 77 L. Ed. 914; Youngstown Sheet & Tube Co. v. United States, 295 U. S. 476, at page 480, 55 S. Ct. 822, 79 L. Ed. 1553. The extent of this probative value, *i. e.*, the weight given this evidence by the Commission, or which it should give it, it is not within the power of this court to determine. * * * It cannot be said, therefore, that the Commission acted without evidence or gave undue or improper weight to the evidence before it."

As we have already shown, the relatively lower class rates in Official territory are not justified by the differences in cost and other transportation conditions. Nearly all of the costs computations show that the cost in the South are below the costs in Official territory. Western territory costs exceed the Official territory to some extent. The fact that the cost of providing railroad service in the South is as low, or lower than in Official territory, is evidence that the very much lower class rates in Official territory are relatively unreasonable.

Under Section 15(a) of the Act, the Commission is to consider the revenue needs of the carriers in the exercise of its power to prescribe just and reasonable rates. The evidence shows that the rate of return from freight traffic, based on the net railway operating income and the book investment, in the Eastern district has been less than in the Southern region in six years out of the eight-year period, 1936-43, and less than in the Western district in the years 1942-43 (644; R. 259).

The volume of class rate traffic moving in Official territory is much greater than in any other territory. The study of the movement of carload traffic transported on September 23, 1942, and the revenue therefrom, hereinbefore mentioned, shows that the volume of traffic transported on class rates in the South is only 1.8%, in the Southwest territory 2.4% and in Western Trunk Line .6% of the total intraterritorial traffic. In Official territory it is 5.8% (640; R. 255). The preponderance of less-carload traffic moves on class rates in Official territory.

The foregoing facts of record show that the evidence was sufficient to support the finding of the Commission that the Official territory carriers are dependent to a very large extent upon the revenue they receive from the class rates in issue and that the relatively low class rates in the Official territory adversely affect the revenue of the carriers in that territory, and that the class rates in Official territory should be increased pending an adjustment of the entire class rate structure east of the Rocky Mountains. In view of the revenue needs of the carriers in Official territory the Commission correctly concluded from the stipulated current operating returns of various carriers and other evidence of record that there should be an interim increase of 10% in the class rates in Official territory and it so ordered (705; R. 320).

THE COMMISSION HAS PROPERLY INTERPRETED AND APPLIED THE 1940 AMENDMENT TO SECTION 3 OF THE ACT.

Perhaps the principal reliance of appellants here is on their contention that the Commission misinterpreted and applied the 1940 amendment to Section 3 of the Act. In support of this contention it is urged that the Commission construed the amendment to the Act as a mandate requiring it to bring about uniformity of rates. There is absolutely nothing in the report of the Commission that supports this position. The Commission begins its discussion of the recent amendment to the Act with the statement (688; R. 303):

> "While the rates in issue in this proceeding are to be tested by all pertinent provisions of the act, it is important to give particular attention to certain amendatory legislation which Congress has recently enacted."

After reviewing the history of the amendment the report concludes (pp. 691-692; R. 306-307):

> "Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments—all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony and uniformity in the different regional or territorial rate structures of the country. The method employed to accomplish this purpose is equally plain. By the amendment to the substantive anti-discrimination provisions of section 3(1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, where brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate-making applied in the light of the amended law are unlawful and should be corrected."

Thus the Commission holds that the amendment makes unlawful discriminations as between territories "if not justified upon proper consideration of recognized elements of rate-making applied in the light of the amended law." The Commission goes no further than to hold that the amendment to the Act gave it the same authority to remove discriminations against a "region, district or territory" that it had previously had to remove discrimination against individuals and localities. True, the evidence as to injury against a region, district or territory may differ in character from that with reference to injury to an individual shipper. For example, a territory is injured by a rate adjustment which prevents or discourages the establishment of new manufacturing plants within its boundaries but evidence of this result would not serve to establish injury to an individual shipper. On the other hand, evidence as to injury to an individual shipper, which prevents him from expanding his business, is also evidence of injury to the territory.

The evidence shows that the class rate structure has retarded the industrial development of the South and West and that the shippers in these territories are at a competitive disadvantage. It is difficult to measure the effect of the adjustment and that is the prerogative of an expert body, such as the Commission, created by Congress. The Commission analyzes the evidence relative to the effect of the rates on the industrial development of the South and concludes that there is need for an adjustment of the interterritorial class rates. Specific instances of territorial injury are cited by the

Commission in its report on pages 614-619 (R. 230-236).

The District Court disposed of the contention that the Commission had misconstrued and applied the 1940 amendment to Section 3 of the Act, at page 871 (R. 1431), as follows:

> "It does not appear that the Commission has herein acted upon any assumption that the 1940 changes altered the basic principles governing its action. On the contrary, it appears that in determining the existence of discriminatory rates it has construed the changes in the statute to mean that where it is found that class rates are different in the different territories, and interterritorially, and those differences cannot be justified under recognized principles of rate making by proof of sufficient differences in costs of transportation, composition and amount of traffic, competition by common carriers other than railroads, and the like, those rates may be found unjustly preferential or prejudicial because unduly discriminatory and consequently unlawful as between regions, districts and territories."

We, therefore, submit that the Commission has simply found the existing rates to be unduly discriminatory against certain territories and unduly preferential of Official territory by applying the established and recognized tests which it has heretofore applied in the case of individuals and localities and the District Court correctly so held.

THE COMMISSION DID NOT MISINTERPRET AND MISCONSTRUE SECTION 5(b) OF THE TRANSPORTATION ACT OF 1940, COMMONLY KNOWN AS THE "RAMSPECK RESOLUTION."

It is urged that the Commission construed the Ramspeck Resolution as constituting an amendment to the Interstate Commerce Act and as setting up new standards of rate-making. We find nothing in the reports of the Commission which supports this contention.

We have been able to find only four references in the reports of the Commission to the Ramspeck Resolution. The first reference is in the original report, where the Commission recites the history of the proceedings and states (pp. 512-513; R. 127-128):

> "Section 5(b) of the Transportation Act of 1940 authorized and directed us to institute an investigation into the rates on manufactured products, agricultural commodities and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect. In our annual report, 1940, we said at page 30:
>
> " 'The extensive class-rate and classification investigations above discussed may, we think, very properly be regarded as a highly important first step in this general investigation which Congress has directed us to institute'."

The second reference to the Ramspeck Resolution is found at pages 688-689 of the Original Report (R. 303, 304), where the Commission states:

> "By the Transportation Act of 1940, Section 3(1) of the act was amended by the addition of the words 'region, district, territory.' Coupled with that amendment was a provision designated as section 5(b) of the amendatory act of 1940. It authorized and directed us to investigate the rates on manufactured products, agricultural commodities, and raw materials between and within classification territories for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness found to exist. As previously explained herein, we have advised Congress that it might consider the instant proceeding as an investigation under this special legislation."

It will be noted that the Commission simply points out that the resolution authorized and directed the investigation for the purpose of determining whether rates are lawful and the entry of such orders as may be appropriate for the removal of any unlawfulness found to exist. The Commission did not claim that the resolution added anything to its rate-making powers. The third reference to the resolution is found in supplemental report of October 30, 1945, where the Commission is dealing not with the standards of rate-making, but with the power under Section 15(1) to order removal of any unlawfulness in the rates found to exist. The report states (p. 61; R. 464):

> "Having made the findings of unlawfulness, we have authority under section 15(1) of the Act and under section 5(b) of the Transportation Act of 1940, to prescribe the method for removing such unlawfulness, and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method."

Again, referring to its power to prescribe rates for the future, the report states (p. 62; R. 466):

> "Our general power under section 15(1) of the act to order the removal of any unlawfulness in rates found to exist after full hearing has been supplemented and reinforced, in so far as this particular investigation is concerned, by section 5(b) of the Transportation Act of 1940. After authorizing and directing us to institute an investigation of rates between points in one classification territory and points in another such territory, or within a territory, we are specifically empowered by that provision 'to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist'."

Certainly it cannot be said that the Commission, by the foregoing references to the Ramspeck Resolution, construed same as setting up any standards of rate-making.

Appellants proceed to argue that the Commission construed the Ramspeck Resolution in the same manner that it had originally interpreted the Hoch-Smith Resolution in *California Growers' & Shippers' Protective League* v. *S. P. Co.,* 129 I. C. C. 25, 132 I. C. C. 582, and point out that the order of the Commission in that case was set aside by this Court on the ground that in making it the Commission had misinterpreted the Hoch-Smith Resolution. *Ann Arbor R. Co.* v. *U. S.,* 281 U. S. 658. There is no similarity whatsoever between the construction placed upon the Hoch-Smith Resolution by the Commission and that placed by it upon the Ramspeck Resolution, nor is there any similar provisions in the Ramspeck Resolution to the provisions in the Hoch-Smith Resolution which it was held the Commission misconstrued. That provision reads as follows:

> "In view of the existing depression in agriculture, the Commission is directed to effect with the least practicable delay such lawful changes in the rate structure of the country as will promote the freedom of movement by common carriers of the products of agriculture affected by that depression, including livestock, at the lowest possible lawful rates compatible with the maintenance of adequate transportation service * * *." (43 Stat., at L. 801, U. S. C., Title 49, Sec. 55.)

In the Ann Arbor case, *supra,* the court held that the Commission construed the above-quoted provision of the Hoch-Smith Resolution as making a change in the basic law. The court said at page 667:

> "The third paragraph was construed by the Commission as making a change 'in the basic law,' as placing agricultural products in a 'most favored' class, and as justifying a reduction in the rates on deciduous fruits moving from California to eastern points, notwithstanding most of the carriers 'have not as yet made the fair return' for which section 15(a) of the Interstate Commerce Act makes provision as a means of securing the maintenance of an adequate transportation system. Indeed, it is apparent from the Commission's opinions that it regarded this paragraph as requiring it to condemn the existing rates as unreasonable and unlawful, although, had they been considered independently of the paragraph, they must have been upheld as reasonable and lawful under the applicable sections, 1(5) and 3(1), of the existing law."

The court proceeded to hold that the paragraph in question did not purport to make any change in the existing law and that the Commission erred in holding that it did change the law and in basing its order on such construction.

The only similarity which we can see between the Hoch-Smith Resolution and the Commission's construction thereof and the Ramspeck Resolution and the Commission's construction thereof is that both resolutions were adopted by Congress. The Ramspeck Resolution simply authorizes and directs the Commission to make an investigation of the rate structures and to make, in accordance with law, such changes and adjustments as may be necessary to correct any unlawfulness. There is no reference whatsoever to the standards of rate-making and the Commission has not construed it as changing any of the standards of rate-making.

In the previous chapter we have pointed out that the District Court, after thoroughly considering the contention that the Commission acted upon an assumption that the 1940 changes altered the basic principles governing its actions, held that this contention was without merit. In so holding the court included the Ramspeck Resolution along with the amendment to Section 3(1) and also disposed of the contention that the Commission had made the same mistaken interpretation of the Ramspeck Resolution as had been made with reference to the so-called Hoch-Smith Resolution.

We respectfully submit that if the court is to consider the allegation that "the Commission applied not the standards of rate-making of the Interstate Commerce Act, but standards which the Commission erroneously believed to have been substituted by the Ramspeck Resolution" counsel should be required to point out just where, in the Commission's report, are found the statements on which this allegation is based.

THE FINDING THAT THE CLASS RATES WITHIN SOUTHERN, SOUTHWESTERN AND WESTERN TRUNK LINE TERRITORIES AND BETWEEN THOSE TERRITORIES AND OFFICIAL TERRITORY ARE UNJUST AND UNREASONABLE, IN VIOLATION OF SECTION 1, IS SUSTAINED BY THE EVIDENCE.

As we have already pointed out, no attack is made by any one on the finding as to the rates within Southern territory and we have already discussed the finding of unreasonableness of the rates within Official territory. There remains only the attack by the Western railroads on the finding as to the unreasonableness of rates within Southwestern and Western Trunk Line territories and between those territories and other territories. We leave in large part to others more directly interested to defend the order against attack by the Western carriers, but we desire to discuss briefly the evidence which supports the Commission's findings that the rates thus attacked are unjust and unreasonable, in violation of Section 1.

In the first place, the rates of the western carriers are shown to be the highest interstate class rates in the United States. They are also shown to be higher than the rates within other territories and higher than the intrastate rates maintained by the western carriers within their own territory.

In its supplemental report of October 30, 1945, the Commission found (p. 64; R. 469):

> "Intrastate class rates generally in most of the western States, and many of the interstate class

> rates in western territory, are already lower than the interim basis prescribed in our prior report. That is clearly shown in the prior report and is substantiated by the petition filed by the western rail respondents, dealt with elsewhere in this report, for modification of our order respecting so-called subnormal class rates. Those respondents cannot consistently maintain these subnormal class rates and continue to maintain the relatively high basis of interstate class rates formerly prescribed by us as maximum in the western and southwestern class rate revisions. The comprehensive record made in this investigation is also convincing that the extent to which the level of those maximum class rates exceeds the levels of class rates in the South and East, particularly the latter, is excessive and is greater than is warranted by the differences in average costs and average freight rate levels."

Elsewhere we have discussed the question of probative value of a comparison of rates in determining the reasonableness of the rates in question and pointed out that it has been held that the weight to be given to such evidence is for the Commission. Certainly where, as here, a showing that the rates are higher than all other similar rates maintained in all other territories and maintained by the offending carriers in their own territory, constitutes substantial evidence to any reasonable mind that such rates are unreasonably high. When it is further shown, as here, that the difference in rates is not justified by the cost of the service the evidence is not only substantial, but, as we submit, conclusive. In numerous cases this Court has held that evidence showing rates to be unreasonable in comparison with other rates constitutes sufficient evidence to uphold an order of the Commission condemning such rates as unreasonable and requiring them to be reduced. One of the leading cases on this subject is that of the *Virginian Ry.* v. *United States,* 272 U. S. 658. The court there said (665):

> "The Virginian contends that the evidence before the Commission does not support its finding that the rates on coal from the Virginian's mines via the Chesapeake & Ohio are unreasonable to the extent that they exceed the New River district rates maintained by the latter carrier from mines on its own and connecting lines having no other outlet to the western markets. The argument is that these rates cannot be considered standards of reasonableness because, as the Commission declared in the present controversy, they are 'the outcome of competitive strain and stress through long periods of development,' and, as it had stated in an earlier case, they have been made 'in practical, if not absolute disregard of distance, and all transportation conditions that ordinarily are taken into consideration in the making of rates,' and 'are below the level at which maximum reasonable rates might be maintained.' *Re* Bituminous Coal to C. F. A. Territory, 46 Inters. Com. Rep. 66, 122, 145. The finding of reasonableness, like that of undue prejudice, is a determination of a fact by a tribunal 'informed by experience.' Illinois C. R. Co. v. Interstate Commerce Commission, 206 U. S. 441, 454, 51 L. ed. 1128, 1133, 27 Sup. Ct. Rep. 700."

The Commission found (Original Report, 696, R. 311):

> "Considerations of costs of service, consists of the traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates justify the conclusion that the class rates within southern, southwestern and western trunkline territories, and between those territories and official territory are unjust and unreasonable, and that the class rates to official territory from the other territories are unduly prejudicial to such other territories and unduly preferential of official territory."

Thus it appears that the Commission considered all relevant factors and applying the established standards of rate making found that the class rates here under discussion were unjust and unreasonable and ordered them reduced by 10%. As held by the court below, these findings were based upon ample evidence as to all of the factors considered. It is also to be remembered that after the 10% reduction ordered by the Commission is made effective the class rates in Southwestern and Western Trunk Line territory and between those territories and other territories will still be the highest class rates in the United States east of the Rocky Mountains.

THE ALLEGATION OF THE WESTERN RAILROADS THAT THE RATES PRESCRIBED BY THE ORDER ARE SHOWN TO BE CONFISCATORY BY THE COMMISSION'S COST STUDIES AND ON THE FACE OF THE REPORTS AND ORDERS.

The Southern States, on whose behalf this brief is filed, have no direct interest in this question but inasmuch as it is argued that the order here is indivisable, we feel that we cannot wholly ignore the charge although it will be fully discussed and met by counsel for the Government and for the Western States.

In the original petition of the western carriers (No. 345) it is alleged in paragraph XIX, page 17 (R. 846), that:

> "The cost studies offered in evidence by the Commission and upon which the Commission relied in ordering a reduction of plaintiffs' rates, show that the *ad interim* class rates prescribed by the Commission for Western Territory are so low that they will fail to compensate plaintiffs for transporting traffic moving on such class rates."

After reciting certain findings of the Commission with reference to less-than-carload traffic the paragraph proceeds to allege (p. 18; R. 847):

> "It is thus established on the face of the reports and orders that enforcement of the Commission's orders requiring reduction of the intraterritorial class rates in Western Trunk-Line Territory and Southwestern Territory and interterritorial class rates between points within these

> territories and between points in these territories and points in Official Territory and Southern Territory to the *ad interim* basis prescribed by the Commission would result in taking from your petitioners their property without just compensation and without due process of law in violation of the Fifth Amendment to the Constitution of the United States."

It will be seen that there is no direct allegation that the rates prescribed are in fact confiscatory but only that they are shown to be by "the cost studies offered in evidence by the Commission" and that confiscation is established "on the face of the reports and orders." Nor does the prayer of the petition ask the court to find that the rates prescribed are confiscatory. It thus appears that the sole reliance is upon the cost study introduced by the Commission's staff and the reports and orders of the Commission. This being true, there can be no ground upon which appellants can offer additional evidence, especially since they made no request to offer additional evidence before the Commission. In their petition for "reopening, reargument and reconsideration," filed with the Commission after the entry of the order here under attack, appellants not only did not request an opportunity to introduce evidence on the question of confiscation but, on the contrary, expressly stated, on page 114 of their petition (R. 12681):

> "There is no necessity for a rehearing in this proceeding as long as the issues are restricted to the territory originally involved; this for the rea-

son that the record as made by respondent carriers in the Western District was as complete as it was possible to present."

This was said when the appellants had full knowledge and notice of the provisions of the order and the effect thereof. Inasmuch as the evidence upon which petitioners now rely was before the Commisison and considered by it, the rule of administrative finality applies.

It is not true that it appears from the cost studies offered in evidence by the Commission or from the Commission's reports that the class rates prescribed for Western territory and between that territory and other territories are confiscatory. The Commission found that:

> "* * * Such an analysis unmistakably reveals the fact that less-than-carload traffic generally in all the territories is not bearing its proper share of the costs of transportation—in fact, excluding wartime loading, it is not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight" (p. 697; R. 312).

The finding of the Commission, to which the petition refers, was with reference to *all* less-than-carload traffic and not with reference to such less-than-carload traffic as moves on class rates. Based on an analysis of less-than-carload traffic for the week of September

8-14, 1939, the ratio of less-than-carload traffic moving on commodity rates to total less-than-carload traffic in Western territory was 40% (Report 569; R. 184). It is well known that the commodity rates are lower than the class rates and, in fact, commodity rates are established for the purpose of taking the commodity out of the classification and establishing lower rates thereon. It is this 40% of the less than carload traffic that pulls the earnings down and inasmuch as the Commission was dealing with all less-than-carload traffic in the statement referred to, it cannot be said that the Commission found that the less than carload traffic moving on class rates failed to produce its full share of revenue for the carriers.

The Commission in its supplemental report of October 30, 1945 (p. 65; R. 471), pointed out that the cost data on less-than-carload traffic includes all of such traffic while much of it moves on rates that are lower than the prescribed class rates. The Commission said (R. 471):

> "The cost data on less-than-carload traffic relate to such traffic as a whole and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception rates and commodity rates. Obviously, the class-rate traffic bears the highest rates. Consequently, even if under present conditions less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such result is due in a large measure to the maintenance of exception and com-

> modity rates. In any event, data based only on averages for all this traffic do not necessarily demonstrate the impropriety of reductions in the highest level of rates. Even as to class rates on less-than-carload traffic, the record shows that in western trunk-line and southwestern territories many intrastate class rates and interstate class rates are maintained which are lower than the corresponding reduced interstate class rates required by our interim order."

While the broad allegation is made that the cost studies and the Commission's report show that the class rates are confiscatory, yet the only reference to the Commission's report is that part dealing with less-than-carload traffic. This less-than-carload traffic constitutes a very small part of the traffic of the western railroads. A table on page 611 of the report (R. 226) shows that in the western district all less-than-carload traffic constituted only 1.51% of the total traffic and 40% of this traffic moves on commodity rates that are not affected by the order of the Commission. The Commission made no finding that carload traffic moving on class rates fails to return full cost, including return on investment. It is shown that the contribution in excess of out-of-pocket costs of carload traffic designated as "manufacturers and miscellaneous" is 55.7% in the Western district, which is a much greater contribution than that made by any other group of commodities (Report 612; R. 227). When it is remembered that practically all traffic moving at class rates is in this group and that such traffic in the group as does not move at class rates moves at rates lower than class rates, it necessarily follows that the carload traffic that does move at class rates is highly profitable.

We therefore submit that it is not true that it appears on the face of the cost studies and from the Commission's reports that the traffic moving on class rates in Western territory fails to yield full cost or is confiscatory. On the contrary, it appears that the class traffic is the most profitable traffic handled by the western railroads.

The allegation here is in direct conflict with the allegation in paragraph XI, page 9 (R. 839), that "there was no evidence as to the cost of transporting carload class rate freight in any territory or between any territories."

COLLATERAL QUESTIONS RAISED BY APPELLANTS.

In the foregoing pages we have discussed what we consider the only questions which are presented for the court's determination. These questions are:

(a) Whether the findings of the Commission that existing rates are unlawful is supported by substantial evidence,

(b) whether having made such findings, the Commission was authorized to enter the order here under attack, and

(c) whether the Commission misinterpreted or misapplied the law.

There are, however, numerous collateral questions raised, which, in fact, constitute a major portion of the petitions. While we do not think that these matters could possibly control the court's decision herein, yet we deem it necessary to discuss them lest our failure to do so be construed as an admission that the charges made are either true or within the province of the court to consider.

IT IS NOT TRUE THAT RATES ON RAW MATERIALS ARE SHOWN TO BE LOWER IN THE SOUTH AND WEST THAN IN OFFICIAL TERRITORY.

The allegation in the petition in No. 343 that the rates on raw materials and low-grade freight are relatively lower in Southern territory than in Official territory and that if the orders of the Commission are not annulled the citizens and communities on whose behalf plaintiffs bring this action will be discriminated against and will suffer great and irreparable injury by being required to pay increased class rates for transportation of manufactured articles on a parity with the reduced class rates within the South and West, while at the same time they will be required to continue to pay substantially higher transportation charges for the transportation of their raw materials and other low-grade freight than the transportation charges paid by their southern competitors, is contrary to the evidence and the conclusions of the Commission based upon the evidence.

In the first place, as has already been pointed out, the increased class rates in Official territory will still be substantially lower than the reduced class rates in the South and West and between the territories. In the second place, it has not been shown that rates on raw materials are generally lower in the South and West than in Official territory.

Raw materials and low-grade freight usually move on commodity rates that involve different characteristics from the class rates and are not in issue in this proceeding. As stated by the Commission, there was no comprehensive showing in this proceeding as to the general level of commodity or raw material rates in the South as compared with those in Official territory.

It is need[illegible] to say that the few commodity rates referred to in the report are not representative of the commodity rate levels generally and this was stated by the Commission at page 600 of the report (R. 215),

> "At the oral argument it was contended that the comparisons of commodity rates just made indicate that the general level of rates on industrial raw materials in the South is low in comparison with that on similar traffic in official territory, and that the disadvantage to the South resulting from higher rates on manufactured articles is thereby offset. However, the record does not reveal the relative average levels of the rates on raw materials generally in the two territories. It will be noted also that a number of the low commodity rates in the south apply on commodities that cannot be classed as industrial raw materials, such as brick, fertilizer, and sand and gravel."

The commodity rates being constructed on so many varying conditions and circumstances to meet special situations often for short hauls, it is difficult to determine the level. Also the commodity rates are so numerous and unrelated that it is practically impossible to make an adequate study of the levels.

Commodity rates are usually unrelated to class rates and same are characterized by extensive grouping of origins, or destinations, or both. Differential relationships and other competitive adjustments frequently characterize commodity rate structures. Such rates are usually localized and reflect local transportation and competitive conditions more than is practicable with class rates. In numerous cases the Commission has refused to prescribe a uniform basis of commodity rates because the movement is highly localized. In *Hay Rates Within Western District* (1933), 195 I. C. C. 461, the Commission refused to prescribe a uniform basis of rates on hay in Western District because the movement was localized and the rates had been adjusted to varying local conditions. It should be noted that many of the existing commodity rate structures prescribed by the Commission have been the result of comprehensive investigations involving such rates but only the rates on a given commodity and not general commodity rate levels. As elsewhere shown in this brief, the Commission has never in any of the numerous class rate investigations leading up to this proceeding, considered or dealt with commodity rates, or exceptions.

On the limited commodities referred to in the report the rates are generally the same or lower in the South than in Official territory. A study by the Board of Investigation and Research of seventeen similar commodities showed that the rates studied were higher in the South than in the North. The Board concluded, however, that the sample was too limited to reflect the levels (H. D. 303—78th Congress, 1st Session).

It is of significance, however, the rates on commodities based on exception and column rates are higher in the South than the eastern rate scales as stated by the Commission at page 696 (R. 311), viz.:

> "One of the principal contentions of southern and western respondents, and of certain industrial interests, is that * * * many of the exception and column rates in the South and West are higher than the eastern level of class rates."

That rates, other than class rates, are generally higher in the South than in the East would seem to be established by the fact that the general level of freight revenues are from 3 to 5 per cent higher in the South than in the East, a fact established by the testimony of Dr. Edwards (Ex. 196, pp. 13 and 14; R. 11367). This higher level of freight revenues cannot be accounted for entirely by the higher class rates since only 1.8 per cent of the total traffic within the South moves on such rates and it therefore follows that, instead of the commodity and exception rates in the South being on a lower level than in the East they are actually on a higher level.

THERE IS NO MERIT IN THE CONTENTION THAT THE ORDER IS INVALID BECAUSE BASED UPON A "STALE" RECORD.

The petitions allege that the order is invalid because based upon evidence which "related to transportation, industrial and commercial conditions in 1939, and during the early war years, and the findings, especially the important findings as to cost, revenues and traffic, purported to relate to the early war years, whereas, as the findings themselves indicate and as the court should judicially recognize, conditions after the war are likely to be greatly different, so that there is no evidence as to what conditions will be when the order, by its terms, is to take effect."

In the first place, it is to be noted that evidence in the case was taken in public hearings as late as April, 1943, and by stipulation the Commission had before it and considered the financial reports of the railroads up to the date of the decision (original report of Commission, page 705; R. 320). It would be impossible in a case of this magnitude to have a more current record than that on which the Commission based its decision. As to the plea that the order should be set aside because the court should judicially recognize that conditions after the war are likely to be greatly different and that there is no evidence as to what conditions will be when the order by its terms is to take effect, it may be said that if this plea be sustained, then the Interstate Commerce Act is suspended and the Interstate Commerce Commission must abdicate until such time as it can be determined what conditions will obtain after the war. The Commission has found that there will be greater necessity for a parity of class rates during the reconversion period after the war than in normal times.

As to the interim order, which is the only matter before the Court, the Commission specifically stated, at page 703 (R. 318):

> "This finding is based upon the peculiar circumstances of the present time, largely the result of the war, and because time will be needed to effectuate a classification revision and application of a scale or scales of class rates as our findings in part I and part II hereof contemplate."

As set forth in the petitions the matter of further hearings was urged upon the Commission by numerous petitions after its decision and further hearings were denied. The matter of rehearings is one of discretion and the discretion to be invoked is that of the body making the order.

Only once in the history of administrative law has this Court reversed an order of the Commission denying a rehearing on the contention that the record was "stale" and that was in the case of *Atchison, T. & S. F. R. Co.* v. *United States,* 284 U. S. 248. That was an unusual situation because since the record had been closed there had been one of the greatest financial crashes in the history of the country and the revenues of the carriers had been greatly depleted and their credit impaired. However, in the case of *Interstate Commerce Com.* v. *Jersey City,* 322 U. S. 503, this

Court, in an exhaustive opinion, discussed very fully the question of granting rehearings because of a stale record and distinguished the *Atchison T. & S. F. R. Co. case.* As we think that opinion constitutes a complete answer to the plea here and we quote from it rather fully, as follows (pp. 514-515):

> "The Price Administrator's contention is that this record is 'stale' and that a fresh record is important. One of the grounds of resistance to administrative orders throughout federal experience with the administrative process has been the claims of private litigants to be entitled to rehearings to bring the record up to date and meanwhile to stall the enforcement of the administrative order. Administrative consideration of evidence—particularly where the evidence is taken by an examiner, his report submitted to the parties, and a hearing held on their exceptions to it—always creates a gap between the time the record is closed and the time the administrative decision is promulgated. This is especially true if the issues are difficult, the evidence intricate, and the consideration of the case deliberate and careful. If upon the coming down of the order litigants might demand rehearings as a matter of law because some new circumstance has arisen, some new trend has been observed, or some new fact discovered, there would be little hope that the administrative process could ever be consummated in an order that would not be subject to reopening. It has been almost a rule of necessity that rehearings were not matters of right, but were pleas to discretion. And likewise it has been considered that the dis-

cretion to be invoked was that of the body making the order, and not that of a reviewing body.

"Only once in the history of administrative law has this court reversed a Commission for refusing to grant a rehearing on the contention that the record was 'stale.' In Atchison, T. & S. F. R. Co. v. United States, 284 U. S. 248, 76 L. ed. 273, 52 S. Ct. 146, this court held that because of changed conditions the Interstate Commerce Commission abused its discretion in denying a rehearing. The record in that case was closed in September 1928. In February 1931, the railroads petitioned for rehearing and 'pointed out the grave reductions, in traffic and earnings, from which they were suffering, that their net operating income for 1930 was over $100,000,000 less than their average annual net operating income for the five years preceding, and that their credit was seriously impaired. At the time of this petition, the order * * * had not yet become effective, but the Commission stood upon the record of 1928 and, without reopening the proceeding or taking further evidence, provided that its order should become effective on June 1, 1931.' This, it was held, 'was not within the permitted range of the Commission's discretion, but was a denial of right.' 284 U. S. 248, 261, 262, 76 L. Ed. 273, 281, 282, 52 S. Ct. 146.

"The Court, however, promptly restricted that decision to its special facts. United States v. Northern P. R. Co., 288 U. S. 490, 77 L. ed. 914, 53 S. Ct. 406, and it stands virtually alone. In Baltimore & O. R. Co. v. United States, 298 U. S. 349, 389, 80 L. ed. 1209, 1234, 56 S. Ct. 797, Mr. Justice Brandeis, concurring, said, 'The Atchison

> T. & S. F. R. Co. case rests upon its exceptional facts. It is apparently the only instance in which this Court has interfered with the exercise of the Commission's discretion in granting, or refusing, to reopen a hearing.' "

The opinion proceeds to discuss many other cases in all of which the court denied the plea that the order should be set aside because the administrative tribunal declined to reopen the case for further hearing.

The District Court considered the contention here that the Commission erred in declining to reopen the proceedings to receive additional evidence and disposed of it in the following language (p. 875; R. 1438):

> "The denial by the Commission of the application to reopen the proceedings and receive additional evidence especially as to conditions subsequent to 1939 was not an abuse of its discretion. It is inevitable in such matters that an order by the Commission cannot be based on strictly up-to-the-minute proof. There must be unusual circumstances, not here present, to justify the reversal of an order such as this on the ground that it was based on a stale record. Interstate Commerce Commission v. City of Jersey City, 322 U. S. 503, 64 S. Ct. 1129, 88 L. ed. 1420. But see, Atchison, T. & S. F. R. v. United States, 284 U. S. 248, 52 S. Ct. 146, 76 L. ed. 273 as limited by United States v. Northern Pacific R., 288 U. S. 490, 53 S. Ct. 406, 77 L. ed. 914."

THE COMMISSION DID NOT ACT ARBITRARILY IN EXCLUDING THE POCAHONTAS LINES IN ARRIVING AT AVERAGE COST OF TRANSPORTATION.

It is urged that the Commission acted arbitrarily in excluding the cost of the Pocahontas Lines in arriving at relative average cost as between Official and Southern territories and that had the cost of the Pocahontas Lines been included in arriving at the average cost in Official territory the average cost in that territory would have been less than in Southern territory. Apparently the statement is based on a cost comparison by the southern carriers applying the territorial consist of the traffic for the 10-year period, 1930-39. A restatement of the 1930-39 computation by Dr. Edwards to remove deficiencies shows that the costs for the South to be approximately 1 or 2 per cent below those for the East, excluding the Pocahontas territory. The costs for the South were 6 to 8 per cent higher than the costs for the East, including the Pocahontas region. The eastern carriers introduced the same type of comparisons based on the five years, 1937-41. The costs for the South were found to be approximately the same as those for the East, *including* the Pocahontas region (582; R. 197). It is needless to say that the period 1937-41 is more representative of future conditions than the period 1930-39 including the depression years and for this period the inclusion of the Pocahontas territory is immaterial as the cost in the South is as low or lower than in the East, including the Pocahontas territory.

However, there is sound reason for considering the Pocahontas region separately from the other regions and not including it for cost purposes in any of the territories. While the Pocahontas Lines are included in Official territory in so far as the level of class rates is concerned, yet they are geographically in Southern territory and for many years the statistics of those lines in the Commission's Statistical Bureau have been included in the Southern district. Dr. Edwards, who prepared and submitted the cost studies, made the following statement as to his reasons for treating the Pocahontas Lines as he did (Ex. 196, page 110; R. 11367):

> "The Pocahontas lines were separated because their costs and the consist of their traffic are very different from that for the remainder of the East, approximately 84% of their traffic consisting of coal as measured by their tons forwarded or by revenue net ton-miles. In doing this I was influenced by the Commission's decision in General Commodity Rate Increases, 1937 (*Ex Parte* No. 115) (223 I. C. C. 657), where it stated that the sole justification for increasing the bituminous coal rates for the Pocahontas Lines lies in the needs of the other railroads. If the cost study had not separated the Pocahontas lines from the remaining lines in the East the 'needs of the other railroads' could not be set forth separately for the Commission's consideration. The cost scales introduced in this record show the costs for the East both including and excluding the Pocahontas Territory in addition to a separate

showing of the Pocahontas costs. Thus all possible bases for comparison are of record."

In the Commission's report it sets forth the comparisons of costs under various combinations in some of which the Pocahontas Lines are included in Official territory and others in which they are excluded and in no place does the Commission hold how the Pocahontas Lines, due to their peculiar location and transportation characteristics, are to be treated, and as to whether they are to be included in the one territory or the other in arriving at average territorial cost, or should be excluded from both territories. Surely this court will not undertake to substitute its judgment for that of the Commission as to how the railroads should be grouped for the purpose of arriving at average relative costs. If determination of such questions as this by the Commission are subject to review by the courts and if the court may substitute its judgment or conclusions for that of the Commission then the court may try the case *de novo* and surely it will not be contended that the court has any such authority.

THERE IS NO REASON FOR THE COMMISSION TREATING COMMODITY AND RAW MATERIAL RATINGS AT THE SAME TIME THAT IT PRESCRIBES CLASS RATES.

The argument is here made that because the investigation of the Commission and the order resulting therefrom deals with class rates only the order should be set aside until such time as the Commission may deal with commodity and raw material rates. There is no merit in this contention because the Commission has always dealt with class rates separately and there are sound reasons for so doing. In the first place, class rates are, and almost from the beginning of transportation by railroad have been, made on mileage scales whereas commodity rates are made to meet special circumstances and are seldom if ever on a mileage basis. In view of the manner in which commodity rates are made and the purpose which they serve it would be impossible to deal with the level of commodity rates on a territory-wide basis and the Commission has never in its history undertaken to so treat them.

Elsewhere we have discussed the previous Class Rate Cases in which the Commission prescribed uniform class rates for application throughout the several territories. In none of these cases did the Commission deal with commodity rates nor rates on raw materials and there is no more reason for them doing so in this case. So far as appears neither in those cases nor in the instant case did any one make any request that the Commission deal with commodity or raw material rates. Appellants here urged that the class rates in the South should be on a higher level because of the unproven claim that raw material rates were lower in the South than in the North, but at no time did they request an investigation into such rates. If such an investigation is desired, appellants should make application, pursuant to Section 5(b) of the Transportation Act of 1940, to the Interstate Commerce Commission to institute same. No such application has been made either in the course of this proceeding or independently and appellants should not now be heard to contend that the class rates here prescribed should await an investigation of the commodity rates or rates on raw materials.

THE FACT THAT THE COMMISSION HAD PREVIOUSLY PRESCRIBED CLASS RATES IN THE SEVERAL TERRITORIES HAS NO BEARING ON THE VALIDITY OF THE ORDERS HERE.

Counsel for appellants continuously harp upon the fact that in previous decisions the Commission had prescribed class rates in the several territories and they contend that the rates here prescribed, being different from those previously prescribed, cannot be sustained because there is no showing as to change in conditions.

It would seem unnecessary to discuss this subject inasmuch as this court has repeatedly held that whether or not a decision of the Commission, under attack, is consistent with its previous decisions is a matter beyond the province of the courts. *Virginian R. Co.* v. *United States,* 272 U. S. 658. However, since the decision here is clearly not in conflict with previous decisions, we think the Commission should be defended against this charge of inconsistency.

In each of the previous cases, the Commission had before it only the rates to a given territroy, while here it had under investigation not only the rates in all of the territories, but the rates between such territories. The Comission points out that the difference in level which resulted from its previous decisions created an incongruous situation and prevented the interterritorial rates from being properly harmonized with intraterritorial rate structures. Moreover, there had been many changes in transportation conditions, in the movement of traffic, the revenues of the carriers and other proper considerations since the decisions in the Territorial Class Rate Cases. Most important of all, the Commission had before it the record which enabled it to judge results in the actual operation of the rates previously prescribed for intraterritorial application. The Commission sums up the situation in its original report (p 688) as follows (R 303):

> "The record also affords us an opportunity to analyze and appraise the functioning over a period of more than 12 years of different territorial class-rate structures. It enables us also to compare the results of such a test one with another, to check such results with the purposes intended to be accomplished when these rate structures were prescribed, and on the whole to translate into our conclusions all the lessons thus learned by experience."

THE RELIANCE OF APPELLANTS IN No. 343 ON THE DISSENTING OPINIONS IS NOT JUSTIFIED.

Counsel for appellants in No. 343 relies upon and quotes from the dissenting opinions at considerable length (pages 18-20 of appellant's brief in No. 343). In the first place, it should be pointed out that all the Commissioners, save one, found that the existing rates were unlawful and agreed substantially to the interim order here involved. The only Commissioner who failed to agree that existing rates were unlawful was a new appointee to the Commission who had not participated in any of the hearings or heard the oral argument.

This court has held that "The legal effect of a challenged report and order is the same as if supported by all members of the Commission." *Baltimore & O. R. Co.* v. *United States,* 298 U. S. 349, 362. In so far as the dissenting opinions reach different conclusions on the facts of record than those reached by the majority they are not open to be considered by the court. This was expressly held in the case of *Interstate Commerce Com.* v. *Delaware and L. W. R. Co.,* 220 U. S. 235, where the court said (p. 251):

> "As shown by the opinion of the Commission and that of the two members who dissented, there were many and wide differences in the views expressed. On their face, however, when ultimately reduced, they will be found, in so far as they are here susceptible of review, to rest on but a single legal proposition; that is, the right of a common carrier to make the ownership of goods tendered to him for carriage the test of his duty to receive and carry; or, what is equivalent thereto, the right of a carrier to make the ownership of goods the criterion by which his charge for carriage is to be measured. We say the contentions all reduce themselves to be measured. We say the contentions all reduce themselves to this, because in their final analysis all the other differences, in so far as they do not rest upon the legal proposition just stated, are based upon conclusions of fact as to

which the judgment of the Commission is not susceptible of review by the courts. Baltimore & O. R. Co. v. United States, *ex rel Pitcairn,* 215 U. S. 481, 54 L. Ed. 292, 30 Sup. Ct. Rep. 164. This at once demonstrates the error committed by the lower court in basing its decree annulling the order of the Commission upon its approval and adoption of the reasons stated in the opinion of the dissenting members of the Commission. This follows, since the reasons given by the dissenting members, except in so far as they rested upon the legal proposition we have just stated, proceeded upon premises of fact, which, however cogent they may have been as a matter of original consideration, were not open to be so considered by the court, because they were foreclosed by the opinion of the Commission."

Here much reliance is had upon the dissenting opinion of Commissioner Porter; but we wish to point out that notwithstanding the criticism by Commissioner Porter of the findings by the majority, yet his conclusion was that existing rates were unlawful and that the record justified action that would increase the rates in Official territory and go much further towards bringing about a parity of rates as between the South and Official territory than does the interim order of the majority, which is here under attack. We call attention to the following statement by Commissioner Porter as to the adjustment which he considers justified by the record (p. 723):

"I would find that the present class rates in official territory, other than in New England and in Michigan Zone C, are below a maximum reasonable level by about 6 per cent, and that the existing class rates in the South and the West here in issue are unreasonable, (a) intraterritorially, to the extent that they exceed or may exceed the official territory rates as so increased by more than 10 percent in the southern region, except the Florida peninsula, and in western trunk-line Zone 1, and by more than 21 percent in western trunk-line zones II and III, in the Southwest, and in the Florida peninsula; and (b) interterritorially, between all territories, to the extent that they exceed or may exceed the resulting destination territory basis in each instance."

Thus Commissioner Porter would reduce the rates within the South by a much greater percentage than the 10% directed in the Commission's order and would raise the rates in Official territory, although not by as great a percentage as that contained in the order. He would also reduce the interterritorial rates between Official territory and the South by a greater percentage than prescribed in the order. He would make the rates from the South to the North on the basis of the Official territory rates, increased by 6%, and this would, of course, result in a much greater reduction than by reducing the present rates from the South to the North by 10%. Likewise he would reduce the rates from the North to the South by a percentage much greater than 10% because he would make such rates on the same basis as his proposed rates within the South, which, as we have seen, would be much lower than the present rates from the North to the South reduced by 10%.

It therefore follows that the criticisms in the dissenting opinion of Commissioner Porter are not directed at the interim adjustment prescribed by the Commission in so far as it prescribes rates within the South and Official territory and between those territories because, as matter of fact, Commissioner Porter finds that on the record the South is entitled to a very much better adjustment than that so prescribed. True, he would increase the rates in the North 6% instead of 10%, but he would find present rates in the North below a maximum reasonable level.

What has been said as to the South is likewise true as to the West, because the rates in the West and between the West and other territories will be higher under the interim adjustment than they would be under Commissioner Porter's suggested finding. Thus if the record supports his various conclusions, it must support the conclusions of the majority in principle if not in exact rates prescribed.

THE CHARGE THAT THE COMMISSION WAS INFLUENCED BY THE PENDENCY OF VARIOUS BILLS IN CONGRESS AND BY POLITICAL AND OTHER FACTORS CONSTITUTES A WHOLLY UNWARRANTED ATTACK UPON THE INTEGRITY OF THE COMMISSION.

Counsel for the States of New York, Delaware, *et al.*, appellants in No. 343, has seen fit to reiterate in his brief before this court the charge made in his original petition and urged upon the court below that the orders here are invalid because "they reflect the influence of various bills which had been introduced in

Congress and of political and other factors which the Commission could not properly consider, and their enforcement would therefore be a denial of the fair hearing required by the Interstate Commerce Act (R. 50).

No other counsel has joined in this charge and the counsel making it states, on page 28 of his brief, that appellants "* * * hope that the sectional aspects of this litigation may be ignored lest they tend to obscure the more fundamental and far-reaching features of the proceeding. * * *"

The query naturally arises as to why counsel has seen fit to drag these charges before the court if he hopes that they may be ignored. There is no justification on the record for this attack upon the Commission and the only justification offered is a recital of matters extraneous to the record. It is stated that several bills had been introduced in Congress by representatives of the Southern States, which bills, if enacted, would deprive the Commission of jurisdiction to prescribe class rates on the basis of evidence and would require that class rates be established on uniform level regardless of the facts of the transportation involved. Counsel does not state the fact, which was well known to him, that the Southern Governors Conference consistently opposed the passage of any such bills and insisted throughout that it was the duty of the Interstate Commerce Commission to remove the discrimination in class rates shown to exist and that the exiting Act of Congress gave it ample authority so to do. Counsel states that the atmosphere created by the pendency of these bills "was described by the late Commissioner Eastman in his dissenting opinion in a companion proceeding brought by the Governors of the Southern States, *States of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255," and quotes from that dissenting opinion. He fails to state that the dissenting opinion was rendered on November 22, 1939, nearly six years prior to the decision of the Commission in the case at bar and that the atmosphere there described had in the meantime resulted in the enactment of the Transportation Act of 1940.

It is true that shippers and receivers of freight and the public generally in the South and west have long felt that the class rate adjustment subjected them and their sections to undue and unjust discrimination and that this widespread feeling had resulted, as such feeling alwyas does, in the introduction of numerous bills in Congress by the representatives of those sections of the country. The Southern States and the Southern Governors Conference have never supported any of such bills except the amendments to Section 3 of the Interstate Commerce Act, adopted in 1940, which made it clear that the Commission was empowered to remove discrimination not only against individuals and communities, but also against "region, district, territory." When the Commission undertakes to give effect to this Act of Congress it is charged with being influenced by political factors and thereby denying the fair hearing required by the Interstate Commerce Act.

The truth is that appellants, whose counsel makes this charge, have for many years enjoyed special privileges and been the beneficiary of discriminatory freight rates and those who have been injured by this situation have been desperately trying to have it corrected. Now that appellants see these privileges and preferences beginning to be taken away from them by the agency authorized by Congress so to do, they cry "politics," and as a last desperate measure rush to the courts in the hope that they may delay, if they cannot stop, the onward sweep of justice. Throughout our history this has always been the course of entrenched privilege. One has only to read the decisions of this court to find that this last desparate recourse has seldom, if ever, succeeded.

In *American Trucking Assn.* v. *U. S.*, 56 Fed. Supp. 394, counsel in their brief, though not in the pleadings, used such phrases as "truly the Commission's generosity to the railroads knows no bounds" and "the hearings which the Commission now holds on any railroad application for motor carrier rights are a farce."

In commenting on these statements the court said, at page 400:

> "We find nothing in this record (or, for that matter, in the history of the Commission) that would justify such unrestrained language about an administrative body of rather unusual age and somewhat exceptional distinction. The language, we think, adds nothing to either the strength of the case of the plaintiffs or to the credit of their counsel."

We think it can be here said with equal truth that this allegation "adds nothing to either the strength of the case of the plaintiffs or to the credit of their counsel."

THE ORDER HERE UNDER REVIEW HAS NOT BEEN "VITIATED" OR "RENDERED OBSOLETE" BY THE ACTION OF THE COMMISSION IN EX PARTE 162.

Counsel for appellants in Nos. 343 and 344 now argue that the interim order of the Commission has been "vitiated" or "rendered obsolete" by the action of the Commission in a proceeding known as *Ex Parte* 162, wherein the Commission authorized, but did not prescribe, certain general increases in rates. This point is not made by counsel for the western railroads, appellants in No. 345, probably because such counsel knows that in the proceeding referred to counsel for all of the railroads in the United States, including the western railroads, urged upon the Commission that the granting of increases there requested would not in any way affect the order of the Commission involved in these proceedings.

In its original report in Ex Parte 162, dated June 20, 1946, the Commission dealt with the effect upon the order here in question of the granting of the proposed increases, as follows (sheet 12):

> "*Class Rates.* In initial publication all existing class rates would be increased 25 per cent. Thereafter, the existing relations of lower classes to first class would be restored by tariff amendment. The proposal contemplates that the present class rates, if subsequently revised as required by orders now outstanding but that are not presently effective, would be increased by 25% of the amounts prescribed in such orders instead of that percentage upon the class rates now applicable.

"Specifically, the petitioning class I railroads do not propose to change in this proceeding the relation between the class rates within and between the several territories prescribed by us in Class Rate Investigation, 1939, 262 I. C. C. 447, 264 I. C. C. 41. By proceedings brought under the Urgent Deficiencies Act, 1913, in the United States District Court for the Northern District of New York, nine States in official territory brought suit to annul our order in that proceeding, and to stay all attempts by us to enforce it. In this they were joined by railroads in western territory as interveners. A temporary restraining order was granted and was in effect at the time of the hearing in this proceeding. While the hearing was in progress before us, the District Court announced its decision, which sustained our order in the *Class Rate Investigation, 1939,* and adopted our findings of fact in the reports cited as its own. The decree was not entered in the District Court until May 27, 1946, and when entered continued the stay of our order for sixty days, conditioned upon an appeal being taken within that period to the Supreme Court of the United States, and if the case was so appealed, until determination thereof by the Supreme Court. From this provision of the decree of dismissal of the suit, the United States, the Commission, and other interveners perfected an appeal directly to the Supreme Court of the United States, and moved-unsuccessfully—for a dissolution of the stay ordered by the District Court.

"In this situation, only partially developed at the time of the hearing in this proceeding, the petitioners herein suggest that the 25 percent increase sought should be applied to the class rates

> in effect at the time our order is entered based upon the hearing, conditioned that if and when the order in the class rate proceeding becomes effective, the same percentage increase shall apply to the class rates prescribed in that case."

It will thus be seen that the proposal was to make the increases requested based on existing rates, but that if the order here in question was sustained and became effective that the changes in the then existing rates required by the order would be made and the increases, which might be authorized, would be appleid to the rates resulting from making the order effective. It is said, however, that the rates to which the increases applied are no longer in existence. This, however, is not true because the rates which the Commission had before it in the proceeding here involved are still published rates to which the authorized increases have been applied by master tariffs, which provide that the existing rates are increased by the percentage authorized. It would be a perfectly simple matter for the railroads to change the rates that were in effect when the findings in *Ex Parte* 162 were made so as to give effect to the order here and then add the increases authorized by the findings in *Ex Parte* 162.

Not only did the Commission set forth the situation, as above quoted, but in its ultimate findings on sheet 48, finding 13, it provided:

> "13. Appropriate orders for relief under sections 4(1), 6, 217, 306, and 405 of the act will be entered; except as specified in the following sentence of this finding our outstanding orders will

> be modified accordingly, and these proceedings are both continued on our docket. As the effectiveness of our orders in *Class Rate Investigation, 1939,* Docket No. 28300, is now stayed and enjoined, we do not hereby in any manner suspend or supersede, or modify or affect the findings and order entered in that proceeding."

Again, in its final report in *Ex Parte* 162, of December 5, 1946, the Commission was careful to provide, sheet 65, finding 20:

> "20. Appropriate orders for relief under sections 4(1), 6, 217, 306, and 405 of the Interstate Commerce Act will be entered; except as specified in the following sentence of this finding our outstanding orders will be modified accordingly. As the effectiveness of our order in *Class Rate Investigation, 1939,* docket 28300, is now stayed and enjoined, we do not hereby in any manner suspend or supersede, or modify or affect the findings and order entered in that proceeding."

The two preceding statements are a part of the finding and order set forth in Appendices B and C to the brief in No. 343, but they are not referred to in the body of either brief in which this point is raised.

Throughout the proceeding in *Ex Parte* 162 the Commission made it clear that the rates resulting from its interim order in this proceeding would, when they become effective, be the base on which would be established the increases authorized in *Ex Parte* 162.

As has already been stated, it would be a perfectly simple matter for the Commission to make its order, here involved, effective and apply to the rates resulting therefrom the increases which it authorized in *Ex Parte* 162. If this be not true, however, then why should counsel for appellants be concerned? If it be true, as they now claim, that it would be impossible to make the order here under review effective, then they have nothing to fear from it. However, knowing well that the order can and will be made effective they urge, not that the case is moot, but that the order, which they say is unenforceable, be set aside.

One of the arguments made is that the uniform scale set up by the Commission for ultimate application to the uniform classification, when same is adopted, would be outmoded because it would be lower than the rates resulting from the increases authorized. It is sufficient to again point out that the Commission made no order as to the ultimate adjustment and that matter is still within the control of the Commission and is not here under review.

It is also contended "that inasmuch as the ordered reduction in southern and western class rates was premised exclusively on a finding that those rates exceeded maximum reasonable class rates by 10%, it now being apparent from the Commission's subsequent action that those rates are in fact materially less than maximum reasonable class rates, the ordered reduction cannot stand and as the order is integral, the order as an entirety cannot stand." This argument overlooks the fact that the Commission, by its order here in question, found the class rates in the South and West to be unreasonably high and ordered them reduced and in *Ex Parte* 162 it simply authorized certain increases in the rates so reduced in order to take care of certain increased operating expenses, principally wages and rates of pay which were nationwide, and required an increase in all rates to produce the necessary revenue.

Ex Parte 162 was what is known as a "general revenue case," in which the Commission authorized certain increases to produce increased revenues on a nationwide scale, which were required to meet increased expenses. This is an entirely different character of proceeding from that which resulted in the order now under review since the latter proceeding was one to eliminate discriminations and unfairness in the rate adjustment. The distinction between the two characters of proceedings has been recognized by this court. In *Federal Power Commission v. Natural Gas Pipe Line Co.,* 315 U. S. at page 584, the court, speaking through Chief Justice Stone, said:

> "The establishment of a rate for a regulated industry often involves two steps of different character, one of which may appropriately precede the other. The first is the adjustment of the general revenue level to the demands of a fair return. The second is the adjustment of a rate schedule conforming to the level so as to eliminate discriminations and unfairness from its details."

This statement by the Chief Justice was quoted with approval in the opinion of the Court in *Interstate Commerce Commisison v. Jersey City,* 322 U. S., at page 517.

Here, in granting ~~the~~ nationwide increases the Commission took as the base the class rates which would result from the becoming effective of the order here involved. By reason of the interlocutory injunction restraining the order, which was designed to eliminate discrimination and unfairness, it was necessary to permit the authorization as to the general revenue level to become effective prior to the order removing discriminations and unfairness, but that no way affects the validity of the later order. In granting the nationwide increases the Commission took as the base class rates which would result from the becoming effective of the order here involved. Clearly the authorization made in *Ex Parte* 162 by the Commission would have been different had it been the purpose either of the Commission or of the railroads to add those increases without giving effect to the order here in question.

Counsel for appellants point out that if the order here is permitted to become effective and the increases authorized in *Ex Parte* 162 added to the rates thus arrived at, the resulting rates in Official territory will be 37½% over the rates in effect when the order was made in 1945, while the rates within the South and West will be increased only 8%. This is true, but it will leave the class rates in Official territory lower than the class rates in the other territories. For example, the first class rate in the South at the time of the order here was 137% of the first-class rate in Official territory, and assuming that the Official territory first-class rate was $1.00, the resulting rate would be $1.37½, whereas the southern rate of $1.37 will become $1.48.

Of course, the rates in the West will be even a greater amount in excess of the rates in Official territory and the result will be that the Official territory class rates *will continue to be the lowest class rates east of the Rocky Mountains.*

In view of the care which the Commission has taken to preserve the integrity of the orders, here in question, the claim that the Commission has permitted the orders to become obsolete is clearly without foundation, but, in any event, if the orders are valid, it should be left to the Commission to put them into effect.

THE ORDER IS DIVISIBLE.

We have shown that no one is here attacking that part of the order which requires a reduction of 10% in the rates within the South. We think that we have also demonstrated that the portion of the order which requires a reduction of 10% in the rates from the South to Official territory and an increase of 10% within Official territory is amply supported by the record and the law. Assuming these propositions to be established, can it be said that this court should enjoin and set aside the order as to them simply because the court might find that that portion of the order requiring a reduction in class rates in the West is invalid. While we insist that the portion of the order reducing class rates in the West is valid and have endeavored to so demonstrate, yet we contend that in order to sustain the validity of the order as it applies to the South and Official territory, it is not necessary to sustain the validity of the order as it applies to rates in the West. It would be a miscarriage of justice to deprive the South of the benefit of its long and arduous effort for a more favorable class rate adjustment simply because in the same proceeding a change ordered in class rates in the West is found to be unlawful. Should this court find the reduction ordered in class rates in the West cannot be sustained, it should set aside only so much of the order as requires such reduction, leaving the remainder of the order in full force and effect.

That the District Court considered the order divisible is shown by the fact that its order dismissing the petition of the western railroads was made "without prejudice to another suit to restrain the enforcement of said ad interim rates if they are found, after fair test, to be confiscatory." No such reservation was made as to the other petitions and it therefore follows that the court considered that the order could be set aside as to rates prescribed for the western lines while the remainder of the order continued in effect.

CONCLUSION.

For the reasons set forth herein, the judgment of the District Court should be affirmed.

Respectfully submitted,

J. V. Norman,
Attorney for Appellees,
Southern States and Southern
Governors Conference.

APPENDIX.

Section 1 of the Interstate Commerce Act (Feb. 4, 1887, 24 Stat. 379, 49 U. S. C. Sec. 1, as amended) contains the following paragraphs:

> (4) It shall be the duty of every common carrier subject to this chapter to provide and furnish transportation upon reasonable request therefor, and to establish reasonable through routes with other such carriers, and just and reasonable rates, fares, charges, and classifications applicable thereto; and it shall be the duty of common carriers by railroad subject to this chapter to establish reasonable through routes with common carriers by water subject to chapter 12 of this title, and just and reasonable rates, fares, charges, and classifications applicable thereto. It shall be the duty of every such common carrier establishing through routes to provide reasonable facilities for operating such routes and to make reasonable rules and regulations with respect to their operation, and providing for reasonable compensation to those entitled thereto; and in case of joint rates, fares, or charges, to establish just, reasonable, and equitable divisions thereof, which shall not unduly prefer or prejudice any of such participating carriers.
>
> (5) (a) All charges made for any service rendered or to be rendered in the transportation of passengers or property as aforesaid, or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful.

Section 3(1) of the Interstate Commerce Act, as amended, particularly by the Act of September 18, 1940, 54 Stat. 902, provides as follows:

> (1) It shall be unlawful for any common carrier subject to the provisions of this chapter to make, give, or cause any undue or unreasonable preference or ad-

> vantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however,* That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description.

Section 15 of the Interstate Commerce Act contains the following paragraphs:

> (1) Whenever, after full hearing, upon a complaint made as provided in section 13 of this chapter, or after full hearing under an order for investigation and hearing made by the commission on its own initiative, either in extension of any pending complaint or without any complaint whatever, the commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever demanded, charged, or collected by any common carrier or carriers subject to this chapter for the transportation of persons or property, as defined in the first section of this chapter, or that any individual or joint classification, regulation, or practice whatsoever of such carrier or carriers subject to the provisions of this chapter, is or will be unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial, or otherwise in violation of any of the provisions of this chapter, the commission is authorized and empowered to determine and prescribe what will be the just and reasonable individual or joint rate, fare, or charge, or rates, fares, or charges, to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, and what individual or joint classification, regulation, or practice is or will be just, fair,

> and reasonable, to be thereafter followed, and to make an order that the carrier or carriers shall cease and desist from such violation to the extent to which the commission finds that the same does or will exist, and shall not thereafter publish, demand, or collect any rate, fare, or charge for such transportation other than the rate, fare, or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed, as the case may be, and shall adopt the classification and shall conform to and observe the regulation of practice so prescribed.

Section 15a of the Interstate Commerce Act, added February 28, 1920, 41 Stat. 488, as amended June 16, 1933, 48 Stat. 220, and September 18, 1940, 54 Stat. 912, provides as follows:

> (1) When used in this section, the term "rates" means rates, fares, and charges, and all classifications, regulations, and practices relating thereto.
>
> (2) In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable the carriers, under honest, economical, and efficient management to provide such service.

Section 5(b) of the Transportation Act of 1940, known as the Ramspeck Resolution, 54 Stat. 902, 49 U. S. C., note preceding Sec. 3, provides as follows:

> (b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such terri-

> tories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended [this chapter], for the purpose of determining whether said rates are unjust and unreasonable *or unlawful in any other* respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: Provided, That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation."

The National Transportation Policy as declared in the Transportation Act of 1940, 54 Stat. 899, 49 U.S.C., note preceding Sec. 1, provides as follows:

> It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof; and to encourage fair wages and equitable working conditions;—all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense. All of the provisions of this Act shall be administered and enforced with a view to carrying out the above declaration of policy.

Certificate of Service.

I hereby certify that I have served the foregoing brief upon the following counsel of record by causing a copy thereof to be mailed, postage prepaid, to each of said counsel:

Parker McCollester,
25 Broadway,
New York, N. Y.

Douglas F. Smith,
11 South LaSalle Street,
Chicago, Illinois.

H. C. Barron,
Western Traffic Executive Committee,
Room 310, Union Station,
Chicago, Illinois.

Henry E. Foley,
10 Post Office Square,
Boston, Massachusetts.

Tom C. Clark, Attorney General,
Department of Justice,
Washington, D. C.

Philip B. Perlman, Solicitor General,
Department of Justice,
Washington, D. C.

Wendell Berge, Assistant Attorney General,
Department of Justice,
Washington, D. C.

Edward H. Miller, Special Assistant
to the Attorney General,
Department of Justice, Washington,
Washington, D. C.

David O. Mathews, Special Assistant
to the Attorney General,
Department of Justice,
Washington, D. C.

Daniel W. Knowlton, Chief Counsel,
Interstate Commerce Commission,
Washington, D. C.

Edward M. Reidy, Assistant Chief Counsel
Interstate Commerce Commission,
Washington, D. C.

Byron M. Gray,
608 National Bank of Topeka Building,
Topeka, Kansas.

George T. Simpson,
State Capitol Building,
St. Paul, Minnesota.

C. B. Bee,
State Capitol,
Oklahoma City 5, Okla.

Walter R. McDonald,
Georgia Public Service Commission,
Atlanta, Georgia.

Dated this 21st day of February, 1947, at Louisville, Ky.

J. V. Norman,
Counsel for Appellees,
Southern States and Southern
Governors Conference,
1512 Kentucky Home Life Building,
Louisville 2, Kentucky.

FEB

SUPREME COURT OF THE UNITED STATES

October Term, 1946

No. 343.

STATE OF NEW YORK, STATE OF DELAWARE,
STATE OF INDIANA, ET AL., *Appellants*,

v.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, STATE OF
ALABAMA, ET AL.

No. 344.

STATE OF MAINE, STATE OF NEW HAMPSHIRE,
STATE OF VERMONT, ET AL., *Appellants*,

v.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, ET AL.

No. 345.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., *Appellants*,

v.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, STATE OF
ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF NEW YORK.

BRIEF FOR THE STATES OF ARKANSAS, KANSAS, NEBRASKA, NORTH DAKOTA, OKLAHOMA, SOUTH DAKOTA AND TEXAS: ARKANSAS PUBLIC SERVICE COMMISSION, THE KANSAS CORPORATION COMMISSION, THE KANSAS INDUSTRIAL DEVELOPMENT COMMISSION, THE NEBRASKA STATE RAILWAY COMMISSION, THE PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA, THE OKLAHOMA CORPORATION COMMISSION, THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA, AND THE RAILROAD COMMISSION OF TEXAS, APPELLEES.

INDEX.

Page

Opinions Below 2

Statement of Case 2

Statutes Involved 2

Summary of Argument 2

Argument:

I. The Western Railroads Failed to Establish Their Claim of Confiscation 4

  The Unprofitableness of Less-Than-Carload Traffic is not Due to Lack of a Sufficiently High Class Rate Level 5

  The Western Railroads Did not Prove Their Claim of Confiscation 7

II. The Findings of the Commission that the Costs Within the Various Territories Were not So Substantially Different as to Warrant Different Rate Levels was Supported by the Evidence 9

  The Commission Did not Find that Carload Costs in the Western District Are 16 to 18 Percent Higher than Eastern Costs 12

  The Commission Did not Find that the Western Costs for Box-Car Traffic and Gondola and Hopper Car Traffic at the Average Haul Are 13 and 24 Percent Higher Respectively Than Eastern Costs 13

  Traffic Density in the East vs. in the West 17

III. Upon a Finding that Rates Are Unlawful Because in Violation of Section 3(1), the Commission is Empowered to Prescribe Lawful Rates, Pursuant to Section 15 19

IV. The Commission Did not Construe the 1940 Amendment as Changing Established Principles of Rate Making 26

INDEX—(Continued).

Page

V. Evidence to Sustain a Finding of Unlawful Discrimination Against Regions, Districts and Territories, Differs from Evidence Required to Establish Unlawful Discrimination Against the Objects Protected from Discrimination Prior to the 1940 Amendment 33

VI. The Power of the Commission to Prescribe Future Rates is Legislative, and Does not Terminate When Once Exercised 37

VII. The Decision and Order of the Commission in Ex Parte 162, Increased Railway Rates, Fares and Charges, 1946, Have not Altered the Rate Situation Under the Commission's Orders in the Instant Case and Have not Made the Commission's Orders in the Instant Case Obsolete and Impossible of Enforcement According to Their Terms 41

TABLE OF CASES.

Page

American Exp. Co. v. S. Dakota, 244 U. S. 617, 624, 61 L. ed. 1352, 1357 20

Ann Arbor R. Co. v. United States, 281 U. S. 658 30

Covington & L. Turnpike R. Co. v. Sanford, 164 U. S. 578, p. 596 6

Davidson Gulfport F. Co. v. Gulf & Ship Island R. Co., 92 F. (2d) 107, p. 113 31

Ex Parte 87 (113 I. C. C. 3) 37

Houston E. & W. T. R. Co. v. U. S., 234 U. S. 342, p. 356 25

Increased Railway Rates, Fares and Charges, 1946 42

Interstate Commerce Commission v. Union Pacific R. Co., 222 U. S. 541, p. 549 6

Levey v. Stockslager, 129 U. S. 470 31

Louisville & N. R. Co. v. U. S., 282 U. S. 740, p. 749 25

St. Louis S. W. R. Co. v. U. S., 245 U. S. 136, p. 145 20

Texas & Pacific R. Co. v. U. S., 289 U. S. 627, p. 650 21

Western Trunk Line Class Rates, Docket 17000, Part 2 (164 I. C. C. 1) 37

Wood v. Vandalia R. Co., 231 U. S. 1 7

Youngstown Sheet & Tube Co. v. U. S., 295 U. S. 476, p. 480 21

STATUTES.

Page
Hepburn Act, June 29, 1906, 34 Stat. 584 ... 22
Hoch-Smith Resolution, 43 Stat. 801 ... 31
Interstate Commerce Act, Feb. 4, 1887, 24 Stat. 379, 49 U. S. C.:
  Sec. 1, as amended:
    Par. (4) ... 20
    Par. (5) (a) ... 20
  Sec. 3, as amended:
    Par. (1) ... 3, 19-29, 31-33
  Sec. 15 ... 3, 19-26
Transportation Act of 1940:
  National Transportation Policy, 54 Stat. 899 ... 26
  Sec. 5 (b), 54 Stat. 902 ... 26, 27-30

SUPREME COURT OF THE UNITED STATES

October Term, 1946

No. 343.

STATE OF NEW YORK, STATE OF DELAWARE,
STATE OF INDIANA, ET AL., *Appellants*,

v.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, STATE OF
ALABAMA, ET AL.

No. 344.

STATE OF MAINE, STATE OF NEW HAMPSHIRE,
STATE OF VERMONT, ET AL., *Appellants*,

v.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, ET AL.

No. 345.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., *Appellants*,

v.

THE UNITED STATES OF AMERICA, INTERSTATE
COMMERCE COMMISSION, STATE OF
ALABAMA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF NEW YORK.

BRIEF FOR THE STATES OF ARKANSAS, KANSAS, NEBRASKA, NORTH DAKOTA, OKLAHOMA, SOUTH DAKOTA AND TEXAS: ARKANSAS PUBLIC SERVICE COMMISSION, THE KANSAS CORPORATION COMMISSION, THE KANSAS INDUSTRIAL DEVELOPMENT COMMISSION, THE NEBRASKA STATE RAILWAY COMMISSION, THE PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA, THE OKLAHOMA CORPORATION COMMISSION, THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA, AND THE RAILROAD COMMISSION OF TEXAS, APPELLEES.

Opinions Below.

The opinion of the District Court (R. 1411) is reported in 60 F. Supp. 856. The report of the Interstate Commerce. Commission (R. 62) appears in 262 I. C. C. 447, and the Supplemental report (R. 432) appears in 264 I. C. C. 41.

Statement of Case.

A statement of the case is fully set forth in the brief for The United States and The Interstate Commerce Commission.

Statutes Involved.

Sections 1, 3, 13, 15 and 15a, of the Interstate Commerce Act, as amended, and The Transportation Act of 1940, as pertinent to this proceeding are set forth in the Appendix to the brief of The United States and The Interstate Commerce Commission. To avoid duplication, they will not be reproduced here.

Summary of Argument.

Confiscation does not follow as a matter of course from the finding of the Commission that the less-than-carload traffic as a whole is not bearing its full costs, and the order to reduce the class rates in Western Trunk Line and Southwestern Lines Territories. The finding covers *all* less-than-carload traffic; the order applies only to less-than-carload traffic moving on class rates—the highest of all rates, but does order an increase in minimum charge on *all* less-than-carload traffic from 55 cents to 75 cents. Rates are confiscatory only if they are the cause of the operating deficiency; in this instance failure to procure a reasonable share of the business, rather than the rates, is the cause of the failure of less-than-carload traffic to earn a fair return.

Where the Commission finds the rates to be unlawful under section 3 (1) of the Act, and exercises its legislative power under section 15 to prescribe lawful rates for the future, it is not required to grant the carriers an alternative and there need not be a common source of discrimination.

The Commission did not construe the 1940 Amendment as changing established principles of rate making, but on the contrary construed it only as enlarging the group of objects protected against discrimination by including therein regions, districts and territories.

The evidence required to establish discrimination against regions, districts, and territories, is not identical with the evidence required to establish discrimination against particular persons, firms, localities, etc., and it is not necessary to prove injury to individual shippers to establish unlawful discrimination against regions, districts and territories.

There was substantial evidence of unlawful discrimination against Western Trunk Line, Southwestern Lines, and Southern Territories, and of injury to these territories resulting from such discrimination.

The Commission does not lose its legislative power to prescribe rates for the future once it has prescribed such rates. The legislative power is a continuing power, and the fact that in various proceedings during the past years, the Commission has prescribed many of the class rates now found to be unreasonable for the future, is of no consequence in this proceeding.

The decision and order of the Commission in *Ex Parte* 162, increased railway rates, fares and charges, 1946, have not altered the rate situation under the Commission's orders in the instant case and have not made the Commission's orders in the instant case obsolete and impossible of enforcement according to their terms.

ARGUMENT.

I.

THE WESTERN RAILROADS FAILED TO ESTABLISH THEIR CLAIM OF CONFISCATION.

To support their claim of confiscation, the Western Railroads place chief reliance upon their contention that the findings and order of the Commission establish confiscation as an inescapable conclusion.

The argument runs as follows: The Commission found that less-than-carload traffic, except possibly in Southern Territory, does not return the full cost of handling such traffic;

The Commission ordered a reduction in the class rates in a part of the Western District;

Some of the less-than-carload traffic in the Western District moves on class rates, and therefore the order is confiscatory.

The conclusion violates every principle of sound reasoning. In the first place, it assumes that which is not established, *i. e.*, that the level of the class rates rather than some other condition, is the cause for the failure of the less-than-carload traffic to return sufficient revenue. The fact is, as will be hereinafter shown, it is not that the rates are so low as to cause a loss, but that they are so high that the carriers cannot procure a sufficient share of the traffic under them for economical operation.

The conclusion assumes that the portion of the less-than-carload traffic moving at class rates has the same revenue producing characteristics as the entire body of less-than-carload traffic. This assumption is contrary to the fact. The fact is that the rates on that portion of less-than-carload traffic moving on class rates, are the highest of all rates. The finding of the Commission applied to all less-than-carload traffic; the reduction was ordered only on that portion moving on class rates.

There is a further undisclosed fact in the argument of the Western Railroads, *i. e.*, the Commission ordered an increase in the minimum charge on all less-than-carload traffic from 55 to 75 cents. (1)

The Unprofitableness of Less-Than-Carload Traffic Is Not Due to Lack of A Sufficiently High Class Rate Level.

Because of their excessively high level, the class rates in the West have failed to hold any considerable amount of less-than-carload traffic. As a consequence, the traffic has not proved profitable. It is not the low level of the rates, but rather the unreasonably high level, which has caused the unsatisfactory revenue results. So little less-than-carload traffic was procured by the Western Railroads prior to the war, that the average amount moved in each car was but 4.3 tons. (R. 906) At times, cars moved with as little as one thousand pounds. (R. 906)

To meet this condition, the carriers voluntarily instituted so-called carload mixture rates, under which many items could be mixed to make up a carload and move on rates very much lower than the established less-than-carload rates. (R. 907) Commodity rates were established to provide much lower carload rates on normally less-than-carload traffic. (R. 907) Freight forwarders used these arrangements to ship by carload, shipments which were actually less-than-carload shipments. All this tended to reduce the loading of less-than-carload traffic. (R. 907)

Hoping to regain this business, the carriers throughout the West published exception rates, and rate scales, very greatly below the established class rate levels, and in fact this practice became so universal, that the exception rate became the rule rather than the exception, and the classification became a virtual museum piece. These rates were as low as, or lower than, the rates prescribed by the Commission in the order now under attack. (R. 442-448) In the proceedings in the District Court, a witness for the Western Railroads testified that should these carriers attempt to bring these voluntarily reduced rates up to the level of the class rates prescribed by the Commission, *it would result in a decrease rather than an increase in revenue.* (R. 915)

---

(1) Subsequently increased to $1.00. **Increased Railway Rates, Fares and Charges 1946, — I. C. C. —.**

When rates are unreasonably high, it is not important whether the carriers are or are not able to earn a return under them. The public's right to reasonable rates is paramount to the right of the carrier to a fair return. The evidence established that the class rates on less-than-carload traffic were unreasonably high, and in fact too high to move any considerable amount of the traffic. Upon such evidence the Commission found them to be unreasonable and prescribed reasonable rates to be applied in the future. As stated by this Court in *Covington & L. Turnpike R. Co. v. Sanford*, 164 U. S. 578, p. 596:

> The public cannot properly be subjected to unreasonable rates in order simply that stockholders may earn dividends.

And the public may not be assessed unreasonable rates on that portion of the less-than-carload traffic moving on class rates, merely because the whole body of less-than-carload traffic is not profitable. This Court, in *Interstate Commerce Commission v. Union Pacific R. Co.*, 222 U. S. 541, p. 549, stated:

> But whether the carrier earned dividends or not sheds little light on the question as to whether the

> rate on a particular article is reasonable. *** if the carrier earned no dividend, it would not have warranted an order fixing an unreasonably high rate on such article.

See also to the same effect, *Wood v. Vandalia R. Co.*, 231 U. S. 1.

The Western Railroads Did Not Prove Their Claim of Confiscation.

Though tardily, the Western Railroads apparently came finally to the conclusion that their contention that the decision and order of the Commission in themsleves established confiscation, could not be sustained, and sought to offer independent proof of confiscation before the District Court. While finding that the claim of confiscation "came somewhat late", the District Court received and considered this evidence.

Whether the District Court erred in receiving and considering this evidence, under the circumstances of this case, has become academic. The District Court did receive and independently consider the evidence, and concluded that it failed "to measure up to the required standard of certainty by way of proof as to transportation costs for particular commodities". (R. 1438) The only important question at this point, is whether or not this court shall itself consider this evidence to determine whether or not it reaches the same conclusion thereon as did the District Court.

It should be conceded by all, that it not only is desirable, but absolutely essential to orderly procedure, that all evidence upon which a proceeding is to be determined, shall first be submitted to the Commission. To make a general practice of trying proceedings piecemeal, with the Commission having before it but a part of the evidence upon which the cases are ultimately to be determined, can lead to nothing but chaos and futility.

This proceeding is an excellent example of withholding evidence from the body having the original duty to decide. In their petition to the Commission for reconsideration, while alleging confiscation in the broadest generalities and almost as a matter of form only, these carriers not only failed to request the Commission to hear and consider evidence on the subject of confiscation, they concluded their petition with the allegation that, "There is no necessity for a rehearing in this proceeding; *** this for the reason that the record as made by respondent carriers in the Western District was as complete as it was possible to present." (R. 114)

If the Western Railroads earnestly believed that the rates required under the decision and order of the Commission would, as to a portion of the traffic, result in confiscation and that evidence to establish such confiscation could be adduced, it is submitted that they should have so alleged in their petition to the Interstate Commerce Commission, and should have set forth with particularity the nature of this evidence together with an offer to present same before the Commission. Rather than doing this, they chose to advise the Commission that they had no further evidence to offer; that the record was as complete as they could make it.

Whatever may be the right of a utility to an independent judicial determination on the issue of confiscation, it would appear that the Western Railroads already have been protected in such right far beyond any constitutional requirements. Clearly they should have offered to present all of their evidence to the Commission; clearly they should not have advised the Commission that they had done so, and then seek to bring additional evidence before the District Court. And now that the

District Court has heard and weighed this evidence and decided adversely to the claims of the Western Railroads, it is submitted that this Court is not required to make an independent examination of this evidence with a view to possible substitution of its judgment thereon for the judgment of the District Court.

II.

THE FINDINGS OF THE COMMISSION THAT THE COSTS WITHIN THE VARIOUS TERRITORIES WERE NOT SO SUBSTANTIALLY DIFFERENT AS TO WARRANT DIFFERENT RATE LEVELS WAS SUPPORTED BY THE EVIDENCE.

By twisting the findings of the Commission in a most extraordinary manner, the Western Carriers at pages 30 to 36, inclusive, of their brief, attempt to induce the Court to believe that the Commission found the costs of handling less-than-carload traffic in the Western District are from 20 to 40 per cent higher than similar costs in the Eastern District. The Commission made no such finding, nor would the evidence have sustained such finding.

To substantiate their contention, the Western Railroads treat the Pocahontas territory as being a part of Official Territory, and consider actual average loading of less-than-carload traffic, rather than identical loading as a proper test for relative costs. As we shall hereinafter demonstrate. this is exactly contrary to the judgment of the Commission as to proper treatment for comparative cost purposes. Also, the findings the Commission did make included costs for the entire Western District, and its order covered only Western Trunk Line and Southwestern Lines, Territories and did not cover Mountain-Pacific Territory.

The Pocahontas Territory is a small coal producing area sandwiched in between Official and Southern Territories. As its traffic consists predominately of coal, the Commission concluded that for purposes of a cost study, it should be treated separately, and it was so treated. All of the comparisons the Western Railroads make between costs in the Western District and costs in what they term the "lower portion of Eastern" are comparisons with Pocahontas Territory, which is not, and was not treated by the Commission as, a part of official Territory.

As hereinbefore shown, the very high class rates in the West have so far discouraged less-than-carload traffic as to result in very light loading of the cars. The lower basis of rates in the East results in heavier loadings in that district. We then come to the strange result that because the very high rates in the West had, by 1939, reduced the loading to the near vanishing point (4.3 tons per car), the carriers contend this demonstrates the higher cost of moving less-than-carload traffic in the West. Using the same basis of reasoning, we are forced into the vicious circle where the higher the rates, the lower the average loading, making for even higher costs, which in turn justify yet higher rates, and so on *ad infinitum.*

So far as less-than-carload traffic is concerned, the only reasonable basis for a study of comparative costs is on assumed identical average loads. It brings the study to a common denominator. If it is not used, you run into the anomolous situation whereby the very fact of unreasonable rates precludes the public from ever obtaining relief.

And when we come to the findings of the Commission as to relative costs in Official Territory, excluding Pocahontas, and based on identical loading of less-than-carload traffic, a very different picture appears than that painted by the Western Railroads. The following is taken from the report of the Commission. (R. 198)

> Relative Cost Indices (1939) for Less-Than-Carload Traffic Having Hauls of 100, 300 and 500 Miles Based on Assumed Identical Load of 5 Tons. (U. S. Average-100)

		Col. 1.	Col. 2.
Eastern (Including New England)	100 miles	102	98
	300 miles	105	101
	500 miles	107	103
Western Territory	100 miles	108	114
	300 miles	104	109
	500 miles	102	107

Col. 1—Out-of-pocket cost.
Col. 2—Out-of-pocket cost plus constant expenses solely related to less-than-carload.

This proper comparison shows that the costs in the West are substantially similar to Eastern costs on less-than-carload traffic, and the Commission was justified in so finding. Also, it must be recalled that this comparison includes in the Western costs, all of the vast area of Mountain-Pacific Territory,—almost half the Nation and virtually all of the most rugged mountainous topography.

The Commission Did Not Find That Carload Costs in the Western District are 16 to 18 Percent Higher Than Eastern Costs.

The table shown in the report (R. 194) and referred to by the Western Railroads at pages 37-41 of their brief, can be used as well to show the Commission found Western Costs lower than Eastern Costs as it can to show the reverse. For example, using the entire United States as 100 per cent, the table shows, carload costs, Eastern, including New England, based on identical loads, to be higher than Western costs on out-of-pocket basis for all distances shown. At 100 miles the Eastern costs are 106 per cent, the Western costs 98 per cent; at 500 miles Eastern costs are 105 per cent, Western costs 99 per cent. The picture is the same on an out-of-pocket cost basis using actual average load comparison; Western costs are lower than Eastern costs. The situation is reversed only on fully distributed cost basis, where Western costs are slightly above Eastern costs.

There is nothing in the part of the report referred to by the Western Railroads to justify the statement that "the Commission found" that the Western costs are 16 to 18 per cent higher than Eastern costs. The Commission set out in the table referred to (R. 194) the entire picture, it did not find that any one part thereof was conclusive. It would be just as accurate to say that the Commission found the Eastern costs were higher than the Western costs, as that is what is shown by as large a number of comparisons on the table as otherwise. But the Commission considered the whole picture, not the data shown on just this one chart, and from all of the evidence, and exercising its expert judgment thereon, properly found that the costs within these two territories did not vary substantially, and were not sufficiently different to justify different rate levels.

The only question for this court is whether or not there was evidence to support this conclusion, and there was ample evidence. It would be without precedent for this court to substitute its judgment for that of the Commission on this very elaborate cost evidence.

The Commission Did Not Find That the Western Costs for Box-Car Traffic and Gondola and Hopper Car Traffic at the Average Haul are 1[illegible] and 24 Percent Higher Respectively Than Eastern Costs.

All that has just been said hereinabove applies with equal force to the mis-statement of the Western Railroads appearing at page 41 of their brief, and discussed on pages 41 to 43 thereof. They rely on the table set forth in the Commission's report at page 577. (R. 192) As to box-car traffic, at all distances shown, it appears from this table that the out-of-pocket costs are lower in the West than in the East, whether New England is included or excluded from the East and whether on the basis of identical loads or actual average loads. On a fully distributed cost basis the result is slightly changed.

We might take box-car traffic on assumed identical loads of 25 tons, on an out-of-pocket basis, and say the Commission found Eastern costs to be 7 per cent higher than Western costs. Or we could take any of a great many other comparisons shown on the chart and state that the Commission found Western costs lower than Eastern costs. But such statement would be contrary to the facts. The Commission no more made such findings than it made the findings claimed by the Western Railroads. It considered the whole picture, not an isolated part of it.

The situation depicted by the chart as to Gondola and Hopper car traffic is substantially the same as to box-car traffic. On some bases Western costs are lower than Eastern and or other bases slightly higher. At all events, it is hardly expected that any substantial amount of class rate traffic is going to move in Gondola and Hopper cars.

Throughout all of their comparisons the Western Railroads insist upon comparing the entire Western District (about two-thirds of the entire country) with the minute area referred to as the Pocahontas region, an area considerably smaller than the State of Kansas. The impropriety of such comparisons must be obvious on their face, and certainly disclose the desperate character of the attempt of the Western Railroads to nullify the decision of the Commission.

As previously stated, the comparisons used by the Western Railroads are based on cost data which included all of Mountain-Pacific Territory in the Western District costs. This decision affects only Western-Trunk-Line and Southwestern Lines Territories in the Western District. The same witness who prepared the cost data used as the basis for the charts relied upon by the Western Railroads, also placed in evidence cost data treating Western Trunk Line and Southwestern Lines Territories separately from Mountain-Pacific territories. The results of this study appear in Witness Edward's Exhibit No. 3. (R. 5267) (In Evidence R. 1558) The studies which were the basis of the charts relied on by the Western Railroads were put in subsequently by this same witness, as were other refinements, to meet requests of various parties. Exhibit 3 was not withdrawn. (R. 1740) It was before the Commission in reaching its conclusions. As stated, this study treated Western Trunk Line, Southwestern and Mountain-Pacific territories separately. A reference to Exhibit 3 will disclose that Western Trunk Line and Southwestern territory costs, compare more than favorably with Eastern District costs.

For example, using 25 tons as an average load, and 300 miles as an average haul, the cost II level, for box-car traffic, which includes all costs including rents and taxes, but does not include allowance for passenger and less-carload deficits or return on investment, shows the following:

East (Excluding New Eng. & Nor. Ill.)	11.6¢
East (Including New Eng. & Nor. Ill.)	11.6¢
Southwestern (Inc. Sou. Mo.)	11.1¢
Western Trunk Line (Excluding Nor. Ill. and Sou. Mo.)	11.0¢
Western Trunk Line (Inc. Nor. Ill. and Excluding Sou. Mo.)	11.1¢

If these same costs are inflated to include not only all carload costs, including rents and taxes, but in addition, passenger and less-carload deficits and a 4% return on investment, (the Cost V (a) level), using the multiples provided therefor in the exhibit, the following are the relative costs:

East (Excluding New Eng. & Nor. Ill.)	16.9¢
East (Including New Eng. & Nor. Ill.)	17.3¢
Southwestern (Inc. Sou. Mo.)	16.5¢
Western Trunk Line (Excluding Nor. Ill. and Sou. Mo.)	17.3¢
Western Trunk Line (Inc. Nor. Ill. and Excluding Sou. Mo.)	17.7¢

Clearly, on this study the conclusion is justified that the costs in Western Trunk Line and Southwestern territories are substantially similar to the costs in the Eastern District, and also, using the costs relied on by the Western Railroads, where on some bases the costs in the Western District are slightly less than, and on the other bases slightly more than, the costs in the Eastern District, the conclusion that the costs within the two territories are not substantially different, is justified.

It is submitted that the Western Railroads are not justified in picking out a few carefully selected parts of one portion of a study, and then contending that the Commission erred because it did not give controlling weight to the portions thus selected. The Commission considered all parts of all of the cost analysis, and from such consideration properly drew the conclusion that the costs of transportation as between the two territories did not differ substantially. Certainly we have seen no figures from any source which would begin to justify rates in the Southwestern and Western Trunk Line Zone III as much as 159.4 per cent of the Eastern level of Class rates. The Western Railroads are understandably silent on this subject. Presumably they see no difficulty in contending that because costs in the West can be shown in certain instances to be a small per cent higher than costs in the East in similar instances, it is, therefore, lawful for them to assess rates in the West 59.4 per cent higher than rates in the East.

The Commission finds, and the evidence supports the finding that:

> Comparisons based on the year 1939 and the period 1930-39 show the over-all cost of rendering transportation service in the western territory to be between 5 and 10 percent higher than in the East, excluding the Pocahontas territory. If the year 1941 were used, this difference would be reduced to 5 per cent or less. (R. 206)

Whether or not the small difference in costs in the entire Western District is such as to require a different Class rate level, was a question for the Commission to determine. That the Commission did not abuse its discretionary powers in finding that the costs were substantially similar, is demonstrated by the following comment of the Commission on the subject of territorial differences in Costs: (Report R. 201)

> A significant feature of all preceding comparisons is that the out-of-pocket costs (i. e., the directly assignable expenses) in the South and West are frequently as low as, or even lower than the out-of-pocket costs in the East. This is despite the fact that a uniform percentage of each expense item was taken in the East, South and West in computing the out-of-pocket costs, although the analysis of the out-of-pocket costs by territories indicated that, if anything, a somewhat larger percentage of the expenses in the East is variable with added traffic than is true of the South and West.

The complete accuracy of the ultimate findings of the Commission is attested by the fact that the Western Railroads have had much larger earnings than have the Eastern Railroads over a long period of years, and this condition continues down to date. For example, in the first eleven months of 1946, the net Railway Operating Income of the carriers in the Eastern District was 109 Million Dollars, and such income of the carriers in the Western District was 275 Million Dollars. (2)

Traffic Density in the East vs. in the West.

In an effort to lead the court to believe that the carriers in the Eastern District carry a great deal more traffic than the carriers in the Western District, the Western Railroads continuously reiterate the claim that the traffic density in the East is three times as great as in the West. As a pure technical statement, this may approach the fact, but it is meaningless. Such figures are based on miles of road rather than miles of track. A six or eight track line from Philadelphia to New York is treated as the same number of miles of road as a single track in Texas over the same distance. Actually there is six times or eight times as many miles of track in the one instance as in the other, but traffic density figures such as used by the Western Railroads ignore this vast difference. The Western Railroads do not bother to explain this important factor to the court. The fact of the matter is, measured in revenue ton-miles, the traffic in the Western and Eastern Districts are very closely comparable. For the first 9 months of 1946, the carriers in the Eastern District hauled 158 Billion revenue ton-miles of freight; the carriers in the Western District hauled 178 Billion, and this greater ton-miles in the West reflects itself in the fact that during this period the freight revenue of the carriers in the Eastern District was 1609 Million Dollars and in the Western District 1753 Million Dollars. (3)

---

(2) "Railway Revenues and Expenses" Report for November, 1946, Association of American Railroads.

Due to the much more favorable earning capacity of the Western Railroads, the Commission found it necessary very recently to grant the Eastern Railroads, as to a large portion of their traffic, a five per cent greater general increase in rates than that granted the Western Railroads. (4)

The findings of the Commission as to relative territorial costs are supported by the record, and are unassailable here.

---

(3) Statement No. M-220 for September, 1946, I. C. C. Bureau of Transport Economics and Statistics.

(4) Increased Railway Rates, Fares and Charges, 1946, — I. C. C. —.

III.

UPON A FINDING THAT RATES ARE UNLAWFUL BECAUSE IN VIOLATION OF SECTION 3(1), THE COMMISSION IS EMPOWERED TO PRESCRIBE LAWFUL RATES, PURSUANT TO SECTION 15.

It is urged that the Commission is powerless under a finding that Section 3(1) has been violated, to do more than order the undue preference and prejudice removed by an alternative order. This contention would be correct only if the record were lacking evidence from which the Commission properly could prescribe a lawful rate pursuant to its power under Section 15.

The important findings of the Commission on this subject are the following: (R. 316)

> 3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southern, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

6

> 4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

Here it is noted the Commission made findings of violation of section 3 (1) of the Act, and exercised its power under Section 15 to prescribe lawful rates for the future.

Ignoring the fact that the Commission also made findings that the rates were unreasonable, in violation of Section 1 (4) and (5) (a) of the Act, (Report, R. 315-316), Appellants contend that the Commission was without power under this Section 3 (1) finding to prescribe a lawful rate for the future by an order under Section 15.

Although this Court frequently has stated that orders for the removal of preference and prejudice may be made under Section 3 rather than Section 15, Appellants deny that an order may be made solely under Section 3. The distinction this Court has made, is that orders made solely under Section 3, must give the carriers an alternative, that is, to remove the unlawful preference and prejudice either by raising the one rate or lowering the other, or both raising one and lowering the other, and that in such case, both rates must be subject to the control of the same carrier or group of carriers, *but that this is not true of orders prescribing lawful rates for the future made under Section 15.*

Thus this court stated in *St. Louis S. W. R. Co. v. U. S.*, 245 U. S. 136 p. 145:

> Furthermore, the order in the case at bar is not merely one to prevent discrimination. Orders to remove discrimination, as commonly framed, do not fix rates. They merely determine the relation of rates, by prohibiting the carrier from charging more for carriage to one locality than, under similar conditions, to another; and they usually leave the carriers free to remove the discrimination either by raising the lower rate or by lowering the higher rate, or by doing both. *American Exp. Co. v. S. Dakota*, 244 U. S. 617, 624, 61 L. ed. 1352, 1357. *The order here complained of gives the carriers no such*

> *option.* It directs that the rates to Paducah shall be 'not in excess of the rates at present in effect from the same points or groups to Cairo, Illinois.' In other words, *the Commission, having found the 22-cent rate unduly high reduces it to 16 cents* by establishing joint through rates. But the order is strictly one under section 15 of the Act to Regulate Commerce to reduce existing through rates by establishing joint rates, or, in the alternative, to establish new through route with joint rates. It is not primarily an order to remove discrimination in violation of section 3. (Emphasis supplied)

And again in *Youngstown Sheet & Tube Co. v. U. S.*, 295 U. S. 476 p. 480, in dealing with a case wherein the Commission had found one set of rates so low as to create discrimination and had ordered it raised, this court stated:

> There is no merit in the contention that the order was a Section 3 order and invalid for failure to afford the carriers an alternative of raising the contested rate or lowering others to remove discrimination. It is true the Commission found prejudice to shippers all rail, but in essence the order entered was a Section 15 order and not one made under Section 3.

Also, in *Texas & Pacific R. Co. v. U. S.*, 289 U. S. 627, p. 650, this court again drew the distinction:

> A carrier or group of carriers must be the common source of the discrimination—must effectively participate in both rates, if an order for correction of the disparity is to run against it or them. Where an order is made under paragraph 3 an alternative must be afforded.

To the above statement the Court appends note 39, in which the Court states:

> *This is not true of an order pursuant to paragraph 15 (1),* prescribing maximum or minimum or maximum and minimum rates; but the present orders were not issued under that section. (Emphasis supplied)

Prior to the passage of the Hepburn Act in 1906, (June 29, 1906; 34 Stat. 584) the Commission had no legislative powers. The legislative power to prescribe rates for the future, now contained in Section 15 of the Act, was not present. The Commission had power only to determine whether rates being charged were discriminatory or otherwise unlawful. If rates were found to be discriminatory, the Commission issued orders to cease and desist, but being without the legislative power to prescribe future rates, its orders went no further. Whether accurately or not, such orders were and are termed Section 3 orders, that being the section under which they are made. And an order today, made solely under Section 3, is made pursuant to that Section and not pursuant to Section 15. An order to cease and desist from continuance of an unlawful discrimination, without prescription of a future rate, would not fall within the purview of Section 15, which section deals with the legislative power to prescribe future rates.

Two conclusions result from a study of the history of the Interstate Commerce Act. (1) Prior to the Hepburn Act, orders to remove discrimination were made under Section 3, and lacking the power to prescribe what rate would be lawful for the future, such an order necessarily left the carriers an alternative as to the method of removal; there being an alternative, there necessarily had to be common control of both sets of rates. Such orders can be, and still are, made today where there is no prescription under Section 15 of a lawful rate for the future. (2) The second conclusion is that after the Hepburn Act of 1906, the Commission, on a finding that the rates were unlawful in violation of Section 3, could by exercising the legislative powers delegated to it in Section 15, prescribe a rate that would be lawful for the future. The only prerequisite to such prescription of a future rate pursuant to Section 15, is that there be evidence upon which the Commission can determine what will be a lawful rate for the future. In this case there was ample and reliable evidence, and the Commission so found, as follows:

> While perfection has not been attained, we are convinced that the studies made and presented by members of our staff as evidence in this proceeding possess sufficient attributes of accuracy to enable us to rely upon them in reaching our conclusions. (Report R. 308)

The argument of Appellants summarizes down to this: That the legislative power to prescribe future rates contained in Section 15 of the Act, does not operate in conjunction with Section 3; and that as to discrimination resulting from undue preference and prejudice, the Commission has no legislative power but only the quasi-judicial power to determine that the undue preference and prejudice exists. Section 15 itself completely answers this argument. It provides, in part, that,

> Whenever, after full hearing *** the Commission shall be of the opinion that any individual or joint rate, fare, or charge whatsoever *** is or will be *** unjustly discriminatory or unduly preferential or prejudicial or otherwise in violation of this part, the Commission is hereby authorized and empowered to determine and prescribe what will be just and

> reasonable individual or joint rate, fare or charge, or rates, fares or charges to be thereafter observed in such case, or the maximum or minimum, or maximum and minimum, to be charged, *** *and* to make an order that the carriers shall cease and desist from such violation to the extent to which the Commission finds that the same will, or does, exist, and shall not thereafter publish, demand, or collect any rate, fare or charge for such transportation other than the rate, fare or charge so prescribed, or in excess of the maximum or less than the minimum so prescribed ***. (Emphasis supplied)

When the Commission has found rates to be unlawful under Section 3, or any other Se[illegible], and, acting upon substantial evidence, exercises its legislative powers under Section 15 by prescribing lawful rates for the future, there is no occasion to grant the offending carriers an alternative, and equally no necessity that the rates be under the common control of the same carrier or group of carriers. It is when the Commission exercises only its quasi-judicial function of passing upon the lawfulness of existing rates, and does not exercise its legislative power to prescribe rates for the future, that, under a Section 3 finding, there must be an alternative method for correcting the unlawfulness found to exist, and common control of the rates causing the undue preference and prejudice. The confusion of the Appellants arises from failure to recognize this distinction. It is clear that when the Commission prescribes a lawful rate for the future, no alternative is, or can be given, nor is the question of a common source of discrimination of importance.

Even so, there is here, a common source of discrimination. The Official lines control both the rates within Official Territory and by refusal to join with other carriers in lawful through rates control the rates from other territories to Official Territories. The class rates within and between territories are an interrelated group of rates, in which all of the carriers participate. The Commission properly found that the class rates "are not a lose aggregation of separately established rates, but a single entity composed of inter-related rates". (Report R. 305)

If under the Act as amended, making unlawful all rates which discriminate against regions, districts, and territories, and giving the Commission power under Section 15 to prescribe rates which will remove the unlawful discrimination, the Commission is yet without power to remedy the discrimination here found to exist, then a form of discrimination has been found which it is beyond the power of Congress ever to reach, for the intention of Congress could not be more plainly stated than it now is. As stated by this Court, "This language is certainly sweeping enough to embrace all discriminations it was within the power of Congress to condemn." *Houston E. & W. T. R. Co. v. U. S.*, 234 U. S. 342, p. 356; and also, "The legislative history of The Interstate Commerce Act shows clearly that the evil of discrimination was the principal thing aimed at". *Louisville & N. R. Co. v. U. S.*, 282 U. S. 740, p. 749.

The correct construction of the Act, and that given it by this Court, is that if only the judicial power to determine that rates are unduly preferential and prejudicial in violation of Section 3 is exercised, the order must be in the alternative and there must be a common source of discrimination; however, if the legislative power of Section 15 to prescribe rates that will be lawful for future application also is exercised, no alternative need be, or can be, given, and it is immaterial whether or not there is a common source of discrimination.

The fallacy of Appellants' argument is that it assumes the Commission has no legislative powers to correct violations of Section 3 by the prescription of lawful rates for the future pursuant to Section 15.

IV.

THE COMMISSION DID NOT CONSTRUE THE 1940 AMENDMENT AS CHANGING ESTABLISHED PRINCIPLES OF RATE MAKING.

The Western Railroads contend that the Commission misinterpreted the Transportation Act of 1940, and particularly section 5(b) (54 Stat. 902) thereof. Specifically, it is contended that the Commission construed the amendment as "a mandate to the Commission to change the recognized elements of rate making to hold unlawful rates which were lawful at the time of the initiation of this proceeding."

In considering this contention, the Court should consider all pertinent parts of the Transportation Act of 1940. By that Act the Transportation Act of 1920 was amended in numerous particulars, but those parts of the 1940 enactment which directly bear upon this proceeding are as follows:

The first paragraph sets forth the "National Transportation Policy." It is therein declared to be the National Transportation Policy, *inter alia,* "to encourage the establishment and maintenance of reasonable charges for transportation service without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices."

Section 5(a) of the 1940 Act begins with the statement that section 3 (1) of the Transportation Act of 1920 is thereby amended by the addition of the words "region, district, territory." Thus discrimination against regions, districts and territories was specifically declared to be unlawful and prohibited.

Section 5 (b) of the 1940 Act then proceeds as follows:

> The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory, and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist.

Did the Commission construe section 5(b) of the 1940 Act as changing the recognized elements of rate making, as contended by the Western Railroads? A review of the reports of the Commission will demonstrate clearly that it did not.

The subject of the Transportation Act of 1940 is covered in the original report at pages 688-692. (R. 303-307) This report discloses that the Commission considered the 1940 Act in its entirety, and concluded that the substantive change in the law was brought about by the amendment of section 3 (1) whereby discriminations against regions, districts and territories were brought within the purview of the Act, and were made unlawful, and that section 5(b) was a directive to the Commission to investigate the rates to determine whether such violation of law existed and if found to exist to order it removed.

The following excerpts from the original report establish that the Commission did not construe section 5(b) of the 1940 Act as establishing "a new standard of rate making", but read it in the light of the public policy sought to be accomplished by the Transportation Act of 1940, which was the removal of discriminations against regions, districts and territories:

> *** By the Transportation Act of 1940, section 3 (1) of the Act was amended by the addition of the words 'region, district, territory'. Coupled with that amendment was a provision designated as section 5(b) of the amendatory act of 1940. It authorized and directed us to investigate the rates on manufactured products, agricultural commodities, and raw materials between and within classification territories for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness found to exist. ***
>
> Another new provision was attached to the Transportation Act of 1940 and designated as the 'National Transportation Policy.' In general terms, Congress undertook to express the policy which it had in mind in providing for the regulation of all modes of transportation and required that all provisions of the act shall be administered and enforced with a view of carrying out that policy. One of the declared purposes in this declaration of policy is 'to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices.'
>
> Have these amendments to the act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject? In seek-

> ing an answer to this question it is pertinent and helpful to review briefly the legislative background of these amendments. (Report. R. 303-304)
>
> *** A region, district, or territory usually imports a definite entity, geographically, economically, and socially, and the word 'territory' as applied to rate making has come to have a special meaning of its own, indicating a separate and distinct rate structure. The legislative history of the amendment of 1940 discloses quite clearly that Congress was aware of that special transportation significance. (Report. R. 305)
>
> *** The method employed to accomplish this purpose is equally plain. By the amendment to the substantive anti-discrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, *if not justified upon proper consideration of recognized elements of rate making* applied in the light of the amended law are unlawful and should be corrected. (Report R. 307) (Emphasis supplied)

The Commission used both the Declaration of Policy set forth in the 1940 Act, and section 5(b) as aids in determining the intention of Congress in amending section 3 (1) by addition of the words "region, district territory." It did not construe section 5(b) as establishing any new standard of rate making, nor did it apply any new standard.

The supplemental report evinces no different interpretation. It will be noted in the supplemental report (R. 432) that the Commission treated section 5(b) of the Transportation Act of 1940, only as "supplementing and reinforcing" its power under section 15 to order removal of any unlawfulness in the rates, *after* such unlawfulness has been found to exist. It specifically appears that in prescribing the rates for the future the Commission considered only established and well recognized standards of rate making. It states:

> The differences in such rates and the effect upon the welfare of carriers, producers, shippers, consumers, and upon the welfare of localities, districts, regions, and territories were fully discussed in the report. The costs of service were considered, together with the consist of traffic, the distribution of the general rate burden, rate and revenue comparisons, and other matters. (R. 465)
>
> * * * * *
>
> In reaching our conclusions as to the necessity for increases in official and Illinois territories, and reductions in the other territories and interterritorially, we gave consideration not only to the factors previously mentioned, but also to the rates of return of the carriers in the respective territories and to their ability to render efficient service. (R. 466)

The Western Railroads contend that this case falls within the doctrine of *Ann Arbor R. Co. v. United States*, 281 U. S. 658. Actually the two cases have little or no similarity. In the *Ann Arbor Case* the Court was dealing with the so-called Hoch-Smith Resolution, (43 Stat. 801) which was a joint resolution of Congress directing the Commission to conduct investigations into the rates on various commodities, and to establish "the lowest possible lawful rates." The Court held that the Commission had misconstrued the resolution as working a change in the usual standards of rate making and as requiring the prescription of rates lower than otherwise would have been proper. The Court stated that to permit such construction would raise a serious question respecting the constitutional validity of the resolution, and that by reason of the uncertain meaning of the words used and of the constitutional questions which would be raised if they were given the meaning the Commission sought to give them, the Court thought they must be held to work no substantial change in the law.

It was not because of the nature of the enactment that the Hoch-Smith Resolution was held to work no substantial change in the law. A joint resolution can be as effective to change the basic law as can any other method. *Levey v. Stockslager*, 129 U. S. 470; *Davidson Gulfport F. Co. v. Gulf & Ship Island R. Co.*, 92 F. (2d) 107, p. 113. The Court held only that this resolution, standing alone, was not intended to work any basic change in the law.

Section 5(b) did not stand alone, unaccompanied by other legislation. Unlike the Hoch-Smith Resolution, it was an integral part of an entire enactment—The Transportation Act of 1940. By this legislation, numerous changes in the basic law were made. Among others, section 3 (1) was specifically amended to make unlawful, discriminations against regions, districts, and territories. The Commission construed section 5(b) in the light of this admitted amendment to section 3 (1) and properly concluded that section 5(b) authorized and directed it to give effect to this new inhibition against discrimination. It did not construe section 5(b) as altering in any way the accepted standards of rate making, nor did it apply any different standards.

The District Court gave extended consideration to this contention of the Western Railroads. With meticulous care it analyzed the action of the Commission, and concluded that:

> It does not appear that the Commission has herein acted upon any assumption that the 1940 changes altered the basic principles governing its action. On the contrary, it appears that in determining the existence of discriminatory rates it has construed the changes in the statute to mean that where it is found that class rates are different in the different territories, and interterritorially, and those differences cannot be justified under recognized principles of rate making by proof of sufficient differences in costs of transportation, composition and amount of traffic, competition by common carriers other than railroads, and the like, those rates may be found unjustly preferential or prejudicial because unduly discriminatory and consequently unlawful as between regions, districts and territories. (R. 1431)

The 1940 Amendment, for the first time, made unlawful, discrimination as between regions, districts and territories. The Commission did no more than to apply recognized standards of rate making to determine the issue as to whether these newly protected objects were being subjectd to unlawful discrimination.

V.

EVIDENCE TO SUSTAIN A FINDING OF UNLAWFUL DISCRIMINATION AGAINST REGIONS, DISTRICTS AND TERRITORIES, DIFFERS FROM EVIDENCE REQUIRED TO ESTABLISH UNLAWFUL DISCRIMINATION AGAINST THE OBJECTS PROTECTED FROM DISCRIMINATION PRIOR TO THE 1940 AMENDMENT.

Prior to the 1940 Amendment to Section 3, that section protected only localized objects against discrimination, as for example particular persons, particular firms, and particular localities. It did not protect the more general objects, as regions, districts and territories. These latter were added by the 1940 Amendment. And before these more general objects were added, the Commission and the Courts uniformly held that evidence of undue preference and prejudice must be such as to show injury resulting to the particular objects named in the statute before it could be held to be an unlawful discrimination. Hence, if it were sought to show that particular shippers were being subjected to unjust discrimination, the proof had to establish that these particular shippers were being injured; in other words were in direct competition with the preferred shipper or shippers. The same was true of particular localities. This is the type of evidence still required when it is sought to remove discrimination as to these particular objects.

Appellants now contend that this same type of evidence is required to establish proof of undue preference and prejudice between regions, districts and territories. They contend that a larger number of individual shippers and localities should have testified as to the injury resulting to them. What Appellants overlook is that evidence which would establish injury to an individual shipper or locality, would not essentially establish, or even indicate, injury to a territory. In fact, a rate structure highly prejudicial and injurious to a territory, might be beneficial to certain individual shippers within that territory. A shipper desiring to serve only a very small area from its plant location, would, and in fact normally does, prefer to have the rates into that territory on a high level. As he ships only very short distances, his competitor attempting to come in from a greater distance, is thus placed at a disadvantage. Thus rates injurious to a whole territory, are beneficial to this particular shipper.

The type of evidence sufficient to establish injury to a territory, is evidence to show economic injury to the whole territory. Even Appellants do not contend that the record was not replete with this type of evidence. It is fully set forth in the Government's brief, and it should not be necessary to repeat it here. The evidence of the great injury done and being done to the West, Southwest and South, by reason of a structure of intra-territorial and interterritorial rates which prevents or handicaps location of industry in those territories, and encourages location of industry in official territory, was overwhelming in the record before the Commission. This was the nature of the evidence offered. Purely as representative, evidence of particular shippers located in the West, Southwest and South who were actually attempting to compete interterritorially with competitors located in official terriory, was presented. An example is the testimony of E. G. Plowman, traffic manager of the Colorado Fuel and Iron Corporation of Pueblo, Colorado. (R. 2495) This witness testified as to the striking similarity between the average situation and the situation of the Colorado Fuel and Iron Co. (R. 2497) that the present rate structure retards the Eastbound selling efforts of his concern, and supported this statement with numerous representative examples; that because of the freight rate penalty his firm was unable to distribute East of the Missouri River, and that the penalty of higher class rates quickly checked the selling efforts of any concern such as the Colorado Fuel and Iron Corporation eastbound into Western Trunk Line and Northern Southwestern Lines Territory. The Transportation Commissioner of the Minneapolis, Minnesota, Traffic Association (R. 3120) testified as to the many industries that have removed from that city to official territory since 1920 because of the discriminatory class rates. (R. 3125) There were numerous such witnesses to offer testimony representative of the situation in Western, Southwestern and Southern territories. Such evidence would not have been necessary, but was simply corroborative of the testimony of expert economists, such as Witness Spotswood, (R. 1358) as to the injurious effects of the discrimination of the general economy of the West and South.

It is obvious that evidence appropriate to prove discrimination against particular shippers and particular localities is not the same as evidence which will establish discrimination against territories. Were it otherwise, there would have been no occasion for the 1940 Amendment to add regions, districts, and territories to section 3 of the Act. After the Amendment of 1940, where the issue is that of undue preference to one territory and undue prejudice to other territories, the type of evidence to be required is evidence appropriate to establish injury to regions, districts and territories. This is done when evidence of economic loss and injury to these areas is presented. To give effect to the contention of Appellants, would render useless the new prohibition against discrimination to regions, districts and territories; a proceeding requiring all of the particular shippers, firms and localities in an entire territory to produce evidence of their particular situation, would extend interminably and have no foreseeable end. In fact, the Attorney for the Western Railroads, in the proceeding before the Commission, objected to testimony as to the situation of particular localities when such evidence was attempted, and addressed the following question to the bench:

> If the Commission please, does that not bring up the question at once, as to how far the Commission is going to inquire into local situations in connection with this proceeding? Apparently this witness here is dealing with a situation that he regards as peculiar to Wichita. (R. 3220)

Now Appellants complain that the record is deficient in that it is claimed to lack sufficient evidence of discrimination against particular localities and shippers.

It is submitted that evidence to establish a violation of Section 3 as to regions, districts and territories, is properly evidence concerning the economic effect of discriminatory rates on regions, districts and territories, such as abounds in the record, and is not evidence of the effect of the rates upon individual shippers and localities, as now urged by Appellants.

VI.

THE POWER OF THE COMMISSION TO PRESCRIBE FUTURE RATES IS LEGISLATIVE, AND DOES NOT TERMINATE WHEN ONCE EXERCISED.

In part IV of their brief, beginning on page 163 thereof, the Western Carriers, under a heading which appears to bear little relation to the context, expound the doctrine that because the Commission, in previous decisions, has prescribed most of the class rates, that it is now precluded from making the order here under attack. The contention is not set forth in this form, doubtless for the reason that when clearly stated, the contention is patently contrary to law. The argument, therefore, is veiled, and is made to appear as follows: That in previous cases the Commission has made certain findings concerning the financial needs of the Western Railroads; that the present decision appears not to follow these previous findings; therefore in the present decision the Commission has ignored the financial needs of the Western Railroads. But it all comes around to the contention that once the Commission has prescribed a rate, it loses jurisdiction ever to prescribe a different rate.

The Western Railroads start back in 1925, with a proceeding known as *Ex Parte 87.* (113 I. C. C. 3) They seem yet to harbor ill will toward the Commission for denying them the increases there sought. We had supposed that the four years immediately following (1926 to 1929, inc.),—except for the war years of 1943-1945, inc., the most prosperous series of years ever experienced by the American Railroads,—had sufficiently demonstrated the wisdom of the decision of the Commission in that proceeding.

Next they take up the decision in ***Western-Trunk Line** Class Rates*, Docket 17000, Part 2. (164 I. C. C. 1) decided May 6, 1930, and show that there the Commission granted increases in the class rates under the hope,—never to be realized—, that the higher rates would yield the Western Railroads additional revenue. The higher rates failed to produce the anticipated additional revenue, and the Western Railroads by some unrevealed line of reasoning, place the blame for this upon the Commission. The fact is, the rates proved much too high to move the traffic, and as shown herein above, the carriers voluntarily reduced them drastically.

The Western Railroads next contend that their rate level has declined over a long period of years and set out, at page 173 of their brief, a table which they contend shows this decline. The table is utterly without meaning unless accompanied by data to show the average length of hauls. As length of haul increases, revenue per ton-mile decreases, and the length of haul has greatly increased throughout the period shown on the table, a fact well known to these Western Railroads. The average haul, *i. e.*, the average distance each ton of freight was carried, treating all railroads as a unit, lengthened from 288.18 miles in 1918 (the first year shown on the table) to 473.28 miles in 1944. (5) If the impression the Western Carriers attempt to leave were correct, the relative rate level within the various districts would be easily established by mere reference to the relative ton-mile earnings. For example, the Western Carriers contend the general rate level in the Western District is much higher than in the Eastern District. However, the earnings per ton-mile during the first ten months of 1946 were 1.025 cents in the Eastern District and .982 cents in the Western District. (6) This would appear to disprove the contention that the rate level in the Western District is higher than in the Eastern District, and in fact to establish the absolute contrary. The fact is, like the table presented by the Western Carriers, it proves precisely nothing at all.

---

(5) Statistics of Railways in the United States, 1944. Table 155, page 154.

(6) Statement No. M-220, October 1946, I. C. C. Bureau of Transport Economics and Statistics.

Next, these carriers, beginning on page 175 of their brief, make the most amazing and unjustified condemnation of the Commission yet encountered. They lay at the door of the Commission the full responsibility for the unfortunate series of rail bankruptcies which followed in the wake of the depression which haunted the decade of the thirties. No reasonably informed person believes the rate level was even a remote factor in these bankruptcies. Blythely ignoring both the record and the fact, these Appellants avow, without any record reference whatsoever because there is nothing in the record to which they could refer, that these bankruptcies were occasioned by decisions of the Commission in investigations made pursuant to the Hoch-Smith Resolution, which decisions, they aver, again without reference to anything in the record, greatly reduced the rates on agricultural products. While we believe these decisions raised rather than lowered rates on agricultural products, the question appears to have little bearing here.

But these carriers aver that "About 1935" a trend set in, due to these rates prescribed by the Commission, which "produced its inevitable result". They then set forth (page 177) a list of Western Railroads which presumably were forced into bankruptcy by the events of "about 1935".

The fact of the matter is, of the 58,400 miles of railroad there set forth, only 9,143 miles went into bankruptcy after 1935; a great part of the bankruptcies occurred in 1933 and earlier years. (7). The seeds for these bankruptcies were sown long before the Hoch-Smith Resolution was adopted, and the great depression of the thirties merely supplied the push. Neither the Interstate Commerce Commission nor the general rate level had anything to do with it. Railroads operating side by side and in direct competition, and on the same rate level as these bankrupt lines, experienced no difficulty in surviving this period, as witness such Western Railroads as the Santa Fe, the Burlington, the Union Pacific, the Southern Pacific, the Great Northern and The Northern Pacific. Together these strong financial carriers operate a very large portion of the mileage in the Western District. Is the Interstate Commerce Commission to have credit for their enviable financial position, or does it take only the blame for the bankruptcies brought on by years of financial mismanagement and manipulations?

---

(7) Annual Reports of The Interstate Commerce Commission. 1933. 1934. 1935.

From all of this, however, the Western Railroads argue that in its decision, the Commission ignored the financial needs of these carriers. The report of the Commission refutes this contention. The Commission analyzed the revenue needs of the carriers in the various districts, found that the Eastern District rail lines were in need of additional revenue, (R. 470)—a conclusion fully borne out by subsequent events—found they handle a larger portion of their traffic on class rates than do carriers in the other districts, found these rates were unreasonably low; it found the class rates in the West were unreasonably high—too high to move the traffic; found but 0.6 percent of the carload traffic was moving on them in Western Trunk Line Territory and but 2.4 percent in Southwestern Territory (R. 310). Upon a finding, amply supported by evidence, the Commission found the class rates in Western Trunk Line and Southwestern Lines Territories to be unreasonable considering "cost of service, consists of the traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates." (R. 311) For the court to reverse this finding of the Commission, the scope of judicial review of the decisions of the Commission will have to be enlarged to a point where the Commission will cease to be the rate making body and the Court substituted therefor.

VII.

THE DECISION AND ORDER OF THE COMMISSION IN EX PARTE 162, INCREASED RAILWAY RATES, FARES AND CHARGES, 1946, HAVE NOT ALTERED THE RATE SITUATION UNDER THE COMMISSION'S ORDERS IN THE INSTANT CASE AND HAVE NOT MADE THE COMMISSION'S ORDERS IN THE INSTANT CASE OBSOLETE AND IMPOSSIBLE OF ENFORCEMENT ACCORDING TO THEIR TERMS.

Appellants in Nos. 343 and 344 urge upon the Court that the Order of the Commission in the instant case should be annulled and enjoined, because that Order has become obsolete and impossible of enforcement by reason of the decision in *Ex Parte* 162.

It should be noted that Appellants in No. 345 are not urging this doctrine in their briefs in these proceedings, nor do the Appellants in the other cases go so far as to urge that the proceedings have become moot.

By petitions filed in the spring of 1946, all railroads in the United States applied to the Interstate Commerce Commission for certain increases in rates, and urged that such increases were necessary because of conditions that had developed in 1946 and which would possibly continue through 1947 and beyond.

The Interstate Commerce Commission was restrained, by action of the Appellants in 343 and 344, from basing any increase in revenues for the Appellant railroads herein, or railroads in other districts in the United

States, upon the basis of rates prescribed by the Orders here under investigation, and therefore the Interstate Commerce Commission was required to base its findings in the *Ex Parte* 162 proceedings upon the rates as were in effect prior to the issuance of its Orders of May 15 and October 30, 1945, now here for review.

Appellant's statements are misleading in many instances and are not statements of fact in other instances. On pages 152 and 153 of the brief for the State of New York, *et al.*, filed herein, dated February 8, 1947, it is stated that the railroads in Official Territory were permitted to increase their class rates 25 percent, *"the maximum sought by the railroads to render their rates compensatory in the light of their increased costs."* Nowhere in the petition of the carriers to the Commission for these increases, nor in the evidence presented by Official Territory Carriers will any statement of this nature be found, and it must, therefore, be a gratuitous conclusion of the authors of the New York brief.

The Interstate Commerce Commission, in both its Interim Order in *Docket Ex Parte* 162, dated June 20, 1946, and its Final Order dated December 5, 1946, thoroughly discussed the peculiar conditions under which that Commission was forced to act by reason of the pendency of the restraining order against its Orders issued in Docket No. 28,300. And it sets out on sheet 12 of its report dated June 20, 1946, that the petitioning railroads had suggested that any increase should be: "Conditioned that if and when the order in the class rate proceeding becomes effective, the same percentage increase shall apply to the class rates prescribed in that case."

In its final report, in *Ex Parte* 162, dated December 5, 1946, the Commission, in Finding 20, on sheet 65, said: "As the effectiveness of our order in *Class Rate Investigation*, 1939, docket 28,300, is now stayed and enjoined, we do not hereby in any manner suspend or supercede, or modify or effect the findings and order entered in that proceeding."

We respectfully submit that this Court should not concern itself with the manner and form with which the Interstate Commerce Commission might apply its Order, which is here under review, if that Order be found to have been lawfully promulgated. If there be a chaotic situation, which we deny, resulting from the increases granted in the *Ex Parte* 162 proceedings, as contrasted with the Order now under review, that chaotic situation was produced by the Appellants in Nos. 343 and 344, and this Court should give little heed to any complaint which results solely from the action of these Appellants.

CONCLUSION.

For the reasons stated, the final decree of the Court below should be affirmed.

Respectfully submitted,

THE STATE OF ARKANSAS,
By: Ben Laney, Governor.
ARKANSAS PUBLIC SERVICE COMMISSION,
(Successor to ARKANSAS CORPORATION COMMISSION),
By: J. C. Murray, Special Attorney,
Little Rock, Arkansas.

THE STATE OF KANSAS,
STATE CORPORATION COMMISSION OF KANSAS,
KANSAS INDUSTRIAL DEVELOPMENT COMMISSION,
By: Byron M. Gray, Special Attorney,
Topeka, Kansas.

The State of Nebraska,
Nebraska State Railway Commission,
By: Duane T. Swanson, Commissioner,
Walter R. Johnson, Attorney General,
H. Emerson Kokjer, Deputy Attorney General,
Lincoln, Nebraska.

The State of North Dakota,
By: Nels G. Johnson, Attorney General,
Bismarck, North Dakota,
Neal E. Williams, Special Assistant
Attorney General,
Fargo, North Dakota.

Public Service Commission of the
State of North Dakota,
By: James Hanley, Commerce Counsel,
Mandan, North Dakota.

The State of Oklahoma,
Corporation Commission, State of Oklahoma,
By: C. B. Bee, Special Counsel,
Oklahoma City, Oklahoma.

The State of South Dakota,
Public Utilities Commission of the
State of South Dakota,
By: William Williamson, Assistant Attorney General,
Pierre, South Dakota.

The State of Texas,
Railroad Commission of the State of Texas,
By: Price Daniel, Attorney General of Texas,
James D. Smullen, Assistant Attorney General,
Charles D. Methews, Assistant Attorney General,
Austin, Texas.

Dated:
February 24, 1947.

FILE COPY

Office - Supreme Court, U. S.
FILED
[illegible]
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

Term, 1947

STATE OF NEW YORK, DELAWARE
et al., ... *Appellants*
vs.
UNITED STATES, et al., ... *Appellees*
No. 343

HON. HORACE A. HILDRETH, GOVERNOR OF MAINE, et al., ... *Appellants*
vs.
UNITED STATES, et al., ... *Appellees*
No. 344

ATCHISON, TOPEKA & SANTA FE RAILWAY COMPANY, et al., ... *Appellants*
vs.
UNITED STATES, et al., ... *Appellees*
No. 345

AMICUS CURIAE BRIEF FOR THE COMMONWEALTH OF KENTUCKY, THROUGH ITS ATTORNEY GENERAL.

ELDON S. DUMMIT,
Attorney General

M. B. HOLIFIELD
Assistant Attorney General

Of Counsel
J. E. MARKS
L. F. ORR

INDEX

Page

Motion for Leave to File 1-2

Brief:

Statement of the Case 3-5

Argument: 6

I. The Commission should not be restrained in its procedure to harmonize class-rate structure with the requirements of the Federal Constitution 6

II. The contention of Appellants in the lower court stated and discussed 8-15

III. Each State has the Constitutional right to retain her natural advantages in commerce 15-20

IV. The ad interim order and supplemental order of the Commission are in harmony with the Constitution of the United States, and disclose a procedure of substituting geographical uniformity in class rate regulations in lieu of a presumed intrinsic uniformity throughout the entire territory under consideration 20-34

V. The States can not be legally deprived of their natural advantages. Hudson County Water Company v. McCarter, 209 United States, 349, 356, 357 34-35

Conclusion 36

TABLE OF CASES CITED

	Pages
House Document 137 of the 78th Congress of the United States, First Session, pages 46 to 49	12
Hudson County Water Company v. McCarter, 209 U. S. 348, 356, 357; 52 L. Ed. 828, 832	16
Interstate Commerce Commission v. Chicago and Great Western Railway Co. et al., 209 U. S. 108, 122; 52 L. Ed. 705, 714	16
United States v. Illinois Central R. R. Co. et al., 263 U. S. 515, 524; 63 L. Ed. 417, 425	17
Northeastern Coal Bureau v. C & O R. R. Co. 206 ICC 445, 448 (Docket 26080)	17
C & O R. R. Co. v. United States, 296 U. S. 187, 80 L. Ed. 147	18
United States v. Illinois Central Railroad Company, et al., 263 U. S. 515, 524; 63 L. Ed. 417, 425	18
262 ICC, page 696	18
Interstate Commerce Commission v. Baltimore and Ohio Railroad Co. 145 U. S. 263, 282; 36 L. Ed. 699, 705	21
Gibbons v. Ogden, 22 U. S. (9 Wheat) 1, 224, 225; 6 L. Ed. 23, 77	23
Cooley v. Board of Wardens of Port of Philadelphia, 53 U. S. (12 Howard) 299, 319; 13 L. Ed. 996, 1005	25
Gloucester Ferry Co. v. Commonwealth of Pennsylvania, 114 U. S. 196; 29 L. Ed. 158, 162	26
Wilson v. United States, 30 Fed. Cas. 239, 243 (1 Brock, 423)	27

Papers of James Madison (by Henry D. Gilpin 28, 29

Knowlton v. Moore, 178 U. S. 41, 105, 106; 44 L. Ed. 969, 995 30

Downes v. Bidwell, 182 U. S. 244; 45 L. Ed. 1088.......... 30

Flint v. Stone Tracey Co., 220 U. S. 107; 55 L. Ed. 289 30

Louisiana Public Service Commission v. Texas and New Orleans R. R. Co. 284 U. S. 125, 131; 76 L. Ed. 201, 204, 205 31

Hudson County Water Co. v. McCarter, 209 U. S. 349, 356, 357 34

Knowlton v. Moore, 178 U. S. 41, 105, 106; 44 L. Ed. 969, 995 34

IN THE

Supreme Court of the United States

....Term, 1947

STATE OF NEW YORK, DELAWARE, ET AL. .... *Appellants*
vs.
UNITED STATES, ET. AL. .... *Appellees*
NO. 343

HON. HORACE A. HILDRETH, GOVERNOR OF MAINE, ET AL., *Appellants*
vs.
UNITED STATES, ET. AL. .... *Appellees*
NO. 344

ATCHISON, TOPEKA & SANTA FE RAILWAY COMPANY, ET AL., *Appellants*
vs.
UNITED STATES, ET. AL. .... *Appellees*
NO. 345

MOTION TO FILE AMICUS CURIAE BRIEF

ELDON S. DUMMIT,
Attorney General

M. B. HOLIFIELD,
Assistant Attorney General

Of Counsel,
J. E. MARKS
L. F. ORR

May it Please the Court:

Comes now the Commonwealth of Kentucky, by and through its Attorney General Eldon S. Dummit, and states that in the territory embraced within the Commonwealth a part of its rail carriers operate under official class rates, and the balance of its rail carriers operate under Southern class rates, and that by reason thereof the Commonwealth of Kentucky and its citizens have a vital interest in the controversy now under consideration in the foregoing captioned cases.

Wherefore, the Commonwealth of Kentucky moves that it be granted the privilege of filing the following AMICUS CURIAE brief herein.

Eldon S. Dummit,
Attorney General

M. B. Holifield,
Assistant Attorney General

Of Counsel
J. E. Marks
L. F. Orr

IN THE

Supreme Court of the United States

5

.... Term, 1947

STATE OF NEW YORK, DELAWARE, ET AL. *Appellants* vs. UNITED STATES, ET AL., *Appellees.*	No. 343
HON. HORACE A. HILDRETH, GOVERNOR OF MAINE, ET AL., *Appellants* vs. UNITED STATES, ET AL., *Appellees.*	No. 344
ATCHISON, TOPEKA & SANTA FE RAILWAY COMPANY, ET AL., *Appellants* vs. UNITED STATES, ET AL., *Appellees.*	No. 345

AMICUS CURIAE BRIEF FOR THE COMMONWEALTH OF KENTUCKY, THROUGH ITS ATTORNEY GENERAL

MAY IT PLEASE THE COURT:

The challenged reports, findings and ad interim orders on review before this Court in the above captioned cases grew out of an investigation designated as I. C. C. Dockets 28300 and 28310, which was commenced by the Interstate Commerce Commission, upon its own motion, on the 29th day of July, 1939. It involves interstate class rates applicable to the transportation of property by the railroads, or by water, or partly by rail and partly by water, between all points in the United States east of the Rocky Mountains.

Lengthy hearings were held in different parts of this territory, and all interested were given ample opportunity to present testimony sustaining their contentions. The Commission had before it a record of more than five thousand (5000) pages, and two hundred and thirty-three (233) statistical exhibits, when it promulgated its original and supplemental reports, findings, and ad interim orders.

This amicus curiae brief by the Commonwealth of Kentucky through its Attorney General is filed herein because the State and its citizens have a vital interest in the outcome of this litigation. Kentucky is peculiarly situated with respect to this controversy in that it is served by rail carriers, a part of which operate under class rates prescribed for official territory, and part under class rates prescribed for southern territory. Kentucky, on its borders and within its territory, has more navigable streams than any State in the Union. It makes no difference whether our rail and water carriers are operating under official or southern class rates, their operating conditions and facilities, their freight density, and the cost of maintaining their respective transportation systems, upon the whole are as favorable as those that prevail in official territory, and it is obvious that no class rate, fare, or charge, can be legally imposed upon the shippers of Kentucky that are higher than those that are permitted in official territory.

The original and supplemental reports, findings, and ad interim orders of the Interstate Commerce Commission in I. C. C. Docket No. 28300 disclose a material approach to and an intent by the Commission ultimately to establish a uniform system of class rates, fares and charges for transportation service over the entire territory east of the Rocky Mountains, and which territory of course includes Kentucky. Such a goal has long been sought by our Commonwealth as one that is to the best interest of the carriers, as well as to the shippers of our State. It would completely remove the class rate differential on transportation between official and southern territories that constitutes an embargo against the industrialization of the territory south of the Ohio river. It would give immediate relief to those industries that exist in Kentucky and other southern states by enlarging the territory in which they can ship and sell their finished products on a plane of equality with their northern competitors.

While Kentucky recognizes that this temporary adjustment is not perfect, and while in all probability our State will suffer more from the "half-a-loaf" adjustment than any other southern State, we recognize that this temporary adjustment, although imperfect, will wipe out more unlawful differentials against the South, and will give our shippers some immediate relief while waiting for the delayed, permanent, uniform adjustment.

It is naturally anticipated that within a reasonable time the Commission will substitute a new uniform system of classifying freight for shipment in lieu of the three separate contradictory and highly discriminatory classifications that now exist in the north, south and west, and that when this is done it is reasonable to expect that the Commission will then make effective the final uniform system of class rates, fares, and charges for the entire territory, and in so doing it will remove any defective ad interim inequalities that cause prejudice or unlawful advantage to any person, locality, district, region or territory under consideration.

ARGUMENT

The Commission Should Not Be Restrained in Its Procedure to Harmonize Its Class Rate Structure with the Requirements of the Federal Constitution.

For many years the manufacturing industries in official territory have enjoyed a system of class freight rates of a general average of about 39% lower than was imposed upon the manufacturers of identical products and for identical transportation service in southern territory. This unfair differential in class freight rates enabled the manufacturer of the north to ship his products to customers in a sale territory much greater than like manufacturers in the southern states.

It is common knowledge that prior to the War Between the States that while the south contained approximately one-third of the population of the Union, it controlled slightly more than one-third of its industries. But during that unfortunate War its industry was wholly destroyed. It was several years thereafter before Southern people were financially able to rebuild their destroyed industries, and when that period arrived it was no encouragement to them or to outside investors to discover the fact that a competing industry north of the Ohio river could serve a much larger sale territory than that open to a manufacturer south of the Ohio river, not by reason of any natural advantage, but by reason of the North's lower freight rates. As a consequence of these conditions, eighty-five per cent (85%) of all manufacturing plants in Kentucky are located in counties bordering on the Ohio river, and the remaining fifteen per cent (15%) are distributed among interior counties of Kentucky which can only serve local patrons. The same unfortunate conditions prevail in the territory to the south of Kentucky. Those plants on the Ohio river in our State can ship their finished products north into official territory, and by reason of the access to lower freight rates can successfully compete on a plane of equality with like plants in official territory. That reason, and that reason alone, accounts for their existence, location and prosperity. Manufacturing plants bring skilled labor; skilled labor brings high wages, and high wages increase the number of happy homes and the prosperity of the State where it can thrive. No Federal regulatory body has the power to legally impose on any part of the territory of the United States a regulation that would bar its industrialization.

Appellants were critical of the Southern Governors' Conference—accused those Governors of "beating the tom toms", and of seeking more favorable freight rates in order to shift industry from the north and locate it in the South. Interstate freight rates are regulated by the Federal Government, and neither Kentucky nor the other southern States demanded any lower rates than those that have heretofore been so generously granted to the North and have for so long been withheld from the South.

Kentucky is only seeking an equality of treatment in governmental regulations with her competitors of the north. This equality of treatment does not mean that the manufacturing plants north of the Ohio river shall be shifted to the south, but it does mean that the northern manufacturers' sale territory shall not be artificially escalated to a much larger marketing area, to the disadvantage of every like manufacturer of Kentucky whose products are subject to southern class rates. We are only asking that the industry in official territory be deprived of an unjust, undue artificial preference and advantage that was and is prejudicial to our welfare.

THE CONTENTION OF APPELLANTS IN THE LOWER COURT STATED AND DISCUSSED

It was the contention of the appellants in the lower Court that there was not sufficient evidence before the Commission to support their findings, and that said findings were inadequate to support the original ad interim and supplemental orders made; that in its supplemental report the Commission made *pro forma* findings; that existing class rates within official territory are less than minimum reasonable rates in violation of Sections 1(4) and 4(a) of the Interstate Commerce Act, and that neither this ultimate finding nor the Commission's order requiring a ten per cent increase in class rates for transportation within official territory is supported by preliminary findings and that present class rates fail to provide adequate compensation to carriers in official territory for their transportation service. They charge that the primary and motivating influence for the orders made was "to stimulate the movement of industry from the north to the south", and that for those reasons the orders of the Commission are arbitrary and invalid.

Without admitting the truth of any of these contentions, it is obvious that the appellant systematically ignores, and hopes that this Court will ignore, the unreasonable differential in favor of official territory, and against southern territory, existing in the class rate levels in the two territories. And here we desire to remark that it makes no difference whether that average differential is thirty per cent or thirty-nine per cent, or a percentage somewhere between the two, its application to Kentucky can not be justified. The existence of a river, such as the Ohio, between official and southern, or any other territory, does not justify a differential in freight rates. If it did, we would have many differentials in Kentucky, because within the interior of this State there are the Tennessee, Cumberland, Licking, Kentucky and Green rivers—all navigable for many miles and all crossed by one or more railroads. There must be a legitimate basis for a differential, and the principal one is the different cost of service in the different territories. But that legitimate justification does not exist between official territory and Kentucky, and for that matter it does not exist between official territory and the other southern states.

The head cost analyst for the Commission was and is Dr. Ford K. Edwards. In the hearing before the Commission he presented an elaborate cost study covering the entire territory under consideration, which cost study was only mildly criticised by any of the able cost analysts who were present and available to the appellants herein. Neither did the rail carriers or the appellants offer a different cost study. In the "Statement of Dr. Ford K. Edwards in Reply to the Criticism of Exhibits Introduced by Him" before the Commission, and on page 2 thereof, he admitted:

> "There can be no doubt that the costs for Kentucky are lower than the costs in the remainder of the South and the East."

Further on in this evidence occurs his statement of explanation and his table exhibiting relative costs between Kentucky and the United States, as a whole, and the remaining southern states and the east, which is as follows:

> "The figures for the United States are taken as 100 for purposes of comparison. The comparisons are based, first, on assumed loads of 25 tons and 50 tons in box cars and gondolas, respectively, and secondly, on the territorial average loading obtaining for these classes of equipment in the respective territories. This latter comparison was available only for those territories for which average loads by classes of equipment had been computed. The supporting detail appears in my Exhibit ——, Identification A, Tables I and II."

Territory	Box Cars		Gondola and Hopper Cars	
	25 Tons	Actual Load	50 Tons	Actual Load
New England (Terr. 1)	143	......	152	......
Eastern excl. New England and Northern Illinois (Terr. 2)	99	......	98	......
Eastern incl. New England (Terr. 1, 2)	101	102	101	100
Pocahontas (Terr. 5)	67	68	63	63
Eastern incl. New England and Pocahontas (Terr. 1, 2, 5)	96	......	94	......
Eastern incl. New England and State of Kentucky	100	......	99	......
Eastern incl. New England, Pocahontas, and State of Kentucky	94	......	93	......
Southern (Terr. 6)	96	97	99	102
State of Kentucky	76	......	77	......
Southern excl. State of Kentucky	101	......	105	......
Eastern incl. New England and Southern (Terr. 1, 2, 6)	100	......	100	......
Western (Terr. 11)	109	108	110	115
United States (Terr. 12)	100	100	100	100

The above table should be examined in the light of the map of Dr. Ford K. Edwards, appearing on the inside cover page of his "Railroad Freight Service Costs in the Various Rate Territories, Cost Scales by Territories and Classes of Equipment," filed before the Interstate Commerce Commission as "Exhibit #3." A photostatic copy of this map is inserted herein as a part hereof at the end of this brief, as "Appendix A" thereto, for the convenience of the Court.

This map discloses that when Dr. Edwards speaks of "Eastern," it includes the States of New York, New Jersey, Delaware, Maryland, Pennsylvania, Ohio, Indiana, Michigan, and the greater part of the State of Illinois. This is only a segment of that part of the United States that is usually spoken of as "official territory" in discussing rail rate matters. He excludes from "official territory" West Virginia, and all that part of Virginia which lies north of the Norfolk and Western and Virginia railroad, and designates this excluded territory as "Pocahontas."

The "Pocahontas" territory embraces that part of the Chesapeake and Ohio, the Norfolk and Western and Virginia railroads lying in West Virginia, and that part of Virginia north of but including the Norfolk and Western and Virginia railroads. In this map he also designates "New England" as embracing the states of Maine, New Hampshire, Vermont, Massachusetts, Connecticut and Rhode Island, which is likewise a part of official territory.

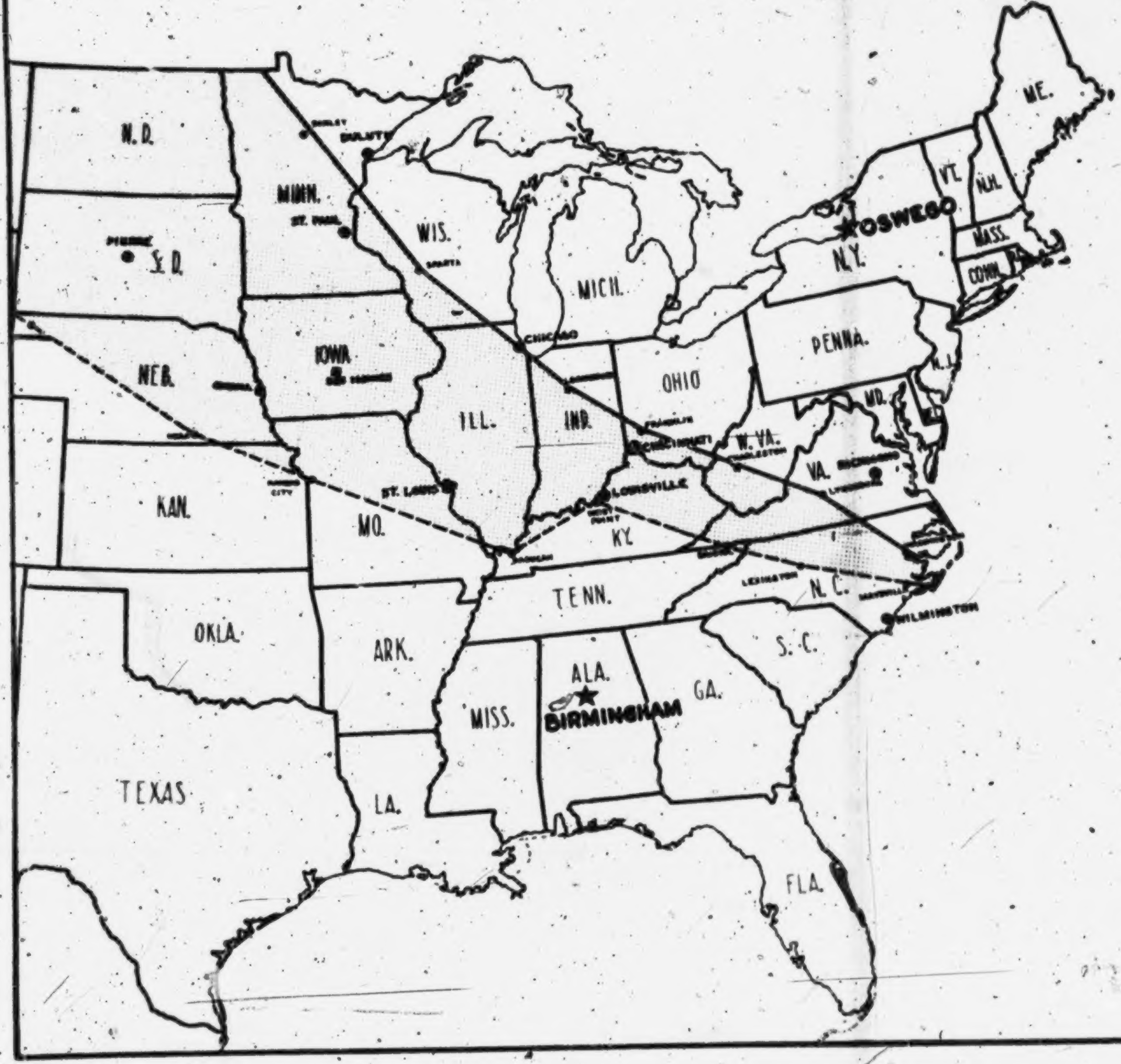
With this information in mind, we examine the last item of column 1 in the foregoing table, and discover that the average cost of operating the railroads in the United States is designated by the figures "100." But in designating the cost for "New England," as shown by column 1, it is placed at 143. "Eastern," excluding New England and northern Illinois (Terr. 2) that cost is placed at 99. "Eastern," including New England (Terr. 1 and 2), it is placed at 101. "Pocahontas" (Terr. 5) it is placed at 67.

"Eastern," including New England and Pocahontas, (Terr. 1, 2, 5) it is placed at 96. "Eastern," including New England and Kentucky, it is placed at 100. "Eastern," including New England, Pocahontas and Kentucky, it is placed at 94. "Southern" (Terr. 6) it is placed at 96. "State of Kentucky," it is placed at 76. "Southern," excluding Kentucky, it is placed at 101. "Eastern," including New England and Southern (Terr. 1, 2 and 6) it is placed at 100. "Western" (Terr. 11) it is placed at 109.

This map of each of the separate territories east of the Rocky Mountains, and the foregoing table of Dr. Edwards, disclose that the cost of operating rail carriers in Kentucky is less than any territory except that which is designated on this map as "Pocahontas," and it is less than any combination of territories that can be made without including Kentucky.

When you consider the cost of operating rail transportation systems in Kentucky as compared with other territories north, south, east and west of the Commonwealth; also, when you consider that the traffic density of Kentucky is equally as great as the density of any territory within the United States, and much higher than the average density of the northern territory which has long enjoyed the lower rates; and further, when you consider the fact that operating conditions in this State compare favorably with the operating conditions of any adjoining territory, the unlawfulness and injustice of charging the exorbitant southern class rates imposed upon a great majority of Kentucky shippers becomes startling! It is remarkable that any Federal regulatory body should, for as long a period of time as southern class rates have been maintained, remain blind to the inexcusable injustice that has been imposed upon this Commonwealth! Outside of the territory designated on Dr. Edwards' map as "Pocahontas," you can not find any territory in the United States so justly entitled to the same class rates that have been so generously given to official territory, which is designated as "Eastern" on Dr. Edwards' map, for all the many years of Federal regulation of freight rates.

The most complete demonstration of unlawful prejudice resulting to southern and western territory, and unlawful advantage granted to official territory by reason of the rail rate differential, is set forth in a communication from the chairman of the Tennessee Valley Authority, entitled "Regionalized Freight Rates Barrier to National Productiveness," which was transmitted to the Congress of the United States by a letter of date March 25, 1943, by President Franklin D. Roosevelt, and published as House Document 137 of the 78th Congress, First Session. On pages 46, to and including 49, under the subject head of "Contraction of Market Territory," the author discloses how in a shaded area on maps 3, 4 and 5, the southern or


N.D.
MINN.
DULUTH
ST. PAUL
WIS.
PIERRE
S.D.
MICH.
IOWA
NEB.
CHICAGO
ILL.
IND.
OHIO
PENNA.
OSWEGO
N.Y.
VT.
N.H.
ME.
MASS.
CONN.
N.J.
MD.
W.VA.
CINCINNATI
VA.
RICHMOND
KAN.
MO.
ST. LOUIS
LOUISVILLE
KY.
TENN.
LEXINGTON
N.C.
WILMINGTON
S.C.
OKLA.
ARK.
MISS.
ALA.
BIRMINGHAM
GA.
TEXAS
LA.
FLA.

INEQUALITY OF MARKETING OPPORTUNITY CAUSED BY REGIONALIZED CLASS-RATES

MARKETING AREAS OF MATCH MANUFACTURERS IN SOUTHERN AND OFFICIAL TERRITORIES COMPARED ON BASIS OF RATES AND DISTANCES

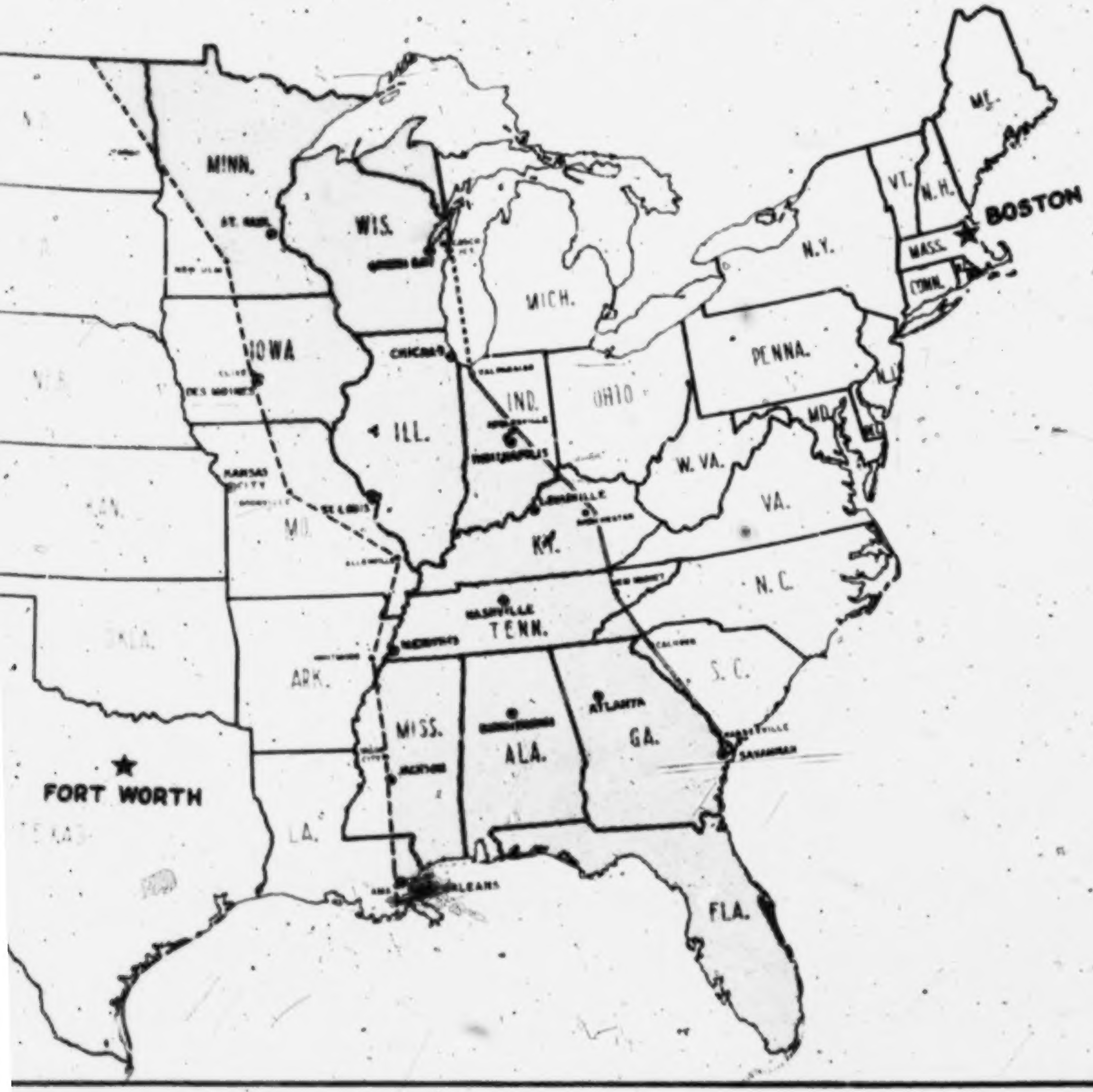
In competition between manufacturers in Birmingham, Alabama (Southern) and Oswego, New York (Official) for the sale of matches, the shaded area is a market in which Birmingham possesses the "natural" advantage of distance but Oswego possesses the "practical" advantage of lower freight rates.

KEY

— EQUAL - DISTANCE LINE (APPROXIMATE) BETWEEN BIRMINGHAM AND OSWEGO.

- - - EQUAL - RATE LINE (APPROXIMATE) BETWEEN BIRMINGHAM AND OSWEGO.

INEQUALITY OF MARKETING OPPORTUNITY CAUSED BY REGIONALIZED CLASS-RATES


MINN.
ST. PAUL
WIS.
GREEN BAY
MICH.
ME.
VT.
N.H.
BOSTON
MASS.
CONN.
N.Y.
PENNA.
IOWA
DES MOINES
CHICAGO
ILL.
IND.
INDIANAPOLIS
OHIO
MD.
W. VA.
VA.
KANSAS CITY
MO.
ST. LOUIS
LOUISVILLE
KY.
N.C.
KAN.
OKLA.
ARK.
MEMPHIS
NASHVILLE
TENN.
S.C.
ATLANTA
MISS.
JACKSON
ALA.
GA.
SAVANNAH
FORT WORTH
TEXAS
LA.
NEW ORLEANS
FLA.

MARKETING AREAS OF SHOE MANUFACTURERS IN SOUTHWESTERN AND OFFICIAL TERRITORIES COMPARED ON BASIS OF RATES AND DISTANCES

In competition between manufacturers in Fort Worth, Texas, (Southwestern) and Boston, Massachusetts (Official) for the sale of shoes, the shaded area is a market in which Fort Worth possesses the "natural" advantage of distance but Boston possesses the "practical" advantage of lower freight rates.

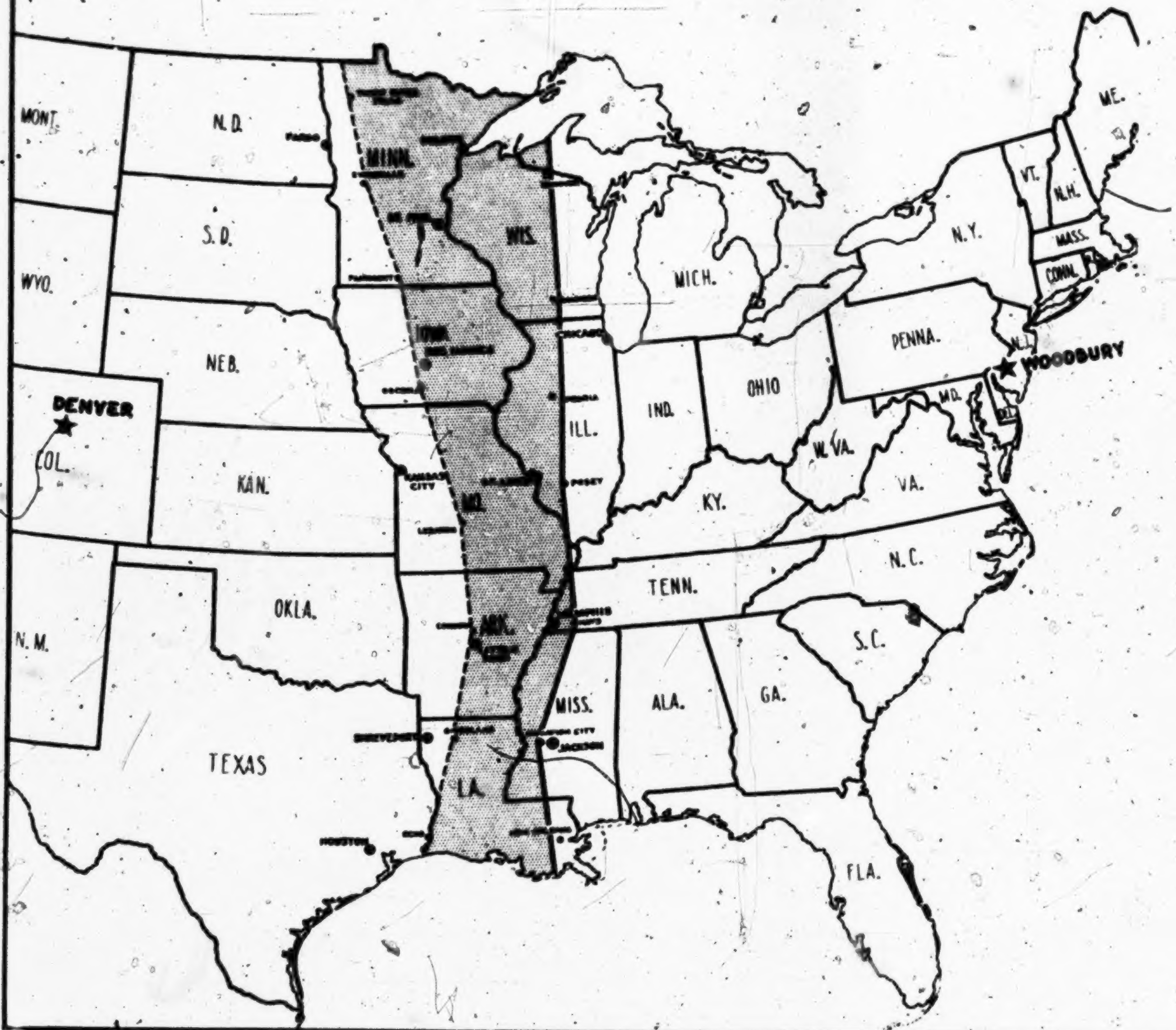
KEY

——— EQUAL - DISTANCE LINE (APPROXIMATE) BETWEEN FORT WORTH AND BOSTON.

– – – EQUAL - RATE LINE (APPROXIMATE) BETWEEN FORT WORTH AND BOSTON.

INEQUALITY OF MARKETING OPPORTUNITY CAUSED BY REGIONALIZED CLASS-RATES

MARKETING AREAS OF TRAVELING BAG MANUFACTURERS IN WESTERN TRUNK-LINE AND OFFICIAL TERRITORIES COMPARED ON BASIS OF RATES AND DISTANCES


MONT.
N.D.
MINN.
WYO.
S.D.
WIS.
MICH.
N.Y.
ME.
VT.
N.H.
MASS.
CONN.
NEB.
IOWA
CHICAGO
PENNA.
N.J.
WOODBURY
DENVER
COL.
IND.
OHIO
ILL.
MD.
W. VA.
KAN.
KANSAS CITY
MO.
KY.
VA.
N.C.
TENN.
OKLA.
ARK.
N.M.
S.C.
MISS.
ALA.
GA.
JACKSON
TEXAS
LA.
HOUSTON
FLA.

In competition between manufacturers in Denver, Colorado (Western Trunk-Line) and Woodbury, New Jersey (Official) for the sale of traveling bags, the shaded area is a market in which Denver possesses the "natural" advantage of distance but Woodbury possesses the "practical" advantage of lower freight rates.

KEY

▬▬ EQUAL - DISTANCE LINE (APPROXIMATE) BETWEEN DENVER AND WOODBURY.

- - - - EQUAL - RATE LINE (APPROXIMATE) BETWEEN DENVER AND WOODBURY.

84579—43 (Face p. 46) FIGURE 5.

more than 491,946 square miles, with a consuming population of more than 23,308,461, withdrawn from its nearest match market at Birmingham, Alabama, and granted to a far-away market at Oswego, New York, by reason of lower freight rates granted to official territory but withheld from southern territory. This immense population embraced in this shaded territory will not be able to purchase matches from the Alabama producer, unless that producer absorbs the differential in freight rates imposed on southern territory that constitutes an artificial protection to the northern producer against the southern producer. This differential is the equivalent of a tariff imposed upon the southern states for the protection of the northern states: It requires the southern producer to pay the price of that differential for the privilege of selling his product in territory that naturally belongs to him by reason of the nearness of that territory to his plant, and gives that territory to his northern competitor who can sell therein without paying the price for the privilege that is required of the southern manufacturer. Would any sensible investor construct a manufacturing plant in Birmingham, Alabama, for the production of any finished product for sale, when he is conscious of the fact that the Federal Government will deprive him of his natural advantage of distance in the sale of that product in a territory much larger than 491,946 square miles, and containing a market population that is much greater than 23,308,461 consumers of his product?

To ask this question is to answer it. It is the economic factor that has made the southern States economic Problem No. 1 of the Federal Government.

A like demonstration is furnished in other products by maps 4 and 5, disclosing a like artificial burden imposed upon producers in western territory in favor of the producers in official territory.

The discovery of these economic facts at the hearing in I. C. C. Dockets No. 28300 and 28310 was embarrassing to the Intersstate Commerce Commission, in view of the fact that it has heretofore ignored to a large degree the numerous complaints of the Southern states for the removal of the unreasonable class freight-rate differential. It accounts for the mildness in stating the economic effects resulting to the South and West by this differential in their reports, findings and orders on review before this Court. The Commission could not forget its approval of that differential by reason of their faith in the myth that "it cost more to transport property and persons in the South than in the North"—a myth that persisted through all the years of southern protest!

When the transportation cost in Kentucky is on the basis of 76 or 77, and the official territory (Eastern, New England, and Pocahontas) on a basis of 96 or 94, and then the Federal regulatory body imposes a class rate upon official territory of only 100, but impresses upon the southern territory, including a greater part of Kentucky, a class rate of an estimated average of from 130 to 139, to state it mildly, an error has been made which should be corrected, and that is what the Interstate Commerce Commission is in the process of doing in its ad interim orders on review before this Court. That body knows the paralyzing influence on an industry when undue preference is given to the manufacturers of a competitive territory against the manufacturers of another adjoining territory. It knows that the low rate imposed on official territory is not for the benefit of the carriers, but to help her shippers. The margin between cost and rates is too small to enable the transportation system to earn an adequate return upon the investment in official territory.

Each State Has The Constitutional Right To Retain Her Natural Advantages In Commerce.

The natural advantages in commerce, such as the nearness in distance to market, that belong to each State and its citizens, can not be nullified legally, or withdrawn from them by any Federal regulation of commerce. It is the duty of the United States, in exercising its regulatory powers, to recognize and protect those natural advantages.

In the case of Hudson County Water Company v. McCarter, 209 U. S. 349, 356, 357; 52 L. Ed. 828, 832, Mr. Justice Holmes, in speaking for the United States Supreme Court upon this point, said:

> "We are of opinion, further, that the *Constitutional power of the State to insist that its natural advantages shall remain unimpaired by its citizens is not dependent upon any nice estimate of the extent of present use or speculation as to future need.* The legal conception of the necessary is apt to be confined to somewhat rudimentary wants, and there are benefits from a great river that might escape a lawyer's view. But the State is not required to submit even to an anaesthetic analysis. Any analysis may be adequate. *It finds itself in possession of what all admit to be a great public good, and what it has it may keep and give no one a reason for its will.*
>
> "The defense under the 14th Amendment is disposed of by what we have said". (Emphasis ours).

The fact that the motivating influences that caused the promulgation of the regulatory deprivation of any natural advantage was benevolent, or for the purpose of assisting in trade competition, does not legalize the discriminating regulation.

In the case of Interstate Commerce Commission v. Chicago and Great Western Railway Company, et al., 209 U. S. 108, 122; 52 L. Ed. 705, 714, Mr. Justice Brewer, in speaking for this Court upon this point, said:

> "It may be true, as contended by counsel for appellant, that even a genuine competition which results in a change of rates does not necessarily determine the question whether the rates as fixed work an undue preference or create an unlawful discrimination.

> *Those rates fixed may make a preference or discrimination irrespective of motive which caused the railway companies to adopt them; and yet the fact of a genuine competition does not make against the contention that the rates were intended to work an injustice*". (Emphasis ours).

Again, in the United States v. Illinois Central Railway Company, et al., 263 U. S. 515, 524; 68 L. Ed. 417, 425, Mr. Justice ~~Brandeis, in speaking~~ for this Court, said:

> "But preference may inflict undue prejudice, although carriers' motives in granting them are honest: Interstate Commerce Commission v. Chicago, G. W. R. Co., 209 U. S. 108, 122; 52 L. Ed. 705, 713; 28 Sup. Ct. Rep. 493. Self-interest of the carrier may not override the requirements of equality in rates. It is true that the law does not attempt to equalize opportunities among localities".

When the Interstate Commerce Commission has committed an error in imposing a differential against any territory, bringing to it the burden of illegal discrimination, and has discovered that error, it certainly has the right to enter upon the process of correction as is disclosed in its reports, findings and ad interim orders on review in this case.

In their report on reargument to exceptions to the original report in the case of Northeastern Coal Bureau v. Chesapeake and Ohio Railway Company, 206 I. C. C. 445, 448 (Docket 26080) as early ~~as~~ February 12, 1935, the Interstate Commerce Commission said:

> "Preference, not necessarily injurious in itself, affords opportunity to gain success over and injure the other party. The act is specifically directed against undue preference and all other forms of unjust treatment of the shipping public".

An action was filed to restrain the Interstate Commerce Commission from enforcing its order based upon the above report and finding, and the Supreme Court of the United States, in the case of Chesapeake and Ohio Railroad Company, et al. v. United States of America, 296 U. S. 187; 80 L. Ed. 147, dismissed the action, thus placing its imprimatur upon the above declaration of the Commission.

In the report from which the above excerpt was taken, the Commission, is discussing Section 3. (1) Interstate Commerce Act, before that Act was amended by the 1940 Congress by adding therein the significant words "region", "district" and "territory", which words necessarily enlarged instead of restricting the power of the Commission in eliminating undue preference.

The importance of the difference of cost in maintaining the respective transportation systems in adjoining rate territories, and in determining whether the differential constitutes "undue preference", is illustrated by this Court's opinion in the case of United States v. Illinois Central Railroad Company, 263 U. S. 515, 524; 68 L. Ed. 417, 425, wherein Mr. Justice Brandeis said:

> "To bring a difference in rates within the prohibition of Section 8, it must be shown that the discrimination practiced is unjust when measured by the transportation standard. In other words, the difference in rates can not be held illegal unless *it is shown that it is not justified by the cost of the respective services or by other transportation conditions*". (Emphasis ours).

The cost in Kentucky is less than in official territory. The lower cost having been established for the State, the appellants then carried the burden of showing that "other transportation conditions" justify the differential. They not only failed to meet that burden, but did not attempt to do so.

The original report by the Commission in the instant case, in 262 I. C. C., and on page 696 thereof, disclosed the effects of this preferential differential in favor of official territory as against southern territory, when the Commission modestly stated:

> "In shipping to official territory, manufacturers in other territories not only have the disadvantage of location, but are subject to an additional burden in those instances where they must pay class rates on a much higher level than their competitors in official territory. The situation reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in official territory, *tends to restrict the growth and expansion of the manufacturers of other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories*".

In this general conclusion and ultimate finding from the nature and scope of the evidence heard in the many hearings in the instant case, the Commission has the basis for the ad interim order to increase the rail class rates ten per cent (10%) in official territory. Congress certainly had a purpose in adding the words "region", "district" and "territory" to Section 3 (1) of the Interstate Commerce Act by the 1940 Amendment, and in those findings, and in the ad interim order, the Commission made a justifiable response to the Congressional mandate, for it is clear that Section 3 (1) supra must be read *in para materia* with Section 15 (1) of the Interstate Commerce Act as set forth in the 1940 Amendment, which, in part, provides as follows:

> "Whenever, after full hearing, * * * under an order for an investigation and hearing made by the Commission on its own initiative, with any extension of any pending complaint, or without any complaint whatever, the Commission shall be of opinion that any individual or joint rate, fare, or charge whatsoever, demanded, charged, or collected, by any common carrier, or carriers, subject to this Chapter, for the transportation of person or property as defined in the

> first section of this chapter, * * * is or will be unjust, or unreasonable, or unjustly discriminatory, or unduly preferential, or prejudicial, or otherwise in violation of any of the provisions of this Chapter, the Commission is authorized and empowered to determine and prescribe what will be the just and reasonable, individual or joint rate, fare, or charge, or rates, fares or charges to be thereafter observed in such cases or with maximum or minimum, or maximum and minimum to be charged, and what individual or joint classification, regulation or practice is ~~or~~ will be just, fair and reasonable, to be thereafter followed, and to make an order that the carrier, or carriers shall cease and desist from such violation to the extent to which the Commission finds that the same does or will exist, and shall not thereafter demand or collect any rate, fare, or charge for such transportation other than the rate, fare or charge so prescribed or in excess of the maximum or less than the minimum so prescribed as the case may be, and shall adopt the classification and shall conform to and observe the regulation of practice so prescribed".

When these two sections are read together, there can be no question but that the Commission had the right and duty to raise the class rates in official territory ten per cent (10%) above the existing rates.

The Ad Interim Order and Supplemental Order of the Commission Are in Harmony with the Constitution of the United States, and Disclose a Procedure of Substituting Geographical Uniformity in Class Freight Rate Regulations in Lieu of a Presumed Intrinsic Uniformity Throughout the Entire Territory Under Consideration.

In no part of this brief have we intended, directly or indirectly, to offensively criticise any act of the Interstate Commerce Commission with respect to the differential in favor of official territory, and against southern territory.

We have no doubt of its integrity. We are sure that in imposing the differential of which we complain they were not only misled by the erroneous consideration of factors that were foreign to the legal problem under consideration, but were also misled by the history of the Transportation Act under which they acted, and the meaning of the construction placed upon that Act by this Court in simply construing same and not passing upon its validity.

We are conscious of the fact that our Interstate Commerce Act uses the phrases "undue advantage", "undue preference", and "undue prejudice". These phrases crept into the Act because it was modeled from the English Transportation Act of 1854.

In the case of Interstate Commerce Commission v. Baltimore and Ohio Railroad Company, 145 U. S. 263, 282; 36 L. Ed. 699, 705, Mr. Justice Brown, in speaking for the Supreme Court of the United States, said:

> "The English Traffic Act of 1854 contains a clause similar to section 3 of the Interstate Commerce Act, that 'no company shall make or give any undue or unreasonable preference or advantage to or in favor of any particular person or company, or any particular description of traffic, in any respect whatsoever, nor shall any such company subject any particular person or company, or any particular description of traffic, to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.' "

He then quoted from three English cases construing this English Statute from which our Interstate Commerce Act was modeled, and on page 284 of the United States Report, and page 706 of the Law Edition, he remarked:

> "These traffic acts do not appear to be as comprehensive as our own, and may justify contracts which with us would be obnoxious to the long and short haul clause of the Act, or would be open to the charge of unjust discrimination. *But so far as relates to the*

question of 'undue preference', it may be presumed that Congress, in adopting the language of the English Act, had in mind the construction given to these words by the English courts, and intended to incorporate them into the statute". (Emphasis ours).

The Court had before it the question of a construction of the act and not a question as to its constitutional validity. The Court sought congressional intent, and when it discovered that our Interstate Commerce Act was modeled after the English Act, and that the English courts had construed the meaning of those phrases before Congress had incorporated them into our Interstate Commerce Act, they correctly concluded that it was the congressional intent to adopt the construction of these phrases as construed by the English courts. For more than fifty years this construction has been followed by our courts and by the Interstate Commerce Commission and the Commissions of the several states, but the constitutional validity of the undue advantage, preference, and prejudice phrases have not been challenged to this hour. This error of Congress has misled the State and Federal commissions through all the years.

The English courts construed the English act in harmony with the so-called English Constitution, which is a flexible Constitution. Anything that the English Parliament enacts is constitutional in England. On the other hand, we have a written Constitution embracing mandatory directions and positive prohibitions. It is the last word of the people, who are the sovereigns. It was not intended as a flexible, but as a rigid Constitution. Its directions and prohibitions must be obeyed. It is the standard by which every Congressional Act, and many of our State acts, must be measured as to their validity. When there is a doubt as to the meaning of its terms, we study the historical background out of which that instrument was promulgated. That background can always guide us to the correct construction of any doubtful provision. This is true as to the construction of provisions with respect to dealing with foreign and interstate commerce as it is to other provisions in that instrument. We do not have to paint that background. That picture has been drawn authoritatively by Mr. Justice Johnson in his concurring opinion to the opinion of Mr. Chief Justice Marshall in the leading case of Gibbons v. Ogden, 22 U. S. (9 Wheat) 1, 224, 225; 6 L. Ed. 23, 77, when he said:

> "As early as 1778, the subject has been pressed upon the attention of Congress, by a memorial from the State of New Jersey; and in 1781, we find a resolution presented to that body, by one of his day, affirming that '*it is indispensably necessary that the United States, in Congress assembled, should be vested with a right of superintending the commercial regulations of every state, that none may take place that shall be partial or contrary to the common interests'*. The resolution of Virginia, appointing her commissioners, to meet commissioners from other states, expresses their purpose to be, '*to take into consideration the trade of the United States, to consider how far an uniform system, in their commercial regulations, may be necessary to their common interests and their permanent harmony*. And Mr. Madison's resolution, which led to that measure, is introduced by a preamble entirely explicit to this point. 'Whereas, The relative situation of the United States has been found, on trial, *to require uniformity in their commercial regulations, as the only effectual policy for obtaining, in the ports of foreign nations, a stipulation of privileges reciprocal to those enjoyed by the subjects of such nations in the ports of the United States, for preventing animosities, which cannot fail to arise among the several states, from the interference of partial and separate regulations, &c. Therefore resolved &c!*"
>
> "The history of the times will, therefore, sustain the opinion that the *grant of power over commerce, if intended to be commensurate with the evils existing, and the purpose of remedying those evils, could be only*

> *commensurate with the power of the states over the subject.* And this opinion is supported by a very remarkable evidence of the general understanding of the whole American people, when the grant was made.
>
> "There was not a state in the Union in which there did not, at that time, exist a variety of commercial regulations, concerning which it is too much to suppose that the whole ground covered by those regulations was immediately assumed by actual legislation, under the authority of the Union. *But where was the existing Statute on this subject, that a State attempted to execute? Or by what State was it ever thought necessary to repeal those statutes? By common consent those laws dropped lifeless from their statute books, for want of the sustaining power that had been relinquished to Congress".* (Emphasis ours).

Selfish revenue and navigation acts by the separate states were obstructing commerce and creating a hatred and animosity between the citizens of the different states, and in the adoption of the Federal Constitution the committee that was dealing with the subjects of revenue, navigation and commerce offered at the completion of the provisions two amendments, one for uniformity and one for no preference. Out of these two amendments there was finally evolved the uniformity clause as to revenue in section 8, and the no-preference clause as to revenue and commerce in section 9 of Article 1. With these two amendments secured, the jealousy and selfishness of the States as to commerce and revenue seemed to have vanished from the Constitutional Convention, and without hesitation they granted to the Federal Congress the power to regulate commerce with foreign powers, and between the States and Indian tribes. It would not have been wise for the separate states to grant this absolute power to regulate commerce between the states without imposing upon Congress the uniformity and no-preference restrictions that bar it from regulating revenue and commerce so as to exploit one section of our nation to the profit of another at the demand of a sectional majority. To eliminate jealousy and fear of this type of sectional legislation for favored states, a requirement for geographical uniformity and a prohibition against *any preference* in revenue and commercial regulations was absolutely necessary. That is what the Convention intended, and that is the way those sections have been so uniformly construed throughout the years.

It is interesting to note that our Constitutional fathers were too wise to use any qualifying adjectives, such as "undue", with the word "preference". They did not open that door. They said "no preference" and meant exactly what they said. Every time Congress has departed from the Constitutionally adopted public policy of "no preference", they have opened the door for controversy and encouraged friction between the States. When all preference is banished, these rivals in commerce will cease their efforts to obtain any type of preference.

One of the first cases that came before the Supreme Court that required a construction of commercial powers and their restriction was the Pilot Act of one of the States, and Mr. Justice Curtis, in construing those powers for the Court, and in laying down a rule by which to determine the commercial activities that were subject to Congressional legislation, in the case of Cooley v. Board of Wardens of the Port of Philadelphia, et al., 53 U. S. (12 Howard) 299, 319, 13 L. Ed. 996, 1005, said:

> "Whatever subjects of this power are in their nature national, or *admit only of one uniform system, or plan of regulation*, may justly be said to be of such a nature as to require exclusive legislation by Congress".

If the subject of the legislation was national in scope or required uniformity of regulation, Congress possessed the exclusive power to legislate upon that subject; but if the subject was of local significance only, then the legislature of the State has legislative jurisdiction of the local situation. But where Congress is granted power to regulate, no Constitutional father dreamed that it had been granted power to do other than to provide for one uniform system, or plan of regulation for the whole territory of the United States. They did not expect or intend that the territory of this nation, in matters of revenue or commerce, to be divided into different segments, and each segment or zone given a different type of regulation. No one believed that power had been given Congress to create the friction between States that they were trying to eliminate.

In the case of Gloucester Ferry Co. v. Commonwealth of Pennsylvania, 114 U. S. 196, 204, 29 L. Ed. 158, 162, Mr. Justice Field, in dealing with the same proposition, said:

> "*And it needs no argument to show that commerce with foreign nations and between the States, which consists in the transportation of persons and property between them, is a subject of national character and requires uniformity of regulation.* Congress alone therefore, can deal with such transportation; *its nonaction is a declaration that it shall remain free from burdens imposed by state legislation.* Otherwise there would be no protection against conflicting regulations of different states, each legislating in favor of its own citizens and products and against those of other states. *It was from apprehension of such conflicting and discriminating state legislation, and to secure uniformity of regulation, that the power to regulate commerce with foreign nations and among the states was vested in Congress.*" (Emphasis ours).

The last two opinions disclose that the powers granted to Congress with respect to commerce were limited by the uniformity and no preference clauses of sections 8 and 9 of Article 1. Another significant reason as to why every interstate rate for the transportation of persons or property should be uniform throughout the United States, and without any preference for any territory not based upon necessary cost and a reasonable income upon the transportation investment, is the fact that commerce as dealt with in the Constitution was inseparable from navigation.

In the year 1787, when the Constitutional Convention closed, there was not a foot of railroad in the world. There could be no occasion for rate zones or territories with different rate levels where all commodities as a general proposition were transported upon the water. That the Convention dealt with commerce as being inseparable from navigation is disclosed in the definition of the word "commerce" by Mr. Chief Justice Marshall in his opinion in the case of Wilson v. United States, 30 Fed. Cas. 239, 243 (1 Brock 423), wherein he said:

> "From the adoption of the Constitution, till this time, the universal sense of America has been, *that the word 'commerce', as used in that instrument, is to be considered a generic term, comprehending navigation, or, that a control over navigation is necessarily incidental to the power to regulate commerce.*" (Emphasis ours.)

The Constitution never changes except by amendment, but its provisions are applicable to the new conditions that arise within the purview of those provisions. But their applications to new conditions are with the same limitations and restrictions that are applicable to the original conditions. The provisions of uniformity and no-preference applicable to water transportation are now applicable to rail transportation. Those provisions applicable to the ports of different states are now applicable to the rail gateways of those States.

But the question may be asked—did not the Constitution grant to Congress the power to "establish post offices and post roads?" The construction placed upon the words "to establish * * * post roads" by both Congress and the Federal Judiciary is that the power granted was to select the mail routes over the roads established, maintained and operated by the authority of the states. When this construction was first discovered by us, we questioned its reasonableness. Investigation disclosed that an effort to regulate transportation by stage coaches was denied by the Federal Constitutional Convention; that an effort to create a cabinet officer, with power to open and maintain public roads and canals, was also denied; and while authority was granted to Congress to procure real estate upon which to locate the Nation's Capitol, its forts, magazines, arsenals, dockyards and other needful buildings, no power is directly or indirectly granted to procure real estate to establish or maintain public roads or canals.

An illuminating bit of history in this connection is found in Volume III, page 1576, of "The Papers of James Madison," by Henry D. Gilpin, published at Mobile by Allston Mygatt in 1842 (see House Document 398, 69th Congress, 1st Session, pp. 724-5), where it is stated that the following proceedings occurred on Friday, September 14, 1787, in the Federal Constitutional Convention:

> "DOCTOR FRANKLIN moved to add, after the words, 'postroads,' Article 1, Sect. 8, a power 'to provide for cutting canals where deemed necessary'.
>
> "MR. WILSON seconded the motion.
>
> "MR. SHERMAN objected. The expense in such cases will fall on the United States, and the benefit accrue to the places where the canals may be cut.
>
> "MR. WILSON. Instead of being an expense to the United States, they may be made a source of revenue.
>
> "MR. MADISON suggested an enlargement of the motion, into a power 'to grant charters of incorporation where the interest of the United States might require, and the legislative provisions of individual states may be incompetent.' His primary object was, however, to secure an easy communication between the States, which the free intercourse now to be opened seemed to call for. *The political obstacles being re-*

moved, a removal of the natural ones as far as possible ought to follow.

"MR. RANDOLPH seconded the proposition.

"MR. KING thought the power unnecessary.

"MR. WILSON. It is necessary to prevent a State from obstructing the general welfare.

"MR. KING. The States will be prejudiced and divided into parties by it. In Philadelphia and New York it will be referred to the establishment of a bank, which has been a subject of contention in those cities. In other places it will be referred to mercantile monopolies.

"MR. WILSON mentioned the importance of facilitating by canals the communication with the Western settlements. As to banks, he did not think with Mr. King that the power in that point of view would excite the prejudices and parties apprehended. As to mercantile monopolies, they are already included in the power to regulate trade.

"COLONEL MASON was for limiting the power to the single case of canals. He was afraid of monopolies of every sort, which he did not think were by any means already implied by the Constitution, as supposed by Mr. Wilson.

"The motion being so modified as to admit a distinct question specifying and limited to the case of canals.

"Pennsylvania, Virginia, Georgia, aye,—3; New Hampshire, Massachusetts, Connecticut, New Jersey, Delaware, Maryland, North Carlina, South Carolina, no—8."

The political barriers between the states were removed by the adoption of those provisions in the Federal Constitution dealing with the privileges and immunities of citizenship, revenue and interstate commerce; but by a vote of eight states against three, the Convention refused to remove the natural barriers in interstate commerce. The states wanted to retain their natural advantages, and they could not do this by granting to Congress the power to remove their natural disadvantages. If Congress cannot legally remove those disadvantages, the Commission (its instrument) can not do so.

These authorities and facts drive us to the conclusion that under the uniformity and no-preference clauses of the Federal Constitution, all regulations of commerce must be uniform throughout the United States. Those regulations deal with political and not natural barriers. This raises the question, what kind of uniformity? The answer to this question has been authoritatively given by this Court in its opinion in the case of Knowlton v. Moore, 178 U. S. 41, 105, 106, 44 L. Ed. 696, 995. Mr. Justice White in this opinion recites every step taken by the Convention in adding the uniformity and no-preference clauses to the Federal Constitution, and then states the conclusion of the Court as follows:

> "Thus it came to pass that although the provisions as to preference between ports and that regarding uniformity of duties, imposts, and excises were one in purpose, one in their adoption, they became separated only in arranging the Constitution for the purpose of style. The first now stands in the Constitution as a part of the sixth clause of section 9 of article 1, and the other is a part of the first clause of section 8 of article 1. By the result, then, of an analysis of the history of the adoption of the Constitution *it becomes plain that the words 'uniform throughout the United States' do not signify an intrinsic but simply a geographical uniformity.*"

This opinion on this point has been quoted with approval by the Supreme Court in Downes v. Bidwell, 182 U. S. 244, 45 L. Ed. 1088, Flint v. Stone Tracey Co., 220 U. S. 107, 55 L. Ed. 389, and other cases. In our research we have been unable to find any opinion that reverses or modifies the conclusions reached in the above excerpt from Knowlton v. Moore.

If you ask us about the opinion of the Supreme Court in the case of Louisiana Public Service Commission v. Texas & N. O. R. Co., 284 U. S. 125, 131, 76 L. Ed. 201, 204, 205, our reply is that under the facts and the issues raised in that case, clause 6, section 9, of Article 1 should not have been invoked. The line haul rate for Texas and Louisiana was the same, mile for mile. In Texas the carrier rendered only a rail transportation service. In Louisiana it not only rendered a rail transportation service, but also a ferriage service. The court said: "No rate specifically applies to the ferriage across the river." The rail service was a separate, distinct service from that of the ferriage service. The linehaul rate only applied to transportation on rails, but the rail carrier performed an additional, separate, distinct service—that of ferrying the commodities across the Mississippi River. For this latter service the Commission permitted the carrier to charge 8 cents per ton, not as an increase of compensation for rail transportation, but for ferriage service in addition to the rail transportation. This did not create a discrimination in rail transportation. It could not be termed a discrimination between the ports of Louisiana and the ports of Texas. It was only a charge for actual services rendered. To constitute a discrimination between one port and another port, there would have to be a higher rate at one port for the identical service for which a lower rate was charged at a different port. No such facts were presented to this Commission or to the court in that case. Consequently, clause 6, section 9, of Article I, should not have been invoked and could not have applied, and the comments of the court in construing that clause are *obiter dictum*. There was no intention to overrule Knowlton v. Moore. In fact, an examination of the cases discussed in the briefs in the statement of this case by the court discloses the fact that neither Knowlton v. Moore, Downes v. Bidwell, Flint v. Stone Tracey Co., nor any other case approving Knowlton v. Moore, was referred to by either the appellant or appellees. The court's remarks disclose that it did not seriously consider clause 6, section 9, of Article I, because it carelessly used language disclosing that it did not in that opinion discriminate between the difference in the facilities of commerce and the regulation of commerce. The construction of lighthouses and buildings for the accommodation of commodities in ports, and the construction of piers for the safety of the ships, does not constitute a regulation of commerce—they are the furnishing of facilities to accommodate those engaged in commerce, and with the permission of the State and Federal government can be furnished by private individuals. If it had been the intention of the Court to overrule so important a construction of clause 6, section 9, of Article 1, as was promulgated in the opinion of Knowlton v. Moore, this Court w[illegible]d have said so. When you admit, as you are forced to do, that geographic uniformity is applicable to regulations of commerce as it has been applied repeatedly for over one hundred and fifty years to the regulation of revenue, and when you permit a rate under regulation of commerce to prevail in one section of the country that is lower than a like rate in another section of the country where the cost of transportation is the same, the discrimination is unlawful and should be removed. Under the testimony of L. F. Orr before the Commission, Kentucky has as favorable rate density as the eastern States, or official territory. The transportation services cost no more in Kentucky than they do in the States north of and east and northeast of this Commonwealth.

If you should ask us about the opinion in the case of *Armour Packing Co.* v. *United States*, 209 U. S. 56, 60, 61, 79, 80, our answer is that there was no justification for invoking clauses (5) or (6) of section 9, Article 1, of the Federal Constitution, as a defense to the prosecution in that case. The Armour Packing Company had been indicted and convicted for obtaining from the Chicago, Burlington and Quincy Railway Co. an unlawful concession of 12 cents per 100 pounds from the published and filed rate on the portion of the route between the Mississippi river and New York for transportation upon a shipment made August 17, 1905, for carriage by rail of certain packing house products from Kansas City, Kansas, to New York, for export, in violation of the so-called Elkins Act of February, 1903, Chapter 708, 32 Statutes 847.

Under the provisions of Clause (3) of section 8, Article I of the Federal Constitution, Congress had the power to prohibit any shipper from procuring from any rail carrier the transportation of any commodity at a less rate than the one provided in the published tariffs for that commodity. The so-called Elkins Act levies no export or other tax on property transported by rail or other carriers, or owned by any person. The appellant did not, and could not, point out wherein the so-called Elkins Act discriminated between the New York port or any other port, whether served by rail or water transportation. If such imaginary competitive port was served by water transportation, the power to deprive the states of their natural advantages had been denied to the Federal Congress by the proceedings of the Federal Constitutional Convention, of date Friday, February 14, 1787, hereinbefore mentioned. Neither the Federal Congress nor its instrumentality, the Interstate Commerce Commission, has been endued with power to deprive a port of any State of such natural advantages as is brought to such a port by inland water transportation under a regulation imposed on rail transportation or otherwise. It was this lack of power the Court referred to in denying appellant's contention as to clause (6) of section 9, supra, when on page 80 of its opinion it said:

> It may be true that the regulation of interstate commerce by rail has the effect to give an advantage to commerce wholly by water and to ports which can be reached by means of inland navigation, *but these are natural advantages and not created by statutory law.*" (Emphasis ours.)

The States Can Not Be Legally Deprived of Their Natural Advantages. See Hudson Co. Water Co. v. McCarter, 209 U. S. 349, 356, 357.

The regulation complained of by appellant prohibiting any shipper from securing a less rate of transportation from a rail carrier than was imposed on other shippers under published and filed tariffs was geographically uniform throughout the United States, as required by clause (6), section 9, Article 1, when read in *pora materia* with clause (1) of section 8, Article I of the Federal Constitution, as construed by the opinion of the Supreme Court in the case of Knowlton v. Moore, 178 U. S. 41. The so-called Elkins Act met the constitutional standard in that it regulated rail transportation under clause (3), section 8, Article 1, by prohibiting the granting or procuring of advantages in rail rates without depriving any state, or port of any state, of any natural advantages, and with the limitation of being uniform geographically throughout the United States, as required by clause (6), section 9, Article I, and in tha tit did not impose any export tax on either the property transported, or the activity of transportation, as prohibited by clause (5) of the last mentioned section. Hence, the Court correctly said:

> "The fact that regulation, within the acknowledged power of Congress to enact may affect the ports of one State more than those of another, can not be construed as a violation of this constitutional provision."

The Court made that declaration because Congress in prescribing the regulation in controversy had exercised its power within the limits imposed upon it by the Federal Constitution, but that court could not correctly make that declaration with respect to a ruling of the Interstate Commerce Commission that disregards the limitations of geographical uniformity by imposing a class freight rate upon southern territory 39 per cent higher than is imposed upon official territory, when the cost of transportation in the two territories is equal. And the last quoted excerpt was not intended to, and does not, justify the injustice imposed upon the South by this unreasonable differential in favor of official territory, nor in justification of those who devise factors upon which to base differentials not required by the Fifth Amendment to the Federal Constitution.

CONCLUSION

Under the foregoing facts, reasons, illustrations and authorities, Kentucky is entitled to the same class freight rates accorded to official territory.

The evidence before the Commission authorizes and supports its findings, and those findings are amply broad upon which to base the ad interim order and supplemental order challenged herein. Those orders disclose a determination on the part of the Commission ultimately to establish uniform class rates throughout the entire territory under consideration.

This will harmonize our class rate structure with our Federal Constitution, and grant to every part of our Nation an equal opportunity to industrialize and to develop our natural advantages.

This procedure can harm no person, natural or artificial, and no community. Consequently, we confidently expect an affirmance of the judgment of the lower Court.

Rsepectfully submitted.

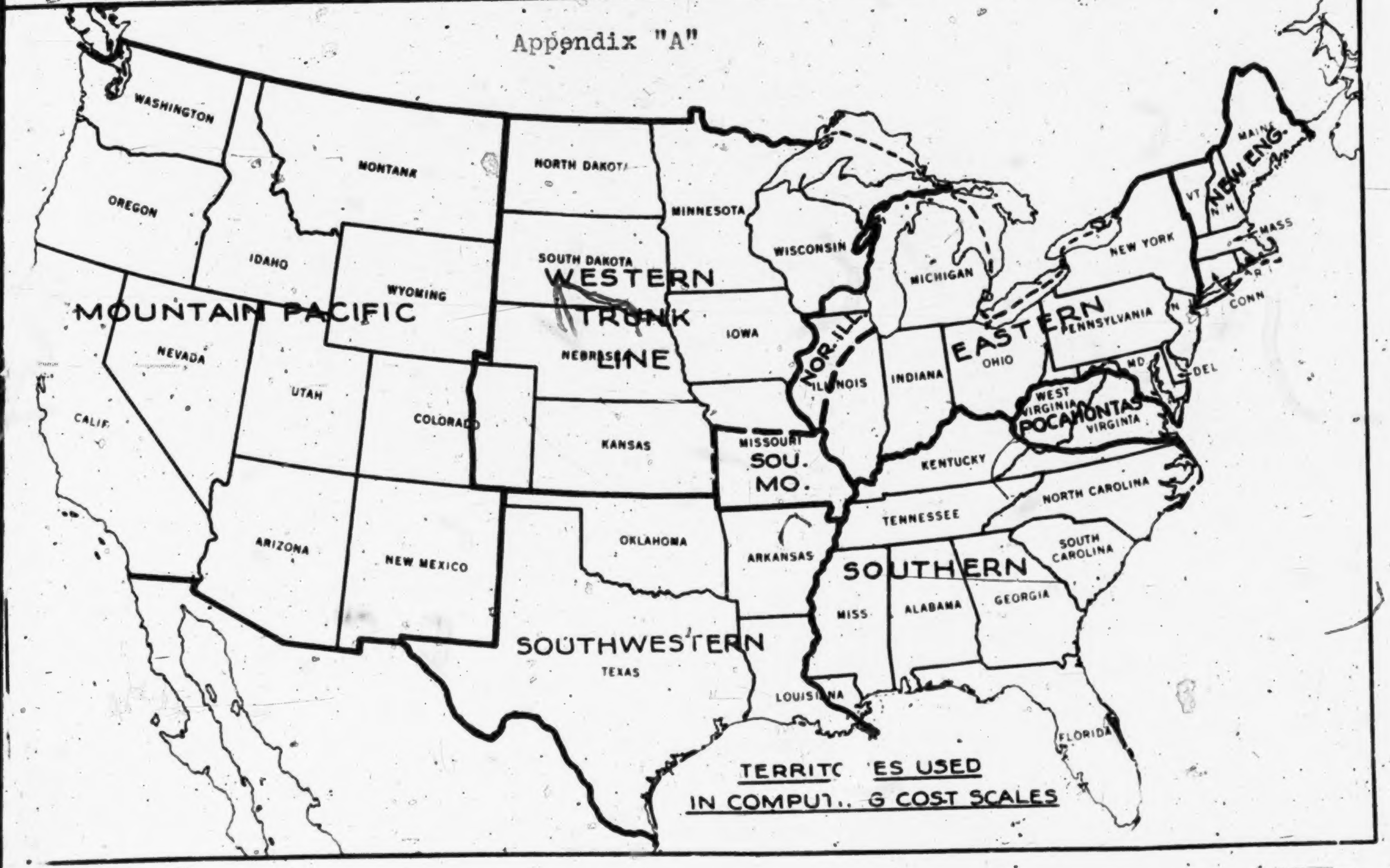
Eldon S. Dummit,
Attorney General

M B Holifield

M. B. Holifield,
Assistant Attorney General

Of Counsel,
J. E. Marks,
L. F. Orr.

Appendix "A"


WASHINGTON
MONTANA
NORTH DAKOTA
MINNESOTA
OREGON
IDAHO
WYOMING
SOUTH DAKOTA
WESTERN TRUNK LINE
WISCONSIN
MICHIGAN
NEW YORK
VT
N H
MAINE
NEW ENG.
MASS
R I
CONN
N J
MOUNTAIN PACIFIC
NEVADA
UTAH
COLORADO
NEBRASKA
IOWA
NOR. ILL.
ILLINOIS
INDIANA
OHIO
EASTERN
PENNSYLVANIA
MD
DEL
WEST VIRGINIA
POCAHONTAS
VIRGINIA
CALIF
KANSAS
MISSOURI
SOU. MO.
KENTUCKY
NORTH CAROLINA
TENNESSEE
ARIZONA
NEW MEXICO
OKLAHOMA
ARKANSAS
SOUTHERN
SOUTH CAROLINA
MISS
ALABAMA
GEORGIA
SOUTHWESTERN
TEXAS
LOUISIANA
FLORIDA
TERRITO 'ES USED
IN COMPUT.. G COST SCALES

FILE COPY

Office - Supreme Court, U. S.
FILED
FEB 25 1947
CHARLES ELMORE CROPLEY
CLERK

Supreme Court of the United States

OCTOBER TERM, 1946.

NO. 343.

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

NO. 344.

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

NO. 345.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK.

BRIEF FOR THE STATE OF MINNESOTA.

J. A. A. BURNQUIST,
Attorney General.

GEORGE T. SIMPSON,
Special Counsel,
Attorneys for the State of Minnesota.

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

Supreme Court of the United States

OCTOBER TERM, 1946.

NO. 343.

STATE OF NEW YORK, STATE OF DELAWARE, STATE OF INDIANA, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

NO. 344.

STATE OF MAINE, STATE OF NEW HAMPSHIRE, STATE OF VERMONT, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, ET AL.

NO. 345.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL., APPELLANTS,

v.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK.

BRIEF FOR THE STATE OF MINNESOTA.

STATEMENT.

In Behalf of the State of Minnesota.

These are appeals from a judgment entered in a Court of three judges constituted in accordance with the provisions of the Urgent Deficiency Act sitting in the District Court of the United States for the Northern District of New York.

In that Court, two suits were brought pursuant to 28 USCA Sections 41 (28) and 43-48, inclusive, and also under the general jurisdiction of the Court in equity to enjoin, annul, set aside and suspend the order of the Interstate Commerce Commission herein.

The first suit was brought against the United States and the Interstate Commerce Commission, as defendants, by the State of New York and certain other states within official territory to enjoin, set aside, annual and suspend orders of the Interstate Commerce Commission requiring an increase of 10% in what are called the class rates charged by the railroads transporting freight in such territory; and a decrease of 10% in the class rates charged by the railroads, transporting freight in Southern territory, Western Trunk Line territory and Southwestern territory. Interterritorial rates were likewise involved.

Subsequent thereto, the New England States, acting through their respective Governors, intervened in such suit.

Finally the Atchison, Topeka and Santa Fe Railway Company, and some 30 odd railroad companies serving the Western Trunk Line territory and the Southwestern territory, brought a second suit, and in addition to the claims made in the case in which the State of New York and other states were plaintiffs, claimed confiscation by reason of the order of the Commission; and then intervened in the first suit in support of the plaintiffs therein.

The two suits were consolidated for trial. Each of the States including the State of Minnesota in Western Trunk Line territory, Southwestern territory and Southern territory were permitted to intervene; and did so in behalf of the defendants.

On trial before the District Court, the Western Lines were allowed, over the objection of the defendant to introduce evidence as to the alleged confiscatory character of the order of the Commission. This was received by the Court, subject to a motion to strike, on which decision was reserved until the close of the hearing. Thereupon, the motion to strike was denied by the Court on the authority of *Baltimore & Ohio Railroad* v. *United States*, 298 U.S. 349.

During trial the evidence received by the Commission was offered to the Court, was received, has since been printed and is now on file with this Court. It consists of 21 volumes with a total of 12,719 pages.

The Commission in the order here involved made findings as to certain facts; and the trial court found that such findings of fact were supported by "substantial" evidence. Such findings of fact were thereupon adopted by the trial Court, the order of the Commission affirmed and judgment entered dismissing the petition in each case; but without prejudice to other suits by the Western Lines if after a fair test the interim rates are found to be confiscatory.

Separate appeals were taken from such jujdgment (343, 344, and 345).

In sustaining the order of the Commission, the trial Court points out that a review of such order by that Court is limited to the following considerations:

(1) whether the order is based upon adequate findings;

(2) whether there is substantial evidence in the record to support the findings made; and

(3) whether the record was made at a result of adequate hearing of which due notice was given to all interested parties and at which those who appeared were fairly permitted to present their evidence and be heard in argument.

The trial Court answered each such question in the affirmative.

By these appeals there is thus brought before this Court for consideration:

(a) the validity of the statute as applied to the facts herein;

(b) the validity of the claim of the absence of substantial evidence to sustain the findings of fact of the Commission and adopted by the trial Court; and

(c) the validity of the claim of confiscation.

The exhaustive brief filed by the United States covers the entire ground in relation thereto so completely and so competently, that to file another brief covering the same subject matter, it is believed would only serve to tax the patience of the Court. Hence, no further brief on behalf of the State of Minnesota on these appeals will be filed.

The State of Minnesota on the record supported the position of the United States and the Interstate Commerce Commission; and now files this statement and brief in this court as notice of like intent.

February 25, 1947.

Respectfully submitted,

J. A. A. Burnquist,
Attorney General.

George T. Simpson,
Special Counsel, Railroad and
Warehouse Commission,
Attorneys for the State of Minnesota,
State Capitol Building,
St. Paul, Minnesota.

IN THE

Supreme Court of the United States

October Term, 1946.

Nos. 343, 344, 345.

The States of New York, Delaware, *et al.*, *Appellants*,

vs.

The United States of America, *et al.*, *Appellees.*

The Honorable Horace A. Hildreth, Governor of the State of Maine, *et al.*, *Appellants*,

vs.

The United States of America, *et al.*, *Appellees.*

The Atchison, Topeka and Santa Fe Railway Company, *et al.*, *Appellants*,

vs.

The United States of America, *et al.*, *Appellees.*

Appeals from the United States District Court
For the Northern District of New York.

CERTIFICATE OF SERVICE.

I certify that true copies of the Brief for the State of Minnesota were this day mailed to counsel of record, as follows:

Herbert T. Ferguson, Esq.,
734 State Office Bldg.,
Madison, Wisconsin.

Vincent G. Hart, Esq.,
960 Fifth Avenue,
New York, N. Y.

H. C. Barron, Counsel,
Western Traffic Executive
Committee,
406 Union Station,
Chicago 6, Illinois.

E. A. DeLaney, Esq.,
Deputy Attorney General,
Department of Justice,
Harrisburg, Pennsylvania.

Kenneth L. Sater, Esq.,
50 East Broad Street,
Columbus, Ohio.

James A. Emmert, Esq.,
Attorney General of Indiana
State Capitol Building,
Indianapolis, Indiana.

Parker McCollester, Esq.,
25 Broadway,
New York 4, N. Y.

Henry E. Foley, Esq.,
10 Post Office Square,
Boston 9, Massachusetts.

Frank J. Clark, Esq.,
25 Broadway,
New York 4, N. Y.

Byron M. Gray, Esq.,
608 National Bank of
Topeka Bldg.,
Topeka, Kansas.

George T. Simpson, Esq.,
Special Counsel, Railroad
and Warehouse Commission,
421 State Office Building,
St. Paul, Minnesota.

C. B. Bee, Esq.,
State Capitol,
Oklahoma City 5, Oklahoma.

Walter R. McDonald, Esq.,
Georgia Public Service
Commission,
219 State Capitol,
Atlanta, Georgia.

J. C. Murray, Esq.,
231 Louisiana Street,
Little Rock, Arkansas.

C. E. Logwood, Esq.,
Florida Railroad Commission,
Tallahassee, Florida.

Neal E. Williams, Esq.,
Chamber of Commerce,
Fargo, North Dakota.

Robert Peacock, Esq.,
Deputy Attorney General,
Trenton, New Jersey.

Douglas F. Smith, Esq.,
c/o Sidley, Austin, Burgess & Harper,
11 South LaSalle Street,
Chicago 3, Illinois.

Hugh S. Jenkins, Esq.,
State House,
Columbus, Ohio.

D. Robert Thomas, Esq.,
11 South LaSalle St.
Chicago, Illinois.

Earl J. Stipher, Esq.,
Deputy Attorney General,
State Capitol Building,
Indianapolis, Indiana.

J. V. Norman, Esq.,
Kentucky Home Life Bldg.,
Louisville 2, Kentucky.

H. Emerson Kokjer, Esq.,
Deputy Attorney General,
State House,
Lincoln, Nebraska.

Duane T. Swanson, Esq.,
State Capitol Building,
Lincoln, Nebraska.

Jerry W. Carter, Esq.,
Florida Railroad Commission,
Tallahassee, Florida.

Price Daniels, Esq.,
Attorney General of Texas,
Austin, Texas.

Nathaniel Goldstein, Esq.,
Attorney General of New York,
Albany, New York.

Robert F. Park, Esq.,
Alabama Public Service Commission,
Montgomery, Alabama.

Lewis Petteway, Esq.,
Florida Railroad Commission,
Tallahassee, Florida.

Dated this 25th day of February, 1947.

George T. Simpson,
Special Assistant to the
Attorney General of Minnesota.

FILE COPY

Office - Supreme Court, U. S.
FILED
OCT 4 1946
CHARLES ELMORE CROPLEY
CLERK

Nos. 343, 344, 345

In the Supreme Court of the United States

OCTOBER TERM, 1946

THE STATES OF NEW YORK, DELAWARE, ET AL.,
APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL., APPELLEES

THE HONORABLE HORACE A. HILDRETH, GOVERNOR
OF THE STATE OF MAINE, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL., APPELLEES

THE ATCHISON, TOPEKA & SANTA FE RAILWAY
COMPANY, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL., APPELLEES

---

*APPEALS FROM THE UNITED STATES DISTRICT COURT FOR
THE NORTHERN DISTRICT OF NEW YORK*

MOTION TO ADVANCE AND FOR DIMINUTION OF PRINTED RECORD

In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 343

THE STATES OF NEW YORK, DELAWARE, ET AL.,
APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL., APPELLEES

No. 344

THE HONORABLE HORACE A. HILDRETH, GOVERNOR
OF THE STATE OF MAINE, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL., APPELLEES

No. 345

THE ATCHISON, TOPEKA & SANTA FE RAILWAY
COMPANY, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA, ET AL., APPELLEES

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF NEW YORK

MOTION TO ADVANCE AND FOR DIMINUTION OF PRINTED RECORD

Come now the United States of America, the Interstate Commerce Commission, and the other appellees herein, and move (1) that these companion cases be advanced on the docket, and (2) that the original transcript of oral testimony and the original exhibits which constituted the evidence before the Interstate Commerce Commission and are now on file with the Clerk of the Court as part of the record on appeal, be ordered not printed (reserving to all parties the right to refer in briefs and oral argument to any of said evidence, the same as if it had been printed in full), and, as grounds for said motion, assign the following:

These cases are here on direct appeals, allowed by the District Court on June 25, 1946, under the provisions of the Act of October 22, 1913, c. 32, 38 Stat. 220, U. S. C. Title 28, secs. 47 and 47a, and have statutory priority, precedence, and the right to be in every way expedited, under the language of these statutes.

These cases involve the validity of an order of the Interstate Commerce Commission entered May 15, 1945, which had as its object the ultimate equalization of railroad class freight rates between the northeastern, southern, and western parts of the United States, and was based on findings of serious and far-reaching unreasonableness and discrimination in the existing rate structure, in violation of the Interstate Commerce Act. The entire United States, except the area west of the Rocky Mountains, was directly affected by such order. The direct effect on the shippers and receivers of freight involved was estimated under oath, in the District Court, at approximately $2,000,000 per month.

An injunction against the operation of the order, issued by the District Court on December 13, 1945, is still in effect and will continue until the final determination of these appeals, in spite of the unanimous opinion of the District Court upholding the validity of the Commission's order on all grounds, and adopting as its own all the Commission's findings of fact.

The transcript of testimony and the exhibits which constituted the evidence before the Interstate Commerce Commission are extremely voluminous, consisting of more than 5,000 pages of oral testimony and 12,000 pages of exhibits, with many of the exhibits in such chart or tabular form as do not lend themselves readily to reduction to a satisfactory printed record. In their original form, as lodged here with the Clerk, they have been so arranged that it is believed they are susceptible of ready and convenient access and handling.

In view of the fact that, under the stay granted by the District Court, appellants will continue, until the final determination of these cases by the

Court, to have the benefit of the rates which the Commission has found to be unlawful, to the extent of $2,000,000 per month directly calculable, appellees have sought, through negotiation with appellants beginning prior to the lodging of the original record with the Clerk of this Court in July, 1946, to arrange to have the printing of the record on appeal expedited, but wholly without success. Appellants have declined to put up the money the Clerk requires to authorize the start of the printing in advance of the noting of probable jurisdiction, although well knowing that appeals in these cases are a matter of statutory right, and they have declined to enter into any stipulation to dispense with the printing of any part of the evidence before the Commission. Appellees are advised by the Clerk that the printing of the entire record, including the evidence before the Commission, will require at least four months, whereas the printing of all of the record on appeal except the evidence before the Commission could be completed expeditiously.

If the Court finds that no serious inconvenience would be involved in utilizing the original evidence before the Commission, as distinguished from a printed version thereof, it is submitted that the parties would be in no way prejudiced if the printing of that part of the record were dispensed with, as has been the accepted practice pursuant to stipulation in a number of comparable cases. *Western Chemical Co.* v. *United States,* 271 U. S. 268, 270; *Georgia Commission* v. *United States,* 283 U. S. 765, 774n; *Atlanta B. & C. R. Co.* v. *United States,* 296 U. S. 33, 37; cf. *Mortensen* v. *United States,* 322 U. S. 369, 371–2. An order of this Court directing that the evidence before the Commission be not printed is the only remedy open to appellees to prevent many more months of serious and irreparable loss to tens of thousands of shippers and receivers of freight throughout the United States.

Respectfully submitted.

Tom C. Clark, *Attorney General;* J. Howard McGrath, *Solicitor General;* Wendell Berge, *Assistant Attorney General;* Edward H. Miller, David O. Mathews, *Special Assistants to the Attorney General;* for the United States of America.

Daniel W. Knowlton, *Chief Counsel;* Edward M. Reidy, *Assistant Chief Counsel;* for the Interstate Commerce Commission.

J. V. Norman, for the southern States of Alabama, et al.

Byron M. Gray, for the western States of Arkansas, et al.

George T. Simpson, for the State of Minnesota.

September 30, 1946.

CERTIFICATE OF SERVICE

I certify that true copies of the foregoing Motion to Advance and for Diminution of Printed Record were this day mailed to the following counsel of record for Appellants:

Herbert T. Ferguson, Esq., 734 State Office Bldg., Madison, Wisconsin.

Vincent G. Hart, Esq., 960 Fifth Avenue, New York, N. Y.

H. C. Barron, Counsel, Western Traffic Executive Committee, 406 Union Station, Chicago 6, Illinois.

E. A. DeLaney, Esq., Deputy Attorney General, Department of Justice, Harrisburg, Pennsylvania.

Kenneth L. Sater, Esq., 50 East Broad Street, Columbus, Ohio.

James A. Emmert, Esq., Attorney General of Indiana, State Capitol Building, Indianapolis Indiana.

Parker McCollester, Esq., 25 Broadway, New York 4, N. Y.

Frank J. Clark, Esq., 25 Broadway, New York 4, N. Y.

Henry E. Foley, Esq., 10 Post Office Square, Boston 9, Massachusetts.

Robert Peacock, Esq., Deputy Attorney General, Trenton, New Jersey.

Douglas F. Smith, Esq., c/o Sidley, Austin, Burgess & Harper, 11 South LaSalle Street, Chicago 3, Illinois.

Hugh S. Jenkins, Esq., State House, Columbus, Ohio.

D. Robert Thomas, Esq., 11 South LaSalle St., Chicago, Illinois.

Earl J. Stipher, Esq., Deputy Attorney General of Indiana, State Capitol Building, Indianapolis, Indiana.

Dated this 30th day of September 1946.

EDWARD H. MILLER,
Special Assistant to the Attorney General

U. S. GOVERNMENT PRINTING OFFICE: 1946

FILE COPY

Office - Supreme Court, U. S.
FILED
OCT 11 1946
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

THE STATES OF NEW YORK, DELAWARE, *et al.*,
Appellants,
v.
THE UNITED STATES OF AMERICA, *et al.*,
Appellees.

No. 343

THE HONORABLE HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, *et al.*,
Appellants,
v.
THE UNITED STATES OF AMERICA, *et al.*,
Appellees.

No. 344

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, *et al.*,
Appellants,
v.
THE UNITED STATES OF AMERICA, *et al.*,
Appellees.

No. 345

REPLY OF THE STATES OF NEW YORK, DELAWARE, ET AL., APPELLANTS IN NO. 343, AND OF THE GOVERNORS OF THE NEW ENGLAND STATES, APPELLANTS IN NO. 344, TO MOTION TO ADVANCE AND FOR DIMINUTION OF PRINTED RECORD.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

THE STATES OF NEW YORK, DELAWARE, *et al.*, Appellants, *v.* THE UNITED STATES OF AMERICA, *et al.*, Appellees.	No. 343
THE HONORABLE HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, *et al.*; Appellants, *v.* THE UNITED STATES OF AMERICA, *et al.*, Appellees.	No. 344
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, *et al.*, Appellants, *v.* THE UNITED STATES OF AMERICA, *et al.*, Appellees.	No. 345

REPLY OF THE STATES OF NEW YORK, DELAWARE, ET AL., APPELLANTS IN NO. 343, AND OF THE GOVERNORS OF THE NEW ENGLAND STATES, APPELLANTS IN NO. 344, TO MOTION TO ADVANCE AND FOR DIMINUTION OF PRINTED RECORD.

Preliminary Statement

These appellants, the several Northern States, which were plaintiffs below and are appellants in No. 343, and the Governors of the New England States, appellants in No. 344, have from the beginning proceeded with all possible expedition, considering the great importance of the case to their citizens, the complexities of the issues and the magnitude of the record. They desire that the case be expedited in every way consistent with its presentation in such a manner as to serve the convenience of this Court, make possible full and thorough consideration by the Court and thus serve the ends of justice and protect the interests of all parties.

Therefore, these appellants do not oppose appellees' motion that the original record for the Interstate Commerce Commission be not printed, provided that when the circumstances of the case are understood, the condition stated in the motion (p. 4) as the basis thereof exists, namely:

> "If the Court finds that no serious inconvenience would be involved in utilizing the original evidence before the Commission, as distinguished from a printed version thereof, * * *."

It is essential, however, to the interests of these appellants that in passing upon the motion, the Court be advised as to the importance of this condition.

But first, there are in the motion and in the argument in support thereof certain representations which, if not answered, may cause the Court to approach consideration of the motion with impressions which are incorrect and unjust to these appellants, and which, therefore, call for brief reply.

I

As to certain statements and representations made in support of the motion.

Appellees' motion refers to the "direct effect on the shippers and receivers of freight" caused by the Commission's order as being estimated at approximately $2,000,000 per month. It is possible, however, that this reference may convey to the Court the impression that the pendency of the case and the continuance of the interlocutory injunction until final decision by this Court will cost the shippers and receivers of freight throughout the country that amount in added freight costs. The exact opposite is, however, the fact.

The orders of the Commission, based upon a conclusion that the class rates should be made uniform throughout the country, would require a reduction of 10 per cent in the class rates for transportation within the South and West and from those territories to so-called Official territory, embracing the appellant States and New England, but it would require a 10 per cent increase in the class rates for transportation within Official territory. Although, of course, the injunction, pending final decision, continues in effect the present rates for shippers in the South and West and bars the reduction ordered therein, the significant fact is, as the records before the Interstate Commerce Commission and the District Court show, that only a relatively small volume of freight is transported at the class rates within the South and West and from those territories to Official territory, whereas in Official territory there is a very large volume of freight upon which the class rates are charged which would be increased by the Commission's orders. The $2,000,000 monthly mentioned in the estimates referred to in appellees' motion, or whatever the sum may be, consists for the most part of the increased freight charges which the orders would impose upon shippers in plaintiff States. It is for this reason that the Commission's orders are of grave consequence to these appellants because of the heavy financial burden which they would impose upon their citizens. And it is for this reason that these appellants have far greater concern in seeking that the case be submitted to this Court in such a way that it can be adequately examined without undue burden upon the Court, than appellees can possibly have in desiring an early decision.

Appellees' motion also apparently suggests that in some way appellants are blameworthy because the printing of the record has not already been begun. There can certainly be no fault, however, in observing the rules and usual practice of this Court. Especially is this so since, as presently pointed out, it has been appellants' view that it would be incompatible with their request that the Court carefully review the record to observe the insufficiency of the evidence to support the Commission's orders, to ask the Court at the same time to depart from its rule with regard to printing and accept the record in a form which may be inconvenient for its use.

Moreover, appellees' suggestion that appellants should have arranged with the Clerk of the Court to proceed with the printing of the record before indication by this Court of probable jurisdiction is, to say the least, presumptuous since it is appellants rather than appellees who must advance the cost of printing. These appellants are custodians of the funds of their citizens. Although it is true that the right of appeal to this Court is provided by statute and appellants sincerely believe that the Court should note jurisdiction and receive the case, the fact cannot be overlooked that the Court has from time to time dismissed other appeals allowed by statute without noting jurisdiction and hearing argument, and appellants have believed that they could not permit the public funds in their custody to be committed to a large printing expense until assurance had been afforded that the case would be heard on its merits by the indication by this Court of probable jurisdiction in accordance with its usual practice. Moreover, here again the action of appellants is consistent with the usual practice of this Court, and appellants cannot fairly be censured for not voluntarily departing therefrom.

II

As to the printing of the record.

The printing of the evidence before the Interstate Commerce Commission will be costly. The Court's rules impose the burden upon appellants, at least in the first instance, to assume this cost. It should be presumed, therefore, that in not themselves proposing that permission be sought of the

Court to waive printing of the evidence before the Commission, appellants have been motivated by a sense of obligation both to the Court's convenience and to the interest of their clients in an adequate consideration of the issues.

These appellants challenge the decision and orders of the Commission on the ground that they are based upon errors and misconceptions of law, that they are not supported by necessary preliminary findings and that they are contrary to findings which the Commission has made. For a determination on the issues thus raised, detailed examination of the evidence before the Commission is not needed. But these appellants also attack the decision and orders upon the ground that they are without substantial support in the evidence. Appellants cannot but recognize the burden which they have thus assumed in asking this Court to conclude that a voluminous record of over 5,000 pages of testimony and several hundred statistical exhibits, many of them of great size, does not contain substantial evidence to support the Commission's decision and orders. Appellants believe, nevertheless, that their contention in this regard is well taken and that an examination of the entire record will so disclose. However, it is plain that this first impression created by the mere magnitude of the record can only be overcome by a somewhat careful examination of the record and of the nature of its contents. In justice to the cause of their citizens, these appellants must ask this Court to make such an examination. Appellants have considered that they could not themselves ask this Court to undertake the laborious task of examining with the necessary care the voluminous record before the Commission in its original state, as it is now filed with the Clerk. Indeed, these appellants cannot but suppose that the practical physical difficulties of examining the record in its present form with sufficient care to do justice to appellants' contentions as to the insufficiency of the evidence may have been a substantial factor in the adverse decision of the lower court.

If, however, the Court feels that the present form of the record before the Commission will not be an obstacle to the examination and consideration thereof necessary to an adequate disposition of appellants' contentions, then appellants of course have no desire to delay the proceeding so that the record can be printed and they and their taxpayers will be glad to be relieved of the great expense of such printing.

Respectfully submitted,

Parker McCollister,
25 Broadway,
New York 4, N. Y.

Kenneth L. Sater,
50 East Broad Street,
Columbus 15, Ohio.
Attorneys for Appellants in No. 343.

Henry E. Foley,
10 Post Office Square,
Boston 9, Massachusetts,
Attorney for Appellants in No. 344.

Nathaniel L. Goldstein,
Vincent G. Hart,
Clair John Killoran,
James A. Emmert,
Karl J. Stipher,
William Curran,
Hall Hammond,
John R. Dethmers,
James W. Williams,
Walter D. Van Riper,
Robert Peacock,
Hugh S. Jenkins,
John Martin,
Herbert T. Ferguson,
James H. Duff,
E. A. DeLaney,

of Counsel.

October 10, 1946.

Certificate of Service.

I certify that true copies of the foregoing Reply to Motion to Advance and for Diminution of Printed Record were this day mailed to the following counsel of record in the said causes:

Tom C. Clark, Attorney General,
Department of Justice,
Washington, D. C.

J. Howard McGrath, Solictor General,
Department of Justice,
Washington, D. C.

Wendell Berge, Assistant Attorney General,
Department of Justice,
Washington, D. C.

Edward H. Miller, Special Assistant to the Attorney General,
Department of Justice,
Washington, D. C.

David O. Mathews, Special Assistant to the Attorney General,
Department of Justice,
Washington, D. C.

Daniel W. Knowlton, Chief Counsel,
Interstate Commerce Commission,
Washington, D. C.

Edward M. Reidy, Assistant Chief Counsel,
Interstate Commerce Commission,
Washington, D. C.

J. V. Norman,
Kentucky Home Life Building,
Louisville, Kentucky.

Byron M. Gray,
608 National Bank of Topeka Building,
Topeka, Kansas.

George T. Simpson,
State Capitol Building,
St. Paul, Minnesota.

Douglas F. Smith,
11 South LaSalle Street,
Chicago, Illinois.

H. C. Barron,
Western Traffic Executive Committee,
Room 310, Union Station,
Chicago, Illinois.

Dated this 10th day of October, 1946.

Parker McCollister,
of Counsel for Appellants.

Supreme Court, U. S.
FILED
OCT 10 1946
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

Nos. 343, 344, 345

THE STATES OF NEW YORK, DELAWARE, ET AL.,
Appellants,
vs.
THE UNITED STATES OF AMERICA, ET AL.,
Appellees.

THE HONORABLE HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, ET AL.,
Appellants,
vs.
THE UNITED STATES OF AMERICA, ET AL.,
Appellees.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL.,
Appellants,
vs.
THE UNITED STATES OF AMERICA, ET AL.,
Appellees.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF NEW YORK.

REPLY OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL., TO MOTION TO ADVANCE AND FOR DIMINUTION OF PRINTED RECORD

H. C. BARRON,
DOUGLAS F. SMITH,
D. ROBERT THOMAS,
Attorneys for The Atchison, Topeka and Santa Fe Railway Co., et al.

SIDLEY, AUSTIN, BURGESS & HARPER,
Of Counsel.

Dated: October 8, 1946.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

No. 343.

THE STATES OF NEW YORK, DELAWARE, ET AL.,
Appellants,

vs.

THE UNITED STATES OF AMERICA, ET AL.,
Appellees.

No. 344.

THE HONORABLE HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, ET AL.,
Appellants,

vs.

THE UNITED STATES OF AMERICA, ET AL.,
Appellees.

No. 345.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL.,
Appellants,

vs.

THE UNITED STATES OF AMERICA, ET AL.,
Appellees.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF NEW YORK.

REPLY OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL., TO MOTION TO ADVANCE AND FOR DIMINUTION OF PRINTED RECORD.

Come now The Atchison, Topeka and Santa Fe Railway Company, *et al.*, appellants (referred to herein as "the Western Lines"), and respectfully offer the following suggestions with regard to the motion of the appellees to advance these cases and for diminution of the printed record:

The Western Lines desire only to defer to the wishes of the Court in respect to the printing of the record. We believe, however, that the Court will want to have before it, in making its decision as to the printing, certain facts which do not appear clearly from the motion.

It is generally recognized that the decision of the Interstate Commerce Commission under review in these proceedings is the most momentous in the history of the Commission, involving considerations of the greatest economic importance both to the shippers and carriers and to the several parts of the country. In order that these cases might be heard and determined as expeditiously as is consistent with an adequate presentation of the record and arguments to the Court, the appellants suggested to the Government, immediately upon the docketing of the appeals, that the parties agree to omit from the printed record all portions of the record of proceedings before the Commission which the Government did not intend to rely upon in support of the Commission's order. Counsel for the Government declined to make any such stipulation and stated that the Government intended to rely upon every part of the record as supporting the order. The Western Lines have not been informed of any change in this position of the Government.

Since the Government has indicated that it will contend that the order is supported by all portions of the record before the Commission and since the appellants contend that the record in fact contains no evidence supporting the findings and the order, it is believed that the Court's consideration of the admittedly complex issues of these cases will be substantially facilitated if the record is printed in accordance with the normal procedure prescribed by Rule 13. It is difficult for the Western Lines to estimate whether that procedure will delay the final determination, since that depends upon the state of the docket and the length of time necessary as a minimum for printing even a shortened record.

To correct any possible misunderstanding from the motion, it should be noted that the Clerk has not called upon appellants for any fees for printing other than the fees payable upon the docketing of these appeals, which were paid by the appellants on the day of the docketing. It is understood that the Clerk does not prepare a record for the printer until after probable jurisdiction is noted and that therefore any estimate of the printing costs prior to that time would have been premature. Immediately upon the noting of probable jurisdiction, which is expected shortly, and upon advice from the Clerk, the appellants are prepared to deposit the amount which will be estimated by the Clerk for printing the record.

In balancing the advantage of a possible saving of time against the advantage of having a record to which the Court and counsel may readily refer, the Court may desire to know that the Commission instituted this proceeding in 1939, took the case under advisement in July, 1944, and did not issue its decision until May, 1945, nor its supplemental decision until November, 1945. Its order was not to have been effective until January 1, 1946.

It may also be noted that the maximum basis of all of the class rates now in effect was prescribed by the Commission itself.

Respectfully submitted,

H. C. Barron,
Douglas F. Smith,
D. Robert Thomas,
Attorneys for The Atchison, Topeka and Santa Fe Railway Co., et al.

Sidley, Austin, Burgess & Harper,
Of Counsel.

Dated: October 8, 1946.

CERTIFICATE OF SERVICE.

I certify that true copies of the foregoing Reply of The Atchison, Topeka and Santa Fe Railway Co., *et al.*, to the Motion to Advance and for Diminution of Printed Record were this day mailed to the following counsel of record in the said causes:

Tom C. Clark, Attorney General; J. Howard McGrath, Solicitor General; Wendell Berge, Assistant Attorney General; Edward H. Miller and David O. Mathews, Special Assistants to the Attorney General; Department of Justice, Washington, D. C.

Daniel W. Knowlton, Chief Counsel; Edward M. Reidy, Assistant Chief Counsel, Interstate Commerce Commission, Washington 25, D. C.

J. V. Norman, Esq., Kentucky Home Life Bldg., Louisville, Ky.

Byron M. Gray, Esq., 608 National Bank of Topeka Bldg., Topeka, Kansas.

George T. Simpson, Esq., State Capitol Building, St. Paul, Minnesota.

C. E. Logwood, Esq., Public Service Commission of South Carolina, Columbia, South Carolina.

Robert F. Park, Esq., Alabama Public Service Commission, Montgomery, Alabama.

Lewis Petteway, Esq., Florida Railroad Commission, Tallahassee, Florida.

J. C. Murray, Esq., 231 Louisiana Street, Little Rock, Ark.

Neal E. Williams, Esq., Chamber of Commerce, Fargo, North Dakota.

H. Emerson Kokjer, Esq., Deputy Attorney General of Nebraska, State House, Lincoln, Nebraska.

Duane T. Swanson, Esq., State Capitol Building, Lincoln, Nebraska.

C. B. Bee, Esq., State Capitol, Oklahoma City 5, Oklahoma.

Walter R. McDonald, Esq., Georgia Public Service Commission, Atlanta, Georgia.

Jerry W. Carter, Esq., Florida Railroad Commission, Tallahassee, Florida.

James Noel, Esq., Assistant Attorney General, Austin, Texas.

The Attorney General of the State of New York, Albany, New York.

Parker McCollester, Esq., 25 Broadway, New York, New York.

Frank J. Clark, Esq., 25 Broadway, New York, New York.

Herbert T. Ferguson, Esq., Assistant Attorney General for the State of Wisconsin, 734 State Office Bldg., Madison, Wisconsin.

Kenneth L. Sater, Esq., 50 East Broad Street, Columbus, Ohio.

Robert Peacock, Esq., Deputy Attorney General for the State of New Jersey, Trenton, New Jersey.

Henry E. Foley, Esq., 10 Post Office Square, Boston, Mass.

Vincent G. Hart, Esq., 960 Fifth Avenue, New York, New York.

Hugh S. Jenkins, Esq., State House, Columbus, Ohio.

Dated this 8th day of October, 1946.

Douglas F. Smith,
Attorney for The Atchison, Topeka and Santa Fe Railway Co., et al.

FILE COPY

Office [illegible] U. S.
[illegible] 10 1947

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

Nos. 343, 344, 345

THE STATES OF NEW YORK, DELAWARE, *et al.*,
Appellants,
v.
THE UNITED STATES OF AMERICA, *et al.*,
Appellees.

THE HONORABLE HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, *et al.*,
Appellants,
v.
THE UNITED STATES OF AMERICA, *et al.*,
Appellees.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, *et al*,
Appellants,
v.
THE UNITED STATES OF AMERICA, *et al.*,
Appellees.

MOTION FOR CONTINUANCE OF ARGUMENT

PARKER McCOLLESTER,
25 Broadway,
New York 4, N. Y.

KENNETH E. SATER,
50 East Broad Street,
Columbus 15, Ohio

Of Counsel for States of New York,
New Jersey, Pennsylvania, Maryland,
Delaware, Ohio, Indiana, Michigan
and Wisconsin

In the

Supreme Court of the United States

October Term, 1946

Nos. 343, 344, 345

The States of New York, Delaware, *et al.*,
Appellants,
v.
The United States of America, *et al.*,
Appellees.

The Honorable Horace A. Hildreth, Governor
of the State of Maine, *et al.*,
Appellants,
v.
The United States of America, *et al.*,
Appellees.

The Atchison, Topeka and Sante Fe Railway
Company, *et al.*,
Appellants,
v.
The United States of America, *et al.*,
Appellees.

Appeals from the United States District Court
for the Northern District of New York

MOTION FOR CONTINUANCE OF ARGUMENT

Now come the States of New York, New Jersey, Pennsylvania, Maryland, Delaware, Ohio, Indiana, Michigan and Wisconsin, appellants, and respectfully show:

1. These cases are now assigned for argument February 10, 1947.

2. In these suits appellants seek to have enjoined certain orders of the Interstate Commerce Commission in a proceeding before the Commission entitled *Class Rate Investigation, 1939* and *Consolidated Freight Classification*, Docket Nos. 28300 and 28310 upon the Commission's docket, 262 I. C. C. 447, 264 I. C. C. 41. These appeals are from a judgment and decree of a specially constituted district court of three judges denying the relief prayed for.

3. As one of the grounds for annulling, setting aside and enjoining the Commission's orders, appellants have alleged that the orders are without support in and are contrary to the evidence before the Commission. For this reason the entire record of the evidence before the Commission, consisting of over 5,400 typewritten pages of testimony and approximately 12,000 pages of exhibits, was offered in evidence in the District Court and is part of the record before this Court. Because examination of this evidence is essential to the consideration of the cases and of appellants' contentions, it was determined that the entire record should be printed in order to be readily available to the Court. For this same reason appellants' brief, in order adequately to present their case to the Court, must in considerable part be based upon and must discuss and make reference to this record.

4. So far appellants have not received the printed record or any part thereof. It is understood that it will be a record of several volumes. Until it is received preparation and completion of appellants' brief will be impossible. Even after the receipt of the printed record, its very size will make it inevitable that with all diligence some time will be necessary to complete the brief in the light there-

of. Although appellants have, of course, done preliminary work on their brief and have proceeded as far as they can without the printed record, it will be impossible to complete the brief in such form as to do justice to the importance of the issues and the great financial and economic interest therein of the appellant States and their citizens in the time now available, if the cases are to be argued on February 10, 1947.

5. Appellants do not file this motion for purposes of delay, but only in the interest of an adequate presentation which will be helpful to the Court and will do justice to the interests of their citizens, in view of the many millions of dollars of additional freight charges to which enforcement of the Commission's orders would subject them. Appellants seek only such continuance as is necessary to this end, suggesting that if the printed record is to be received within the next five days the argument be deferred only for a period of two weeks.

WHEREFORE, appellants pray that the argument herein now fixed for February 10, 1947 be continued to a later date, and if the printed record is to be delivered within five days from this date, that such continuance shall be for a period of two weeks or to the earliest date thereafter compatible with the convenience and docket of this Court.

Respectfully submitted,

PARKER MCCOLLESTER,
25 Broadway,
New York 4, N. Y.

KENNETH L. SATER,
50 East Broad Street,
Columbus 15, Ohio.

Of Counsel for States of New York,
New Jersey, Pennsylvania,
Maryland, Delaware, Ohio,
Indiana, Michigan and Wisconsin.

Dated: January 9, 1947.

Certificate of Service

I hereby certify that true copies of the foregoing Motion for Continuance were this day mailed to the following counsel of record in the said causes:

Tom C. Clark, Attorney General
Department of Justice
Washington, D. C.

J. Howard McGrath, Solicitor General
Department of Justice
Washington, D. C.

Wendell Berge, Assistant Attorney General
Department of Justice
Washington, D. C.

Edward H. Miller, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

David O. Mathews, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Chief Counsel
Interstate Commerce Commission
Washington, D. C.

Edward M. Reidy, Assistant Chief Counsel
Interstate Commerce Commission
Washington, D. C.

J. V. Norman
Kentucky Home Life Building
Louisville, Kentucky

Byron M. Gray
608 National Bank of Topeka Building
Topeka, Kansas

George T. Simpson
State Capitol Building
St. Paul, Minnesota

C. B. Bee
State Capitol
Oklahoma City 5, Oklahoma

Walter R. McDonald
Georgia Public Service Commission
Atlanta, Georgia

Douglas F. Smith
11 South LaSalle Street
Chicago, Illinois

H. C. Barron
Western Traffic Executive Committee
Room 310, Union Station
Chicago, Illinois

Henry E. Foley
10 Post Office Square
Boston, Massachusetts

Dated this 9th day of January, 1947.

PARKER McCOLLESTER
Of Counsel for Above Named
Appellant States

FILE COPY

Office - Supreme Court U. S.
FILED
MAR 3 1947
CHARLES ELMORE CROPLEY
CLERK

In The Supreme Court of The United States

No. 344

HORACE A. HILDRETH, GOVERNOR OF THE STATE OF MAINE, CHARLES M. DALE, GOVERNOR OF THE STATE OF NEW HAMPSHIRE, et al

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, et al

---

MOTION TO SUBSTITUTE PARTIES

Now come The Honorable Ernest W. Gibson, Governor of the State of Vermont; The Honorable Robert F. Bradford, Governor of The Commonwealth of Massachusetts; and The Honorable James L. McConaughy, Governor of the State of Connecticut, and respectfully move that they be substituted as appellants herein for their respective predecessors in office, namely: The Honorable Mortimer R. Proctor, The Honorable Maurice J. Tobin, and The Honorable Raymond E. Baldwin, respectively, who are now among the appellants of record herein, and in support of their said Motion respectfully represent to this Honorable Court as follows:

1. This proceeding is an appeal from the final decree and order of the District Court of the United States for the

Northern District of New York in proceedings (hereinafter called the District Court proceedings) brought to enjoin, set aside and annul the report and order entered by the Interstate Commerce Commission, in consolidated proceedings before that Commission entitled—*Class Rate Investigation, 1939*—and—*Consolidated Freight Classification*—(hereinafter called the Class Rate proceedings).

2. During the pendency of the Class Rate proceedings before the Interstate Commerce Commission your petitioners' then incumbent predecessors in office, together with the then Governors of the States of Maine, New Hampshire and Rhode Island, petitioned for and were granted leave to intervene in said proceedings, upon their allegation, among other things,

> "That numerous of the matters and the level of the rates in issue in the above entitled proceedings are applicable to shipments transported in interstate commerce between points in so-called Official Classification Territory (including points in New England) and points outside said Official Classification Territory and your petitioners have, by reason thereof, a direct interest in the matters in issue", and
>
> "That your petitioners are informed and believe and therefore aver that it is now in the interests of the people of the New England States that they be heard in these proceedings and participate therein."

3. During the remainder of the pendency of the Class Rate proceedings said original intervening Governors, or their successors in office, participated actively in said proceedings.

4. At the time of the commencement of the District Court proceedings, your petitioners' immediate predecessors in office, together with the then and present Gov-

ernors of the States of Maine, New Hampshire and Rhode Island, petitioned for and were granted leave to intervene in said proceedings, thereafter participated actively therein, and upon the conclusion thereof, prosecuted this appeal.

5. During the pendency of this appeal, and on or about November 5, 1946, your petitioners were elected to the respective offices which they now hold, and since that time have duly qualified for, and been installed in, said offices and your petitioners' predecessors in office have, accordingly, ceased to hold office.

6. This proceeding relates to the present and future discharge of your petitioners' official duties as Governors in their respective States, and there is a substantial need for continuing and maintaining their participation in this cause and obtaining an adjudication of the questions involved.

WHEREFORE your petitioners pray that they may be substituted for The Honorable Mortimer R. Proctor, The Honorable Maurice J. Tobin and The Honorable Raymond E. Baldwin, respectively, as appellants herein, and for such other and further relief as this Honorable Court may deem meet and proper.

By their attorney,

Henry E. Foley

FILE COPY

JUN 6

IN THE

Supreme Court of the United States

OCTOBER TERM 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE,
STATE OF INDIANA, *et al.*,
Appellants,

against

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE
COMMISSION, STATE OF ALABAMA, *et al.*,
Respondents.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF NEW YORK

PETITION OF APPELLANTS FOR REHEARING
and
MOTION TO DEFER ISSUANCE OF MANDATE

PARKER MCCOLLESTER,
KENNETH L. SATER,
Attorneys for Appellant States.

INDEX

PAGE

I. The Decision 1

II. The interest of these appellants in seeking rehearing 2

III. In failing to hold that the Commission's order was invalid for lack of essential preliminary findings and in attempting to supply that lack by findings based upon its own examination of the evidence, the Court erred and acted in conflict with long established principles laid down by its decisions 3

IV. The decision is at variance with what has heretofore been consistently decided with regard to the essentials for an order requiring an increase in freight rates, and unduly enlarges the authority of the Commission to prescribe minimum rates 6

V. In holding that a finding of discrimination can be based upon differences not in rates charged but in rates which are described by the same name but have different purposes in different territories, the Court errs and has introduced into the law a new conception of discrimination under Section 3 of the Act 10

VI. It was error to conclude that a valid ultimate finding of undue preference and prejudice could be predicated upon the existence of differences in rates published in tariffs without findings or proof that these rates are actually charged for the transportation or similar and competing freight. If the Court was led to believe that there were such findings or itself made such findings, this was in error 14

VII. The Court was in error in its conclusion as to the Commission's findings and as to the sufficiency of the evidence of territorial injury from the differences in class rate levels to sustain an ultimate finding of undue prejudice and preference 17

PAGE

VIII. The decision rests upon incorrect conclusions as to the cost computations and reflects other erroneous impressions or assumptions 21

IX. The Court errs in holding that in the absence of a finding that the class rates in Official Territory are less than compensatory, the Commission may nevertheless order an increase in those rates on the ground that it is impractical to reduce the rates in the South and West to the official level 21

CONCLUSION 23

MOTION FOR STAY OF MANDATE 23

CERTIFICATE OF GOOD FAITH 24

CERTIFICATE OF SERVICE 25

IN THE

Supreme Court of the United States

OCTOBER TERM 1946

No. 343

STATE OF NEW YORK, STATE OF DELAWARE,
STATE OF INDIANA, *et al.*,
Appellants,

against

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, *et al.*,
Respondents.

PETITION OF APPELLANTS FOR REHEARING and MOTION TO DEFER ISSUANCE OF MANDATE

Now come the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio, Wisconsin and the Commonwealth of Pennsylvania, appellants in the above entitled case, and pursuant to Rule 33 of the Revised Rules of this Court, respectfully petition this Court for rehearing of this cause and as grounds for their petition, respectfully show:

I

The decision.

The Court's decision, with Mr. Justice Frankfurter and Mr. Justice Jackson dissenting, was rendered on May 12,

1947. The opinion of the Court by Mr. Justice Douglas upheld, as a valid exercise of the Interstate Commerce Commission's authority under Section 3 (1) of the Act to remove discrimination between territories, the order of the Commission in the so-called *Class Rate Case*, which would require an increase of 10 per cent in the class rates for transportation within Official territory and a 10 per cent reduction in the class rates for transportation within the South and West and from those territories to Official territory.

II

The interest of these appellants in seeking rehearing.

These appellants are naturally chiefly concerned with that part of the Commission's order which would require a 10 per cent increase in class rates actually charged for the transportation of freight, largely manufactured articles within Official territory, and would thereby impose a very great added burden upon the industry and commerce of the appellant States. Compared with the burden of these increases in rates, which are already highly profitable to the carriers for the services they render, the small benefit which the shippers in the South and West will receive from the reductions required by the order are minor, because the class rates from the South and West are charged on very little freight. The principal benefit, if any, which the Commission's order would produce for the South and West is the injury which it would cause to the appellant States in requiring shippers therein to pay increased freight charges in excess of rates which are reasonably compensatory for the transportation they receive.

It is submitted, with all respect, that the Court has erred in the respects indicated hereafter. It is submitted, also, that its decision will afford unintended precedent for such a broadening of the scope of the Interstate Commerce Act as to invite re-examination and further discussion.

The extended argument allowed by the Court, the meticulous analysis of the case by Mr. Justice Douglas in the opinion of the Court and the dissenting opinions evidence such thorough consideration of this cause by the Court that if, as appellants believe, the decision reflects a mistaken apprehension of important features of the proceeding it is because different aspects of the case were not adequately presented. The shippers and communities of the appellant States should not suffer as a consequence.

In the circumstances, it is submitted that the seriousness of the decision to the appellant States and their citizens, the great added financial burden which the Commission's order would impose upon doing business in the appellant States, as well as the far-reaching consequences of certain features of the Court's decision as precedents in other proceedings, compel and justify this petition for rehearing pursuant to the privilege afforded by paragraph 33 of the Rules of this Court.

III

In failing to hold that the Commission's order was invalid for lack of essential preliminary findings and in attempting to supply that lack by findings based upon its own examination of the evidence, the Court erred and acted in conflict with long established principles laid down by its decisions.

The Court upholds the Commission's order in so far as it would require an increase in class rates within Official territory, not as a prohibition of unreasonably low rates in violation of Section 1 of the Act, but solely as a measure to remove alleged undue prejudice and preference as between territories in violation of Section 3 (1). It is respectfully submitted, however, that there was a complete lack of preliminary facts essential to the ultimate conclusion of undue prejudice and preference and that, consistently with long established practice, the Court should have set aside the Commission's order on this ground.

In this connection it must be remembered that the Commission's finding of undue prejudice and preference is not based upon differences in the levels of the class rates in the several territories but only in the levels of the class rates from the South and West into Official territory and the level of the class rates within the latter territory. The Commission's order could be properly sustained under Section 3 only if there were the following essential preliminary findings of fact, which were entirely lacking in the Commission's report, and if such findings were supported by evidence:

1. That the differences in the levels of the class rates result in differences in freight charges paid by competing shippers of similar goods in the several territories.

2. That the fact that different levels of freight charges are demanded of competing shippers has been the cause of substantial injury to the South and West as territories and of substantial benefit to Official territory.

3. That the class rates exist and are maintained under similar conditions and for similar purposes in the several territories.

4. That the differences in the levels of the class rates are not justified by differences in the costs of transporting the traffic upon which they are charged (not differences in average costs of handling all freight).

5. That the class rates within Official territory are not fully compensatory for the transportation for which they

are charged or else that differences in the rates charged can be eliminated in no other way than by increasing the Official territory rates without causing other violations of the Act.

The complete lack of the foregoing findings, essential to sustain its ultimate determination, is not only apparent from the Commission's report but is emphasized by the opinion of this Court, which reflects an examination of the record, not to ascertain whether the findings of the Commission are supported by the evidence but to make findings which the Commission itself has failed to make. In so doing this Court acted contrary to its own precepts.

In *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, it said (pp. 504-505):

> "This court has held that an order of the Interstate Commerce Commission is void unless supported by findings of the basic or quasi-jurisdictional facts conditioning its power. *Florida* v. *United States*, 282 U. S. 194, 215; *United States* v. *Baltimore & Ohio R. Co.*, 293 U. S. 454. 'In the absence of such findings, we are not called upon to examine the evidence in order to resolve opposing contentions as to what it shows or to spell out and state such conclusions of fact as it may permit.' *Florida* v. *United States, supra.* Orderly review requires that this objection, being basic and jurisdictional, be disposed of at the beginning."

This is the more serious in the present case because, as will be shown in the following points, the Court in endeavoring to support its conclusion has gone to the evidence, not to ascertain whether the Commission's findings were supported by the proof, but itself to make findings which the Commission did not make and has gained incorrect impressions in so doing.

IV

The decision is at variance with what has heretofore been consistently decided with regard to the essentials for an order requiring an increase in freight rates, and unduly enlarges the authority of the Commission to prescribe minimum rates.

In substantial effect, the decision holds that where territory-wide rate adjustments are concerned the Commission may require an increase in the rates within a territory without any finding or evidence that the rates are on a lower level than the freight charges actually paid by competing shippers of the same goods shipping into the territory; without any finding or evidence that the existing rates provide inadequate compensation to the carriers and in the face of evidence that they are actually highly profitable; without any finding or evidence that the existing rates threaten rate wars or otherwise adversely affect the financial stability of the railroads; without any finding or evidence that if the railroads do need additional revenue the increased rates will produce it instead of obstructing the movement of freight by rail, and solely because the rates are lower than rates which are called by the same name and are published in tariffs but are not charged for transportation into the territory from other rate territories.

It is submitted that this is a new and altogether unduly broad concept of the authority of the Commission to prescribe minimum rates.

In *Texas & Pacific Ry. Co.* v. *United States,* 289 U. S. 627 (1933), the Court said (p. 633):

> "The evidence failed to show that the rates of the Texas & Pacific and the L. R. & N. on export and import shipments to and from New Orleans were not compensatory. The Commission refused to find that they were so low as to cast a burden on other traffic.

There was therefore no basis for an order fixing minimum reasonable rates under § 15(1) of the Act."

Again in *North Carolina* v. *United States*, 325 U. S. 507, the Court said at page 516:

> "The Commission made no findings as to what contribution from intrastate traffic would constitute a fair proportion of the railroad's total income. It made no finding as to what amount of revenue was required to enable these railroads to operate efficiently. Instead, it relied on the mere existence of a disparity between what it said was a reasonable interstate rate and the intrastate rate fixed by North Carolina."

If without such findings the Commission may not order an increase in freight rates throughout a State merely because existing rates are lower than rates into the State from other States, it should follow that mere disparity between the levels of rates throughout a territory embracing several States and of rates into the territory from other territories affords no basis for an order increasing the former.

The Court upholds the Commission's order as one for the removal of undue prejudice and preference. Leaving to the next point the soundness of the conclusion sustaining the Commission's ultimate finding of discrimination, it must be noted that the authority of the Commission to require an increase in rates within a State likewise rests upon its power to remove discrimination. It is difficult to see why different requisites should exist for an order advancing intraterritorial rates from those which are necessary to sustain an order increasing intrastate rates to remove discrimination.

Moreover, the Court recognizes (Opinion, p. 59) that

> "The authority of the Commission to increase rates in order to remove discrimination, even though existing rates may be compensatory, is not unlimited."

If it were unlimited, Section 15a(2), would be meaningless in requiring that the Commission in the exercise of its power to prescribe just and reasonable rates shall give due consideration, among other factors

> "to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service."

It is submitted that the amendment to Section 3(1) of the Act adding thereto the word "territory" did not, and was not intended to, empower the Commission to deprive shippers in a territory of as low rates as are consistent with the furnishing of adequate and efficient railway service in that territory.

The Court's opinion meets this argument by citing the fact (pp. 59, 60) that the rates of return of the Eastern carriers, as well as their operating ratios, have in recent years been less favorable than those of the Southern and Western railroads. But this would justify increasing the class rates in Official territory only if there were findings supported by evidence (a) that the differences in the rates of return and operating ratios were due to the class rates rather than to other rates or factors, and (b) that an increase in the class rates in Official territory would improve the rate of return and operating ratio of the Eastern carriers. But there are no such findings and no such evidence.

In *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, citing its decisions in *Florida* v. *United States*, 282 U. S. 194 and 292 U. S. 1, the Court said at pages 507 and 508:

> "There is not a fact to indicate that the rates so reduced will be less than compensatory or that capacity for service to the public will be impaired or put in jeopardy. '*The raising of rates does not necessarily increase revenue. It may in particular localities reduce revenue instead of increasing it, by discouraging patronage*'."

In *Florida* v. *United States*, 292 U. S. 1, the Court said at page 8:

> "* * * in considering the authority of the Commission to enter the state field and to change a scale of intrastate rates in the interest of the carrier's revenue, the question was that of the relation of rates to income. But *to support the order then under review, the Commission had made no findings* as to the revenue which had been derived by the carrier from the traffic in question, or which could reasonably be expected under the increased rates, or *that the alteration of the intrastate rates would produce, or was likely to produce, additional income necessary to prevent an undue burden upon the carrier's interstate revenues and to maintain an adequate transportation service. Florida* v. *United States, supra*" (282 U. S. pp. 212, 214, 215, 75 L. ed. 302, 303, 304, 51 S. Ct. 119). (Italics added.)

It is submitted, therefore, that even if the Court was correct in upholding the Commission's ultimate finding of undue preference and prejudice in violation of Section 3, it should reconsider the conclusion that in the complete absence of findings or evidence heretofore deemed essential to an order requiring an increase in rates, the Commission acted within its authority in ordering a 10 per cent increase in the already highly compensatory* class rates for transportation within Official territory as the method of removing the discrimination.

It would be startling doctrine that in the absence of a finding that existing rates of a certain kind are not fully compensatory and in the face of evidence that they are highly profitable to the carriers for the services for which they are paid, shippers may be required to pay still higher rates, because rates elsewhere called by the same name are higher, although there is no finding that such higher rates are actually demanded of competing shippers for the transportation of similar goods. And yet that is what the Court's opinion, considered in the light of the record, appears to hold.

---

* See discussions of the evidence on this point at pp. 58 to 64 of Appellant's main brief.

V

In holding that a finding of discrimination can be based upon differences not in rates charged but in rates which are described by the same name but have different purposes in different territories, the Court errs and has introduced into the law a new conception of discrimination under Section 3 of the Act.

It is submitted that the Commission is concerned with rates which are charged and not with what they are called. Because the Official territory lines see fit to publish the rates which they charge on a substantial volume of carload freight as class rates, it does not follow that the railroads in the South and West must call the rates which they charge on similar freight class rates or that there is unlawful discrimination if they do not do so. It is not the function of the Commission to prescribe what kind of freight rates shall be charged or they shall be called. It is concerned that the rates actually charged, whatever be their name, shall be just, reasonable and non-discriminatory.

Moreover, if it be within the functions of the Commission to induce traffic to move at class rates rather than at commodity or exception rates, this does not justify an order increasing the class rates in Official territory. Compliance with such an order would have either one of the following consequences. Either it would impose an added freight burden upon shippers, it would discourage the movement of freight altogether, or it would stimulate the establishment of commodity and exception rates in Official territory to equalize with those maintained in the South.

The vice of the Commission's order here is that there is no finding that the differences in the class rates produce differences in the rates actually charged.

It would be clear that a manufacturer in the South shipping to a Northern market and paying a commodity rate equal to the class rate paid by a competitor in Official territory shipping to the same market, could not be heard to complain of undue prejudice because the class rate from his Southern shipping point which he did not pay was higher than the Official territory class rate. And certainly, if the Commission should order the Official territory class rate increased to equalize it with the class rate from the South which was not charged, on the ground of removing discrimination, merely because both rates are termed "class rates", the Official territory shipper would be entitled to have the order stayed, especially if it appeared that the old class rate which he paid was highly compensatory. But, so far as the record and the Commission's findings are concerned, this is what the Commission's order here would do. And it is submitted that it cannot be sustained merely because it affects the individual shipper in Official territory along with all other shippers at class rates.

It seems probable, moreover, that the Court has not been made to understand the radical differences in the purposes of the class rates in the several territories. Because in each territory rates are called class rates does not mean that they have a similar purpose or use. This is made clear by the Commission in its several decisions in which the present class rates were prescribed. Thus, in the *Eastern Class Rate* case, in which the Commission prescribed the class rates now charged in Official territory (64 I. C. C. 314), the Commission said (p. 391):

> "* * * In the other territories class rates, at least in the past, appear to have been of particular interest to jobbers, and the traffic which they move seems to have been, and perhaps still is, predominantly less than carload. For carload traffic of any important volume

commodity rates have generally been provided. This is not the situation in official territory, where a great deal of very important carload traffic moves on class rates. Of the traffic embraced by the revenue test about 68 per cent was carload. Among the commodities which generally move in carloads on class rates in official territory but are given commodity rates in other territories are fruits and vegetables (including apples, cabbage, and potatoes), dairy products, vegetable oils, furniture, wrapping paper, soap, sash, doors, and blinds.

> "A corollary of this situation is that, as compared with the class rates, the commodity rates on heavy, low-grade articles in official territory are often relatively high and in the other territories relatively low."

The Commission's order would require an increase in Official territory in the freight rates paid for transportation within that territory of fruits, vegetables, dairy products, furniture, wrapping paper, etc., on the assumption that thereby discrimination would be removed, although the differences in the levels of the class rates do not represent differences in the freight charges actually paid in the several territories for the transportation of these commodities.

Rates which are published as the rates to be charged on the large volume of carload traffic are not of the same kind with rates designed to be charged for occasional, unexpected movements or for less-car-load freight, merely because both are referred to as class rates. The rates serve different functions due to the complete differences in the rate structures of the carriers in the several territories. It is for this reason that the Commission acted arbitrarily in disregarding the rate structures as a whole, and in ruling that because the class rates are on different levels they are the cause of territorial discrimination which would be removed by equalizing the class rates alone. Instead to bring about equality of class rates only and to do this by raising the class rates in Official territory, while leaving untouched all other parts of the rate structures, would simply discriminate against Official territory.

This is shown by the Commission's finding that the differences between the average ton mile revenues of the railroads in the East and of those in the South from all freight was approximately the same as the differences in the respective average computed costs of handling all freight. The Commission found that the average revenue from all freight in the South was "somewhere between 3 and 5 per cent" higher than the corresponding figure for the Eastern railroads (p. 607, R. 222). These figures correspond almost exactly with the differences of 3 to 6 per cent in average fully distributed costs for Official territory (including New England and Pocahontas) and the South shown in the table on page 579 of the Commission's report (R. 194). This illustrates the fallacy of dealing with parts of the rate structures only and assuming that because they are called by the same name differences in them indicate discrimination between territories.

It seems from the opinion that the Court has been led into error in its entire approach to the question of discrimination by incorrectly assuming (a) that because the rates bear the same titles they play the same roles in transportation and therefore differences between them presumably create discrimination and (b) by failing to observe that its whole discussion turns on what rates are called, rather than upon what rates are charged.

VI

It was error to conclude that a valid ultimate finding of undue preference and prejudice could be predicated upon the existence of differences in rates published in tariffs without findings or proof that these rates are actually charged for the transportation of similar and competing freight. If the court was led to believe that there were such findings or itself made such findings, this was in error.

On page 14 of the opinion there are comparisons of class rates to destinations in Official territory from origins in other territories with class rates within Official territory for approximately equal distances. These comparisons show, of course, that the class rates from origins in the South, Southwest and Western Trunk-Line territories are the higher. On page 15 of the opinion, referring to the tables just cited, it is said:

> "The disadvantage to the Southern or Western shipper who attempts to market his product in Official Territory is obvious."

With all respect, we submit that this is a statement which is not supported by the evidence and goes beyond anything that the Commission itself found. The disadvantage to a southern or western shipper, if he shipped at class rates into Official territory, would be obvious. But less than one per cent of freight from the South to Official territory is charged at class rates. And for all that appears, if class rates are charged, they may, by reason of the lower classification ratings, be actually as low as or lower than the rates charged for the transportation of the same freight in Official territory. The Commission itself found (p. 508, R. 123):

> "In fact, on many articles a shipper in a lower-rated territory must pay higher rates than one in a higher-rated territory, owing to differences in classification ratings."

Taking the examples on page 16, certainly the fact that the first class rate for a haul of 200 miles in the South is $1.12 as compared with a first class rate of 80 cents in Official territory does not indicate a rate disadvantage against the South with respect to the articles classified first class in Official territory, which are rated from Class 70 to Class 45 in the South with rates for 200 miles ranging from 78 cents down to 45 cents. Nor can any justification be found on the ground of removing prejudice or equalizing freight rates for increasing by 10 per cent the first class rate of 80 cents paid by a shipper in Official territory for the transportation of a commodity which in the South is rated Class 45 and pays a rate of 50 cents, or on the same ground for reducing the southern rate from 50 to 45 cents.

It is said in the opinion that the illustrations given are representative of the rest and show how disparities in the rate levels are aggravated when the effect of classification differences on rates are considered. Rather, these examples clearly show that in requiring increases in class rates in Official territory and reductions in the other territories in advance of the prescription of a uniform classification, the Commission's order was premature.

Numerous examples appear in the opinion which indicate that the Court failed fully to comprehend that the Commission very definitely did not find that the differences in the class rates reflected differences in the rates charged or caused injury to shippers in the South and Southwest or to those territories and that the Court erred in itself in basing its decision upon contrary assumptions. Thus, on pages 5 and 6 of the opinion it is said that the Commission

> "found that higher class rates have impeded the development and movement of class rate freight within Southern, Southwestern and Western Trunk-Line territories and from those territories to Official Territory."

The Commission, however, used weasel words but very definitely did not so find. What it did find is that the differences in the levels of the class rates "have prevented the free movement of traffic at the rates in issue" (p. 696, R. 311). The Commission did not find that the "movement of class rate freight" has been impeded. Its finding and the evidence is all to the effect that commodities, at exception rates, have been provided for freight in the Southwest which moves in Official Territory.

Again, on page 15, after citing tables of first class rates, the opinion states that the comparison shows that shippers in the South and West, for identical commodities, "*on the whole* pay higher charges than the shippers in Official Territory for equivalent service". With all respect, it is submitted that the Commission has made no finding that the freight charges *paid* by shippers in the South and West are higher on the whole than the freight charges paid by shippers in Official Territory.

On page 16 the Court refers to what it calls "rather voluminous evidence in the record tendered to show the effect in concrete competitive situations of these class rate inequalities" and concludes therefrom that they support the proposition that class rates in the other territories are "generally much higher, article for article, than the rates within Official Territory" and this is then referred to as "the basic finding of the Commission". Again we submit that an examination of the Commission's own discussion of these "concrete competitive situations" indicates that it was the Commission's finding that these examples did not generally reflect differences in freight charges caused by the differences in the class rates.

On page 17 it is said that the basic finding of the Commission is "that class rates within Southern, Southwestern and Western territories, and from those territories to Official Territory, are generally much higher, article for article, than the rates within Official Territory."

Then it is said:

> "Thus discrimination in class rates in favor of Official Territory and against the Southern, Southwestern and Western Trunk Line territories is established."

Again, with all respect, it is submitted that here the opinion extends the concept of discrimination beyond previously recognized limits and in a way which invites future trouble, not to say injustice, in the administration of the statute. It has heretofore been well recognized that mere showing of differences in rates which are published but are not charged does not establish discrimination.

It is said (p. 19) that appellants' argument "takes too narrow a view of the problem confronting the Commission." It is said, first, "We start of course with some showing of actual discrimination against shippers by reason of their use of class rates." With all respect, it is submitted that the Commission's report will be searched in vain for anything like a finding of unlawful discrimination against any shippers by reason of differences in the levels of the class rates.

VII

The Court was in error in its conclusion as to the Commission's findings and as to the sufficiency of the evidence of territorial injury from the differences in class rate levels to sustain an ultimate finding of undue prejudice and preference.

Granting for the sake of argument that differences in published class rates as distinguished from rates charged establishes discrimination, the opinion observes (p. 17) that "mere discrimination does not render a rate illegal under § 3. *United States* v. *Illinois Central R. Co.*, 263 U. S. 515, 521." With this we, of course, agree.

Here it is submitted that there is a complete absence of any necessary preliminary findings by the Commission of injury to either shippers or territories, and with all respect it is submitted that the Court; to sustain its decision and uphold the Commission's order, has assumed facts and itself made findings beyond those dreamt of by the Commission and without evidentiary support.

On page 22 the opinion refers to the inquiry of the Commission into the effect of class rates on the economic development of the Southern and Western territories and states that the Commission "concluded that prejudice to the territories in question had been established". It is true that the Commission made an ultimate finding in the language of the statute that differences in class rates resulted in undue prejudice to Southern and Western territories, but this was plainly not intended as a preliminary finding of substantial injury to those territories. The Commission's discussion of the evidence plainly negatives any finding of injury. The Court has seen fit in its opinion to set forth tables and statistics to support its assumption that there was such injury, but it is significant that quite other tables and statistics are included in the report of the Commission and that the latter plainly demonstrate that although, of course, the South was late in beginning its industrial growth, and has not yet attained the proportions of that in the North, nevertheless, by all recognized standards, neither the freight rates nor anything else have barred the industrial development of the South. So much is this the fact that, as the record shows and the Commission finds, it was boasted of by the Southern Governors.

It may be argued that where territories are concerned discrimination may be established by something other than a showing of unlawful prejudice and preference as between individual shippers, with injury to some and benefit to their competitors. However, the absence here of such evidence with respect to individual shippers and, even more significantly, the absence of any finding by the Commission of injury to individual shippers by reason of the differences in the class rate levels is at least an important indication that the differences in the levels of the class rates are not the cause of discrimination between territories as a whole.

However, apart from proof of the effect of rates upon individual shippers, it may be conceded that territorial discrimination might be established by preliminary findings and evidence to support findings that the differences in the levels of the class rates have discouraged business in one territory and encouraged it in another, have prevented the location of new industries in the higher rated territory, or have in one way or another imposed obstacles to industrial and economic development. Of such findings, however, the Commission's report is entirely barren. The opinion, referring to the remark in *Georgia* v. *Pennsylvania R. Co.*, 324 U. S. 439, 450 that "Discriminatory rates are but one form of trade barriers", states that their effect

> "is not only to impede established industries but to prevent the establishment of new ones, to arrest the development of a state or region, to make it difficult for an agricultural economy to evolve into an industrial one."

But certainly the language quoted is not descriptive either of the findings of the Commission or of the evidence in this case.

The Commission specifically found that there was no proof that any industry had been prevented from locating in the South by the differences in the levels of the class rates (p. 622, R. 237). The Commission's analysis of the evidence as to the relative industrial growth of the different sections of the country clearly negatives any finding by the Commission that the differences in the levels of the class rates have operated "to impede established industries * * * to prevent the establishment of new ones, to arrest the development of a State or region, to make it difficult for an agricultural economy to evolve into an industrial one".

The Court may have been impressed by a theory propounded by counsel for the Government in brief that a new prospective small business may be discouraged from locating in the South by the class rates because of difficulty in or time required for securing the establishment of commodity or exception rates. Such a situation could be imagined, but so far as the present proceeding is concerned it can exist only in imagination because the Commission has made no finding that the class rates have so operated in so far as territories as a whole are concerned.

On page 43 it is said that

> "The class rate traffic is largely that of small shippers, who do not have the ability to obtain the benefit of the lower exception or commodity rates."

The Commission has made no finding either that class rate traffic is largely that of small shippers nor is there any finding or evidence that any shippers, large or small, have been denied exception or commodity rates. But if that were the fact it would certainly not justify increasing the class rates which are charged on 5.8 per cent of the very large volume of carload traffic in Official territory.

Moreover, despite the protestations to the contrary, the discussion in the opinion makes it clear that the real objective of the Commission's order insofar as it would require an increase of rates in Official territory is to penalize the cost of industrial production in Official territory in order to stimulate the industrial growth of the South and West. We still submit that it is beyond the authority of the Commission to prescribe rates for such a purpose.

There is only one thing certain in this situation and that is that the order of the Commission will require the shippers in Official territory to pay substantial increases amounting to many millions of dollars in freight rates which are already highly compensatory to the carriers.

VIII

The decision rests upon incorrect conclusions as to the cost computation and reflects other erroneous impressions or assumptions.

It is submitted that the opinion gives incorrect weight to the cost computations and fails to recognize the fact that these cost computations are computations of average costs, that they do not purport to reflect differences in costs of handling class rate traffic, with which alone the Commission's order is concerned, and that they emphasize the error and arbitrary nature of the order in requiring a change in the class rates apart from the general rate structure.

Without burdening the Court with further reargument of the case, it is submitted that despite the careful analysis which it reflects, the opinion of Mr. Justice Douglas nevertheless indicates that the ultimate decision of the Court is the result of other serious errors both of assumption and of omission.

IX

The Court errs in holding that in the absence of a finding that the class rates in Official Territory are less than compensatory, the Commission may nevertheless order an increase in those rates on the ground that it is impractical to reduce the rates in the South and West to the official level.

Discussion of this phase of the matter is found at pages 55 to 60 of the opinion. It is perhaps the most serious phase of the proceeding from a legal standpoint. The

Court discusses the various decisions bearing upon the prescription by the Commission of minimum rates in all of which, as the opinion recognizes, exercise of minimum rate power has been upheld because of findings either that the existing rates were not compensatory or that they threatened destruction to competing forms of transportation. In the present case no such finding is, of course, possible. However, the Court says that (p. 58):

> "If the Commission were powerless to increase rates to a reasonable minimum in order to eliminate an unlawful discrimination, unless existing rates were shown to be non-compensatory or unless ruinous competition would result, it would in some cases be powerless to prescribe the remedy for unlawful practices."

It is submitted that here, as in the Commission's action, there is a fundamental fallacy. The fallacy is in assuming that discrimination exists at all because rates are on different levels when the circumstances are such that to bring them to the same level will mean either increasing rates which are already highly profitable or reducing other rates to a non-compensatory level. If such conditions exist, it is submitted that the differences in rate levels cannot constitute unlawful discrimination, and, therefore, that the premise of the reasoning is non-existent.

Besides, as has already been said, such a conception would nullify Section 15a (2).

Moreover, to require shippers in Official territory to pay higher rates than are necessary to provide liberal compensation to the railroads, in order that the rates paid by southern shippers may be equalized, without becoming non-compensatory, would certainly discriminate against the former. It would require them to pay a greater measure of return to the railroads than paid by southern shippers.

Certainly the Court's opinion on this point if allowed to stand would work a radical change in the law as it has previously been conceived.

Conclusion

It is therefore submitted, in view of the great importance of the case to the appellant States and their citizens, the seriousness of the issues, and the consequences which the decision will undoubtedly have as a precedent in the future, rehearing should be had in order that the issues may be more fully discussed and considered and the errors described corrected.

Appellants, therefore, respectfully pray that the Commission may grant rehearing herein.

Motion for Stay of Mandate

Appellants also pray that pending consideration of this petition, and if the petition be granted, then pending rehearing and final determination thereon, the Court may stay the issuance of its mandate.

Respectfully submitted,

Parker McCollester,
Kenneth L. Sater,
Attorneys for Appellant States.

Nathaniel L. Goldstein
Attorney General, State of New York

Frank J. Clark
Special Assistant Attorney General, State of New York

Clair John Killoran
Attorney General, State of Delaware

James A, Emmert
Attorney General, State of Indiana

Karl J. Stipher
Deputy Attorney General, State of Indiana

Hall Hammond
Attorney General, State of Maryland

Foss O. Eldere
Attorney General, State of Michigan

James W. Williams
Assistant Attorney General, State of Michigan

Walter D. Van Riper
Attorney General, State of New Jersey

Robert Peacock
Deputy Attorney General, State of New Jersey

Hugh S. Jenkins
Attorney General, State of Ohio

John E. Martin
Attorney General, State of Wisconsin

Herbert T. Ferguson
Assistant Attorney General, State of Wisconsin

James H. Duff
Attorney General, Commonwealth of Pennsylvania

E. A. DeLaney
Deputy Attorney General, Commonwealth of Pennsylvania

of Counsel

Certificate of Good Faith.

I hereby certify that this petition for rehearing is presented in good faith and not for delay.

Parker McCollester,
Of Counsel for the Above Named
Appellant States.

Certificate of Service.

I hereby certify that copies of the foregoing document were this day mailed to the following counsel of record:

Tom C. Clark. Attorney General
Department of Justice
Washington, D. C.

Solicitor General
Department of Justice
Washington, D. C.

David O. Mathews, Special Assistant to the Attorney General
Department of Justice
Washington, D. C.

Daniel W. Knowlton, Chief Counsel
Interstate Commerce Commission
Washington, D. C.

Edward M. Reidy, Assistant Chief Counsel
Interstate Commerce Commission
Washington, D. C.

J. V. Norman
Kentucky Home Life Building
Louisville, Kentucky

Byron M. Gray
608 National Bank of Topeka Building
Topeka, Kansas

George T. Simpson
State Capitol Building
St. Paul, Minnesota

C. B. Bee
State Capitol
Oklahoma City 5, Oklahoma

Walter R. McDonald
Georgia Public Service Commission
Atlanta, Georgia

Douglas F. Smith
11 South LaSalle Street
Chicago, Illinois

H. C. Barron
Western Traffic Executive Committee
Room 310, Union Station
Chicago, Illinois

Henry E. Foley
10 Post Office Square
Boston, Massachusetts

Dated this 5th day of June, 1947.

Parker McCollester,
Of Counsel for Above Named
Appellant States.

FILE COPY

Office - Supreme Court, U. S.
FILED
JUN 6 1947
CHARLES ELMORE CROPLEY

Supreme Court of the United States

Nos. 343, 344 and 345. — October Term, 1946.

State of New York, State of Delaware, State of Indiana, et al., Appellants,

343 *v.*

The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Horace A. Hildreth, Governor of the State of Maine, et al., Appellants,

344 *v.*

The United States of America, Interstate Commerce Commission, et al.

The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company, Chicago, Burlington & Quincy Railroad Company, et al., Appellants,

345 *v.*

The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Appeals from the District Court of the United States for the Northern District of New York.

HENRY E. FOLEY,
Counsel for Petitioners

Dated: June 4, 1947

Supreme Court of the United States

Nos. 343, 344 and 345. — October Term, 1946.

State of New York, State of Delaware, State of Indiana, et al., Appellants,

343 *v.*

The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Horace A. Hildreth, Governor of the State of Maine, et al., Appellants,

344 *v.*

The United States of America, Interstate Commerce Commission, et al.

The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company, Chicago, Burlington & Quincy Railroad Company, et al., Appellants,

345 *v.*

The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Appeals from the District Court of the United States for the Northern District of New York.

PETITION FOR REHEARING

Now come The Honorable Horace A. Hildreth, Governor of the State of Maine; The Honorable Charles M. Dale, Governor of the State of New

Hampshire; The Honorable Ernest W. Gibson, Governor of the State of Vermont; The Honorable Robert F. Bradford, Governor of The Commonwealth of Massachusetts; The Honorable John O. Pastore, Governor of the State of Rhode Island; and The Honorable James L. McConaughy, Governor of the State of Connecticut, appellants herein, by Henry E. Foley, their counsel, and respectfully represent to this Honorable Court as follows:

1. On May 12, 1947, this Court rendered its decision in the above-entitled proceedings, wherein this Court sustained an order of the Interstate Commerce Commission (hereinafter called the Commission), dated May 15, 1945, and an amendatory order, dated October 30, 1945 (said order and amendatory order being hereinafter called the order), entered in two investigation proceedings pending before the Commission and entitled respectively—*Class Rate Investigation, 1939* and *Consolidated Freight Classification* and numbered respectively No. 28300 and No. 28310 in the dockets of the Commission. The order directed the railroads serving in Official Territory to increase by 10% (from their May, 1945 level) all class rates applicable within Official Territory; directed all railroads serving in Southern and Western Territories to reduce by 10% (from their May, 1945 level) all class rates applicable within those respective territories (except rates applicable in Western Territory west of the Rocky Mountains), and directed all railroads participating in transportation between the various territories to reduce by

10% (from their May, 1945 level) all class rates applicable to such interterritorial movement. (R. 385).

2. The orders hereinbefore in paragraph 1 hereof described, were predicated upon ultimate findings by the Commission that class rates, intraterritorial and interterritorial, east of the Rocky Mountains were unjust and unreasonable in violation of Section 1 of the Act, and that the relationship between Official Territory class rates, on the one hand, and interterritorial class rates applicable to the movement of traffic into Official Territory from each of the other territories, on the other hand, was unduly discriminatory in violation of Section 3 of the Act. (R. 316-317.)

3. Your petitioners respectfully submit that this Court, in rendering its decision hereinbefore in paragraph 1 hereof referred to, in addition to erring in the respects and for the reasons set forth in the dissenting opinions herein of Mr. Justice Frankfurter and Mr. Justice Jackson, also erred in the respects and for the reasons hereinafter in this paragraph 3 set forth:

(a) This Court erred in sustaining the Section 3 finding of the Commission, in that this Court erroneously concluded that, even though the record did not warrant a finding that differences between the intraterritorial class rates applicable within, and the interterritorial class rates applicable into, Official Territory resulted in injury to Southern and Western shippers, nevertheless the "absence of a non-discriminatory" class rate "structure" injured Southern and Western Territories themselves, such injury being inferable from differences in the economic conditions in the South and West on the one hand and in Official Territory on the other hand. The error in such conclusion of this Court arises basically from the fact that the Commission has made no finding that differences in the economic position of the South and West on the one hand and of Official Territory on the other hand, had any relation whatsoever to class rates or had any relation whatsoever to any rates or rate relationship and a fair reading of the Commission's report shows that its ultimate finding as to territorial discrimination was based solely on the relation between intraterritorial and interterritorial class rates (not the absence of a nondiscriminatory class rate structure) and on the supposed effect of these rates on shippers. This Court has erroneously sustained the Commission's Section 3 finding by substituting findings of its own.

In arriving at its conclusion, this Court, in its opinion, expressly and soundly recognized that the Commissions' ultimate finding with respect to a Section 3 violation was unsupported by any showing that rate relationships caused, generally, injury to Southern and Western shippers. It appears to have been plain to this Court, as it must be to anyone familiar with the record, that interterritorial class rates into Official Territory are in the main mere "paper" rates; that interterritorial traffic has available to it a broad base of commodity and exception rates (which are not, in the main, as has been implied, *ad hoc* rates) on which the interterritorial traffic moves and that, if discrimination among shippers exists (as it is submitted that it does not), such discrimination must result from the relation between rates actually charged and not from the relation between class rates.

It is apparent, for example, that the relationship between (a) the class rates within Official Territory applicable to the less-carload movement of the 3500 commodities which had been removed from the Southern classification in 1940 and which move into Official Territory on exception rates, and (b) the class rates applicable to the less-carload movement into Official Territory of these commodities, could not result in injury to shippers in the South. If Southern shippers were injured, as did not appear, the injury could only arise from the relationship of the governing rates.

This Court, however, while recognizing all this, sought another basis to sustain the conclusion of a Section 3 violation. In so doing this Court said:

> "It is sufficient here to note that the case of unlawful discrimination against these territories was chiefly founded *on the absence of non-discriminatory class rates* and uniform classifications which would remove the features of existing rate structures prejudicial to Southern, Southwestern, and Western Trunk-Line territories." (Emphasis supplied) (Slip Opinion, P. 21)
>
> "We are thus not primarily concerned with the adequacies of the Commission's findings showing discrimination against actual shippers located in a territory . . . but with prejudice to a territory as a whole." (Slip Opinion, P. 21)
>
> "The inquiry of the Commission into the effect of class rates on the economic development of Southern, Southwestern, and Western Trunk-Line territories took a wide range. It concluded that prejudice to the territories in question had been established. We think that

finding is supported by substantial evidence." (Slip Opinion, P. 22)

"It is sufficient at this point to say that the record makes out a strong case for the inference that natural disadvantages alone are not responsible for the retarded development of the South and the West, that the discriminatory rate structure has also played a part. How much a part cannot be determined, for every effect is the result of many factors. But the inference of prejudice from the discriminatory rate structure is irresistible." (Slip Opinion, P. 27)

From the foregoing it appears that the conclusion as to discrimination is found supportable, not by virtue of the relation between the class rates themselves, but by virtue of the relation between respective "rate structures", which relation is said to have been in some part, at least, responsible "for the retarded development of the South and West".

But whether or not the Commission might properly have been sustained (which is doubtful and which need not be considered) if it had made such a finding, the Commission did not so find. While the Commission referred to economic data with respect to Official Territory, the South and the West (data plainly relevant to the issue as to differences in territorial transportation conditions), the Commission nowhere found that economic differences between the territories are attributable in any part whatsoever to rate or rate structure differences and it is nowhere found by the Commission that "rate structure" differences, as distinguished from class rate differences, result in discrimination.

This Court, in sustaining the Commission's conclusion of unlawfulness, has supplied findings which are wholly missing from the Commission's report and has rested the Commission's order on grounds differing from those on which the Commission based its order.

A Court may not properly substitute its findings and conclusions for those of an administrative body charged with the duty of making the findings and arriving at conclusions and this Court erred in so doing.

(b) This Court erroneously sustained the order of the Commission in so far as said order directed a 10% reduction in intraterritorial class rates in the South and West (which reduction is an essential part of the Commission's order and without which the whole order must fail) although neither Southern nor Western intraterritorial class rates were found by the Commission to be discriminatory or violative of Section 3 of the Act. The only finding of the Commission with respect to those rates was that they were violative of Section 1 of the Act. Yet nothing in the record and no finding of the Commission warrants a conclusion that these rates were in excess of reasonable maximum rates and the Commission's subsequent decision in Ex Parte 162 shows that these rates are less than maximum reasonable rates. It is no answer to say that Ex Parte 162 is concerned only with revenue issues and that this case involves only *relationship issues. Southern and Western intraterritorial rates were not found by the Commission to be improperly related. No Section 3 finding was made with regard to such rates.* The ordered reduction of Southern and Western intraterritorial rates is wholly unwarranted and, as the Commission's order is integral, the entire order falls. The Commission plainly did not intend any part of its order to stand unless all of it might stand.

4. The issues in these proceedings are far-reaching and the results, if not changed, must inevitably place a heavy burden upon a large section of this country. As Mr. Justice Jackson pointed out in his dissenting opinion herein:

> "The surcharge burdens the territory where fifty percent of the consuming population of the United States resides by adding an estimated $15,000,000 per year to its shipping bills. It adds that much to the revenues of the Northeastern railroads with no showing or finding that it is needed to meet costs of furnishing railroad service."

WHEREFORE, your petitioners respectfully pray that this petition for rehearing be granted and that the judgment entered in the above-entitled proceedings be vacated; and that either the judgment of the District Court dismissing the petition of your petitioners be summarily reversed or that these proceedings be reopened for reargument and reconsideration. Your petitioners further pray that an order be entered herein staying the issuance of the mandate pending the disposition of this petition.

Respectfully submitted,

HENRY E. FOLEY

Counsel for

THE HONORABLE HORACE A. HILDRETH,
Governor of the State of Maine;

THE HONORABLE CHARLES M. DALE,
Governor of the State of New Hampshire;

THE HONORABLE ERNEST W. GIBSON,
Governor of the State of Vermont;

THE HONORABLE ROBERT F. BRADFORD,
Governor of The Commonwealth of Massachusetts;

THE HONORABLE JOHN O. PASTORE,
Governor of the State of Rhode Island; and

THE HONORABLE JAMES L. MCCONAUGHY,
Governor of the State of Connecticut.

Dated: June 4, 1947

CERTIFICATE OF COUNSEL

I, Henry E. Foley, Counsel for the above-named petitioners, do hereby certify that the foregoing petition for a rehearing of this cause is presented in good faith and not for delay.

HENRY E. FOLEY,
Counsel for Petitioners

10 Post Office Sq.,
Boston, Mass.

SUPREME COURT OF THE UNITED STATES

Nos. 343, 344 AND 345.—OCTOBER TERM, 1946.

State of New York, State of Delaware, State of Indiana, et al., Appellants, 343 *v.* The United States of America, Interstate Commerce Commission, State of Alabama, et al. Horace A. Hildreth, Governor of the State of Maine, et al., Appellants, 344 *v.* The United States of America, Interstate Commerce Commission, et al. The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company, Chicago, Burlington & Quincy Railroad Company, et al., Appellants, 345 *v.* The United States of America, Interstate Commerce Commission, State of Alabama, et al.	Appeals from the District Court of the United States for the Northern District of New York.

[May 12, 1947.]

MR. JUSTICE DOUGLAS delivered the opinion of the Court.

The orders of the Interstate Commerce Commission, which appellants seek to have set aside, resulted from two separate investigations instituted by the Commission on its own motion in 1939 to inquire into the lawfulness or unlawfulness of most of the then existing rate-making standards for interstate railroad class freight rates in the United States. One investigation related to classifications[1] under which commodities move by rail freight. The other related to class rates.[2] The two investigations were consolidated and were covered by one report, as the problems of classification and of class rates[3] are closely interrelated. The findings of the Commission as to classifications are not directly involved here. For the orders of the Commission under attack are interim orders which affect only class rates, increasing them in some areas and decreasing them in others. But a review and summary of the Commission's findings both on classifications and on class rates are essential for an understanding of the problem.

---

[1] Commodities are grouped into classes, those commodities in each class paying the same freight rate per 100 pounds. Frequently a commodity is in several classes depending upon whether carload or less-than-carload lots are involved, and upon the method of packaging. One class is called first-class or class 100 and each other class has been fixed as a percentage, or multiple, of first-class. Thus the freight *classifications* involved in these cases consist of lists containing descriptions of every commodity moving by freight and the class or classes to which it is assigned, *i. e.*, its *classification rating* or *ratings.* See 262 I. C. C. pp. 465–472.

[2] The *class rates* are in the form of a schedule which shows the price per 100 pounds for moving first-class freight every possible distance it may be moved. The cost of shipment for a given commodity is determined by ascertaining its classification rating, the first-class rate per 100 pounds for the haul involved, and the percentage of the first-class rate to which the classification rating in question is subject. See 262 I. C. C. pp. 515–519.

[3] There are three other kinds of rates:

Exception rates are rates resulting from the transfer of a commodity out of its regularly assigned class in the classification and into another class.

Commodity rates are special rates established for particular commodities. For purposes of these rates a commodity is not given a classification rating; the result is that the commodity rates have no fixed percentage relationships to first-class rates.

Column rates are fixed as definite percentages of first-class rates but like commodity rates they apply only to particular commodities and are assigned no regular class.

See 262 I. C. C. p. 562.

While there are three major classification territories, there are five major rate territories.[4] Official Territory, roughly speaking, lies east of the Mississippi and north of the Ohio and Potomac Rivers; it includes most of Virginia. Southern Territory lies south of Official Territory and east of the Mississippi. Western Trunk-Line Territory is located approximately between Official Territory and the Rocky Mountains. Southwestern Territory lies south of Western Trunk-Line Territory and west of the Mississippi and includes Arkansas, Texas, Oklahoma, and part of Louisiana. Mountain-Pacific Territory includes Montana and New Mexico and all territory west of the Rockies. Only Mountain-Pacific Territory is not involved in these cases.

The three major classifications are Official, Southern and Western.[5] But there is great lack of uniformity in the classifications. The problem is one with which the Commission has long wrestled.[6] But prior to the present investigation its chief accomplishment in this field had been to establish classification uniformity within the separate territories. National classification uniformity was still in the main lacking. Many differences between classifications on a particular rating are matters of substance; others are matters of nomenclature. Moreover, there has been a tendency among carriers to work against the evolution of uniform classifications by making exceptions which remove commodities from the classifications for rate-making purposes.

---

[4] Some rate territories have subdivisions in which rate differentials are applicable which vary the class rates within the territory in question.

[5] The Official Classification applies within Official Territory and from Western Trunk-Line Territory to Official. The Southern Classification applies within Southern Territory, between Official and Southern, and from Western Trunk-Line to Southern. Western Classification includes Western Trunk-Line, Southwestern and Mountain Pacific rate territories. It applies within those three territories, between Southwestern and Official, between Southwestern and Southern, from Official to Western Trunk-Line, between Mountain Pacific and Official, from Southern to Western Trunk-Line, and between Mountain-Pacific and Southern.

[6] Western Classification, 25 I. C. C. 442; Consolidated Classification, 54 I. C. C. 1; Southern Class Rate Investigation, 100 I. C. C. 513; Consolidated Southwestern, 123 I. C. C. 203; Western Trunk-Line Class Rates, 164 I. C. C. 1; Eastern Class Rate Investigation, 164 I. C. C. 314.

Section 1 (4) of the Interstate Commerce Act as amended, 24 Stat. 379, 54 Stat. 899, 900, 49 U. S. C. § 1 (4) provides that it shall be the duty of common carriers to establish just and reasonable classifications applicable to through freight rates and charges. Section 1 (6) prohibits every unjust and unreasonable classification. Section 3 (1) prohibits discrimination. And § 15 (1) empowers the Commission to prescribe just, fair, and reasonable classifications, after a finding that existing classifications are unlawful. The Commission found that the existing classifications are unlawful and will continue to be unlawful until there is national uniformity of classification. It found that differences in the applicable classifications affect the levels of the class rates as much as or more, in some instances, than the differences in the levels of the class rate scales themselves. It found that shippers in one territory pay more than shippers in another territory on the same article because of classification differences; that territorial boundaries separating classification territories are artificial and cause serious complications; that where geographic conditions produce divergent costs, revenue requirements, or other conditions requiring rate adjustments, the adjustments should be made not in the basic classification itself but in the rate levels or by the creation of legitimate exceptions to the classification; that amongst the classifications there was no real uniformity of classification ratings although the same classification principles are applicable throughout the nation. It concluded that without such uniformity, it is impossible to maintain just and reasonable relationships between class rates for competing commodities; that it is feasible for the carriers to establish a uniform classification. The Commission gave the railroads the opportunity to take the initiative in preparing the new uniform classification—an invitation which, we are advised, has been accepted.

Prior to this proceeding the Commission made four major class rate investigations—one for each of the rate territories except Mountain-Pacific.[7] These established class rate structures on a regional basis, *i. e.* they established some degree of uniformity in class rates within each territory or subdivision of a territory. But they did not deal with interterritorial class rates by harmonizing regional rate adjustments one with the other. As a result there are separate interterritorial rate structures applicable to freight traffic moving from one territory into another.

These territorial class rate structures are exceedingly complicated. There is no basic uniformity amongst them and they are computed by varying formulae.

The Commission found that class rates within Southern, Southwestern and Western Trunk-Line territories, and from those territories to Official Territory, were generally much higher, article for article, than the rates within Official Territory. It found that higher class rates have impeded the development and movement of class rate freight within Southern, Southwestern and Western Trunk-Line territories and from those territories to Official Territory. It concluded that neither the comparative costs of transportation service nor variations in the consists[8] and volume of traffic within the territories justified those differences in the class rates. The Commission also determined that equalization of class rates is not dependent on equalization of non-class rates and that interterritorial rate problems can be solved only by establishing substantial uniformity in class ratings and rates.

---

[7] Eastern Class Rate Investigation, 164 I. C. C. 314, 171 I. C. C. 481, 177 I. C. C. 156, 203 I. C. C. 357; Southern Class Rate Investigation, 100 I. C. C. 513, 109 I. C. C. 300, 113 I. C. C. 200, 128 I. C. C. 567; Western Trunk-Line Class Rates, 164 I. C. C. 1, 173 I. C. C. 637, 178 I. C. C. 619, 181 I. C. C. 301, 196 I. C. C. 494, 197 I. C. C. 57, 204 I. C. C. 595, 210 I. C. C. 312, 246 I. C. C. 119; Consolidated Southwestern Cases, 123 I. C. C. 203, 205 I. C. C. 601. See the discussion in 262 I. C. C. pp. 526 *et seq.*

Section 1 (4) and (5) (a) of the Act require rates and charges to be just and reasonable. The Commission found that the intraterritorial class rates applicable to the territories in question and the interterritorial class rates between the territories violate those provisions.

Section 3 (1) of the Act outlaws undue or unreasonable preferences or advantages to any region, district, or territory. The Commission found that the relation between the interterritorial class rates to Official Territory from the other territories in question and the intraterritorial class rates within Official Territory results in an unreasonable preference to Official Territory as a whole, and to shippers and receivers of freight located there, in violation of § 3 (1). The Commission, acting pursuant to its authority under § 15 (1) of the Act, prescribed reasonable and nondiscriminatory class rates to cure the preference found to exist, the new rates to become applicable simultaneously with the new revised classification which, as we have noted, the Commission ordered to be established.

But time will be required to formulate a uniform classification. And the Commission concluded that pending completion of that undertaking certain interim readjustments in the existing basis of class rates, based on existing classifications, could be made—readjustments which would be just and reasonable, and which would reduce to a minimum the preferences and prejudices which the Commission found to be unlawful in the existing system. It determined that the several intraterritorial freight-rate structures should be brought closer to the same level and be constructed on the same pattern or scheme. It concluded that as many differences as possible between the interterritorial rates and the intraterritorial rates should be eliminated. It accordingly ordered that existing interstate class rates[9] applicable to freight traffic moving at the classification ratings within Southern, Southwestern, and Western Trunk-Line territories interterritorially between those territories, and interterritorially between each of those territories and Official Territory, be reduced 10 per cent subject to qualifications not important here. It also ordered that interstate class rates for freight traffic moving at classification ratings within Official Territory be increased 10 per cent, subject to qualifications not relevant to our problem. It found the new interim class rates just and reasonable. 262 I. C. C. 447, supplemental report, 264 I. C. C. 41.

---

[8] The consist of freight in a given territory is the totality of commodities carried in that territory.

The new interim rates were ordered to become effective January 1, 1946. Prior to that date, New York and other northern States, appellants in No. 343, filed their petition in the District Court to set aside the orders of the Commission. A statutory three judge court was convened and a temporary injunction was issued preventing the orders from going into effect. 38 Stat. 208, 220, 28 U. S. C. § 47. The Governors of the six New England States (three of whose successors in office have been substituted as appellants in No. 344, 330 U. S. —) intervened on the side of the plaintiffs, as did most of the appellants in No. 345. The Commission and others[10] intervened on the side of the United States. Appellants in No. 345, including most of the western railroads, also filed their petition in the District Court seeking substantially the same relief as appellants in No. 343. The cases were consolidated and tried together, the District Court receiving additional evidence offered by the western railroads. The court sustained the orders of the Commission in all respects, 65 F. Supp. 856, but continued the injunction pending appeal to this Court.[11] Judicial Code § 210, 28 U. S. C. § 47 (a).

---

[9] No change in intrastate class rates was made. Nor was any change made in existing exception, column or commodity rates. See note 3, *supra*.

First. The principal evil at which the Interstate Commerce Act was aimed was discrimination in its various manifestations. *Louisville & N. R. Co.* v. *United States*, 282 U. S. 740, 749–750. Until 1935, § 3 (1) of the Act prohibited discrimination only against a "person, company, firm, corporation, or locality, or any particular description of traffic." 24 Stat. 379, 380. The question arose whether "locality" included a port insofar as the port was not a point of origin or destination but a gateway through which shipments were made. The Court held by a closely divided vote, and contrary to the ruling of the Commission, that it did not. *Texas & Pacific R. Co.* v. *United States*, 289 U. S. 627. Thereafter Congress amended § 3 (1) so as to extend the prohibition against discrimination to include a "port, port district, gateway, transit point." 49 Stat. 607. And see *Albany Port Dis-*

---

[10] Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Minnesota, Nebraska, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, the State Commissions of a number of these States, the Southern Governors' Conference, and the Southeastern Association of Railroad and Utilities Commissioners.

[11] We denied the motion of the United States to dissolve the injunction. 328 U. S. 824. See Fed. R. Civ. P. 62 (g).

trict Commission v. Ahnapie & W. R. Co., 219 I. C. C. 151. That was in 1935. In 1940 Congress went further. By § 5 (b) of the Transportation Act of 1940, 54 Stat. 899, 902, known as the Ramspeck Resolution, it authorized and directed the Commission to institute an investigation into rates on commodities between points in one classification territory and points in another territory and into like rates within territories for the purpose of determining whether those rates were "unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist. . . ."[12] Congress also extended the prohibition against discriminations by adding to § 3 (1) the words "region, district, territory."[13]

It is now asserted that the Commission has misunderstood its duties under these 1940 amendments. It is said that the Commission has construed this mandate of Congress to mean that identical rates, mile for mile, should be established everywhere in the country, in face of a long standing practice of rate-making (which the legislative history of the 1940 amendments shows was not intended to be changed) that allowed differences in rates which were based on differences in the length of haul, character of the terrain, density of traffic, and other elements of the cost of service. Thus it is argued that the Commission runs afoul of *Ann Arbor R. Co.* v. *United States*, 281 U. S. 658, which involved the construction of a joint resolution of Congress directing the Commission to make an investigation to determine whether existing rates and charges were unjust, unreasonable, or unjustly discriminatory so as to give undue advantage "as between the various localities and parts of the country. . . ." 43 Stat. 801, 802. The Commission, relying on that mandate, condemned certain existing rates between California and eastern points. The Court set aside the order of the Commission, holding that the joint resolution did not purport to change the existing law but left the validity of rates to be determined by that law.

---

[12] The Commission advised Congress that its investigations instituted in 1939 (the basis of the orders challenged in the present cases) would be carried out pursuant to this mandate. See 262 I. C. C. p. 689.

[13] Section 3 (1) now reads:

"It shall be unlawful for any common carrier subject to the provisions of this part to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however*, That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description."

But the Commission in the present cases did not proceed on the assumption that the Ramspeck Resolution changed the substantive law. As we read its report, the Commission took the resolution only as a directive to investigate and correct violations of substantive law as it deemed that law broadened by the amendment to § 3 (1). It said:

> "By the amendment to the substantive antidiscrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions men-

tioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected." 262 I. C. C. p. 692.

From this statement it is apparent that the Commission concluded that the 1940 amendment to § 3 (1) enlarged the scope of the section. The Commission, indeed, stated that "it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country." *Id.* p. 692. And see *id.* pp. 688–691. But it is suggested that discriminations based on geographic factors were outlawed prior to the 1940 amendment to § 3 (1), as evidenced by its long standing condemnation of "undue or unreasonable prejudice or disadvantage" to any "locality" and, since 1935, to any "port, port district, gateway or transit point."[14] It is, moreover, suggested that even the prohibition of discriminations against shippers was broad enough all along to ban discriminations based on the geographic location of the shippers. The contention is that without a change in the law the present orders were unwarranted; it is pointed out that the class rates now condemned had been found by the Commission itself to be just and reasonable in recent years. And it is asserted

6

---

[14] It is pointed out in this connection that *Texas & Pacific R. Co.* v. *United States*, *supra*, while holding that a port was not a "locality" when it was only a gateway through which shipments were made, recognized that a port was a "locality" when it was a point of origin or destination. 289 U. S. p. 638.

that the Commission did not take its present action on a showing of changed circumstances since those times. The conclusion, therefore, is that the present orders are not warranted by § 3 (1).

We need not determine whether, prior to the 1940 amendment, § 3 (1), by its ban on unlawful discriminations against a "locality," would have permitted the Commission to eradicate regional discriminations in class rates. For whatever doubt may have existed in the law was removed by the 1940 amendment which made abundantly clear that Congress thought that the problem of regional discriminations had been neglected and that if any such discriminations were found to be present, they should be eradicated.[15] But, as the Commission concedes, the addition of "region, district, territory" to § 3 (1) did not change the law respecting discrimination by authorizing uniform freight rates, mile for mile, without regard to differing costs of the service. Congress, by adding those words, made plain the duty of the Commission in determining whether discriminatory practices exist to consider the interests of regions, districts, and territories, and to eliminate territorial rate differences which are not justified by differences in territorial conditions. In other words Congress did not introduce a new standard of discrimination by its amendment to § 3 (1); it merely made clear its purpose that regions, districts, and territories should be the beneficiaries of the law against discrimination.

---

[15] Senator Wheeler who had charge of the bill on the floor of the Senate stated concerning the amendment to § 3 (1): "The previous provision with regard to 'discrimination' simply referred to discrimination as to 'locality, port, port district, gateway, transit point' without specifying the region, district or territory. So we felt that by broadening the language we would at least take away that excuse, and we would provide expressly that the Commission should not discriminate in its rate structures." 84 Cong. Rec., p. 5889.

Second. It is argued, however, that the findings of the Commission concerning regional discriminations in class rates are not supported by substantial evidence.

The great differences between territorial class rate levels are shown by the following table. It gives a comparison (in cents per 100 pounds) between the first-class rate scale within Official Territory and that within each of the other territories:

Distance	Eastern scale rate	Southern scale		Western trunk-line scale					
				Zone I		Zone II		Zone III	
		Rate	Percentage of Eastern	Rate	Percentage of Eastern	Rate	Percentage of Eastern	Rate	Percentage of Eastern
50 miles	47	57	......	53	......	61	......	65	......
100 miles	62	79	......	73	......	83	......	90	......
150 miles	73	96	......	86	......	98	......	107	......
200 miles	80	112	......	97	......	111	......	123	......
300 miles	96	134	......	117	......	134	......	147	......
400 miles	109	156	......	136	......	156	......	172	......
500 miles	122	173	......	156	......	178	......	196	......
600 miles	135	189	......	176	......	200	......	220	......
700 miles	149	206	......	196	......	222	......	244	......
800 miles	160	222	......	210	......	239	......	263	......
900 miles	171	235	......	226	......	256	......	282	......
1,000 miles	182	249	......	240	......	273	......	300	......
Average	......	......	137.7	......	129.6	......	144.4	......	159.4

These first-class intraterritorial rates are used as bases in formulating rates on other classes of freight in the respective territories.[16]

The following tables compiled by Government counsel show the first-class rates for interterritorial movements to Official Territory from each of the other territories as compared with intraterritorial movements for approximately equal distances within Official Territory:

---

[16] See note 2, *supra*.

Southern v. Official		Miles	First class rates	Disadvantage of Southern Territory shipper compared with Official Territory shipper	
From—	To—			In cents	In per cent
Nashville, Tenn	Indianapolis, Ind	297	135		
Indianapolis, Ind	Kent, Ohio	296	96	39	41
Knoxville, Tenn	Columbus, Ohio	395	155		
Baltimore, Md	Warren, Ohio	392	103	52	50
Birmingham, Ala	Muncie, Ind	536	179		
Pittsburgh, Pa	Rockford, Ill	538	128	51	40
Chattanooga, Tenn	Chicago, Ill	594	187		
Philadelphia, Pa	Toledo, Ohio	595	135	52	39
Atlanta, Ga	Chicago, Ill	731	210		
Danville, Ill	Washington, D. C	733	151	59	39
Macon, Ga	Chicago, Ill	819	223		
Trenton, N. J	Danville, Ill	819	163	60	37

Southwestern v. Official		Miles	First class rates	Disadvantage of Southwestern Territory shipper compared with Official territory shipper	
From—	To—			In cents	In per cent
Little Rock, Ark	Detroit, Mich	785	222		
Official Territory Point	Detroit, Mich	785	160	62	39
Oklahoma City, Okla	Cincinnati, Ohio	882	244		
Official Territory Point	Cincinnati, Ohio	882	171	73	43
Shreveport, La	Cleveland, Ohio	1,013	264		
Official Territory Point	Cleveland, Ohio	1,013	185	79	43
Dallas, Tex	Pittsburgh, Pa	1,224	304		
Official Territory Point	Pittsburgh, Pa	1,224	207	97	47

Western Trunk-Line v. Official		Miles	First class rates	Disadvantage of Western Trunk-Line Territory shipper compared with Official Territory shipper	
From—	To—			In cents	In per cent
Des Moines, Iowa	Toledo, Ohio	558	142		
Official Territory Point	Toledo, Ohio	558	118	24	20
St. Paul, Minn	South Bend, Ind	491	138		
Official Territory Point	South Bend, Ind	491	111	27	24
Lincoln, Nebr	Evansville, Ind	612	169		
Official Territory Point	Evansville, Ind	612	125	44	35
Denver, Colo	Cleveland, Ohio	1,329	289		
Official Territory Point	Cleveland, Ohio	1,329	200	89	45

The disadvantage to the Southern or Western shipper who attempts to market his product in Official Territory is obvious. Thus the first of these tables shows that a Nashville shipper pays 39 cents more on each 100 pounds of freight moving to Indianapolis, Indiana than one who ships from Indianapolis to a point of substantially equal distance away (Kent, Ohio) in Official Territory. Similar disadvantages suffered by Southern and Western shippers are revealed in the other comparable interterritorial freight movements set forth in the tables.

That disadvantage is emphasized if the effects of classification differences on rates for identical commodities are considered. A comparison of rates in cents per 100 pounds for 200 miles shows that even though shippers in the South and West have the same or lower classification ratings for identical commodities they nevertheless *on the whole* pay higher charges than the shippers in Official Territory for equivalent service. Thus there are in class 100 (first class) for less-than-carload lots 2092 items common to the three classifications. In Official Classification all of these move at a rate of 80 cents per 100 pounds for a haul of 200 miles. In Southern, 2076 of these items are classified 100 and move at a rate of $1.12. Of the remaining 17 items 5 are classified in Southern in class 85 with a rate of 95, 2 in class 70 with a rate of 78, 7 in class 55 with a rate of 62, 2 in class 45, with a rate of 50, 1 in class 40 with a rate of 45. In Western Trunk-Line Zone I, 2076 of the 2092 items are classified 100 with a rate of 97, 4 in 85 with a rate of 82, 10 in 70 with a rate of 68, 2 in 55 with a rate of 53.

In class 100 for carload lots there are 213 common items. In Official Classification all of these move at a rate of 80 cents for a haul of 200 miles. In Southern, 199 of these items are classified 100 and move at a rate of $1.12 for 200 miles. Of the remaining 14, 7 are classified in Southern in class 85 with a rate of 95, 2 in 75 with a rate of 84, 5 in 70 with a rate of 78. In Western Trunk-Line Zone I, 202 of the 213 items are classified 100 with a rate of 97, 7 in 85 with a rate of 82, 3 in 70 with a rate of 68, 1 in 55 with a rate of 53. Additional illustrations are too numerous and detailed to include in this opinion. But the ones given are representative of the rest and show how disparities in the rate levels are aggravated when the effects of classification differences on rates are considered.

There is rather voluminous evidence in the record tendered to show the effect in concrete competitive situations of these class rate inequalities. The instances were in the main reviewed by the Commission. They are attacked here on various grounds—that some of them involved rates other than class rates, that others were testified to by shippers who made no complaint of class rates, that others showed shippers paying higher rates yet maintaining their competitive positions and prospering. We do not stop to analyze them or discuss them beyond saying that some of the specific instances support what is plainly to be inferred from the figures we have summarized—that class rates within Southern, Southwestern and Western Territories, and from those territories to Official Territory, are generally much higher, article for article, than the rates within Official Territory. That was the basic finding of the Commission; and it is abundantly supported by the evidence.

Thus discrimination in class rates in favor of Official Territory and against the Southern, Southwestern and Western Trunk Line territories is established. But that is not the end of the matter. For "mere discrimination does not render a rate illegal under § 3." *United States* v. *Illinois Central R. Co.*, 263 U. S. 515, 521. Section 3 condemns "any undue or unreasonable preference or advantage" and "any undue or unreasonable prejudice or disadvantage" to any territory. And, as we have said, the 1940 amendment to § 3, by its addition of "region, district, territory," did not change the prevailing rules respecting unlawful discrimination; it merely enlarged the reach of § 3. Hence we must determine from the preexisting law whether a discrimination against a territory is obnoxious to § 3. The rule is stated in *United States* v. *Illinois Central R. Co., supra*, p. 524, as follows:

> "To bring a difference in rates within the prohibition of § 3, it must be shown that the discrimination practiced is unjust when measured by the transportation standard. In other words, the difference in rates cannot be held illegal, unless it is shown that it is not justified by the cost of the respective services, by their values, or by other transportation conditions."

It is on this principle that the findings of the Commission under § 3 are both defended and attacked.

Third. The Commission's findings under § 3 (1) are first challenged on the ground that there is no finding that the corresponding class rates are actually charged to or demanded of competing shippers in the several territories. That is to say, no unlawful discrimination in favor of a shipper in Official Territory and against a shipper in Southern Territory can be said to exist unless it is shown that the southern competitor is actually required to pay the higher interterritorial class rates. It is contended that the record negatives the existence of facts which could support such a finding and that no such finding was made. Reliance is placed on two circumstances. In the first place, reference is made to the effect of classification ratings on class rates which we briefly summarized above. It is noted, for example, that the southern shipper in some instances actually pays less for the shipment of the same commodity than the shipper in Official Territory, *e. g.*, where the Southern Classification carries the commodity in a lower class, which in turn exacts a rate less than that required of the higher classification granted by Official. It is apparent from the illustrations we have given that such is true in some cases. But that is not the dominant pattern. In the vast majority of the instances the classification ratings, like the class rate structure, work to the benefit of Official Territory and against the others. But the greater reliance is placed on the second circumstance—that only a minor portion of freight moves by class rates and of that a greater percentage moves in Official Territory than in the others. This point requires a more extended answer.

The Commission, indeed, found that by reason of non-use the class rates have become obsolete and no longer serve the purposes for which they were designed. They move a relatively small amount of freight. The following table indicates the percentages of carload traffic carried at class rates within and between territories in 1942:

From	To			
	Official	Southern	Southwestern	Western trunk-line
Official	5.8	12.5	22.5	12.3
Southern	.9	1.8	6.1	1.5
Southwestern	1.5	1.2	2.4	2.0
Western trunk-line	2.1	6.1	12.0	.6

In September, 1940, for example, less-than-carload ratings on about 3,000 commodities were removed from the Southern Classification by classification exceptions. The great bulk of the freight moves on exception rates and commodity rates.[17] This trend, according to the Commission, has been the result of competitive forces. The creation of the exceptions has "shorn the ratings in the classifications of much of their usefulness and proper function." 262 I. C. C. p. 504. The record is replete with evidence supporting this finding of the Commission. And appellants seize on it as supporting their claim that since class rates have largely become paper rates, they are not the source of injury to shippers from the South and the West; that if the latter are prejudiced by the rate structure, the injury must flow from the exception rates and commodity rates not involved in this proceeding; and that in any event the case of unlawful discriminations in favor of Official Territory and against the other territories has not been founded on the actual use of disadvantageous class rates by shippers in the Southern, Southwestern, and Western Trunk-Line territories.

But that takes too narrow a view of the problem confronting the Commission. We start of course with some showing of actual discrimination against shippers by reason of their use of class rates. But the main case of discrimination made out by the record is one against regions and territories. We assume that a case of unlawful discrimination against shippers by reason of their geographic location would be an unlawful discrimination against the regions where the shipments originate. But an unlawful discrimination against regions or territories is not dependent on such a showing. As we stated in *Georgia* v. *Pennsylvania R. Co.*, 324 U. S. 439, 450, "Discriminatory rates are but one form of trade barriers." Their effect is not only to impede established industries but to prevent the establishment of new ones, to arrest the development of a State or region, to make it difficult for an agricultural economy to evolve into an industrial one. Non-discriminatory class rates remove that barrier by offering that equality which the law was designed to afford. They insure prospective shippers not only that the rates are just and reasonable *per se* but that they are properly related to those of their competitors. Shippers are then not dependent on their ability to get exception rates or commodity rates after their industries are established and their shipments are ready to move. They have a basis for planning ahead by relying on a coherent rate structure reflecting competitive factors.

---

[17] See note 3, *supra*.

If a showing of discrimination against a territory or region were dependent on a showing of actual discrimination against shippers located in these sections, the case could never be made out where discriminatory rates had proved to be such effective trade barriers as to prevent the establishment of industries in those outlying regions. If that were the test, then the 1940 amendment to § 3 (1) would not have achieved its purpose. We cannot attribute such futility to the effort made by Congress to make regions, districts and territories, as well as shippers, the beneficiaries of its anti-discrimination policy expressed in § 3 (1).

So far as the remedy is concerned, the present cases might, of course, be different if the Commission had no power to prescribe classifications. But § 15 (1) of the Act grants it full power, on finding that a classification is "unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial," to determine and prescribe what classification will be "just, fair, and reasonable." The Commission's over-all conclusion was that the classifications in force and the class rates computed from them harbor inequities which result in unlawful discriminations in favor of Official Territory and against the other territories. The fact that relatively small amounts of freight move by class rates proves not that the regional and territorial discrimination is slight, but that the rate structure as constituted holds no promise of affording the various regions or territories that parity of treatment which ~~territorial~~ conditions warrant. The Commission in substance concluded that, that result could not be achieved unless traffic was, in the main, moved on class rates. We will discuss later the appropriateness of the relief granted by the interim orders here challenged. It is sufficient here to note that the case of unlawful discrimination against these territories was chiefly founded on the absence of non-discriminatory class rates and uniform classifications which would remove the features of existing rate structures prejudicial to Southern, Southwestern, and Western Trunk-Line territories.

We are thus not primarily concerned with the adequacies of the Commission's findings showing discrimination against actual shippers located in a territory (cf. *Florida* v. *United States*, 282 U. S. 194; *North Carolina* v. *United States*, 325 U. S. 507; *Interstate Commerce Commission* v. *Mechling*, 330 U. S. —), but with prejudice to a territory as a whole.

Fourth. The inquiry of the Commission into the effect of class rates on the economic development of Southern, Southwestern, and Western Trunk-Line territories took a wide range. It concluded that prejudice to the territories in question had been established. We think that finding is supported by substantial evidence.

It is, of course, obvious that the causal connection between rate discrimination and territorial injury is not always susceptible of conclusive proof. The extent of that causal relation cannot in any case be shown with mathematical exactness. It is a matter of inference from relevant data. The Commission recognized, for example, that the fact that the South has fewer industries than the East results from a complex of causes—that the "industrial development of the East is due to many factors other than transportation services and costs, such as climate, soil, natural resources, available water power, supplies of natural gas and coal, and early settlements of population which antedated the building of the railroads." 262 I. C. C. p. 619. It noted that in 1939 freight revenues on commodities in the manufactures and miscellaneous group were but 5.3 per cent of the destination value of manufactured goods and that differences in freight charges resulting from differences in class rate levels were only a small fraction of that figure. But it nevertheless concluded that "Nearness to markets and ability to ship to markets, on a basis fairly and reasonably related to the rates of competitors, are nevertheless potent factors in the location of a manufacturing plant. In fact, rate relations are more important to the manufacturer and shipper than the levels of the rates." 262 I. C. C. 619–620.

The great advance in industrialization of Official Territory over the other territories need not be labored, for it is obvious. Some manifestations of that development may be illustrated by the following tables:

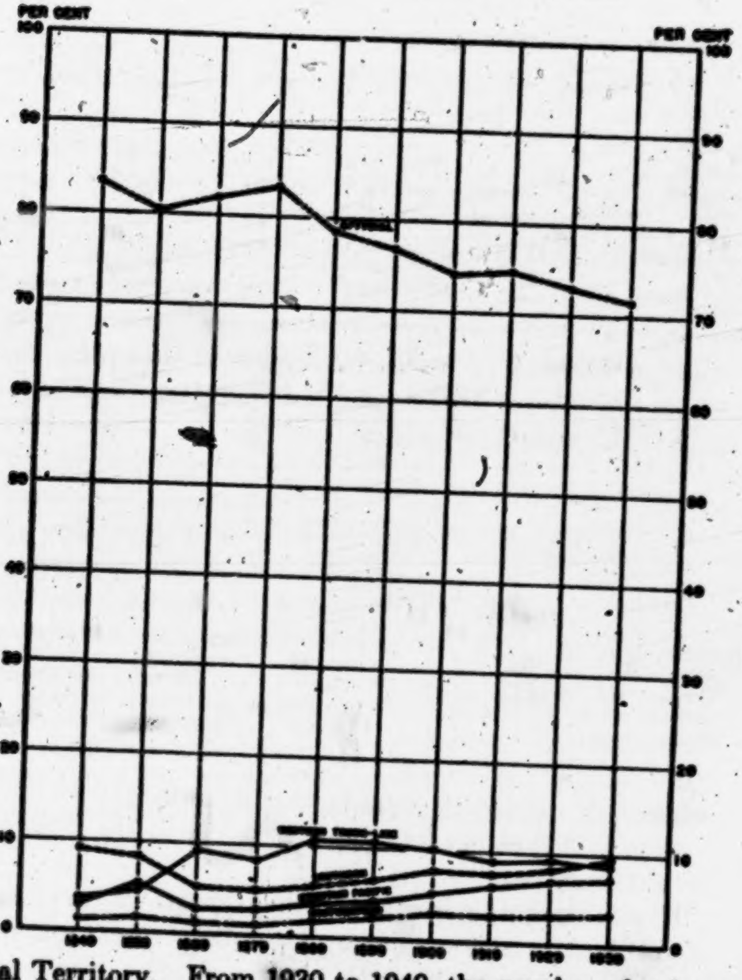
Territory	Land area, 1940	Gainful workers, 1930	Value of manufactured products, 1939	Value added by manufacture, 1939
Official	13.5	51.1	67.8	71.4
Southern	13.3	16.8	10.0	9.4
Western Trunk Line	20.9	13.5	9.9	8.7
Southwestern	14.2	9.3	4.5	3.3
Mountain Pacific	38.1	9.3	7.8	7.2
Total	100.0	100.0	100.0	100.0

Another measure of industrial growth is shown by the number of gainful workers and the manufacturing industries in the several territories:

Territory	Actual increase in total gainful workers from 1910 to 1930	Actual increase in value of products in all manufacturing industries from 1909 to 1939	Actual increase in value added by manufacture in all manufacturing industries from 1909 to 1939
Official	6,230,273	$23,561,190,000	$11,264,350,000
Southern	652,755	4,229,390,000	1,662,336,000
Western Trunk-Line	904,986	3,117,079,000	1,284,798,000
Southwestern	1,011,151	1,942,378,000	580,368,000
Mountain Pacific	1,863,419	3,320,930,000	1,341,785,000

The value added by manufacture in all industries from 1849 to 1939 is shown for all the territories by the chart on the following page.

From this chart it is apparent that ~~Official Territory~~ has maintained its commanding lead in spite of recent marked increases elsewhere, especially in the South. Similarly, for the period 1929 to 1939 the number of wage earners in manufacturing industries in the entire country decreased 11 per cent; in Official Territory, 12 per cent; while in the South there was an increase of 5 per cent. For the same period, values of manufactured products increased 1 per cent in the South, while they decreased 21 per cent for the entire country and 25 per cent in Offi-



cial Territory. From 1930 to 1940, the number of gainfully occupied workers in manufacturing in Official Territory decreased from 70.5 per cent to 69.4 per cent of the nation's total, while in the South there was an increase from 10 per cent to 11.9 per cent. A number of manufacturing activities have increased more rapidly in the South than in Official Territory, though the reverse has been true in other industries. But in spite of the growth in industrial activities in the South and West (which appellants stress heavily), the percentage comparisons are not particularly revealing because of the great disparity between the bases on which they are computed.

The fact remains that economic development in the South and West has lagged and still lags behind Official Territory. In 1940 the average annual dollar income per person employed in Official Territory was $1,988; in Southern, $940; in Southwestern, $1,177; in Western Trunk-Line, $1,411. Official has 69 per cent of all workers engaged in manufacturing in the United States and 29 per cent of all workers in extractive industries. It has, for example, a high concentration in the manufacture of steel and copper products, though less than 4 per cent of the iron ore reserves, and no reserves of metallic copper. The South and West furnish raw materials to Official and buy finished products back. They are also dependent to a great extent on the markets for their products in Official, which has over 48 per cent of the population of the country, 76 per cent of the national market for industrial machinery and raw materials, 64 per cent for all goods and sources, 62 per cent for consumer luxuries, and 53 per cent for consumer necessities. Yet the South and West suffer rate handicaps when they seek to reach those markets.[18] One of the many illustrations will suffice. Cottonseed oil is a basic agricultural commodity. Class rates on it are

---

[18] The Commission stated, 262 I. C. C. pp. 695–696:

"Although manufacturing has grown in the South and Southwest and to a lesser extent in western trunk-line territory in the last decade, it is still vastly less in diversification and amount than in official territory. The increases in manufacturing in these territories has created a demand for rates which will at once permit the free movement of the manufactured articles, but because of the level of the intraterritorial and interterritorial class rates, such free movement has been impeded insofar as such commodities move at class rates. In most instances it has been necessary either to reduce the class-rate levels or to establish exception or commodity rates in order that the manufactured products may move freely, and this action has frequently been

7 per cent higher from Southern to Official Territory than they are within Official Territory. If the cottonseed oil is manufactured into oleomargarine, the rates from Southern to Official Territory are 35 per cent higher than the rates within Official Territory.

It is said in reply, however, that the disparities which we have mentioned reflect only natural advantages which justify differences in rates. The great concentration of population in the East is said to show that its more favorable rates are justified by the fact that it has many more people to support the roads. The unfavorable income comparisons with the East are thought to establish one of the handicaps under which the roads in the South and West operate. It is pointed out that the heavy preponderance of the nation's total natural resource of energy supply is located in Official Territory—40 to 45 per cent of the total bituminous and semi-bituminous coal supply, practically all of the anthracite resources; 60 per cent of all electric energy originates there. It is said that Official Territory is the logical location for industries which use metals from other territories, since it has the natural supplies of coal. It is also pointed out that the gross income from crops and livestock in Official Territory is the highest

---

subject to long delays because of the failure of individual carriers or groups of carriers to agree upon a basis.

"Official territory is the greatest consuming territory in the country, and is the market that nearly all manufacturers desire to reach, particularly where they have a surplus of their products to sell. In shipping to official territory, manufacturers in the other territories not only have the disadvantage of location, but are subjected to an additional burden in those instances where they must pay class rates on a much higher level than their competitors in official territory. This situation reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in official territory, tends to restrict the growth and expansion of the manufacturers in the other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories."

in the country, amounting to 31 per cent of the total. From these and comparable data it is argued that the lower rates in Official Territory reflect only inherent advantages which the other territories do not enjoy. It is, therefore, argued that what the Commission has sought to do is to equalize economic advantages, to enter the field of economic planning, and to arrange a rate structure designed to relocate industries, cause a redistribution of population, and in other ways to offset the natural advantages which one territory has over another. It is asserted that such a program is unlawful under *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42, 46, where the Court held that the Act, in its condemnation of discrimination, "does not attempt to equalize fortune, opportunities or abilities." And see *United States* v. *Illinois Central R. Co., supra*, p. 524; *Texas & Pacific R. Co.* v. *United States, supra*, pp. 637–638.

We will revert to this matter when we come to consider whether territorial conditions justify the differences in rates. It is sufficient at this point to say that the record makes out a strong case for the inference that natural disadvantages alone are not responsible for the retarded development of the South and the West, that the discriminatory rate structure has also played a part. How much a part cannot be determined, for every effect is the result of many factors. But the inference of prejudice from the discriminatory rate structure is irresistible. If this discriminatory rate structure is not justified by territorial conditions, then its continued maintenance preserves not the natural advantages of one region but man-made trade barriers which have been imposed upon the country. Such a result cannot be reconciled with the great purposes of § 3 (1) as amended in 1940.

Fifth. The Commission found that conditions peculiar to the respective territories did not justify the differences in the territorial class-rate structures. In reaching that conclusion it first inquired whether the differences in the costs of furnishing the railroad service in the several rate territories justified the existing differences in the levels and patterns of the class rate scales.[19] The basis of its inquiry was a cost study submitted by its staff. For cost analysis purposes the United States is divided into areas roughly but not exactly approximating the classification territories. Thus there are three districts: Eastern, Southern and Western. Southern district is further divided into Pocahontas region and Southern region. Eastern district plus Pocahontas region is substantially the equivalent of Official territory.[20] In the cost study, railroads were assigned to geographical areas; expenses for individual roads were divided into groups, each group being associated with appropriate service units which included revenue car-miles, revenue gross ton-miles, and cars originated and terminated; unit costs were then obtained by dividing the aggregate of the territorial expenses in each group by the applicable territorial units; the costs of particular services were then built up from the unit costs. Costs were put into two classes—(1) out-of-pocket or variable expenses which vary directly with the kind of traffic handled; (2) constant or fixed costs not capable of assignment to particular kinds of traffic costs[21] which normally must be borne by the various types of traffic in proportion to the ability of each to pay. The details of the cost study are too intricate and voluminous to relate here. They have been summarized by the Commission. 262 I. C. C. pp. 571–592. It should be noted, however, that allowances for return—computed at both 4 per cent and 5¾ per cent—were included among costs. The allowances for return were based on recommended rate-making values furnished by the Bureau of Valuation. The territorial cost comparisons were principally based on the 4 per cent return figure, the Commission noting that the figure was relatively close to the return earned by the carriers in the year covered by the study, *viz.*, 1939.

---

[19] In *Northern Pacific R. Co.* v. *North Dakota*, 236 U. S. 585, 597, the Court stated, "The outlays that exclusively pertain to a given class of traffic must be assigned to that class, and the other expenses must be fairly apportioned. It may be difficult to make such an apportionment, but when conclusions are based on cost the entire cost must be taken into account."

[20] For description of exact boundaries, see 262 I. C. C. 605. For some cost purposes the United States is also divided into 11 cost territories, various combinations of which are equivalent to the rate territories. For definitions of these cost territories, and a collection of a substantial portion of the Commission's cost data, see S. Doc. No. 63, 78th Cong., 1st Sess.

[21] The sum of the out-of-pocket costs plus a pro rata distribution of the constant or fixed costs is referred to as fully distributed cost.

To summarize very briefly, the expenses of the carriers were first broken down and translated into territorial average unit costs of performing each of the kinds of services involved in moving a specific shipment or in furnishing a given amount of transportation service in each territory. These unit costs were then multiplied by the number of units of each of the services found to be employed in moving the specific shipment or furnishing the given amount of service in the territory. The process was repeated for a series of different shipments or services sufficient to make the result representative of territorial conditions. Once the average costs for each rate territory were computed, territorial average costs were compared. The principal comparisons were based on the year 1939, although supplementary studies were also made for the periods 1930–1939, inclusive, 1937–1941, inclusive, and 1941. The territorial cost comparisons showed, for example, the costs of hauling given weight loads in a certain type of car for given distances in each territory. They also showed the relative costs of handling the entire traffic consist of each territory. This was designed to eliminate the effects of any differences in consists of traffic between territories compared, by determining first the cost in the territory in which it actually moved and then the cost in each of the other territories. The cost study gave consideration to freight moving for various distances in all kinds of equipment—box, hopper, gondola, tank, stock, flat, and refrigerator cars. Costs were compared for identical loads hauled in the principal types of equipment. Standard loads were then taken. The average weight loads experienced in each territory for various types of equipment were also taken. The aim was to make adjustment for the different types of equipment used and the different average loads between territories. Likewise, comparisons were made of the cost of hauling the entire consist of the traffic of one territory, at the average loads and unit costs applicable in that territory, with the cost of hauling the identical traffic at the average loads and unit costs applicable to the other territories. Comparisons were also made (for the distances the traffic actually moved, by classes of equipment, and at actual average loads) of the relative cost of hauling the consist of traffic of the entire United States, and the costs of carrying the Eastern, Southern and Western consists respectively in each of the several territories.

When it came to the Eastern district computations were made which both excluded and included the Pocahontas region. That region, for purposes of the study, represented the operation of three railroads—Chesapeake & Ohio, Norfolk & Western, and the Virginian—about 84 per cent of whose freight traffic is coal. For purposes of such a comparative study as this, the exclusion of Pocahontas is considered desirable, since its costs are low because of the very heavy coal tonnage.[22]

---

[22] 262 I. C. C. p. 578. Similar conditions call for the exclusion of Kentucky in considering figures for the Southern region. And see General Commodity Rate Increases, 223 I. C. C. 657.

The Commission attached principal weight to the haul of 300 miles per shipment originated, as that distance most closely approximated the length of haul in each territory in 1939. Relative territorial[23] costs (fully distributed) for traffic moving that distance in box car and gondola cars were as follows:

[U. S. average=100]

	Box cars		Gondola and hopper cars	
	Assumed 25 ton load	Actual average load	Assumed 50 ton load	Actual average load
Eastern (excl. Pocahontas)	102	103	100	100
Southern	96	97	99	102
Western	108	108	109	115

The Commission computed that on the foregoing analysis for 100, 300 and 500 miles, the fully distributed costs for the South are generally a little lower than for the East, Pocahontas excluded, while the fully distributed costs in the West exceed those of the East by from 6 to 15 per cent. Similar cost comparisons were made for the several territories for stock-car, refrigerator car, tank car, and flat car traffic. Based on the actual average loads experienced for each class of equipment, the Commission found the costs for the South lower than those for the East (Pocahontas excluded) for traffic moving in all those classes of equipment. The costs for the West are also lower than those for the East as to stock car, refrigerator car, and flat car traffic, but higher for tank car traffic.

---

[23] Not including Pocahontas in Eastern Territory figures. Relative costs were not shown separately for Western Trunk-Line, Southwestern, and Mountain Pacific territories, the Commission noting that differences between costs for the total West and for each of those three rate territories were relatively small. 262 I. C. C. p. 578.

A territorial comparison of fully distributed costs for carload traffic moving 300 miles in all classes of equipment shows the following:[24]

[U. S. average=100]

	Identical loads	Actual average loads
Eastern (excl. Pocahontas)	102	102
Pocahontas	67	67
Eastern including Pocahontas	95	96
Southern	98	101
Western	108	110

The fully distributed costs on identical loads in the South are 4 per cent below those for the East, excluding Pocahontas. The same comparison shows the costs for the West 6 per cent higher than those in the East, excluding Pocahontas. Costs in the South, based on the actual average loads are 1 per cent below those for the East, excluding Pocahontas. In the West they are 8 per cent higher than the latter.

Territorial comparisons based on average net ton-mile carload costs (1930–1939) adjusted for differences in the length of haul and the consist of the traffic were made. They showed that the costs for the South are approximately 1 or 2 per cent below those for the East, excluding Pocahontas. On the other hand, those costs for the West exceeded those of the East, excluding Pocahontas by from 5 to 7 per cent.

Territorial comparisons of the less-than-carload costs were also prepared. They showed that those costs are lower in the South than in the East whether assumed identical loads or actual average loads are taken, and even if Pocahontas is included in the East. They are higher in the West than in the East. If Pocahontas is excluded from the East the following table shows the comparison for a 300 mile haul:

---

[24] Weighting given to the costs for each class of equipment was based on the volume of traffic handled in each type of equipment

[U. S. average=100]

	Assumed identical load		Actual average load	
	Out of pocket	Out of pocket plus constant [1]	Out of pocket	Out of pocket plus constant [1]
Eastern (excl. Pocahontas)	105	101	94	93
Southern	89	87	88	86
Western	104	109	120	121

[1] Constant costs common to all traffic are not included.

In all territories less-than-carload traffic (1939) was carried at a deficit, Southern making the best showing, Western the worst. That is revealed in the following table:

	Revenues	Costs [1]	Deficit
Eastern (excl. Pocahontas)	$107, 155, 756	$133, 308, 907	$26, 153, 151
Southern	46, 635, 725	47, 451, 184	815, 459
Western	88, 797, 938	123, 146, 215	34, 348, 277

[1] Out-of-pocket cost plus total solely related expenses plus collection and delivery.

The Commission found that the difference in fully distributed costs for all traffic between the East and the West is largely in the constant or fixed expenses and the passenger and less-than-carload deficits. Out-of-pocket expenses in the South and West are frequently as low as, or even lower than, the out-of-pocket costs in the East. The Commission further found that the increase in freight traffic volume received by the carriers subsequent to 1939 served to reduce the unit costs of transportation in the South and West in a proportionately greater degree than in the East. A somewhat larger percentage of out-of-pocket expenses in the East is variable with added traffic than is true of the South and West, due apparently to the

---

in the United States. Terminal costs for each class of equipment were weighted for the total United States traffic handled in each class of equipment as measured by tons originated plus tons terminated. Line-haul costs by classes of equipment were weighted for the ton-miles of traffic handled in each class of equipment.

fact that the East, with its higher traffic density, is closer to its maximum capacity than is true of the others. Thus the influence of added traffic in reducing average costs is greater in the West. On the other hand constant costs (proportionately larger in the South and West) do not increase with added traffic. As illustrative of those circumstances the Commission noted the effect of increases in 1941 of the ton-miles of revenue freight. They increased in 1941, as compared with 1939, 43 per cent in the East, 27 per cent in Pocahontas, 44 per cent in Southern and 46 per cent in Western Territory. The cost per revenue ton-mile decreased by only about 5 per cent in the East and in Pocahontas, as compared with decreases in excess of 10 per cent in the South and West.

The Commission summarized the results of the territorial cost comparisons as follows: There is little significant difference in the cost of furnishing transportation in the South as compared with the East, Pocahontas excluded. It is principally the low terminal costs in the South that account for its relatively low total costs. Based on the year 1939 and the period 1930–1939, the costs in the South are equal to or a little lower than those in the East. Based on the period 1937–1941, the costs in the South are substantially lower than those in the East.[25] Based on the year 1939 and the period 1930–1939, the cost of rendering transportation service in the West is between 5 and 10 per cent higher than in the East, excluding Pocahontas. Based on 1941, that difference is reduced to 5 per cent or less.[26]

The Commission recognized, of course, that carriers must obtain their revenue from the traffic which moves in their respective territories. Hence the revenue-producing or rate-bearing characteristics of the different commodities which compose the traffic of the several territories, *i. e.*, the consists and volumes of traffic, are also important in determining whether territorial conditions justify differences in territorial rates.

---

[25] If Pocahontas is included in the East, the costs for the South, based on the year 1939, are between 3 and 6 per cent above those for the East; for the years 1930–1939, between 6 and 8 per cent higher; for the years 1937–1941, about the same.

[26] If Pocahontas is included in the East for 1930–1939, the cost in the West is 18 per cent higher; based on 1939, approximately 15 per cent higher; based on 1941, about 10 per cent higher.

The percentage distribution of total tons carried and revenue by commodity groups for 1939 is shown in the following table:

	Eastern district		Eastern (including Pocahontas)		Southern region		Western district	
	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue
Group I: Products of agriculture	6.57	8.73	6.07	8.03	10.80	17.73	18.58	23.70
Group II: Animals and products	1.64	4.72	1.47	4.23	1.45	3.51	3.00	6.30
Group III: Products of mines	58.06	34.85	61.53	40.34	46.39	23.65	36.64	13.98
Group IV: Products of forests	2.43	2.74	2.43	2.09	11.40	9.45	10.89	9.31
Group V: Manufactures and miscellaneous	29.57	41.41	26.89	37.75	27.21	34.66	29.38	39.94
Total all carload traffic	98.27	92.45	98.39	92.94	97.25	89.00	98.49	93.23
All less-carload traffic	1.73	7.55	1.61	7.06	2.75	11.00	1.51	6.77

The Commission also considered the distribution of carload traffic based on revenue ton-miles for 1939 which it summarized as follows:

Item	Eastern district	Pocahontas region	Southern region	Western district
Products of agriculture	10.7	2.7	15.8	26.8
Animals and other products	3.8	.5	2.2	4.5
Products of mines	49.3	87.4	40.8	20.1
Products of forests	3.1	1.6	11.6	13.6
Manufactures and miscellaneous	33.1	7.8	29.6	35.0
Grand total, carload	100.0	100.0	100.0	100.0

And the contribution which the major classes of commodities (carload lots) make in excess of out-of-pocket costs (1939) appears as follows:

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of Agriculture	4.2	3.1	15.8	18.0	10.8
Animals and products	1.5	1.1	3.4	4.3	2.7
Products of mines	38.0	73.4	21.2	13.9	29.7
Products of forests	2.8	2.8	9.4	8.1	5.7
Manufactures and miscellaneous	53.5	19.6	50.2	55.7	51.1
Grand total, carload	100.0	100.0	100.0	100.0	100.0

A large volume of all traffic moves across territorial boundaries and therefore becomes common to two or more territories. And as respects the balance, the Commission found striking similarity in the consists of the traffic so far as its revenue-producing characteristics are concerned. The manufactures and miscellaneous commodity group embraces traffic which moves at relatively high rates, *i. e.*, rates which, ton-mile for ton-mile, make a substantially greater than average contribution to the constant costs. The percentages of the total tons carried in that group and the corresponding percentages for revenue produced by them are quite close to each other—particularly the East and the West.

The Commission stated that the revenue-producing qualities, or rate-bearing characteristics, of the commodities which compose the traffic in those several territories constituted "the governing factor" so far as the problem of the consists and volume of traffic was concerned. 262 I. C. C. p. 694. It appraised the evidence we have related as meaning that "the differences that exist in the consists of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in class rates." *Id.*, p. 695.

The findings of the Commission both as to the consists of the freight and the costs of rendering the service in the respective territories are vigorously challenged, especially by the western roads.

As to the consists, it is said that the eastern roads have a much heavier percentage of freight of a kind that produces excess revenue to carry the general expenses. Findings of the Commission are relied upon as showing that the eastern roads' preponderance of high-grade traffic affords a greater source of revenue than does the high percentage of low rate products carried by the western roads.[27] These undisputed facts are said to disprove the Commission's finding that the consists of traffic in the respective territories do not warrant the present differences in class rates.

---

[27] It is pointed out, as the Commission found, that livestock is a commodity which cannot do more than pay its own way; that products of the forest are subject to freight rates below the higher brackets; that agricultural products carry a low rate. The western district roads originated 36.91 per cent of the total tons of carload traffic originated in the United States (excluding Pocahontas) in 1941, while the eastern roads originated 47.40 per cent. To that disparity is added the fact that of the total agricultural products originated in the country in 1941 the western district roads originated 68.82 per cent as contrasted to 20.88 per cent by the eastern carriers excluding Pocahontas. For manufactures and miscellaneous tonnage the percentages were 28.06 per cent and 60.66 per cent, respectively. It is pointed out that while the difference between the percentage of agricultural products originated by the western carriers (68.82 per cent) and the percentage of manufactures and miscellaneous originated by the eastern carriers (60.66 per cent) is only 8 per cent, the eastern roads' tonnage of the latter group of commodities (which are high-grade traffic) is almost three times the tonnage of products of agriculture originated by the western carriers. Like comparisons are made between other groups of commodities carried by the eastern and western carriers respectively. Of the total tons of animals and products originated in the country in

These facts, however, relate to density of traffic,[23] the effect of which is merged in the final cost figures. But the relation of the consist problem to the problem of rate structures is somewhat different. It is relevant in order to determine whether the consists of traffic are so different in the several territories that separate rate structures with different distributions of the transportation burden amongst commodities and classes of freight are necessary. It is apparent from the statistics which we have reviewed that, while there is a diversity in traffic moved in the several territories, the diversity largely disappears when commodity groups are considered. Then, also, the percentages of the total traffic in each territory which fall under the several commodity groups are not only very similar in the East, South, and West, but each group yields about the same percentage of the total revenues in each of the territories. The choice of groupings is plainly a specialized problem in transportation economics upon which the Commission is peculiarly competent to pass. Its judgment that the differences in consists between the territories do not justify the present differences in interterritorial class rates is, indeed, an expert judgment entitled to great weight. We could not disturb its findings on the facts of this record without invading the province reserved for the expert administrative body.

1941 (excluding Pocahontas), the western roads originated 63.03 per cent, the eastern, 28.51 per cent. Of the total tons of products of forests originated in 1941, the respective percentages were 58.73 per cent and 7.52 per cent. And for products of mines the percentages were 33.31 per cent and 49.85 per cent, respectively.

[23] The 1941 revenue ton miles per mile of line were as follows:

Eastern District (excluding Pocahontas)	3,392,964
Pocahontas Region	7,519,840
Western District	1,358,041

As to the cost study little need be said concerning the South. Once the integrity of the cost study is assumed,[29] the finding of the Commission that there is little significant difference in the cost of furnishing transportation in the South as compared with the East has support in the facts. Moreover, the data on rates of return and freight operating ratios, to which we will shortly refer, corroborate the conclusion reached from the cost study that the differences in class rates between the East and the South are not justified by territorial conditions. The finding that the discrimination against the South is unlawful under § 3 (1) is thus amply supported—a conclusion that the southern carriers do not challenge here.

The question is a closer one when we turn to the West. For, as we have seen, the costs in the West on the average run higher than those in the East. Based on the year 1939 and the period 1930–1939, the cost of rendering transportation service in the West is between 5 and 10 per cent higher than in the East, excluding Pocahontas. Based on 1941, that difference is reduced to 5 per cent or less.

---

[29] Costs developed in the cost scales and the carriers' total known expenses by cost territories were reconciled within a very close margin as appears from the following table:

Territory	Aggregate expenses, increased for a 4-percent return computed by applying costs to traffic handled (1939)	Actual expenses as reported by carriers increased for a 4-percent return (1939)	Ratio (percent) of computed expenses to actual expenses
Eastern	$1,425,960,280	$1,451,494,949	98.2
Pocahontas	183,076,590	185,287,990	98.8
Southern	450,446,155	449,001,663	100.3
Western	1,282,540,992	1,295,189,845	99.1
United States	3,343,024,987	3,381,063,447	98.9

The Commission stated, "Judging from the above table, whatever errors may exist in the . . . studies, they have not had the effect of overstating or understating the carriers' costs in the aggregate to any appreciable degree." 262 I. C. C. p. 587.

As we have seen, the class rate structure is discriminatory as between the East and the West. The level of class rates in the West is from 30 to 59 per cent higher than that in the East. The problem of the Commission, therefore, was to determine whether that disparity is justified by territorial conditions. The Commission found that it was not so justified. The problem for us is whether the Commission had a basis for its conclusion.

While the western roads vigorously challenge the Commission's finding, their argument is in the main directed to the point that some disparity in rates between East and West is justified by differing territorial costs. No particular effort is made to prove that those costs are a fair measure of the existing rate differences.

We start, of course, from the premise that on a subject of transportation economics, such as this one, the Commission's judgment is entitled to great weight. The appraisal of cost figures is itself a task for experts, since these costs involve many estimates and assumptions and, unlike a problem in calculus, cannot be proved right or wrong. They are, indeed, only guides to judgment. Their weight and significance require expert appraisal.

The Commission has concluded that while cost studies are highly relevant to these rate problems they are not conclusive. It said in this case:

> "Discretion and flexibility of judgment within reasonable limits have always attended the use of costs in the making of rates. Costs alone do not determine the maximum limits of rates. Neither do they control the contours of rate scales or fix the relations between rates or between rate scales. Other factors along with costs must be considered and given due weight in these aspects of rate making." 262 I. C. C. p. 693.

In appraising the cost figures relevant here the Commission proceeded on the assumption that the 1941 traffic level is most likely to prevail in the post-war period. It therefore started with the assumption that the margin of difference between the costs in the West and those in the East was slight and not accurately measured by 1939 figures, and that if, as has been the fact,[30] the freight carried in the West increased above that level the unit costs of transportation in the West would be reduced to a greater degree than those in the East, for reasons which we have already stated.

The Commission also had before it certain data relative to the financial condition of the various roads, data which we have not yet discussed. Thus comparative analyses of the rates of return of the roads in the several territories showed that while the western roads have had many lean years, the recent period has put them ahead of the roads in the East. The following table shows the rates of return in percentages based on the net railway operating income and the book investment, increased for cash, materials and supplies:

	1936	1937	1938	1939	1940	1941	1942	1943
Eastern district	2.67	2.27	1.26	2.34	2.66	3.62	4.9	4.32
Southern region	2.52	2.35	1.9	2.5	2.57	4.24	6.51	5.73
Pocahontas region	7.58	6.61	4.54	5.89	6.21	6.67	5.29	5.22
Western district	1.88	1.71	1.09	1.65	2.06	3.36	5.8	5.22

The Commission also considered the territorial freight operating ratios—the per cent of operating revenues from freight absorbed by operating expenses attributed to the freight.[31] They are shown in the following table:

---

[30] In the twelve months ended October 31, 1946, the revenue tons carried in the West were 26 per cent higher than for the year 1941, and the revenue ton miles were 43 per cent higher than in 1941.

[31] See White, Analysis of Railroad Operations (1946) pp. 14–15, pp. 69, *et seq.*; Locklin, Economics of Transportation (1938) p. 581; Miller, Inland Transportation (1933) pp. 500–502.

	1936	1937	1938	1939	1940	1941	1942	1943
Eastern district	64.95	67.86	68.98	64.88	63.92	63.04	61.93	66.23
Southern region	65.38	67.77	66.73	64.99	65.34	61.07	56.84	59.41
Pocahontas region	47.04	50.63	53.59	50.71	49.77	48.12	49.62	52.86
Western district	65.07	66.26	67.13	65.01	63.63	60.98	55.79	59.47

In light of such data the Commission said:

> "Making due allowance for a substantial decline in traffic from the war peak and for the fact that in the decade preceding 1940 the earnings of the western rail respondents were relatively low, nevertheless, insofar as the prospects of traffic and revenues in the immediate future can be foreseen, there is no reason to conclude that the interim adjustment will have any serious effect upon those respondents." 264 I. C. C. 63–64.

The Commission went on to note that intrastate class rates generally in most of the western States and many of the interstate class rates in western territory were already lower than those prescribed in the interim orders. It accordingly concluded that the western roads "cannot consistently maintain these sub-normal class rates and continue to maintain the relatively high basis of interstate class rates." 264 I. C. C. p. 64.

Moreover, as we have already noted, class rates have to a great extent fallen into disuse. This fact is relevant here in two respects. In the first place, the orders of the Commission affect class rates and class rates alone, the Commission not dealing with exception and commodity rates by the interim action which it has taken. So far as present freight movement is concerned, the orders affect a much smaller fraction of the traffic in the West than in the East. The Commission said:

> "The record does not support the contention that the revenue needs of the western rail respondents with

> respect to their class-rate traffic are greater than those of the eastern rail respondents. From the carriers' reports to us for the years 1942, 1943, as shown in our original report, and 1944, it clearly appears that there is a greater need for revenue by rail carriers in the eastern district as compared with rail carriers in the western district or in the southern region. The report shows also that a much larger percentage of the total traffic in the eastern district moves on class rates than in the western district or in the southern region." 264 I. C. C. pp. 64–65.

In the second place, the existing rate structure singles out the class rate traffic in the West for the payment of unusually high rates. The class rate traffic is largely that of small shippers, who do not have the ability to obtain the benefit of the lower exception or commodity rates.

We cannot, therefore, treat this case as if it were one where the Commission, in spite of a showing of some increased cost in the West, reduced all freight rates to a level of equality with the East. It is a case of determining whether the discrimination against one small class of traffic is warranted by the showing of some increased cost in the West. The earning power of the carriers, their freight operating ratios, their rates of return, the estimate of the volume of traffic in the future, the nature and amount of traffic presently involved in the class rate movements are all relevant to the finding of unlawful discrimination. We cannot say that these considerations do not counterbalance or outweigh the disparity in costs between East and West. The appraisal of these numerous factors is for transportation experts. They may err. But the error, if any, is not of the egregious type which is within our reach on judicial review.

As we have noted, *Interstate Commerce Commission* v. *Diffenbaugh, supra,* p. 46, held that the Act, in its condemnation of discrimination, "does not attempt to equalize fortune, opportunities or abilities." But the Commission made no such effort here. It eliminated inequalities in the class rates because it concluded that the differences in them were not warranted by territorial conditions. We think that the findings supporting that conclusion are based on adequate evidence.

It is argued that the comparison of rates of return and freight operating ratios overlooks the fact that both reflect the higher freight revenue level that prevails in the West. And it is urged that without the rate advantage which the western carriers now enjoy, any comparison which now appears to favor the western carriers would disappear. That argument assumes a constancy in freight traffic and on that assumption could be mathematically demonstrated. But we are dealing here with a problem of discrimination—a western rate structure which, as compared with the East, is not warranted by territorial conditions and which prejudices the growth and development of the West. It would be a large order to say that the removal of that trade barrier will have no effect in increasing traffic. The assumption on which the finding of prejudice is made is, indeed, to the contrary. Moreover, that argument would protect a discriminatory rate structure from the power of revision granted the Commission under § 3 (1) by the easy assumption that without discrimination the carriers would not thrive. But that flies in the face of history and is contrary to the Commission's expert judgment on these facts.

Sixth. An extended argument is made by the western roads, challenging the class rate reduction on less-than-carload lots. The argument is twofold—first, that the case of unlawful discrimination has not been made out for this type of class rate traffic; second, that the new less-than-carload class rates are confiscatory.

We have referred to some of the cost figures on less-than-carload lots. We have seen that those cost figures run higher in the West than in the East; that even when no constant costs common to all traffic are allocated to less-than-carload traffic, the deficit in the West is substantially higher than that in the East. The Commission noted that less-than-carload traffic as a whole is carried at a deficit in all territories, except possibly in the South. It also noted that in all territories it was not bearing its proper share of the costs of transportation; that, apart from wartime loading, it was not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to less-than-carload traffic[32] plus the cost of collection and delivery, in any territory except possibly the Southern. 262 I. C. C. p. 697.

Little need be said concerning the argument that a case of unlawful discrimination has not been established in the case of less-than-carload traffic. The Commission concluded that if less-than-carload class rates were left unchanged while carload class rates in Southern, Southwestern and Western Trunk-Line territories were reduced 10 per cent, "the competitive relations between shippers shipping in less-than-carload quantities and those shipping in carloads" would be materially affected. 264 I. C. C. p. 66. Less-than-carload traffic is less than 2 per cent of total railroad freight tonnage, and much of that moves, not on class rates, but on exception rates and commodity rates. In Western Trunk-Line and Southwestern territories many intrastate and interstate class rates are now voluntarily maintained on less-than-carload traffic which are lower than the corresponding reduced interstate class rates required by the interim orders. There are other circumstances, to which we will shortly advert, which reinforce the action of the Commission in reducing class rates on less-than-carload traffic. But the ones we have mentioned are adequate to support the Commission on the discrimination phase of the problem. The Commission was dealing not with discrimination against a particular commodity but with discrimination against entire regions. It was a complete rate structure that was subject to inquiry and revision. Once the Commission concluded that unlawful discrimination existed in the main features of that rate structure, it was justified in removing it. In eliminating the discrimination and establishing the uniformity required by the law, it was warranted in making minor collateral readjustments so that the Commission itself would not in turn create new discriminations. The adjustment of the less-than-carload class rates was permissible on that ground alone. The traffic affected was only a fraction of 2 per cent of the total traffic. Without that readjustment that class of traffic would be prejudiced. With that readjustment the prejudice would be removed and the entire rate structure—intrastate and interstate—would be more nearly rationalized.

---

[32] Constant costs solely related to less-than-carload traffic are those costs which do not vary with the volume of the traffic, but which could be eliminated if no less-than-carload traffic were handled.

That does not, of course, answer the argument on confiscation. The latter requires more extended treatment.

The western roads in their petition for rehearing before the Commission raised the confiscation point. But in doing so they rested on the record before the Commission and tendered no additional evidence. In the District Court, however, they presented further evidence which was received over objection and considered by that court.

This, therefore, is not a case like *Baltimore & Ohio R. Co.* v. *United States*, 298 U. S. 349, 363, 371–372, where the Commission refused to receive evidence proffered on the point of confiscation. Here, as we have said, the Commission received all evidence that was offered; and when its order was announced and made known and the petition for rehearing was filed, the opportunity to tender additional evidence to bolster the confiscation point was not accepted. As stated in *Manufacturers R. Co.* v. *United States,* 246 U. S. 457, 489–490, and in *St. Joseph Stock Yards Co.* v. *United States,* 298 U. S. 38, 53–54, correct practice requires that, where the opportunity exists, all pertinent evidence bearing on the issues tendered the Commission should be submitted to it in the first instance and should not be received by the District Court as though it were conducting a trial *de novo.* The reason is plain enough. These problems of transportation economics are complicated and involved. For example, the determination of transportation costs and their allocation among various types of traffic is not a mere mathematical exercise. Like other problems in cost accounting, it involves the exercise of judgment born of intimate knowledge of the particular activity and the making of adjustments and qualifications too subtle for the uninitiated.[33] Moreover, the impact of a particular order on revenues and the ability of the enterprise to thrive under it are matters for judgment on the part of those who know the conditions which create the revenues and the flexibility of managerial controls. For such reasons, we stated in *Board of Trade* v. *United States,* 314 U. S. 534, 546:

> "The process of rate making is essentially empiric. The stuff of the process is fluid and changing—the

---

[33] See Hamilton, Cost as a Standard for Price, 4 Law & Contemp. Prob., 321, 329:

"Now and then a hardy soul, equipped with simple faith and a calculating machine, essays the adventure of rates based upon the true costs of particular services. The feat is, of course, technically impossible, for value judgments or empirical rules are essential to the distribution of overhead. A calculation of the real cost of transporting cotton-seed in less than carload lots from Lampassas, Texas to Kankakee, Illinois, is a stubborn exercise in imputation."

> resultant of factors that must be valued as well as weighed. Congress has therefore delegated the enforcement of transportation policy to a permanent expert body and has charged it with the duty of being responsive to the dynamic character of transportation problems."

Thus we think that if the additional evidence ~~was neces~~sary to pass on the issue of confiscation, the cause should have been remanded to the Commission for a further preliminary appraisal of the facts which bear on that question. But we do not take that course here for reasons which will shortly appear.

The Commission explained its finding that less-than-carload traffic was being carried at large deficits and was not bearing its proper share of transportation costs. That finding was based on the operation of the roads in 1939 when the average load per car of less-than-carload shipments amounted to only 4.3 tons in the West. Since 1939 there has been a substantial increase in the average loading of such shipments, which was brought about under wartime conditions and which has materially decreased the unit costs attributable to less-than-carload traffic. In the judgment of the Commission it was not shown that loadings in the immediate postwar period were likely to decline to 1939 levels. Moreover, the cost data on less-than-carload traffic related to such traffic as a whole and not solely to that moving on class rates. As we have noted, much of this traffic moves not on class rates but on exception rates and commodity rates. The class-rate traffic bears the highest rates. The past failure of this traffic, as a whole, to carry its proper share of the costs may well have been due in large measure to the maintenance of exception and commodity rates.

The western roads present elaborate analysis (based both on the Commission's cost figures and on costs as adjusted by the evidence introduced in the District Court) which shows less-than-carload traffic largely carried at deficits irrespective of the class rate paid under the interim orders. They contend that the loading figure of 4.3 tons is the only reliable one to use in projecting the costs and revenues into the postwar period, since it was in fact the average loading prior to the war, and will be once more, as soon as the order of the Office of Defense Transportation which requires ten-ton loading is revoked. And computations are presented based on that figure which show deficits in less-than-carload traffic, deficits which are increased when the Commission's cost figures are adjusted to reflect cost increases to January 1, 1946. All of those computations include as constant costs only those which related to this traffic. And it is pointed out that if all constant costs were included, the computed deficits would substantially increase.

On the other hand the Commission shows that on the basis of the new interim rates this traffic in the West would produce revenues in excess of out-of-pocket expenses plus 4 per cent return plus collection and delivery expenses plus loss and damage payments. That computation is based on a ten-ton loading figure. And on the basis of those types of costs, there is an excess of revenue even though the costs are increased to the January 1, 1946 level. The 1939 less-than-carload costs[34] in the West were 30 per cent greater than revenues from all such traffic. If the class-rate portion of less-than-carload traffic is taken, the costs are 81 per cent of the revenues, provided certain adjustments are made: (1) increased revenues from the increase in the minimum charge per shipment from 55 to 75 cents which the Commission authorized in this proceeding; (2) the elimination of less-than-carload traffic moving on exception, commodity, and intrastate rates; (3) a 10 ton load; and (4) a 2.47 per cent rate of return, which was the actual rate of return of 1939.

---

[34] Out-of-pocket costs plus solely related constant costs.

We do not stop to analyze the various computations in order to ascertain the exact relation between revenues and costs of less-than-carload traffic. That, indeed, would not be feasible on this record. For even the Commission made no attempt to determine what share of *all* costs should fairly be allocated to less-than-carload traffic. Hence, if the Commission had spoken its final word, and if it were believed necessary as a matter of constitutional law, see *Northern Pacific R. Co.* v. *North Dakota*, 236 U. S. 585; cf. *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U. S. 591, 602, to fix a less-than-carload class rate which produced a fair return on that particular traffic, the case would have to be remanded to the Commission for appropriate findings on this phase. The difficulty of treating the issue on the present record is illustrated in another way. Less-than-carload traffic, more than carload traffic, carries costs which to a degree are dependent on the carrier. Heavy or light loadings, speed of service, ratio of empty return cars, methods of loading freight so as to reduce damage claims, substitution of auxiliary truck service and the like turn on competitive conditions. Certainly rates need not compensate carriers for the most expensive way of handling less-than-carload service. Yet the present findings do not illuminate that problem nor provide the standard in terms of service for measuring the compensatory character of the less-than-carload class rates. And on such a problem the Commission's highest expert judgment would be called into play.

But the Commission has not finished with this problem. In the first place, as we point out hereafter, the Commission, subsequent to the issuance of these interim orders, granted a nationwide increase in freight rates, including an increase on less-than-carload rates. The temporary injunction has prevented the interim orders reducing class rates in the West by 10 per cent from going into effect.

When, therefore, the interim orders do go into effect, the actual rates chargeable presumably will be increased from the level fixed by the interim orders to the level prescribed by the recent order increasing all freight rates. Thus no loss has been suffered by the 10 per cent reduction on less-than-carload class rates; and any loss which would have been suffered by that rate reduction has probably been at least lessened, if not eliminated, by the general rate increase. Though it is argued that such is not the case, the showing is too speculative on this record for us to decide what the precise effect of the revised class rates on less-than-carload traffic will be. In the second place, as we have noted, the Commission made the present interim adjustment of class rates on less-than-carload traffic as a consequence of its reduction in carload class rates so that less-than-carload shippers would not suffer a disadvantage from the removal of the major discrimination in the class rate structure. The interim or temporary nature of the adjustment was recognized by the Commission when it admonished the carriers "to give careful consideration to the rates maintained by them on less-than-carload traffic with a view to making readjustments in ratings or rates, as promptly as possible, which will insure that the rates on such traffic are on a compensatory level." 264 I. C. C. 66–67. And it recognized but left untouched the problem of determining what would be the proper share of transportation costs to be borne by less-than-carload traffic.

The justification the Commission had for leaving the problem in that condition at this stage of the proceedings is apparent. The carriers are now preparing the new uniform classification. They have it within their power to follow the lead suggested by the Commission and to propose classification differences between carload and less-than-carload traffic which will obviate any issue of confiscation respecting less-than-carload rates. And it has likewise left open the question of readjustment of the class rates on less-than-carload traffic when the total program, of which these interim orders are but a part, is put into effect.

Where the result of a rate order is not clearly shown to be confiscatory but its precise effect must await operations under it, the Court has refused to set it aside despite grave doubts as to its consequences. See *Knoxville* v. *Knoxville Water Co.*, 212 U. S. 1, 17–18. And see *Willcox* v. *Consolidated Gas Co.*, 212 U. S. 19, 54–55; *Darnell* v. *Edwards*, 244 U. S. 564, 570; *Brush Electric Co.* v. *Galveston*, 262 U. S. 443, 446; *St. Joseph Stock Yards Co.* v. *United States*, *supra*, p. 69. The reasons for following a like course are equally impelling here. The Commission has not placed the western roads in a straight jacket. It has made an interim reduction on less-than-carload class rates as an incident to its removal of discriminations in carload class rates. It has indicated the course to be followed by the carriers, as a part of the overall classification and class rate problem, to make certain that these rates are compensatory. We are thus dealing with a problem which is in flux, an interim order made necessary as a result of a comprehensive revision of entire rate structures. Moreover, the conclusion to be drawn from the recent general increase in freight rates is too uncertain and speculative on this record for us to pass on the confiscation issue. See *Brush Electric Co.* v. *Galveston*, *supra*. The District Court amply protected appellants when it overruled their claim that the interim rates are confiscatory without prejudice to another suit to challenge the legality of those rates if, after a fair test, they prove to be below the lowest reaches of a reasonable minimum or if the permanent rates do not meet that standard. See *Darnell* v. *Edwards*, *supra*, p. 570.

Seventh. It was held in *Texas & Pacific R. Co.* v. *United States*, *supra*, p. 650, that where the Commission makes an order under § 3 to remove an unlawful discrimination, the carriers must be afforded the opportunity to "abate the discrimination by raising one rate, lowering the other, or altering both." But that ruling was qualified by the statement that the Commission need not follow that course in case it acts under § 15 (1). *Id.*, p. 650, note 39. Section 1 (5) (a) of the Act provides that all charges for the transportation of property "shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful." And see § 1 (4). Section 15 (1) provides that when the Commission finds that "any individual or joint rate, fare, or charge" of a common carrier is "unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial," the Commission may determine and prescribe "what will be the just and reasonable" rate. And see § 15 (3). The words "unjustly discriminatory or unduly preferential or prejudicial" plainly refer to practices condemned by § 3 (1). A proper finding of unlawful discrimination under § 3 (1) thus enables the Commission not only to direct the carriers to eliminate the practice but also, pursuant to § 15, to prescribe the alternative. See *Youngstown Sheet & Tube Co.* v. *United States*, 295 U. S. 476. Thus the Commission in this type of situation, as in the case where intrastate commerce is involved, *Georgia Public Service Commission* v. *United States*, 283 U. S. 765, may remove unlawful discriminations and prescribe new rates.

In *Texas & Pacific R. Co.* v. *United States*, *supra*, p. 650, it was also stated that, "A carrier or group of carriers must be the common source of the discrimination—must effectively participate in both rates, if an order for the correction of the disparity is to run against it or them." And it was held in *Central R. Co.* v. *United States*, 257 U. S. 247, 259, that mere participation in joint rates does not make connecting carriers partners in discrimination;

that they can be held responsible for unjust discrimination only if each carrier has participated in some way in the practice which causes the discrimination, "as where a lower joint rate is given to one locality than to another similarly situated." It is argued that the same rule applies in this case since, for example, the western carriers have no control of or participation in the lower Official intraterritorial rates, although they do participate in the joint or through interterritorial rates.

In reply it is said that carriers in Official Territory control rates within that area and also control, jointly with the cariers in each of the other territories, the rates from each of them into Official. That common source of discrimination is said to be sufficient to sustain the Commission's action. See *St. Louis, Southwestern R. Co.* v. *United States,* 245 U. S. 136; *Chicago I. & L. R. Co.* v. *United States,* 270 U. S. 287. But we do not need to decide the question. For the principle announced in *Central R. Co.* v. *United States* and *Texas & Pacific R. Co.* v. *United States, supra,* is applicable only where the Commission is directing the carriers to remove the discrimination. Those cases hold that the Commission may not require carriers to do what they are powerless to perform. But the Court recognized in *Central R. Co.* v. *United States, supra,* p. 257, that where the Commission acts pursuant to § 1 to require carriers to establish, in connection with through routes and joint rates, reasonable rules and regulations, that problem is not involved. For then the Commission corrects the unlawful discriminatory practice in the case of each carrier by prescribing the just and reasonable rate or practice. The same is true where, as here, the Commission in order to eliminate territorial discriminations proceeds under § 15 (1) to fix new reasonable rates. If the hands of the Commission are tied and it is powerless to protect regions and territories from discrimination unless all rates involved in the rate relationship are controlled by the same carriers, then the 1940 amendment to § 3 (1) fell far short of its goal. We do not believe Congress left the Commission so impotent.

It may not be said in this case, as it was held in *Texas & Pacific R. Co.* v. *United States*, *supra*, p. 633, that there was no evidence of the unreasonableness of the rates, or that that question was not in issue. The Commission here found that the rates were unjust and unreasonable under § 1 and it proceeded to fix new rates under § 15 (1). The facts which establish that the differences in rates as between the several territories are not warranted by territorial conditions plainly sustain its findings under § 1.

As we have said, this proceeding pertains only to class rates, which move but a small percentage of the traffic. It is, therefore, argued that the Commission should not have made adjustments in those rates without bringing about some equalization of exception and commodity rates under which the bulk of the traffic is moved. But there is no reason in law why the Commission need tackle all evils in the rate structure or none. It may take one step at a time. Cf. *United States* v. *Wabash R. Co.*, 321 U. S. 403. The 10 per cent interim rate order did not attempt to bring about complete elimination of the discriminatory features of the class rate structure. It was only an approximation of that result, the complete step awaiting the new uniform classification. But the reasons justifying that partial measure likewise support the action of the Commission in commencing with class rates when it tackled the problem of territorial discriminations.

Eighth. A different problem is presented when we turn to the 10 per cent increase in class rates which the Commission prescribed for Official Territory. Appellants strenuously urge that this action of the Commission was unauthorized under the Act, even if the other portions of its orders were justified.

The finding of the Commission on this phase of the case was that the present class rates in Official Territory were below a just and reasonable level and should be increased 10 per cent as a part of the adjustment of the rate structure in order to remove the unlawfulness both as respects their unreasonable low level and their unduly preferential character. 262 I. C. C. 700–701, 704–705; 264 I. C. C. 62. That finding is said to be without support in the record and to lack the preliminary findings necessary to support it.

It is argued that rates are not unreasonably low in violation of § 1 unless they are either noncompensatory or otherwise threaten harmful effects upon the revenues and transportation efficiency of the carriers in question, or of their competitors. It is said, as is the fact, that no such findings were made by the Commission and that on this record there are no facts which could support such a finding.

If this were a case of determining whether existing rates passed below the lowest or above the highest reaches of reasonableness, the point might be well taken.[35] See *United States* v. *Chicago, M. St. P. & P. R. Co.*, 294 U. S. 499, 506. But we do not have here such a revenue problem. This case presents problems in rate relationships, that is to say, problems of a discriminatory rate structure condemned by § 3 (1). The Commission may remove a discrimination effected by rates even when they are within the zone of reasonableness, if the discrimination is forbidden by § 3 (1). As Mr. Justice Brandeis stated in *United States* v. *Illinois Central R. Co., supra*, p. 524, the mere fact that one rate is "inherently reasonable, and that the rate from competing points is not shown to be unreasonably low, does not establish that the discrimination is just. Both rates may lie within the zone of reasonableness and yet result in undue prejudice." The Commission has the power to adjust the rates, upwards and downwards, within that zone, in order to eradicate the discrimination. That power is not unlimited; there are standards which control its exercise. But as we shall see, the Commission acted within permissible limits here.

---

[35] The point might also be well taken if this were a proceeding under § 13 (4) to determine whether intrastate traffic was producing its fair share of the earnings required to meet maintenance and operating costs and to yield a fair return on the property devoted to interstate and intrastate transportation. *Florida* v. *United States*, *supra*; *United States* v. *Louisiana*, 290 U. S. 70; *North Carolina* v. *United States*, *supra*.

Once the Commission has found rates to be "unjust or unreasonable or unjustly discriminatory or unduly preferential or prejudicial," it is empowered to prescribe rates which are "just and reasonable" or "the maximum or minimum, or maximum and minimum, to be charged. . . ." § 15 (1). In *Youngstown Sheet & Tube Co.* v. *United States, supra,* the Commission, acting under § 15 (1), increased rail rates by prescribing what it found to be reasonable minimum rates. There was no finding that the existing, lower rates were not compensatory. The finding of reasonableness was premised on the grounds that "lower rates would create undue discrimination against shippers in origin districts who cannot use the water-rail route, and would tend to disrupt the rate structure, and to destroy the proper differentials between various producing districts on shipments to Ohio destinations." P. 479. The Commission relied not only on evidence bearing upon the character of the service and cost but also on a comparison of other rates in the same or adjacent territory. The Court sustained the order saying, "The existing rate structure furnished support for the finding of reasonableness." P. 480. In *Scandrett* v. *United States,* 32 F. Supp. 995, 996, aff'd 312 U. S. 661, the Commission had found that proposed reduced rates were "compensatory, considering all costs" but that they were below a minimum reasonable level and therefore unlawful. It took that action to prevent destructive competition between rail, water, and motor carriers. The court sustained the order. And see *Jefferson Island Salt Min. Co.* v. *United States,* 6 F. 2d 315.

These cases, to be sure, recognize the power of the Commission so to fix minimum rates as to keep in competitive balance the various types of carriers and to prevent ruinous rate wars between them. That plainly is one of the objectives of the Act, and one of the reasons why the Commission was granted the power to fix minimum rates by the Transportation Act of 1920. See H. R. Rep. No. 456, 66th Cong., 1st Sess., p. 19. Cf. *Mississippi Valley Barge Co.* v. *United States,* 292 U. S. 282. But the elimination of discrimination occupies an equally high place in the statutory scheme. And, as we have said, the power granted the Commission under § 15 (1) includes the power to prescribe rates which will substitute lawful for discriminatory rate structures. If the Commission were powerless to increase rates to a reasonable minimum in order to eliminate an unlawful discrimination, unless existing rates were shown to be non-compensatory or unless ruinous competition would result, it would in some cases be powerless to prescribe the remedy for unlawful practices. The present case is a good illustration. A 10 per cent reduction of rates in the South and West would remove only part of the discrimination. On this record it is most doubtful that a full reduction of those rates to the level of Official Territory would be warranted. Yet if the rates in Official Territory may not be increased unless the present ones are shown to be non-compensatory, discrimination against the South and West and in favor of Official Territory would continue to thrive. For shippers in Official Territory would still have a preferred rate, as compared with shippers from the South and West, in reaching the great markets of the East—a preference not shown to be warranted by territorial conditions. The raising of rates to a reasonable minimum was, therefore, as relevant here as it was in *Youngstown* v. *United States*, *supra*, to the Commission's task of providing a rational rate structure.

The authority of the Commission to increase rates in order to remove discrimination, even though existing rates may be compensatory, is not unlimited. Section 15a (2) of the Act provides:

> "In the exercise of its power to prescribe just and reasonable rates the Commission shall give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable the carriers, under honest, economical, and efficient management to provide such service."

The balancing and weighing of these interests is a delicate task. "Whether a discrimination in rates or services of a carrier is undue or unreasonable has always been regarded as peculiarly a question committed to the judgment of the administrative body, based upon an appreciation of all the facts and circumstances affecting the traffic." *Swayne & Hoyt, Ltd.* v. *United States*, 300 U. S. 297, 304. And see *United States* v. *Chicago Heights Trucking Co.*, 310 U. S. 344, 352–353; *Barringer & Co.* v. *United States*, 319 U. S. 1, 6–7. We may assume, however, that if the rates of return of the eastern carriers were substantially above that for the South and the West, an increase of the rates for the former would not be permissible, even in order to remove a discrimination. But, as we have seen, the rate of return in recent years[36] has favored the southern and western carriers, as have the freight operating ratios. The Commission took those factors, as well as the others we have reviewed, into consideration in determining that an increase in rates in Official Territory was warranted. 264 I. C. C. 61–62.

Revenue needs, like costs of rendering the transportation service, are germane to the question whether differences in territorial rate structures are justified by territorial conditions. They are amongst the standards written into § 15a; they reflect the totality of conditions under which the carriers in the respective territories operate. Should the Commission fail to consider them in determining whether the discrimination inherent in the rate struc-

---

[36] As we point out hereafter, after the present interim orders were issued, the Commission granted a general freight rate increase. See *Ex parte No. 162*, note 37, *infra*. In that case it reviewed the rates of return of the roads in the several territories based on the rates in effect at the time, which of course did not include the 10 per cent increase in class rates for Official Territory authorized in this proceeding but stayed by the District Court. What the Commission said in *Ex parte No. 162* corroborates its finding in the present case concerning the greater relative revenue needs of the roads in Official Territory:

"On the basis of the interim rates in effect since July 1, 1946, the rate of return for the eastern district will be considerably less for 1946 than in the Pocahontas region, the southern region, or the Western district, even though an additional increase of 5 percent in certain rates in official territory was authorized and has been in effect since July 1, 1946. It also appears that even on the basis of the increases sought in *Ex Parte No. 162* and the railroads' estimates of revenue, the rate of return in the eastern district for 1946 will be less than the rate of return in the Pocahontas region, the southern region, or the western district." 266 I. C. C. 548.

The latter estimates of the rate of return in per cent are as follows:

Eastern District	2.06
Pocahontas Region	6.26
Southern Region	4.01
Western District	3.31

tures was unwarranted, it would have not completed its task. There may be differences of opinion concerning the weight to be given those factors, especially the weight to be given the rate of return in the current years as opposed to that in the preceding decade. But their significance is for the Commission to determine; and, though we had doubts, we would usurp the administrative function of the Commission if we overruled it and substituted our own appraisal of these factors.

Ninth. After the present interim orders were issued, the Commission granted a nationwide increase in all freight rates.[37] It is argued that this rate increase has rendered the interim orders with which we are here concerned obsolete and unenforcible. It is said that in making the general rate increase, the Commission found greatly different conditions affecting transportation rates from those it found in these proceedings; that the greater increases allowed in Official Territory [38] undo the uniformity policy on which the interim orders are framed; and that the enforcement of the interim orders in light of these changed conditions would produce results plainly not contemplated.

This is not a case where by reason of changed conditions the record is stale. The changed circumstances do not affect the issues here. Cf. *Interstate Commerce Commission* v. *Jersey City,* 322 U. S. 503, 515; *United States* v. *Pierce Auto Lines,* 327 U. S. 515, 535. To repeat, this is a proceeding to eliminate territorial rate differences not justified by territorial conditions. The general rate increase recently granted by the Commission was a revenue proceeding. Revenue adjustments can be and are superimposed on such rate structures as exist. The fact that revenue adjustments may produce lack of uniformity in rates is not inconsistent with the decision in the present case. As we said earlier, § 3 (1) does not dictate a policy of national uniformity in rates; it only requires that the lack of uniformity in rates among and between territories be justified by territorial conditions. The finding of the Commission, if supported by evidence, that the revenue needs of carriers in one territory demand a lower or a higher rate in that territory is a justification for a difference in rates as between that territory and other territories. The order of the Commission granting the general rate increase is not before us and we intimate no opinion on it. It is sufficient for our present purposes to say that it emphasizes the distinction between revenue and rate relationship cases and in no way impairs the finding in the present case that the existing class rate structure that has prevailed in the several territories stands condemned under § 3 (1). Nor is there any inherent inconsistency between the interim orders reducing class rates and the recent order increasing all rates. The latter was based on conditions in a period subsequent to the discrimination proceedings. Whether the general rate increase will require adjustments in the new permanent uniform scale which awaits the new uniform classification is a question for the Commission when the new classification is ready.[20]

---

[37] *Ex parte No. 162,* interim report 264 I. C. C. 695, final report December 5, 1946, 266 I. C. C. 537. This increased most basic freight rates by 15 to 25 per cent. Rates on articles under the general commodity grouping of Manufactures and Miscellaneous, class rates and rates on less-than-carload and any-quantity traffic were increased 25 per cent in Official Territory, 20 per cent within and between other territories, and 22.5 per cent between Official Territory and points in other territories. Express rates were increased October 28, 1946. *Ex parte No. 163,* 266 I. C. C. 369.

[38] See note 37, *supra.*

---

[20] That the order granting the general freight rate increase did not affect the orders in the present proceeding is made clear by the following provision:

"That outstanding unexpired orders in other proceedings are hereby modified so as to permit the increases in freight rates and charges

Other issues raised by appellants need not be discussed. The injunction staying the orders of the Commission is vacated and the judgment of the District Court dismissing the petitions is

Affirmed.

---

herein authorized to be established; *Provided*, however, that the provisions of this paragraph shall not be construed to suspend or supersede or modify or affect the findings and order entered in *Class Rate Investigation, 1939*, Docket No. 28300, the operation of which is stayed by court order. . . ."

See *Ex parte No. 162, supra*, note 37.

SUPREME COURT OF THE UNITED STATES

Nos. 343, 344 and 345.—October Term, 1946.

State of New York, State of Delaware, State of Indiana, et al., Appellants,
343 *v.*
The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Horace A. Hildreth, Governor of the State of Maine, et al., Appellants,
344 *v.*
The United States of America, Interstate Commerce Commission, et al.

The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company, Chicago, Burlington & Quincy Railroad Company, et al., Appellants,
345 *v.*
The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Appeals from the District Court of the United States for the Northern District of New York.

[May 12, 1947.]

Mr. Justice Frankfurter, dissenting.

In a case involving issues much narrower than those now here, the Court, only the other day, struck down an order of the Interstate Commerce Commission for want of adequate findings. *Interstate Commerce Commission* v. *Mechling*, 330 U. S. —, slip opinion at pp. 14–15. Although in that case there were explicit findings, the Court deemed them inadequate because they were based on "unsifted averages." In a series of cases the Court has set aside orders of the Interstate Commerce Commission because of the failure of the Commission to ascertain and to formulate with clarity and definiteness the transportation and economic circumstances which alone could justify the order, and thereby afford this Court assured basis for concluding that the Commission had duly exercised its allowable judgment on the factors underlying the ultimate issues. See *Florida* v. *United States,* 282 U. S. 194; *United States* v. *Baltimore & Ohio R. Co.,* 293 U. S. 454; *Atchison, Topeka & Santa Fe R. Co.* v. *United States,* 295 U. S. 193; *United States* v. *Carolina Freight Carriers Corp.,* 315 U. S. 475; *City of Yonkers* v. *United States,* 320 U. S. 685; *Eastern-Central Motor Carriers Association* v. *United States,* 321 U. S. 194; *North Carolina* v. *United States,* 325 U. S. 507; *Alabama* v. *United States,* 325 U. S. 535. Not one of these cases involved an order having a reach comparable to the reach of the order now before us. We are asked to sustain an order that readjusts the class rates of the whole country barring only the territory west of the Rockies—an order that changes not only the rates within the various rate territories in this vast region, but changes the relation of the rates inter-territorially. I am not unmindful of the complicated nature of the problem which confronted the Commission, of the empiric character of the process of rate-making, of the limited scope for judicial review in this process, of the respect to be accorded to the Commission's conclusions. *Board of Trade* v. *United States,* 314 U. S. 534. But when the outcome of legal issues is bound to cut deeply into economic relations on such a scale, it is not asking too much to ask the Commission to be explicit and definite in its findings on the elements that are indispensable to the validity of its order.

When inter-territorial discrimination is complained of, at least two basic issues confront the Commission: (1) Is there discrimination? (2) If there is, how is the discrimination to be abated? The Commission cannot eliminate discrimination—*i. e.*, harmonize the rate relations between territories—in disregard of the reasonableness of the readjusted rates within each territory. The Interstate Commerce Act must be applied in its entirety and the different sections which make an articulated whole cannot be treated disjointedly. Such is the teaching of our cases, especially of *Texas & Pacific R. Co. v. Abilene Cotton Oil Co.*, 204 U. S. 426, and *Intermountain Rate Cases*, 234 U. S. 476—the two cases which beyond all others give the controlling considerations in construing the Interstate Commerce Act.

And so the Commission is not empowered to remove discrimination between two territories without at the same time considering whether the remedies proposed for such removal fit the requirement of reasonableness of rates. It may not lower the rates in a territory beyond the level which gives the carriers an income sufficient to enable them to operate effectively as part of the nation's transportation system. And the Commission may not raise rates to a level which would exact freight charges from shippers beyond a rate structure that is reasonable. The small proportion of freight that moves on class rates is no measure of the importance of those rates to the total earnings of carriers. Unreasonable rates—whether unreasonably high or unreasonably low—even on a fraction of the freight, may make the difference between earnings to which carriers are entitled under the Interstate Commerce Act and those to which they are not entitled for discharging their duty as part of the national transportation system. We are without informing findings on these issues. But even if one were to consider questions of discrimination in isolation, inequality—the essence of discrimination—cannot be dealt with mechanically by taking a percentage off one territory and adding it to another. The Procrustean bed is not a symbol of equality. It is no less inequality to have equality among unequals. The findings do not reveal how it happened that putting 10% on and taking 10% off respectively will beget just the right adjustment. I am not suggesting that one might not dig out of the record inexplicit, argumentative support for the view that an increase of 10% in Official Classification Territory rates will still leave the level of rates within that Territory not unreasonable, and that a decrease of 10% in Western Territory will leave the carriers the required reasonableness of rates within that Territory. But it is not conducive to a fair administration of the Interstate Commerce Act, nor is it consonant with the proper discharge of this Court's task, to require us to dig out indications or evidence giving appropriate answer to these issues from a record consisting of nearly 13,000 pages spread over 21 volumes, which led to a report by the Commission of 320 pages.

The District Court acknowledged the absence of finding on such issues. Said the court: "it has been argued that there can be no increase in class rates in Official Territory unless there is first a so-called primary finding, supported by substantial evidence that the present rates are not compensatory. While that fact, if proved, would have been of much significance, the failure to prove it and the consequent lack of a finding that present rates are confiscatory does not leave the Commission's finding that the rates are unlawful unsupported by substantial evidence." 65 F. Supp. 856, 873. But the fact that the rates in Official Territory may, as a matter of abstract comparison, be out of line with the rates in Western or Southern Territory is hardly proof that the rates in Official Territory should be increased by the same flat percentage as the rates in the other territories should be decreased. Such a flat increase in Official Territory may make the proposed new rates unlawful because unreasonable. While a 10% decrease in rates in Western Territory may eliminate unfairness to shippers in that territory, it does not follow that a corresponding 10% increase in Official Territory rates will not result in unfairness to shippers there.

One can hardly read the concurring and dissenting views to the Commission's Report without being left with uncertainty regarding the basis of the Commission's order.

> "The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things." (Commissioner Porter, dissenting, 262 I. C. C. 447, 709, 717; and see dissenting views of Commissioner Barnard, *id.* at 725.)

According to two of the Commissioners the record is wholly inadequate to support a finding that class rates within Official Territory are unreasonable under § 1 of the Act. See 264 I. C. C. 69–70. Certainly the Commission did not make an explicit finding that they are unreasonable. If there is any such finding, it must be sought for as would a needle in a haystack. The Commission's order ought not to be allowed to rest on such dubious foundations.

Nor can such a mechanical or abstractly mathematical readjustment of rates inter-territorially be justified as a tentative adjustment. Of course, the Commission may generalize a sufficient number of typical instances and make a flat readjustment within a territory, leaving instances of unreasonableness to be taken out of such an order upon individual application. This is what the Commission did, and what this Court sustained, in the *New England Divisions Case,* 261 U. S. 184. The order in that case, directing a 15% increase in the share of the New England railroads in the joint through-freight rates, was based upon evidence "which the Commission assumed was typical in character, and ample in quantity, to justify the finding made in respect to each division of each rate of every carrier." 261 U. S. at 196–97. The Court found that the established practice in rate litigation, the nature of the hearing before the Commission, the evidence submitted, the findings made, the opportunities to apply for modifications in typical situations, amply supported the Commission's findings. The present record, as reflected in the Commission's report, does not present a comparable situation. One gets the impression that the adjustment of a flat 10% decrease in the rates outside the Official Territory and a flat increase of 10% within that Territory is attributable, fundamentally, to a laudable desire on the part of the Commission to secure uniform classification throughout the country. The Commission was not prepared to make such a classification, but it made these rate changes in the hope that they would exert pressure on the carriers to agree upon a uniform classification. It is in relation to that hope that it is urged that the order is merely a conditional or tentative order—conditioned upon agreement by the carriers upon a uniform classification. But to condition the order on the realization of that hope is to condition it, if experience be any guide, on the Greek kalends.

What this Court said in *United States* v. *Chicago, Milwaukee, St. Paul & Pacific R. Co.*, 294 U. S. 499, 510–11, involving a rate adjustment within a very limited territory, with no such far-reaching consequences as the order now under review, has enhanced applicability to the present order of the Commission. "We would not be understood as saying that there do not lurk in this report phrases or sentences suggestive of a different meaning. One gains at places the impression that the Commission looked upon the proposed reduction [initiated by a carrier] as something more than a disruptive tendency. . . . The difficulty is that it has not said so with the simplicity and clearness through which a halting impression ripens into reasonable certitude. In the end we are left to spell out, to argue, to choose between conflicting inferences. Something more precise is requisite in the quasi-jurisdictional findings of an administraative agency. *Beaumont, S. L. & W. Ry. Co.* v. *United States*, 282 U. S. 74, 86; *Florida* v. *United States*, 282 U. S. 194, 215. We must know what a decision means before the duty becomes ours to say whether it is right or wrong."

Administrative experts no doubt have antennae not possessed by courts charged with reviewing their action. And so it may well be that to the expert feel the justifiable correction of an imbalance between Official Territory rates and the rates of other territories is a shift of 10% in the respective rates—Official Territory rates increased 10% and rates elsewhere decreased 10%. But courts, charged as they are with the review of the action of the Commission, ought not to be asked to sustain such a mathematical coincidence as a matter of unilluminated faith in the conclusion of the experts.

I would reverse the decree and order the proceedings returned to the Interstate Commerce Commission.

SUPREME COURT OF THE UNITED STATES

Nos. 343, 344 AND 345.—OCTOBER TERM, 1946.

State of New York, State of Delaware, State of Indiana, et al., Appellants,
343 *v.*
The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Horace A. Hildreth, Governor of the State of Maine, et al., Appellants,
344 *v.*
The United States of America, Interstate Commerce Commission, et al.

The Atchison, Topeka and Santa Fe Railway Company, Beaver, Meade and Englewood Railroad Company, Chicago, Burlington & Quincy Railroad Company, et al., Appellants,
345 *v.*
The United States of America, Interstate Commerce Commission, State of Alabama, et al.

Appeals from the District Court of the United States for the Northern District of New York.

[May 12, 1947.]

MR. JUSTICE JACKSON, dissenting.

I find it impossible to agree with this extraordinary decision. I will discuss but one of its phases—that which is treated in subdivision Eighth of the Court's opinion. This holds that the Interstate Commerce Commission has, and rightfully has exercised, the power to add 10% to certain basic freight rates affecting the Northeastern part of the United States. This increase was not asked by the railroads, goes to the prosperous and the insolvent ones alike, and is not even claimed to be necessary to pay the cost of service and a fair return on the property used in rendering it. This additional assessment is in no sense compensation for handling the traffic which the railroads concede was adequately compensated before. It is really a surtax, see Brandeis, J., in *New England Divisions Case,* 261 U. S. 184, 196, added solely to increase shipping costs in the Northeastern part of the United States for the purpose of handicapping its economy and in order to make transportation cost as much there as it does in areas where there is less traffic to divide the cost. The surcharge burdens the territory where fifty percent of the consuming population of the United States resides by adding an estimated $15,000,000 per year to its shipping bills. It adds that much to the revenues of the Northeastern railroads with no showing or finding that it is needed to meet costs of furnishing railroad service.

The most important reason advanced for sustaining this order is the claim that this surcharge is to cure a discrimination in favor of the Northeastern territory against the South and West. Briefly and generally, the discrimination is said to consist in this: Mile for mile, a higher average charge is made for transportation under the present classifications in the more sparsely settled areas of the South and West than is made in the denser traffic regions of the Northeast. Why, then, should not the alleged discrimination be removed by lowering the high rates of the South and West? The answer is that they cannot be reduced further than the ten percent already ordered in this proceeding, because the railroads of the South and West, in view of their costs, could not bear further decrease. So the only other way of equalizing the rates and making it as costly to move goods there as anywhere in the United States, is to make the shippers in the Northeastern territory pay the railroads this additional 10% which they have not asked and do not need.

The Court's approval of this order is based on an entirely new theory of "discrimination." It has never before been thought to be an unlawful discrimination to charge more for a service which it cost more to render. Discrimination heretofore has been found to exist only when an unequal charge was exacted for a like service, or vice versa. But now it is held to be an unlawful discrimination if railroads of the Northeast do not make the same charge as other railroads in the South or West, for a different transportation under different cost conditions. The Government frankly advocates this new concept of discrimination as necessary to some redistribution of population in relation to resources that will reshape the nation's social, economic and perhaps its political life more nearly to its heart's desire. It says in its brief to us:

> "There is no direct relation between the distribution of natural resources and the distribution of population in the United States. It happens that some of the areas richest in natural resources in the United States are sparsely populated. If the raw materials making up those natural resources are to be converted into finished products in that vicinity, allowing the area some economic benefit from their conversion, it will be necessary to transport considerable volumes of finished goods for long distances. Necessarily minerals are obtained where the deposits occur, and agricultural products must be produced in areas of suitable soil and climate. It is the task of the transportation system to carry commodities from points of production to consuming centers throughout the United States and to the ports for export. The more freely and cheaply the products are carried, the more competition there will be, the more production there will be, and the better will our transportation system serve our national economy.

> The maintenance of a sound national economy requires the proper use of natural resources to insure reasonable economic opportunity of a stable nature for the people in each of the regions of the country. As indicated, population distribution is not in accord with the distribution of natural resources, and it would require many years for people to move to where these resources are, assuming it possible to induce such millions to migrate, or that it would be wise policy to do so even if possible. There are also areas of one-crop agriculture in which the people face readjustments to restore and protect the land and to obtain additional sources of livelihood.
>
> In view of all this, one of the basic principles in making freight rates should be the elimination of rate barriers against regional development, not to change our economy, but to remove discriminatory conditions which unfairly and unlawfully prevent the possibility of change."

The Court's entire discussion of the discrimination feature of this case is an acceptance of the Government's position without which the last support for this order would fail.

No authority can be found in any Act of Congress for the imposition of this surcharge on the Northeast solely to penalize it for being able to transport goods cheaper due to its density of population and volume of traffic. The policy of Congress remains as it long has stood: "adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service." Interstate Commerce Act, § 15a (2), 48 Stat. 220, 54 Stat. 912, 49 U. S. C. § 15a (2). Congress has never intimated, much less declared, a purpose to deprive the territory in which fifty percent of the nation's consumers reside of the benefit of this policy. The Ramspeck resolution did no more than to direct the Commission's attention to earnest complaints that the South and West were being mistreated in the matter of rail rates, and very properly to direct that they determine such complaints on their merits. True, in 1940 the provision prohibiting undue prejudice and preference was amended by the addition of "region, district, territory," to the list of persons or things not to be unduly prejudiced or preferred. Transportation Act, 1940, § 5 (a), 54 Stat. 902, 49 U. S. C. § 3 (1). But the Act already prohibited undue prejudice or preference to any "locality" and it is conceded that the 1940 Act made no change in the substantive law of discrimination. Senator Wheeler, Chairman of the Interstate Commerce Committee of the Senate, showed clearly that while it would "make toward the equalization of rates," 84 Cong. Rec. 6072, it was not intended to accomplish what is here attempted. The following colloquy occurred:

> "Mr. Frazier. Is it the expectation of the committee that by the amendment in section 52 [now section 5 (b) of the Act] the rates in the various classification territories will be equalized or made the same in different territories?
>
> "Mr. Wheeler. I do not think that is possible.
>
> "Mr. Frazier. I do not see how it is possible. I was wondering what the intention was.
>
> "Mr. Wheeler. It is not possible for a number of reasons. For example, it costs more to carry freight over the mountains in two trains than to carry it on the plains in one train. Likewise, we must recognize the fact that railroad transportation service and rates depend somewhat on the intensity of the traffic. In long stretches of territory with no traffic, shippers must pay more for railroad service than do shippers in a densely settled part of country where traffic is plentiful and where there is much competition from busses, trucks, and things of that kind. However, it

seems to me from my study of the question that apparent inequalities ought to be corrected. . . .

"MR. FRAZIER. In North Dakota we have a large volume of wheat to transport in the fall of the year, and because we have that large volume, and because our territory is practically level, we have a rather beneficial rate on wheat as compared with some other territories. Our railroad commission and traffic experts are afraid that the provision to which reference has been made will take that special rate away from us.

"MR. WHEELER. I believe this provision will help the people of the Senator's State rather than harm them in many respects.

"MR. FRAZIER. We have a much lower rate than prevails in many other sections of the country. If rates are to be equalized, it will mean raising our rates.

"MR. WHEELER. The bill does not mean that rates are to be equalized. . . . The people of the Senator's State might just as well disabuse their minds of the fear that as a result of the bill they will lose any benefit which they now have. . . ." (84 Cong. Rec. 5890.)

The Court never before has confided to any regulatory body the reshaping of our national economy. In *Texas & Pacific R. Co.* v. *United States,* 289 U. S. 627, the following statement of the law was made: "A tariff published for the purpose of destroying a market or building up one, of diverting traffic from a particular place to the injury of that place, or in aid of some other, is unlawful; and obviously, what the carrier may not lawfully do, the Commission may not compel." 289 U. S. at 637. See also *Southern Pacific Co.* v. *I. C. C.,* 219 U. S. 433; *I. C. C. v. Diffenbaugh,* 222 U. S. 42, 46; *United States* v. *Illinois Central R. Co.,* 263 U. S. 515, 524.

The Interstate Commerce Commission also accepted this as the law. In *Stoves, Ranges, Boilers, etc.*, 182 I. C. C. 59, the majority said, "It is not within our power to equalize natural disadvantages of locations," 182 I. C. C. at 68, and Commissioner Eastman was even more explicit, saying, 182 I. C. C. at 74:

> "However, it is undeniable, I think, that in the past both southern manufacturers and southern carriers have shown a tendency to demand that the rates to the North be equalized in level with those within the North, on the ground that such equalization is commercially essential to the southern industries. It is a sufficient answer to say that it is not our province to equalize commercial conditions. However, the evidence in this case has served a useful purpose in making it quite clear that the southern manufacturers have certain advantages over their northern rivals, so far as operating and overhead costs are concerned, which would have to be taken into consideration if it were our duty to equalize commercial conditions through an adjustment of freight rates."

The Court shrouds this simple legal issue as to whether there is power to levy this surtax on the Northeast, in elaborate discussions of the evils of existing freight classifications and affirmations of the Commission's power to correct them. Neither of these propositions have ever been in doubt. But what importance can the Commission's power over classifications have in testing validity of this order? To correct classification was the asserted object of this proceeding, but that power has not been exercised at all. Not one classification is changed. Instead, a flat boost is made against traffic in the Northeast and a flat reduction for traffic in the South and West is ordered, leaving every inequality, discrimination, injustice or illegality in classifications just where the Commission found them. If there is proof of specific discrimination, injustice and illegalities in this case, why are they not now ordered corrected? If there is not sufficient proof of any specific discrimination, how can we hold that there is a general discrimination so extensive as to warrant this levy on the Northeast to correct them?

Perhaps the most incomprehensible of the Court's grounds for sustaining this order is that we do not have here a "revenue problem." It is admitted that the Northeastern rates before increase are not proved nor found by the Commission to be noncompensatory to the railroads, or otherwise to threaten harmful effects upon the revenues and transportation efficiency of the carriers who get the increase. It also is admitted that the absence of such proof and findings might be fatal to this increased rate, for "If this were a case of determining whether existing rates passed below the lowest or above the highest reaches of reasonableness, the point might be well taken." Can the label affixed to a proceeding make legal what under another label would be invalid? Because the proceeding professes to correct classifications, a purpose now long and indefinitely deferred, may it be used incidentally to raise the rates of the whole Northeastern territory without any showing of need therefor? Whether we call the case a "revenue case" or something else, and whether we decline to denominate the problem a "revenue problem" and style it something else, the *order* under review is a *revenue order* and nothing else. It adds 10% to the revenues of the Northeastern roads from traffic moving under the rates in question; it knocks 10% off from the Southern and Western traffic under them. It exacts for the railroads added revenues; it lays on shippers the burden of providing those added revenues. This order admittedly might be invalid if the increased revenue were given to the railroads because they had made a claim to need it, and had only the present evidence and findings to support an allowance of their claim. So the conclusion is that the order is valid only because the railroads have no revenue problem and have not made a case entitling them to increased revenue. That is all I can get from the answer that it is a valid order only because "we do not have here such a revenue problem."

I long have heard the complaint that freight rates discriminated against the South. I have been inclined to suspect it to be true and have hoped to see an impartial and exhaustive study and decision on the subject. But this case does not meet that description. The student of economics will be puzzled at the Court's citation of the fact that the average employed person in the South earns only half as much as those in the Northeast as being in some way attributable to these freight rates. And the student of the judicial process will find instruction in the contrast between today's decision and that of *Interstate Commerce Commission* v. *Mechling*, — U. S. —, in its regard for inherent advantages, in its attitude to "unsifted" averages as a basis for raising rates and in its deference to the administrative expertise of the Interstate Commerce Commission.

I am not unaware of the difficult position in which the Interstate Commerce Commission finds itself in cases of this character. Commissioner Eastman gave voice to it in dissent in *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255, 333, as follows:

> "The Commission is called upon to decide this case, on the record, after it has in effect been decided, in advance and without regard to the record, by many men in public life, of high and low degree, who have freely proclaimed their views on what they conceive to be the basic issues. Their thesis has been that the section of our country generally known as the South is our 'Economic Problem No. 1', because, among other things, it is low in industrial development, and that a major reason for this condition has been and is an unfair adjustment of freight rates which has favored the producers of the North and burdened those of the South. It has become a politi-

Higgin

> cal issue. While, however, the South gave birth to the issue, public representatives of the West now cry out against like supposed oppression, and public representatives of the North or East, as it is variously called, have risen in defense of their section.
>
> "Under such conditions, it is not easy to decide the case without being influenced by emotional reactions, one way or the other, which should play no part in the decision."

But by administrative succession and judicial fiat the regulatory power of the Federal Government over commerce is now used to force a surtax on transportation of one section of the country admittedly not needed to compensate the railroad for the carriage but to take away from its inhabitants one of the advantages inherent in its density of population, regardless of the disadvantages which density of population also causes.

The observation of Commissioner Mahaffie in this case seems to me appropriate and accurate:

> ". . . In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly. The prejudice findings on which the new adjustment is largely predicated are calculated, if carried to a logical conclusion, to lead to a rigid rate structure based on mileage. While this may seem on its face to be equitable its accomplishment would entail radical industrial and agricultural readjustments. I doubt if the country should be required to incur the expense of making them." (262 I. C. C. at 708.)

MR. JUSTICE FRANKFURTER joins in this opinion.